

# ECONOMIC UPDATE: EL PASO

El Paso non-farm employment increased in December at a 3.6 percent annualized rate. Overall in 2007, El Paso added 3,000 new jobs, representing a 1.1 percent increase. During December, the job gains were widespread among sectors with only

the information, and leisure and hospitality sectors registering job losses. In spite of job gains in December, the unemployment rate jumped to 6 percent, from 5.6 percent in November. In December, retail sales tax rebates increased by 2.6

percent. The El Paso Business-cycle Index increased at a 3.1 percent annualized rate in December. On a year-over-year basis, the El Paso Business-cycle Index posted an increase of almost 2 percent, indicating a solid growth rate.

## El Paso Employment Growth Month-over-Month Annualized Growth Rates

|  | Jul-07       | Aug-07       | Sep-07       | Oct-07     | Nov-07     | Dec-07      |
|--|--------------|--------------|--------------|------------|------------|-------------|
| <b>Nonfarm Employment</b>                | <b>2.7</b>   | <b>-1.3</b>  | <b>-9.4</b>  | <b>7.4</b> | <b>0.4</b> | <b>3.6</b>  |
| <b>Goods Producing</b>                   | <b>-10.4</b> | <b>-10.4</b> | <b>-13.8</b> | <b>7.7</b> | <b>3.8</b> | <b>11.7</b> |
| Construction, Mining & Natural Resources | -16.6        | 0.0          | 0.0          | -8.8       | 9.6        | 9.6         |
| Manufacturing                            | -5.9         | -16.8        | -22.1        | 20.7       | 0.0        | 13.2        |
| <b>Services Providing</b>                | <b>4.7</b>   | <b>0.0</b>   | <b>-8.7</b>  | <b>7.4</b> | <b>0.0</b> | <b>2.6</b>  |
| Trade, Transportation & Utilities        | 2.0          | -4.0         | 10.6         | 12.7       | -5.8       | 4.1         |
| Information                              | 0.0          | 0.0          | 0.0          | -21.2      | 0.0        | -21.5       |
| Financial Activities                     | 0.0          | -10.0        | 11.2         | 0.0        | 0.0        | 0.0         |
| Professional & Business Services         | 7.9          | 12.0         | 0.0          | -3.7       | -3.7       | 0.0         |
| Educational & Health Services            | 0.0          | 3.8          | -13.8        | 7.7        | 3.8        | 0.0         |
| Leisure & Hospitality                    | 4.7          | 0.0          | -12.8        | 4.7        | 0.0        | -8.8        |
| Other Services                           | 0.0          | -14.0        | 0.0          | 0.0        | 0.0        | 0.0         |
| Government                               | 10.1         | 0.0          | -28.2        | 14.8       | 6.0        | 12.3        |
| <b>Unemployment Rate</b>                 | <b>6.0</b>   | <b>5.4</b>   | <b>5.9</b>   | <b>5.4</b> | <b>5.6</b> | <b>6.0</b>  |

Notes: Seasonally adjusted data

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

## El Paso Sales Tax Rebates Month-over-Month Percent

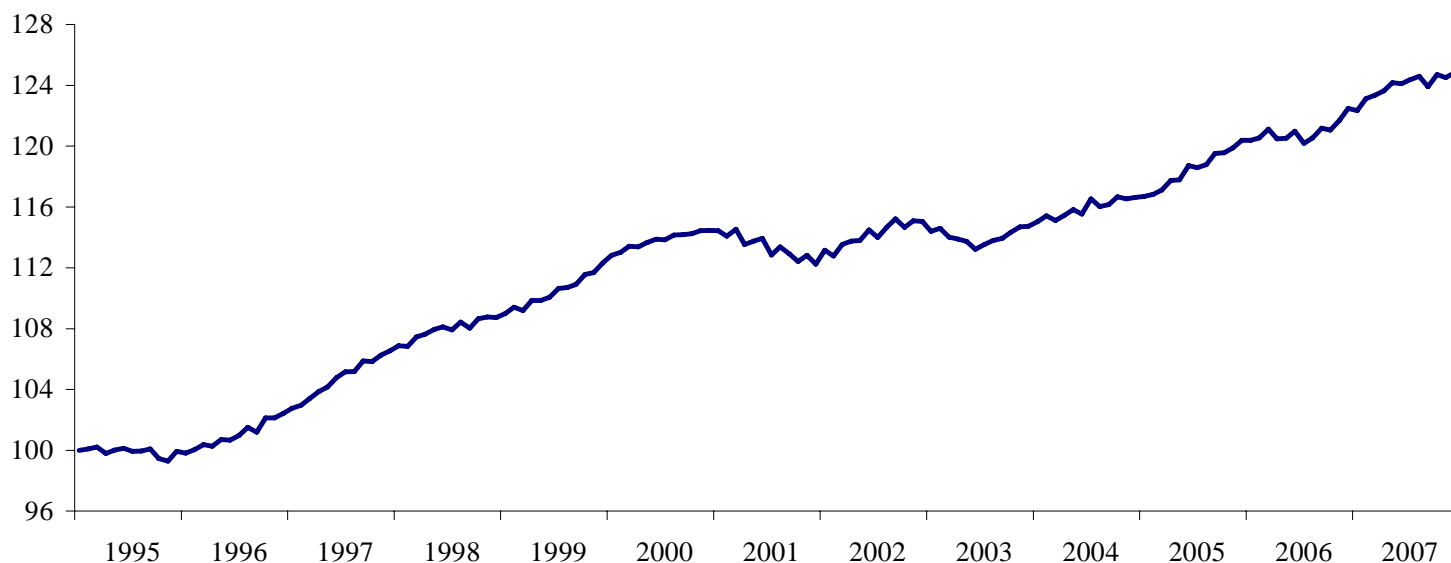
|               | Change       | Index (1994=100) |
|---------------|--------------|------------------|
| <b>Dec-07</b> | <b>2.6</b>   | <b>123.0</b>     |
| <b>Nov-07</b> | <b>-2.9</b>  | <b>119.9</b>     |
| <b>Oct-07</b> | <b>4.3</b>   | <b>123.4</b>     |
| <b>Sep-07</b> | <b>-4.0</b>  | <b>118.4</b>     |
| <b>Aug-07</b> | <b>0.7</b>   | <b>123.2</b>     |
| <b>Jul-07</b> | <b>12.3</b>  | <b>122.3</b>     |
| <b>Jun-07</b> | <b>-13.1</b> | <b>108.9</b>     |
| <b>May-07</b> | <b>9.0</b>   | <b>125.3</b>     |
| <b>Apr-07</b> | <b>-4.5</b>  | <b>115.0</b>     |
| <b>Mar-07</b> | <b>0.8</b>   | <b>120.4</b>     |
| <b>Feb-07</b> | <b>0.7</b>   | <b>119.5</b>     |
| <b>Jan-07</b> | <b>1.4</b>   | <b>118.7</b>     |
| <b>Dec-06</b> | <b>-2.7</b>  | <b>117.0</b>     |

Notes: Seasonally and inflation adjusted data

Source: Texas Comptroller of Public Accounts

## El Paso Business-cycle Index

Index Jan-95=100



Source: Federal Reserve Bank of Dallas, El Paso Branch

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# ECONOMIC UPDATE: CD. JUAREZ

Juarez employment decreased in January at a 4.5 percent annualized rate. In 2007, total payroll increased by almost 8,000 jobs, representing a 2.1 percent increase. The job losses were widespread across sectors during January. Only the construction, trade and services sectors posted job gains. On the other hand, manufacturing posted a decline

of 12.6 percent, translating into a loss of approximately 2,700 jobs. This decline is related to the slowdown in industrial activity in the U.S. during the last quarter of 2007. In December, retail sales declined by 6.3 percent. U.S. industrial production registered a 2.1 percent year-over-year increase in January. Mexico's industrial production grew

at a 1.0 percent rate in December. As the chart below shows, there is a close relationship between maquiladora employment and U.S. and Mexico manufacturing indices, which have posted sluggish growth rates in the recent months; thus, it is likely that the maquiladora industry in Ciudad Juarez will follow suit in the next few months.

**Cd. Juarez Employment Growth**  
Month-over-Month Annualized Rates

|                                     | Aug-07     | Sep-07     | Oct-07      | Nov-07      | Dec-07      | Jan-08      |
|-------------------------------------|------------|------------|-------------|-------------|-------------|-------------|
| <b>Total</b>                        | <b>4.0</b> | <b>7.4</b> | <b>-6.2</b> | <b>-2.5</b> | <b>0.0</b>  | <b>-4.5</b> |
| <b>Goods Producing</b>              | <b>2.6</b> | <b>9.0</b> | <b>-4.7</b> | <b>-6.4</b> | <b>-3.2</b> | <b>-9.6</b> |
| Agriculture & Mining                | -9.7       | -21.7      | -21.0       | -21.3       | 0.0         | -6.8        |
| Manufacturing                       | 2.1        | 8.6        | -2.3        | -6.6        | -6.2        | -12.6       |
| Construction                        | 10.5       | 16.6       | -29.4       | -3.2        | 42.5        | 34.2        |
| <b>Service Providing</b>            | <b>5.3</b> | <b>1.6</b> | <b>-3.4</b> | <b>5.8</b>  | <b>6.3</b>  | <b>6.4</b>  |
| Transportation and Public Utilities | 28.9       | -0.6       | -4.2        | -7.9        | -0.6        | -5.4        |
| Trade                               | -0.7       | 10.4       | 6.1         | 16.9        | 5.8         | 10.9        |
| Services                            | 5.2        | -3.5       | -9.1        | 1.6         | 8.1         | 5.9         |

Note: Seasonally adjusted data

Source: Banco de Mexico, Sucursal Ciudad Juarez with data from Instituto Mexicano del Seguro Social

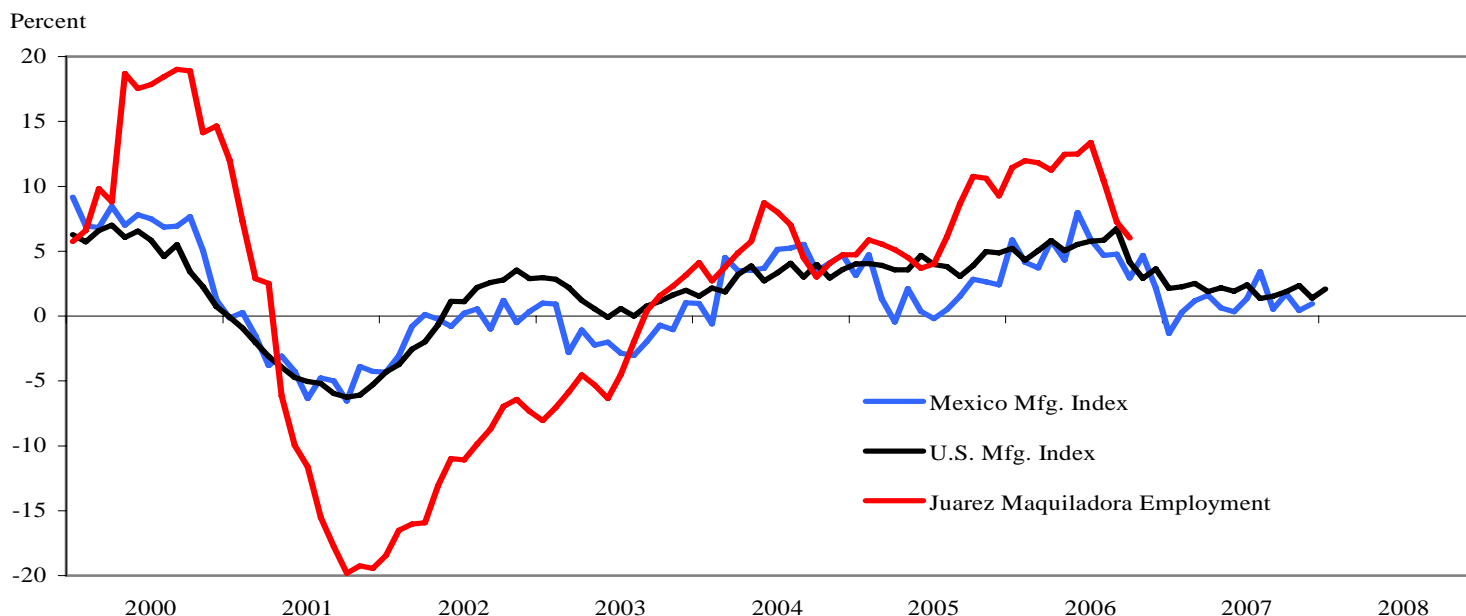
**Cd. Juarez Retail Sales**

|               | Month-over-Month Percent Change | Index (2003=100) |
|---------------|---------------------------------|------------------|
| <b>Dec-07</b> | <b>-6.3</b>                     | <b>123.0</b>     |
| <b>Nov-07</b> | <b>1.6</b>                      | <b>131.3</b>     |
| <b>Oct-07</b> | <b>-2.5</b>                     | <b>129.2</b>     |
| <b>Sep-07</b> | <b>-0.9</b>                     | <b>132.5</b>     |
| <b>Aug-07</b> | <b>2.3</b>                      | <b>133.7</b>     |
| <b>Jul-07</b> | <b>-1.9</b>                     | <b>130.7</b>     |
| <b>Jun-07</b> | <b>2.4</b>                      | <b>133.2</b>     |
| <b>May-07</b> | <b>10.2</b>                     | <b>130.1</b>     |
| <b>Apr-07</b> | <b>-6.1</b>                     | <b>118.0</b>     |
| <b>Mar-07</b> | <b>1.7</b>                      | <b>125.8</b>     |
| <b>Feb-07</b> | <b>1.5</b>                      | <b>123.7</b>     |
| <b>Jan-07</b> | <b>-0.4</b>                     | <b>121.9</b>     |
| <b>Dec-06</b> | <b>1.8</b>                      | <b>122.4</b>     |

Notes: Seasonally and inflation adjusted data

Source: INEGI

**U.S. and Mexico Manufacturing Production Indices**  
Year-over-Year



Note: Seasonally adjusted data

Source: INEGI & Federal Reserve Bank of Dallas

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