

Regional Update

Hurricanes Katrina and Rita roiled economic activity and statistics, but aside from these unprecedented events, the Texas expansion has strengthened in recent months.

Storm evacuees stimulated the real estate market, particularly for apartments, and boosted demand for many goods and services. Oil production and refining activity was severely disrupted, but demand for energy products remains strong and repairs to industry infrastructure are under way. The extent and duration of the hurricanes' effect are still uncertain.

September's new claims for unemployment insurance jumped as a result of the hurricane disruptions. The Texas unemployment rate also increased sharply in September but was subsequently revised to a mild rise. While these effects are expected to be largely temporary, they are dampening growth in the Texas Coincident Index and have contributed to a decline in the Texas Leading Index.

The hurricanes also contributed to a sharp hike in the price of many goods and services, particularly energy, petro-

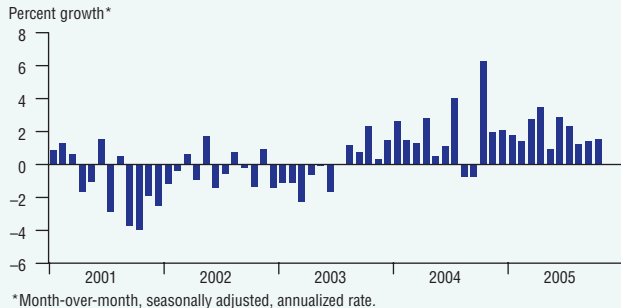
chemicals and some construction products. Business contacts interviewed for the October Beige Book expressed increased uncertainty about the outlook for economic activity, mostly because of higher energy prices. Contacts interviewed for the November Beige Book continue to be cautious but have become more optimistic.

The Texas expansion has strengthened in recent months, in part because of growth of construction activity. In recent years, Texas' construction sector has been slower than the rest of the country's. But construction employment has picked up in 2005, boosted by strong apartment building and a recent surge in home building.

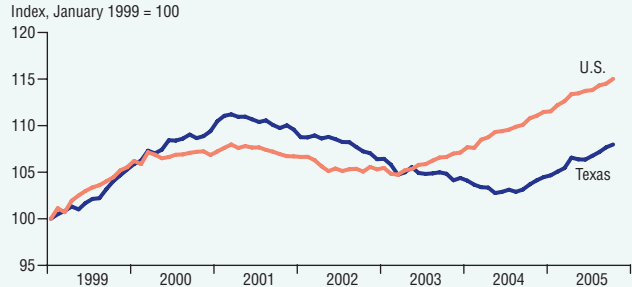
Employment growth has remained solidly in positive territory this year. Job growth is typically stronger in Texas than in the rest of the country, but after 2000 it had grown at about the same pace. The Texas economy is now more likely to be an asset to U.S. economic growth, albeit not at the magnitude it was over the past couple of decades.

—Fiona Sigalla

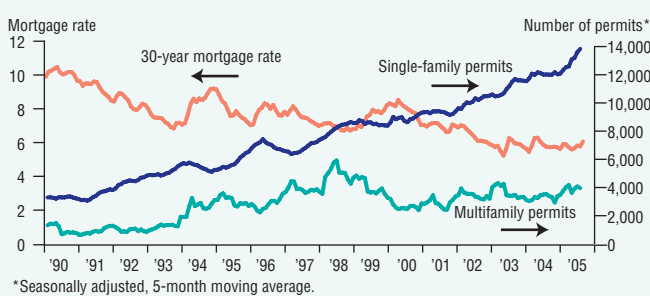
Texas Total Nonfarm Employment Strengthens



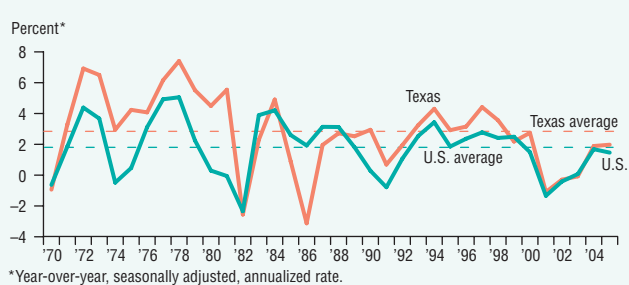
Construction Employment



Texas Residential Permits and Mortgage Rate



Texas Usually Outpaces U.S. Employment Growth



Regional Economic Indicators

	Texas Leading Index		TEXAS EMPLOYMENT*				Private service-producing	TOTAL NONFARM EMPLOYMENT*		
	TIP1† total		Mining	Construction	Manufacturing	Government		Texas	Louisiana	New Mexico
10/05	122.6	132.7	164.0	567.4	899.4	1,673.1	6,424.6	9,729.8	1,699.4	811.7
9/05	121.4	132.9	163.8	565.8	899.3	1,673.2	6,413.8	9,717.4	1,695.6	809.4
8/05	122.8	132.1	163.5	563.1	899.0	1,672.3	6,406.4	9,705.9	1,935.6	806.3
7/05	122.1	132.7	163.1	561.0	899.5	1,671.4	6,399.2	9,695.7	1,930.1	806.1
6/05	122.6	131.5	162.7	558.9	896.3	1,668.3	6,390.1	9,677.2	1,933.6	806.1
5/05	121.0	131.8	161.5	559.0	894.9	1,665.6	6,371.7	9,654.4	1,932.4	807.6
4/05	121.2	131.3	160.8	560.0	894.5	1,664.9	6,364.6	9,647.1	1,933.4	804.7
3/05	122.2	130.2	159.3	554.1	894.6	1,664.8	6,345.8	9,619.5	1,931.5	802.1
2/05	121.6	129.8	158.8	552.1	894.0	1,663.6	6,328.5	9,597.7	1,924.8	799.4
1/05	120.5	129.0	157.9	550.0	893.8	1,665.2	6,318.0	9,586.5	1,926.5	799.7
12/04	121.2	129.2	155.2	549.0	893.5	1,664.4	6,306.8	9,572.5	1,916.9	799.1
11/04	119.4	129.1	154.9	547.2	893.3	1,662.8	6,294.9	9,555.9	1,920.3	796.9

* 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 web site, www.dallasfed.org.