

Regional Economic Update

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The views expressed are my own and do not necessarily reflect official positions of the Federal Reserve System

EL PASO BRANCH



Federal Reserve
Bank of Dallas

Overview

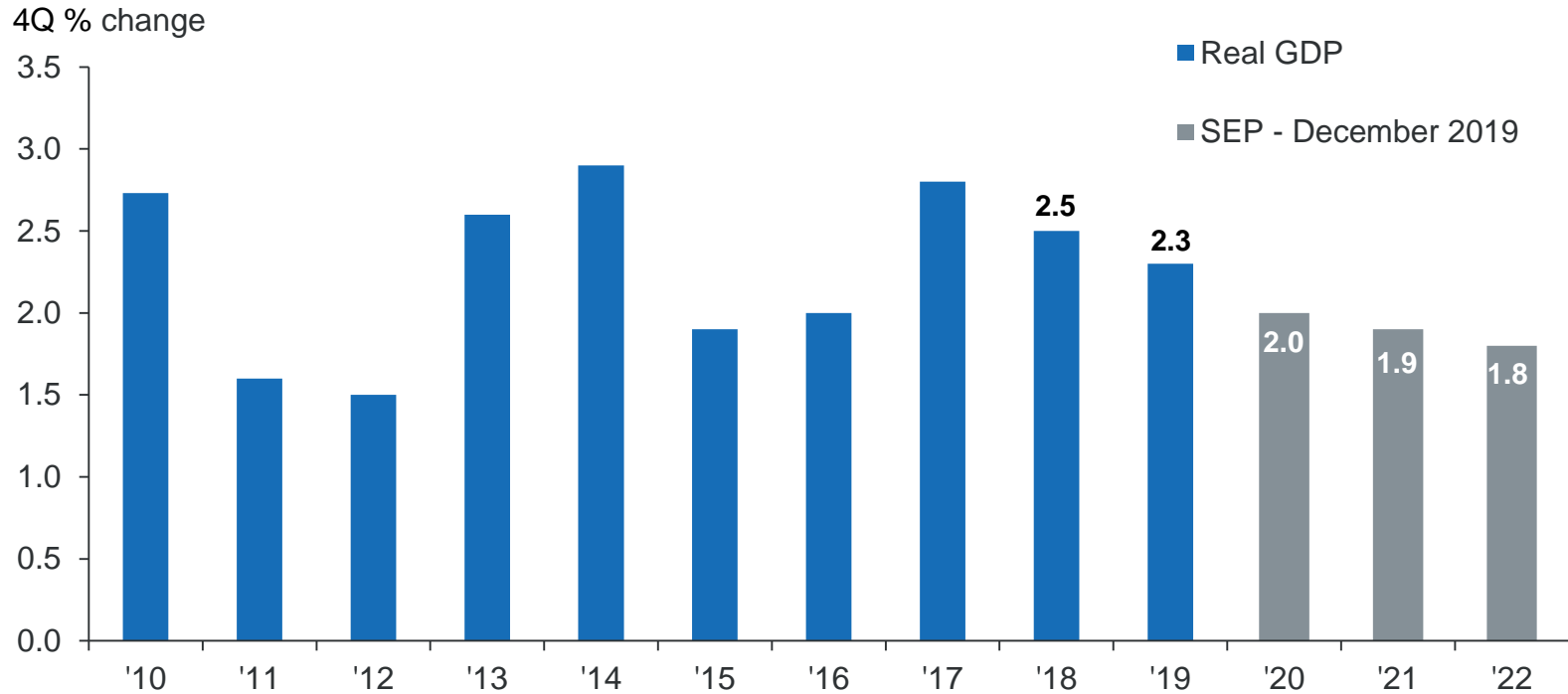
- U.S. Economy
- New Mexico
 - Labor Market
 - Energy
 - Trade
- Regional Economic Update
 - Las Cruces
 - El Paso
- Concluding Remarks

U.S. Economy

U.S. economy continues to grow at a moderate rate

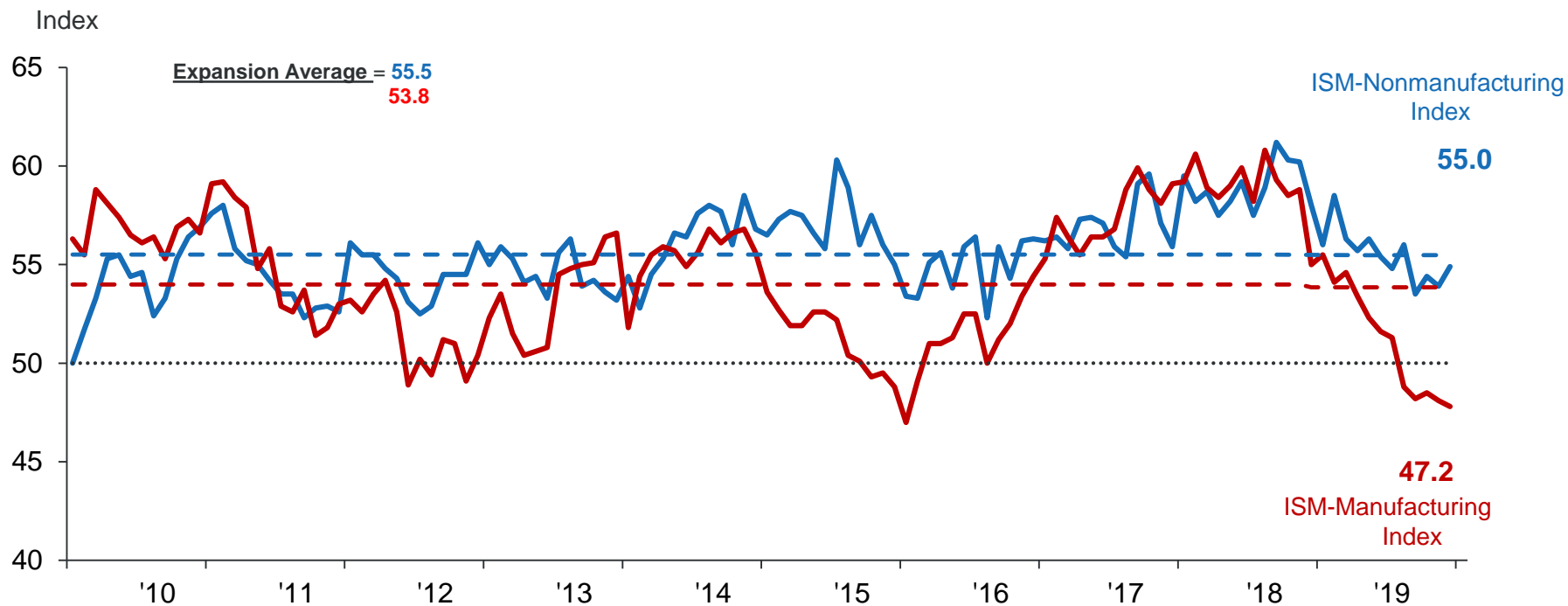
- Job gains have been solid and the unemployment rate remains near historic lows
- Household spending is rising at a strong pace
- Business investment and exports are weak
- Inflation continues to run below the FOMC long-run objective

FOMC participants expect moderate GDP growth



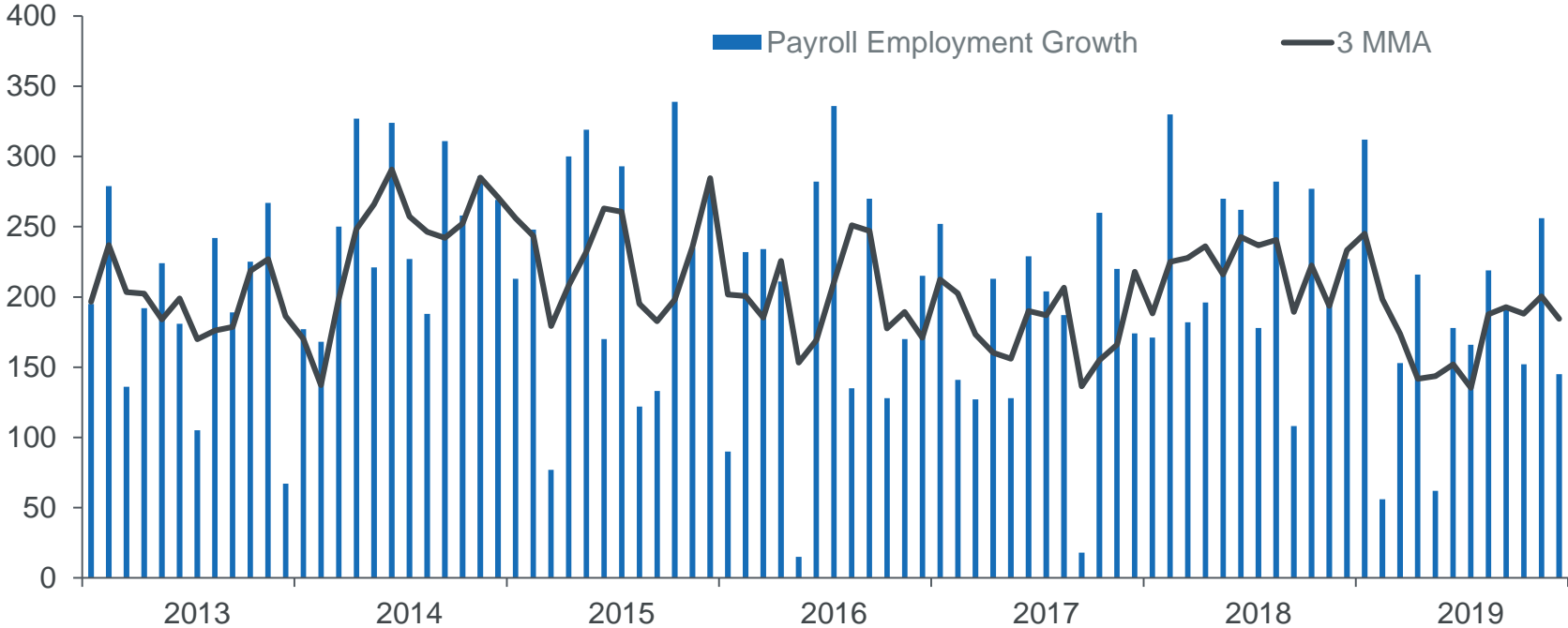
SOURCE: Bureau of Economic Analysis; Federal Reserve Summary of Economic Projections

Manufacturing sector remains soft



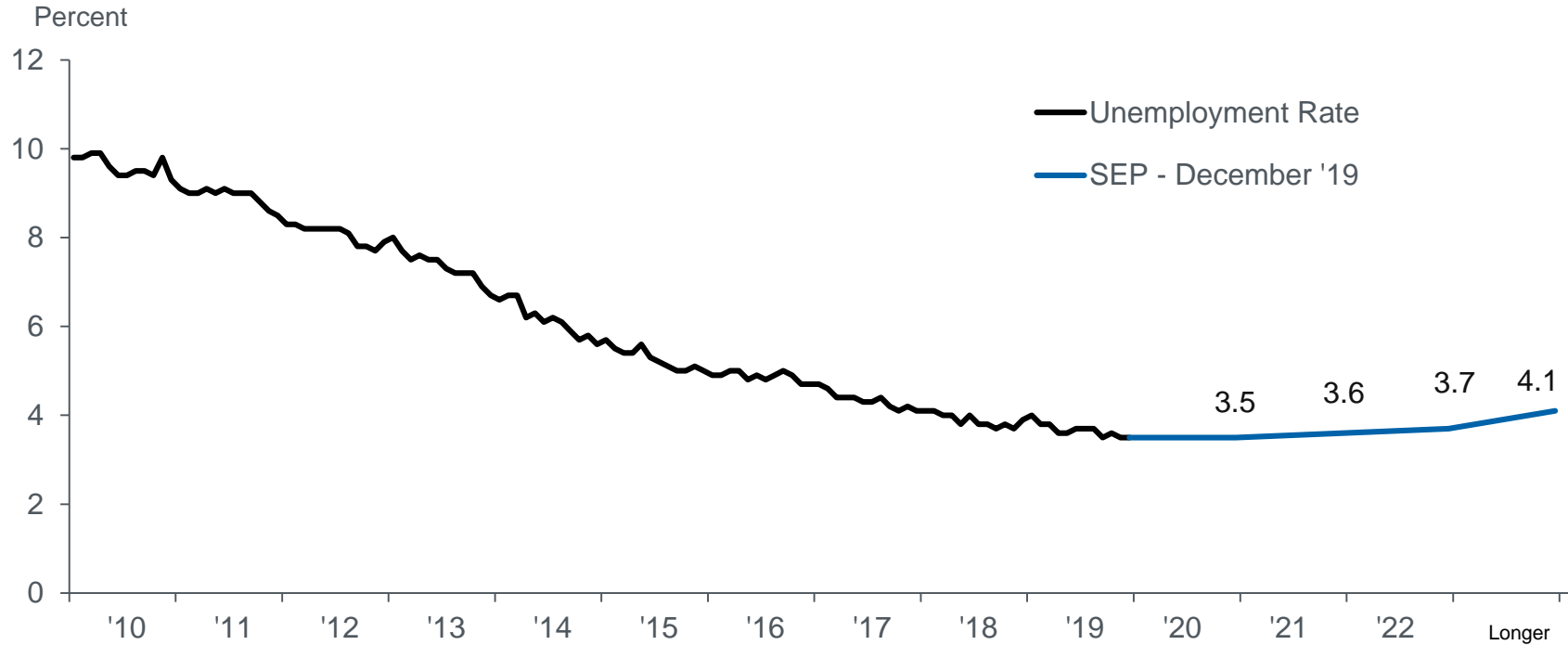
NOTE: Data are through December 2019
SOURCE: Institute of Supply Management

Labor market remains strong



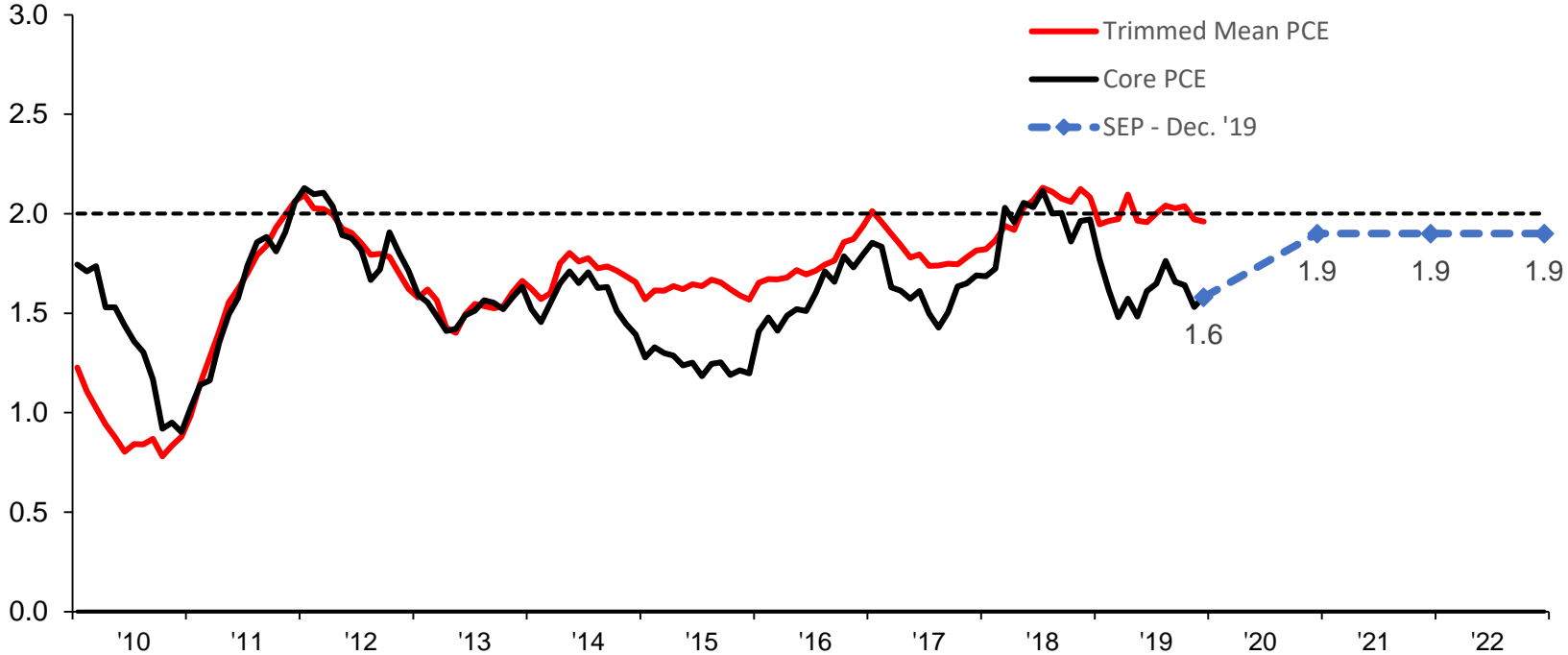
NOTE: Data are through December 2019
SOURCE: Bureau of Labor Statistics

Unemployment rate remains near 50-year low



SOURCE: Bureau of Labor Statistics; Federal Reserve Board of Governors

Core inflation running below the Fed's target

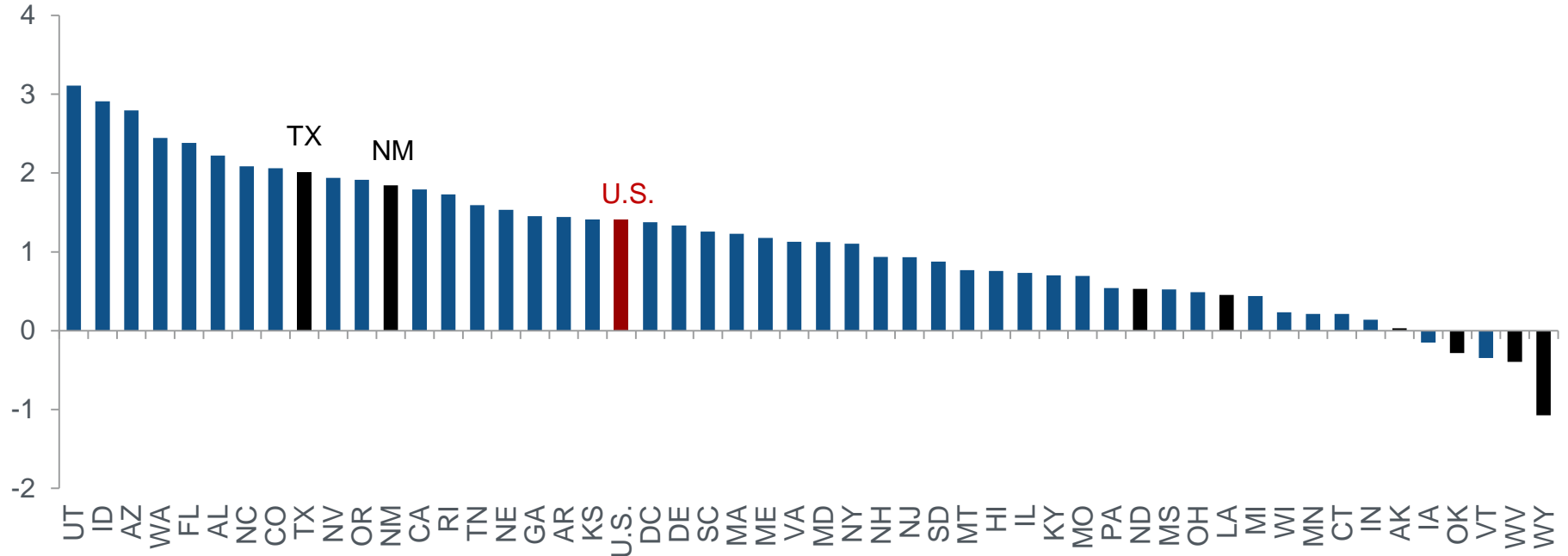


SOURCE: Bureau of Labor Statistics; Federal Reserve Board of Governors

New Mexico Economy

New Mexico among fastest growing states in 2019

Percent change, Dec 2019/Dec 2018

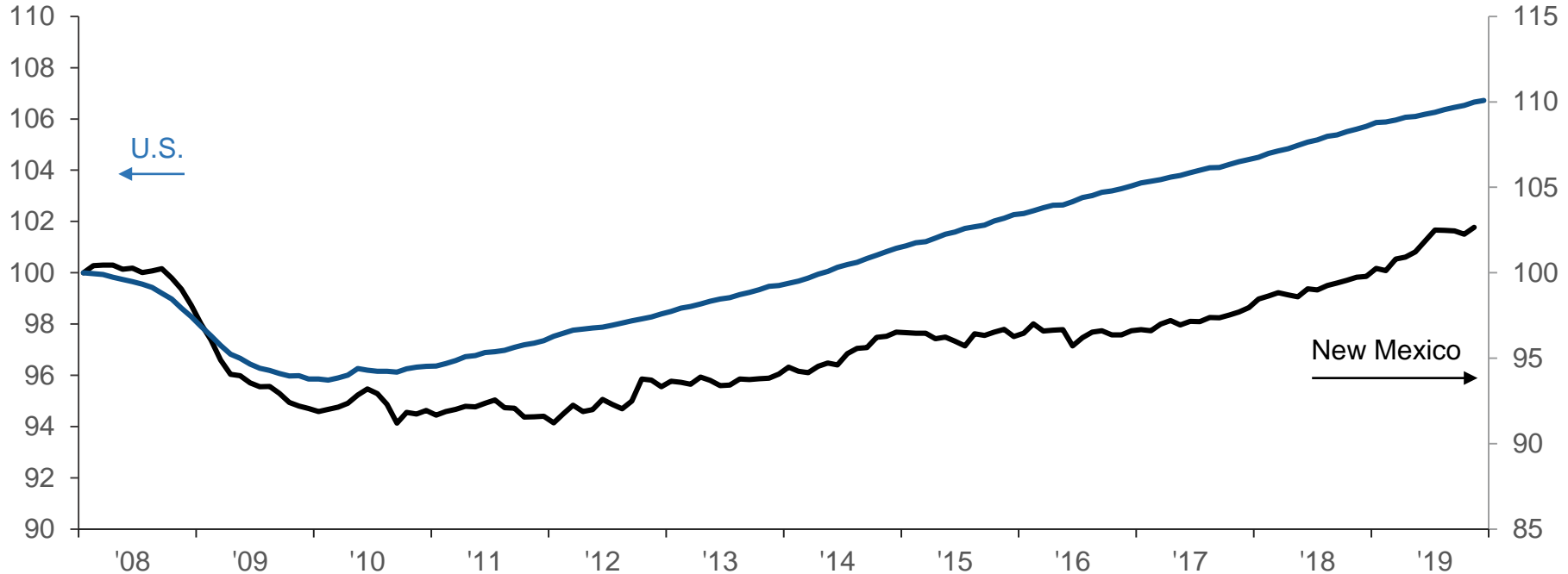


NOTE: Energy states denoted in black

SOURCE: Bureau of Labor Statistics; FRB Dallas.

New Mexico reaches pre-recession employment levels in 2019

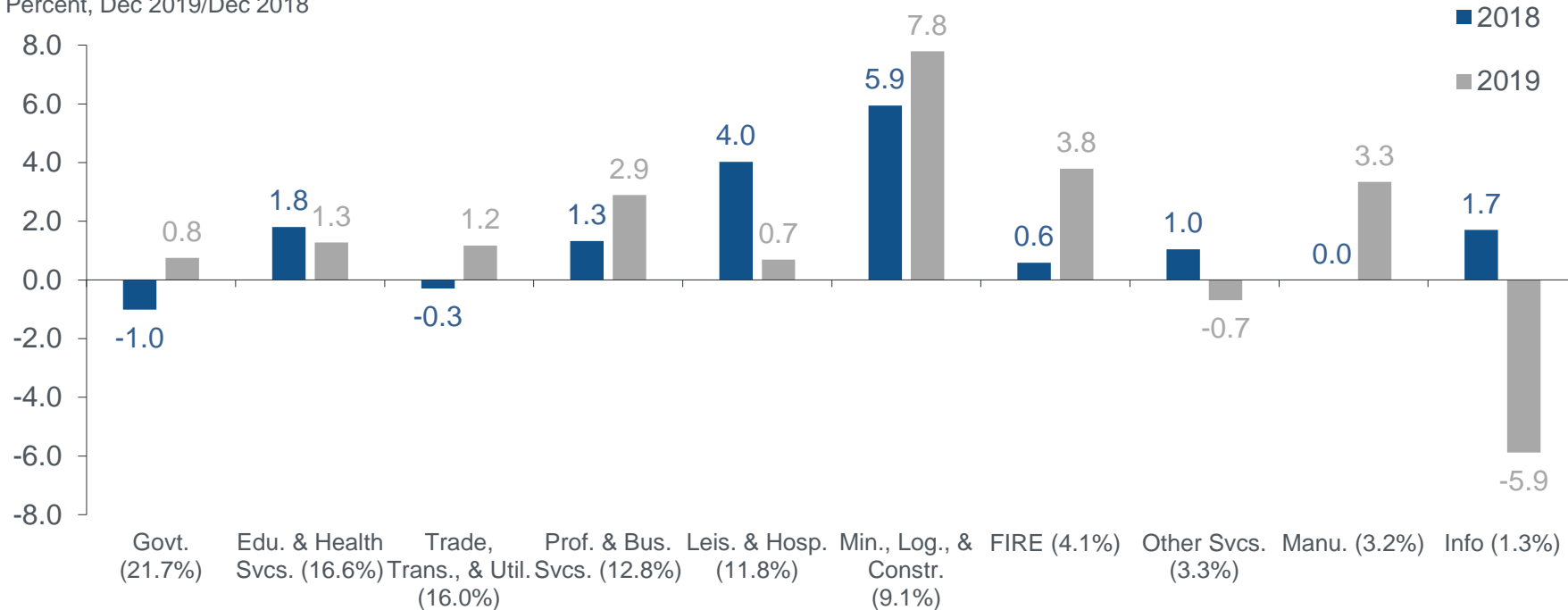
Employment Index, 2008 = 100, SA



SOURCE: Bureau of Labor Statistics

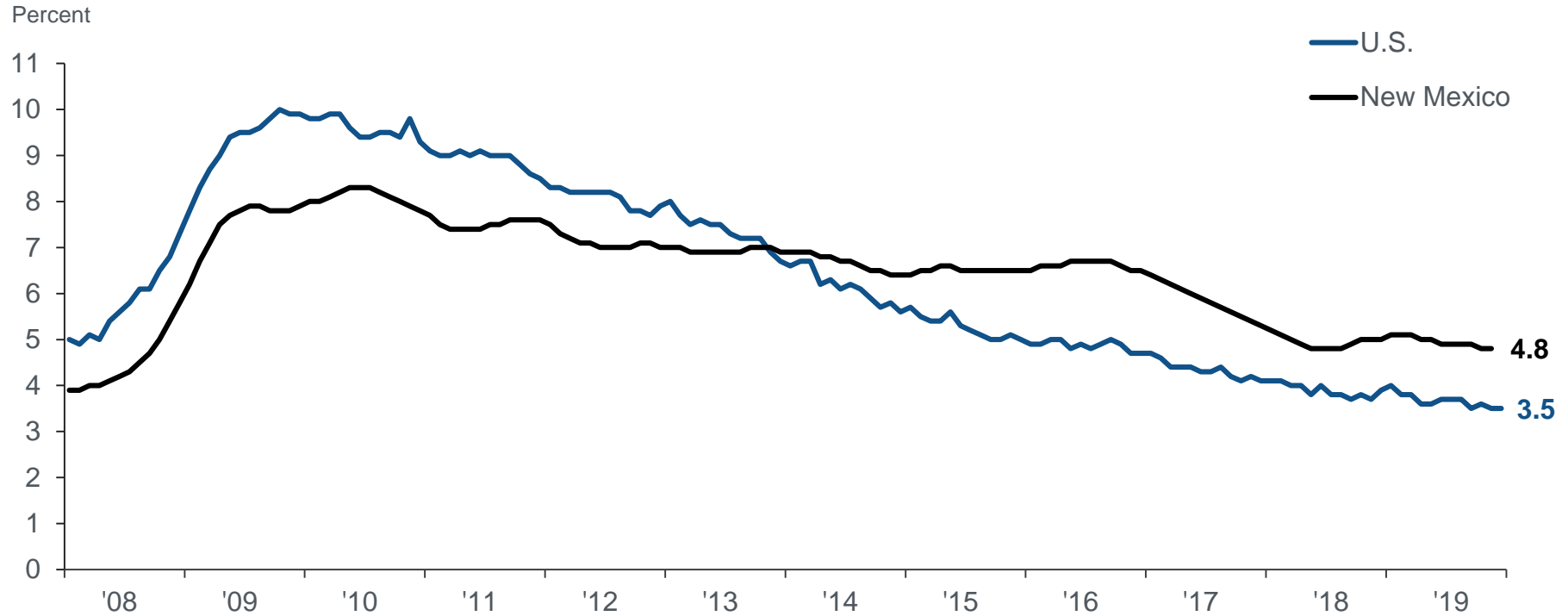
Mining & Construction, Professional & Business Services drive employment growth

Percent, Dec 2019/Dec 2018



SOURCE: Bureau of Labor Statistics

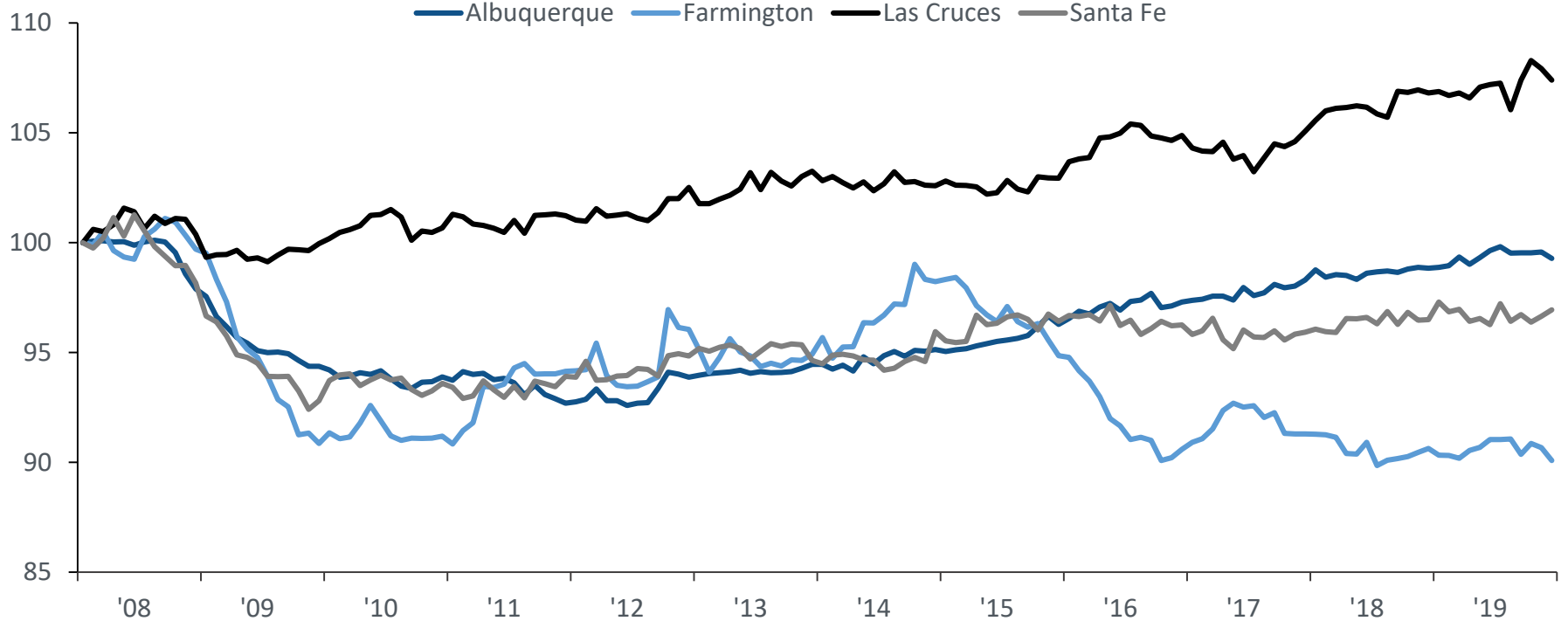
New Mexico unemployment rate above U.S.



SOURCE: Bureau of Labor Statistics

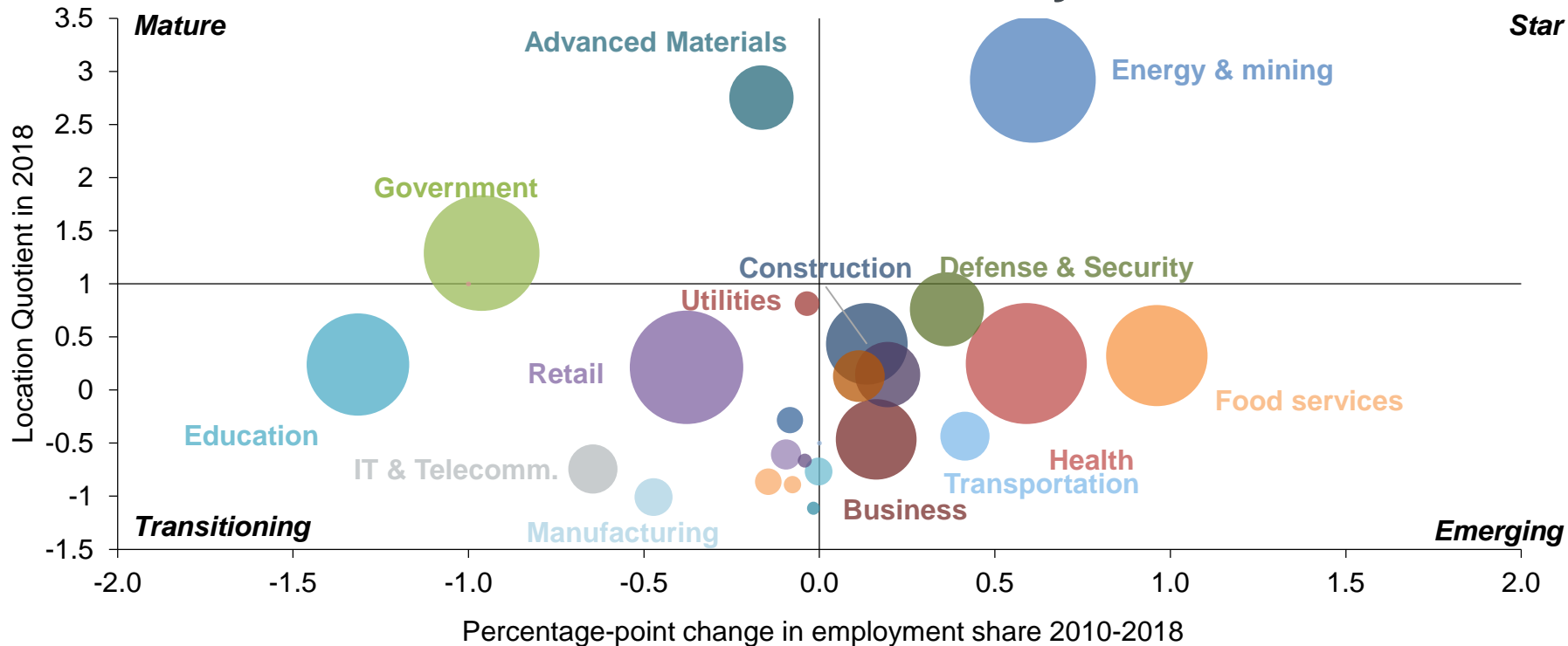
Employment trends vary within metros

Employment Index, 2008 = 100



SOURCE: Bureau of Labor Statistics

Government, Tourism, Energy, and Health dominate New Mexico's economy

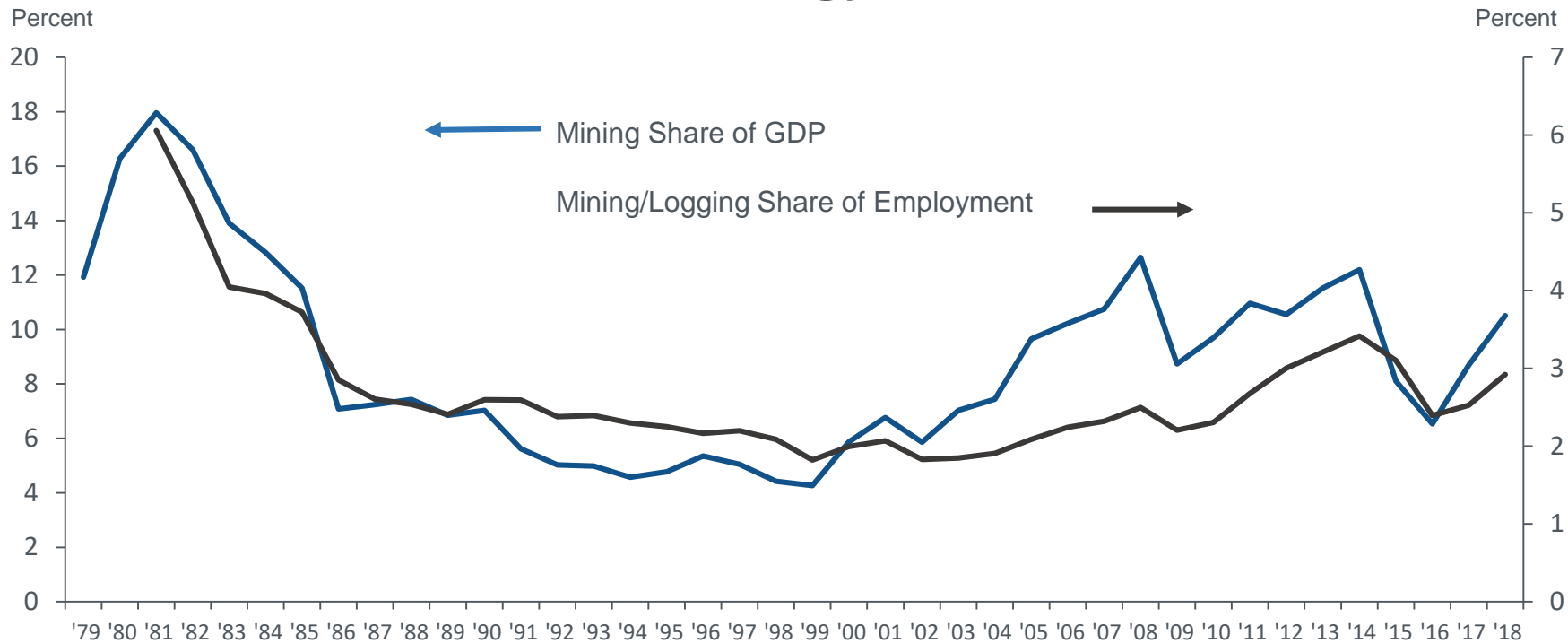


NOTE: Bubble size represents cluster share of metropolitan statistical area employment.

SOURCE: Bureau of Labor Statistics; authors' calculations.

Energy in New Mexico

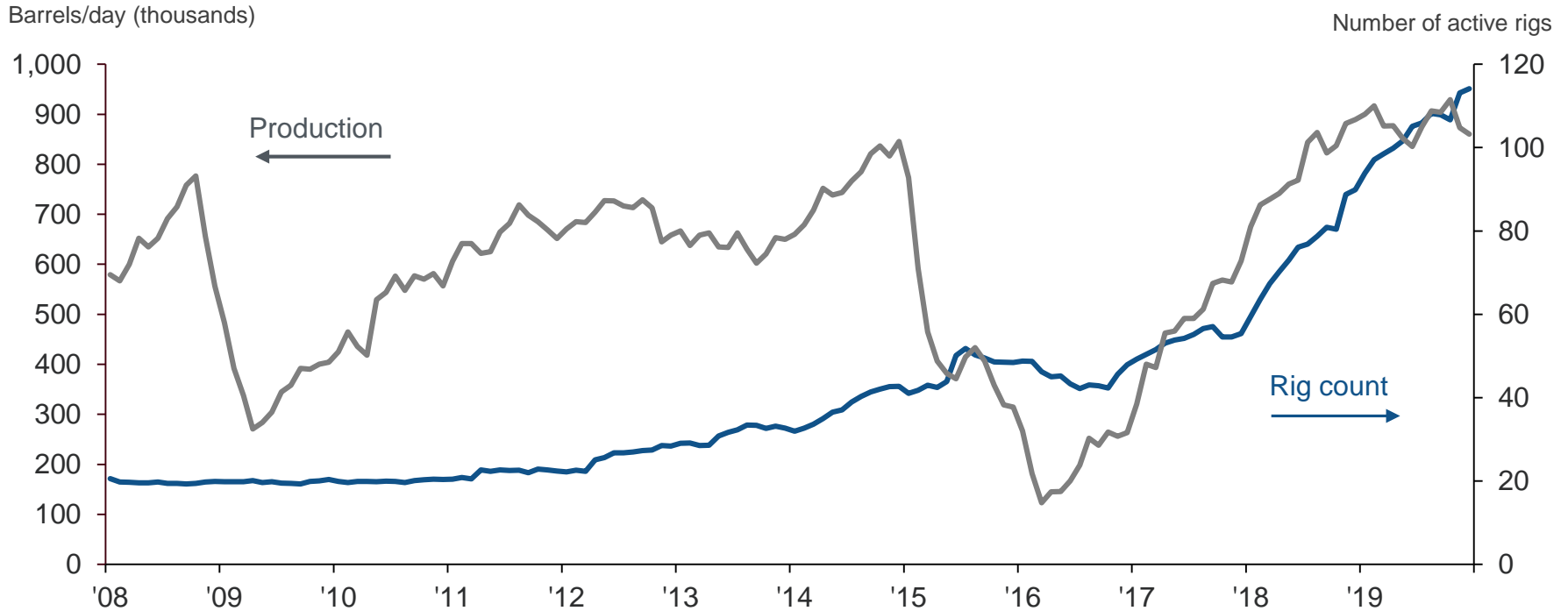
New Mexico's economy continues to depend on energy



NOTE: Values prior to 1997 extrapolated from SIC coded data. Employment data only available to 1981.

SOURCES: Bureau of Economic Analysis, Bureau of Labor Statistics

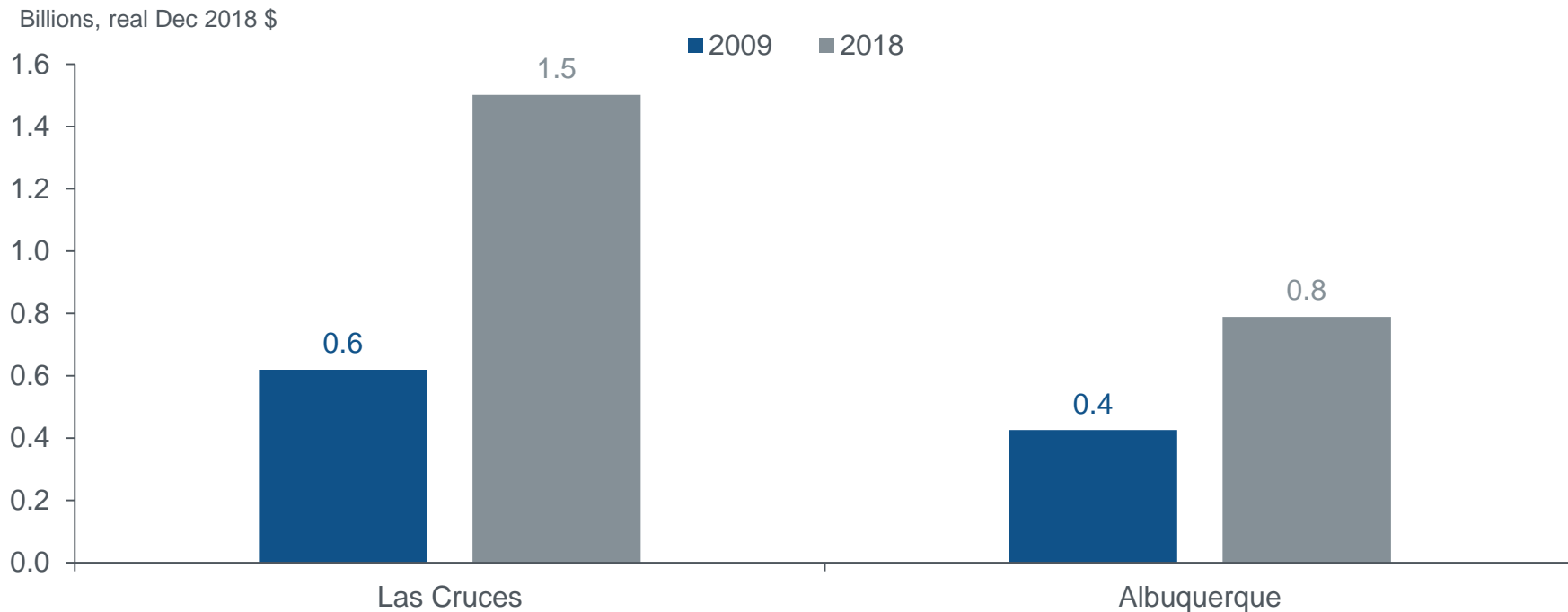
New Mexico oil production hits new high in December 2019



SOURCE: Baker Hughes; U.S. Department of Energy.

Trade in New Mexico

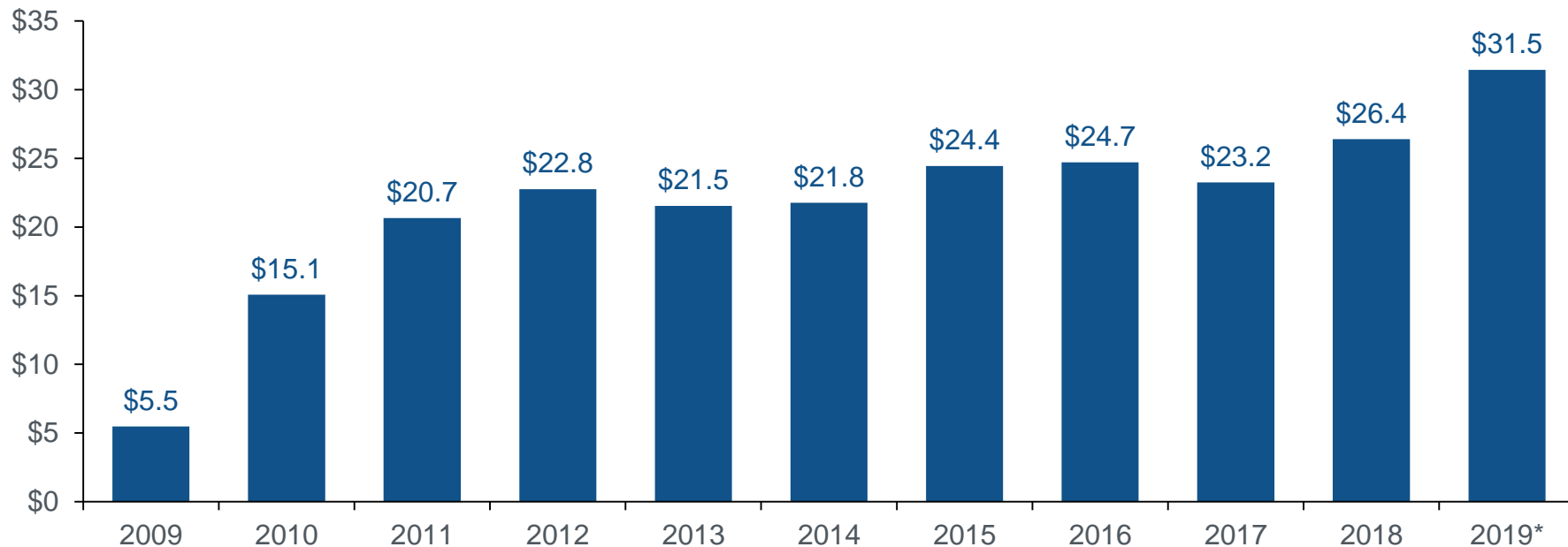
New Mexico's exports move south



SOURCE: International Trade Administration

Trade through Santa Teresa Port up since 2009

Total Trade, Q4 2019 \$



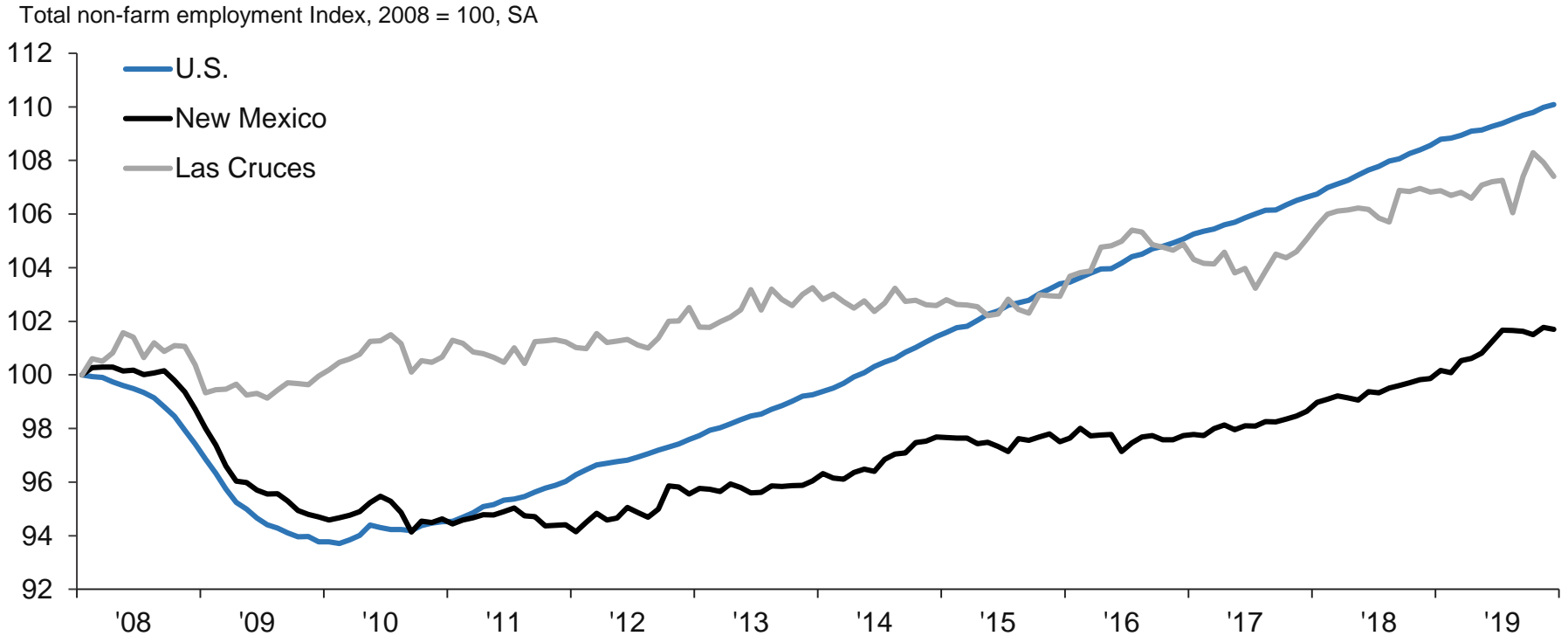
*2019 reflects annualized March data

NOTE: 2019 data YTD December 2018 through March 2019

SOURCE: Foreign Trade Division/Census Bureau/Haver Analytics

Las Cruces Economy

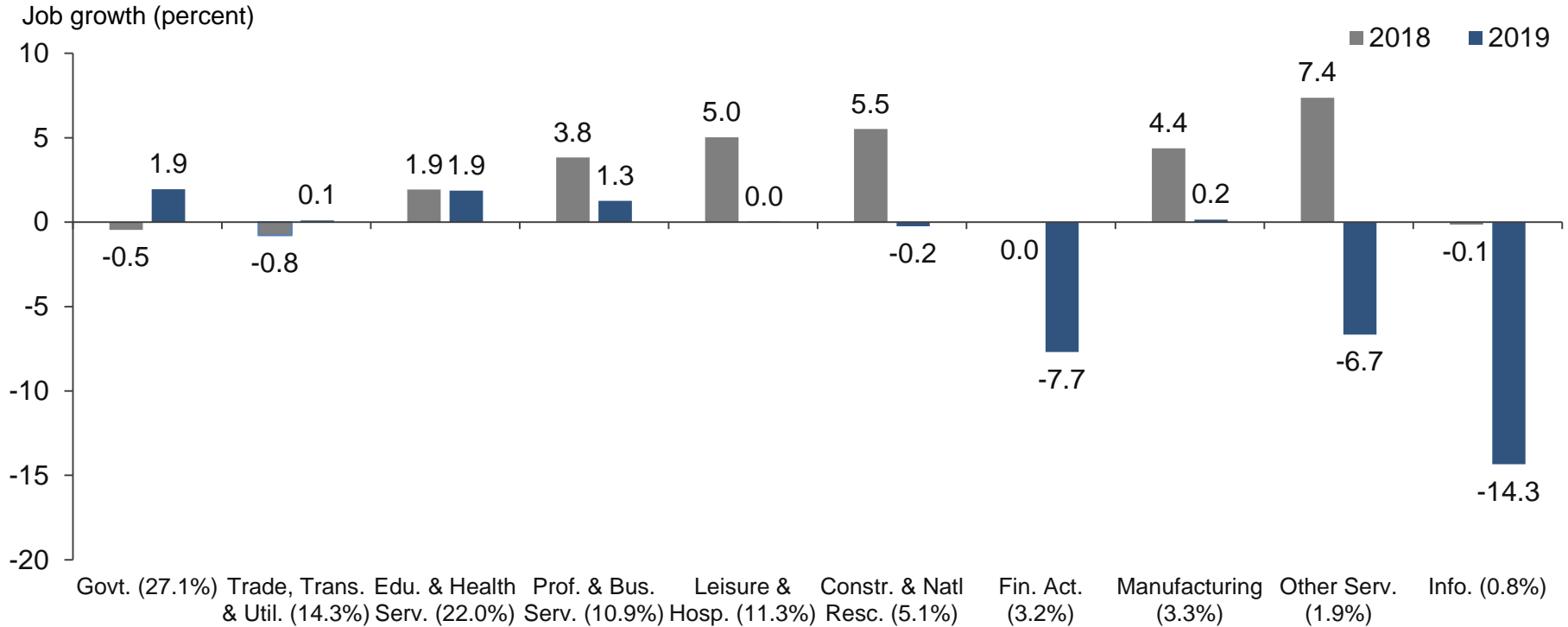
Las Cruces employment growth stagnates



NOTE: Data through December 2019.

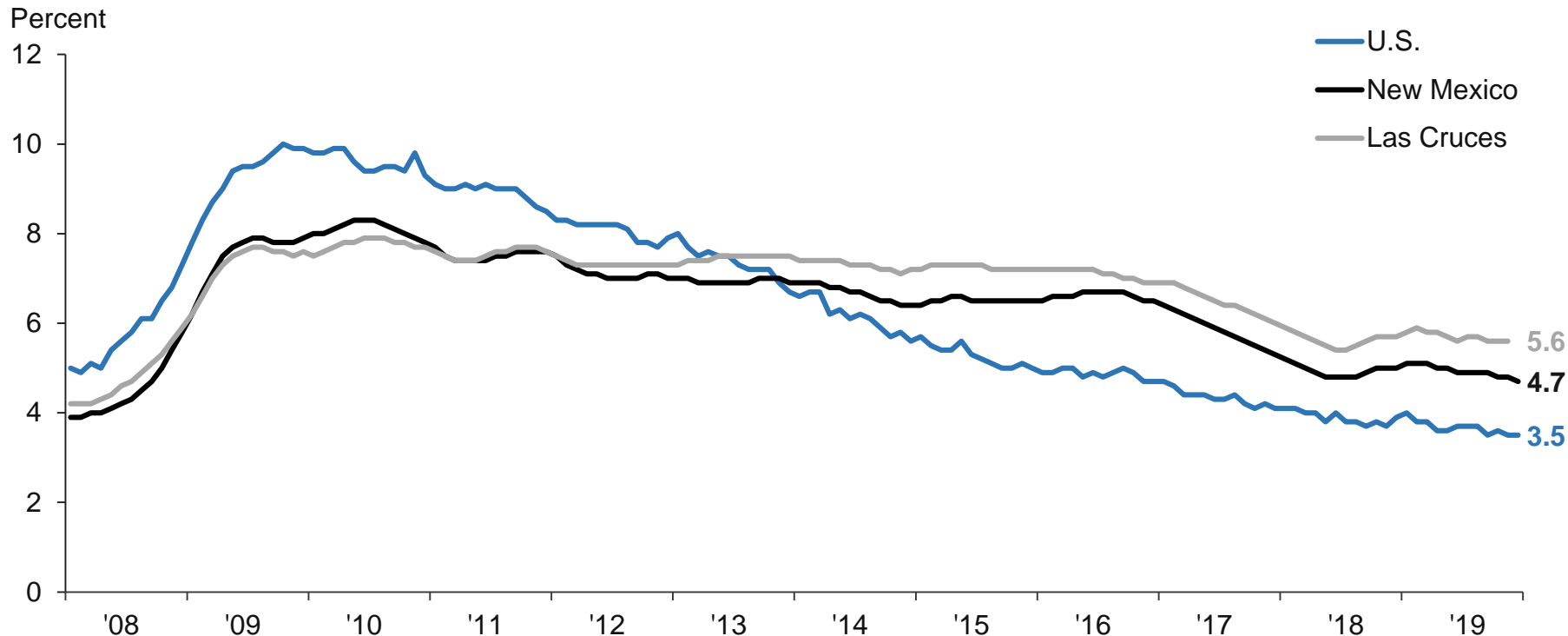
SOURCE: Bureau of Labor Statistics, Federal Reserve Bank of Dallas

Job growth mixed



SOURCE: Bureau of Labor Statistics, Federal Reserve Bank of Dallas

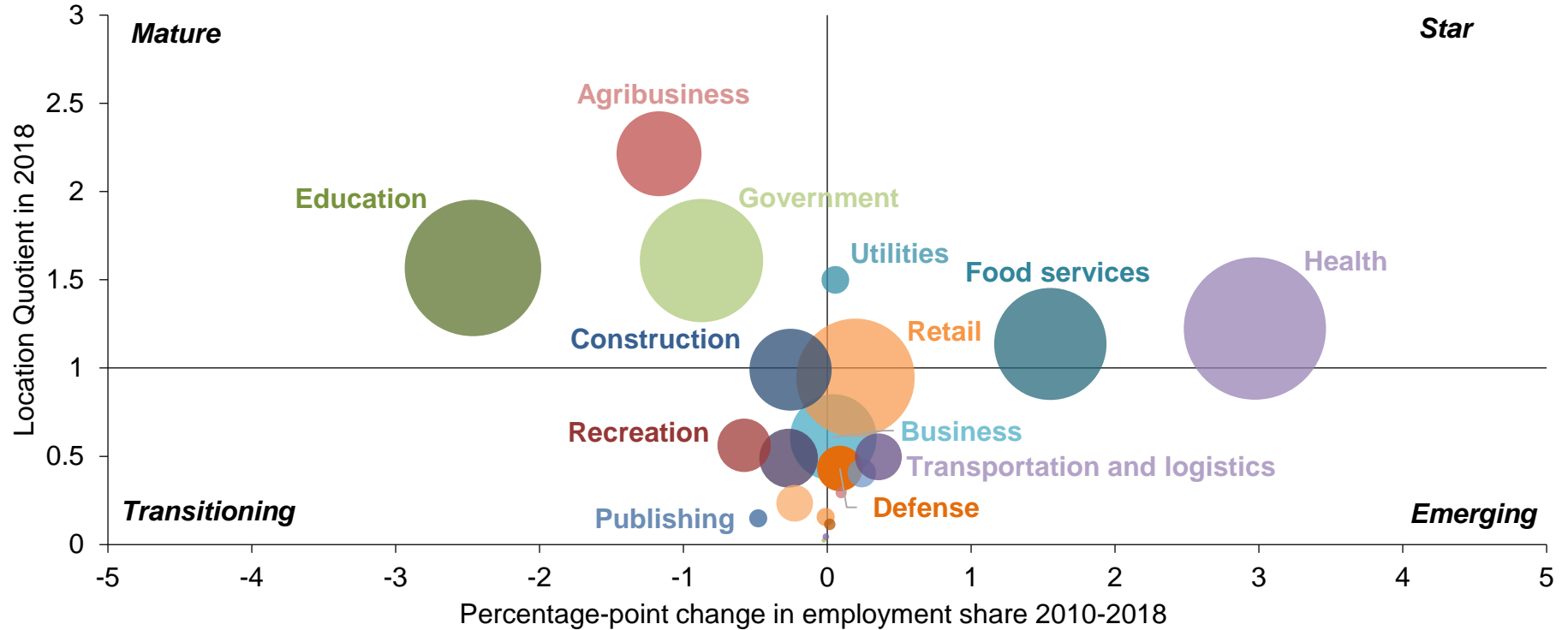
Las Cruces unemployment rate above state's



NOTE: Data through December 2019.

SOURCE: Bureau of Labor Statistics

Health, Food services clusters drive growth



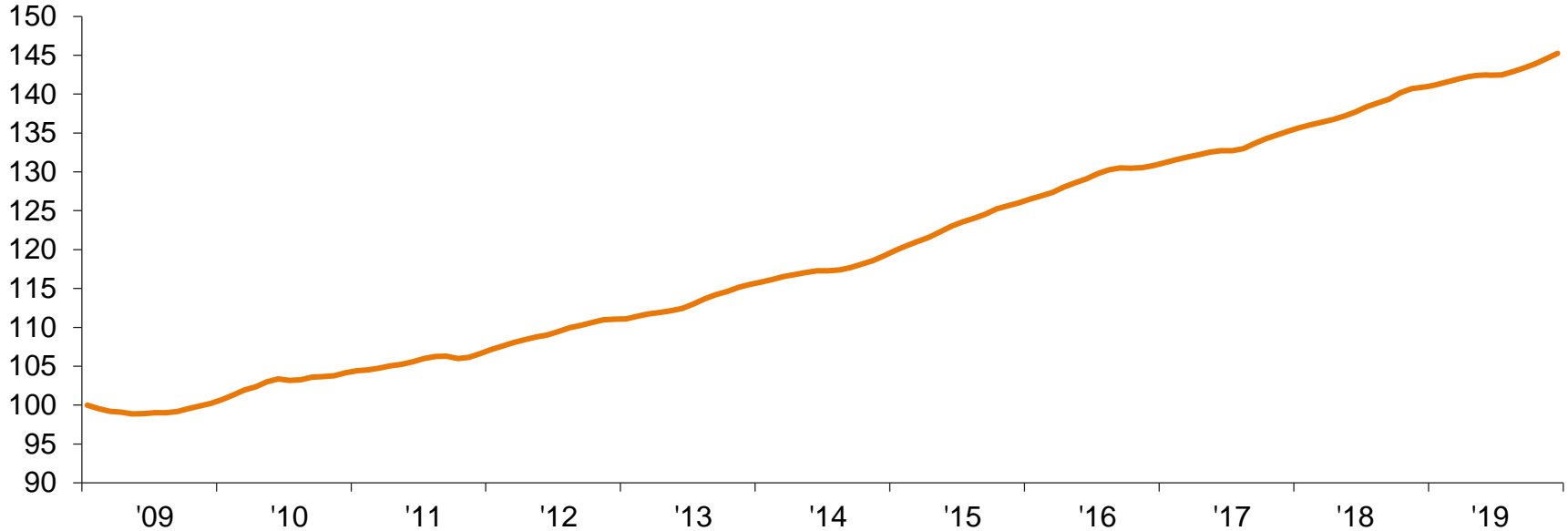
NOTE: Bubble size represents cluster share of metropolitan statistical area employment.

SOURCE: Bureau of Labor Statistics; authors' calculations.

El Paso Economy

El Paso economy expanding

Index, January 2009 = 100*



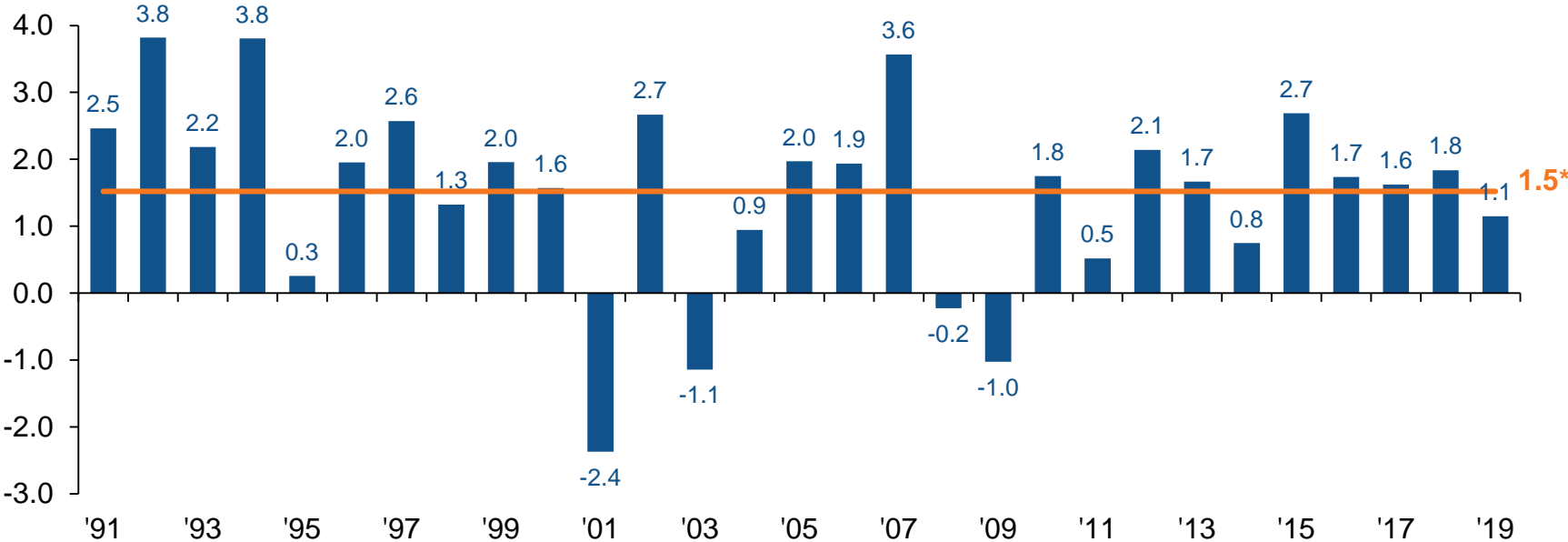
*Seasonally adjusted, monthly

NOTE: The index reflects broad movements in local economic conditions. It is constructed based on the aggregated movements in the local area unemployment rate, nonagricultural employment, inflation-adjusted wages, and inflation-adjusted retail sales.

SOURCE: Federal Reserve Bank of Dallas

El Paso employment growth below long-term average

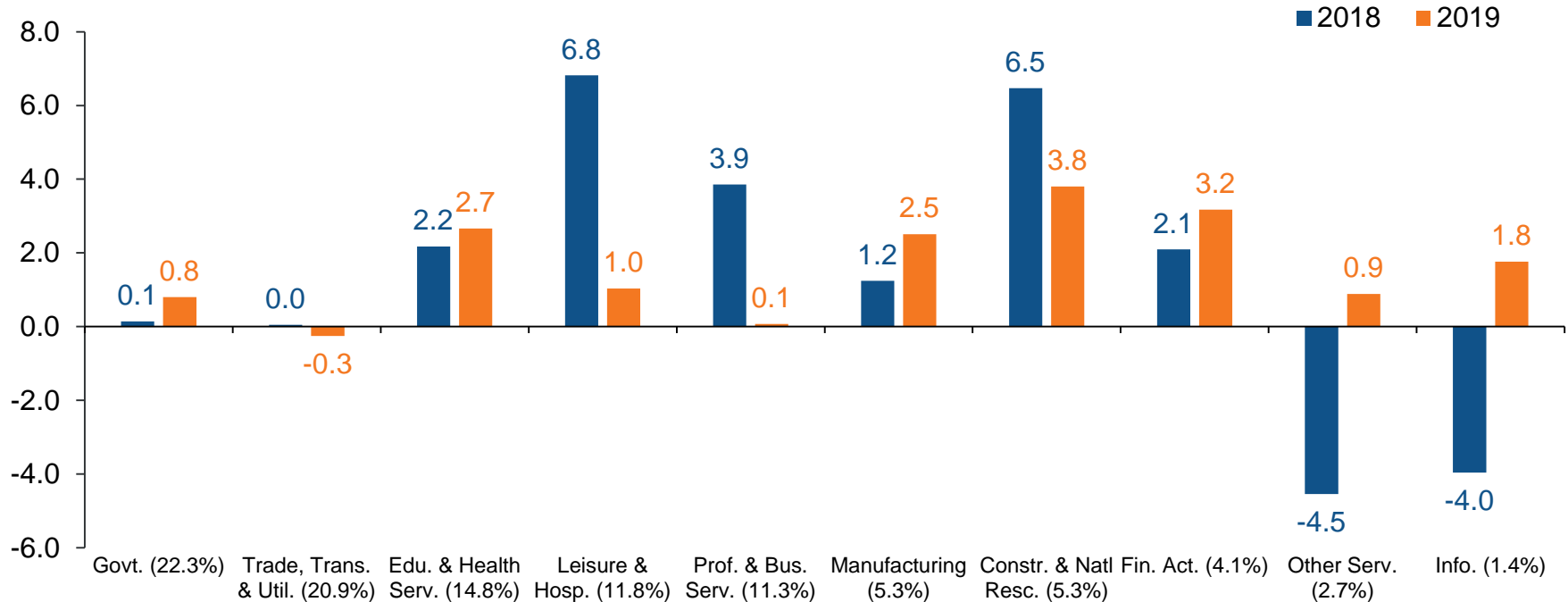
Job growth (percent), Dec./Dec.



*YTD seasonally adjusted annualized rate from December 2018 to November 2019
 SOURCE: Bureau of Labor Statistics, Federal Reserve Bank of Dallas

Broad-based employment growth

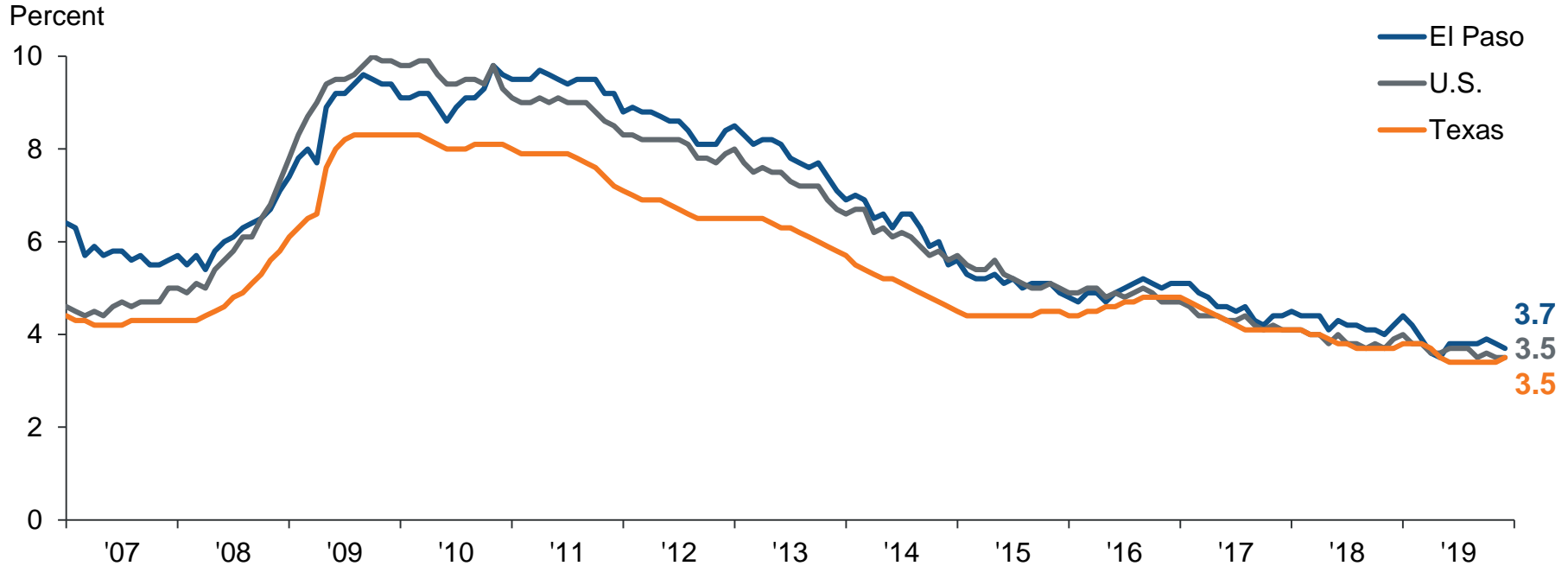
Job growth (percent)



*YTD seasonally adjusted annualized rate from December 2018 to November 2019

SOURCE: Bureau of Labor Statistics, Federal Reserve Bank of Dallas

El Paso unemployment declines



SOURCE: Bureau of Labor Statistics, Federal Reserve Bank of Dallas

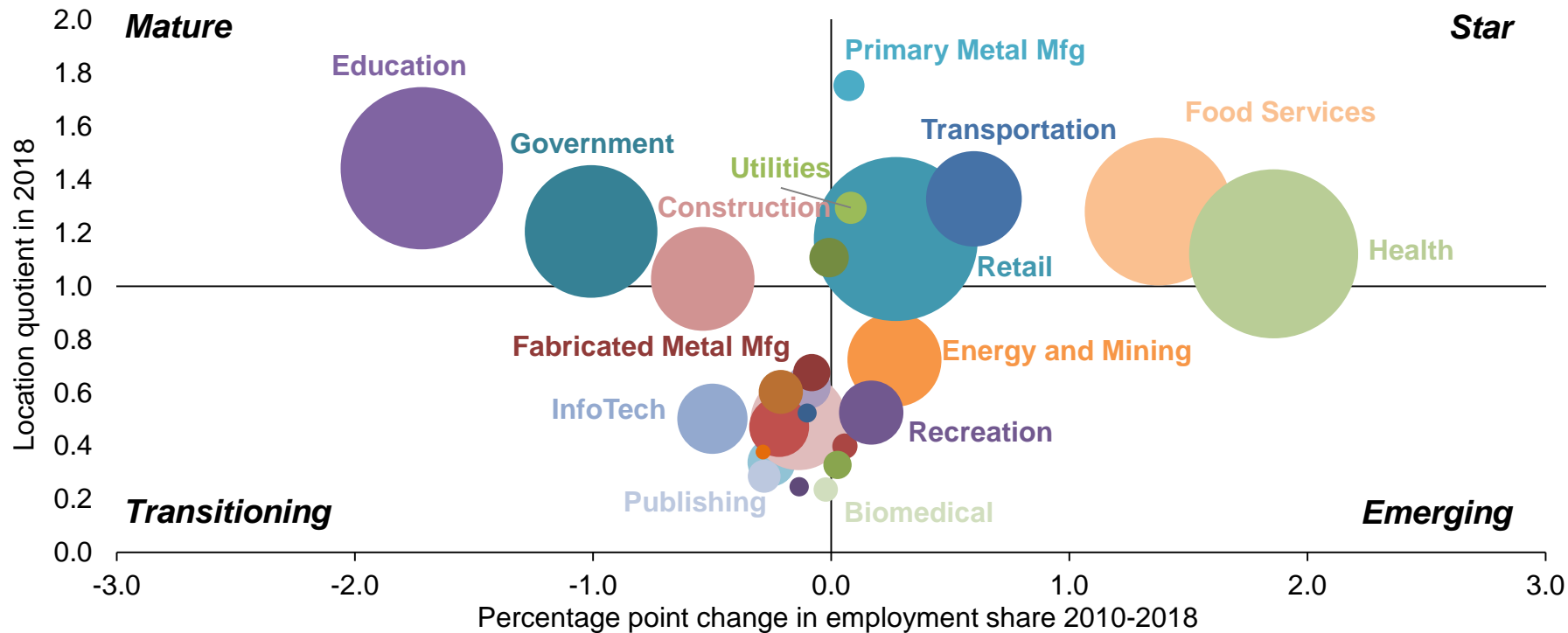
Maquiladoras are important for Texas' border cities

	El Paso	Laredo	McAllen	Brownsville
City Level	2.8*	4.6	6.6*	2.2
Construction	0.2	3.2	4.0*	1.3*
Manufacturing	-1.3	1.0	1.6	0.7
Transportation	5.3*	7.2*	6.6*	4.6*
Wholesale	0.4	2.0	4.0*	0.8
Retail	1.3	0.7	3.2*	1.3*
FIRE	2.1*	8.2*	4.6*	0.6
Services	1.8*	5.9*	7.4*	3.9*

NOTE: This table shows elasticity estimates. That is the table shows the percentage increase in local employment from a 10 percent increase in maquiladora production for each Texas Border Cities. * indicates significant at the 10% level.

SOURCE: J. Cañas, R. Coronado, R. Gilmer, E. Saucedo (2013) "The Impact of Maquiladoras on U.S. Border Cities", *Growth and Change*, 44(3) 415–42.

Health cluster fast-growing pillar for regional economy



NOTE: Bubble size represents cluster share of MSA employment.

SOURCES: Texas Workforce Commission; Bureau of Labor Statistics; *At the Heart of Texas*, Federal Reserve Bank of Dallas

Concluding Remarks

Concluding Remarks

- New Mexico's growth accelerated in 2019
 - Pick up in energy production is boosting New Mexico's economy
 - Exports have moved south
 - Trade and cross-border manufacturing in Santa Teresa continue to grow
- Las Cruces' economy continued to expand as well through 2019, though at a slower rate than in 2018
 - Job growth is mixed and most gains derived from Education, Health care, and Government sectors
- El Paso's economy continued to expand through 2019, albeit at a slower rate than in 2018
 - Retail trade employment has weakened
 - Health care and Government continue to steadily add jobs

Concluding Remarks

- **Headwinds:**
 - Volatility in exchange rate markets
 - Mexican economy is weakening
 - Manufacturing activity globally and in Juarez is slowing down
 - Permian basin energy activity is slowing down
 - Trade uncertainty despite USMCA
- **Tailwinds**
 - USMCA
 - Growth in healthcare sector in Las Cruces and El Paso
 - Strong construction sector

Dallas Fed Publications

Public Resources from the Dallas Fed:

- [Regional Economic Updates](#)
- [Energy Survey](#)
- [National Economic Updates](#)
- [International Economic Updates](#)
- [Southwest Economy](#)
- [Additional Research Publications and Data](#)

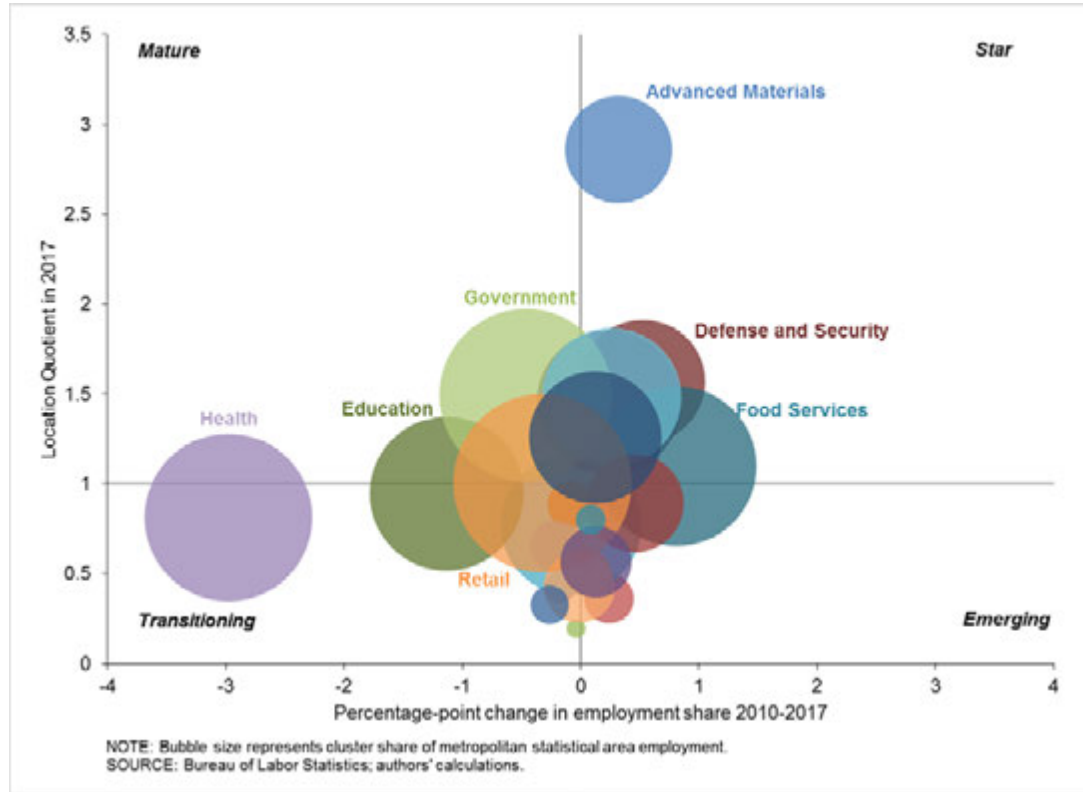


Regional Economic Update

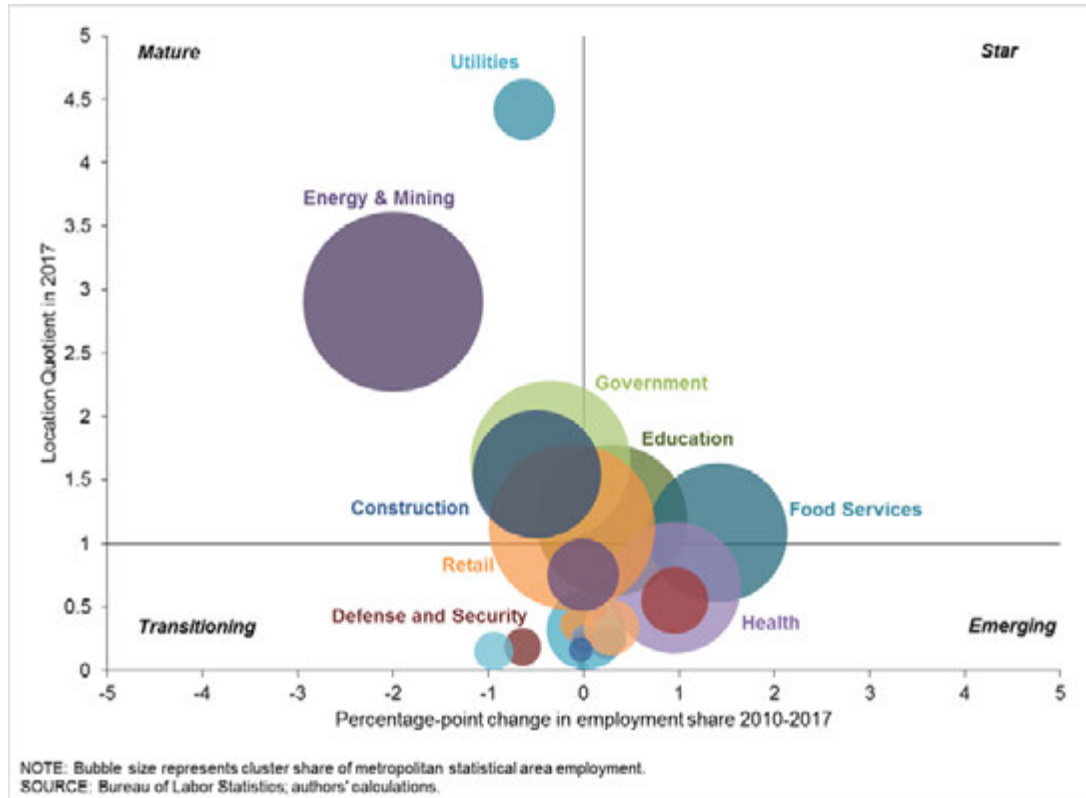
For more information visit
www.dallasfed.org

Back-Up Slides

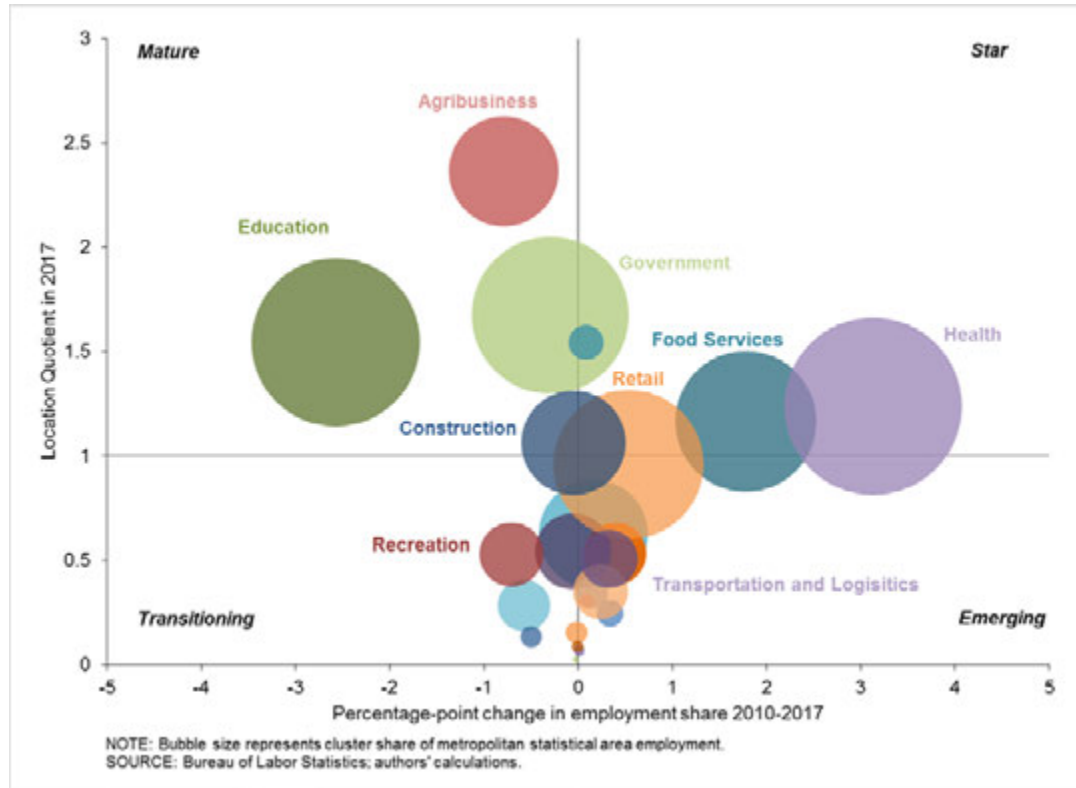
In addition to government, health, retail are important to Albuquerque



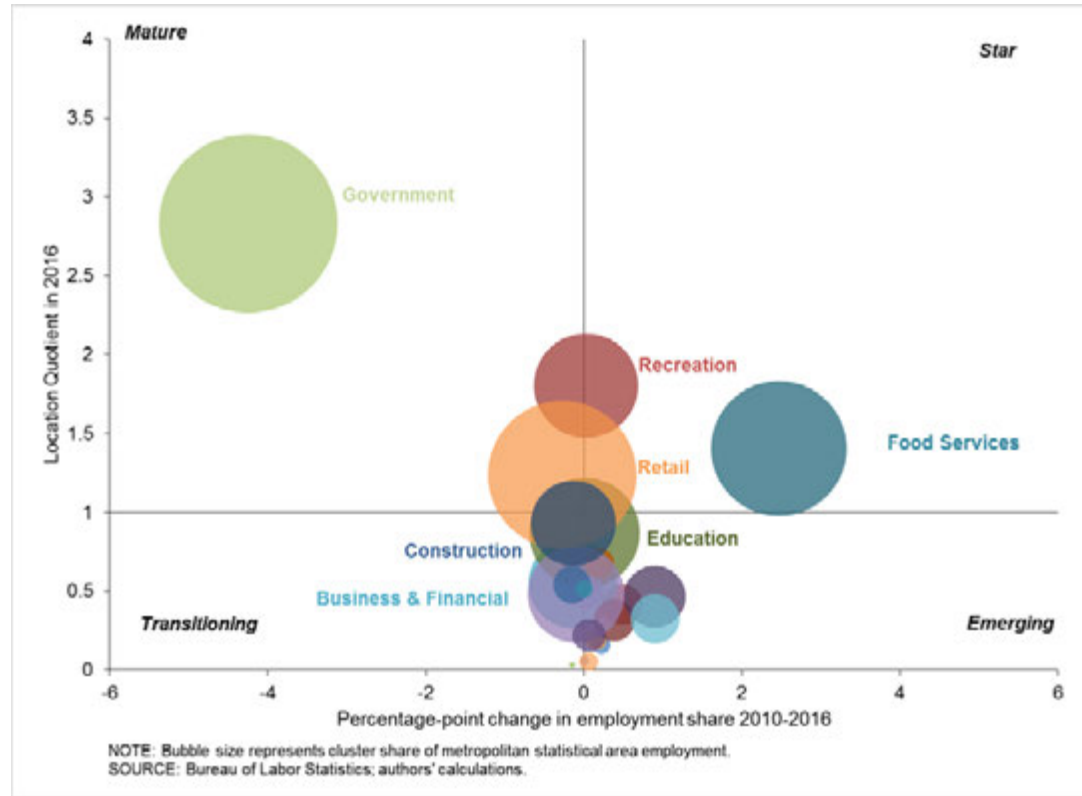
Government, energy and tourism drive Farmington



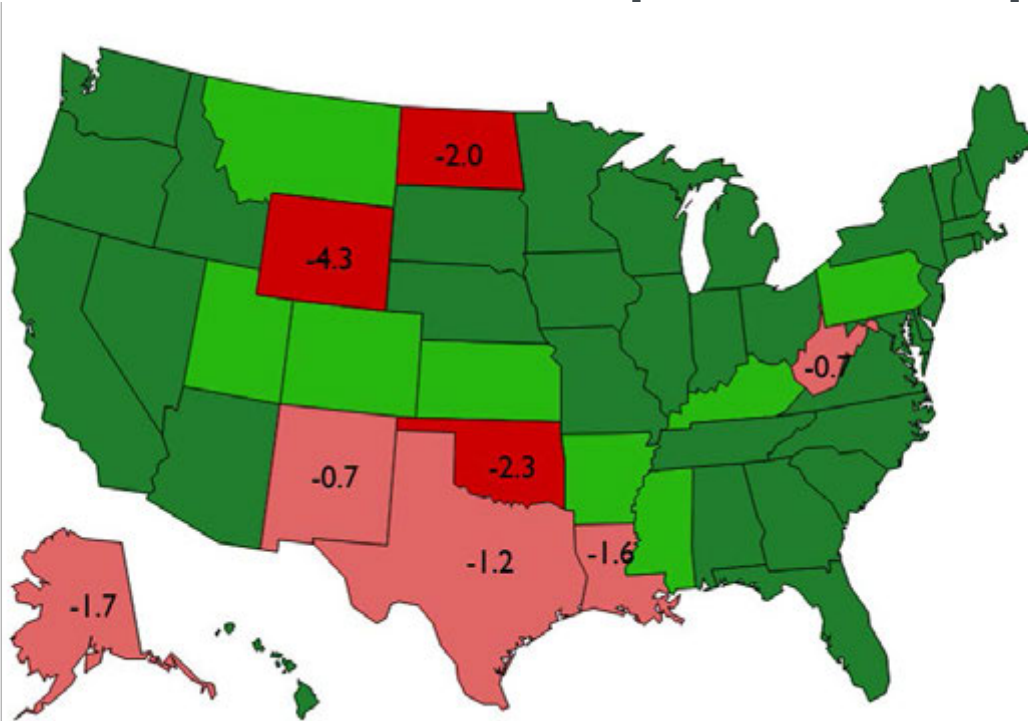
Healthcare is the fastest growing cluster in Las Cruces



Government and tourism drive Santa Fe



Low oil prices benefit most states (Effect of a 50% decline in oil prices on employment)



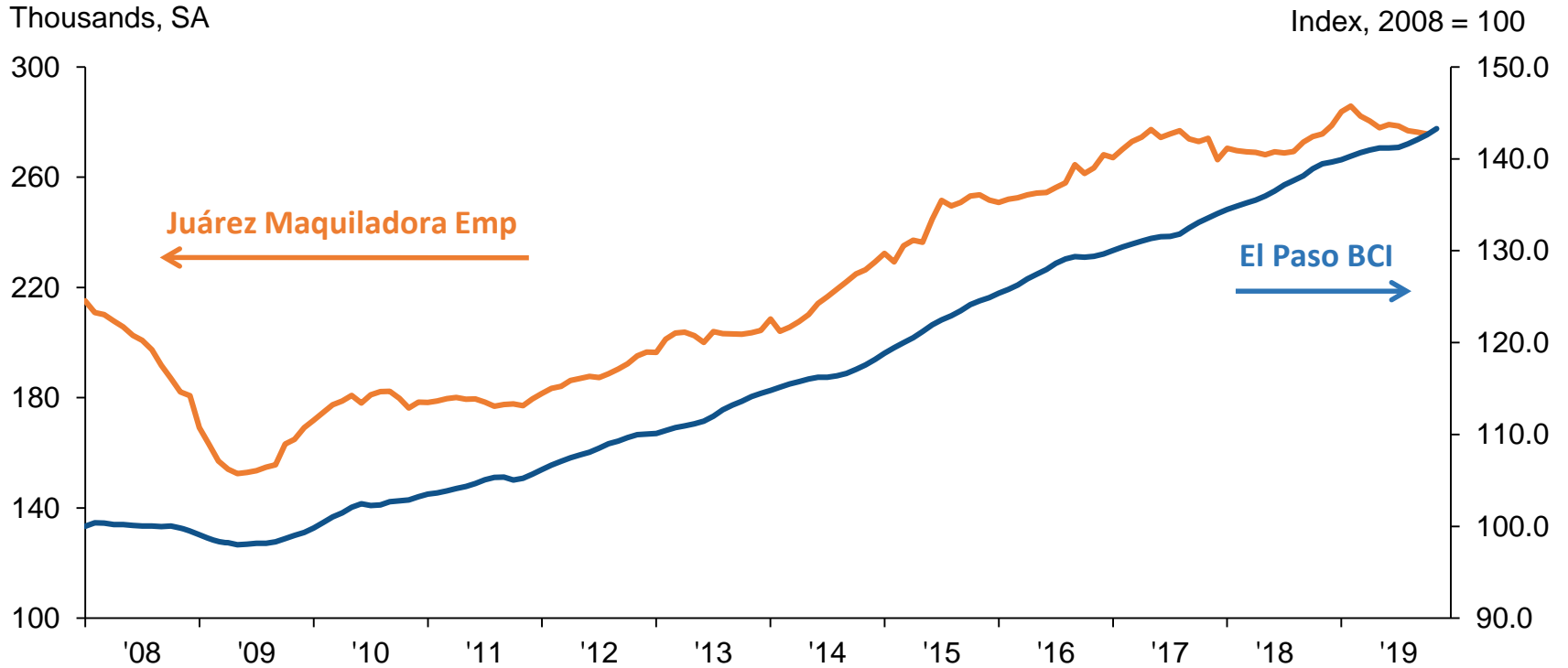
SOURCES: Brown, Stephen P.A., and Yucel, Mine. "The Shale Gas and Tight Oil Boom: U.S. States' Economic Gains and Vulnerabilities," Council of Foreign Relations. October 2013

Las Cruces Outlook

Growth rate (% change)	2018	2019	2020	2021
GDP	2.7	1.3	0.8	1.1
Employment	2.2	2.0	1.1	1.3

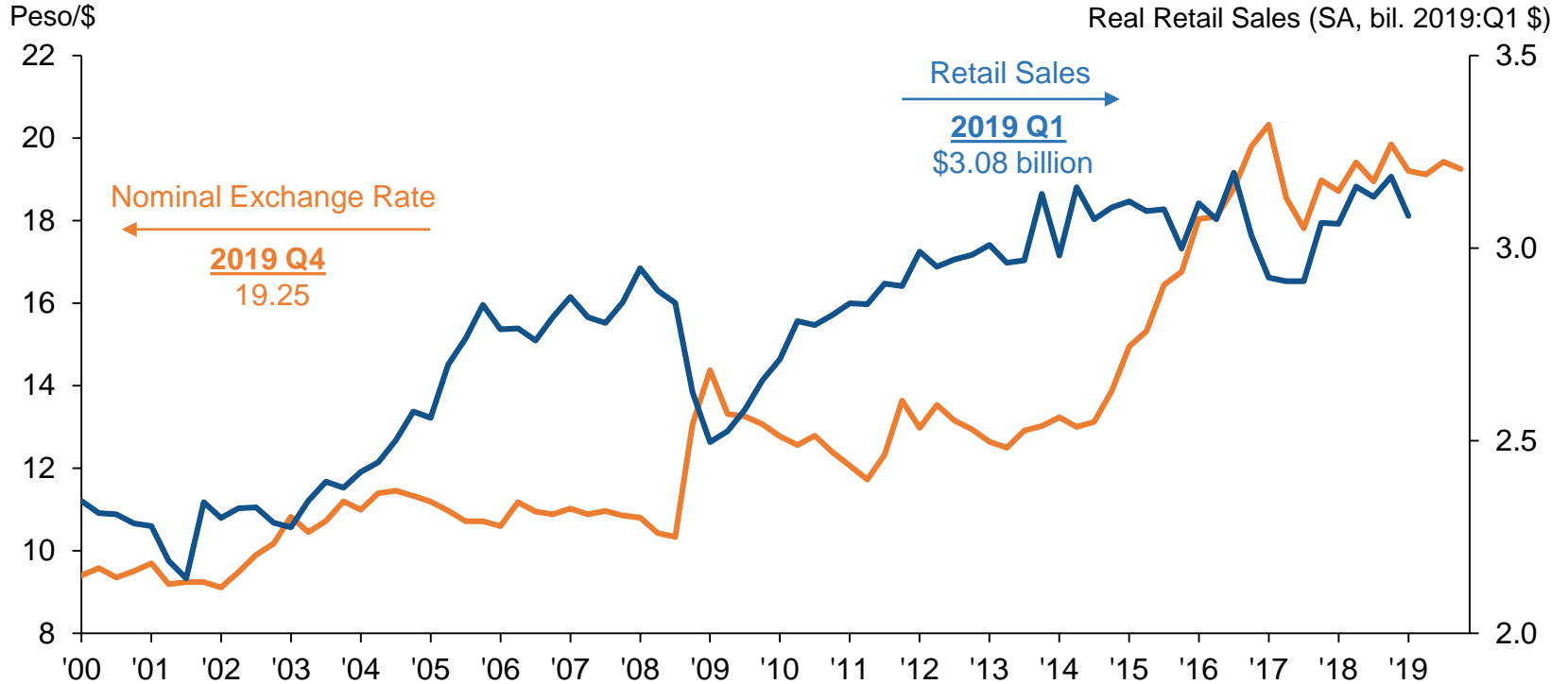
Source: Borderplex Economic Outlook to 2021, UTEP Border Region Modeling Project

El Paso follows the maquiladora industry



SOURCE: Instituto Nacional de Estadística, Geografía e Informática (INEGI), Federal Reserve Bank of Dallas

Retail sales soften as Dollar strengthens



SOURCE: Texas Comptroller of Public Accounts, Federal Reserve Board

El Paso Outlook

Growth rate (% change)	2018	2019	2020	2021
GDP	2.8	1.0	0.9	1.1
Employment	1.5	1.7	0.4	1.1

Source: Borderplex Economic Outlook to 2021, UTEP Border Region Modeling Project