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Paso del Norte Economic Indicator Review, August

Hunt Institute for Global Competitiveness

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Key Takeaways

Employment

• Non-farm employment across the Paso del Norte region continued its gradual recovery amidst the onset of COVID-19. Non-farm employment increased by 2.4% in El Paso, 0.3% in Las Cruces, and 0.9% in Ciudad Juárez from May to June. However, on a year-over-year basis, non-farm employment decreased by 5.8% in El Paso (-18,700 jobs), 6.1% in Las Cruces (-4,400 jobs), and 1.7% in Ciudad Juárez (-7,700 jobs) in June. The current public health crisis decreased non-farm employment more abruptly across the Paso del Norte region in comparison to the 2008 global financial crisis.

Trade

• In 2019, the Paso del Norte region was home to two of the five ports of entry that accounted for 80% of world trade merchandise that crossed the U.S.-Mexico border: El Paso Port of Entry (PoE), which ranked second with a 15% share, and the Santa Teresa PoE, which ranked fifth with a 6% share.

• The onset of the pandemic severely impacted the overall merchandise trade value through the El Paso PoE, which dropped roughly 50% in the January-June 2020 period on a year-over-year basis. Merchandise trade value through the Santa Teresa PoE dropped by 23.6% during this period. For the first time, beginning in April, imports through the Santa Teresa PoE have surpassed those at the El Paso PoE.

Mexican Tax Revenue on Foreign Trade Through Ports of Entry

• According to the Mexican Tax Administration Service, in 2019 Ciudad Juárez ranked as the second highest among the five Mexican ports of entry that accounted for approximately 80% of the total gross tax revenue collected on foreign trade.

• Although the tax revenue collected on foreign trade by Ciudad Juárez port of entry was negatively impacted during the January to June period on a year-over-year basis, June had an increase of 14.7% on a month-over-month basis.

Employment

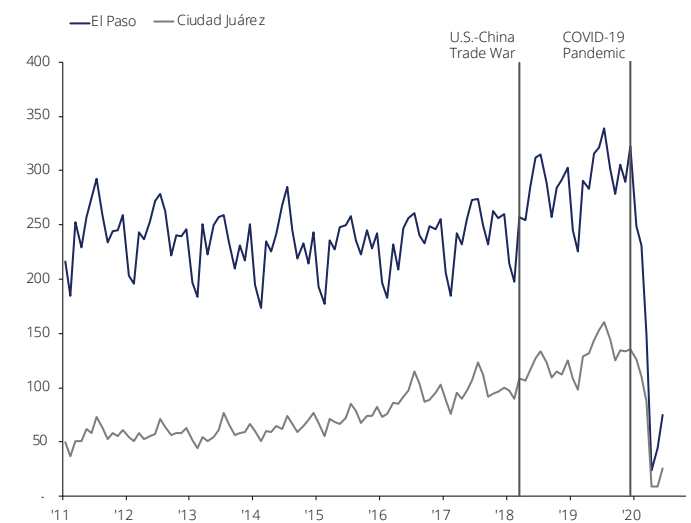
Jobs Throughout Region Show an Uptick Amidst Pandemic

Signs of recovery for the Paso del Norte region continue, as the revamping of operations for firms and businesses lead to the second straight month of job gains in June for El Paso and Las Cruces, the first for Ciudad Juárez.

Paso del Norte region non-farm employment continued to show some signs of recovery in June. With respect to May, non-farm employment showed an uptick in El Paso of 2.4% (7,200 job gains), 0.3% in Las Cruces (200 job gains), and 0.9% in Ciudad Juárez (4,200 job gains). However, on a year-over-year basis, non-farm employment decreased by 5.8% in El Paso (-18,700 jobs lost), 6.1% in Las Cruces (-4,400 jobs lost), and 1.7% in Ciudad Juárez (-7,700 jobs lost) in June.

Quick-Glance Indicators

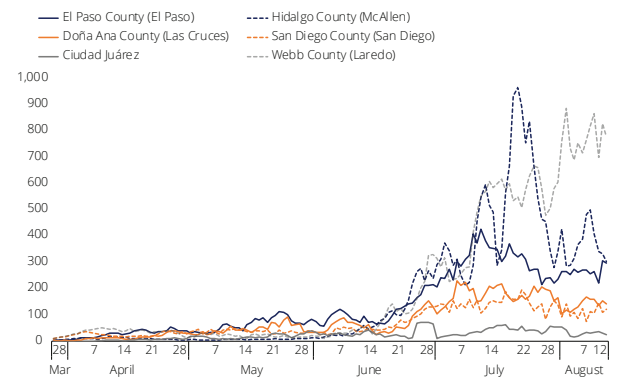
El Paso and Ciudad Juárez Air Passengers, Thousands



Note: Data as of June 2020.

Source: El Paso International Airport and Grupo OMA.

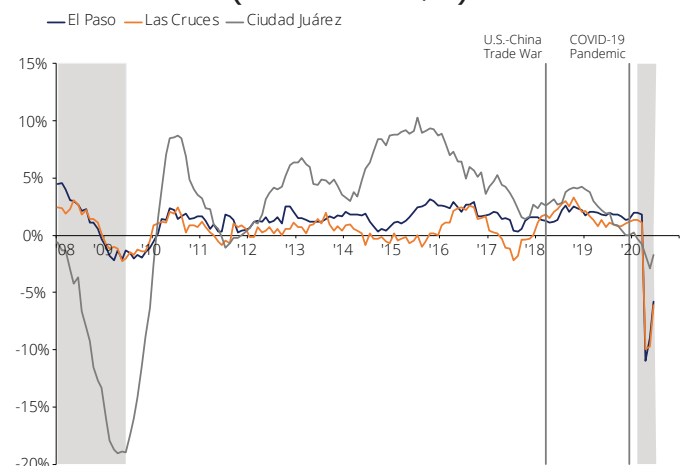
New Coronavirus Cases per 1 Million Inhabitants, 5-Day Moving Average



Note: Data as of August 12, 2020.

Source: Texas Health and Human Services, New Mexico Department of Health, Secretaría de Salud de Chihuahua, Center for Systems Science and Engineering at Johns Hopkins University, U.S. Census Bureau, and Consejo Nacional de Población.

Paso del Norte Non-Farm Employment (Year-over-Year, %)



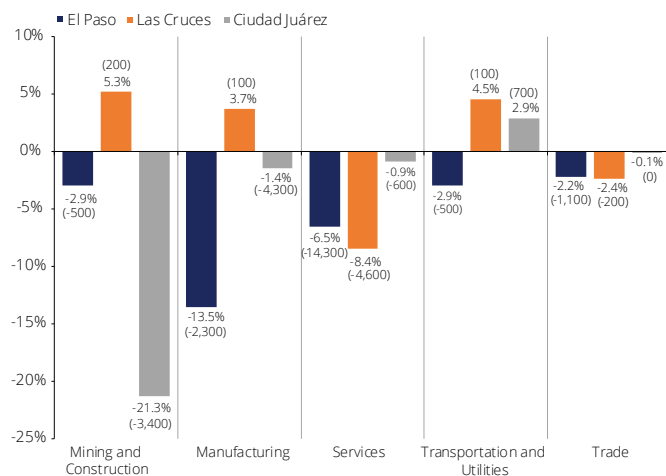
Note: Preliminary data for June 2020. Shaded area indicates NBER defined recession (2020 recession began in February with no end date at time of publication).

Source: U.S. Bureau of Labor Statistics and Instituto Mexicano del Seguro Social.

The current public health crisis decreased non-farm employment more abruptly across the Paso del Norte region than during the 2008 economic crisis.

Analyzing five sectors of employment for the region, signs of recovery are recorded across some sectors on a monthly basis, notably for Services (5,400 job gains) and Trade (2,000 job gains) in El Paso, Trade (200 job gains) in Las Cruces, and Manufacturing (3,600 job gains) in Ciudad Juárez. On a year-over-year basis, all sectors, except Mining and Construction, Manufacturing, and Transportation and Utilities in Las Cruces and Transportation and Utilities in Ciudad Juárez, exhibited negative growth rates. In June, the highest over-the-year job losses in absolute terms for these sectors across the region were: Services in El Paso (-14,300 approximately), Services in Las Cruces (-4,600 approximately), and Manufacturing in Ciudad Juárez (-4,300 approximately).

Paso del Norte Total Non-Farm Employment by Sector, June 2020 (Year-over-Year)



Note: Preliminary data for June 2020. Services exclude Transportation and Utilities and Trade. Numbers are rounded to the nearest hundred.

Source: U.S. Bureau of Labor Statistics and Instituto Mexicano del Seguro Social.

Trade

Trade Dips in First Half of the Year

Amidst the COVID-19 crisis, U.S.-Mexico ports of entry experienced a steep drop in total merchandise trade value to the world during the first half of the year on a year-over-year basis. The El Paso Port of Entry shows the steepest decline.

The decline of exports and imports were similar in degree throughout the different ports examined here, excluding El Paso Port of Entry, which underwent a noticeably steeper drop in imports and exports.

In 2019, five ports of entry accounted for approximately 80% of world merchandise trade by value across U.S.-Mexico border ports of entry: Laredo Port of Entry (PoE) with 43.6% (\$231.5 billion), El Paso (PoE) with 14.9% (\$78.9 billion), Otay Mesa PoE with 9.2%

(\$49 billion), Hidalgo PoE with 6.9% (\$36.7 billion), and Santa Teresa PoE with 5.7% (\$30.5 billion). However, the onset of the pandemic severely impacted overall merchandise trade value through the El Paso PoE, which dropped roughly 50% in the January to June 2020 period on a year-over-year basis. That of Santa Teresa dropped 23.6%. Both the El Paso PoE and the Santa Teresa PoE ranked among the highest overall trade losses in relative terms across the top 10 U.S.-Mexico ports of entry.

Top 10 U.S.-Mexico Border PoE for Total Trade with World, Million USD

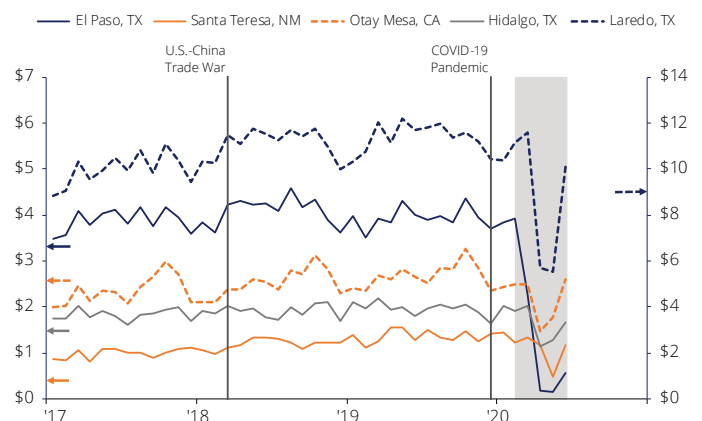
| Port of Entry | 2019 | Share (%) | A Jan-Jun 2019 | B Jan-Jun 2020 | B-A (%) |
|-------------------|-----------|-----------|----------------|----------------|---------|
| Laredo, TX | \$231,502 | 43.6% | \$116,135 | \$89,955 | -22.5% |
| El Paso, TX | \$78,985 | 14.9% | \$39,296 | \$20,168 | -48.7% |
| Otay Mesa, CA | \$49,063 | 9.2% | \$24,087 | \$20,077 | -16.6% |
| Hidalgo, TX | \$36,724 | 6.9% | \$18,332 | \$15,485 | -15.5% |
| Santa Teresa, NM | \$30,502 | 5.7% | \$15,459 | \$11,813 | -23.6% |
| Eagle Pass, TX | \$29,673 | 5.6% | \$14,595 | \$11,578 | -20.7% |
| Nogales, AZ | \$26,189 | 4.9% | \$14,569 | \$11,899 | -18.3% |
| Brownsville, TX | \$18,978 | 3.6% | \$9,708 | \$8,185 | -15.7% |
| Calexico-East, CA | \$17,777 | 3.3% | \$8,844 | \$7,200 | -18.6% |
| Del Rio, TX | \$5,182 | 1.0% | \$2,709 | \$2,007 | -25.9% |

Source: U.S. Census Bureau.

Imports

For the top 10 U.S.-Mexico border ports of entry for international trade, from December, when the first global case of COVID-19 was detected, to June, imports through the El Paso PoE plunged by \$3.1 billion, a decrease of 85%, followed by the Laredo PoE by \$343.5 million or -3%, and Santa Teresa PoE by \$241 million or -17%.

Top U.S.-Mexico Border PoE for Imports from the World, Billion USD



Note: Shaded area indicates NBER defined recession (2020 recession began in February with no end date at time of publication).

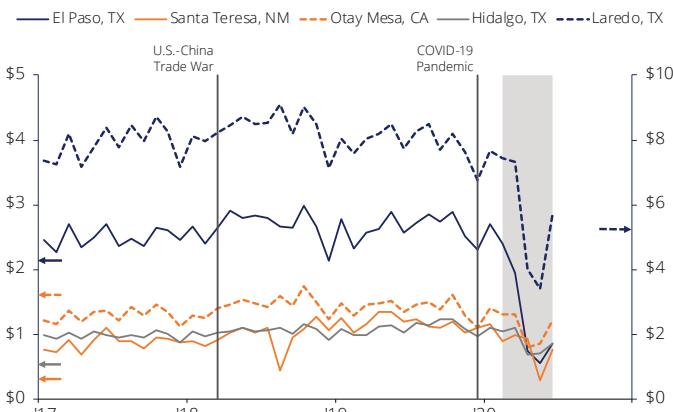
Source: U.S. Census Bureau.

For the first time, beginning in April, imports through the Santa Teresa PoE have surpassed those through the El Paso PoE. In fact, imports through the El Paso PoE reached their lowest level ever in May. However, these ports of entry recorded increases in imports from May to June, with a \$413.9 million (262%) increase for the El Paso PoE and a \$693.8 million (143%) increase for the Santa Teresa PoE.

Exports

Except for the Otay Mesa PoE, exports through these ports of entry decreased from December to June, with the most severely impacted being the El Paso PoE (-\$1.5 billion or -63%), Laredo PoE (-\$1 billion or -15%), Santa Teresa PoE (-\$348 million or -31%), and Hidalgo PoE (-\$110 million or -11%). Similarly to imports, for the first time, El Paso PoE exports were surpassed by those in the Santa Teresa PoE in April. Nevertheless, from May to June, all ports showed signs of recovery with an increase in the value of exported merchandise through these PoEs, with the Laredo PoE (\$2.3 billion or 67%) and the Santa Teresa PoE (\$475 million or 167%) leading the way.

Top U.S.-Mexico Border PoE for Exports to the World, Billion USD



Note: Shaded area indicates NBER defined recession (2020 recession began in February with no end date at time of publication).
Source: U.S. Census Bureau.

Mexican Tax Revenue on Foreign Trade Through Ports of Entry¹ Mexican Tax Revenue on Foreign Trade Increases in June

Claiming the second largest share of total Mexican tax revenue collected on foreign trade at Mexican northern border ports of entry, Ciudad Juárez showed its first monthly increase since April 2020.

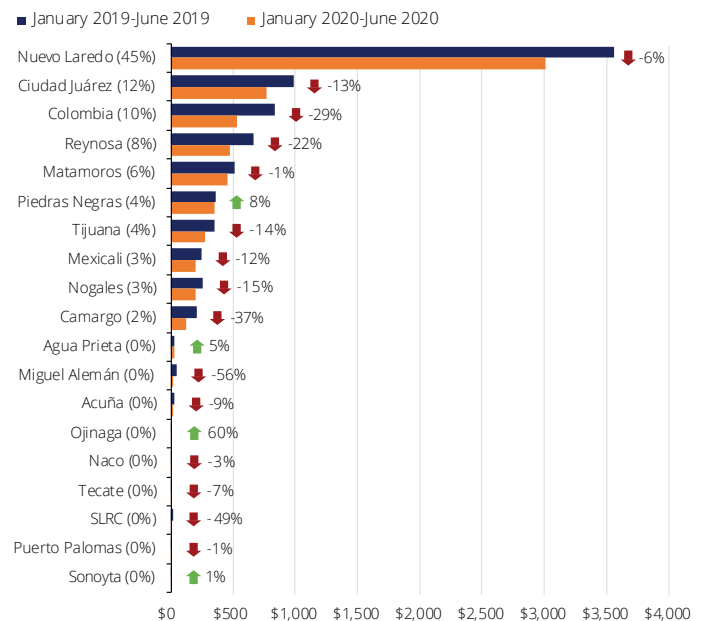
In 2019, Nuevo Laredo accounted for 45% (\$7.1 billion) of the total gross tax revenue collected on foreign trade by the Mexican Tax Administration Service (Sistema de Administración Tributaria, SAT) from all of the 19 northern border Mexican ports of entry. Ciudad Juárez held the second highest share with 12% of the tax revenue, followed by Colombia with 10%, Reynosa with 8%, and Matamoros

¹ Percentages based on MXN currency data.

with 6%. More than 50% of these revenues for the Mexican northern border ports of entry come from the Value Added Tax (Impuesto al Valor Agregado, IVA), a 16% rate levied on goods and services imported into Mexico. For this year, while VAT in Nuevo Laredo and Colombia accounted for more than 80% of overall tax revenue collected on foreign trade, in Ciudad Juárez, it accounted for roughly 60%.

Only four Mexican ports of entry experienced year-over-year increases in tax revenue collected from foreign trade from January to June: Ojinaga (60%), Piedras Negras (8%), Agua Prieta (5%), and Sonoyta (1%). The most negatively impacted were Colombia (-29%), Reynosa (-22%), and Ciudad Juárez (-13%). Nevertheless, on a month-over-month basis, the top five Mexican northern border ports of entry in terms of tax revenue collected on foreign trade have seen an uptick: Nuevo Laredo (29.2%), Ciudad Juárez (14.7%), Colombia (18.3%), Reynosa (15.2%), and Matamoros (11.3%).

Mexico Northern Border PoE Foreign Trade Tax Revenue, Million USD



Note: "SLRC" stands for San Luis Río Colorado. Tax revenue share for the Mexican northern border ports of entry for 2019 is in parenthesis. Data labels show the percentage growth of January-June 2020 with respect to January-June 2019. Tax revenues are in USD for illustrative purposes; percentages are based on MXN currency data.

Source: Servicio de Administración Tributaria.

About Hunt Institute for Global Competitiveness

Since 2014, the Hunt Institute for Global Competitiveness at The University of Texas at El Paso has provided economic analysis of the Paso del Norte Region that includes the binational communities of El Paso, Texas; Las Cruces, N.M.; and Ciudad Juárez, Mexico. The mission of the Hunt Institute is to produce high-quality market analysis tools that can strengthen regional and binational cross-border economic and social development.