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Southwest Economy

FEDERAL RESERVE BANK OF DALLAS

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The federal statisticians who divided the nation into 179 regional economies put Las Cruces and surrounding Doña Ana County in El Paso's orbit.

This makes sense, of course, but New Mexico's second-largest city—population 82,671 in 2005—also has an economic life of its own. While El Paso relies heavily on industries with frequent ups and downs, Las Cruces has built a well-balanced, service-oriented economy based on education, defense, agriculture, tourism and construction.

This mix has kept the area's economy humming. Over the past 10 years, average annual nonagricultural job growth has been 3 percent, significantly better than El Paso's 1 percent, the nation's 1.2 percent and Albuquerque's 1.6 percent (see chart).

The Las Cruces economy has cooled somewhat, with job growth over the past 18 months the slowest in five years. Even so, the job market remains tight. The unemployment rate is just over 4 percent, not far above its recent low of 3.7 percent in December 2006.

Slower U.S. growth has sapped retail trade and other activities in Las Cruces. The area, like much of the country, faces declines in building and home sales in the aftermath of a housing boom.

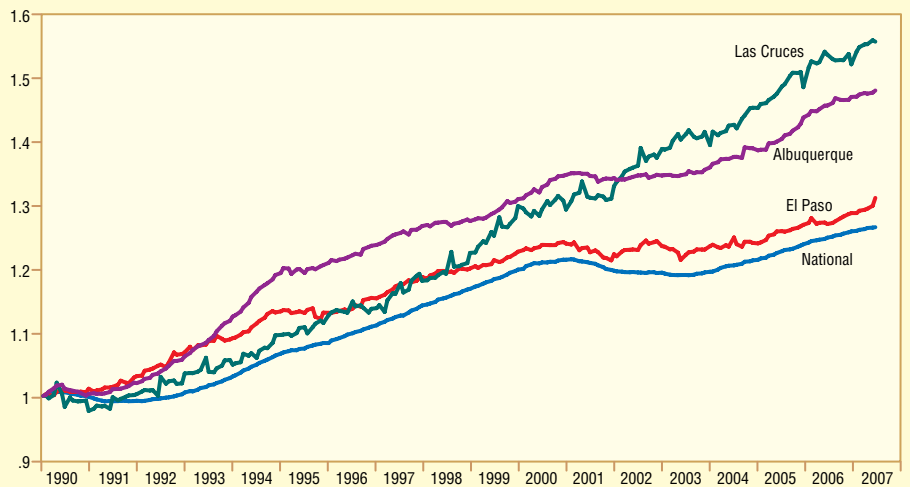
In recent years, many have come to Las Cruces after cashing out of much pricier housing markets, like California and

Florida. The result was a rapid increase in local housing construction, especially in homes relatively expensive for the area.

Las Cruces' single-family permits per 1,000 people jumped from four in 2001 to 12 in 2005, while Albuquerque peaked at nine and El Paso—overheated by Fort Bliss' expansion—never got past six. Doña Ana County's average permit value was five times its median income for several years.

Las Cruces' Steady Job Growth

Index: January 1990 = 1



NOTE: Data for the index are seasonally adjusted nonfarm employment.

SOURCE: Bureau of Labor Statistics.

With a housing slump gripping the nation, equity is no longer available to fuel relocations, finance luxury houses in cheaper markets or fund new businesses. Now, Las Cruces faces questions about the extent to which "froth" on the East and West coasts boosted local housing for several years. How much of a local slowdown may be ahead as the froth settles?

Diverse Economy

Many small metropolitan economies depend on one or two industries. Not so the Las Cruces area. It has done well largely because of a diverse economic base.

The 16,000-student New Mexico State University employs 1,400 faculty and staff. White Sands Missile Range and Holloman Air Force Base have survived the Pentagon's latest round of base closings.

At \$156 million a year, agricultural incomes have remained stable as farmers shifted from cotton and onions to grapes, chilies, pecans and pistachios.

Las Cruces means "the crosses" in Spanish, and the community has been a transportation hub since its days as a colonial settlement. Today, the city sits at the junc-

ture of Interstate Highway 25, which runs down the eastern side of the Rockies, and Interstate 10, the southern pass through the Rockies. The freeways bring traffic, tourism, shoppers and nearby residents seeking medical services.

Compared with the typical U.S. city, Las Cruces has 70 percent more passenger transportation, 55 percent more gasoline stations, 56 percent more retail, 21 percent more restaurants, and 31 percent more health care and social assistance.

The Las Cruces area's highly diverse economy is poised to revive quickly once the U.S. and El Paso do better. It should continue to attract retirees and other new residents—from both near and far.

The El Paso area's New Mexico side has been growing rapidly, adding to the 10,000 commuters who live in Doña Ana County. A good climate, affordable housing and relaxed lifestyle have put Las Cruces on Relocate-America's list of "Best Places to Live," *Money* magazine's "Best Places to Retire" and the Milken Institute's "Best Small Metro Areas for Business and Careers."

—Robert W. Gilmer

