

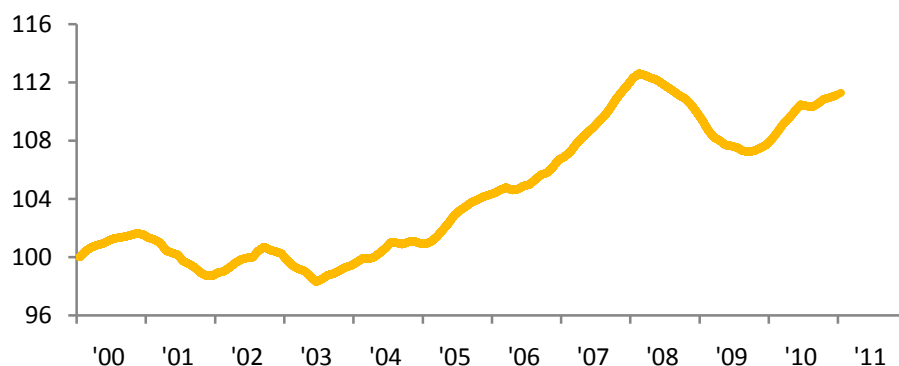
## ECONOMIC UPDATE

## EL PASO

## El Paso Business-Cycle Index

The El Paso business-cycle index increased 2.3 percent at an annualized rate in January. After a soft patch in late summer and early fall, the El Paso economy gained momentum toward the end of the year, which is continuing into this year. Nonfarm employment posted a 3.1 percent increase in 2010 (December over December), doubling El Paso's historical average of 1.5 percent and the national increase of 0.7 percent. Furthermore, the U.S. industrial sector has accelerated in recent months. As a result, Ciudad Juarez maquiladoras are again

Index, January 2000 = 100



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

hiring. According to our internal estimates, maquiladoras added 5,000 jobs in the first two months of 2011.

The El Paso economy is expected to benefit in the coming months.

## Labor Market

El Paso nonfarm employment continued on the rise in February, posting an increase of 0.9 percent annualized rate. El Paso has exceeded its prerecession peak levels of employment, gaining back all the jobs lost during the last recession. In February, employment gains were concentrated in services sectors such as trade, transportation and utilities, profession and business services, educational and health services, and leisure and hospitality services. The goods-producing sector contracted at a 7.2 percent annualized rate.

The unemployment rate now stands at 9.9 percent. The Texas unemployment rate is 8.2 percent, while the national rate is at 8.9 percent.

## Employment Growth

## Month-over-Month Annualized Growth Rates

<i>El Paso</i>	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11
<b>Nonfarm Employment</b>	<b>0.9</b>	<b>8.0</b>	<b>1.7</b>	<b>0.0</b>	<b>1.7</b>	<b>0.9</b>
<b>Goods Producing</b>	<b>-13.8</b>	<b>3.8</b>	<b>0.0</b>	<b>3.8</b>	<b>3.8</b>	<b>-7.2</b>
Construction, Mining & Natural Resou	-14.5	8.2	8.1	8.1	8.0	-7.4
Manufacturing	-6.9	0.0	-6.9	0.0	0.0	-7.0
<b>Services Providing</b>	<b>2.5</b>	<b>8.6</b>	<b>1.9</b>	<b>-0.5</b>	<b>1.5</b>	<b>1.5</b>
Trade, Transportation & Utilities	0.0	2.2	-6.2	2.2	2.2	2.2
Information	0.0	0.0	0.0	-21.2	0.0	-21.5
Financial Activities	-18.8	11.0	0.0	0.0	-9.9	0.0
Professional & Business Services	21.5	16.6	3.9	0.0	3.9	7.8
Educational & Health Services	14.3	3.4	0.0	-3.3	6.9	3.4
Leisure & Hospitality	4.4	0.0	0.0	4.4	-8.2	18.7
Other Services	13.7	13.5	-11.9	0.0	0.0	13.5
Government	-3.4	18.6	8.8	0.0	1.7	-6.5
<b>Unemployment Rate</b>	<b>9.6</b>	<b>9.8</b>	<b>10.1</b>	<b>10.0</b>	<b>10.0</b>	<b>9.9</b>
<i>Midland-Odessa</i>						
<b>Nonfarm Employment</b>	<b>3.8</b>	<b>2.8</b>	<b>2.8</b>	<b>3.7</b>	<b>-0.9</b>	<b>2.8</b>
<b>Unemployment Rate</b>	<b>6.0</b>	<b>6.3</b>	<b>6.5</b>	<b>6.2</b>	<b>6.0</b>	<b>5.8</b>
<i>Las Cruces</i>						
<b>Nonfarm Employment</b>	<b>-8.3</b>	<b>3.5</b>	<b>0.0</b>	<b>-1.7</b>	<b>3.5</b>	<b>5.3</b>
<b>Unemployment Rate</b>	<b>7.6</b>	<b>7.9</b>	<b>7.9</b>	<b>8.1</b>	<b>9.2</b>	<b>n.a.</b>

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

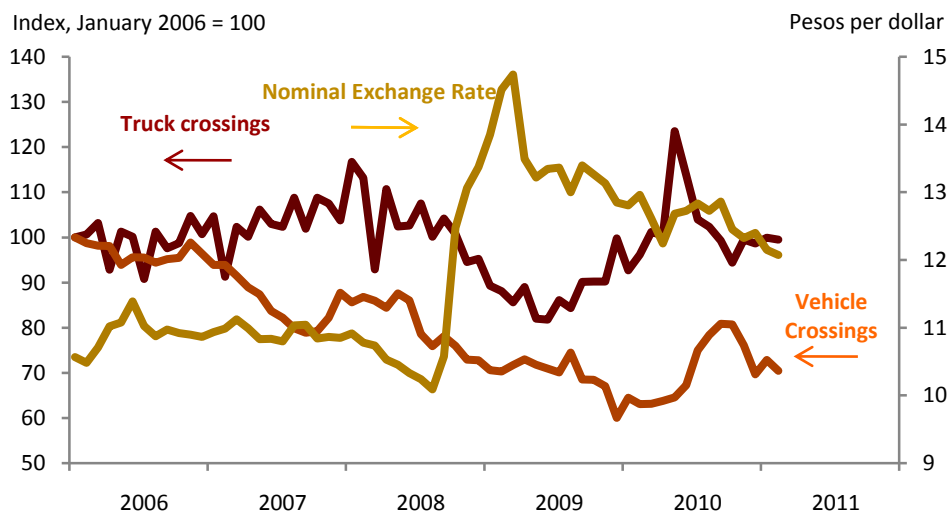
Trade flows through the El Paso port of entry continue to moderate. In January, total trade remained flat. However, on a year-over-year basis, total trade is up 20 percent. In the local retail sector, El Paso sales tax rebates increased 2.9 percent in January from the same month a year ago.

In spite of the peso strengthening against the dollar, the number of personal vehicles crossing into El Paso from Ciudad Juarez continued to contract in February. With respect to commercial traffic, truck crossings have been moving sideways for the past couple of months. As maquiladora activity picks up in the coming months, commercial traffic at the international bridges is expected to rebound.

## Housing Market

In February, El Paso housing sales contracted significantly by 21 percent from a year ago, after posting a strong growth rate in January of 34 percent. Overall in 2010, home sales increased by 3.2 percent from 2009. In February, the median home price was \$134,500, while months of inventory declined to 6.5 months. Single-family building permits—a leading indicator for the housing sector—have been ramping up at a strong pace over the last few months, perhaps in

## El Paso Border Crossings



NOTE: Seasonally adjusted data.

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

anticipation of the troops coming into the region this year. It is expected that close to 16,000 people (soldiers, spouses and children) will arrive El Paso this year due to the expansion at Ft. Bliss.

## Economic Conditions in Juarez and Chihuahua

After posting strong readings at the end of last year, the U.S. industrial sector moved sideways in February. However, the ISM manufacturing index and its associated new orders index (a leading indicator for industrial activity) continue to show solid expansion in the last few readings. In fact, both indicators have not registered such high levels since late 2003 and early 2004. Furthermore, formal employment in the manufacturing

sector in the state of Chihuahua has been expanding at a fast pace since December of last year.

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 continued to expand payrolls in February at a strong pace, posting a 12 percent annual growth rate. In 2010, maquiladora employment increased by 7.1 percent, which represents 15,000 new jobs. So far year to date, maquiladora payrolls in Juarez have increased by 5,000 jobs, a 2.3 percent increase. According to our estimates, Juarez maquiladoras are still down 18,000 jobs from the prerecession peak level. Most ana-

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Analysts expect the U.S. industrial sector to continue to expand at a moderate pace in 2011. This in turn is good news for the local economy as maquiladoras generally follow suit.

### Neighboring Metro Areas

The Midland–Odessa labor market continues to improve, posting a jump of 2.8 percent annualized rate in February. As a result, the unemployment rate continues to

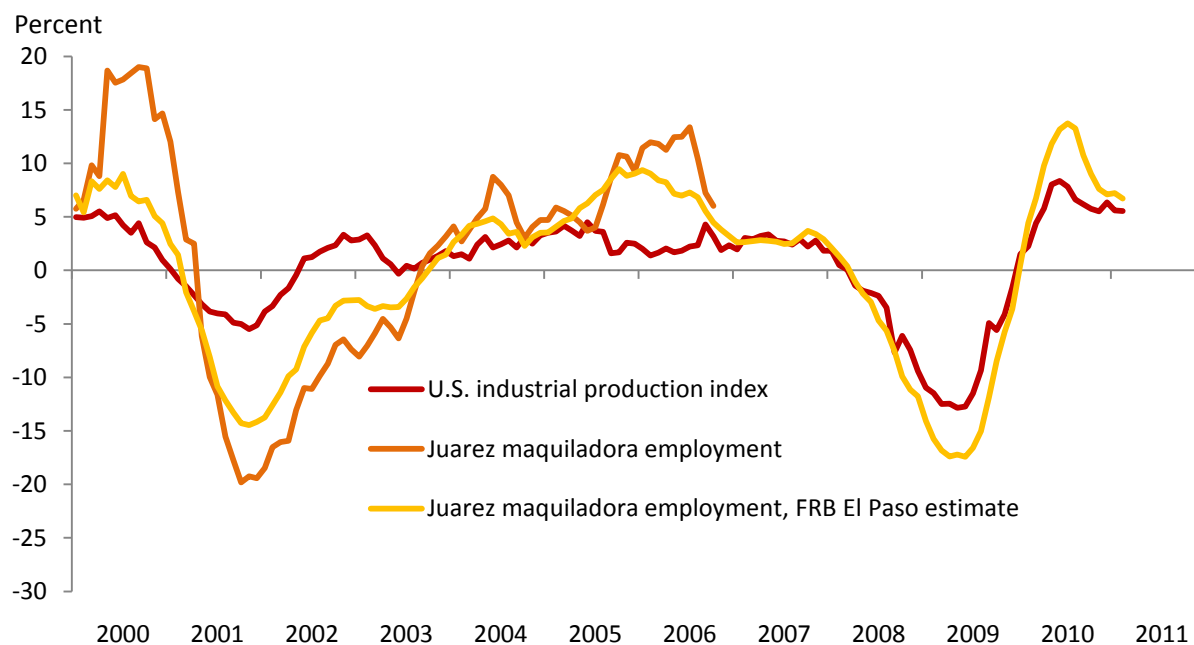
decline and now stands at 5.8 percent. The recent pickup in oil prices continues to benefit the Midland–Odessa area, resulting in stronger regional economic activity.

Las Cruces nonfarm employment posted a solid growth rate of 5.3 percent annualized rate in February. In spite of job gains, the unemployment rate continues to be high and is now 9.2 percent.

The Midland–Odessa housing sector has posted two consecutive months of positive readings in house sales. In January, the median home price was \$162,200. Permits for new homes in the Midland–Odessa area, as well as for Las Cruces, continue to contract at a slower pace in both MSAs, suggesting that their housing markets might be reaching bottom.

## U.S. Manufacturing and Maquiladora

### Year-over-Year



NOTE: Seasonally adjusted data.

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