El Paso Economic Update:

Employment Growth Slows

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DISCLAIMER: The views expressed are the authors’ and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System.

NOTE: I thank my colleagues Luis Bernardo Torres and Diego Morales-Burnett for their help and support in preparing this presentation.
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Overview

- Overview of the Federal Reserve
- Economy has been resilient, and growth continues.
- El Paso’s job growth is slowing.
- Outlook suggests El Paso will slow in near term.
- Risks to the outlook include…
  - Geopolitical risk
  - Global slowing
  - Elevated inflation
Our Central Bank

The Federal Reserve

Federal Reserve
Bank of Dallas
Building a strong economy together
Roles of Central Banks Around the World

**Economic Stability**
- Establish and conduct monetary policy
- Strive for low and stable inflation

**Financial Stability**
- Issue banknotes
- Supervise financial institutions
- Ensure financial system functions properly
- Prevent financial panics
Governors serve on the Board of Governors to provide oversight of the Federal Reserve System. Regional Banks and 24 branches serve as the operating arms of the Federal Reserve System. The 7 governors and 12 regional bank presidents meet as the Federal Open Market Committee (FOMC) 8 times a year.
Connecting Regional Economies

Federal Reserve Bank of Dallas
Fed Responsibilities

Monetary Policy

Bank Supervision & Regulation

Payments System Oversight

Consumer Protection & Community Development
Monetary Policy
Dual Mandate

Maximum Employment

Stable Prices
Monetary Policy
Tools of Monetary Policy

Reserve Requirements

Open Market Operations

Discount Rate

Interest on Reserve Balances

Forward Guidance

Federal Reserve Bank of Dallas
Recent Economic Performance
El Paso business-cycle index up 3.9 percent from last November

*Seasonally adjusted, monthly.
SOURCE: Federal Reserve Bank of Dallas.
El Paso job growth falls below Texas growth

NOTE: Data show annualized growth through Q3 2023. Last data points are Aug. – Nov. 2023 annualized job growth.


Federal Reserve Bank of Dallas
El Paso ahead of Texas in Educ. & Health Services, Construction and Information

<table>
<thead>
<tr>
<th>Category</th>
<th>Texas</th>
<th>El Paso</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Trade, Transp. &amp; Util. (19.8%)</td>
<td>2.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Prof. &amp; Bus. Serv. (15.3%)</td>
<td>2.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Gov't (14.6%)</td>
<td>2.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Educ. &amp; Health Serv. (13.7%)</td>
<td>5.2</td>
<td>6.9</td>
</tr>
<tr>
<td>Leisure &amp; Hosp. (6.9%)</td>
<td>5.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Mfg. (6.5%)</td>
<td>3.7</td>
<td>-1.0</td>
</tr>
<tr>
<td>Fin. Activ. (6.5%)</td>
<td>2.6</td>
<td>-1.1</td>
</tr>
<tr>
<td>Constr. (5.9%)</td>
<td>5.4</td>
<td>5.4</td>
</tr>
<tr>
<td>Other Serv. (3.4%)</td>
<td>2.3</td>
<td>2.6</td>
</tr>
<tr>
<td>Information (1.7%)</td>
<td>4.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Oil &amp; Gas, Mining Sup. (1.4%)</td>
<td>2.6</td>
<td>-0.9</td>
</tr>
</tbody>
</table>

*Seasonally adjusted, annualized rate.

NOTE: Numbers in parentheses indicate share of total state employment for November 2023.

Metro area job gains slowing down in 2023

Job growth, percent, annualized


DFW
Houston
Austin
San Antonio
El Paso
Corpus Christi
Midland - Odessa
Las Cruces
Albuquerque
Santa Fe

4.6
4.6
5.6
3.8
3.0
2.9
4.1
3.2
2.0
2.3
2.4
2.0
1.4

3.1
3.0
3.5
2.3
1.8
2.8
4.1
3.2
2.0
2.3
2.4
2.0
1.4

Dec. 2022/Dec. 2021
Nov. 2023/Dec. 2022
El Paso retail sales tax revenue ahead of Texas

NOTE: Data are monthly through November 2023
SOURCES: Texas Comptroller of Public Accounts; Federal Reserve Bank of Dallas.
El Paso unemployment rate higher than Texas and the U.S.

Unemployment rate, percent SA

NOTE: Monthly data is seasonally adjusted through December 2023 for the US and November 2023 for the rest.
SOURCES: Bureau of Labor Statistics; author’s calculations.
Wage growth steadily rising across the board

NOTES: Monthly data is seasonally adjusted. Data through December 2023 for the U.S. and November 2023 for the rest. SOURCES: Bureau of Labor Statistics; author’s calculations.
Business services emerging in El Paso

NOTES: Bubble size represents cluster employment.
SOURCES: Texas Workforce Commission; Bureau of Labor Statistics.

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Summary

- Expected growth to slow in 2024
  - Labor markets are slowing
- Inflation not expected to be fully back to 2 percent through 2024
- Growth in Texas and El Paso is expected to gravitate towards long-term trend and growth levels
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Vice President and Senior Economist, Dallas Fed
February 9 from 11 a.m. – noon CT

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