A Look At The U.S.-Texas Unemployment Rate Gap

During the recent economic recovery, the U.S. unemployment rate has fallen more dramatically than the unemployment rate in Texas (see overleaf). By April 1984 the seasonally adjusted unemployment rate in the nation had fallen nearly 3 percentage points to 7.8 percent. The unemployment rate in Texas, at 6.8 percent, had only declined about 1 percentage point. The larger decline in the U.S. unemployment rate reduced the differential between the U.S. and Texas unemployment rates from 3 percentage points in November 1982, the trough of the last recession, to 1 percentage point in April. This reduction seems to suggest that the employment situation in Texas weakened relative to the national situation. But an examination of some factors contributing to this change indicates that the reduction in the differential mainly reflects stronger labor force growth in Texas.

Employment and Labor Force Growth

Employment growth has traditionally been more rapid in Texas than in the nation. In the decade ended in 1982, total employment in Texas grew at an average annual rate of nearly 4 percent, while the U.S. growth rate averaged just under 2 percent. During the latest recovery, employment growth in the nation has picked up relative to employment growth in the state. Since the trough of the last recession, U.S. employment growth has averaged 3.5 percent, while employment in Texas has continued to expand at an annual rate of 4 percent. The acceleration in U.S. employment growth has contributed to the faster decline in the nation’s unemployment rate. In absolute terms, however, Texas continued to outpace the nation in employment growth.

The comparatively strong employment growth in Texas attracted a large number of workers to the state, causing its labor force to expand. (The labor force includes employed workers and unemployed workers actively seeking employment.) During this recovery the Texas labor force has increased relative to the U.S. labor force. Because new jobseekers are not likely to find immediate employment, a large inflow of workers into an area usually increases the number of unemployed.

The inflow of workers into Texas has slowed the decline in the state’s unemployment rate. This inflow contributed to the reduction in the differential between the U.S. and Texas (Continued on back page)

A Slow Recovery in Northern Louisiana

The northern Louisiana portion of the Eleventh Federal Reserve District is recovering from the recession but less vigorously than the nation as a whole. Timely statistical data on the region are published only for two chief urban centers, Monroe and Shreveport. Because of differences in their respective industrial compositions, the magnitude and timing of the latest economic downturn and recovery in these metropolitan areas differed, but the recovery in both has been less robust than in the nation.

Cyclical Timing of Latest Economic Downturn and Recovery

Fluctuations in nonagricultural wage and salary employment data for Monroe and Shreveport suggest that the recession in Monroe began soon after the national downturn but the decline in Shreveport came much later (see overleaf). Nondurable goods manufacturing, including paper products and chemicals, is a major industry in Monroe. The demand for these products tends to move coincidentally with the national business cycle. Monroe's establishment employment began its recessionary decline in October 1981, two months later than in the nation, and turned around in September 1982, four months in advance of the U.S. employment recovery.

In contrast, Shreveport is a center for energy extraction and related industries. The timing of the oil and gas drilling cycle differs from that of the U.S. business cycle. In the summer of 1981, the U.S. economy began to slow, but oil and gas drilling rose throughout that year. Employment growth continued in Shreveport through early 1982, long after the U.S. recession began. When drilling turned down in (Continued on back page)
TEXAS VS. U.S. UNEMPLOYMENT RATE

DEPOSITS—LARGE WEEKLY REPORTERS

1. Percent change from same quarter in previous year.

SOURCE: Federal Reserve Bank of Dallas.

INDEX OF NONAGRICULTURAL ESTABLISHMENT EMPLOYMENT

LOANS—LARGE WEEKLY REPORTERS

DEPOSITS—LARGE WEEKLY REPORTERS

1. Percent change from same quarter in previous year.

SOURCE: Federal Reserve Bank of Dallas.

LOANS—LARGE WEEKLY REPORTERS

1. Percent change from same quarter in previous year.

SOURCE: Federal Reserve Bank of Dallas.
DISTRICT BRIEFS

- The unemployment rate in the Eleventh District states fell for the fourth consecutive quarter, bringing it to 7.2 percent in the first quarter of 1984. The slight increase in the Texas unemployment rate in April can be explained by labor force growth that was double the increase in new jobs.
- The Texas industrial production index increased 1.0 percent in March and was 11.3 percent above the year-earlier level. The slight rise in durable goods manufacturing, less than half the increase in the overall index, can be attributed to continued sluggishness in the energy industry.
- Demand for primary metals has been growing rapidly during the past year. The primary metals component of the Texas industrial production index in March was more than 26 percent above its year-earlier level. This turnaround is tied to increases in construction and strong demand for consumer durables.
- District retail sales continue strong. Durable goods, in particular, are benefiting from gains in home building and personal income.

- The Texas rig count increased in April, and off-shore drilling has been particularly strong this year. Inventories of oil field machinery and tubular goods are finally being worked off. These developments may signal an end to the energy-related employment declines of the past two years.
- The year-to-year increase in the February consumer price index was 2.0 percent for Houston, 6.0 percent for Dallas, and 4.6 percent for the United States. The relatively small increase for Houston resulted from a decline in housing costs.
- Texas housing permits in the first quarter of 1984 were 17 percent below the year-earlier level. Permits and starts for single-family homes are holding steady, but the number of new multifamily units has dropped significantly, reflecting fears of overbuilding.
- Total loans continued to increase at the District's large banks. The strong growth in real estate loans is evidenced by year-to-year increases that have averaged in excess of 40 percent.

### UNEMPLOYMENT RATE

![Unemployment Rate Graph](chart)

**1.** Louisiana, New Mexico, and Texas.

**Sources:**
- Texas Employment Commission.
- Federal Reserve Bank of Dallas.

### HOUSING PERMITS: TEXAS

![Housing Permits Graph](chart)

**Sources:**
- U.S. Department of Commerce, Bureau of the Census.
- Federal Reserve Bank of Dallas.

### CONSUMER PRICE INDEX

![Consumer Price Index Chart](chart)

**1.** Percent change from same quarter in previous year.

**Sources:**
- Federal Reserve Bank of Dallas.

### TEXAS INDUSTRIAL PRODUCTION INDEX

![Texas Industrial Production Index Chart](chart)

**Source:** Federal Reserve Bank of Dallas.
Unemployment (cont.)

unemployment rates. However, because the more favorable employment opportunities in the state were a key factor in reducing the unemployment rate differential, the smaller differential should not be viewed as a sign of employment weakness in Texas.

Outlook

As the national recovery continues, the rate at which new workers enter the U.S. labor force is likely to increase. In addition, further gains in the U.S. labor market may dampen incentives for workers to migrate to Texas. Consequently, labor force growth in the state could slow. Together, these factors could reverse the trend toward smaller differentials between the U.S. and Texas unemployment rates that has developed during the latest business cycle.

—Keith R. Phillips
—Alberto E. Davila

Slow Recovery (cont.)

1982, declines in mining employment augmented reductions that were already evident in non-energy-related durable goods industries in Shreveport. The retarding effects of employment declines in mining and durable goods manufacturing did not abate until last year's fourth quarter. But Shreveport's nonagricultural wage and salary employment rallied only one month after the nation's.

Magnitude and Strength of the Recovery

Although the economic downturn in Shreveport took place after the national recession, the magnitude of the decline was more severe than in either Monroe or the nation. From peak to trough, establishment employment fell 4.9 percent in Shreveport. That compares with employment reductions of 2.5 percent in Monroe and 3.1 percent in the nation.

The recovery in both Shreveport and Monroe has not been as strong as in the nation. Weakness in the energy sector and in durable goods manufacturing has restrained growth in Shreveport. In Monroe, cutbacks in government employment and at an important manufacturer of paper products have impeded the turnaround.

Conclusion

Northern Louisiana is recovering from the recession but at a sluggish pace. The slow turnaround of the energy sector, together with continued growth nationally, is likely to sustain the recovery in Monroe and Shreveport. A downturn in the housing market, however, would weaken the recovery in these urban centers, as well as in rural parishes of northern Louisiana where trees are an important crop.

—William C. Gruben