

2-2023

## **Borderplex Business Barometer, Volume 7, Number 2**

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T.M. Fullerton, Jr., and S.L. Fullerton, 2023, "Ongoing Cyclical Uncertainty" *Borderplex Business Barometer* 7(2), 1-68.

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# BORDERPLEX BUSINESS BAROMETER

**February 2023**

**Border Region Modeling Project**

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[UTEP BRMP Website](#)

*Border Commerce & Economics*

**Borderplex Business Barometer, Volume 7, Number 2**

**Ongoing Cyclical Uncertainty**

Tighter monetary policy always creates business cycle uncertainty. Historically, higher interest rates are often accompanied by economic recessions. As loan rates increase, private sector profit margins shrink and the numbers of consumers who qualify for bank and other loans shrink. Consequently, companies and households are forced to curtail borrowing and economic activity will decelerate and may even decline.

The federal funds target rate for overnight loans between commercial banks in the United States has been raised 8 times since early March 2022. While definitely a cause for concern, the Borderplex regional economy has survived this changing financial landscape in relatively good shape. As the graphs below illustrate, the Federal Reserve Bank of Dallas El Paso Metropolitan Business Cycle Index exceeded year-ago levels for all 12 months in 2022.

While that is encouraging, there is some cause for concern. Yield curve inversion is frequently a pre-cursor to both national and Borderplex regional business cycle downturns. As the Treasury Yield Curve graph below shows, there were 7 inversion points among the 12 different interest rate terms available for investors.

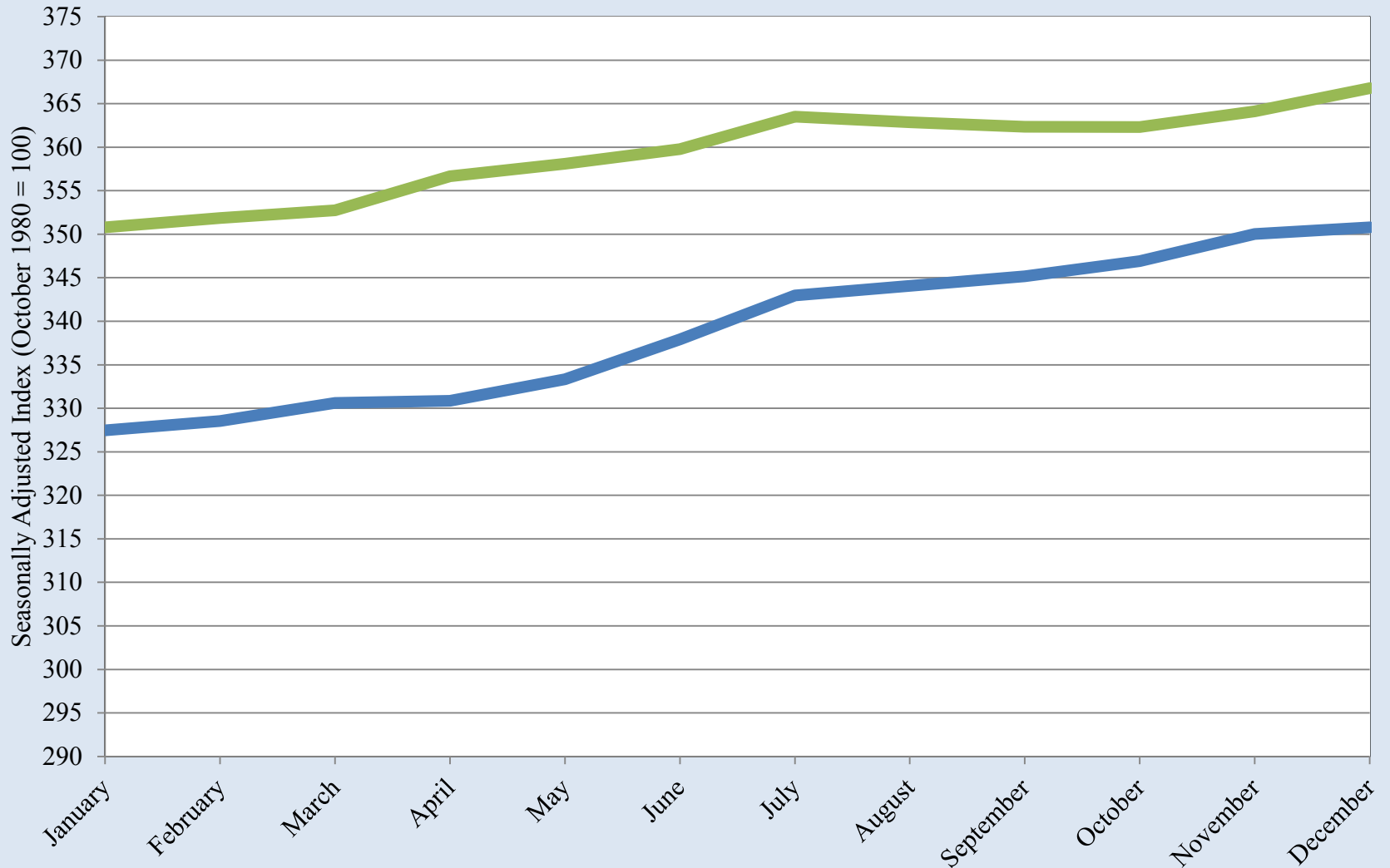
If a recession occurs, the Borderplex will be able to confront it from a better starting point than has sometimes been the case in prior years. El Paso Household Economic Stress is lower than it was during the Coronavirus pandemic (see graphs below). Unemployment rates in El Paso and Las Cruces are both below 5.0 percent. That is a welcome development, but Supplemental Nutritional Assistance Program (SNAP or Food Stamp) enrollments have been increasing in recent months.

Segments of the regional economy that are vulnerable to higher interest rates include manufacturing, warehousing, transportation, construction, and real estate. While months of housing inventory is still relatively low, single-family housing prices seem to have peaked. Gasoline and diesel prices have dropped substantially, but remain at historically high levels due to war in Ukraine. As interest rates ascend further, manufacturing activities will likely slow.

Increased yields in the United States can lead to a weaker peso as investors seek better rates of return. Monetary authorities in Mexico have raised short-term rates substantially in recent months, with 28-day, 91-day, 182-day, and 364-day Treasury Certificate nominal yields all in excess of 10.5 percent during January. In response, the peso has appreciated visibly against the dollar (see graphs below). In real terms, peso is trading at its most competitive level against the dollar since mid-2015. If sustained, it will likely encourage more consumers from Northern Mexico to embark on north-of-the-border shopping excursions into El Paso and cause bridge traffic to continue increasing (see graphs below).

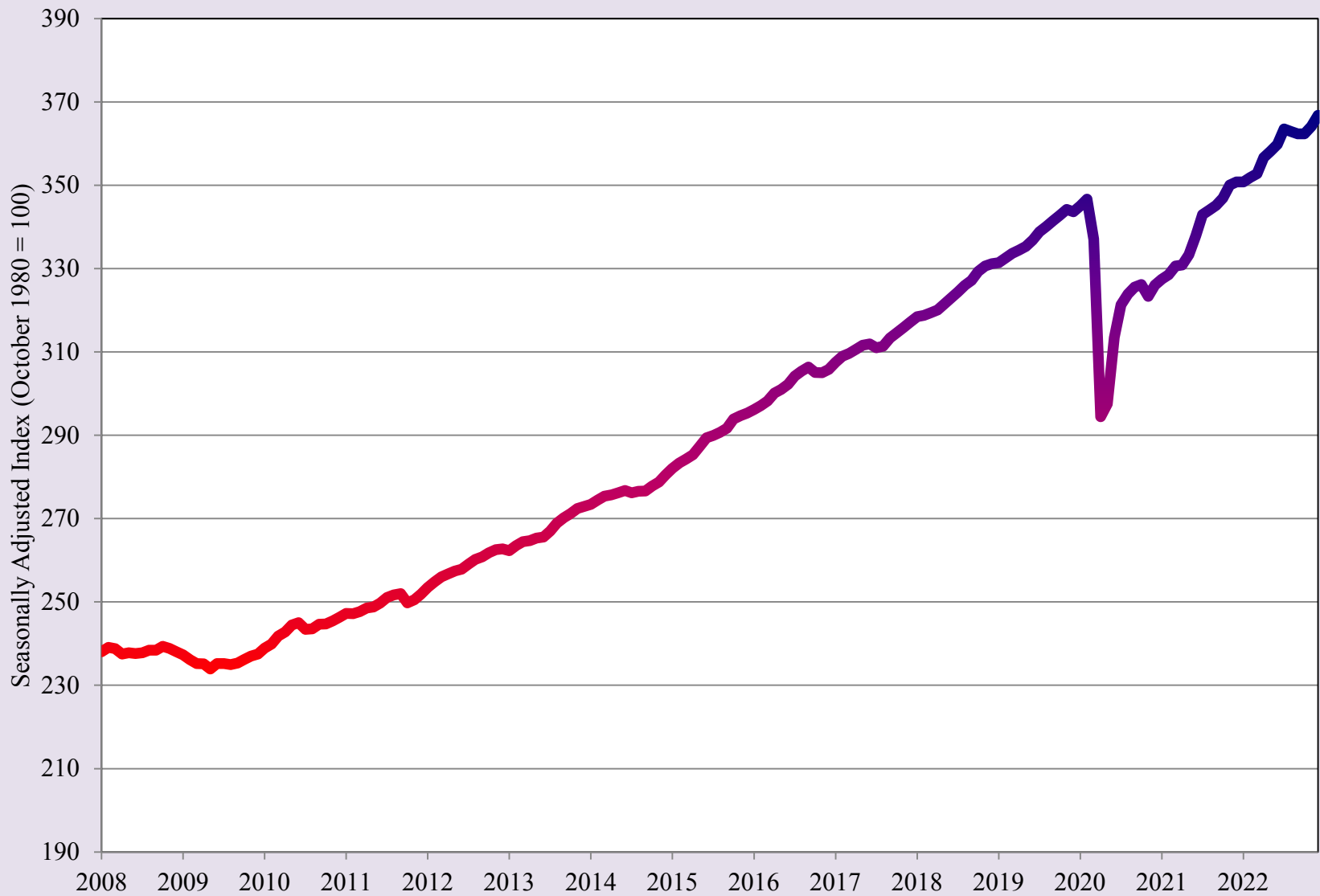
## El Paso Metropolitan Business Cycle Index

2021 2022



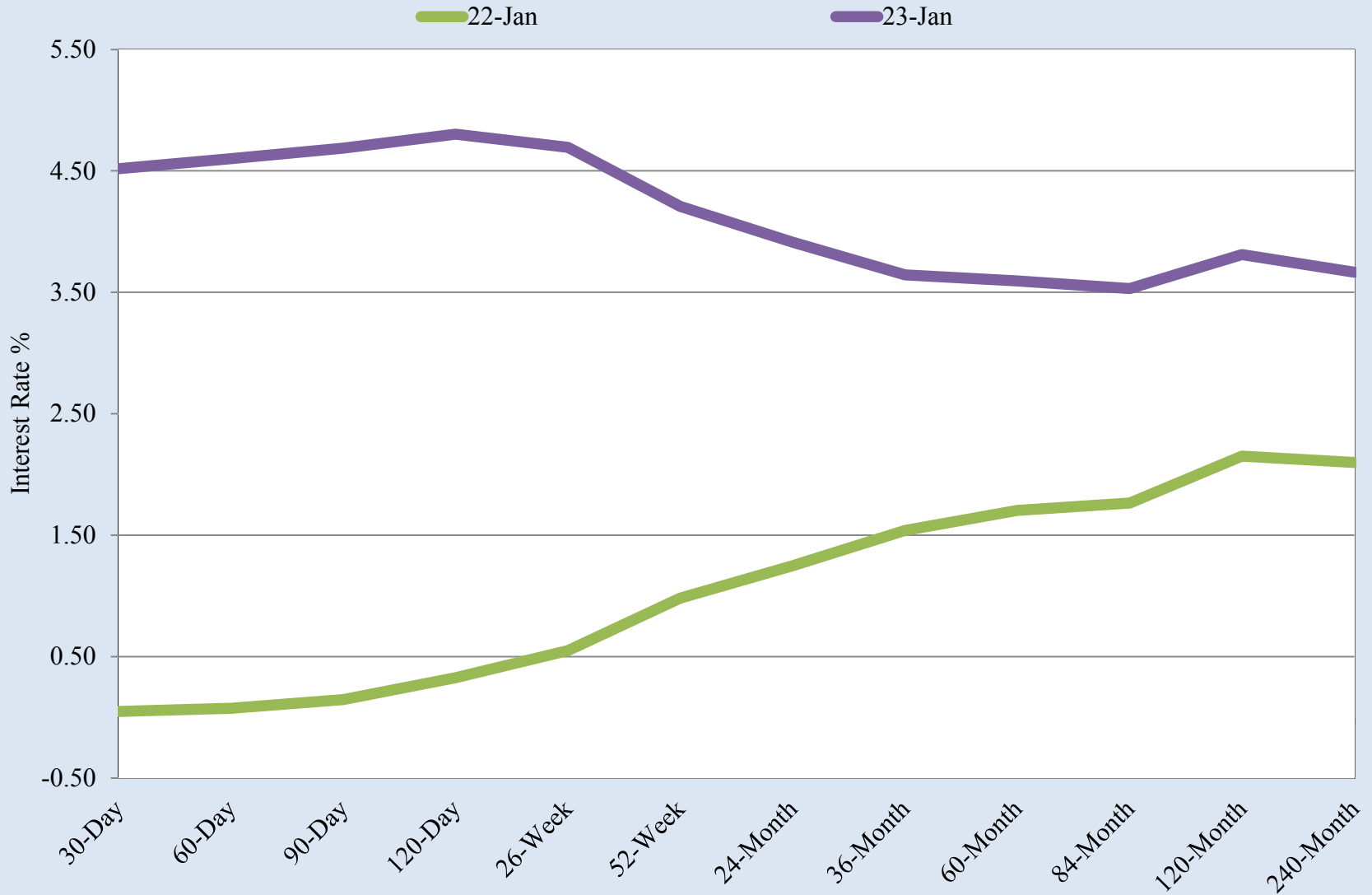
Source: UTEP Border Region Modeling Project using Federal Reserve Bank of Dallas Data

## El Paso Metropolitan Business Cycle Index



Source: UTEP Border Region Modeling Project using Federal Reserve Bank of Dallas Data

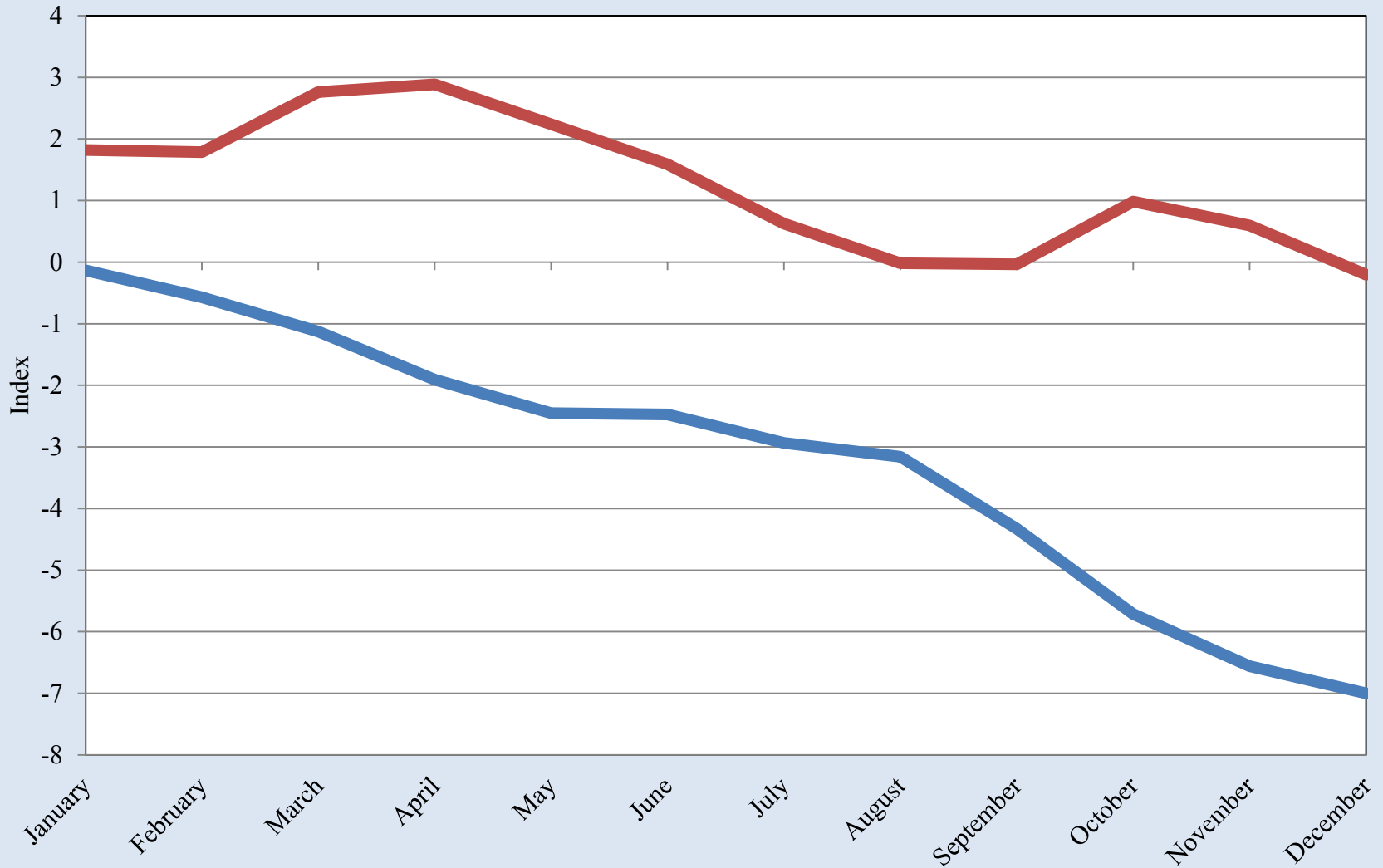
# Average Treasury Yield Curve Rates



Source: UTEP Border Region Modeling Project using US Treasury, Daily Treasury Yield Curve Rates Data

# El Paso Household Economic Stress Index

2021 2022



Source: UTEP Border Region Modeling Project

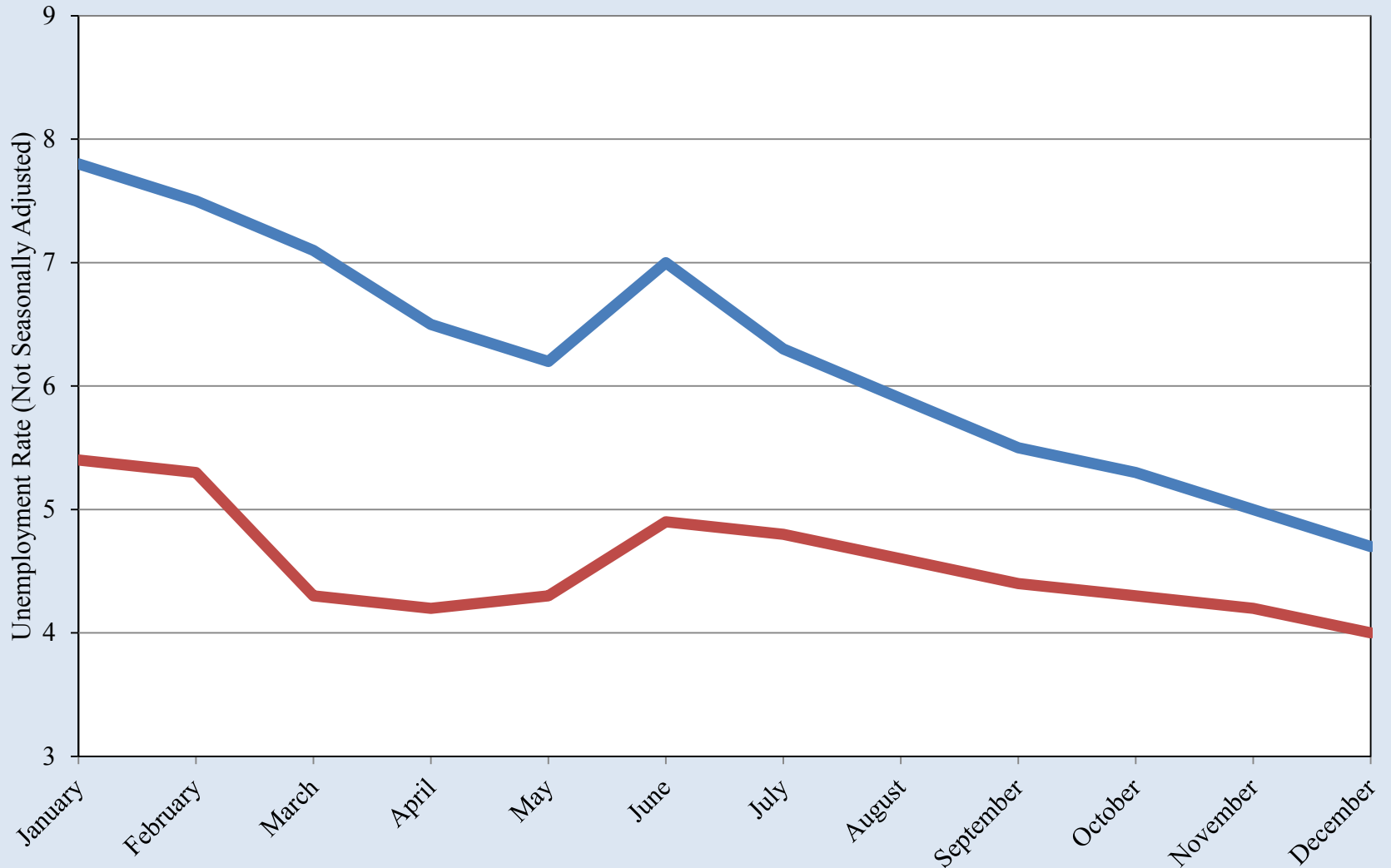
## El Paso Household Economic Stress Index



Source: UTEP Border Region Modeling Project

## El Paso County Unemployment Rate

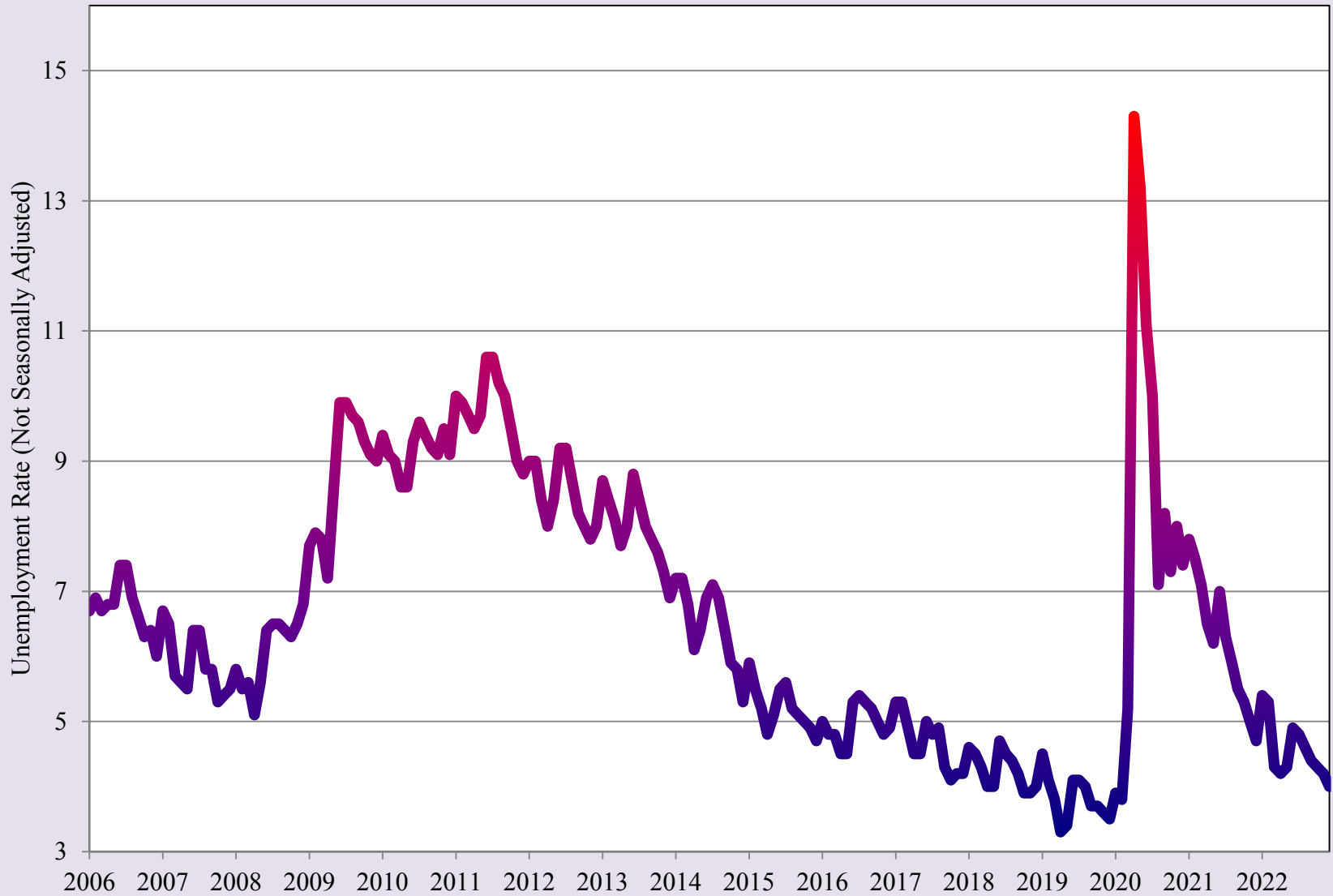
2021 2022



Source: UTEP Border Region Modeling Project using Bureau of Labor Statistics Data

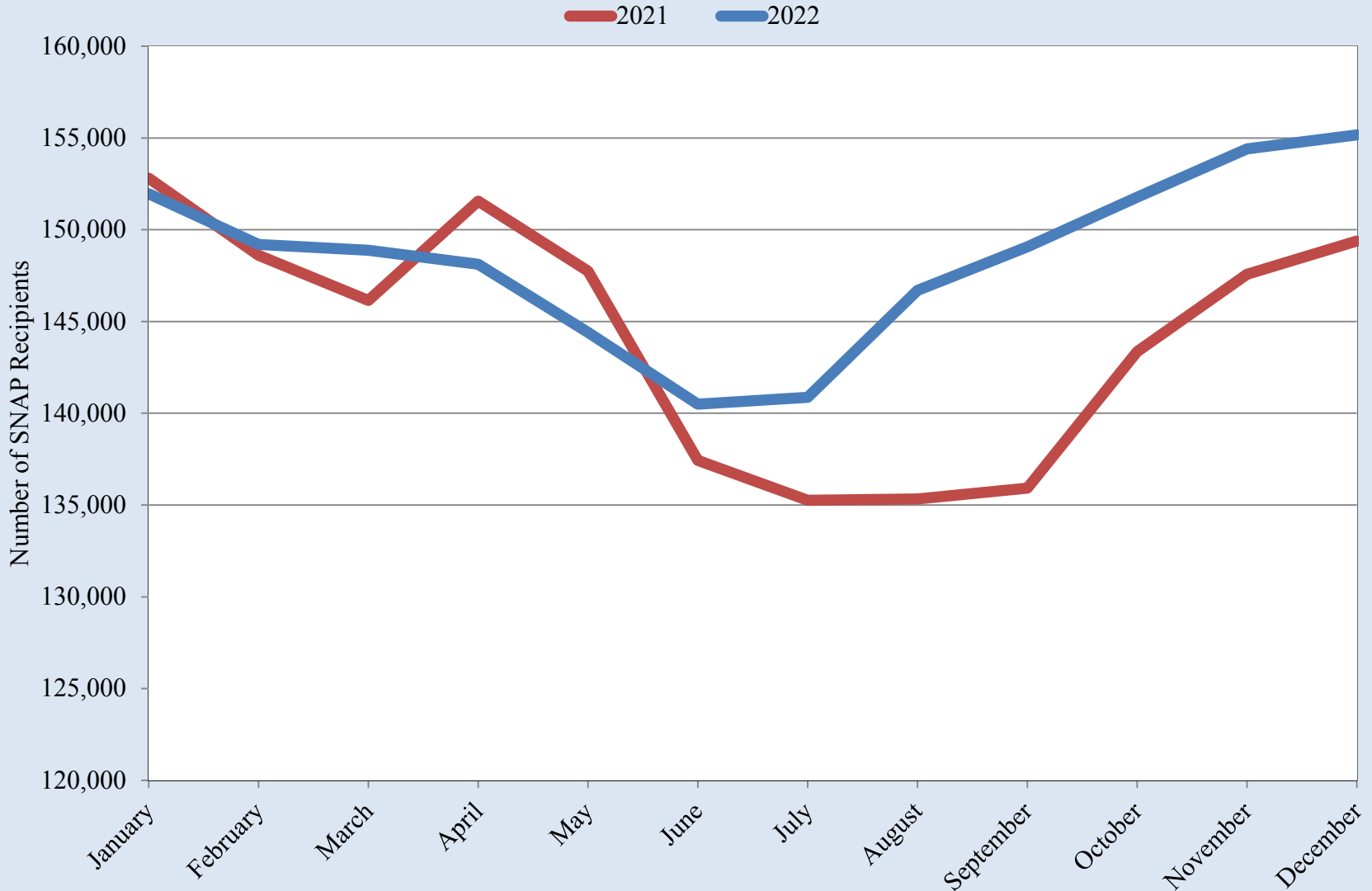


## El Paso County Unemployment Rate



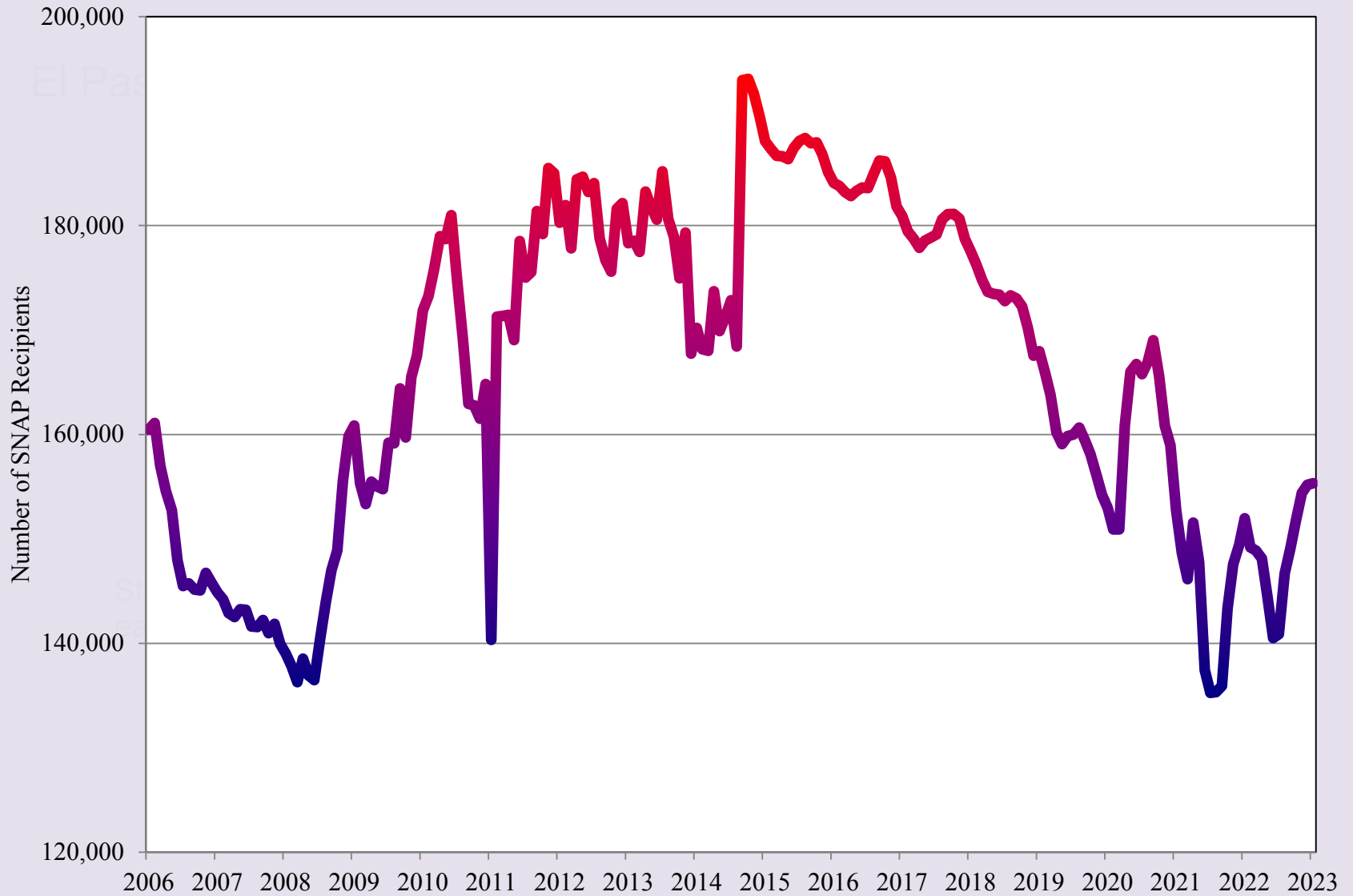
Source: UTEP Border Region Modeling Project using Bureau of Labor Statistics Data

## El Paso County SNAP (Food Stamp) Enrollment



Source: UTEP Border Region Modeling Project using Texas Health and Human Services Commission

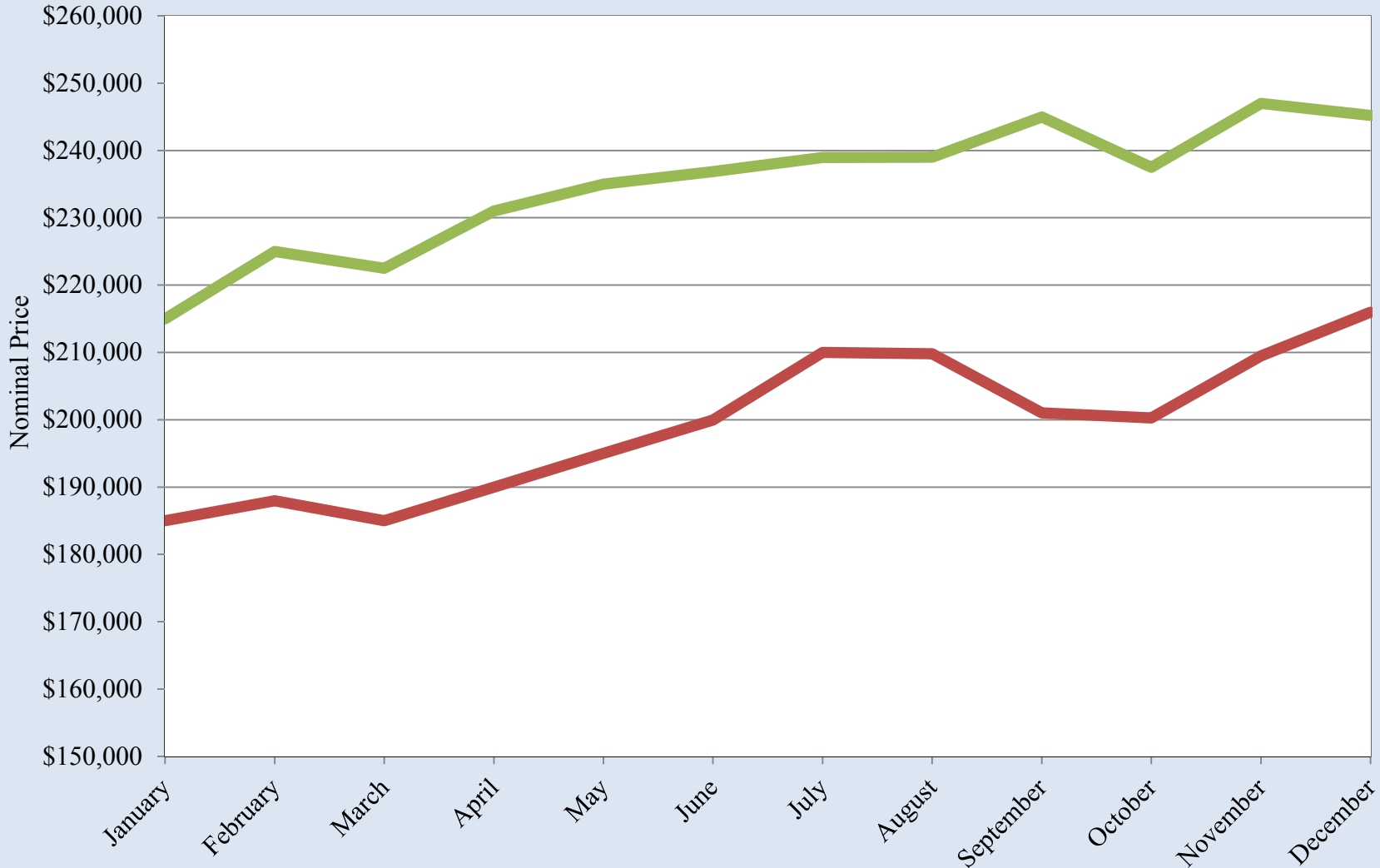
## El Paso County SNAP (Food Stamp) Enrollment



Source: UTEP Border Region Modeling Project using Texas Health and Human Services Commission

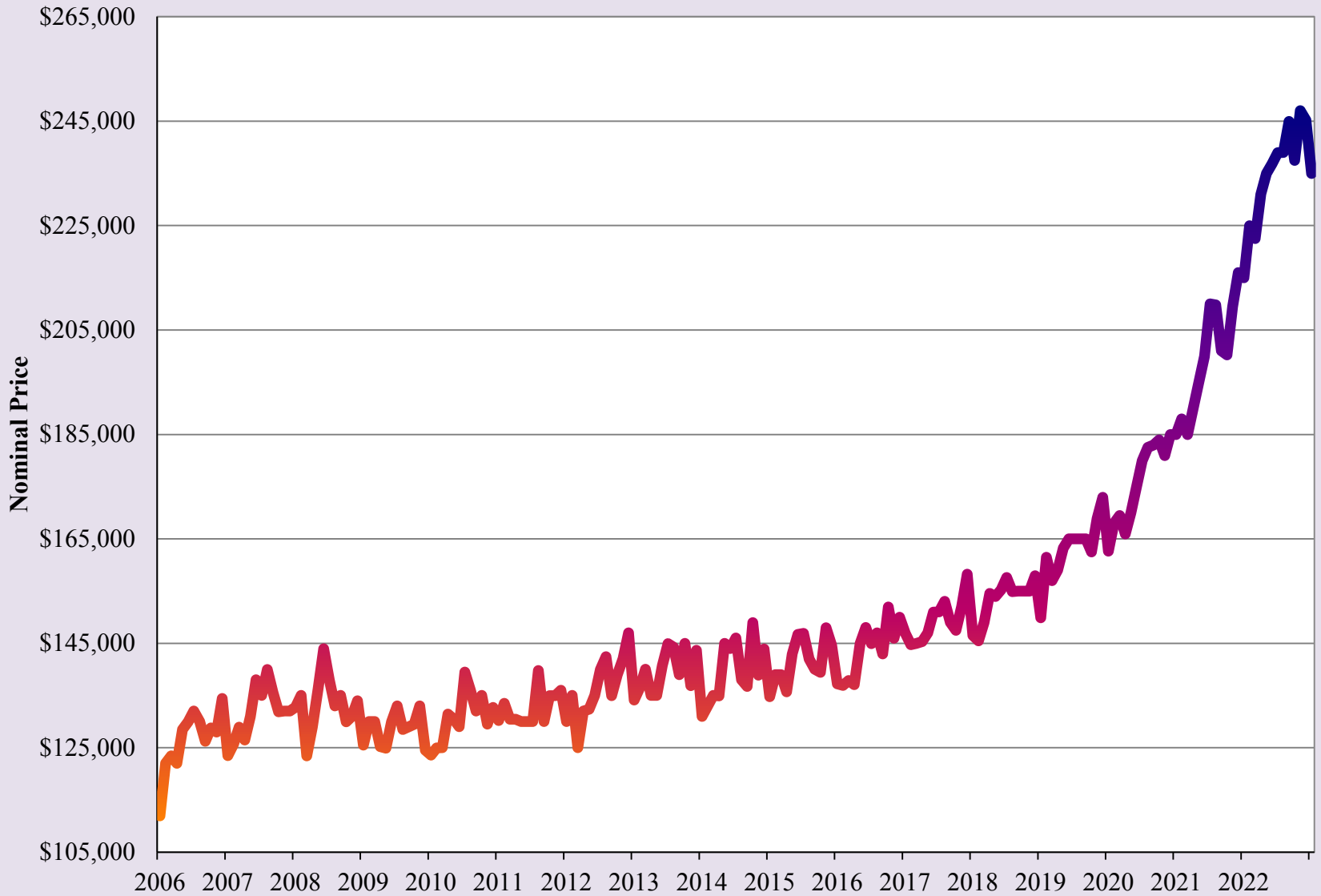
# El Paso Median Housing Prices

2021 2022



Source: UTEP Border Region Modeling Project using Texas A&M Real Estate Center Data

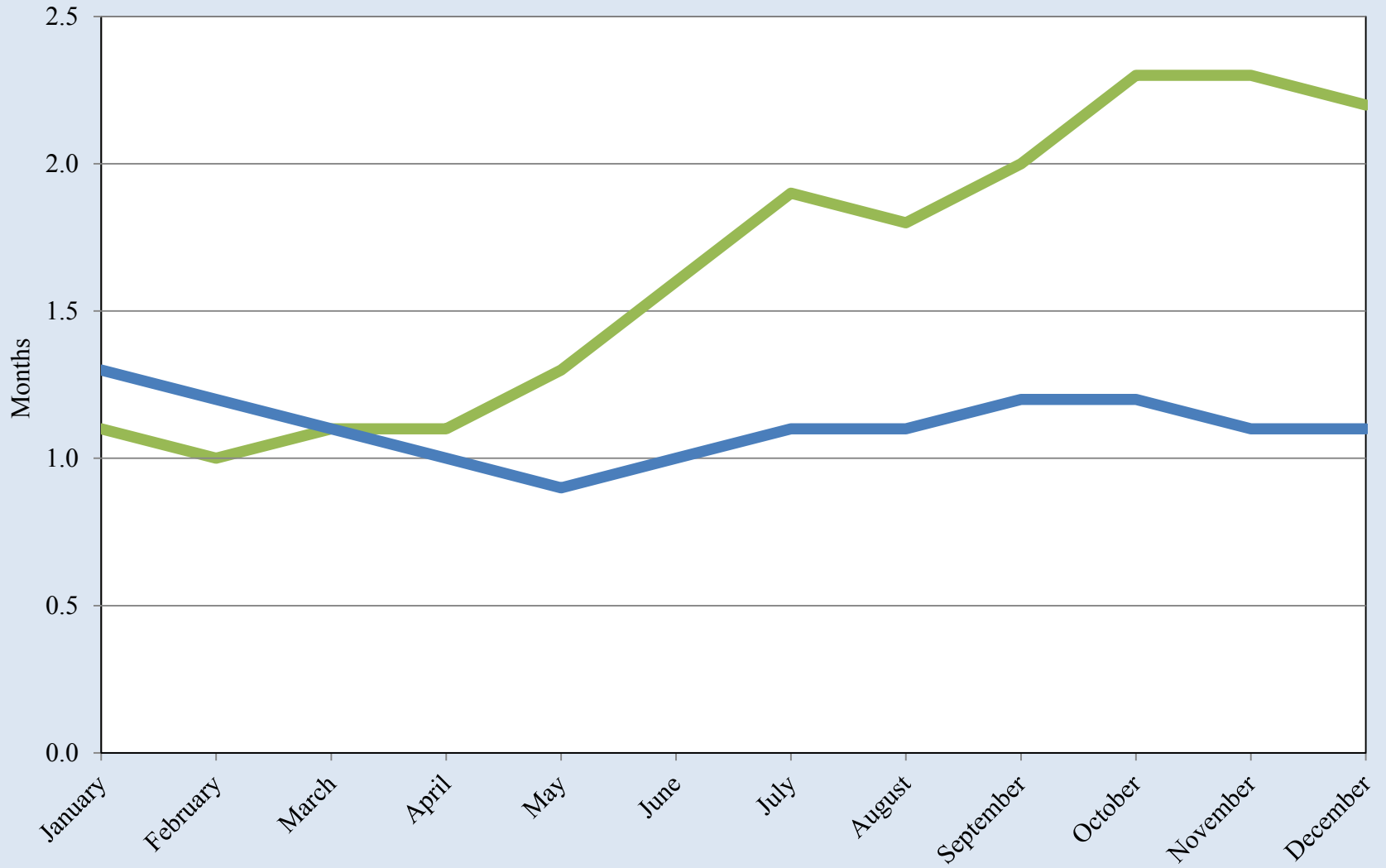
## El Paso Median Housing Prices



Source: UTEP Border Region Modeling Project using Texas A&M Real Estate Center Data

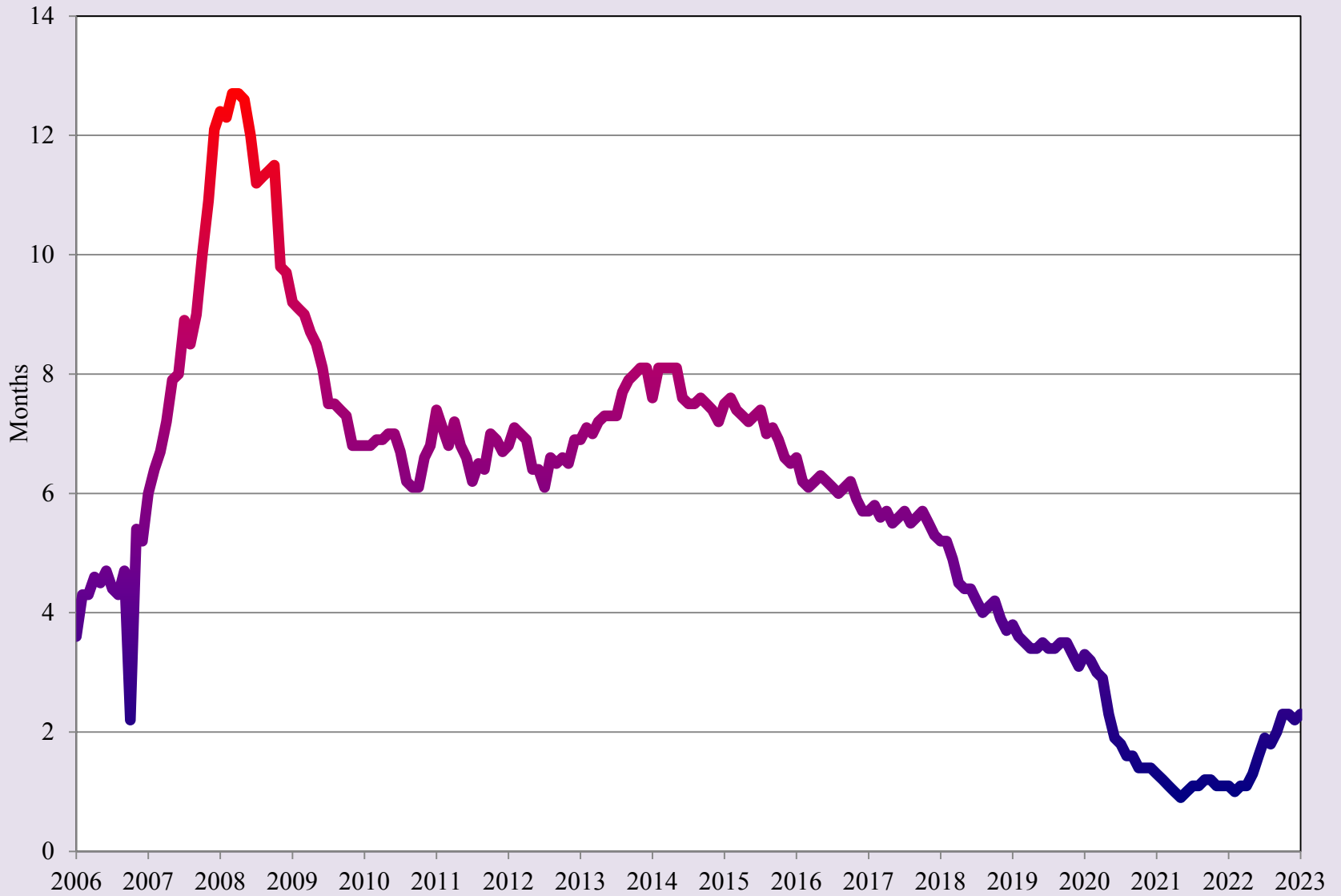
## Months of Housing Inventory for El Paso

— 2021 — 2022



Source: UTEP Border Region Modeling Project using Texas A&M Real Estate Center Data

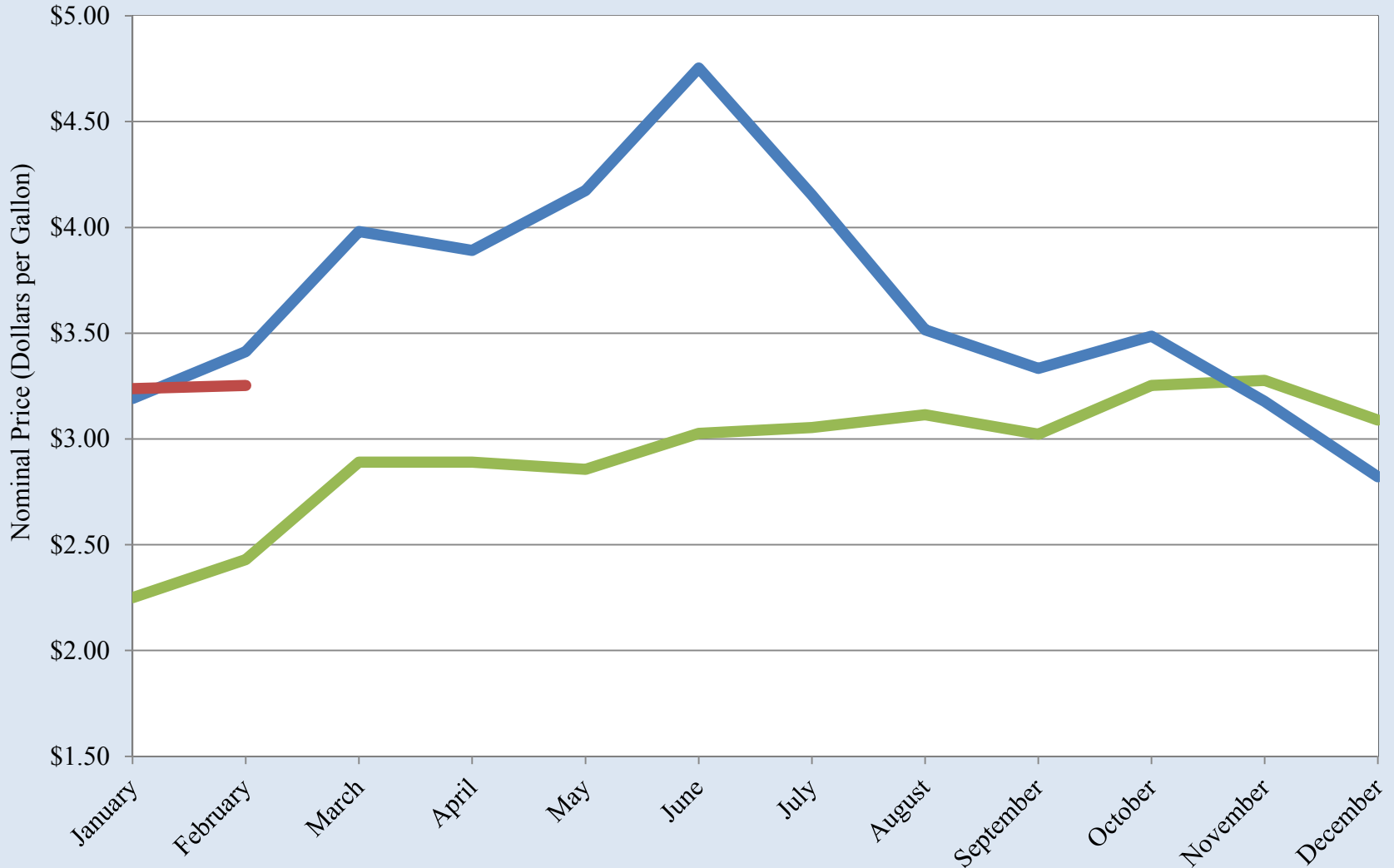
## Months of Housing Inventory for El Paso



Source: UTEP Border Region Modeling Project using Texas A&M Real Estate Center Data

# El Paso Gasoline Prices

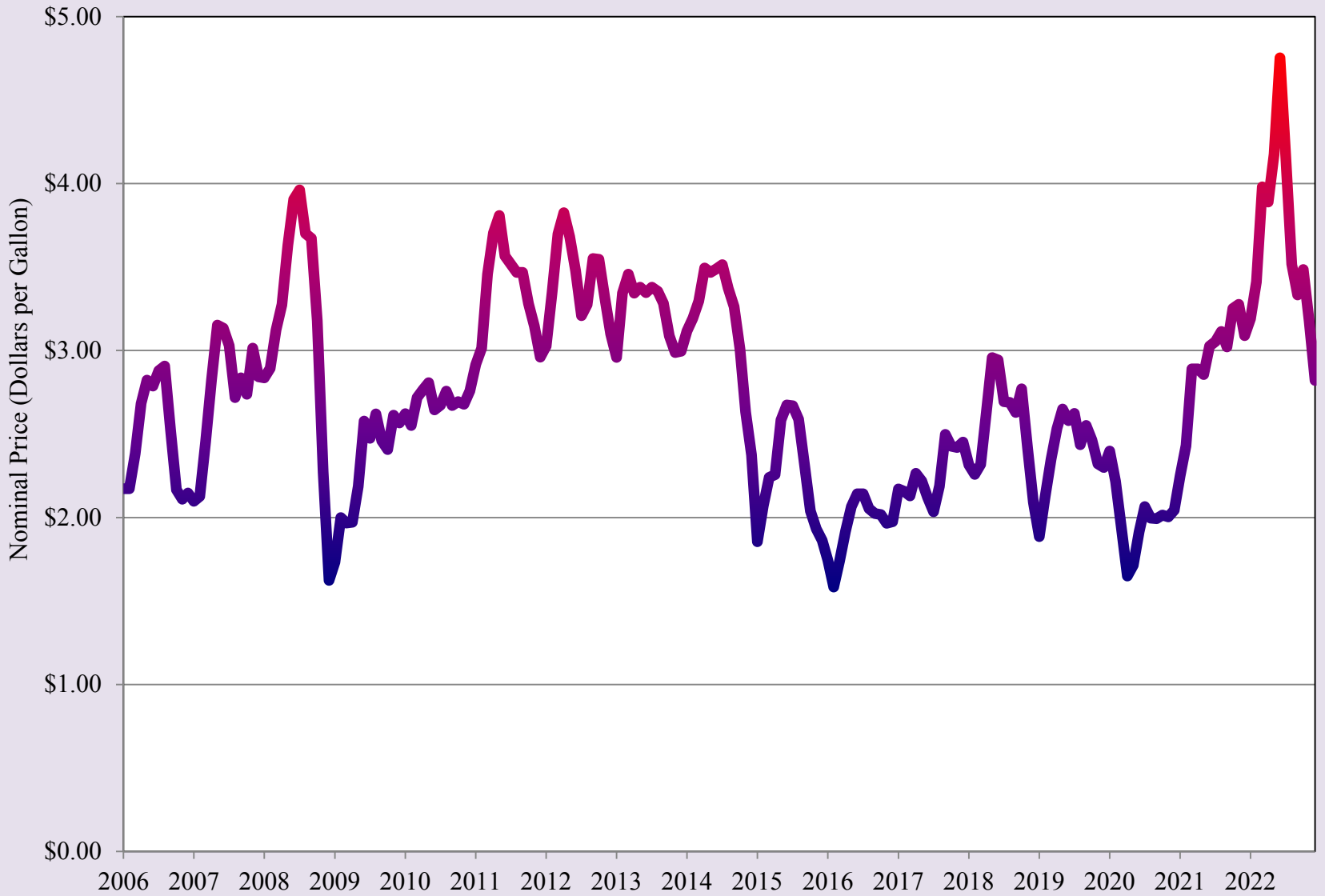
2021 2022 2023



Source: UTEP Border Region Modeling Project using GasBuddy.com Data



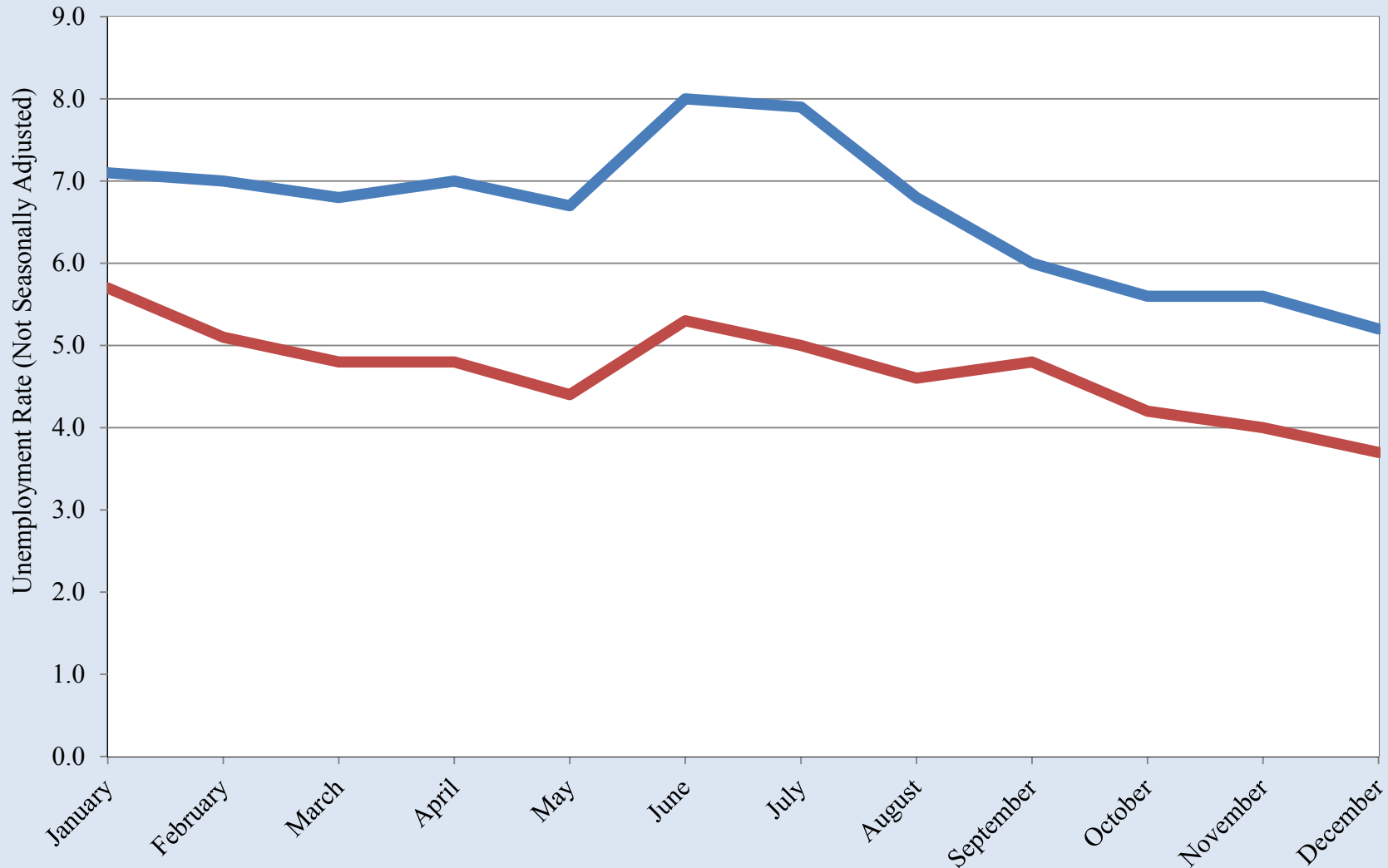
## El Paso Gasoline Prices



Source: UTEP Border Region Modeling Project using GasBuddy.com Data

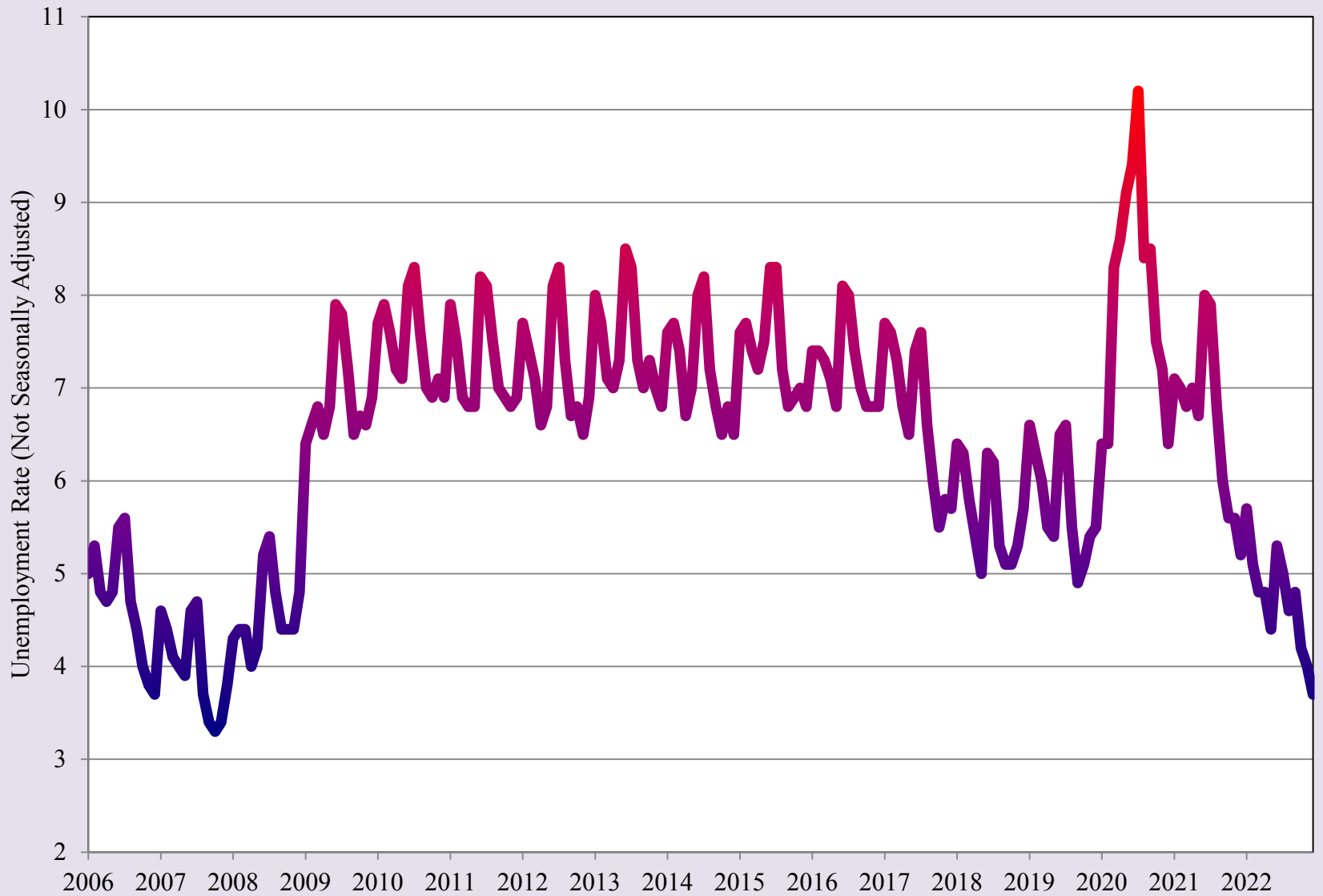
## Doña Ana County Unemployment Rate

2021 2022



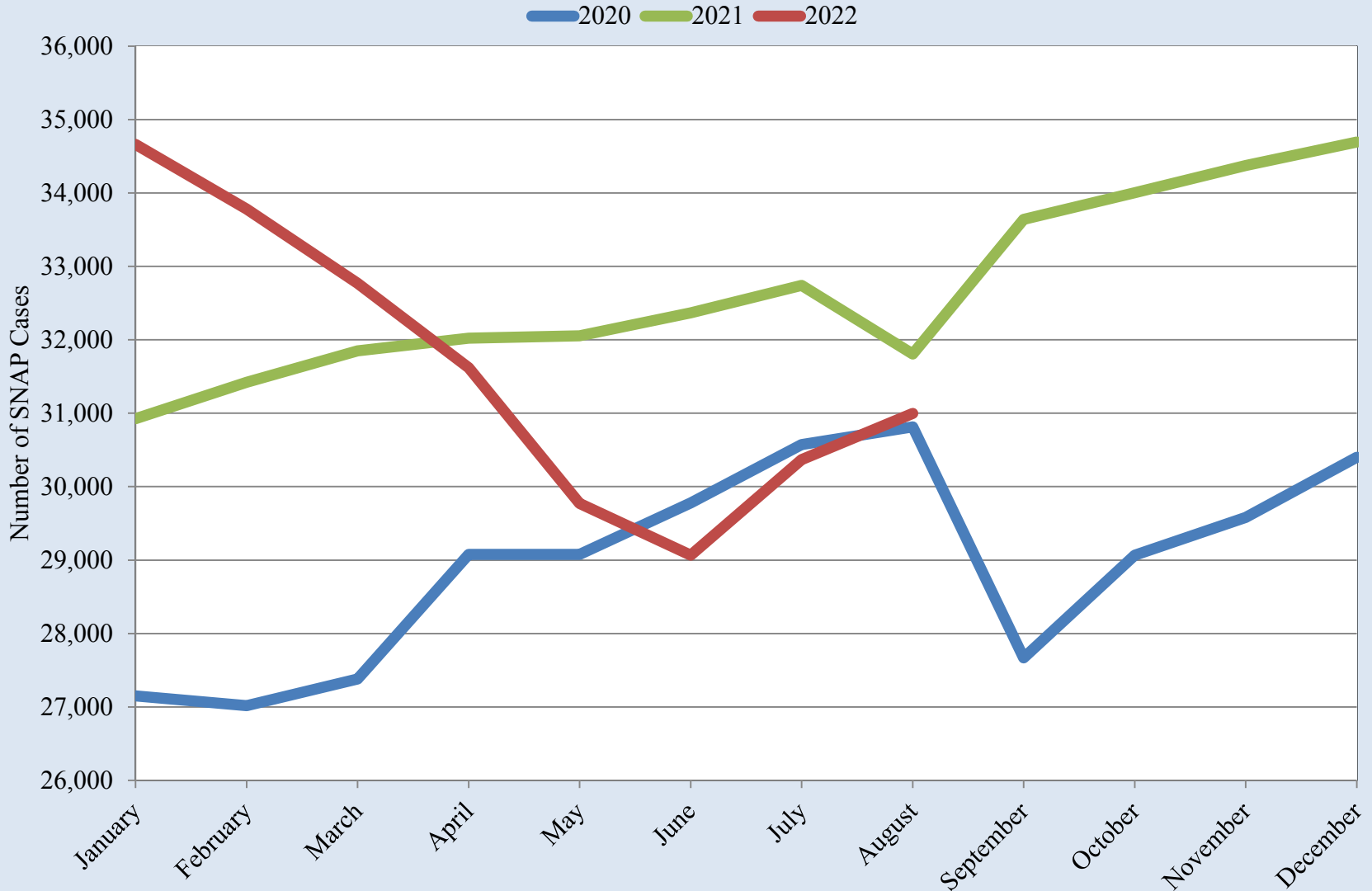
Source: UTEP Border Region Modeling Project using NM Workforce Data

## Doña Ana County Unemployment Rate

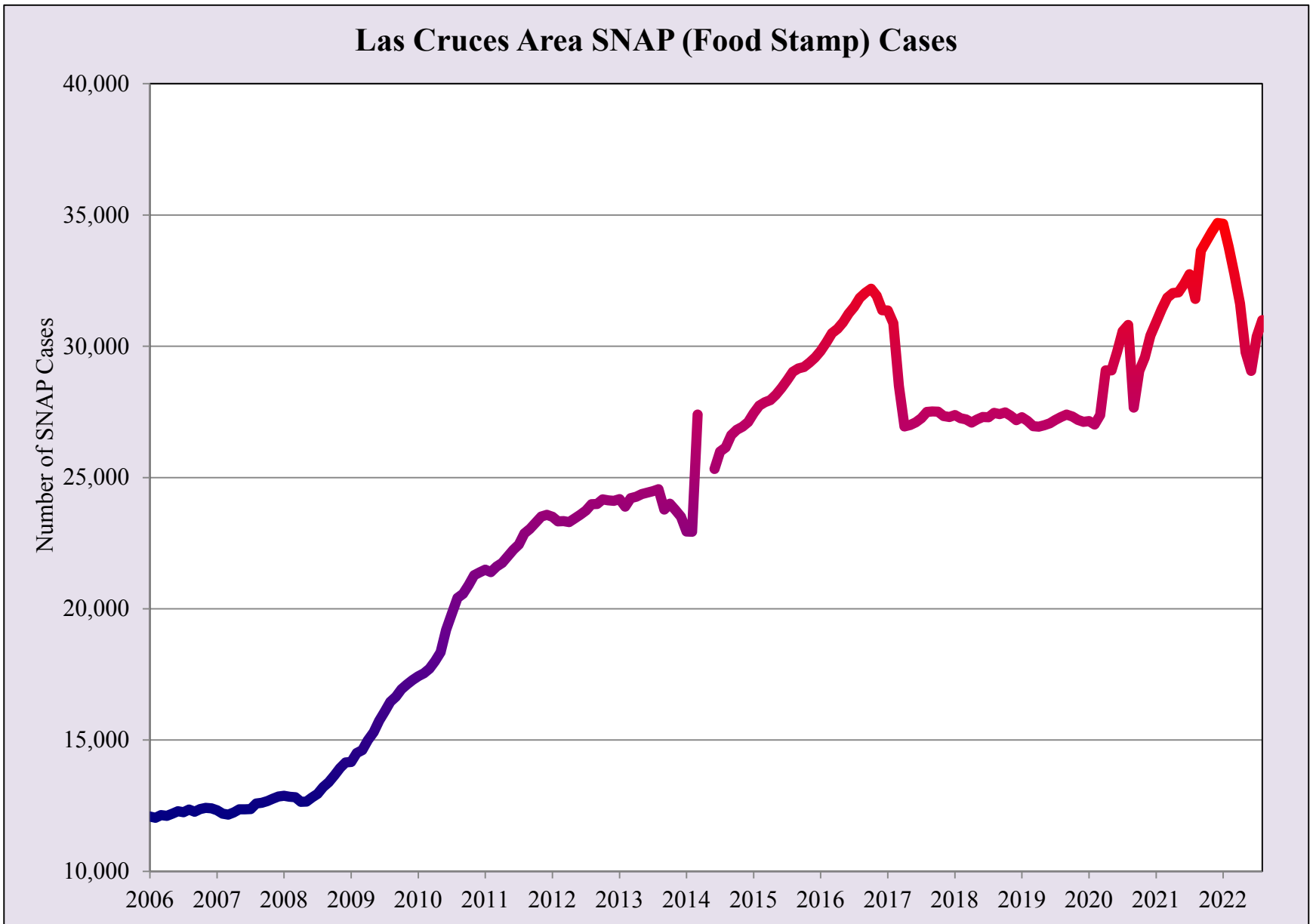


Source: UTEP Border Region Modeling Project using NM Workforce Data

## Las Cruces Area SNAP (Food Stamp) Cases

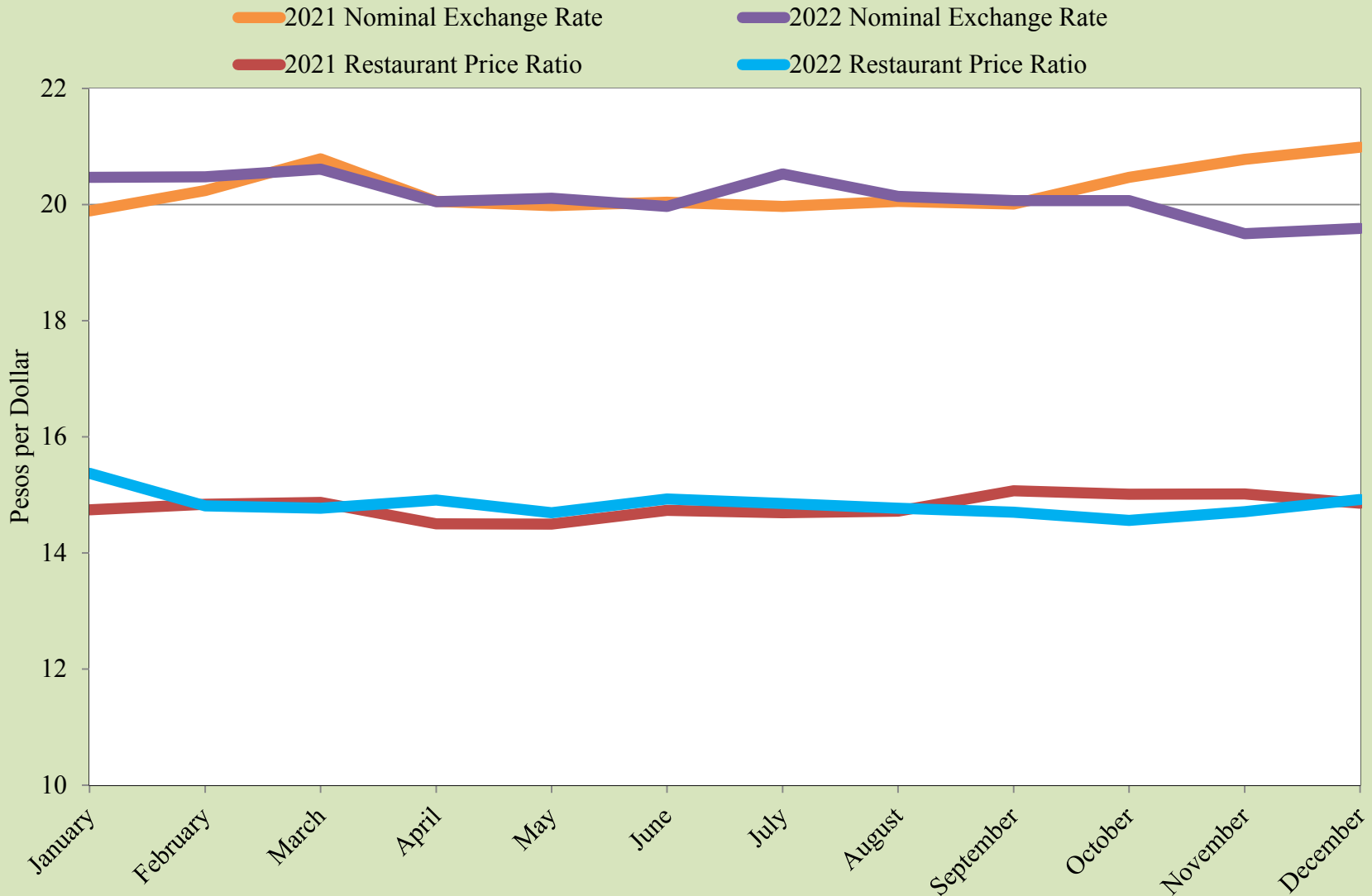


Source: UTEP Border Region Modeling Project using New Mexico Human Services Department Data



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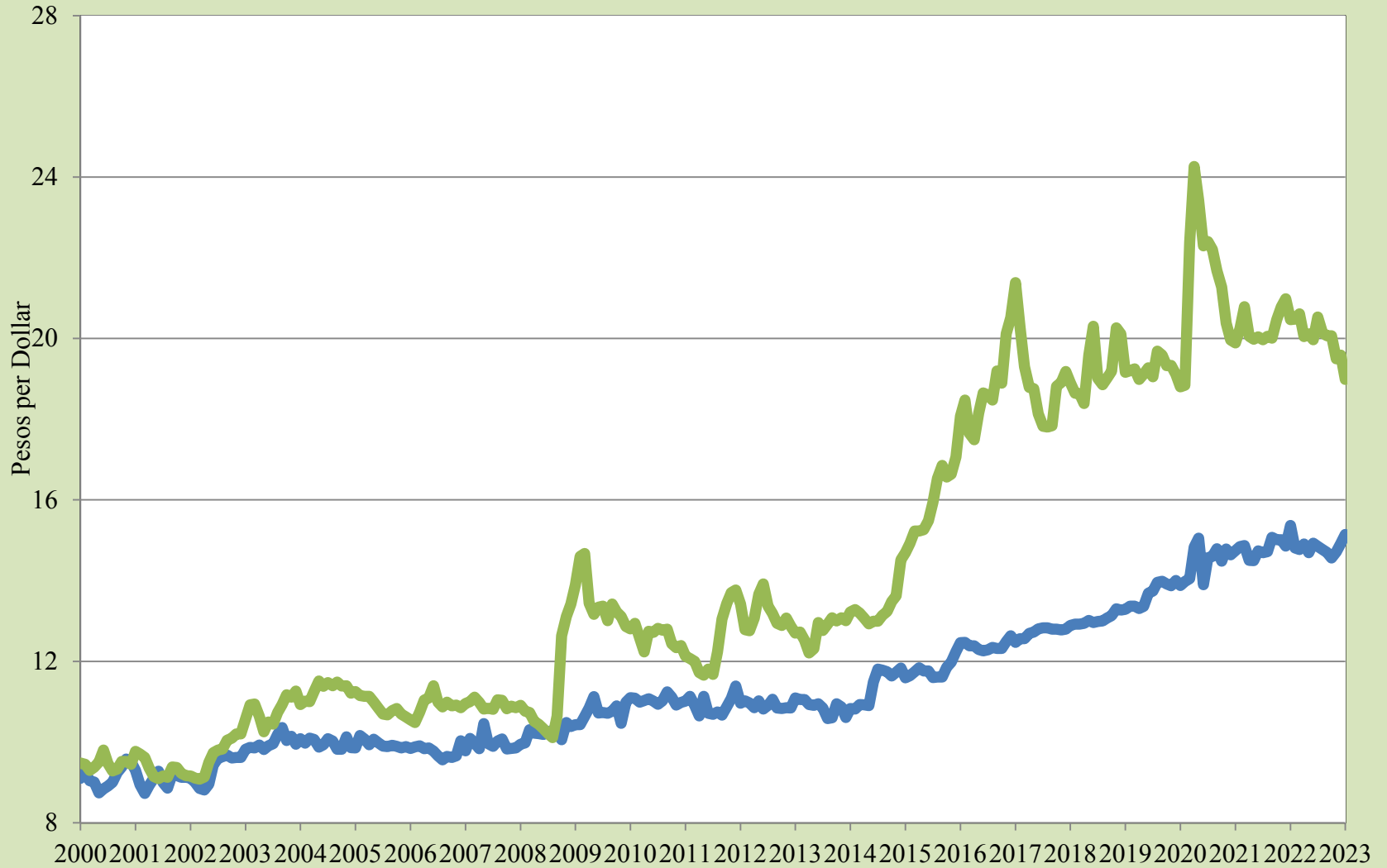
## Restaurant Price Ratio and Exchange Rate



Source: UTEP Border Region Modeling Project using 85 identical franchise restaurant products sold on both sides of the border.

## Restaurant Price Ratio and Exchange Rate

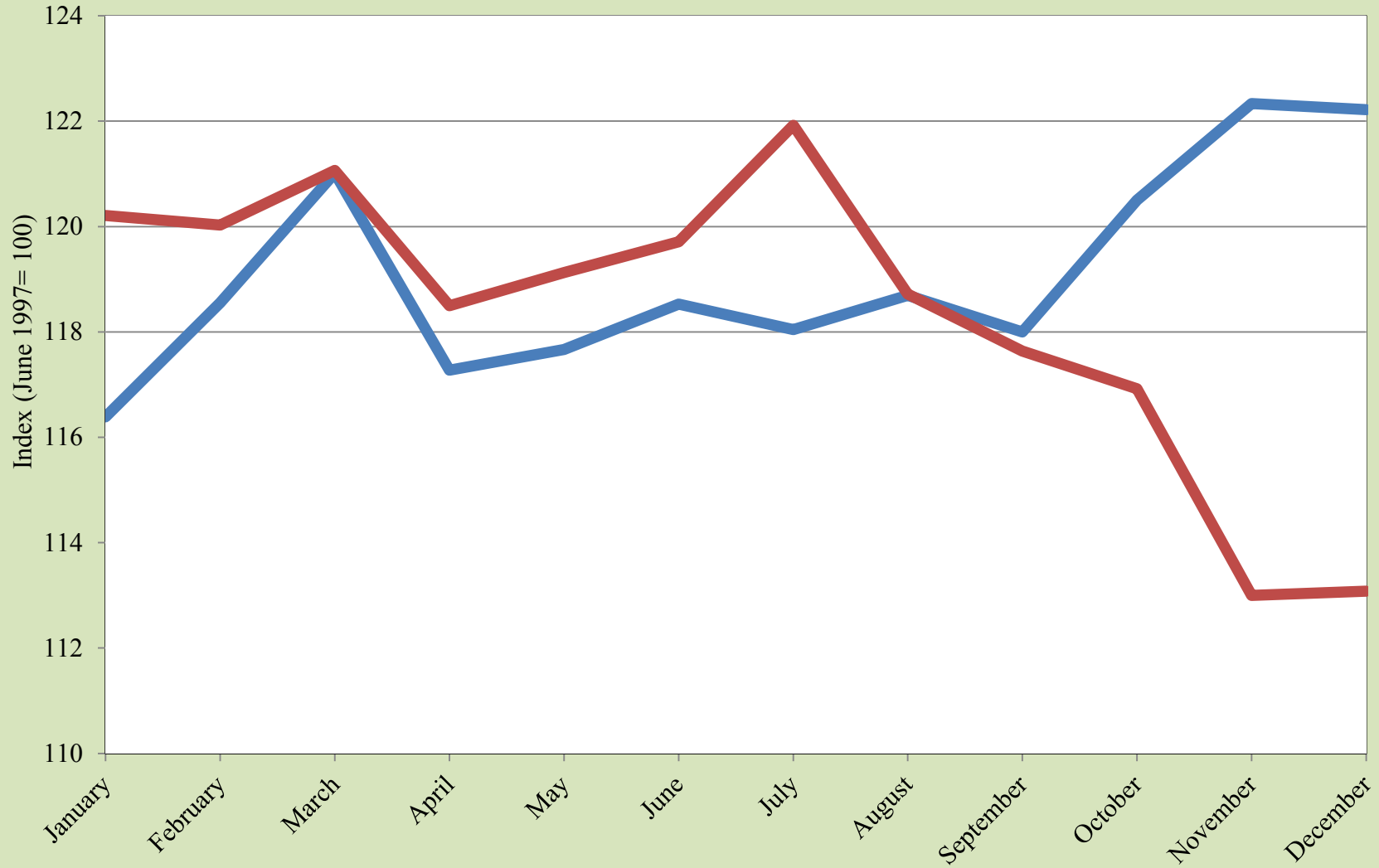
Price Ratio Exchange Rate



Source: UTEP Border Region Modeling Project using Banco de Mexico Data

## Real Peso-per-Dollar Exchange Rate Index

— 2021 — 2022



Source: UTEP Border Region Modeling Project

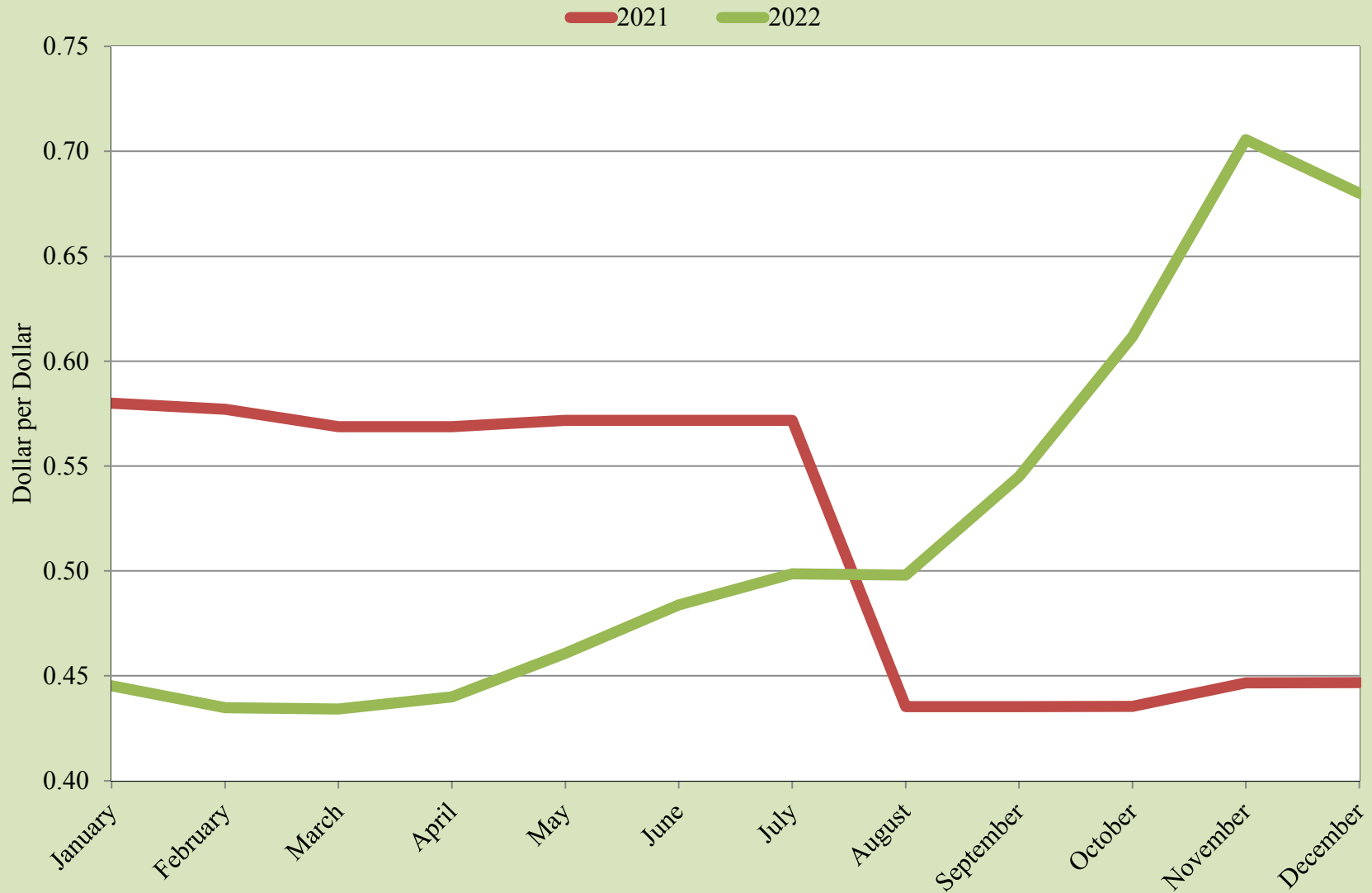


## Real Peso-per-Dollar Exchange Rate Index



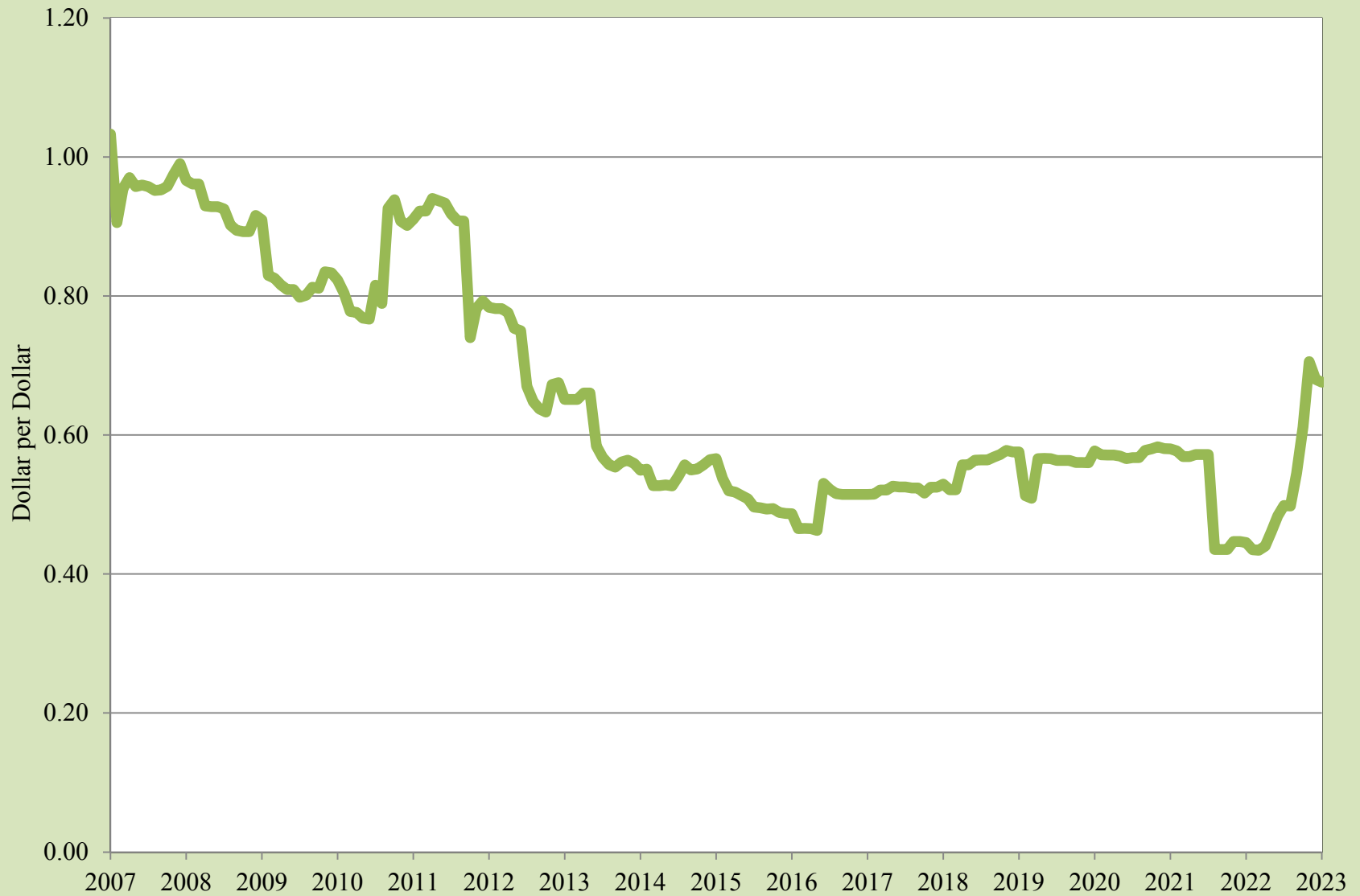
Source: UTEP Border Region Modeling Project

## Pharmaceutical Nominal Price Ratio in the USA and Mexico



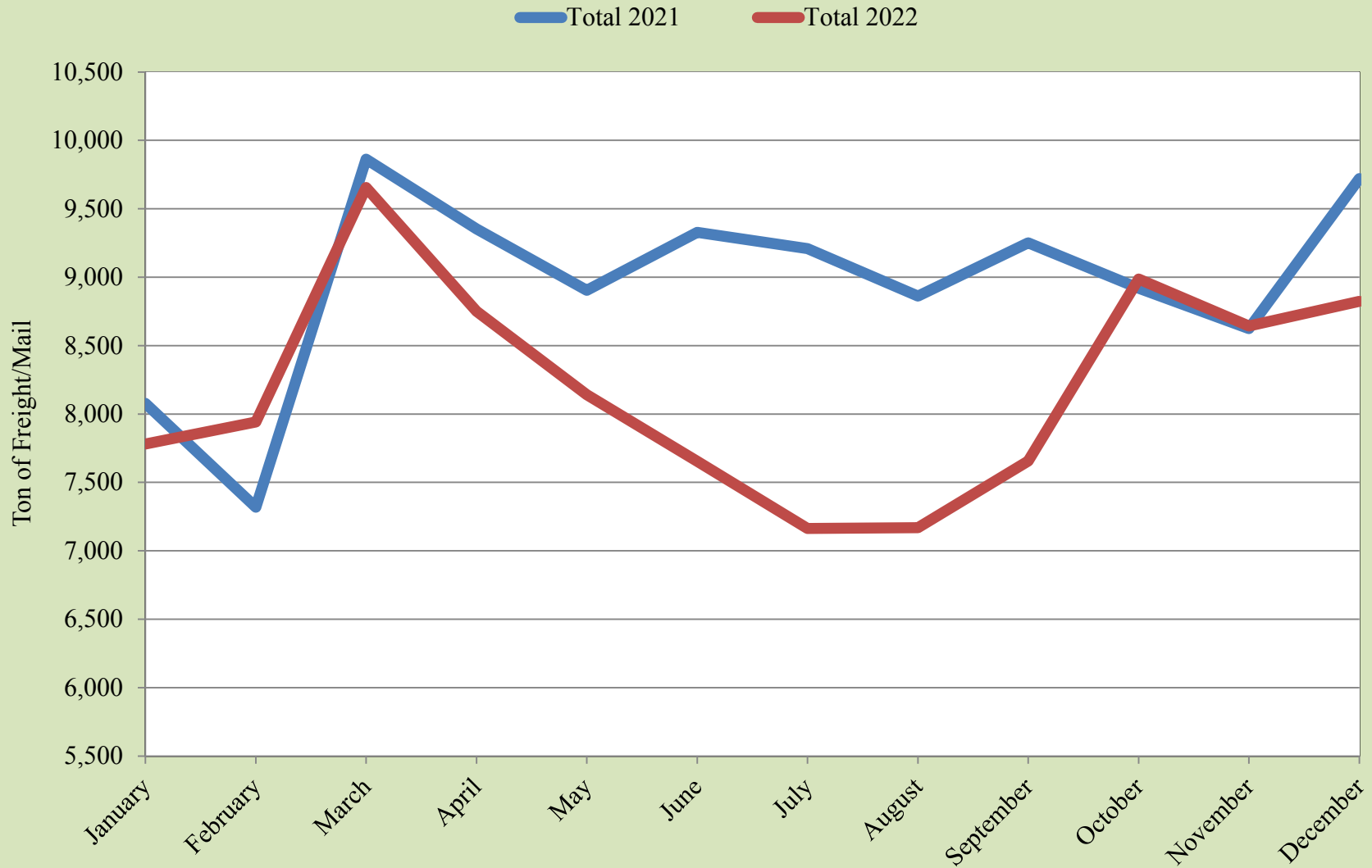
Source: UTEP Border Region Modeling Project, [healthwarehouse.com](http://healthwarehouse.com), [goodrx.com](http://goodrx.com), [medsmex.com](http://medsmex.com), [mexmed4you.com.mx](http://mexmed4you.com.mx)

## 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), [mexmed4you.com.mx](http://mexmed4you.com.mx)

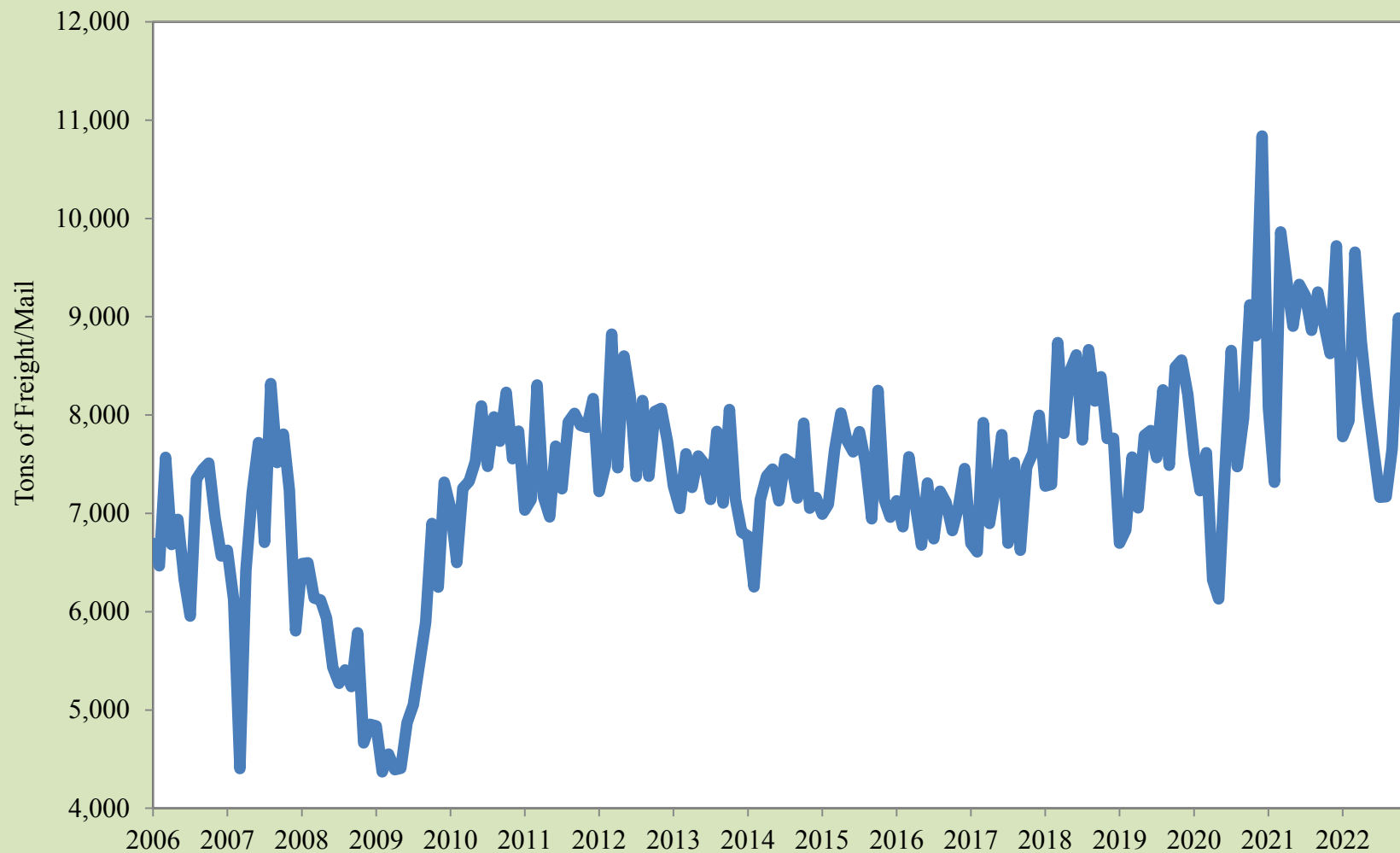
## EPIA Freight and Mail



Source: UTEP Border Region Modeling Project using EPIA Operations Data

# EPIA Freight and Mail

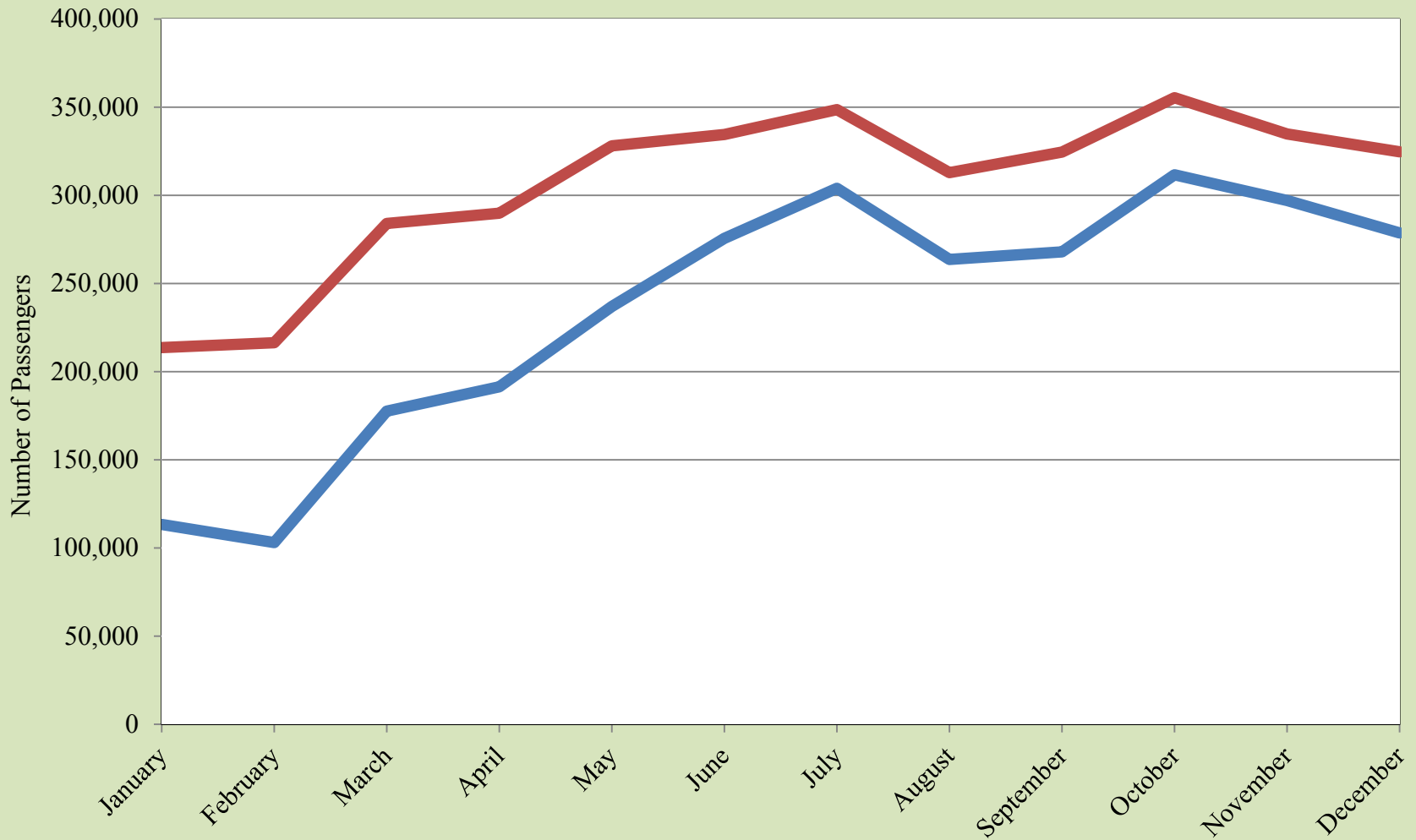
Inbound+Outbound



Source: UTEP Border Region Modeling Project using EPIA Operations Data

# EPIA Passengers

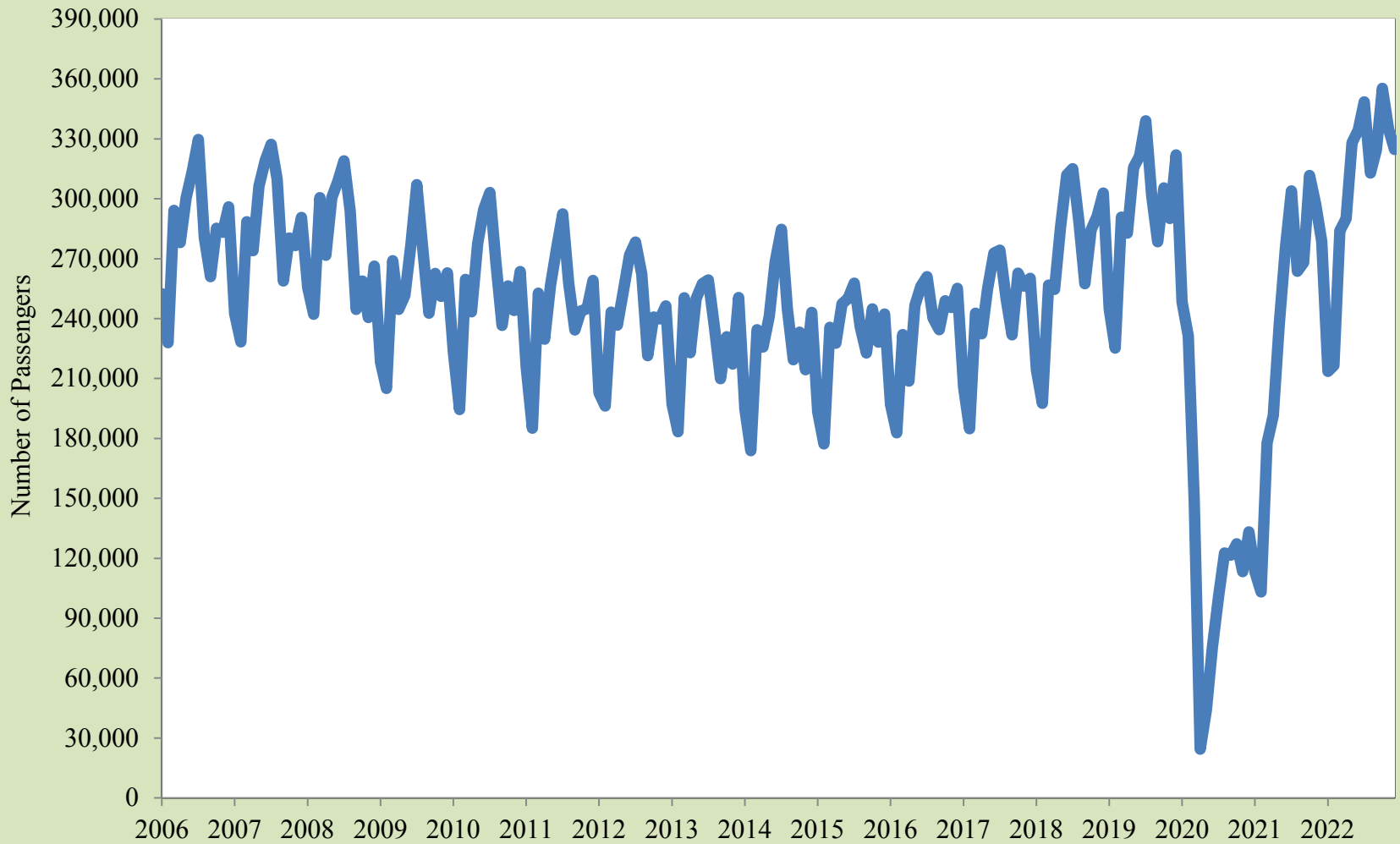
Total 2021      Total 2022



Source: UTEP Border Region Modeling Project using EPIA Operations Data

# EPIA Passengers

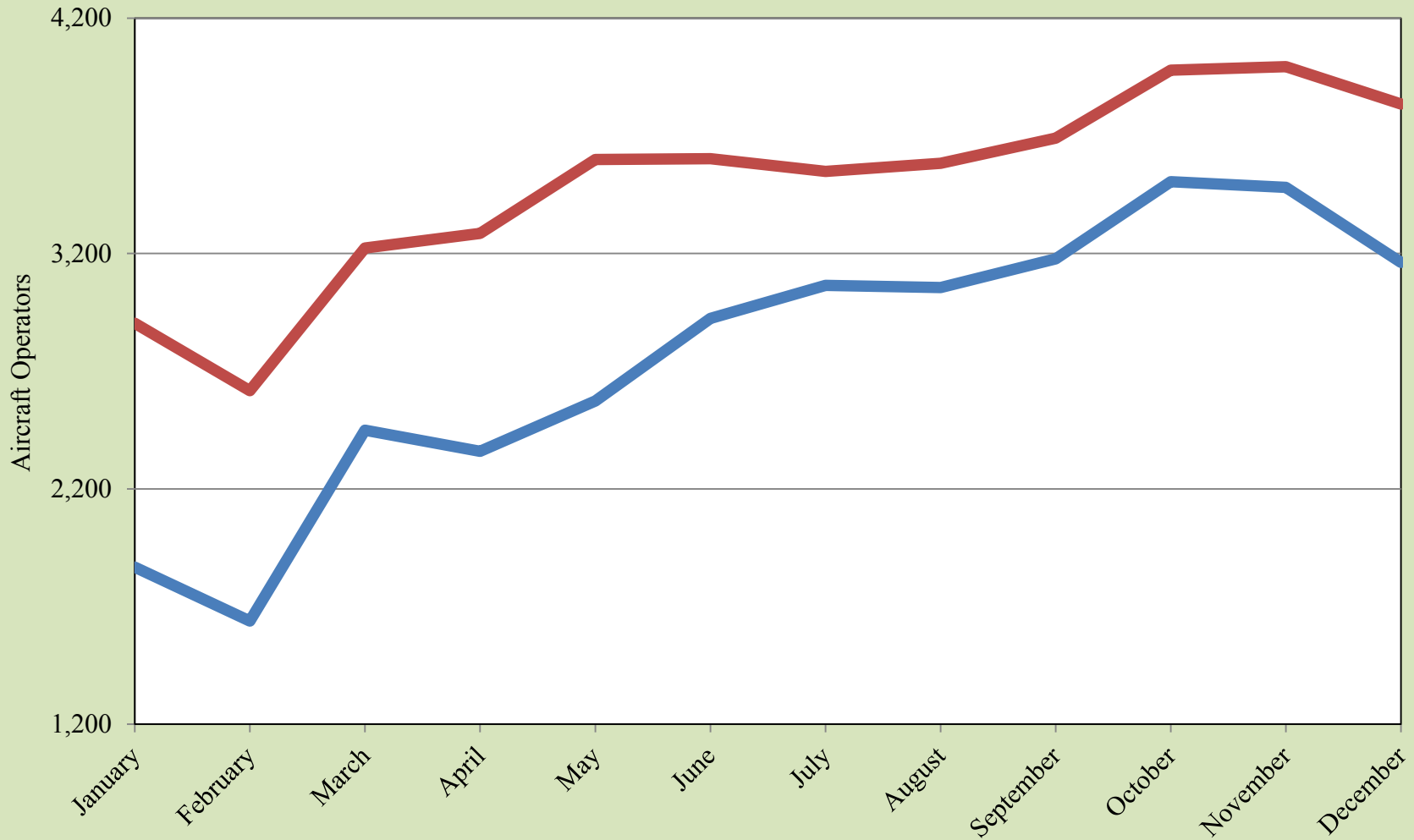
— Inbound+Outbound



Source: UTEP Border Region Modeling Project using EPIA Operations Data

# EPIA Air Carrier Operations

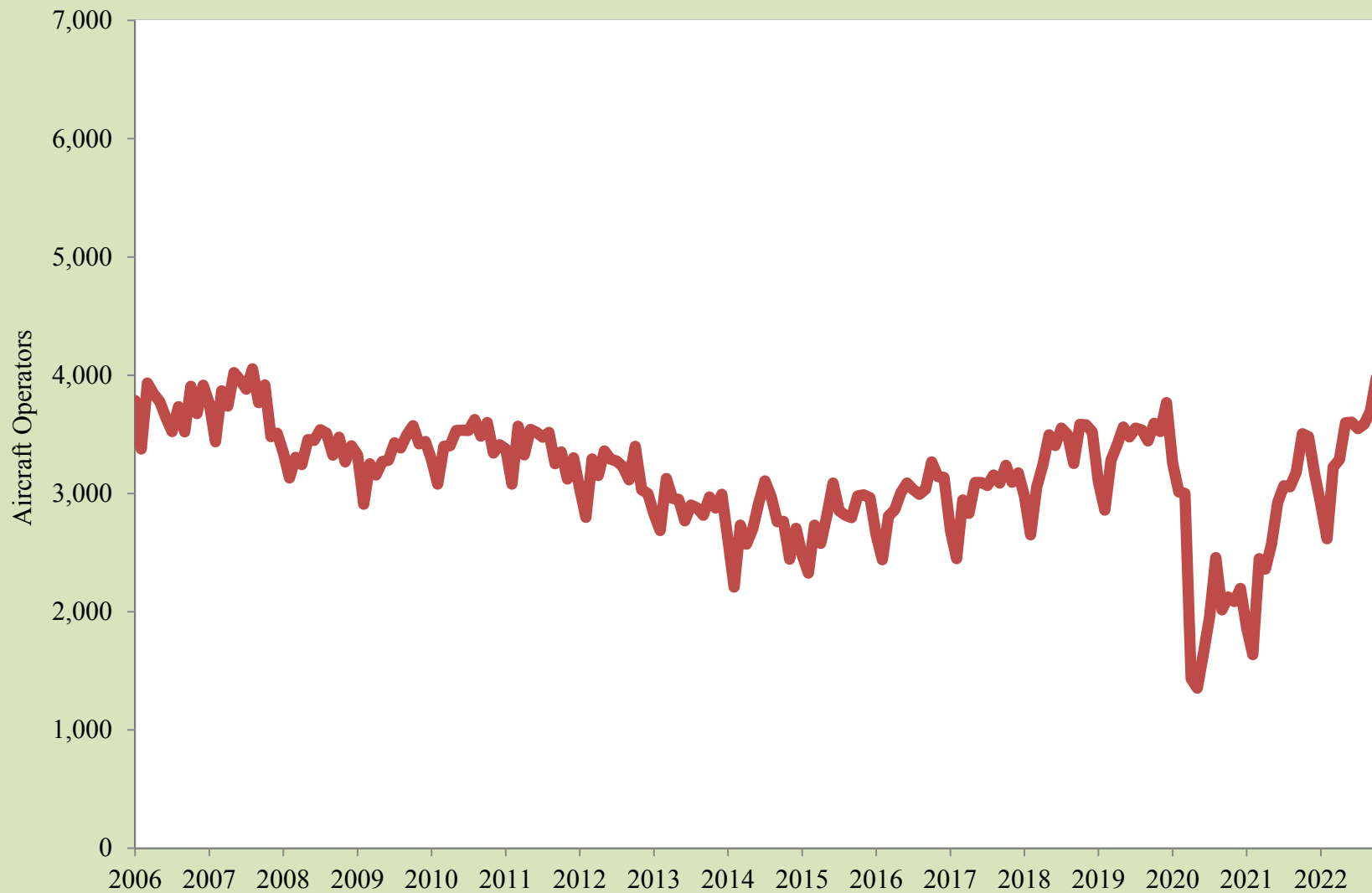
21-Air Carriers      22-Air Carriers



Source: UTEP Border Region Modeling Project using EPIA Operations Data



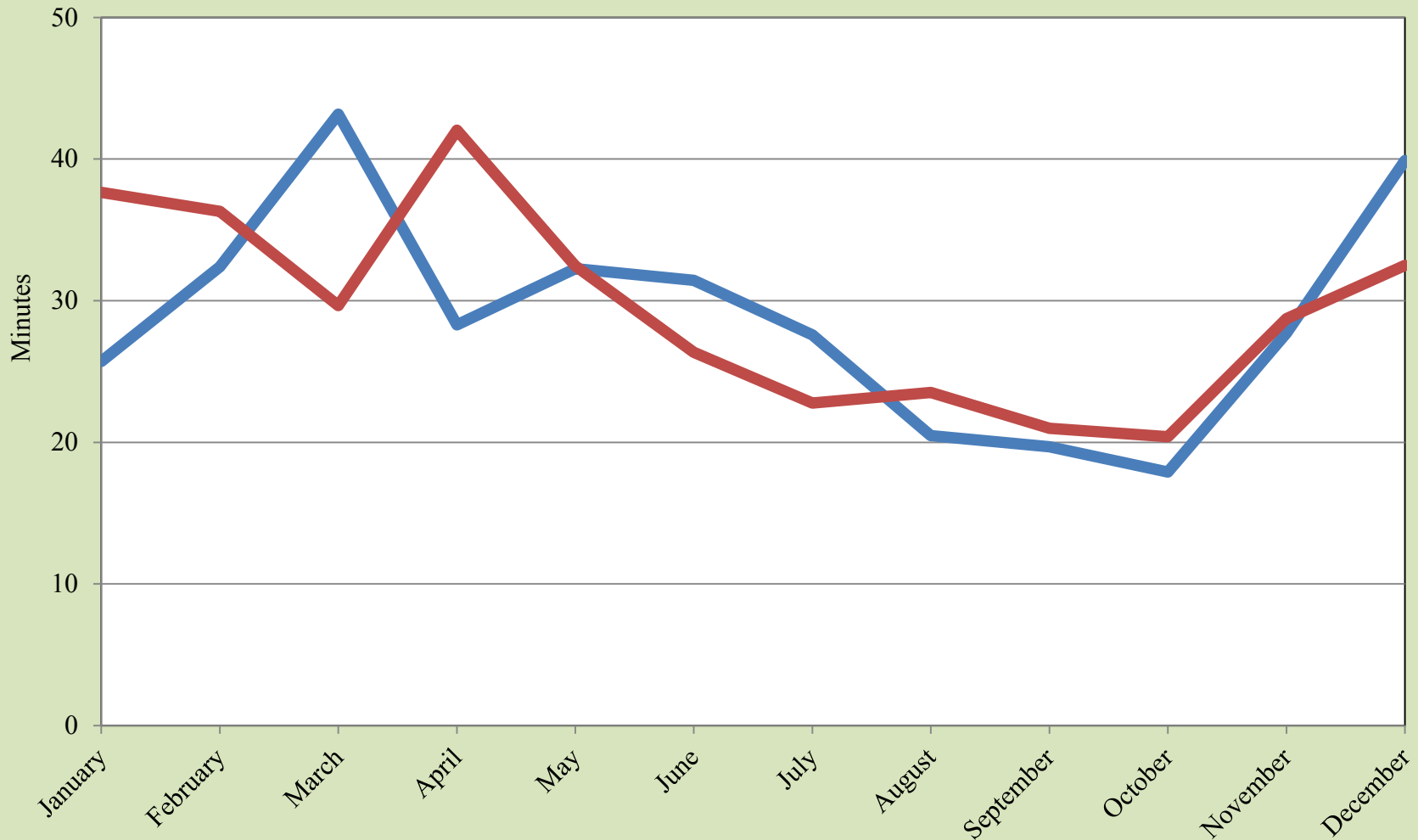
## EPIA Air Carrier Operations



Source: UTEP Border Region Modeling Project using EPIA Operations Data

## Paso del Norte Monthly Wait Times

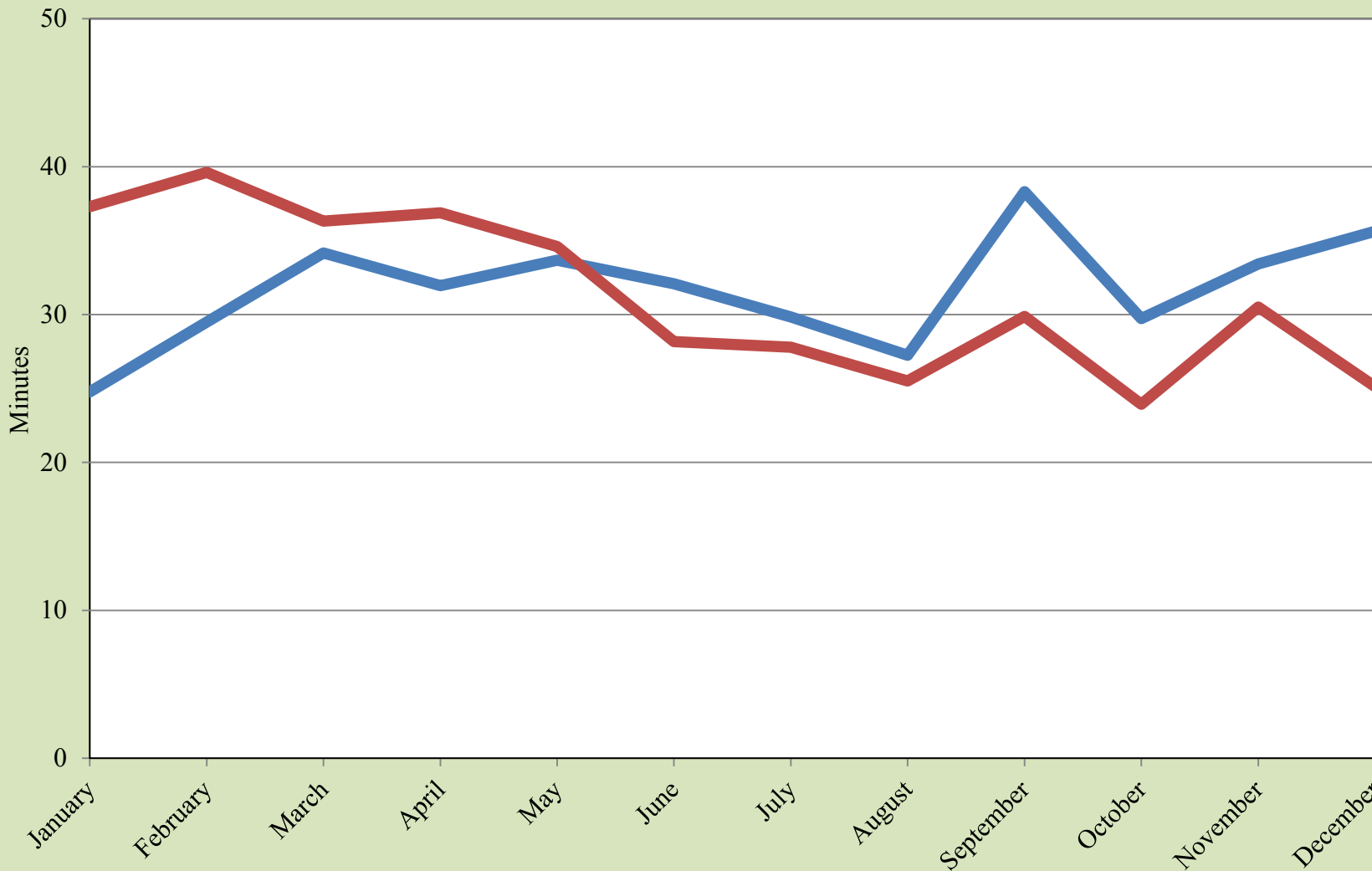
2021 2022



Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

# Ysleta Monthly Wait Times

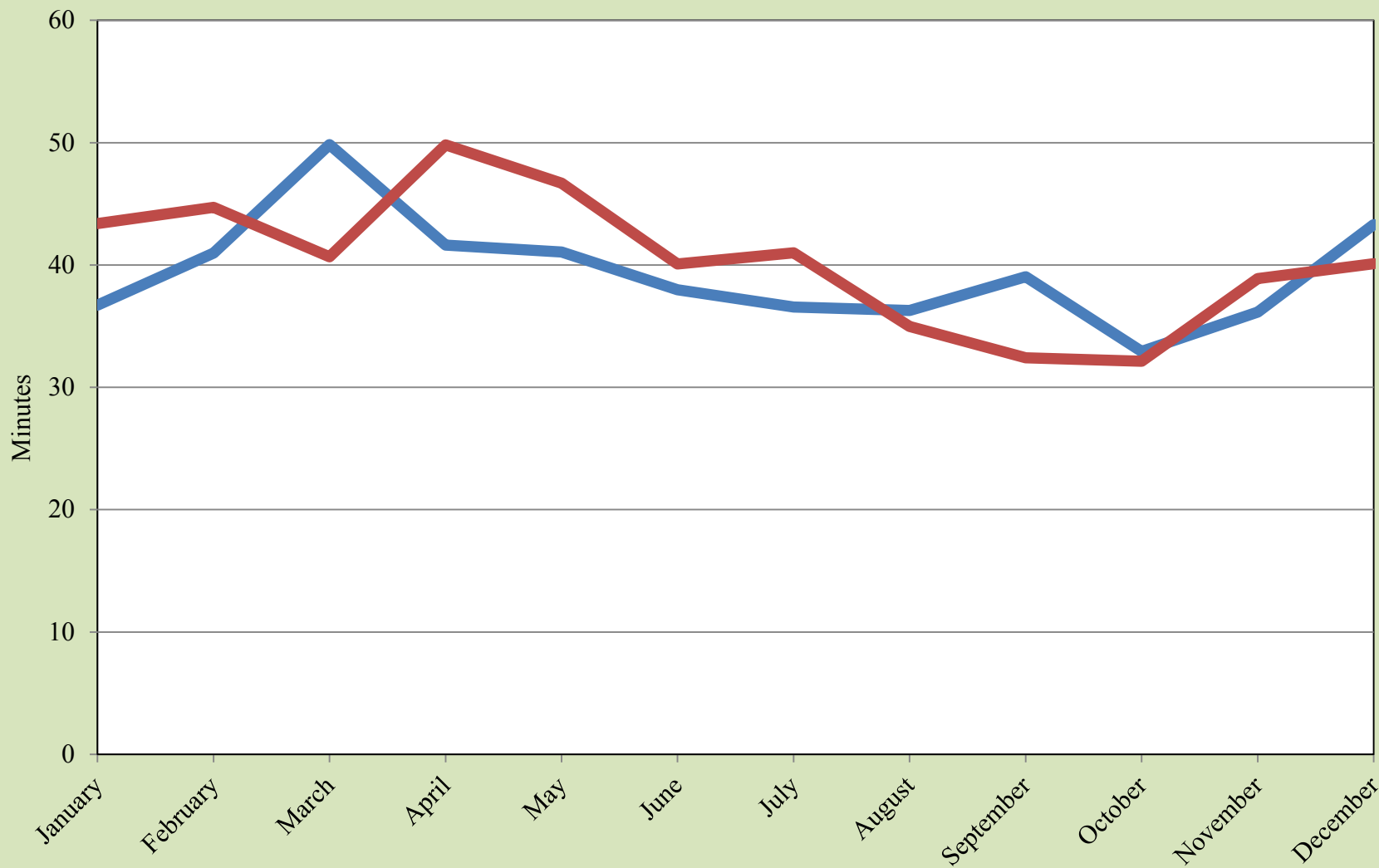
2021 2022



Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

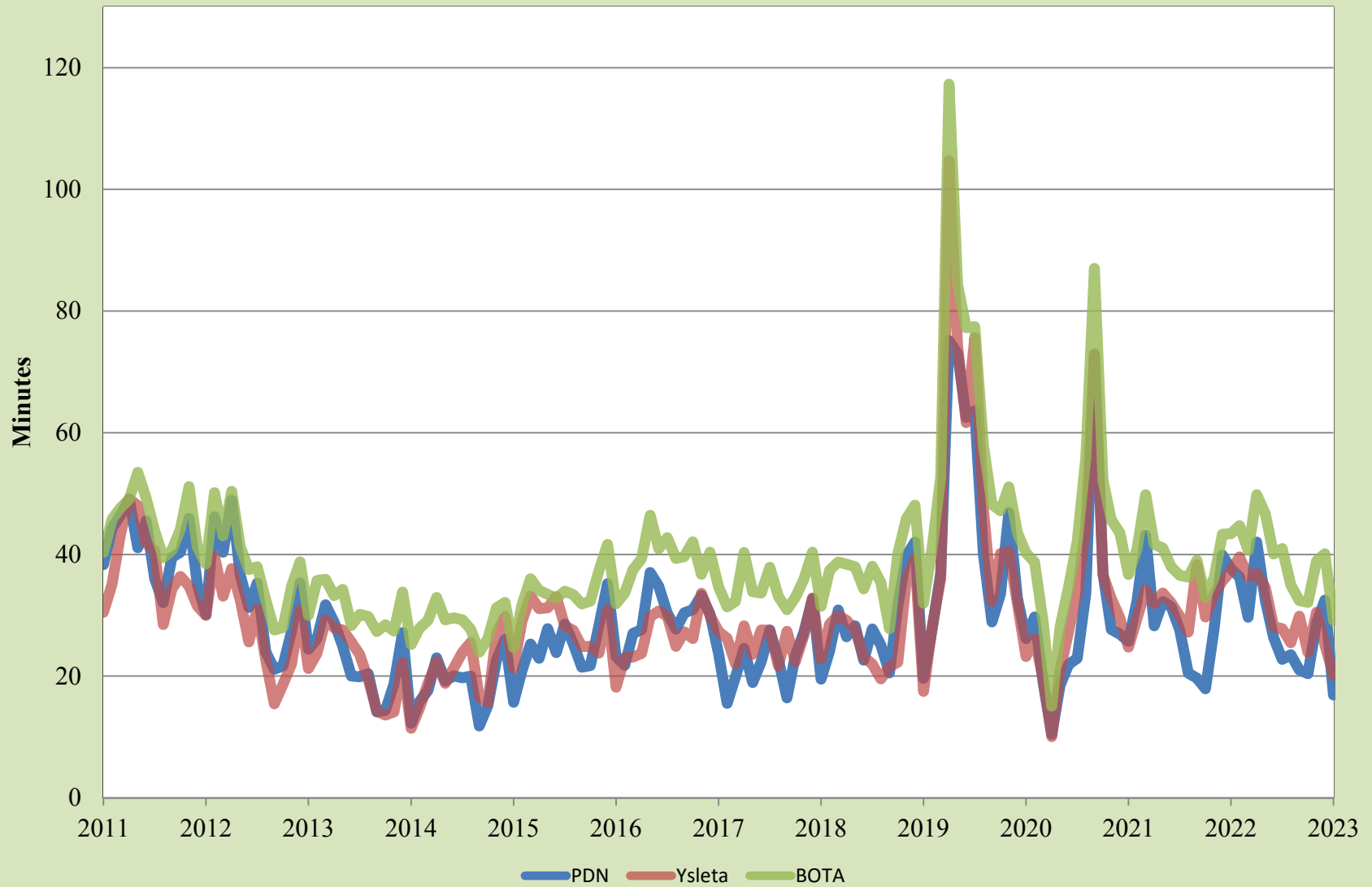
## Bridge of the Americas Monthly Wait Times

2021 2022



Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

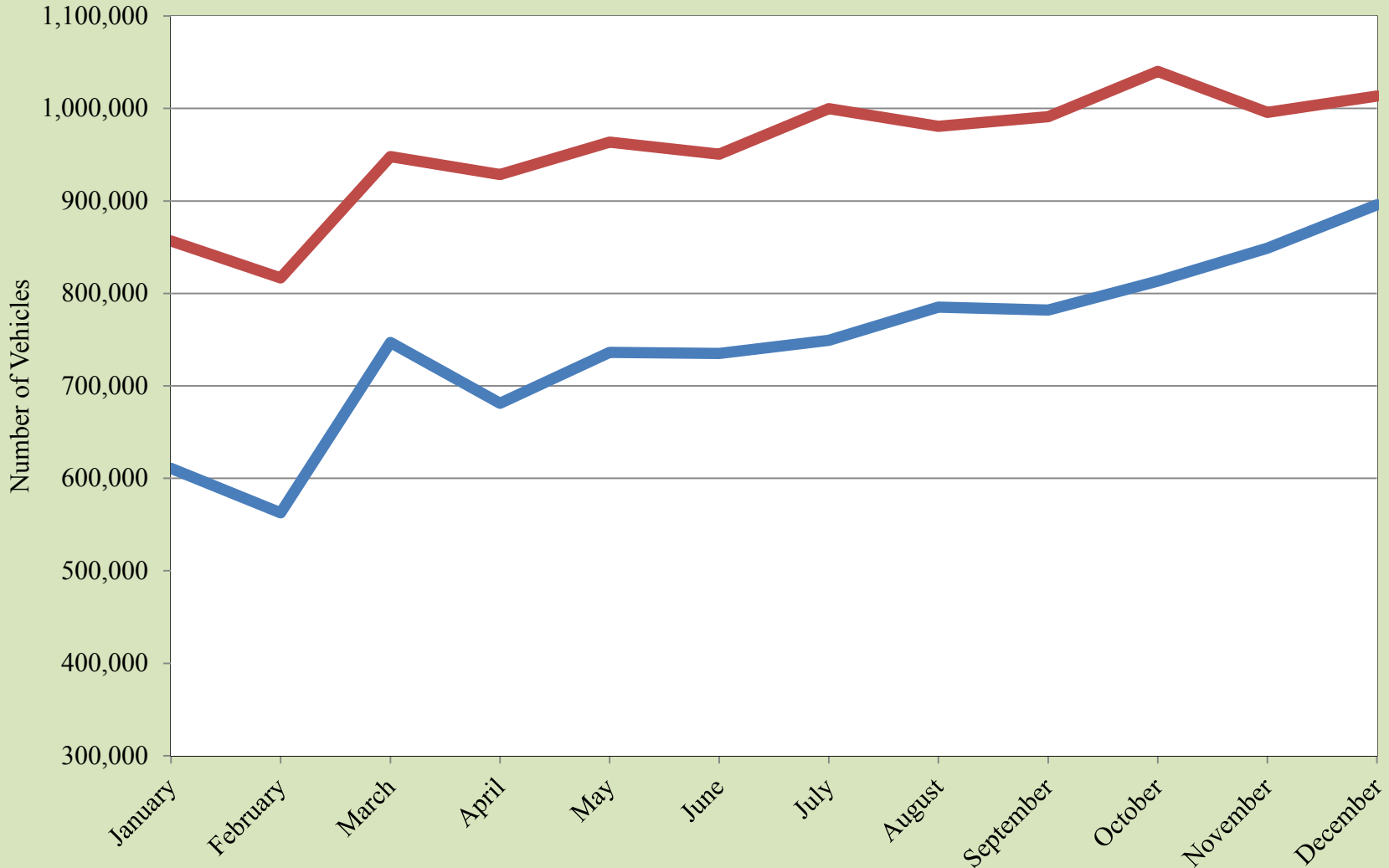
## Monthly Border Wait Times



Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

## Personal Vehicle International Bridge Crossings to El Paso

2021 2022



Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

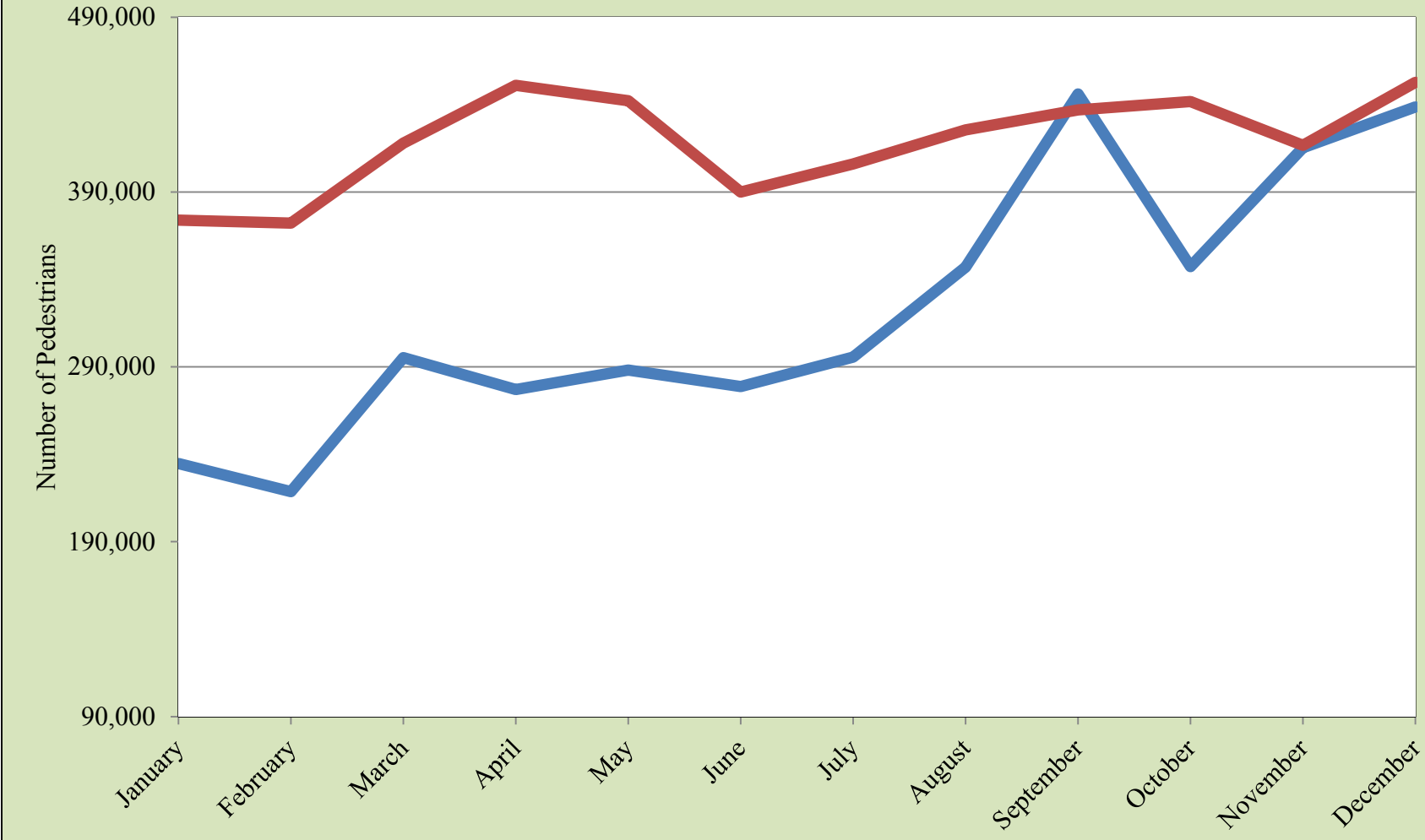
## Personal Vehicle International Bridge Crossings to El Paso



Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

# Pedestrian International Bridge Crossings to El Paso

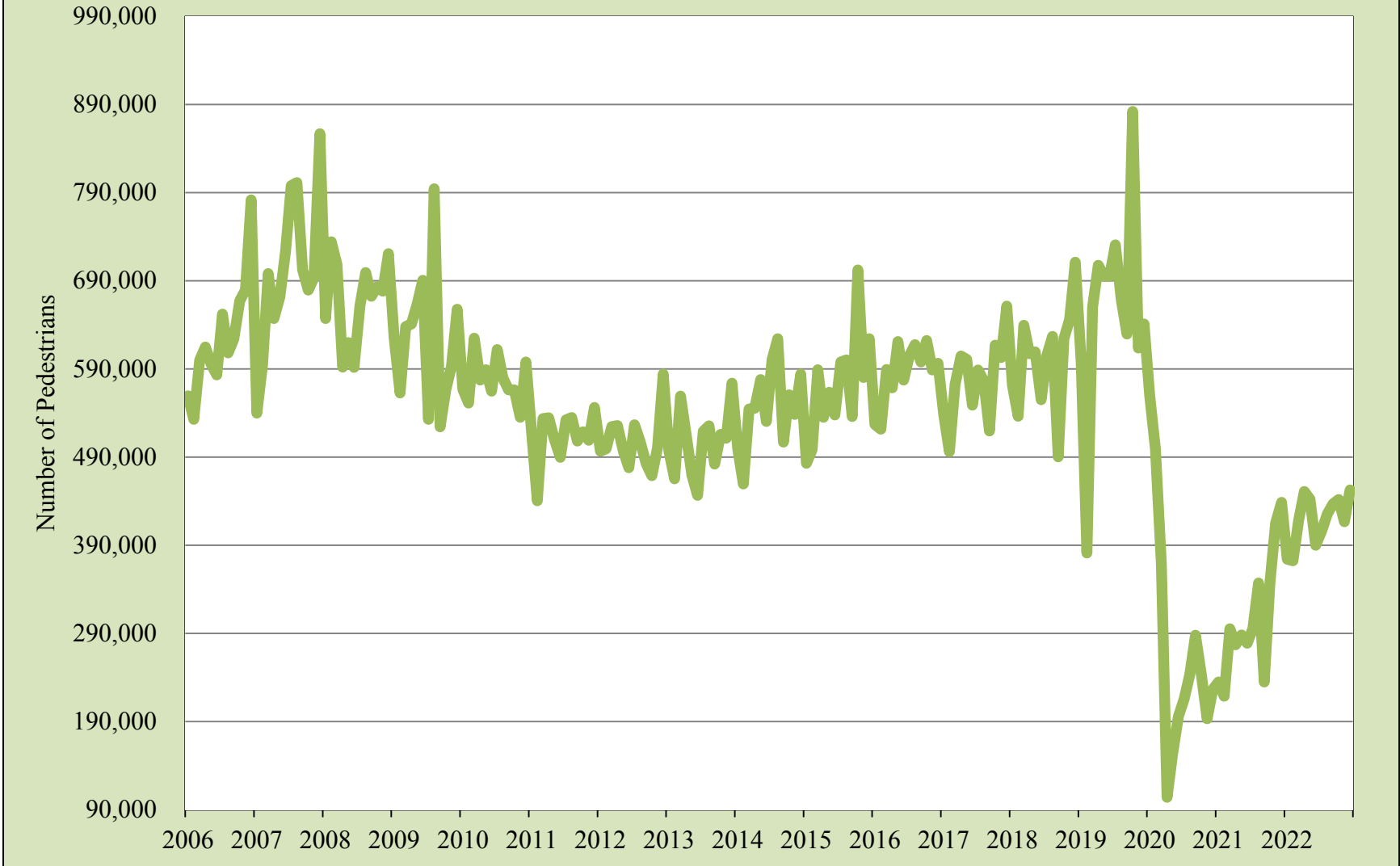
2021 2022



Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data



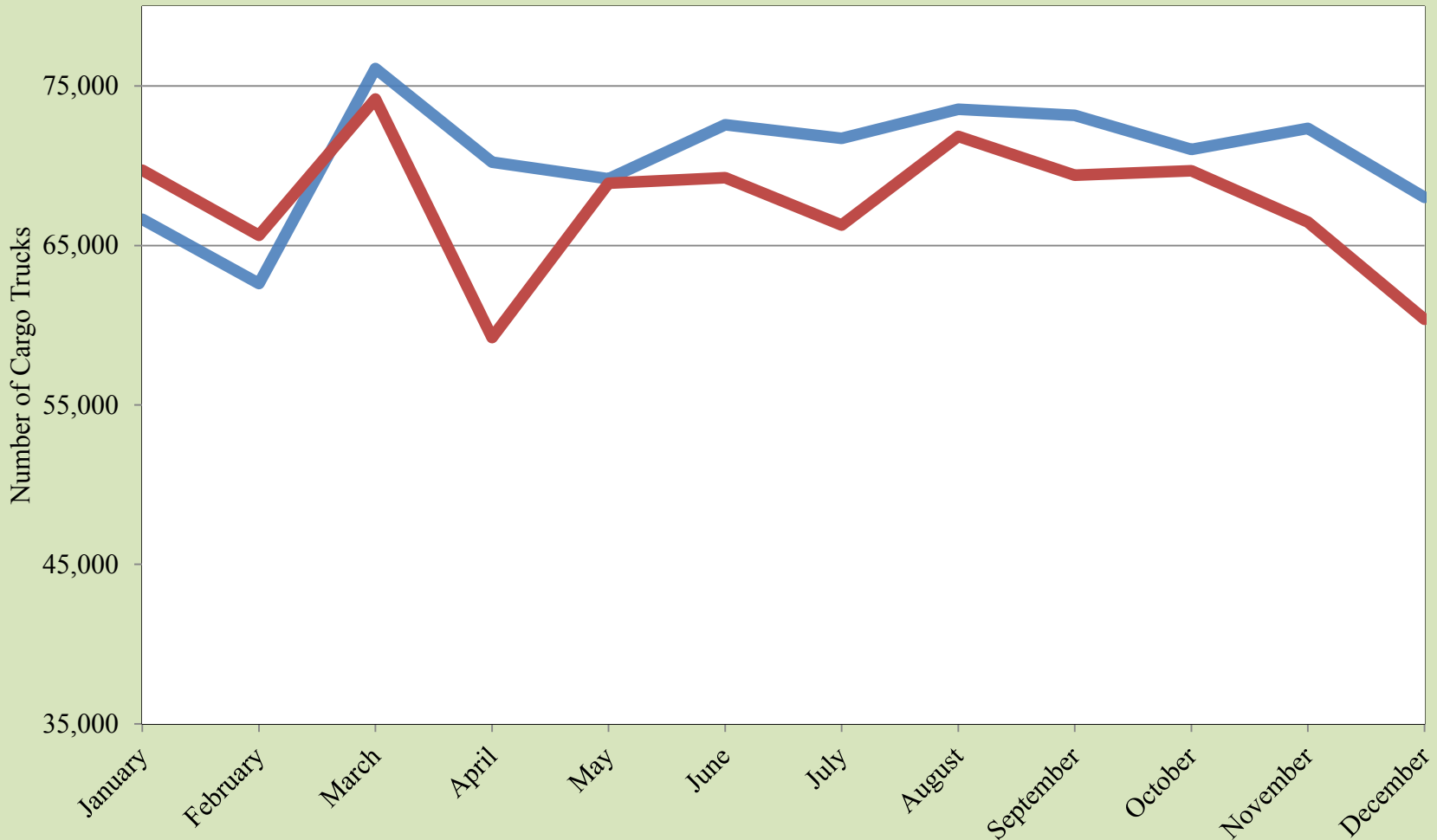
# Pedestrian International Bridge Crossings to El Paso



Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

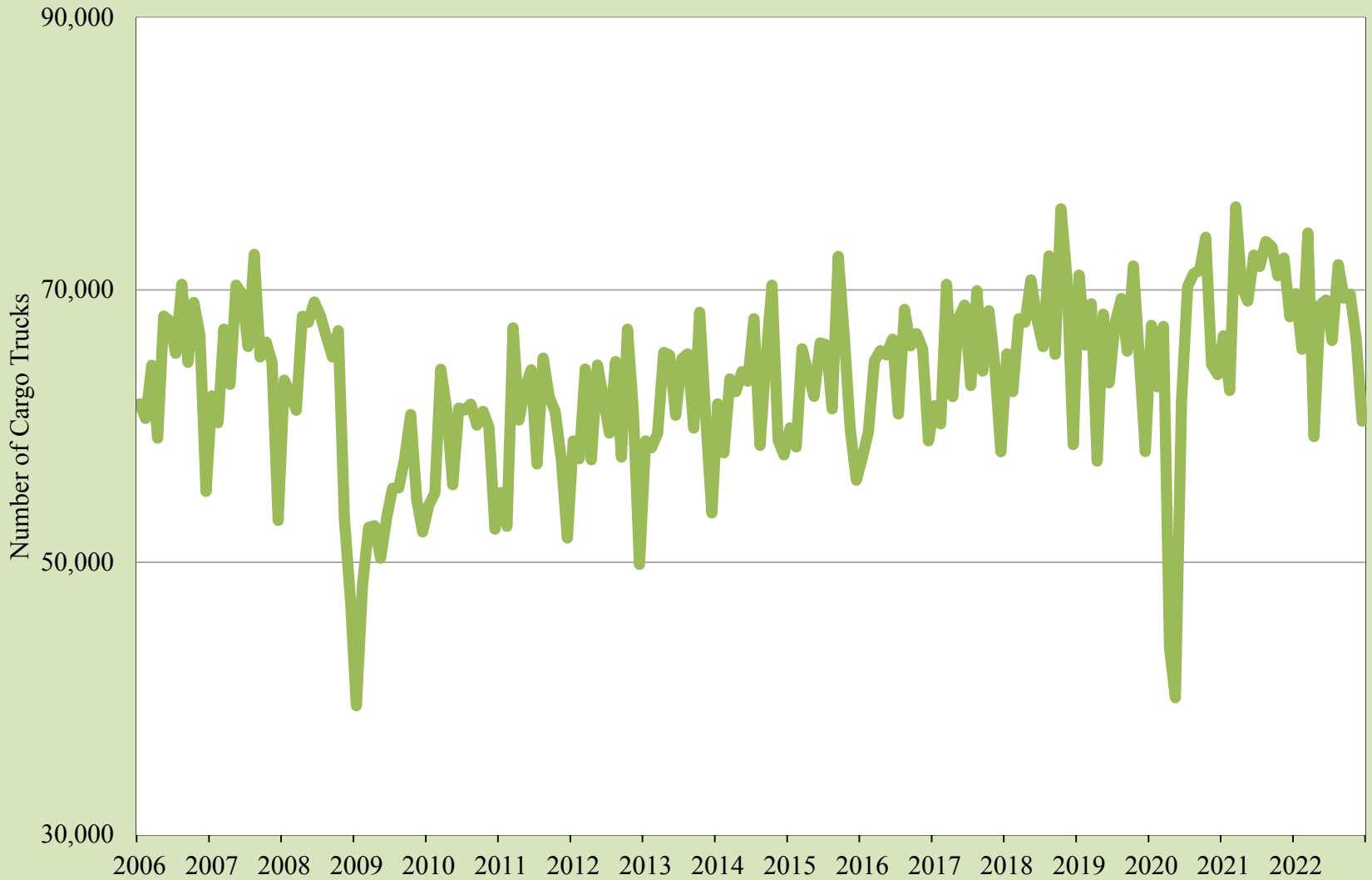
## Cargo Truck International Bridge Crossings to El Paso

2021 2022



Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

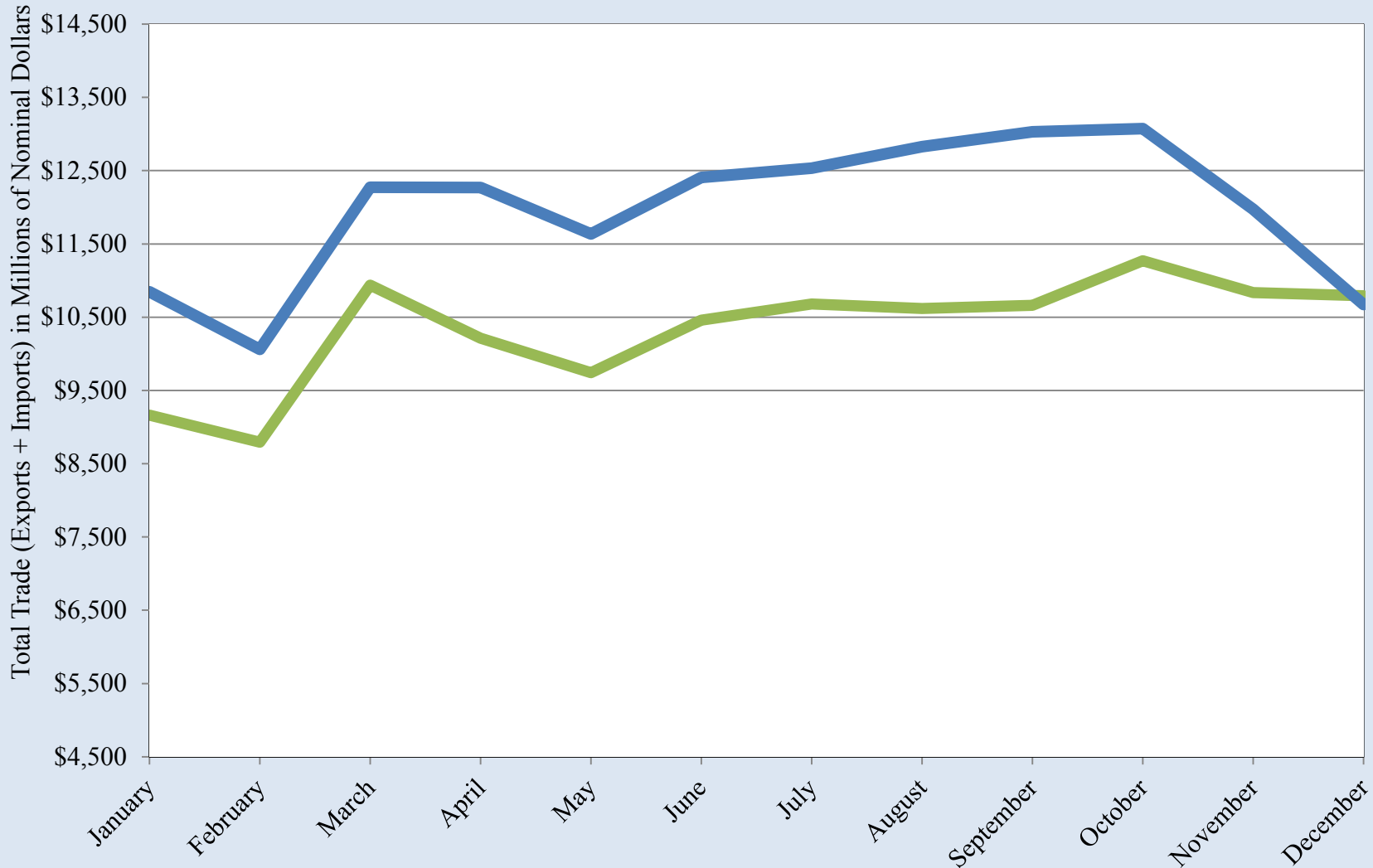
## Cargo Truck International Bridge Crossings to El Paso



Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

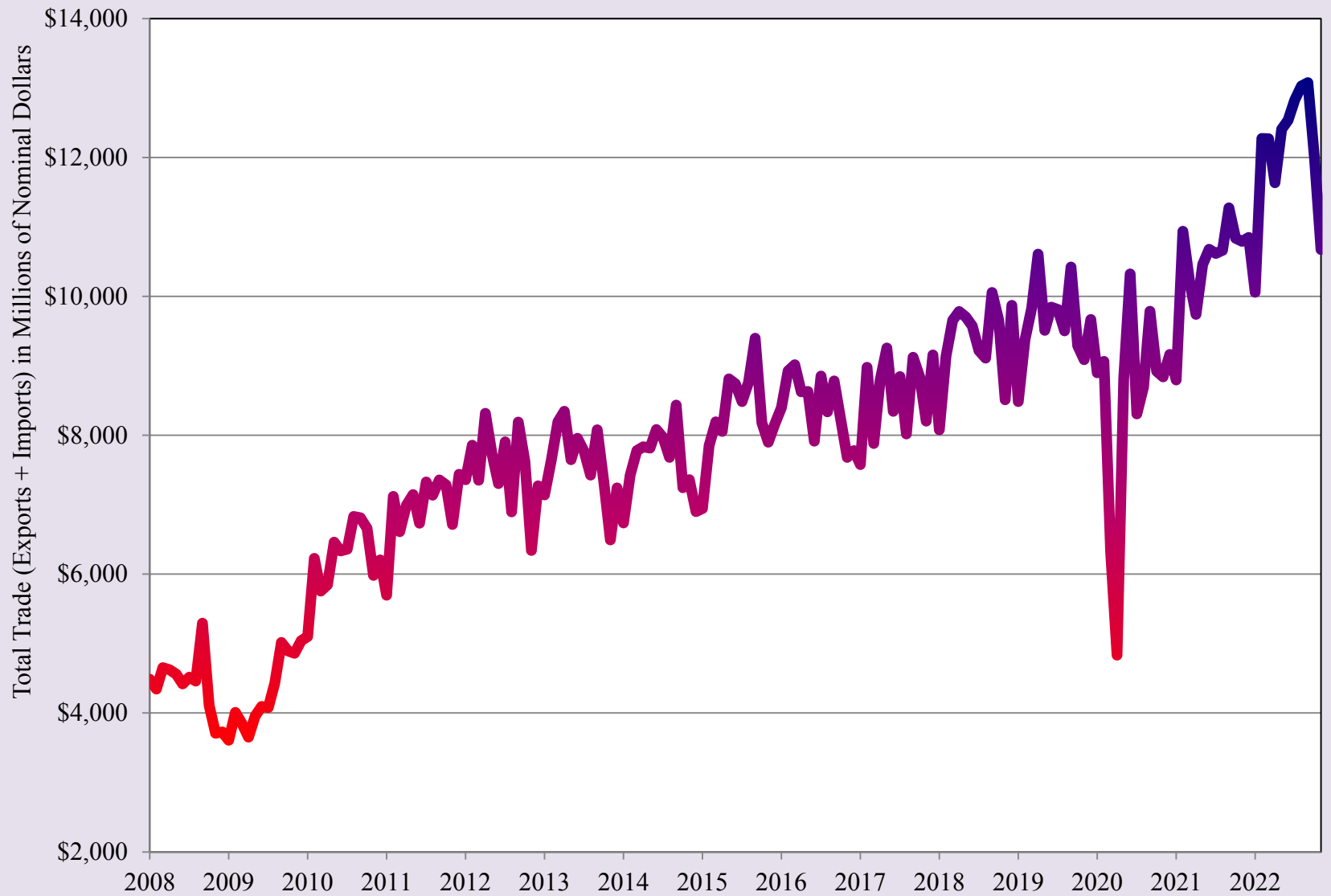
## Total Trade through the El Paso Customs District

2021 2022



Source: UTEP Border Region Modeling Project using US International Trade Commission Data

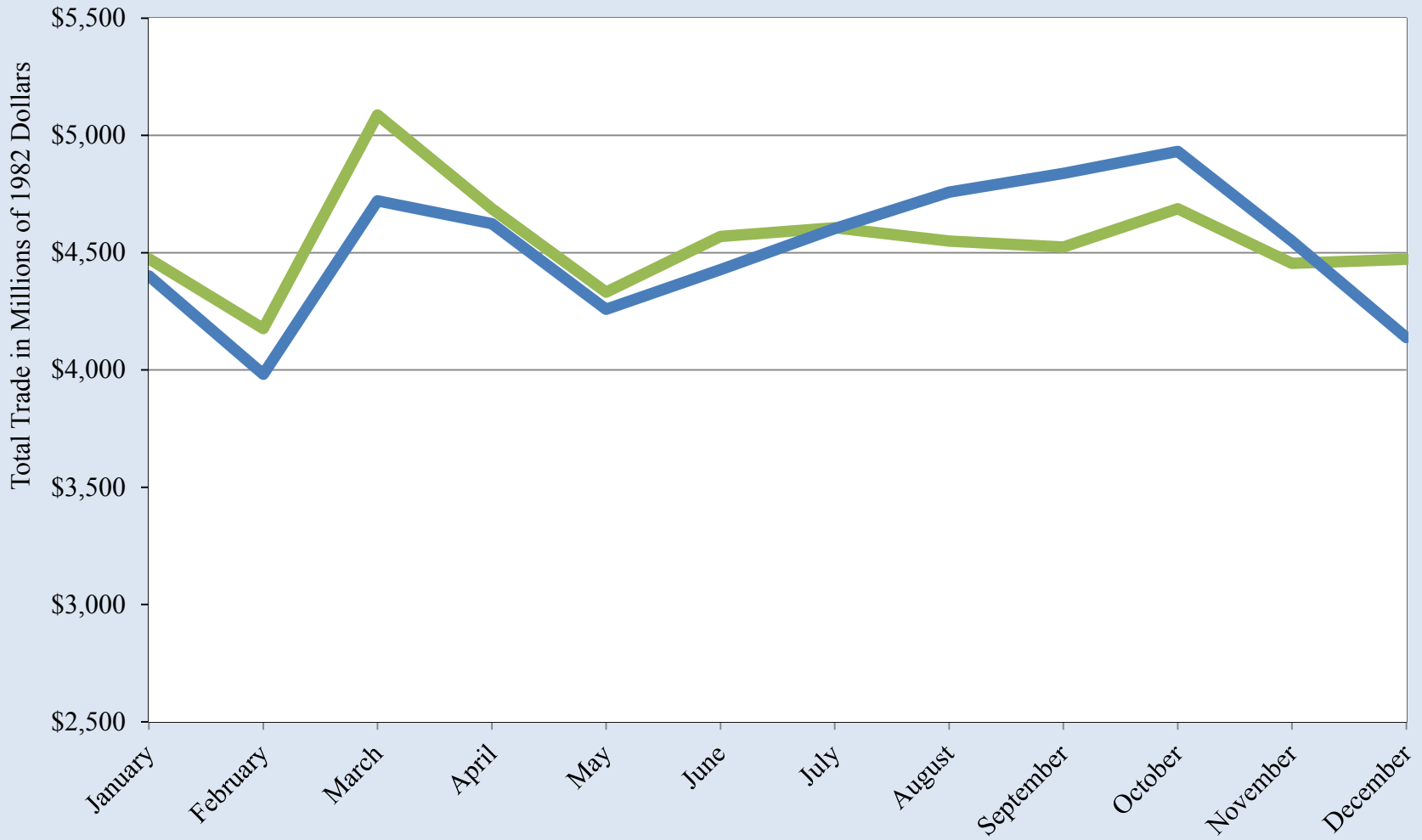
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Source: UTEP Border Region Modeling Project using US International Trade Commission Data

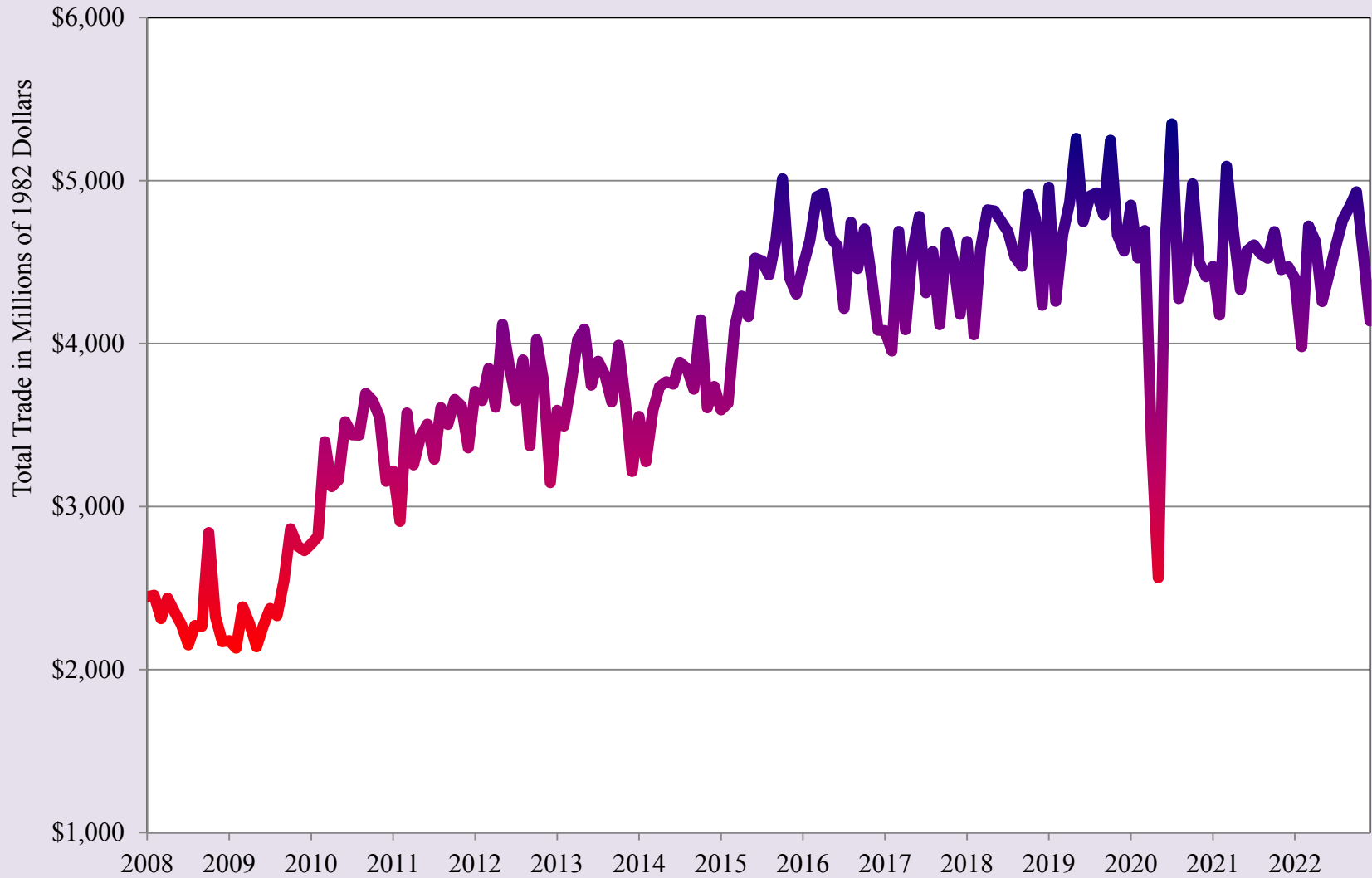
## Real Total Trade through the El Paso Customs District

2021 2022



Source: UTEP Border Region Modeling Project using US International Trade Commission Data

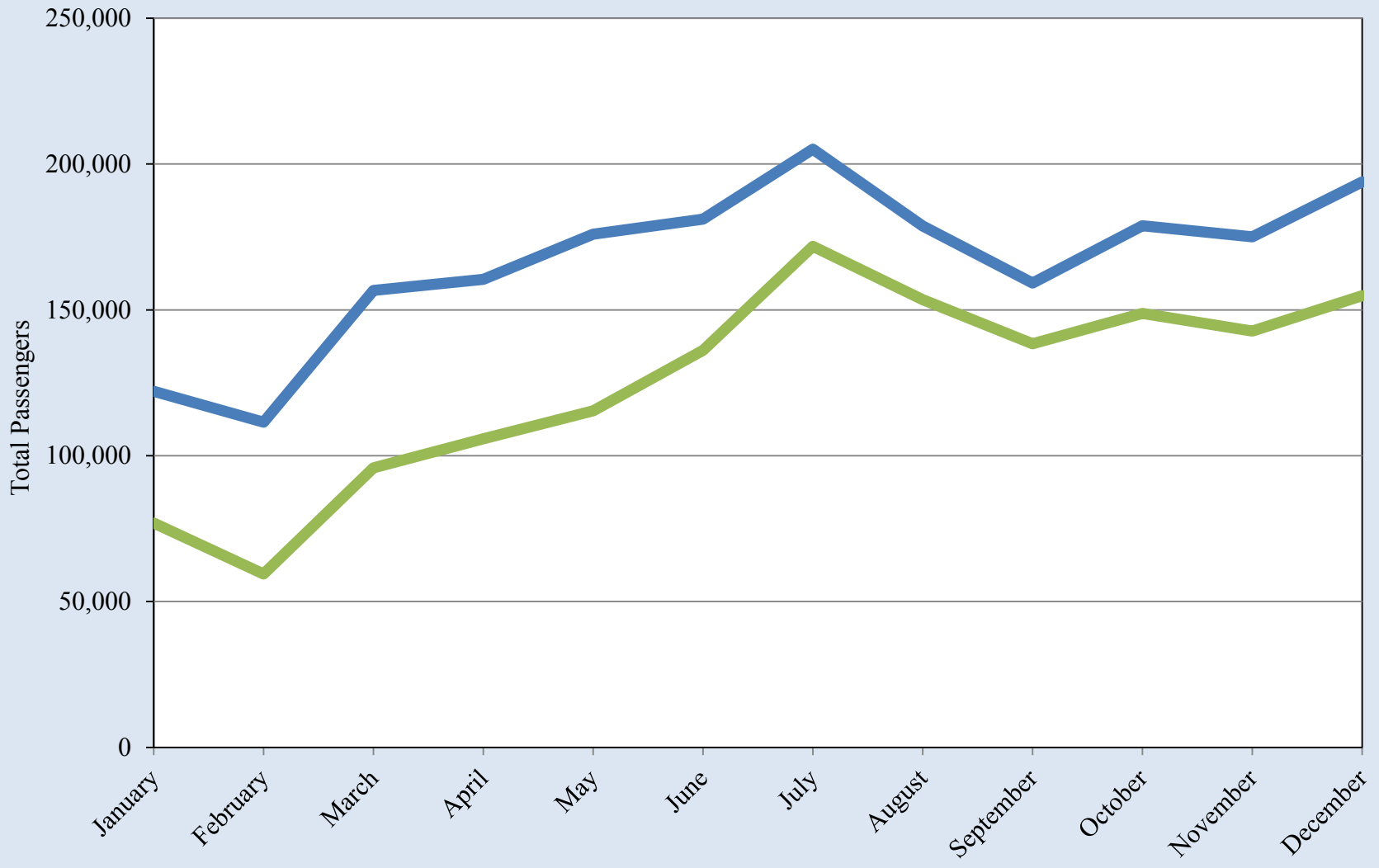
## Real Total Trade through the El Paso Customs District



Source: UTEP Border Region Modeling Project using US International Trade Commission Data

# Domestic Passengers Ciudad Juarez International Airport

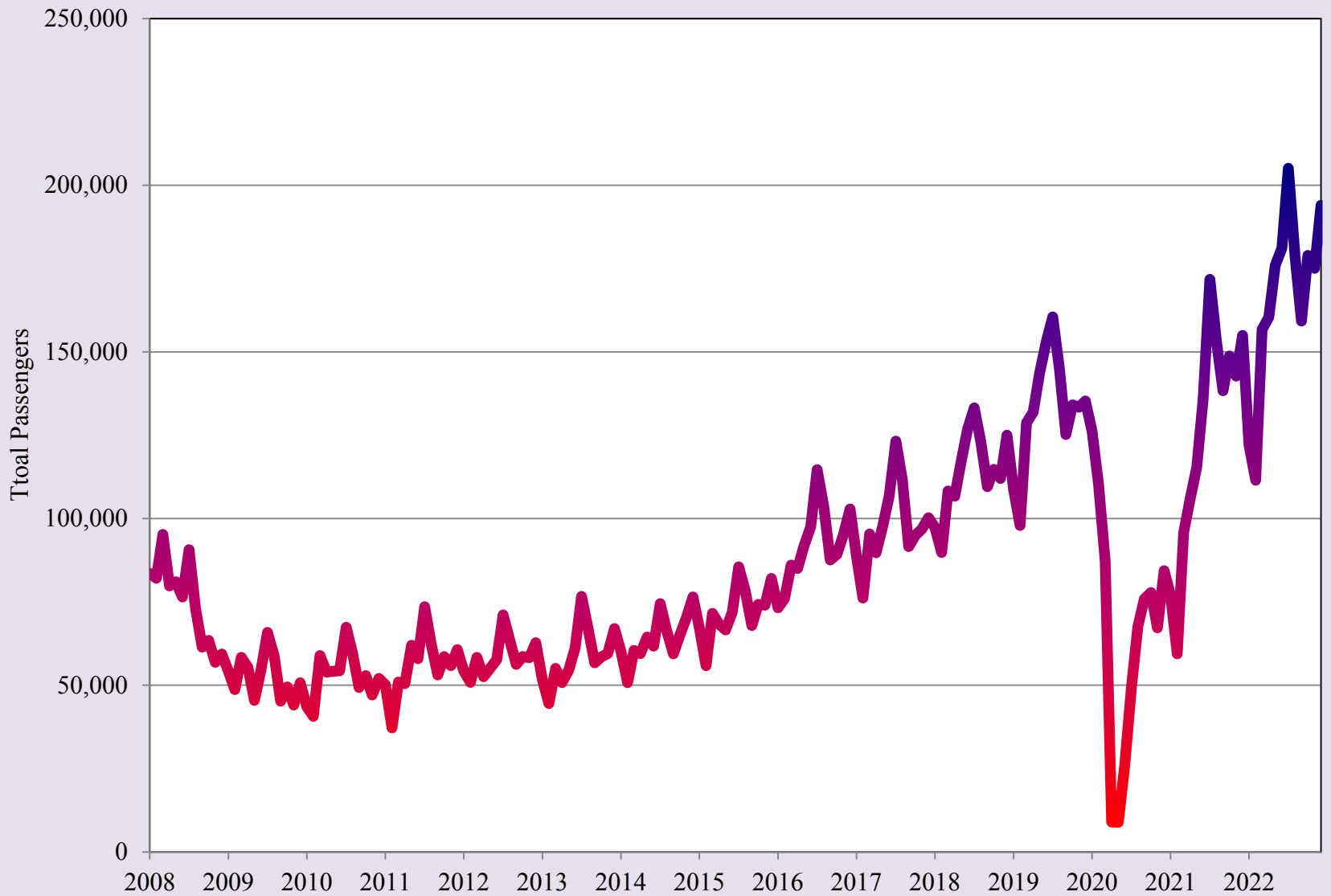
2021 2022



Source: UTEP Border Region Modeling Project using Grupo Aeroportuario Centro Norte - OMA Data



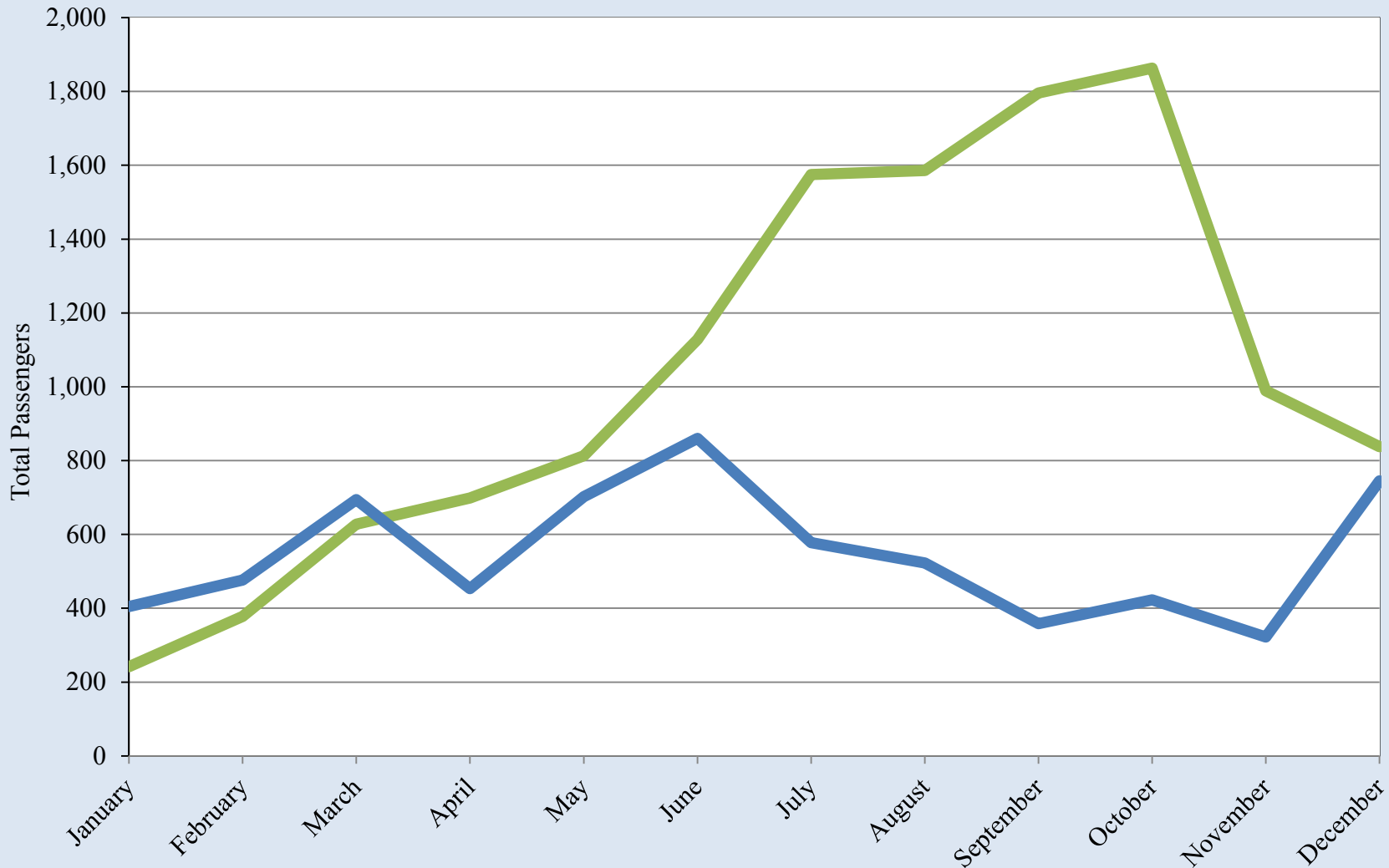
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Source: UTEP Border Region Modeling Project using Grupo Aeroportuario Centro Norte - OMA Data

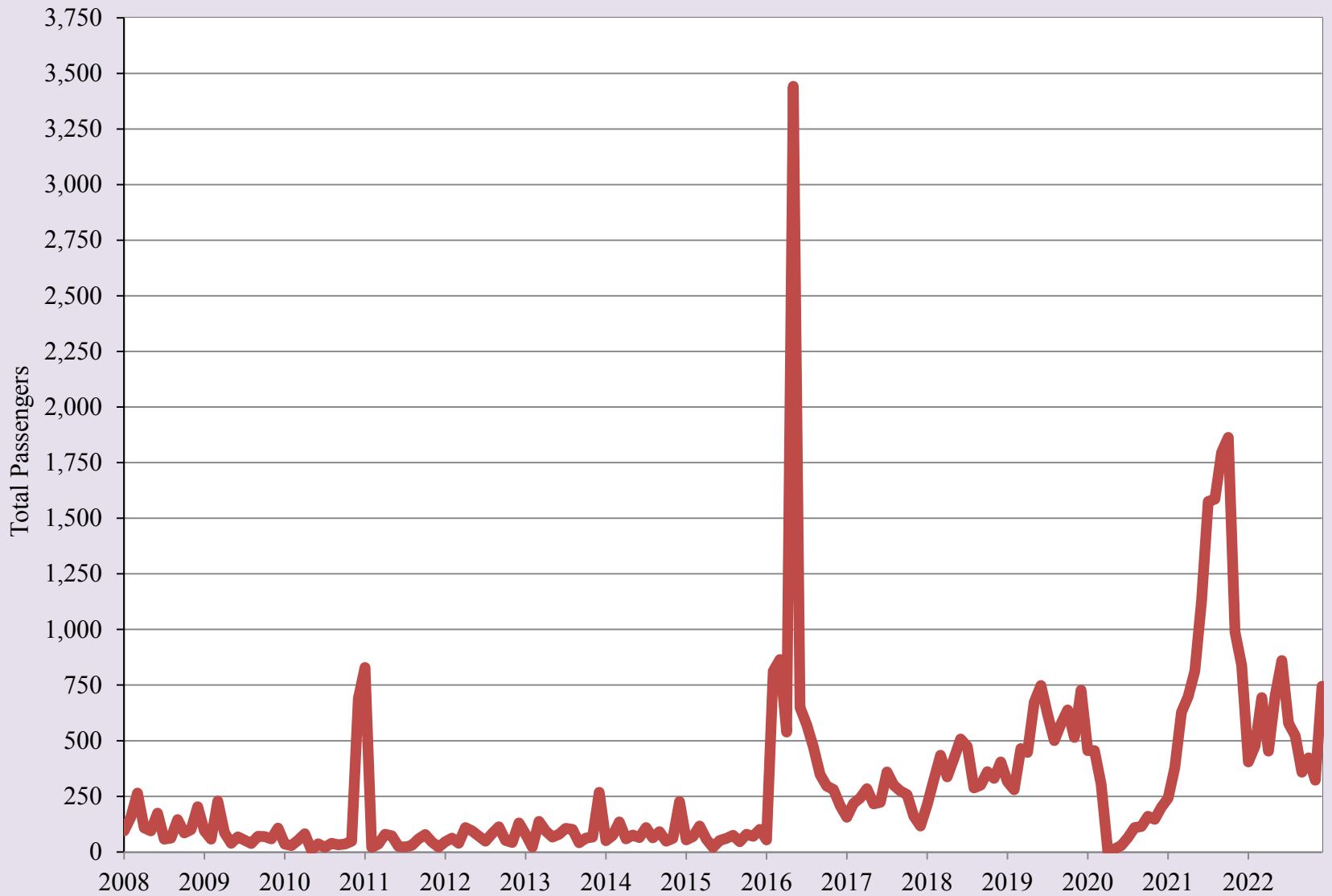
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2021 2022



Source: UTEP Border Region Modeling Project using Grupo Aeroportuario Centro Norte - OMA Data

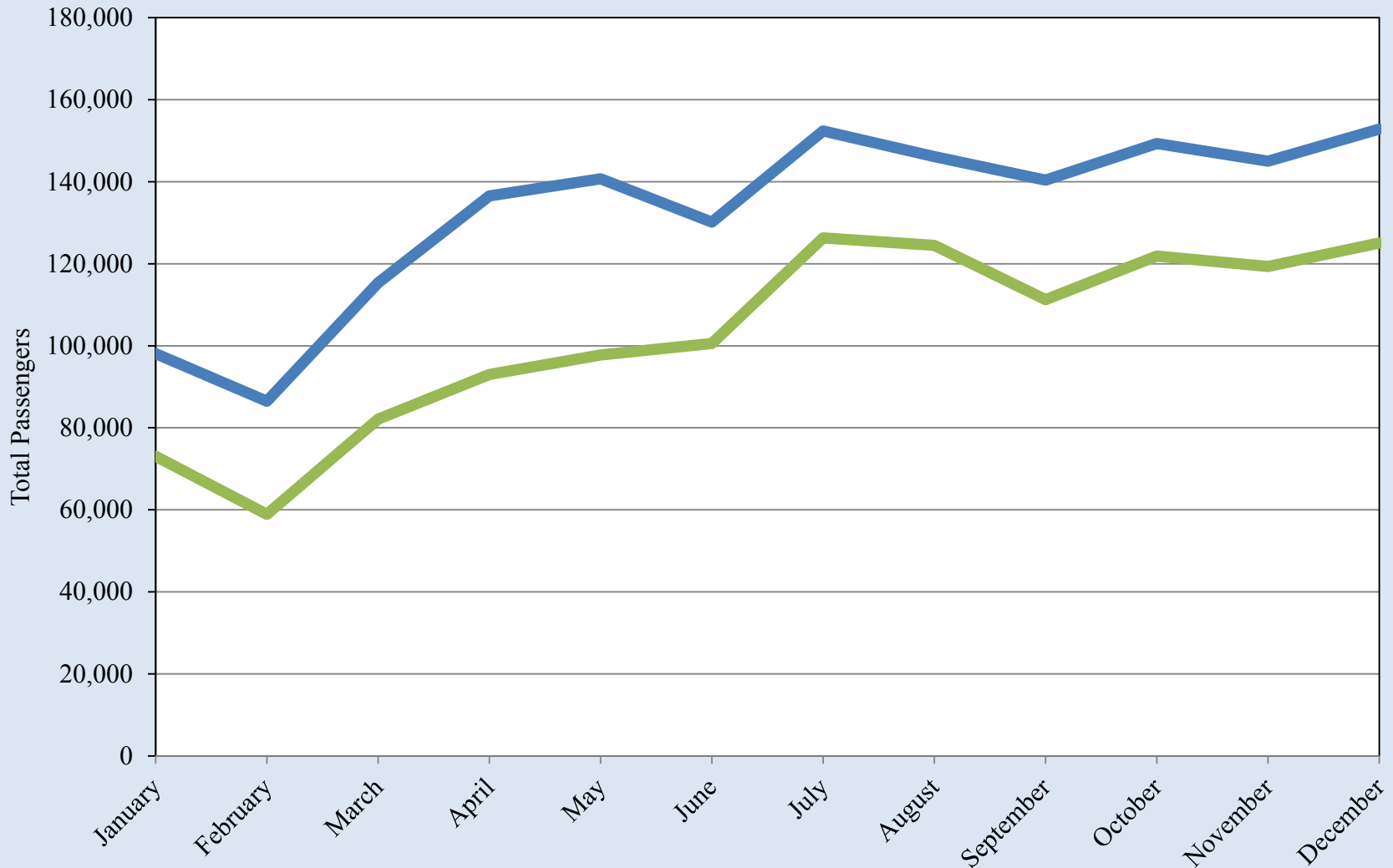
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Source: UTEP Border Region Modeling Project using Grupo Aeroportuario Centro Norte - OMA Data

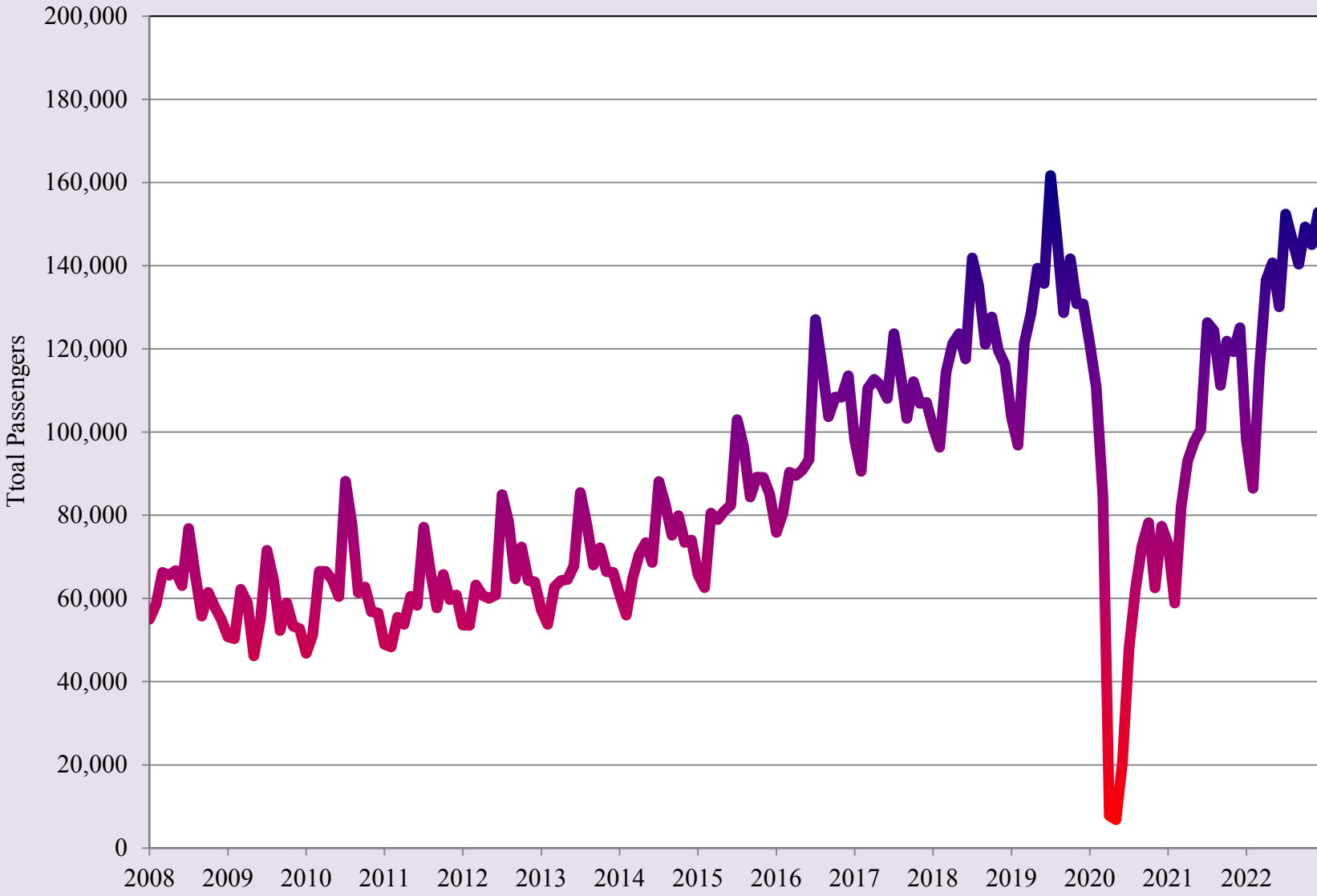
# Domestic Passengers Chihuahua City International Airport

2021 2022



Source: UTEP Border Region Modeling Project using Grupo Aeroportuario Centro Norte - OMA Data

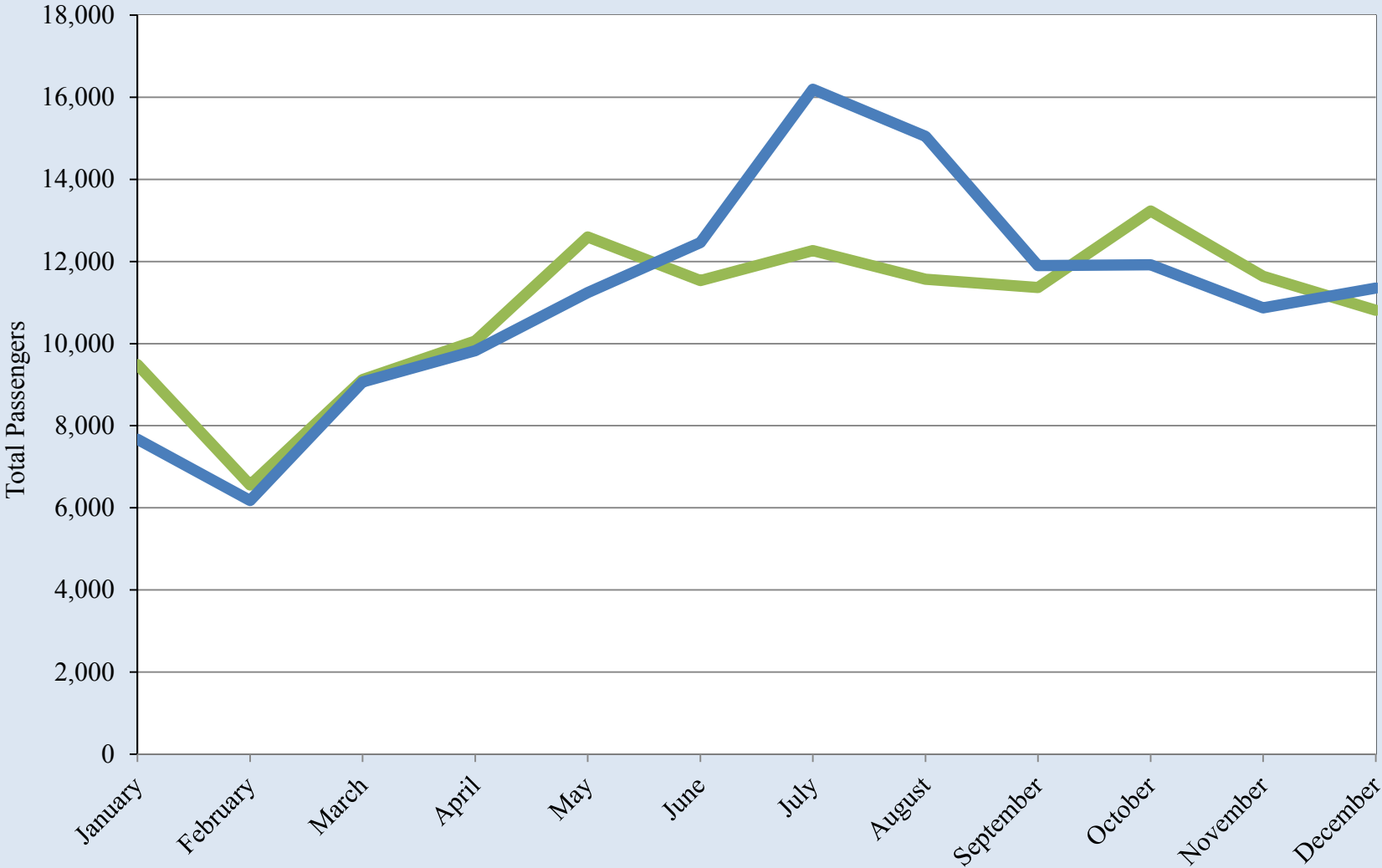
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Source: UTEP Border Region Modeling Project using Grupo Aeroportuario Centro Norte - OMA Data

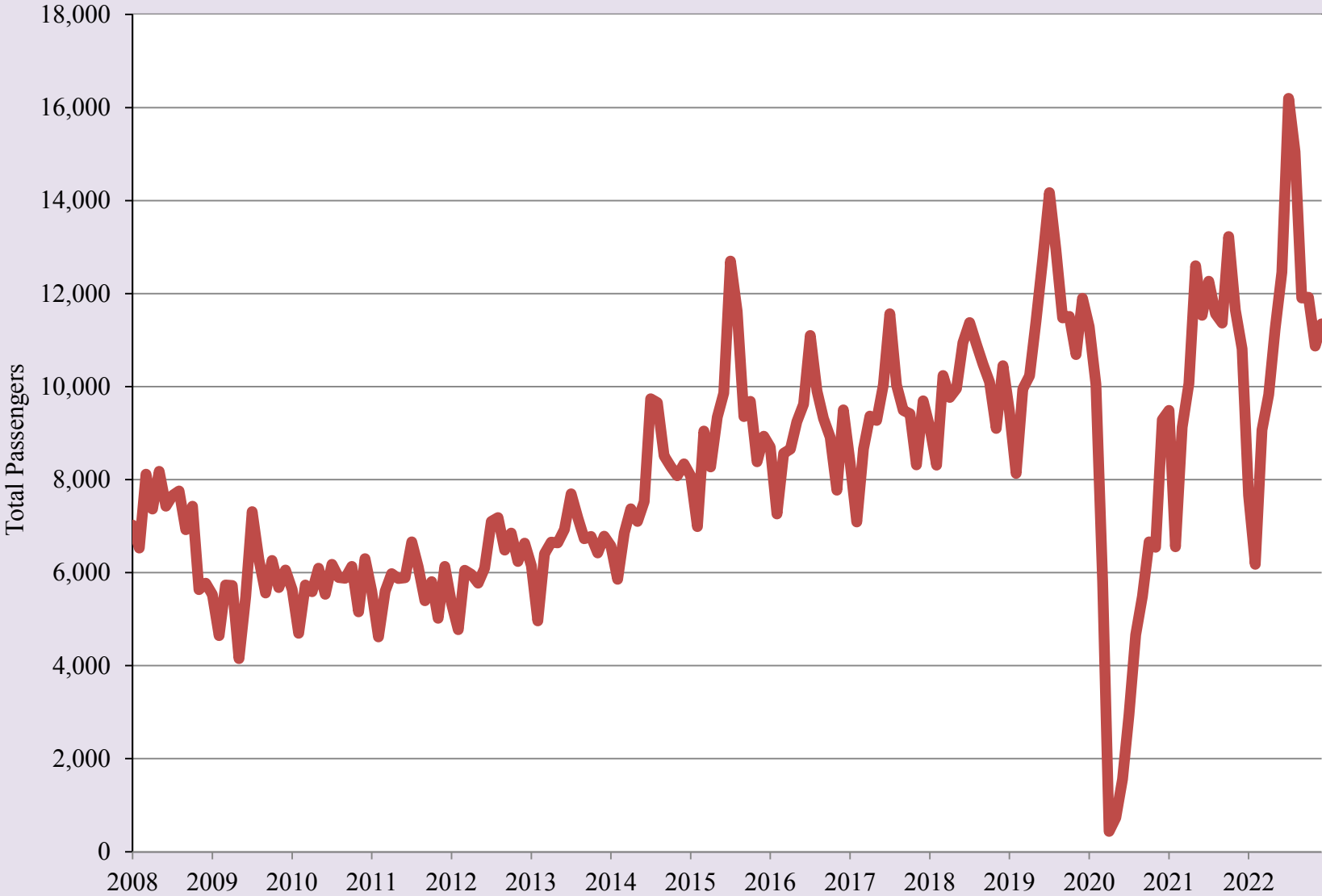
# International Passengers Chihuahua City International Airport

2021 2022



Source: UTEP Border Region Modeling Project using Grupo Aeroportuario Centro Norte - OMA Data

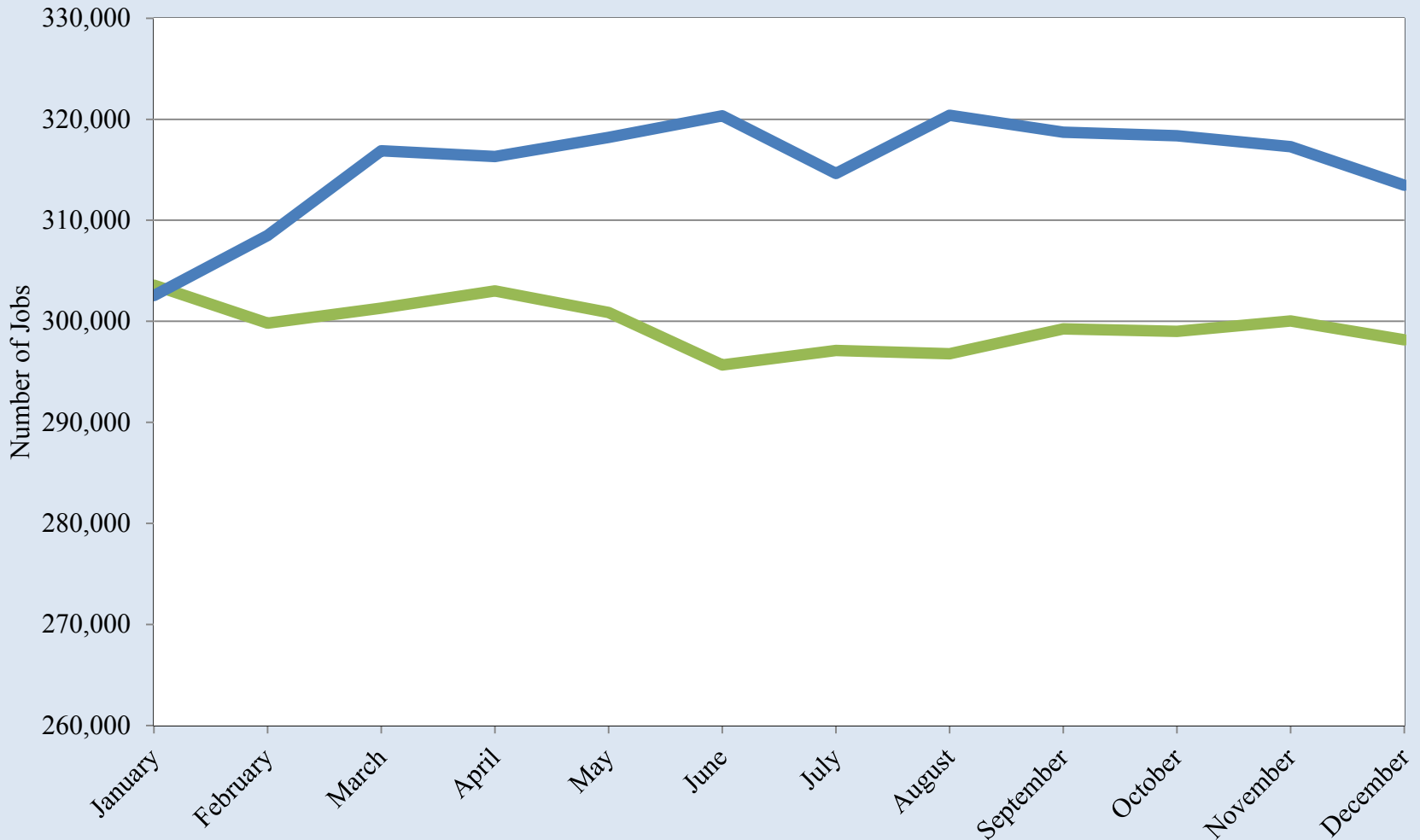
# International Passengers Chihuahua City International Airport



Source: UTEP Border Region Modeling Project using Grupo Aeroportuario Centro Norte - OMA Data

## Export-Oriented Manufacturing Employment in Ciudad Juárez

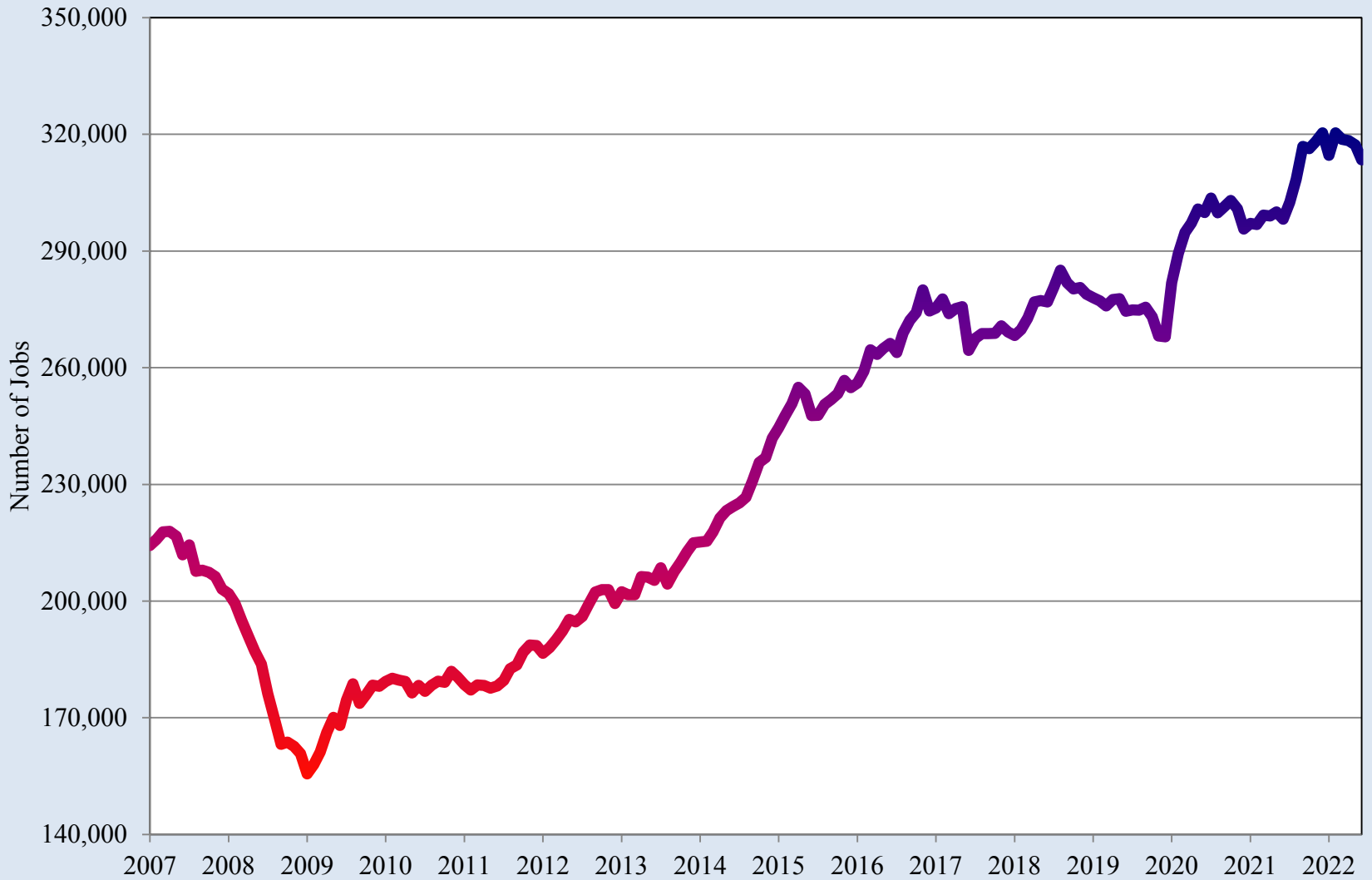
2021 2022



Source: UTEP Border Region Modeling Project using INEGI Data



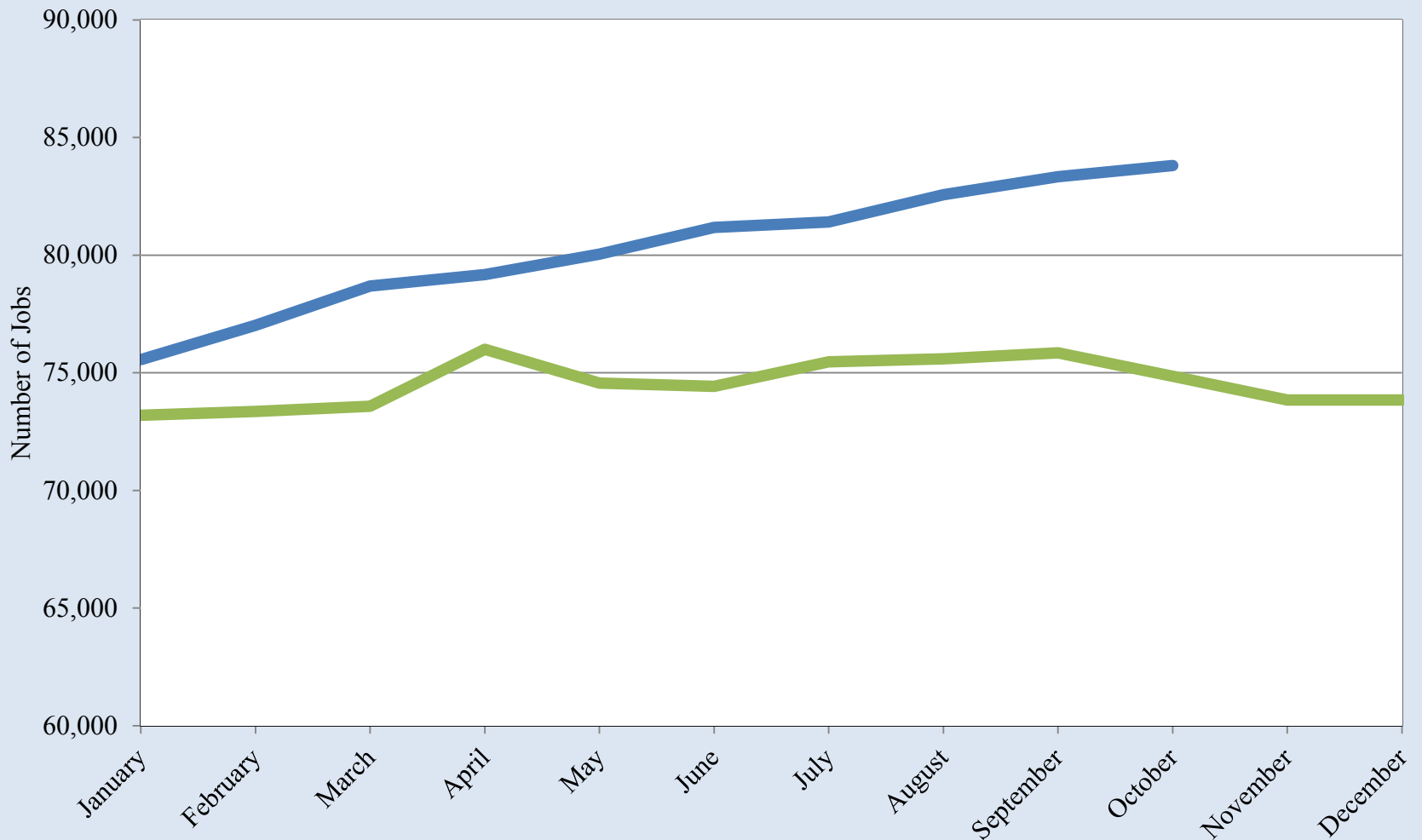
## Export-Oriented Manufacturing Employment in Ciudad Juárez



Source: UTEP Border Region Modeling Project using INEGI Data

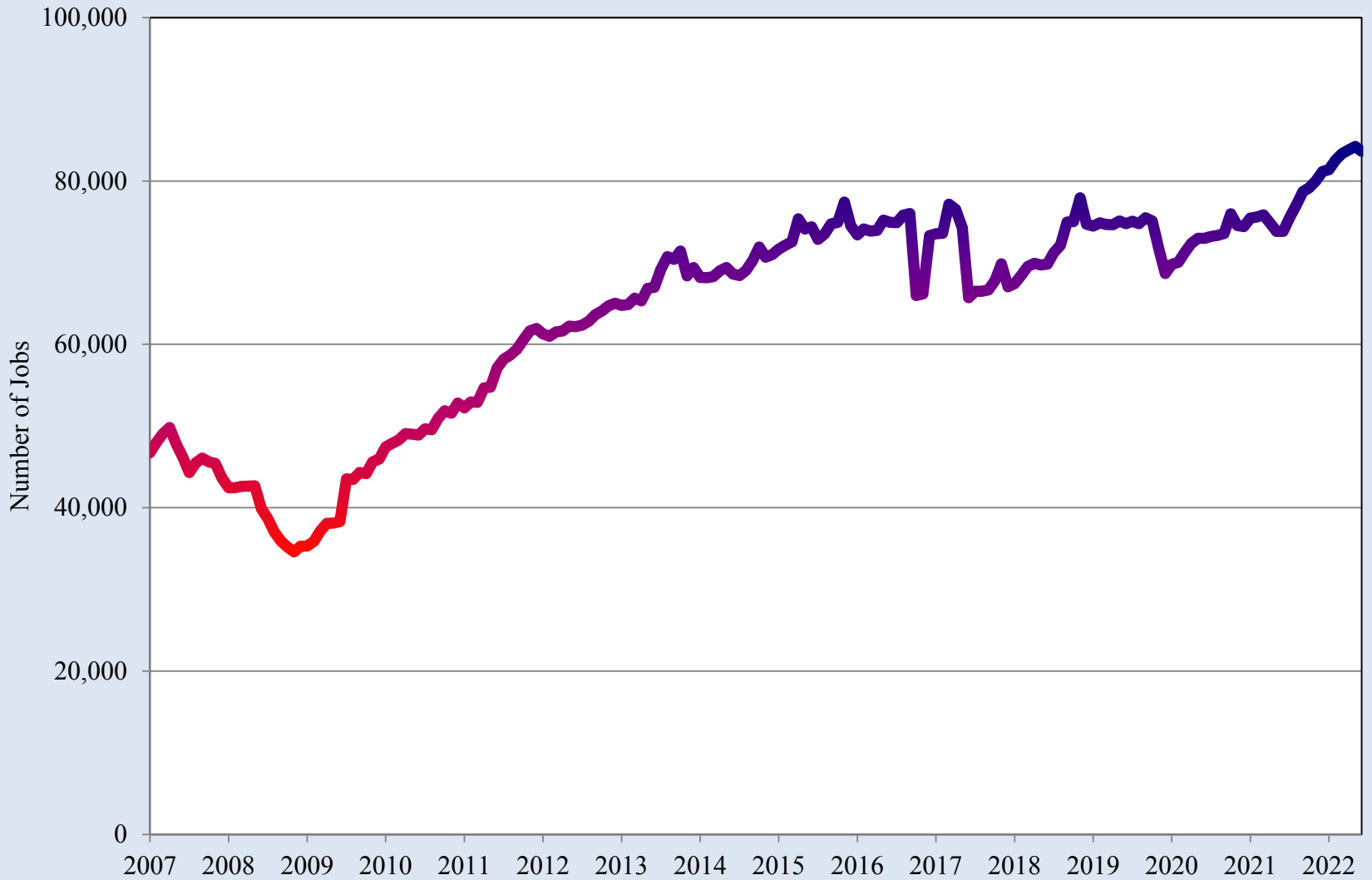
## Export-Oriented Manufacturing Employment in Chihuahua City

2021 2022



Source: UTEP Border Region Modeling Project using INEGI Data

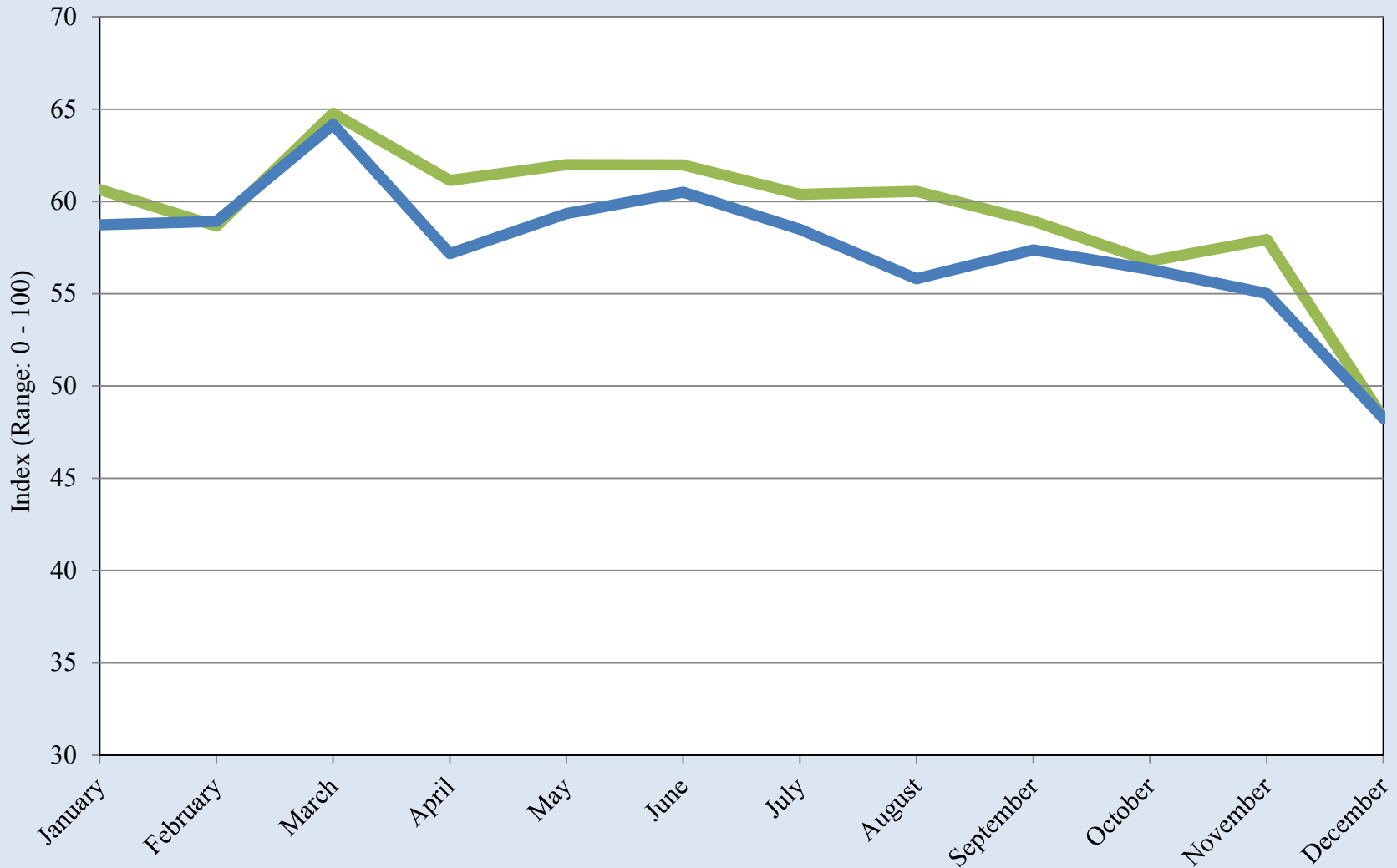
## Export-Oriented Manufacturing Employment in Chihuahua City



Source: UTEP Border Region Modeling Project using INEGI Data

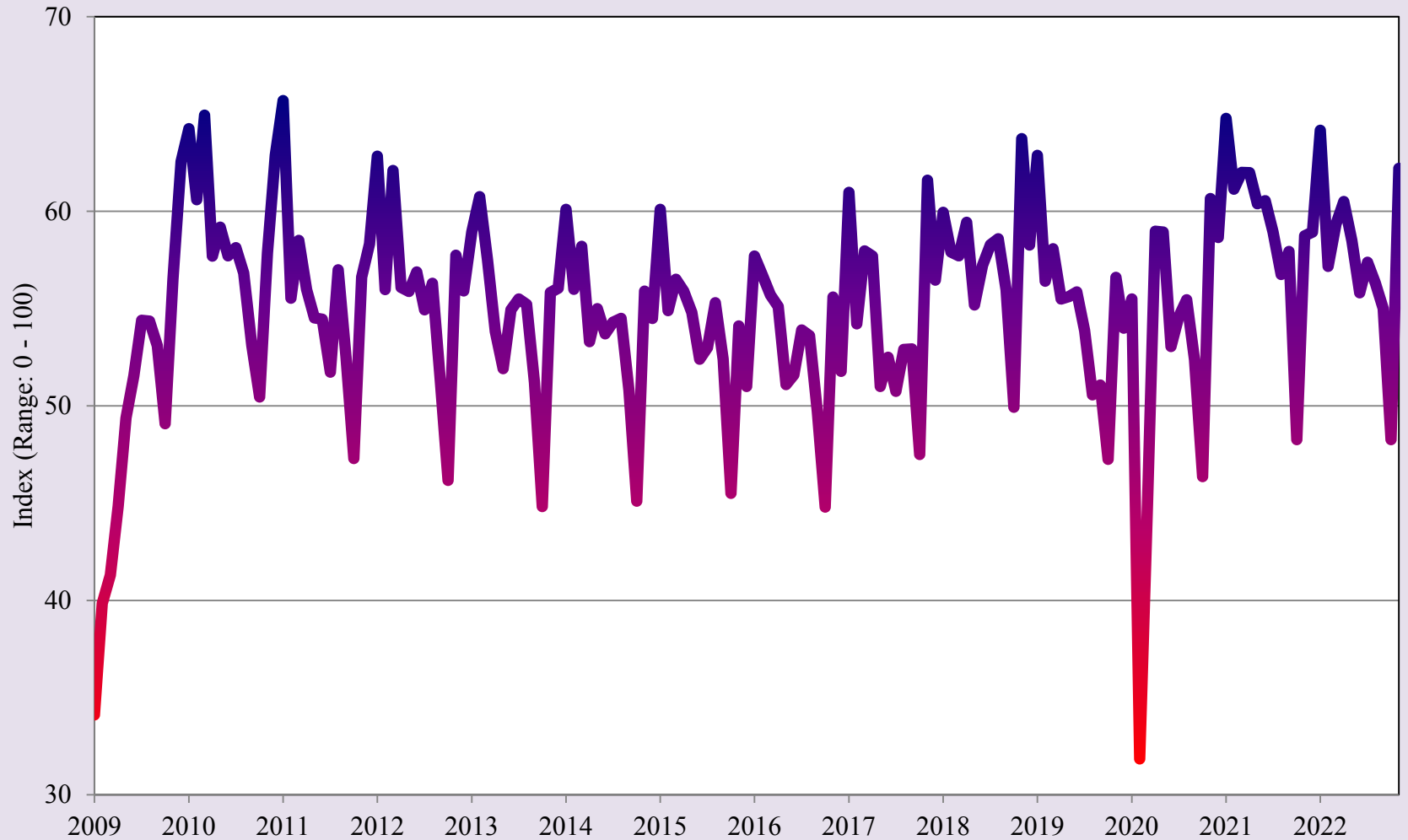
# Northern Mexico Manufacturing Orders Index

2021 2022



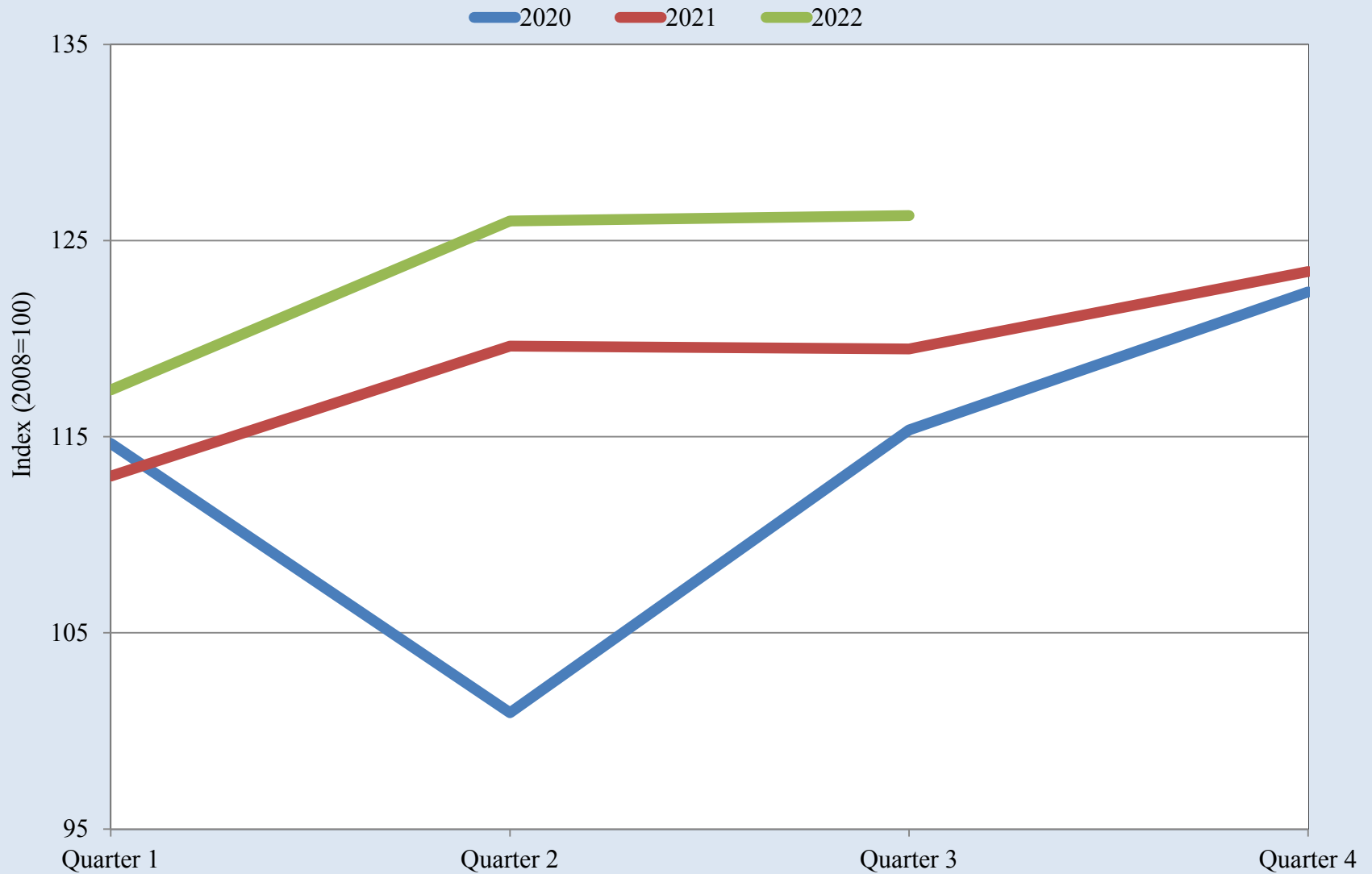
Source: UTEP Border Region Modeling Project using Banco de México Data

## Northern Mexico Manufacturing Orders Index



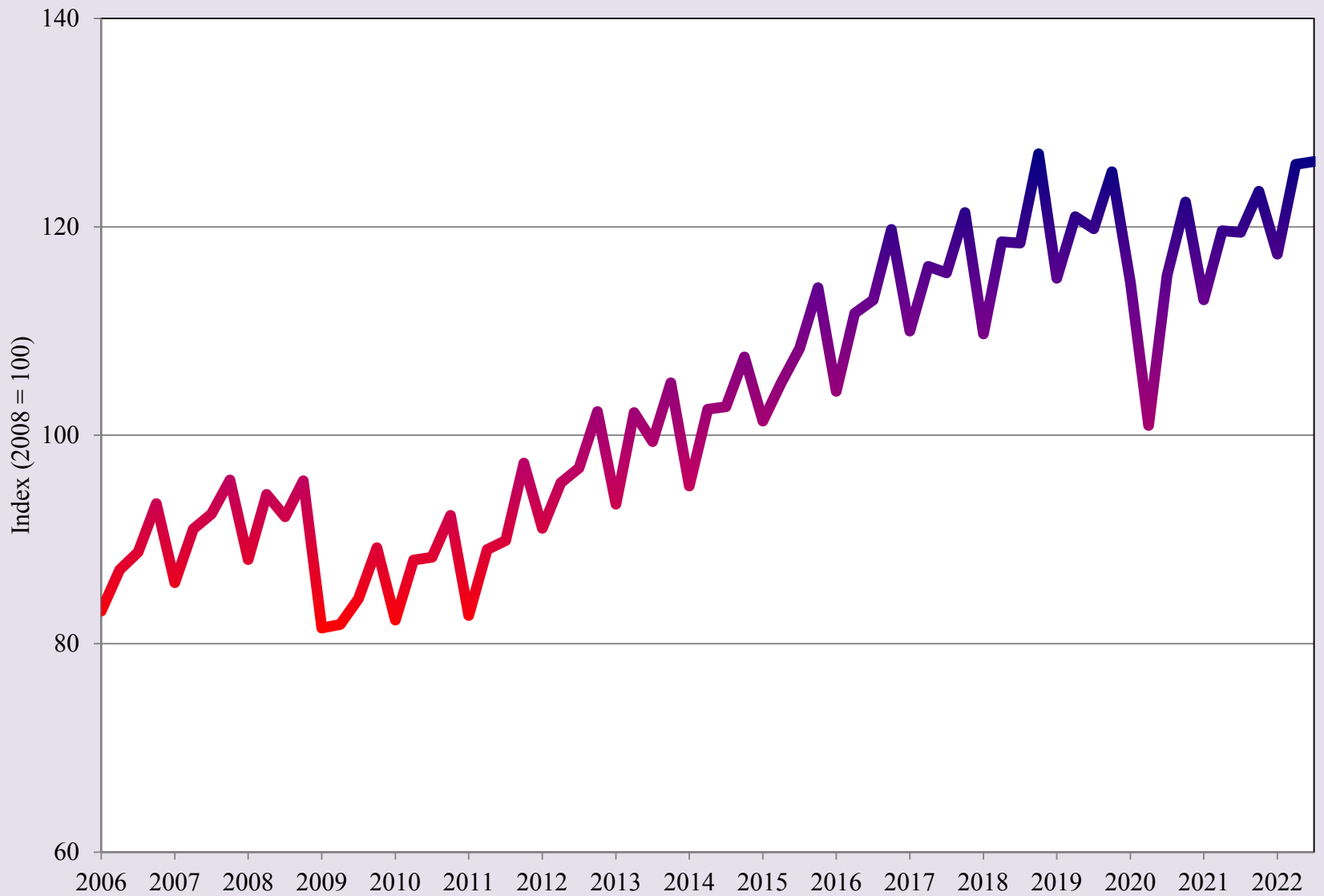
Source: UTEP Border Region Modeling Project using Banco de México Data

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



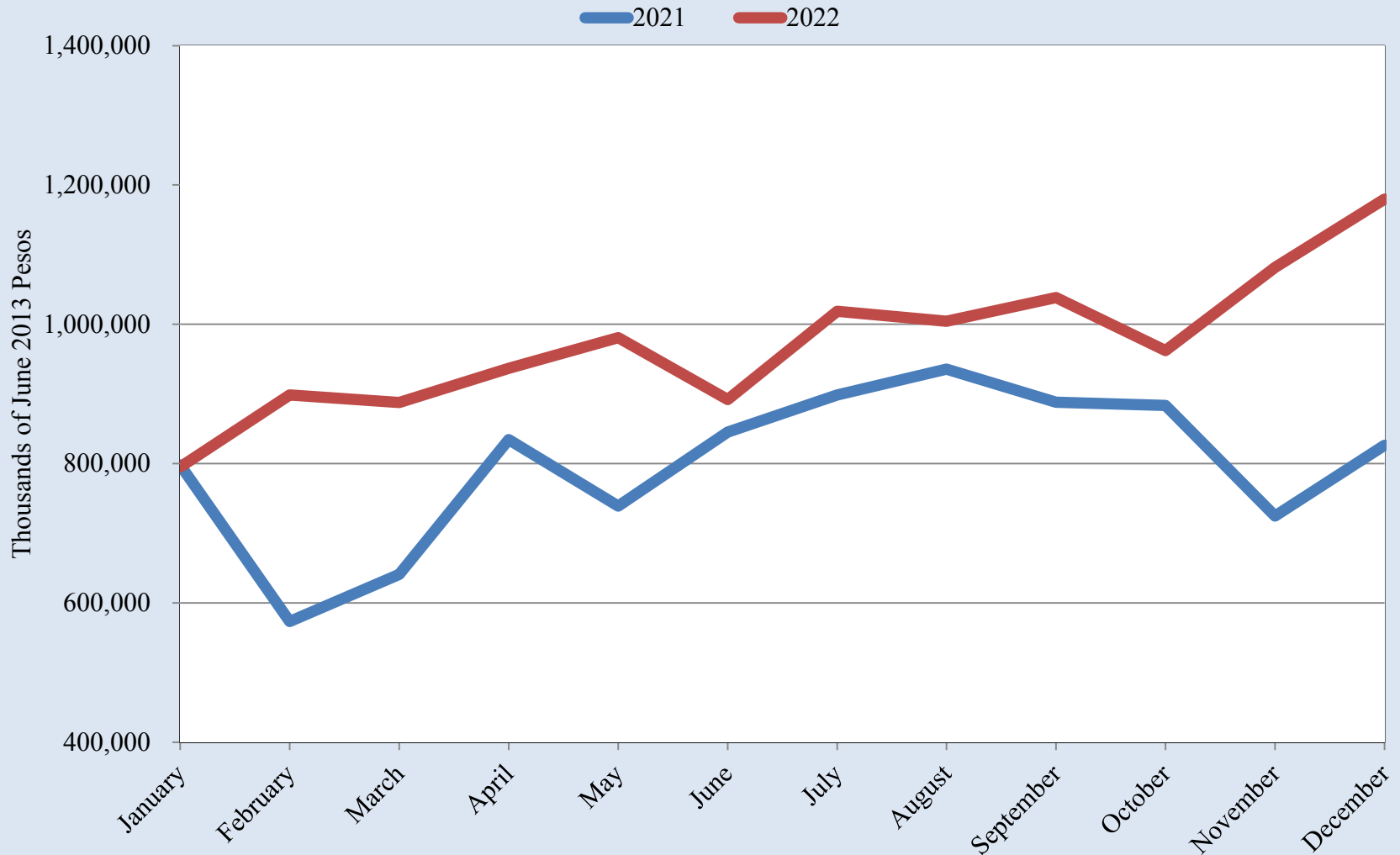
Source: UTEP Border Region Modeling Project using INEGI Data

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



Source: UTEP Border Region Modeling Project using INEGI Data

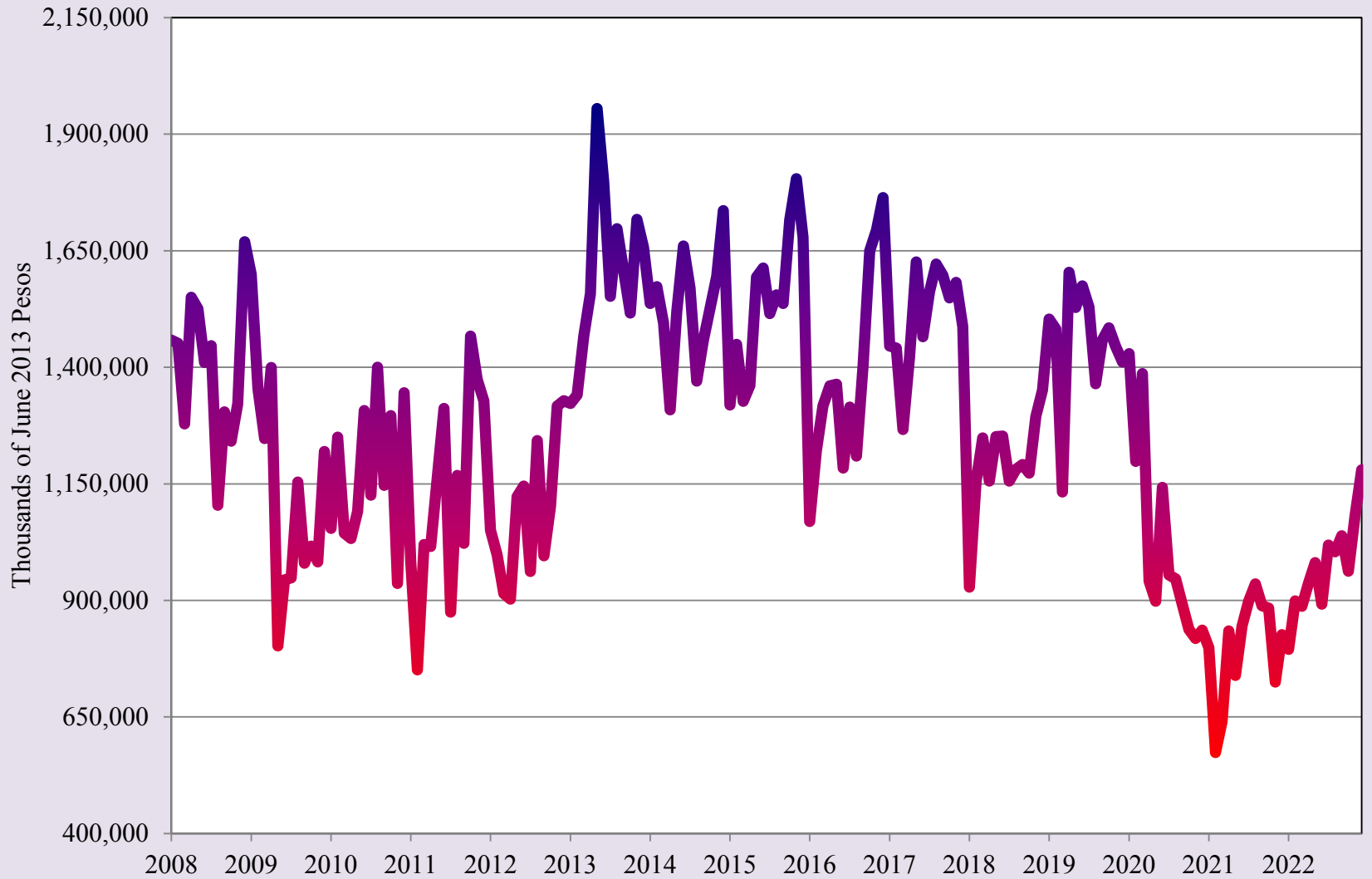
## Total Value of Construction in the State of Chihuahua



Source: UTEP Border Region Modeling Project using INEGI Data



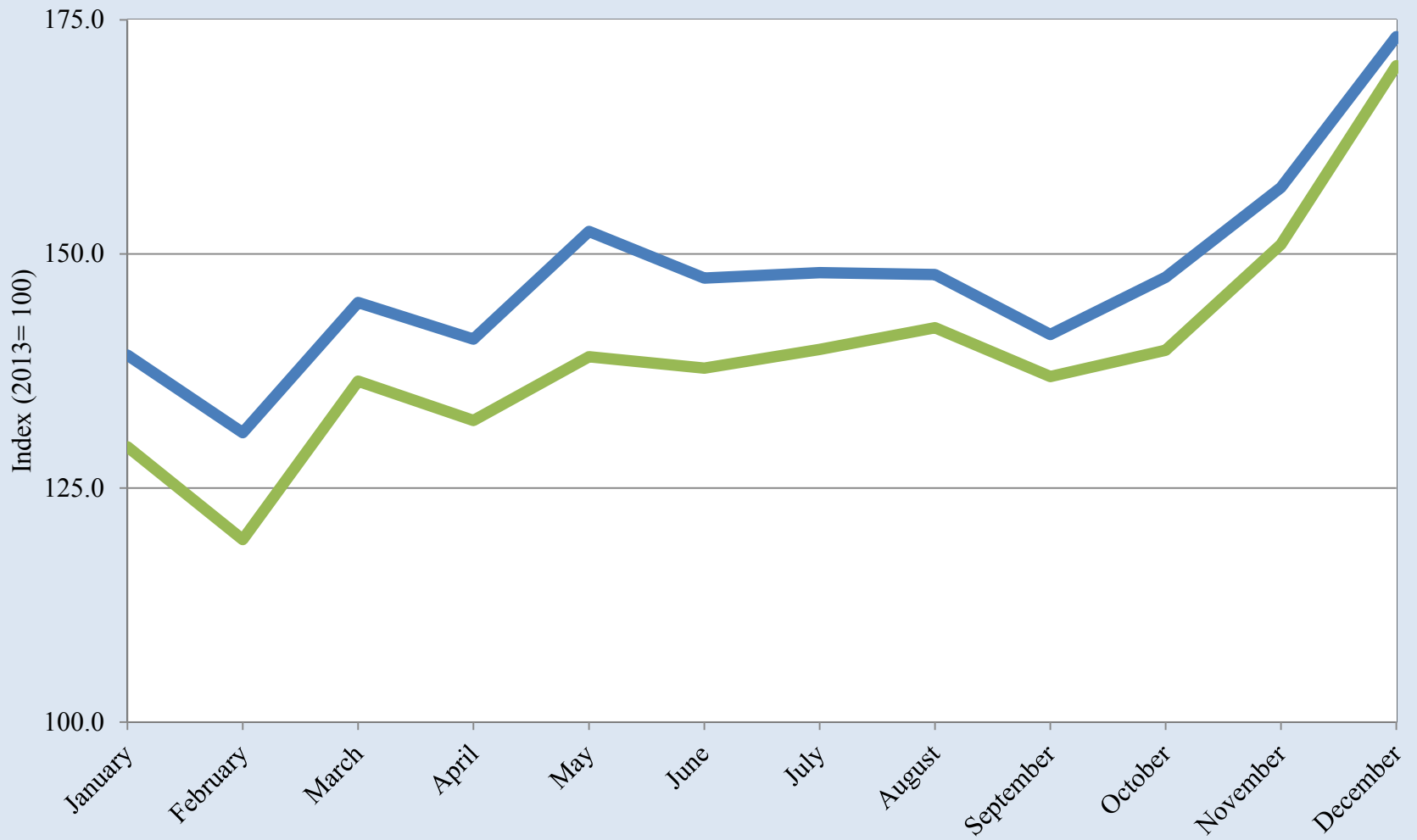
## Total Value of Construction in the State of Chihuahua



Source: UTEP Border Region Modeling Project using INEGI Data

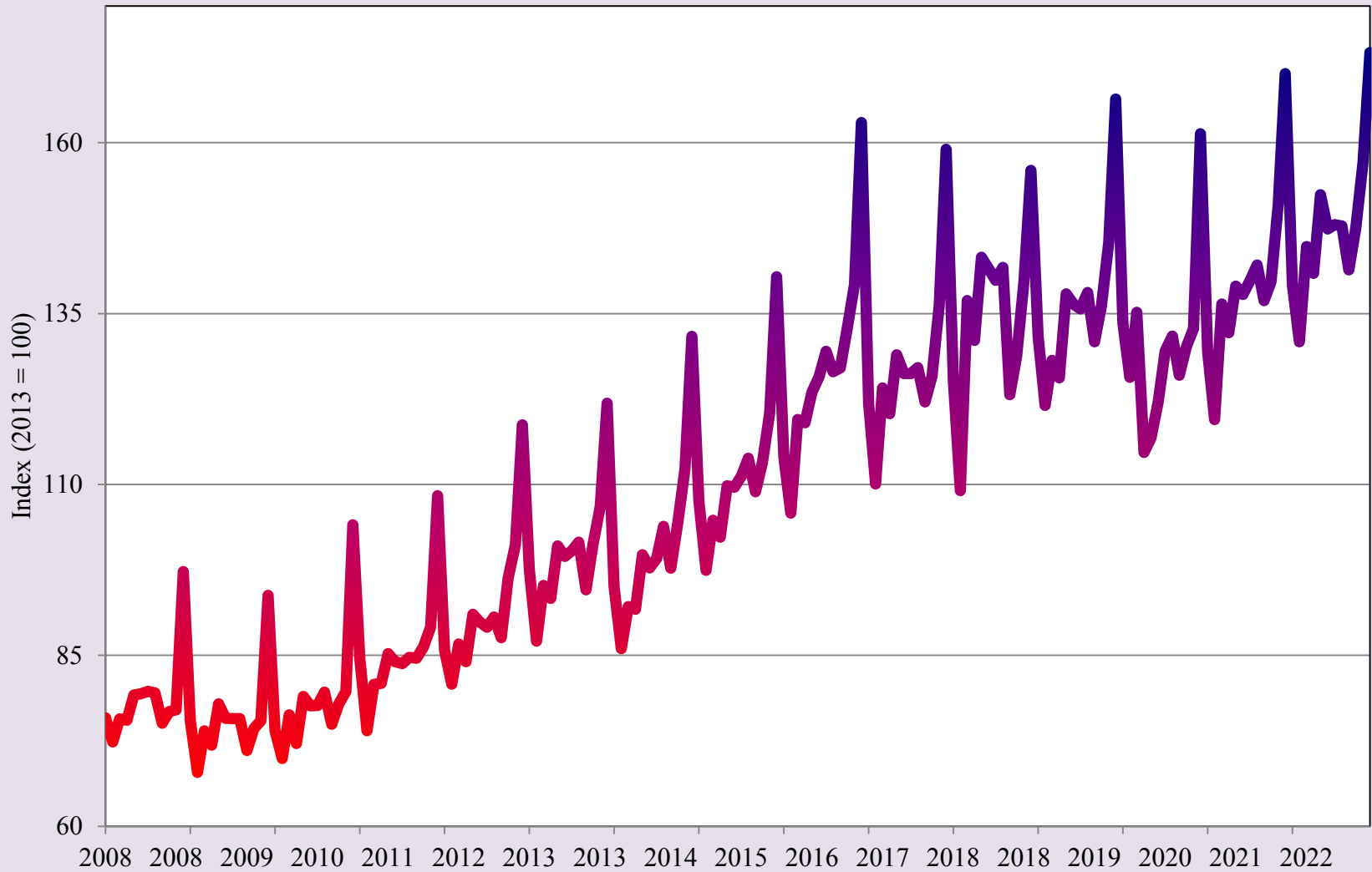
## Real Retail Activity Index for the State of Chihuahua

2021 2022



Source: UTEP Border Region Modeling Project using INEGI Data

## Real Retail Activity Index for the State of Chihuahua



Source: UTEP Border Region Modeling Project using INEGI Data



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***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 Woody L. Hunt College of Business 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.