Houston operates the nation's largest port in terms of foreign trade tonnage. Laredo is the leading port of entry for cargo flowing into Mexico, with 40 percent of U.S. cross-border shipments. El Paso is the No. 2 entry point for exports to Mexico, making up 20 percent of the market. Dallas/Fort Worth has the nation's third largest airport.

Texas serves as a major distribution hub, transporting passengers and freight around the world—and it means paychecks for many Texans. The current economic expansion created vigorous demand for all types of transportation, but the railroad, trucking and airline industries have fared quite differently over the past five years. Texas' railroad employment has increased 20 percent since September 2001, while the industry's U.S. jobs are up just 1 percent. Trucking employment grew 6 percent, twice as fast as the nation's.

While railroads and trucking companies have been prospering, airlines have faced stiff cost cutting in a competitive environment where bankrupt carriers shedding pension and other obligations continue to operate. The airline industry's Texas employment share is nearly twice the size of the nation's. Airline job cuts have hit the state hard, with employment falling 23 percent since the 9/11 terrorist attacks, or by nearly 18,000 workers.

Southwest banks are reporting healthy profits, on par with the nation as a whole.

Eleventh Federal Reserve District banks' second-quarter return on assets was 1.34 percent, just below the 1.37 percent for U.S. banks based outside the district.

The similarity in overall performance masks significant differences. The Eleventh District has a larger portion of smaller banks, which generally get more of their funding from core deposits, such as checking and saving accounts and small certificates of deposit. In the Eleventh District, core deposits fund 64 percent of assets, compared with 45 percent at banks elsewhere in the United States.

Because these deposits tend to reprice rather slowly when interest rates rise, larger banks are more affected than smaller ones by changes in the spread between long- and short-term rates.

Net interest margin is the difference between a bank's interest income and interest expense, scaled by its interest-earning assets. A higher net interest margin increases bank profitability. Because of their reliance on core deposits, Eleventh District banks were able to earn a net interest margin of 4.4 percent, significantly above the 3.4 percent for banks outside the district.

Larger banks turn a greater share of their profit on fees, including service charges on accounts and brokerage and underwriting commissions. U.S. banks located elsewhere reported fee income of 2.4 percent of assets, while Eleventh District banks trailed at 1.4 percent.