

11-2022

## **Borderplex Business Barometer, Volume 6, Number 11**

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Steven L. Fullerton

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T.M. Fullerton, Jr., and S.L. Fullerton, 2022, "Disinflation Decompression" *Borderplex Business Barometer* 6(11), 1-68.

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# BORDERPLEX BUSINESS BAROMETER

**November 2022**

**Border Region Modeling Project**

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Steven L. Fullerton

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*Border Commerce & Economics*

**Borderplex Business Barometer, Volume 6, Number 11**

**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.

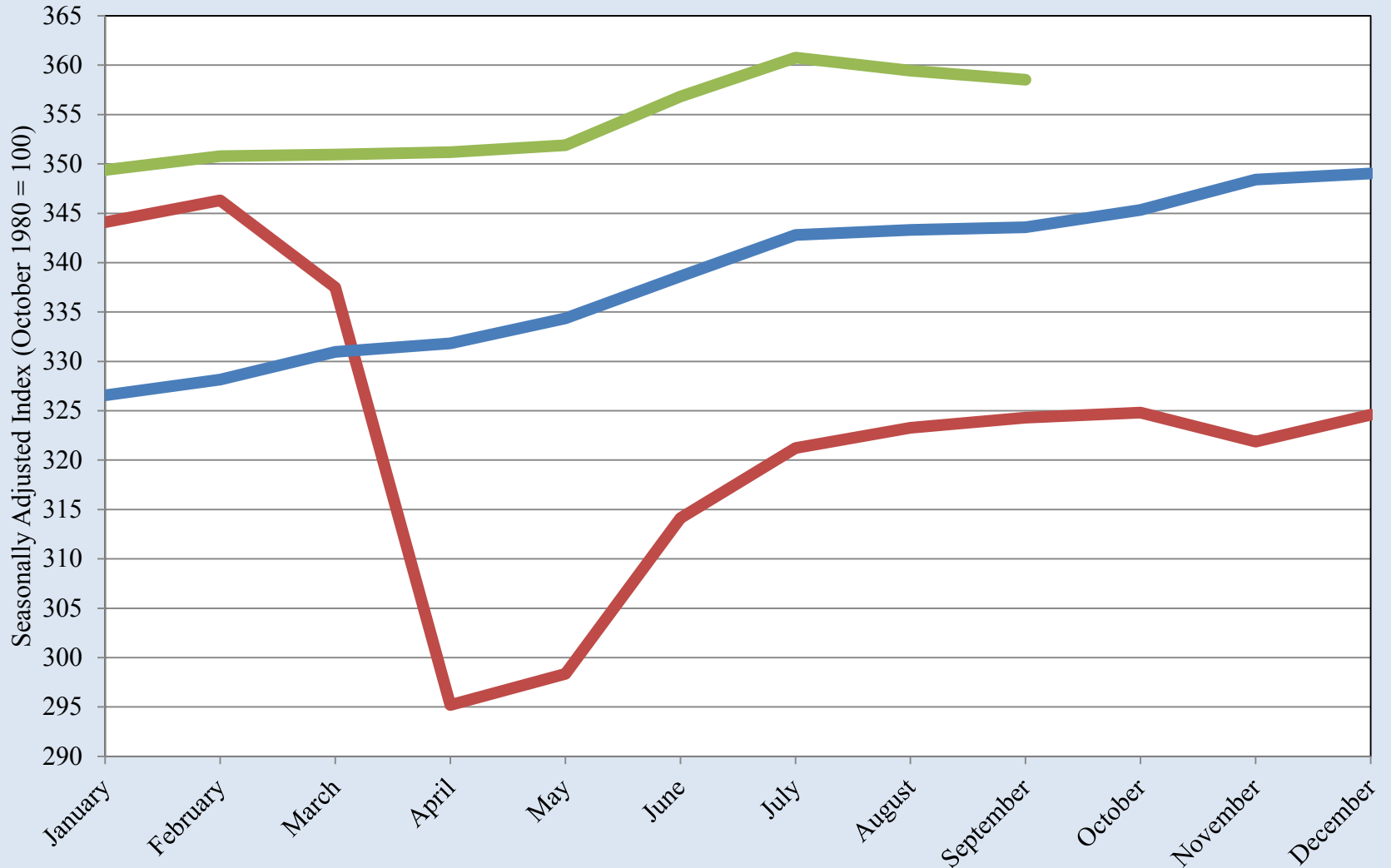
Within the Borderplex region, housing prices seem to have peaked. In Las Cruces, they are approximately 17 percent above year-ago levels. In El Paso, prices are nearly 22 percent above where they were in 2022, but the number of listings has gone above 1,600 for the first time since May 2020. The months 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.

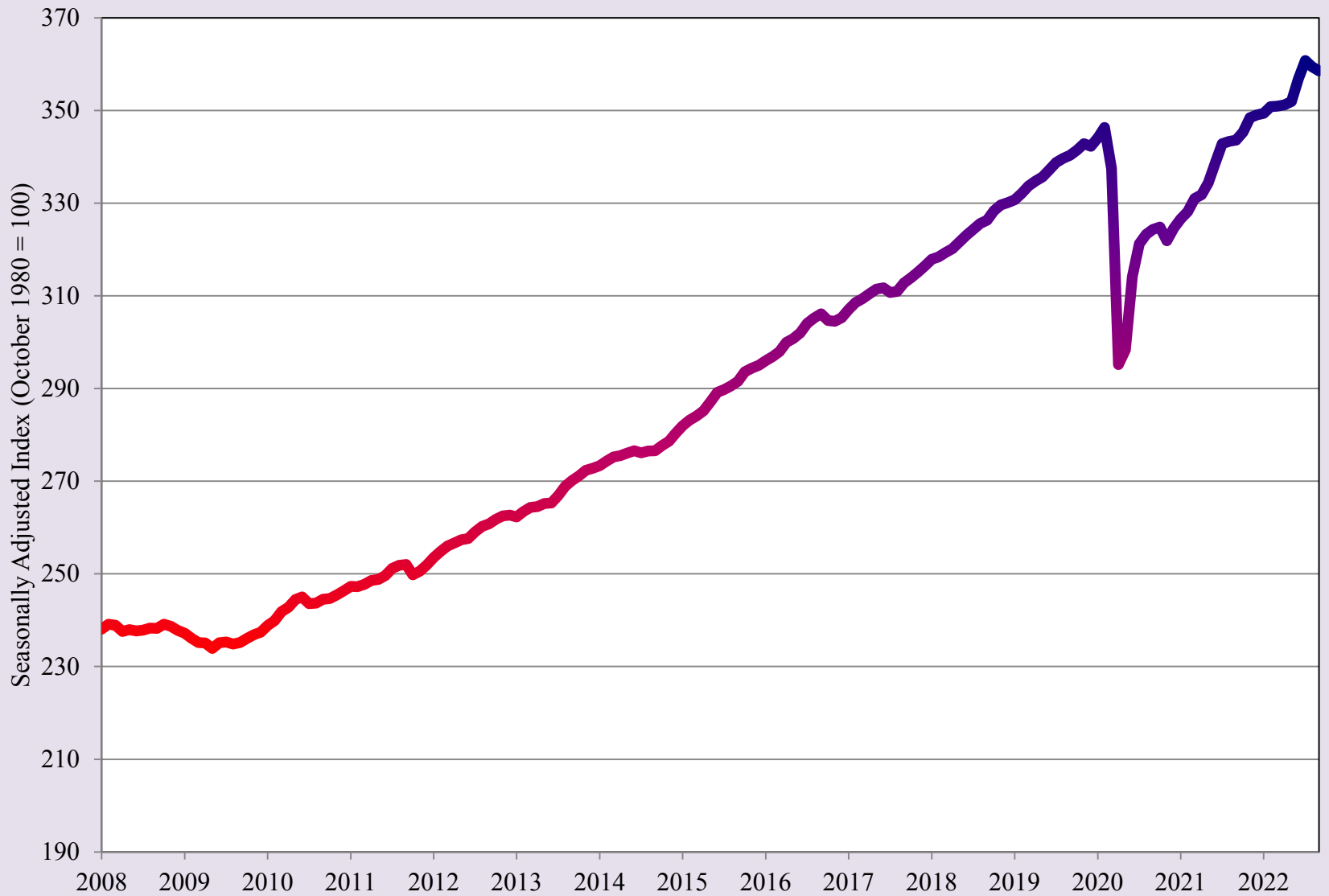
# El Paso Metropolitan Business Cycle Index

2020 2021 2022



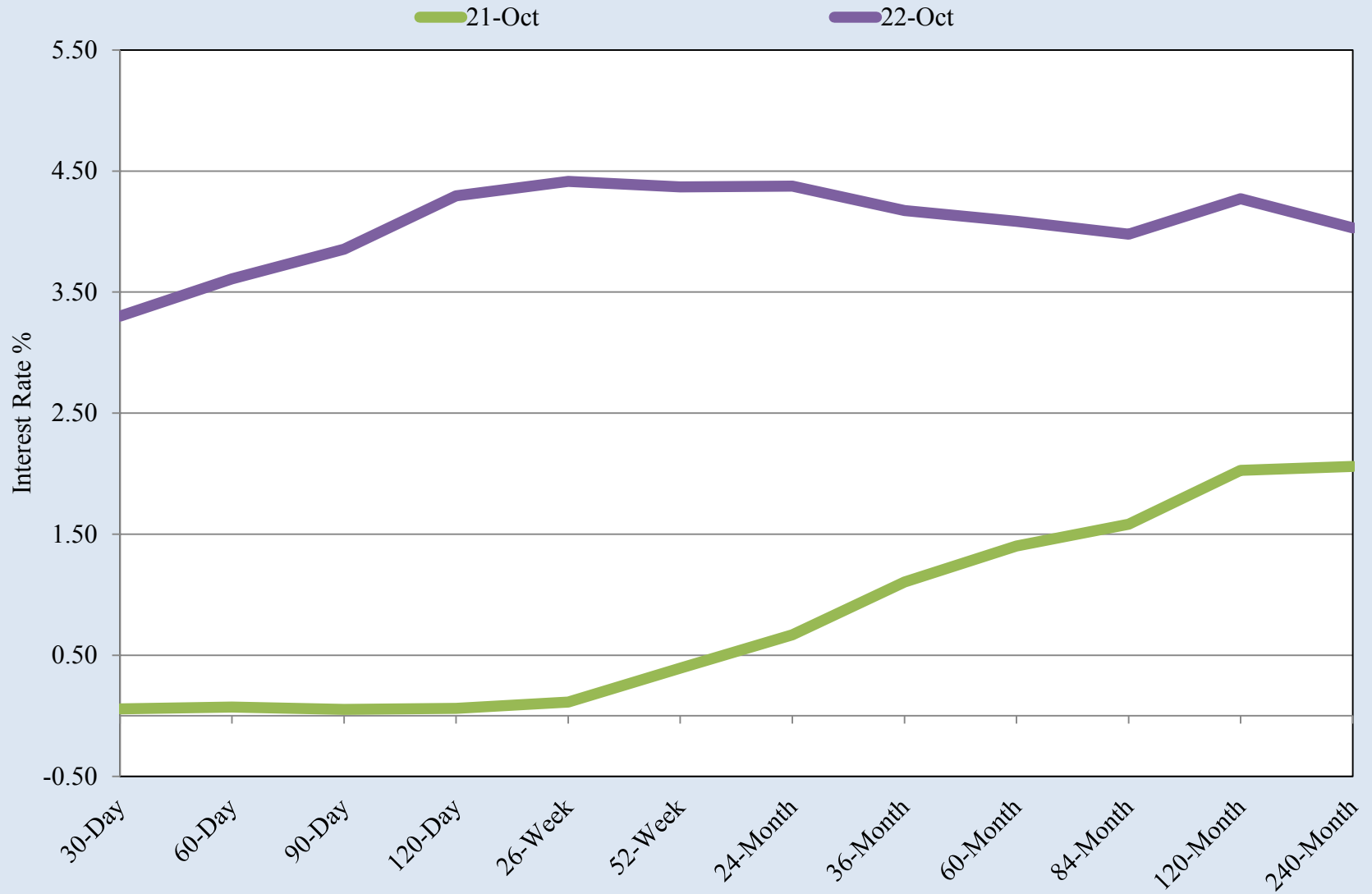
Source: Federal Reserve Bank of Dallas

## El Paso Metropolitan Business Cycle Index



Source: Federal Reserve Bank of Dallas

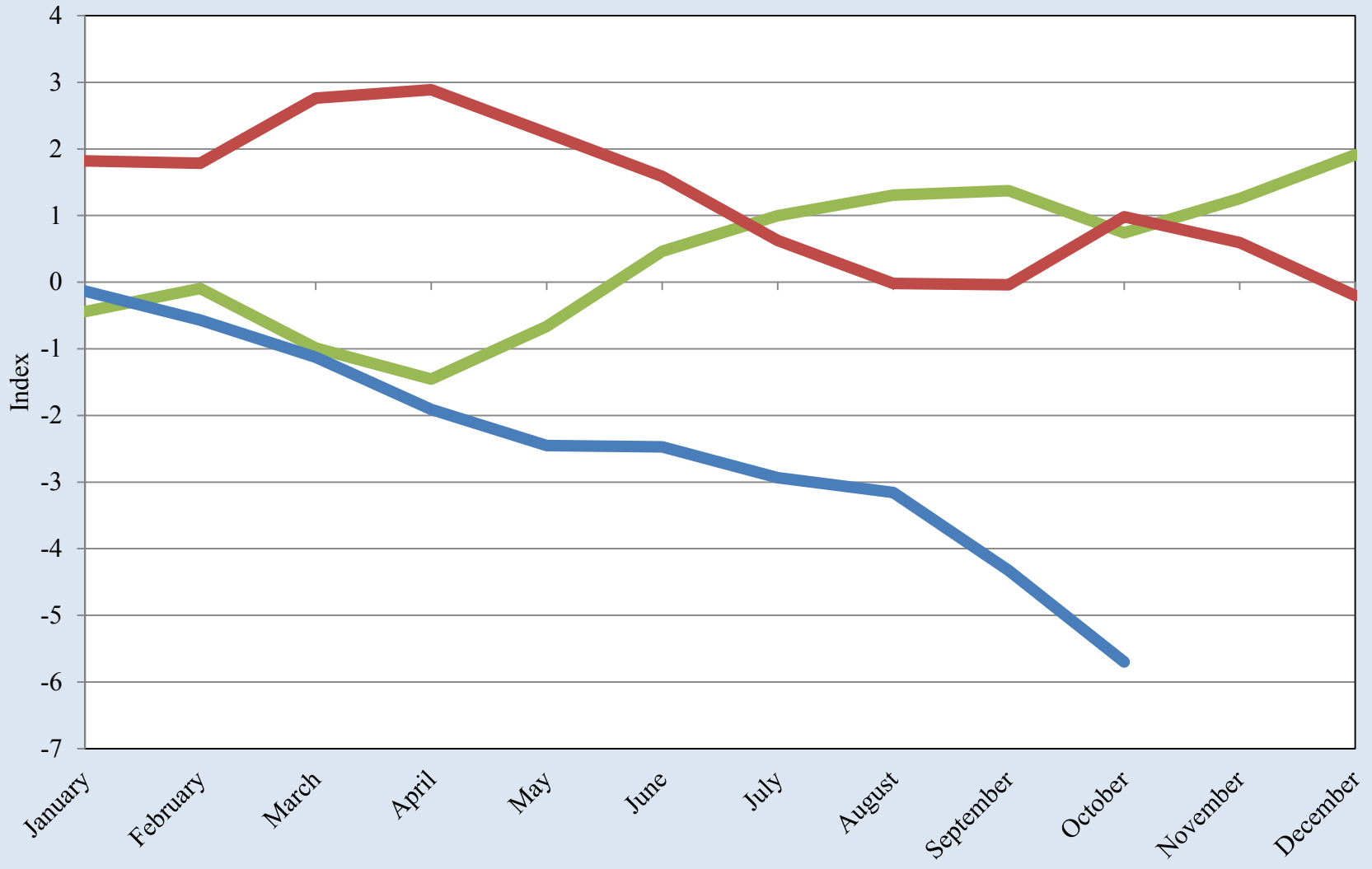
## Average Treasury Yield Curve Rates



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

# El Paso Household Economic Stress Index

2020 2021 2022



Source: UTEP Border Region Modeling Project

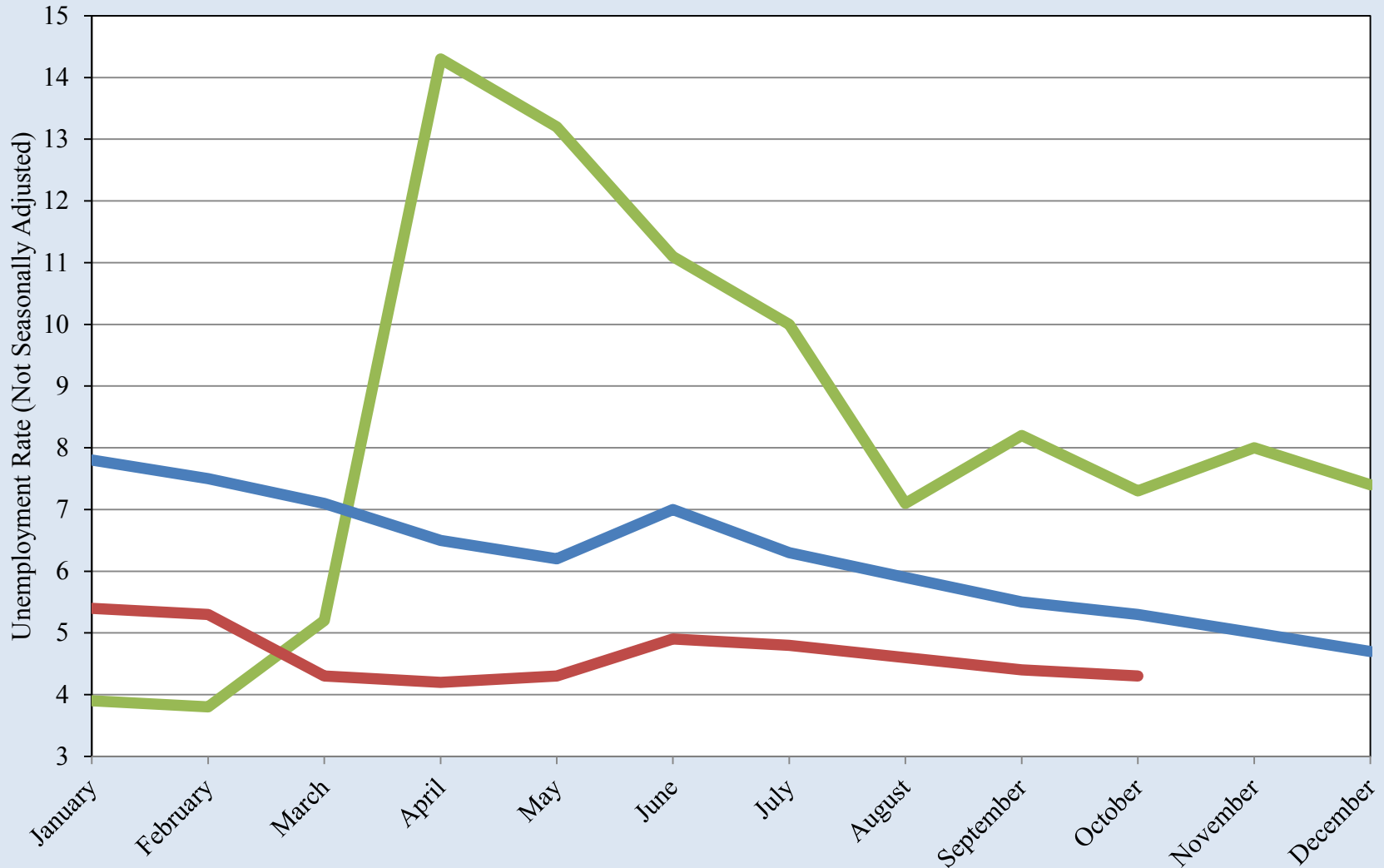
## El Paso Household Economic Stress Index



Source: UTEP Border Region Modeling Project

# El Paso County Unemployment Rate

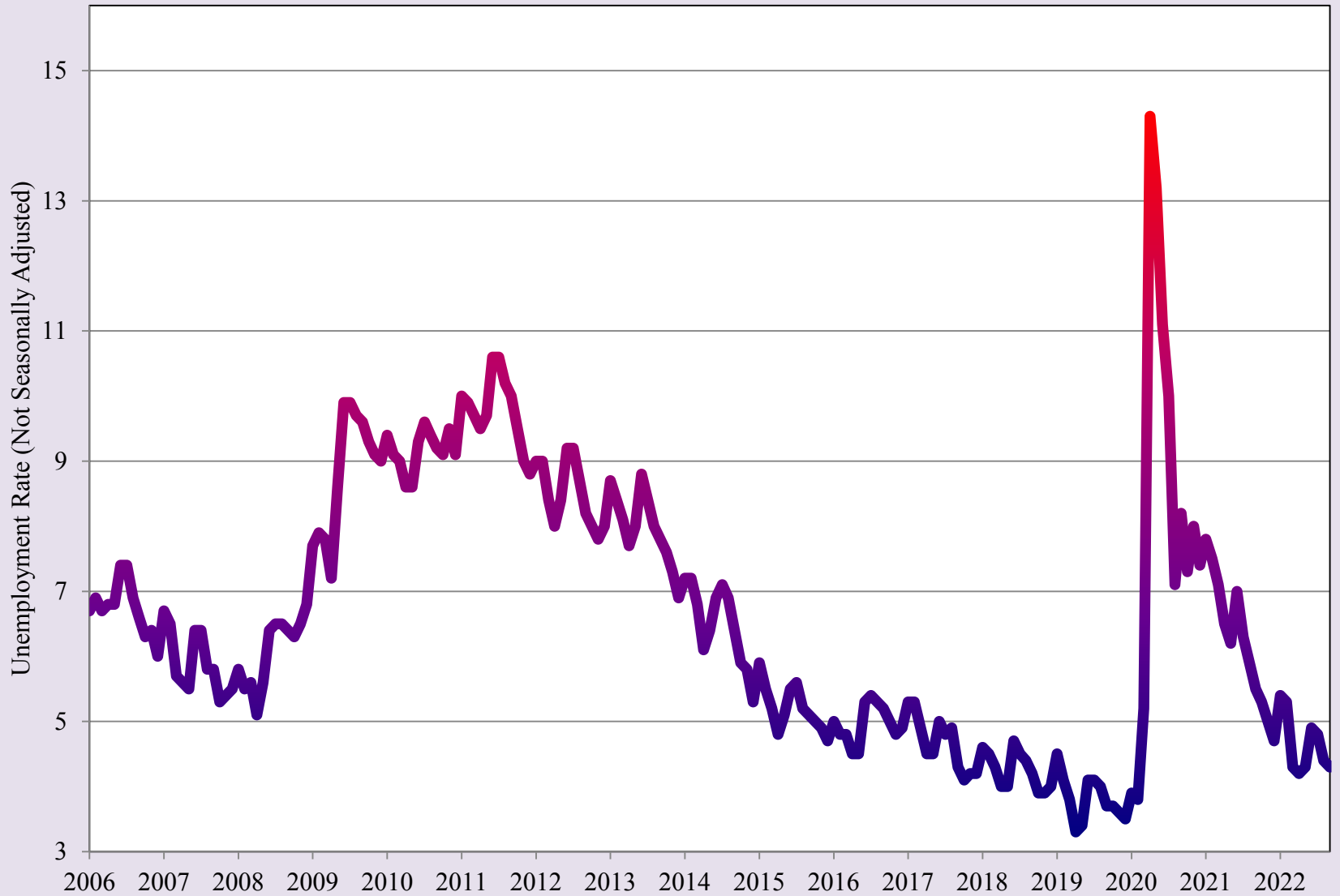
2020 2021 2022



Source: Bureau of Labor Statistics

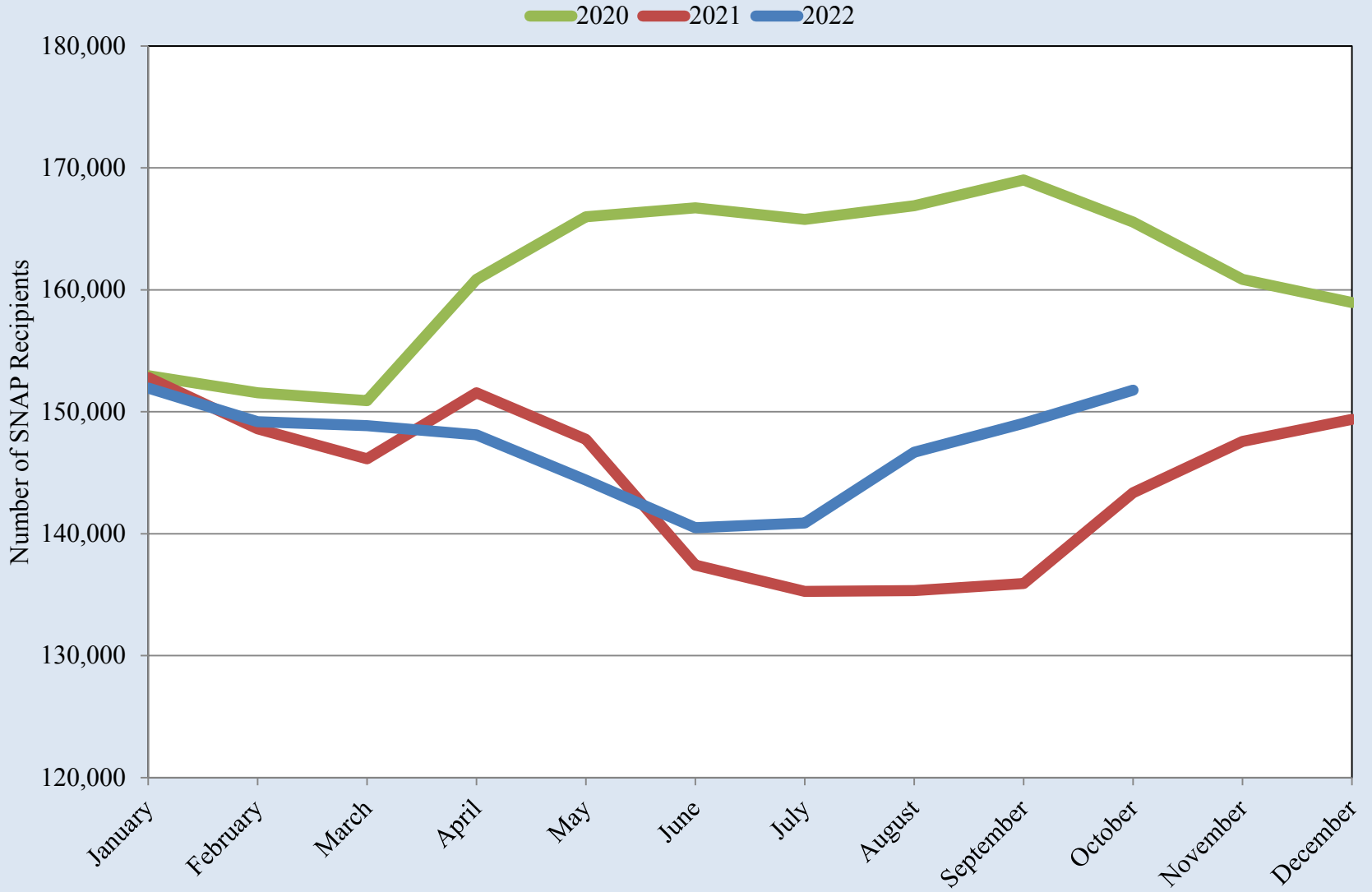


## El Paso County Unemployment Rate



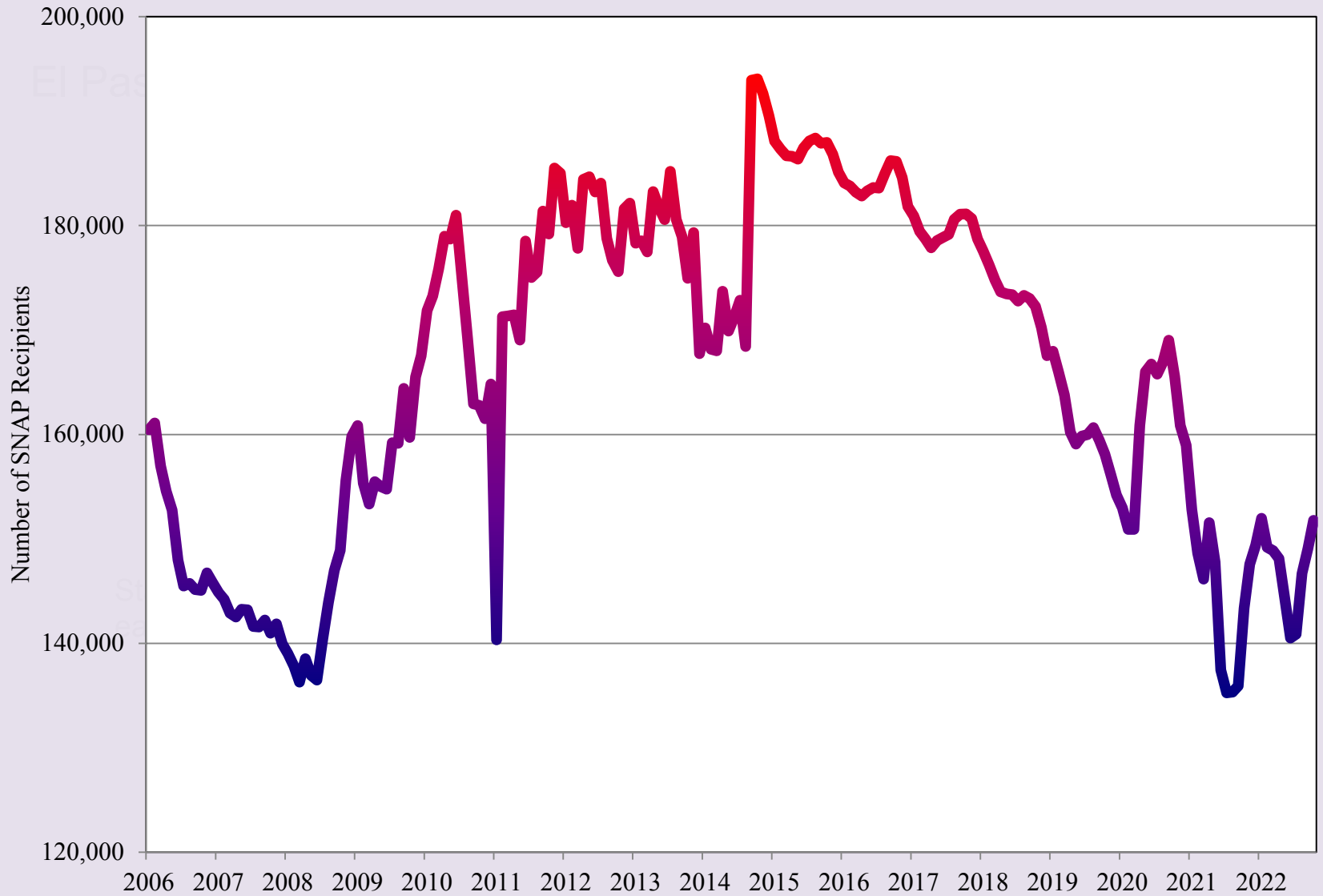
Source: Bureau of Labor Statistics

## El Paso County SNAP (Food Stamp) Enrollment



Source: Texas Health and Human Services Commission

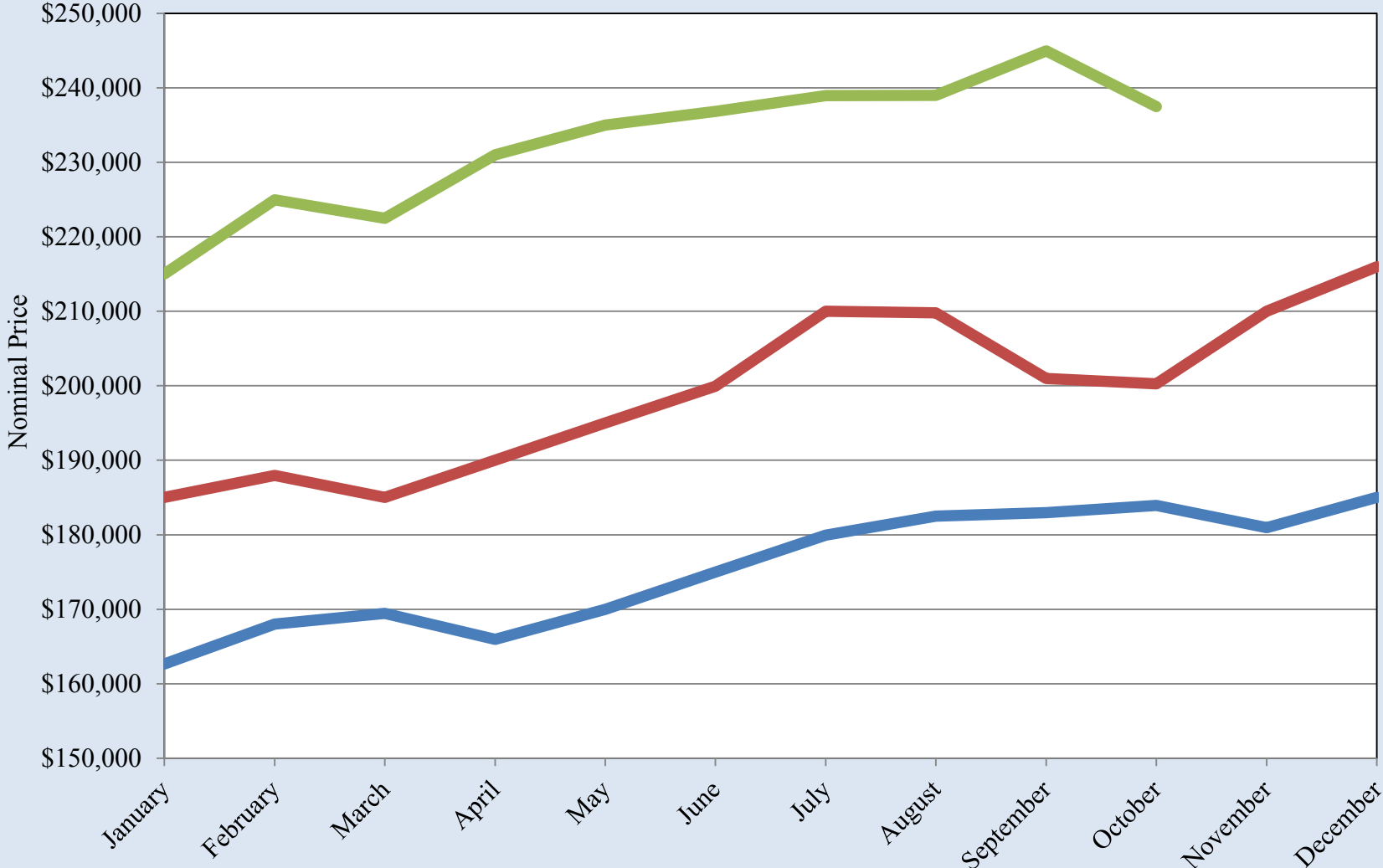
## El Paso County SNAP (Food Stamp) Enrollment



Source: Texas Health and Human Services Commission

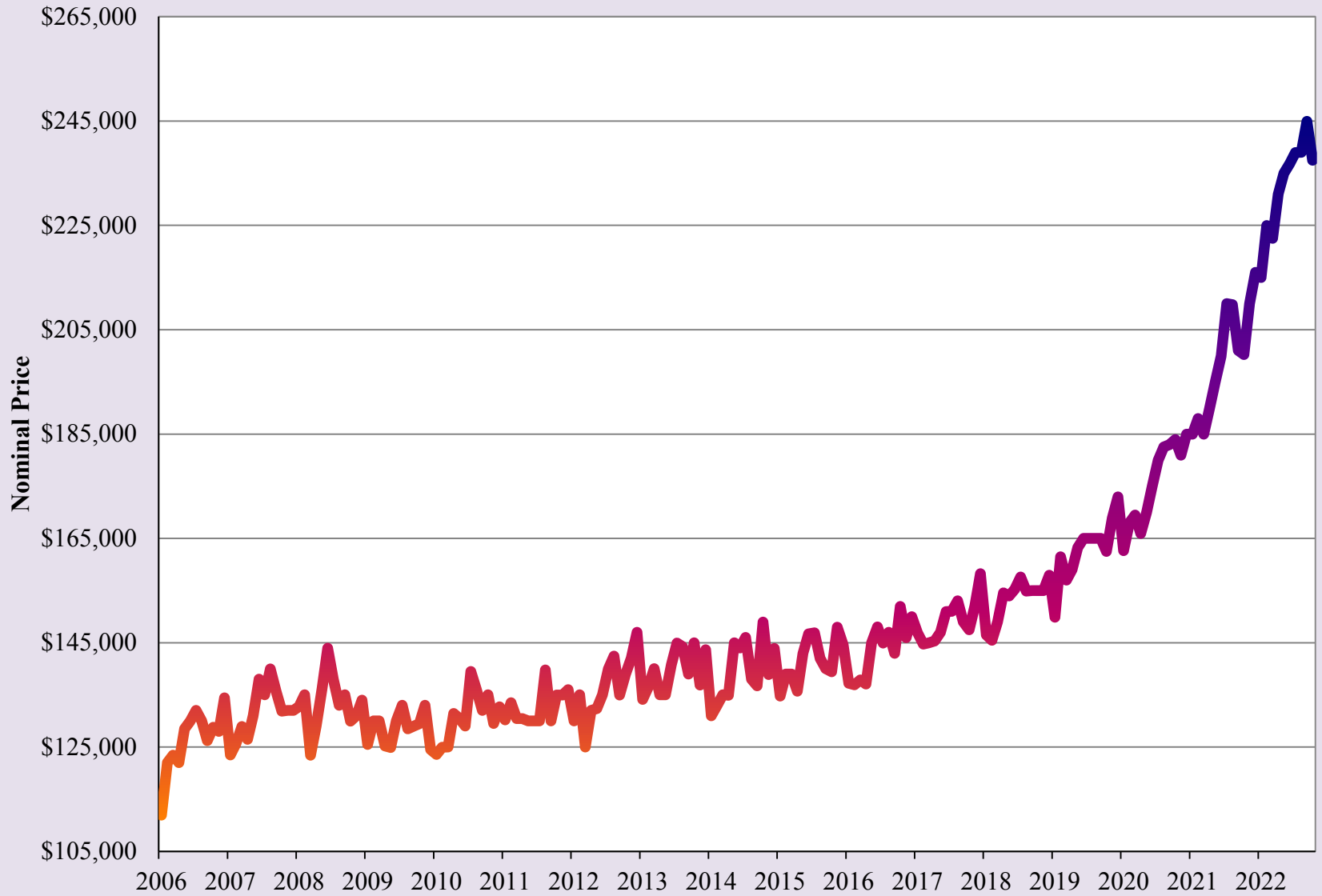
# El Paso Median Housing Prices

2020 2021 2022



Source: Texas A&M Real Estate Center

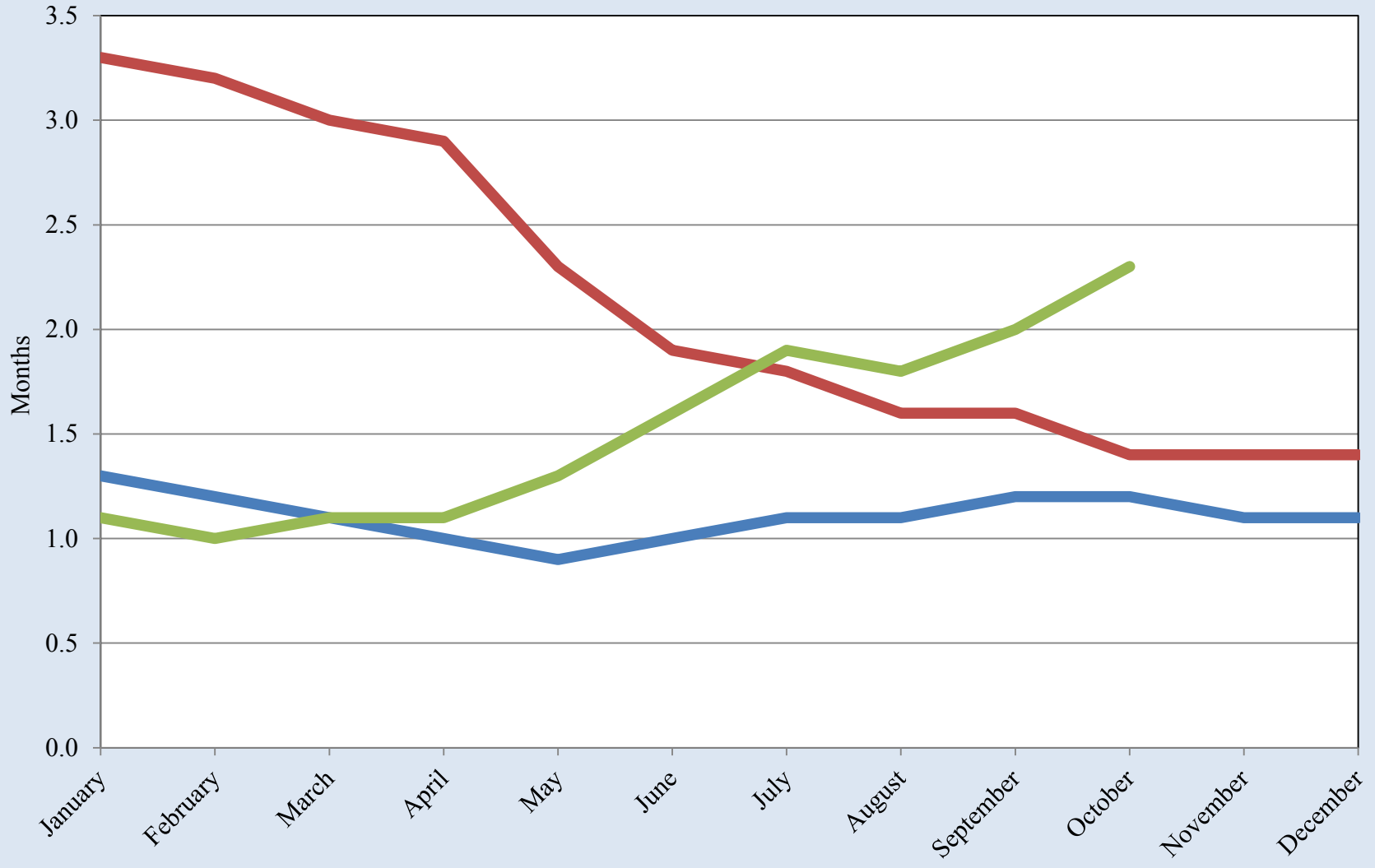
## El Paso Median Housing Prices



Source: Texas A&M Real Estate Center

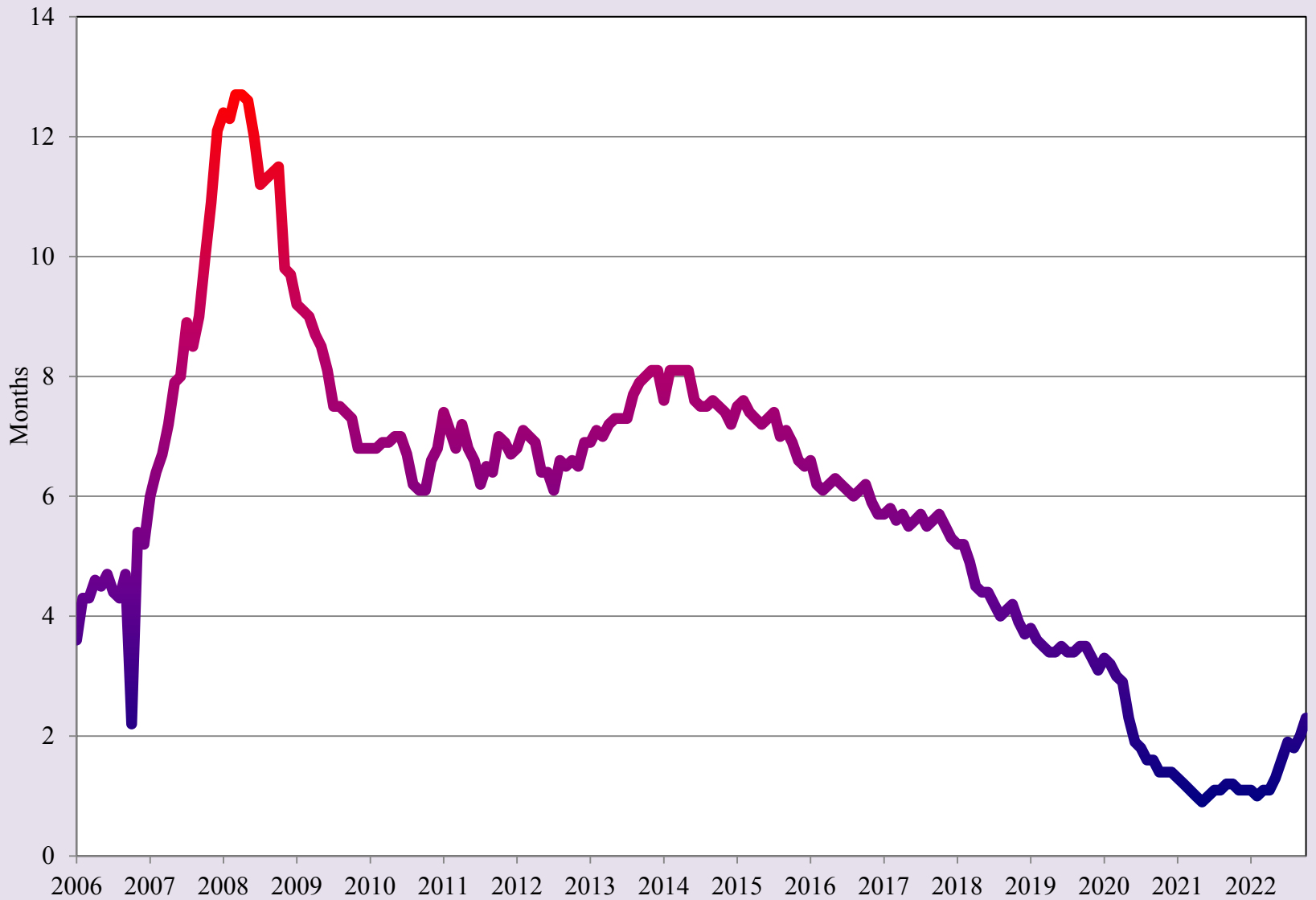
# Months of Housing Inventory for El Paso

2020 2021 2022



Source: Texas A&M Real Estate Center

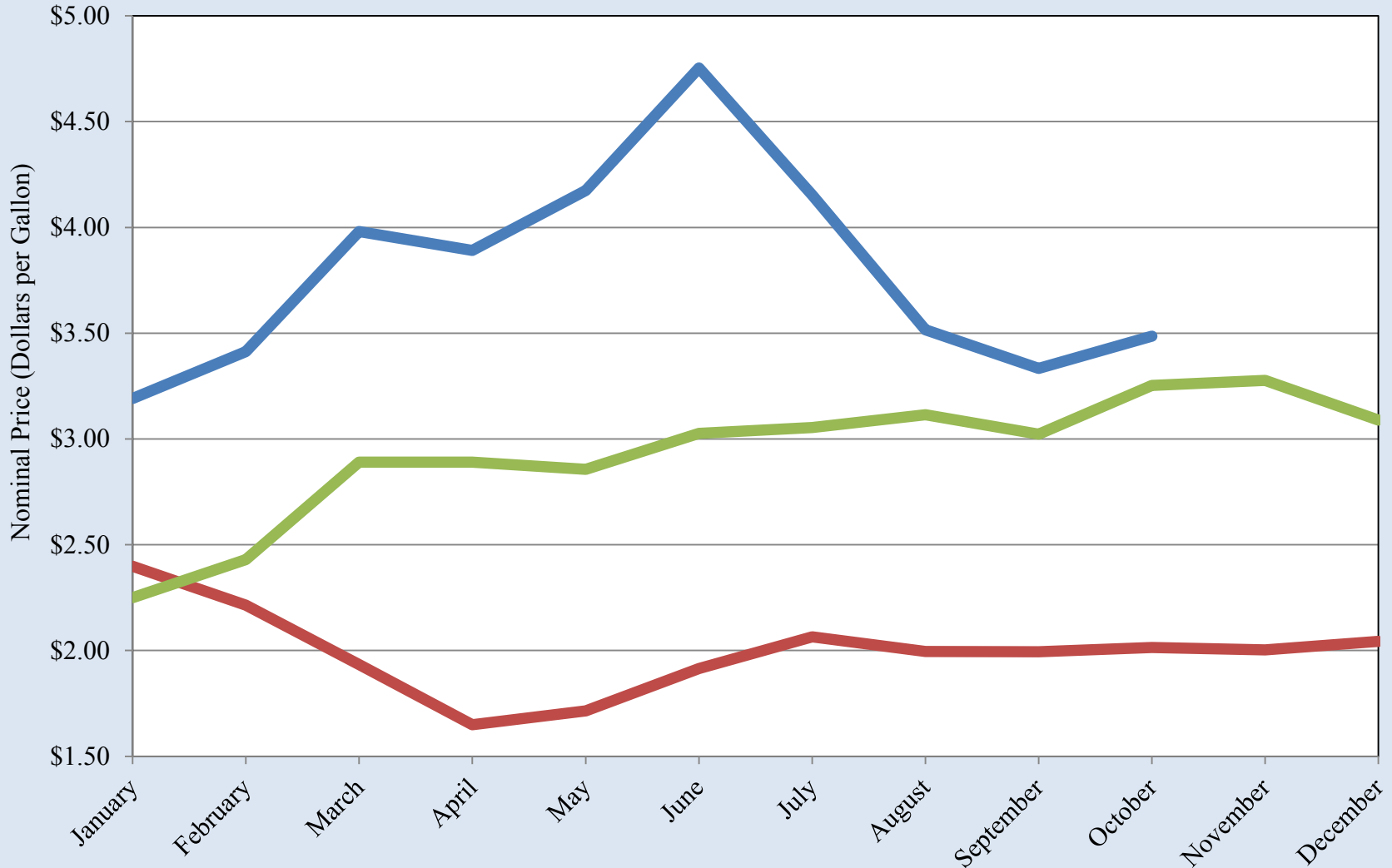
## Months of Housing Inventory for El Paso



Source: Texas A&M Real Estate Center

# El Paso Gasoline Prices

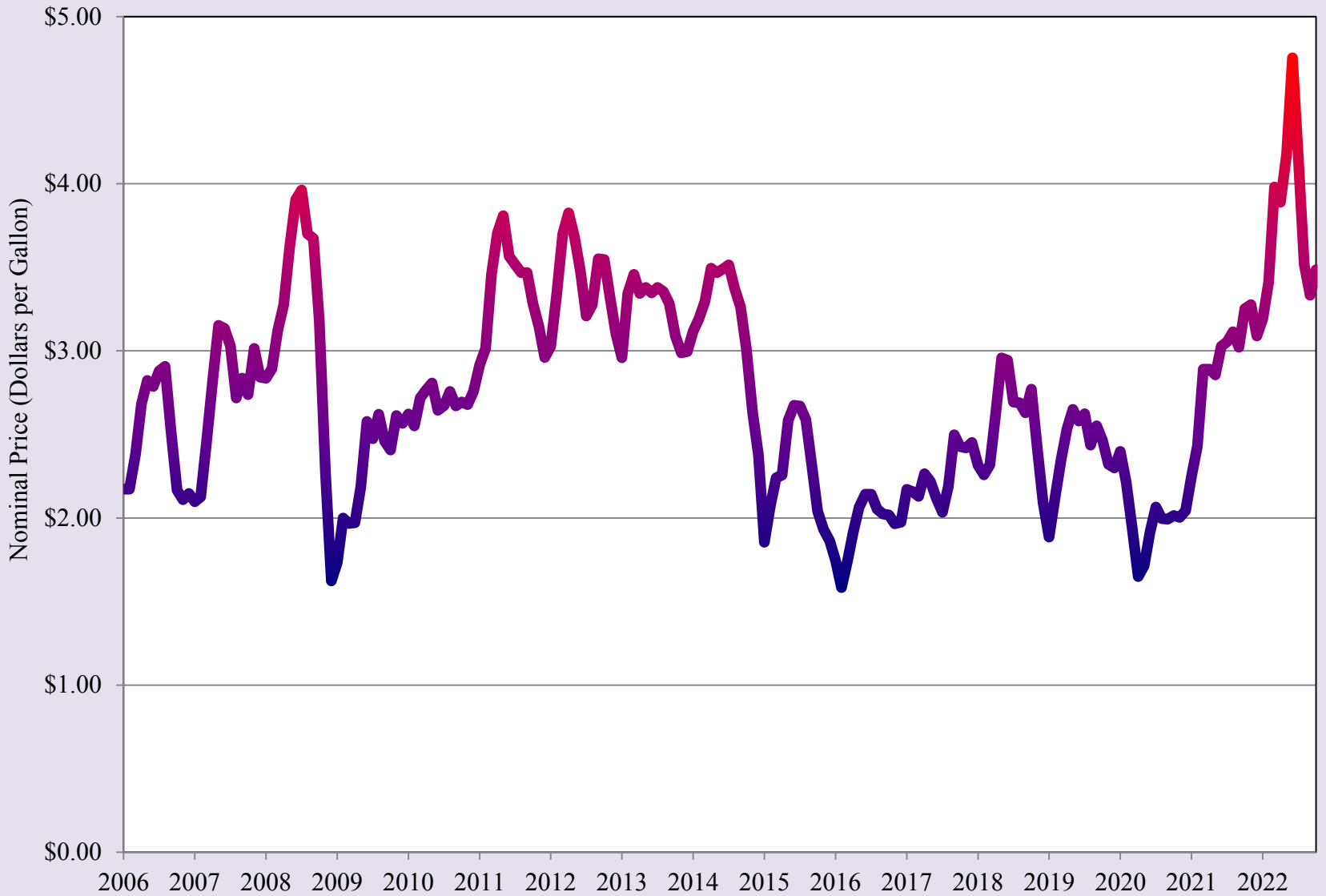
2020 2021 2022



Source: GasBuddy.com



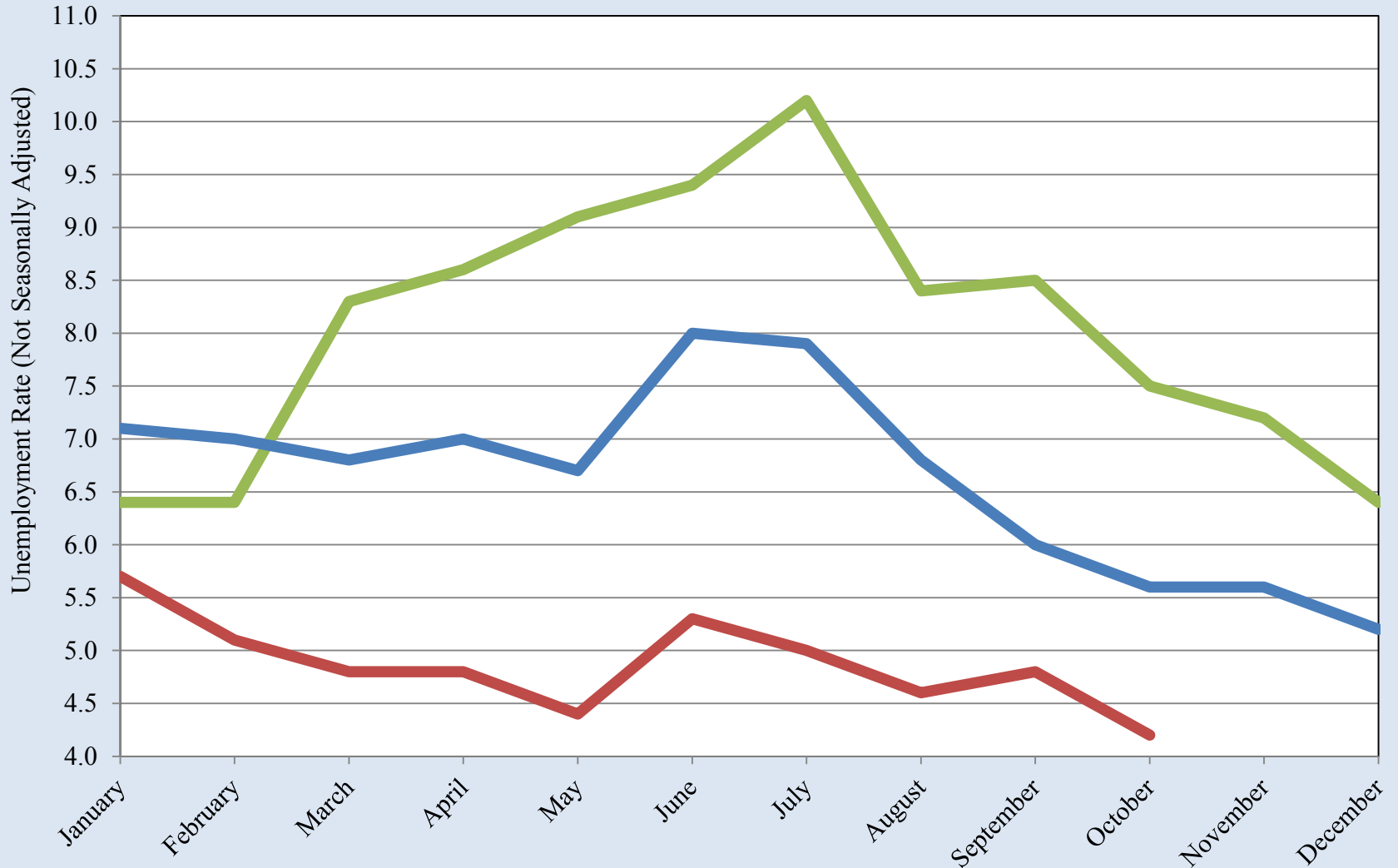
## El Paso Gasoline Prices



Source: GasBuddy.com

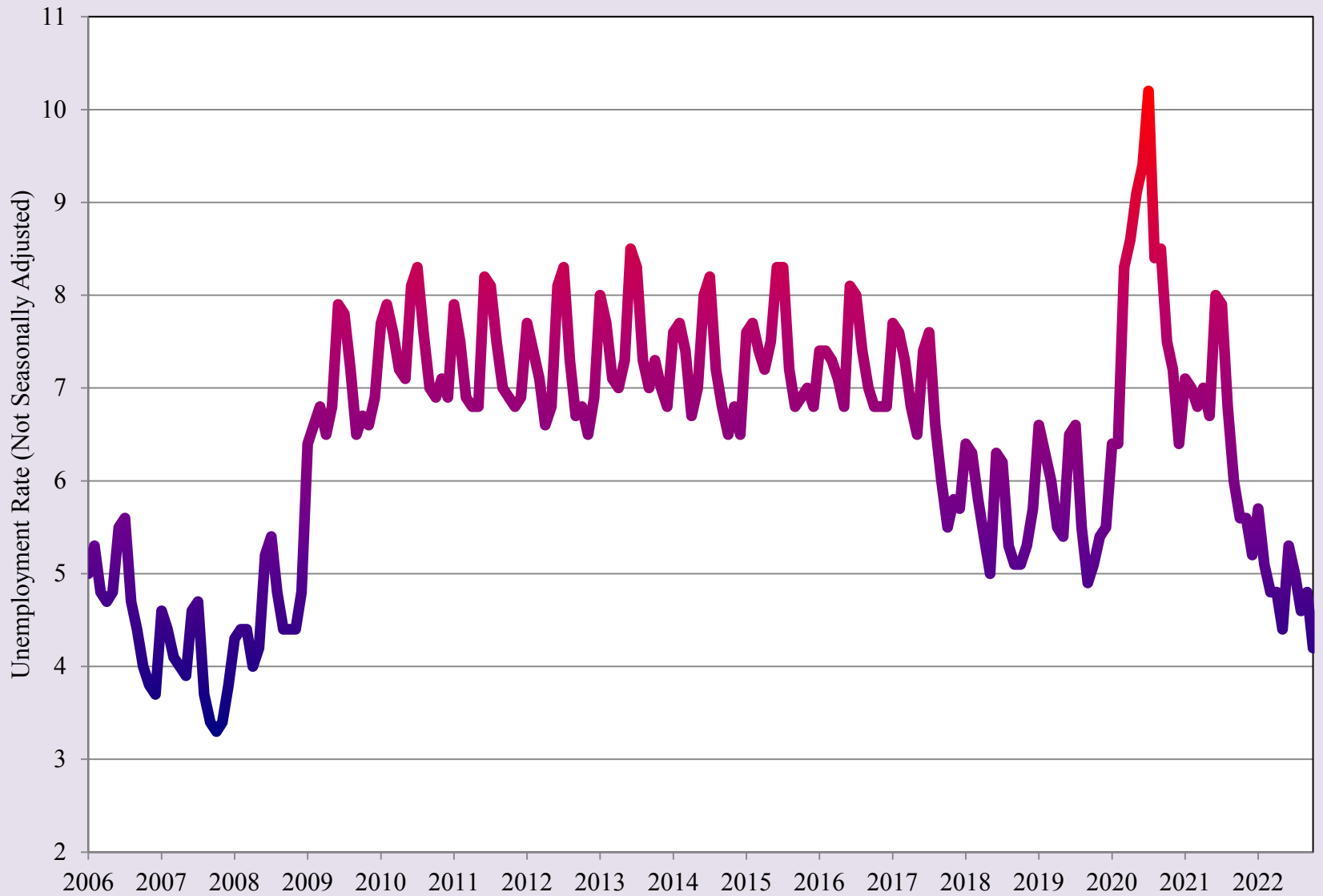
# Doña Ana County Unemployment Rate

2020 2021 2022



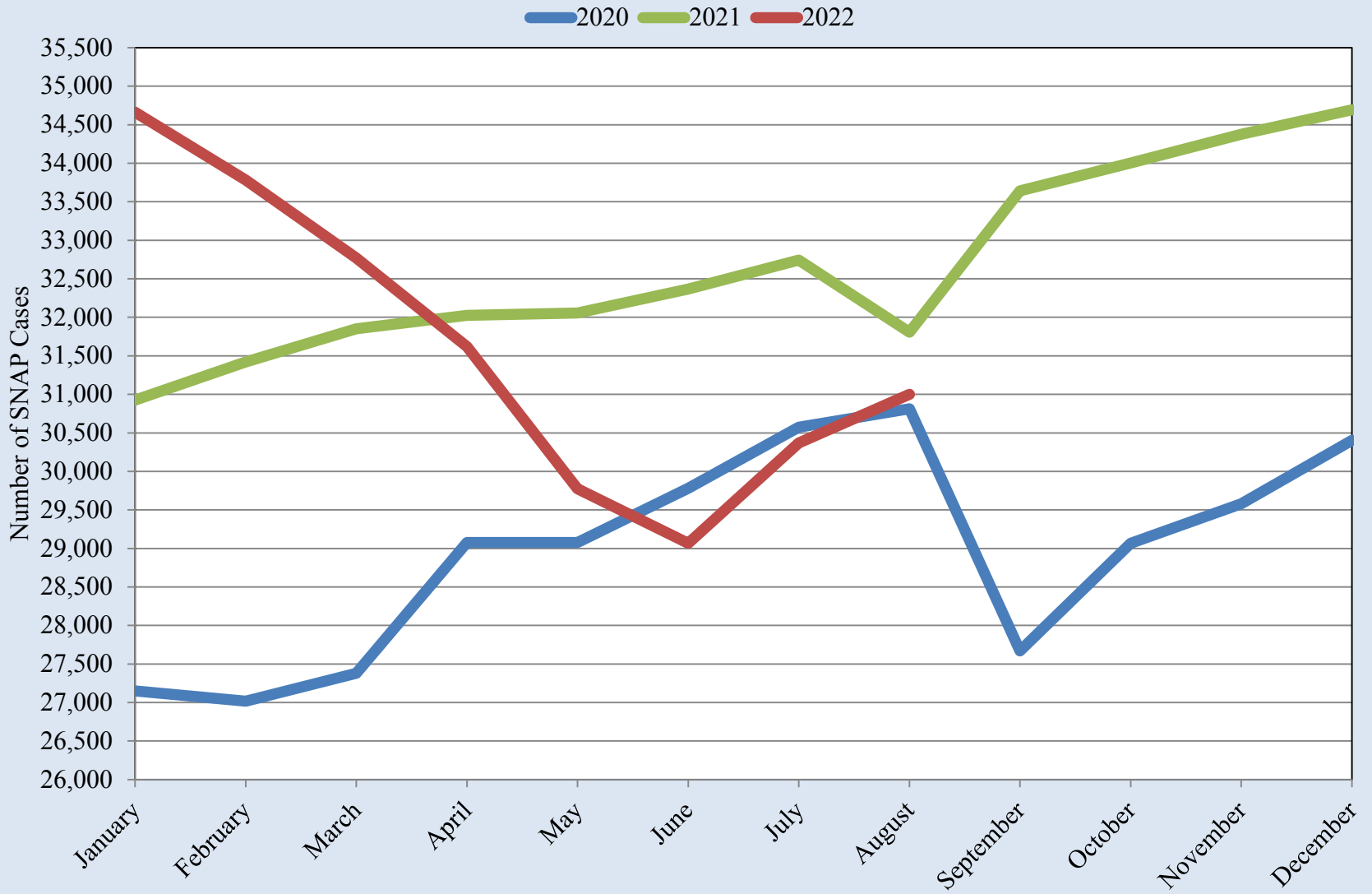
Source: Bureau of Labor Statistics

## Doña Ana County Unemployment Rate

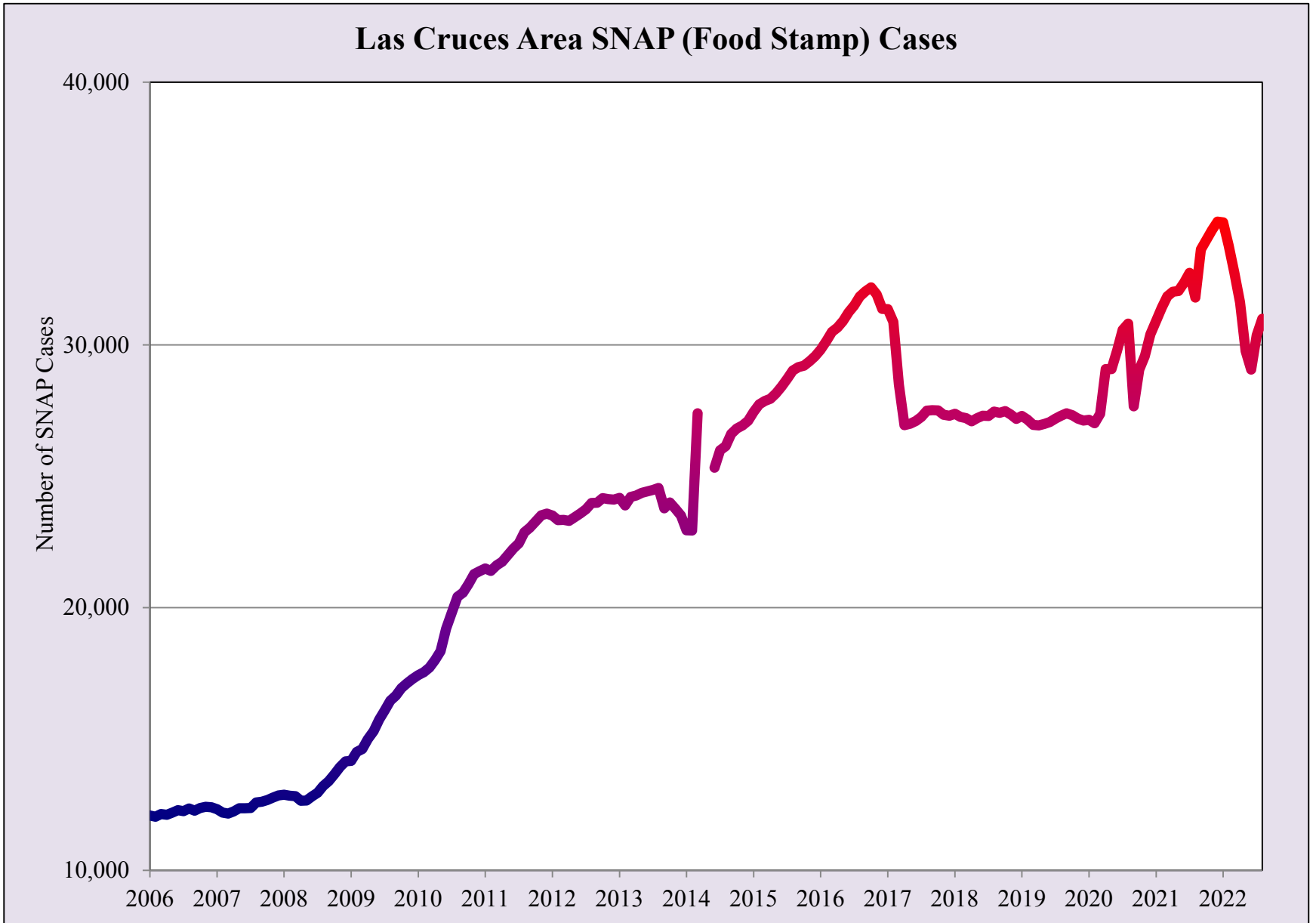


Source: Bureau of Labor Statistics

## Las Cruces Area SNAP (Food Stamp) Cases

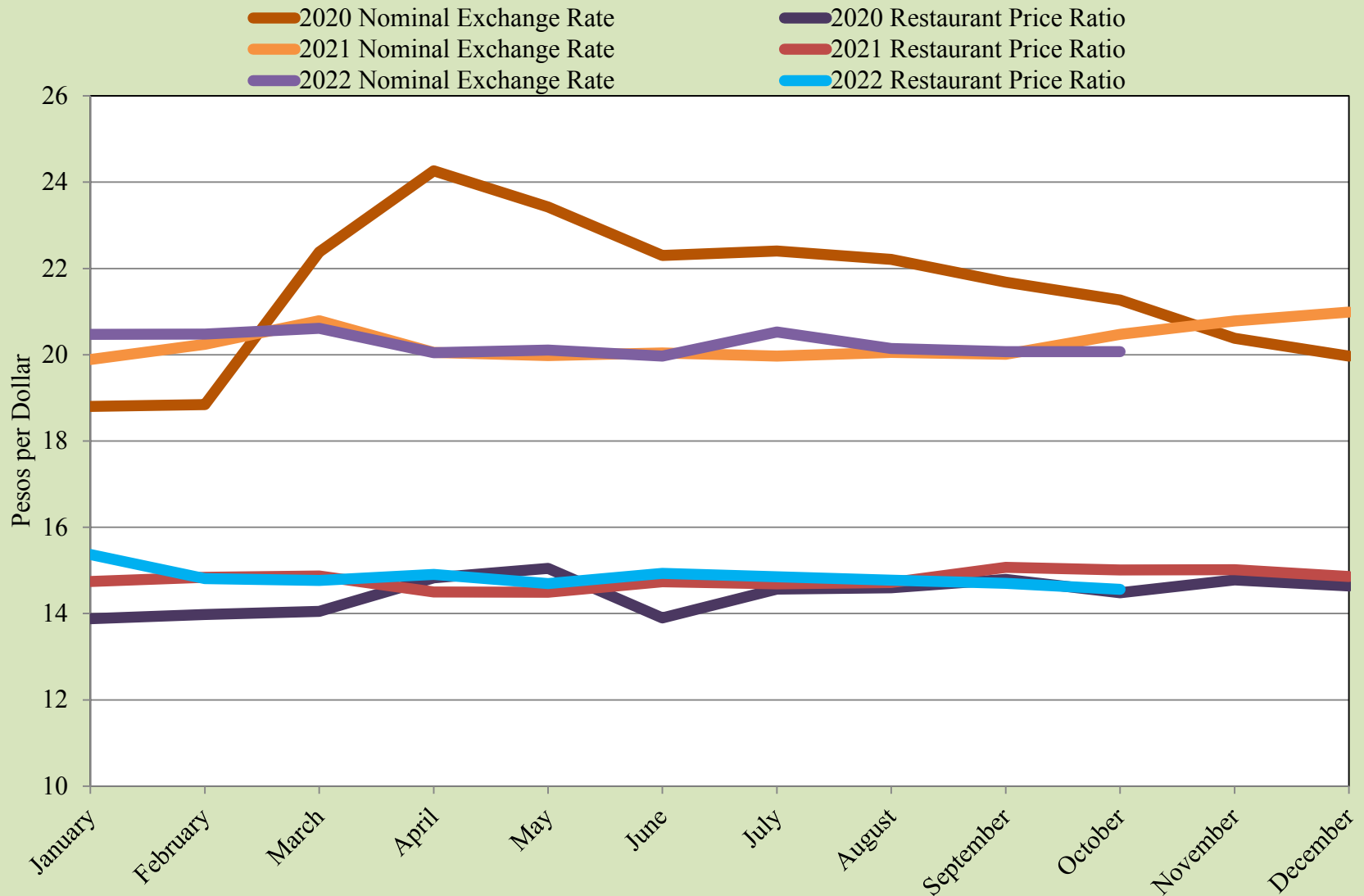


Source: New Mexico Human Services Department



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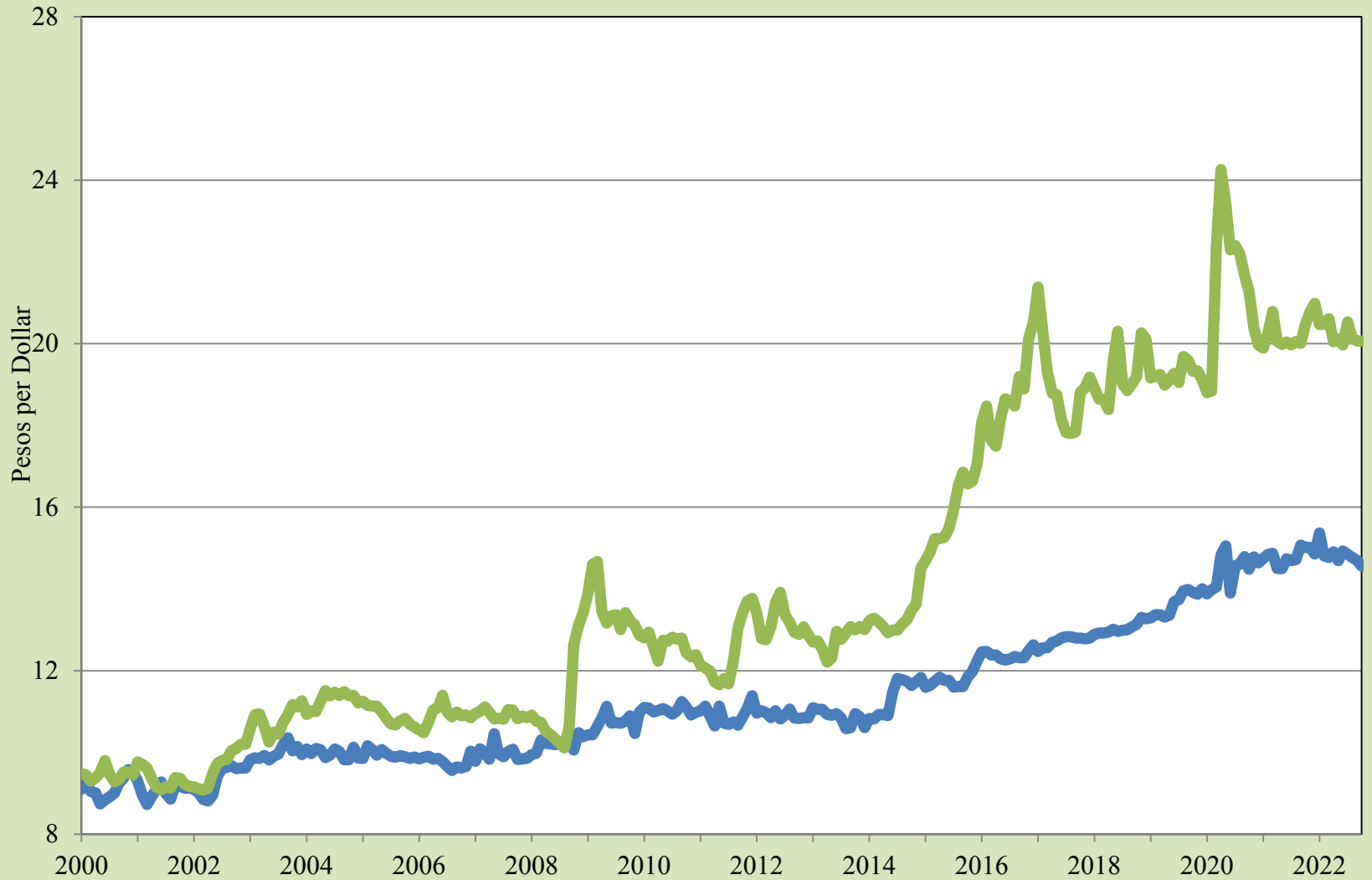
## Restaurant Price Ratio and Exchange Rate



Source: UTEP Border Region Modeling Project and Banco de Mexico

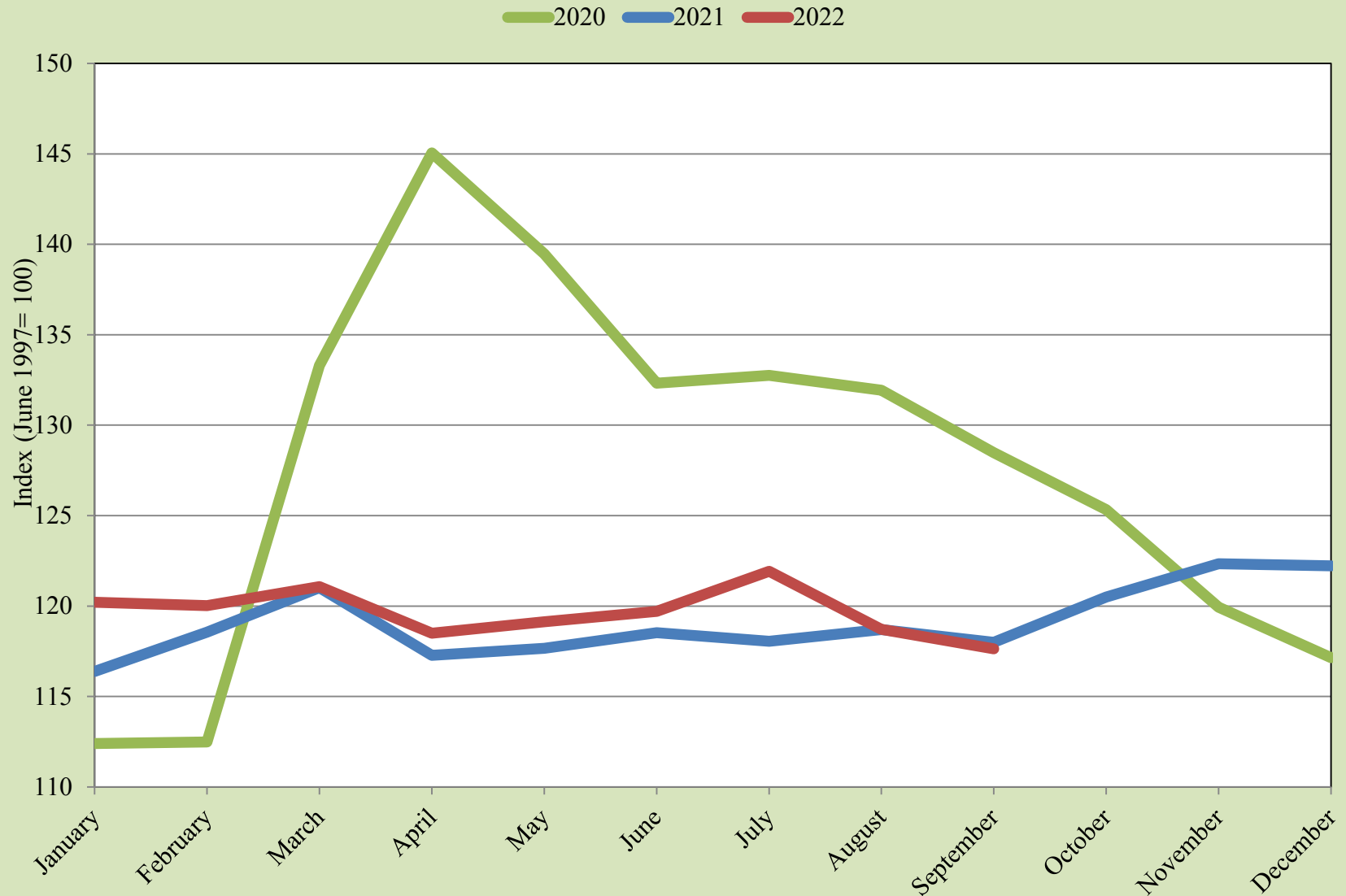
## Restaurant Price Ratio and Exchange Rate

Price Ratio 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

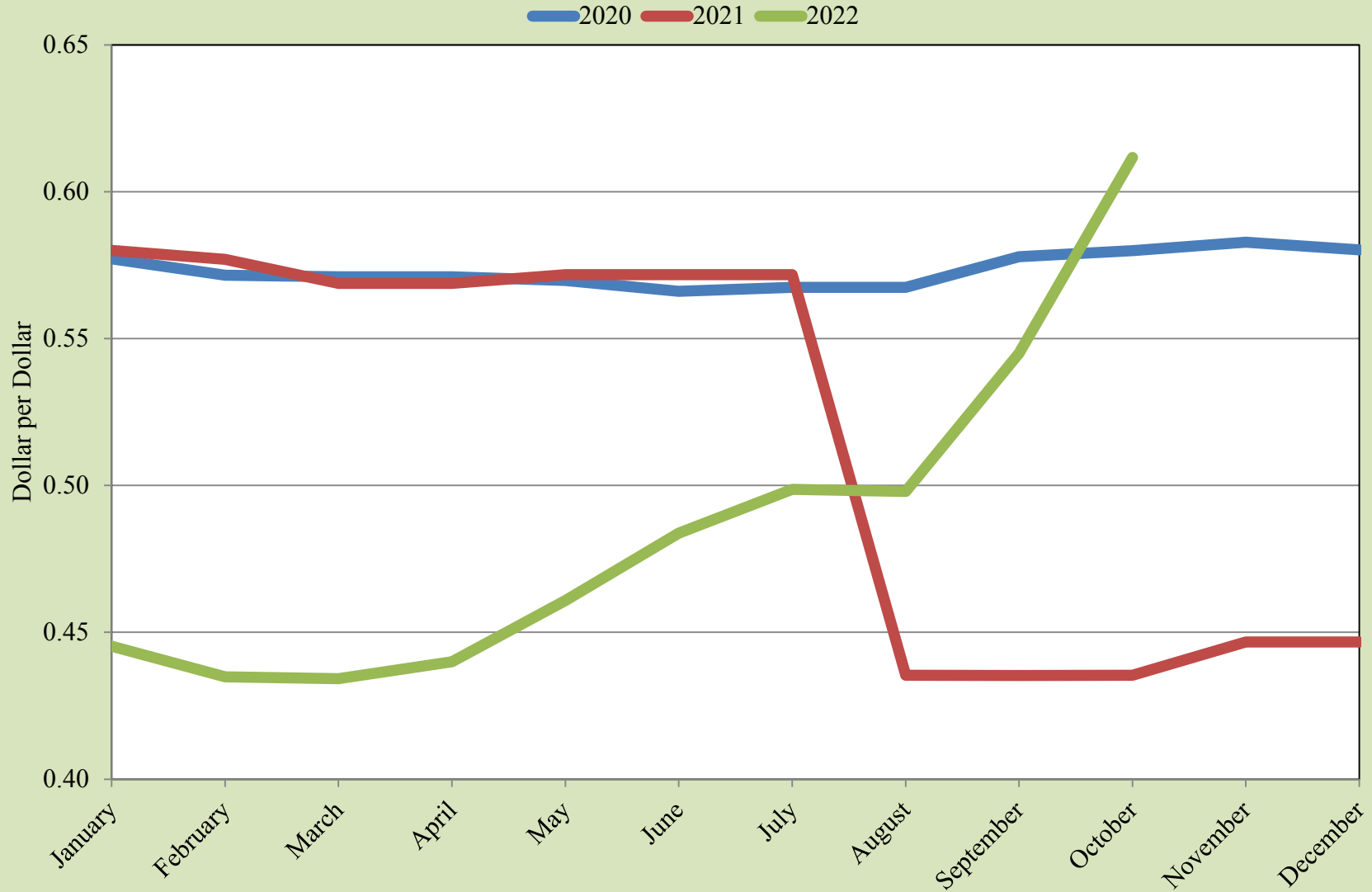


## Real Peso-per-Dollar Exchange Rate Index



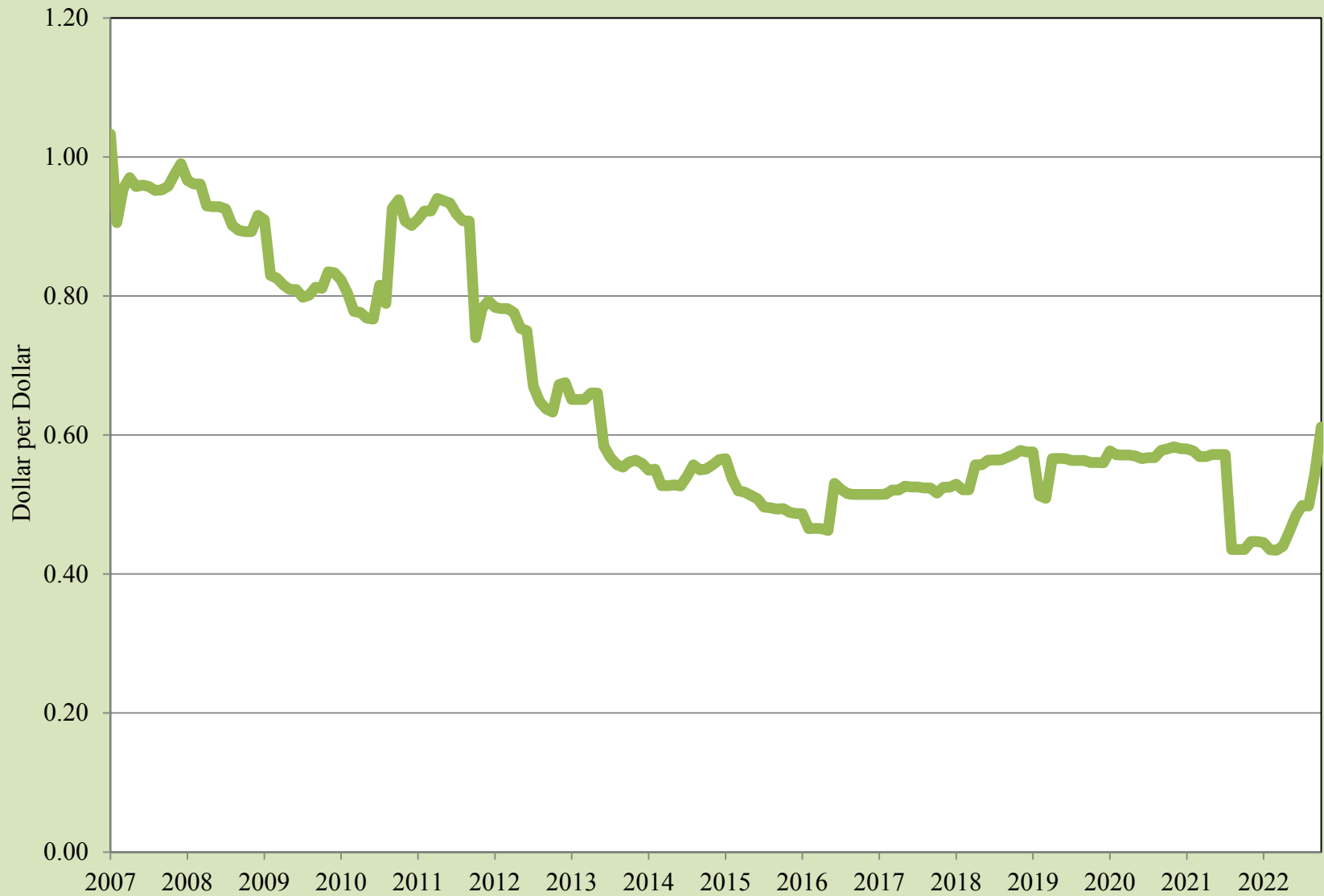
Source: UTEP Border Region Modeling Project

## Pharmaceutical Nominal Price Ratio in the USA and Mexico



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

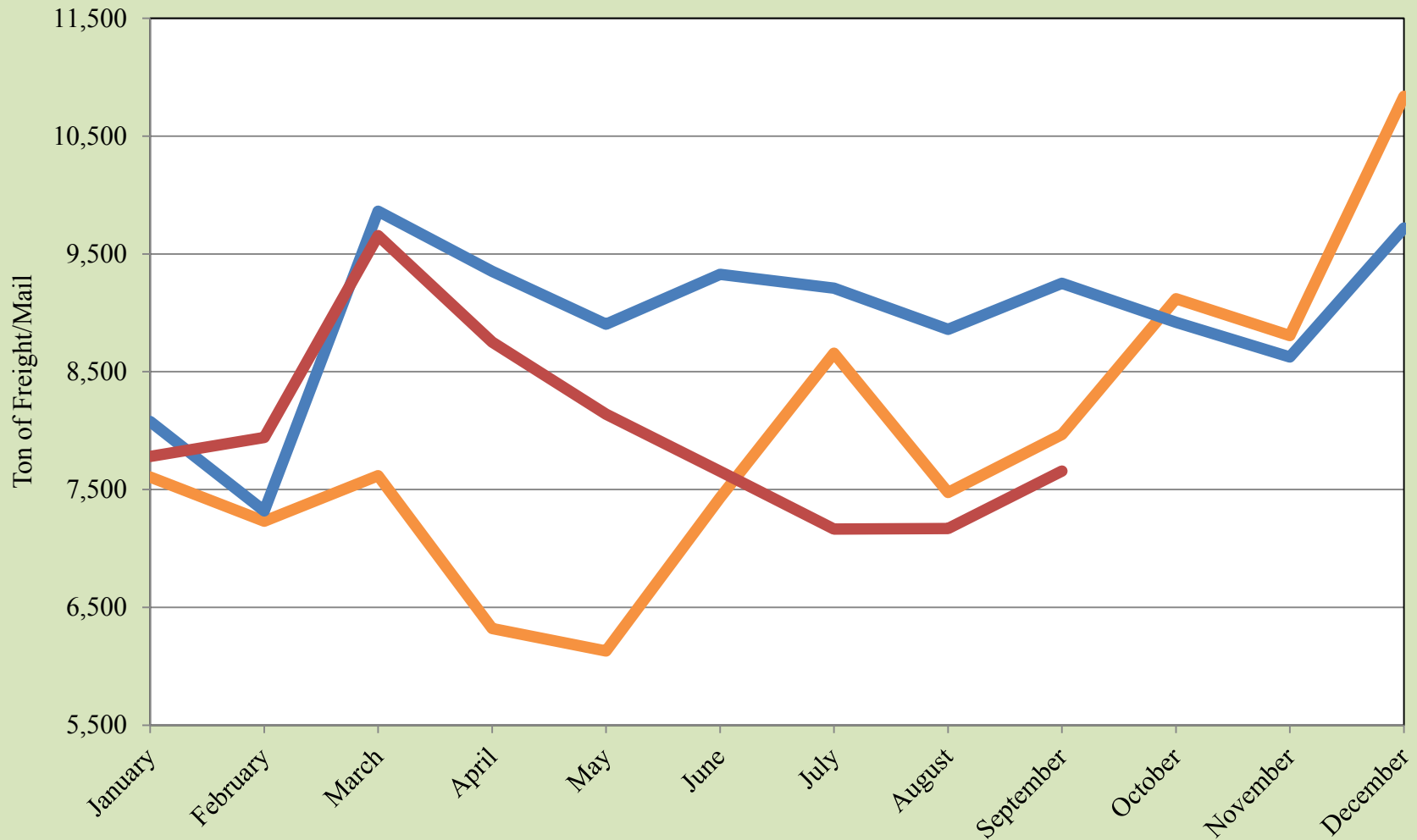
## Pharmaceutical Nominal Price Ratio in the USA and Mexico



Source: UTEP Border Region Modeling Project, [healthwarehouse.com](http://healthwarehouse.com), [goodrx.com](http://goodrx.com), [medsmex.com](http://medsmex.com)

## EPIA Freight and Mail

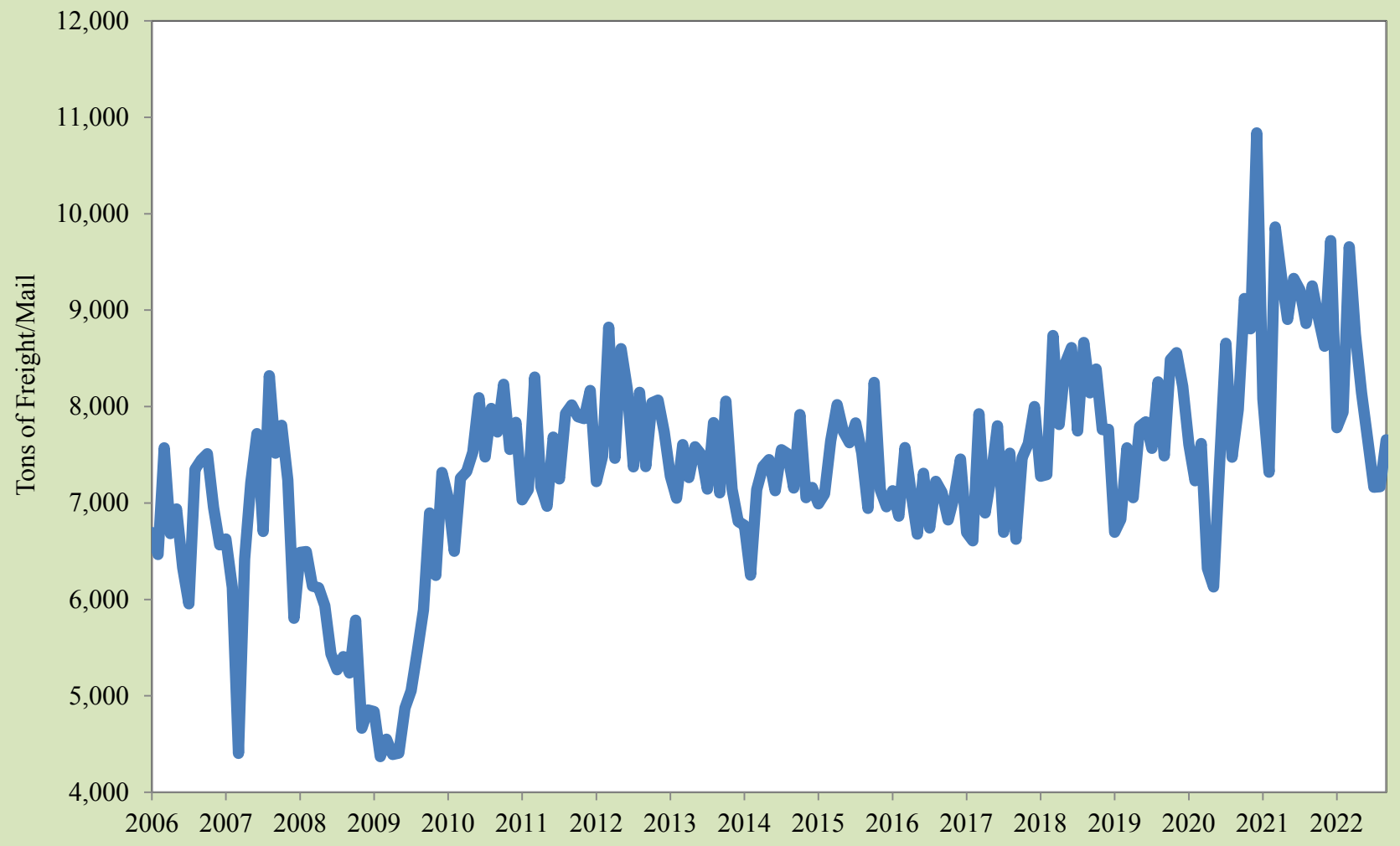
— Total 2020 — Total 2021 — Total 2022



Source: EPIA Operations

# EPIA Freight and Mail

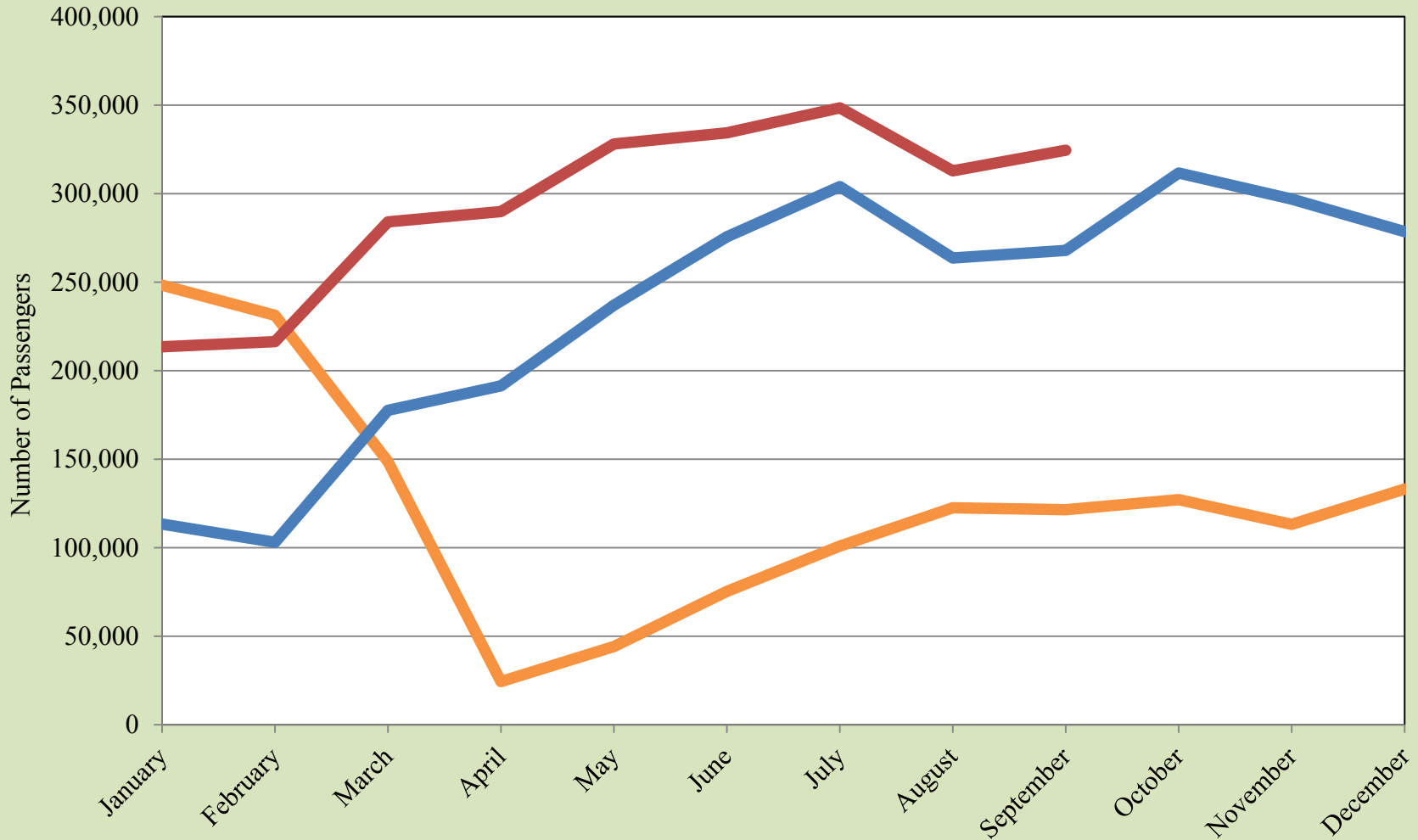
Inbound+Outbound



Source: EPIA Operations

# EPIA Passengers

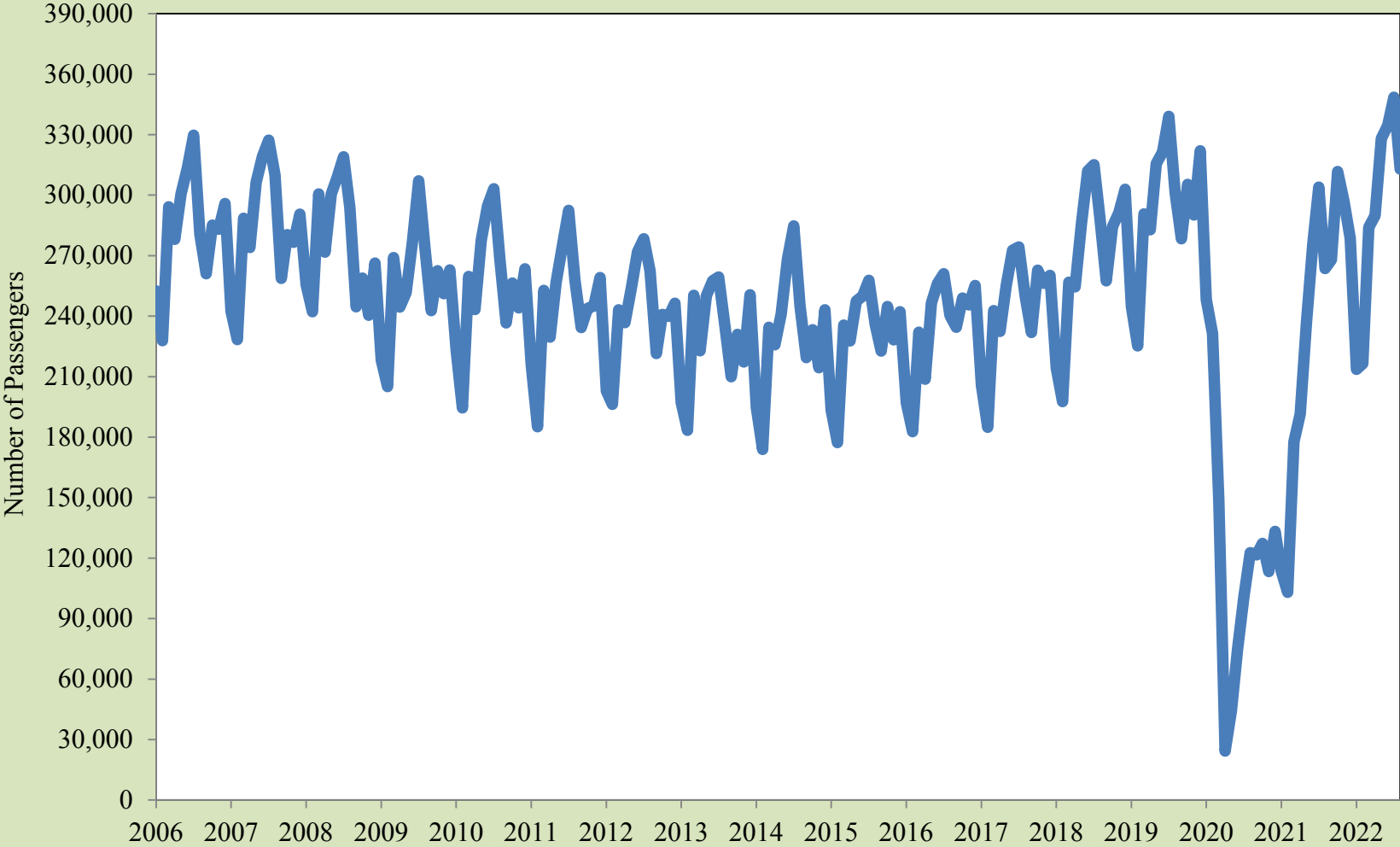
Total 2020 Total 2021 Total 2022



Source: EPIA Operations

# EPIA Passengers

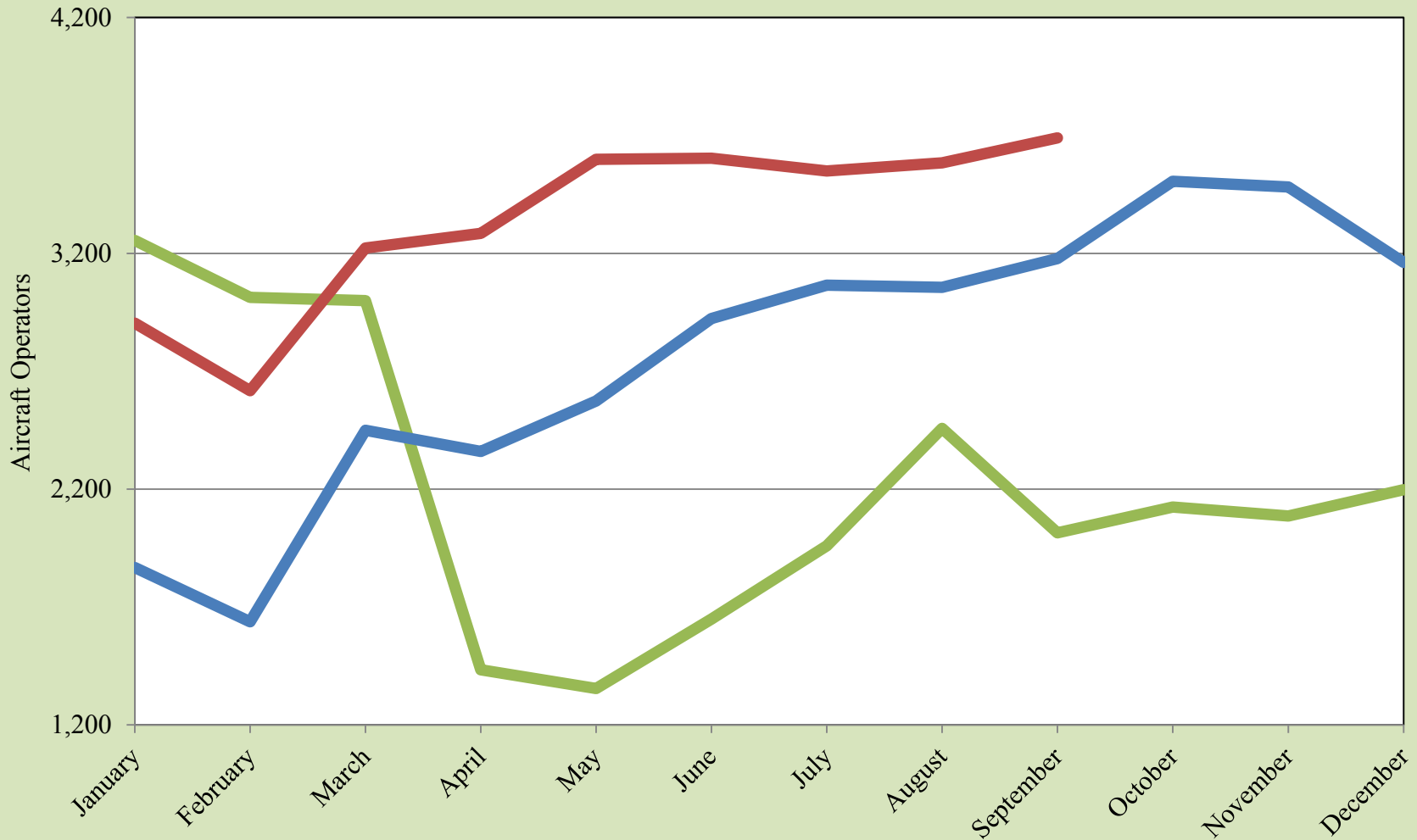
Inbound+Outbound



Source: EPIA Operations

# EPIA Air Carrier Operations

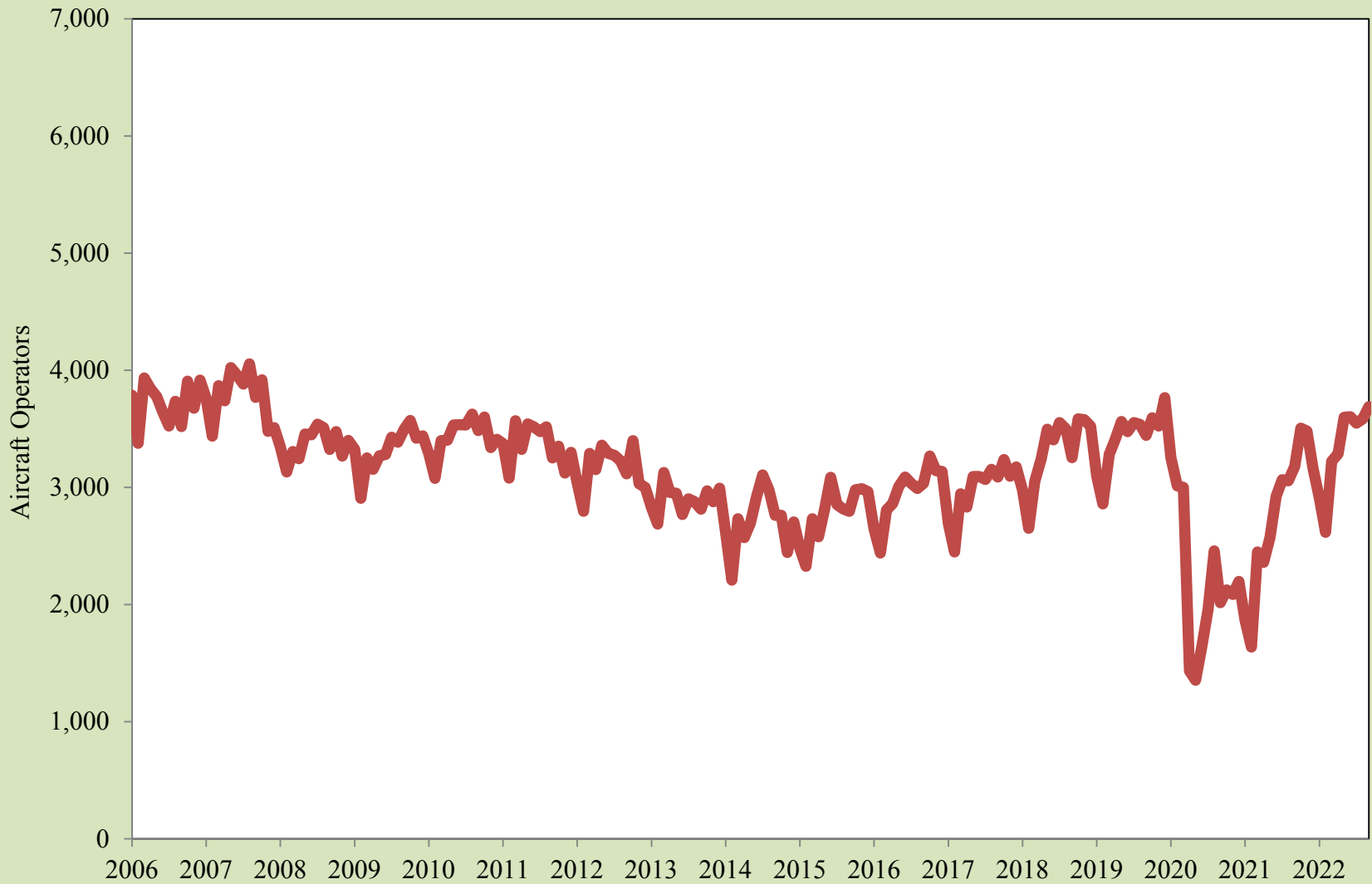
20-Air Carriers 21-Air Carriers 22-Air Carriers



Source: EPIA Operations

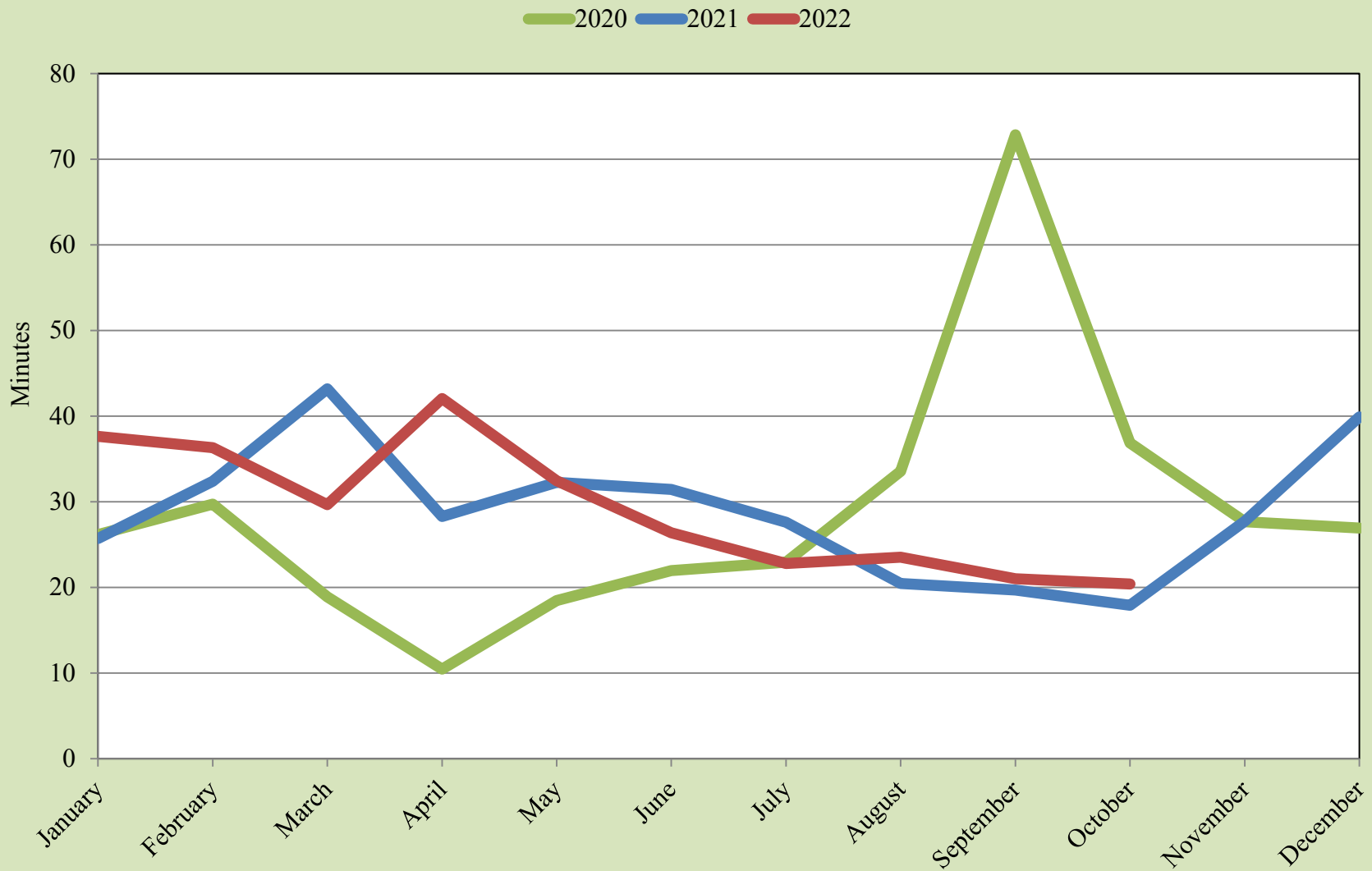


## EPIA Air Carrier Operations



Source: EPIA Operations

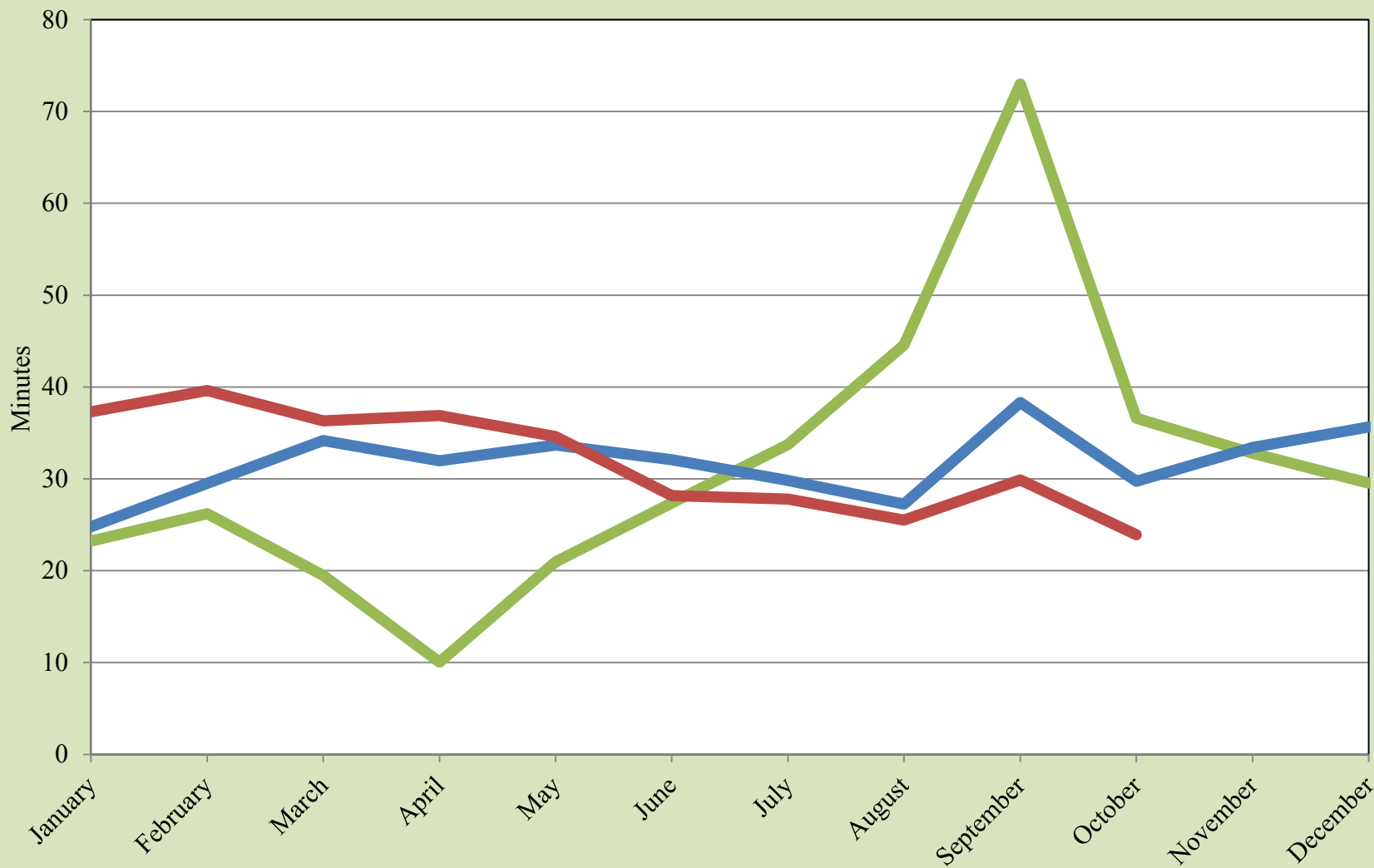
## Paso del Norte Monthly Wait Times



Source: UTEP Border Region Modeling Project

## Ysleta Monthly Wait Times

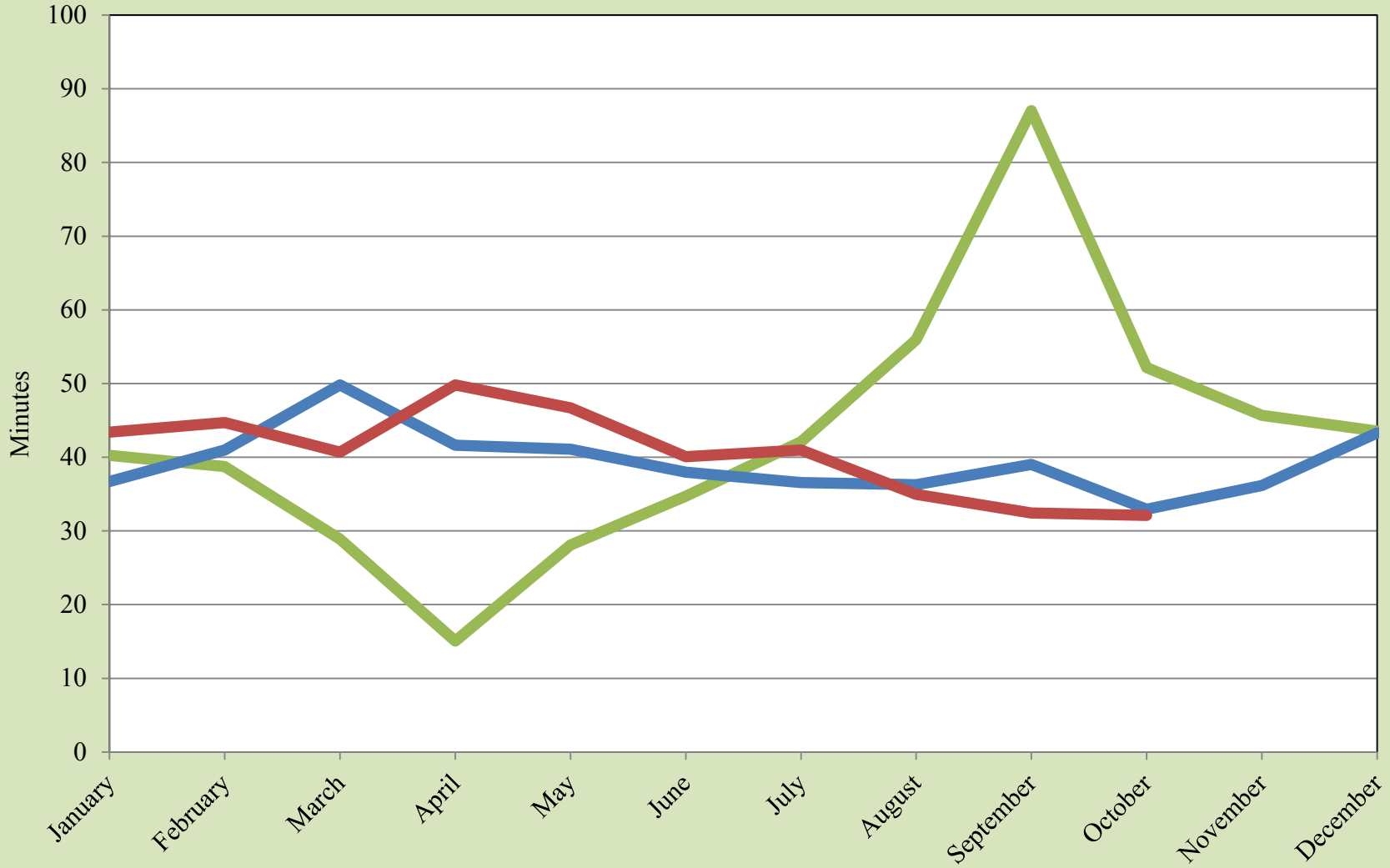
— 2020 — 2021 — 2022



Source: UTEP Border Region Modeling Project

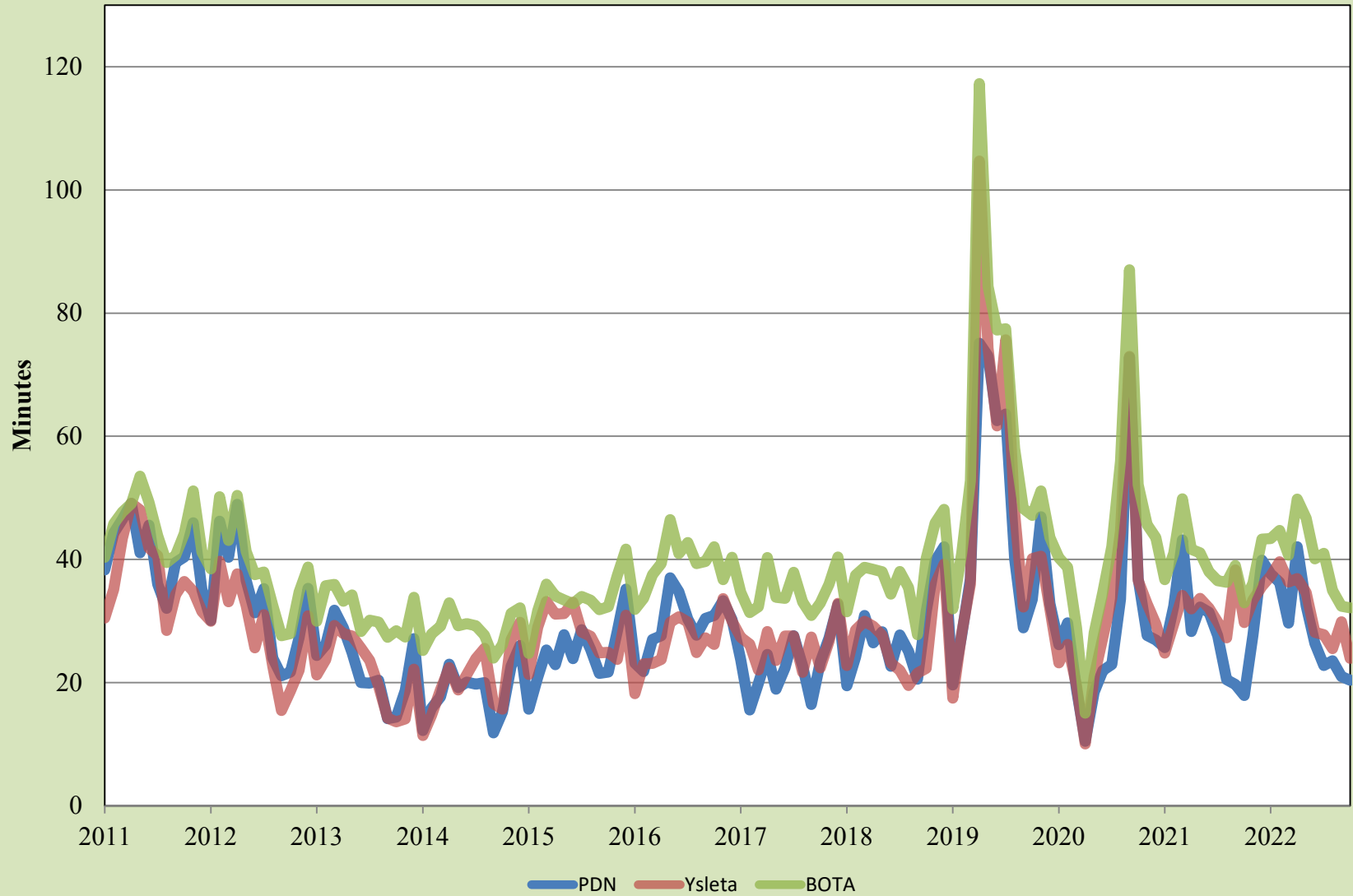
# Bridge of the Americas Monthly Wait Times

2020 2021 2022



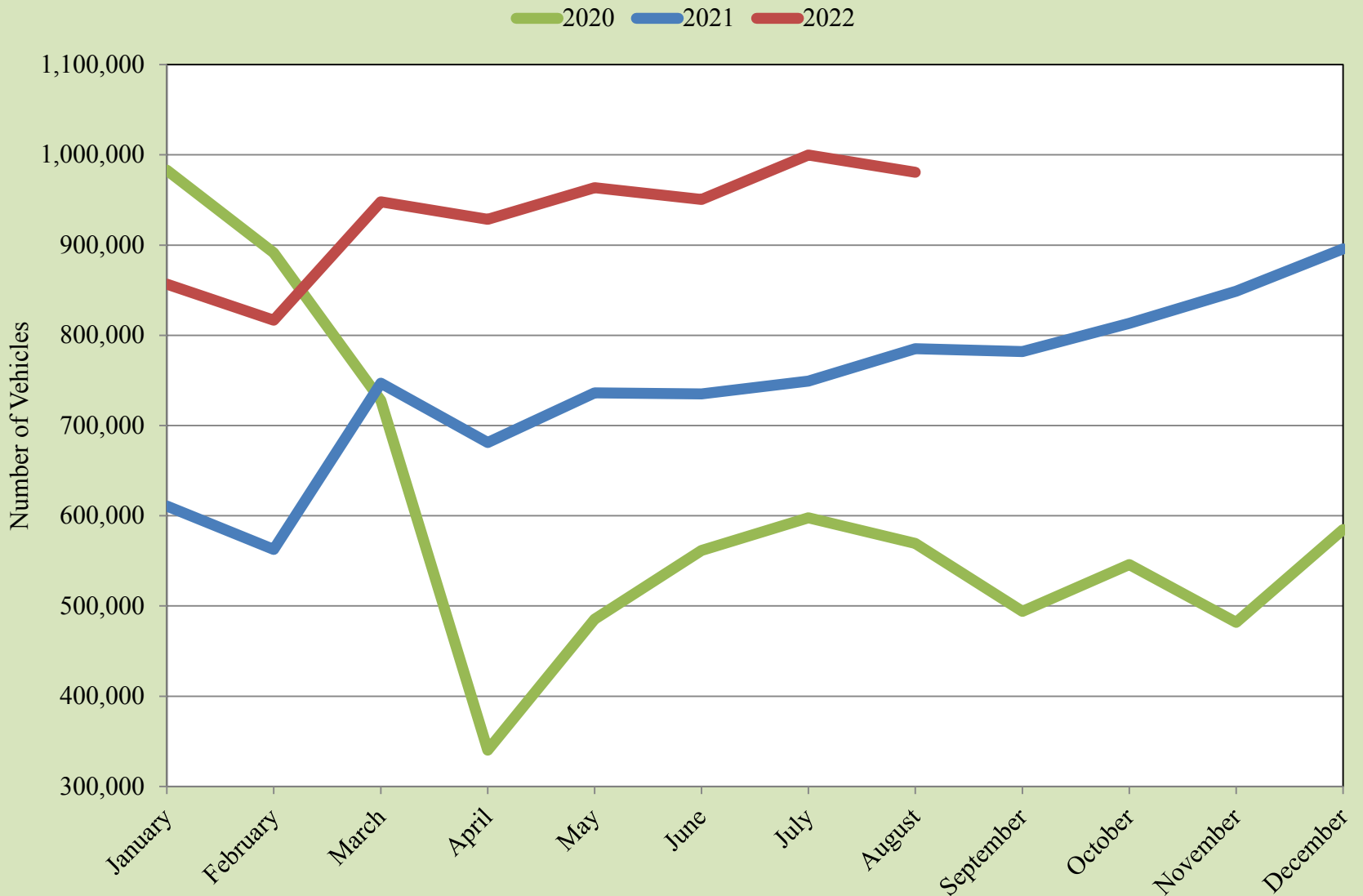
Source: UTEP Border Region Modeling Project

## Monthly Border Wait Times



Source: UTEP Border Region Modeling Project

## Personal Vehicle International Bridge Crossings to El Paso



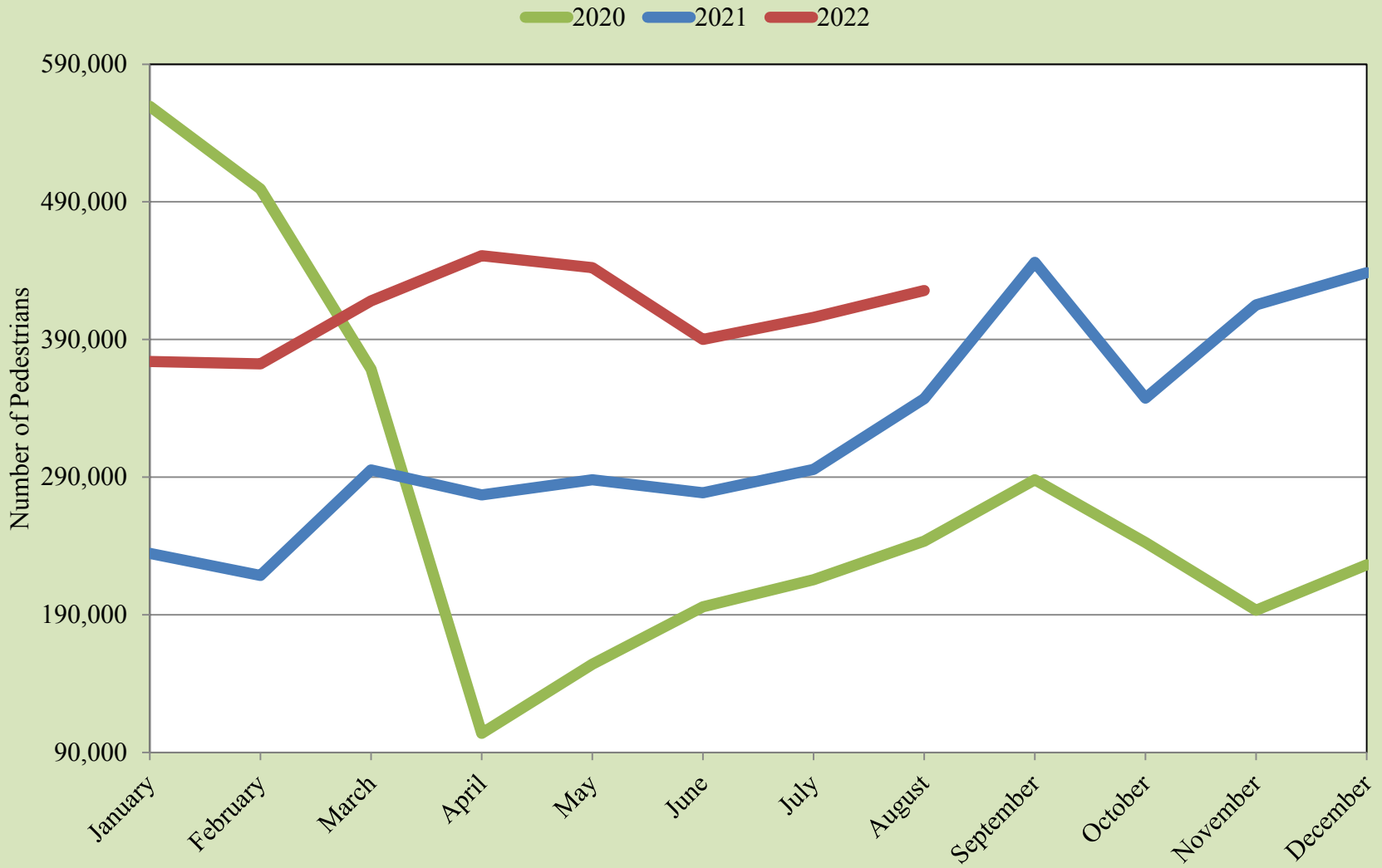
Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection

## Personal Vehicle International Bridge Crossings to El Paso



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

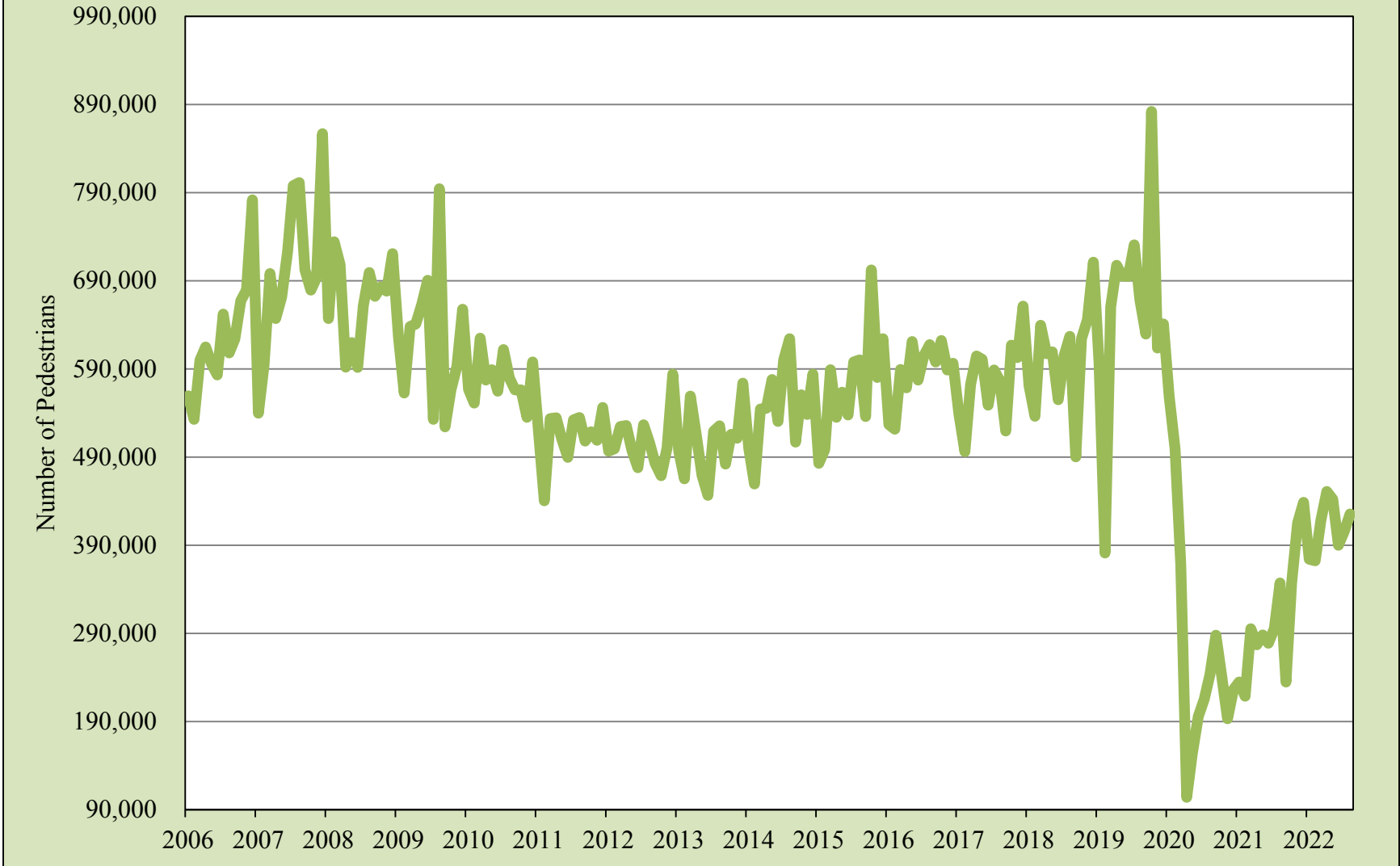
## Pedestrian International Bridge Crossings to El Paso



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

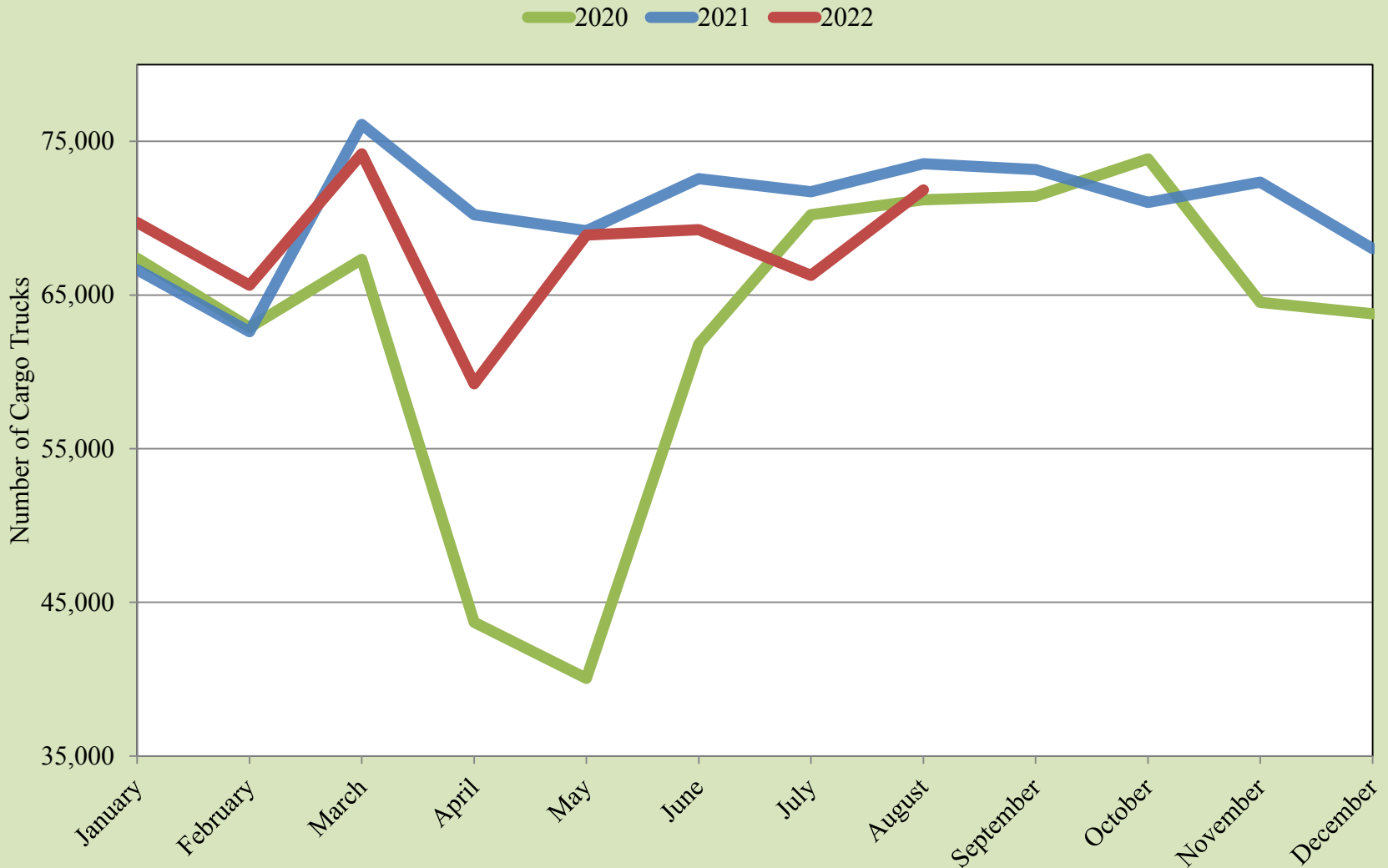


# Pedestrian International Bridge Crossings to El Paso



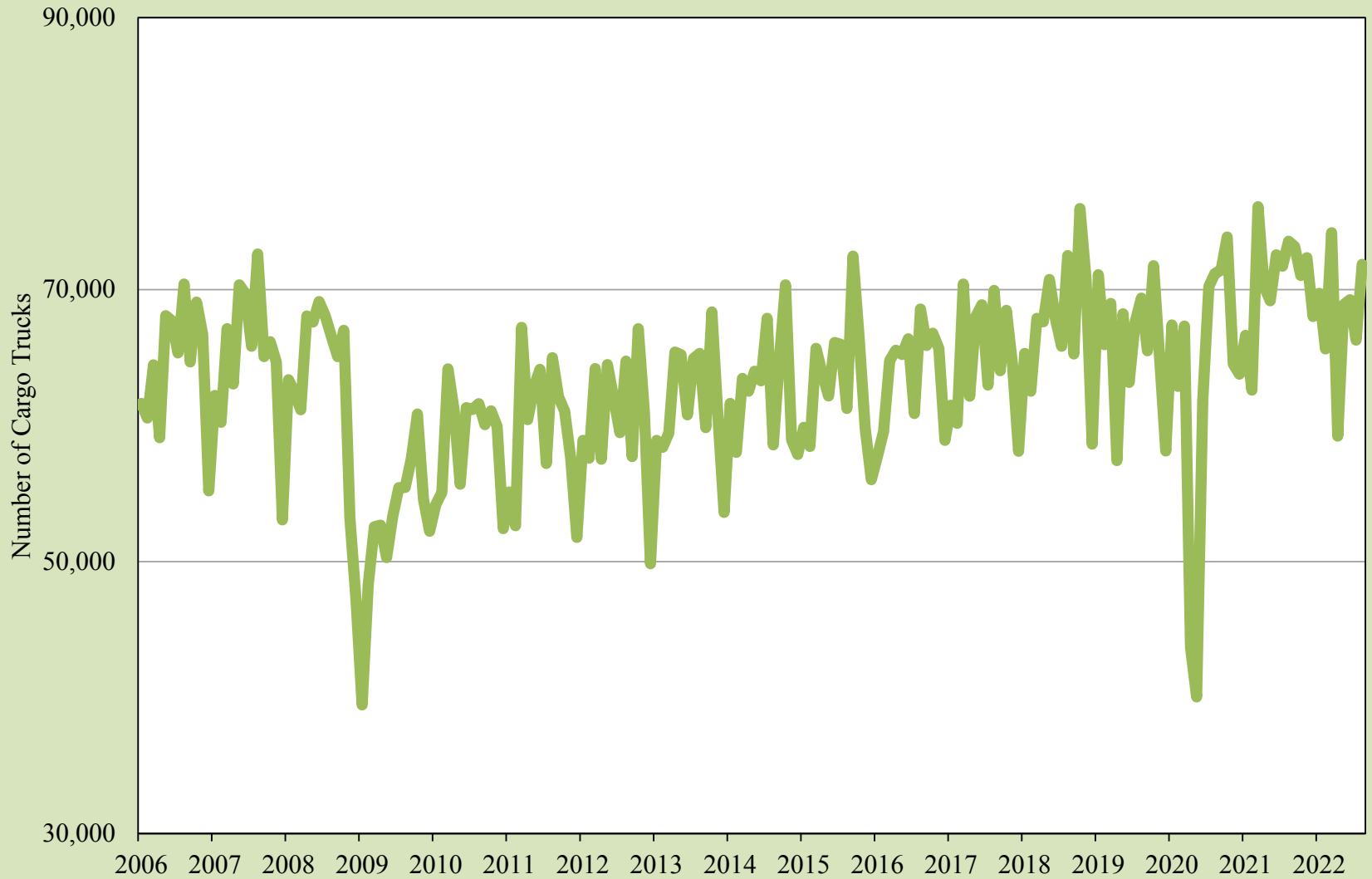
Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection

## Cargo Truck International Bridge Crossings to El Paso



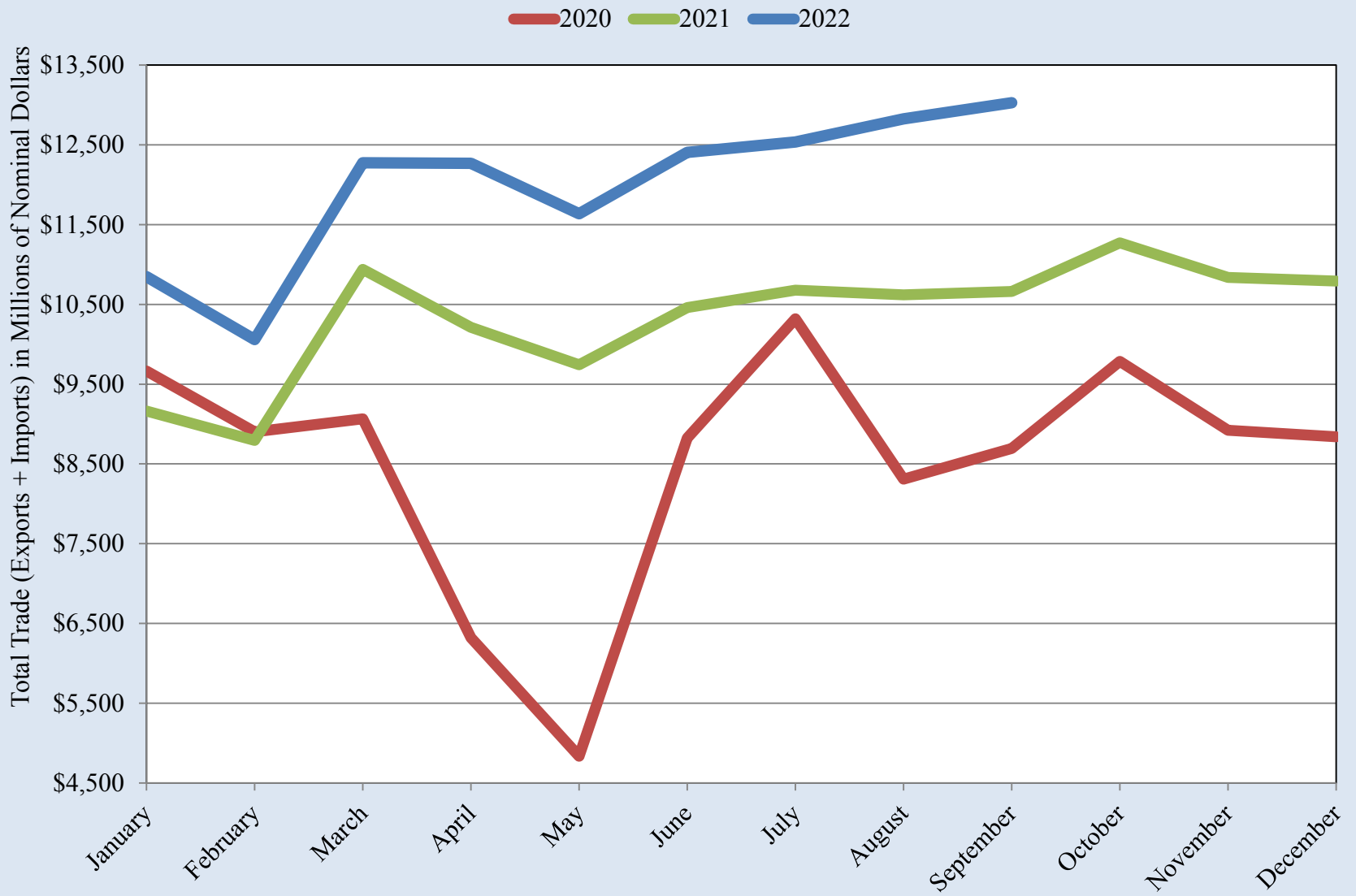
Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection

## Cargo Truck International Bridge Crossings to El Paso



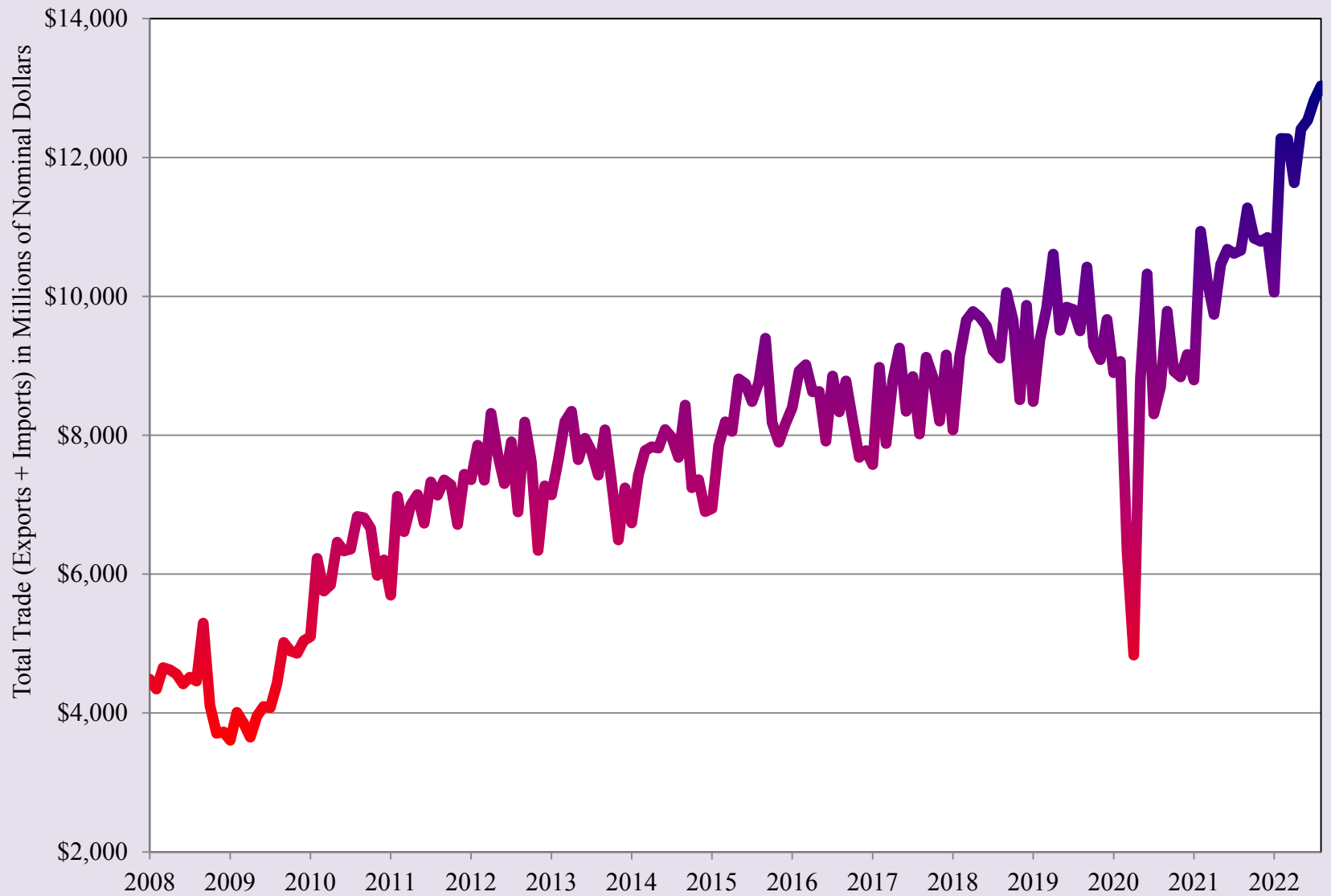
Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection

## Total Trade through the El Paso Customs District



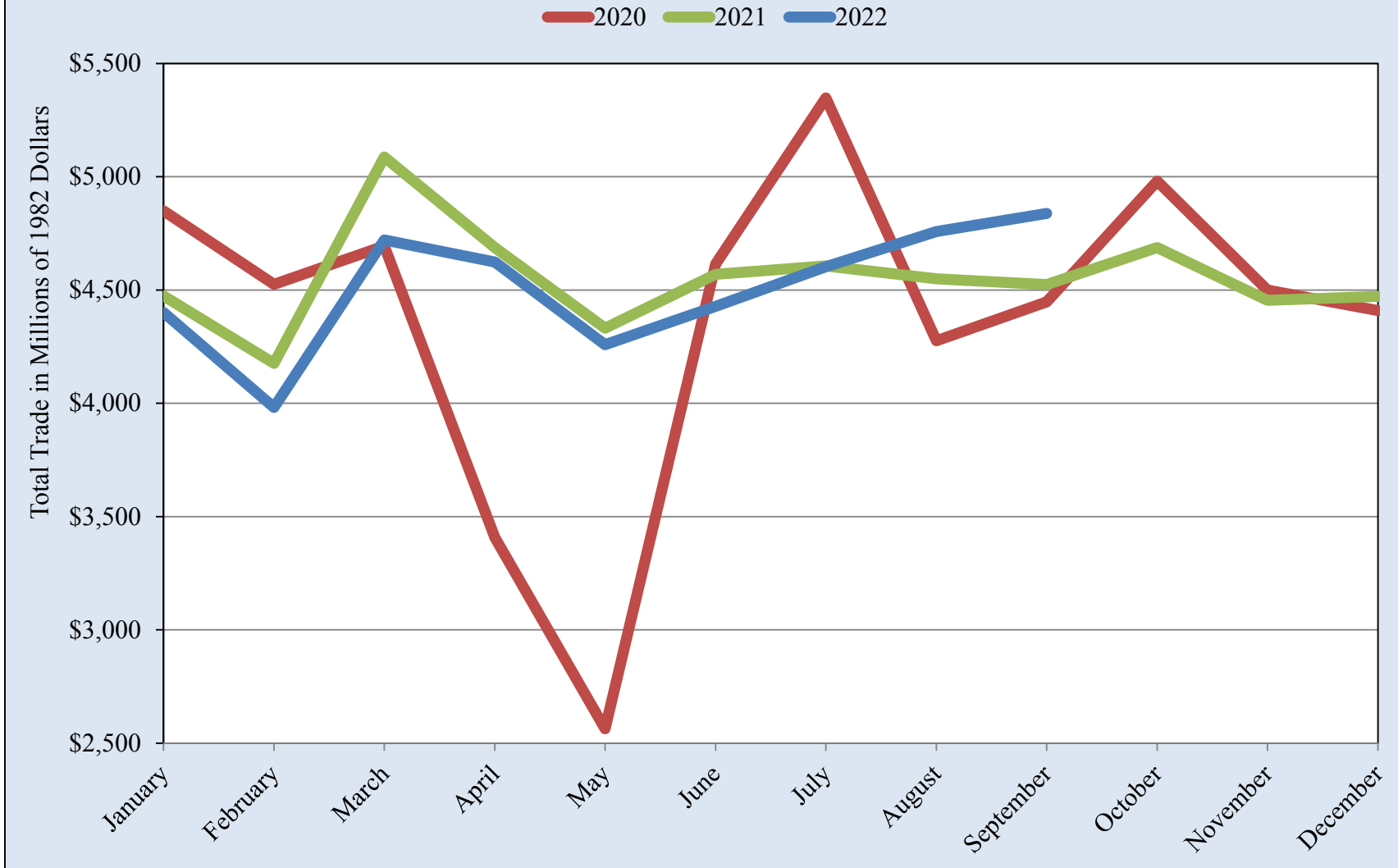
Source: U.S. International Trade Commission

## Total Trade through the El Paso Customs District



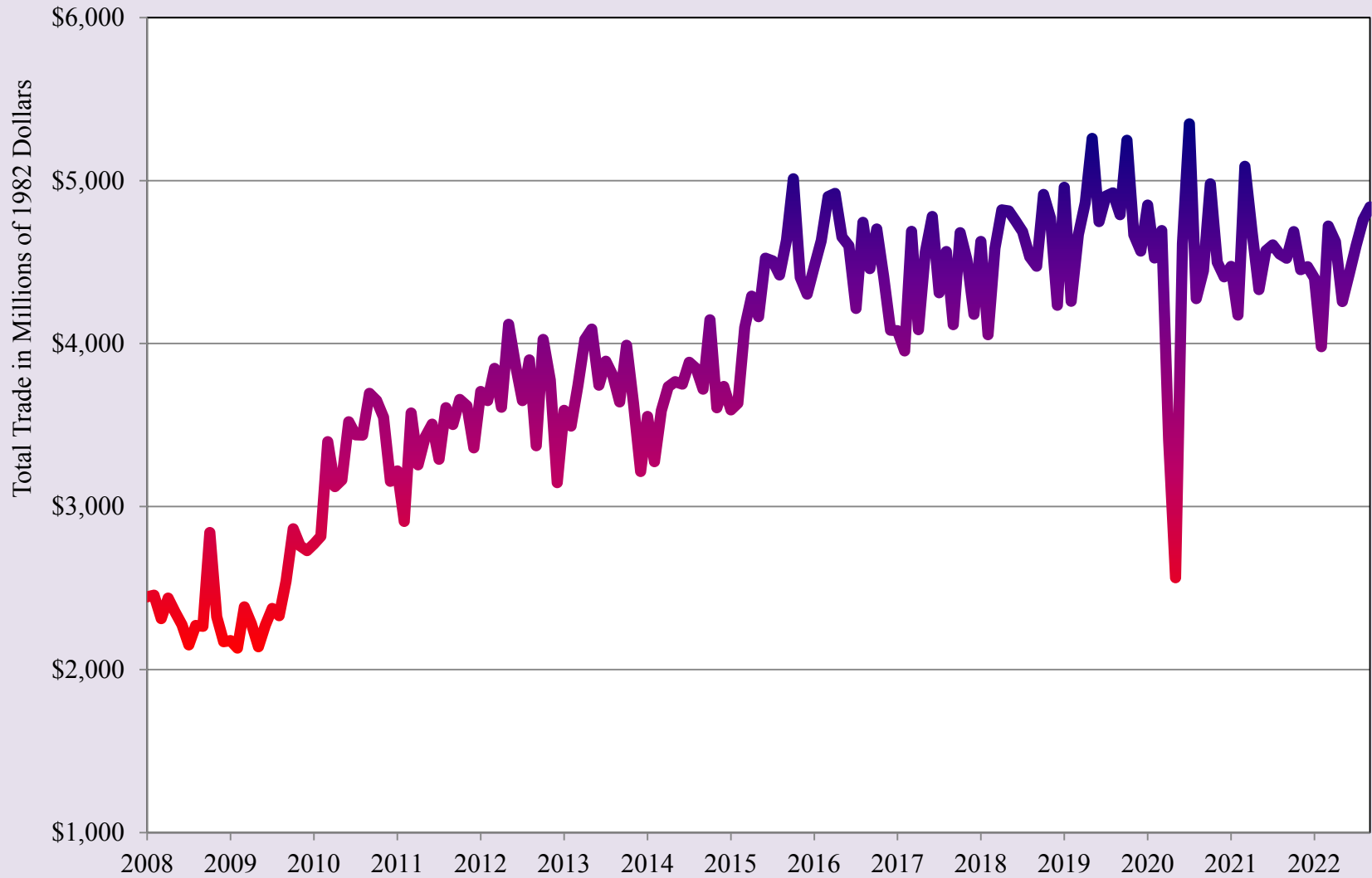
Source: U.S. International Trade Commission

## Real Total Trade through the El Paso Customs District



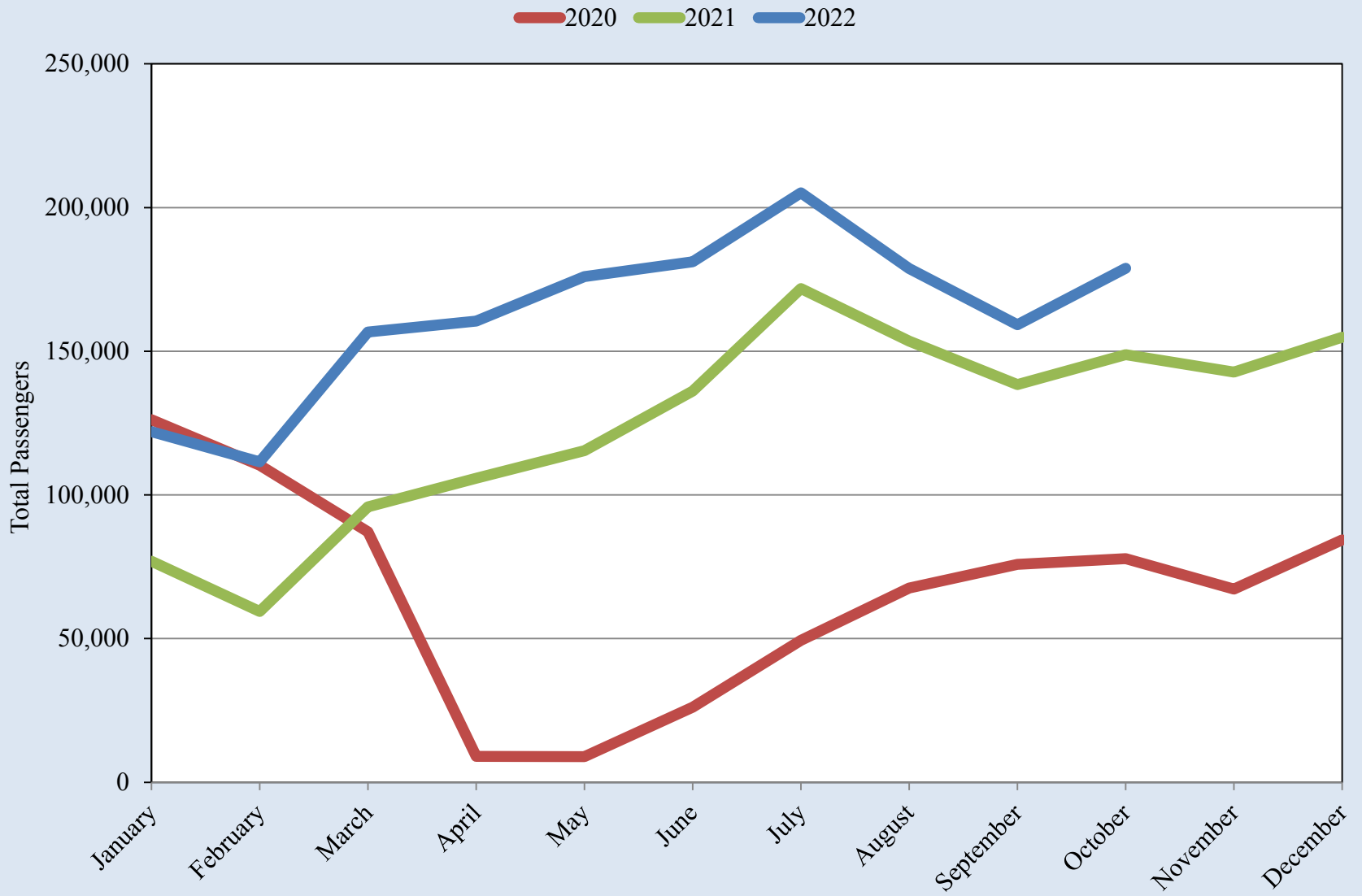
Source: U.S. International Trade Commission and Bureau of Labor Statistics

## Real Total Trade through the El Paso Customs District



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

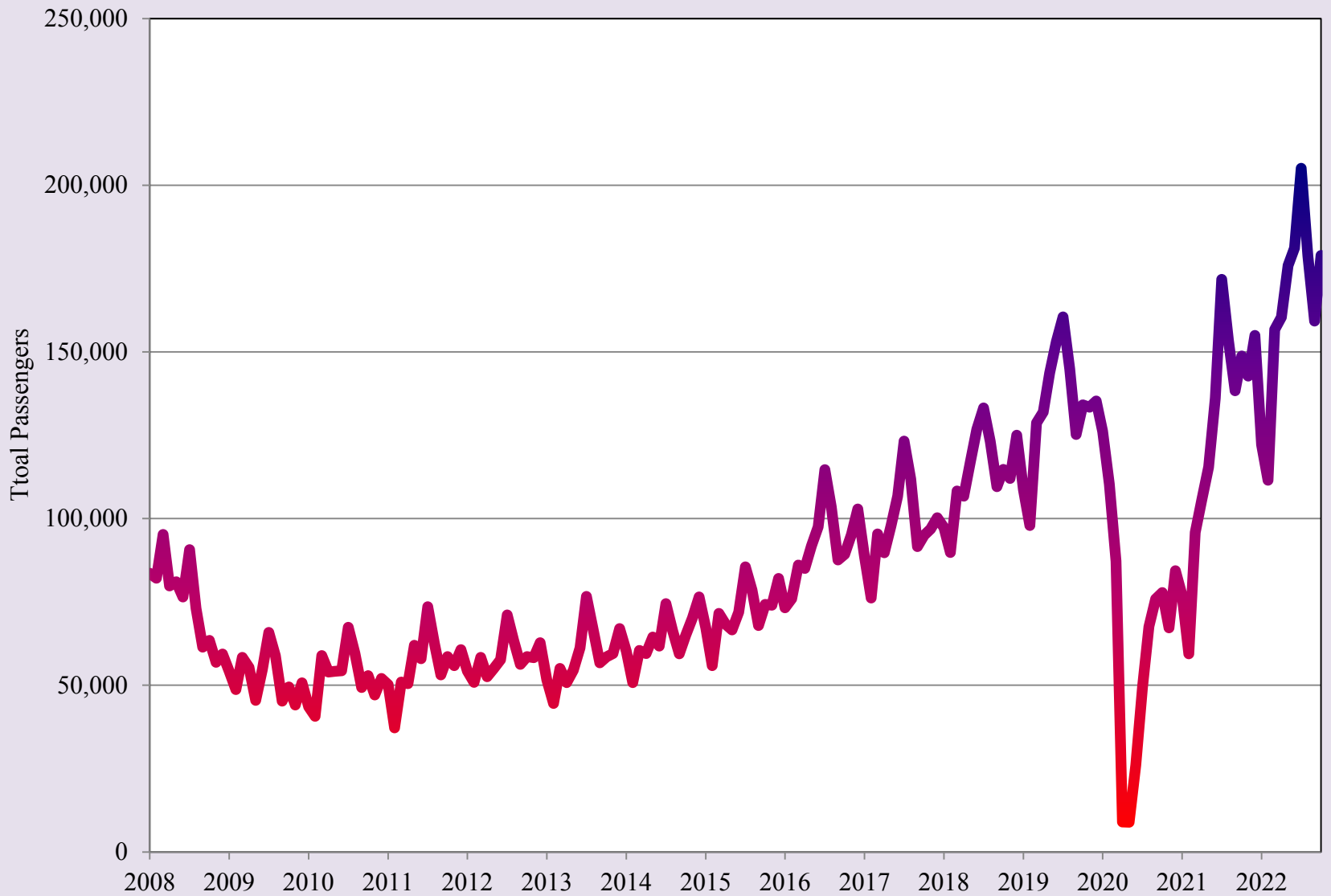
# Domestic Passengers Ciudad Juarez International Airport



Source: Grupo Aeroportuario Centro Norte - OMA



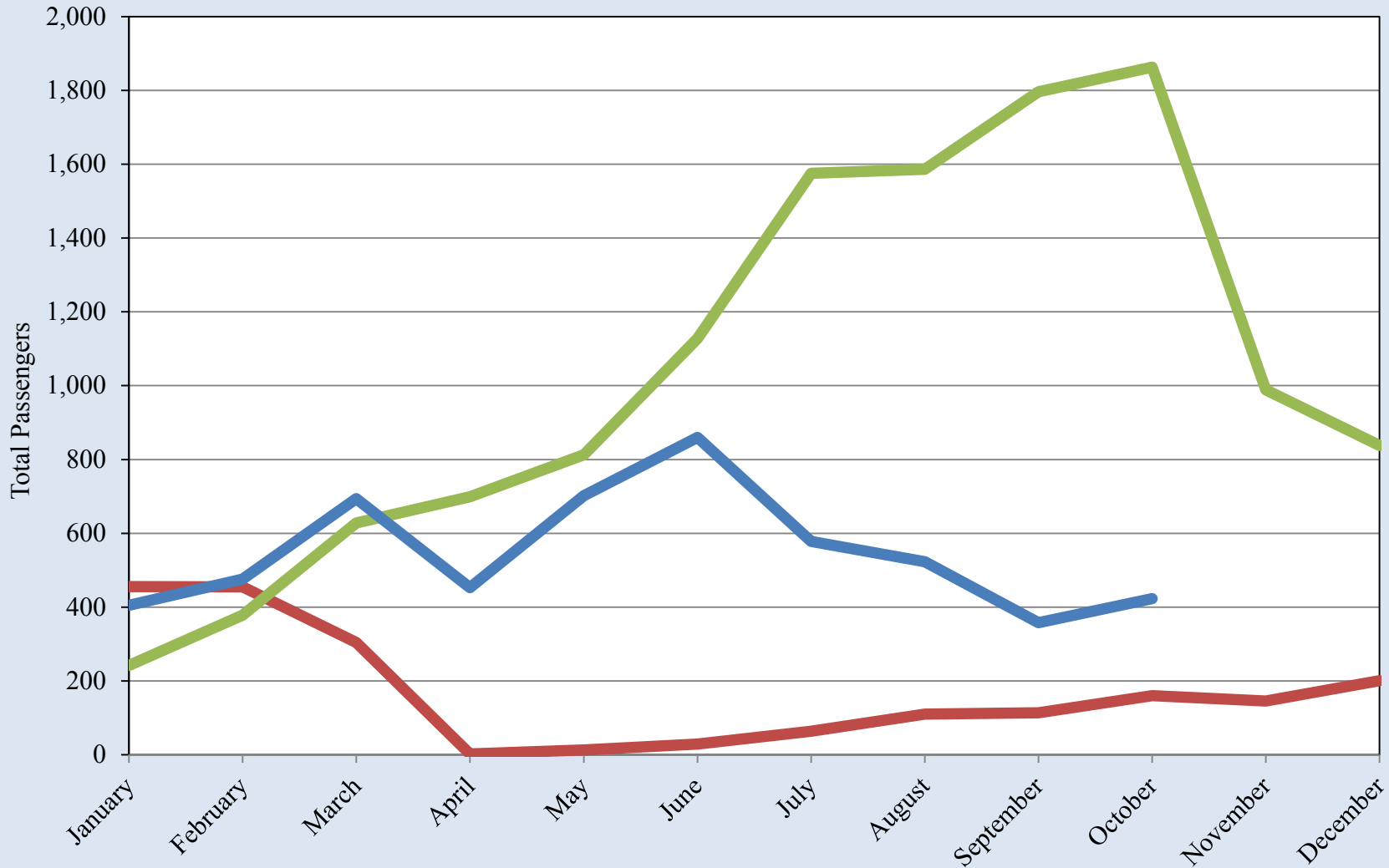
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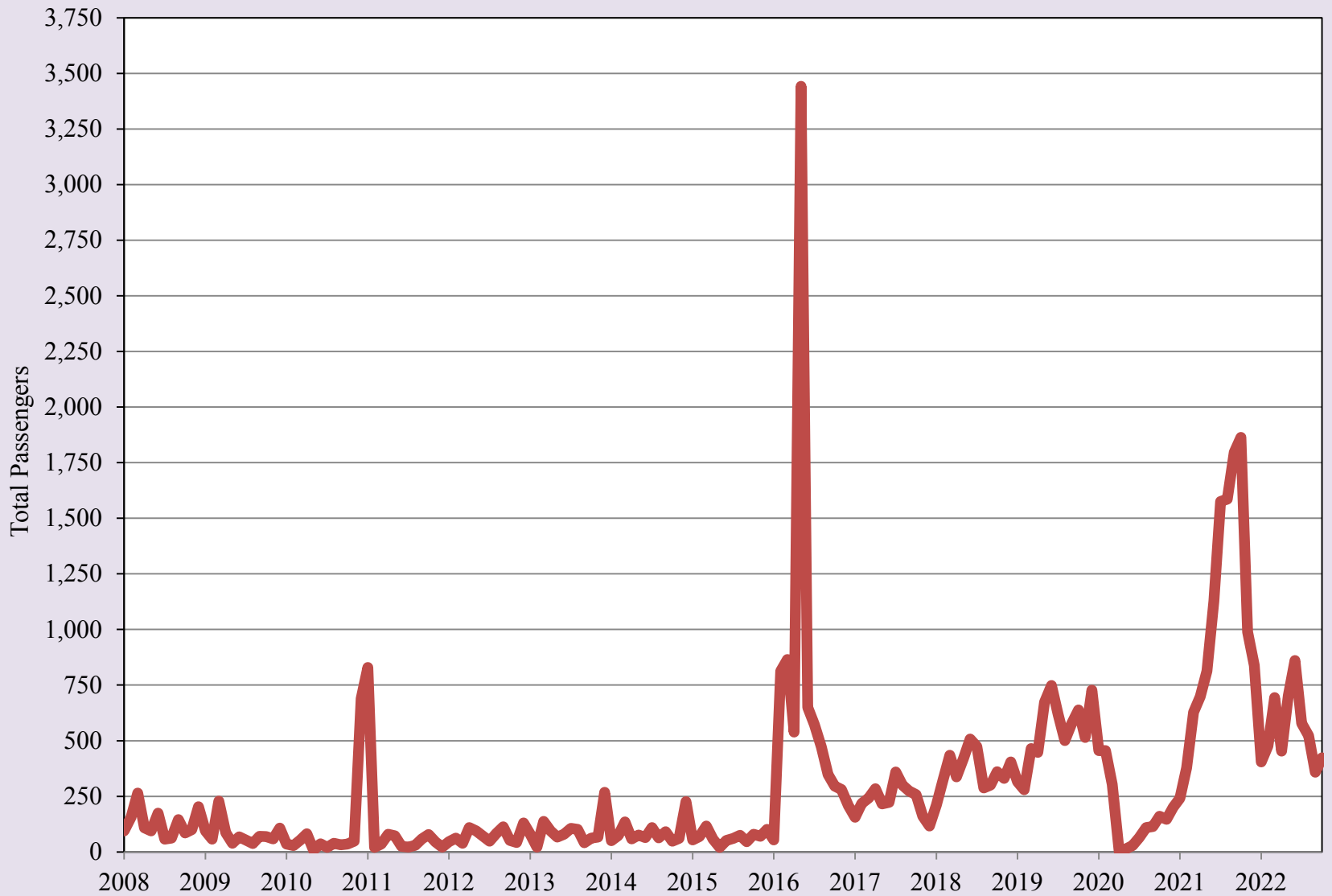
# International Passengers Ciudad Juarez International Airport

2020 2021 2022



Source: Grupo Aeroportuario Centro Norte - OMA

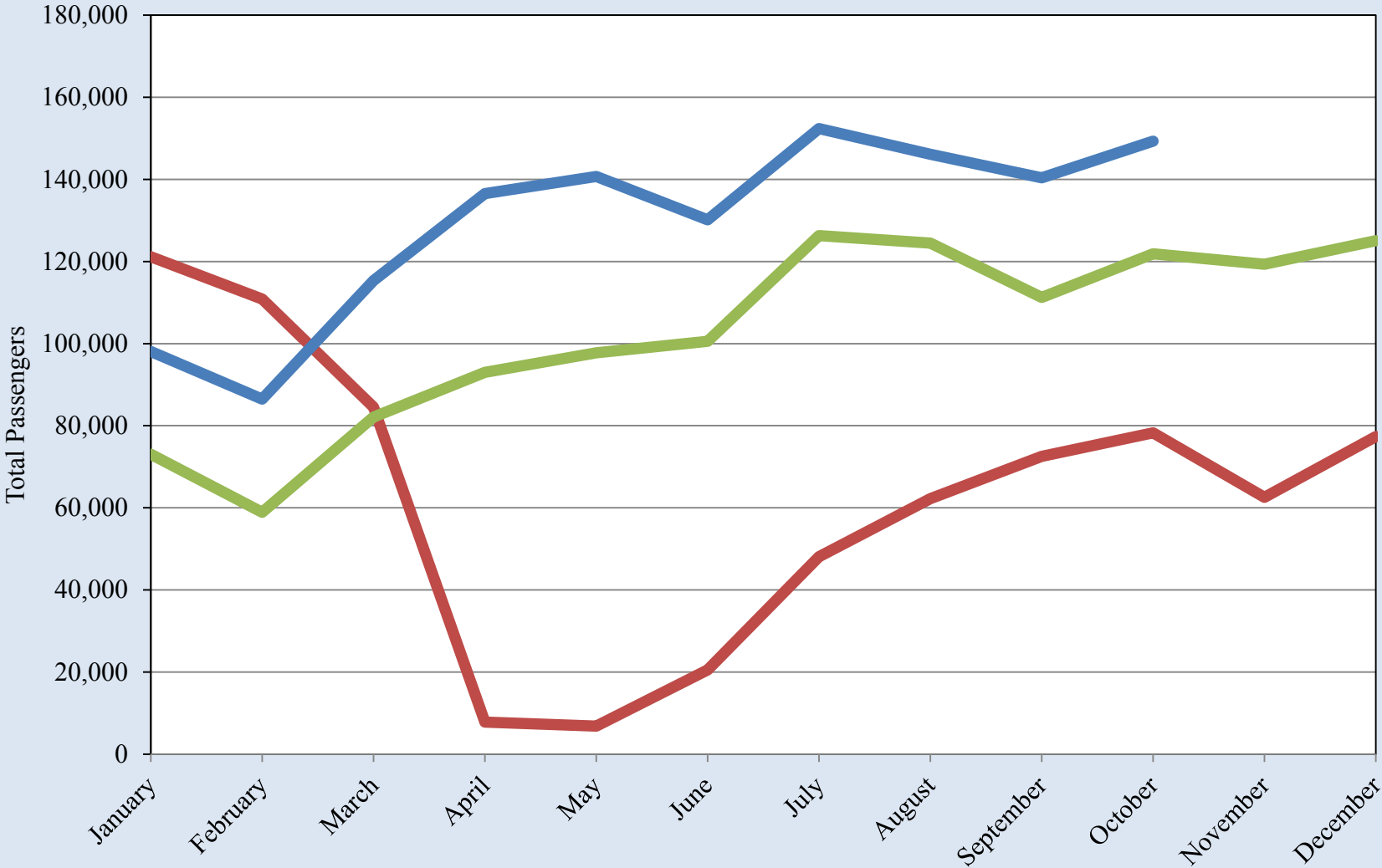
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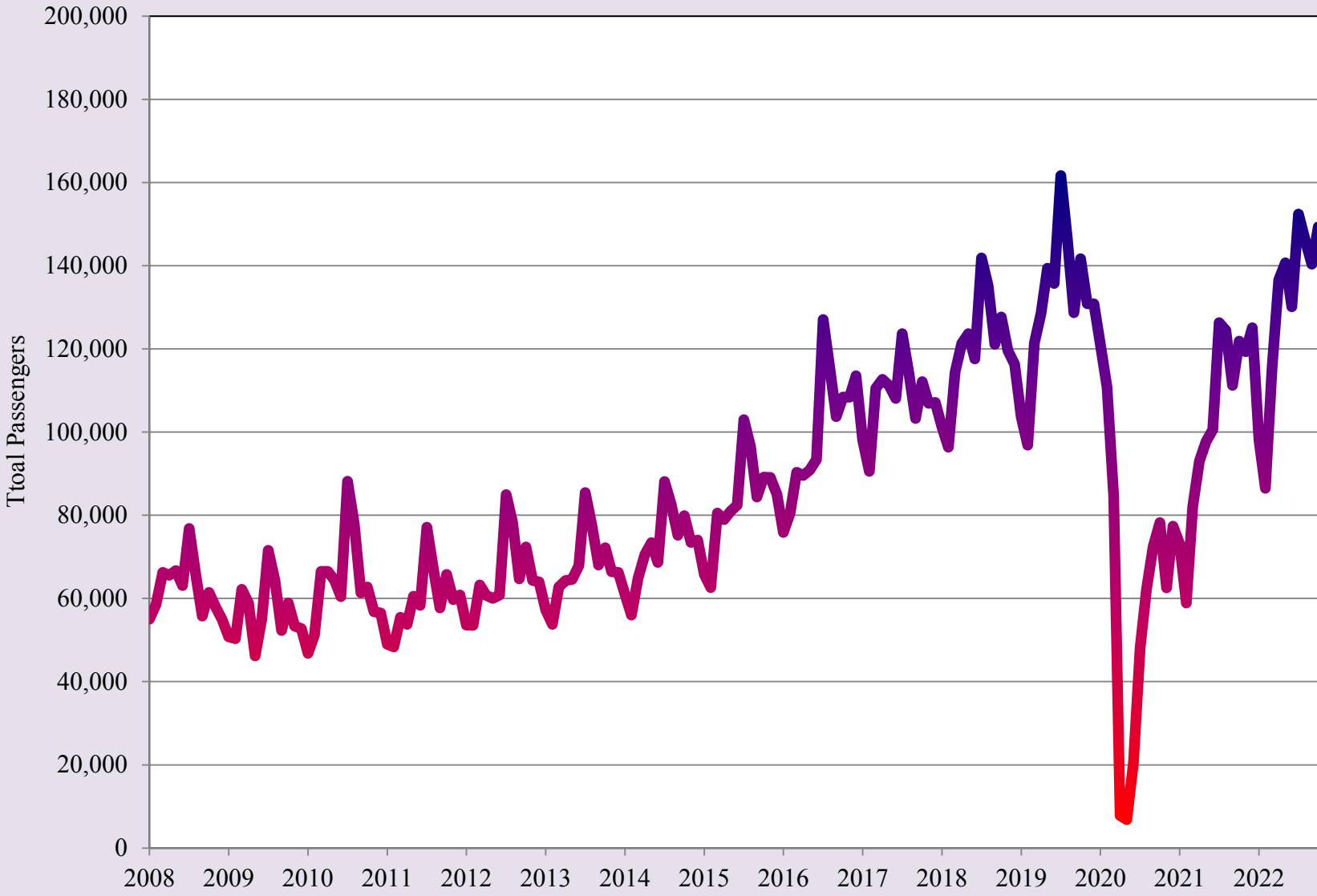
# Domestic Passengers Chihuahua City International Airport

2020 2021 2022



Source: Grupo Aeroportuario Centro Norte - OMA

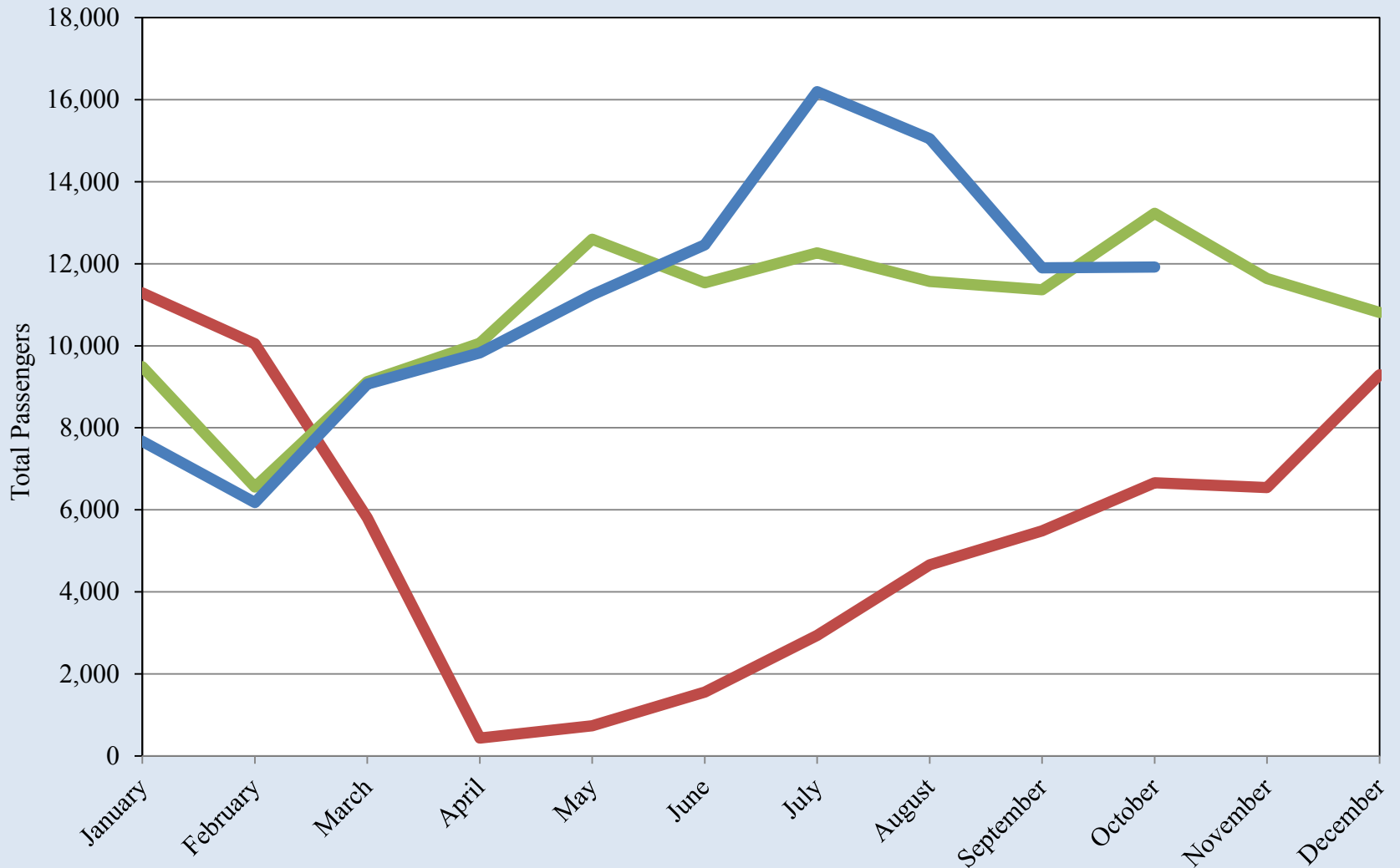
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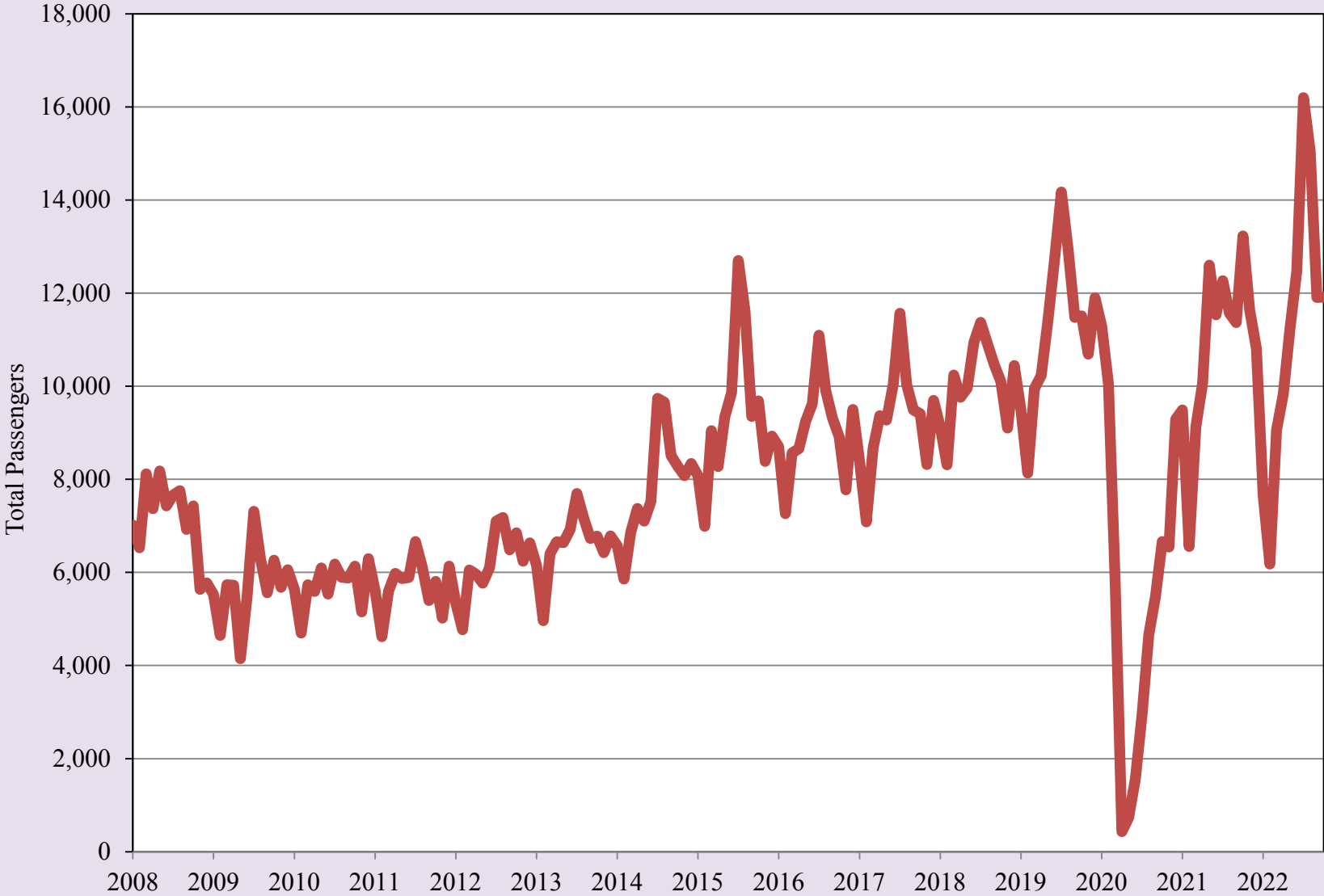
# International Passengers Chihuahua City International Airport

— 2020 — 2021 — 2022



Source: Grupo Aeroportuario Centro Norte - OMA

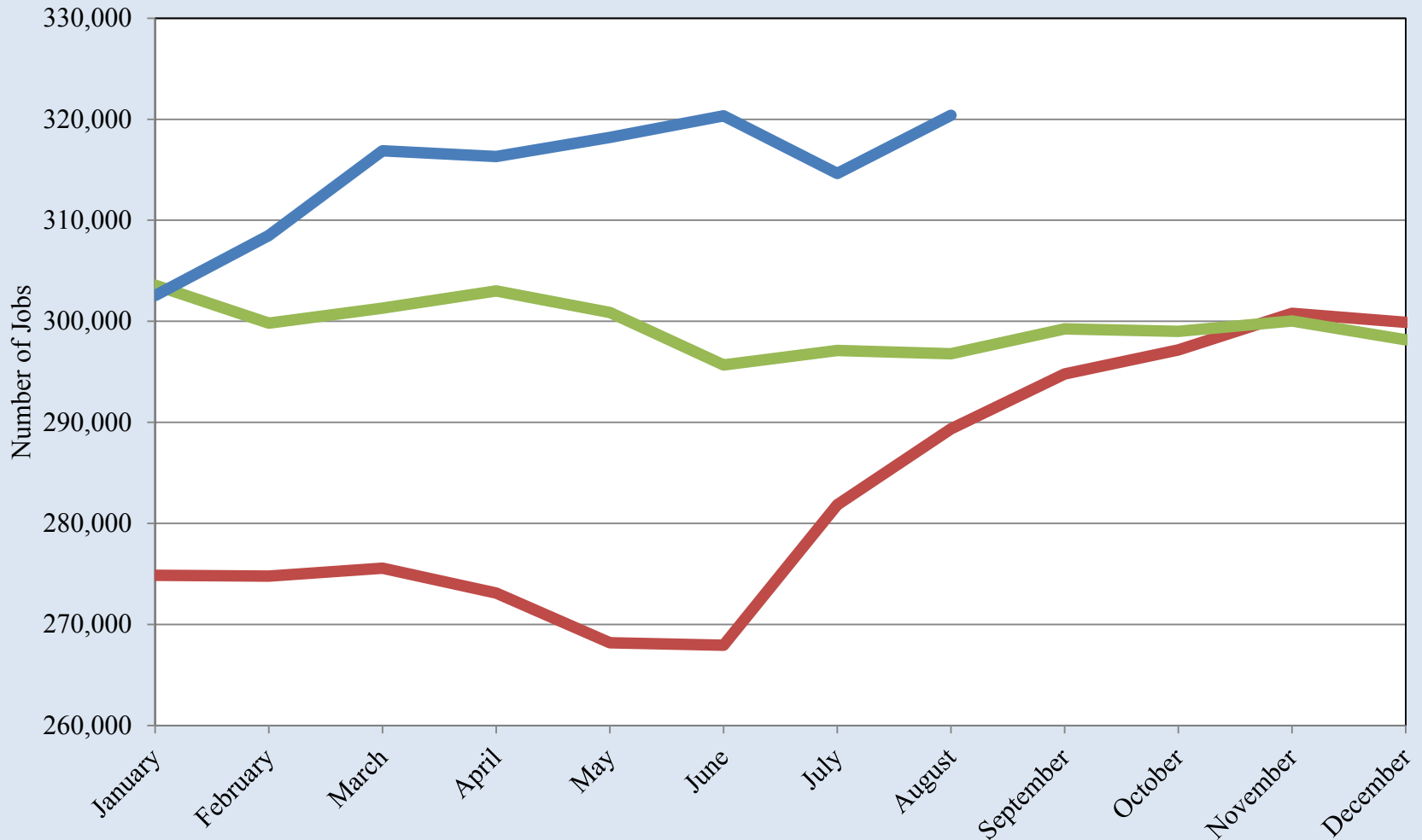
# International Passengers Chihuahua City International Airport



Source: Grupo Aeroportuario Centro Norte - OMA

## Export-Oriented Manufacturing Employment in Ciudad Juárez

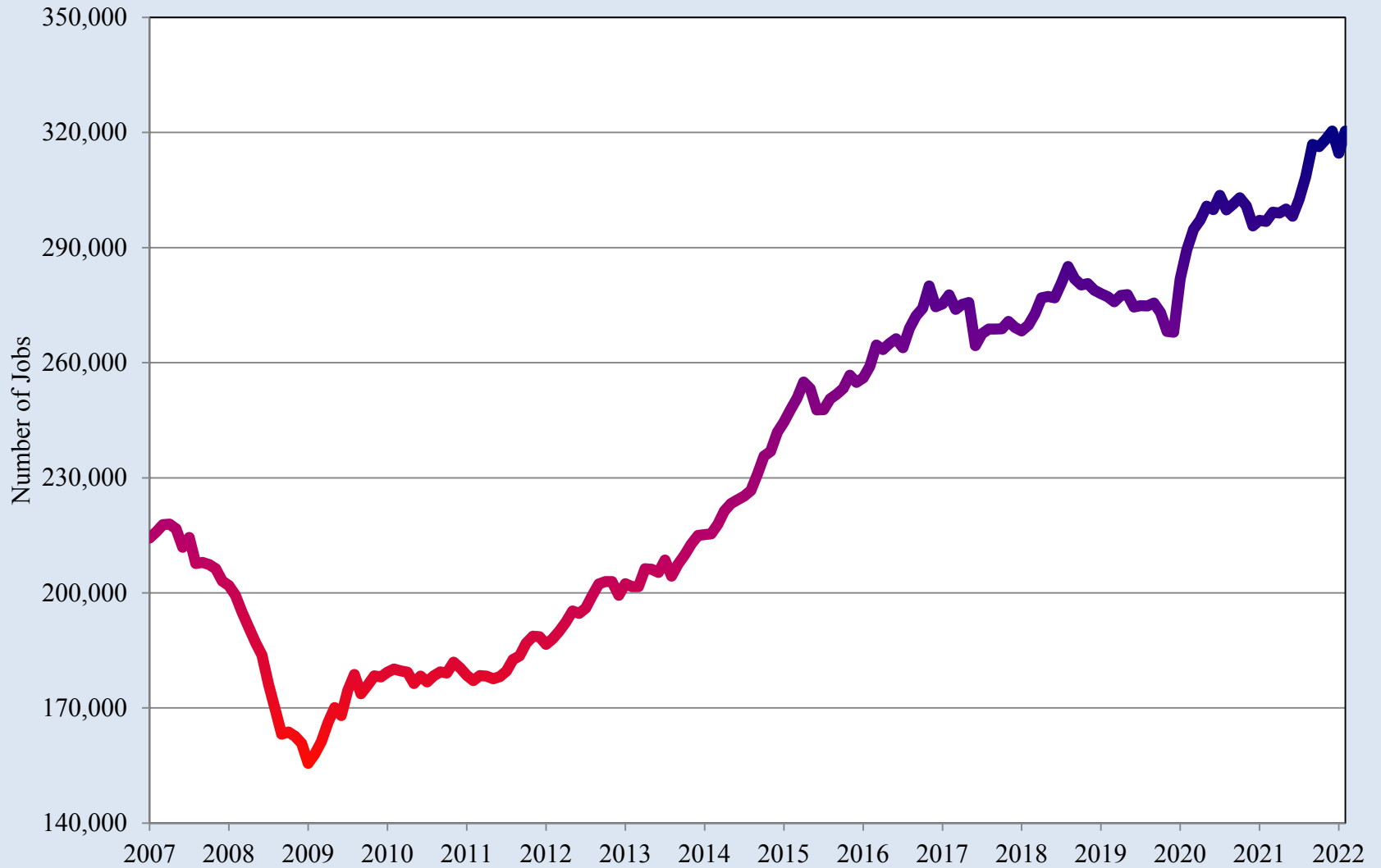
2020 2021 2022



Source: INEGI



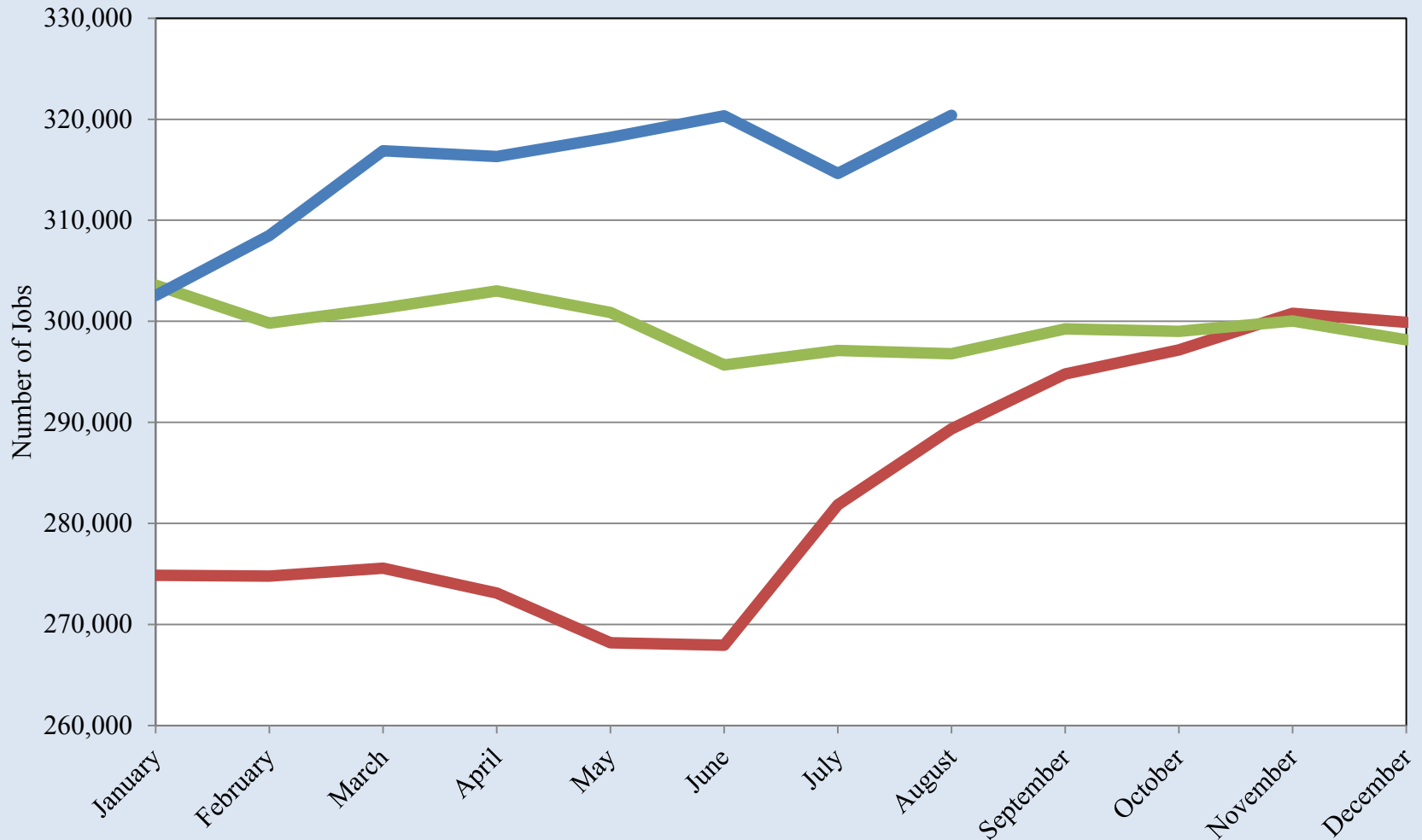
## Export-Oriented Manufacturing Employment in Ciudad Juárez



Source: INEGI

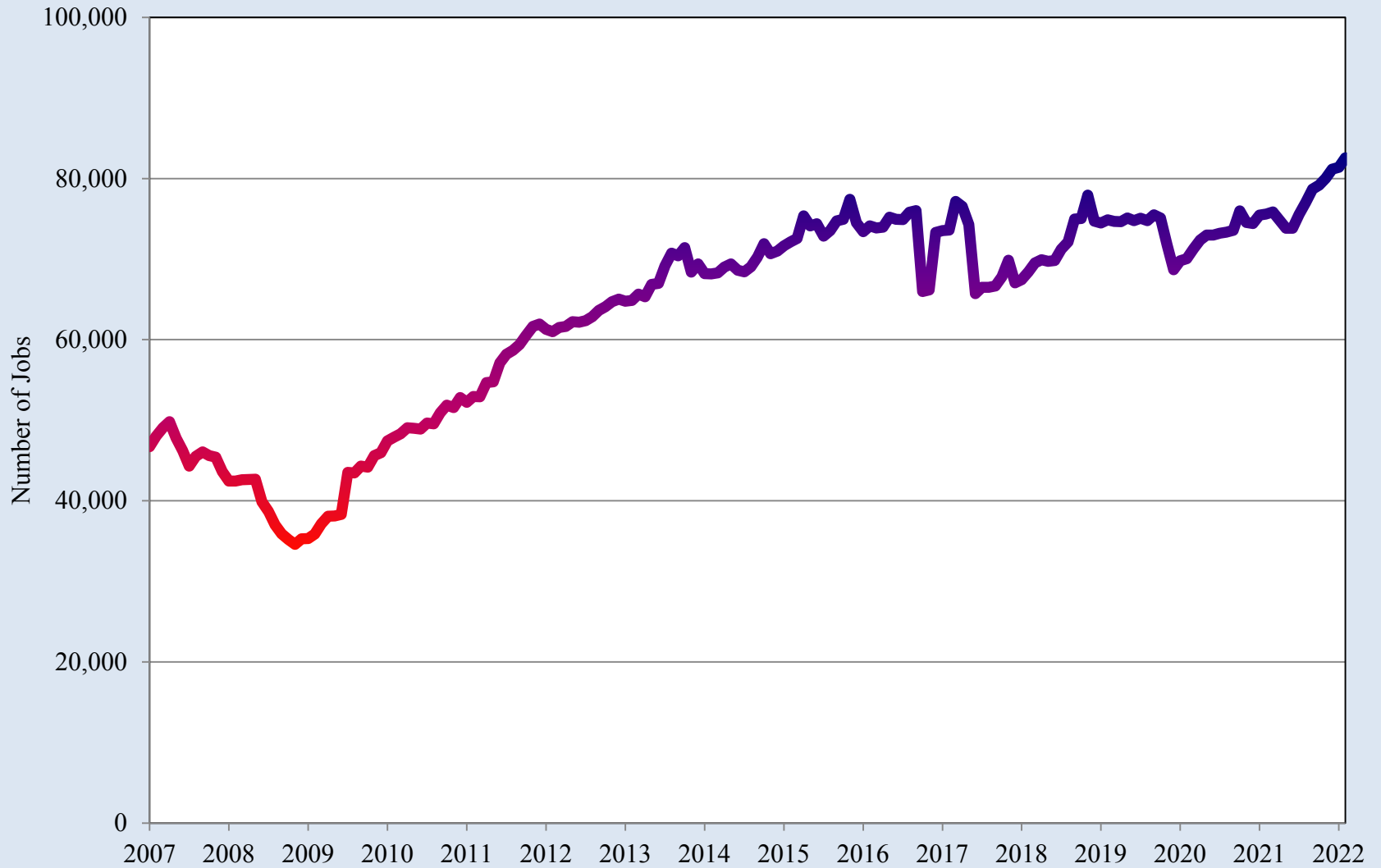
## Export-Oriented Manufacturing Employment in Chihuahua City

2020 2021 2022



Source: INEGI

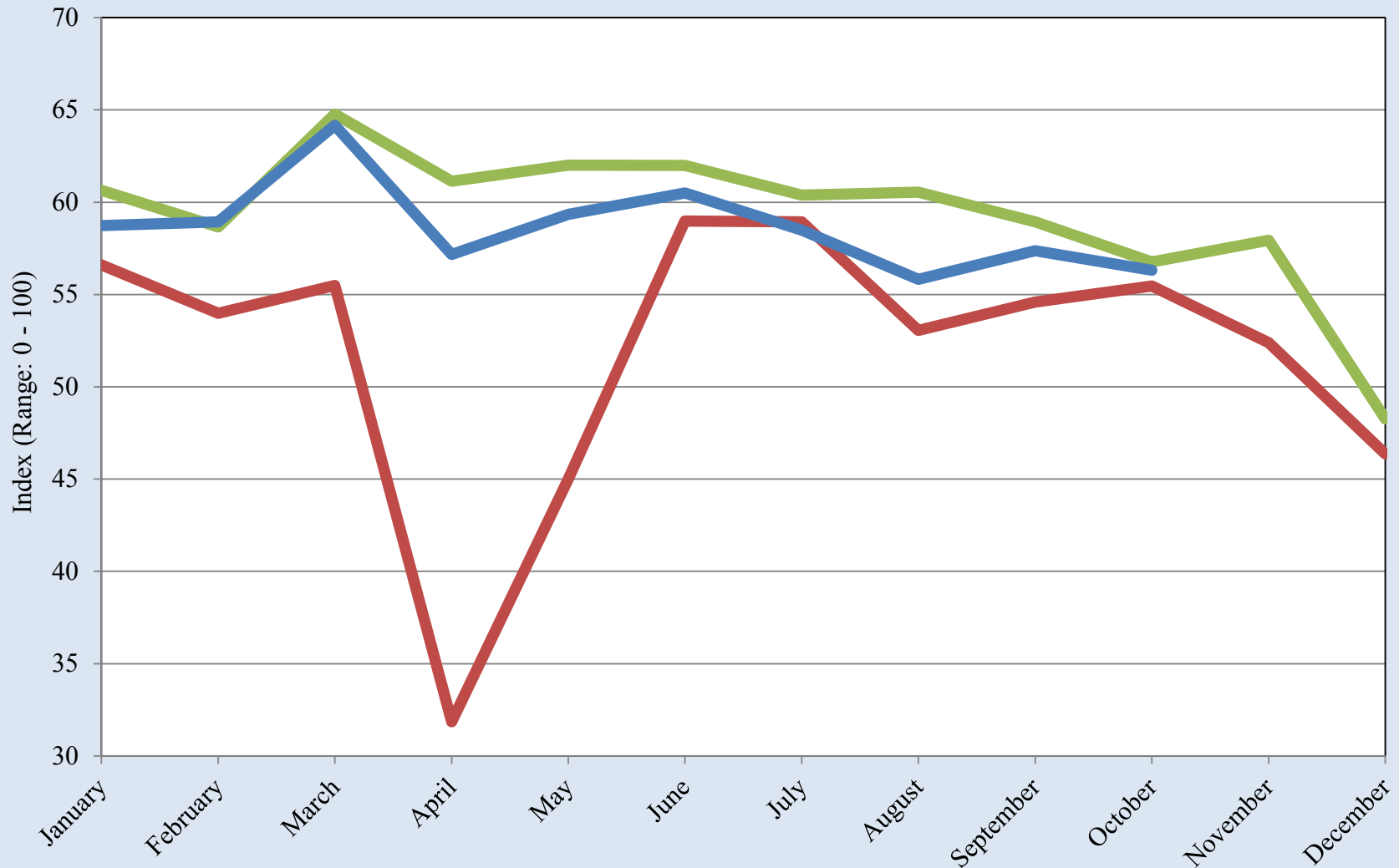
## Export-Oriented Manufacturing Employment in Chihuahua City



Source: INEGI

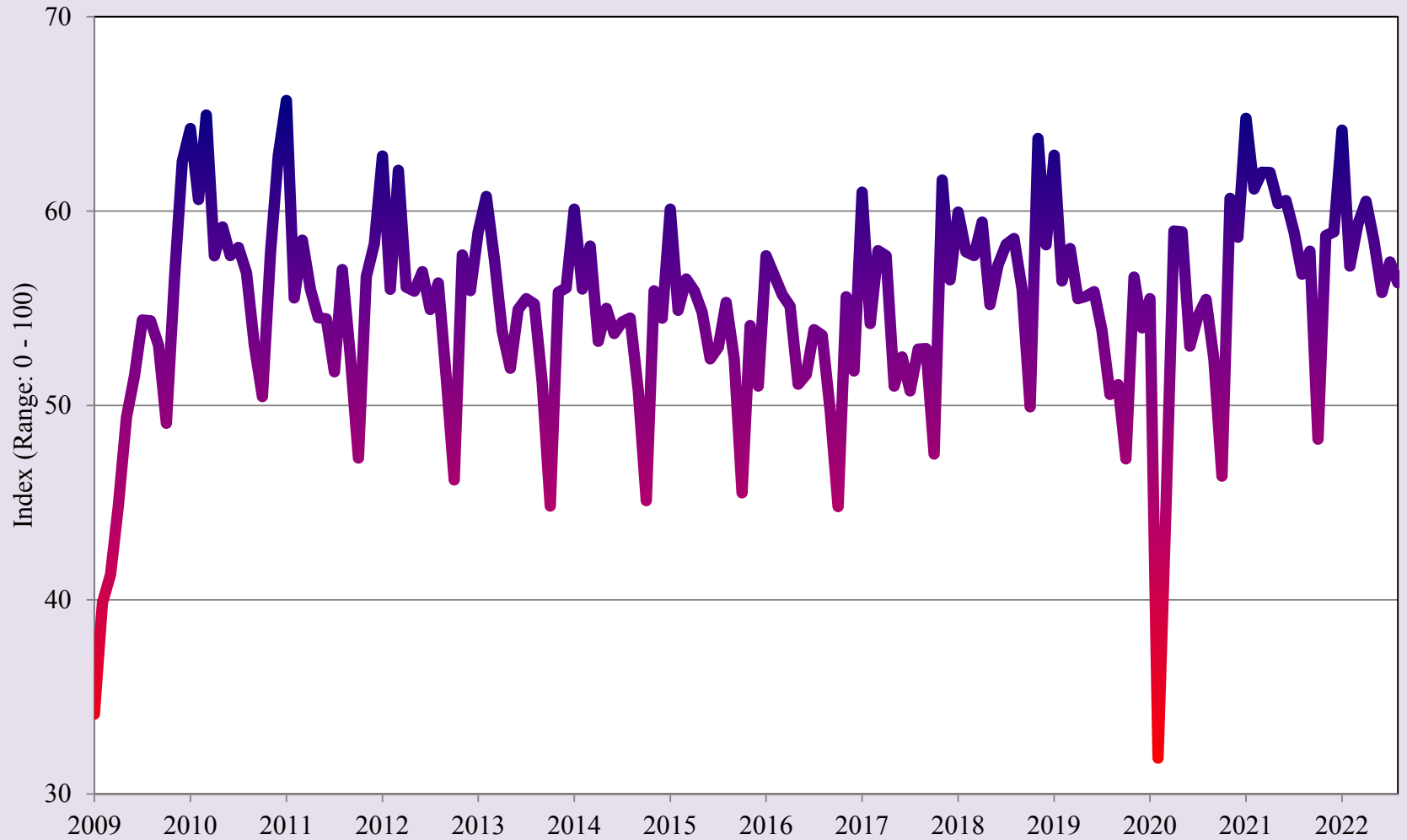
# Northern Mexico Manufacturing Orders Index

— 2020 — 2021 — 2022



Source: Banco de México

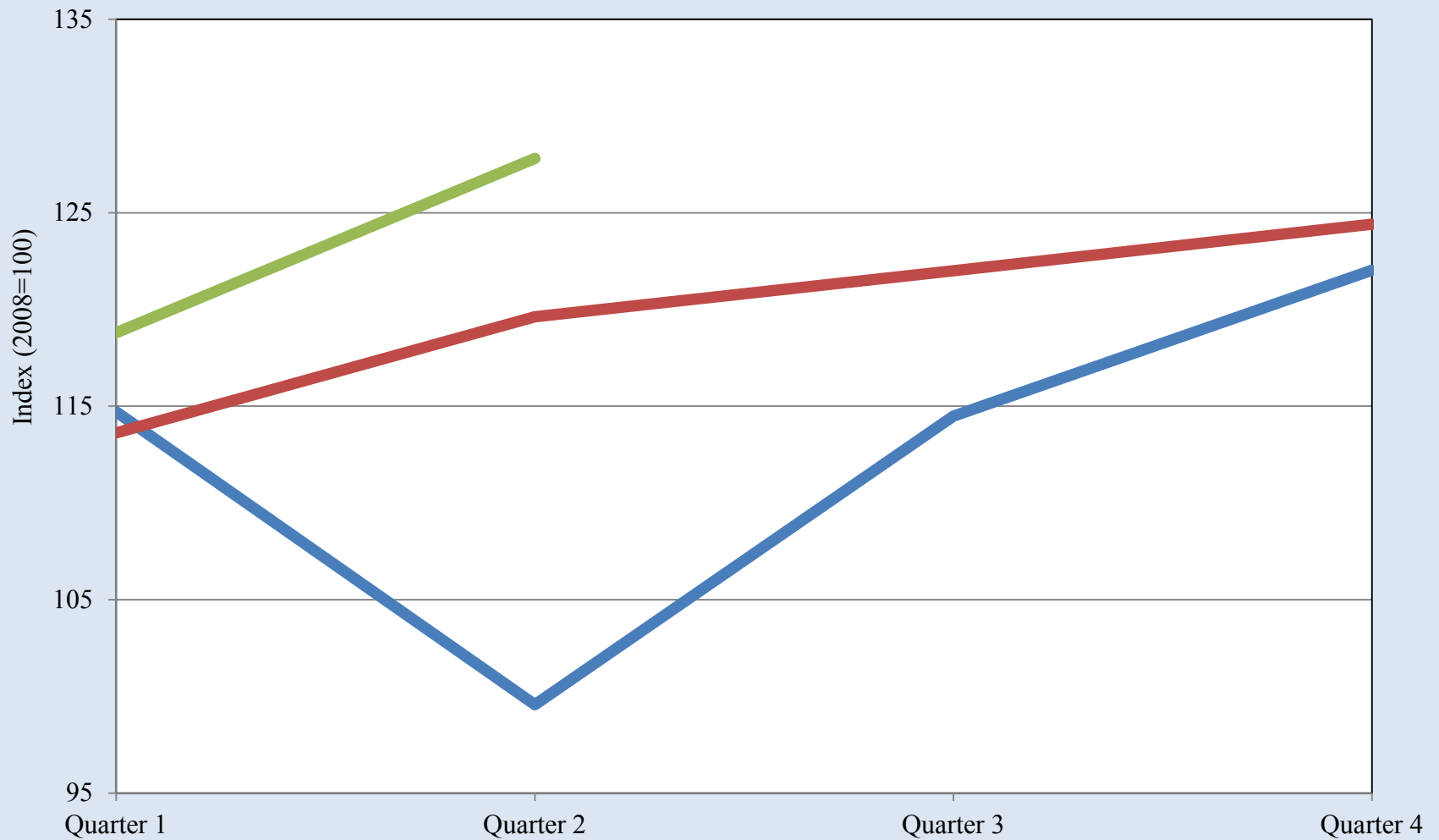
## Northern Mexico Manufacturing Orders Index



Source: Banco de México

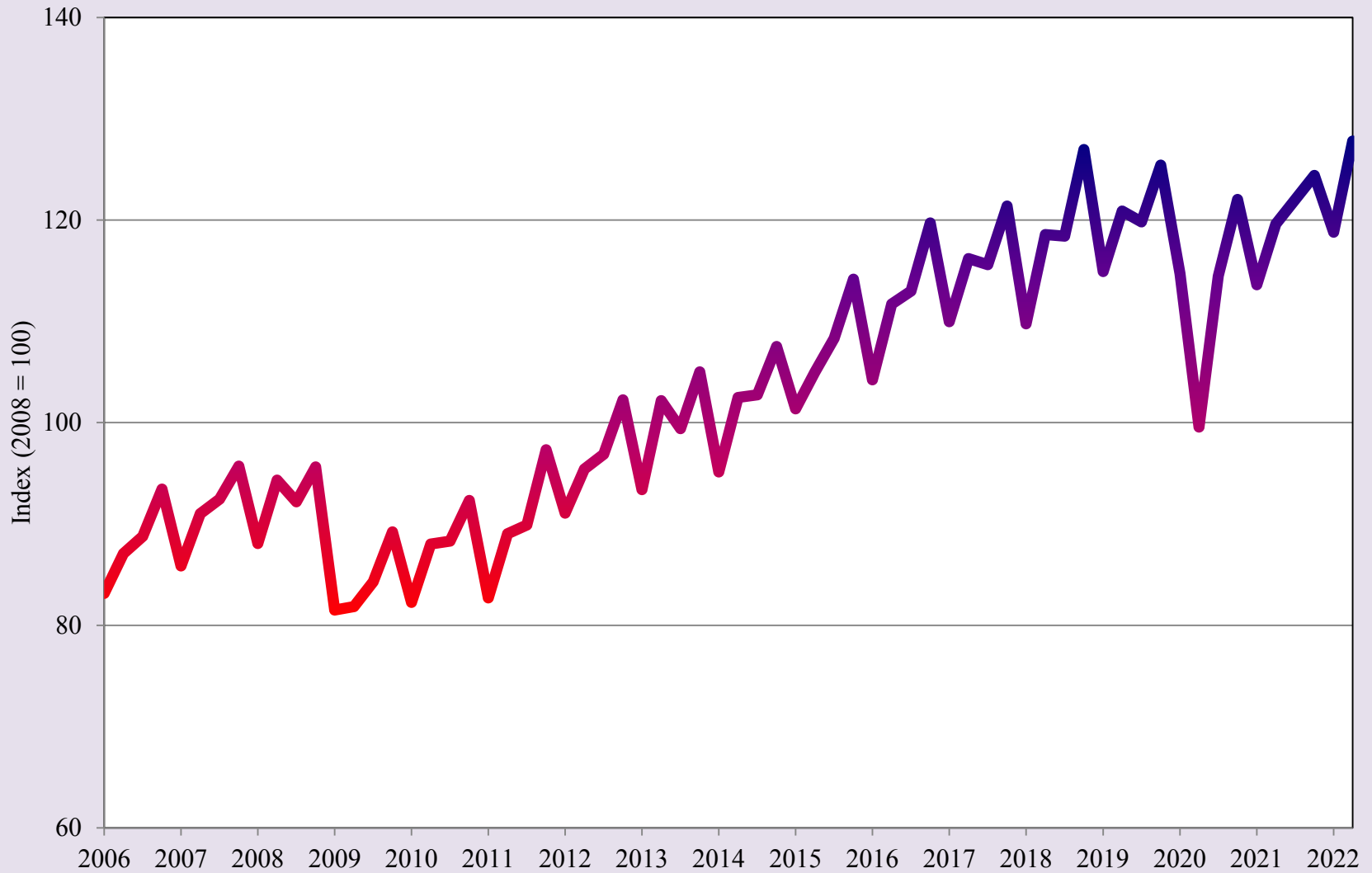
# Quarterly Indicator of Economic Activity for the State of Chihuahua

— 2020 — 2021 — 2022



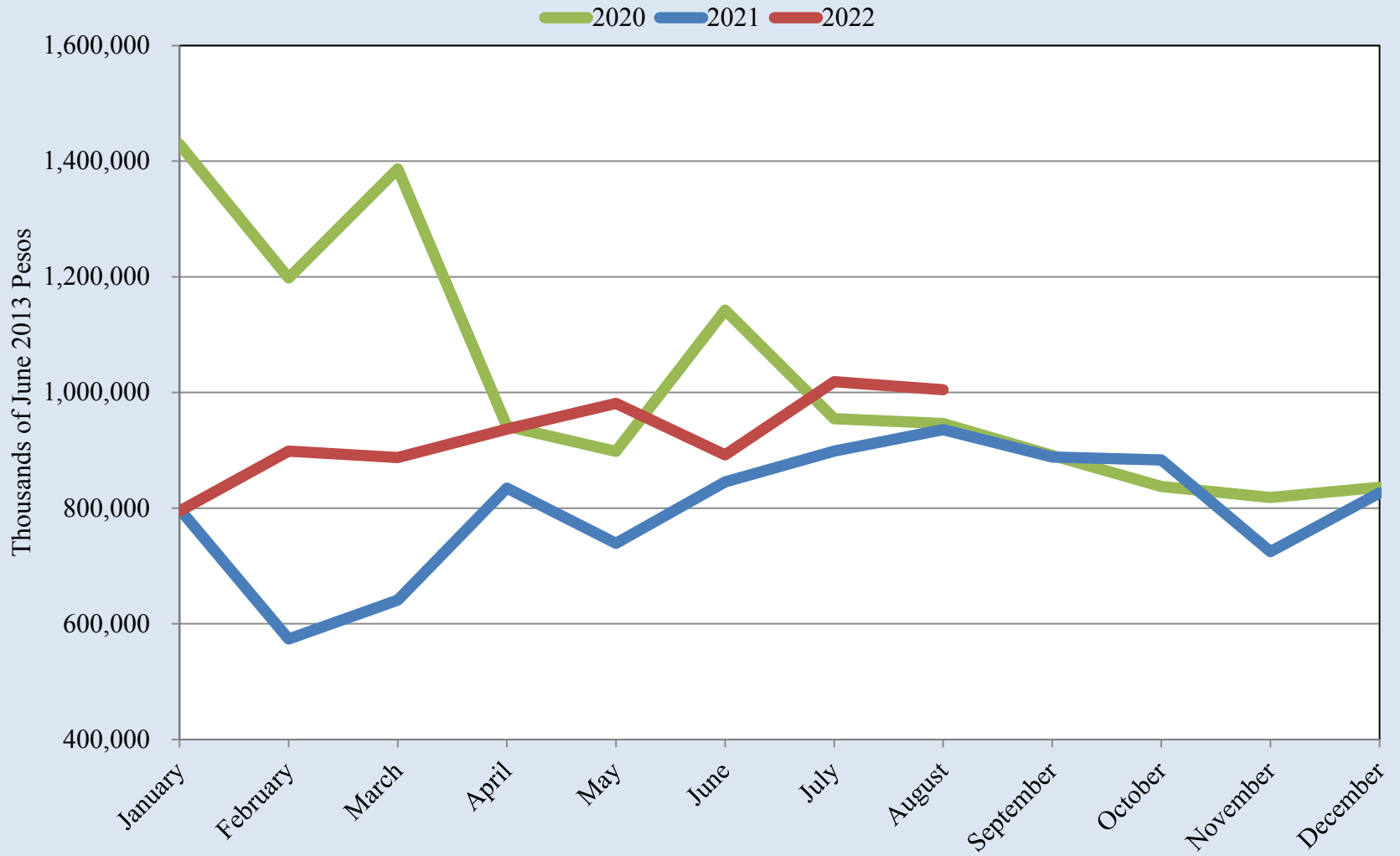
Source: INEGI

## Quarterly Indicator of Economic Activity for the State of Chihuahua



Source: INEGI

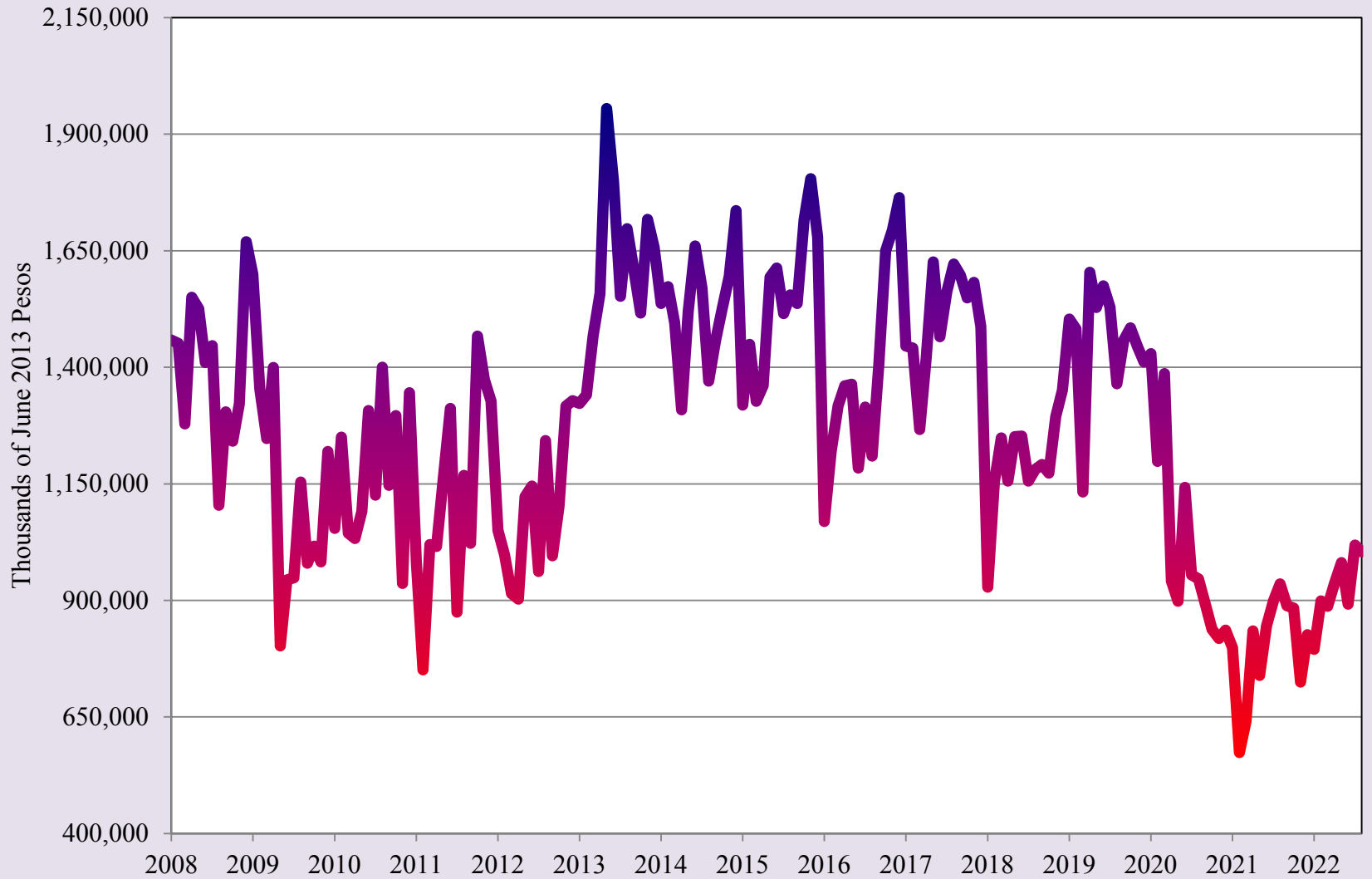
## Total Value of Construction in the State of Chihuahua



Source: INEGI



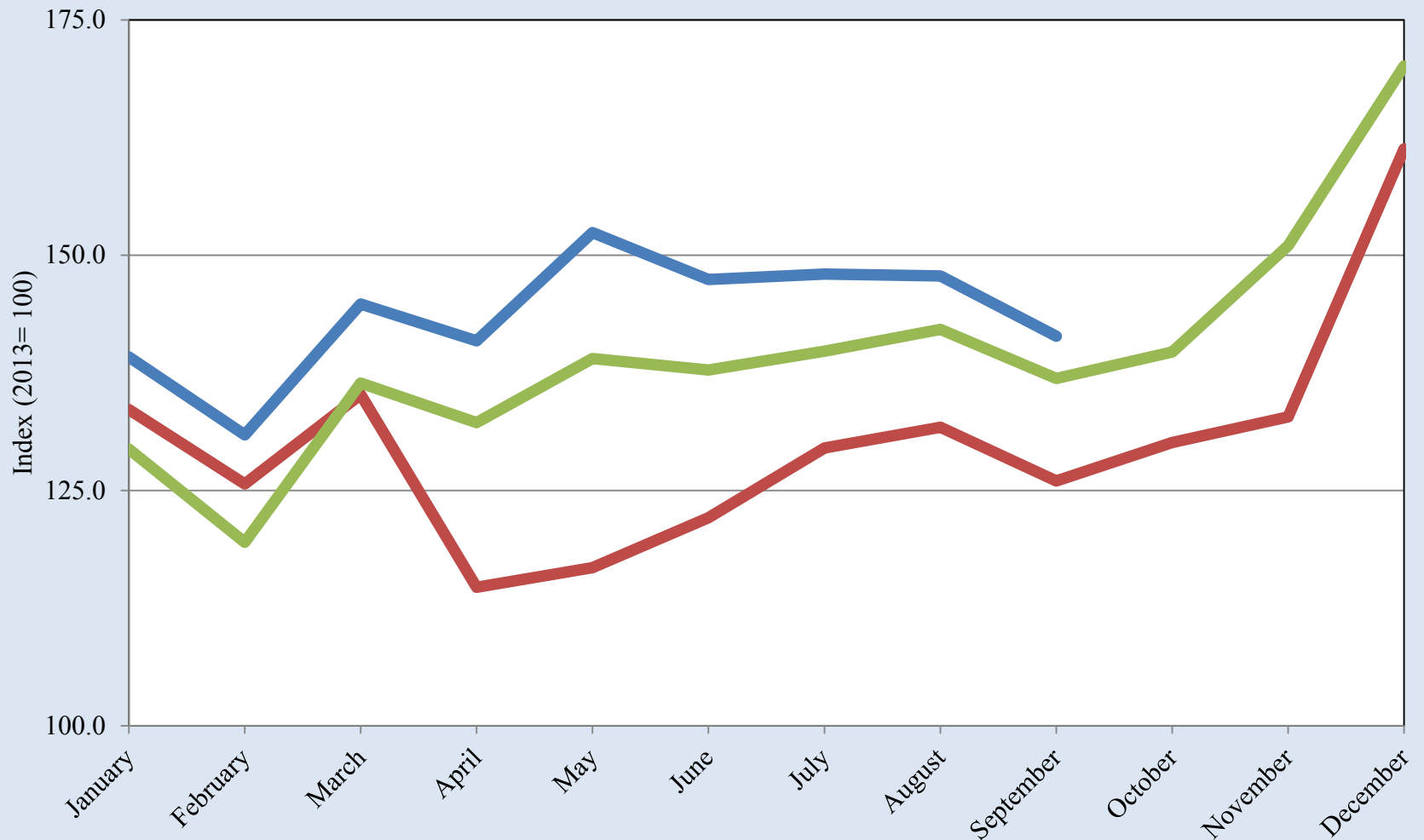
## Total Value of Construction in the State of Chihuahua



Source: INEGI

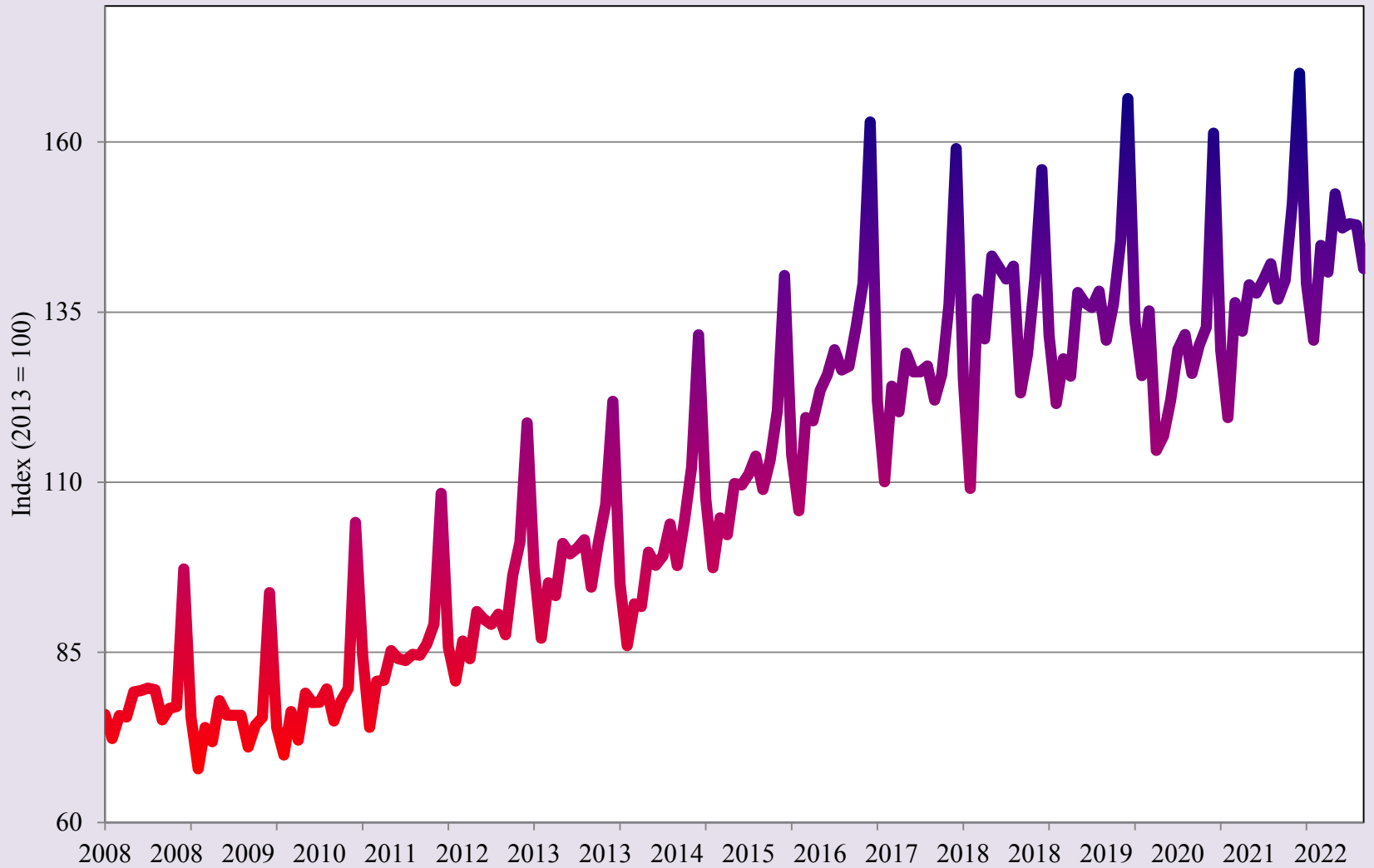
## Real Retail Activity Index for the State of Chihuahua

— 2020 — 2021 — 2022



Source: INEGI

## Real Retail Activity Index for the State of Chihuahua



Source: INEGI



# Short-Term Outlook to 2022





# BORDERPLEX BUSINESS BAROMETER

## University of Texas at El Paso

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John Wiebe, Provost  
Roberto Osegueda, Vice President for Research

## UTEP College of Business Administration

Jim Payne, Dean  
Erik Devos, Associate Dean  
Faith Xie, Associate Dean  
Eddie Wei, Hedrick Professor of Trade and Finance

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