

3-2023

Borderplex Business Barometer, Volume 7, Number 3

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T.M. Fullerton, Jr., and S.L. Fullerton, 2023, "Credit Crunch Counter Punch" *Borderplex Business Barometer* 7(3), 1-68.



BORDERPLEX BUSINESS BAROMETER

March 2023

Border Region Modeling Project

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Border Commerce & Economics

Borderplex Business Barometer, Volume 7, Number 3

Credit Crunch Counter Punch

Rising interest rates have raised the anxiety levels of many business analysts and executives in the United States. The recent west coast, east coast, and European bank closures have added a new source of white-knuckle concern in the form of a potential credit crunch. The apprehension is that mid-size and small banks will preserve capital by approving fewer loans.

Reduced lending constrains business expenditures on buildings, equipment, software, and services. It also affects consumer spending on mortgages, automobiles, and other high-priced items. In the aggregate, a credit crunch can cut economic activity to the point of causing a recession. While slower growth may help induce faster disinflation, a pullback in lending is risky.

On top of a reduced pool of qualified borrowers resulting from more restrictive lending conditions, self-selection credit crunching will occur via consumer decisions not to borrow at higher interest rates. Nationally, credit card debt has reached a record level of \$986 billion. The national average credit card interest rate of greater than 20 percent means that unpaid balances are exceedingly expensive. Eventually, that will also reign in consumer borrowing as monthly finance charges mount.

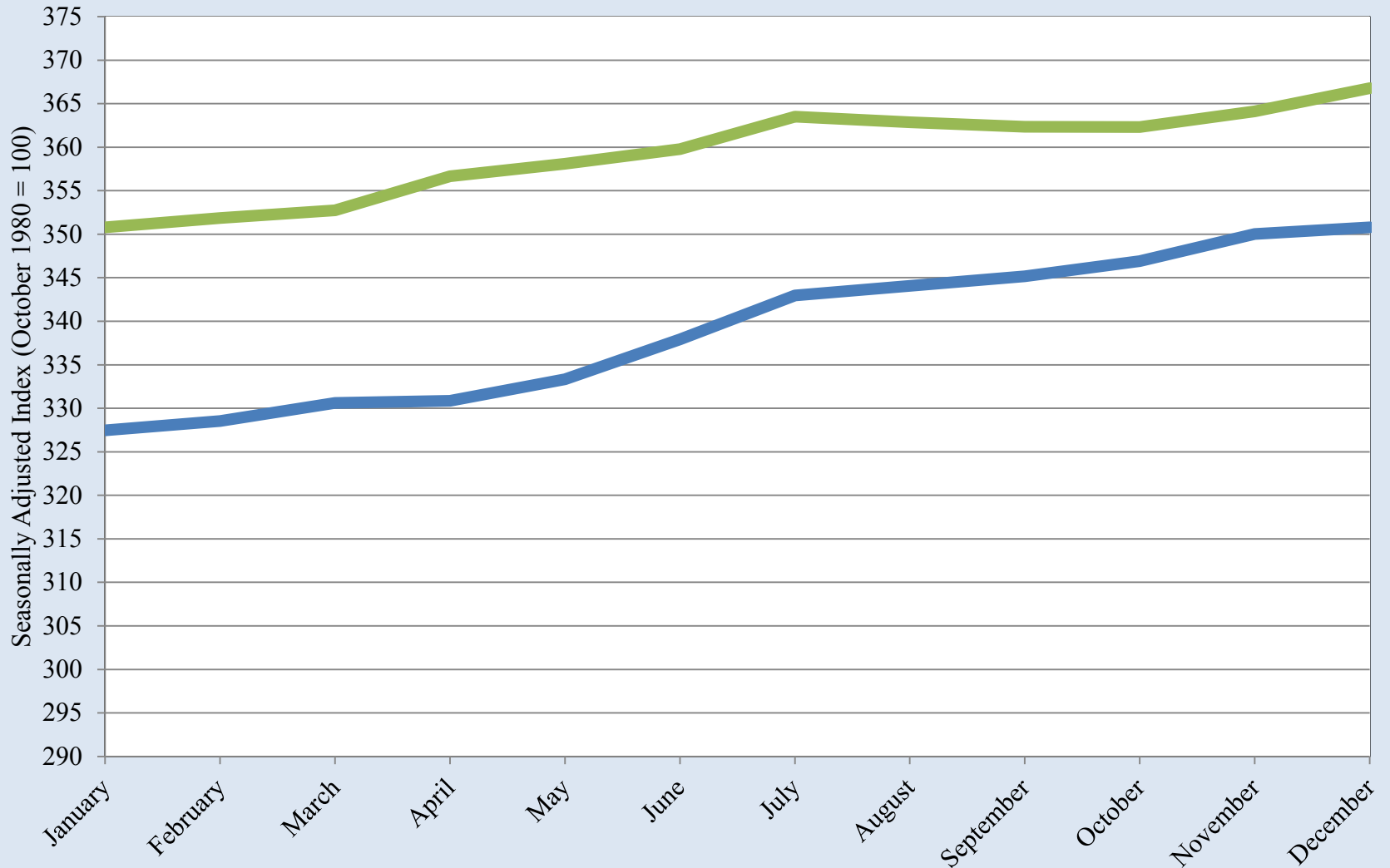
Where are things headed? Yield curve inversion has been documented as a warning signal for both national and Borderplex regional business cycle downturns. As shown in the corresponding Treasury Yield Curve graph, the short-term rates are higher than the long-term rates. Given that, a downturn may not be a lock, but it would not come as a surprise if it did materialize.

Across the river in Ciudad Juarez and the State of Chihuahua, interest rates have risen fairly steadily from June 2021 forward. Short-term interest rates now exceed 11 percent. Many analysts in Mexico believe that monetary policy will continue tightening in coming weeks and short-term rates will rise another 50 basis points before levelling off. The resulting higher yields on peso denominated financial instruments have helped the peso appreciate substantially against the dollar in recent months.

A stronger peso makes it less expensive for residents of Northern Mexico to purchase goods and services in El Paso. Consequently, personal vehicle and pedestrian traffic flows across the international bridges did increase in 2022. In real terms, it is easy to see how much ground the peso has gained against the greenback. Beyond that metric, the local nominal gauge of the peso per dollar restaurant price index indicates that more peso appreciation would not be surprising. Greater foreign direct investment inflows resulting from USMCA reshoring, plus relatively higher interest rates in Mexico, could enable additional bilateral exchange rate gains by the Aztec currency in 2023. Geopolitical events may, however, roil the currency market in unexpected manners in coming months.

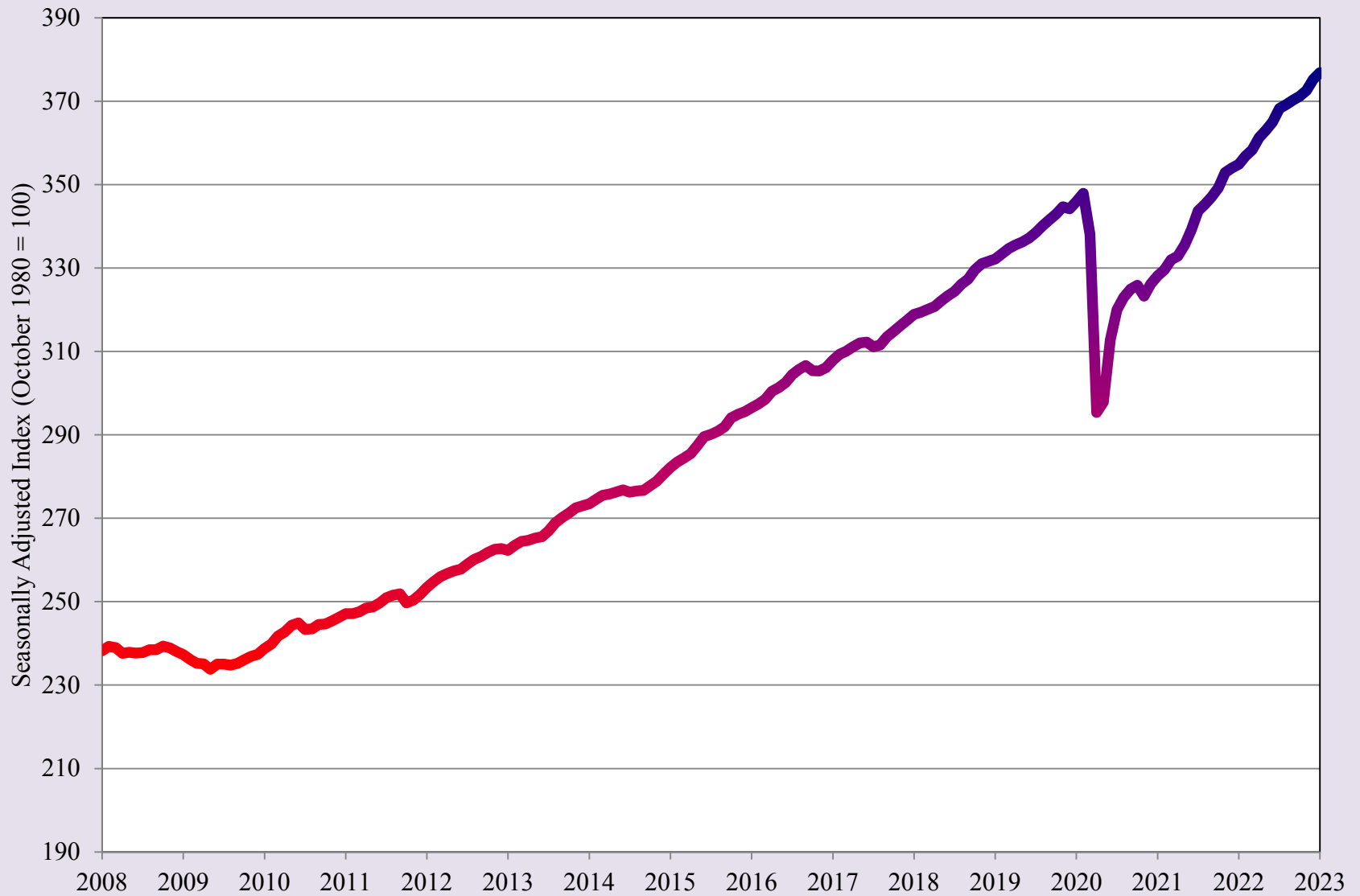
El Paso Metropolitan Business Cycle Index

— 2021 — 2022



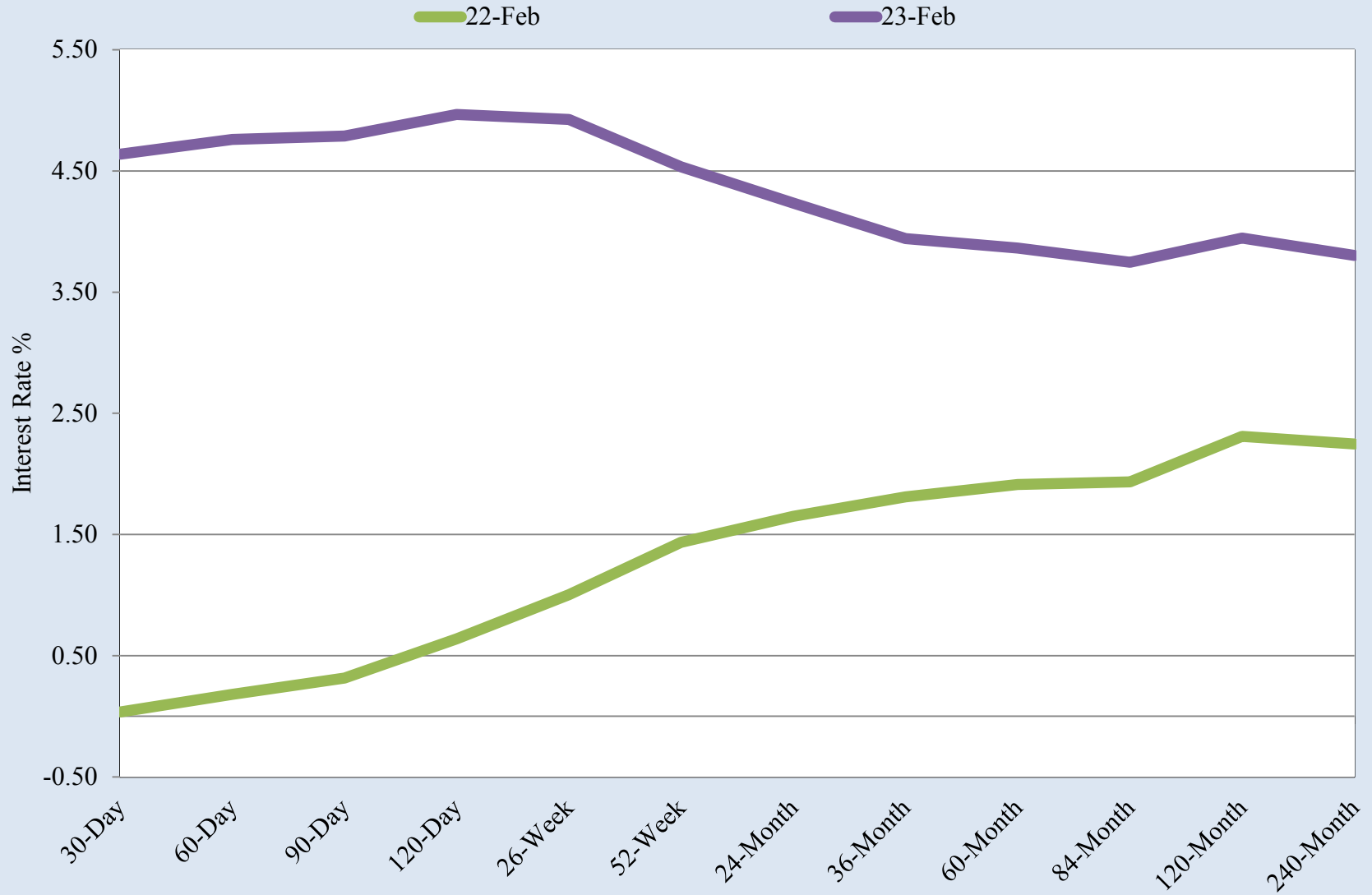
Source: UTEP Border Region Modeling Project using Federal Reserve Bank of Dallas Data

El Paso Metropolitan Business Cycle Index



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

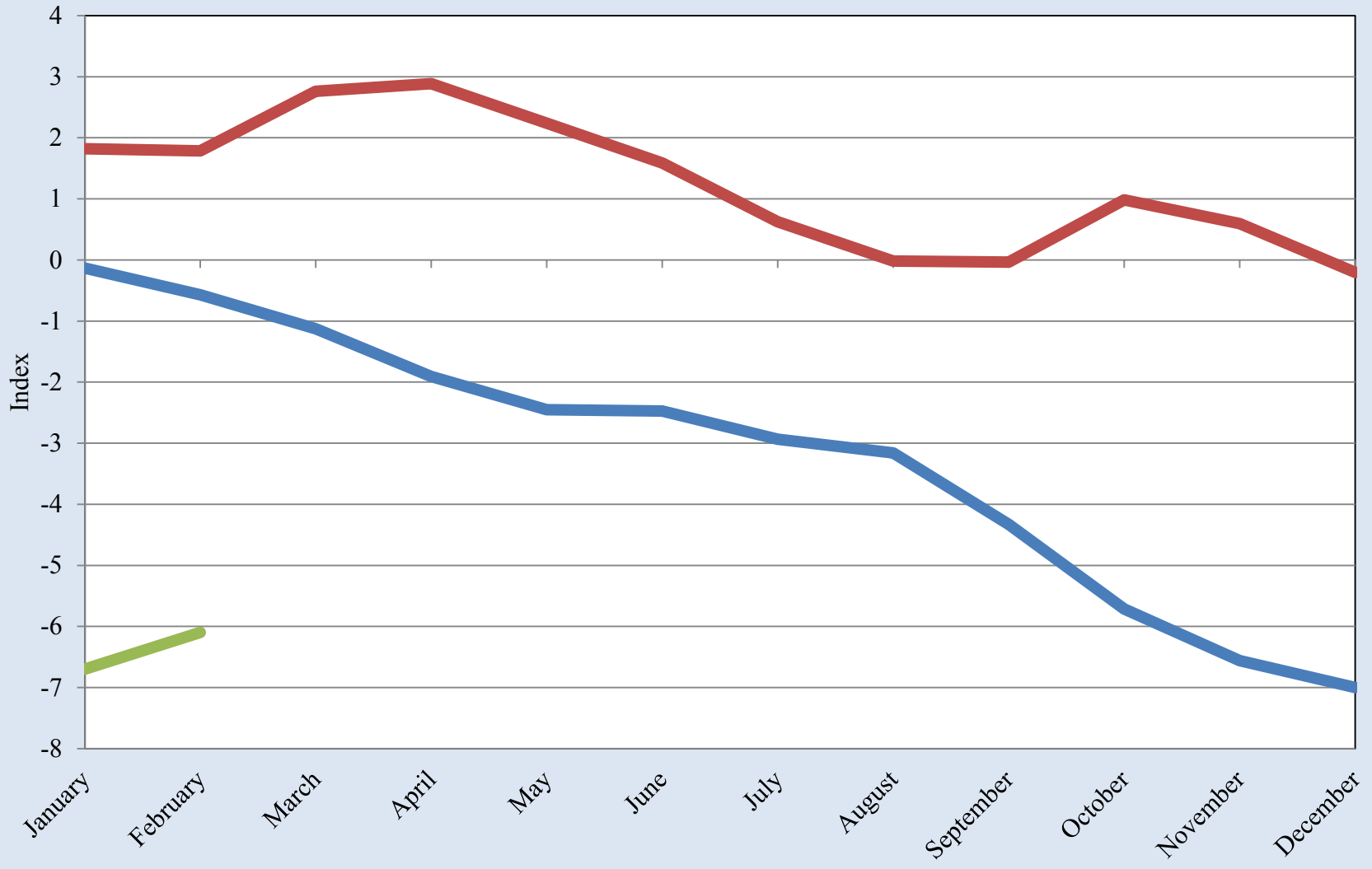
Average Treasury Yield Curve Rates



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

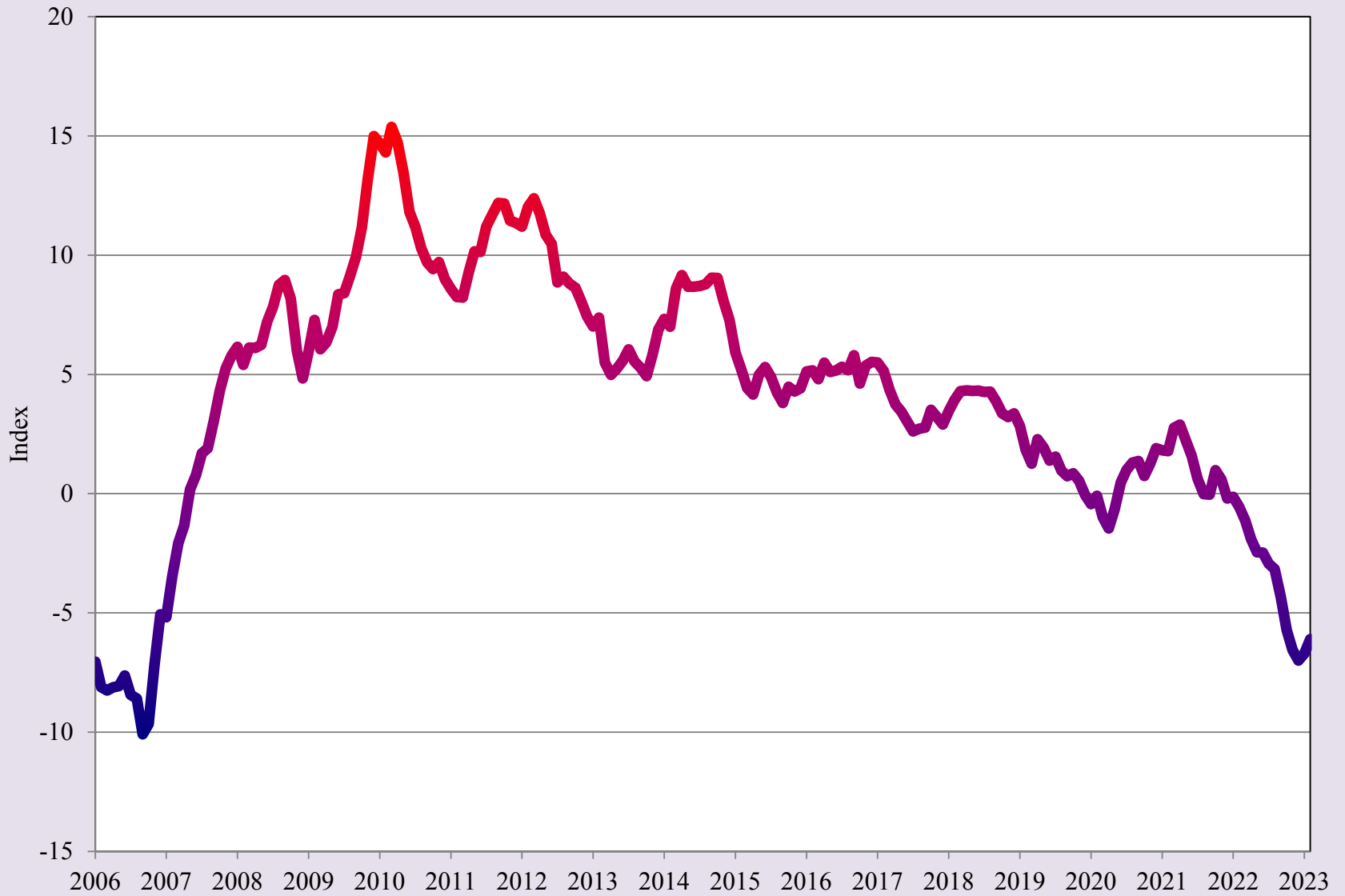
El Paso Household Economic Stress Index

2021 2022 2023



Source: UTEP Border Region Modeling Project

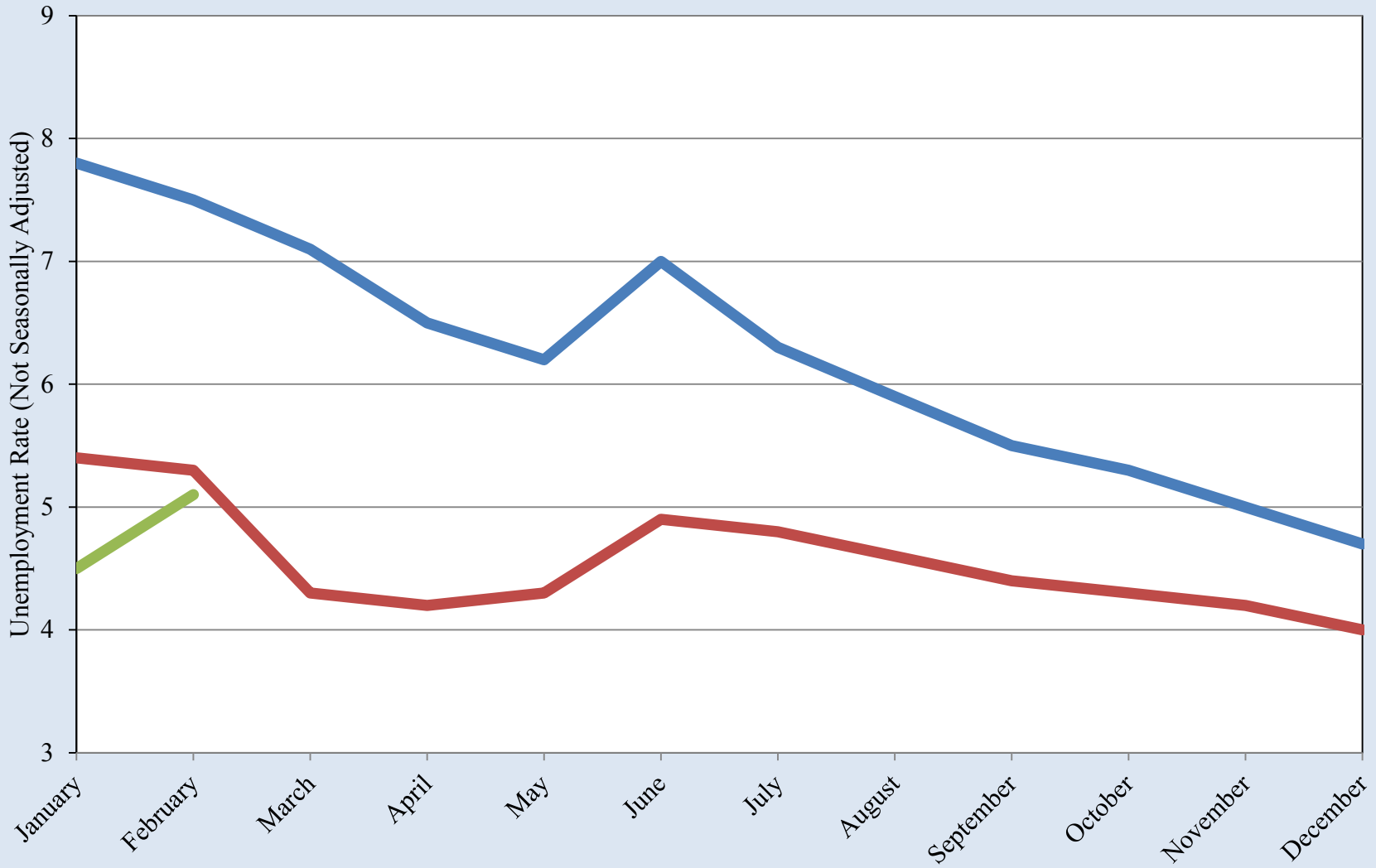
El Paso Household Economic Stress Index



Source: UTEP Border Region Modeling Project

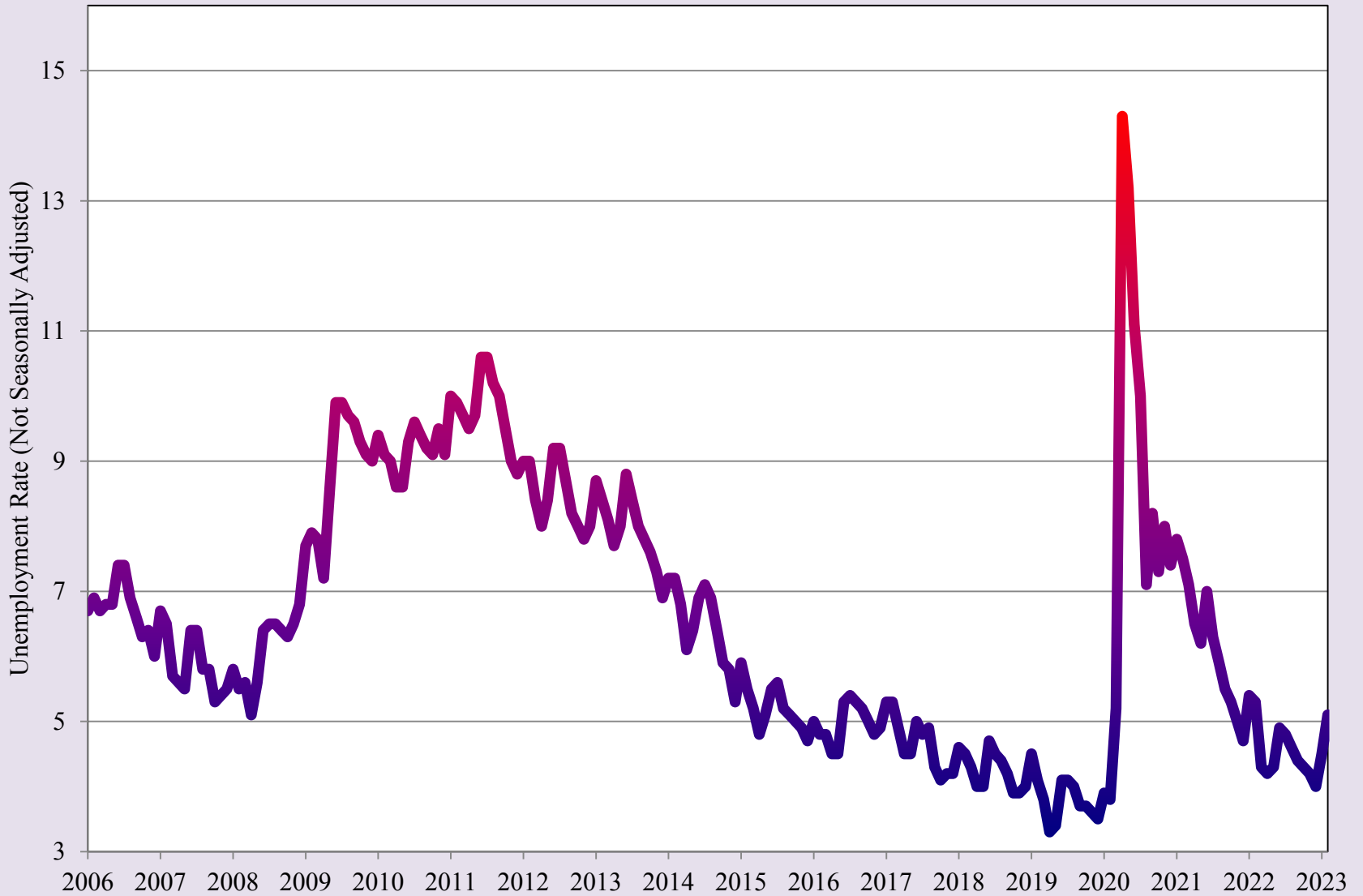
El Paso County Unemployment Rate

2021 2022 2023



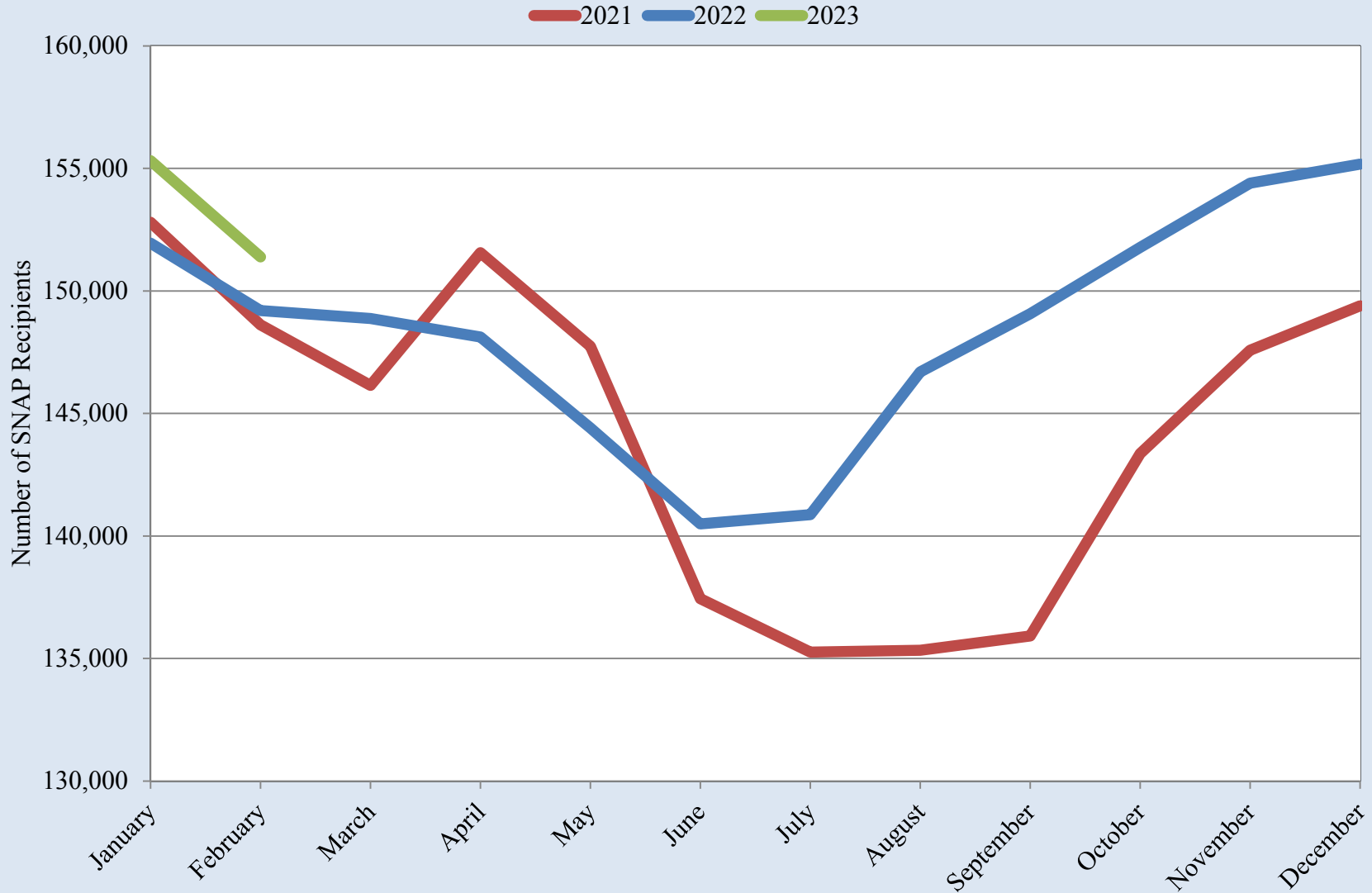
Source: UTEP Border Region Modeling Project using Bureau of Labor Statistics Data

El Paso County Unemployment Rate



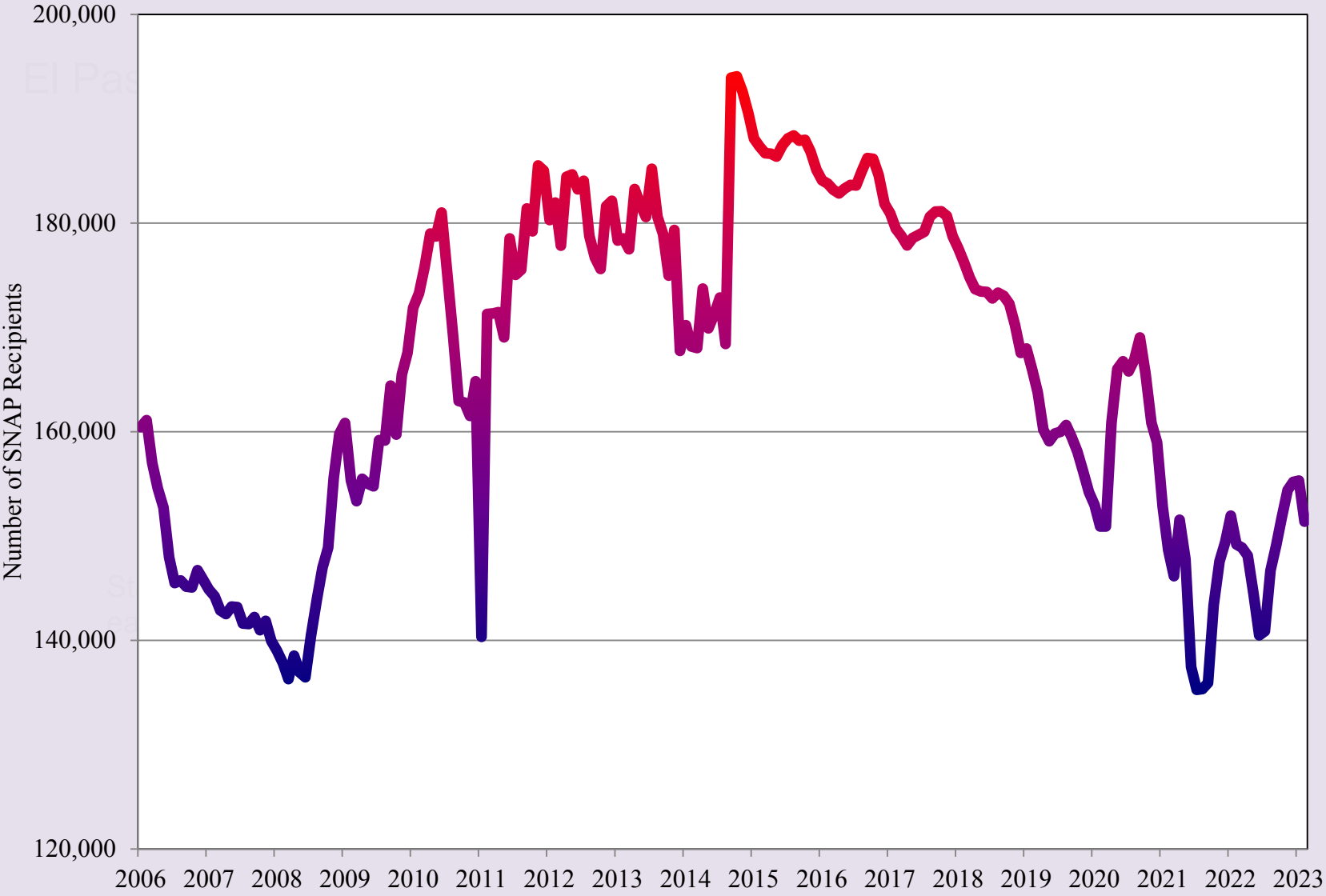
Source: UTEP Border Region Modeling Project using Bureau of Labor Statistics Data

El Paso County SNAP (Food Stamp) Enrollment



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

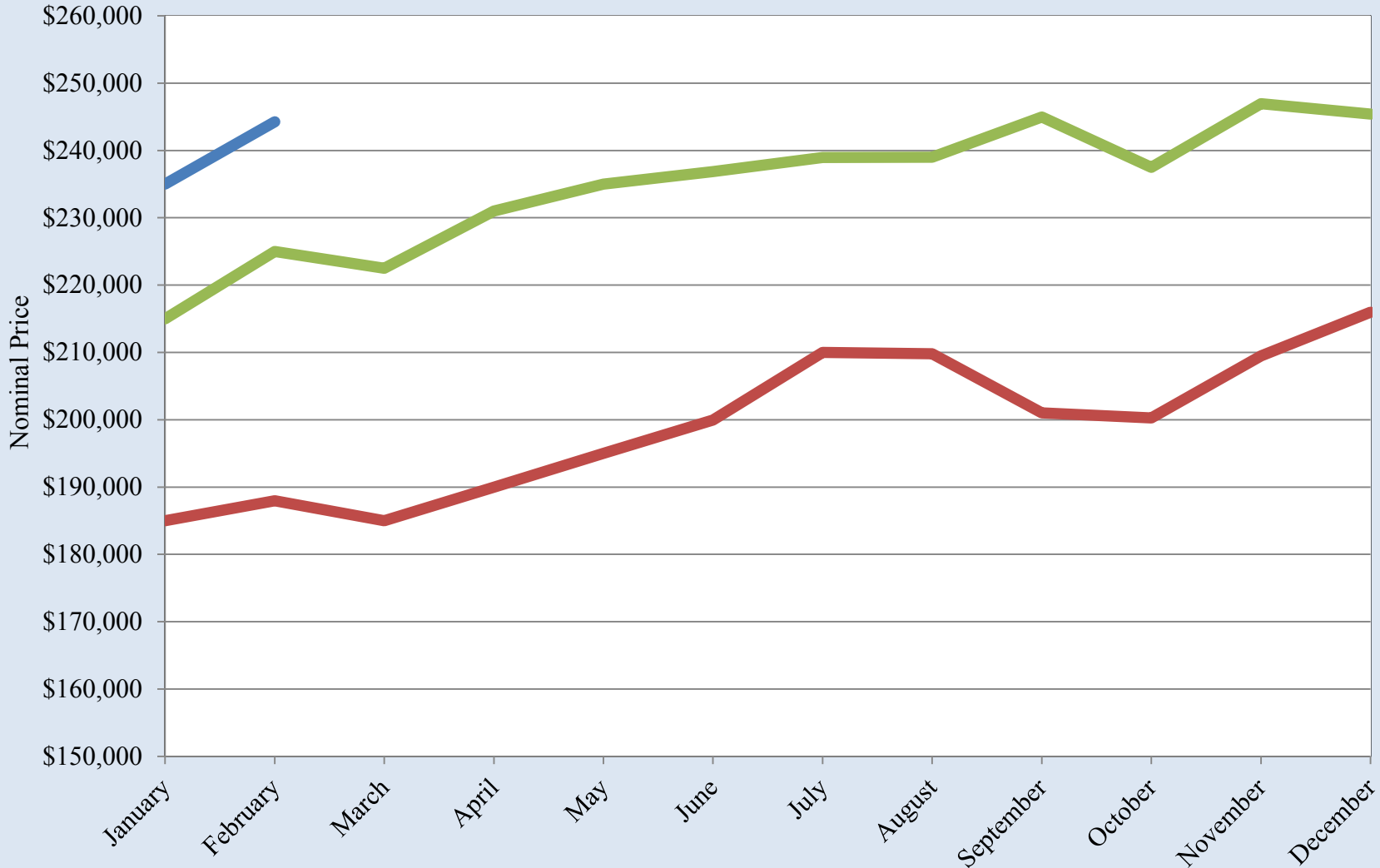
El Paso County SNAP (Food Stamp) Enrollment



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

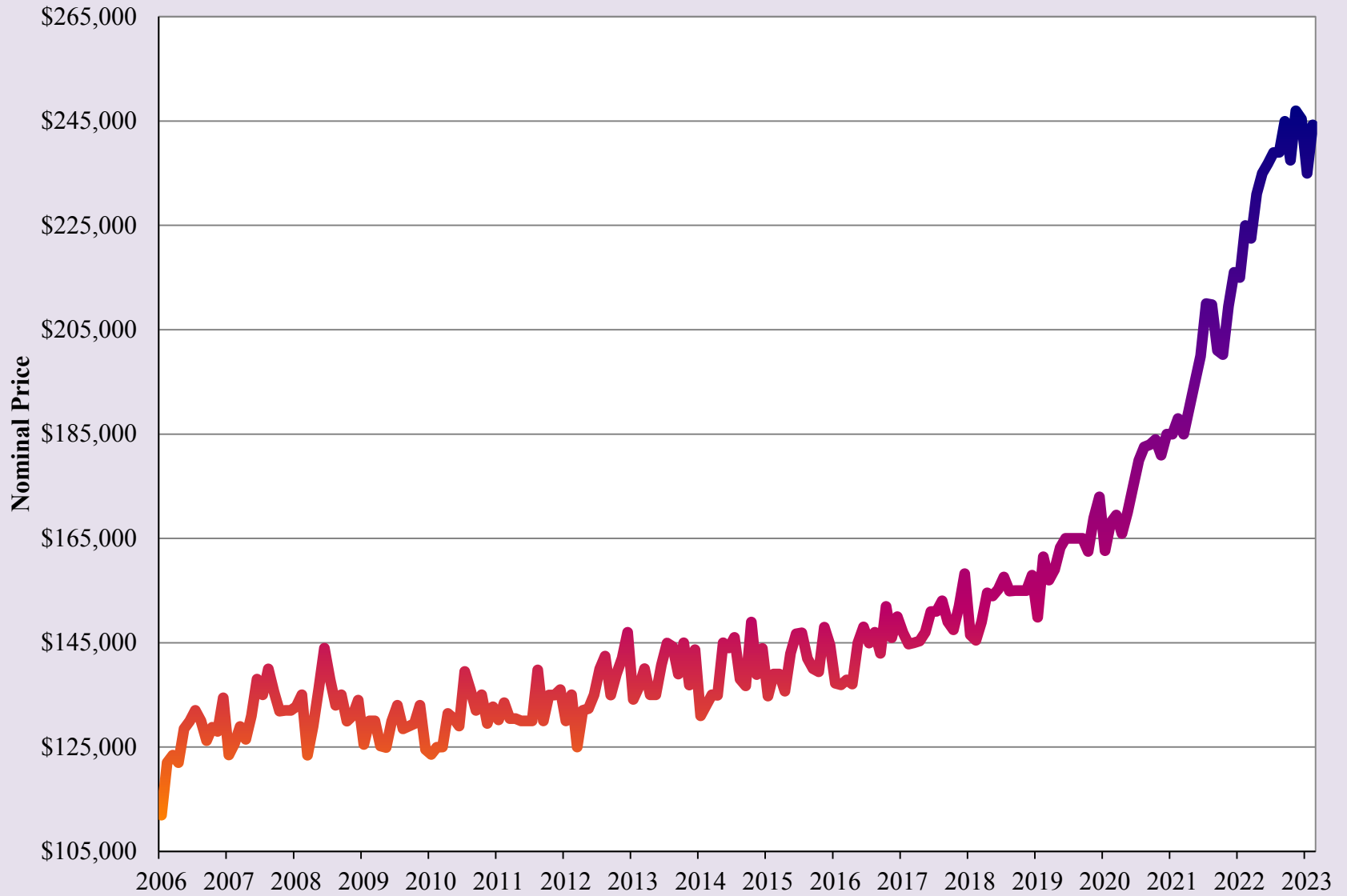
El Paso Median Housing Prices

2021 2022 2023



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

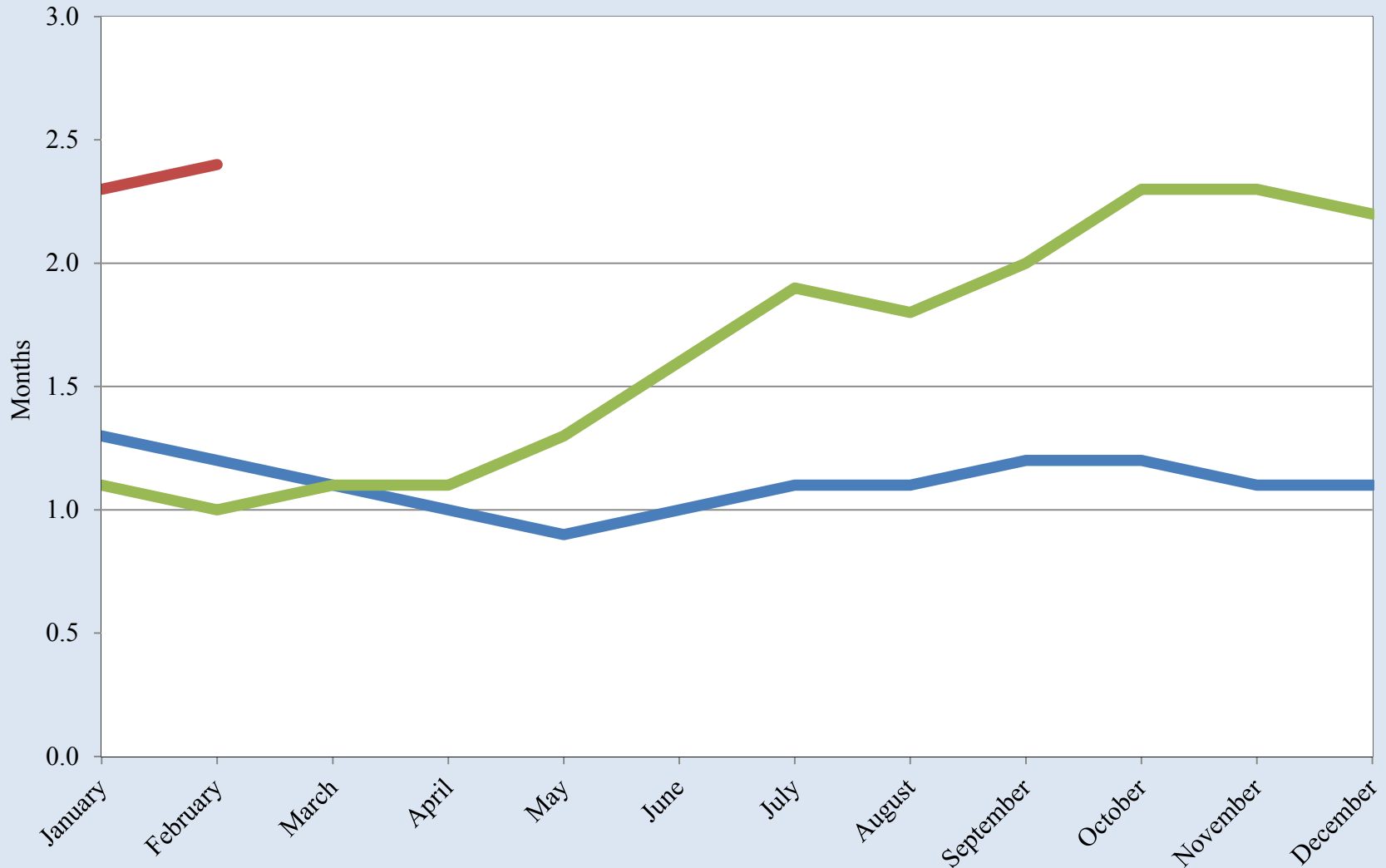
El Paso Median Housing Prices



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

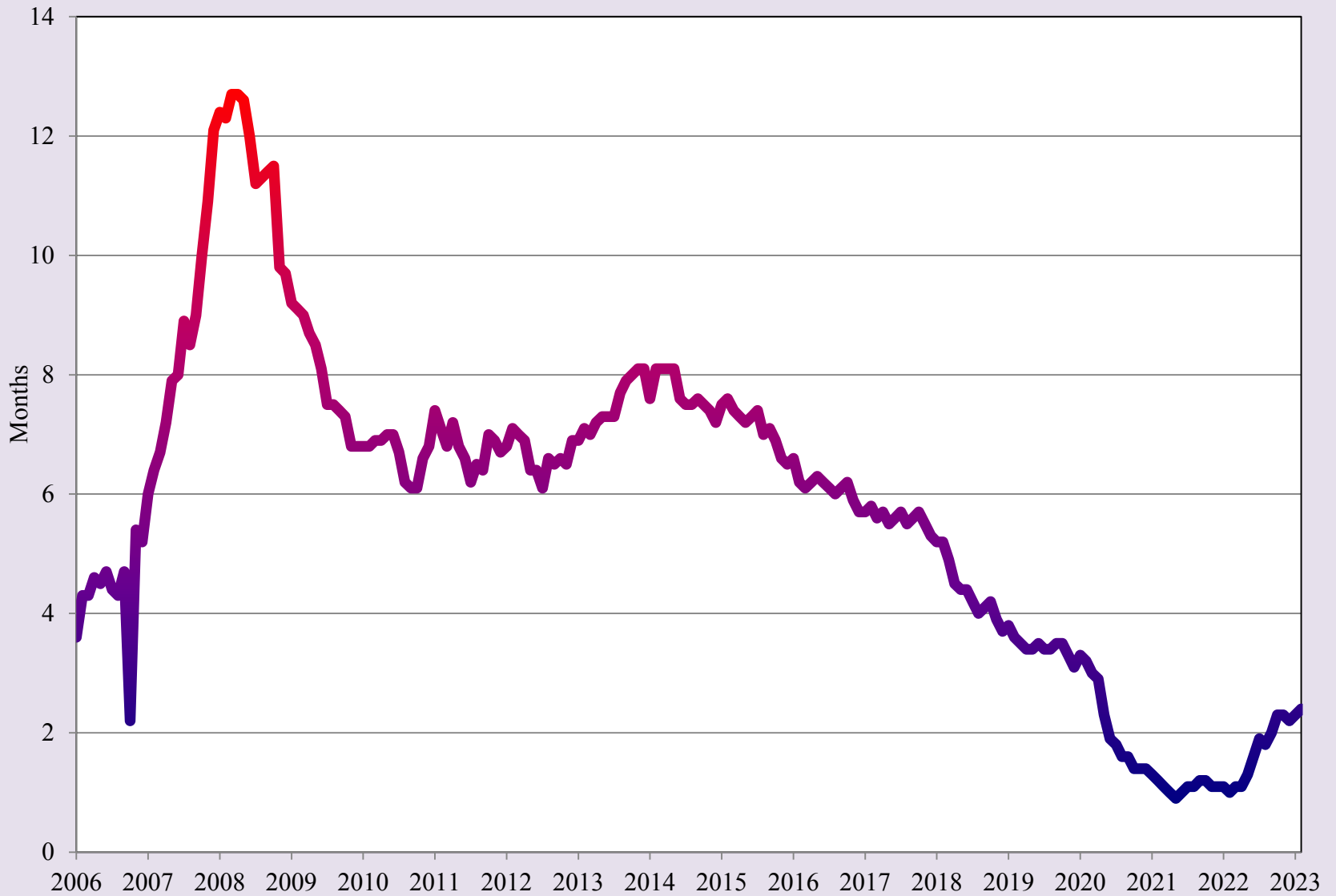
Months of Housing Inventory for El Paso

— 2021 — 2022 — 2023



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

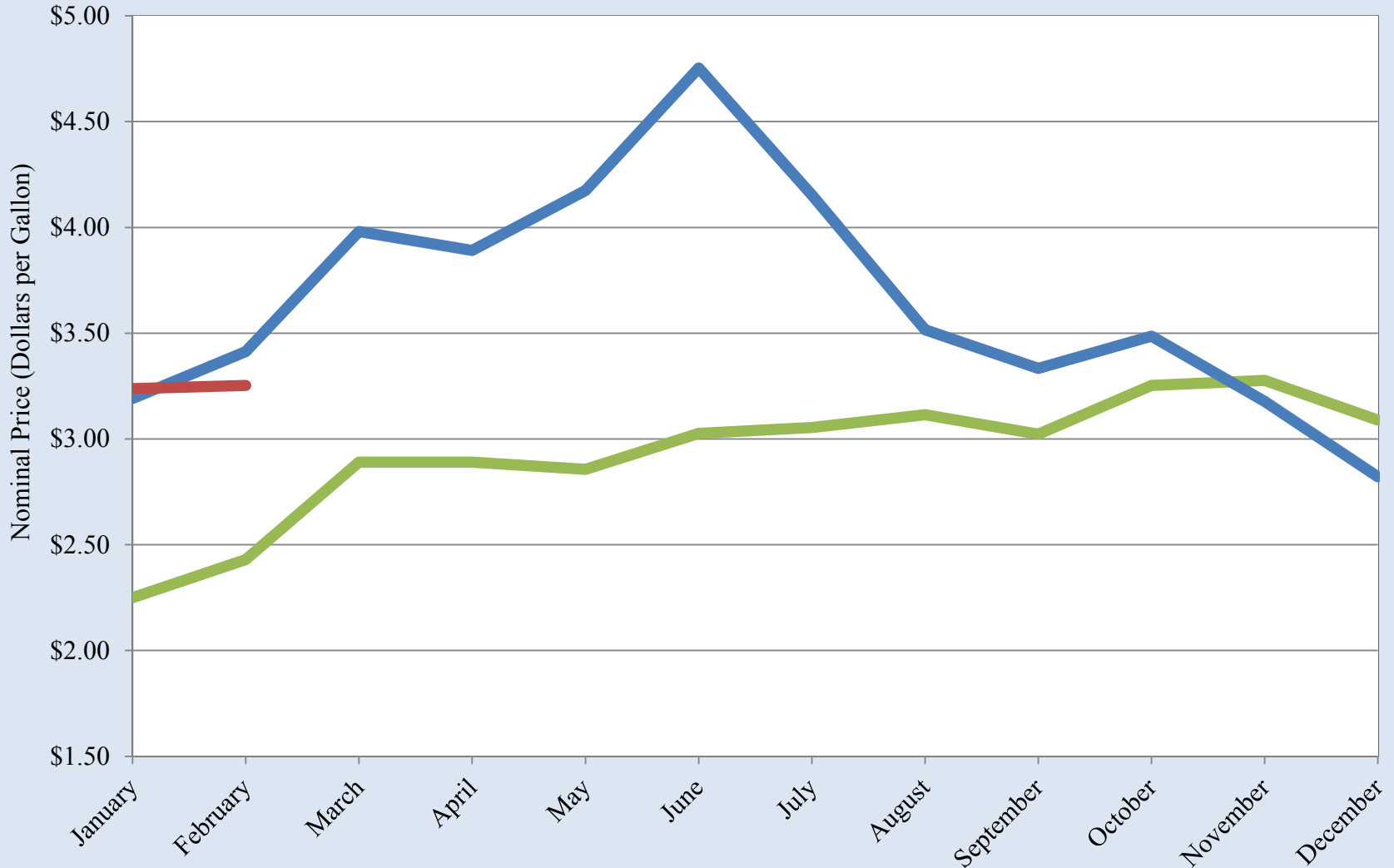
Months of Housing Inventory for El Paso



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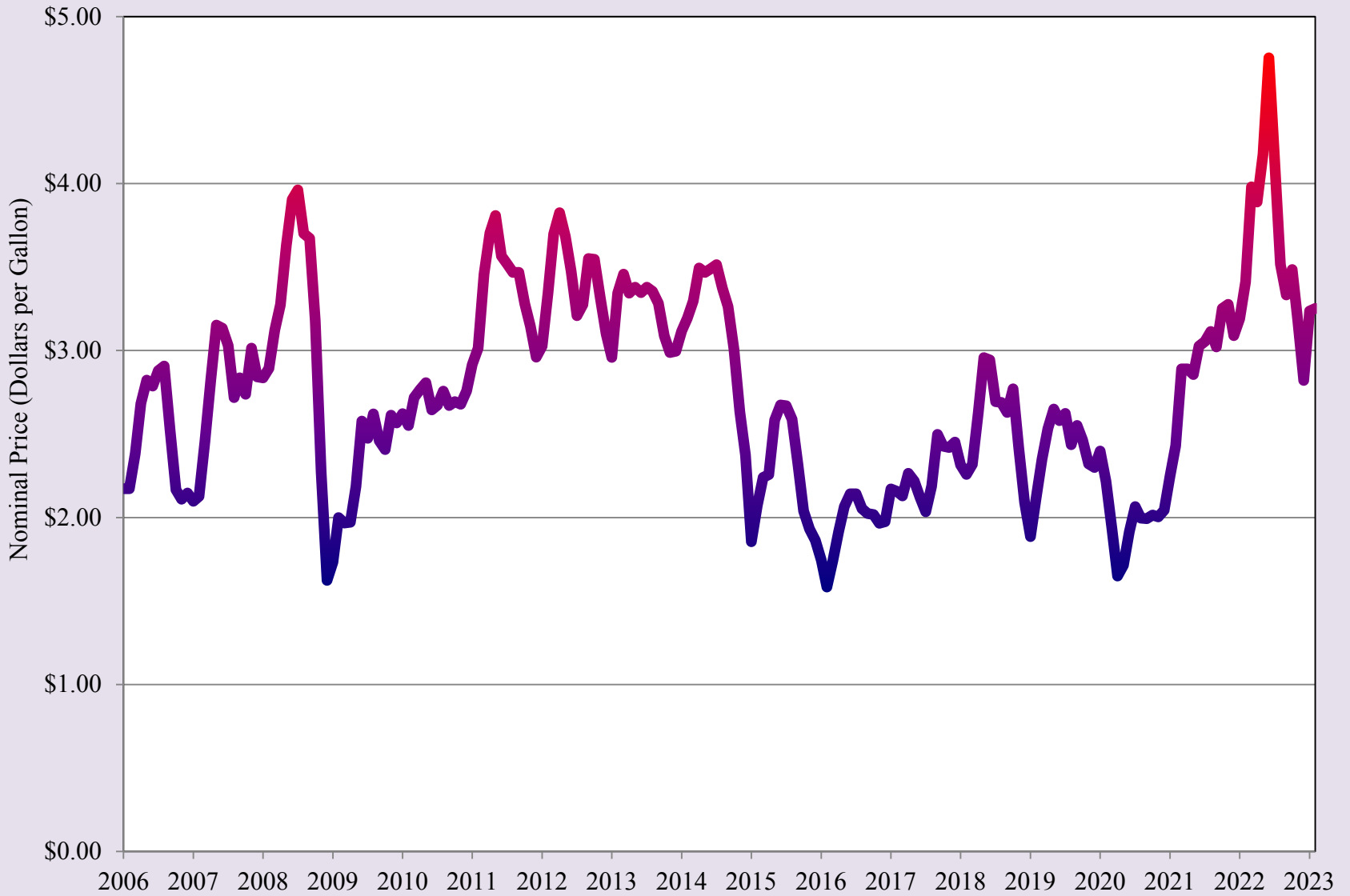
El Paso Gasoline Prices

2021 2022 2023



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

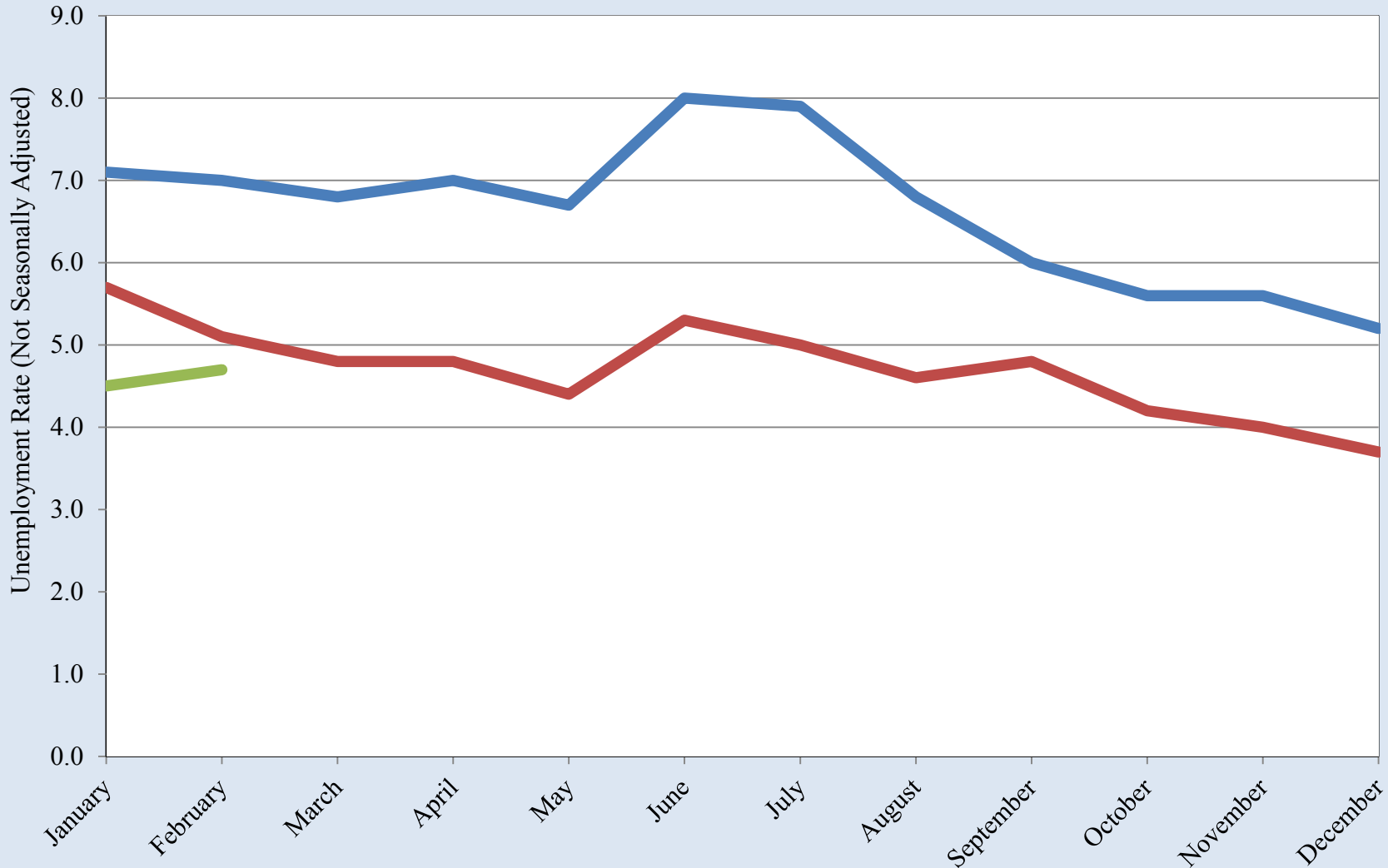
El Paso Gasoline Prices



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

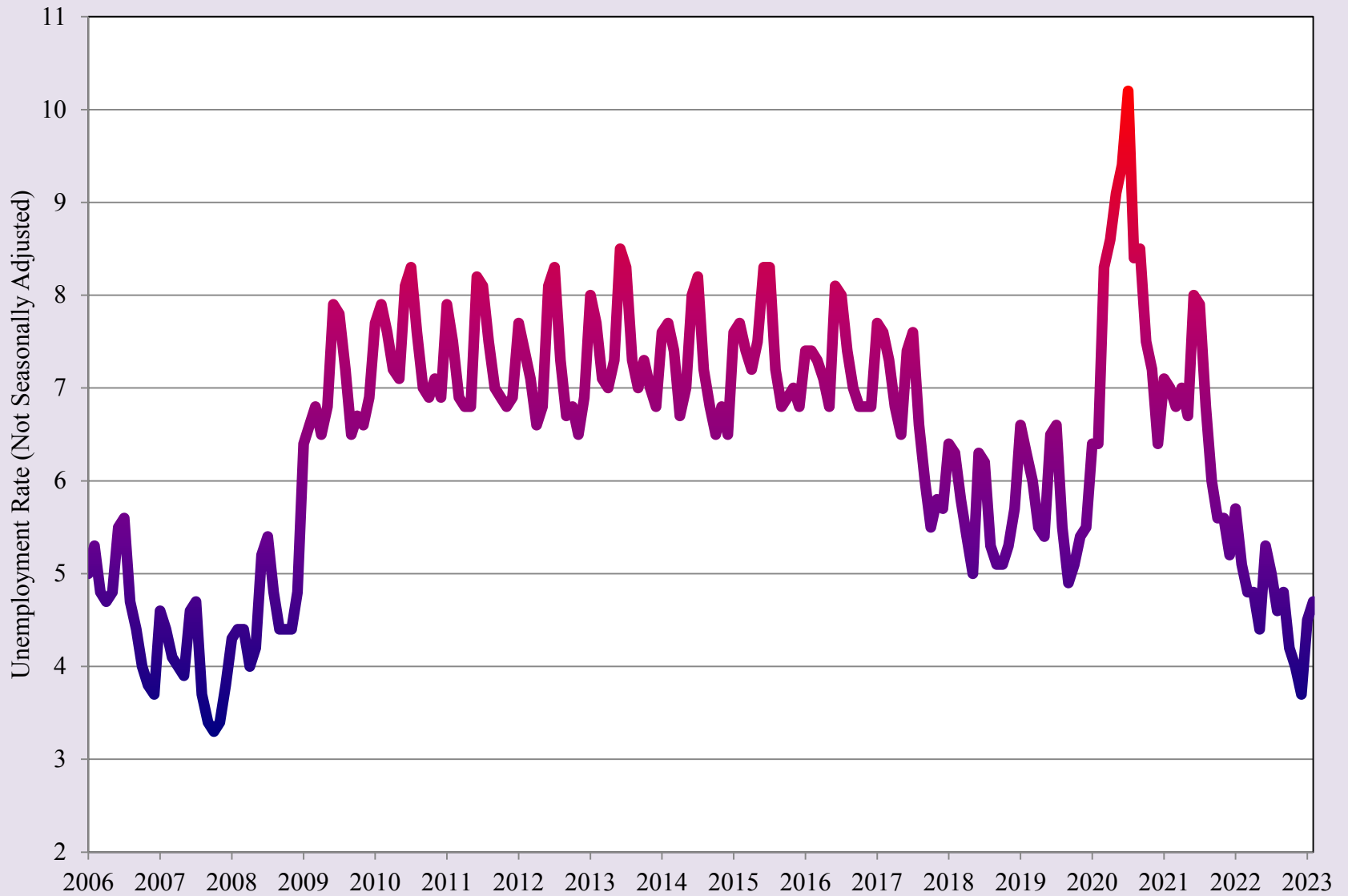
Doña Ana County Unemployment Rate

2021 2022 2023



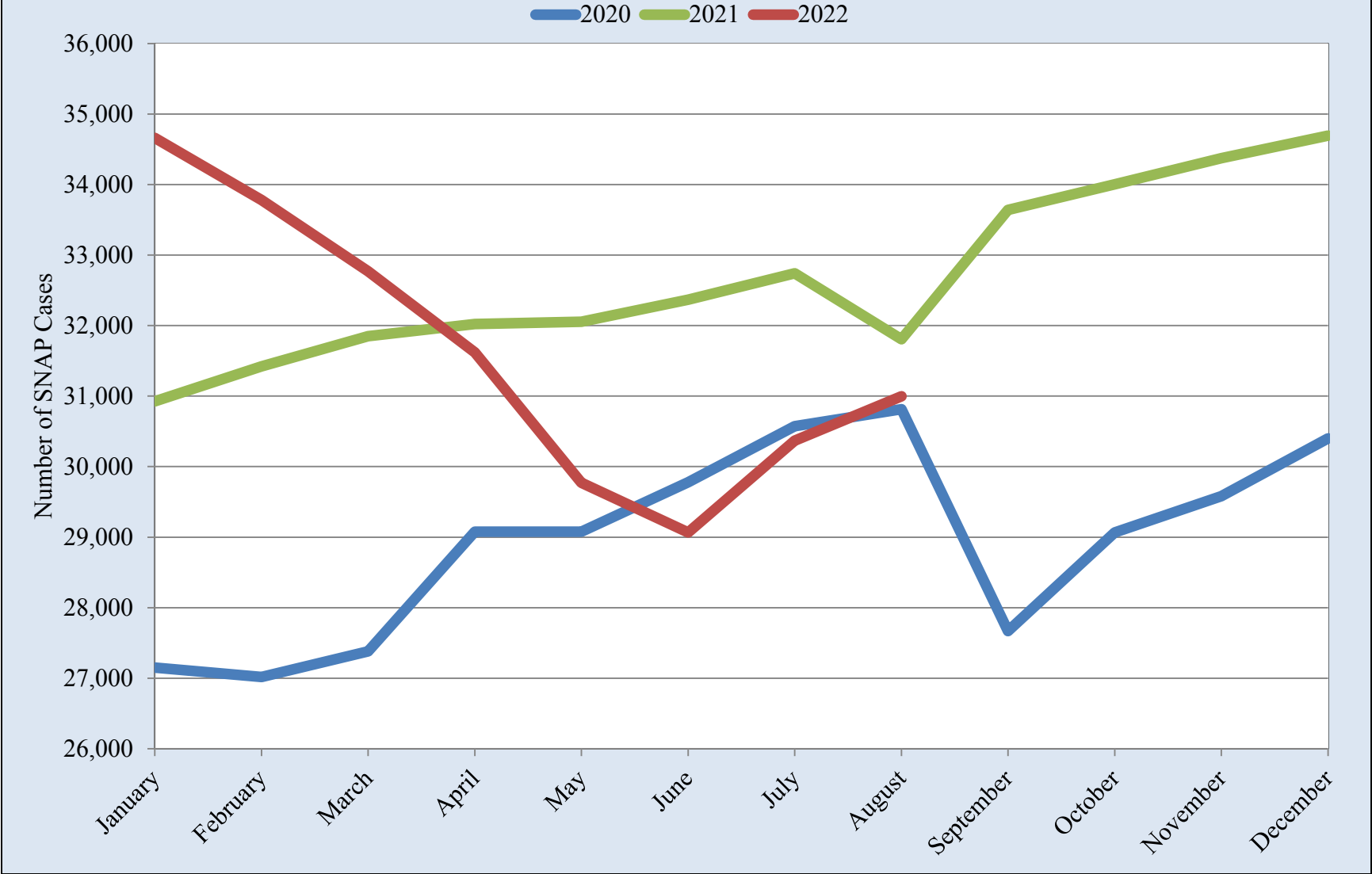
Source: UTEP Border Region Modeling Project using NM Workforce Data

Doña Ana County Unemployment Rate

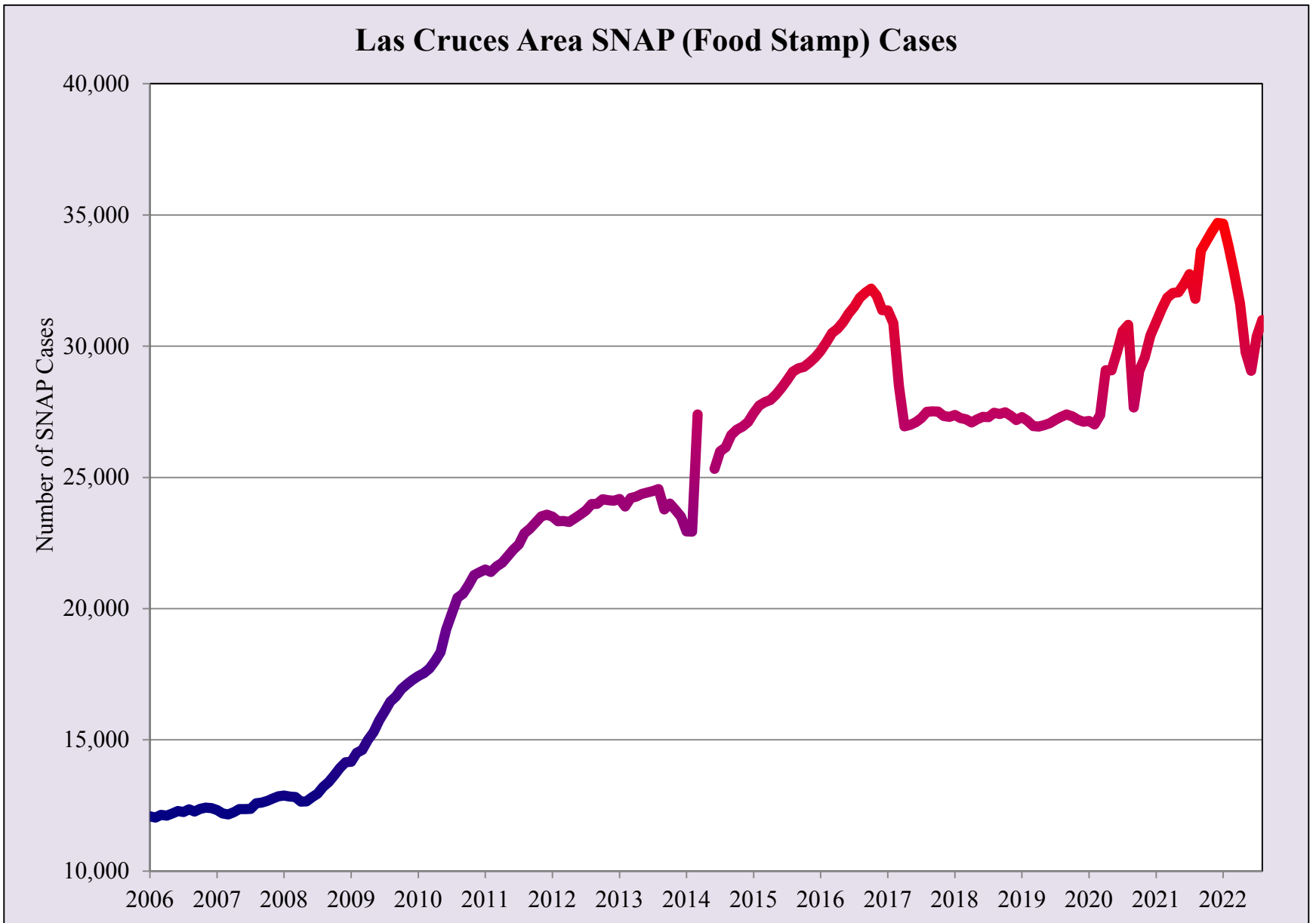


Source: UTEP Border Region Modeling Project using NM Workforce Data

Las Cruces Area SNAP (Food Stamp) Cases

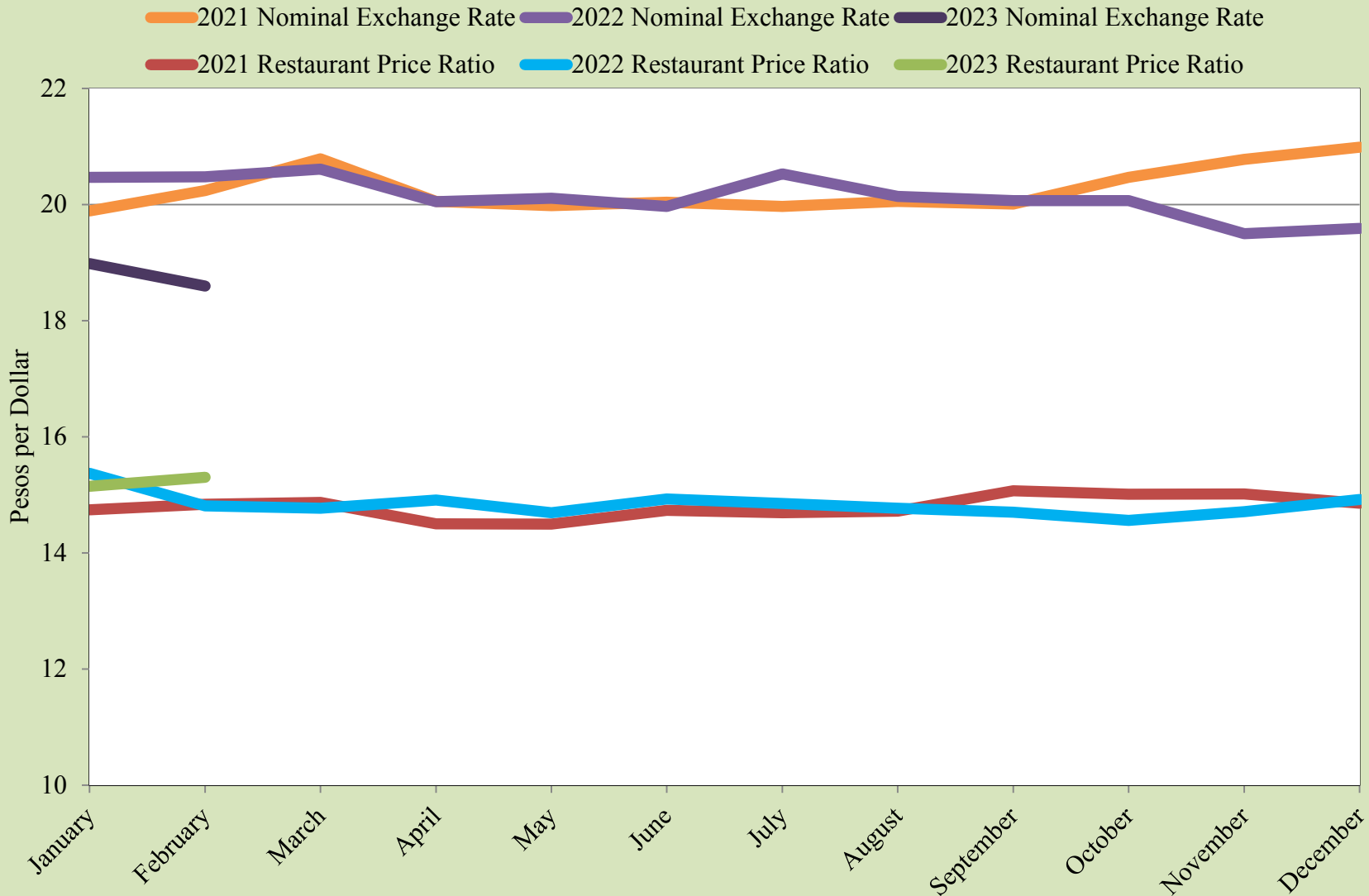


Source: UTEP Border Region Modeling Project using New Mexico Human Services Department Data



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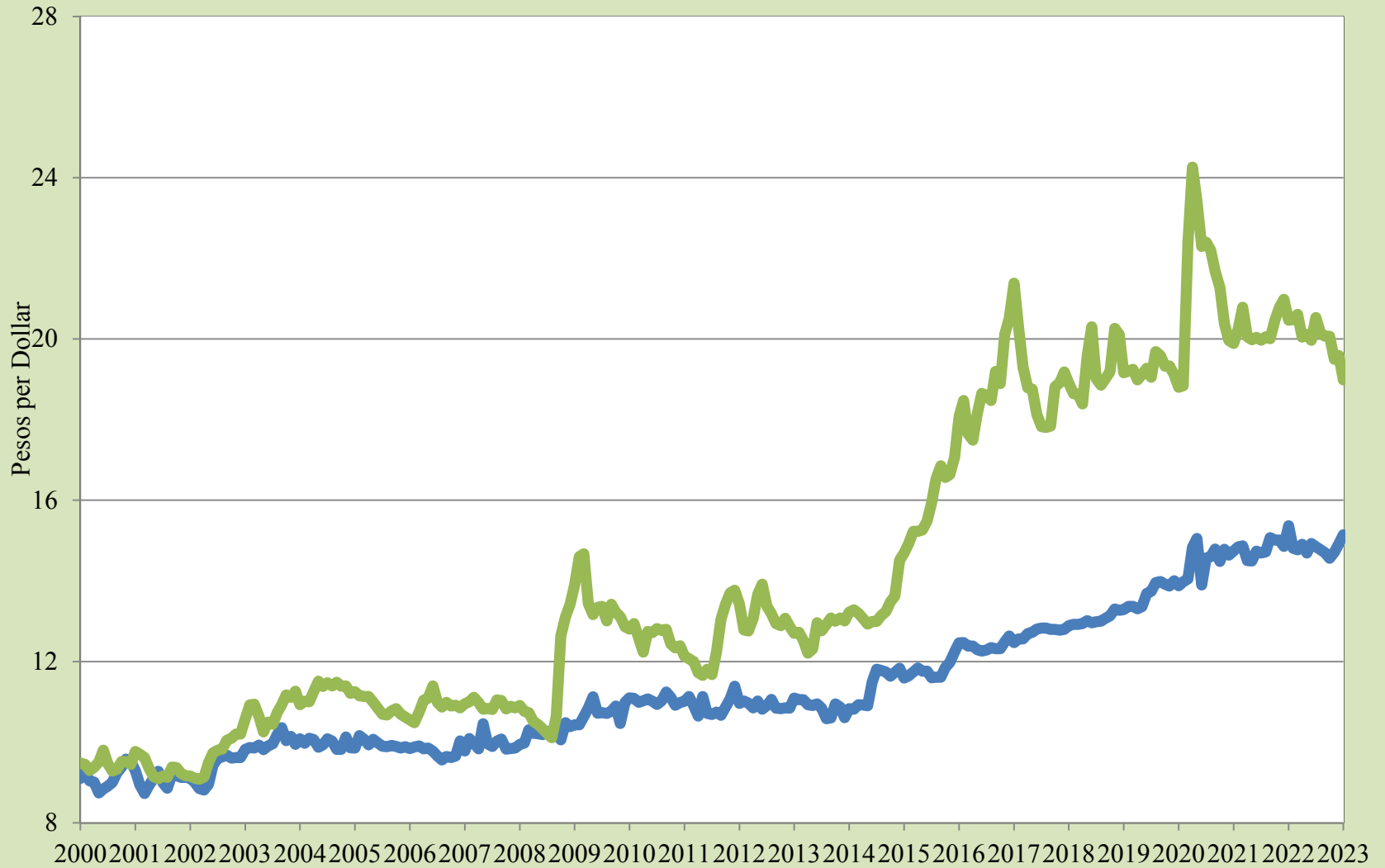
Restaurant Price Ratio and Exchange Rate



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

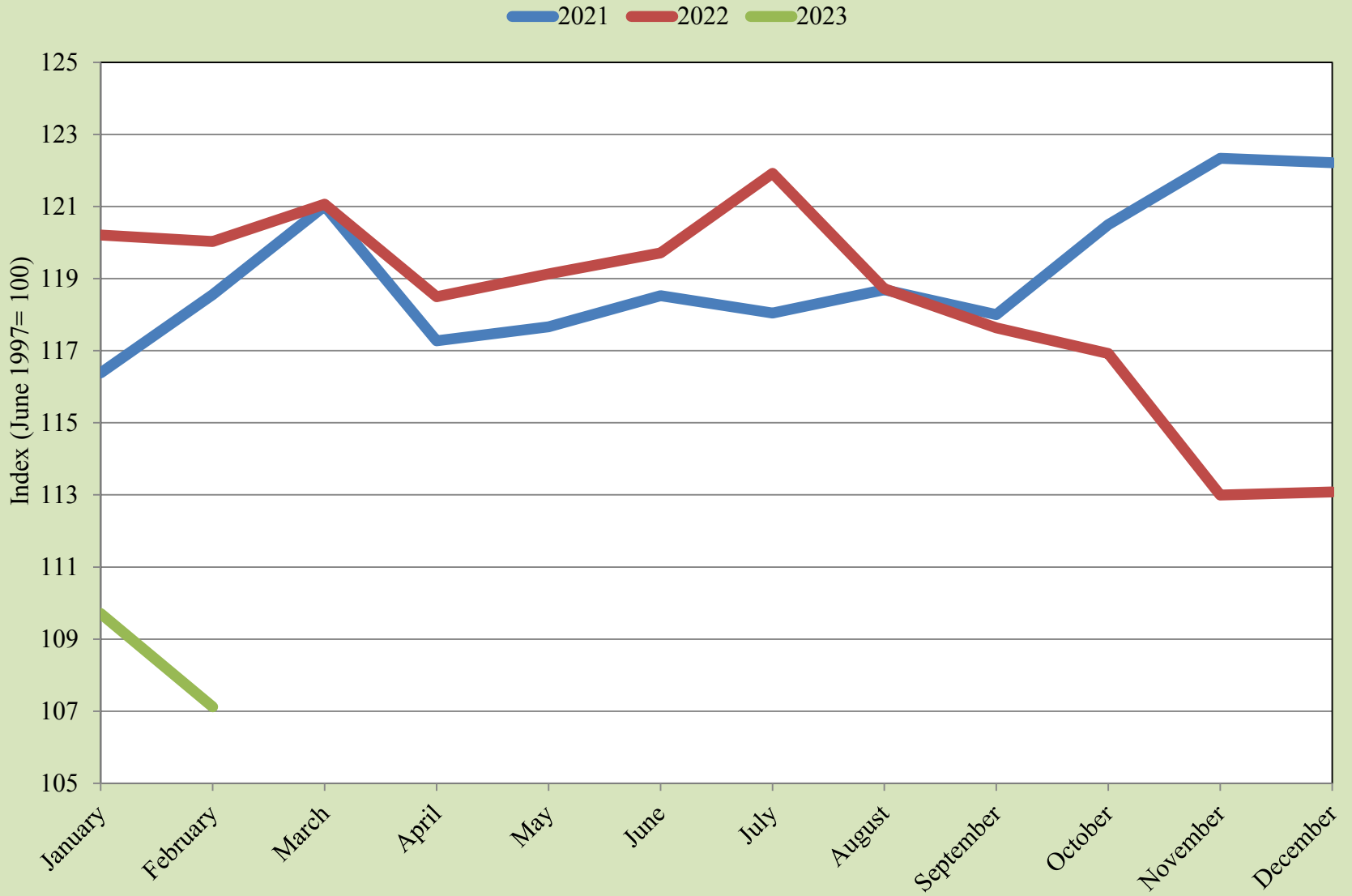
Restaurant Price Ratio and Exchange Rate

Price Ratio Exchange Rate



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

Real Peso-per-Dollar Exchange Rate Index



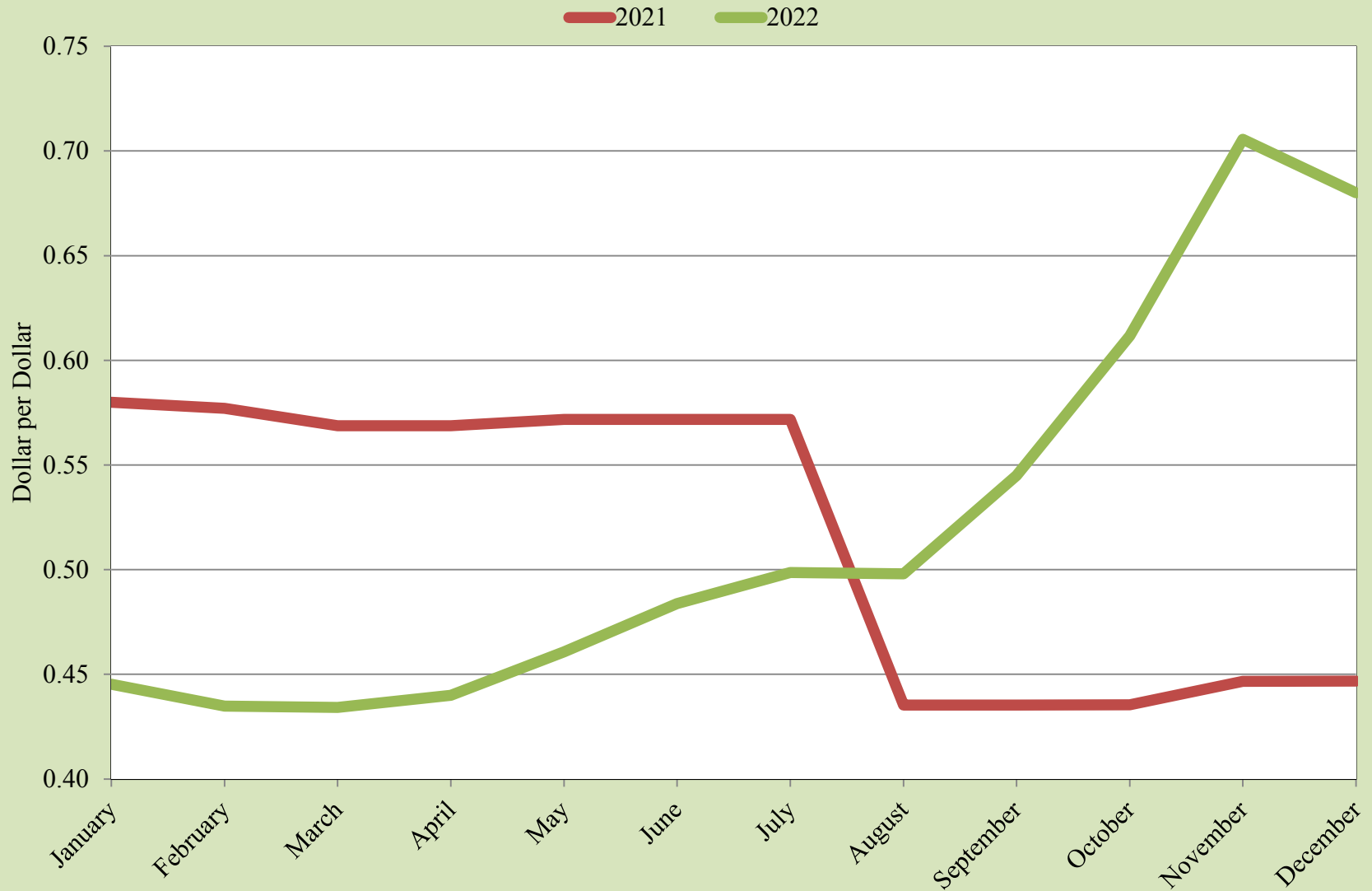
Source: UTEP Border Region Modeling Project

Real Peso-per-Dollar Exchange Rate Index



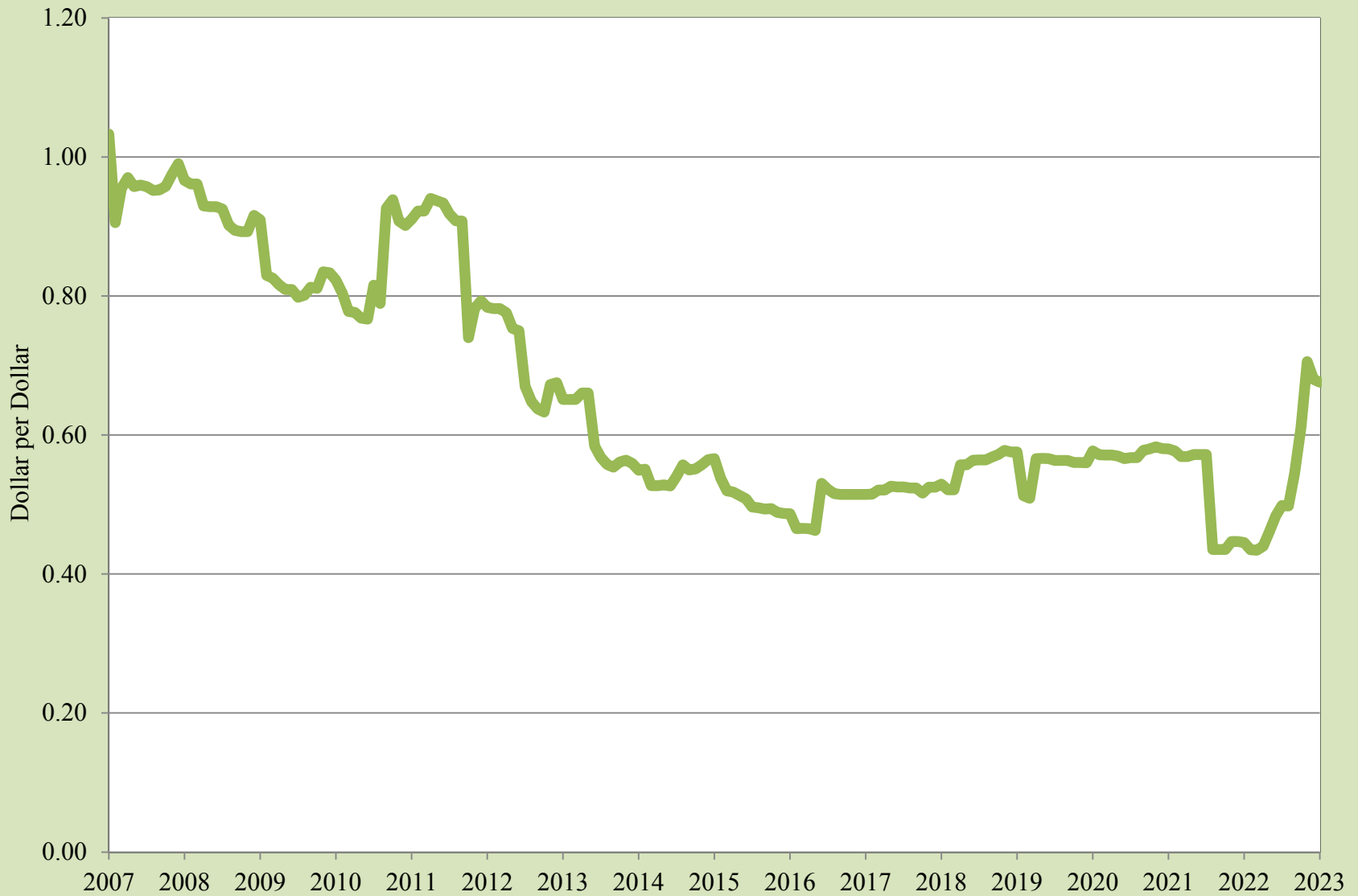
Source: UTEP Border Region Modeling Project

Pharmaceutical Nominal Price Ratio in the USA and Mexico



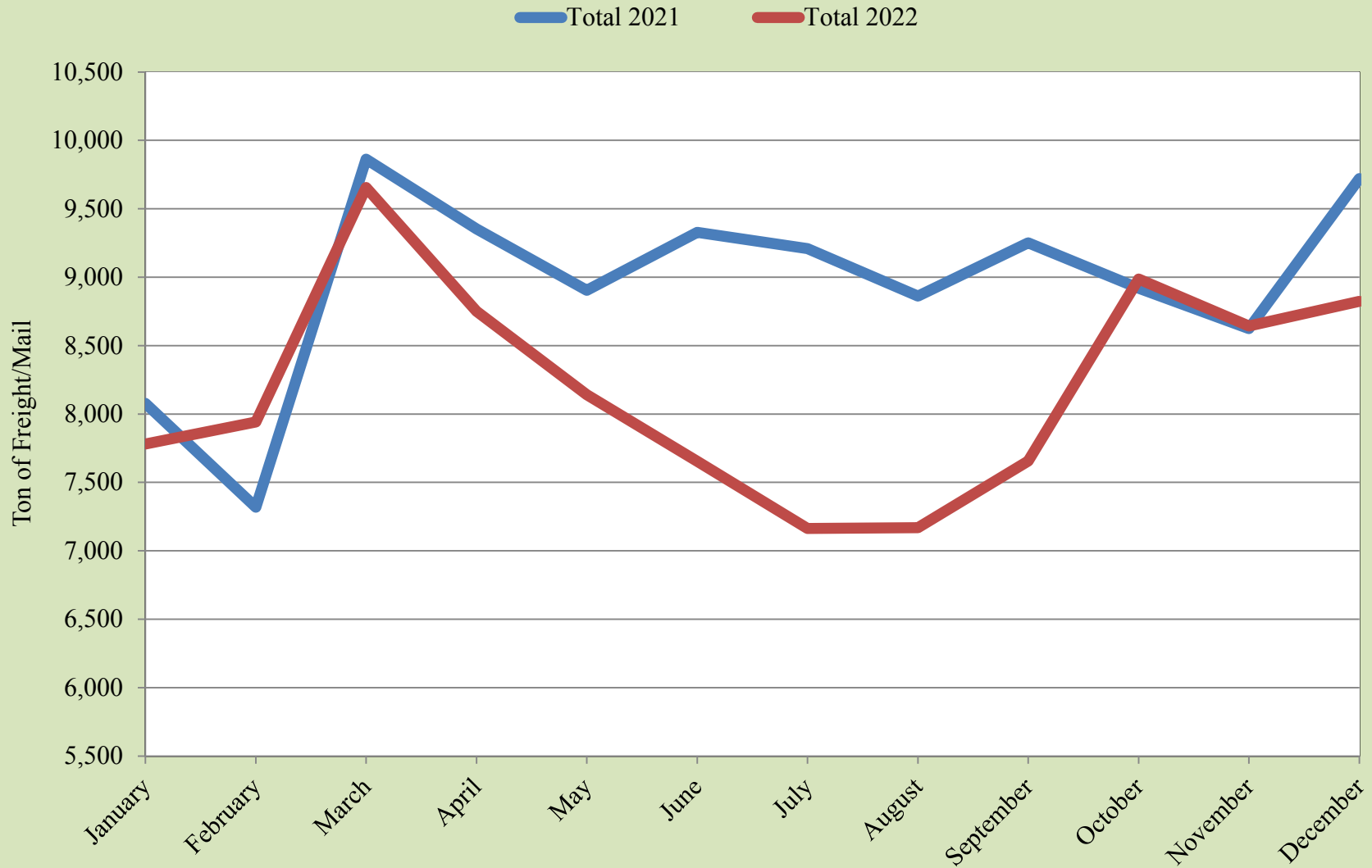
Source: UTEP Border Region Modeling Project, healthwarehouse.com, goodrx.com, medsmex.com, mexmed4you.com.mx

Pharmaceutical Nominal Price Ratio in the USA and Mexico



Source: UTEP Border Region Modeling Project, healthwarehouse.com, goodrx.com, medsmex.com, mexmed4you.com.mx

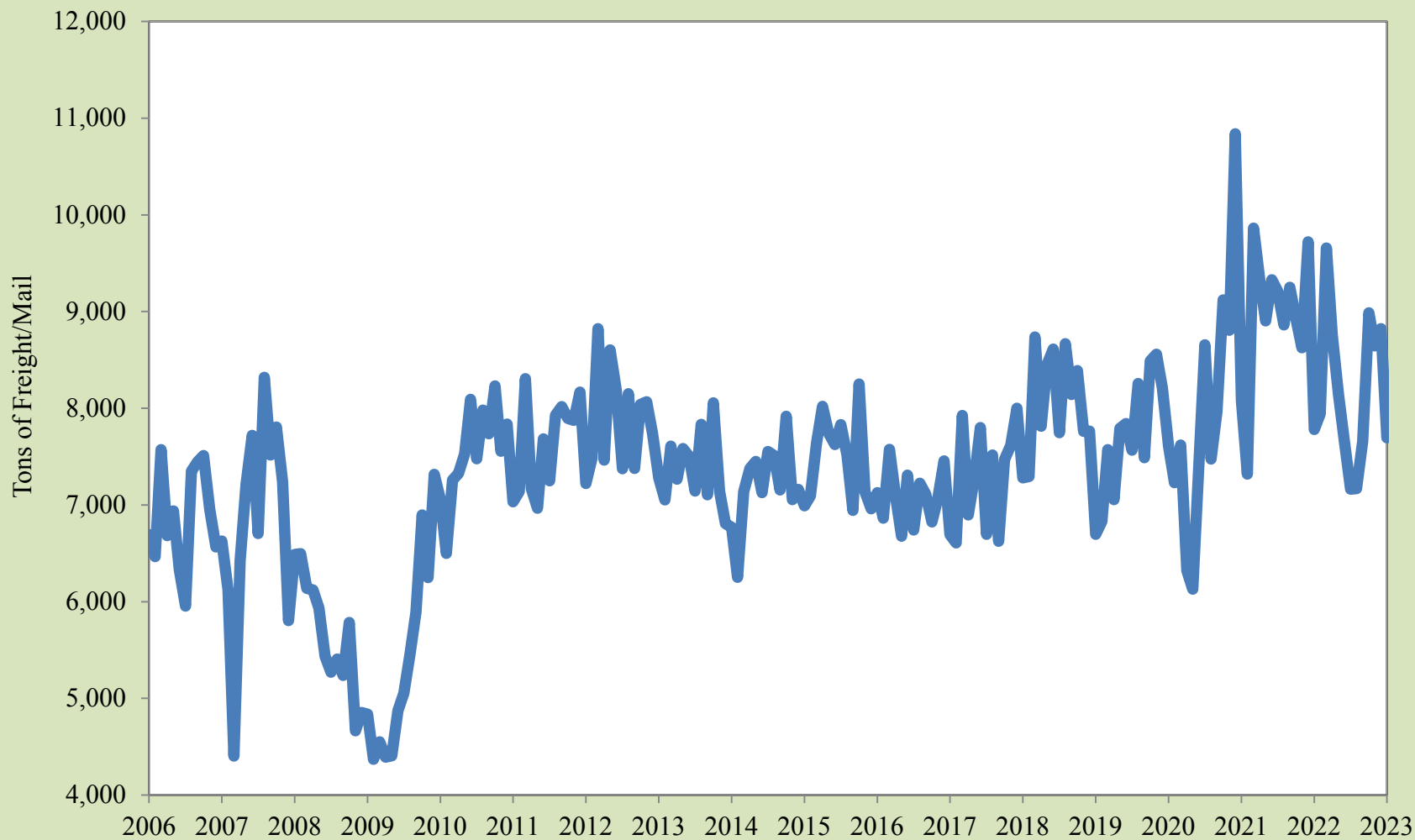
EPIA Freight and Mail



Source: UTEP Border Region Modeling Project using EPIA Operations Data

EPIA Freight and Mail

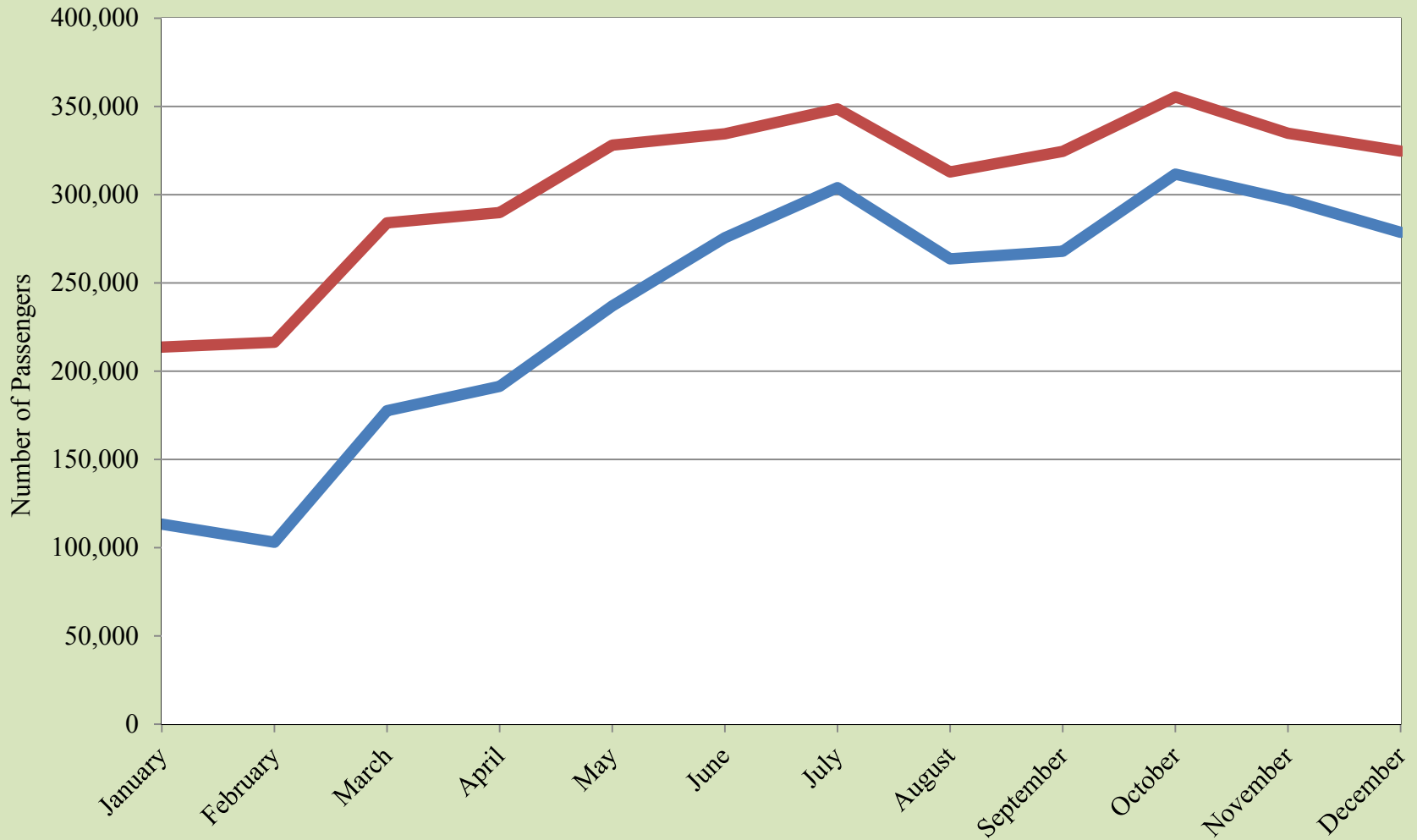
Inbound+Outbound



Source: UTEP Border Region Modeling Project using EPIA Operations Data

EPIA Passengers

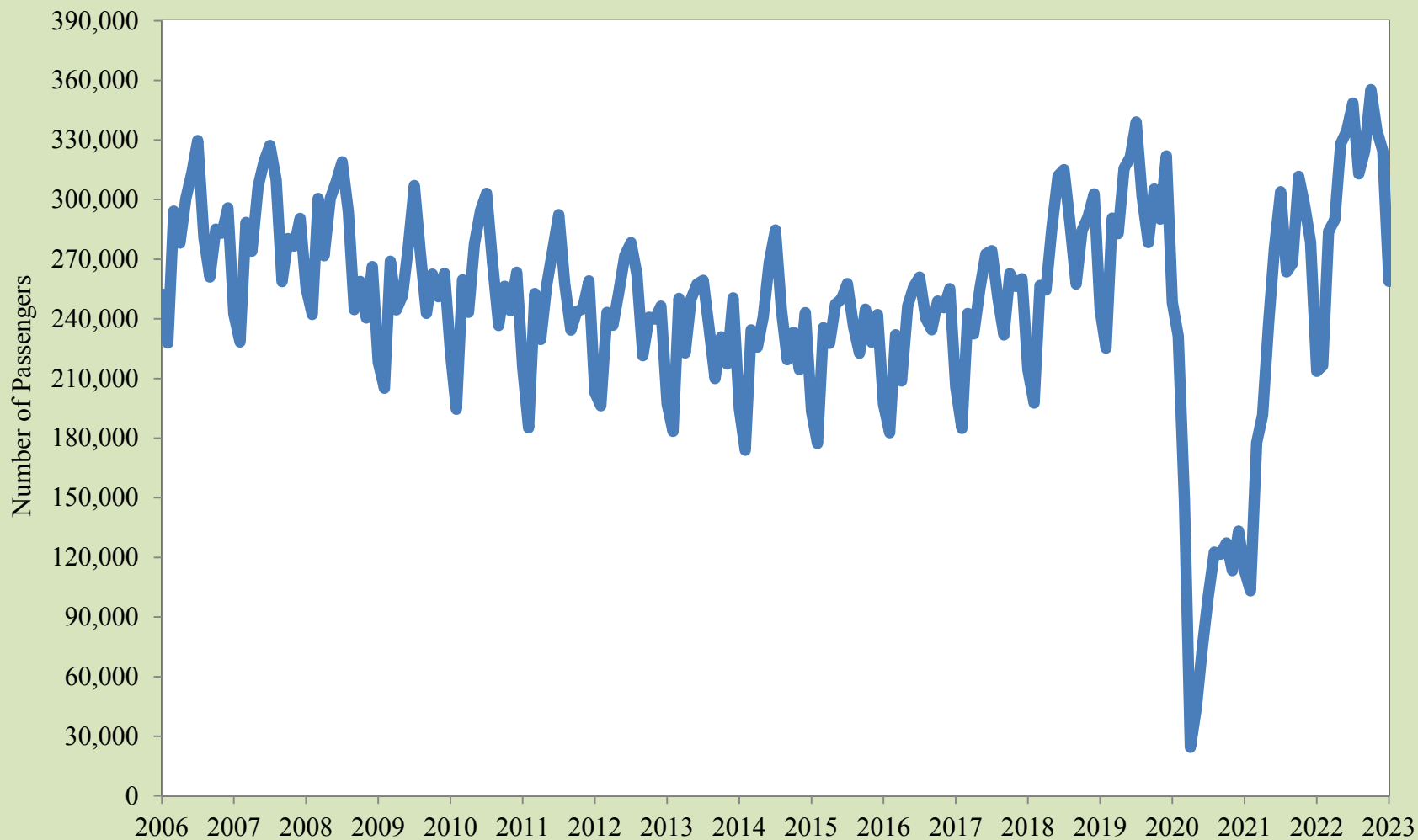
Total 2021 Total 2022



Source: UTEP Border Region Modeling Project using EPIA Operations Data

EPIA Passengers

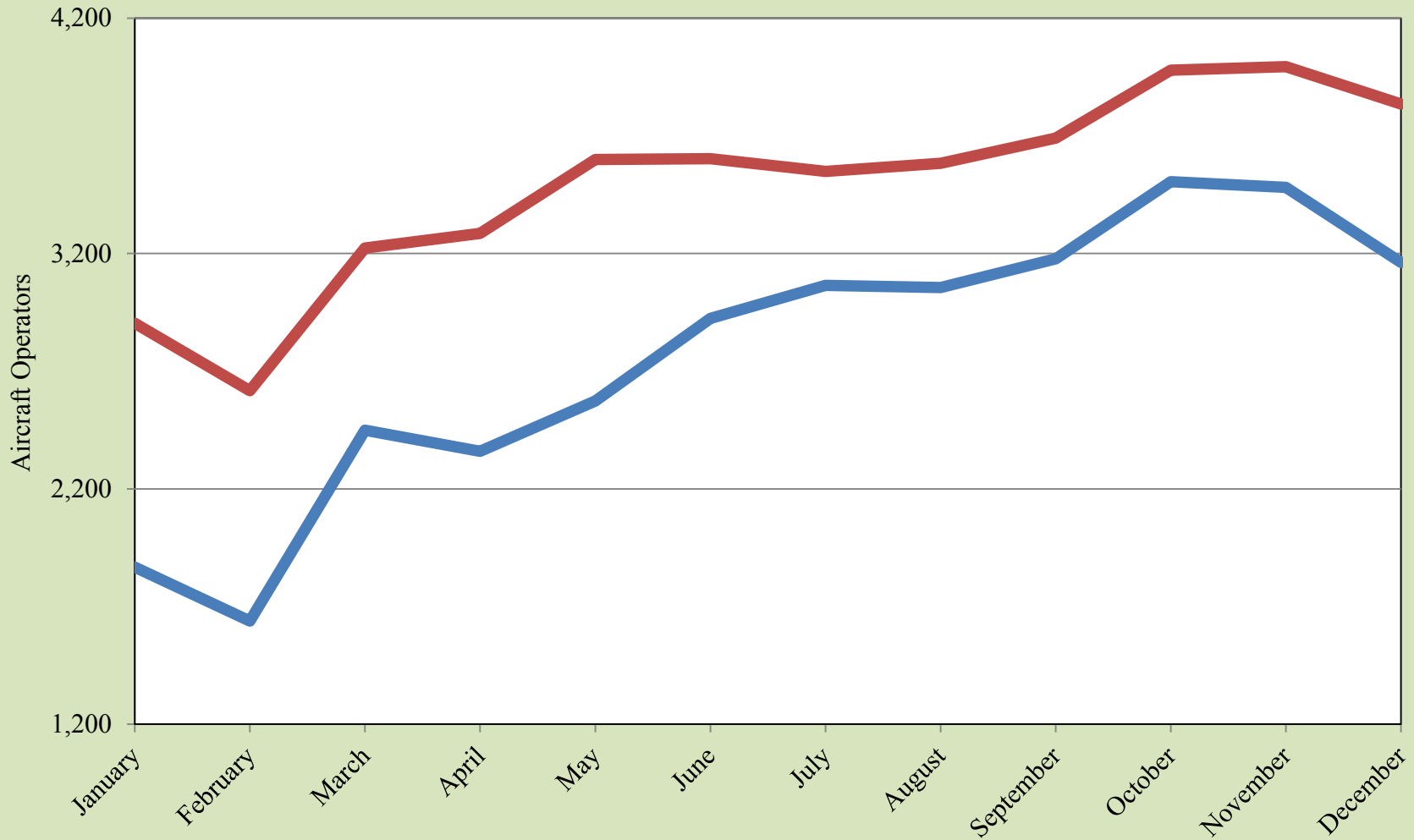
Inbound+Outbound



Source: UTEP Border Region Modeling Project using EPIA Operations Data

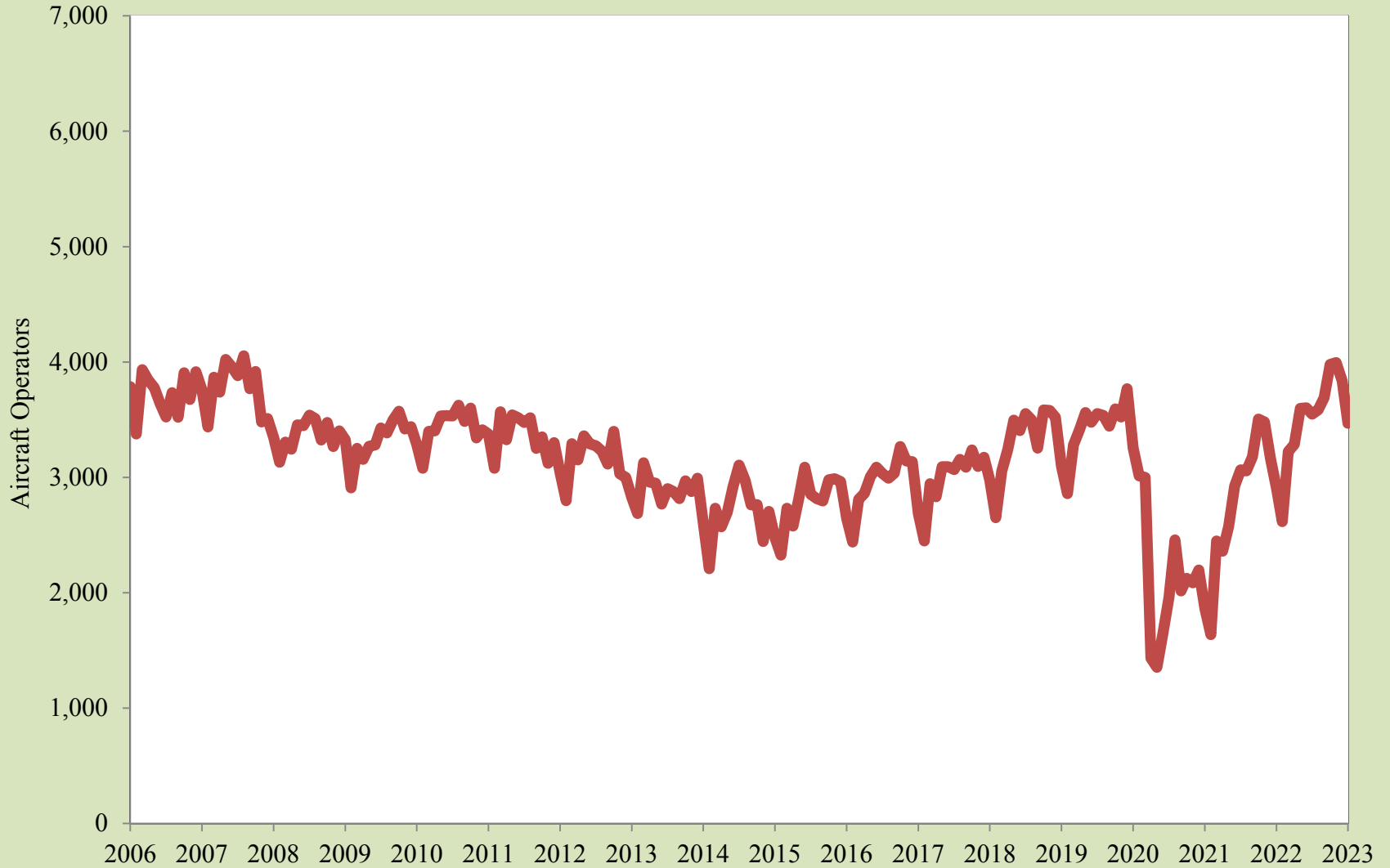
EPIA Air Carrier Operations

21-Air Carriers 22-Air Carriers



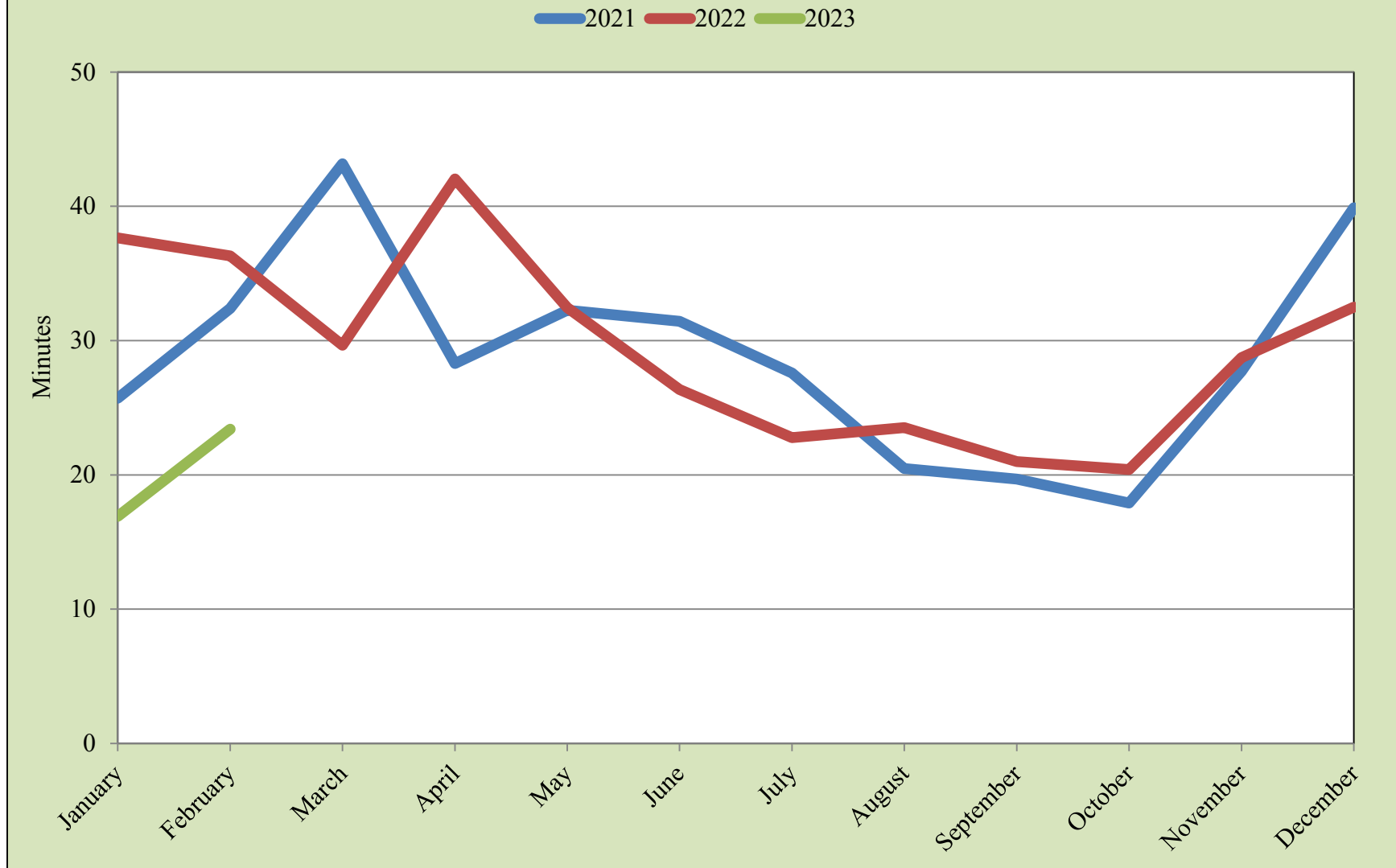
Source: UTEP Border Region Modeling Project using EPIA Operations Data

EPIA Air Carrier Operations



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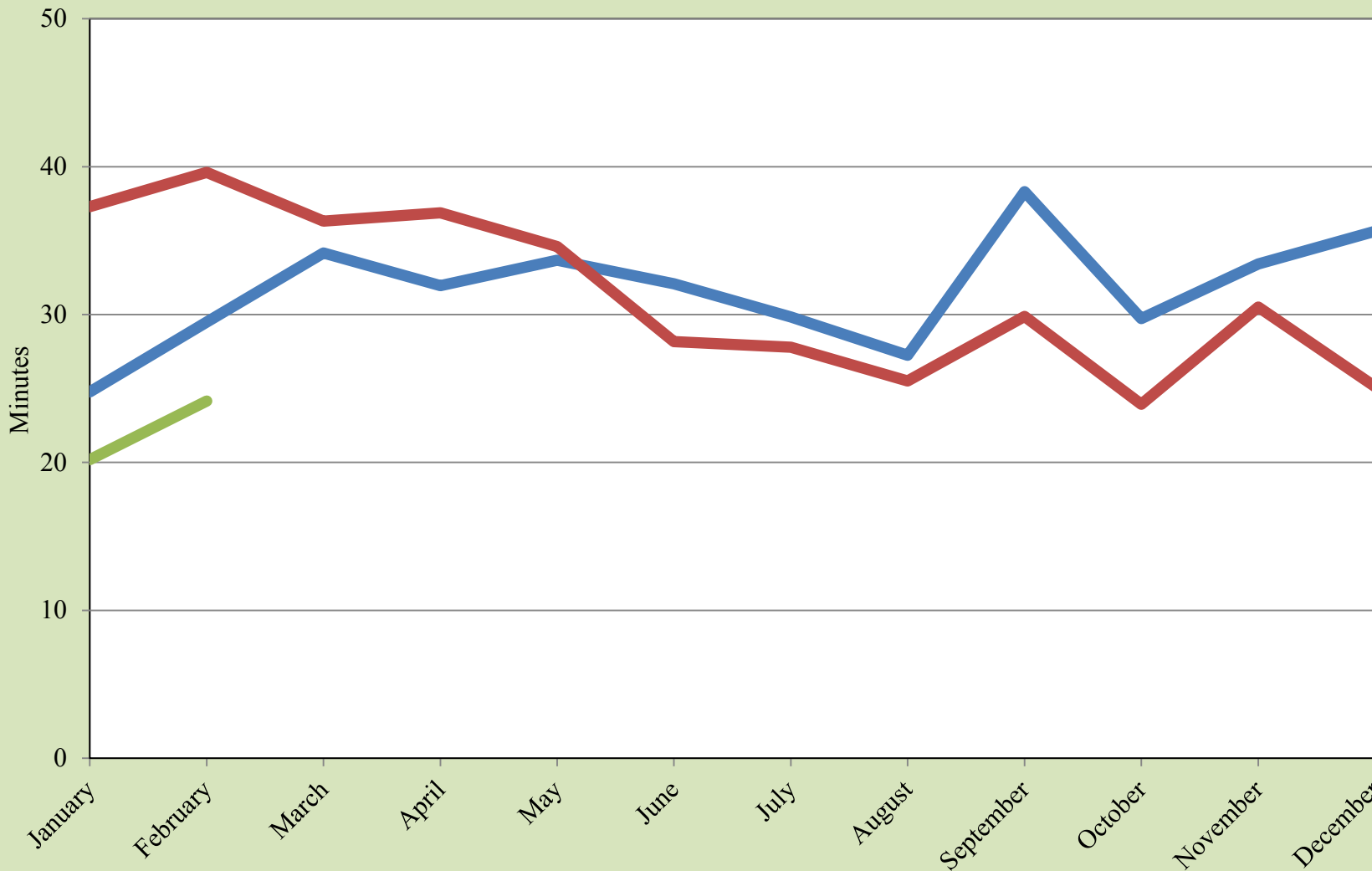
Paso del Norte Monthly Wait Times



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

Ysleta Monthly Wait Times

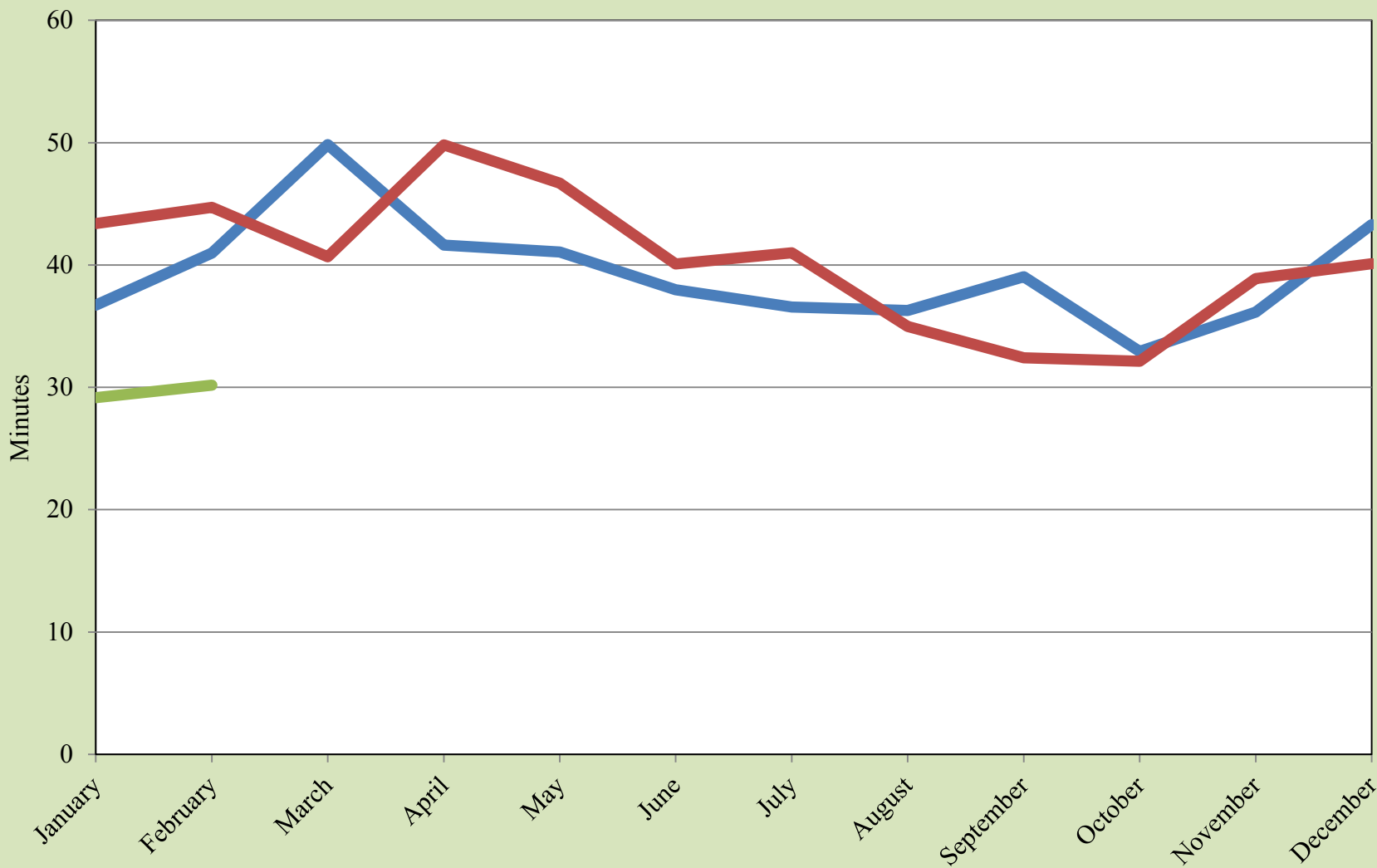
2021 2022 2023



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

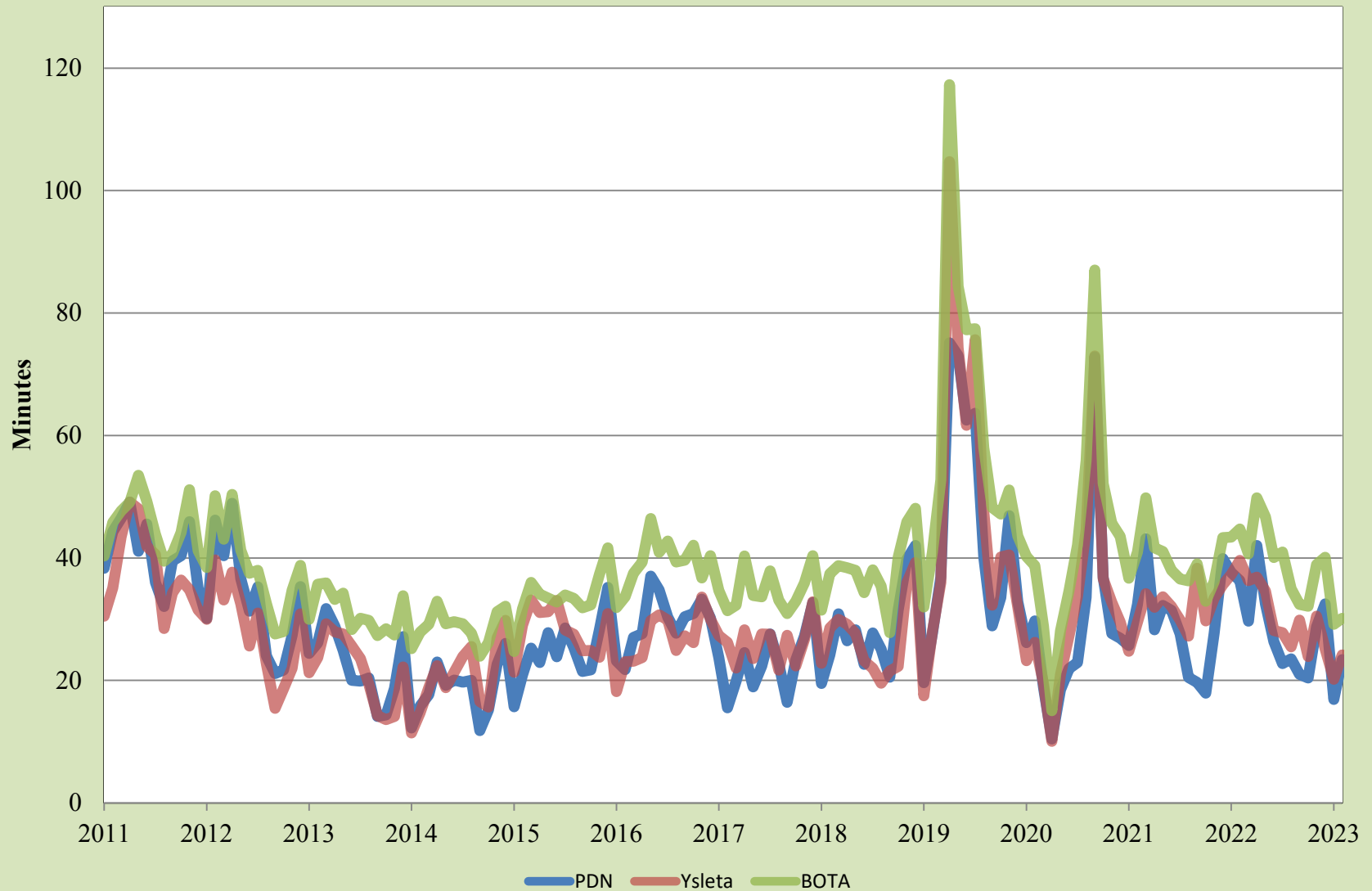
Bridge of the Americas Monthly Wait Times

— 2021 — 2022 — 2023



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

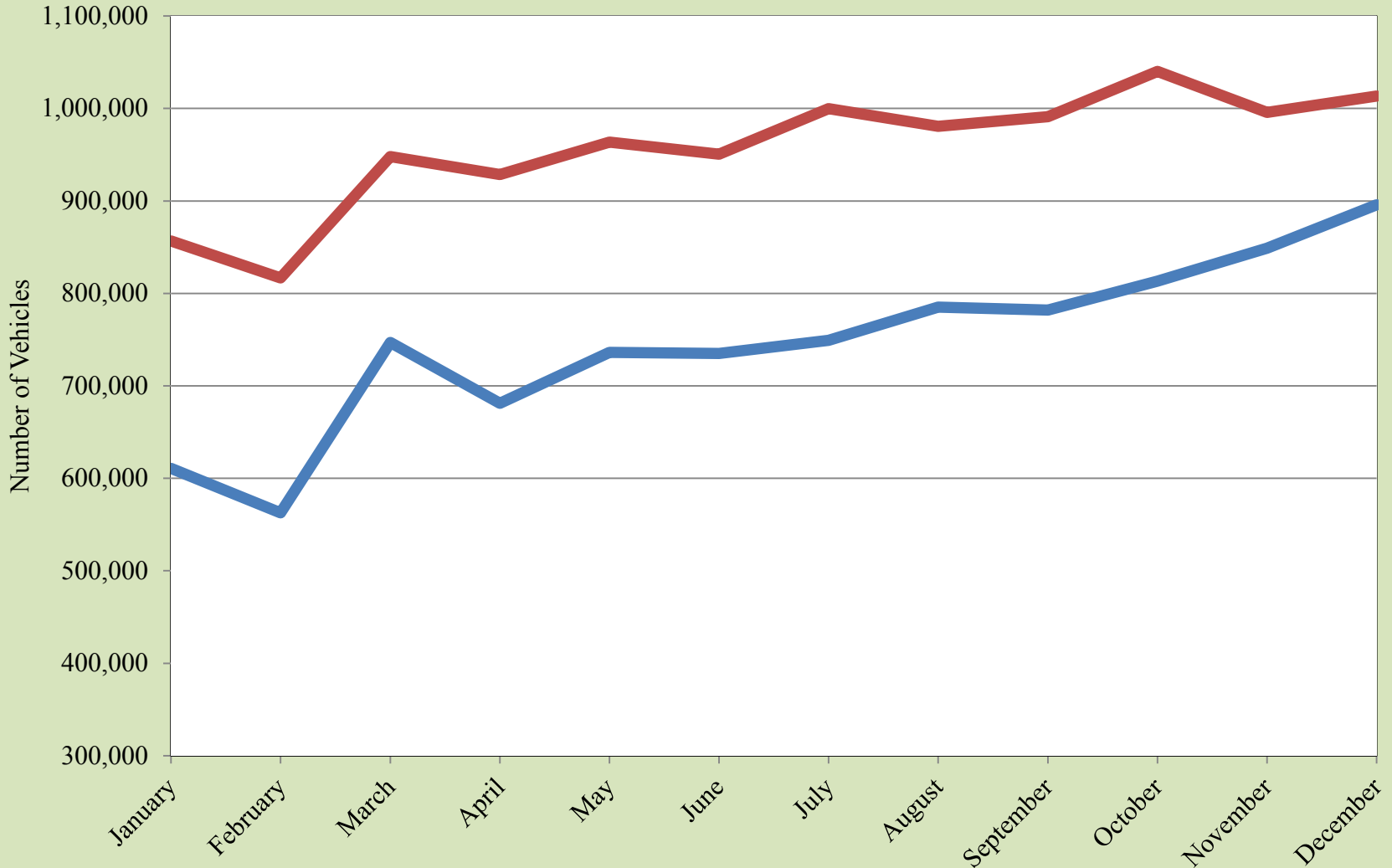
Monthly Border Wait Times



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

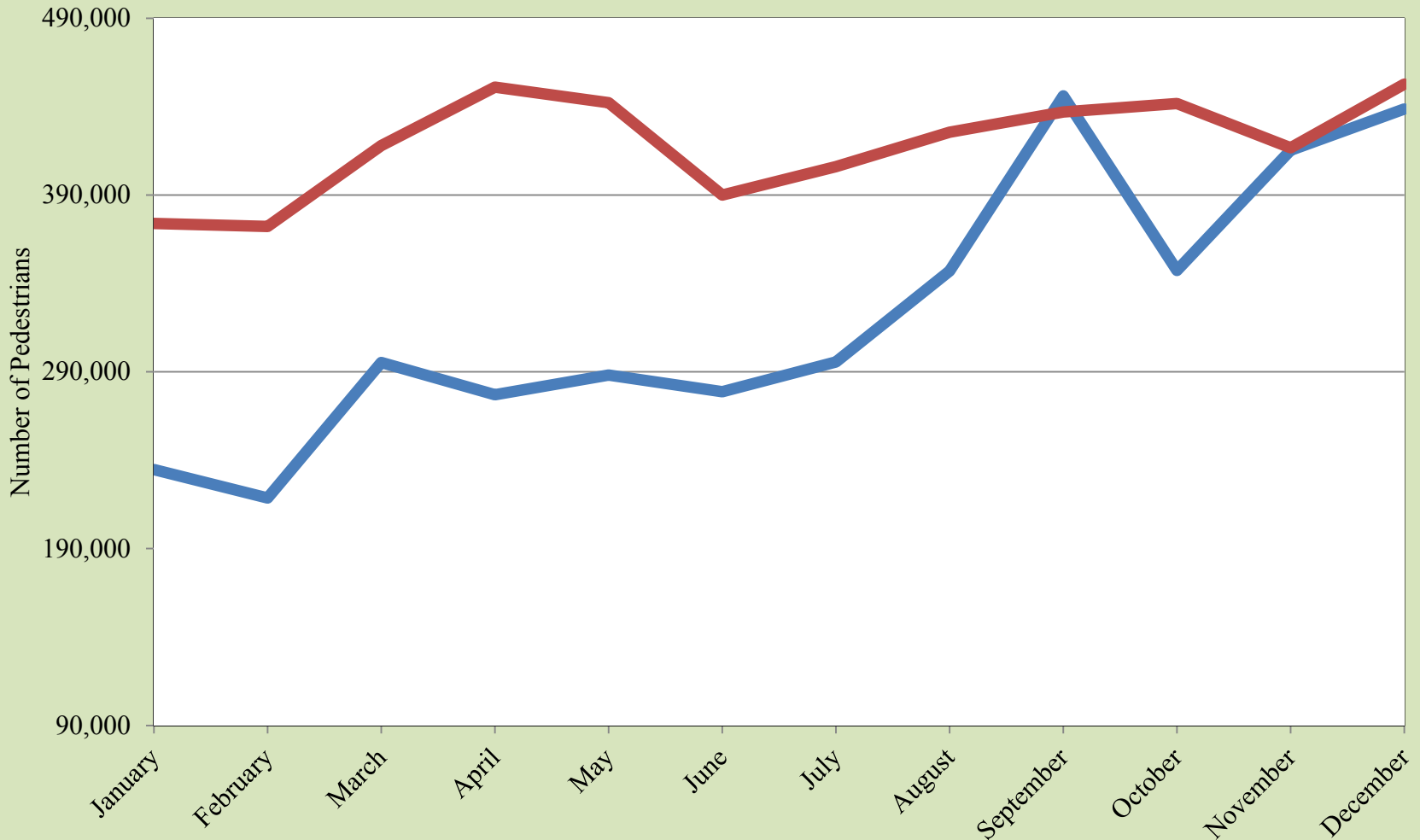
Personal Vehicle International Bridge Crossings to El Paso



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

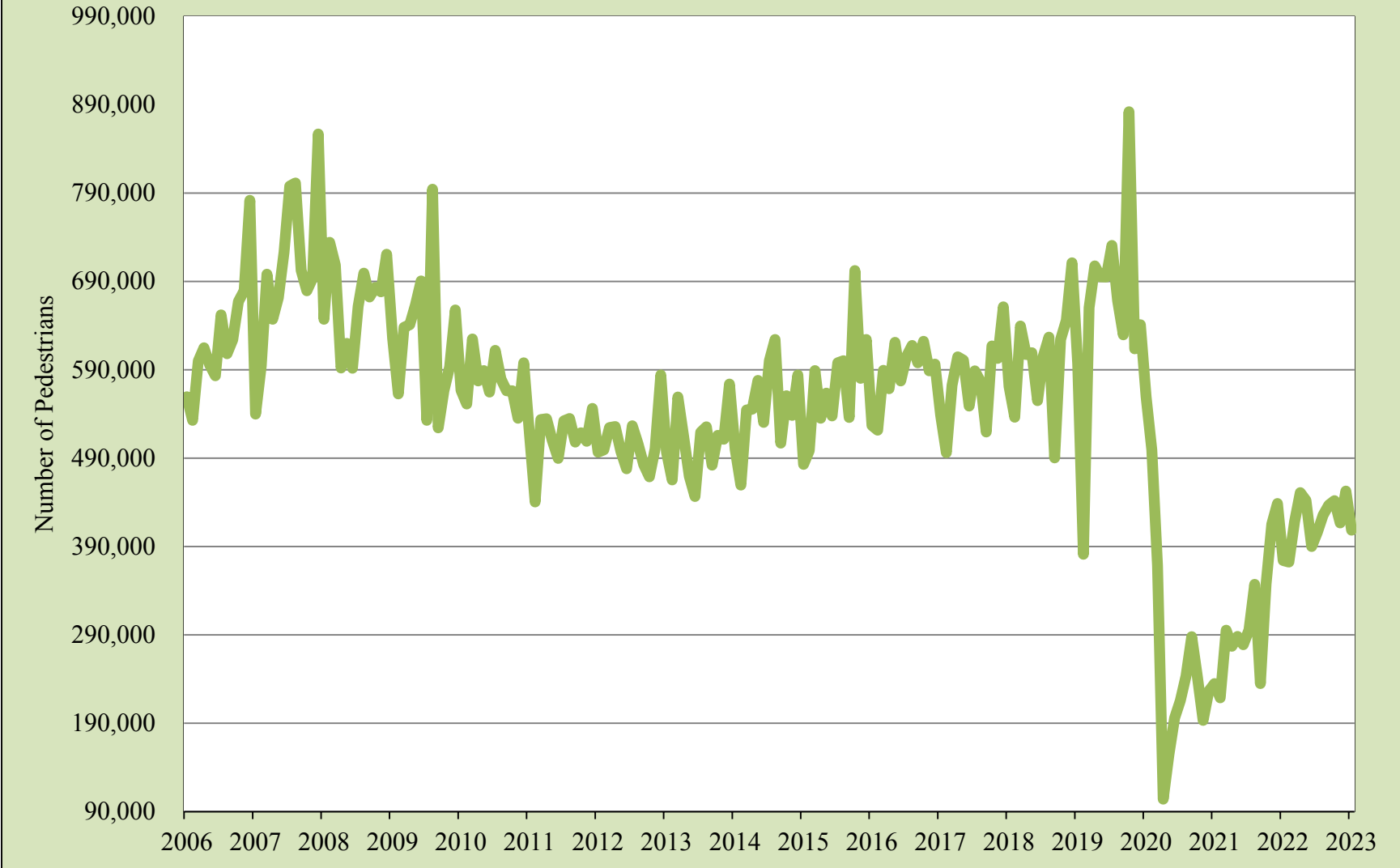
Pedestrian International Bridge Crossings to El Paso

2021 2022



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

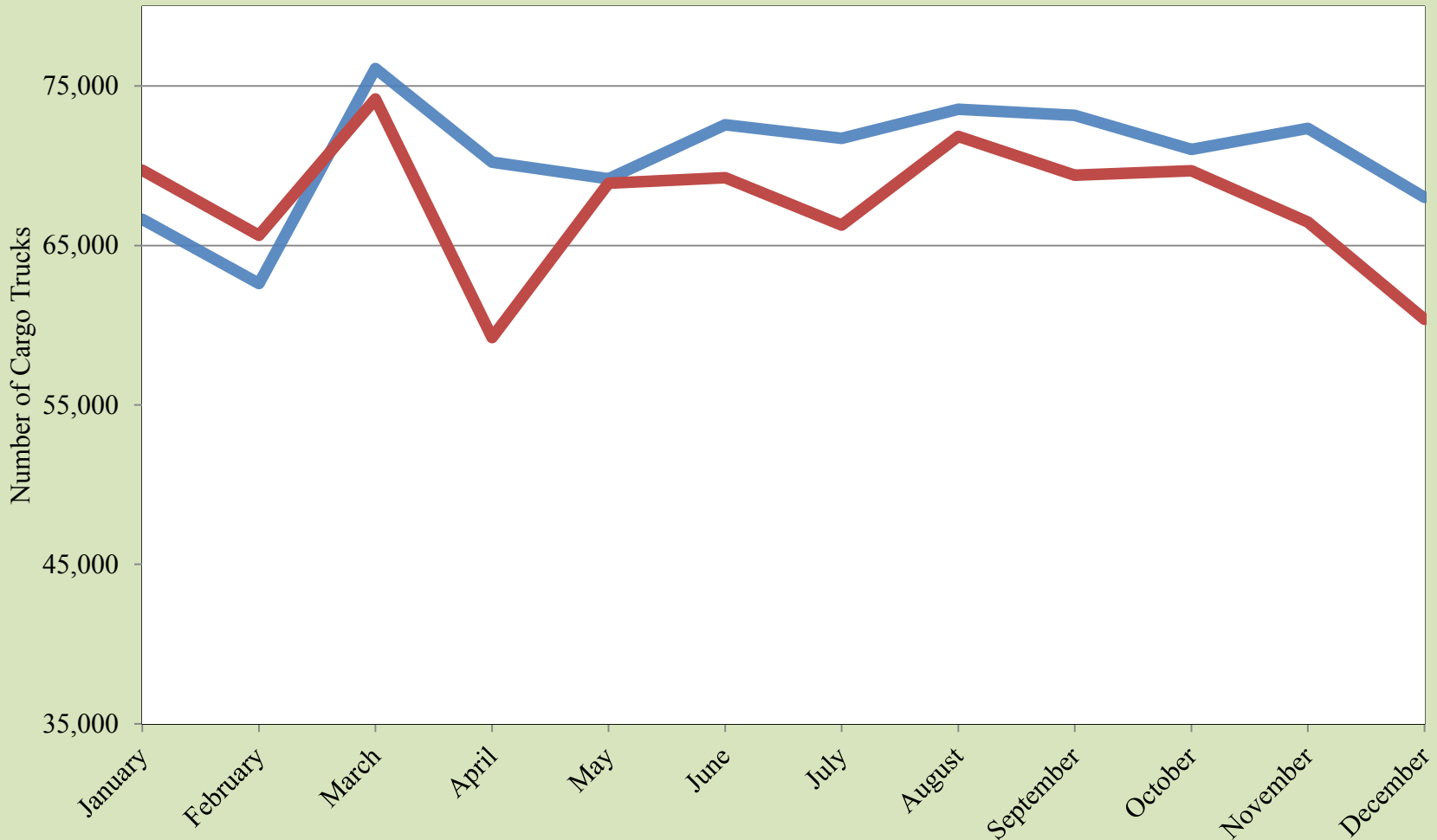
Pedestrian International Bridge Crossings to El Paso



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

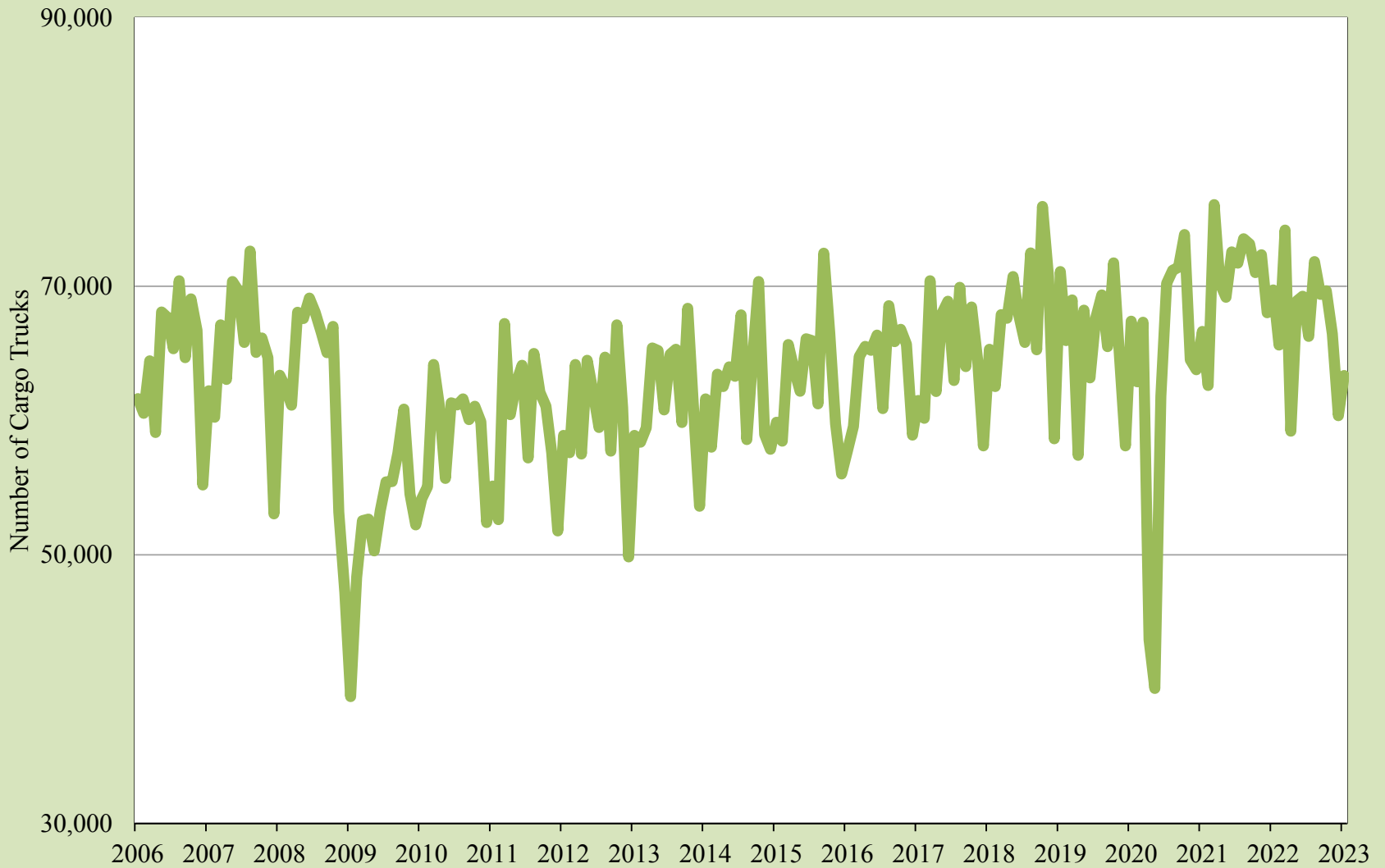
Cargo Truck International Bridge Crossings to El Paso

2021 2022



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

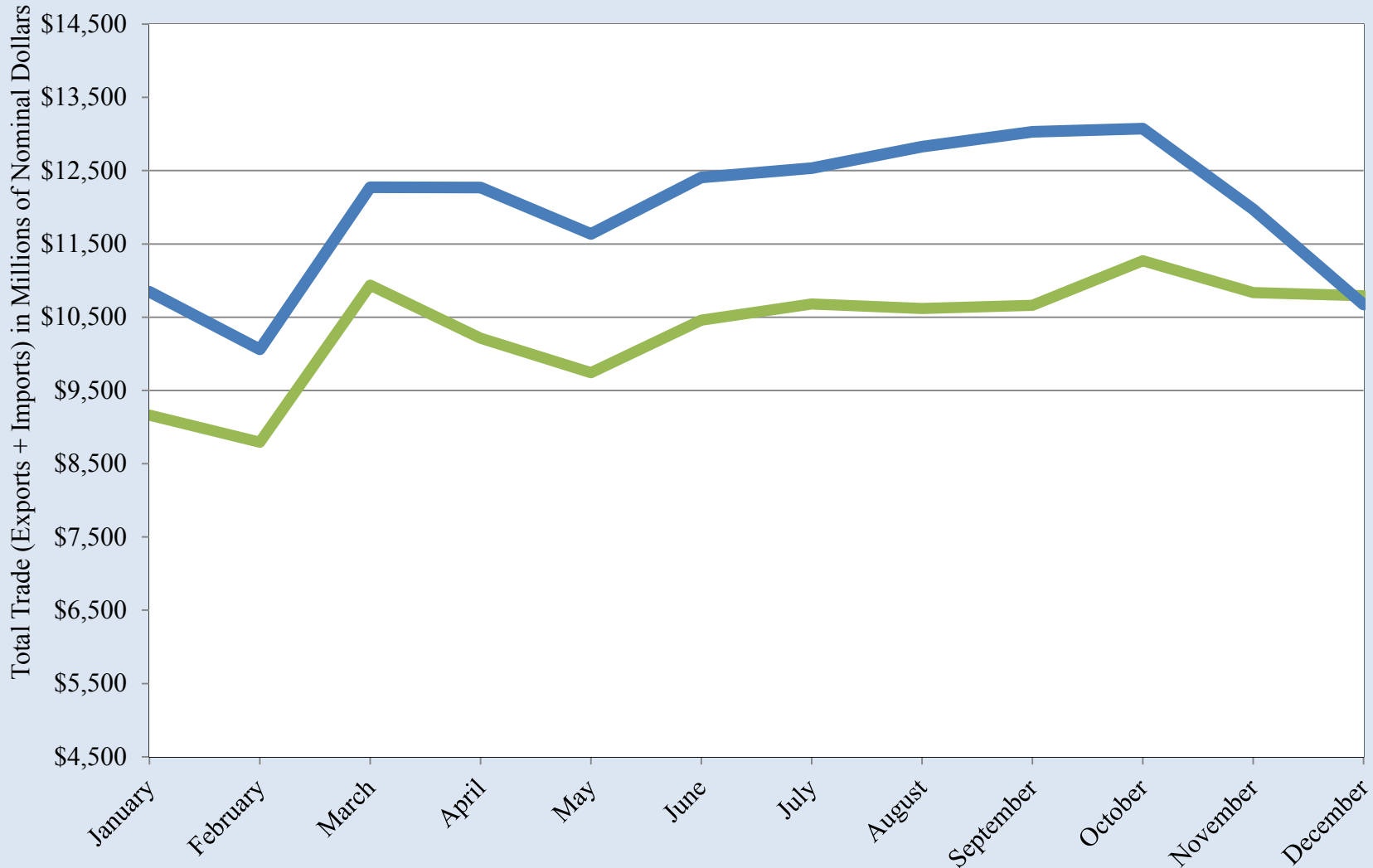
Cargo Truck International Bridge Crossings to El Paso



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

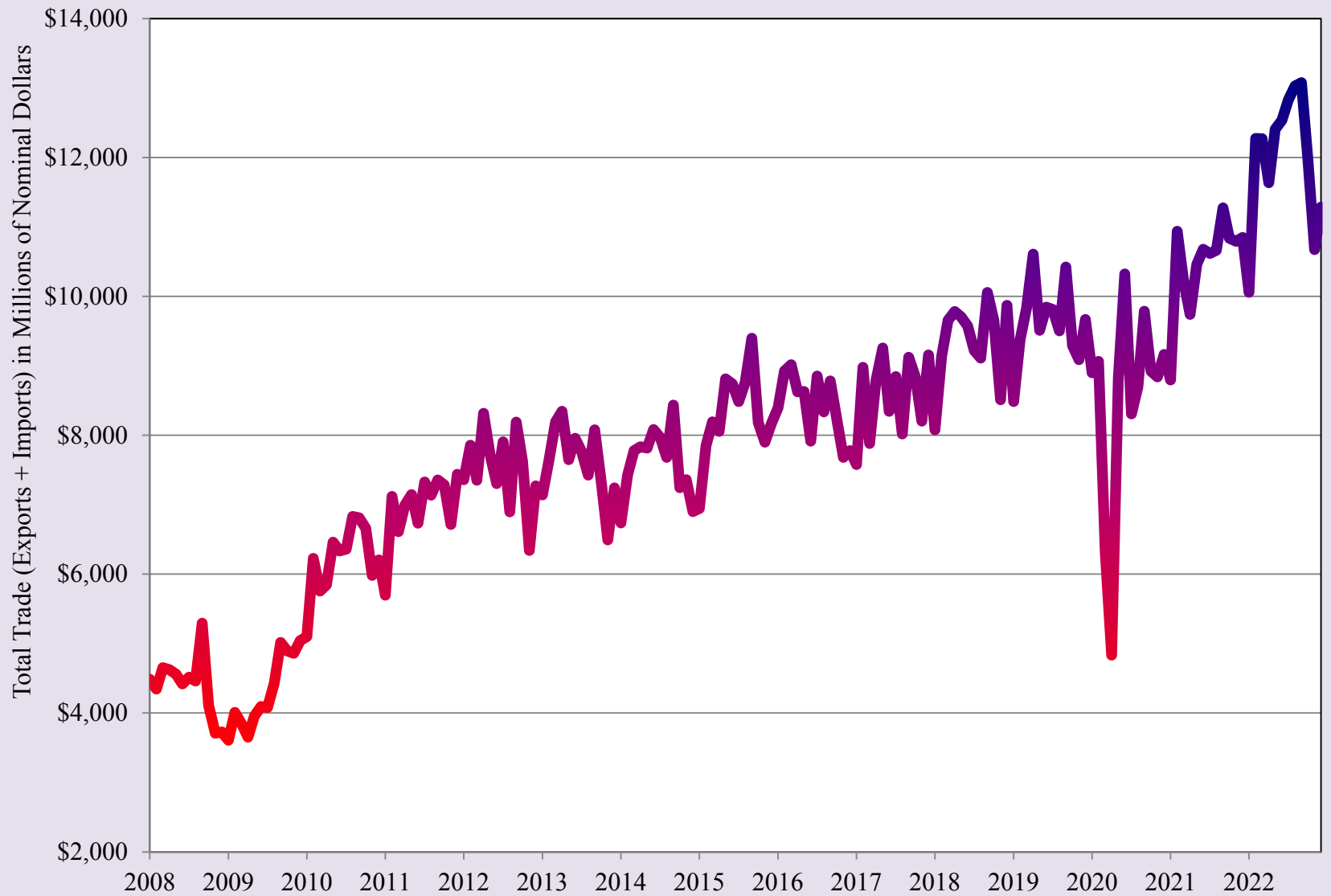
Total Trade through the El Paso Customs District

2021 2022



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

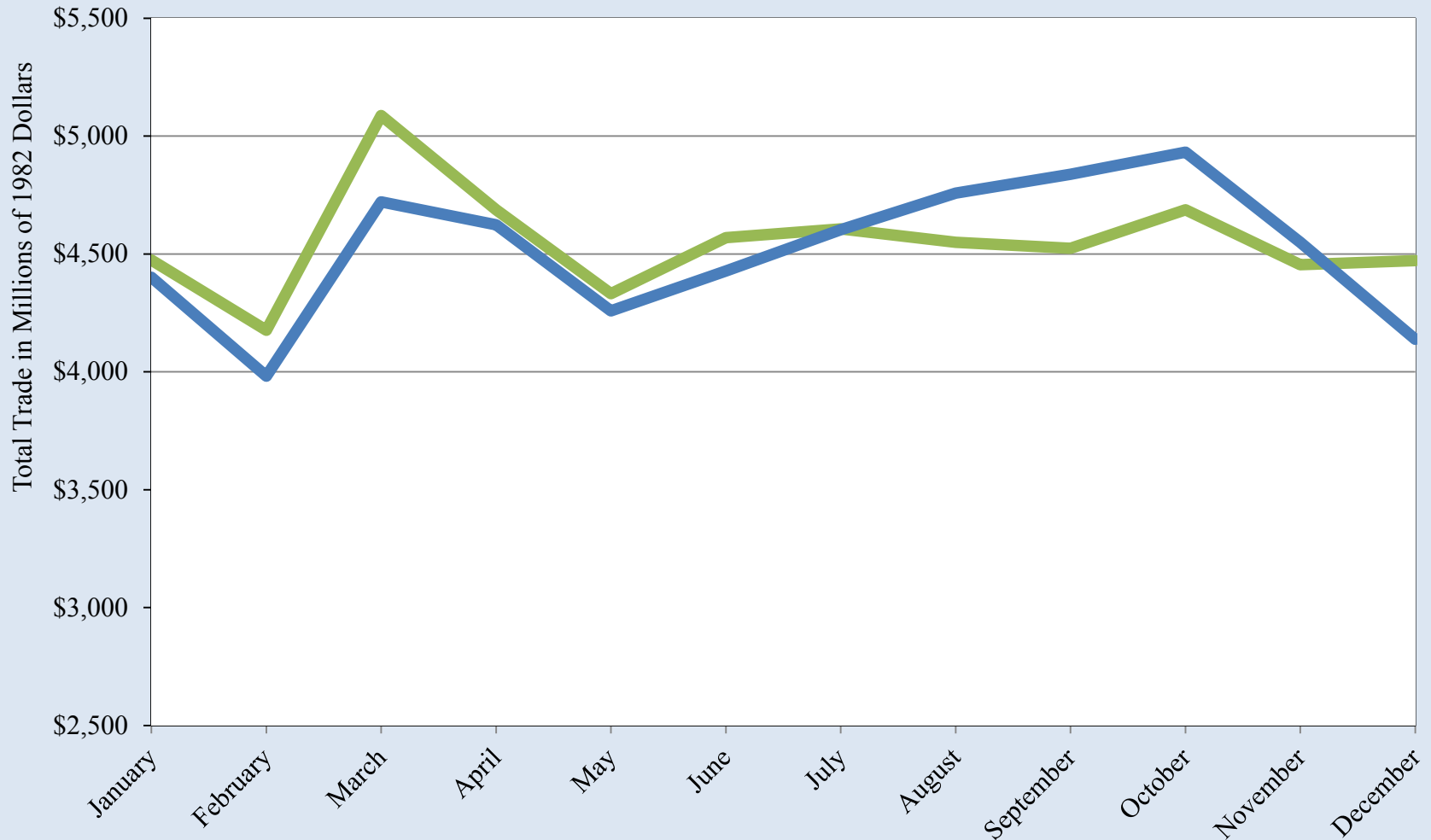
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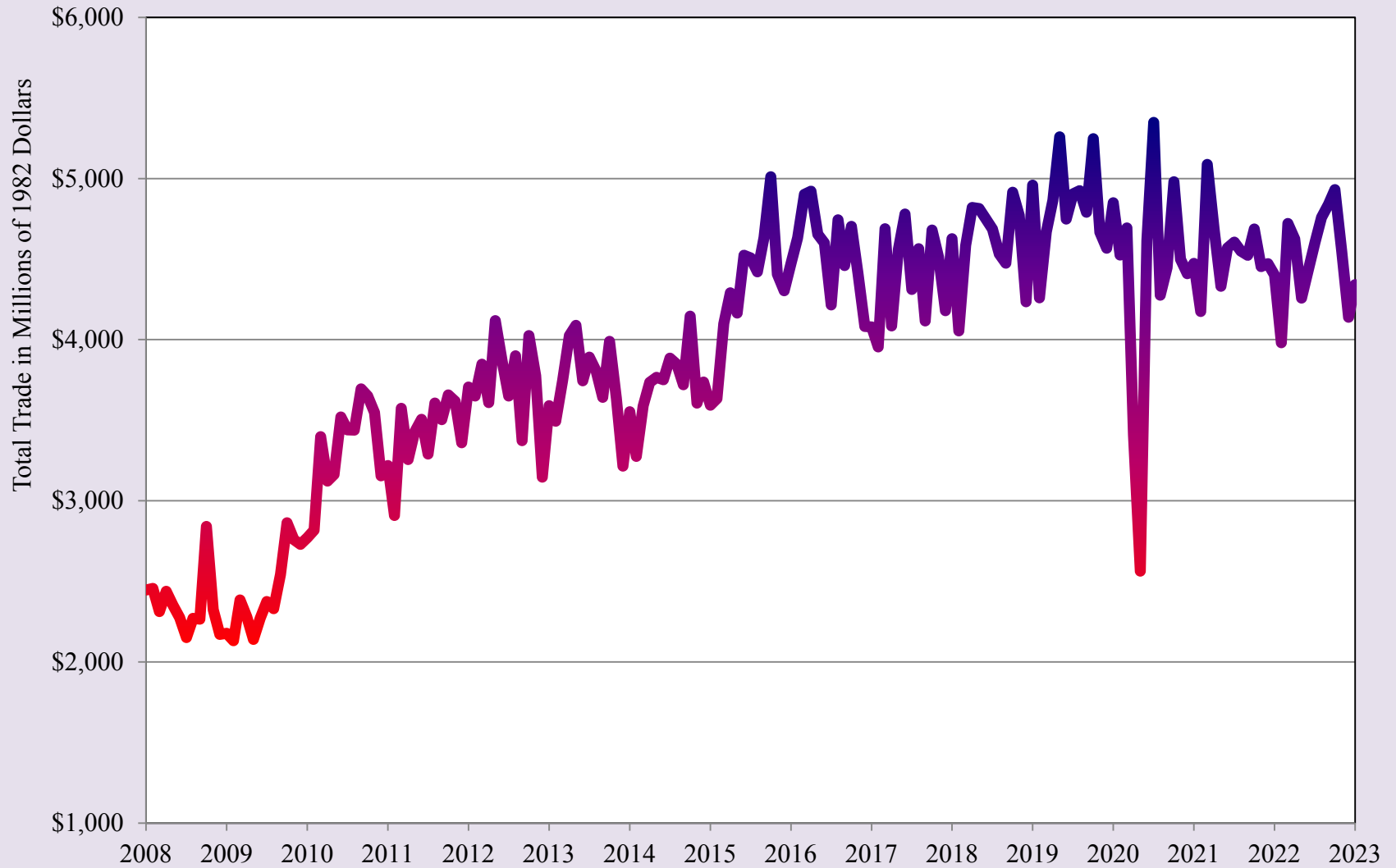
Real Total Trade through the El Paso Customs District

2021 2022



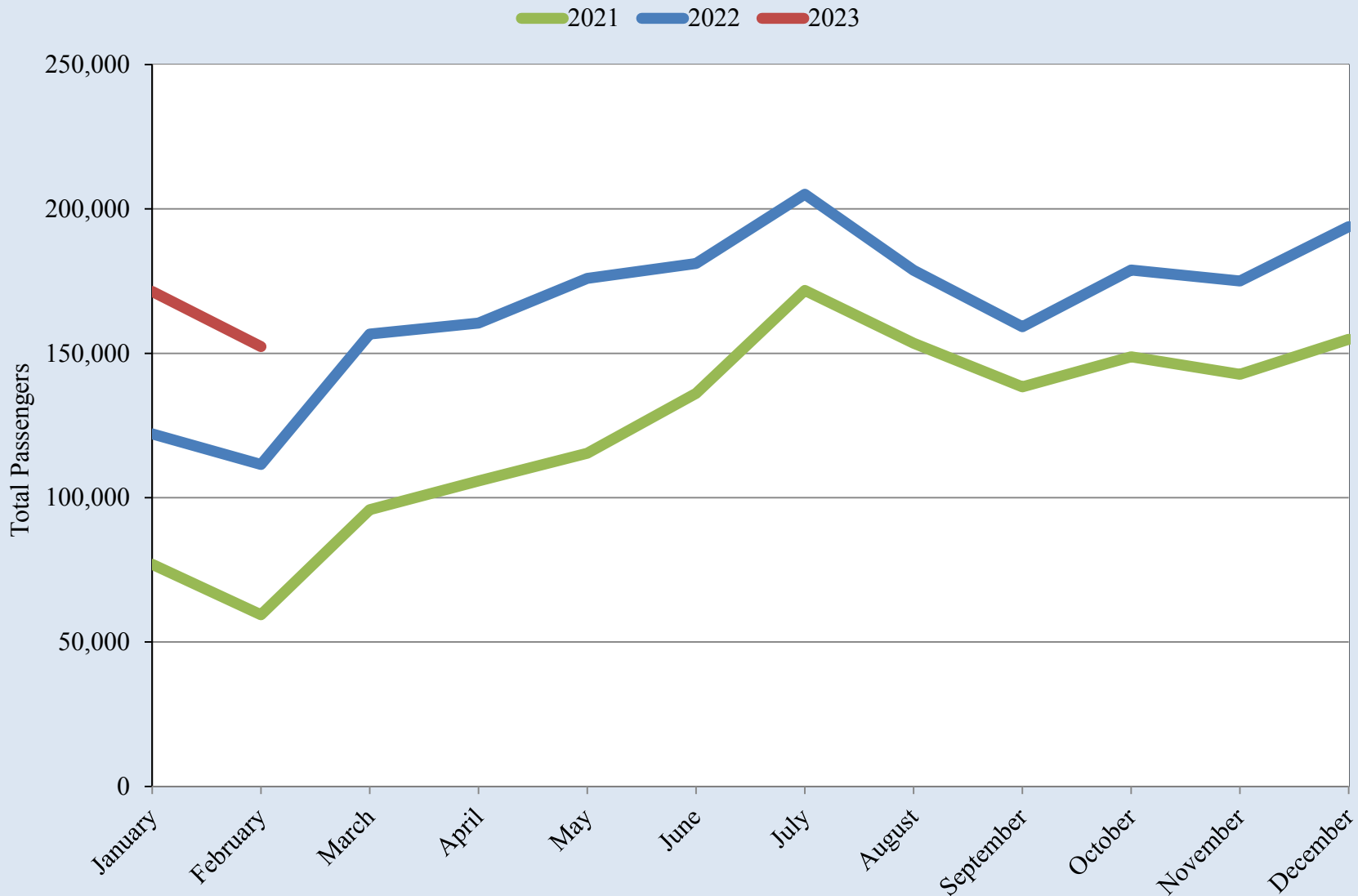
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Real Total Trade through the El Paso Customs District



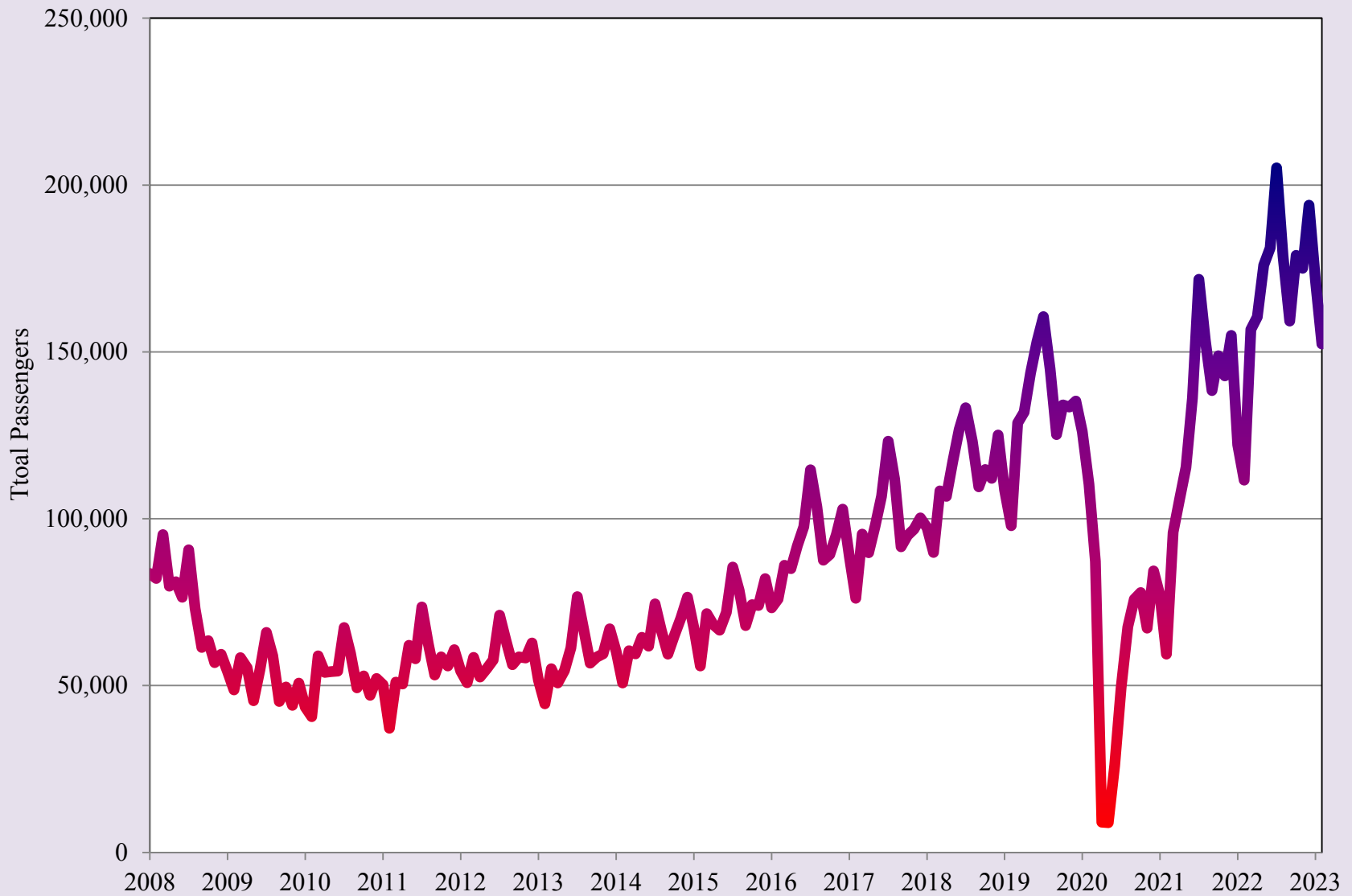
Source: UTEP Border Region Modeling Project using US International Trade Commission Data

Domestic Passengers Ciudad Juarez International Airport



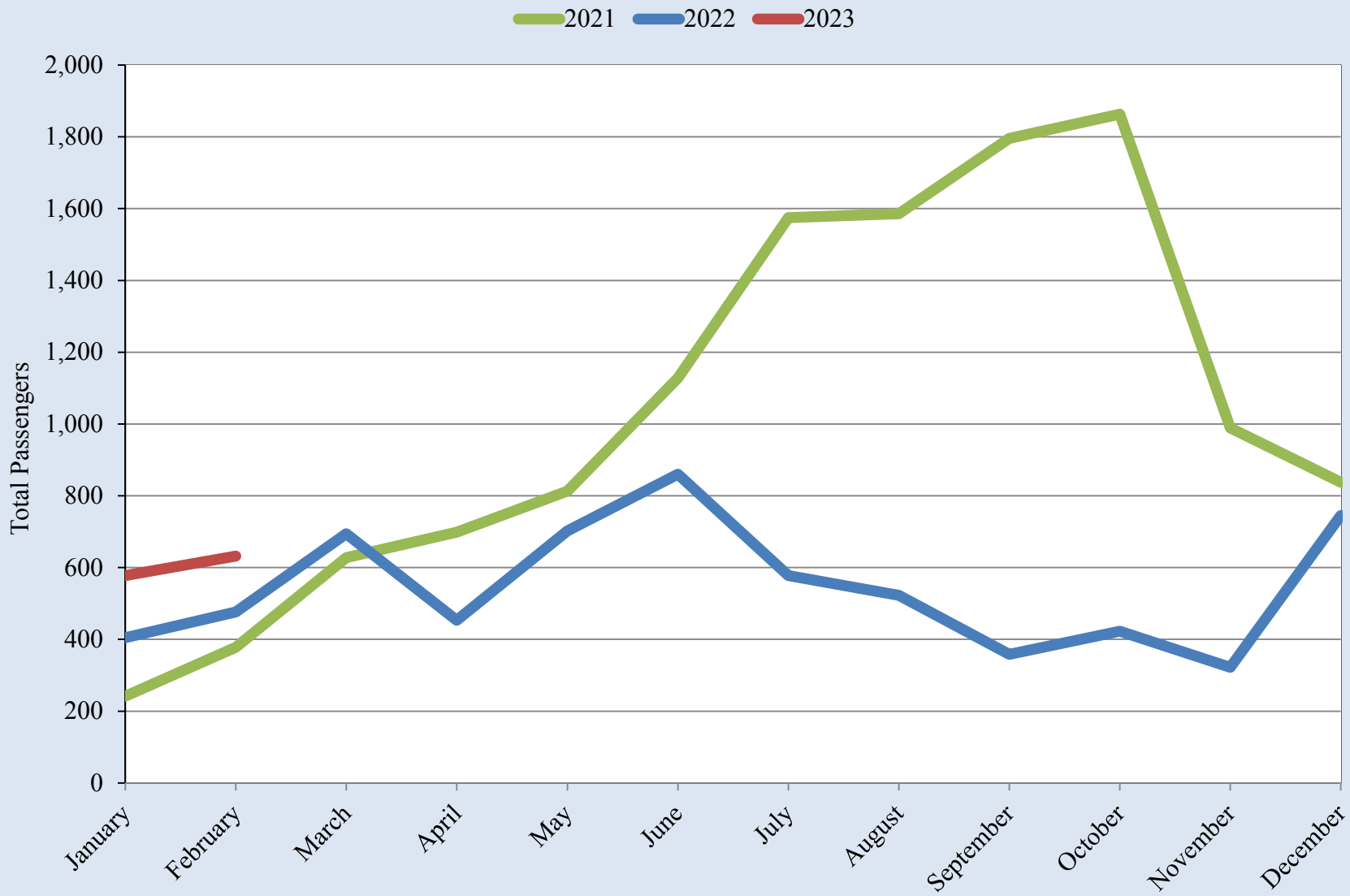
Source: UTEP Border Region Modeling Project using Grupo Aeroportuario Centro Norte - OMA Data

Domestic Passengers Ciudad Juarez International Airport



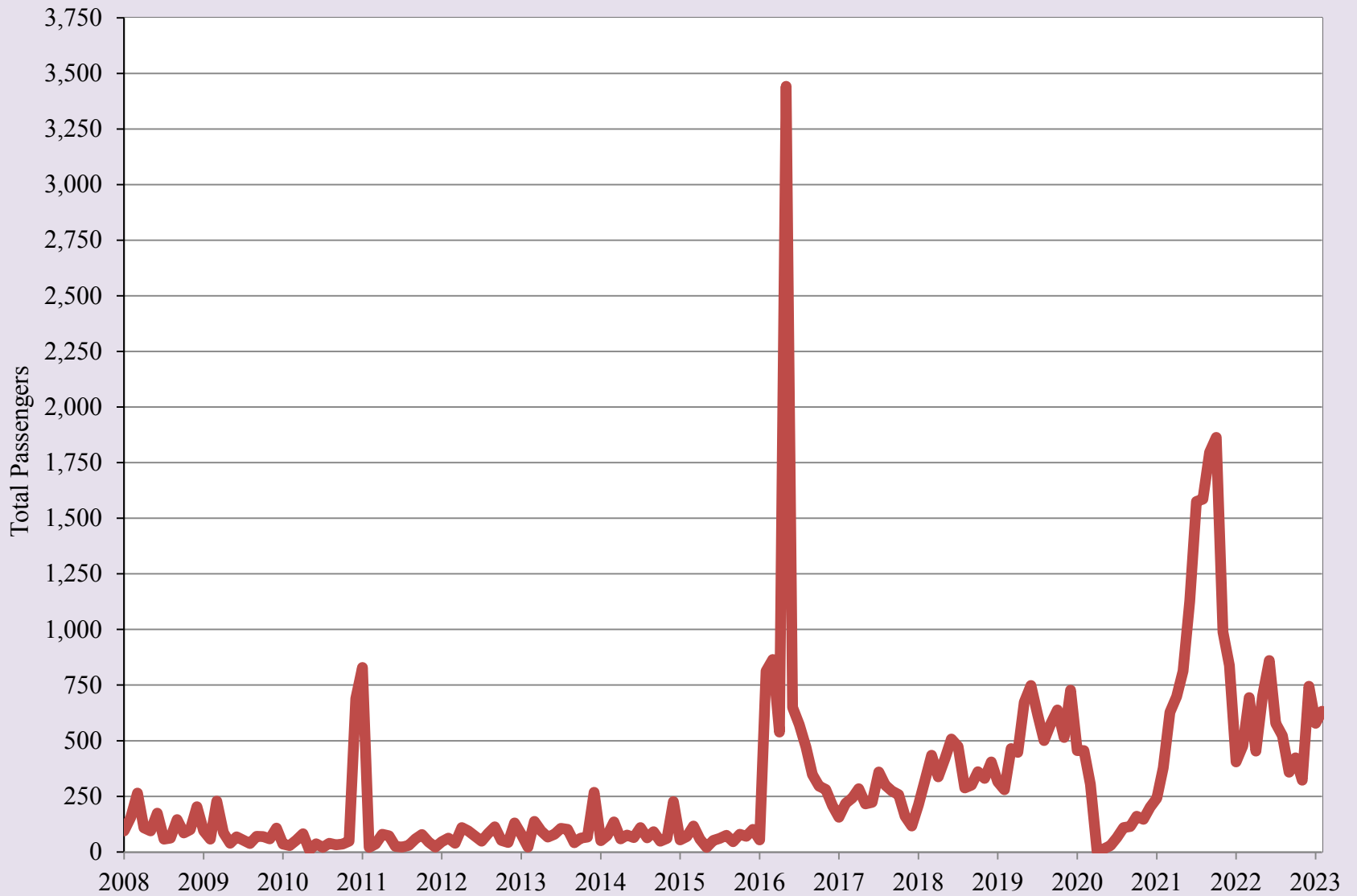
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International Passengers Ciudad Juarez International Airport



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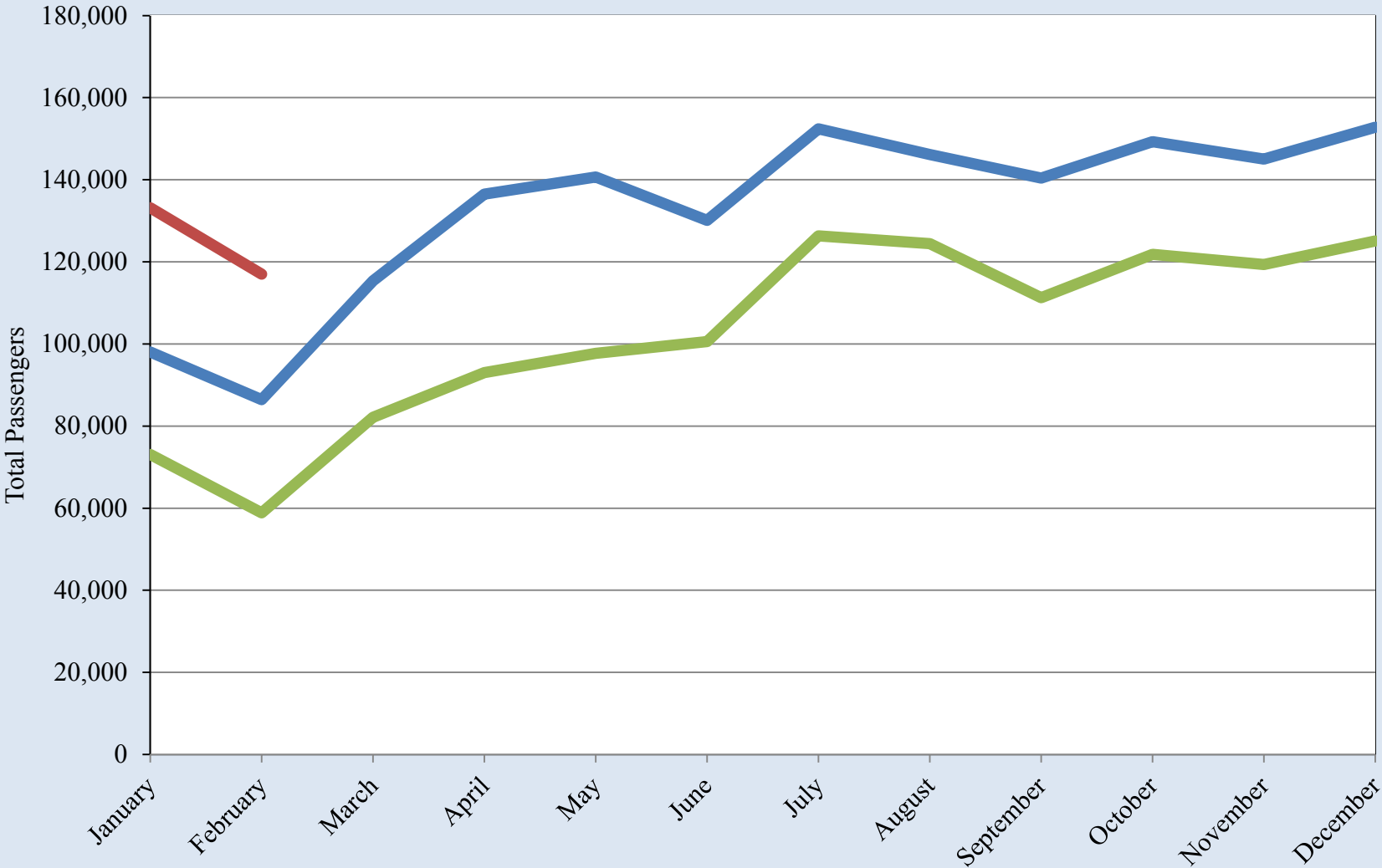
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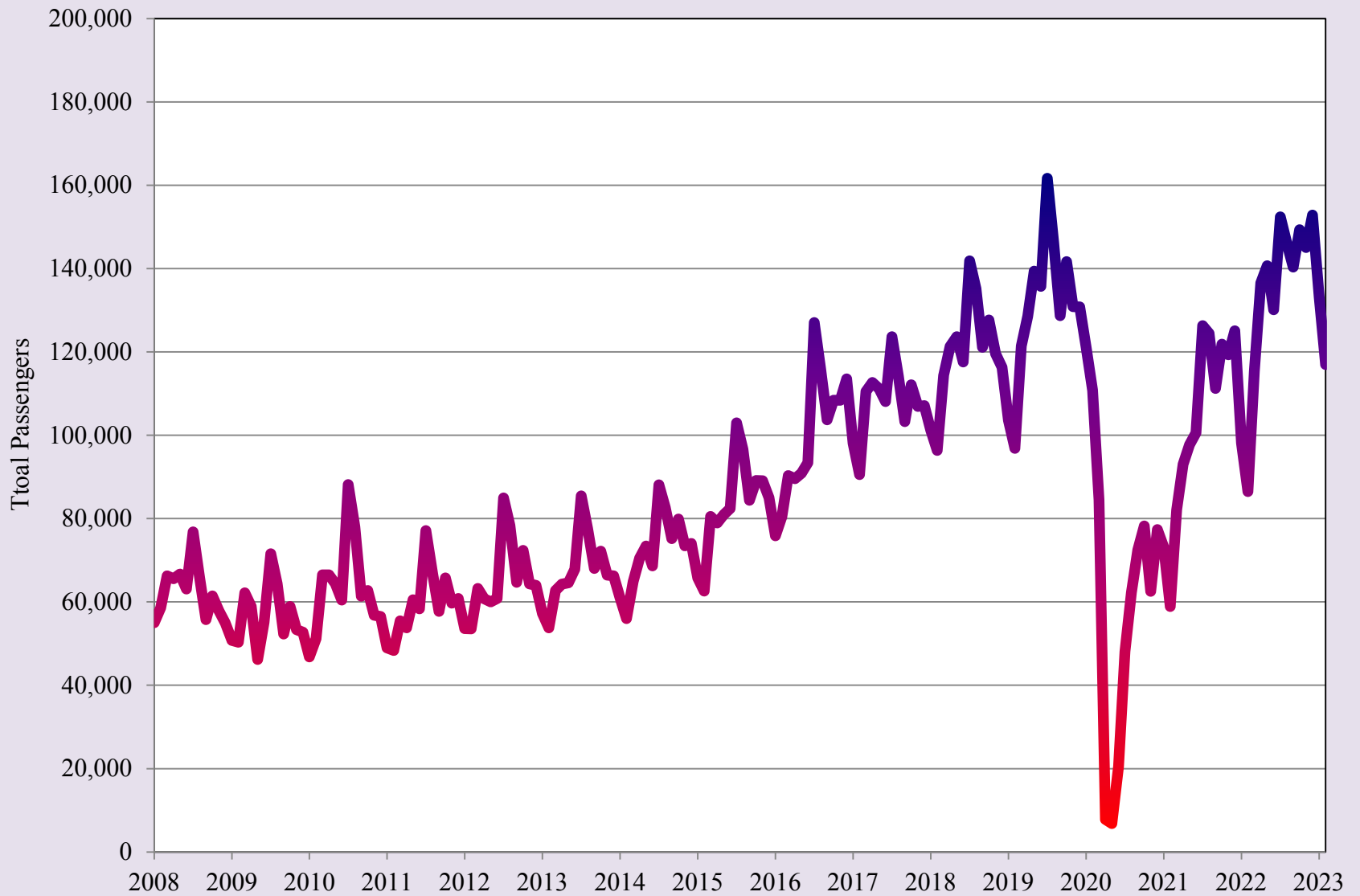
Domestic Passengers Chihuahua City International Airport

2021 2022 2023



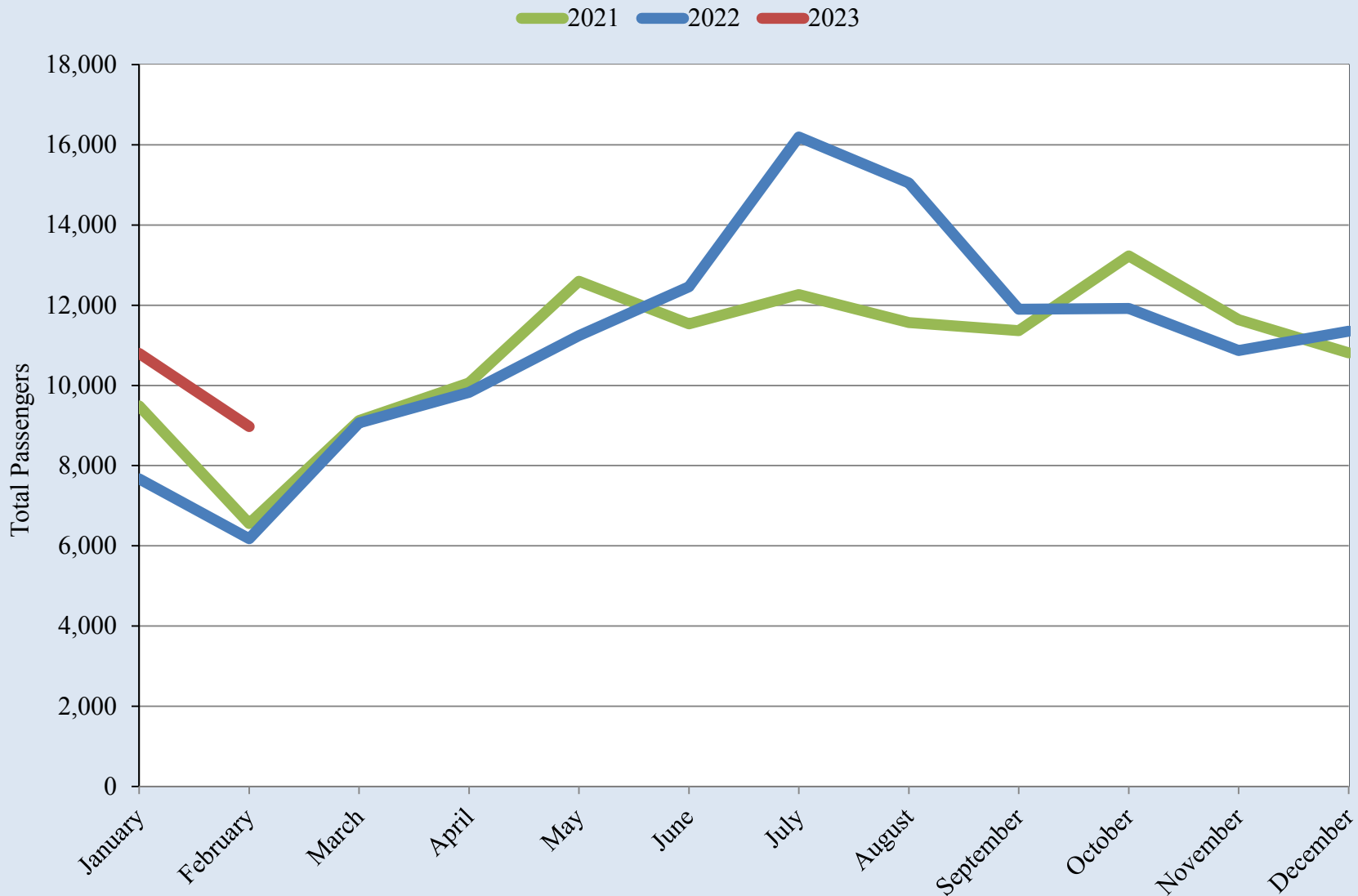
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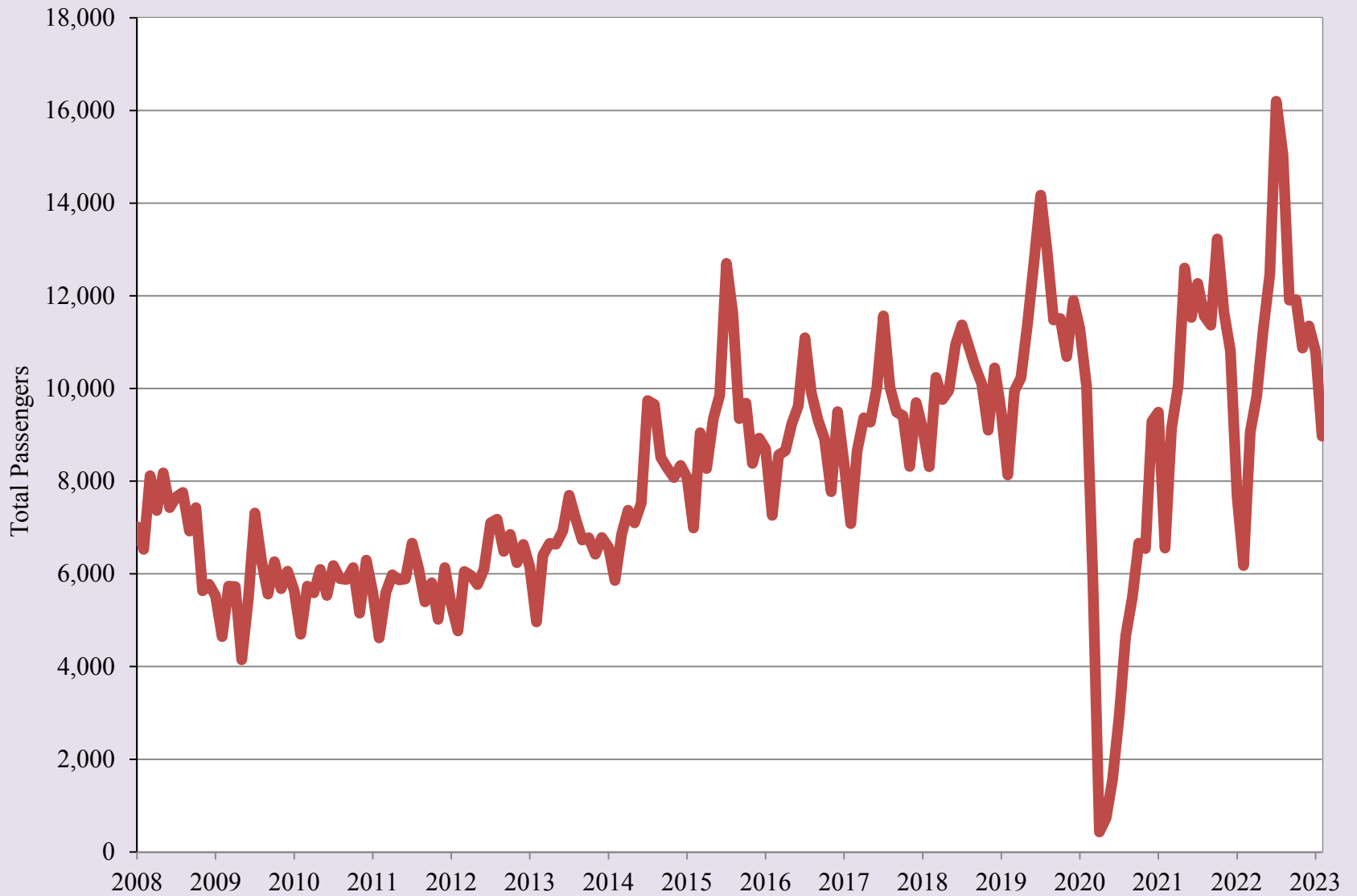
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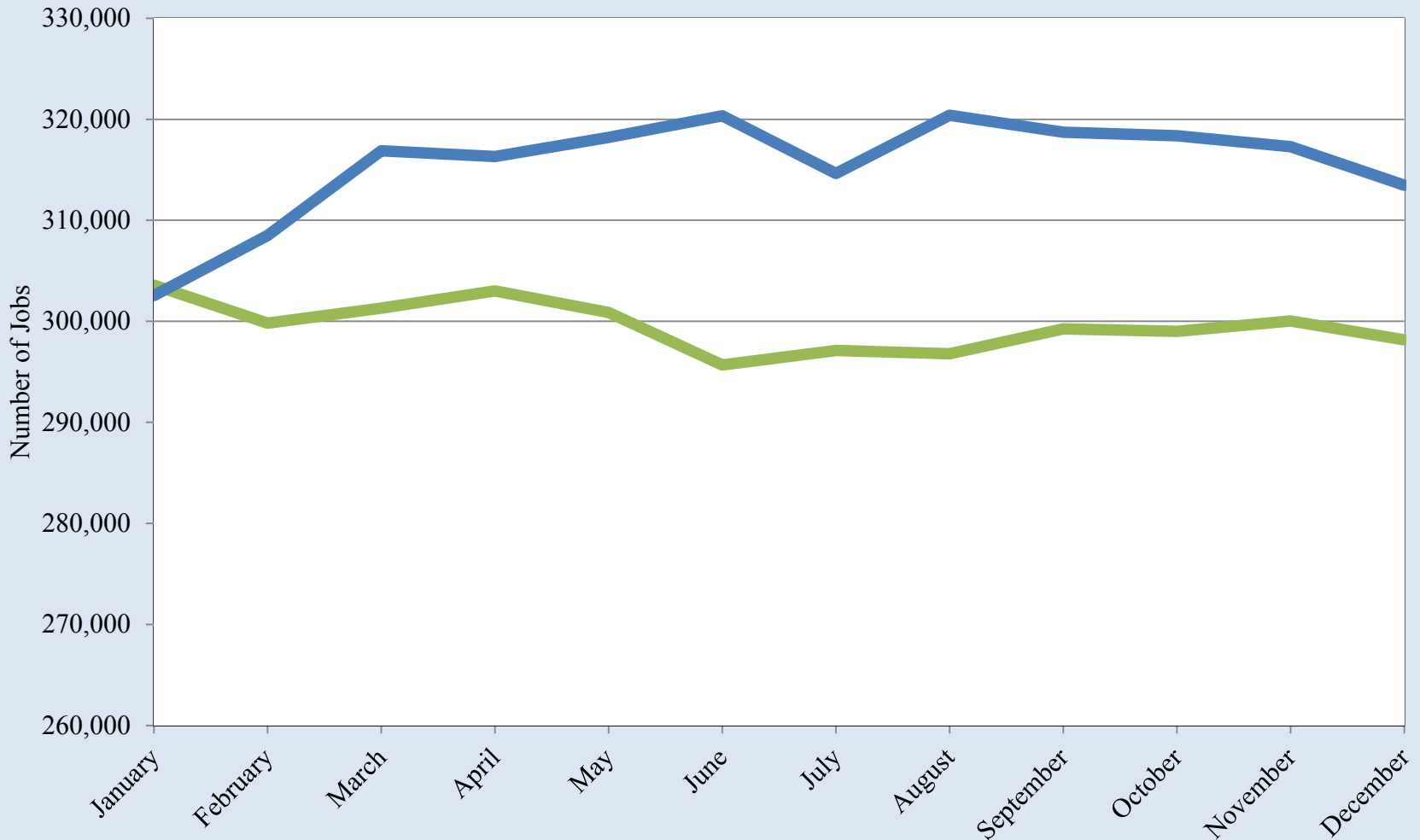
International Passengers Chihuahua City International Airport



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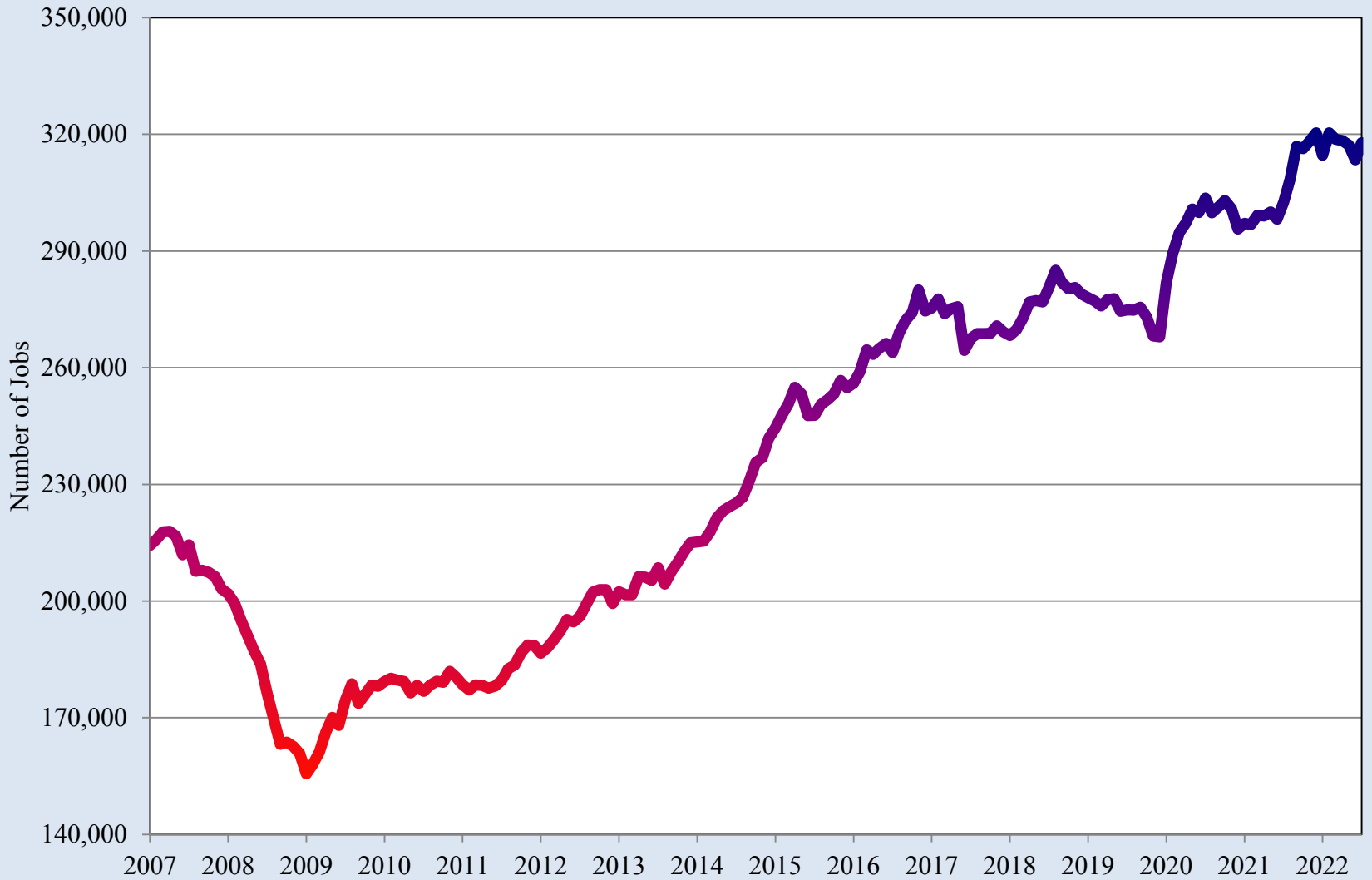
Export-Oriented Manufacturing Employment in Ciudad Juárez

2021 2022



Source: UTEP Border Region Modeling Project using INEGI Data

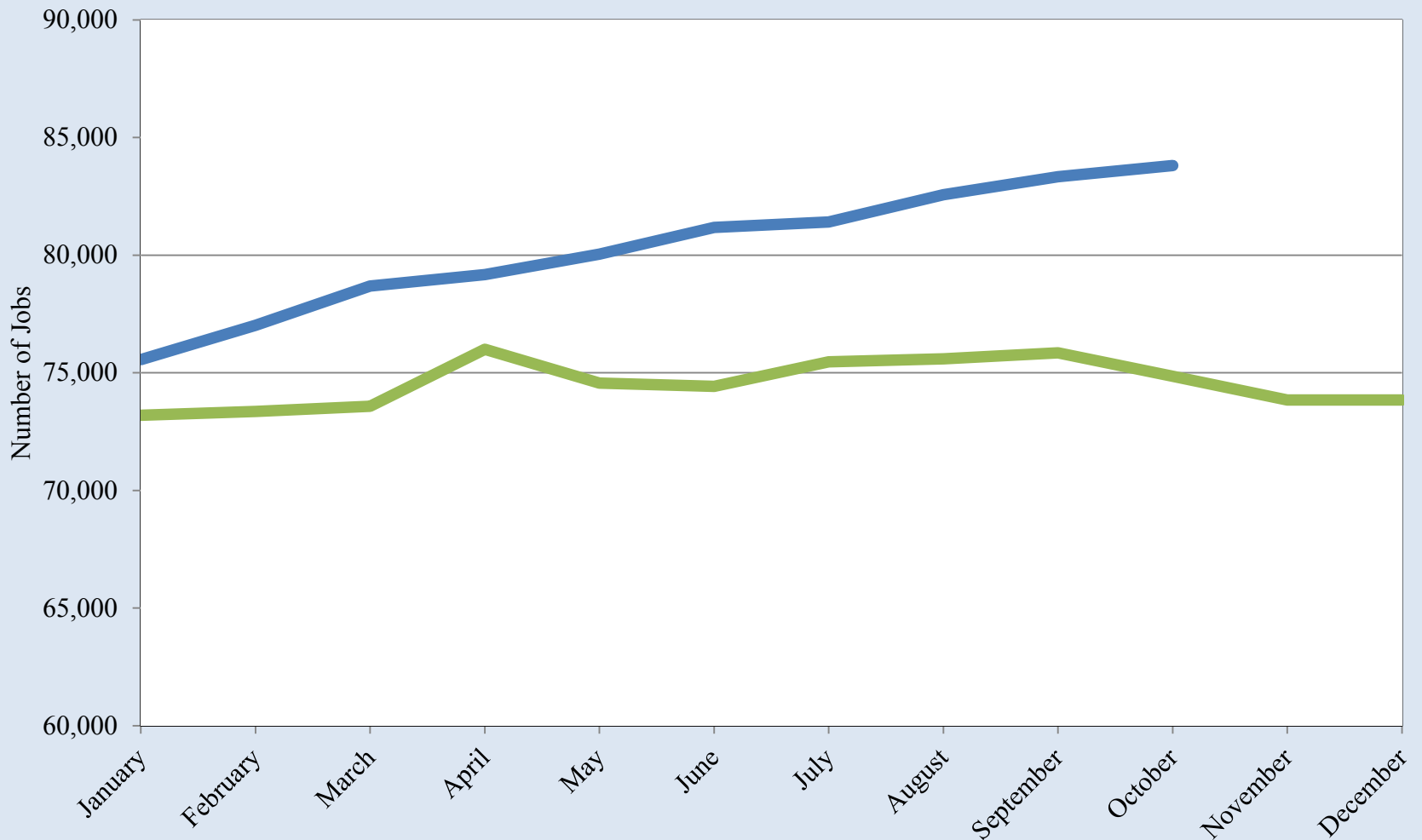
Export-Oriented Manufacturing Employment in Ciudad Juárez



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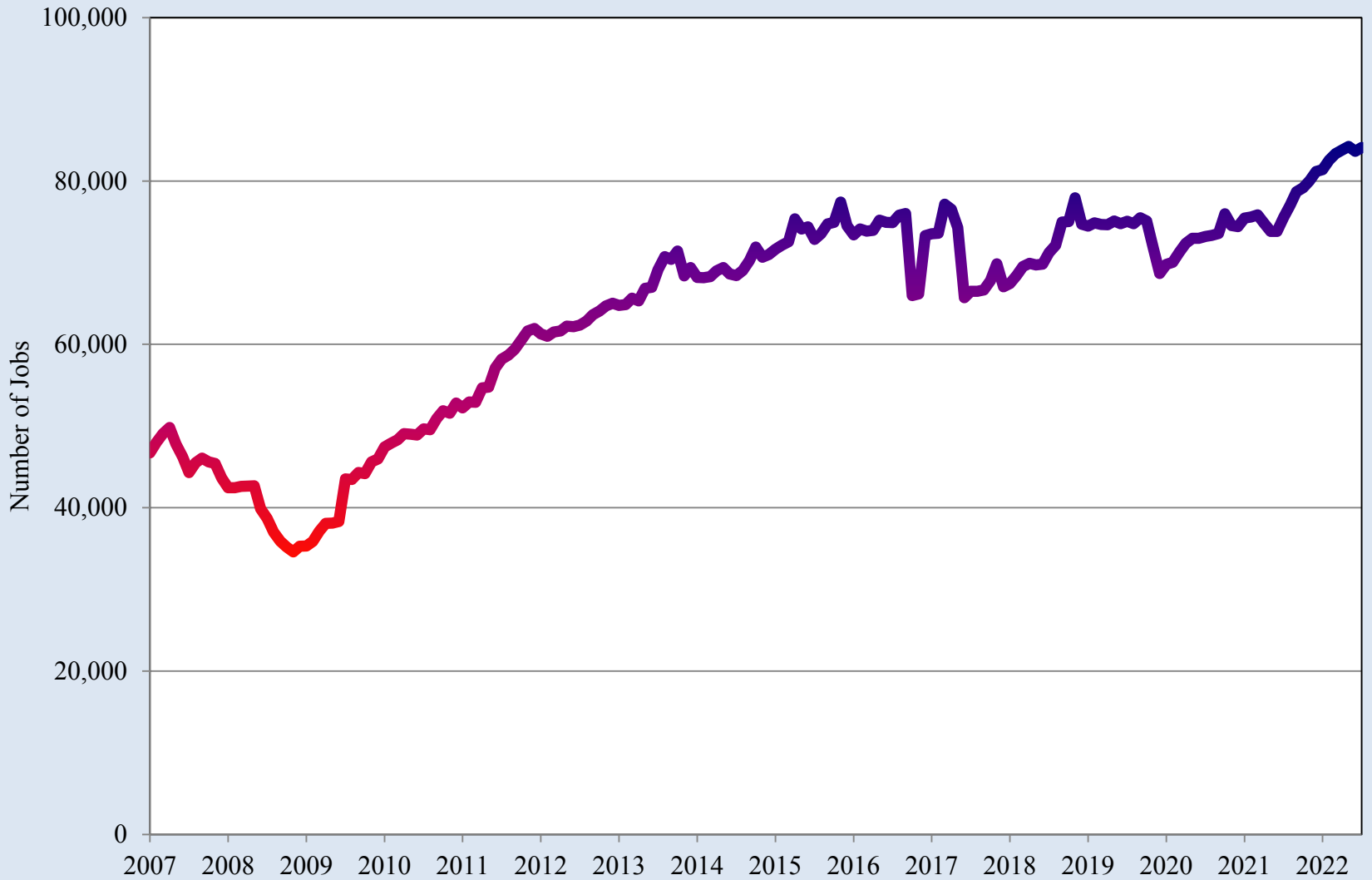
Export-Oriented Manufacturing Employment in Chihuahua City

2021 2022



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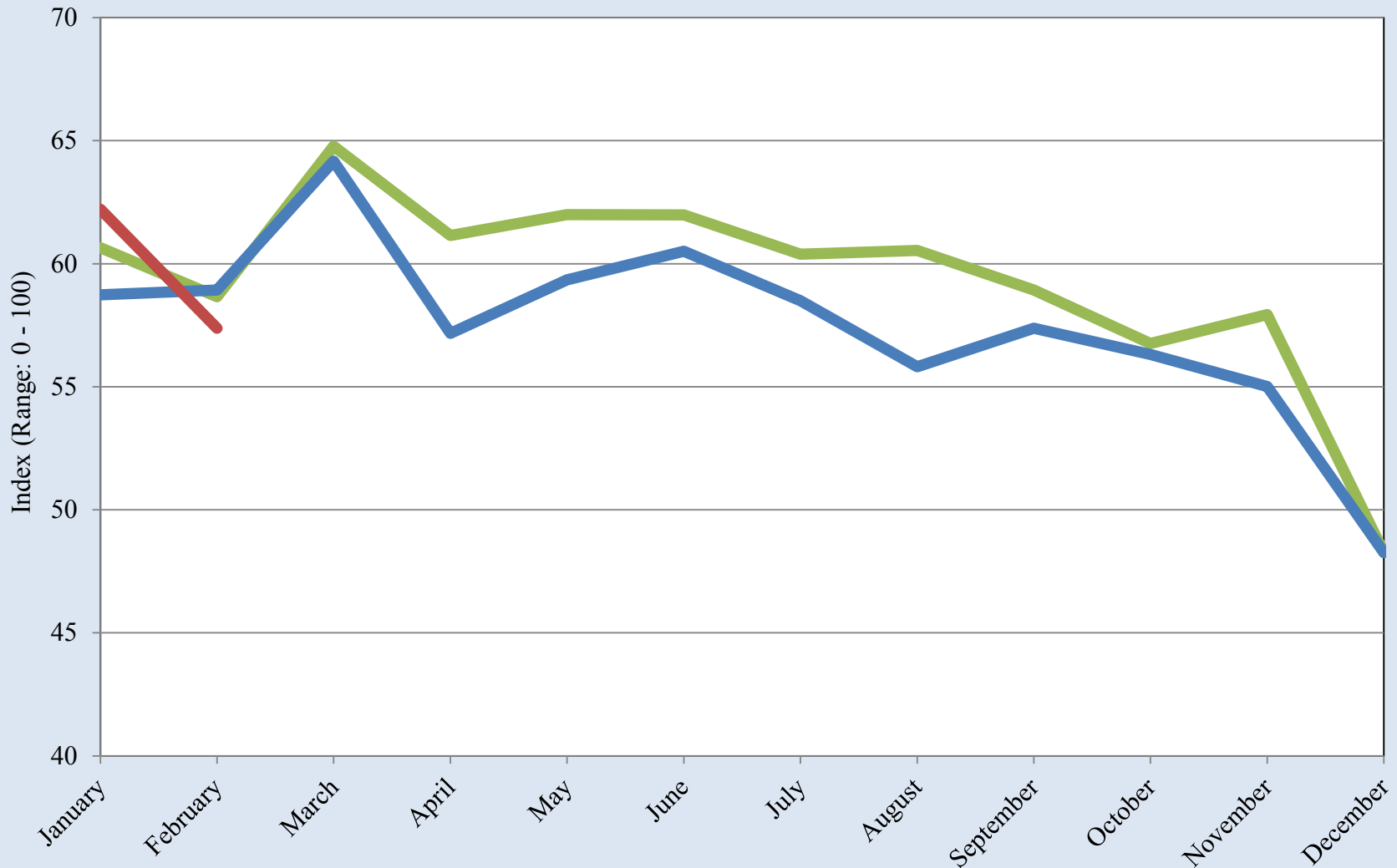
Export-Oriented Manufacturing Employment in Chihuahua City



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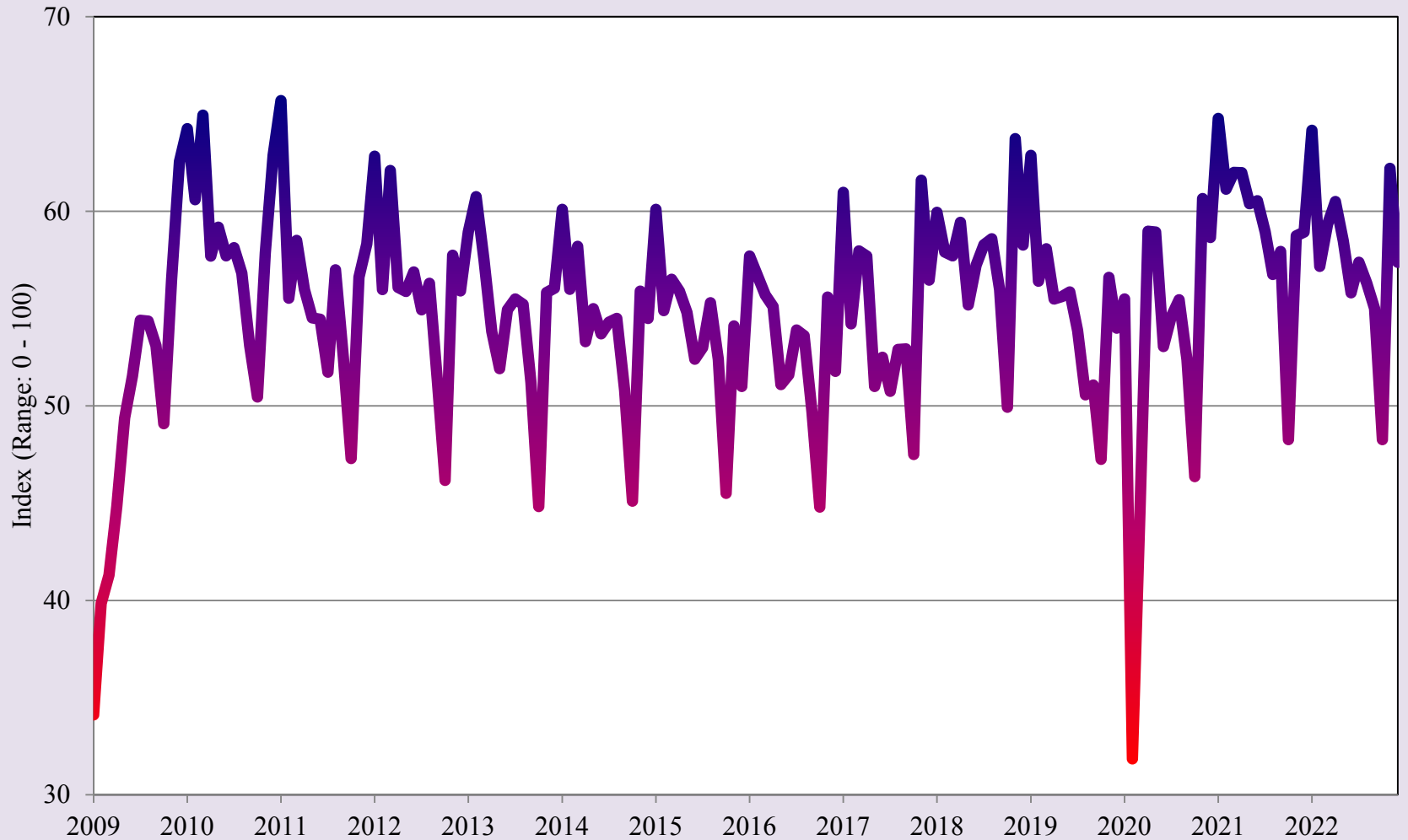
Northern Mexico Manufacturing Orders Index

2021 2022 2023



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

Northern Mexico Manufacturing Orders Index



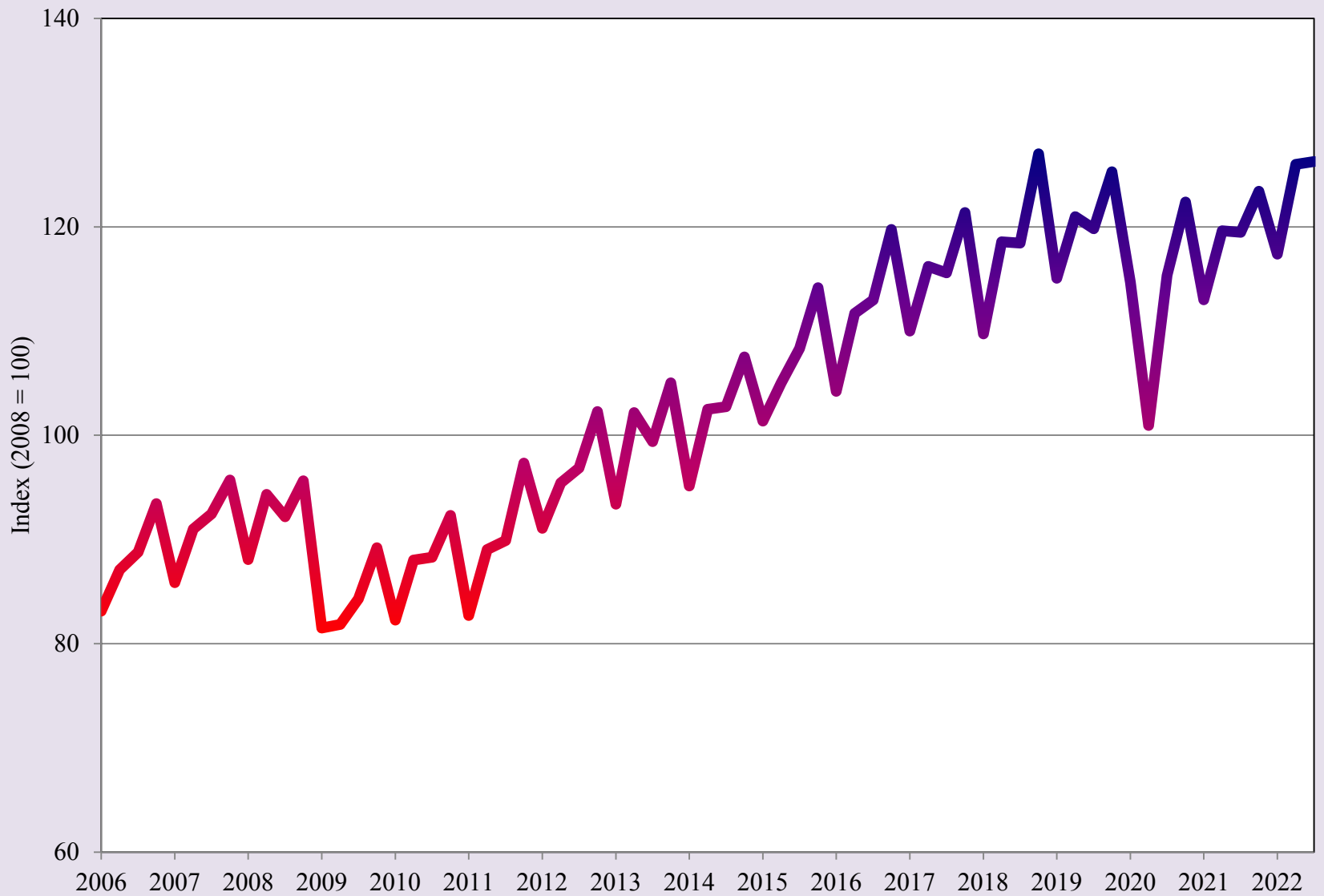
Source: UTEP Border Region Modeling Project using Banco de México Data

Quarterly Indicator of Economic Activity for the State of Chihuahua



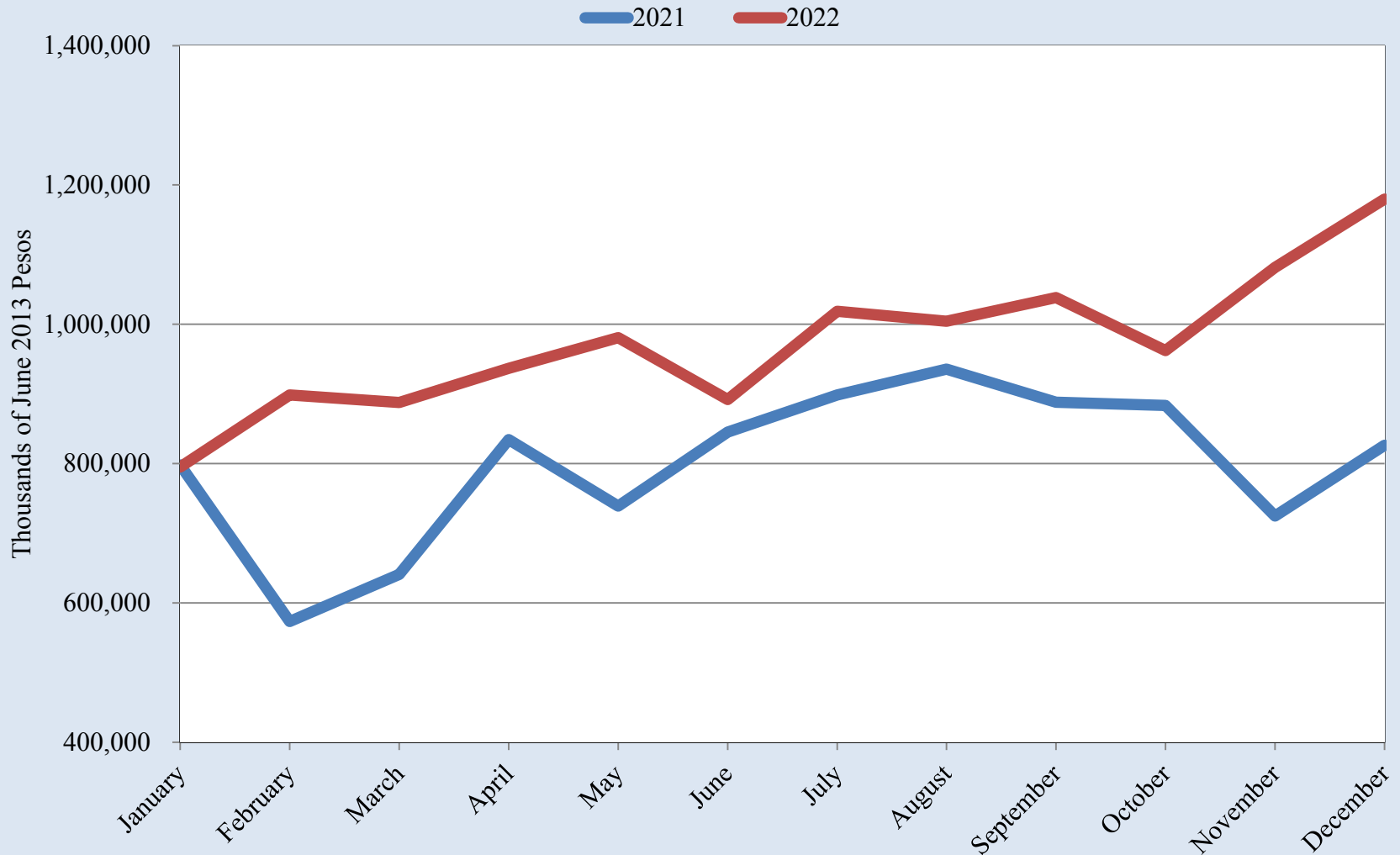
Source: UTEP Border Region Modeling Project using INEGI Data

Quarterly Indicator of Economic Activity for the State of Chihuahua



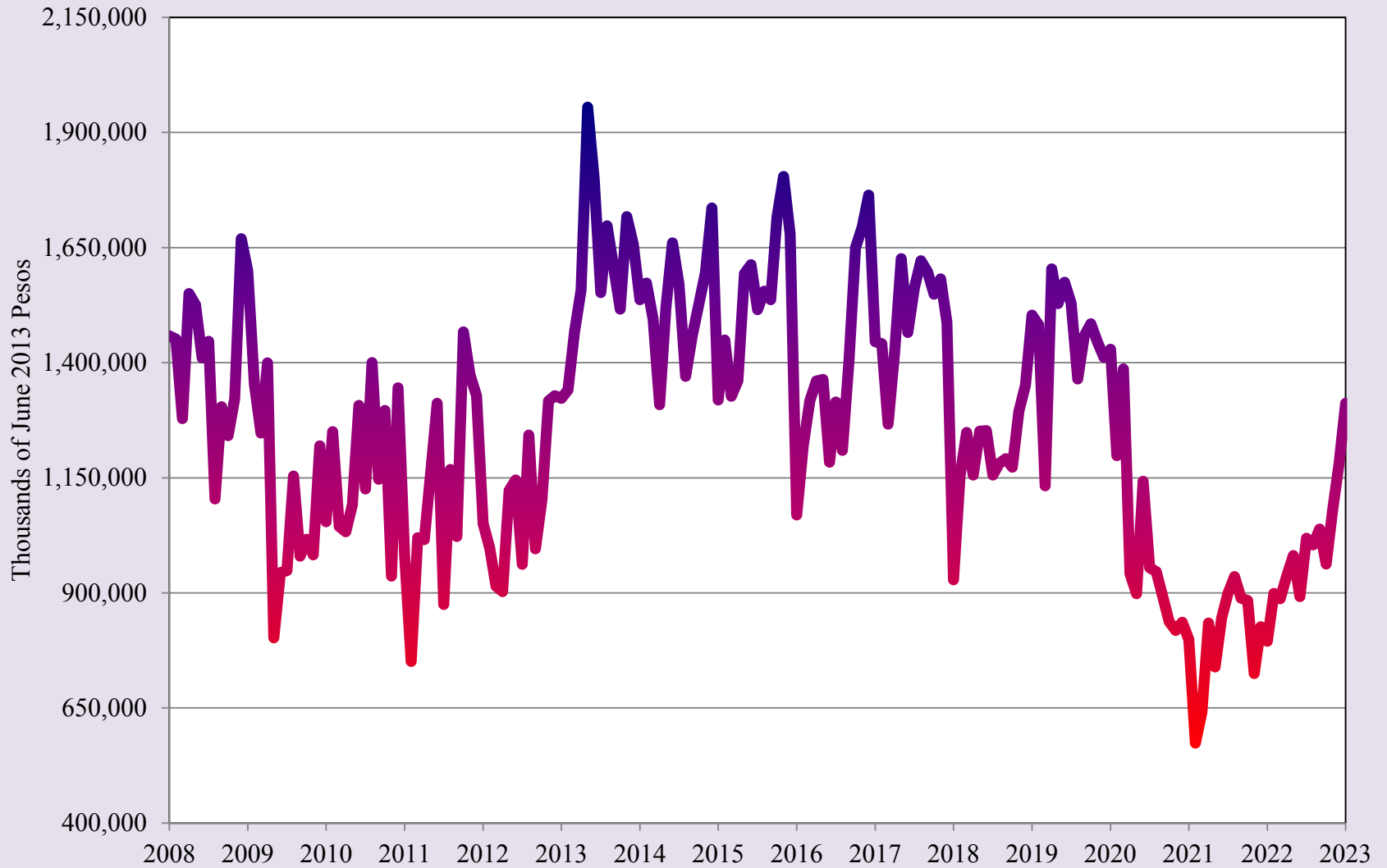
Source: UTEP Border Region Modeling Project using INEGI Data

Total Value of Construction in the State of Chihuahua



Source: UTEP Border Region Modeling Project using INEGI Data

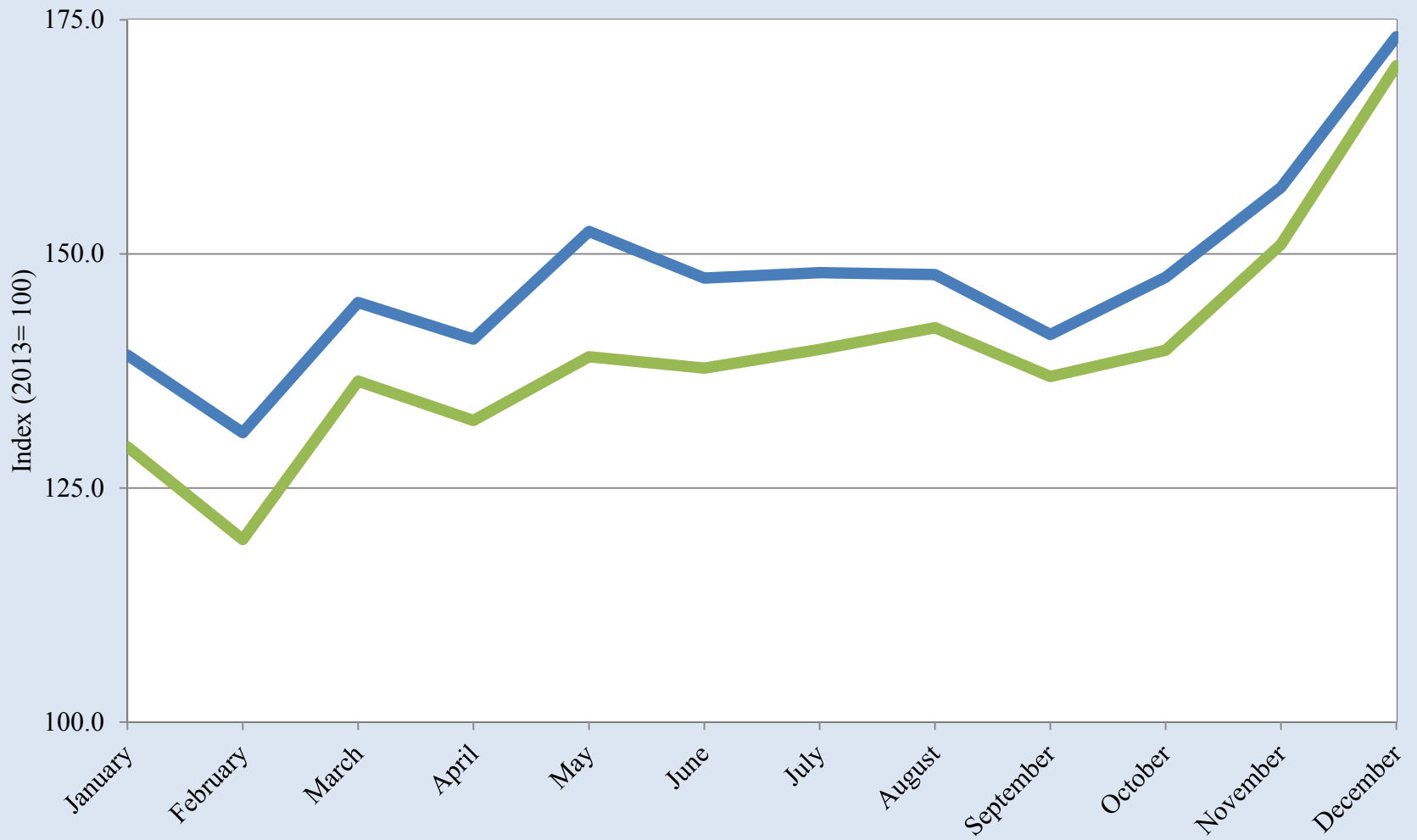
Total Value of Construction in the State of Chihuahua



Source: UTEP Border Region Modeling Project using INEGI Data

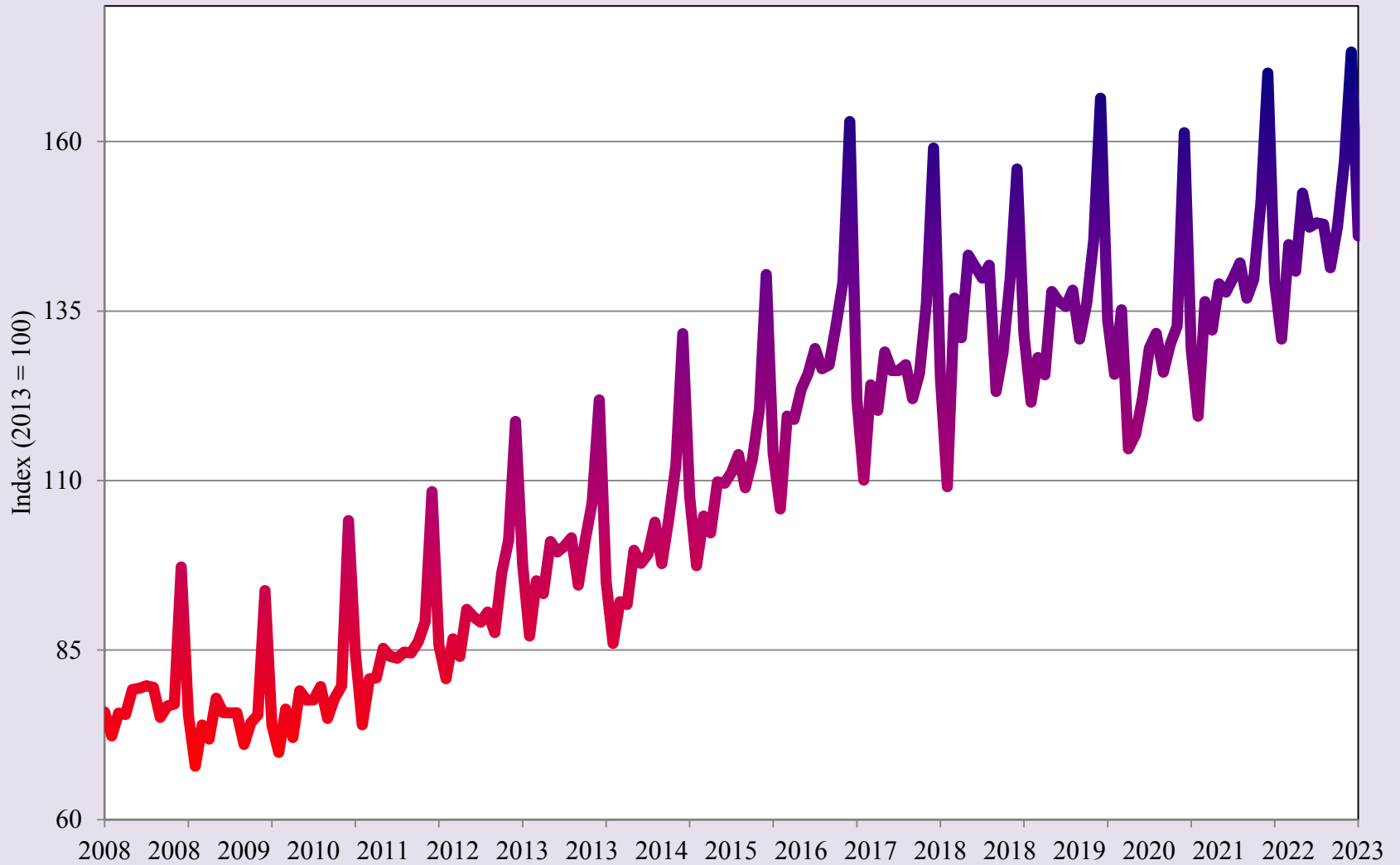
Real Retail Activity Index for the State of Chihuahua

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.