

U.S.-Mexico and El Paso Economic Update

Prepared for El Paso Summer Professional Development for Educators



Federal Reserve
Bank of Dallas

El Paso Branch

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June 23, 2022

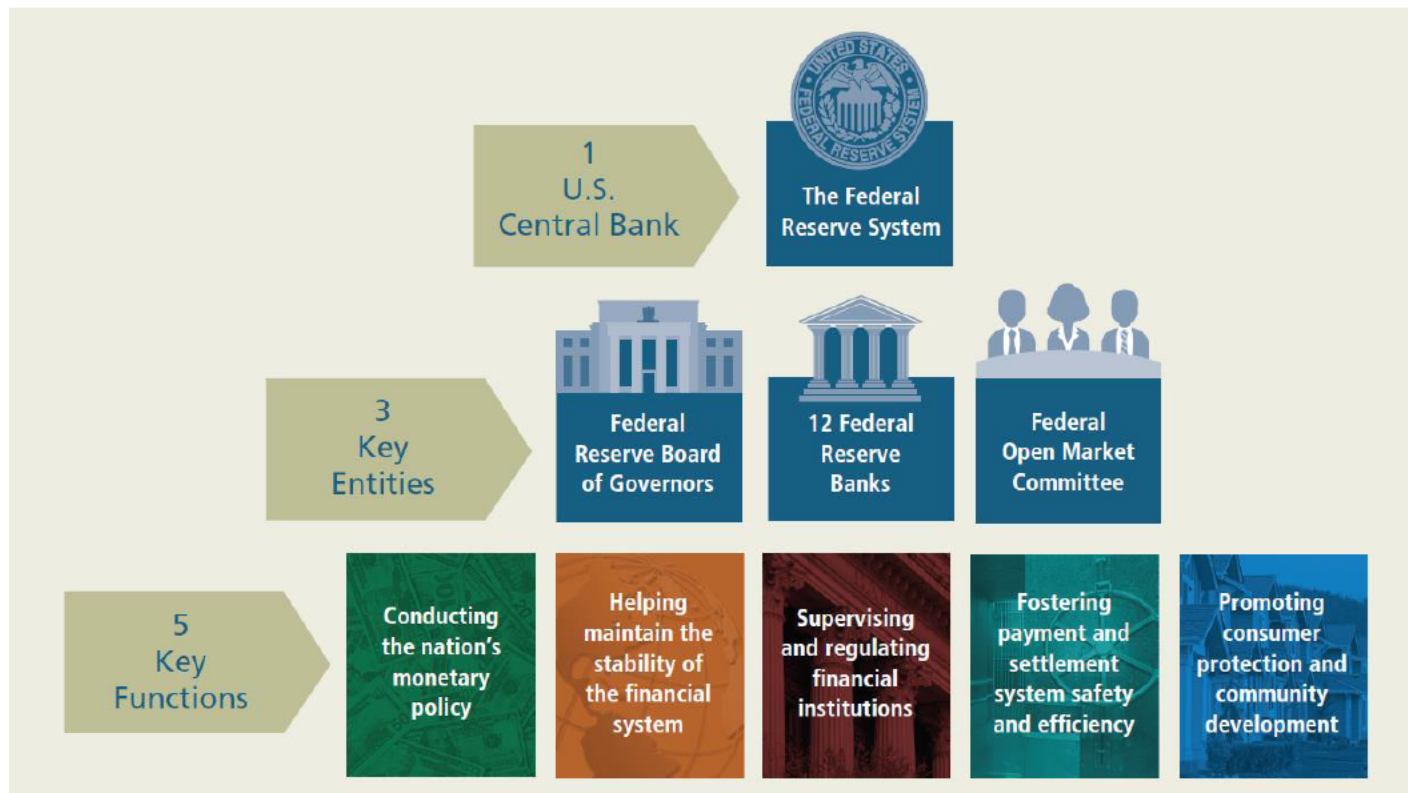
The views expressed are my own and do not necessarily reflect official positions of the Federal Reserve System.

Overview

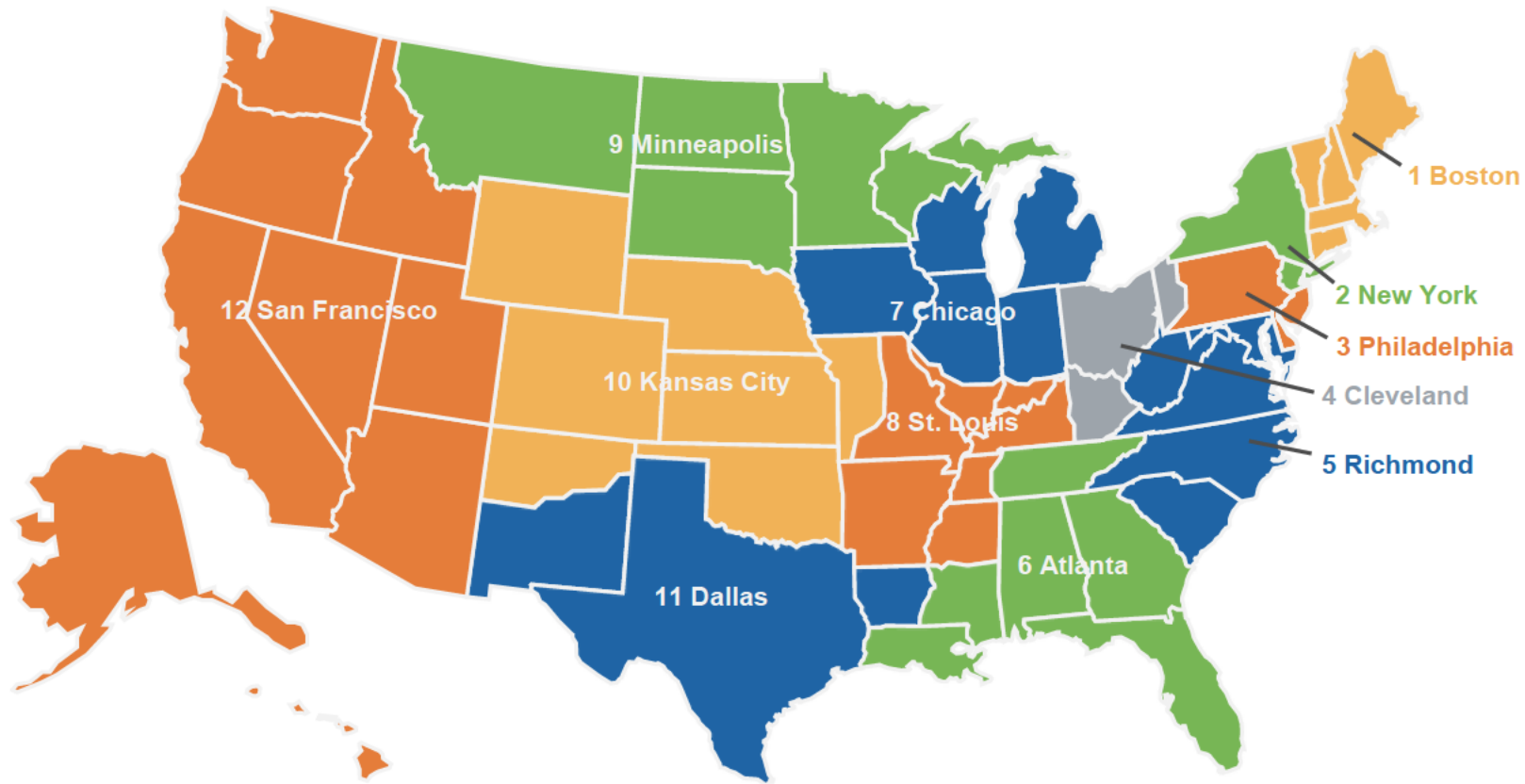
- Fed 101
- U.S. economic update
- Mexico economic update
- U.S.-Mexico trade relationship
- El Paso economic update

Fed 101

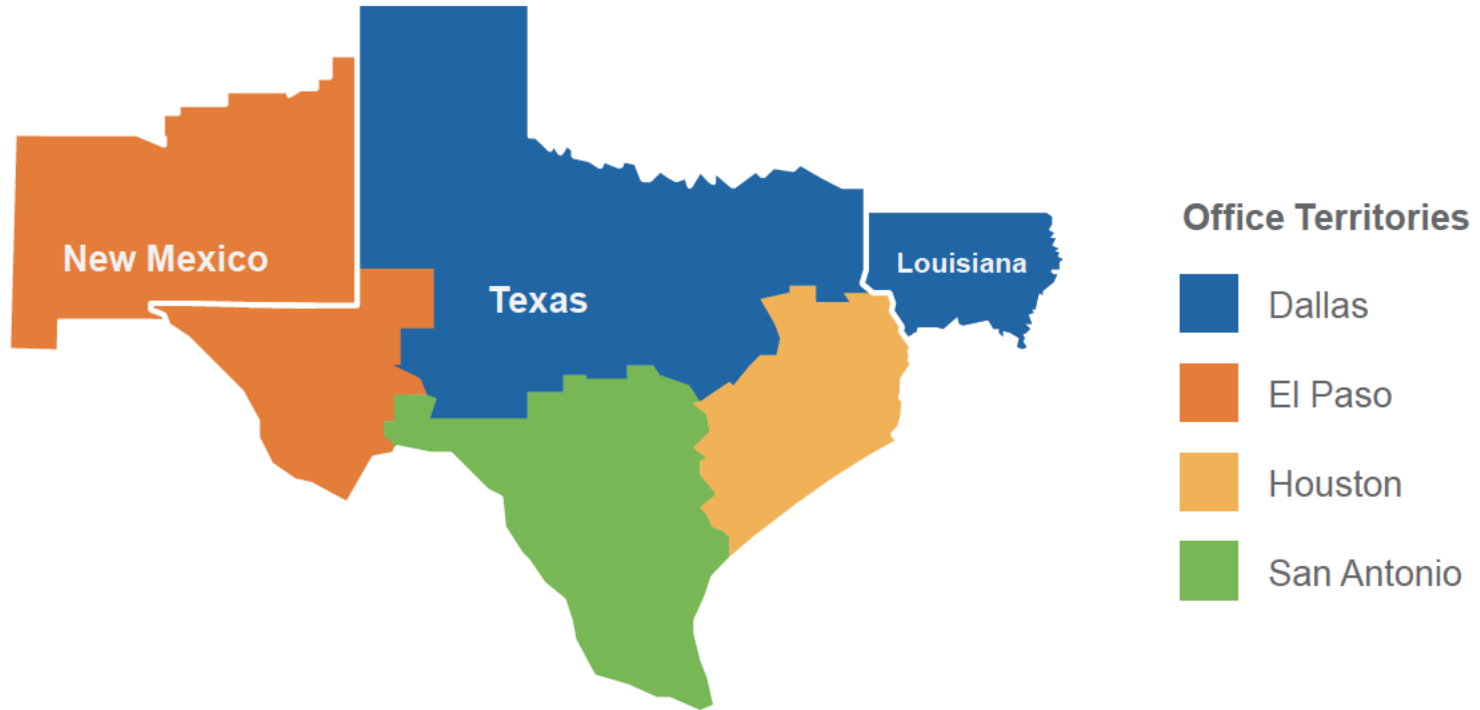
Structure of the Federal Reserve



Connecting Regional Economies



Serving the 11th District



District Outreach



- Inform, engage and build relationships with the public
- Increase knowledge of the Federal Reserve System and its purposes and functions
- Communicate information about the Dallas Fed and the region it serves to internal and external audiences

Inform

- Economic Indicators
- Economic Letters
- Economic Updates
- Classroom Resources
- **Professional Development**
- Conferences & Seminars

Building Wealth

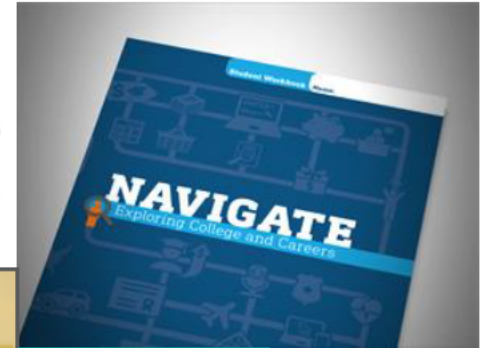
A Beginner's Guide to Securing Your Financial Future



Federal Reserve Bank of Dallas

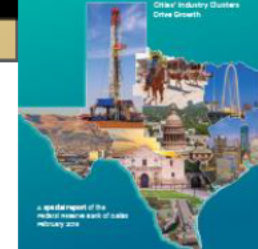
Southwest Economy

dallasfed.org



At the Heart of TEXAS

Other Industry Clusters Drive Growth



Engage & Build Relationships

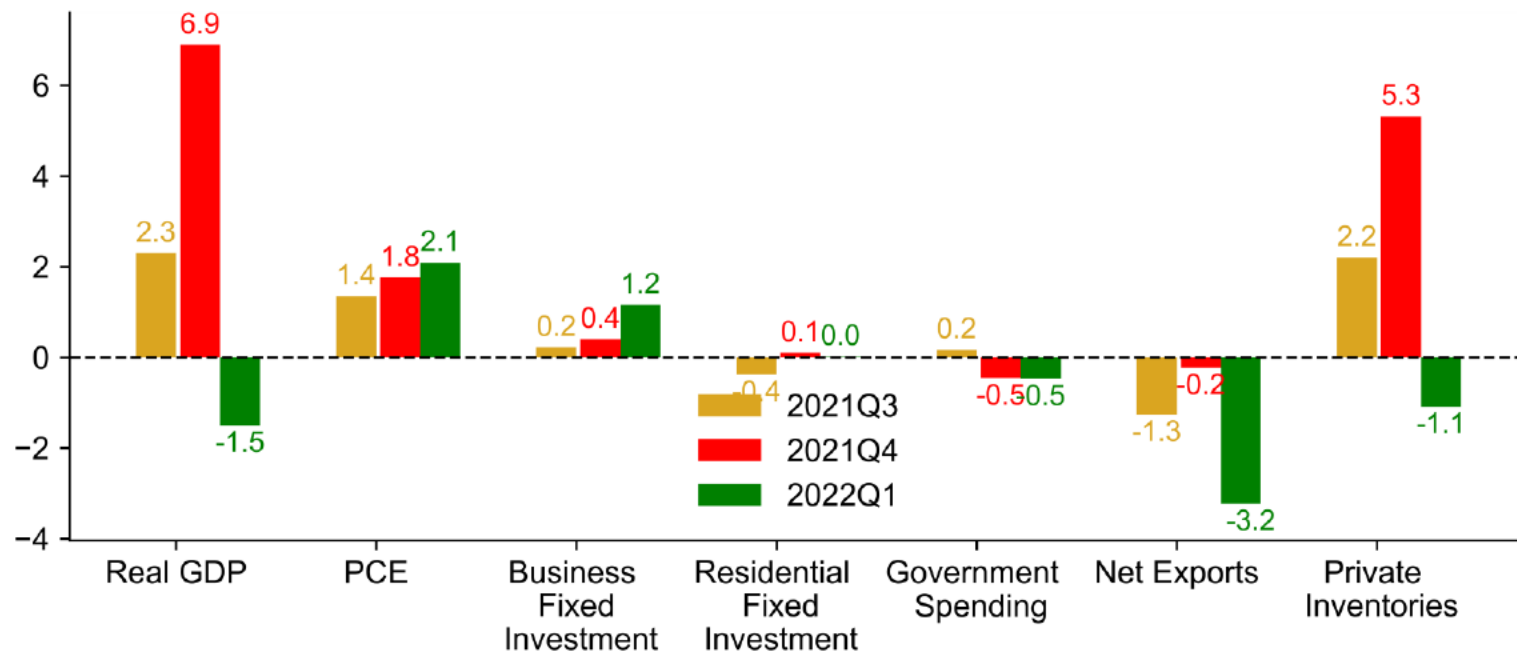
- Dialogue With the Fed
- Industry Roundtables
- Global Perspectives
- Environmental Scans
- **Banco de México**
- Signature Conferences



U.S. Economic Update

GDP Growth

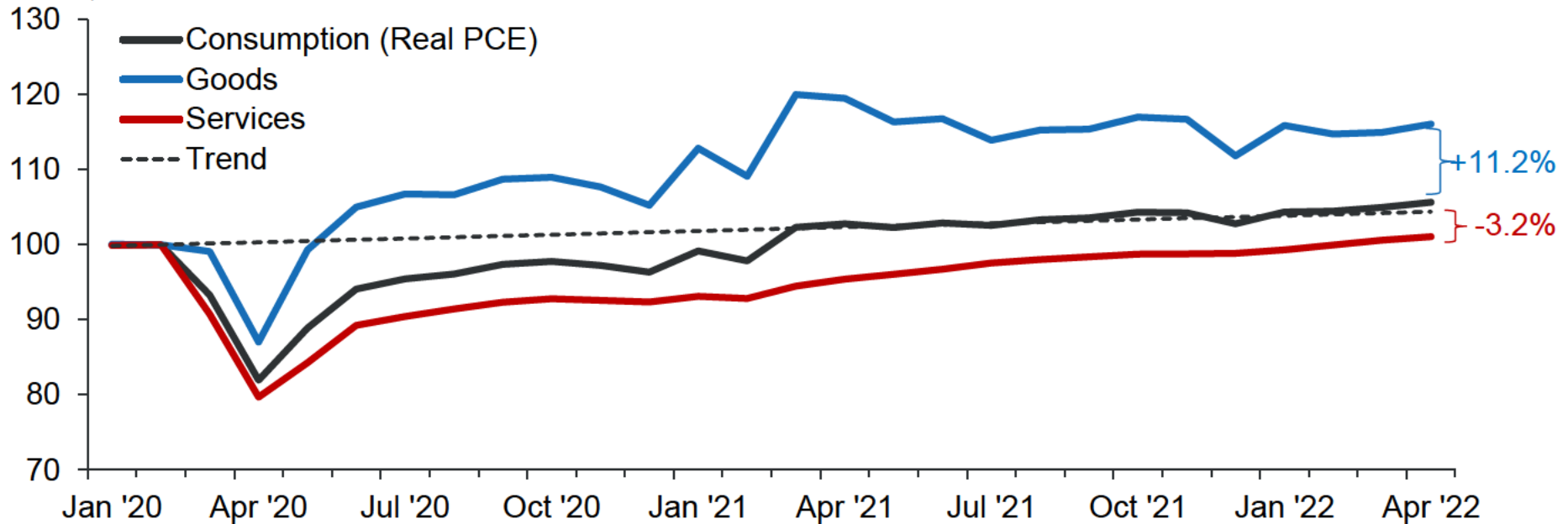
Contributions to real growth,
annual rate, percentage points



SOURCE: Bureau of Economic Analysis.

Consumption Patterns

Index, Feb = 100

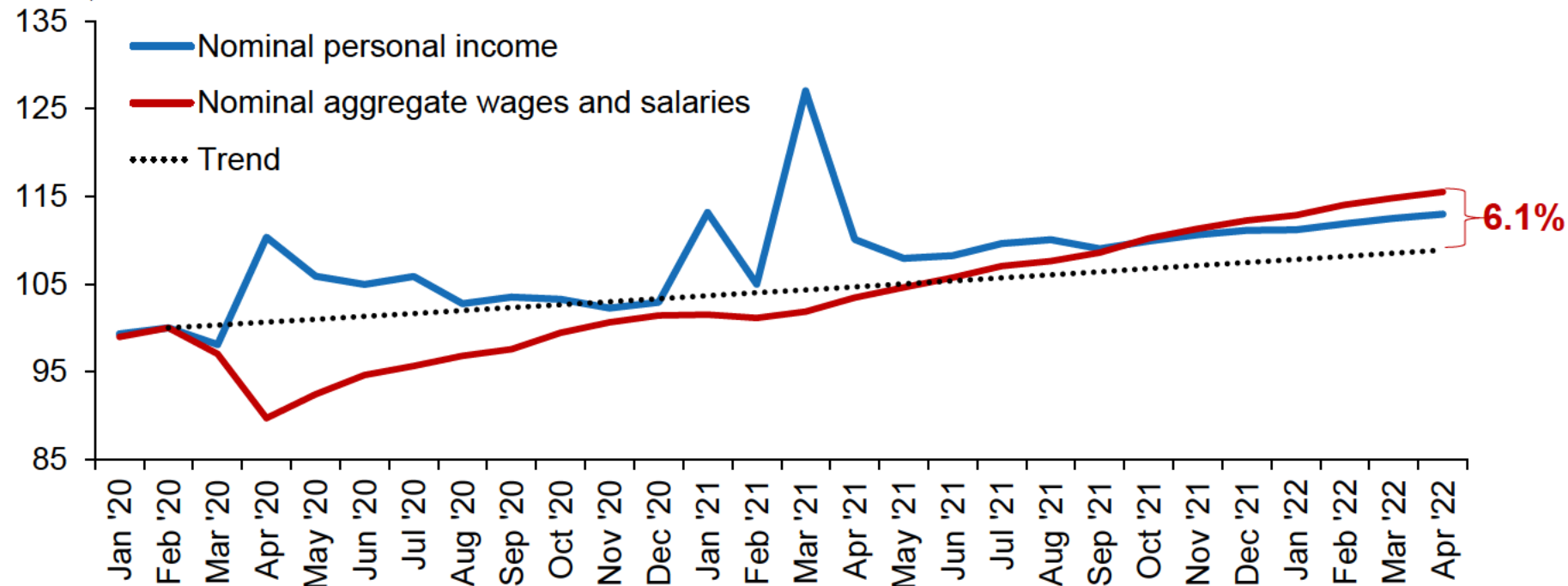


NOTE: Trend growth is equal to average over 2008-2019.

SOURCE: Bureau of Labor Statistics.

Personal income

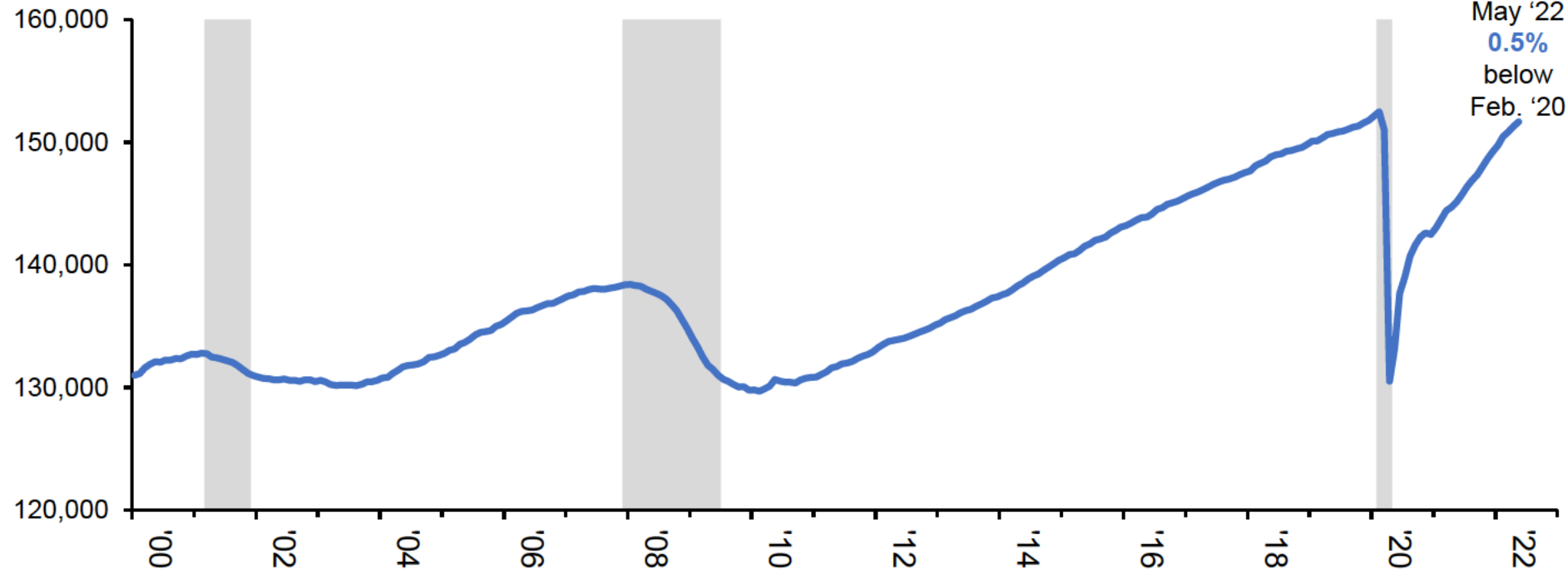
Level, Feb '20 = 100



SOURCE: Bureau of Economic Analysis.

Labor Market

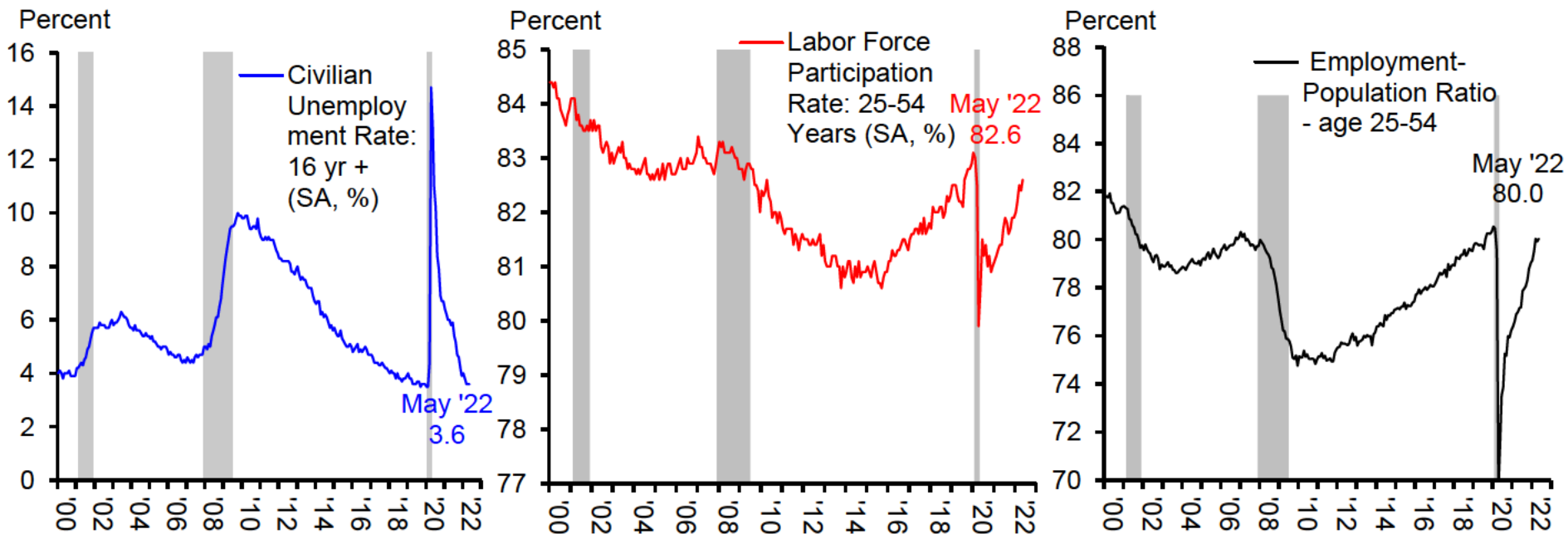
All Employees: Total Nonfarm (SA, Thous.)



NOTE: Shaded areas indicate recession.

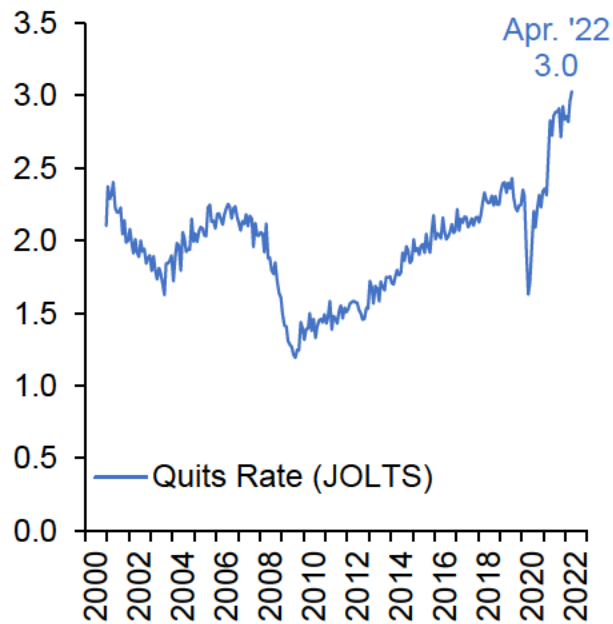
SOURCE: Bureau of Labor Statistics.

Unemployment, Labor Force Participation, & Employment to Population Ratio

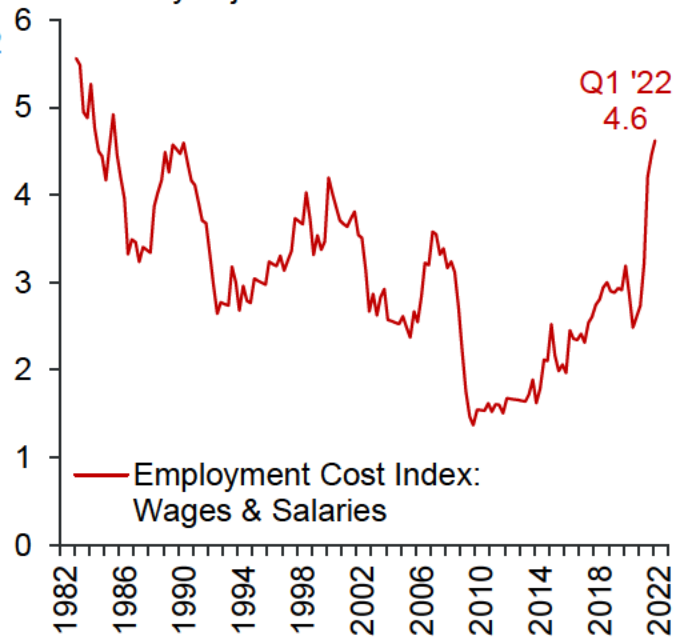


Quits Rate & Wage Growth

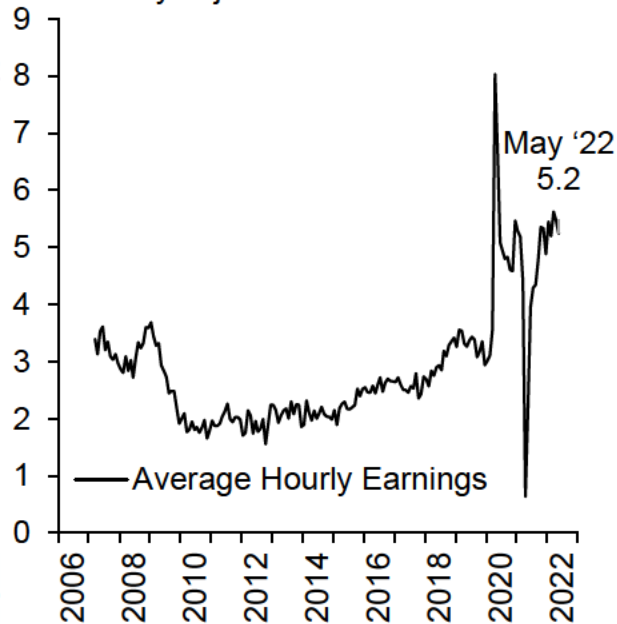
Percent,
seasonally adjusted



Y/Y percent change,
seasonally adjusted



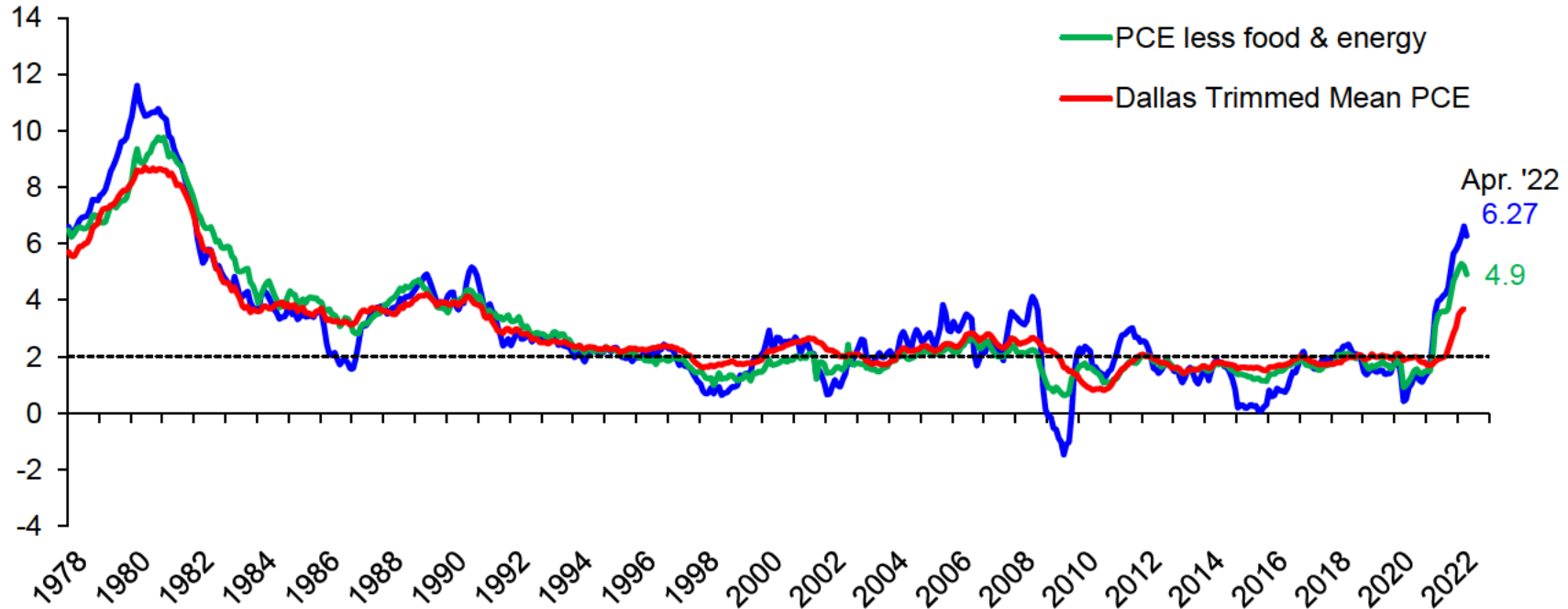
Y/Y percent change,
seasonally adjusted



SOURCE: Bureau of Labor Statistics.

Inflation

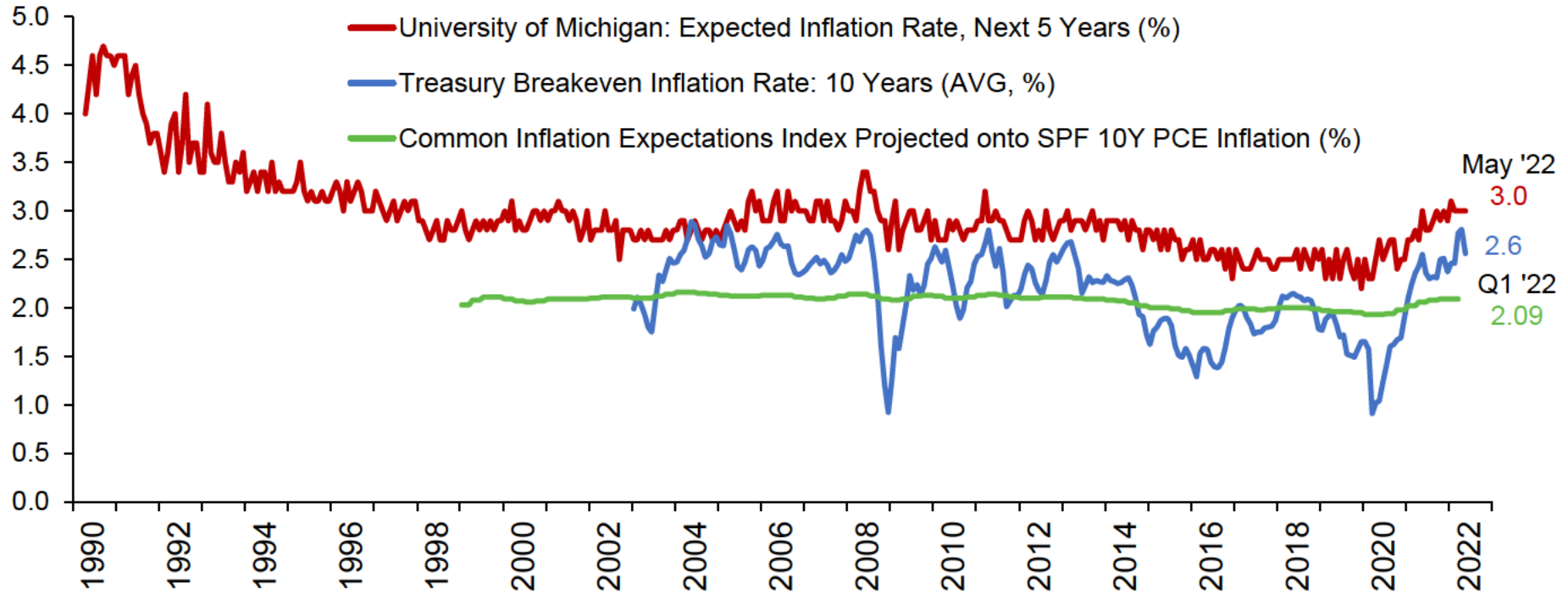
12-month percent change



SOURCE: Bureau of Economic Analysis; Federal Reserve Bank of Dallas.

Long-term inflation expectations

12-month percent change



SOURCE: University of Michigan; U.S. Treasury; Federal Reserve Board.

Outlook

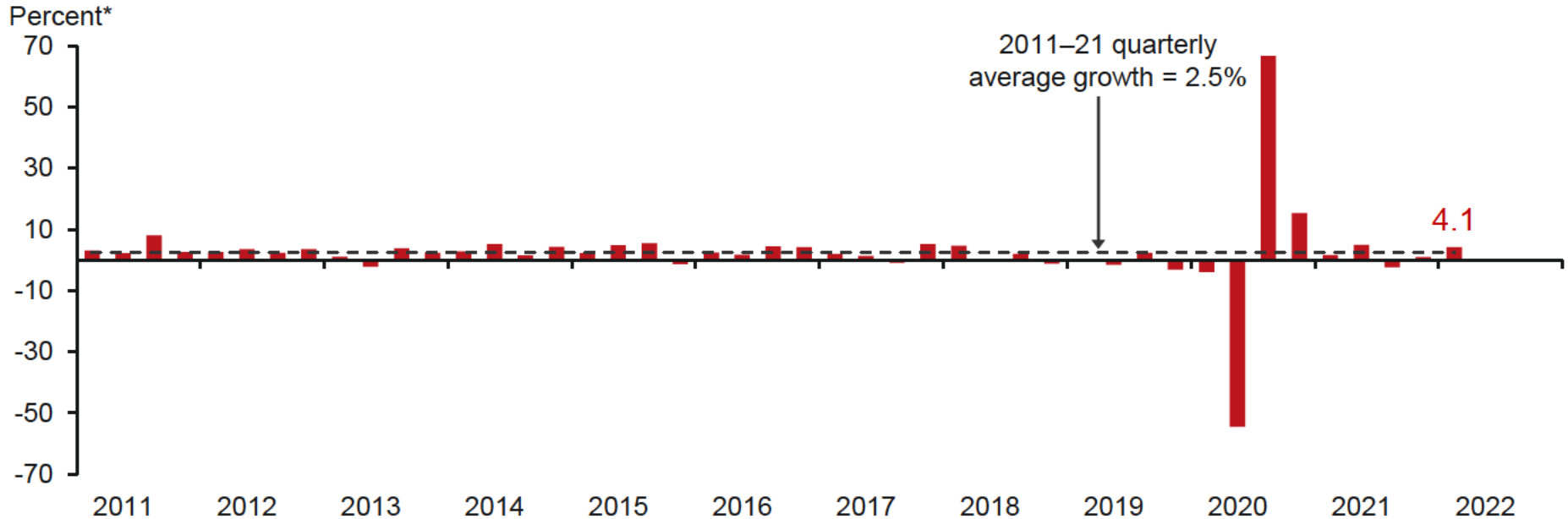
		Dallas Fed	Blue Chip Jun. 10	FOMC Jun. 15
GDP Q4/Q4	2022	1.6	2.5	1.7
	2023	2.7	1.9	1.7
Unemployment Q4	2022	3.5	3.6	3.7
	2023	3.4	3.7	3.9
PCE inflation Q4/Q4	2022	5.3	5.9	4.3
	2023	3.5	3.0	2.7

Summary

- U.S. output growth remains solid but more muted than last year
 - Constrained by labor, supply-chain disruptions, rising oil prices, and elevated inflation
 - Fading effects of pandemic stimulus
- Labor market very tight: characterized by robust demand, limited supply
- Inflation up sharply over past year
 - Initially limited to specific goods; has broadened since mid-2021
 - Continuing upward pressures on input, energy and output prices
 - Inflation expected to moderate by end of 2022 but will likely remain above 2%
- Monetary policy is removing accommodation
- Russia-Ukraine war and new COVID outbreaks are hurting the global outlook

Mexico Economic Update

Gross Domestic Product

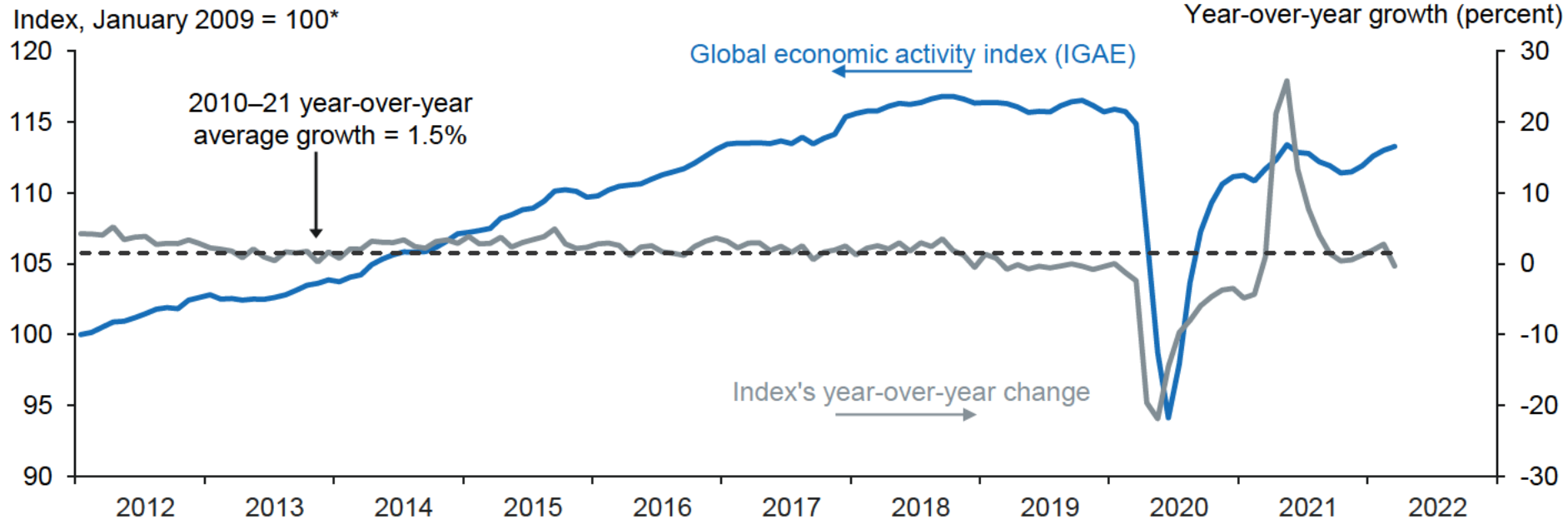


*Quarter/quarter, real pesos; seasonally adjusted, annualized rate.

NOTE: Data are through first quarter 2022.

SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Economic Activity Index

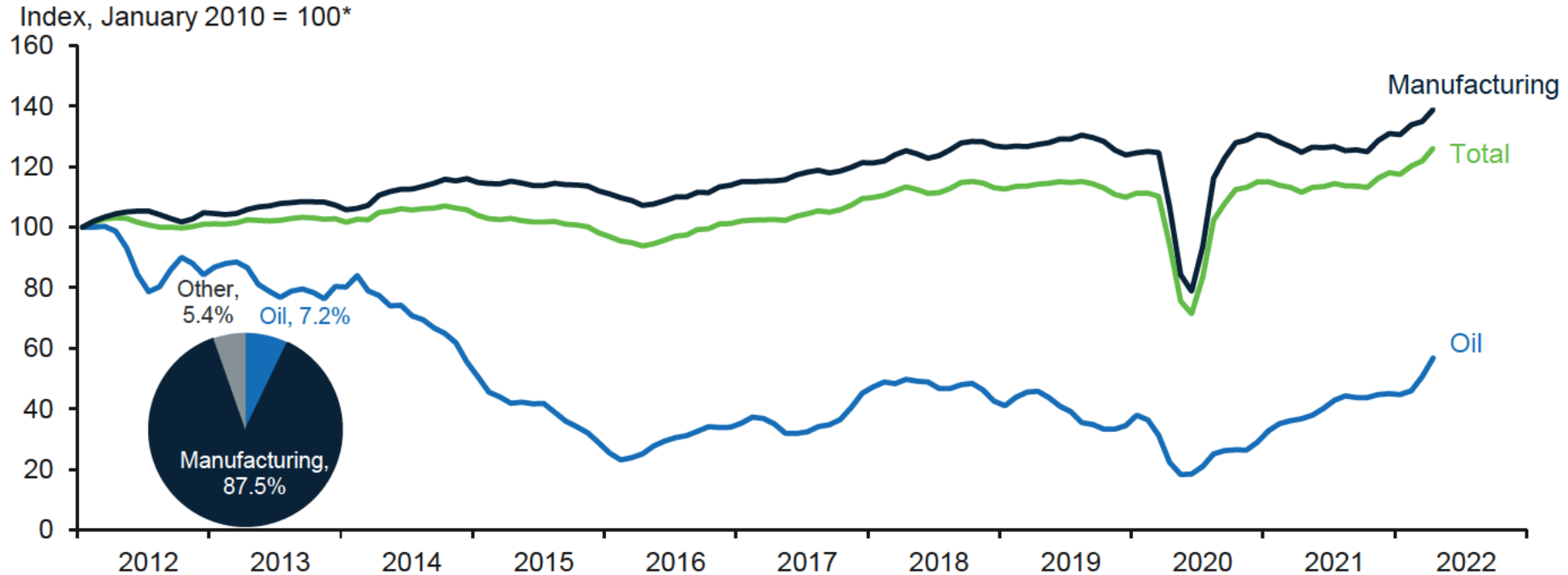


*Seasonally adjusted, three-month moving average; real pesos.

NOTE: Data are through March 2022.

SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Exports



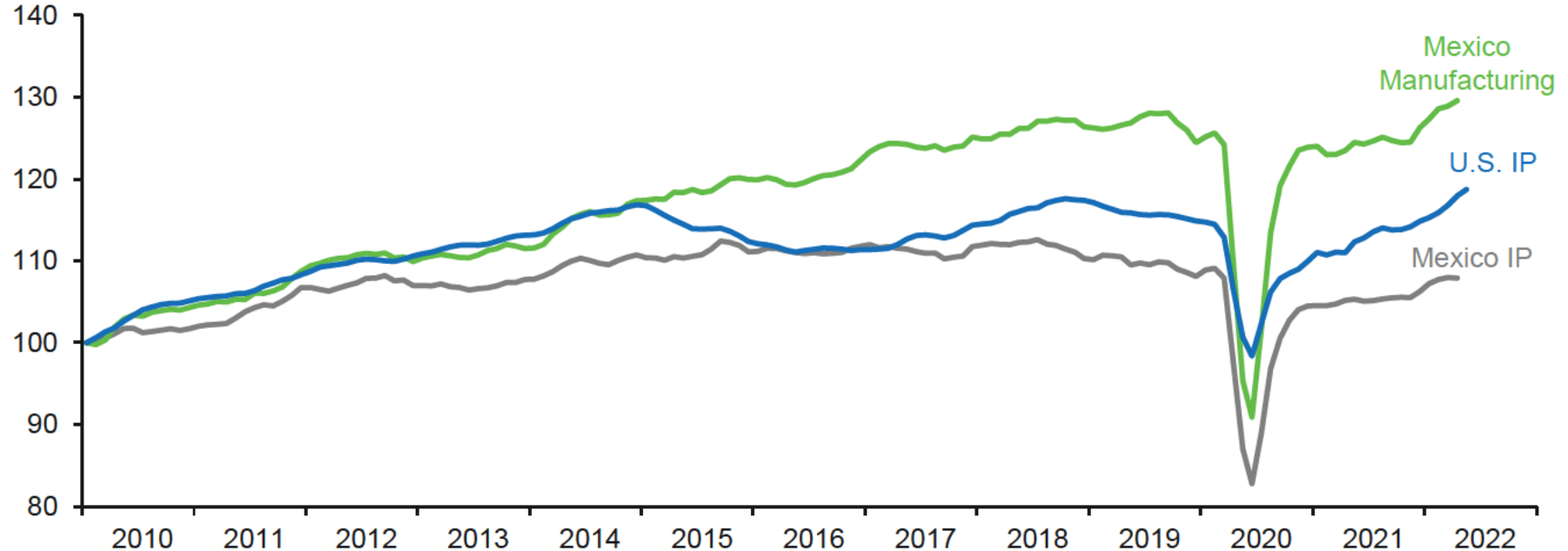
*Seasonally adjusted, three-month moving average; real dollars.

NOTE: All data are through April 2022. Pie chart reflects the share of total exports year to date in 2022.

SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Industrial Production and Manufacturing Trends

Index, January 2010 = 100*



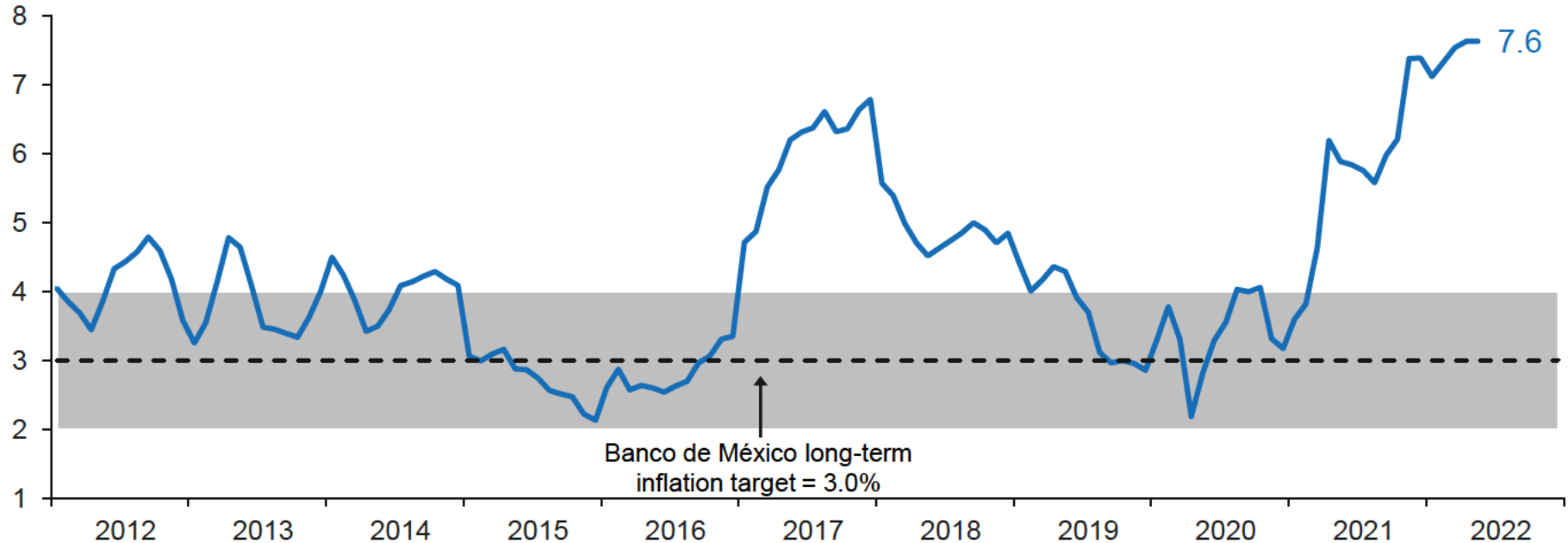
*Seasonally adjusted, three-month moving average.

NOTE: Data for Mexico's industrial production (IP) are through April 2022. Data for U.S. IP are through May 2022.

SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography); Federal Reserve Board.

Inflation

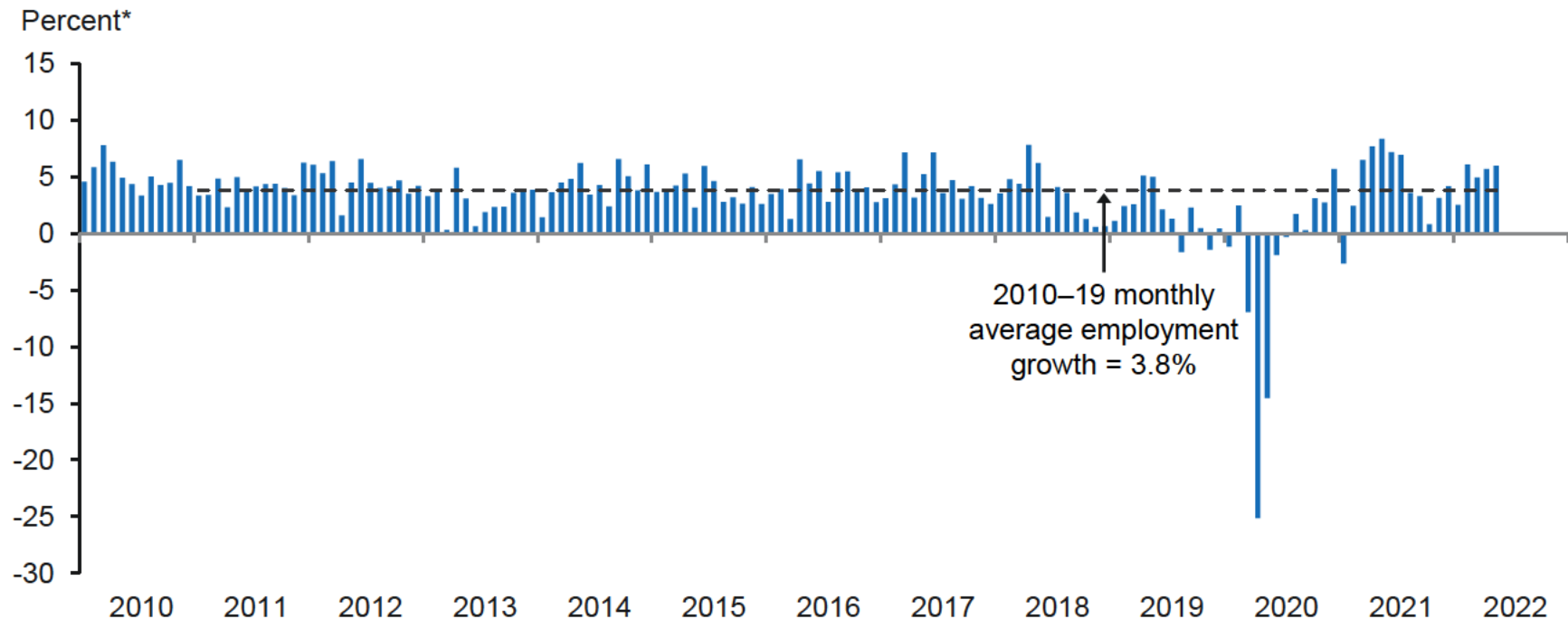
12-month percent change in CPI



NOTE: The shaded region indicates the range of variability established by the Banco de México (+/- 1 percentage point). Data are through May 2022. CPI refers to the Consumer Price Index.

SOURCE: Banco de México; Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Employment



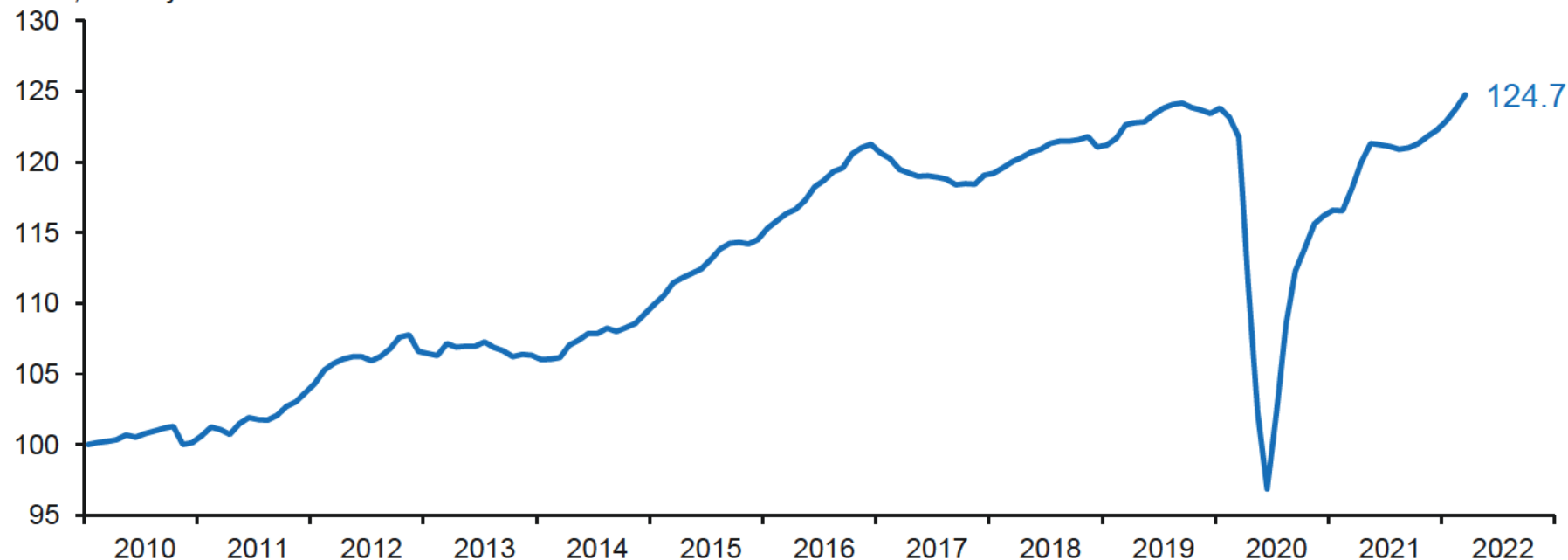
*Month/month, seasonally adjusted, annualized rate.

NOTE: Data are through May 2022.

SOURCE: Instituto Mexicano del Seguro Social (Mexican Social Security Institute).

Retail Sales

Index, January 2010 = 100*



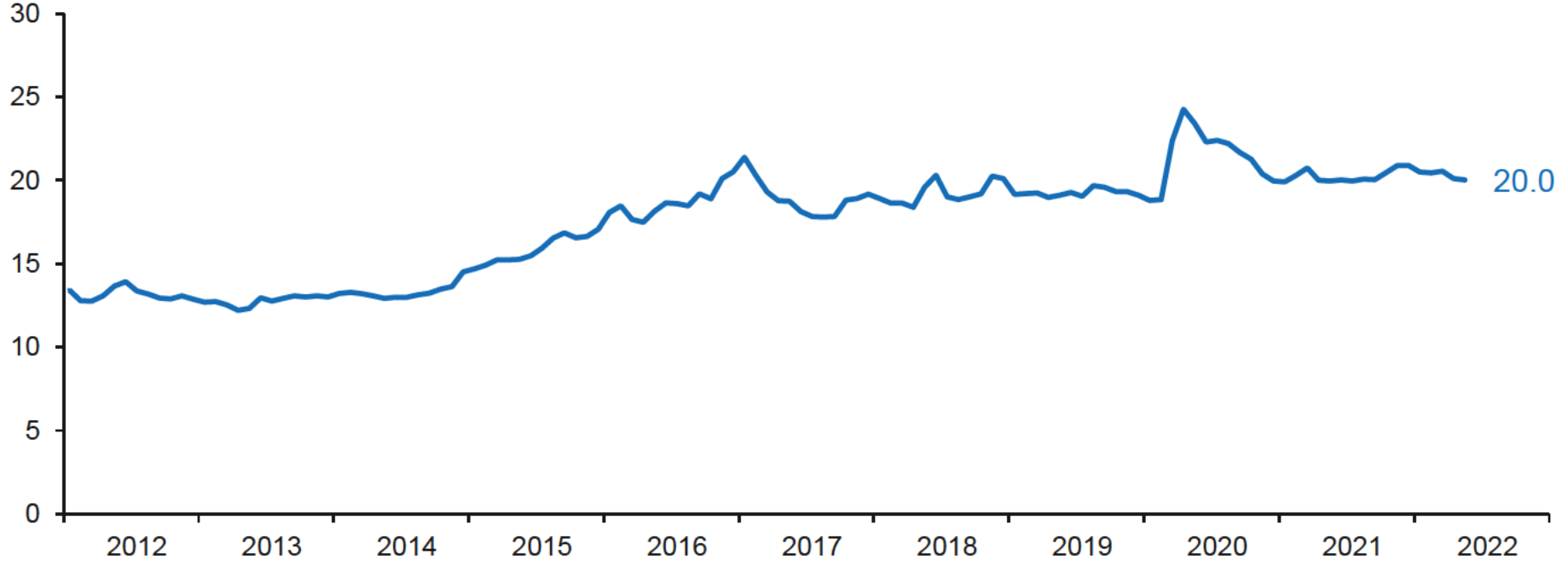
*Seasonally adjusted, three-month moving average; real pesos.

NOTE: Data are through March 2022.

SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Exchange Rate

Peso/dollar average



NOTE: Data are through May 2022.

SOURCE: Banco de México.

April's consensus forecast compiled by Banco de Mexico for various indicators

	April 2022	March 2022
GDP growth Q4/Q4	2.1	2.3
GDP average year/year growth	1.7	1.8
CPI Y/Y growth	6.8	5.8
Exchange rate pesos/dollar	21.1	21.3

NOTE: The above forecasts are compiled by Banxico from several independent analysts. The survey period was April 22–28, 2022.

SOURCE: [Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado: Abril de 2022](#), Banco de México, April 2022).

Summary

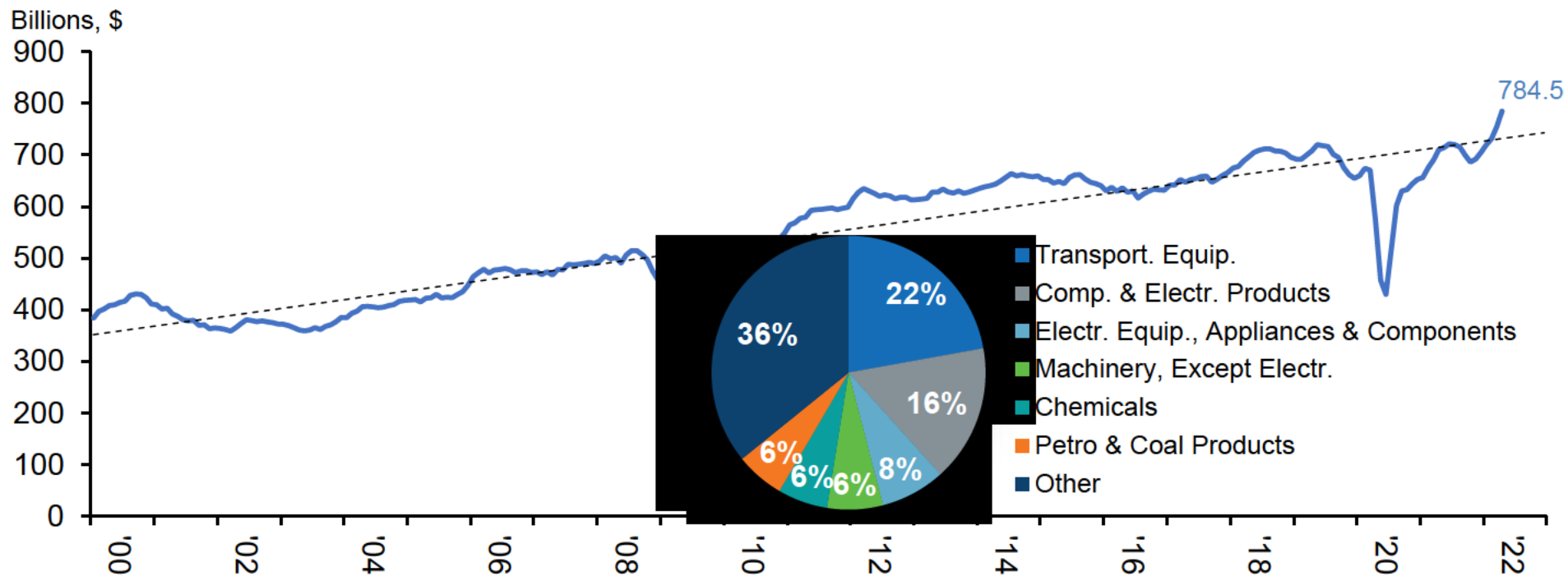
- Mexico's economic recovery from the pandemic is uneven (goods vs services sector)
- Inflation remains above Banxico's goal of 3%
 - Rising commodity prices, change in consumption patterns from services to goods, supply and logistics issues
- Headwinds to growth:
 - COVID variant waves
 - Russia's invasion of Ukraine, global energy prices, exchange rate fluctuations
 - Tightening monetary conditions globally and domestically
- However, lockdowns in China and related supply-chain disruptions may benefit Mexico's manufacturers

U.S.-Mexico Trade Relationship

U.S.-Mexico trade: far reaching and unique

- Mexico passed China as the 2nd top trading partner with U.S.
 - YTD Mar. 2022: \$182.2 billion
 - Canada is #1 trading partner with U.S.
- U.S.-Mexico trade is far reaching:
 - \$1.81 billion/day or \$1.25 million/minute in 2021
- U.S.-Mexico trade is unique:
 - Over 70% of imports from Mexico are intermediate goods
 - Over 40% of imports from Mexico is U.S. content
- Due to intra-industry trade explosion, business cycles are tightly synchronized

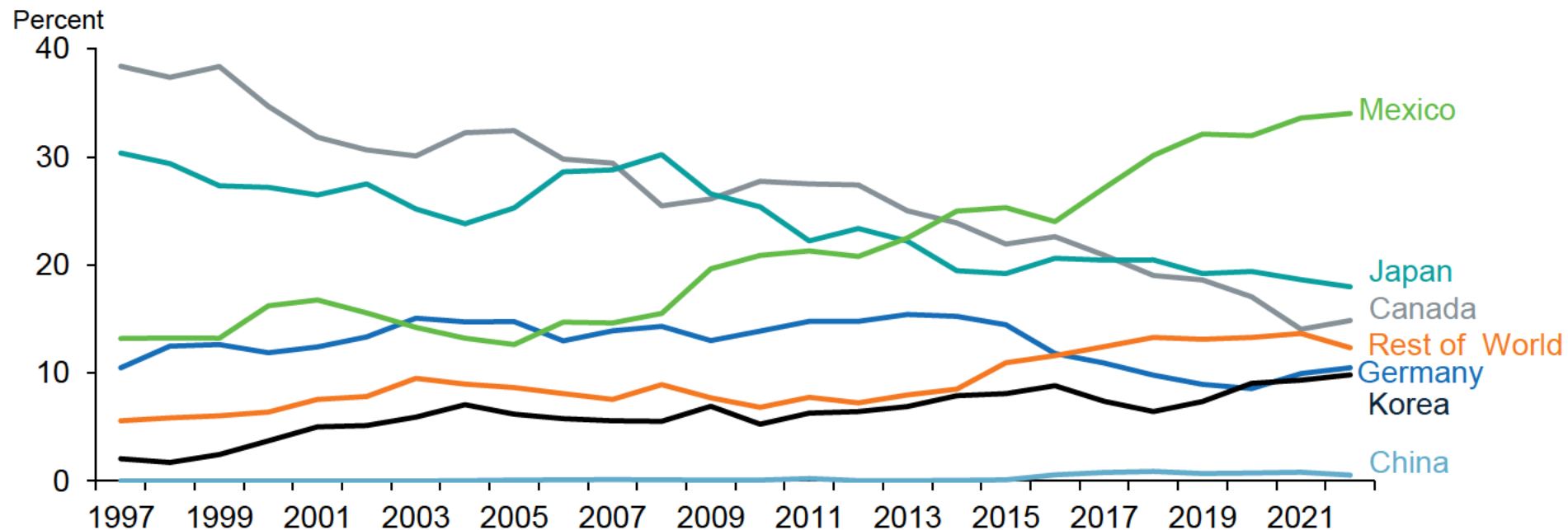
U.S.-Mexico trade above trend



NOTE: Data are annualized and inflation and seasonally-adjusted as a three-month moving average.

SOURCE: U.S. Census Bureau.

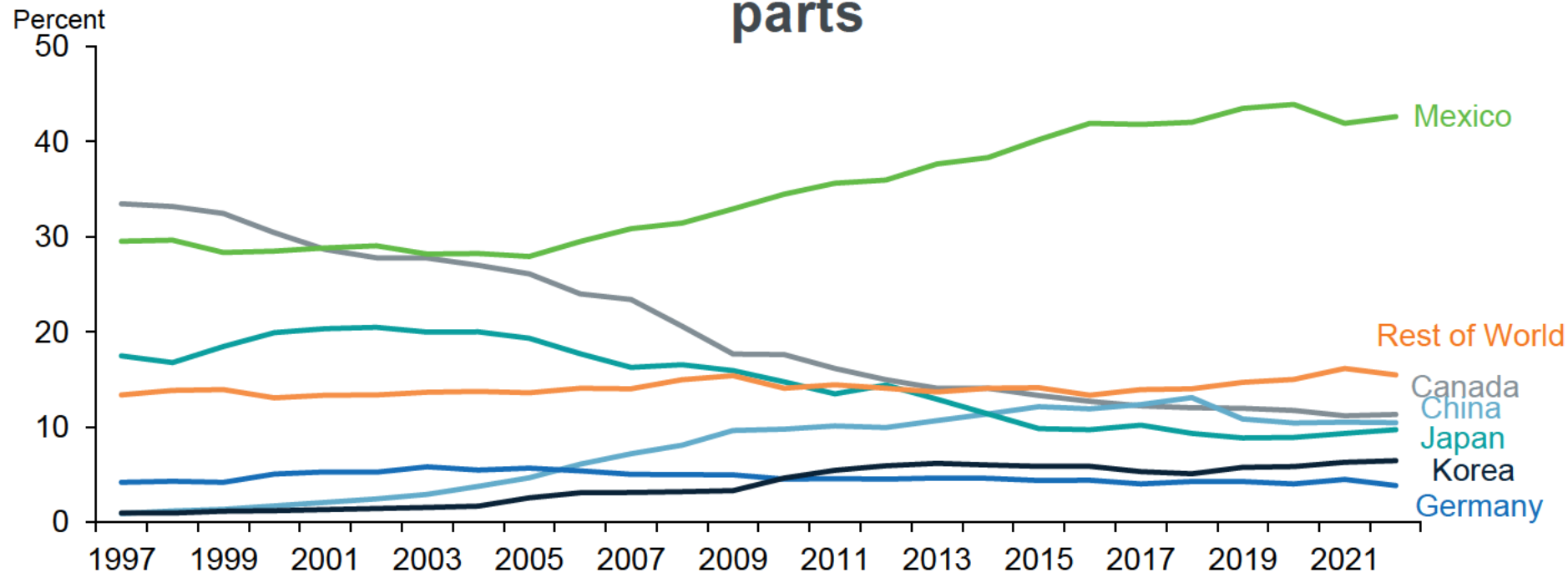
Mexico first in share of U.S. motor vehicle imports



NOTE: 2022 data is through April and is annualized.

SOURCE: U.S. International Trade Commission.

Mexico largest U.S. supplier of motor vehicle parts



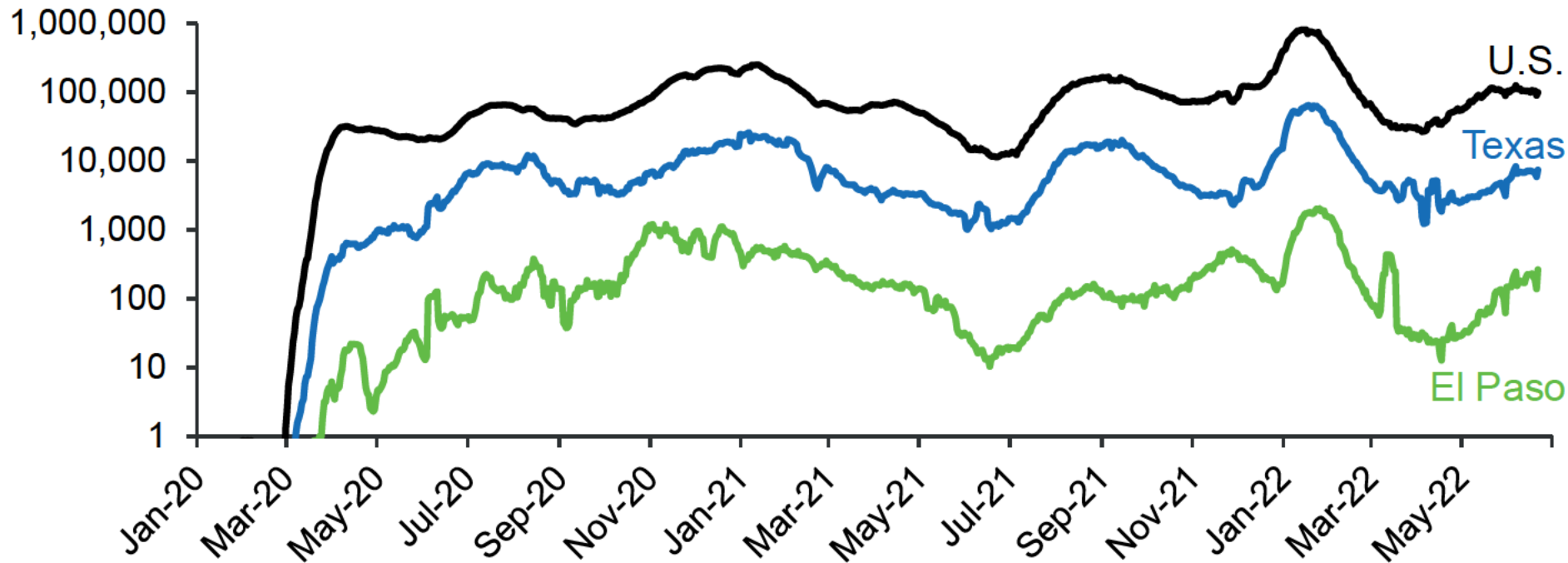
NOTE: 2022 data is through April and is annualized.

SOURCE: U.S. International Trade Commission.

El Paso Economic Update

COVID-19 daily cases

Daily cases, 7-day moving average

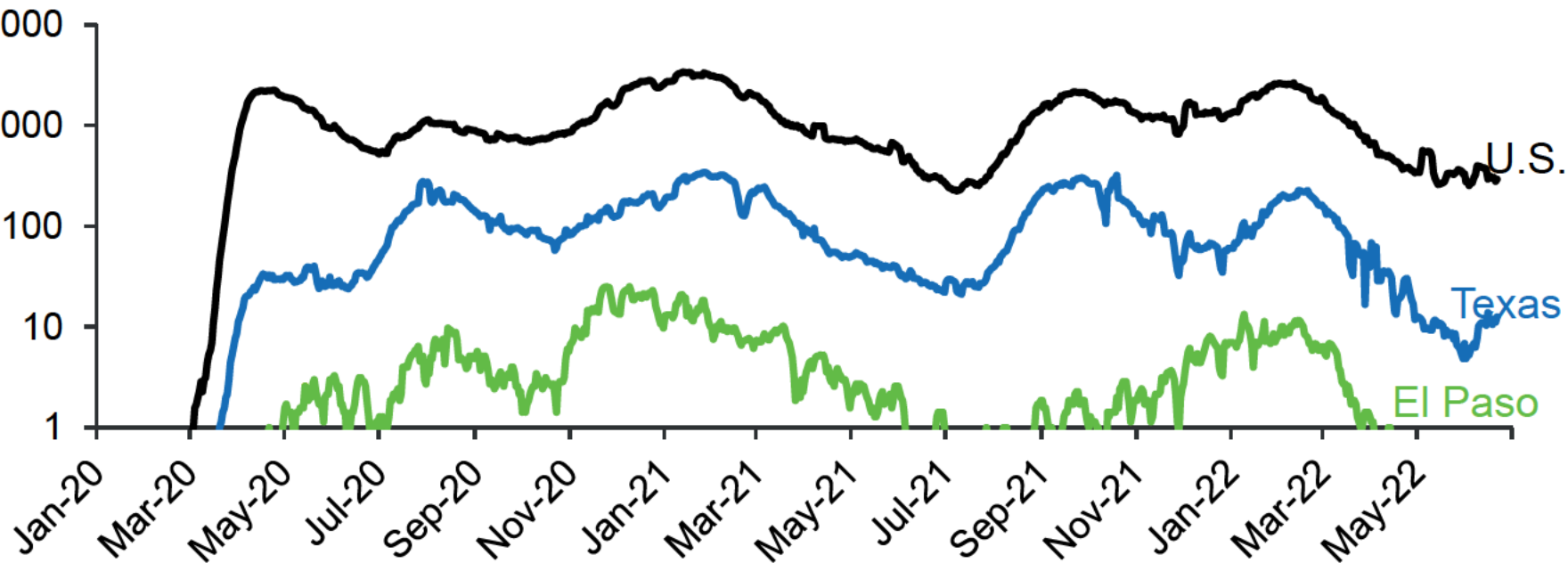


NOTE: Data reflect daily new COVID-19 cases based on a 7-day moving average at the county level.

SOURCE: John Hopkins University, adjustments by Dallas Fed.

COVID-19 daily deaths

Daily deaths, 7-day moving average

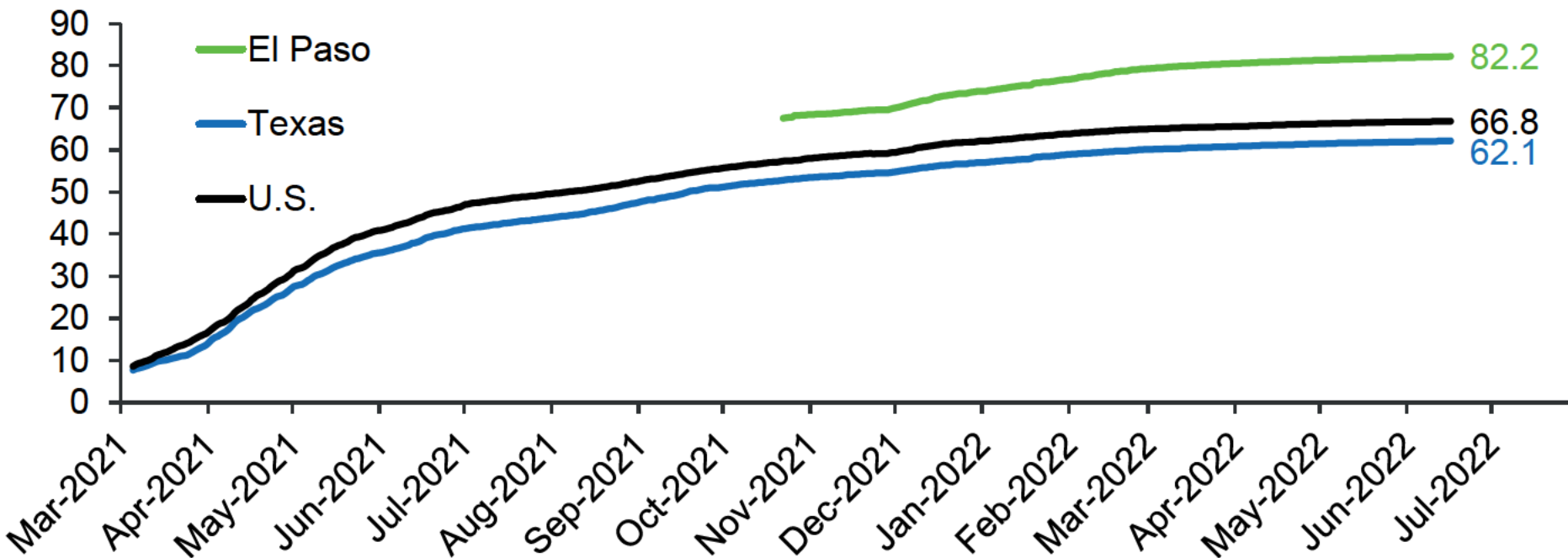


NOTE: Data reflect daily new COVID-19 deaths based on a 7-day moving average.

SOURCE: John Hopkins University, adjustments by Dallas Fed.

Vaccination Rates

Percent of resident population

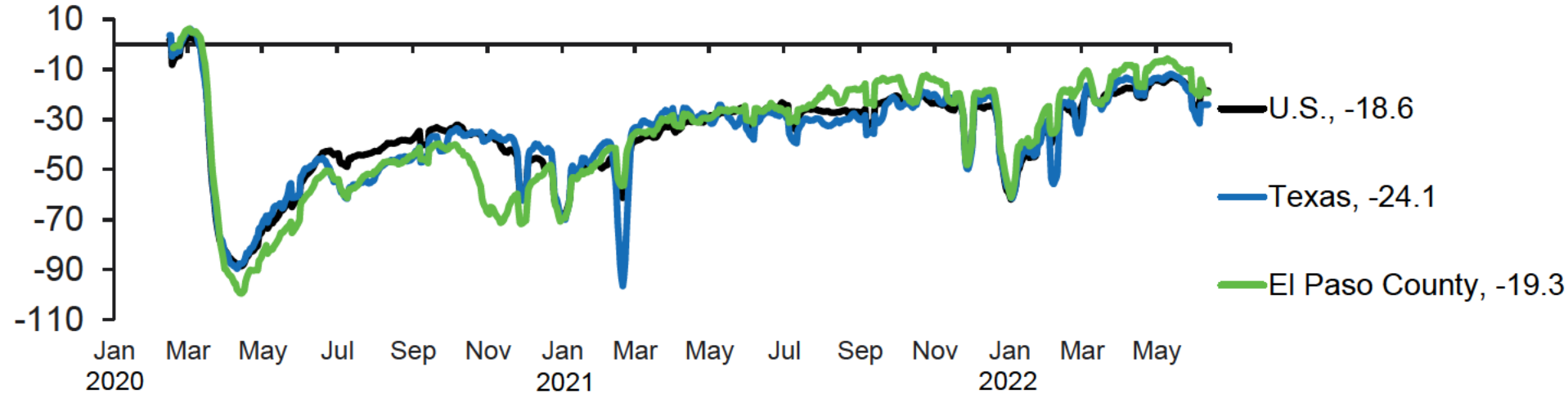


NOTE: Data reflect resident population who are fully vaccinated.

SOURCE: Johns Hopkins University; CDC.

Google Mobility

Percent, 7DMA

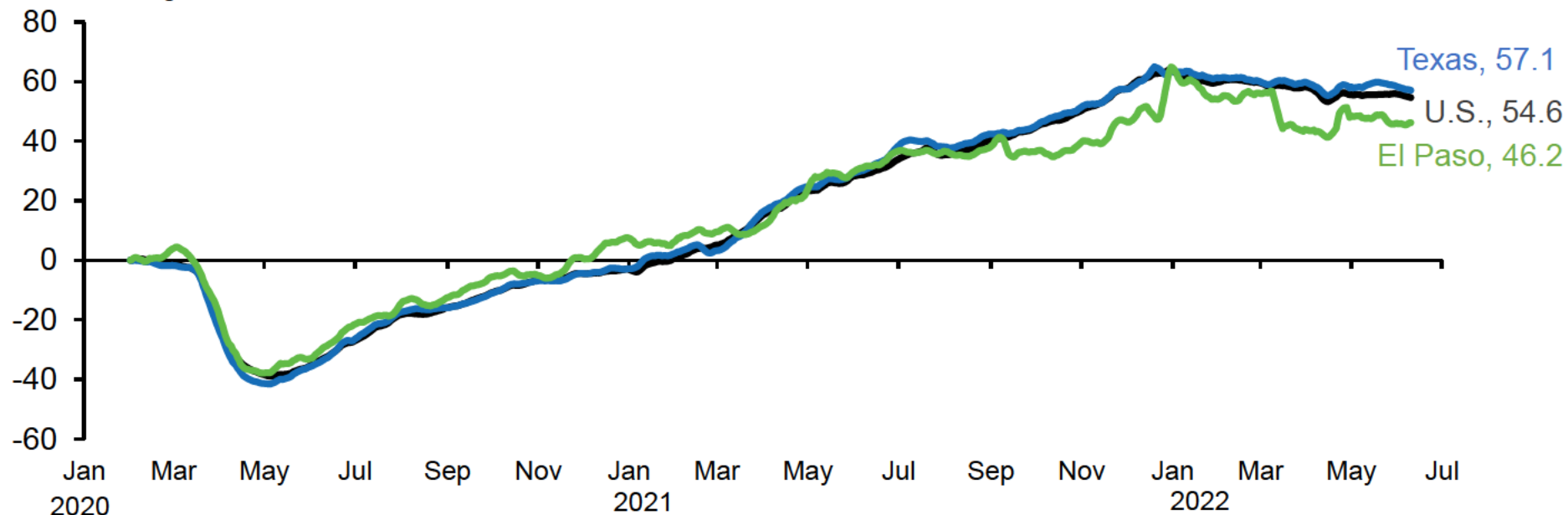


NOTE: The Google Mobility metric summarizes the information in three variables based on geolocation data collected by Google. It is computed as a weighted average of Google metrics for residential mobility, workplace mobility, and grocery-store mobility, with weights selected to match the MEI data from January 2020 through March 2021 at the state level. Our mobility metric is scaled so that mobility in January and February of 2020 averages 0 and the trough in early April equals -100. A value of -50 indicates that mobility has reversed half of its initial decline. The Google Mobility metric is shown as a 7-day moving average.

SOURCE: Google; adjustments by Dallas Fed.

Job Postings

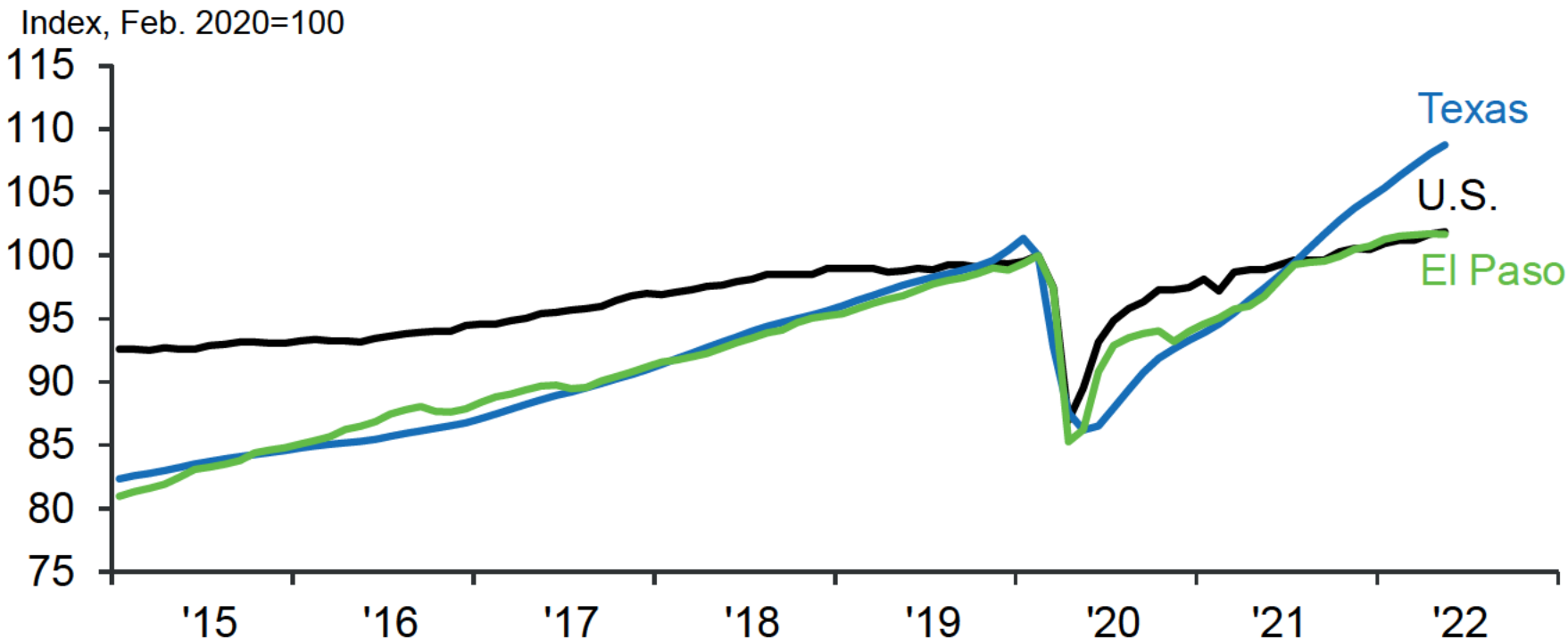
Percent change relative to Feb. 1, 2020



NOTE: All data are the percentage change in seasonally-adjusted job postings relative to February 1, 2020, using a seven-day trailing average and are seasonally-adjusted based on historical patterns in 2017, 2018, and 2019.

SOURCE: Indeed Hiring Lab.

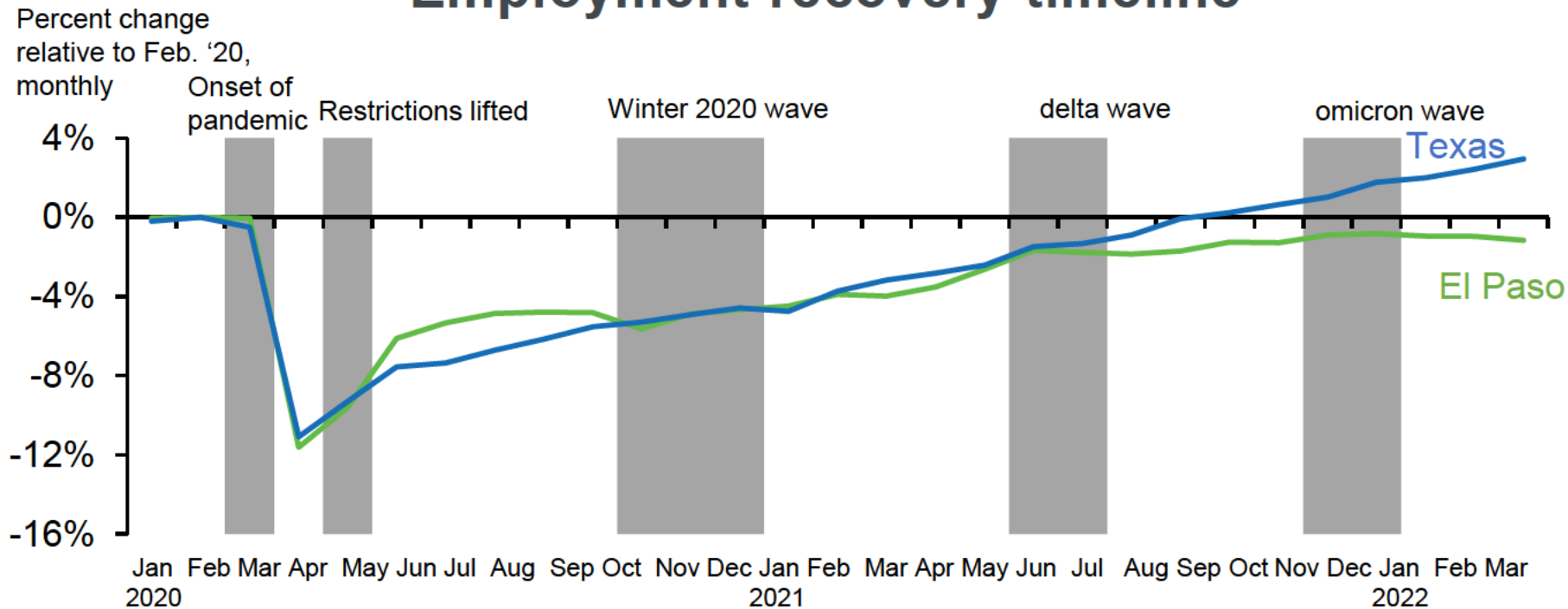
Business Cycle Indices



NOTE: Seasonally adjusted, monthly. The index reflects broad movements in local economic conditions. It is constructed based on the aggregated movements in the local area unemployment rate, nonagricultural employment, inflation-adjusted wages, and inflation-adjusted retail sales.

SOURCE: Federal Reserve Bank of Dallas

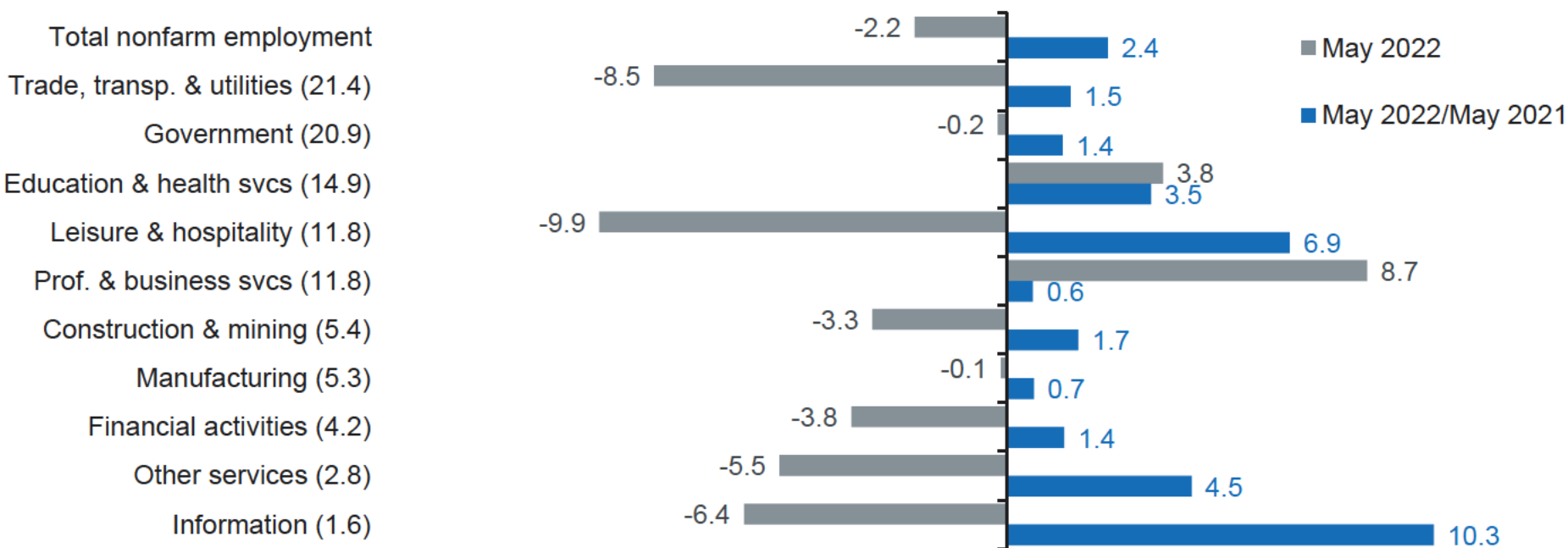
Employment recovery timeline



NOTE: Data reflect monthly, seasonally-adjusted changes in employment relative to February 2020.

SOURCE: BLS, TWC, adjustments by Dallas Fed.

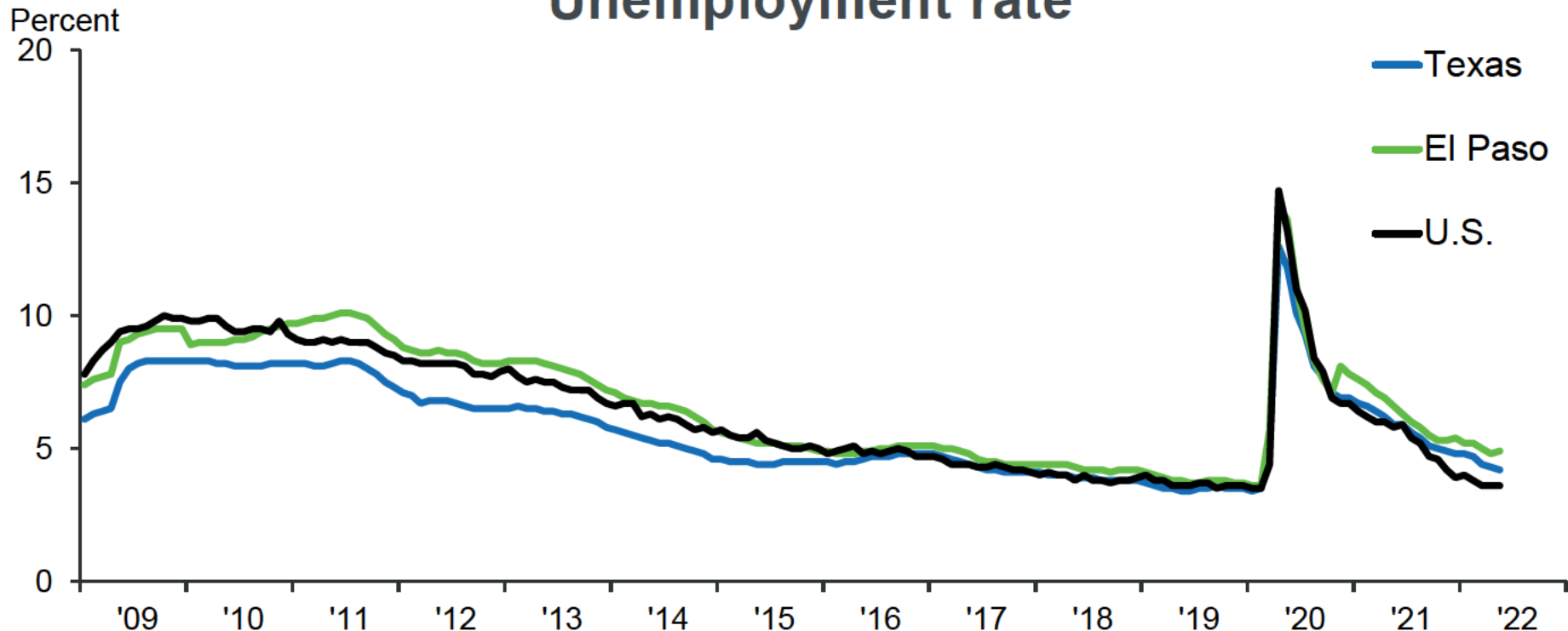
Employment by sector



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

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

Unemployment rate

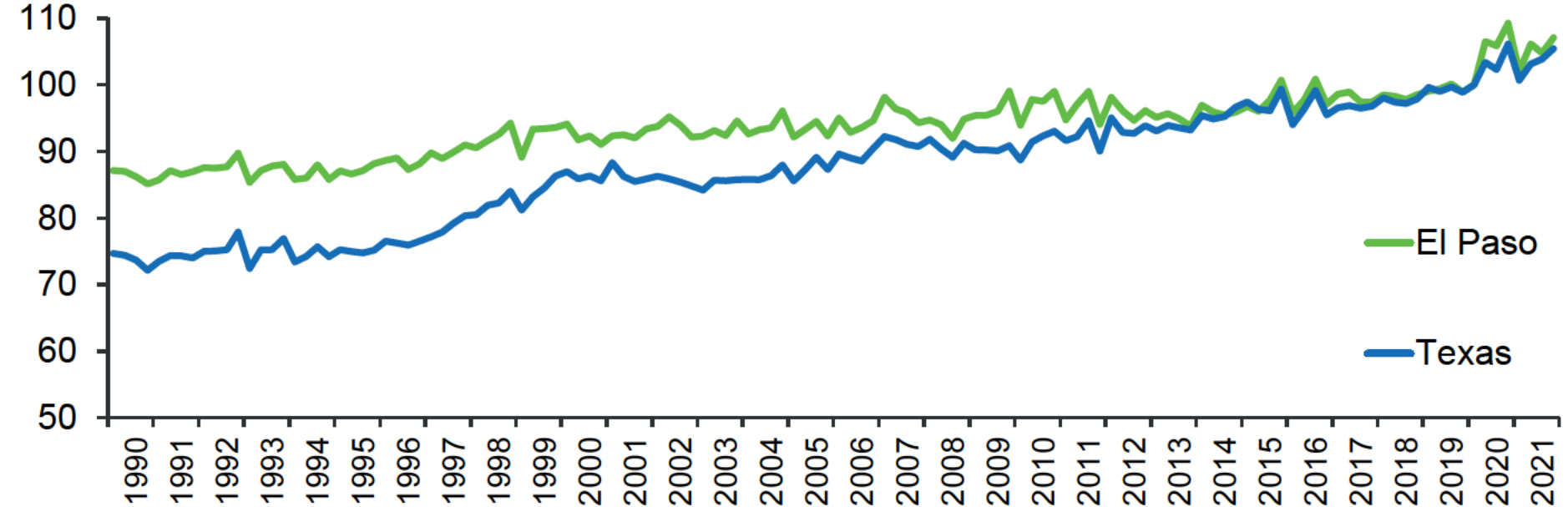


NOTE: Data through May 2022.

SOURCE: BLS, adjustments by Dallas Fed.

Wage Growth

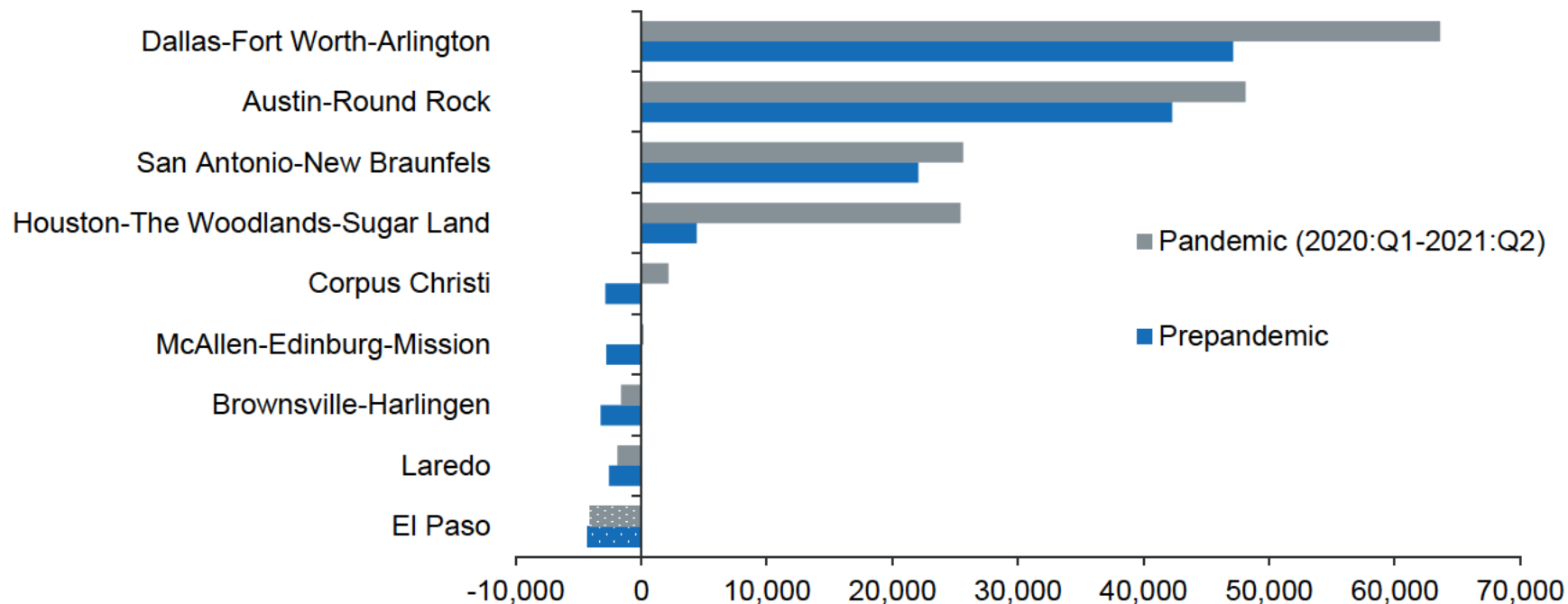
Index, Q1 2020 = 100



NOTE: Quarterly wages are indexed relative to Q1 2020.

SOURCE: Texas Workforce Commission; Quarterly Census of Employment and Wages; Dallas Fed.

Migration to large Texas metros fuels job growth

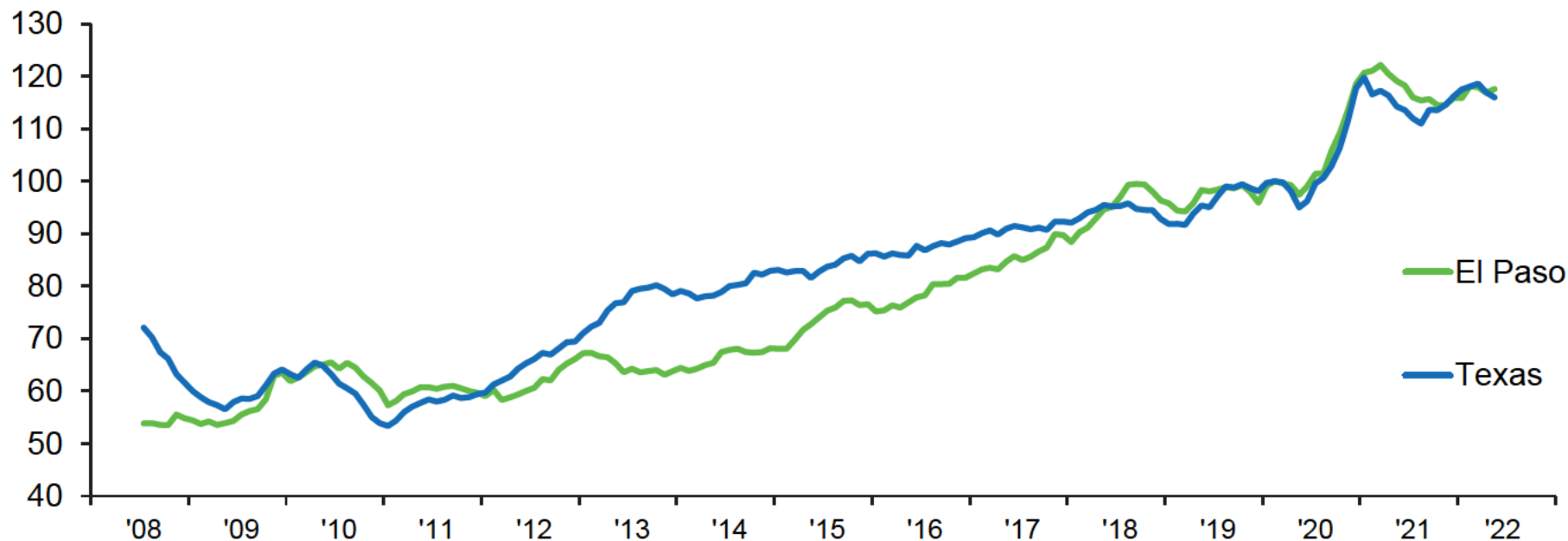


NOTES: Data shown are net in-migration (out-migration) figures for Texas metros. Residents living in micropolitan areas or rural areas are dropped due to quality of the geocoding in the data.

SOURCES: Federal Reserve Bank of New York Consumer Credit Panel, Equifax.

Home Sales

Index, Feb. 2020 = 100*

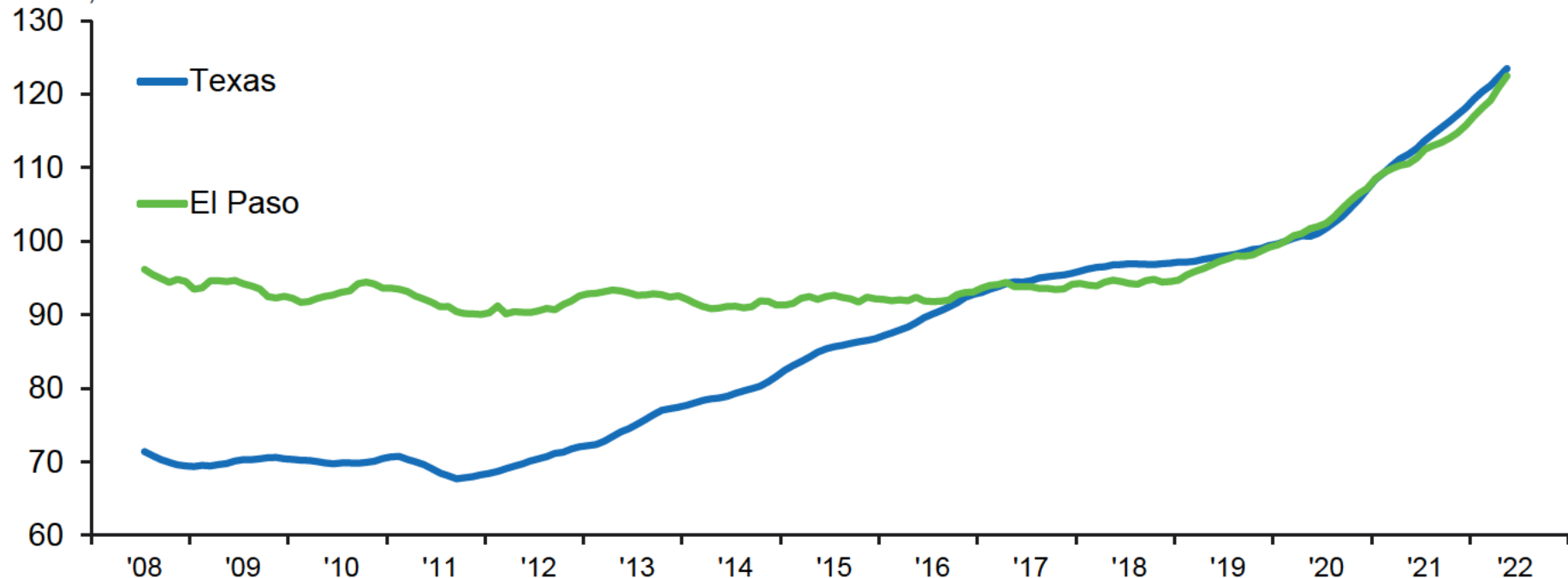


*Seasonally adjusted, six-month moving average.

SOURCE: Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

Home Prices

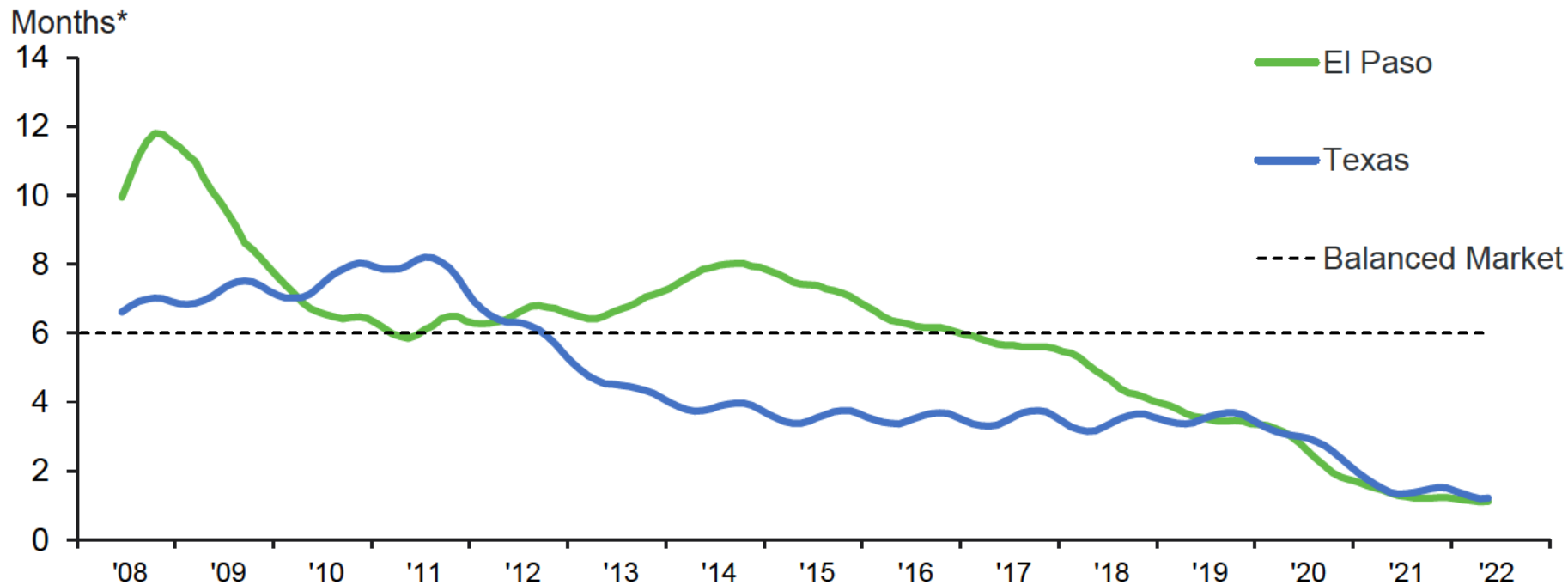
Index, Feb. 2020 =



*Seasonally adjusted, six-month moving average.

SOURCE: Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

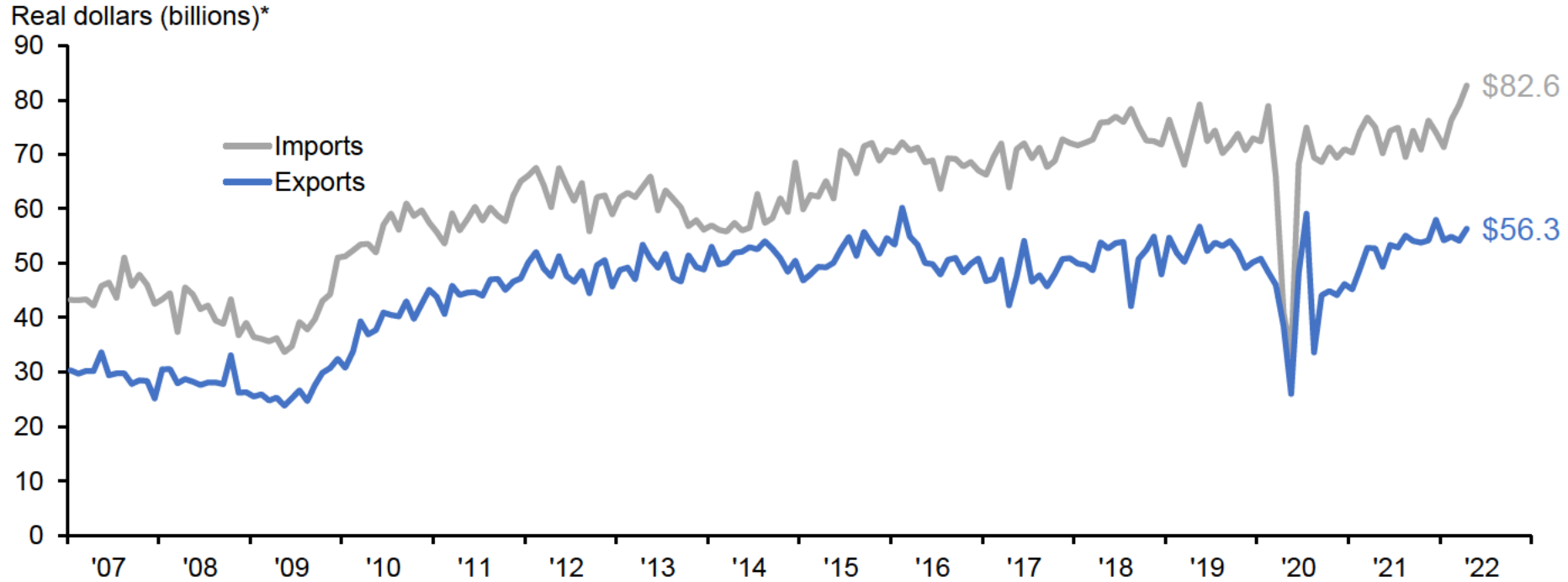
Months Inventory



*Six-month moving average.

SOURCE: Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

Trade

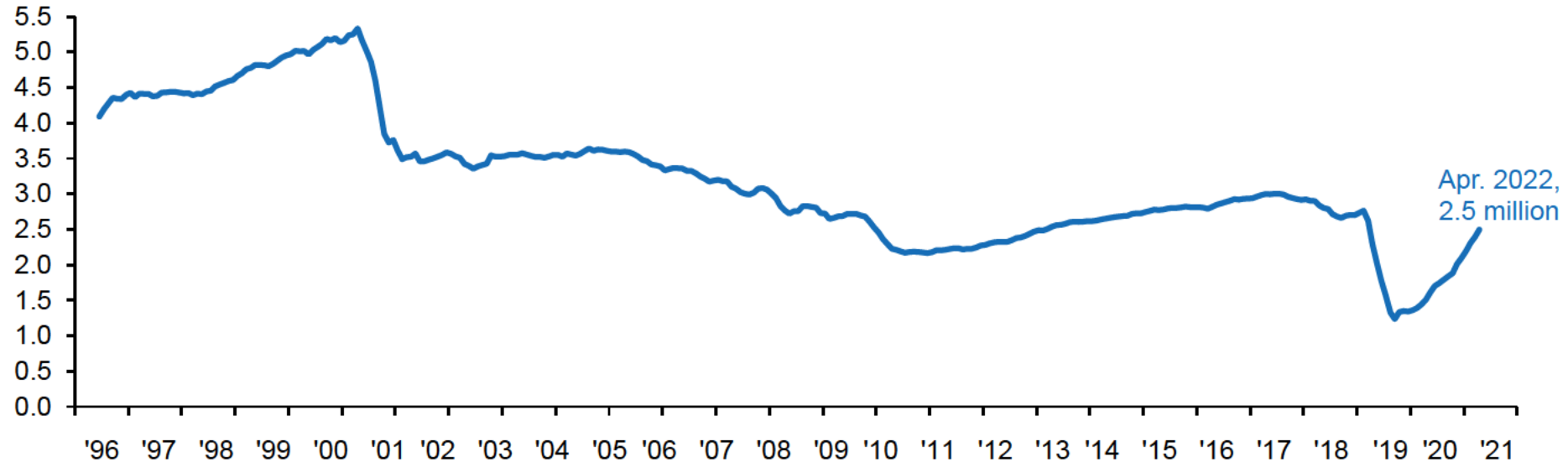


*Seasonally adjusted, monthly.

SOURCE: Census Bureau; adjustments by the Dallas Fed.

Northbound Crossing Volumes

Six-month moving average (millions)



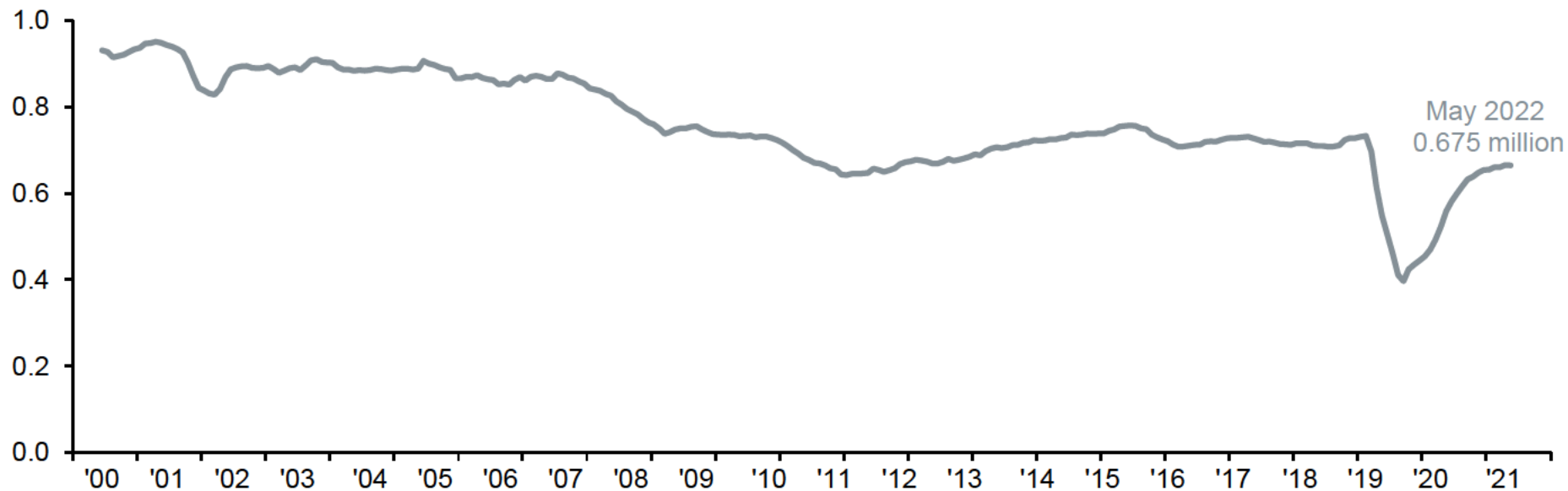
Apr. 2022,
2.5 million

NOTE: Data reflect millions of seasonally adjusted northbound crossings from pedestrians, bus passengers, personal-vehicle passengers, train passengers and trucks through the ports of entry in Columbus, New Mexico; El Paso, Texas; Presidio, Texas; Santa Teresa, New Mexico; Tornillo, Texas; and Ysleta, Texas, based on a six-month moving average.

SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics; adjustments by the Dallas Fed.

Southbound Crossing Volumes

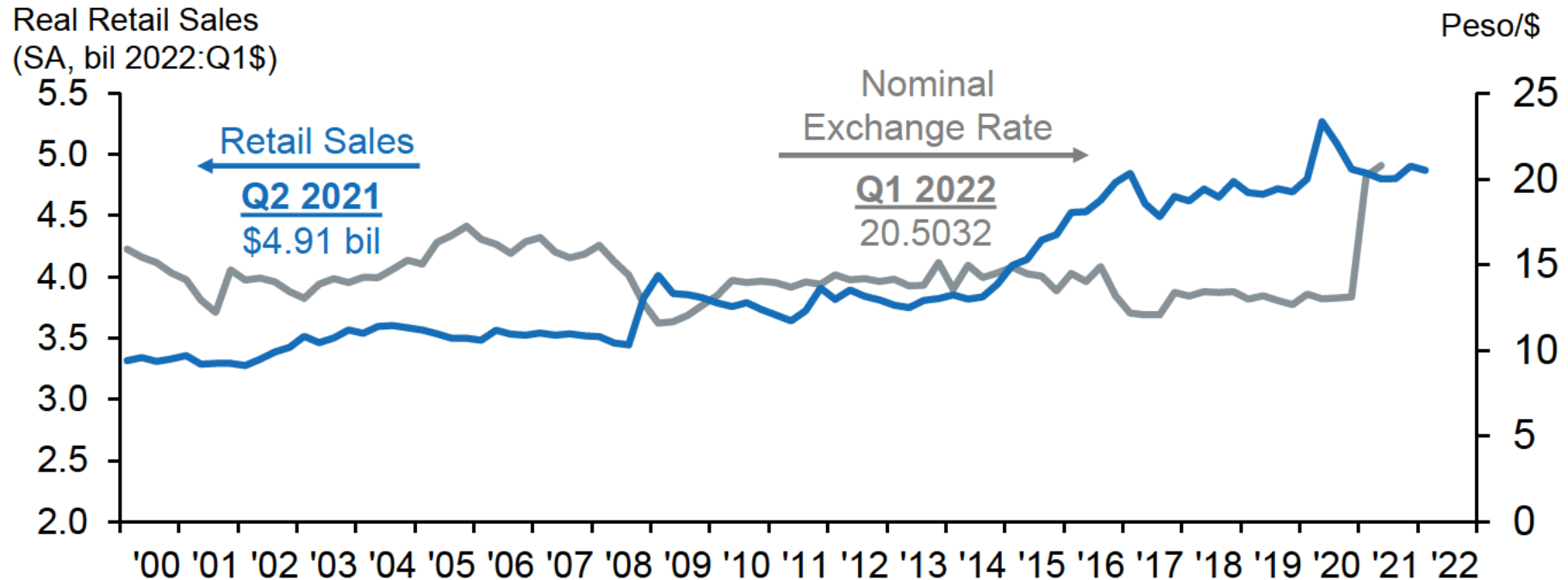
Six-month moving average (millions)



NOTE: Data reflect millions of seasonally adjusted southbound crossings for pedestrians, personal vehicles and cargo trucks through the Paso del Norte, Stanton and Ysleta ports of entry based on a six-month moving average.

SOURCE: City of El Paso International Bridges Department; adjustments by the Dallas Fed.

El Paso MSA Retail Sales



NOTE: Retail sales are the sum of sales from NAICS sectors 45-45 and 722.

SOURCE: Texas Comptrollers of Public Accounts, Federal Reserve Bank of Dallas.

Top 5 Retail Trade Sectors Along Texas-Mexico Border

Rank	NAICS Code	Industry	Avg. LQ
1	448	Clothing and Accessories Stores	2.18
2	447	Gas Stations	1.87
3	443	Electronics and Appliance Stores	1.83
4	452	General Merchandise Stores	1.81
5	445	Food and Beverage Stores	1.55

Summary

- Outmigration a continued headwind for El Paso, along with:
 - Tight housing inventory
 - Energy prices
 - Enrollment declines
- Supply-chain disruptions and labor shortages expected to be a continued drag on growth
 - El Paso economic performance also dependent upon Juarez IMMEX's performance
- Further outbreaks of COVID remain a downside risk to the outlook, but tend to constrict supply, not demand.
 - Price pressures likely to remain elevated

Dallas Fed Resources

Publications and Surveys:

- [Texas Employment Forecast](#)
- [Metro Economic Indicators](#)
- [Regional Economic Updates](#)
- [Southwest Economy](#)
- [Heart of Texas](#)
- [Dallas Fed Blog](#)
- [National Economic Updates](#)
- [International Economic Updates](#)
- [Texas Business Outlook Surveys](#)
- [Energy Survey](#)

COVID-related:

- [Real-Time Population Survey](#)
- [Weekly Economic Index](#)



U.S.-Mexico and El Paso Economic Update

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