

El Paso Economic Indicators

Federal Reserve
Bank of Dallas

August 28, 2020

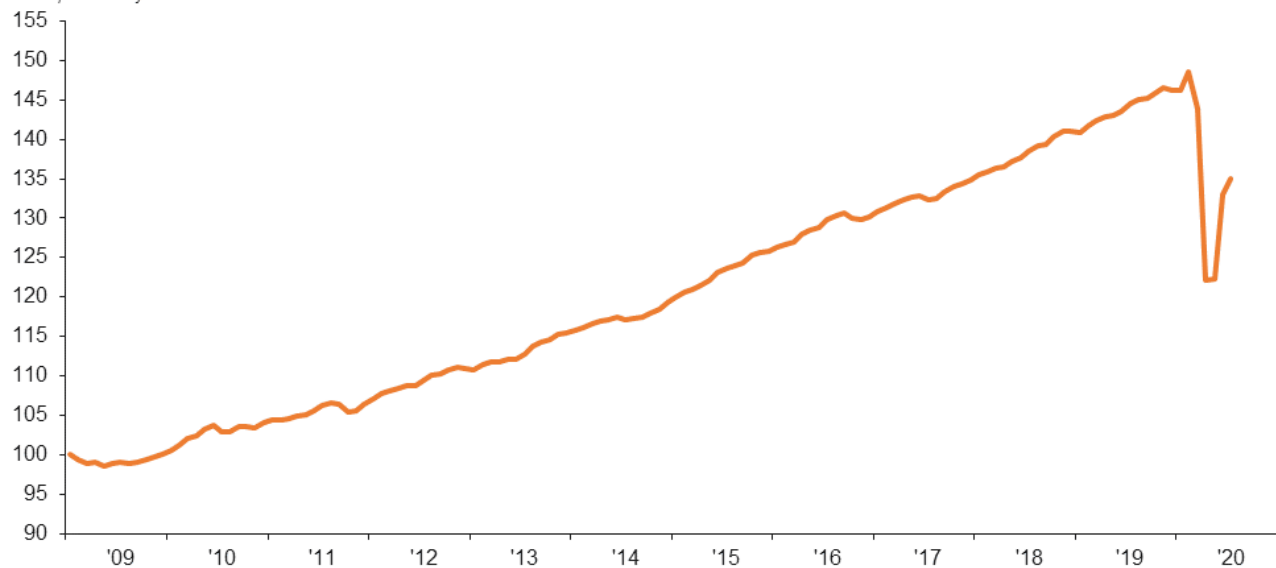
The El Paso economy continued to show signs of recovery in July, but growth was slower than in previous months. The government sector largely drove monthly employment gains in the metro, and the unemployment rate continued to fall. The resurgence of COVID-19 cases and subsequent small business closures were apparent in the June and July data following economic improvements in late April and May. Trade through the El Paso port of entry ticked up in June after posting its steepest decline on record in May. Industrial and manufacturing activity on both sides of the border continued to increase but remained below pre-COVID levels.

Business-Cycle Index

The El Paso Business-Cycle Index increased for a third consecutive month in July. The index expanded an annualized 20.2 percent from June to July. Despite the recent gains, the index is down an annualized 12.9 percent year to date (*Chart 1*).

Chart 1
El Paso Business-Cycle Index

Index, January 2009 = 100*



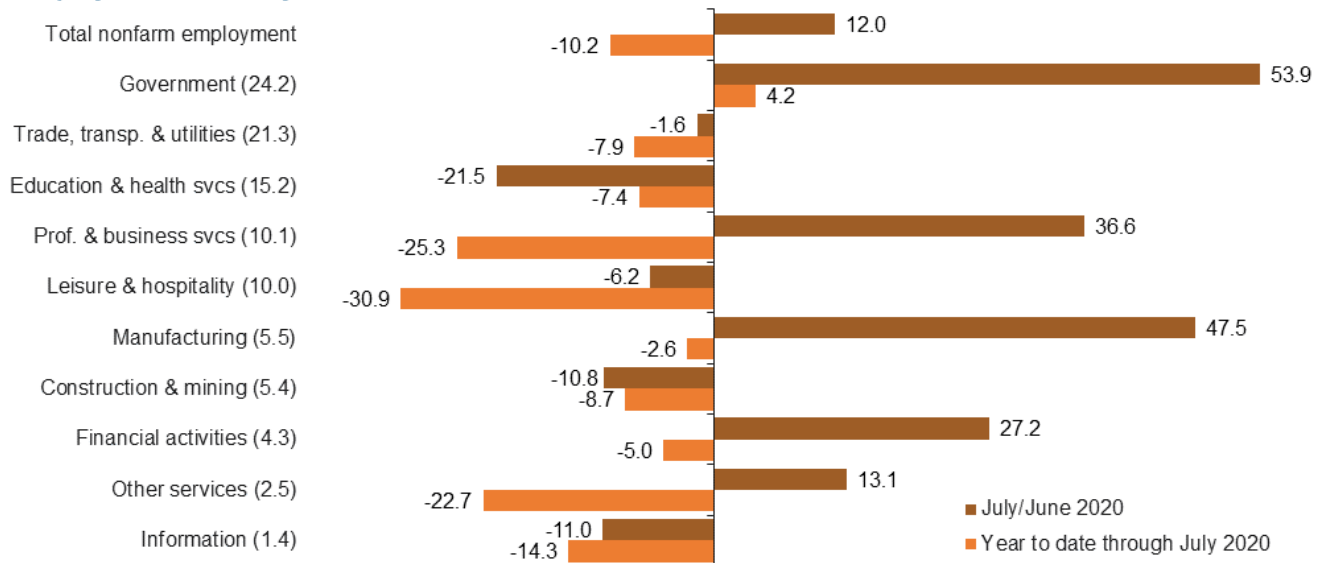
*Seasonally adjusted, monthly.

SOURCE: Dallas Fed.

Labor Market

El Paso payrolls rose in July at an annualized rate of 12.0 percent, adding a net 2,883 jobs (nonannualized) (*Chart 2*). Government accounted for 2,622 of those jobs. Professional and business services and manufacturing added 792 and 534 jobs, respectively. In contrast, the El Paso sector hardest hit by the COVID pandemic, leisure and hospitality, faltered again, down an annualized 6.2 percent (-165 jobs, nonannualized). Employment in the third-largest sector, education and health services, plunged an annualized 21.5 percent (-950 jobs, nonannualized).

Chart 2
Employment Growth by Sector



NOTE: Data show seasonally adjusted and annualized percentage employment growth by sector. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.

SOURCE: Bureau of Labor Statistics; adjustments by the Dallas Fed.

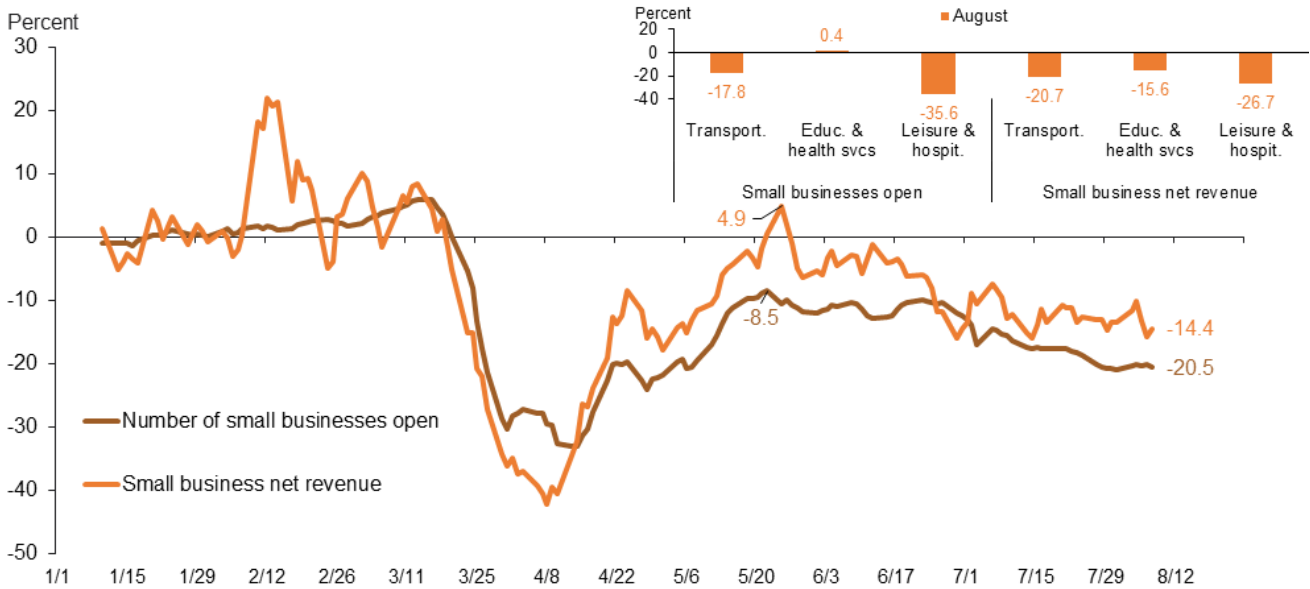
Year to date, the El Paso labor market has contracted at an annualized rate of 10.2 percent, a loss of 19,927 jobs (nonannualized). The losses were driven by leisure and hospitality (-7,366 jobs, nonannualized), professional and business services (-5,742), trade, transportation and utilities (-3,204) and education and health services (-2,132). El Paso's unemployment rate declined from 8.4 in June to 7.8 percent in July. The unemployment rate in Texas and the U.S. also fell, to 8.0 percent and 10.2 percent, respectively.

Small Business Operations

Data from Womply, a service provider to small businesses, suggested that the recovery in April and May somewhat reversed in June and July and began to stabilize in August. As of Aug. 7, the number of small businesses in El Paso open relative to January was down 20.5 percent (*Chart 3*). That is a decline from the most recent peak on May 22 of -8.5 percent. Leisure and hospitality was the most severely impacted industry, with the average number of small businesses open in early August relative to January at -35.6 percent. Only education and health services posted a higher number of open businesses (0.4 percent) compared with the January baseline.

Similarly, net revenues at small businesses were down 14.4 percent as of Aug. 7 compared with January. Net revenues were off 19.3 percent compared with May 25, when they were 4.9 percent above January levels. Again, leisure and hospitality saw the sharpest decline, down 26.7 percent on average in August compared with the beginning of the year.

Chart 3
Number of Small Businesses Open and Net Revenue

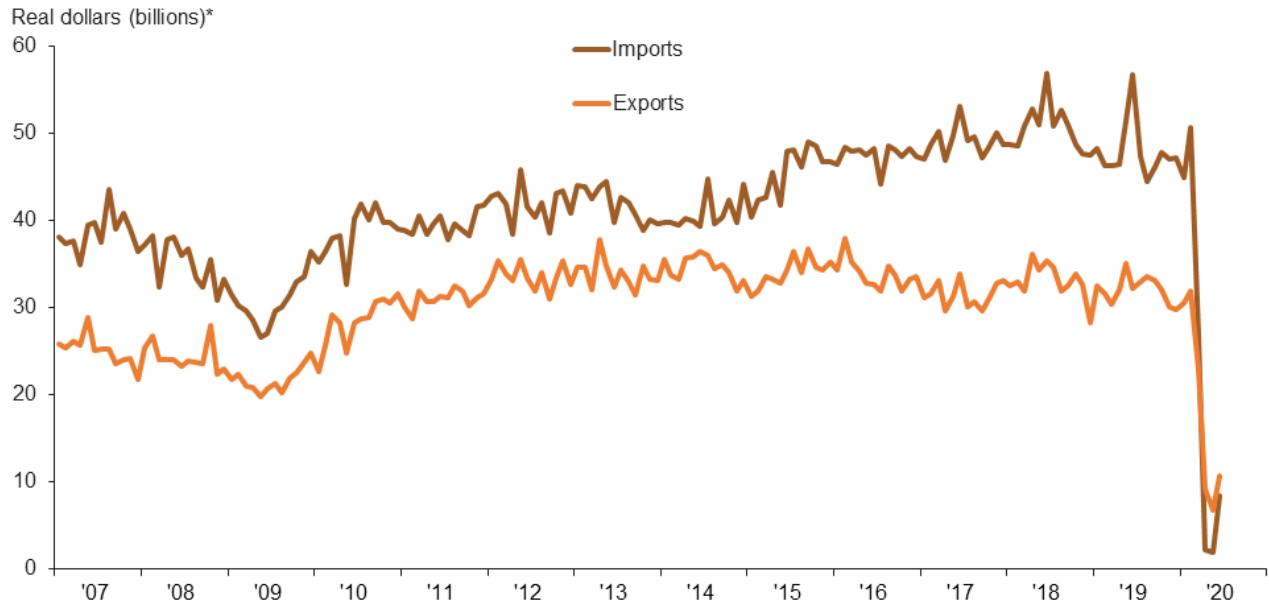


NOTE: The chart reflects daily data relative to the January baseline, based on a seven-day moving average. The last data point is Aug. 7, 2020. The smaller chart shows monthly averages of daily data by industry.
 SOURCE: Womply.

Trade

Annualized trade through the El Paso port in June was \$19.0 billion, down 78.6 percent from \$88.9 billion a year earlier but up \$10.4 billion compared with May (Chart 4). Imports were \$8.3 billion in June, down 85.4 percent year-over-year, while exports amounted to \$10.7 billion (-66.7 percent).

Chart 4
Trade

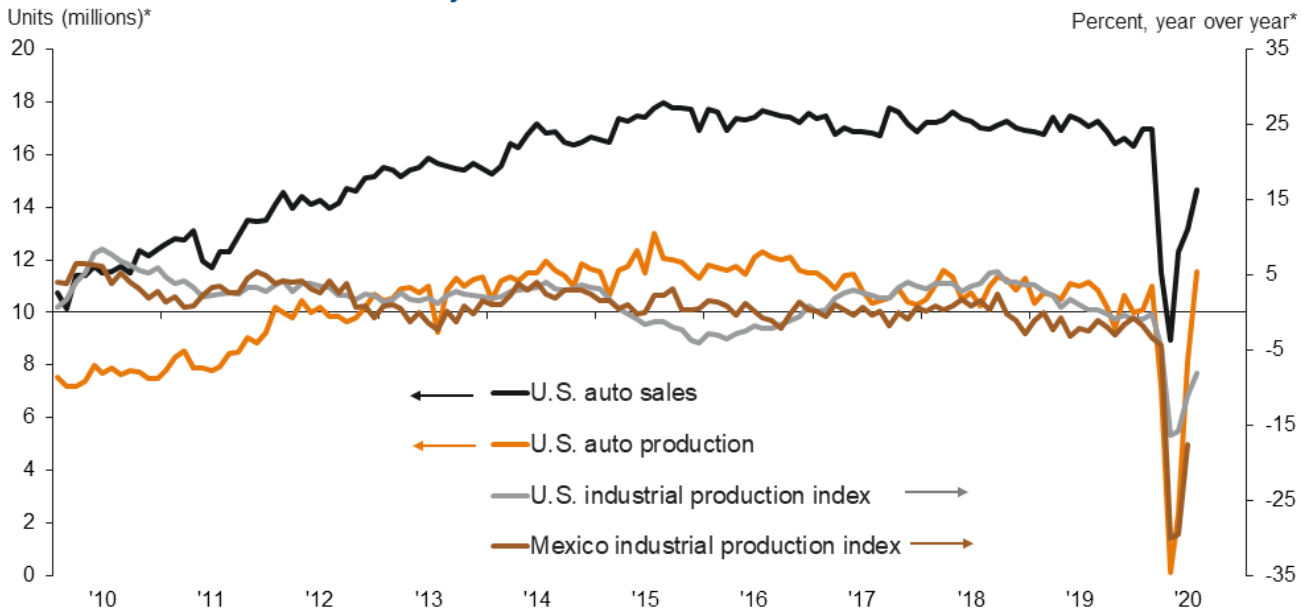


*Seasonally adjusted, monthly.
 SOURCE: Census Bureau; adjustments by the Dallas Fed.

Industrial Production and Maquiladora Activity

The U.S. industrial production index increased from 97.2 to 100.2 from June to July, but on a year-over-year basis, it was down 8.2 percent (Chart 5). Mexico's industrial production index also increased on a monthly basis in June from 71.8 to 84.7 but declined 17.5 percent from a year prior. The Institute for Supply Management (ISM) manufacturing index grew for the third consecutive month, rising from 52.6 in June to 54.2 in July. July's figure indicates expansion in the manufacturing sector, and ISM panelist comments were generally optimistic. U.S. and Mexican production and manufacturing trends are important to the local economy because of cross-border manufacturing relationships.

Chart 5
Industrial Production and Auto Activity



*Seasonally adjusted.

SOURCE: Federal Reserve Board; Bureau of Economic Analysis; adjustments by the Dallas Fed.

Across the border from El Paso, Juárez manufacturing employment continued to fall on a monthly basis. Juárez maquiladora jobs totaled 266,863 in May, down 4.0 percent from a year earlier. U.S. auto and light-truck production totaled 11.5 million units in July—3.4 million more than the previous month and 3.4 percent higher than July 2019’s production figure of 11.2 million. Meanwhile, monthly auto sales totaled 14.6 million in July—1.5 million more than in June but 14.3 percent below sales of 17.1 million from a year prior. Auto sales are closely linked to the local economy because roughly half of maquiladoras in Juárez are auto related.

NOTE: Data may not match previously published numbers due to revisions. The El Paso metropolitan statistical area includes El Paso and Hudspeth counties.

About El Paso Economic Indicators

Questions can be addressed to Keighton Hines at keighton.hines@dal.frb.org. *El Paso Economic Indicators* is released on the fourth Wednesday of every month.