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Borderplex Business Barometer, Volume 1, Number12

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BORDERPLEX BUSINESS BAROMETER

December 2017

Border Region Modeling Project

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Border Commerce & Economics

Borderplex Business Barometer, Volume 1, Number 12

Ending the Year on a High Note

The Dallas Fed's Metropolitan Business Cycle Index continued to climb this autumn and remains at an all-time historical record high level. While the El Paso Household Economic Stress Index has increased in recent months, it remains low by historical standards, reflecting healthy economic conditions. After trending downward over much of the year, the local unemployment rate fell to just 3.8 percent in October, a level not observed since 1969. Although the median housing price dipped slightly to \$148,000 in October, housing demand remains fairly robust and months of housing inventory have been stable at less than 6 months throughout 2017. El Paso gasoline prices averaged \$2.42 in November, nearly 40 cents per gallon above the level observed in July. Most of the price increase occurred in the aftermath of Hurricane Harvey and downward moves may result as Gulf Coast refinery capacity recovers.

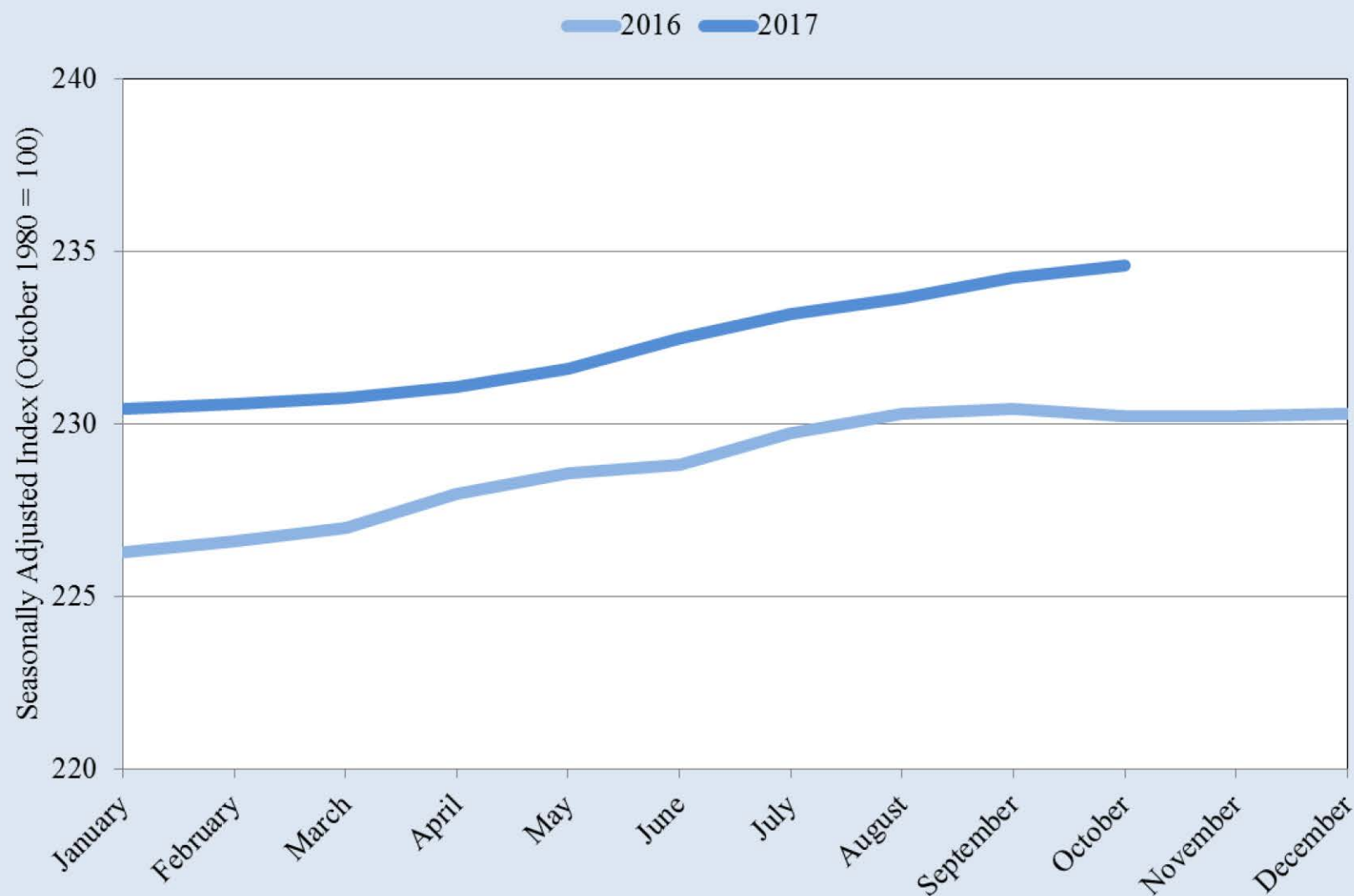
The Las Cruces area economy also appears to be making progress after several years of stalled growth. The Doña Ana County unemployment rate recorded in October was 6.2 percent. That is the sixth consecutive month of jobless rate declines and represents the lowest rate observed since December 2008. Beyond that, the number of area households enrolled in the Supplemental Nutrition Assistance Program (SNAP) remained virtually unchanged from August to October, another sign that Mesilla Valley economic momentum is slowly improving.

The US-Mexico nominal exchange rate increased to 18.7 pesos per dollar in October. The real peso-to-dollar exchange rate index also ticked upward slightly in September and October after steadily declining in the first part of the year. In recent months the peso's fortunes have fluctuated in response to NAFTA renegotiation concerns and damages resulting from recent earthquakes. Peso depreciation reduces the attractiveness of El Paso retail outlets for price-conscious shoppers from Mexico. On the flipside, however, a weaker peso tends to benefit retailers and export-oriented industries in Ciudad Juárez and other northern Mexico border cities.

Another variable that is likely to be affected by the outcome of NAFTA negotiations is the number of export-oriented (IMMEX) manufacturing jobs in Ciudad Juárez. Following multiple years of rapid expansion, export-processing sector payrolls have tapered off since May. Although IMMEX employment remained virtually unchanged between April and September, the September figure is still 3.5 percent higher than its year-ago level. The Northern Mexico Manufacturing Orders Index rose slightly in October and has been higher, on average, in 2017 relative to 2016, so an IMMEX contraction does not appear imminent.

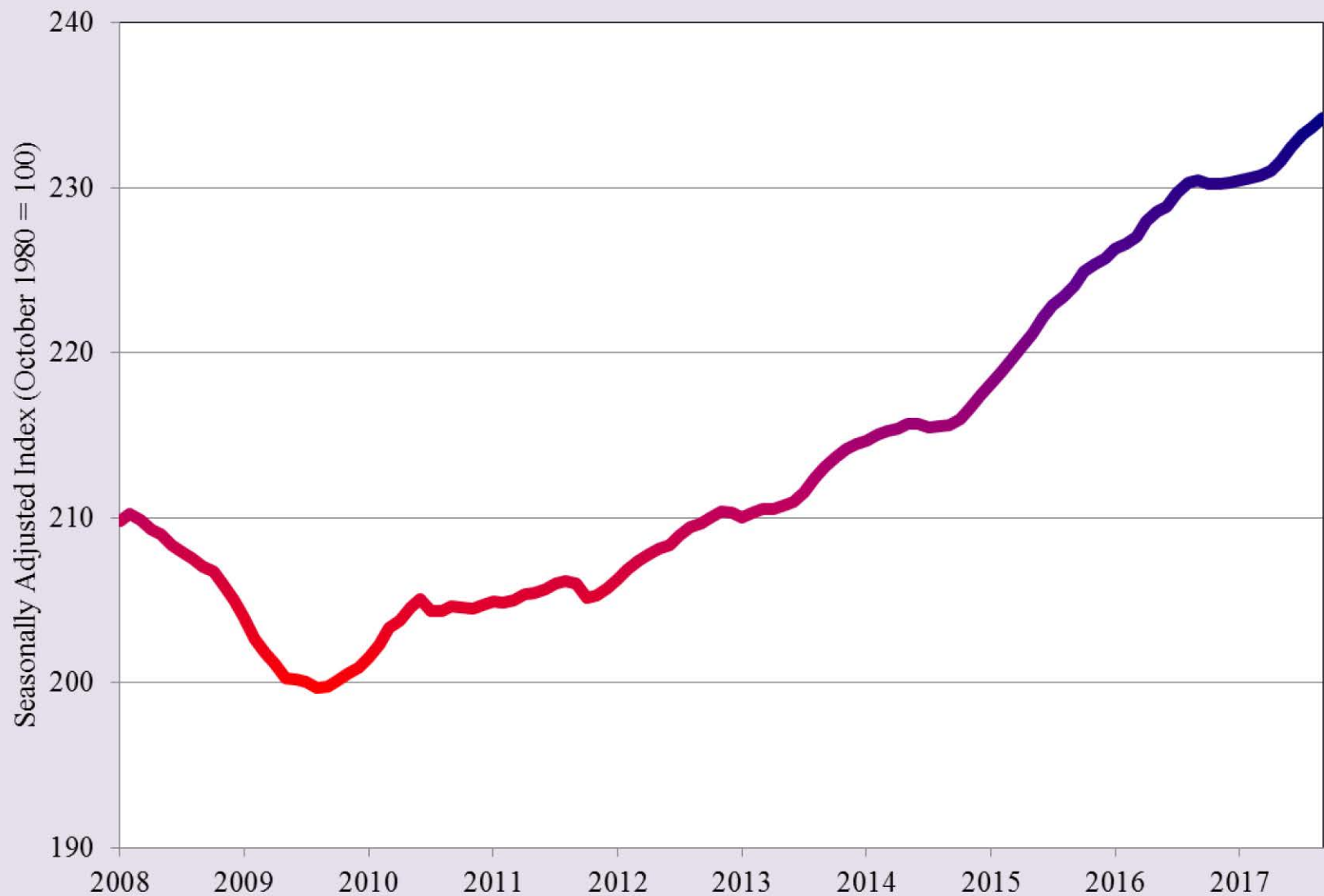
The Quarterly Indicator of Economic Activity indicates that Chihuahua's state economy experienced growth in the first half of 2017 (data are not yet available for the second half of the year). However, the real value of construction activity in the state has continued to slide in September, a trend that began in late 2016. The figure for September 2017, \$1.25 billion 2012 pesos, represents a 26 percent decline relative to September, 2016. The combined effects of higher interest rates in Mexico and uncertainty regarding the fate of NAFTA likely contribute to the drop in Chihuahua state construction activity by curtailing business sector fixed investment. Retail activity in the state of Chihuahua, in contrast, remains relatively strong. Over the first nine months of 2017, real retail income increased by 2.1 percent compared to the first three quarters of 2016.

Metro Business-Cycle Index for El Paso



Source: Federal Reserve Bank of Dallas

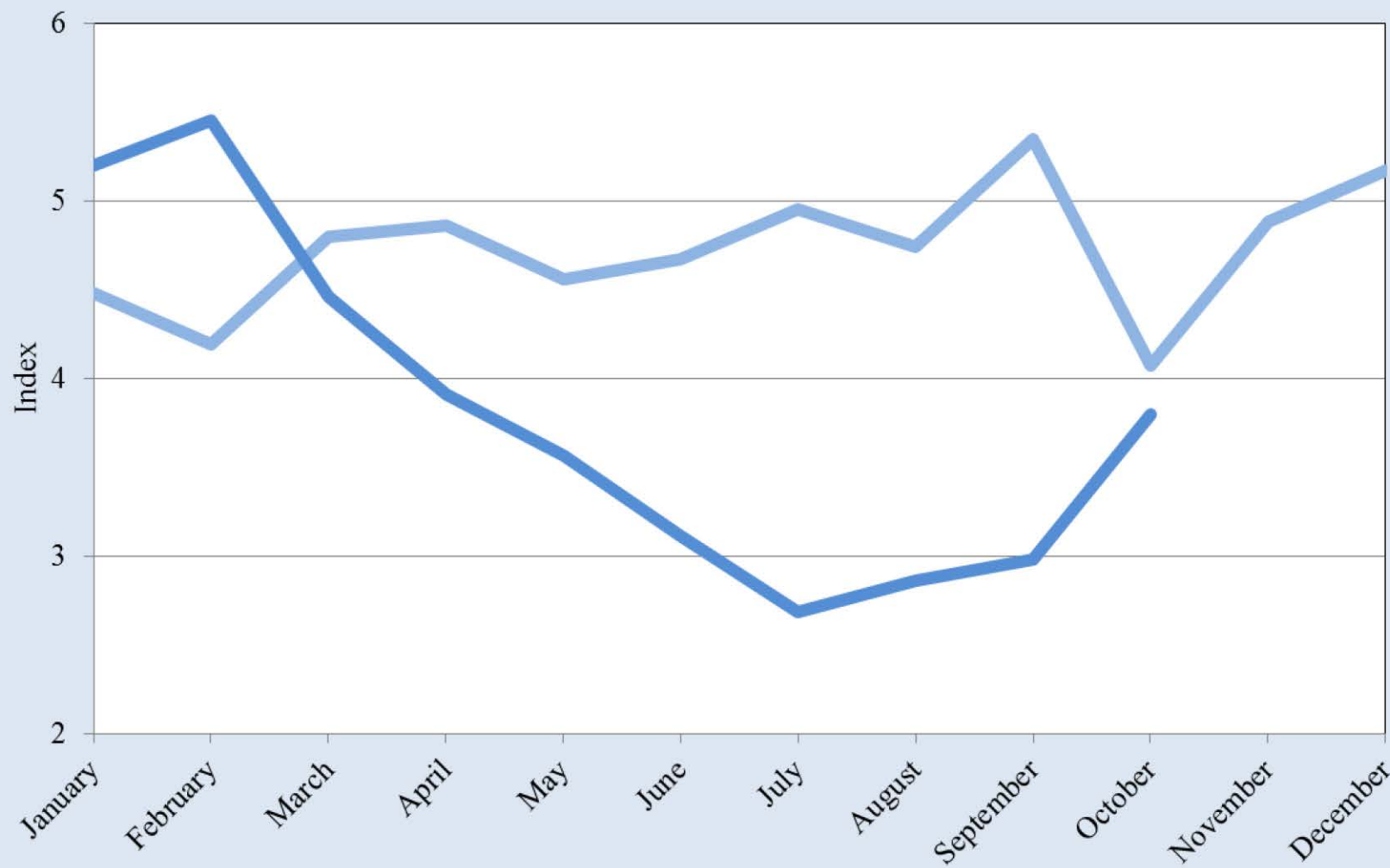
Metro Business-Cycle Index for El Paso



Source: Federal Reserve Bank of Dallas

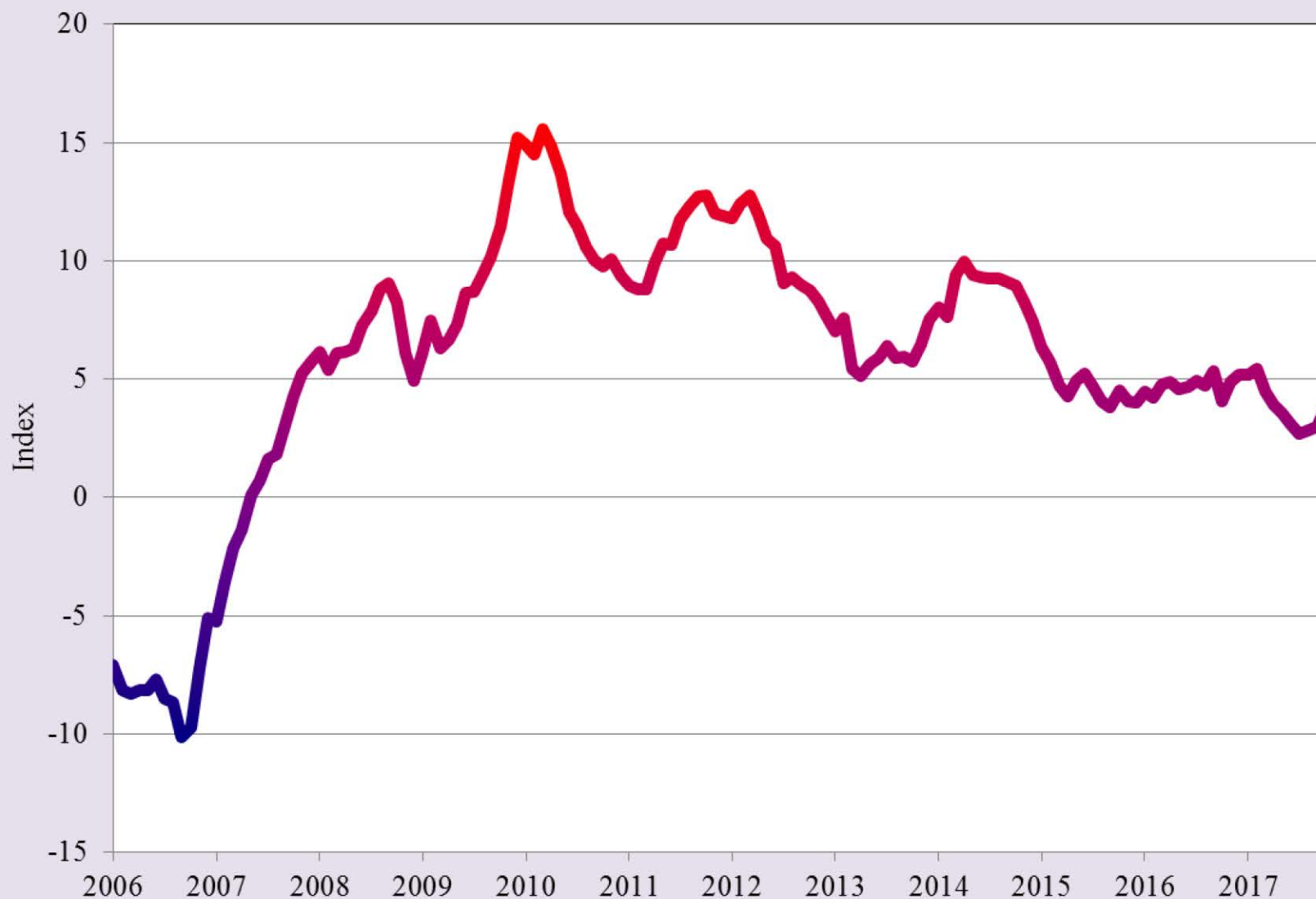
El Paso Household Economic Stress Index

— 2016 — 2017



Source: UTEP Border Region Modeling Project

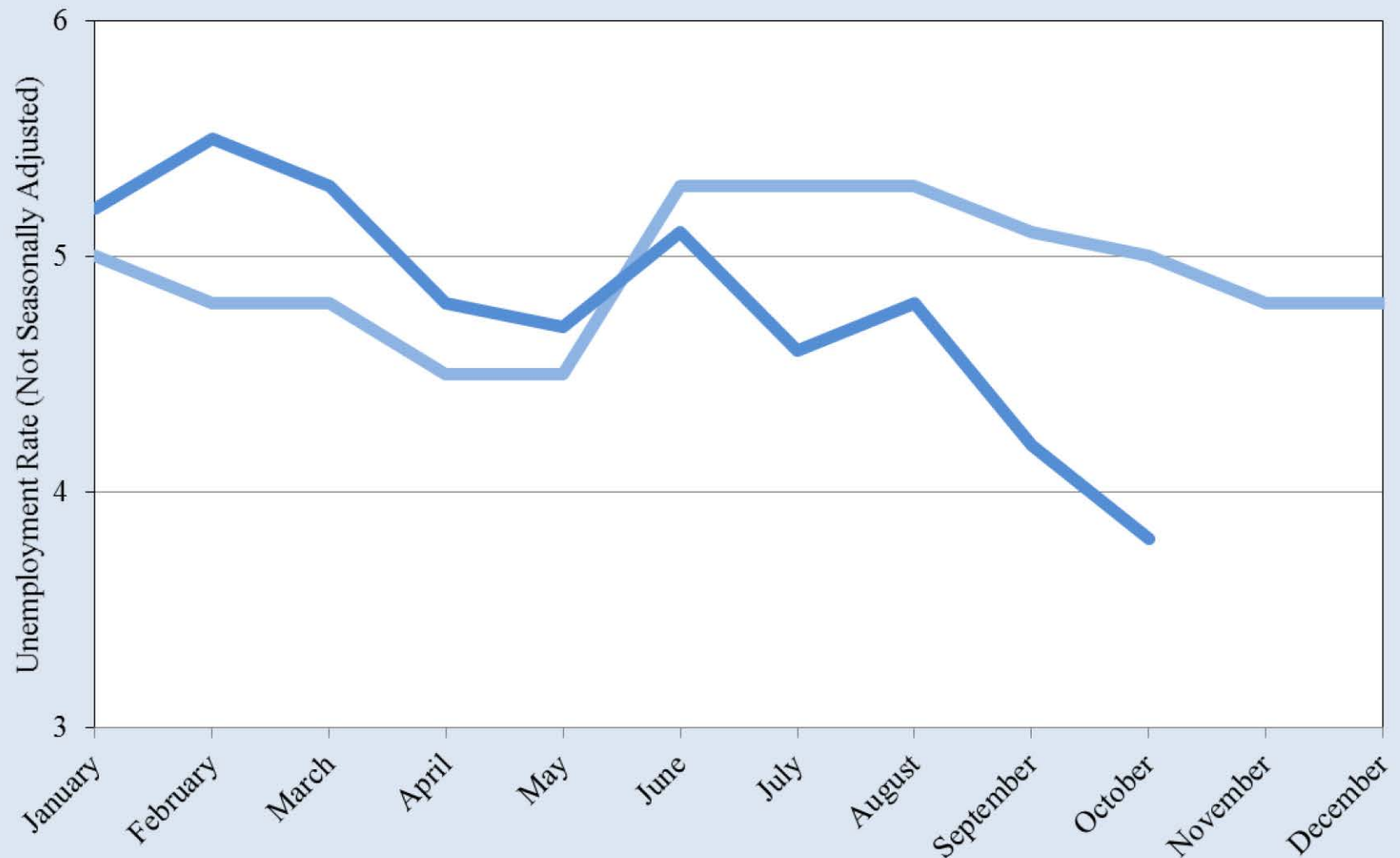
El Paso Household Economic Stress Index



Source: UTEP Border Region Modeling Project

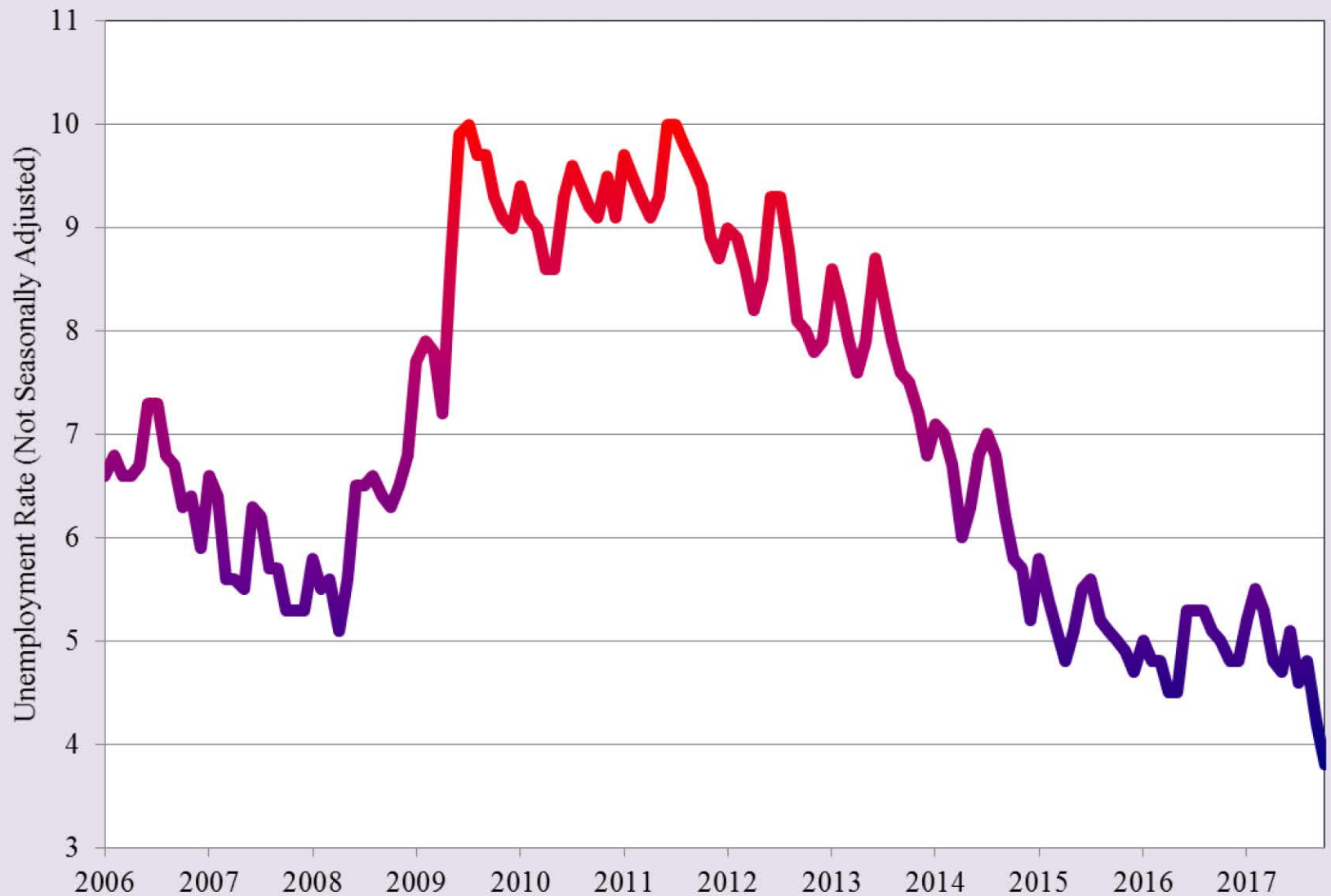
El Paso County Unemployment Rate

— 2016 — 2017



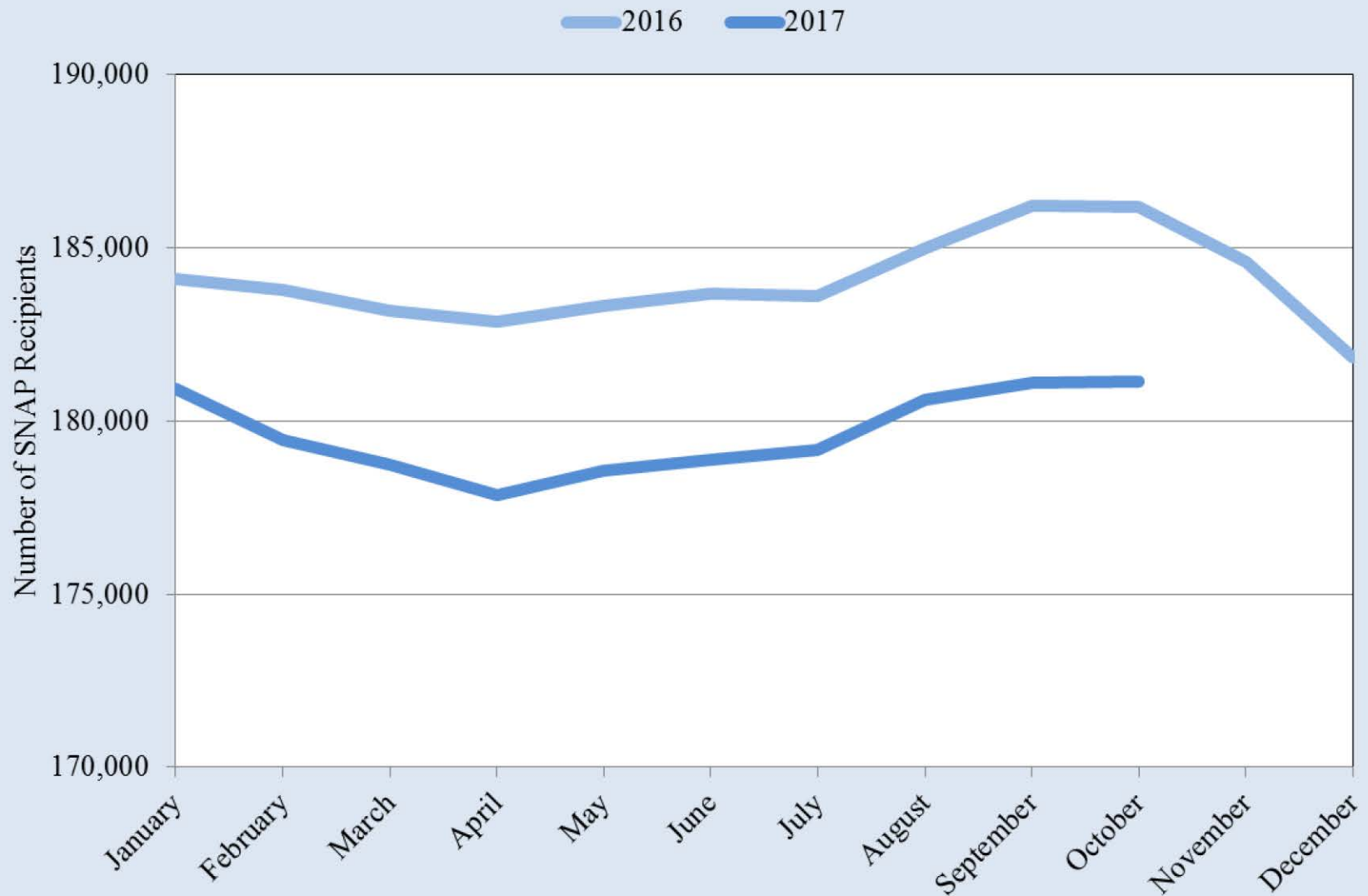
Source: Bureau of Labor Statistics

El Paso County Unemployment Rate



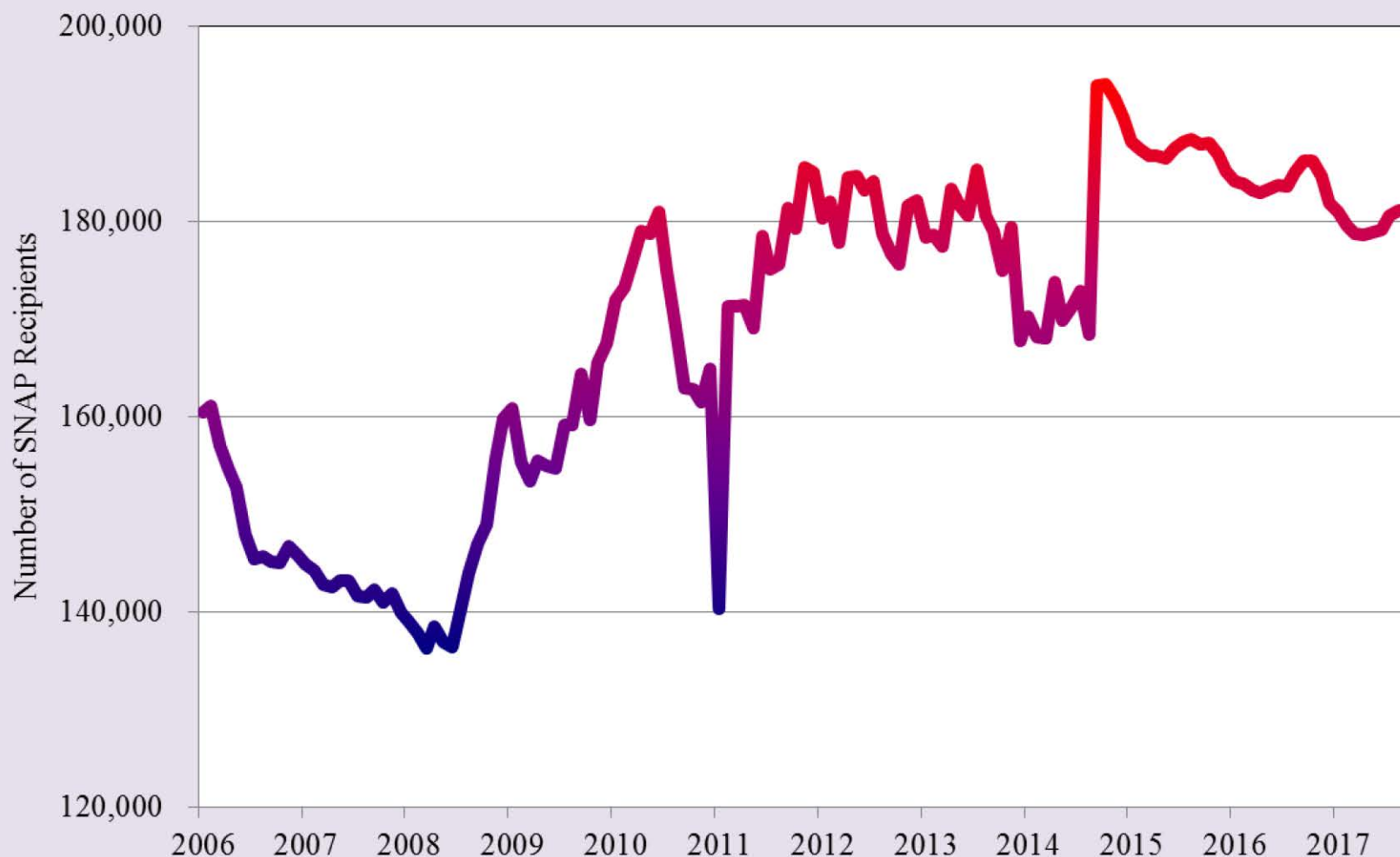
Source: Bureau of Labor Statistics

El Paso County SNAP (Food Stamp) Enrollment



Source: Texas Health and Human Services Commission

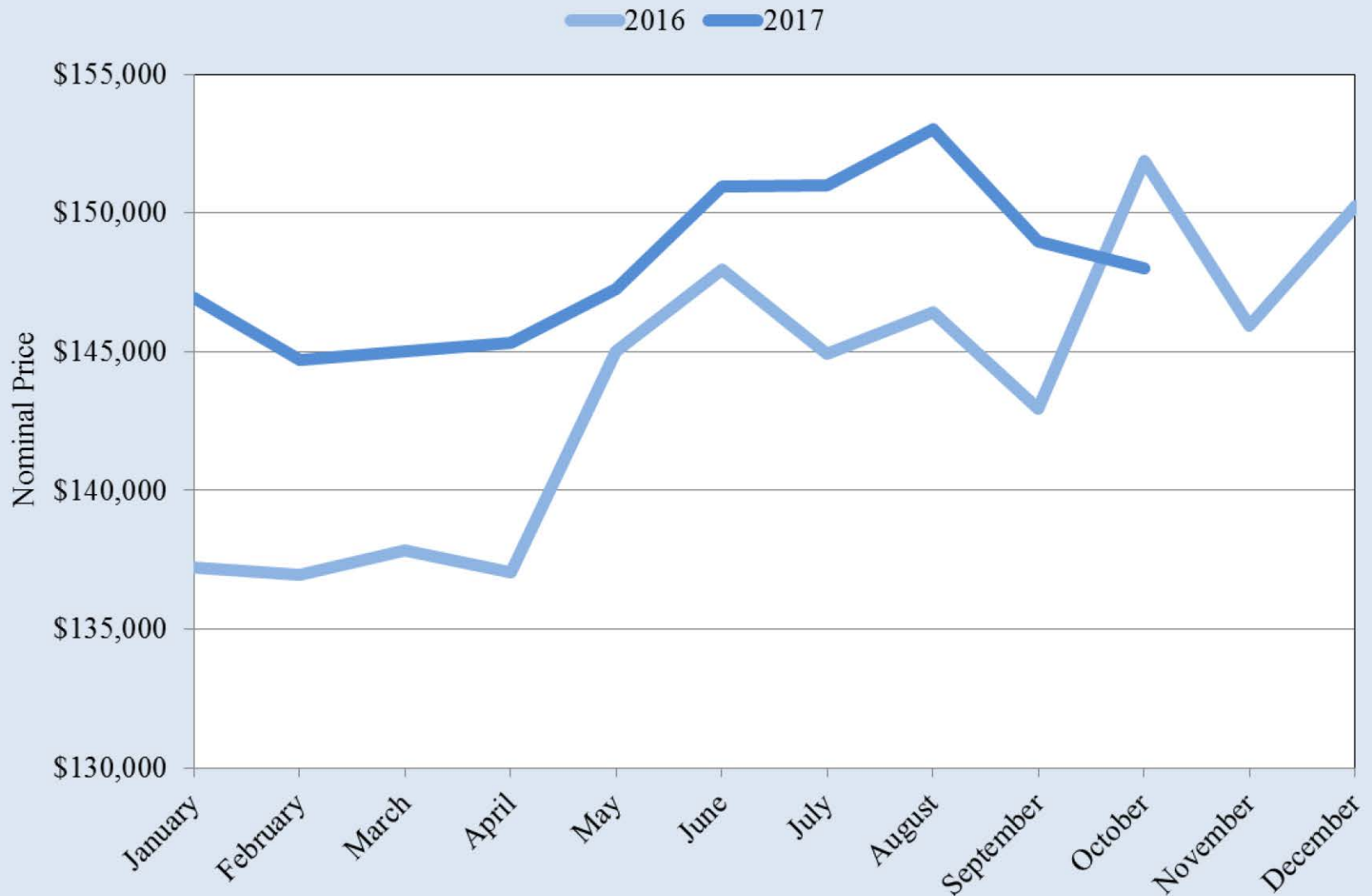
El Paso County SNAP (Food Stamp) Enrollment



Starting in September, 2014, the number of SNAP recipients is recorded for the end of each month.

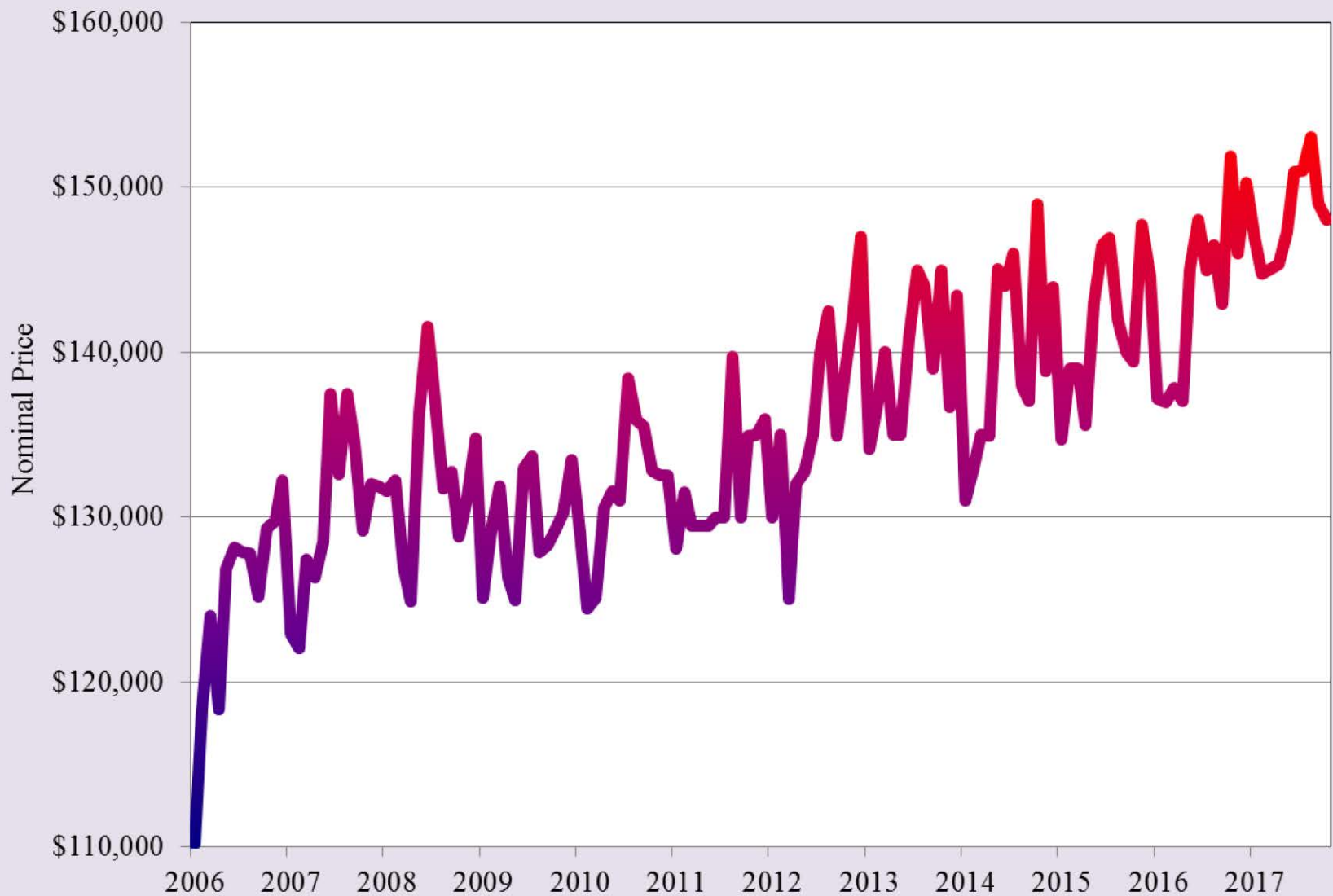
Source: Texas Health and Human Services Commission

El Paso Median Housing Prices



Source: Texas A&M Real Estate Center

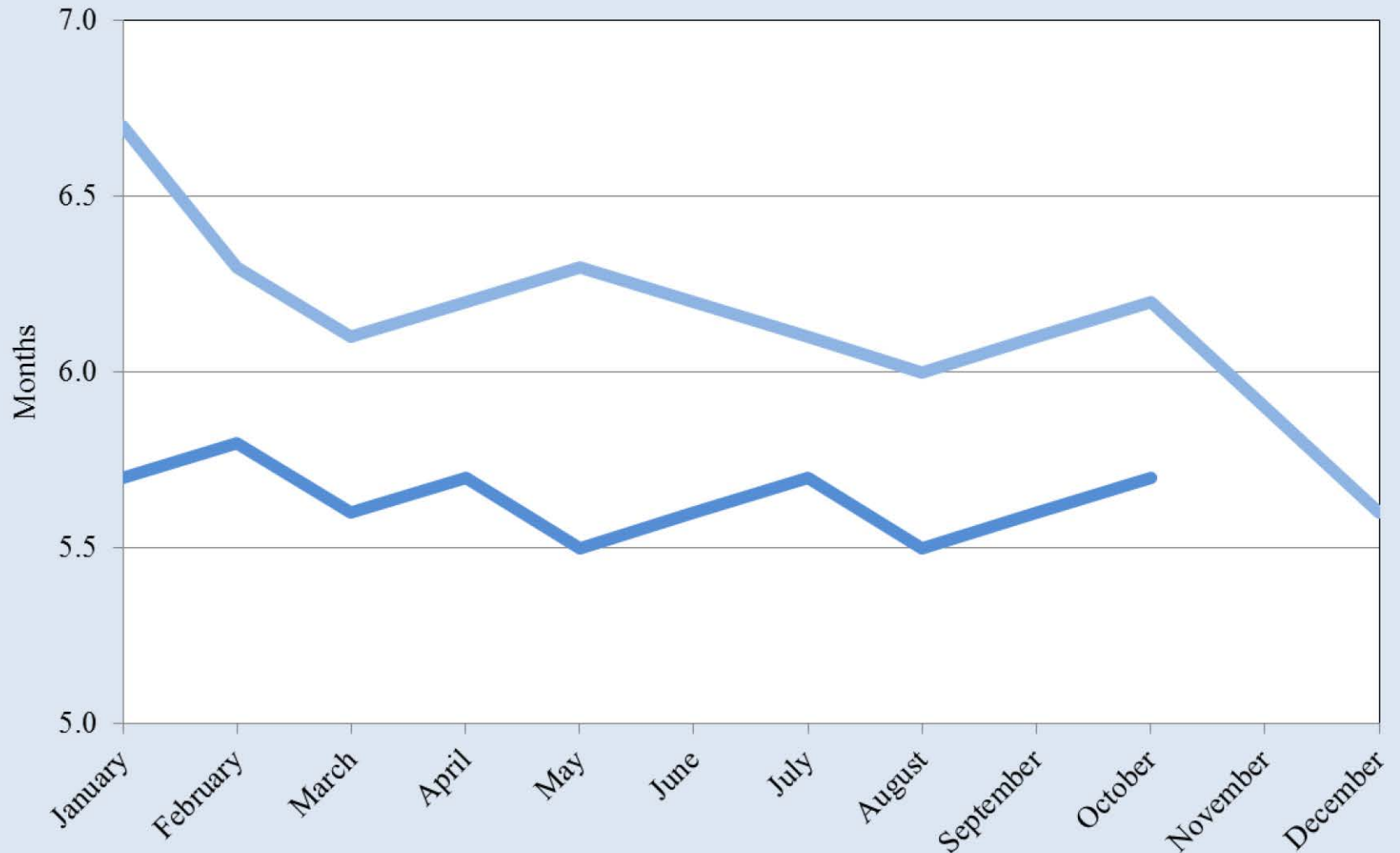
El Paso Median Housing Prices



Source: Texas A&M Real Estate Center

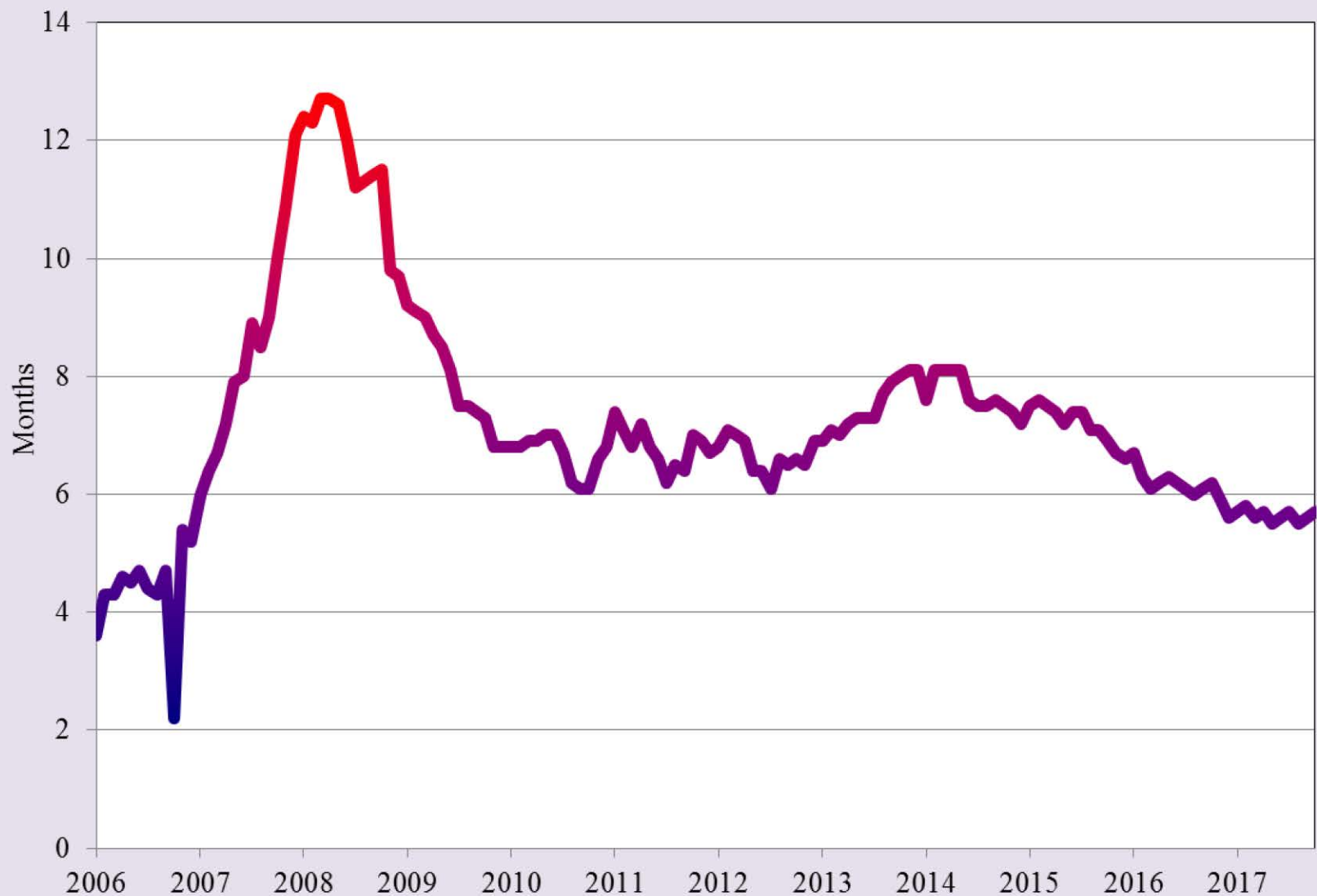
Months of Housing Inventory for El Paso

— 2016 — 2017



Source: Texas A&M Real Estate Center

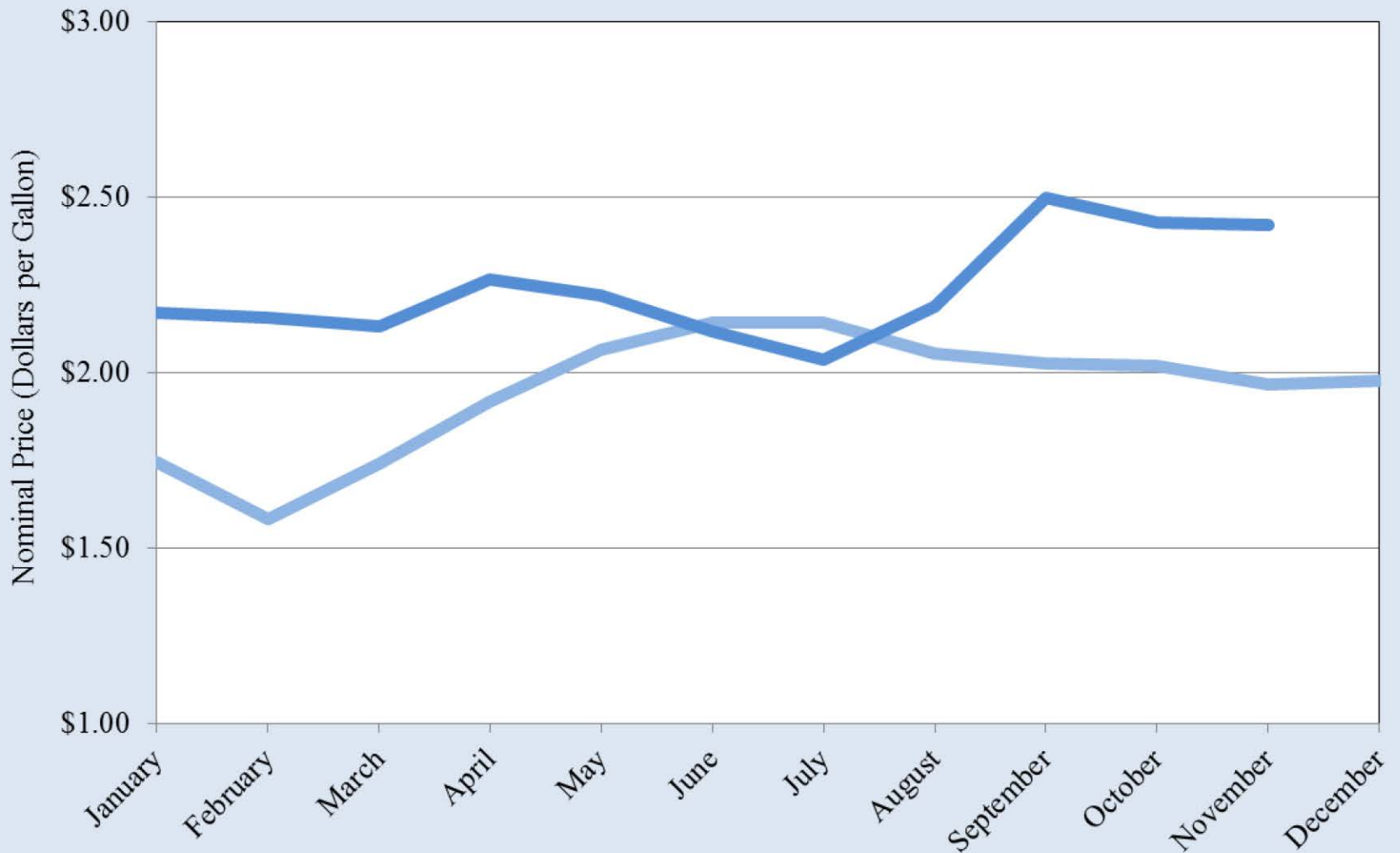
Months of Housing Inventory for El Paso



Source: Texas A&M Real Estate Center

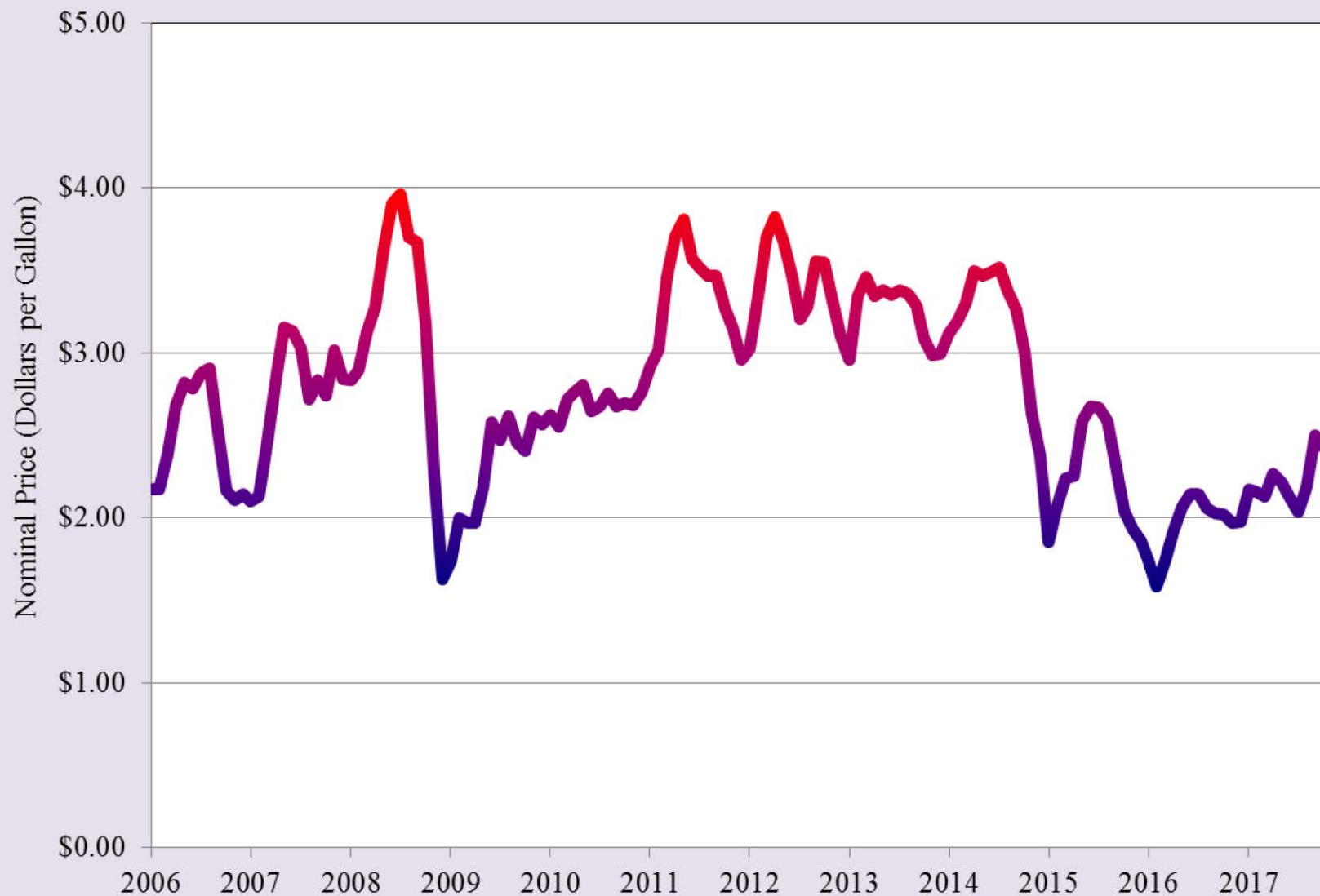
El Paso Gasoline Prices

2016 2017



Source: GasBuddy.com

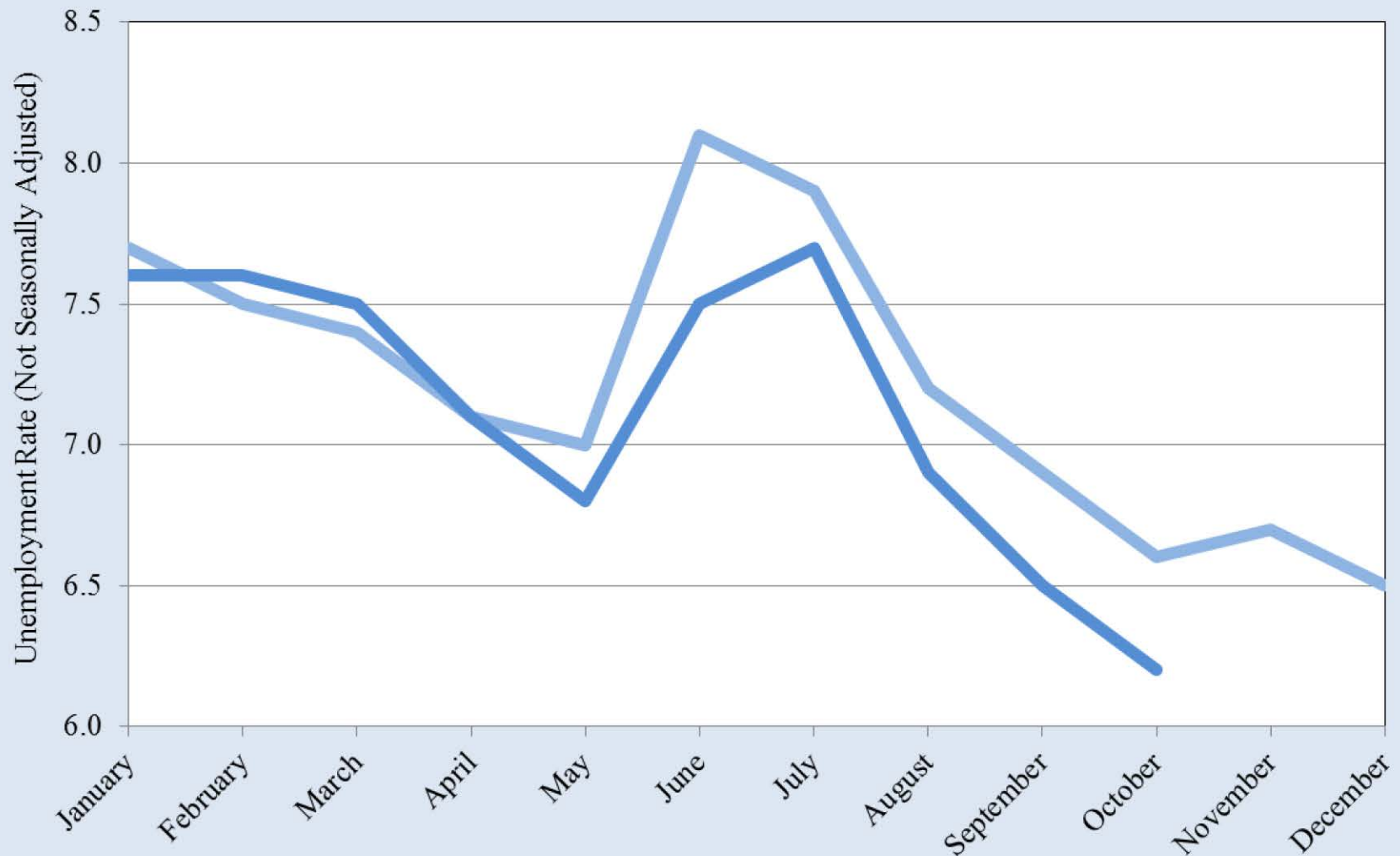
El Paso Gasoline Prices



Source: GasBuddy.com

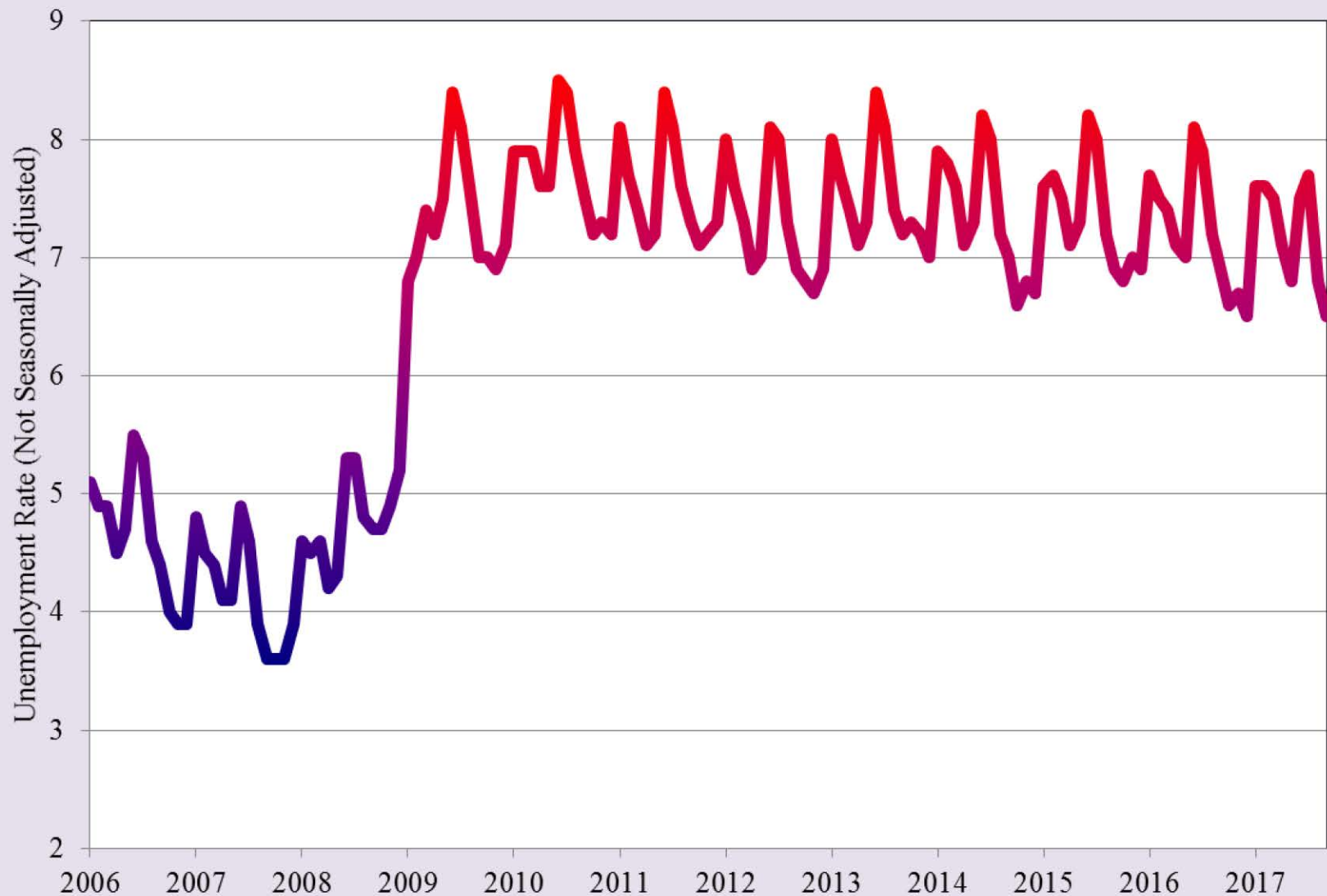
Doña Ana County Unemployment Rate

— 2016 — 2017



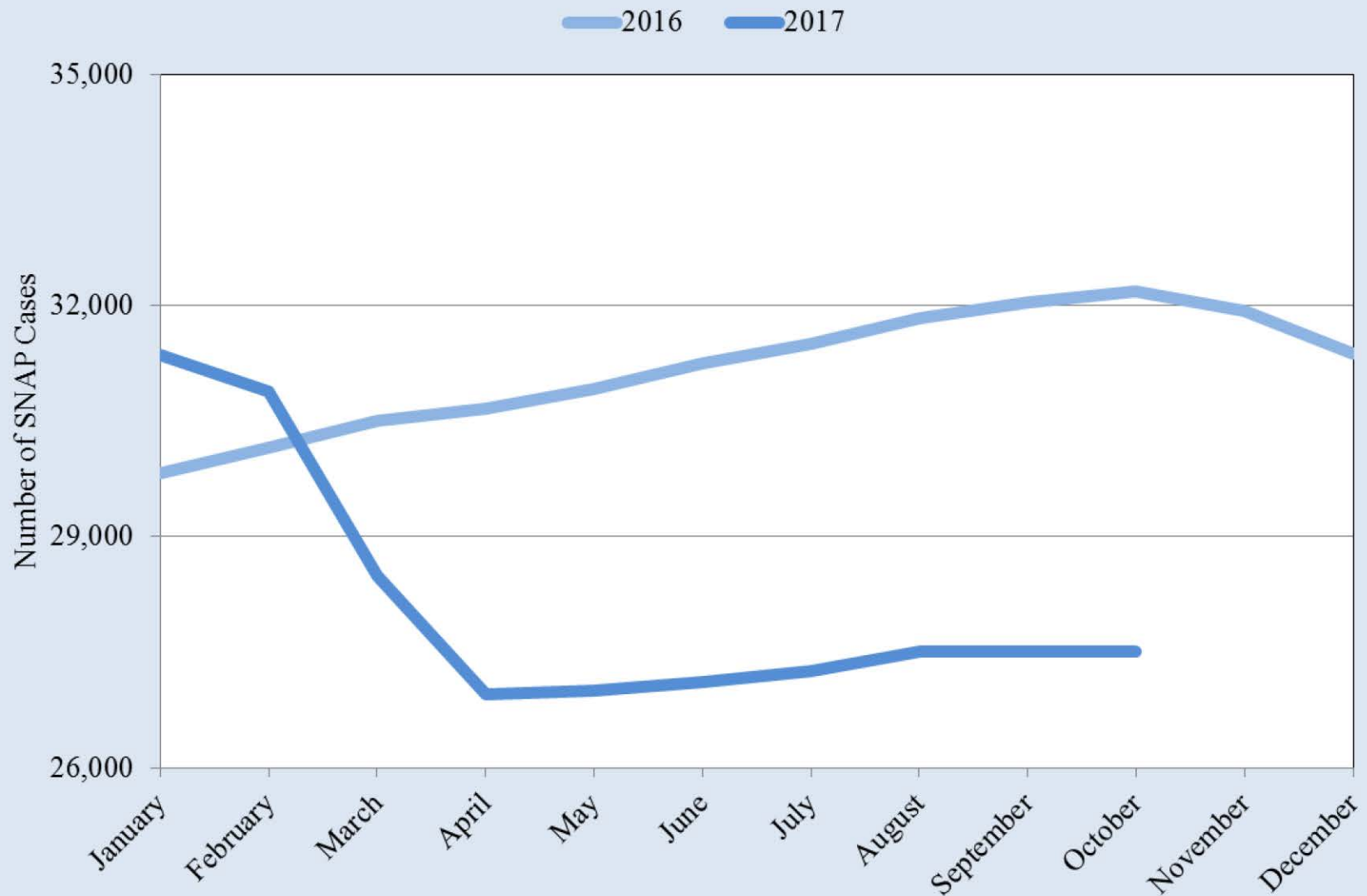
Source: Bureau of Labor Statistics

Doña Ana County Unemployment Rate



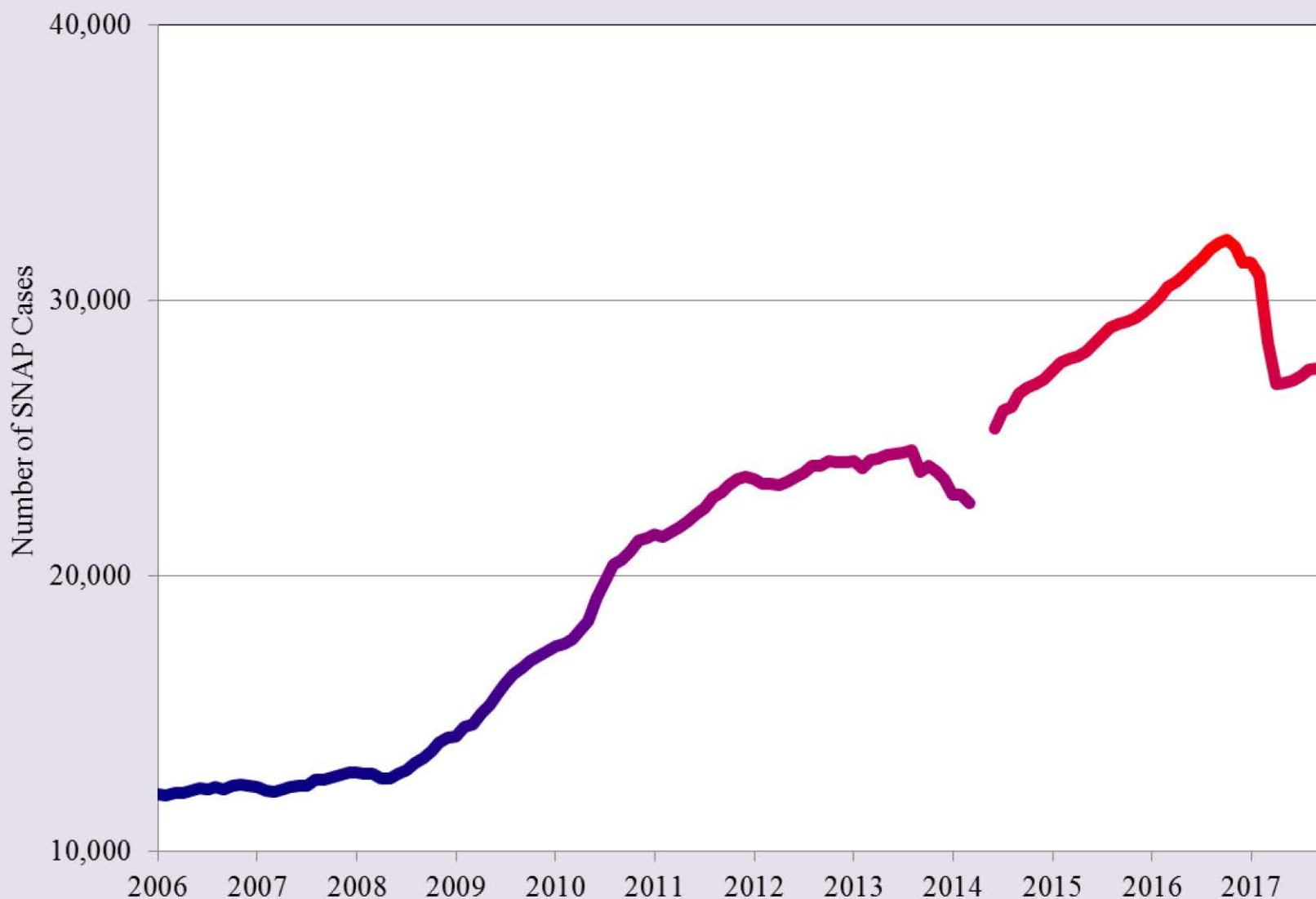
Source: Bureau of Labor Statistics

Las Cruces Area SNAP (Food Stamp) Cases



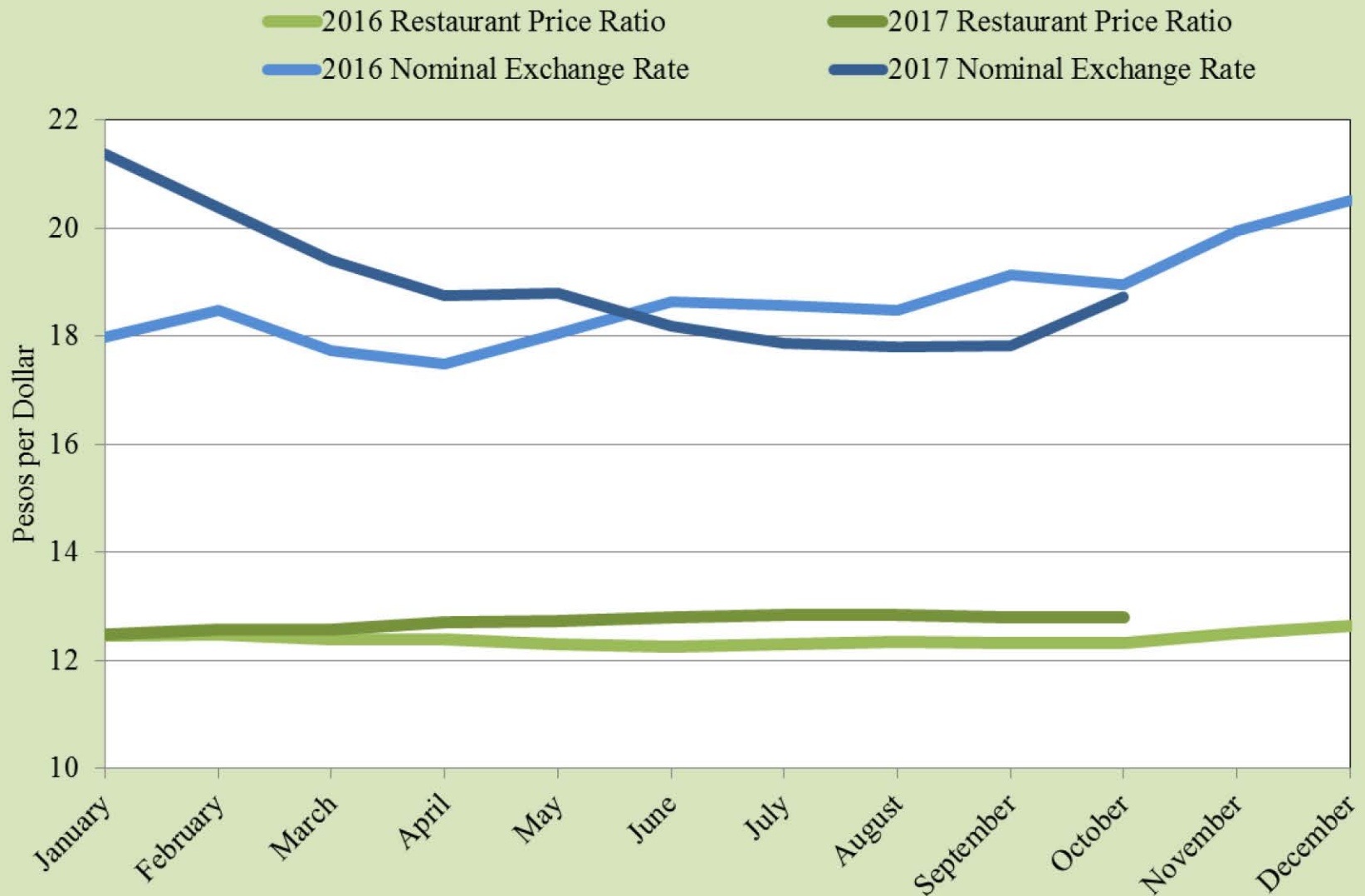
Source: New Mexico Human Services Department

Las Cruces Area SNAP (Food Stamp) Cases



Source: New Mexico Human Services Department

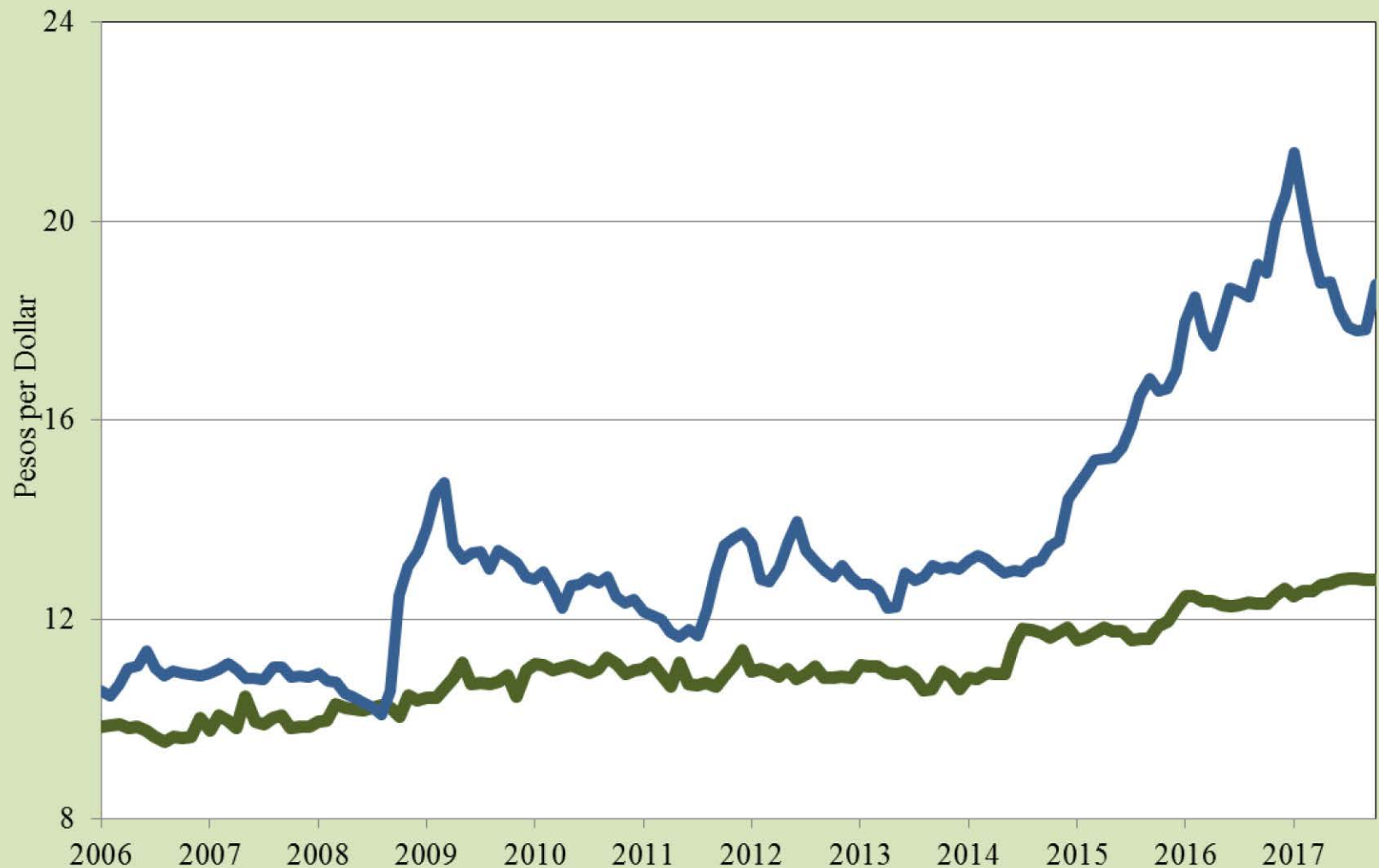
Restaurant Price Ratio and Exchange Rate



Source: UTEP Border Region Modeling Project and Banco de Mexico

Restaurant Price Ratio and Exchange Rate

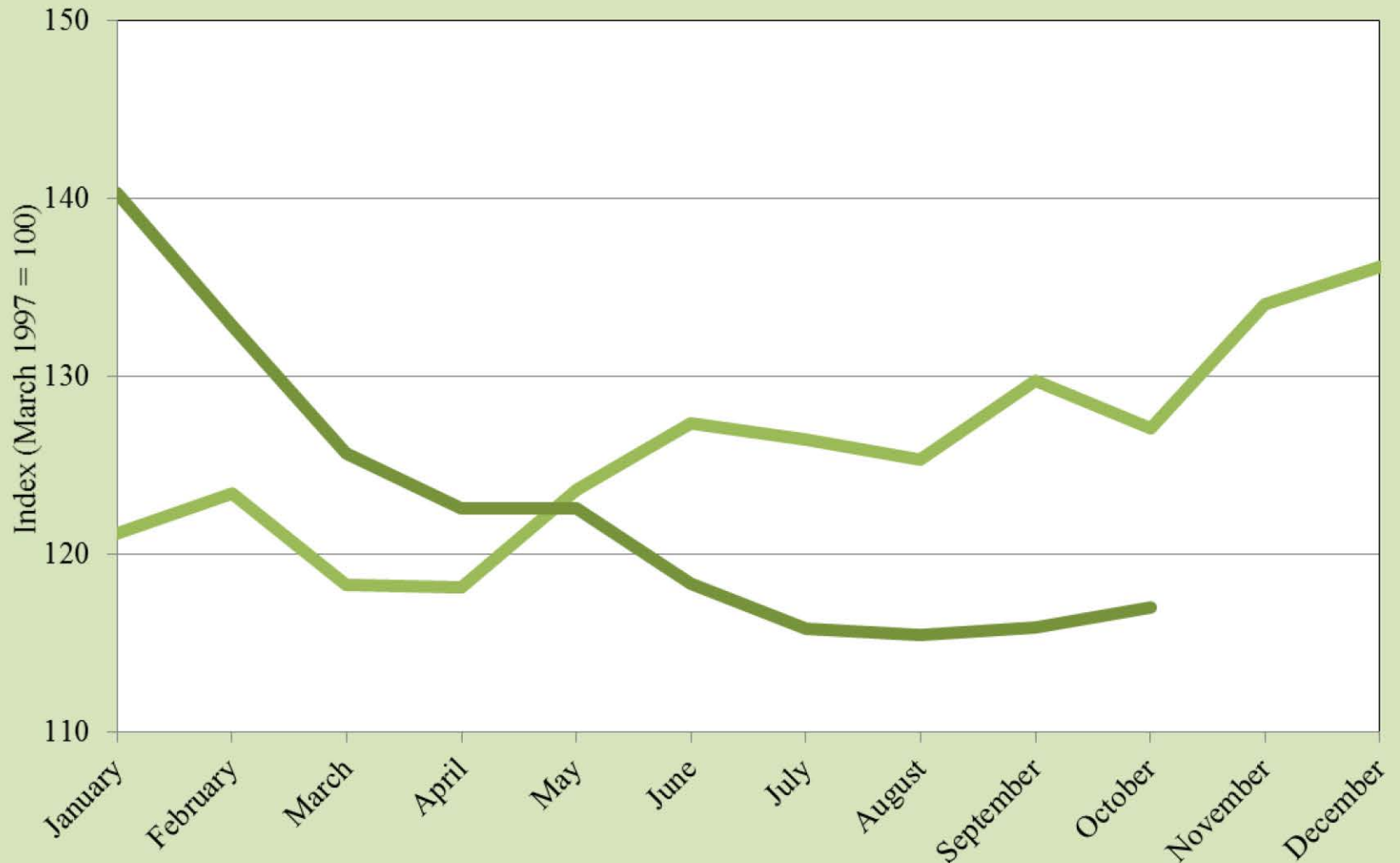
— Restaurant Price Ratio — Nominal Exchange Rate



Source: UTEP Border Region Modeling Project and Banco de Mexico

Real Peso/Dollar Exchange Rate Index

2016 2017



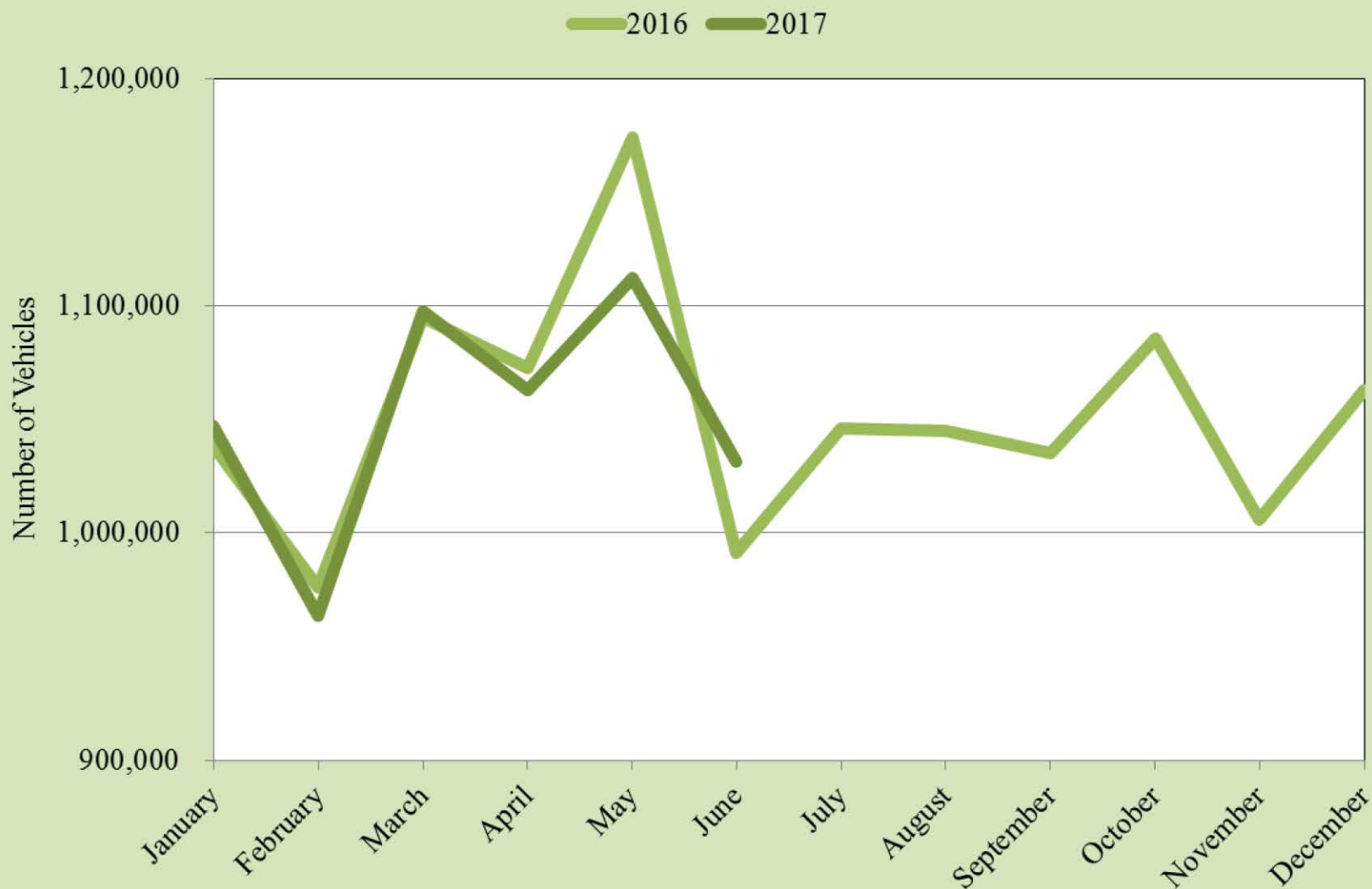
Source: UTEP Border Region Modeling Project

Real Peso/Dollar Exchange Rate Index



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

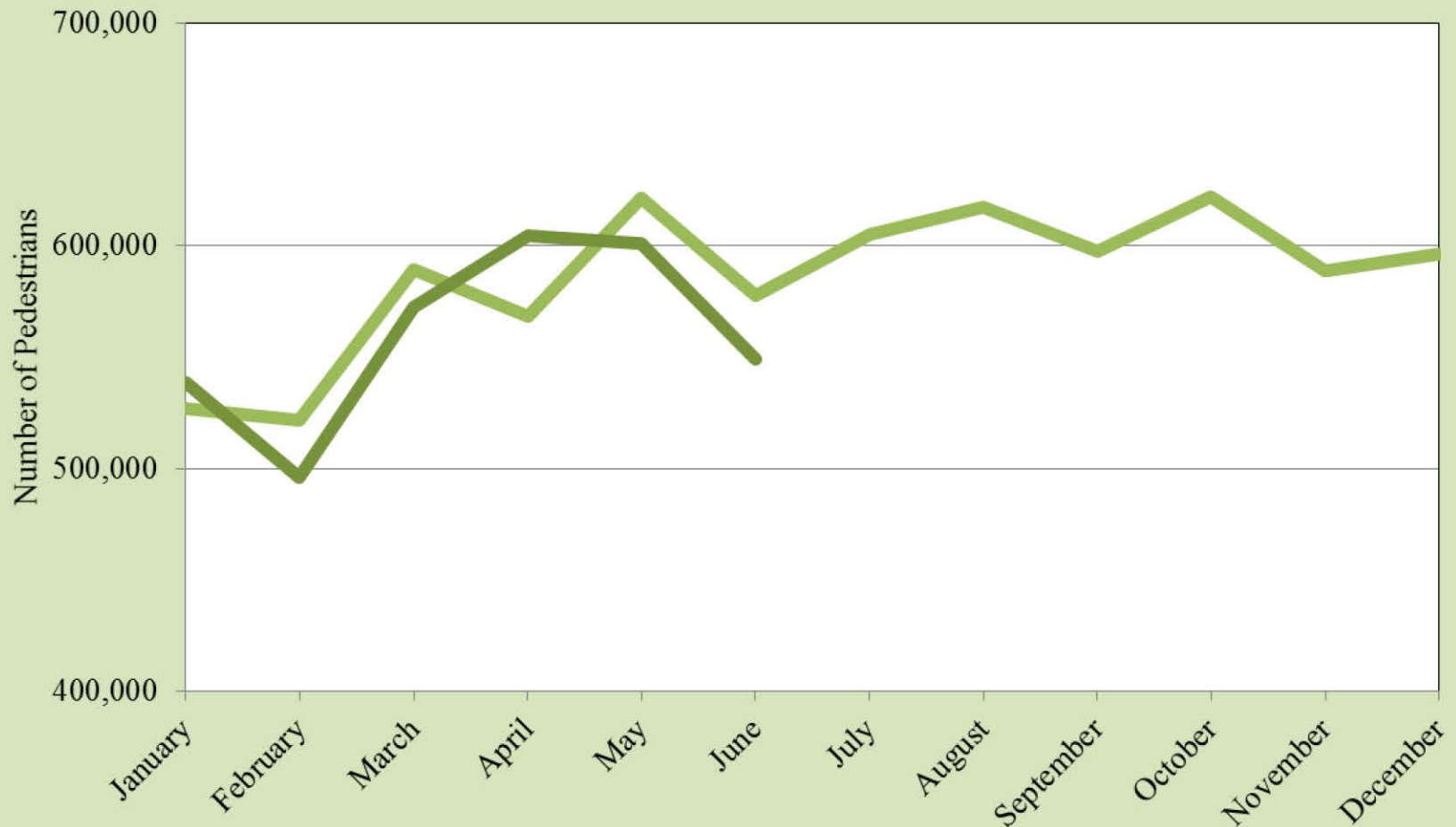
Personal Vehicle International Bridge Crossings to El Paso



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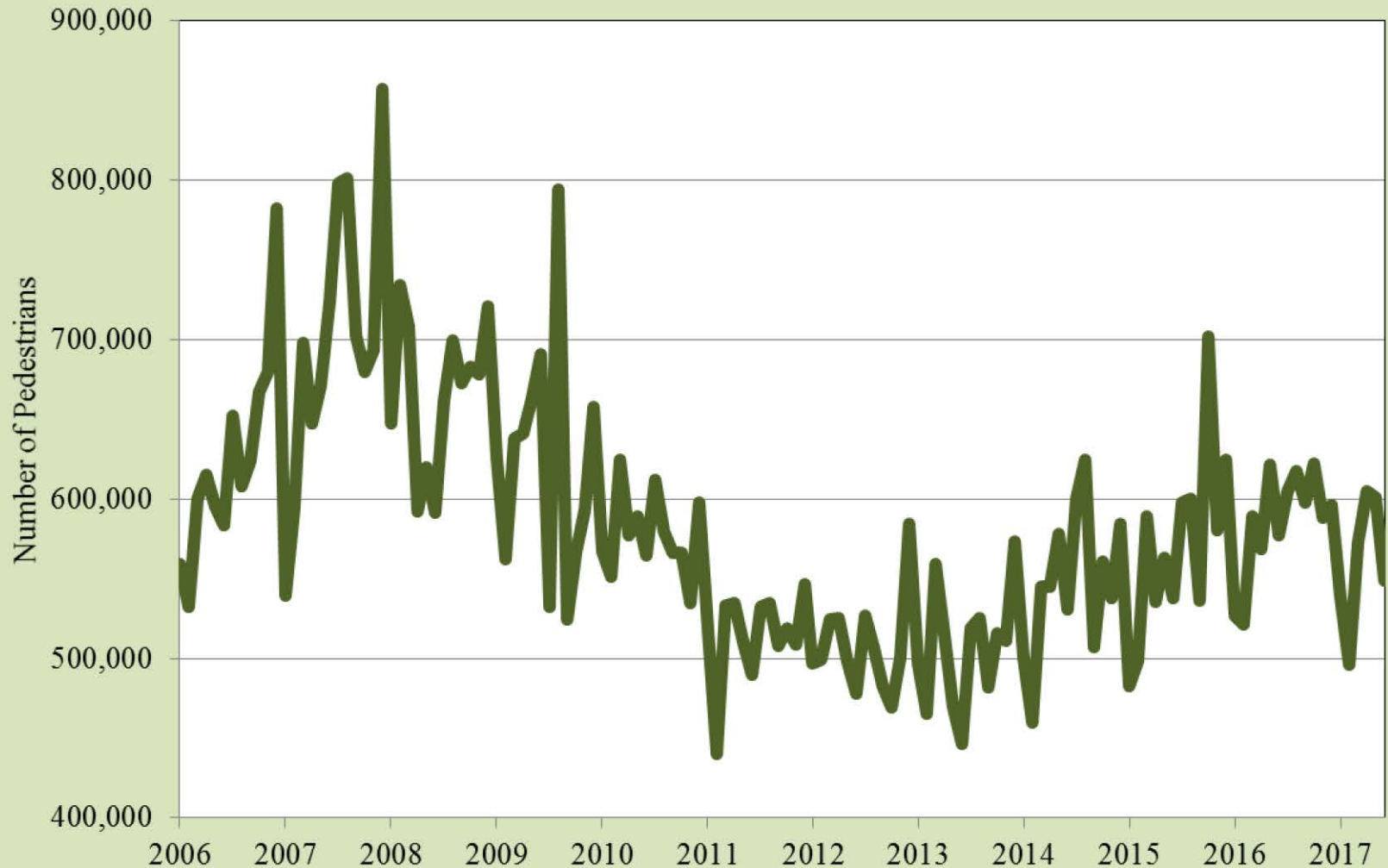
Pedestrian International Bridge Crossings to El Paso

2016 2017



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

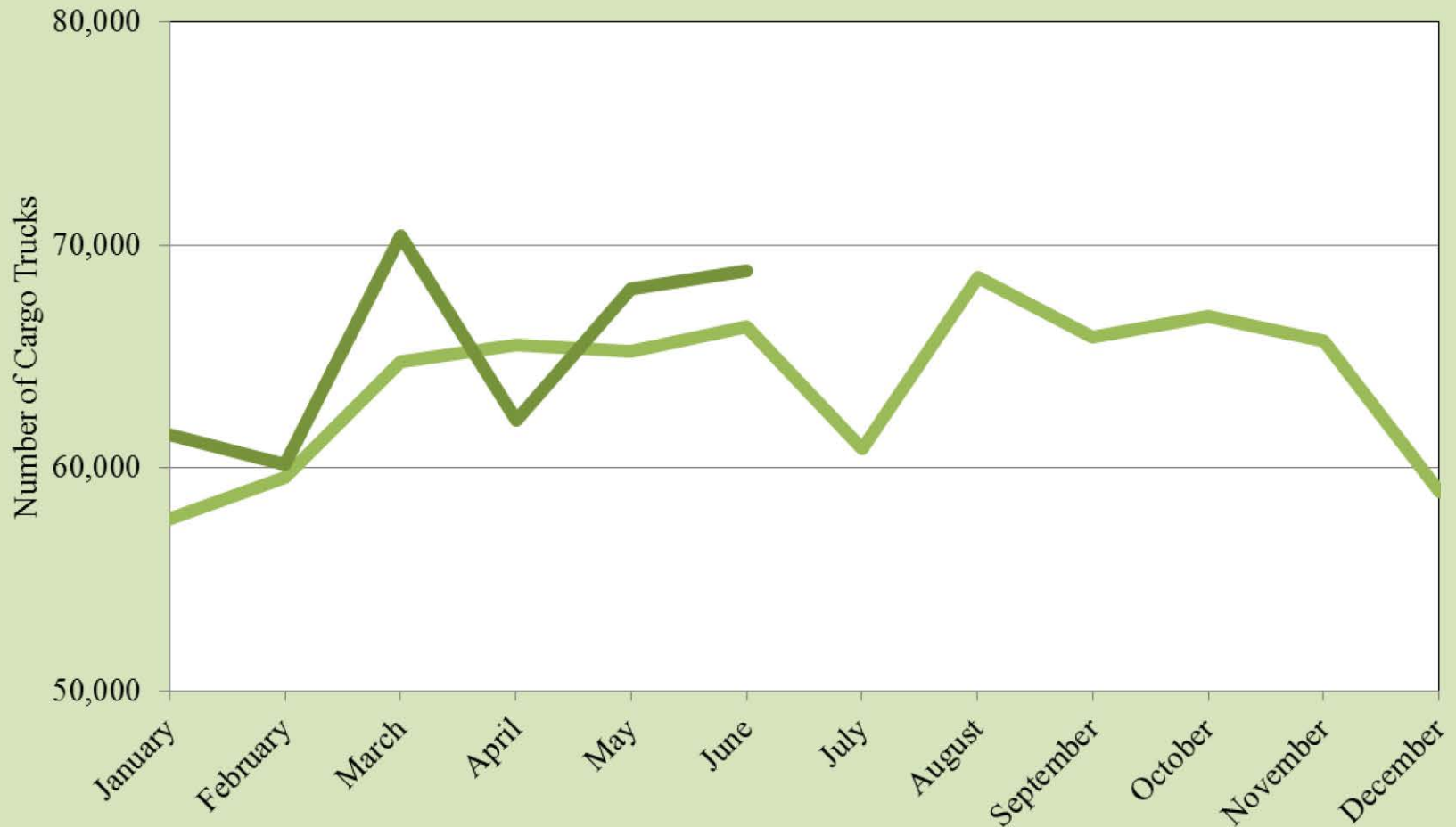
Pedestrian International Bridge Crossings to El Paso



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

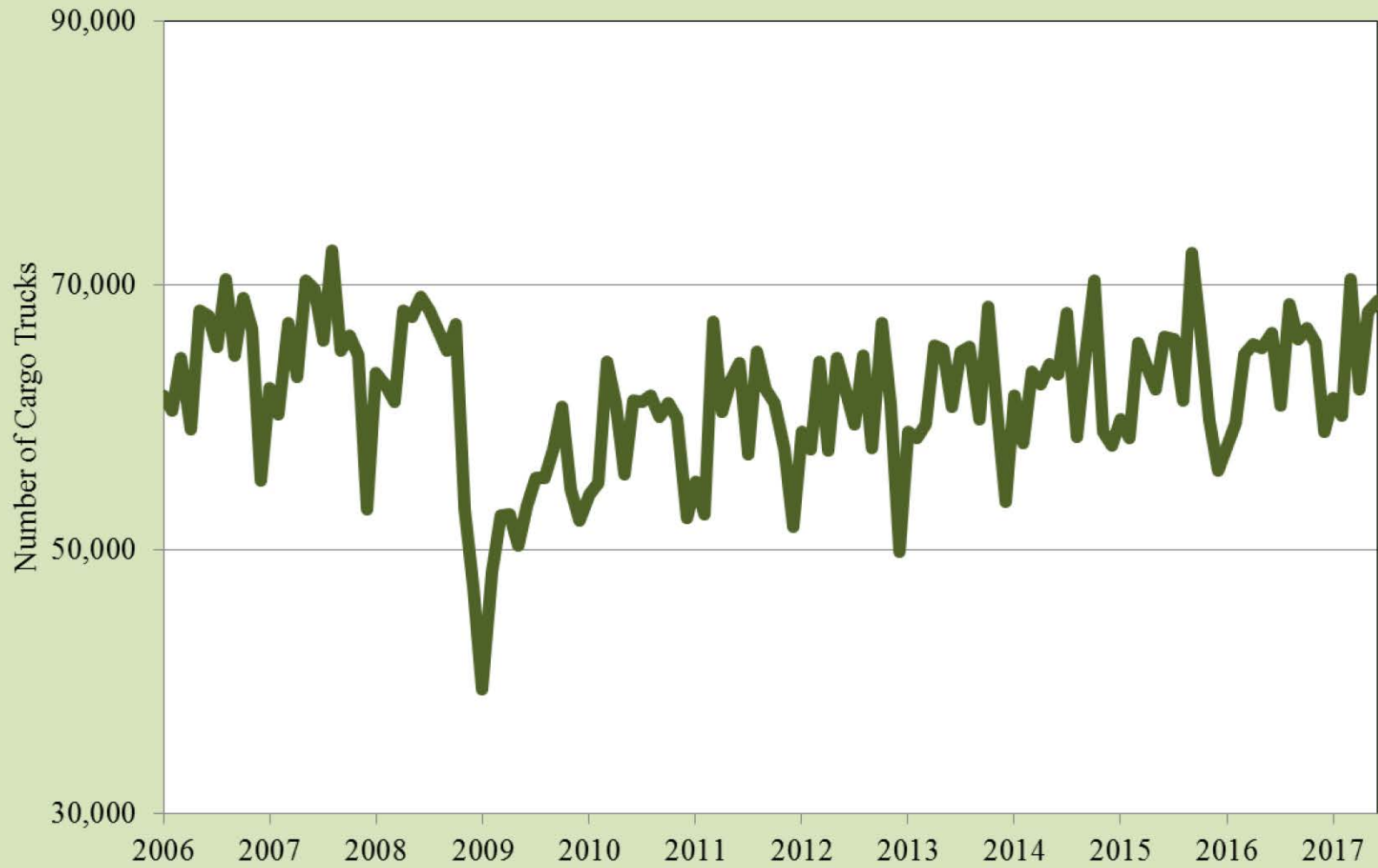
Cargo Truck International Bridge Crossings to El Paso

2016 2017



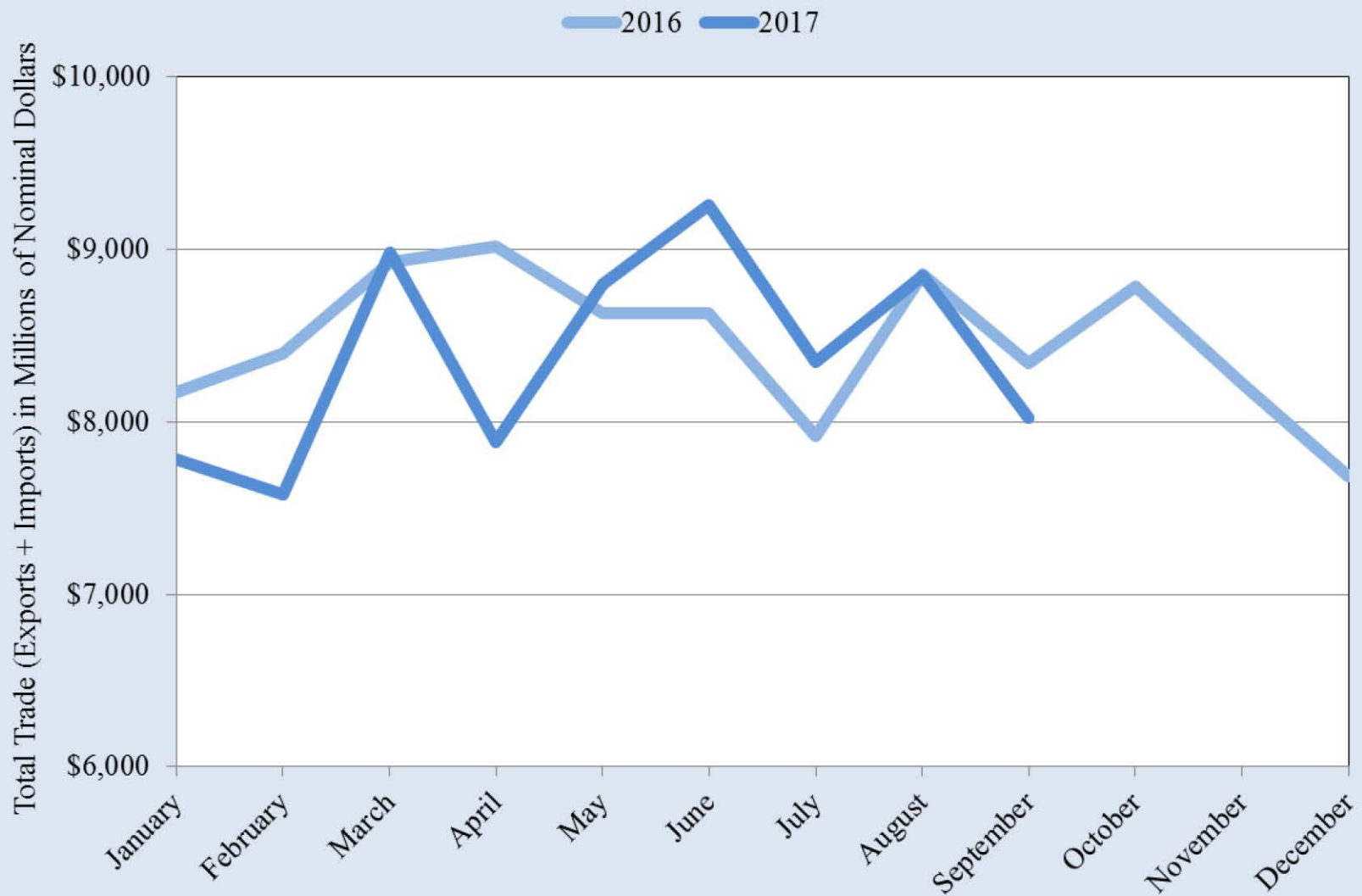
Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection

Cargo Truck International Bridge Crossings to El Paso



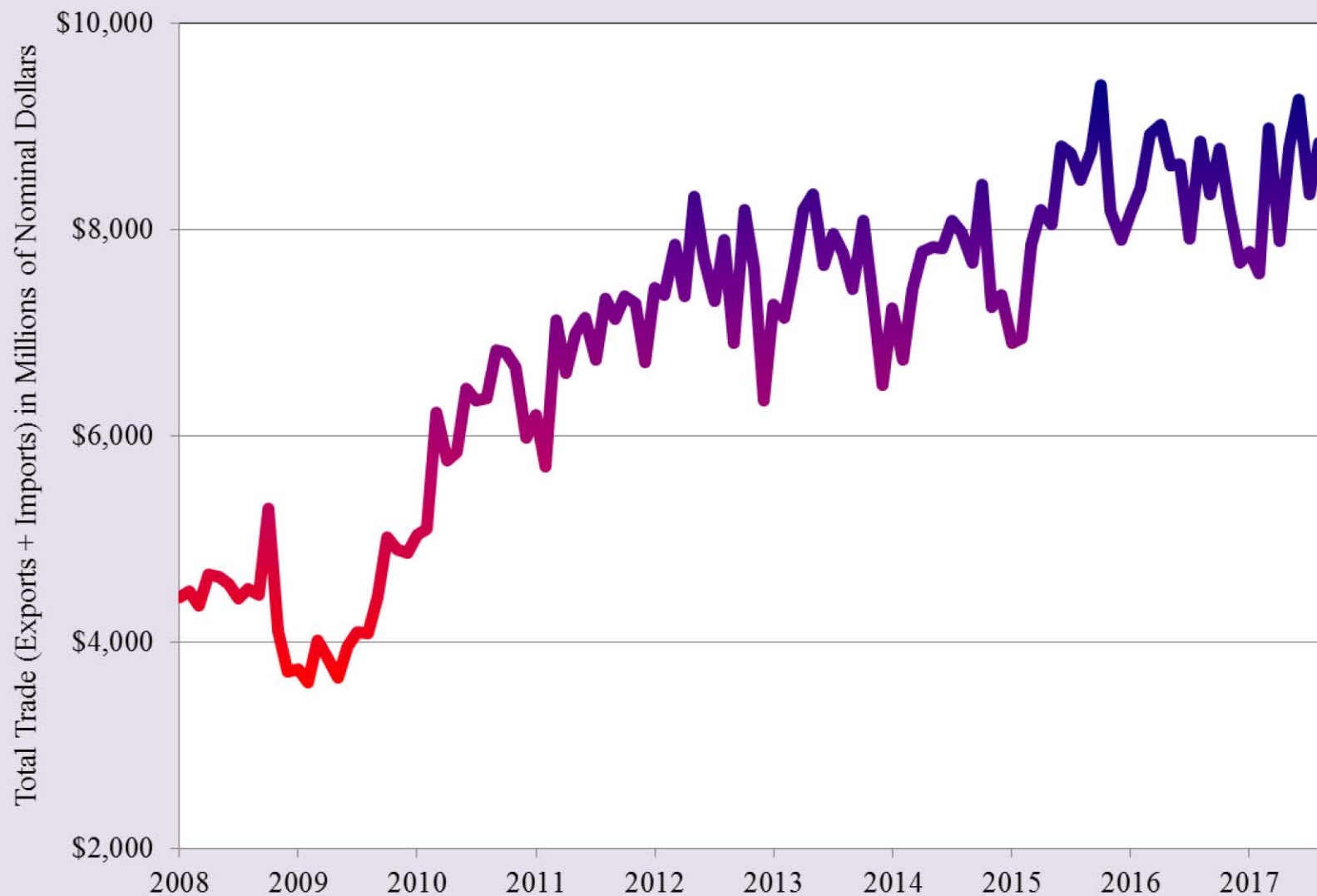
Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection

Total Trade through the El Paso Customs District



Source: U.S. International Trade Commission

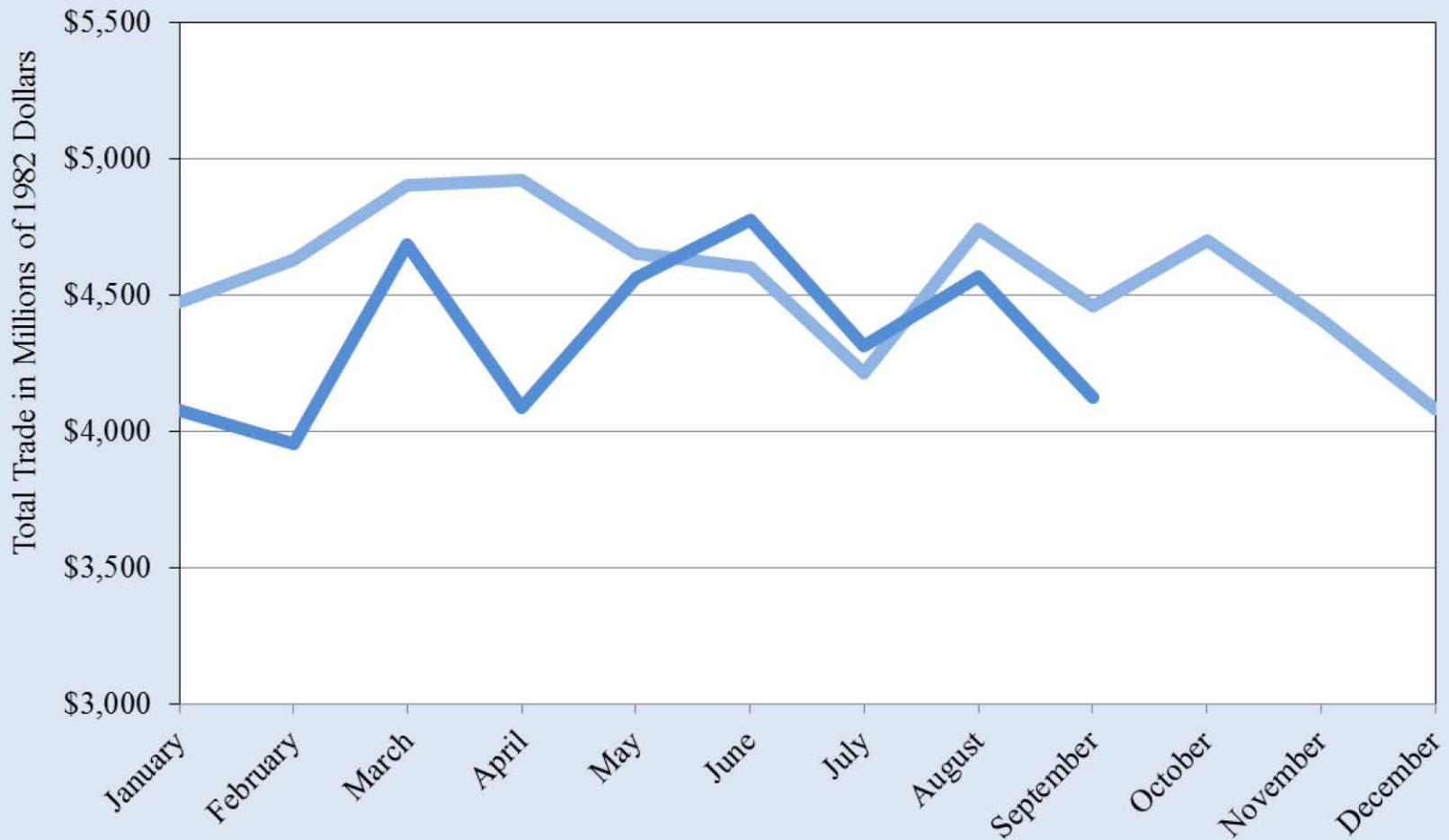
Total Trade through the El Paso Customs District



Source: U.S. International Trade Commission

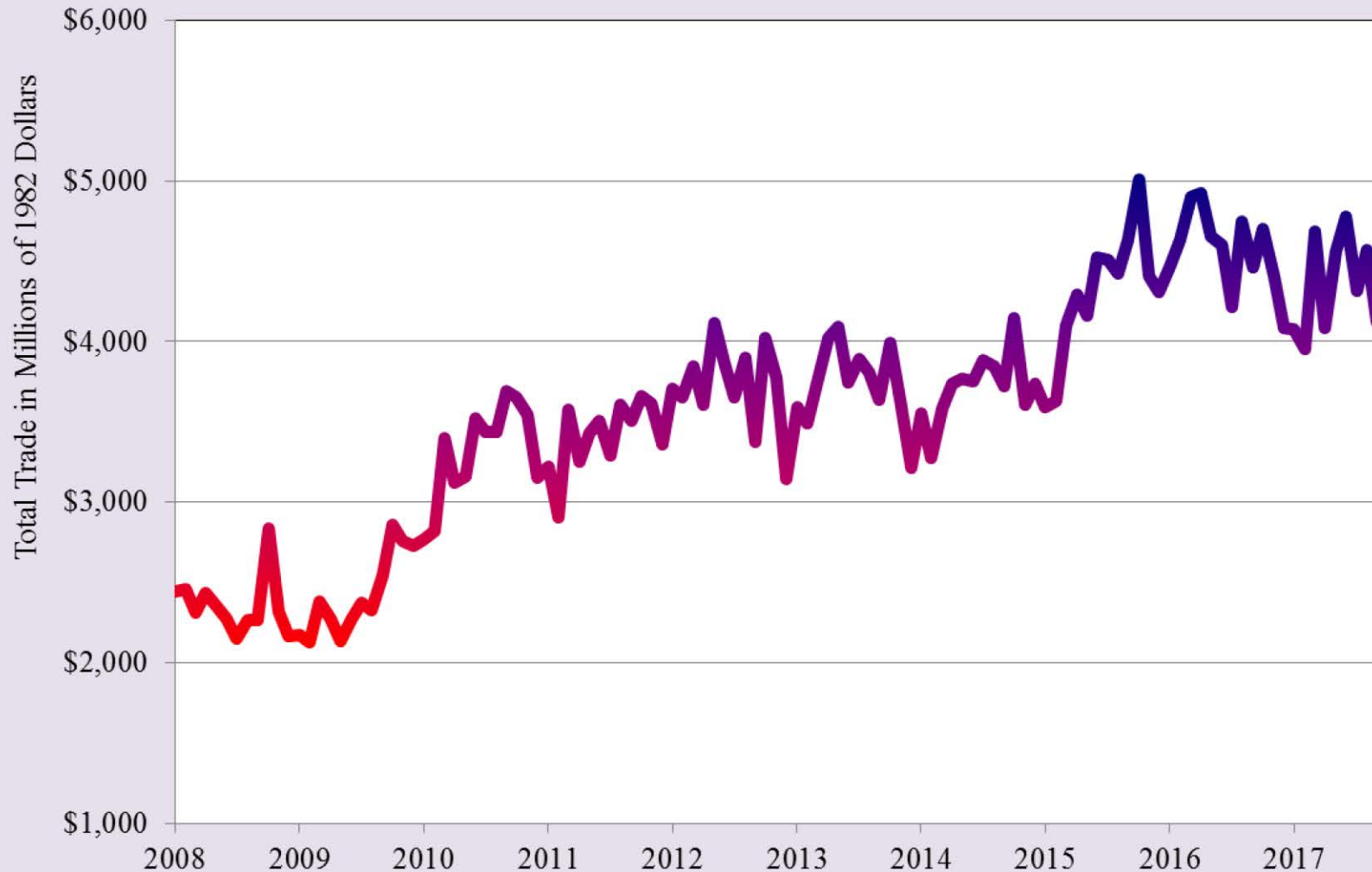
Real Total Trade through the El Paso Customs District

— 2016 — 2017



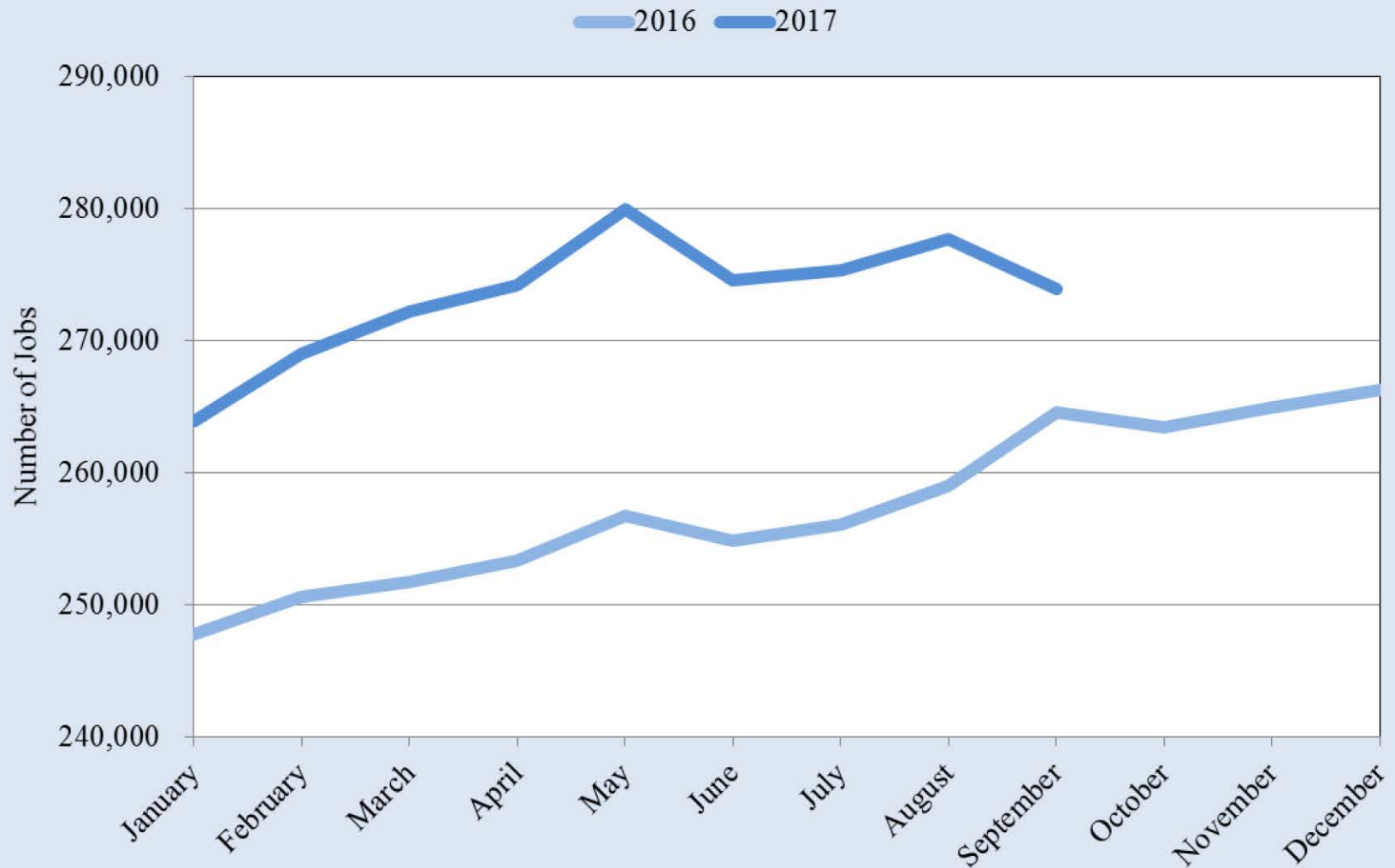
Sources: U.S. International Trade Commission and Bureau of Labor Statistics

Real Total Trade through the El Paso Customs District



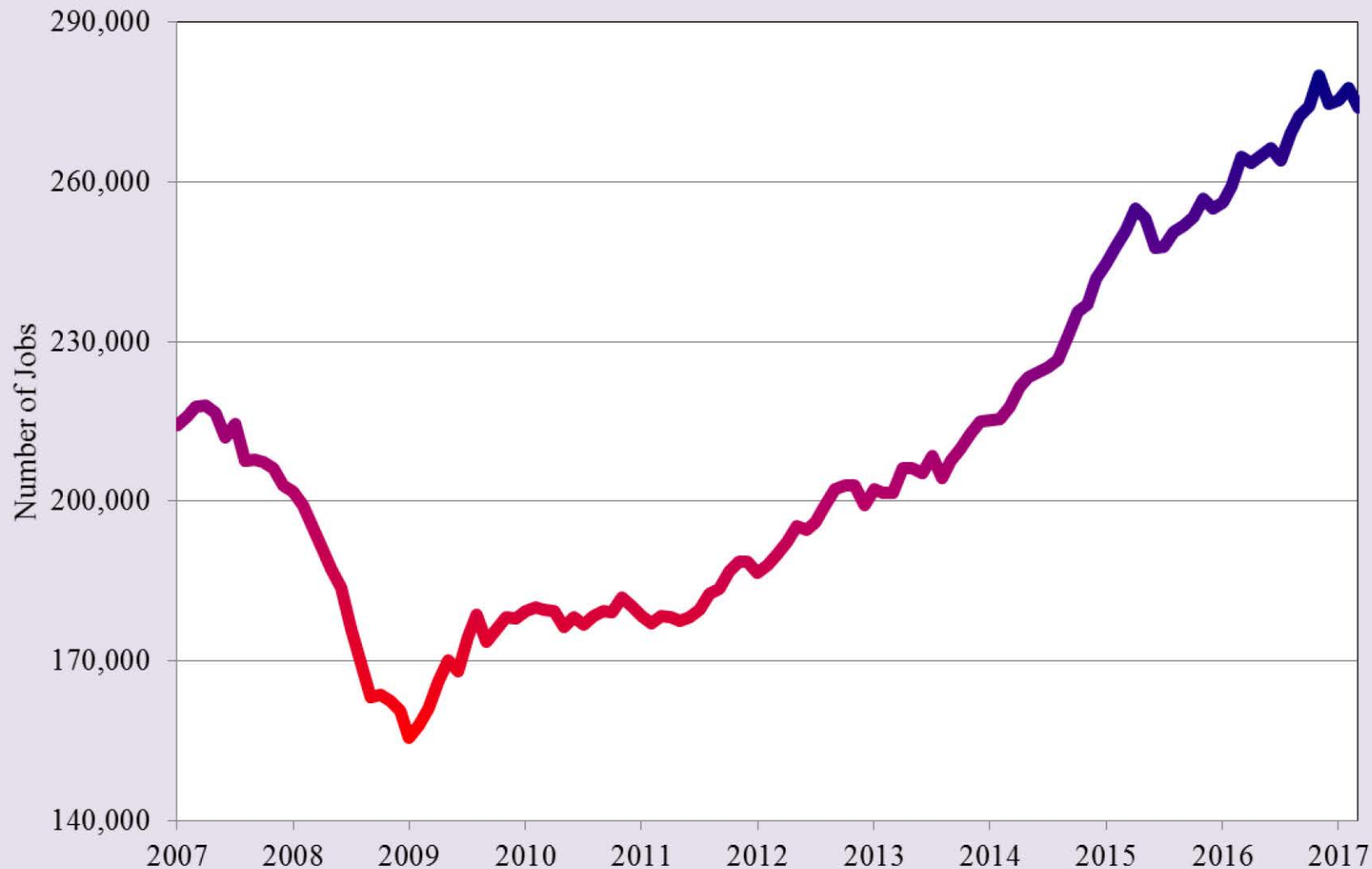
Sources: U.S. International Trade Commission and Bureau of Labor
Statistics

Export-Oriented Manufacturing Employment in Ciudad Juárez



Source: INEGI

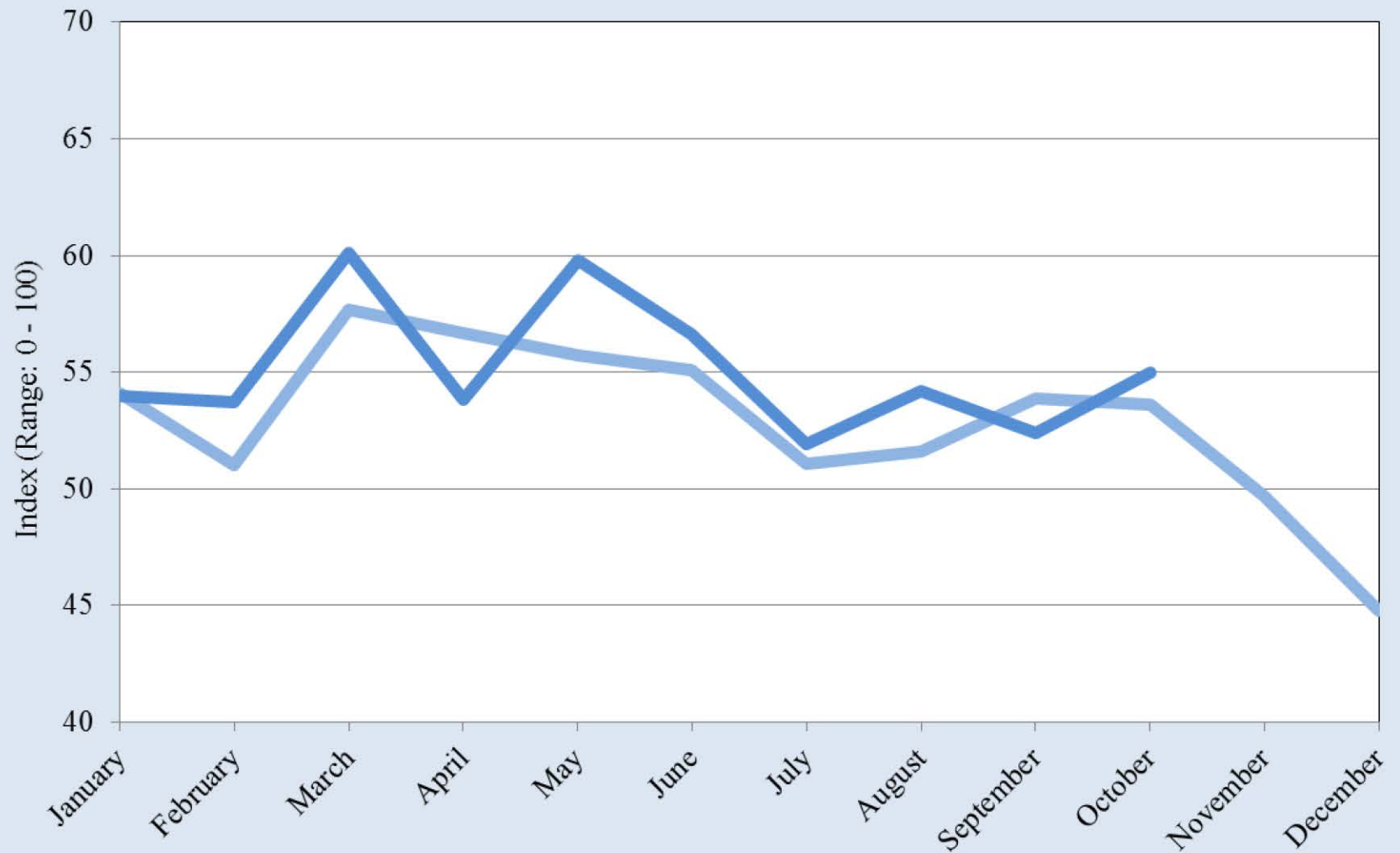
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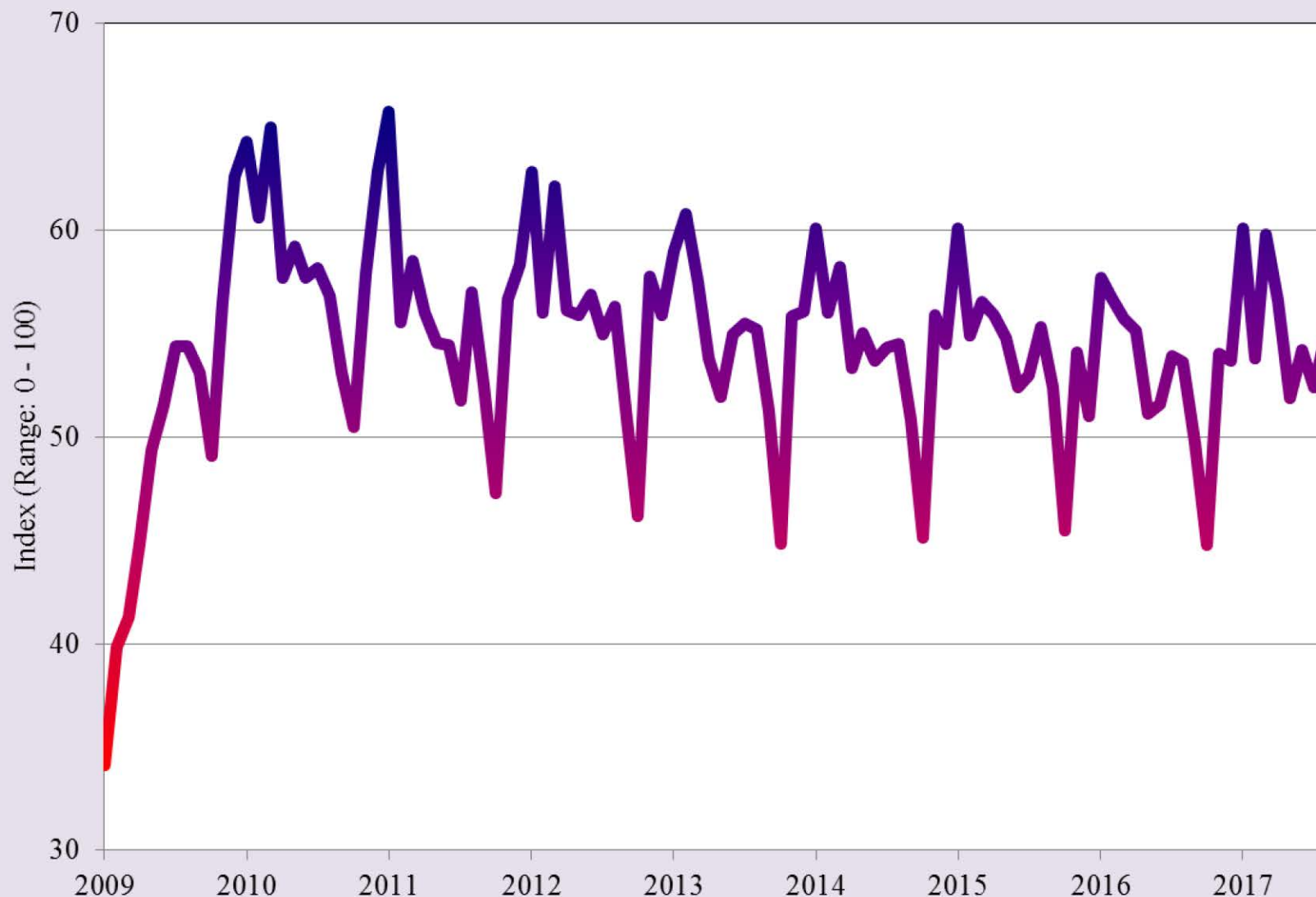
Northern Mexico Manufacturing Orders Index

— 2016 — 2017



Source: Banco de México

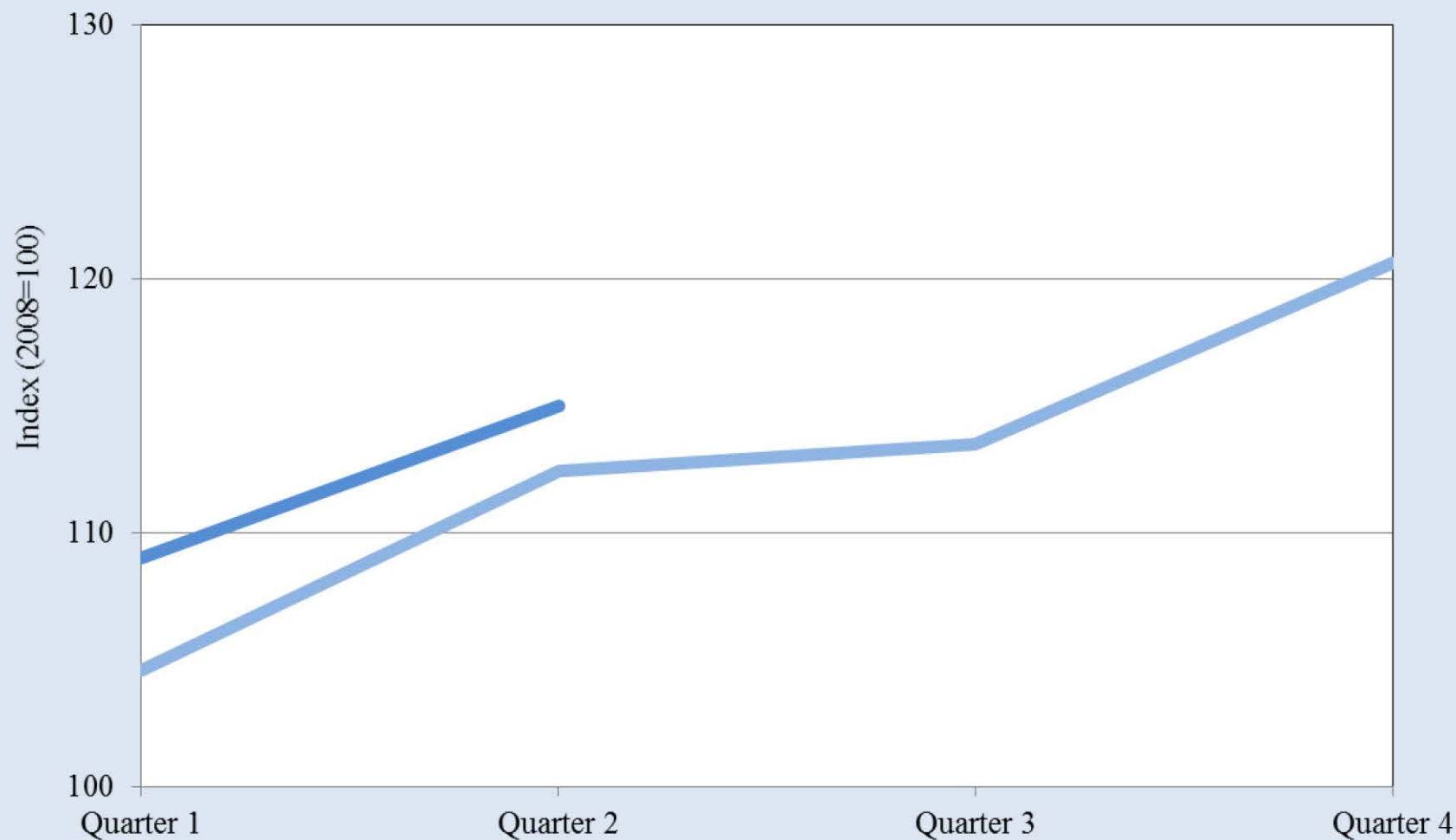
Northern Mexico Manufacturing Orders Index



Source: Banco de México

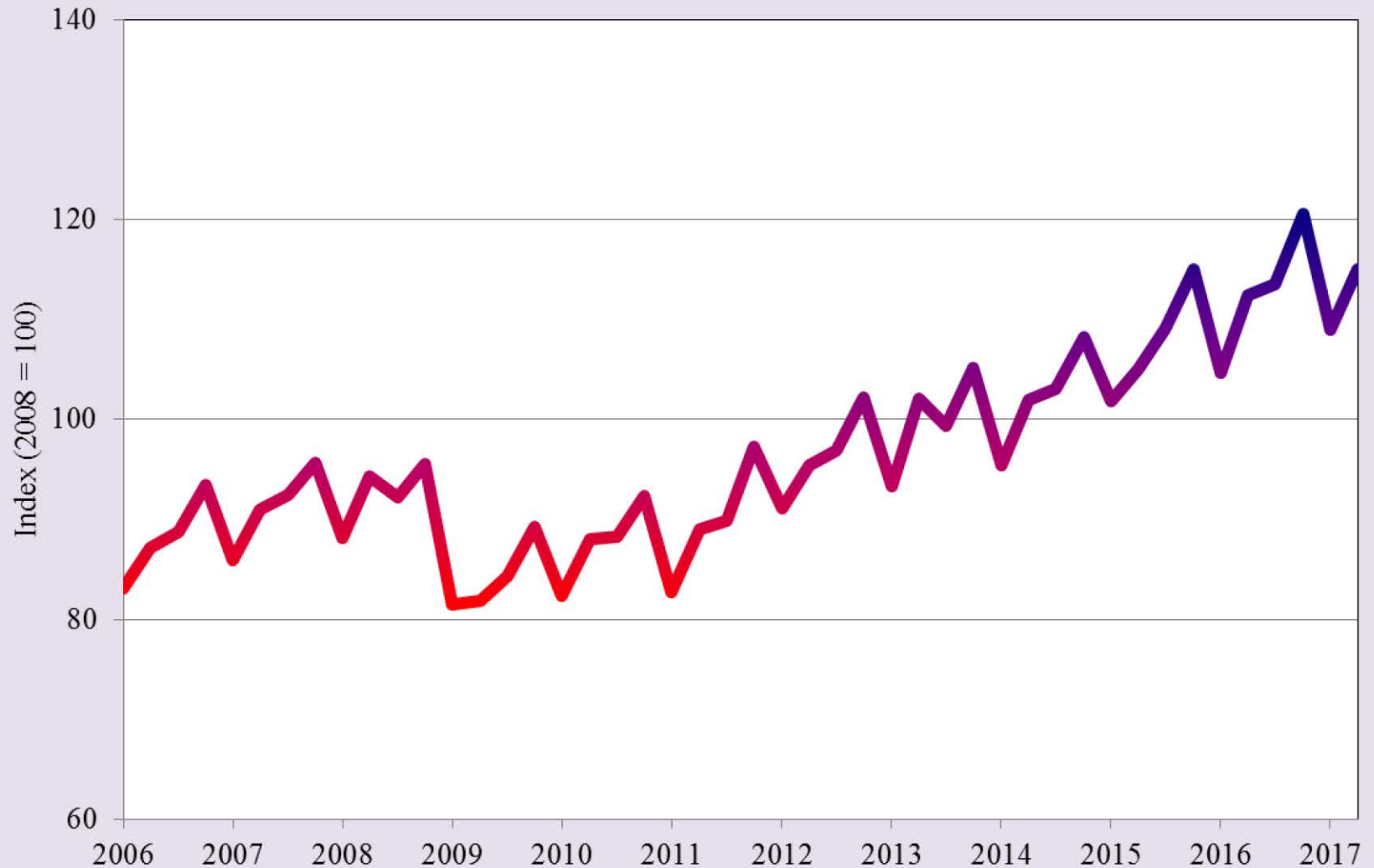
Quarterly Indicator of Economic Activity for the State of Chihuahua

— 2016 — 2017



Source: INEGI

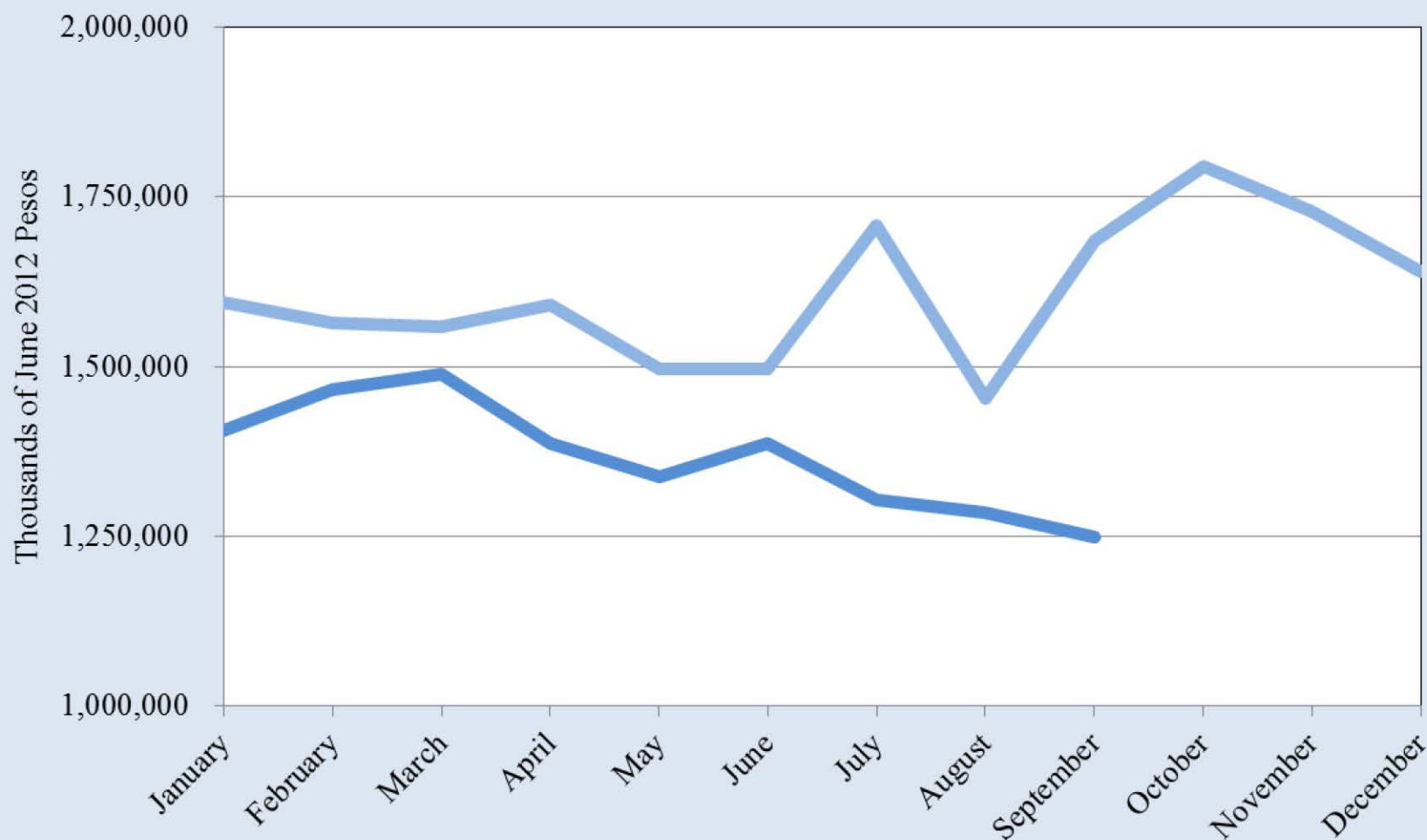
Quarterly Indicator of Economic Activity for the State of Chihuahua



Source: INEGI

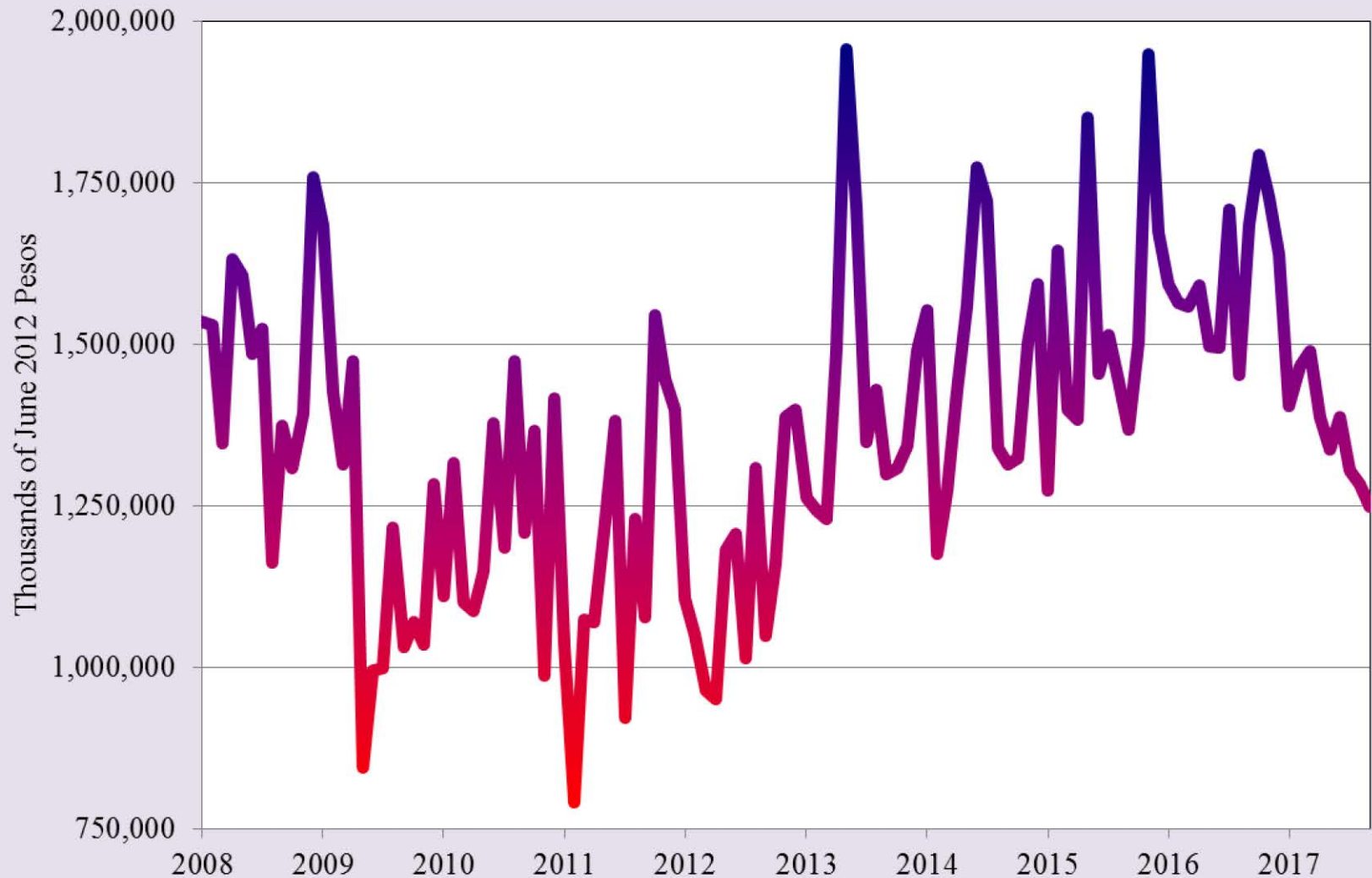
Total Value of Construction in the State of Chihuahua

— 2016 — 2017



Source: INEGI

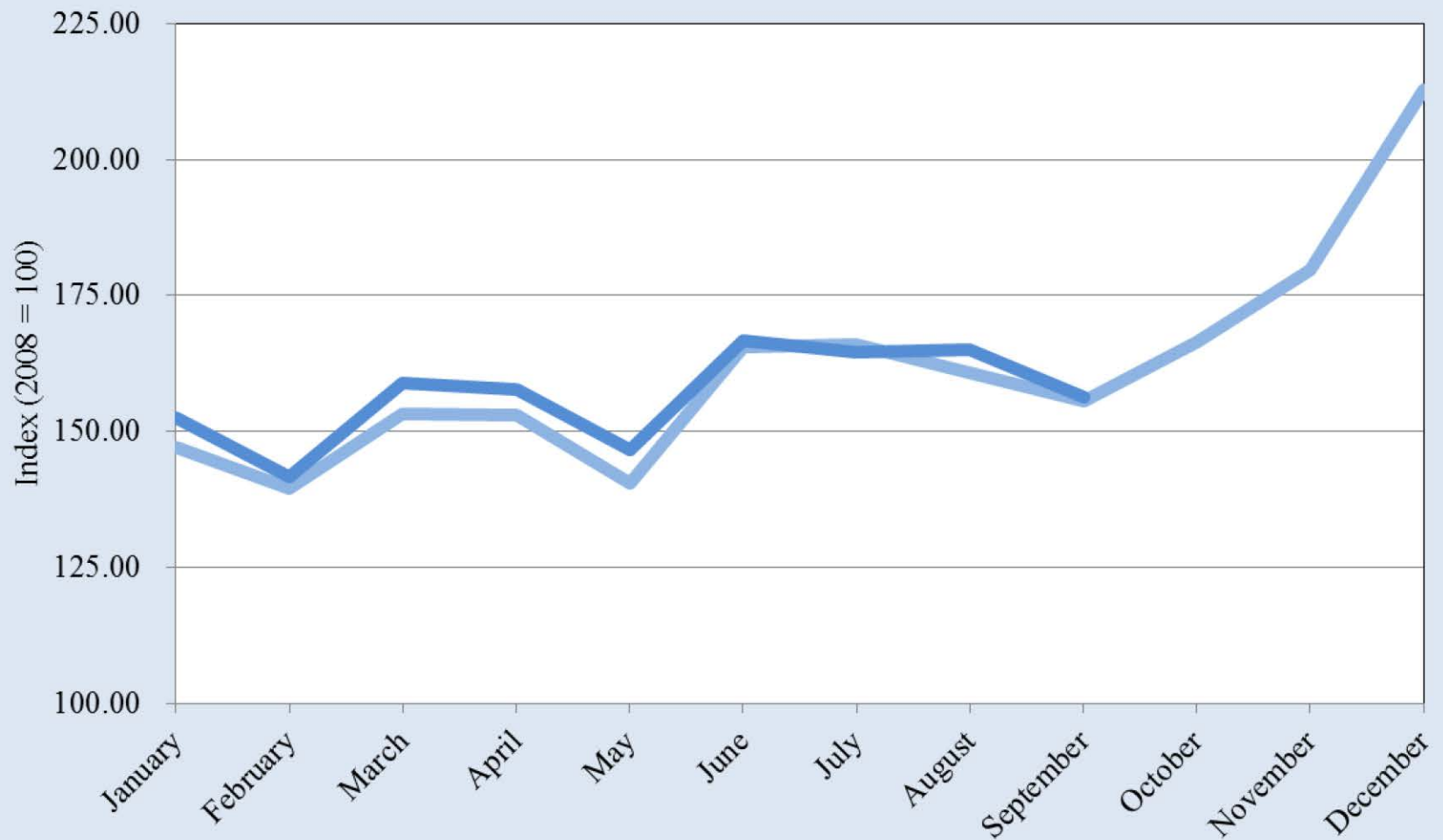
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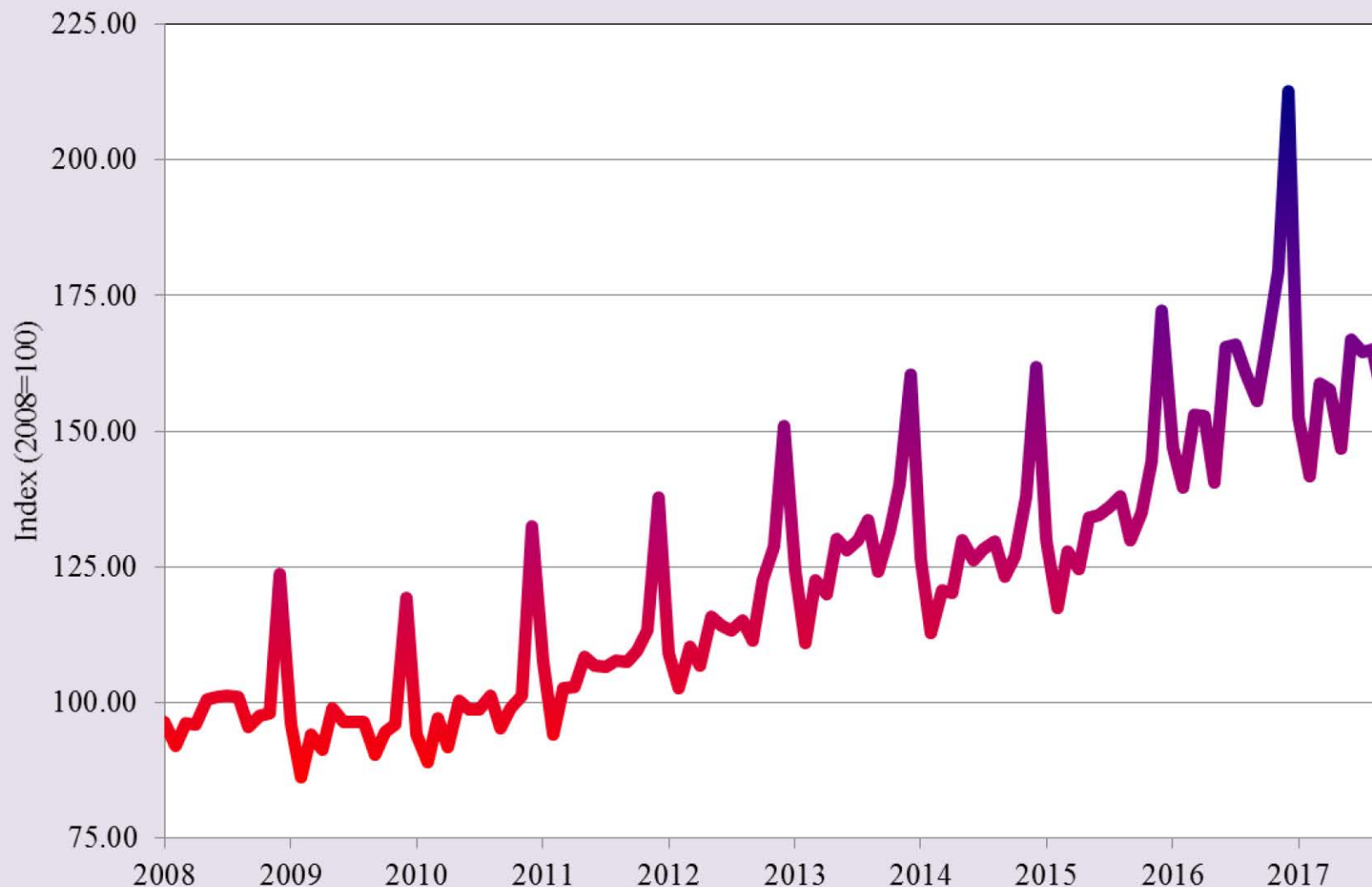
Real Retail Activity Index for the State of Chihuahua

— 2016 — 2017



Source: INEGI

Real Retail Activity Index for the State of Chihuahua



Source: INEGI



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