

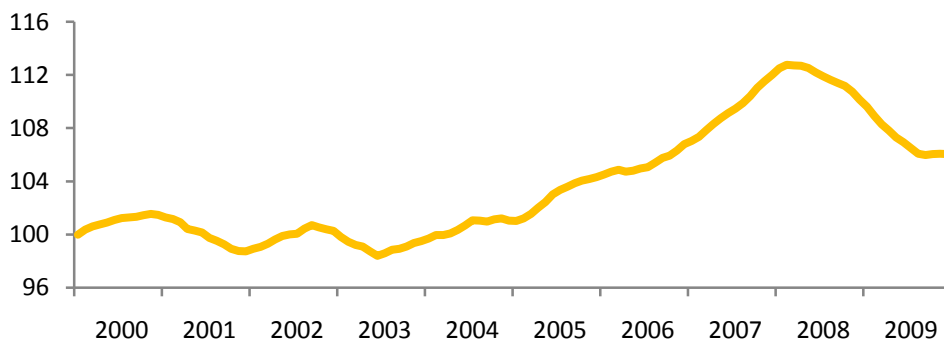
## ECONOMIC UPDATE

## EL PASO

## El Paso Business-Cycle Index

The El Paso's business-cycle index has been moving sideways since the summer of 2009; signaling that perhaps the El Paso economy is bottoming out and beginning a slow turn upward. On a year-over-year basis, this indicator contracted 3.7 percent in December, reflecting the serious recession of 2009, and its inroads into the local economy. Government related expansion projects—both inside and outside Ft. Bliss—continue to help the local economy offset national

Index Jan-2000=100



Source: Federal Reserve Bank of Dallas, El Paso Branch

recessionary pressures. In addition, the turn-around in the U.S. industrial sector and the pick-up in maquiladora activity in Juarez should benefit the El Paso economy in coming months.

## Labor Market

El Paso non-farm employment contracted in December at a 1.3 percent annualized rate. Overall in 2009 the El Paso labor market lost 5,500 jobs or 2 percent. This shrinkage in the labor market is close to the 2001 decline of 2.3 percent. Job losses in 2009 were widespread across sectors with only education and health services and government posting job gains. The goods producing sectors declined 7.6 percent while the service producing sectors contracted by 1.2 percent. The unemployment rate now stands at 9.7 percent and similar to the nation, while Texas' unemployment rate is lower at 8.3 percent.

## Employment Growth

## Month-over-Month Annualized Growth Rates

<i>El Paso</i>	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
<b>Nonfarm Employment</b>	-5.6	-6.4	5.0	5.5	-1.8	-1.3
<b>Goods Producing</b>	-3.7	-3.7	-3.7	0.0	-7.3	0.0
Construction, Mining & Natural Resources	0.0	-21.5	8.5	0.0	-7.8	8.5
Manufacturing	-6.8	15.2	-13.2	0.0	-6.9	-6.9
<b>Services Providing</b>	-5.8	-6.8	6.2	6.2	-1.0	-1.5
Trade, Transportation & Utilities	-4.3	-4.3	0.0	-6.4	-4.3	-6.5
Information	0.0	-21.5	0.0	-21.9	0.0	0.0
Financial Activities	-9.6	10.6	0.0	0.0	0.0	-9.6
Professional & Business Services	-14.7	-11.3	-11.4	22.3	0.0	0.0
Educational & Health Services	78.1	-9.5	-21.0	14.5	0.0	0.0
Leisure & Hospitality	-4.4	9.4	-8.6	0.0	0.0	-8.6
Other Services	15.1	-13.1	0.0	-13.2	0.0	0.0
Government	-32.5	-12.0	54.2	15.1	0.0	5.4
<b>Unemployment Rate</b>	<b>9.1</b>	<b>9.5</b>	<b>9.8</b>	<b>10.0</b>	<b>9.5</b>	<b>9.7</b>
<i>Midland-Odessa</i>						
<b>Nonfarm Employment</b>	-6.3	-11.5	-1.9	1.0	-0.9	0.0
<b>Unemployment Rate</b>	<b>7.1</b>	<b>7.3</b>	<b>7.6</b>	<b>7.8</b>	<b>7.3</b>	<b>7.4</b>
<i>Las Cruces</i>						
<b>Nonfarm Employment</b>	-8.5	5.4	0.0	-5.2	1.8	1.8
<b>Unemployment Rate</b>	<b>6.5</b>	<b>7.4</b>	<b>7.7</b>	<b>8.1</b>	<b>7.9</b>	<b>8.5</b>

Notes: Seasonally Adjusted Data

Source: Federal Reserve Bank of Dallas with data from the Bureau of Labor Statistics

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## Trade and Border Crossings

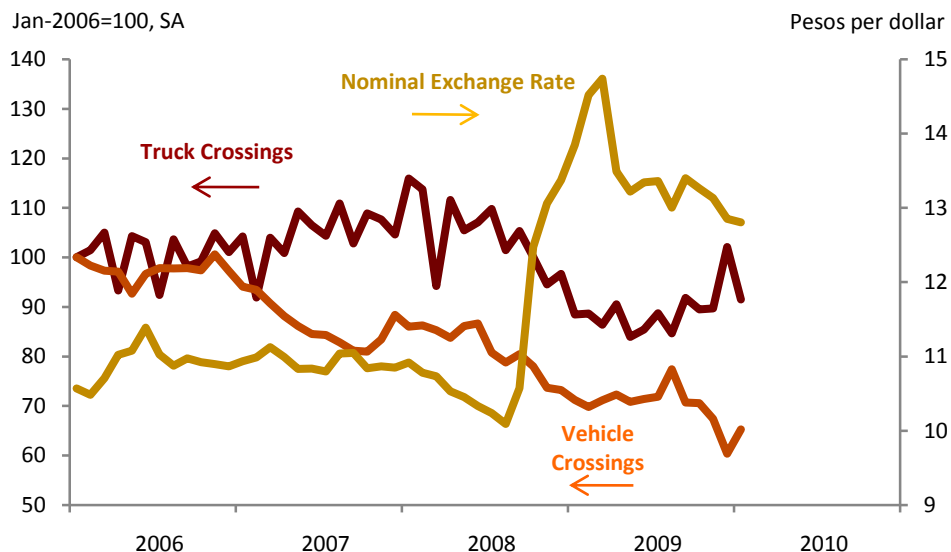
Total trade through El Paso has been growing since May 2009. Since then, total trade has increased by 33 percent. In December alone, trade rose 9.3 percent from the previous month. Imports were up 10 percent while exports jumped by 8.3 percent. With respect to the retail sector, El Paso sales tax rebates increased 1 percent in December (12-month basis).

The number of personal vehicles crossing into El Paso from Ciudad Juarez during January declined 8.4 percent from the same period last year. Anecdotal evidence suggests that lately the waiting times have been significantly longer, and (as we have seen before) shoppers are combining their shopping needs into fewer trips. Truck crossings have increased over the last few months as a result of the recent pick-up in maquiladora activity in Juarez.

## Housing Market

El Paso housing sales increased in December by 22 percent (year-over-year basis) for the fifth consecutive month, most likely due to first-time home buyer's tax credit. The median home price was \$135,000 while months of inventory continue to decline to 8.1 months, the lowest level since late 2007. However, single-family

## El Paso Border Crossings



Source: Texas A&M International University, Texas Center for Border Economic and Enterprise Development and Banco de Mexico.

building permits—a leading indicator for the housing sector—have remained flat over the last few months perhaps indicating that the El Paso housing sector is bottoming out, following the in the footsteps of the national housing market.

## Economic Conditions in Juarez and Chihuahua

The U.S. industrial sector has shown continued signs of expansion. For instance, the overall industrial production index jumped at a 12 percent annual rate in January. Furthermore, the ISM manufacturing index and new orders index (a leading indicator for the industrial sector) have been signaling solid expansion in the U.S. industrial sector since mid-

2009. Formal employment in the manufacturing sector in the State of Chihuahua has also showed steady improvements in recent months. We developed a model—based on U.S. industrial production index and Chihuahua manufacturing employment—to track Juarez maquiladora employment since 2006. The model indicates that maquiladoras continued to hire during January, the sixth consecutive month of increased payrolls. Anecdotal evidence corroborates this uptick in maquiladora employment, as many plants are reporting increases in orders. Furthermore, Juarez maquiladora association recently announced that the maquiladora sector in Juarez is expected to add 40-thousand jobs this year. If these job gains

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materialize, it is likely that we will return to the peak employment seen in summer of 2007.

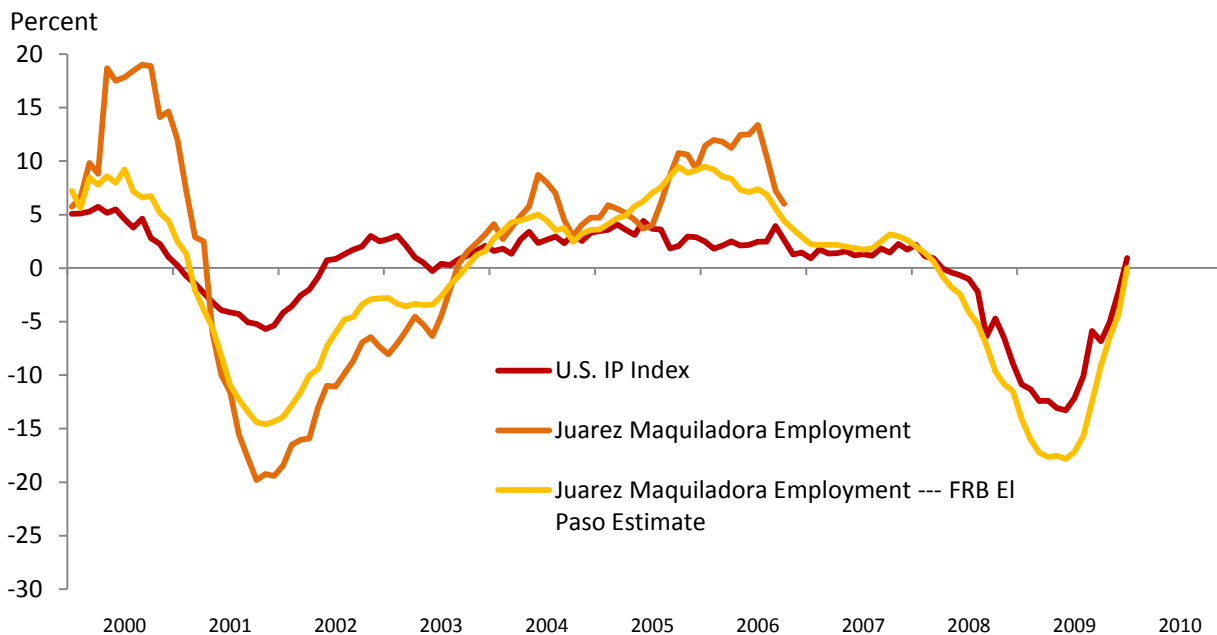
## Neighboring Metro Areas

The Midland-Odessa labor market remained unchanged in December. However, the unemployment rate jumped to 7.4 percent. Oil-directed drilling, in the Midland-Odessa area, has increased due to the stabilization of oil prices and as

a result economic activity has picked-up. Contacts report that hotels and motels are busy as workers are coming back to the Permian Basin as oil firms have begun to hire people. Las Cruces nonfarm employment posted job gains of 1.8 percent annualized rate during the same month; however, the unemployment rate jumped to 8.5 percent.

Midland-Odessa housing sales remained flat in December, on a 12-month basis, while the median home price stands at \$155,000. Permits for new homes in the Midland-Odessa area, as well as for Las Cruces, began to stabilize and even grow since the summer of 2009. This perhaps suggests that the housing market in both MSAs has at least reached bottom.

## U.S. Manufacturing and Maquiladora Industry Year-over-Year



Note: Seasonally Adjusted Data

Source: INEGI , Federal Reserve Board, and Federal Reserve Bank of Dallas, El Paso Branch