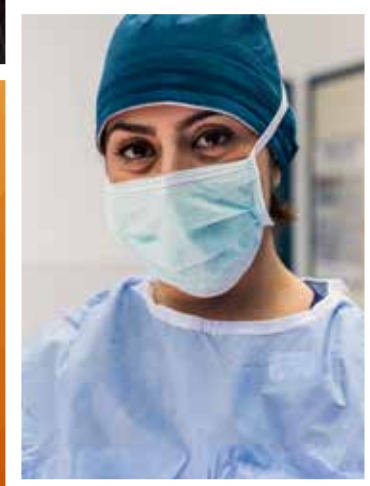
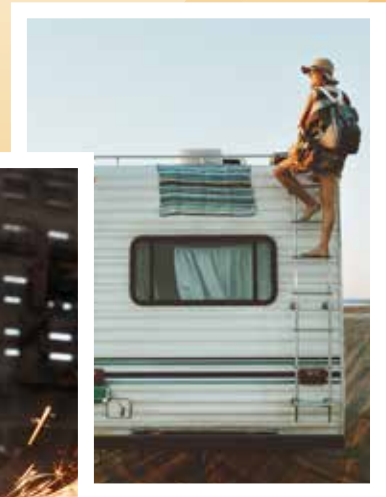
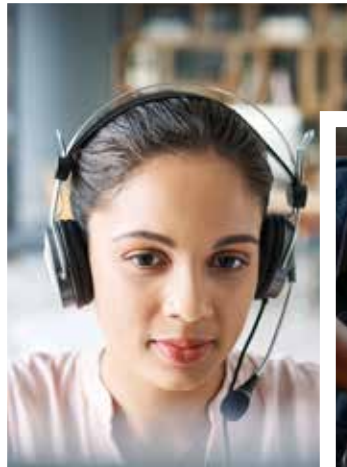


TEXAS BORDER ECONOMY

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TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

TECHNICAL REPORT

2165

JUNE 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.

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.

Authors: Joshua Roberson, Rajendra Patidar, and Weiling Yan

Data current as of July 15, 2022

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Border Summary

BORDER EMPLOYMENT

▲ 2.1% SAAR

MAY MAQUILADORA EMPLOYMENT

▲ 8,350 jobs

TOTAL CONSTRUCTION VALUES

▼ 17% QOQ

HOUSING SALES

▼ 3.96% MOM

June 2022

Economic indicators along the border showed mixed responses for June. Payrolls in border Metropolitan Statistical Areas (MSAs) expanded after slowing in previous months, and unemployment claims were down. Construction activity was down along with diminishing trade activities, leading to trade deficit. Problems like growing inflation, scarcity of raw materials, and supply chain issues persisted.

Home sales continued to decline during the second quarter, primarily due to rising inflation and higher mortgage rates. Rising median home prices and low inventories 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, especially the energy markets.

Economy

The **Dallas Fed's Business-Cycle Indexes** indicated a rise in economic growth. McAllen's metric accelerated 26.4 percent on a seasonally adjusted annualized rate (SAAR). The city had the largest payroll expansion of all border metros. El Paso's index was up 5.6 percent, while Brownsville and Laredo's indexes increased by 3.7 and 14.1 percent, respectively. Pedestrian and vehicle crossings increased after restrictions were lifted in 4Q2021. While traffic across the border has bounced back, it is still nowhere near pre-COVID levels.

Overall, **border nonfarm employment** rebounded by adding 6,800 jobs during June after sluggish growth in April and May. McAllen added 1,900 positions, and El Paso added 4,800 after continuous job loss in March, April, and May. Webb County (Laredo) and Cameron County (Brownsville) had mixed job growth. Sectors like trade and transportation showed the most job growth. On the southern side of the border, **Mexican manufacturing and maquiladora employment**¹ increased by 8,350 jobs in May. Employment increased by 1.7 percent month over month (MOM) in Reynosa and by 1.1 percent in Juarez after adding 2,438 workers in the former and 3,429 in the latter during May. Meanwhile, maquiladora employment in Matamoros and Chihuahua accelerated by 0.4 percent and 1.9 percent MOM, respectively, after adding 272 workers in the former and 1,519

¹ Mexican manufacturing and maquiladora employment are generated by the Instituto Nacional de Estadística y Geografía. Its release typically lags the *Texas Border Economy* by one month.



workers in the latter. Global supply chain pressures continued declining as indicated by Global Supply Chain Index (GSCPI), but it still remains higher than pre-COVID period.

The S&P Global Mexico Manufacturing PMI for June indicated production output and sales rose for the first time since the onset of COVID-19. The demand for production input expanded solidly despite the rise in costs. Greater sales volumes, new clients from international markets, and projects in the pipeline led to a renewed increase in manufacturing production across Mexico.

The increase in jobs led to the lowest unemployment numbers since the onset of COVID-19. The average **unemployment rate** in the border region fell to 5.8 percent in June. Joblessness fell to 4.5 percent in both El Paso and Laredo, and to 7.5 percent and 6.5 percent in McAllen and Brownsville, respectively. The labor force participation rate ticked up across the state, while weekly unemployment claims declined across border areas.

Fluctuations in the **average private hourly earnings** revealed mixed growth along the border as wages fell in Brownsville and Laredo. Inflationary pressures prevented meaningful gains in purchasing power. Earnings in McAllen rose in real terms to an average nominal wage of \$19.45. Hourly wages in Brownsville (\$17.89) trended downward, decreasing by 0.62 percent, while Laredo (\$19.05) reported a decrease of 0.31 percent MOM. El Paso's average private hourly earnings were at an all-time high at \$22.05 as it increased by 2 percent from May. Nominal wages rose significantly during the first two quarters of the year and are approaching pre-pandemic levels.

In the currency market, the **peso per dollar exchange rate** dropped to \$20.01. After adjusting for inflation², the metric decreased 6.6 percent year over year (YOY) and 1 percent MOM, revealing gains for Mexican importers. **Total trade values** appreciated along the border. At the metropolitan level, total imports grew by 4 percent due to expanding trade activities in McAllen and Brownsville, which rose by 17 and 8 percent, respectively. Although export values were positive, trivial growth in exports led to a trade deficit in border areas. The region's trade sector remains an integral component of local economies.

Real Estate

Construction activity remained sluggish during the second quarter, due to stagnation in overall non-residential construction activity. Changes in residential and nonresidential construction values varied across border areas. Nonresidential values for El Paso reported remarkable progress due to continuous growth in the construction of stores, offices, and hotels. Construction of stores, restaurants, two-family houses, and apartments increased in McAllen, but a decline in other sectors subverted overall construction values. Meanwhile, both residential and nonresidential values decreased in Laredo. Brownsville nonresidential construction activity had vigorous growth with the addition of stores, warehouses, and schools.

² The real peso per dollar exchange rate is inflation adjusted using the Texas Trade-Weighted Value of the Dollar.

Rising inflation and the Fed's policy rate adjustments to curb inflation profoundly impacted border home sales. Overall **housing sales** declined by 3.96 percent due to the major dip recorded in Laredo and McAllen (10.6 percent and 5 percent, respectively). Brownsville posted a 4.4 percent increase in home sales, while El Paso's metric fell by 3.3 percent after rebounding in May. 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 5.52 percent in June, rising exponentially during the second quarter of this year from a record low of 2.7 percent in January 2021.

Border metros issued 900 **single-family housing construction permits**, decreasing 22.6 percent from last month due to a 35.8 percent fall in McAllen. A similar trend continued in El Paso and Laredo as metrics fell by 3.2 percent for the former and 8.6 percent for the latter, while issuance of new permits in Brownsville gradually decreased. **Total private single-family construction values** trended downward as the metric declined by 27.7 percent in the border area. Values decreased by 20 percent in El Paso. Construction activity declined in the Rio Grande Valley with a 29 percent fall in McAllen and a 6.7 percent drop in Brownsville. Despite declines in permit counts and values, the average value per permit remains elevated compared with pre-COVID conditions.

The **months of inventory** (MOI) along the border remained much lower than the typical six-month MOI benchmark. Laredo's declining sales activity and a downtick in new listings pushed the average MOI for June to 2.4 months. El Paso's metric moved to 1.6 months, McAllen's metric increased to 2.4 months, and Brownsville's inventory increased to 2.4 months. The increases indicate inventory is growing primarily due to a decrease in home sales and an increase in listings.

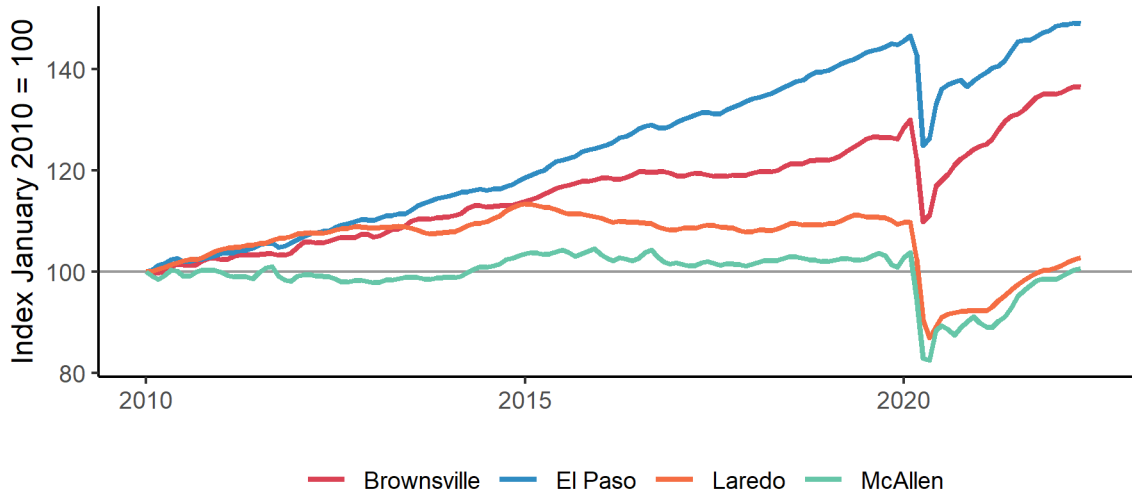
The **average number of days on market** (DOM) for June declined across the border, indicating the slow recovery of housing demand. However, the average metric remained exceptionally low compared with year-ago levels. El Paso's DOM decreased to 34 days, and McAllen's was at nearly one and a half months. Laredo's DOM decreased to 32 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. McAllen's metric reached an all-time high of \$229,500, while Brownsville's home prices stabilized around \$248,500 after a spike in May. El Paso's median home price was around \$236,400, reporting a slight decline. Rising rates helped Laredo home prices balloon from \$223,300 to \$231,500. The border region's housing market is known for its affordability, a factor that has attracted many buyers from other areas.

Mortgage rates play a pivotal role in determining housing prices and sales, and they will influence the border region's future home price stability.

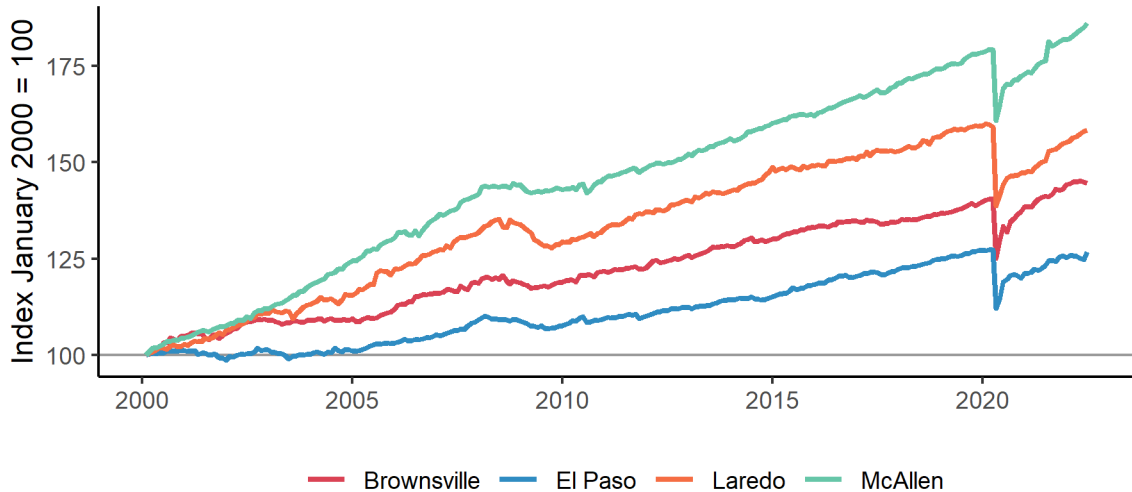
Economic Activity

Border Metro Business-Cycle Index



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

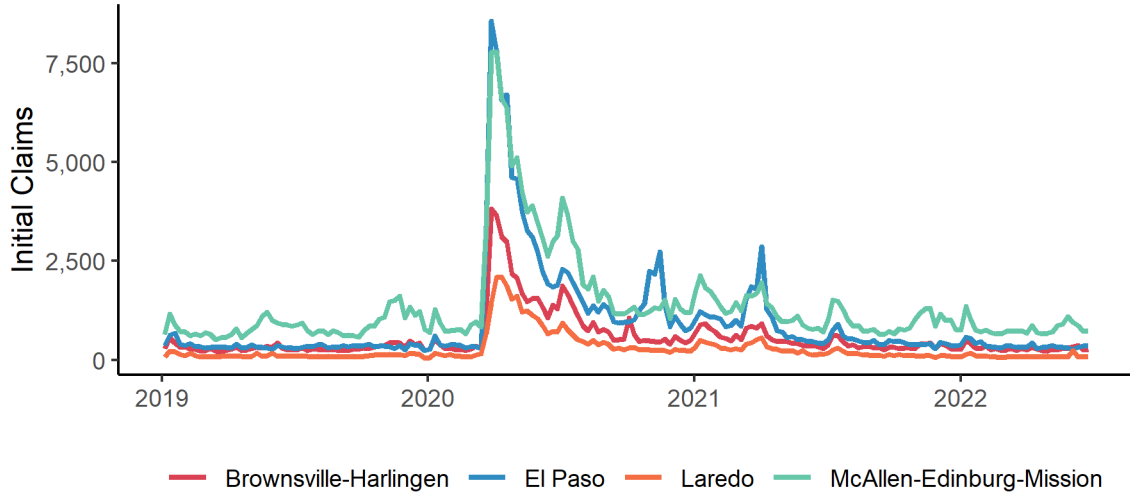
Border Employment Index



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

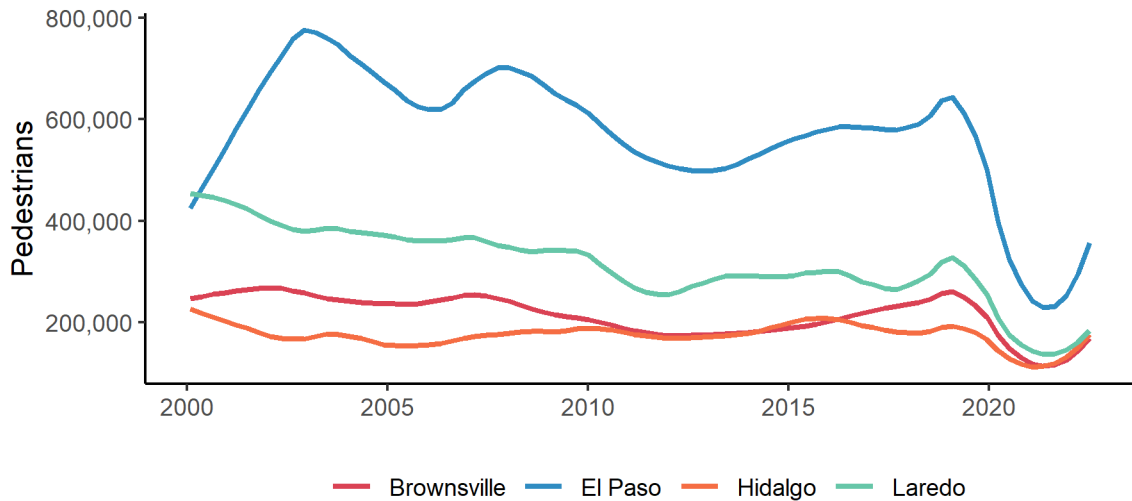
Economic Activity

Border Metro Weekly Initial Unemployment Claims



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

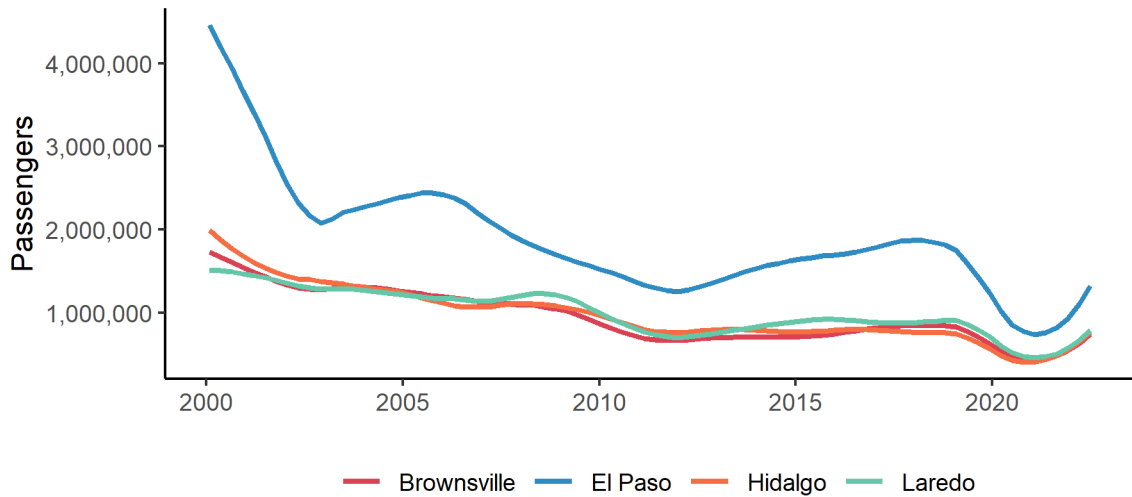
Pedestrian Border Crossings



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

Economic Activity

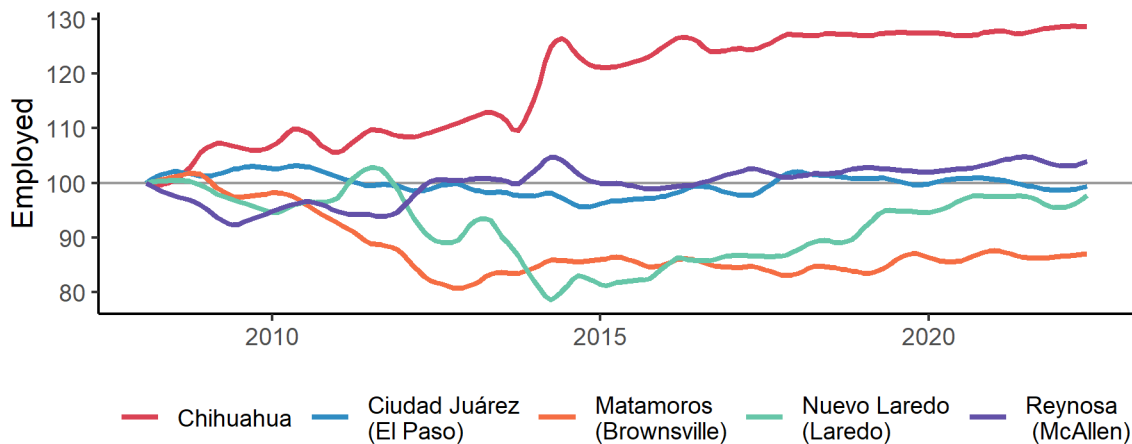
Personal Vehicle Passenger Border Crossings



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

Mexico Maquiladora & Manufacturing Employment

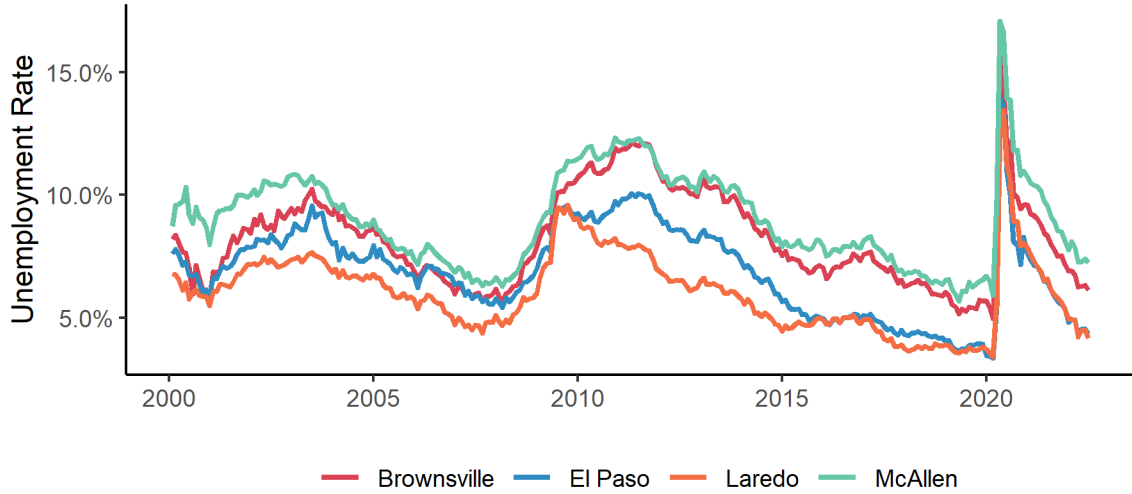
Index January 2008 = 100



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

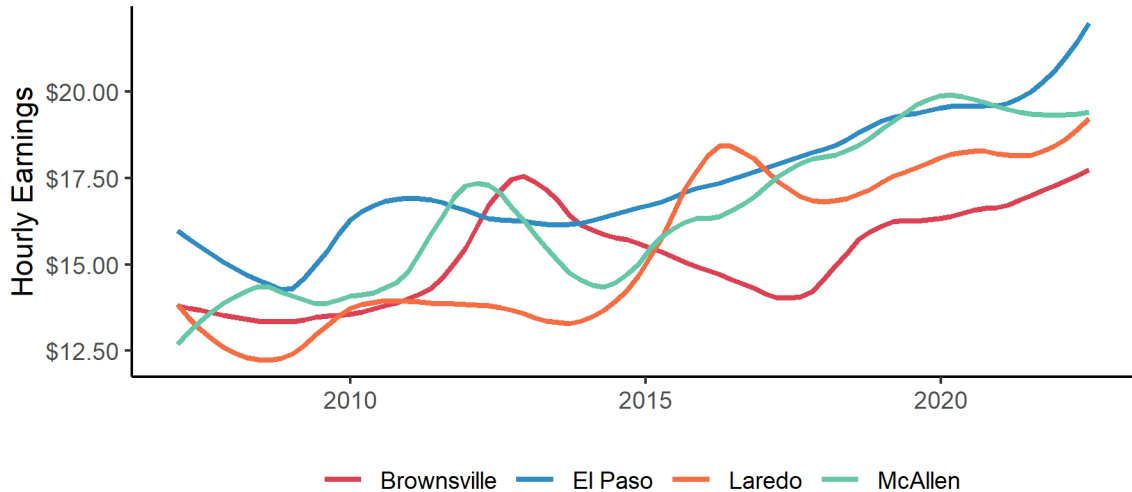
Economic Activity

Border Metro Unemployment Rate



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

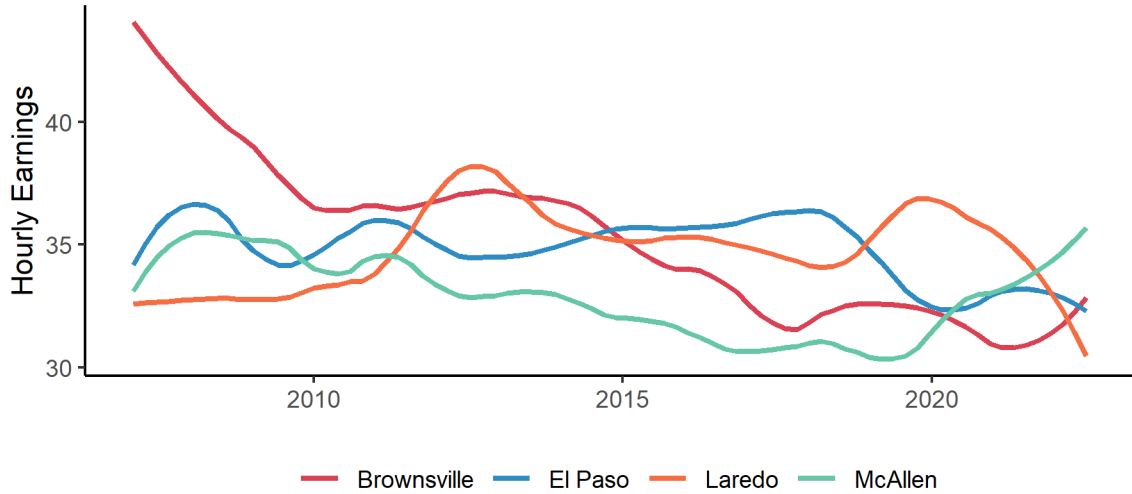
Border Metro Average Hourly Earnings



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

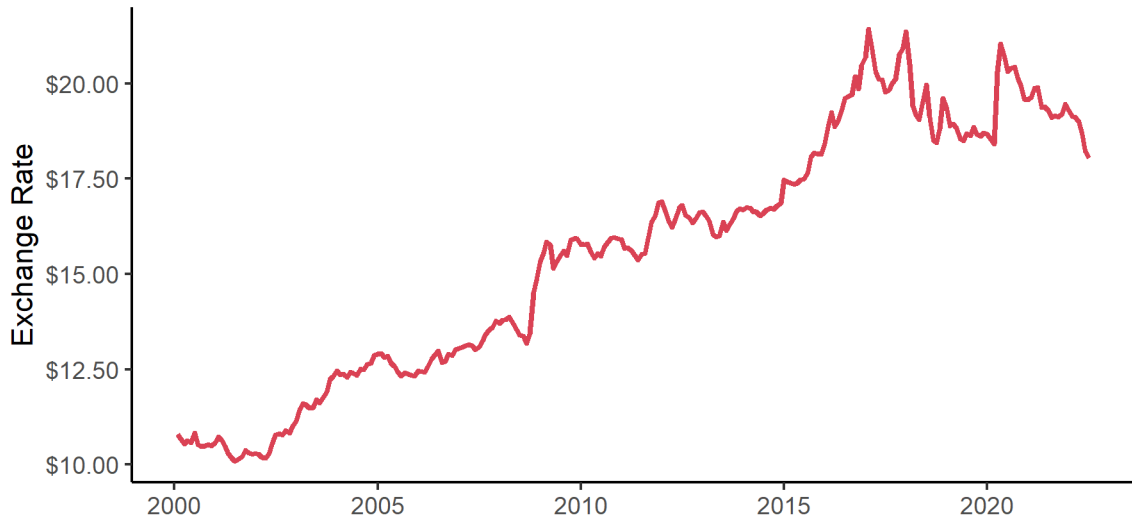
Economic Activity

Border Metro Average Weekly Hours Worked



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

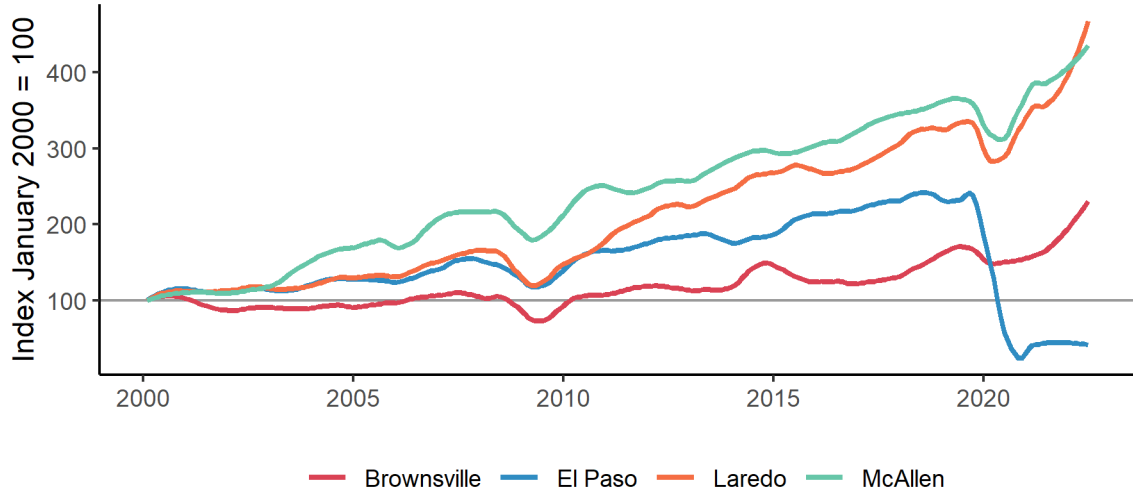
Real Peso per Dollar Exchange Rate



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

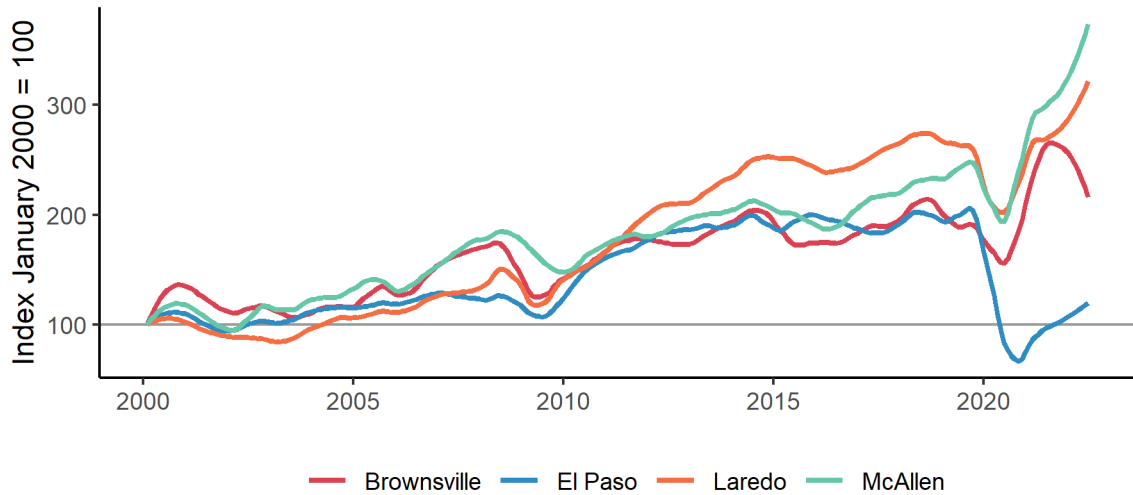
Economic Activity

Texas Border Import Values



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

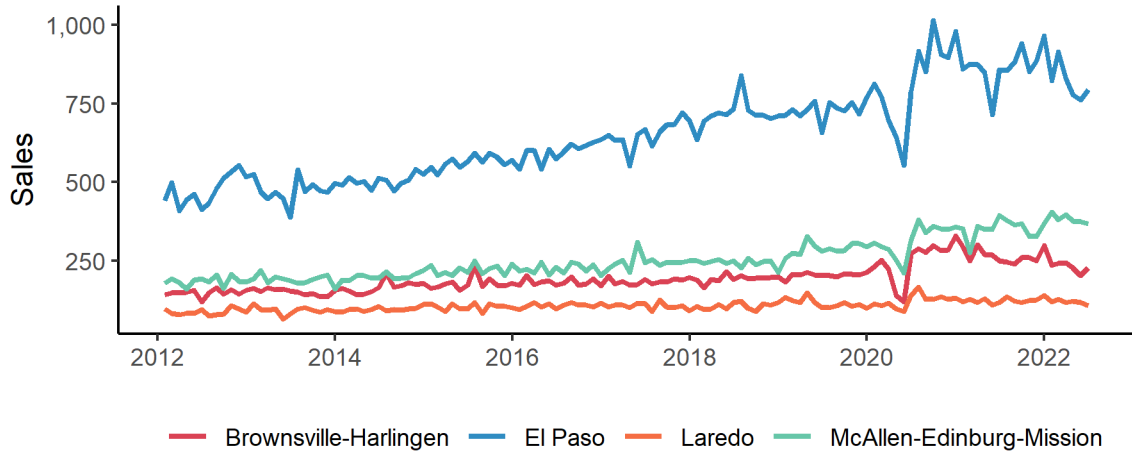
Texas Border Export Values



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

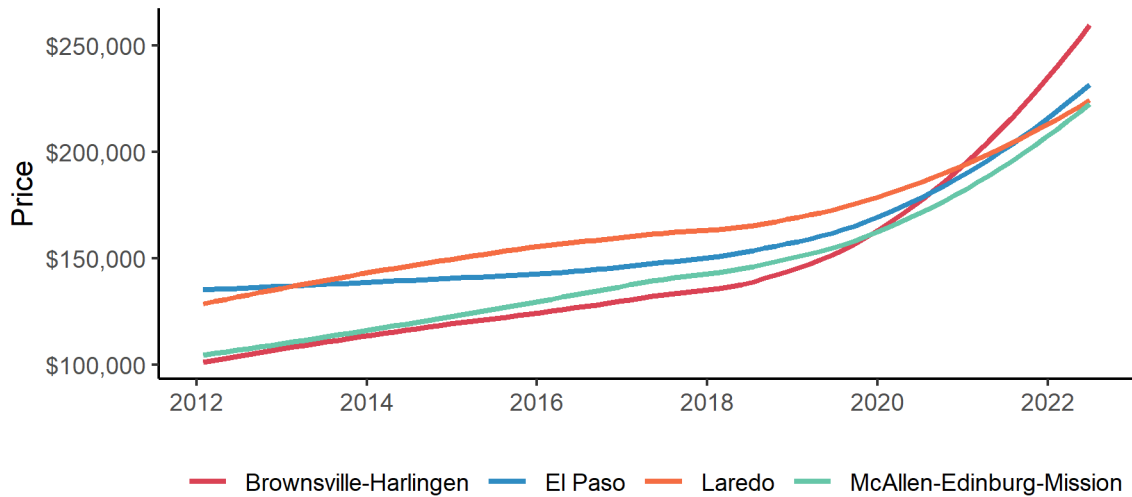
Housing

Border Metro Home Sales
Seasonally Adjusted Annualized Rate



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

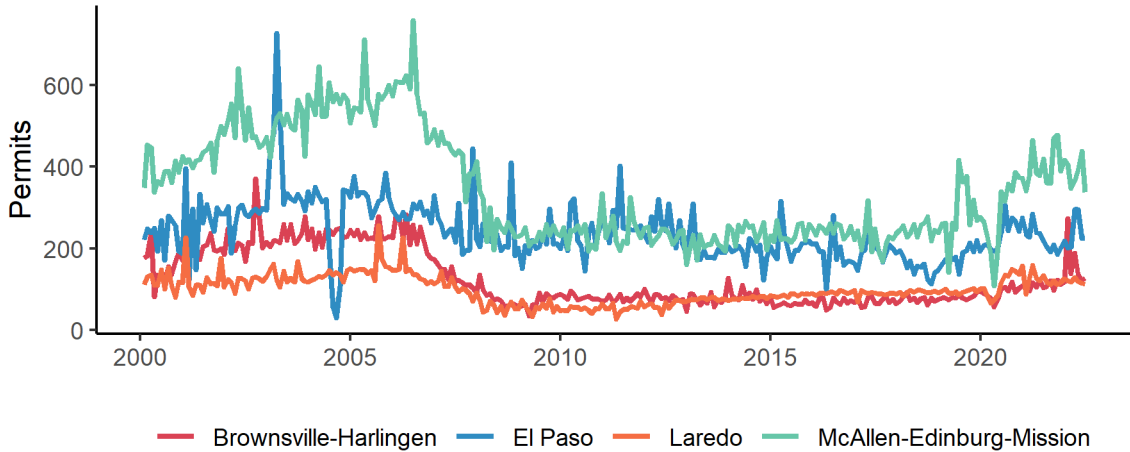
Border Metro Home Price Trend



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

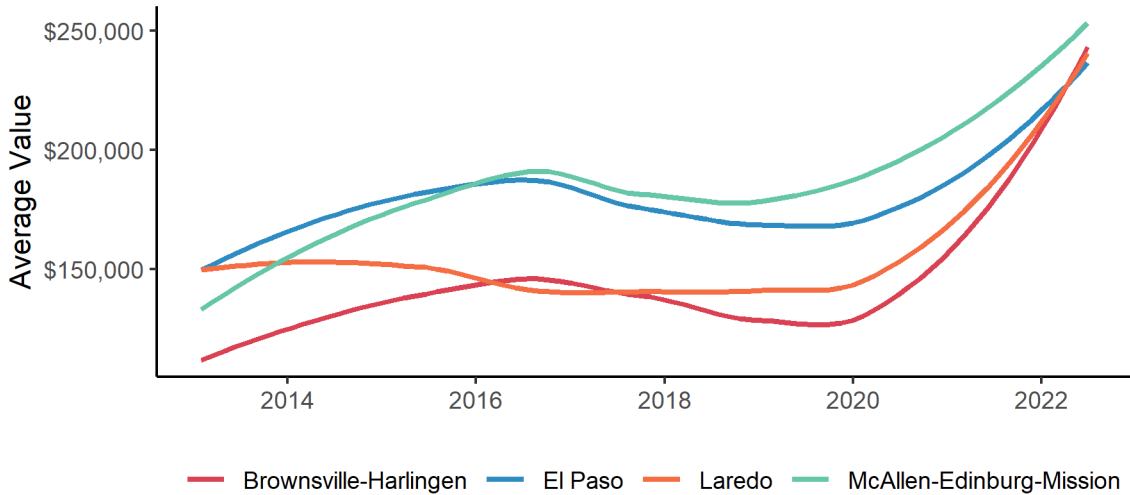
Housing

Border Metro Single-Family Permits
Seasonally Adjusted Annualized Rate



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

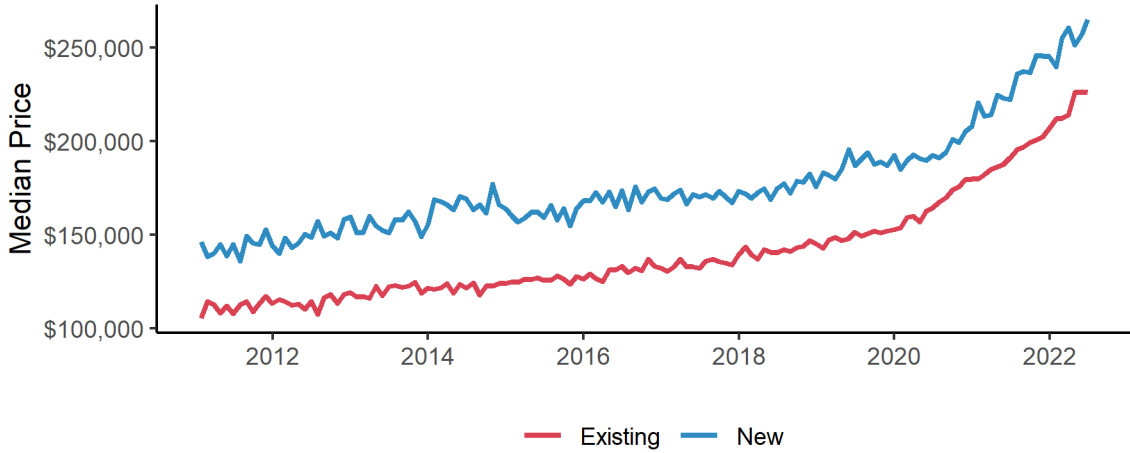
Border Metro Single-Family Average Permit Values



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

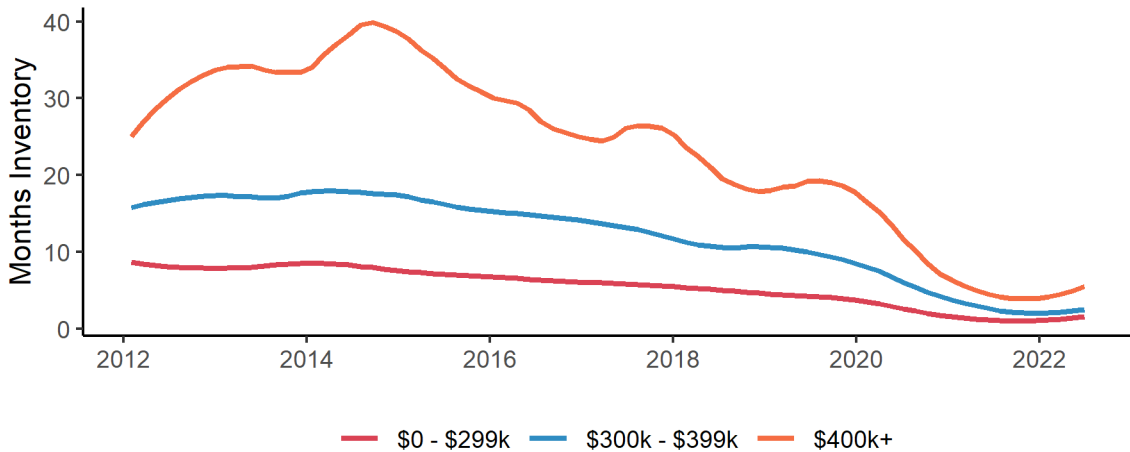
Housing

New and Existing Border Home Prices
Seasonally Adjusted Annualized Rate



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

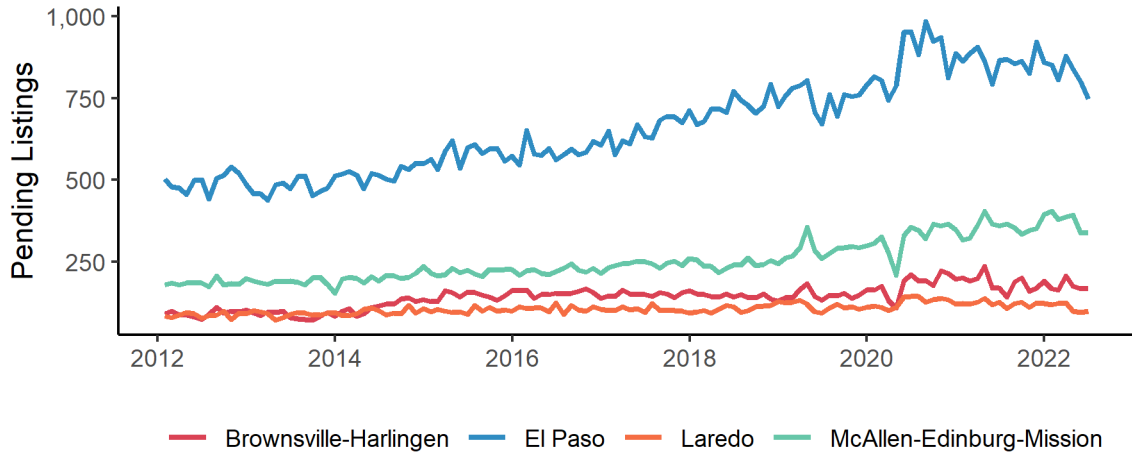
Border Housing Inventory by Price Range
Seasonally Adjusted Trend



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

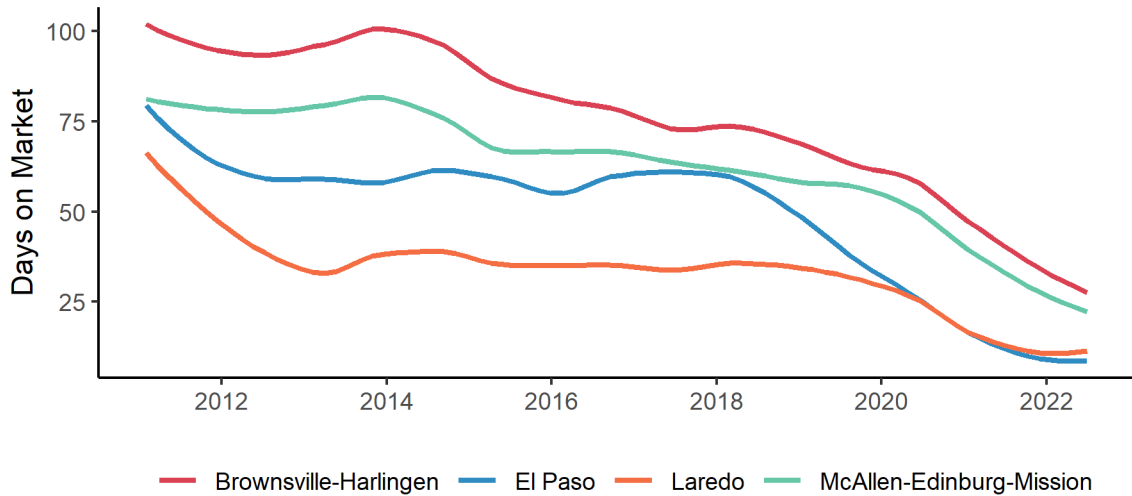
Housing

Border Metro Pending Listings
Seasonally Adjusted Annualized Rate



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

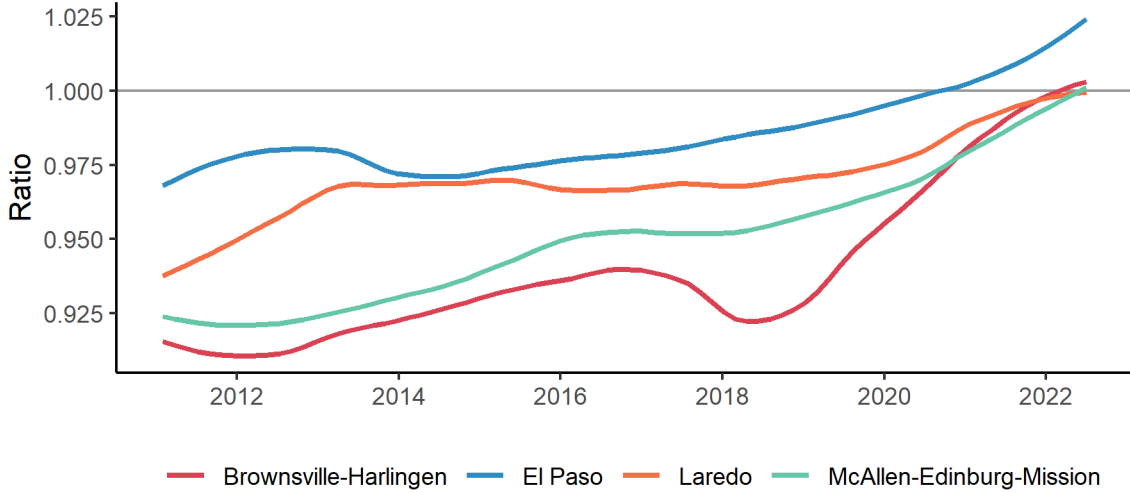
Border Metro Days on Market Trend



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

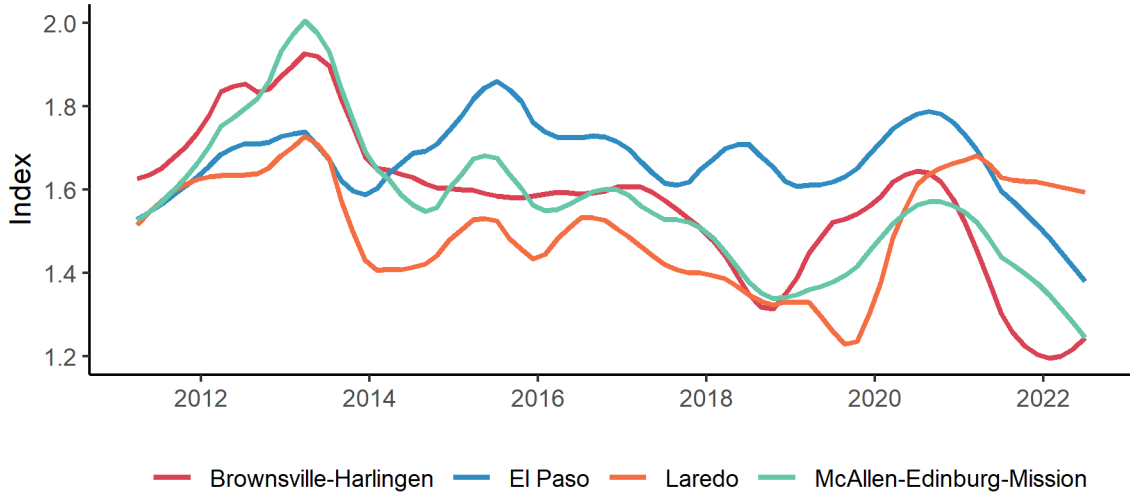
Housing

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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