

During the 1800s, the upper East Texas economy centered on agriculture, particularly cotton cultivation. In the early 1900s, America's railroad expansion strengthened the region's trade and fueled growth in such towns as Longview and Tyler. In 1931, the discovery of the largest and most prolific oil field in the lower 48 states fueled population growth and enhanced the region's economic importance.

Today, upper East Texas' 23 counties have a population of 1.08 million. The region includes three of Texas' 25 largest metropolitan areas—Longview, Texarkana and Tyler.

As the U.S. and Texas slipped into recession last year, a balanced economy lessened the impact on upper East Texas. In March, the region's year-over-year nonfarm employment was down 0.4 percent, compared with the state's decline of 0.8 percent and the nation's 3.5 percent. Unemployment rates in the region's principal metros are near or below the state's 6.7 percent average.

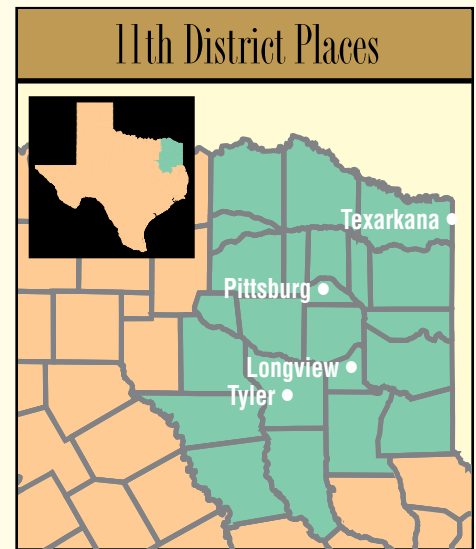
Upper East Texas' three largest metropolitan areas have a combined 250,700 nonagricultural jobs. The largest industry is

education and health services, accounting for almost 18 percent of employment. Government ranks second at nearly 16 percent, followed by retail at about 12 percent.

For the 12 months ending in March, the education and health services category had the fastest growth at 4.5 percent, well above the state's 3.4 percent rate (*Chart 1*). Leisure and hospitality exceeded the state norm in job growth by a wide margin. All other sectors besides government shrank, led by manufacturing's 7.5 percent slide.

Energy remains critical to the region's economy. Two of Texas' 25 largest oil fields and two of its 25 largest natural gas fields are in upper East Texas. The region has abundant lignite coal reserves and some of the nation's top-producing coal mines.

Agriculture and food processing are anchors for the upper East Texas economy. In 2007, the region employed 14 percent of Texas workers producing fruits and vegetables, meat and dairy products, and baked goods. Overall, upper East Texas had about 4 percent of Texas private-sector jobs.



Pilgrim's Pride, the nation's largest poultry company, is based in Pittsburg, Texas, and Sara Lee, Campbell Soup and Tyson Foods are among large national companies with operations in the region.

As a major horticultural center, upper East Texas accounts for about 20 percent of Texas' output of nursery crops. More than half the nation's rose bushes are packed and shipped from the Tyler area.

Upper East Texas is also a regional center for the timber, pulp and paper industries. International Paper and Irving-based Kimberly-Clark, two multinational producers, have large facilities in the region. More than a quarter of Texas' forest product jobs are in the region.

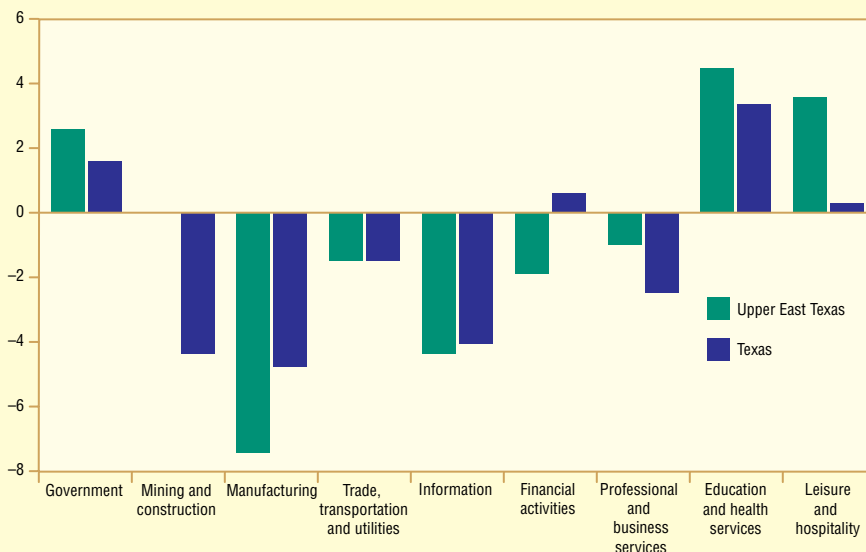
The Federal Housing Finance Agency's home price indexes showed moderate appreciation for existing homes in Tyler and Longview last year, suggesting a relatively healthy market. Permits to build new homes haven't held up as well, however, declining about 40 percent year over year.

Like the rest of the state, upper East Texas has experienced healthy growth since 1990. Nonfarm employment gains have fallen slightly short of the state average during expansions, but the region has had shallower declines during downturns. Although the recession has caused mild weakening, the region's diversity is likely to keep the longer-term economic outlook relatively strong.

—Mike Nicholson and Jackson Thies

Chart 1
In Metros, Some Industries Fare Well, Others Falter

Year-over-year percent change, March 2008 to March 2009



NOTES: Upper East Texas data are for Longview, Texarkana and Tyler. No change in mining and construction for upper East Texas.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.