

Regional Update

The Texas economy remains in a mild but prolonged recession, during which its employment has grown at roughly the same rate as the nation's. Absent a sharp drop in oil prices, such a development is unusual for Texas. Since 1992, Texas employment has grown at an annual rate 0.7 percent faster than the nation's. Interestingly, only 0.2 percentage point of that growth was due to Texas having larger shares of fast-growing industries. The other 0.5 percentage point was the result of Texas industries growing faster than their national counterparts.

Following sharp losses in 2001, Texas employment contracted slightly in 2002. The manufacturing sector has taken the brunt of the job losses. In October 2002, weekly hours worked in Texas manufacturing fell to 41.7, the lowest level since Febru-

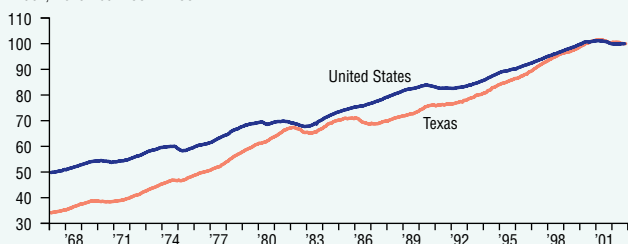
ary 1991. The energy industry continues to contribute little; high energy prices are hurting other sectors but not doing much for oil field activity because the prices are not seen as sustainable. The construction sector continues to cool. The number of homes in inventory has risen to six months, the highest level since 1997. Total Texas mortgage loans past due rose to 6.4 percent in October, roughly the level of early 1991.

The Texas recovery could remain jobless until mid-2003. Texas' typical sources of strength—high tech, exports to Mexico, construction and energy—are unlikely to show much vigor in the early part of the year. In addition, many Texas industries are suffering from overcapacity and structural changes and are not responding to lower interest rates.

—Fiona Sigalla

Texas and U.S. Employment Growing at Similar Pace

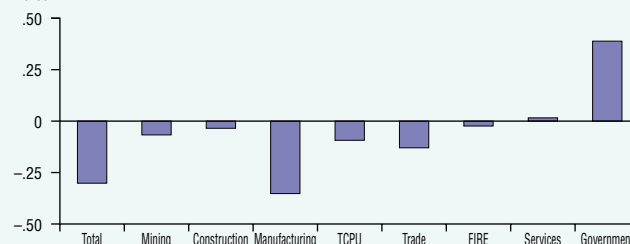
Index, November 2002 = 100*



*Total nonfarm employment.

Sector Contributions to Total Texas Employment, 2002

Percent*

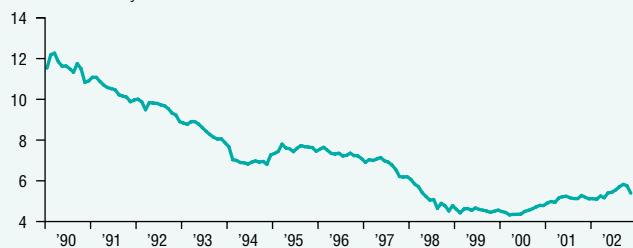


*Year-to-date, seasonally adjusted, annualized rate. Data are through November.

NOTE: TCPU is transportation, communications and public utilities; FIRE is finance, insurance and real estate.

Texas Home Inventory Rises

Months in inventory*

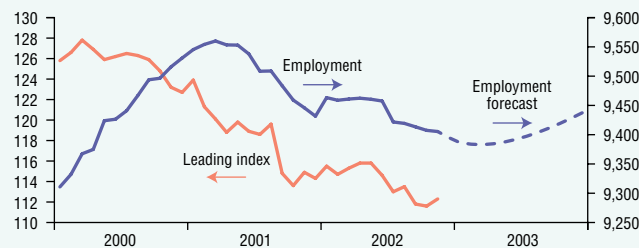


*Seasonally adjusted.

SOURCE: Texas A&M University.

Texas Leading Index and Employment Forecast

Index*



*Seasonally adjusted.

Regional Economic Indicators

TEXAS EMPLOYMENT*

TOTAL NONFARM EMPLOYMENT*

	Texas Leading Index	TIPI† total	Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
11/02	112.3	124.0	156.1	556.7	993.9	1,630.8	6,067.9	9,405.4	1,919.4	765.6
10/02	111.6	124.5	156.2	556.3	996.0	1,628.1	6,070.8	9,407.4	1,921.2	764.1
9/02	111.8	125.2	155.8	556.0	998.5	1,626.5	6,076.6	9,413.4	1,920.4	759.5
8/02	113.5	125.1	158.2	556.3	1,001.9	1,621.5	6,081.4	9,419.3	1,922.0	759.6
7/02	113.0	125.3	156.8	558.9	1,005.1	1,618.2	6,082.7	9,421.7	1,912.5	762.8
6/02	114.6	124.9	158.0	559.3	1,006.2	1,621.7	6,112.3	9,457.5	1,916.7	762.5
5/02	115.8	125.0	159.3	559.9	1,009.7	1,614.4	6,117.2	9,460.5	1,919.9	761.0
4/02	115.8	124.5	160.1	559.7	1,012.6	1,610.3	6,119.6	9,462.3	1,921.4	761.1
3/02	115.3	124.1	159.5	560.0	1,014.0	1,609.8	6,117.6	9,460.9	1,923.5	762.5
2/02	114.7	124.4	160.8	559.4	1,018.0	1,606.7	6,113.9	9,458.8	1,922.9	762.9
1/02	115.5	124.5	161.7	561.1	1,024.8	1,603.4	6,112.3	9,463.3	1,926.1	762.2
12/01	114.3	125.4	161.9	559.7	1,024.5	1,597.2	6,088.3	9,431.6	1,925.5	758.3

* In thousands. † Texas Industrial Production Index.

For more information on

employment data, see "Reassessing Texas Employment Growth" (*Southwest Economy*, July/August 1993). For TIPI, see "The Texas Industrial Production Index" (Dallas Fed *Economic Review*, November 1989). For the Texas Leading Index and its components, see "The Texas Index of Leading Indicators: A Revision and Further Evaluation" (Dallas Fed *Economic Review*, July 1990). Online economic data and articles are available on the Dallas Fed's Internet web site, www.dallasfed.org.