Borderplex Business Barometer, Volume 6, Number 7

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Borderplex Business Barometer, Volume 6, Number 7

Is a Recession Imminent?

Supply chain disruptions, evolving coronavirus variants, worker shortages, accelerating prices, and rising interest rates are raising many questions about economic prospects in 2022. The simultaneous rise of interest rates and energy prices is of particular concern to many business cycle historians. That mix has previously led to economic downturns.

Given all of the above, is a recession unavoidable? And if a recession occurs, how bad will it be? Preliminary gross domestic product (GDP) data indicate that 2022 began with two consecutive quarters of negative economic growth. While that satisfies one conventional definition of a recession, the national labor market remains very strong. The labor market is, however, a lagging indicator, so a contraction may be occurring.

If a downturn occurs, overall household and business balance sheet health indicates that the national economy is well-equipped to weather the storm. That means that the downturn may resemble that of 1990. During that recession, the national unemployment rate eventually rose by 1.9 percentage points, and real per capita incomes fell by 1.2 percentage points.

Locally, the Federal Bank of Dallas El Paso Metropolitan Business Cycle Index (BCI) grew in July following four relatively lethargic months. Up till now, El Paso has not yet entered a recession. However, rising interest rates make the regional economy more susceptible to a downturn. Sectors that are hampered most by interest rate hikes include manufacturing, construction, transportation, warehousing, and real estate.

Within the Borderplex region, the El Paso and Las Cruces unemployment rates were both substantially below their respective year-ago levels in June. If a regional contraction occurs, unemployment and Supplemental Nutrition Assistance Program (SNAP) enrollments will rise. SNAP enrollments are always a concern in this region. According to the Bureau of Economic Analysis, El Paso (356 out of 384) and Las Cruces (369 out of 384) rank as two of the most impoverished metropolitan economies in the United States. In such regions, families spend large portions of their incomes on essential goods and services such as food, transportation, electricity, and wireless phone services. During the past twelve months, food and transport inflation has inflicted substantial financial damage on this vulnerable group of households. Stores in lower income areas have also suffered high inventory depletion rates, causing empty shelves to be more problematic for households in those neighborhoods.

During the 1990 recession, what happened in this region? In Ciudad Juarez, maquiladora payrolls fell by 2.7 percent. In El Paso, personal bankruptcies rose by 8.4 percent. Further north, personal bankruptcies surged by 24.4 percent in Las Cruces. While the region did not experience a crisis during that downturn, recessions always cause economic harm.
El Paso Metropolitan Business Cycle Index

Seasonally Adjusted Index (October 1980 = 100)

2020 2021 2022

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

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
El Paso County Unemployment Rate
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>
</tr>
</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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<tr>
<td>2011</td>
<td>180,000</td>
</tr>
<tr>
<td>2012</td>
<td>160,000</td>
</tr>
<tr>
<td>2013</td>
<td>140,000</td>
</tr>
<tr>
<td>2014</td>
<td>120,000</td>
</tr>
<tr>
<td>2015</td>
<td>100,000</td>
</tr>
<tr>
<td>2016</td>
<td>80,000</td>
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<tr>
<td>2017</td>
<td>60,000</td>
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<td>2018</td>
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<td>2019</td>
<td>20,000</td>
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<tr>
<td>2020</td>
<td>10,000</td>
</tr>
<tr>
<td>2021</td>
<td>5,000</td>
</tr>
<tr>
<td>2022</td>
<td>2,500</td>
</tr>
</tbody>
</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 2022

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 2006-2022

Source: Texas A&M Real Estate Center
Three year trend of El Paso gasoline prices from 2020-2022.

Nominal Price (Dollars per Gallon)

El Paso Gasoline Prices

- 2020
- 2021
- 2022

Source: GasBuddy.com
El Paso unleaded gasoline prices from January 2006 to July 2022

Source: GasBuddy.com
Doña Ana County Unemployment Rate

Source: Bureau of Labor Statistics
Unemployment rate for Doña Ana County ranging from January 2006 to June 2022.

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 April 2022.
Restaurant Price Ratio and Exchange Rate

- 2020 Nominal Exchange Rate
- 2021 Nominal Exchange Rate
- 2022 Nominal Exchange Rate
- 2020 Restaurant Price Ratio
- 2021 Restaurant Price Ratio
- 2022 Restaurant Price Ratio

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
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

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

2020, 2021, 2022 (3 year comparison)

Source: EPIA Operations

EPIA Freight and Mail

Total 2020  Total 2021  Total 2022

Source: EPIA Operations
EPIA Freight and Mail

Source: EPIA Operations
EPIA Passengers

- Total 2020
- Total 2021
- Total 2022

Source: EPIA Operations
EPIA Passengers

Inbound + Outbound

Source: EPIA Operations
EPIA Air Carrier Operations

- 20-Air Carriers
- 21-Air Carriers
- 22-Air Carriers

Source: EPIA Operations
EPIA Air Carrier Operations

Source: EPIA Operations
Paso del Norte Monthly Wait Times

Source: UTEP Border Region Modeling Project
Ysleta Monthly Wait Times

Source: UTEP Border Region Modeling Project
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 June 2022.

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
Pedestrian International Bridge Crossings to El Paso

Number of Pedestrians

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Trade (Exports + Imports) in Millions of Nominal Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$4,500, $5,500, $6,500, $7,500, $8,500, $9,500, $10,500, $11,500, $12,500, $13,500</td>
</tr>
<tr>
<td>2021</td>
<td>$4,500, $5,500, $6,500, $7,500, $8,500, $9,500, $10,500, $11,500, $12,500, $13,500</td>
</tr>
<tr>
<td>2022</td>
<td>$4,500, $5,500, $6,500, $7,500, $8,500, $9,500, $10,500, $11,500, $12,500, $13,500</td>
</tr>
</tbody>
</table>

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

Source: Grupo Aeroportuario Centro Norte - OMA
Source: Grupo Aeroportuario Centro Norte - OMA
Source: Grupo Aeroportuario Centro Norte - OMA
Source: Grupo Aeroportuario Centro Norte - OMA
Domestic Passengers Chihuahua City International Airport

Source: Grupo Aeroportuario Centro Norte - OMA
Domestic Passengers Chihuahua City International Airport

Source: Grupo Aeroportuario Centro Norte - OMA
International Passengers Chihuahua City International Airport

Source: Grupo Aeroportuario Centro Norte - OMA
Source: Grupo Aeroportuario Centro Norte - OMA
Export-Oriented Manufacturing Employment in Ciudad Juárez

Source: INEGI
Export-Oriented Manufacturing Employment in Ciudad Juárez

Source: INEGI
Northern Mexico Manufacturing Orders Index

Source: Banco de México
Northern Mexico Manufacturing Orders Index

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

Thousands of June 2013 Pesos

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

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

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

Index (2013 = 100)

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.