

Texas Manufacturing in Recovery

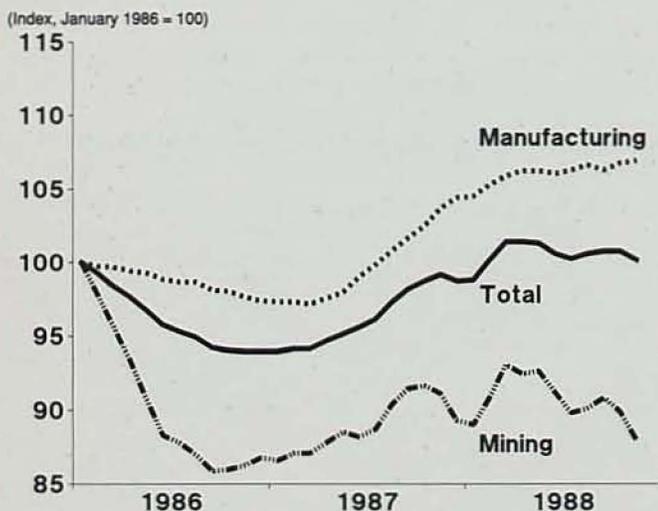
In April 1987, Texas manufacturing began to recover from its recession (See Chart 1). Manufacturing output (as measured by the Texas Industrial Production Index) grew 10 percent from March 1987 to November 1988, but the rate of growth slowed considerably in 1988.

The strongest growth has occurred in the durable goods industries (See Chart 2). Those industries in Texas showing the most strength — transportation equipment, scientific instruments, nonelectrical machinery, and electric and electronic equipment — are among those industries most helped by recent declines in the value of the dollar. The only durable goods industry in Texas still in decline is the construction-related stone, clay and glass.

Nondurable goods industries, which are helped much less by the dollar's decline, are expanding more slowly. Strong gains in apparel, paper, and food-processing industries are being counterbalanced by weaker gains or losses in printing, petroleum refining, and rubber and plastics.

Growth in overall Texas industrial production has been hindered by declines in mining, a sector comprising primarily oil and gas extraction. Mining accounts for more than 30

Chart 1
Texas Industrial Production

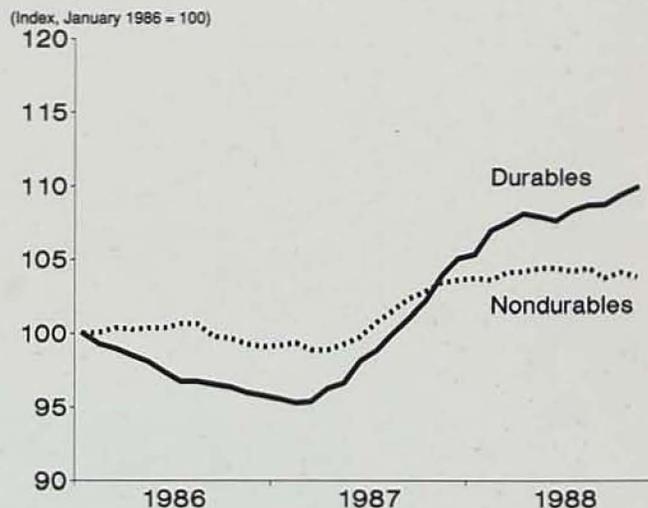


percent of state industrial production. In addition to its direct effects on industrial production, weakness in oil and gas extraction has spilled over to other state manufacturers — most notably those making oilfield machinery and drill pipe. Declines in mining, combined with slower manufacturing growth, have arrested growth in Texas industrial production since May.

About the Texas Industrial Production Index

The Texas Industrial Production Index (TIPI) has been published by the Research Department of the Federal Reserve Bank of Dallas since 1958. TIPI is designed to provide a recent monthly measure of the growth in real output of the industrial sector of the Texas economy — that is, the output of

Chart 2
Texas Manufacturing



the state's mining, manufacturing and utilities industries. Indexes are available for each of the 2-digit Standard Industrial Classifications significantly represented in Texas industry. TIPI is of interest for several reasons. First, industrial production accounts for a substantial portion of the Texas economy. Second, industrial production and construction account for most of the variation in output over the business cycle. Third, the industrial detail provided allows analysis of structural changes in the economy. Finally, TIPI augments the relatively scarce regional monthly data available on a timely basis.

We recently revised TIPI in an effort to make it less volatile and subject to smaller future revisions. TIPI is expressed as an index with 1977 as the base year (1977 average = 100). In November 1988 TIPI stood at 111.7, which means that Texas industrial production was 11.7 percent greater than during 1977.

Subscriptions to the monthly release of the Texas Industrial Production Index are available at no cost by contacting the Public Affairs Department. Questions concerning historical data or methodology should be addressed to the Research Department.

— Franklin D. Berger and Lea Anderson

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