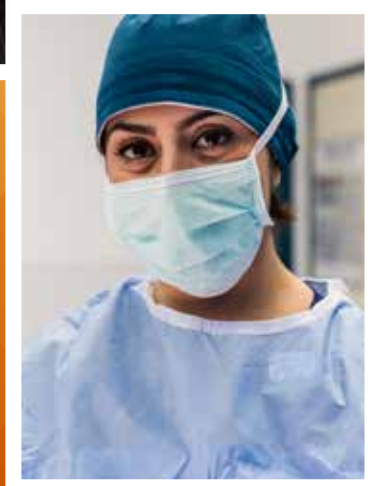
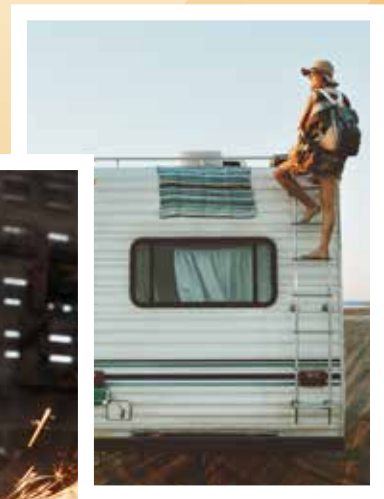
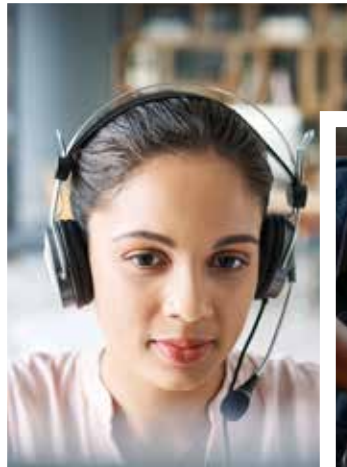


TEXAS BORDER ECONOMY

Joshua Roberson, Lead Data Analyst
Rajendra Patidar, Research Intern
Weiling Yan, Research Intern



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

TECHNICAL REPORT

2165

JULY 2022 DATA



About this Report	2
July 2022 Border Summary	3
Economic Activity	7
Border Metro Busines-Cycle Index.....	7
Border Employment Index.....	7
Border Metro Weekly Initial Unemployment Claims.....	8
Pedestrian Border Crossings.....	8
Personal Vehicle Passenger Border Crossings.....	9
Mexico Maquiladora & Manufacturing Employment.....	9
Border Metro Unemployment Rate.....	10
Border Metro Average Hourly Earnings.....	10
Border Metro Average Weekly Hours Worked.....	11
Real Peso per Dollar Exchange Rate.....	11
Texas Border Import Values.....	12
Texas Border Export Values.....	12
Housing	13
Border Metro Home Sales.....	13
Border Metro Home Price Trend.....	13
Border Metro Single-Family Permits.....	14
Border Metro Single-Family Average Permit Values.....	14
New and Existing Border Home Prices.....	15
Border Housing Inventory by Price Range.....	15
Border Metro Pending Listings.....	16
Border Metro Days on Market Trend.....	16
Border Metro Close to List Price Ratio Trend.....	17
Border Housing Affordability Index.....	17



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 September 15, 2022

© 2022, Texas Real Estate Research Center. All rights reserved.

Border Summary

BORDER EMPLOYMENT

▲ 3.5% SAAR

JUNE MAQUILADORA EMPLOYMENT

▲ 6,672 jobs

TOTAL TRADE VALUES

▼ 2.6% MOM

HOUSING SALES

▼ 6.0% MOM

July 2022

Economic indicators along the border showed mixed responses for July. Payrolls in border Metropolitan Statistical Areas (MSAs) expanded after slowing in previous months, and unemployment claims dropped. Construction activity was down and trade activities diminished, leading to a persistent trade deficit.

Home sales continued to decline and are expected to fall further in upcoming months, primarily due to the increase in mortgage rates and the fear of recession. The domino effect of plunging housing sales led to a fall in median home price and rise in inventory. The border area reported a significant rise in immigrants in the last two months. The global impact of war in Ukraine is disrupting energy markets and impacting the cost of living and purchasing power.

Economy

The **Dallas Fed's Business-Cycle Indexes** indicated moderate growth. McAllen's metric accelerated 5.3 percent on a quarterly basis. El Paso's index was up 10.5 percent, while Brownsville and Laredo's indexes increased by 1.2 and 6.2 percent, respectively. El Paso had the largest payroll expansion of all border metros. Pedestrian and personal-vehicle crossings grew 43.6 percent above year-ago levels, as restrictions were lifted in 4Q2021. While traffic across the border has bounced back, it is still nowhere near pre-COVID-19 levels. The Texas border is facing an unprecedented influx of migrants.

Overall, **border nonfarm employment** continued its recovery, adding 5,600 jobs in July after a sluggish growth in April and May. McAllen added 1,900 positions, while Cameron County (Brownsville) added 900 positions after job losses in the past two months. Webb County (Laredo) and El Paso added 500 and 2,300 jobs, respectively. Sectors like trade and transportation showed the most job growth.

On the southern side of the border, **Mexican manufacturing and maquiladora employment**¹ continued increasing, adding 6,672 jobs in June. Employment increased by 1.3 percent month over month (MOM) in Reynosa and by 1.1 percent in Juarez after adding 1,923 workers in the former and 3,644 in the latter. Meanwhile, maquiladora employment in Matamoros

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.



and Chihuahua accelerated by 1.1 percent and 3 percent MOM, respectively, after adding 736 workers in the former and 2,387 workers in the latter. Global supply chain pressures continued declining as indicated by the Global Supply Chain Index but pressures remain higher than pre-pandemic levels.

The S&P Global Mexico Manufacturing PMI for July indicated a contraction in production output and decline in sales after a brief recovery in June. The rate of input-price inflation was among the strongest on record, despite easing since June, and output charges were lifted to a greater extent. Concerns over spiraling costs and unresolved supply-side issues curbed business confidence.

The spike in jobs led to the lowest unemployment numbers since the onset of COVID-19. The average **unemployment rate** in the border region fell to 5.7 percent in July. Joblessness fell to around 4.5 percent in both El Paso and Laredo, and to 7.4 percent and 6.4 percent in McAllen and Brownsville, respectively. The labor force participation rate ticked up across the state, while weekly unemployment claims declined across the border.

Fluctuations in the **average private hourly earnings** revealed mixed growth along the border as wages fell in Brownsville and McAllen. Inflationary pressures prevented meaningful gains in purchasing power. Earnings in McAllen fell in real terms to an average nominal wage of \$19.30. Hourly wages in Brownsville (\$16.93) trended downward. While wages for Laredo (19.58) dipped in June, they rebounded by 2.67 percent in July. El Paso's average private hourly earnings were at an all-time high at \$22.05 as they increased by 0.8 percent from June. Nominal wages have risen 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** rose to \$20.54. After adjusting for inflation², the metric increased by 0.7 percent MOM, revealing gains for Mexican exporters. **Total trade values** declined, and the widening gap between exports and imports resulted in persistent trade deficit. At the metropolitan level, total imports fell by 1 percent due to shrinking trade activities in Brownsville and El Paso, which fell by 10 and 9 percent, respectively. Export values were also negative, leading to a persistent trade deficit in border areas. The region's trade sector remains an integral component of local economies.

The Texas border region attracts thousands of visitors every month as it offers a wealth of restaurants, shopping, sightseeing, and exposure to Mexican culture. Although the pandemic-imposed restrictions led to a drop in tourism activity in the border region, it rebounded quickly as indicated by total hotel bookings. The number of visitors to El Paso, the largest city in the border region, doubled in the last six months. A similar trend was seen in the Rio Grande Valley, where Brownsville's hotel receipts were at an all-time high since the onset of the pandemic.

² The real peso per dollar exchange rate is inflation-adjusted using the Texas trade-weighted value of the Dollar.

Housing

Construction activity remained sluggish in July due to a fall in the construction of stores, offices, and houses. Changes in residential and nonresidential construction values varied across border areas. Construction values for El Paso declined after impeccable growth in the previous quarter. The construction of stores, offices, and hospitals boosted non-residential construction values in Laredo. Meanwhile, in the Rio Grande Valley, residential and nonresidential construction activity slowed in McAllen and Brownsville.

Rising inflation and the Fed's policy rate adjustments to curb inflation profoundly impacted border home sales. Overall **housing sales** declined by 6 percent due to major dips recorded in Brownsville and McAllen (24 percent and 7.5 percent, respectively). Laredo posted a 6.1-percent decrease in home sales, while El Paso's metric fell by 6.8 percent after a slight improvement in June. 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 5.41 percent in July, rising exponentially during second quarter 2022 from a record low of 2.7 percent in January 2021.

Border metros issued 843 **single-family housing construction permits**, increasing 12.6 percent from last month largely due to a 52.4-percent rise in McAllen. On the contrary, other border areas continued downward trends as metrics for El Paso and Laredo fell by 7.3 and 11 percent, respectively. At the same time, issuance of new permits in Brownsville has been gradually truncating. **Total private single-family construction values** trended downward as the metric declined by 6.8 percent in the border area. Values decreased by 20 percent in El Paso. Construction activity declined in the Rio Grande Valley, dropping 29 percent in McAllen and 6.7 percent in Brownsville. Despite declines in permit counts and values, the average value per permit remains elevated compared with pre-COVID conditions.

Declining sales led to a rise in **months of inventory** (MOI) along the border, but the metric remained much lower than the typical six-month MOI benchmark. Laredo's declining sales activity and a downtick in new listings pushed its average MOI for July to 2.5 months. El Paso's metric increased to two months, McAllen's metric increased to 3.1 months, and Brownsville's inventory increased to 2.8 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) increased across the border in July, indicating the slow recovery of housing demand. However, the average metric remained exceptionally low compared with year-ago levels. El Paso's DOM remained around to 40 days, and McAllen's was at nearly one and a half months. Laredo's DOM decreased to 27 days, while listings in Brownsville are pushing toward two months to complete the sale.

Reduced demand brought **median home prices** down across the region. McAllen's metric inched down to \$226,000 from an all-time high of \$229,500 in June, while Brownsville's home prices stabilized around \$251,000. El Paso's median home price was around \$236,400, reporting a slight decline. A similar trend was observed in Laredo where the metric fell from \$233,000 to \$225,000 in



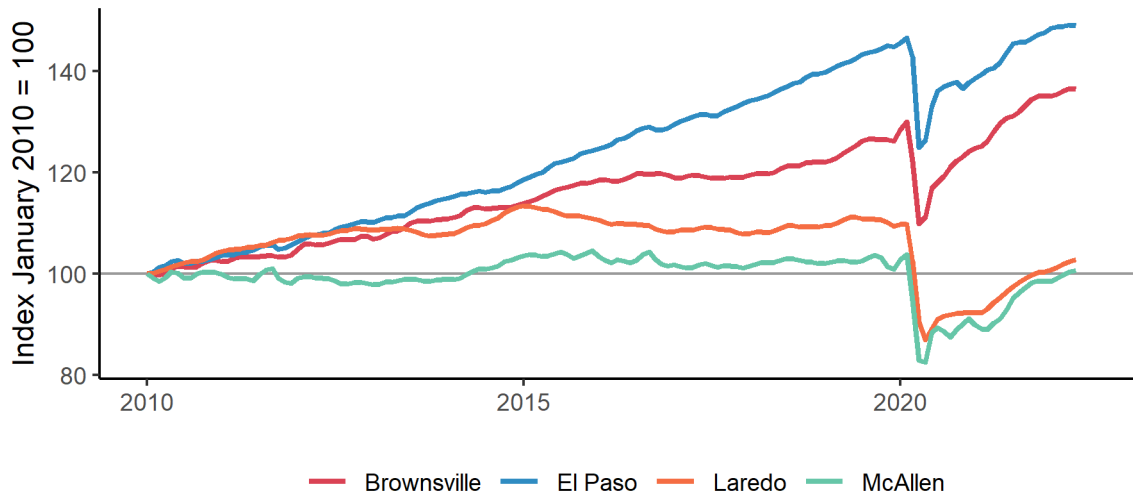
July. The border region's housing market is known for its affordability, a factor that has attracted many buyers from other areas.

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



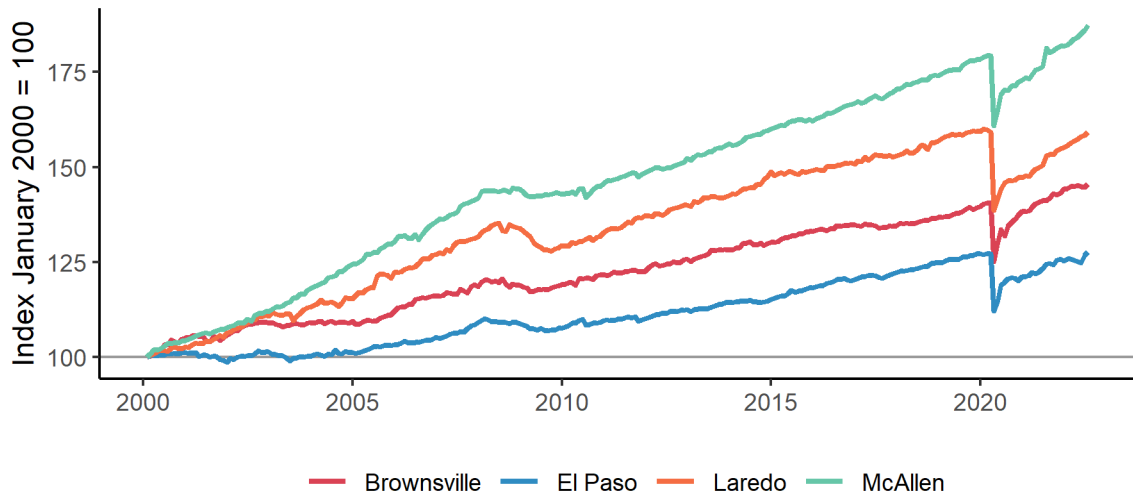
Economic Activity

Border Metro Business-Cycle Index



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

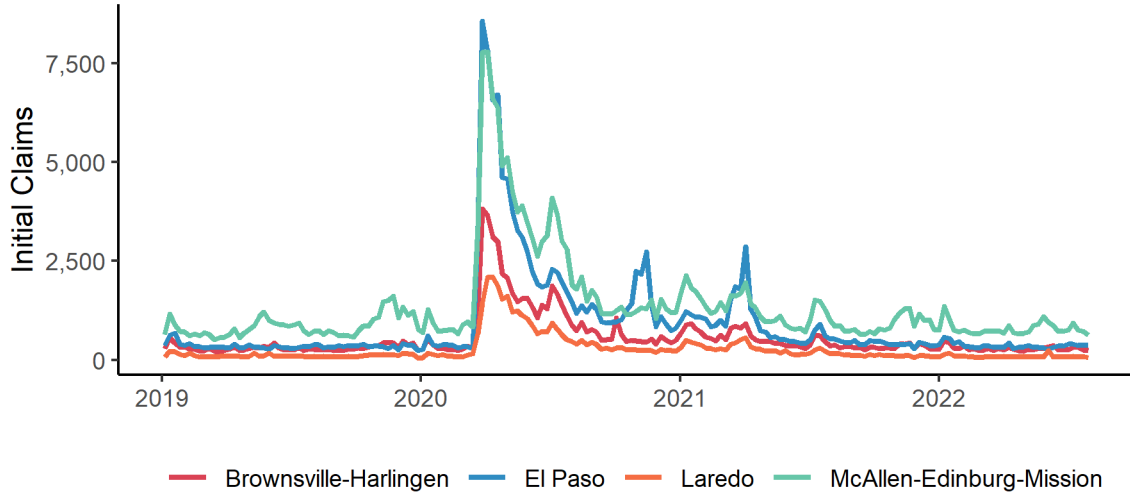
Border Employment Index



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

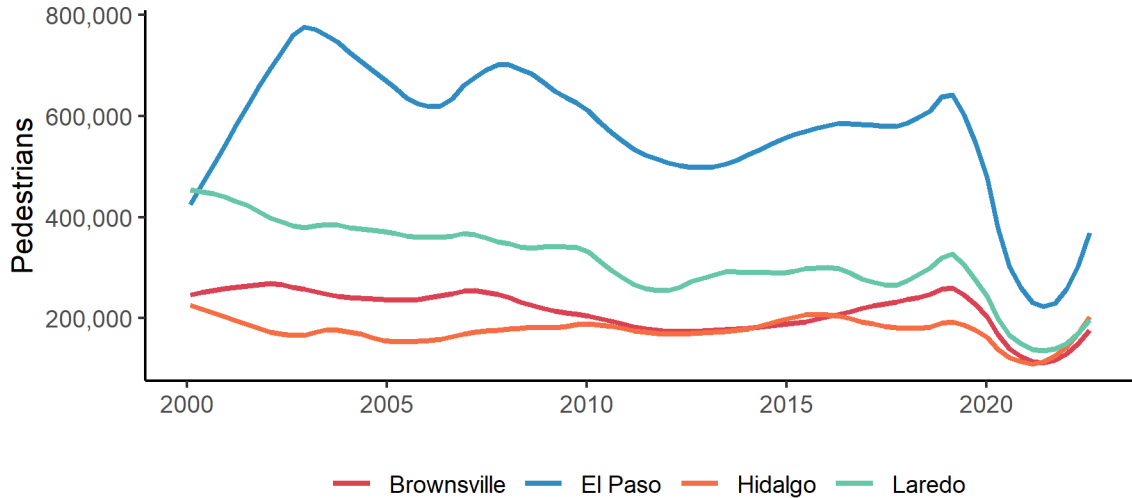
Economic Activity

Border Metro Weekly Initial Unemployment Claims



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

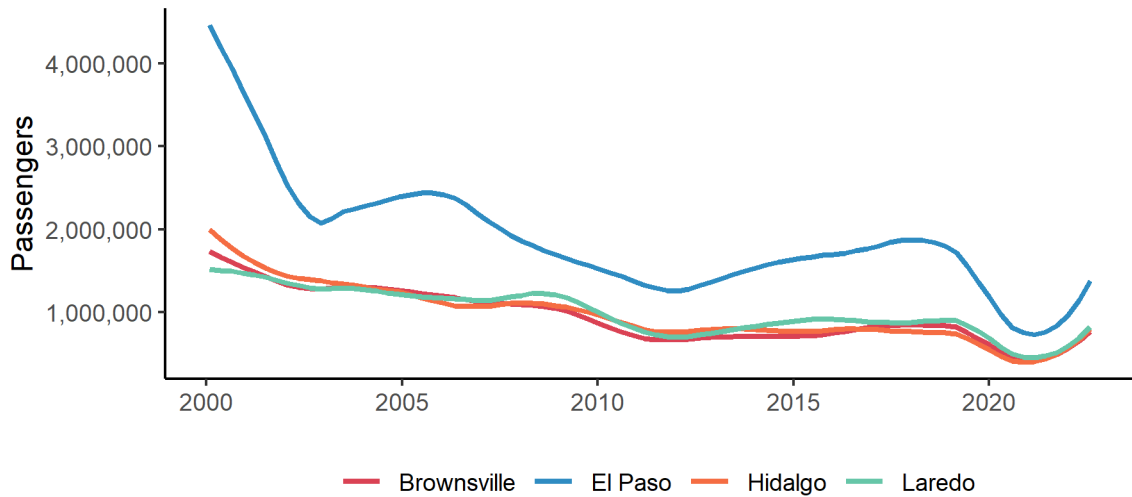
Pedestrian Border Crossings



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

Economic Activity

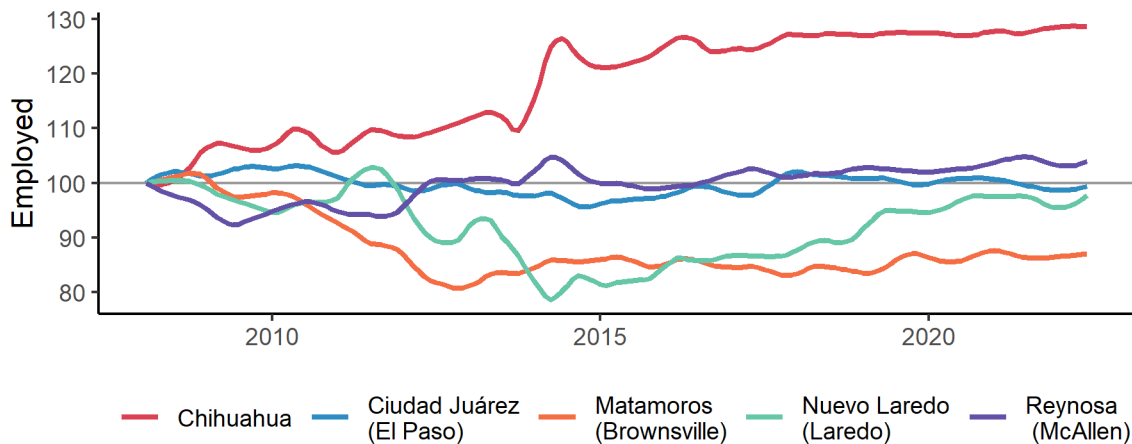
Personal Vehicle Passenger Border Crossings



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

Mexico Maquiladora & Manufacturing Employment

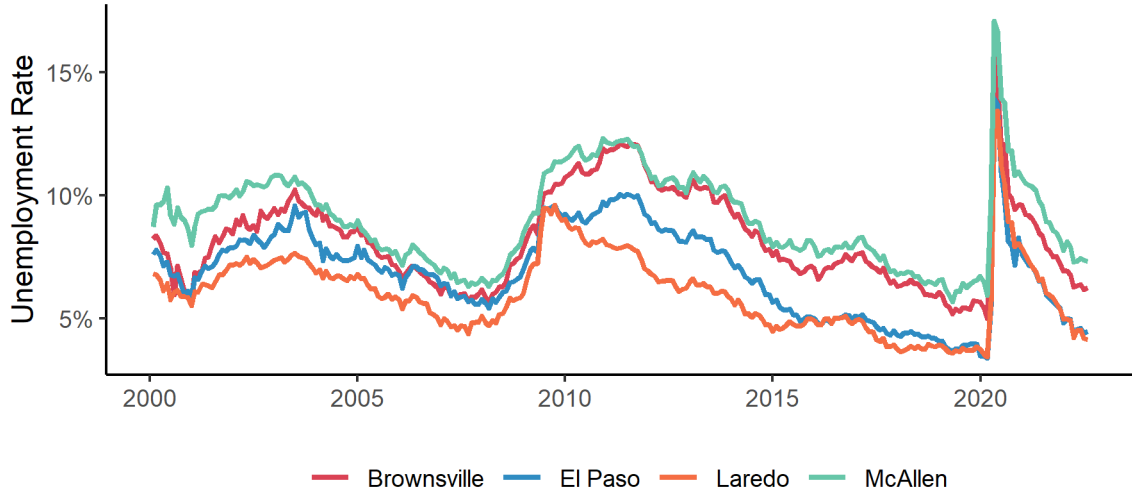
Index January 2008 = 100



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

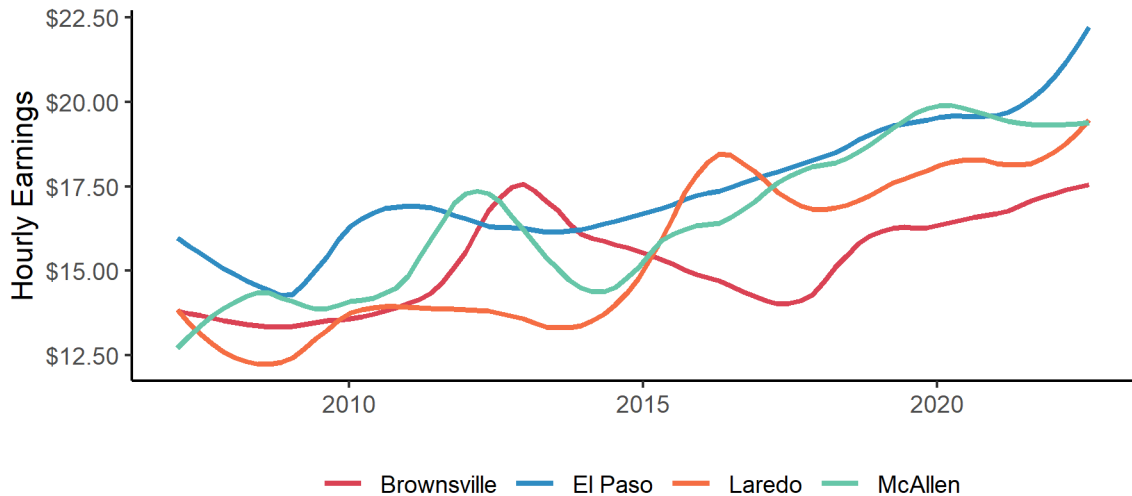
Economic Activity

Border Metro Unemployment Rate



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

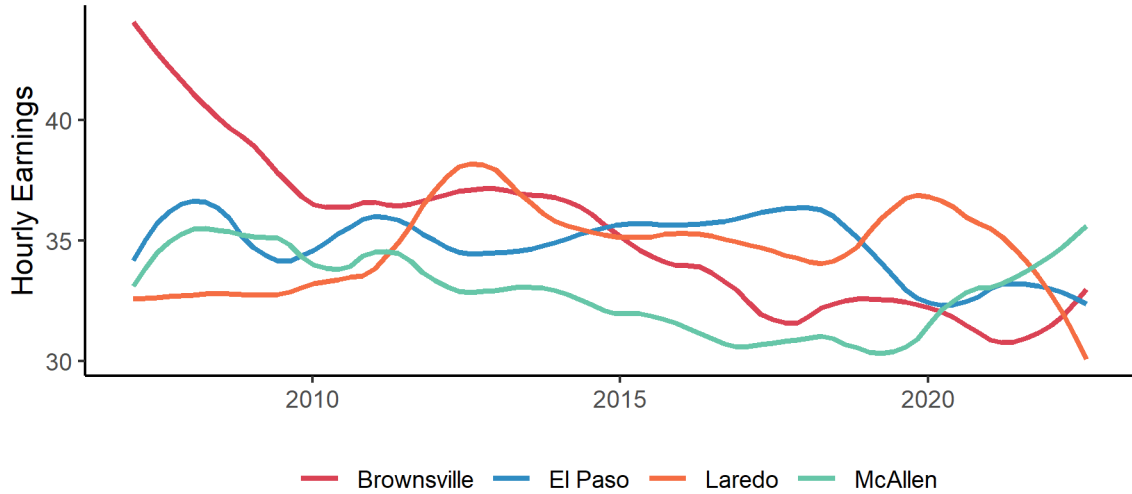
Border Metro Average Hourly Earnings



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

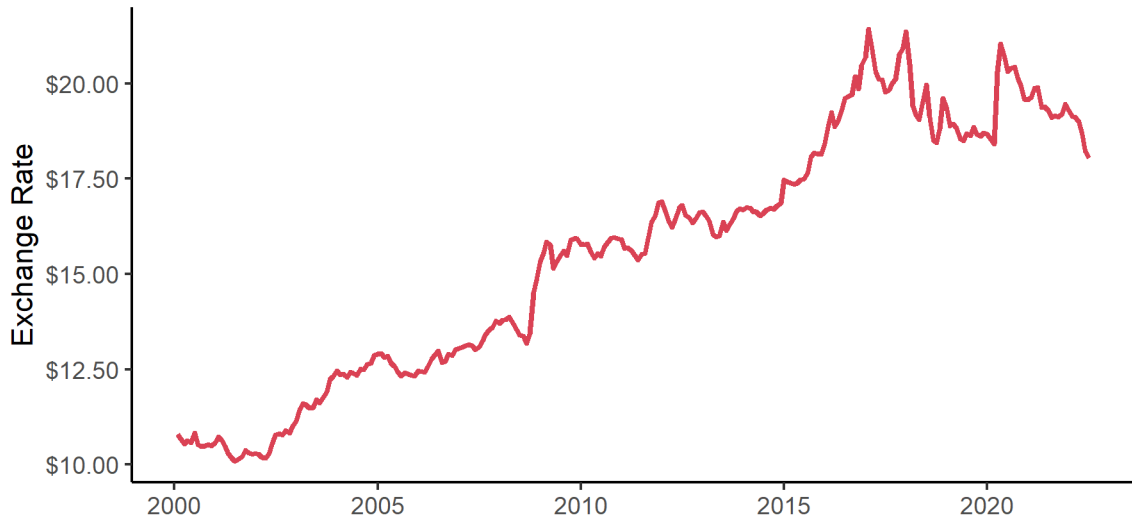
Economic Activity

Border Metro Average Weekly Hours Worked



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

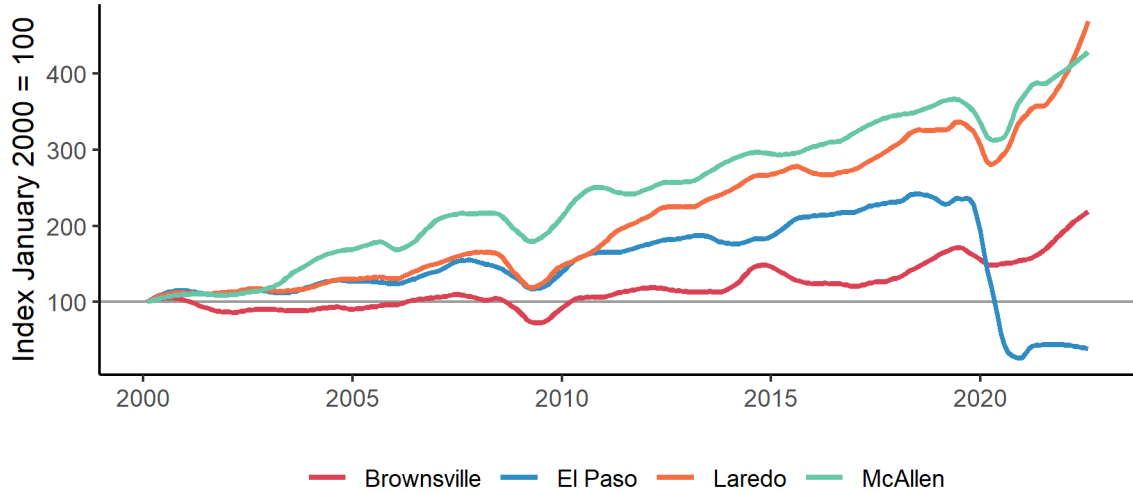
Real Peso per Dollar Exchange Rate



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

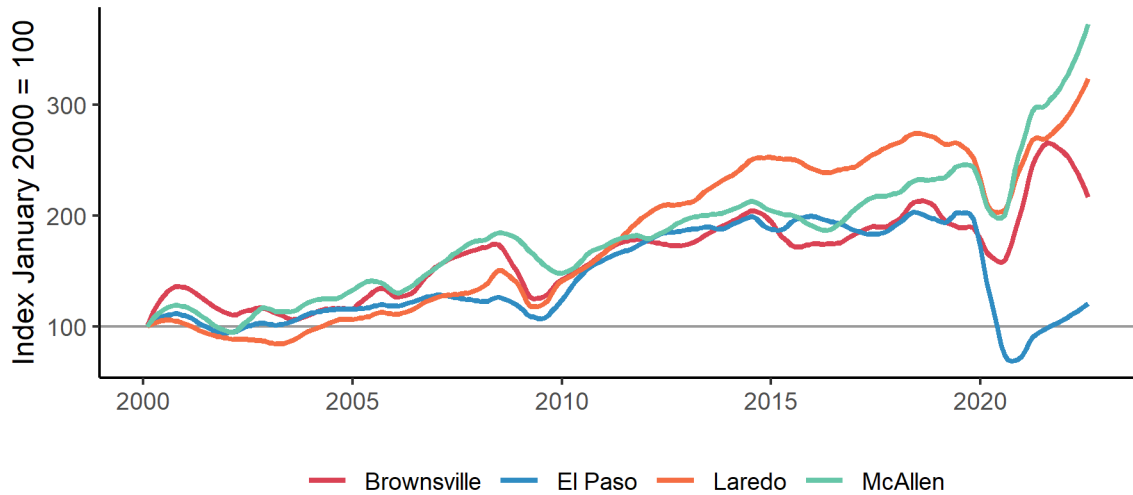
Economic Activity

Texas Border Import Values



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

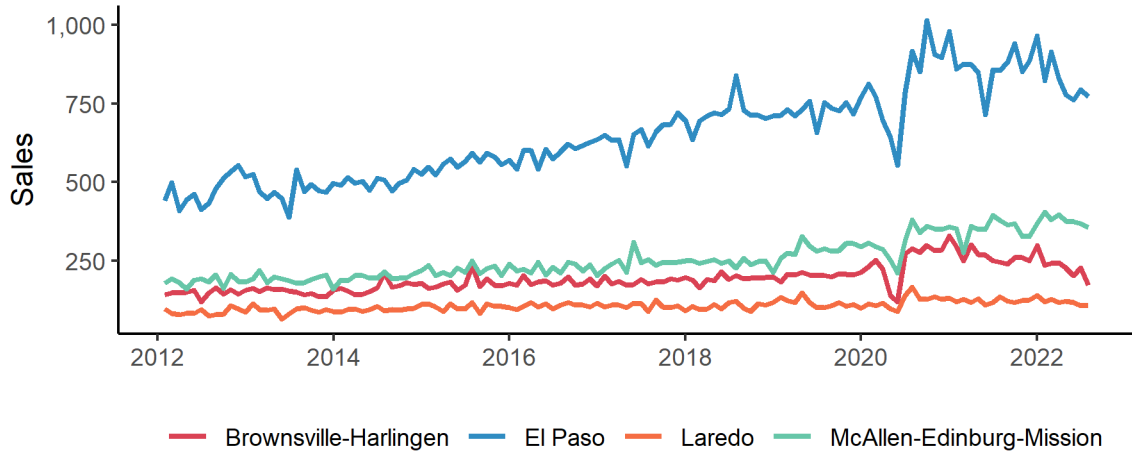
Texas Border Export Values



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

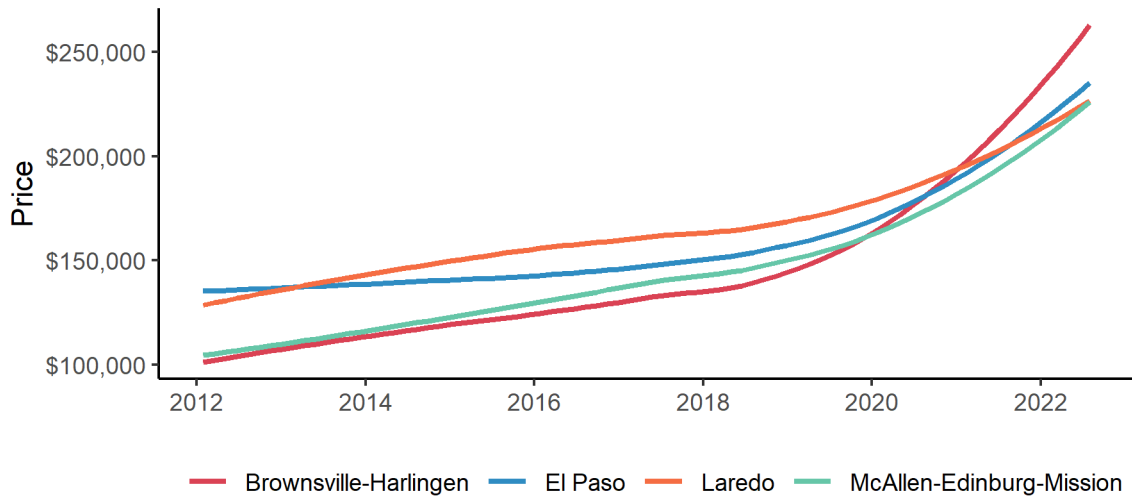
Housing

Border Metro Home Sales
Seasonally Adjusted Annualized Rate



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

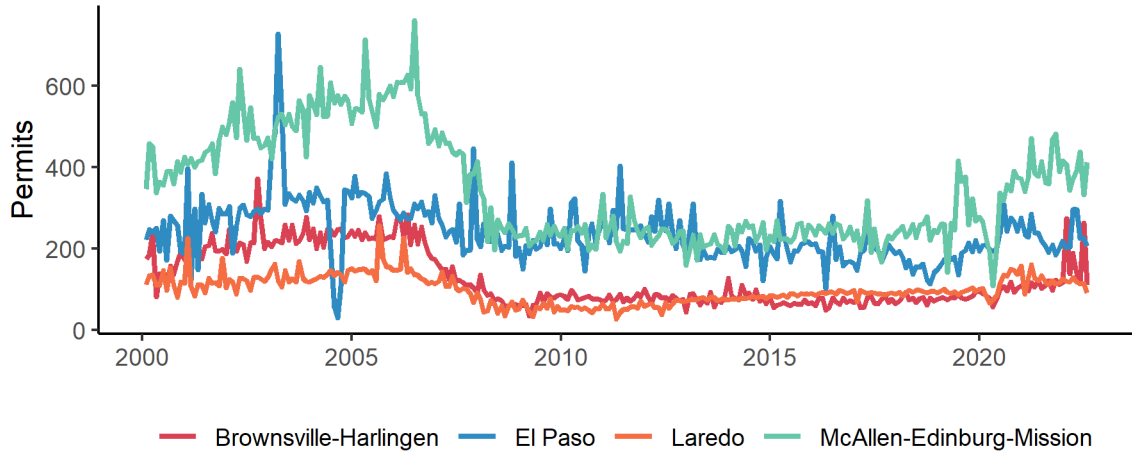
Border Metro Home Price Trend



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

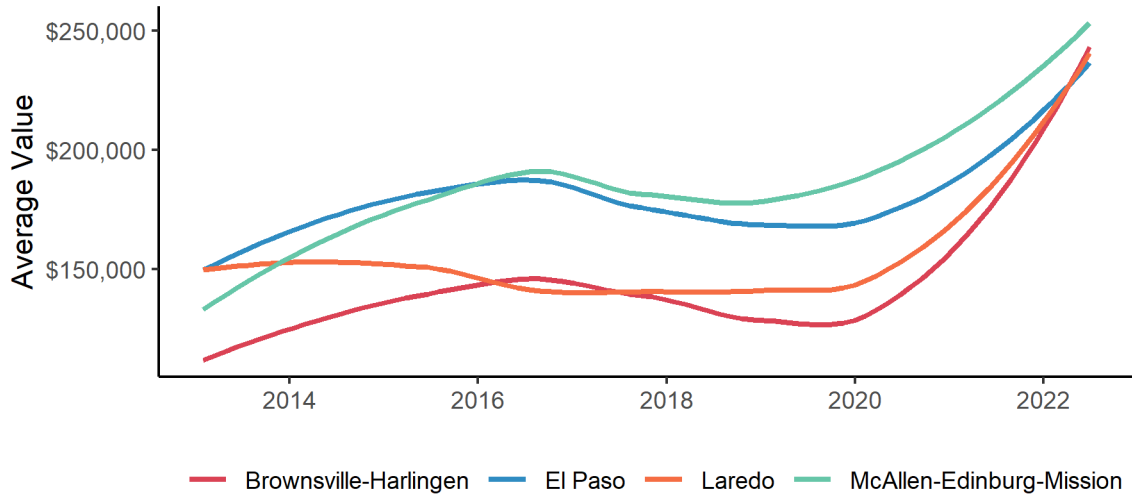
Housing

Border Metro Single-Family Permits
Seasonally Adjusted Annualized Rate



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

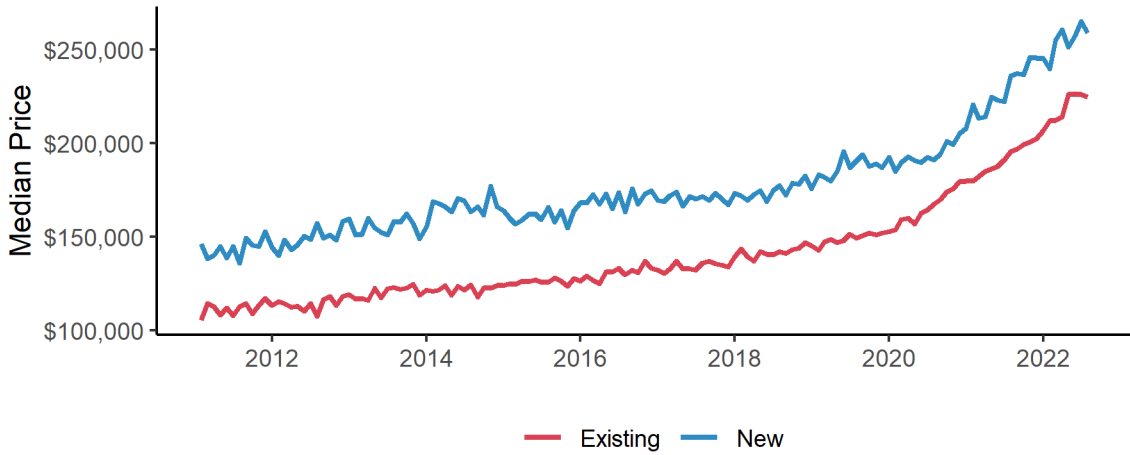
Border Metro Single-Family Average Permit Values



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

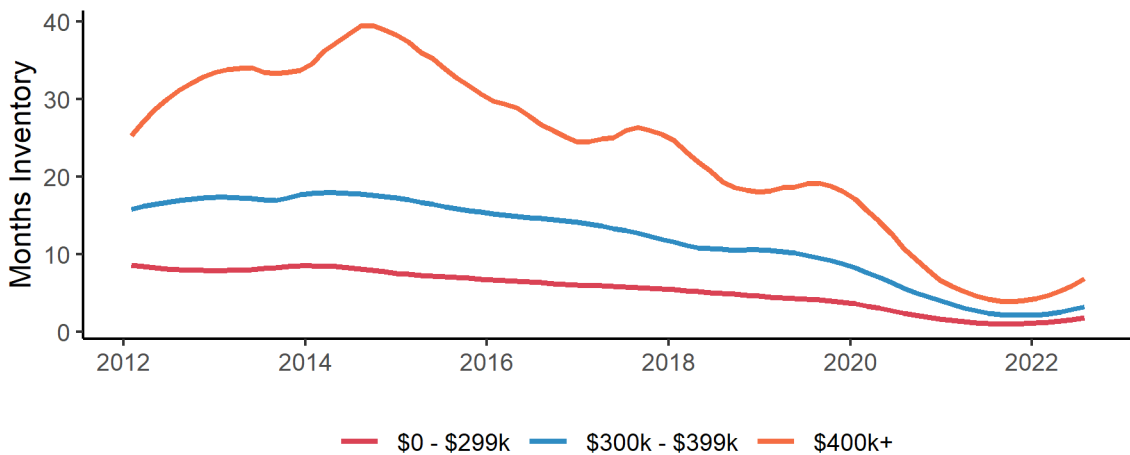
Housing

New and Existing Border Home Prices
Seasonally Adjusted Annualized Rate



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

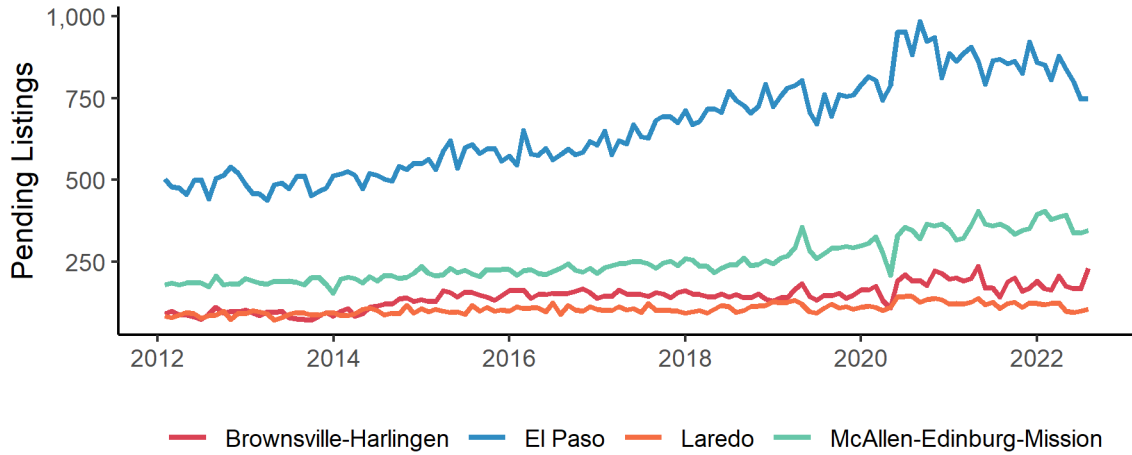
Border Housing Inventory by Price Range
Seasonally Adjusted Trend



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

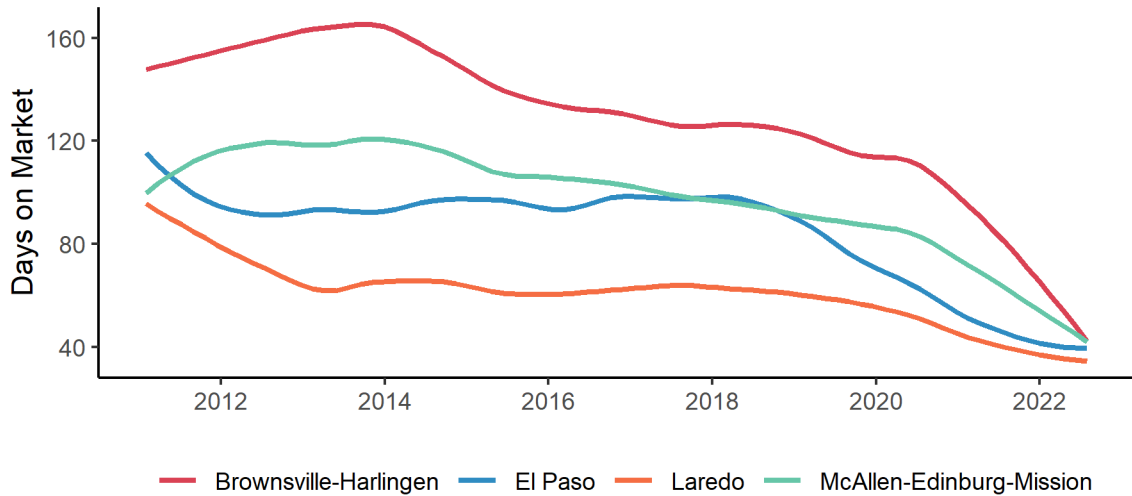
Housing

Border Metro Pending Listings
Seasonally Adjusted Annualized Rate



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

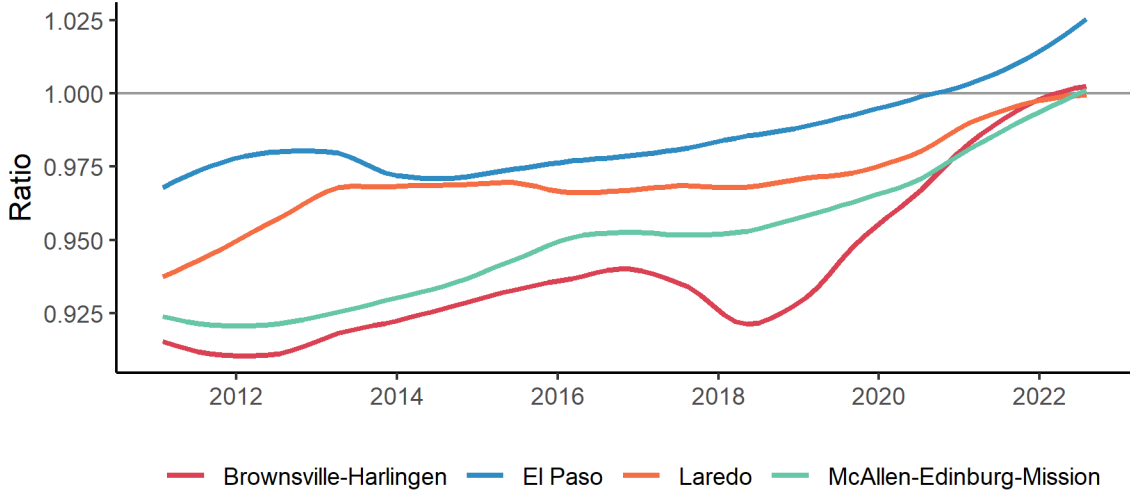
Border Metro Days on Market Trend



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

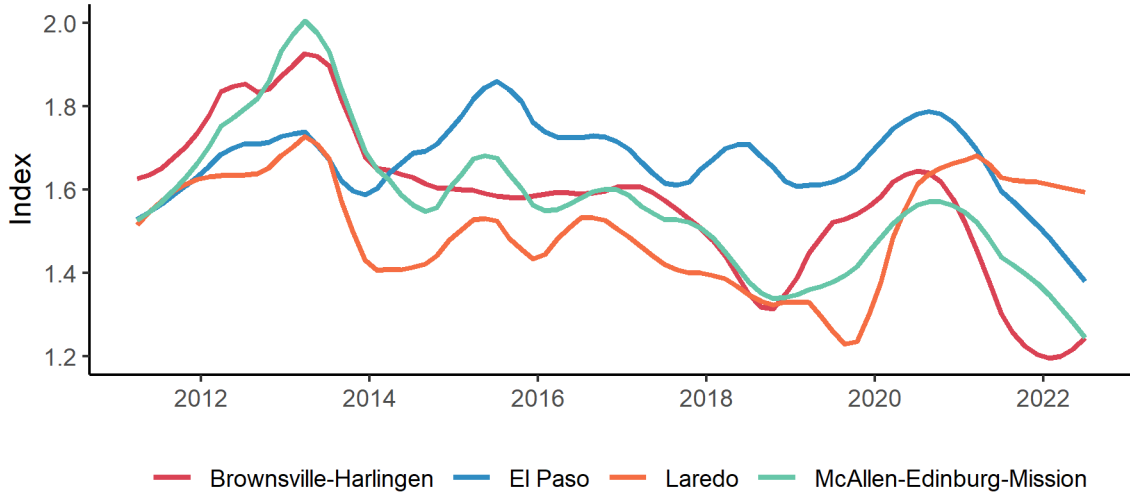
Housing

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



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

DIVISION OF ACADEMIC AND STRATEGIC COLLABORATIONS

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

DOUG JENNINGS, CHAIRMAN Fort Worth	DOUG FOSTER, VICE CHAIRMAN Lockhart
TROY ALLEY, JR. DeSoto	BESA MARTIN Boerne
RUSSELL CAIN Port Lavaca	TED NELSON Houston
VICKI FULLERTON The Woodlands	BECKY VAJDAK Temple
PATRICK GEDDES Dallas	BARBARA RUSSELL, EX-OFFICIO Denton



LinkedIn
[linkedin.com/company/recentertx](https://www.linkedin.com/company/recentertx)



Instagram
[instagram.com/recentertx](https://www.instagram.com/recentertx)



YouTube
[YouTube.com/realstatecenter](https://www.youtube.com/realstatecenter)



Facebook
[facebook.com/recentertx](https://www.facebook.com/recentertx)



Twitter
[twitter.com/recentertx](https://www.twitter.com/recentertx)