

# TEXAS BORDER ECONOMY



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



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JANUARY 2021 DATA

TECHNICAL REPORT

<b>About this Report</b> .....	2
<b>Border Summary</b> .....	3
<b>Economic Activity</b> .....	8
Business Cycle Index.....	8
Employment Growth Rate .....	8
U.S. Manufacturing Production .....	9
Mexico Maquiladora and Manufacturing Employment .....	9
Unemployment Rate.....	10
Total Private Employee Hourly Earnings .....	10
Total Construction Values.....	11
Nonresidential Construction Values.....	11
Residential Construction Values.....	12
Real Peso per Dollar Exchange Rate .....	12
Import Values .....	13
Export Values.....	13
<b>Housing</b> .....	14
Housing Sales .....	14
Single-Family Housing Construction Permits.....	14
Total New Private Single-Family Construction Value .....	15
New Home Months of Inventory.....	15
Existing Home Months of Inventory .....	16
McAllen Months of Inventory by Price Cohort.....	16
Laredo Months of Inventory by Price Cohort .....	17
El Paso Months of Inventory by Price Cohort.....	17
Brownsville Months of Inventory by Price Cohort .....	18
New Home Days on Market.....	18
Exiting Home Days on Market .....	19
New Home Median Sales Price.....	19
Existing Home Median Sales Price.....	20
New Home Median Price Per Square Foot .....	20
Existing Home Median Price Per Square Foot .....	21

## About this Report

Texas Real Estate Research Center economists continuously monitor many facets of the global, national, and Texas economies. *Texas Border Economy* is a summary of important economic indicators that help discern trends in the housing markets along the Texas-Mexico border. All measurements are calculated using seasonally adjusted data, and percentage changes are calculated month-over-month, unless stated otherwise.

This monthly publication provides data and insights on the Texas border markets. We hope you find them useful. Your feedback is always appreciated. Send comments and suggestions to [info@recenter.tamu.edu](mailto:info@recenter.tamu.edu).

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Data current as of Feb. 22, 2021

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# Border Summary

BORDER EMPLOYMENT

▲ 1,400 jobs

DEC MAQUILADORA EMPLOYMENT

▲ 4,800 jobs

TOTAL TRADE VALUES

▬ -0.6% MOM

HOUSING SALES

▲ 3.0% MOM

## January 2021

New COVID cases spiked in Texas' border communities during January, but economic activity held steady. Although Rio Grande Valley payrolls flattened, hiring improved in El Paso and Laredo, and joblessness decreased across the board. Manufacturing production picked up in the U.S. but continued to decline on the southern side of the border. Nonetheless, Mexican maquiladora employment maintained positive momentum going into the new year. Reduced machinery-related trade, however, weighed on total trade values. Construction values normalized from elevated fourth quarter 2020 levels, but housing sales increased for the third straight month. Dwindling inventories, especially at the bottom price range, pushed home-price appreciation upward.

The pandemic remains the greatest headwind to the border communities. Governor Greg Abbott rolled back business restrictions and the state's mask mandate, citing successful vaccine rollouts, effective March 10. Containment of the pandemic is vital as additional waves of infection can reverse increased mobility and spending, affecting the border's return to pre-pandemic conditions.

## Economy

Economic activity decelerated along the border during a resurgence in the number of new COVID-19 cases as indicated by the **Dallas Fed's Business-Cycle Indexes**. Amid sluggish job growth, the Brownsville and McAllen indexes increased just 1.8 and 2.4 percent, respectively, on a seasonally adjusted annualized rate (SAAR). Meanwhile, the metric slowed to 3.3 percent SAAR growth in El Paso and flattened at a modest 1.3 percent pace in Laredo. Retail sales, a component of the index, may be limited by the ban on nonessential travel in North America, which prohibits Mexican tourists from entering the U.S. These measures have been extended through April 21, 2021.

Data revisions for 2020 employment were recently released. The table summarizes the change for each of the border Metropolitan Statistical Areas (MSAs), as well as the aggregated metric. Contrary to statewide data, which revealed a 4.3 percent payroll contraction after corrections, job losses were less than initially reported except for in Laredo. These amended numbers are applied in the current analysis.

## Data Revisions to 2020 Border MSA Employment

	Preliminary		Revised	
	Change in Jobs	Percentage Change	Change in Jobs	Percentage Change
Border	-42,400	-5.0	-38,200	-4.5
Brownsville-Harlingen	-7,700	-5.3	-6,200	-4.2
El Paso	-14,200	-4.3	-12,800	-3.9
Laredo	-6,600	-6.1	-8,600	-7.9
McAllen-Edinburg-Mission	-13,900	-5.1	-10,600	-3.9

Note: Both the number of jobs added and percentage change calculations are computed from December 2019 and December 2020 employment.

Source: Bureau of Labor Statistics

Border **nonfarm employment** added 1,400 jobs in January but still remained 4.4 percent, or 37,800 positions, below year-ago levels. Laredo led the border in percentage terms, hiring 400 employees, most of whom began work in leisure/hospitality, professional/business services, or government. El Paso expanded payrolls in the same industries in addition to the goods-producing sector. In the Rio Grande Valley, job growth was modest, regaining only 200 positions in Brownsville and flattening in McAllen for the second straight month. Both metros registered the most losses in transportation/utilities.

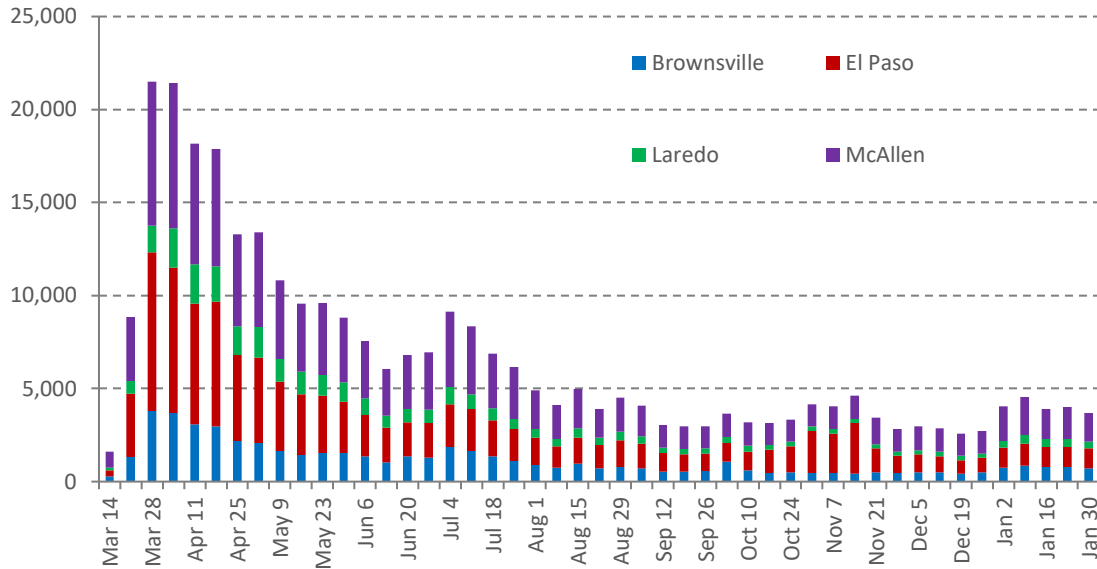
On the southern side of the border, **Mexican manufacturing and maquiladora employment**<sup>1</sup> added 4,800 workers in December to end the year with a record-high 594,000 employees. Nuevo Laredo and Chihuahua City posted strong growth in percentage terms, amounting to more than 400 and 900 jobs, respectively. Juarez and Reynosa expanded payrolls by 2,300 positions in the former and 1,200 in the latter. On the other hand, Matamoros employment flattened after three straight monthly declines. U.S. manufacturing production continued to improve in January, but according to the IHS Markit Mexico Manufacturing Purchasing Managers' Index, Mexico's manufacturing sector remained contracted to start the new year after struggling in 2020. Moreover, the pandemic and the federal government's response to the virus remain significant factors concerning the country's future growth, where Texas' border economies have strong ties.

Hiring pulled **unemployment rates** down about half a percentage point in El Paso and Laredo to 7.8 and 8.1 percent, respectively. In the Rio Grande Valley, where joblessness is typically higher, the metric inched down slightly to 10.2 percent in Brownsville and 11.3 percent in McAllen. Moreover, the size of the local labor forces increased to match year-ago levels in all the border MSAs except Laredo. Weekly initial unemployment claims trended downward in January after rising around the

<sup>1</sup> Mexican manufacturing and maquiladora employment is generated by the Instituto Nacional de Estadística y Geografía. Its release typically lags the *Texas Border Economy* by one month.

holidays (see figure below), suggesting the border economies were on the path to recovery before the state was hit by Winter Storm Uri.

**Border Metro Weekly Initial Unemployment Claims (2020-21)**



Note: Seasonally adjusted.

Sources: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, and Texas Real Estate Research Center at Texas A&M University calculations

Nevertheless, still weak labor-market conditions limited border wage improvement, which has decelerated from 2Q2020 growth when the loss of lower-paying jobs mechanically pushed average earnings up. The recovery of some of these lower-paying jobs may be having the opposite effect on average wages as last year’s layoffs. **Private hourly earnings** remained highest in McAllen, averaging \$19.80 per hour, but fell 1.6 percent year over year (YOY) after accounting for inflation. Laredo hourly wages flattened at \$18.02, while the El Paso and Brownsville metric ticked up just half a percent YOY in real terms to \$19.56 and \$16.89, respectively.

**Total construction values** stabilized at their post-Great Recession average after skyrocketing in 4Q2020. Nonresidential construction, particularly in El Paso’s school sector, accounted for most of last year’s improvement and subsequent normalization in January. Only stores/restaurants and office/bank buildings values maintained year-end levels. On the residential side, single-family construction decreased on a monthly basis but was positive YOY across all border MSAs. Groundbreakings for two-family buildings also remained elevated at its 2020 average, but apartment values extended a downward trend from the second half of the year amid pandemic-related uncertainty.

In the currency market, the **peso per dollar exchange rate** slowed its five-month decline, steadying at 19.94. The inflation-adjusted rate<sup>2</sup>, however, rose 4.8 percent YOY, revealing that domestic goods were still relatively costly to Mexican buyers, though less so than during 2Q2020. Meanwhile, **total trade values** passing through the border hubs were down 10 percent compared with year-ago levels as monthly activity flattened in January. Only Brownsville kicked off the year with increased values, offset by falling machinery-related El Paso imports and Laredo exports. The border's trade sector remains an integral component of the local economies.

## Housing

**Border housing sales** increased for the third consecutive month, accelerating 3 percent to start the year with record activity. El Paso sales for homes priced more than \$200,000 accounted for much of the improvement and pulled the metro's overall metric up 3.8 percent. McAllen posted similar sales growth, although most of the gain was due to elevated sales for homes priced less than \$200,000. Still, sales for that price range comprised only 60 percent of the total share compared to 70 percent a year ago. On the other hand, activity in Laredo decreased 6.4 percent with declines across the price spectrum. Brownsville sales contracted 2.5 percent after double-digit growth the previous month.

On the supply side, **single-family housing construction permits** normalized after issuing nearly 1,000 permits at year-end. Laredo permits matched their average during 2019 after an all-time high the previous month. Despite issuance in El Paso falling on a monthly basis, YOY growth was substantial. The metric extended upward trends in the Rio Grande Valley, with Brownsville activity increasing for the third straight month. **Private single-family construction values** fell across the board but also exhibited upward trajectories.

As the supply of active listings declined, **months of inventory (MOI)** fell to unprecedented lows along the border. New listings for homes priced less than \$200,000 ticked up in Brownsville and McAllen, but the total MOI fell to 2.4 and 3.0 months, respectively. The Laredo metric decreased to 1.8 months, while El Paso's MOI slid to 1.4 months. Corroborating extremely low supply at the bottom price cohort, inventory for homes priced less than \$200,000 in the border's West Texas MSA would be exhausted in less than a month at the current rate of sales and number of active listings.

The **average number of days on market (DOM)** continued to sink YOY, corroborating strong demand amid low mortgage rates. The DOM in Brownsville and El Paso shed three weeks off their year-ago levels, dropping to 80 and 49 days, respectively. McAllen's metric ticked up after six straight monthly declines but still sank to 68 days compared with 85 days last January. Meanwhile, the average home in Laredo sold after just 42 days.

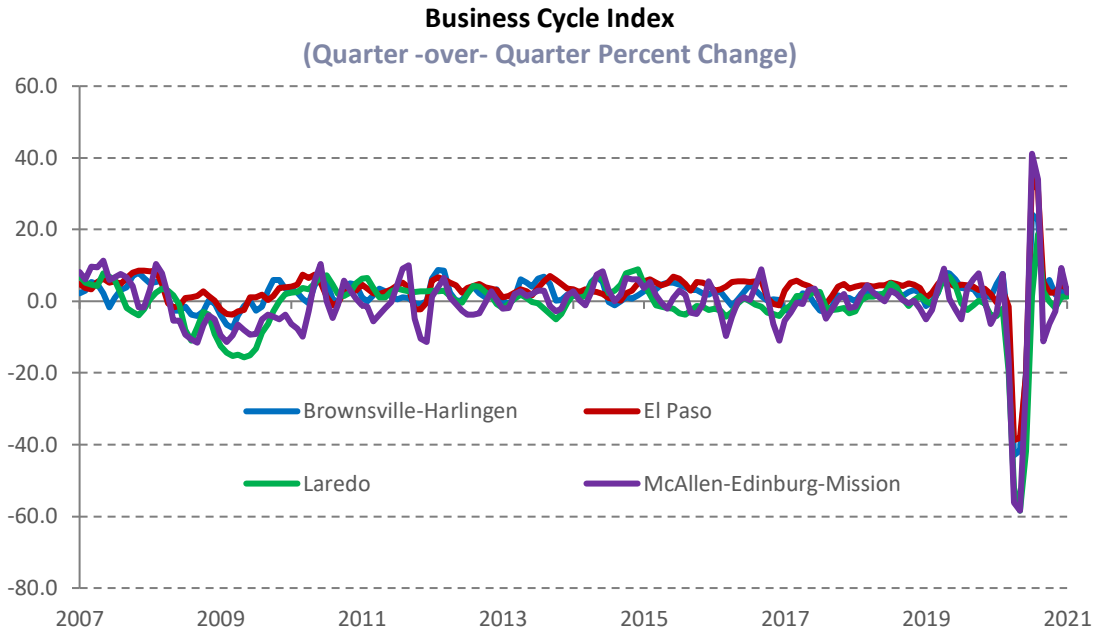
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<sup>2</sup> The real peso per dollar exchange rate is inflation adjusted using the Texas Trade-Weighted Value of the Dollar. Its release typically lags the *Texas Border Economy* by one month.

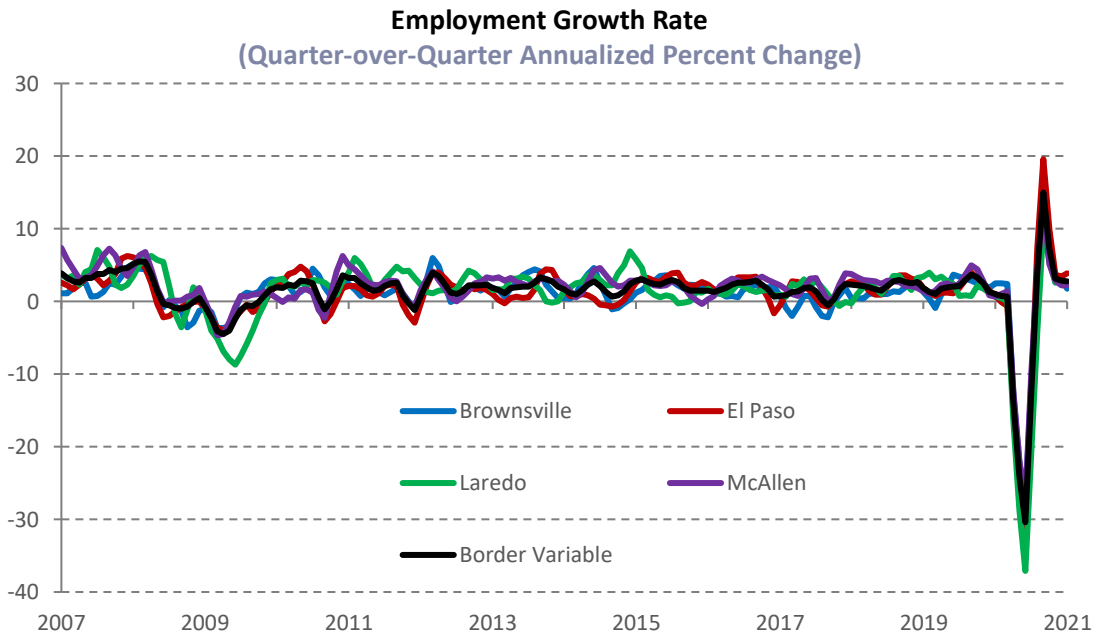
The ongoing shift in the composition of sales toward higher-priced homes due to limited inventories at the lower end of the market contributed to increases in median prices. The **median home price** rose to record-highs of \$197,400 and \$191,600 in Brownsville and El Paso, respectively. The Laredo metric rose to \$195,600. In McAllen, where monthly sales fluctuations favored lower-priced homes, the median price fell \$12,000 to \$175,200 but still registered 8.8 percent YOY growth. If compositional changes in sales were controlled for, however, it is likely that the true changes in single-home values were less extreme, as demonstrated by the similar statewide acceleration in median home price and less rapid growth in the Texas Repeat Sales Home Price Index.



# Economic Activity

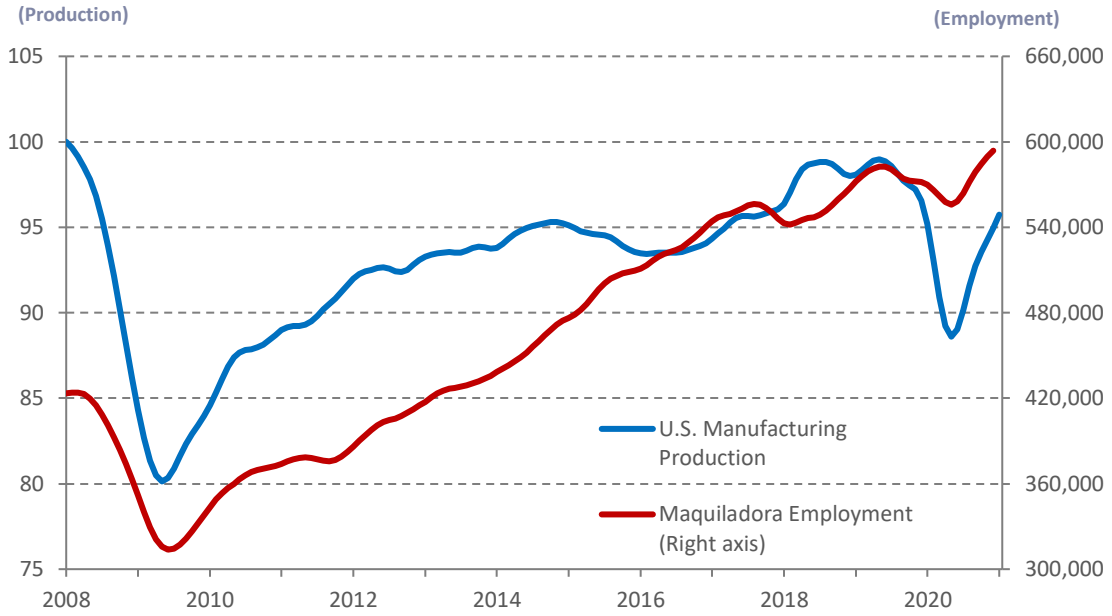


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).  
Source: Federal Reserve Bank of Dallas



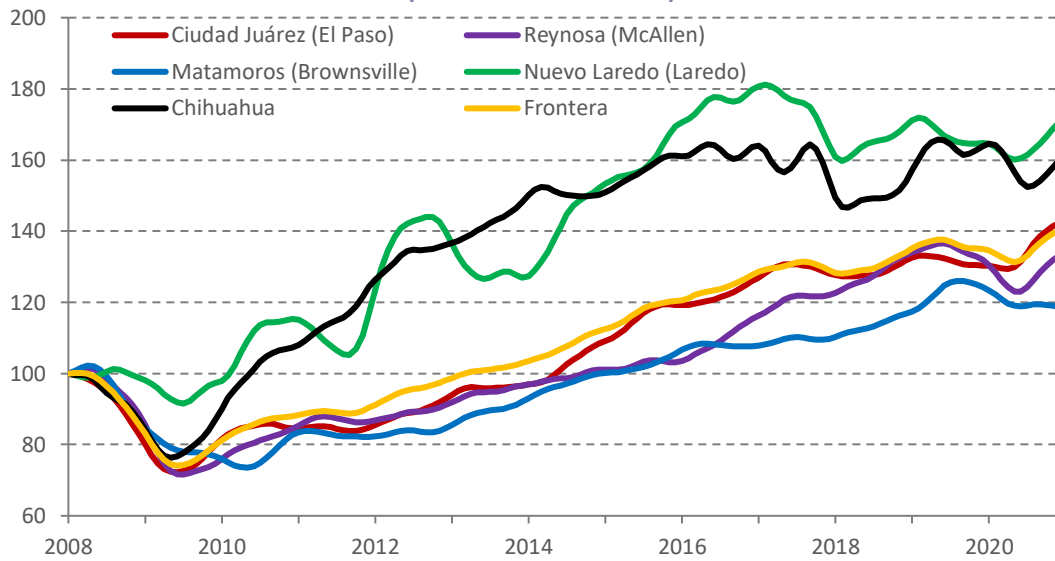
Note: Seasonally adjusted, three-month moving average. January 2021 is preliminary.  
For more information, see [Employment Growth Rate](#).  
Source: Bureau of Labor Statistics

**U.S. Manufacturing Production**  
(Index Jan 2008 = 100; Number of Employees)



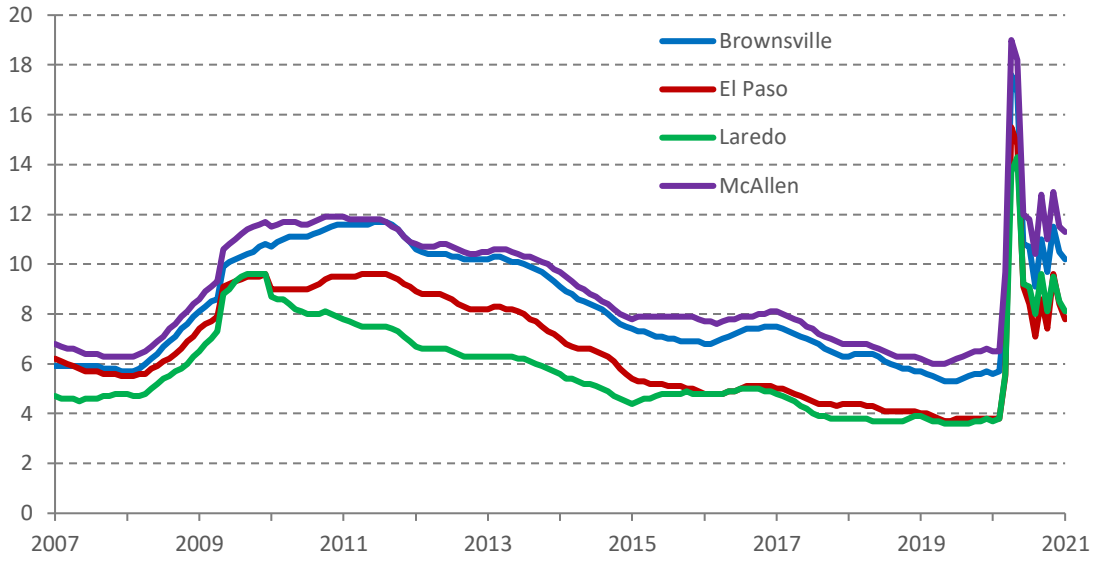
Note: Trend-cycle component.  
Source: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

**Mexico Maquiladora and Manufacturing Employment**  
(Index Jan 2008 = 100)



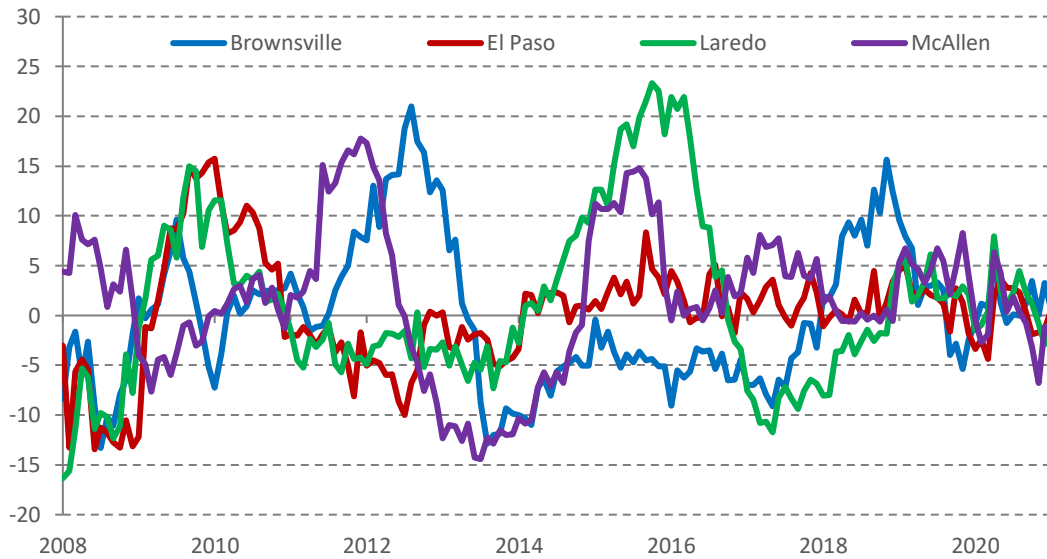
Note: Trend-cycle component.  
Source: Instituto Nacional de Estadística y Geografía

### Unemployment Rate (Percent)



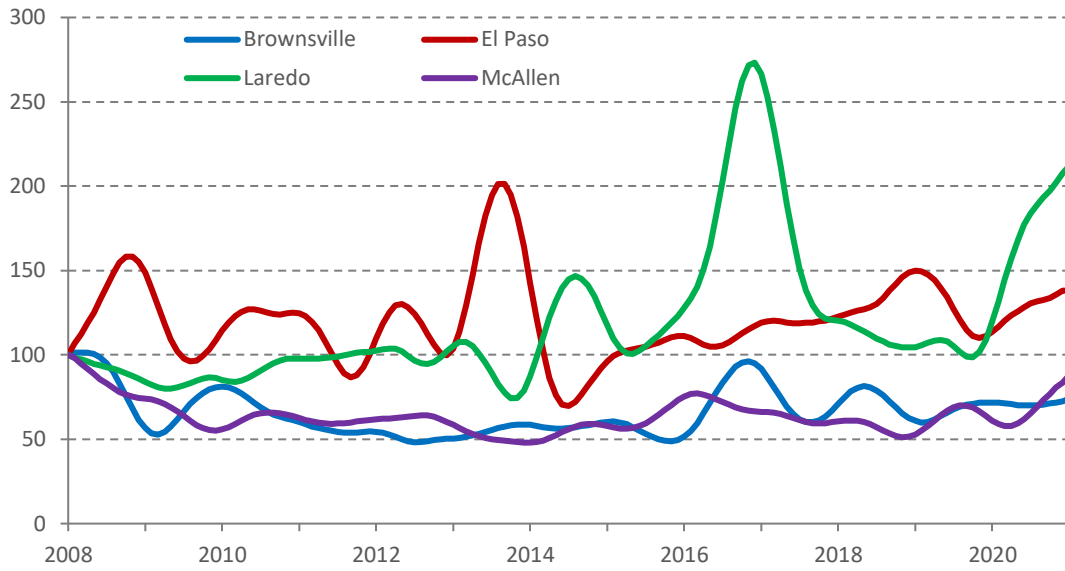
Note: Seasonally adjusted. January 2021 is preliminary. For more information, see [Unemployment Rate](#).  
Source: Bureau of Labor Statistics

### Total Private Employee Hourly Earnings (Year-over-Year Percent Change)



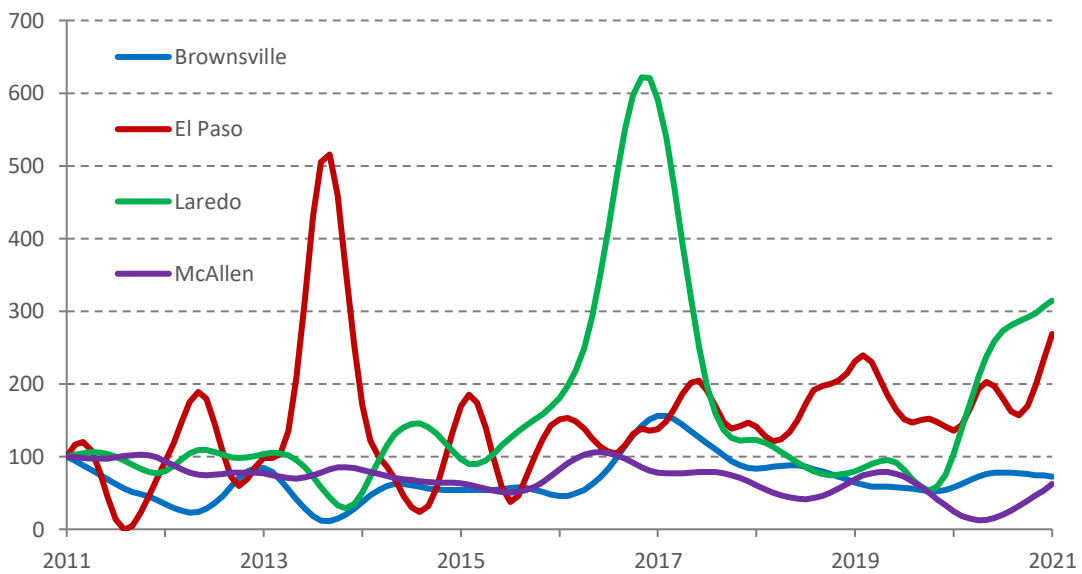
Notes: Inflation adjusted, seasonally adjusted. January 2021 is preliminary.  
For more information, see [Total Private Employee Hourly Earnings](#).  
Source: Bureau of Labor Statistics

**Total Construction Values**  
(Index Jan 2008= 100)



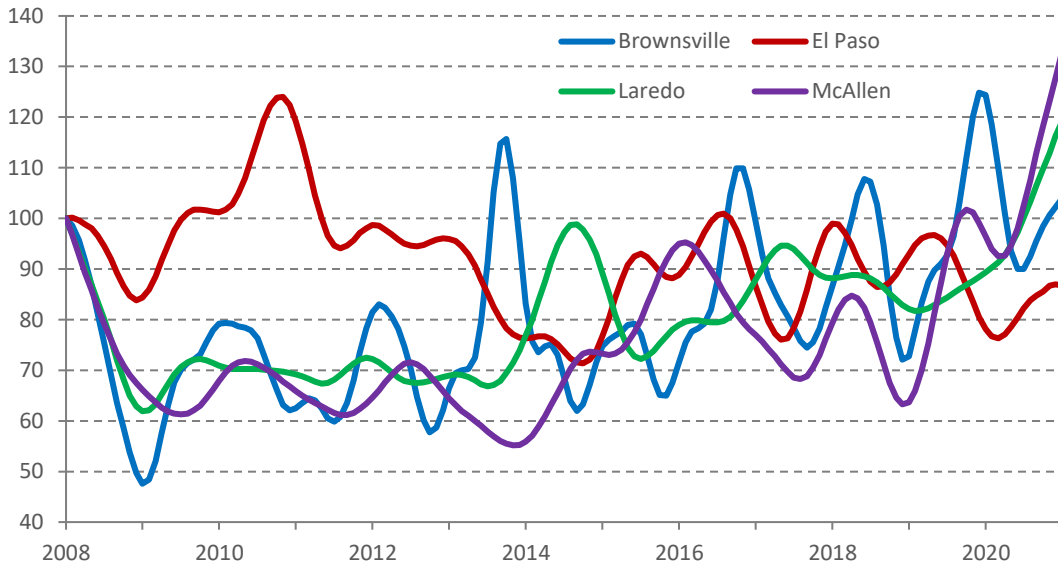
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

**Nonresidential Construction Values**  
(Index Jan 2011 = 100)



Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

### Residential Construction Values (Index Jan 2008 = 100)



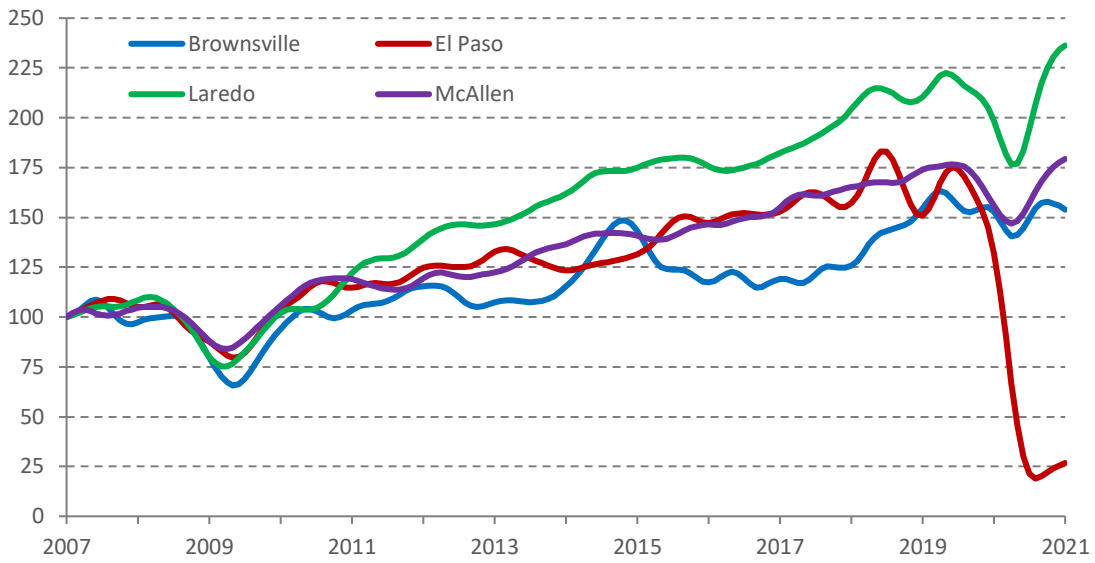
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

### Real Peso per Dollar Exchange Rate (\$)



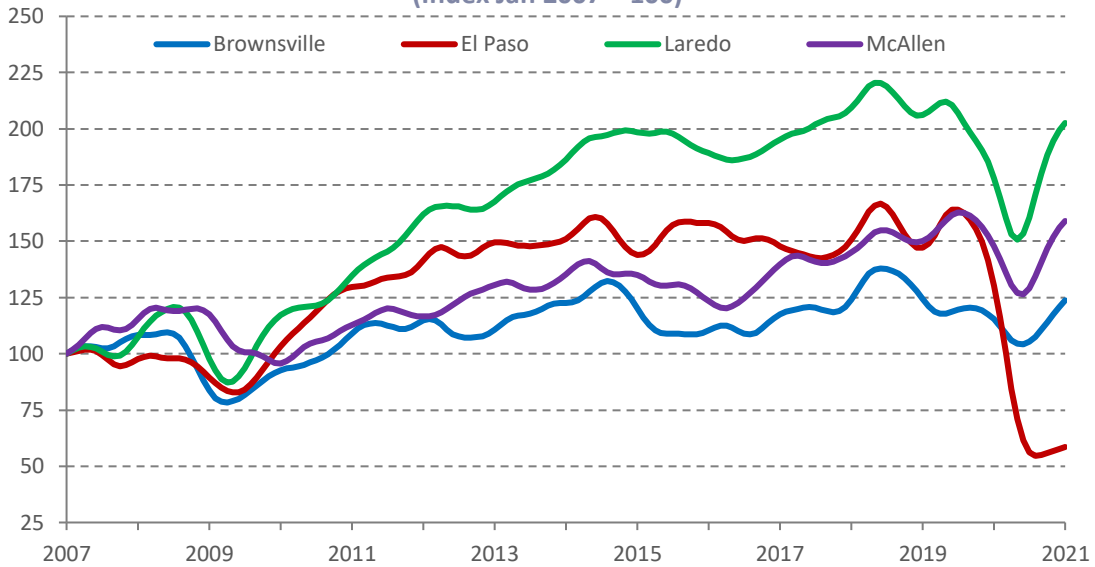
Note: Deflated using the Texas Trade Weighted Value of the Dollar.  
Source: Federal Reserve Bank of Dallas

### Import Values (Index Jan 2007 = 100)



Note: Trend-cycle component.  
Sources: Foreign Trade Division and U.S. Census Bureau

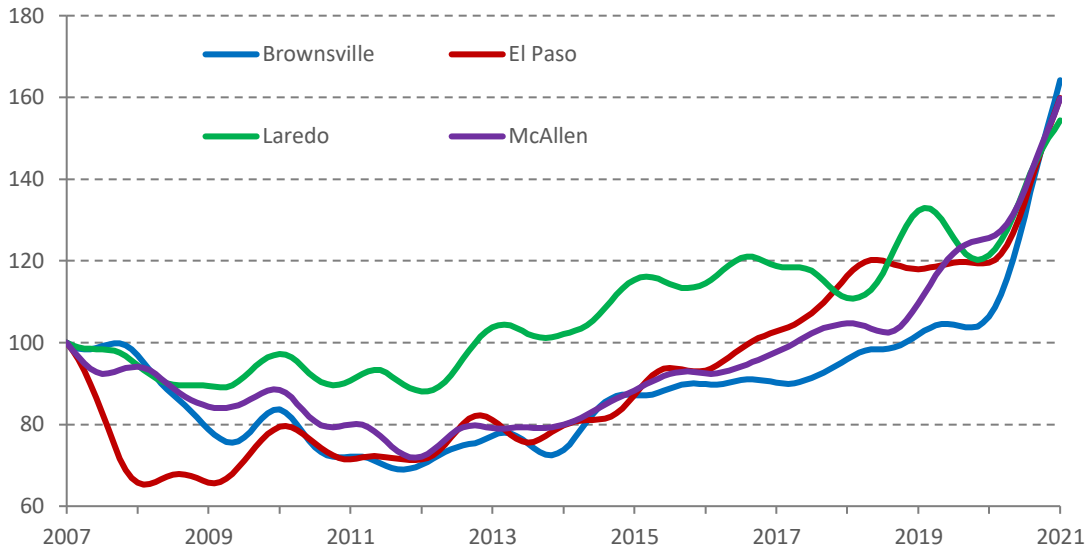
### Export Values (Index Jan 2007 = 100)



Note: Trend-cycle component.  
Sources: Foreign Trade Division and U.S. Census Bureau

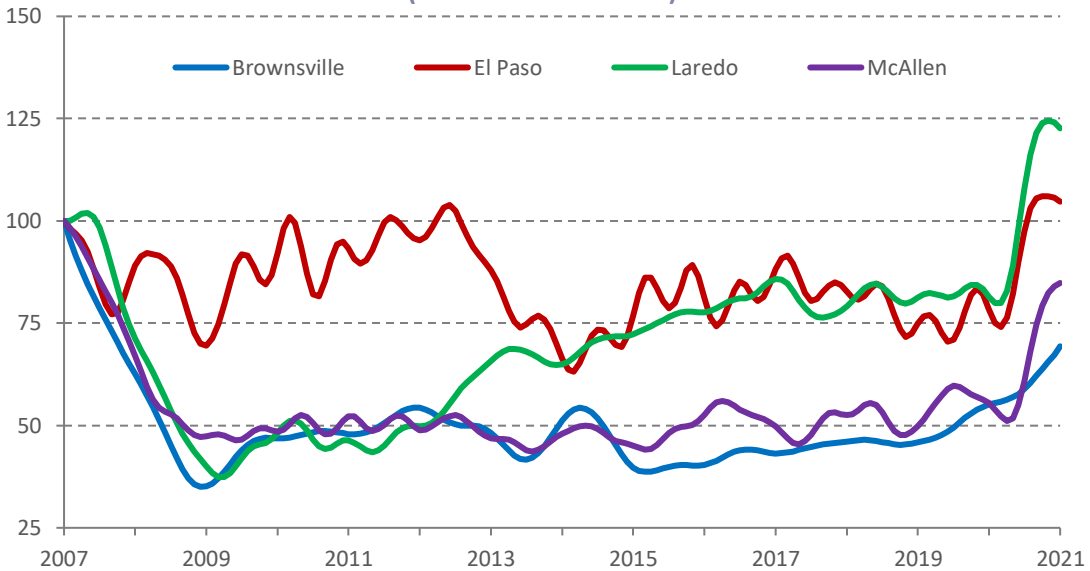
# Housing

**Housing Sales**  
(Index Jan 2007 = 100)



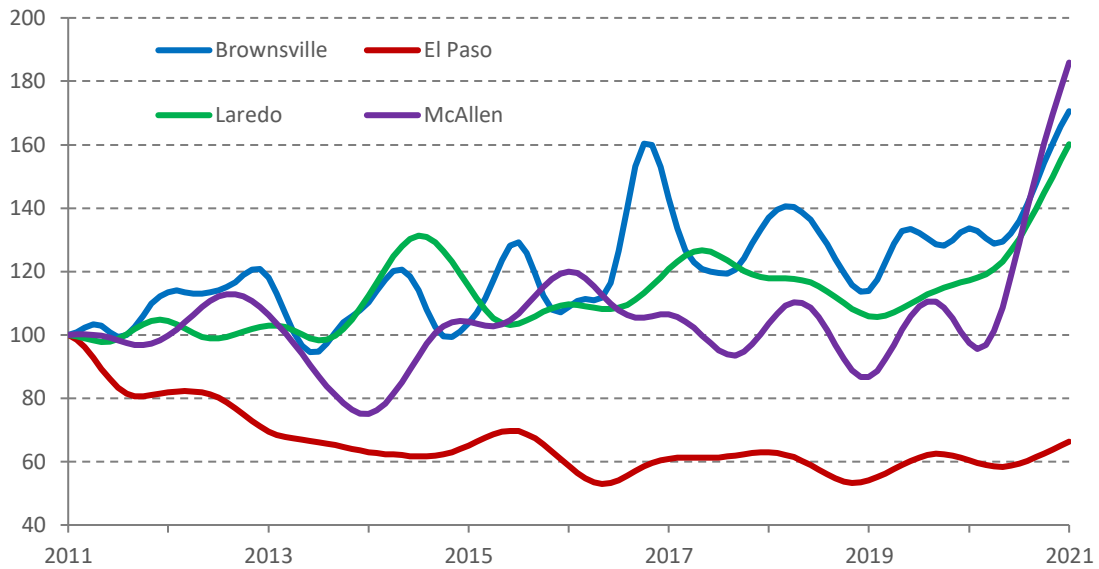
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

**Single-Family Housing Construction Permits**  
(Index Jan 2007 = 100)



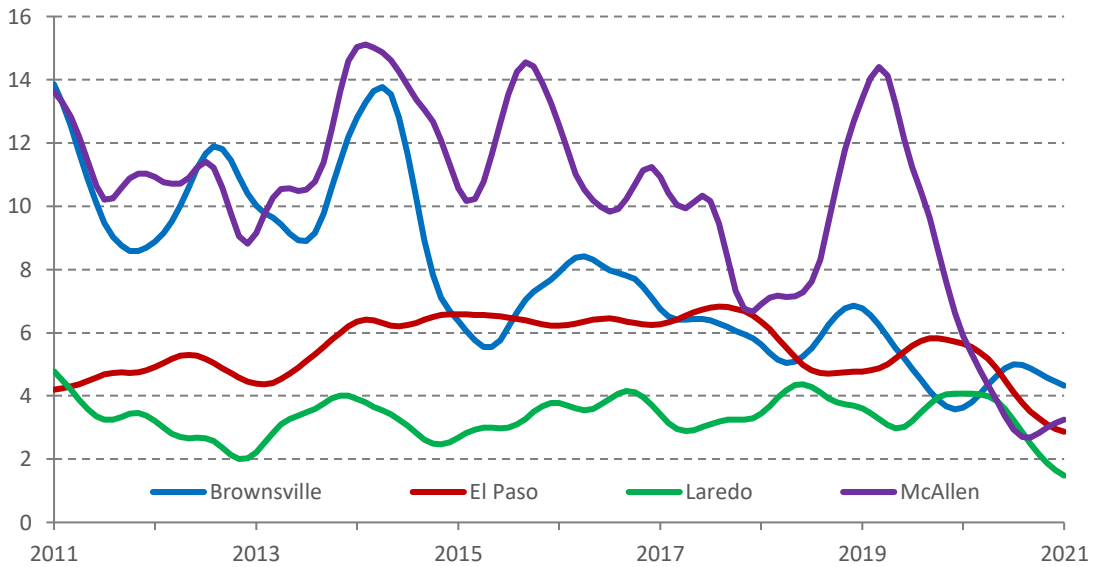
Note: Trend-cycle component.  
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

**Total New Private Single-Family Construction Value**  
(Index Jan 2011 = 100)



Note: Inflation adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

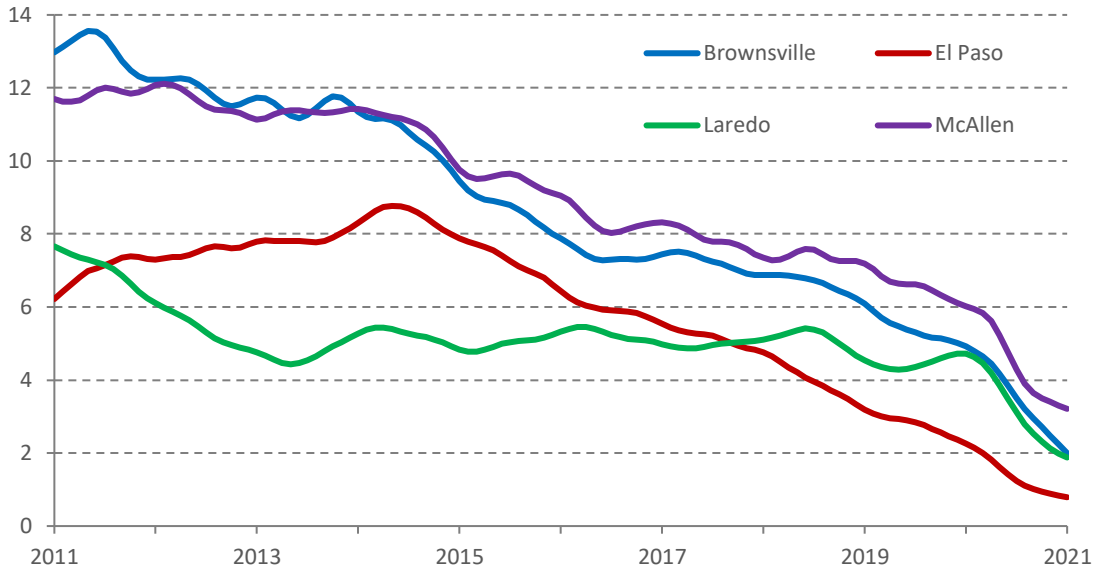
**New Home Months of Inventory**  
(Months)



Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

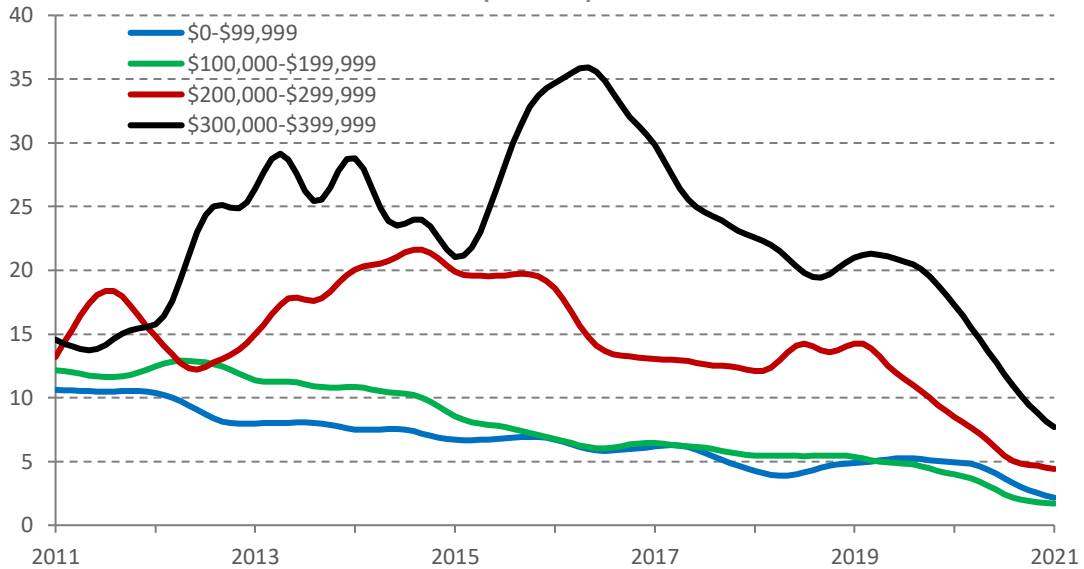


### Existing Home Months of Inventory (Months)



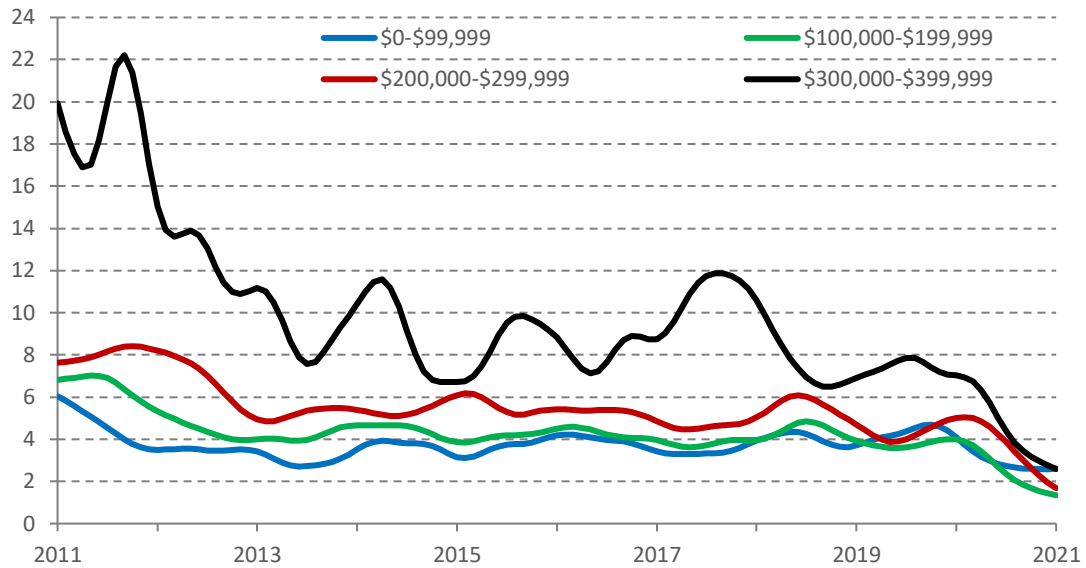
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### McAllen Months of Inventory by Price Cohort (Months)



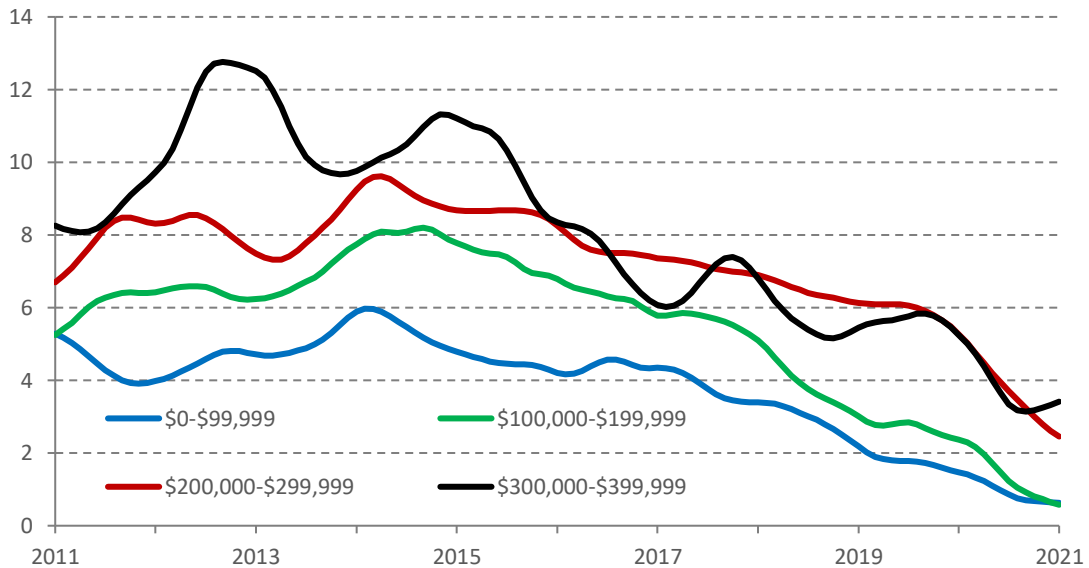
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### Laredo Months of Inventory by Price Cohort (Months)



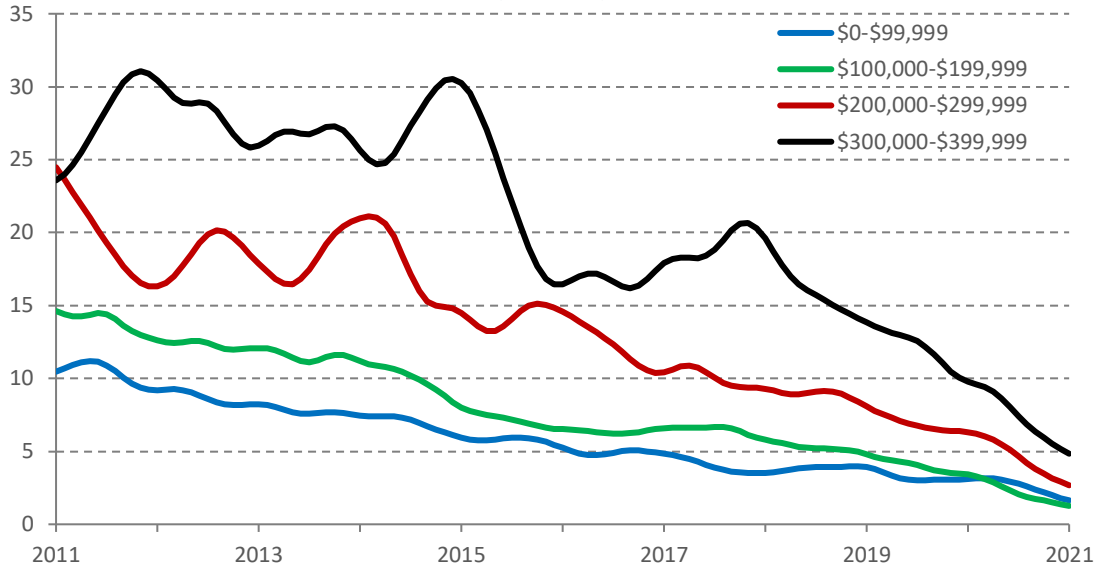
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### El Paso Months of Inventory by Price Cohort (Months)



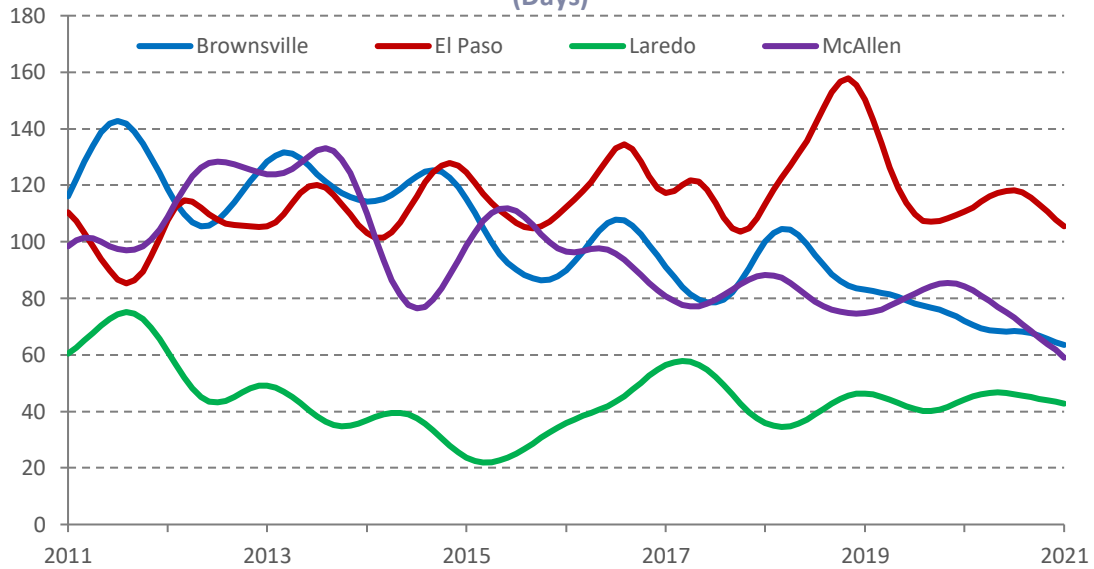
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### Brownsville Months of Inventory by Price Cohort (Months)



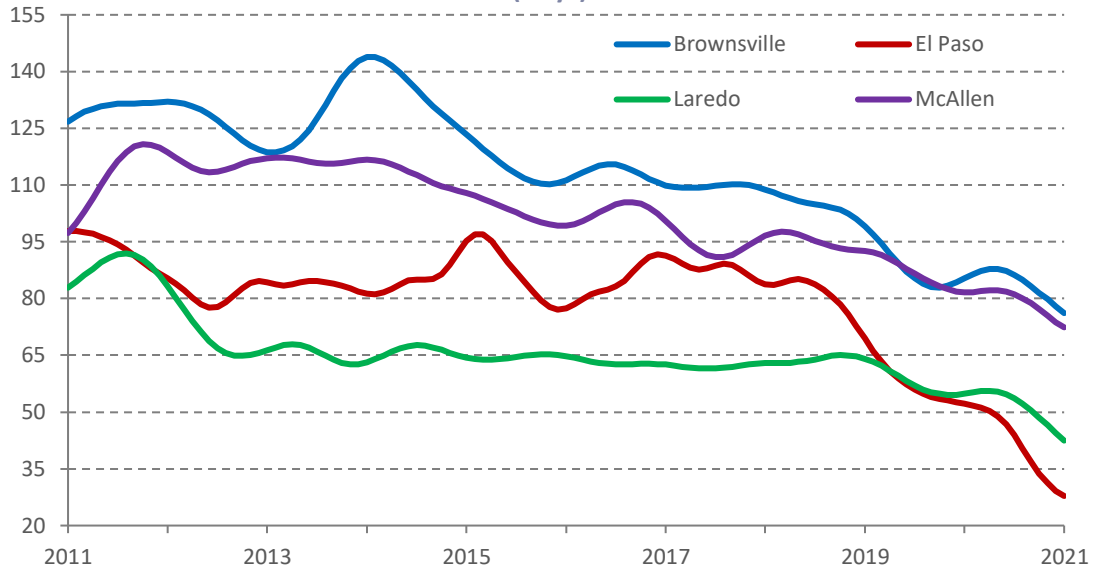
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### New Home Days on Market (Days)



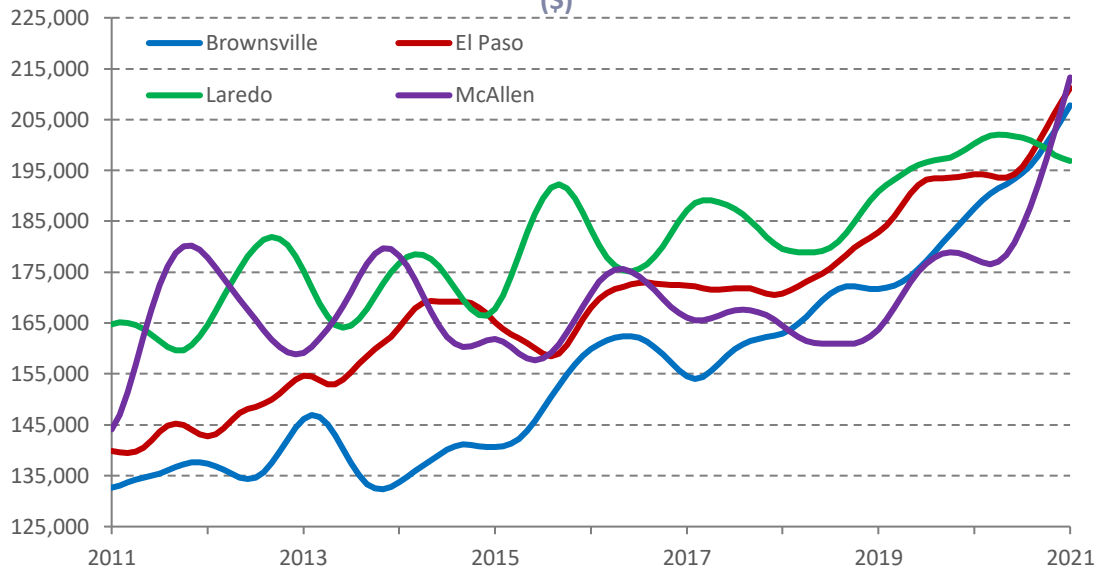
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Existing Home Days on Market (Days)



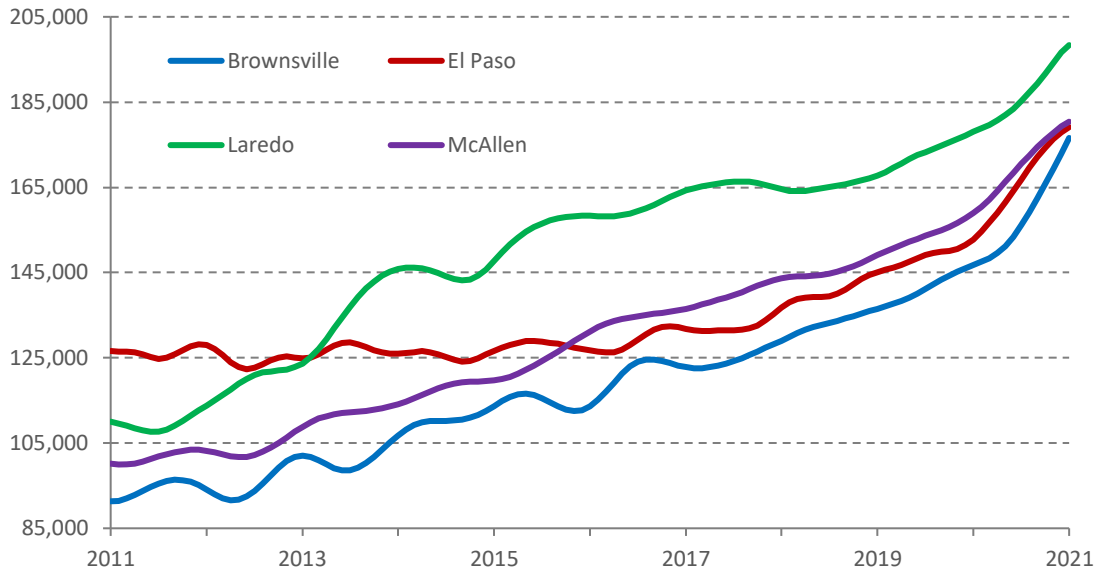
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### New Home Median Sales Price (\$)



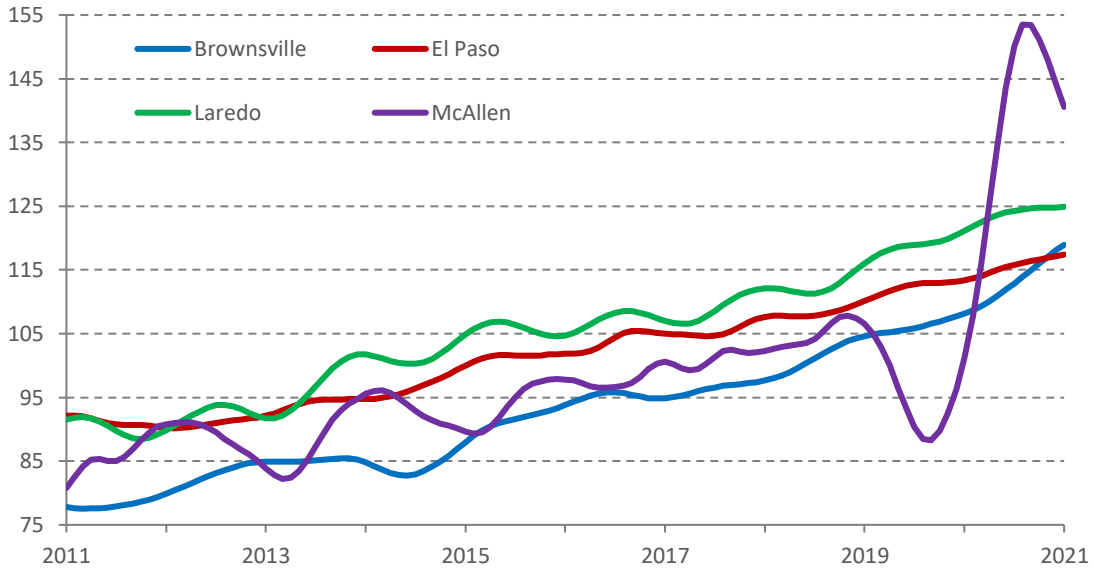
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Existing Home Median Sales Price (\$)



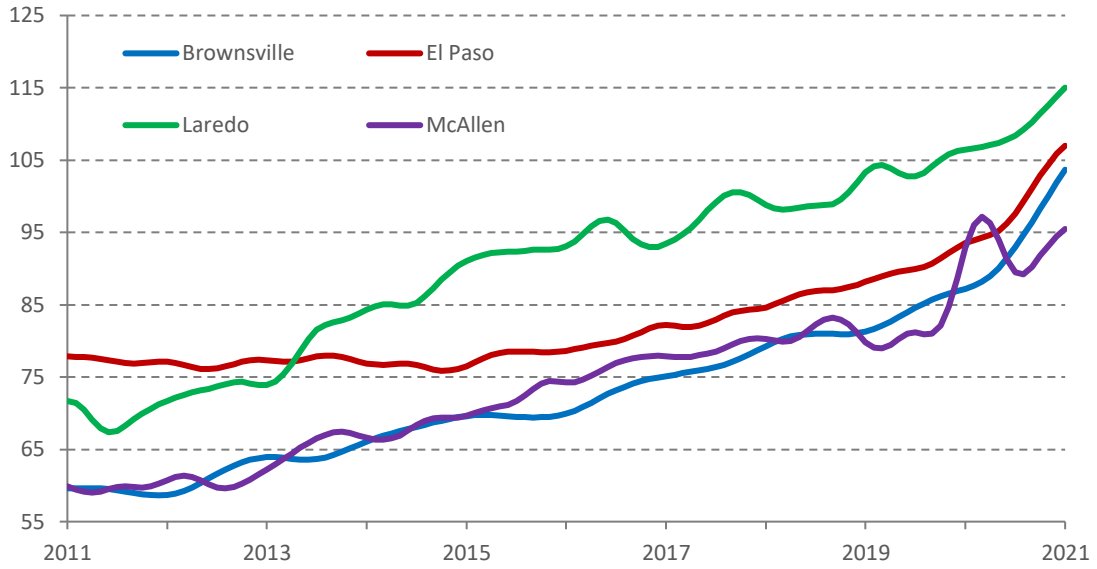
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### New Home Median Price Per Square Foot (\$)



Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Existing Home Median Price Per Square Foot (\$)



Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University



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