Regional Economic Update

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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. Texas economic update
2. El Paso economic update
3. Concluding Remarks
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Texas Economic Update

• After growing rapidly for three years, Texas employment growth slowed in 2015
• Grew 3.6% in 2014
  • Added 384,000 jobs
• Grew 1.2% through June (annualized)
  • Added 68,600 jobs
• Expect slow growth in 2015
Texas posted third-fastest job growth among states in 2014.

In 2015, Texas ranks a distant 34th in job growth so far.

NOTE: Year-to-date is through June and rate is annualized.

In 2015, state job growth falls short of nation’s

NOTES: Quarterly employment is last month of a quarter.
SOURCES: Bureau of Labor Statistics, Texas Workforce Commission, seasonal adjustment by FRB Dallas
Texas Employment growth by sector

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission, seasonal adjustment by FRB Dallas. 
June 2015
Texas employment growth by sector

Thousands of jobs, YTD change

- Trade, Transp & Util (20%): 21.4 thousands
- Gov. (16%): 11.7 thousands
- Prof. & Busin. (13%): 14.3 thousands
- Educ. & Health Serv (13%): 29.1 thousands
- Leis. & Hosp. (11%): 33.0 thousands
- Manu. (7%): -22.7 thousands
- Const (6%): -6.2 thousands
- Fin. Activ (6%): 0.4 thousands
- Other Services (4%): 2.7 thousands
- Oil&Gas Extrac., Min. Sup (2%): -16.6 thousands
- Info (2%): 1.6 thousands

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal adjustment by FRB Dallas
June 2015
We sure will miss the energy sector jobs

Thousands of jobs, YTD change

- Trade, Gov. (16%), Transp & Util (20%): $939
- Prof. & Busin. (13%), Educ. & Health Serv (13%): $1102
- Leis. & Hosp. (11%): $1281
- Manu. (7%), Const (6%): $846
- Fin. Activ (6%): $1370
- Other Services (4%): $1116
- Oil & Gas Extrac., Min. Sup (2%): $1412
- Info (2%): $678
- Other Services (4%): $2696
- Total: $1447

SOURCES: Bureau of Labor Statistics; FRB Dallas.; Texas Workforce Commission
NOTE: Average weekly earnings are listed on the bars.
June 2015
Share of Texas’ jobs in Energy 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.

Oil price impact on the Texas economy

• Oil price declines hurt Texas
  – In Texas, oil price decline benefits:
    • consumers, refiners, petrochemical producers
  – Oil price decline hurts:
    • oil producers and all industries that benefitted from the oil boom
  – 50% sustained oil price decline leads to a 1.2% decline in Texas employment => 140,000 jobs

• State severance taxes will decline

SOURCE: FRB Dallas, Director of Research, Mine Yucel
Low oil prices benefit most states
(Effect of a 50% decline in oil prices on employment)

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3. Concluding Remarks
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
...But employment growth slower than 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%)  
Trade, Transp & Utilities (22%)  
Educational & Health Services (14%)  
Leisure & Hospitality (11%)  
Professional & Business (10%)  
Manufacturing (6%)  
Construction & Mining (4%)  
Financial Activities (4%)  
Other Services (3%)  
Information (2%)

Sources: Bureau of Labor Statistics; FRB Dallas. 
June 2015
El Paso employment growth by sector

Thousands of jobs, YTD Change

Government (23%)
Trade, Transp & Utilities (22%)
Educational & Health Services (14%)
Leisure & Hospitality (11%)
Professional & Business (10%)
Manufacturing (6%)
Construction & Mining (4%)
Financial Activities (4%)
Other Services (3%)
Information (2%)

Gain in government jobs helps El Paso

Thousands of jobs, YTD Change

- Government: $1256 (23%)
- Trade, Transp & Utilities: $638 (22%)
- Educational & Health Services: $734 (14%)
- Leisure & Hospitality: $286 (11%)
- Professional & Business: $939 (10%)
- Manufacturing: $647 (6%)
- Construction & Mining: $670 (4%)
- Financial Activities: $800 (4%)
- Other Services: $448 (3%)
- Information: $807 (2%)

NOTES: 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 Texas. 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>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.8%</td>
<td>Colorado Springs</td>
</tr>
<tr>
<td>17.2%</td>
<td>Virginia Beach, N.C.</td>
</tr>
<tr>
<td>17.2%</td>
<td>Honolulu</td>
</tr>
<tr>
<td>14.3%</td>
<td>D.C. region</td>
</tr>
<tr>
<td>13.6%</td>
<td>El Paso</td>
</tr>
<tr>
<td>11.5%</td>
<td>Ogden-Clearfield, Utah</td>
</tr>
<tr>
<td>10.9%</td>
<td>San Diego-Carlsbad-San Marcos</td>
</tr>
<tr>
<td>9.1%</td>
<td>Augusta, Ga.-S.C.</td>
</tr>
<tr>
<td>7.8%</td>
<td>San Antonio</td>
</tr>
<tr>
<td>7.6%</td>
<td>Charleston S.C.</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

Only 15 percent of El Paso workforce has a Bachelor’s degree or higher...

Note: Note: Excludes “Educational Attainment not Available (workers aged 24 or younger)”

Source: U.S. Census Bureau, Center for Economic Studies, LEHD
...Yet, they have the highest earnings

Note: Dollar amount above bars is average monthly premium compared to one level of education higher.
Note: Excludes “Educational Attainment not Available (workers aged 24 or younger)”
Source: U.S. Census Bureau, Center for Economic Studies, LEHD
Job growth by wage quartile
(2001-2014)

% Change in employment

Lowest wage quartile Less than $10.75
-20
-10
0
10
20
30
40
50

Lower-middle wage quartile $10.75 - $15.76
-8.9
1.7
13

Upper-middle wage quartile $15.76 - $24.17
13.9
24
8.6

Highest wage quartile Above $24.17
12.5
18
18.6

Summary --- Texas

• The drop in energy prices has slowed the Texas economy
• Grew 1.2 % through June (annualized)
  • Added 68,600 jobs
• Texas growth may not outpace nation in 2015
• **Headwinds**: oil prices, strong dollar, global economy
• **Tailwind**: stronger U.S. economy
Summary --- El Paso

• The El Paso economy expanded at a slower rate in 2014
• So far, growth in 2015 continues to be weak
• **Headwinds**: weak U.S. industrial sector, government budget, and weak Mexican economy
• **Tailwinds**: healthy U.S. auto market and strong manufacturing activity in Mexico
• Education continues to be a challenge for our region
Regional Economic Update

Please go to

www.dallascfed.org

for data and regional information.