



Outlook for El Paso Economy

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The views expressed in this presentation are strictly those of the authors and do not necessarily reflect the positions of the Federal Reserve Bank of Dallas or of the Federal Reserve System.

Outline

1. Federal Reserve
2. El Paso economic update
3. Outlook for 2015 and final remarks



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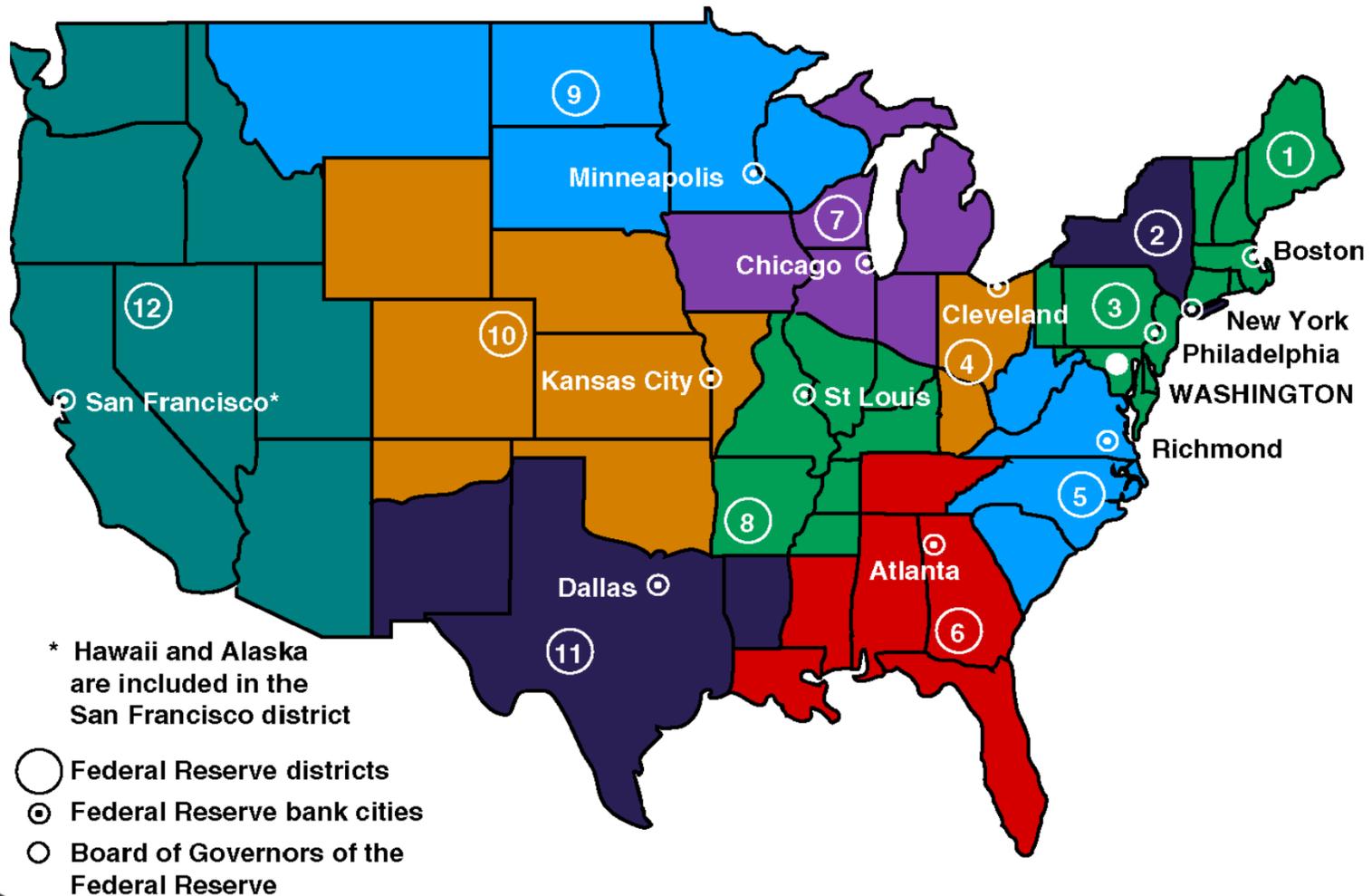


Federal Reserve

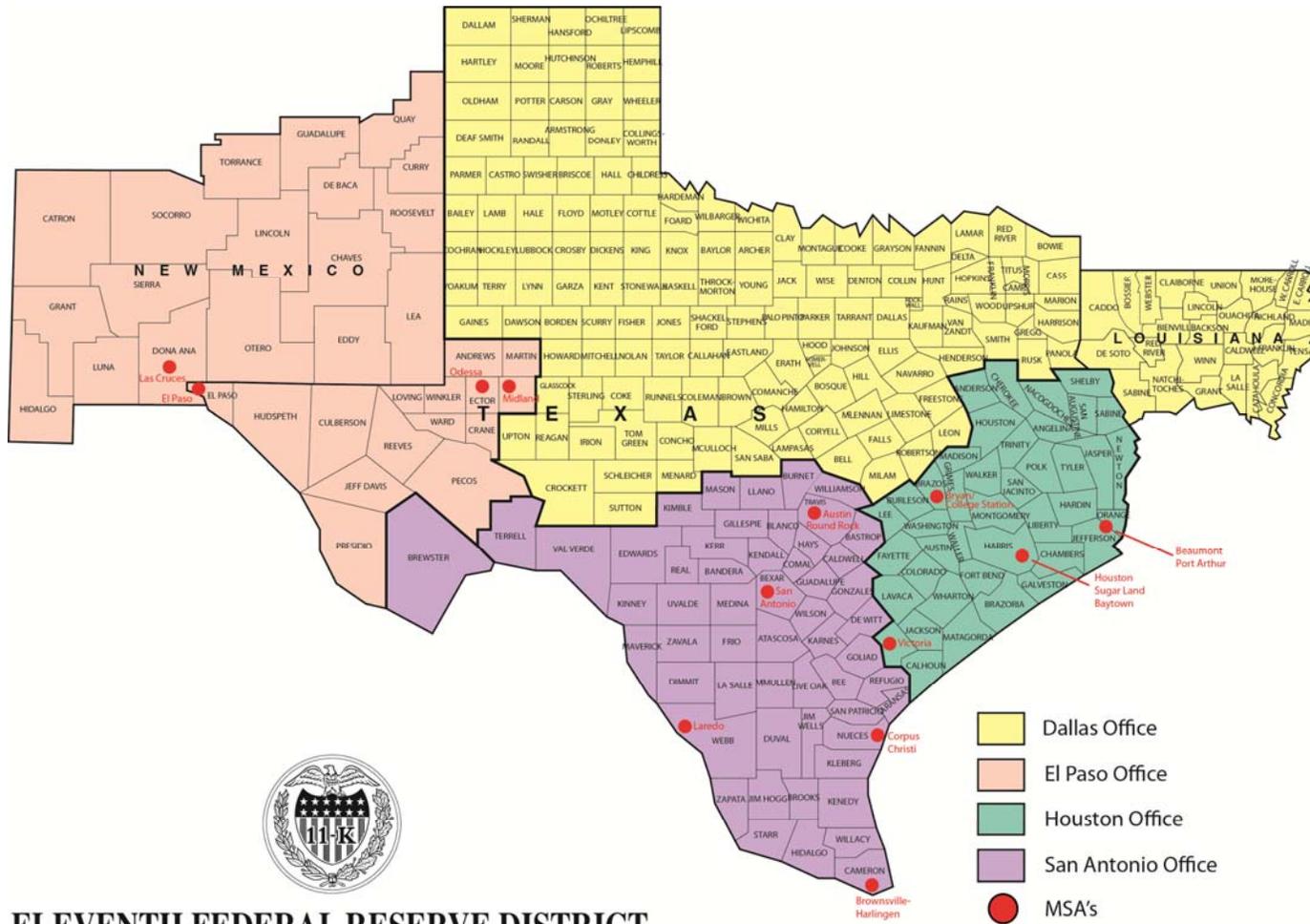
- We are the central bank of the United States
- Established on December 23, 1913
- Federal Reserve responsibilities:
 1. Monetary policy
 2. Supervision and regulation of banks
 3. Payment systems
- Main objective is to conduct monetary policy with a dual mandate:
 1. Stable prices
 2. Maximum employment



Federal Reserve Regional Presence



Federal Reserve Bank of Dallas



ELEVENTH FEDERAL RESERVE DISTRICT



El Paso Branch

- First Branch established in the 11th District, opened June 17, 1918
- We provide currency and coin to financial institutions in West Texas, El Paso, New Mexico and Southern Colorado
- Regional economic analysis with a special emphasis on Mexico and the border economy
- Offer outreach programs to our constituents both in English and Spanish



Dallas Fed gathers real-time economic intelligence

- Board of Directors
- Business and Community Advisory Council
- Community Depository Institutions Advisory Council
- Emerging Leaders Council
- Beige book
- Roundtables with business and industry leaders



El Paso Branch Board of Directors



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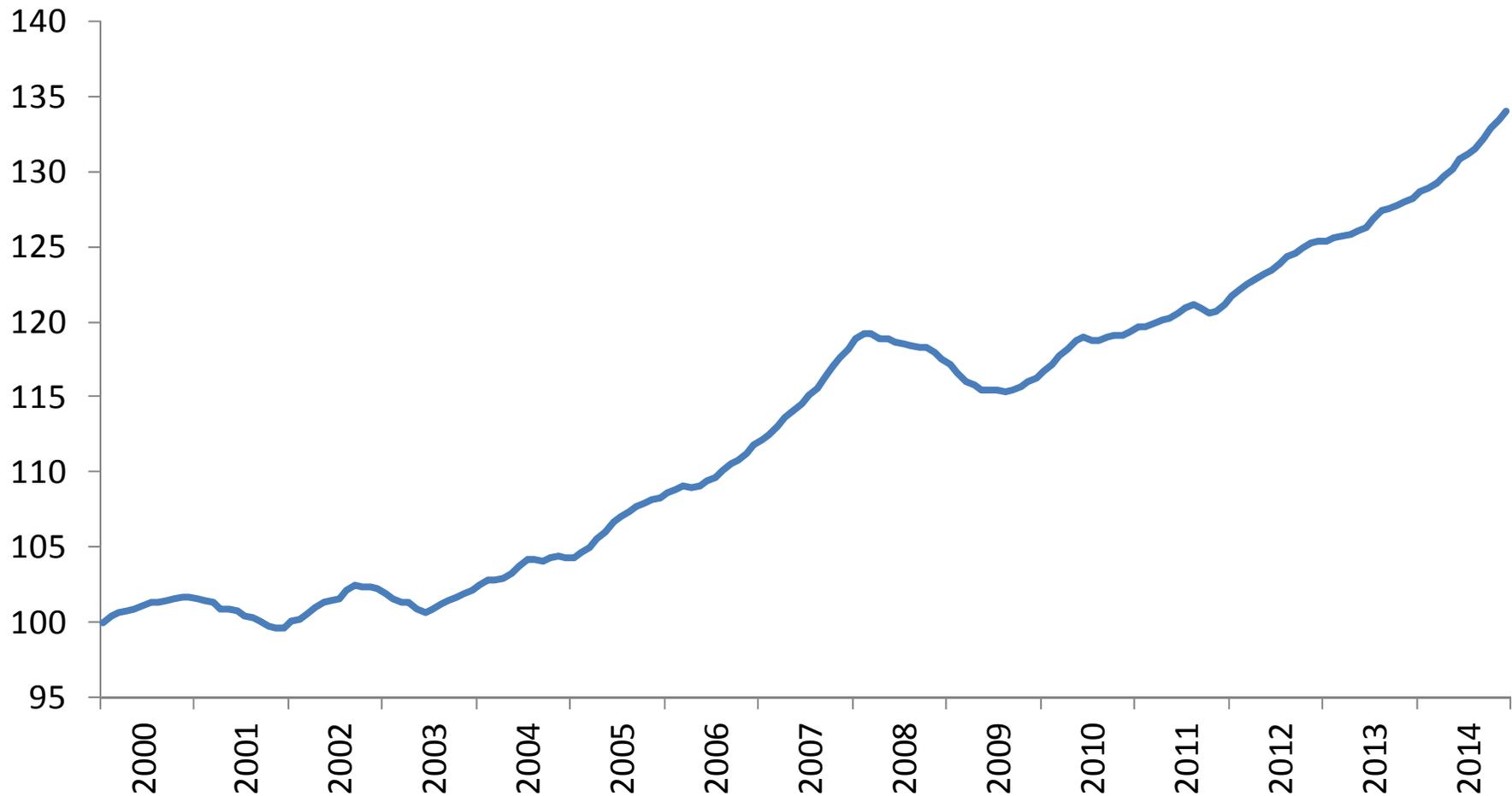
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El Paso's economy continues to expand

Index, Jan 2000 = 100

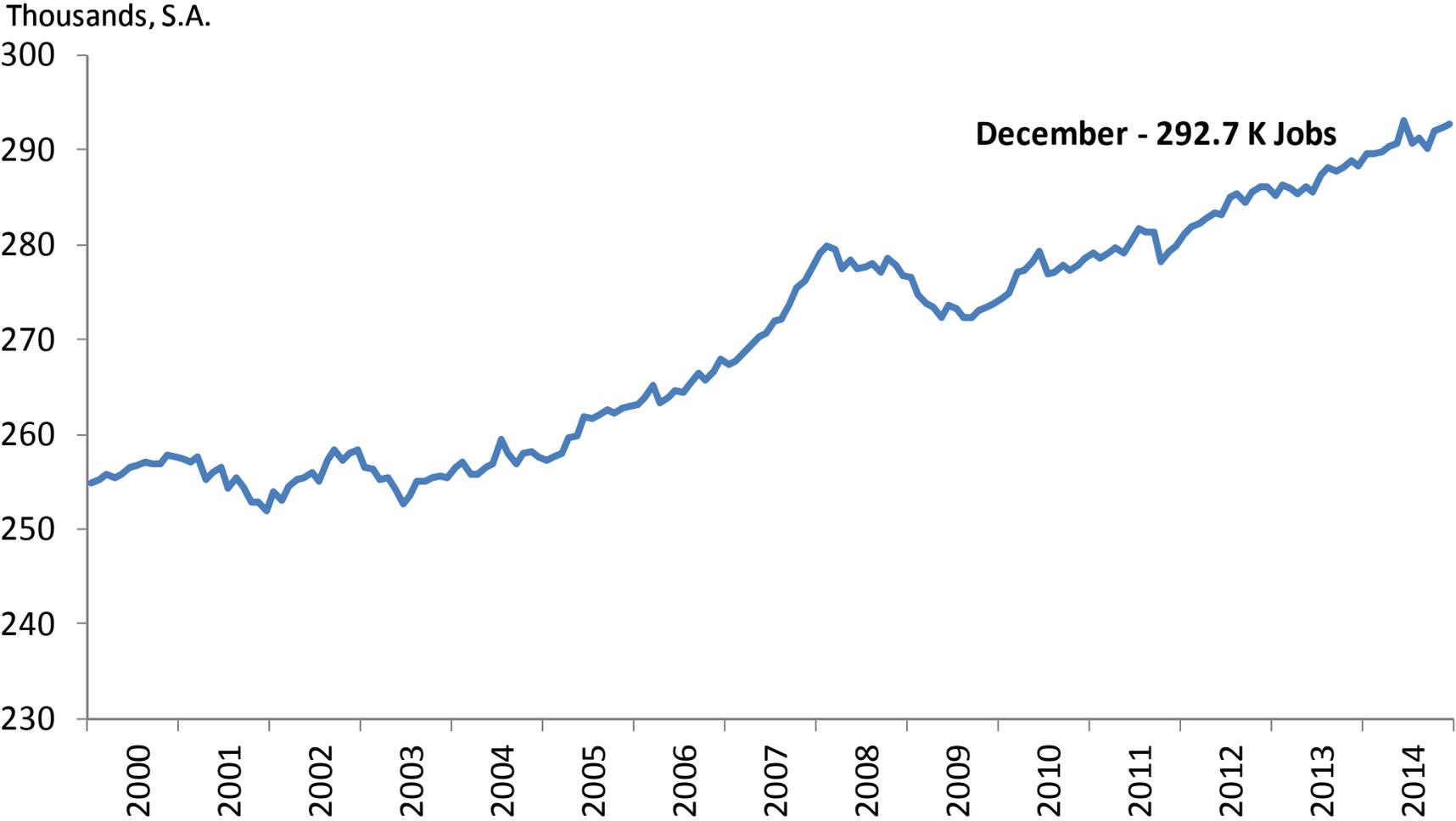


Note: El Paso Business Cycle is a composite index that includes employment, unemployment rate, retail sales and wages.

Source: Federal Reserve Bank of Dallas



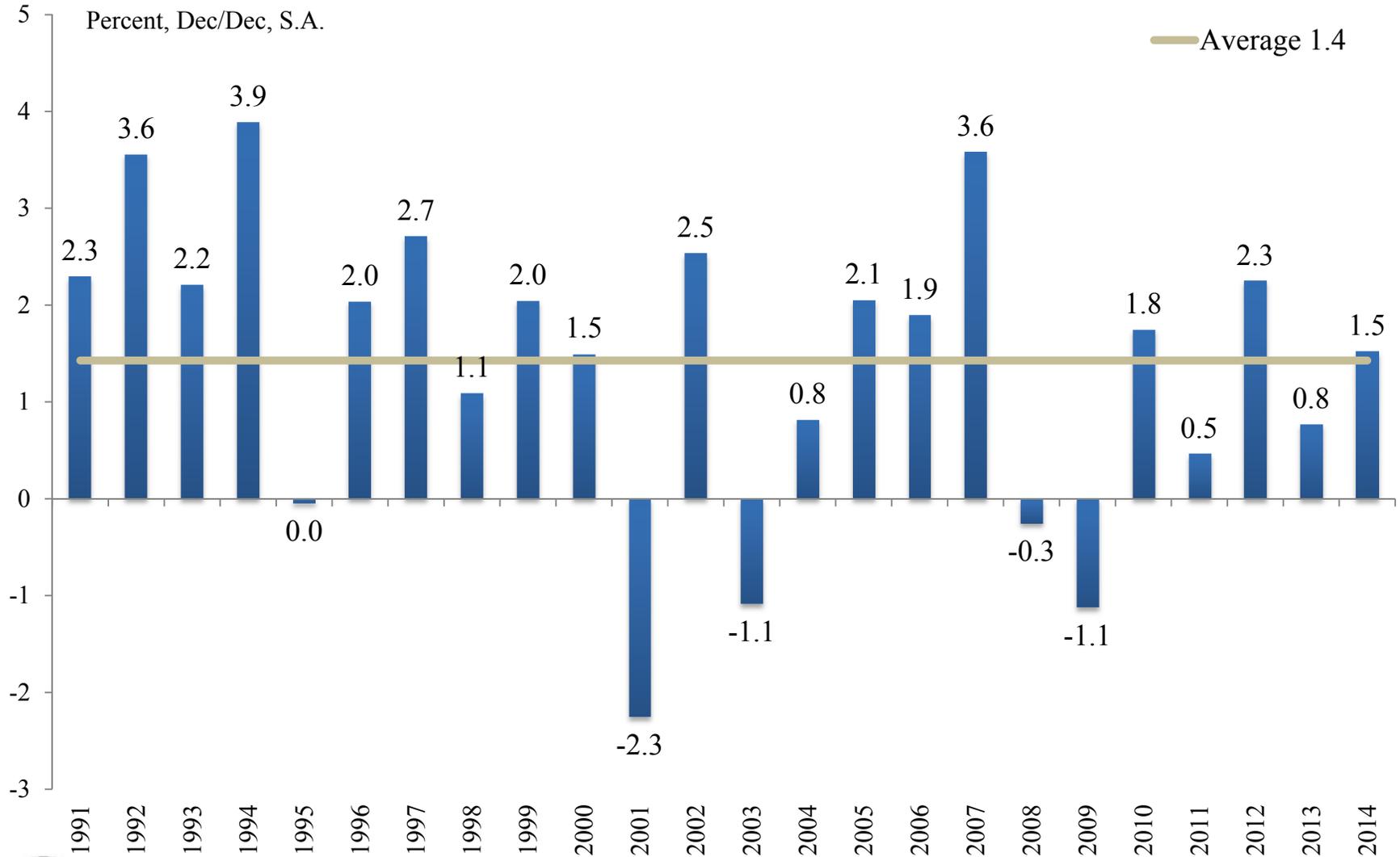
El Paso non-farm employment



Source: Federal Reserve Bank of Dallas



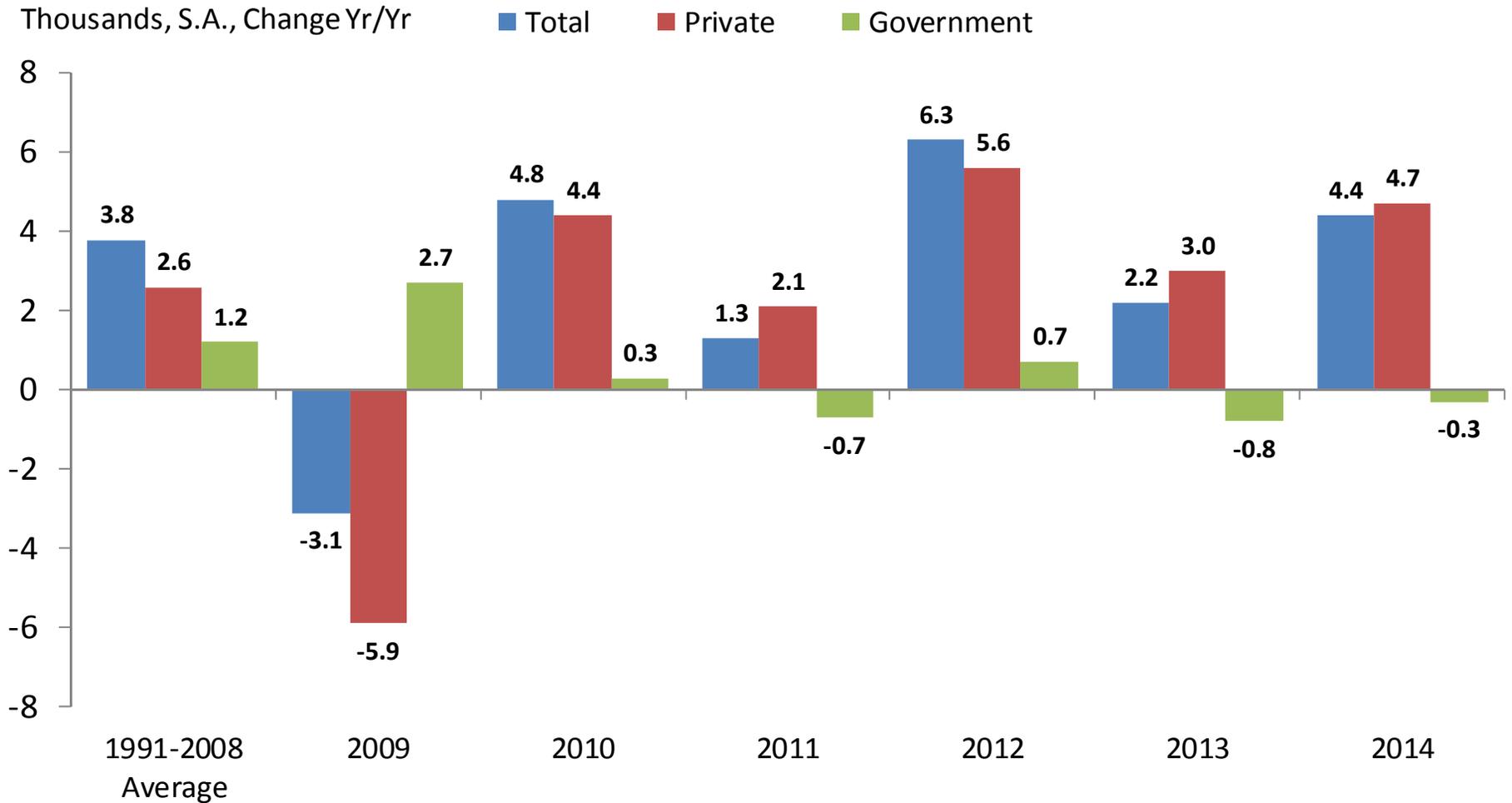
El Paso employment growth



Source: Federal Reserve Bank of Dallas.



El Paso employment gains



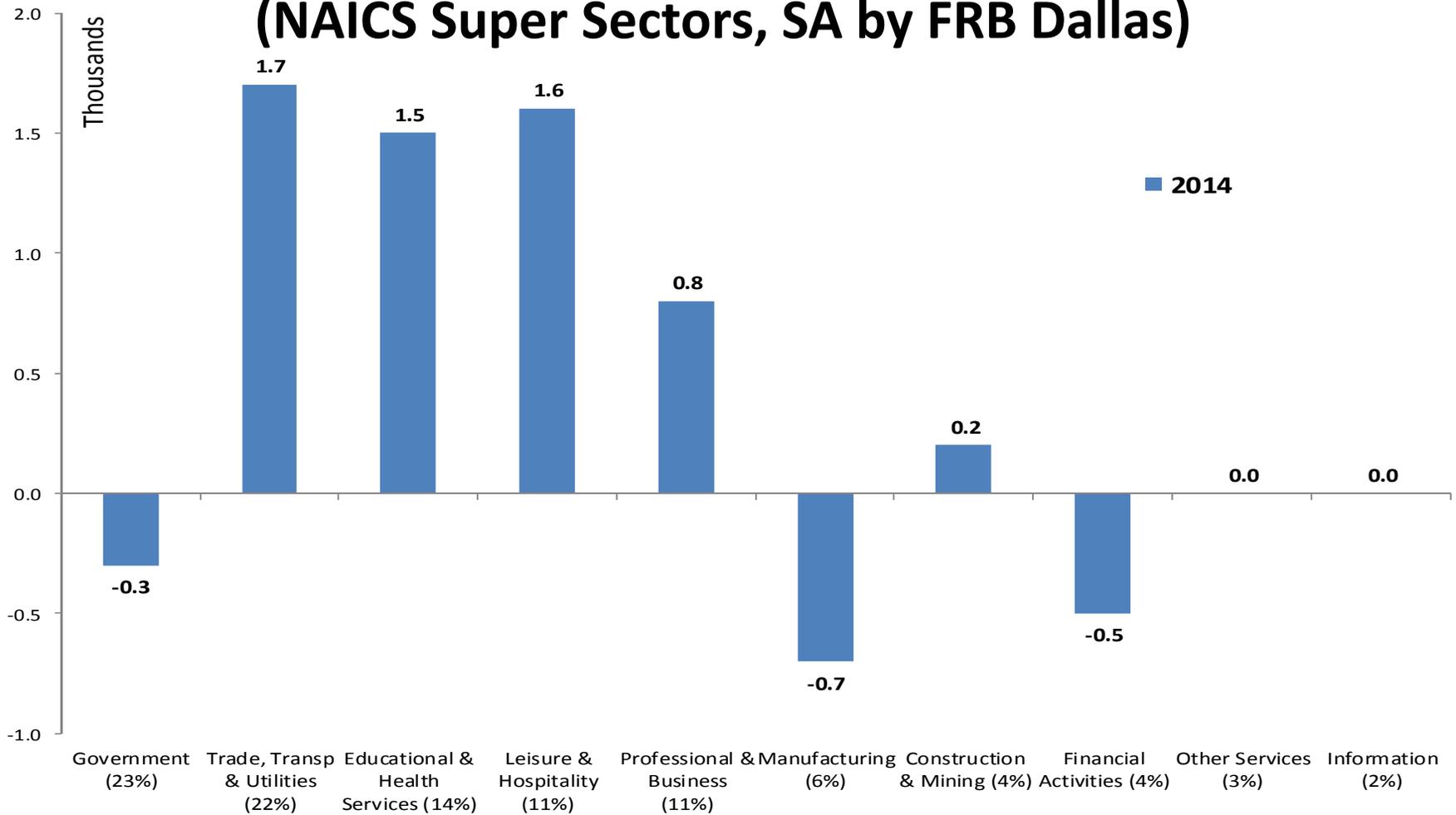
Source: Federal Reserve Bank of Dallas

Note: Employment excludes federal military employment



El Paso employment growth by sector

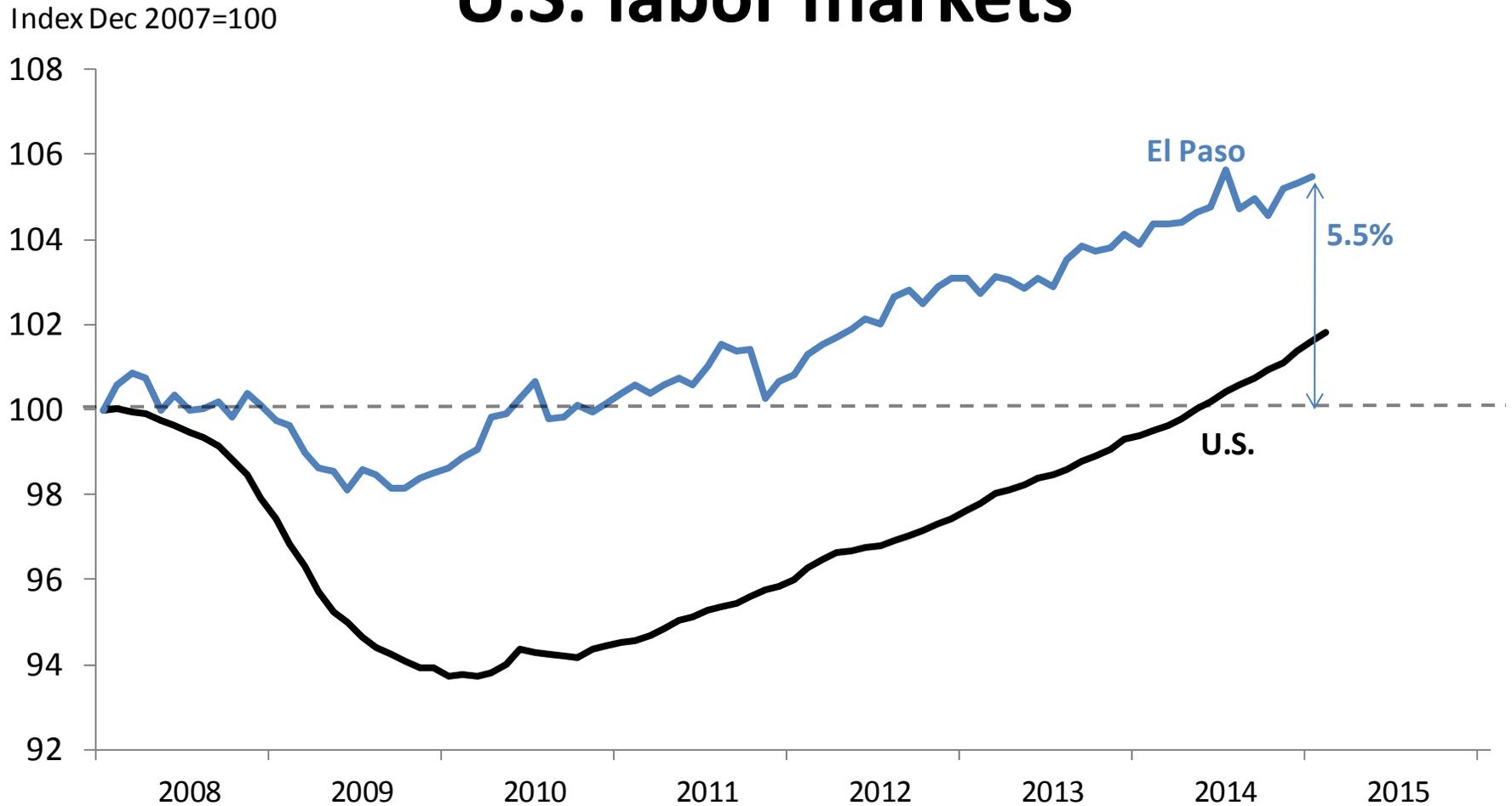
(NAICS Super Sectors, SA by FRB Dallas)



Source: Federal Reserve Bank of Dallas



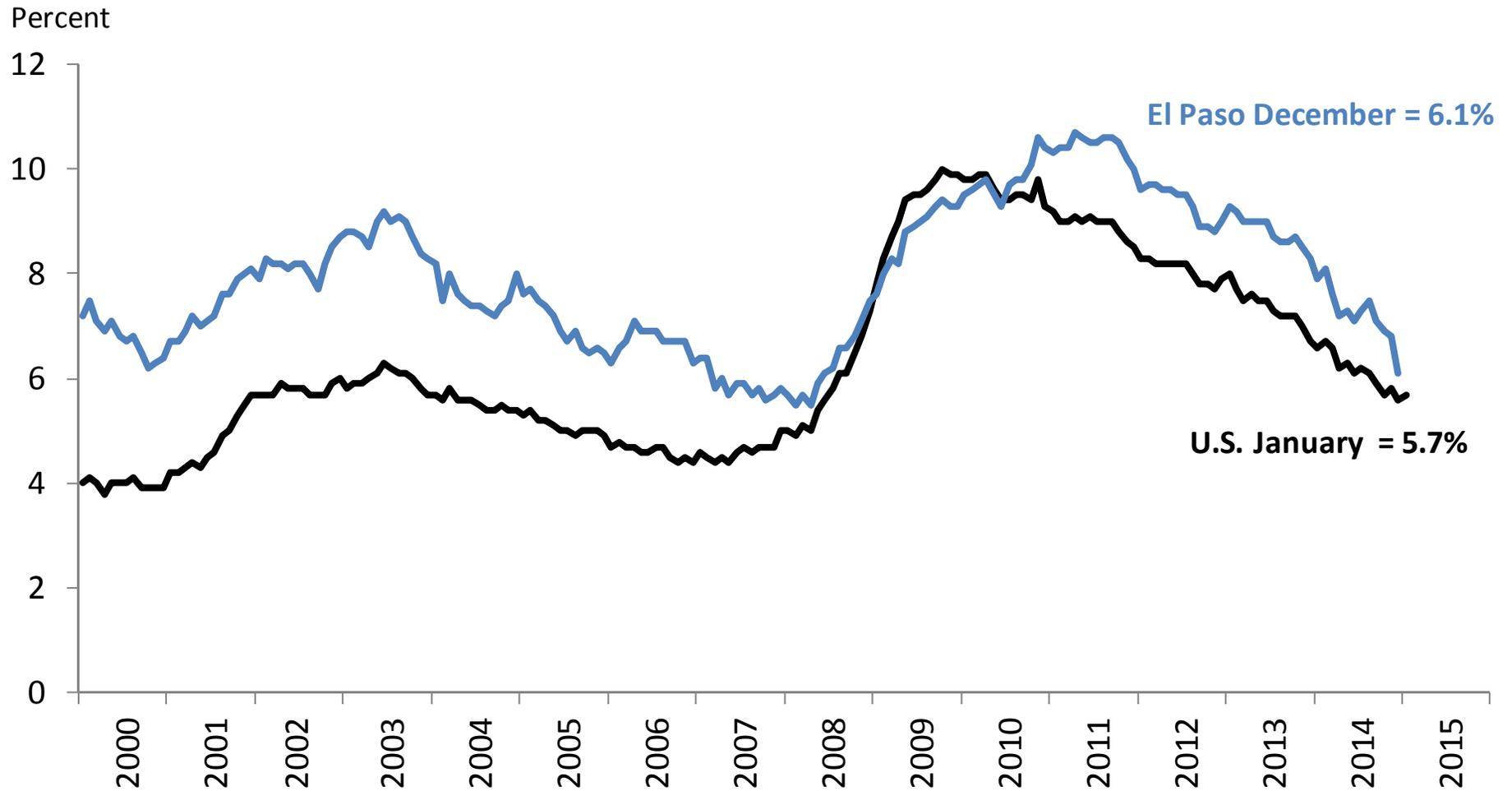
Comparing the recovery in the El Paso and U.S. labor markets



Source: Bureau of Labor Statistics



El Paso-U.S. unemployment



Source: Bureau of Labor Statistics

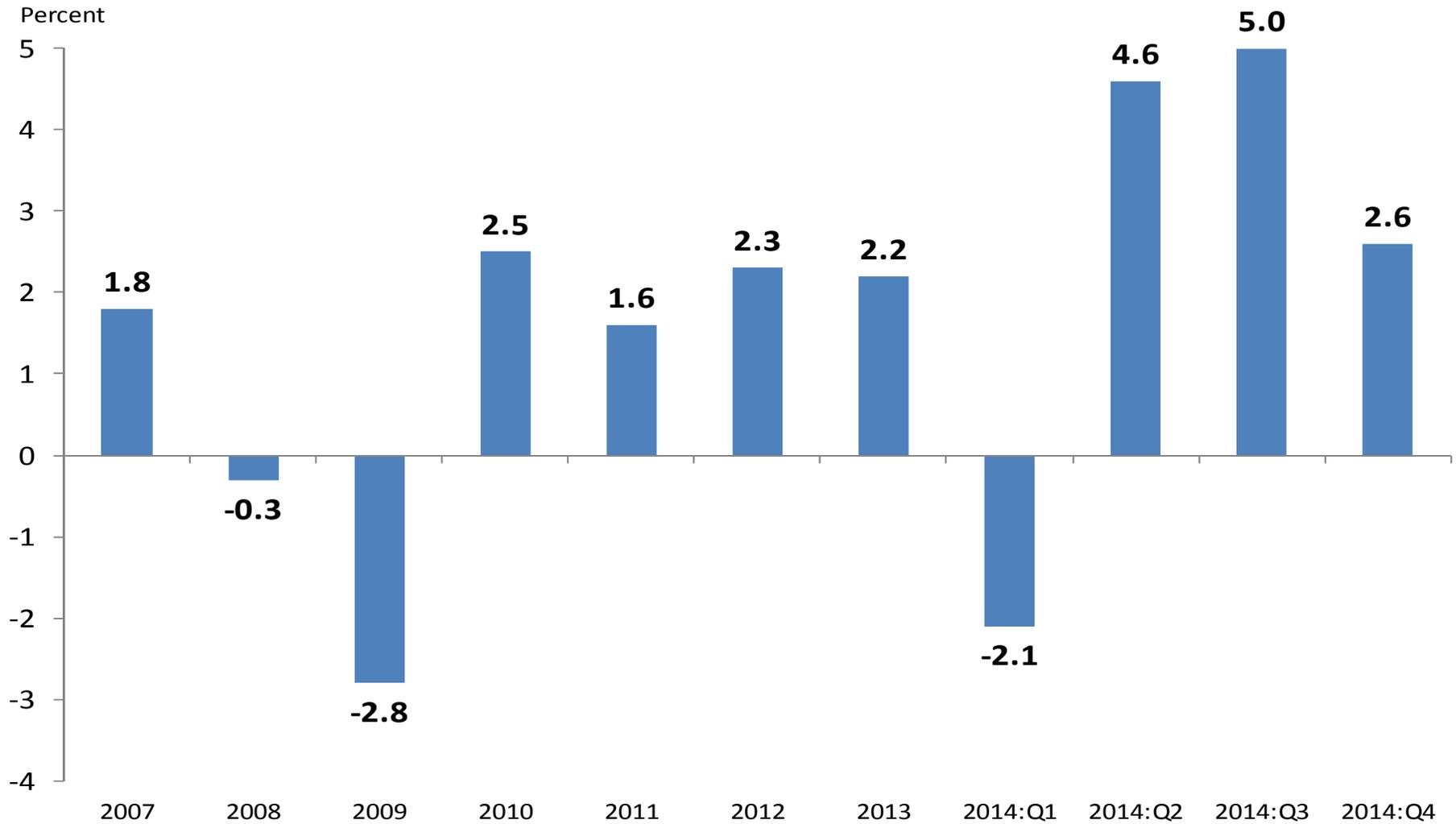


Main economic drivers

- U.S. economy
- Mexico's economy
- Ciudad Juarez and the maquiladora industry
- Cross-border retail activity
- Government sector



U.S. GDP growth moderates

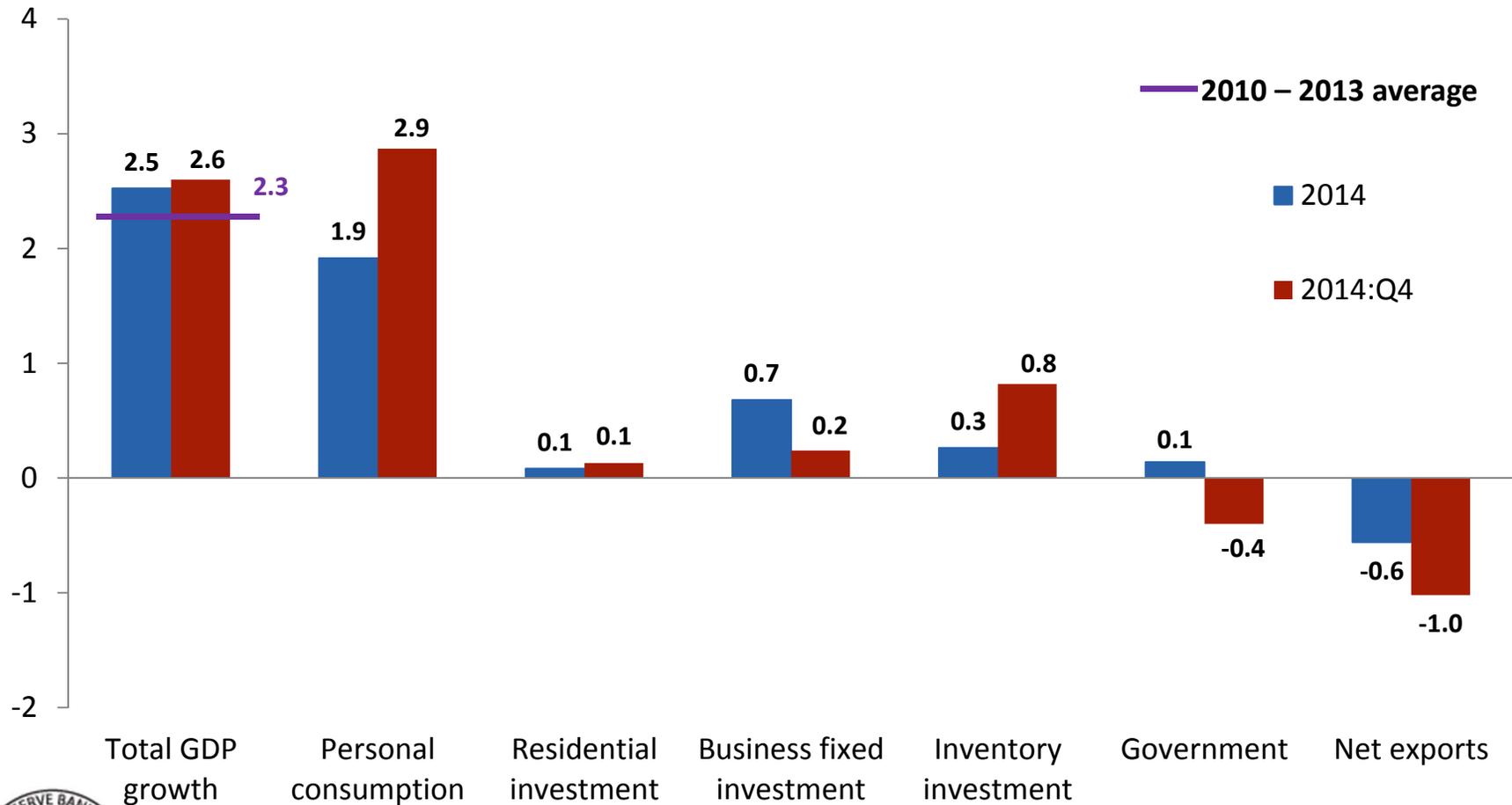


4th-quarter growth near 2.5 percent



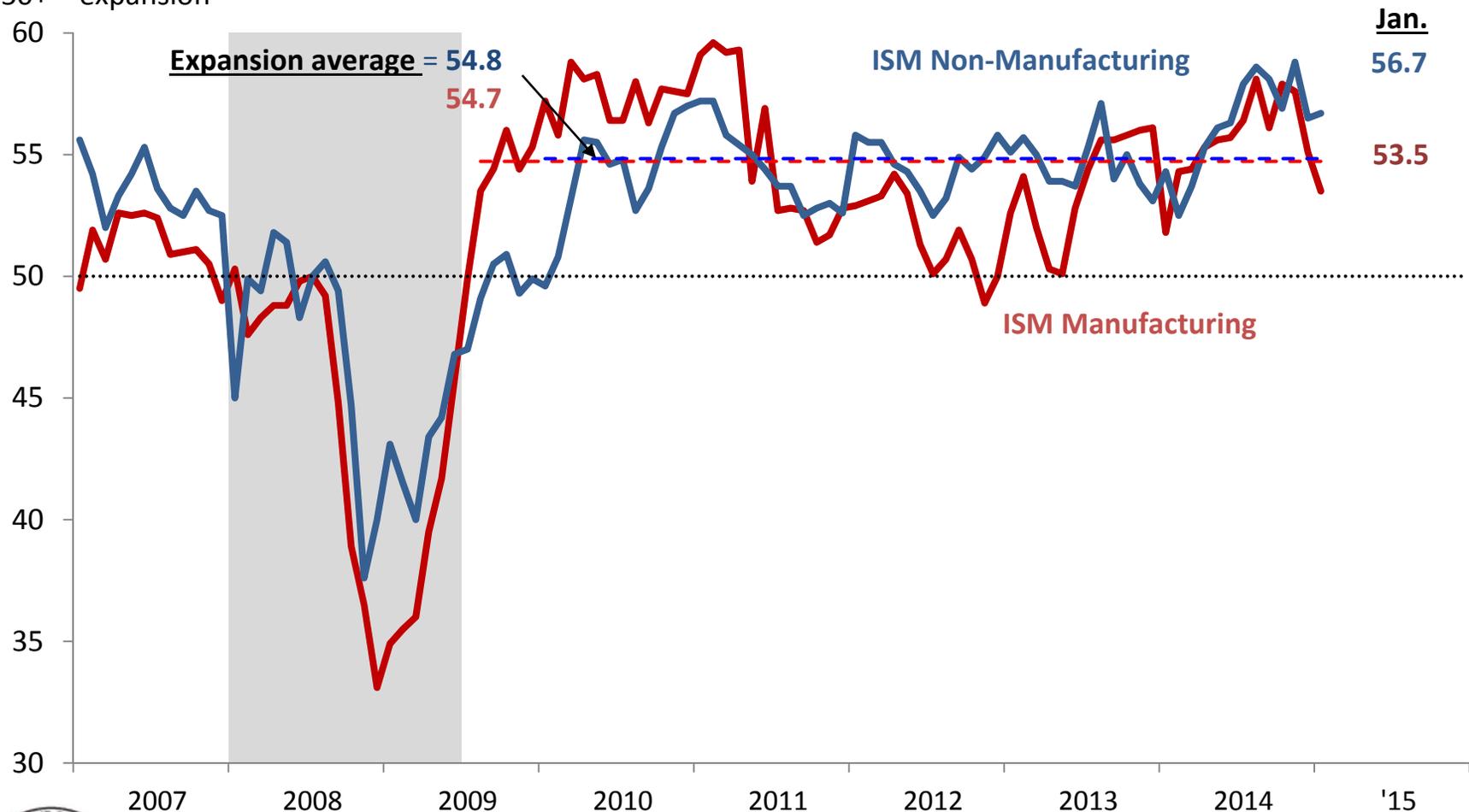
4th-quarter growth was driven by consumption & inventory investment

Contribution to real GDP growth, percentage points

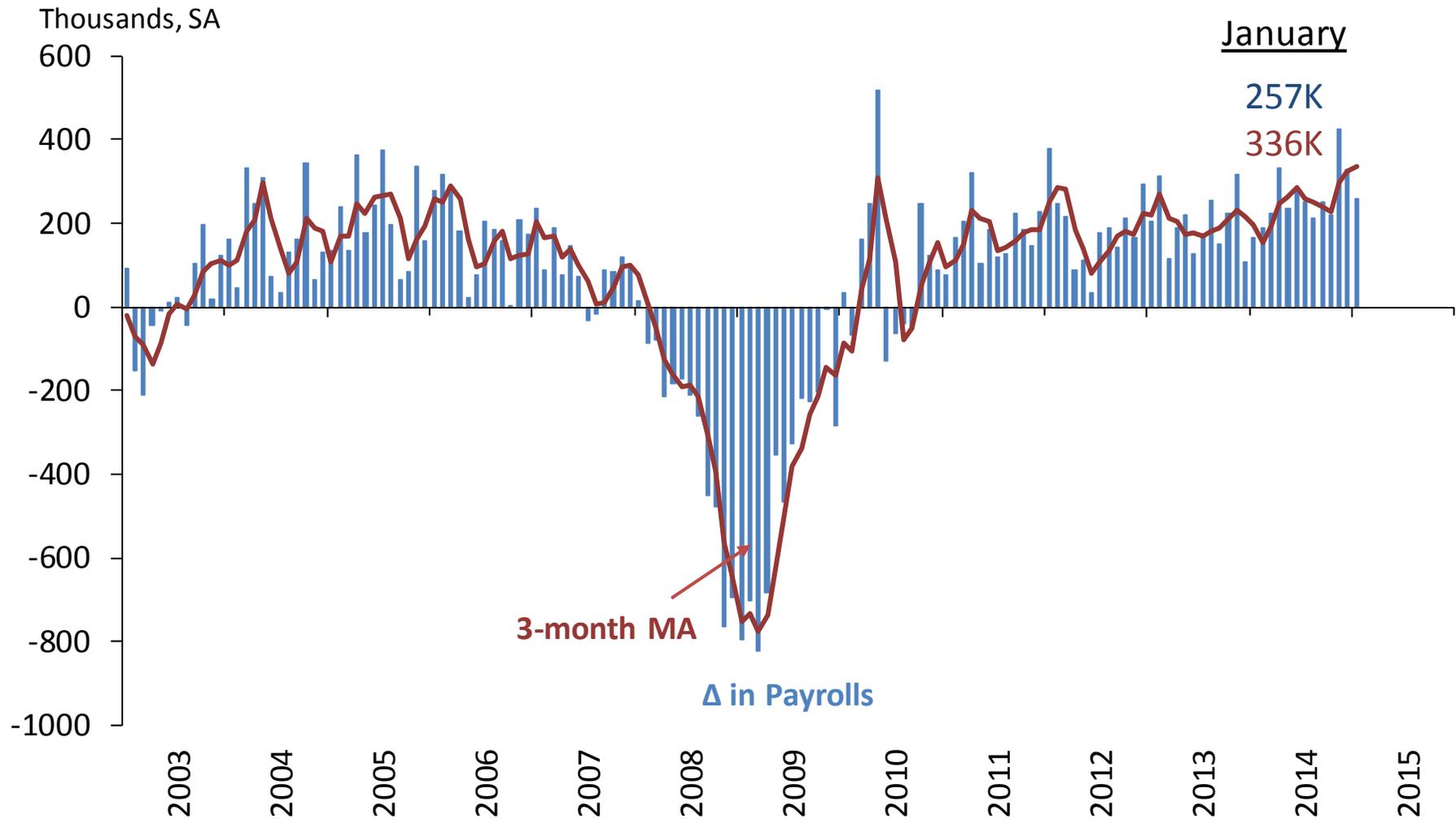


The ISM Manufacturing and Non-Manufacturing Indexes have diverged

Index,
50+ = expansion



Payroll employment continues to improve



Source: Bureau of Labor Statistics



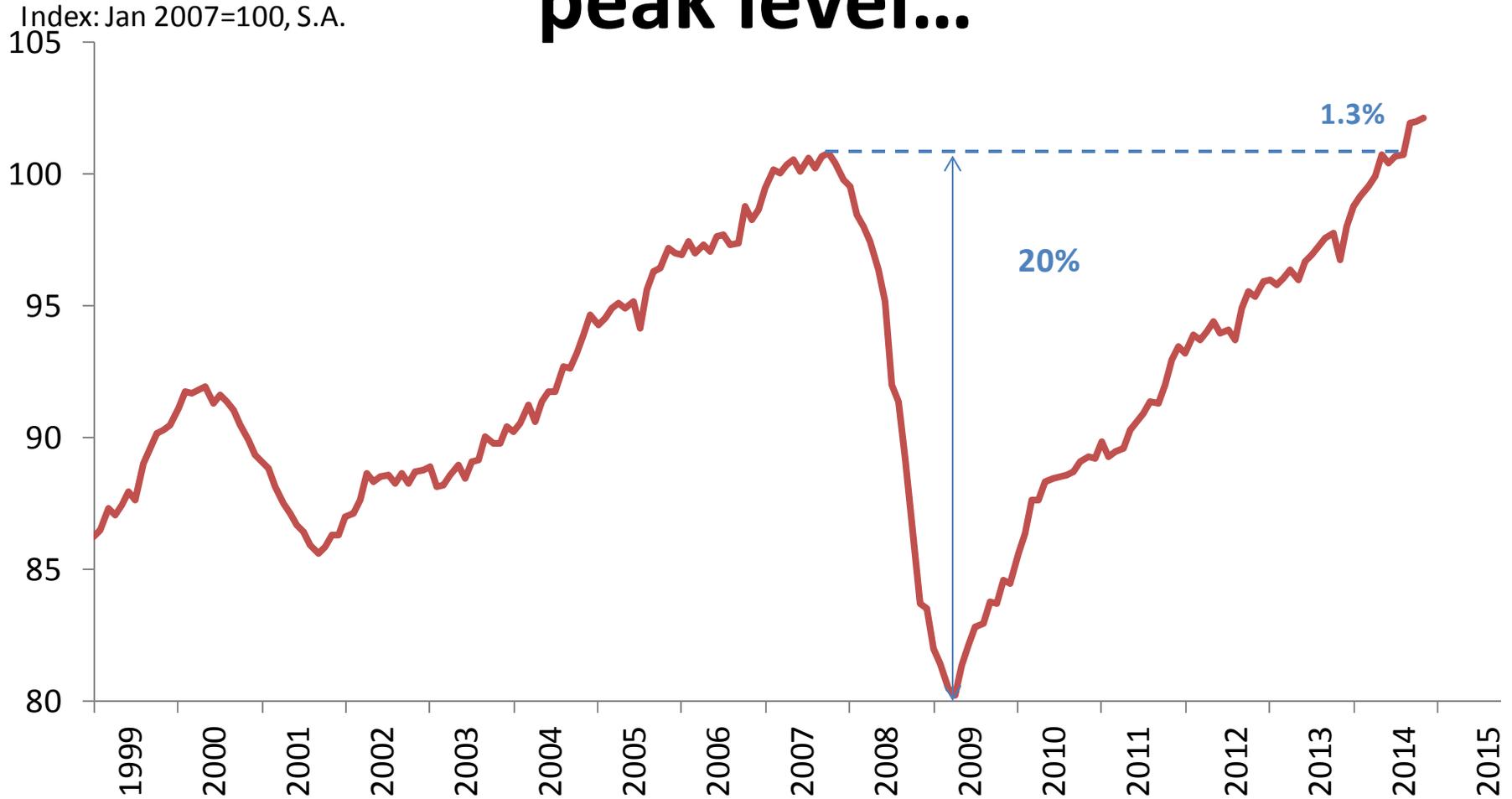
Unemployment rate trending down



Source: Bureau of Labor Statistics



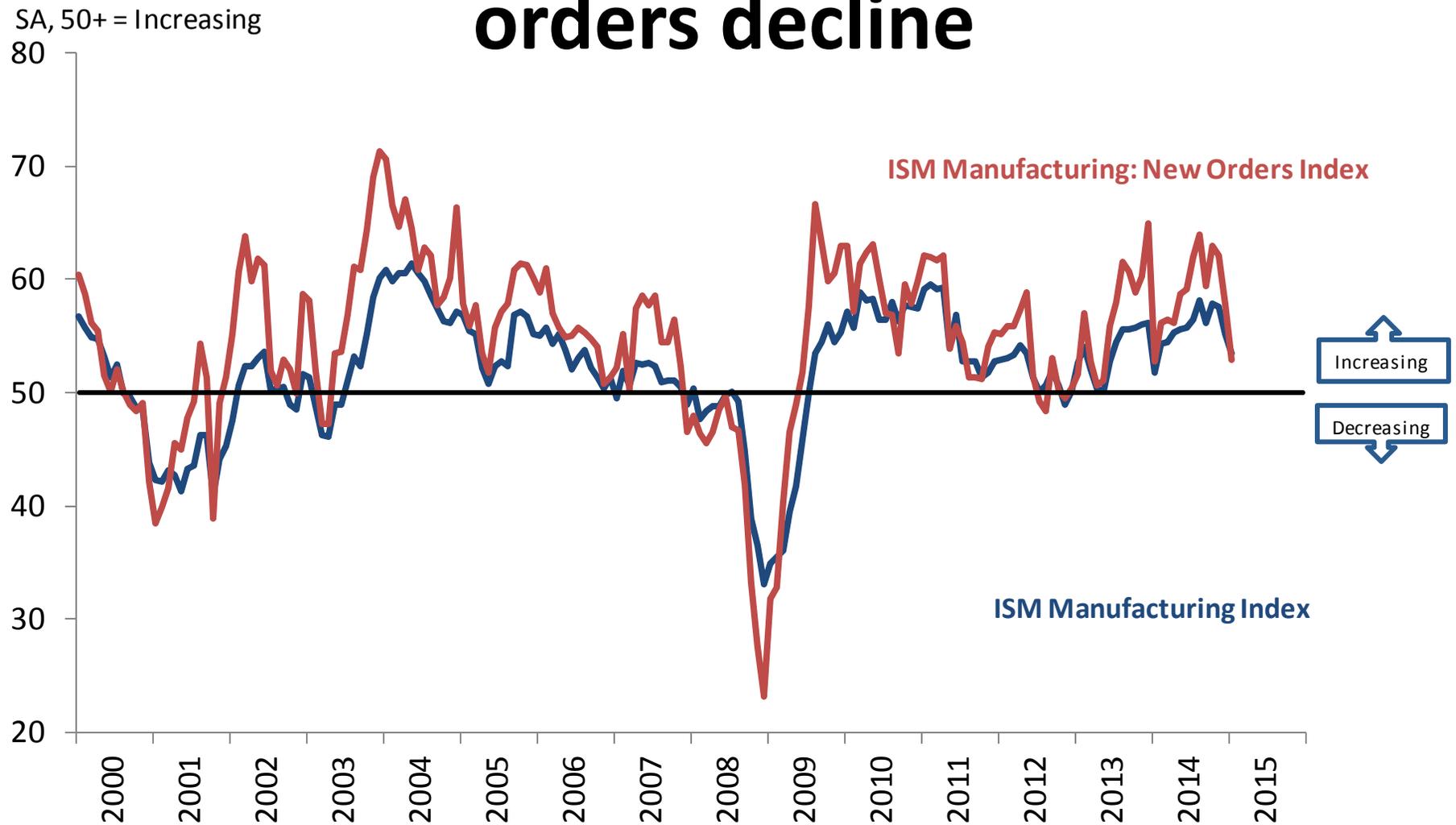
U.S. manufacturing above pre-recession peak level...



Source: Board of Governors, Federal Reserve System



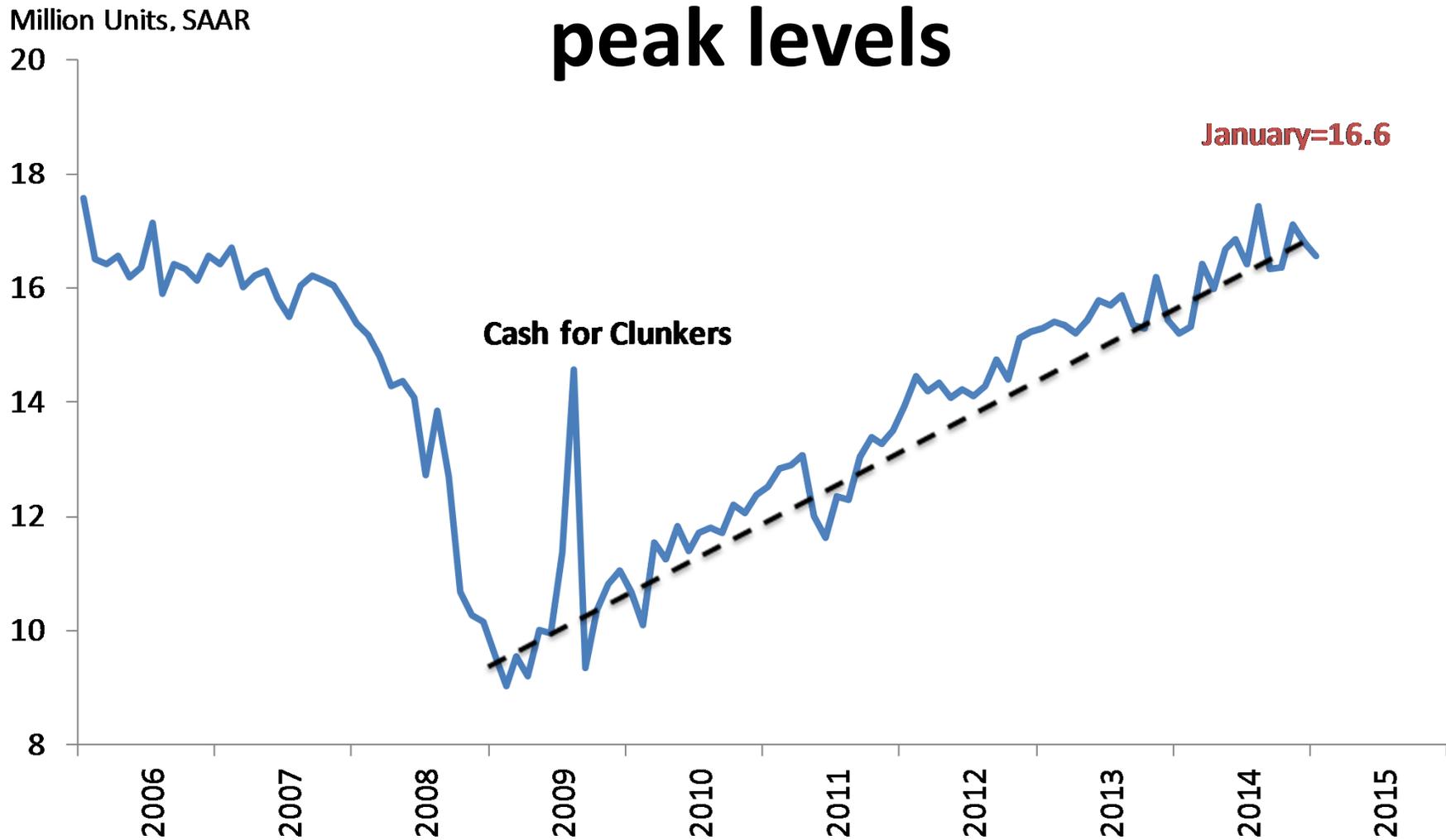
...ISM Manufacturing slows as new export orders decline



Source: Institute of Supply Management



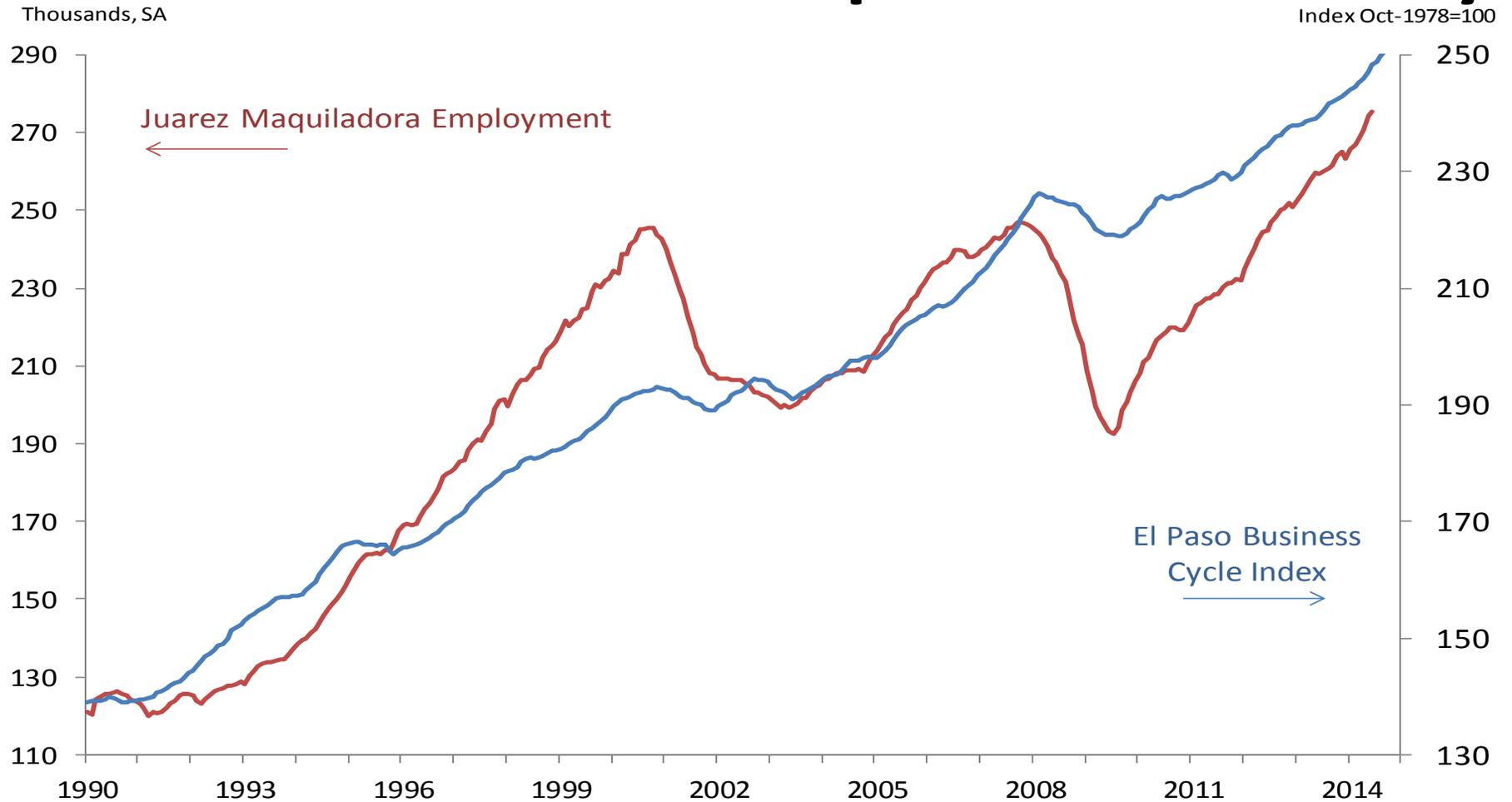
Vehicle sales near pre-recession peak levels



Source: U.S. Department of Commerce: Bureau of Economic Analysis, HAVER Analytics



El Paso follows the maquiladora industry



Note: El Paso Business Cycle is a composite index that includes employment, unemployment rate, retail sales and wages. Juarez maquiladora employment after January 2007 corresponds to Federal Reserve Bank of Dallas, El Paso Branch estimates.

Source: INEGI and Dallas Fed

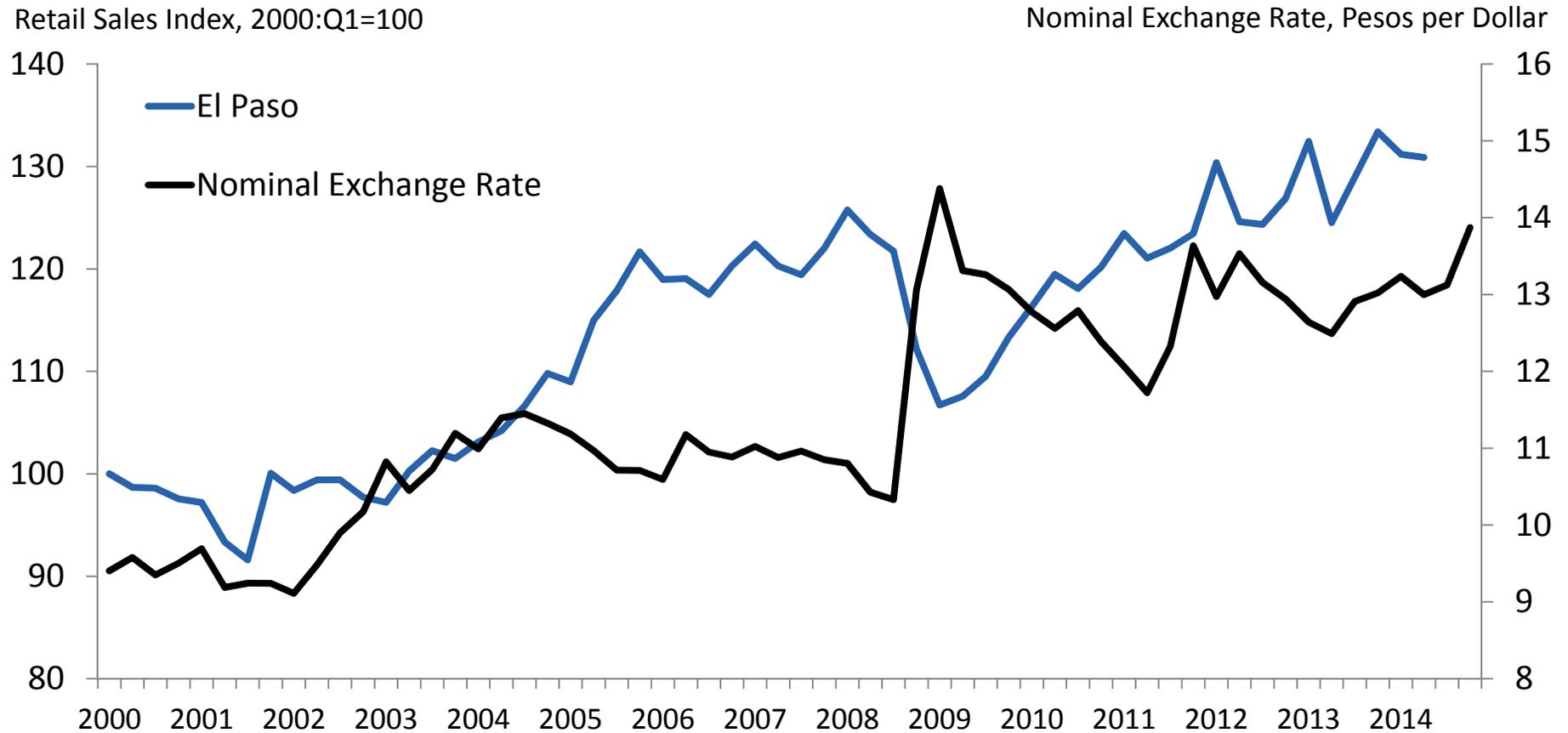


Maquiladoras impact on El Paso

- 10 percent increase in maquiladora output in Ciudad Juarez leads to an increase in El Paso employment as follows:
 - 2.8 percent increase in total employment
 - 5.3 percent in transportation employment
 - 1.3 percent in retail trade employment
 - 2.1 percent in finance, insurance and real estate (FIRE) employment
 - 1.8 percent in services employment
 - (-) 1.3 percent in manufacturing employment



El Paso retail sales likely to respond to peso weakness



Sources: Texas Comptroller of Public Accounts; seasonal and other adjustments by the Dallas Fed

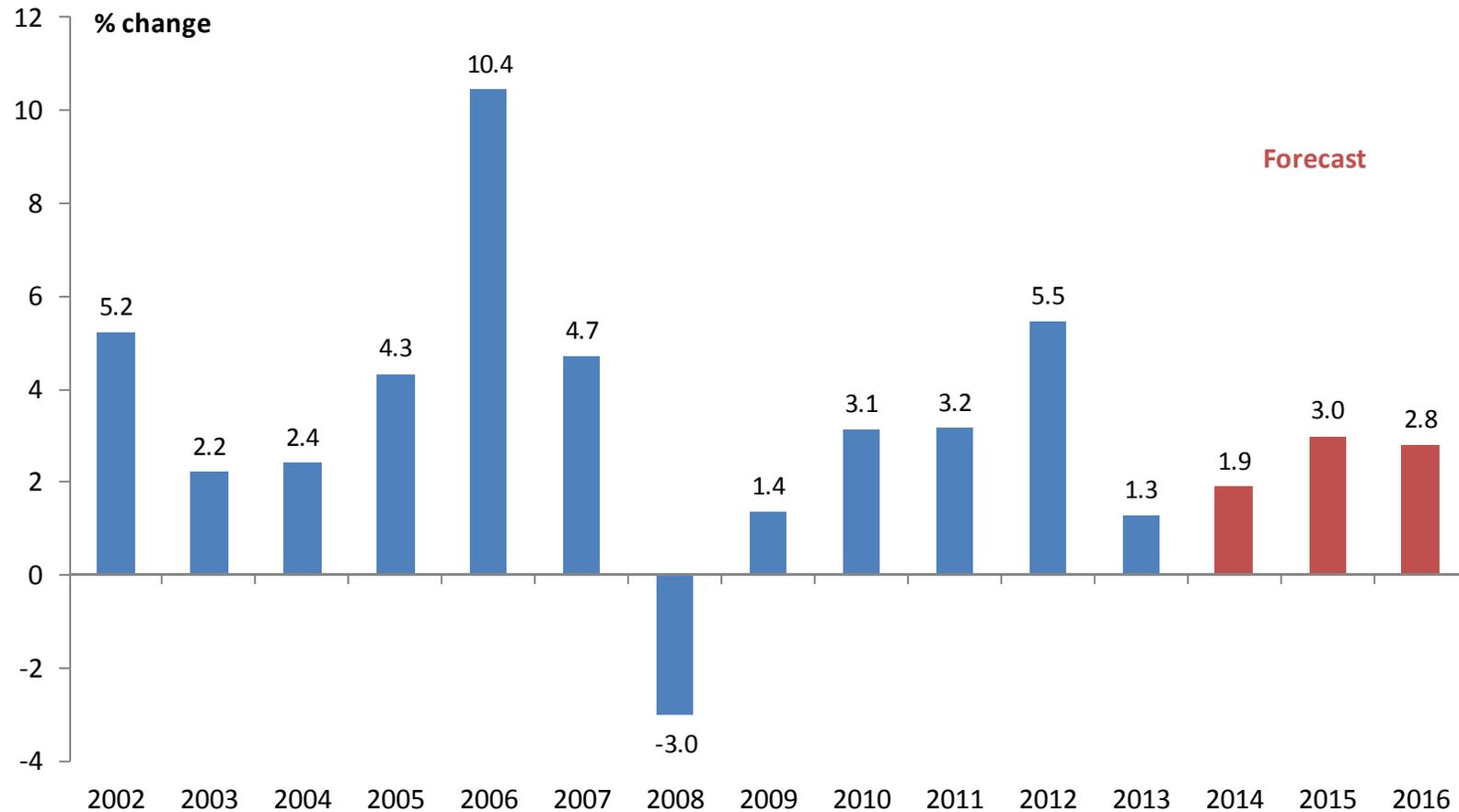


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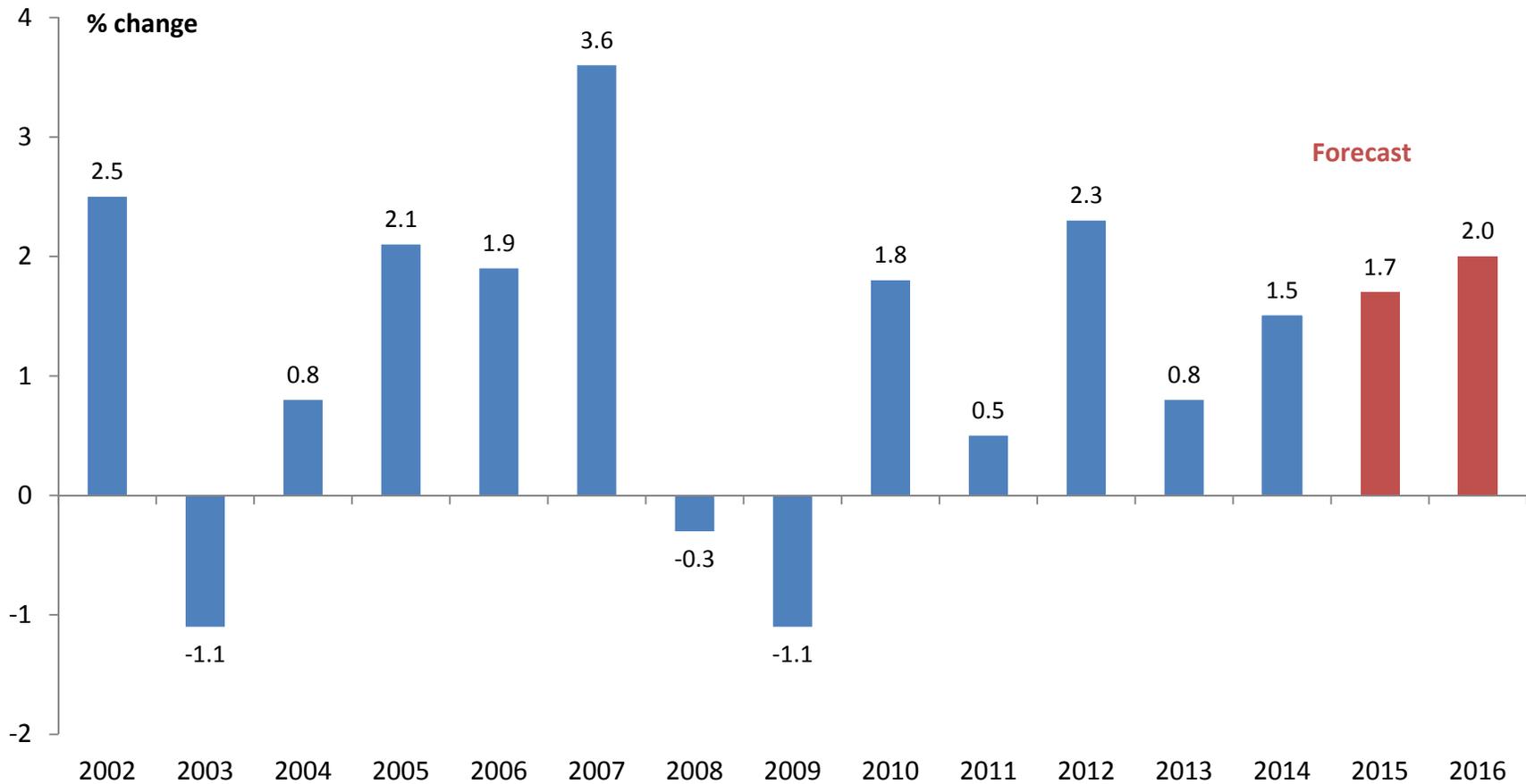
El Paso Gross Metropolitan Product



Source: Bureau of Economic Analysis, UTEP Border Region Modeling Project



El Paso Employment Growth



Source: Historical data from Federal Reserve Bank of Dallas; Forecast data from UTEP BRMP based on BLS CES data



Final remarks

- In 2014, job growth accelerated in the U.S. and El Paso
- The drop in energy prices is boosting consumer spending and will likely result in even faster job growth in 2015
- The U.S. industrial sector posted solid growth in 2014. However, leading indicators suggest a slowdown in manufacturing activity in the next few months
- While the outlook for the global outlook continues to pose a downside risk for the U.S., the El Paso economy should benefit from a stronger U.S. economy



Final remarks

- The local economy had a solid performance in 2014
- Economic drivers are in place to continue to boost local economy
- Downside risks:
 - Global economy and its impact on U.S. manufacturing and exports
 - Volatility in FX
 - Mexican economy may continue to be weak
 - Strong dependence in government sector
 - Workforce and education



Outlook for El Paso Economy

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