

3-2021

Paso del Norte Economic Indicator Review, March

Hunt Institute for Global Competitiveness

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Key Takeaways

Employment

- In 2020, El Paso and Las Cruces both exhibited declines compared to 2019 in terms of average total non-farm employment levels, with El Paso decreasing by approximately 3.9% (12,700 jobs lost) and Las Cruces by approximately 5.6% (4,200 jobs lost).
- Breaking down average employment into ten sectors, the Leisure and Hospitality sector exhibited the largest decline on a relative and absolute basis for both El Paso and Las Cruces from 2019 to 2020, dropping by approximately 18.0% (6,800 jobs lost) and 27.9% (2,400 jobs lost), respectively.

Hotel Occupancy Rates

- Prior to the onset of the recession induced by the COVID-19 crisis, El Paso had the highest hotel occupancy rates on a monthly basis for the selected metropolitan statistical areas (MSAs) for nearly the entirety of 2019 and the beginning of 2020.
- In 2020, each of the selected MSAs, except for McAllen, reached its highest occupancy rate in February, before falling sharply in March and April. All MSAs exhibited their lowest rates of the year in April, with El Paso at 31%, Las Cruces at 25%, and Ciudad Juárez down to an all-time low of 8%.

Hotel Occupancy Taxes

- In 2020, each of the selected Texas cities witnessed lower figures in terms of hotel occupancy tax collections when compared to both 2019 and 2018 fiscal year figures.
- El Paso had the third largest absolute decrease of selected cities, falling by approximately \$3.7 million (-24%), while San Antonio and Austin fell by \$41.4 million (-44%) and \$19.5 million (-18%), respectively.

Employment

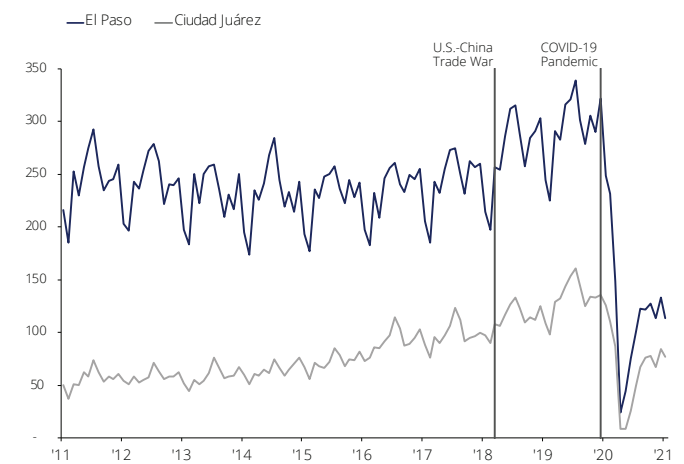
El Paso and Las Cruces See Jobs Fall in 2020

Average employment for El Paso and Las Cruces was down in 2020 compared to 2019, led by steep losses in the Leisure and Hospitality sector.

In 2020, El Paso and Las Cruces had average total non-farm employment levels of about 311,300 and 69,700, respectively. For both cities this was a decline from average total non-farm employment in 2019, with El Paso decreasing by approximately 3.9% (12,700 jobs lost) and Las Cruces by roughly 5.6% (4,200 jobs lost). Breaking down average employment into ten sectors, the Leisure and Hospitality sector saw the greatest decline on a relative and absolute basis for both El Paso and Las Cruces, dropping by approximately 18.0% (6,800 jobs lost) and 27.9% (2,400 jobs lost), respectively.

Quick-Glance Indicators

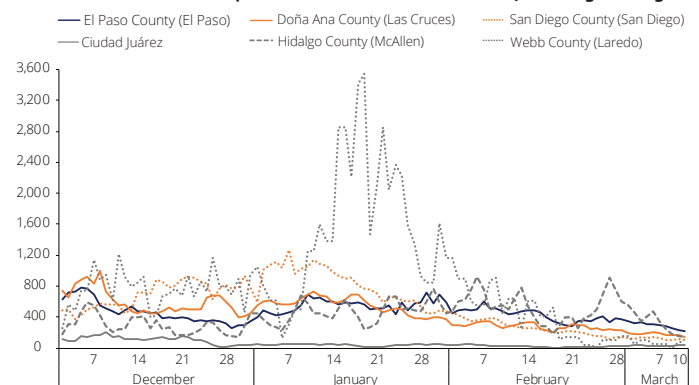
El Paso and Ciudad Juárez Air Passengers, Thousands



Note: Data as of January 2021.

Source: Hunt Institute using El Paso International Airport and Grupo OMA data.

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



Note: Data as of March 10, 2021.

Source: Hunt Institute calculations using 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 data.

The sectors with the next highest absolute decreases in average employment in El Paso were the Professional and Business Services (-2,100 jobs or -5.8%) and Trade, Transportation, and Utilities (-1,200 jobs or -1.8%) sectors. For Las Cruces, the sectors with the next highest absolute decreases in average employment were the Professional and Business Services (-500 jobs or -6.8%) and Government (-500 jobs or -2.4%) sectors. Across both cities and all sectors, the Manufacturing sector in Las Cruces was the only one to exhibit an increase in its average employment level compared to 2019, going up 2.1% (100 jobs gained).

In the state of Texas and selected cities, average yearly employment in the Leisure and Hospitality sector consistently exhibited increases on a year-over-year basis from 2010 to 2019 (except for San Diego and Laredo in 2010 and Las Cruces in 2014). As with El Paso and Las Cruces, the Leisure

and Hospitality sector in Texas and each of the other selected cities in 2020 also witnessed the largest decrease in employment on an absolute basis across all ten sectors, as well as the largest decrease on a relative basis, with the exception of McAllen. In 2020, Las Cruces' aforementioned year-over-year decrease in the Leisure and Hospitality sector of -27.9% (2,400 jobs lost) was the largest relative decrease across the selected regions, followed by Laredo at -25.1% (2,900 jobs lost), San Diego at -23.1% (-46,800 jobs lost), El Paso at -18.0% (6,800 jobs lost), McAllen at -15.1% (4,100 jobs lost), and Texas at -13.9% (194,100 jobs lost).

Average Non-Farm Employment by Sector for El Paso, Thousands

Sector	A 2019	B 2020	B-A	B-A (%)
Mining and Construction	17.0	16.9	-0.1	-0.4%
Manufacturing	16.9	16.1	-0.8	-4.7%
Trade, Transportation, and Utilities	68.3	67.1	-1.2	-1.8%
Information	4.7	4.6	-0.1	-2.3%
Financial Activities	13.3	13.3	0.0	-0.1%
Professional and Business Services	36.6	34.5	-2.1	-5.8%
Education and Health Services	47.8	47.6	-0.2	-0.5%
Leisure and Hospitality	38.1	31.2	-6.8	-18.0%
Other Services	9.1	8.1	-1.0	-11.4%
Government	72.3	72.0	-0.3	-0.4%
Total Non-Farm	324.1	311.3	-12.7	-3.9%

Note: Preliminary data for December 2020.

Source: Hunt Institute calculations using U.S. Bureau of Labor Statistics data.

Average Non-Farm Employment by Sector for Las Cruces, Thousands

Sector	A 2019	B 2020	B-A	B-A (%)
Mining and Construction	3.8	3.8	0.0	-1.3%
Manufacturing	2.8	2.8	0.1	2.1%
Trade, Transportation, and Utilities	10.9	10.9	0.0	-0.4%
Information	0.7	0.6	-0.1	-8.9%
Financial Activities	2.5	2.3	-0.2	-8.2%
Professional and Business Services	7.7	7.2	-0.5	-6.8%
Education and Health Services	16.2	15.8	-0.4	-2.5%
Leisure and Hospitality	8.5	6.1	-2.4	-27.9%
Other Services	1.5	1.4	-0.1	-8.3%
Government	19.3	18.8	-0.5	-2.4%
Total Non-Farm	73.8	69.7	-4.2	-5.6%

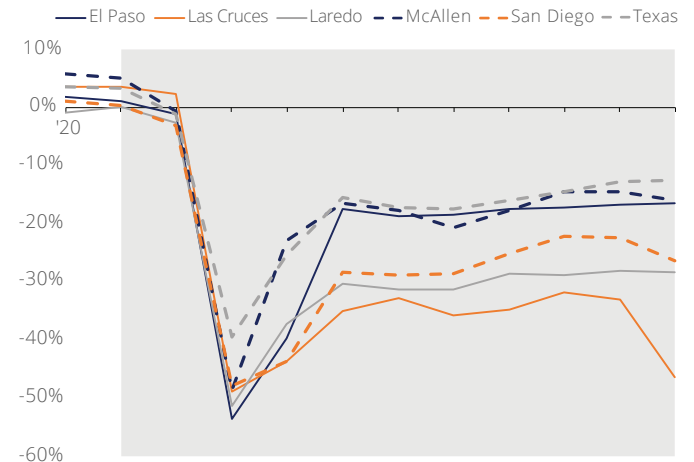
Note: Preliminary data for December 2020.

Source: Hunt Institute calculations using U.S. Bureau of Labor Statistics data.

The Leisure and Hospitality employment sector registered its largest decrease on a year-over-year basis in April across selected cities. In fact, these decreases recorded an all-time low across any month. Although it was followed by a rapid recovery that continued until June and then a relatively flat

recovery phase up to December for most of the selected cities, the Leisure and Hospitality employment sector has not yet reached its one-year prior levels for any of the selected cities after April. Las Cruces, moreover, has continued to experience larger year-over-year decreases since October, dropping by 46.5% (4,000 jobs lost) in December.

Leisure and Hospitality Sector Employment (Year-over-Year, %)



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

Source: Hunt Institute calculations using U.S. Bureau of Labor Statistics data.

Hotel Occupancy Rates

Steep Declines in Hotel Occupancy

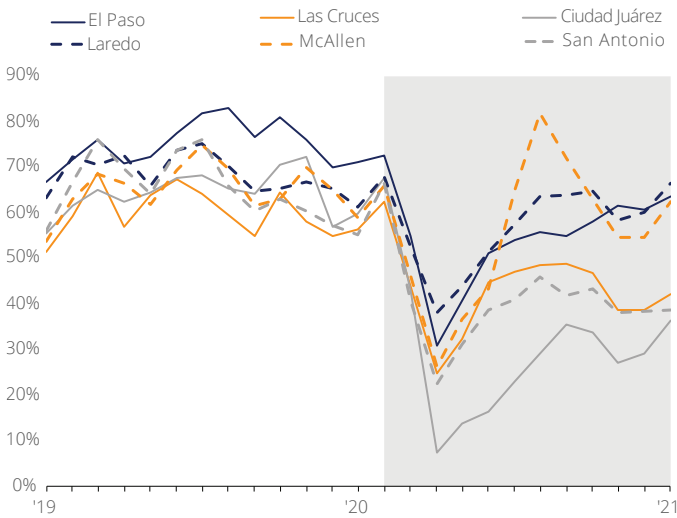
Paso del Norte region hotels exhibited significantly lower hotel occupancy rates throughout most of 2020, with the lowest point in April.

Prior to the onset of the recession induced by the COVID-19 crisis, El Paso had the highest hotel occupancy rates on a monthly basis for the selected metropolitan statistical areas (MSAs) for nearly the entirety of 2019 and the beginning of 2020. In 2019, El Paso's peak occupancy rate was observed during August at a rate of roughly 83%. Laredo, McAllen, and San Antonio all exhibited their highest rates during July at roughly 75%, 75%, and 76%, respectively, while Las Cruces and Ciudad Juárez witnessed theirs in March (69%) and November (72%), respectively. For all selected MSAs, January was the month with the lowest occupancy rate in 2019, with El Paso, Las Cruces, and Ciudad Juárez having rates of about 67%, 52%, and 56%, respectively.

In 2020, each of the MSAs, except McAllen, reached its highest occupancy rate in February, with El Paso, Las Cruces, and Ciudad Juárez at 73%, 63%, and 68%, respectively. Hotel occupancy rates fell sharply for all MSAs in March and April, and then fluctuated the rest of the year while trending upward to show signs of recovery. All MSAs exhibited their lowest rates of the year in April, with El Paso at 31%, Las Cruces at 25%, and Ciudad Juárez down to 8%. McAllen's occupancy

rate, however, reached its 2020 peak in August at 82%, its highest rate for all 25 months analyzed. In January 2021, Laredo and McAllen were the only two selected MSAs to see a higher hotel occupancy rate compared to the same month in 2020, the first year-over-year increases for any of the selected MSAs since February of last year. Ciudad Juárez's hotel occupancy rates have been hit the hardest, reaching the lowest rate in April (8%), and although it has slowly recovered, it remains the lowest in terms of hotel occupancy rates across selected MSAs.

Hotel Occupancy Rates by MSA



Note: Data as of January 2021. McAllen includes Edinburg and Mission; San Antonio includes New Braunfels. Shaded area indicates NBER defined recession (2020 recession began in February with no end date at time of publication).
Source: Hunt Institute using STR data.

Hotel Occupancy Taxes

Texas Cities Fall in Hotel Occupancy Tax Collections

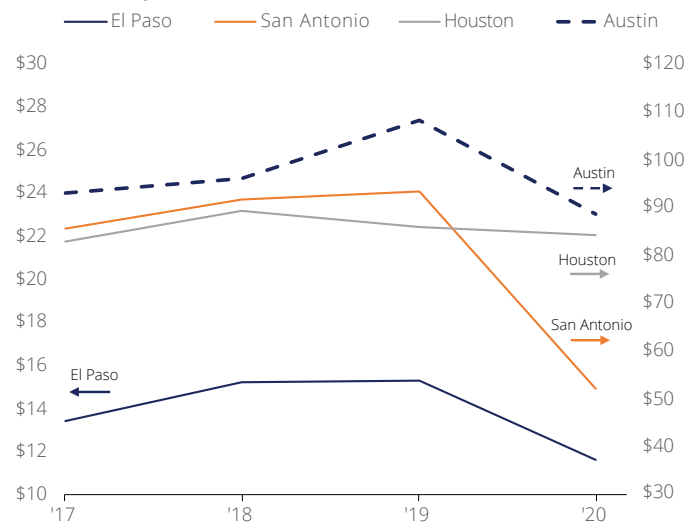
Hotel occupancy tax collections in selected Texas cities declined in the 2020 fiscal year with San Antonio and El Paso recording the largest decreases in relative terms.

The Leisure and Hospitality sector includes the arts, entertainment, and recreation sub-sector as well as the accommodation and food services sub-sector. The accommodation sub-sector includes those establishments that provide lodging or short-term accommodations, which have experienced substantial declines in rentals and revenues. Factors contributing to this decline have been restrictions on business travel, cancellations or limited access to tourist spots, and a rise in virtual alternatives to traditionally in-person events. However, Texas Governor Gregg Abbott announced on March 2nd that, beginning on March 10th, businesses are allowed to reopen at 100% capacity if the COVID-19 hospitalization threshold is met.

Of selected Texas cities, Austin collected the most in hotel

occupancy taxes during 2020 with \$89 million. Houston ranked third from the selected list from 2017 to 2019 and second in 2020, collecting a total of \$84 million. San Antonio moved down the list, ranking third and collecting \$52 million in hotel occupancy taxes in 2020. Lastly, El Paso collected around \$12 million. In 2020, each of the selected cities fell in terms of hotel occupancy taxes collected compared to 2019. San Antonio witnessed the largest relative and absolute decrease, falling by 44% (-\$41.4 million). El Paso had the second largest relative decrease and third largest absolute decrease, falling by approximately \$3.7 million (-24%), while Austin fell by \$19.5 million (-18%). The decrease in relative and absolute terms for Houston of 2% (-\$1.6 million) was the least of the selected cities. Additionally, all selected cities' hotel occupancy tax collections recorded lower figures not only with respect to 2019 figures but also with respect to 2018 figures.

Hotel Occupancy Taxes for Selected Texas Cities, Million USD



Note: Reported collections are by each city's fiscal year.
Source: Hunt Institute calculations using data from the Texas Comptroller of Public Accounts.

Hotel Occupancy Taxes for Selected Texas Cities, Million USD

City	A 2019	B 2020	B-A	B-A (%)
San Antonio	\$93.5	\$52.1	-\$41.4	-44.3%
El Paso	\$15.4	\$11.6	-\$3.7	-24.3%
Austin	\$108.3	\$88.8	-\$19.5	-18.0%
Houston	\$86.1	\$84.4	-\$1.6	-1.9%

Note: Reported collections are by each city's fiscal year. In 2020, hotel occupancy tax rates by city are as follows: San Antonio 9%; El Paso 9%; Austin 11%; and Houston 7%. Other local authorities, such as counties, may charge additional rates. Numbers for El Paso and Austin are the sum of Tax Code Ch. 351 Revenue and Local Govt. Code Ch. 334 Revenue.
Source: Hunt Institute calculations using data from the Texas Comptroller of Public Accounts.

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.

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