

## ECONOMIC UPDATE

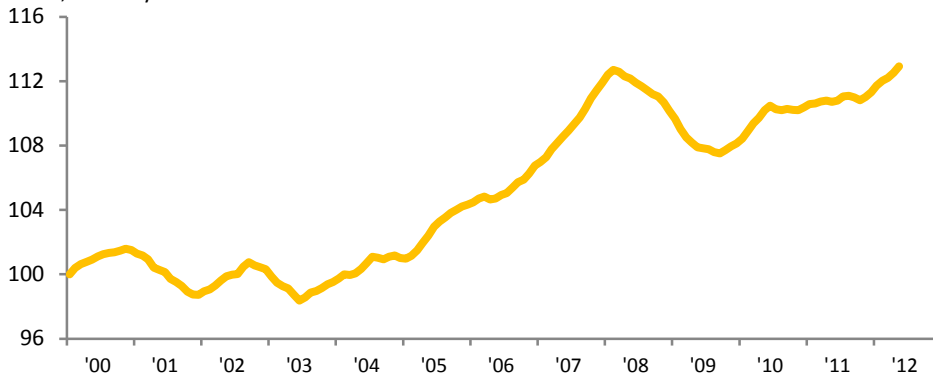
## EL PASO

## 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 in May at a 4.4 percent annualized rate.

Ciudad Juarez maquiladora payrolls continue on the rise as a result of a pickup in the U.S. auto sector. The expansion at Fort Bliss is now shifting gears into population growth. This year alone it is expected that

Index, January 2000 = 100



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

around 8,000 people (soldiers and their families) will relocate to El

Paso. Both of these factors are expected to boost the local economy.

## Labor Market

El Paso's nonfarm employment increased robustly in May at a 7 percent annualized rate. Year to date, El Paso has added close to 4,000 new jobs, representing a 1.4 percent increase. Job gains were widespread among service-providing sectors, while the goods-producing sectors remained flat. The only two sectors that registered job losses were information and government.

El Paso's unemployment rate increased slightly in May and now stands at 9.6 percent. The Texas unemployment rate is 6.9 percent, while the national rate is 8.2 percent.

## Employment Growth

(Month-over-month annualized growth rates)

<i>El Paso</i>	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
<b>Nonfarm employment</b>	<b>1.3</b>	<b>6.6</b>	<b>2.6</b>	<b>-2.1</b>	<b>2.6</b>	<b>7.0</b>
<b>Goods producing</b>	<b>3.9</b>	<b>8.0</b>	<b>-3.8</b>	<b>3.9</b>	<b>3.9</b>	<b>0.0</b>
Construction, mining & natural res.	9.2	9.1	-8.4	9.1	9.1	0.0
Manufacturing	0.0	7.1	0.0	0.0	0.0	0.0
<b>Services providing</b>	<b>1.0</b>	<b>6.9</b>	<b>2.9</b>	<b>-2.8</b>	<b>2.4</b>	<b>7.9</b>
Trade, transportation & utilities	0.0	10.8	0.0	-5.9	2.1	15.3
Information	0.0	-21.9	28.1	27.4	0.0	-21.5
Financial activities	10.1	10.0	10.0	-9.1	10.0	0.0
Professional & business services	12.4	12.3	3.9	-3.8	3.9	16.5
Educational & health services	0.0	6.4	6.4	3.1	6.3	9.6
Leisure & hospitality	4.1	0.0	8.4	4.1	8.3	12.6
Other services	0.0	13.5	13.4	0.0	-11.8	13.4
Government	-5.3	5.6	-5.3	-7.1	0.0	-3.6
<b>Unemployment rate</b>	<b>9.9</b>	<b>9.6</b>	<b>9.5</b>	<b>9.5</b>	<b>9.4</b>	<b>9.6</b>
<i>Midland-Odessa</i>						
<b>Nonfarm employment</b>	<b>0.0</b>	<b>3.4</b>	<b>4.3</b>	<b>-2.5</b>	<b>15.1</b>	<b>3.3</b>
<b>Unemployment rate</b>	<b>4.5</b>	<b>4.4</b>	<b>4.3</b>	<b>4.2</b>	<b>4.0</b>	<b>4.1</b>
<i>Las Cruces</i>						
<b>Nonfarm employment</b>	<b>1.7</b>	<b>-1.7</b>	<b>-3.4</b>	<b>10.8</b>	<b>-6.6</b>	<b>0.0</b>
<b>Unemployment rate</b>	<b>6.7</b>	<b>7.7</b>	<b>8.1</b>	<b>7.2</b>	<b>6.6</b>	<b>n.a.</b>

NOTE: Seasonally adjusted data.

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

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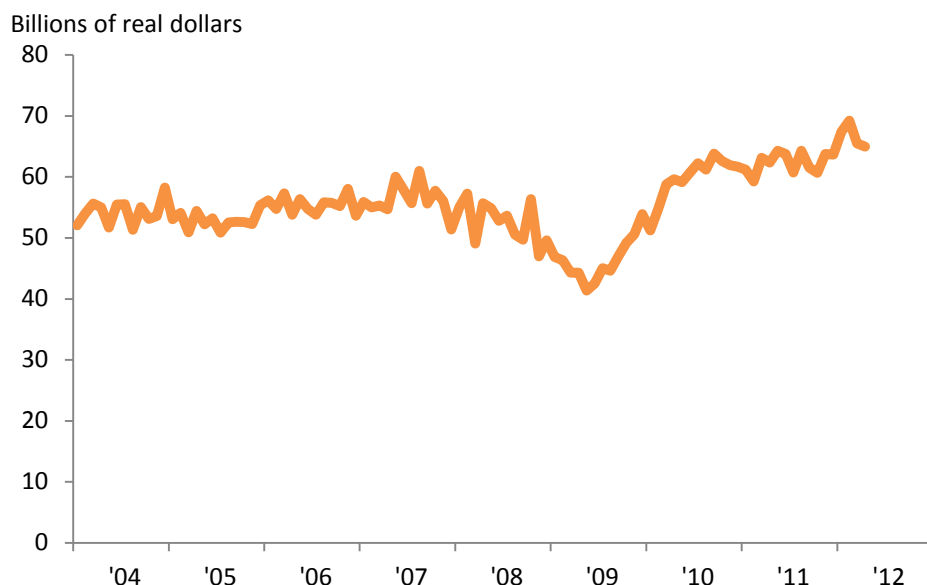
**Trade**

Trade flows through the El Paso port of entry decreased slightly in April at a 0.8 percent annualized rate. Today, total trade (exports plus imports) are close to \$65 billion (annual rate) up from \$62 billion (annual rate) a year ago. The rise in trade flows, over the past 12 months, is likely the result of stronger maquiladora activity in Ciudad Juarez.

**Housing Market**

The El Paso housing market continues to improve. In May, home sales increased at a 37 percent rate on a 12-month basis. The median home price in May was \$136,100. Inventories are 7.4 months. In addition, growth in single-family building permits—a leading indicator for the housing sector—has picked up steam over the past couple 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**

NOTE: 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 production declined in May at a 1.1 percent annualized rate. However, 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 12.4 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 five months in 2012, according to our estimates, maquiladoras in Ciudad Juarez have added more than 11,600 jobs, which represent an increase of 5 percent.

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U.S. auto and light truck production exceeded 10 million units in May, 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.

### Neighboring Metro Areas

Midland–Odessa employment continues on the rise, jumping at a 3.3 percent annualized rate. In spite of

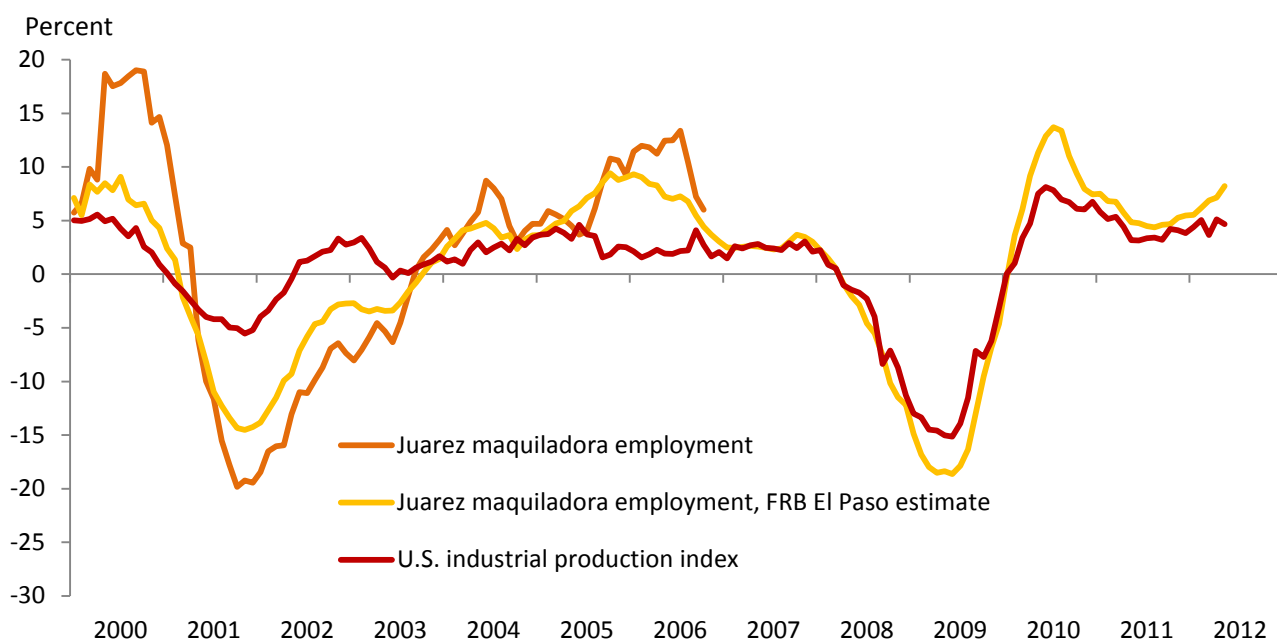
the job gains, the unemployment rate increased slightly to 4.1 percent in May. The Permian Basin region continues to benefit from high energy prices.

Las Cruces, N.M., nonfarm employment remained unchanged in May. The unemployment rate sits at 6.6 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.