



West Texas Economic Update

Roberto Coronado
AVP in Charge and Sr. Economist

Marycruz De Leon
Sr. Research Analyst

August 7, 2015

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. **El Paso:** cross-border manufacturing and trade, and government
2. **Permian-Basin:** energy
3. **West Texas:** agriculture and cattle
4. **Southern New Mexico:** cross-border manufacturing and trade, agriculture, energy, and government

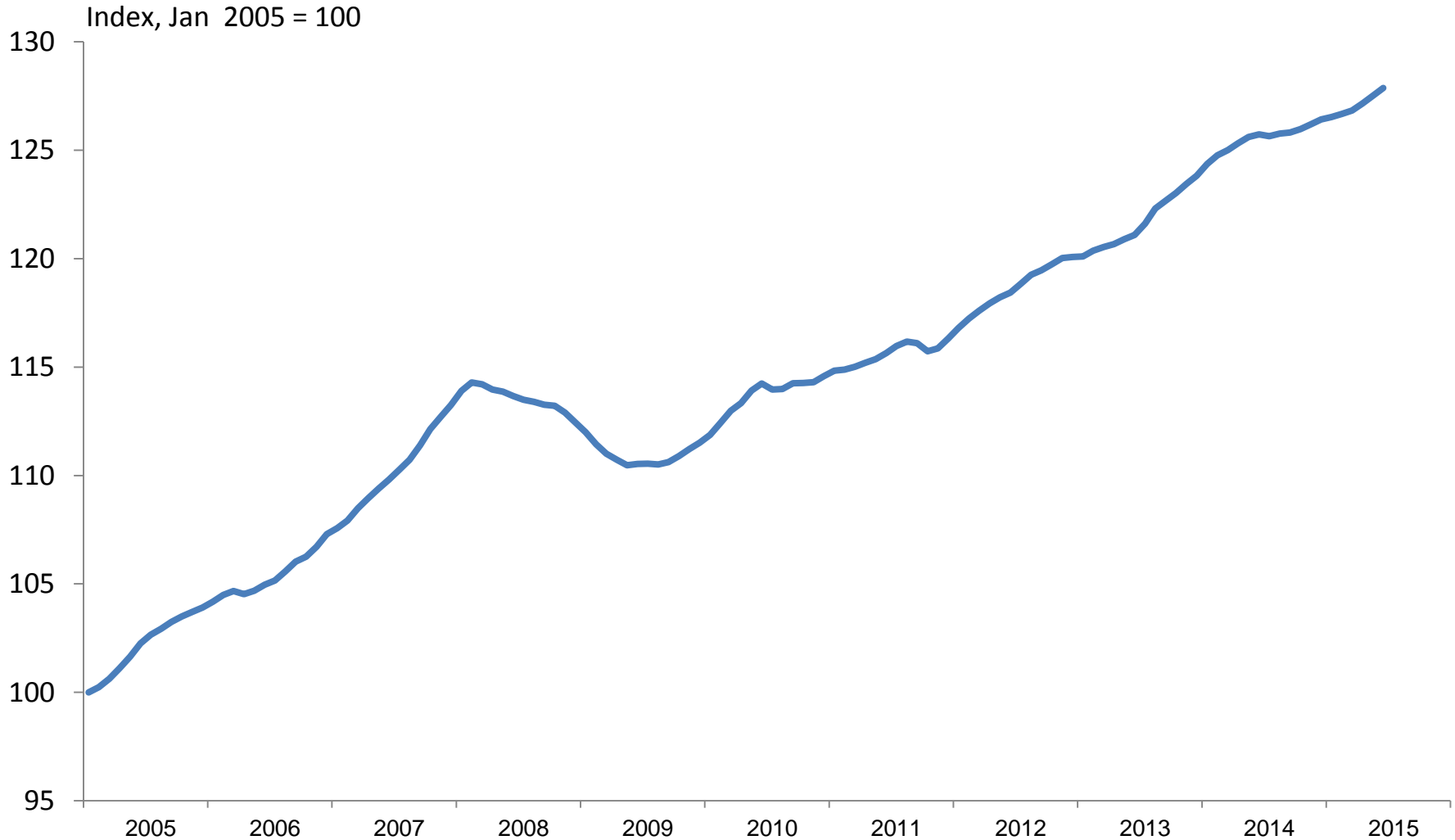


Outline

- 1. El Paso:** cross-border manufacturing and trade, and government
- 2. Permian-Basin:** energy
- 3. West Texas:** agriculture and cattle
- 4. Southern New Mexico:** cross-border manufacturing and trade, agriculture, energy, and government



El Paso's economy continues to expand...



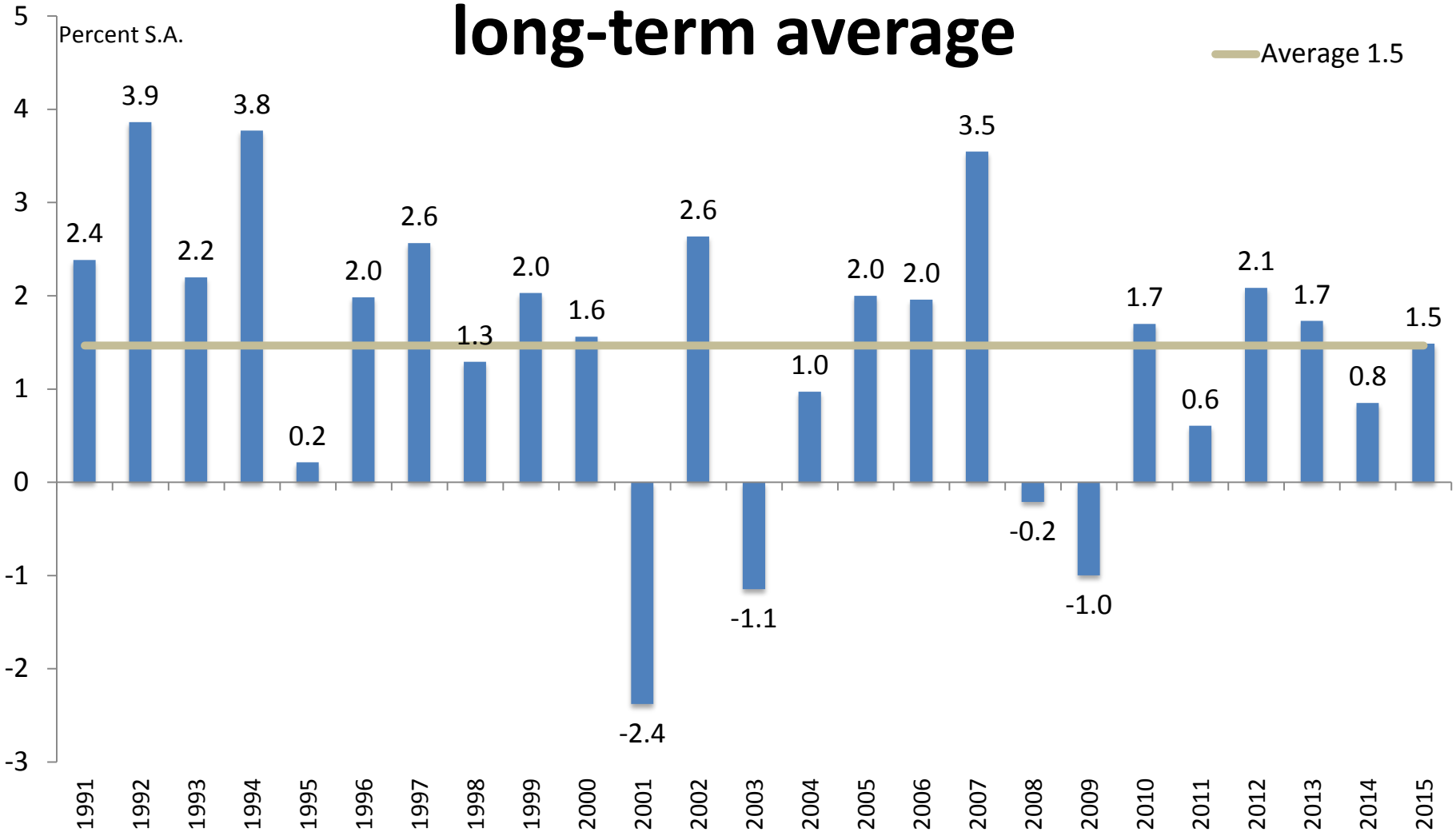
NOTE: El Paso Business Cycle is a composite index that includes employment, unemployment rate, retail sales and wages.

SOURCE: Federal Reserve Bank of Dallas

June 2015

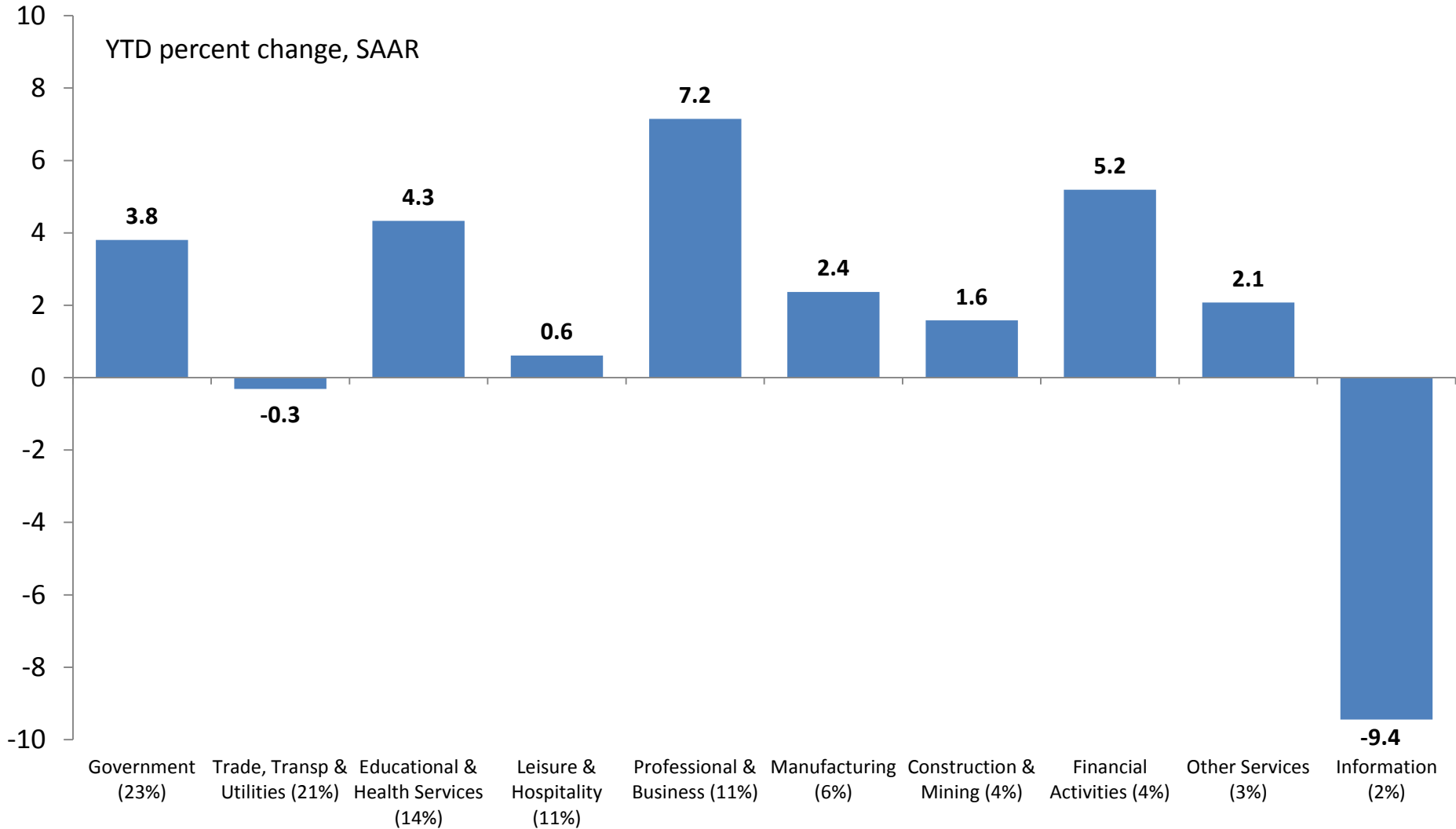


...and employment growth on par with long-term average



Note: Data for 2015- June/June, S.A.
Source: Federal Reserve Bank of Dallas.

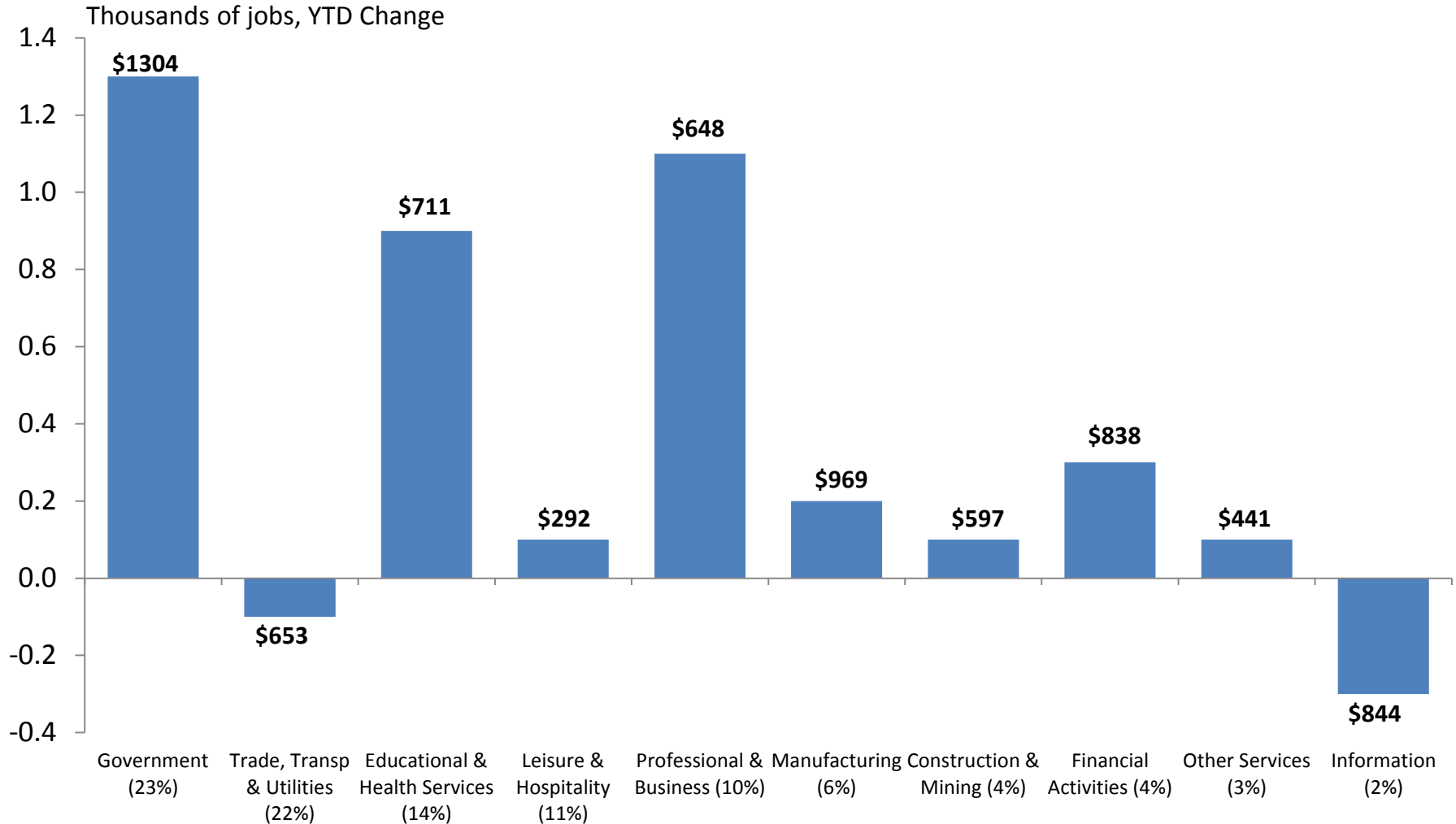
El Paso employment growth rates by sector



SOURCES: Bureau of Labor Statistics; FRB Dallas.
June 2015



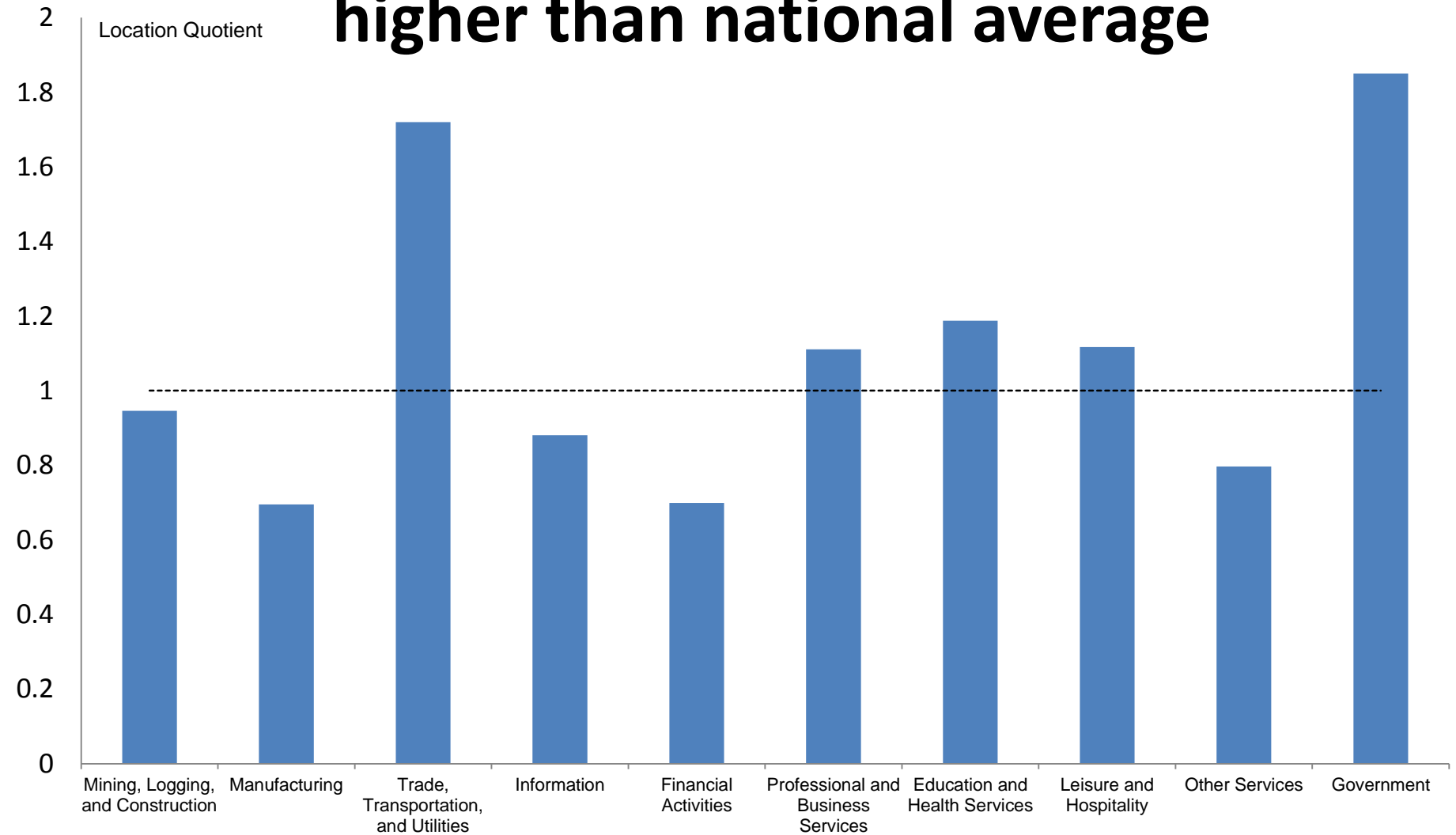
Gain in government jobs helps El Paso



SOURCES: Bureau of Labor Statistics; FRB Dallas.; Texas Workforce Commission

NOTE: Average weekly earnings are listed on the bars.

Share of El Paso's jobs in Government much higher than national average



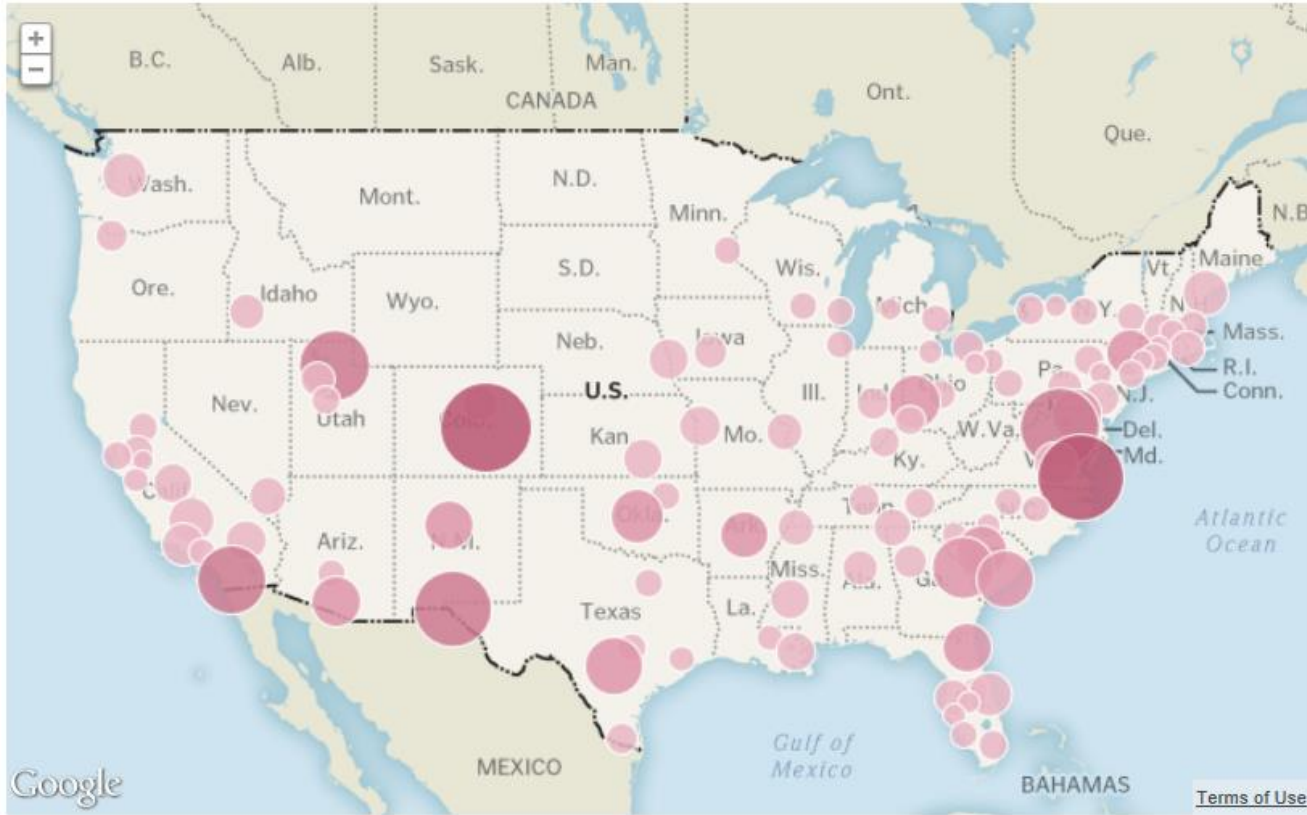
NOTE: Data from June 2015; location quotients measure the ratio of employment share locally to employment share for the U.S. A value of 1 represents an equivalent share of jobs locally to the national average.

SOURCE: Bureau of Labor Statistics; FRB Dallas.



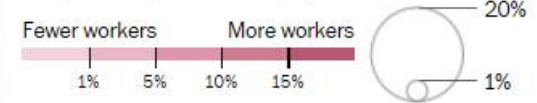
El Paso is (unfortunately) on the map

Here's how the government shutdown affects federal workers.



Top 100 metro areas with government and military workers

As a percentage of total employment, 2012



Click to view city

	Percent of workers
1. Colorado Springs	18.8%
2. Virginia Beach-N.C.	17.2%
3. Honolulu	17.2%
4. D.C. region	14.3%
5. El Paso	13.6%
6. Ogden-Clearfield, Utah	11.5%
7. San Diego-Carlsbad-San Marcos	10.9%
8. Augusta, Ga.-S.C.	9.1%
9. San Antonio	7.8%
10. Charleston S.C.	7.6%

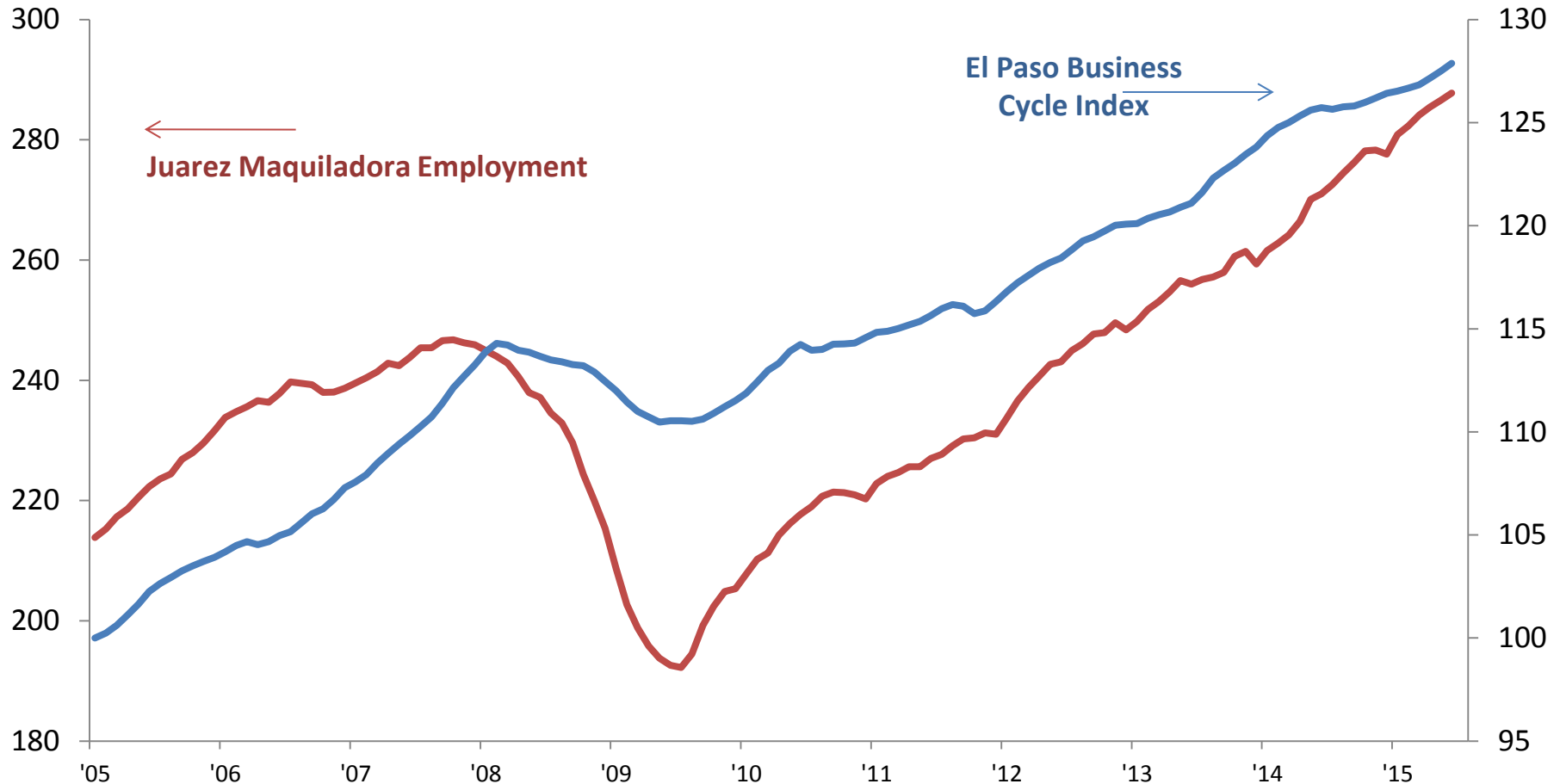
Sources: Brookings analysis of Moody's Economy.com, 2013; Bureau of Economic Analysis. Metropolitan statistical areas from the U.S. Census. GRAPHIC: Darla Cameron - The Washington Post. Published March 7, 2013, Updated Oct. 1, 2013.



El Paso follows the maquiladora industry

Thousands, SA

Index Jan 2005 = 100



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

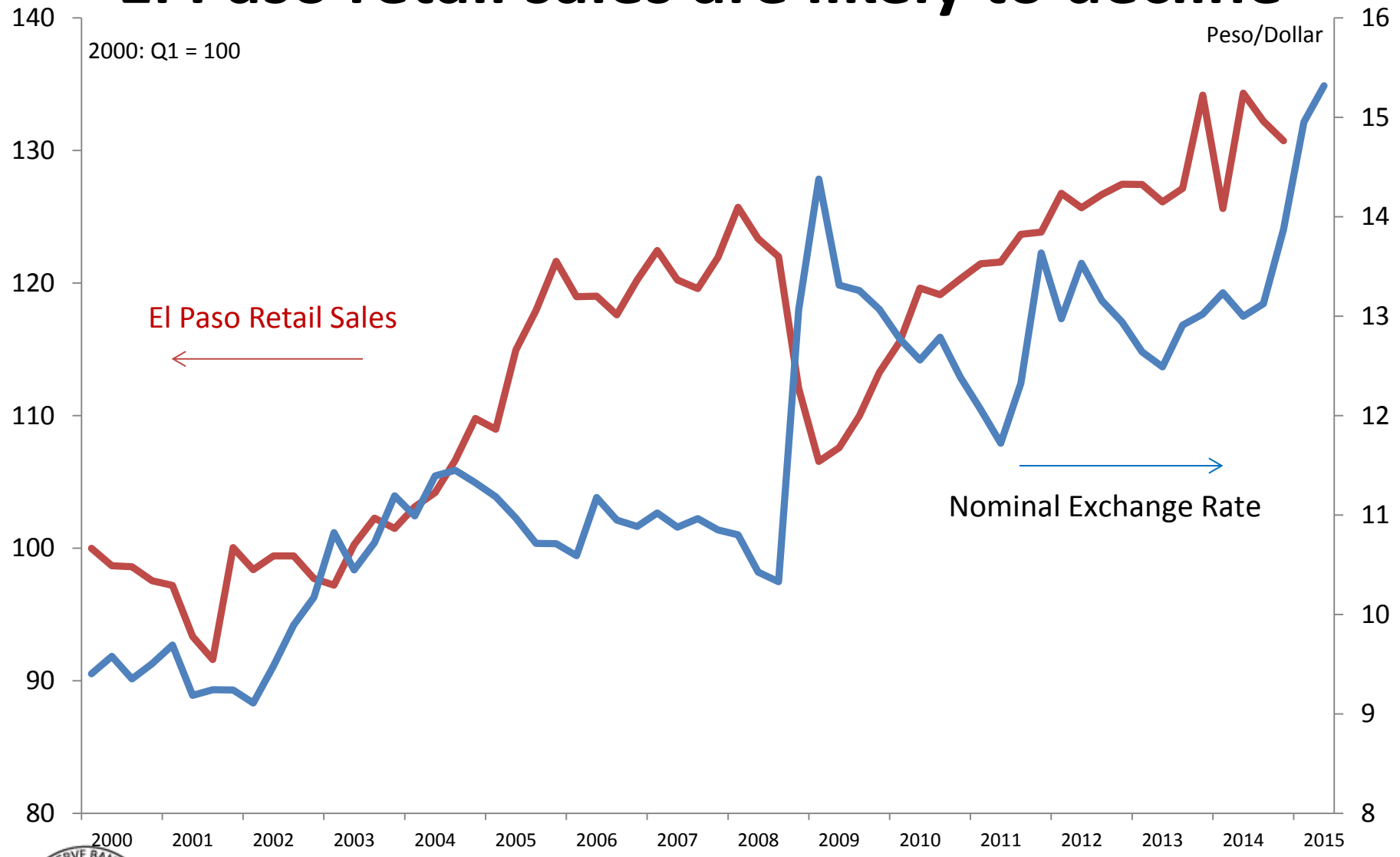
10 percent increase in maquiladora output in Ciudad Juarez leads to an increase in El Paso employment as follows:

- **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



SOURCE: Jesus Cañas, Roberto Coronado, Robert W Gilmer, and Eduardo Saucedo, "The Impact of Maquiladoras on U.S. Border Cities," *Growth and Change*, 44(3) 415–42.

El Paso retail sales are likely to decline



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

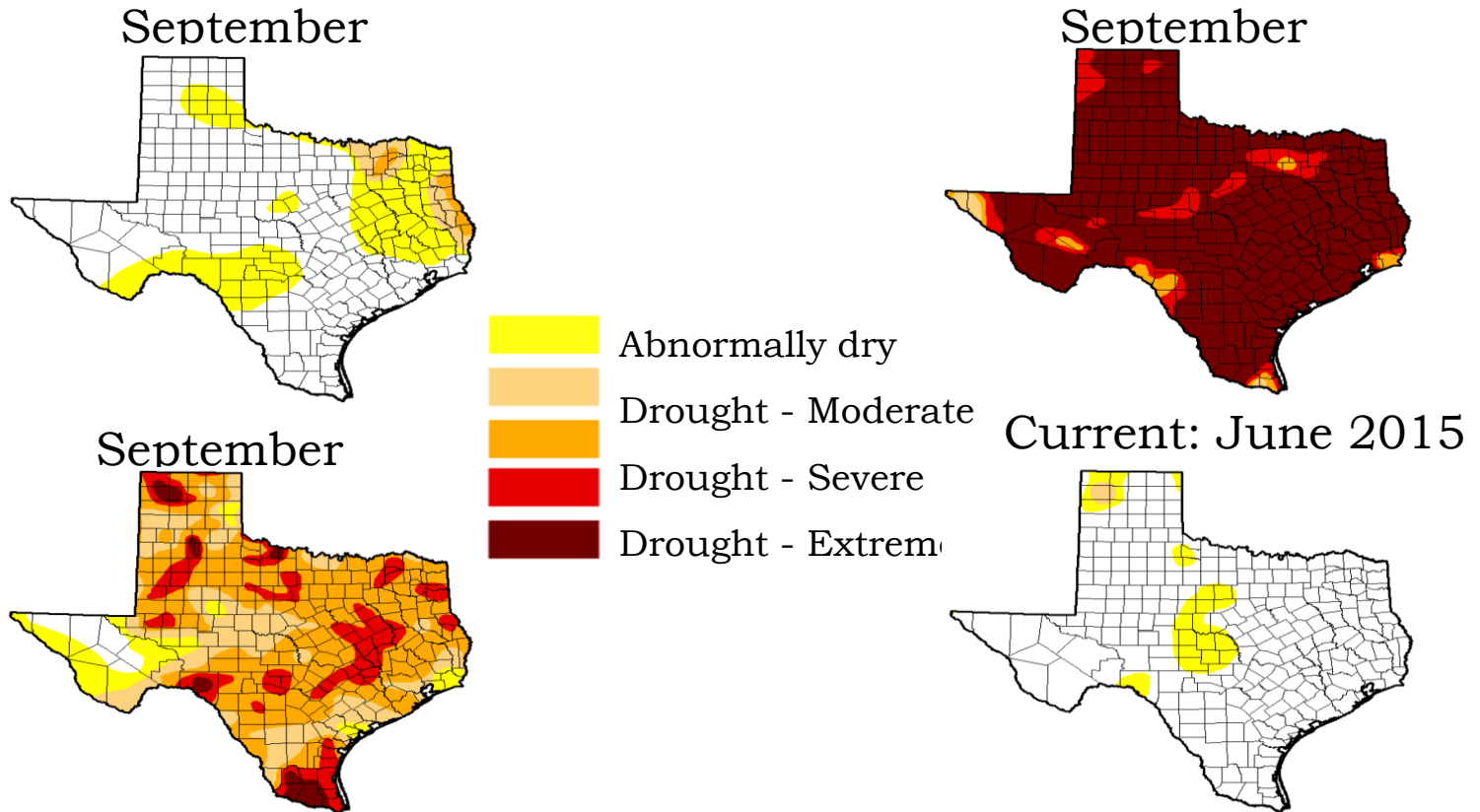


Outline

1. **El Paso:** cross-border manufacturing and trade, and government
2. **Permian-Basin:** energy
3. **West Texas:** agriculture and cattle
4. **Southern New Mexico:** cross-border manufacturing and trade, agriculture, energy, and government



Spring rains ended a 4-year drought

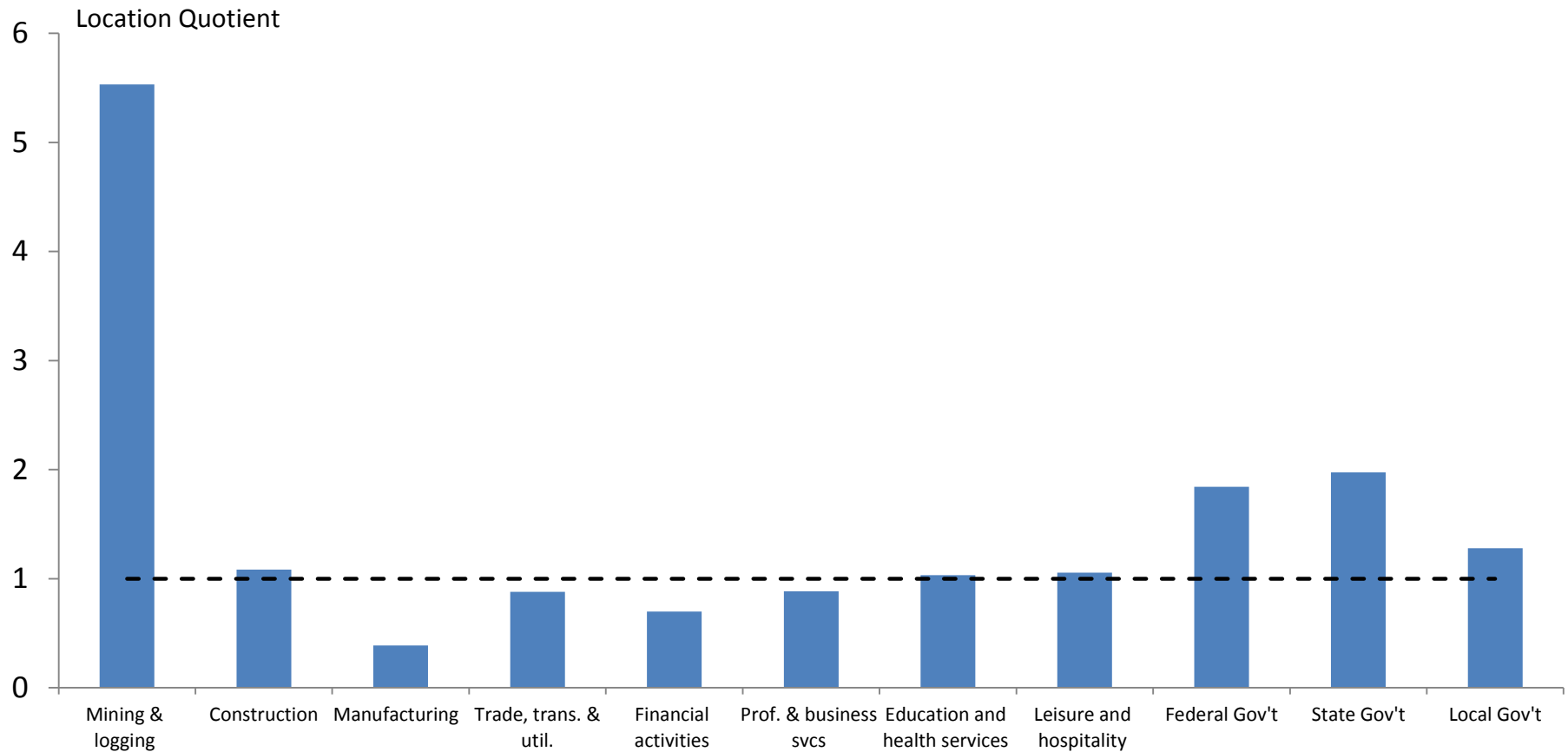


Outline

1. **El Paso:** cross-border manufacturing and trade, and government
2. **Permian-Basin:** energy
3. **West Texas:** agriculture and cattle
4. **Southern New Mexico:** cross-border manufacturing and trade, agriculture, energy, and government



Share of NM Jobs in Energy, Government Much Higher than National Average

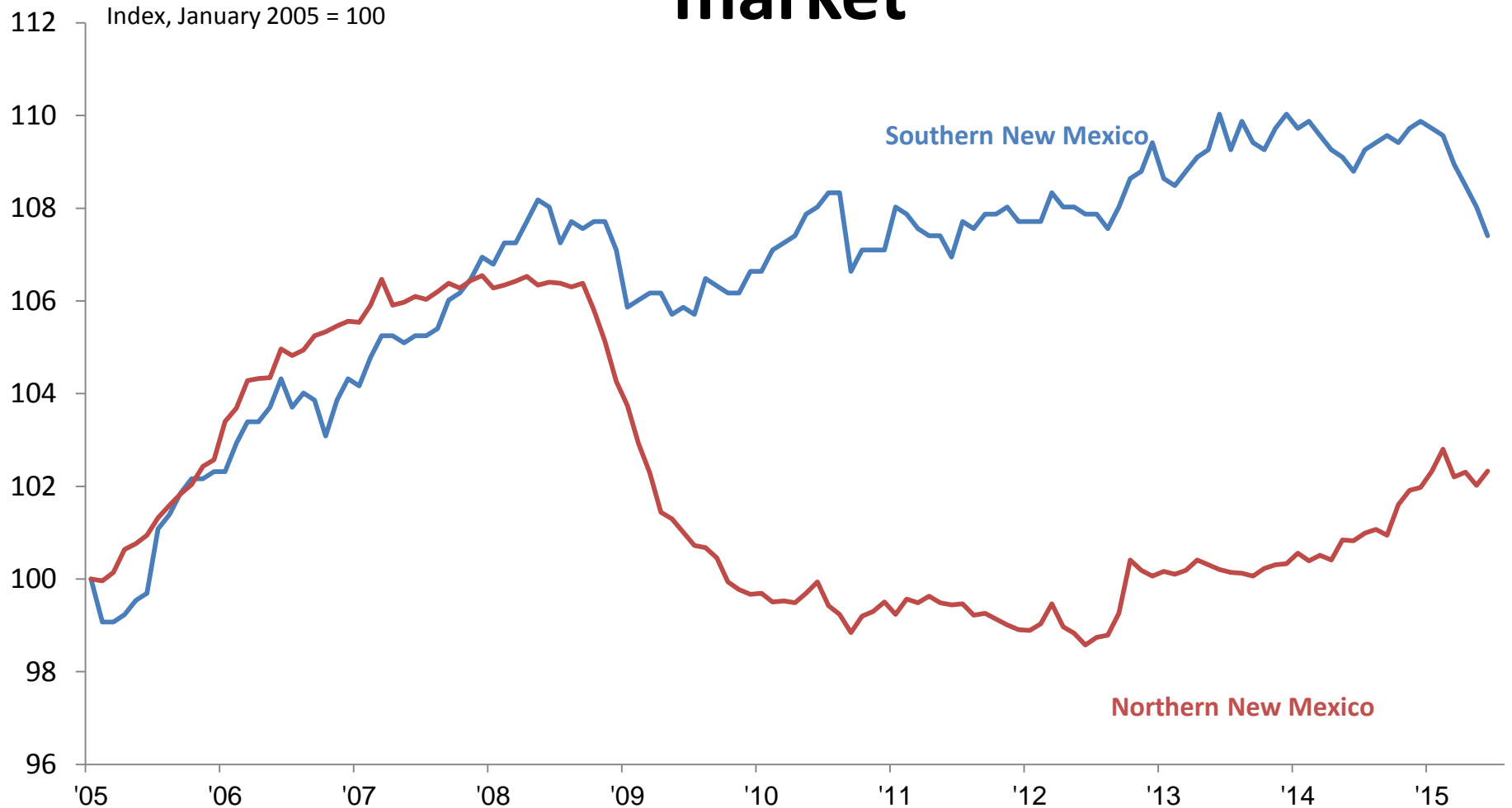


NOTE: Data from June 2015; location quotients measure the ratio of employment share locally to employment share nationally. A value of 1 represents an equivalent share of jobs locally to the national average.

SOURCE: Bureau of Labor Statistics.



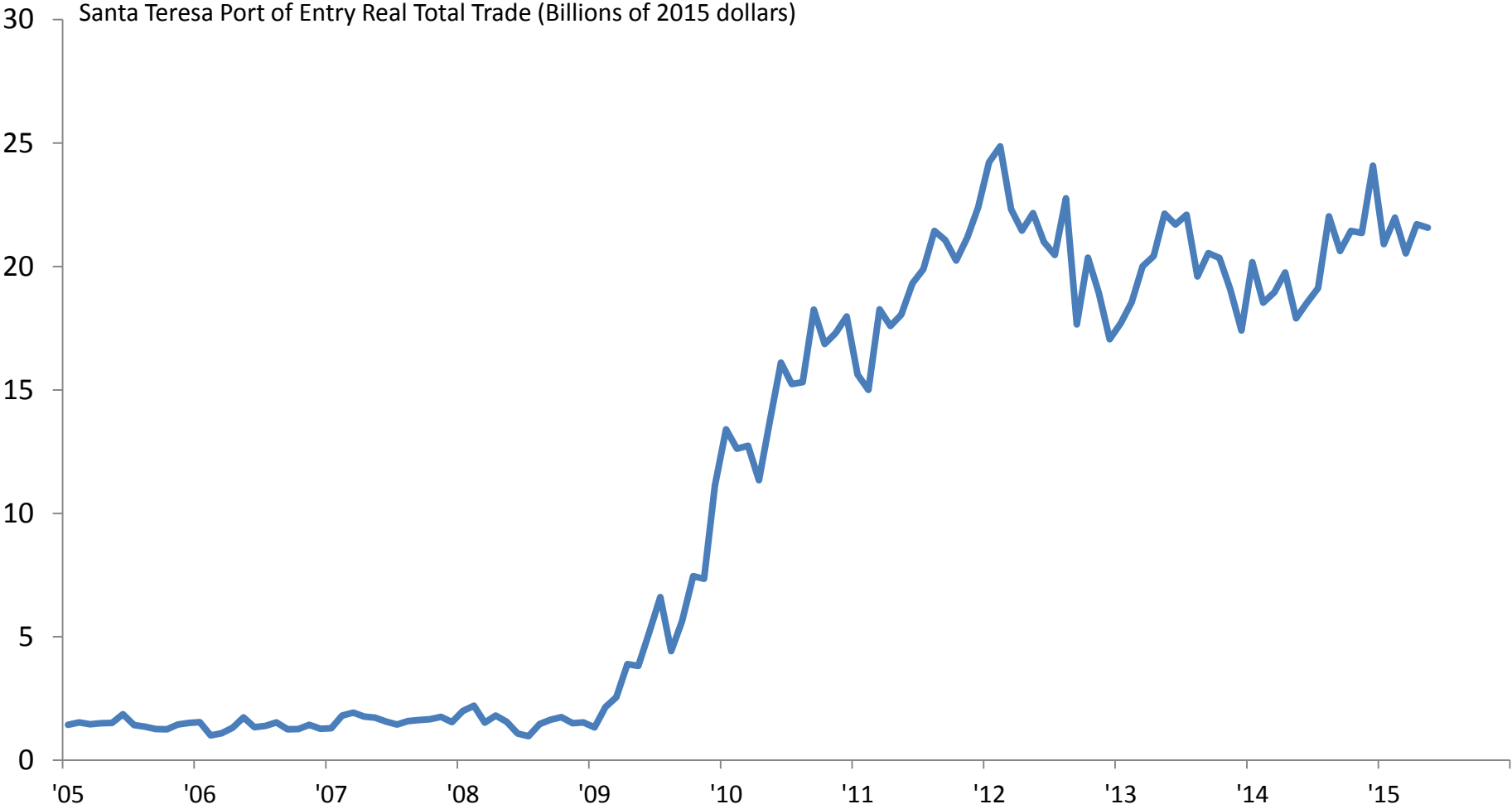
A dichotomy in New Mexico's labor market



SOURCE: Bureau of Labor Statistics / Haver Analytics



A rising star in New Mexico: Santa Teresa



SOURCES: Foreign Trade Division/Census Bureau/Haver Analytics

Summary --- El Paso

- The El Paso economy expanded at a slower rate in 2014
- So far, growth in 2015 is gaining momentum
- **Headwinds:** weak U.S. industrial sector, government budget, and weak Mexican economy
- **Tailwinds:** healthy U.S. auto market and strong manufacturing activity in northern Mexico



Summary --- Southern New Mexico

- New Mexico's recovery continues to struggle to gain momentum
- Two-speed recovery: Southern NM is outperforming Northern NM
- Santa Teresa has made significant inroads in U.S.-Mexico binational trade flows
- **Headwinds:** global economy, energy and commodity prices, and government budget
- **Tailwinds:** pick up in U.S. and Mexican economies



West Texas Economic Update

Please go to

www.dallasfed.org

for data and regional information.

