Economic activity in the El Paso metropolitan area has resumed growth in recent months, according to the Federal Reserve Bank of Dallas business-cycle index. So far this year, the index has registered 1.1 percent annualized growth, compared with 3.1 percent growth over the same period last year.

Maquiladora payrolls in Ciudad Juárez, México, are beginning to see the effect of the recent increase in U.S. industrial production. In addition, the local economy continues to be negatively impacted by recent cuts to government expenditures.

From December to August, El Paso gained close to 500 jobs. The area’s non-farm employment increased in August at a 2.1 percent annualized rate. In August, job gains were concentrated in the manufacturing, education and health services, and government sectors.

El Paso’s August unemployment rate stood at 8.6 percent. The Texas unemployment rate for August was 6.4 percent, while the national rate was 7.3 percent.

Midland–Odessa, Texas, employment increased in August at a 3.8 percent annualized rate, and the unemployment rate decreased to 3.4 percent.

Nonfarm employment in Las Cruces, N.M., remained unchanged in August. The unemployment rate decreased to 8.3 percent in July. For August, the New Mexico unemployment rate was 6.8 percent.
Trade flows through the El Paso port of entry increased in July at an 8 percent rate on a 12-month basis. As of July, total trade (exports plus imports) was more than $71 billion annualized, above the $66 billion level in June 2012. The increase in trade flows in recent months is likely the result of increased maquiladora activity in Juárez.

In August, El Paso home sales increased 2 percent on a 12-month basis. The median home price in July was $144,800. Inventory levels are at eight months. The number of single-family building permits—a leading indicator for the housing sector—has decreased an average of 29 percent the past three months on a 12-month basis.

The Midland–Odessa housing sector continues to improve, although growth in home sales has decelerated. Building permits have been growing at double-digit rates over the past several months.
U.S. industrial production increased in August at a 5 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 industrial sector in August. Formal manufacturing employment in the Mexican state of Chihuahua, meanwhile, is up 4.4 percent as of July of this year.

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 the recent pickup in U.S. industrial production is benefiting Juárez maquiladoras. In 2012, maquiladoras south of the Rio Grande turned in strong job growth of 8 percent, representing more than 18,000 new jobs. From December 2012 to July 2013, maquiladoras added over 8,000 jobs. After posting job losses during June, Juárez maquiladoras gained more than 800 jobs during July, estimates indicate.

U.S. auto and light truck production have remained at 10 million units annualized during the last several months. Furthermore, U.S. auto sales remained at a healthy level at 16 million on an annual basis, in August. This is good news for the local economy because roughly half of the maquiladoras across the Rio Grande are auto related.

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**Conditions in Chihuahua and Ciudad Juárez**

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