



FEDERAL RESERVE BANK *of* DALLAS

Border Economic Recovery Lags Rest of State

Keith Phillips and Christopher Slijk



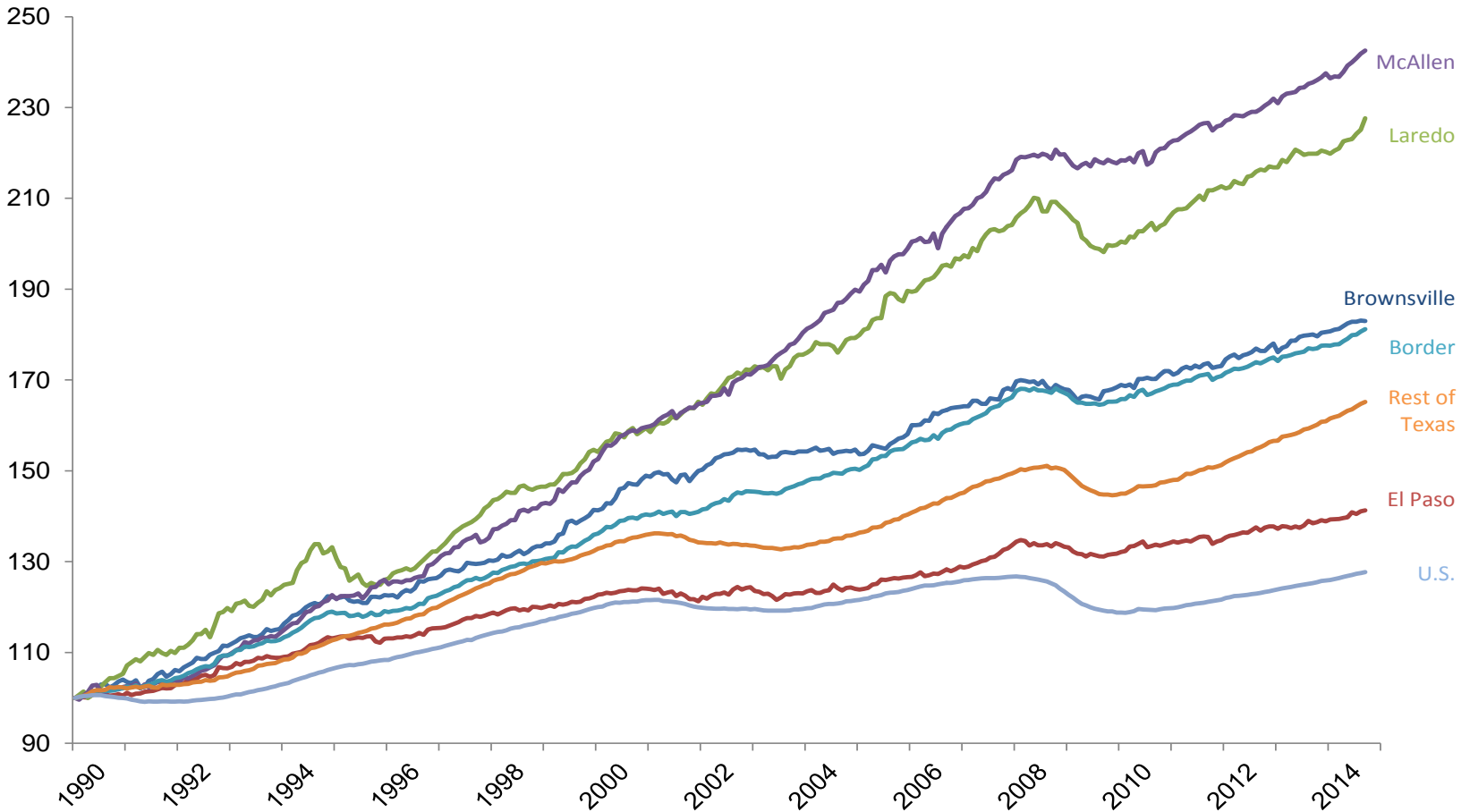
Motivation for Paper

- Job growth in most Texas border metros has been faster than rest of state over the past two decades
- This pattern has differed in post recession period
- What are the factors behind the relative slowing and what is likely in the future?



Border Jobs (Except El Paso) Have Grown Faster Than Rest of Texas

Index,
Jan. 1990 = 100, SA



Sources: Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



Service-Producing Sectors Important Source of Border Economic Growth

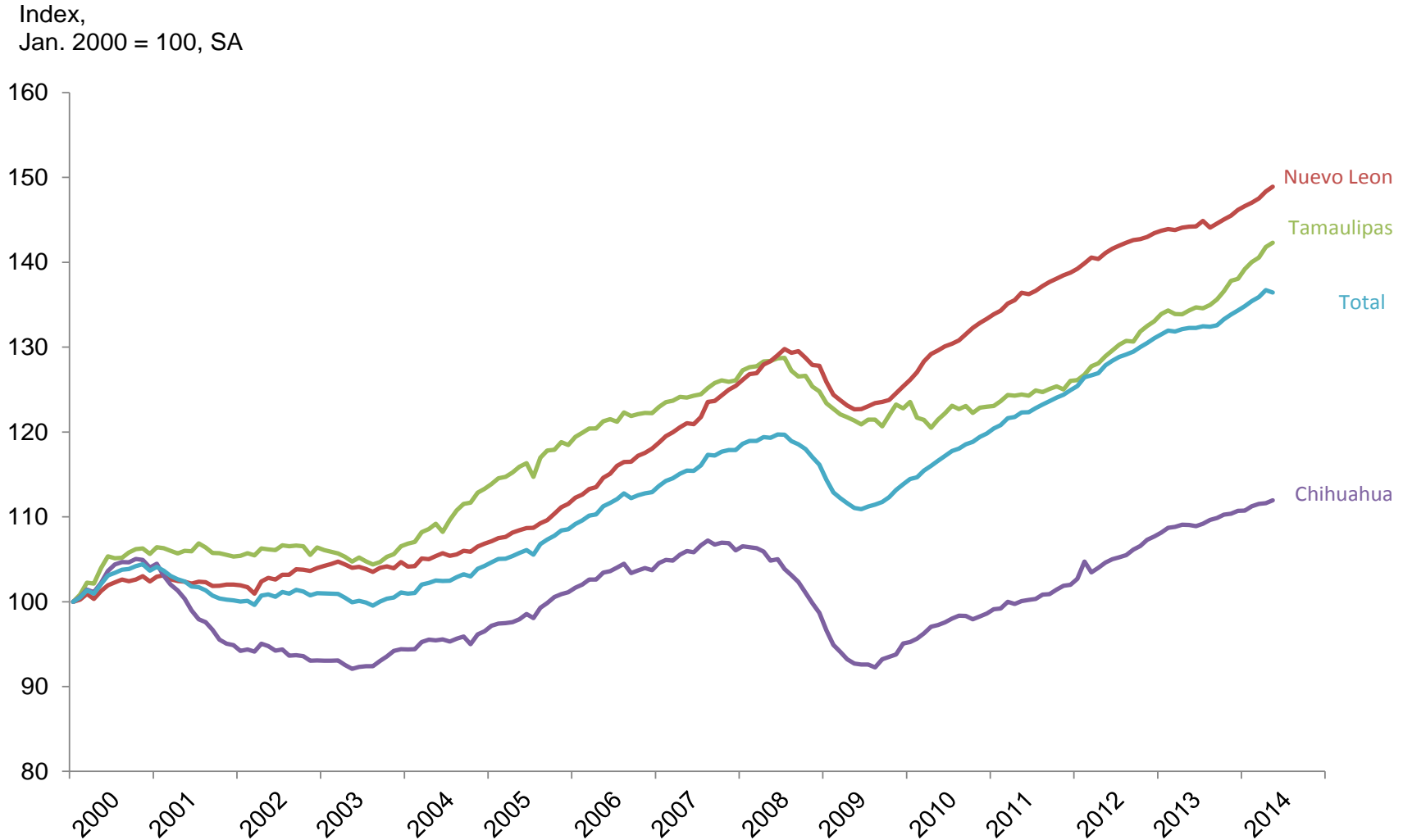
	Brownsville	El Paso	Laredo	McAllen	TX ex. Border
Manufacturing	0.48	0.71	0.09	0.31	0.91
Retail	1.18	1.20	1.22	1.37	0.97
Automobile dealers	1.27	1.39	0.92	1.34	1.10
Clothing and clothing accessories stores	1.00	1.55	1.99	1.99	1.01
General merchandise stores	1.49	1.71	1.36	1.52	1.06
Transportation and Warehousing	1.02	1.39	4.12	1.03	1.09
Truck transportation	1.31	2.18	5.03	1.55	1.09
Warehousing and storage	0.69	0.78	1.89	0.59	0.84
Health care and social assistance	1.94	1.15	1.17	1.91	0.85
Home health care services	11.16	3.78	6.46	10.15	2.05
Federal Government	1.15	2.18	1.73	0.79	0.82
State and Local Gov't	1.44	1.34	1.35	1.52	1.00

NOTE: Data from 2013; location quotients measure the ratio of employment share locally to employment share nationally.

SOURCE: Texas Workforce Commission; Bureau of Labor Statistics; Federal Reserve Bank of Dallas.



Weak Job Growth in Chihuahua Accounts for Some Slower Growth in El Paso



Notes: Tamaulipas and Nuevo Leon border the Rio Grande Valley and Laredo. Chihuahua borders El Paso.

Source: Instituto Nacional de Estadística y Geografía, Federal Reserve Bank of Dallas.



Government GDP Growth Stronger on Border – Until Recent Years

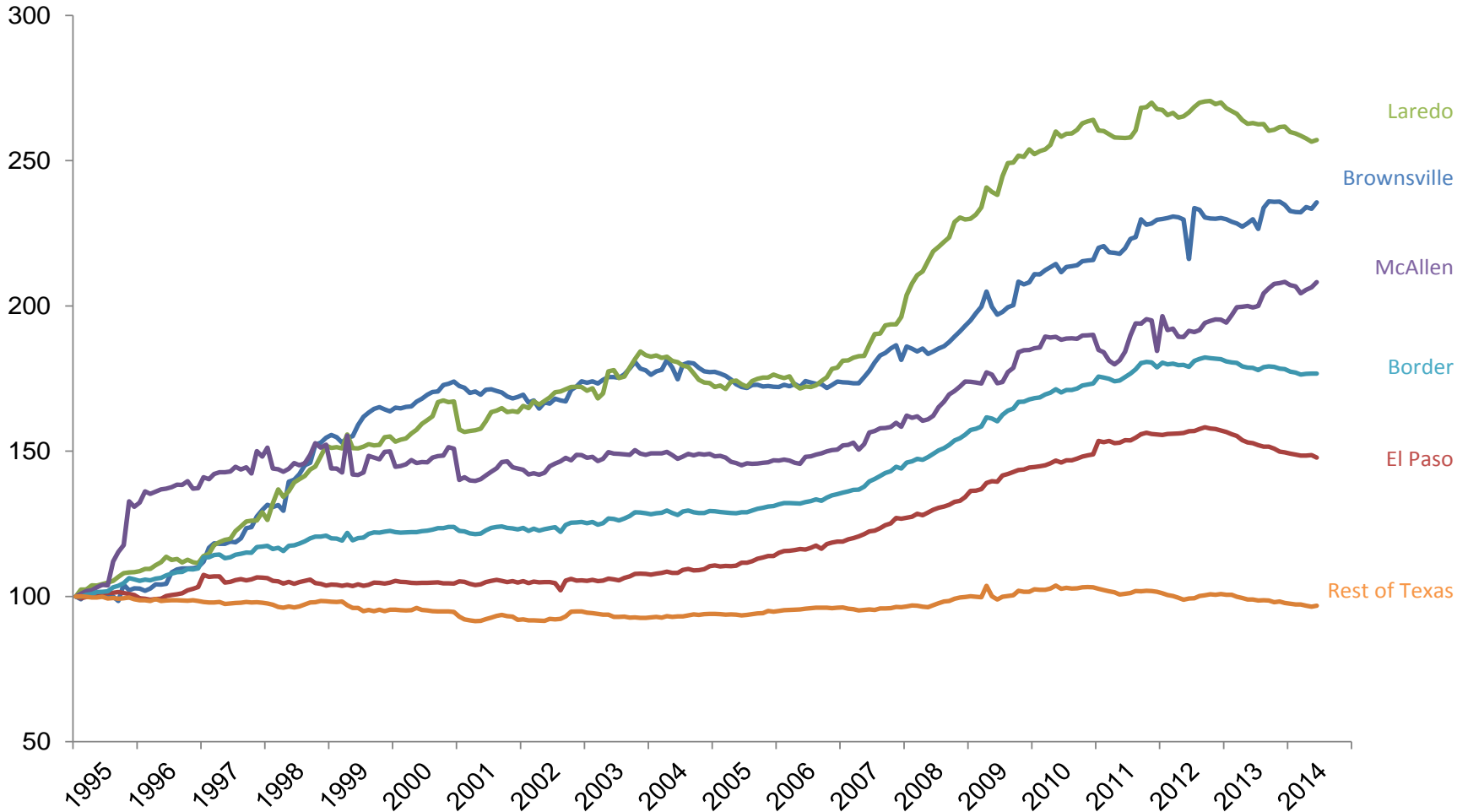


Note: Data does not include government transfer payments.
Source: Bureau of Economic Analysis.

Federal Government Civilian Jobs Have Grown Strongly on Border



Index,
Jan. 1995 = 100, SA



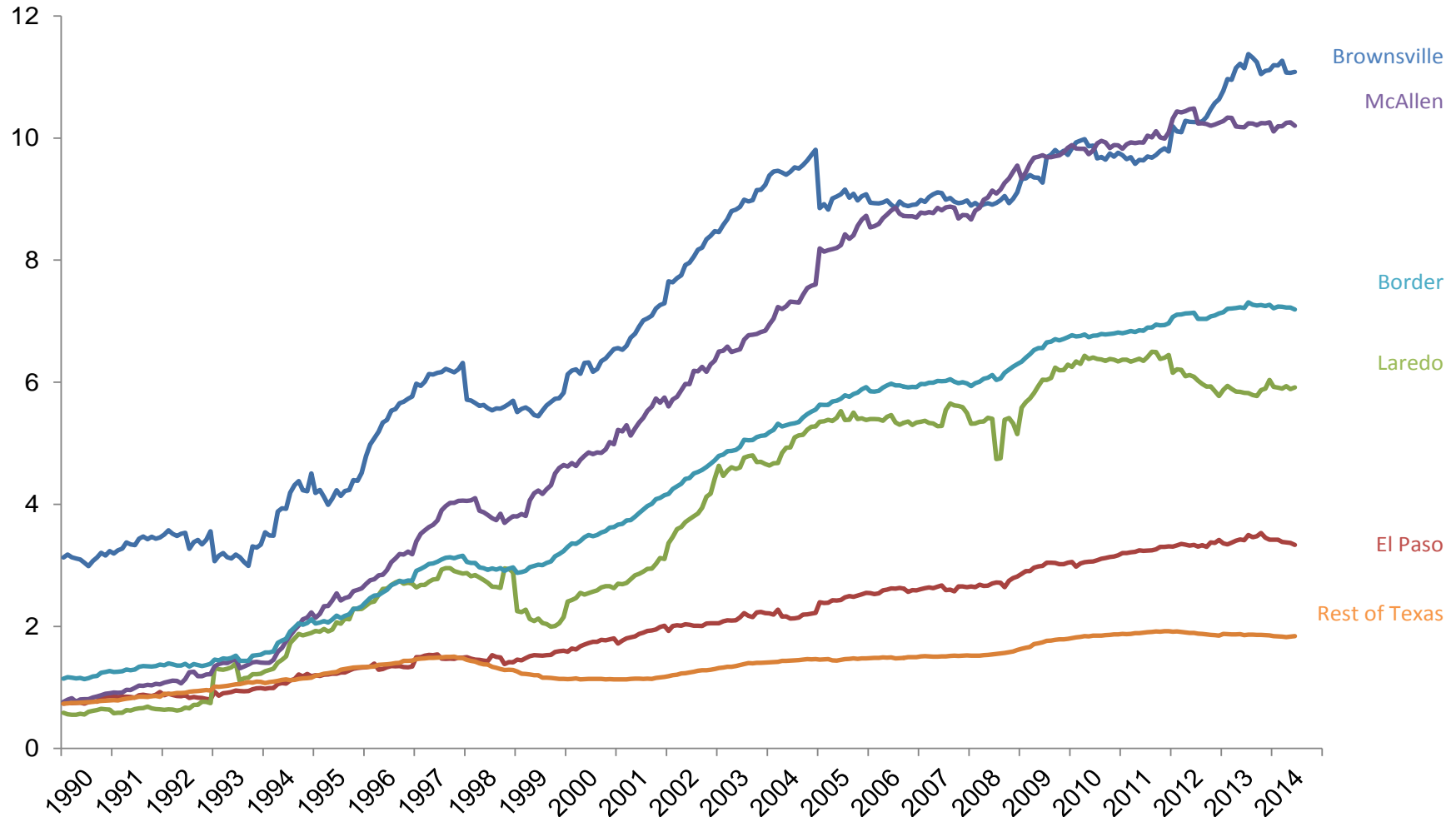
Note: Data adjusted to exclude temporary Census workers.

Sources: Texas Workforce Commission, Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



Home Health Care Big Part of Border Job Growth From Early 1990s to Mid-2000s

Percent Share of Total Jobs, SA

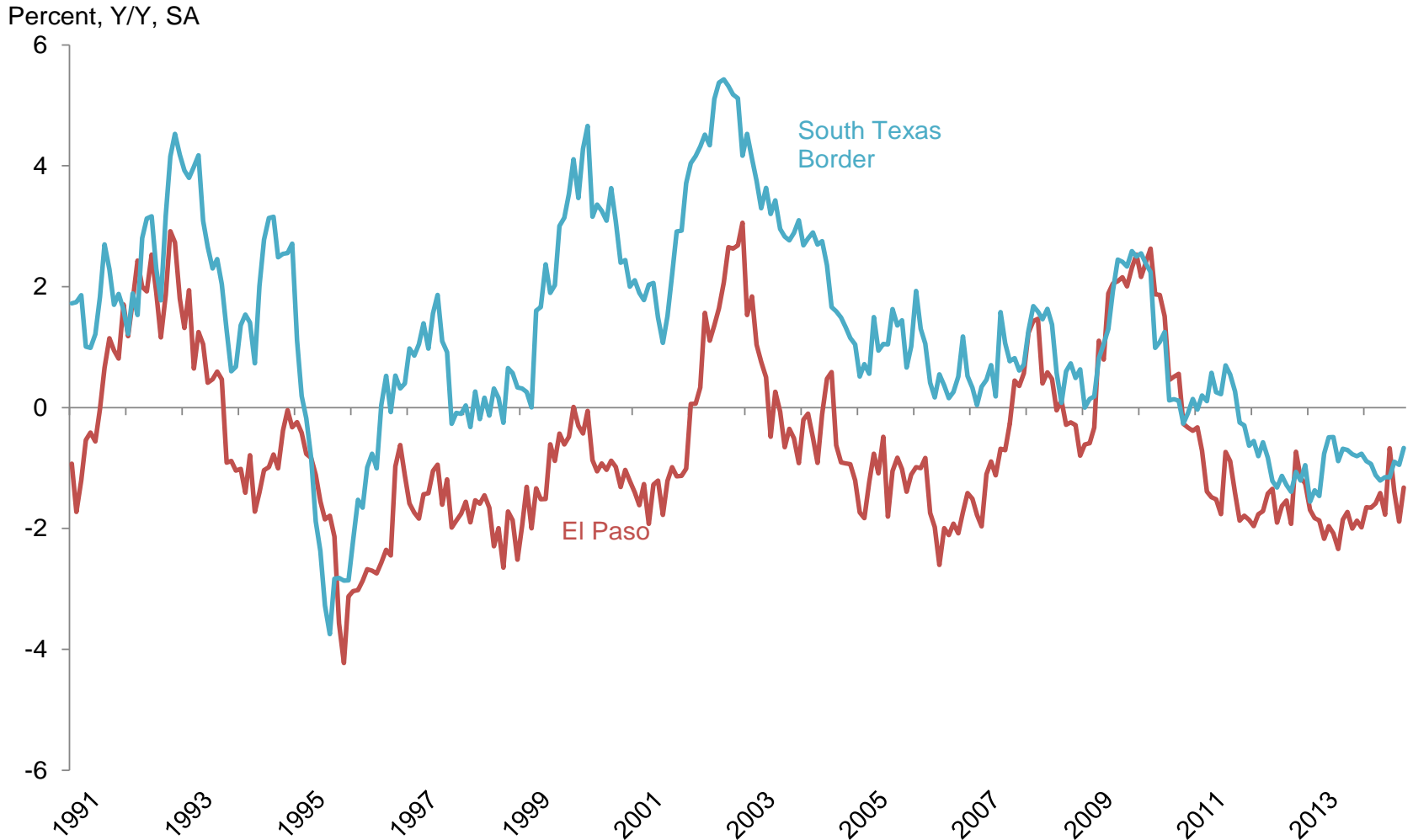


Note: January 2013 data for McAllen and Brownsville adjusted for BLS occupational reclassification.
Sources: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

Given These Key Historical Growth Factors, What's Behind the Recent Relatively Mild Growth?



In Recent Years South Texas Border Has Been Particularly Weak Relative to the State



Note: Growth is relative to Texas rate of growth in total nonfarm employment excluding the border.

Source: Bureau of Labor Statistics, Federal Reserve Bank of Dallas.



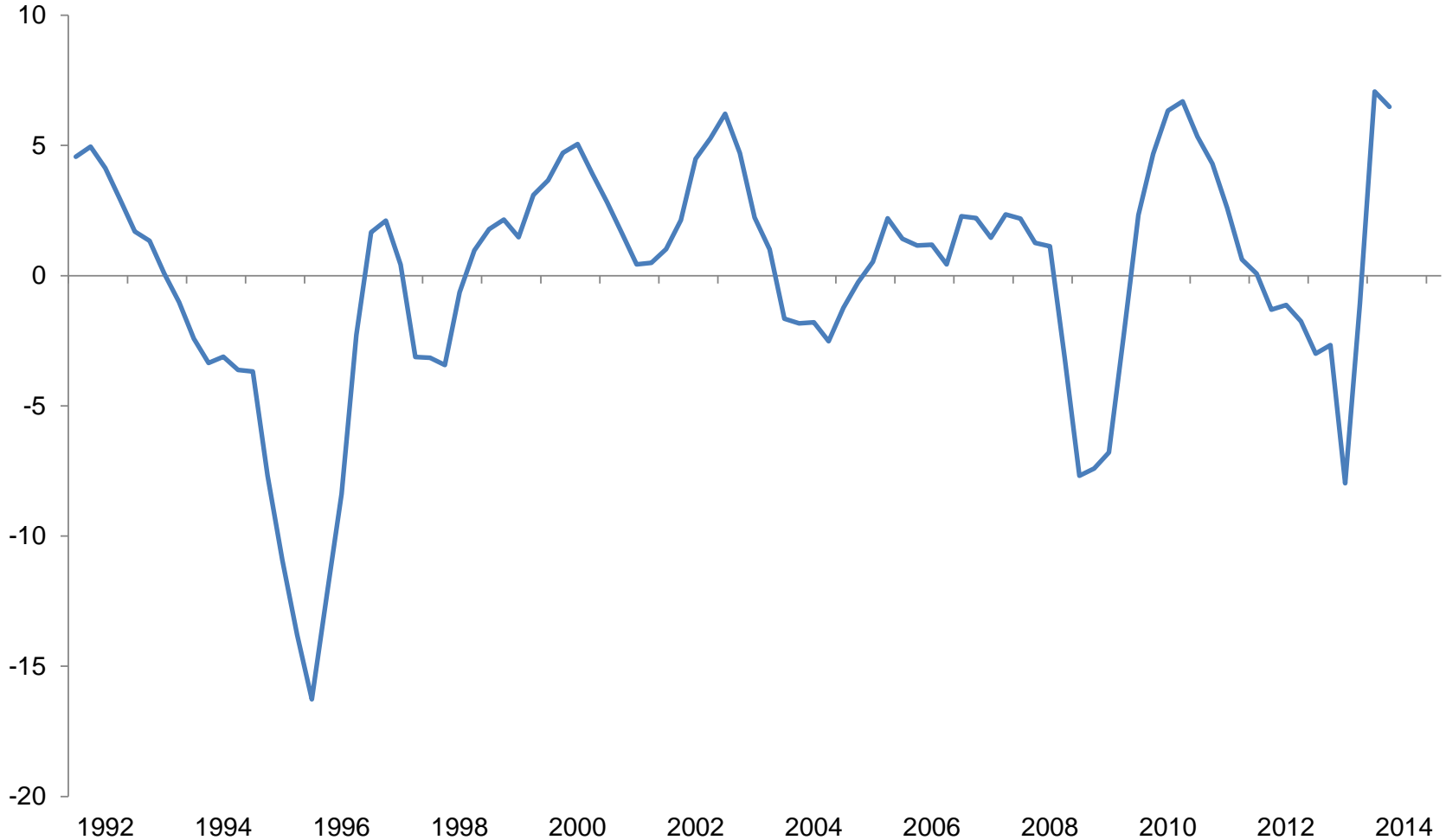
Key Factors Behind Relative Weakness

- Less growth in government spending
- Big drop in Federal spending last year
- Sharp slowing in home healthcare after years of very strong growth
- Retail spending weaker due to strong dollar and Mexico border crime
- Credit tightness restricting home building
- Offsetting these weaknesses has been continued strength in the maquiladoras



Retail Sales Growth Relative to Texas Weak in 2012 and 2013

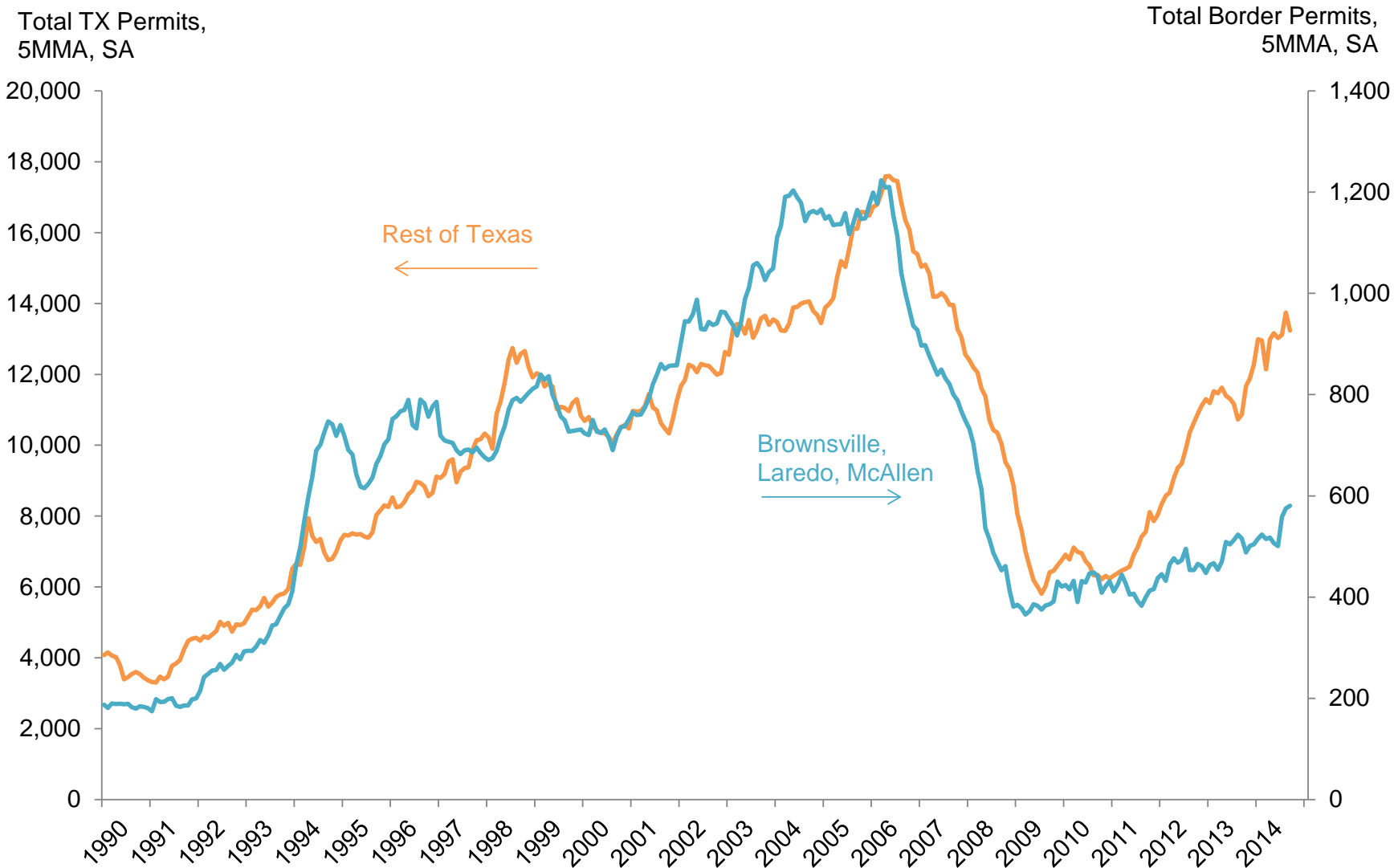
Y/Y Percent Change in 4QMA
Border minus Rest of Texas



Source: Texas Comptroller of Public Accounts, Federal Reserve Bank of Dallas



Tight Credit Conditions Likely Impacting Housing Growth in South Texas Border



Sources: Census Bureau; Haver Analytics; Federal Reserve Bank of Dallas.



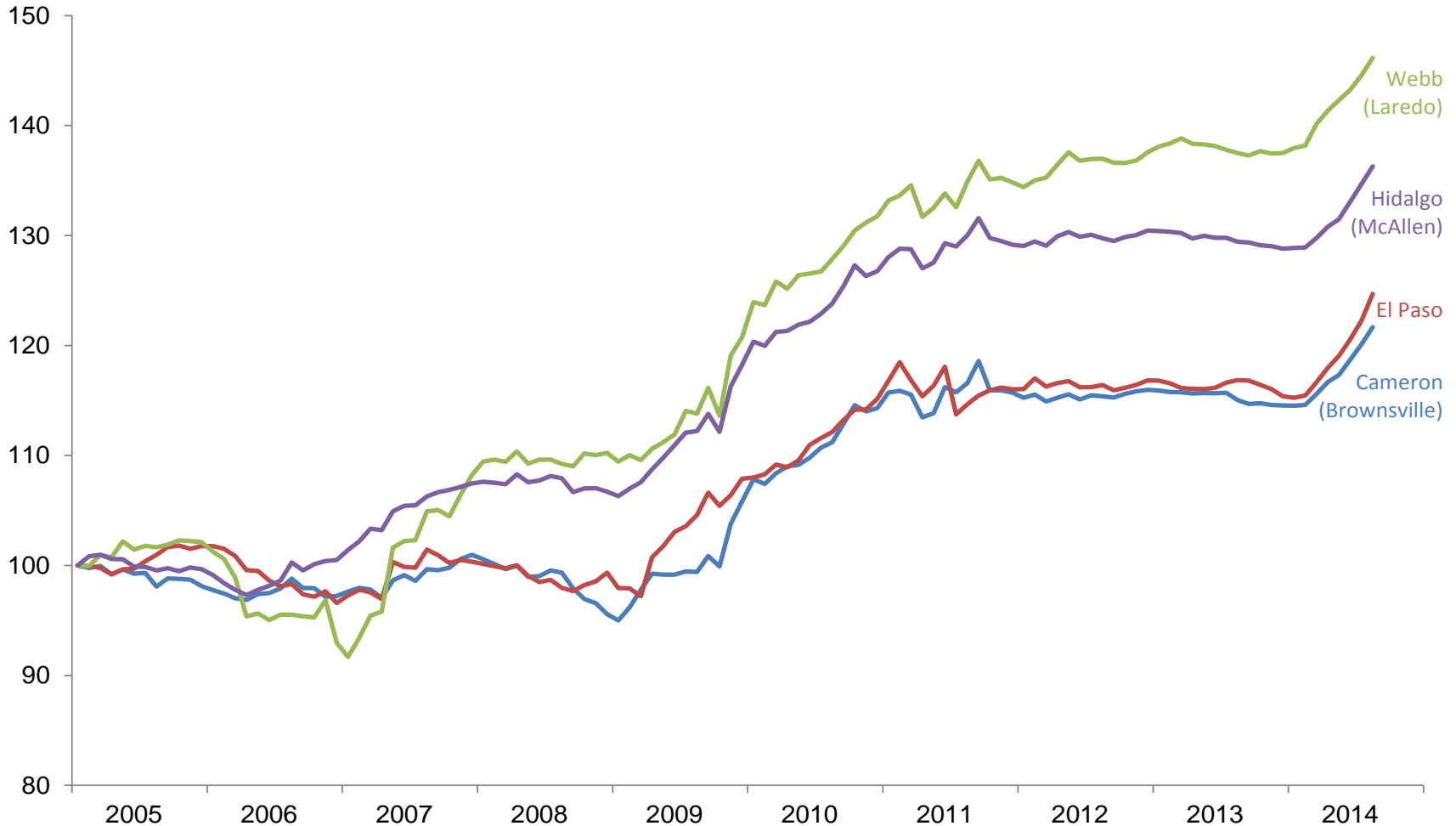
Will the Border Return to Job Growth Faster than the Rest of Texas?

- Federal government spending will likely be weaker but not as bad as last year
- Home health care will be weaker
- As Roberto points out – there will be continued stimulus from Mexican manufacturing – plus energy reforms
- Overall, growth likely to pick up in coming years but may not return to the strong relative growth of past two decades



Surprise! Medicaid Enrollments Jump Sharply along Border

Index,
January 2005 = 100



Note: Last data point is August 2014.

Source: Texas Health and Human Services Commission.



Summary and Conclusions

- Over past two decades job growth along the Border has been stronger than the state – at least in South Texas
- Factors behind growth include growth in the maquiladoras and trade with Mexico, retail spending by Mexican nationals, government spending, expansion of health care services.
- Many of these factors has been weak in recent years
- Looking forward growth will likely pick up – but maybe not as fast as in the past