

JOBS: Shortages Continue in Some Industries



With the Texas economy humming, businesses are draining the pool of available workers as they expand to meet strong local and global demand. Labor scarcities have amplified wage pressures in several industries.

Recent data confirm an exceedingly tight labor market. Despite an expanding labor force, Texas’ unemployment rate stands at 4.8 percent, its lowest point since May 2001. New claims for unemployment insurance are at a 24-year ebb.

The energy sector first exhibited signs of labor market tightening, and business contacts continue to report shortages in almost all energy-related skills. Geologists, geophysicists and petroleum engineers are hard to find, and recent engi-

neering graduates are receiving large signing bonuses.

Construction firms report difficulty finding skilled craftsmen and supervisors in most trades.

The service sector isn’t immune to the labor squeeze. Demand for workers is outstripping supply in the transportation, computer science and financial services industries. Moreover, temporary staffing firms have raised pay rates due to strong demand for skilled workers.

Some business contacts are concerned that stricter immigration enforcement could further tighten Texas’ labor market and add to wage pressures.

—D’Ann Petersen

AGRICULTURE: Rain Provides Marginal Relief to Texas Farms



After a prolonged dry spell, agricultural conditions are finally improving in Texas.

Heavy rains fell in several parts of the state in early fall, improving prospects for irrigated crop yields, winter wheat and cattle grazing. According to the U.S. Drought Monitor, about 45 percent of the state is experiencing normal precipitation, compared with 7.3 percent in August.

Despite the rainfall, large parts of the state still suffer from the drought’s lingering effects.

A substantial portion of Texas’ dryland cotton and corn has been wiped out, and farmers in several regions are collecting insurance on these crops. Ranchers are taking out

larger loans to keep up with high feed costs.

The Texas Cooperative Extension estimates the dry spell that began in mid-2005 has cost Texas more than \$4 billion in economic losses, surpassing the \$2.1 billion mark recorded in the drought of 1998. Ranchers’ losses total \$1.6 billion.

Texas lenders are feeling the pinch as well. According to the Dallas Fed’s *Quarterly Survey of Agricultural Credit Conditions*, loan repayments are down from a year ago and requests for loan renewals and extensions are up.

In 2005, Texas agriculture generated \$6.8 billion in output, contributing about 1 percent to gross state product.

—Laila Assanie

HOUSING: Inventories, Permits Point to Slowdown in Texas



After five years of vigorous growth, Texas’ housing sector appears to be cooling. Buyers are taking longer to make decisions, and builders have pulled back on the number of homes slated for construction.

Relocations and a strong economy still make the state a bright spot among U.S. housing markets, but reports of weakness in other areas of the country appear to be dampening consumers’ zeal for buying in Texas.

Real estate agents and builders alike detect greater hesitancy on the part of homebuyers as sales and prices decline elsewhere in the U.S.

Despite strong sales this year, business contacts report that the supply of vacant new homes has edged up in some Texas metros because of aggressive building earlier

in the year.

With inventories building, Texas single-family permits fell 10 percent from the second to the third quarter, retreating to the levels of early 2005. The drop was a stark change from last year, when permits were on their way to a 23 percent increase, well above the nation’s 2 percent.

Although builders and buyers are more cautious, Texas leads the nation in the number of permits issued year-to-date, thanks to strong employment growth and favorable demographics. The recent performance of inventories and permits suggests, however, that Texas’ housing sector is moderating from the explosive growth seen over the past five years to a more temperate path.

—D’Ann Petersen