

QUOTABLE *“The oil industry has slowly come to believe that price incentives can be trusted this time and has finally begun to act on them.”*

—Bill Gilmer, Vice President

TEXAS JOBS: Growth Stronger Than Earlier Estimates

An annual revision of job data indicates that Texas employment grew last year nearly twice as fast as previously reported. The Texas Workforce Commission now puts job growth from December 2004 to December 2005 at 2.7 percent, up from the previous estimate of 1.5 percent.

Updating the data adds about 119,000 jobs to Texas' employment growth for 2005. Among the significant gainers were government, manufacturing, professional and business services, and trade and warehousing.

The revisions incorporate more comprehensive survey data into previously published monthly data. They're part of a nationwide review conducted by the federal Bureau of

Labor Statistics and state employment authorities.

Government statisticians rework the data once a year, but each quarter the Dallas Fed anticipates the monthly revisions with a benchmarking methodology developed by economists Franklin D. Berger and Keith R. Phillips. Prior to the latest revision, the Dallas Fed model had been projecting Texas job growth of 2.1 percent for 2005—anticipating half the eventual revision.

To calculate the revisions on a timely basis, the Dallas Fed economists incorporate the same data the BLS later uses. Their estimates are regularly posted on the Bank's Internet site, www.dallasfed.org.

AGRICULTURE: Drought Taking Toll on the State

A prolonged period of sparse rainfall has been hard on Texas agriculture. The Texas Agricultural Extension Service estimates the state's drought losses from September through January at \$1.5 billion.

So far, the cattle industry has been the hardest hit. The drought has meant higher feed costs, less wheat in pastures and losses from selling livestock at lighter-than-normal weights. About 1 million acres of range- and pastureland and thousands of head of cattle and horses have been lost to wildfires.

The drought has added to agriculture's financial stress. Farmers and ranchers had already been hurt by rising fuel-

related costs and sagging market prices for crops.

After one of the driest years on record in 2005, this year is shaping up to be as dry, if not worse. Without significant and widespread rain in the spring and summer, the drought's effects could spread to farmers and other agriculture-related businesses. Consumers could face higher prices for meat, produce and other foods, and banks could see higher farm-loan delinquency rates.

Recent rains have helped ease the dry spell in some parts of the state, and agricultural lenders have not yet indicated that the drought has impacted farm-loan quality or performance.

DEFENSE: Military Expansion on Tap for El Paso, San Antonio

Two Texas cities, both already significant beneficiaries of defense dollars, will add jobs as the Pentagon closes bases and reassigns personnel.

El Paso's Fort Bliss will gain 11,395 military and civilian positions. About 3,800 troops came in late 2005. Another 3,800 troops were scheduled to arrive in the first few months of 2006, with the rest to follow over the next five years.

The incoming troops are already boosting homebuilding and other activities, and estimates of economic ripples raise the overall impact to as many as 20,198 jobs, or 6.1 percent of El Paso's current employment. In recent years, El Paso has been adding an average of 3,666 new jobs per year, so the military boost is equivalent to 5.5 years of job creation.

San Antonio's Fort Sam Houston will add 9,339 military and civilian jobs. Cutbacks at other San Antonio military facilities will reduce the regional economy's gain to 5,459 jobs, or 0.5 percent, including indirect effects.

The realignment will reduce employment in several Texas communities. For the most part, the losses will be small relative to total employment—less than 1 percentage point. Taking the biggest hits will be Corpus Christi, losing 7,026 jobs (3.2 percent), and Wichita Falls, down 4,360 jobs (4.7 percent).

After all gains and losses are taken into account, Texas will add 13,848 jobs from the Pentagon's realignment.