

Regional Update

Texas posted a steady employment gain of 1.3 percent in 2004 and 2 percent annualized in January 2005, underscoring its improving overall health since bouncing back from recession in August 2003. The Texas Coincident Index, an aggregate indicator of statewide economic activity, is in positive territory.

Overall, the state added 125,500 jobs in 2004, with nearly 85 percent of net job creation propelled by services. Seven out of 10 sectors contributed to an arguably broad-based Texas recovery. Increasing oil prices led to heightened energy activity, keeping the natural resources and mining sector afloat; and a late boom drove the construction and information sectors into positive territory in third quarter 2004. Except in manufacturing, which continued its job-loss streak in January 2005, Texas closed 2004—and started 2005—on a high note.

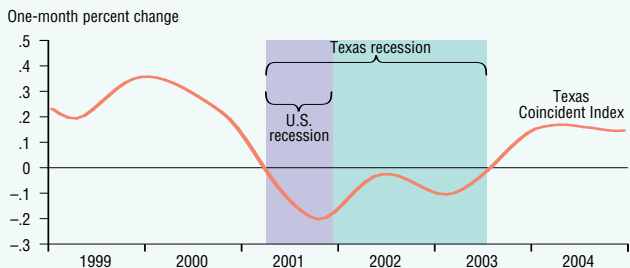
A deeper look into the manufacturing sector reveals the effect

of restructuring—rising output and falling employment. With improved production processes, higher productivity of the existing workforce and a shift of focus from labor- to capital-intensive industries, the consequence is greater output per worker.

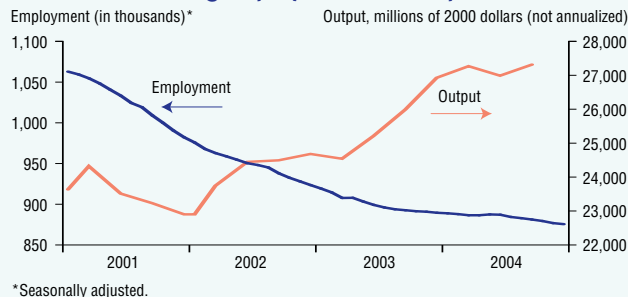
As manufacturing output burgeons in the wake of productivity increases, a weak dollar provides further impetus by stimulating export demand. Increasing domestic production for export bolsters several sectors, and railroads represent one such instance. Recent increases in oil prices have hurt railroads less than they have the trucking sector. In addition, increased shipping demand for such items as coal and heavy machinery for export and for domestic use has boosted railroad shipments. As a result, the 2,000 jobs gained in the railroad sector have, to some extent, been able to offset the 2,400 jobs lost in trucking.

—Raghav Virmani

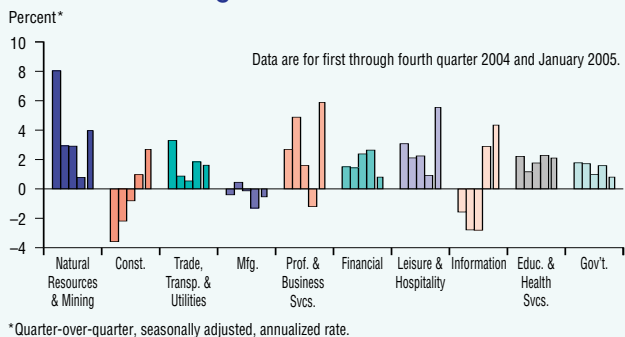
Texas Economic Growth Flat but Positive



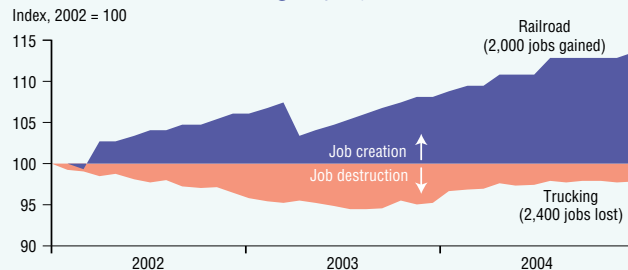
Texas Manufacturing Employment and Output



Most Sectors Showing Job Gains



Texas Railroad and Trucking Employment



Regional Economic Indicators

	TEXAS LEADING INDEX		TEXAS EMPLOYMENT*					TOTAL NONFARM EMPLOYMENT*		
	TEXAS LEADING INDEX	TIPIT† total	Mining	Construction	Manufacturing	Government	Private service-producing	Texas	Louisiana	New Mexico
1/05	120.3	130.2	153.0	542.2	885.1	1,666.7	6,288.7	9,537.4	1,927.6	799.8
12/04	121.2	129.5	152.5	541.0	885.5	1,665.6	6,275.3	9,521.6	1,916.9	799.1
11/04	119.3	129.1	152.1	540.7	887.2	1,663.7	6,268.1	9,513.5	1,920.3	796.9
10/04	118.8	128.8	151.7	540.3	888.1	1,662.5	6,259.5	9,503.6	1,919.3	795.1
9/04	118.2	129.8	151.9	539.7	888.4	1,659.1	6,249.7	9,490.8	1,913.5	792.6
8/04	118.0	129.4	151.4	539.3	890.2	1,658.6	6,250.0	9,491.4	1,921.3	791.2
7/04	117.3	129.3	151.3	541.4	891.6	1,662.9	6,252.8	9,501.9	1,921.3	791.5
6/04	117.2	128.6	151.0	540.8	888.7	1,655.0	6,235.8	9,473.1	1,919.5	789.4
5/04	117.9	128.7	150.6	541.1	890.0	1,652.1	6,227.4	9,463.1	1,917.9	789.3
4/04	118.1	128.4	150.4	544.5	889.7	1,650.1	6,229.9	9,466.4	1,922.8	789.2
3/04	117.4	128.1	149.7	543.8	887.7	1,648.0	6,206.3	9,437.5	1,921.8	785.8
2/04	117.3	128.3	149.0	545.0	888.9	1,646.2	6,194.4	9,425.4	1,917.8	784.8

* 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.