

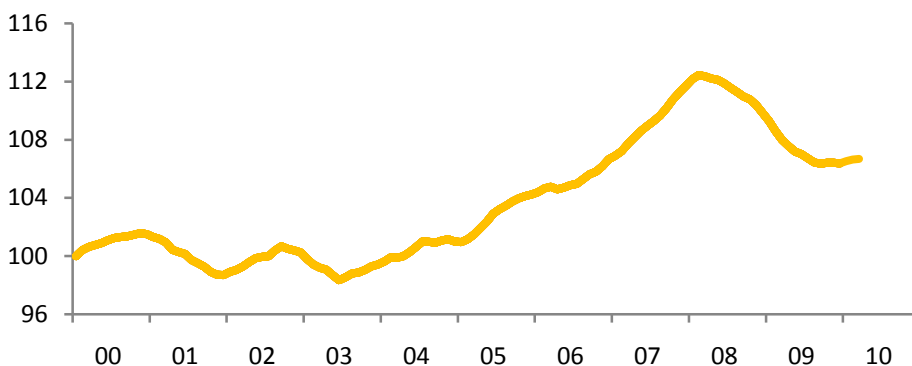
ECONOMIC UPDATE

EL PASO

El Paso Business-Cycle Index

The El Paso economy continues on its upward trend, although the recovery slowed in March. The latest reading of the El Paso business-cycle index indicates that the El Paso economy expanded at a 0.4 percent annual rate during March compared to an average of 1.6 percent annual rate over the previous two months. The local economy is responding positively to a growing U.S. economy. In particular, the continued improvement in the U.S. industrial sector and the recovery in the maquiladora industry across

Index Jan-2000=100



Source: Federal Reserve Bank of Dallas, El Paso Branch

the border are contributing to the growth in El Paso.

Labor Market

El Paso non-farm employment increased in March at a 0.4 percent annualized rate. The job gains were concentrated in the goods producing sectors, in particular in construction, mining and natural resources. The service-providing sectors contracted at a 1.5 percent, and the bulk of the job losses were concentrated in professional and business services and in the education and health sectors. In spite of the job gains in March, the unemployment rate jumped to 9.5 percent from 9.3 percent in February. The Texas unemployment rate stands at 8.2 percent while the national rate is at 9.7 percent.

Employment Growth

Month-over-Month Annualized Growth Rates

<i>El Paso</i>	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Nonfarm Employment	5.4	0.0	-3.0	4.1	-0.9	0.4
Goods Producing	-3.6	-7.2	0.0	3.8	-3.7	16.0
Construction, Mining & Natural Resources	-7.6	-7.7	8.3	0.0	0.0	36.9
Manufacturing	0.0	-6.8	-6.8	7.3	-6.8	0.0
Services Providing	6.7	1.0	-3.4	4.1	-0.5	-1.5
Trade, Transportation & Utilities	-4.3	-2.2	-2.2	6.8	2.2	6.8
Information	-21.5	0.0	-21.9	0.0	-22.3	0.0
Financial Activities	0.0	0.0	-9.6	10.6	0.0	10.5
Professional & Business Services	22.6	0.0	0.0	0.0	8.4	-11.4
Educational & Health Services	14.6	0.0	0.0	7.0	0.0	-15.6
Leisure & Hospitality	0.0	0.0	-4.4	0.0	0.0	4.6
Other Services	-12.4	14.2	-23.4	-12.7	0.0	-12.8
Government	15.4	3.6	-1.8	5.5	-5.2	1.8
Unemployment Rate	9.8	9.6	9.7	9.4	9.3	9.5
<i>Midland-Odessa</i>						
Nonfarm Employment	1.0	0.0	-1.9	-4.8	-2.0	1.0
Unemployment Rate	8.0	7.9	8.1	7.8	7.5	7.2
<i>Las Cruces</i>						
Nonfarm Employment	-5.2	1.8	1.8	-3.5	0.0	-1.8
Unemployment Rate	8.1	7.9	8.5	8.4	8.2	n.a.

Notes: Seasonally Adjusted Data

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Trade and Border Crossings

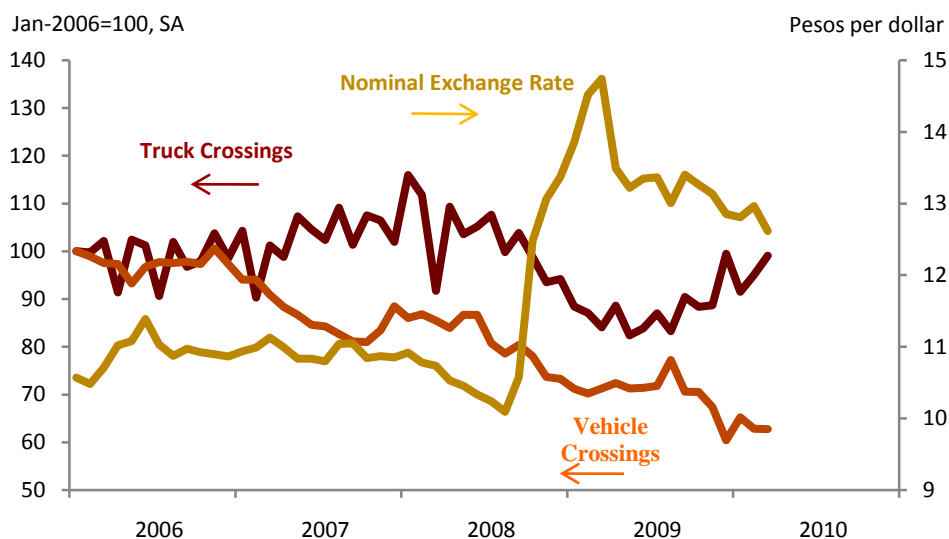
Total trade through El Paso has been growing since May 2009. Since then, total trade has risen by 35 percent. In February alone, trade rose 6.3 percent from the previous month. Imports were up 4 percent while exports jumped by 10 percent. With respect to the retail sector, El Paso sales tax rebates increased 7 percent in February (12-month basis).

The number of personal vehicles crossing into El Paso from Ciudad Juarez has been moving sideways for the last two months. Anecdotal evidence suggests that the waiting times continue to be longer than normal, and shoppers are combining their shopping needs into fewer trips. At the same time, truck crossings continue to increase as a result of the recent pick-up in maquiladora activity in Juarez.

Housing Market

El Paso housing sales jumped in February by 11 percent (year-over-year basis). The median home price was \$126,300 while months of inventory continue to decline to 7.4 months, the lowest level since 2007. Single-family building permits—a leading indicator for the housing sector—posted a decline in February of 18 percent (12-month basis). In spite of this recent decline, this indicator has

El Paso Border Crossings



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

improved significantly over the last few months suggesting that the El Paso housing market continues stabilizing, following the footsteps of the national housing market.

Economic Conditions in Juarez and Chihuahua

The U.S. industrial sector continues on the upward trend, albeit growth rates have begun to slow down in the last couple of months. Furthermore, the ISM manufacturing index and new orders index (a leading indicator for the industrial sector) have been signaling solid expansion 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 March, the eighth consecutive month of increased payrolls. Anecdotal evidence corroborates these gains in maquiladora employment, as many plants are reporting increases in orders. It is expected that Juarez maquiladoras will continue to expand in the coming months; however, a significant debate is underway as to whether the U.S. industrial sector will begin to slow due to companies better aligning their inventories. If this turns out to be the case, maquiladoras are likely to follow suit.

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Neighboring Metro Areas

The Midland-Odessa labor market expanded in March at a 1 percent annual rate, after four consecutive months of job declines. As a result, the unemployment rate declined to 7.2 percent. Oil-directed drilling in the Midland-Odessa area continues to flourish due to the high and rising oil prices, and as a result regional economic activity has begun to

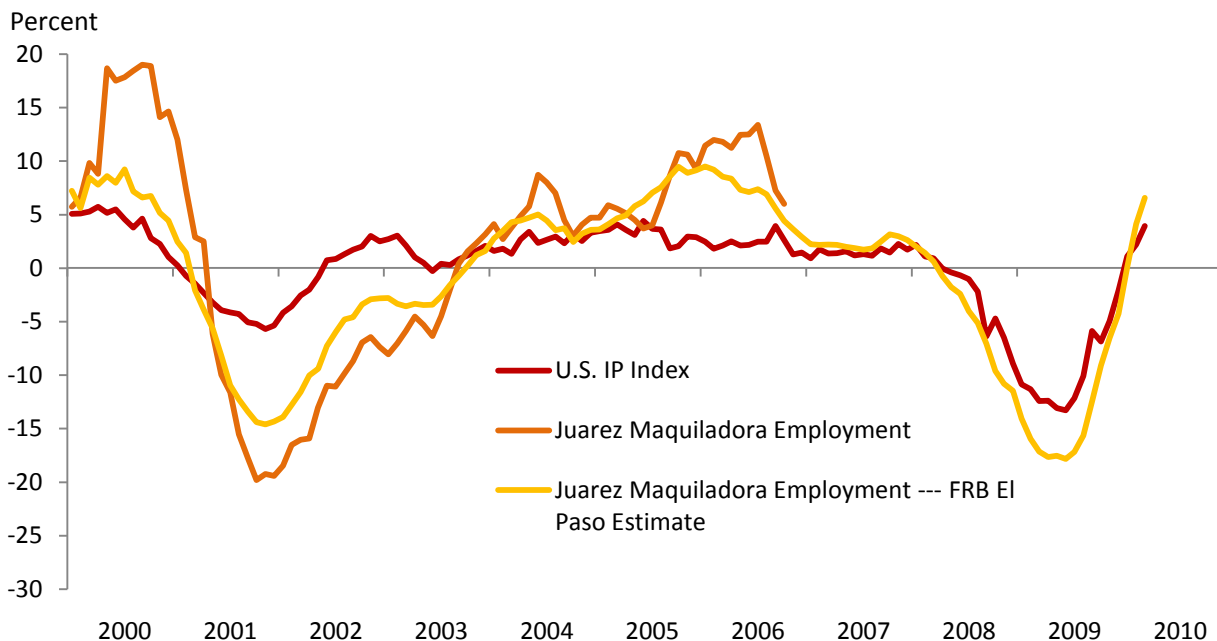
stabilize and even pick-up in certain sectors.

Las Cruces nonfarm employment posted job losses of 1.8 percent annualized rate during March; the unemployment rate in February was at 8.2 percent.

Midland-Odessa housing sales increased by 11 percent (12-month basis) in February, while the

median home price stands at \$154,500. 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 may suggest 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