

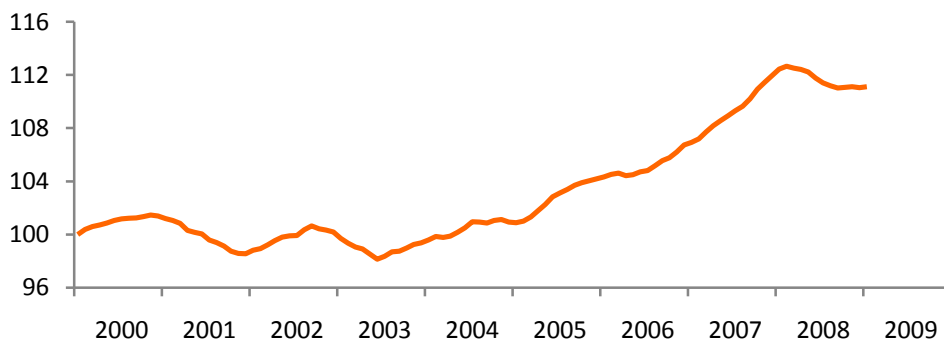
## ECONOMIC UPDATE

## EL PASO

## El Paso Business-Cycle Index

According to El Paso's business-cycle index, the El Paso economy resumed growth in January at a 0.9 percent annualized rate after a slight decline in December 2008. However, on a 12-month basis, this indicator continues to be down by 1.2 percent, making January the third consecutive month that this indicator is in negative territory. This suggests that the El Paso economy has finally been caught by the economic downturn affecting the nation and the State

Index Jan-2000=100



Source: Federal Reserve Bank of Dallas, El Paso Branch

of Texas. Fort Bliss continues to support the local economy, with \$1.72 billion spent since 2006, and

40 percent going to local contractors.

## Labor Market

El Paso non-farm employment increased at an annual rate of 4.9 percent in January. The job gains in January were widespread with both the goods and services sectors posting positive numbers. The only sectors that contracted during January were manufacturing, information, and educational and health services. Over the last 12 months, however, job growth is virtually zero. In spite of the January added jobs, the unemployment rate increased to 7.8 percent from 7.4 percent in December.

## Employment Growth

## Month-over-Month Annualized Growth Rates

<i>El Paso</i>	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09
<b>Nonfarm Employment</b>	0.9	-3.0	4.4	1.7	-1.3	4.9
<b>Goods Producing</b>	-3.4	-9.8	0.0	7.1	-12.9	3.5
Construction, Mining & Natural Resou	0.0	0.0	0.0	7.9	-14.1	16.4
Manufacturing	-6.0	-17.1	0.0	6.5	-11.9	-6.2
<b>Services Providing</b>	1.5	-2.0	5.1	1.0	0.5	5.0
Trade, Transportation & Utilities	-2.0	-5.9	0.0	2.0	0.0	4.1
Information	-19.8	0.0	-20.1	0.0	-20.4	-37.5
Financial Activities	0.0	0.0	10.3	0.0	0.0	10.2
Professional & Business Services	30.7	-31.9	16.8	3.9	12.2	12.0
Educational & Health Services	3.8	3.8	11.6	0.0	-7.1	-7.1
Leisure & Hospitality	0.0	-8.4	-4.3	0.0	-4.4	36.1
Other Services	0.0	-12.5	0.0	0.0	-12.7	0.0
Government	-5.4	22.4	7.5	0.0	5.6	1.8
<b>Unemployment Rate</b>	6.6	6.6	6.8	7.0	7.4	7.8
<i>Midland-Odessa</i>						
<b>Nonfarm Employment</b>	5.5	5.5	2.7	1.8	0.0	-2.6
<b>Unemployment Rate</b>	3.2	3.3	3.3	3.4	3.6	4.1
<i>Las Cruces</i>						
<b>Nonfarm Employment</b>	12.9	1.7	0.0	0.0	-3.4	-3.4
<b>Unemployment Rate</b>	4.7	3.8	4.0	4.1	4.6	5.6

Notes: Seasonally Adjusted Data

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

## ECONOMIC UPDATE

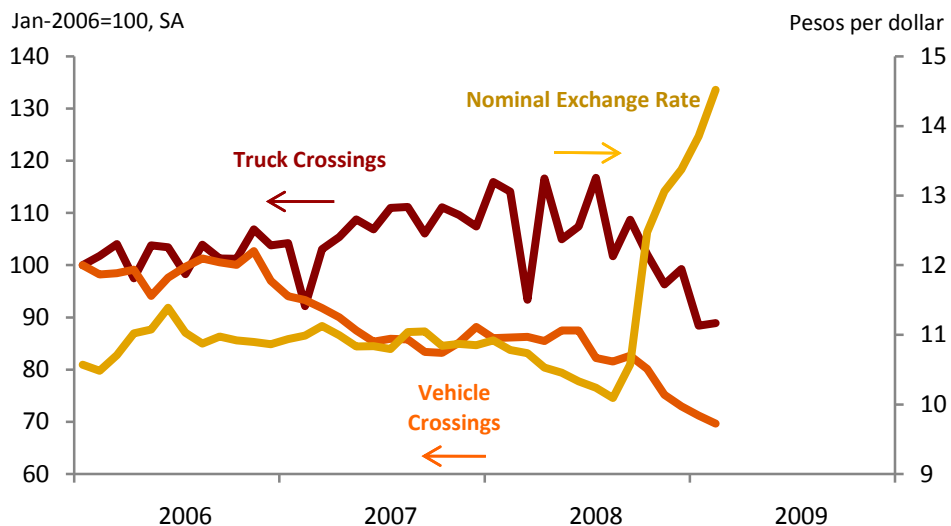
## EL PASO

## Trade and Border Crossings

As a result of the slowdown in manufacturing activity in Ciudad Juarez and the State of Chihuahua, total trade through the El Paso port of entry declined in December 2.3 percent on a 12-month basis. More specifically, imports declined 7.7 percent, while exports increased 6.8 percent. Retail sales tax rebates in El Paso increased by 6.6 percent in January. However, on a 12-month basis, this indicator is down by 1.4 percent. This decline is mostly due to slower economic activity in El Paso as well as a weaker peso.

In February, almost 280-thousand vehicles crossed into El Paso from Ciudad Juarez, representing a decline of almost 20 percent from the same period last year. Most likely this reflects slower economic activity in Ciudad Juarez, as the maquiladora sector cools and the peso weakens. Our estimates at the Dallas Fed indicate that roughly 11-14 percent of all retail sales in El Paso can be attributable to Mexican shoppers. The 31 percent depreciation of the peso vis-à-vis the dollar over the last seven months represents a significant decline in the purchasing power of Mexican nationals. Truck crossings also declined sharply in February, down 22 percent on a 12-month basis.

## El Paso Border Crossings



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

## Housing Market

In El Paso, housing sales increased by 1.7 percent in January (year-over-year basis). The median home price in January was at \$126,900. Furthermore, months of inventory stand at 11.3 months, up from 8 months roughly a year ago. The number of single-family building permits was also down 7 percent in January from a year ago, as new construction cools along with the existing home market.

## Economic Conditions in Juarez and Chihuahua

The U.S. industrial sector continues to deteriorate. In February, the industrial production index contracted 11.2 percent on a 12-month basis. Similarly, formal

manufacturing employment in the State of Chihuahua declined by more than 21 percent in February from a year ago. Given the strong correlation that exists between these two series and the maquiladora activity in Ciudad Juarez (see chart below), we can conclude that the maquiladora sector has not been performing well recently. Recent estimates indicate that Ciudad Juarez has lost around 50,000 manufacturing jobs since the summer of 2007. Another indication of weakness in Ciudad Juarez is the retail sector. Retail sales declined in December by 1.4 percent compared to November. Furthermore, a recent report indicates that auto sales in Juarez are down roughly 40 percent.

# ECONOMIC UPDATE

# EL PASO

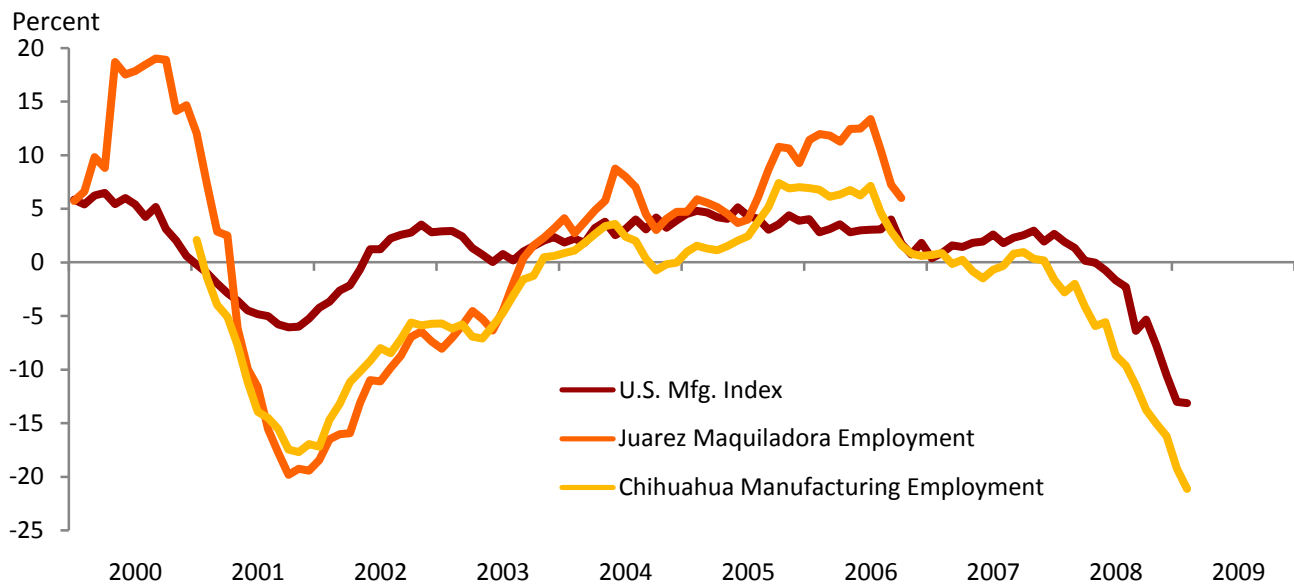
## Neighboring Metro Areas

Midland-Odessa continues to feel the recent oil shock, as nonfarm employment declined at an annual rate of 2.6 percent in January. As a result the unemployment rate jumped to 4.1 percent in January from 3.6 percent in December. Las Cruces nonfarm employment posted a decline at a 3.4 percent annual rate during January, its

second consecutive month of decline. The unemployment rate increased to 5.6 percent in January from 4.6 percent in December. The Midland-Odessa housing market continues to weaken with sales declining by more than 32 percent on a year-over-year basis in January. The median home price for the Midland-Odessa area stands at \$138,000. Permits for new homes in Midland-Odessa are

down in January by 5 percent on a 12-month basis. Las Cruces building permits for new homes stand at 68 permits in January, representing a decline of 26 percent on a 12-month basis.

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



Note: Seasonally Adjusted Data

Source: INEGI & Federal Reserve Bank of Dallas