

# TEXAS BORDER ECONOMY



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



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FEBRUARY 2021 DATA

TECHNICAL REPORT

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## 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 April 15, 2021

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# Border Summary

BORDER EMPLOYMENT

▼ -600 jobs

JAN MAQUILADORA EMPLOYMENT

▲ 3,000 jobs

TOTAL TRADE VALUES

▲ 4.0% MOM

HOUSING SALES

▼ -7.8% MOM

## February 2021

Winter Storm Uri swept across Texas in February, causing widespread power and water outages that impacted the state's most southern communities. The freeze came on the heels of a wave of new COVID-19 cases in Laredo and McAllen, contracting payrolls by 300 and 500 positions, respectively. Unemployment, however, stabilized in all the border metros but Laredo. Housing sales decreased, although inventory remained constrained, especially for lower-priced homes, contributing to double-digit median home-price growth. On the bright side, construction values improved, and total trade activity passing through the Rio Grande Valley picked up. As the impacts of the winter storm are expected to be temporary, the pandemic is still the greatest headwind to the border communities. Gov. Greg Abbott rolled back business restrictions and the state's mask mandate, citing successful vaccine rollouts, effective March 10. Containment of the virus is vital as additional waves of infection can weigh on consumer confidence and spending and slow the return to pre-pandemic conditions.

## Economy

Power and water outages across the state put a damper on the border's economic recovery as indicated by the **Dallas Fed's Business-Cycle Indexes**. Payroll contractions in McAllen pushed the index down 1.8 percent on a seasonally adjusted annualized rate (SAAR). The metric flattened in Brownsville and ticked up just 0.9 percent in Laredo. Amid modest labor-market improvements, the El Paso index increased 2.8 percent, but the rate of growth decelerated. Leisure/hospitality employment and retail sales, a component of the index, may be limited by the U.S.'s ban on nonessential travel, which prohibits Mexican tourists from entering the U.S. These measures have been extended through May 21, 2021. Mexico eliminated restrictions on travel from the U.S. to regions with low coronavirus risk (currently including all six Mexican states except Chihuahua) effective April 22, 2021. Pedestrian and personal vehicle crossings from Mexico flattened in February after picking up slightly at the start of the year but remained more than 61 and 46 percent below year-ago levels, respectively (Figures 1 and 2).

Border **nonfarm employment** shed 600 positions in February on top of downward revisions to the prior month's data, pulling payrolls down 4.6 percent year over year (YOY). Every metro posted local government layoffs, the magnitude of which, combined with elevated COVID-19 cases, resulted in 500- and 300-job decreases in McAllen and Laredo total employment, respectively. Retail hiring in Brownsville, however, offset government losses, contributing to an overall increase





of 100 employees. El Paso added 100 new workers as most of the service-providing industries expanded payrolls. The local government, transportation/utilities, and mining/logging/construction sectors were the major deterrents to growth.

On the southern side of the border, **Mexican manufacturing and maquiladora employment**<sup>1</sup> added 3,000 workers in January. Most of the hiring occurred in Juarez, where payrolls expanded by 2,600 positions to a record-high 303,600. Chihuahua City and Nuevo Laredo registered strong growth, gaining more than 800 and 400 employees, respectively. On the other hand, manufacturing and maquiladora employment in Reynosa flattened at year-end levels and contracted by 400 jobs in Matamoros, marking the city's fifth consecutive monthly decline. U.S. manufacturing production decreased 3.1 percent in February in addition to a negative reading from the IHS Markit Mexico Manufacturing Purchasing Managers' Index, suggesting Mexican maquiladora hiring might slow in the first quarter of the year. 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.

**Unemployment rates** in the Rio Grande Valley were unchanged at 11.9 and 10.7 percent in McAllen and Brownsville, respectively. Joblessness in El Paso inched down for the third consecutive month to 8.1 percent. In Laredo, the only border metro where the local labor force was smaller than it was a year ago, the metric ticked up to 8.2 percent, suggesting a lagged labor-market recovery.

Weekly initial unemployment claims declined in the first half of the month along the border after volatility around the holidays (Figure 3). During disruptions to Texas' power grid, however, initial claims rebounded to January levels but should recover as economic conditions normalize.

Amid payroll fluctuations, **average private hourly earnings** ticked down on a monthly and annual basis across the board. McAllen hourly wages declined YOY for the sixth straight month, but despite the 3.4 percent inflation-adjusted decrease, the metro still averaged the highest earnings at \$19.19 per hour. The El Paso metric (\$19.04) trended downward, falling 3 percent YOY in real terms. Both Laredo (\$17.96) and Brownsville (\$16.71) real wages sank 1.2 percent with the latter sliding below its long-term average. Retail hiring and recovery in lower-wage sectors could pressure average earnings downward by shifting the labor-market composition in the opposite direction than what occurred at the onset of the pandemic.

After a slow start to the year, inflation-adjusted **total construction values** rebounded 25.4 percent year to date (YTD) in February relative to activity during the first two months of 2020. As El Paso's Main Library Renovation Project progressed, library/museum construction values skyrocketed, boosting border nonresidential values and offsetting a normalization in Laredo's school sector. Single-family construction declined for the second straight month across all four border metros, although the YTD sum remained positive in Laredo and the Rio Grande Valley compared with the

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<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.

same period last year. Apartment values, however, extended a downward trend from the second half of the year amid an apparent shift in preferences toward residences with more space.

In the currency market, the **peso per dollar exchange rate** increased for the first time in seven months to 20.33. The inflation-adjusted rate<sup>2</sup> accelerated 5.9 percent YOY, revealing that domestic goods were still relatively costly to Mexican buyers, though less so than during 2Q2020. Despite unfavorable currency fluctuations affecting exports to Mexico, **total trade values** passing through the border hubs improved 4 percent in February but continued to register double-digit negative YOY growth. Mineral fuel/oil exports skyrocketed, pushing total trade through the Rio Grande Valley to an all-time high and tipping El Paso values into positive YTD growth territory. Activity in the West Texas border metro, however, was just one-third of year-ago levels amid reduced shipments of machinery and electronic parts during ongoing disruptions to global supply-chains. Total Laredo values decreased for the second straight month due to reduced vehicular-related imports, falling 3 percent YOY. The border's trade sector remains an integral component of the local economies.

## Housing

After three consecutive months of steady growth, **border housing sales** dropped 7.8 percent from record activity amid widespread power and water outages across the state during Winter Storm Uri. The 30-year fixed mortgage rate ticked up for the second straight month, possibly contributing to the slowdown. Sales decreased at each price point in the Rio Grande Valley with total sales plummeting 30.0 and 19.6 percent in McAllen and Brownsville, respectively. In El Paso, sales for homes priced less than \$300,000 declined but were partially offset by a third straight increase in sales of higher-priced homes, resulting in an overall reduction of just 2.1 percent. On the bright side, Laredo sales rose 8.8 percent after a two-month slump, and the YTD sum in all four border metros was greater than the sum of January and February sales last year.

**Single-family housing construction permits** continued to normalize from issuing nearly 1,000 permits at year-end, ticking up just 1.6 percent. Laredo accounted for the monthly improvement with YTD issuance running 11.9 percent ahead of last year's permits during the same period. Brownsville's metric fell in February but remained on an upward trajectory. Although both McAllen and El Paso permits declined for the second straight month, only in El Paso did issuance drop below its year-long average. **Private single-family construction values** trended upward along the border despite monthly decreases in all the metros except for Brownsville.

Despite slower sales activity, **months of inventory (MOI)** fell to unprecedented lows in the Rio Grande Valley as the number of new listings hitting the market declined for the third consecutive month. Brownsville's MOI sank to 2.1 months while the McAllen metric inched down to 2.9 months. Inventory in El Paso flattened at 1.3 months, less than the statewide average (1.5 months).

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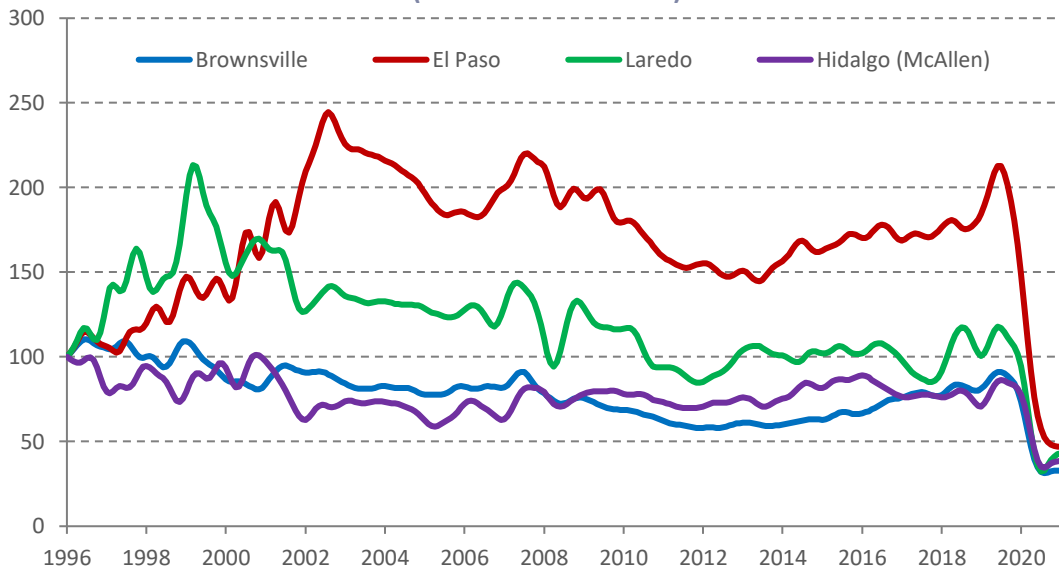
<sup>2</sup> The real peso per dollar exchange rate is inflation adjusted using the Texas Trade-Weighted Value of the Dollar. Its release typically lags the *Texas Border Economy* by one month.

Laredo was the exception with inventory expanding from 1.7 to 2.1 months as new listings for homes priced more than \$200,000 rebounded, offsetting increased sales.

Disruptions to the state’s power grid and business activity may have played a part in the **average number of days on market (DOM)** increasing more than a week to 54 and 77 days in Laredo and McAllen, respectively. Despite the monthly upticks, however, the DOMs hovered only slightly above year-ago levels, suggesting overall demand remained healthy. The metric rose in Brownsville to 86 days, but the average home still sold three weeks faster than a year ago. On the other hand, the El Paso DOM decreased for the sixth straight month, falling to just 44 days.

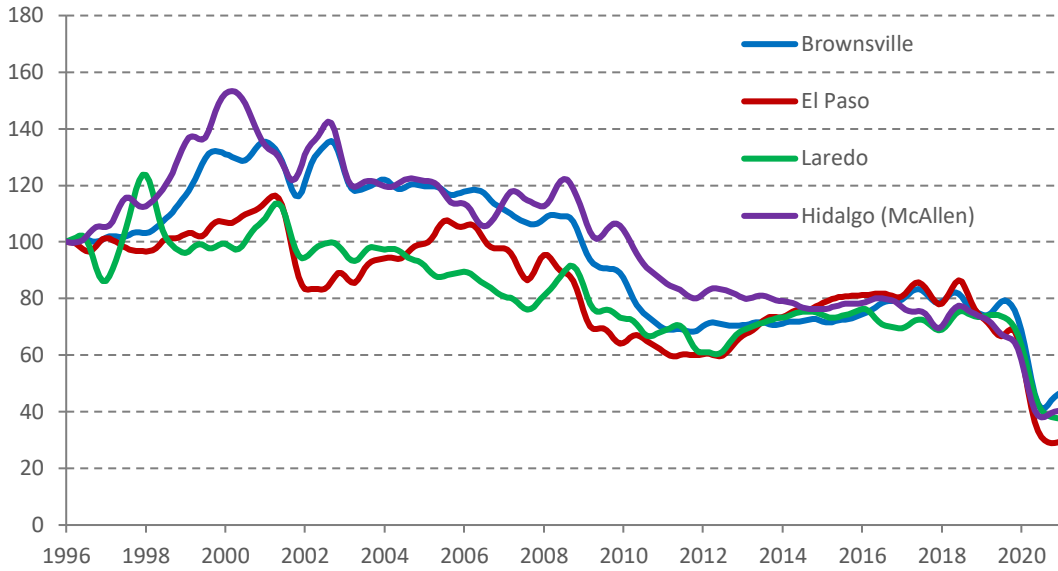
The ongoing shift in the composition of sales toward higher-priced homes due to limited inventories at the lower end of the market contributed to increases in the **median home price**. However, home-price appreciation slowed in February with Laredo’s median price flattening on monthly basis to \$193,600, while the Brownsville and El Paso metrics ticked down to \$197,400 and \$189,900, respectively. Still, annual growth remained in double-digit territory. The median price ticked up to \$179,800 in McAllen, but the metro registered the most moderate YOY growth, averaging 7.4 percent in 2021. If compositional changes in sales were controlled for, 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. Rising mortgage rates and home-price appreciation threaten the border’s housing affordability, which has historically been a drawing point for many people looking to move.

**Figure 1. Pedestrian Crossings**  
(Index Jan 1996 = 100)



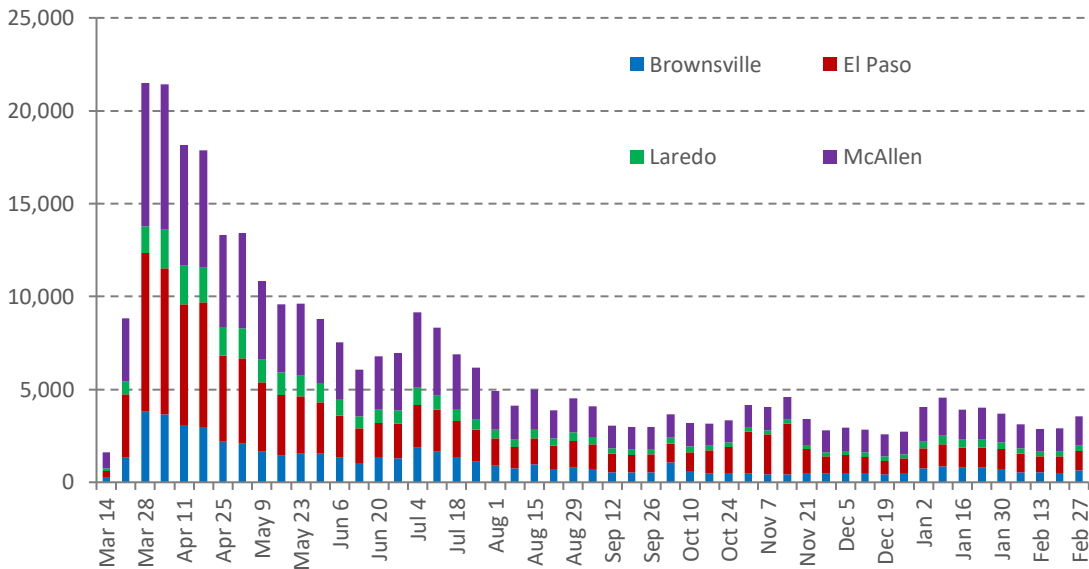
Note: Pedestrians entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection. Trend-cycle component.  
Source: U.S. Bureau of Transportation Statistics

**Figure 2. Personal Vehicle Crossings**  
(Index Jan 1996 = 100)



Note: Personal vehicles entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection. Trend-cycle component.  
Source: U.S. Bureau of Transportation Statistics

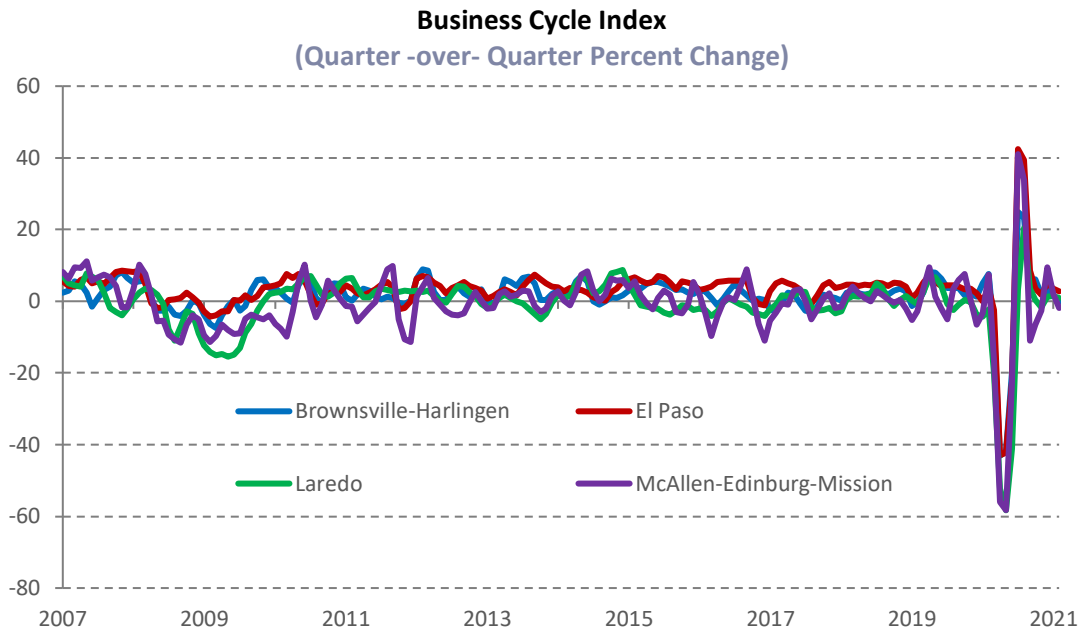
**Figure 3. Border Metro Weekly Initial Unemployment Claims (2020-21)**



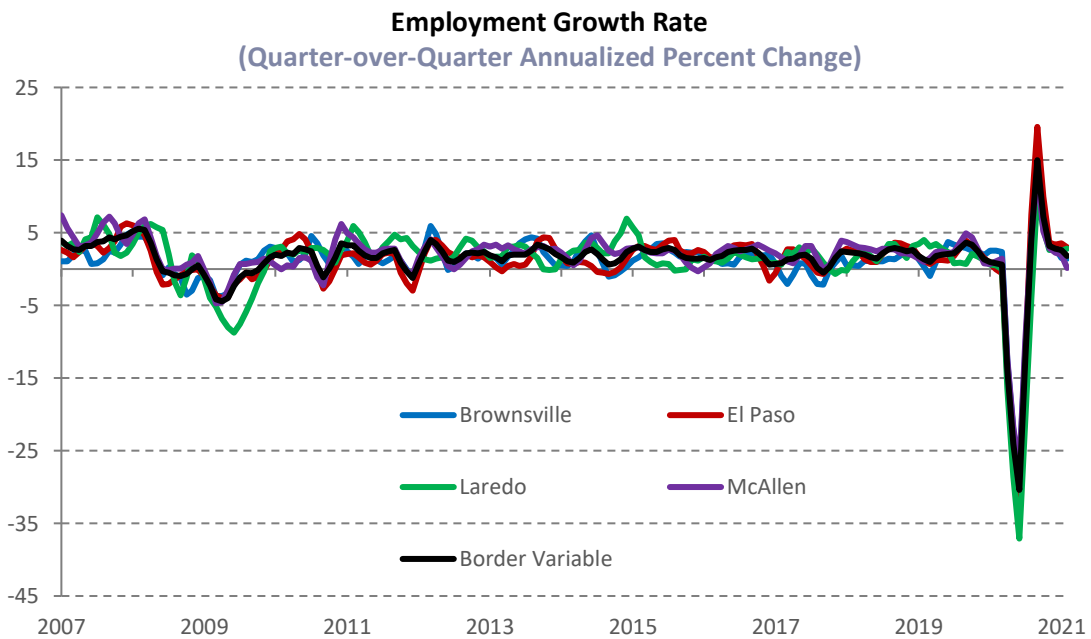
Note: Seasonally adjusted.  
Sources: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, and Texas Real Estate Research Center at Texas A&M University calculations



# Economic Activity

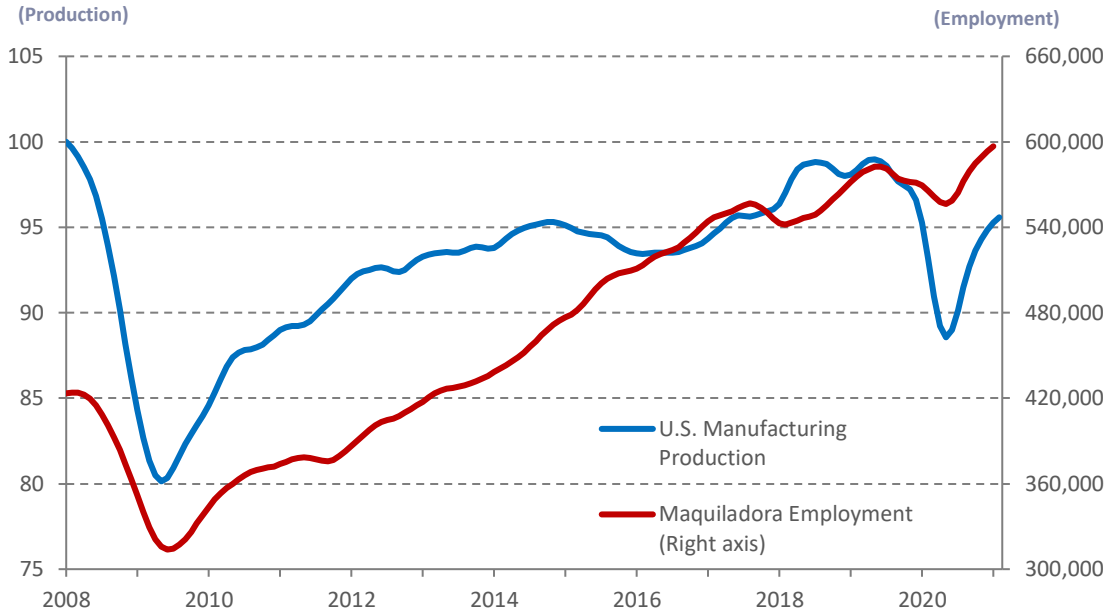


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).  
Source: Federal Reserve Bank of Dallas



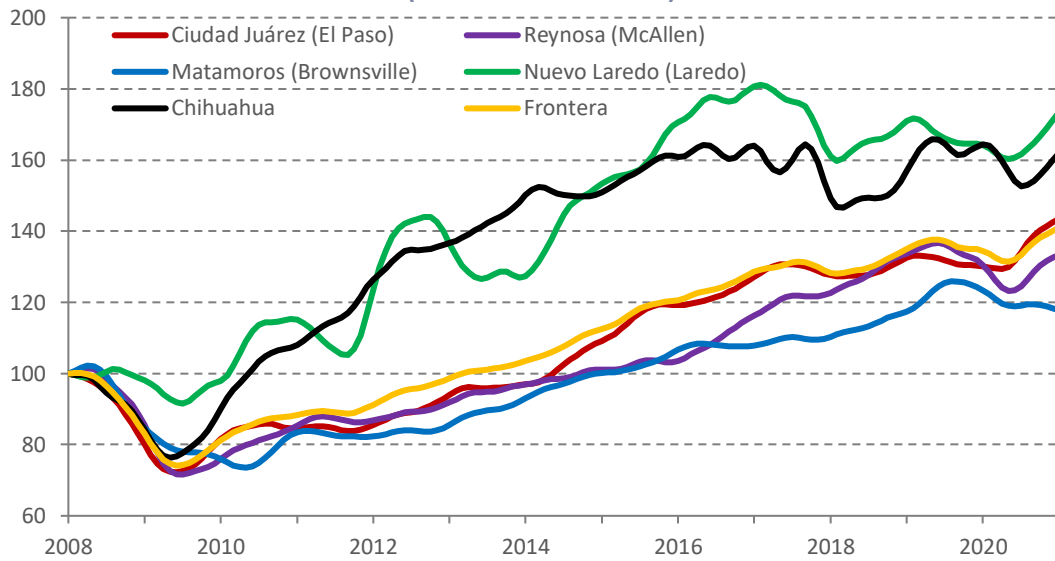
Note: Seasonally adjusted, three-month moving average. February 2021 is preliminary.  
For more information, see [Employment Growth Rate](#).  
Source: Bureau of Labor Statistics

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



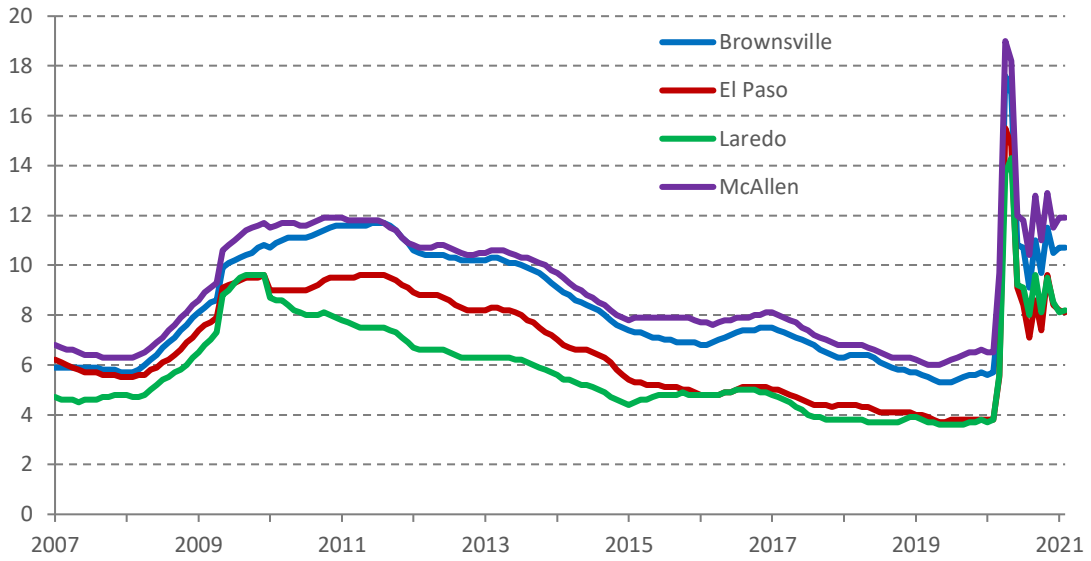
Note: Trend-cycle component.  
Source: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

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



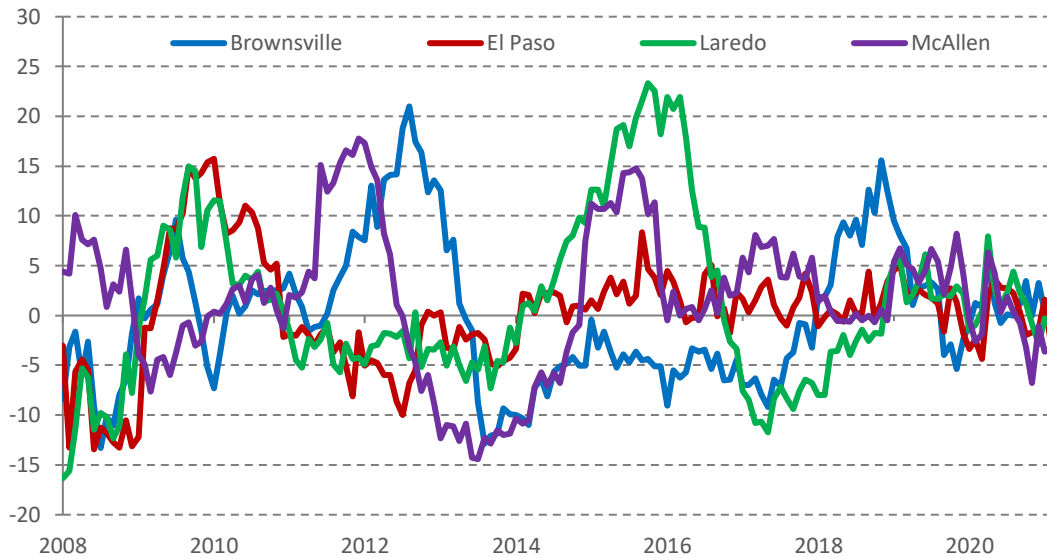
Note: Trend-cycle component.  
Source: Instituto Nacional de Estadística y Geografía

### Unemployment Rate (Percent)



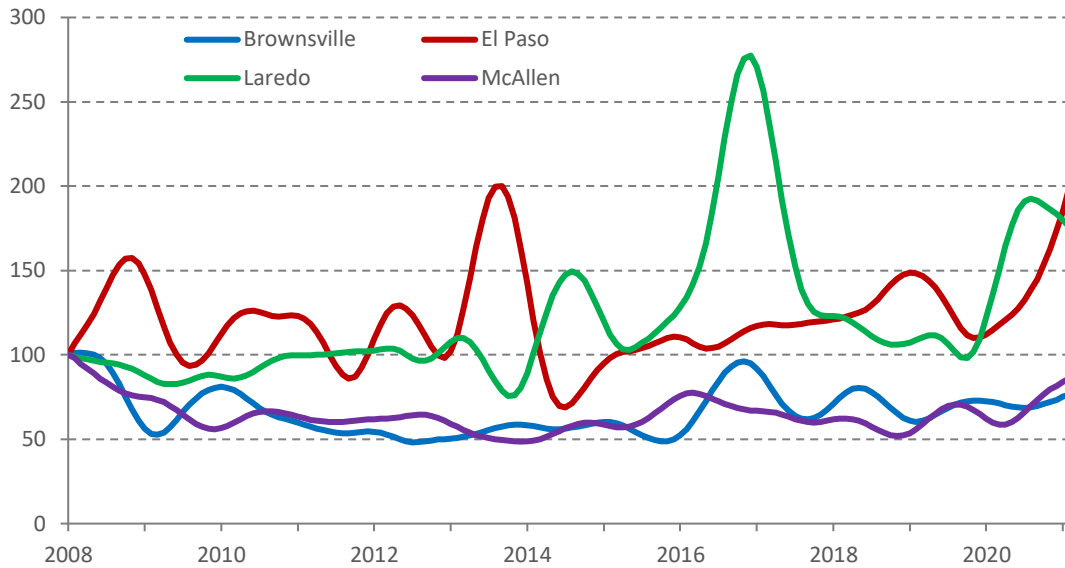
Note: Seasonally adjusted. February 2021 is preliminary. For more information, see [Unemployment Rate](#).  
Source: Bureau of Labor Statistics

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



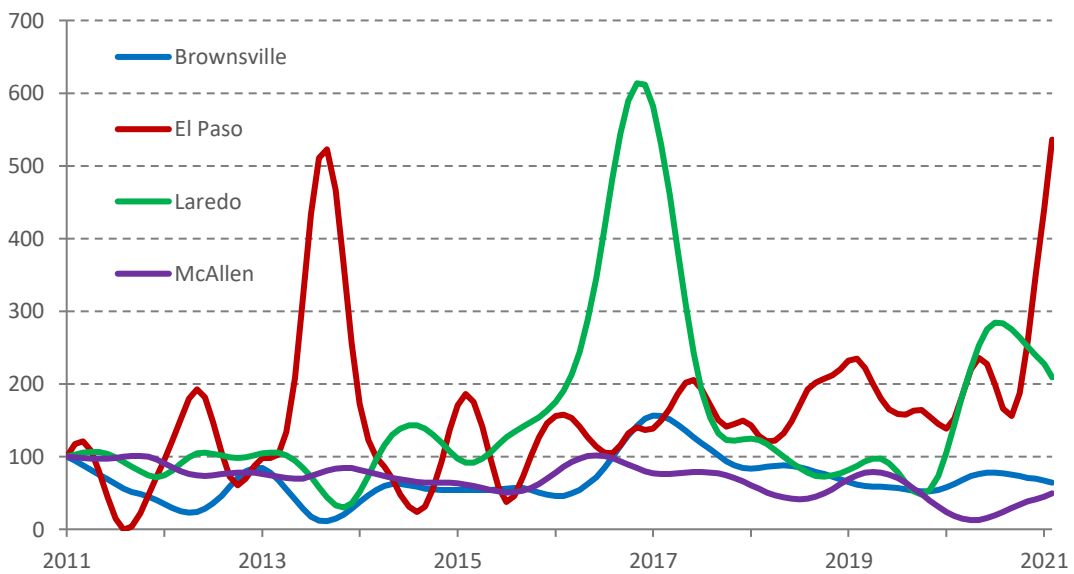
Notes: Inflation adjusted, seasonally adjusted. February 2021 is preliminary.  
For more information, see [Total Private Employee Hourly Earnings](#).  
Source: Bureau of Labor Statistics

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



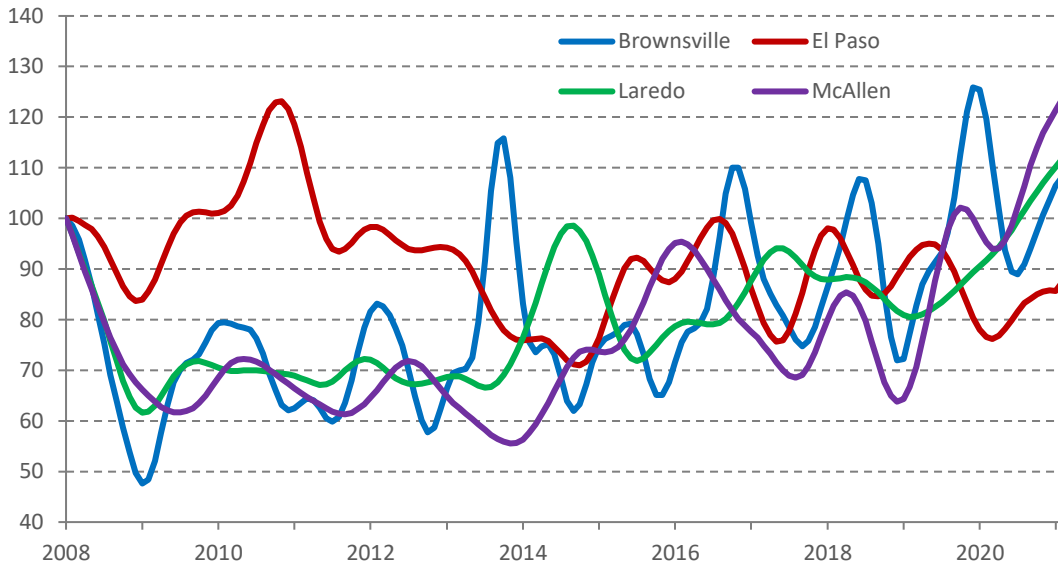
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

**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

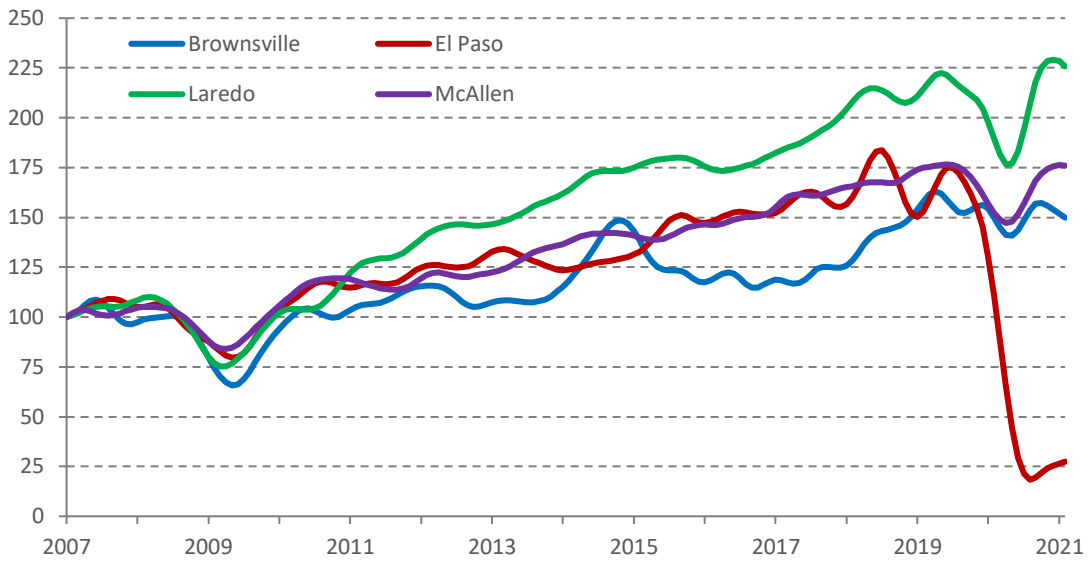
**Real Peso per Dollar Exchange Rate**  
(\$)



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

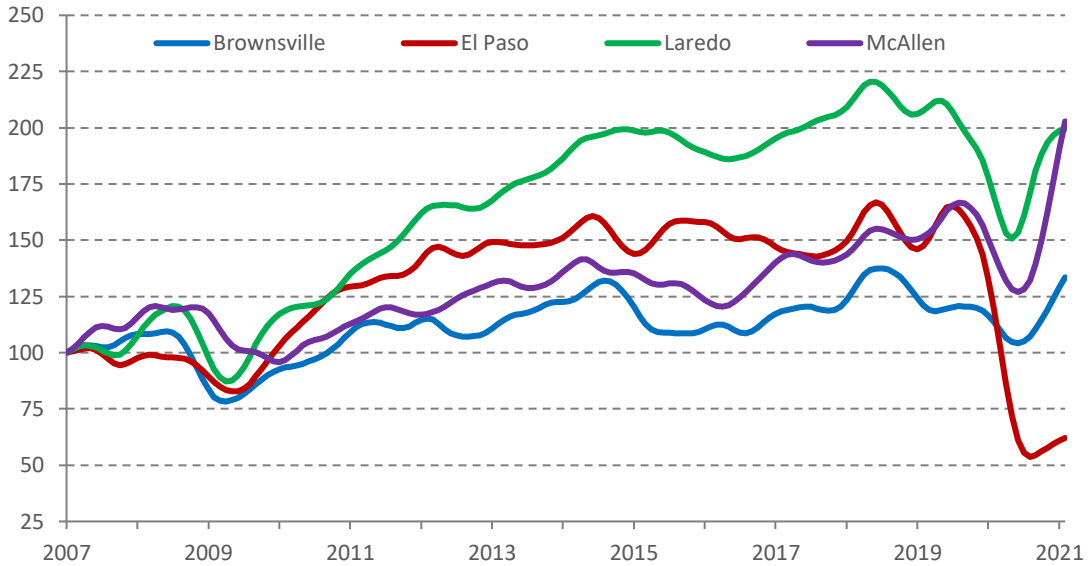


**Import Values**  
(Index Jan 2007 = 100)



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

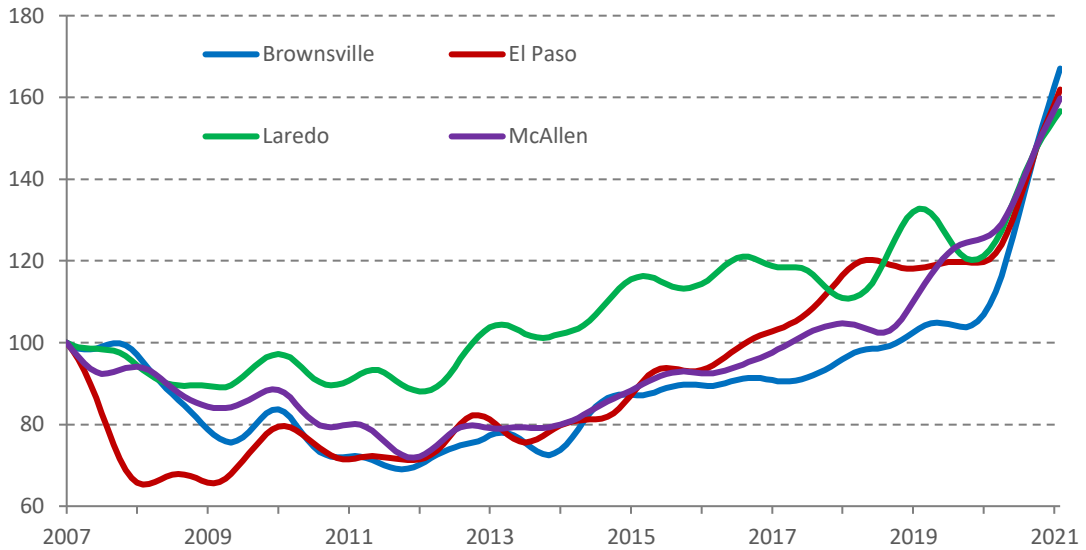
**Export Values**  
(Index Jan 2007 = 100)



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

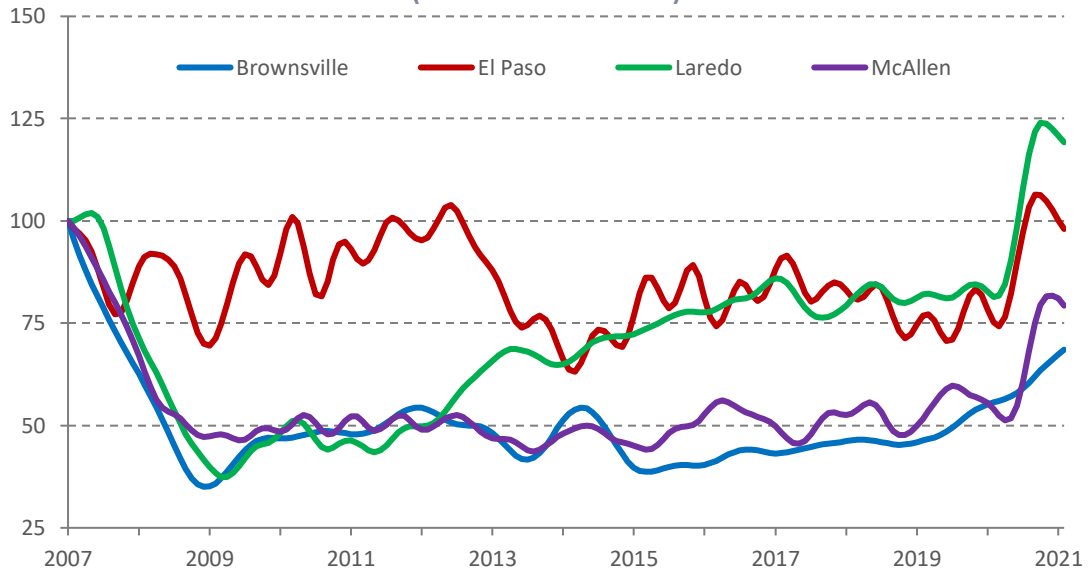
# Housing

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



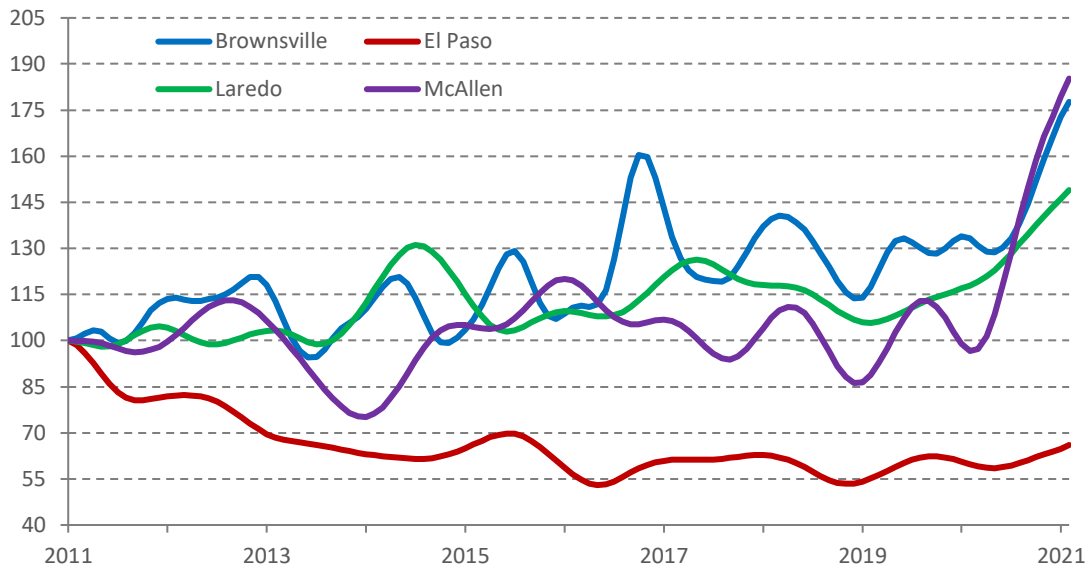
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



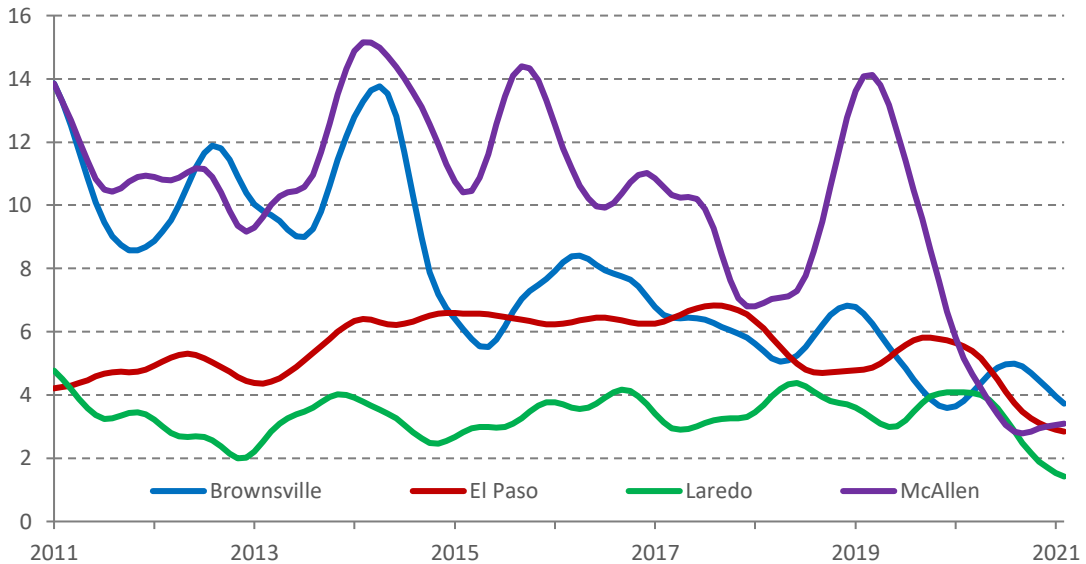
Note: Trend-cycle component.  
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

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



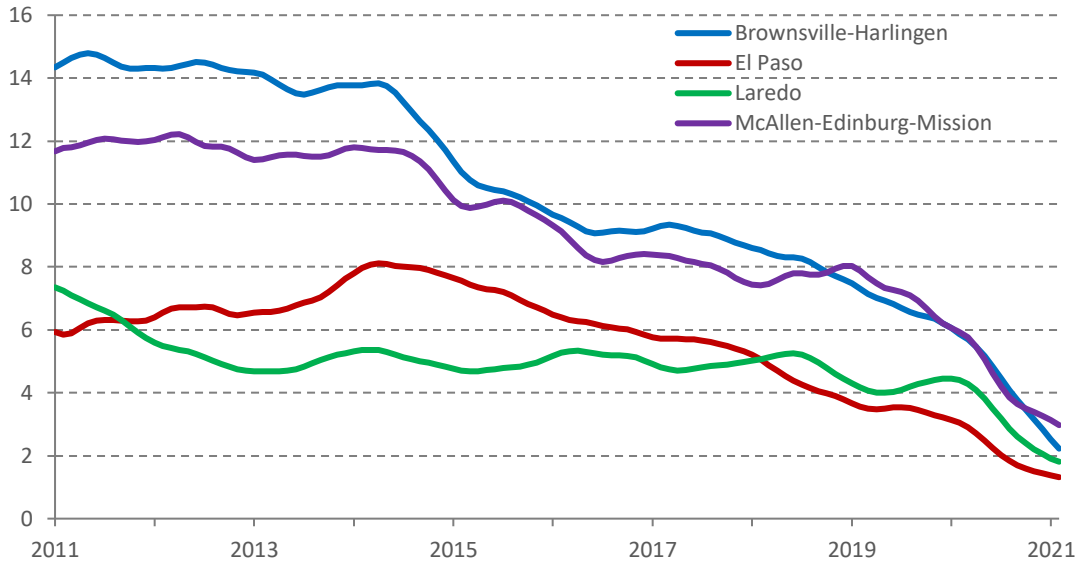
Note: Inflation adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

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



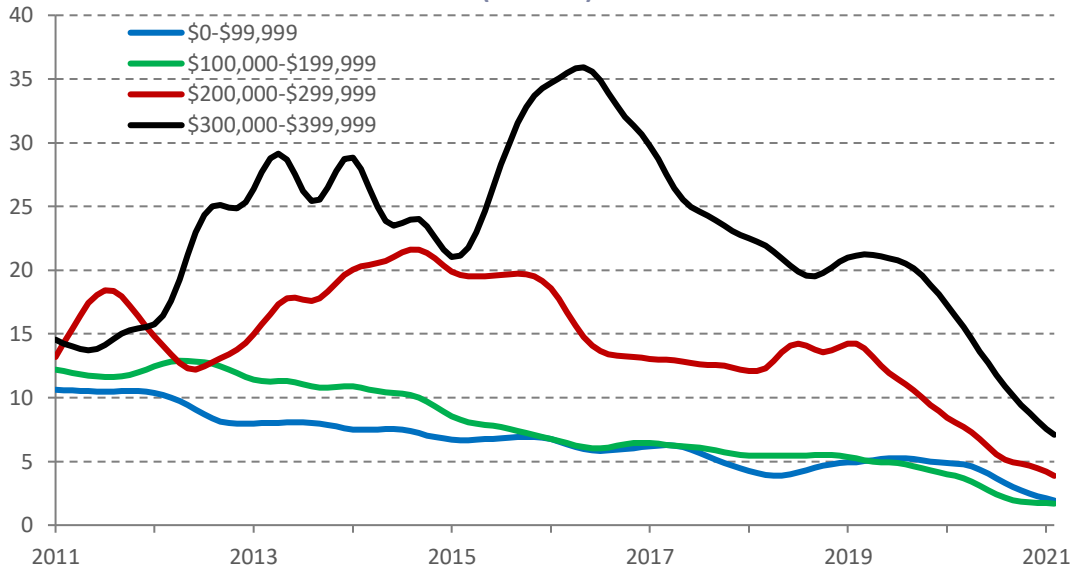
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### Existing Home Months of Inventory (Months)



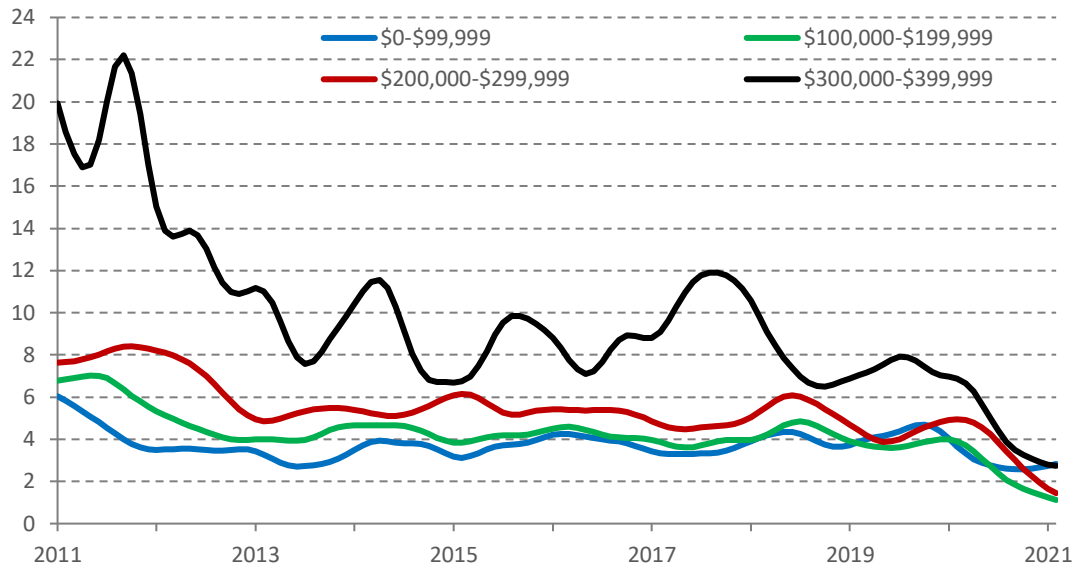
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



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

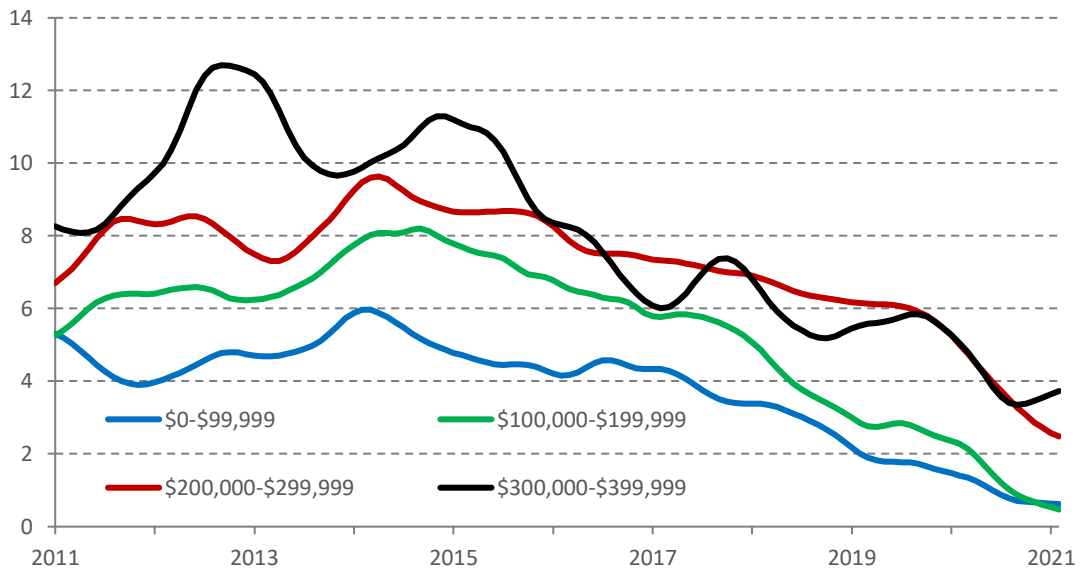
### Laredo Months of Inventory by Price Cohort (Months)



Note: Trend-cycle component.

Source: Texas Real Estate Research Center at Texas A&M University

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

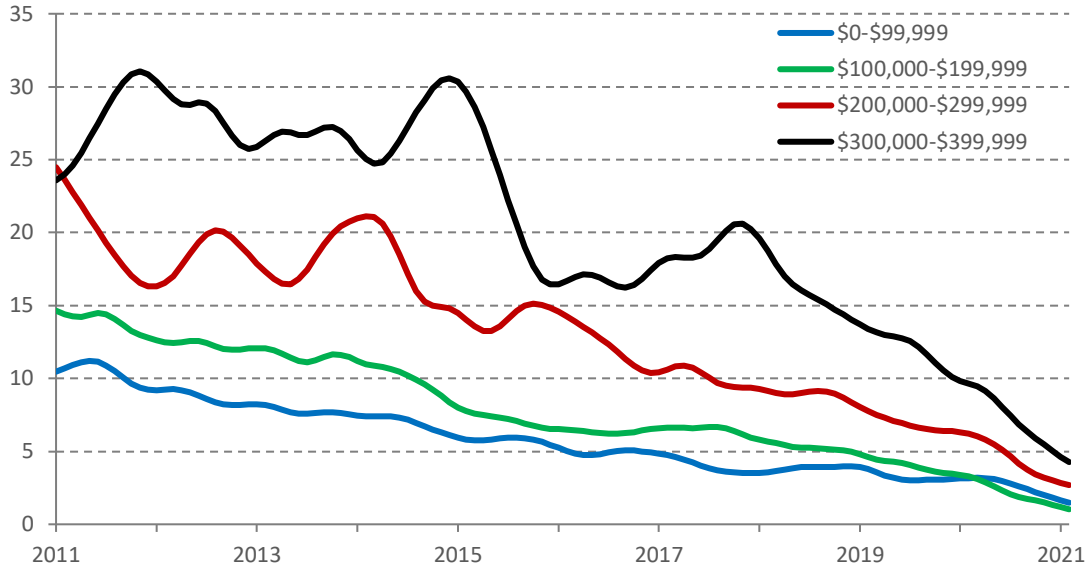


Note: Trend-cycle component.

Source: Texas Real Estate Research Center at Texas A&M University

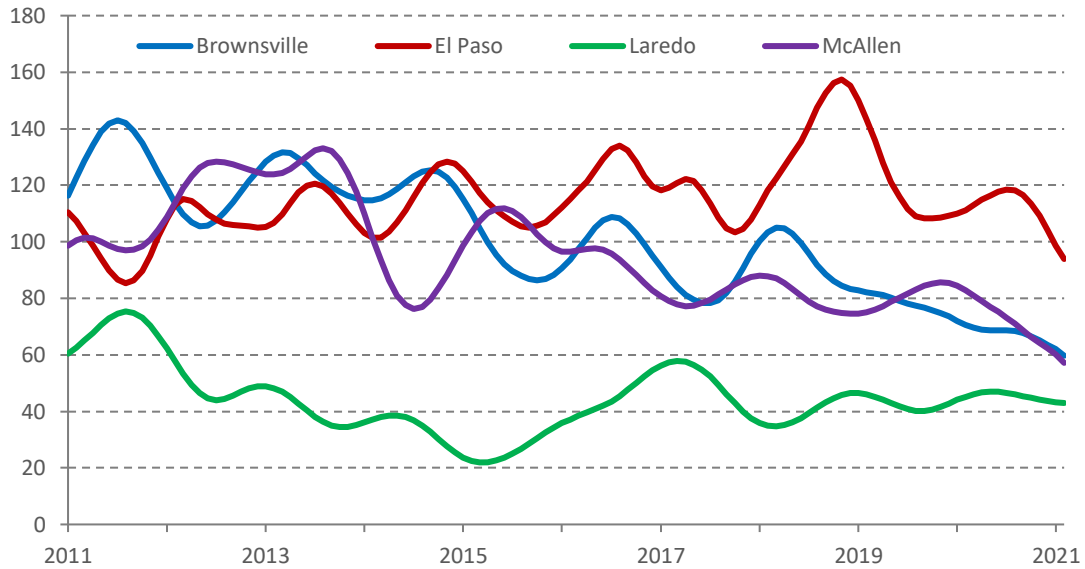


### Brownsville Months of Inventory by Price Cohort (Months)



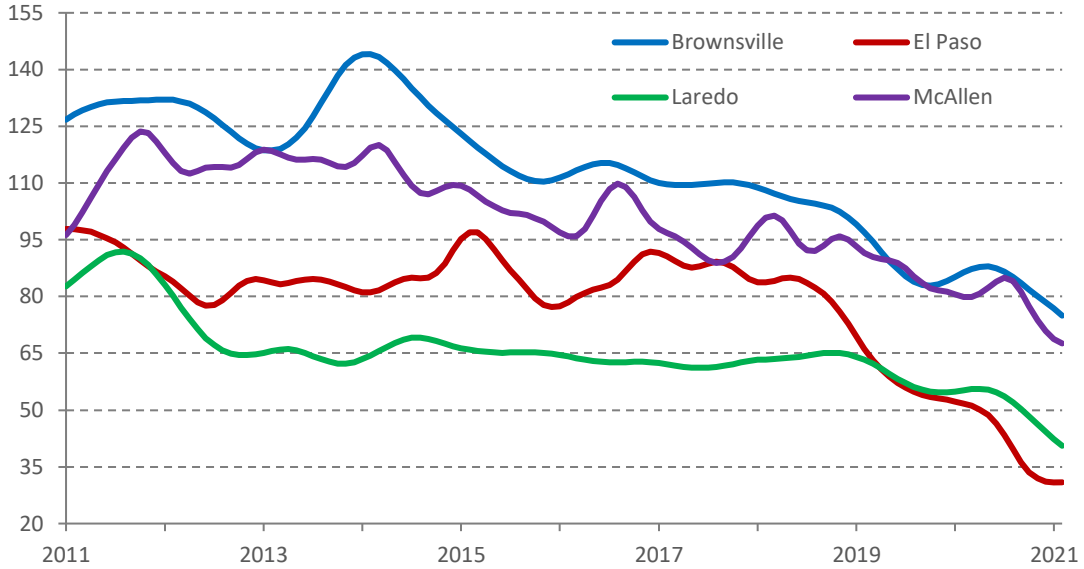
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### New Home Days on Market (Days)



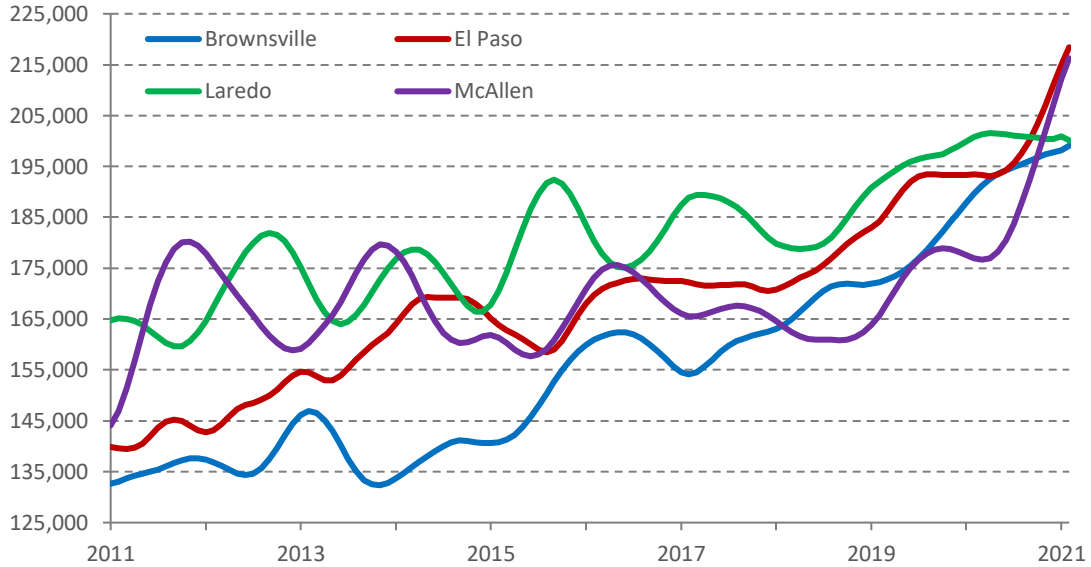
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Existing Home Days on Market (Days)



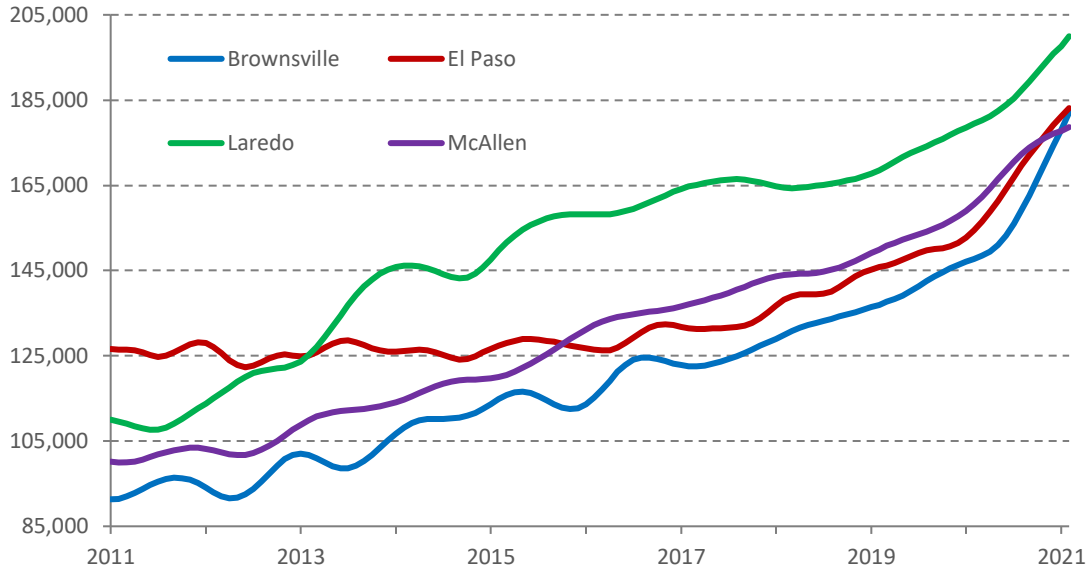
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



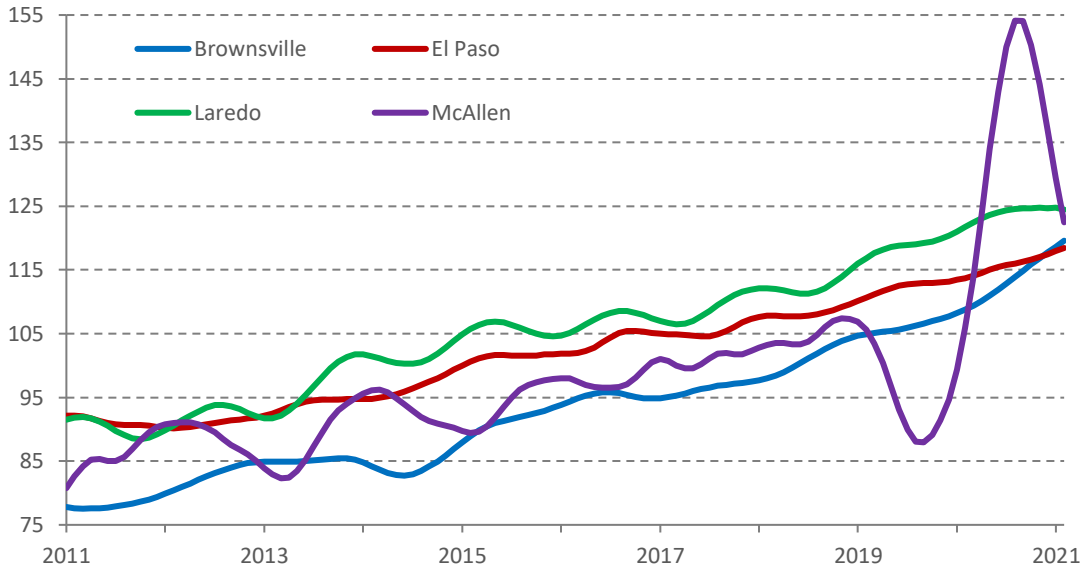
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



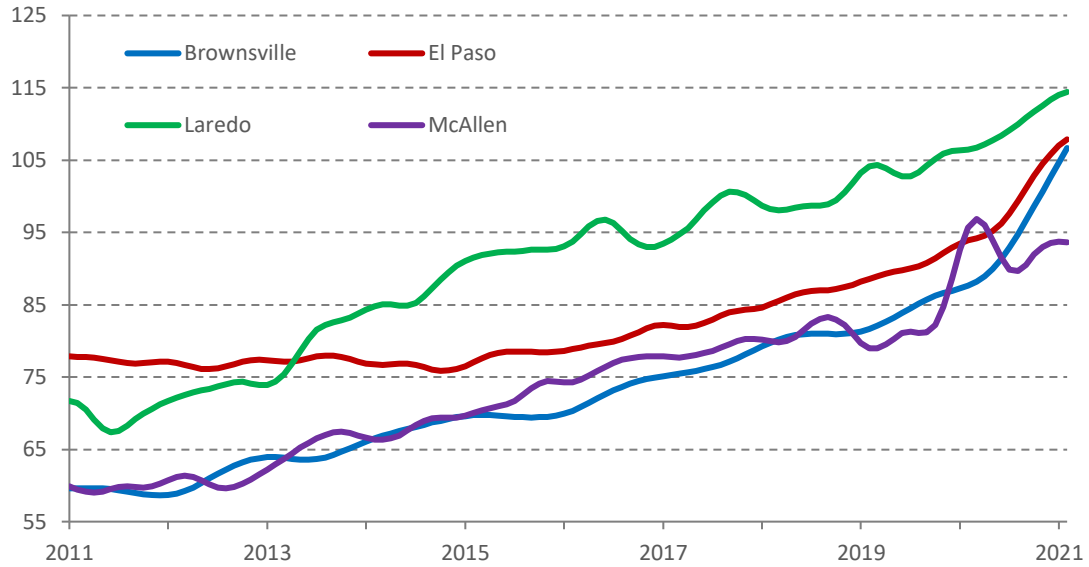
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### 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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