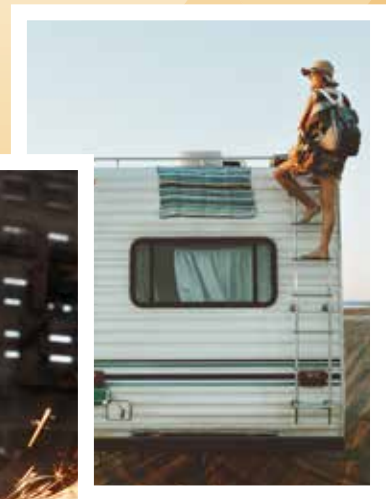
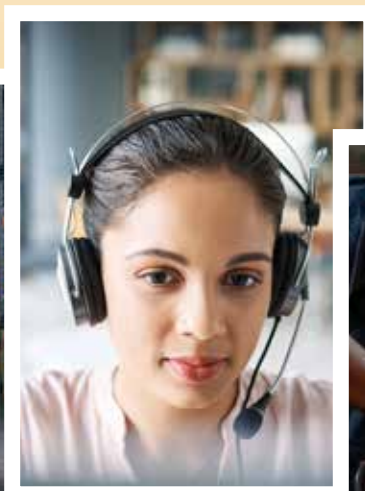


TEXAS BORDER ECONOMY

Joshua Roberson, Lead Data Analyst
Rajendra Patidar, Research Intern



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

TECHNICAL REPORT

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NOVEMBER 2022 DATA

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About this Report	2
November 2022 Border Summary	3
Economic Activity	6
Border Metro Busines-Cycle Index	6
Border Employment Index.....	6
Border Metro Weekly Initial Unemployment Claims	7
Pedestrian Border Crossings.....	7
Personal Vehicle Passenger Border Crossings	8
Mexico Maquiladora & Manufacturing Employment	8
Border Metro Unemployment Rate	9
Border Metro Average Hourly Earnings	9
Border Metro Average Weekly Hours Worked	10
Real Peso per Dollar Exchange Rate	10
Texas Border Import Values	11
Texas Border Export Values	11
Housing	12
Border Metro Home Sales	12
Border Metro Home Price Trend.....	12
Border Metro Single-Family Permits	13
Border Metro Single-Family Average Permit Values	13
New and Existing Border Home Prices	14
Border Housing Inventory by Price Range.....	14
Border Metro Pending Listings	15
Border Metro Days on Market Trend	15
Border Metro Close to List Price Ratio Trend.....	16
Border Housing Affordability Index	16



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 November 1, 2022

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Border Summary November 2022

BORDER EMPLOYMENT
▲ 2,600 jobs

UNEMPLOYMENT RATE
▼ 5.6% MOM

NET TRADE VALUE
▲ 8.6% MOM

HOUSING SALES
▲ 2.4% MOM

Economic indicators along the border showed mixed responses for November. Payrolls expanded in all border Metropolitan Statistical Areas (MSAs), corroborated by decreases in unemployment rates and claims. Commercial real estate activity has been growing, but residential construction remains sluggish. Total trade values were down, and the gap between imports and exports leading to the trade deficit reduced.

The downward trend in seasonally adjusted housing sales continued in November. The domino effect of plunging home sales in past months has led to a rise in **days on market (DOM)** and inventory and a reduction in median home prices. The global impact of the war in Ukraine is disrupting energy markets and impacting cost of living and purchasing power. Inflation was lower than expected after a slight decline from October, which indicates the Fed's policies are moderating inflation. War in Eastern Europe and supply issues have led to higher energy costs, which has ripple effects on other goods and household demand.

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. At the metro level, McAllen-Edinburg-Mission reported a seasonally adjusted annualized growth rate of 10.3 percent, and El Paso reported 5 percent growth. Meanwhile, the metric grew by less than 2 percent in Brownsville-Harlingen and Laredo. Pedestrian crossings were down 12.5 percent year over year (YoY) after restrictions were lifted in 4Q2021, while vehicle crossings increased by 15 percent YoY.

Overall, **border nonfarm employment** added 2,600 positions due to a hiring expansion in McAllen (2,300 jobs) and El Paso (700). Sectors like trade, transportation, manufacturing, and hospitality were major contributors to employment growth in the border region. Meanwhile, hiring patterns in Brownsville and Laredo have not changed significantly.

The spike in jobs led to the lowest unemployment numbers since the onset of COVID-19. The border region's **unemployment rate** fell to 5.6 percent in November. Joblessness in Laredo and El Paso were both less than 5 percent, while McAllen and Brownsville fell to 7.1 and 6.1 percent, respectively. The labor force participation rate ticked down statewide, while weekly unemployment claims declined across border areas.

Fluctuations in the **average private hourly earnings** revealed negative growth along the border as wages fell in all metros. Consequently, inflationary pressures prevented meaningful gains in purchasing power. Nominal wages across the border stabilized at \$20.25, while they fell to \$17 in



Brownsville. Hourly wages in El Paso inched down to \$22.33, while the metric reached an all-time high at \$20.22 in Laredo. Nominal wages across the border grew significantly in the first half of 2022 and surpassed pre-pandemic levels.

On the southern side of the border, **Mexican manufacturing and maquiladora employment**¹ numbers were down due to the loss of 200 jobs in October. The decrease in Mexican manufacturing employment was driven by contraction in Matamoros and Juarez. Here is the summary of maquiladora employment in October.

Mexican Manufacturing and Maquiladora Employment

City	Total Employed	Monthly Change	Monthly Percentage Change
Reynosa	146,922	-28	0.0%
Juarez	318,371	-353	-0.1%
Matamoros	65,916	-817	-1.2%
Nuevo Laredo	32,958	527	-1.6%
Chihuahua	83,813	479	0.6%

Source: National Institute of Statistics, Geography and Informatics (INEGI) October 2022

Global supply chain pressures increased moderately in November as indicated by the Global Supply Chain Pressure Index (GSCPI). Supply chain pressures were significantly below year-ago levels and are expected to decline further.

The S&P Global Mexico Manufacturing PMI for November indicated a sign of recovery in the Mexican manufacturing sector as demand for goods stabilized. Still, input buying was hampered by higher inflation and difficulties in obtaining essential raw materials.

In the currency market, the **peso per dollar exchange rate** averaged \$19.45². After adjusting for inflation, the metric decreased over the month, revealing gains for Mexican importers. The **total trade value** decreased, while there was a reduction in the persistent trade deficit in November. At the metropolitan level, El Paso's and Brownsville's exports expanded resulting in positive net trade. Meanwhile Laredo's and McAllen's relatively higher imports contributed to the region's trade deficit. Also, the decline in real effective exchange rate (REER) for the first time last two years indicated a strong trade competitiveness for United States exporters.

Real Estate

Construction activity went up in October due to a rise in construction of retail space, offices, and houses. Changes in residential and nonresidential construction values varied across border areas.

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.

The construction of retail, offices, and schools boosted nonresidential construction values in El Paso by 27 percent YoY while values declined in Laredo by 39 percent YoY. Meanwhile in the Rio Grande Valley, commercial construction activity in Brownsville and McAllen improved by 34 and 51 percent, respectively, YoY. Residential construction activity has been stagnant over the last two quarters as indicated by the 26 percent month-over-month (MoM) drop in total residential construction values and the fact that total annual permits issued were down from last year.

Overall housing sales showed signs of improvement as seasonally adjusted demand grew by 2.4 percent in November. The metric was up by 21 percent in Brownsville and by 3.2 percent in El Paso. Sales dropped by 7 percent in both McAllen and Laredo. Housing sales in 2022 have relied heavily on mortgage rates, and Freddie Mac's 30-year fixed rate was 7 percent in November, the highest in the last decade and up from a record-low 2.7 percent in January 2021. Consumer buying behavior has changed in the last few months with concerns about rising mortgage rates and inflation.

Border metros issued 575 **single-family housing construction permits**, down by 5.6 percent from October. The continued reduction in new projects in border metros will affect the region's housing markets. Fewer permits were issued in 2022 than in the previous year as all major metros except Brownsville reported a decline. 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 an uptick in new listings pushed the average MOI for November to 3.2 months. El Paso's metric was more than two months, while McAllen's and Brownsville's metric is inching toward four months of inventory. These increases indicate inventory is growing primarily due to a decrease in home sales and an increase in listings.

The average DOM in November increased across the border as reduced demand in the last few months led to a rise in inventory and a change in consumer buying behavior. The change in housing demand dynamics this year placed the metric higher compared with year-ago levels. El Paso's DOM remained around 50 days, while Laredo's DOM moved up to 46 days. New listings in Brownsville and McAllen pushed the metric toward two months to complete the sale.

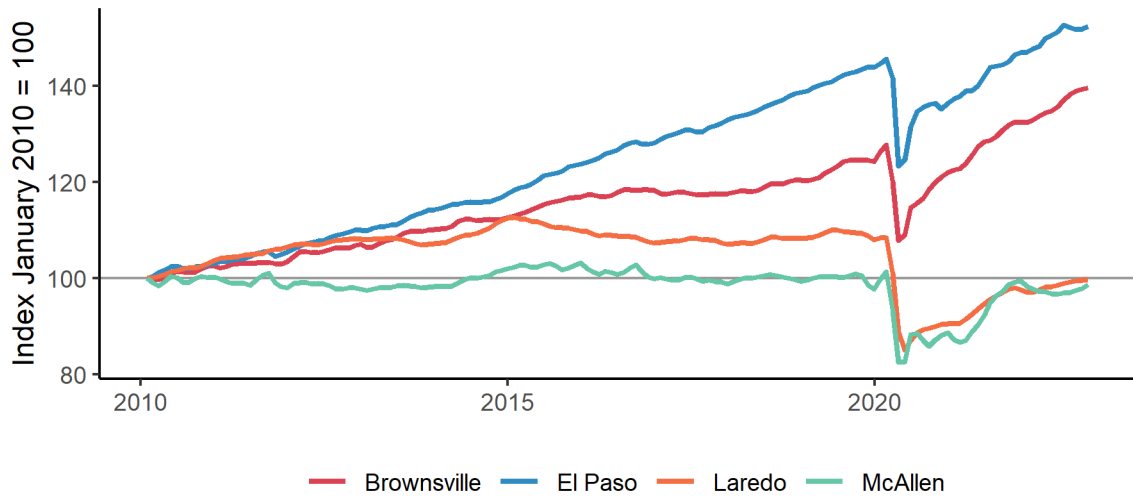
Reduced demand dented **seasonally adjusted median home prices** across border regions in the last couple of months, but the metric increased in November. In the Rio Grande Valley, Brownsville's metric rose to \$252,200 while median prices dropped to \$218,070 in McAllen. El Paso's median home price was around \$247,200, reporting a significant rise. Similarly, Laredo's median price increased from \$219,800 in October to \$234,500 in November. 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.



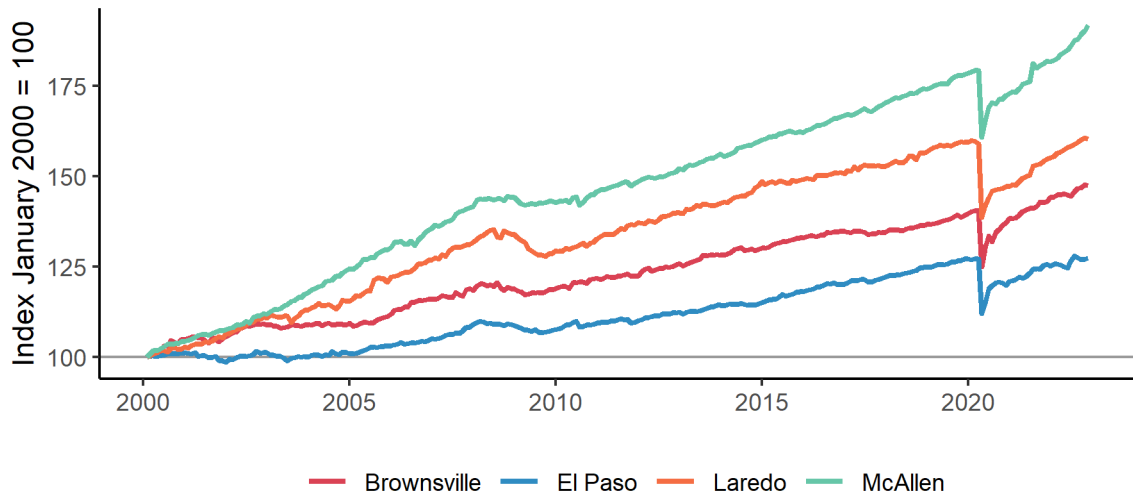
Economic Activity

Border Metro Business-Cycle Index



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

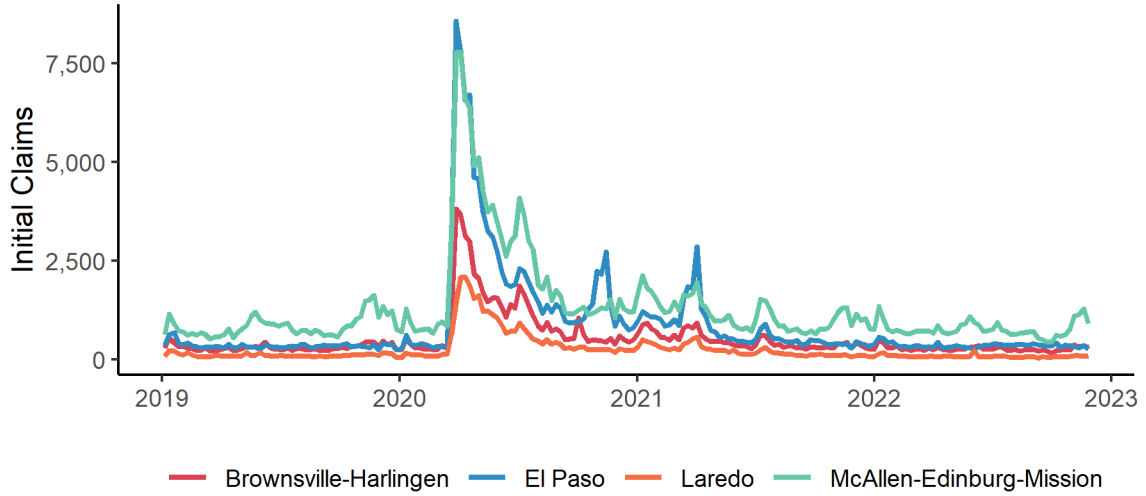
Border Employment Index



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

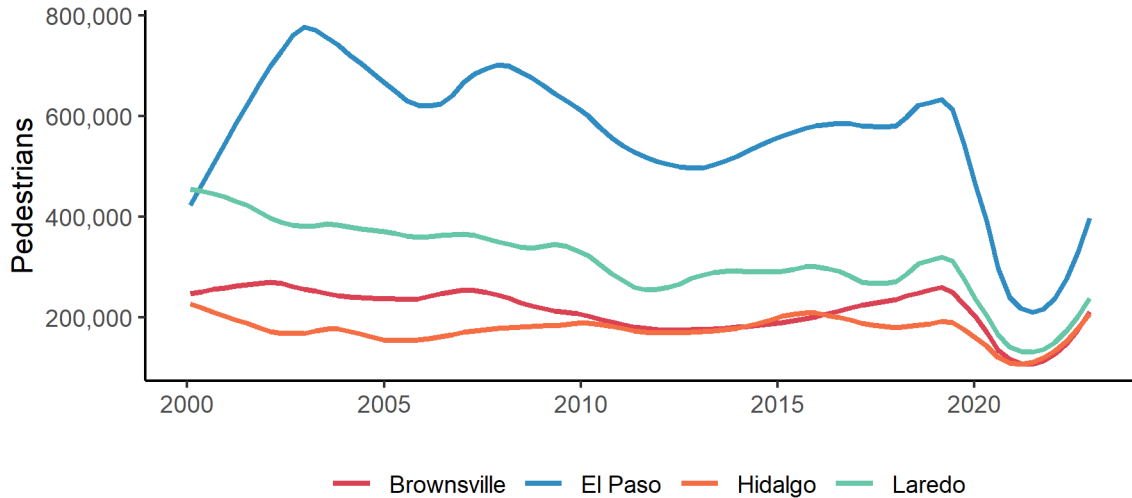
Economic Activity

Border Metro Weekly Initial Unemployment Claims



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

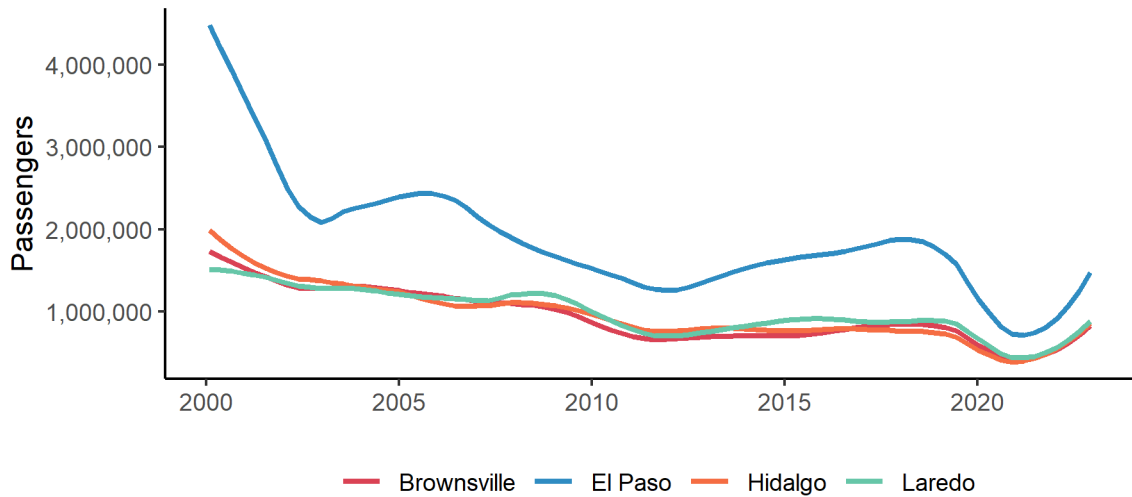
Pedestrian Border Crossings



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

Economic Activity

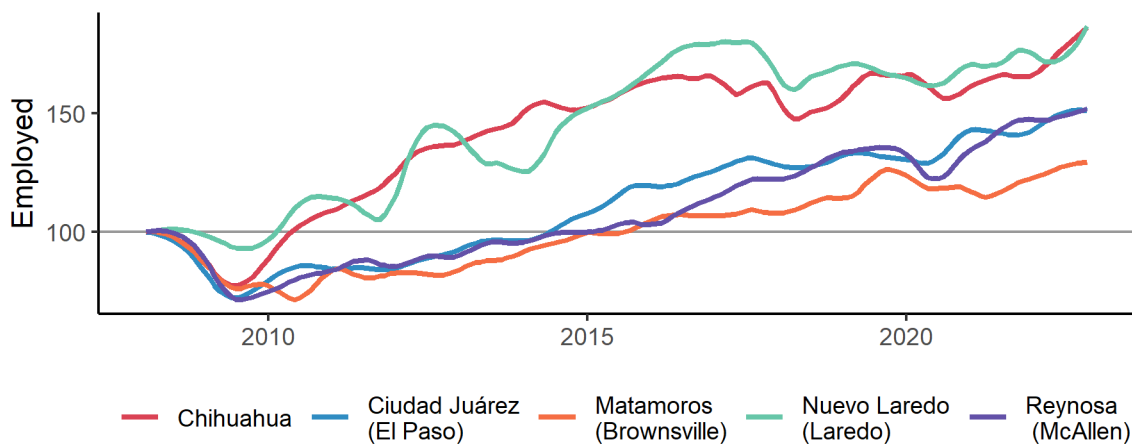
Personal Vehicle Passenger Border Crossings



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

Mexico Maquiladora & Manufacturing Employment

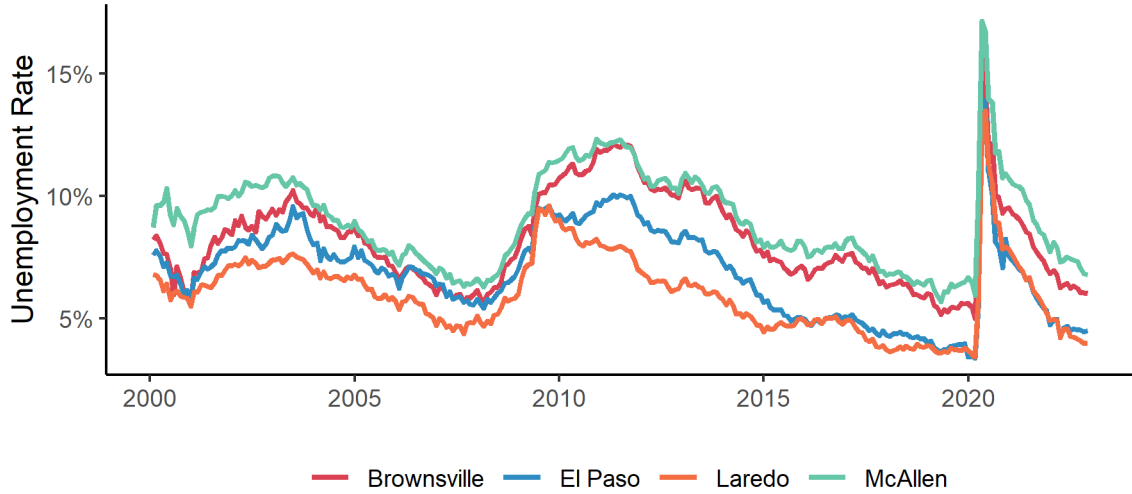
Index January 2008 = 100



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

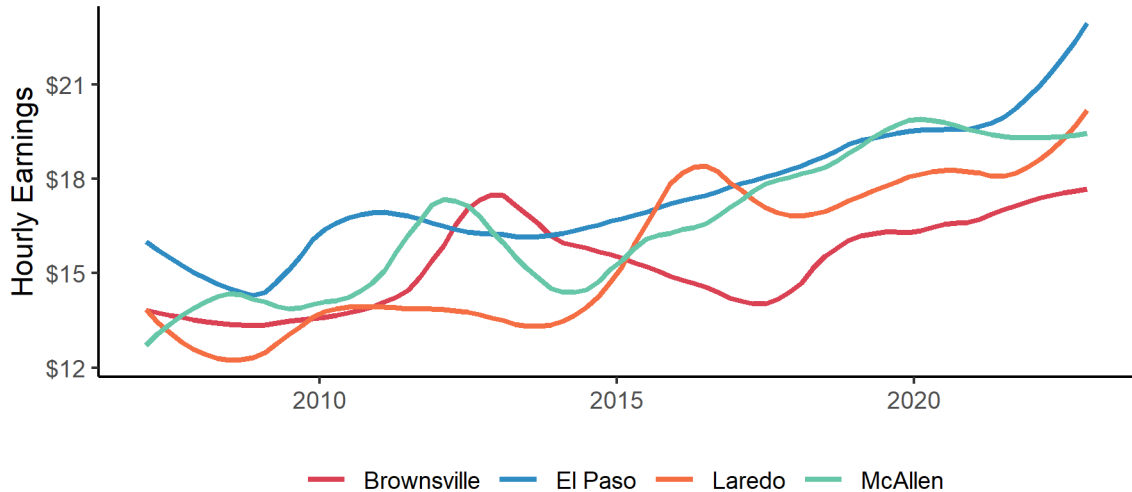
Economic Activity

Border Metro Unemployment Rate



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

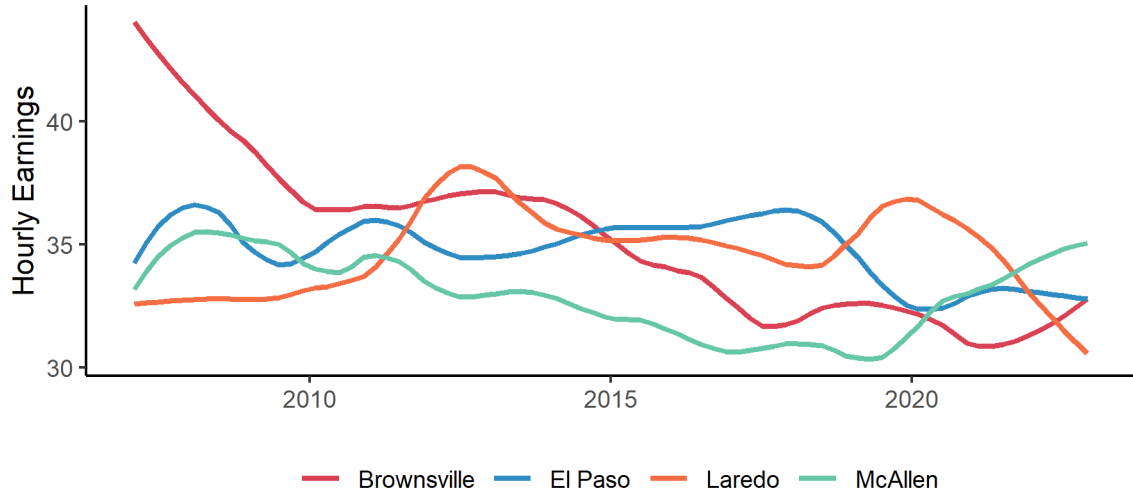
Border Metro Average Hourly Earnings



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

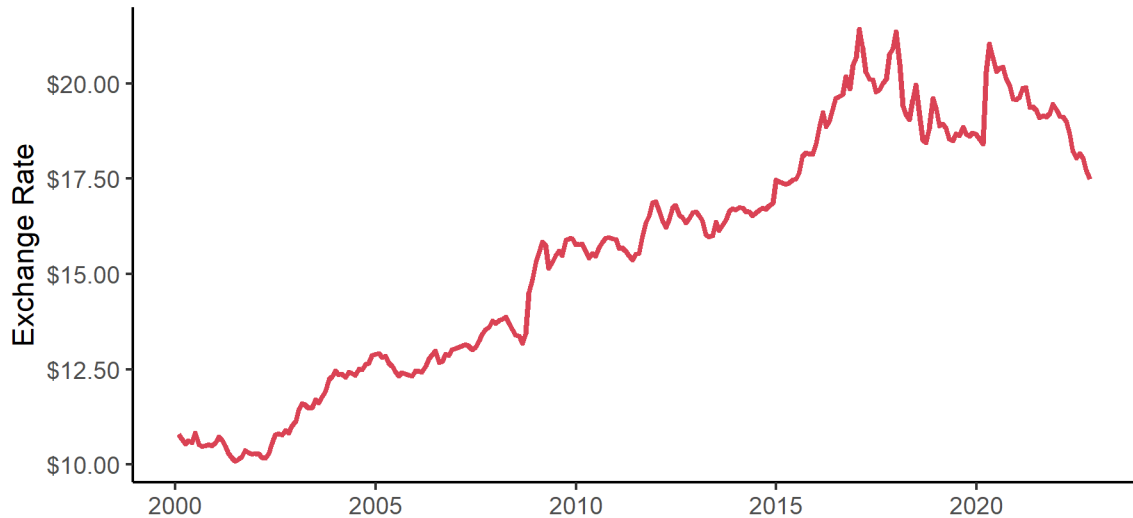
Economic Activity

Border Metro Average Weekly Hours Worked



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

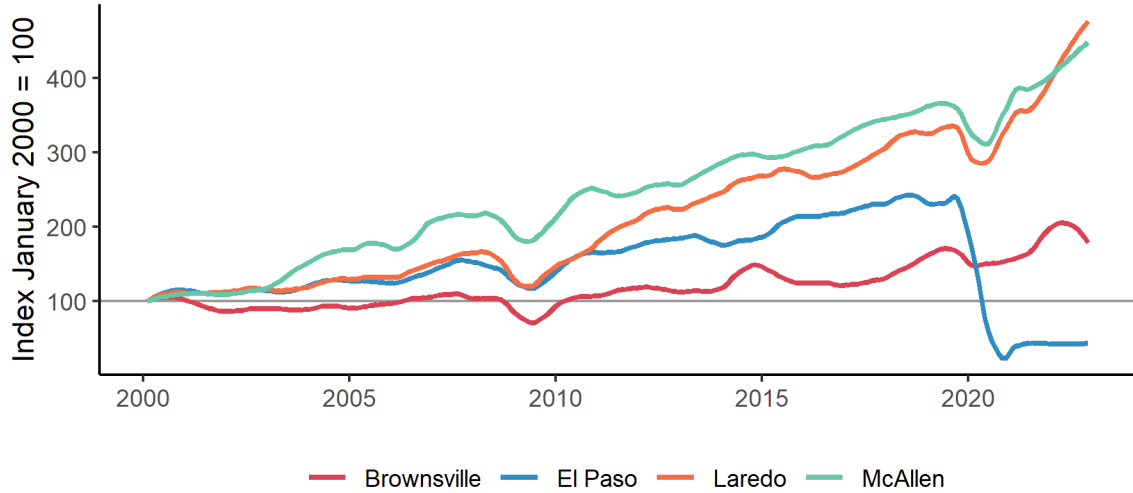
Real Peso per Dollar Exchange Rate



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

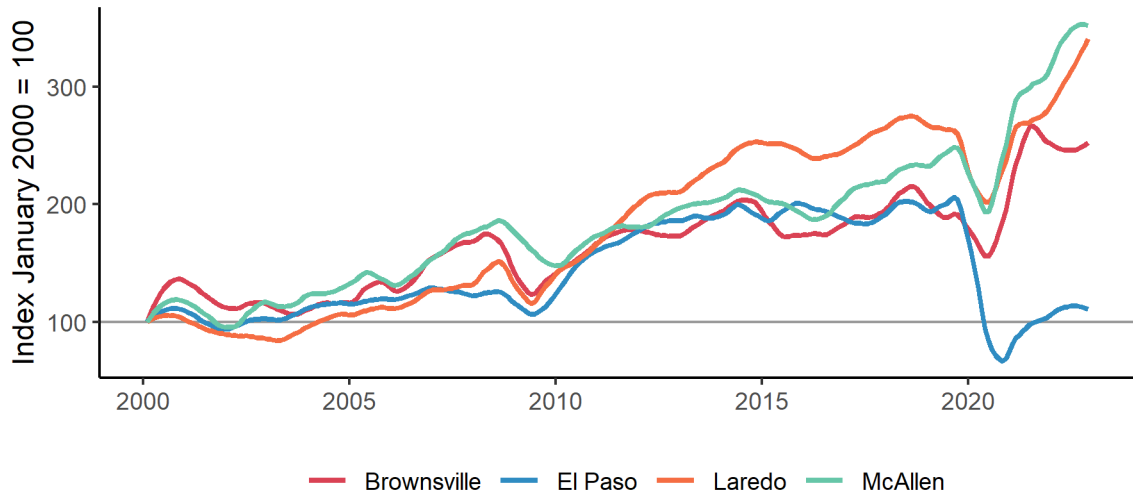
Economic Activity

Texas Border Import Values



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

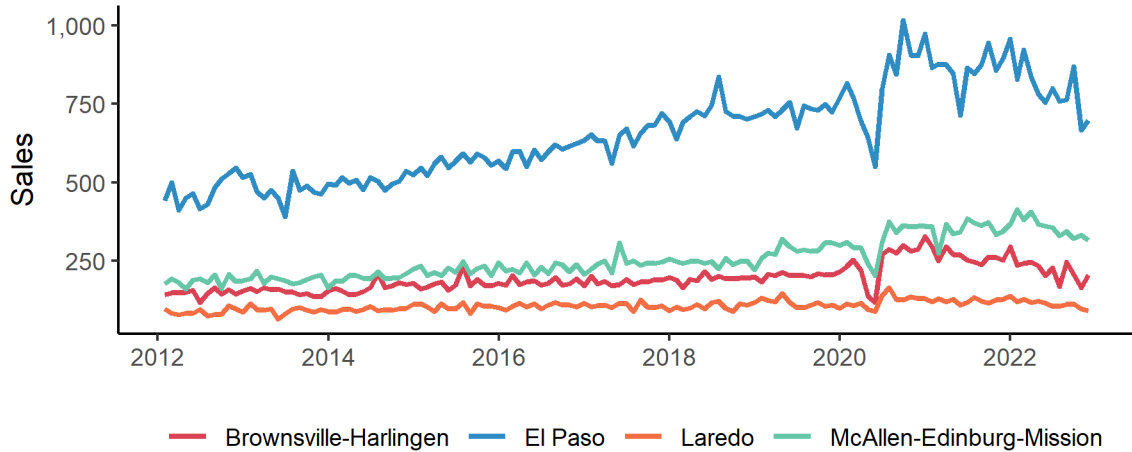
Texas Border Export Values



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

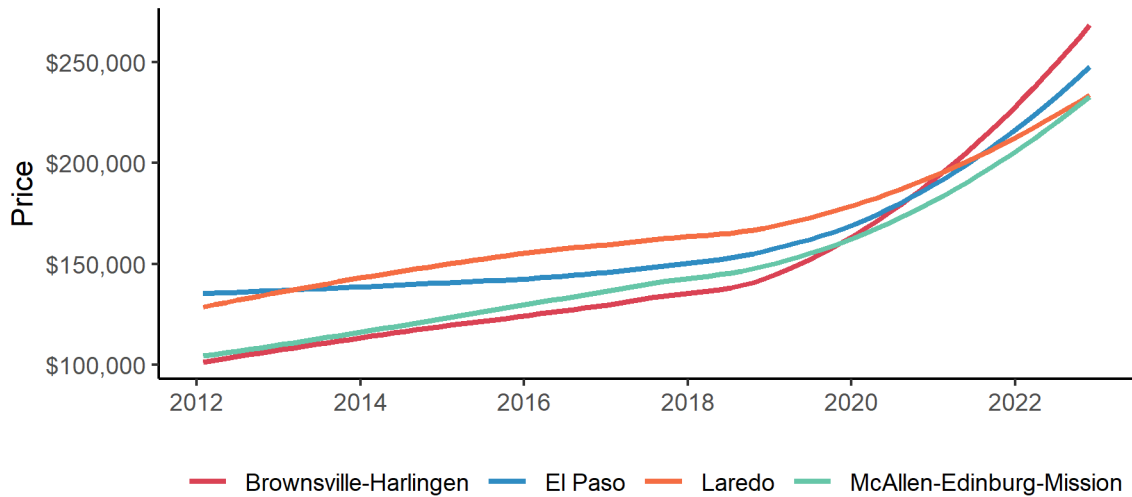
Housing

Border Metro Home Sales
Seasonally Adjusted Annualized Rate



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

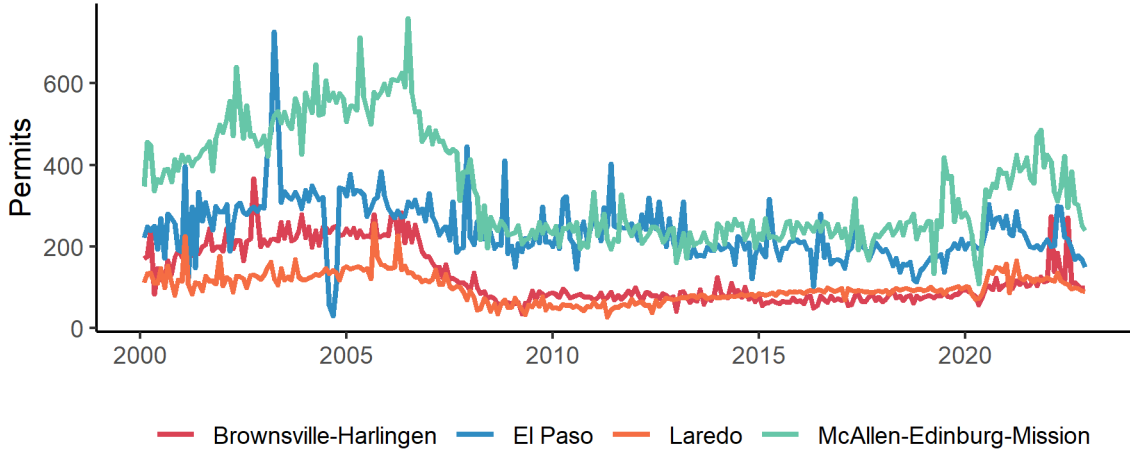
Border Metro Home Price Trend



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

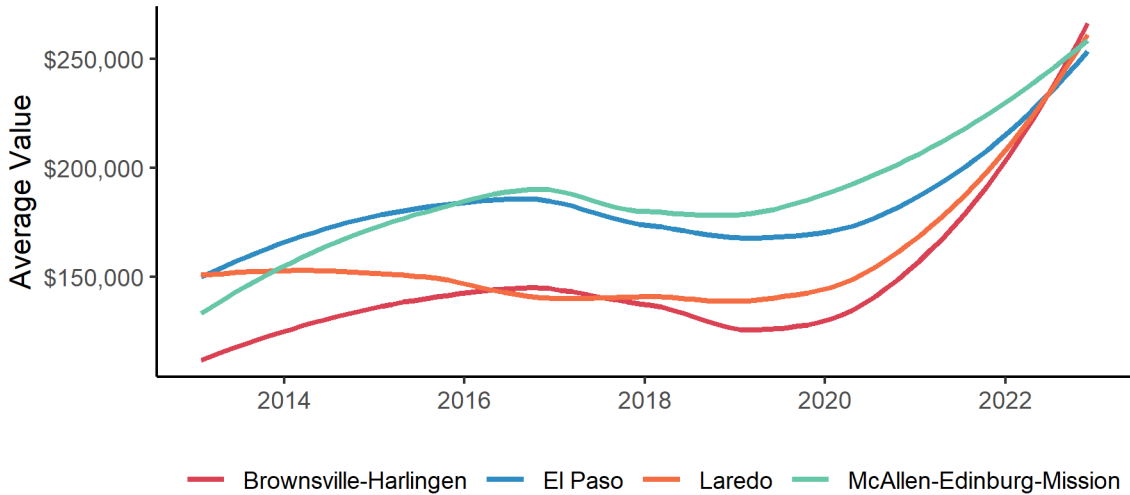
Housing

Border Metro Single-Family Permits
Seasonally Adjusted Annualized Rate



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

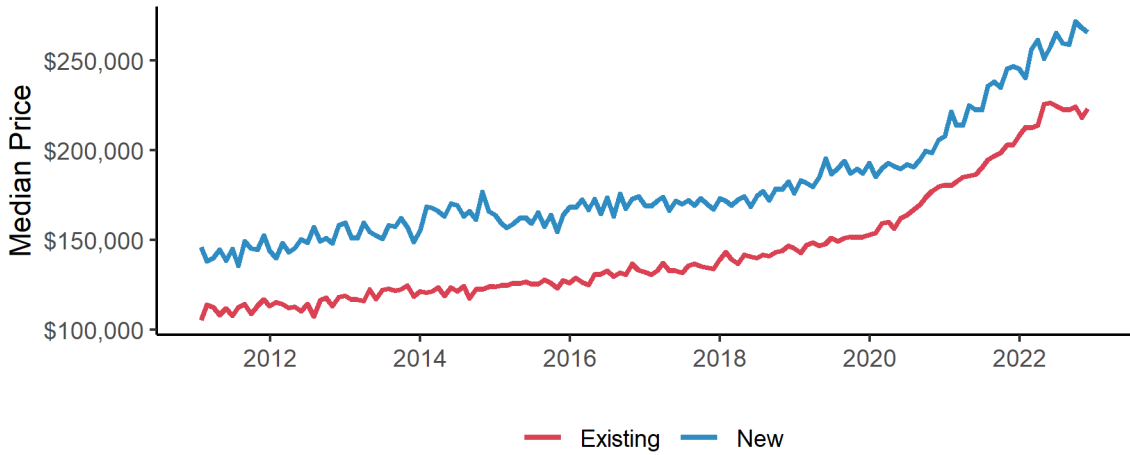
Border Metro Single-Family Average Permit Values



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

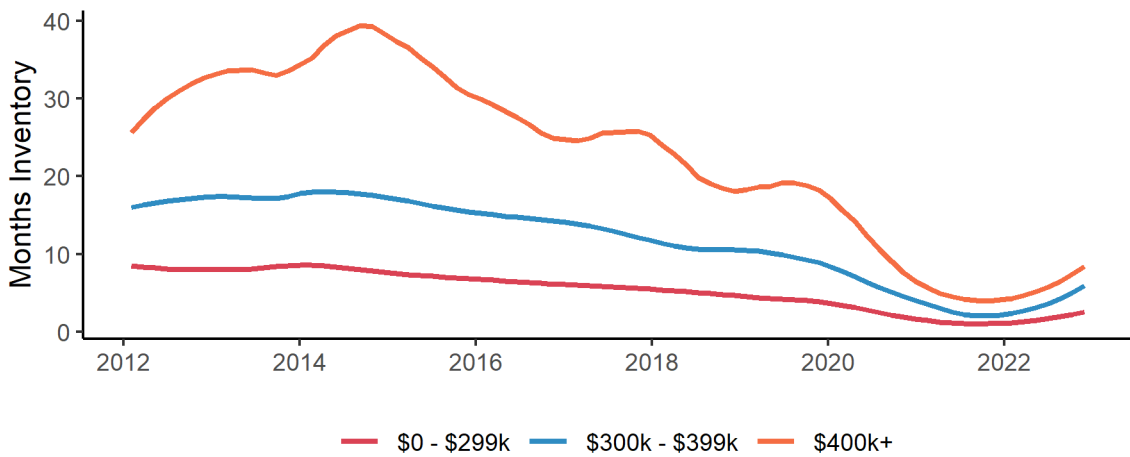
Housing

New and Existing Border Home Prices
Seasonally Adjusted Annualized Rate



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

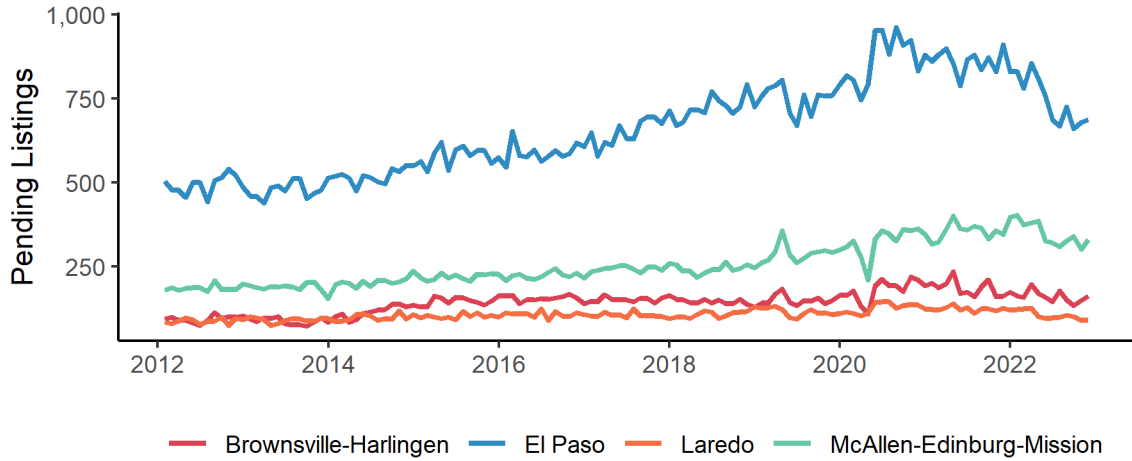
Border Housing Inventory by Price Range
Seasonally Adjusted Trend



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

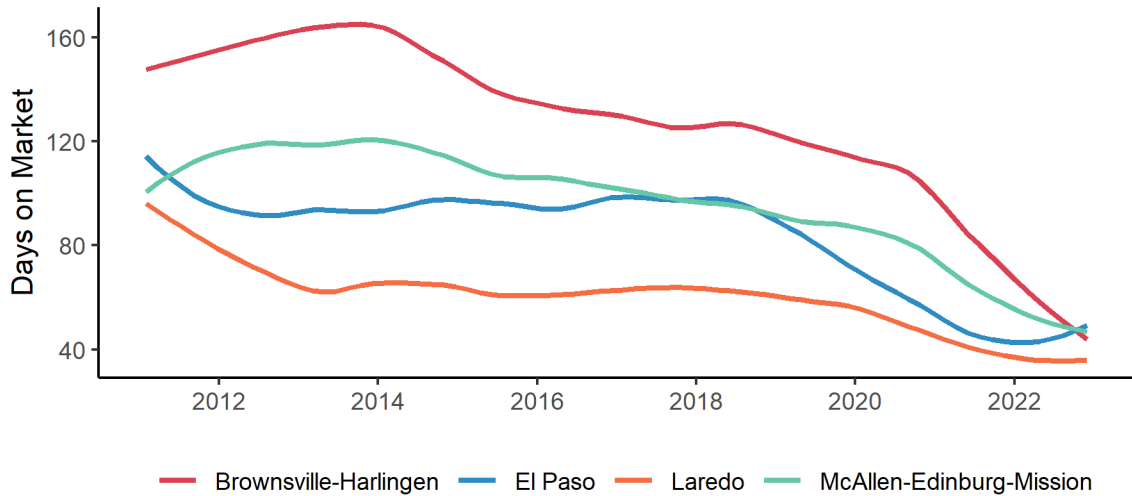
Housing

Border Metro Pending Listings
Seasonally Adjusted Annualized Rate



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

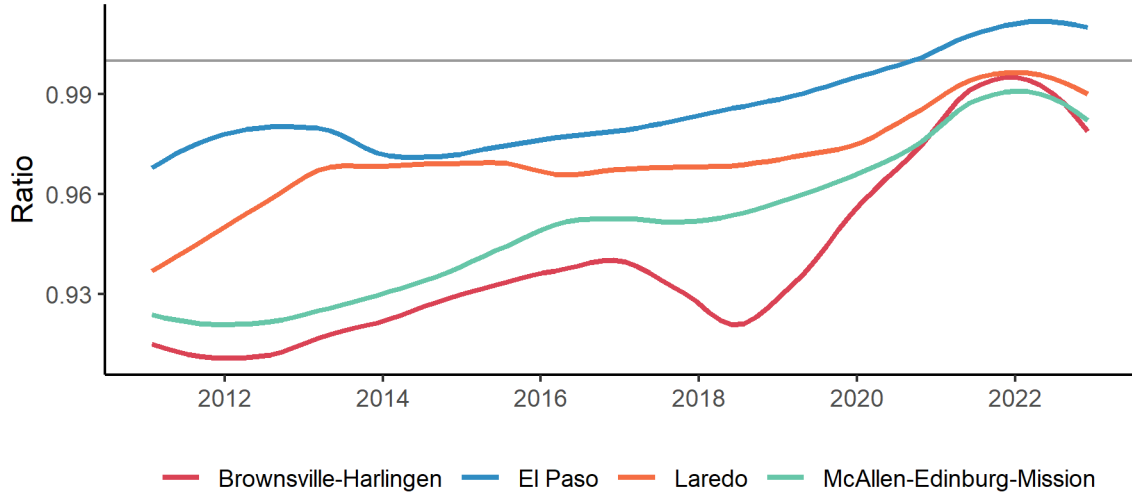
Border Metro Days on Market Trend



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

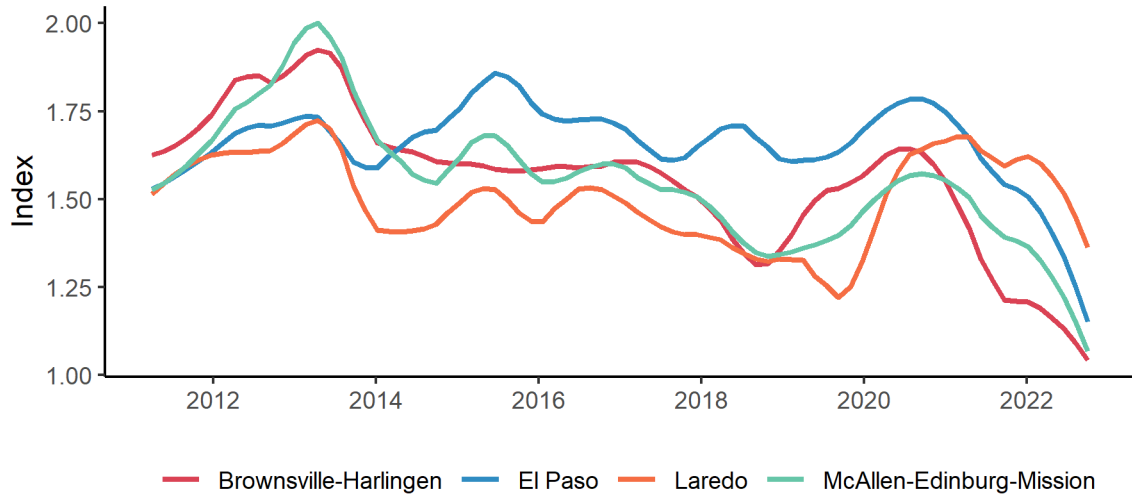
Housing

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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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

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