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Borderplex Business Barometer, Volume 3, Number 9

Thomas M. Fullerton Jr.

Steven L. Fullerton

Ana Gutierrez Zubiate

Ignacio Santana

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BORDERPLEX BUSINESS BAROMETER

September 2019

Border Region Modeling Project

Thomas M. Fullerton, Jr.

Steven L. Fullerton

Ana Gutierrez Zubiarte

Ignacio Santana

Department of Economics & Finance

College of Business Administration

University of Texas at El Paso

Mailing Address

Border Region Modeling Project - CBA 236

UTEP Department of Economics & Finance

500 West University Avenue

El Paso, TX 79968-0543

Physical Address

College of Business Administration, Room 325

University of Texas at El Paso

Email

tomf@utep.edu

sfullerton@utep.edu

Telephone

915-747-7747

915-747-7775

Fax

915-747-6282

Website

**For more information about the Border Region
Modeling Project (click here)**

Border Commerce & Economics

Borderplex Business Barometer, Volume 3, Number 9

A Flattened Yield Curve

The Federal Reserve Bank of Dallas Metropolitan Business Cycle Index for El Paso dropped slightly in July. Although the index remains comfortably above year-ago levels, the marginal dip merits some attention. Federal Reserve concerns over national economic vulnerability caused the Federal Open Market Committee to vote for a second 25 basis point reduction to the Federal Funds target rate. In recent weeks, many commentaries argued in favor of lower Fed funds target rates due to yield curve inversion in the United States.

As the new yield curve graph below shows, the August 2019 yield curve has not fully inverted, but has definitely flattened. It should be noted that the recent gyrations in the yield curve are not due to Fed tightening actions that force up short-term rates. Instead, the Fed decision last March to suspend the quantitative easing unwinding process has lowered long-term rates. A recession may occur this year, but not because the proverbial "punch bowl" has been removed.

While uncertainty abounds, the BRMP El Paso Household Economic Stress Index remained well below its year-ago level in July. That was also the case for the El Paso County unemployment rate. Supplemental Nutrition Assistance Program (SNAP) enrollments inched above the 160 thousand mark in July, the first that has occurred since April.

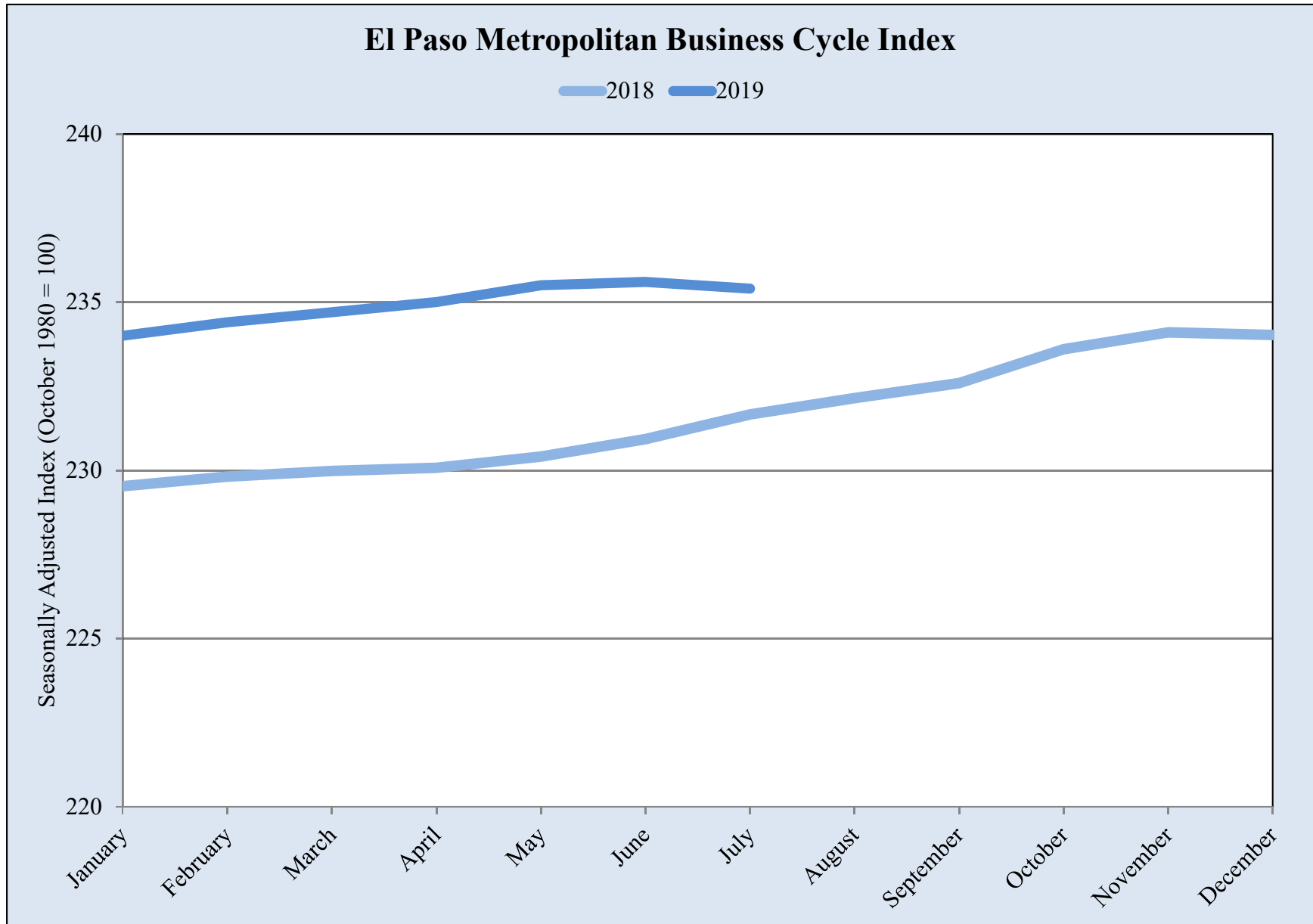
The El Paso Median Housing Price rose to \$165,000 in July for the first time in local economic history. Supply remains tight. The Months of Housing Inventory remained below 4 for a tenth consecutive month in July. In contrast, gasoline supplies are so ample that the El Paso price for regular fell 18 cents per gallon to \$2.44 in August. That type of price decline usually does not occur until after Labor Day.

Unemployment rose by 40 basis points rate on a year-over-year basis for Doña Ana County in July. While jobs grew during that period, the civilian labor force expanded even more, causing the jobless rate to increase. Mesilla Valley sectors adding jobs include construction, manufacturing, and health services. Las Cruces area SNAP caseloads remained below 28,000 and held steady, again, in July.

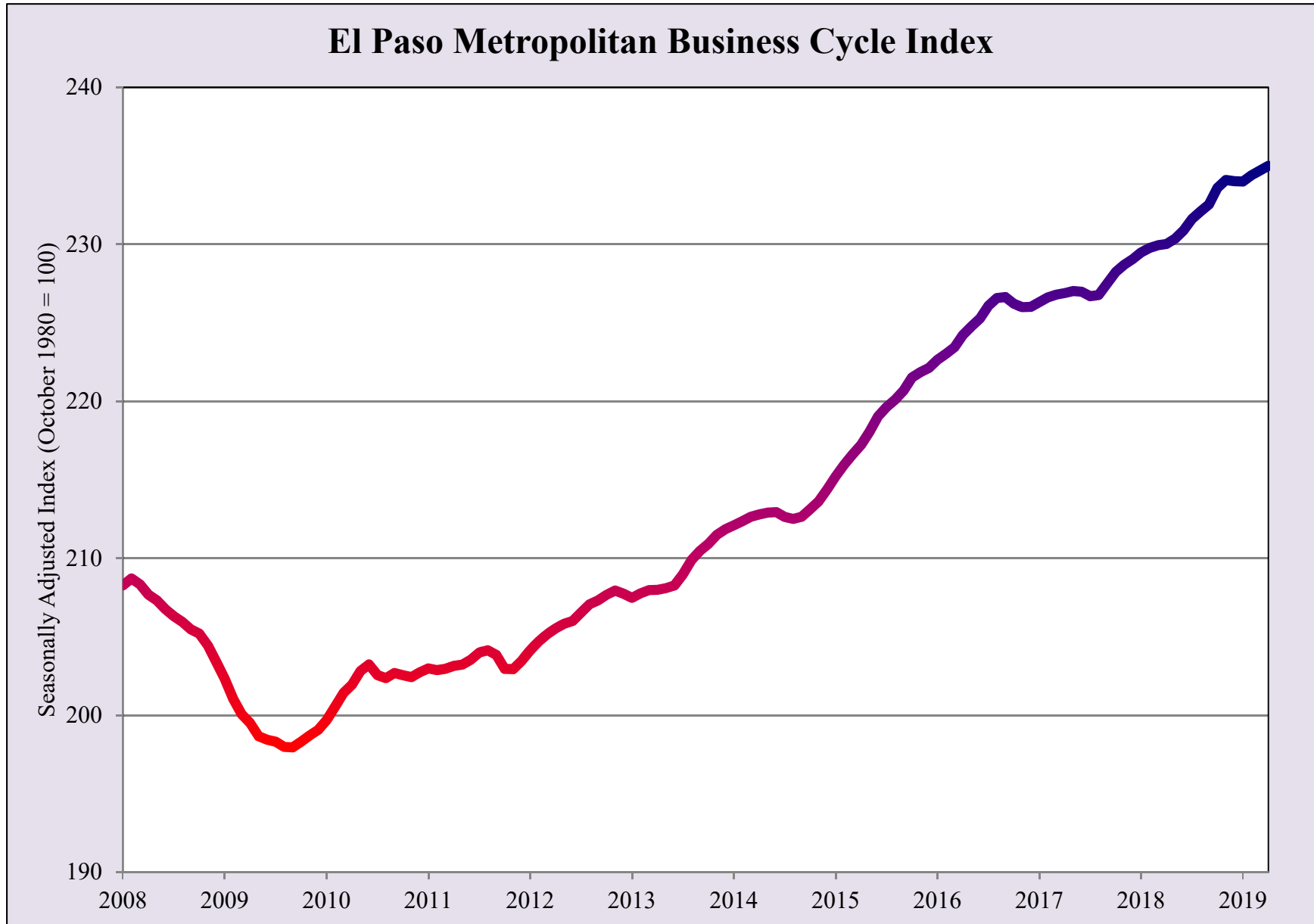
Although interest rates moved downward in the United States, the peso lost ground against the dollar in both nominal and real terms in August. Because of the multiple economic and geopolitical risks that become more pronounced in recent months, additional currency market upheavals are likely. The BRMP Nominal Price Ratio for

Brand Name Medicines held steady in August. The prices do not include shipping and handling costs, nor do they include the cost of doctor appointments. During August, internet medicine prices in Mexico, on average, were 44 percent below the online prices charged in the United States.

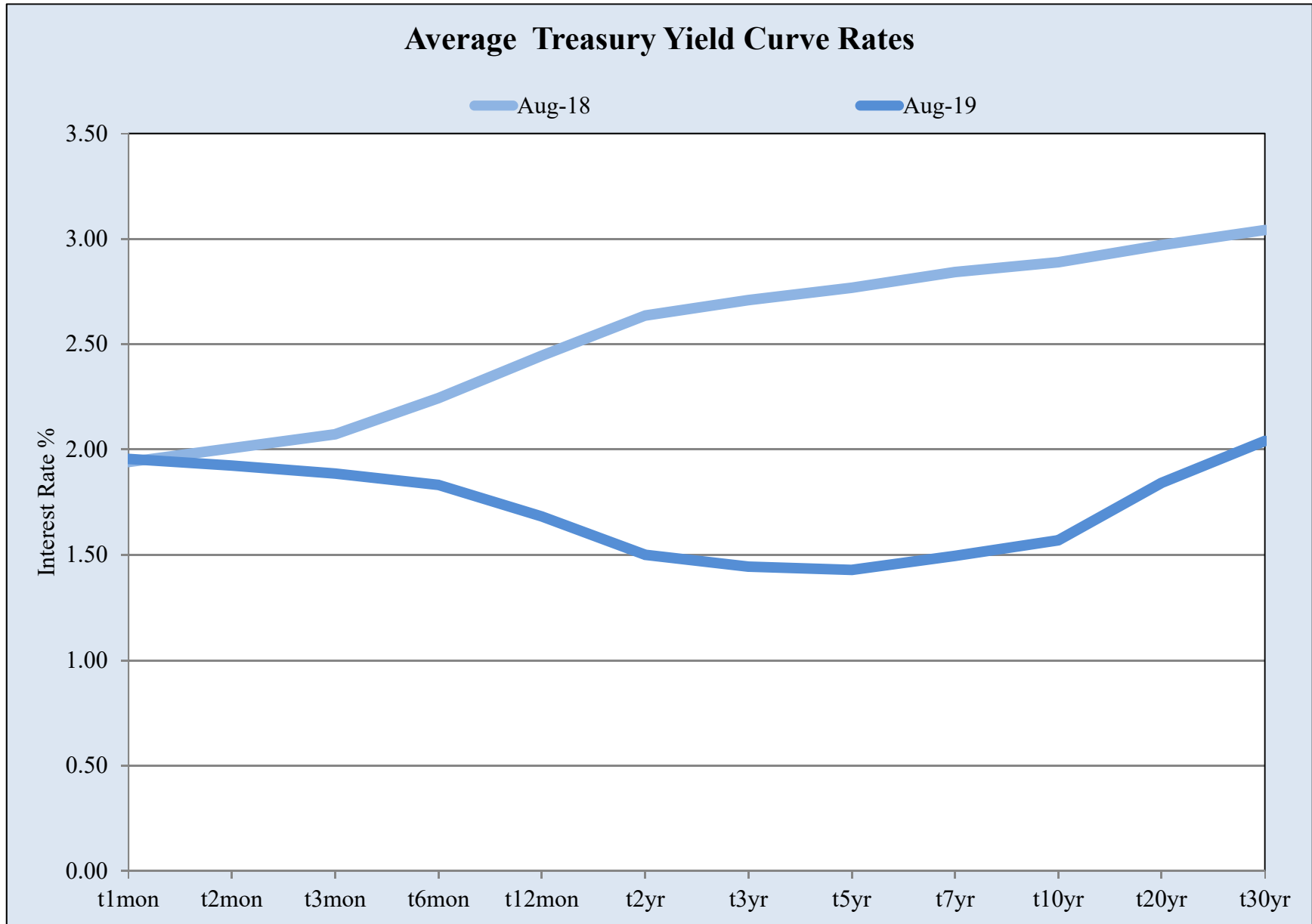
Monthly wait times decreased by noticeable amounts at all three of the primary international bridges that link Ciudad Juárez to El Paso in July. On average, queue times lasted less than one hour per trip across all three bridges for the first time since March. In response, personal vehicle crossings rose to nearly 900 thousand. Freight traffic exceeded year-ago levels for the first time since March. Total trade through the El Paso Customs District also surpassed year-ago volumes in July. Reflective of the latter, export manufacturing employment in Ciudad Juarez continued to exceed year-ago levels in June and may set a new record this year.



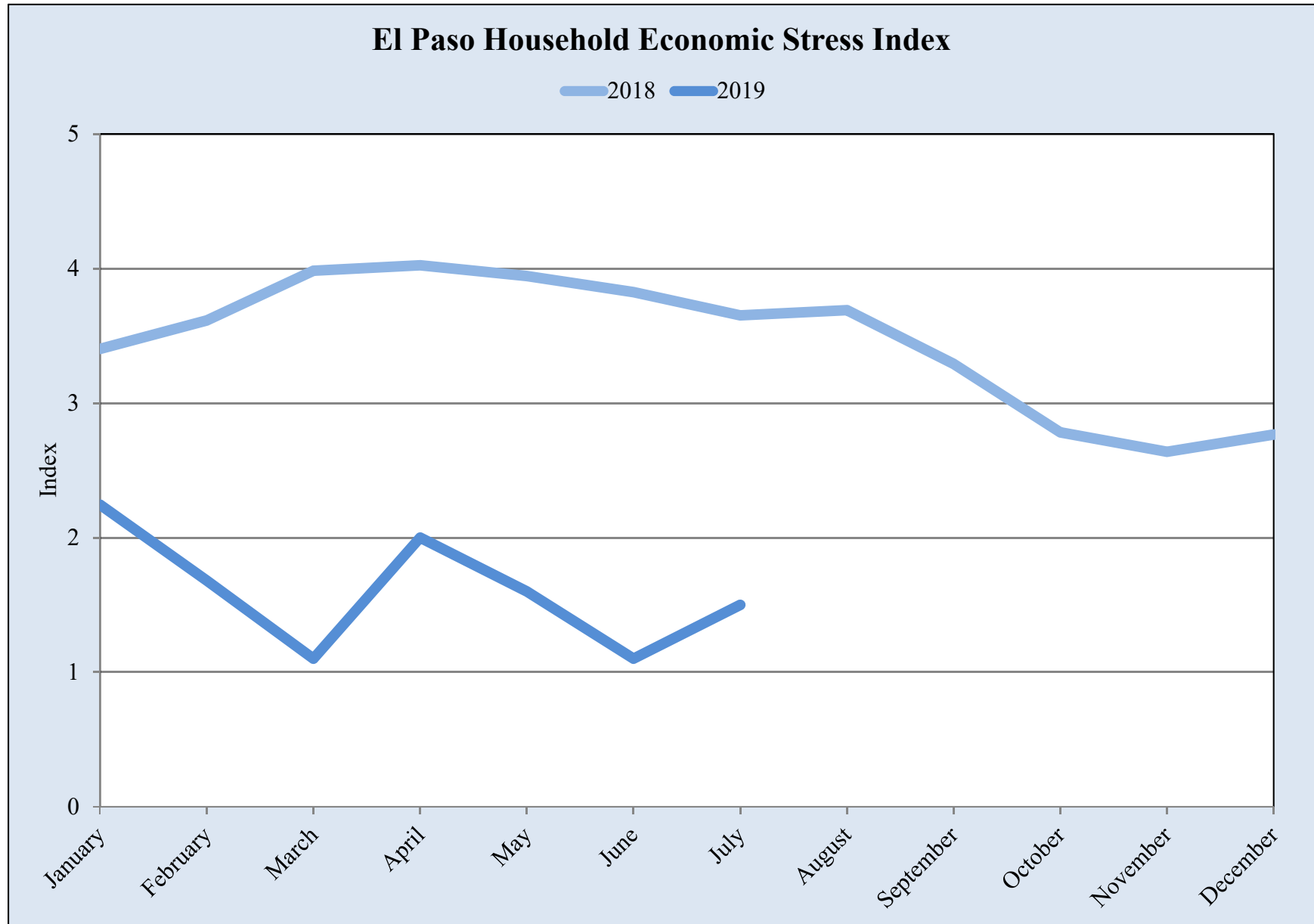
Source: Federal Reserve Bank of Dallas



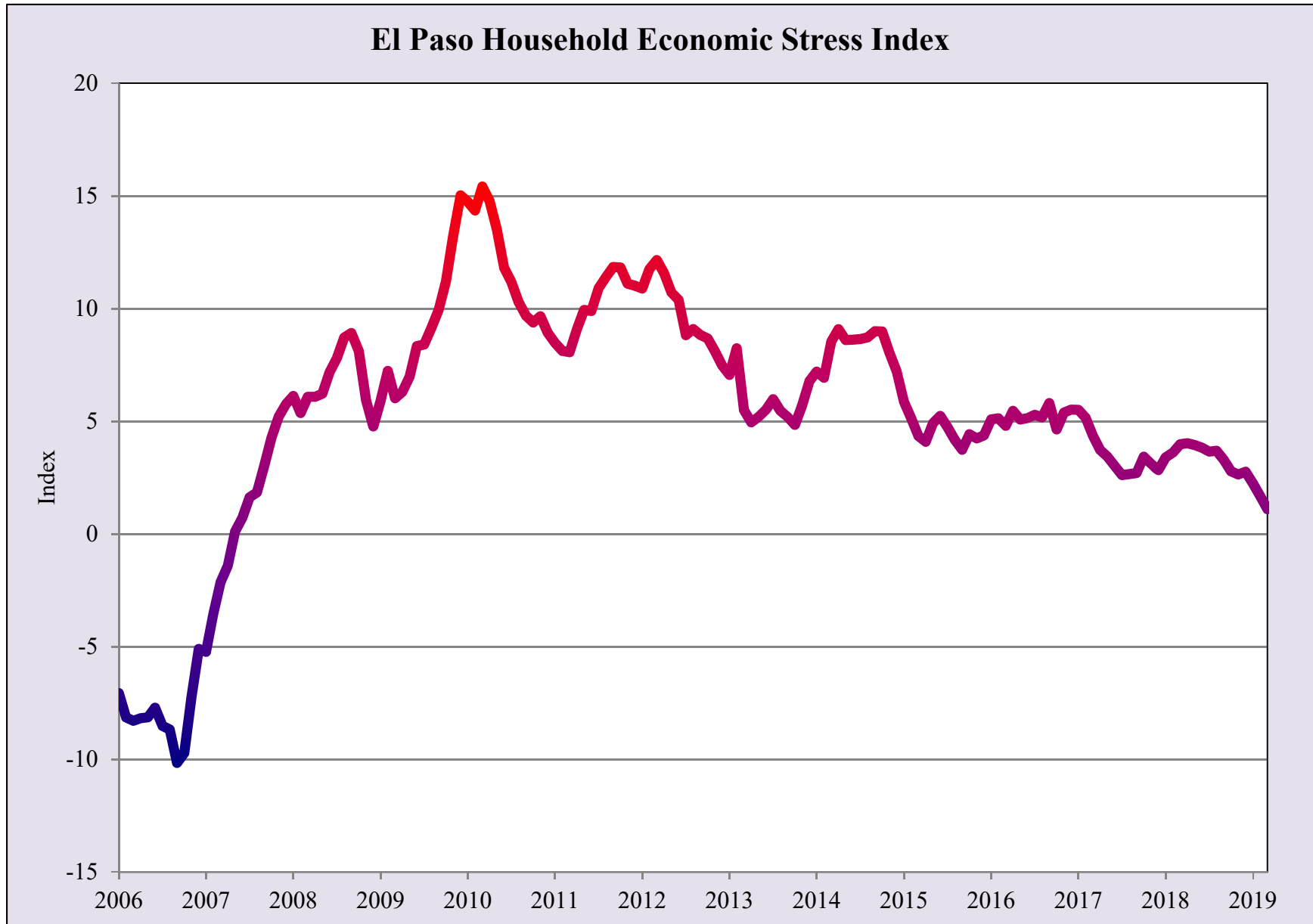
Source: Federal Reserve Bank of Dallas



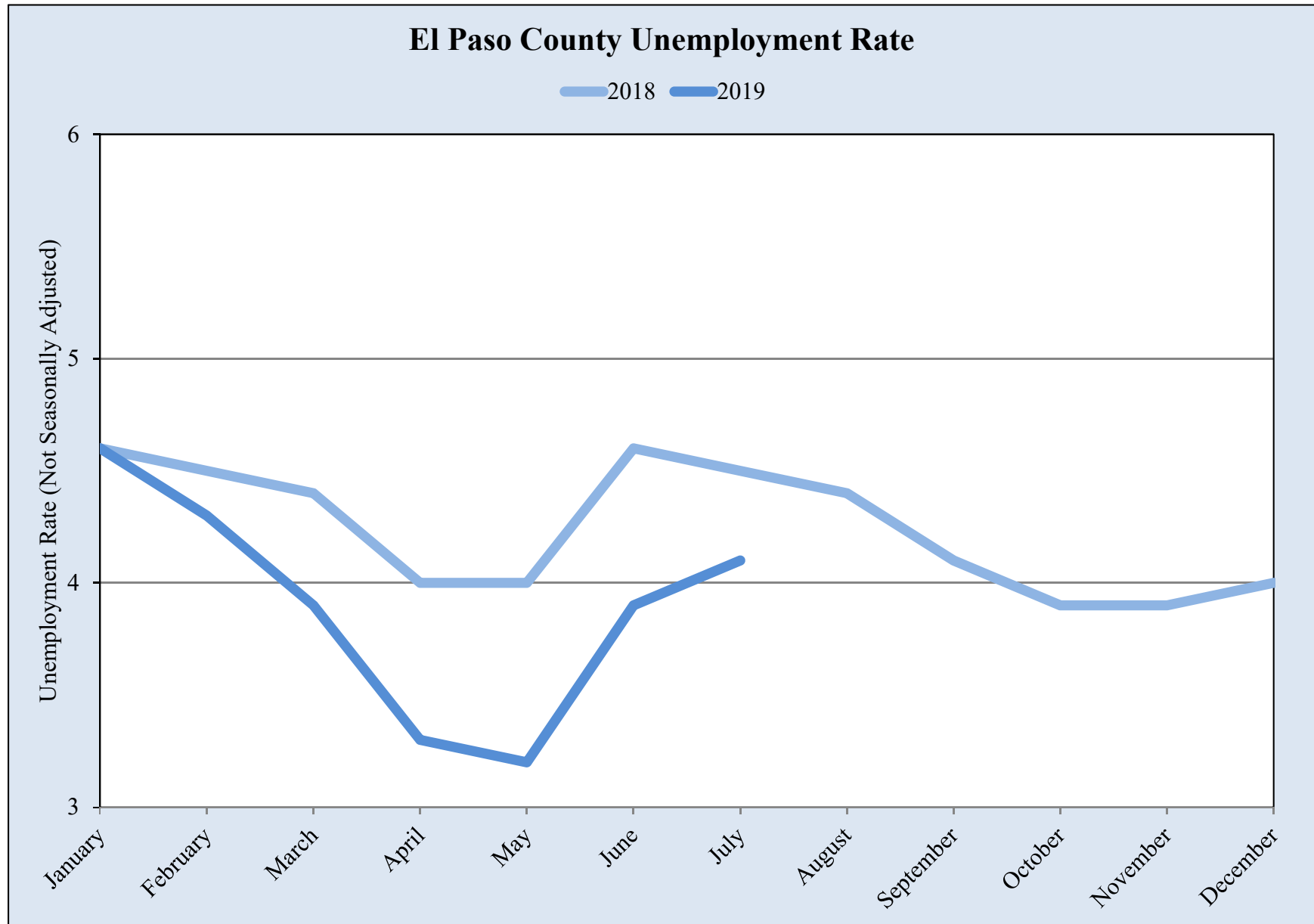
Source: U.S. Treasury, Daily Treasury Yield Curve Rates and BRMP Calculations



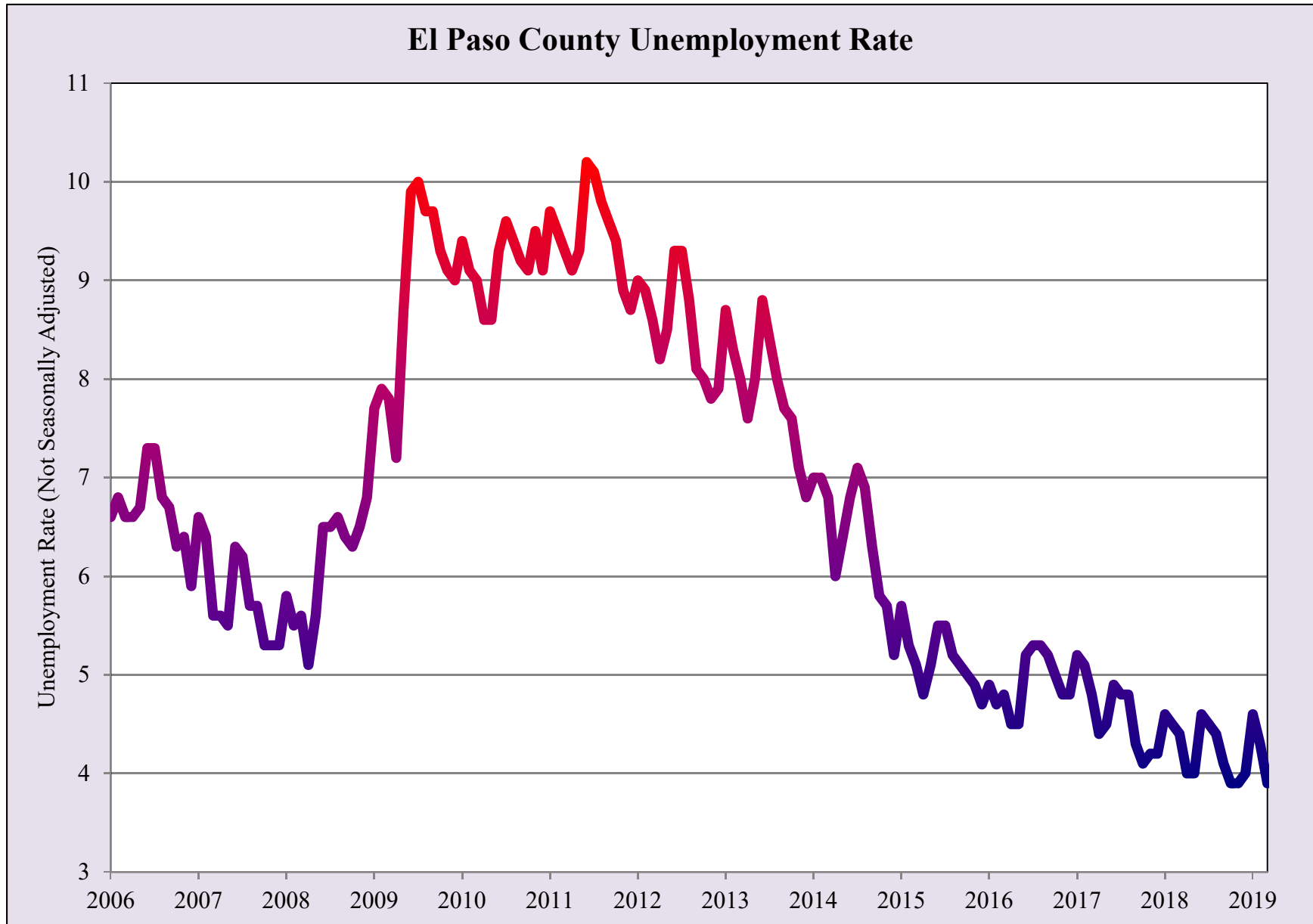
Source: UTEP Border Region Modeling Project



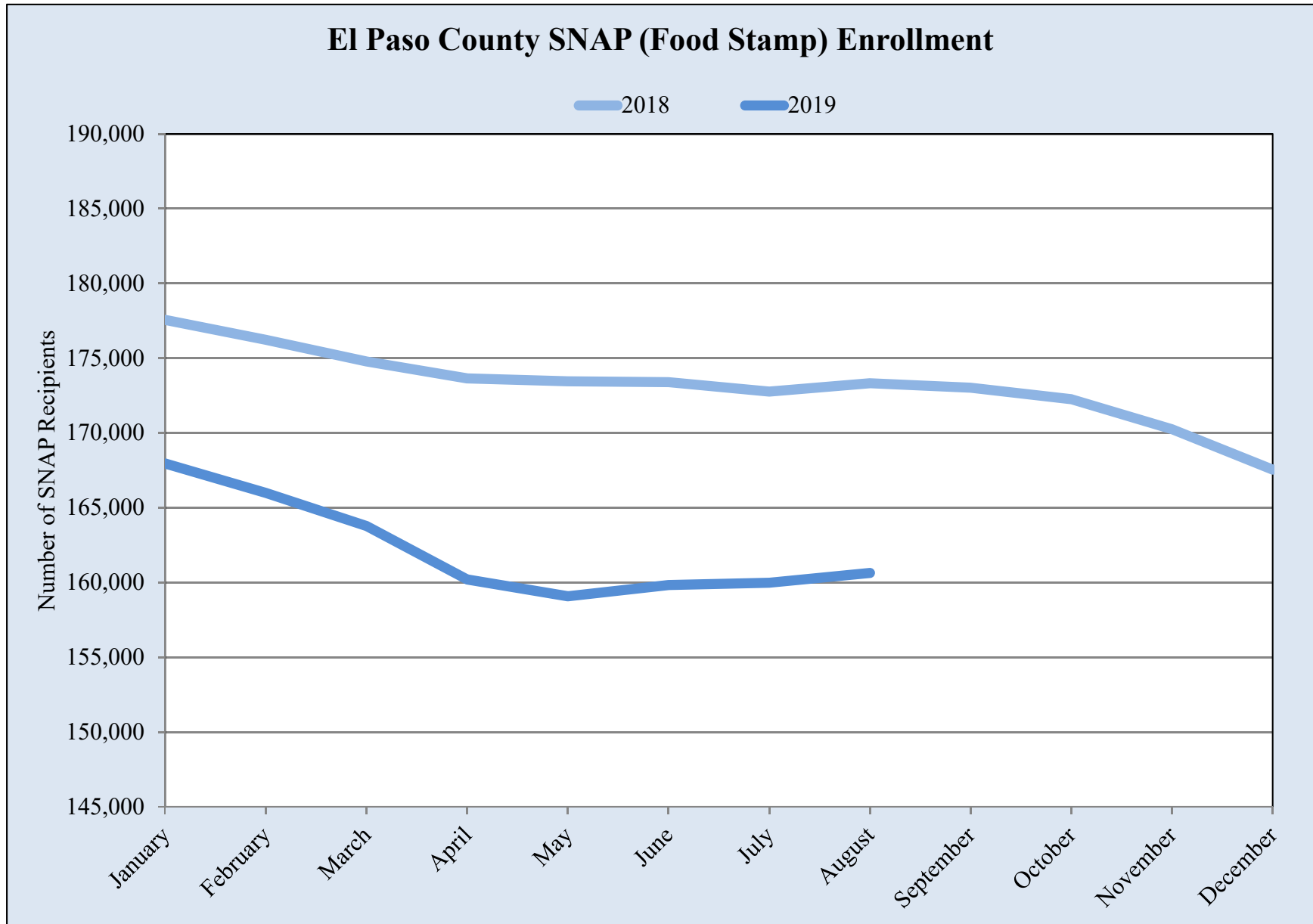
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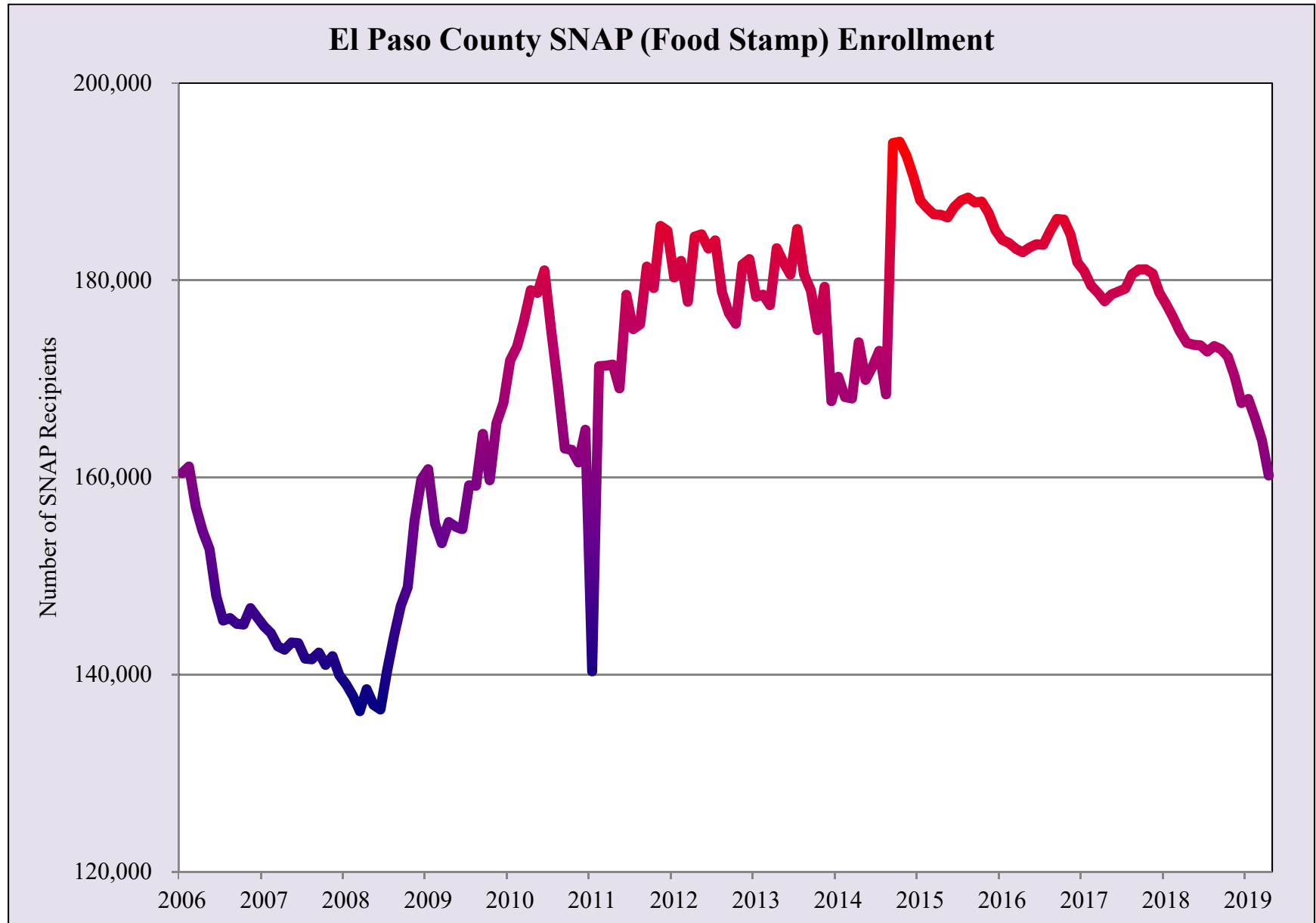
Source: Bureau of Labor Statistics



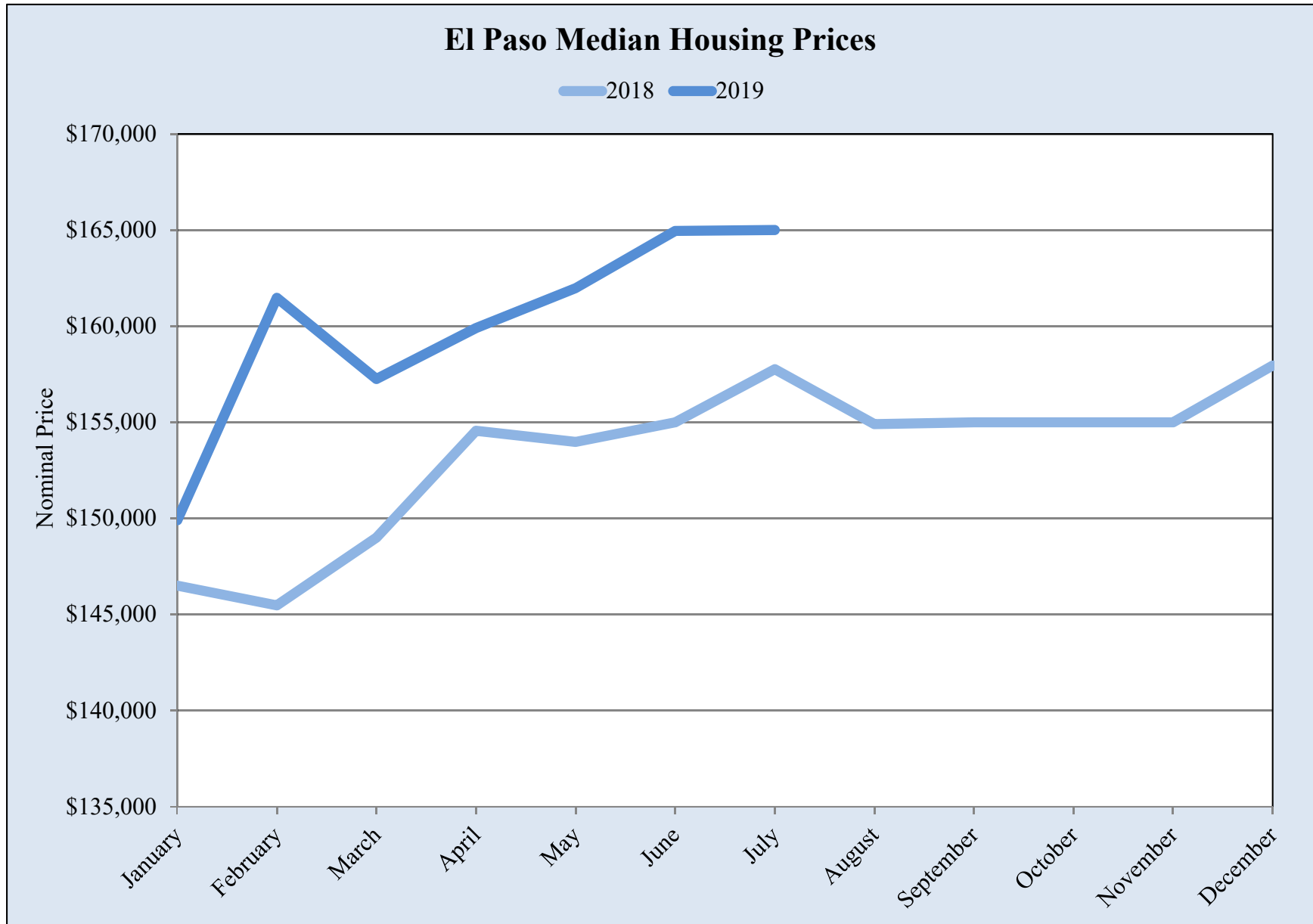
Source: Bureau of Labor Statistics



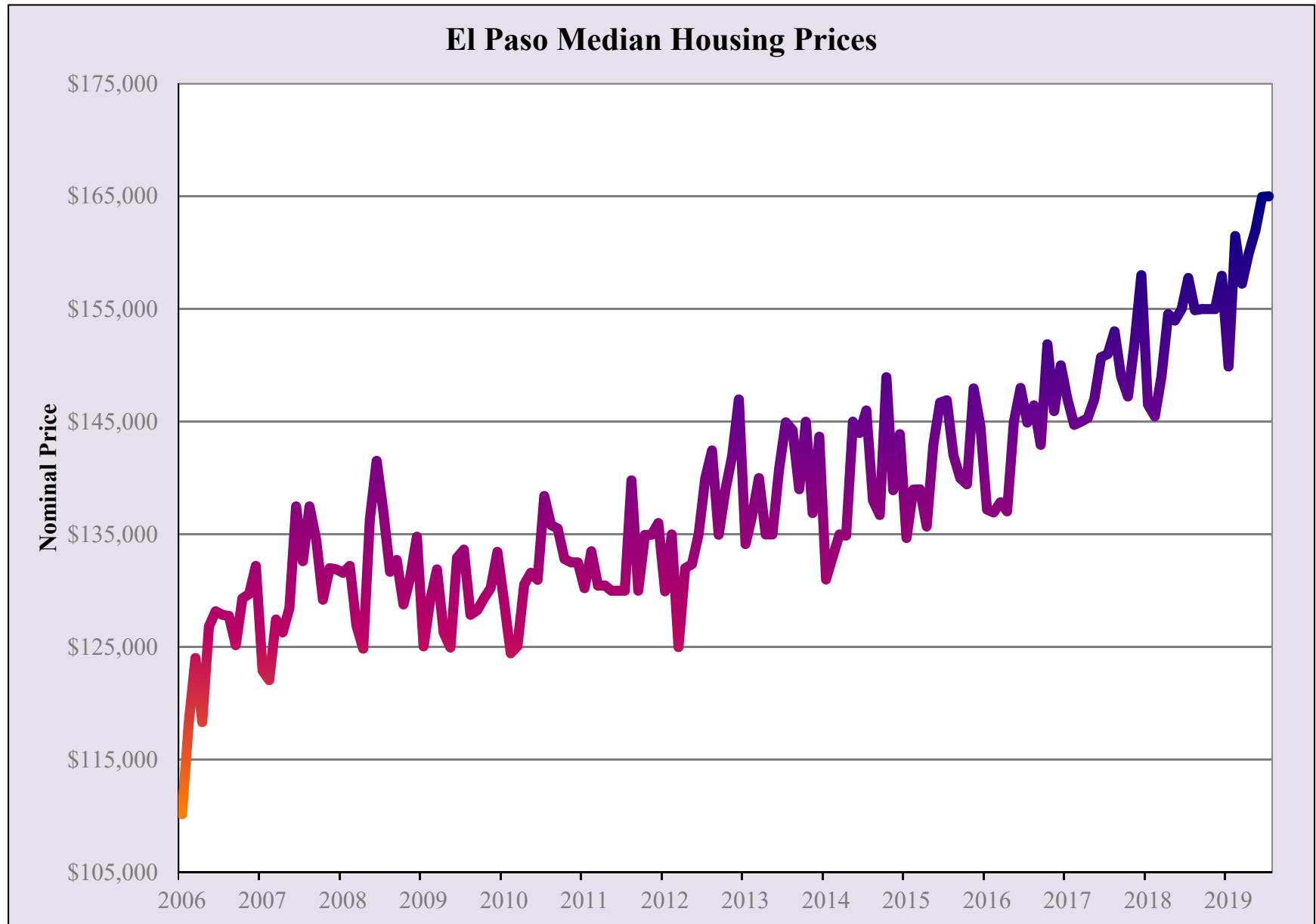
Source: Texas Health and Human Services Commission



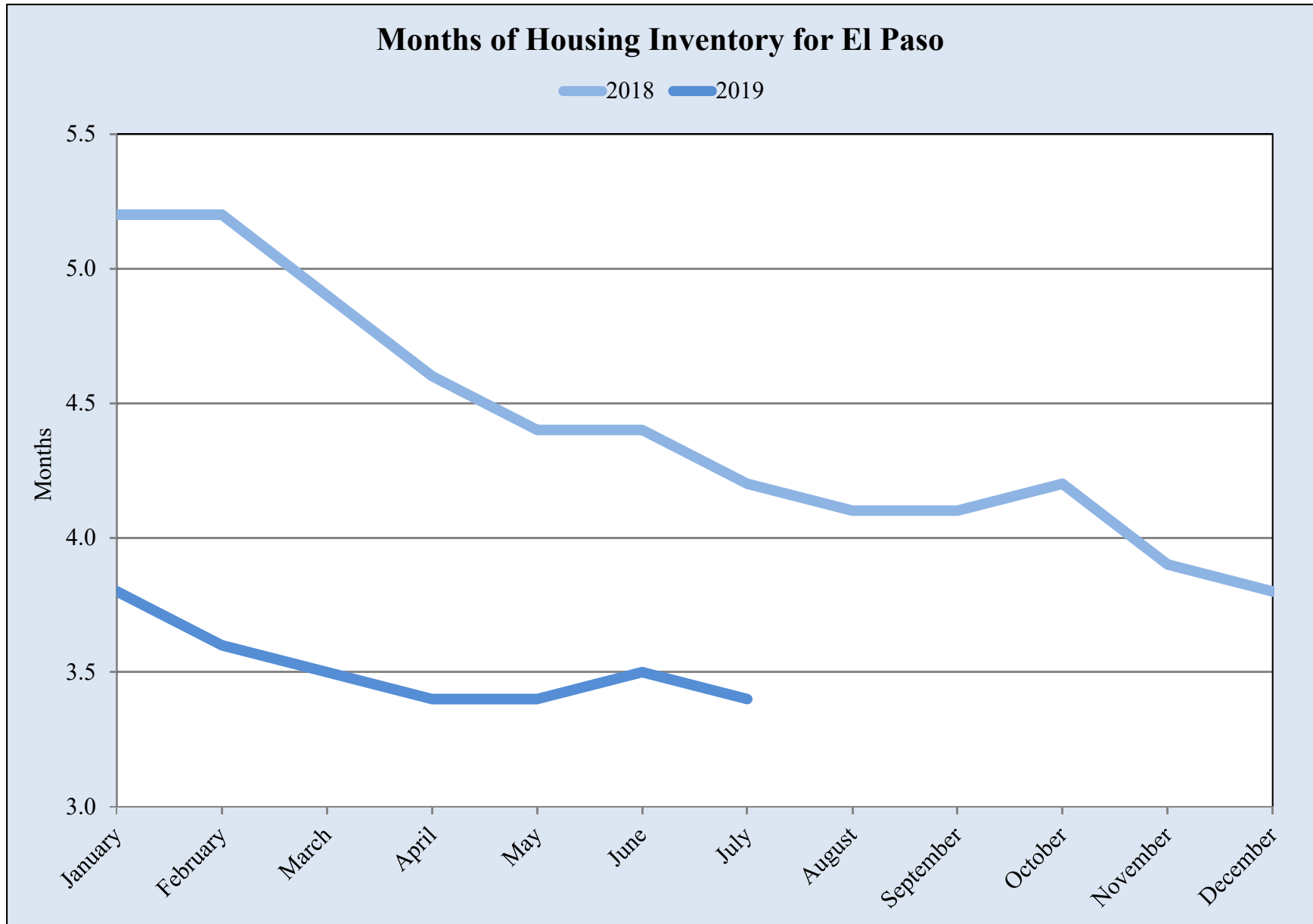
Source: Texas Health and Human Services Commission



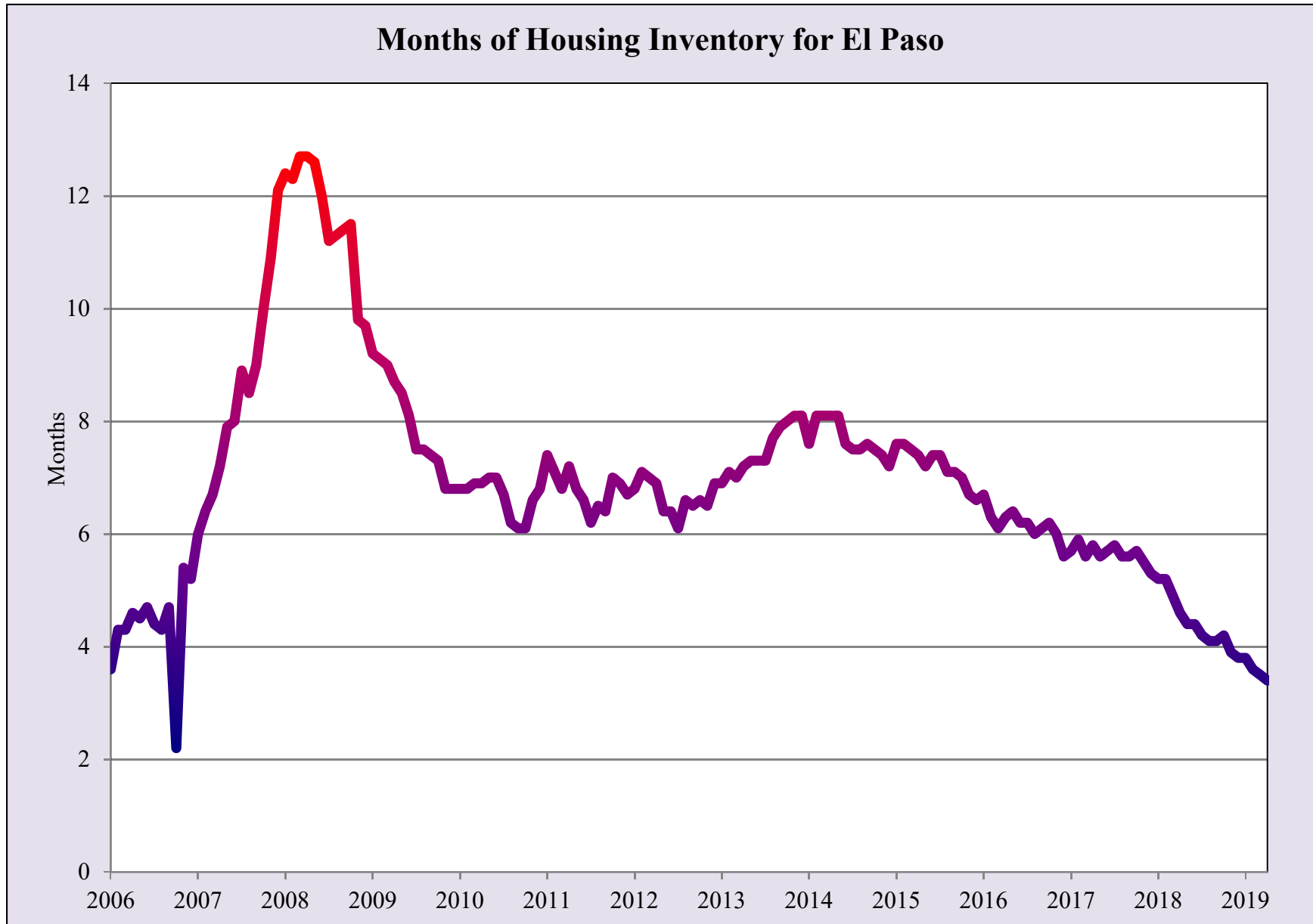
Source: Texas A&M Real Estate Center



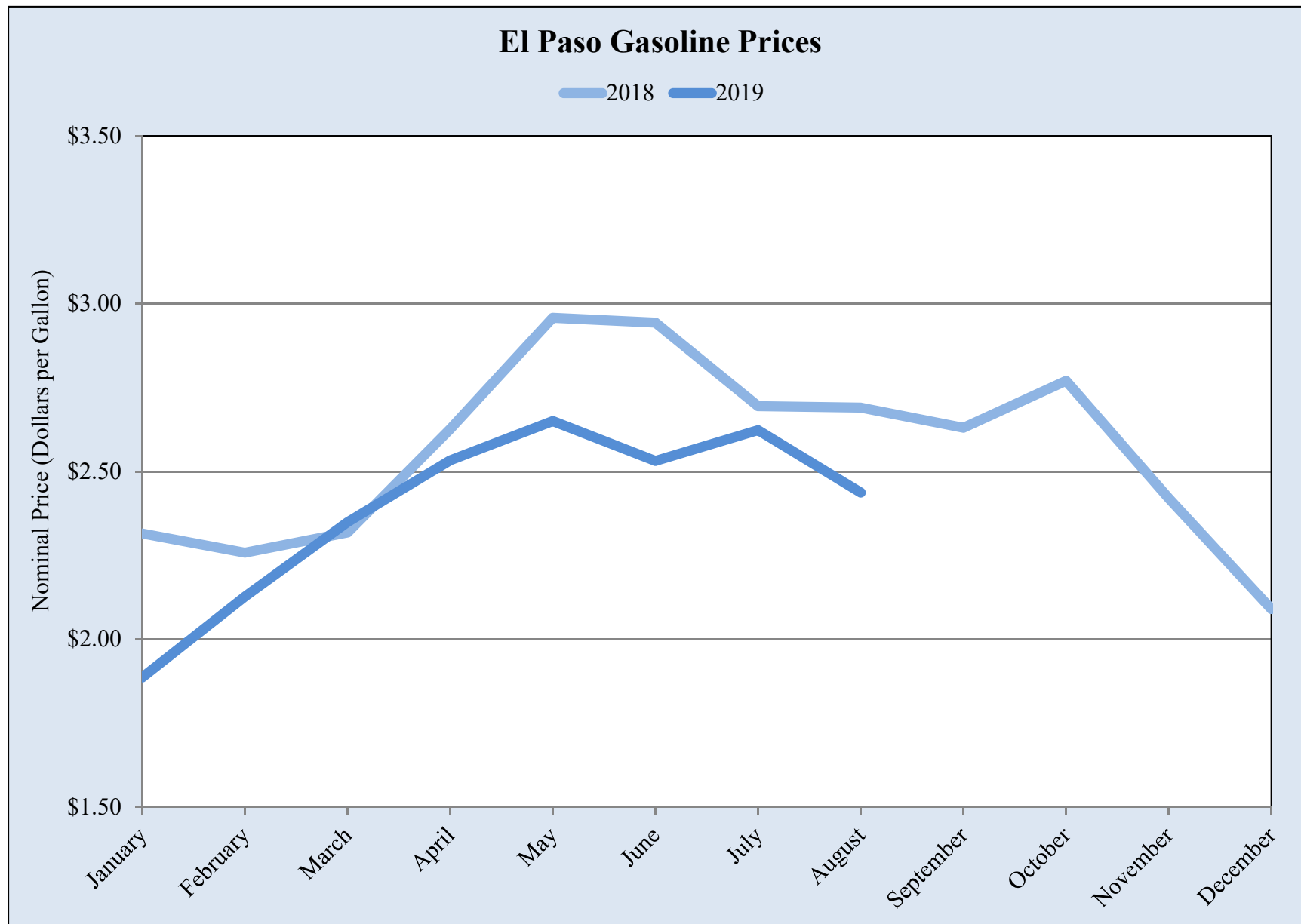
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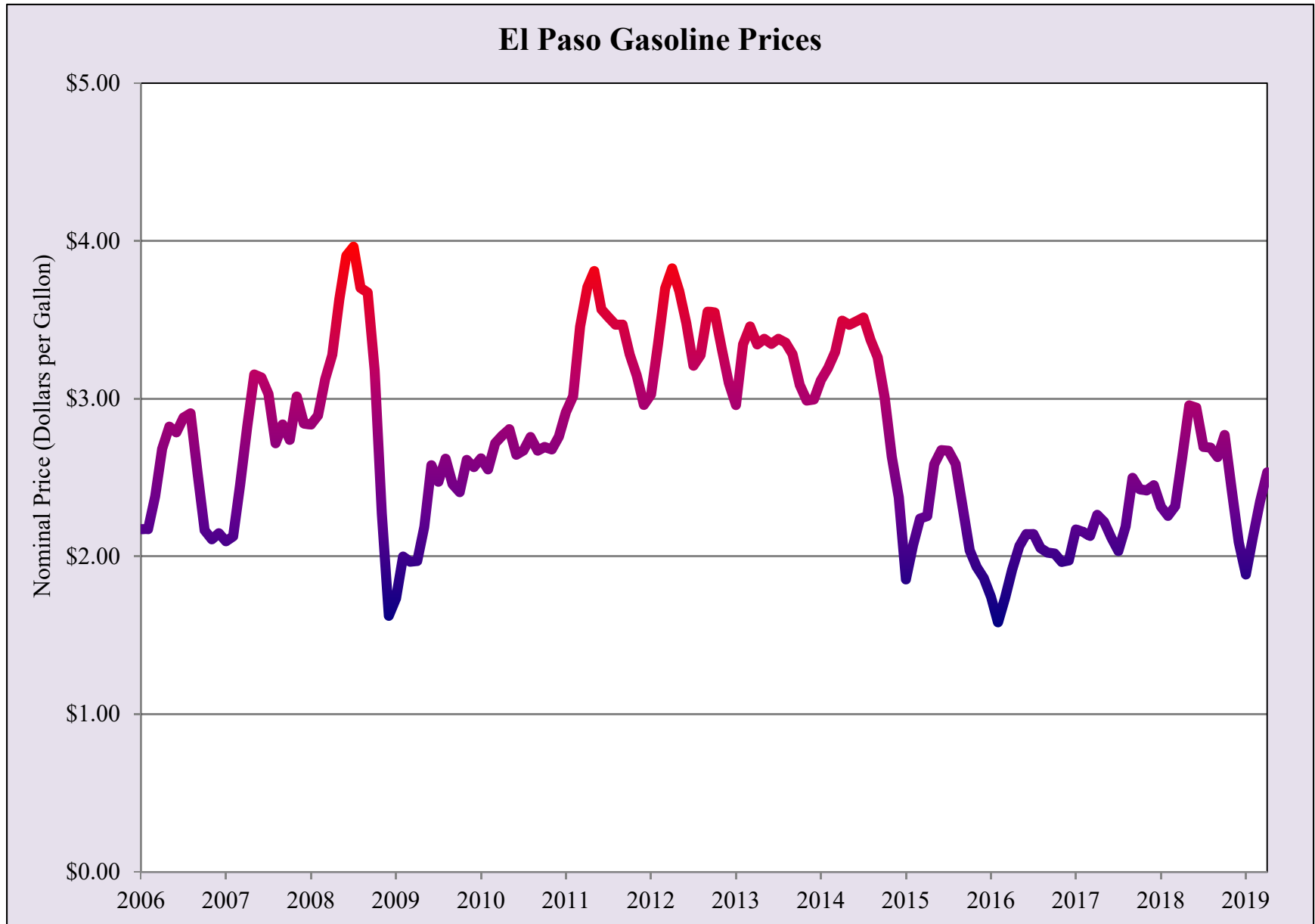
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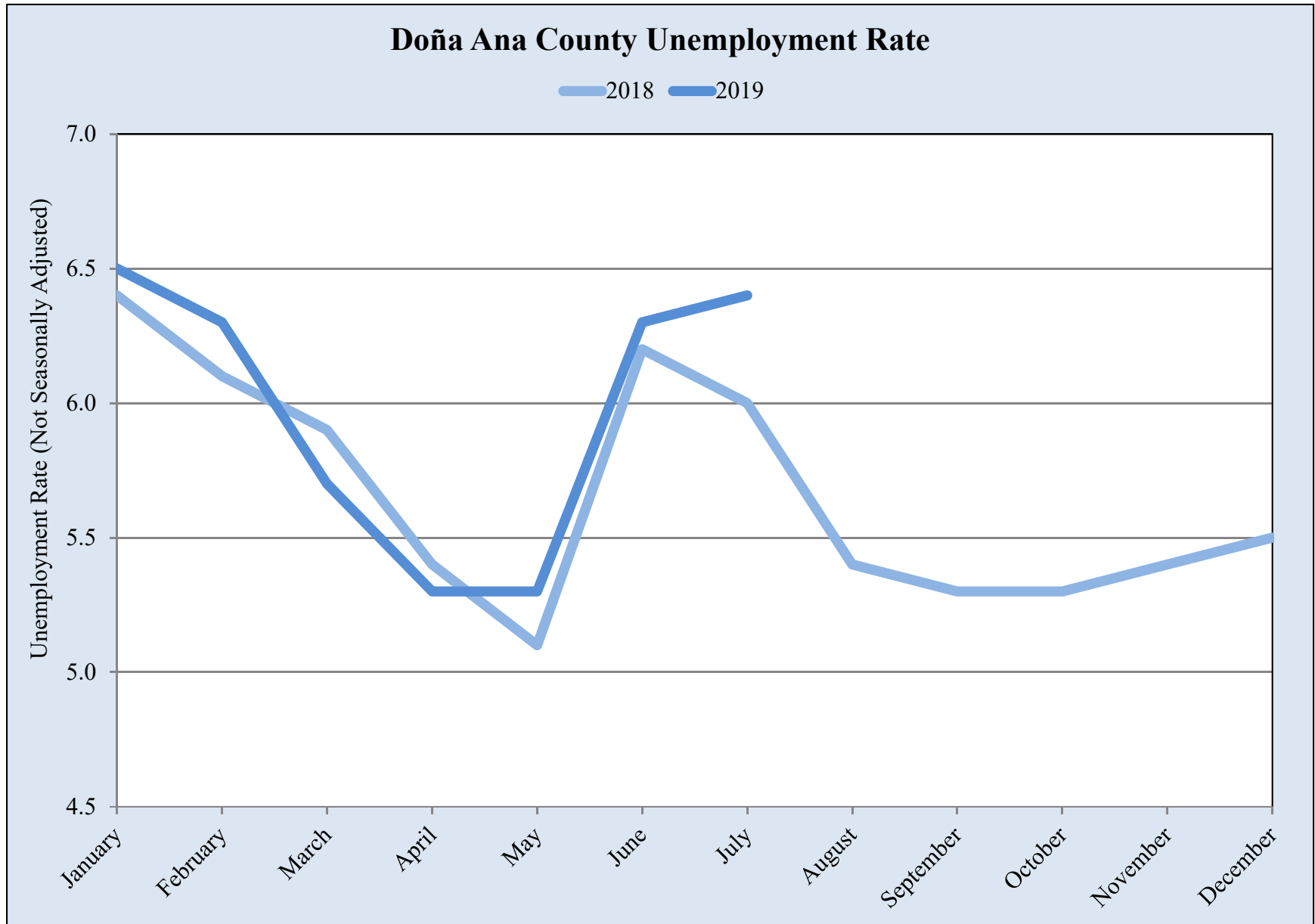
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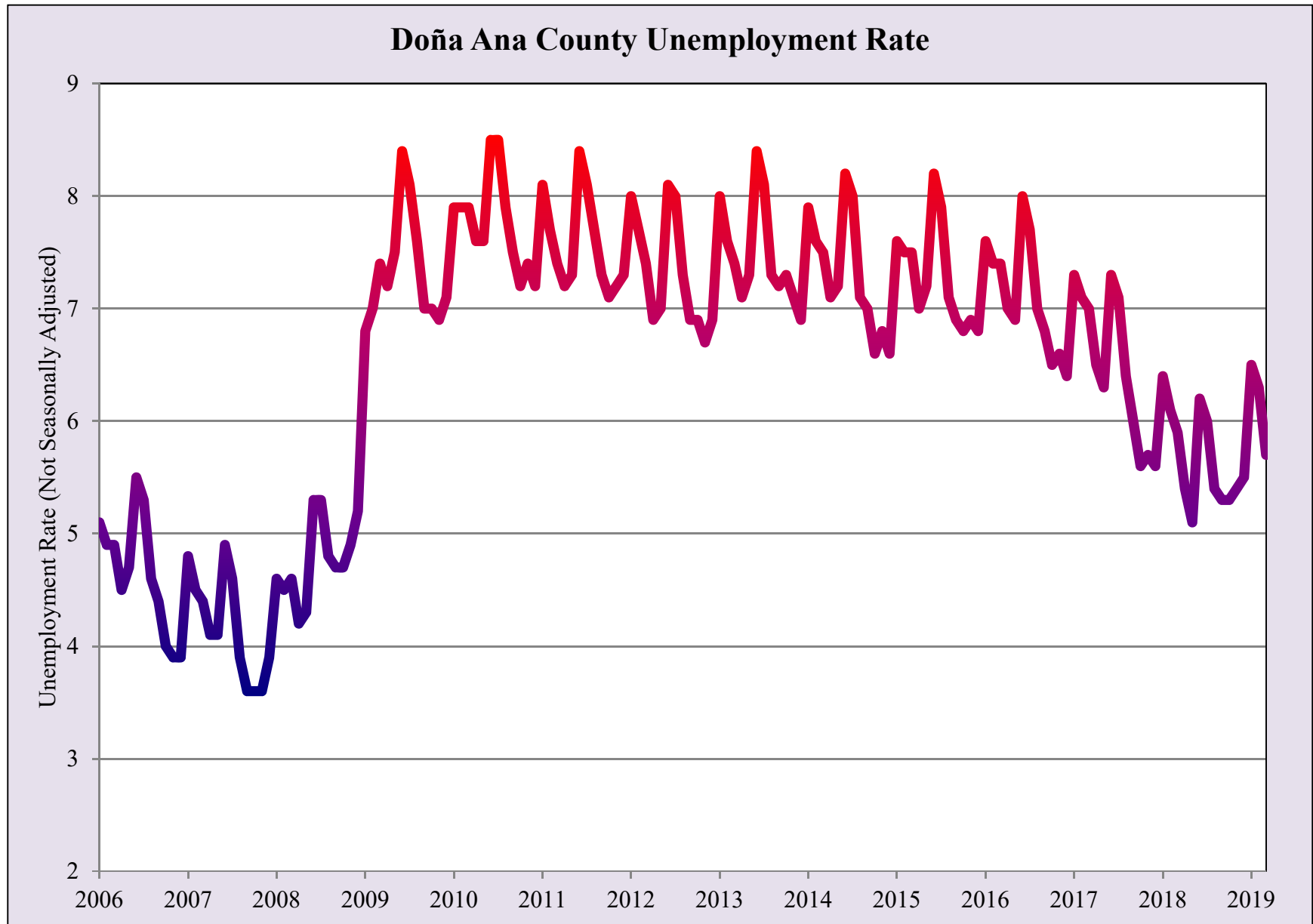
Source: GasBuddy.com



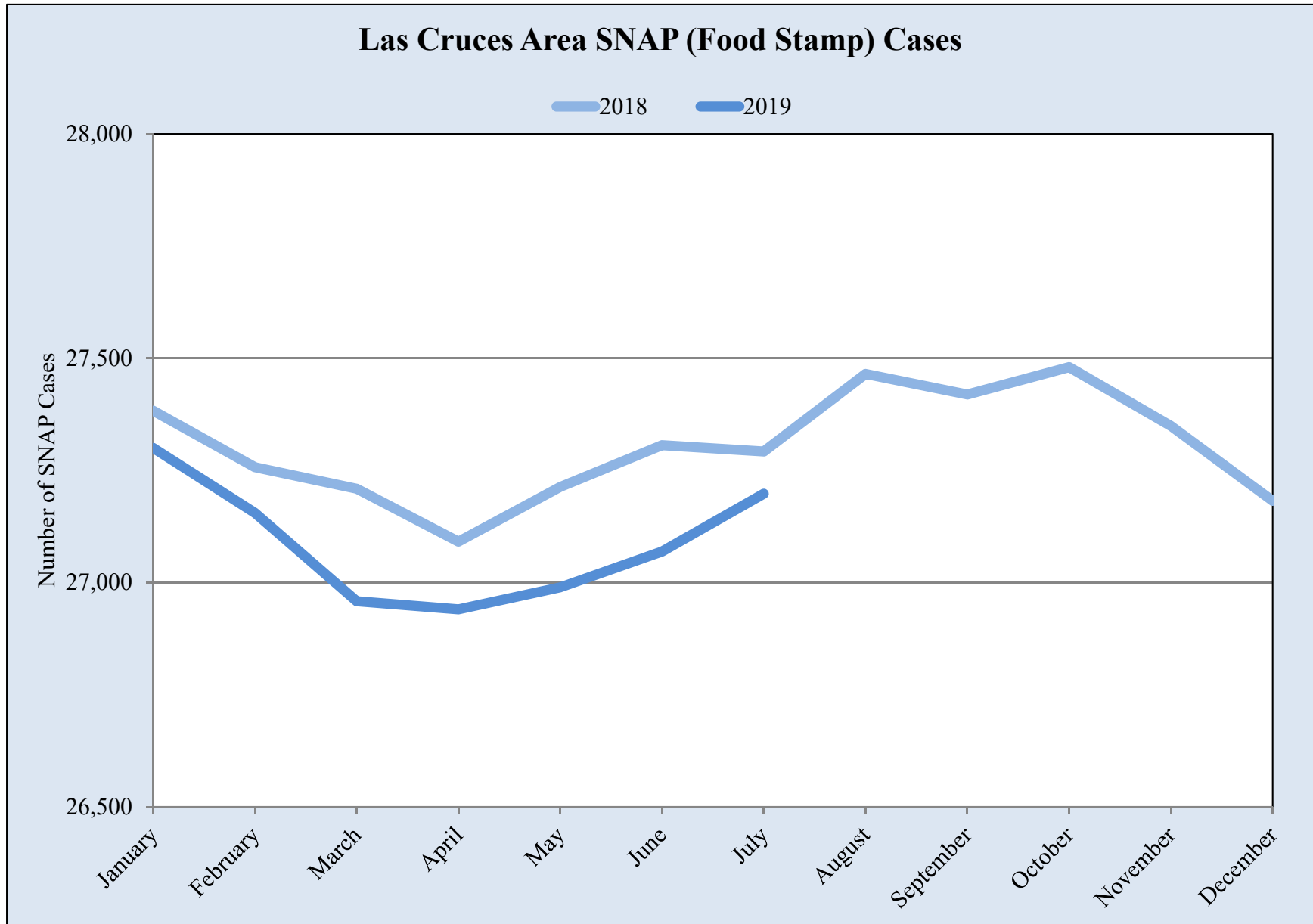
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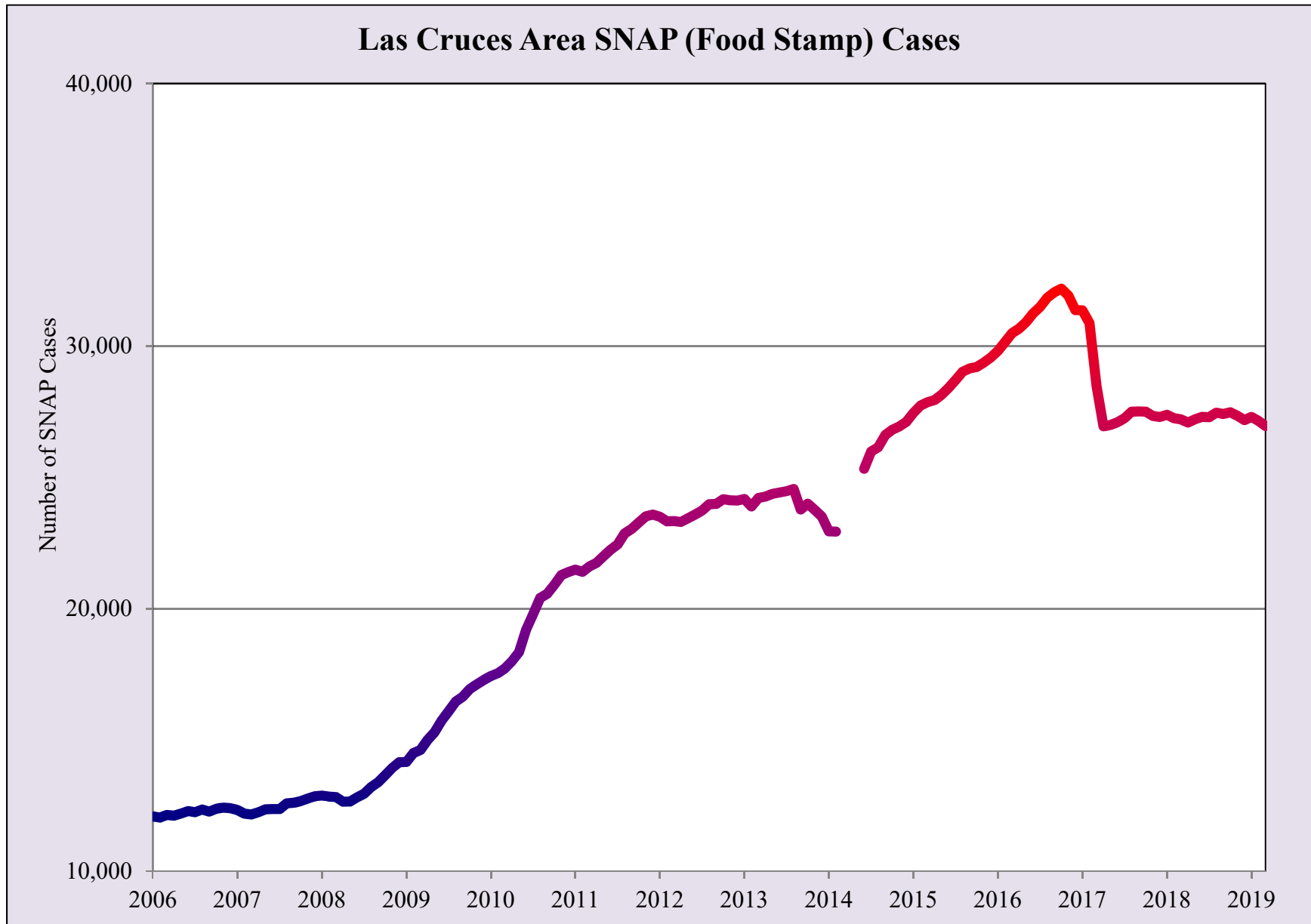
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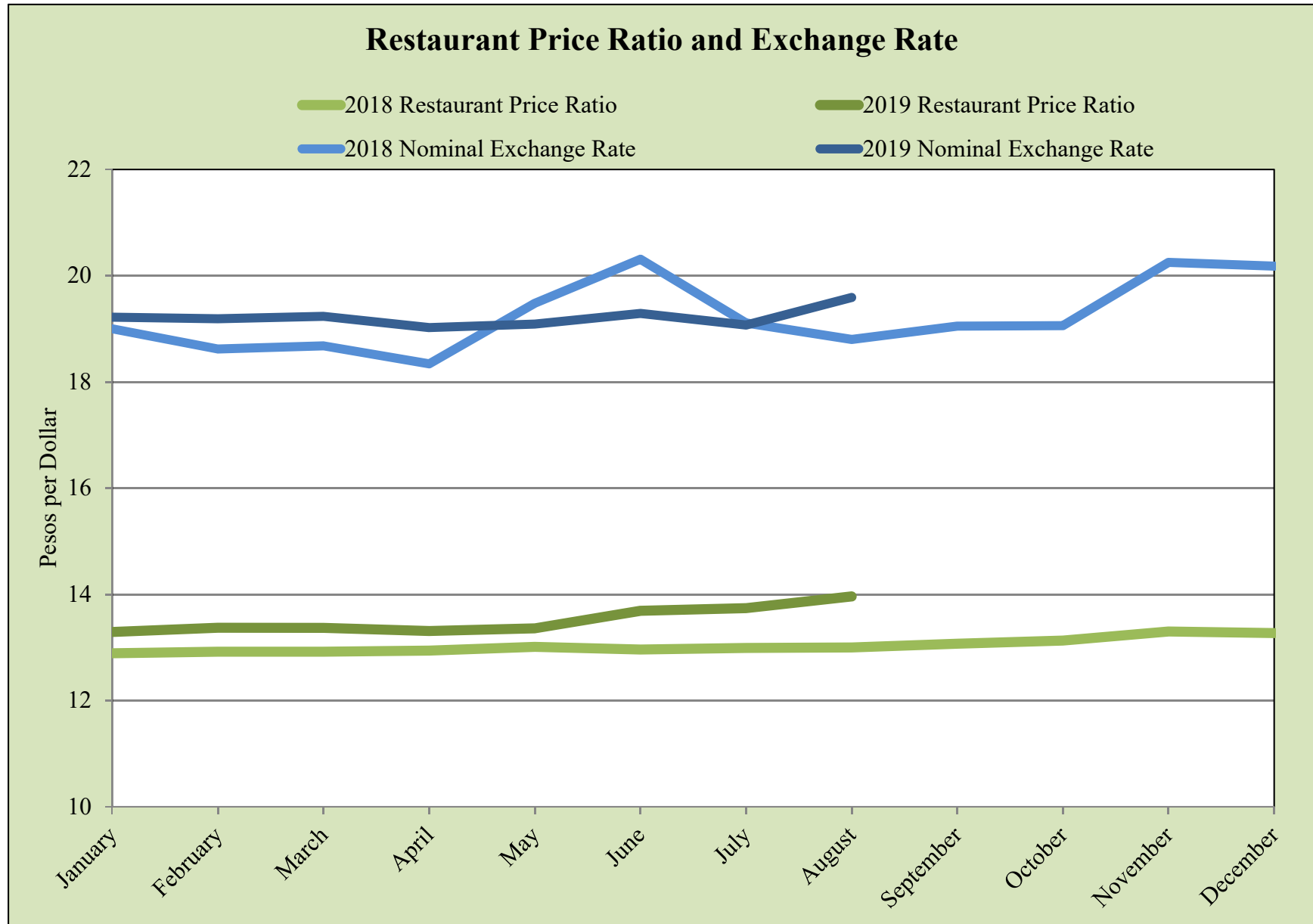
Source: Bureau of Labor Statistics



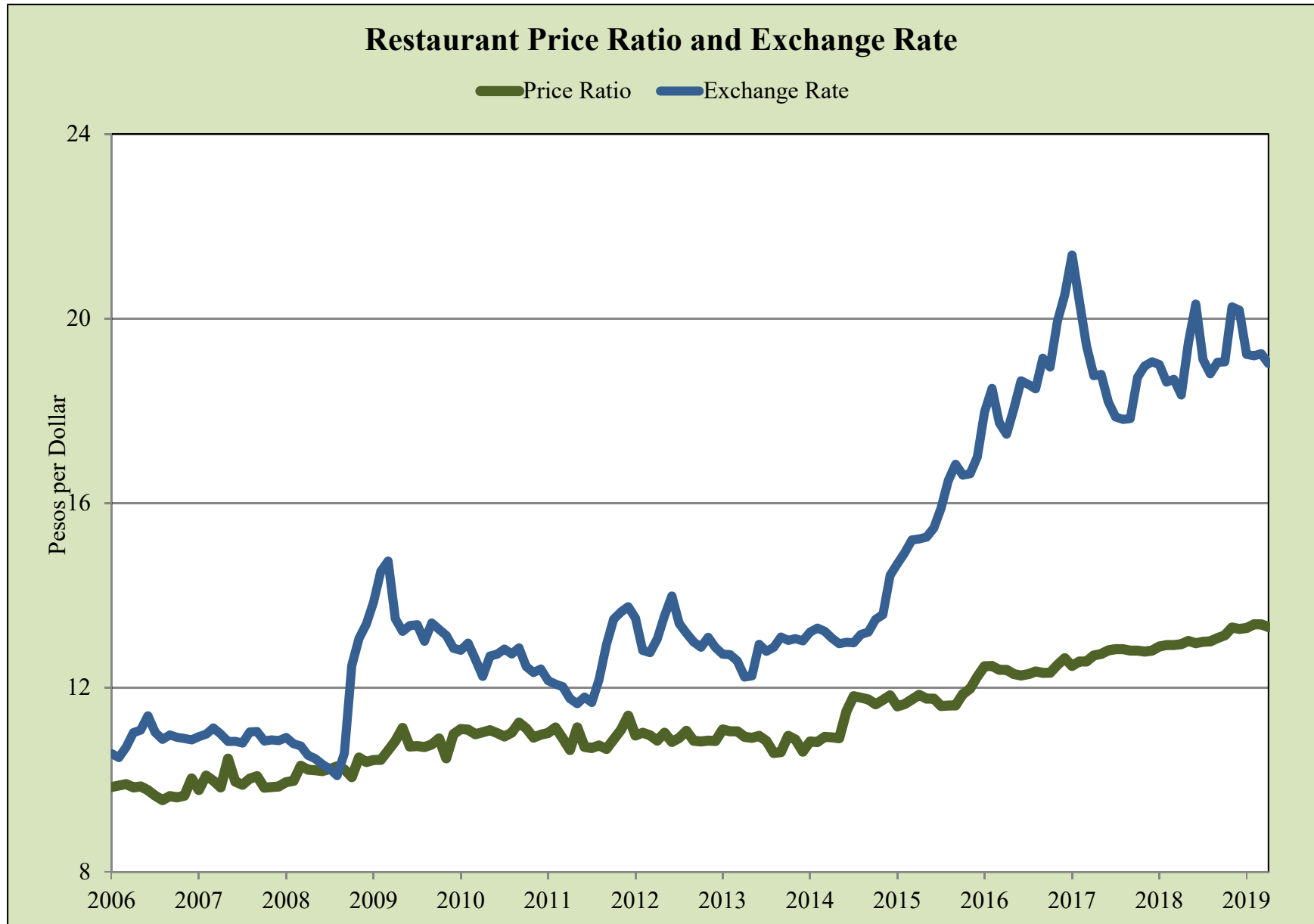
Source: New Mexico Human Services Department



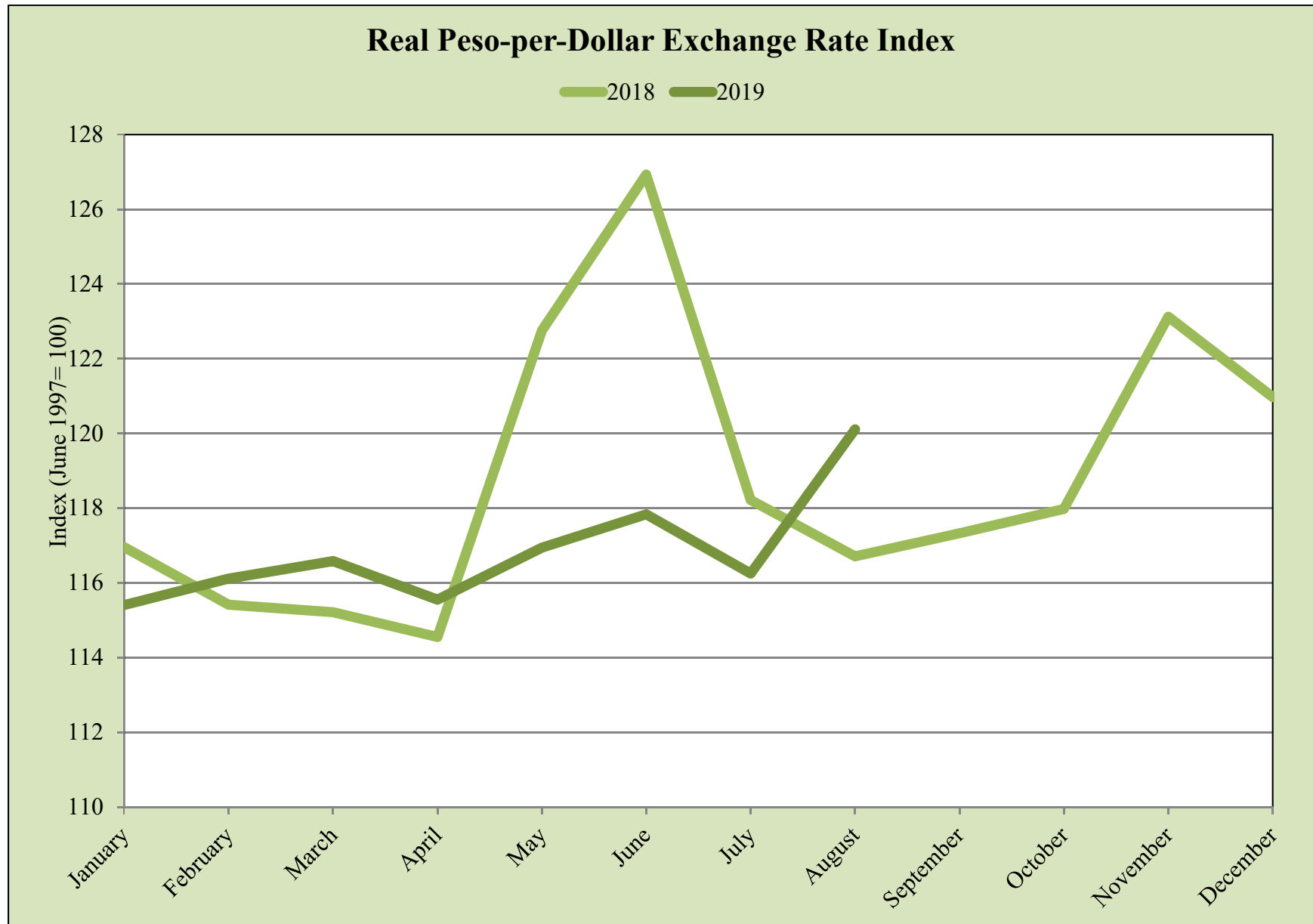
Source: New Mexico Human Services Department



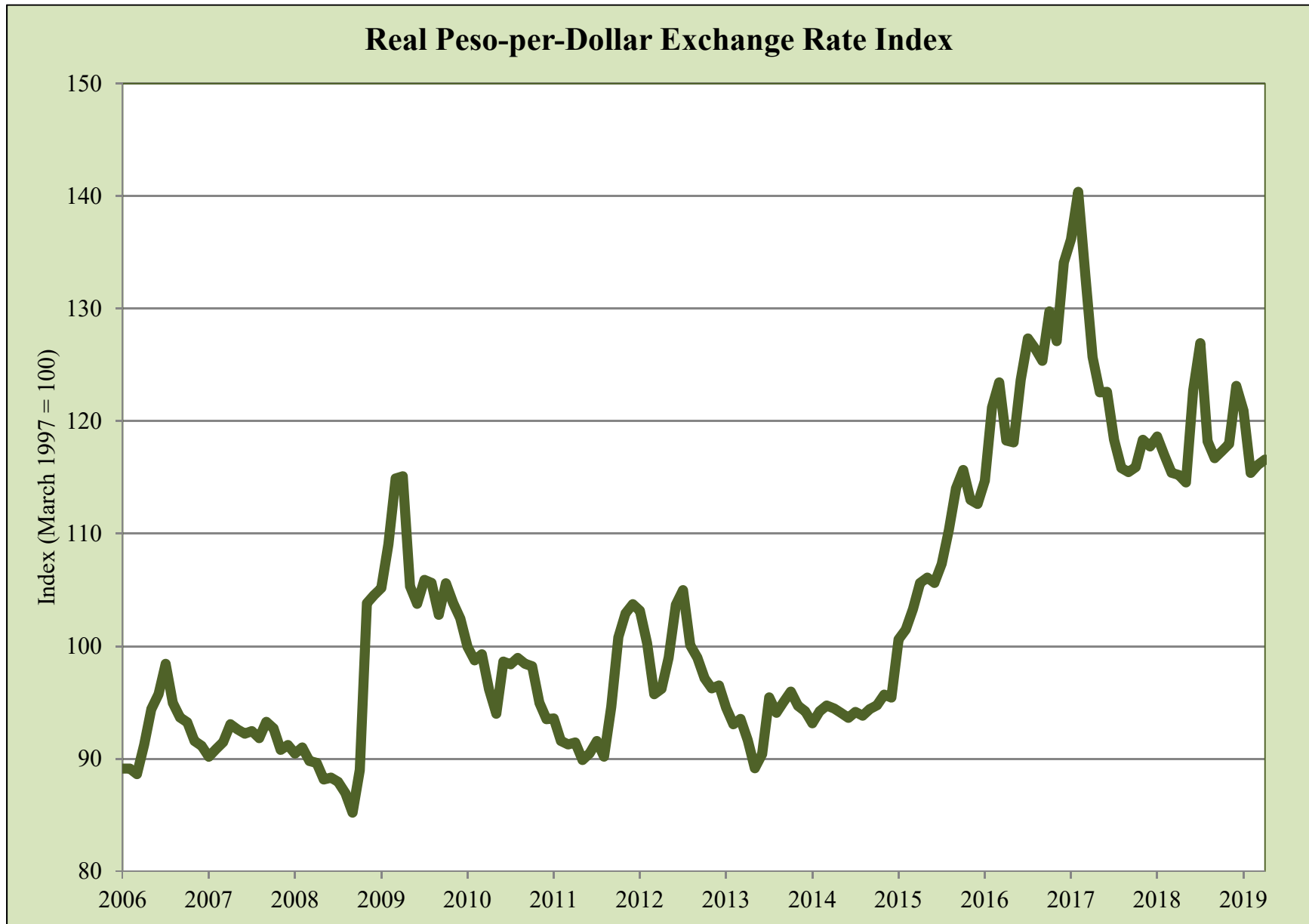
Source: UTEP Border Region Modeling Project and Banco de Mexico



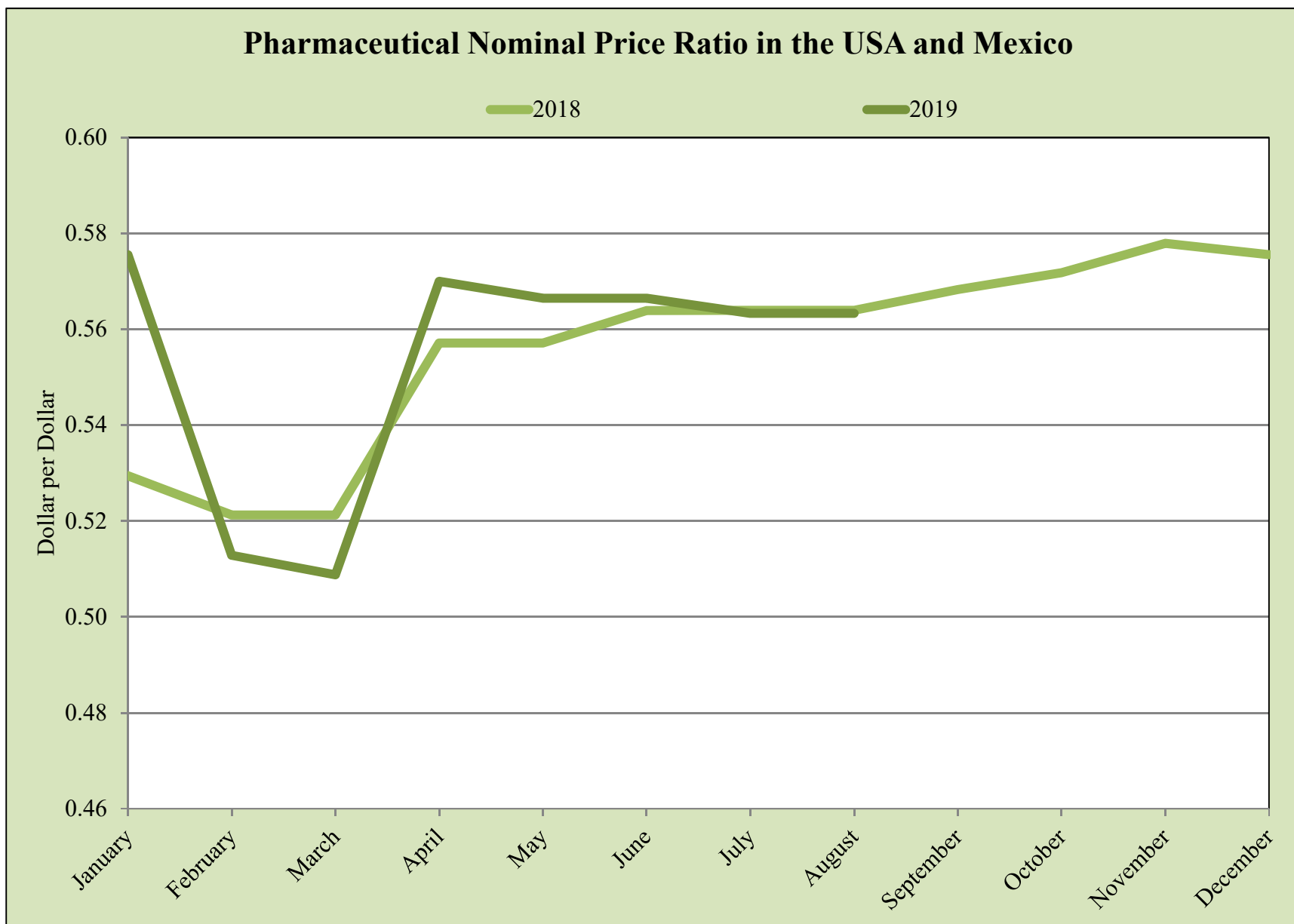
Source: UTEP Border Region Modeling Project and Banco de Mexico



Source: UTEP Border Region Modeling Project



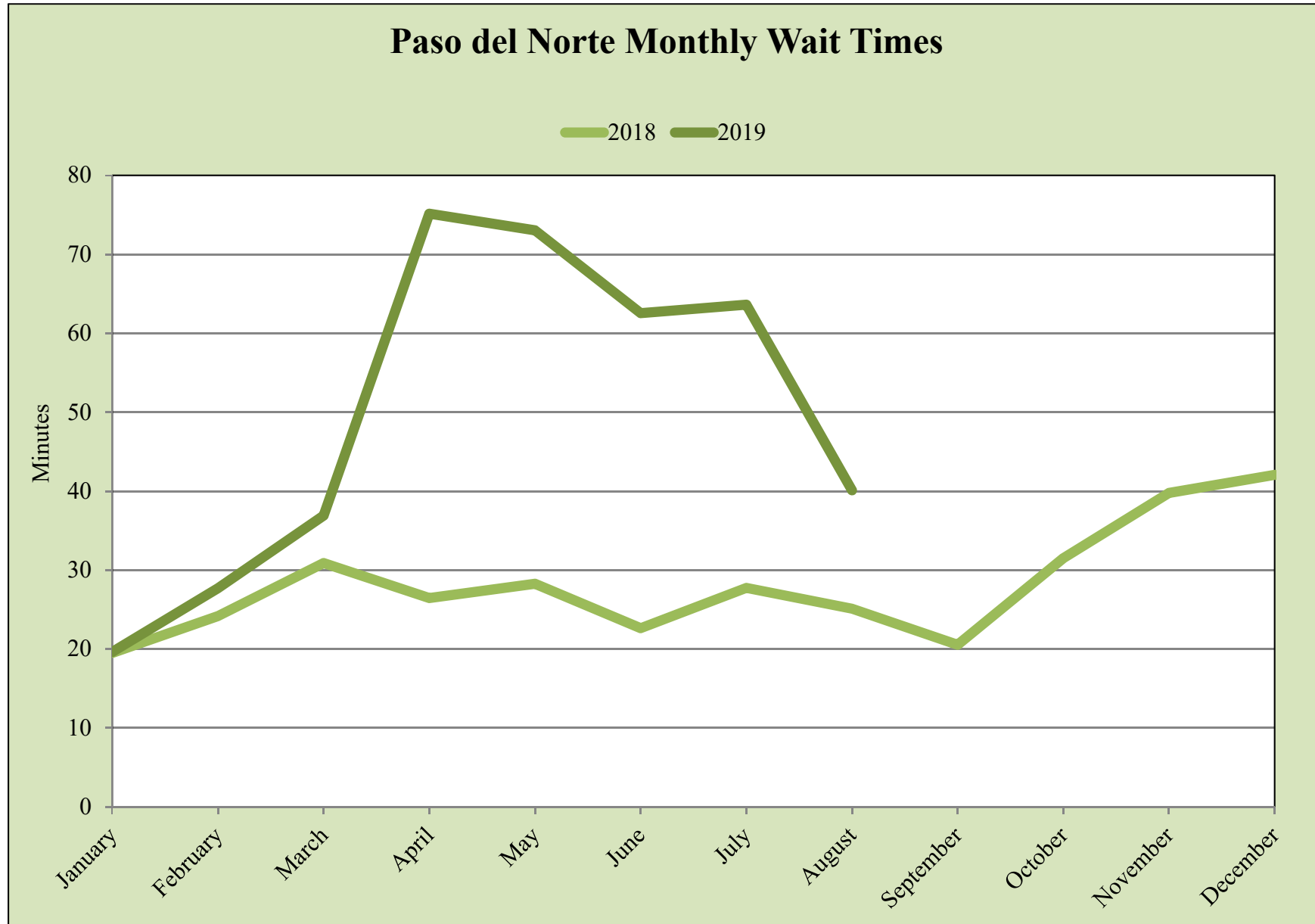
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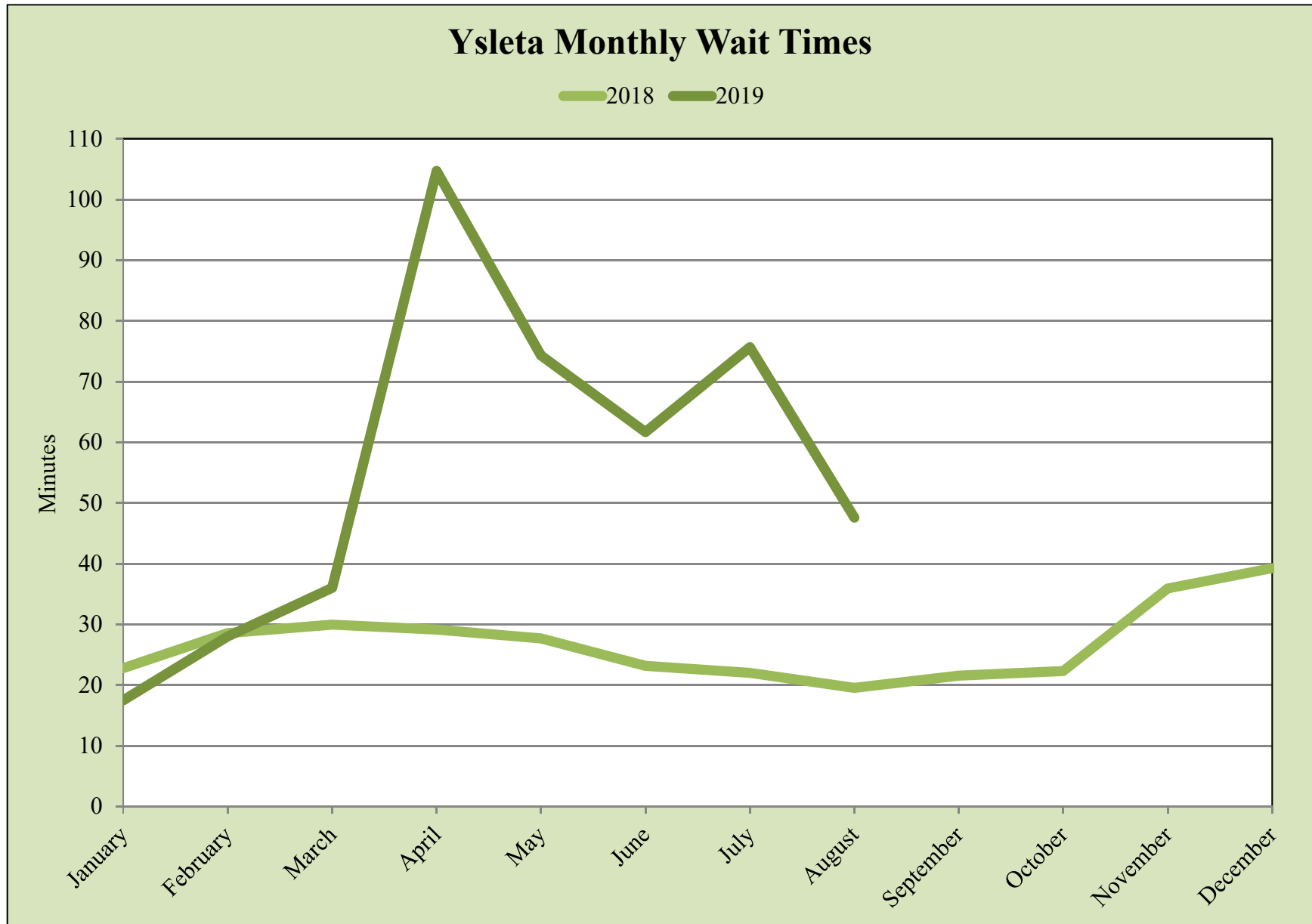
Source: UTEP Border Region Modeling Project, healthwarehouse.com, medicinesmexico.com, medsmex.com



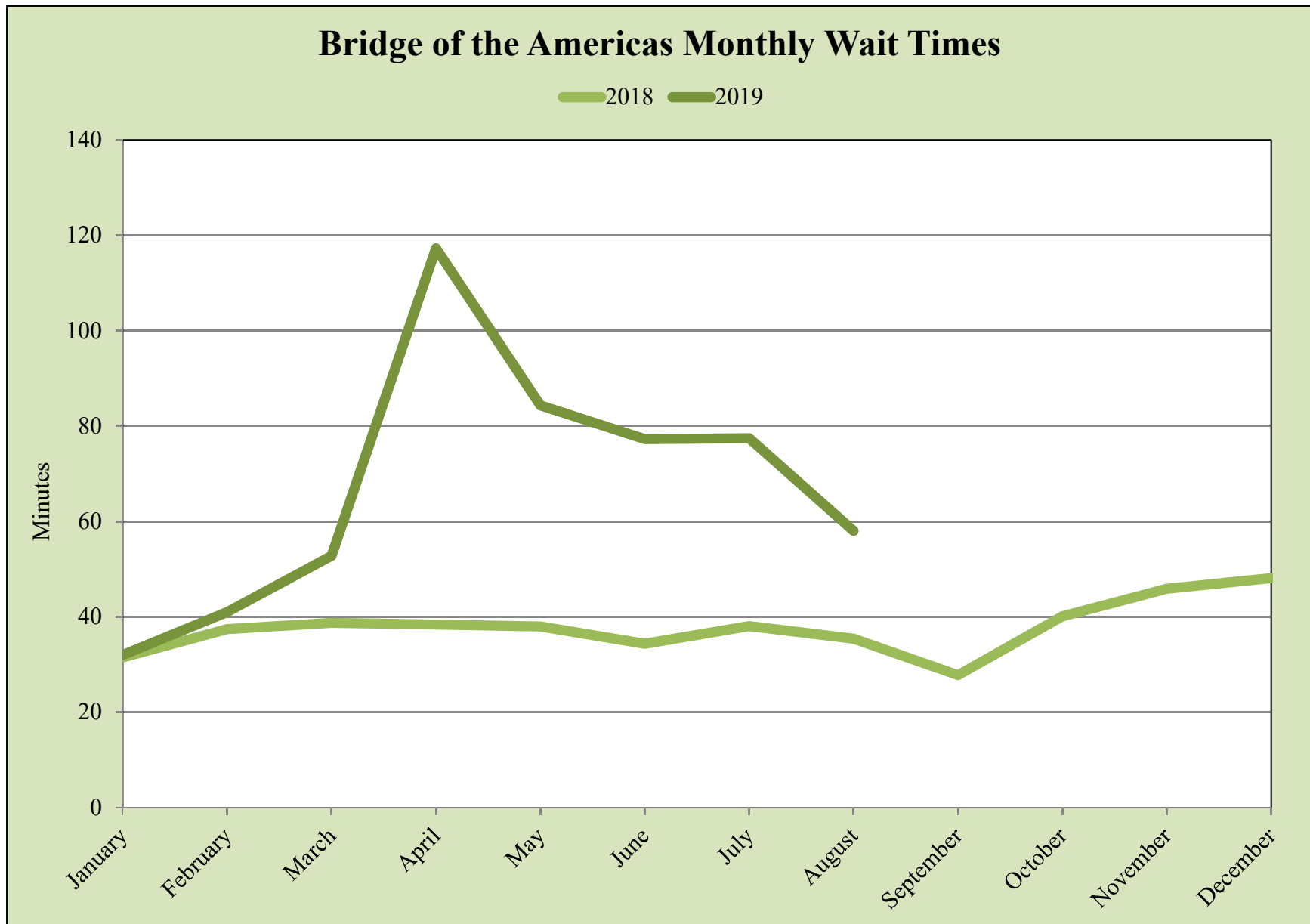
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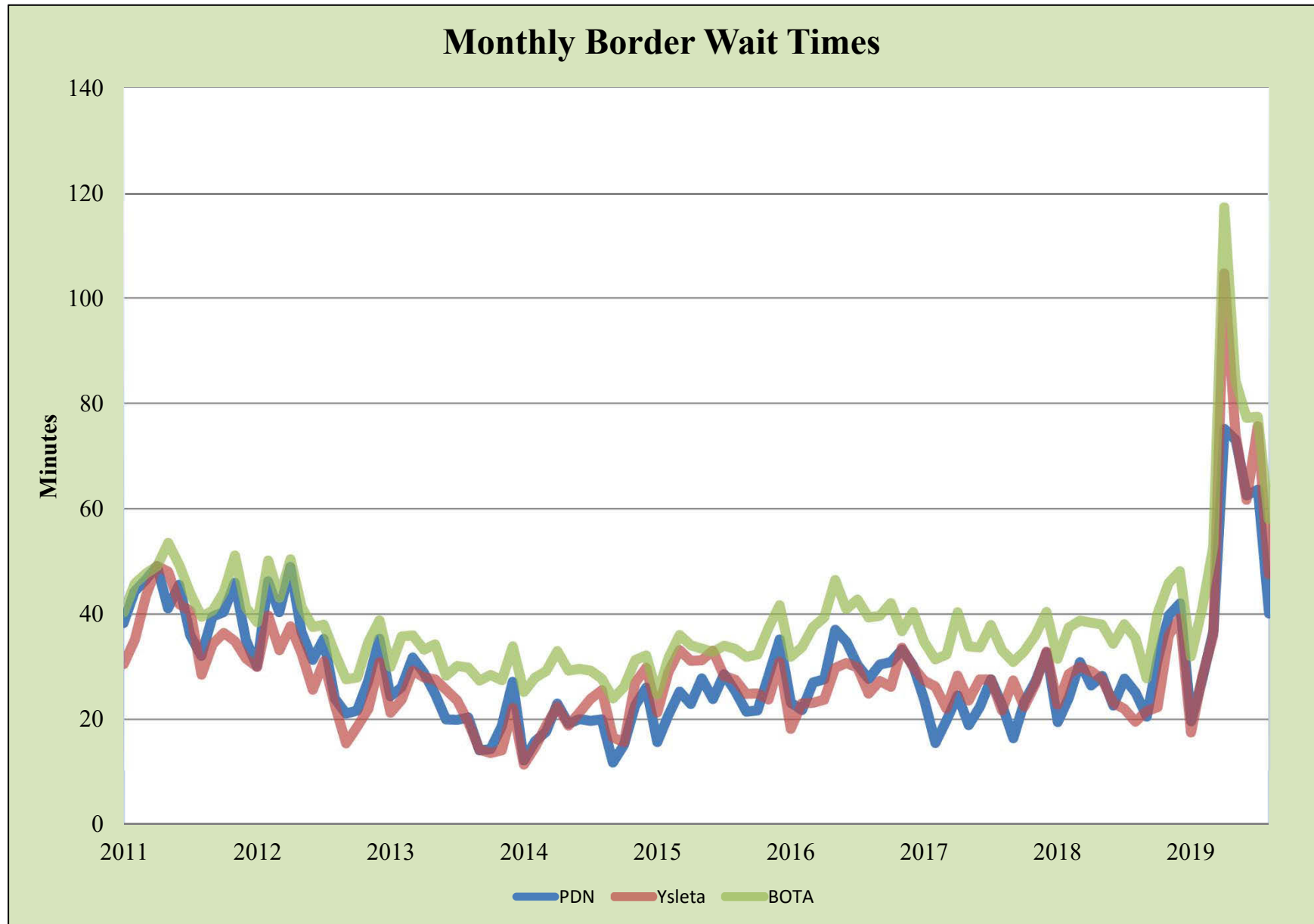
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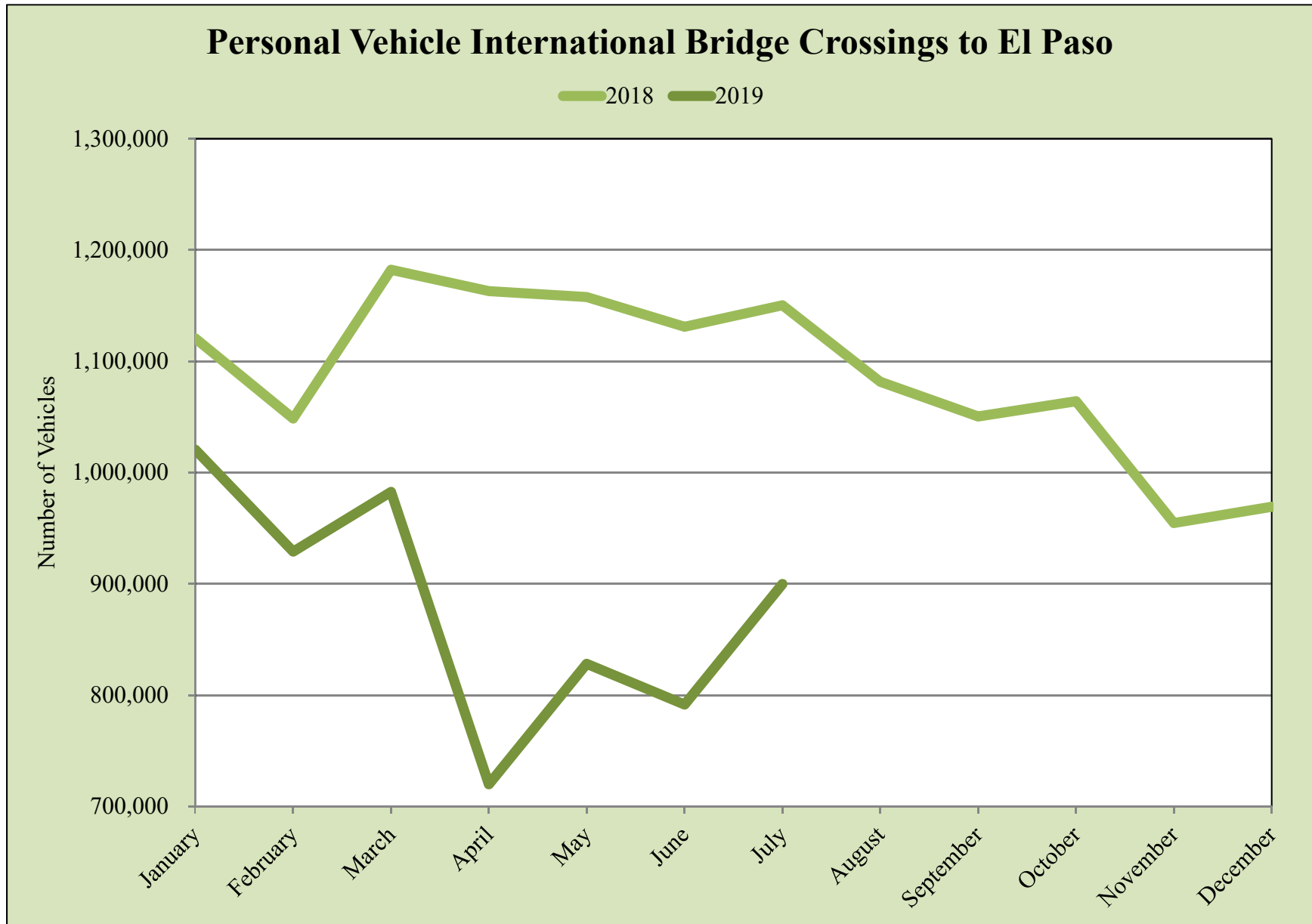
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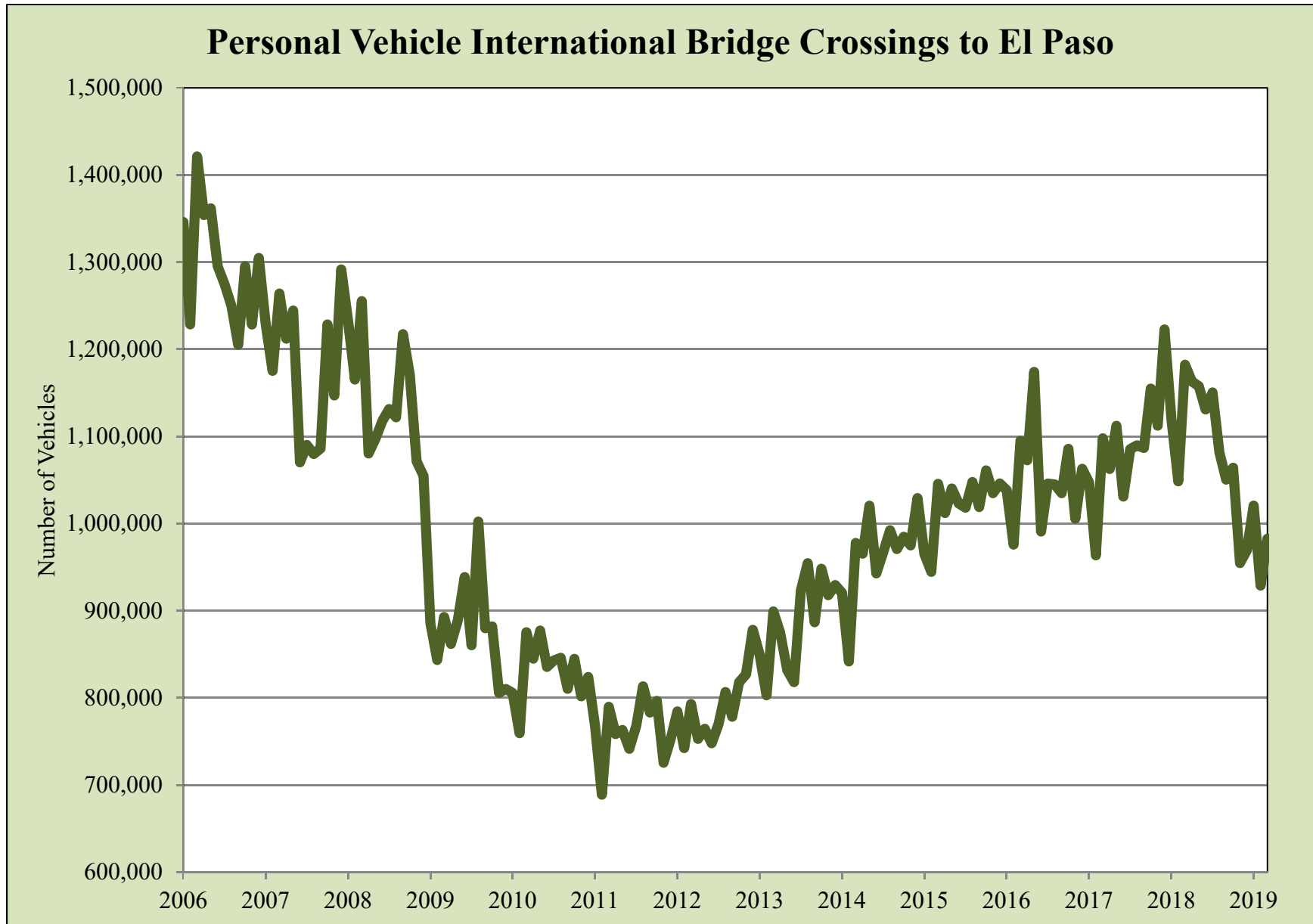
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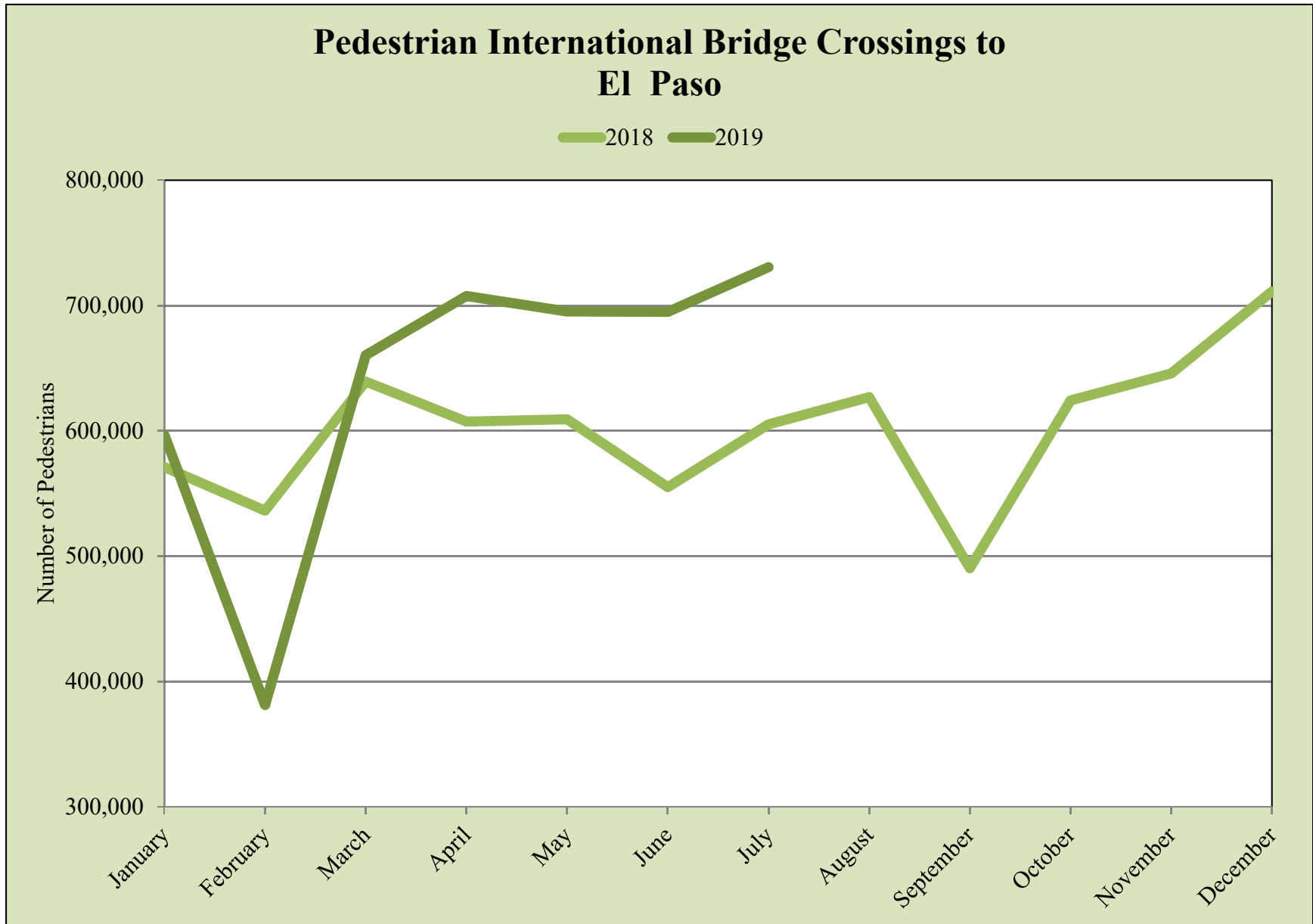
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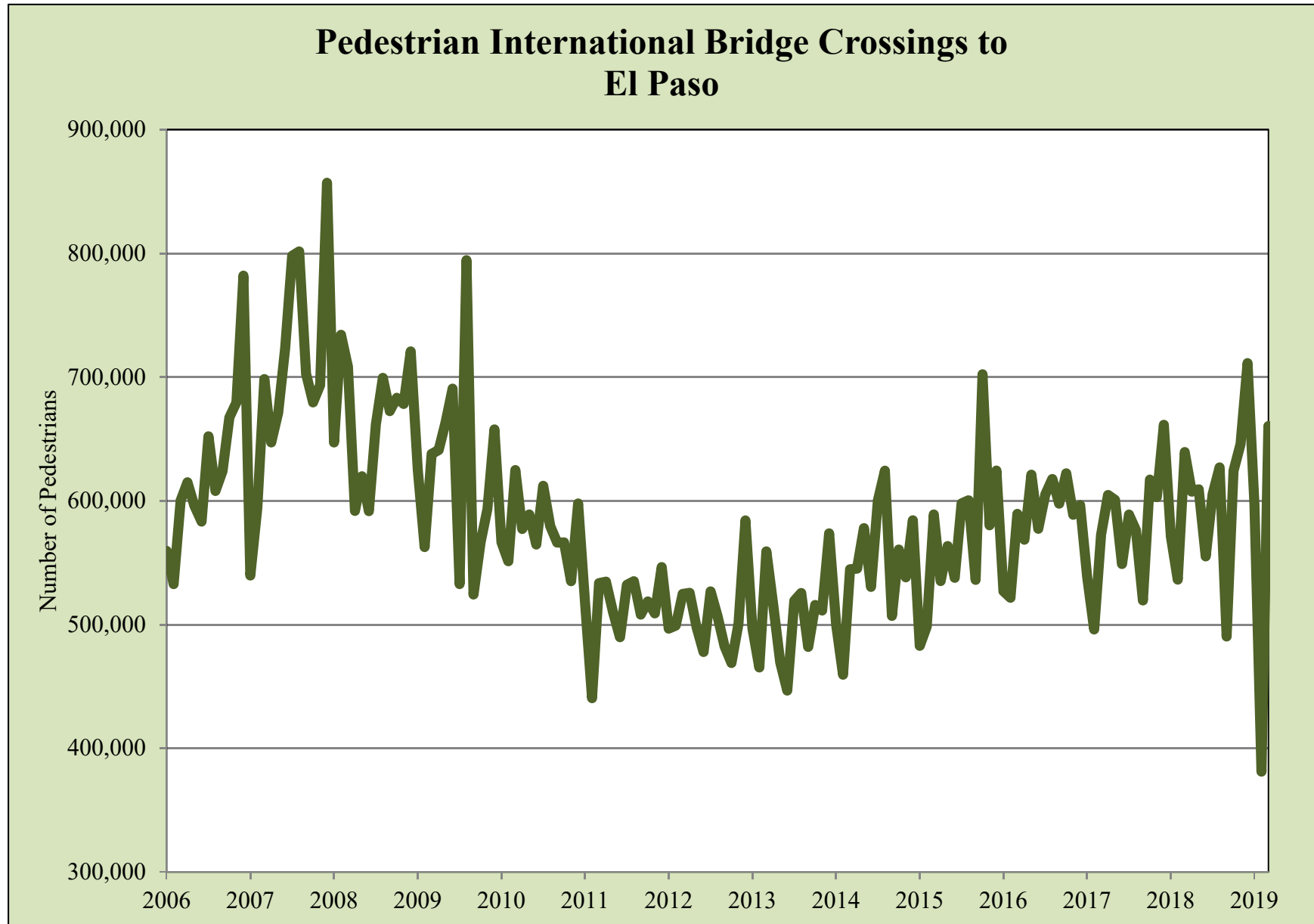
Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection



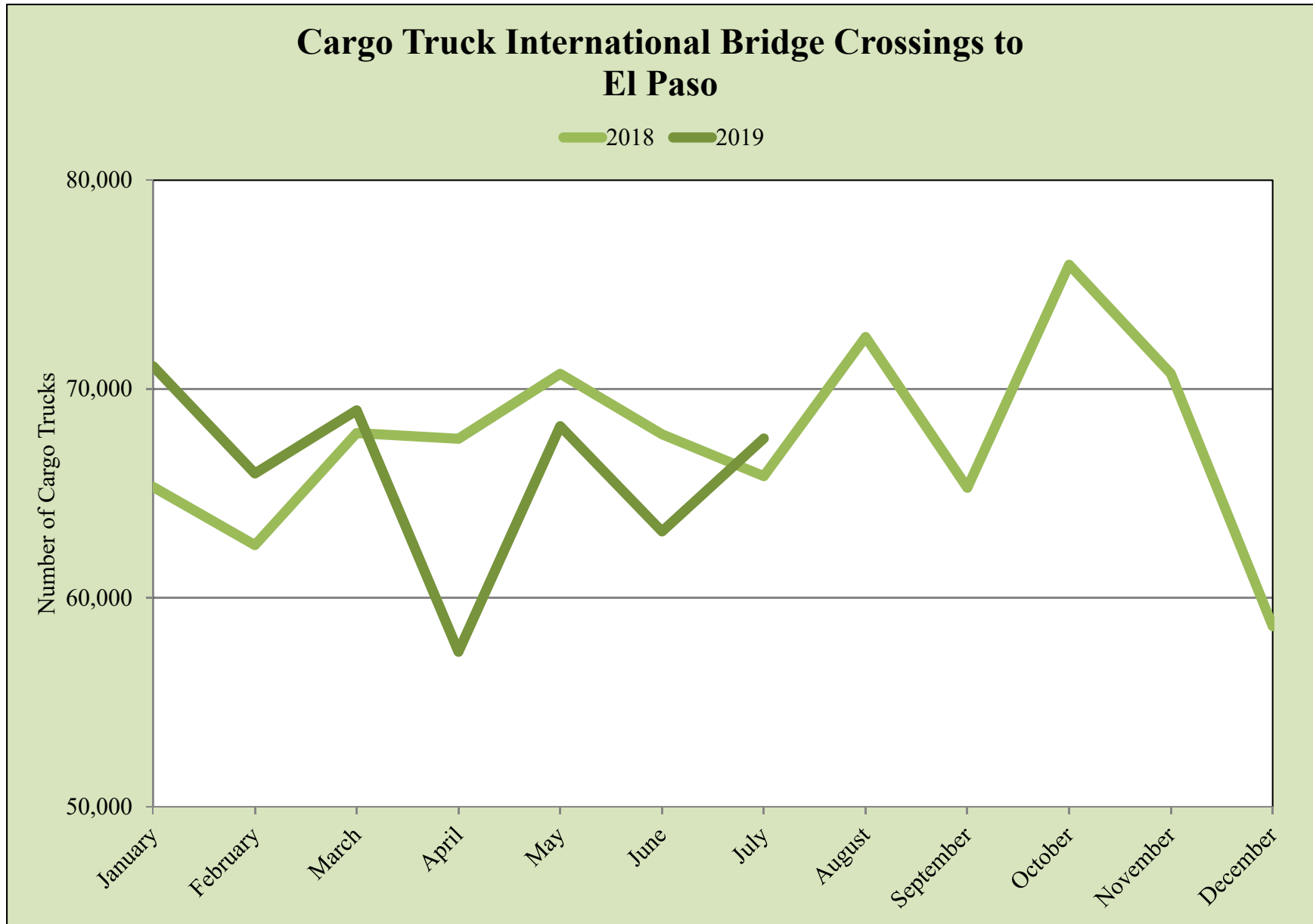
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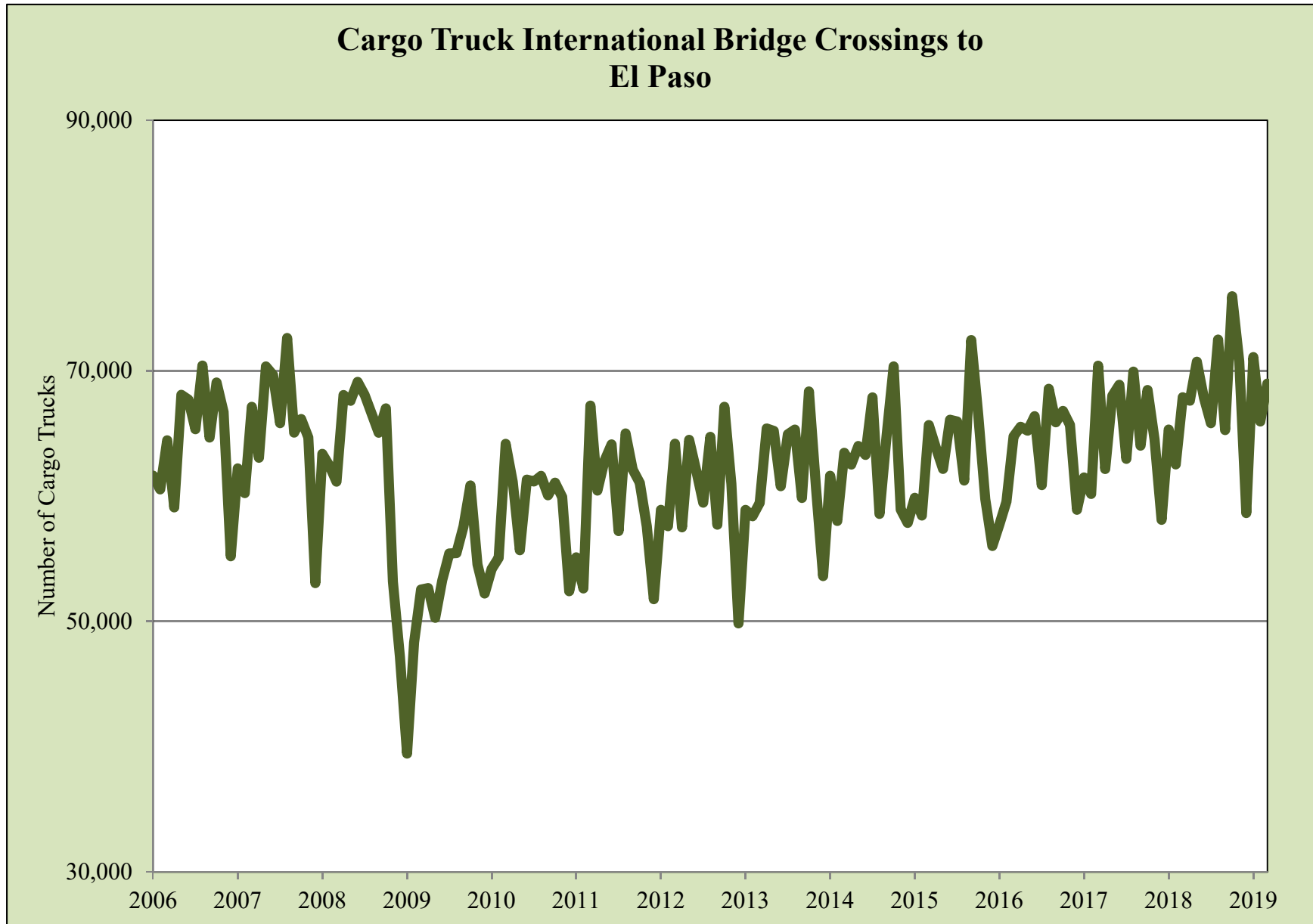
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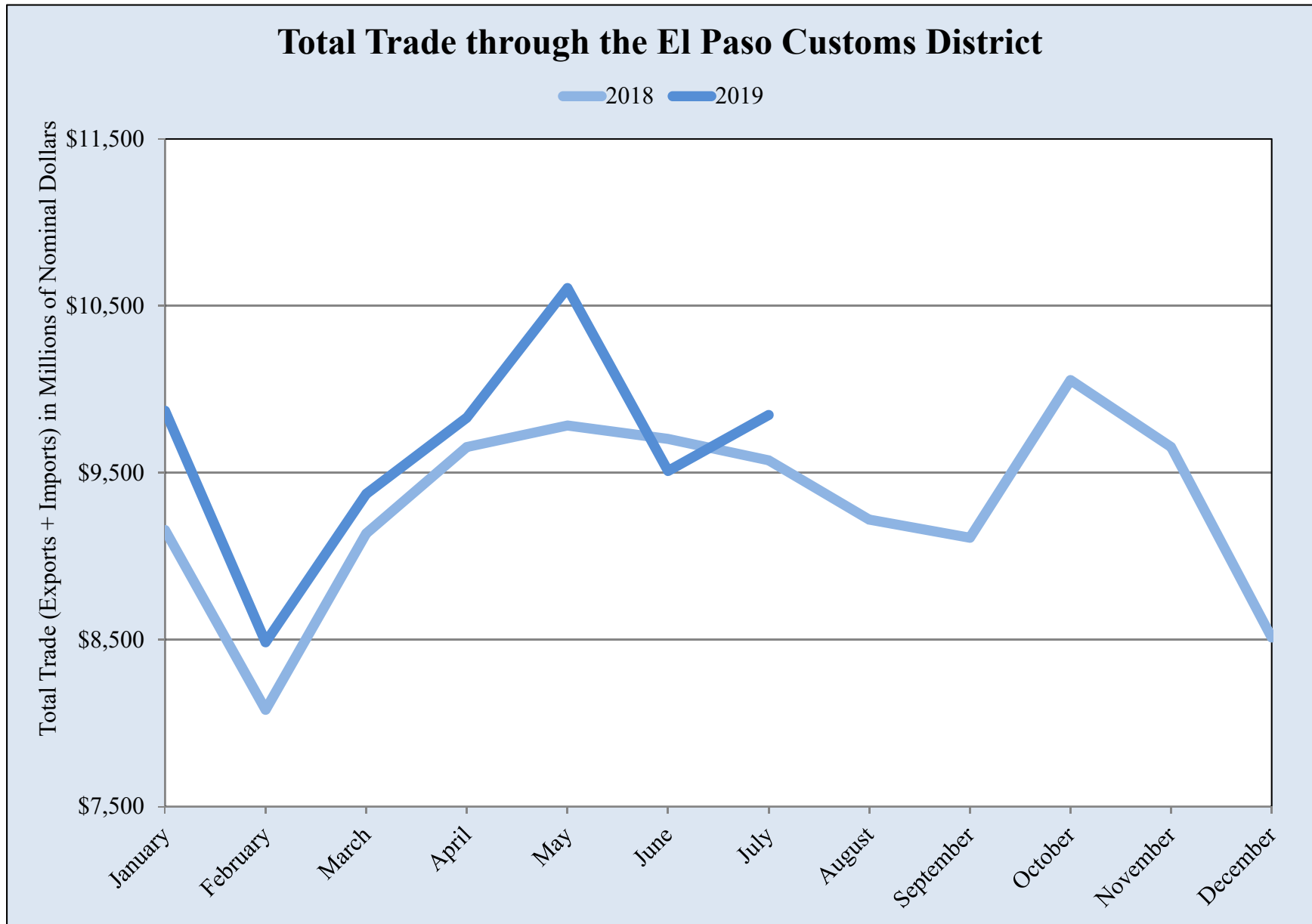
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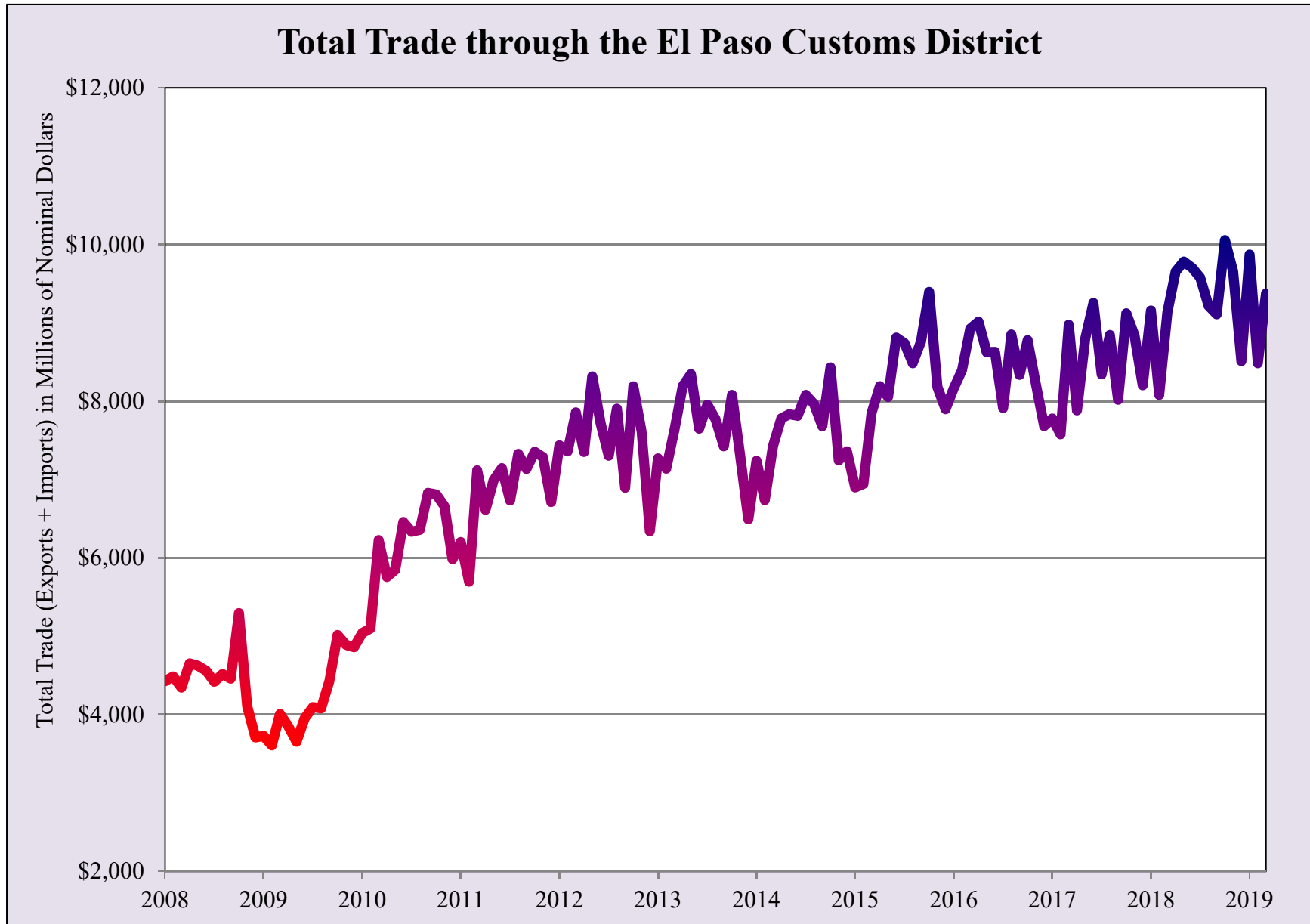
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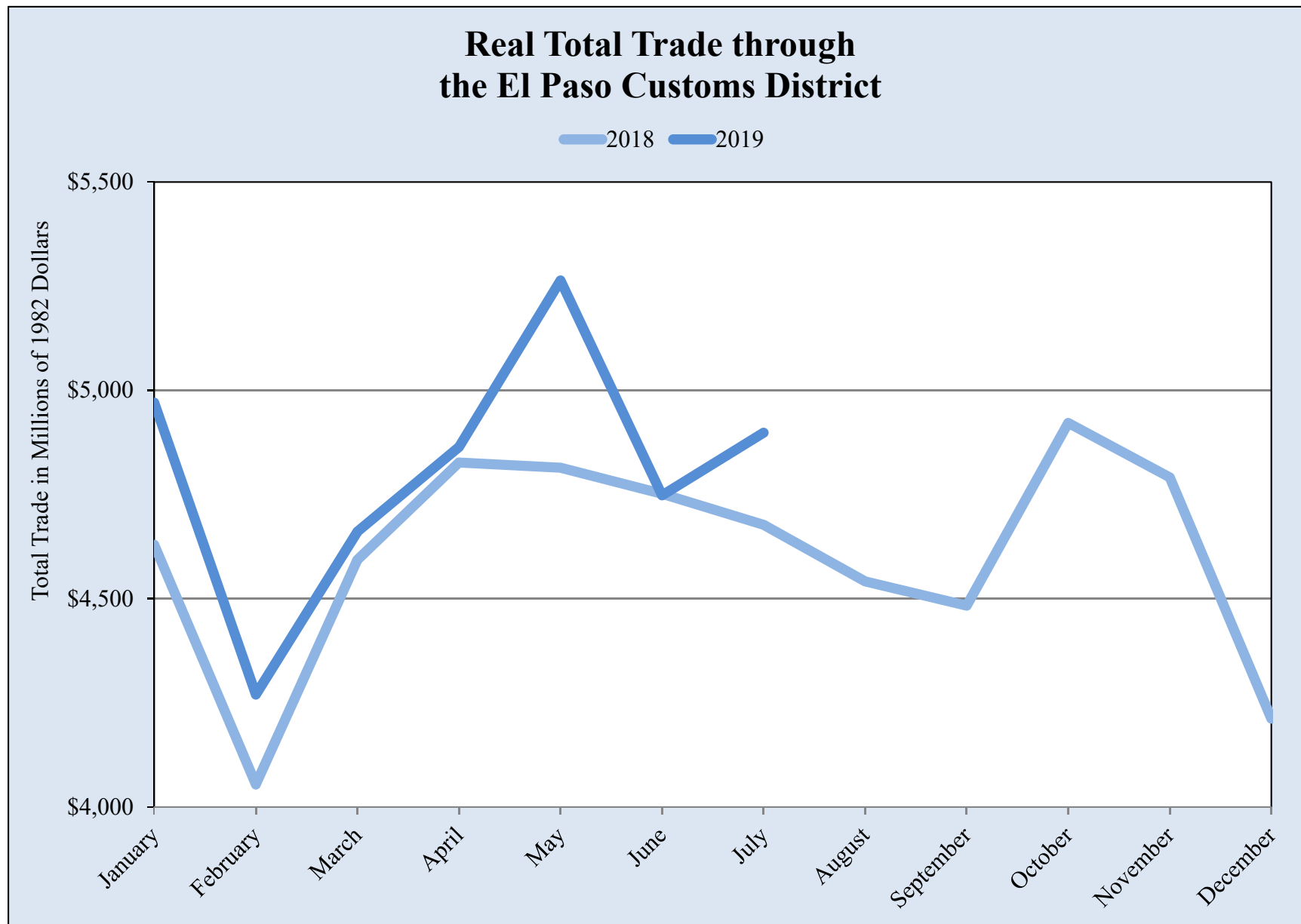
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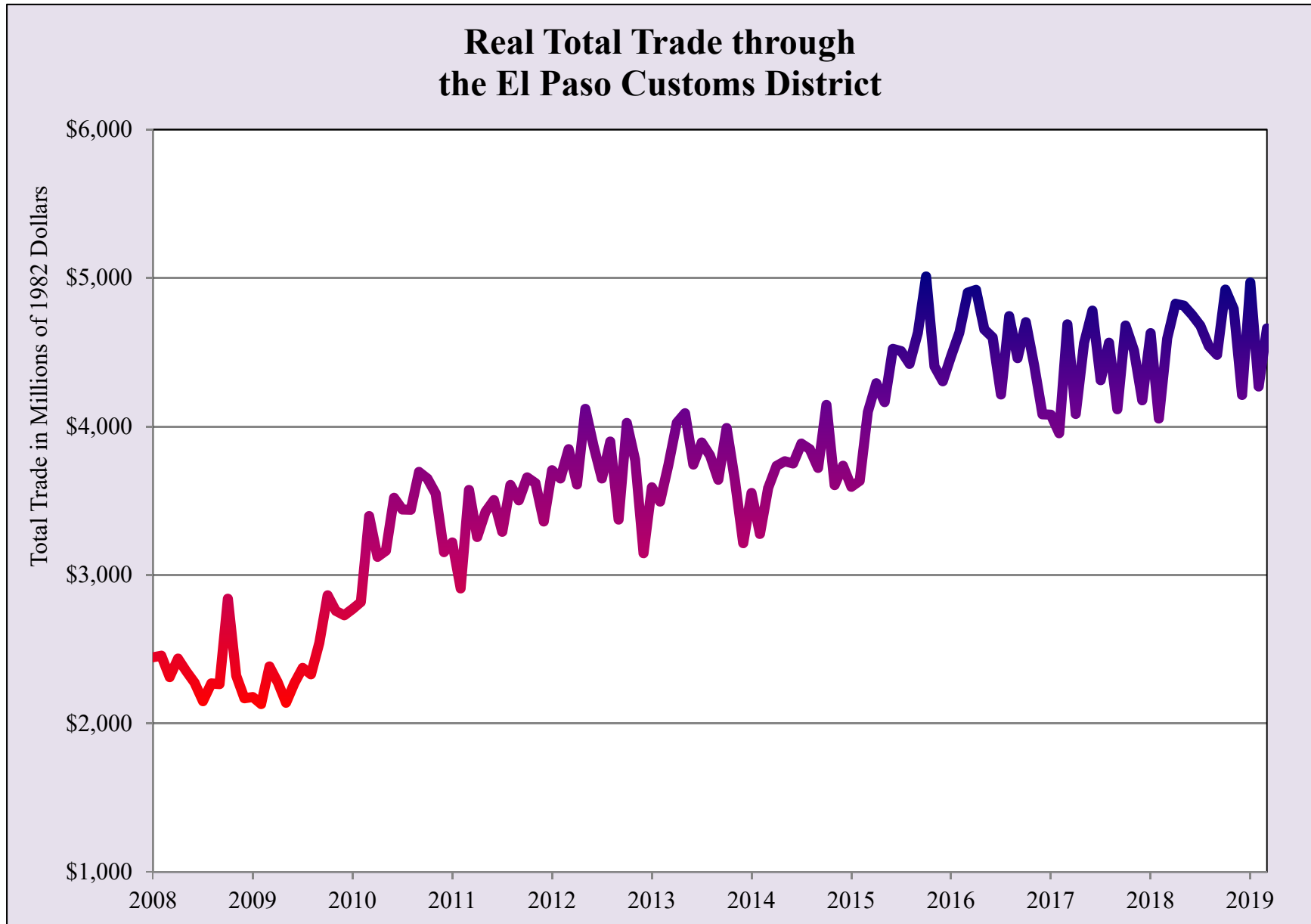
Source: U.S. International Trade Commission



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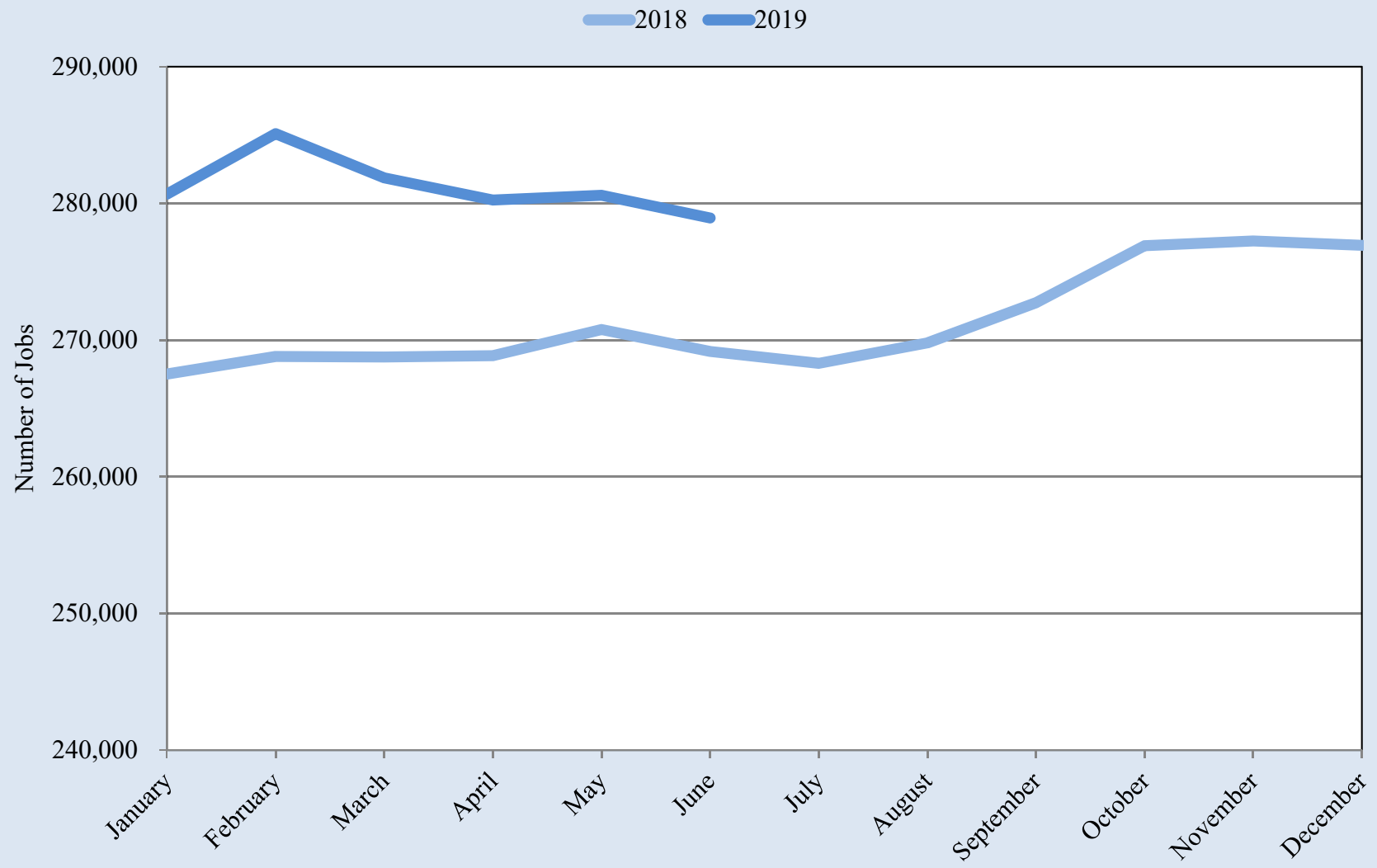
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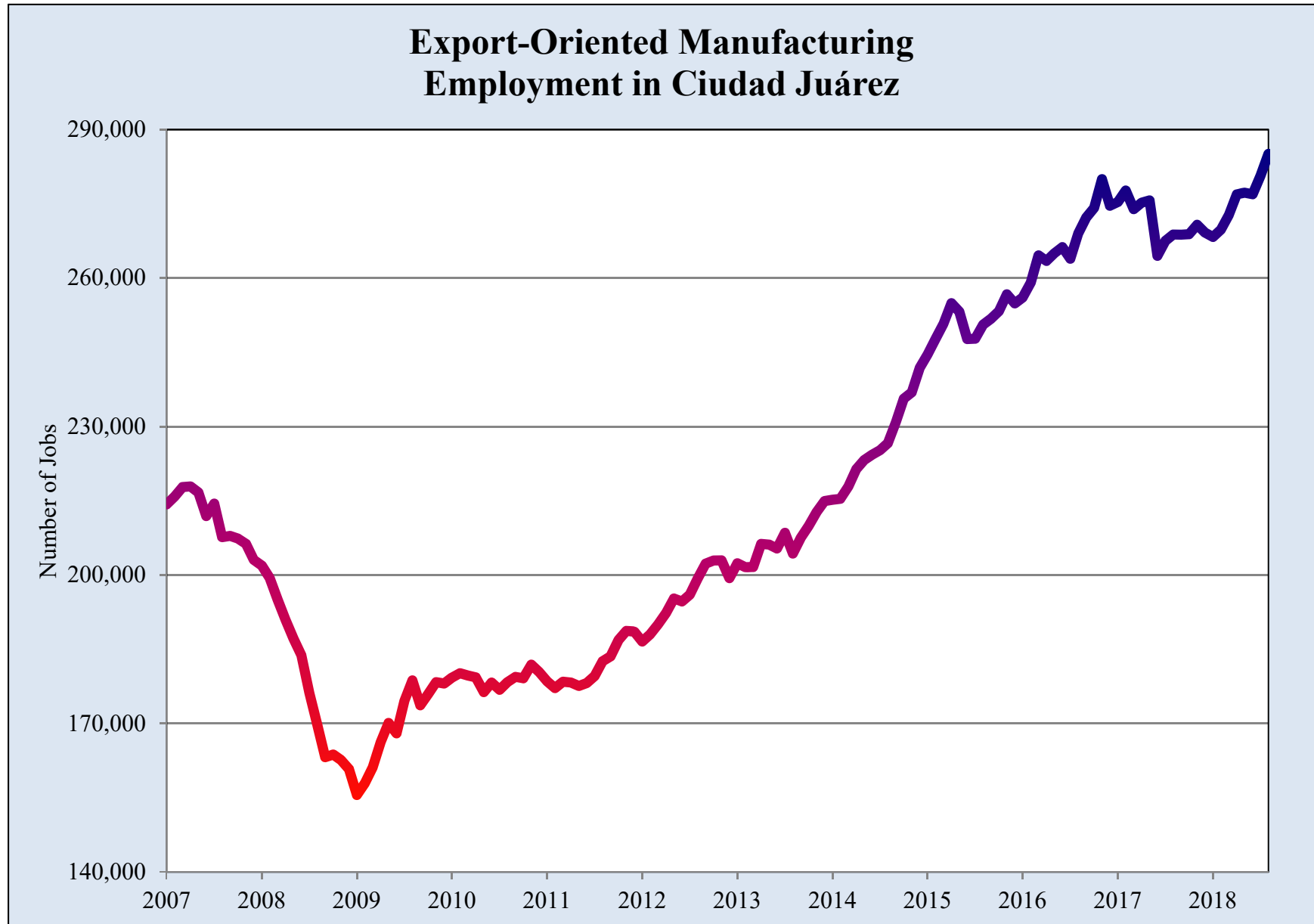
Source: U.S. International Trade Commission and Bureau of Labor Statistics



Export-Oriented Manufacturing Employment in Ciudad Juárez



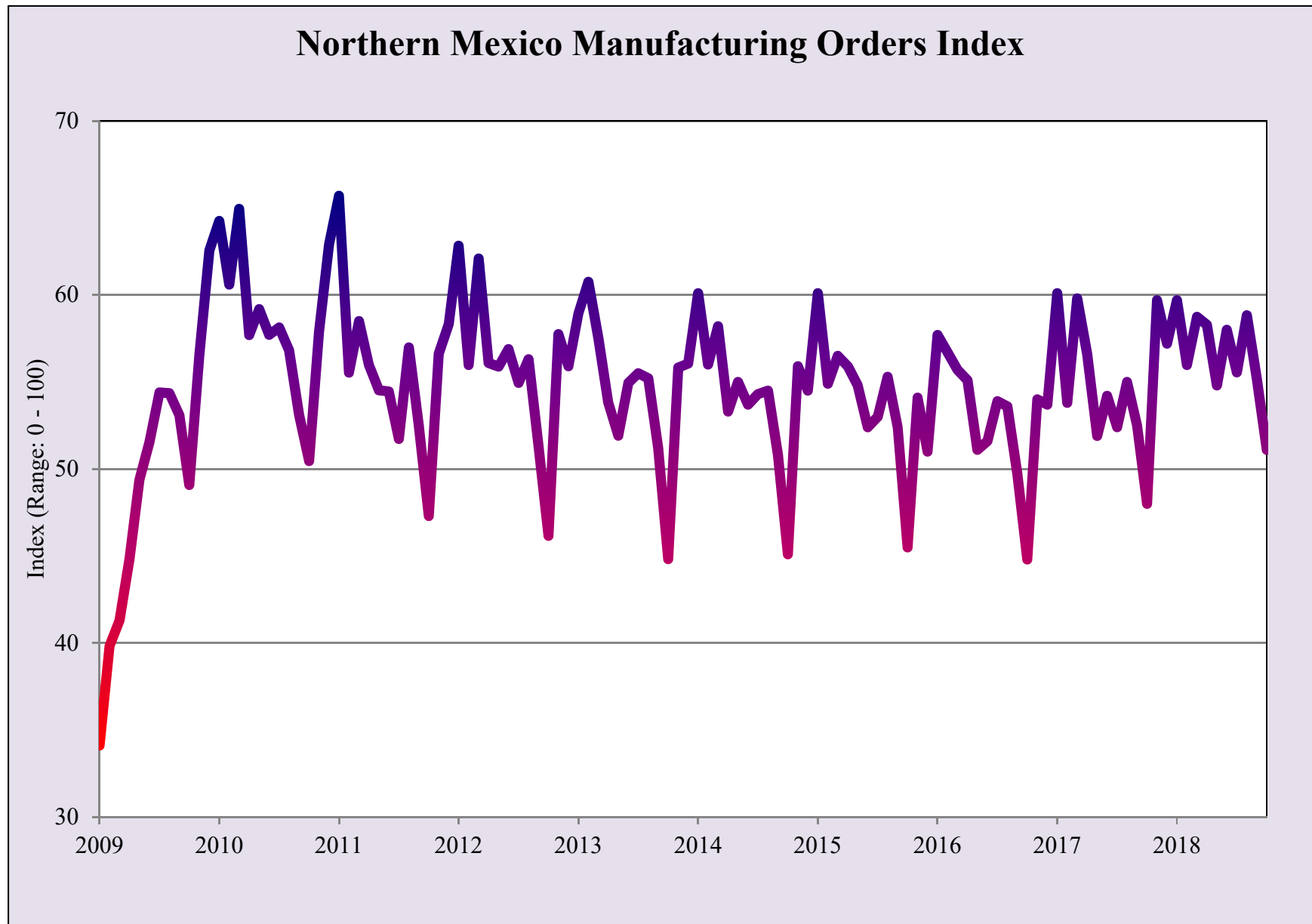
Source: INEGI



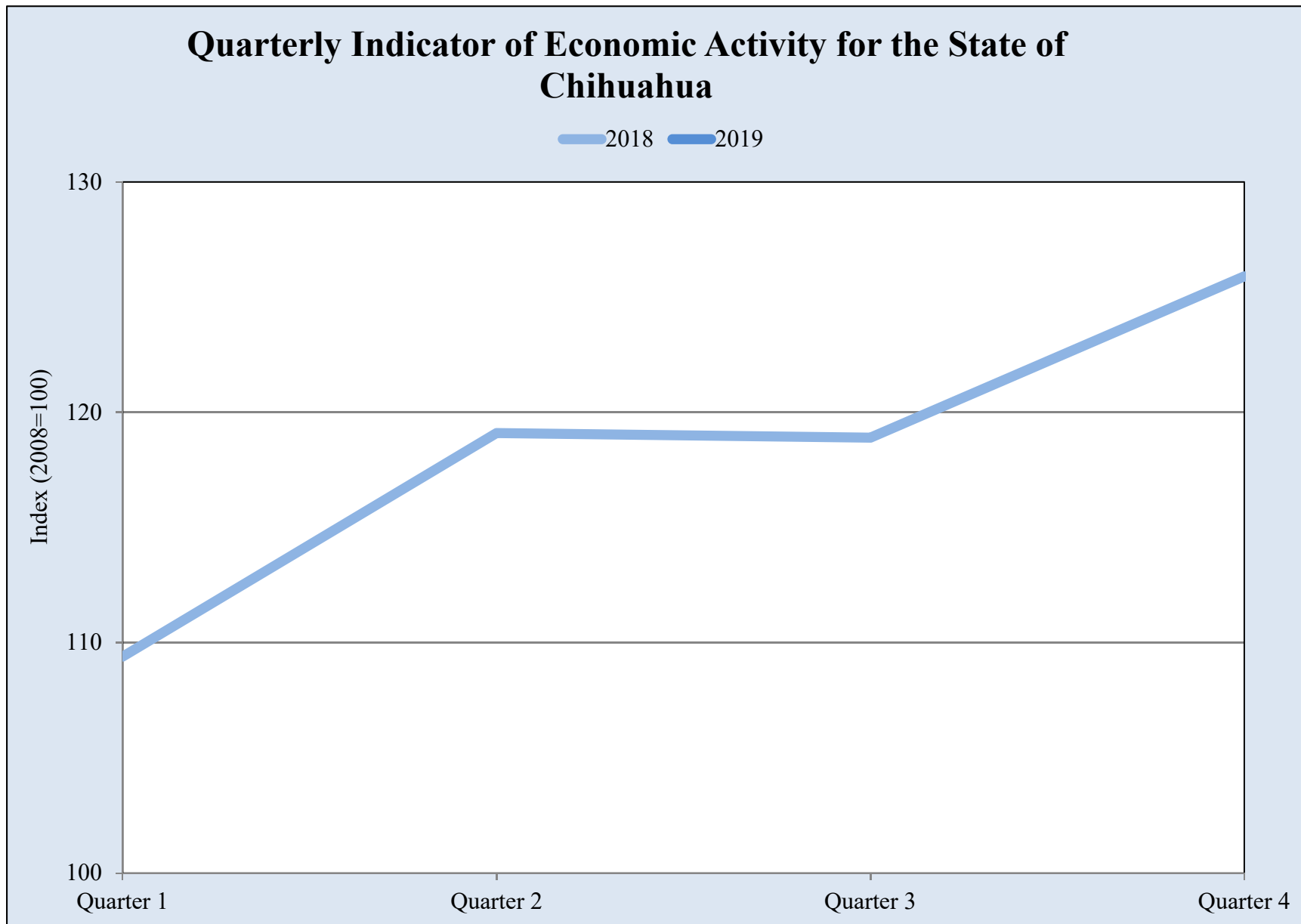
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Source: Banco de México



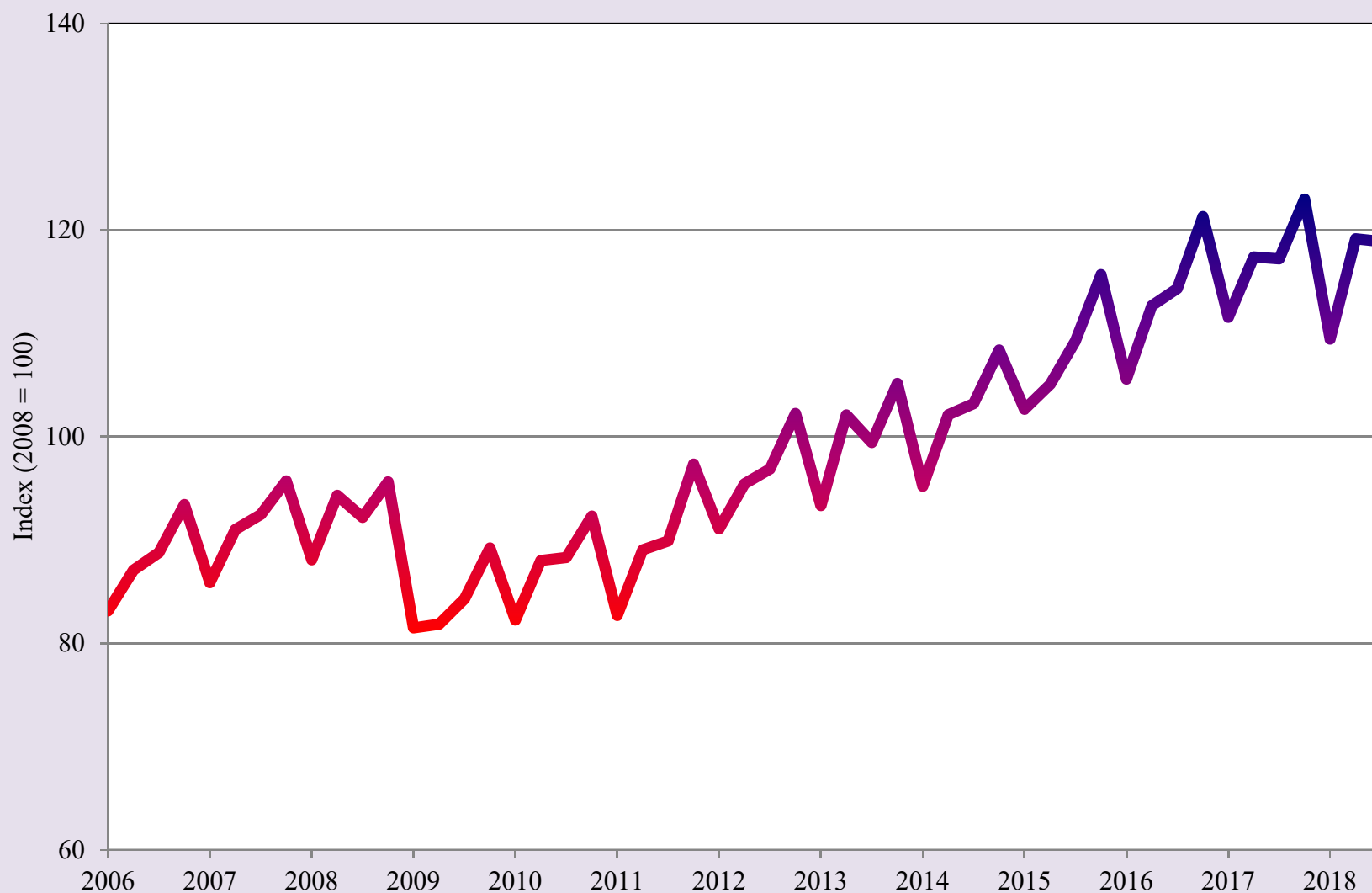
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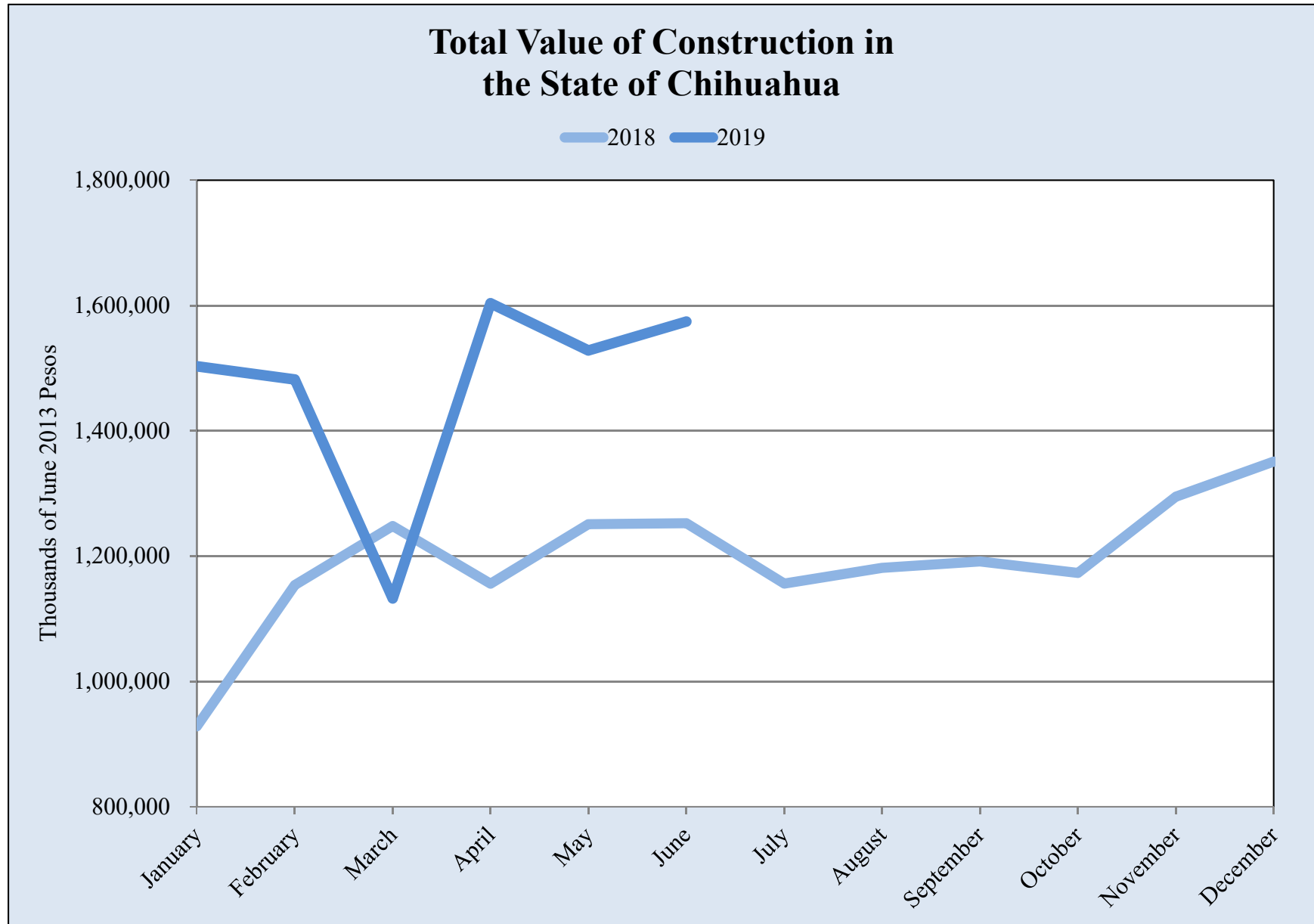
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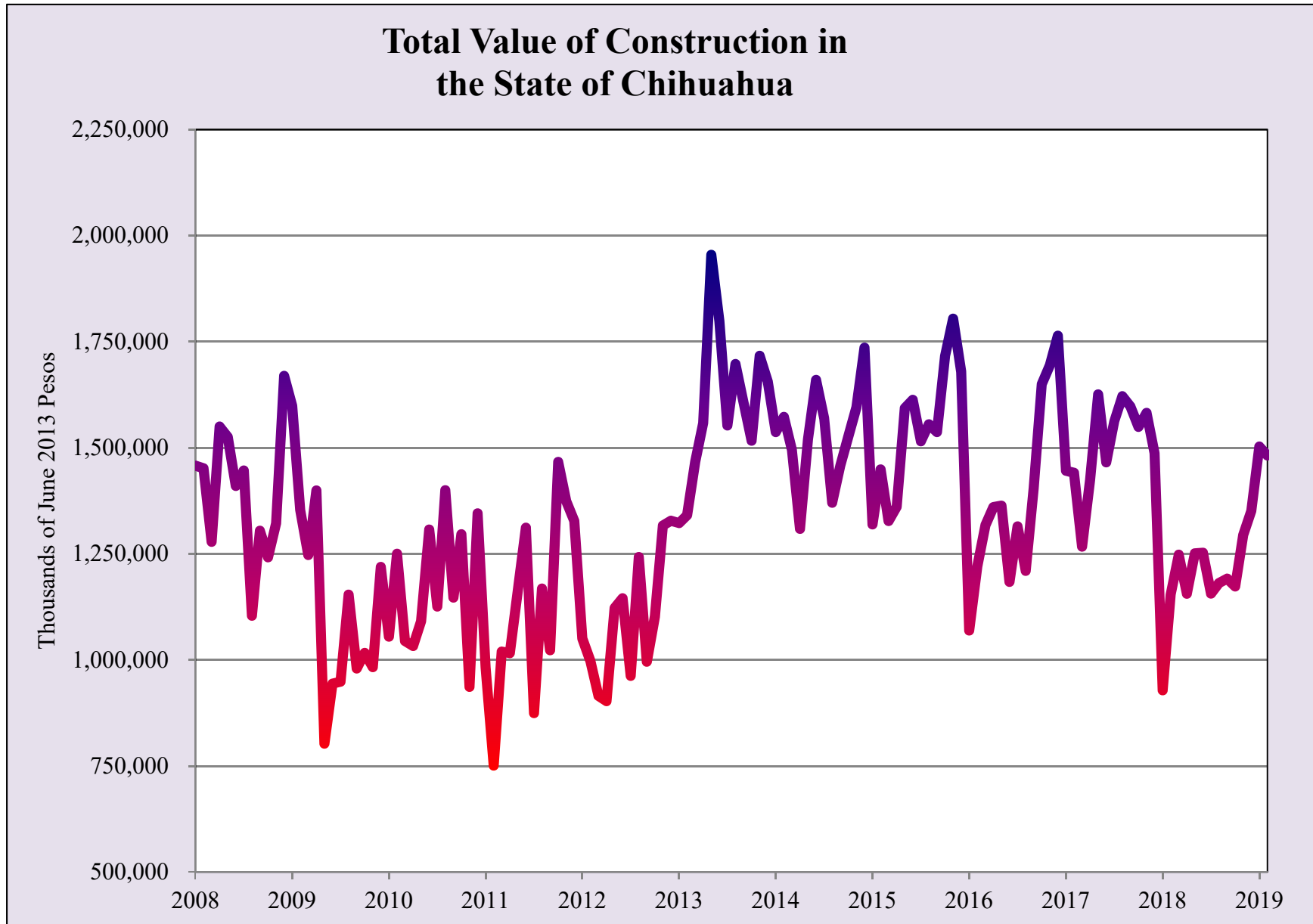
Quarterly Indicator of Economic Activity for the State of Chihuahua



Source: INEGI



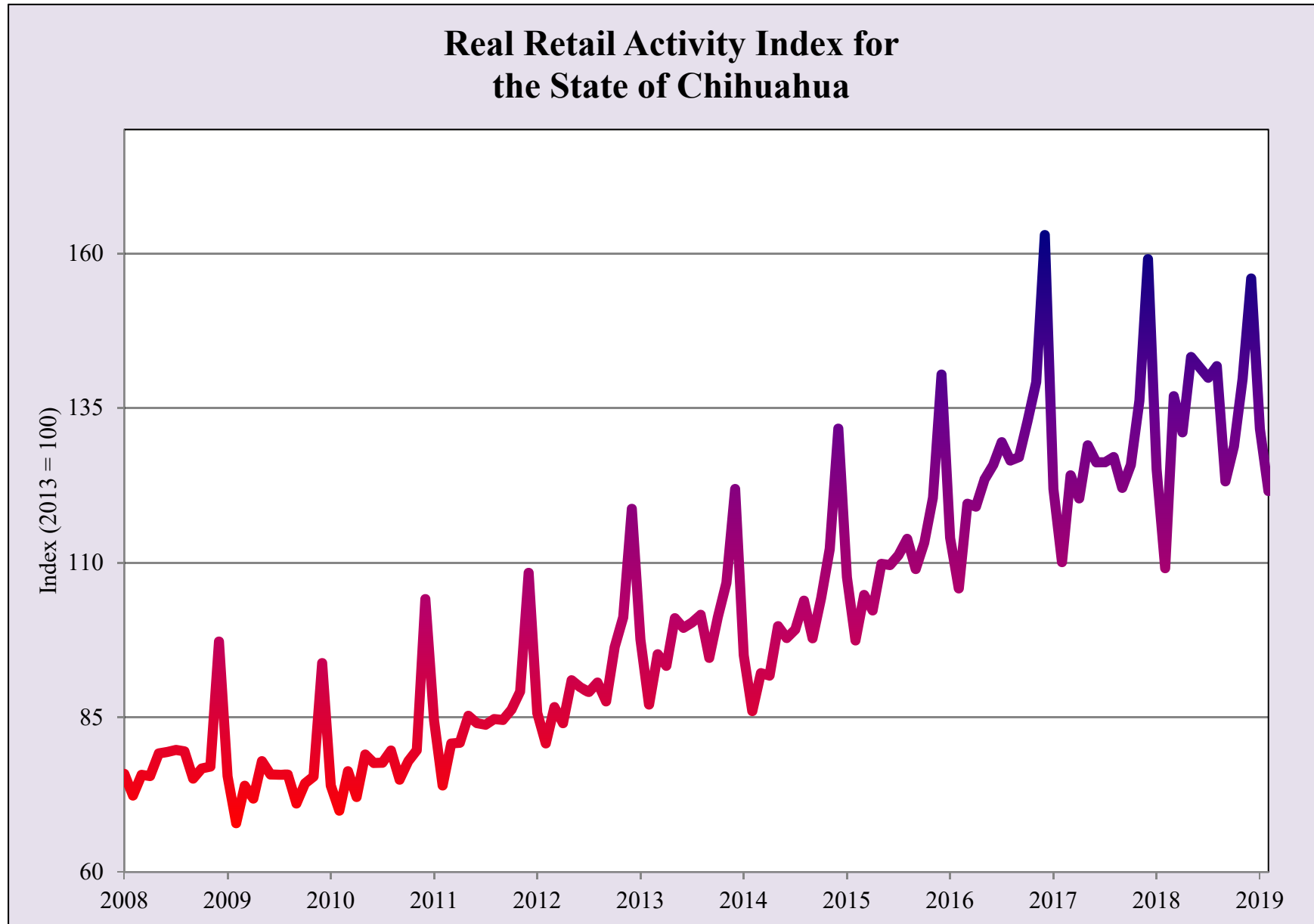
Source: INEGI



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Source: INEGI



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