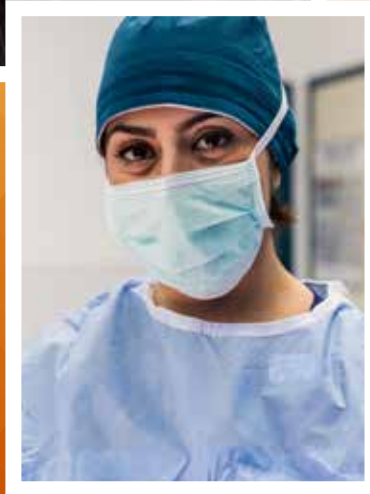
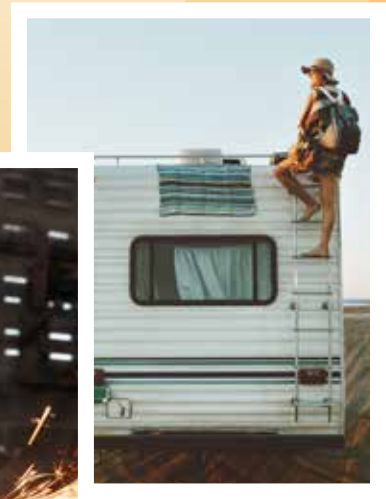
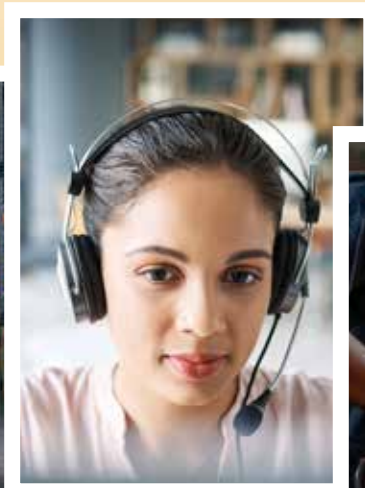


TEXAS BORDER ECONOMY

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TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

TECHNICAL REPORT

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AUGUST 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 and Rajendra Patidar

Data current as of September 15, 2022

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Border Summary

BORDER EMPLOYMENT

▼ 600 jobs

JULY MAQUILADORA EMPLOYMENT

▼ 11,000 jobs

TOTAL TRADE VALUES

▲ 4.7% MOM

HOUSING SALES

▲ 6.1% MOM

August 2022

Economic indicators along the border showed mixed responses for August. The payrolls in three out of four border Metropolitan Statistical Areas (MSAs) increased, but their unemployment rates still decreased. Residential construction activity stalled while the non-residential sector grew. Improvements in trade activities led to a decrease in the persistent trade deficit.

Existing seasonally adjusted home sales increased slightly after a continuous decline in the last two quarters. The domino effect of plunging housing sales in past months has led to a fall in median home prices and a rise in inventory. The global impact of the war in Ukraine is disrupting energy markets and impacting the cost of living and purchasing power. Inflation in August was stronger than expected despite the Federal Reserve's efforts to reduce the pace. **Economy**

The **Dallas Fed's Business-Cycle Indexes** indicated moderate growth, though it was slower than last year when the border was recovering from COVID-19-related shutdowns. McAllen's metric grew at an annualized rate of 3.9 percent while El Paso's index increased by 10 percent. Similarly, Brownsville's and Laredo's indexes grew at 7.5 and 5.4 percent, respectively. Pedestrian and personal vehicle crossings were up 45 and 65 percent, respectively, over year-ago levels after restrictions were lifted in 4Q2021. United States Customs and Border Protection encountered an unprecedented rise in migrant crossings along the Texas-Mexico border.

Overall, **border nonfarm employment** gained 600 positions. McAllen gained 500 jobs, Brownsville-Harlingen added 900, and Laredo added 400. Meanwhile, El Paso reported a loss of 1,200 jobs. Sectors like trade, transportation, manufacturing, and hospitality are major contributors to employment in the border region.

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 5.6 percent in August. Joblessness fell to around 4.5 percent in both El Paso and Laredo and remained at 7.4 percent and 6.4 percent in McAllen and Brownsville, respectively. The labor force participation rate ticked up statewide, while weekly unemployment claims declined across border areas.

Fluctuations in the **average private hourly earnings** revealed positive growth along the border as wages rose in all metros, though inflationary pressures prevented meaningful gains in purchasing power. Earnings in McAllen went up in real terms to a nominal wage of \$19.22. Hourly wages in Laredo (\$19.50) trended upward, and Brownsville wages (\$17.83) rebounded by 5.2 percent in



August after dipping in July. El Paso's average private hourly earnings were at an all-time high of \$22.65 in August. Nominal wages grew significantly in the first half of the year and are approaching pre-pandemic levels.

On the southern side of the border, **Mexican manufacturing and maquiladora employment**¹ decreased for the first time this year, losing 11,072 jobs in July. Employment decreased by 2.6 percent month over month (MOM) in Reynosa and by 1.7 percent in Juarez, with job losses of 3,840 and 5,660 workers, respectively, in July. Meanwhile, maquiladora employment in Matamoros and Nuevo Laredo decelerated by 1.9 percent and 1.3 percent MOM, respectively, losing 1,295 workers in the former and 400 in the latter. Global supply chain pressures decreased in August, marking a fourth consecutive month of easing as indicated by the Federal Reserve's Global Supply Chain Pressure Index. Supply chain pressures were below year-ago levels and are expected to decline further.

The S&P Global Mexico Manufacturing PMI for August indicated persistent contractions in the Mexican manufacturing sector as production output, new orders, and employment all fell further. Weaker demand conditions, inflation, and input shortages hindered growth across the Mexican goods-producing sector.

In the currency market, the **peso per dollar exchange rate** averaged \$20². After adjusting for inflation, the metric decreased over the month, revealing gains for Mexican importers. The **total trade value** increased and the gap between exports and imports narrowed in August, resulting in a reduction in the persistent trade deficit. At the metropolitan level, total exports rose by 4.7 percent due to improving trade activities in Brownsville and McAllen, where exports increased by 7 and 6.4 percent, respectively.

Housing

Home sales rebounded after declining for the last six months due to rising inflation and the Federal Reserve's policy rate adjustments to curb inflation. Overall **housing sales** increased by 5.8 percent MOM due to the steeper growth recorded in Brownsville and Laredo (42 percent and 9.8 percent, respectively). McAllen posted a 7.1 percent increase in home sales, while El Paso's metric rose by 5.4 percent after a significant dip in July. Housing sales depend on mortgage rates, and Freddie Mac's 30-year fixed rate was 5.22 percent in August, a trivial drop considering the exponential jump during 2022Q2 from a record-low 2.7 percent in January 2021. There has been change in consumer's buying behavior in last few months with concerns of rising mortgage rates and inflation.

Border metros issued 694 **single-family housing construction permits**, down 15.1 percent from July, This was due to significant drops in permits in McAllen (down 7.3 percent) and El Paso (down

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.

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



11 percent). A similar trend continued in Brownsville and Laredo. **Total private single-family construction values** trended downward at 35 percent MOM in the border area. Values decreased by 18.6 percent in El Paso. Construction activity declined in the Rio Grande Valley with a 43 percent fall in McAllen and a 17.2 percent drop in Brownsville. Despite declines in permit counts and values, the average value per permit remains elevated compared with pre-pandemic conditions.

Declining sales in previous months led to a rise in **months of inventory** (MOI) along the border, though the metric 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 August to 2.5 months. El Paso's metric rose to 1.8 months, McAllen's metric increased to 3.3 months, and Brownsville's inventory stabilized at 2.8 months. These 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 August increased across the border as reduced demand in the last few months led to a rise in inventory and change in consumer buying behaviour. However, the metric remained exceptionally low compared with year-ago levels. El Paso's and McAllen's DOM balanced at 48 days. Laredo's DOM moved to 31 days, while new listings in Brownsville pushed the metro toward one and a half months to complete the sale.

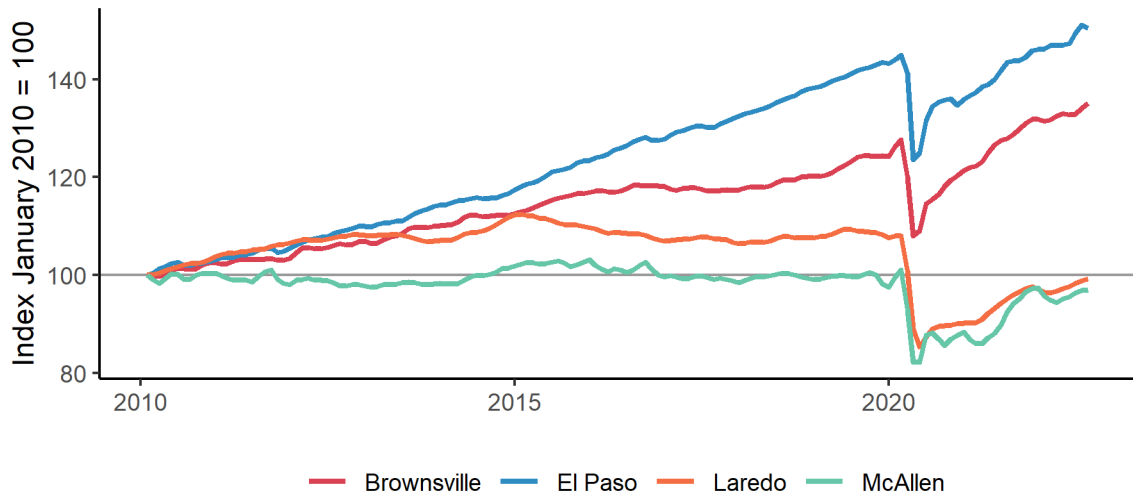
Reduced demand brought **the median home price** down across border regions. McAllen's metric inched down to \$221,000 from an all-time high of \$229,500 in June, while Brownsville's home prices stabilized at around \$246,000. El Paso's median home price was around \$237,500, reporting a slight increase. Similarly, Laredo's metric increased from \$224,900 in July to \$227,100 in August. 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.



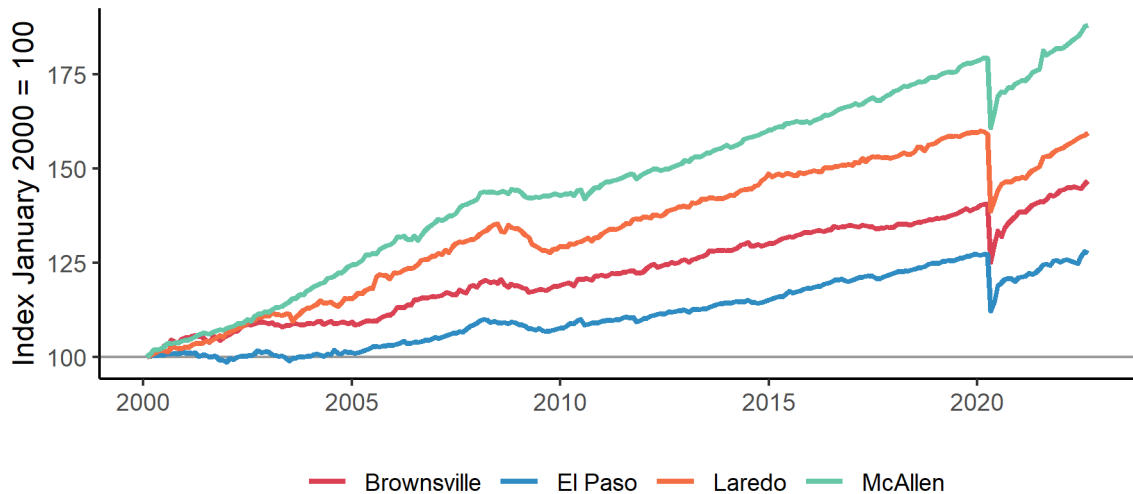
Economic Activity

Border Metro Business-Cycle Index



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

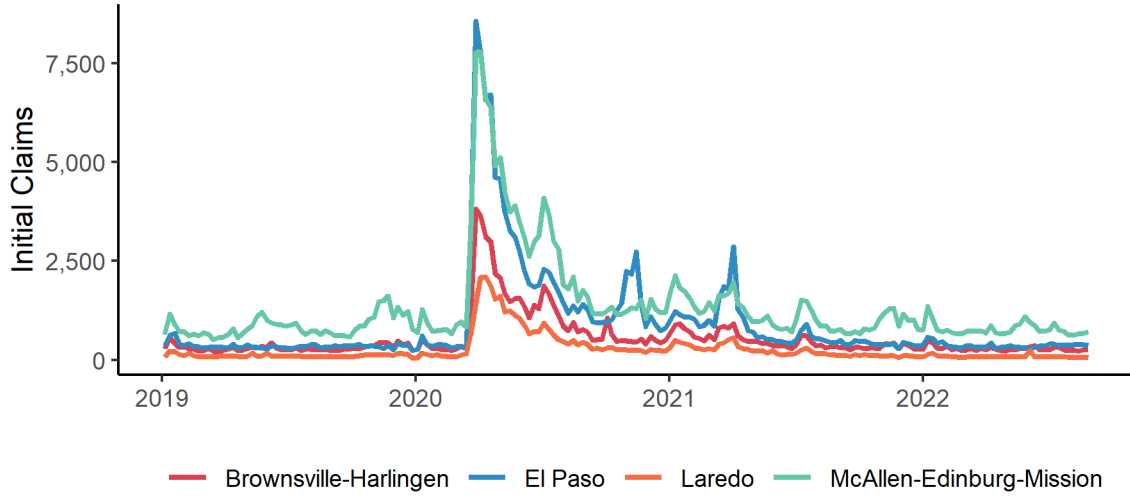
Border Employment Index



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

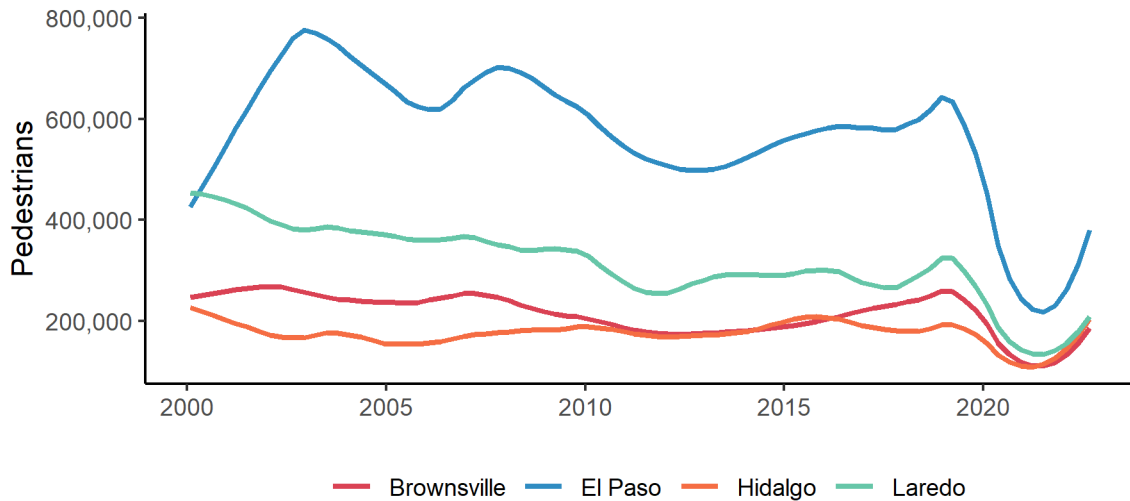
Economic Activity

Border Metro Weekly Initial Unemployment Claims



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

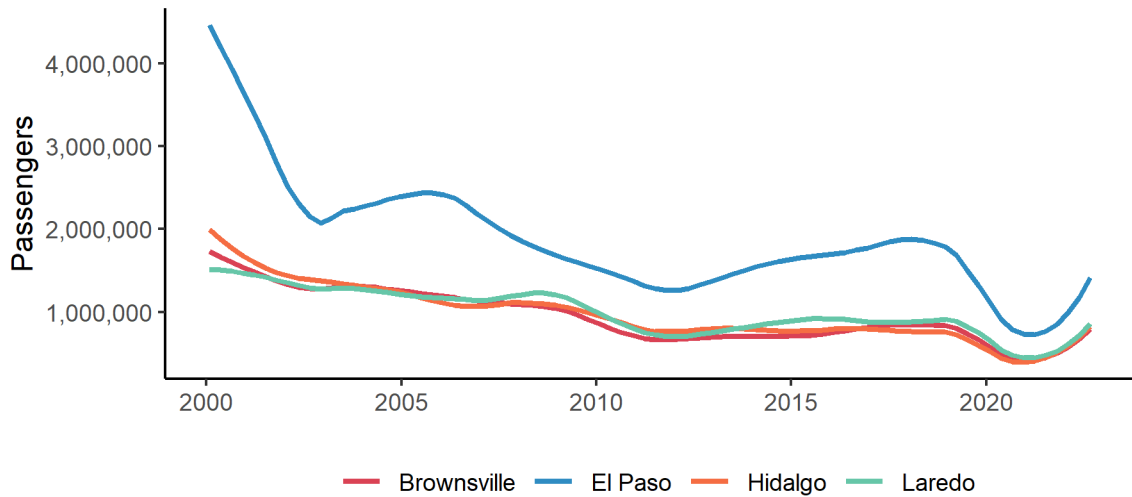
Pedestrian Border Crossings



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

Economic Activity

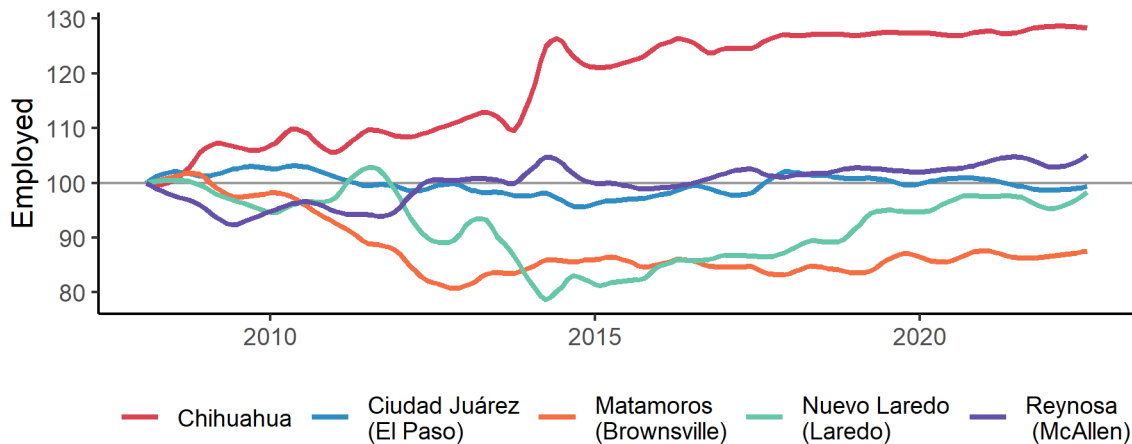
Personal Vehicle Passenger Border Crossings



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

Mexico Maquiladora & Manufacturing Employment

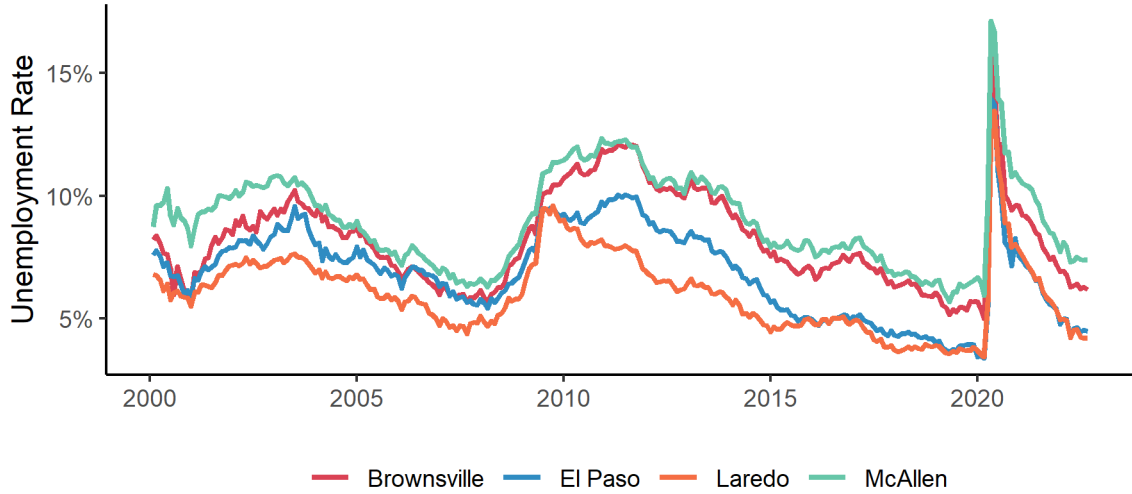
Index January 2008 = 100



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

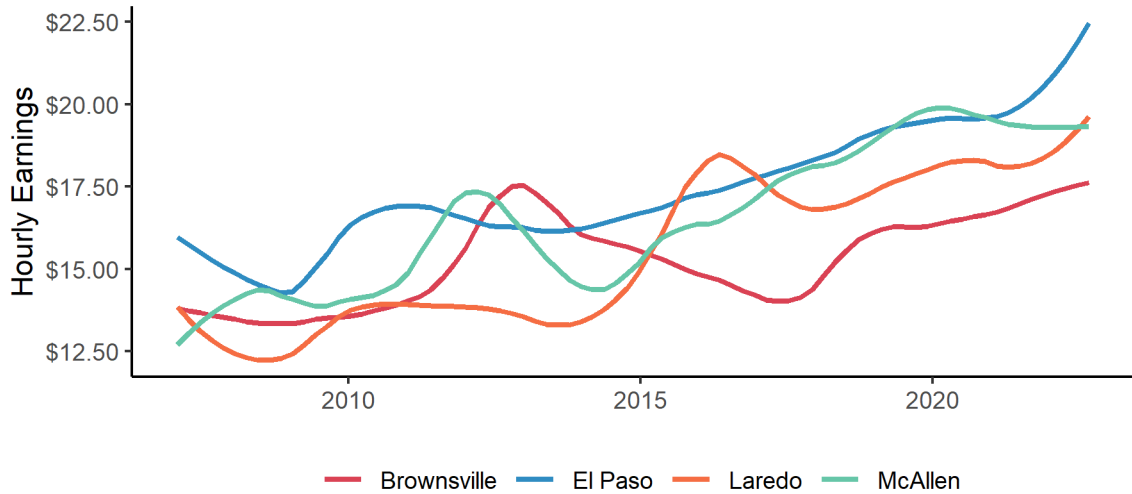
Economic Activity

Border Metro Unemployment Rate



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

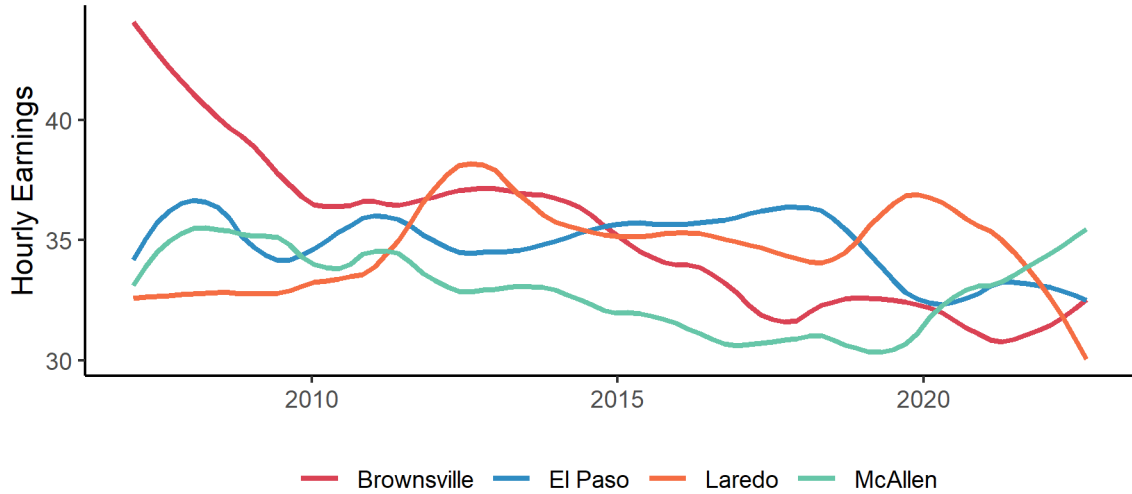
Border Metro Average Hourly Earnings



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

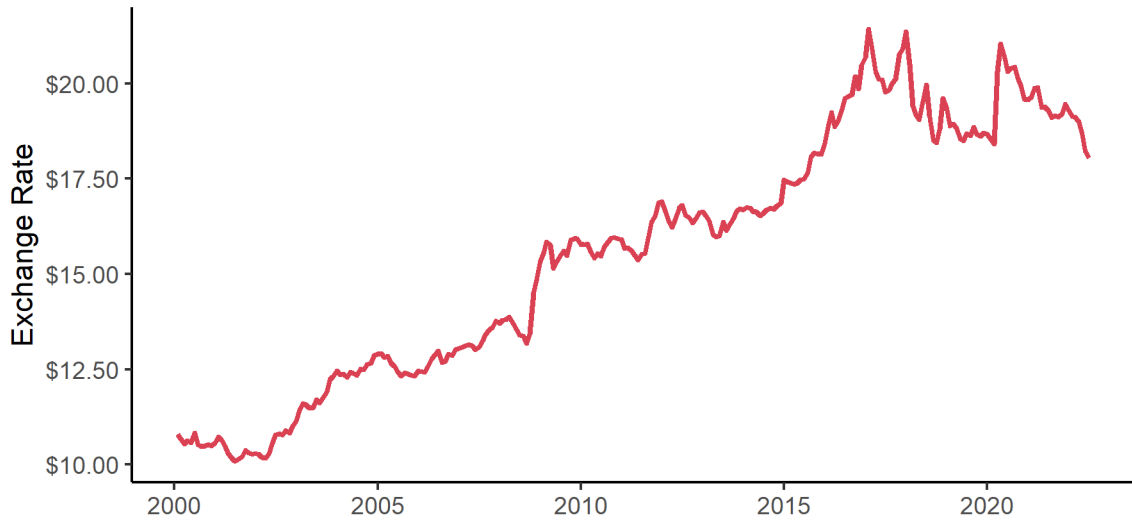
Economic Activity

Border Metro Average Weekly Hours Worked



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

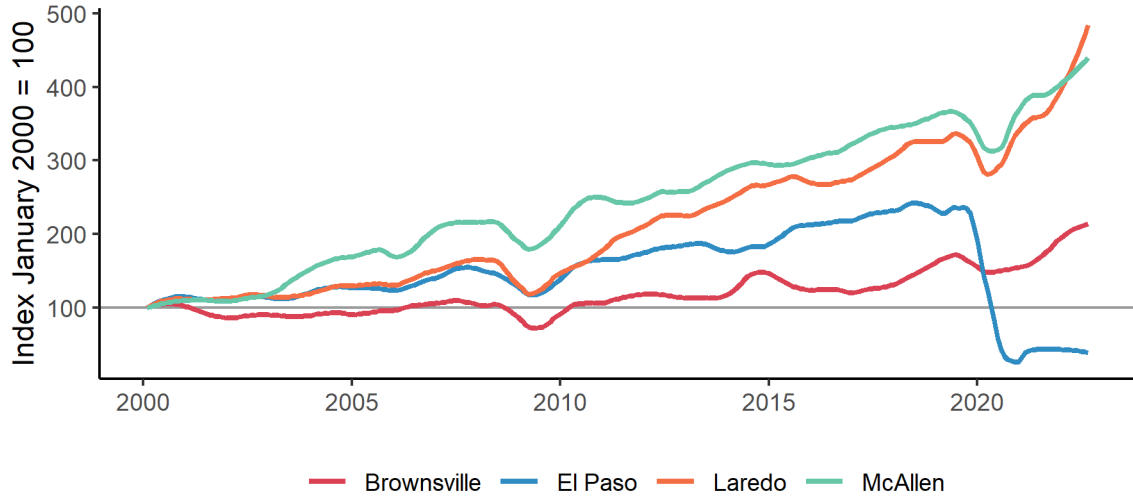
Real Peso per Dollar Exchange Rate



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

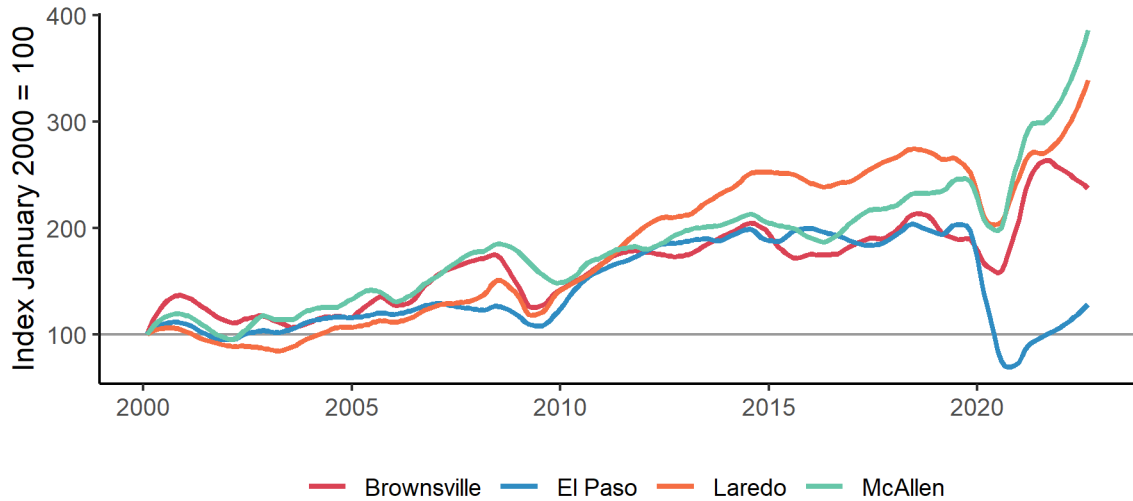
Economic Activity

Texas Border Import Values



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

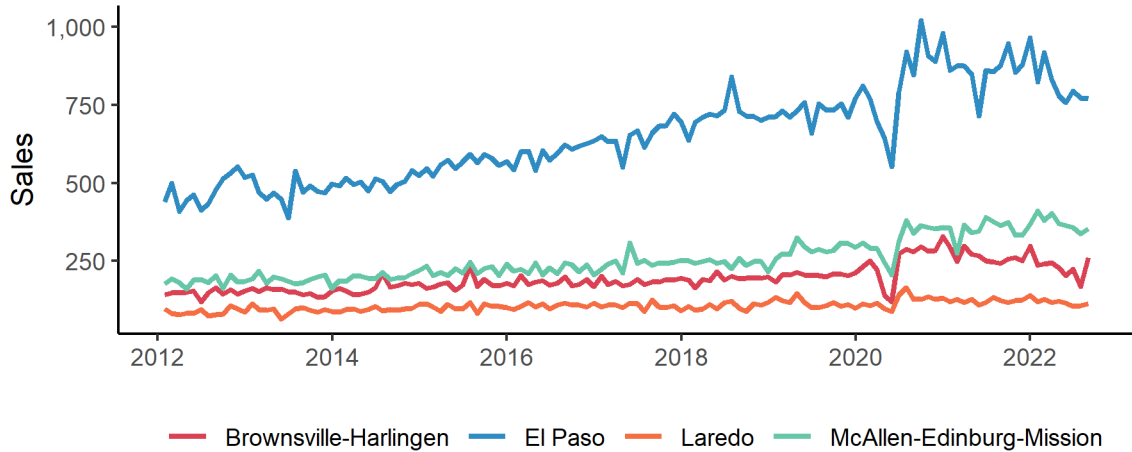
Texas Border Export Values



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

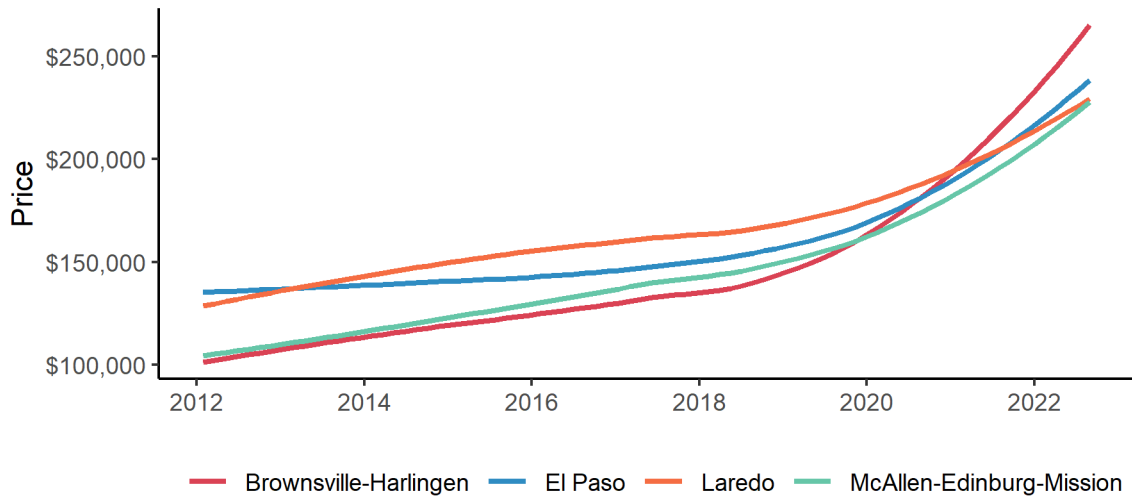
Housing

Border Metro Home Sales
Seasonally Adjusted Annualized Rate



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

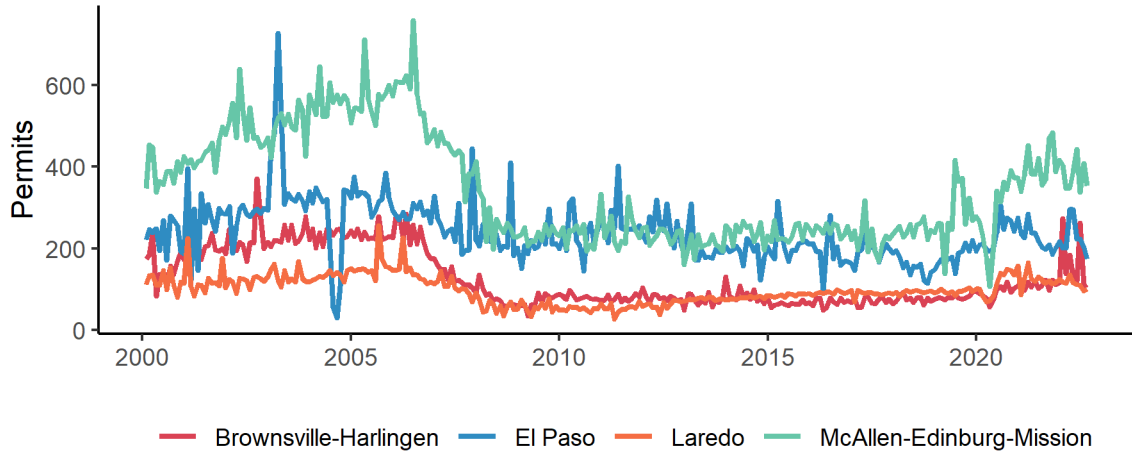
Border Metro Home Price Trend



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

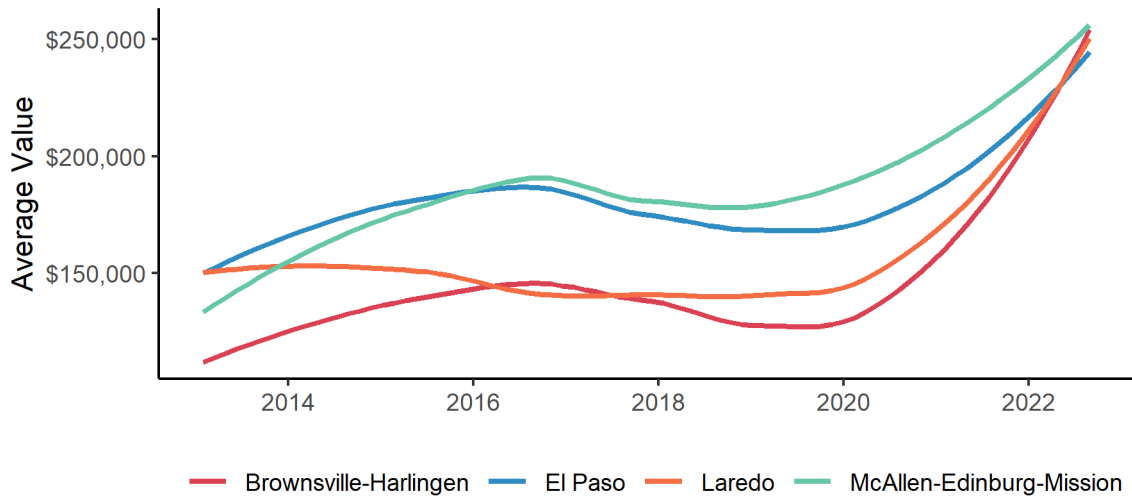
Housing

Border Metro Single-Family Permits
Seasonally Adjusted Annualized Rate



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

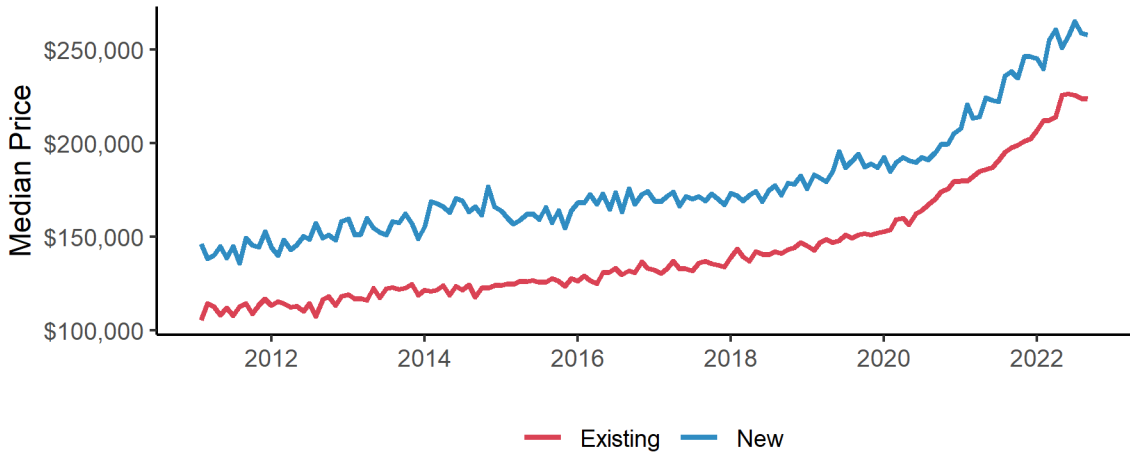
Border Metro Single-Family Average Permit Values



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

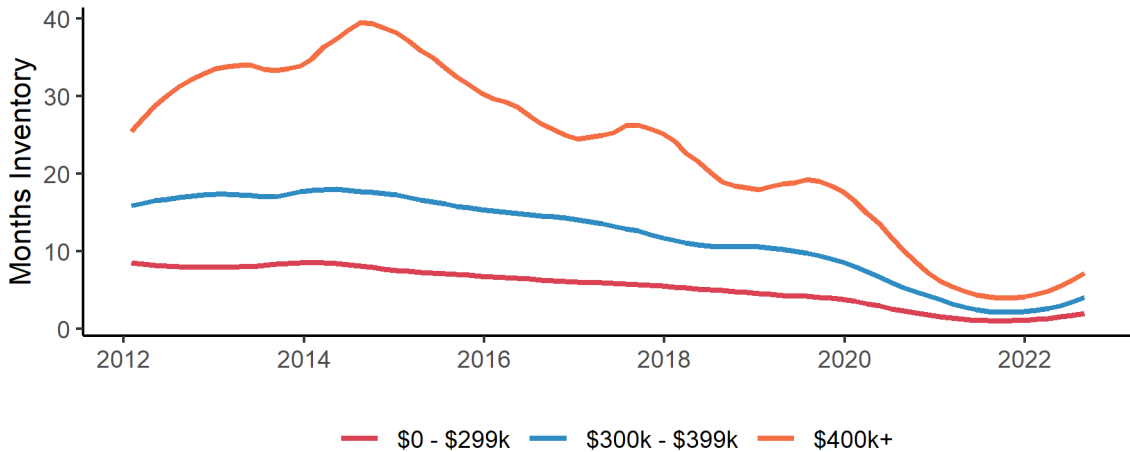
Housing

New and Existing Border Home Prices
Seasonally Adjusted Annualized Rate



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

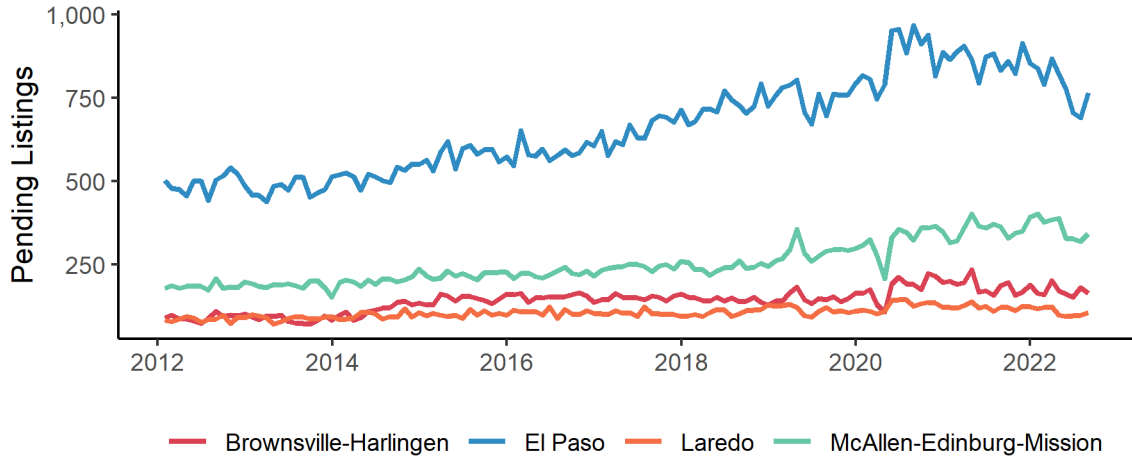
Border Housing Inventory by Price Range
Seasonally Adjusted Trend



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

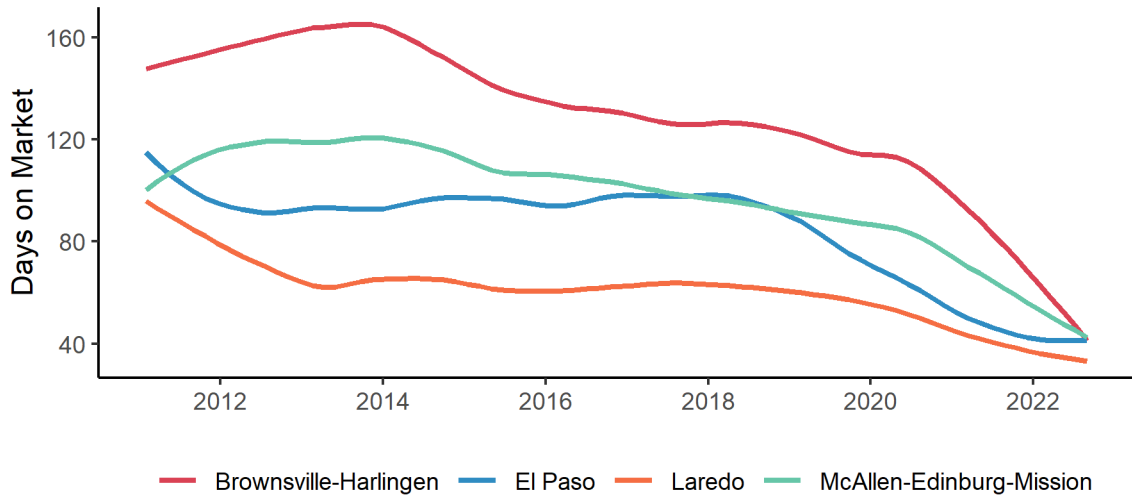
Housing

Border Metro Pending Listings
Seasonally Adjusted Annualized Rate



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

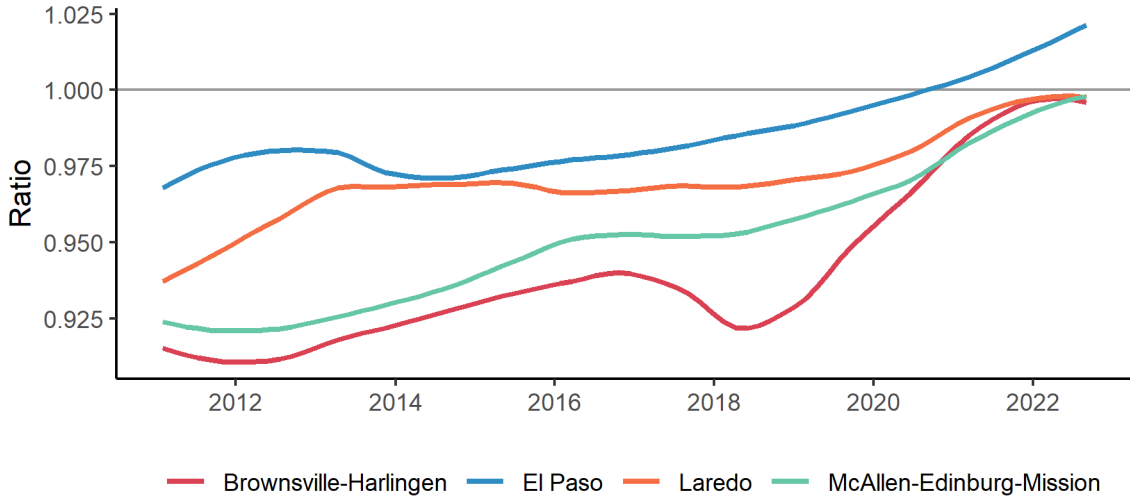
Border Metro Days on Market Trend



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

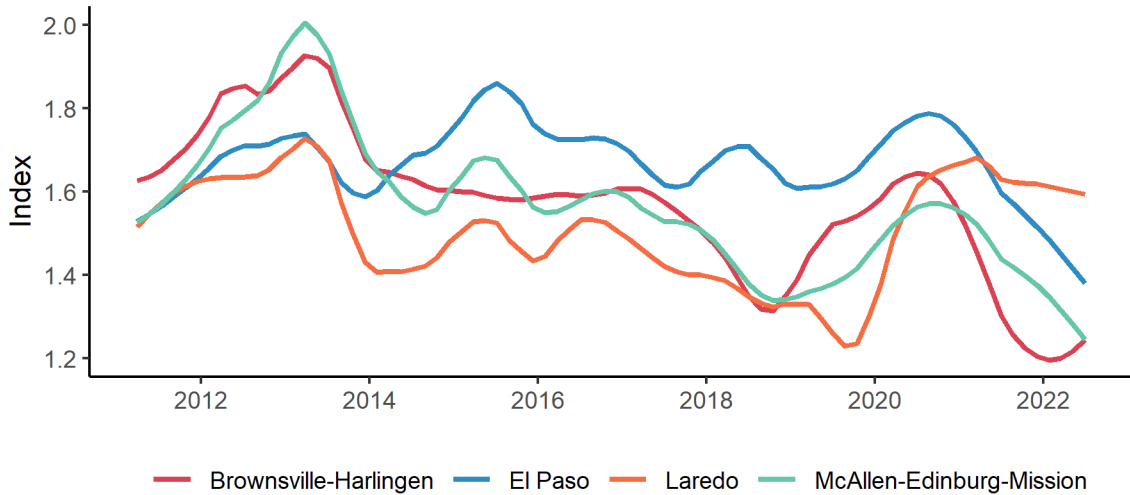
Housing

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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