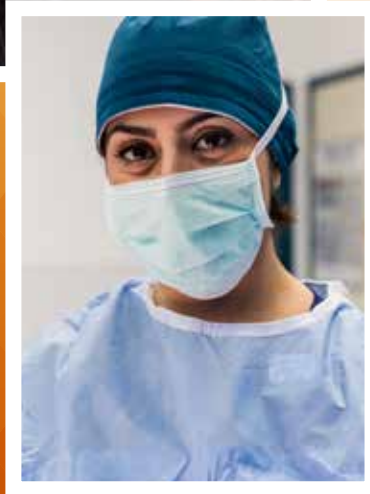
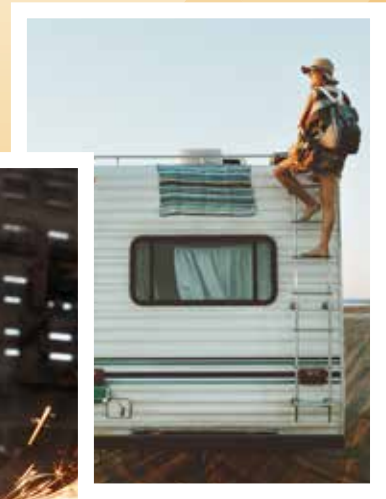
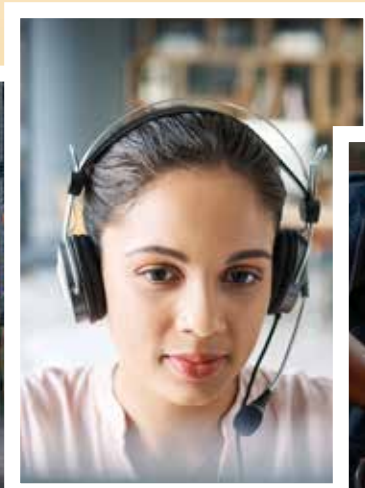


# TEXAS BORDER ECONOMY

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TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

TECHNICAL REPORT

2165

DECEMBER 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](mailto:info@recenter.tamu.edu).

Authors: Joshua Roberson and Rajendra Patidar

Data current as of January 31, 2022

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# Border Summary December 2022

BORDER EMPLOYMENT  
▲ 1,800 jobs

UNEMPLOYMENT RATE  
▼ 5.6% MOM

NET TRADE VALUE  
▲ 8.2% MOM

HOUSING SALES  
▲ 6.7% MOM

Economic indicators along the border showed positive responses for December. Payrolls expanded in all border Metropolitan Statistical Areas (MSAs), corroborated by decreases in unemployment rates and unemployment claims. Commercial real estate activity has grown, and residential construction activity has improved. Net trade values were up, and the gap between imports and exports leading to the trade deficit reduced.

The downward trend in seasonally adjusted housing sales ended in December as the metric increased. Rising demand for homes stabilized days on market, inventory, and median home prices. The Texas border economy was impacted by conflict in Eastern Europe and soaring inflation, which disrupted energy markets and affected cost of living and purchasing power this year. December's inflation rate was down from last year at 6.5 percent, according to the consumer price index. In June the year-over-year (YOY) rate was 9 percent, which indicates the Fed's policies are moderating inflation. Year-end economic and housing metrics were positive and showed signs of improvement in overall economic activity for the upcoming year.

## Economy

The **Dallas Fed's Business-Cycle Indexes** indicated continuous growth in payroll employment and gross domestic product in the border region. At the metro level, El Paso reported a seasonally adjusted annualized growth rate of 9.1 percent, and Brownsville-Harlingen reported 7.8 percent growth. Meanwhile, the metric shrank by 2 percent in McAllen and increased 5.4 percent in Laredo. Both pedestrian and vehicular crossings increased significantly in 2022 and approached pre-pandemic levels. Pedestrian crossings increased by 6.5 percent YOY while vehicle crossings increased by 10.8 percent YOY.

Overall, **border nonfarm employment** added 1,800 positions due to a hiring expansion in El Paso (2,200 jobs) and Brownsville (700). Sectors like trade, transportation, manufacturing, and hospitality were major contributors to employment growth in the border region. Meanwhile, hiring downturns in McAllen and Laredo have not changed significantly over the past couple of months. Border employment in 2022 was up from a year ago.

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 December. Joblessness in both Laredo and El Paso was at 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 fell to \$20.07, while they remained unchanged at \$17.78 in Brownsville. Hourly wages in El Paso inched down to \$22.09, while the metric averaged around \$19 in McAllen-Edinburg-Mission and 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**<sup>1</sup> numbers were down due to the loss of 3,800 jobs in November. The decrease in Mexican manufacturing employment was driven by contractions in Reynosa and Juarez (see table).

### Mexican Manufacturing and Maquiladora Employment

City	Total Employed	Monthly Change	Monthly Percentage Change
Reynosa	144,425	2,497	1.7%
Juarez	317,285	-1,086	-0.6%
Matamoros	64,894	-1022	-1.6 %
Nuevo Laredo	33,344	386	-1.6%
Chihuahua	84,242	429	0.5%

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

Global supply chain pressures decreased moderately in December, disrupting the upward trend seen over the previous two months as indicated by the [Global Supply Chain Pressure Index \(GSCPI\)](#). GSCPI's recent movements suggest developments in Asia are slowing the index's return to normal historical levels. Supply chain pressures were significantly below year-ago levels and are expected to decline further.

The S&P Global Mexico Manufacturing PMI for December indicated recovery in the Mexican manufacturing sector as demand for goods stabilized. According to the survey, there was optimism among manufacturers due to expansion in orders despite higher input cost and difficulties in obtaining essential raw materials.

In the currency market, the **peso per dollar exchange rate** averaged \$19.61<sup>2</sup>. After adjusting for inflation, the metric decreased over the month, revealing gains for Mexican importers. **Total border trade value** decreased as there was a reduction in both imports and exports. 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

<sup>1</sup> 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.

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

deficit. In a broader context, the decline in real effective exchange rate (REER) for the second consecutive month reveals the softening of the U.S. dollar relative to its 2022 peaks.

## Real Estate

The real estate market along the border fell significantly in 2022 as the market experienced declining sales, contraction in permits, and overall sluggish growth. **Construction activity** went up in December due to a rise in construction of retail space, offices, and houses. Changes in residential and nonresidential construction values varied across border areas. Construction of retail, offices, and schools boosted year-end nonresidential construction values in Brownsville by 27 percent YOY while values declined in El Paso by 10 percent YOY. In the Rio Grande Valley, McAllen's commercial construction improved by 54 percent YOY. Residential construction activity has fallen over the last two quarters, but the metric showed signs of improvement as values increased by 5.4 percent month-over-month in December.

Overall **housing sales** showed signs of improvement in December as seasonally adjusted demand grew by 6.7 percent in December. The metric was up by 12 percent in Laredo and by 6.4 percent in McAllen. Sales grew moderately in Brownsville and El Paso. Housing sales dropped significantly in the second and third quarters of the year, but year-end season sales improved as average monthly mortgage rates dropped. Housing sales rely heavily on mortgage rates, and Freddie Mac's 30-year fixed rate was 6.7 percent in December, 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 high inflation.

Border metros reported a continuous decline in **single-family housing construction permits** in the last two quarters of the year. 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 McAllen reported declines. 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 December to 3.2 months. El Paso's metric was more than two months, while McAllen's and Brownsville's metrics averaged around four months. These increases indicate inventory is growing primarily due to a decrease in home sales and an increase in listings.

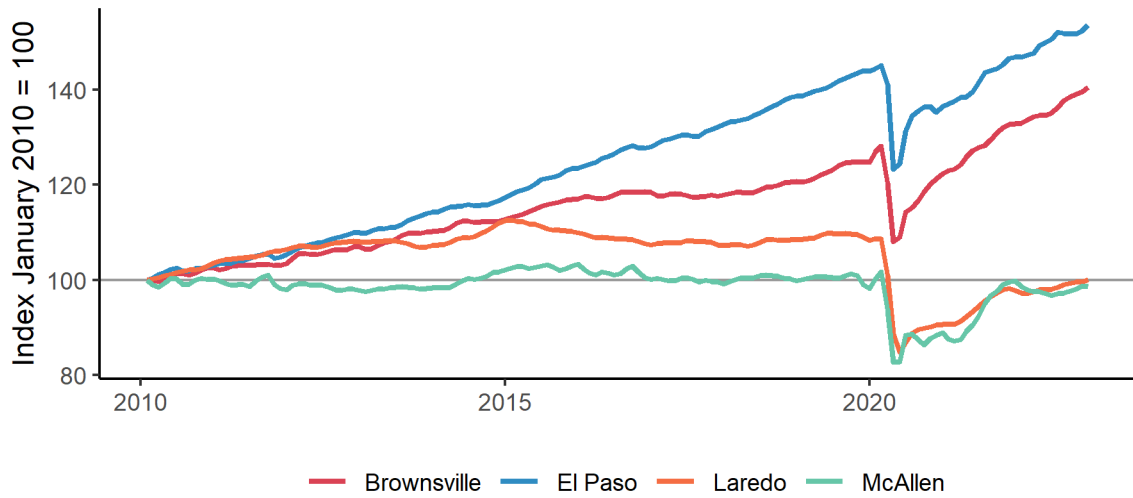
Average DOM in December increased across the border as reduced demand in the last few months led to a rise in inventory and a change in consumer buying behavior. The change in housing demand dynamics this year placed the metric higher than year-ago levels. El Paso's DOM remained around 50 days, while 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 two quarters, but the metric increased in December. In the Rio Grande Valley, Brownsville's metric rose to \$258,200 while median prices dropped to \$218,070 in McAllen. El Paso's median home price was around \$247,200, a significant rise. Similarly, Laredo's median price increased from \$219,800 in November to \$234,500 in December. 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. The recent decline in average mortgage rates had a positive impact on housing markets, and it will be interesting to see how housing markets unfold in 2023.

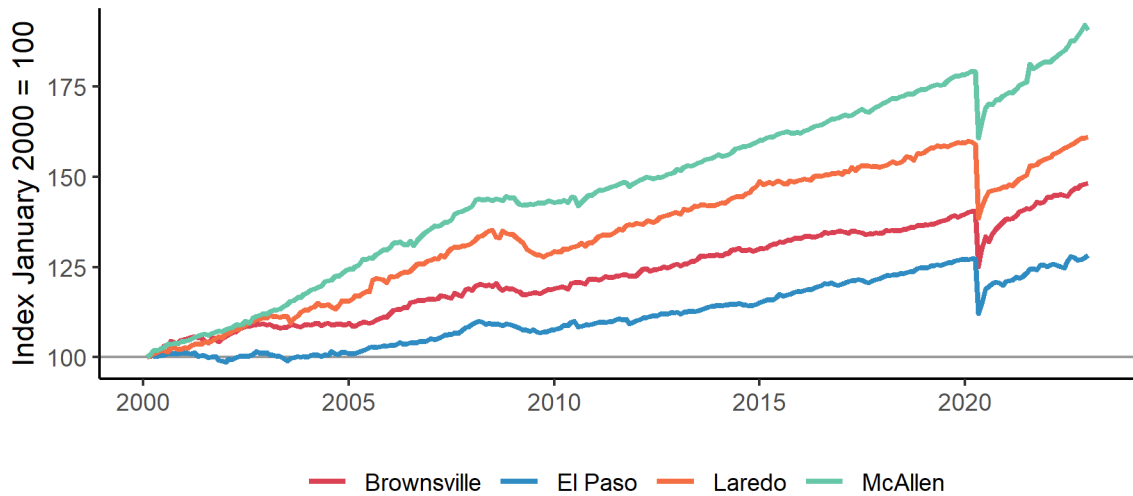
# Economic Activity

## Border Metro Business-Cycle Index



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

## Border Employment Index

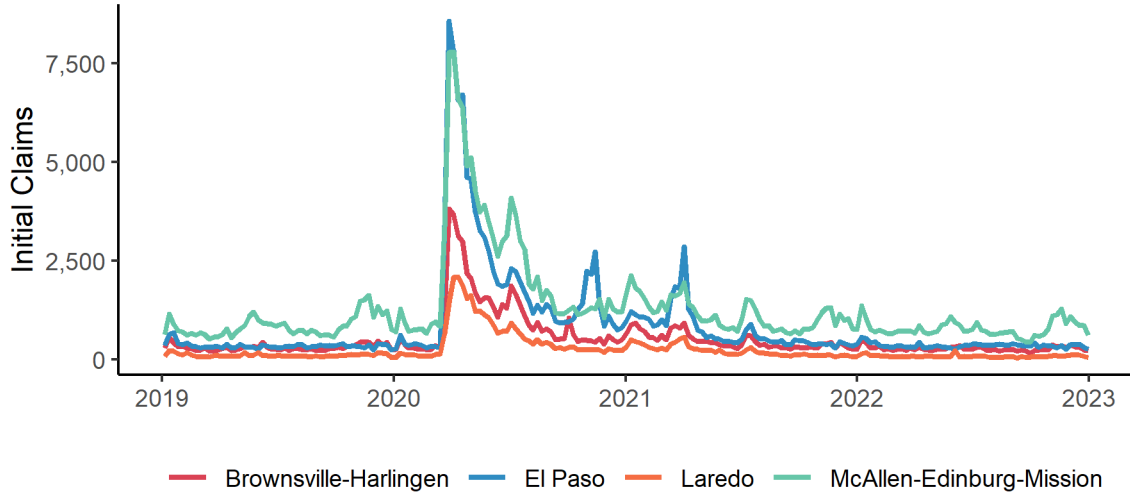


Source: Bureau of Labor Statistics - Texas Real Estate Research Center at Texas A&M University



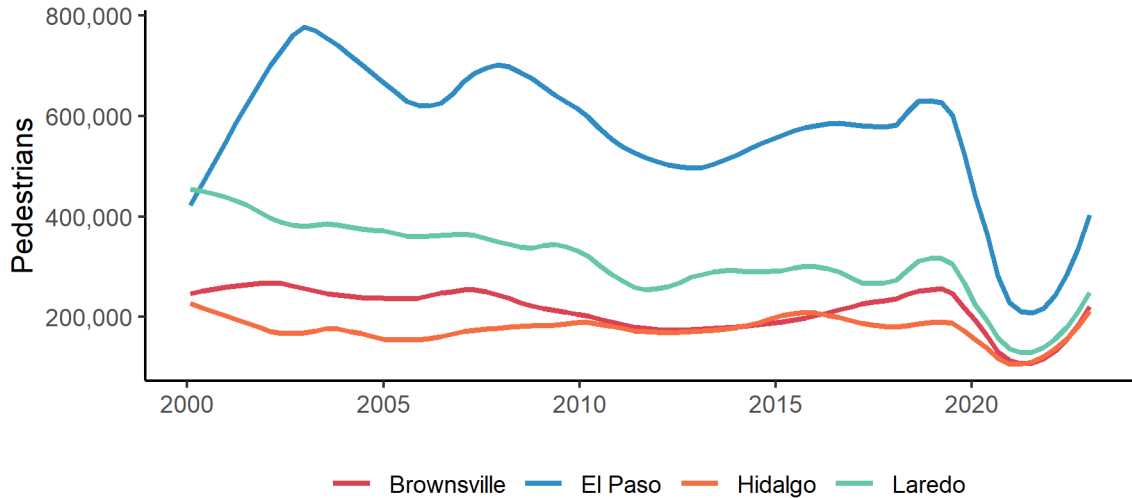
# Economic Activity

## Border Metro Weekly Initial Unemployment Claims



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

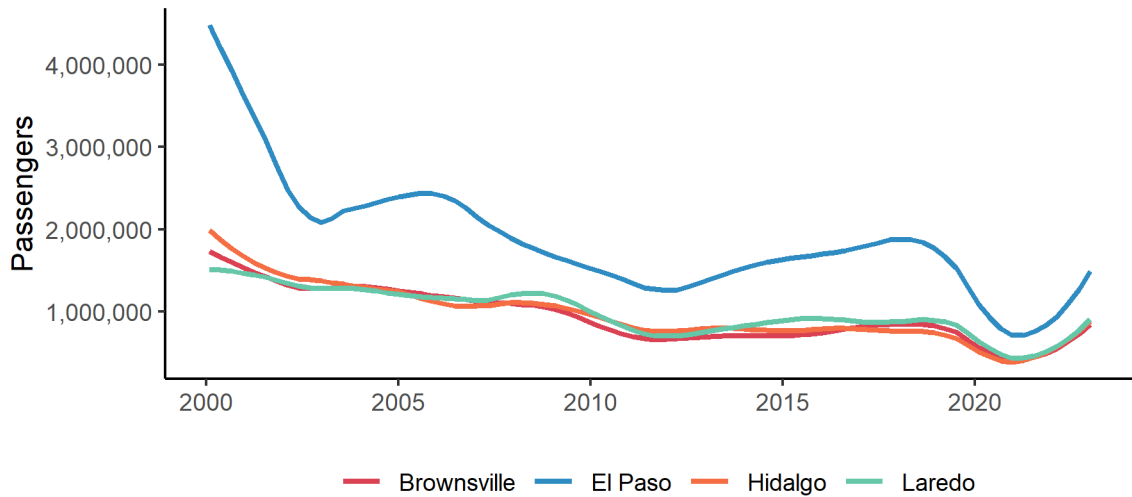
## Pedestrian Border Crossings



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

# Economic Activity

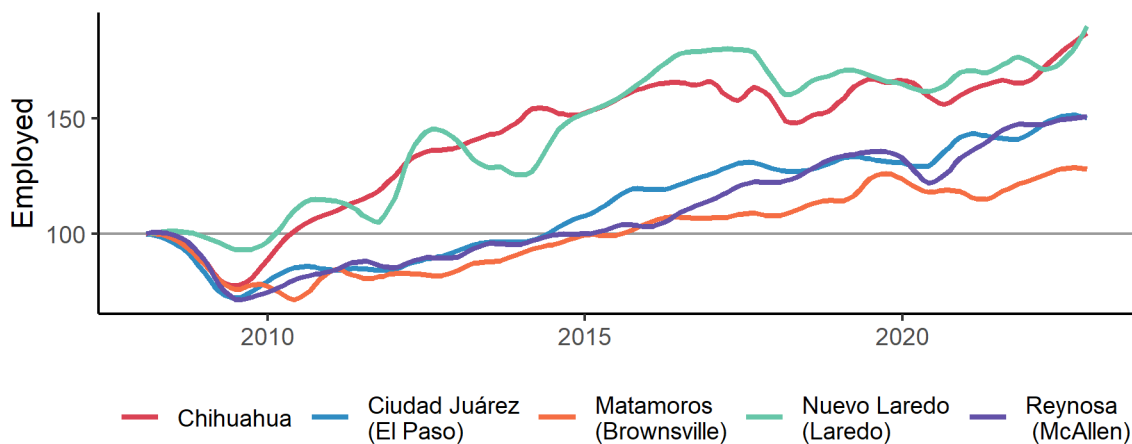
## Personal Vehicle Passenger Border Crossings



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

## Mexico Maquiladora & Manufacturing Employment

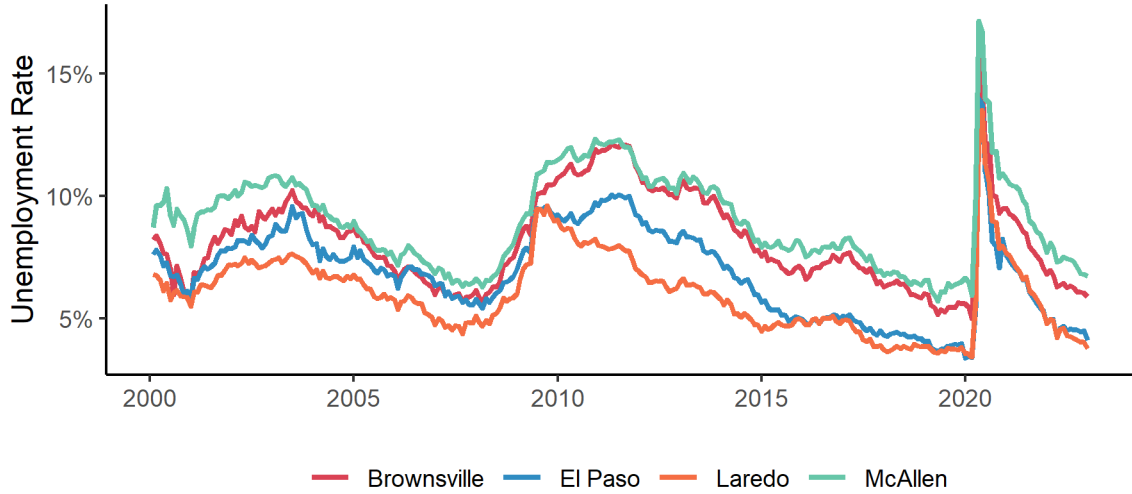
Index January 2008 = 100



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

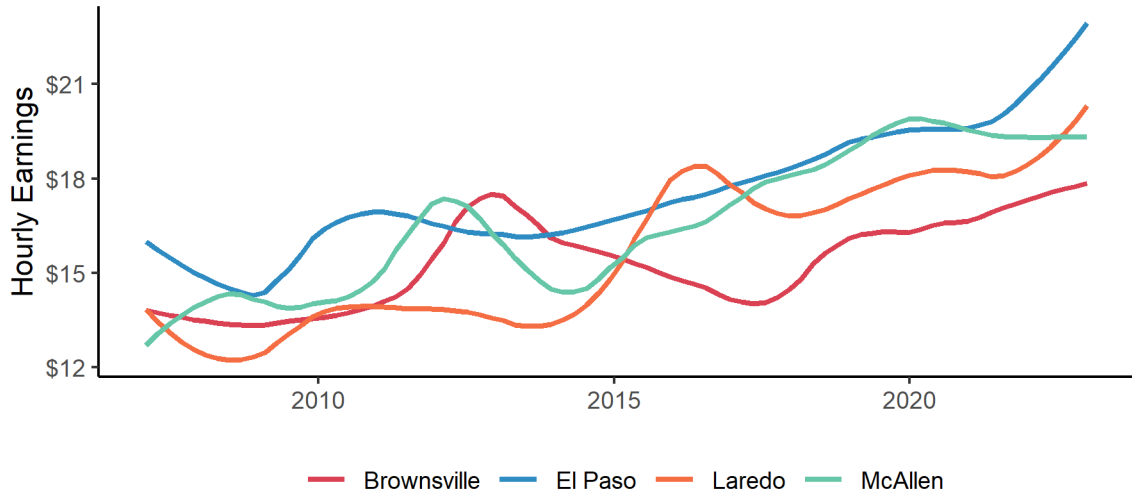
# Economic Activity

## Border Metro Unemployment Rate



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

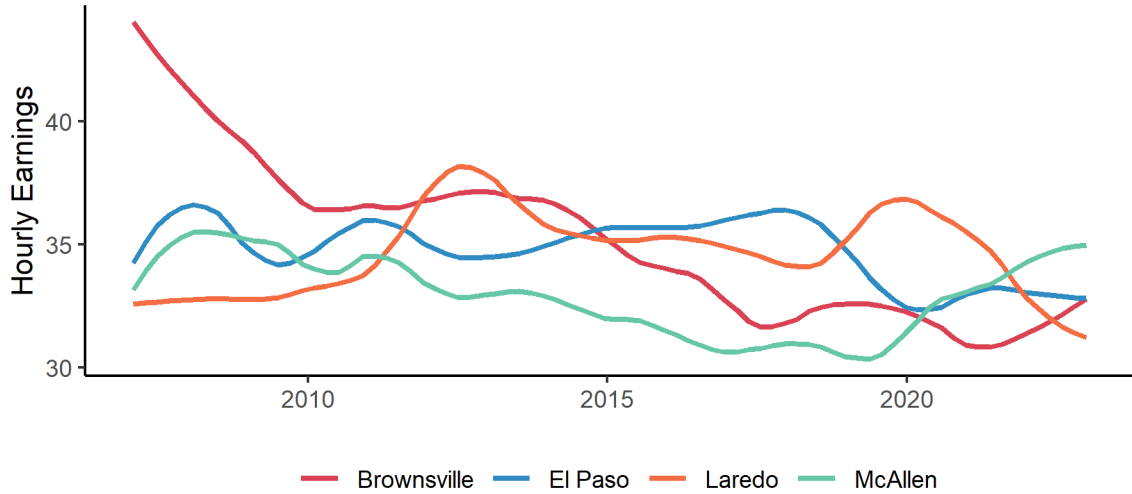
## Border Metro Average Hourly Earnings



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

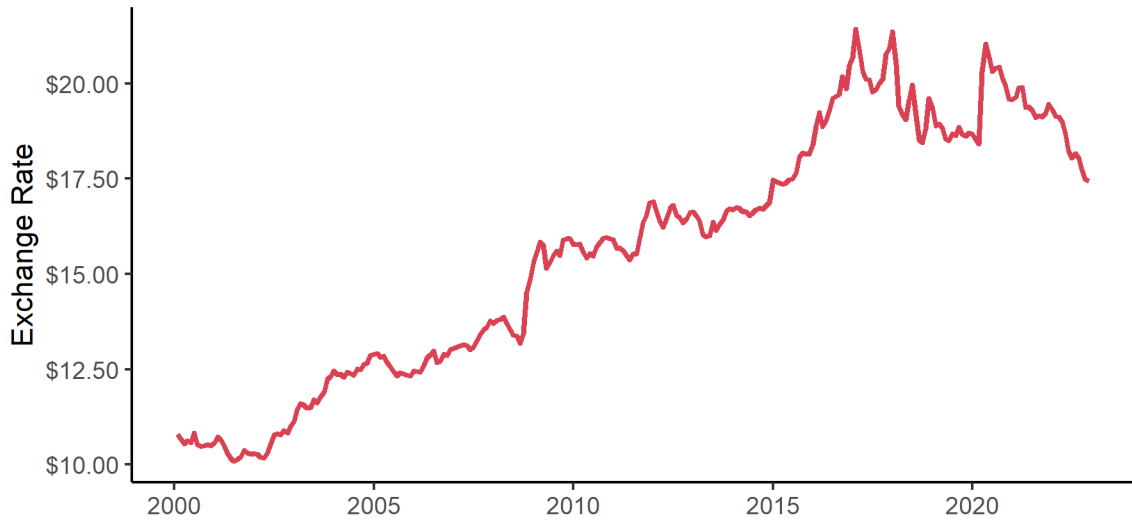
# Economic Activity

## Border Metro Average Weekly Hours Worked



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

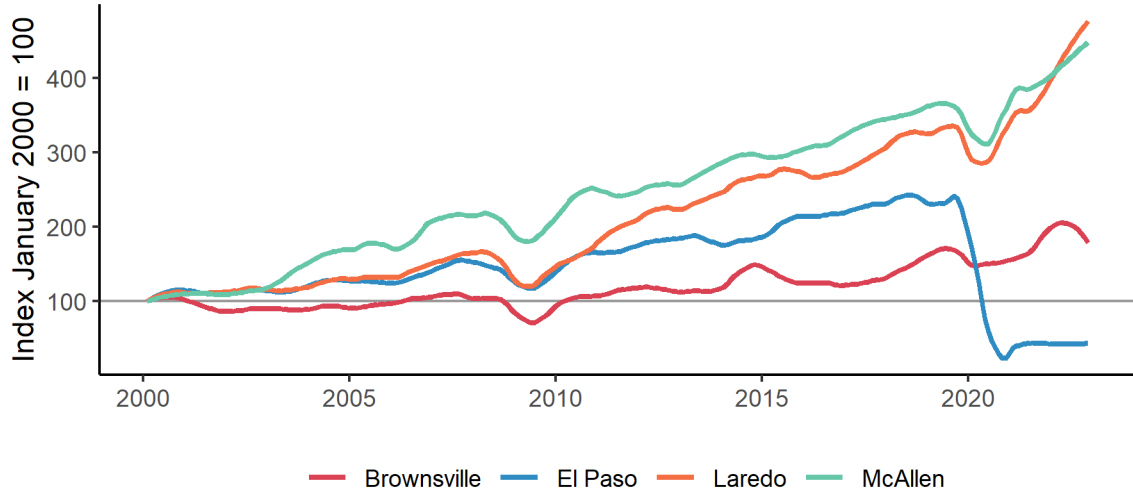
## Real Peso per Dollar Exchange Rate



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

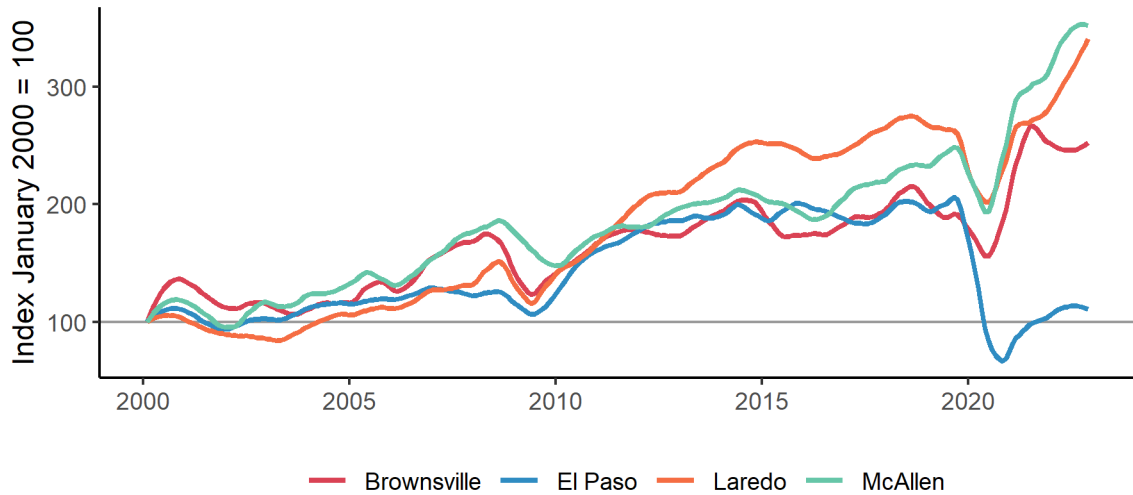
# Economic Activity

## Texas Border Import Values



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

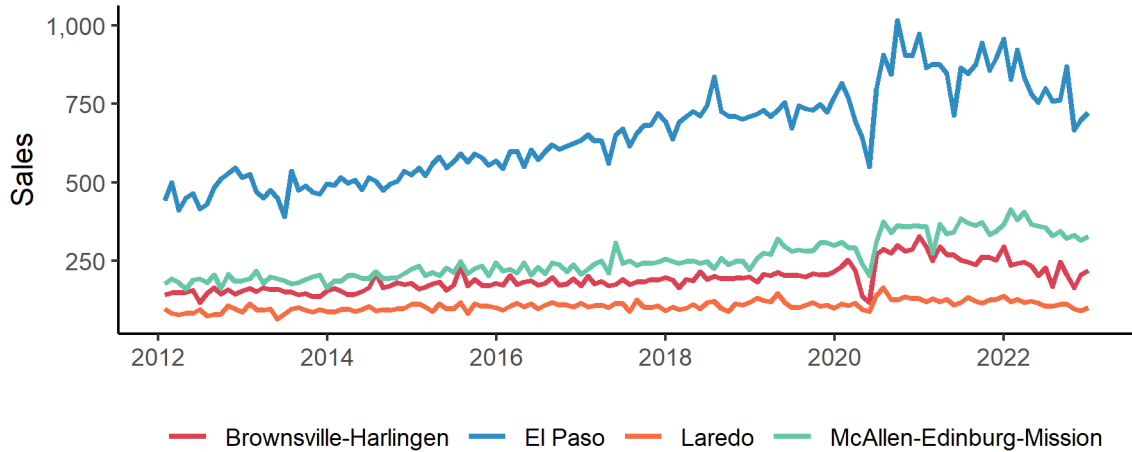
## Texas Border Export Values



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

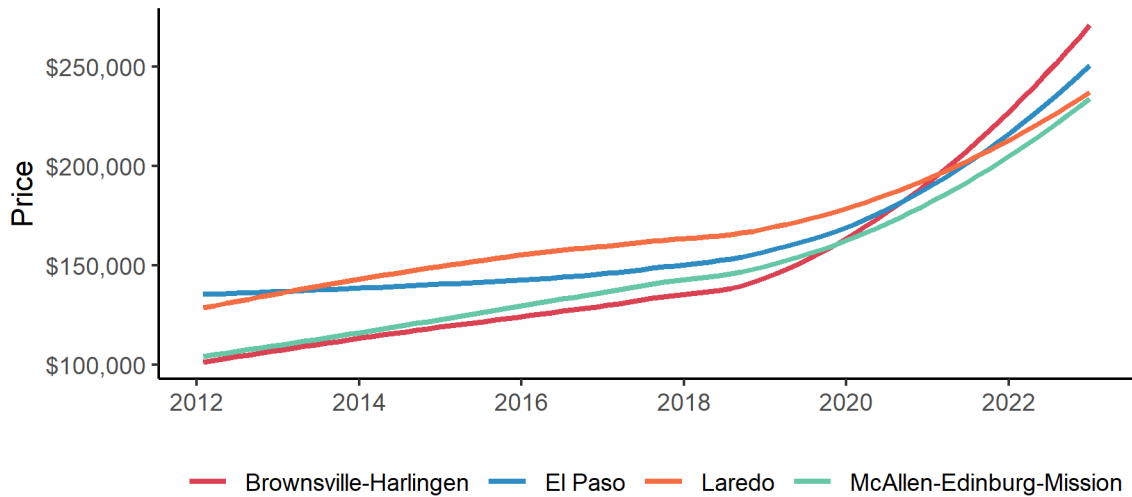
# Housing

**Border Metro Home Sales**  
Seasonally Adjusted Annualized Rate



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

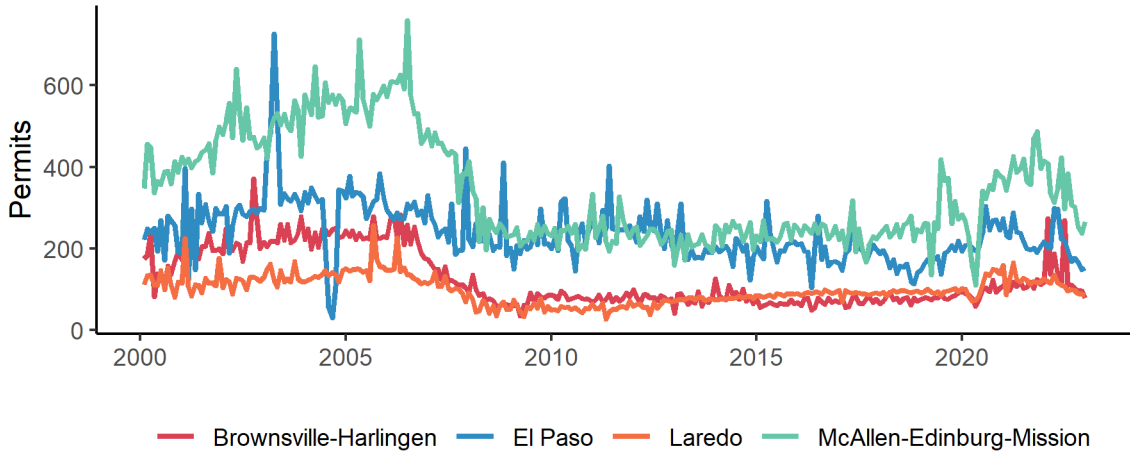
**Border Metro Home Price Trend**



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

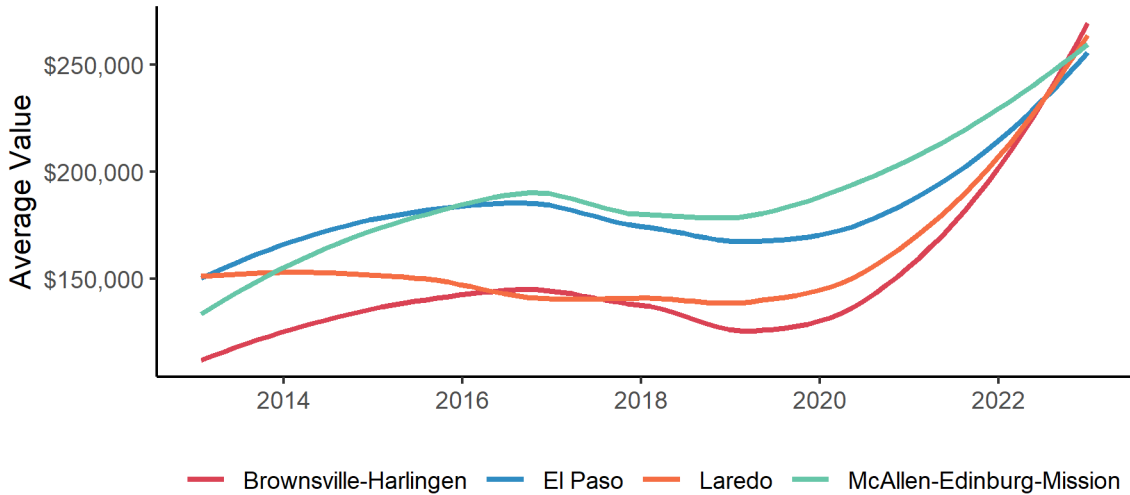
# Housing

**Border Metro Single-Family Permits**  
Seasonally Adjusted Annualized Rate



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

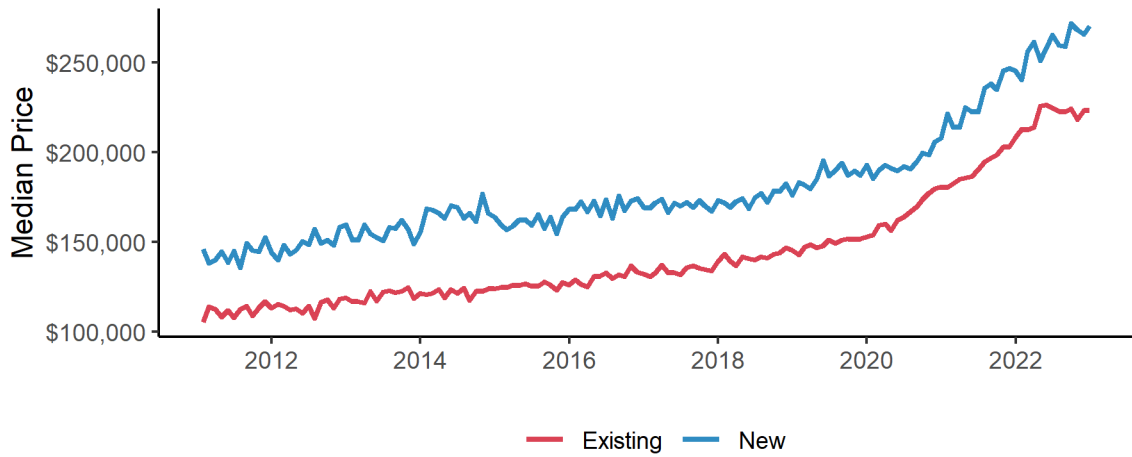
**Border Metro Single-Family Average Permit Values**



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

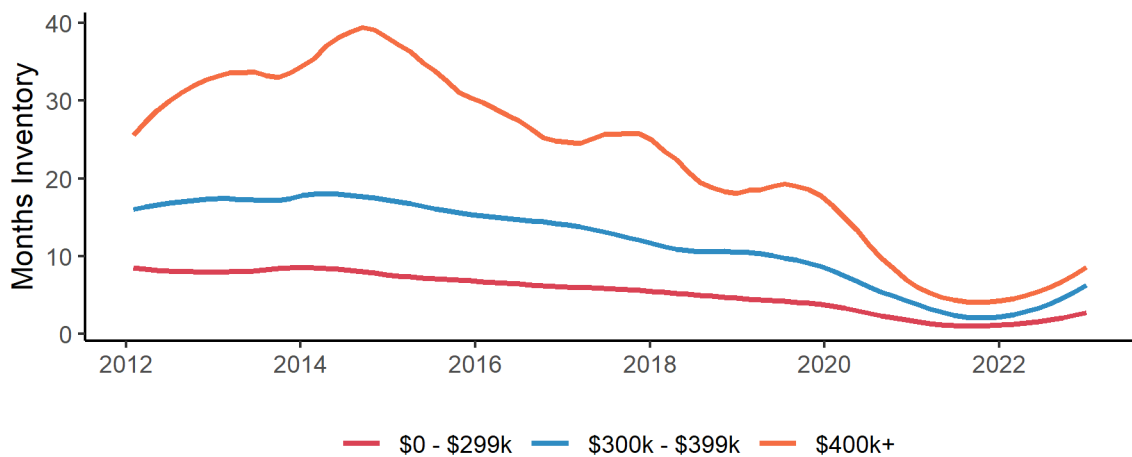
# Housing

**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

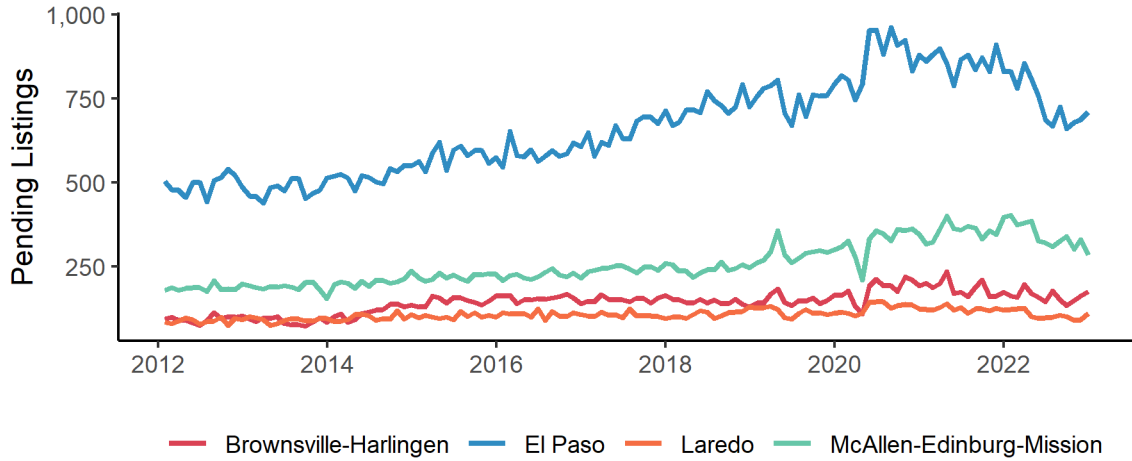


Source: Texas Real Estate Research Center at Texas A&M University



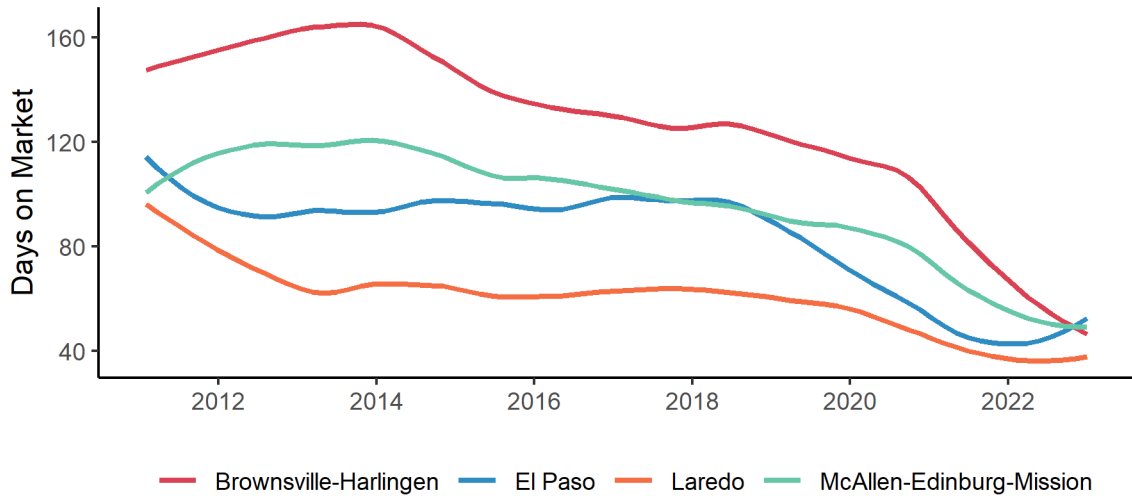
# Housing

**Border Metro Pending Listings**  
Seasonally Adjusted Annualized Rate



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

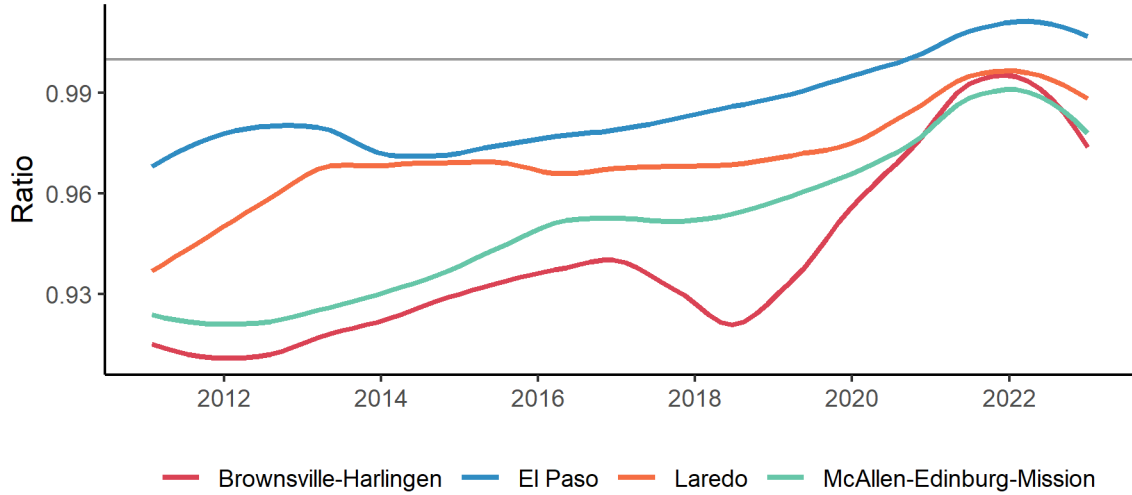
**Border Metro Days on Market Trend**



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

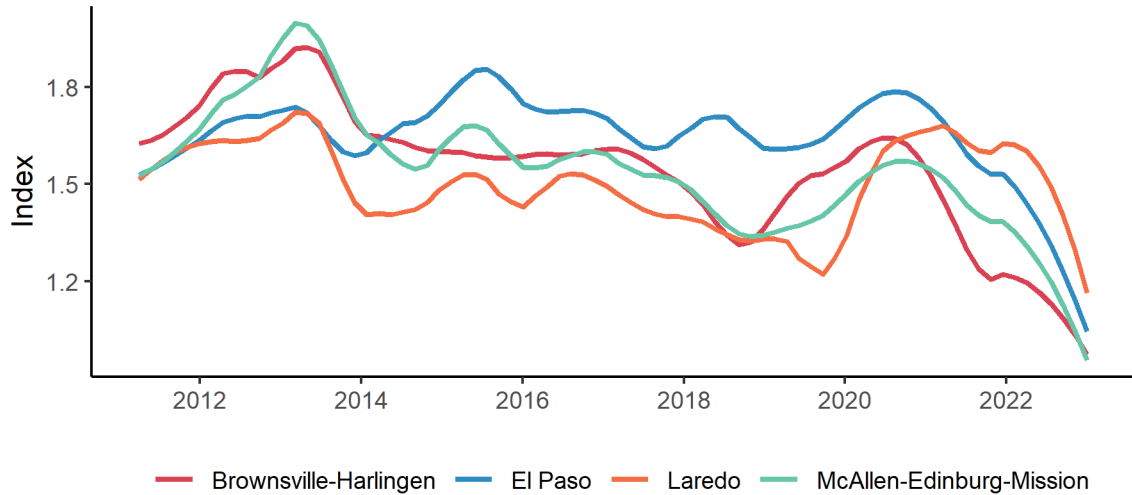
# Housing

### 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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