Borderplex Business Barometer, Volume 6, Number 11

Thomas M. Fullerton Jr.

Steven L. Fullerton

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Comments:
Disinflation Decompression

Headline inflation, as measured by the Consumer Price Index (CPI), decelerated to 7.7 percent in October. Core inflation, which excludes food and energy prices, slowed to 6.3 percent. These welcome developments indicate that six consecutive Federal Reserve interest rate hikes may be achieving an elusive objective known as “disinflation.” Disinflation is a term used to describe a lower, but still positive, inflation rate.

Product categories contributing to the price slowdown include used car prices, medical care, clothing, and food. Several factors helped reduce price pressures in recent months. Many supply chain knots have been disentangled and aggregate shipping costs have dropped to pre-2020 levels. Housing prices have levelled off in many parts of the United States, while apartment and housing rents have even started to recede in some areas of the country.

Within the Borderplex region, housing prices seem to have peaked. In Las Cruces, they are approximately 17 percent above year-ago levels. In El Paso, prices are nearly 22 percent above where they were in 2022, but the number of listings has gone above 1,600 for the first time since May 2020. The months of inventory ratio has surpassed 2.0, also for the first time since May 2020. Sharply higher mortgage rates almost always lead to housing price declines in El Paso, so affordability may begin to improve in 2023.

On a comparative income basis, a median single-unit housing price of $240 thousand in El Paso will correspond to a $60 thousand price in Ciudad Juárez. That helps clarify why the higher prices in El Paso induce many people, with either dual citizenship or spouses from Mexico, to consider real estate purchases on the south side of the river. Anecdotal information from realtors in Ciudad Juárez indicates that single-family units are priced substantially above the income-implied level, which is symptomatic of increased quasi-foreign investment in the housing sector. It is similar to what has happened in El Paso and Las Cruces with out-of-town investors outbidding local residents and helping to elevate housing price appreciation well above local income growth rates.

What might happen in the coming months? If inflation continues to turn the corner, mortgage rates are likely to level off next year. That will be a helpful change, but the regional pool of qualified borrowers will still be smaller than it was last year and before the pandemic. Historically, that would translate into noticeably less construction and lower prices throughout the Borderplex. Unless the months of inventory ratio rises back toward 12 or more as happened during 2008 (see the corresponding graphs for El Paso below), the effects during this business cycle may be somewhat muted. For now, the 2023 housing market will still be characterized by fairly tight supplies, which may prevent prices from declining very sharply.
El Paso Metropolitan Business Cycle Index

Seasonally Adjusted Index (October 1980 = 100)

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

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

Unemployment Rate (Not Seasonally Adjusted)

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>
</tr>
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<tbody>
<tr>
<td>2006</td>
<td>120,000</td>
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<tr>
<td>2007</td>
<td>140,000</td>
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<tr>
<td>2008</td>
<td>160,000</td>
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<td>2011</td>
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<td>2012</td>
<td>240,000</td>
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<td>2013</td>
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<td>2015</td>
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<tr>
<td>2021</td>
<td>420,000</td>
</tr>
<tr>
<td>2022</td>
<td>440,000</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
Three year trend El Paso gasoline prices from 2020-2022

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

Doña Ana County Unemployment Rate

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 August 2022.
Restaurant Price Ratio and Exchange Rate

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

Dates range from January 2006 to September 2022.

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

Ton of Freight/Mail

EPIA Freight and Mail

Total 2020

Total 2021

Total 2022

Source: EPIA Operations
EPIA Freight and Mail

Inbound+Outbound

Source: EPIA Operations
EPIA Passengers

Source: EPIA Operations
Source: EPIA Operations
EPIA Air Carrier Operations 2020, 2021, 2022 (3 year comparison)

Source: EPIA Operations
EPIA Air Carrier Operations

Source: EPIA Operations
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 October 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
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

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

Domestic Passengers Ciudad Juarez International Airport

Source: Grupo Aeroportuario Centro Norte - OMA
International Passengers Ciudad Juarez International Airport

Source: Grupo Aeroportuario Centro Norte - OMA
International Passengers Ciudad Juarez International Airport

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
International Passengers Chihuahua City International Airport

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

Source: INEGI
Aggregate Export-Oriented Manufacturing Employment in Ciudad Juárez

Source: INEGI
Export-Oriented Manufacturing Employment in Chihuahua City

Source: INEGI
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
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.