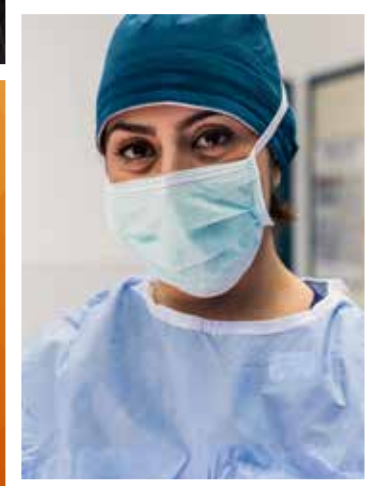
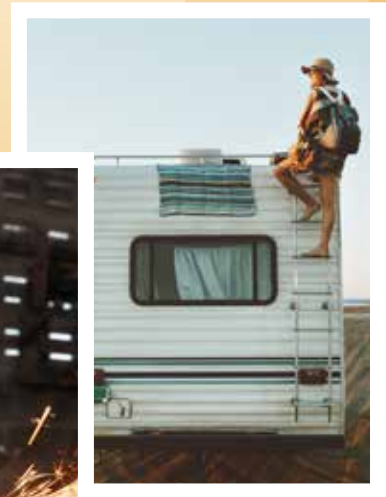
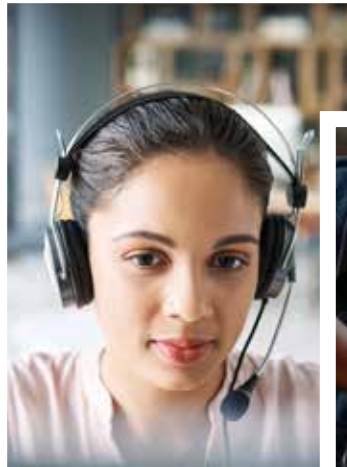


TEXAS BORDER ECONOMY

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TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

TECHNICAL REPORT

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MAY 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.

Joshua Roberson and Rajendra Patidar

Data current as of June 17, 2022

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Border Summary

BORDER EMPLOYMENT

▲ 1.7% SAAR

FEB. MAQUILADORA EMPLOYMENT

▲ 6,475 jobs

TOTAL TRADE VALUES

▲ 6.3% MOM

HOUSING SALES

▼ 0.1% MOM

May 2022

Texas' border economy has begun rebounding from the COVID-19 pandemic as the virus and global conditions have started to normalize. However, economic indicators for May showed mixed responses. The border economy depends heavily on international trade and labor supply with Mexico, which can be valued at about \$350 billion per year.

Payrolls in border Metropolitan Statistical Areas (MSAs) showed little or no growth. Construction activity increased and trade improved as imports increased across the border areas, but growing inflation, scarcity of raw materials, and supply chain issues persisted. Home sales decreased for the second time this year, primarily due to rising home prices and higher mortgage rates. Mortgage rates recently jumped to a 14-year high, and homebuilders and real estate agents are reporting a significant pullback in sales. Rising median home prices and depleting inventory remained challenges for housing markets. In addition to COVID-19-related supply chain disruptions, conflict in eastern Europe and Russia's aggression in Ukraine disrupted the global economy and international trade. Rising inflation and interest rates will likely hamper demand and the overall border economy in the future.

Economy

The **Dallas Fed's Business-Cycle Indexes indicated a rise in economic growth**. McAllen's metric accelerated 7.9 percent on a seasonally adjusted annualized rate (SAAR) amid the largest payroll expansion among all border metros. El Paso's index was up 0.5 percent, while Brownsville and Laredo's indexes increased by 3 and 5.7 percent, respectively. Pedestrian and personal vehicle crossing have continuously increased since the government lifted the restrictions. There was a surge in immigrants trying to enter through the Texas-Mexico border and seek asylum in the United States.

Overall, **border nonfarm employment** didn't grow in May. McAllen added 900 jobs while El Paso lost 900. Laredo and Brownsville reported insignificant job growth. Trade and transportation reported major job losses. On the southern side of the border, **Mexican manufacturing and maquiladora employment¹** increased by 6,475 jobs in May. Reynosa's employment increased by 1.1 percent and Juarez's by 0.9 percent month over month (MOM) after adding 1,602 and 2,763

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.



workers, respectively. Meanwhile, maquiladora employment in Matamoros and Nuevo Laredo accelerated by 0.6 percent and 2.7 percent MOM, respectively, after adding 426 workers in the former and 817 in the latter. Global supply chain pressures declined in May after a sudden increase earlier in the year. Global Supply Chain Pressure Index (GSCPI) indicated that, although global supply chain pressures have been decreasing, they remain at historically high levels.

The S&P Global Mexico Manufacturing PMI for May indicated further deterioration in the overall confidence of Mexican manufacturing primarily due to outstanding business and the second sharpest rise in input cost in a decade. Demand sank, causing a decline in factory orders and production output.

The average **unemployment rate** among the border metros fell to 6 percent in May. Joblessness fell to 4.7 percent in both El Paso and Laredo, while metrics for the Rio Grande Valley fell to 7.6 percent and 6.6 percent in McAllen and Brownsville, respectively. Additionally, the labor force participation rate ticked up across the state, and there was no change in weekly initial unemployment claims across border areas during May (Figure 3).

Fluctuations in the **average private hourly earnings** revealed mixed growth along the border as wages fell in McAllen and Laredo. Moreover, inflationary pressures prevented meaningful gains in purchasing power. Earnings in McAllen fell in real terms to an average nominal wage of \$19.35. Hourly wages in Brownsville (\$17.89) trended upward, increasing by 0.62 percent, while Laredo (\$19.37) reported a decrease of 0.31 percent MOM. El Paso's average private hourly earnings were at an all-time high of \$21.96, increasing 2 percent over the previous month. While baseline effects are mechanically weighed on year-over-year (YOY) numbers, nominal wages are approaching pre-pandemic levels along the border.

Total construction values accelerated during May due to improvement in overall residential construction values. Changes in residential and nonresidential values varied across border areas. El Paso reported notable progress in nonresidential values due to continuous growth in the construction of stores, offices, and hotels. Construction of stores and restaurants increased in McAllen, but overall values are due to a decline in other sectors. On the other side, both residential and nonresidential values decreased in Laredo and Brownsville.

In the currency market, the **peso per dollar exchange rate** dropped to \$20.05, but the inflation-adjusted rate² decreased 5.8 percent YOY and 2.5 percent MOM, revealing gains for Mexican importers. **Total trade values** increased by 6.3 percent along the border areas in May. At the metropolitan level, total imports grew by 4.2 percent due to expanding trade activities in McAllen and Brownsville, rising 16 and 7.5 percent, respectively. Exports increased 9.2 percent along the border with Laredo and McAllen increasing by 8.1 and 6.4 percent, respectively. Export values accelerated in El Paso exponentially, while the metric is rebounding after declining in the initial months of the year. The border's trade sector remains an integral component of the local

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.

economies. El Paso's trade performance was phenomenal due to impressive growth in exports and reduction in imports, which made it the only trade surplus county in the Texas border area.

Housing

Border housing sales were mostly unchanged in May after rising earlier in the year. In the Rio Grande Valley, McAllen posted a 4 percent decrease in housing sales, and Brownsville had a 9 percent decline. Sales activity in Laredo increased slightly, while El Paso's metric rose by 3.2 percent after consecutive declines in the last two months. The sharp increase in mortgage rates is the primary reason for dwindling housing demand. The Federal Home Loan Mortgage Corporation's 30-year fixed rate was 5.23 percent in May, rising exponentially during the second quarter of this year from a record low of 2.7 percent in January 2021.

The border metros issued 990 **single-family housing construction permits**, decreasing 2.6 percent from the prior month due to a 17.6 percent drop in El Paso. A similar trend continued in Brownsville and Laredo as metrics fell by 5.5 percent in the former and 6.2 percent in the latter. McAllen continued issuing new permits for the last three months. On the other hand, **private single-family construction values** trended downward as the metric declined by 10.5 percent in the border area. Values decreased 22.5 percent in El Paso and 17.3 percent in Laredo. Construction activity in the Rio Grande Valley declined as the metric fell by 15.9 percent in McAllen and 4.2 percent in Brownsville.

While construction values corroborated positive levels on the current supply-side activity, the dearth of permits suggests long-term supply challenges. Supply chain and labor issues have slowed developers' ability to respond by ramping up construction as reported by Camden Property Trust, a Houston-based real estate investment company.

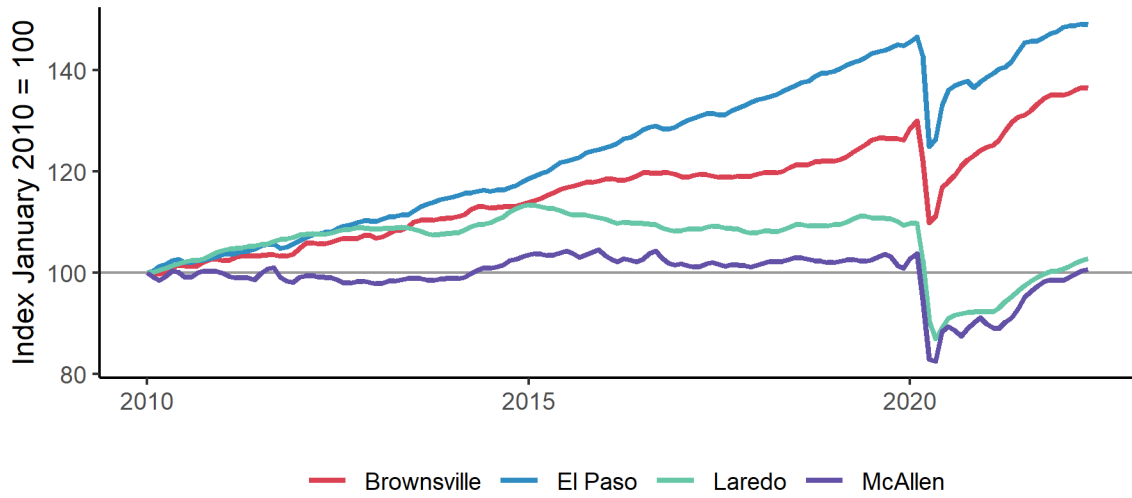
While a balanced housing market typically has a **months of inventory** (MOI) closer to six months, the MOI along the border remained much lower than this benchmark. Laredo's declining sales activity and a downtick in new listings pushed the average MOI for May to two months. El Paso's metric remained at one month. McAllen's metric increased continuously to 2.4 months, while Brownsville's inventory increased to two months. The increase in MOI during May indicates housing inventory is increasing primarily due to a decrease in home sales.

Plunging home sales increased the **average number of days on market** (DOM) along the border. El Paso's DOM increased to 45 days while it was nearly two months in McAllen. Laredo's DOM decreased to 37 days while listings in Brownsville averaged less than two months on the market.

Rising inflation contributed to growth in the **median home price**. Tight inventories at the lower end of the market pushed activity into higher price cohorts. El Paso's metric hit an all-time high of \$238,528. Brownsville's was \$268,538. McAllen remained at \$223,898 after a fall during the initial months of the year, while Laredo's metric increased from \$214,308 to \$219,741. The border area's housing market is known for its affordability, a factor that has attracted many homebuyers.

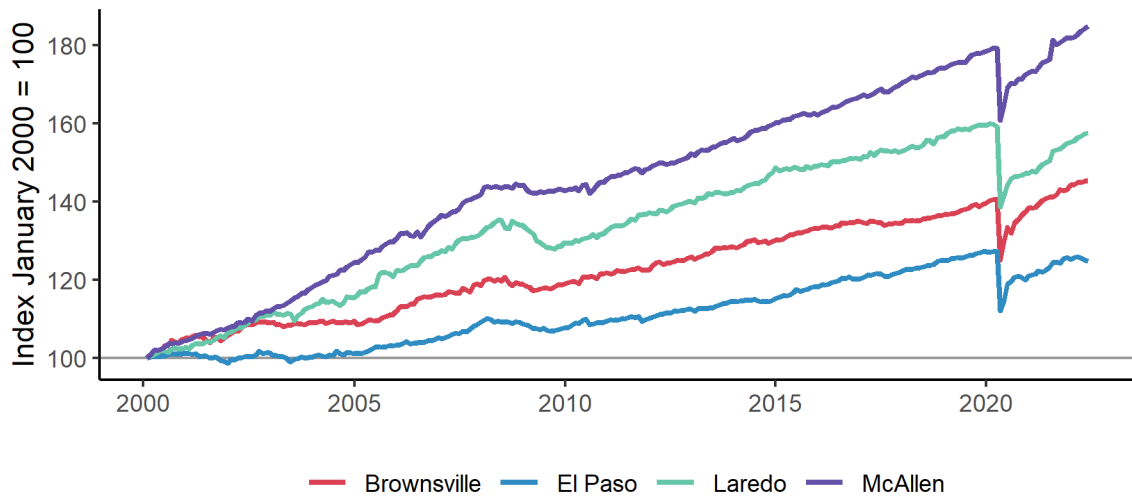
Economic Activity

Border Metro Business-Cycle Index



Source: Federal Reserve Bank of Dallas - Texas Real Estate Research Center at Texas A&M University

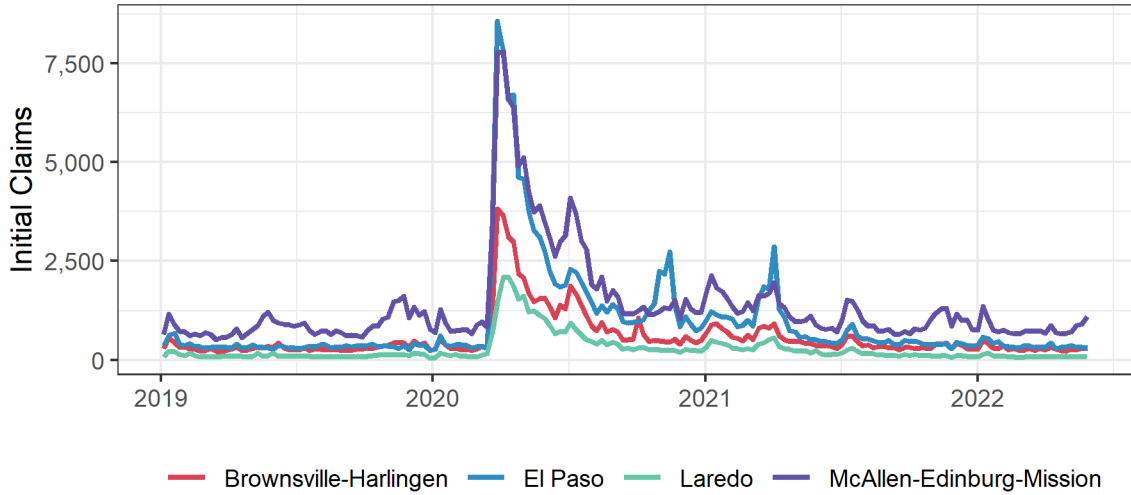
Border Employment Index



Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University *

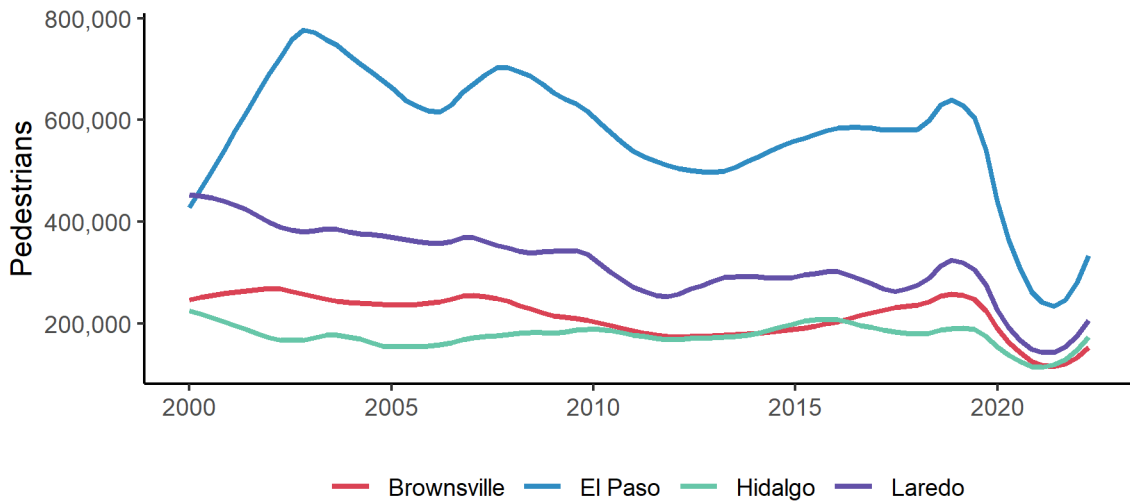
Economic Activity

Border Metro Weekly Initial Unemployment Claims



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

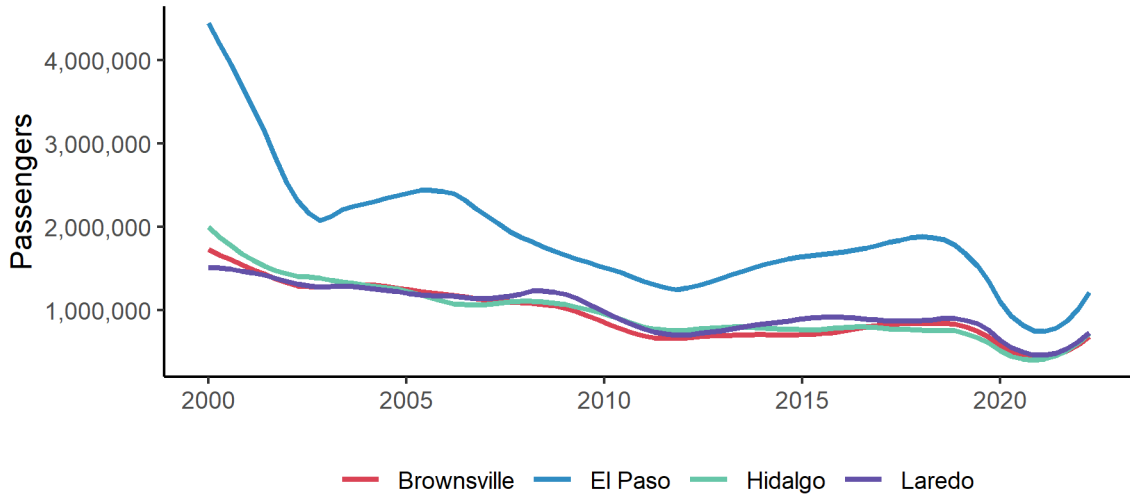
Pedestrian Border Crossings



Source: Department of Transportation - Texas Real Estate Research Center at Texas A&M University

Economic Activity

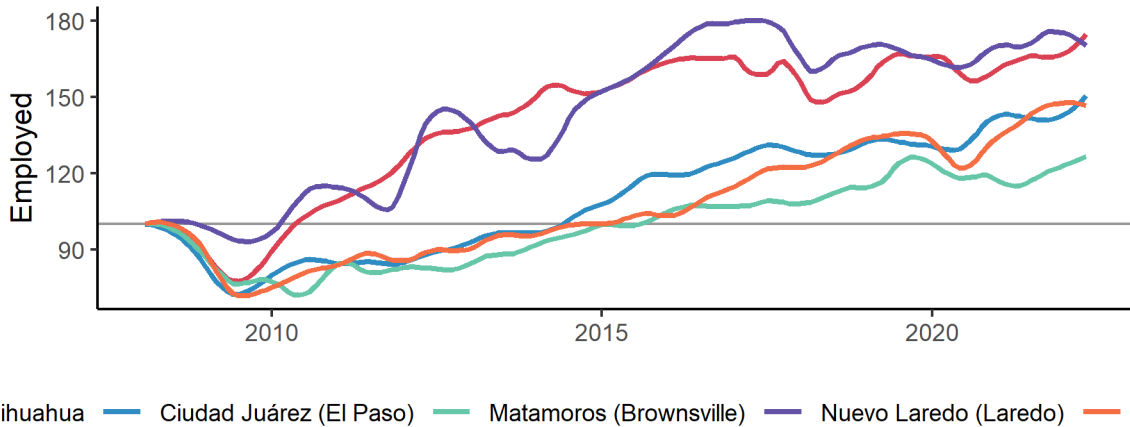
Personal Vehicle Passenger Border Crossings



Source: Department of Transportation - Texas Real Estate Research Center at Texas A&M University

Mexico Maquiladora & Manufacturing Employment

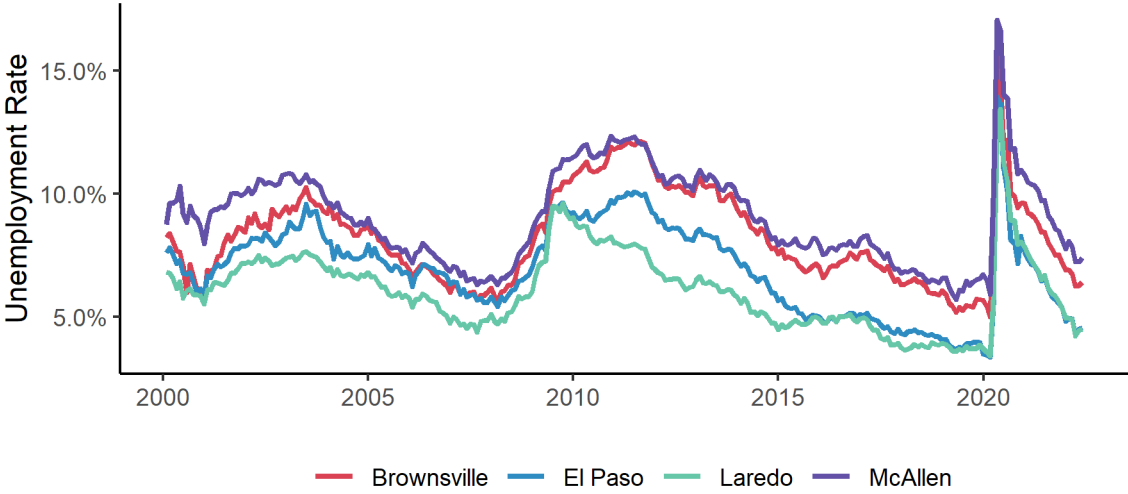
Index January 2008 = 100



Source: Instituto Nacional de Estadística y Geografía & Texas Real Estate Research Center at Texas A&M University

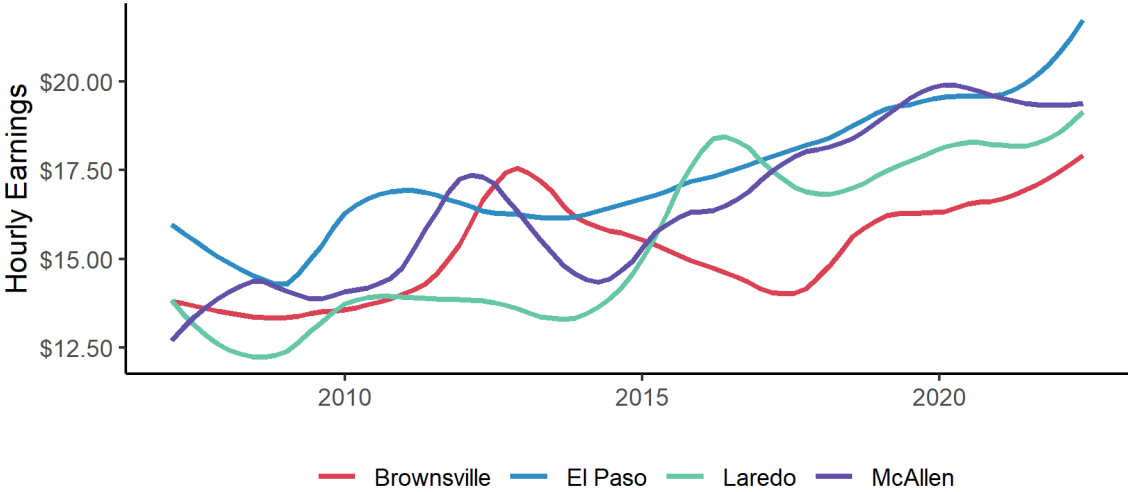
Economic Activity

Border Metro Unemployment Rate



Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University

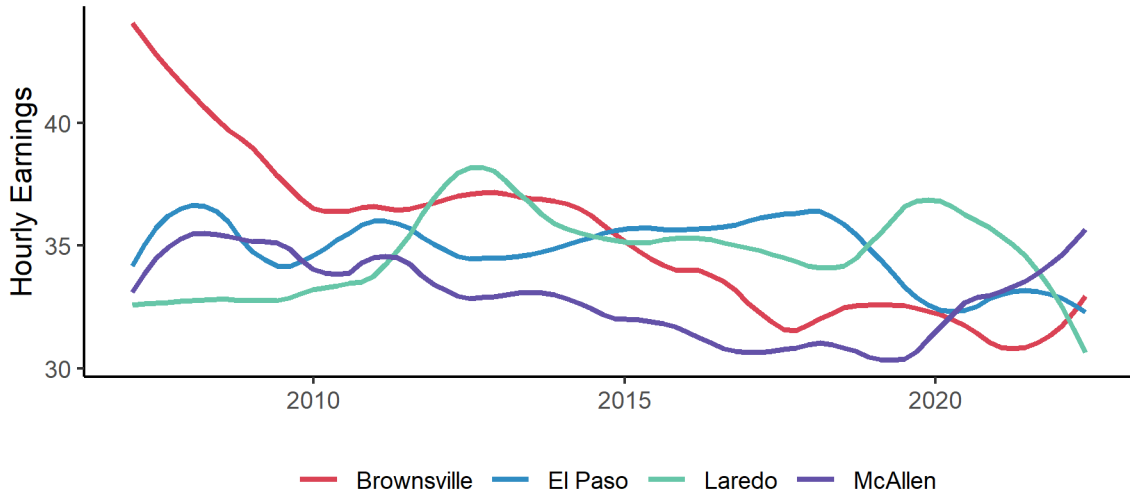
Border Metro Average Hourly Earnings



Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University

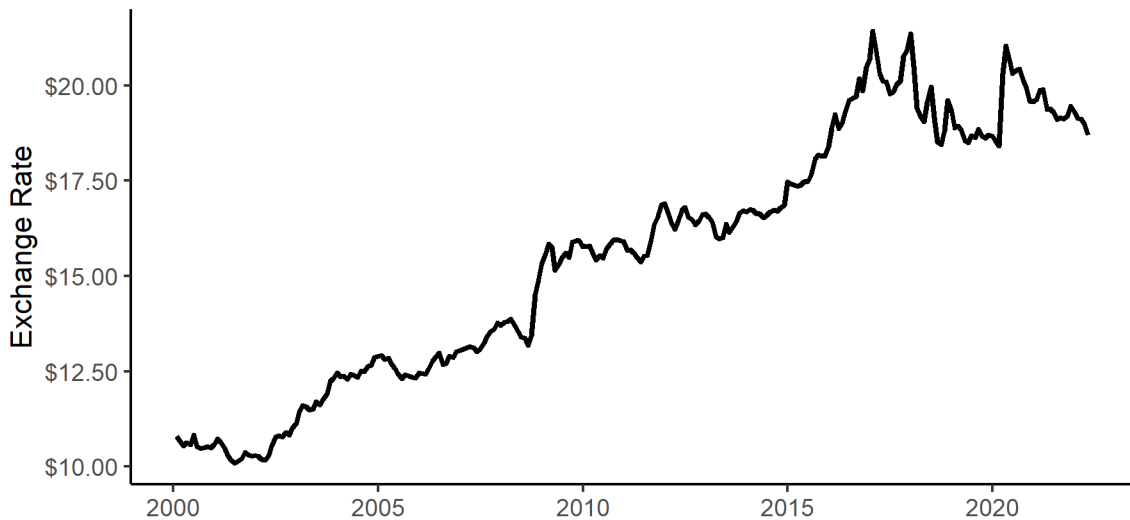
Economic Activity

Border Metro Average Weekly Hours Worked



Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University

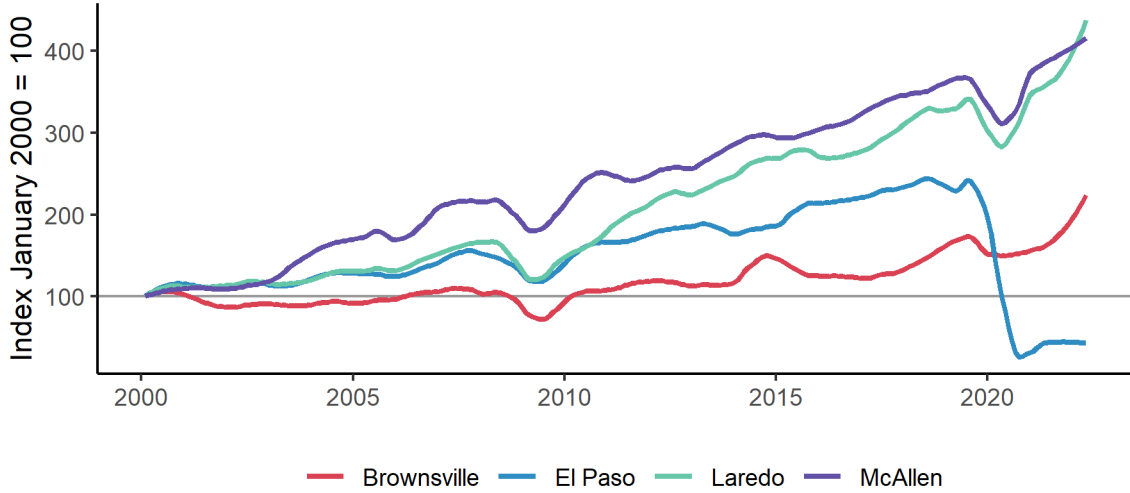
Real Peso per Dollar Exchange Rate



Source: Federal Reserve Bank of Dallas - Texas Real Estate Research Center at Texas A&M University

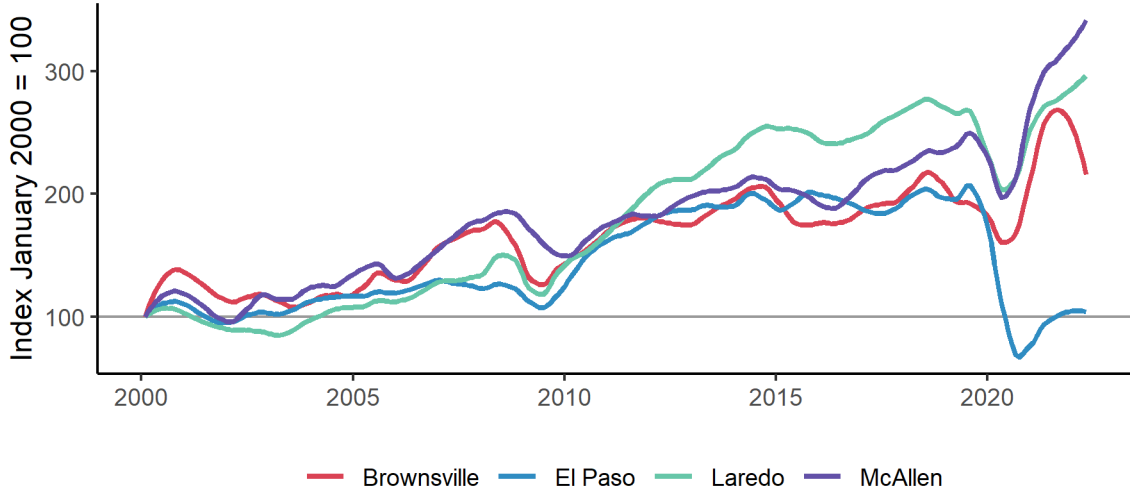
Economic Activity

Texas Border Import Values



Source: U.S. Census Bureau - Texas Real Estate Research Center at Texas A&M University

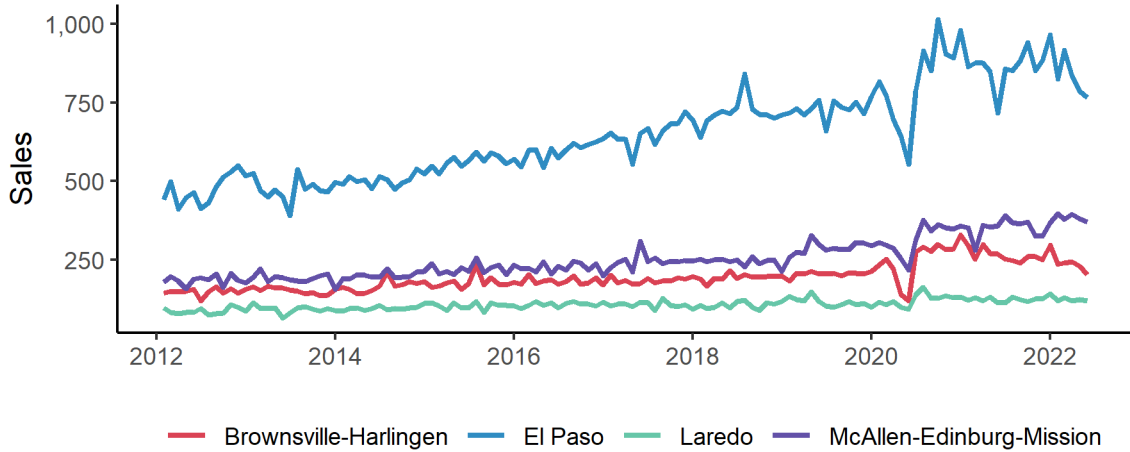
Texas Border Export Values



Source: U.S. Census Bureau - Texas Real Estate Research Center at Texas A&M University

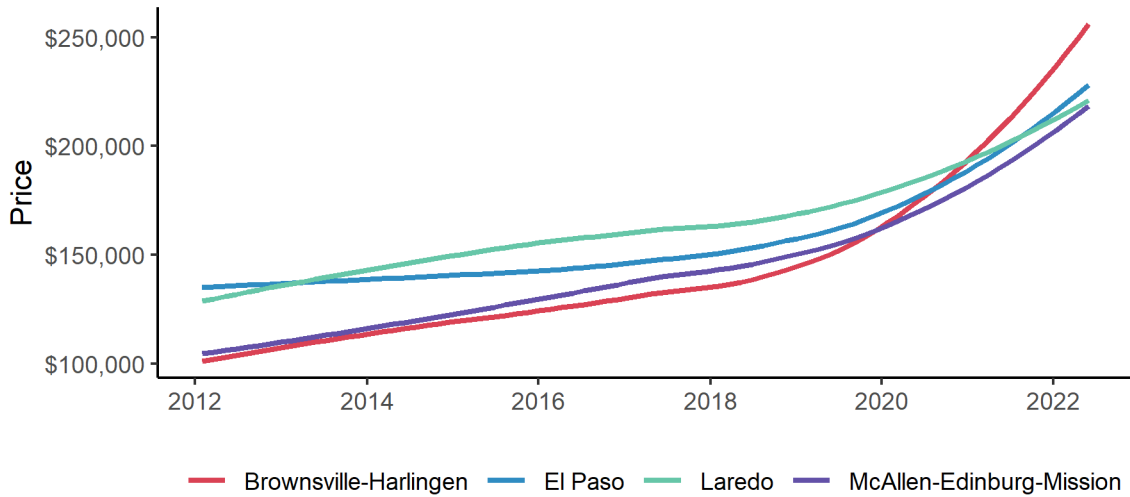
Housing

Border Metro Home Sales
Seasonally Adjusted Annualized Rate



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

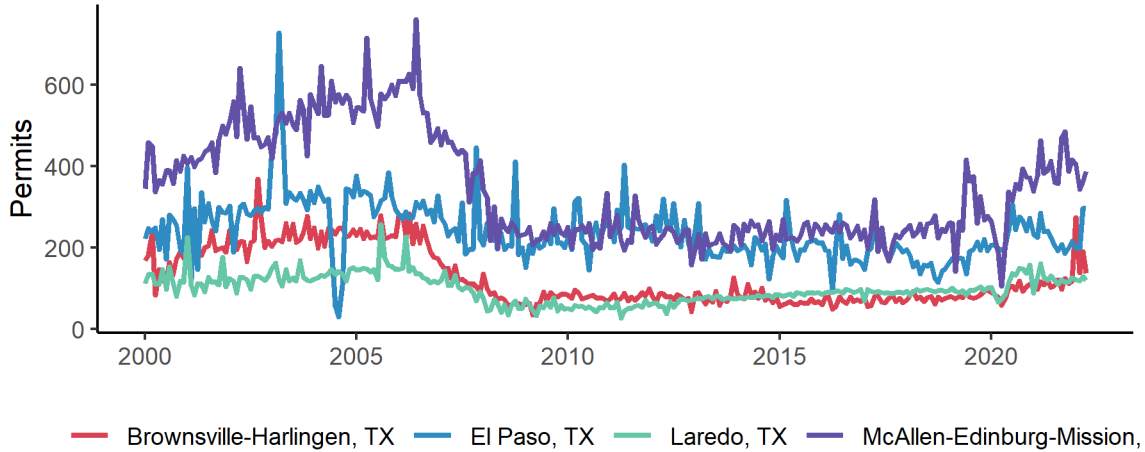
Border Metro Home Price Trend



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

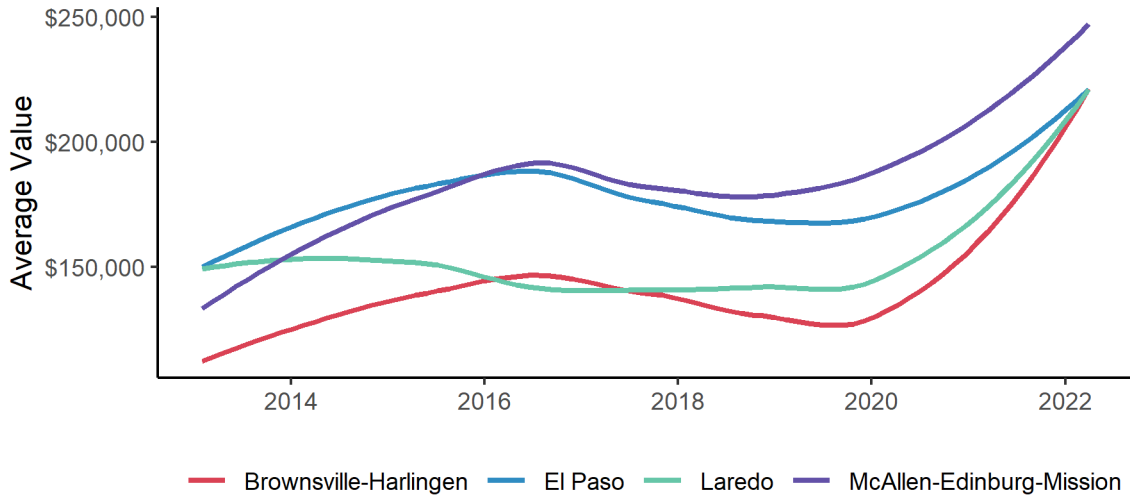
Housing

Border Metro Single-Family Permits
Seasonally Adjusted Annualized Rate



Source: U.S. Census Bureau - Texas Real Estate Research Center at Texas A&M University

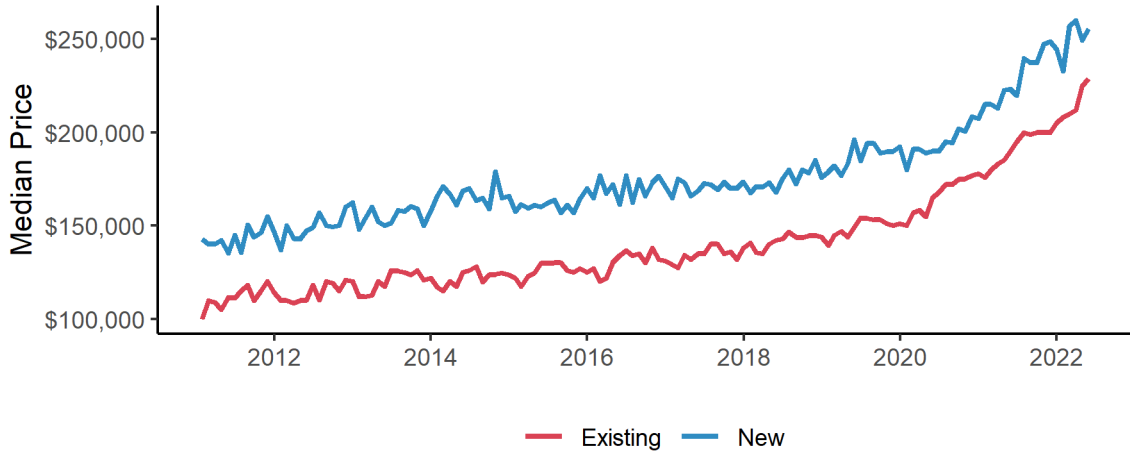
Border Metro Single-Family Average Permit Values



Source: Dodge Data & Analytics - Texas Real Estate Research Center at Texas A&M University

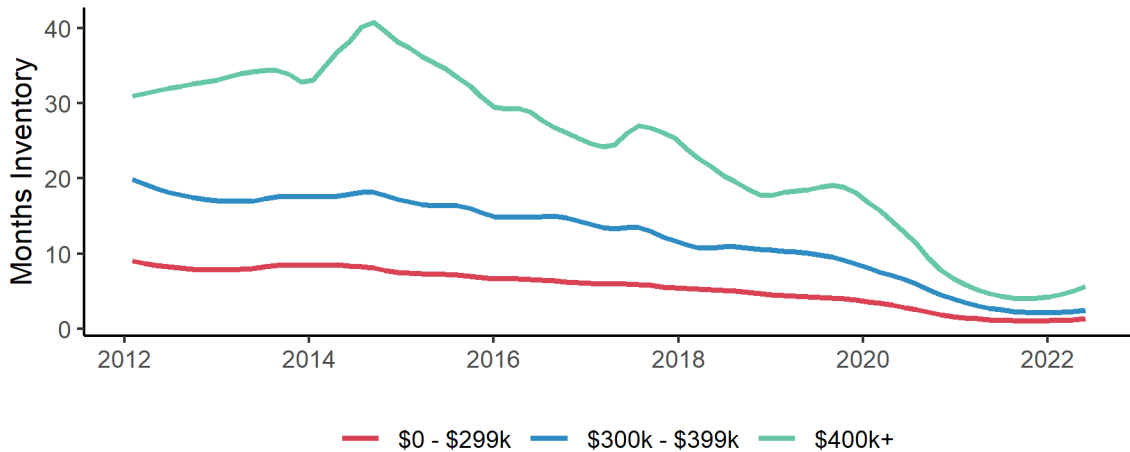
Housing

New and Existing Border Home Prices
Seasonally Adjusted Annualized Rate



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

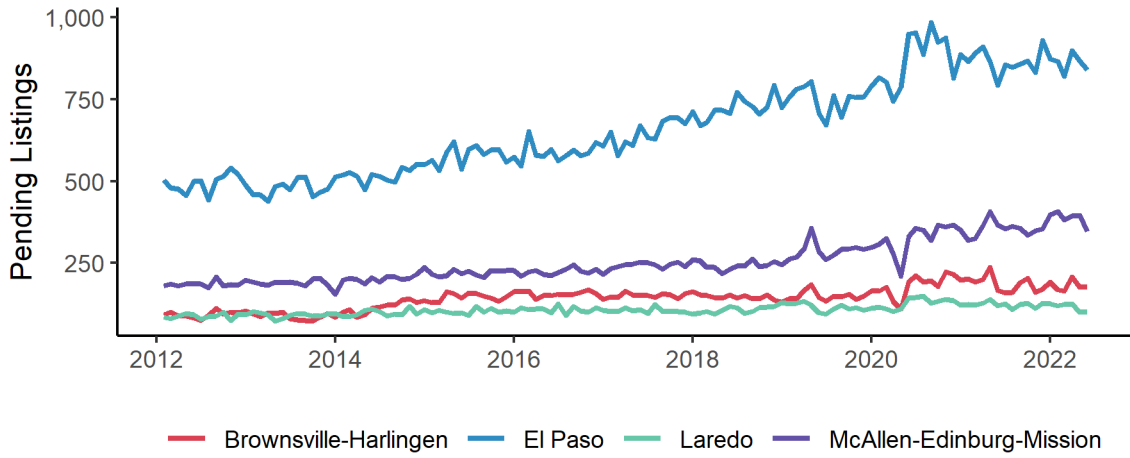
Inventory by Price Cohort
Seasonally Adjusted Trend



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

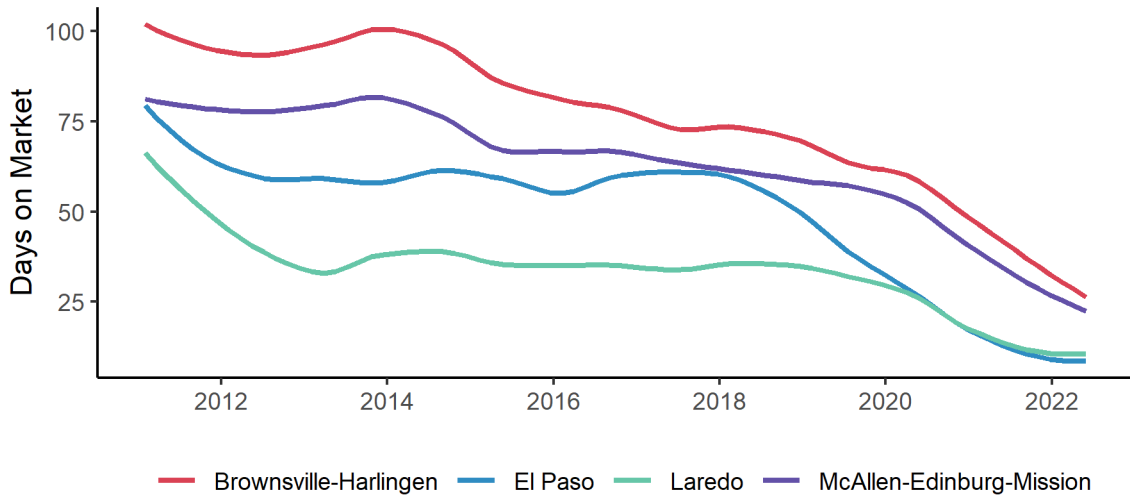
Housing

Border Metro Pending Listings
Seasonally Adjusted Annualized Rate



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

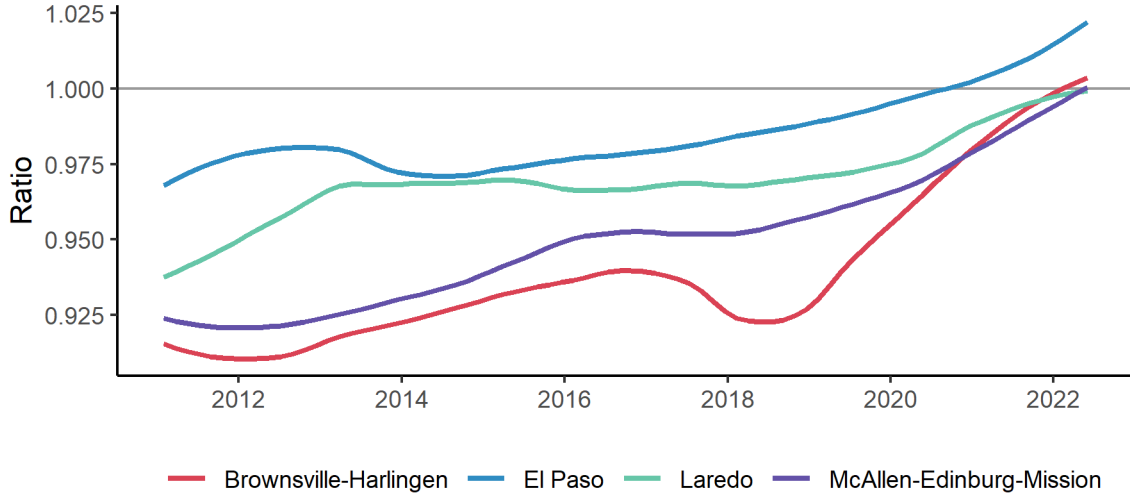
Border Metro Days on Market Trend



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

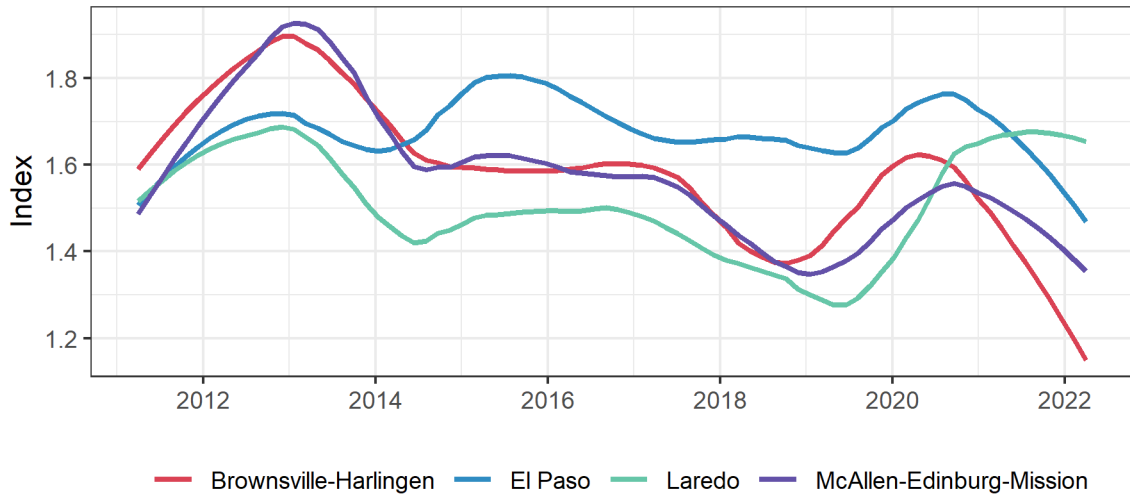
Housing

Border Metro Close to List Price Ratio Trend



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

Border Housing Affordability Index



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



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Texas Real Estate Research Center

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