

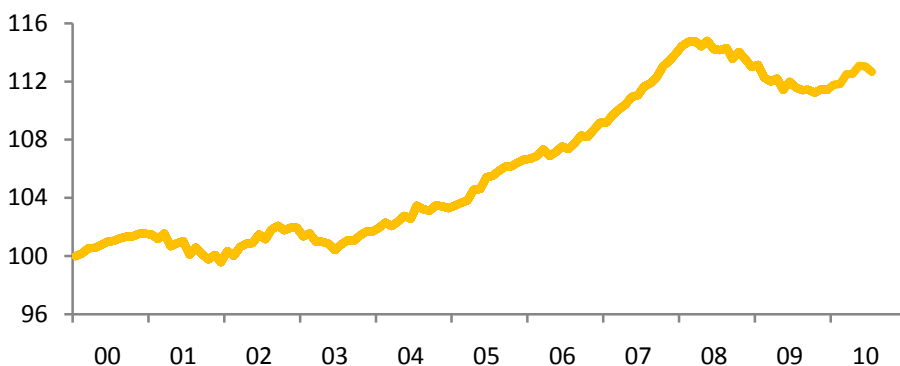
ECONOMIC UPDATE

EL PASO

El Paso Business-Cycle Index

The recovery in El Paso paused this summer. The El Paso business-cycle index posted a decline of 4 percent annualized rate in July, after a slight decline of 0.4 percent in June. This is most likely due to a contraction in employment, particularly in government-related employment. Private employment in El Paso continues on the rise.

Index Jan. 2000=100



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

In addition, a recent slowdown in both the U.S. industrial sector and the maquiladora industry in Ciudad Juarez may contribute to the cooling of the

local economy. It is still too early to say that the recovery came to a halt, as regional economic data, in par-

ticular employment data, are subject to significant revisions.

Labor Market

El Paso nonfarm employment decreased in July at an 8 percent annualized rate. The job losses were concentrated in the service-providing sectors, in particular in the government and leisure and hospitality sectors. The goods-producing sectors posted a jump of 12 percent annualized rate. As a result of the recent labor market softness, the unemployment rate jumped to 9.6 percent from 9.3 percent in June. The Texas unemployment rate now stands at 8.2 percent, while the national rate is at 9.5 percent.

Employment Growth

Month-over-Month Annualized Growth Rates

<i>El Paso</i>	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Nonfarm Employment	0.0	10.1	4.9	6.3	-5.5	-8.0
Goods Producing	0.0	-7.3	7.9	7.9	-7.3	12.0
Construction, Mining & Natural Resources	8.2	-14.7	17.2	8.2	-7.6	17.0
Manufacturing	-7.0	0.0	0.0	7.6	-7.0	7.6
Services Providing	0.0	12.6	4.5	6.1	-5.3	-10.3
Trade, Transportation & Utilities	6.8	9.2	2.2	-2.2	2.2	4.5
Information	0.0	0.0	0.0	0.0	0.0	0.0
Financial Activities	-9.8	0.0	0.0	22.8	0.0	-9.7
Professional & Business Services	-3.7	40.2	3.8	3.8	3.7	3.7
Educational & Health Services	-12.7	22.6	3.4	-3.3	-3.3	3.4
Leisure & Hospitality	19.6	14.2	-4.3	9.2	0.0	-4.3
Other Services	0.0	0.0	13.9	-12.2	0.0	0.0
Government	-1.8	3.6	11.2	19.2	-19.0	-35.2
Unemployment Rate	9.3	9.5	10.0	9.6	9.3	9.6
<i>Midland-Odessa</i>						
Nonfarm Employment	9.1	2.9	4.9	9.0	0.0	0.0
Unemployment Rate	7.8	7.5	7.2	7.2	6.7	6.2
<i>Las Cruces</i>						
Nonfarm Employment	0.0	1.8	1.8	13.2	15.0	7.2
Unemployment Rate	8.9	8.9	9.0	8.0	7.7	8.2

NOTE: Seasonally adjusted data. Data may not match previously published numbers due to data revisions.

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

ECONOMIC UPDATE

EL PASO

Trade and Border Crossings

Total trade through El Paso has been growing since mid-2009, climbing 47 percent. In June, total trade increased by 2.6 percent from the previous month. Imports were up 6 percent, while exports declined by 2 percent.

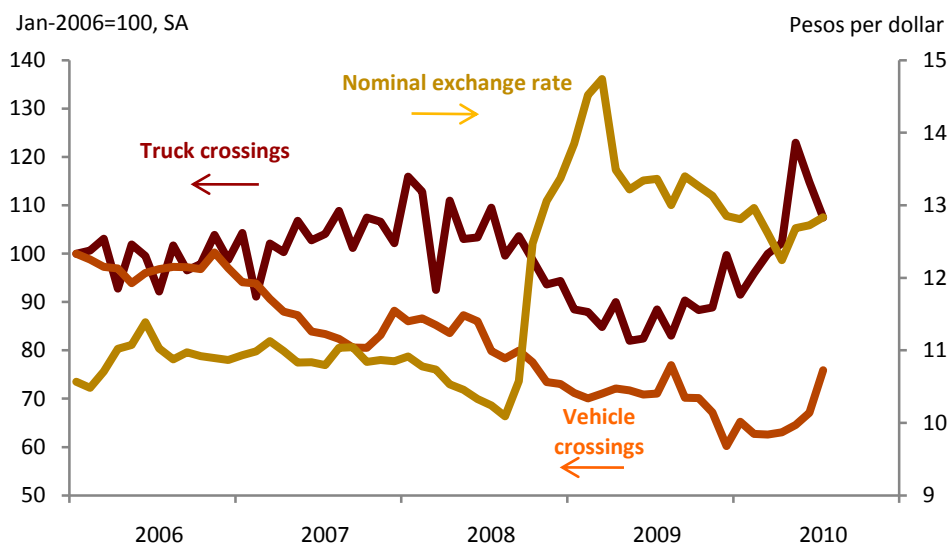
In the local retail sector, El Paso sales tax rebates increased at a 10 percent annualized rate in June.

In July, the number of personal vehicles crossing into El Paso from Ciudad Juarez increased strongly, while pedestrian crossings showed a slight contraction. At the same time, truck crossings declined in spite of an increase in trade and modest growth in maquiladora activity in Juarez.

Housing Market

El Paso housing sales contracted in June by 13 percent from the same month a year ago. However, year to date, home sales have increased by 19 percent. In June, the median home price was \$139,800, while months of inventory continue to hold at 6.8 months. Single-family building permits—a leading indicator for the housing sector—have increased 15 percent over the past three months. This indicator has improved significantly and suggests that the El Paso housing market continues to stabilize, following the footsteps of the national hous-

El Paso Border Crossings



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

ing market.

Economic Conditions in Juarez and Chihuahua

The U.S. industrial sector remains on an upward trend, although growth rates have begun to moderate. Furthermore, the ISM manufacturing index and new orders index (a leading indicator for the industrial sector) continue to signal expansion. Formal employment in the manufacturing sector in the state of Chihuahua continues on the rise but at a slower pace.

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 Juarez

maquiladoras have been expanding their payrolls during the past year. However, in July Juarez maquiladoras employment increased at a 5 percent annualized rate compared with an average of 15 percent increase over the previous 11 months. Anecdotal evidence corroborates that maquiladoras have begun to see a slowdown in production orders. This is mostly due to an end of the inventory build-up phase, as firms are now reaching desired levels of inventories.

Neighboring Metro Areas

The Midland–Odessa labor market has remained unchanged over the past couple of months. In spite of this, the unemployment rate has declined and now stands at 6.2

ECONOMIC UPDATE

EL PASO

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.

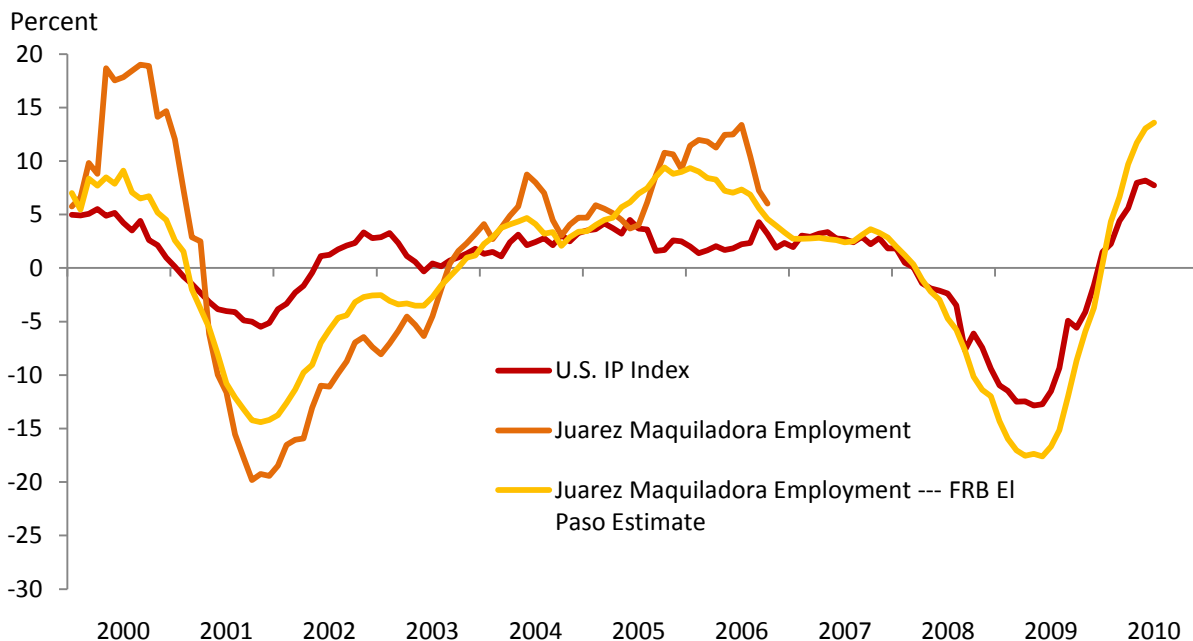
Las Cruces nonfarm employment has posted strong job gains over the past three months. In July, non-farm employment in Las Cruces jumped by a 7.2 percent annual-

ized rate. The unemployment rate, however, continues to rise and now stands at 8.2 percent.

Midland–Odessa housing sales have increased by 33 percent over the past three months. The median home price stands at \$153,000. 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

Source: INEGI , Federal Reserve Board, and Federal Reserve Bank of Dallas, El Paso Branch