

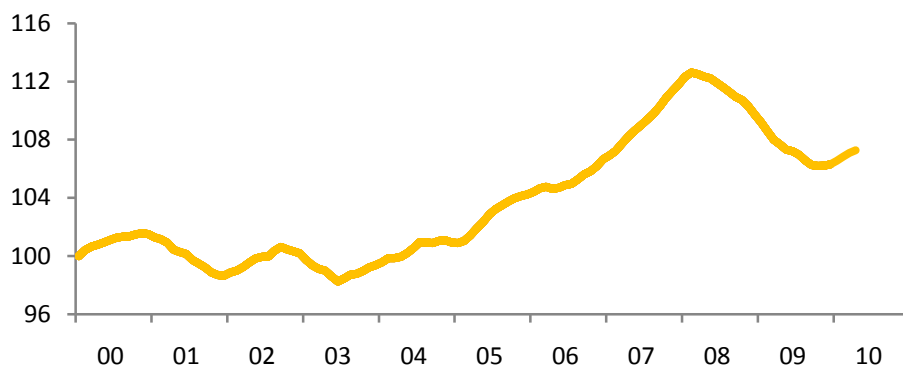
ECONOMIC UPDATE

EL PASO

El Paso Business-Cycle Index

The recovery continues to make inroads into the El Paso economy. The El Paso business-cycle index posted a solid 2 percent annualized growth rate in April, and growth has averaged 2.7 percent over the last four months. This uptick in the local economy is mostly due 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 the border are contributing to the growth in El Paso. The downside risk is that firms are getting closer to desired inventory

Index Jan. 2000=100



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

levels, which in turn might represent a slowdown in U.S. industrial sector and in Juarez maquilado-

ras. If this turns out to be the case, the El Paso economy is likely to follow suit.

Labor Market

El Paso nonfarm employment increased in April at a 4 percent annualized rate. The job gains were concentrated in the service-providing sectors, in particular in professional and business services, educational and health services, and other services. The goods-producing sectors remained unchanged in April. In spite of the job gains in April, the unemployment rate jumped to 10 percent from 9.5 percent in March. Ironically, as the labor market improves, it will draw discouraged workers back into the labor market, pushing the unemployment rate higher as these workers reenter the workforce. The Texas unemployment rate stands at 8.3 percent, while the national rate is at 9.7 percent.

Employment Growth

Month-over-Month Annualized Growth Rates

<i>El Paso</i>	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10
Nonfarm Employment	0.9	0.4	4.0	0.9	4.0	4.0
Goods Producing	-10.6	3.8	0.0	3.8	-3.7	0.0
Construction, Mining & Natural Resources	-7.7	0.0	8.3	8.2	-14.7	8.3
Manufacturing	-13.2	7.3	-6.8	0.0	7.3	-6.8
Services Providing	2.5	0.0	4.6	0.5	5.1	4.6
Trade, Transportation & Utilities	0.0	0.0	16.5	6.7	4.4	2.2
Information	0.0	0.0	0.0	-21.9	-22.3	0.0
Financial Activities	0.0	22.3	0.0	0.0	0.0	0.0
Professional & Business Services	-4.0	-7.8	12.9	4.1	8.3	12.6
Educational & Health Services	-3.4	-3.4	7.1	-3.4	7.1	10.7
Leisure & Hospitality	30.8	4.5	4.5	0.0	9.2	0.0
Other Services	0.0	0.0	-22.7	0.0	0.0	13.9
Government	1.8	0.0	-3.5	-1.8	5.5	1.8
Unemployment Rate	9.6	9.7	9.4	9.3	9.5	10.0
<i>Midland-Odessa</i>						
Nonfarm Employment	-1.9	3.0	-4.8	5.0	8.1	7.0
Unemployment Rate	7.9	8.1	7.8	7.5	7.2	7.2
<i>Las Cruces</i>						
Nonfarm Employment	3.6	-1.8	-1.8	0.0	1.8	5.5
Unemployment Rate	7.9	8.5	8.4	8.1	8.5	8.1

NOTE: Seasonally adjusted data

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

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Trade and Border Crossings

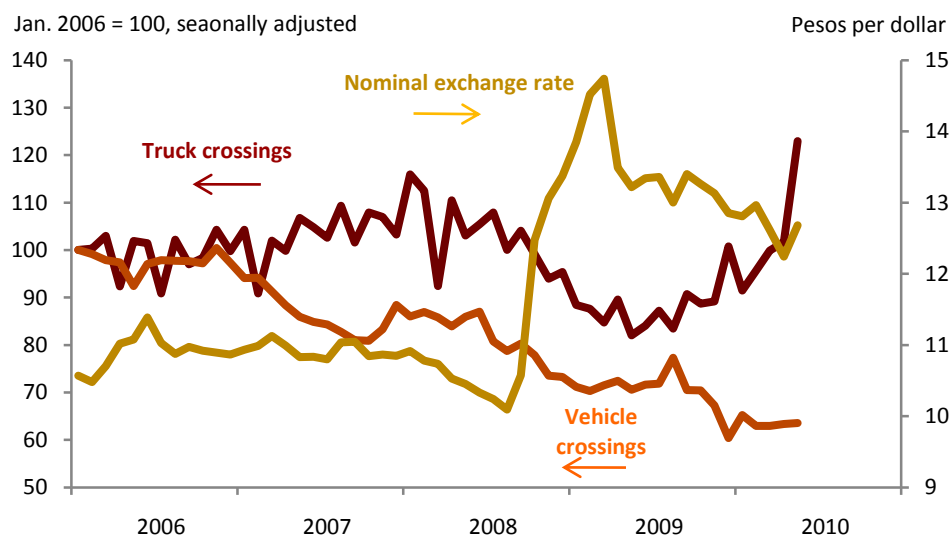
Total trade through El Paso has been growing since May 2009. Since then, total trade has risen by 46 percent. However, in April total trade remained flat from the previous month. Imports were up 1.8 percent, while exports declined by 2.5 percent. With respect to the retail sector, El Paso sales tax rebates increased 1 percent in April (12-month basis).

The number of personal vehicles crossing into El Paso from Ciudad Juarez has held steady over the last few 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 pickup in maquiladora activity in Juarez.

Housing Market

El Paso housing sales continue to improve. So far in 2010, home sales have increased on average by 12 percent. In April, the median home price was \$132,200, while months of inventory continue to decline to 6.8 months. Single-family building permits—a leading indicator for the housing sector—have been increasing by 25 percent over the last three months. This indicator has improved significantly and suggests that the El Paso

El Paso Border Crossings



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

housing market continues to stabilize, following the footsteps of the national housing market.

Economic Conditions in Juarez and Chihuahua

The U.S. industrial sector continues on the upward trend. 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 continues to show steady growth.

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 May, the tenth 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, growth might slow down as firms reach desired inventory levels.

Neighboring Metro Areas

The Midland–Odessa labor market expanded in April at a 7 percent annual rate. In spite of the recent job gains, the unemployment rate remained unchanged at 7.2 percent. Oil-directed drilling in the Midland–Odessa area continues to

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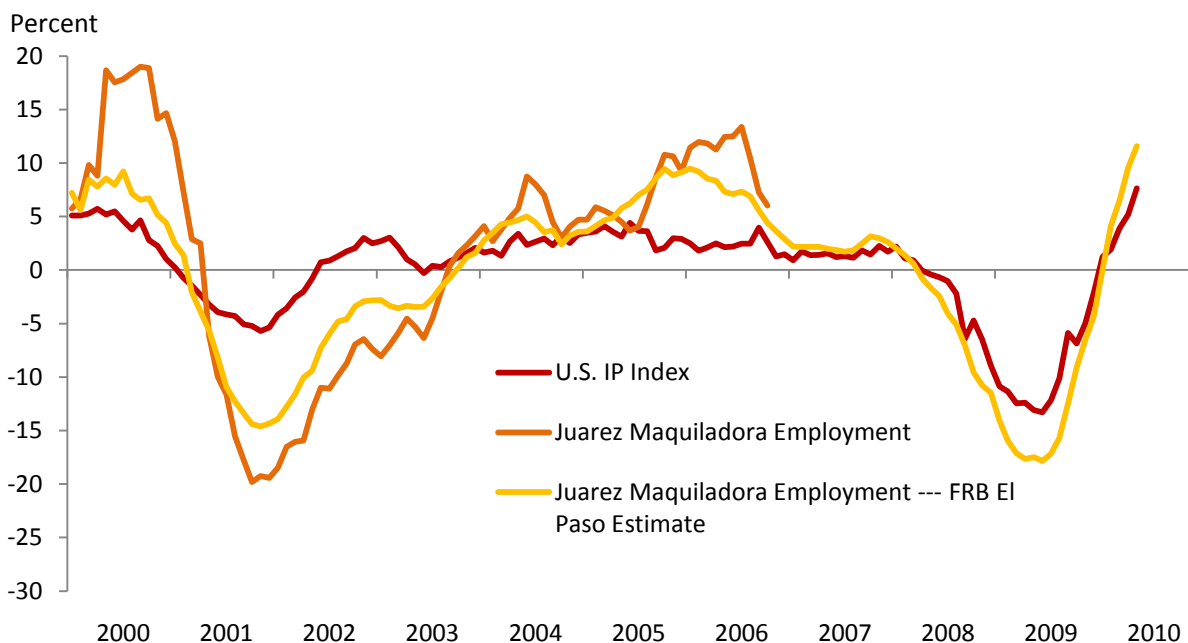
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flourish due to the high and rising oil prices, and as a result regional economic activity has begun to stabilize and even pick up in certain sectors.

Las Cruces nonfarm employment also posted job gains in April at a 5.5 percent annual rate. As a result of recent job gains, the unemployment rate in April declined to 8.1 percent from 8.5 percent a month ago.

Midland–Odessa housing sales have increased by 19 percent over the last three months. The median home price stands at \$143,600. Permits for new homes in the Midland–Odessa area, as well as for Las Cruces, continue to stabilize suggesting that the housing market in both MSAs might have reached bottom.

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



NOTE: Seasonally adjusted data

SOURCES: INEGI; Federal Reserve Board; Federal Reserve Bank of Dallas, El Paso Branch.