West Texas Economic Update

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November 4, 2016

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, trade, and government

2. **Southern New Mexico**: cross-border manufacturing, trade, energy, and government
Outline

1. **El Paso**: cross-border manufacturing, trade, and government

2. **Southern New Mexico**: cross-border manufacturing and trade, energy, and government
El Paso's economy slowed in 2016

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
September 2016
Nevertheless, employment growth at long term average

Note: Data for 2016 are YTD Annualized
Source: Federal Reserve Bank of Dallas.
Employment growth by sector

YTD percent change, SAAR

Government (23%)  1.4  18.4
Trade, Transp. & Utilities (22%)  2.9  -20
Educational & Health Svcs (14%)  1.6  -15
Leisure & Hospitality (11%)  6.6  -10
Prof. & Business Svcs (11%)  0.0  -5
Manufacturing (5%)  0.0  0
Mining & Construction (5%)  -2.3  5
Financial Activities (4%)  6.0  10
Other Services (3%)  2.6  15
Information (2%)  -18.4  20

El Paso follows the maquiladora industry

Juarez Maquiladora Employment

El Paso Business Cycle Index

Thousands, SA

Index January 2008=100

July '16
254,989

July '16
108.66

'08  '09  '10  '11  '12  '13  '14  '15  '16

90  95  100  105  110  115

150  160  170  180  190  200  210  220  230  240  250  260  270
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 respond to the value of the Peso

2000: Q1 = 100, Real SA

Peso/Dollar

SOURCE: Texas Comptroller of Public Accounts, Federal Reserve Bank of Dallas, Federal Reserve Board
Outline

1. **El Paso**: cross-border manufacturing, trade, and government

2. **Southern New Mexico**: cross-border manufacturing, trade, 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.
A dichotomy in New Mexico's labor market

Index, January 2005 = 100

Southern New Mexico

Northern New Mexico

Toll-Free Phone Numbers
- Dallas: 1-800-333-4460
- El Paso: 1-800-846-6858
- Houston: 1-800-392-4162
- San Antonio: 1-800-292-5810

SOURCE:
Bureau of Labor Statistics / Haver Analytics
A dichotomy in New Mexico’s labor market

Index, January 2005 = 100

Southern New Mexico

Northern New Mexico

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
Concluding Remarks

• El Paso’s growth in 2015 was above average but the economy has slowed in 2016
• Headwinds: U.S. manufacturing, government, and Mexican economy
• Tailwinds: pick up in U.S. and Mexican economies, 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
- **Tailwinds**: pick up in U.S. and Mexican economies
West Texas Economic Update

Please go to www.dallasfed.org for data and regional information.
Government pays the highest wages

Thousands of jobs, YTD Change

- Government: $1289 (23%)
- Trade, Transp., & Utilities: $660 (22%)
- Educational & Health Svcs: $747 (14%)
- Leisure & Hospitality: $295 (11%)
- Prof. & Business Svcs: $662 (11%)
- Manufacturing: $947 (5%)
- Mining & Construction: $744 (5%)
- Financial Activities: $826 (4%)
- Other Services: $454 (3%)
- Information: $826 (2%)

SOURCES: Bureau of Labor Statistics; FRB Dallas.; Texas Workforce Commission
NOTE: Average weekly earnings are listed on the bars.
El Paso’s economy dependent on government

Location quotient in 2014

Percentage-point change in employment share, 2006–14

Note: Bubble size represents cluster share of metropolitan statistical area employment.
Source: “At the Heart of Texas: Cities’ Industry Clusters Drive Growth” Federal Reserve Bank of Dallas, February 2016;
Is this time different?

SOURCE: Texas Comptroller of Public Accounts; Federal Reserve Bank of Dallas, Banxico, Federal Reserve Board