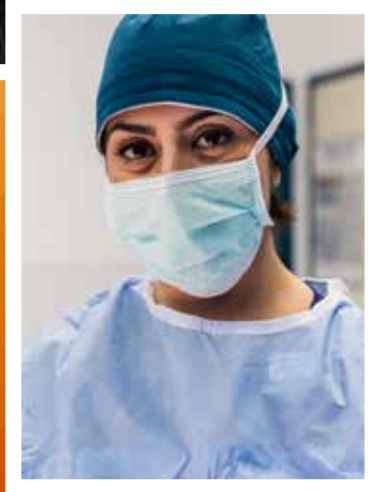
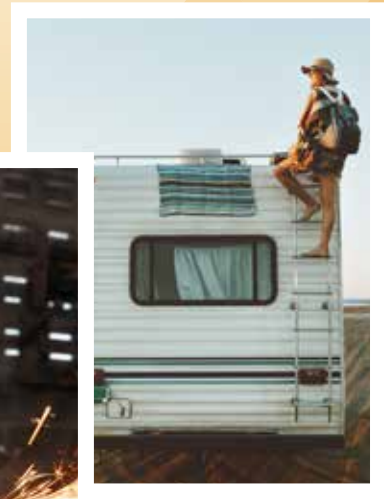
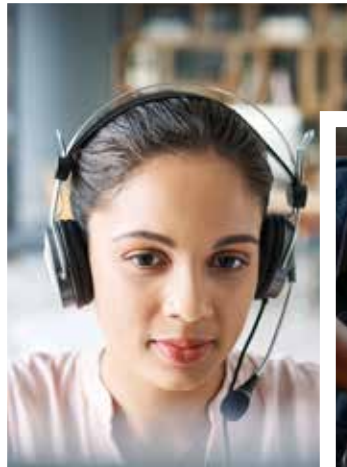


# TEXAS BORDER ECONOMY

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Texas Real Estate Research Center

TECHNICAL REPORT

2 1 6 5

JANUARY 2022 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).

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Data current as of April 2, 2022

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# Border Summary

BORDER EMPLOYMENT

▲ 3.1% SAAR

DEC. MAQUILADORA EMPLOYMENT

▼ 1,914 jobs

TOTAL TRADE VALUES

▼ 2.0% MOM

HOUSING SALES

▼ 0.1% MOM

## January 2022

Indicators along the Texas-Mexico border pointed toward mixed economic response as some metrics indicated growth and others indicated a slowdown during the first month of 2022. Payrolls in border Metropolitan Statistical Areas (MSAs) declined on a monthly basis while unemployment claims increased. Construction activity improved but at a slower rate than at year end. Trade values decelerated due to mounting scarcity of raw material and low availability of truck drivers. Housing sales declined slightly, but the combination of robust demand and depleted inventory elevated home prices and threatened affordability, challenging the region's housing market and the economy more broadly. In addition to COVID-19 related supply-chain disruptions, the global economy is facing an unpredictable course of action in Eastern Europe as Russian aggression in Ukraine continues, disrupting the global economy and international trade.

## Economy

The economy continued its growth, indicated by the **Dallas Fed's Business-Cycle Indexes**. McAllen's metric accelerated 10.5 percent on a seasonally adjusted annualized rate (SAAR) amid solid payroll expansions. El Paso's index elevated 6.6 percent. Meanwhile, Brownsville and Laredo's indexes increased 15.3 and 15.8 percent, respectively. Pedestrian and personal-vehicle crossings grew by 41.2 and 43.6 percent above year-ago levels, respectively (Figures 1 and 2), as the Department of Homeland Security revised its policy to allow noncitizens who are fully vaccinated and have appropriate documents to travel through borders in early November 2021.

Overall, **border nonfarm employment** added 2,100 jobs, resulting in SAAR growth of 3.1 percent. Laredo added 300 positions, led by gains in government and transportation. El Paso rebounded after adding 1,300 jobs, many of which were created in the goods-producing and manufacturing sectors. Meanwhile in the Rio Grande Valley, Brownsville and McAllen added 100 and 400 jobs, respectively.

On the southern side of the border, **Mexican manufacturing and maquiladora employment**<sup>1</sup> contracted by 1,914 jobs in December. Reynosa's employment decreased by 0.5 percent, and Juarez's increased by 0.2 percent month over month (MOM), respectively, after laying off 750 workers in the former and adding 549 in the latter in December. On the other hand, maquiladora

<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.



employment in Matamoros and Nuevo Laredo accelerated 0.5 percent and decreased by 1.3 percent MOM, respectively, after adding 331 workers in the former and laying off 404 in the latter. On the U.S. side of the border, manufacturing production of motor vehicles continued declining due to supply-chain issues in procuring semiconductor chips. The IHS Markit Mexico Manufacturing PMI for January reported sharper deterioration in business conditions due to an ongoing contraction in new orders and production across the country and a sharp decline in staffing levels amid a rise in COVID-19 cases.

**Unemployment rates** ticked down by 10 basis points among the border metros. Joblessness fell to 5.2 percent and 5.4 percent in El Paso and Laredo, respectively, while the metrics for the Rio Grande Valley fell to 8.1 percent and 7.3 percent in McAllen and Brownsville, respectively. Additionally, the labor force participation rate ticked up 10 basis points, leading to an increase in weekly initial unemployment claims across the border in January (Figure 3).

Fluctuations in the **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 9.5 percent year over year (YOY) in real terms to a nominal wage of \$19.86 in January. Hourly wages in Laredo (\$19.17) and El Paso (\$21.03) also trended downward, decreasing 0.9 and 1.73 percent on average, respectively. El Paso reached an all-time high wage of \$21.03. While baseline effects mechanically weighed on YOY numbers, nominal wages are approaching pre-pandemic levels along the border.

**Total construction values** accelerated during January, increasing 18 percent. Non-residential values for McAllen increased drastically and recorded monthly expansions in various sectors, offsetting decreased investment in Brownsville, El Paso, and Laredo. On the residential side, construction values increased in Brownsville while declining in Laredo, McAllen, and El Paso.

In the currency market, the **peso per dollar exchange rate** ticked up to \$20.51, but the inflation-adjusted rate<sup>2</sup> decreased 2.4 percent YOY and 0.9 percent MOM, revealing that whatever gains Mexican buyers received due to exchange rate changes were lost due to inflation. Amid ongoing COVID-19 outbreaks and continued supply-chain bottlenecks, **total trade values** decreased by 2 percent along the border after increasing during the last two months of 2021. At the metropolitan level, imports shrank 2.8 percent due to dwindling trade activities in Brownsville and McAllen, falling by 9.7 and 4.3 percent, respectively. Similarly, the metric fell by 10.5 and 1.9 percent in El Paso and Laredo. Exports increased 0.7 percent along the border with Brownsville and El Paso decreasing 2.3 and 8.8 percent, respectively. Export values decelerated 10.7 percent in McAllen and 2.1 percent in Laredo. The border's trade sector remains an integral component of the local

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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.

economies. Ongoing supply-chain disruptions uniquely affected El Paso as its international commerce is largely dependent on products that contain semiconductors.

## Housing

**Border housing sales** turned negative in January with a decline of 0.1 percent due to ongoing inventory constraints and reduced housing affordability. The Rio Grande Valley reported mixed growth as sales increased 15.7 percent in Brownsville and decreased 11.9 percent in McAllen. Sales also dropped in Laredo and El Paso after rallying at year end.

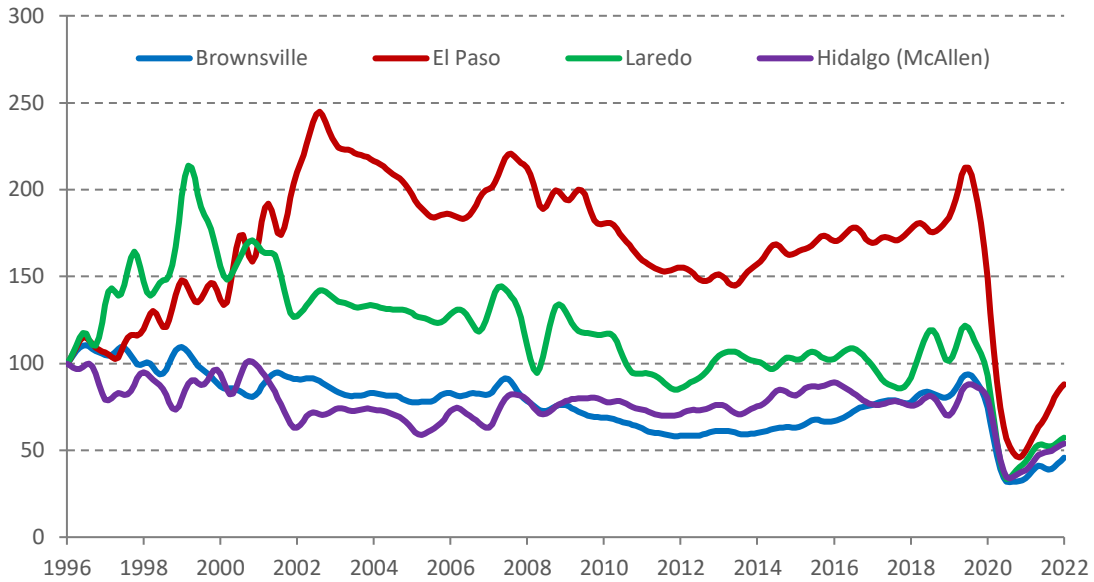
The border metros issued 974 **single-family housing construction permits**, increasing 13.3 percent MOM, with exponential increases in Brownsville at 157.3 percent due to rebound. The upward trend persisted along the border metros where McAllen and Laredo reported 5.4 and 3.4 percent growth, respectively, but El Paso reported an 8.2 percent reduction. On the other hand, **private single-family construction values** posted positive year to date and quarter over quarter growth but saw a decline in MOM values. 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** 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 1.8 months. El Paso's metric decreased to 1.1 months. McAllen's metric fell continuously to 2.2 months, while Brownsville's inventory fell to 1.5 months in January. This indicated the inventory levels are declining, and the ongoing construction needs to be completed quickly to keep up with demand.

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. El Paso's DOM fell to 41 days, while McAllen's fell to 45 days. Laredo's DOM increased to 42 days, while listings in Brownsville averaged nearly two months on the market.

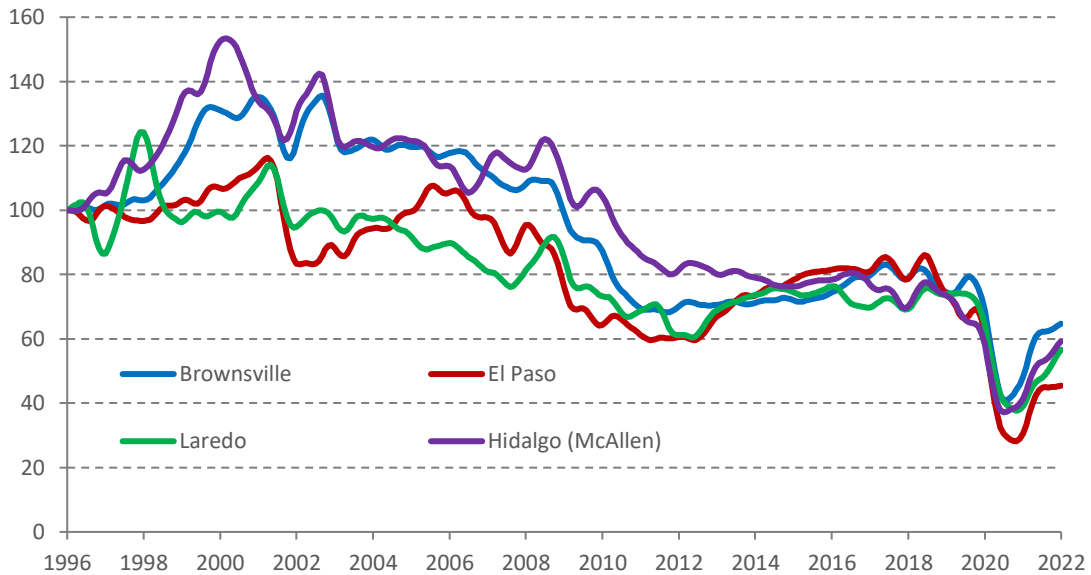
Compositional changes contributed to growth in the **median home price** along the border metros as tight inventories at the lower-end of the market pushed activity into higher price cohorts. El Paso's and Brownsville's metrics were all-time highs at \$219,903 and \$245,984, respectively. Median home price for McAllen plunged from December's record high of \$219,740 to \$208,488 in January. The metric increased in Laredo from \$210,836 to \$216,401.

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



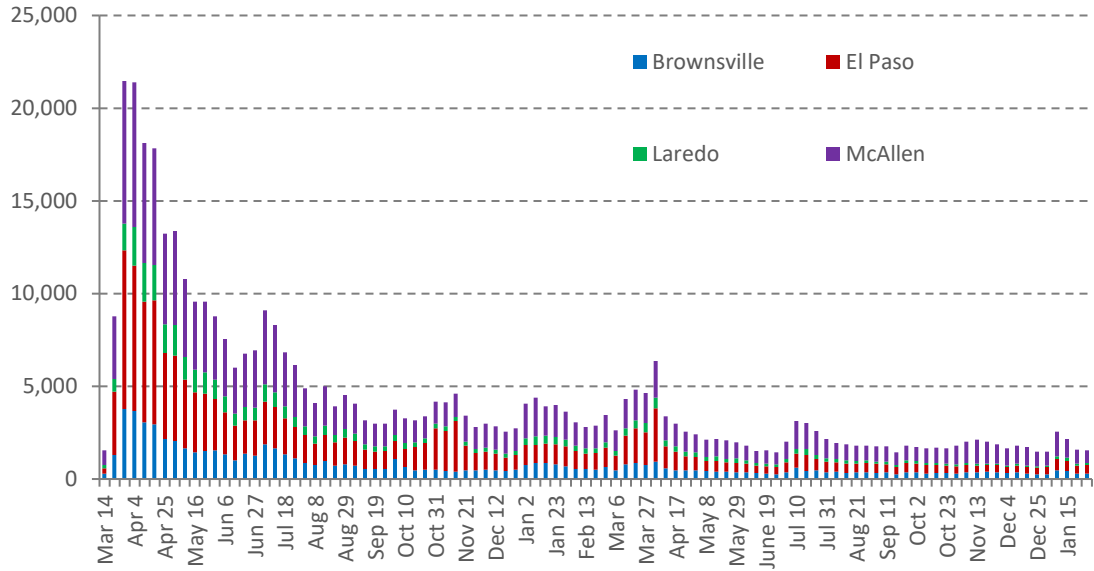
Note: Pedestrians entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection. Trend-cycle component.  
Source: U.S. Bureau of Transportation Statistics

**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)**

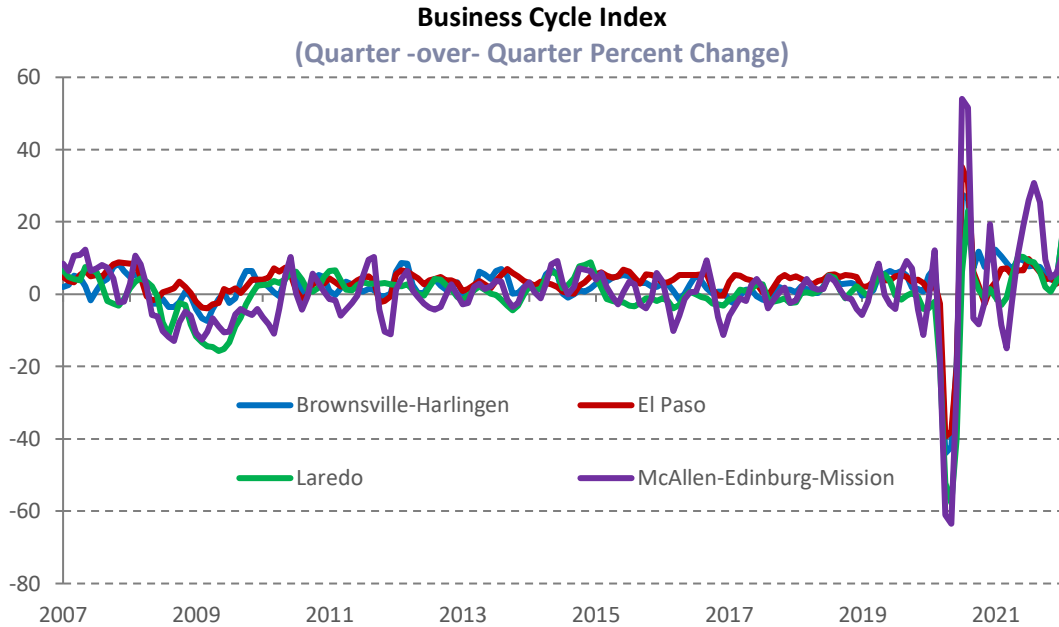


Note: Seasonally adjusted.

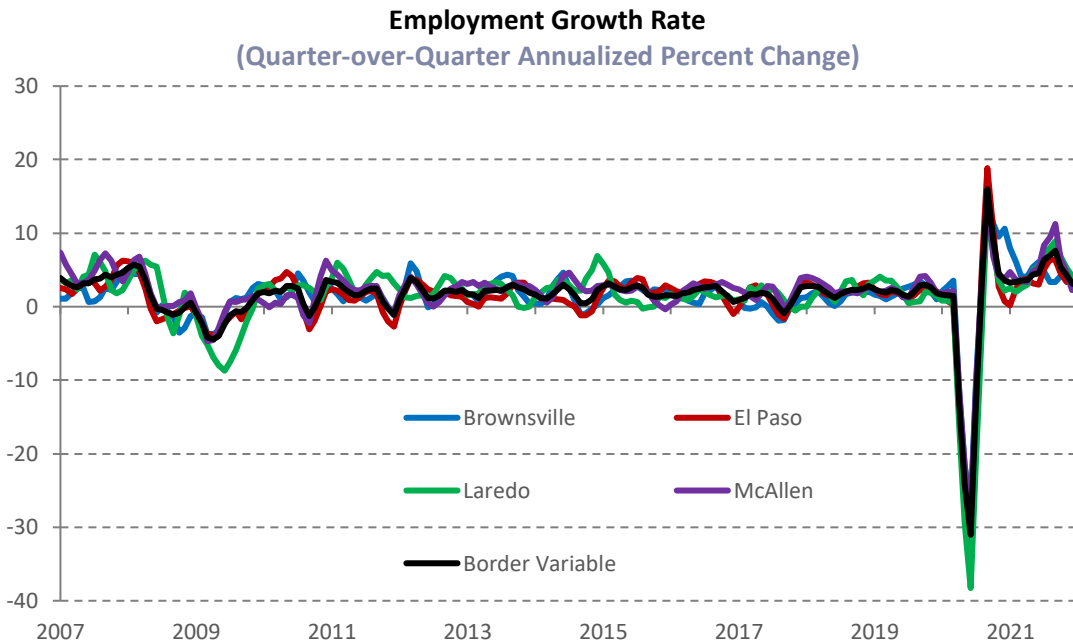
Sources: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, and Texas Real Estate Research Center at Texas A&M University calculations



# Economic Activity

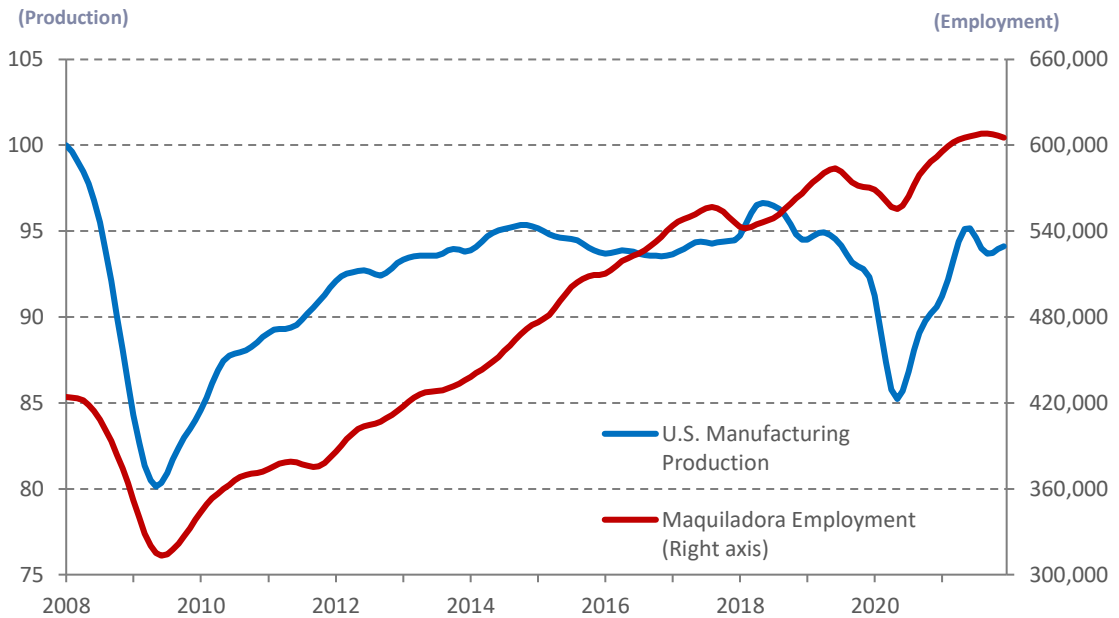


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).  
Source: Federal Reserve Bank of Dallas



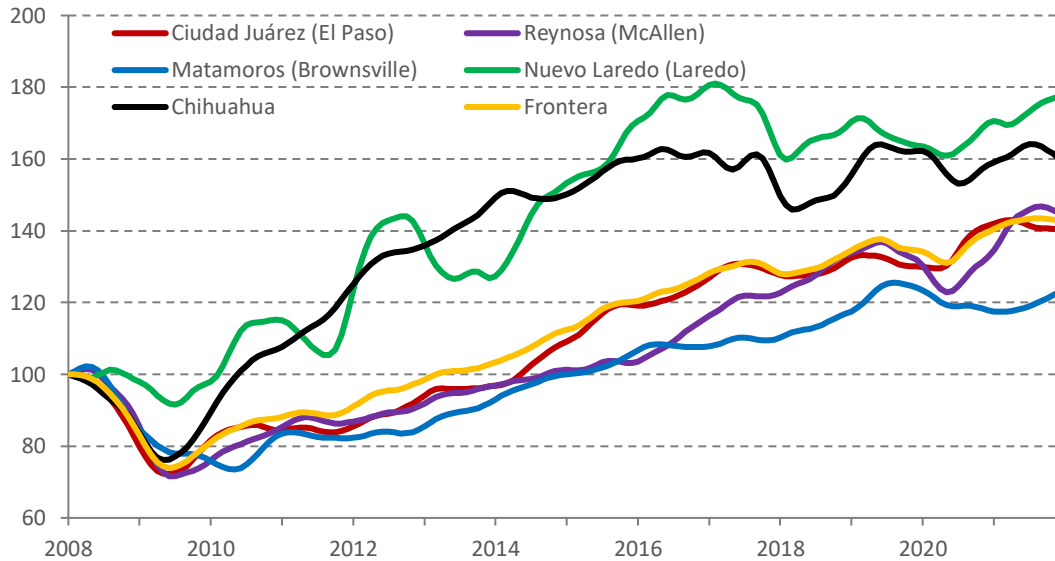
Note: Seasonally adjusted, three-month moving average. April 2021 is preliminary.  
For more information, see [Employment Growth Rate](#).  
Source: Bureau of Labor Statistics

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



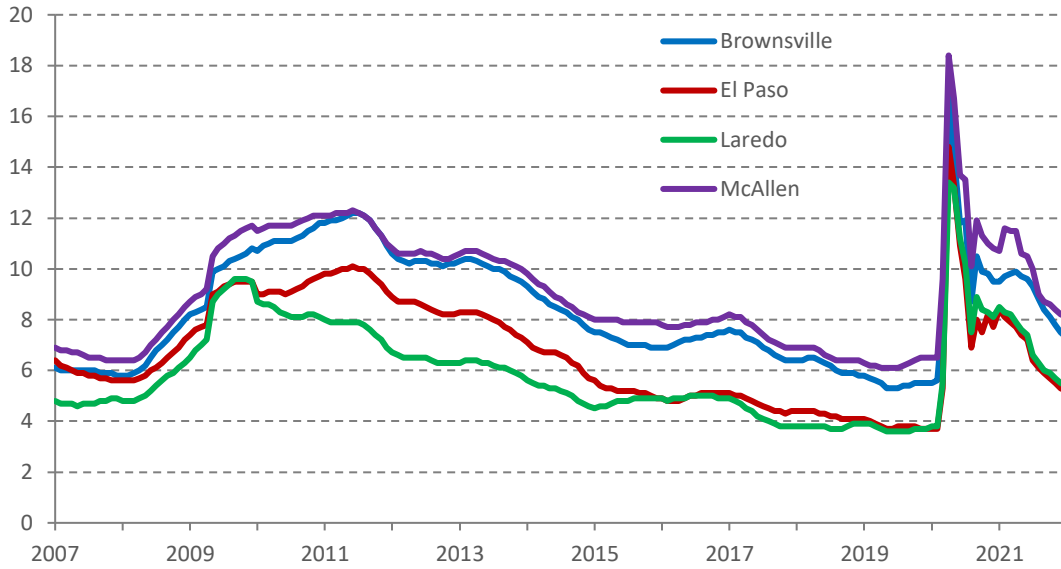
Note: Trend-cycle component.  
Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

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



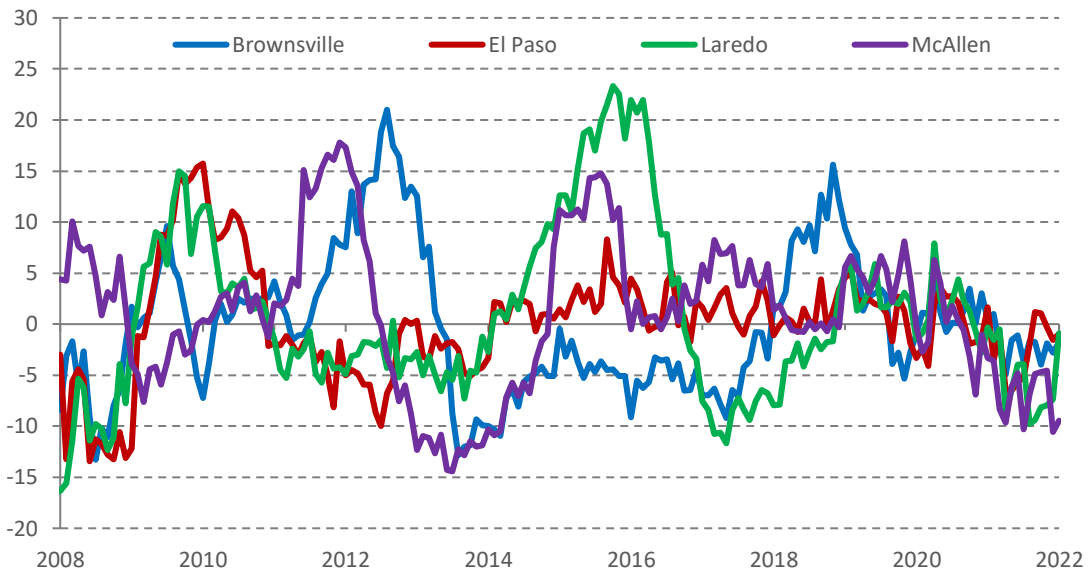
Note: Trend-cycle component.  
Source: Instituto Nacional de Estadística y Geografía

### Unemployment Rate (Percent)



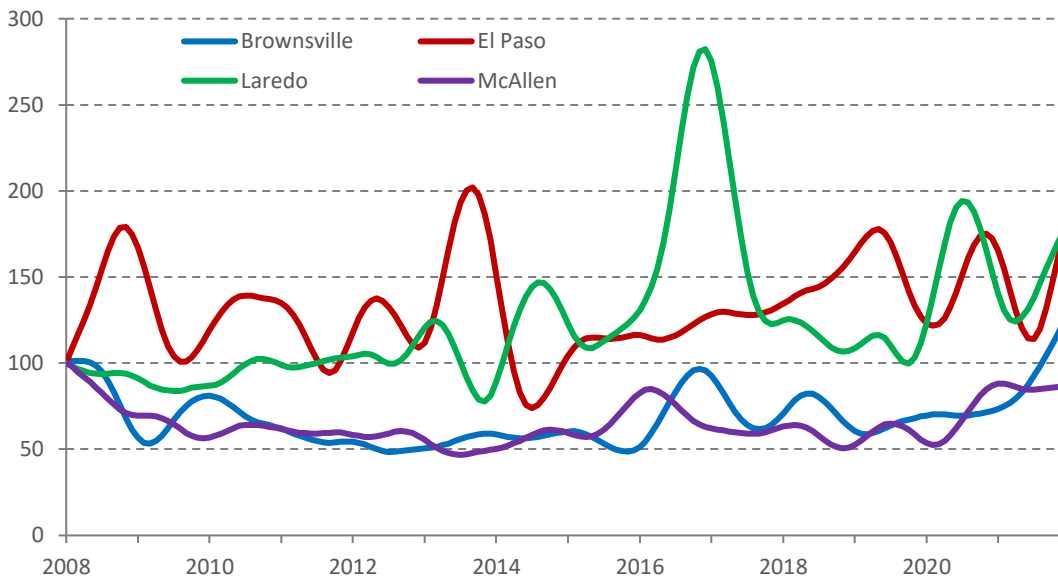
Note: Seasonally adjusted. April 2021 is preliminary. For more information, see [Unemployment Rate](#).  
Source: Bureau of Labor Statistics

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



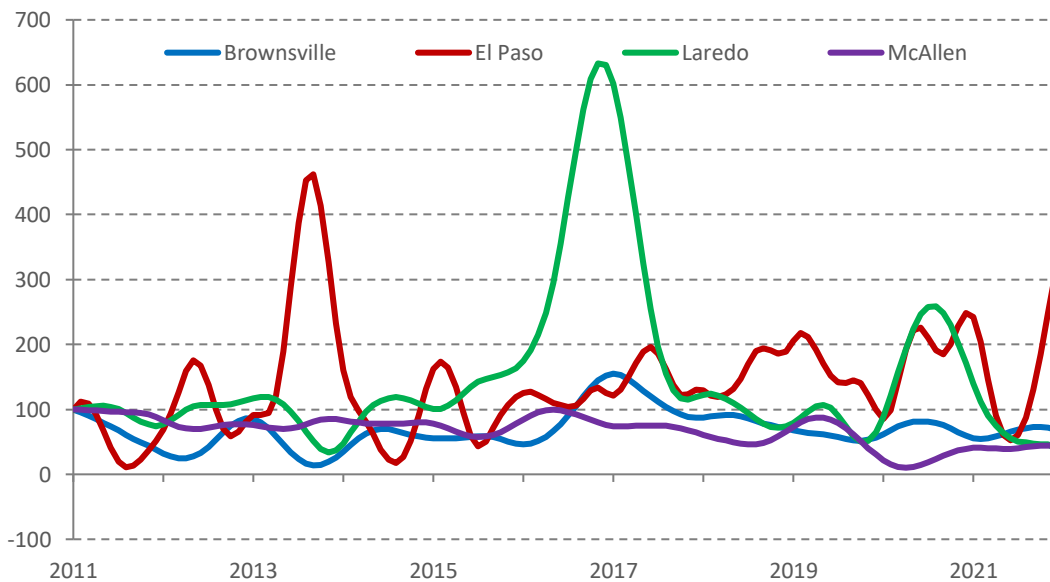
Notes: Inflation adjusted, seasonally adjusted. April 2021 is preliminary.  
For more information, see [Total Private Employee Hourly Earnings](#).  
Source: Bureau of Labor Statistics

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



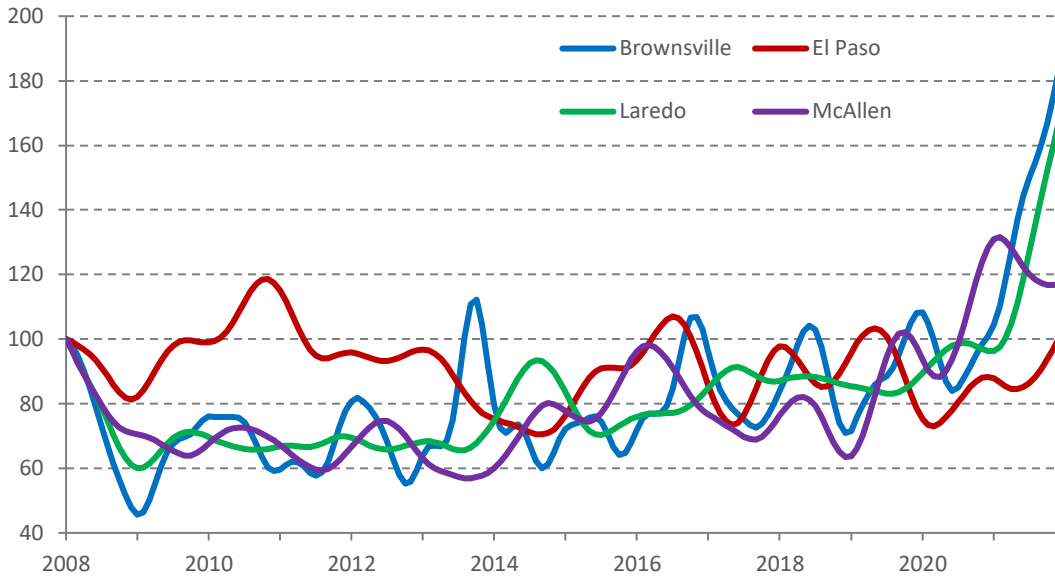
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

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



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

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



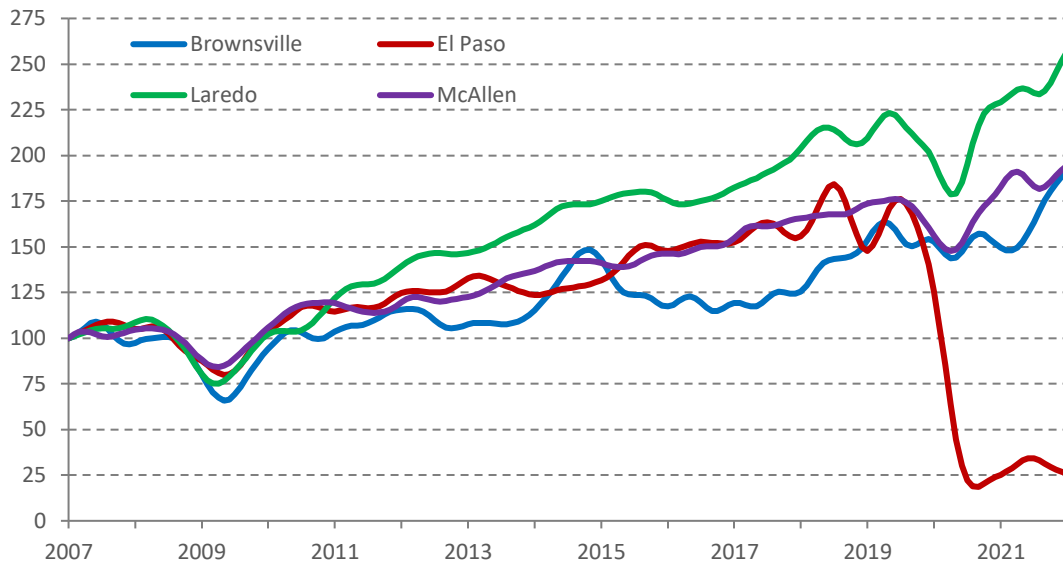
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

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



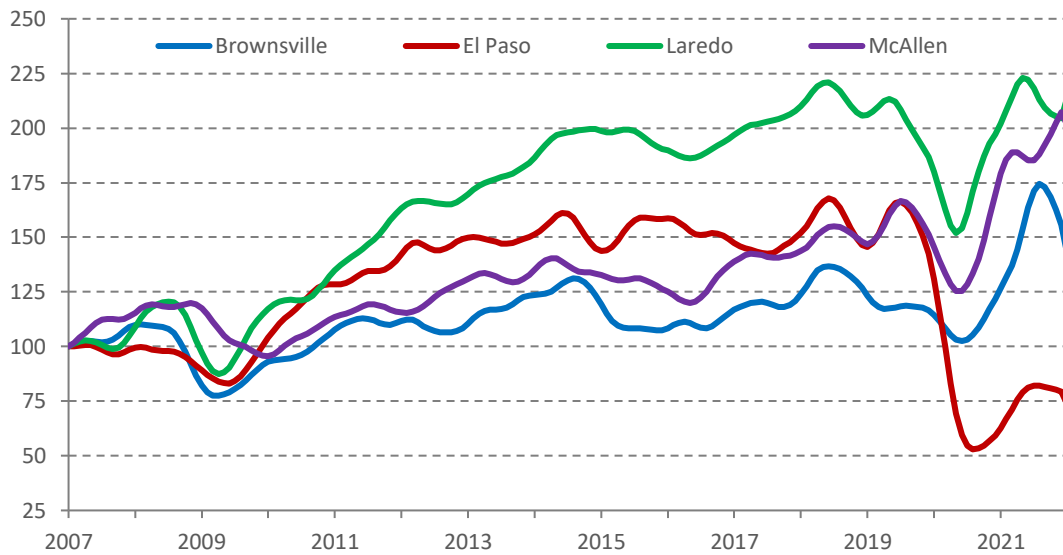
Note: Deflated using the Texas Trade Weighted Value of the Dollar.  
Source: Federal Reserve Bank of Dallas

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



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

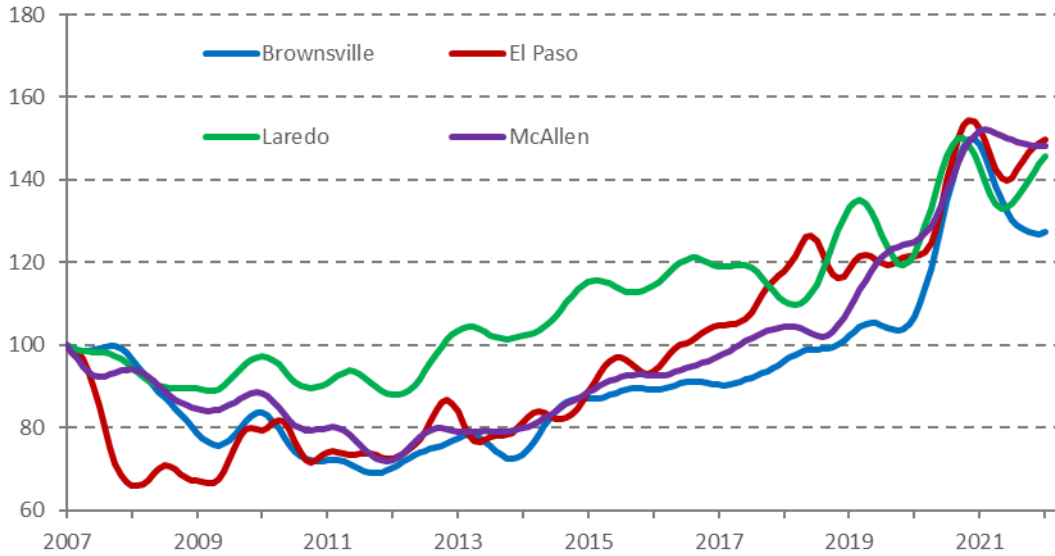
### Export Values (Index Jan 2007 = 100)



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

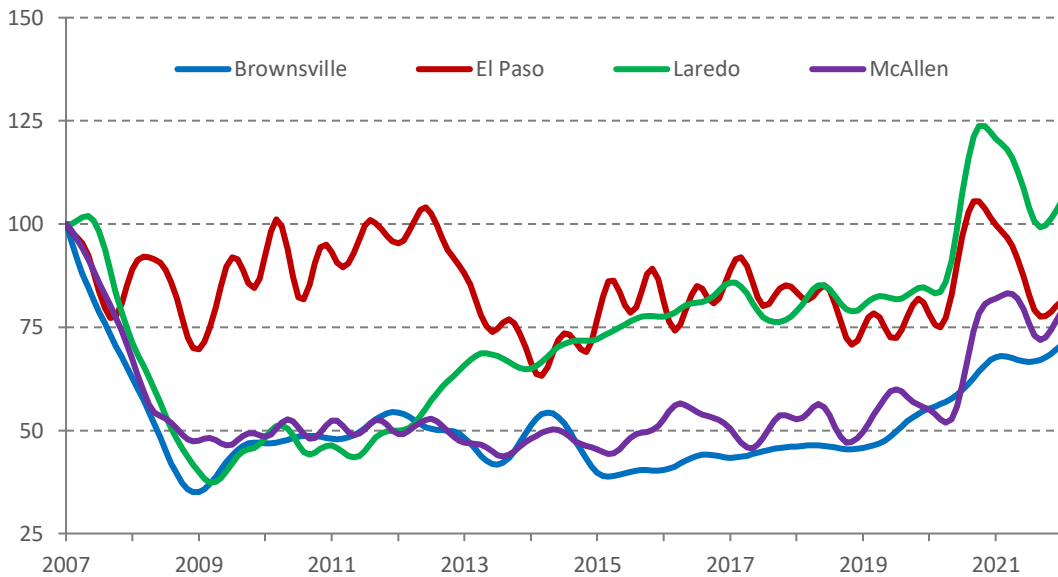
# Housing

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



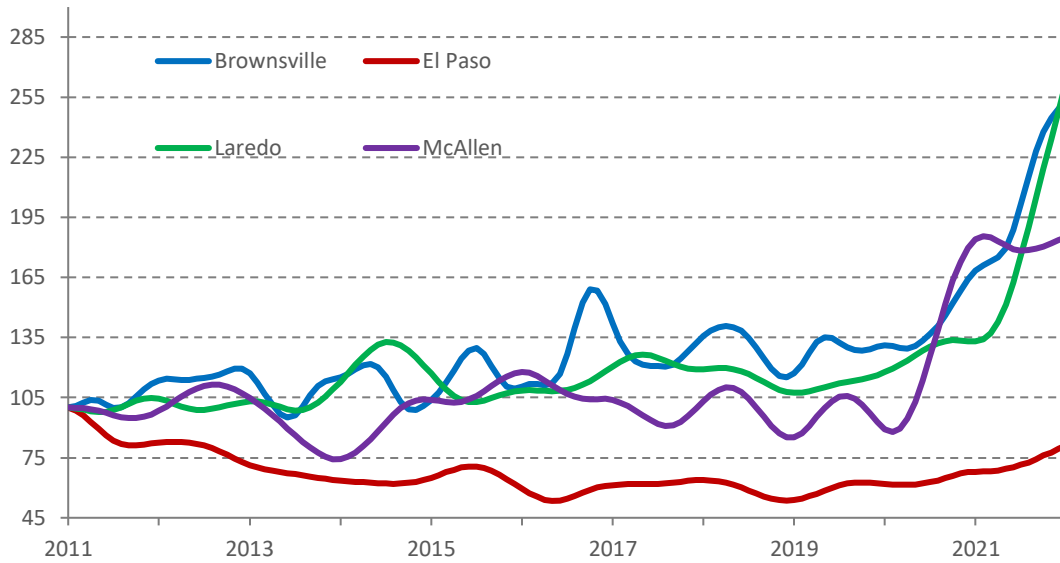
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



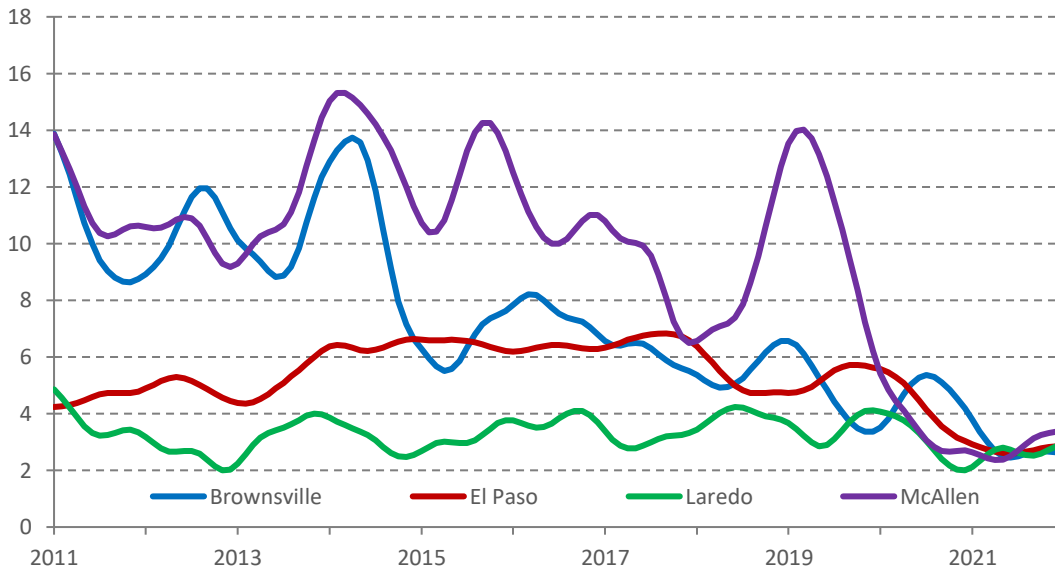
Note: Trend-cycle component.  
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

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



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

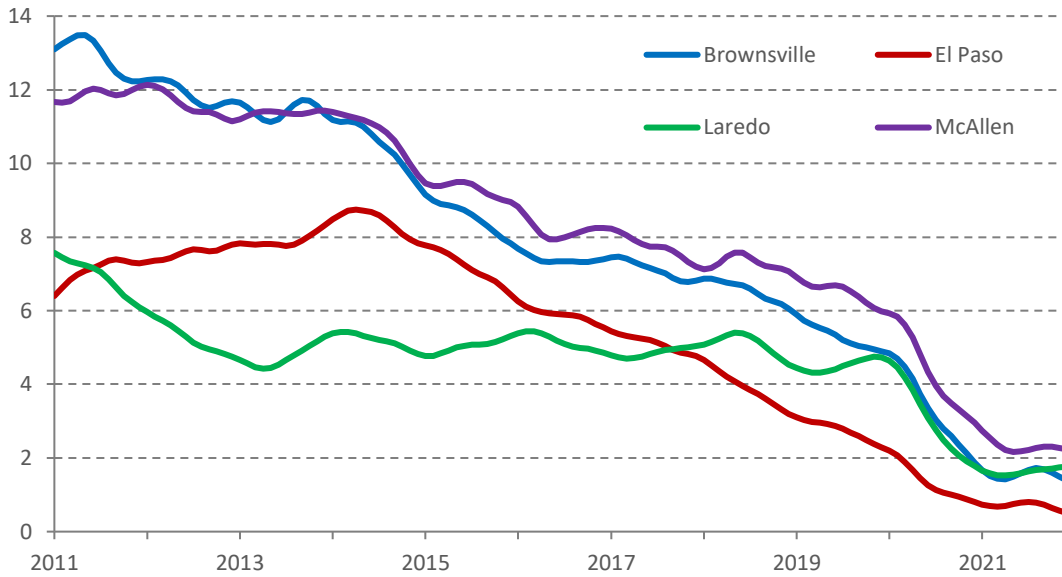
**New Home Months of Inventory**  
(Months)



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

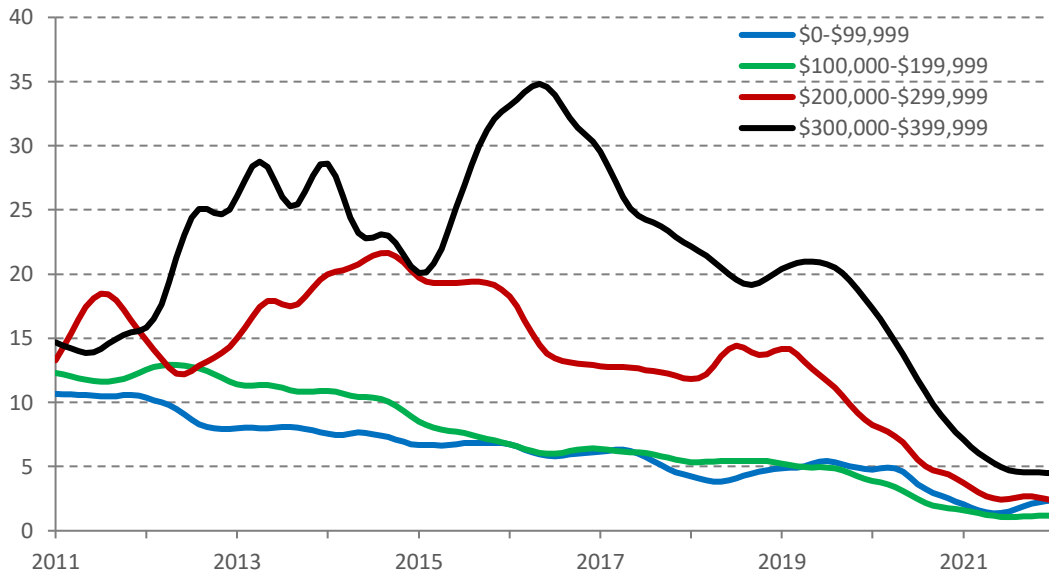


### Existing Home Months of Inventory (Months)



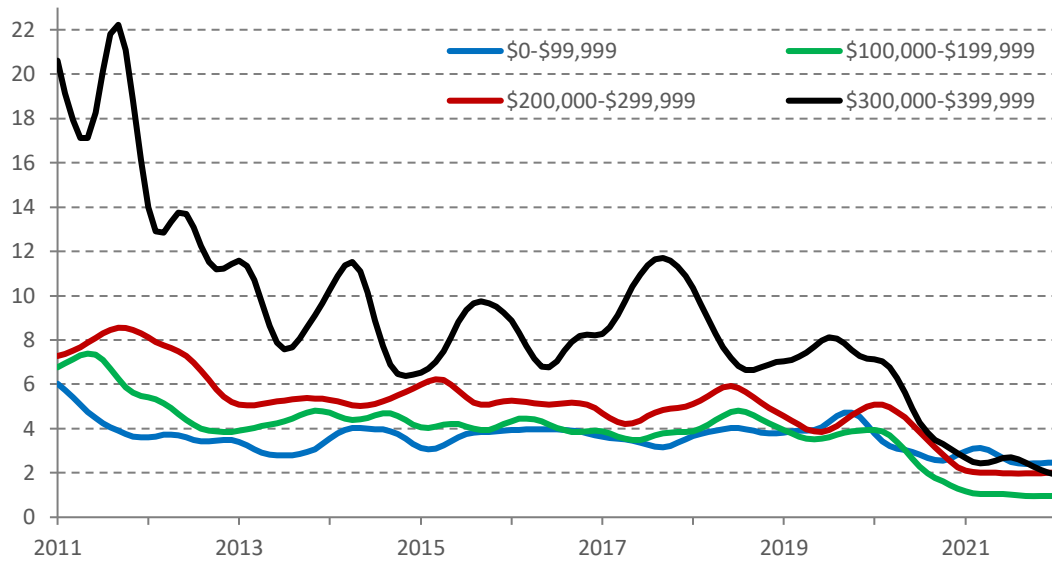
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



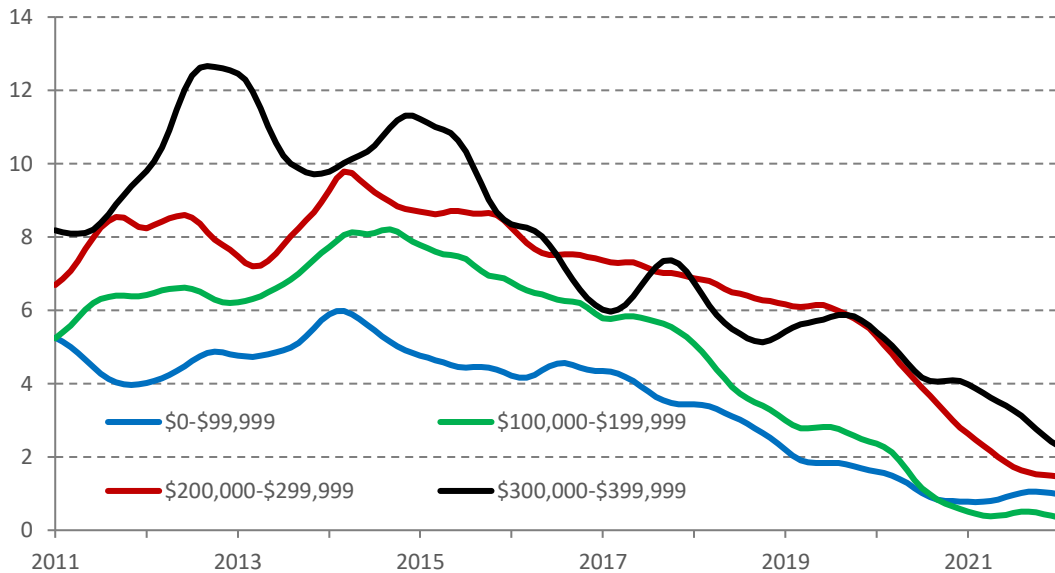
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



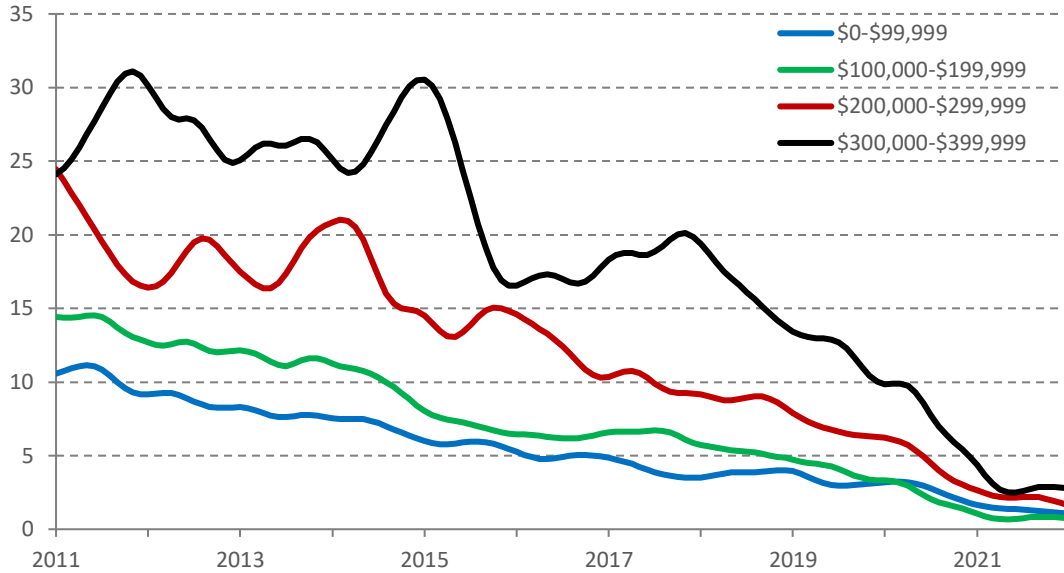
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



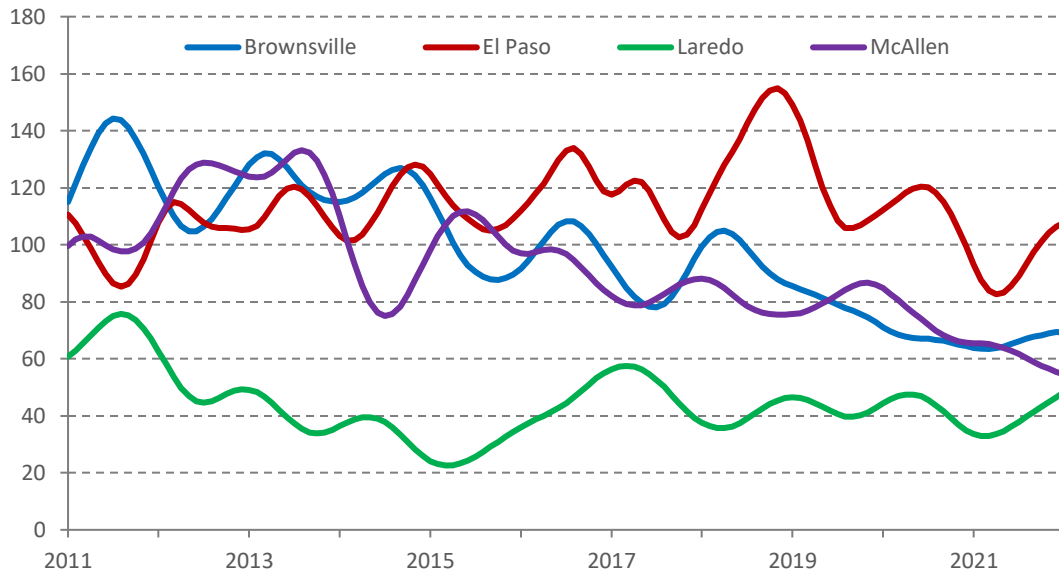
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



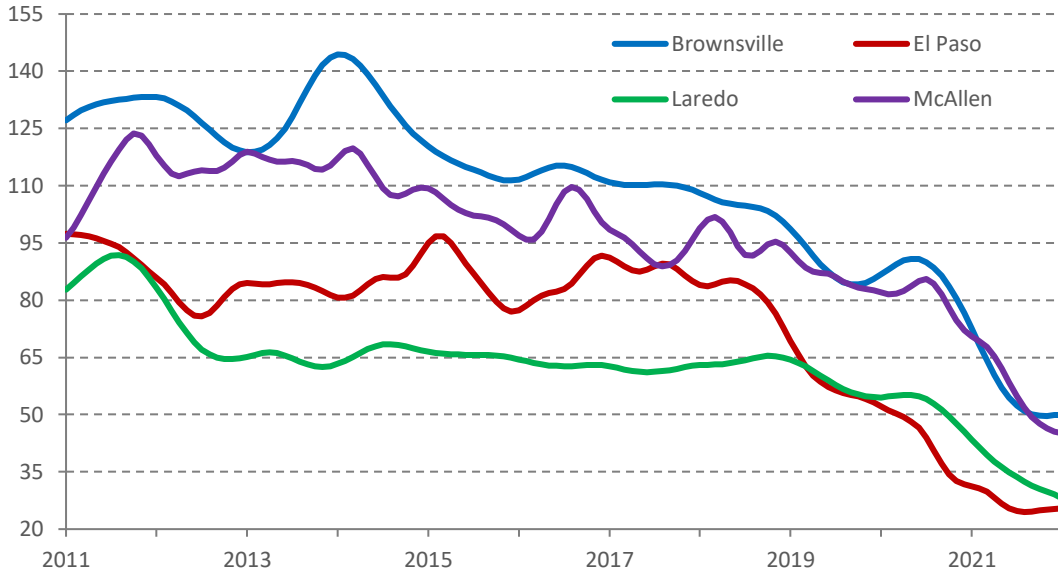
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### New Home Days on Market (Days)



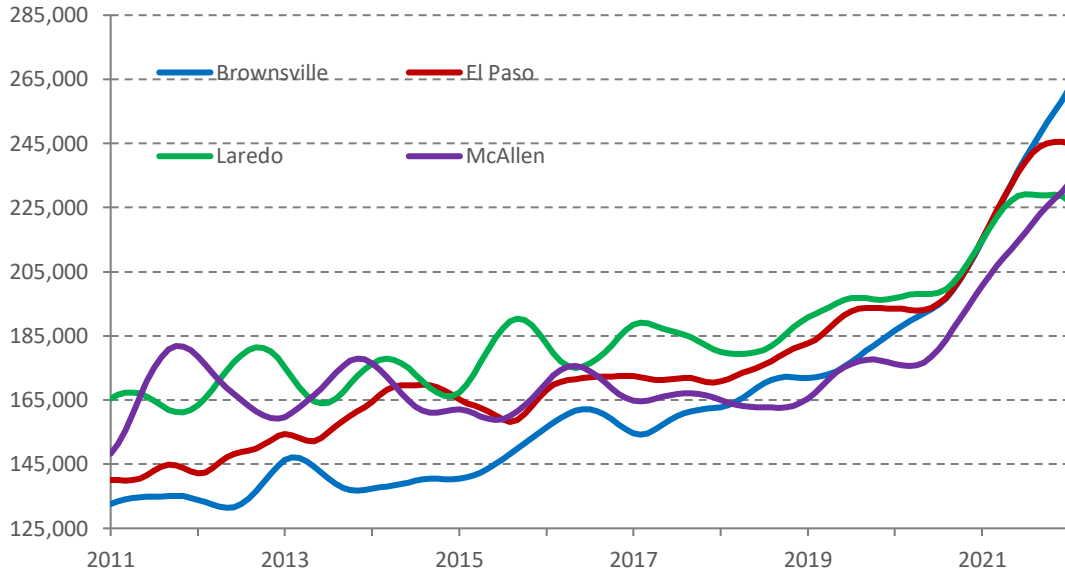
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Existing Home Days on Market (Days)



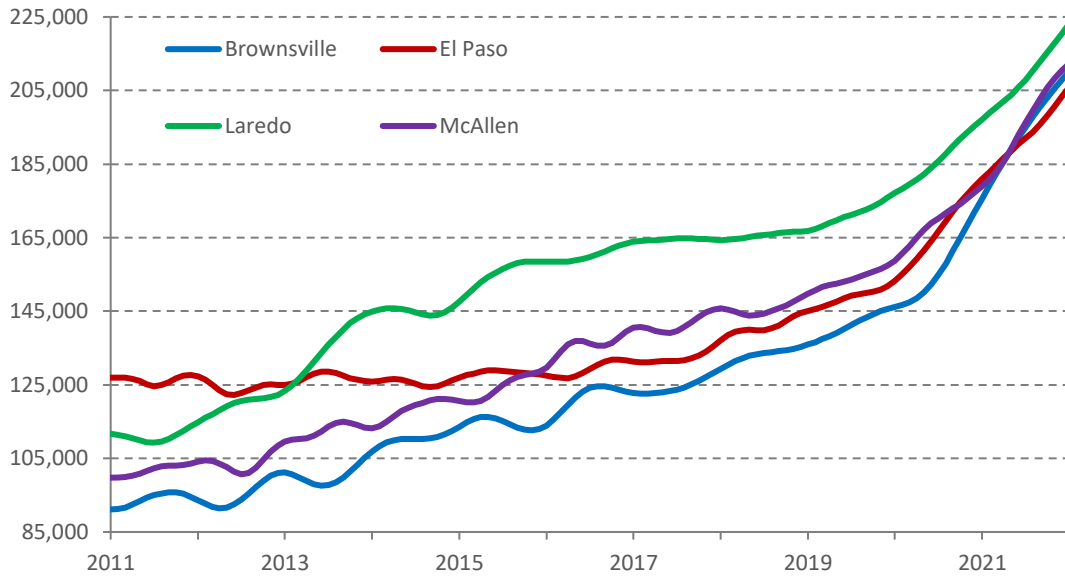
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



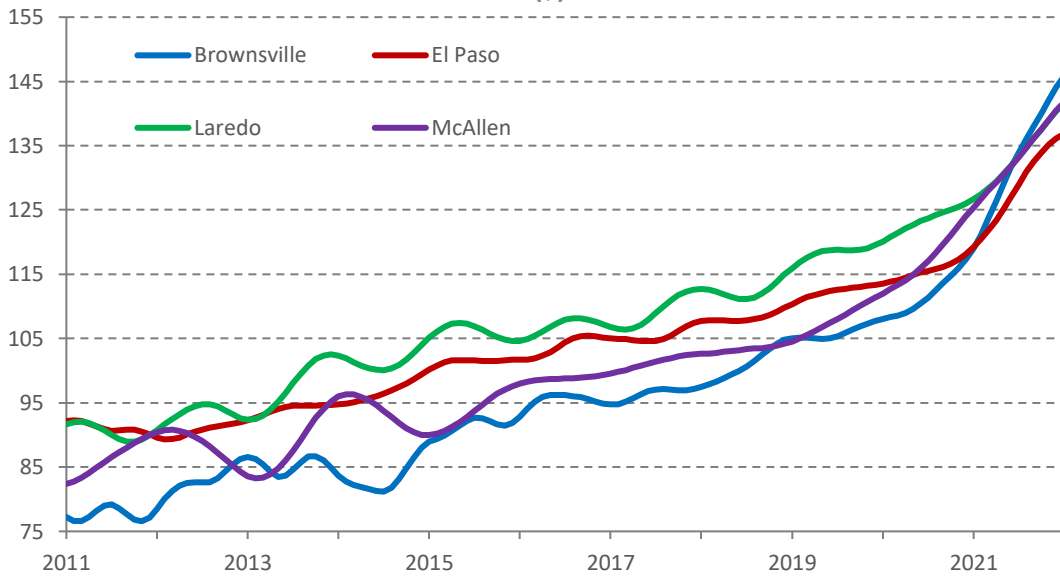
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



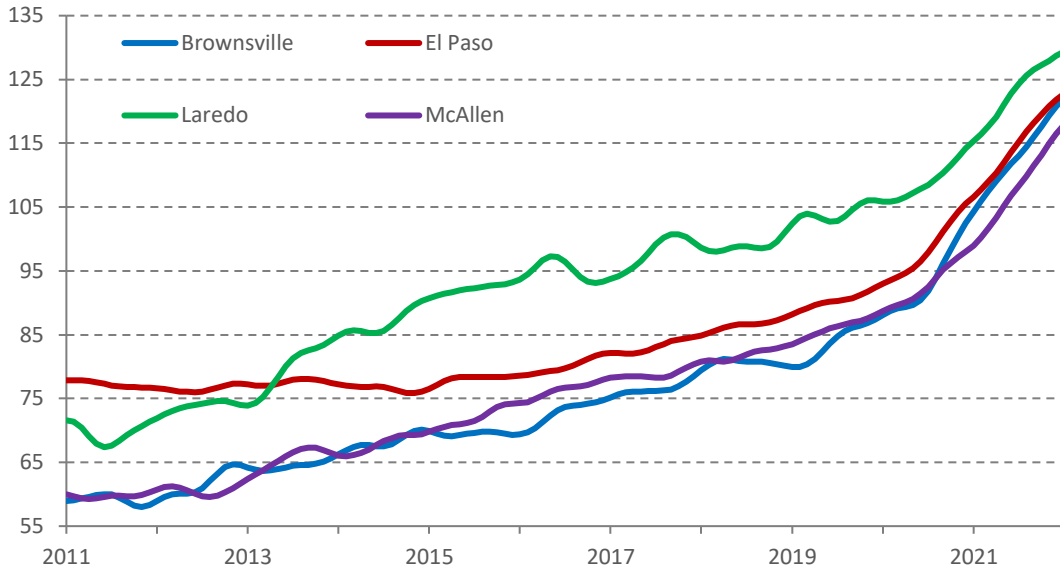
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



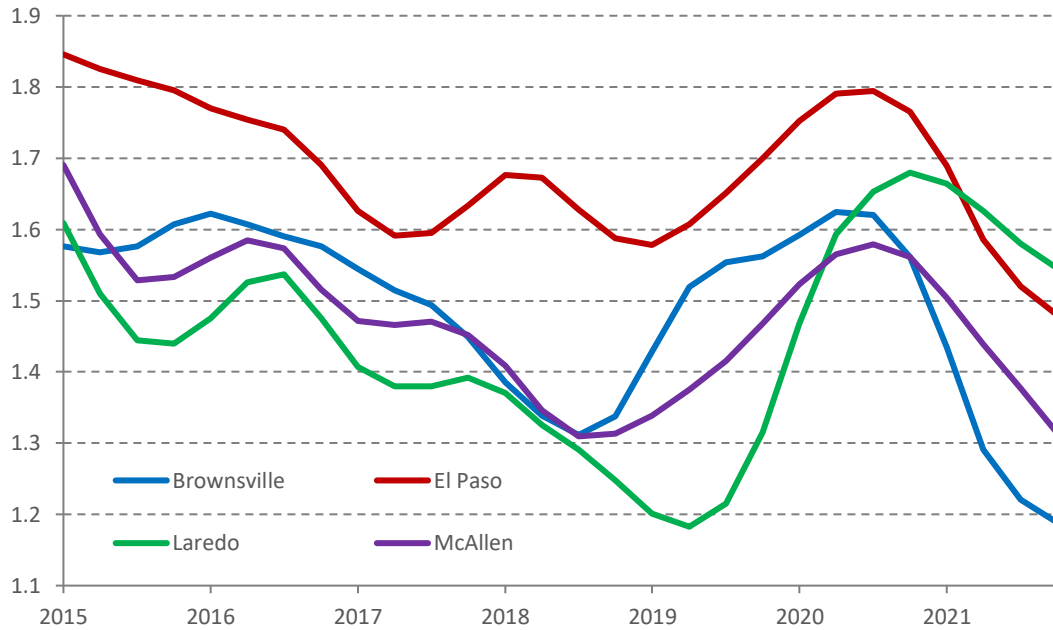
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### 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

### Housing Affordability Index (Ratio)



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



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