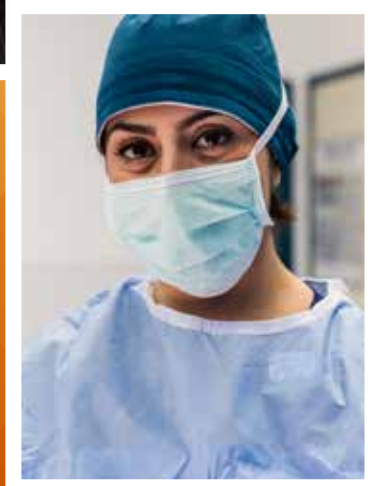
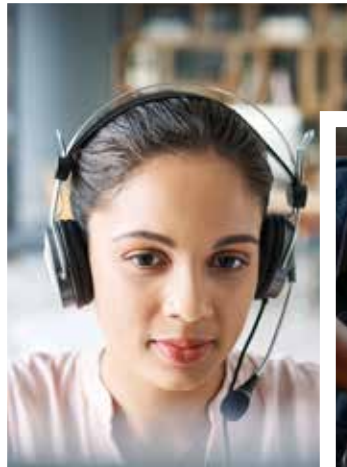


# TEXAS BORDER ECONOMY

Luis B. Torres, Research Economist  
Wesley Miller, Senior Research Associate  
Weiling Yan, Research Intern



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

TECHNICAL REPORT

2165

OCTOBER 2021 DATA



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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).

Dr. Luis B. Torres, Wesley Miller, and Weiling Yan

Data current as of December 21, 2021

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# Border Summary

BORDER EMPLOYMENT

▲ 6.6% SAAR

SEPT. MAQUILADORA EMPLOYMENT

▲ 3,400 MOM

TOTAL TRADE VALUES

▲ 2.0% MOM

HOUSING SALES

▲ 3.8% QOQ

## October 2021

Boosted by solid employment growth, indicators along the Texas-Mexico border pointed toward continued economic progress during October. Payrolls in border Metropolitan Statistical Areas (MSAs) expanded on a monthly basis despite a late surge in McAllen's weekly initial unemployment claims. Construction activity and trade values accelerated despite persistent input-price pressures caused by supply-chain disruptions. Housing sales rose, and the average days on market indicated robust demand, but depleted inventory and accelerating home prices threatened affordability and challenged the region's housing market and the economy more broadly.

### Economy

The economy continued its steady recovery as indicated by the **Dallas Fed's Business-Cycle Indexes**. McAllen's metric accelerated 6.1 percent on a seasonally adjusted annualized rate (SAAR) amid solid payroll expansions. El Paso's index elevated 3.3 percent. Meanwhile, Brownsville's and Laredo's indexes increased 4.8 and 2.1 percent, respectively, despite a drop in real wages. Border travel from Mexico decelerated in October but continued to trend upward as pedestrian and personal-vehicle crossings remained nearly 20 and 36 percent above year-ago levels, respectively (Figures 1 and 2).

**Border nonfarm employment** added 800 jobs, resulting in SAAR growth of 6.6 percent. Laredo led the border metros in employment growth with a 0.4 percent month-over-month (MOM) increase and a net gain of 400 positions. McAllen and El Paso recovered 200 and 300 positions, respectively, amid a large expansion in the service-providing sector, while Brownsville payrolls shrank by 100 employees.

Employment growth in the Rio Grande Valley pulled **unemployment rates** down to 8.1 and 8.6 percent in Brownsville and McAllen, respectively. Following the trend, joblessness in El Paso and Laredo fell to 5.7 and 5.9 percent, respectively. Weekly initial unemployment claims, however, increased sharply in the last week of October when a resurgence in COVID-19 cases took its toll on the border economies (Figure 3).



On the southern side of the border, **Mexican manufacturing and maquiladora employment**<sup>1</sup> added 3,400 positions in September. Payrolls accelerated 11.6 percent year-to-date (YTD) in Reynosa, adding 2,100 workers. Chihuahua's industry lost 320 workers but remained 4 percent above its year-end reading. Juarez employment ended a four-month downward trend but remained down 0.8 percent YTD. Maquiladora employment in Matamoros and Nuevo Laredo accelerated 1.9 and 3.3 percent, respectively, after gaining 350 workers in the former and 710 in the latter. Despite the employment growth, U.S. production of motor vehicles continued to decline in October due to ongoing supply chain issues. The IHS Markit Mexico Manufacturing Purchasing Managers' Index revealed supply-demand mismatches continued to constrain the manufacturing sector with global raw-material shortages. The pandemic and the Mexican government's response to the virus remain significant factors concerning the country's future growth and trade activity with Texas' border economies.

Fluctuations in **average private hourly earnings** revealed negative wage growth along the border except in El Paso. Some of the downward pressure may be due to the recovery of lower-paying jobs that bore the brunt of the COVID-19-related layoffs, pulling the average wage down. Moreover, inflationary pressures prevented meaningful gains in purchasing power. Earnings in McAllen fell 5.9 percent year over year (YOY) in real terms to a nominal wage of \$19.17 during October, marking the 14th straight annual decline. Hourly wages in Laredo (\$18.03) and Brownsville (\$17.57) also trended downward, decreasing 6.7 and 3.8 percent on average, respectively. Meanwhile, El Paso's metric increased for the second consecutive month on an annual basis by 1.8 percent to \$20.85. While baseline effects mechanically weighed on YOY numbers, annual wage growth trended below pre-pandemic levels along the border except in Brownsville.

**Total construction values** jumped 10.5 percent in October but remained down 7.6 percent YTD. All four border hubs recorded expansions in nonresidential construction with schools and colleges contributing the largest change. On the residential side, values remained unchanged in El Paso and McAllen while expanding in Laredo and Brownsville amid significant increases in single-family activity.

In the currency market, the **peso per dollar exchange rate** ticked up to 20.05, but the inflation-adjusted rate<sup>2</sup> decreased 5.1 percent YOY, revealing domestic goods were relatively cheaper to Mexican buyers in real terms. Despite ongoing COVID-19 outbreaks and continued supply-chain bottlenecks, **total trade values** jumped 2 percent MOM along the border after last quarter's decline. At the metropolitan level, imports rose 3.5 percent due to accelerated activity in Brownsville and McAllen, rising 7.7 and 3.5 percent, respectively. Exports ticked down 0.2 percent along the border with Brownsville and Laredo decreasing 12.6 and 0.6 percent, respectively. Export values accelerated 6.6 percent in McAllen and 5.1 percent in El Paso. The border's trade sector

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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.

<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.

remains an integral component of the local economies. Total trade values recovered to pre-pandemic levels except in El Paso, where activity plummeted 46 percent since February 2020. Ongoing supply-chain disruptions uniquely affected El Paso as its international commerce is largely dependent on products that contain semiconductors. These products mainly came from Asia, and the backlogged ships stuck at Port of Long Beach, Calif., prevented timely transportation and contributed to the lagging recovery.

## Housing

**Border housing sales** turned positive in October with strong growth resulting in a 1.6 percent MOM increase despite ongoing inventory constraints and reduced housing affordability. Activity in the Rio Grande Valley varied as sales fell 7 percent in McAllen and rose 10.9 percent in Brownsville. McAllen's sales for homes priced from \$200,000 and \$300,000 decreased sharply, while sales surged for homes priced above \$200,000 in Brownsville. Laredo sales accelerated for the third straight quarter, increasing 9.5 percent, while El Paso monthly sales increased 0.2 percent.

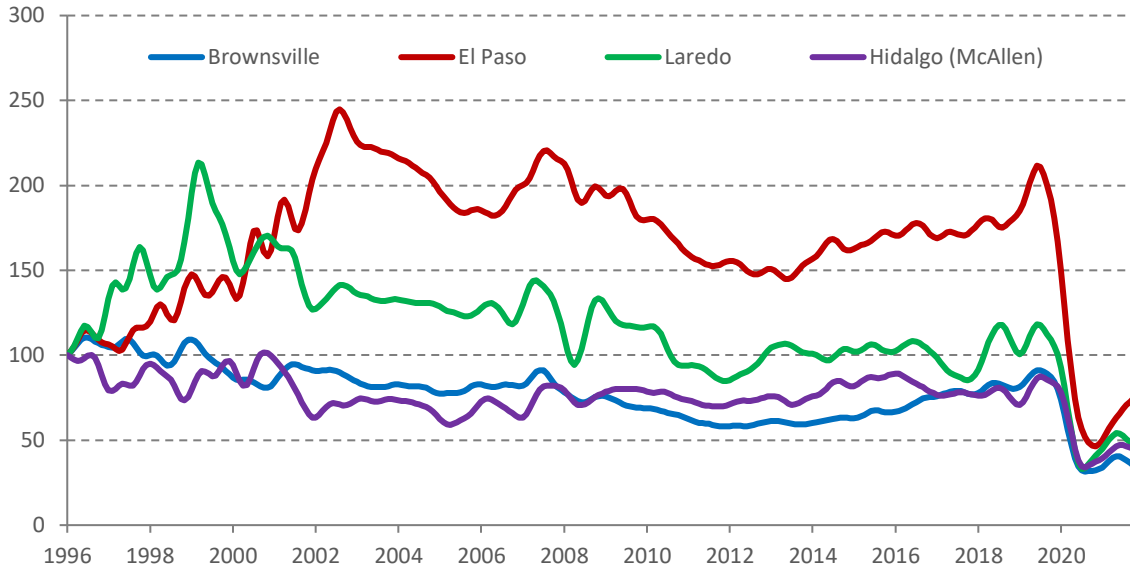
The border metros issued just 774 **single-family housing construction permits**, decreasing 20.6 percent YTD. The downward trend persisted along the border. Permits in McAllen and Brownsville fell 6.2 and 13 percent, respectively, while El Paso and Laredo reported reductions of 33.6 and 30.9 percent, respectively. On the other hand, **private single-family construction values** posted favorable YTD values, contrasting the downward trend in permits. While construction values corroborated positive levels of the current supply-side activity, the dearth of permits suggest long-term supply challenges.

While a balanced housing market typically has a **months of inventory (MOI)** closer to six months, the MOI along the border remained much lower than this benchmark. Laredo's growing sales activity and a downtick in new listings pushed MOI down to 1.8 months. El Paso's metric remained unchanged at 1.3 months. McAllen's metric rose for the fourth straight month to 2.5 months, while Brownsville's inventory expanded slightly above the statewide average to 1.7 months.

The **average number of days on market (DOM)** along the border ticked up on a monthly basis; however, compared with the year-ago level, the number remained exceptionally low. The DOM in El Paso rose to 44 days while McAllen's rose to 50 days. Laredo and Brownsville shed additional time off their DOM, dropping to 36 days and 73 days, respectively.

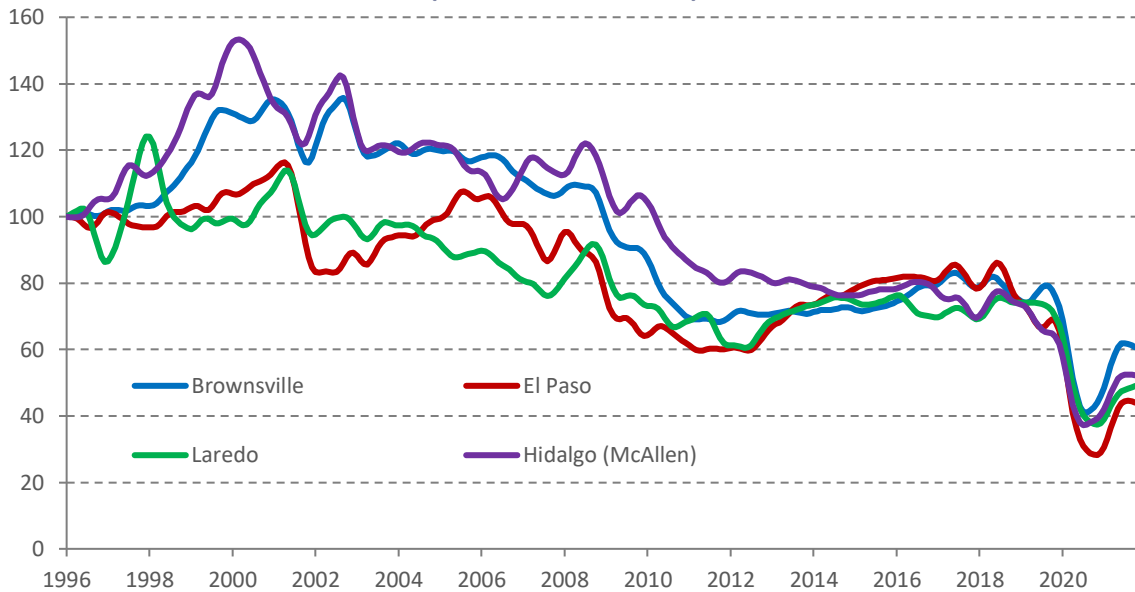
Compositional changes contributed to growth in the **median home price** along the border metros as tight inventories at the lower end of the market pushed activity into higher price cohorts. El Paso's metric rose to \$203,400, while Brownsville and Laredo reached all-time highs, jumping from \$223,900 to \$234,500 and from \$211,400 to \$222,800, respectively. McAllen was the exception as the median price fell to \$201,900 after hitting a record-high in September.

**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

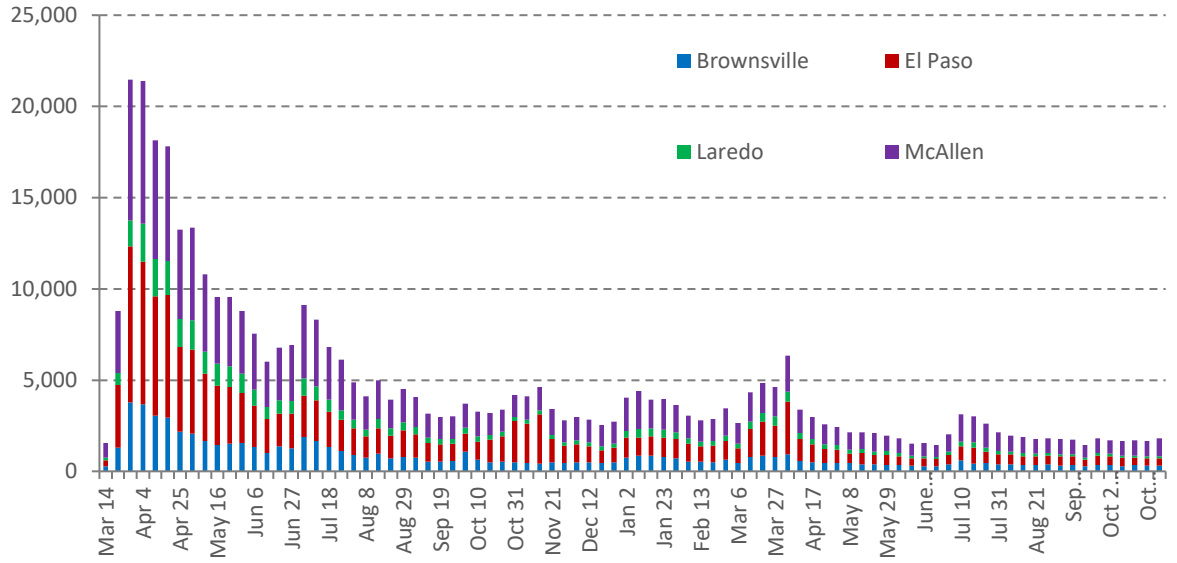
**Figure 2. Personal Vehicle Crossings**  
(Index Jan 1996 = 100)



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)**

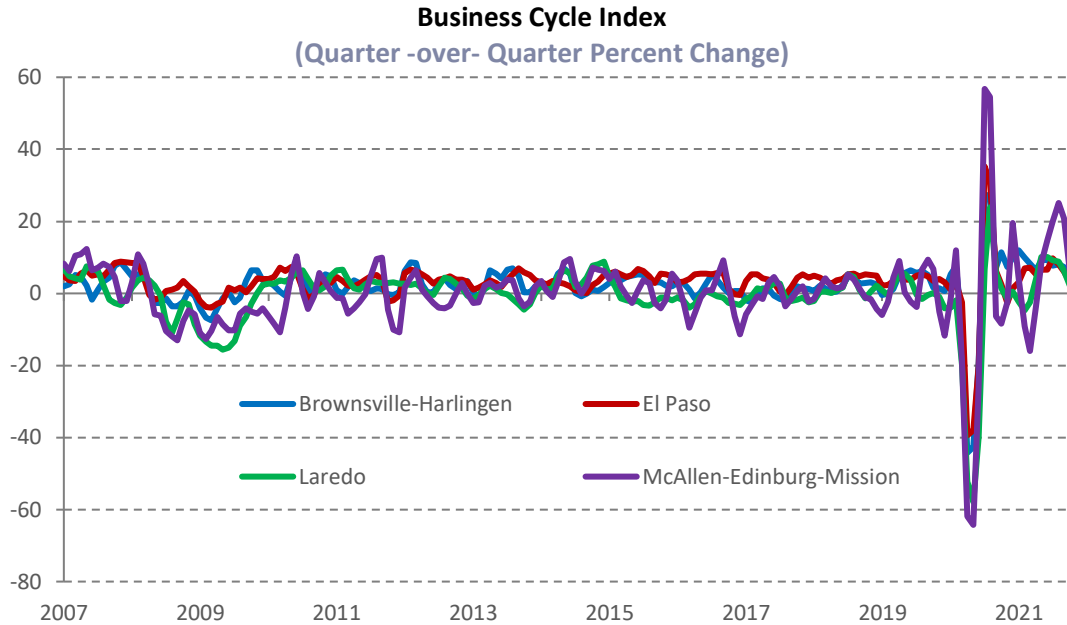


Note: Seasonally adjusted.

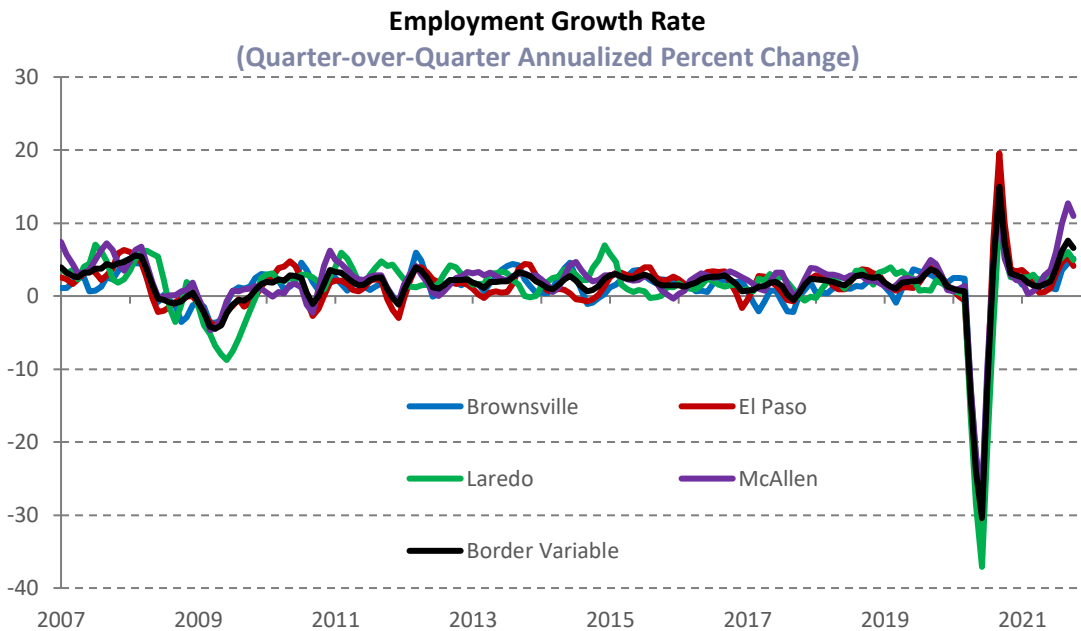
Sources: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, and Texas Real Estate Research Center at Texas A&M University calculations



# Economic Activity

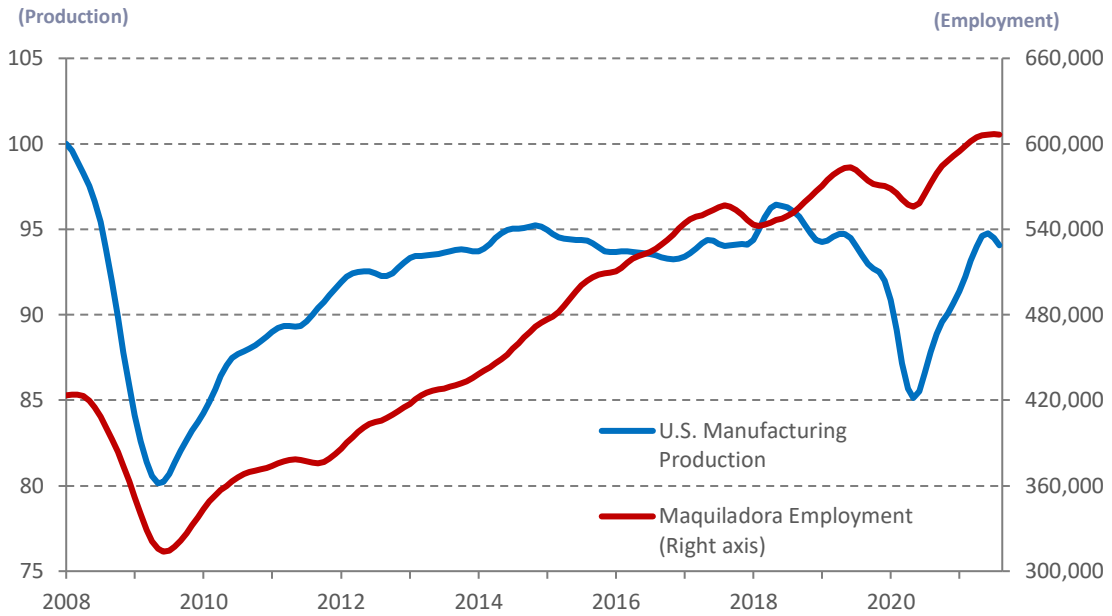


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).  
Source: Federal Reserve Bank of Dallas



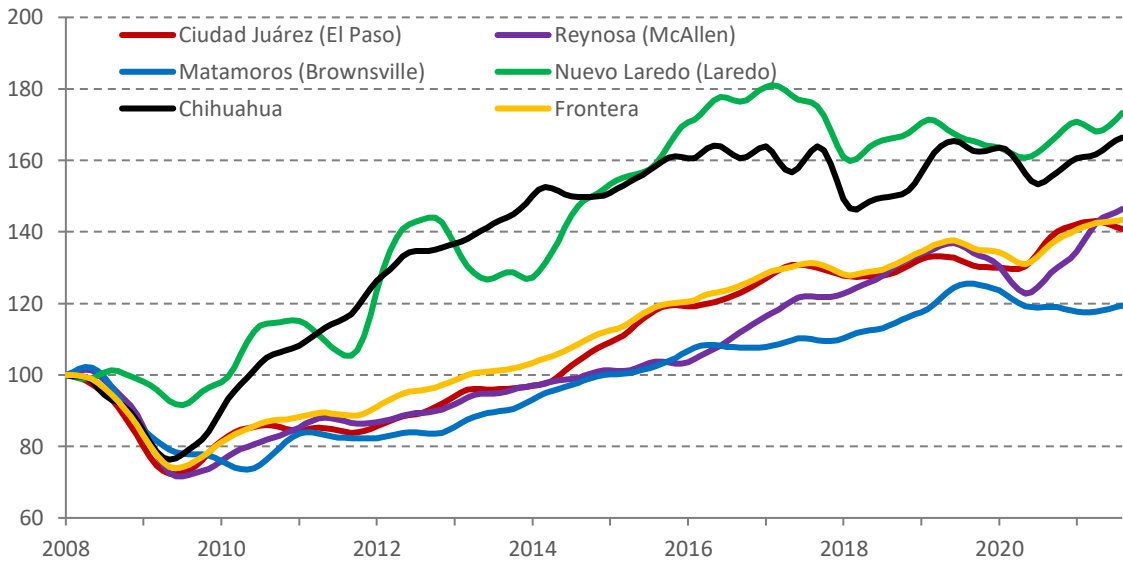
Note: Seasonally adjusted, three-month moving average. April 2021 is preliminary.  
For more information, see [Employment Growth Rate](#).  
Source: Bureau of Labor Statistics

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



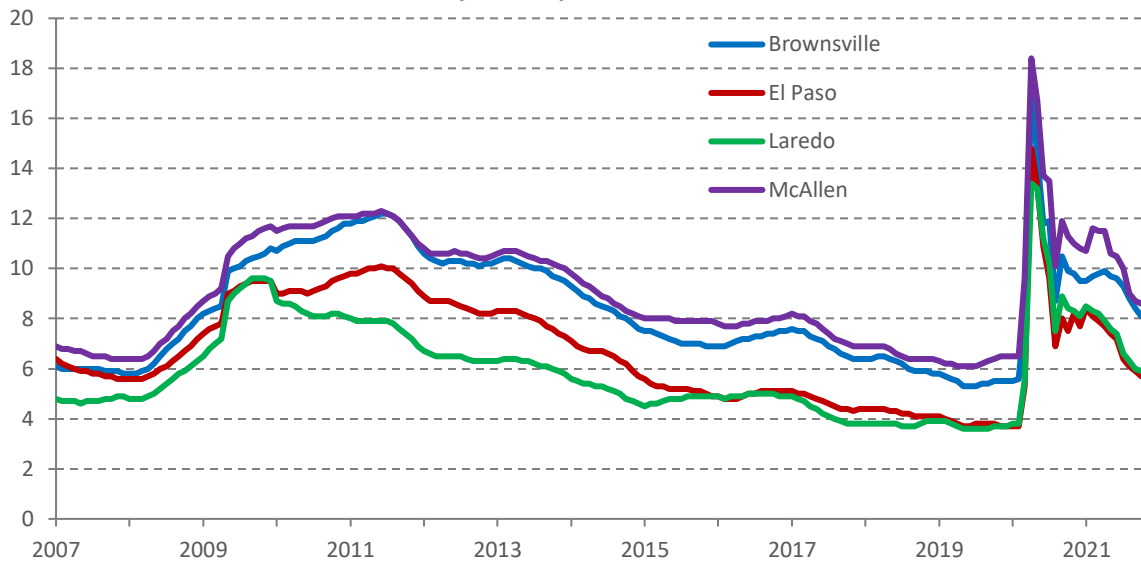
Note: Trend-cycle component.  
Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

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



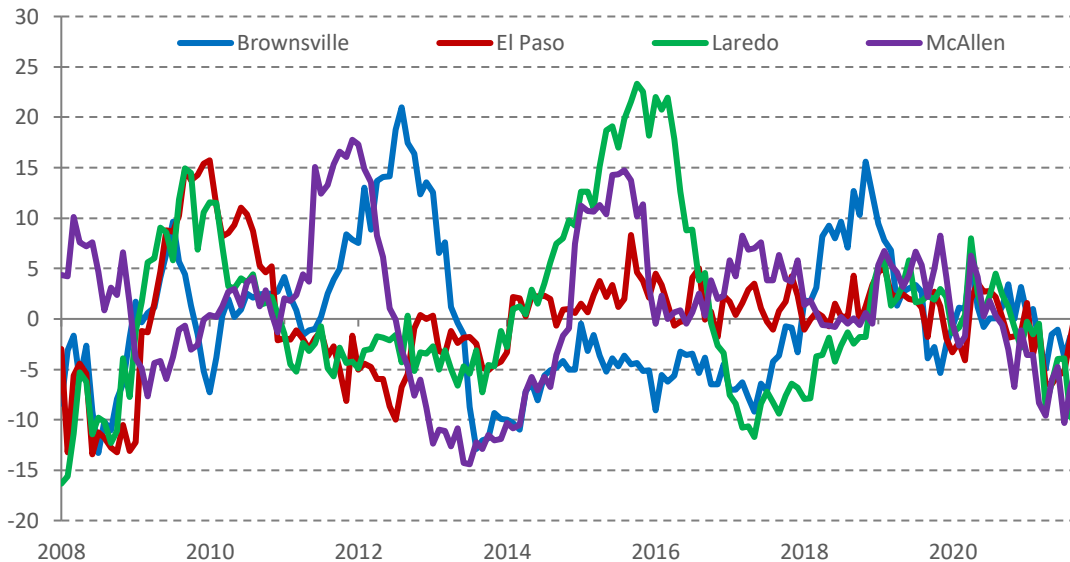
Note: Trend-cycle component.  
Source: Instituto Nacional de Estadística y Geografía

### Unemployment Rate (Percent)



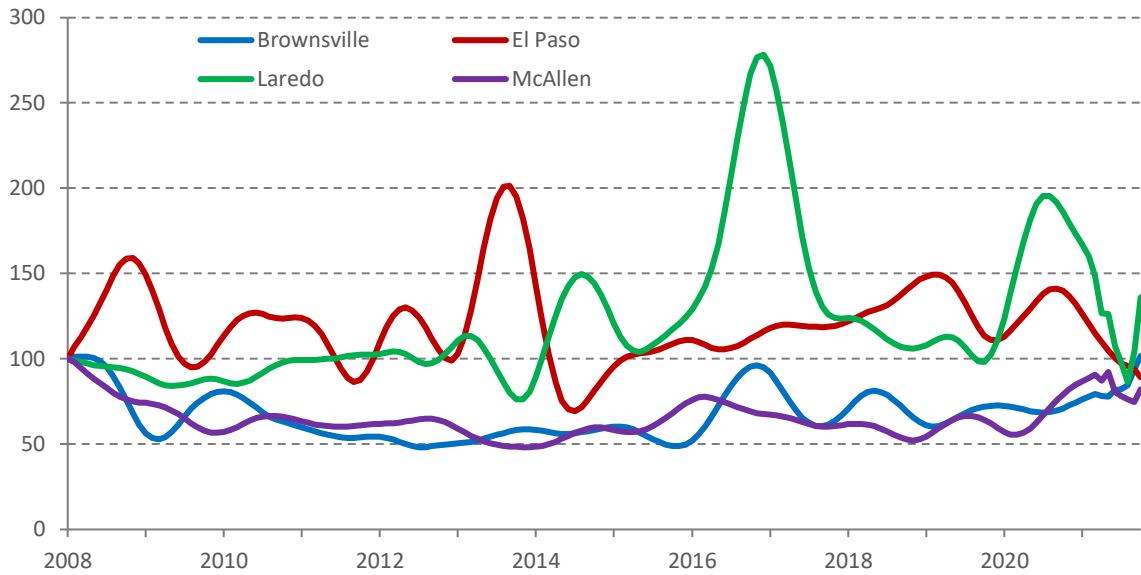
Note: Seasonally adjusted. April 2021 is preliminary. For more information, see [Unemployment Rate](#).  
Source: Bureau of Labor Statistics

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



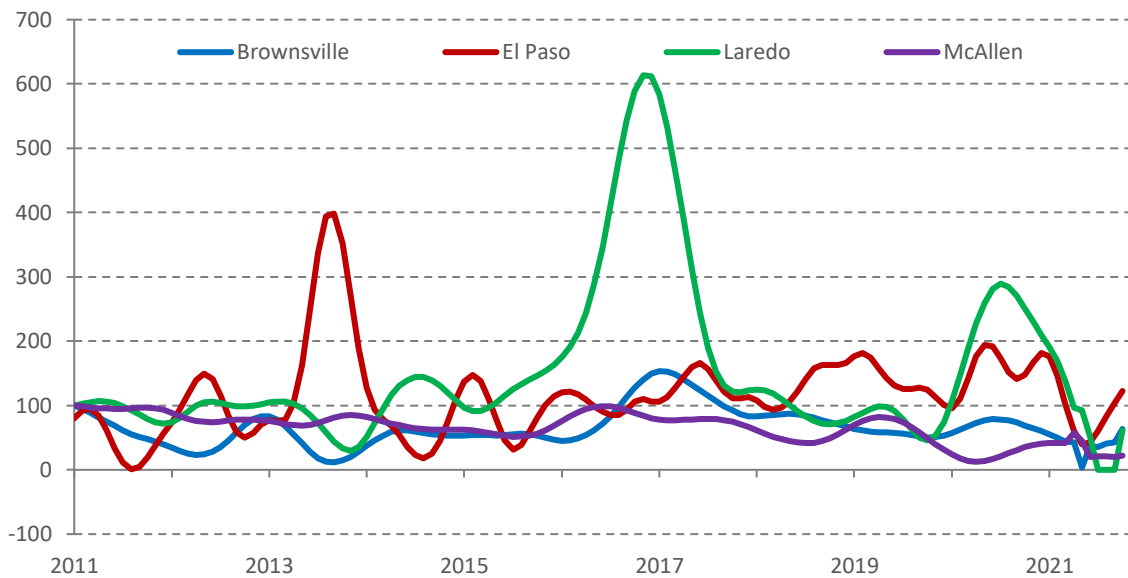
Notes: Inflation adjusted, seasonally adjusted. April 2021 is preliminary.  
For more information, see [Total Private Employee Hourly Earnings](#).  
Source: Bureau of Labor Statistics

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



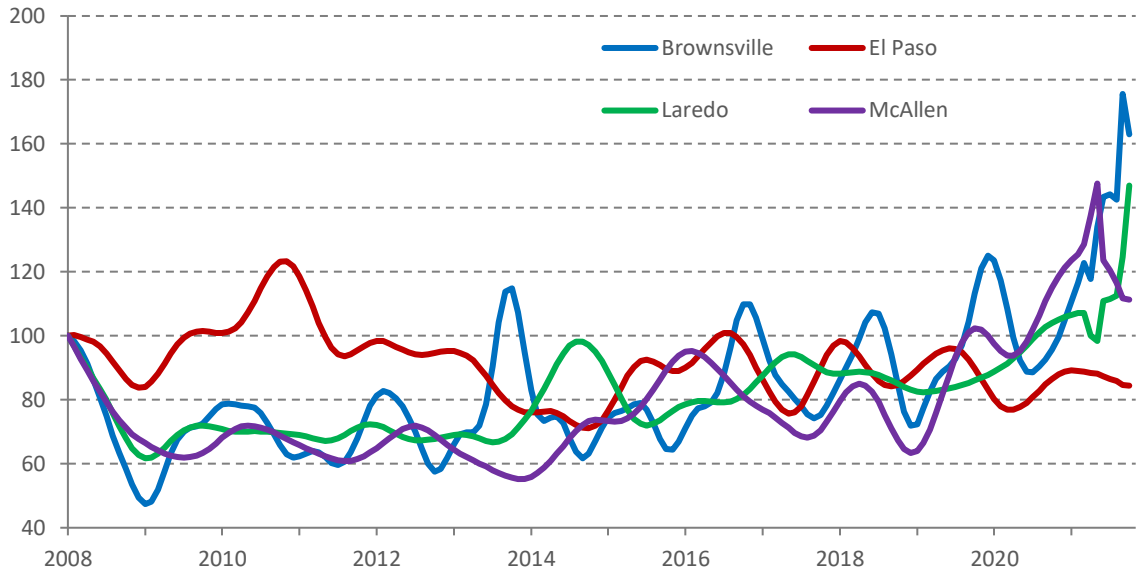
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

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



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

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



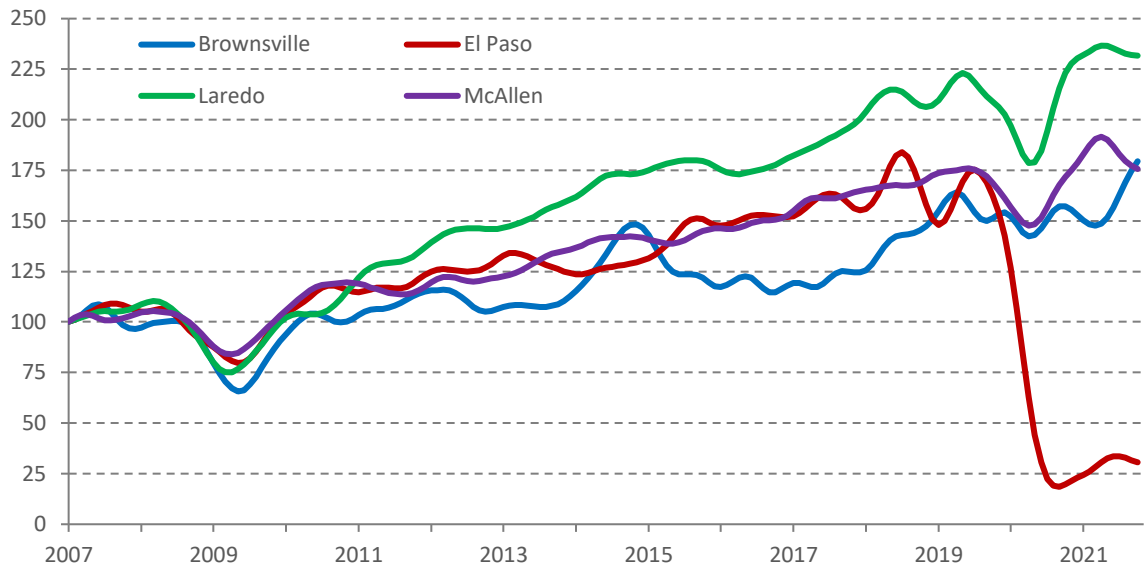
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

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



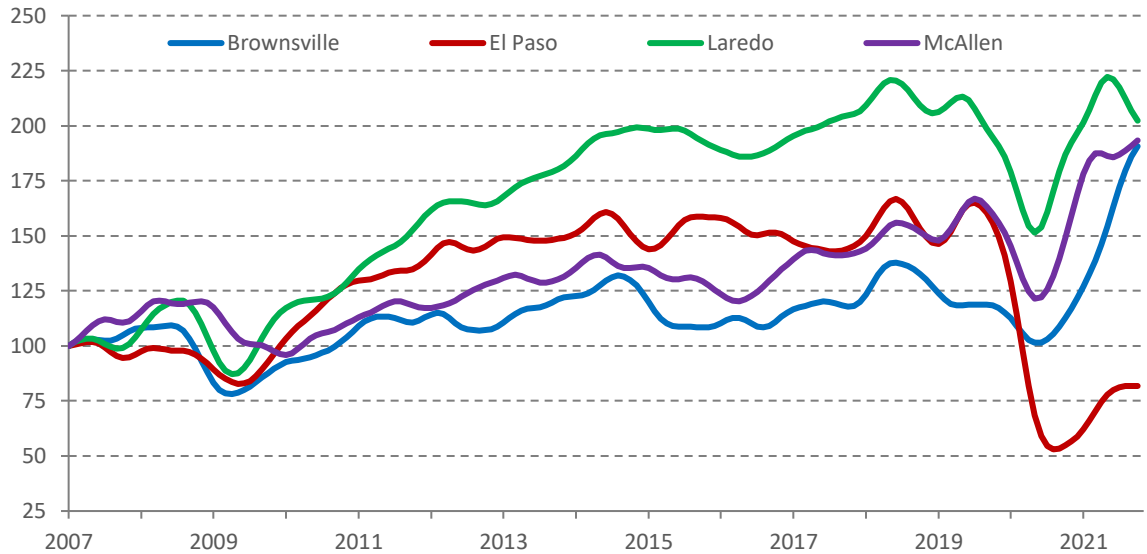
Note: Deflated using the Texas Trade Weighted Value of the Dollar.  
Source: Federal Reserve Bank of Dallas

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



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

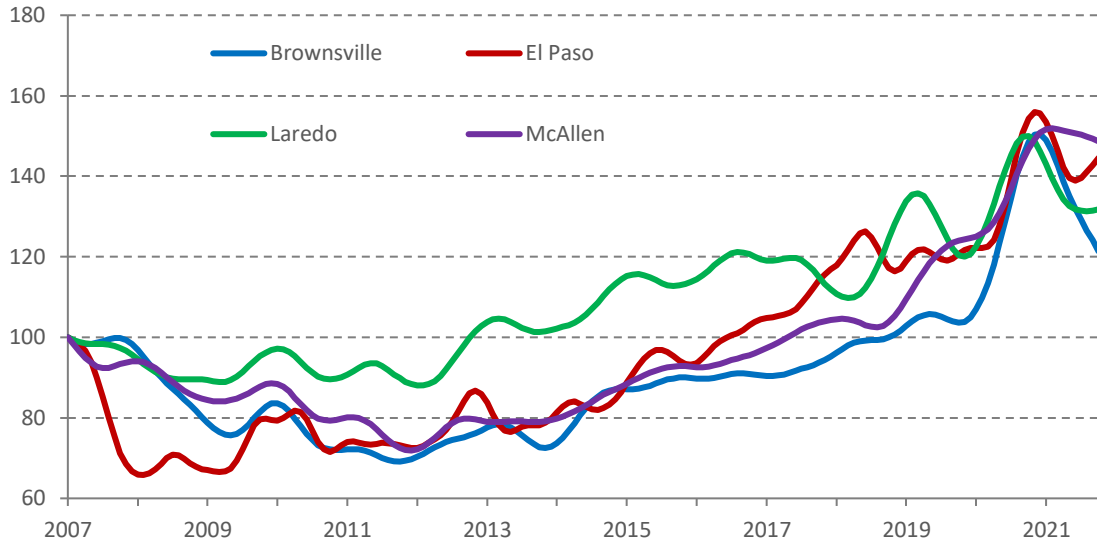
**Export Values**  
(Index Jan 2007 = 100)



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

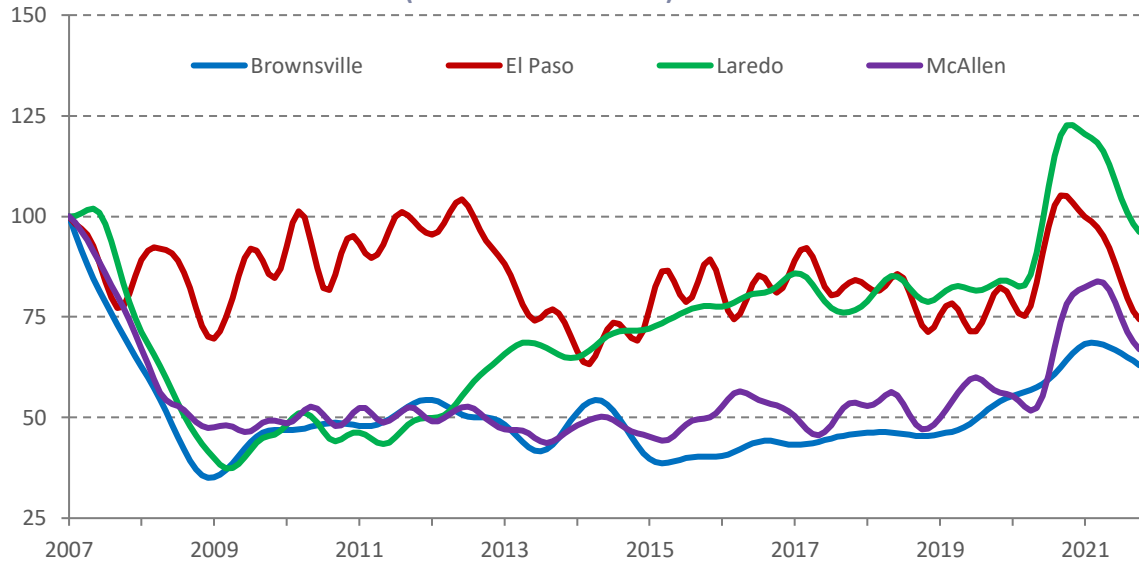
# Housing

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



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

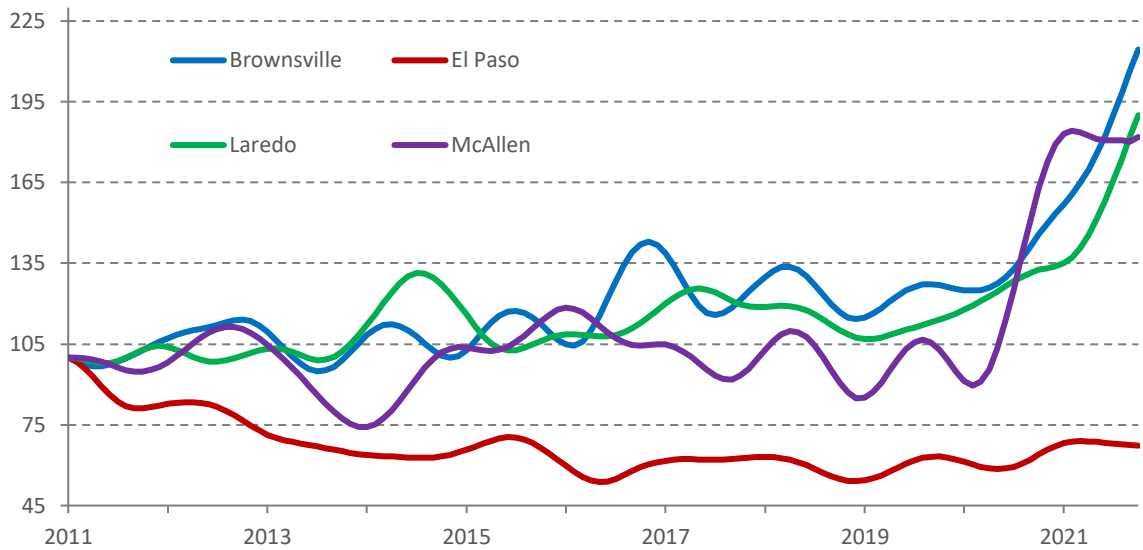
**Single-Family Housing Construction Permits**  
(Index Jan 2007 = 100)



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

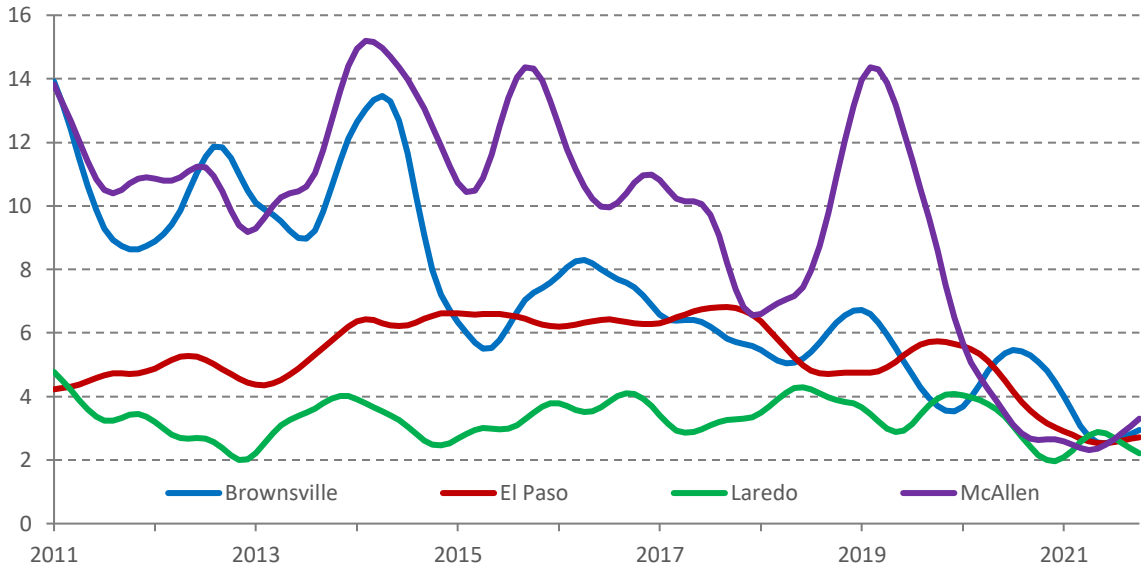


**Total New Private Single-Family Construction Value**  
(Index Jan 2011 = 100)



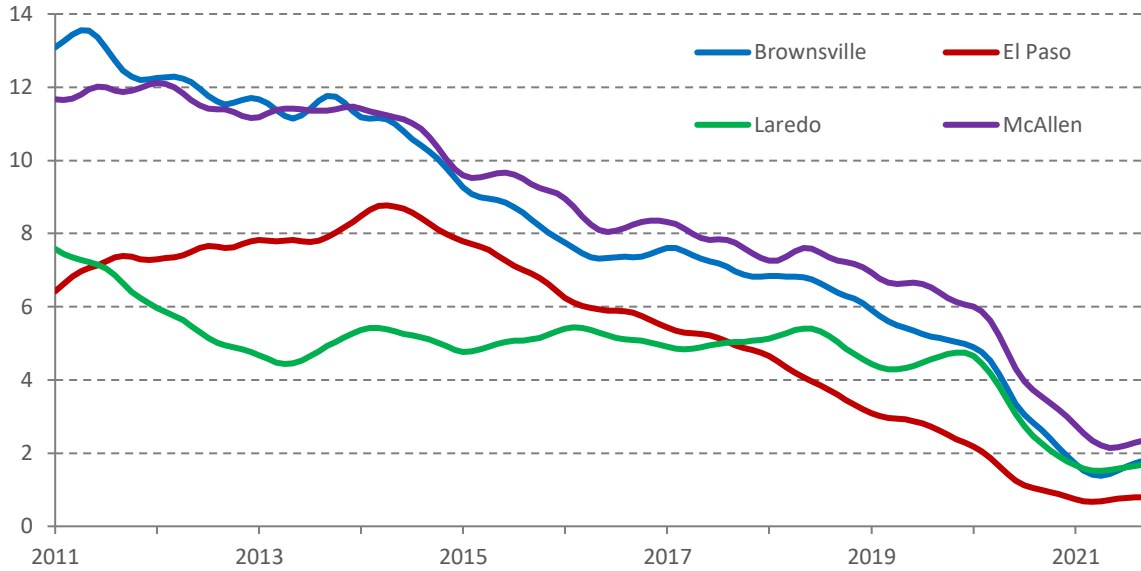
Note: Inflation adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

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



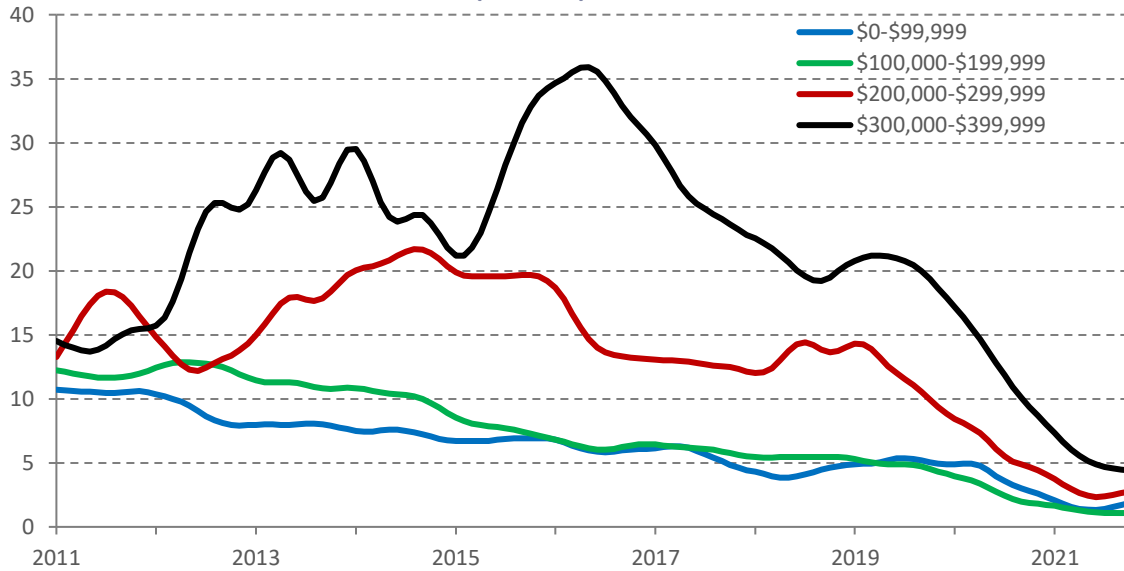
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### Existing Home Months of Inventory (Months)



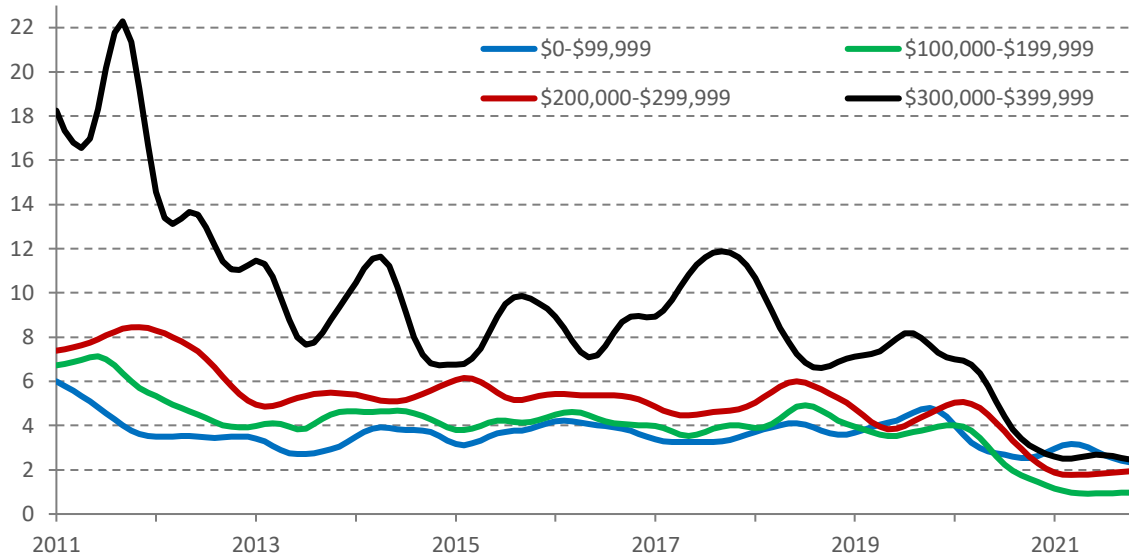
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



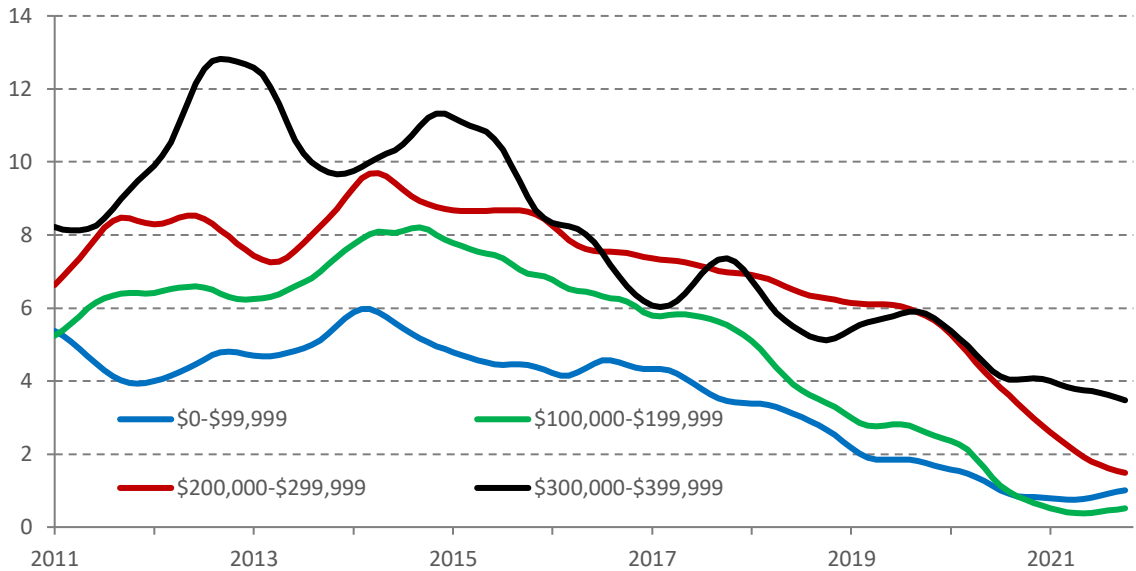
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



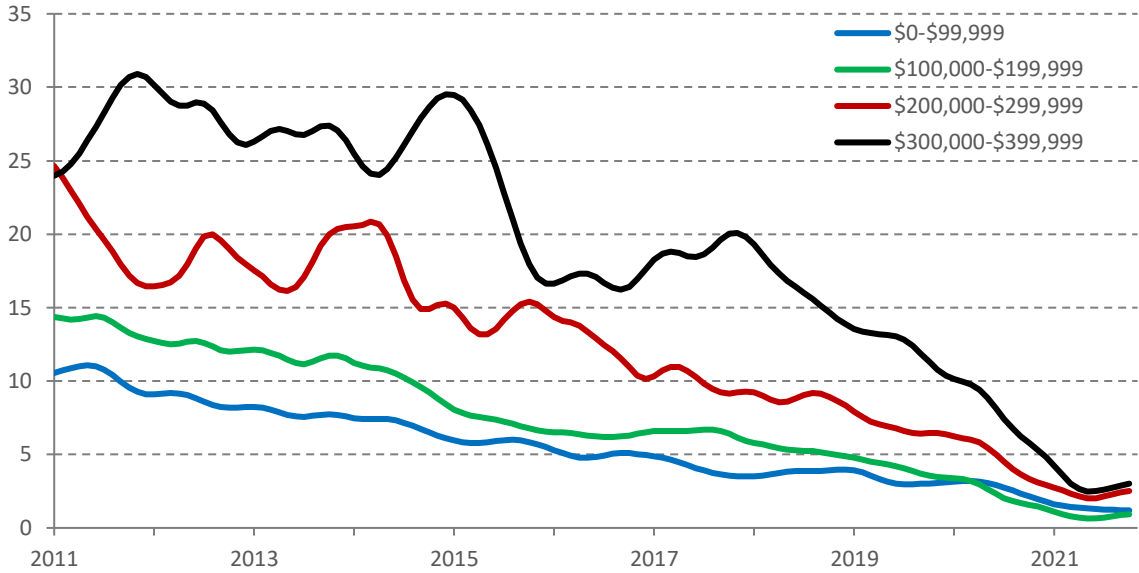
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



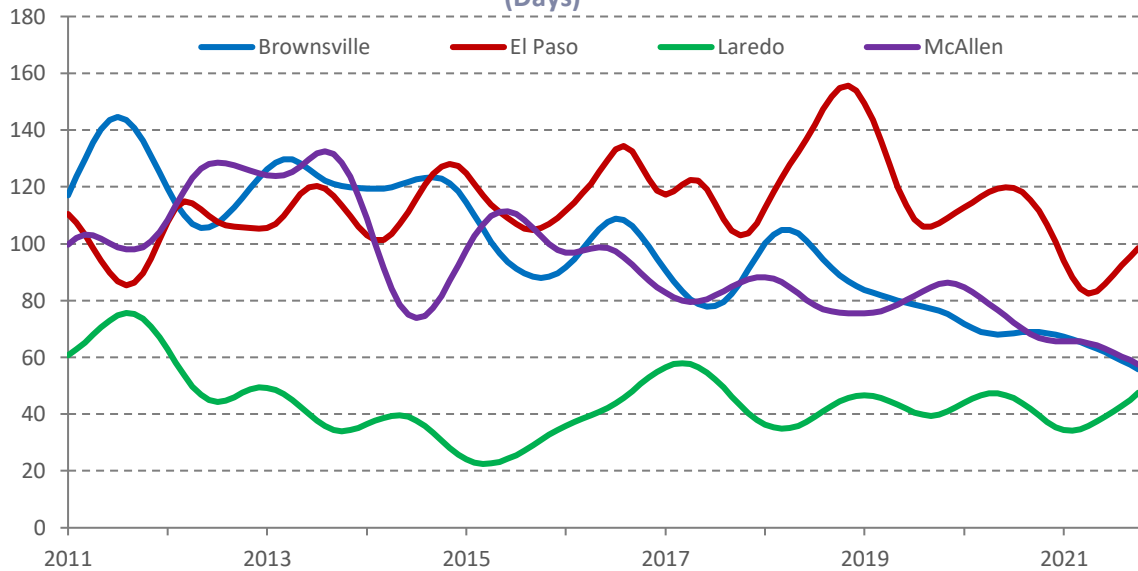
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



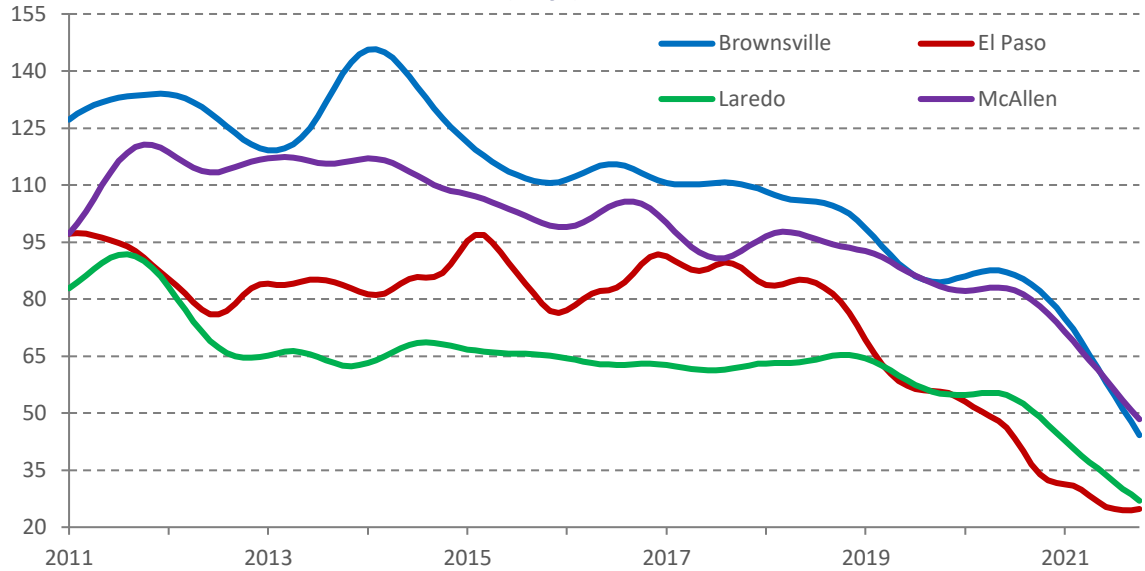
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### New Home Days on Market (Days)



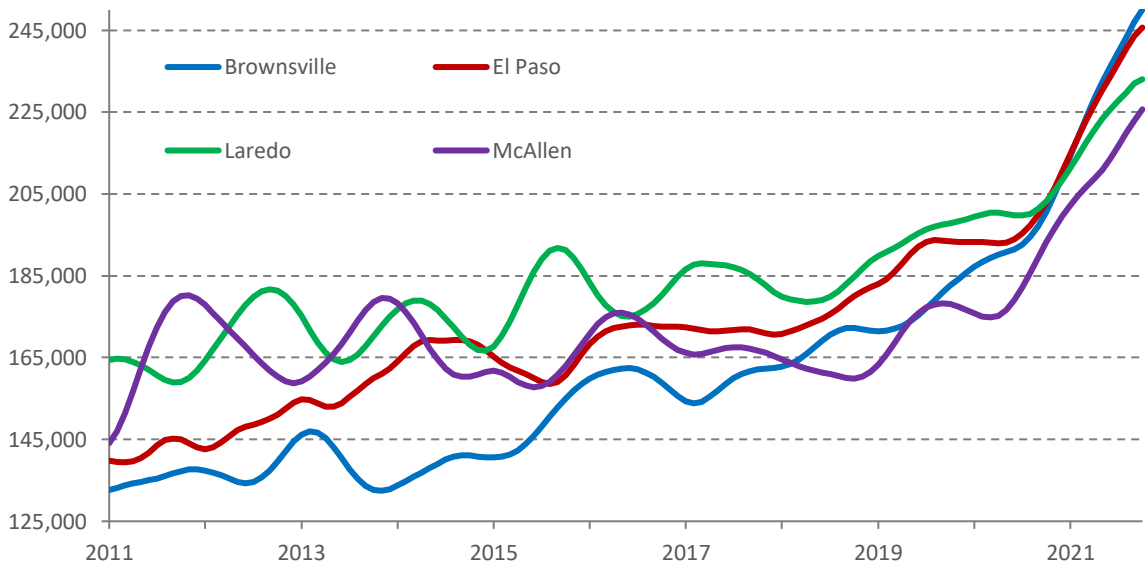
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Existing Home Days on Market (Days)



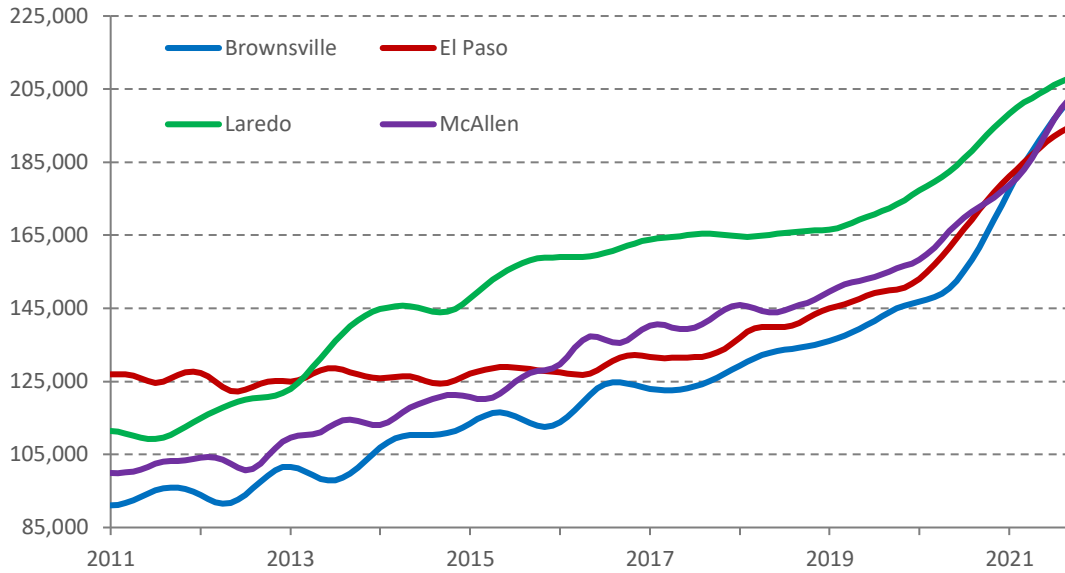
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



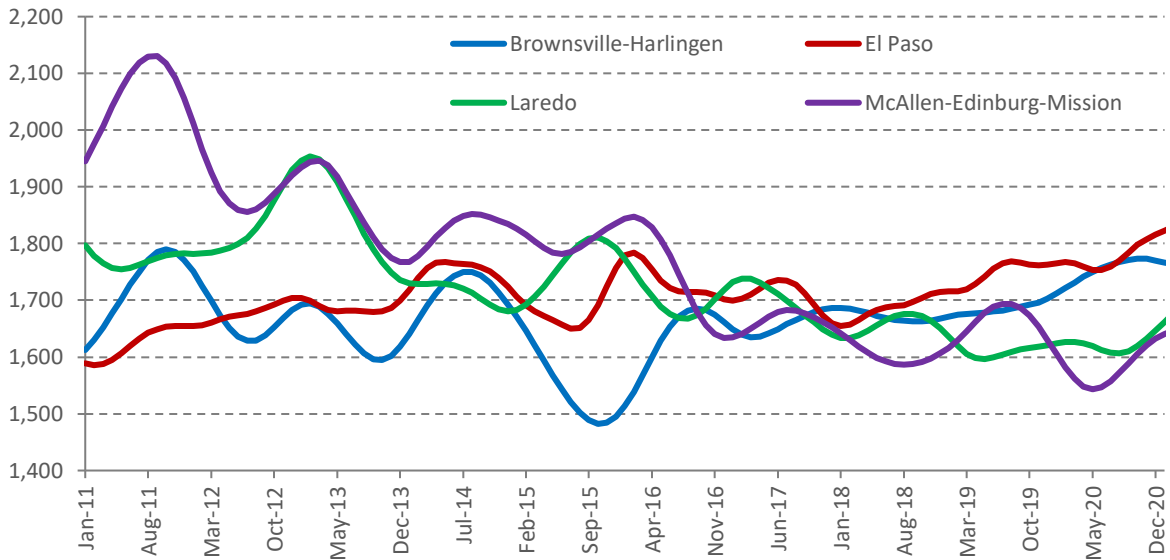
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



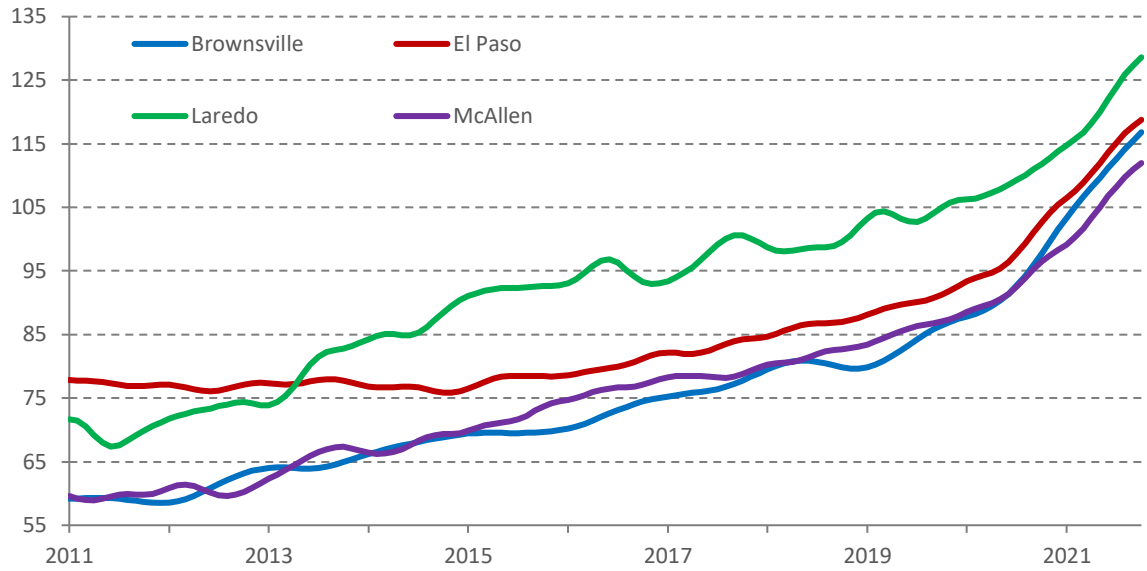
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### 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







TEXAS A&M UNIVERSITY

## Texas Real Estate Research Center

MAYS BUSINESS SCHOOL

Texas A&M University  
2115 TAMU  
College Station, TX 77843-2115

<http://recenter.tamu.edu>  
979-845-2031

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