West Texas Economic Update

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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
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...

Index, Jan 2005 = 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
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

YTD percent change, SAAR

Government (23%) 3.8
Trade, Transp & Utilities (21%) -0.3
Educational & Health Services (14%) 4.3
Leisure & Hospitality (11%) 0.6
Professional & Business (11%) 7.2
Manufacturing (6%) 2.4
Construction & Mining (4%) 1.6
Financial Activities (4%) 5.2
Other Services (3%) 2.1
Information (2%) -9.4

June 2015
Gain in government jobs helps El Paso

Thousands of jobs, YTD Change

Government (23%) $1304
Trade, Transp & Utilities (22%) $653
Educational & Health Services (14%) $711
Leisure & Hospitality (11%) $292
Professional & Business (10%) $648
Manufacturing (6%) $969
Construction & Mining (4%) $597
Financial Activities (4%) $838
Other Services (3%) $441
Information (2%) $844

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.

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

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

Sources: Brookings analysis of Moody’s Economy.com, 2013; Bureau of Economic Analysis. Metropolitan statistical areas from the U.S. Census.
El Paso follows the maquiladora industry


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 are likely to decline
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Spring rains ended a 4-year drought.
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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

Index, January 2005 = 100

SOURCE: Bureau of Labor Statistics / Haver Analytics
A rising star in New Mexico: Santa Teresa

Santa Teresa Port of Entry Real Total Trade (Billions of 2015 dollars)

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.