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Borderplex Business Barometer, Volume 7, Number10

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T.M. Fullerton, Jr., and S.L. Fullerton, 2023, "Disappointing Developments" *Borderplex Business Barometer* 7(10), 1-65.



BORDERPLEX BUSINESS BAROMETER

October 2023

Border Region Modeling Project

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Border Commerce & Economics

Borderplex Business Barometer, Volume 7, Number 10

Disappointing Developments

More than a year after war erupted across the Donets Breadbasket, another war has been ignited on the southwestern edge of the Fertile Crescent. The human capital losses resulting from these conflagrations are accompanied by severe financial uncertainty. Bond market and foreign exchange market impacts are being observed thousands of miles away from the battlefields.

The yield curve data shown below do not reflect the impacts of the current Yom Kippur hostilities. The September 2023 monthly average interest rates in the graph are all higher than headline inflation. Positive real interest rates helped allow the Federal Reserve System avoid enacting large-scale monetary policy changes that may have roiled financial markets.

Stable interest rates are helpful the Borderplex regional economy. Although El Paso is growing, household economic stress has increased. That is in part due to higher unemployment in recent months. At present, the El Paso housing market seems to be re-balancing without crashing. If mortgage rates rise abruptly, then a sharp El Paso real estate downturn may be unavoidable.

In spite of complaints to the contrary, El Paso gasoline prices have been more stable in 2023 than in 2021 or 2022. The two wars both have the potential to cause major upheavals in global oil distribution. Such a development would very quickly push local gasoline prices back above \$4 per gallon.

Earlier this year, the peso recovered from years of undervaluation against the dollar. In real terms, it ascended to levels not observed since late 2014. Although those gains aligned with economic fundamentals for Mexico, exchange rate erosion occurred in September and accelerated in October after violence erupted in the Middle East. In spite of good fundamentals, currency market volatility may precipitate sporadic drops for the peso in future weeks.

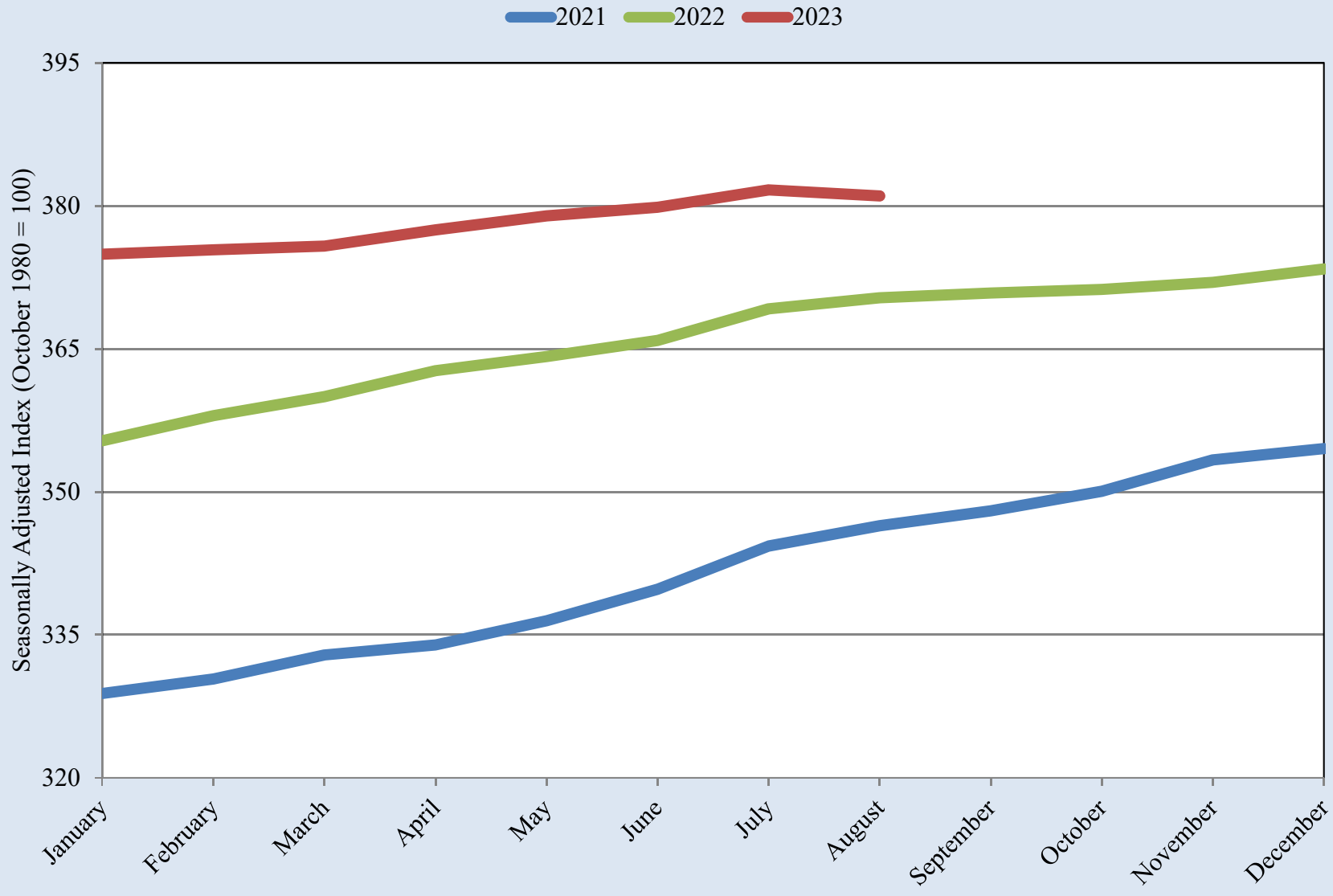
Among the fundamentals supporting a more realistic valuation for the peso the USMCA trade pact has catalyzed many companies to make long-term manufacturing investments in Mexico. A strong labor market in the United States, plus undocumented migratory flows out of Central and South America, boosted cross-border remittances to Mexico to a record \$47.7 billion during

the first nine months of 2023. That represents a 9.5 percent increase relative to the same three quarters in 2022. The remittances have helped raise real retail activity on a statewide basis in Chihuahua. As the Chihuahua State Construction Value graphs illustrate, DFI has helped sharply increase total construction activity across the state as IMMEX maquiladora factory investments intensify, even as automotive parts productions slows.

Thomas M. Fullerton, Jr. and Steven L. Fullerton



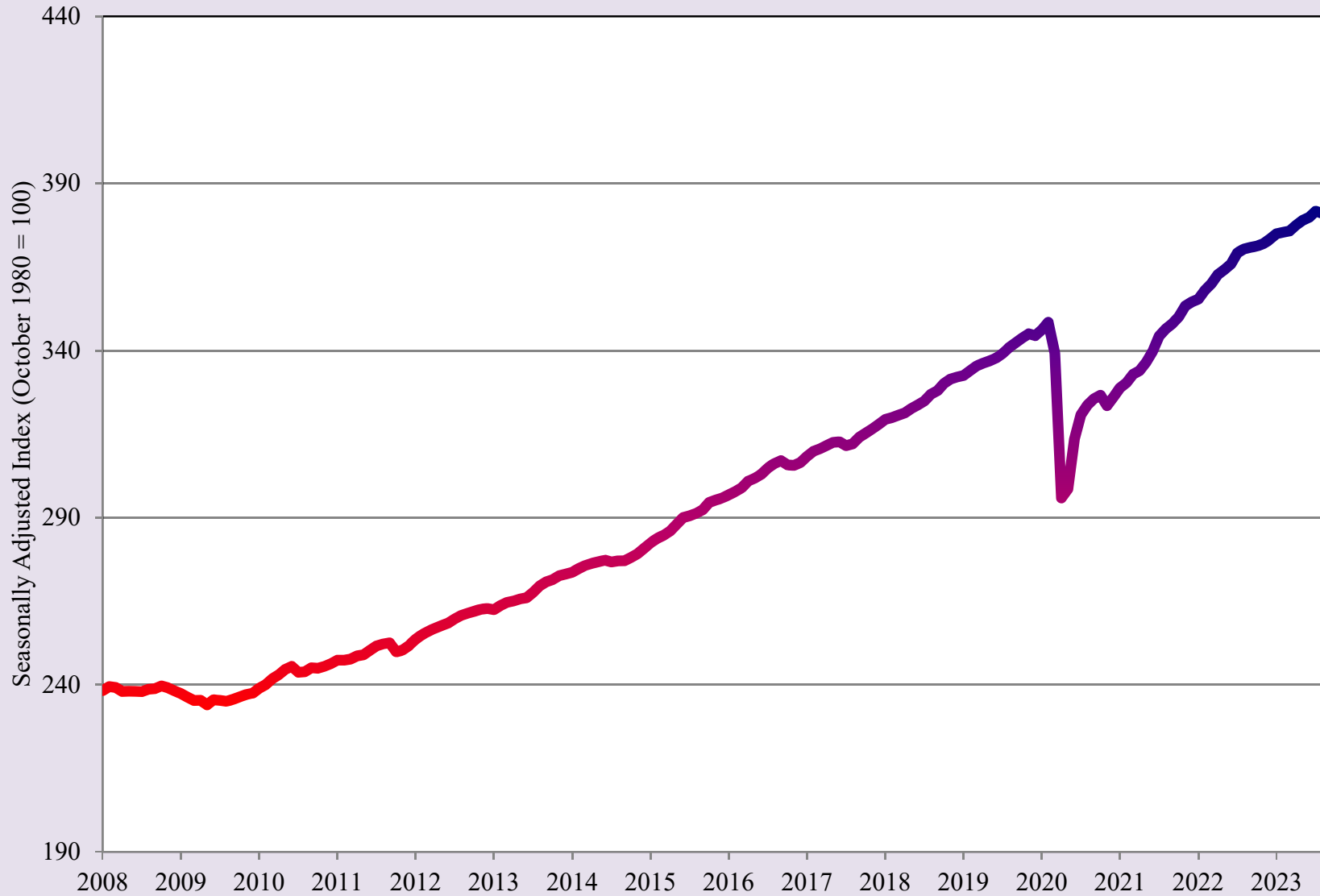
El Paso Metropolitan Business Cycle Index



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



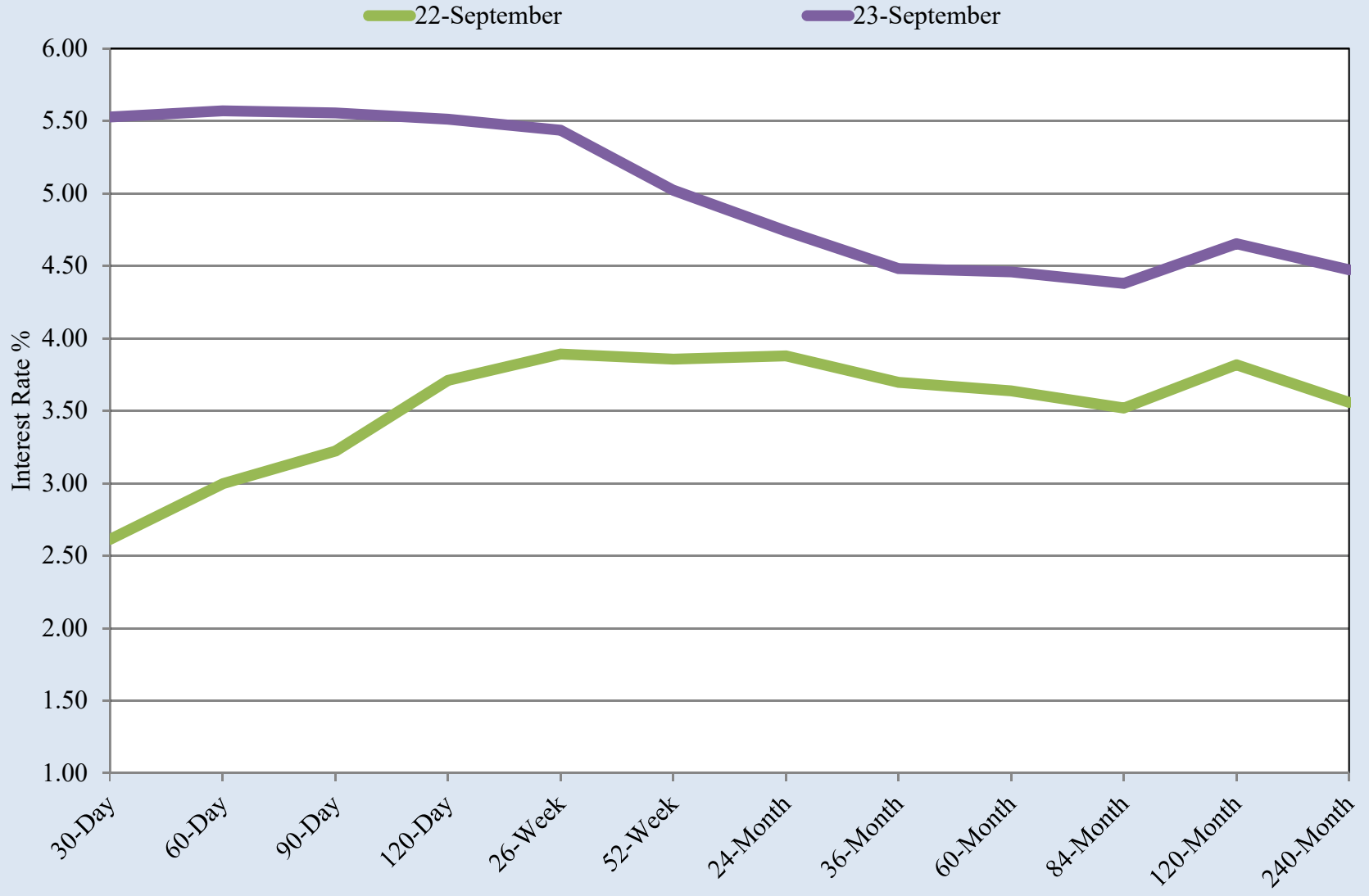
El Paso Metropolitan Business Cycle Index



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



Average Treasury Yield Curve Rates

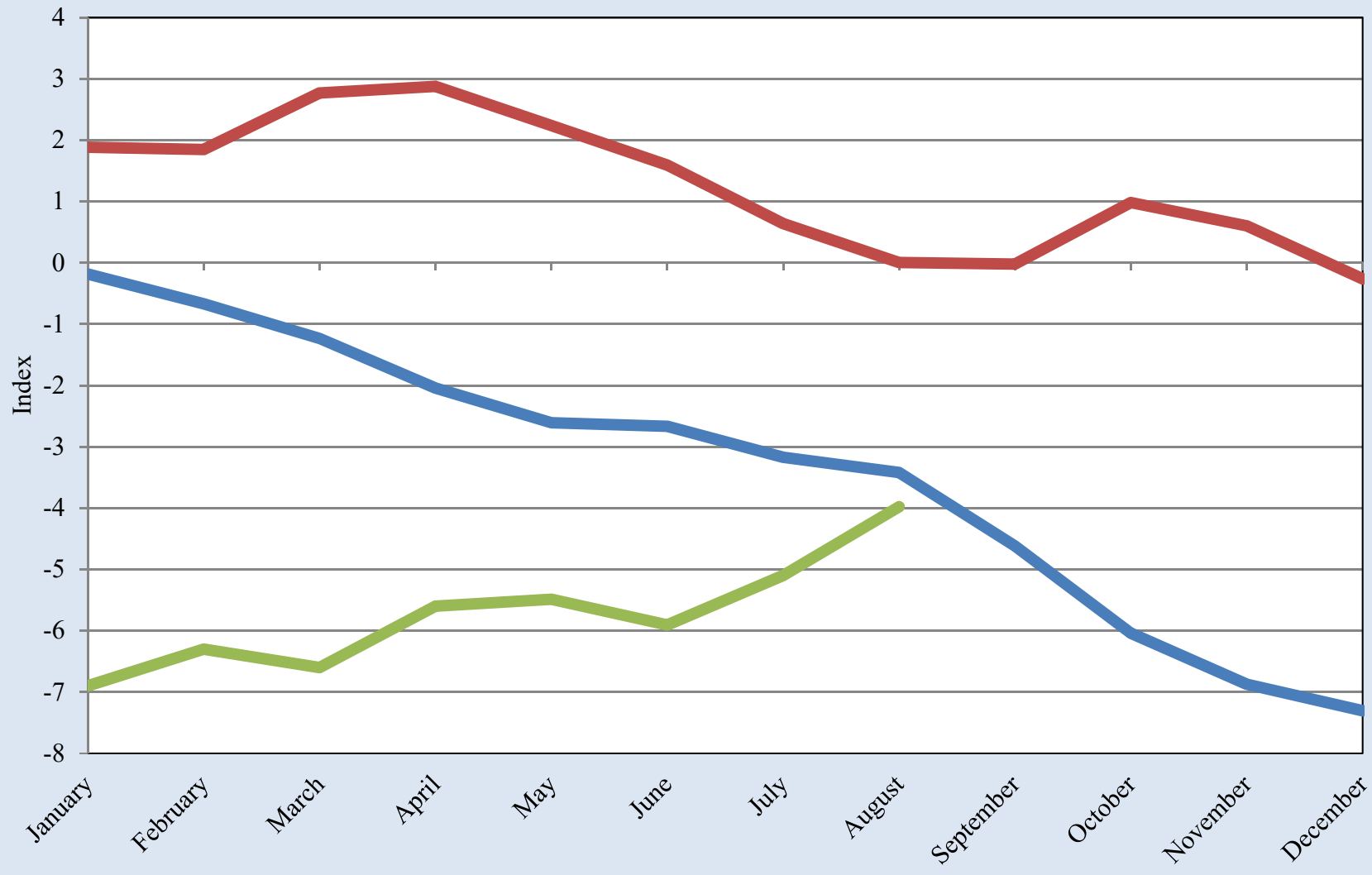


Source: UTEP Border Region Modeling Project using US Treasury, Daily Treasury Yield Curve Rates Data

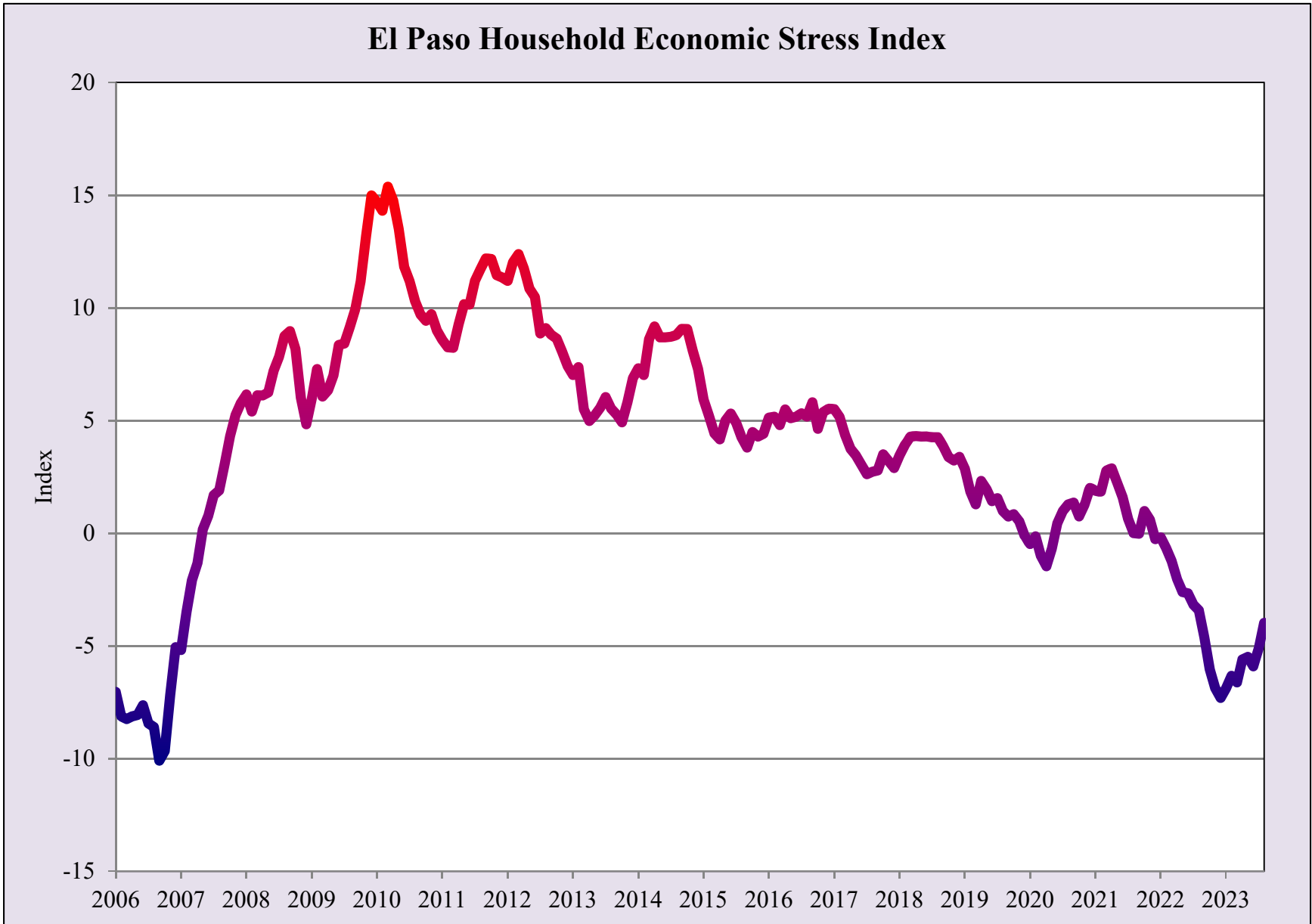
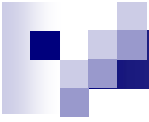


El Paso Household Economic Stress Index

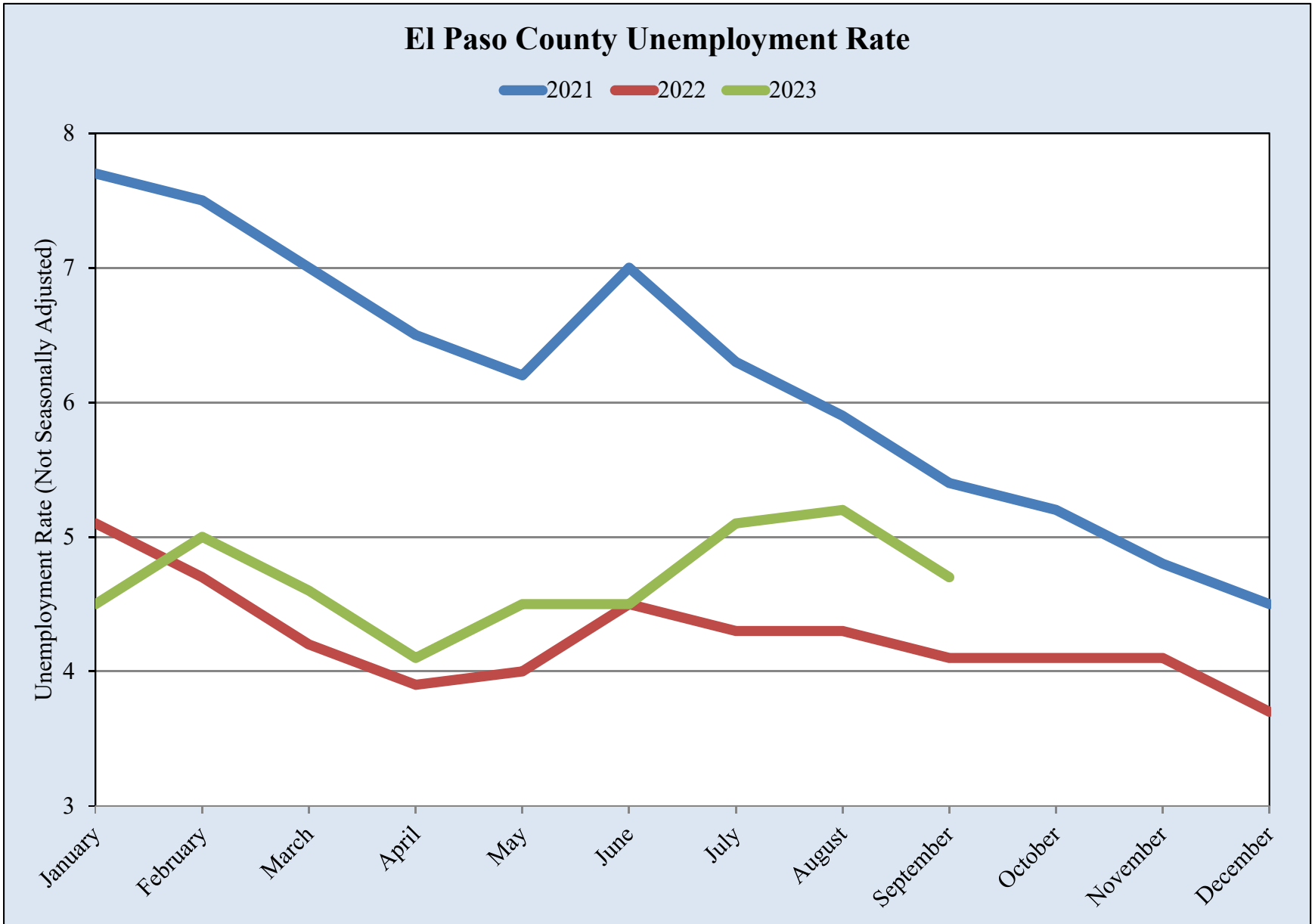
— 2021 — 2022 — 2023



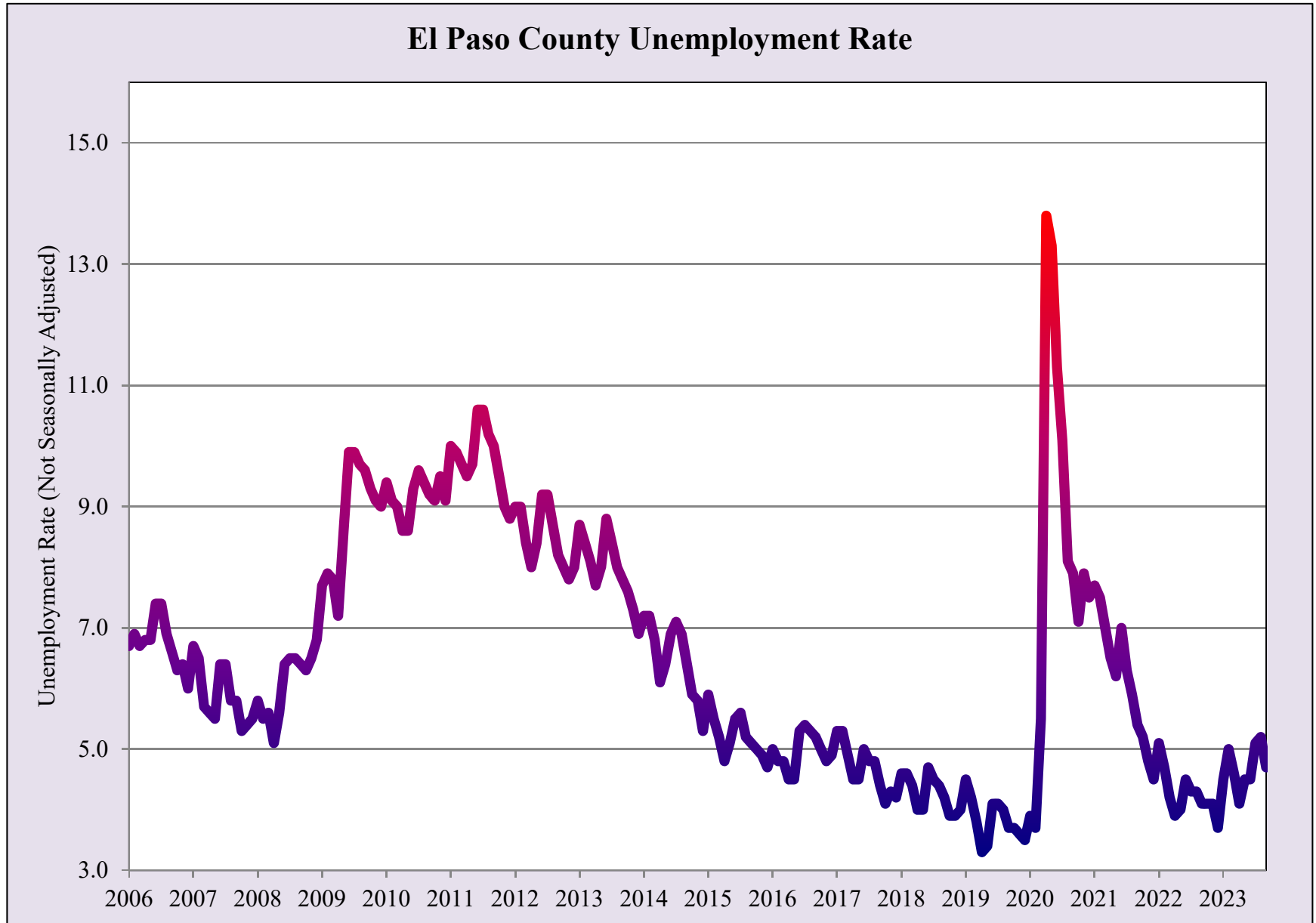
Source: UTEP Border Region Modeling Project



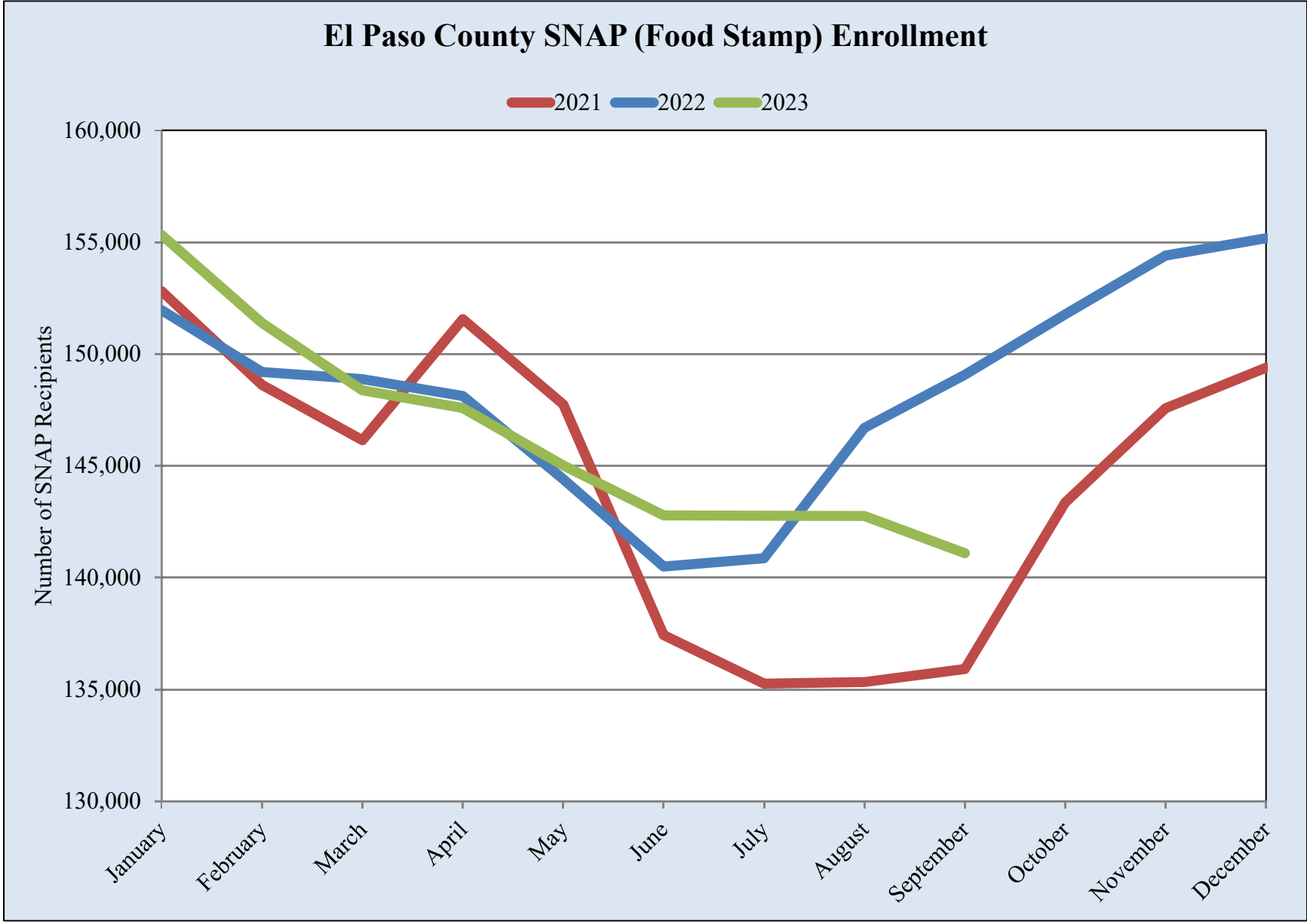
Source: UTEP Border Region Modeling Project



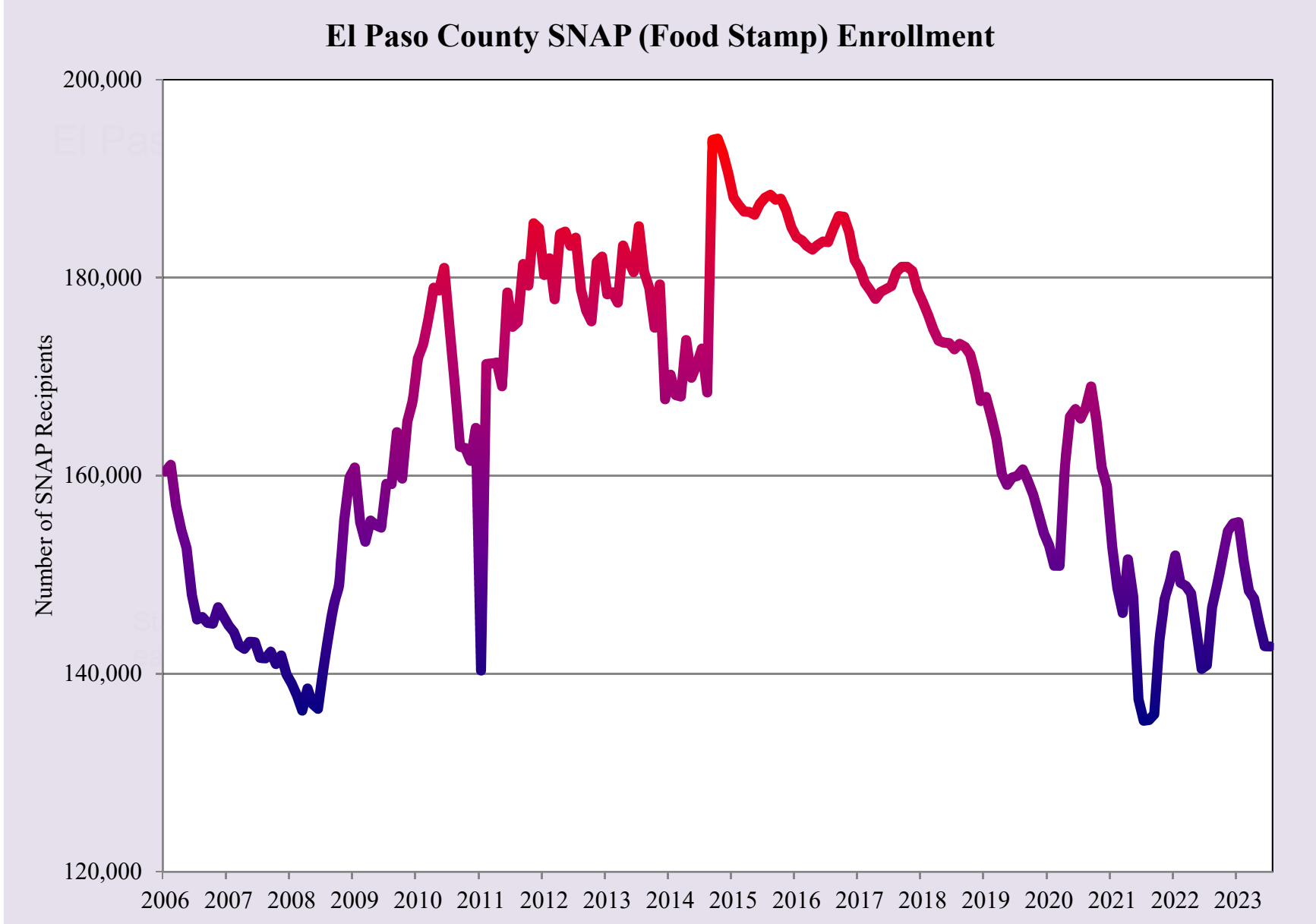
Source: UTEP Border Region Modeling Project using Bureau of Labor Statistics Data



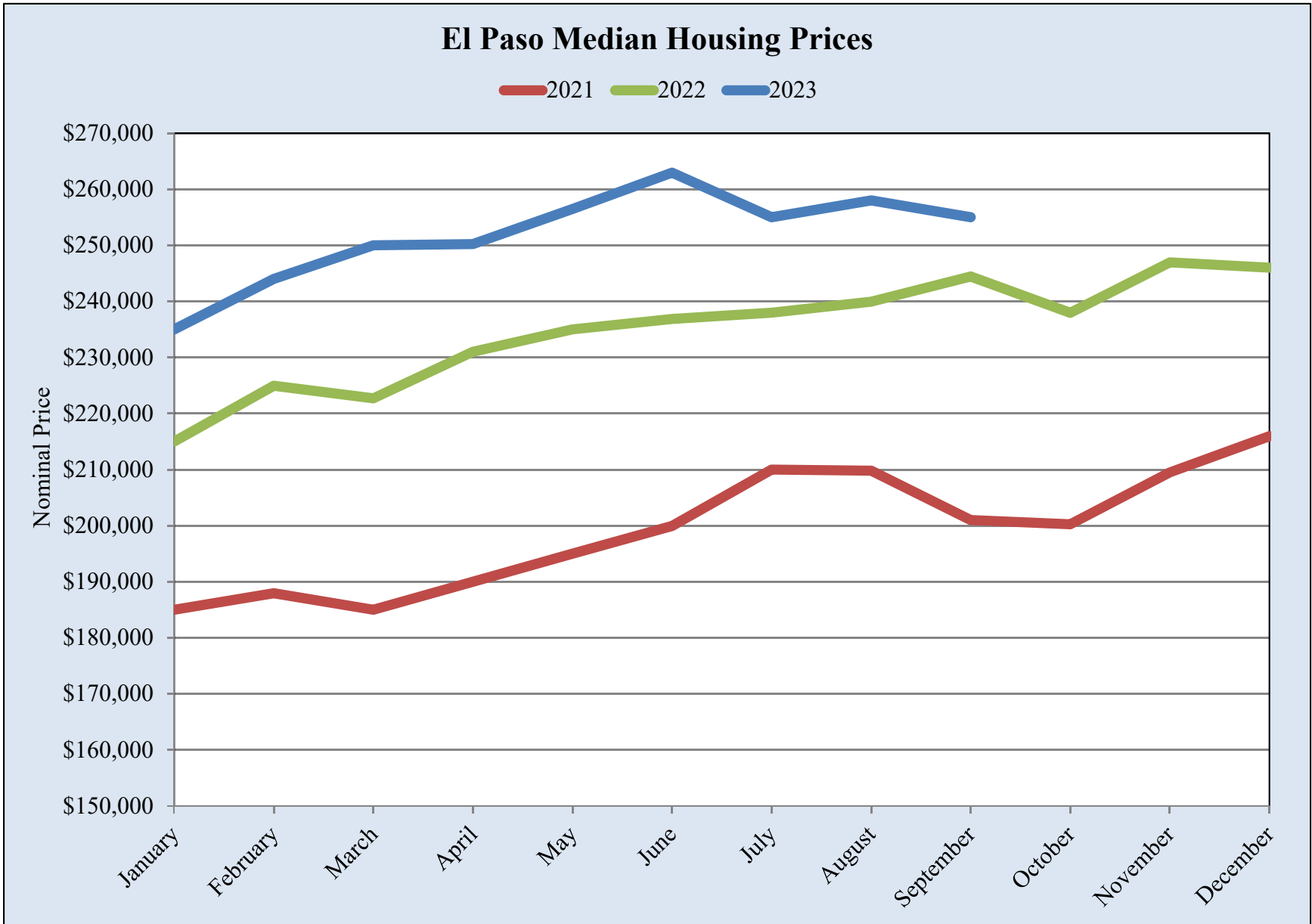
Source: UTEP Border Region Modeling Project using Bureau of Labor Statistics Data



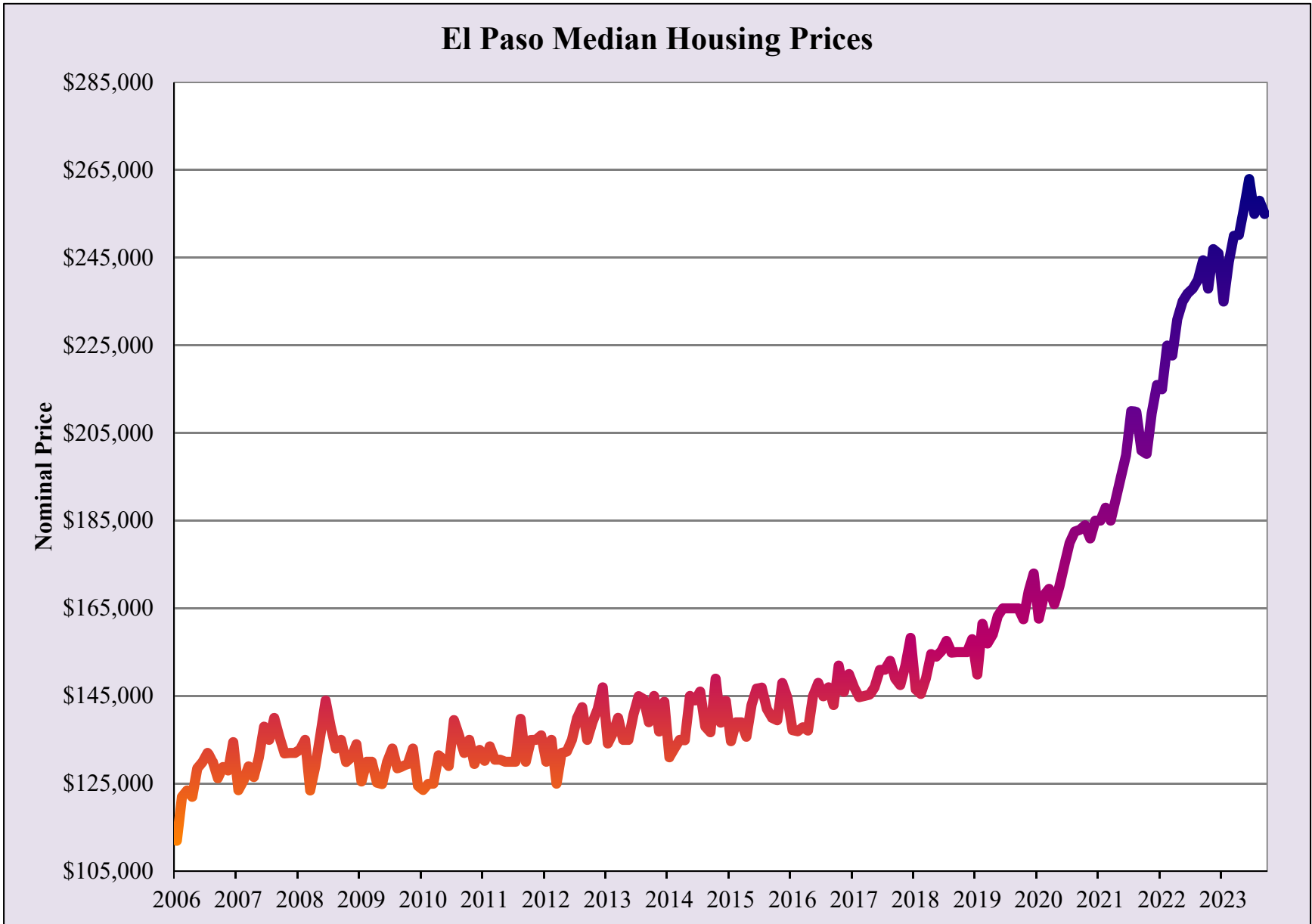
Source: UTEP Border Region Modeling Project using Texas Health and Human Services Commission



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



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

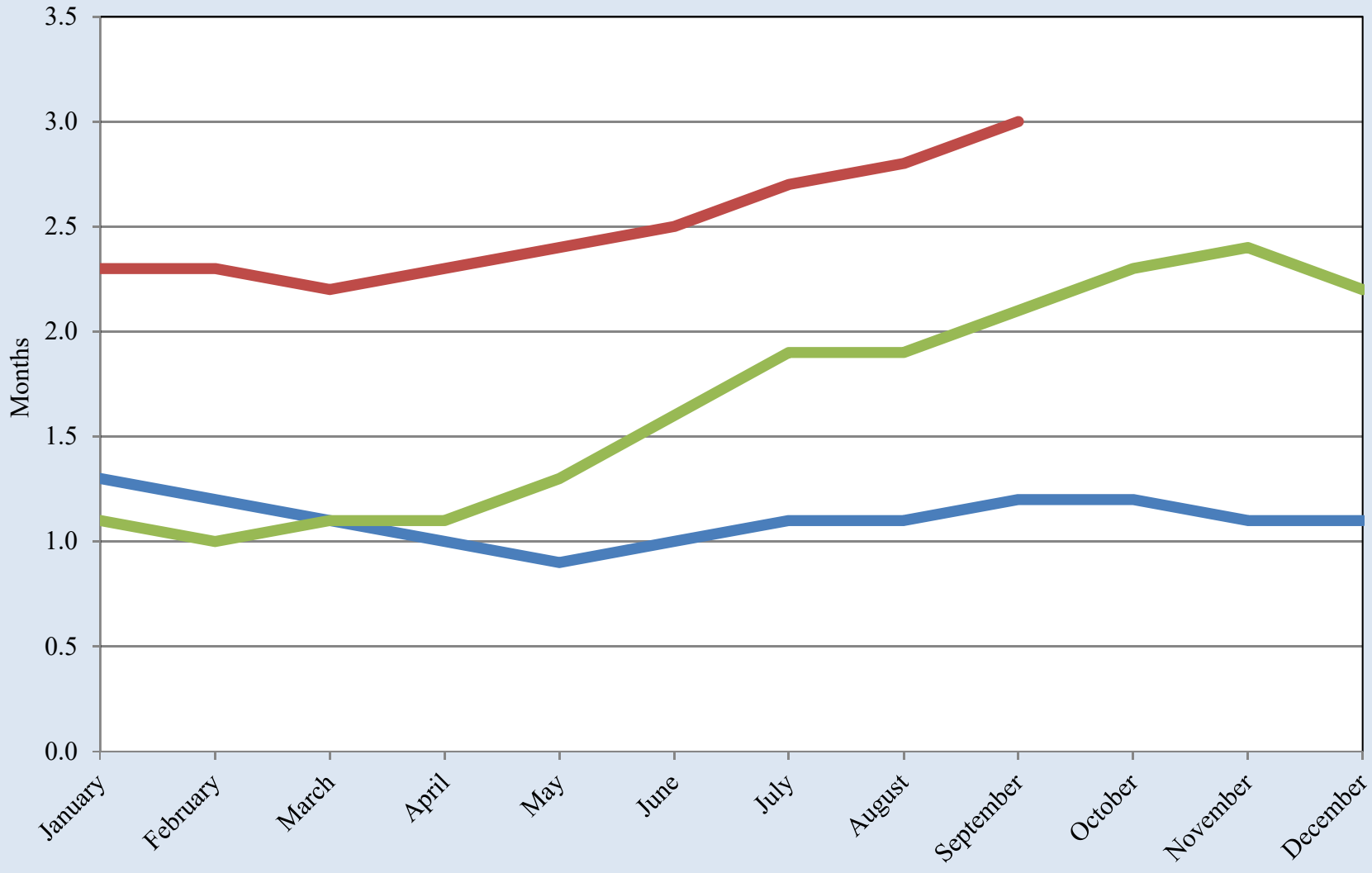


Source: UTEP Border Region Modeling Project using Texas A&M Real Estate Center Data

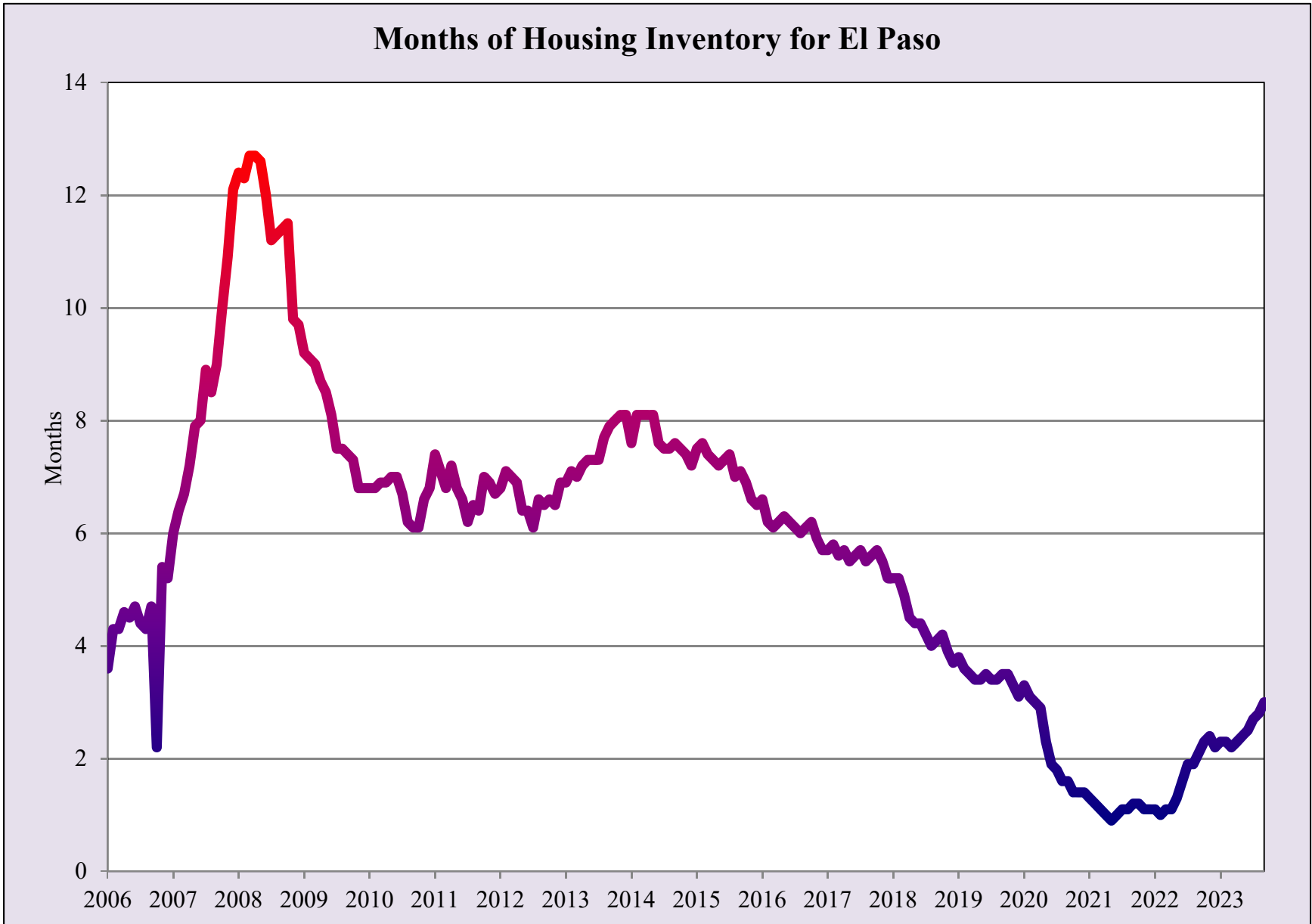
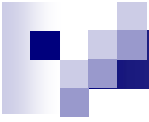


Months of Housing Inventory for El Paso

— 2021 — 2022 — 2023



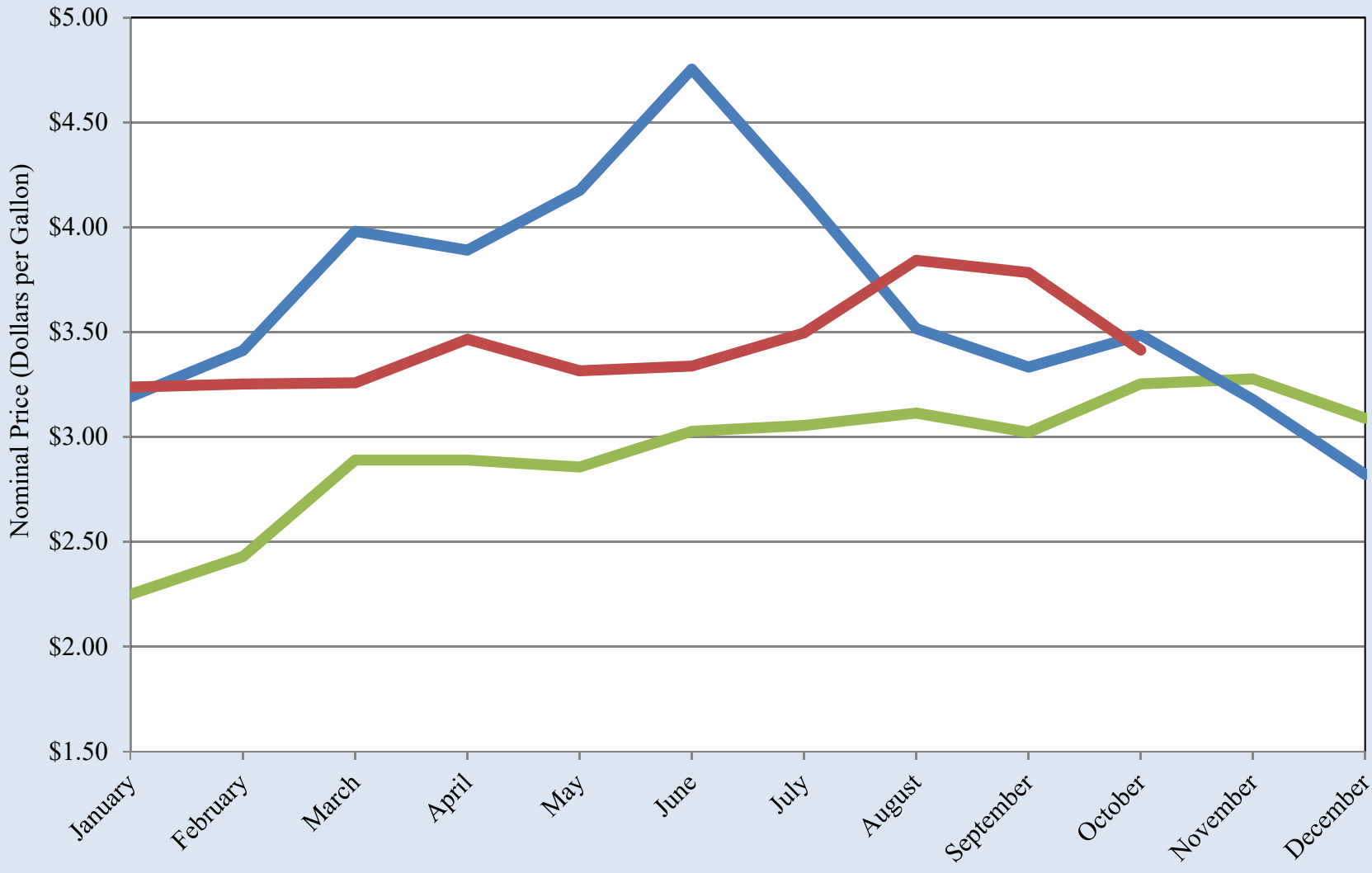
Source: UTEP Border Region Modeling Project using Texas A&M Real Estate Center Data



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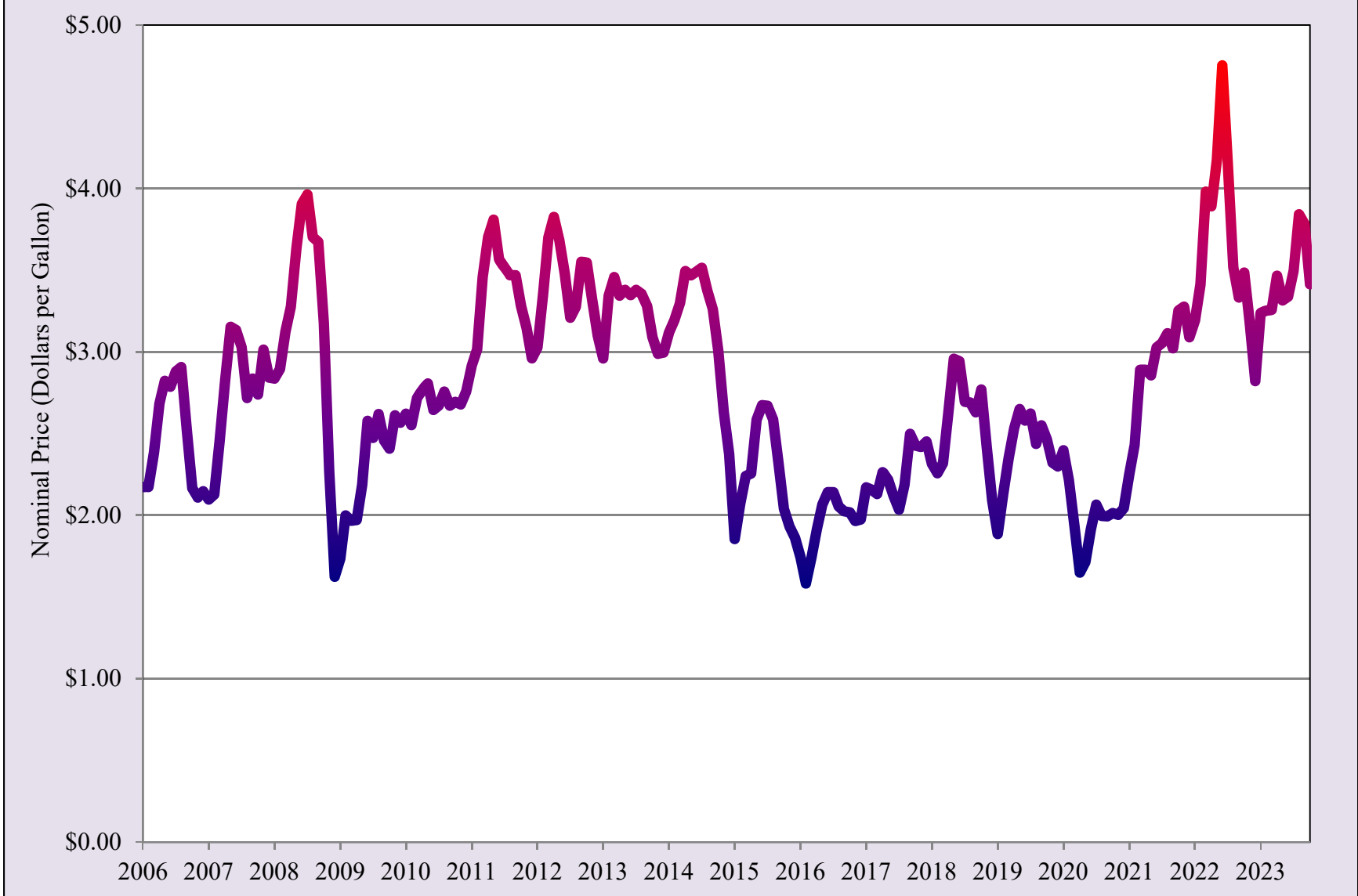
El Paso Gasoline Prices

2021 2022 2023



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

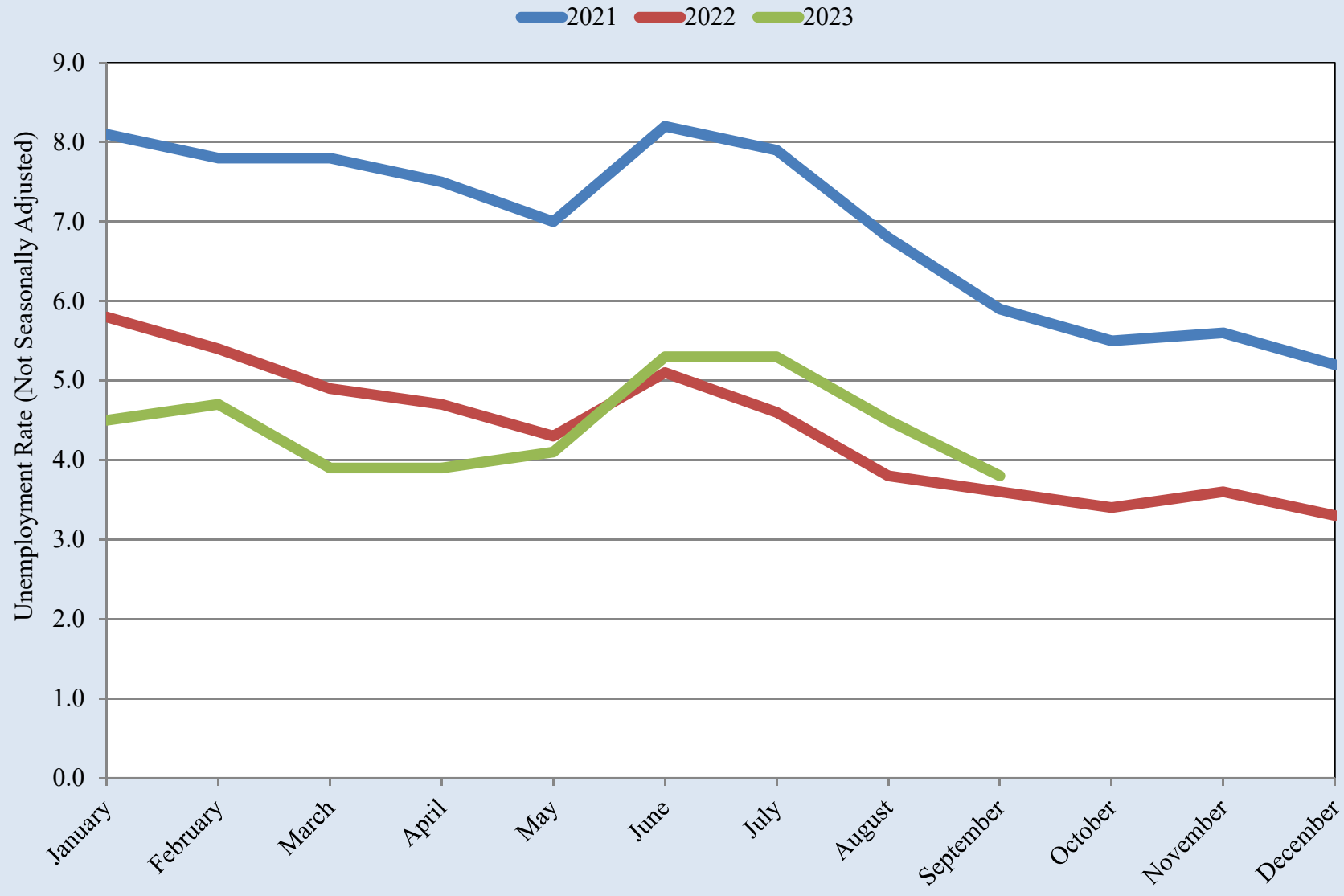
El Paso Gasoline Prices



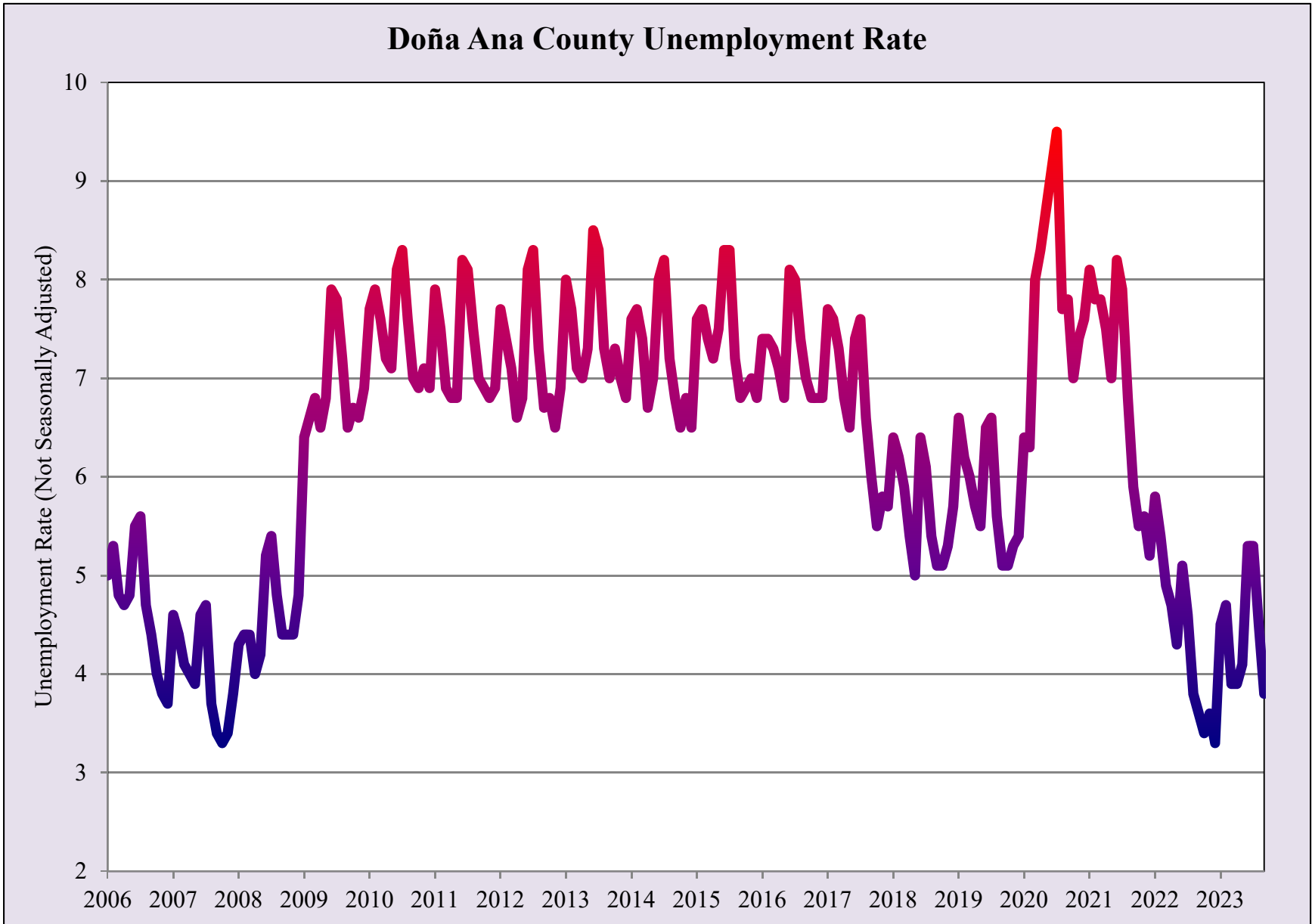
Source: UTEP Border Region Modeling Project using GasBuddy.com Data



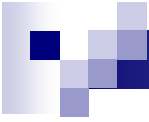
Doña Ana County Unemployment Rate



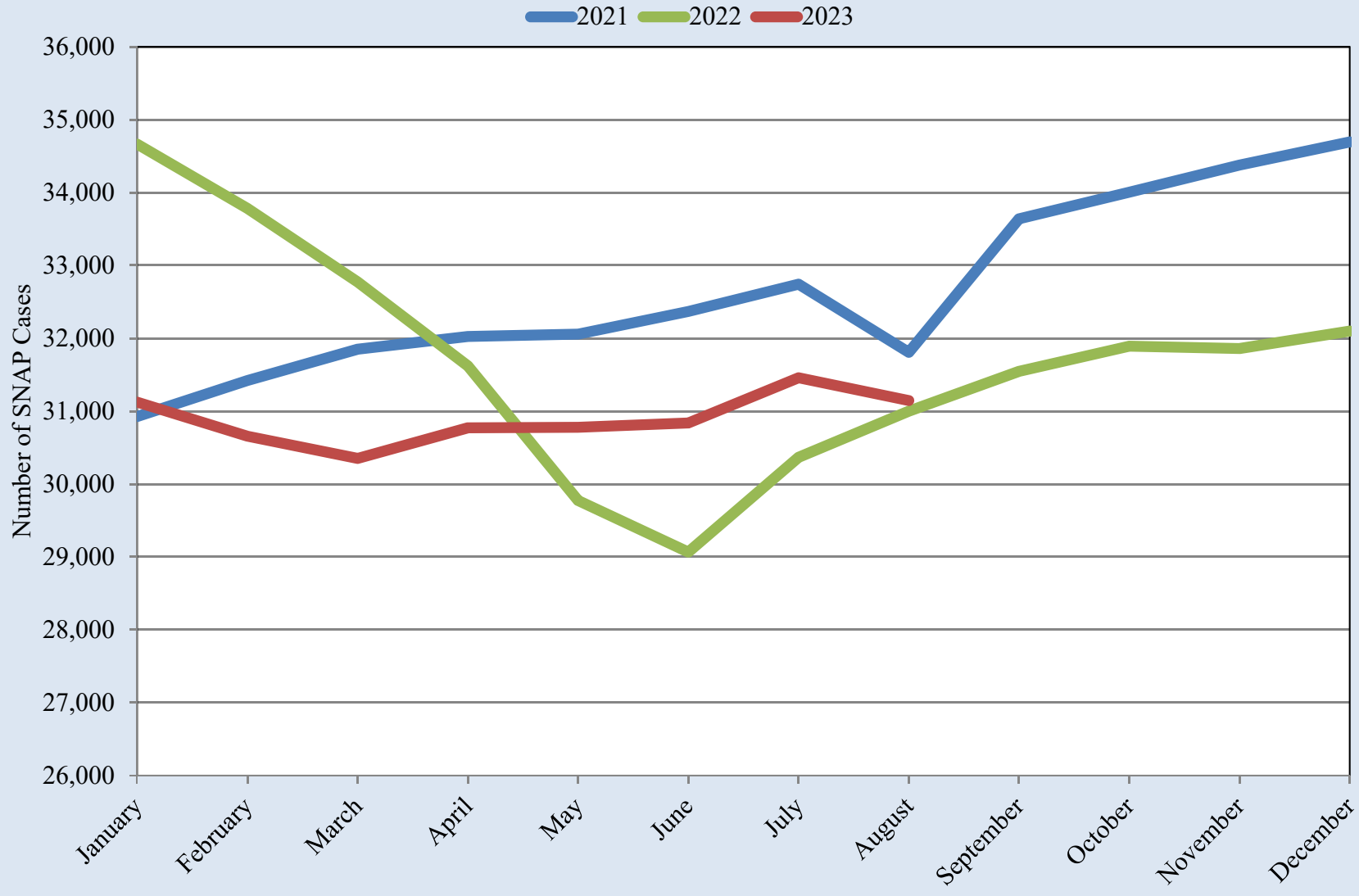
Source: UTEP Border Region Modeling Project using NM Workforce Data



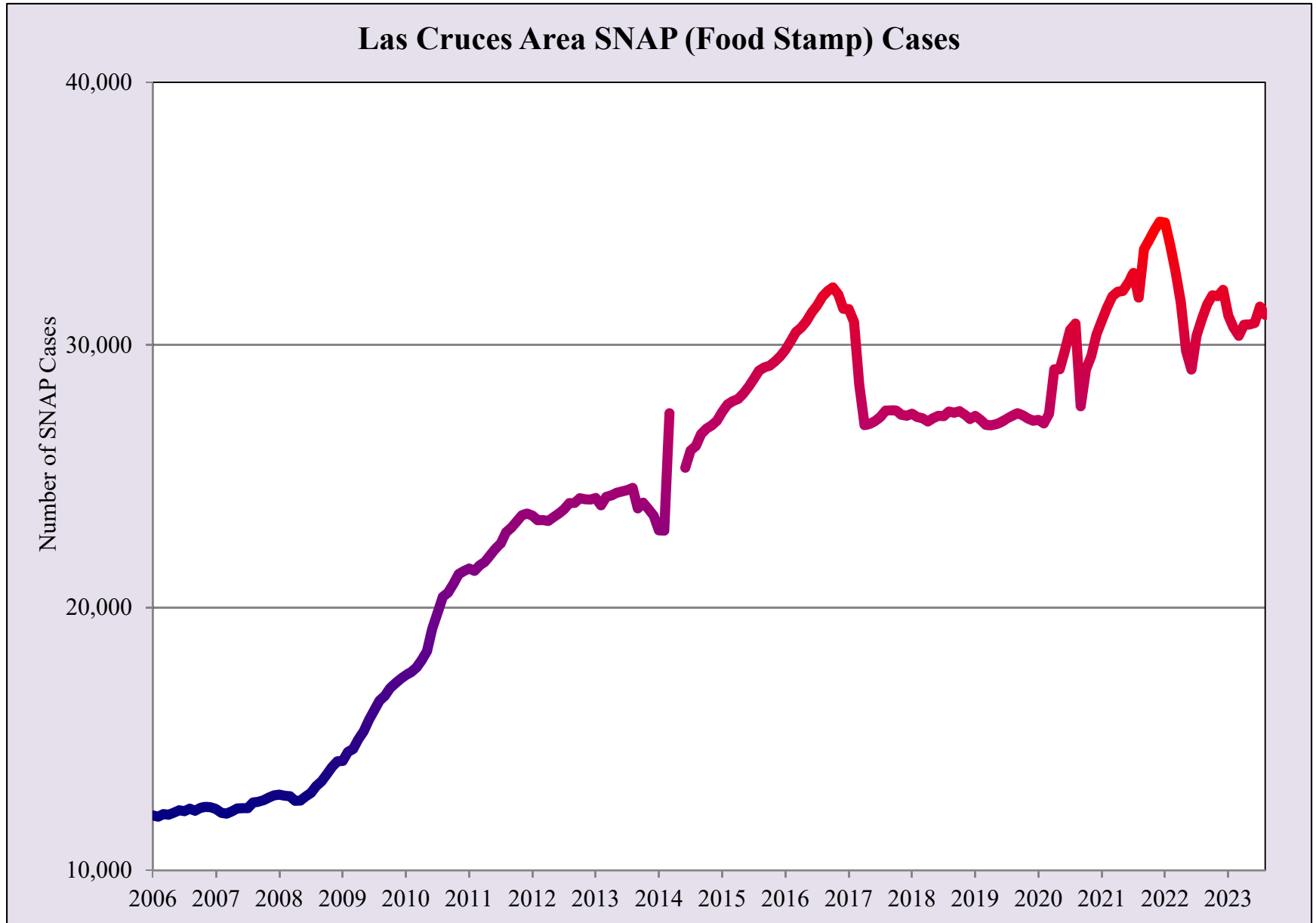
Source: UTEP Border Region Modeling Project using NM Workforce Data



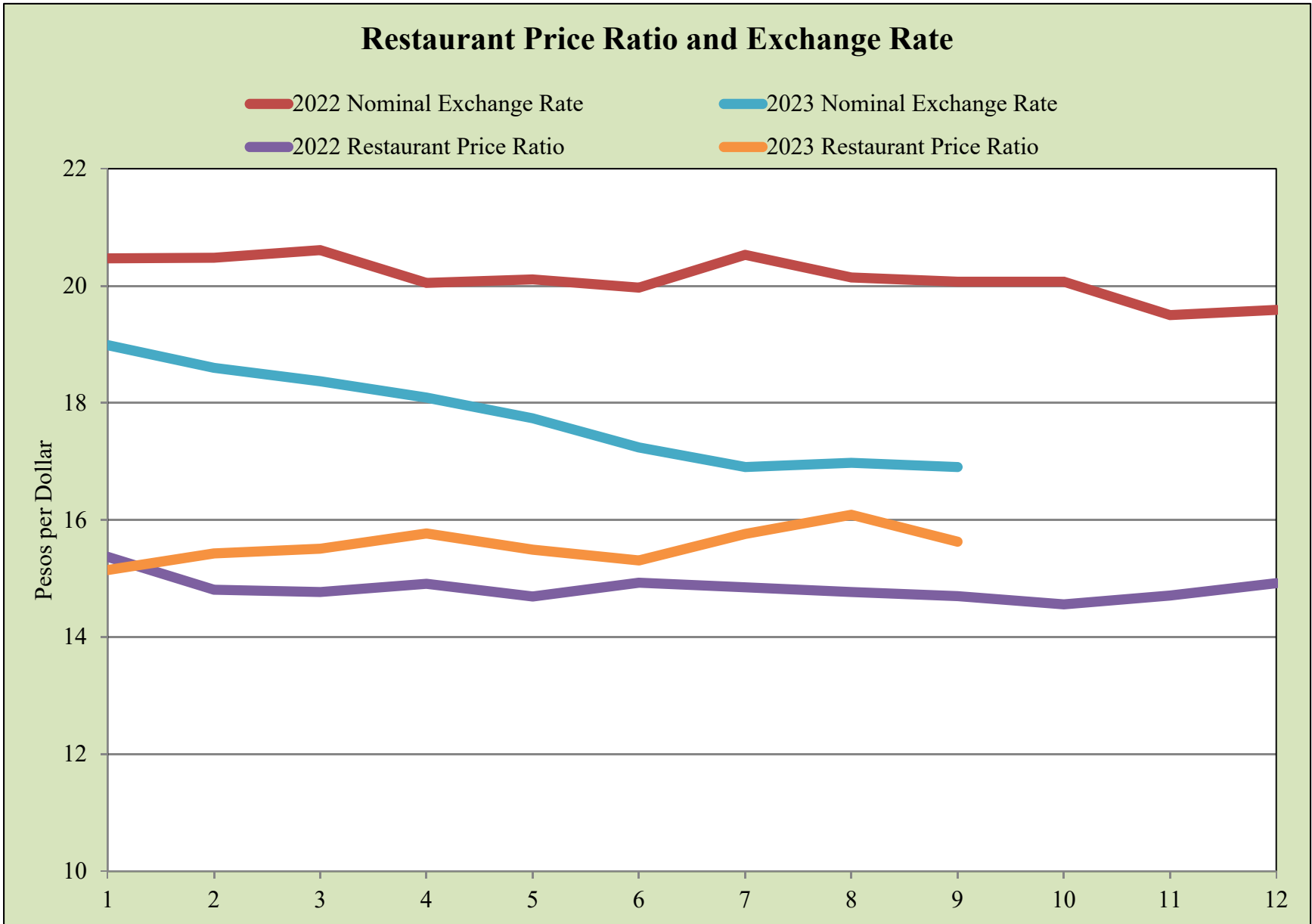
Las Cruces Area SNAP (Food Stamp) Cases



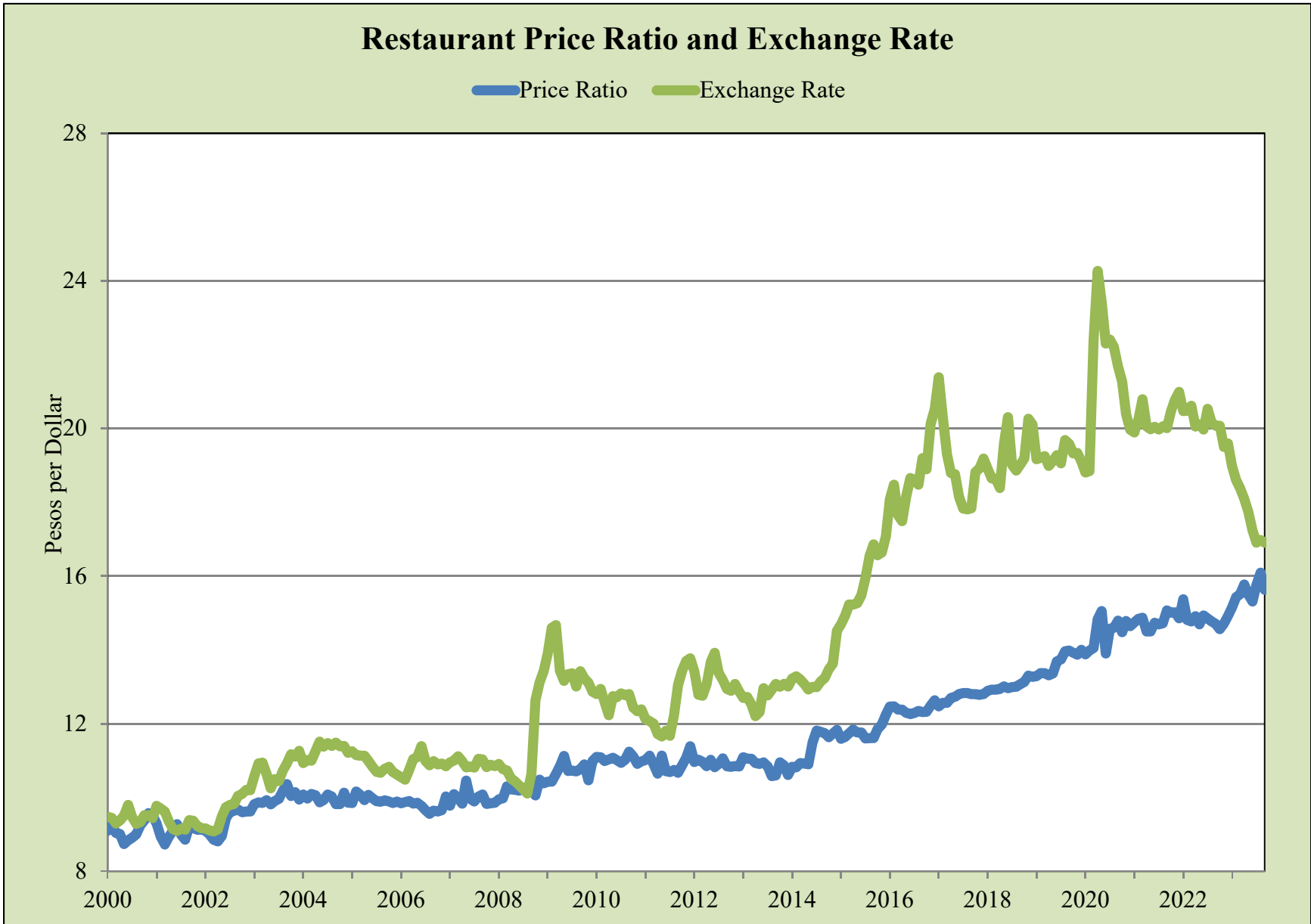
Source: UTEP Border Region Modeling Project using New Mexico Human Services Department Data



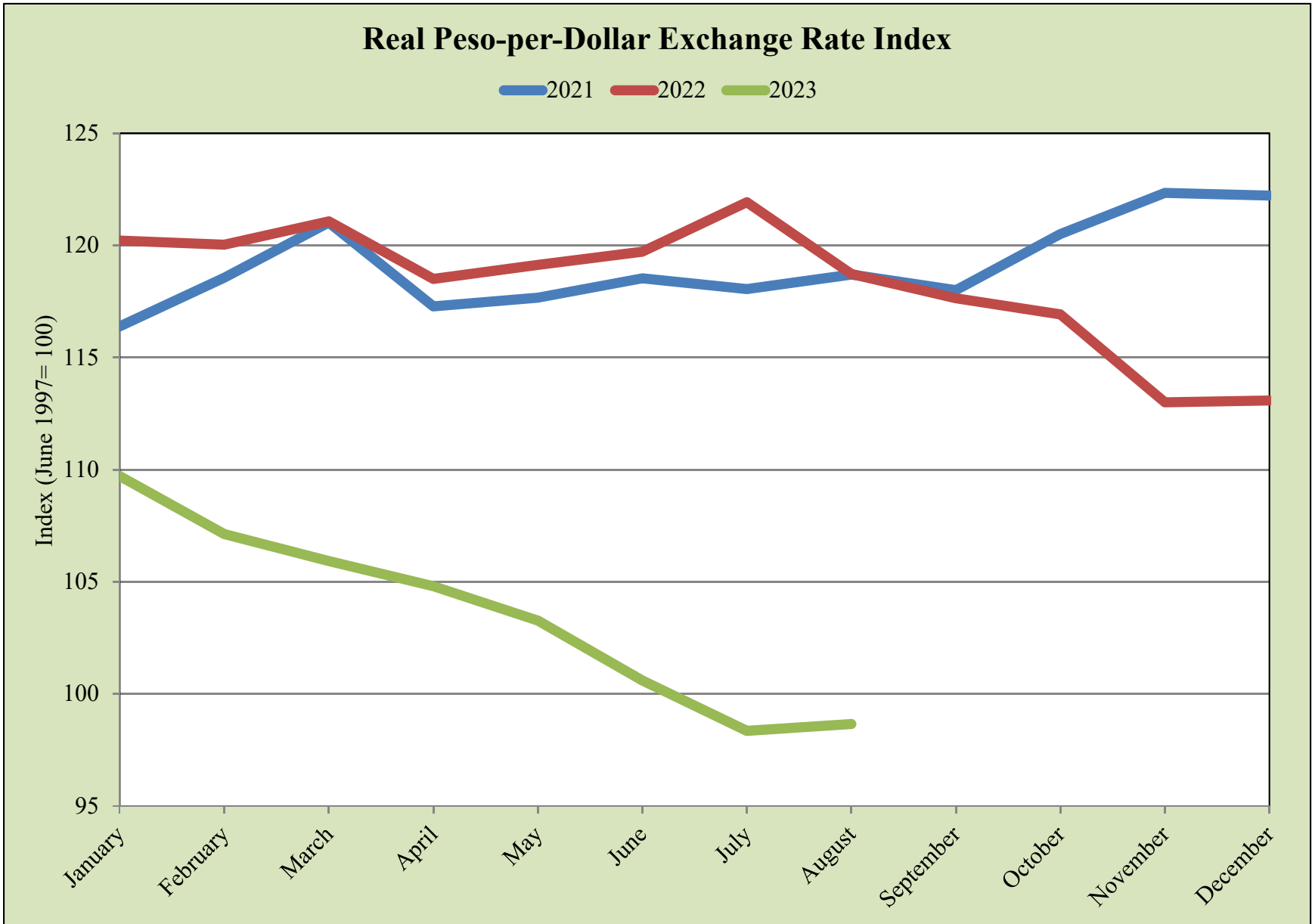
Source: UTEP Border Region Modeling Project using New Mexico Human Services Department Data



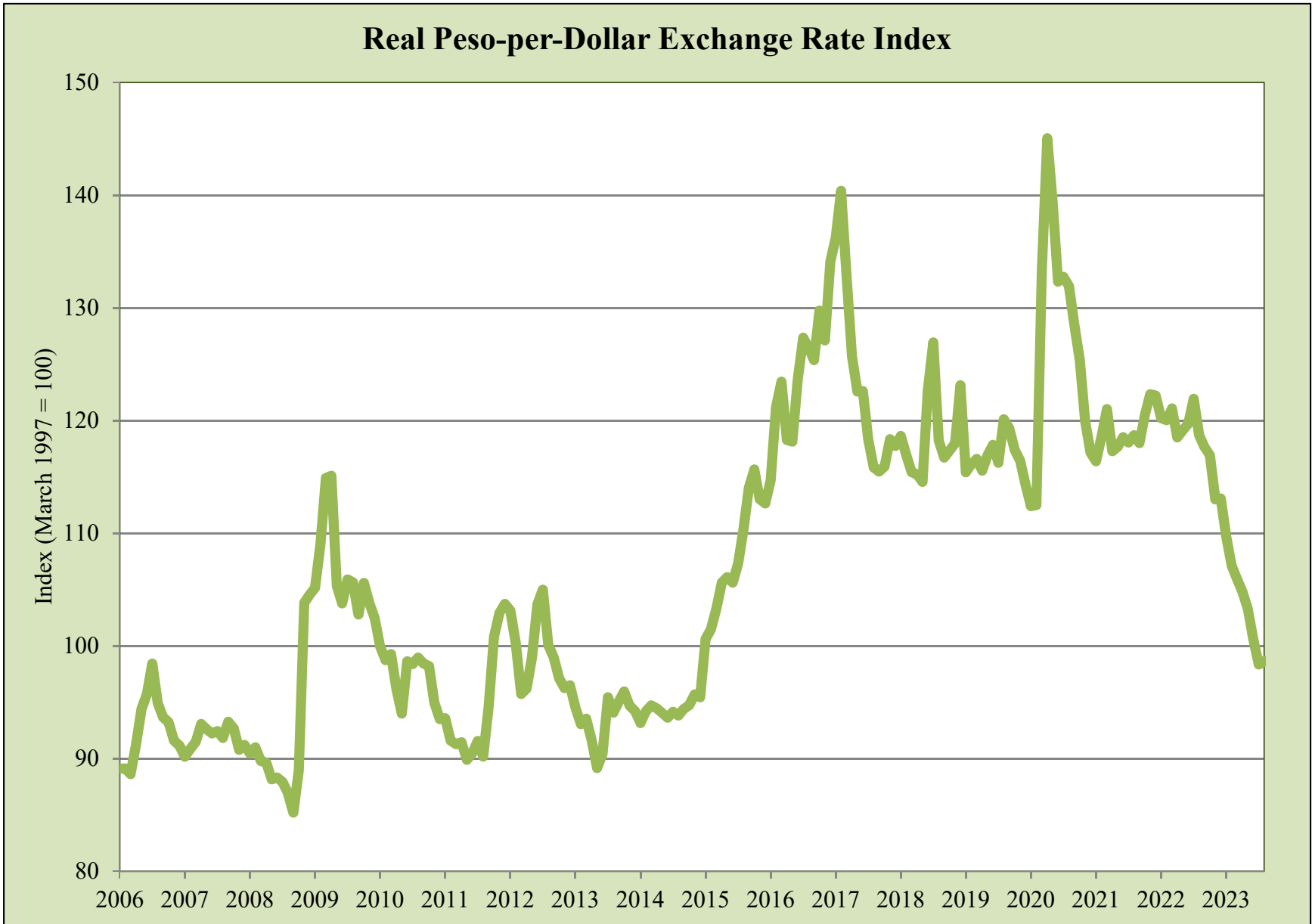
Source: UTEP Border Region Modeling Project using 85 identical franchise restaurant products sold on both sides of the border.



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

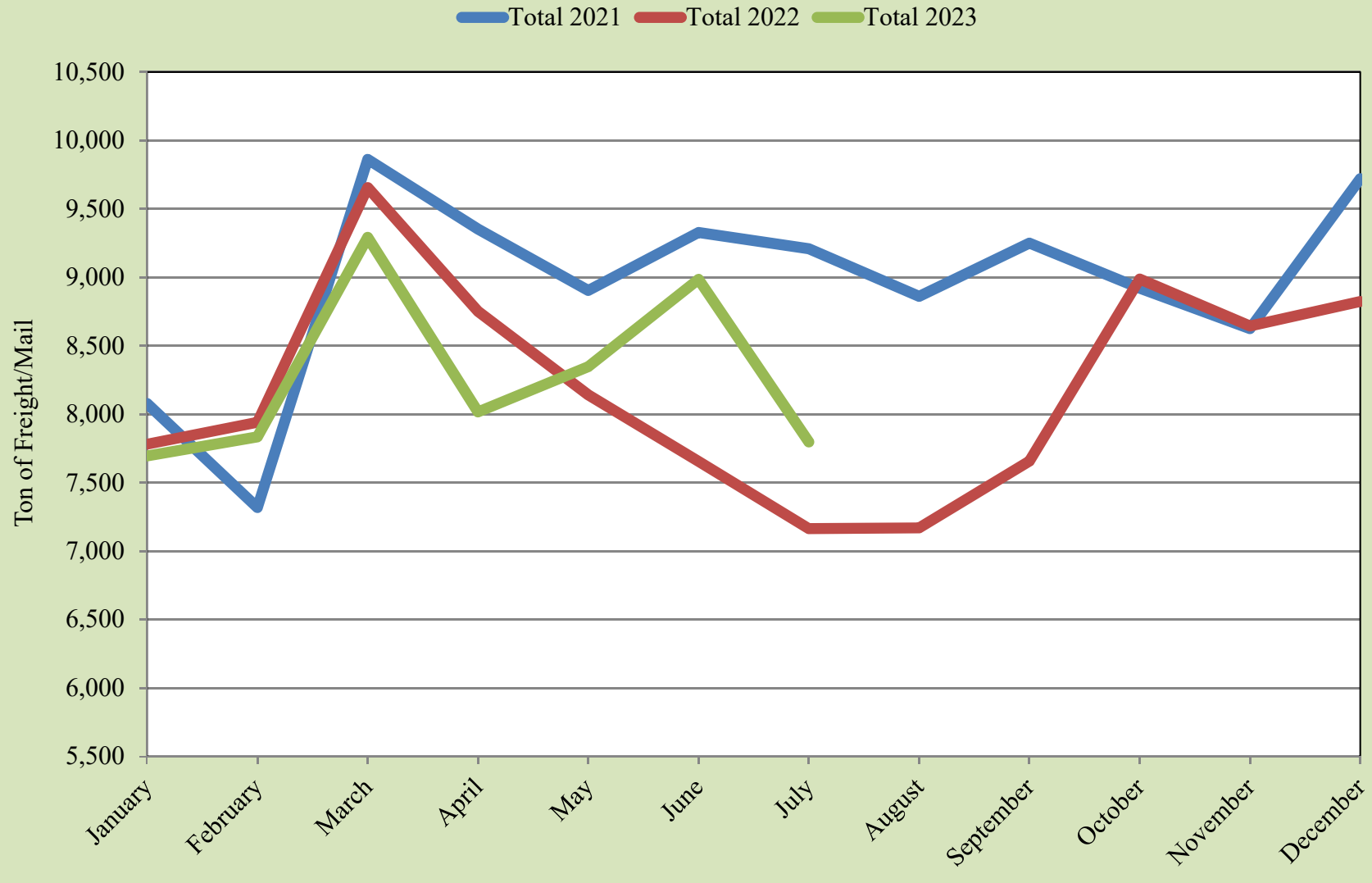


Source: UTEP Border Region Modeling Project



Source: UTEP Border Region Modeling Project

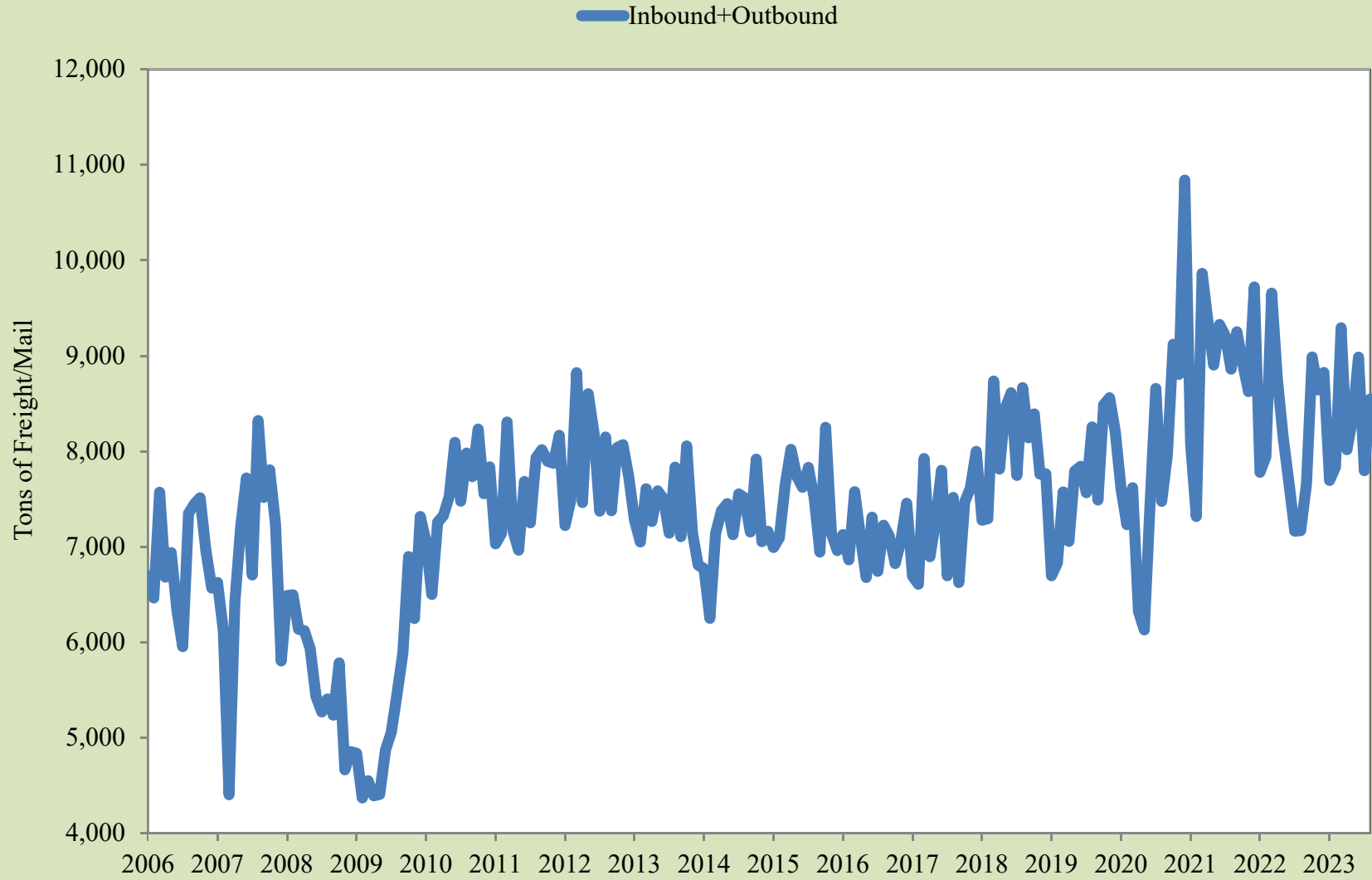
EPIA Freight and Mail



Source: UTEP Border Region Modeling Project using EPIA Operations Data

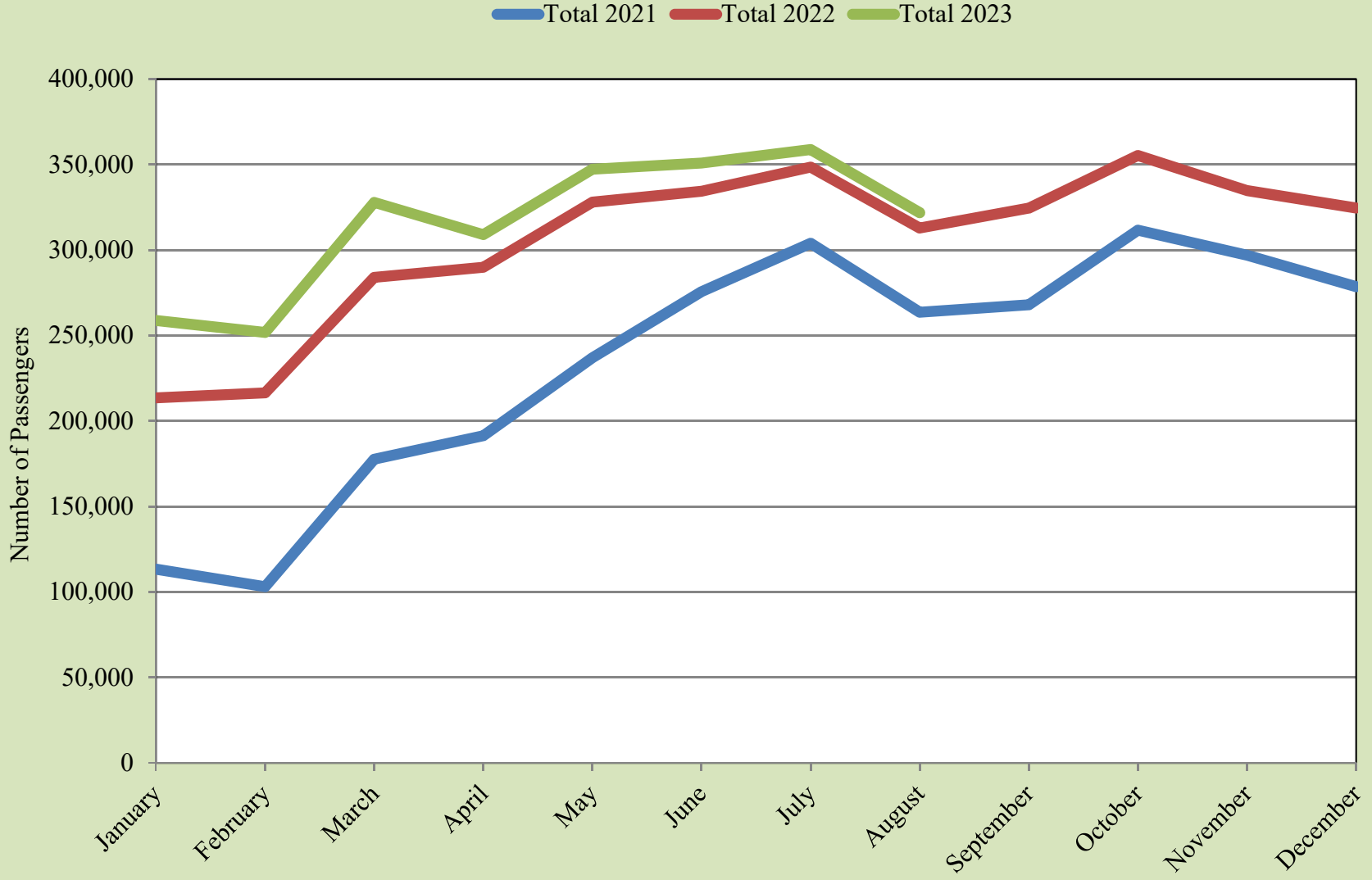


EPIA Freight and Mail

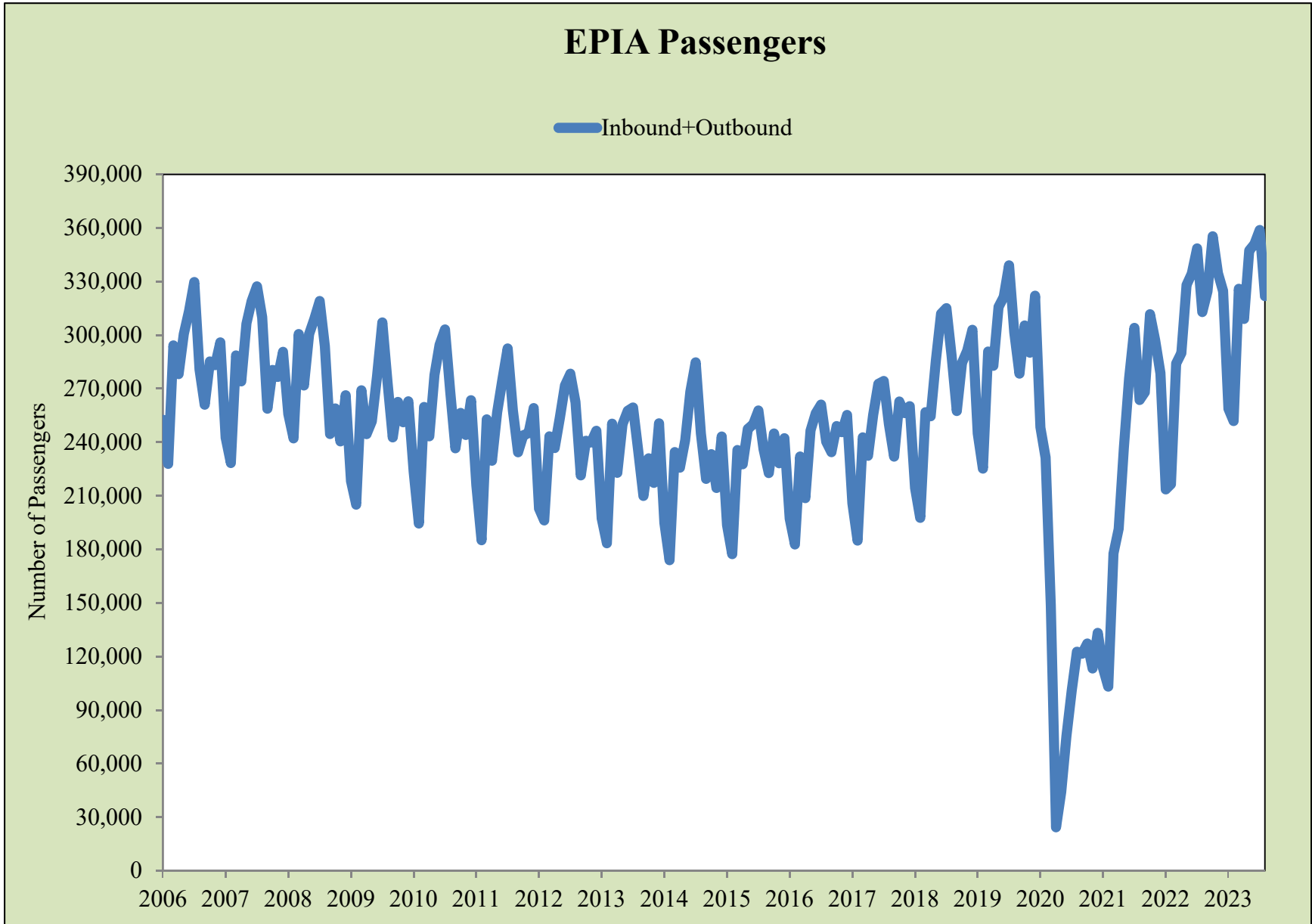
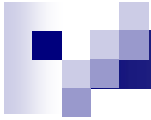


Source: UTEP Border Region Modeling Project using EPIA Operations Data

EPIA Passengers



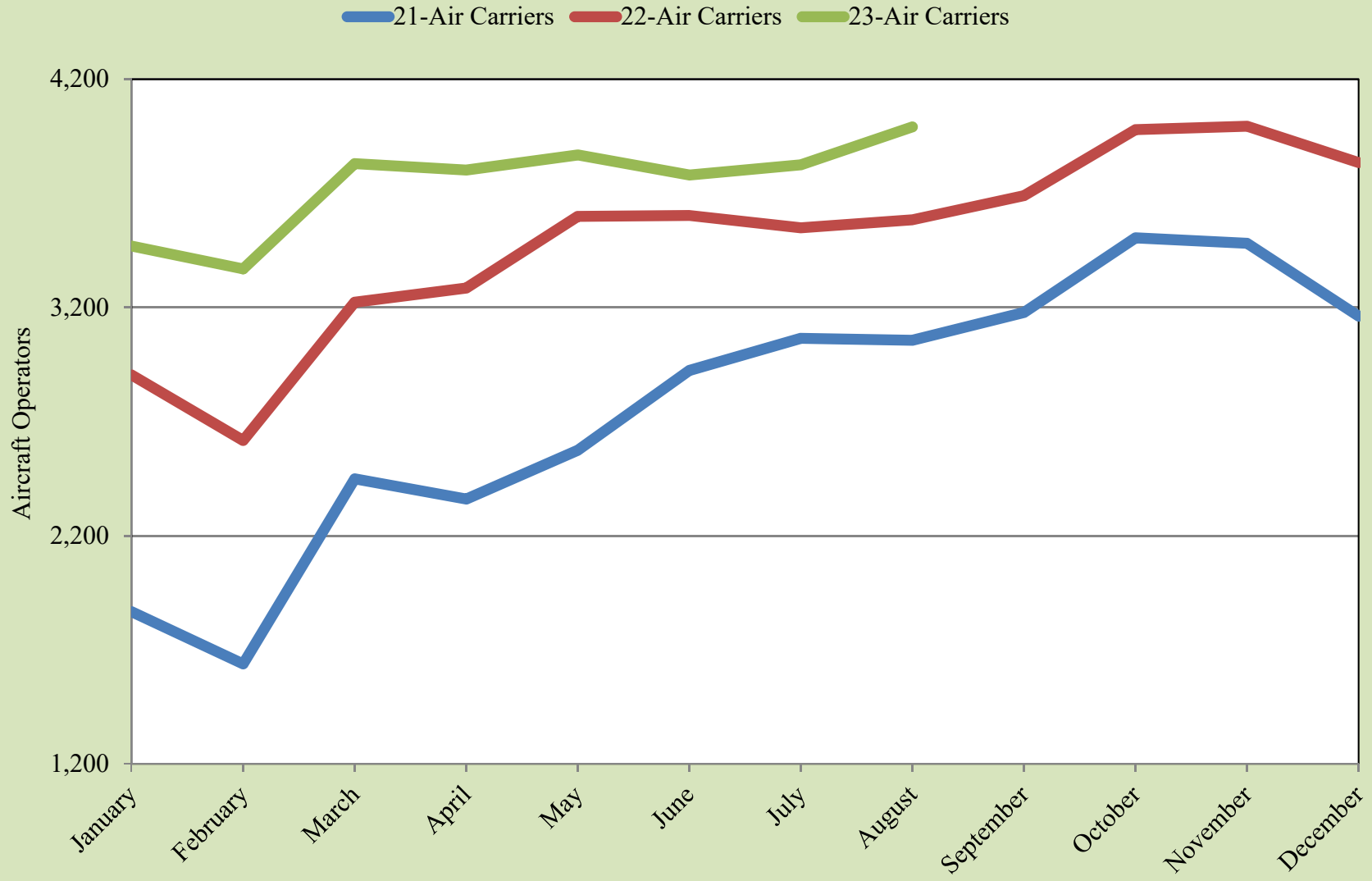
Source: UTEP Border Region Modeling Project using EPIA Operations Data



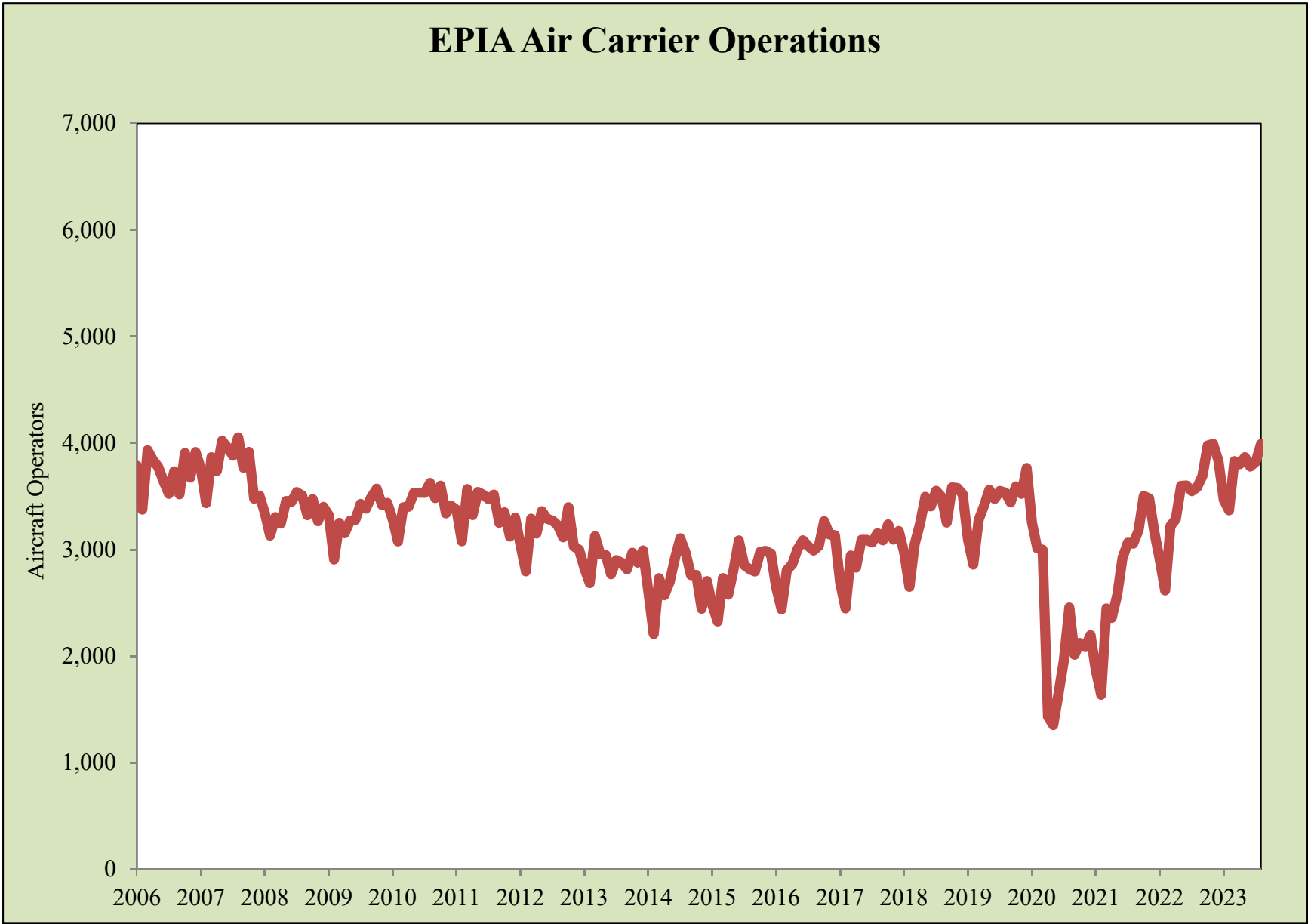
Source: UTEP Border Region Modeling Project using EPIA Operations Data



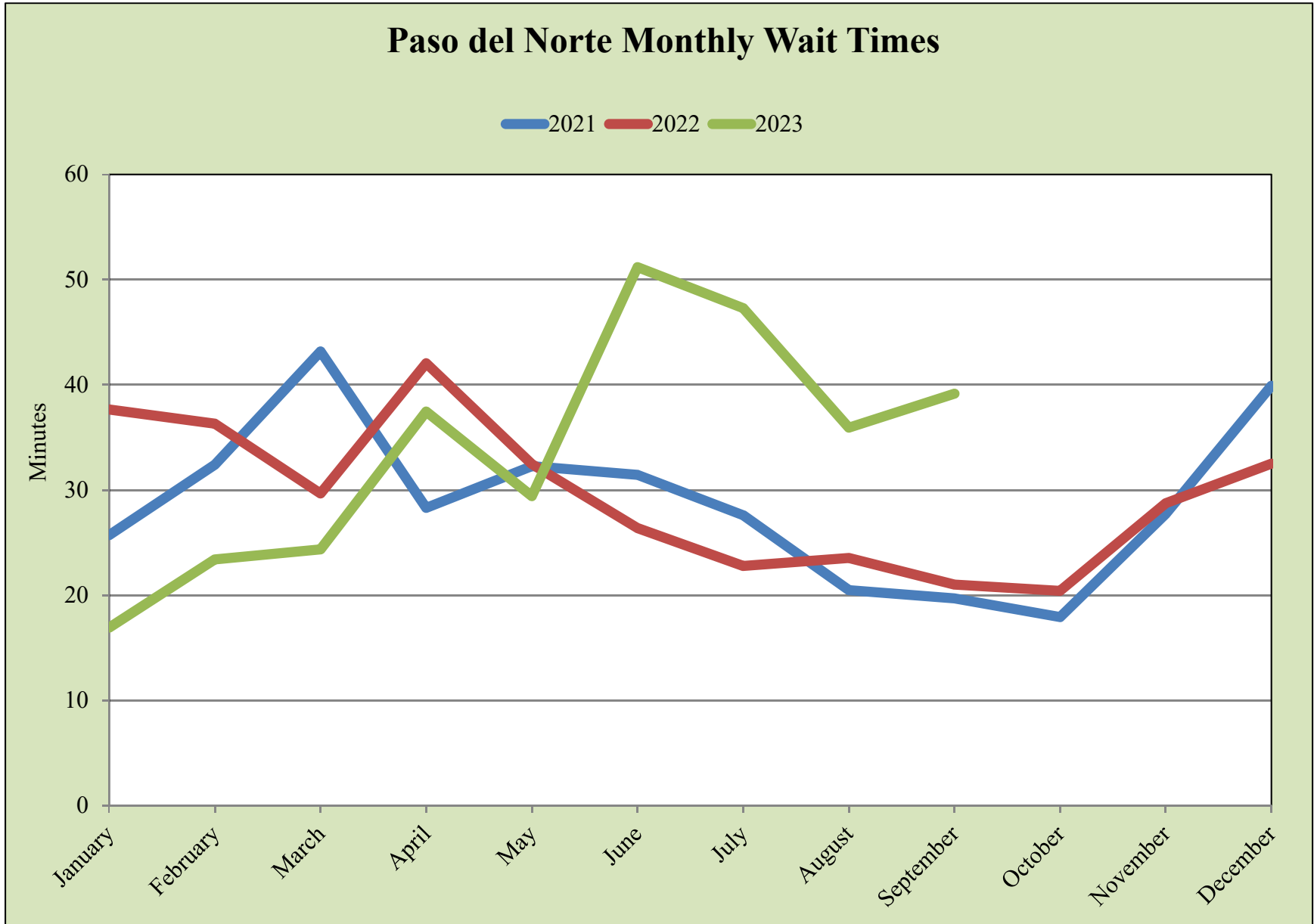
EPIA Air Carrier Operations



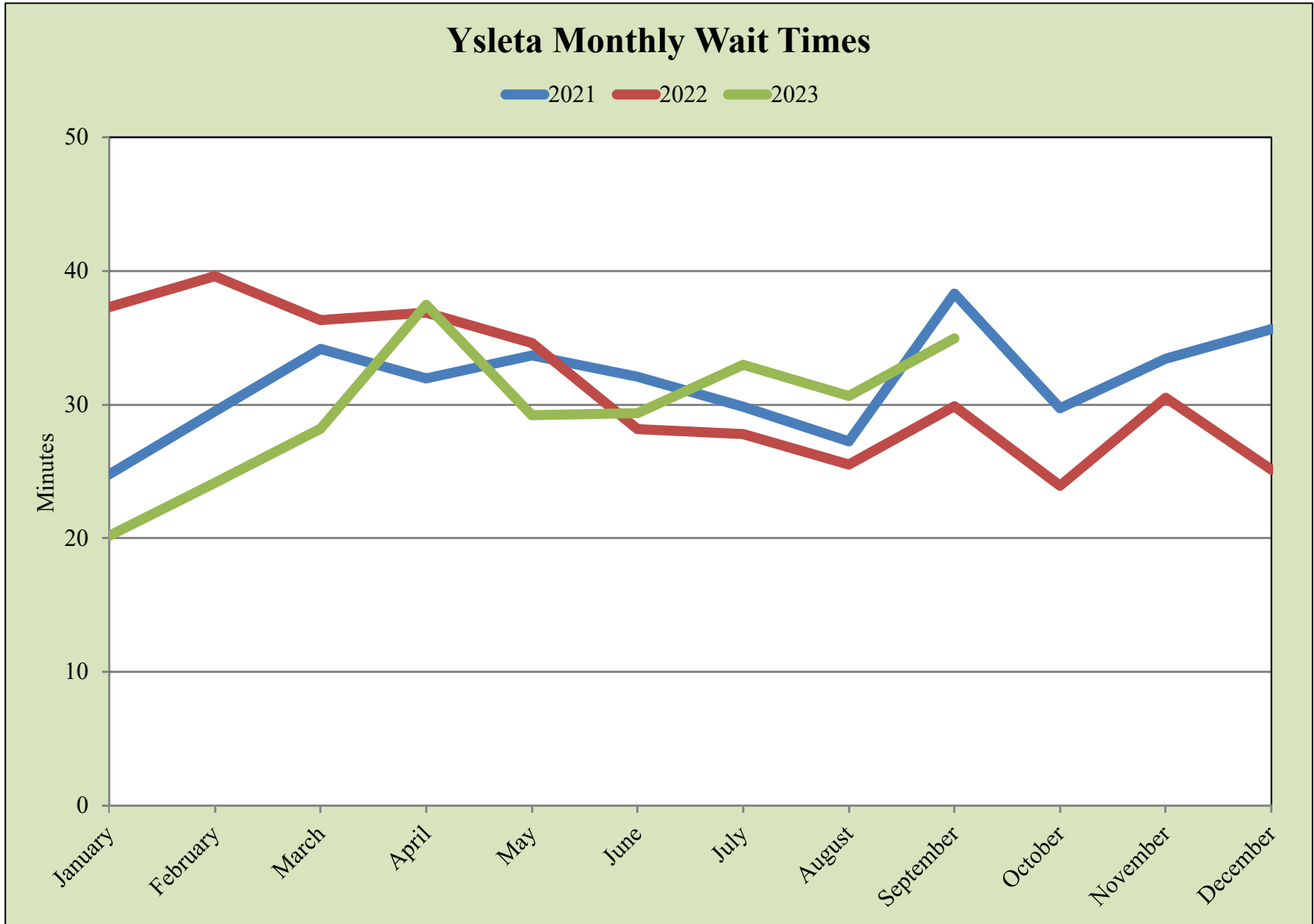
Source: UTEP Border Region Modeling Project using EPIA Operations Data



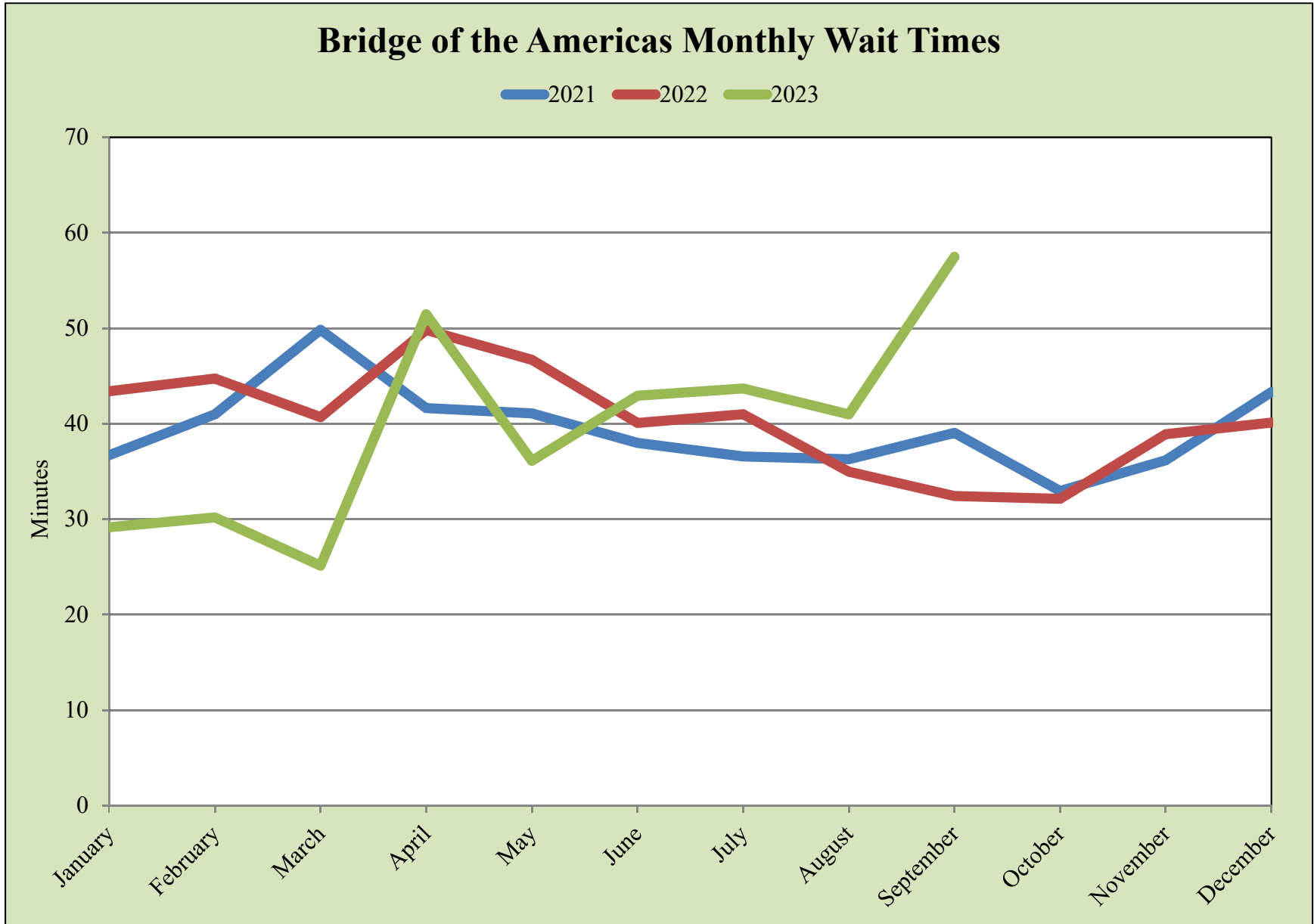
Source: UTEP Border Region Modeling Project using EPIA Operations Data



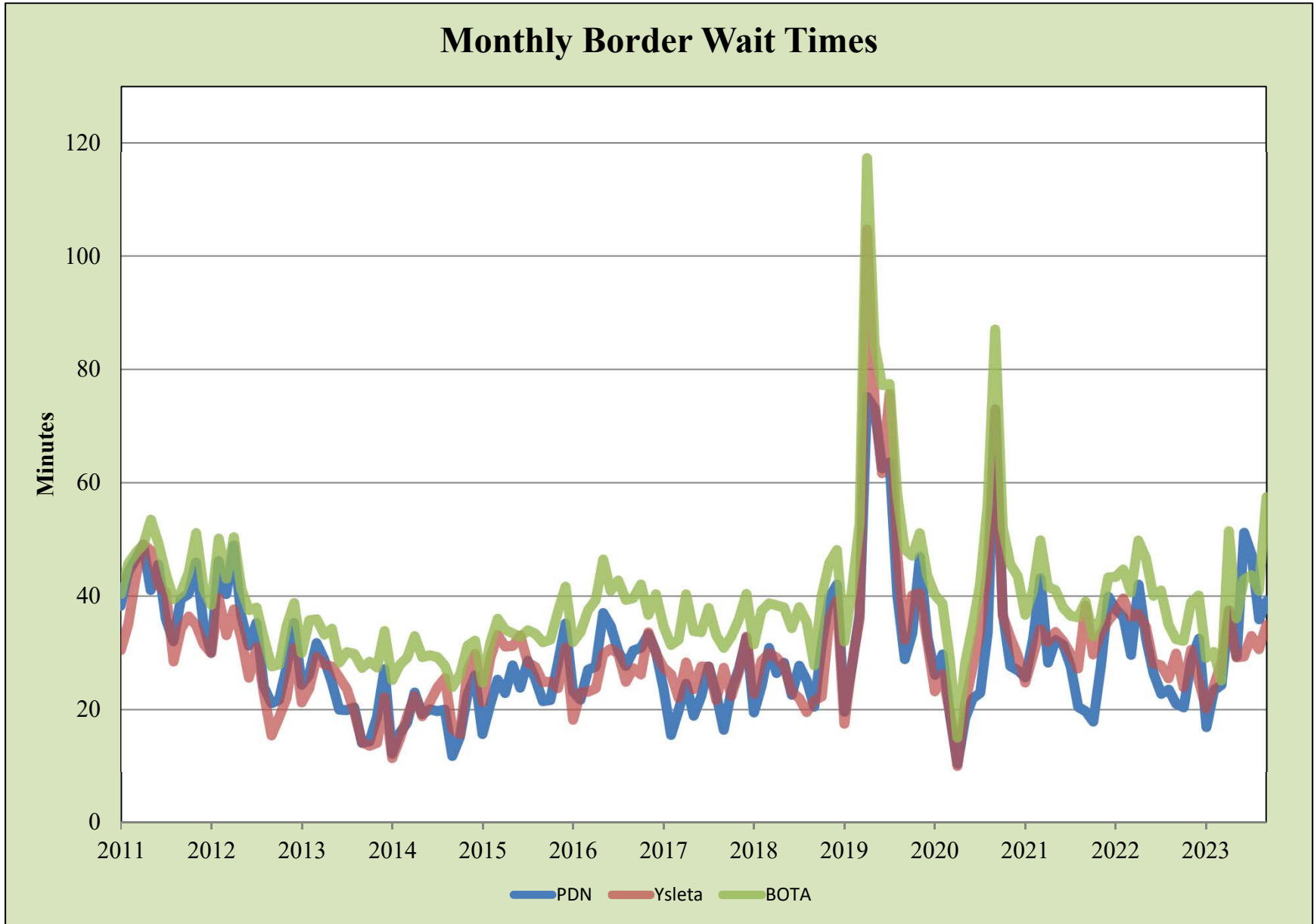
Source: UTEP Border Region Modeling Project using US Customs & Border Protection Data



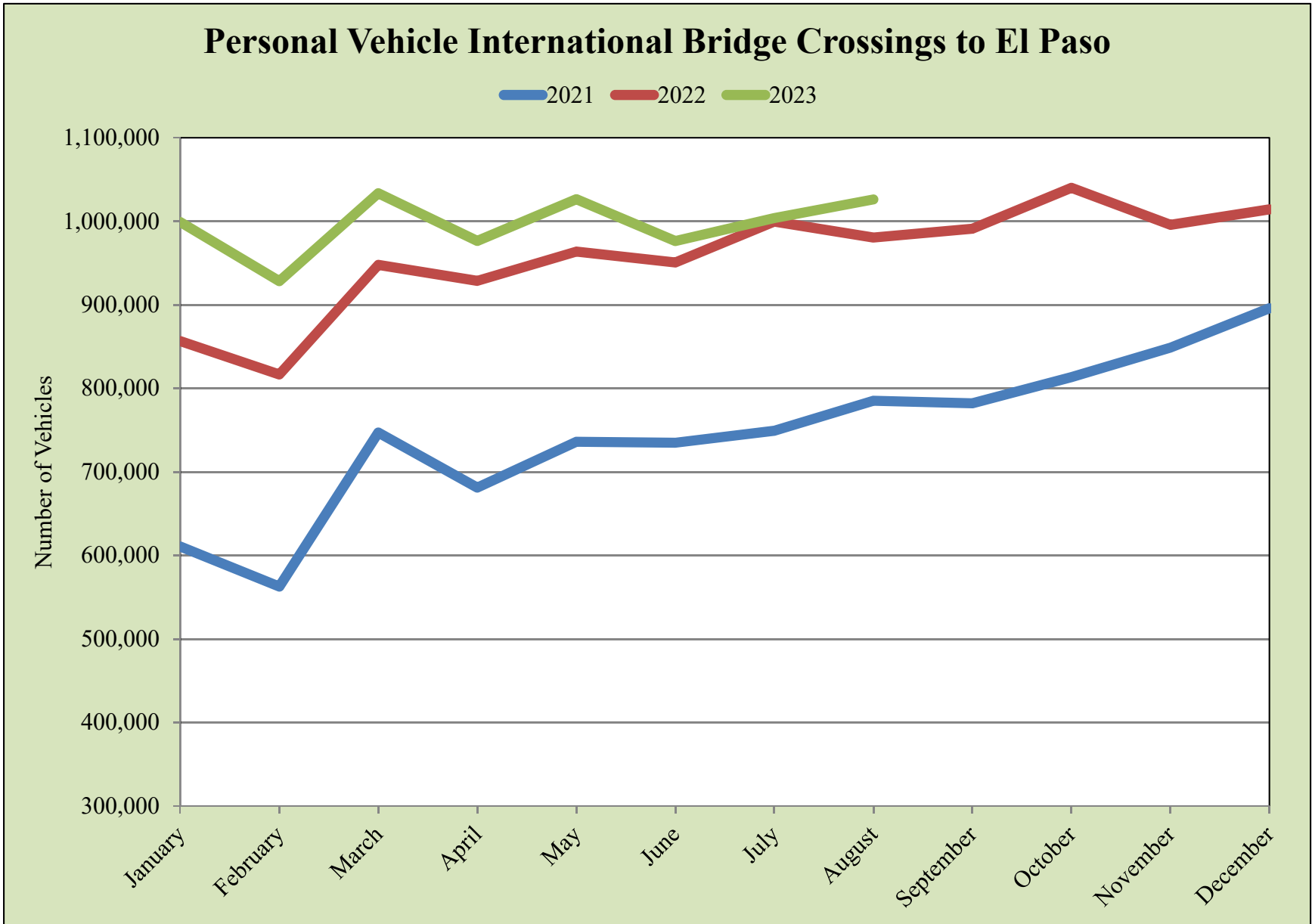
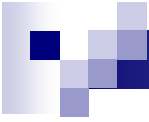
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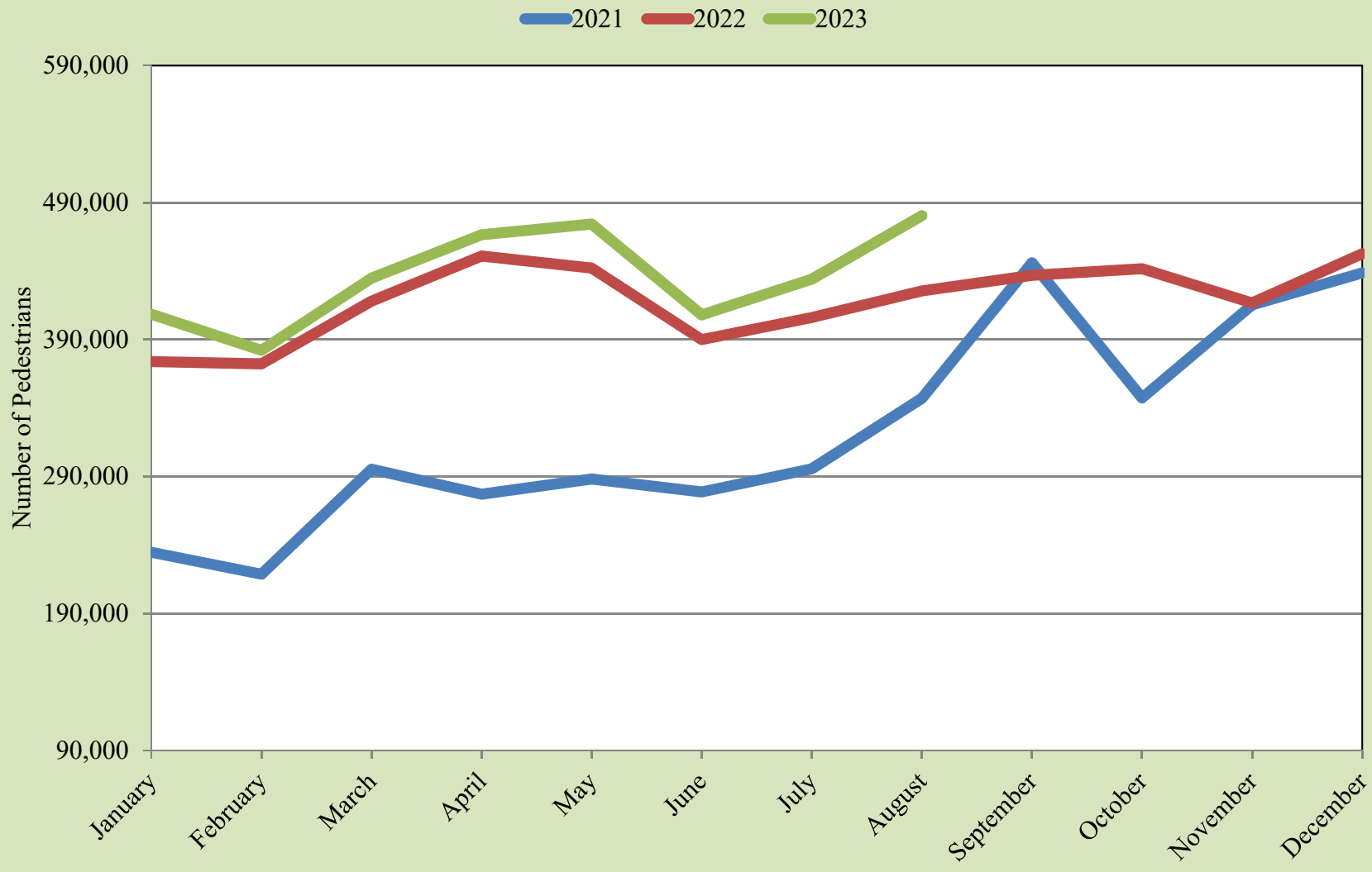
Personal Vehicle International Bridge Crossings to El Paso



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



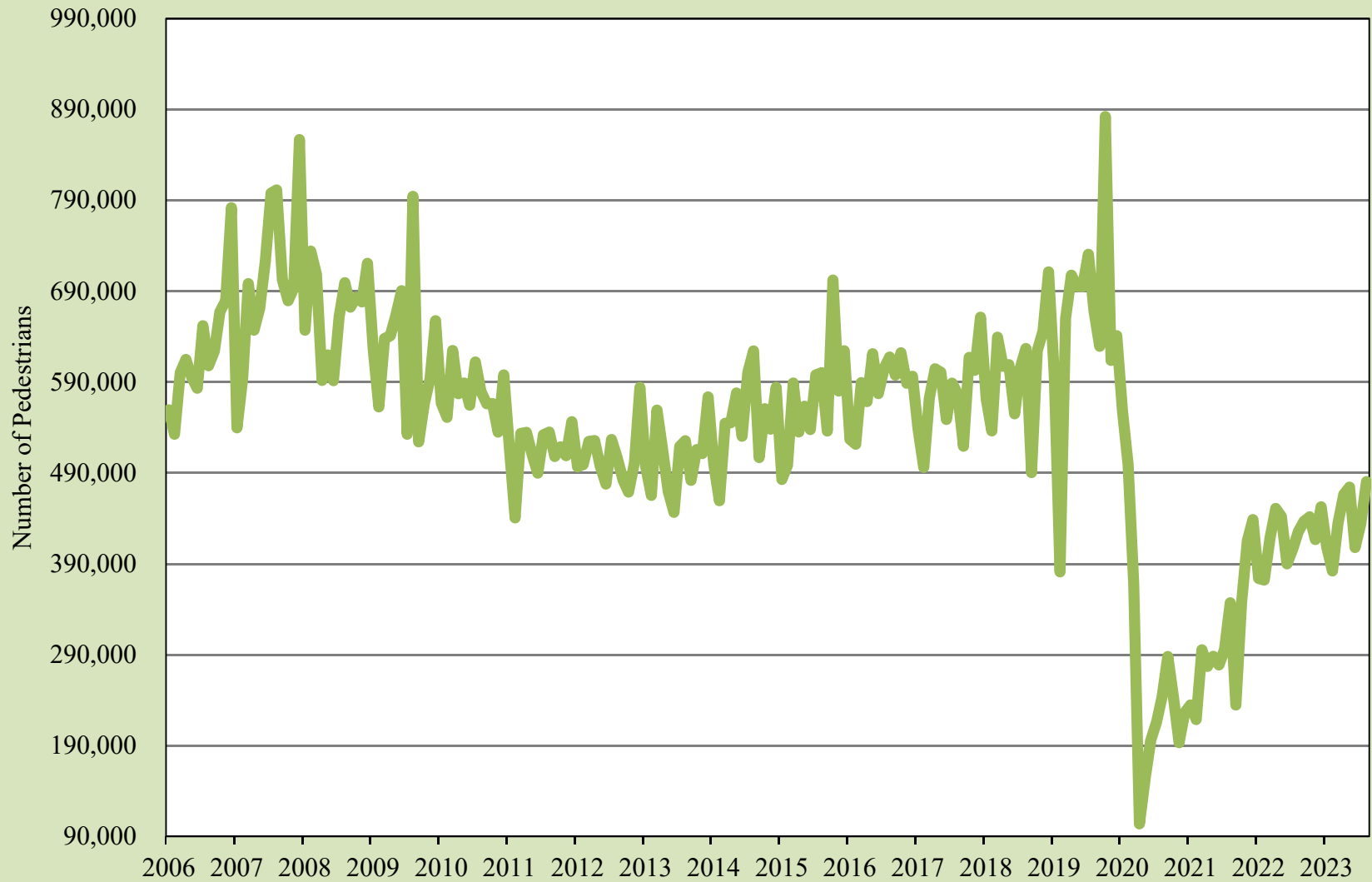
Pedestrian International Bridge Crossings to El Paso



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



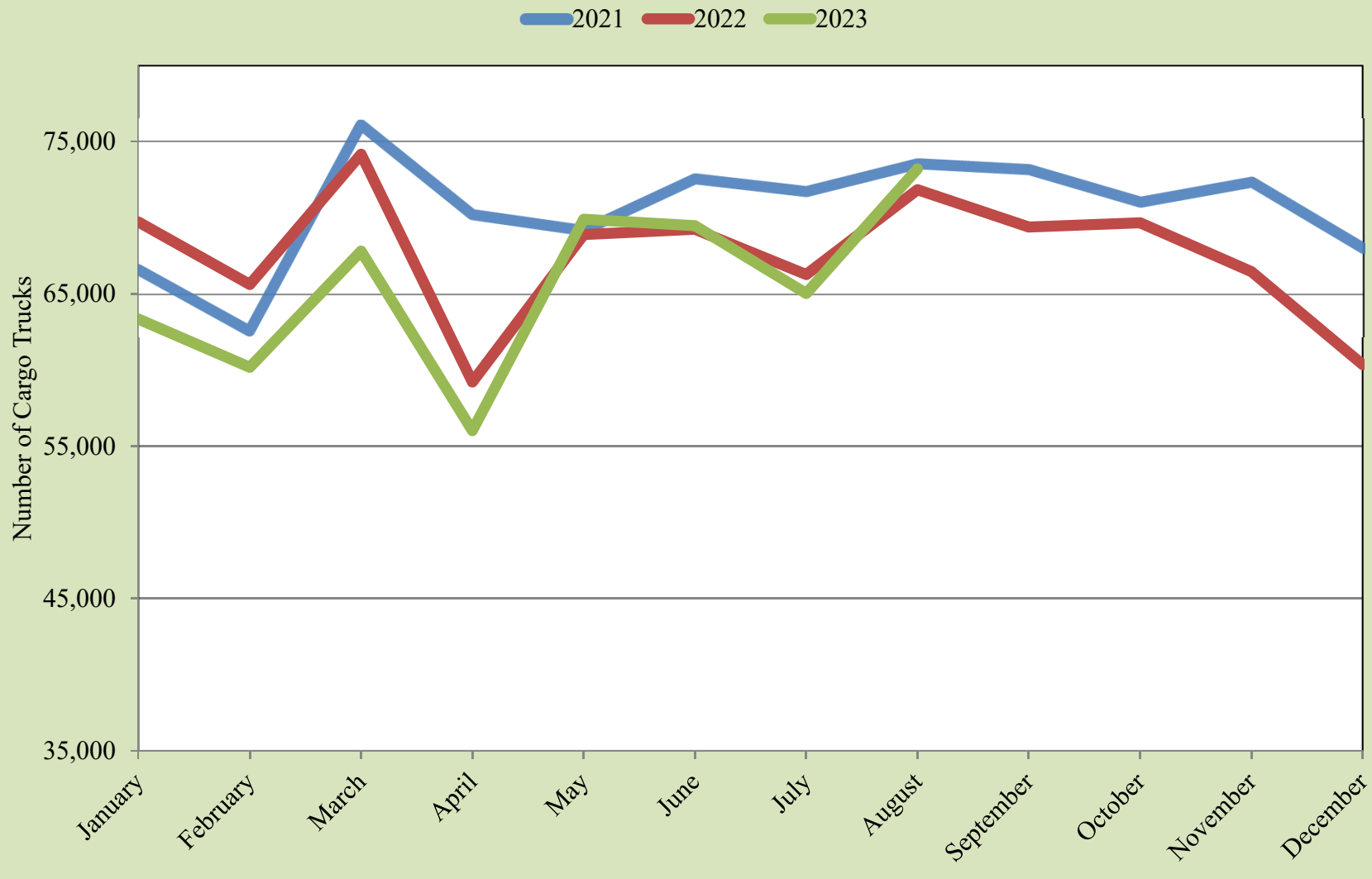
Pedestrian International Bridge Crossings to El Paso



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



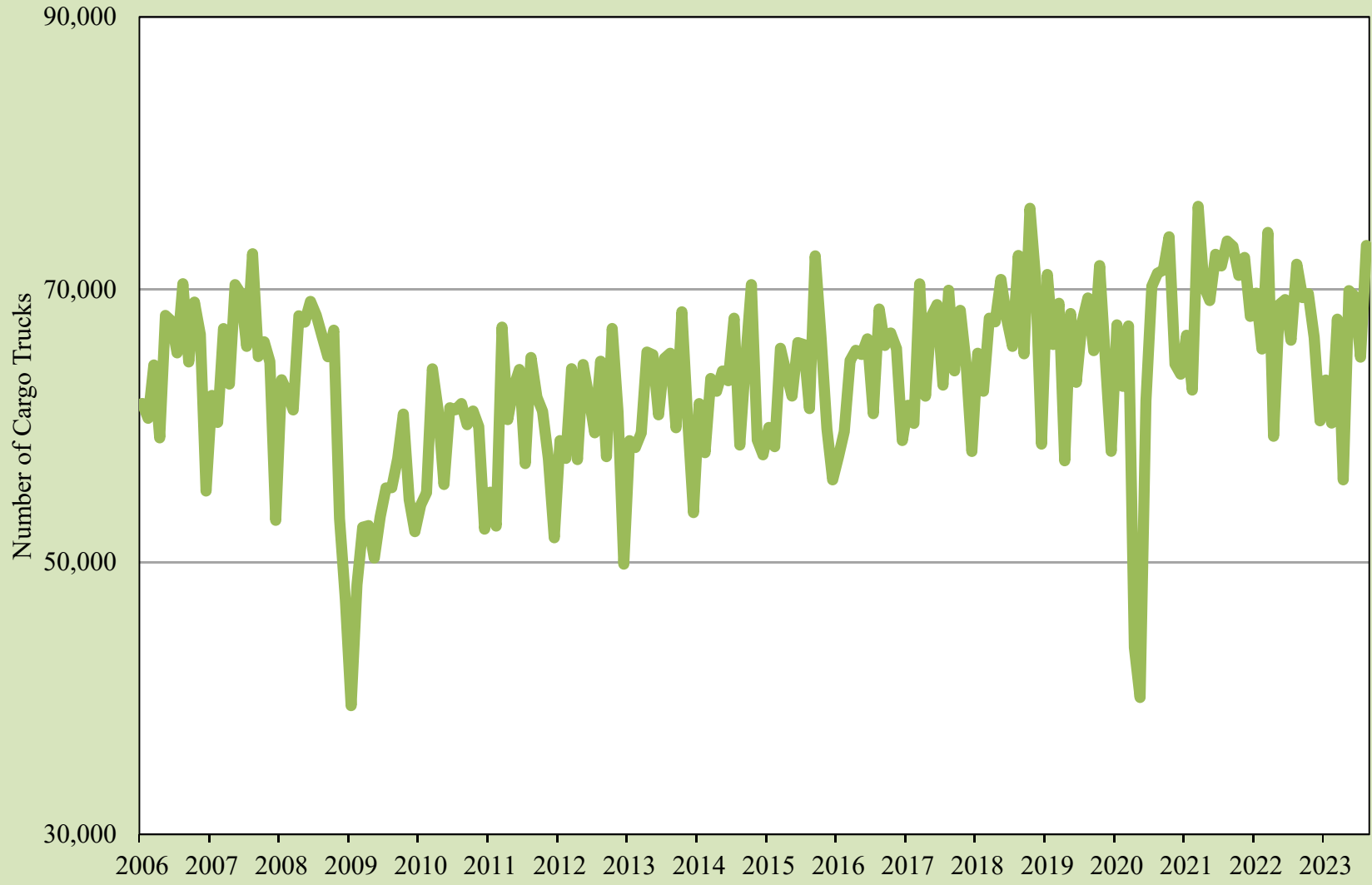
Cargo Truck International Bridge Crossings to El Paso



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



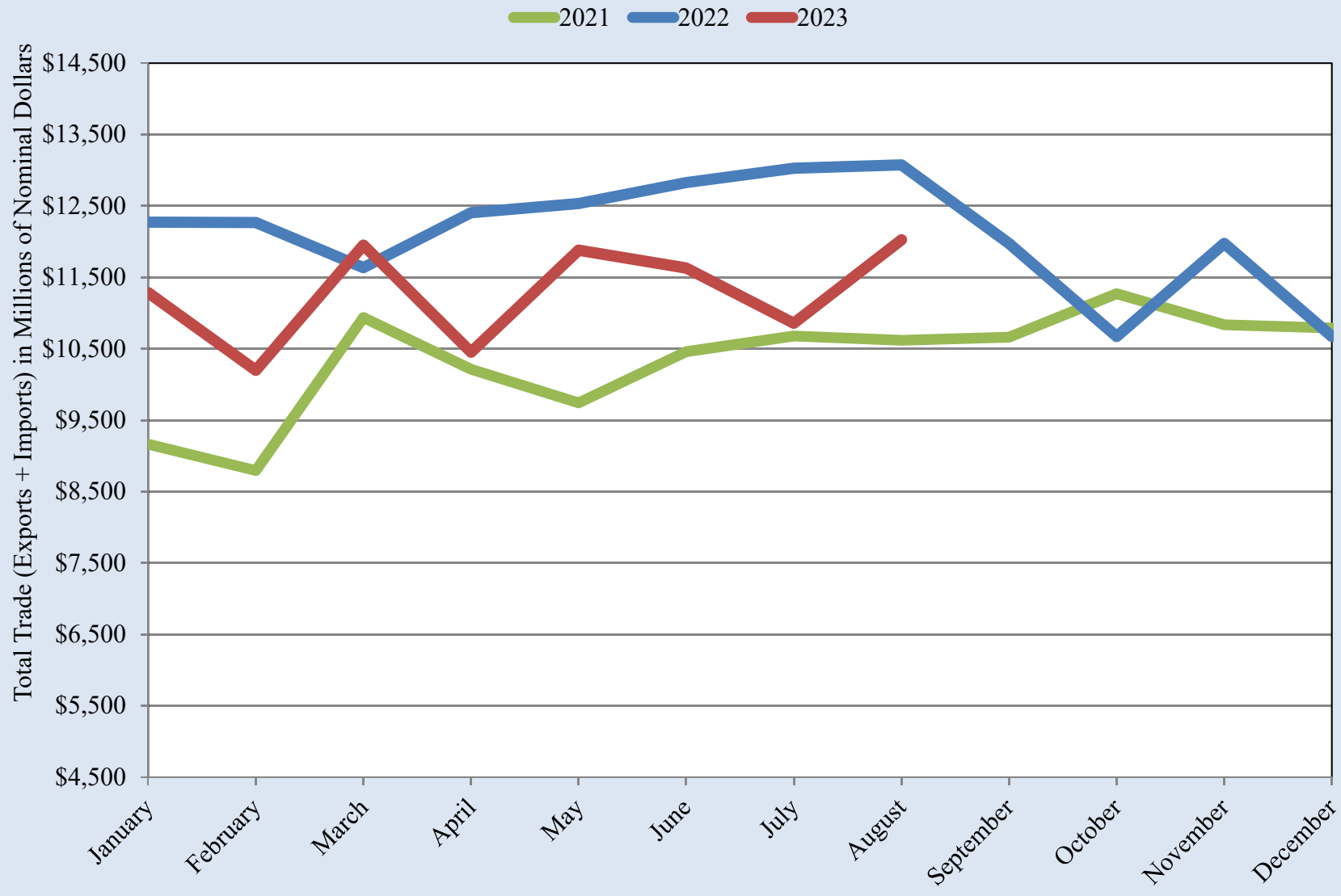
Cargo Truck International Bridge Crossings to El Paso



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



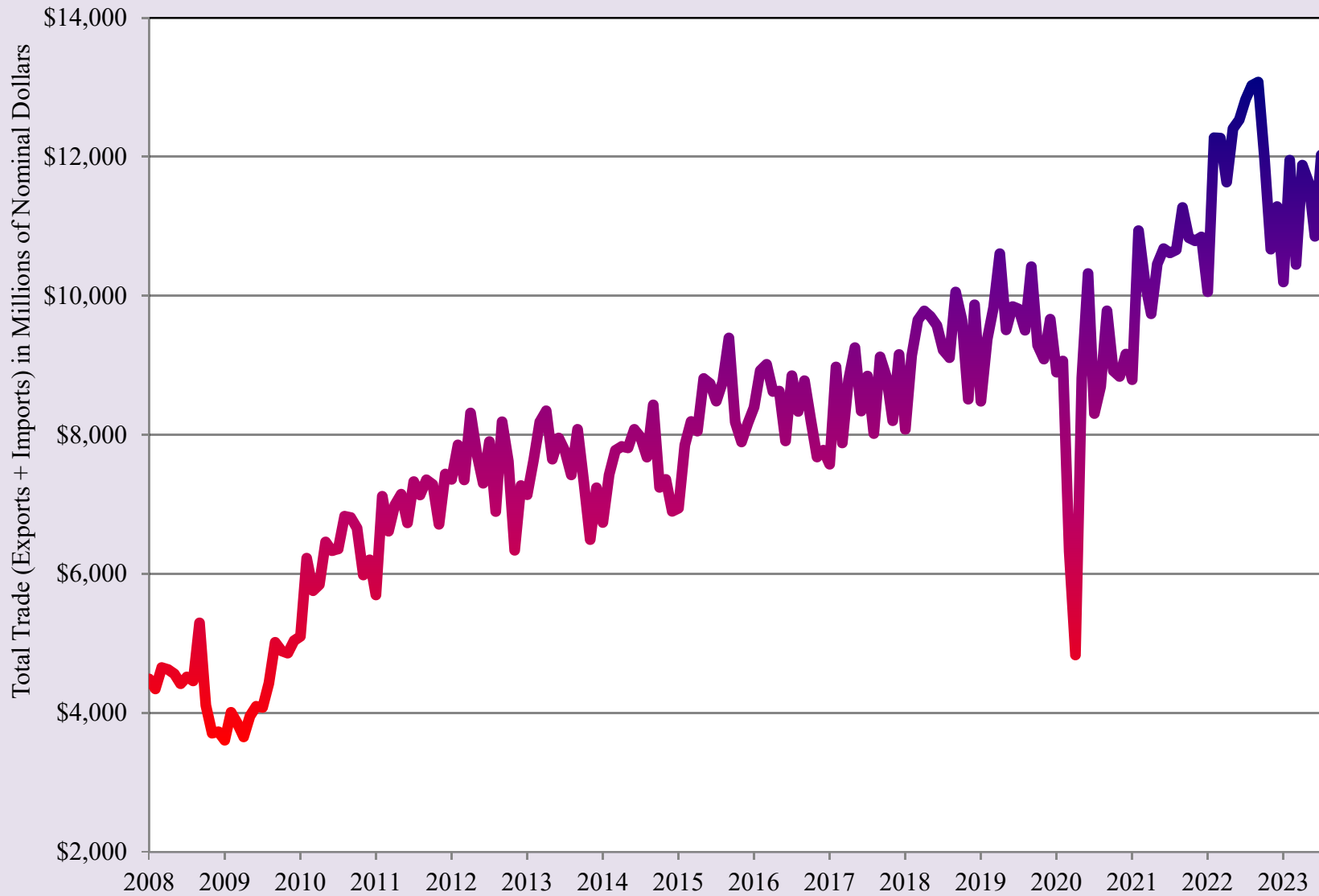
Total Trade through the El Paso Customs District



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



Total Trade through the El Paso Customs District

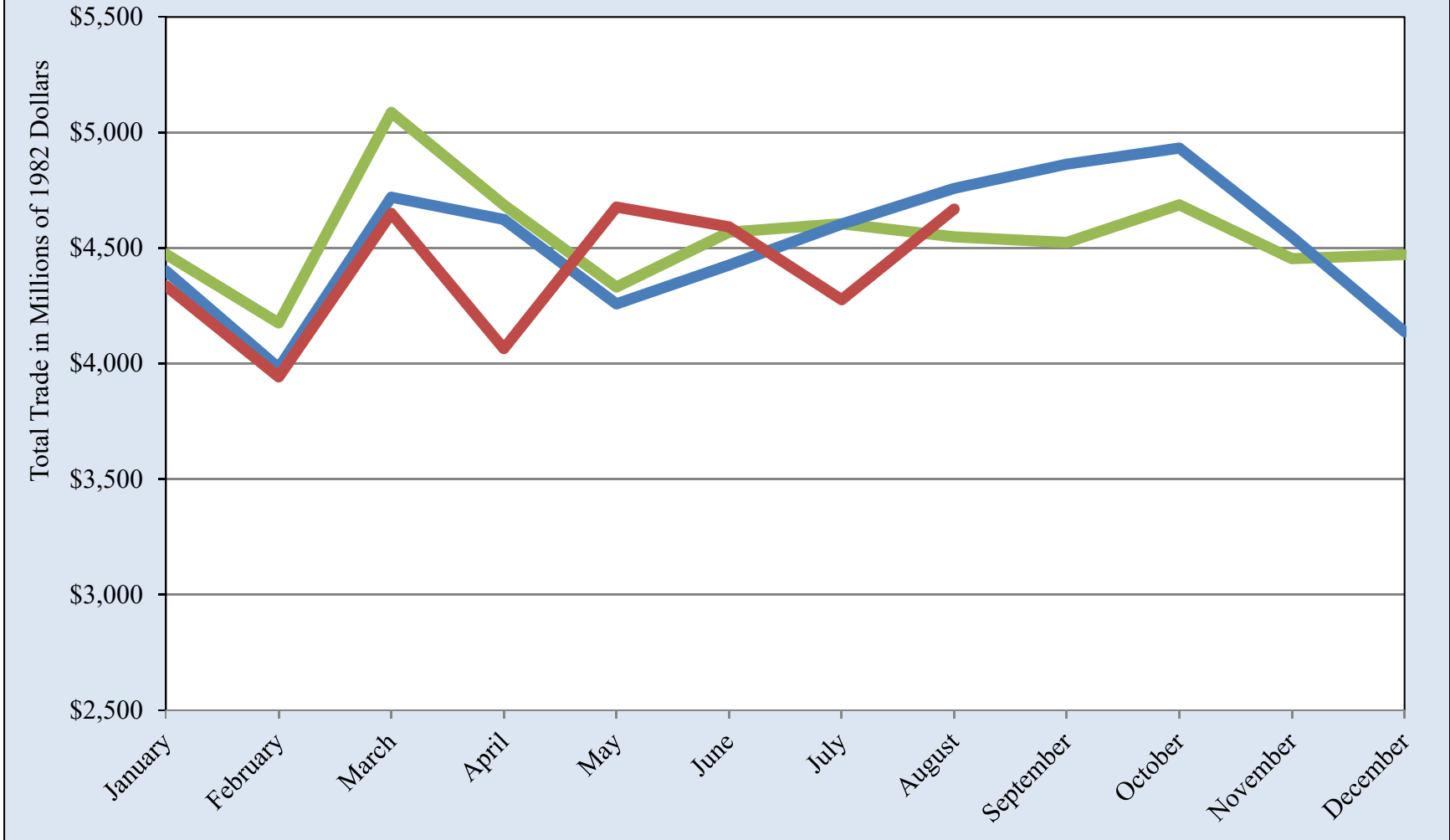


Source: UTEP Border Region Modeling Project using US International Trade Commission Data



Real Total Trade through the El Paso Customs District

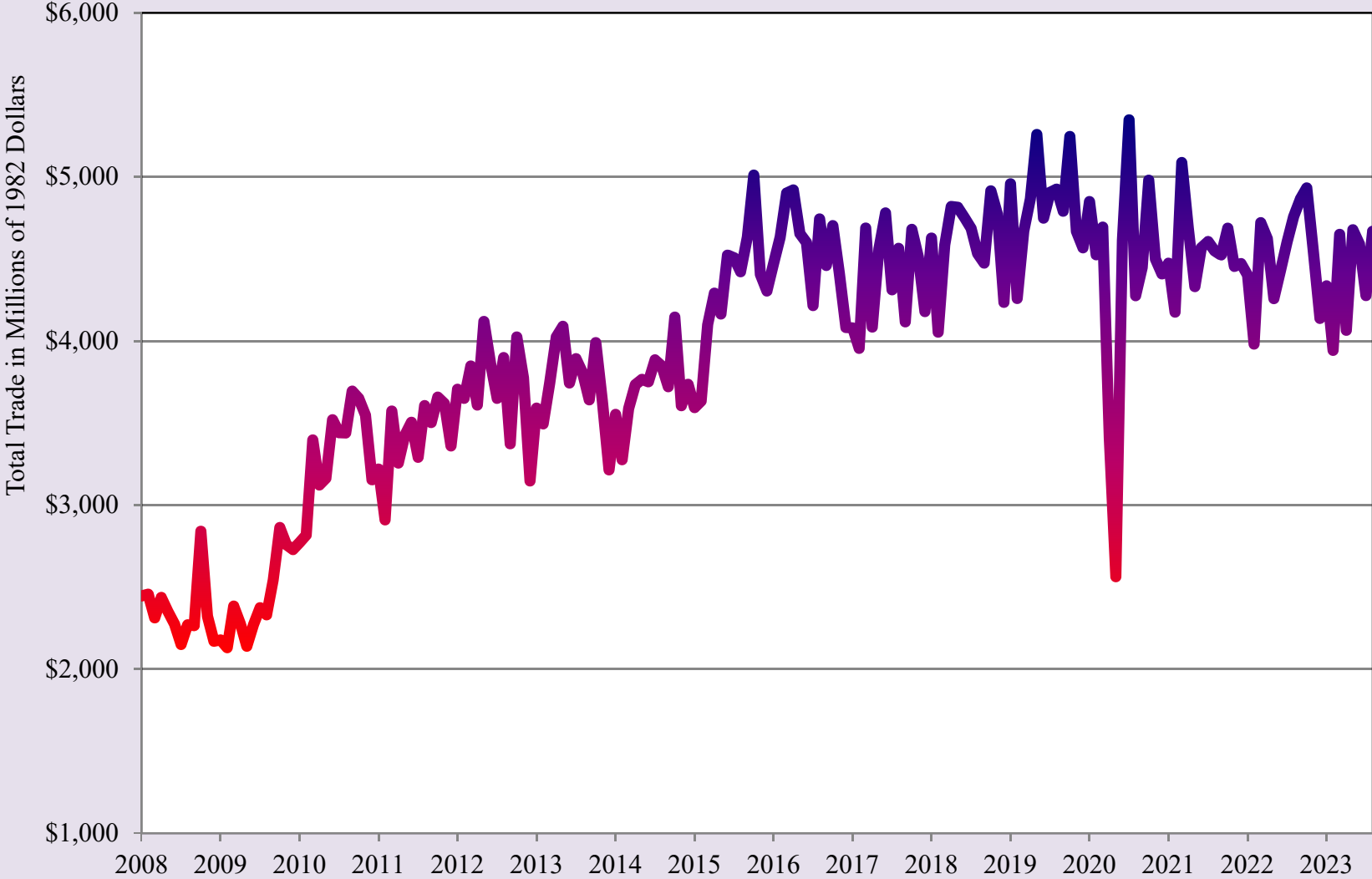
2021 2022 2023



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



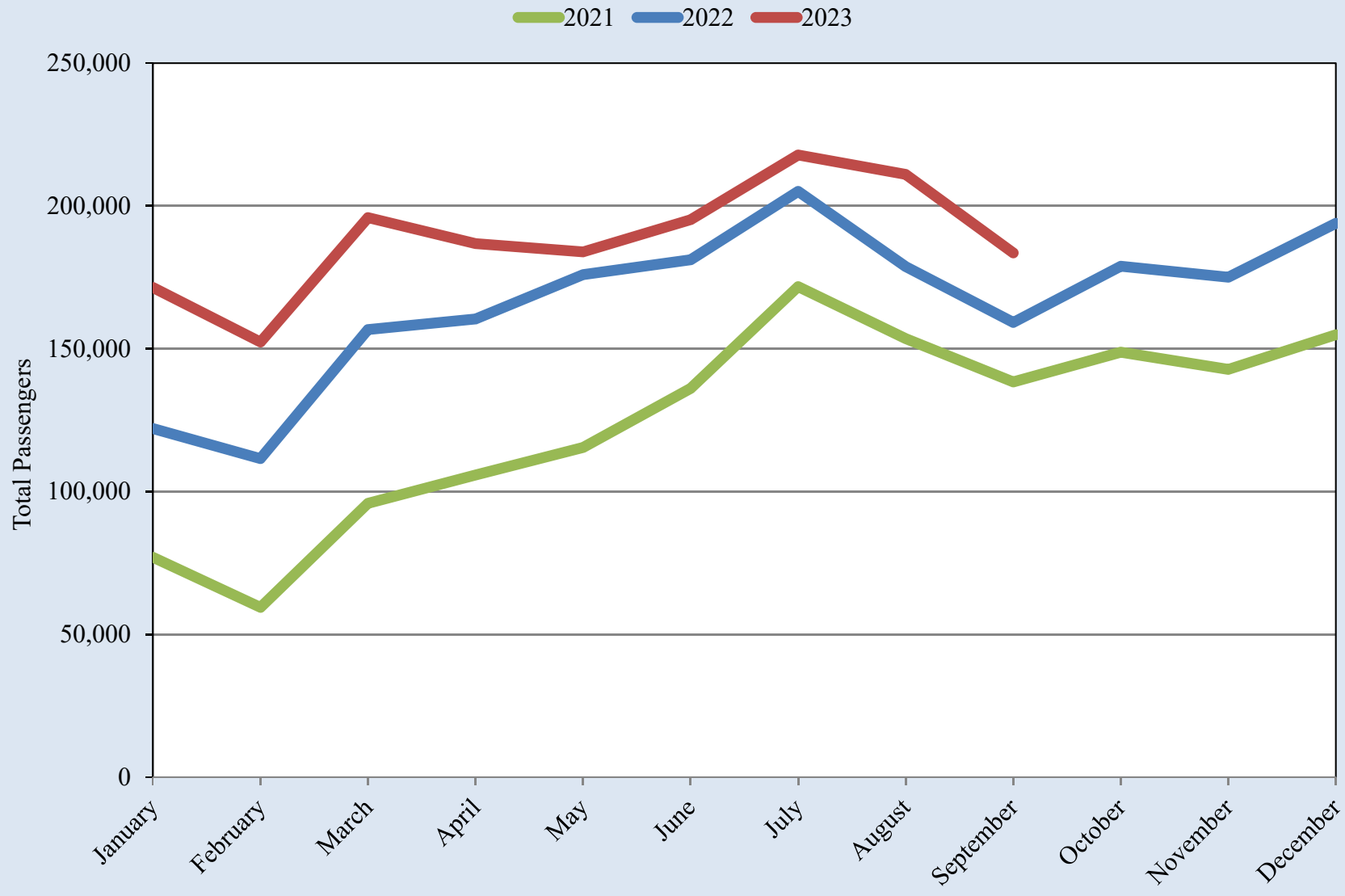
Real Total Trade through the El Paso Customs District



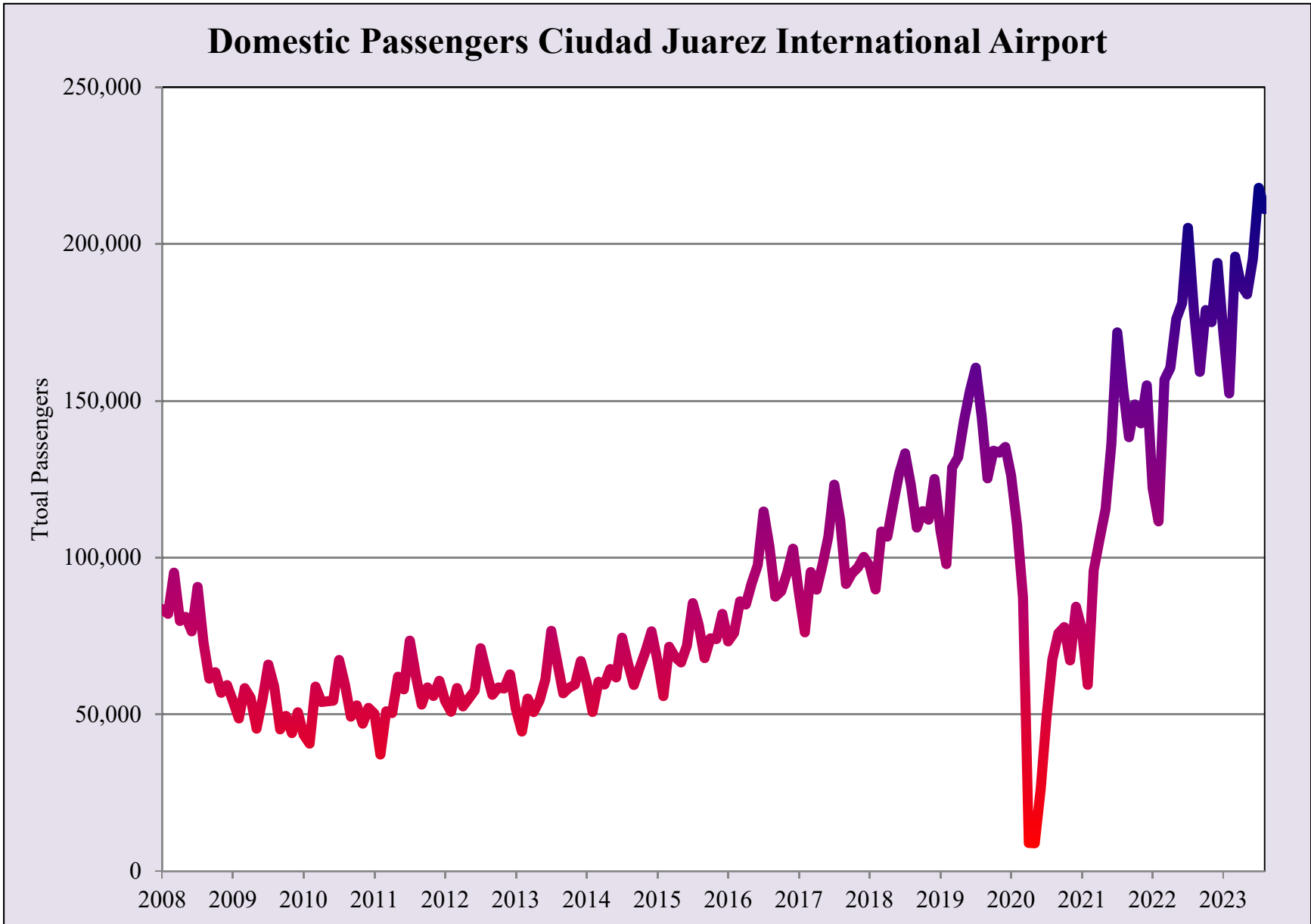
Source: UTEP Border Region Modeling Project using US International Trade Commission Data



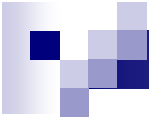
Domestic Passengers Ciudad Juarez International Airport



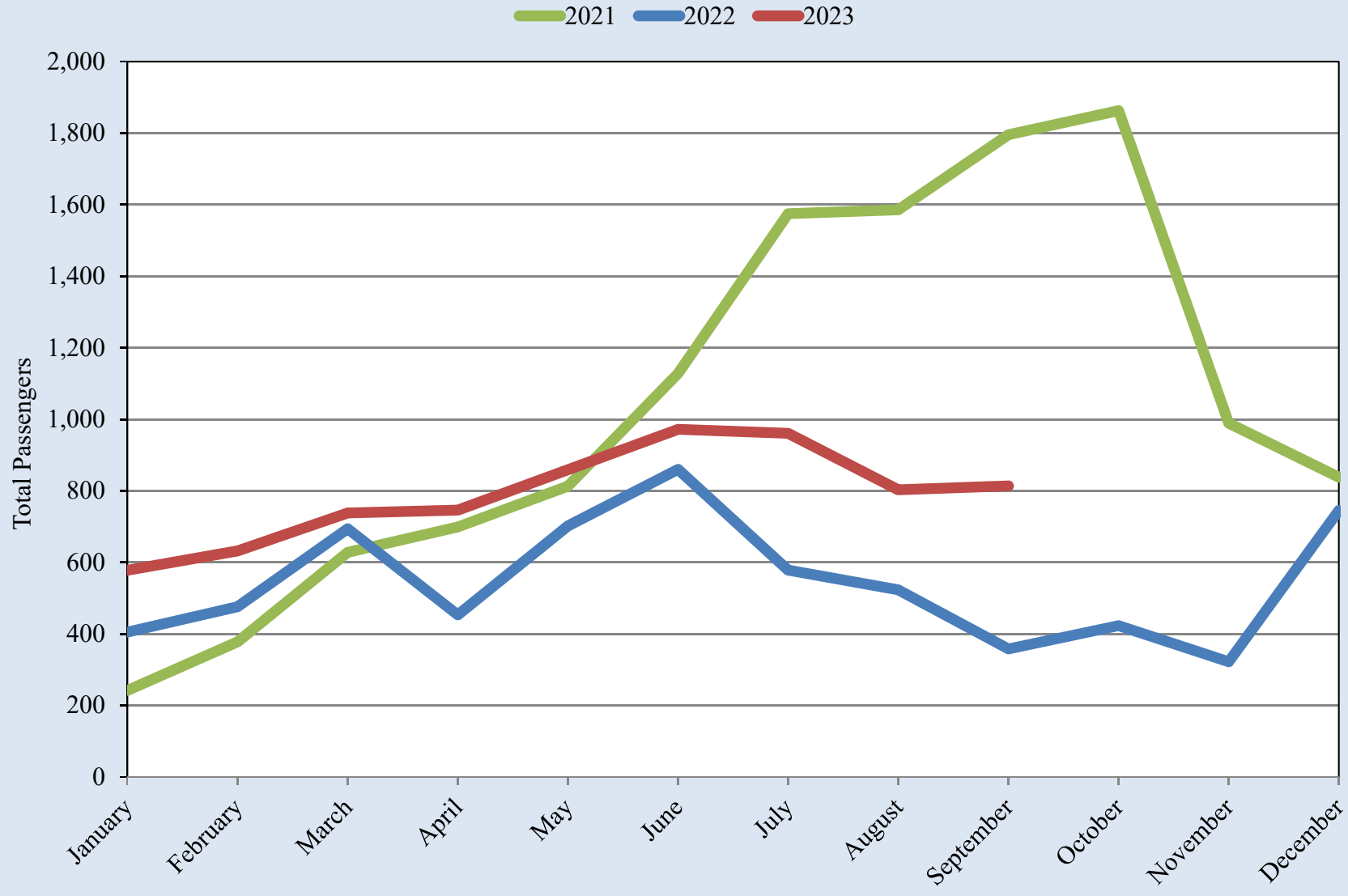
Source: UTEP Border Region Modeling Project using Grupo Aeroportuario Centro Norte - OMA Data



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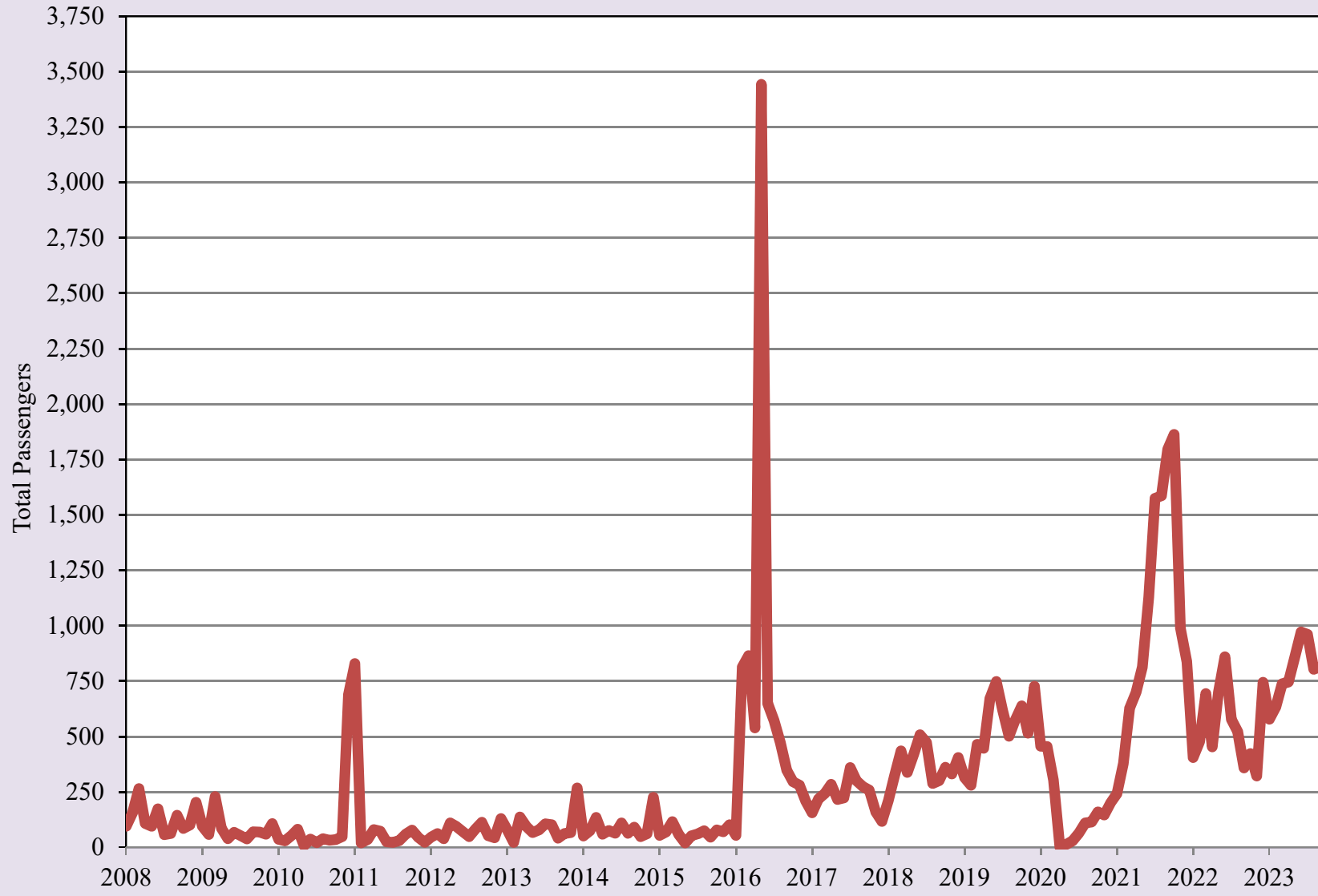
International Passengers Ciudad Juarez International Airport



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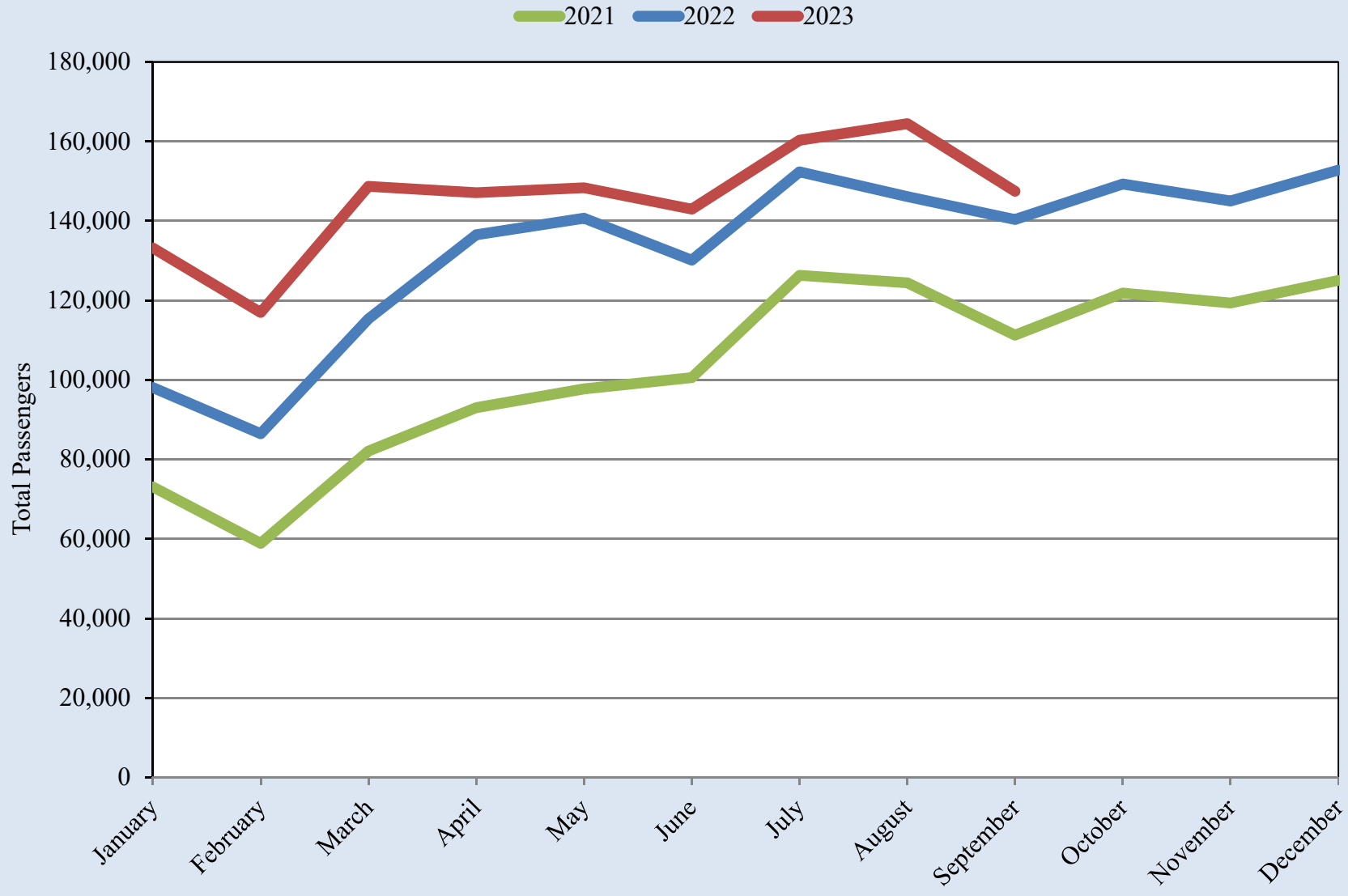
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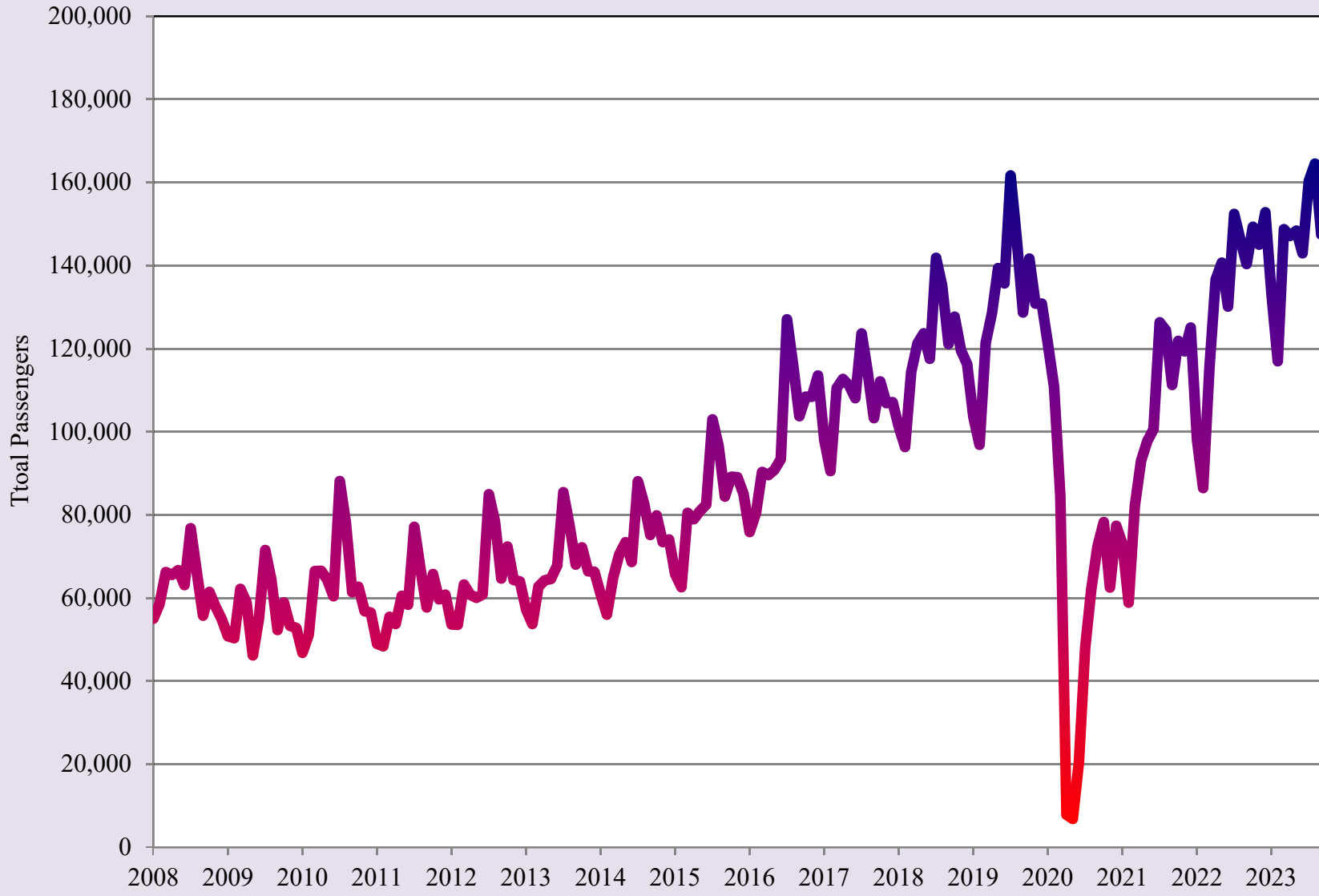
Domestic Passengers Chihuahua City International Airport



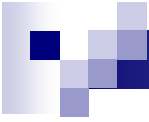
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Domestic Passengers Chihuahua City International Airport



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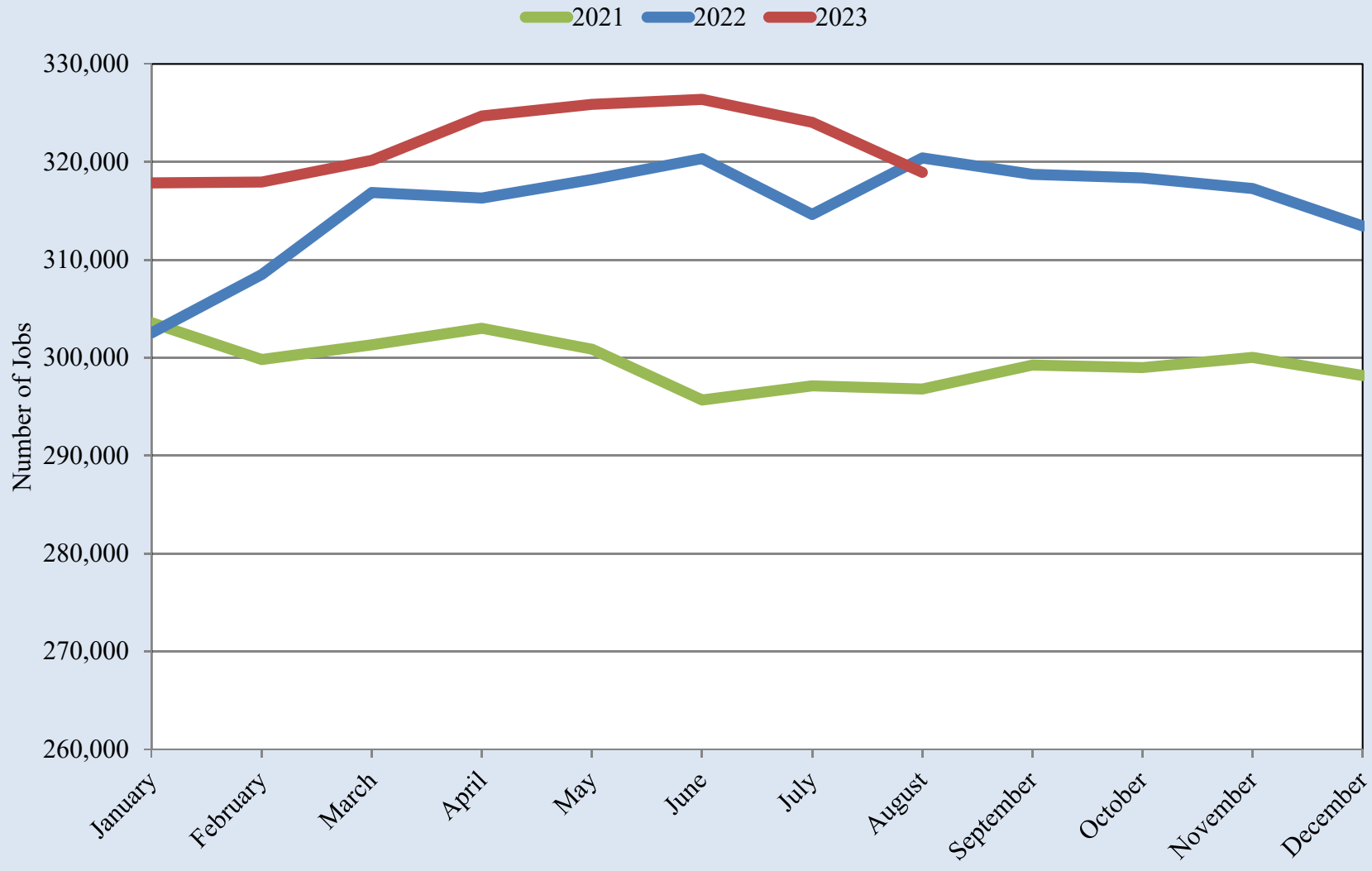
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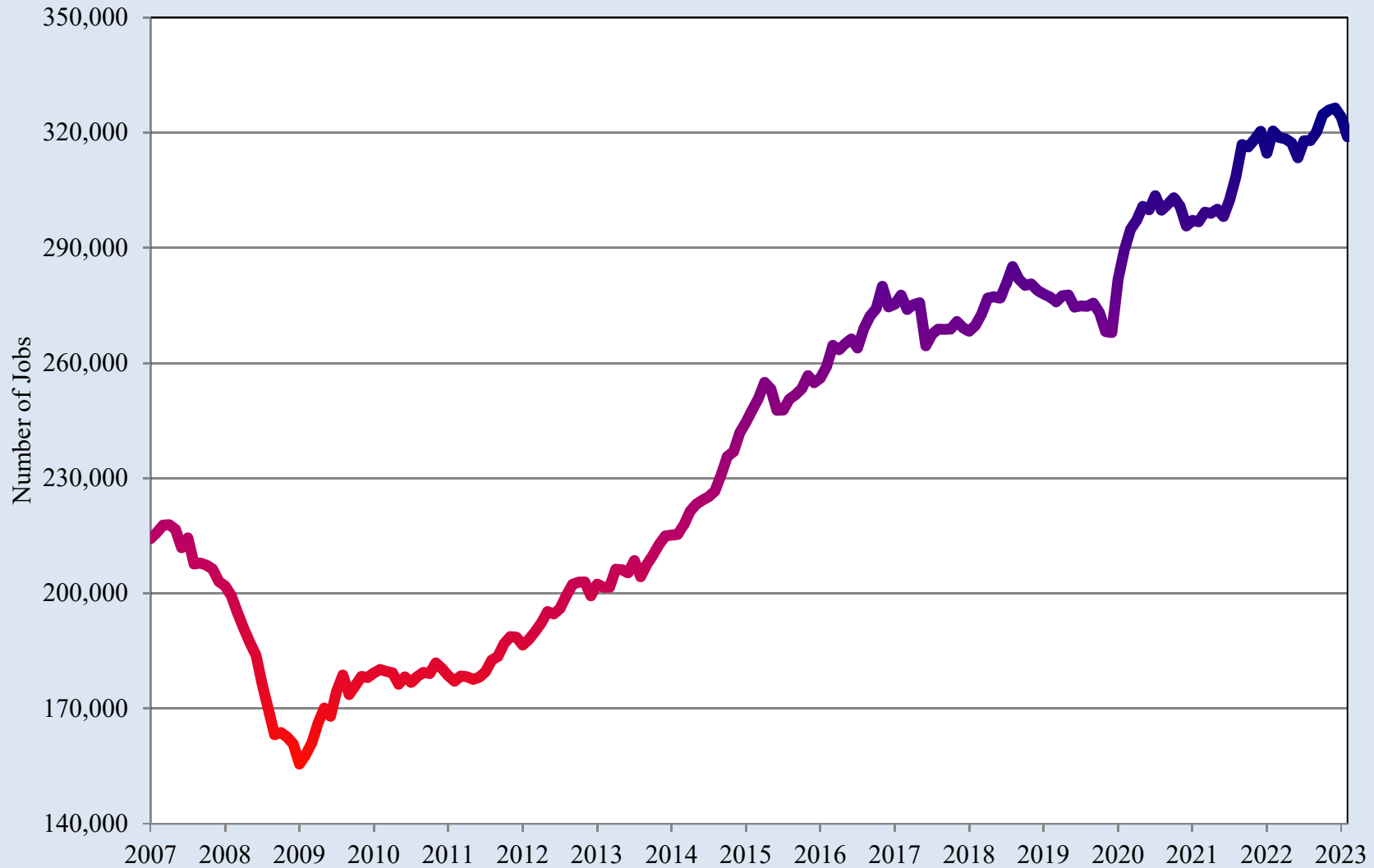
Export-Oriented Manufacturing Employment in Ciudad Juárez



Source: UTEP Border Region Modeling Project using INEGI Data



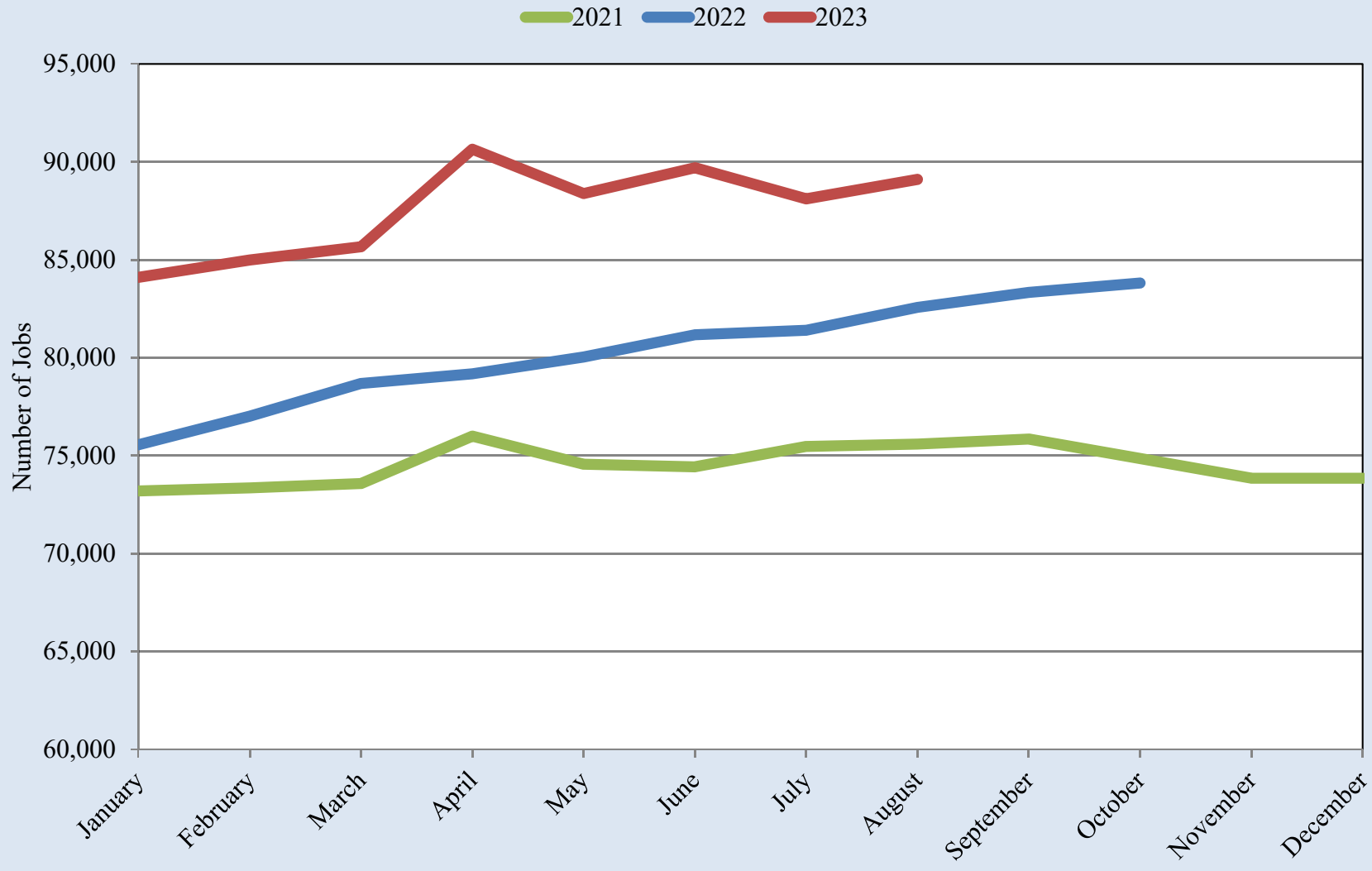
Export-Oriented Manufacturing Employment in Ciudad Juárez



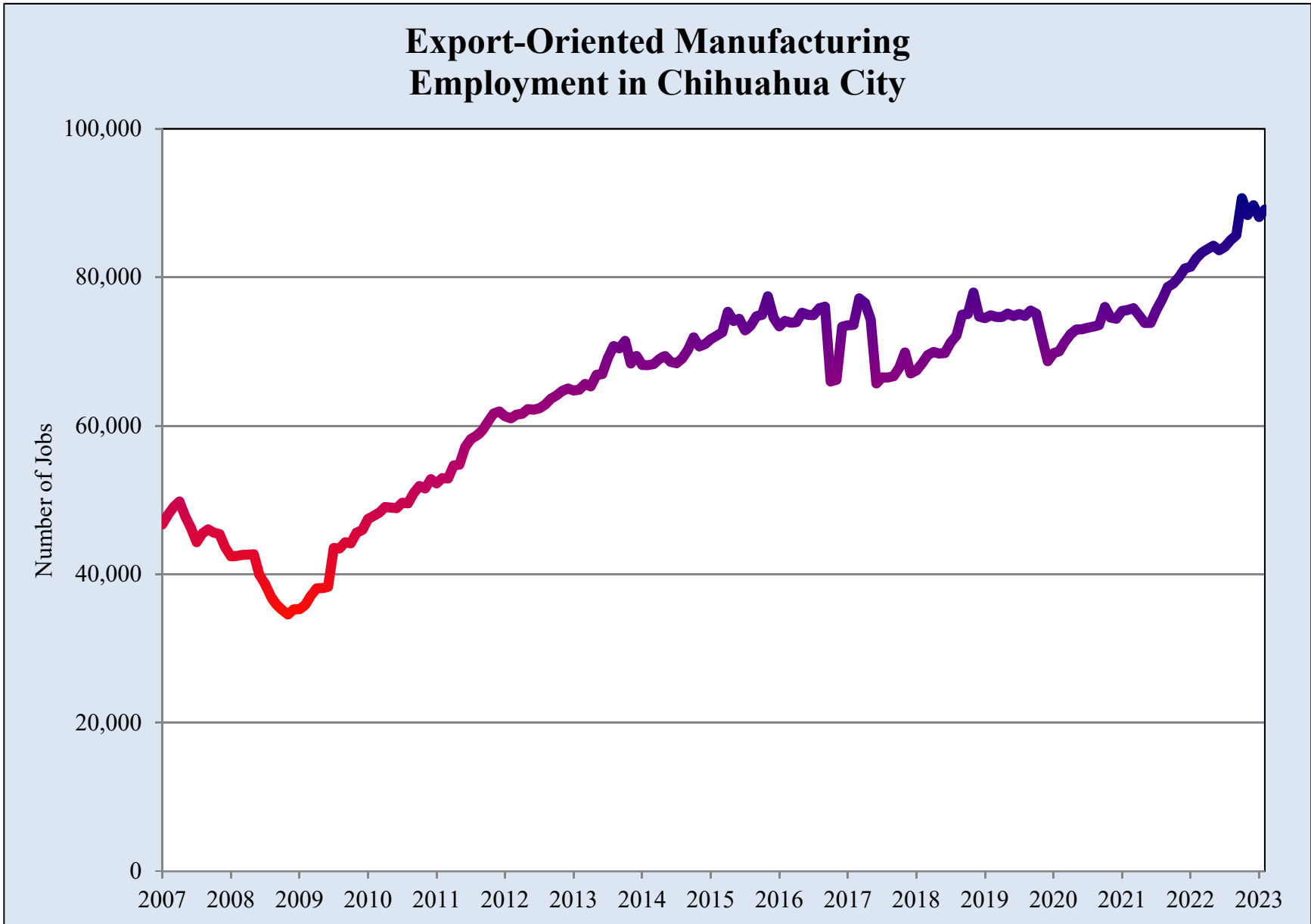
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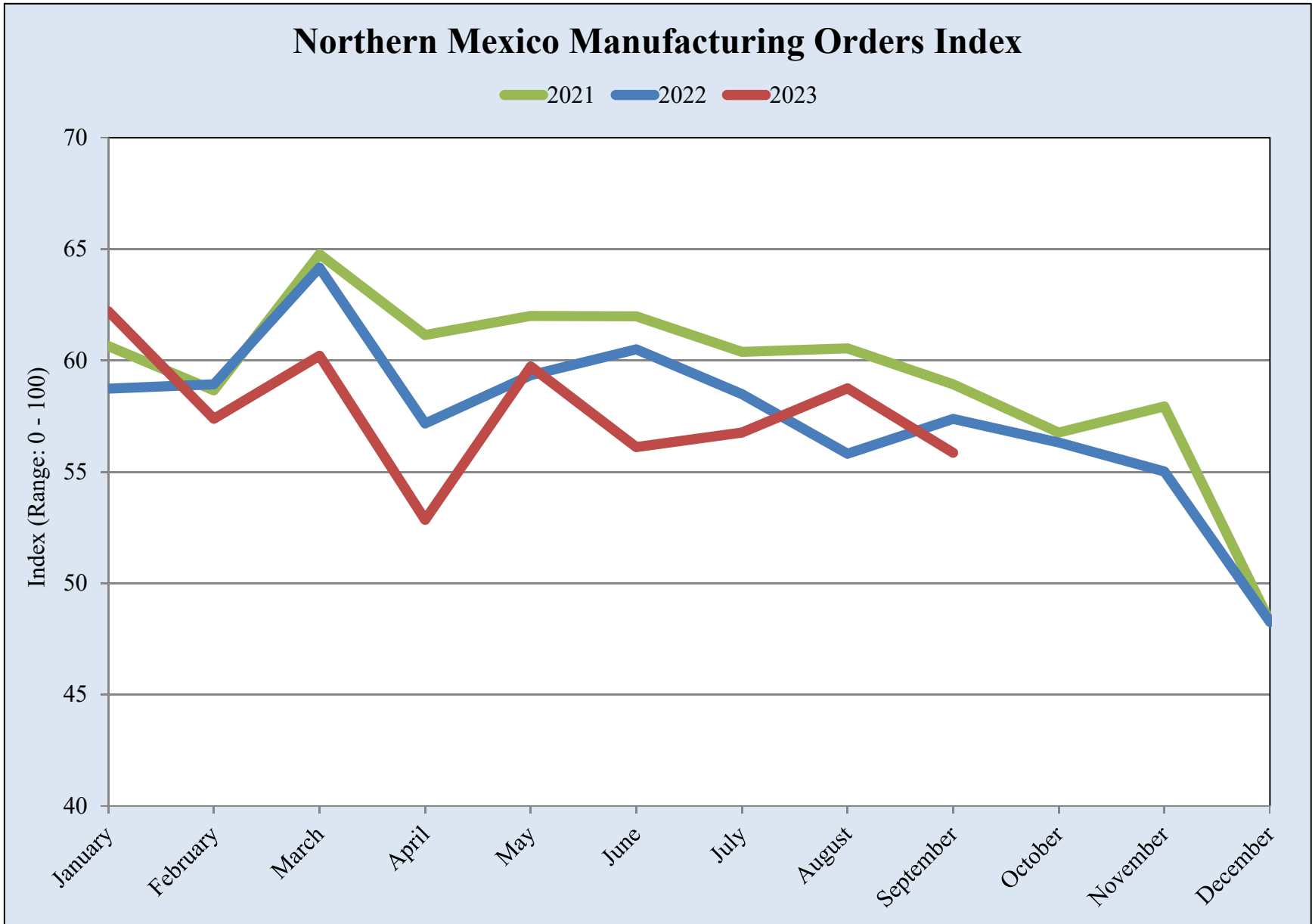
Export-Oriented Manufacturing Employment in Chihuahua City



Source: UTEP Border Region Modeling Project using INEGI Data



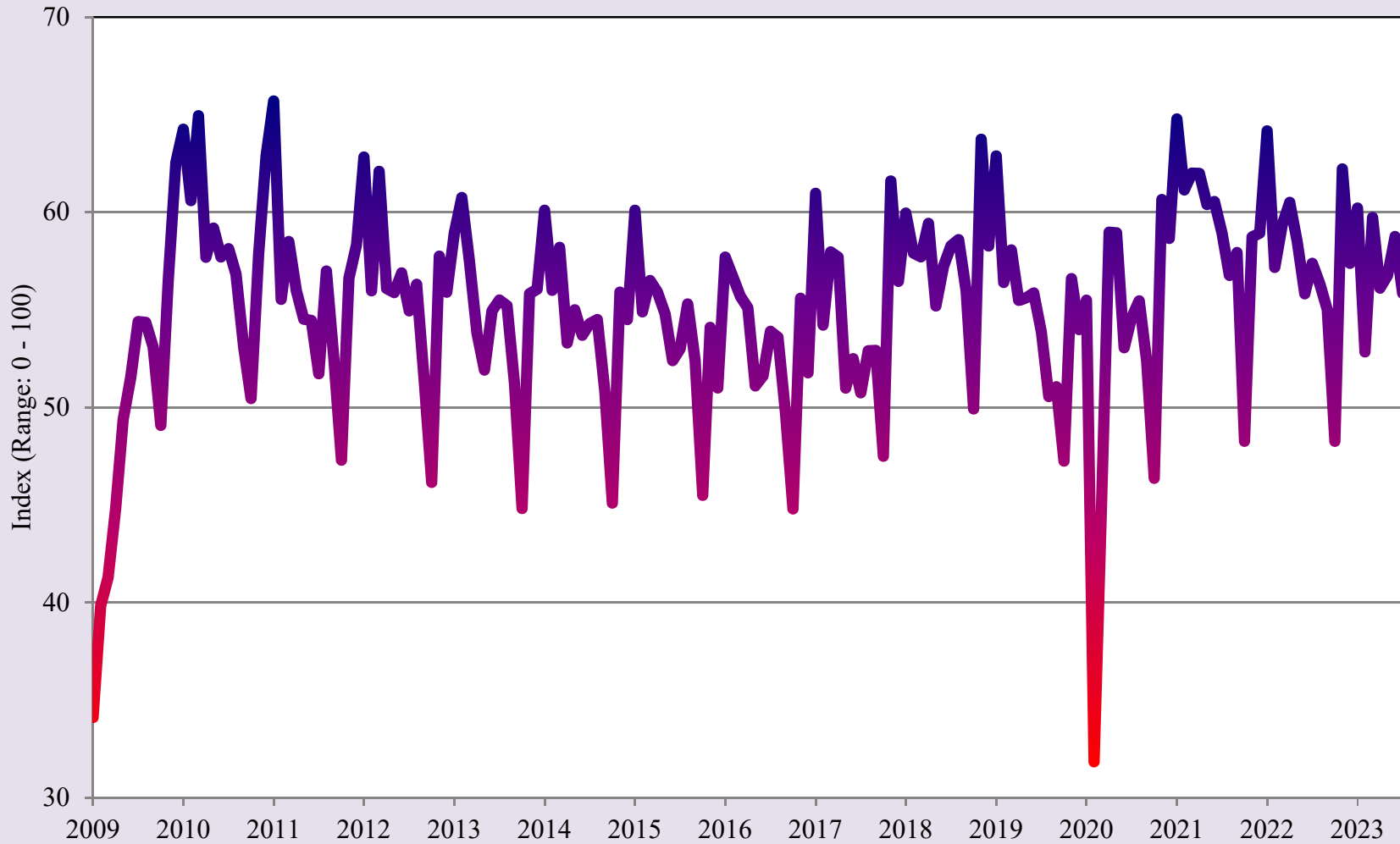
Source: UTEP Border Region Modeling Project using INEGI Data



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



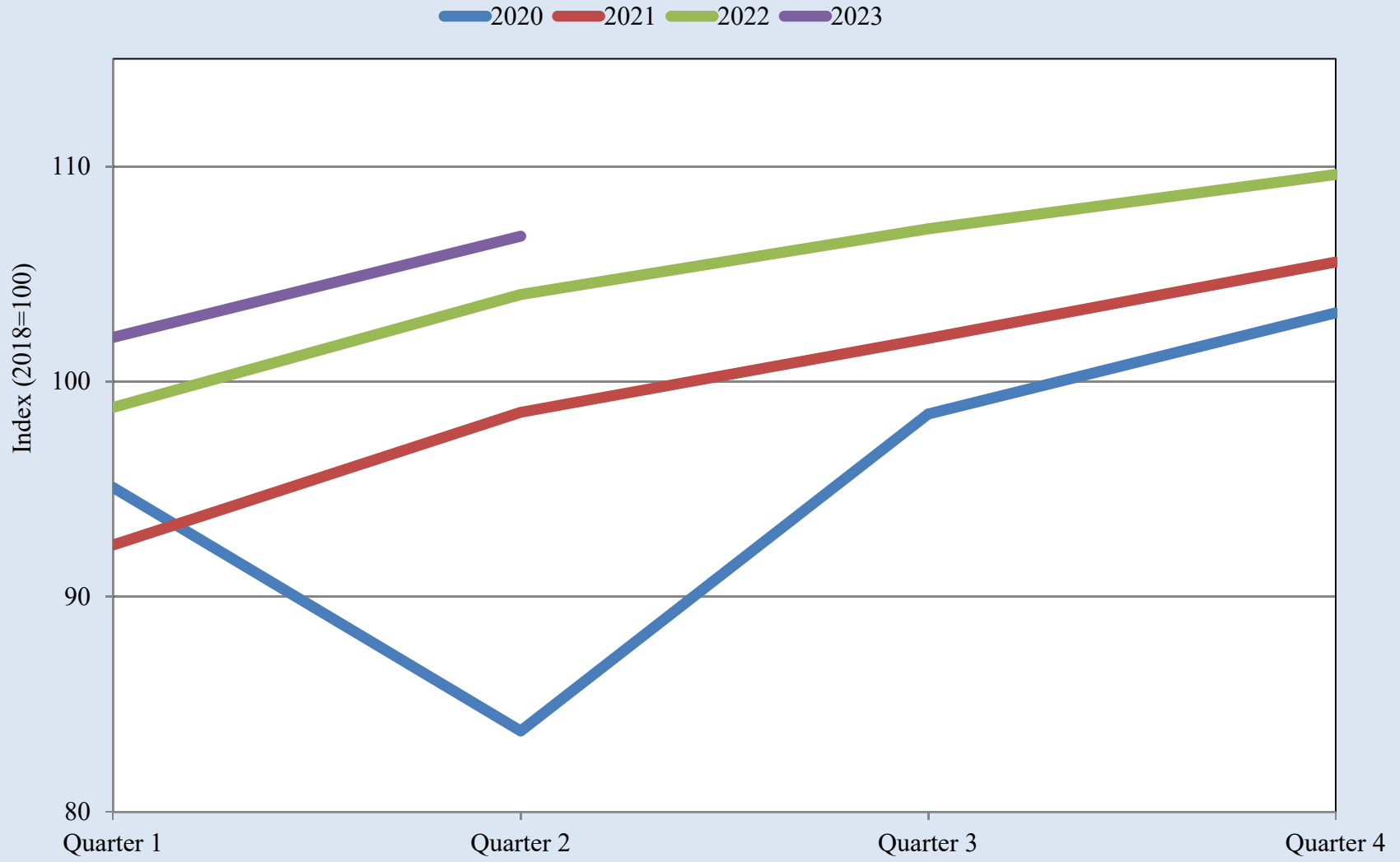
Northern Mexico Manufacturing Orders Index



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



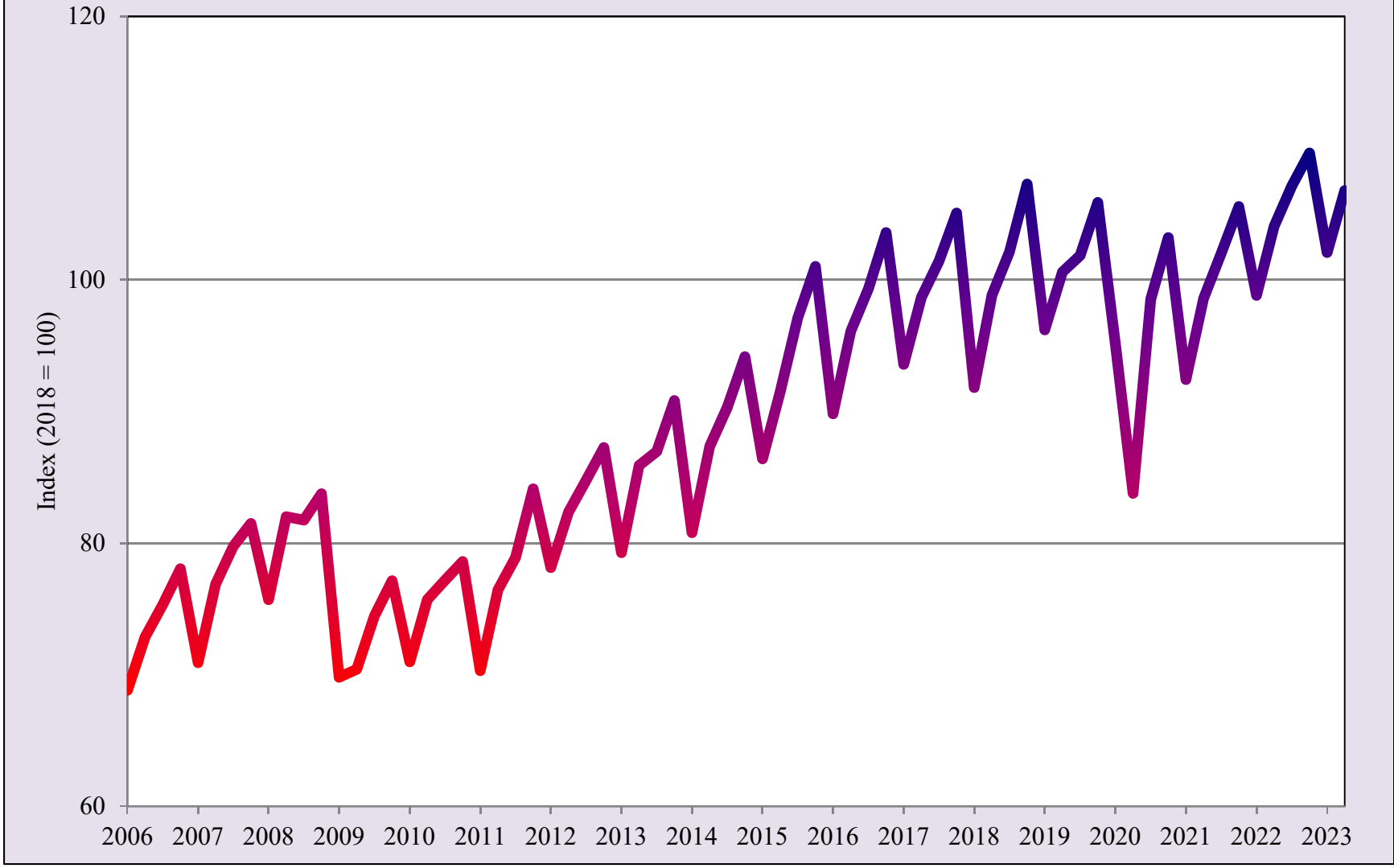
Quarterly Indicator of Economic Activity for the State of Chihuahua



Source: UTEP Border Region Modeling Project using INEGI Data



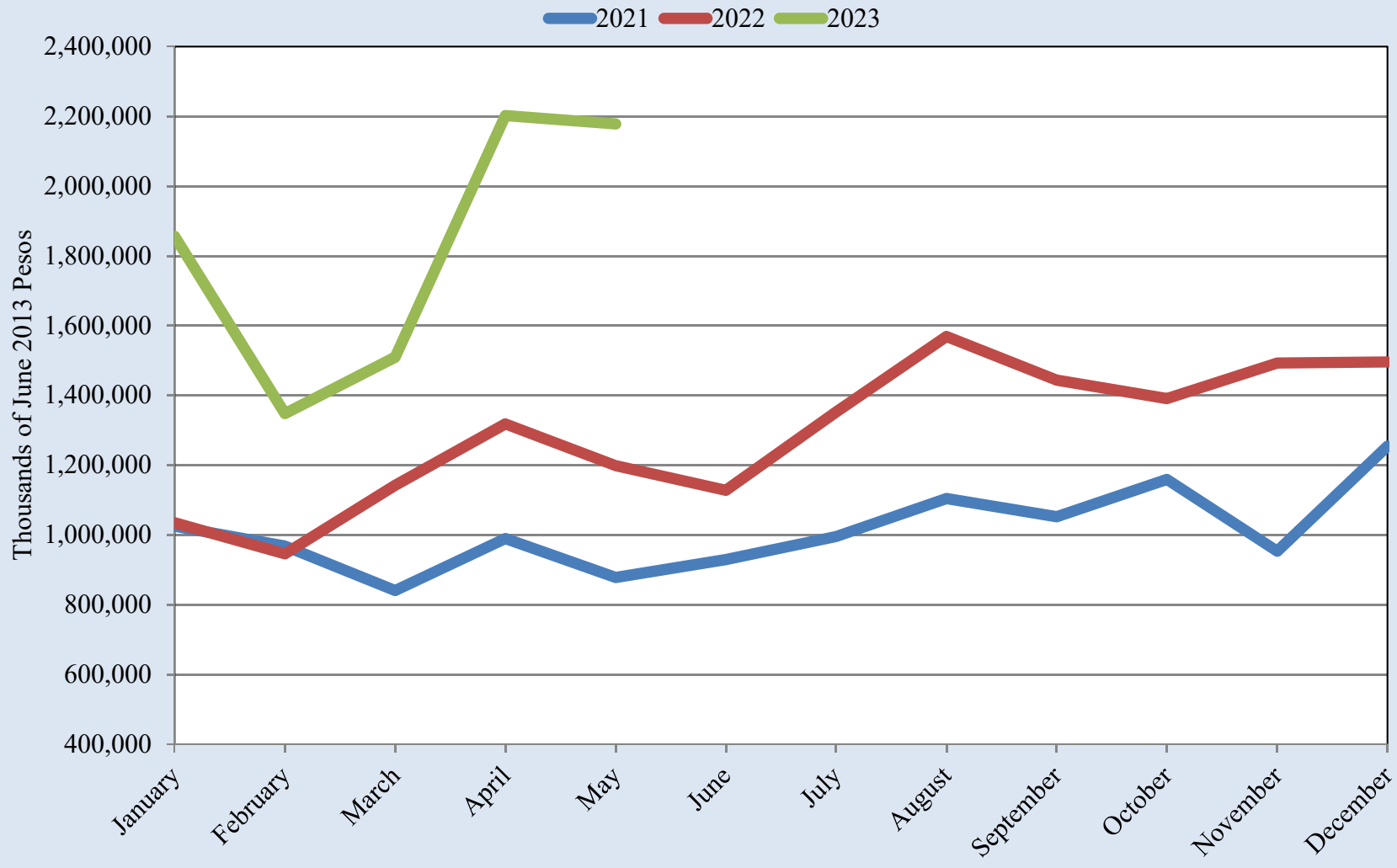
Quarterly Indicator of Economic Activity for the State of Chihuahua



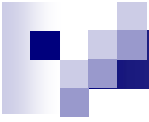
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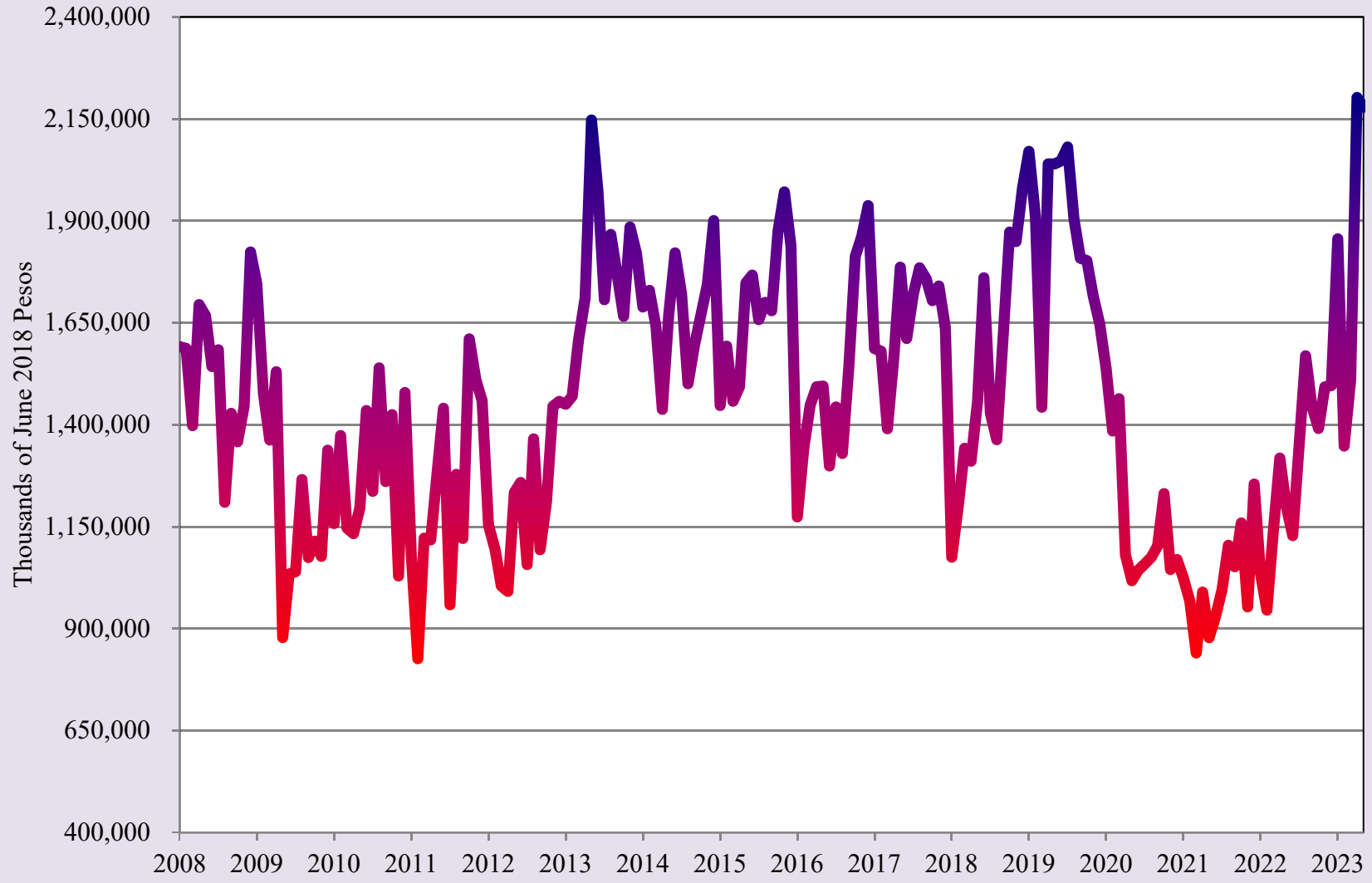
Total Value of Construction in the State of Chihuahua



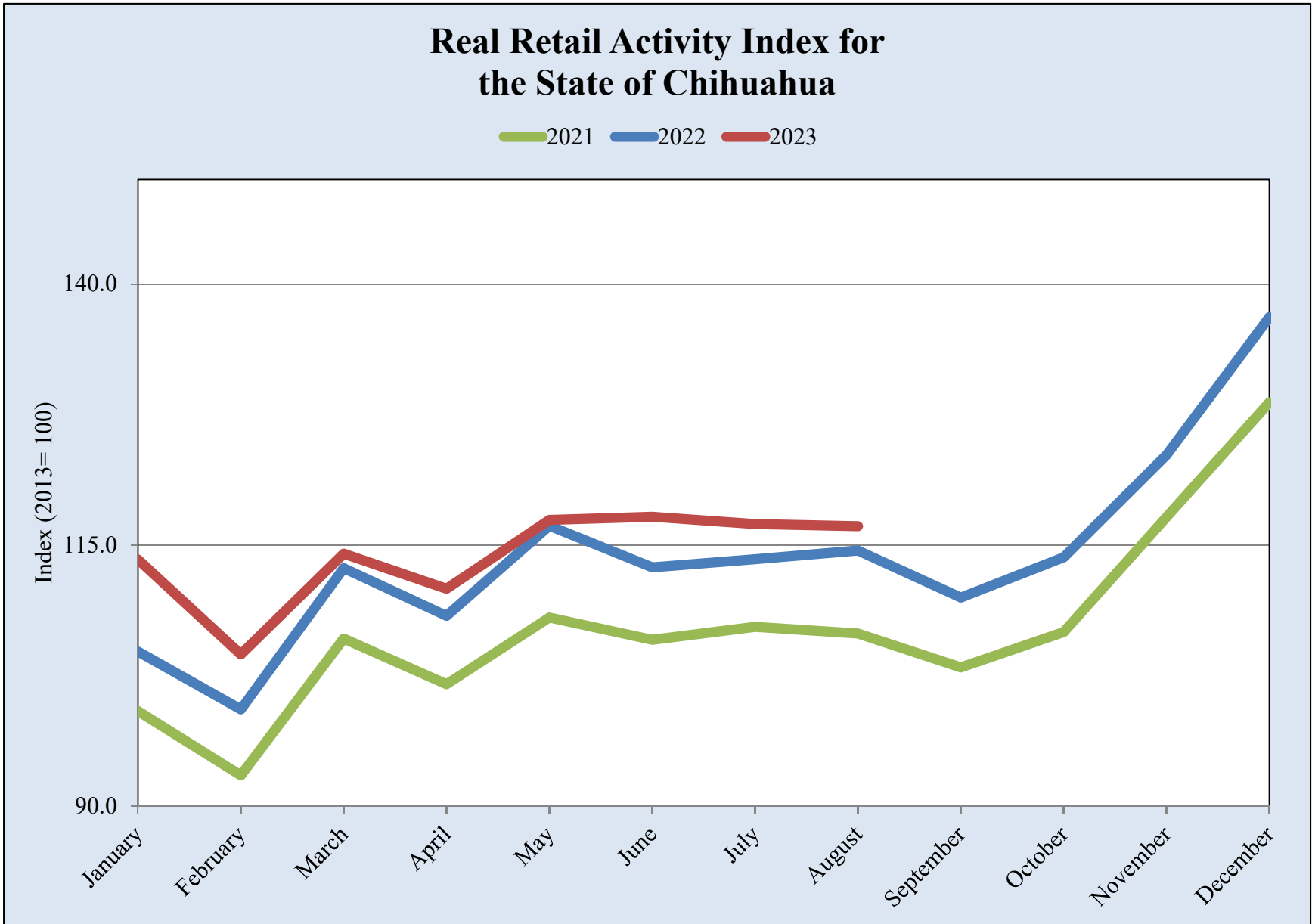
Source: UTEP Border Region Modeling Project using INEGI Data



Total Value of Construction in the State of Chihuahua



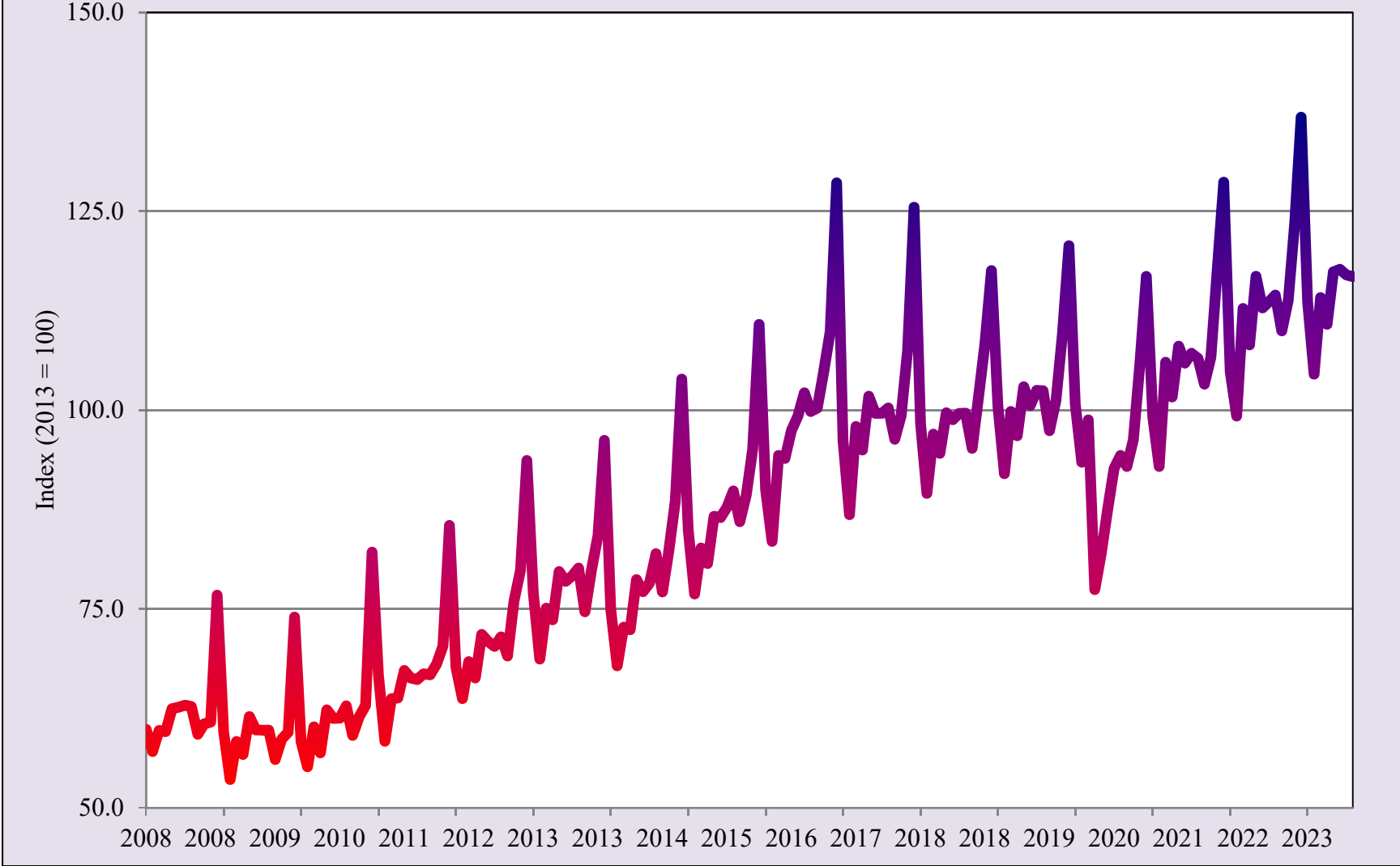
Source: UTEP Border Region Modeling Project using INEGI Data



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



BORDERPLEX BUSINESS BAROMETER

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