

6-2018

Borderplex Business Barometer, Volume 2, Number 7

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Recommended Citation

Fullerton, Thomas M. Jr.; Walke, Adam G.; Solís, Omar; and Muñiz, Esmeralda P., "Borderplex Business Barometer, Volume 2, Number 7" (2018). *Border Region Modeling Project*. 61.
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BORDERPLEX BUSINESS BAROMETER

July 2018

Border Region Modeling Project

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Border Commerce & Economics

Borderplex Business Barometer, Volume 2, Number 7

Completing the Recovery

The El Paso Household Economic Stress Index increased slightly in May, primarily as a result of higher inflation. Nonetheless, the index value of 4.1 was far below the peak level of 15.5 observed in March 2010. The local unemployment rate decreased to 4.1 percent in May, suggesting good labor market health. Additionally, El Paso County enrollment in the Supplemental Nutrition Assistance Program (SNAP) program was 2.9 percent lower in May 2018 than it was in May 2017.

The median housing price in May was \$154,000. That is 2.9 percent higher than it was last year. Similarly, the indicator for months of housing supply has continued to decline, reaching 4.4 months in May. That is the lowest level recorded since 2006 and signals robust demand in the local housing market. Average El Paso gasoline prices rose to \$2.96 per gallon in May and have declined slightly since then. Strong energy demand and changing global supply constraints have driven gasoline and diesel prices upward in 2018.

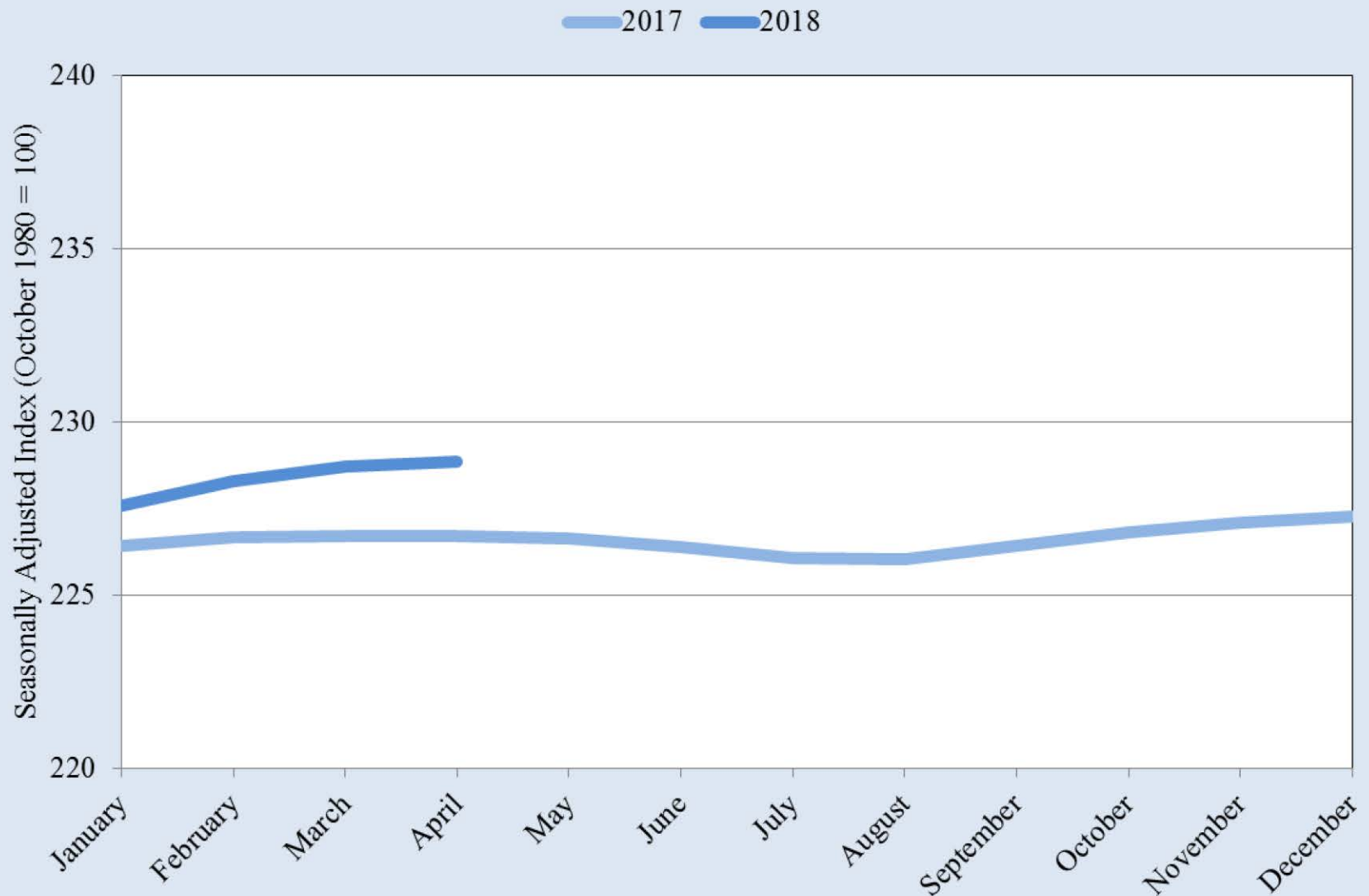
The Doña Ana County unemployment rate descended below 5 percent in May for the first time since 2008. Preliminary Bureau of Labor Statistics data indicate that declines in the Mesilla Valley civilian labor force are the prime factor behind that development. New investments in logistics, healthcare, retail, and restaurant sectors indicate, however, that jobs creation should accelerate later this year. Fortunately, area SNAP caseloads continued to remain below the 28,000 mark in May.

NAFTA uncertainty helped weaken the peso in May with the peso-per-dollar nominal exchange rate increasing by more than 120 centavos. Simultaneously, the restaurant price ratio rose above 13 pesos per dollar for the first time. The value of the price ratio implies that a menu item that costs \$1 in El Paso would be expected to cost about 13 pesos (equivalent to roughly 67 US cents) in Ciudad Juárez. This is consistent with the value of the real exchange rate index, which suggests that the peso remains undervalued. It also implies that border region consumers have an incentive to shop, at least for some items, in Ciudad Juárez. These exchange rate fluctuations, in turn, help explain why pedestrian and personal vehicle bridge crossings increased in the first four months of 2018, in comparison to the same period in 2017. Cargo vehicle traffic also increased, on average, in that period.

A strong global economy and escalating trade disputes are likely to exert opposite effects on regional trade and manufacturing activity. In recent months, this has resulted in mixed overall performance for those sectors in the regional economy and in northern Mexico. The total value of trade through the El Paso Customs District

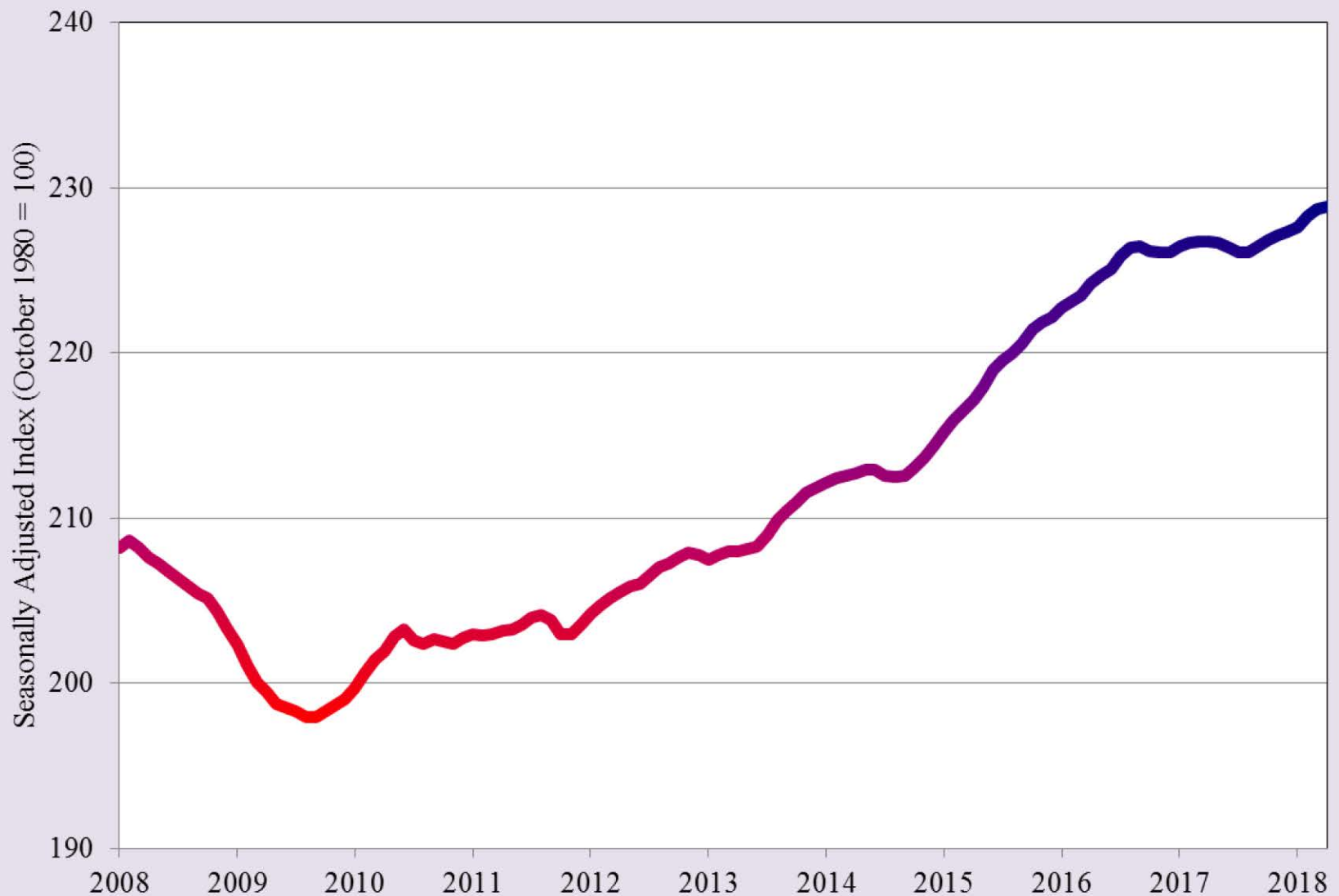
increased markedly in April, due to strong growth in both imports and exports. At the same time, however, export-processing employment in Ciudad Juárez has stagnated at just below 270,000 jobs in the last five months. The April employment figure represents a 1.9 percent drop in export-oriented manufacturing employment relative to one year ago. More encouragingly, the Northern Mexico Manufacturing Orders Index has done fairly well since January in comparison to last year. Also, on a moderately positive note, the total value of construction in the state of Chihuahua has recovered somewhat from its January 2018 low. Finally, real retail revenues climbed upward in April. Several factors likely contribute to this development, including undervaluation of the peso.

Metro Business-Cycle Index for El Paso



Source: Federal Reserve Bank of Dallas

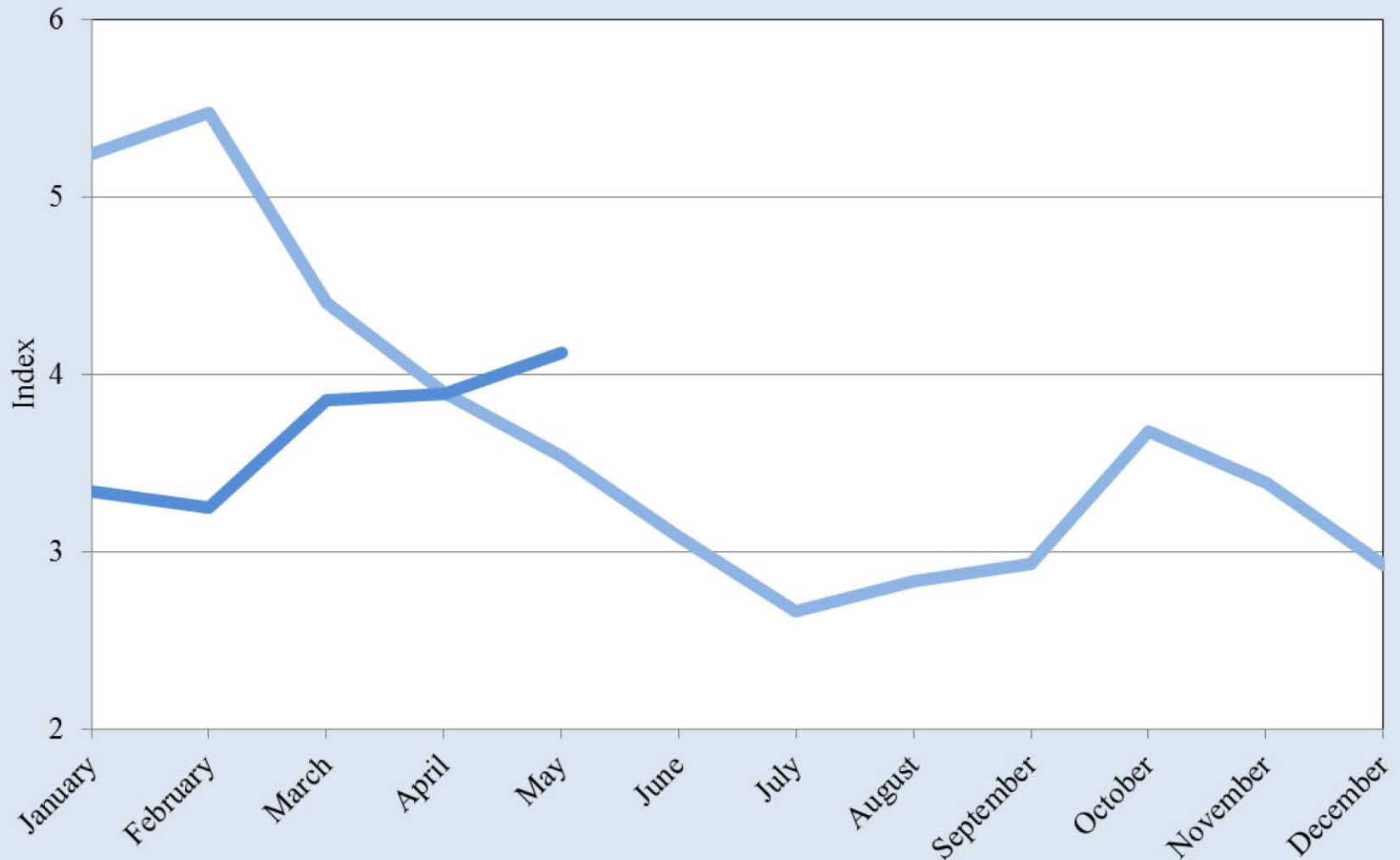
Metro Business-Cycle Index for El Paso



Source: Federal Reserve Bank of Dallas

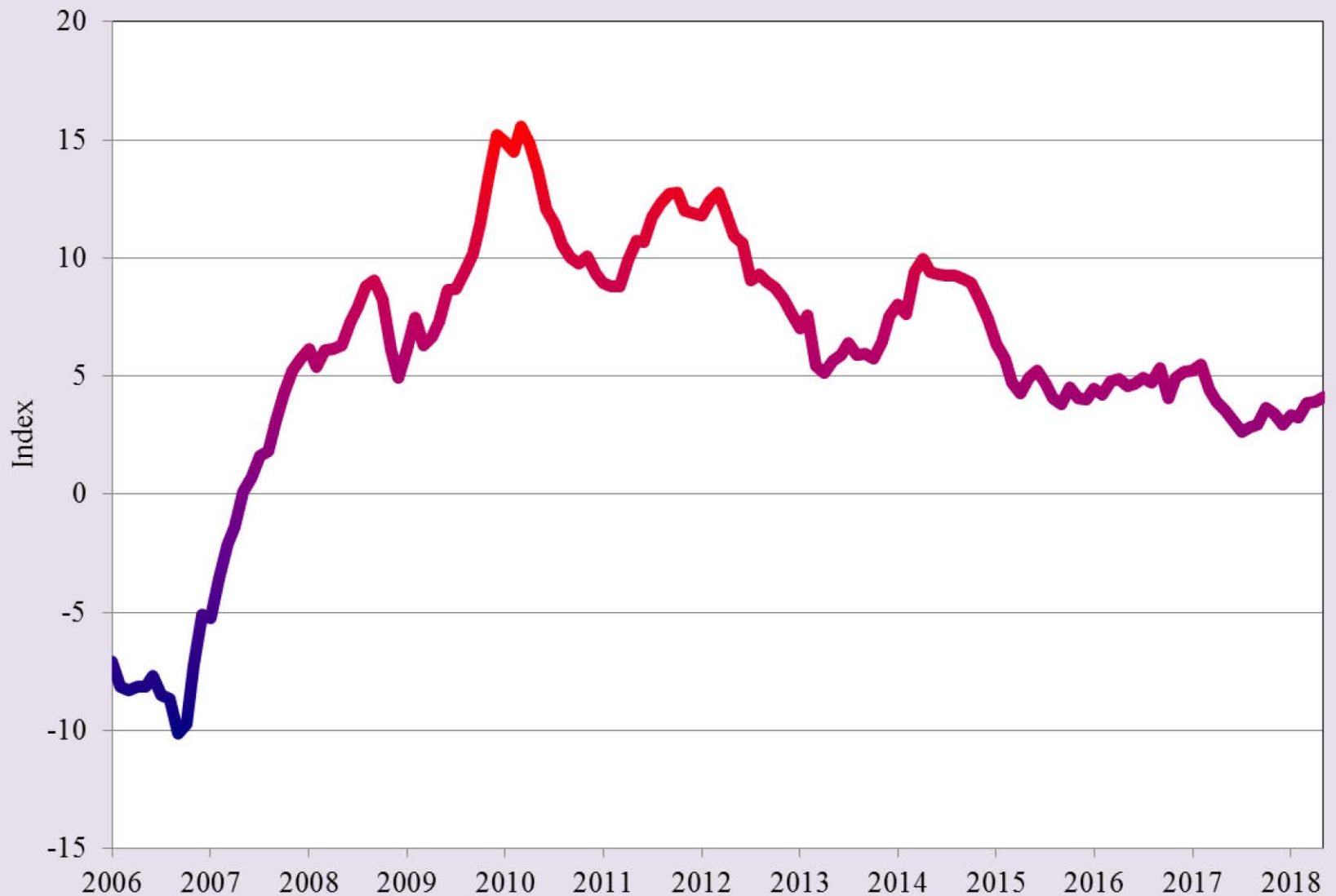
El Paso Household Economic Stress Index

— 2017 — 2018



Source: UTEP Border Region Modeling Project

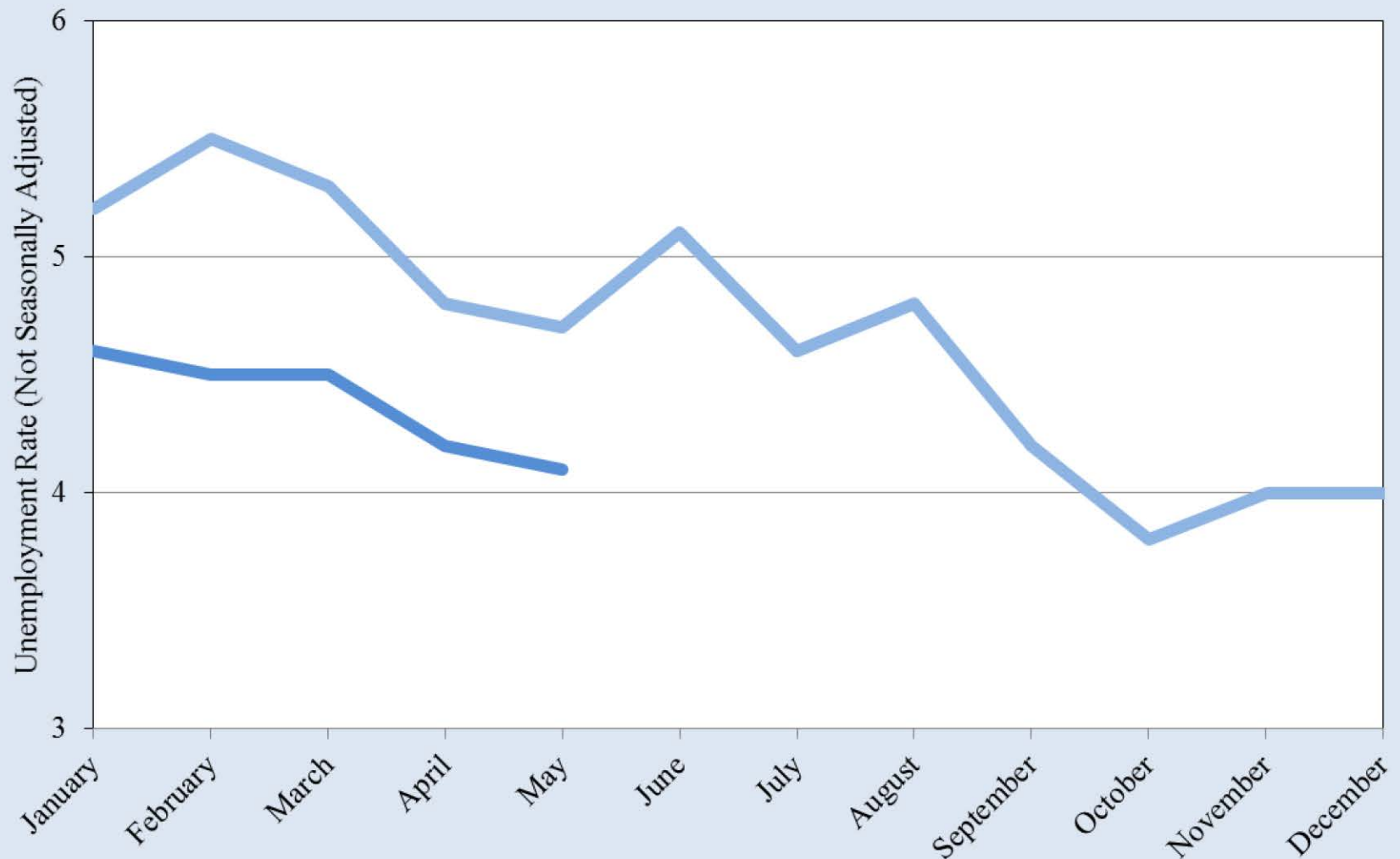
El Paso Household Economic Stress Index



Source: UTEP Border Region Modeling Project

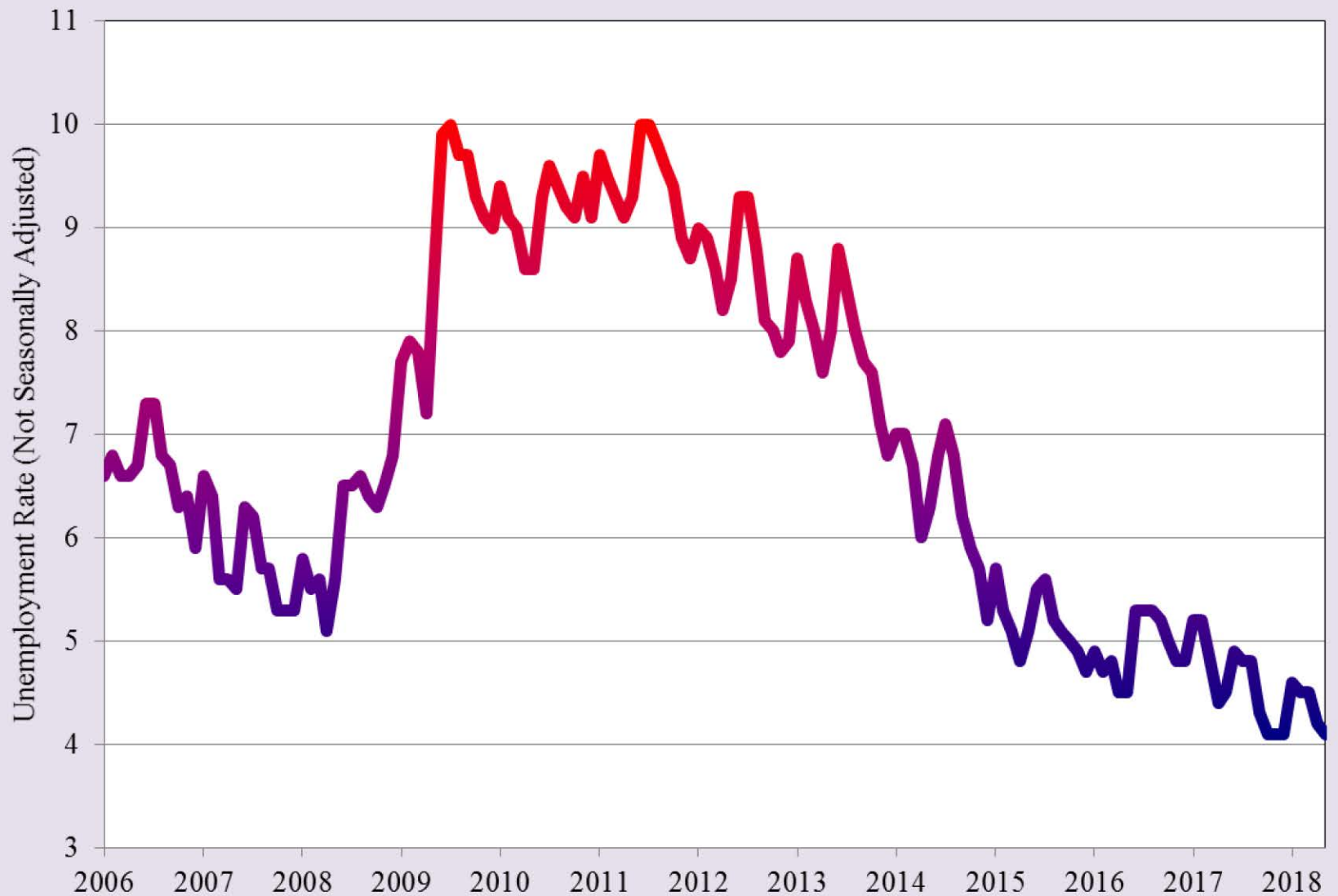
El Paso County Unemployment Rate

— 2017 — 2018



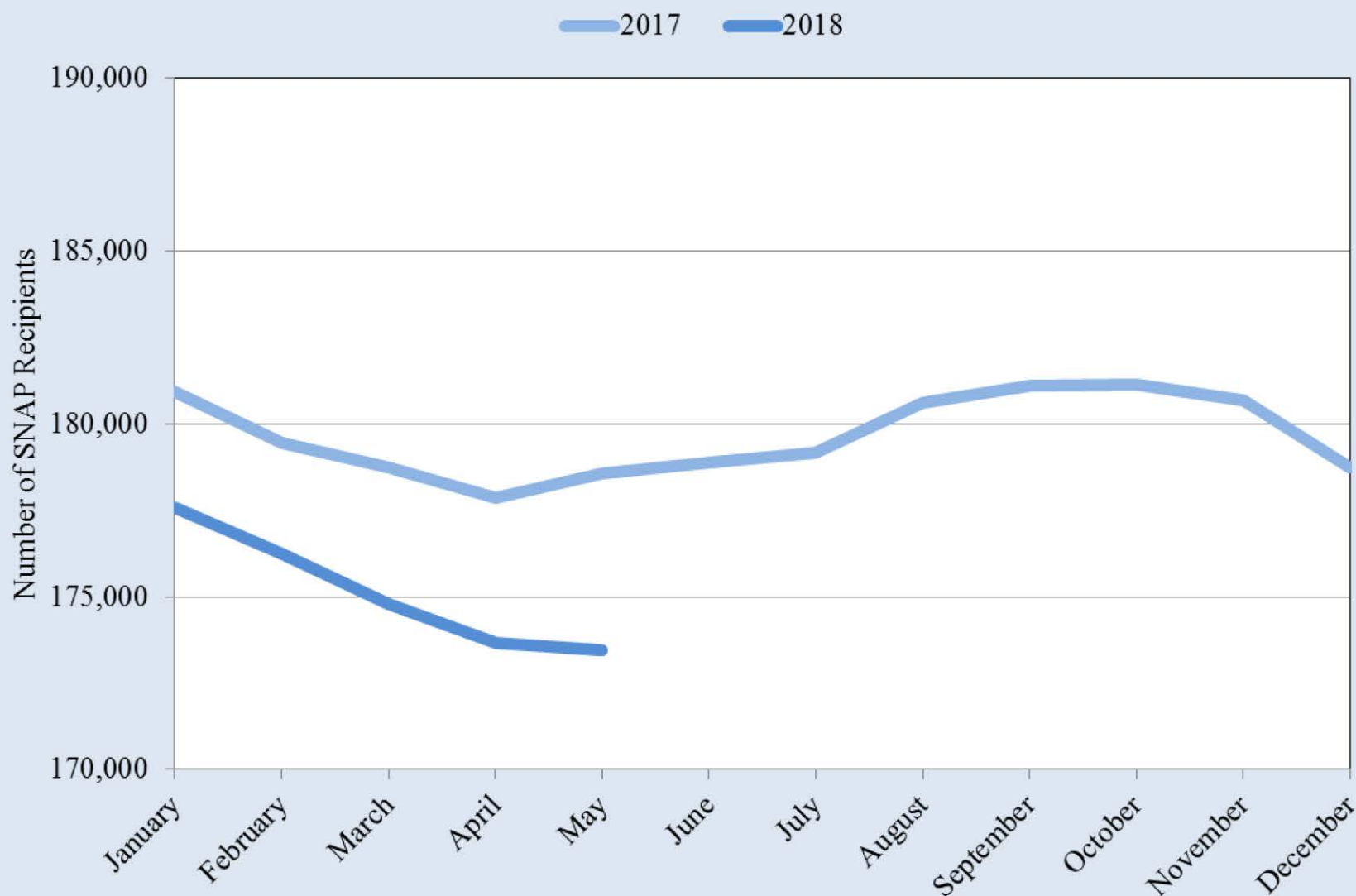
Source: Bureau of Labor Statistics

El Paso County Unemployment Rate



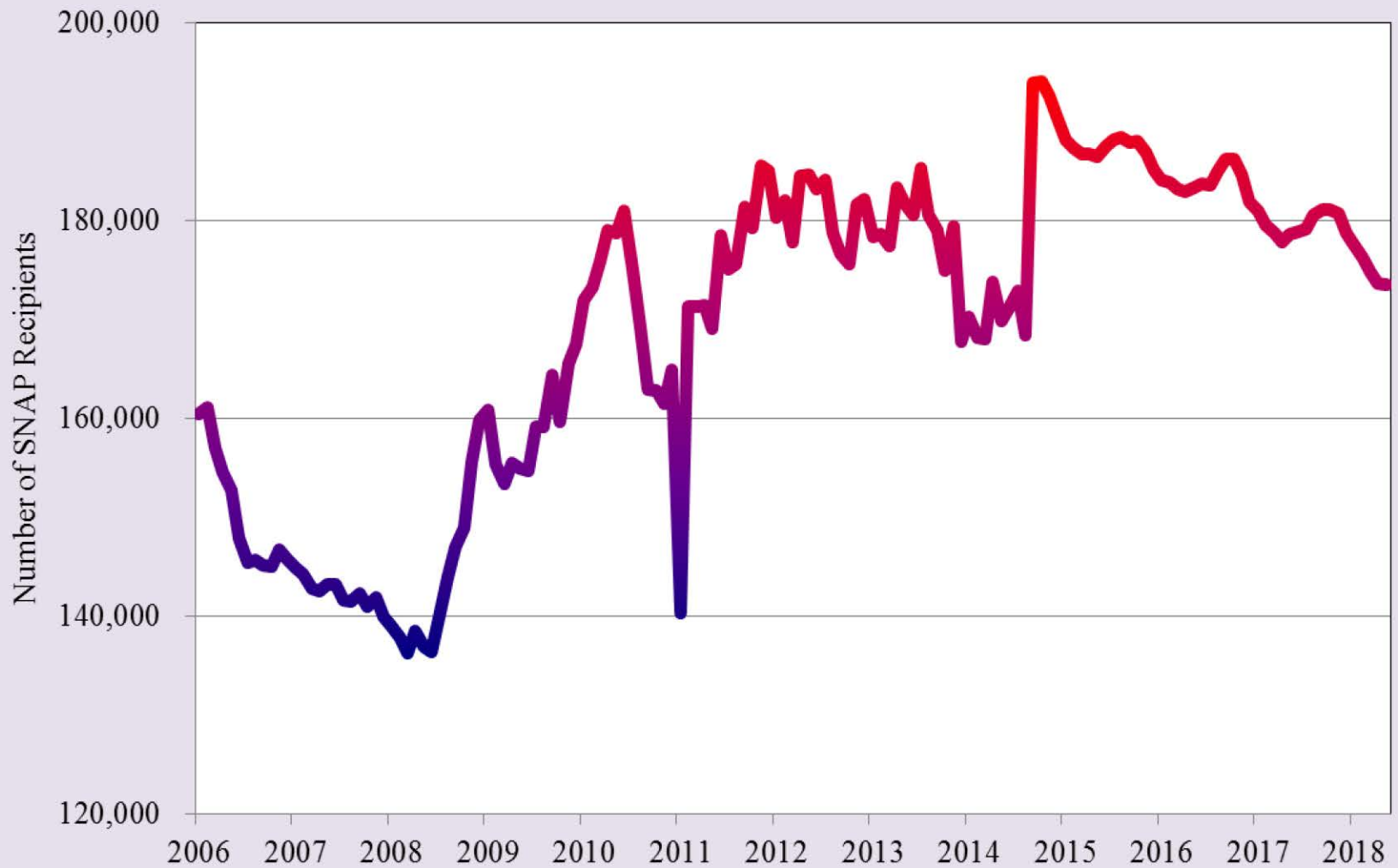
Source: Bureau of Labor Statistics

El Paso County SNAP (Food Stamp) Enrollment



Source: Texas Health and Human Services Commission

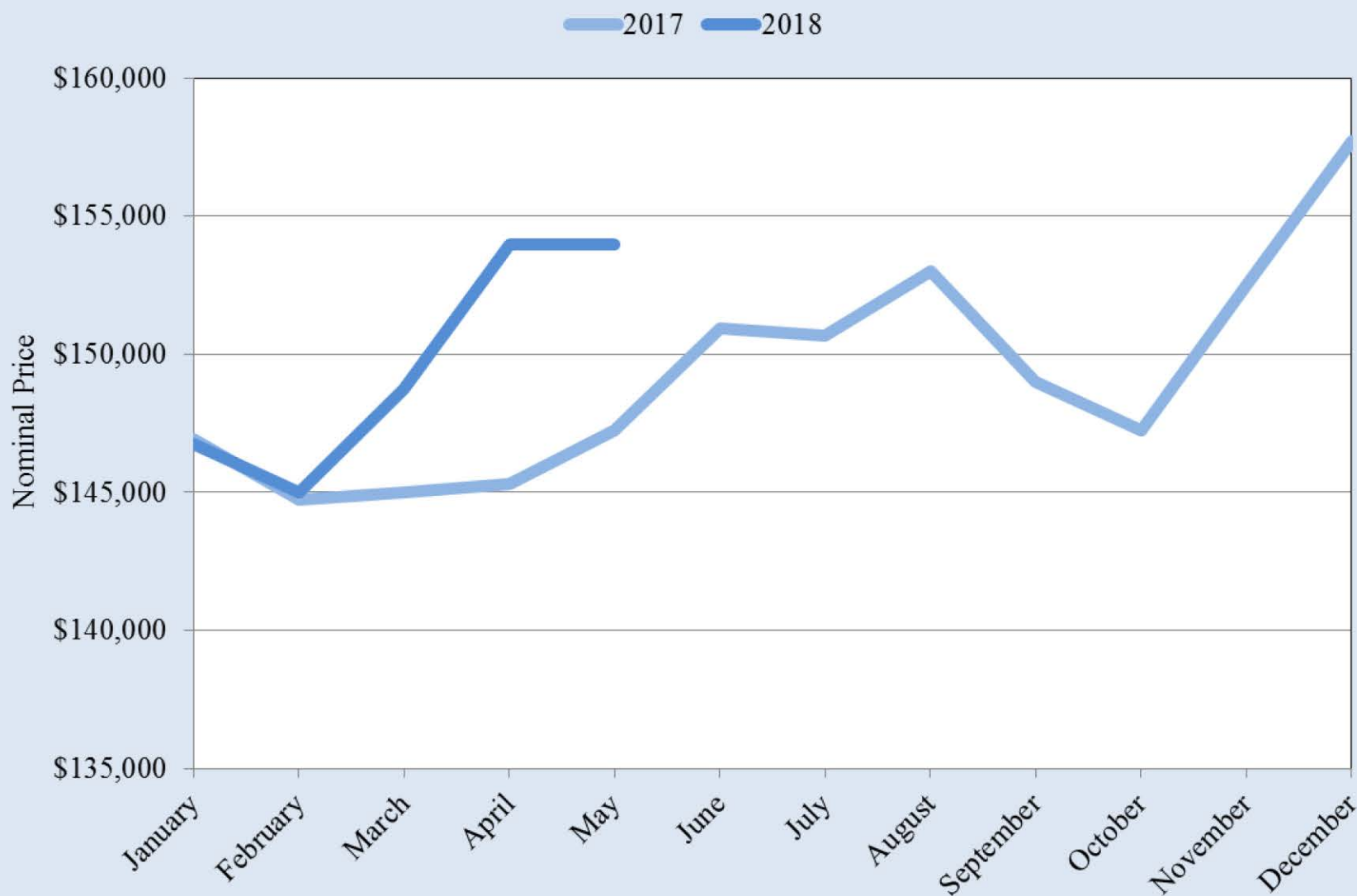
El Paso County SNAP (Food Stamp) Enrollment



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

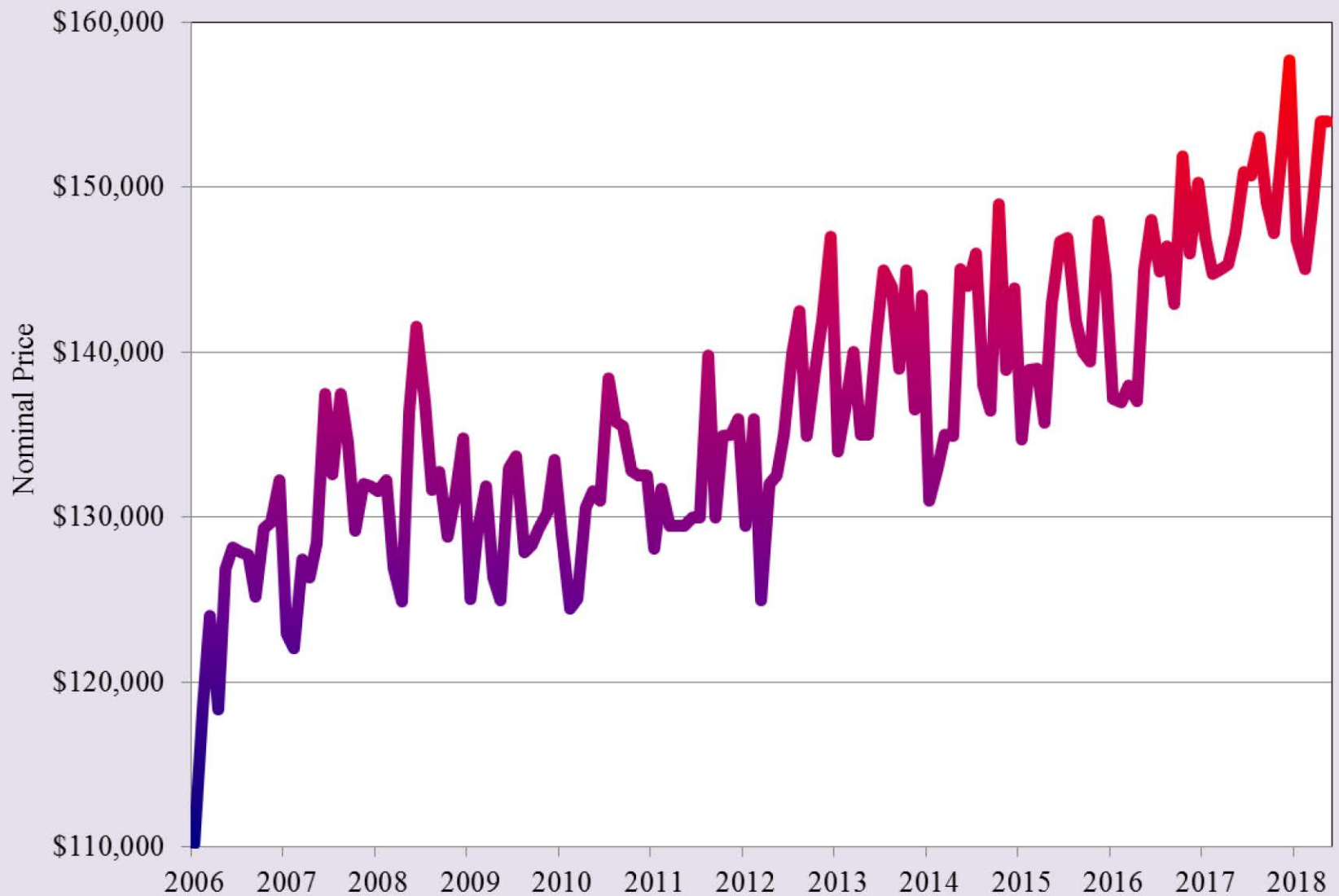
Source: Texas Health and Human Services Commission

El Paso Median Housing Prices



Source: Texas A&M Real Estate Center

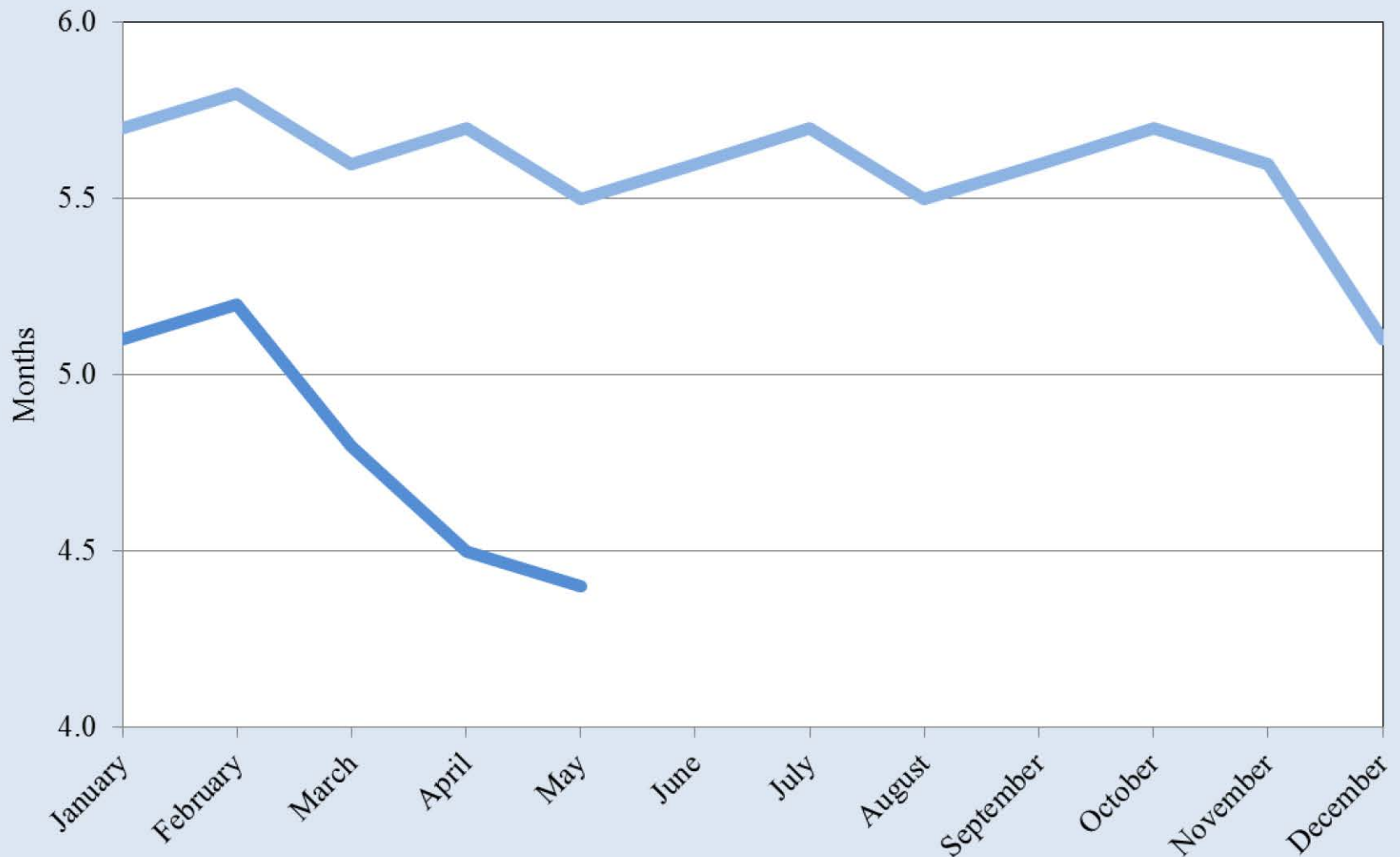
El Paso Median Housing Prices



Source: Texas A&M Real Estate Center

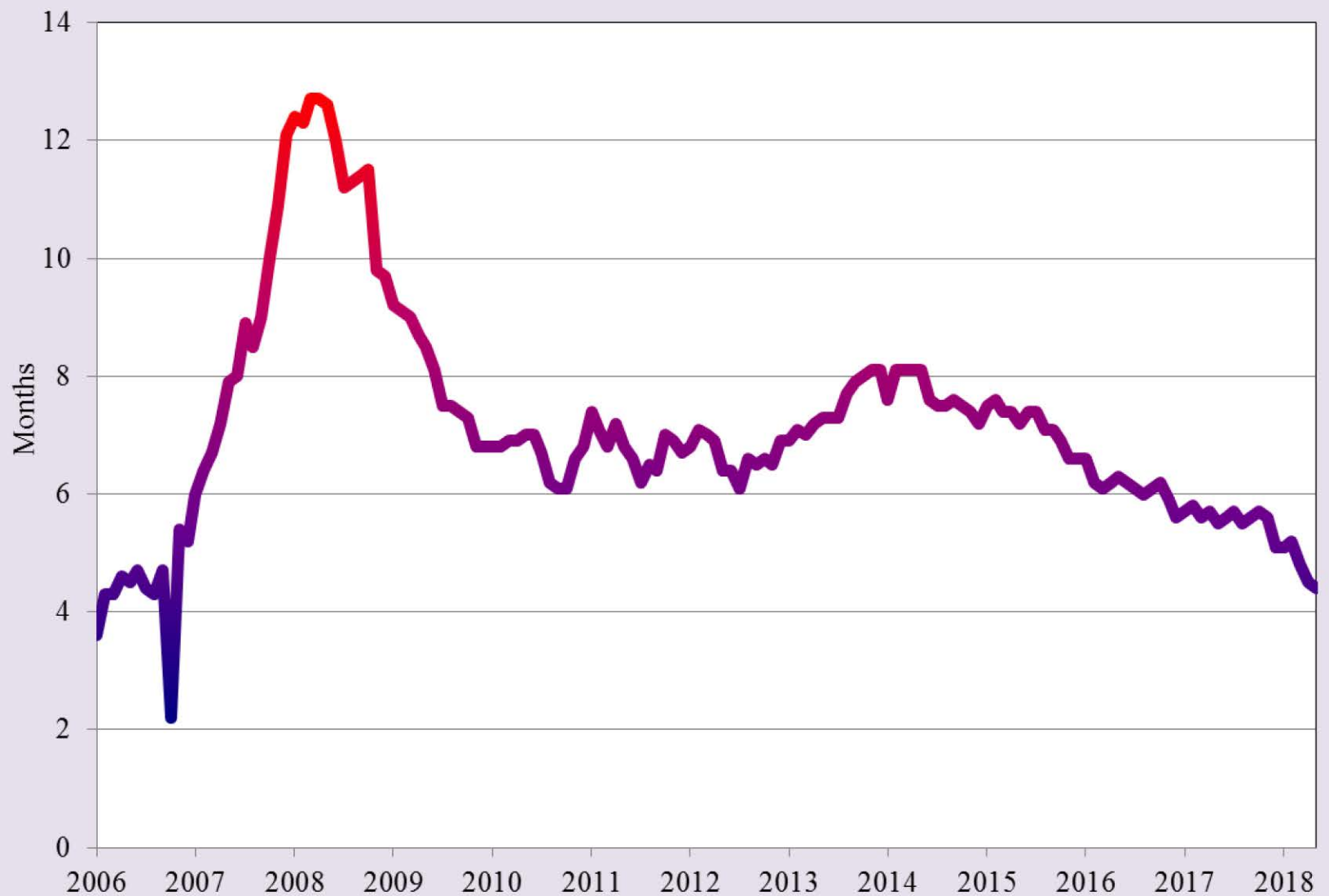
Months of Housing Inventory for El Paso

— 2017 — 2018



Source: Texas A&M Real Estate Center

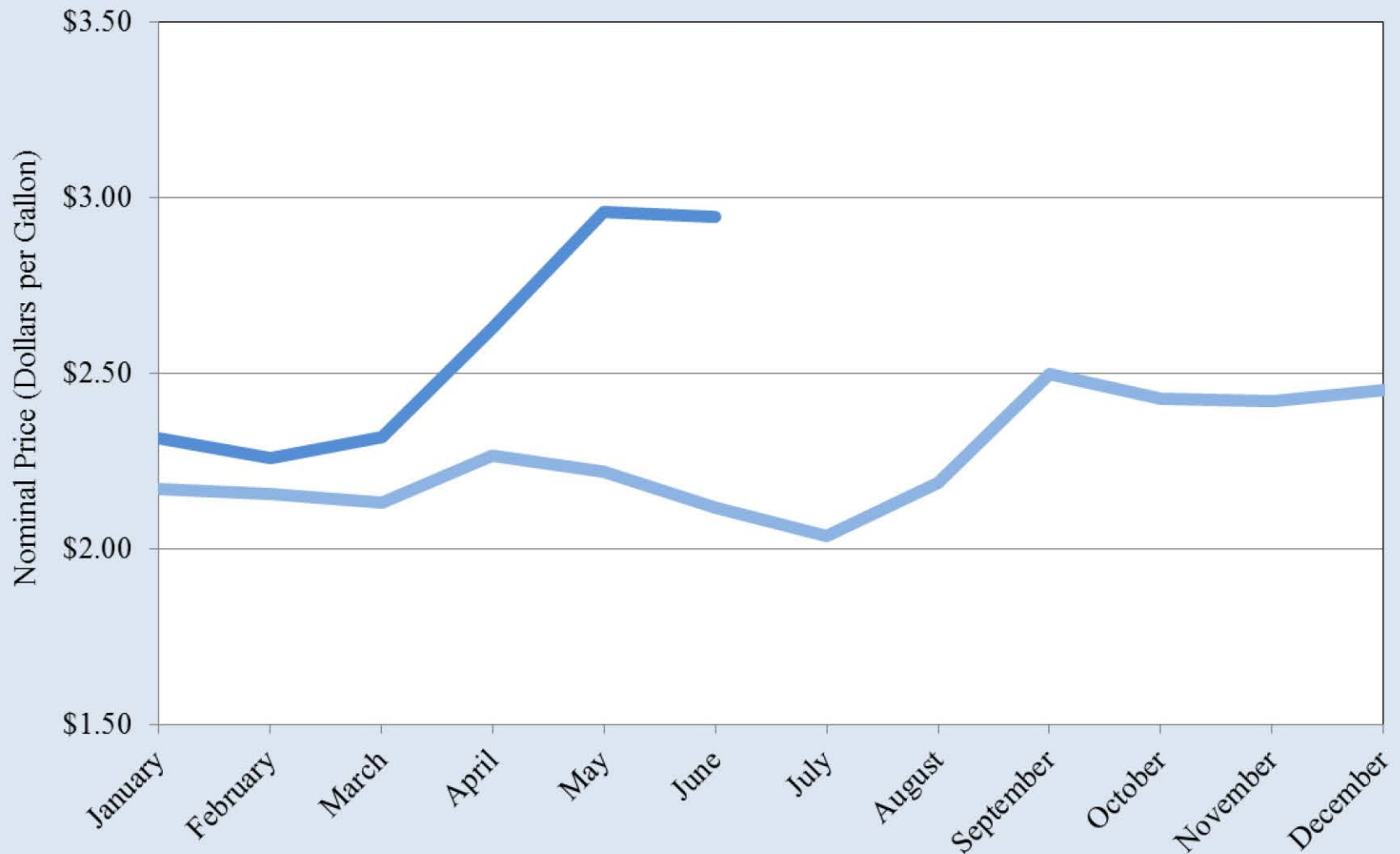
Months of Housing Inventory for El Paso



Source: Texas A&M Real Estate Center

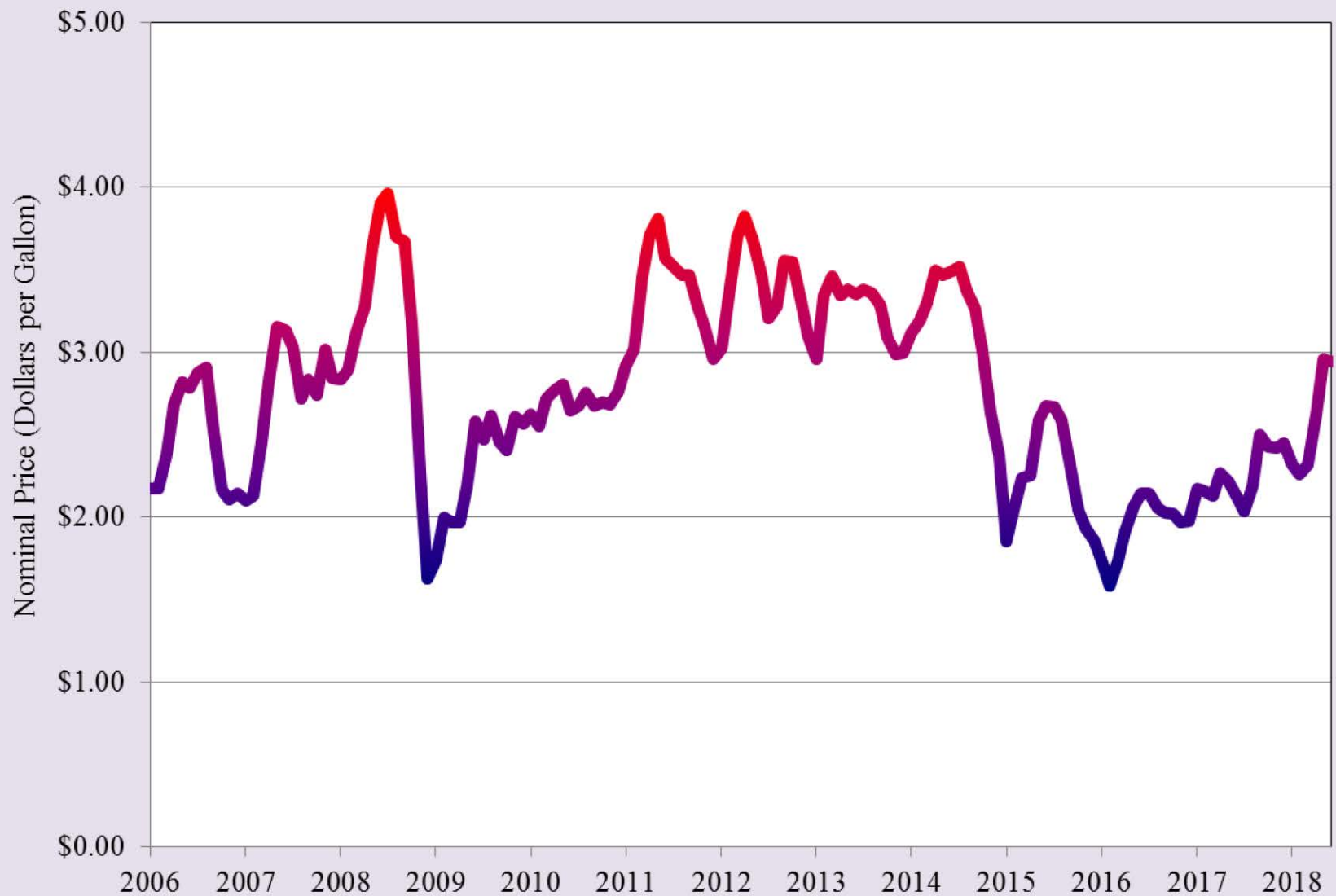
El Paso Gasoline Prices

— 2017 — 2018



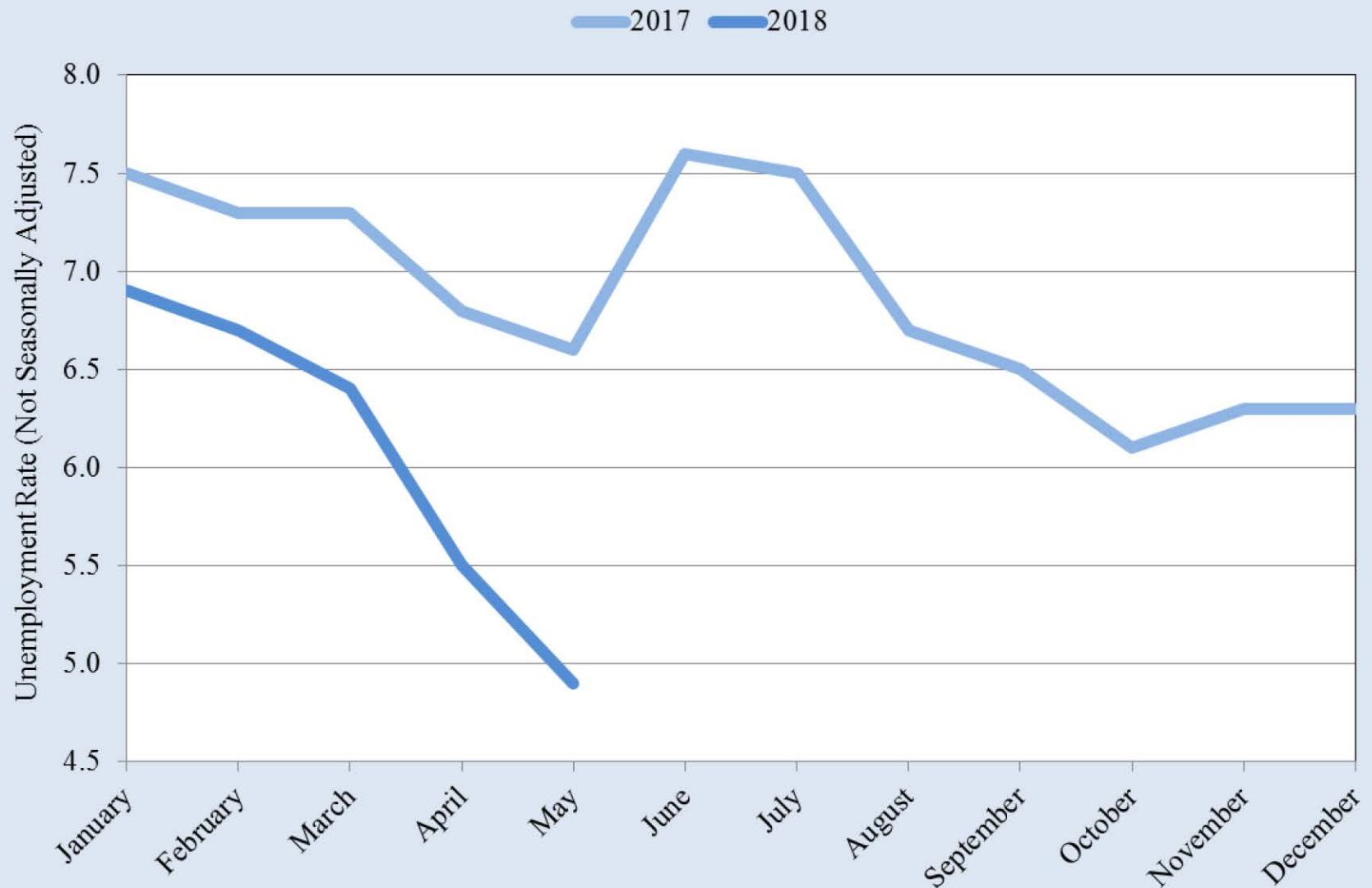
Source: GasBuddy.com

El Paso Gasoline Prices



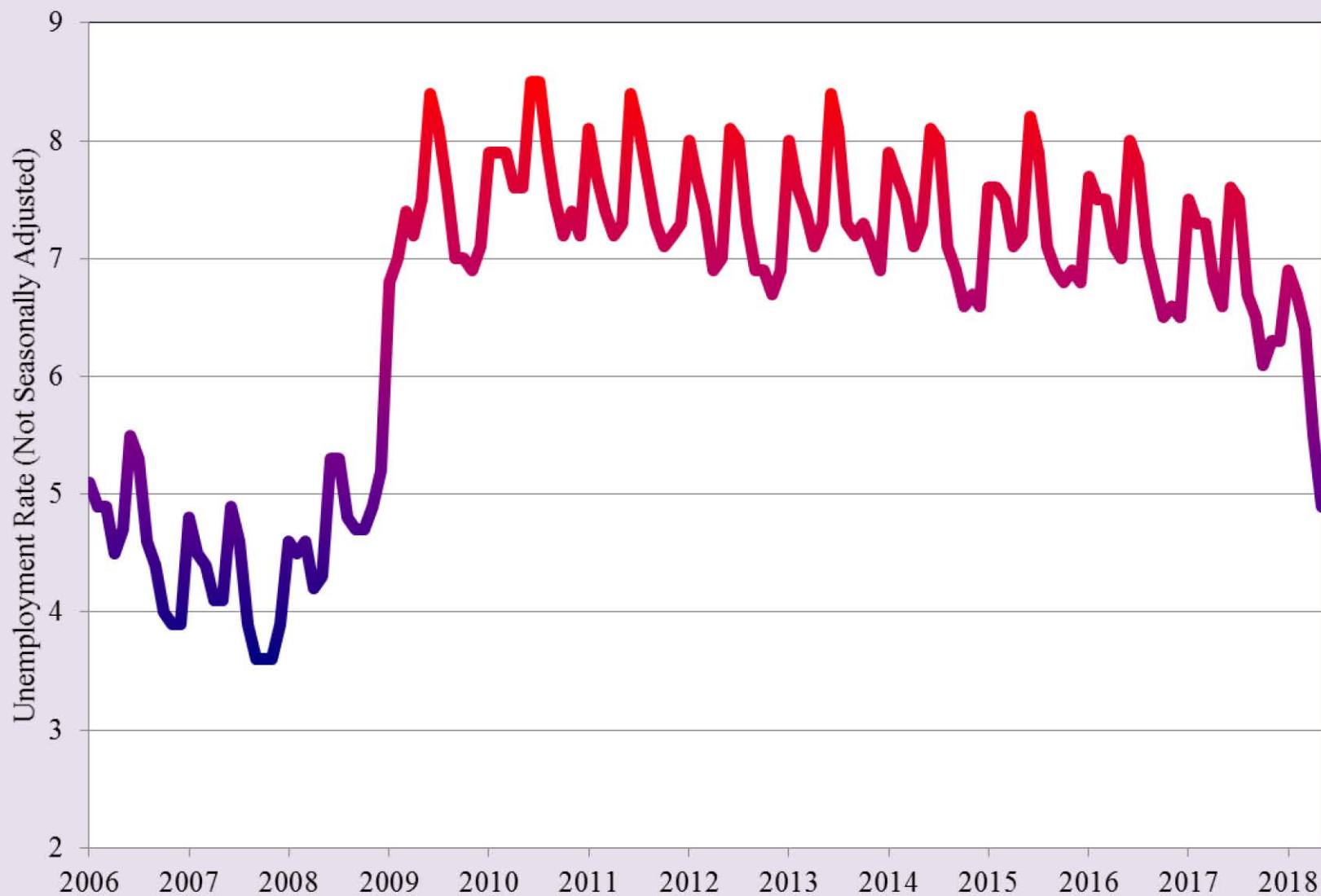
Source: GasBuddy.com

Doña Ana County Unemployment Rate



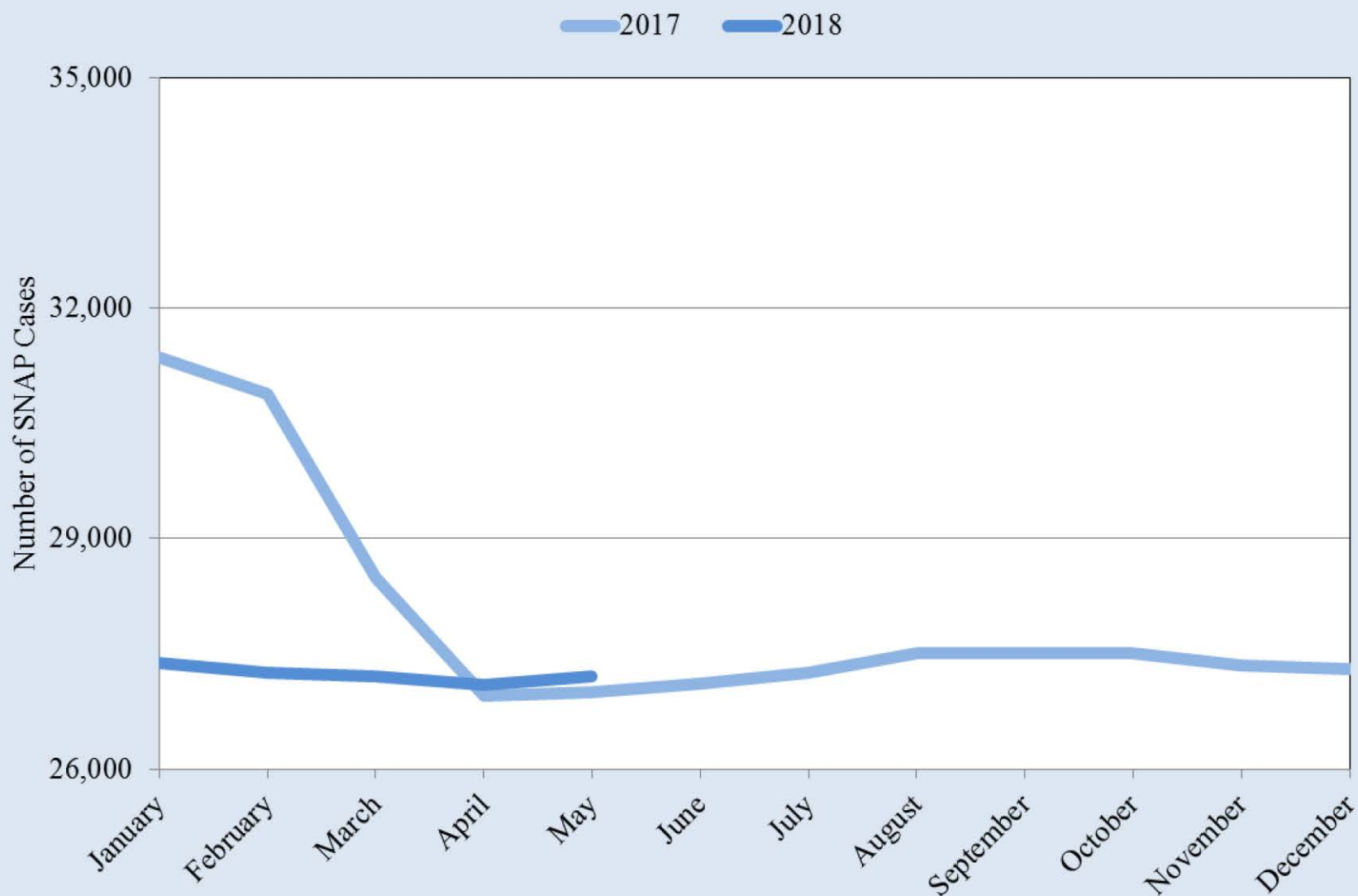
Source: Bureau of Labor Statistics

Doña Ana County Unemployment Rate



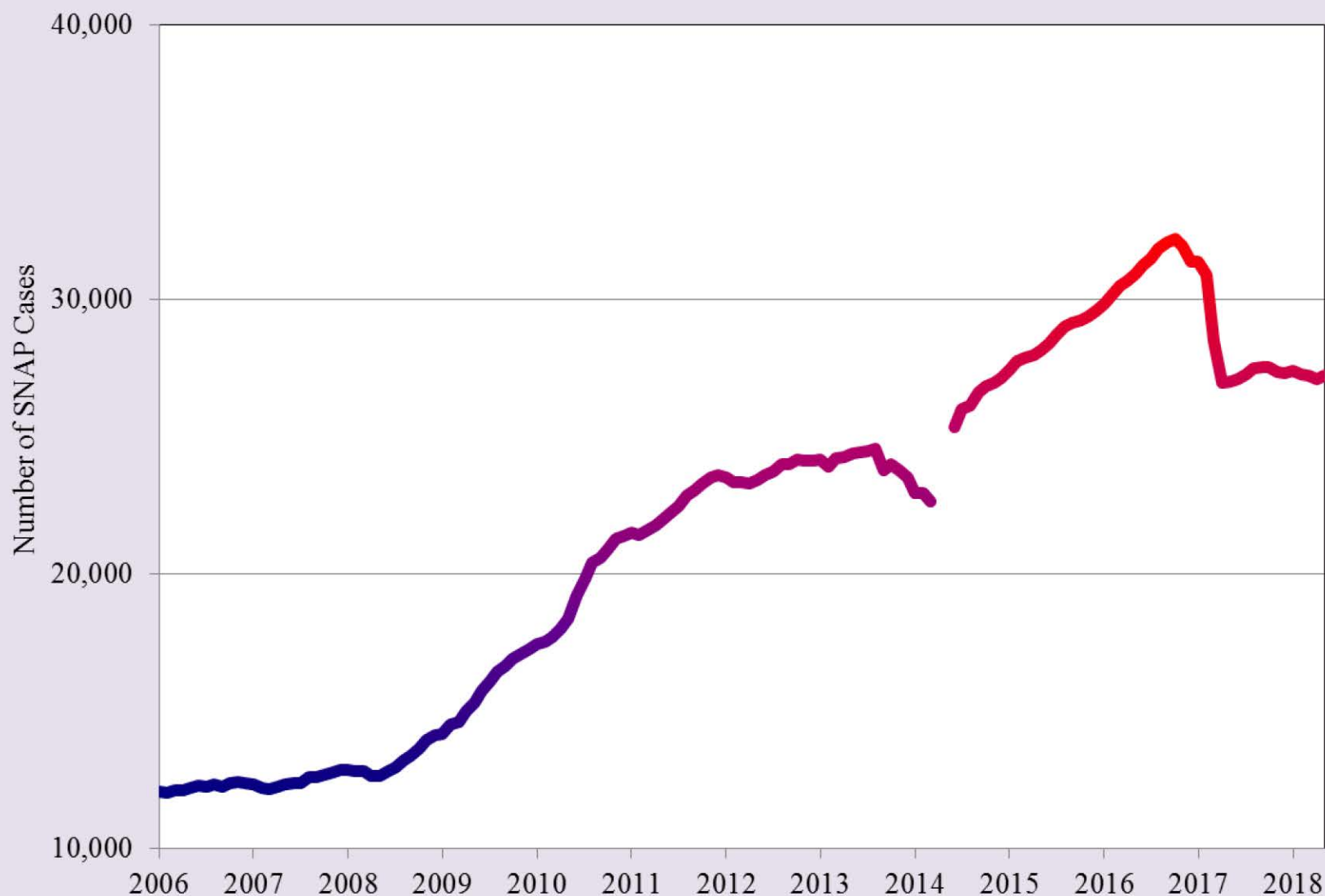
Source: Bureau of Labor Statistics

Las Cruces Area SNAP (Food Stamp) Cases



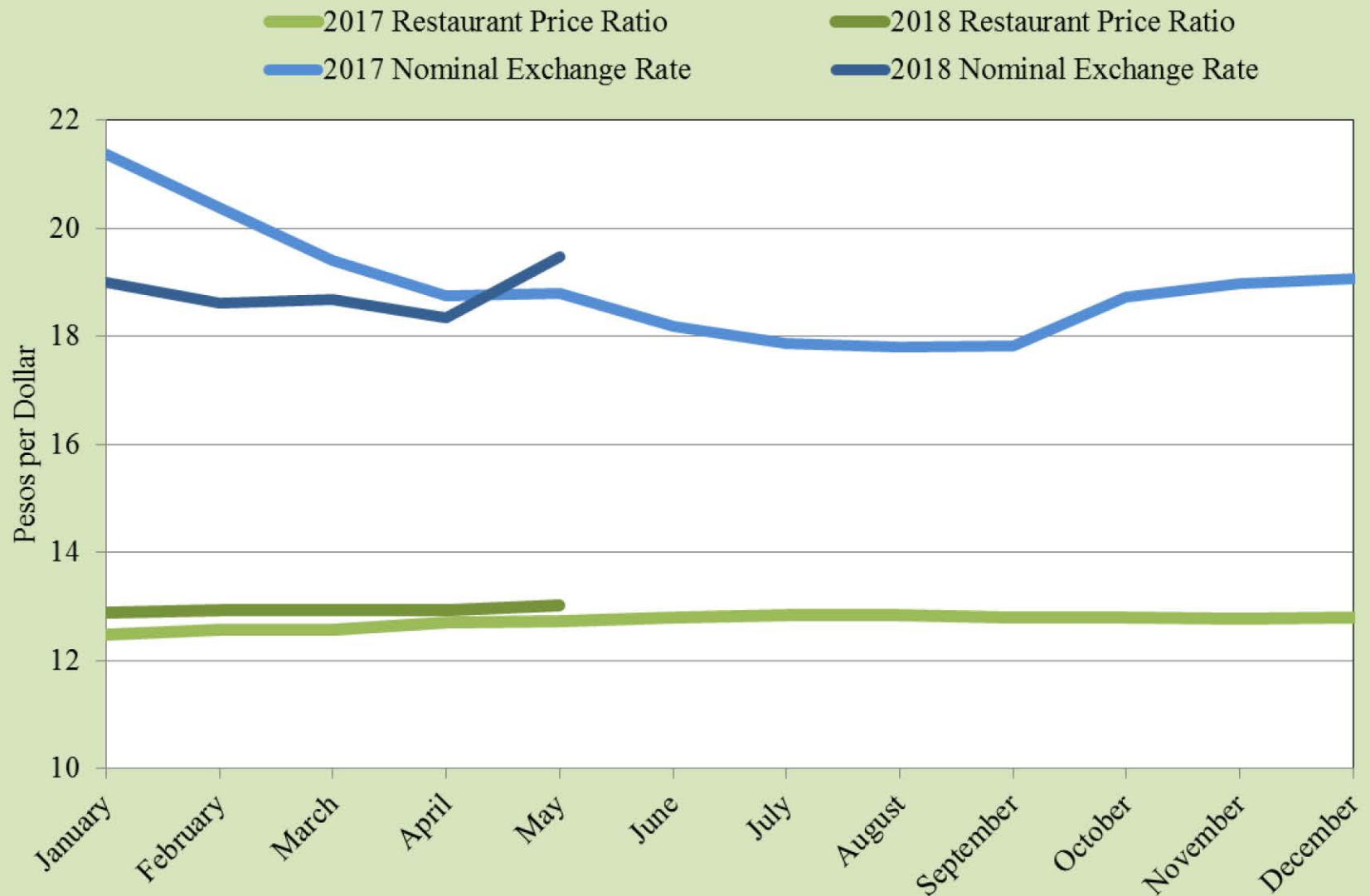
Source: New Mexico Human Services Department

Las Cruces Area SNAP (Food Stamp) Cases



Source: New Mexico Human Services Department

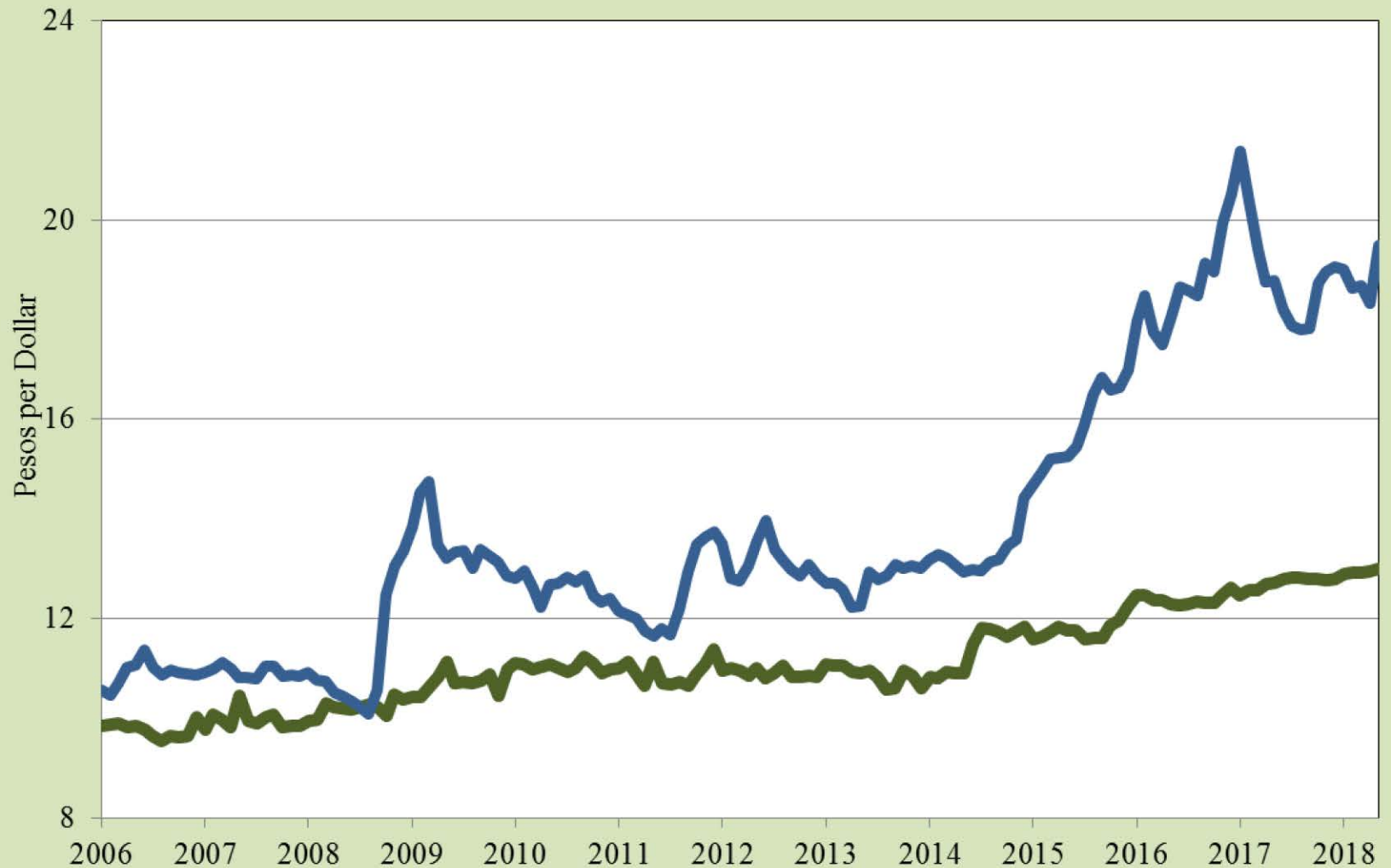
Restaurant Price Ratio and Exchange Rate



Source: UTEP Border Region Modeling Project and Banco de Mexico

Restaurant Price Ratio and Exchange Rate

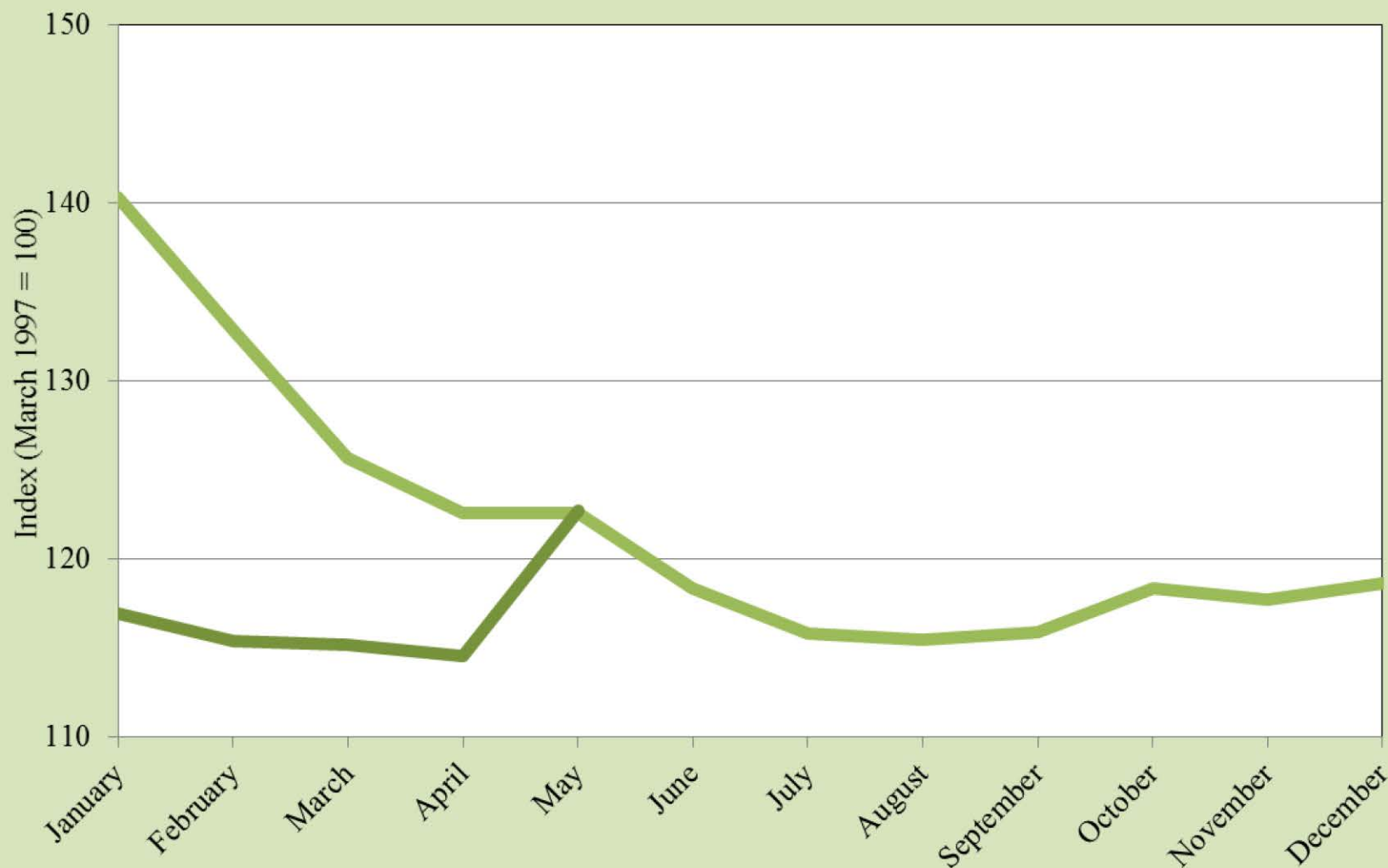
Price Ratio Nominal Exchange Rate



Source: UTEP Border Region Modeling Project and Banco de Mexico

Real Peso-per-Dollar Exchange Rate Index

— 2017 — 2018



Source: UTEP Border Region Modeling Project

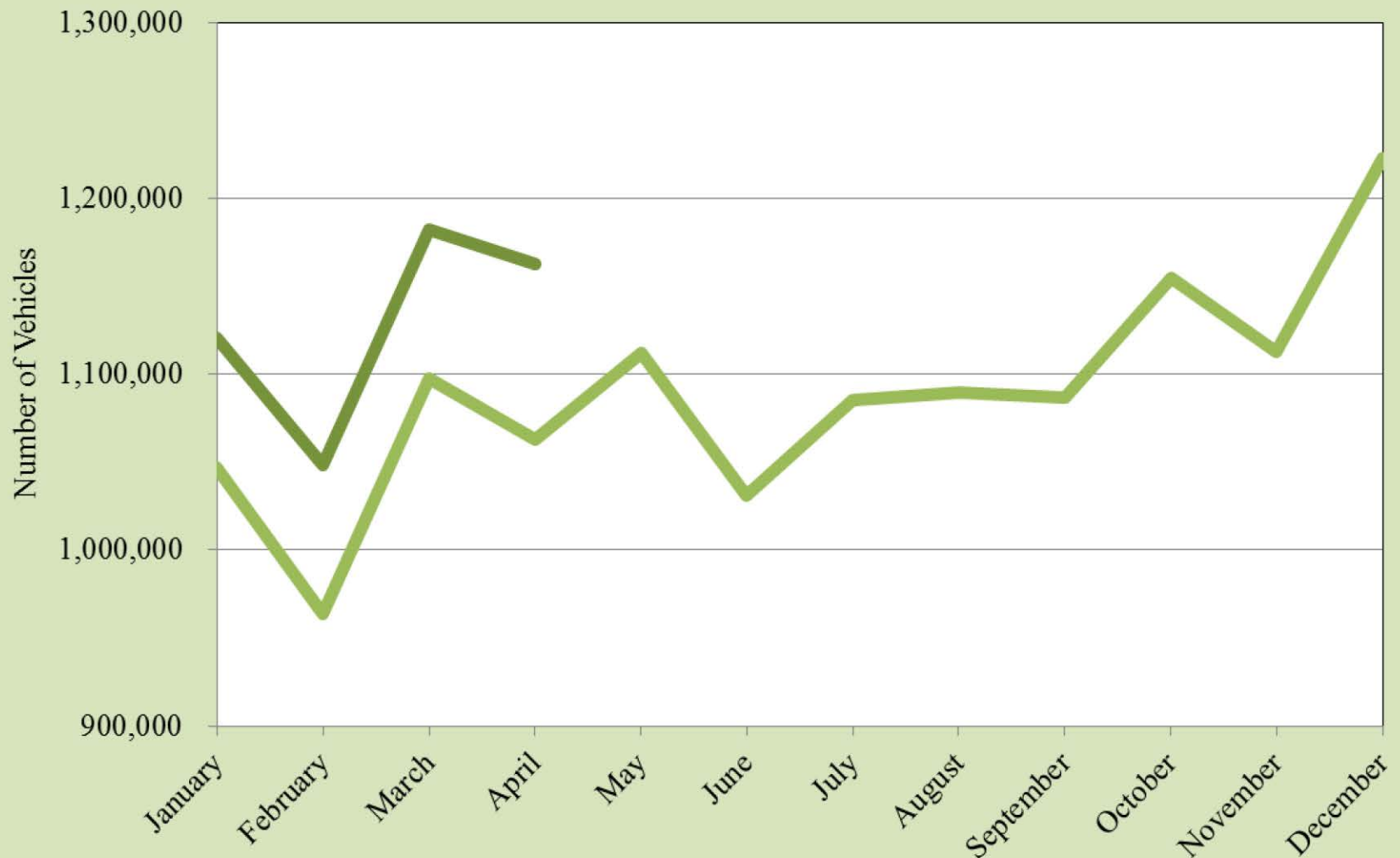
Real Peso-per-Dollar Exchange Rate Index



Source: UTEP Border Region Modeling Project

Personal Vehicle International Bridge Crossings to El Paso

— 2017 — 2018



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

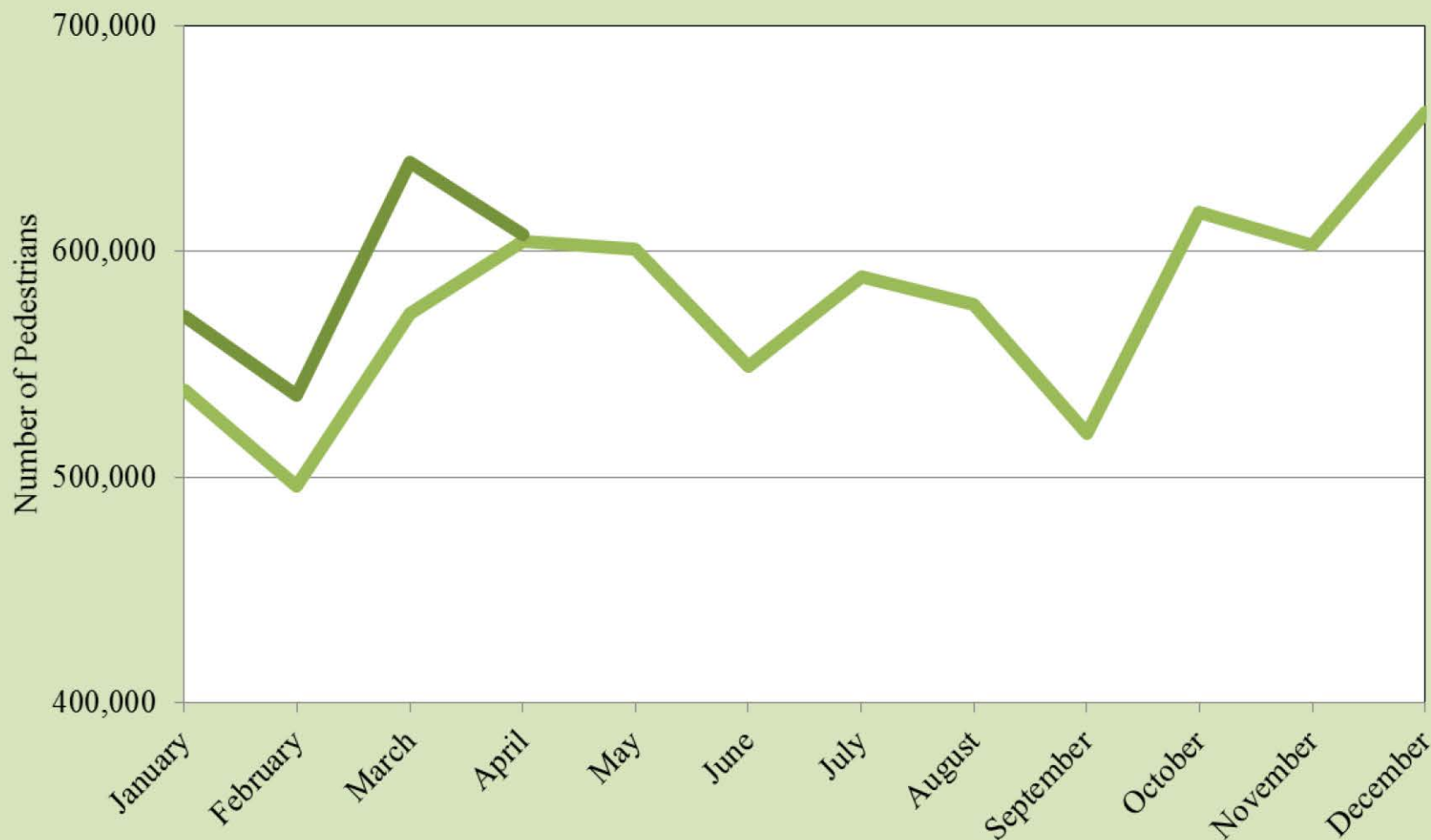
Personal Vehicle International Bridge Crossings to El Paso



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

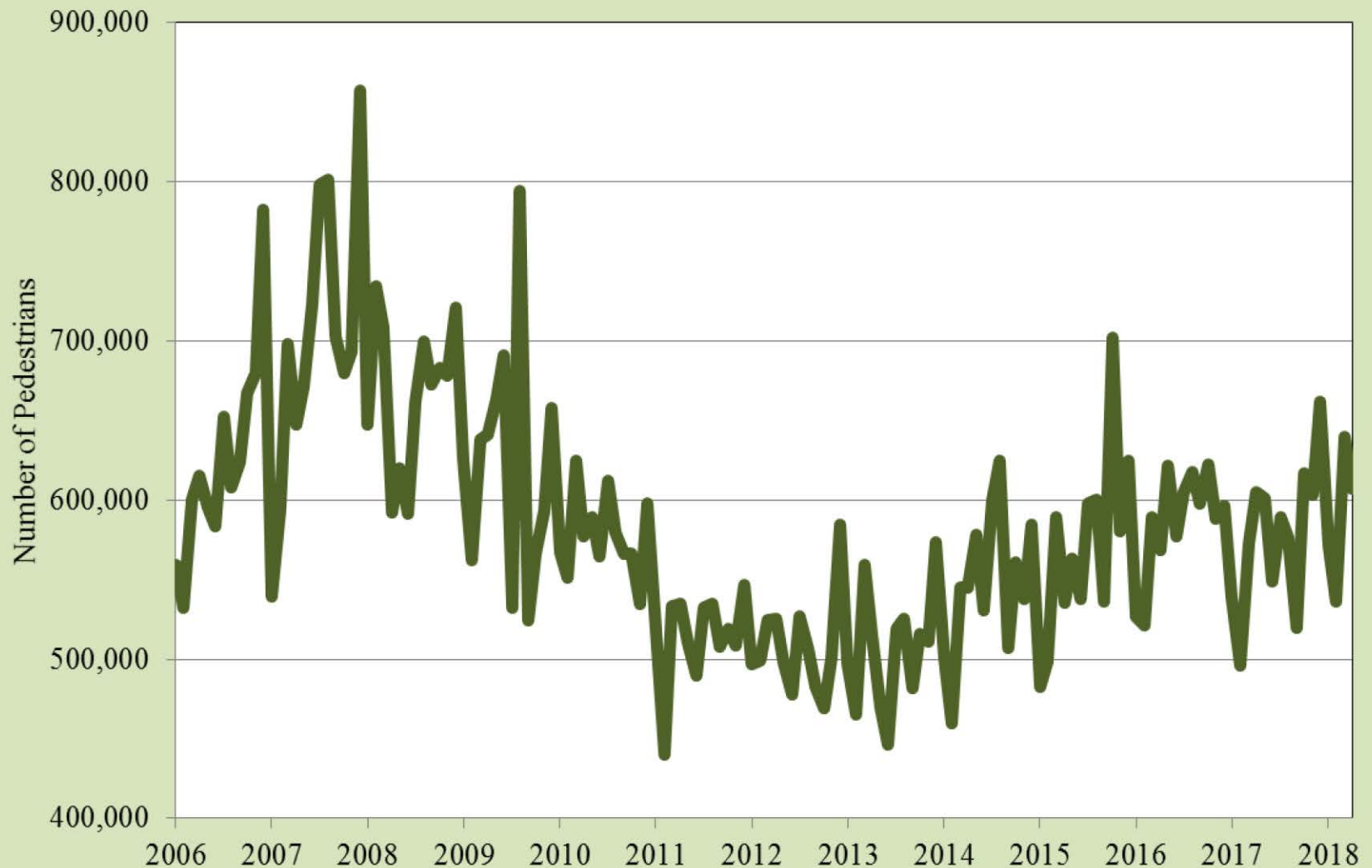
Pedestrian International Bridge Crossings to El Paso

2017 2018



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

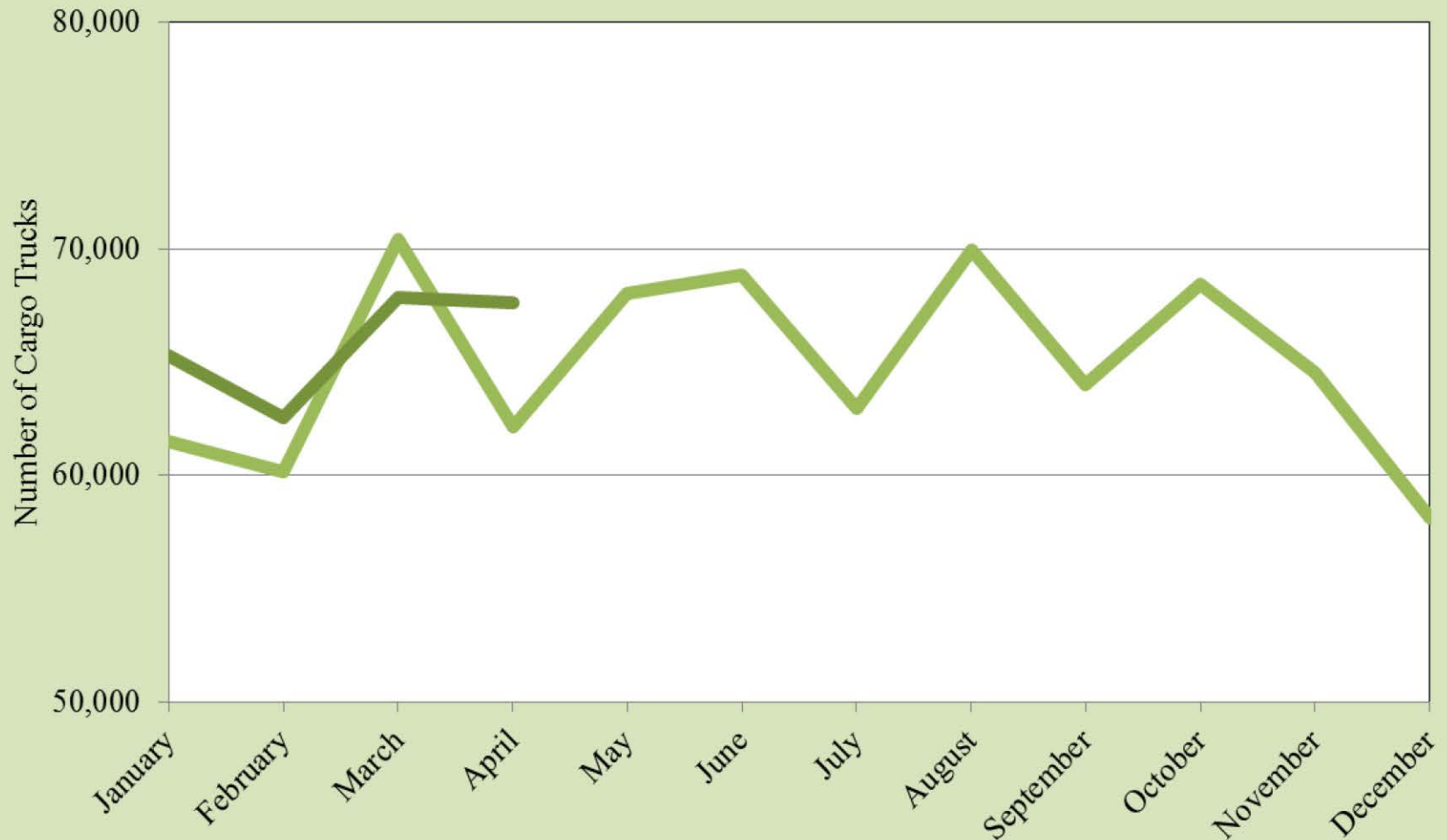
Pedestrian International Bridge Crossings to El Paso



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

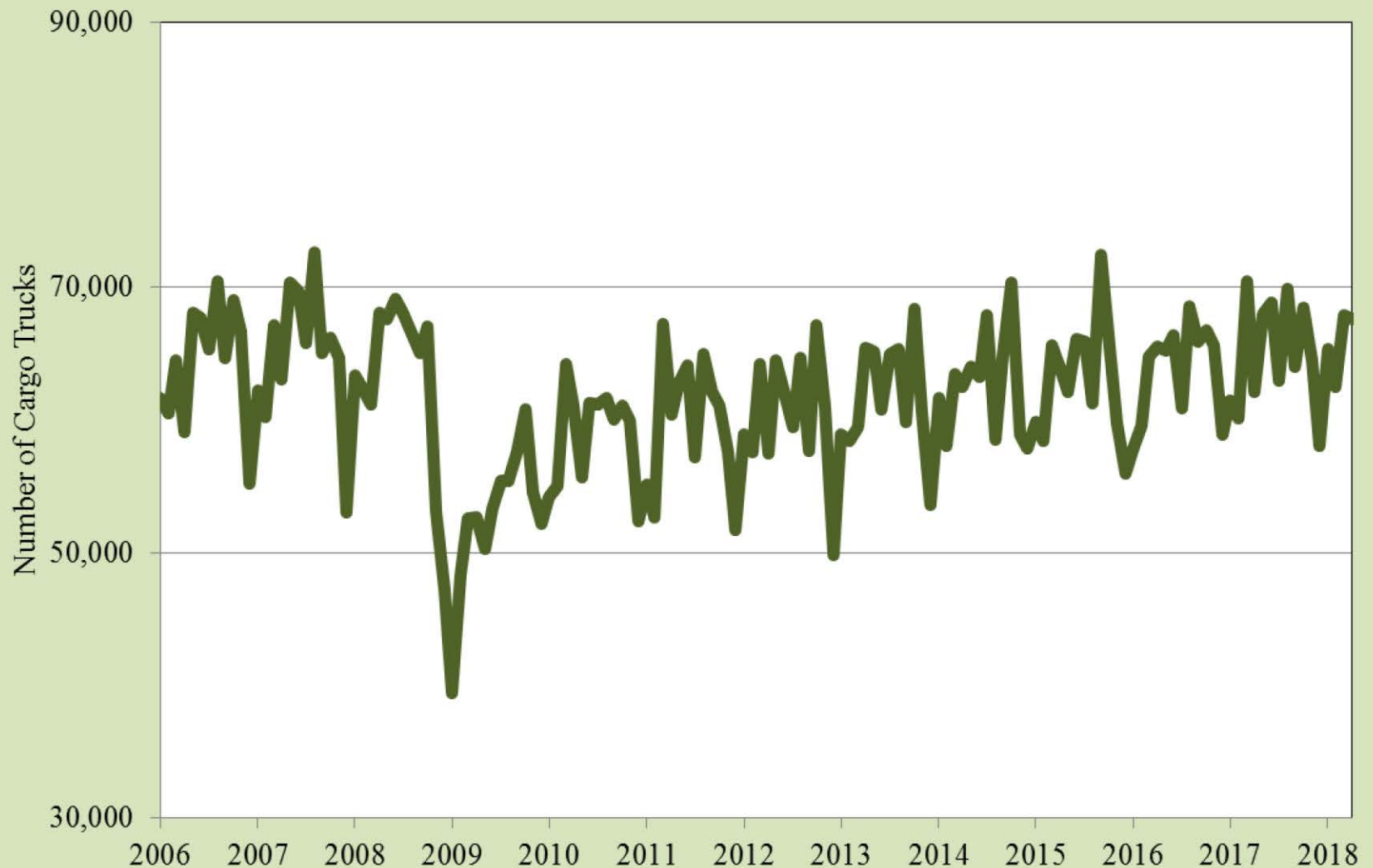
Cargo Truck International Bridge Crossings to El Paso

2017 2018



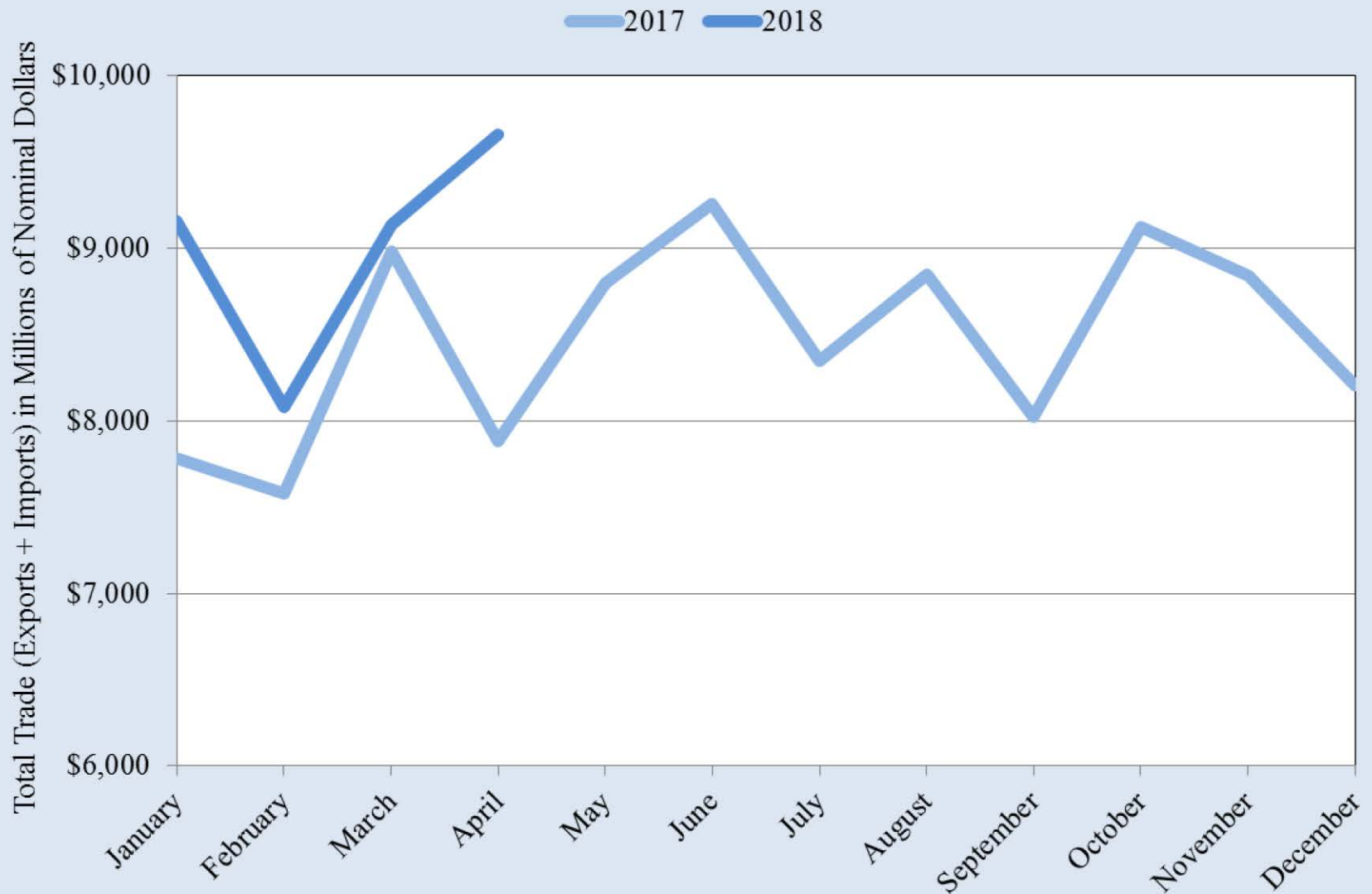
Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection

Cargo Truck International Bridge Crossings to El Paso



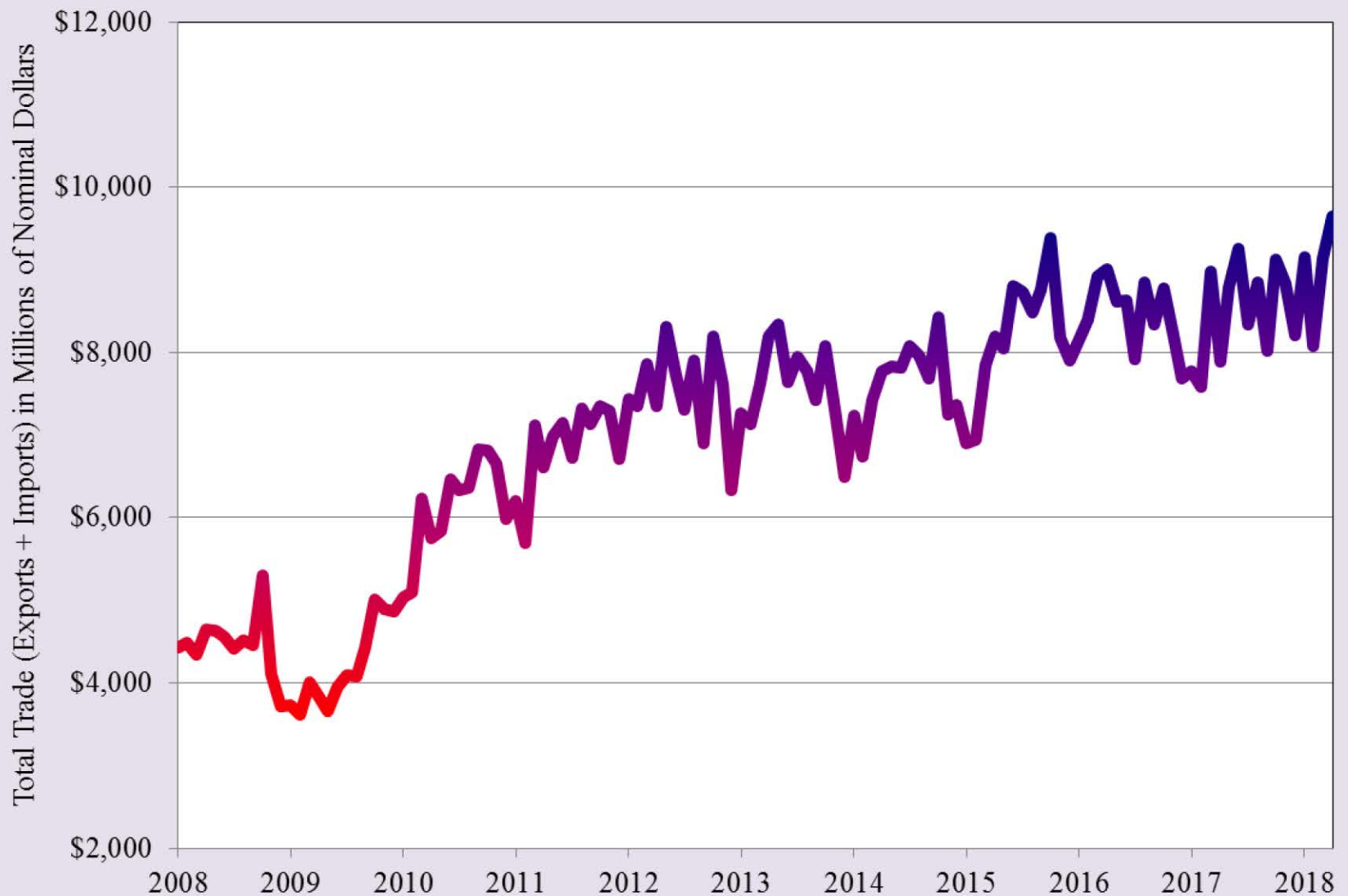
Source: Bureau of Transportation Statistics and U.S. Customs and Border Protection

Total Trade through the El Paso Customs District



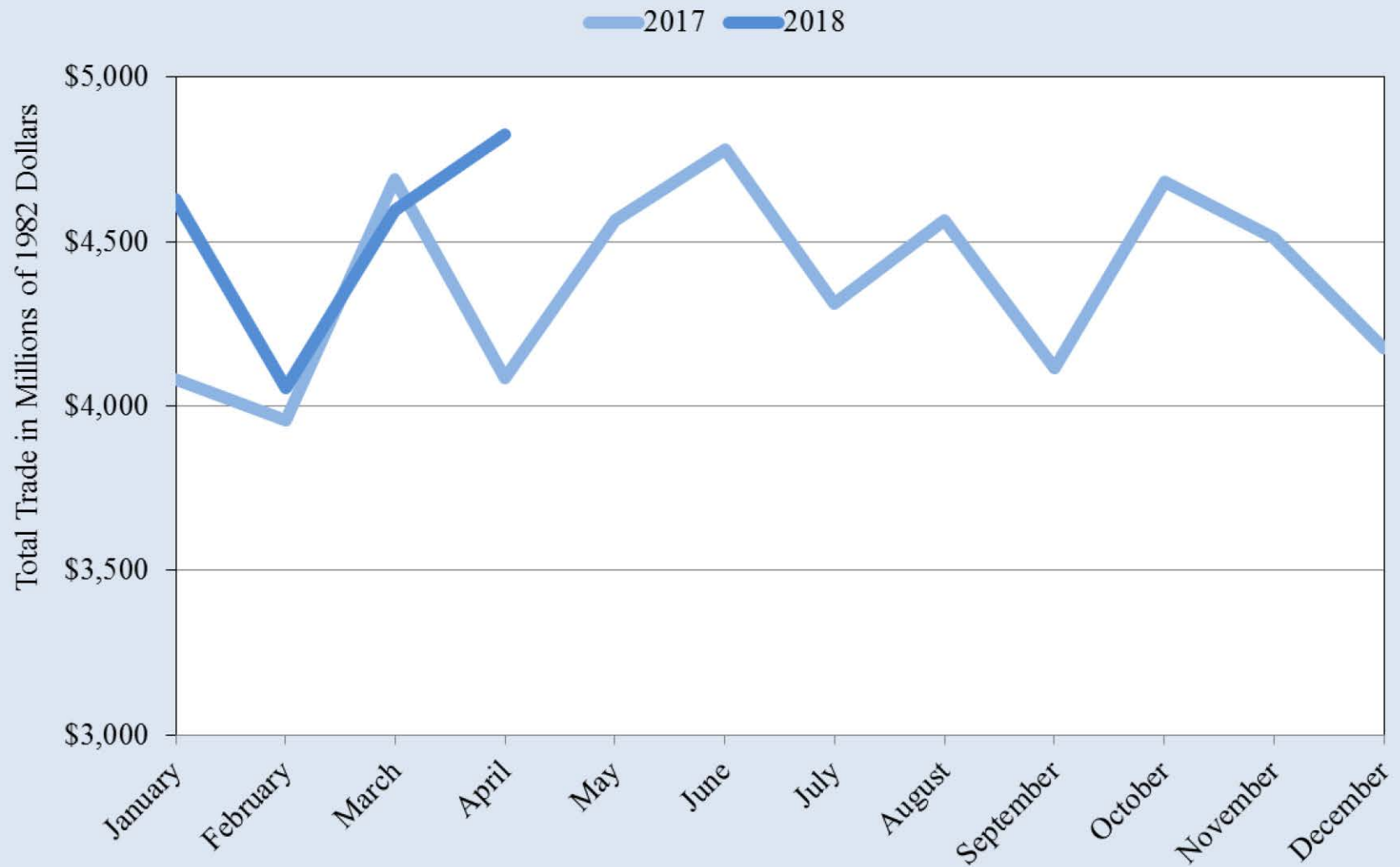
Source: U.S. International Trade Commission

Total Trade through the El Paso Customs District



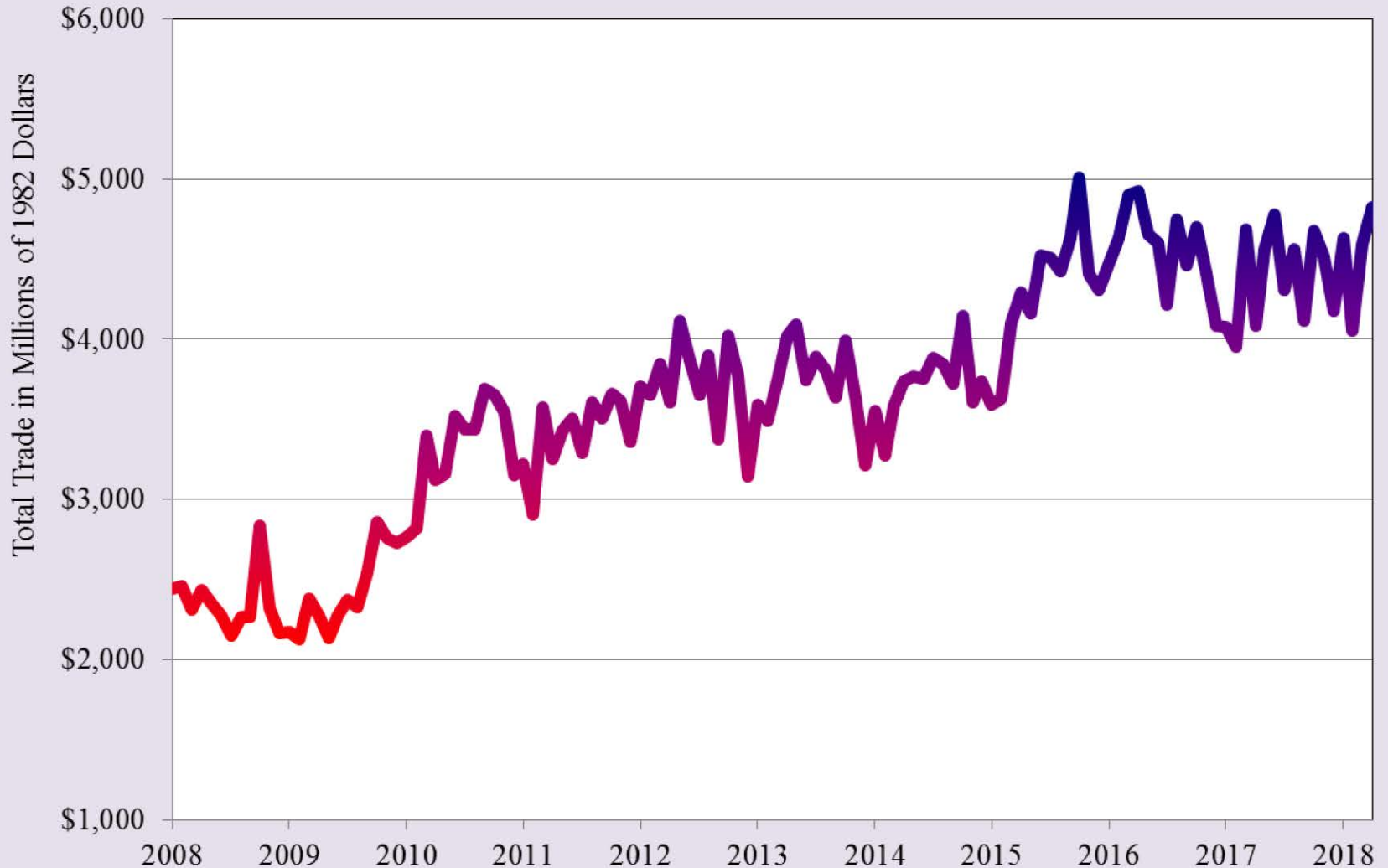
Source: U.S. International Trade Commission

Real Total Trade through the El Paso Customs District



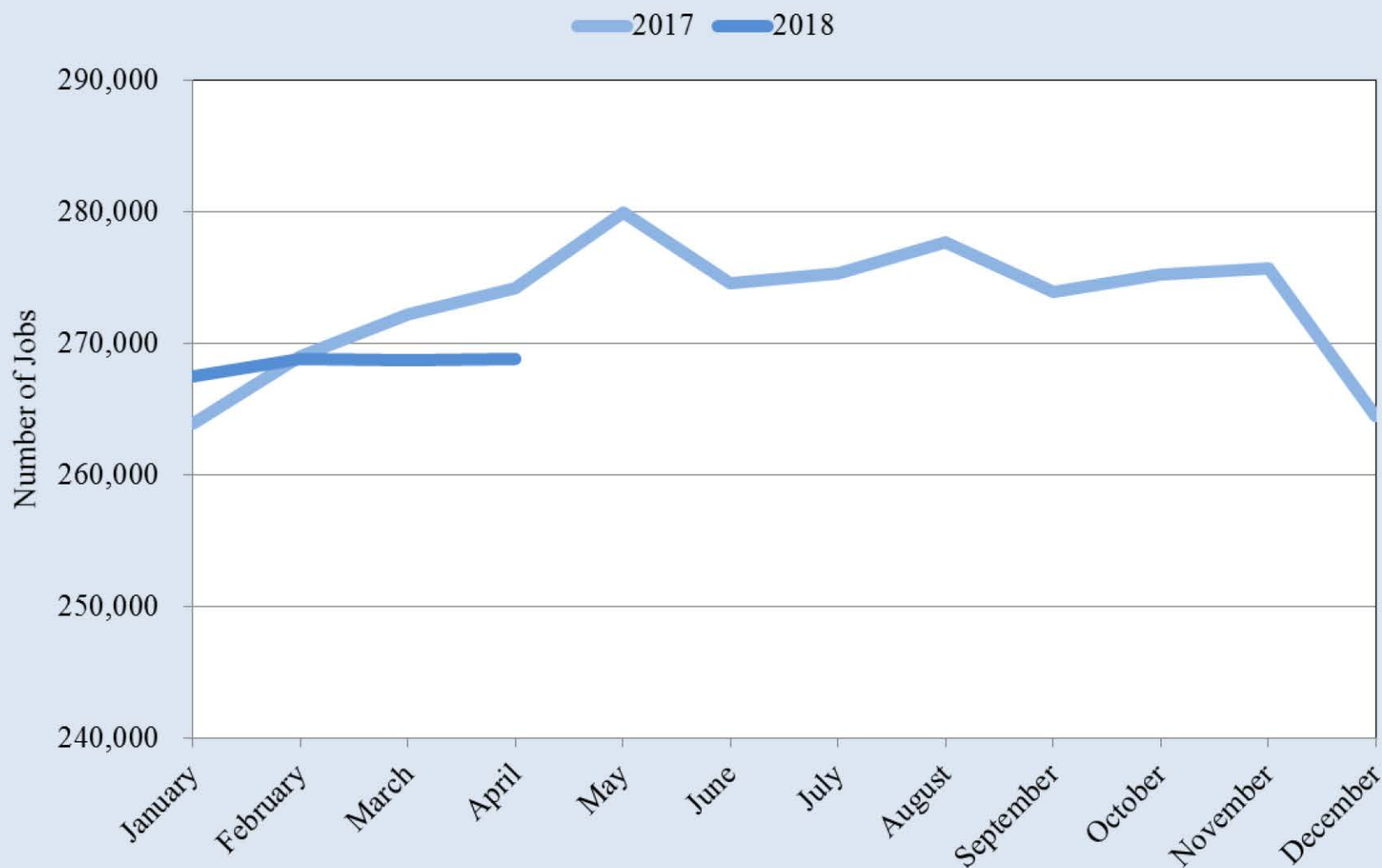
Source: U.S. International Trade Commission and Bureau of Labor Statistics

Real Total Trade through the El Paso Customs District



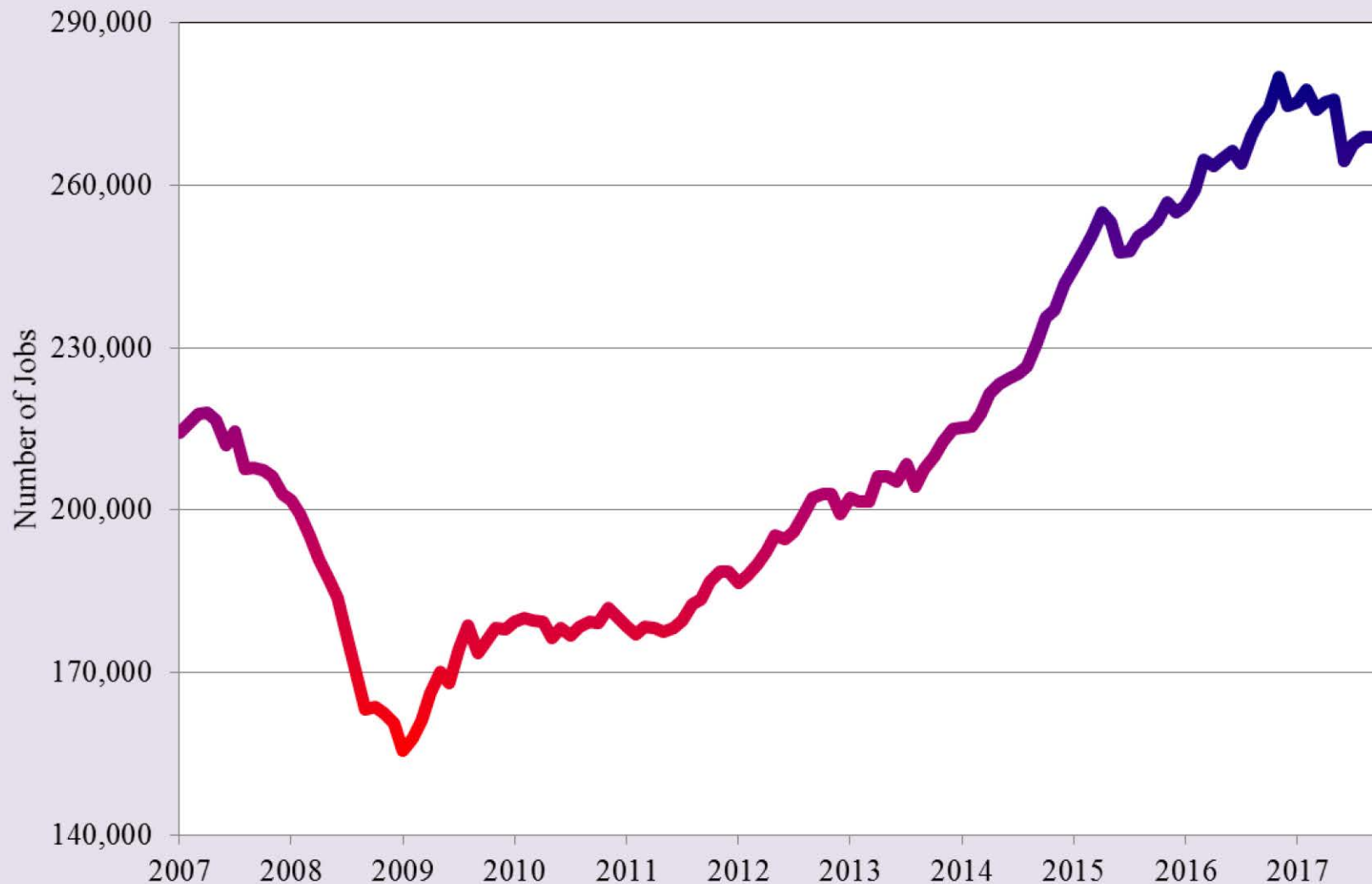
Source: U.S. International Trade Commission and Bureau of Labor Statistics

Export-Oriented Manufacturing Employment in Ciudad Juárez



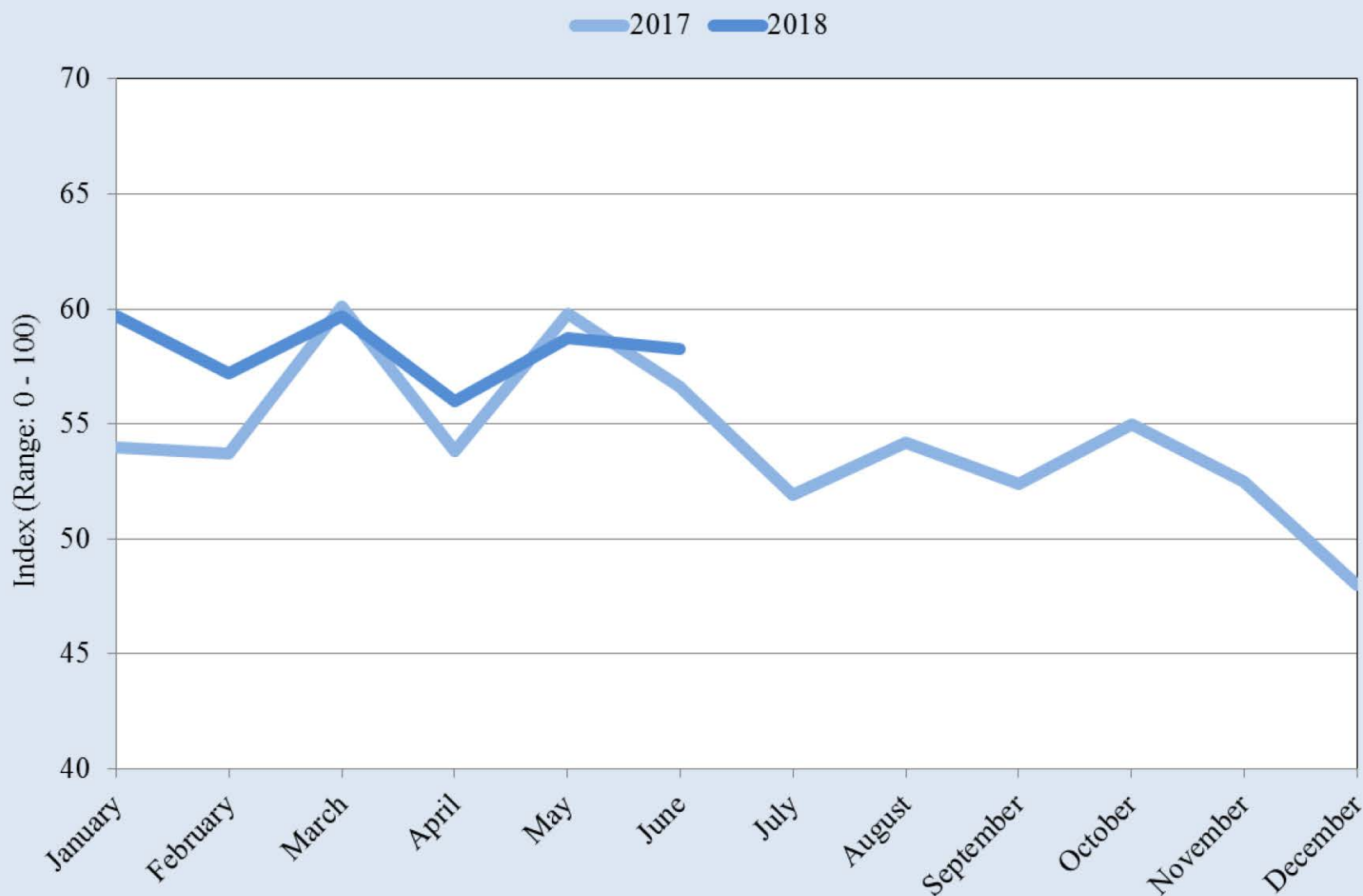
Source: INEGI

Export-Oriented Manufacturing Employment in Ciudad Juárez



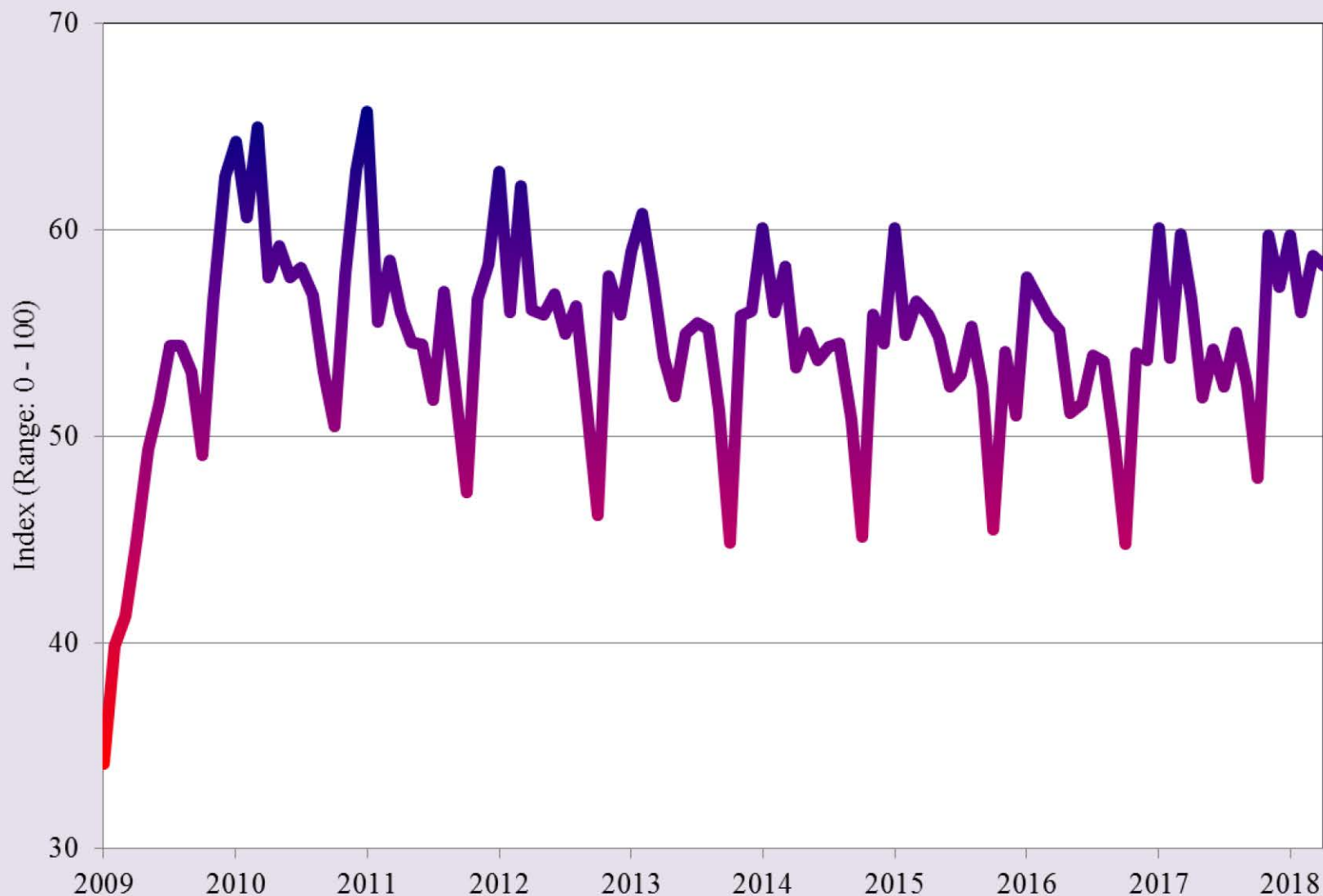
Source: INEGI

Northern Mexico Manufacturing Orders Index



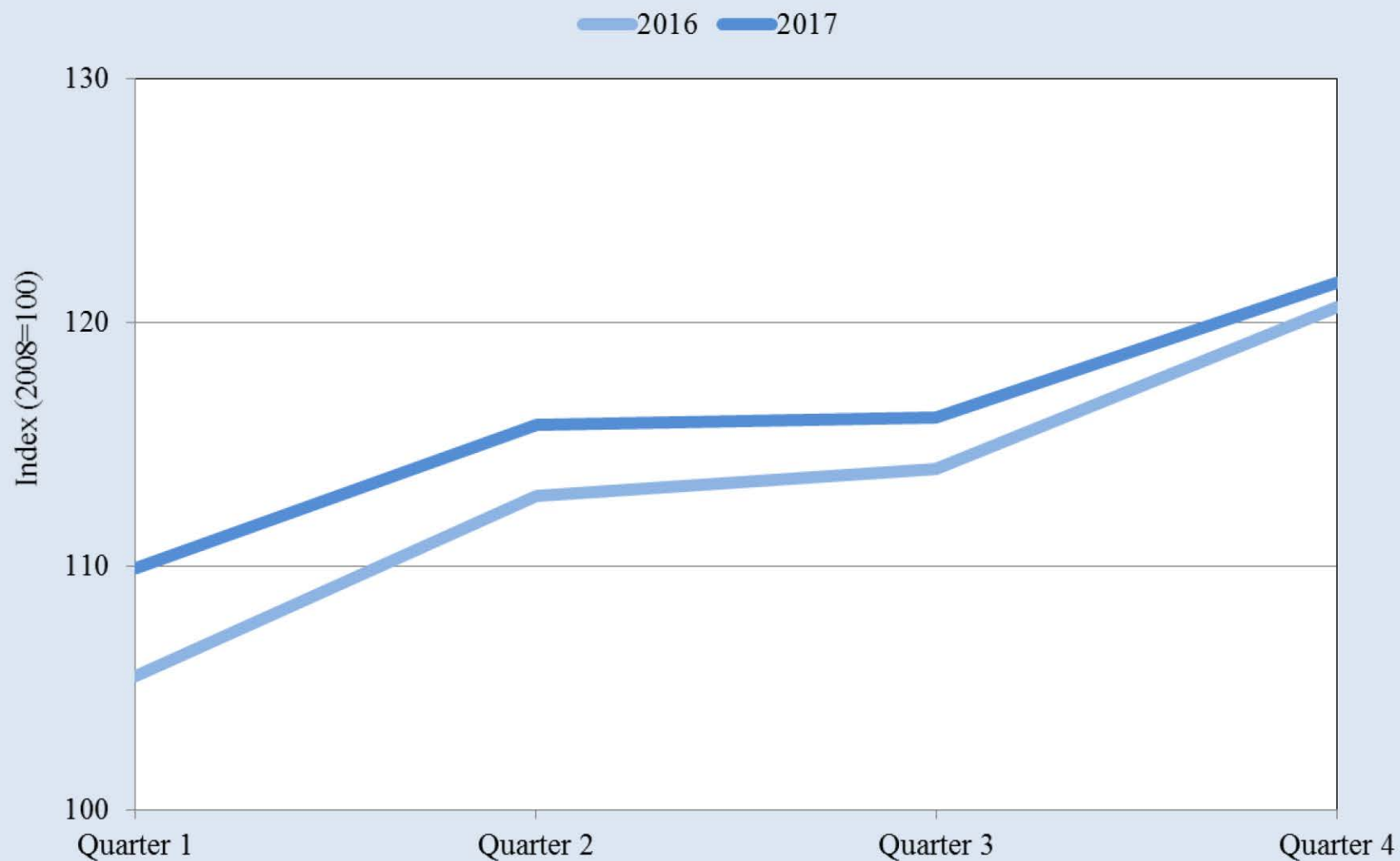
Source: Banco de México

Northern Mexico Manufacturing Orders Index



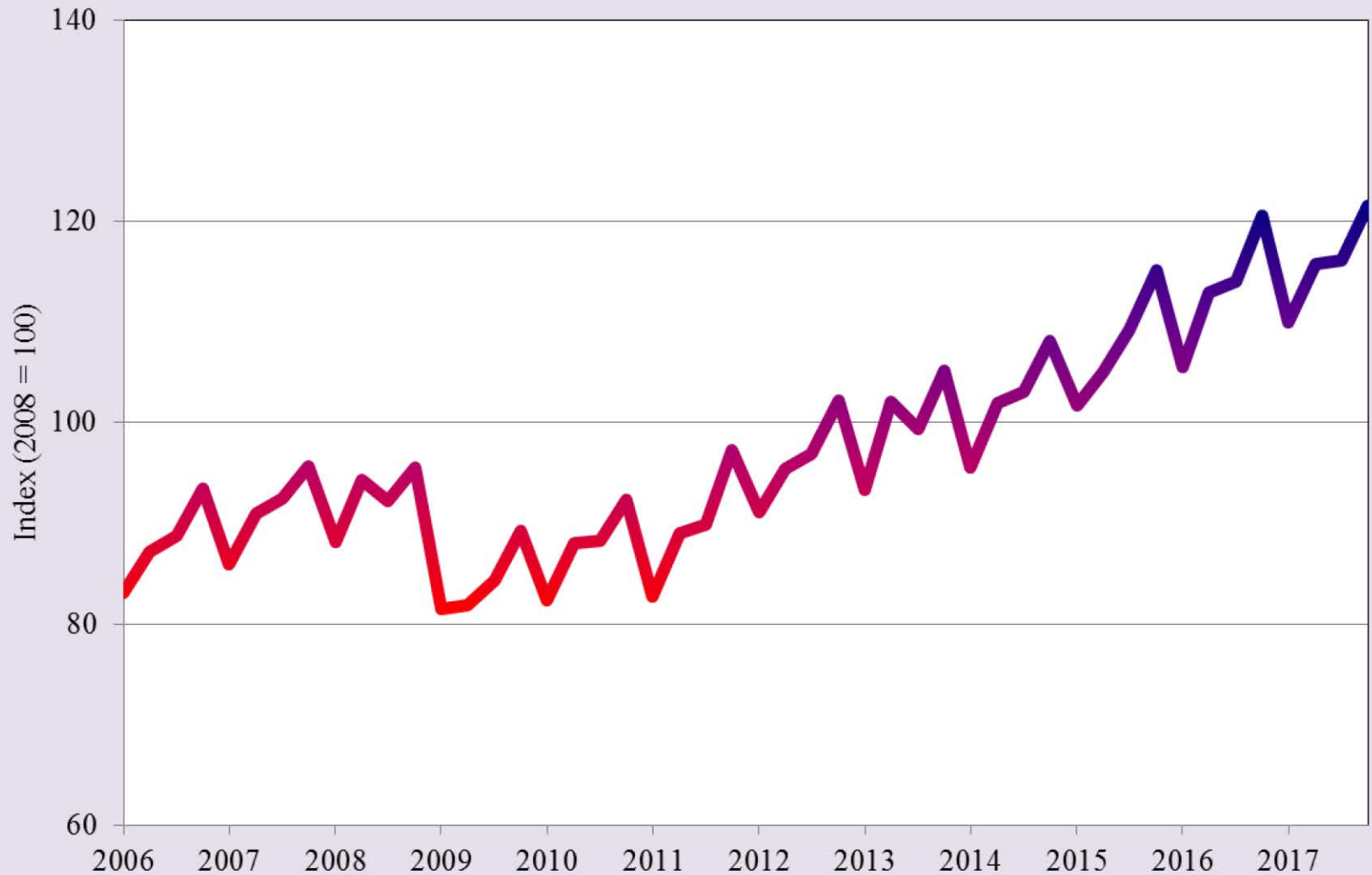
Source: Banco de México

Quarterly Indicator of Economic Activity for the State of Chihuahua



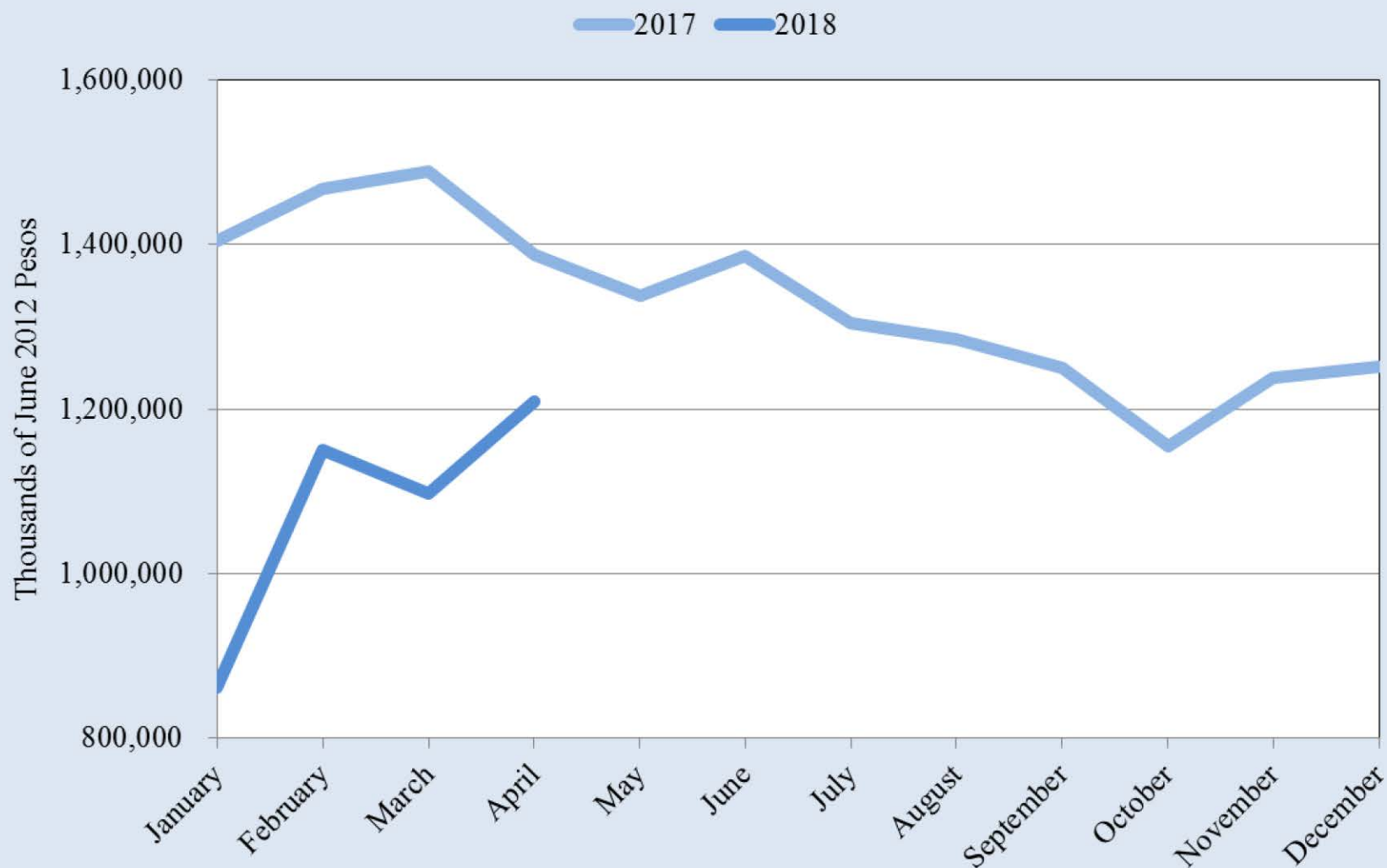
Source: INEGI

Quarterly Indicator of Economic Activity for the State of Chihuahua



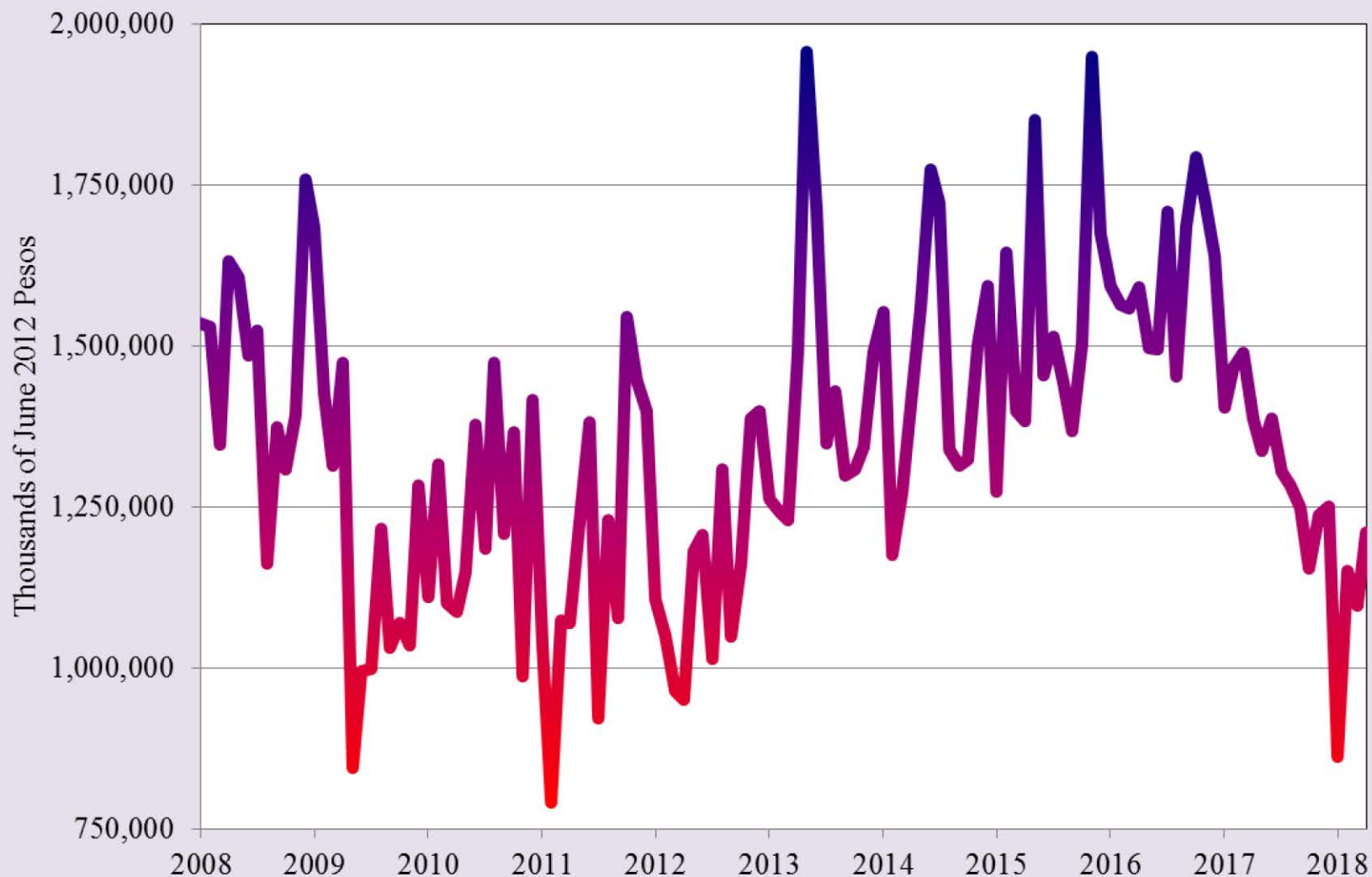
Source: INEGI

Total Value of Construction in the State of Chihuahua



Source: INEGI

Total Value of Construction in the State of Chihuahua



Source: INEGI

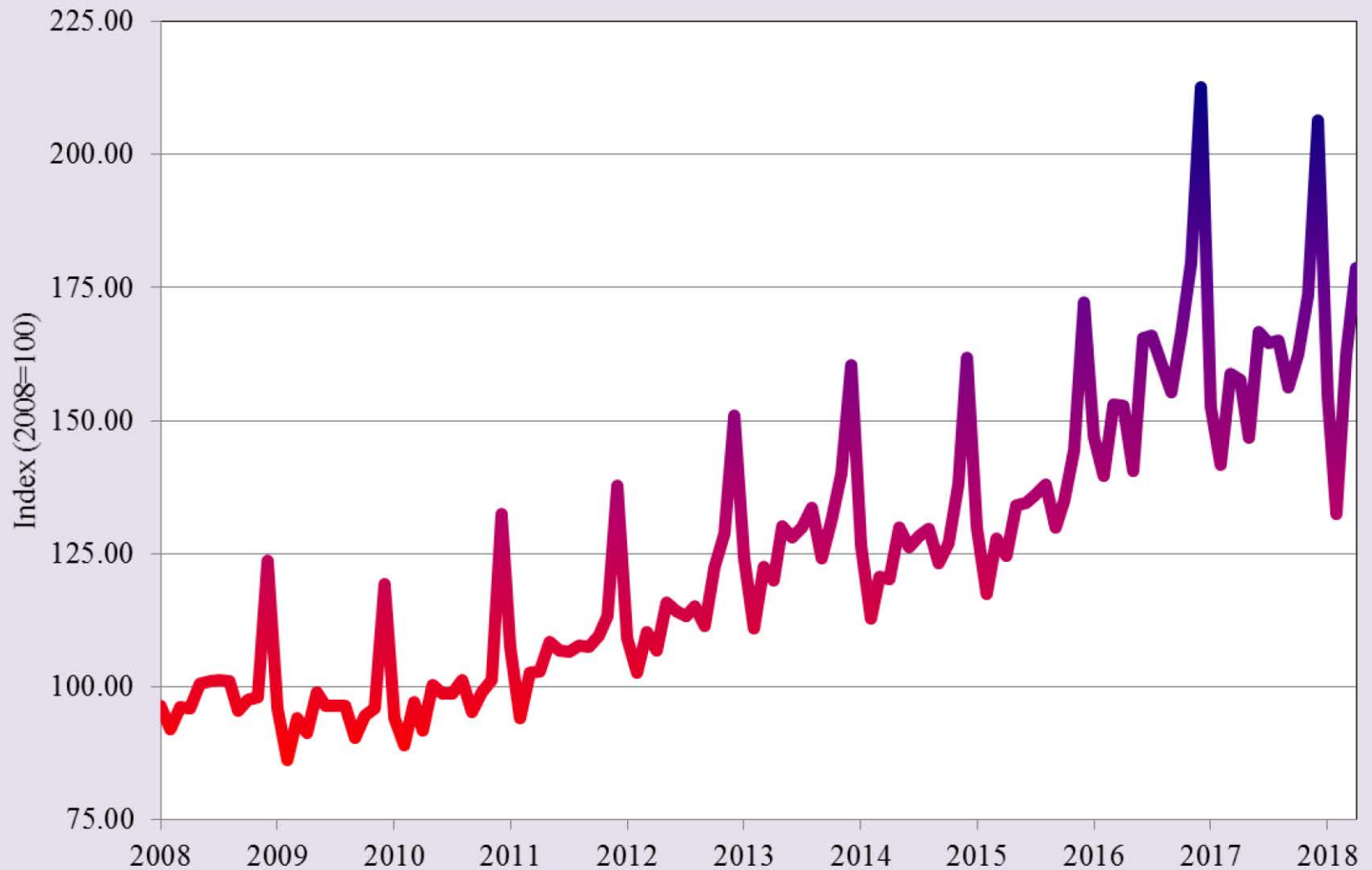
Real Retail Activity Index for the State of Chihuahua

— 2017 — 2018



Source: INEGI

Real Retail Activity Index for the State of Chihuahua



Source: INEGI



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