



West Texas Economic Update

Roberto Coronado
AVP in Charge and Sr. Economist

Marycruz De Leon
Sr. Research Analyst

November 4, 2016

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THE ELEVENTH FEDERAL RESERVE DISTRICT



Outline

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

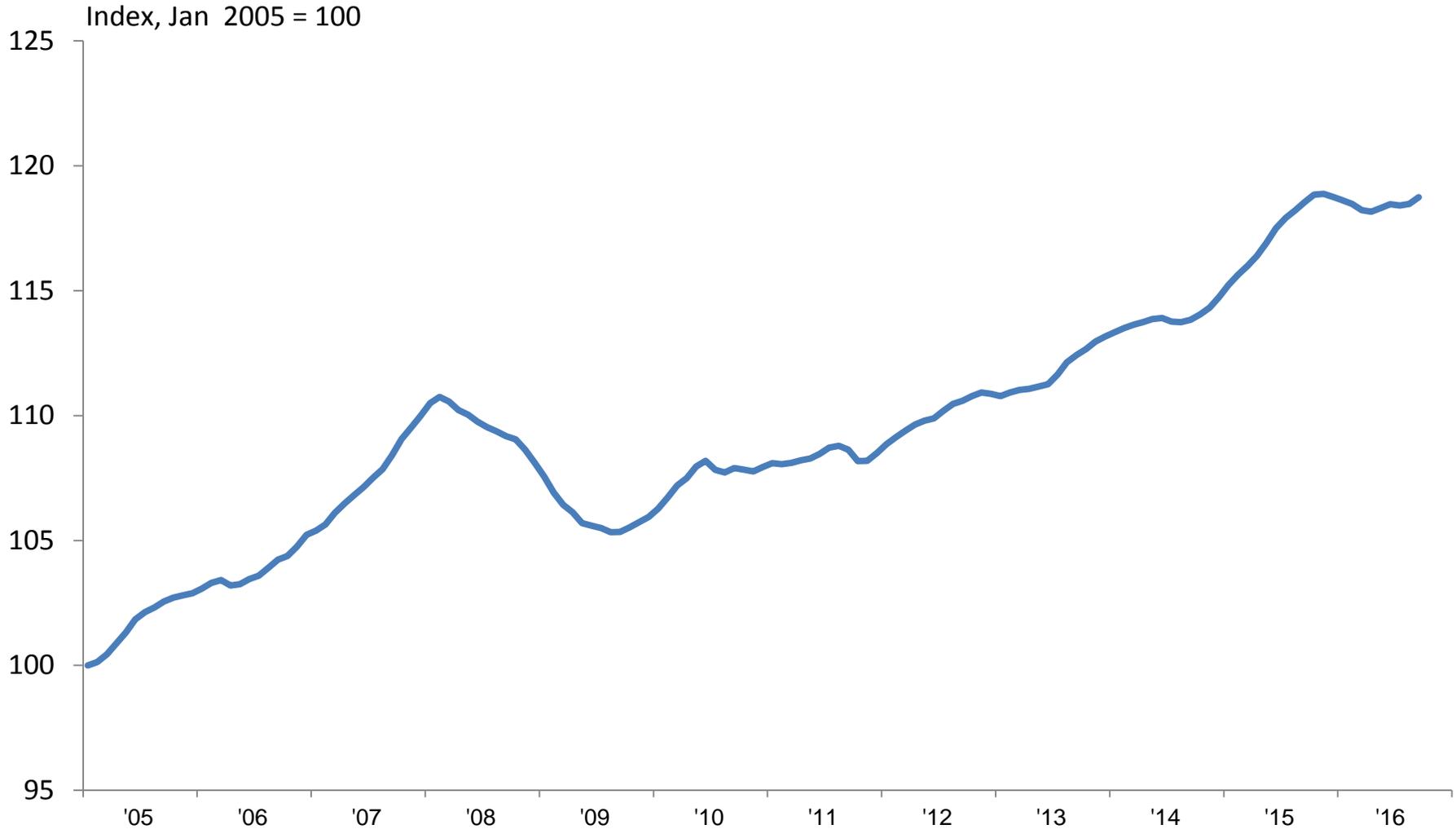


Outline

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



El Paso's economy slowed in 2016



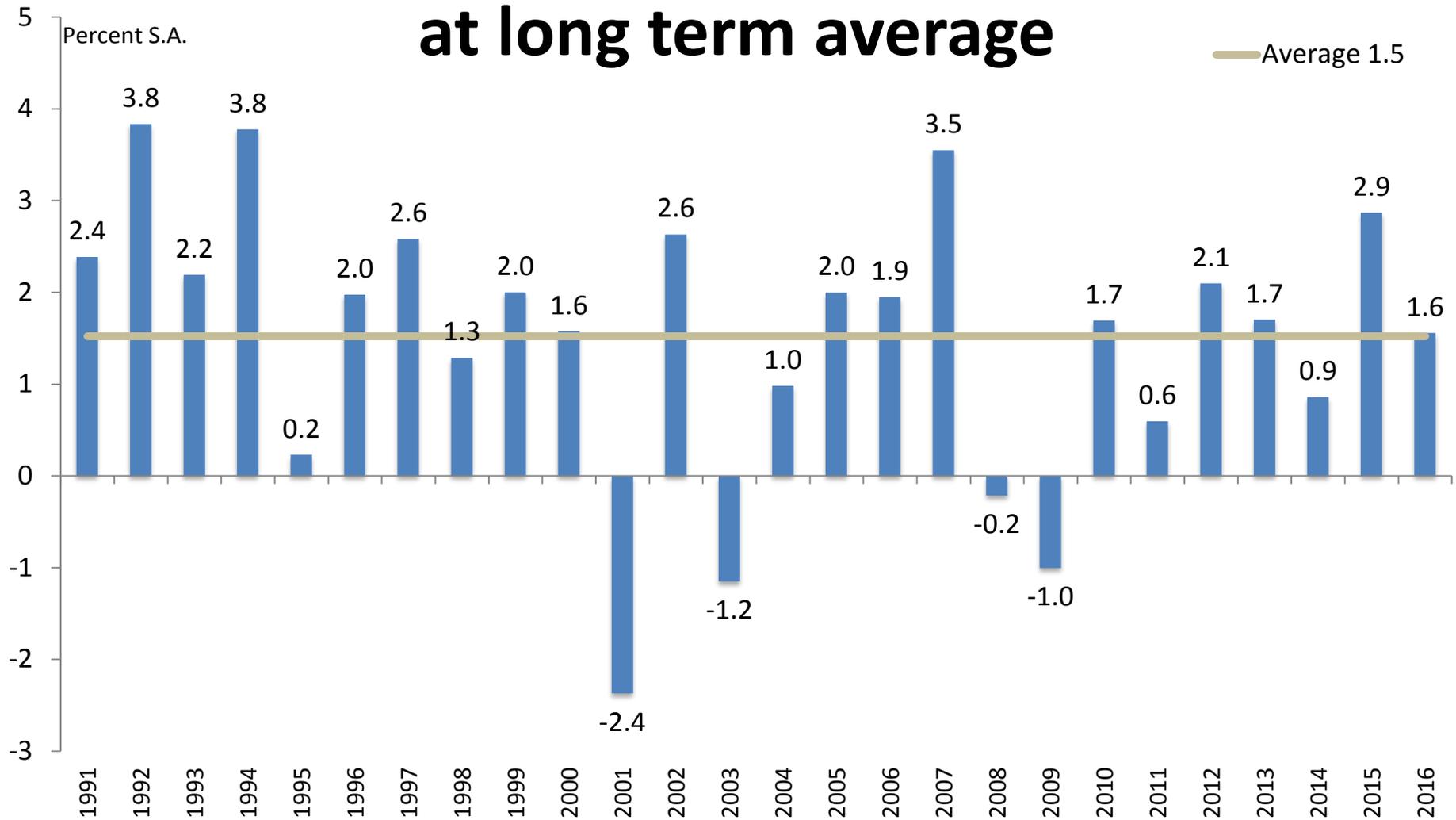
NOTE: El Paso Business Cycle is a composite index that includes employment, unemployment rate, retail sales and wages.

SOURCE: Federal Reserve Bank of Dallas

September 2016

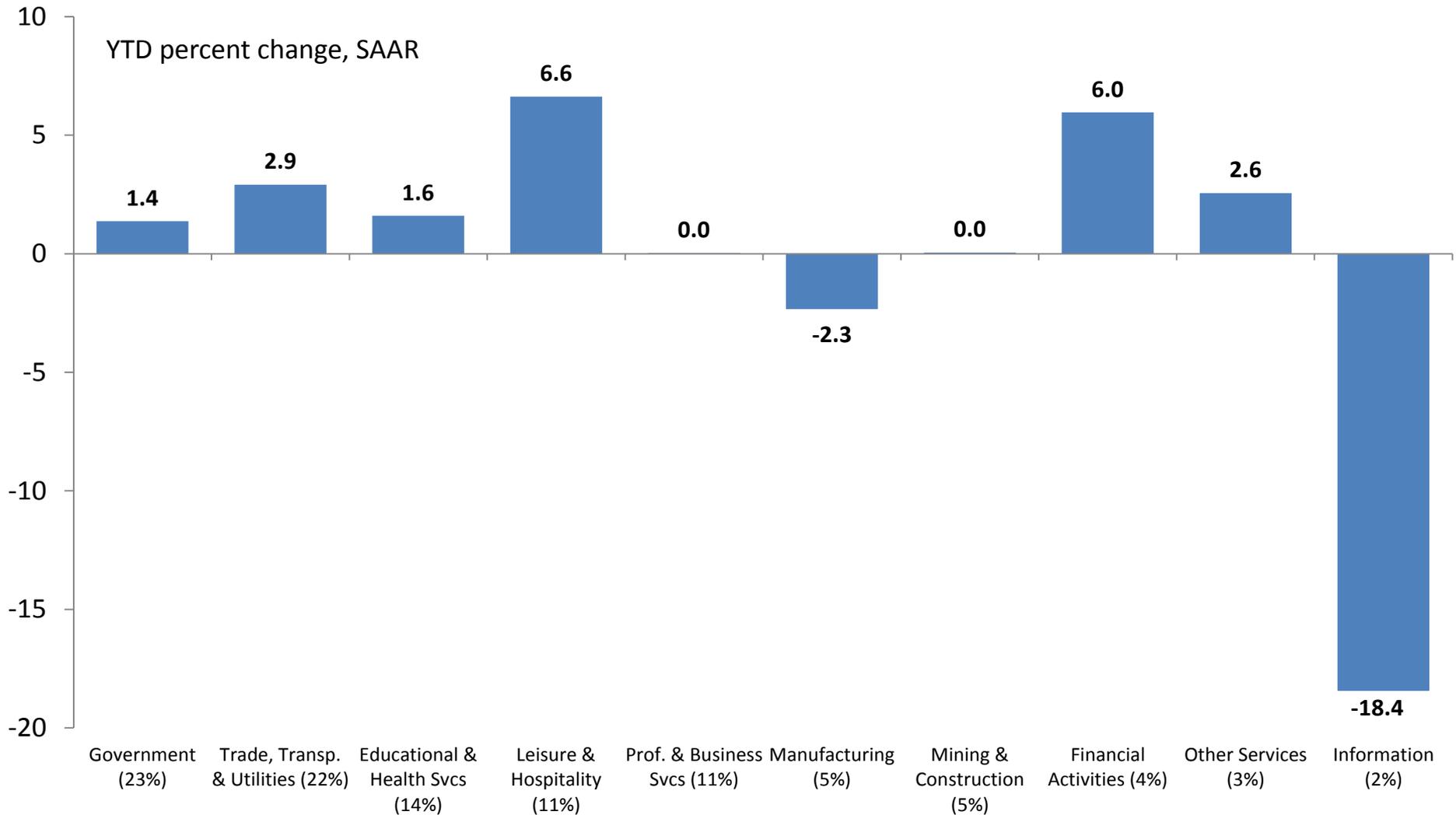


Nevertheless, employment growth at long term average



Note: Data for 2016 are YTD Annualized
Source: Federal Reserve Bank of Dallas.

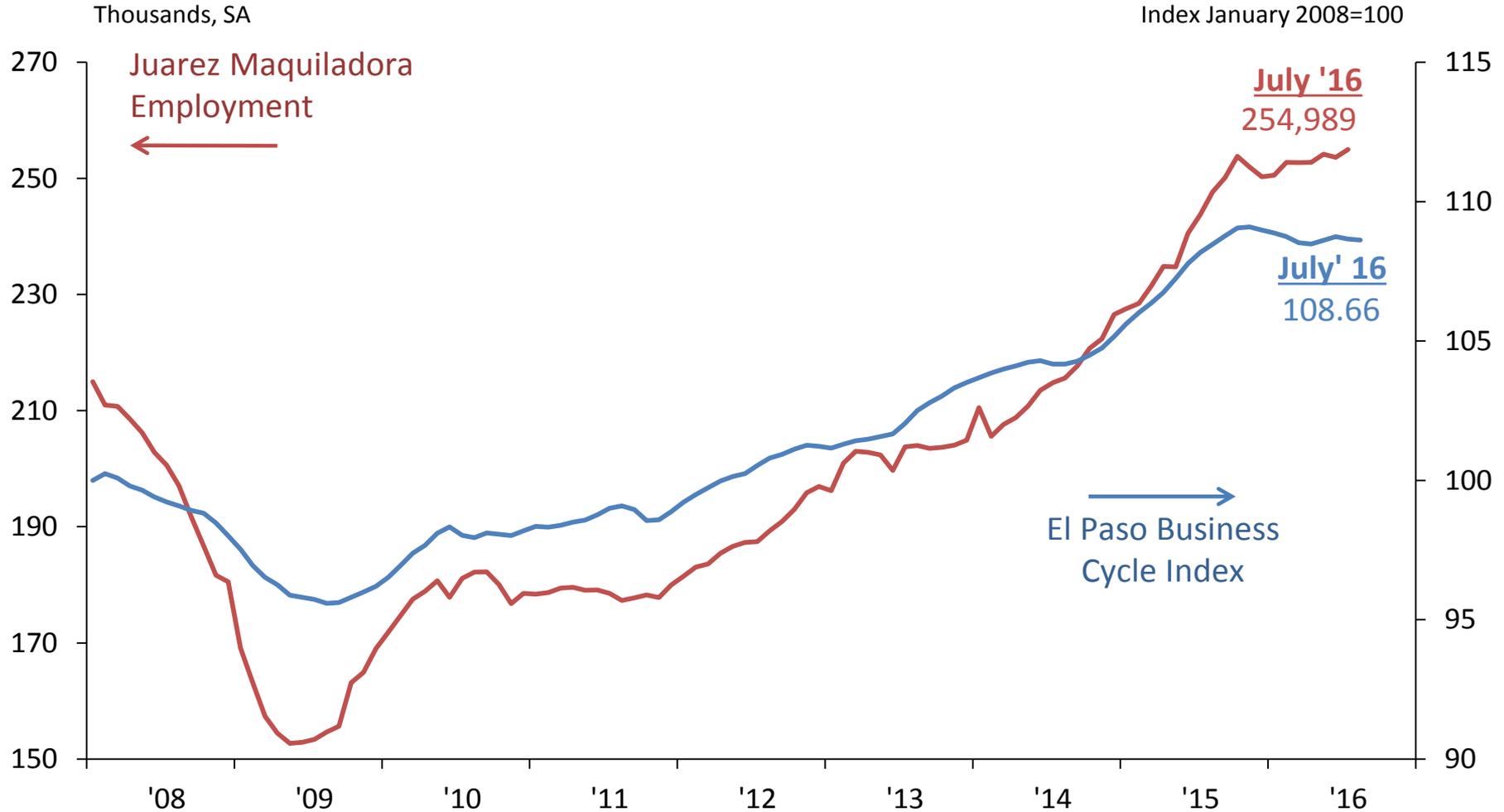
Employment growth by sector



SOURCES: Bureau of Labor Statistics; FRB Dallas.
September 2016



El Paso follows the maquiladora industry



Maquiladoras impact on El Paso

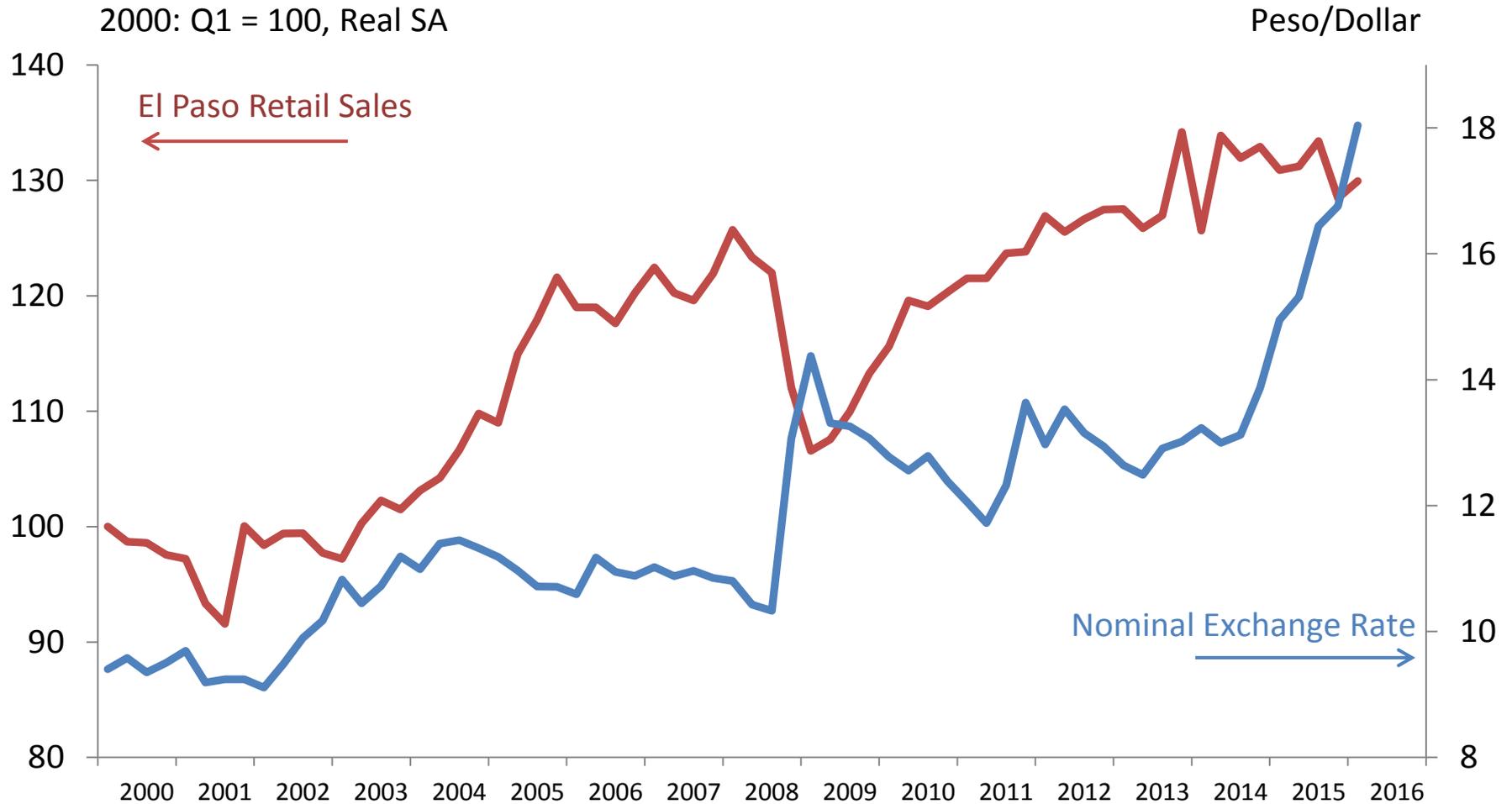
10 percent increase in maquiladora output in Ciudad Juarez leads to an increase in El Paso employment as follows:

- **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 respond to the value of the Peso



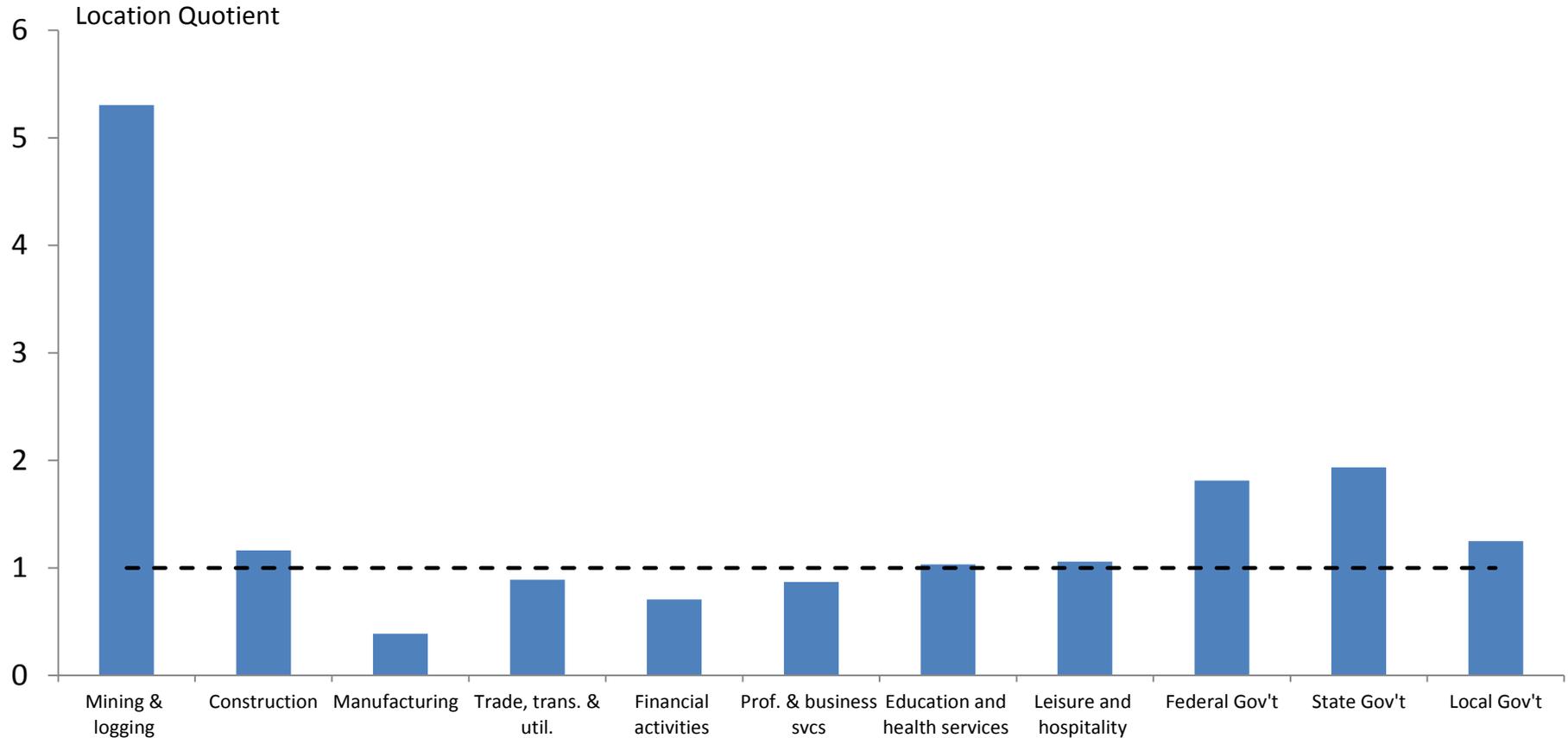
SOURCE: Texas Comptroller of Public Accounts, Federal Reserve Bank of Dallas, Federal Reserve Board

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



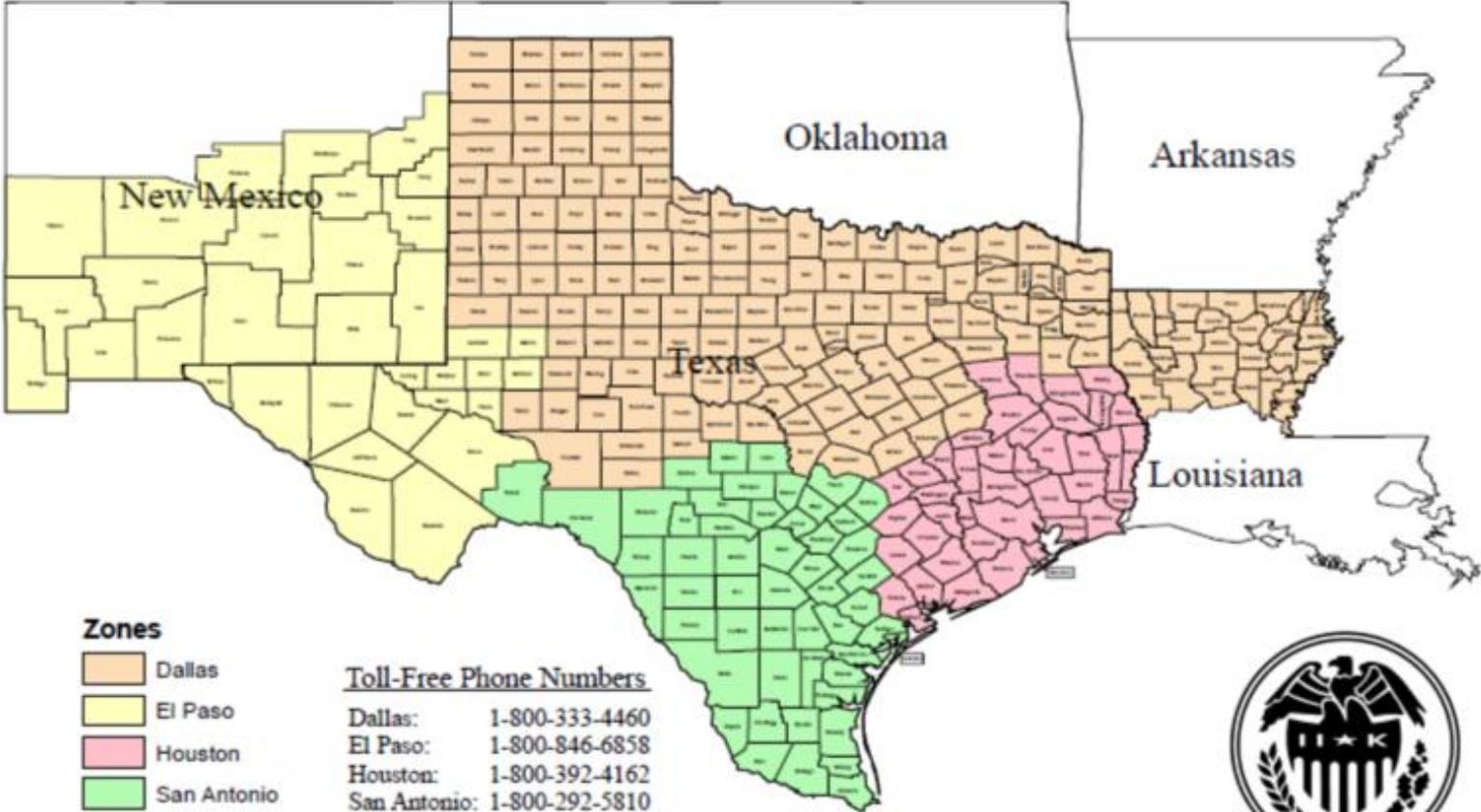
NOTE: Data from June 2015; location quotients measure the ratio of employment share locally to employment share nationally. A value of 1 represents an equivalent share of jobs locally to the national average.

SOURCE: Bureau of Labor Statistics.



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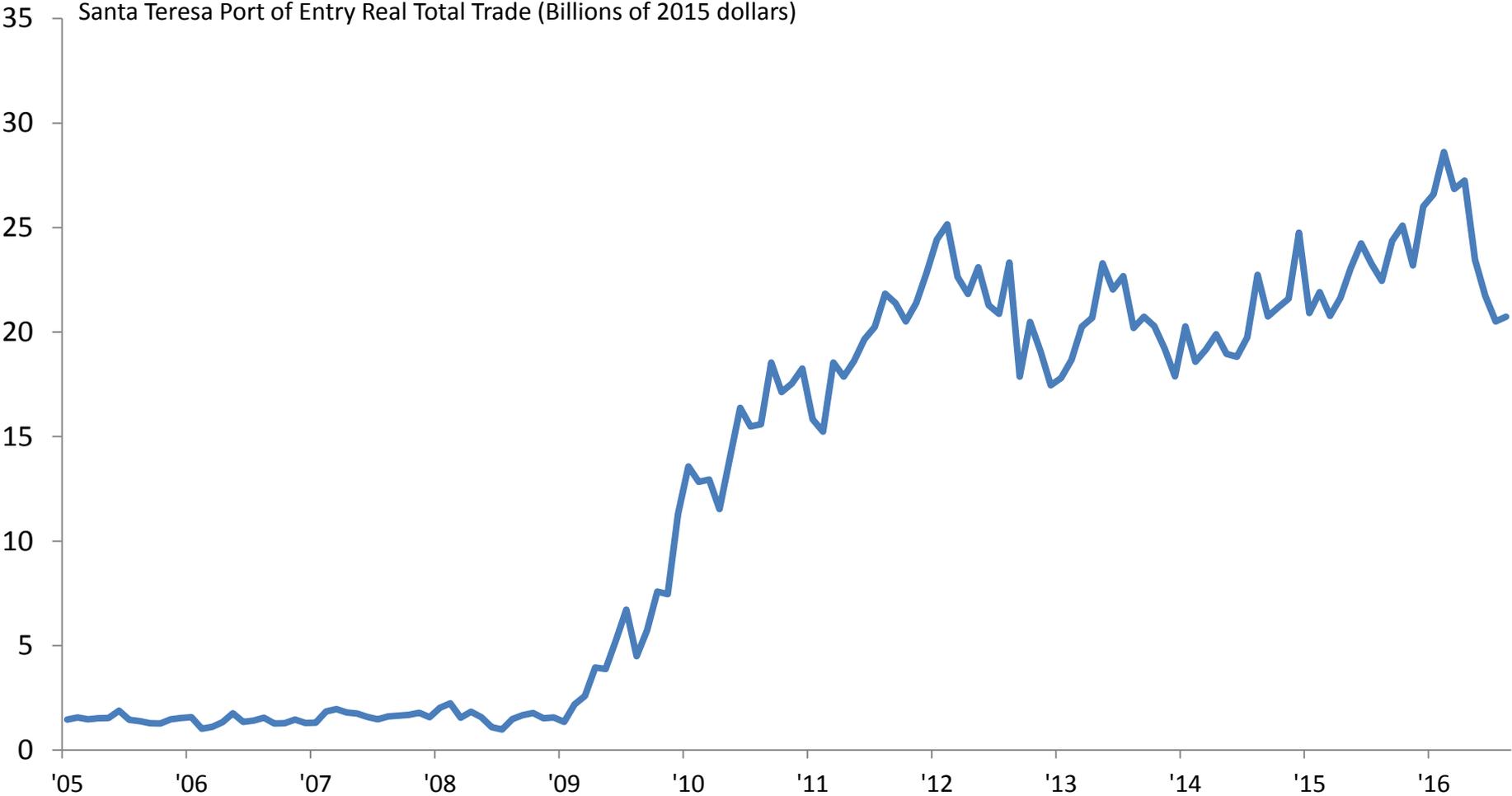
A dichotomy in New Mexico's labor market



SOURCE: Bureau of Labor Statistics / Haver Analytics



A rising star in New Mexico: Santa Teresa



SOURCES: Foreign Trade Division/Census Bureau/Haver Analytics

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

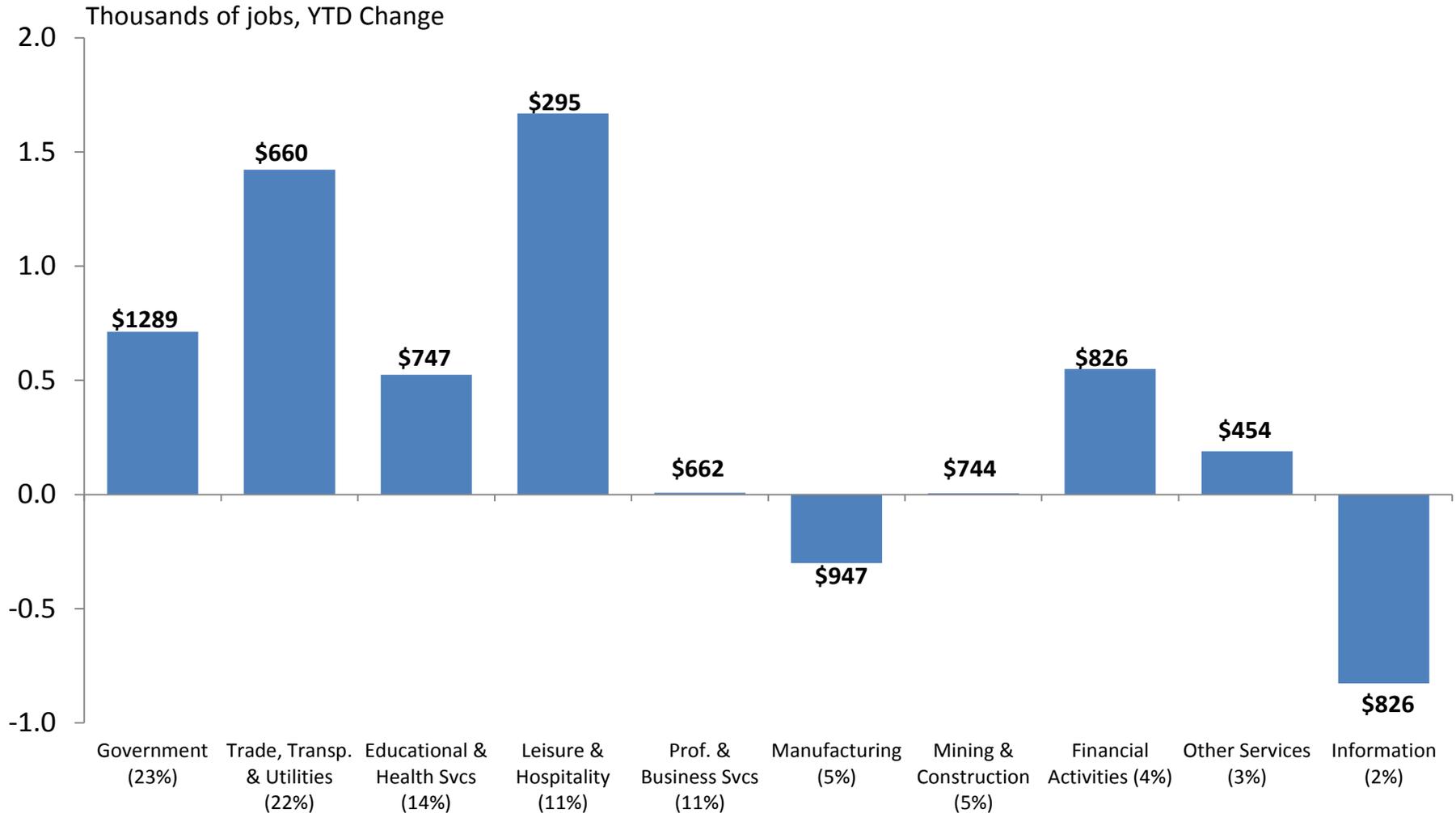
Please go to

www.dallasfed.org

for data and regional information.



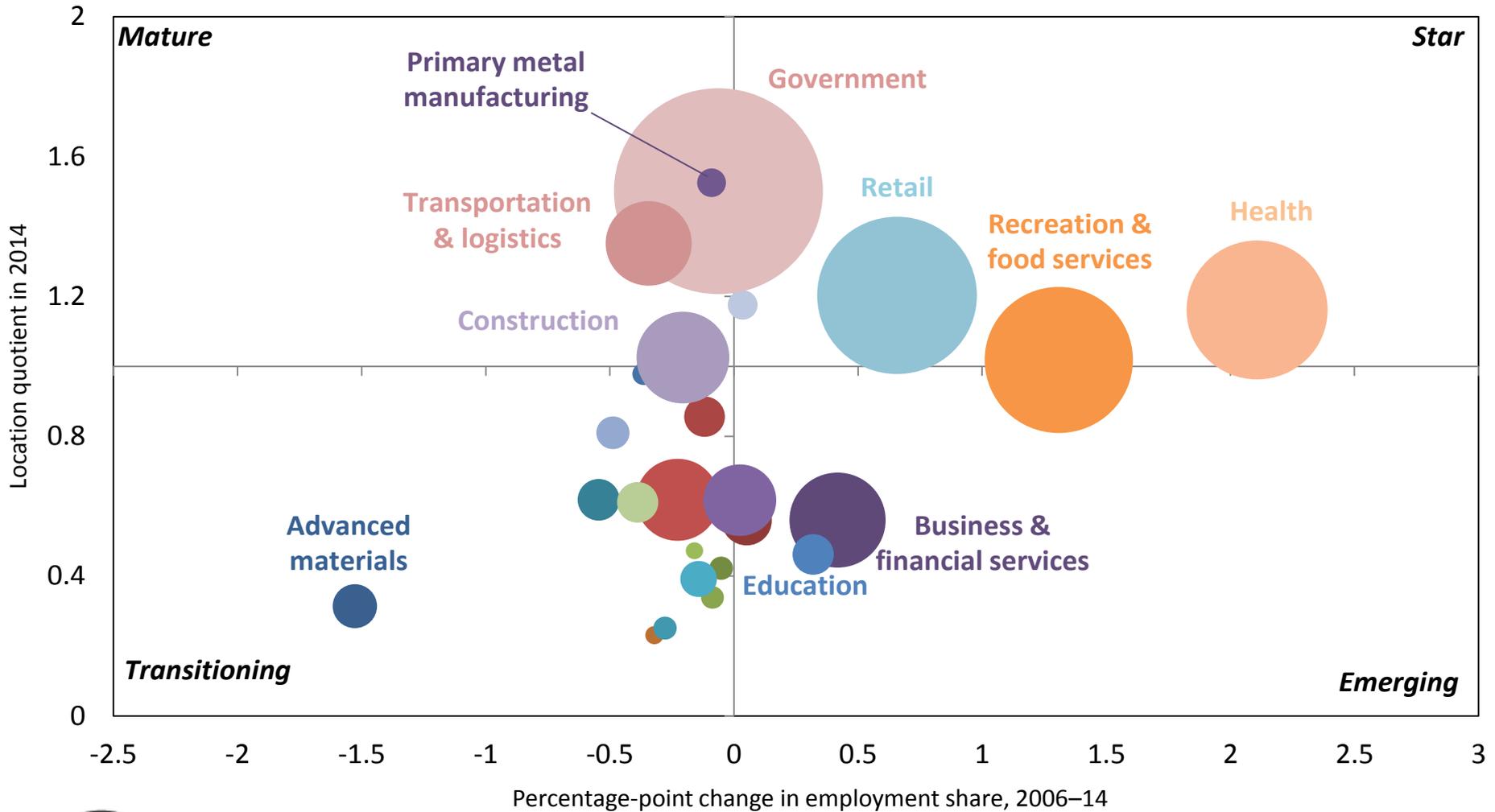
Government pays the highest wages



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

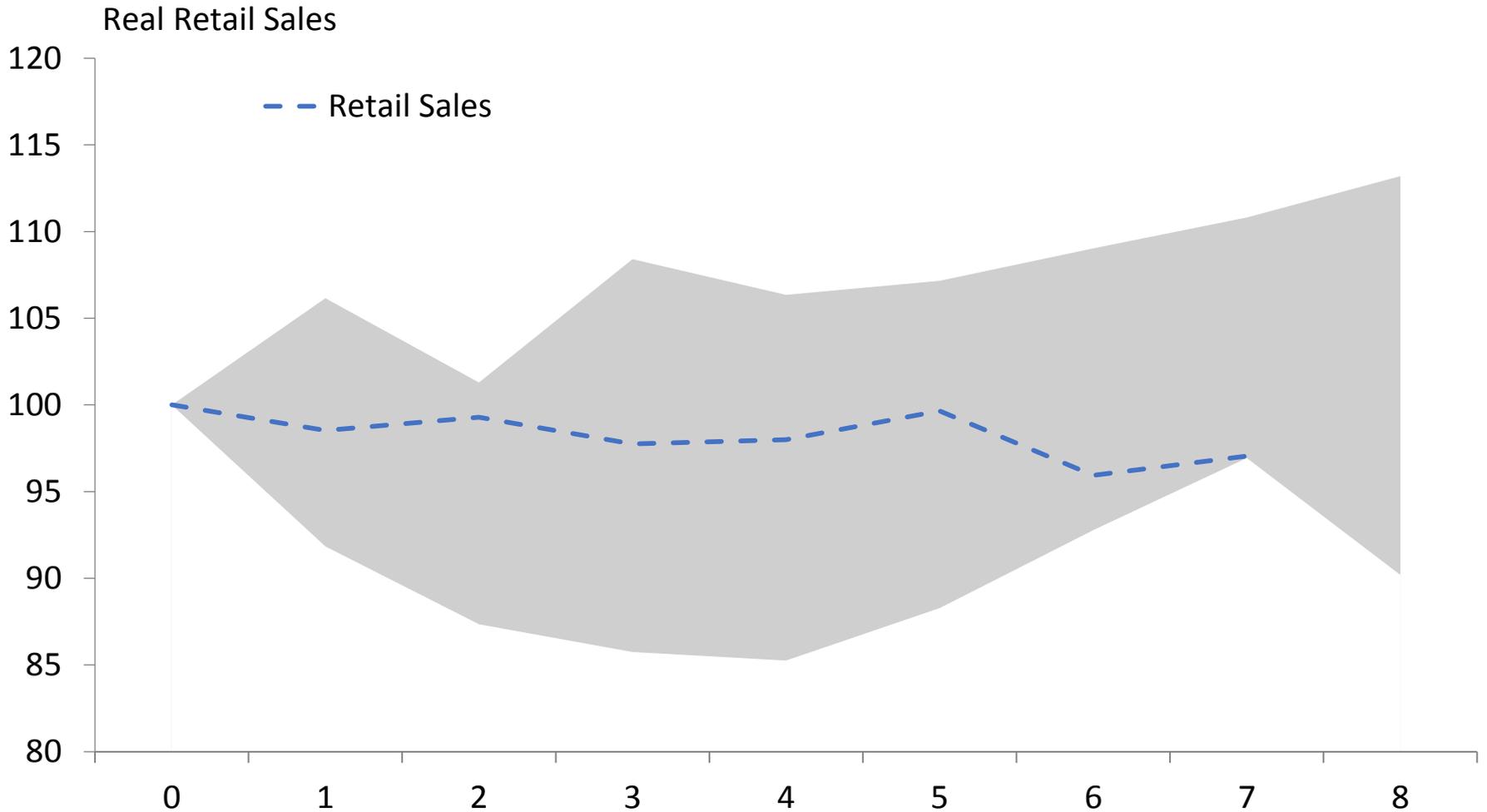


Note: Bubble size represents cluster share of metropolitan statistical area employment.

Source: "At the Heart of Texas: Cities' Industry Clusters Drive Growth" Federal Reserve Bank of Dallas, February 2016;



Is this time different?



NOTE: Retail Sales are indexed to 100 at the peak of the value of the Peso. The chart illustrates six episodes of depreciation including 1982, 1986, 1994, 1997, 2008, and 2014.

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

