Borderplex Business Barometer, Volume 5, Number 12

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Borderplex Business Barometer, Volume 5, Number 12

Omicron Difficulties

In spite of all of the disruptions, uncertainties, and health issues, the local economy grew in a fairly robust manner throughout 2021. The Federal Reserve Bank of Dallas El Paso Metropolitan Business Cycle Index increased by more than 20 points in the 12-months to November. While national economic expansion was also strong, the yield curve for Treasury instruments is still atypical for this phase of a business cycle. In real terms, short-, mid-, and long-term bond rates all remain negative.

Federal Reserve Chairman Powell called inflation transitory for 11 months, but has now retired that phrase from his policy lexicon. While the price surges that emerged in 2021 are definitely transitory, repeated supply chain disruptions make it difficult to ascertain when inflation will subside. The Delta variant spike has now coincided with the Omicron variant spike and that combination is causing additional, well-publicized, supply chain issues. During the 12-months to November, consumer prices rose by 6.8 percent (unadjusted data). That is the highest 12-month rate of change for the CPI since June 1982.

Clogged shipping ports continue to affect global distribution. Regionally, many companies have suffered the consequences of episodic plant closures and empty shelves. Not surprisingly, hemispheric business sentiment recently has weakened in response to rising COVID infection rates and accelerating prices. In the United States, the producer price index rose by 9.8 percent during the 12-month period through November.

Above average vaccination rates have allowed many lockdown restrictions to be lifted throughout the Borderplex. In response, labor market conditions improved substantially, with the November unemployment rates (unadjusted or NSA) dwindling to 5.0 percent in El Paso and 5.3 percent in Las Cruces. The health and hospitality sectors expanded noticeably in both metropolitan economies.

Borderplex commerce has benefitted from the lifting of the border travel restrictions. Border wait times did not increase by very much as careful planning efforts by Customs and Border Protection have been successful. Since October, higher inflation, higher infection rates, and higher interest rates in the United States have combined to weaken the peso. In November, the exchange rate averaged 20.78 pesos per dollar. As consumers from across Northern Mexico will attest, that causes their purchasing power to shrink. However, a weak peso also helps attract more foreign direct investment to the manufacturing sector in Ciudad Juarez and Chihuahua City. On balance, the Chihuahua state economy performed fairly well in 2021. Industrial activity remained strong, helping retail activity to surpass 2019 levels during most of the first three quarters of the year. Manufacturing orders did even better as USMCA and North American economic expansion continue to attract companies to invest in Northern Mexico.
Seasonally Adjusted Index (October 1980 = 100)

El Paso Metropolitan Business Cycle Index

Source: Federal Reserve Bank of Dallas
El Paso Metropolitan Business Cycle Index

Seasonally Adjusted Index (October 1980 = 100)

Source: Federal Reserve Bank of Dallas
Average Treasury Yield Curve Rates

Reflects 1 month, 2 month, 3 month, 6 month, 12 month, 2 yr, 3 yr, 5 yr, 7 yr, 10 yr, 20 yr, 30 yr.

Source: U.S. Treasury, Daily Treasury Yield Curve Rates and BRMP Calculations
El Paso Household Economic Stress Index

Source: UTEP Border Region Modeling Project
El Paso Household Economic Stress Index

Source: UTEP Border Region Modeling Project
El Paso County Unemployment Rate

Source: Bureau of Labor Statistics
Source: Bureau of Labor Statistics
El Paso County SNAP (Food Stamp) Enrollment

Source: Texas Health and Human Services Commission
Starting in September, 2014, the number of SNAP recipients is recorded for the end of each month.

El Paso County SNAP Enrollment

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of SNAP Recipients</th>
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</thead>
<tbody>
<tr>
<td>2006</td>
<td>120,000</td>
</tr>
<tr>
<td>2007</td>
<td>140,000</td>
</tr>
<tr>
<td>2008</td>
<td>160,000</td>
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<tr>
<td>2009</td>
<td>180,000</td>
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<tr>
<td>2010</td>
<td>200,000</td>
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</table>

Source: Texas Health and Human Services Commission
El Paso Median Housing Prices

Source: Texas A&M Real Estate Center
El Paso Median Housing Prices from 2006 to 2021

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal Price</th>
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<tbody>
<tr>
<td>2006</td>
<td>$105,000</td>
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<tr>
<td>2007</td>
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<td>2008</td>
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<td>2019</td>
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<tr>
<td>2020</td>
<td>$385,000</td>
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<tr>
<td>2021</td>
<td>$405,000</td>
</tr>
</tbody>
</table>

Source: Texas A&M Real Estate Center
Months of Housing Inventory for El Paso

Source: Texas A&M Real Estate Center
Months of housing inventory in El Paso for single family homes 2006-2021

Source: Texas A&M Real Estate Center
Doña Ana County Unemployment Rate

Source: Bureau of Labor Statistics
Unemployment rate for Doña Ana county ranging from January 2006 to November 2021.

Source: Bureau of Labor Statistics
Las Cruces Area SNAP (Food Stamp) Cases

Source: New Mexico Human Services Department
Las Cruces Area SNAP (Food Stamp) cases from January 2006 with a gap in April and May of 2014 continuing June 2014 to October 2021.

Source: New Mexico Human Services Department
Source: UTEP Border Region Modeling Project and Banco de Mexico
Restaurant Price Ratio and Exchange Rate

Source: UTEP Border Region Modeling Project and Banco de Mexico
Real Peso-per-Dollar Exchange Rate Index

Source: UTEP Border Region Modeling Project
Real Peso-per-Dollar Exchange Rate Index

Index (March 1997 = 100)

Source: UTEP Border Region Modeling Project
Pharmaceutical Nominal Price Ratio in the USA and Mexico

Source: UTEP Border Region Modeling Project, healthwarehouse.com, goodrx.com, medsmex.com
Pharmaceutical Nominal Price Ratio in the USA and Mexico

Dollar per Dollar

Source: UTEP Border Region Modeling Project, healthwarehouse.com, goodrx.com, medsmex.com
EPIA Freight and Mail (Inbound and Outbound)

2020 and 2021 (2 year comparison)

Source: EPIA Operations
EPIA Freight and Mail

Source: EPIA Operations
<table>
<thead>
<tr>
<th>Month</th>
<th>Total 2020</th>
<th>Total 2021</th>
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</thead>
<tbody>
<tr>
<td>January</td>
<td>100,000</td>
<td>150,000</td>
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<tr>
<td>February</td>
<td>150,000</td>
<td>200,000</td>
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<td>250,000</td>
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<tr>
<td>November</td>
<td>600,000</td>
<td>650,000</td>
</tr>
<tr>
<td>December</td>
<td>650,000</td>
<td>700,000</td>
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</tbody>
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Source: EPIA Operations
EPIA Air Carrier Operations 2020-2021 (2 year comparison)

Aircraft Operators

Source: EPIA Operations
Bridge of the Americas Monthly Wait Times

Source: UTEP Border Region Modeling Project
Monthly border wait times at Paseo Del Norte, Ysleta, and Bridge of the Americas. Data set ranging from January 2011 to November 2021.

Source: UTEP Border Region Modeling Project
Personal Vehicle International Bridge Crossings to El Paso

Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection
Personal Vehicle International Bridge Crossings to El Paso

Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection
Cargo Truck International Bridge Crossings to El Paso

Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection
Cargo Truck International Bridge Crossings to El Paso

Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection
Total Trade through the El Paso Customs District

Source: U.S. International Trade Commission
Total Trade through the El Paso Customs District

Source: U.S. International Trade Commission
Real Total Trade through the El Paso Customs District

Real Total Trade through the El Paso Customs District

Export-Oriented Manufacturing Employment in Ciudad Juárez

Source: INEGI
Export-Oriented Manufacturing Employment in Ciudad Juárez

Number of Jobs

Source: INEGI
Northern Mexico Manufacturing Orders Index

Index (Range: 0 - 100)

Source: Banco de México
Northern Mexico Manufacturing Orders Index

Index (Range: 0 - 100)

Source: Banco de México
Quarterly Indicator of Economic Activity for the State of Chihuahua

Source: INEGI
Quarterly Indicator of Economic Activity for the State of Chihuahua

Source: INEGI
Total Value of Construction in the State of Chihuahua

Source: INEGI
Total Value of Construction in the State of Chihuahua

Thousands of June 2013 Pesos

Source: INEGI
Real Retail Activity Index for the State of Chihuahua

Source: INEGI
Real Retail Activity Index for the State of Chihuahua

Source: INEGI
Short-Term Outlook to 2022
Borderplex Business Barometer is a monthly publication of the Border Region Modeling Project (BRMP), a research unit within the Department of Economics & Finance at the College of Business Administration of The University of Texas at El Paso. BRMP information is available at: https://www.utep.edu/business/border-region-modeling-project/index.html. For additional information, contact the Border Region Modeling Project - CBA 236, UTEP Department of Economics & Finance, 500 West University Avenue, El Paso, TX 79968-0543, USA, (915) 747-7775.