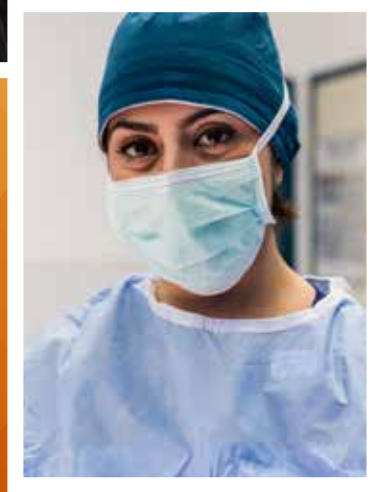
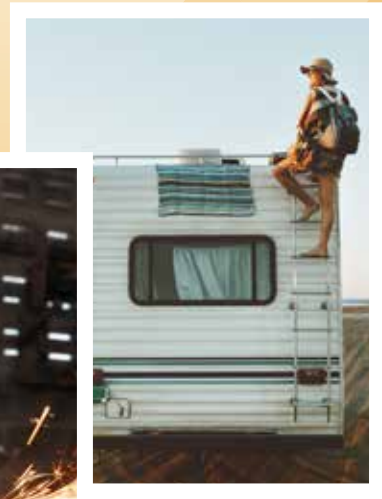
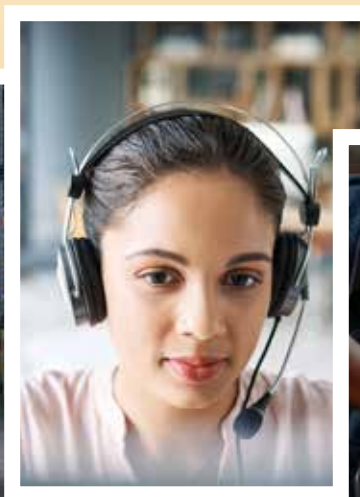


# TEXAS BORDER ECONOMY

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TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



TECHNICAL REPORT

2165

JULY 2021 DATA



|   |    |
|---|----|
| <b>About this Report</b> .....                          | 2  |
| <b>Border Summary</b> .....                             | 3  |
| <b>Economic Activity</b> .....                          | 7  |
| Business Cycle Index .....                              | 7  |
| Employment Growth Rate .....                            | 7  |
| U.S. Manufacturing Production .....                     | 8  |
| Mexico Maquiladora and Manufacturing Employment.....    | 8  |
| Unemployment Rate.....                                  | 9  |
| Total Private Employee Hourly Earnings.....             | 9  |
| Total Construction Values.....                          | 10 |
| Nonresidential Construction Values .....                | 10 |
| Residential Construction Values .....                   | 11 |
| Real Peso per Dollar Exchange Rate .....                | 11 |
| Import Values .....                                     | 12 |
| Export Values.....                                      | 12 |
| <b>Housing</b> .....                                    | 13 |
| Housing Sales .....                                     | 13 |
| Single-Family Housing Construction Permits .....        | 13 |
| Total New Private Single-Family Construction Value..... | 14 |
| New Home Months of Inventory .....                      | 14 |
| Existing Home Months of Inventory .....                 | 15 |
| McAllen Months of Inventory by Price Cohort .....       | 15 |
| Laredo Months of Inventory by Price Cohort .....        | 16 |
| El Paso Months of Inventory by Price Cohort .....       | 16 |
| Brownsville Months of Inventory by Price Cohort.....    | 17 |
| New Home Days on Market.....                            | 17 |
| Exiting Home Days on Market .....                       | 18 |
| New Home Median Sales Price .....                       | 18 |
| Existing Home Median Sales Price .....                  | 19 |
| New Home Median Price Per Square Foot .....             | 19 |
| Existing Home Median Price Per Square Foot .....        | 20 |



# 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).

Dr. Luis B. Torres, Wesley Miller, Jacob Straus, and Brendan Harrison

Data current as of August 30, 2021

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# Border Summary

BORDER EMPLOYMENT  
▲ 7,300 jobs

JUNE MAQUILADORA EMPLOYMENT  
= 240 jobs

TOTAL TRADE VALUES  
▼ -0.7% MOM

HOUSING SALES  
▼ -3.5% MOM

## July 2021

Economic recovery along the Texas-Mexico border continued as payrolls expanded despite a spike in new COVID-19 cases in July. Only hiring in Brownsville slowed after employment levels rose strongly the previous month. Unemployment declined across the southern region, but the size of the local labor forces also decreased except in McAllen where the labor pool reached an all-time high. South of the border, Mexican maquiladora and manufacturing employment flattened in June while global supply-chain delays curtailed total trade values. Housing sales decreased across the border metros except in Laredo, and a slowdown in single-family construction permits exacerbated supply constraints. Growth in nonresidential construction values, however, outweighed reductions in multifamily projects.

## Economy

The border economies maintained positive momentum on the path to recovery as indicated by gains in the **Dallas Fed's Business-Cycle Indexes**. Significant job gains in McAllen and El Paso elevated their indexes 21 and 8.1 percent, respectively, on a seasonally adjusted annualized rate (SAAR) in July. After local unemployment rates dropped in Laredo and Brownville, the index accelerated 11.6 percent in the former and 5.1 percent in the latter. The U.S.'s ban on nonessential travel, which prohibits Mexican nationals from entering the U.S., may be restricting leisure/hospitality employment and retail sales, two critical components to economic activity along the border. These travel measures went into effect March 21, 2020, and are set to expire on Oct. 21, 2021.

**Border nonfarm employment** expanded for the third straight month, ticking up 0.9 percent in July after 7,300 jobs were added. Strong hiring netted 4,300 workers in McAllen and 2,200 in El Paso. Payroll expansions occurred primarily within government and education/health services in McAllen while government and leisure/hospitality hiring led in El Paso. On the other hand, employment growth moderated in Brownsville and Laredo, adding 200 and 600 positions, respectively.

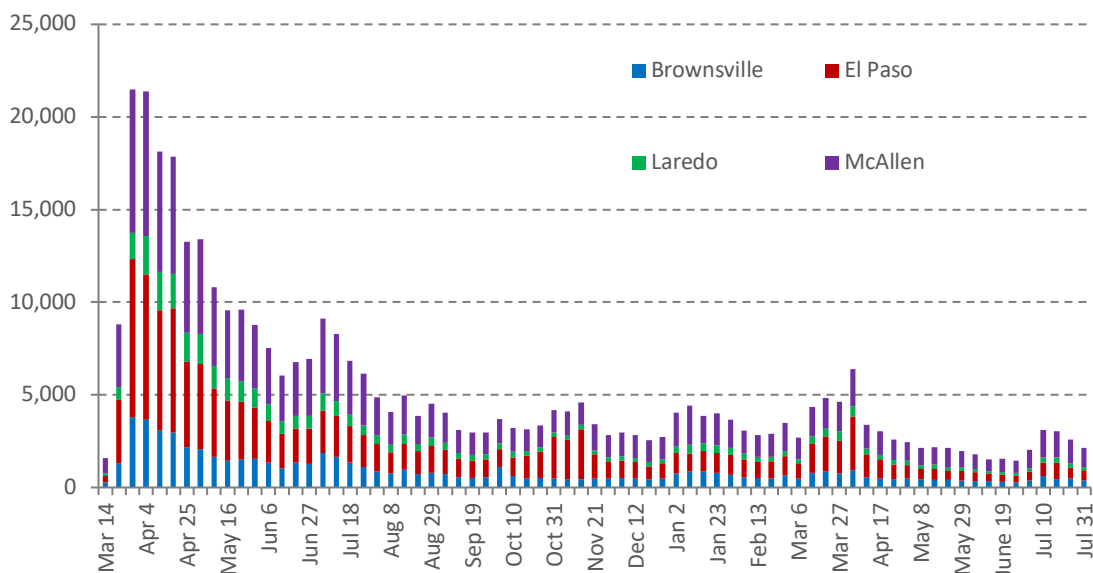
On the southern side of the border, **Mexican manufacturing and maquiladora employment**<sup>1</sup> normalized after last month's decline, adding 241 workers in June. Most of the hiring occurred in

<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.

Reynosa, where payrolls expanded by 3,100 positions to a record high 140,150. Chihuahua City and Nuevo Laredo also registered growth, gaining 2,000 and 500 employees, respectively. On the other hand, manufacturing and maquiladora employment in Juarez contracted by 2,000 jobs, marking the city’s second consecutive monthly decline after reaching record employment levels in April. Meanwhile, net layoffs in Matamoros reduced payrolls by only 150 positions. The IHS Markit Mexico Manufacturing Purchasing Managers’ Index rose for the second consecutive month, suggesting a recovery in the Mexican manufacturing industry as production and sales decreases slowed despite rising input costs and continued supply-chain disruptions. Revised U.S. manufacturing production data revealed an uptick in activity despite plant closures in the latter portion of the month due to Hurricane Ida. American auto and truck production increased 30.7 and 11.5 percent, respectively, while auto sales fell 4 percent. Industrial and automotive activity affect the local economies as manufacturing supply chains are highly integrated across the international border. The pandemic and the Mexican government’s response to the virus remain significant factors concerning the country’s future growth.

Despite lackluster hiring in Brownsville and Laredo, **unemployment rates** dropped to 9.3 and 6.6 percent, respectively, as discouraged job seekers left local labor forces. The labor force in McAllen, however, expanded to an all-time high, nudging the jobless rate down to 10 percent. Joblessness in El Paso inched down for the sixth consecutive month to 6.4 percent. Meanwhile, weekly initial unemployment claims increased across all border metros except Brownsville, largely due to a sharp increase during the opening week of July (see figure).

**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

In the border metros, **average private hourly earnings** continued to decline as the recovery of lower-paying jobs skewed the wage distribution downward except in El Paso, where an uptick in government hiring drove the average wage upward. Monthly wage fluctuations reflected overall movement in the trend; however, earnings on an annual basis fell along the border. In McAllen, real earnings fell 10.1 percent year over year (YOY), extending a year-long decline in nominal wages to \$19.42 on average. After adjusting for inflation, hourly wages in Laredo (\$18.62) and El Paso (\$20.13) dropped 4.9 and 5.5 percent YOY, respectively. Brownsville's metric (\$16.74) also decreased, falling percent 4.1 percent YOY in July.

**Total construction values** jumped 29.3 percent in July but remained 11.9 percent below the 2020 average when investment surged during the pandemic recovery. The growth stemmed from nonresidential investment amid elevated activity in schools and colleges, primarily in McAllen. The residential sector expanded for the fourth consecutive month led by accelerated construction of single-family homes. Single-family home construction increased in all border metros except El Paso. Multifamily investment shrank along the border in the multifamily sector excluding El Paso, where the values increased sharply.

In the currency market, the **peso per dollar exchange rate** inched down to 19.96, making domestic goods cheaper to Mexican buyers, while the inflation-adjusted rate<sup>2</sup> declined 6.4 percent annually. The border remained restricted during July, preventing Mexican nationals from consuming Texas goods. In addition, large importers of goods in Mexico generally benefit from an appreciation of the peso, but ongoing supply-chain disruptions have impeded firms from capitalizing on the recent fluctuation. In response, **total trade values** passing through the border hubs declined 0.7 percent despite positive trade activity in Brownsville and El Paso. El Paso's total trade values, however, remained relatively low, down 62.1 percent from February 2020 levels due to continued material shortages (e.g., semiconductors). Trade is an integral part of the local economy, which hinges on a healthy supply-chain.

## Housing

**Border housing sales** fell 3.5 percent in July, trending downward due to tight supply. Although transactions for lower-priced homes rose in Brownsville, reduced activity for homes priced less than \$200,000 across the remaining border metros pulled overall sales down. Sales in El Paso and McAllen declined 7.1 and 3.8 percent, respectively, while transactions ticked down slightly in Brownsville. Meanwhile in Laredo, the metric remained positive for the second consecutive month, increasing 5 percent.

On the supply side, the border metros issued 735 **single-family housing construction permits**, decreasing 12.1 percent, with issuance in the Rio Grande Valley decreasing 10.7 and 9.5 percent in Brownsville and McAllen, respectively. Activity fell 12.8 percent in El Paso, while Laredo's permits declined 6.8 percent. Meanwhile, **private single-family construction values** trended upward along

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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 border despite monthly decreases in McAllen and Laredo, where values declined 17.8 and 8.7 percent, respectively. Construction values rebounded 9 percent in El Paso after the metric dropped substantially during the previous month. Values in Brownsville increased for the third consecutive month, accelerating 11.7 percent and reaching a post-pandemic high.

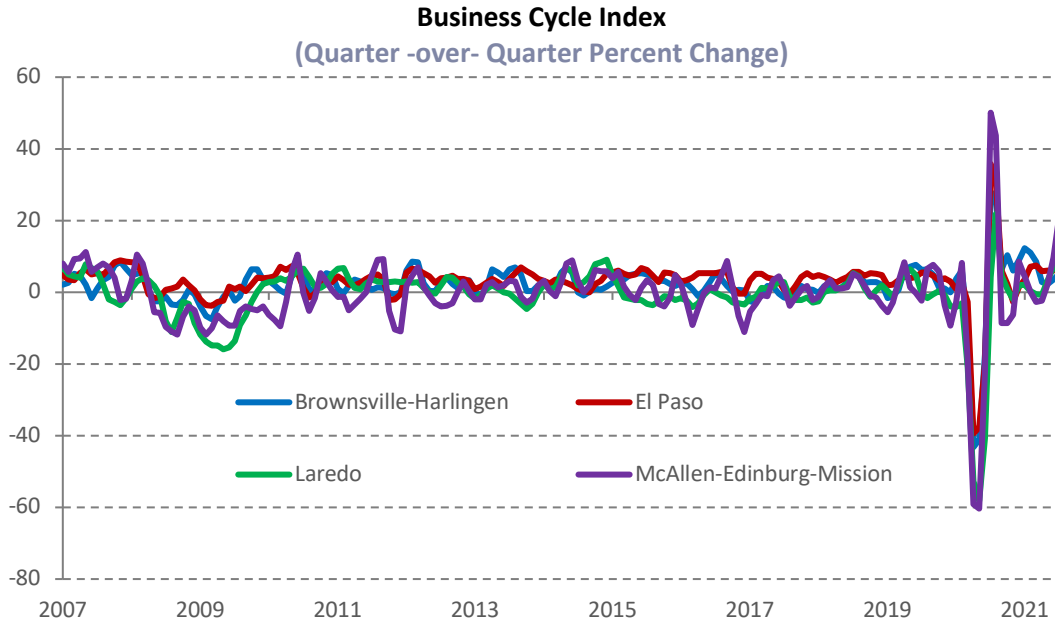
Amid slower sales activity, the **months of inventory (MOI)** elevated along the border except in Laredo, where a spurt further depleted supply. The MOI rose above the statewide average of 1.5 months in the border metros, except in El Paso where the metric expanded to 1.3 months after reaching an all-time low in June. McAllen's inventories grew from a series minimum, rising to 2.3 months. Inventories in Brownsville improved to 1.6 months, increasing supply for the second straight month. On the contrary, Laredo's metric inched down to 1.9 months as new listings priced between \$100,000 and \$299,999 plummeted and overall sales increased.

The **average number of days on market (DOM)** continued to trend downward, reaching record lows in Brownsville and McAllen, indicating robust housing demand along the border. The metric in El Paso, however, increased to 40 days due to an 11-day increase for homes priced between \$200,000 and \$299,000. On the other hand, DOM in Brownsville fell to 48 days, a huge 24-day decline, while the metric decreased to 55 days in McAllen, shedding ten days off last month's average. Meanwhile, the Laredo DOM flattened at 30 days.

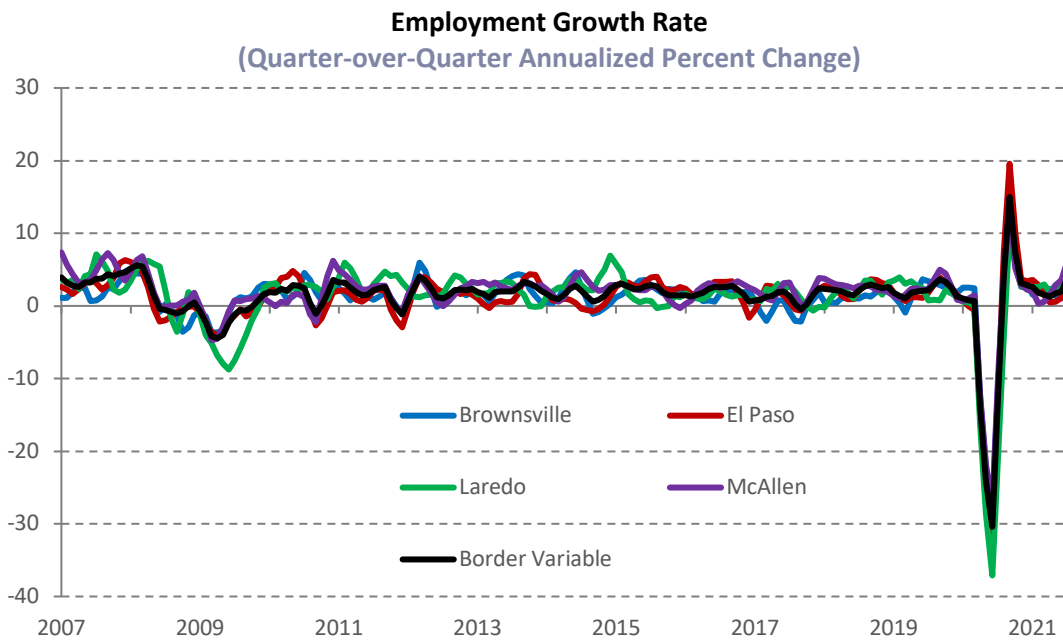
Although the 12-month moving average of the **median home price** revealed strong price appreciation across all border metros, home price fluctuations varied on a monthly basis. The median price decreased 3.3 percent in Brownsville to \$209,800 while the metric increased 1.4 percent in Laredo to \$199,300. Home prices reached record levels in El Paso (\$204,600) and McAllen (\$198,300), increasing 3.2 and 2 percent, respectively.



# Economic Activity



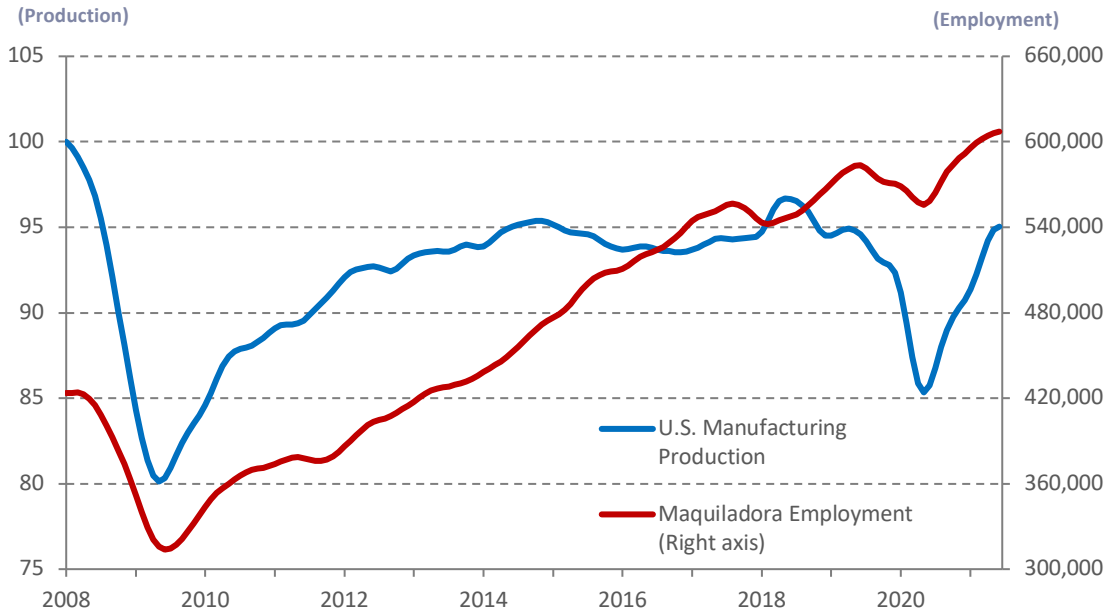
Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).  
Source: Federal Reserve Bank of Dallas



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

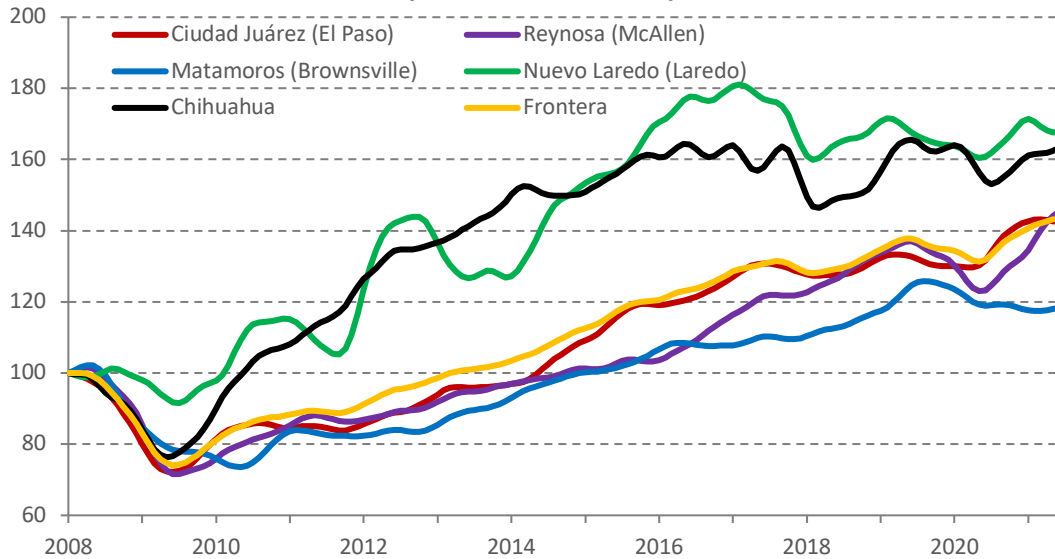


### U.S. Manufacturing Production (Index Jan 2008 = 100; Number of Employees)



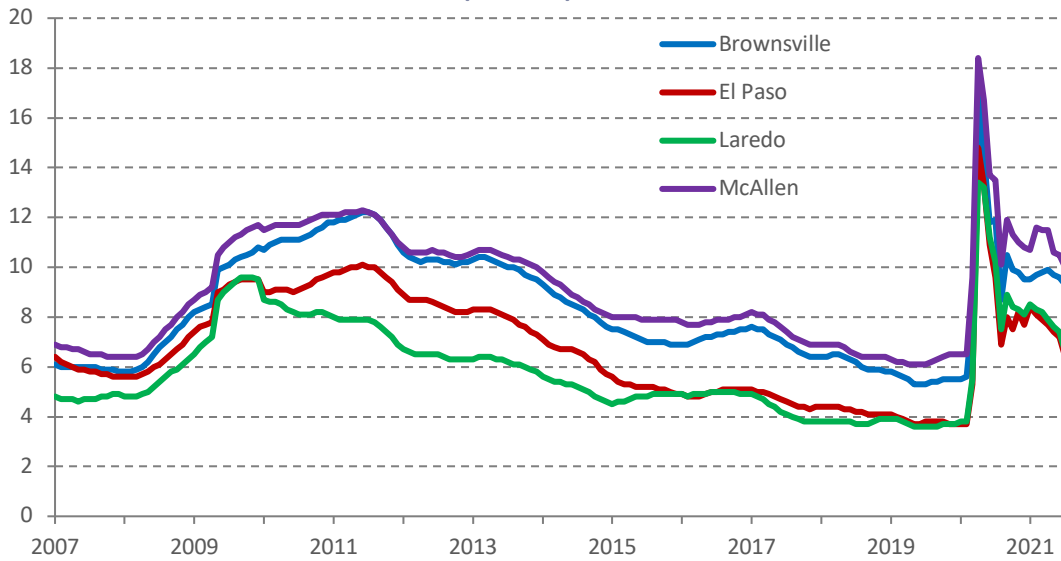
Note: Trend-cycle component.  
Sources: Federal Reserve Bank St. Louis and Instituto Nacional de Estadística y Geografía

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



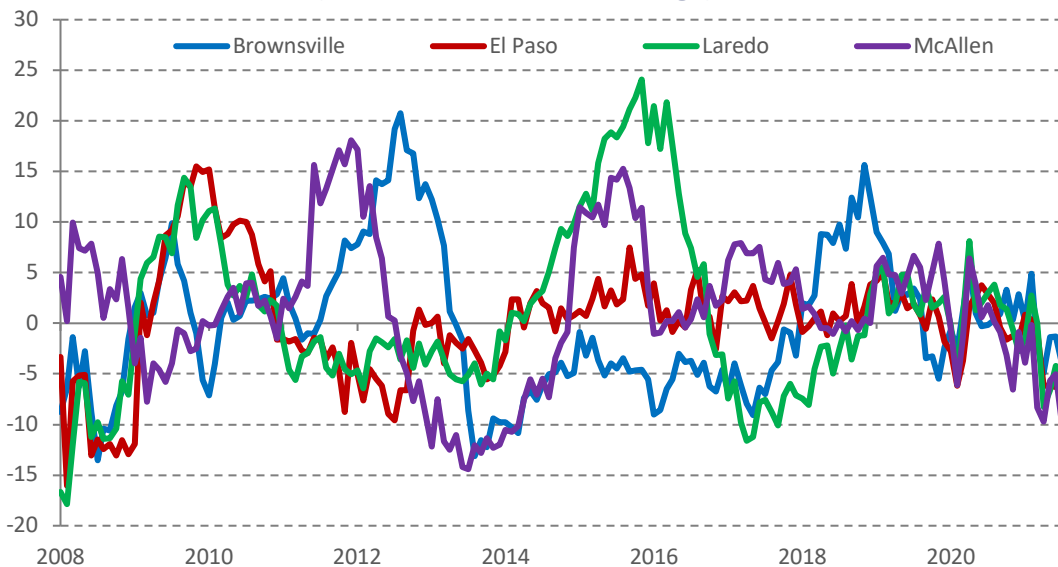
Note: Trend-cycle component.  
Source: Instituto Nacional de Estadística y Geografía

### Unemployment Rate (Percent)



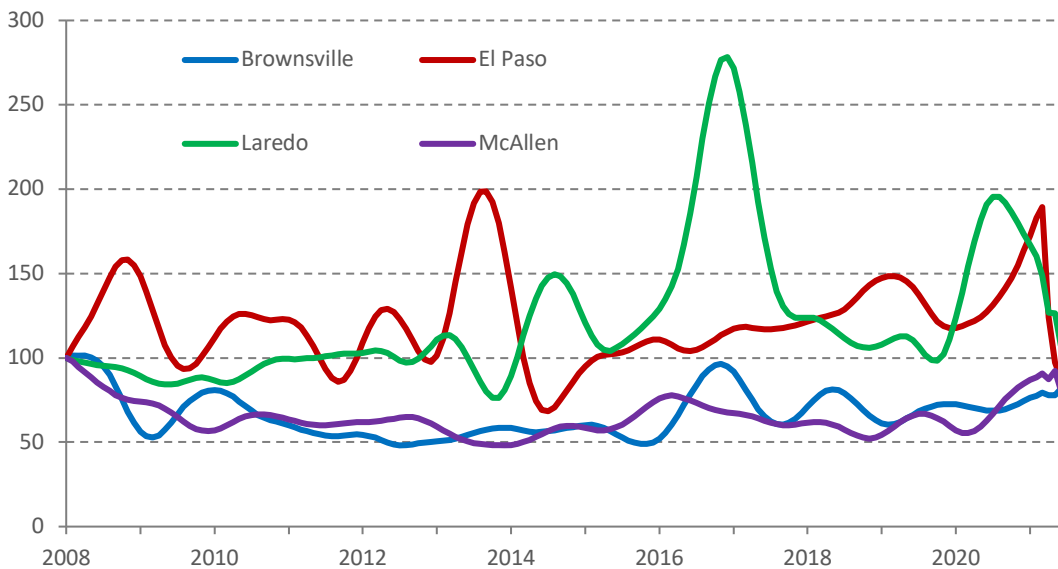
Note: Seasonally adjusted. July 2021 is preliminary. For more information, see [Unemployment Rate](#).  
Source: Bureau of Labor Statistics

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



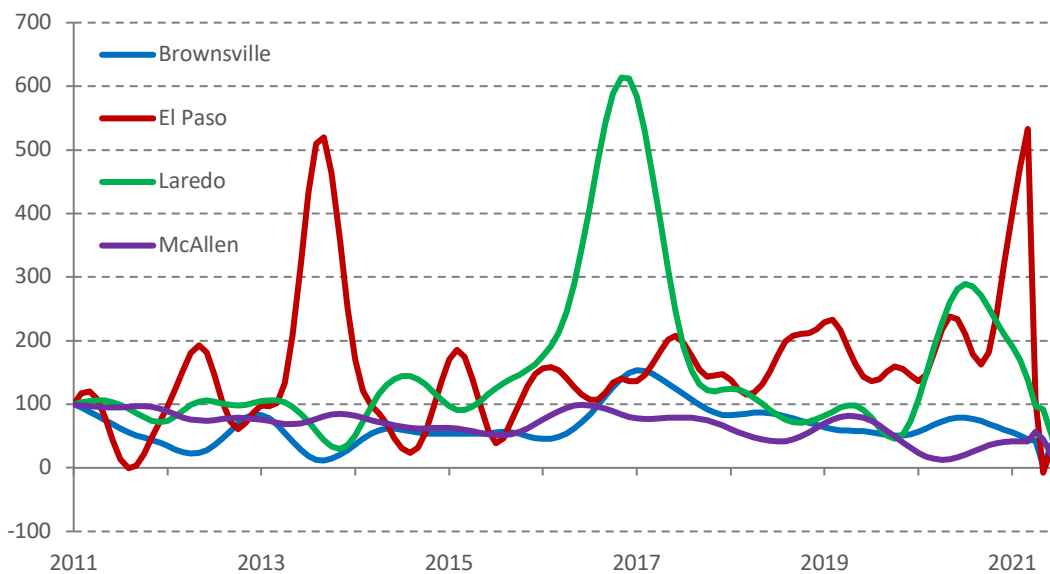
Notes: Inflation adjusted, seasonally adjusted. July 2021 is preliminary.  
For more information, see [Total Private Employee Hourly Earnings](#).  
Source: Bureau of Labor Statistics

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



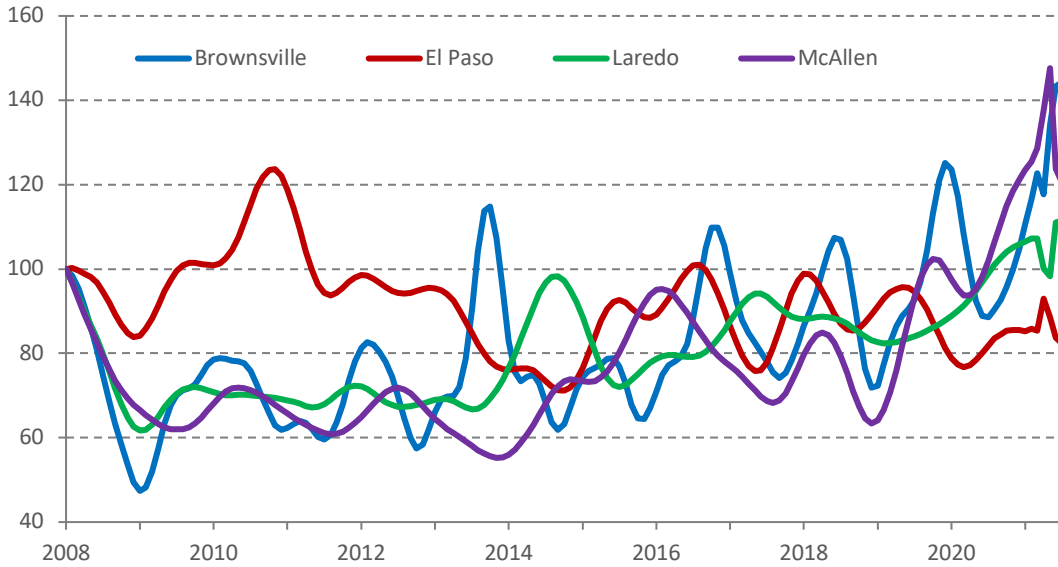
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

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



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

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



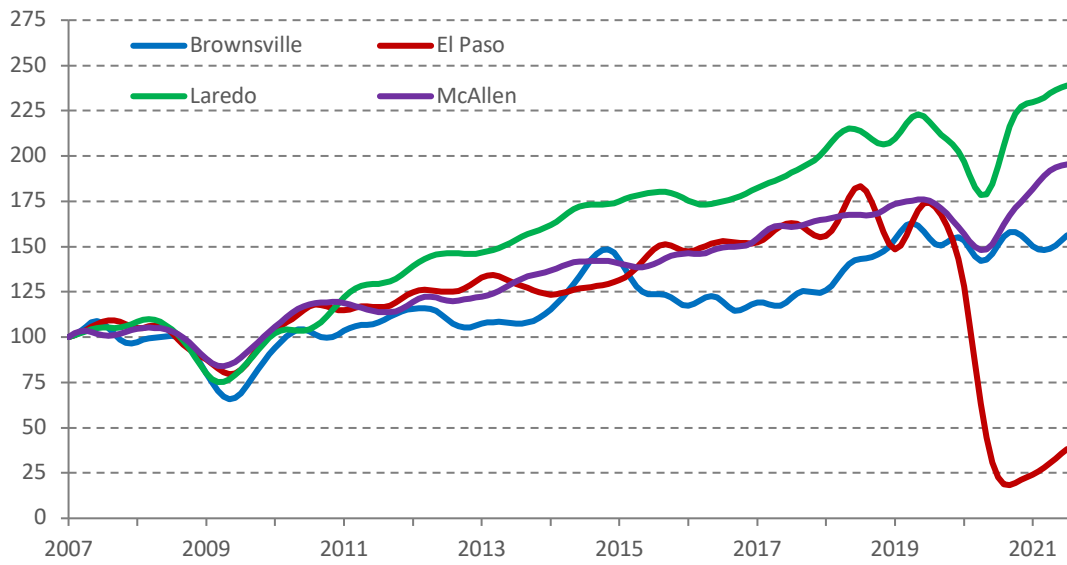
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

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



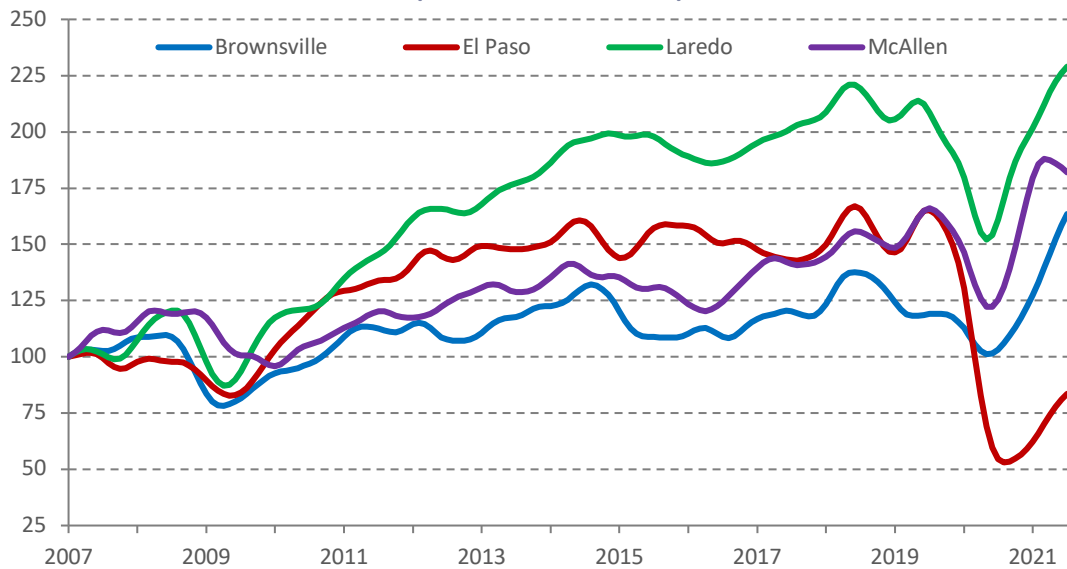
Note: Deflated using the Texas Trade Weighted Value of the Dollar.  
Source: Federal Reserve Bank of Dallas

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



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

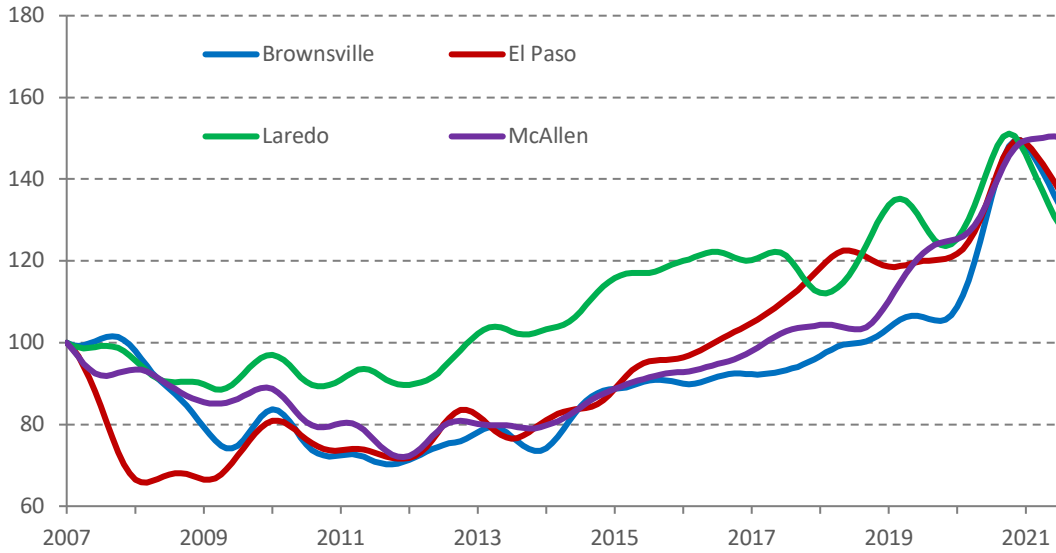
**Export Values**  
(Index Jan 2007 = 100)



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

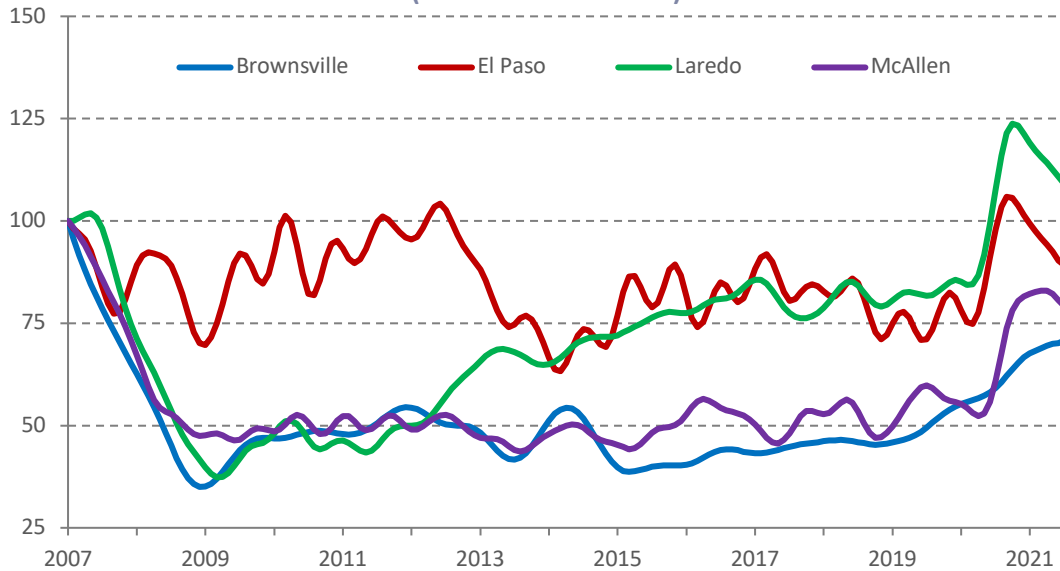
# Housing

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



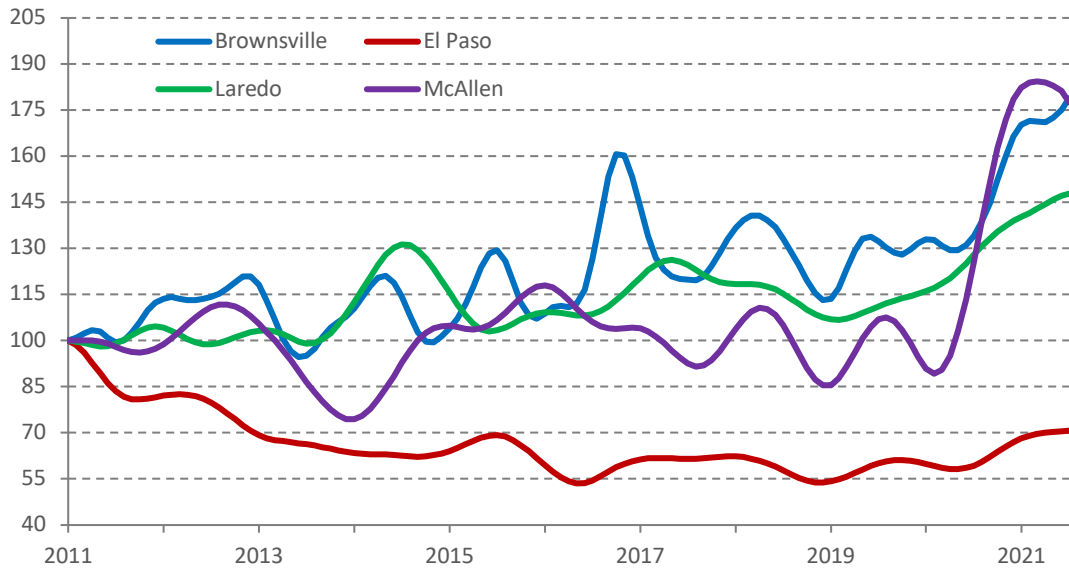
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



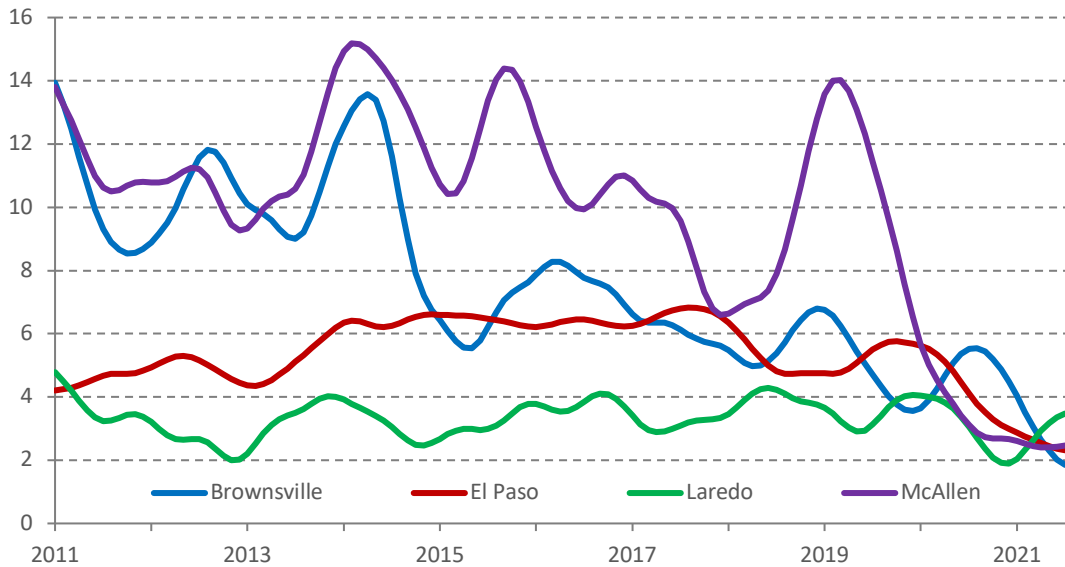
Note: Trend-cycle component.  
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

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



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

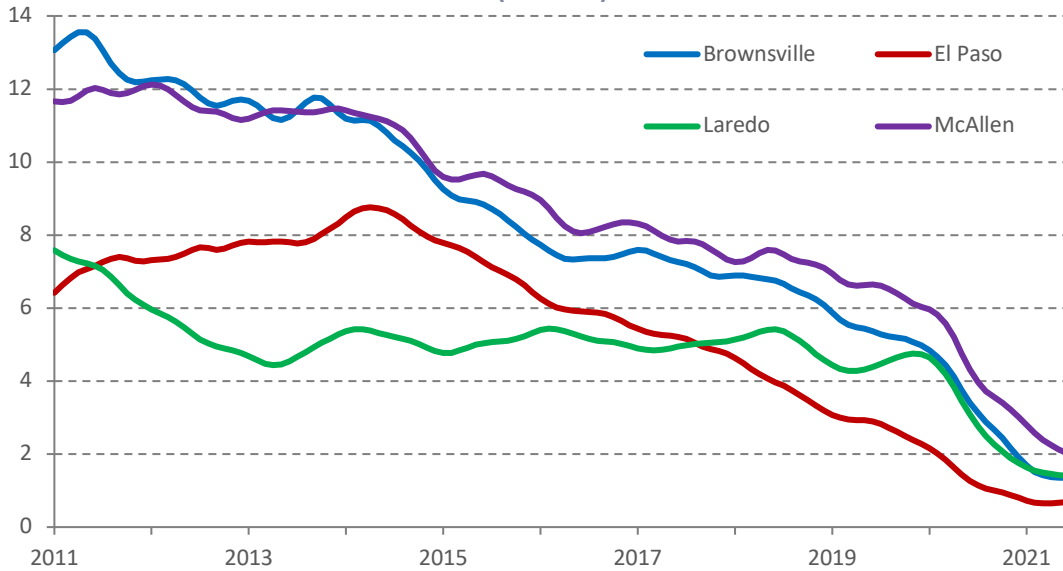
**New Home Months of Inventory**  
(Months)



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

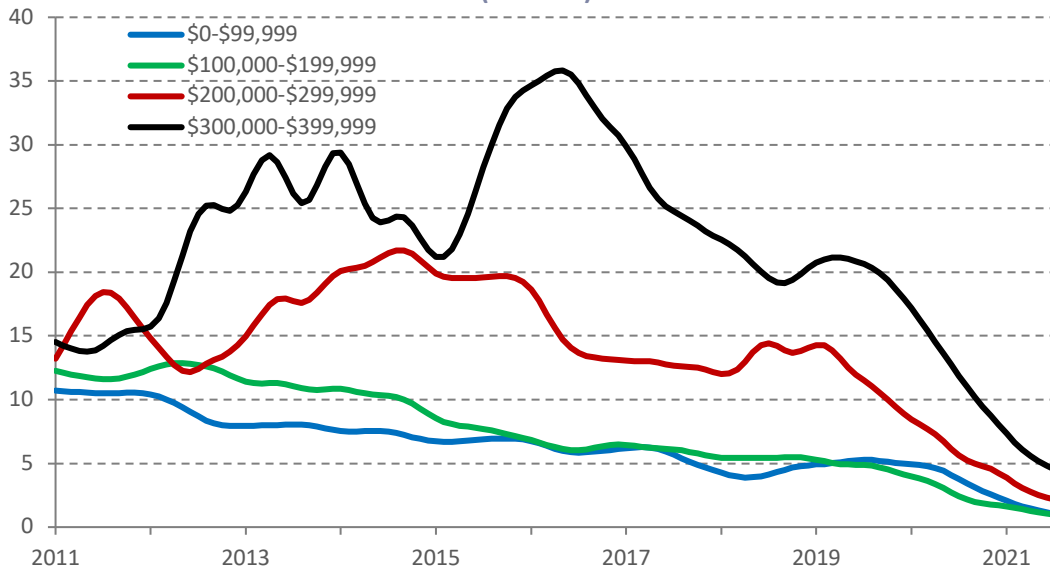


### Existing Home Months of Inventory (Months)



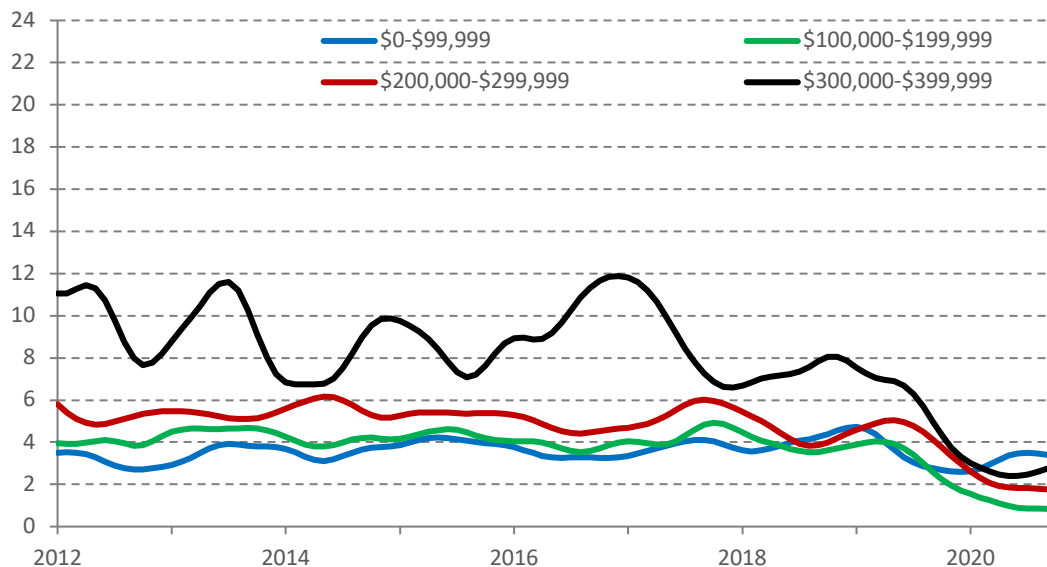
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



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

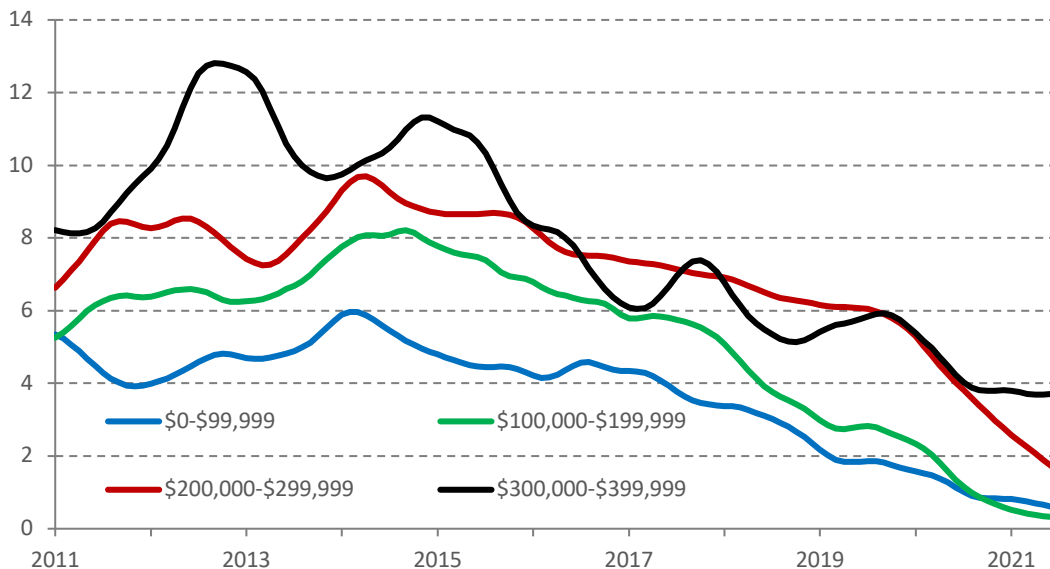
### Laredo Months of Inventory by Price Cohort (Months)



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

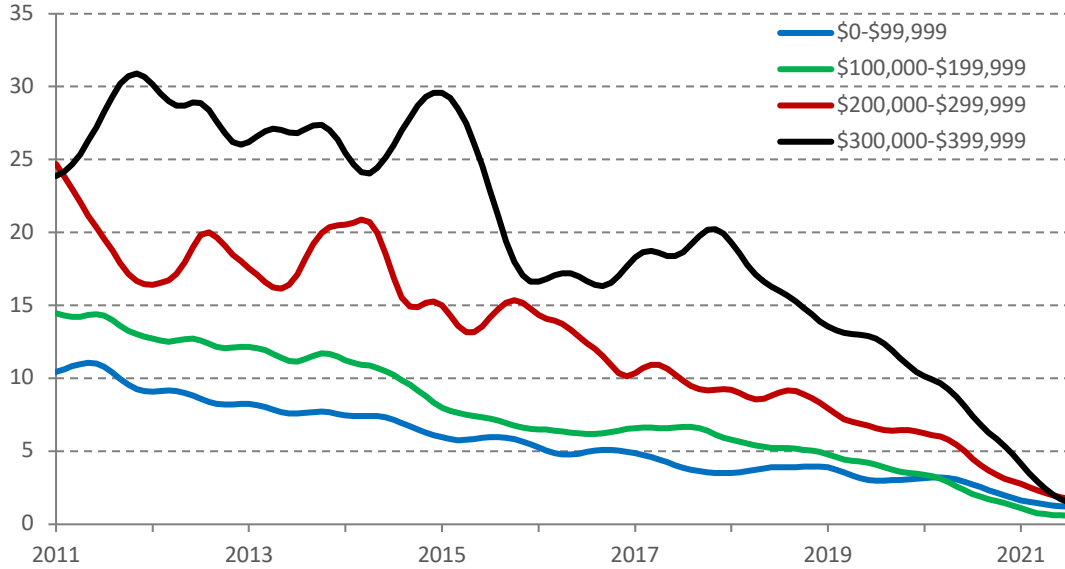


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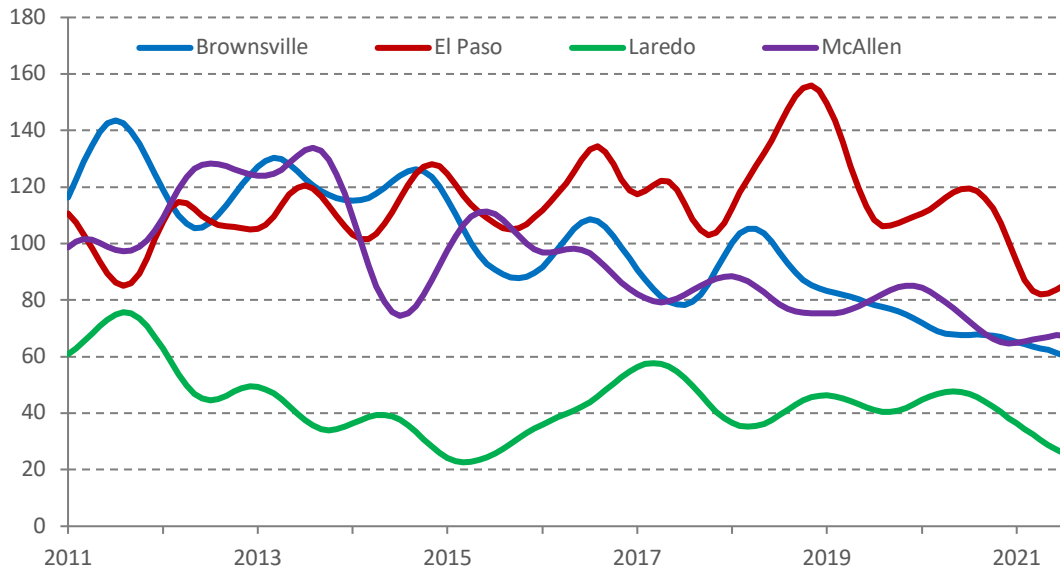


### Brownsville Months of Inventory by Price Cohort (Months)



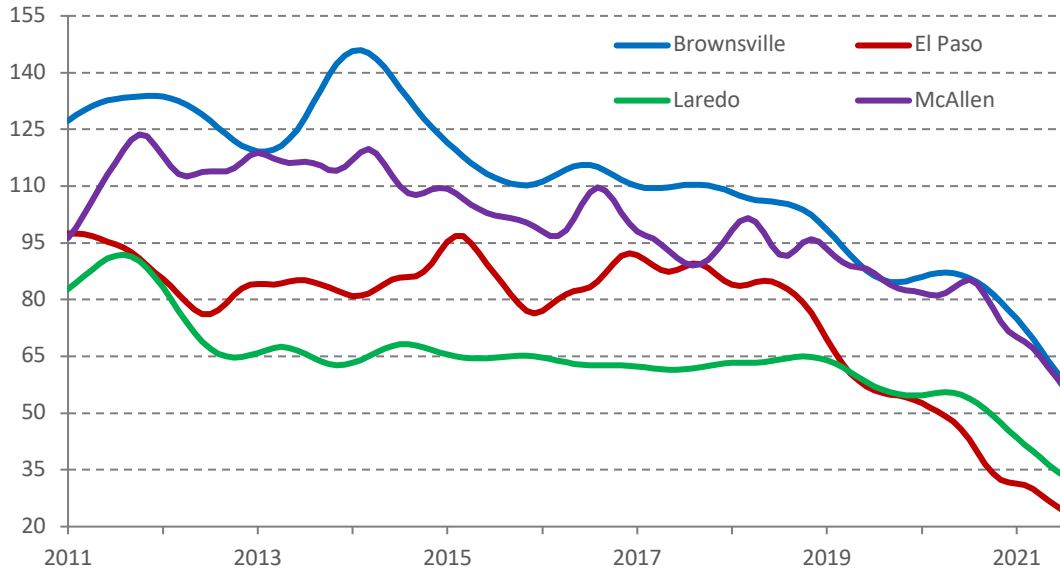
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### New Home Days on Market (Days)



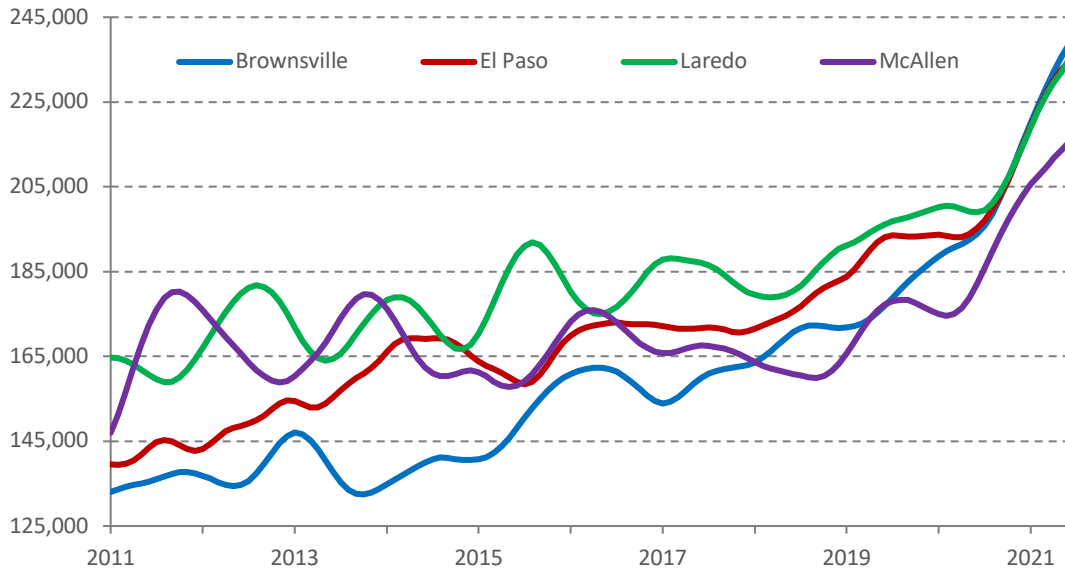
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Existing Home Days on Market (Days)



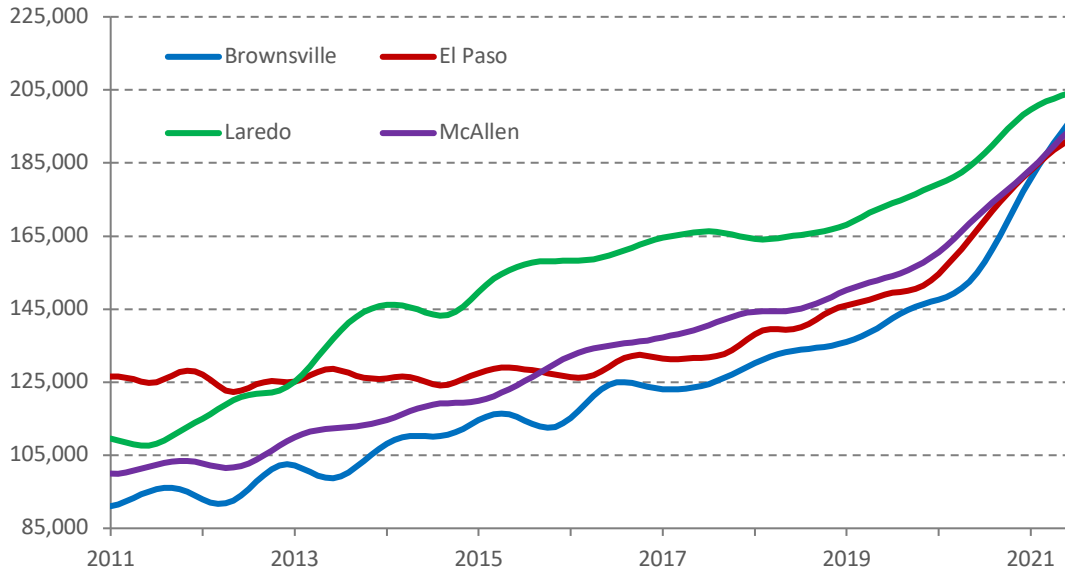
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



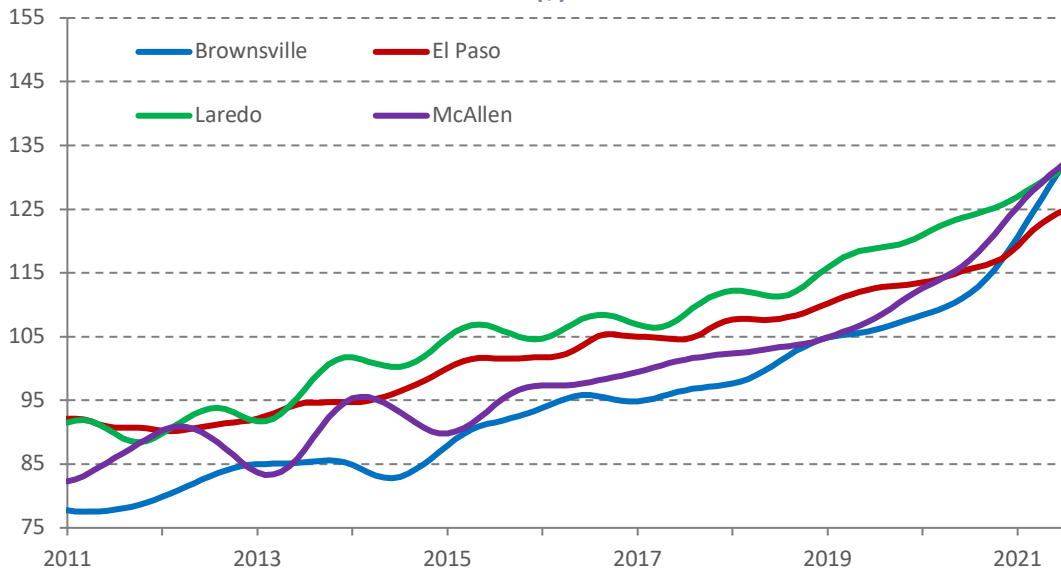
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



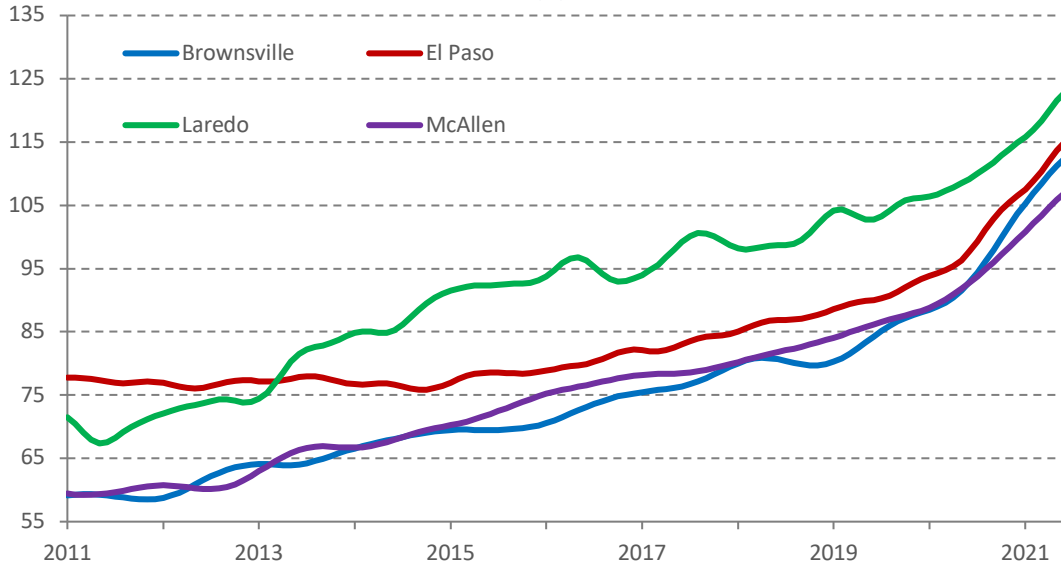
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### 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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