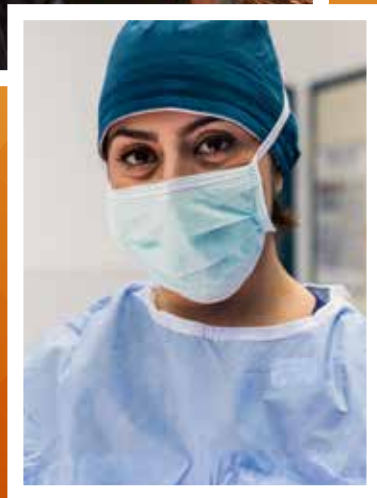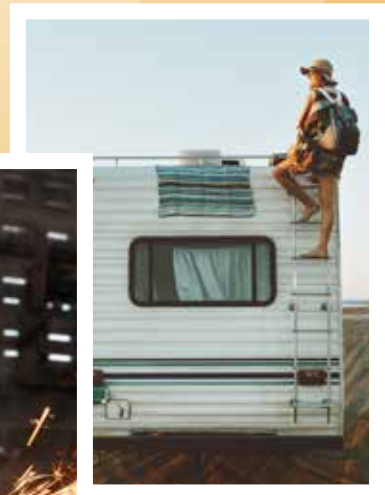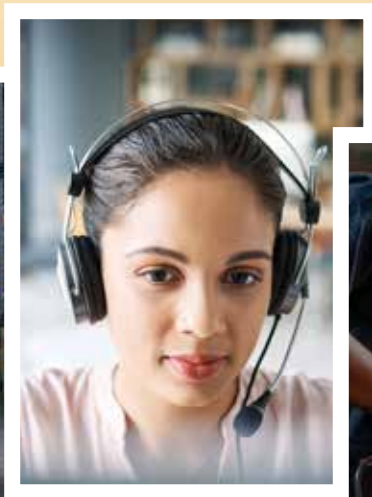# TEXAS BORDER ECONOMY

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

TEXAS A&M UNIVERSITY
Texas Real Estate Research Center

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.

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

Data current as of December 2, 2021

TEXAS A&M UNIVERSITY
Texas Real Estate Research Center

BORDER EMPLOYMENT	OCT. MAQUILADORA EMPLOYMENT	TOTAL TRADE VALUES	HOUSING SALES
▲ 4.8% SAAR	▼ 2863 MOM	▲ 3.2% MOM	▼ 1.6% MOM

November 2021

Indicators along the Texas-Mexico border pointed toward continued economic progress during November, boosted by solid employment growth and increasing construction values. Payrolls in border metropolitan statistical areas (MSAs) expanded on a monthly basis and combined with reductions in unemployment claims. Construction activity and trade values accelerated despite persistent input-price pressures caused by supply-chain disruptions. Housing sales declined slightly, 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**. The metric in McAllen accelerated 3.5 percent on a seasonally adjusted annualized rate (SAAR) amid solid payroll expansions. El Paso's index elevated 4.3 percent. Meanwhile, Brownsville and Laredo's indexes increased 2.9 and 0.8 percent, respectively. Pedestrian and personal-vehicle crossings grew exponentially, rising 118.8 and 52.8 percent above year-ago levels, respectively (Figures 1 and 2), as the Department of Homeland Security revised its policy to allow non-citizens who are fully vaccinated and have appropriate documents to travel through borders beginning on Nov. 8, 2021.

Border nonfarm employment added 1,200 jobs in November, resulting in SAAR growth of 4.8 percent. McAllen expanded its government and professional/business services payroll, resulting in 500 net new positions. Laredo added 400 positions, led by gains in government and transportation. El Paso rebounded from a three-month contraction after adding 300 jobs, many of which were created in goods-producing and manufacturing sectors. Meanwhile, Brownsville registered no change.

On the southern side of the border, **Mexican manufacturing and maquiladora employment**[1] contracted by 2,863 in October. Reynosa and Juarez employment increased 10.7 and 1.0 percent year to date (YTD), respectively, even after laying off 1,002 workers in the former and 829 in the latter during October. On the other hand, maquiladora employment in Matamoros and Nuevo

---

[1] 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.

Laredo accelerated 1.8 and 4.3 (YTD) percent, respectively, after laying off 132 workers in the former and adding 298 in the latter. On the U.S. side of the border, manufacturing production of motor vehicles continued declining due to supply chain issues. The IHS Markit Mexico Manufacturing PMI remained subdued, indicating an ongoing contraction in the country's manufacturing sector. The pandemic and the Mexican government's response to the virus remain significant factors concerning the country's future growth and trade with Texas' border economies.

Accelerated hiring along the border pulled **unemployment rates** down by 0.2 percentage points. Joblessness fell to 5.5 percent and 5.7 percent in El Paso and Laredo, respectively, while the metrics for the Rio Valley fell to 8.4 percent and 7.8 percent in McAllen and Brownsville, respectively. Additionally, labor force participation rate ticked up 0.2 percentage points. Both the decreased unemployment rate and the increased participation rate corroborated residents' optimism in the border labor market. While weekly initial unemployment claims declined sharply for Brownsville, Laredo, and El Paso in November, McAllen reported a slight increase over the last three months (Figure 3).

Fluctuations in **average private hourly earnings** revealed negative real 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 3.1 percent year over year (YOY) in real terms to a nominal wage of $19.71 during November, marking a continuous annual decline. Hourly wages in Laredo ($17.64) and Brownsville ($17.51) also trended downward, decreasing 8 and 2.63 percent on average, respectively. Meanwhile, El Paso's metric increased slightly on an annual basis to 21.02. While baseline effects mechanically weighed on YOY numbers, annual wage growth trended below pre-pandemic levels across the border except in Brownsville.

Total construction values accelerated along the border, increasing 7 percent. Non-residential values for McAllen increased drastically and experienced monthly expansions in various nonresidential sectors, offsetting decreased investment in Brownsville and El Paso. On the residential side, construction values declined in McAllen while expanding in Laredo, Brownsville, and El Paso amid significant increases in single-family activity.

In the currency market, the **peso per dollar exchange rate** ticked up to 20.87 after the inflation-adjusted rate[2] decreased 0.8 percent YOY, revealing that 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 3.2 percent along the border after last quarter's decline. At the metropolitan level, imports rose 2.4 percent due to accelerated activity in Laredo and McAllen, rising 2.9 and 3.8 percent, respectively. Exports increased by 4.4 percent along the border, with values accelerating 4.6 percent in McAllen and 5.2 percent in Laredo. The metric increased by 1

---

[2] 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.

percent in El Paso while falling 2.4 percent in Brownsville. The border's trade sector remains an integral component of the local economies. Ongoing supply-chain disruptions uniquely affected El Paso as its international commerce is largely dependent on products that contain semiconductors. These products mainly come from Asia, and the backlogged ships stuck at the Port of Long Beach in California, prevented timely transportation and contributed to the lagged recovery.

Housing

Border housing sales turned negative in November with a 1.6 percent decline due to ongoing inventory constraints and reduced housing affordability. Activity in the Rio Grande Valley dwindled as sales fell 4.5 percent in McAllen and 8.4 percent in Brownsville. Sales also dropped in Laredo, and there was little growth in El Paso. McAllen's sales for homes priced below $200,000 decreased sharply, while sales surged for homes priced above $200,000 in Brownsville and El Paso.

The border metros issued 710 **single-family housing construction permits**, down 27.2 percent YTD. The downward trend persisted along the border metros. Permits in McAllen and Brownsville fell 25.6 and 9.9 percent, respectively, while El Paso and Laredo reported reductions of 35.2 and 30.9 percent, respectively. On the other hand, **private single-family construction values** posted favorable YTD and MOM growth. 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 the MOI down to 1.9 months. El Paso's metric decreased to 1.3 months. McAllen's metric elevated continuously from last summer to 2.6 months, while Brownsville's inventory improved to 1.7 months.

The **average number of days on market (DOM)** along the border varied on a monthly basis; however, compared with year-ago levels, the metric remained exceptionally low. The DOM in El Paso fell to 40 days, while McAllen's fell to 48 days. Laredo's DOM decreased to an all-time low of 29 days, while listings in Brownsville averaged nearly two months on the market.

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 elevated to an all-time high of $208,819. Median home prices declined in all other border metros. Prices plunged from $234,500 to $220,580 in Brownsville and from $221,800 to 206,080 in Laredo. McAllen's median price fell to $205,100 after hitting a record high in September.
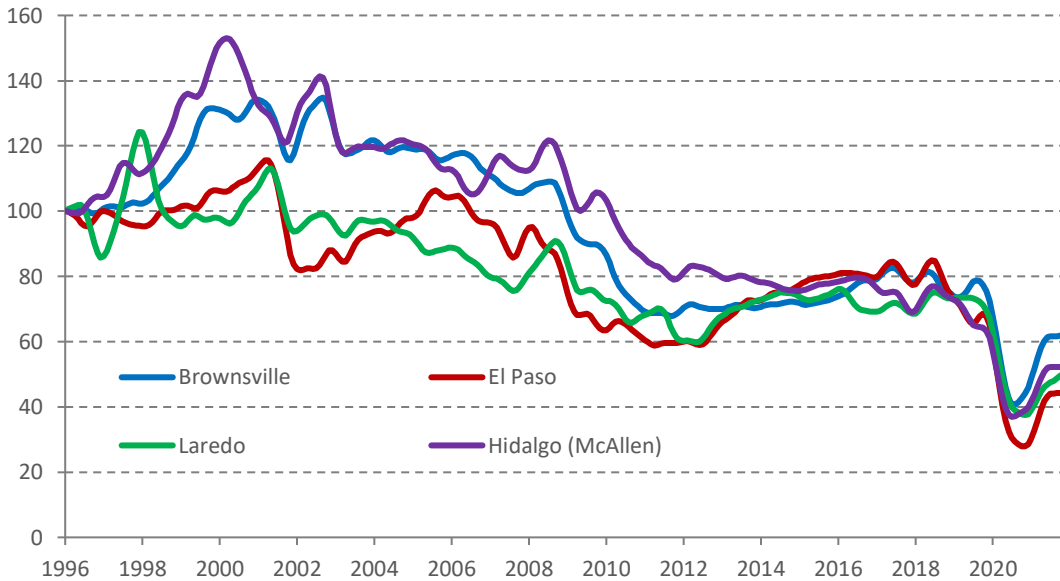
## Figure 1. Pedestrian Crossings
(Index Jan 1996 = 100)
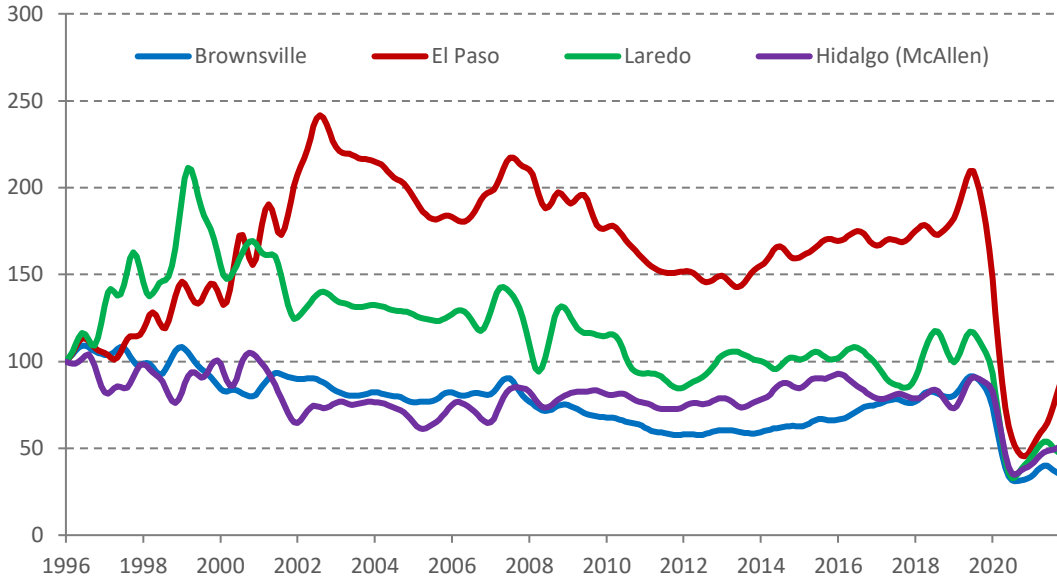
Note: Pedestrians entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection. Trend-cycle component.
Source: U.S. Bureau of Transportation Statistics

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

TEXAS A&M UNIVERSITY
Texas Real Estate Research Center

Figure 3. Border Metro Weekly Initial Unemployment Claims (2020-21)
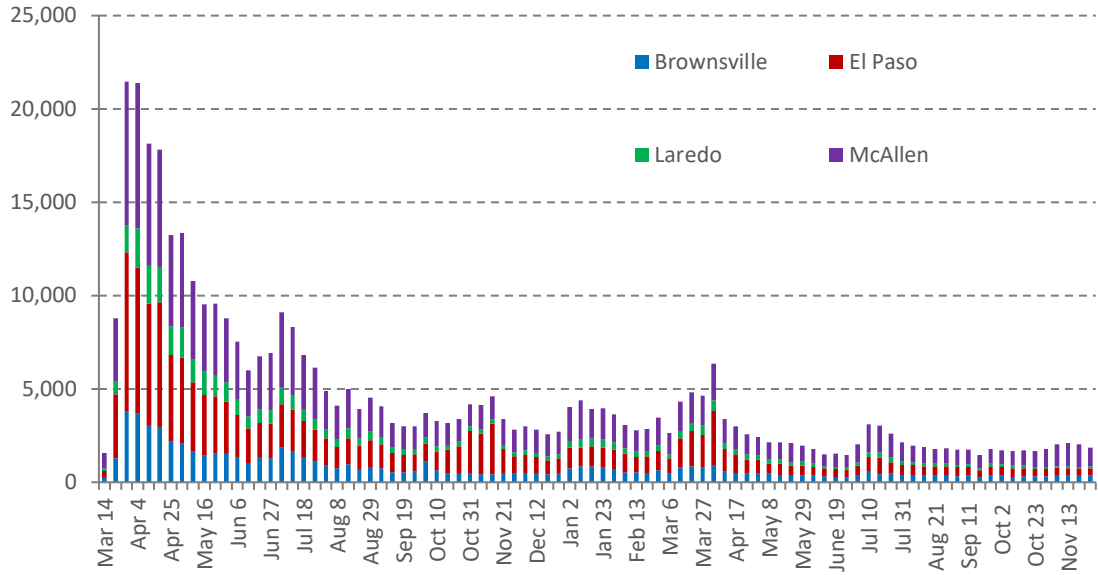
Note: Seasonally adjusted.
Sources: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, and Texas Real Estate Research Center at Texas A&M University calculations

Business Cycle Index
(Quarter-over-Quarter Percent Change)
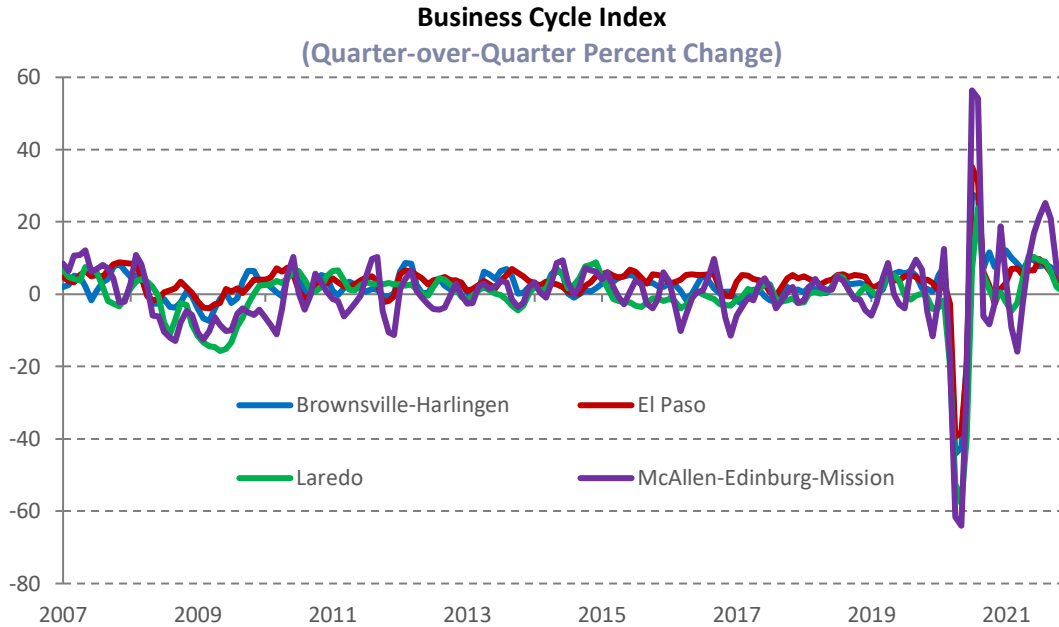
Note: Seasonally adjusted. For more information, see Texas Business Cycle Index.
Source: Federal Reserve Bank of Dallas

Employment Growth Rate
(Quarter-over-Quarter Annualized Percent Change)
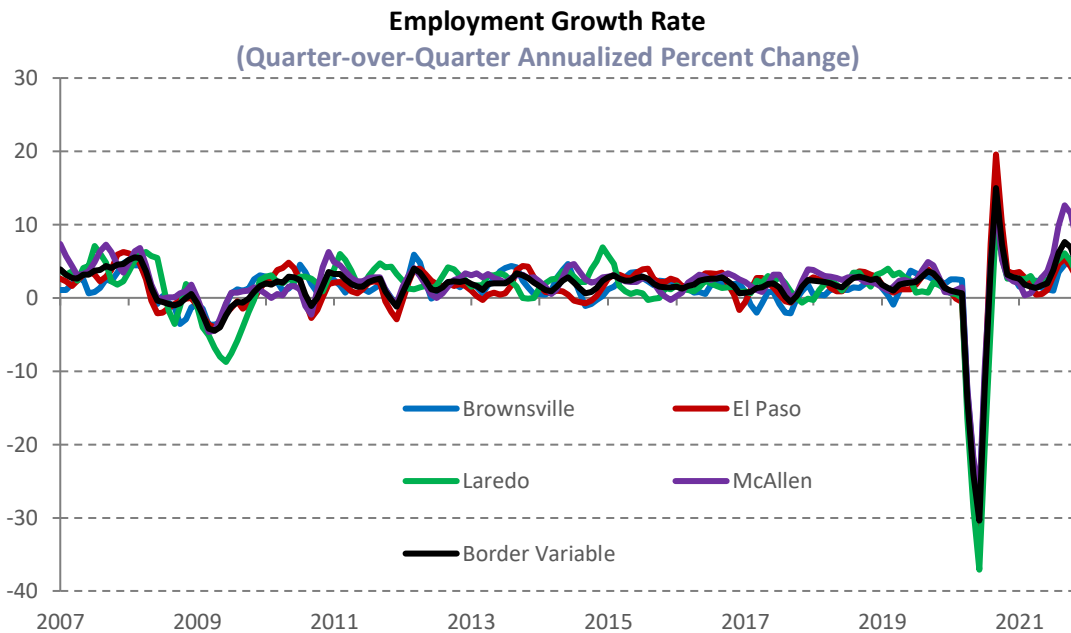
Note: Seasonally adjusted, three-month moving average.
For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics

TEXAS A&M UNIVERSITY
Texas Real Estate Research Center

U.S. Manufacturing Production
(Index Jan 2008 = 100; Number of Employees)
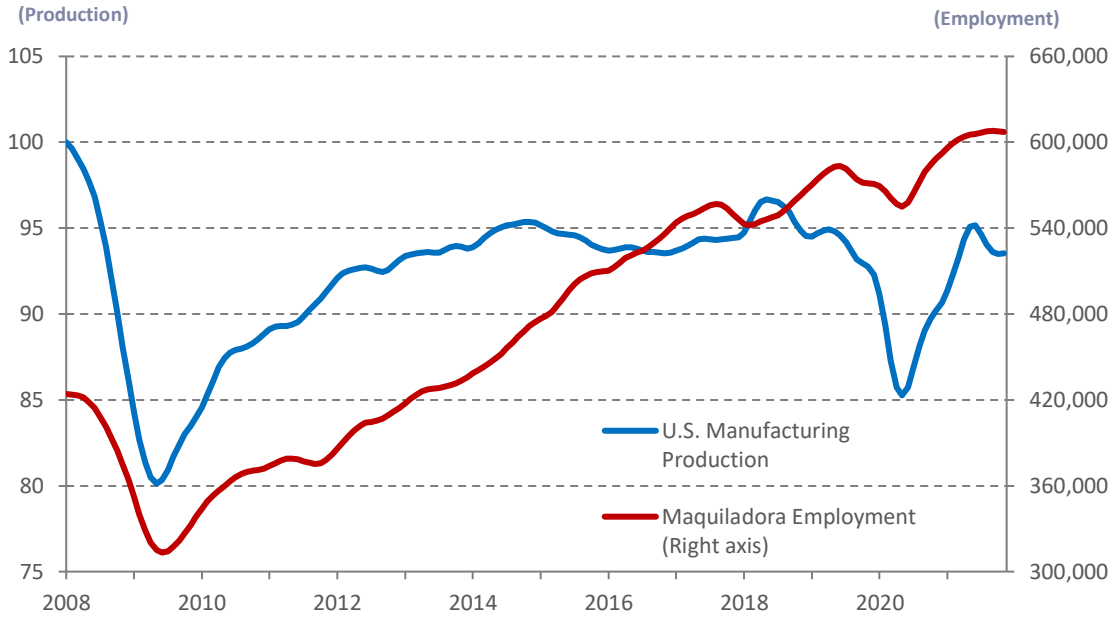
Note: Trend-cycle component.
Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografíía

Mexico Maquiladora and Manufacturing Employment
(Index Jan 2008 = 100)
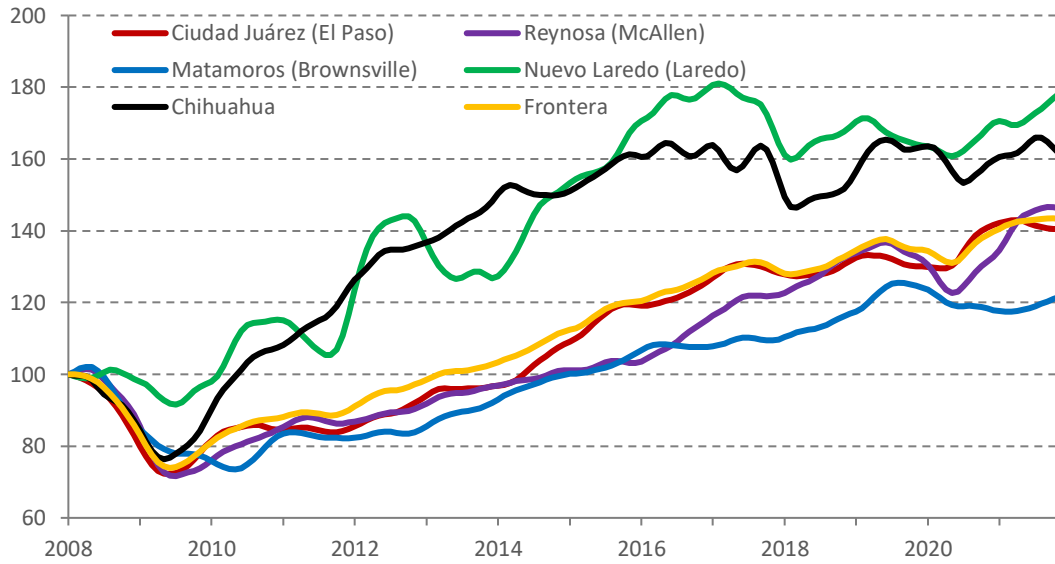
Note: Trend-cycle component.
Source: Instituto Nacional de Estadística y Geografíía

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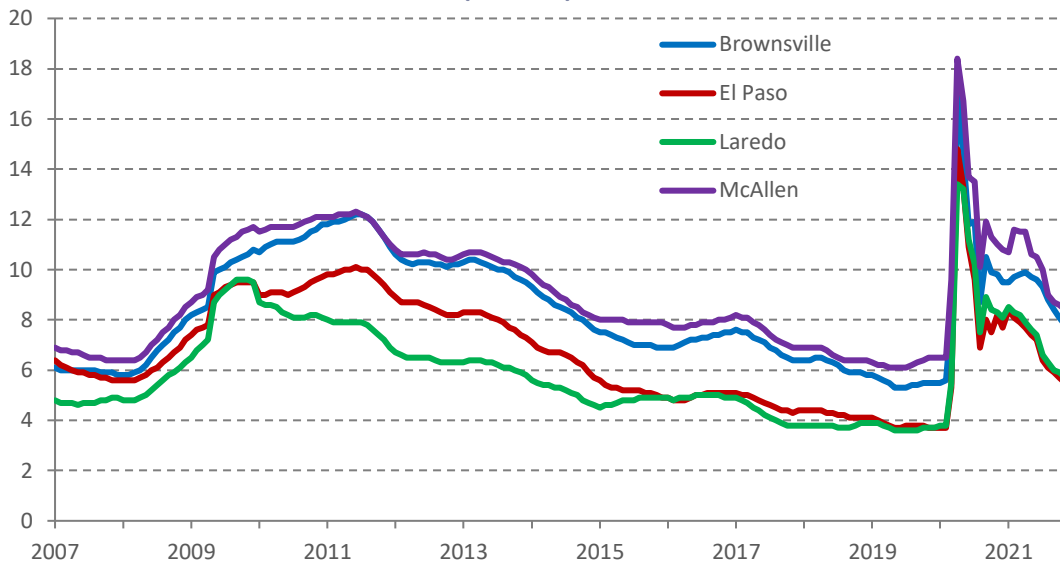
Note: Seasonally adjusted. April 2021 is preliminary. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics

Total Private Employee Hourly Earnings
(Year-over-Year Percent Change)
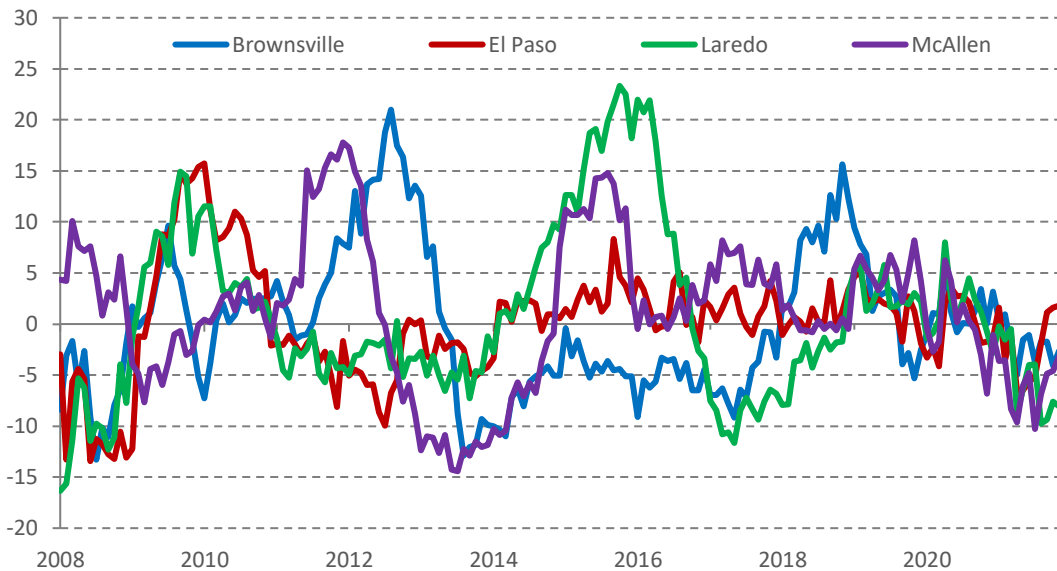
Notes: Inflation adjusted, seasonally adjusted. April 2021 is preliminary.
For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics

Total Construction Values

(Index Jan 2008= 100)
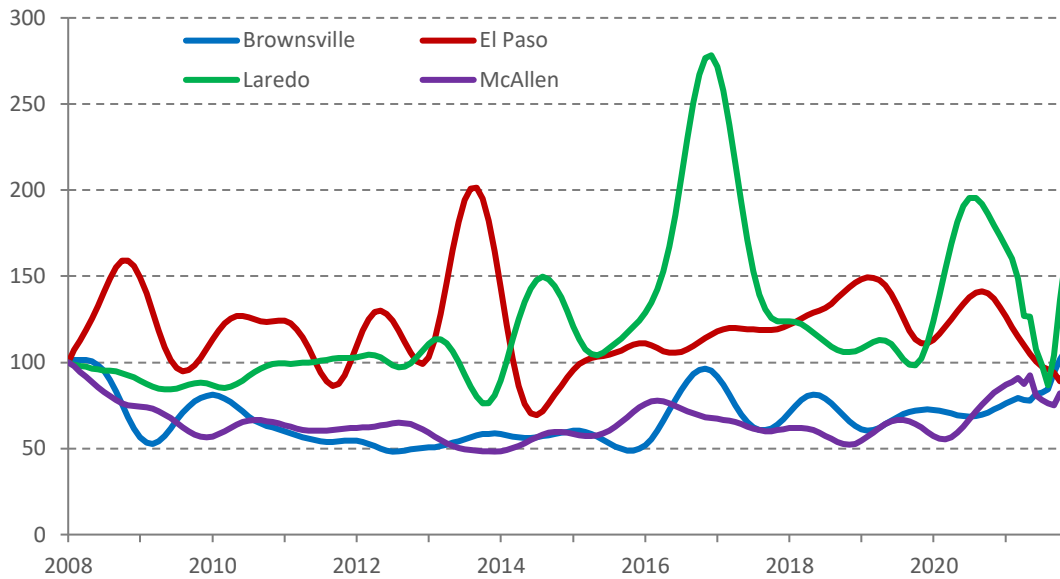
Note: Inflation-adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

Nonresidential Construction Values

(Index Jan 2011 = 100)
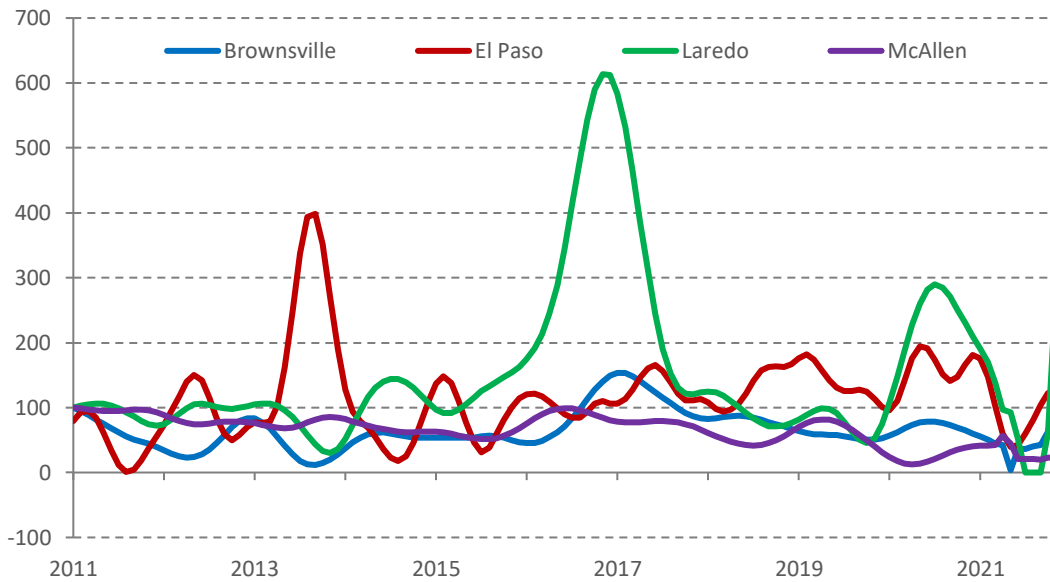
Note: Inflation-adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

Residential Construction Values
(Index Jan 2008 = 100)
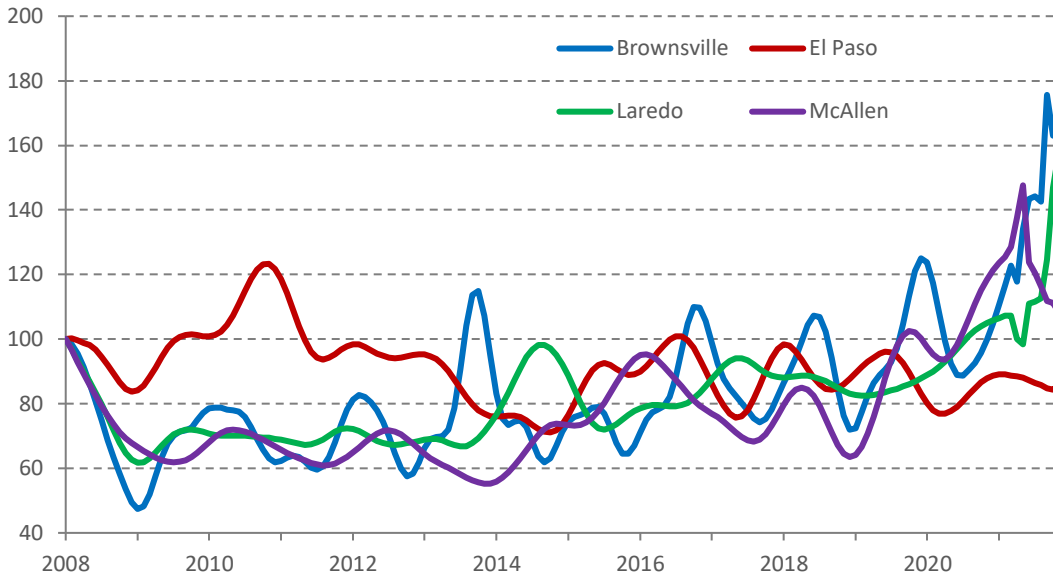
Note: Inflation-adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

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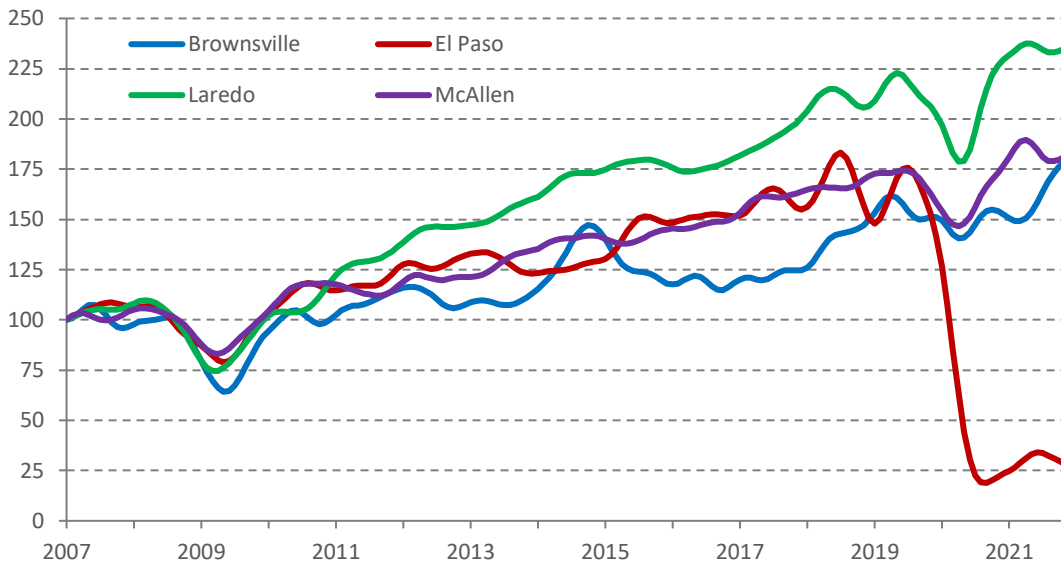
Note: Trend-cycle component.
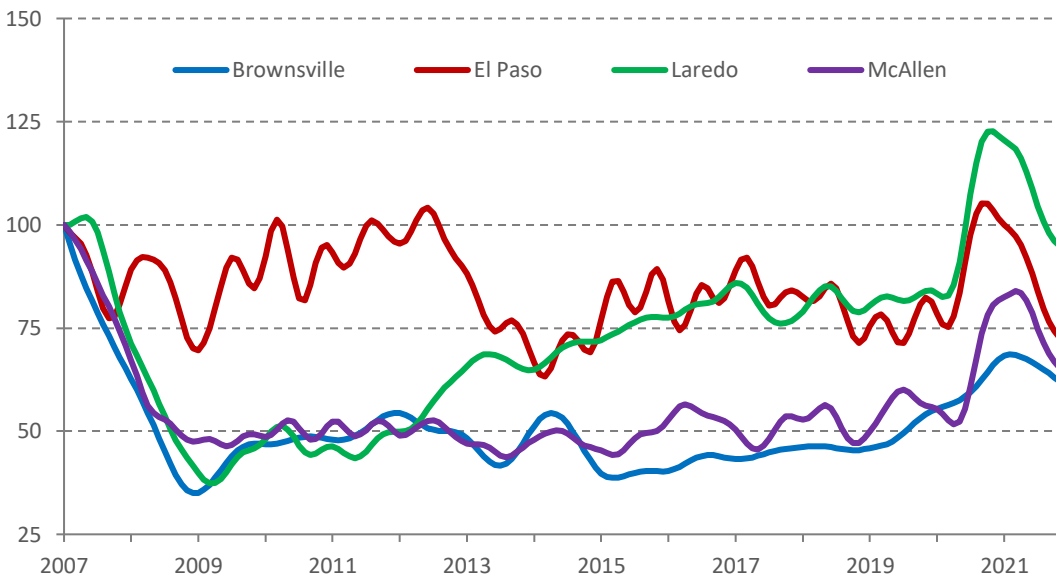Sources: Foreign Trade Division and U.S. Census Bureau

Export Values
(Index Jan 2007 = 100)
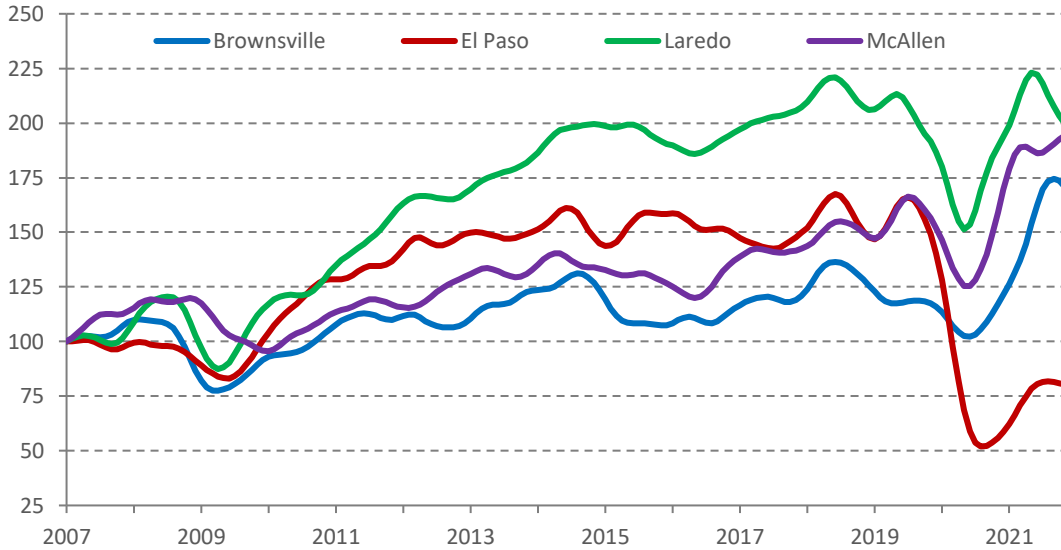
Note: Trend-cycle component.
Sources: Foreign Trade Division and U.S. Census Bureau

Housing Sales

(Index Jan 2007 = 100)
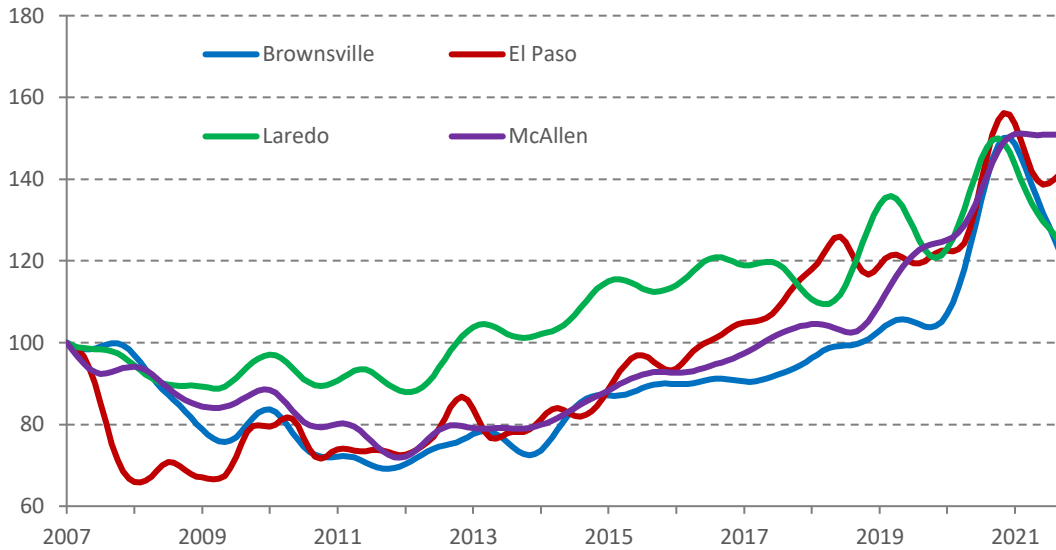
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University

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

TEXAS A&M UNIVERSITY
Texas Real Estate Research Center

Total New Private Single-Family Construction Value

(Index Jan 2011 = 100)
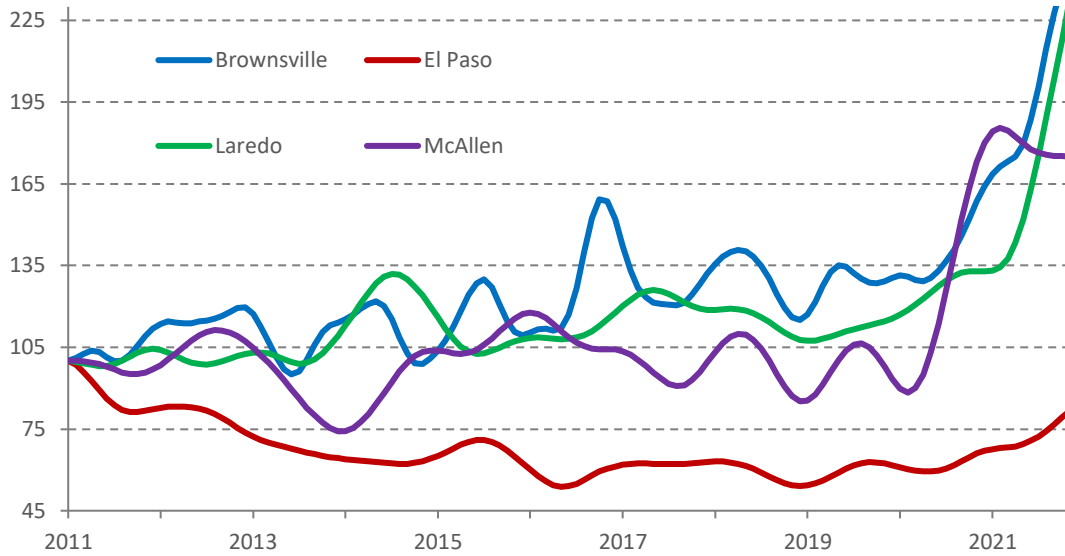
Note: Inflation adjusted. Trend-cycle component.
Source: Dodge Data & Analytics
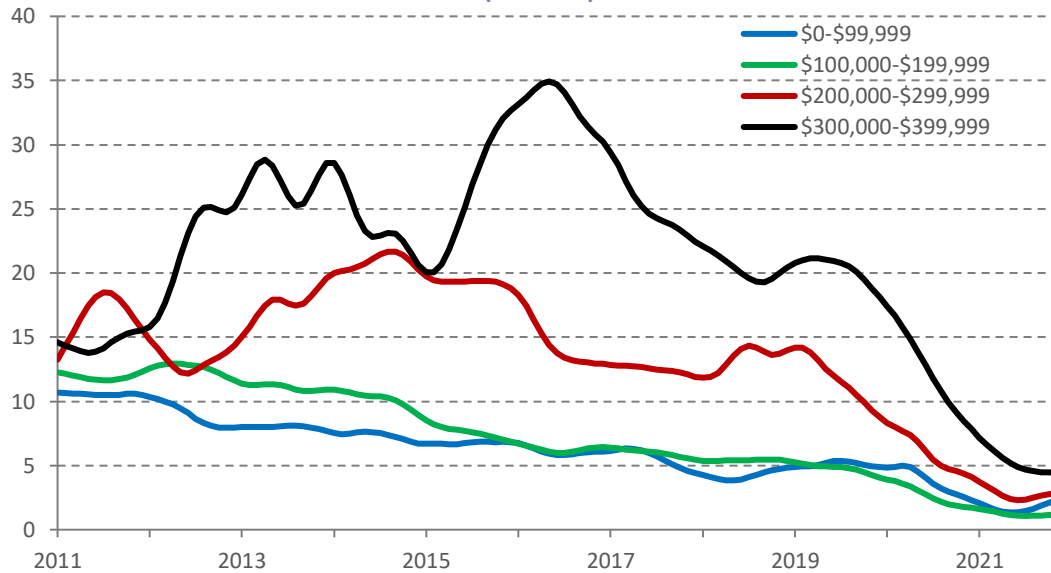
New Home Months of Inventory
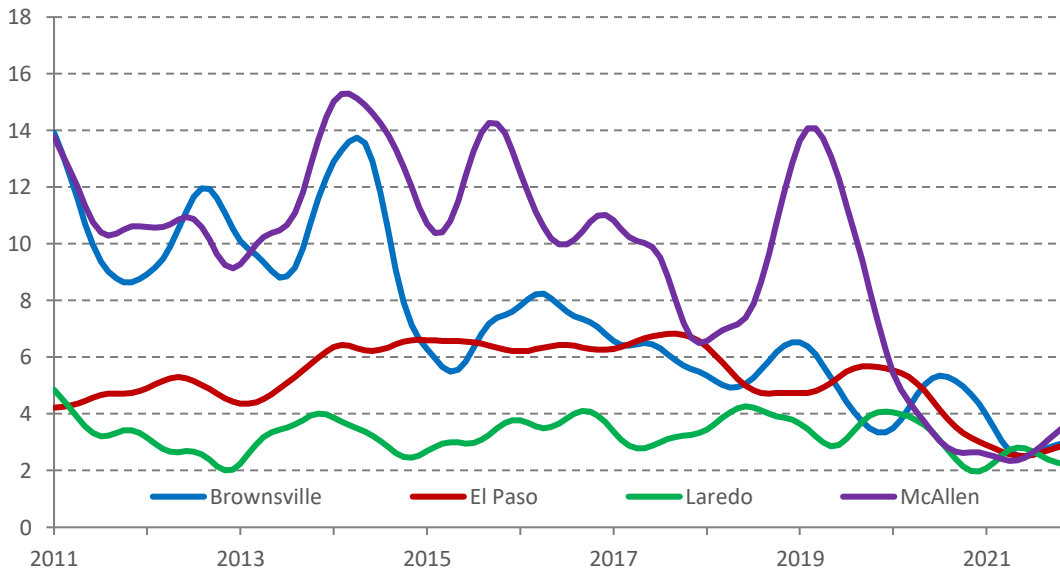
(Months)

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

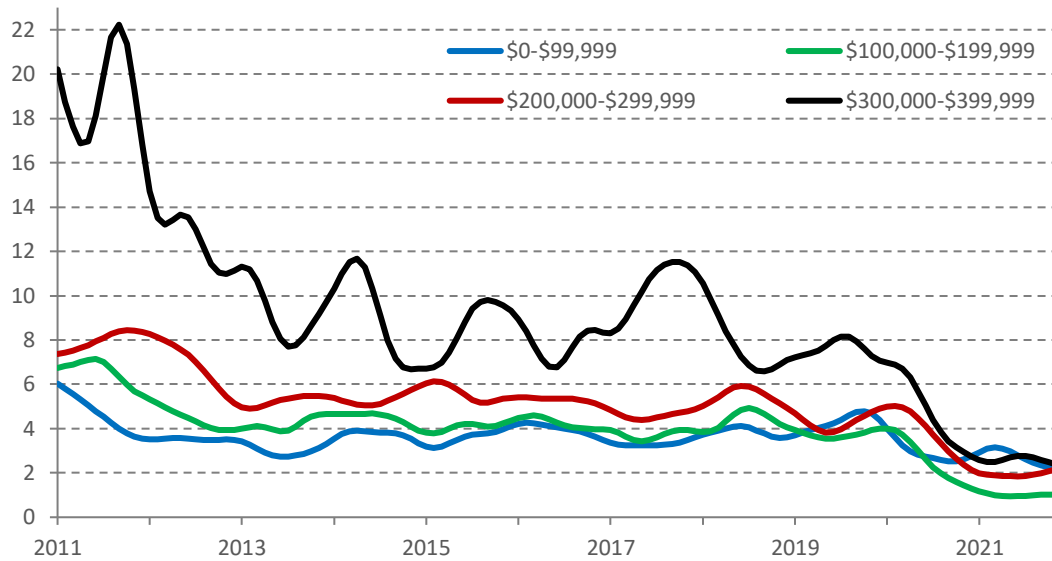## Existing Home Months of Inventory
(Months)
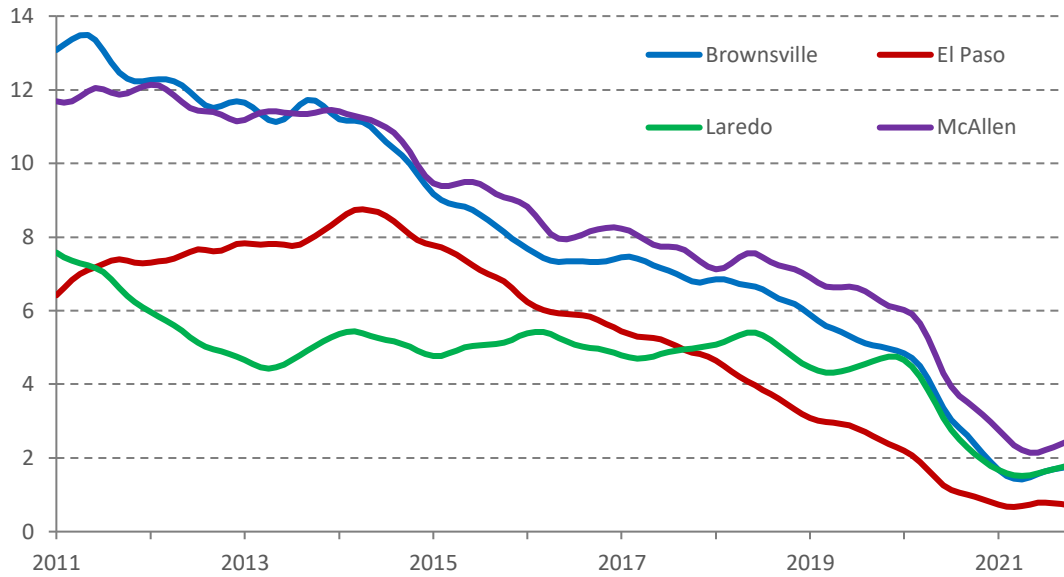
Note: Trend-cycle component.
Source: Texas Real Estate Research Center at Texas A&M University
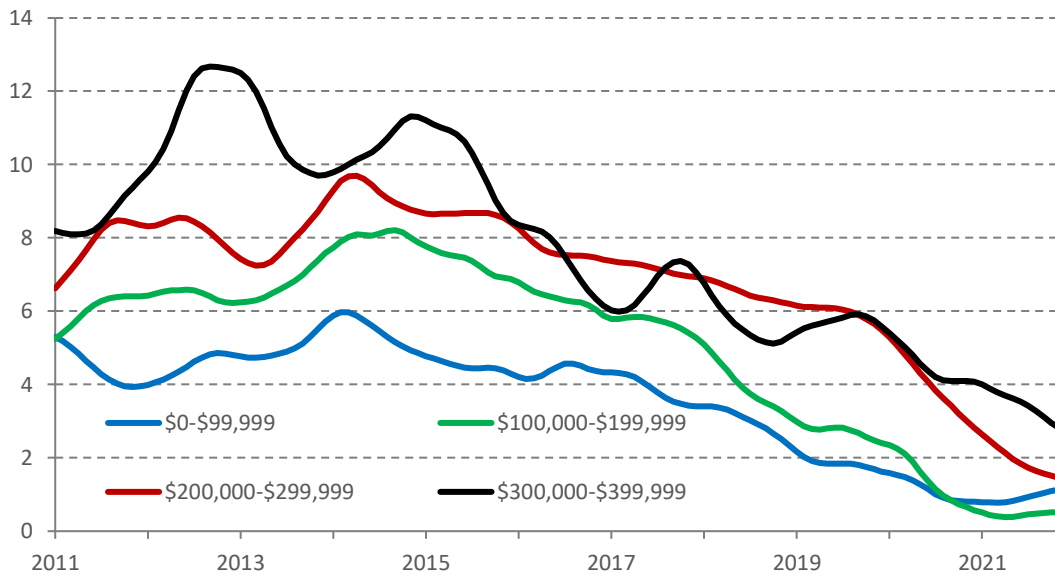
McAllen Months of Inventory by Price Cohort
(Months)

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

Laredo Months of Inventory by Price Cohort
(Months)

Legend: $0-$99,999 (blue); $100,000-$199,999 (green); $200,000-$299,999 (red); $300,000-$399,999 (black)

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

El Paso Months of Inventory by Price Cohort
(Months)

Legend: $0-$99,999 (blue); $100,000-$199,999 (green); $200,000-$299,999 (red); $300,000-$399,999 (black)

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

Brownsville Months of Inventory by Price Cohort
(Months)
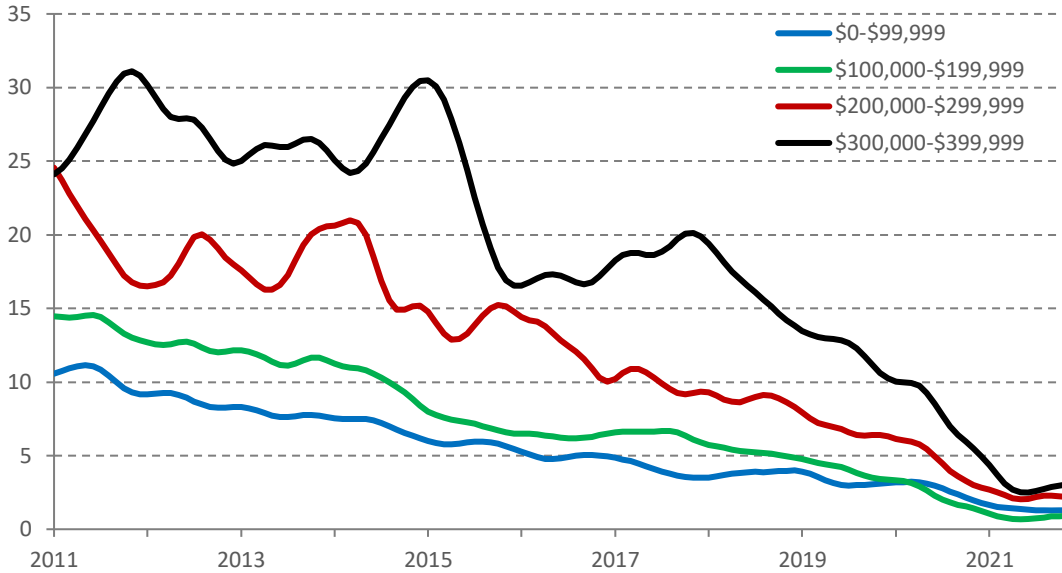
Legend:
- $0-$99,999
- $100,000-$199,999
- $200,000-$299,999
- $300,000-$399,999

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

New Home Days on Market
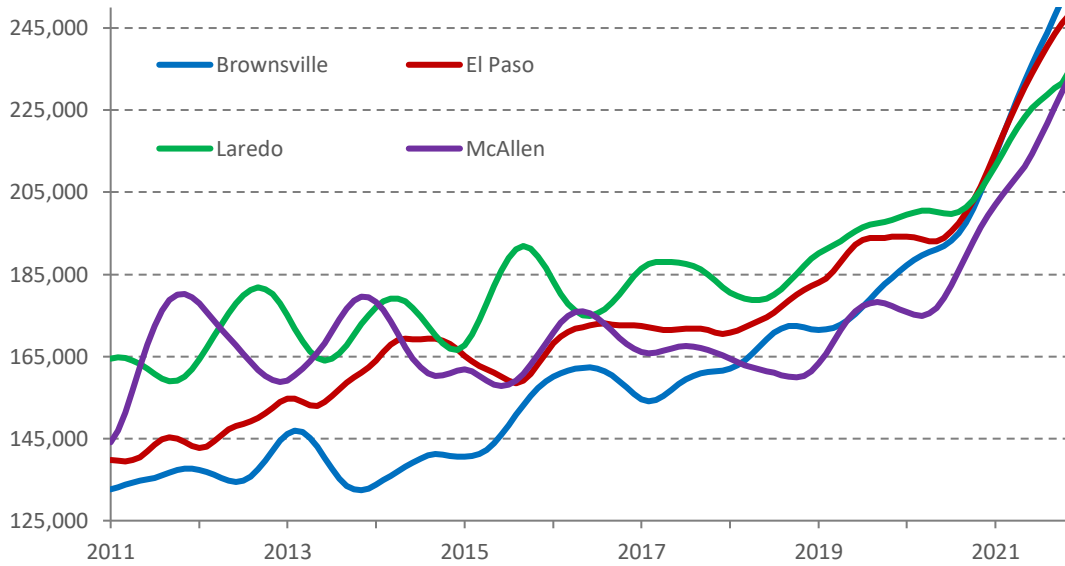### (Days)
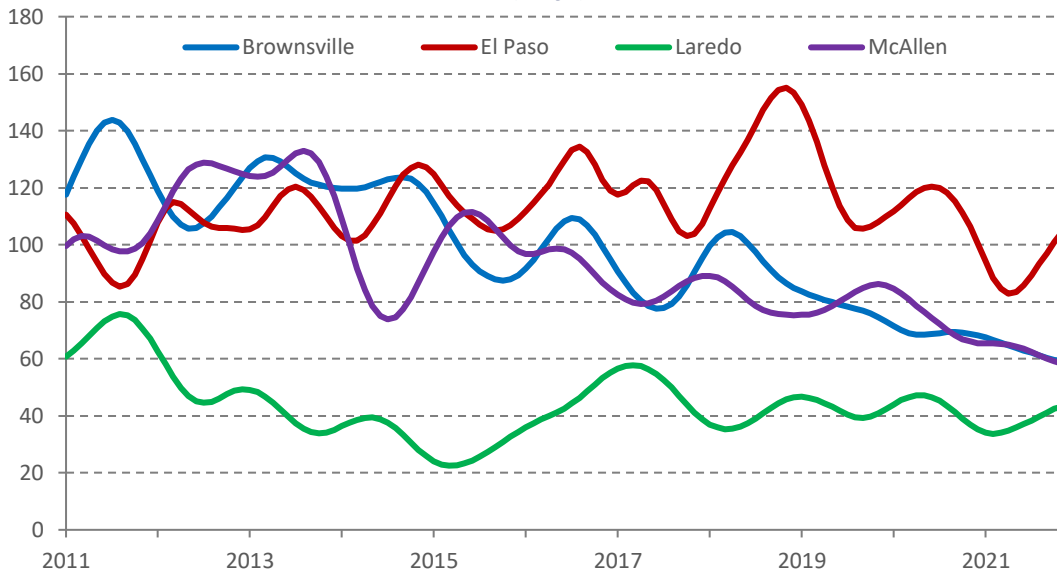
Legend: Brownsville — El Paso — Laredo — McAllen

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

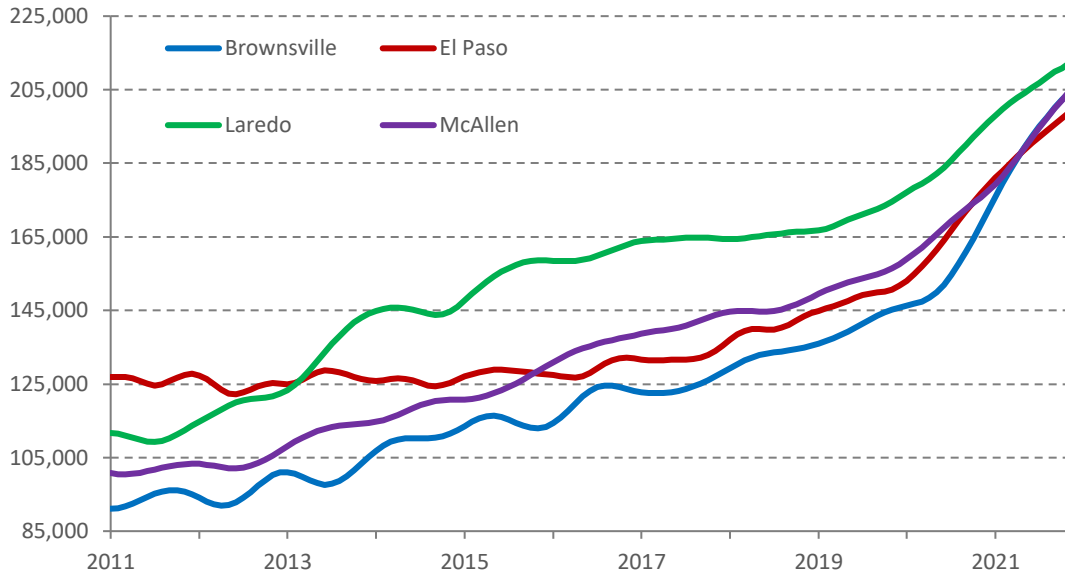## Existing Home Days on Market
(Days)
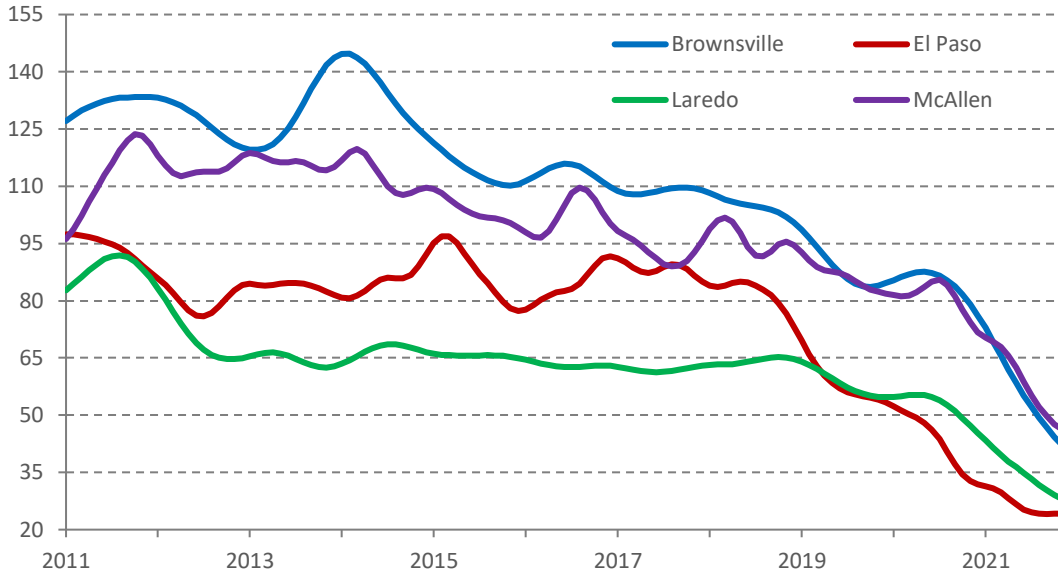
Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University
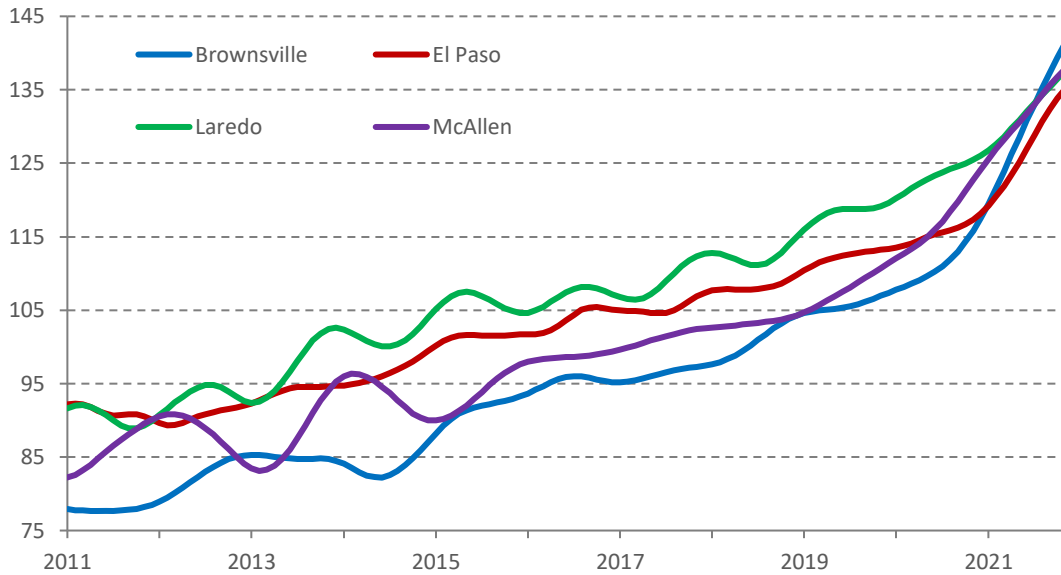
New Home Median Sales Price
($)

Note: Trend-cycle component. For single-family homes.
Source: Texas Real Estate Research Center at Texas A&M University
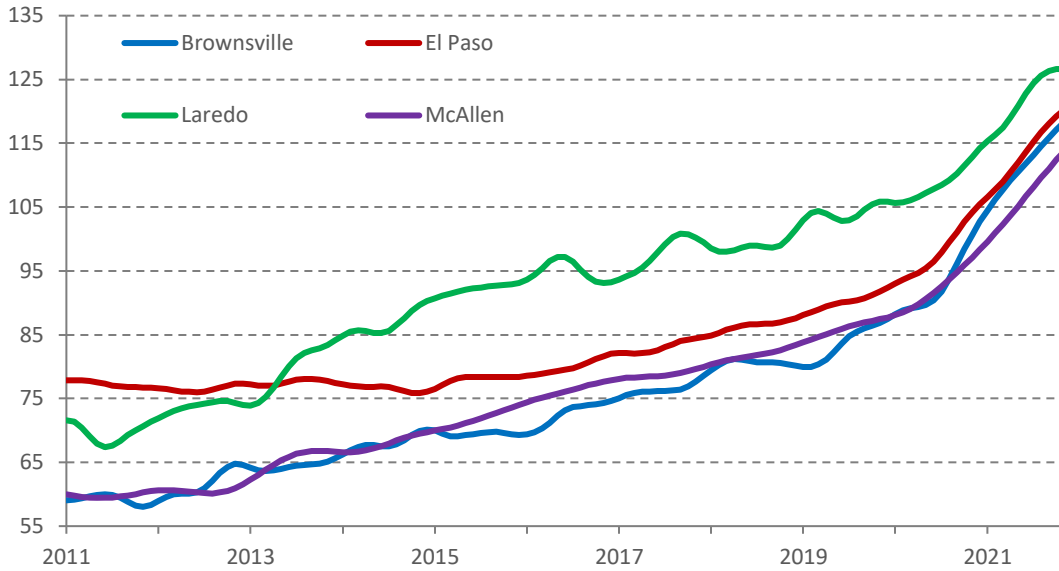
Existing Home Median Sales Price
($)

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

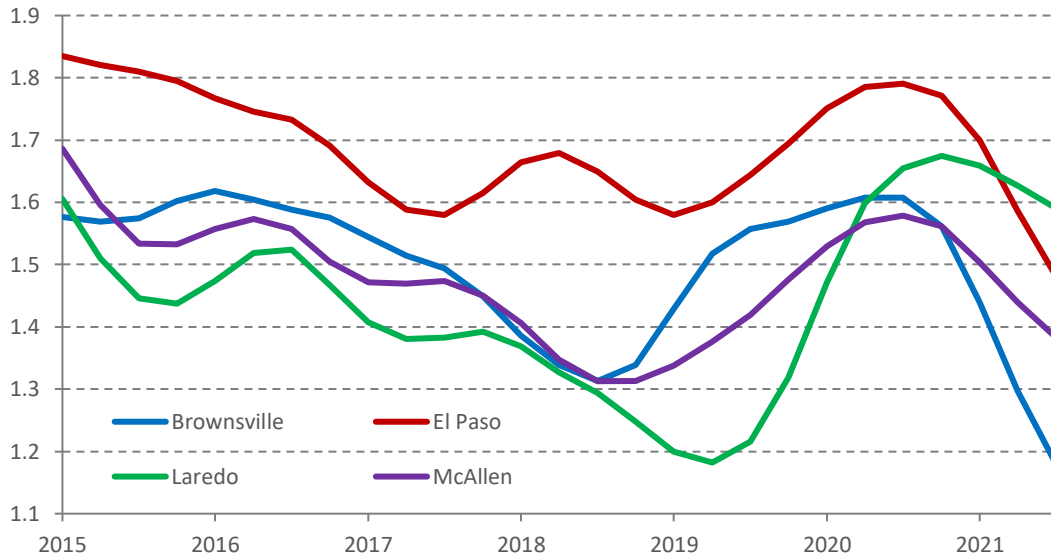## New Home Median Price Per Square Foot
($)

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

Housing Affordability Index
(Ratio)

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

TEXAS A&M UNIVERSITY
Texas Real Estate Research Center

TEXAS A&M UNIVERSITY
Texas Real Estate Research Center

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

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

EXECUTIVE DIRECTOR

GARY W. MALER

ADVISORY COMMITTEE

LinkedIn
linkedin.com/company/recentertx

Instagram
instagram.com/recentertx

YouTube
YouTube.com/realestatecenter

Facebook
facebook.com/recentertx

Twitter
twitter.com/recentertx