

5-2023

Borderplex Business Barometer, Volume 7, Number 5

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T.M. Fullerton, Jr., and S.L. Fullerton, 2023, "Partial Peso Primacy" *Borderplex Business Barometer* 7(5), 1-68.



BORDERPLEX BUSINESS BAROMETER

May 2023

Border Region Modeling Project

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Border Commerce & Economics

Borderplex Business Barometer, Volume 7, Number 5

Partial Peso Primacy

As shown in the exchange rates graphs, the peso recently emerged from a seven-year period during which it was consistently undervalued against the dollar. Numerous factors contributed to this currency market reversal of course. Some are the usual suspects, while others represent departures from historical norms.

A tight labor market has raised wages for workers who are employed within the United States. Higher wages helped raise first quarter 2023 remittances to a record \$13.9 billion, shoring up the current account in Mexico. The current account has also been strengthened by healthy exports to the United States.

Beyond those developments, substantially higher interest rates have attracted strong financial inflows that have bolstered the financial account in Mexico. Tighter monetary policy has caused the yield on 28-day Treasury Certificates to rise from 7.2 percent one year ago to greater than 11.2 percent in May 2023.

The capital account also plays a role in this story. Direct foreign investment has grown noticeably under USMCA-related supply chain nearshoring, surpassing the \$35.2 billion mark in 2022. Sectors attracting overseas investors include auto parts and equipment, medical devices, aerospace parts and equipment, pharmaceuticals, information and communications technology, consumer electronics, and home appliances.

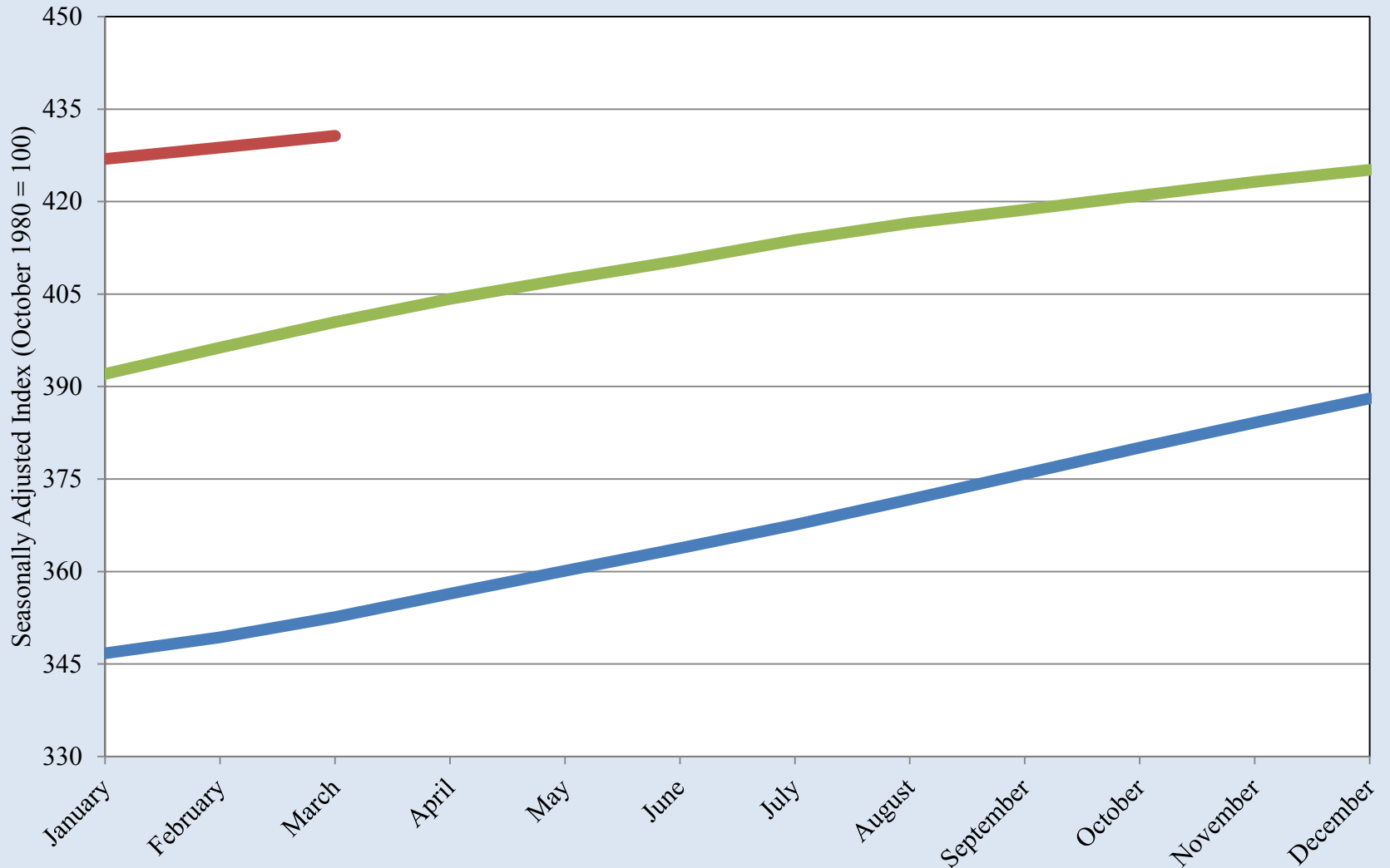
As is frequently the case with the currency market, more than just balance of payment developments are affecting the peso in 2023. Improved public health and greater political stability seemed to have also buttressed the peso. Simply put, domestic policy uncertainties, trade disagreements, north-of-the-border partisan political conflict, and the pandemic caused the peso to be surprisingly undervalued over a multi-year period.

Currency markets can reverse course quickly and, if the United States slips into a recession, the peso will depreciate more than the dollar. Many independent institutions in Mexico are currently threatened. Too many steps toward autocracy are likely to damage domestic investment as well as the peso.

Peso movements always affect the Borderplex regional economy. Increased purchasing power encourages residents of Northern Mexico to buy larger volumes of goods and services in El Paso and Las Cruces. With the advent of USMCA, Ciudad Juarez is a primary recipient of increased direct foreign investment. Greater manufacturing capacity there will quickly translate into more business and employment opportunities across the Borderplex region as a whole. Industrial real estate vacancies are very low on both sides of the border and that is propelling high volumes of non-residential construction. Manufacturing wage growth across Northern Mexico is likely to accelerate in 2024.

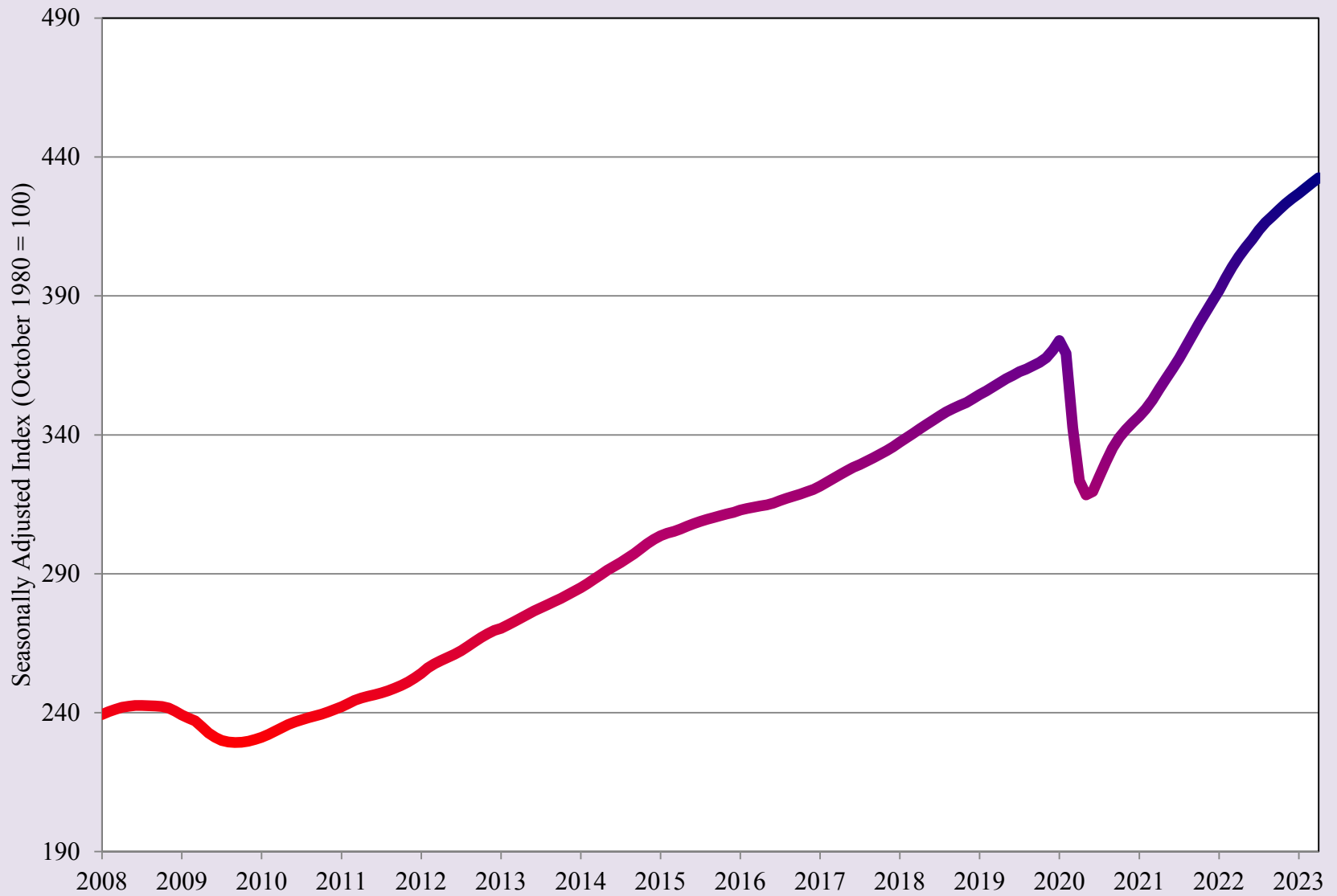
El Paso Metropolitan Business Cycle Index

— 2021 — 2022 — 2023



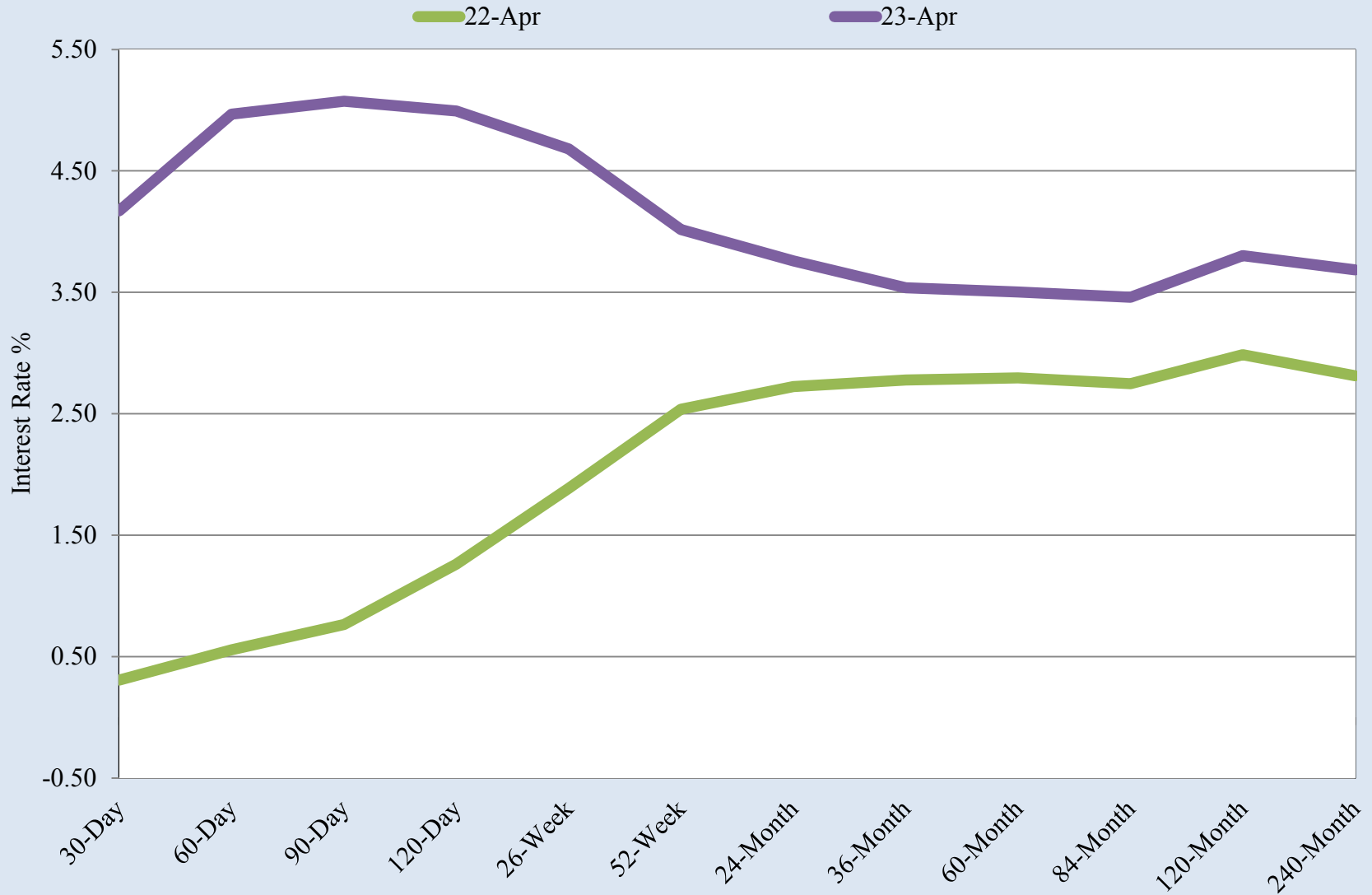
Source: UTEP Border Region Modeling Project using Federal Reserve Bank of Dallas Data

El Paso Metropolitan Business Cycle Index



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

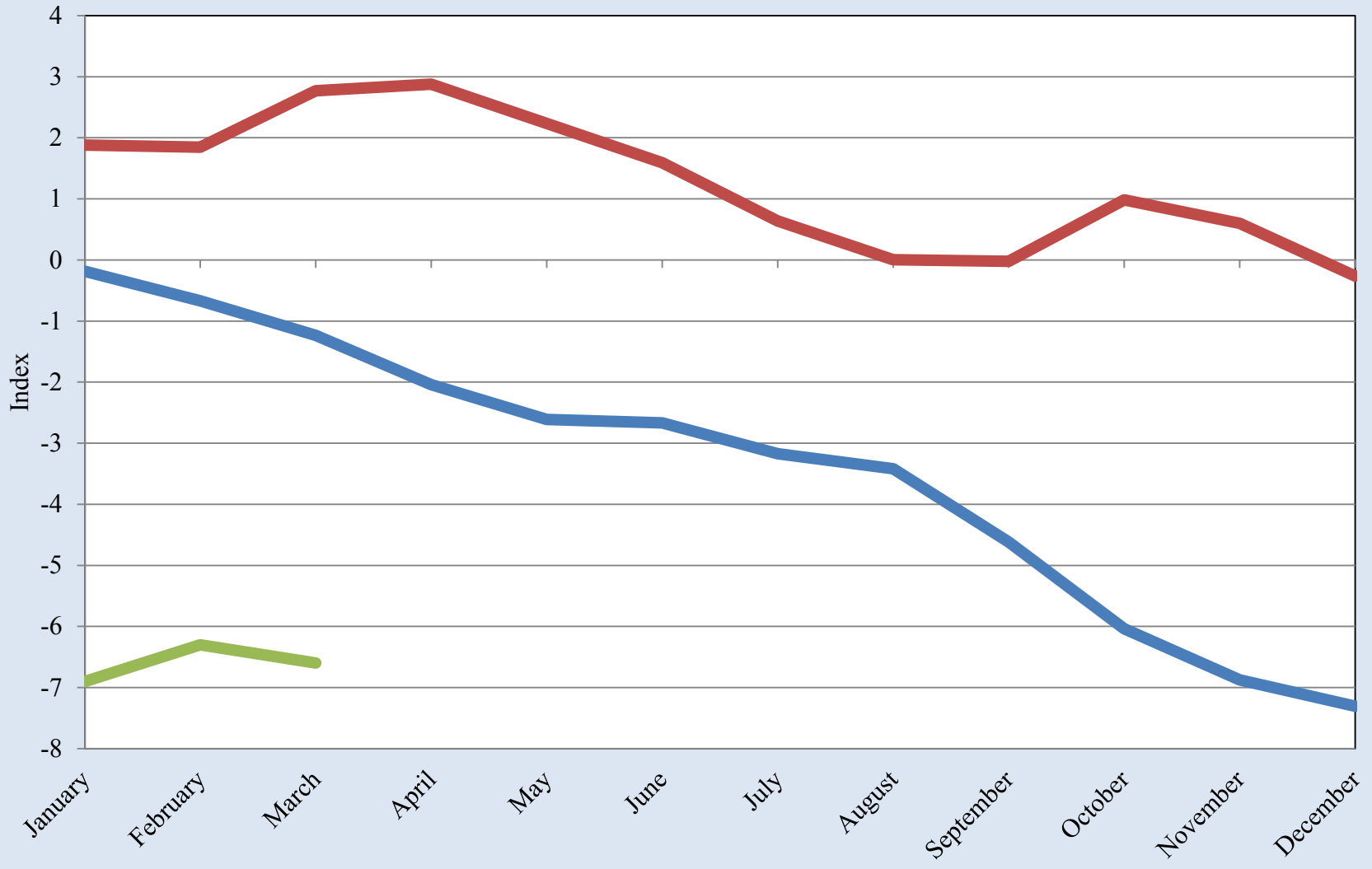
Average Treasury Yield Curve Rates



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

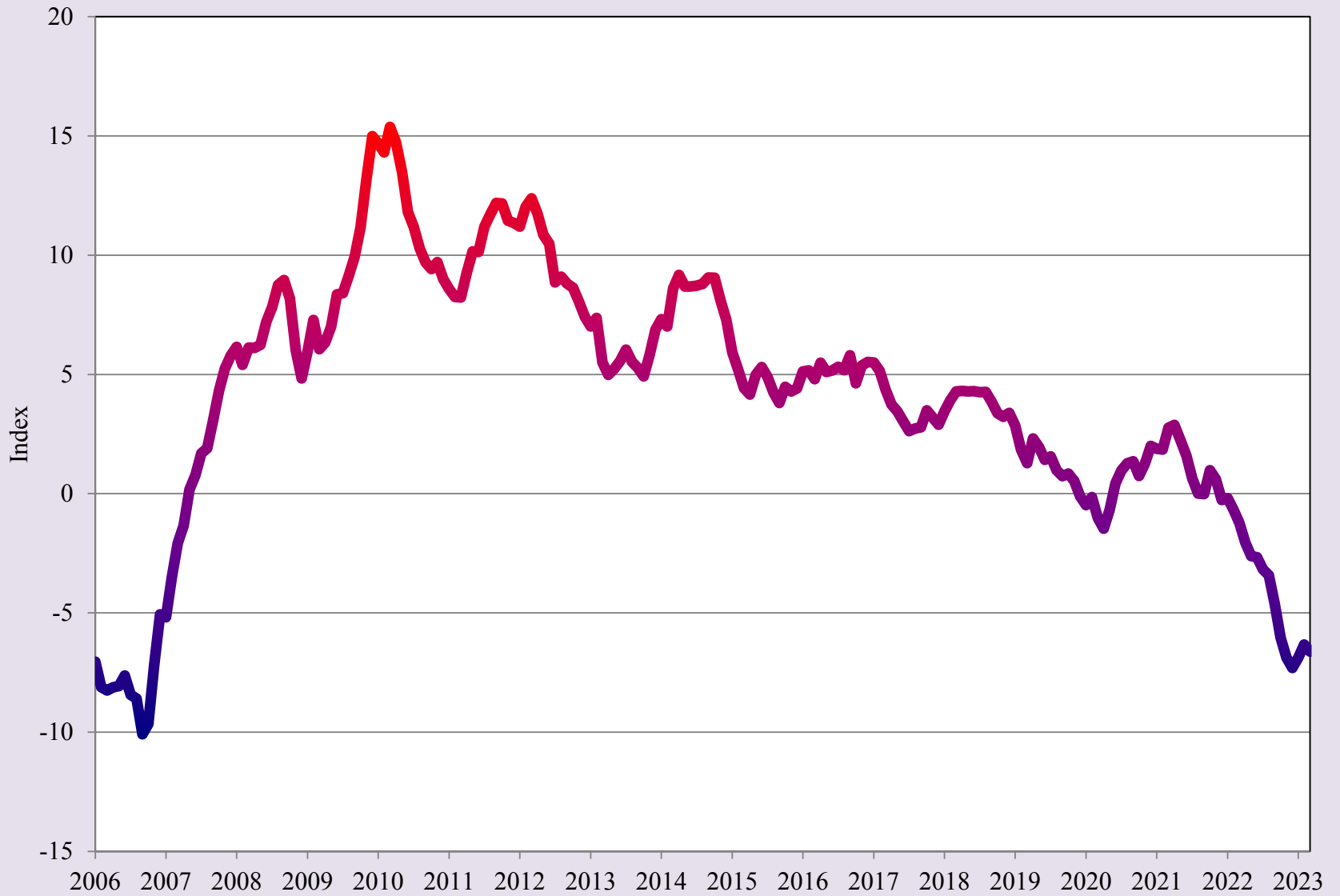
El Paso Household Economic Stress Index

2021 2022 2023



Source: UTEP Border Region Modeling Project

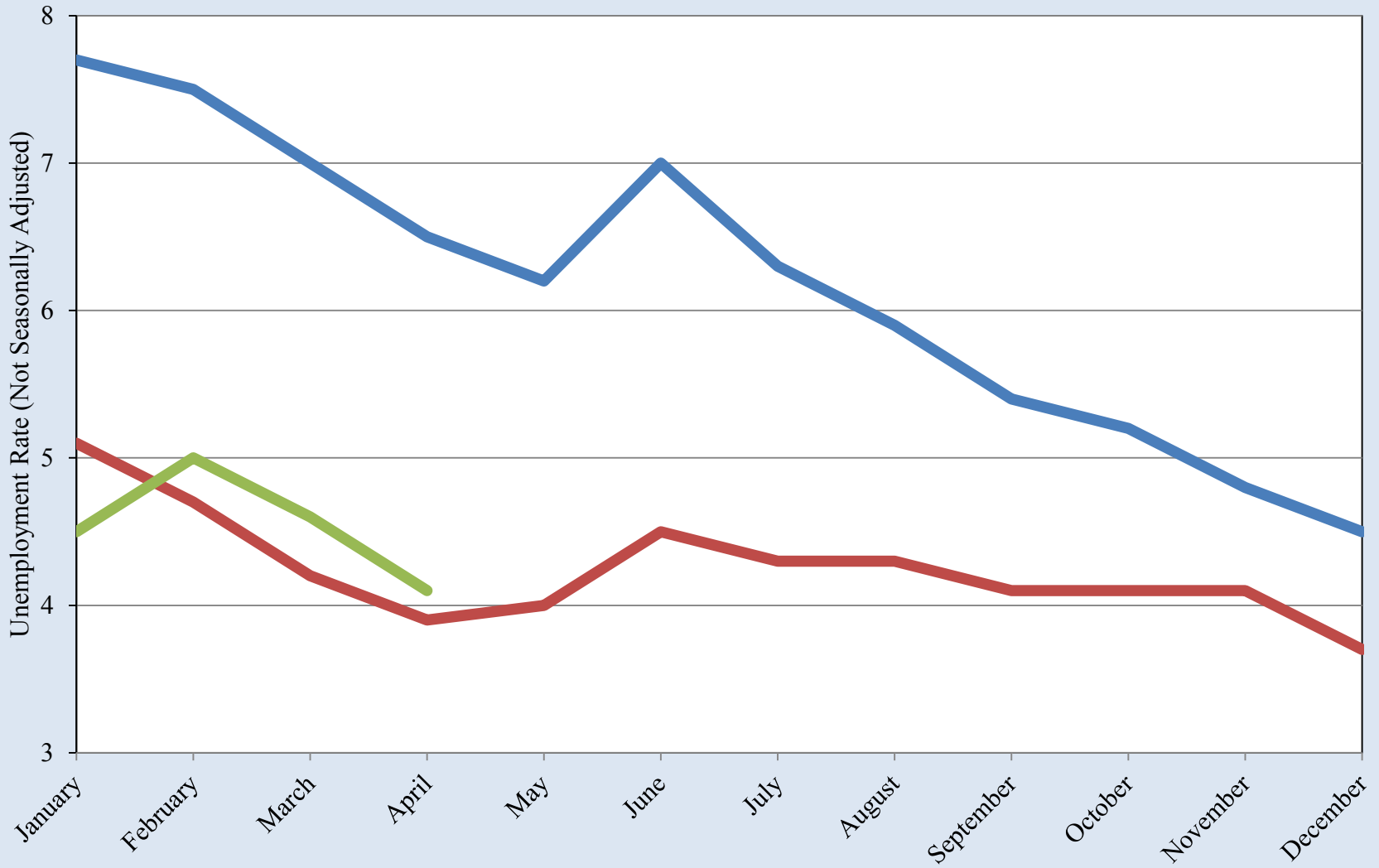
El Paso Household Economic Stress Index



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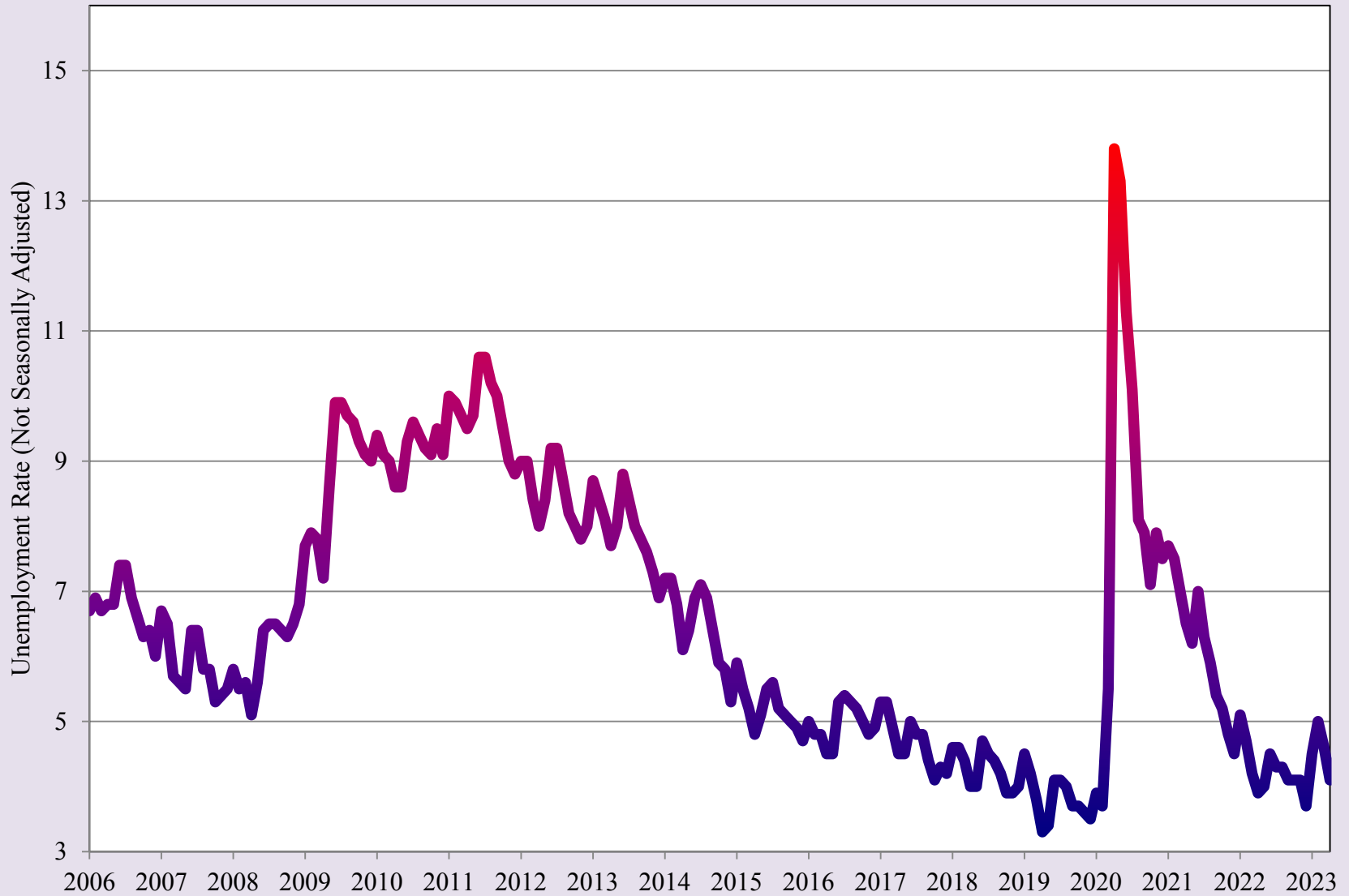
El Paso County Unemployment Rate

2021 2022 2023



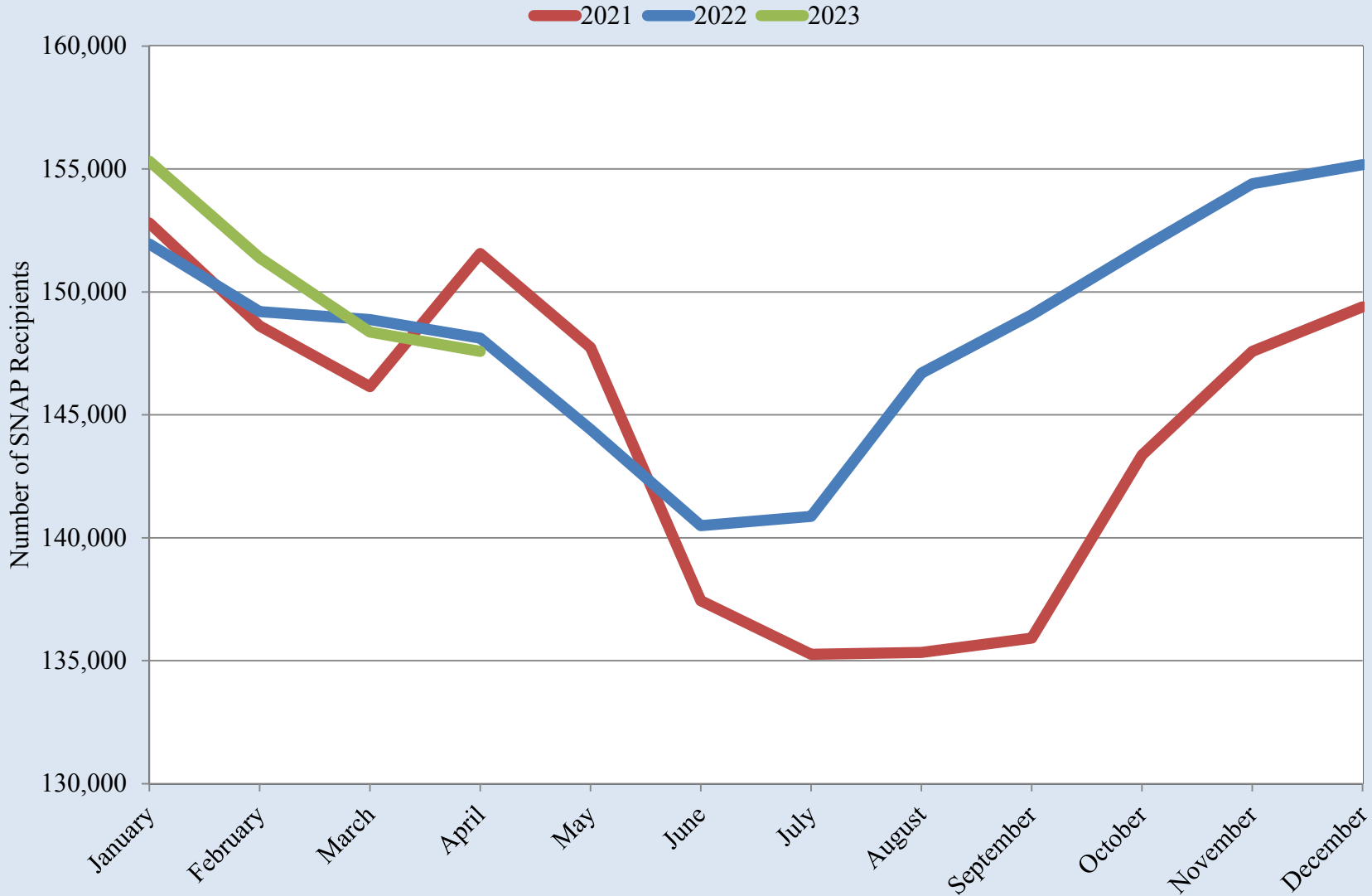
Source: UTEP Border Region Modeling Project using Bureau of Labor Statistics Data

El Paso County Unemployment Rate



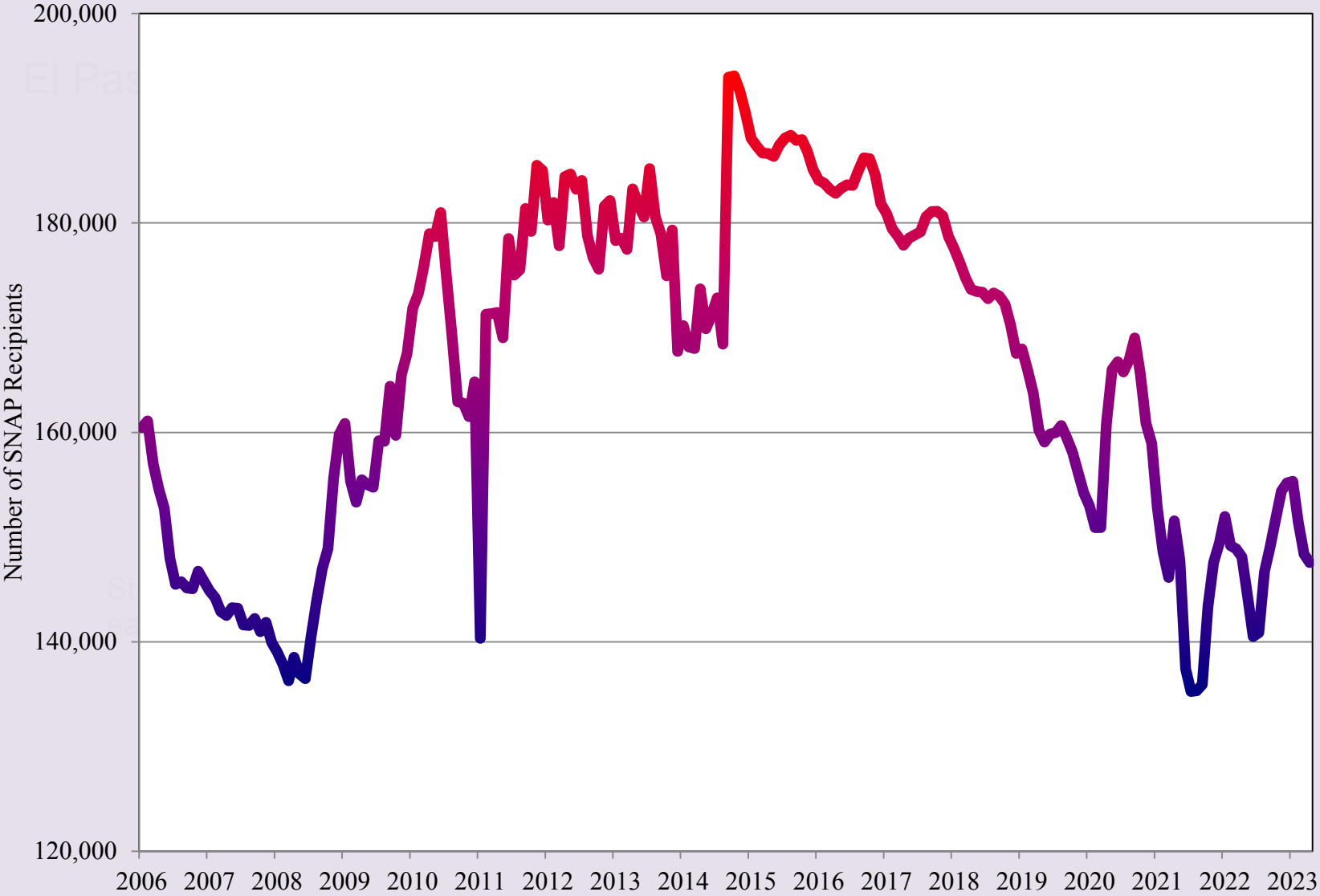
Source: UTEP Border Region Modeling Project using Bureau of Labor Statistics Data

El Paso County SNAP (Food Stamp) Enrollment



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

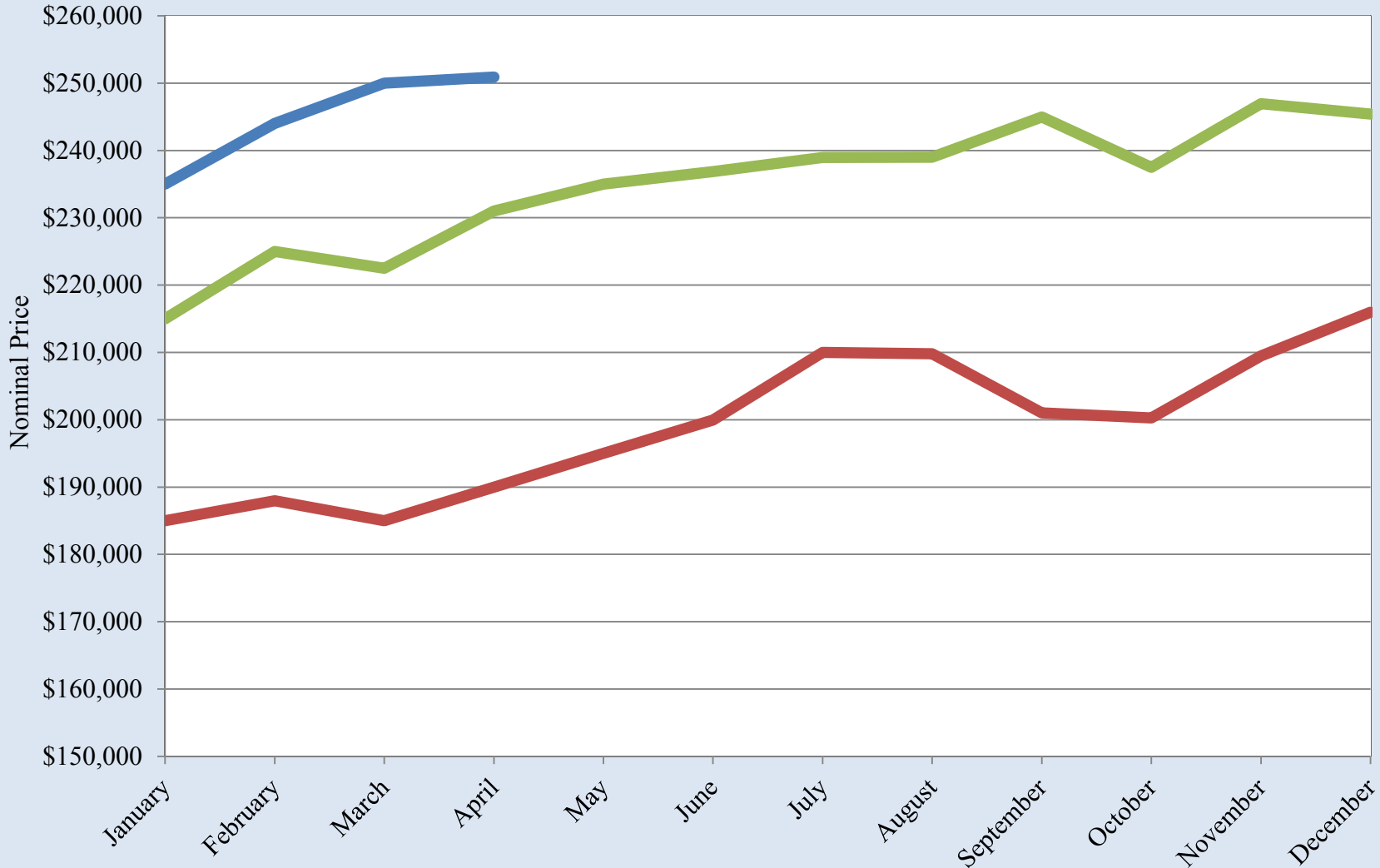
El Paso County SNAP (Food Stamp) Enrollment



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

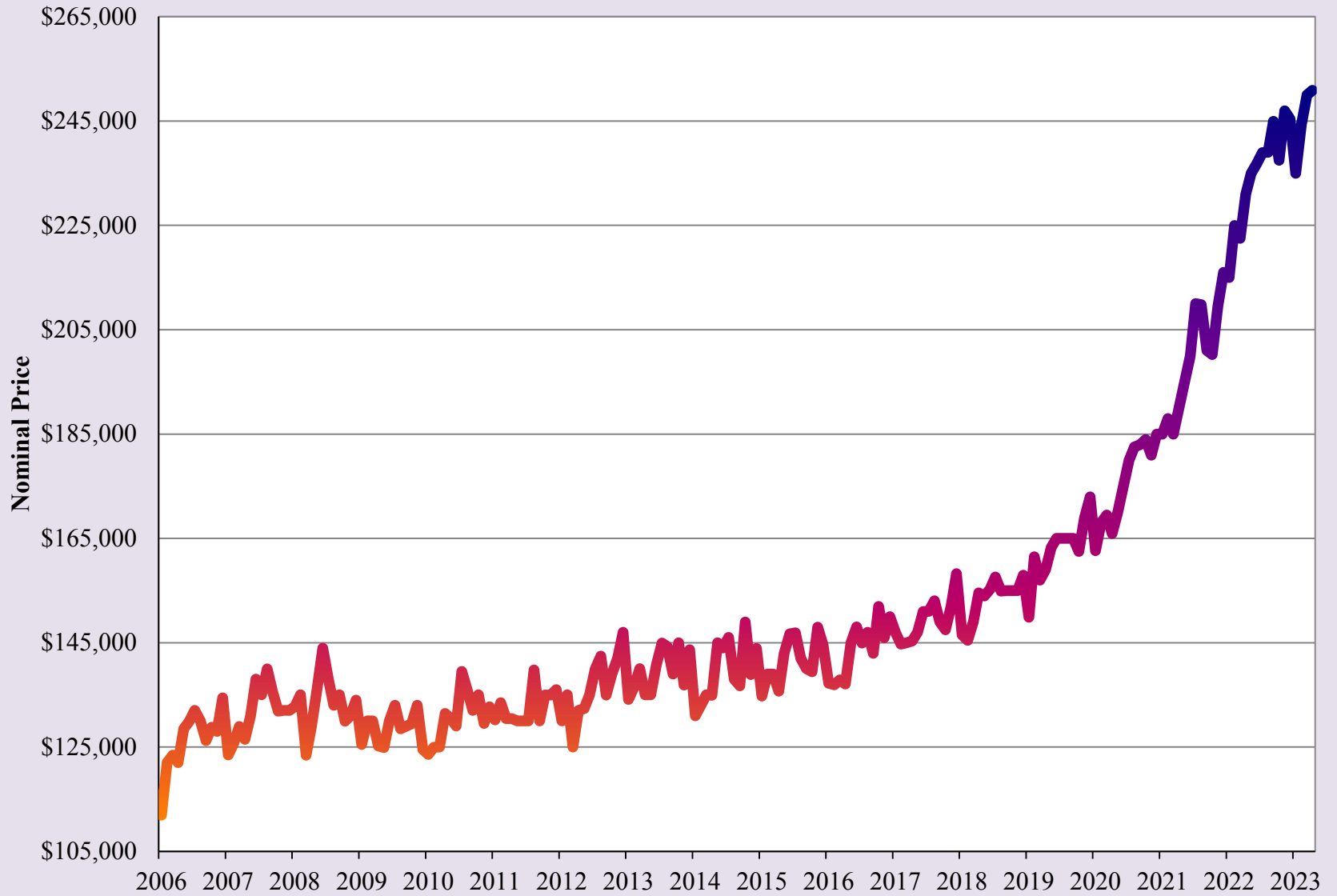
El Paso Median Housing Prices

2021 2022 2023



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

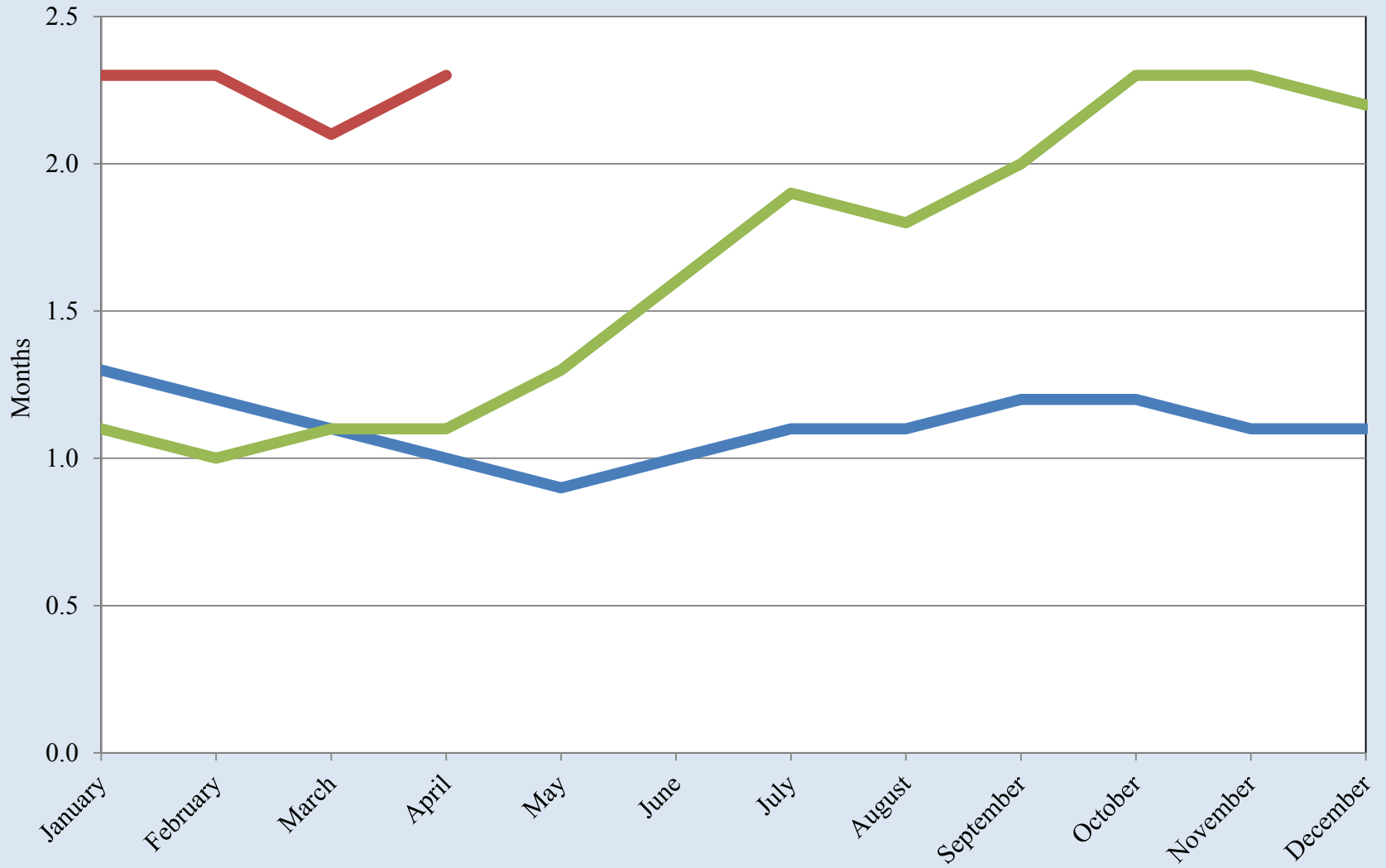
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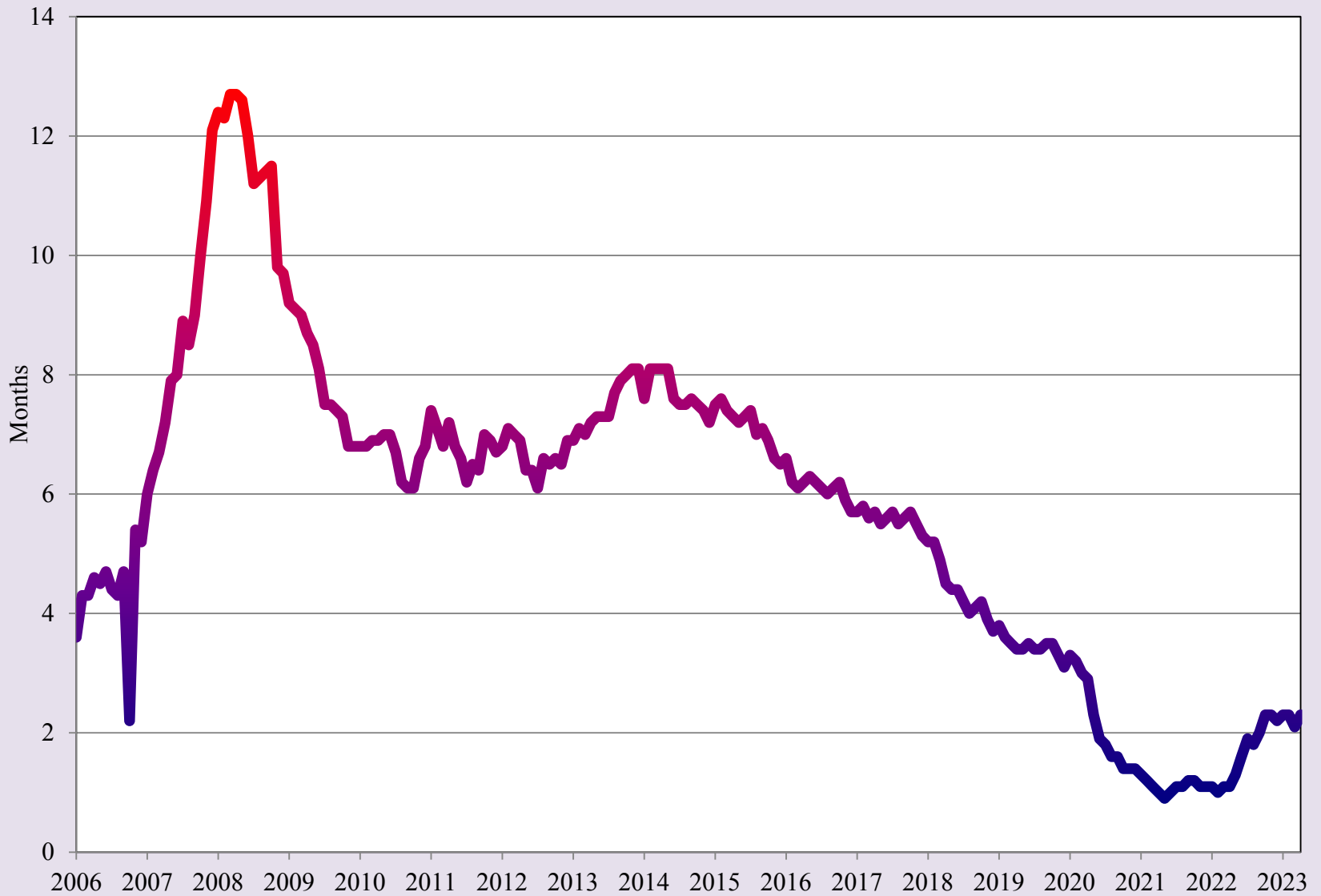
Months of Housing Inventory for El Paso

2021 2022 2023



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

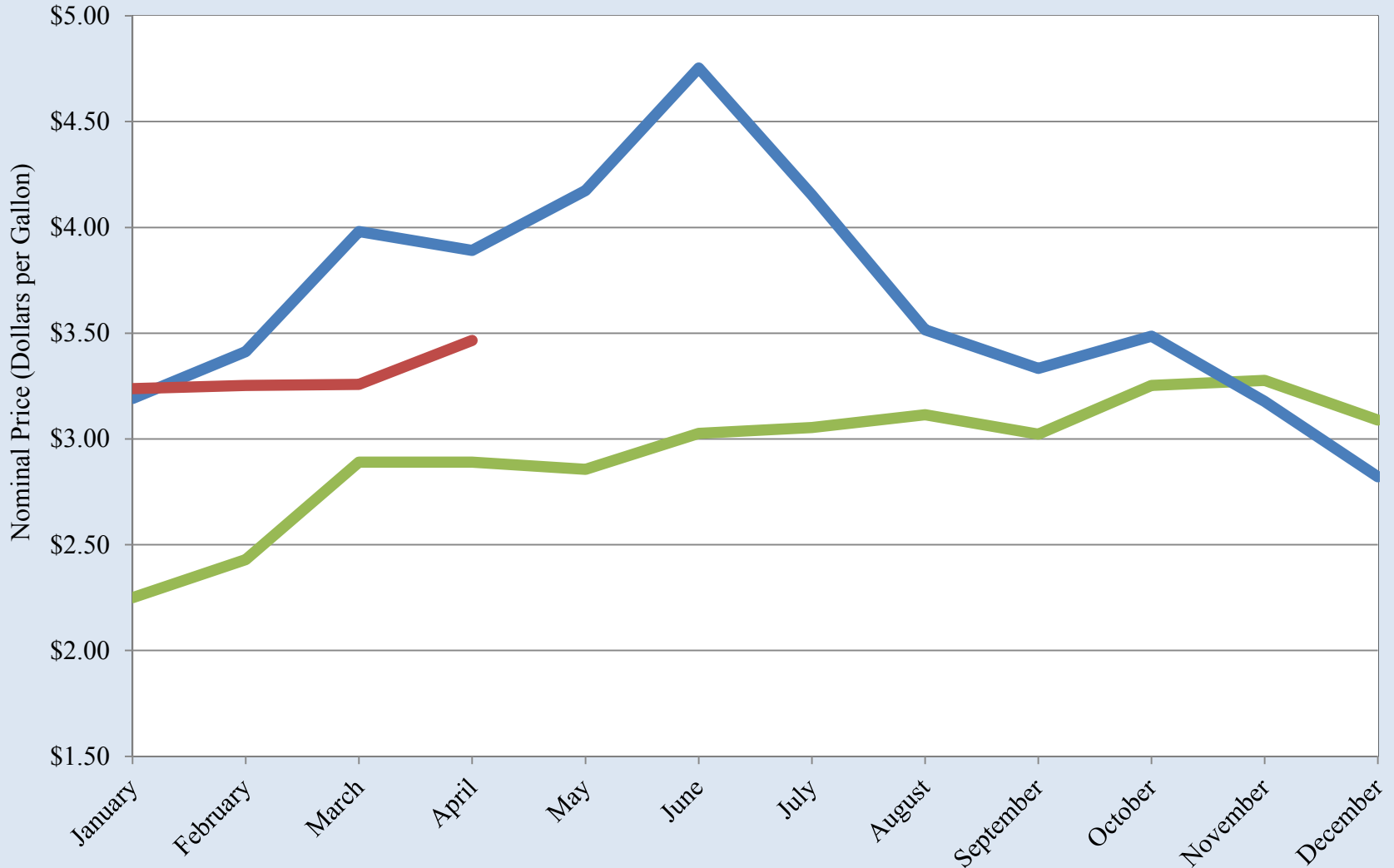
Months of Housing Inventory for El Paso



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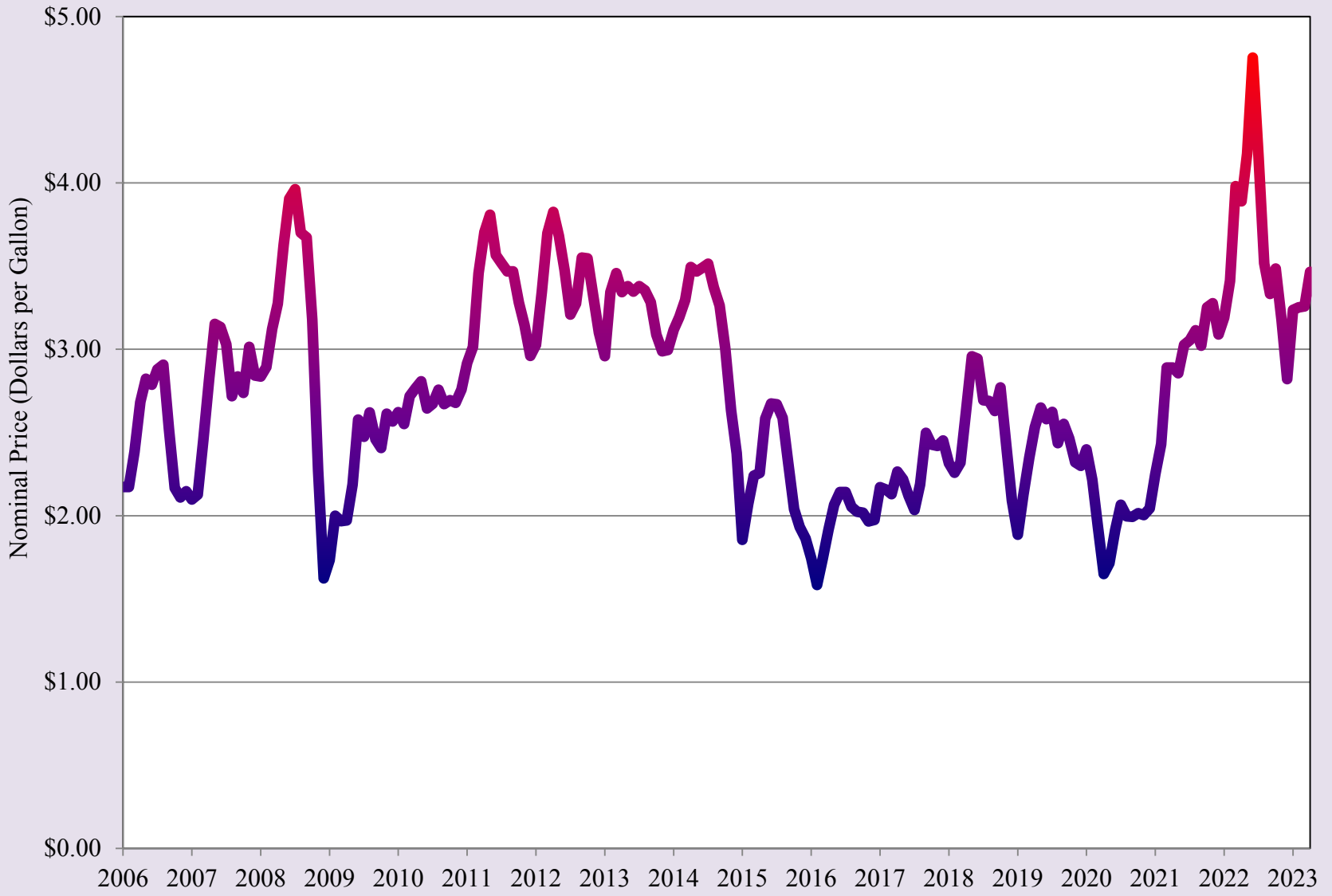
El Paso Gasoline Prices

2021 2022 2023



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

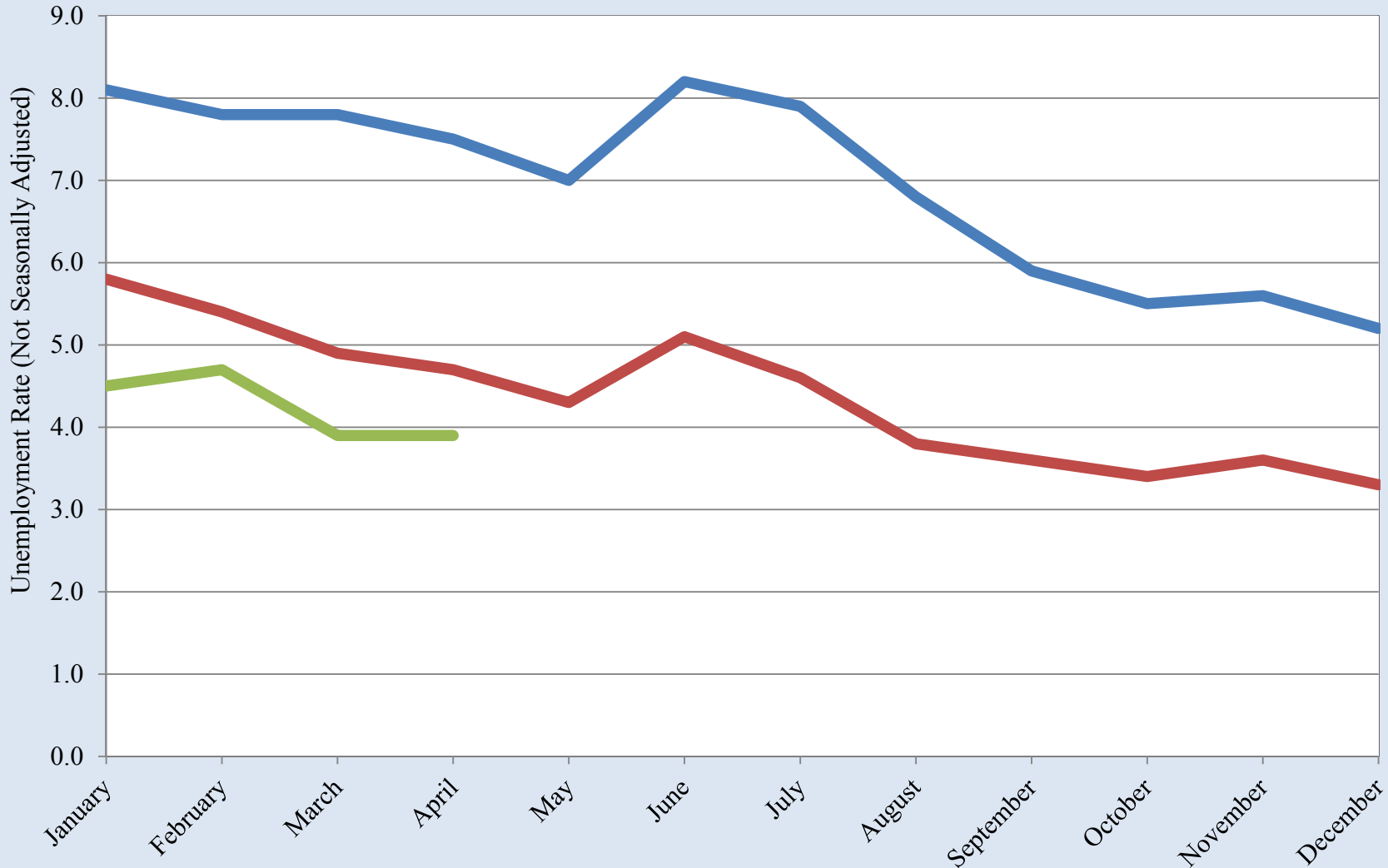
El Paso Gasoline Prices



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

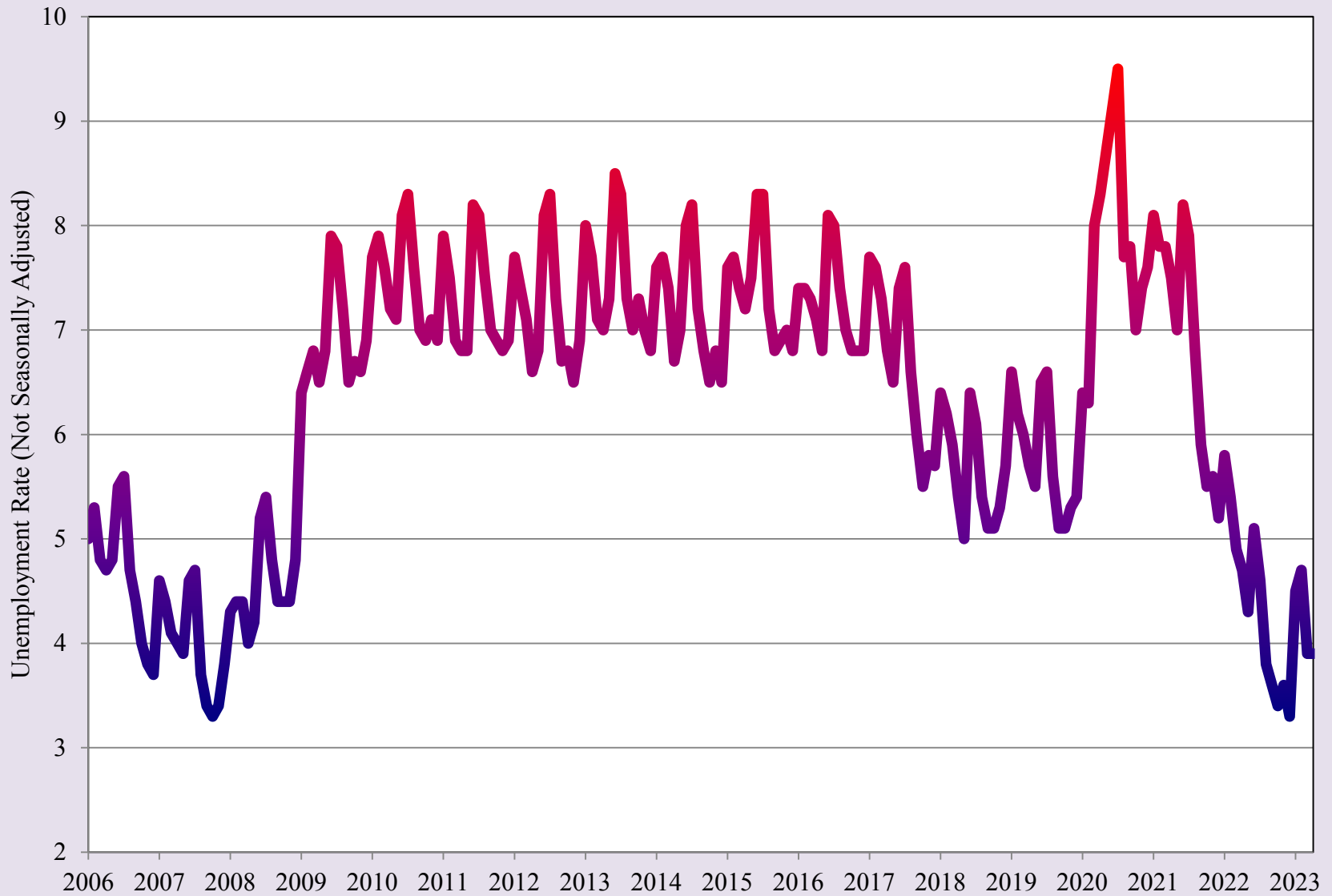
Doña Ana County Unemployment Rate

2021 2022 2023



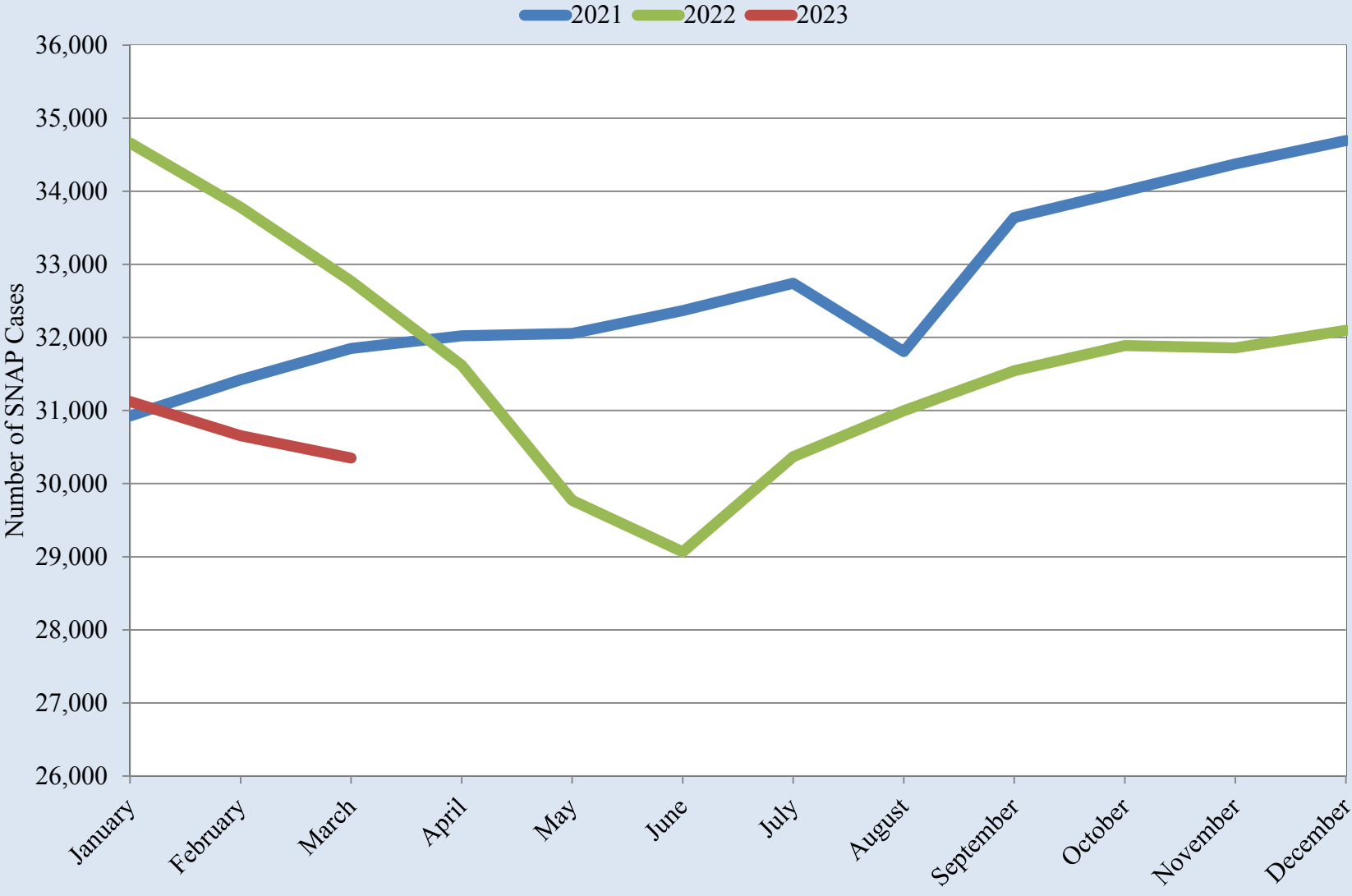
Source: UTEP Border Region Modeling Project using NM Workforce Data

Doña Ana County Unemployment Rate

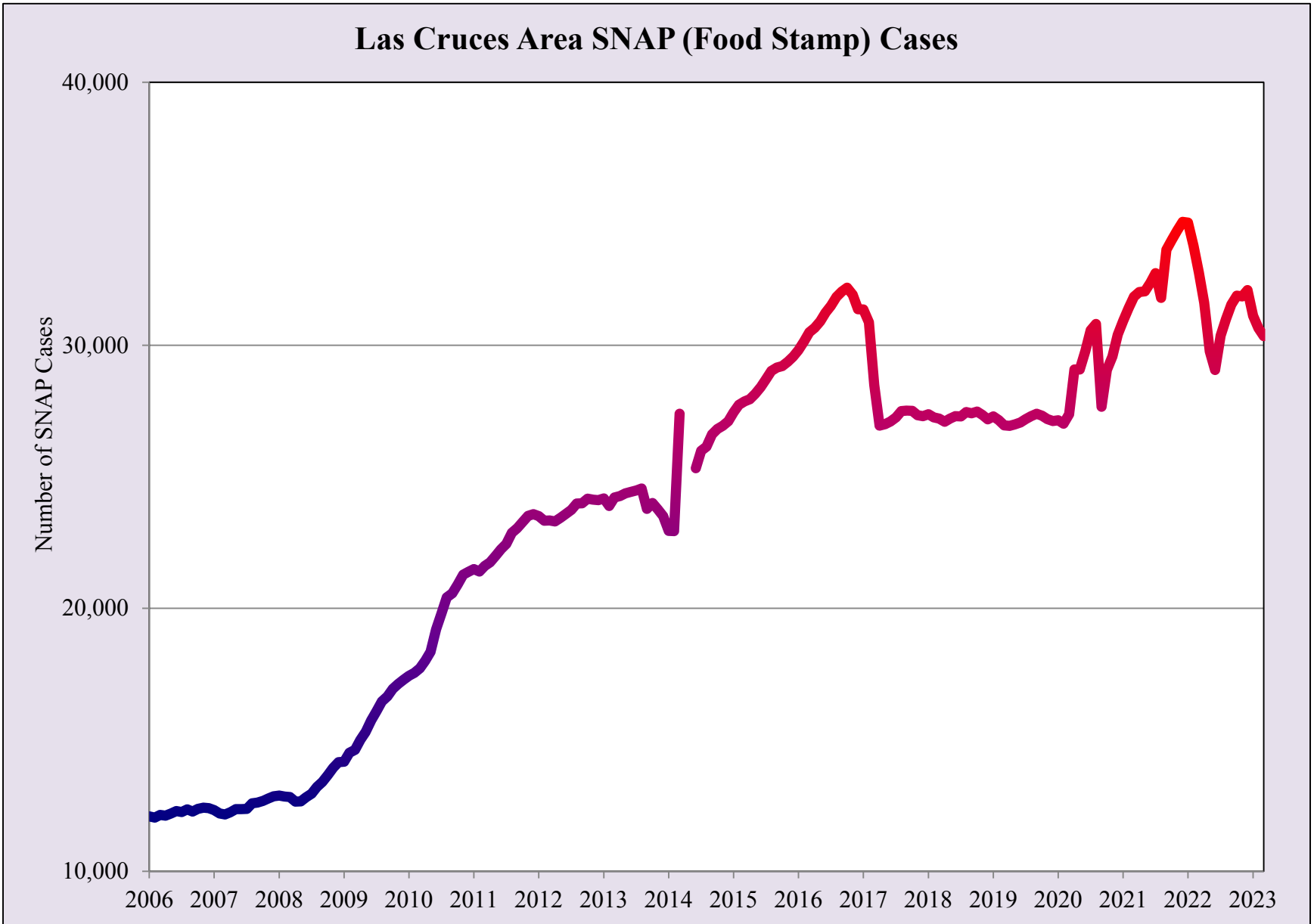


Source: UTEP Border Region Modeling Project using NM Workforce Data

Las Cruces Area SNAP (Food Stamp) Cases

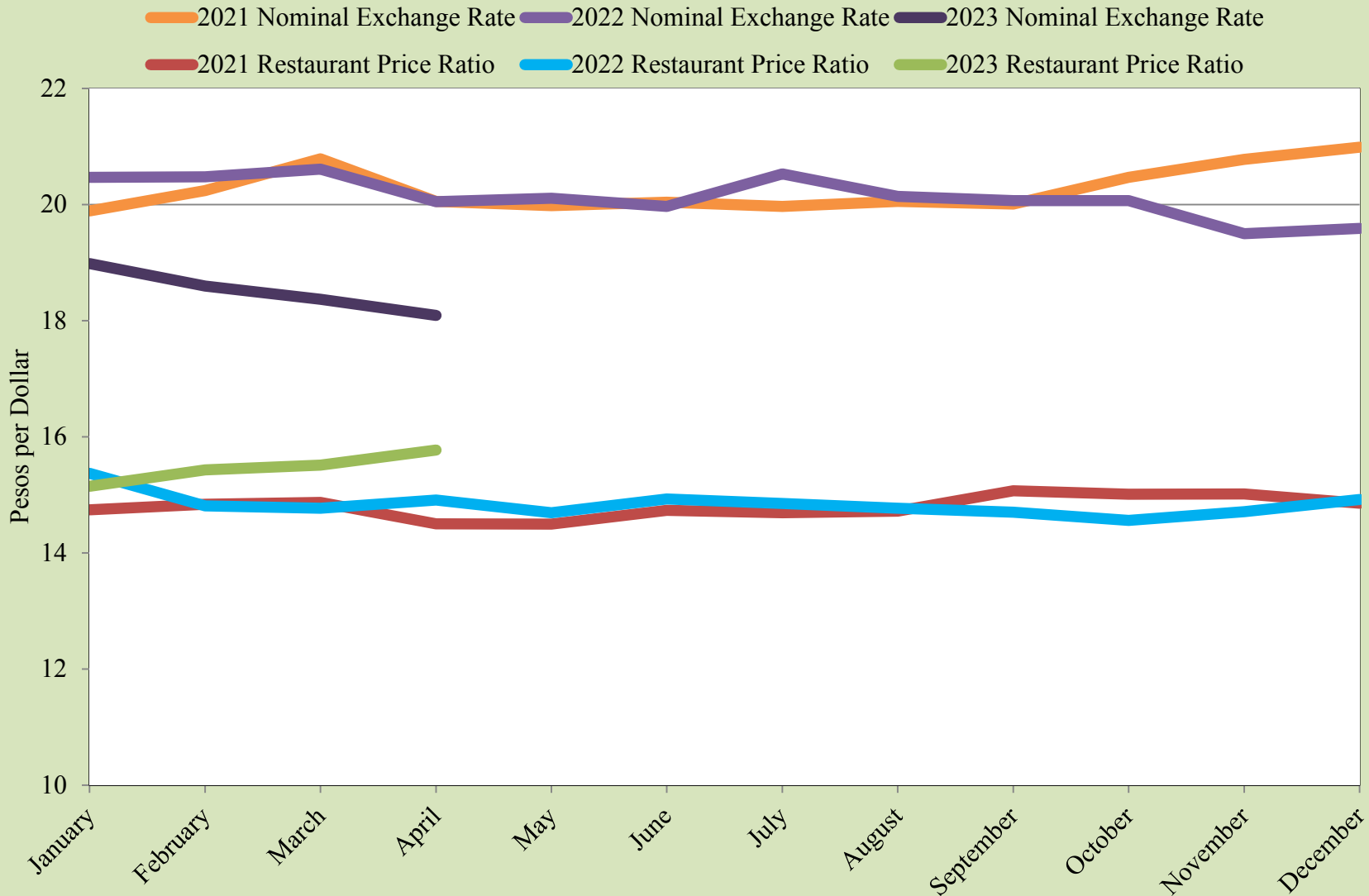


Source: UTEP Border Region Modeling Project using New Mexico Human Services Department Data



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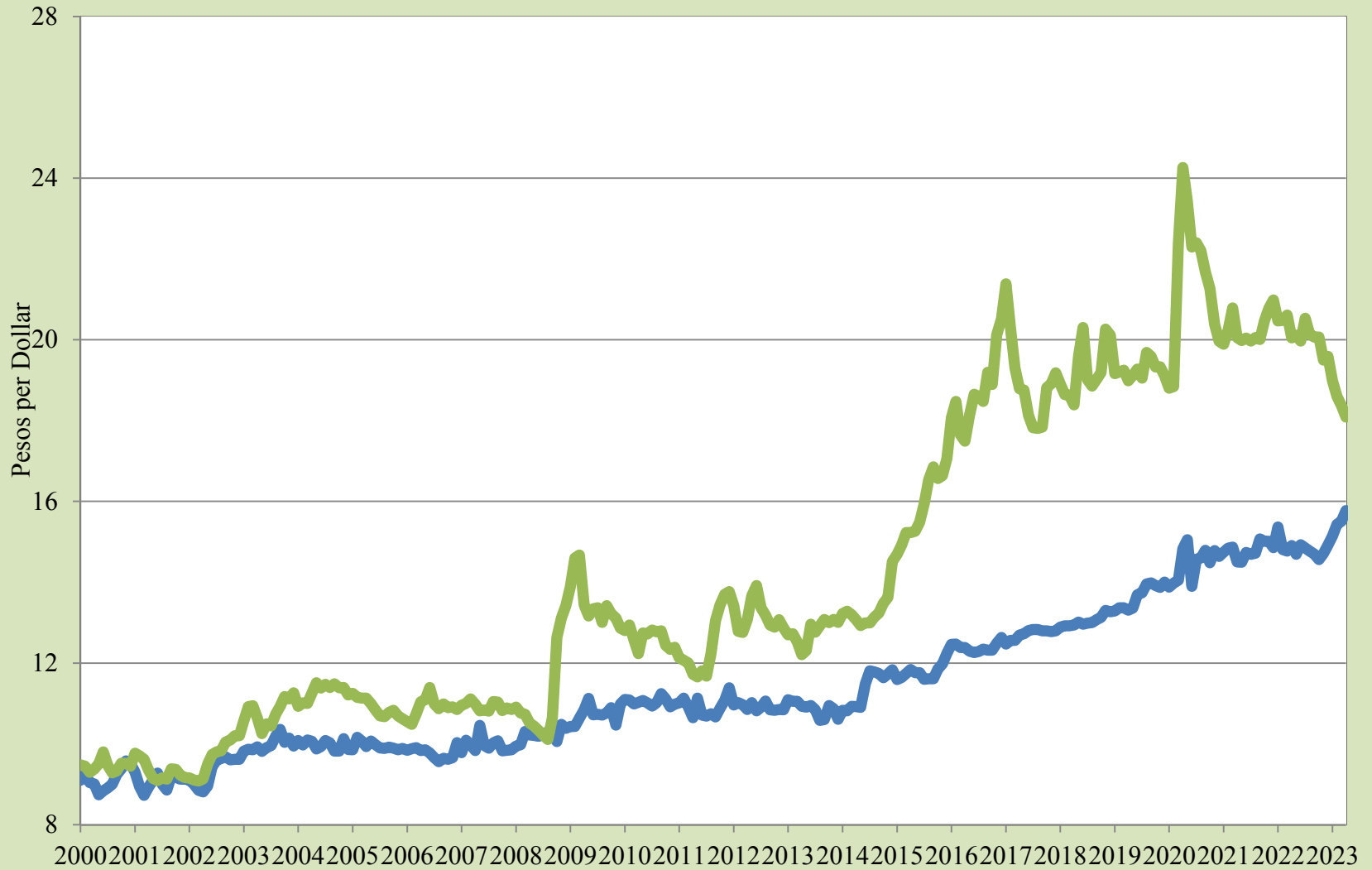
Restaurant Price Ratio and Exchange Rate



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

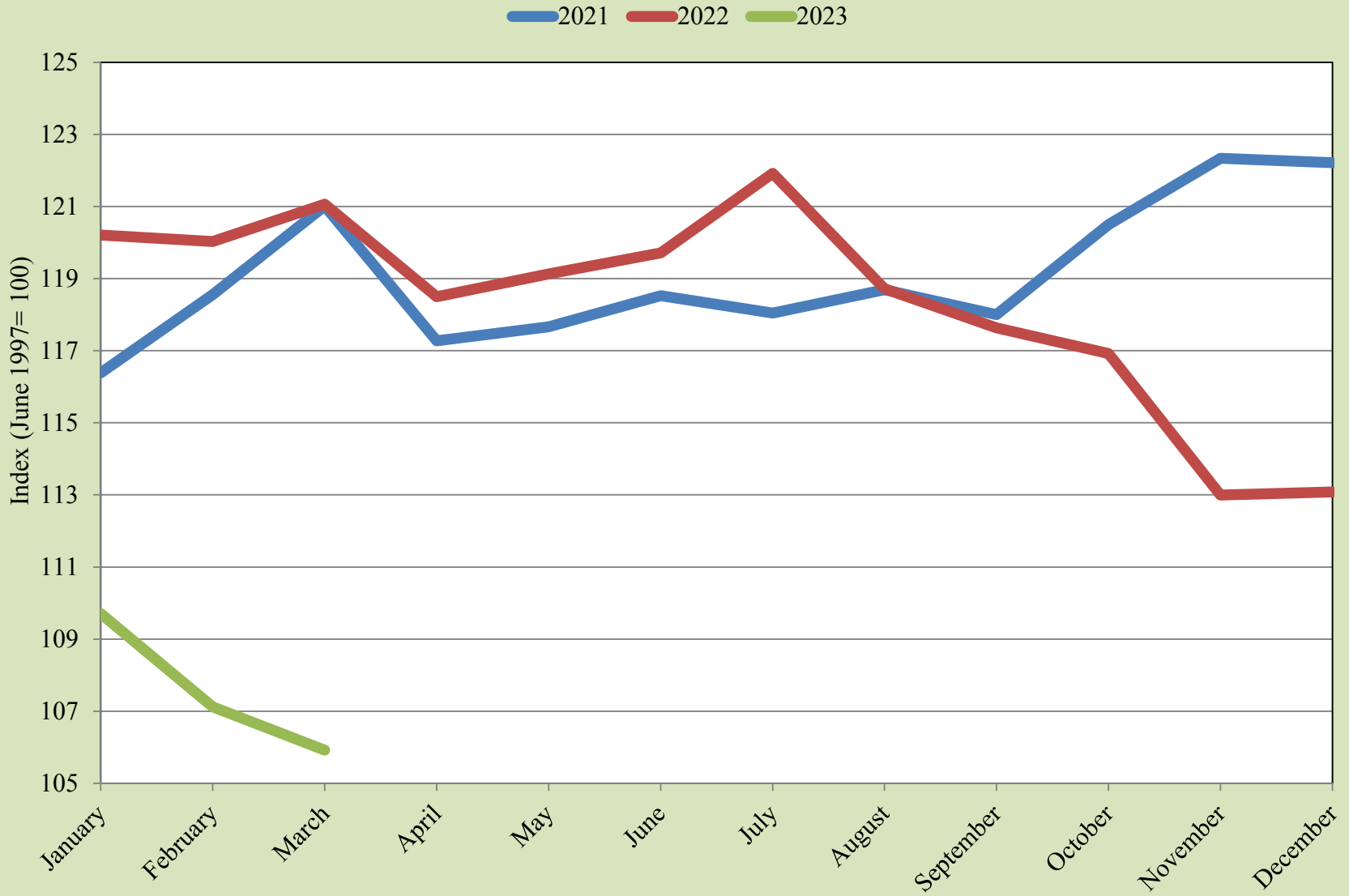
Restaurant Price Ratio and Exchange Rate

Price Ratio Exchange Rate



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

Real Peso-per-Dollar Exchange Rate Index



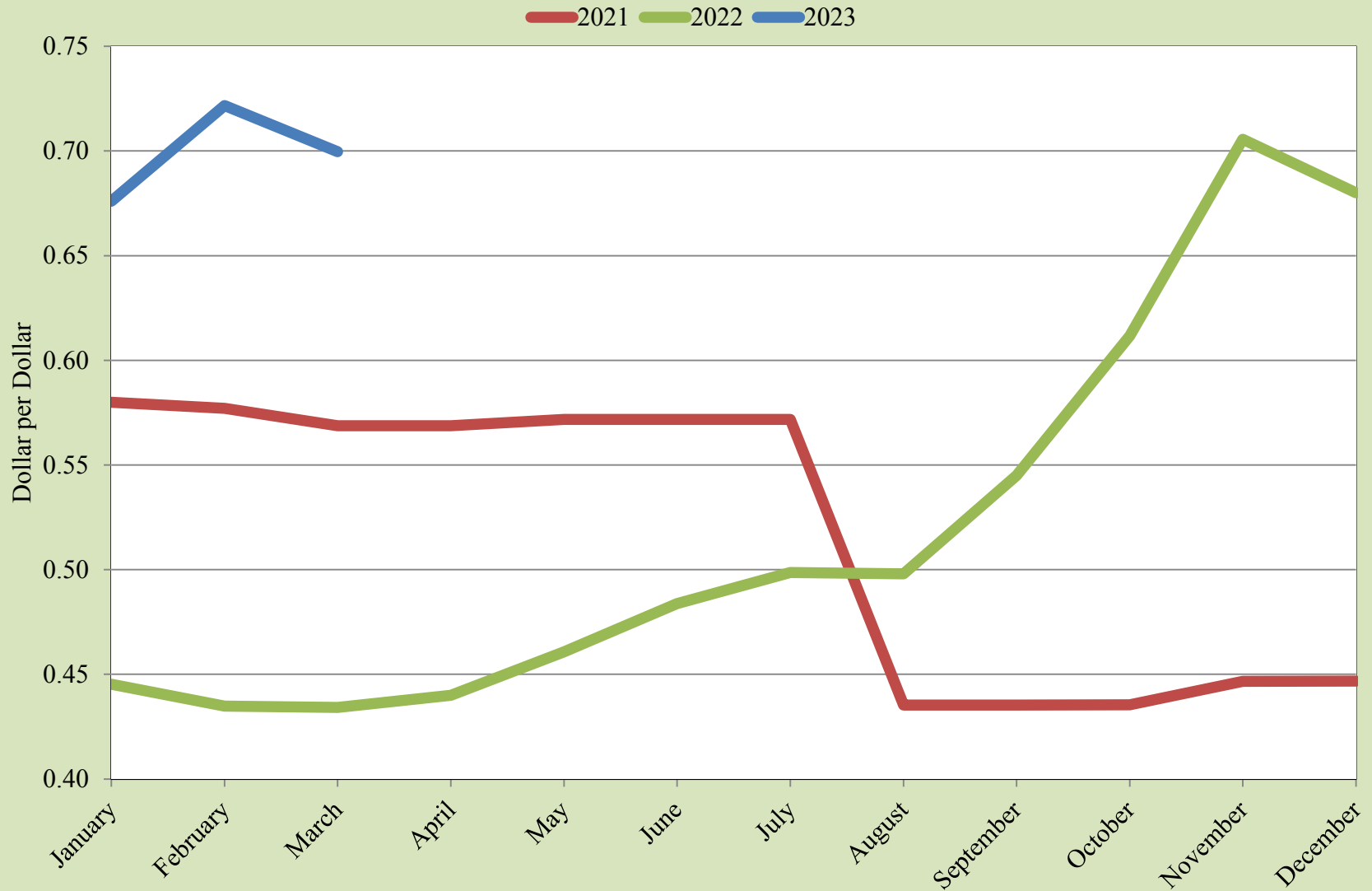
Source: UTEP Border Region Modeling Project

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

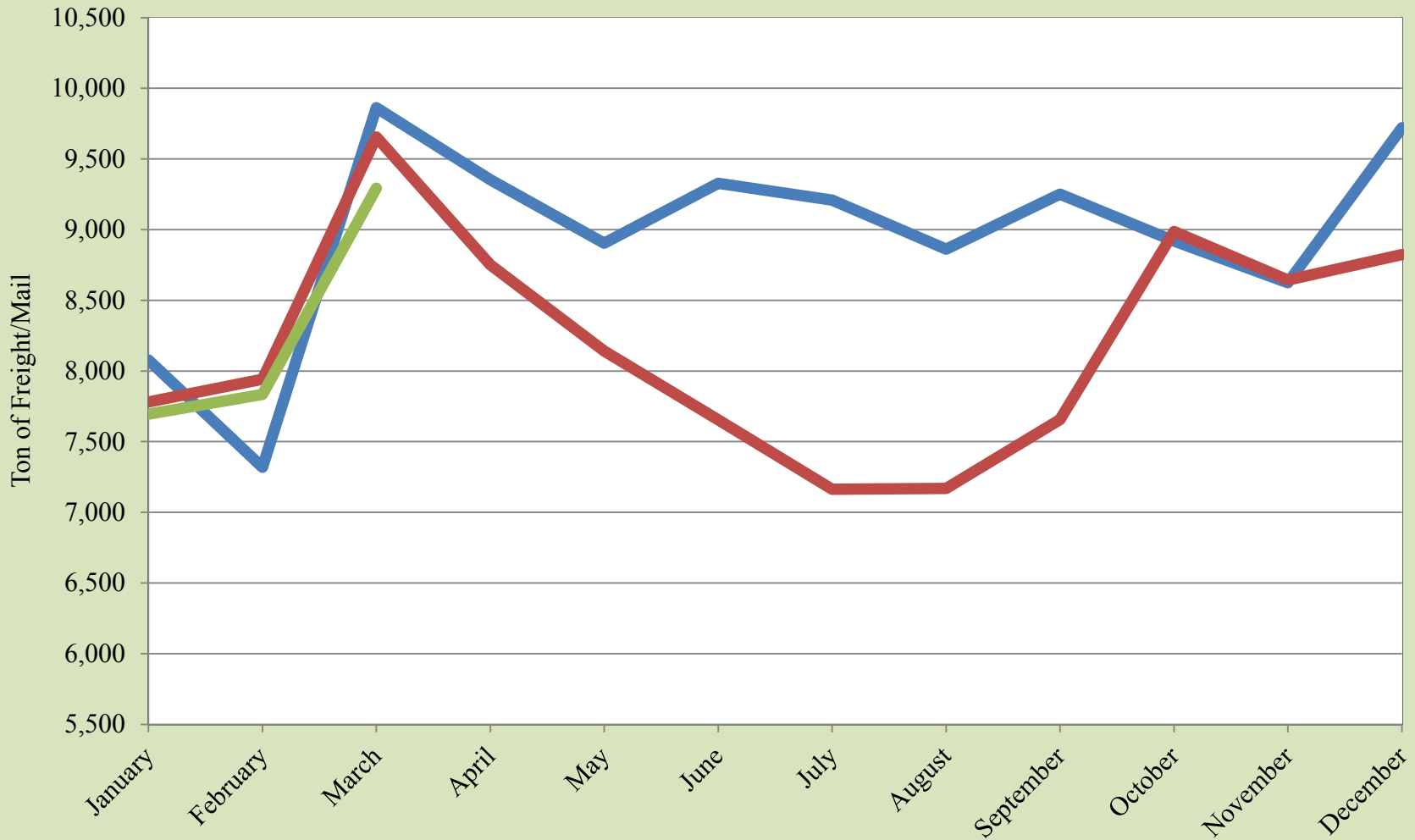
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Source: UTEP Border Region Modeling Project, healthwarehouse.com, goodrx.com, medsmex.com, mexmed4you.com.mx

EPIA Freight and Mail

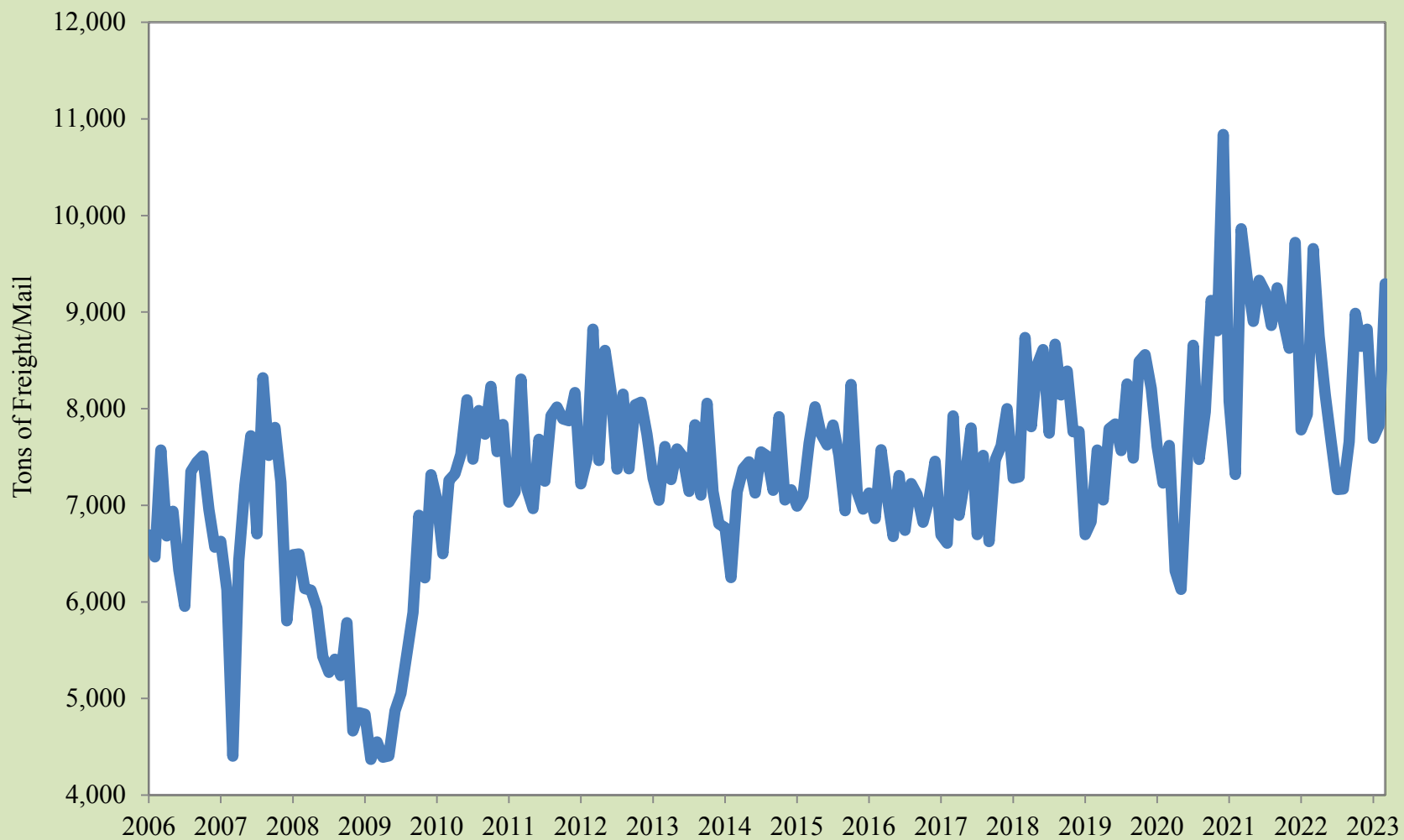
— Total 2021 — Total 2022 — Total 2023



Source: UTEP Border Region Modeling Project using EPIA Operations Data

EPIA Freight and Mail

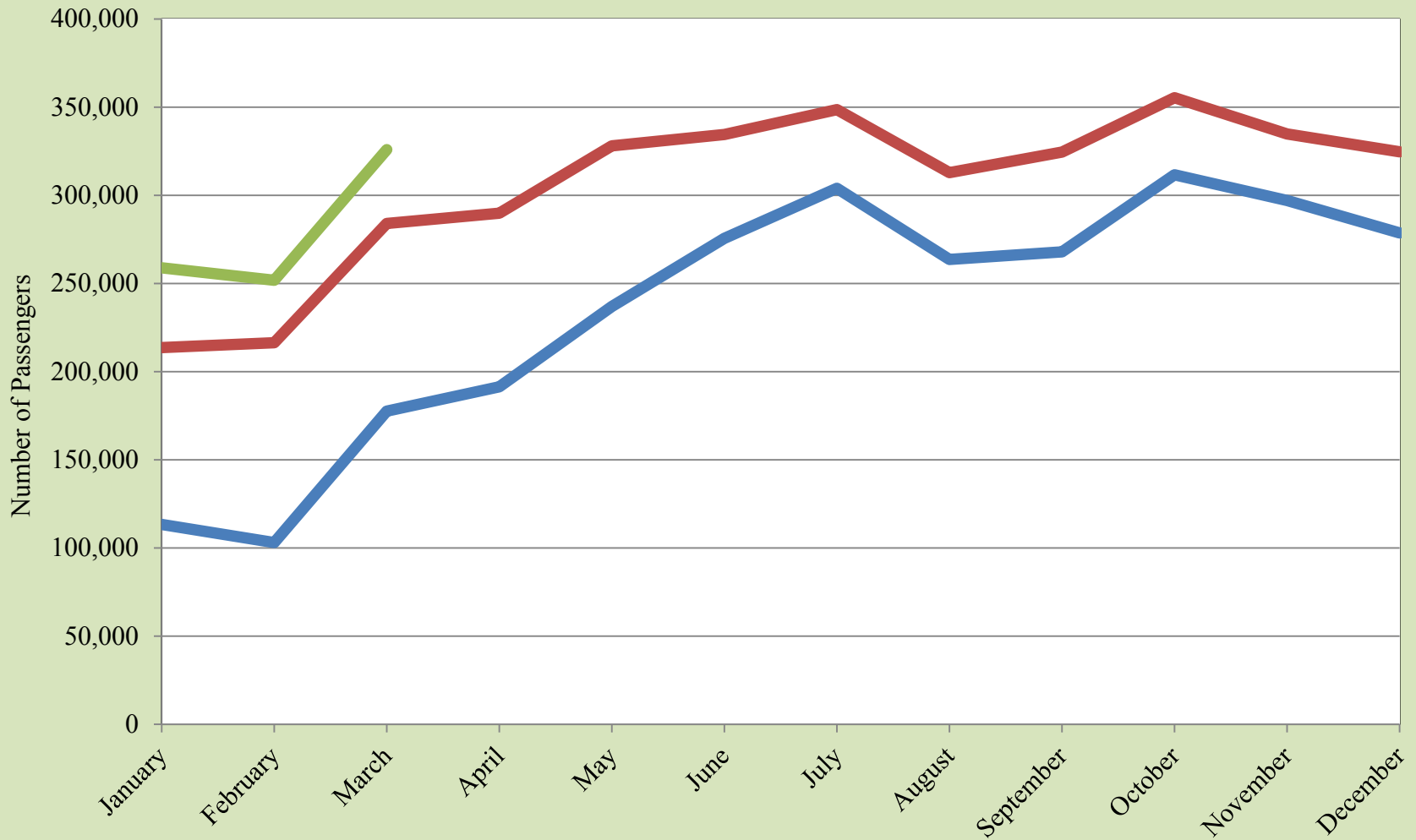
Inbound+Outbound



Source: UTEP Border Region Modeling Project using EPIA Operations Data

EPIA Passengers

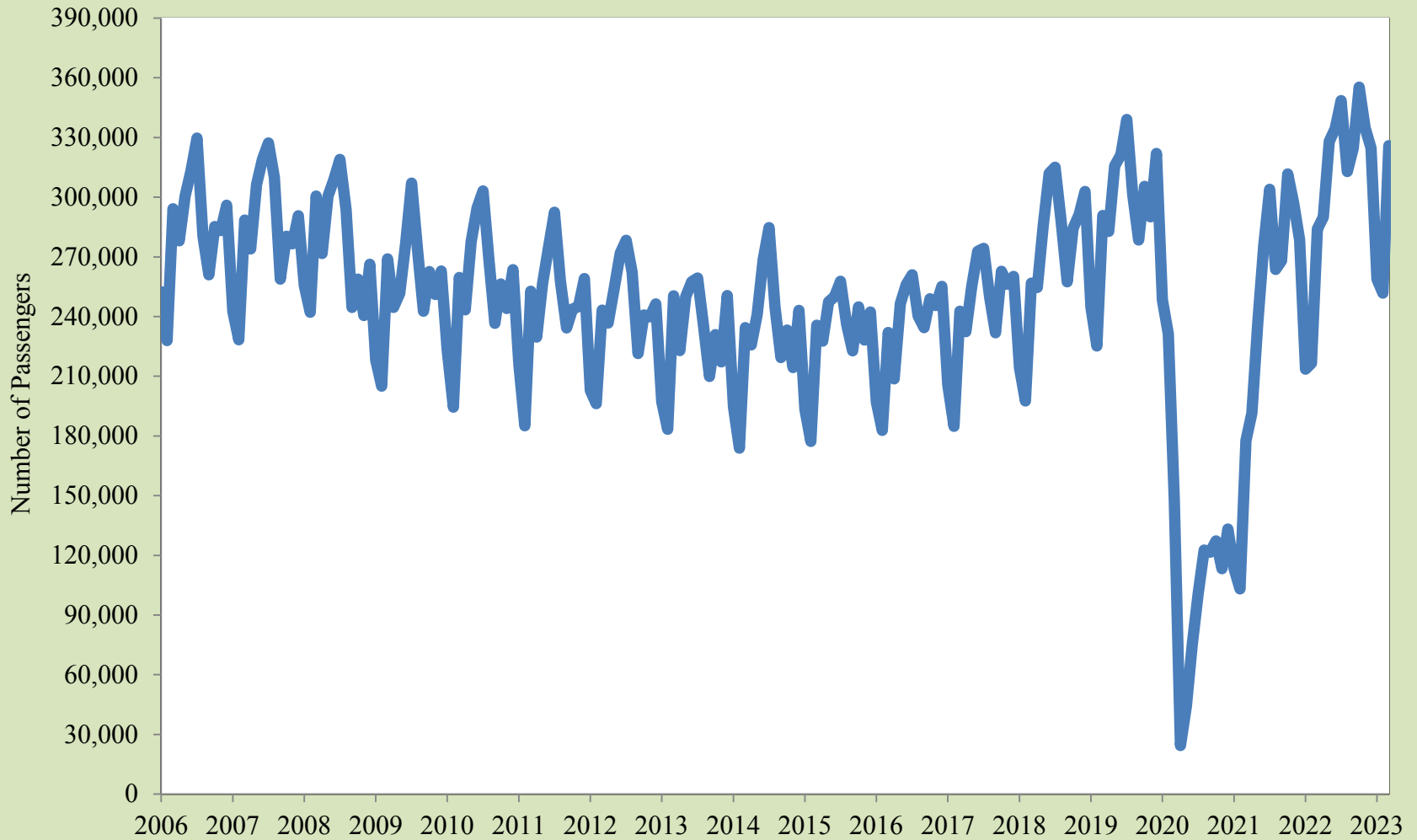
— Total 2021 — Total 2022 — Total 2023



Source: UTEP Border Region Modeling Project using EPIA Operations Data

EPIA Passengers

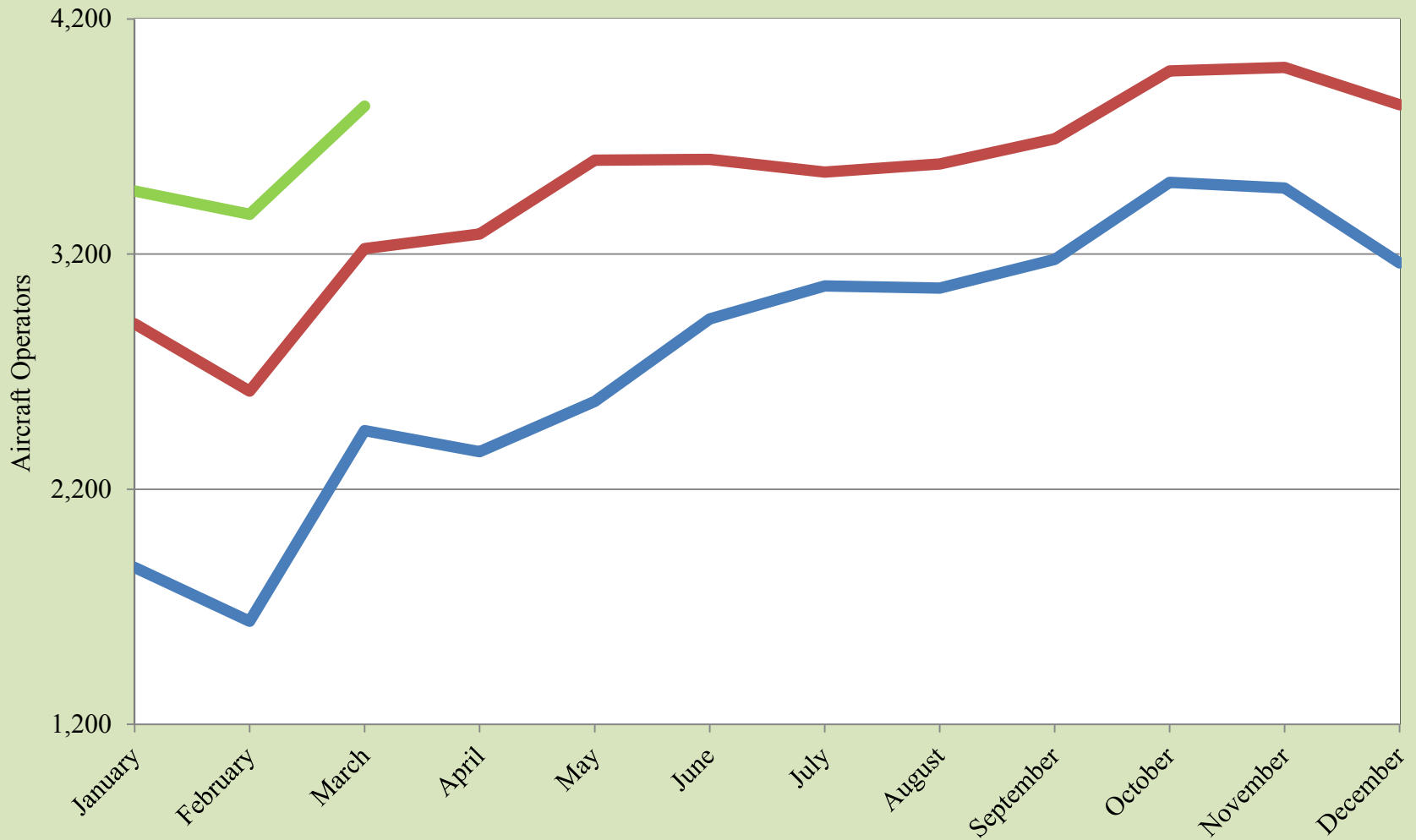
— Inbound+Outbound



Source: UTEP Border Region Modeling Project using EPIA Operations Data

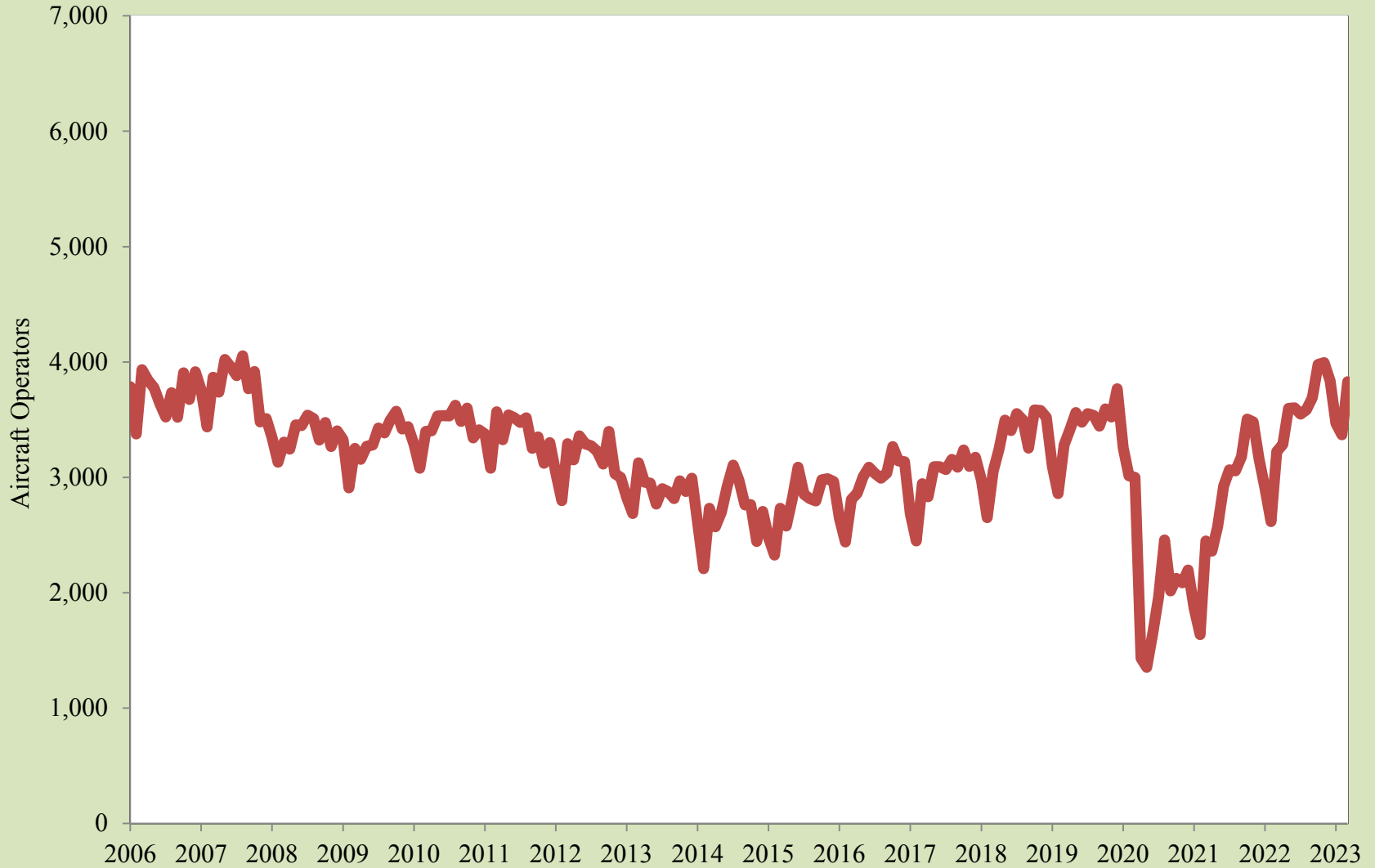
EPIA Air Carrier Operations

21-Air Carriers 22-Air Carriers 23-Air Carriers



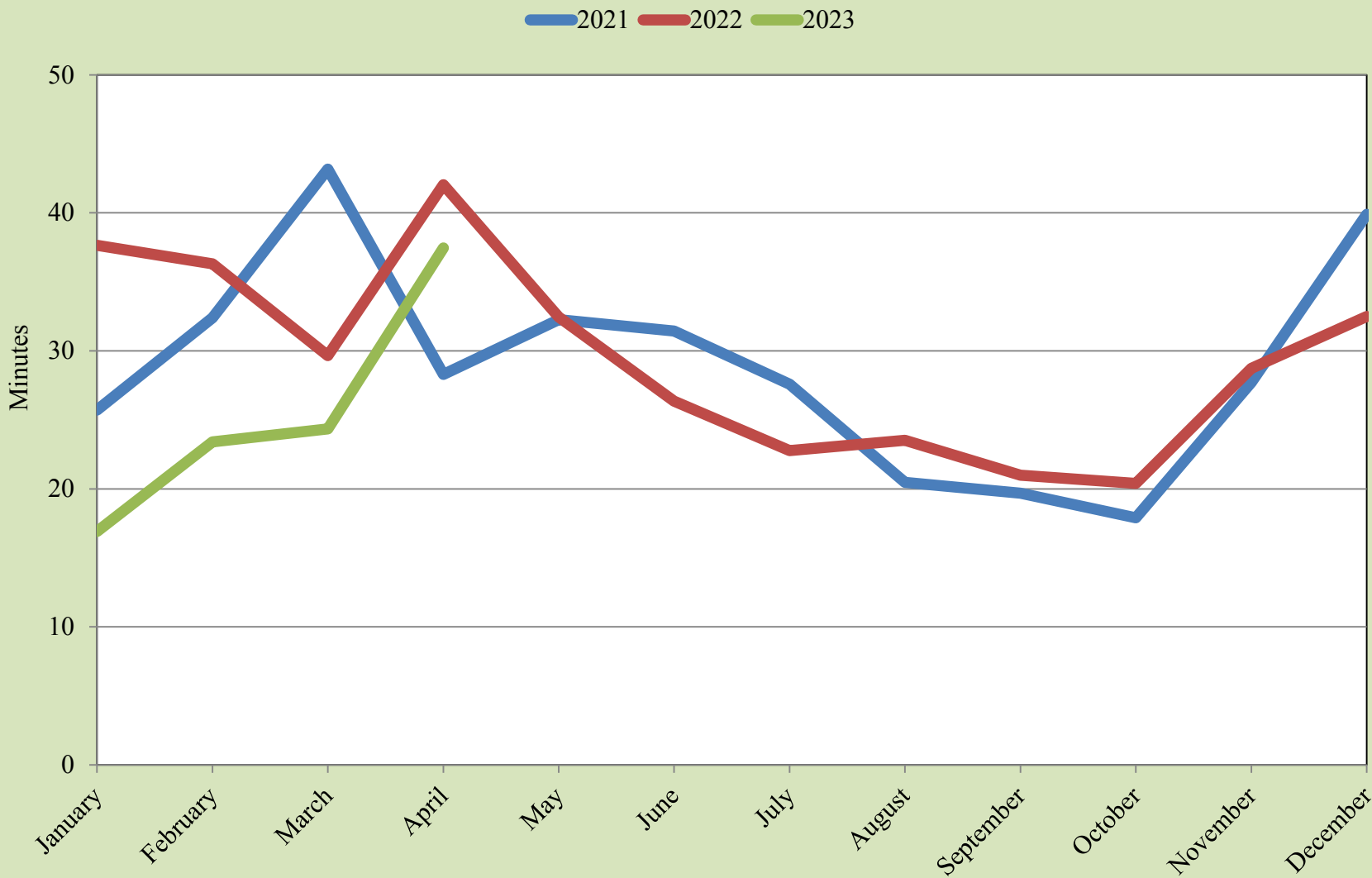
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EPIA Air Carrier Operations



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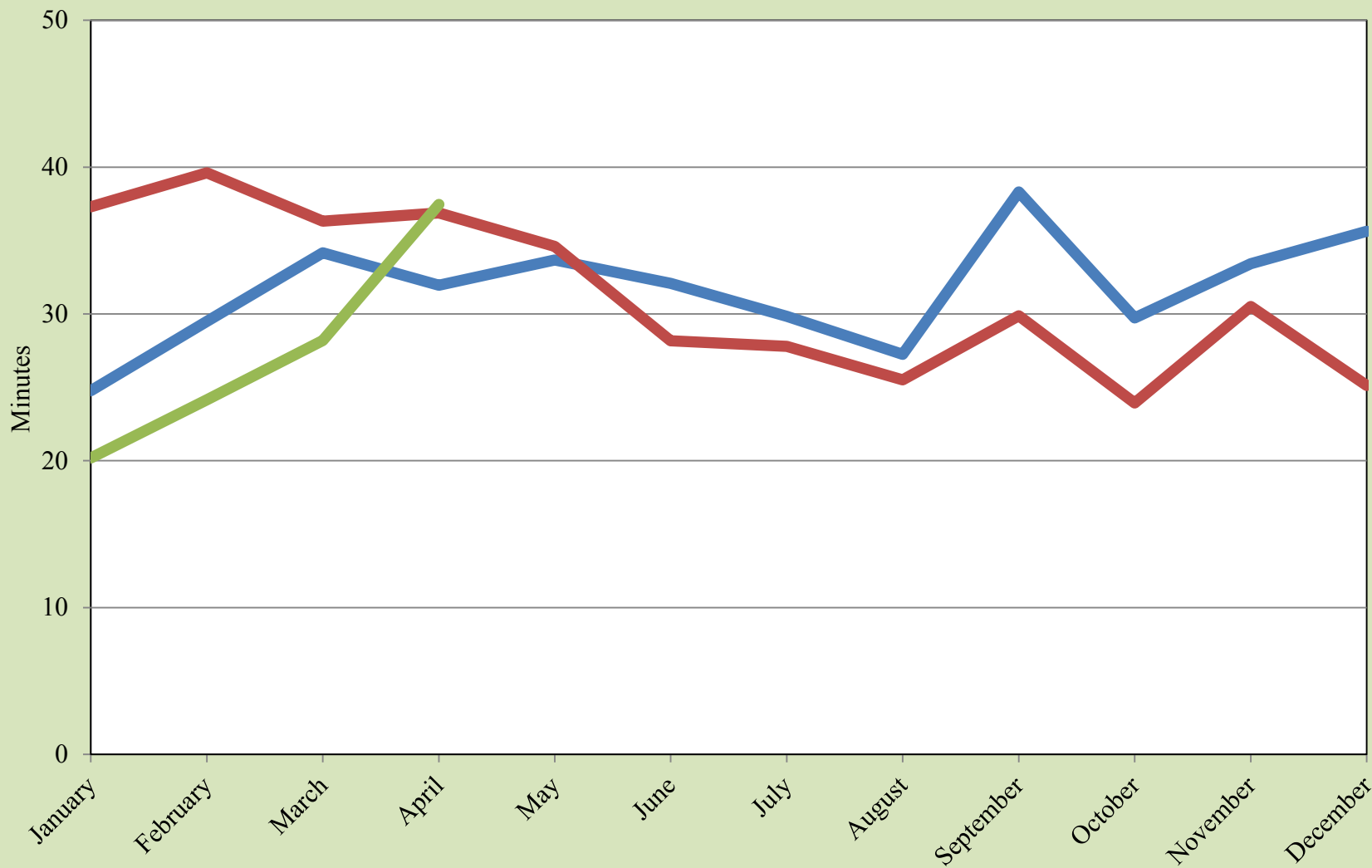
Paso del Norte Monthly Wait Times



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

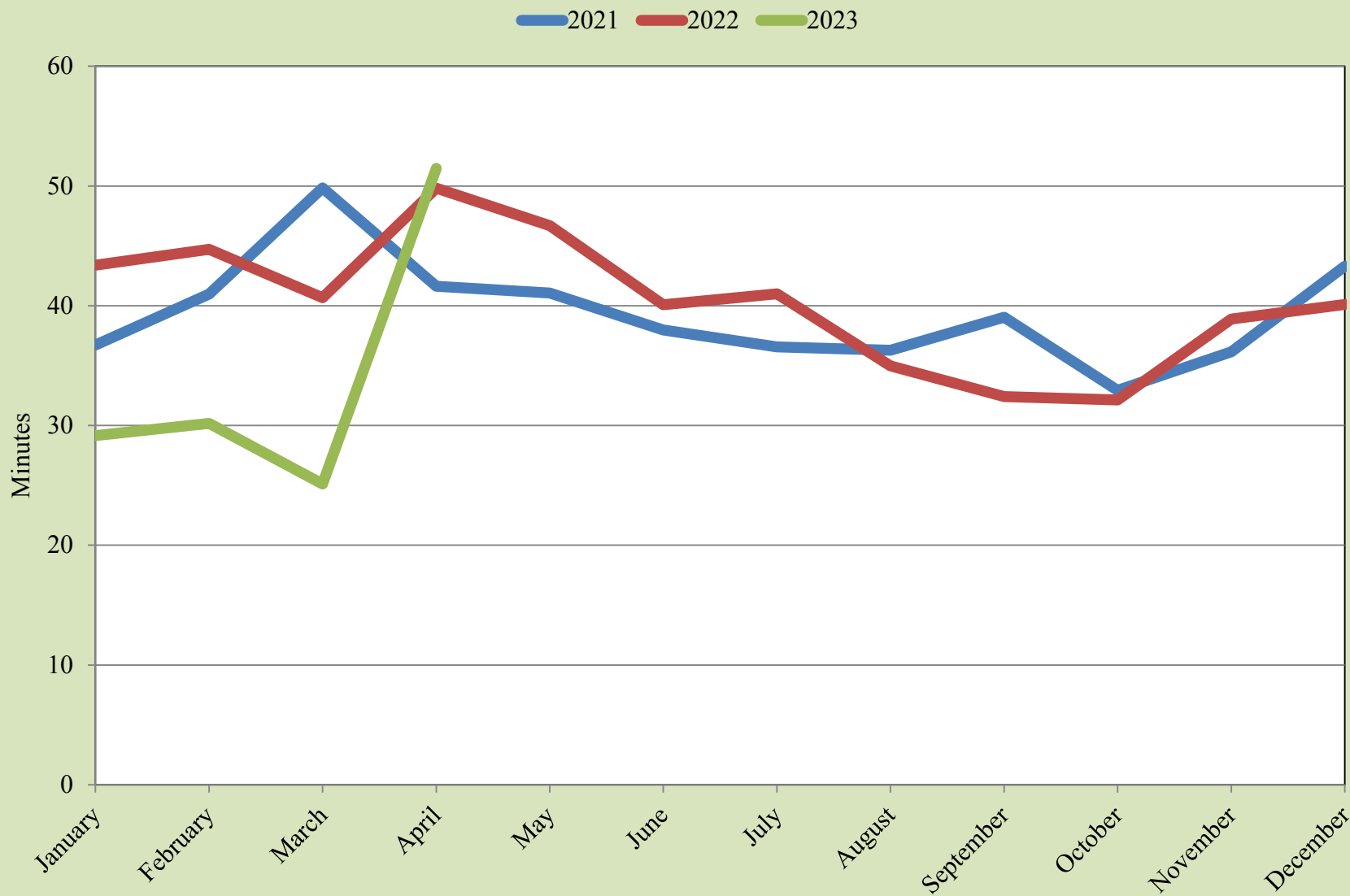
Ysleta Monthly Wait Times

2021 2022 2023



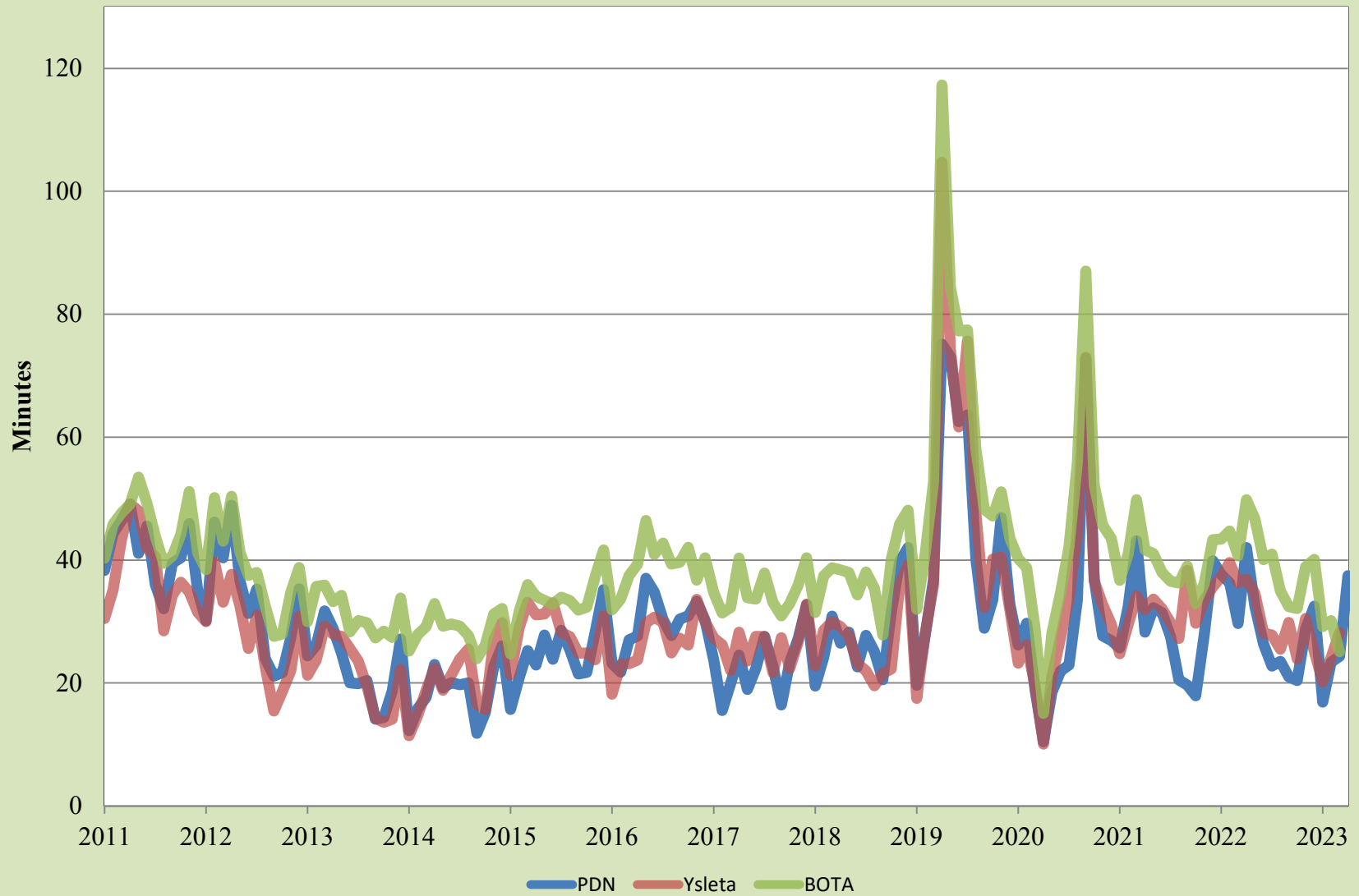
Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

Bridge of the Americas Monthly Wait Times



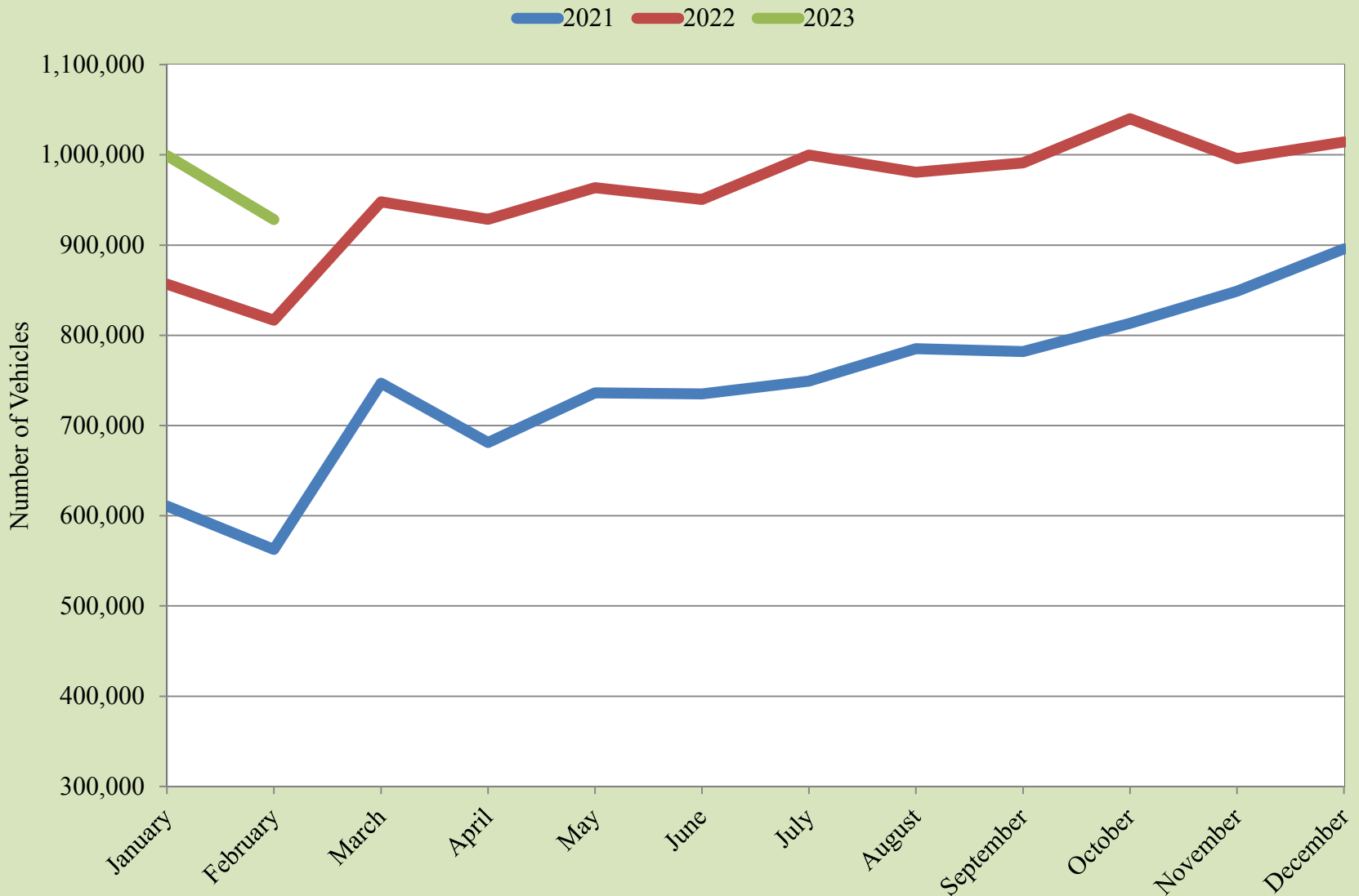
Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

Monthly Border Wait Times



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

Personal Vehicle International Bridge Crossings to El Paso



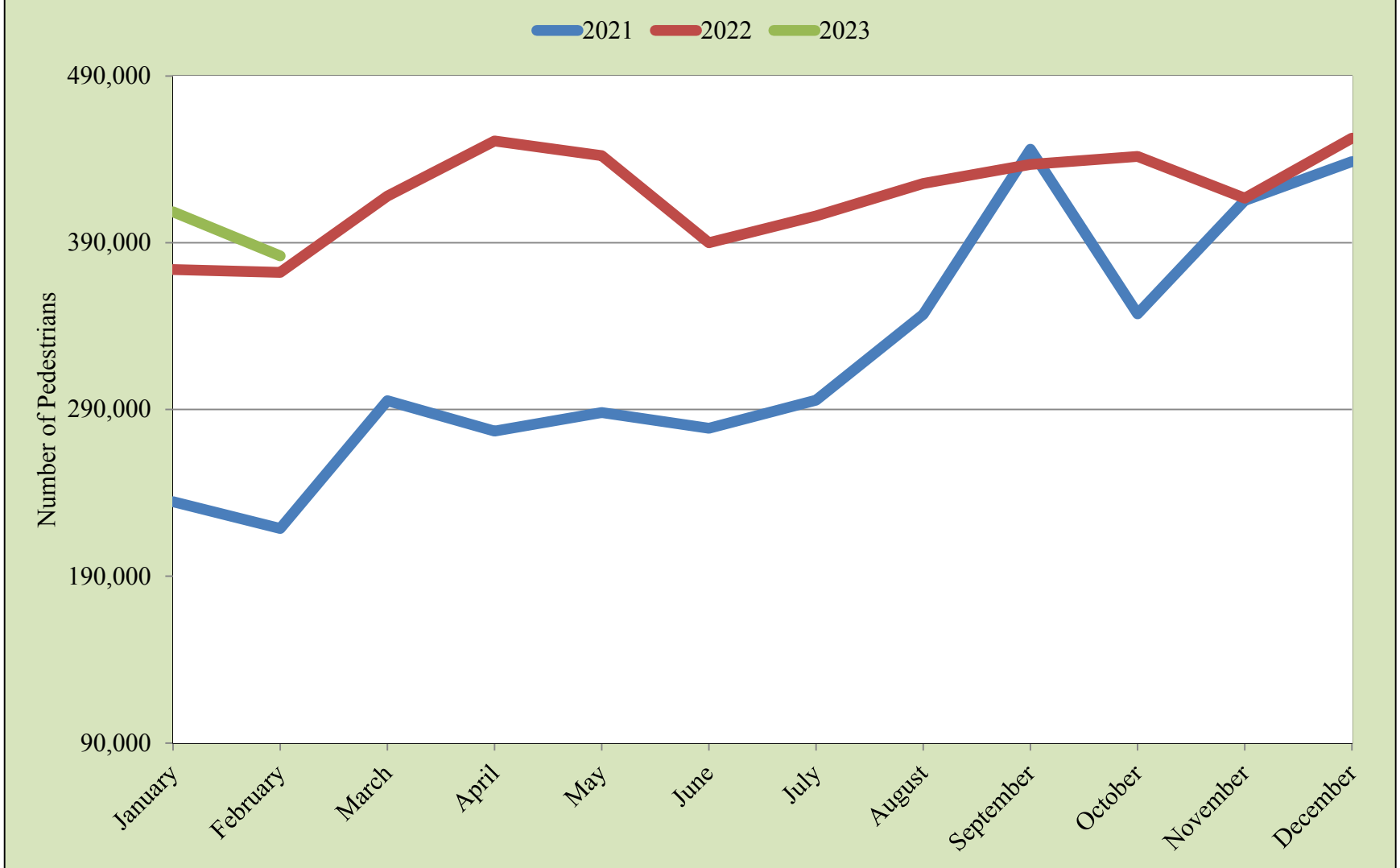
Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

Personal Vehicle International Bridge Crossings to El Paso



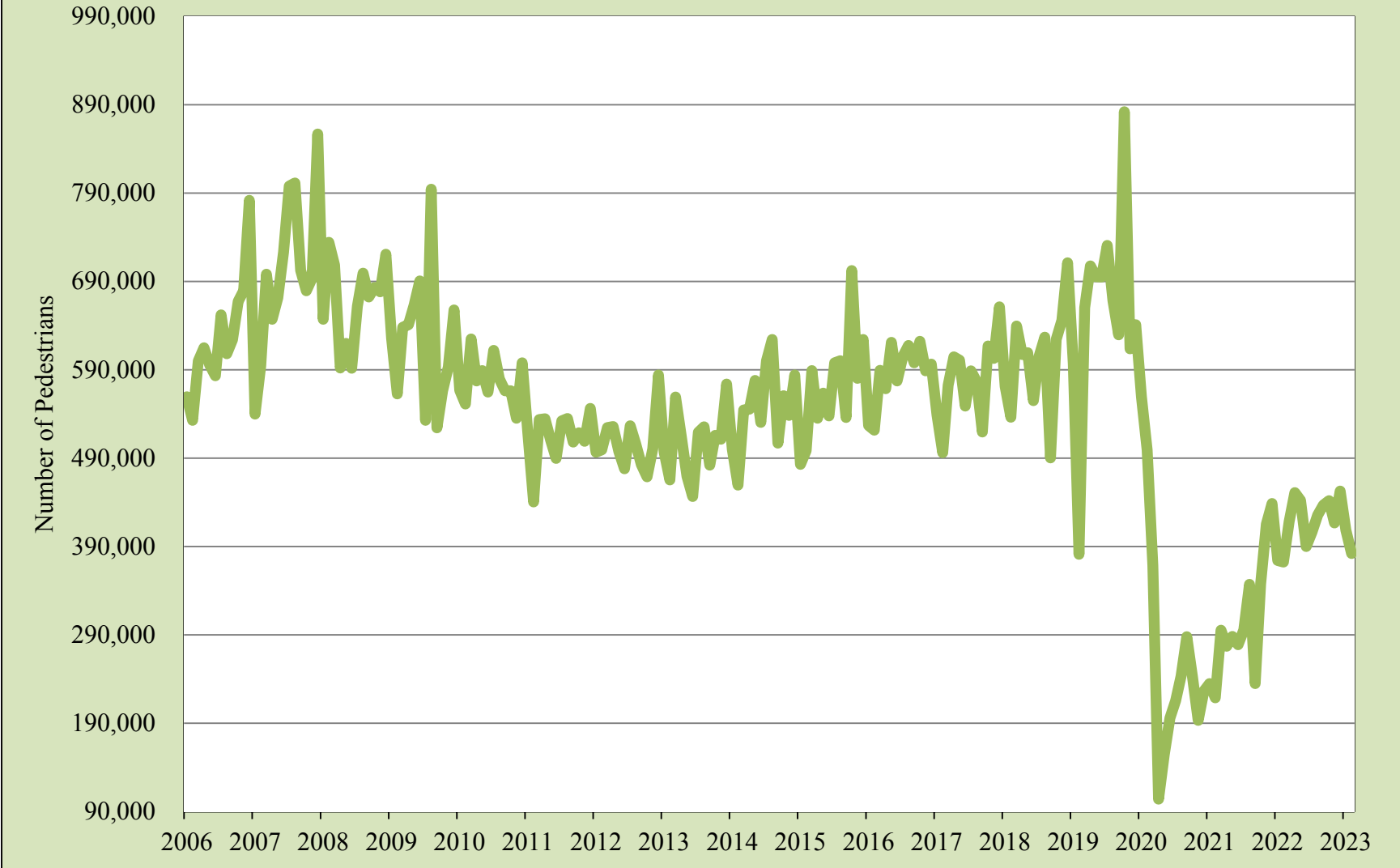
Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

Pedestrian International Bridge Crossings to El Paso



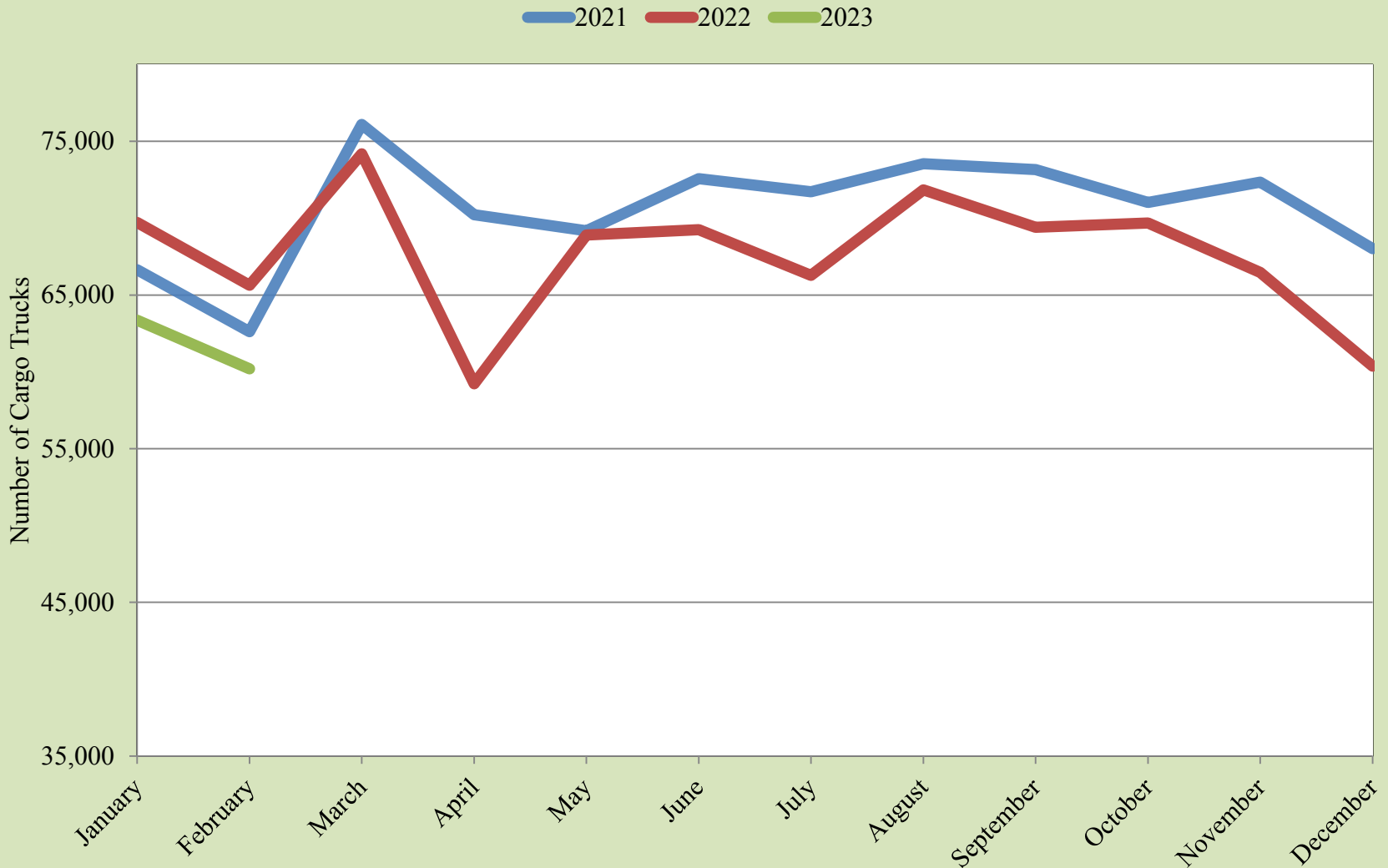
Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

Pedestrian International Bridge Crossings to El Paso



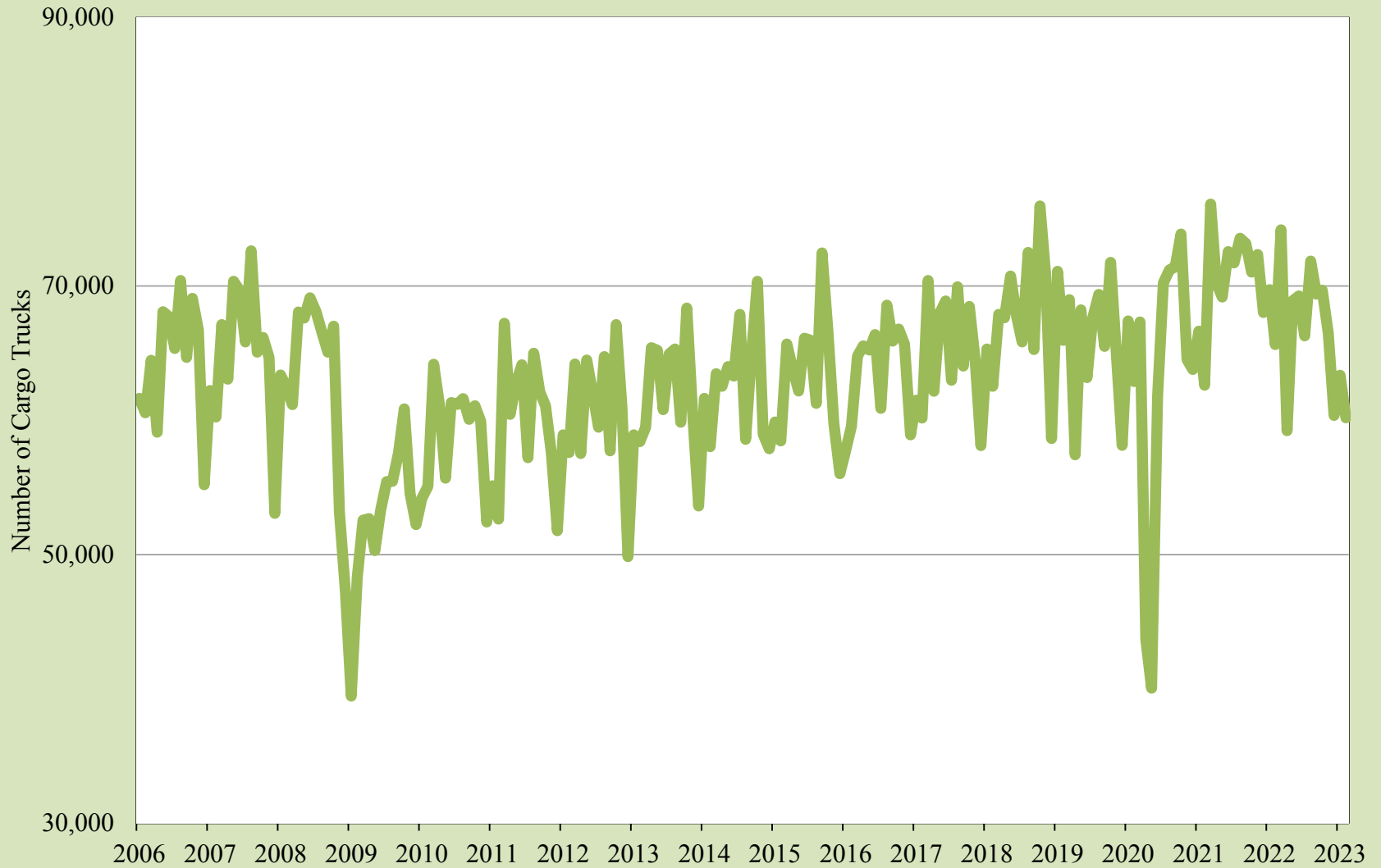
Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

Cargo Truck International Bridge Crossings to El Paso



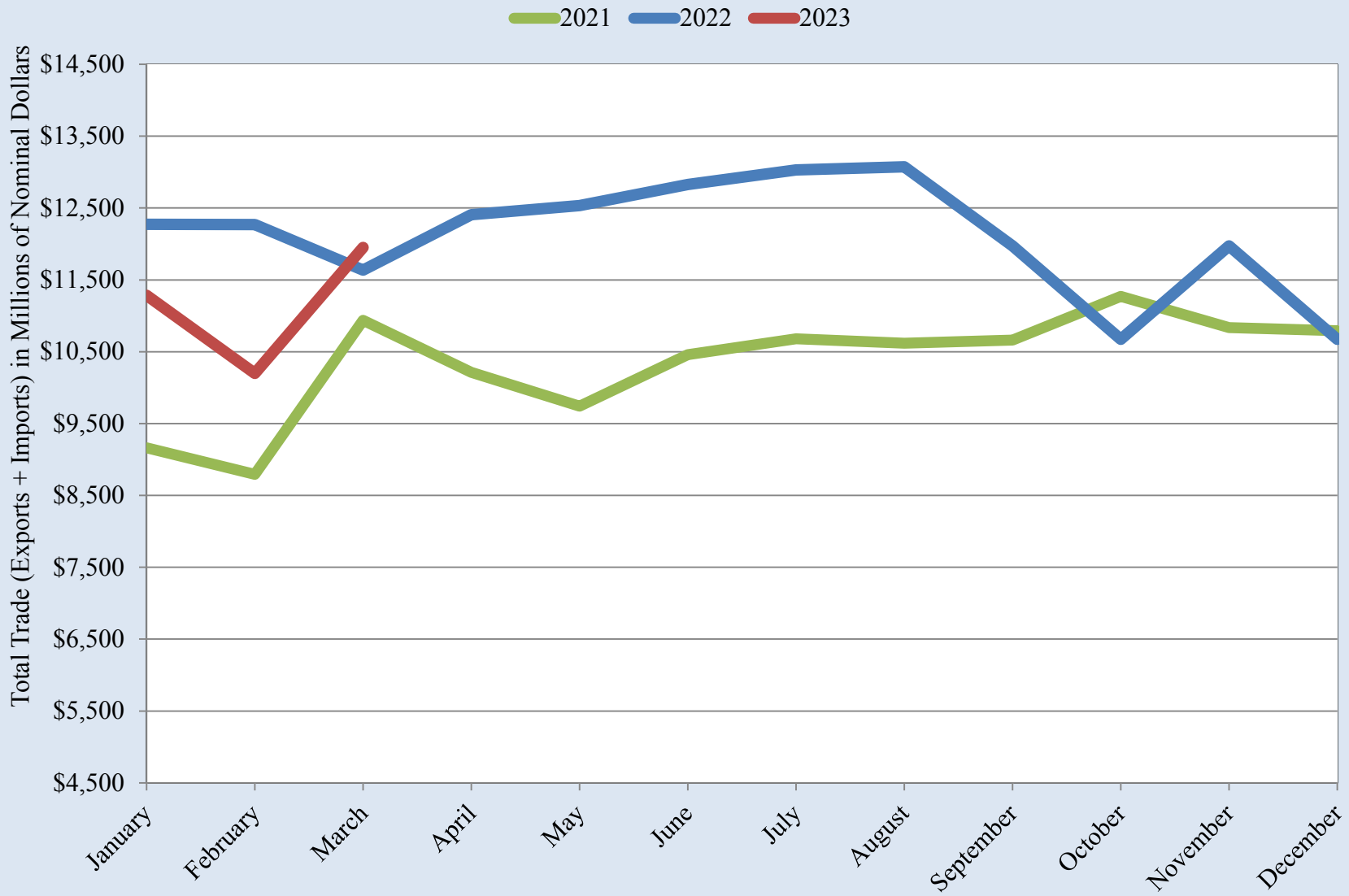
Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

Cargo Truck International Bridge Crossings to El Paso



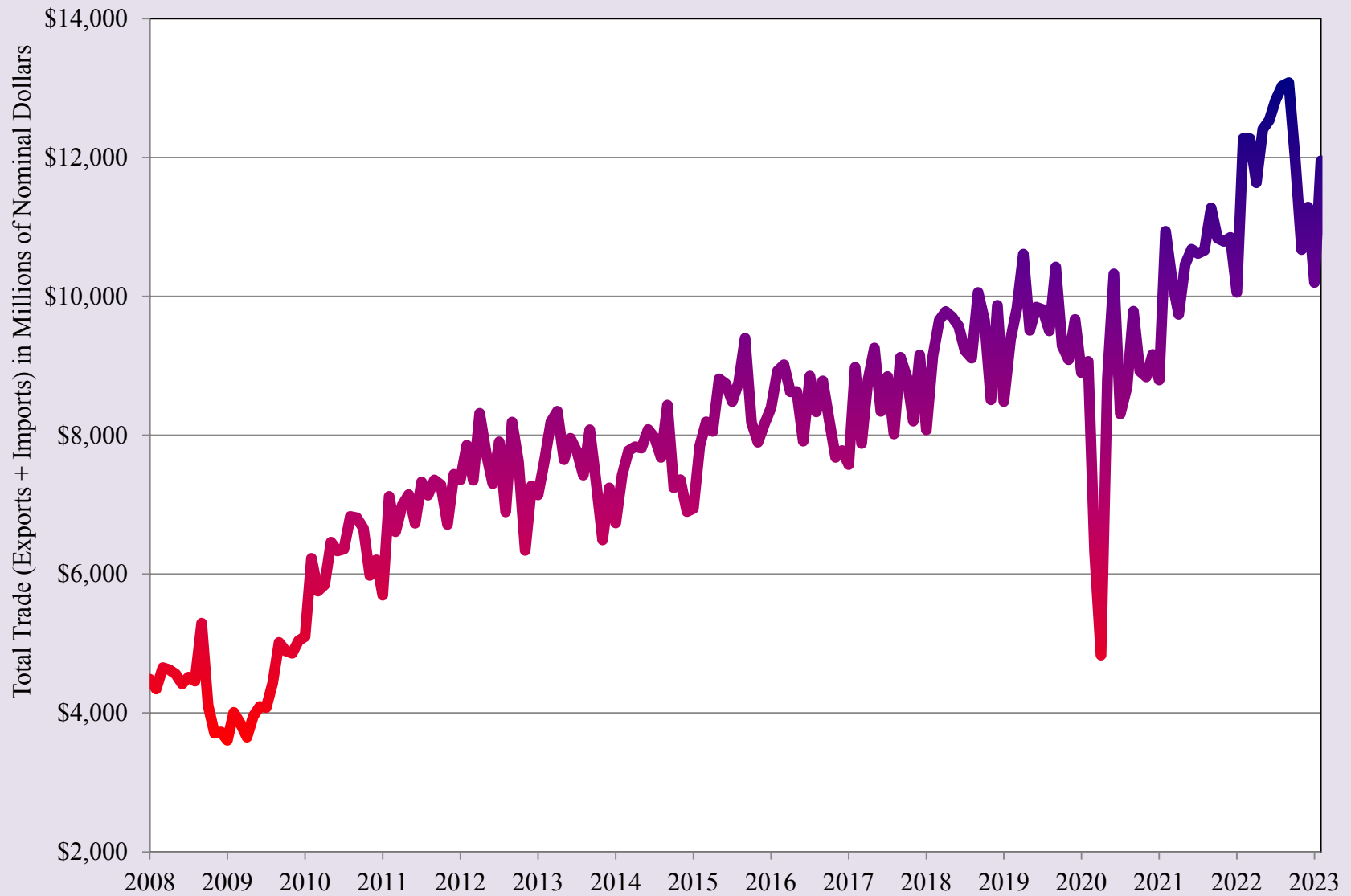
Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data

Total Trade through the El Paso Customs District



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

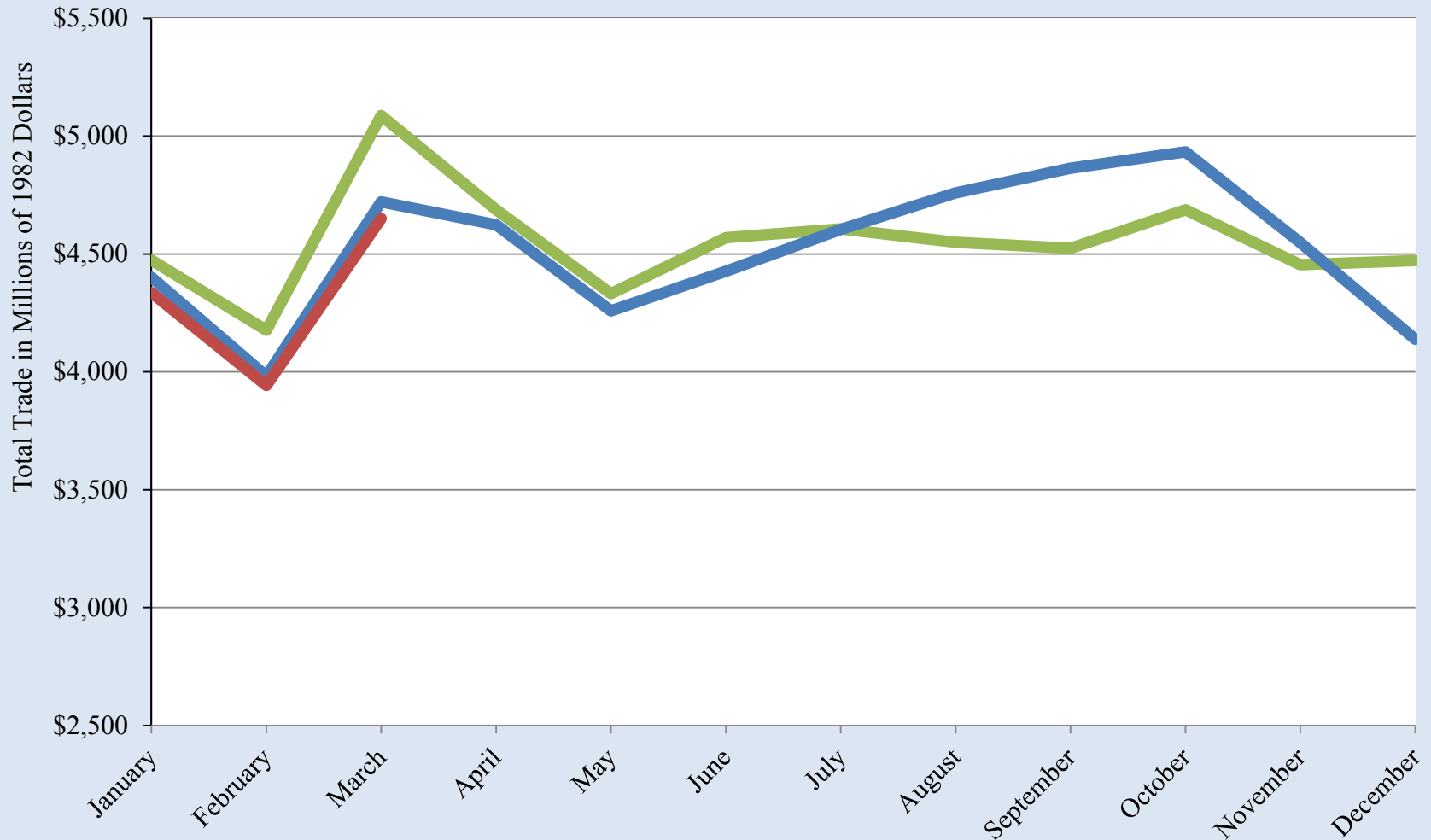
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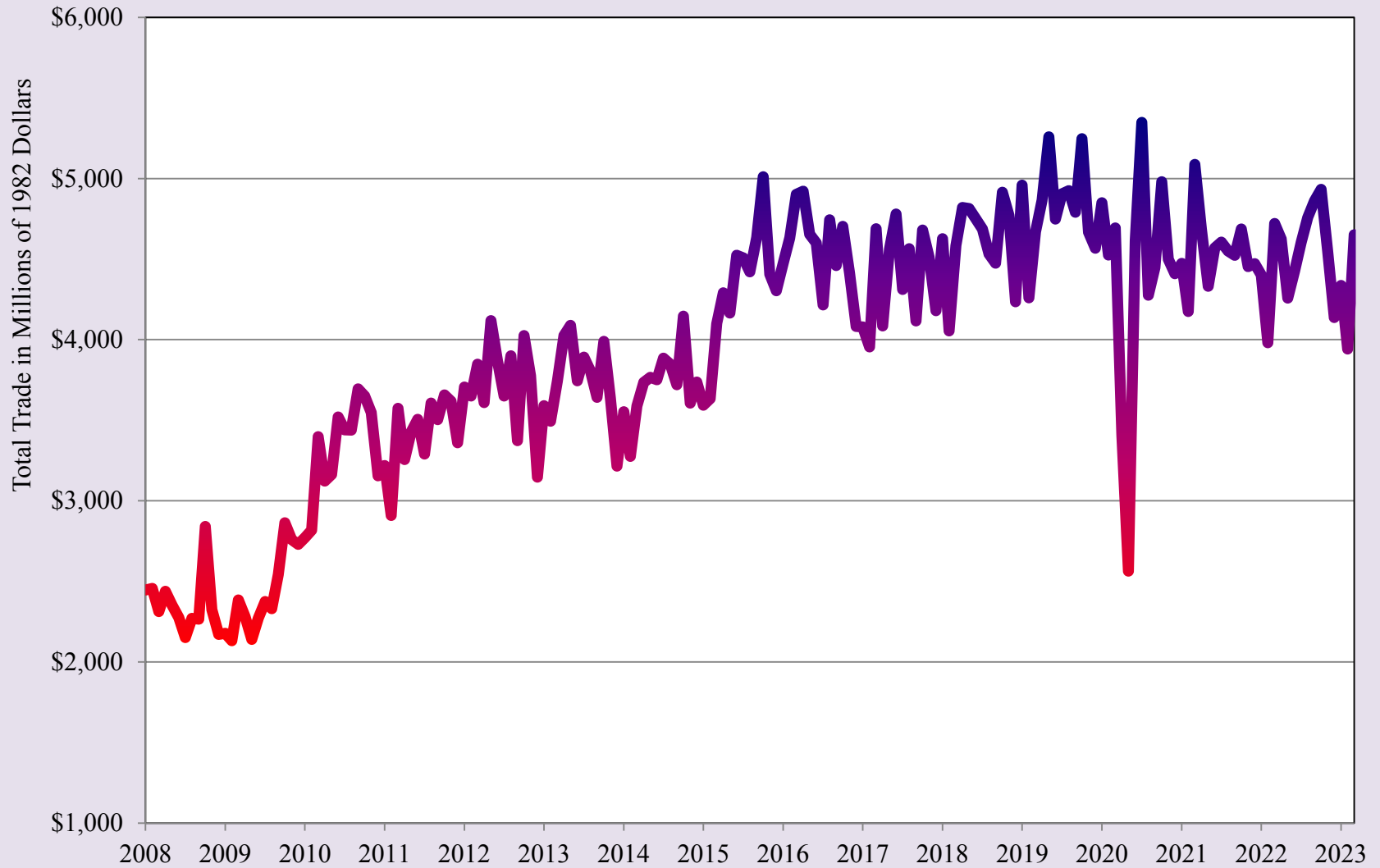
Real Total Trade through the El Paso Customs District

2021 2022 2023



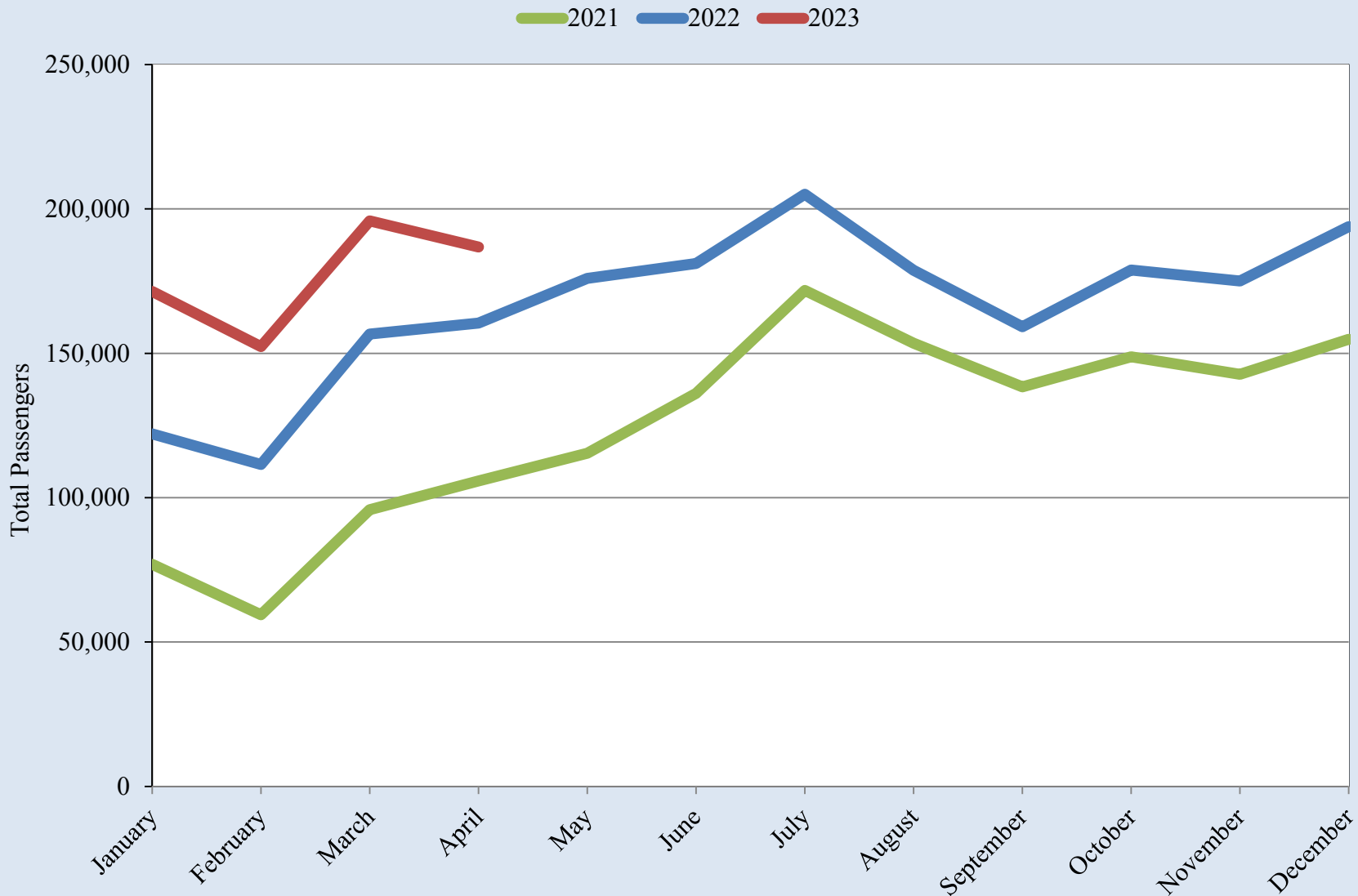
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Real Total Trade through the El Paso Customs District



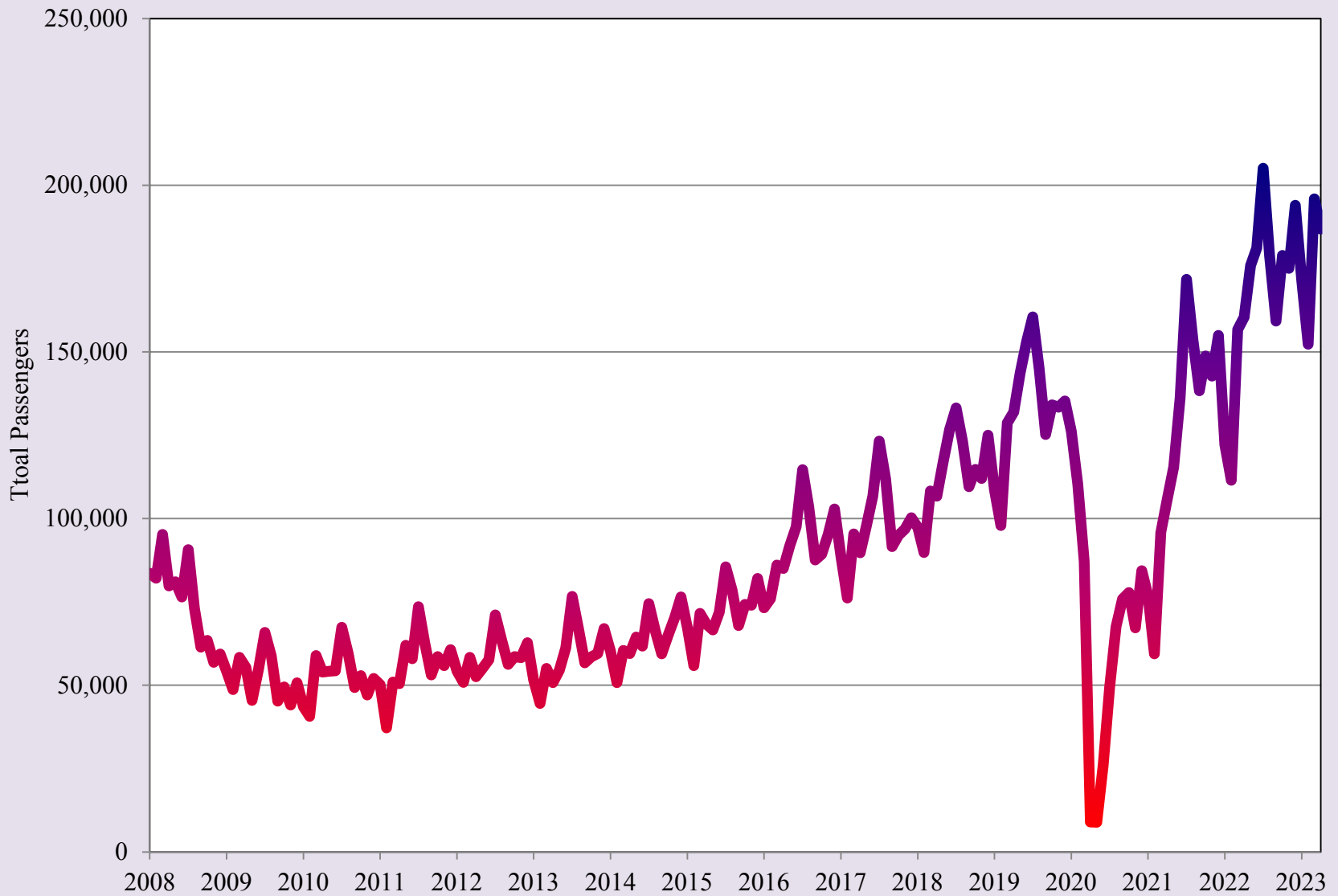
Source: UTEP Border Region Modeling Project using US International Trade Commission Data

Domestic Passengers Ciudad Juarez International Airport



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

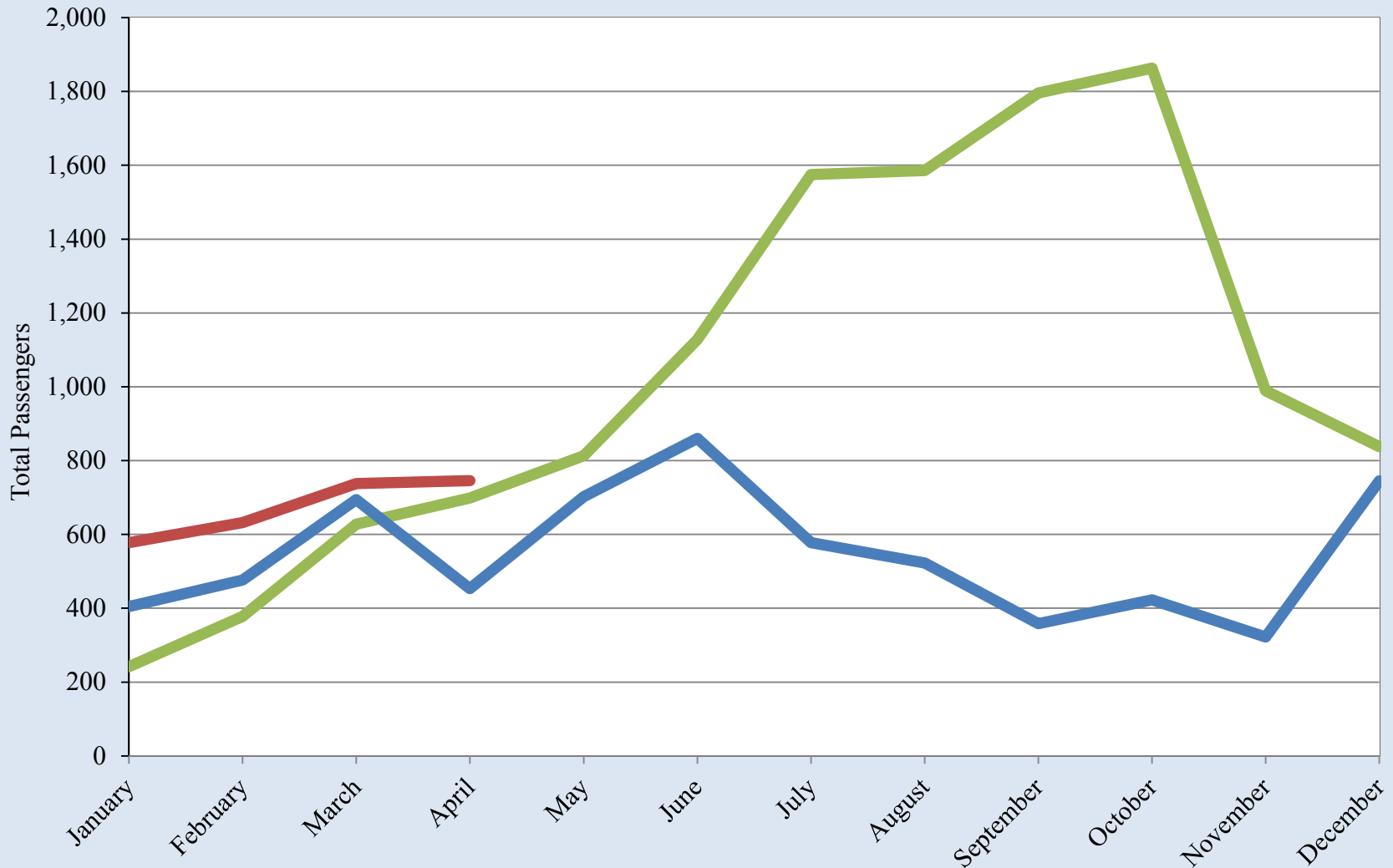
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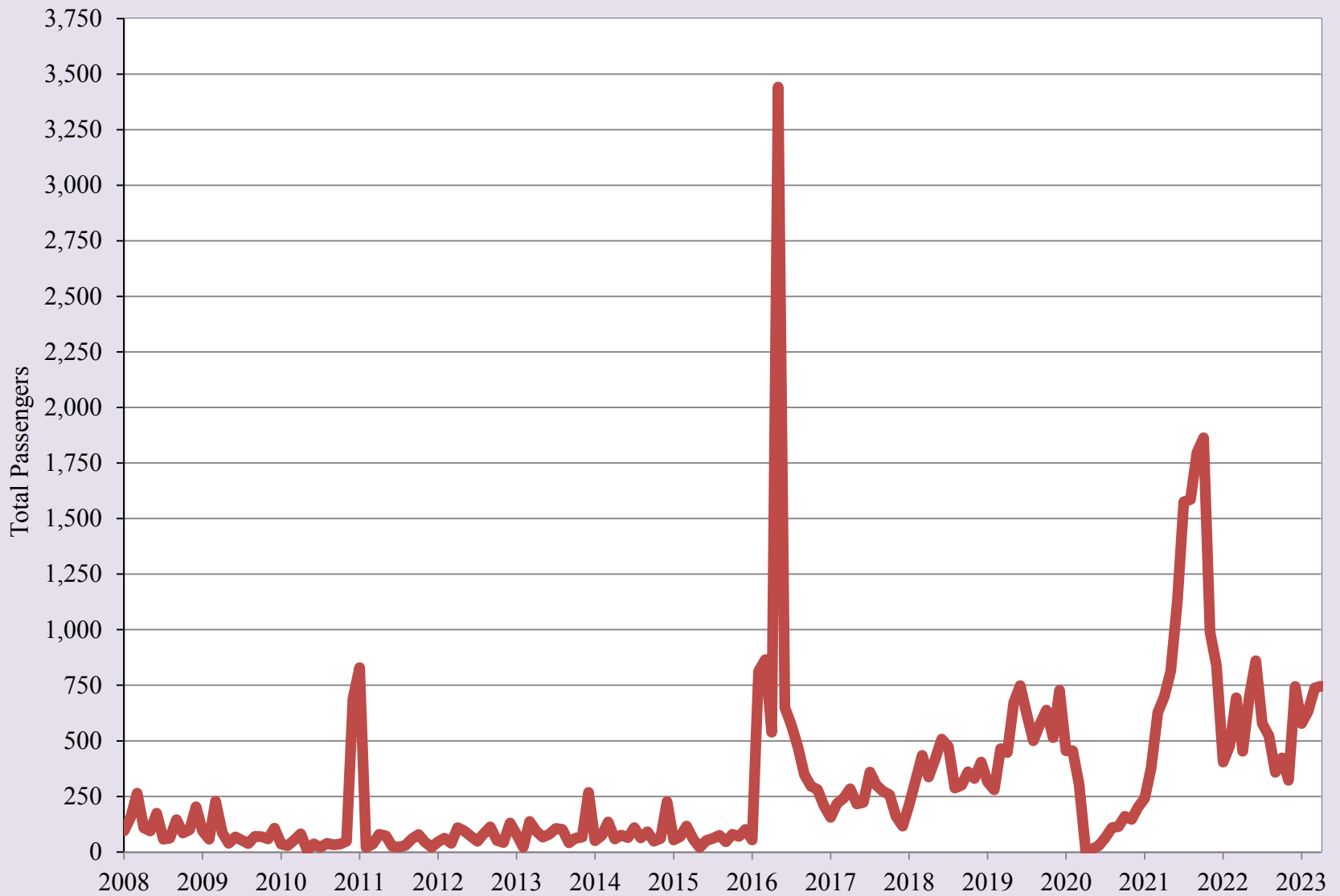
International Passengers Ciudad Juarez International Airport

2021 2022 2023



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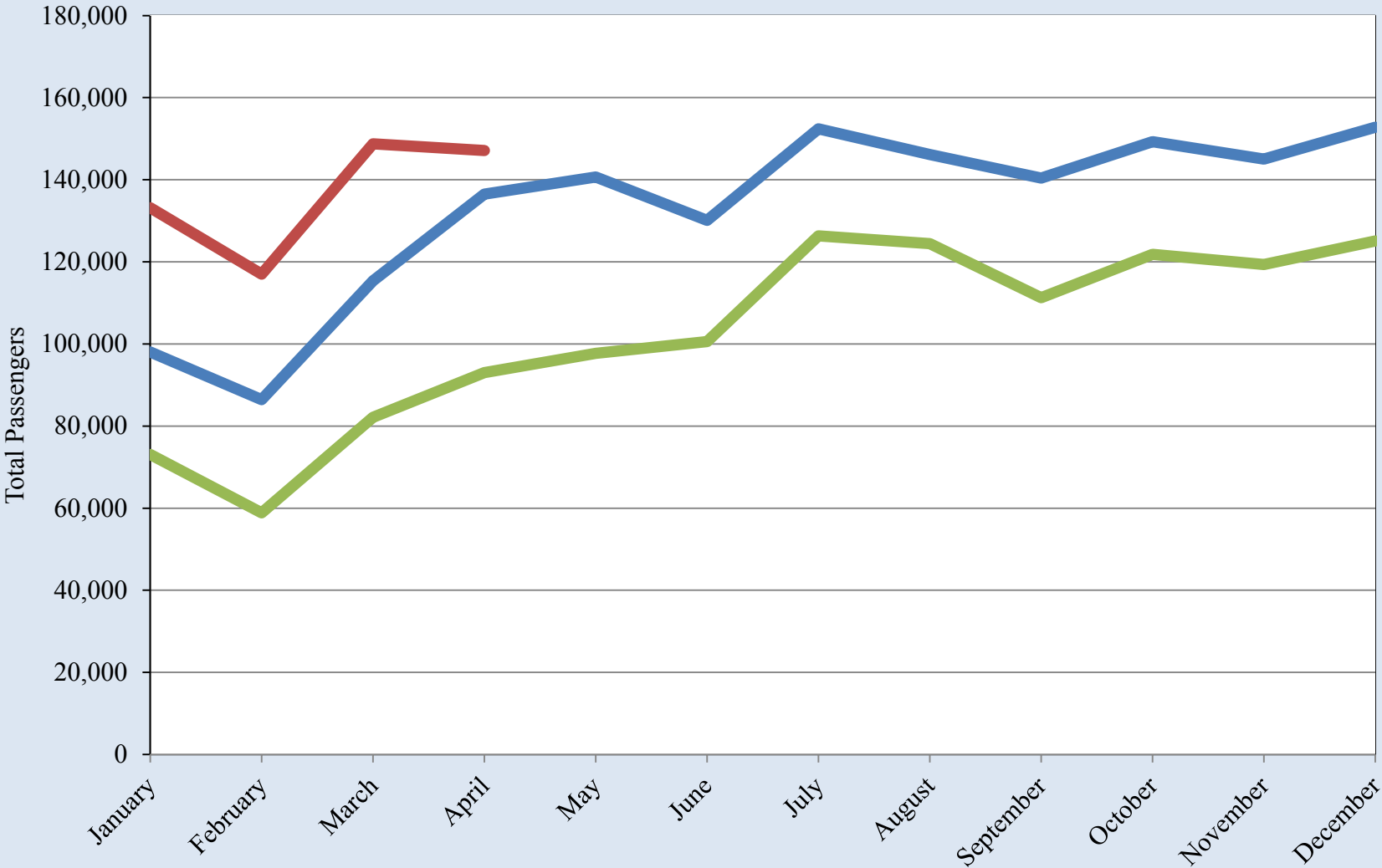
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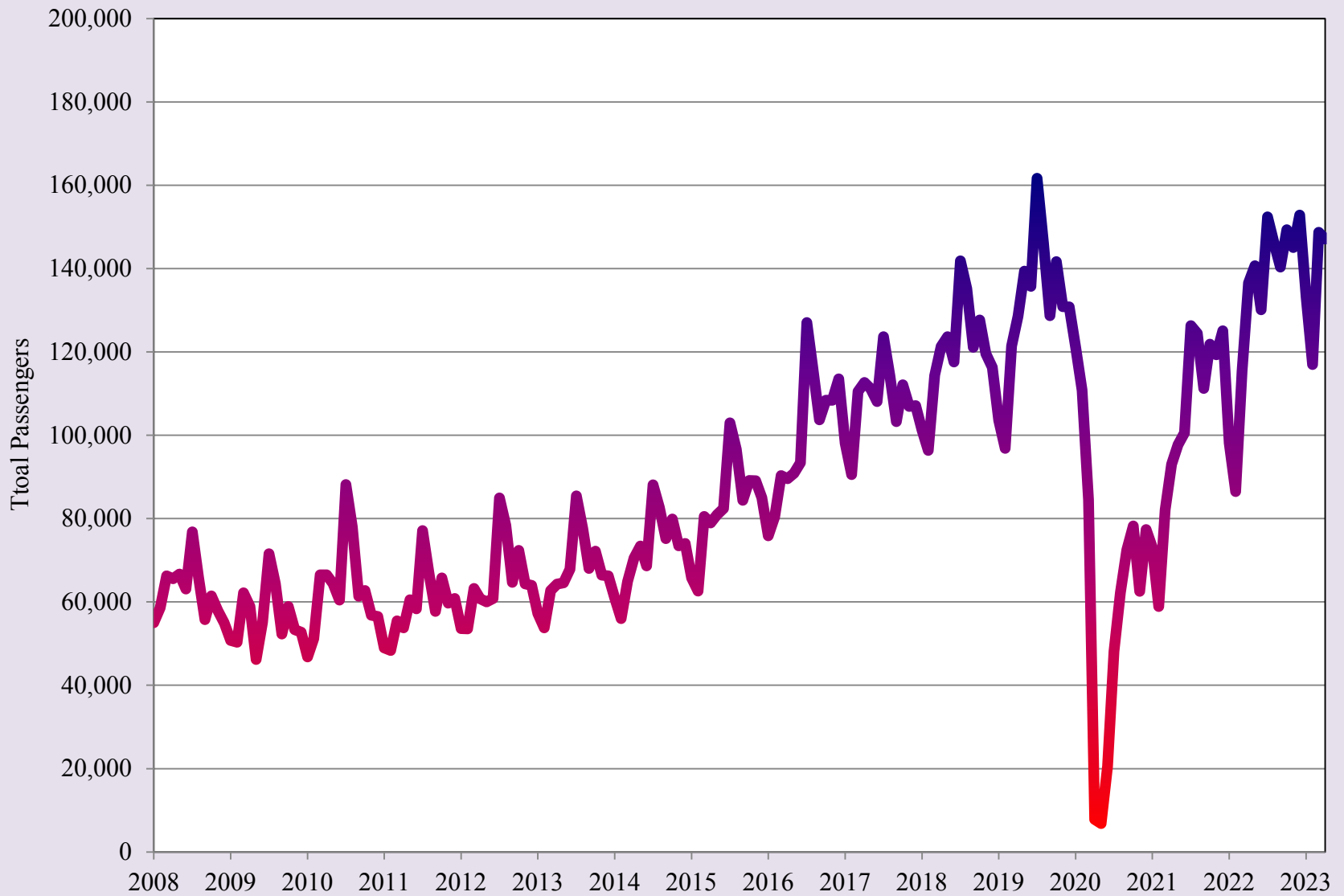
Domestic Passengers Chihuahua City International Airport

2021 2022 2023



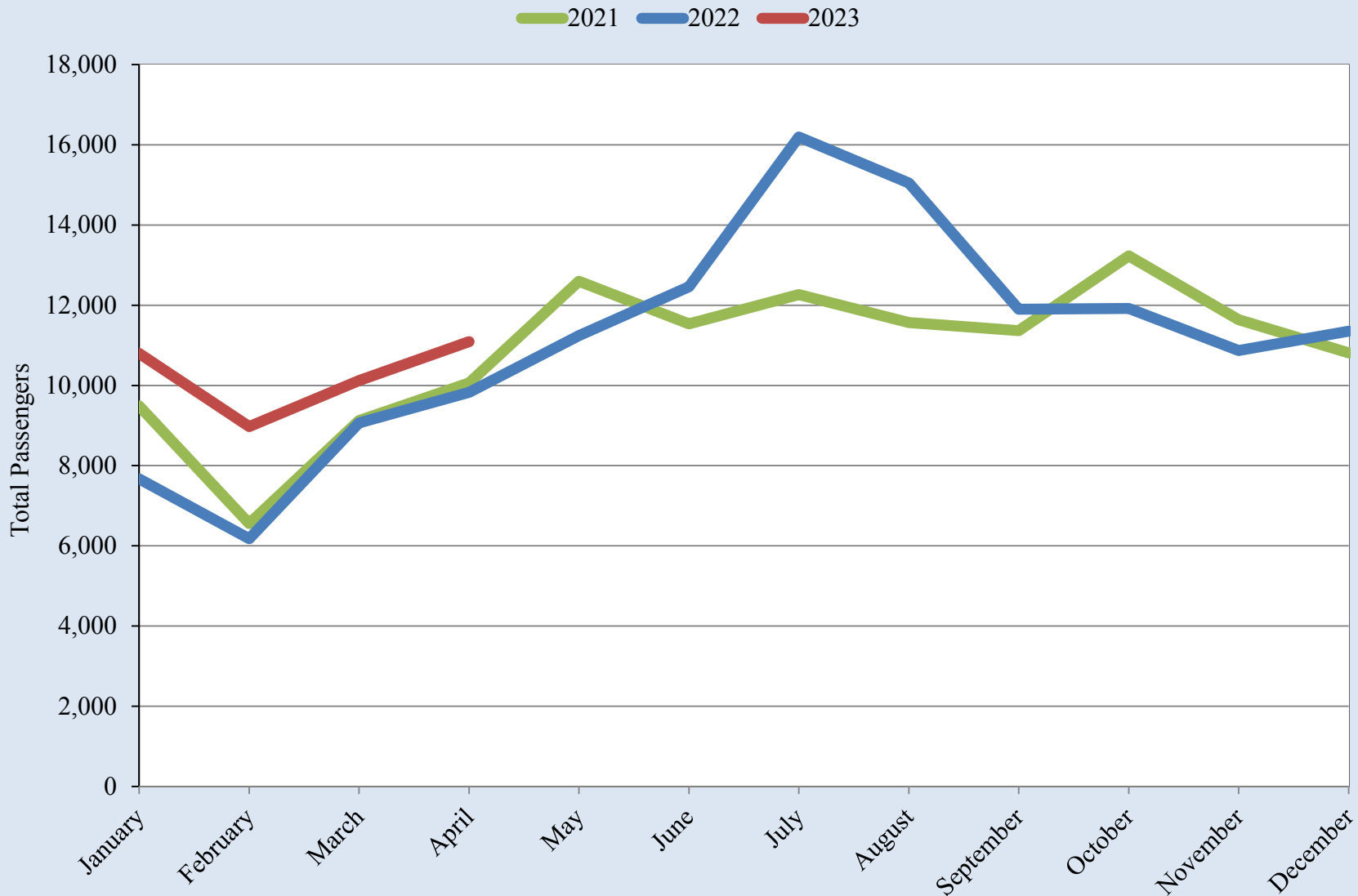
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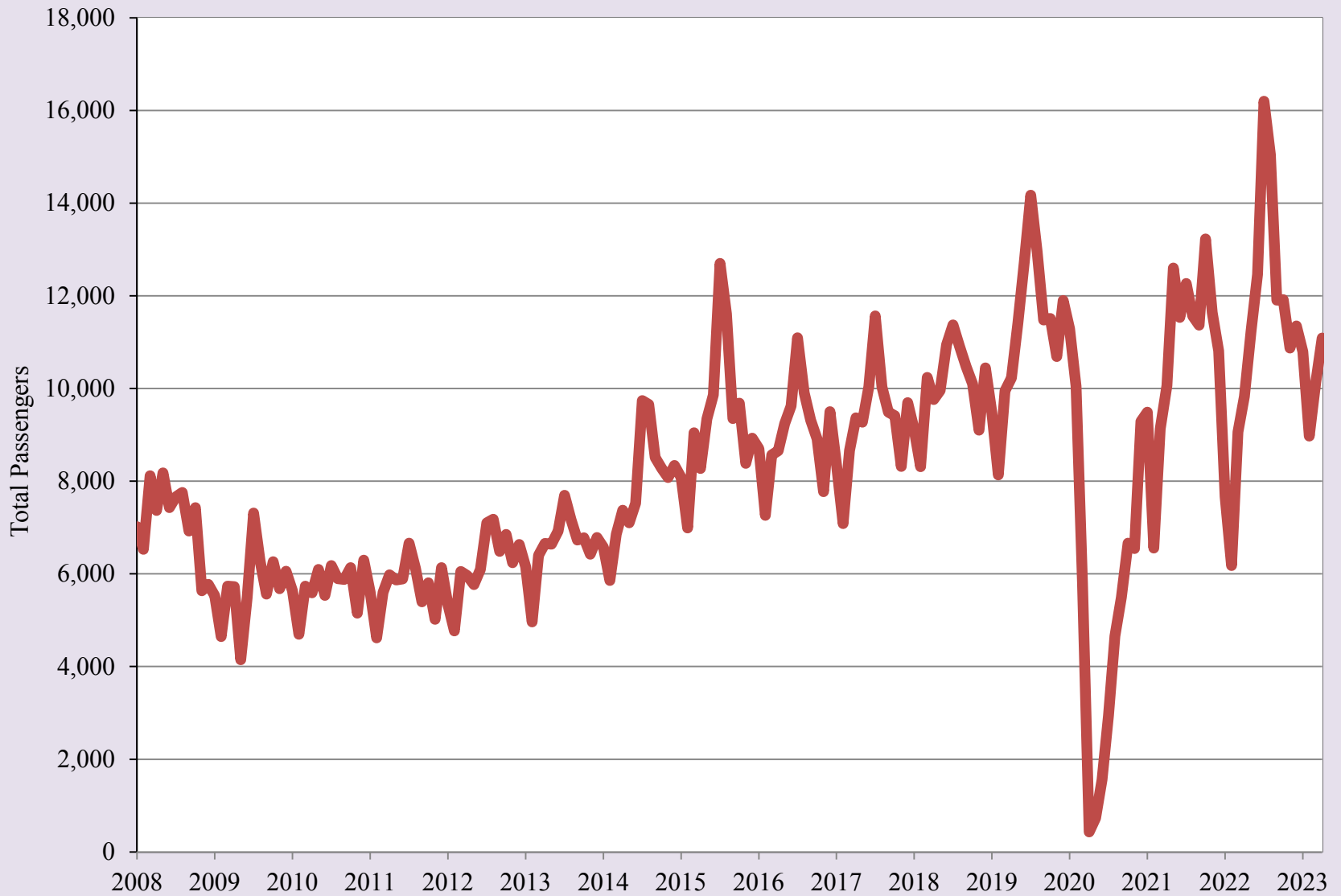
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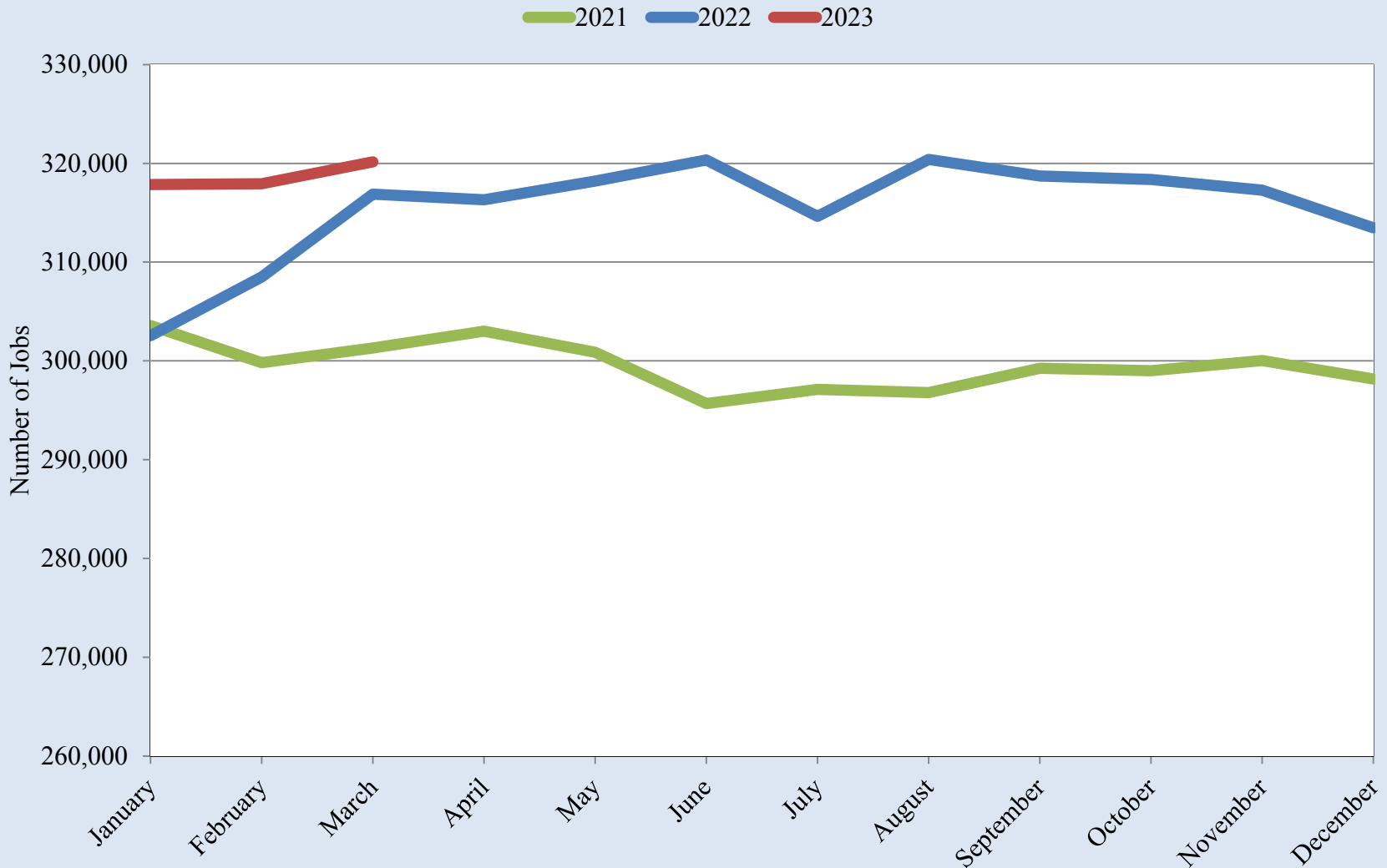
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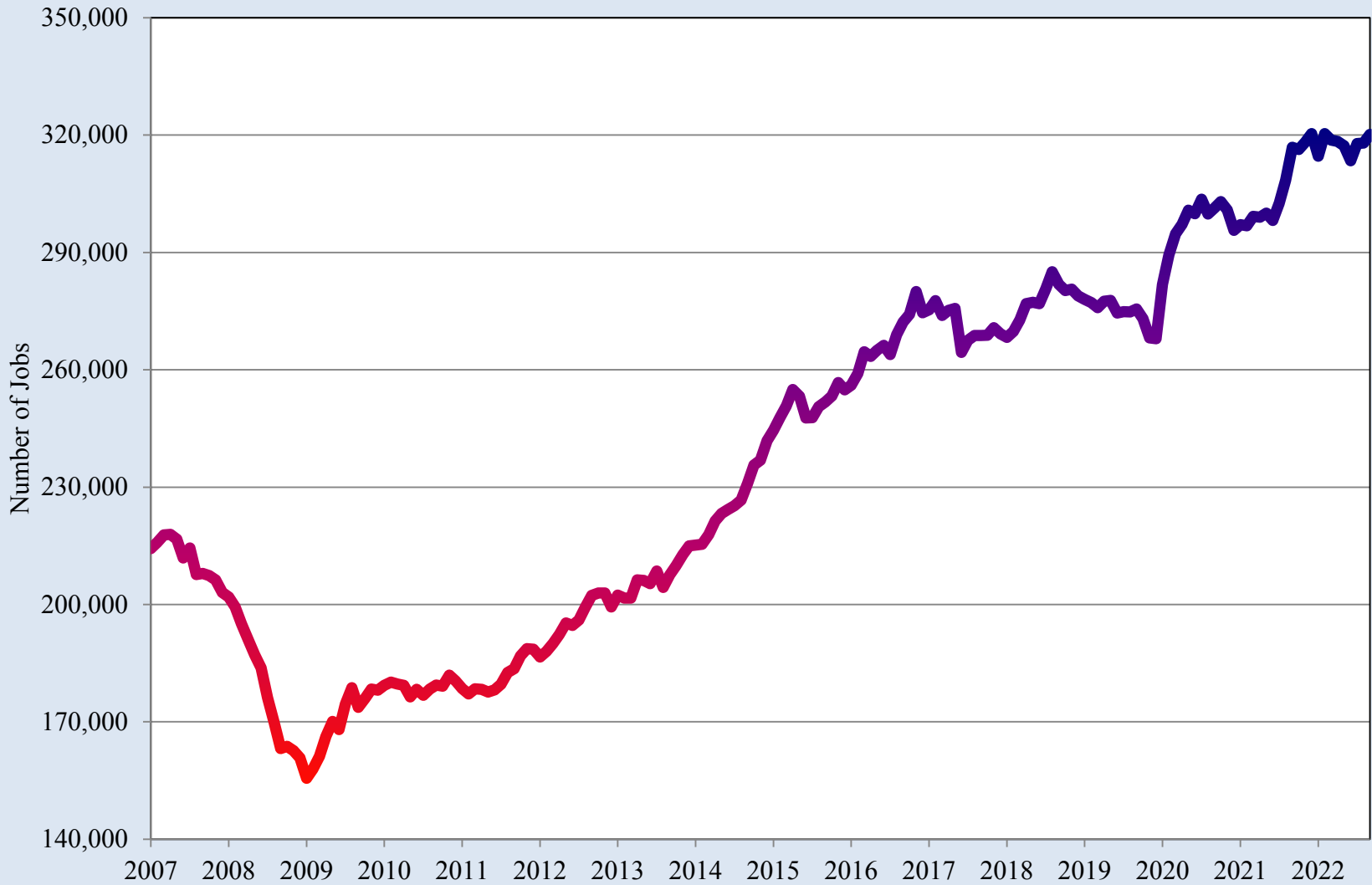
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Export-Oriented Manufacturing Employment in Ciudad Juárez



Source: UTEP Border Region Modeling Project using INEGI Data

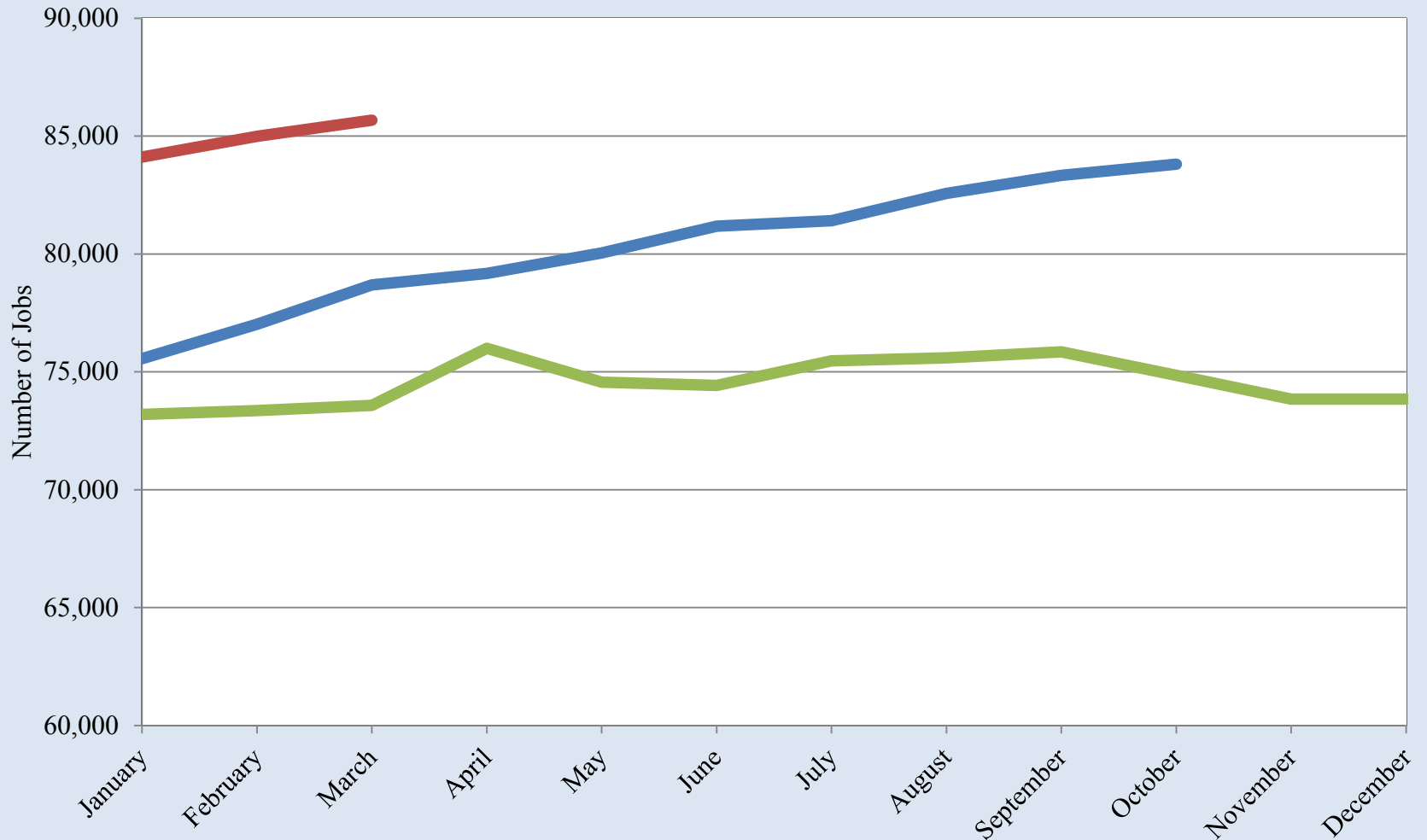
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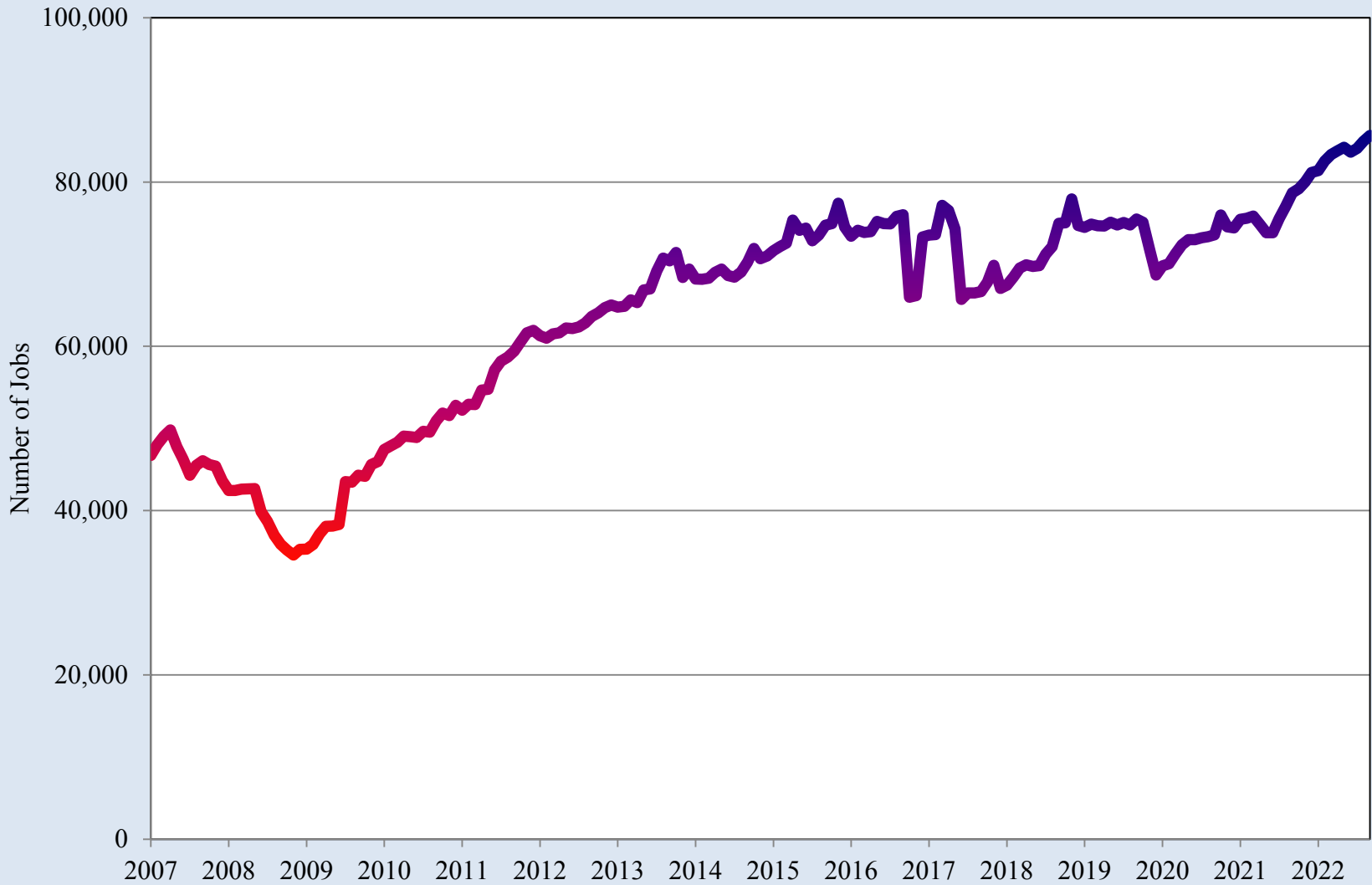
Export-Oriented Manufacturing Employment in Chihuahua City

2021 2022 2023



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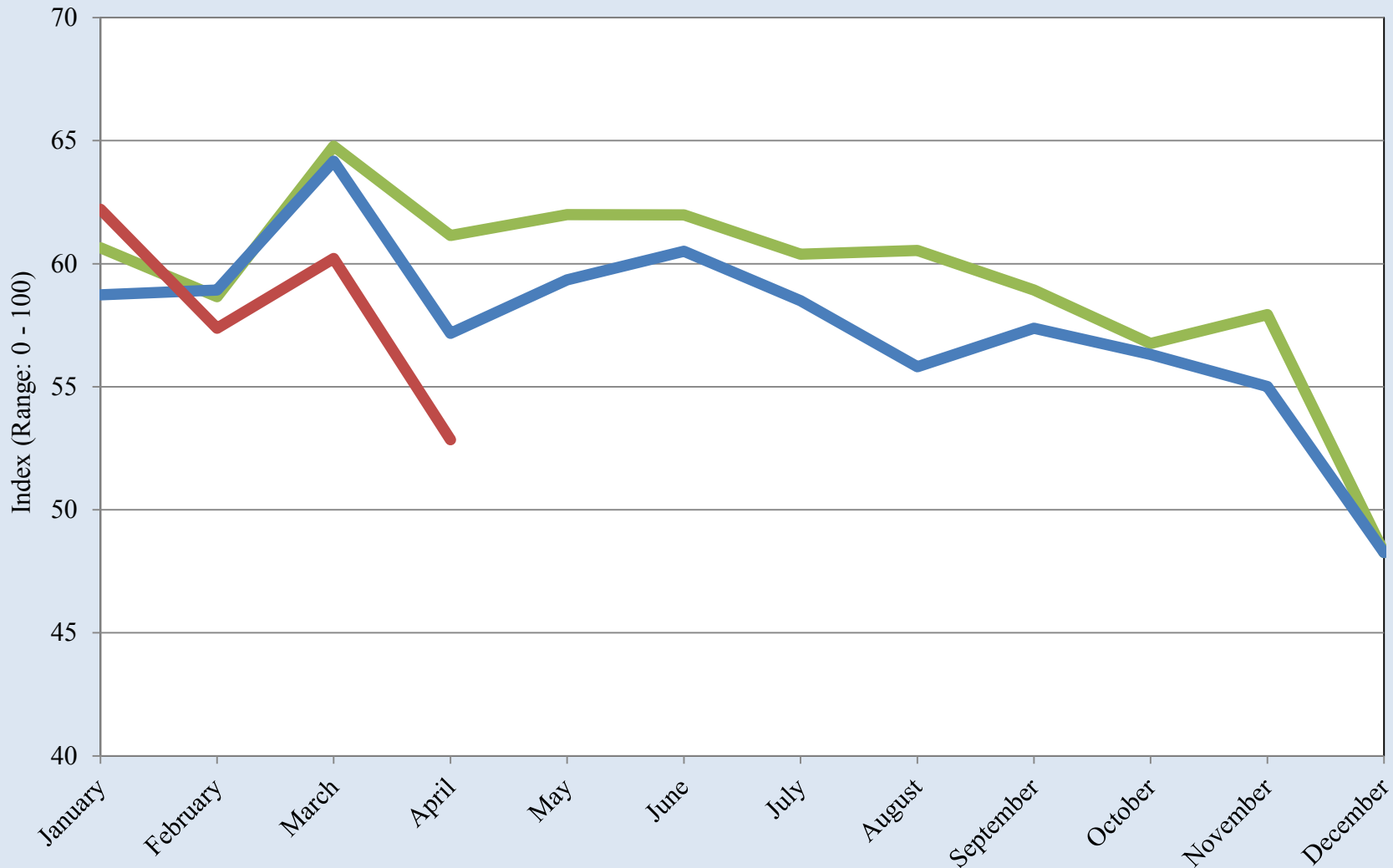
Export-Oriented Manufacturing Employment in Chihuahua City



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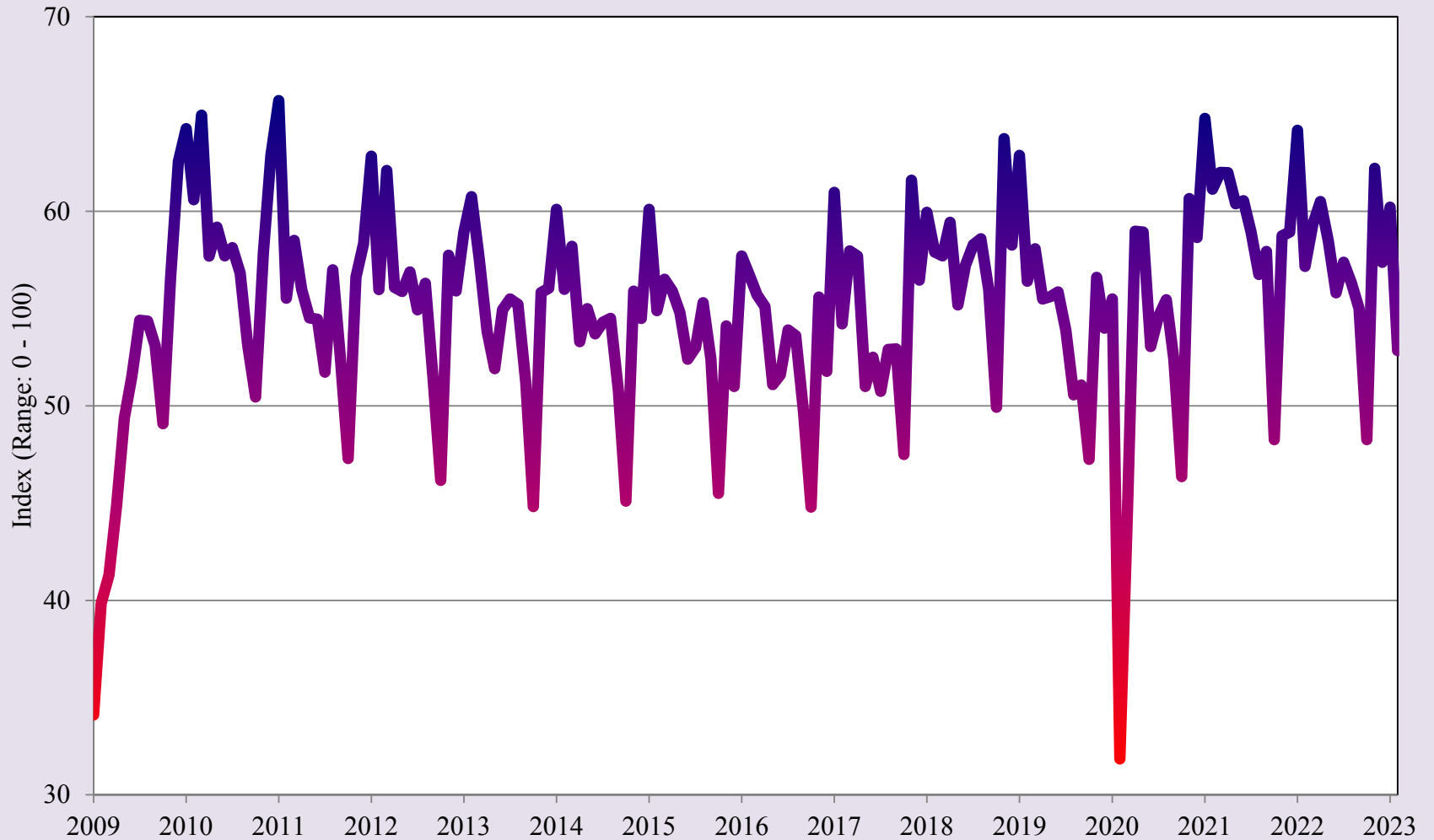
Northern Mexico Manufacturing Orders Index

2021 2022 2023



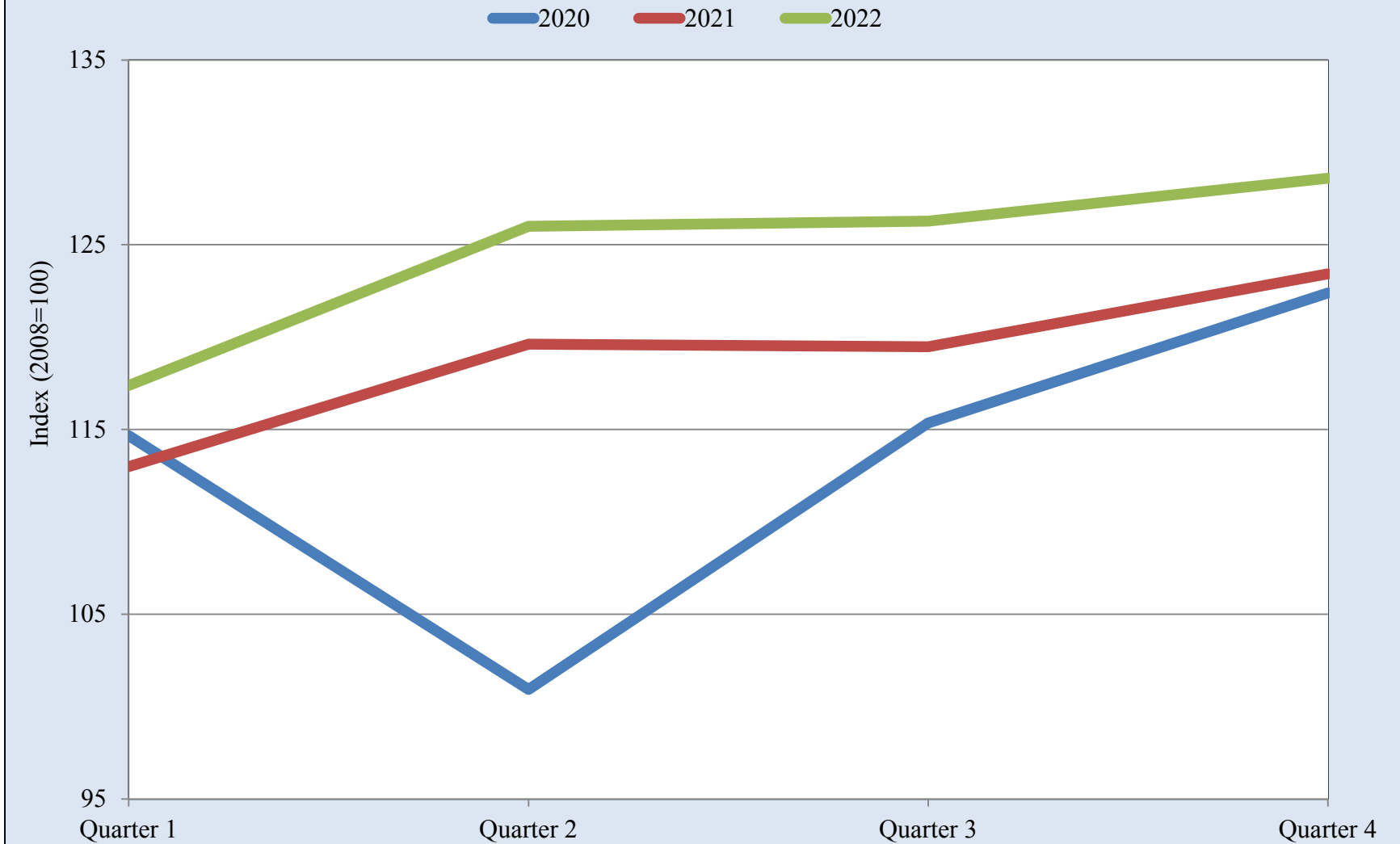
Source: UTEP Border Region Modeling Project using Banco de México Data

Northern Mexico Manufacturing Orders Index



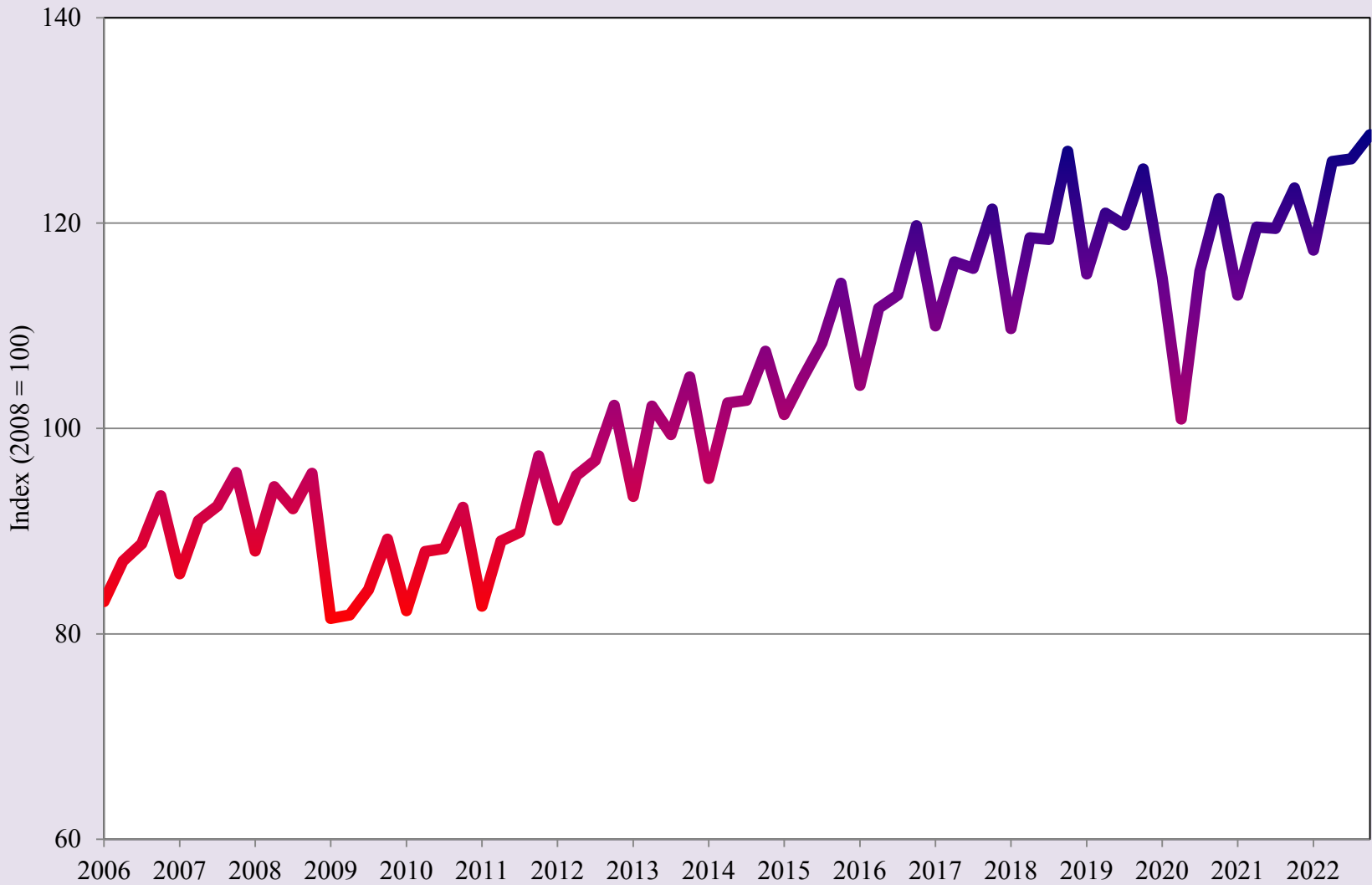
Source: UTEP Border Region Modeling Project using Banco de México Data

Quarterly Indicator of Economic Activity for the State of Chihuahua



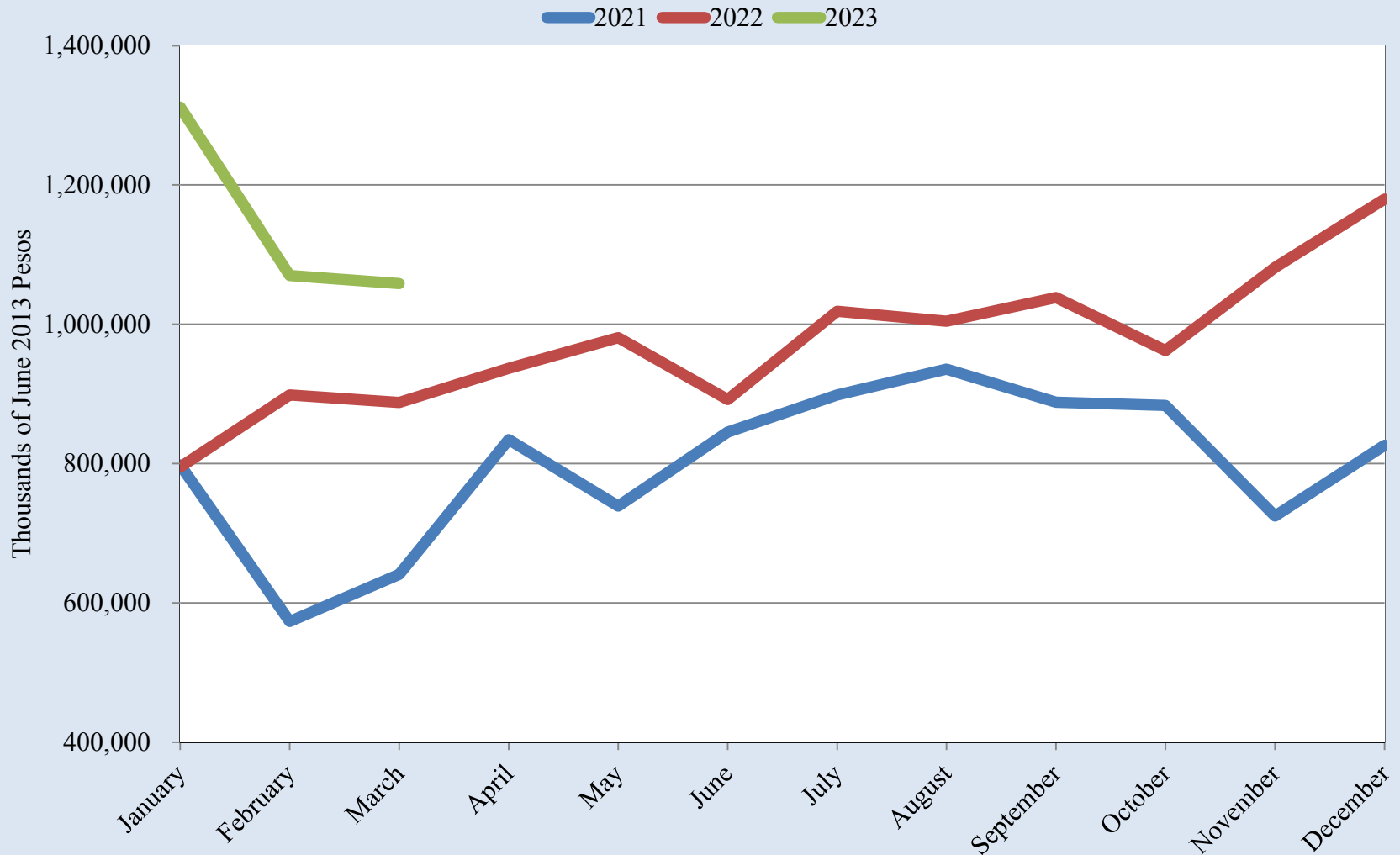
Source: UTEP Border Region Modeling Project using INEGI Data

Quarterly Indicator of Economic Activity for the State of Chihuahua



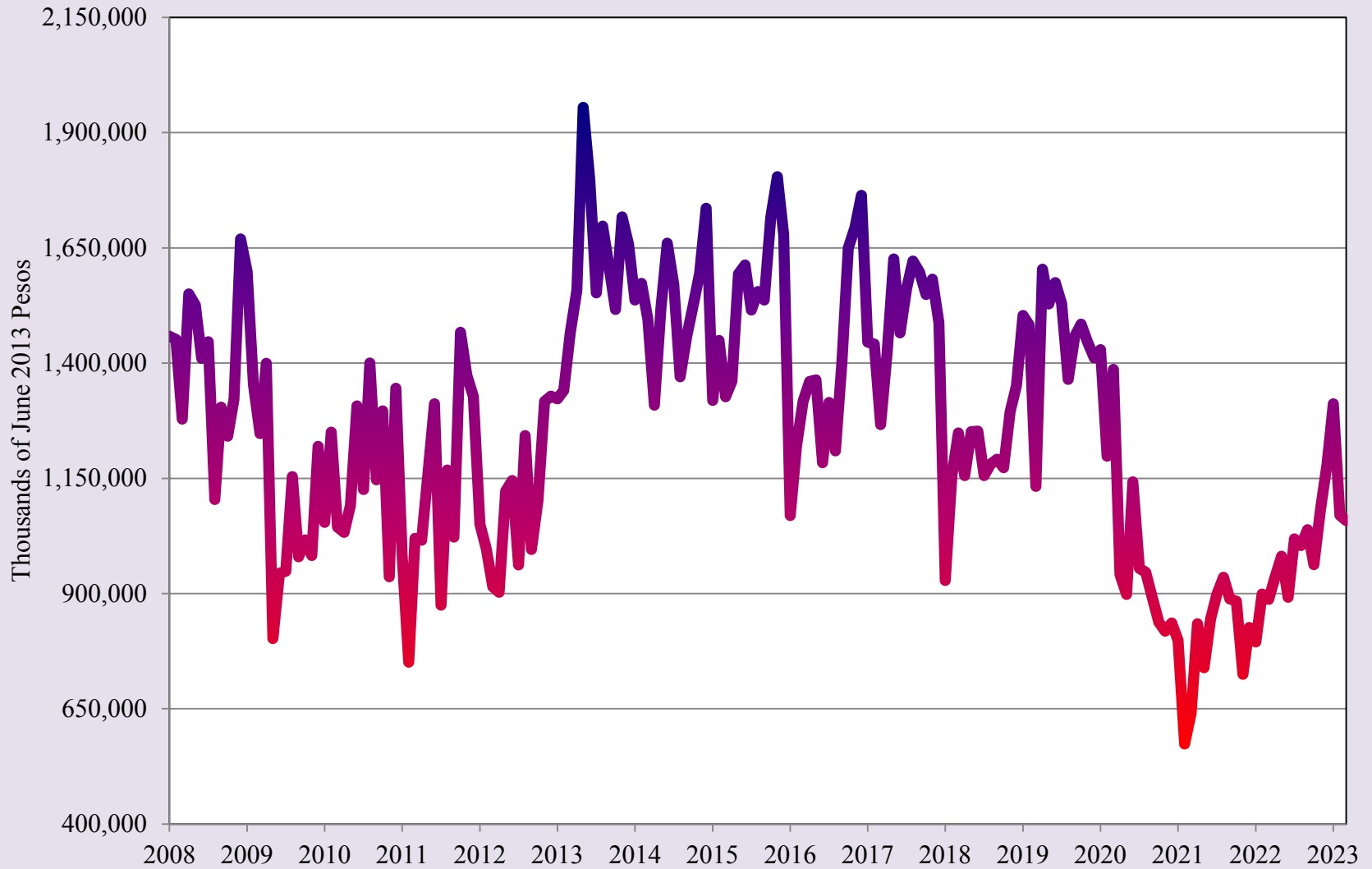
Source: UTEP Border Region Modeling Project using INEGI Data

Total Value of Construction in the State of Chihuahua



Source: UTEP Border Region Modeling Project using INEGI Data

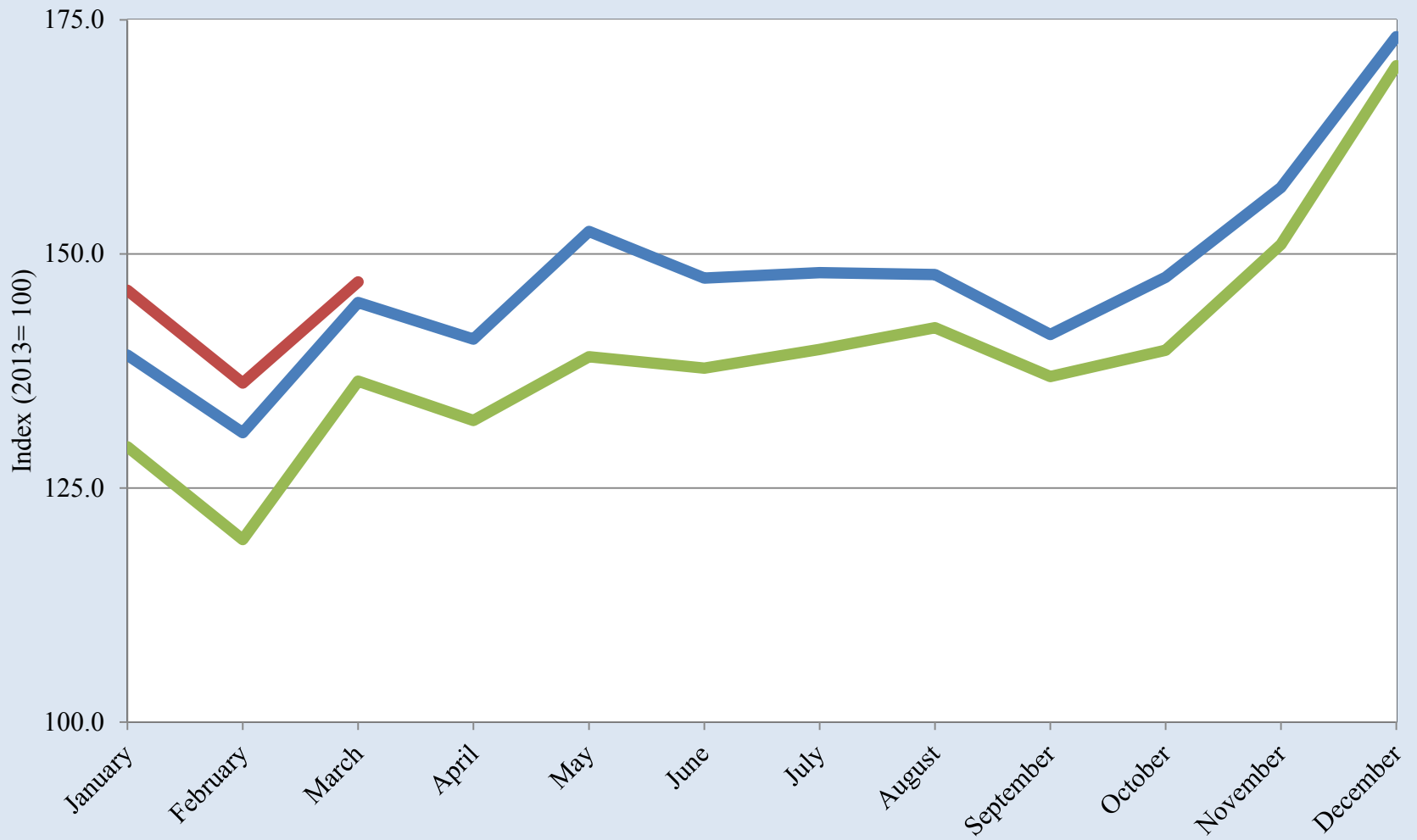
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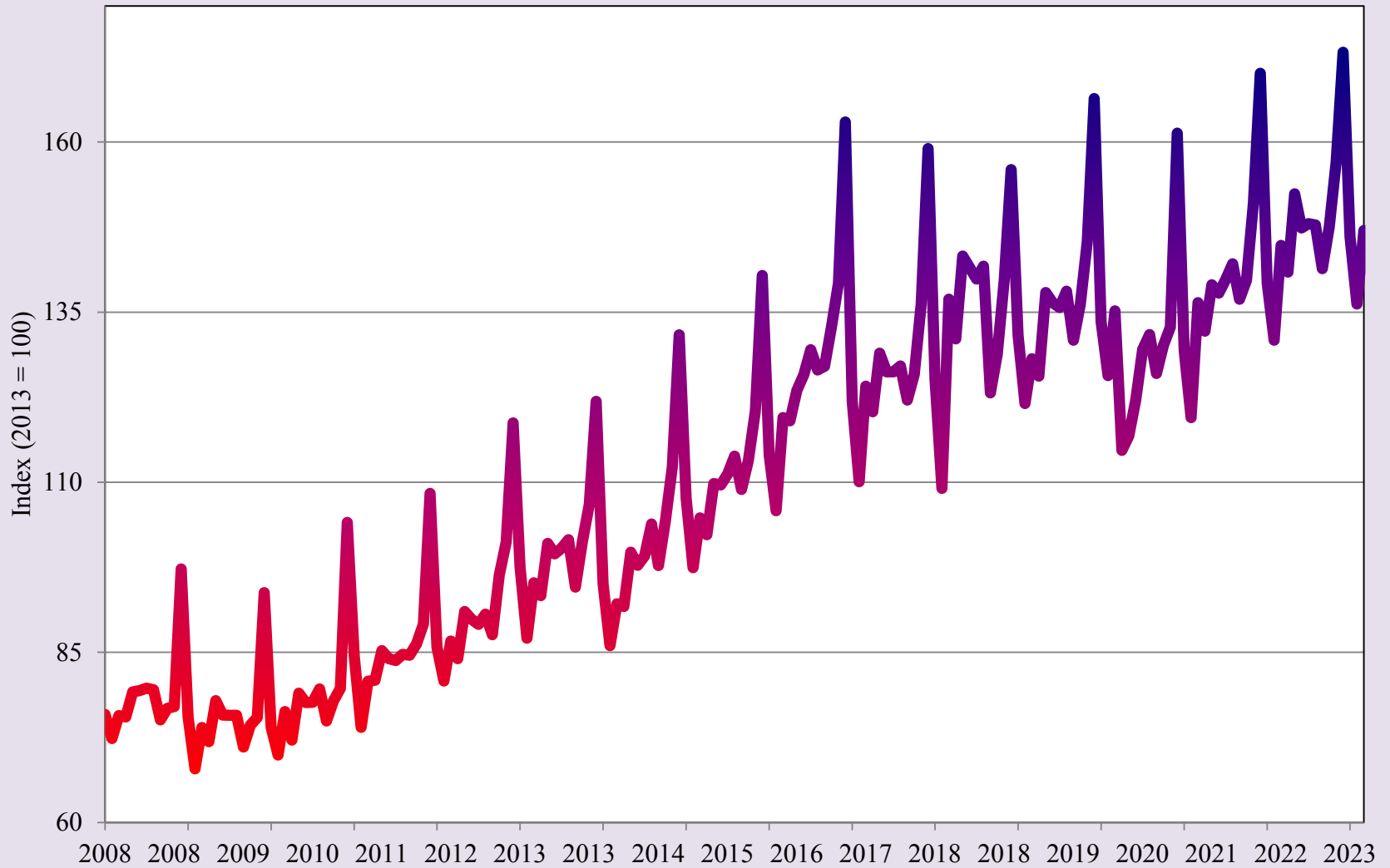
Real Retail Activity Index for the State of Chihuahua

2021 2022 2023



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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***Short-Term
Outlook to
2024***





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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.