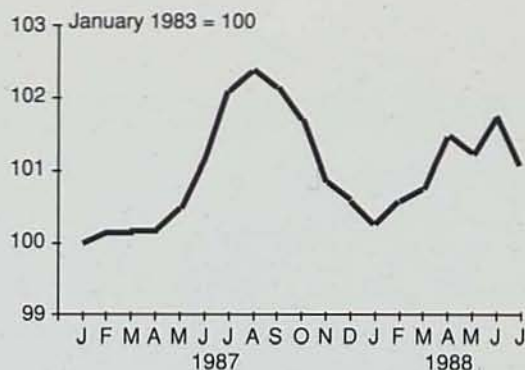


The Texas Index of Leading Economic Indicators

After declining for five consecutive months, the Texas index of leading economic indicators increased for three consecutive months beginning in February of this year. More recently, however, movements in the index have been inconsistent. After falling in May, the index rose in June and then fell again in July. Much of the recent weakness in the index can be attributed to its energy components.

Although the recent decline in the index is somewhat discouraging, a one month decline does not necessarily indicate that the Texas economy will slip in the months ahead. The inconsistency and general increase in the index since February should be given more weight in evaluating the outlook — suggesting slight-to-modest growth in the next few months.



About the Index

The Texas index of leading economic indicators signals future directional changes in aggregate economic activity in the state. The index is the weighted average of nine economic variables that lead economic activity in Texas. Seven of the variables are specific to Texas: average weekly hours, the state of Texas help wanted index, an index of stock prices for 77 companies based in Texas, new claims for unemployment insurance, retail sales, well permits issued, and the price of West Texas Intermediate crude oil. The other two — the U.S. index of leading indicators and the Texas trade-weighted value of the dollar — measure national and international factors that influence the Texas economy. Additional information on the leading index can be found in the July 1988 issue of the Federal Reserve Bank of Dallas' *Economic Review*.

Recent Changes in Texas Index of Leading Indicators (Net Contribution of Individual Components)

Component	May	June	July
Average Weekly Hours	-.32	.21	.14
Help Wanted Index	.01	.04	.08
Real Texas 77	-.04	.15	-.07
New Unemployment Claims	-.02	-.08	-.06
Real Retail Sales	-.08	.03	NA
Well Permits	.03	.10	-.46
Real Oil Price	-.08	-.19	-.16
U.S. Leading Index	-.01	.08	-.14
Texas Value of the Dollar	.24	.17	-.01
Total Change in Index	-.26	.52	-.70

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