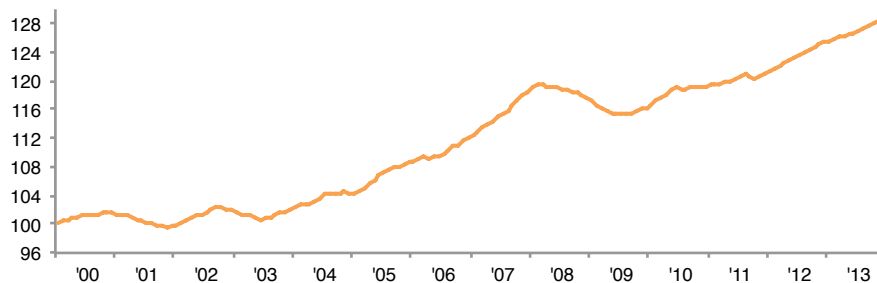


Economic Activity

El Paso Business-Cycle Index

Index, January 2000 = 100



► Economic activity in the El Paso metropolitan area continues to expand at a moderate pace. Growth was 2.7 percent year over year in December, according to the Federal Reserve Bank of Dallas' El Paso Business-Cycle Index.

► U.S. industrial production decreased during January; however, it's too soon to discern any impact on maquiladora payrolls across the border in Ciudad Juárez, Mexico. Benchmark revisions to payroll employment data (a component of the index) provided a more optimistic reading for the local economy in 2013.

Labor Market

Employment Growth (Month-over-month annualized rates*)

<i>El Paso</i>	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13
Nonfarm employment	-4.5	6.0	2.5	2.9	1.3	-0.8
Goods producing	0.0	-3.8	0.0	-3.8	-20.9	-3.9
Construction, mining & natural res.	0.0	-8.7	9.6	-8.7	-16.9	-8.9
Manufacturing	-6.5	0.0	0.0	-6.5	-18.5	0.0
Services providing	-4.1	6.8	2.8	3.8	3.8	0.0
Trade, transportation & utilities	-5.8	6.1	2.0	12.5	16.8	0.0
Information	0.0	0.0	0.0	0.0	-19.1	-19.4
Financial activities	-17.9	0.0	10.4	0.0	0.0	10.3
Professional & business services	0.0	17.9	8.5	17.5	4.1	-3.9
Educational & health services	12.8	6.2	6.1	-5.8	0.0	3.0
Leisure & hospitality	-3.8	4.0	-7.5	16.9	0.0	4.0
Other services	0.0	0.0	0.0	-11.4	-11.5	0.0
Government	-13.1	11.2	0.0	-3.5	-1.7	1.8
Unemployment rate	8.7	8.6	8.9	8.9	8.8	8.6
<i>Midland-Odessa</i>						
Nonfarm employment	-2.2	4.6	6.9	6.8	15.7	-0.7
Unemployment rate	3.5	3.4	3.5	3.5	3.5	3.5
<i>Las Cruces</i>						
Nonfarm employment	-5.0	1.7	-16.0	9.1	5.3	-3.4
Unemployment rate	7.6	7.4	7.3	7.3	7.3	7.3

*Seasonally adjusted.

► The Dallas Fed updates its employment data using preliminary releases of the Quarterly Census of Employment and Wages from the Texas Workforce Commission to ensure that payroll employment estimates rely on the most accurate data available. The most recent benchmarked metropolitan employment data indicate a better job situation than suggested by previous estimates. The new estimate shows nonfarm employment grew 1.4 percent year over year in December, compared with 0.3 percent in the previous estimate.

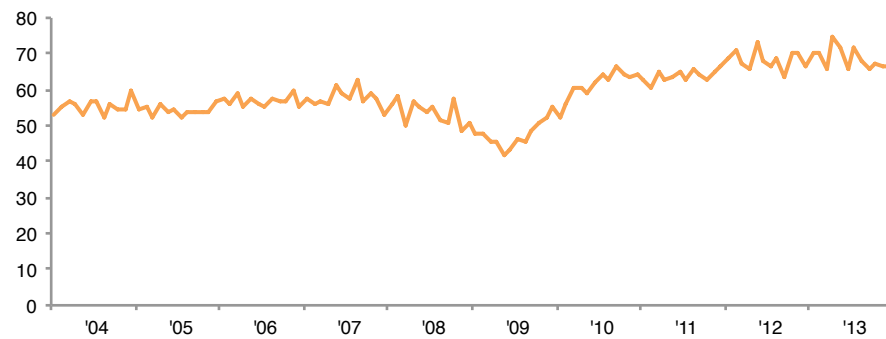
► El Paso's nonfarm employment decreased in December at a 0.8 percent annualized rate. Job losses were concentrated in the information, construction, and professional and business services sectors. From December 2012 to December 2013, the area added 3,900 jobs. El Paso's December unemployment rate stood at 8.6 percent, while the Texas unemployment rate was 6 percent and the national rate was 6.7 percent.

► Midland–Odessa, Texas, employment decreased in December at a 0.7 percent annualized rate, and the unemployment rate stood at 3.5 percent. Nonfarm employment in Las Cruces, N.M., decreased at a 3.4 percent annualized rate in December, and the unemployment rate stood at 7.3 percent. For December, the New Mexico unemployment rate was 6.4 percent.

Trade Flows

El Paso Total Trade

Billions of real dollars*



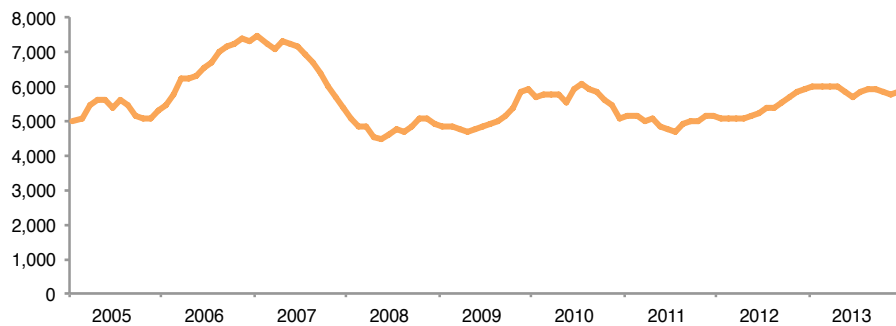
*Seasonally adjusted, annualized rates.

► Trade flows through the El Paso port of entry decreased in December 0.2 percent on a 12-month basis. As of December, total trade (exports plus imports) was more than \$66 billion annualized, around the same level as in December 2012. Despite the monthly decrease, the level of trade has remained healthy.

Regional Housing Markets

El Paso Home Sales

Number, annualized*



*Seasonally adjusted; six-month moving average.

► In December, El Paso home sales increased 1.9 percent on a 12-month basis. The median home price in December was \$146,100. Inventory levels continue on an upward trend and stood at 7.6 months, compared with 7.3 months in January 2013.

► The Midland–Odessa housing sector continues to improve, although growth in home sales has decelerated. Building permits issued have continued to grow at double-digit rates over the past several months.

Conditions in Chihuahua and Ciudad Juárez

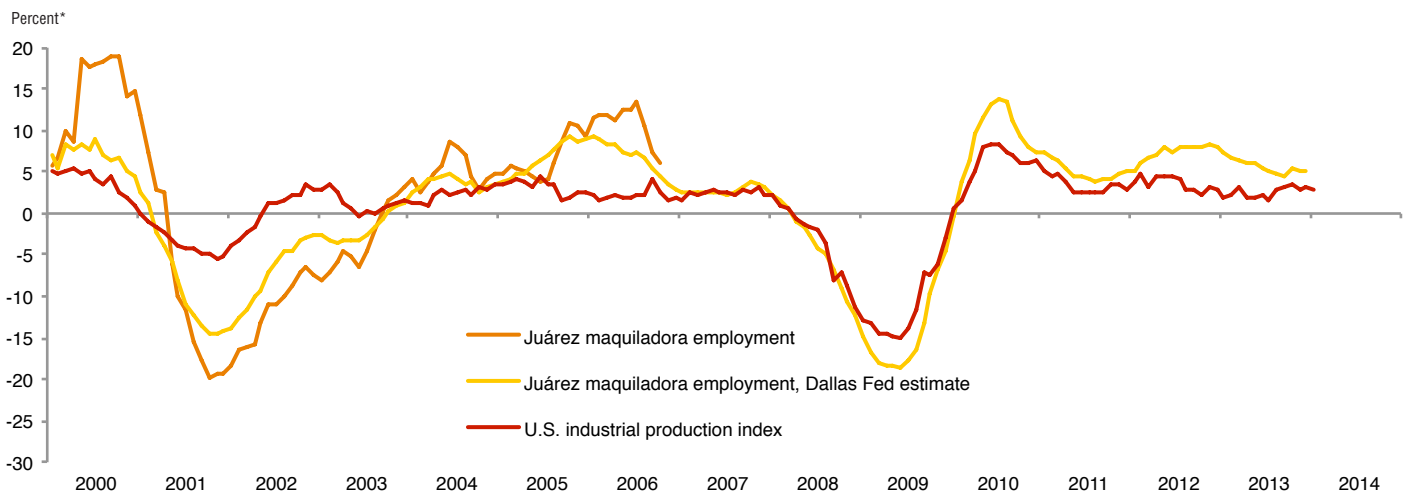
► U.S. industrial production decreased in January at a 4 percent annualized rate. The Institute for Supply Management manufacturing index and its associated new-orders index, a leading indicator of industrial activity, continued to signal expansion in the sector in January. Formal manufacturing employment in the Mexican state of Chihuahua, meanwhile, is up 4.9 percent year to date as of December.

► The Dallas Fed developed a model—based on the U.S. industrial production index and Chihuahua manufacturing employment—that has tracked maquiladora employment in the Chihuahua city of Juárez since 2006, when Mexico changed the methodology for maquiladora industry statistics. The model indicates that a pickup in U.S. industrial

production in recent months is benefiting Juárez maquiladoras. From December 2012 to December 2013, maquiladoras added over 12,500 jobs. That follows a strong 2012, when job growth was 8 percent, representing more than 18,000 new jobs.

► U.S. auto and light truck production slightly decreased from 11 million to around 10 million in January. However, U.S. auto sales remained at a healthy level of 15 million on an annual basis in January. This is good news for the local economy because roughly half of the maquiladoras across the Rio Grande are auto related.

U.S. Manufacturing and Ciudad Juárez Maquiladora Employment



*Year-over-year change; seasonally adjusted.

SOURCES

El Paso Business-Cycle Index: Federal Reserve Bank of Dallas, El Paso Branch.

Labor market: Federal Reserve Bank of Dallas; Bureau of Labor Statistics.

El Paso total trade: Census Bureau, Foreign Trade Division.

Home sales: Texas A&M University Real Estate Center.

U.S. manufacturing and maquiladora employment: Instituto Nacional de Estadística y Geografía; Federal Reserve Board; Federal Reserve Bank of Dallas, El Paso Branch.

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