

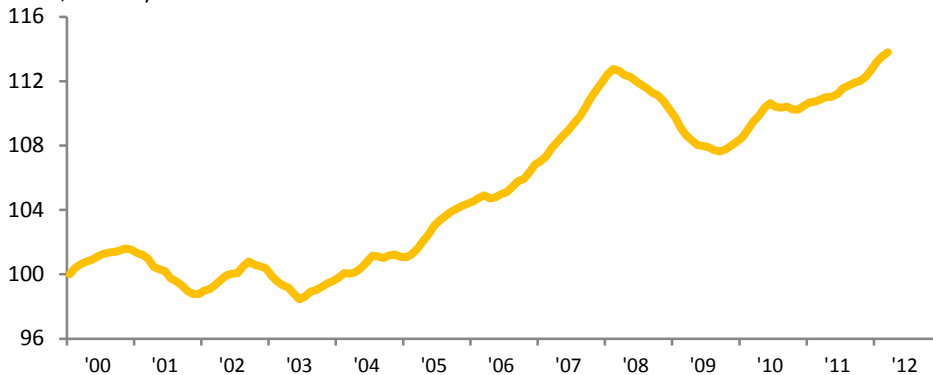
ECONOMIC UPDATE

EL PASO

El Paso Business-Cycle Index

According to the business-cycle index produced by the Federal Reserve Bank of Dallas, economic activity in the El Paso metropolitan economy expanded moderately in March at a 2.5 percent annualized rate. El Paso's economy grew at a 4.3 percent annualized rate in the first quarter.

Index, January 2000 = 100



SOURCE: Federal Reserve Bank of Dallas, El Paso Branch.

Ciudad Juarez maquiladora payrolls continue on the rise as a result of a pickup in U.S. auto sector. The ex-

pansion at Fort Bliss is now shifting gears into population growth and is expected to boost the local economy.

Labor Market

El Paso's nonfarm employment increased in April at a 3.4 percent annualized rate. Year to date, El Paso has added about 2,400 new jobs, representing a 0.9 percent increase. Job gains were widespread between goods producing and service providing sectors.

El Paso's unemployment rate decreased slightly in April and now stands at 9.4 percent. The Texas unemployment rate is 7 percent, while the national rate is 8.1 percent.

Employment Growth

(Month-over-month annualized growth rates)

<i>El Paso</i>	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12
Nonfarm employment	7.1	1.3	6.6	2.6	-2.1	3.4
Goods producing	8.0	3.9	8.0	-3.8	3.9	3.9
Construction, mining & natural res.	0.0	9.2	9.1	-8.4	9.1	9.1
Manufacturing	7.1	0.0	7.1	0.0	0.0	0.0
Services providing	7.0	1.0	6.9	2.9	-2.8	3.4
Trade, transportation & utilities	20.4	0.0	10.8	0.0	-5.9	2.1
Information	0.0	0.0	-21.9	28.1	27.4	0.0
Financial activities	0.0	10.1	10.0	10.0	-9.1	10.0
Professional & business services	12.6	12.4	12.3	3.9	-3.8	8.0
Educational & health services	3.2	0.0	6.4	6.4	3.1	6.3
Leisure & hospitality	8.4	4.1	0.0	8.4	4.1	4.1
Other services	-11.9	0.0	13.5	13.4	0.0	0.0
Government	3.7	-5.3	5.6	-5.3	-7.1	0.0
Unemployment rate	9.9	9.9	9.6	9.5	9.5	9.4
<i>Midland-Odessa</i>						
Nonfarm employment	5.2	0.0	3.4	4.3	-2.5	18.0
Unemployment rate	4.6	4.5	4.4	4.3	4.2	4.0
<i>Las Cruces</i>						
Nonfarm employment	-6.6	1.7	-1.7	-3.4	10.8	-6.6
Unemployment rate	6.6	6.7	7.7	8.1	7.2	n.a.

NOTE: Seasonally adjusted data.

SOURCES: Federal Reserve Bank of Dallas; Bureau of Labor Statistics.

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Trade

Trade flows through the El Paso port of entry have increased at a rapid pace over the last few months (see chart nearby). Today total trade (exports plus imports) are close to \$70 billion (annual rate) up from \$60 billion (annual rate) during last summer. The solid growth in trade flows is likely the result of stronger maquiladora activity in Ciudad Juarez.

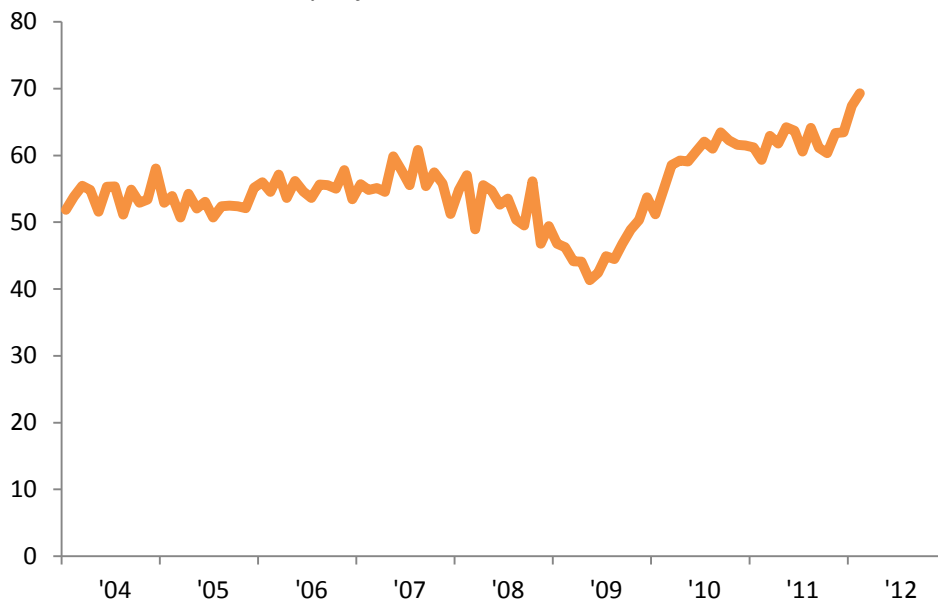
Housing Market

The El Paso housing market continues to improve. In April, home sales increased at a 7 percent rate on a 12-month basis. The median home price in April was \$136,000. Inventories are 7.6 months. Growth in single-family building permits—a leading indicator for the housing sector—has slowed down over the last couple of months.

It is likely that the El Paso housing market will continue to do well in coming months due to ongoing expansion at Fort Bliss. Close to 16,000 people (soldiers, spouses and children) arrived in El Paso during the summer of 2011. In addition, it is anticipated that around 8,000 and 9,000 people will arrive in El Paso in 2012 and 2013, respectively, as a result of the expansion at the military post. Furthermore, anecdotal evidence indicates that the market continues to see a stream of immigrants as a

El Paso Total Trade

Billions, real \$, seasonally adjusted, annual rates



Source: U.S. Department of Commerce Bureau of the Census, Foreign Trade Division.

result of drug-related violence across the Rio Grande. This adds to the pent-up demand for housing locally.

Conditions in Chihuahua and Juarez

The U.S. industrial sector remains on the rise. After a setback in March, industrial production soared in April growing at a 13.9 percent annualized rate. In addition, the Institute for Supply Management manufacturing index and its associated new orders index (a leading indicator of industrial activity) continue to signal solid growth in the industrial sector in recent months, after experiencing a soft patch during the summer of 2011. Growth in formal manufacturing employment in the Mexican state

of Chihuahua has accelerated since December.

The Dallas Fed developed a model—based on the U.S. industrial production index and Chihuahua manufacturing employment—that tracks Juarez maquiladora employment since 2006.

The model indicates that Juarez maquiladoras continue to expand their payrolls. For instance, maquiladora jobs have posted strong growth at an average of 12.6 percent annualized rate so far this year. In 2011, maquiladora employment increased at a 5.5 percent rate, which represents close to 12,000 new jobs. So far in the first four months in 2012, according to our estimates, maquiladoras in Ciudad Juarez have added more

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than 9,000 jobs, which represent an increase of 4 percent.

U.S. auto and light truck production exceeded 10 million units in April, a level not seen since the onset of the recession in late 2007. This is good news for the local economy because roughly half of the maquiladoras across the Rio Grande are auto related.

Anecdotal evidence gathered from maquiladora executives in Ciudad Juarez suggests that the recovery is broad-based, not contained only in the auto-sector. Household elec-

tronics (i.e., refrigerators, washers, dryers) and consumer electronics (i.e., computers, servers, TVs) are beginning to benefit from the modest recovery in U.S. consumption. Even furniture producers are growing.

Neighboring Metro Areas

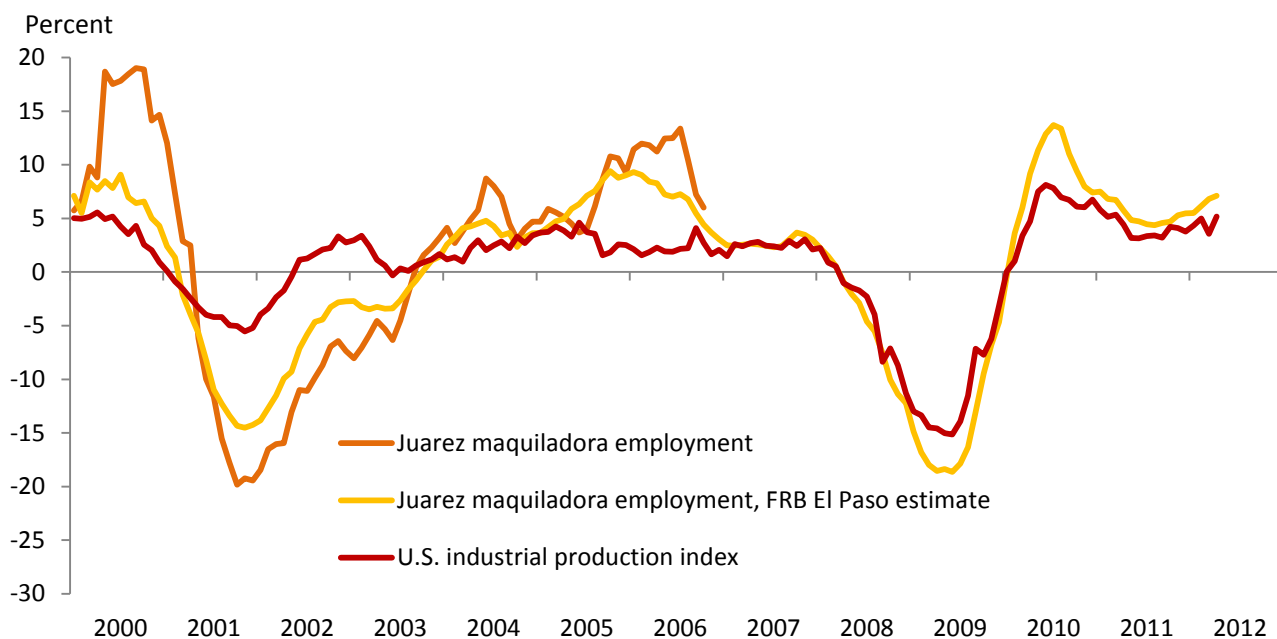
Midland–Odessa employment soared in April at an 18 percent annualized rate. As a result of the job gains, the unemployment rate decreased slightly to 4 percent in January. The Permian Basin region continues to benefit from high en-

ergy prices.

Las Cruces, N.M., nonfarm employment decreased in April at a 6.6 percent annualized rate. The unemployment rate sits at 7.2 percent.

The Midland–Odessa housing sector continues to improve, with home sales and permits rising at double-digit rates over the past few months. The data suggest that the Permian Basin housing market may have turned a corner.

U.S. Manufacturing and Maquiladora Employment (Year over year)



NOTE: Seasonally adjusted data.

SOURCES: Instituto Nacional de Estadística y Geografía; Federal Reserve Board; Federal Reserve Bank of Dallas, El Paso Branch.