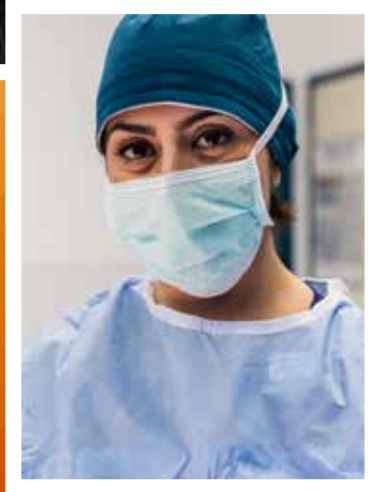
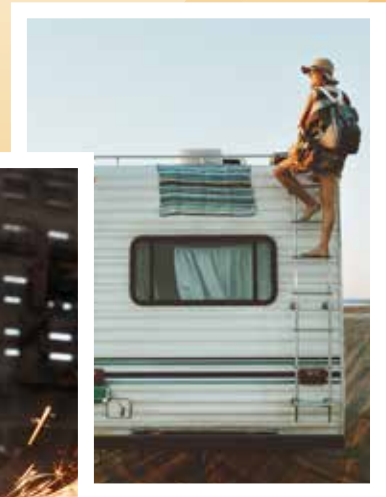
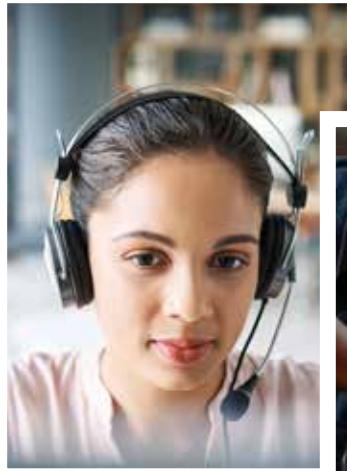


TEXAS BORDER ECONOMY

Joshua Roberson, Lead Data Analyst



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center

TECHNICAL REPORT

2165

THIRD QUARTER 2023



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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 quarterly 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.

Author: Joshua Roberson

Data current as of August 17, 2023

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Border Summary Third Quarter 2023

BORDER EMPLOYMENT

▲ 900 jobs

UNEMPLOYMENT RATE

▲ 5.4% QOQ

HOUSING SALES

▼ -12.7% YOY

PESO/USD

▲ \$17.31

Economic indicators along the border were mixed in the third quarter. Net employment numbers increased, but the unemployment rate increased as well. Economic growth diverged between the two largest and two smallest border Metropolitan Statistical Areas (MSAs), with the former contracting in the third quarter while the latter expanded.

Housing sales are still down from last year, but home prices remain elevated. Inflation also continued to cool as the Federal Reserve's interest rate increases showed more impact. Data showed that while inflation is still well above the Fed's inflation target, it is showing continuing signs of decelerating. In particular, the housing component driving inflation is expected by industry leaders to slow down soon. A deceleration in housing prices would help achieve the Fed's inflation targets sooner rather than later.

Economy

According to the **Dallas Fed's Business-Cycle Indexes**, a measure of general economic output, the latest data from the third quarter revealed a mixed outlook for economic growth. Brownsville-Harlingen had the strongest year-over-year (YOY) growth at 3.7 percent. Alternatively, McAllen's outlook has been in relative decline, finishing off the quarter with a -1.6 percent YOY decrease.

Pedestrian and personal vehicle passenger crossings at the border increased by 14.4 and 4.9 percent YOY, respectively. At the current rate, both metrics are likely to fall short of last year's combined level of 74 million individuals, and well below 2019's combined level of 83 million.

Overall, **border MSA nonfarm employment** added 900 positions resulting in a 0.1 percent quarter-over-quarter growth rate (Table 1). Growth in the third quarter lagged the second quarter due to a slowdown in hiring in both El Paso and McAllen. In El Paso, the professional and business service sector has negatively affected the local job market this year. Job levels in this sector fell to 36,700 in September 2023 after peaking at 41,700 in December 2022. In McAllen, the slowdown in hiring was spread more evenly across all sectors of the economy.

Table 1. Border Metros Employment

Metropolitan Statistical Area (MSA)	New Employed	Total Employed	Quarter-Over-Quarter Change	YOY Change
Brownsville-Harlingen	3,100	161,700	2.0%	2.3%
El Paso	-2,700	339,100	-0.8%	1.1%
Laredo	1,600	110,200	1.5%	2.0%
McAllen-Edinburg-Mission	-1,100	299,600	-0.4%	2.7%

Source: Texas Real Estate Research Center analysis of BLS data
 Note: Data is seasonally adjusted

The **border-wide unemployment rate** climbed 10 basis points to 5.4 percent in the third quarter. Joblessness in El Paso increased by 20 basis points, reaching 4.7 percent. All other border metros stayed the same compared with the second quarter.

Third quarter **average hourly earnings** grew in each of the four border MSAs in the third quarter. Earnings increased the most in McAllen, jumping from \$19.66 to \$21.02 between the second and third quarters.

On the southern side of the border, **Mexican manufacturing and maquiladora employment**¹ in Nuevo Laredo recorded double-digit YOY growth followed by Chihuahua with high single-digit growth (Table 2). The growth in Nuevo Laredo occurred rapidly with a major boost in manufacturing employment in July but slowed down in August.

Table 2. Mexican Manufacturing and Maquiladora Employment

City	Total Employed	MOM Change	YOY Change
Reynosa	132,042	-0.7%	-9.2%
Juárez	318,927	-1.6%	-0.5%
Matamoros	64,189	+0.4%	-3.3%
Nuevo Laredo	37,193	-0.4%	+15.3%
Chihuahua	89,111	+1.1%	+7.9%

Source: National Institute of Statistics, Geography and Informatics (INEGI) August 2023

¹ Mexican manufacturing and maquiladora employment is generated by the Instituto Nacional de Estadística y Geografía.

In the currency market, the **peso per dollar exchange rate** reversed the downward trend that began in July 2022 at \$20.55 and ended a year later in July 2023 at \$16.98. Since then, the exchange rate has regained some ground, reaching \$18.06 by October. The sudden change in direction has supplied stronger buying power for U.S. importers while making U.S. exporters less competitive.

At the end of 3Q2023, both YTD imports and exports along the border had exceeded three-year highs, signifying a recovery from the COVID disruption. Growth was propelled by major increases in export activity from (or through?) Laredo, reaching almost \$83 billion versus \$77 billion the year before. Import activity also increased in Laredo, but at nowhere near the same rate.

Real Estate

Housing sales have been down due to higher interest rates. The largest drop in home sales this year was in El Paso with a 12.7 percent fall (Table 3) in sales compared with 3Q2022. McAllen broke even with the same quarter last year, but, like border MSAs, is also below year-to-date sale levels.

Table 3. Border Metros Housing Sales

Metropolitan Statistical Area (MSA)	Sales (Units)	YOY Change
Brownsville-Harlingen	657	0.3%
El Paso	2,179	-12.7%
Laredo	336	-4.3%
McAllen-Edinburg-Mission	1,036	0%
Source: Texas Real Estate Research Center at Texas A&M University		

Despite falling sales volume, home prices along the border continued to climb (Table 4). Brownsville gained the most YOY at 8.2 percent in the third quarter, followed by McAllen at 7.2 percent. Limited supply has helped sustain elevated prices. While not as tight as a year ago, when most border metros held supply levels at or below two months, this year’s levels are still below pre-pandemic levels.

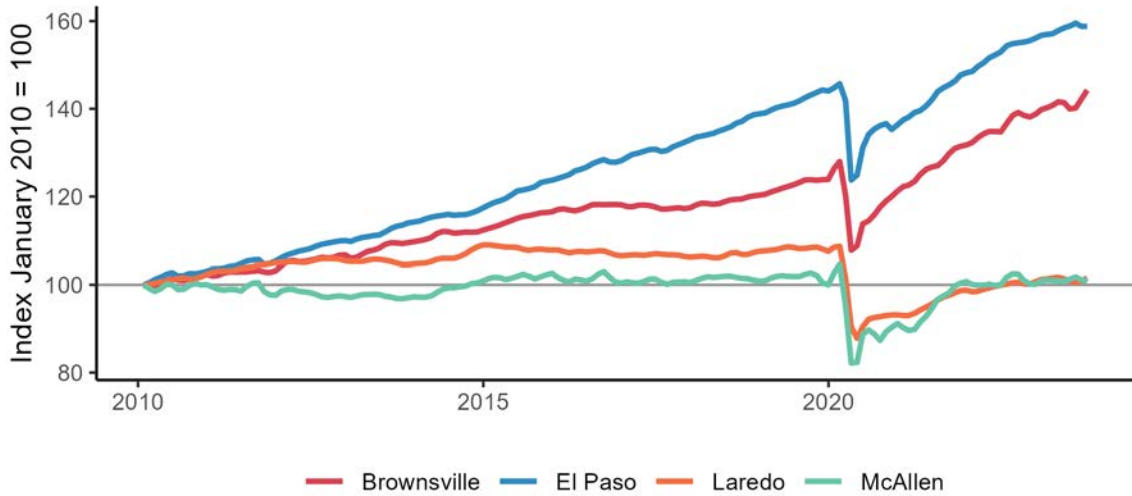
Table 4. Border MSA Median Home Prices

Metropolitan Statistical Area (MSA)	Median Price	YOY Change
Brownsville-Harlingen	\$270,595	+8.2%
El Paso	\$254,392	+5.2%
Laredo	\$233,321	+1.5%
McAllen-Edinburg-Mission	\$242,586	+7.2%

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

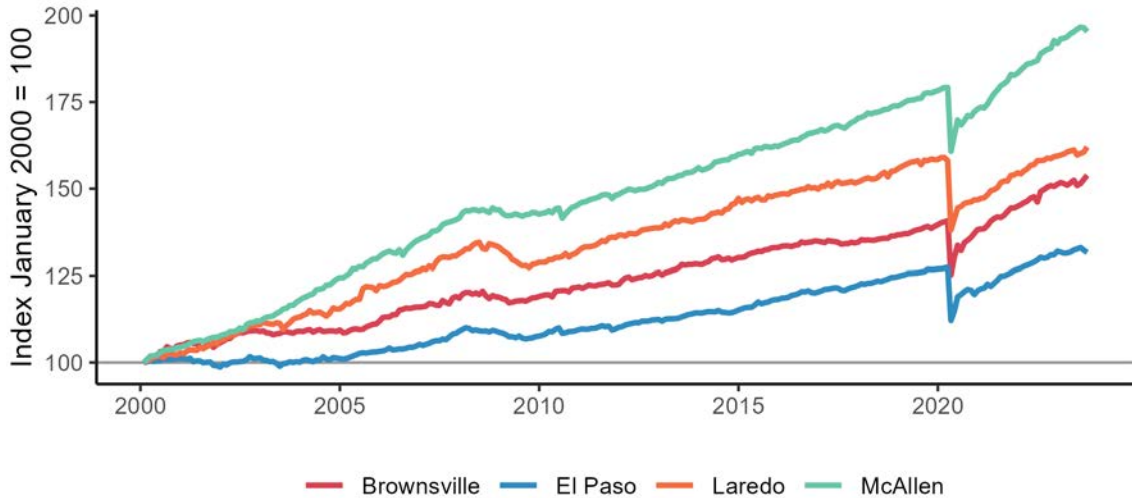
Economic Activity

Border Metro Business-Cycle Index



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

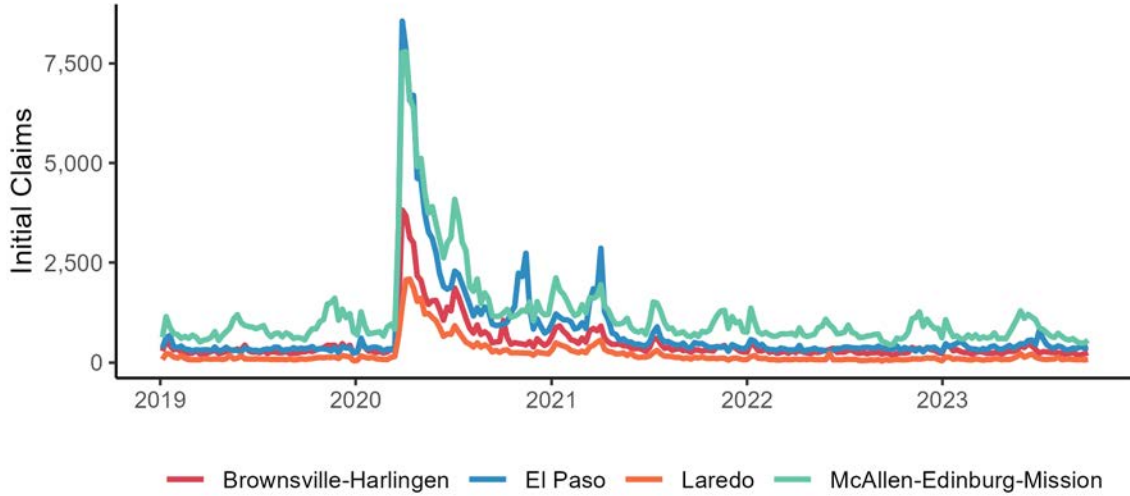
Border Employment Index



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

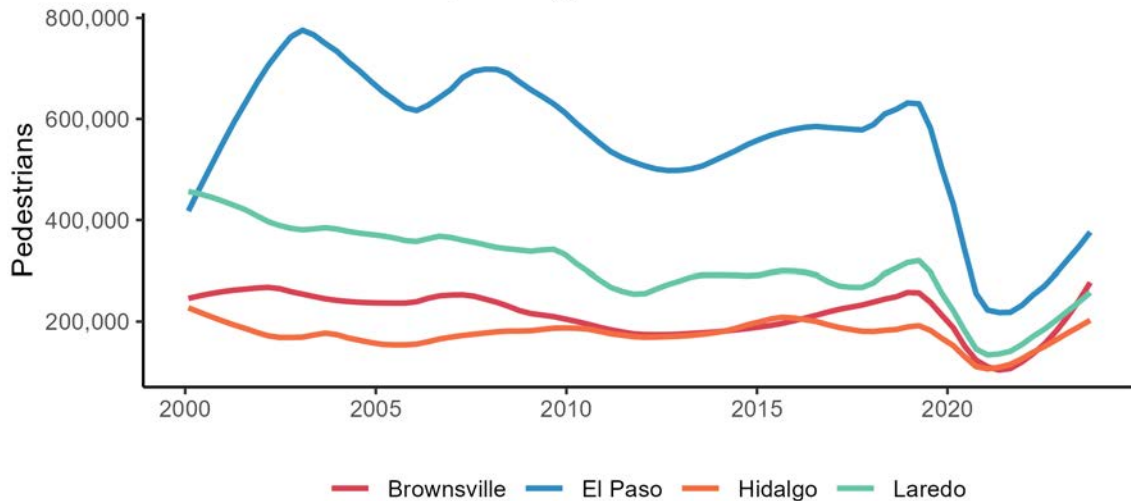
Economic Activity

Border Metro Weekly Initial Unemployment Claims



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

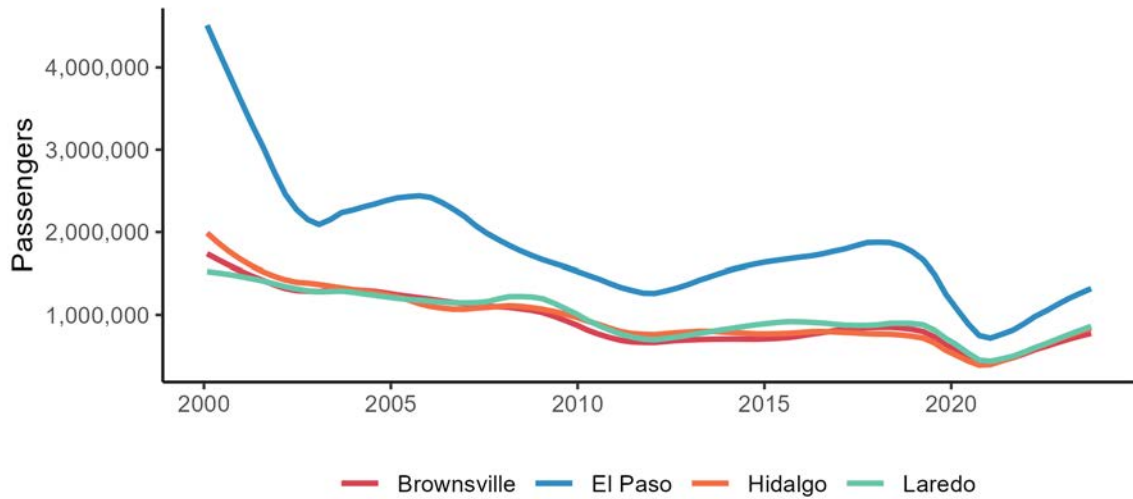
Pedestrian Border Crossings



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

Economic Activity

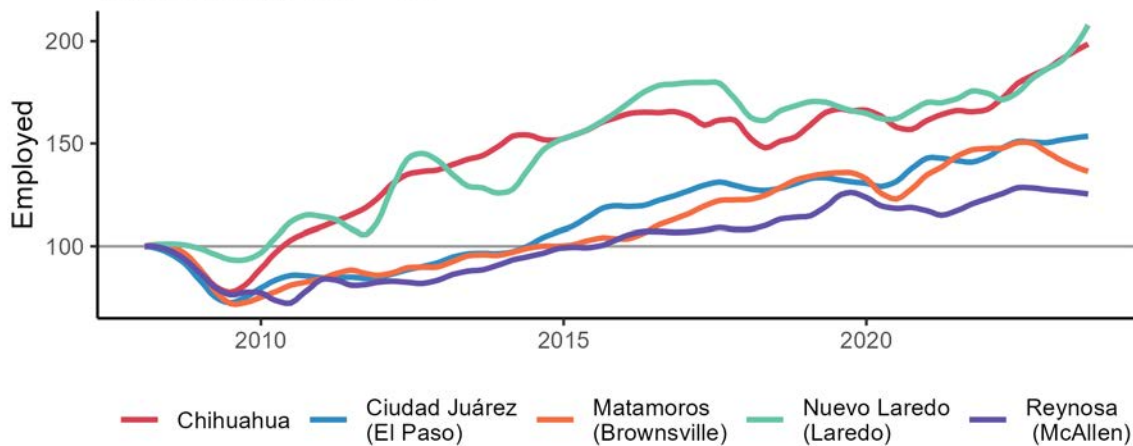
Personal Vehicle Passenger Border Crossings



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

Mexico Maquiladora & Manufacturing Employment

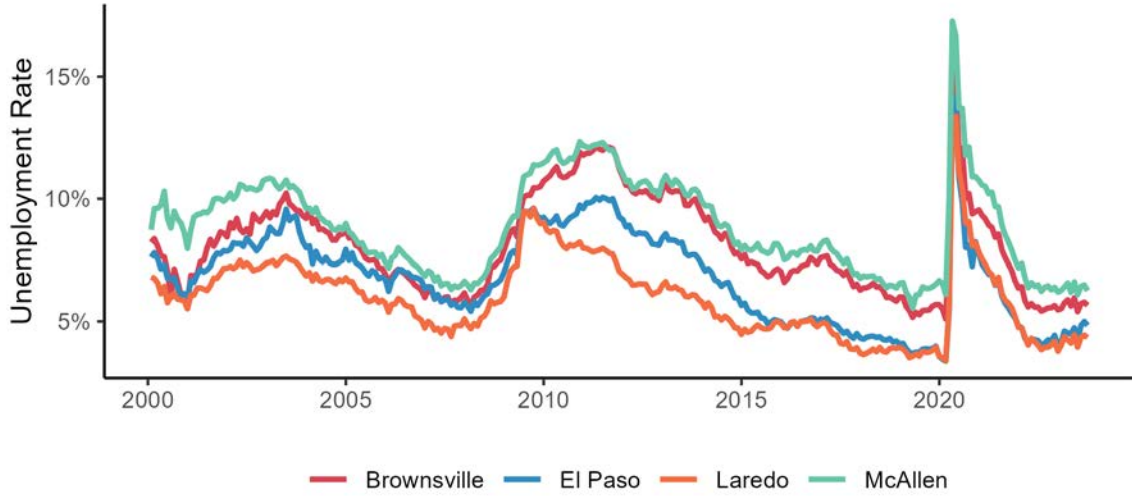
Index January 2008 = 100



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

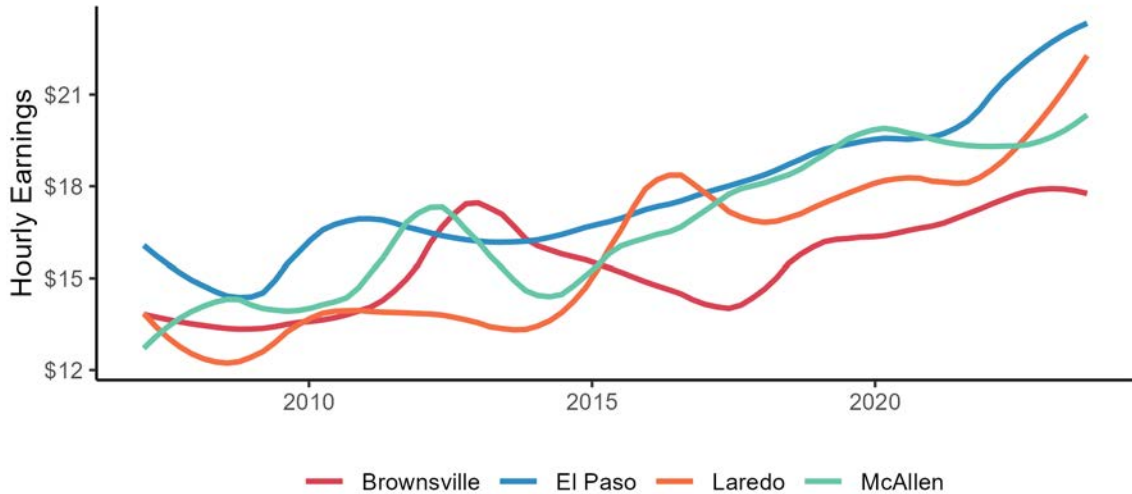
Economic Activity

Border Metro Unemployment Rate



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

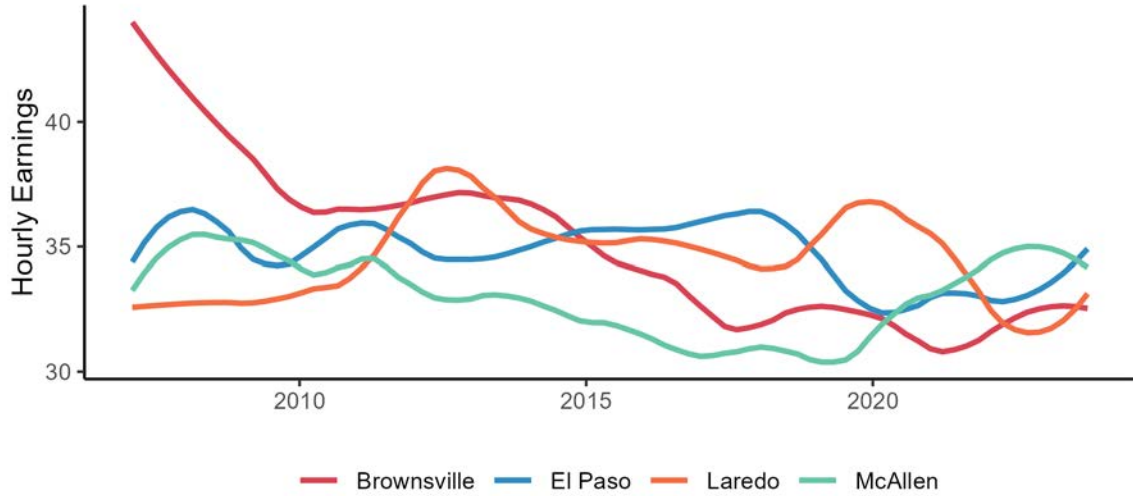
Border Metro Average Hourly Earnings



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

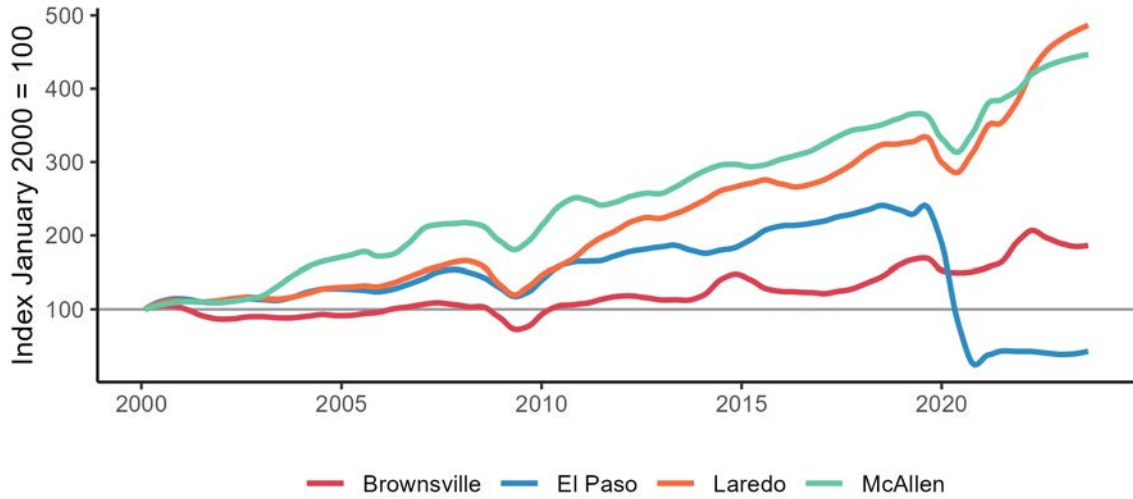
Real Peso per Dollar Exchange Rate



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

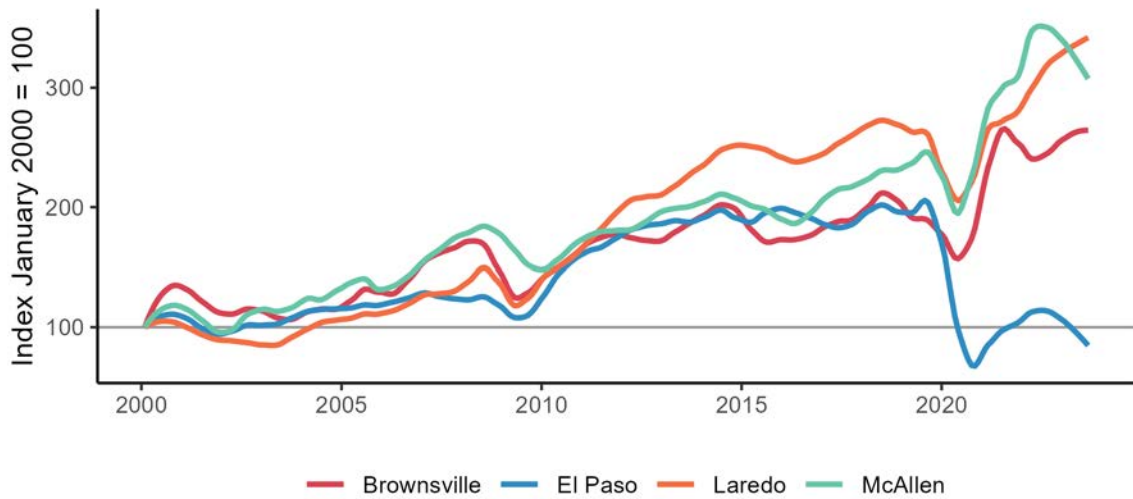
Economic Activity

Texas Border Import Values



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

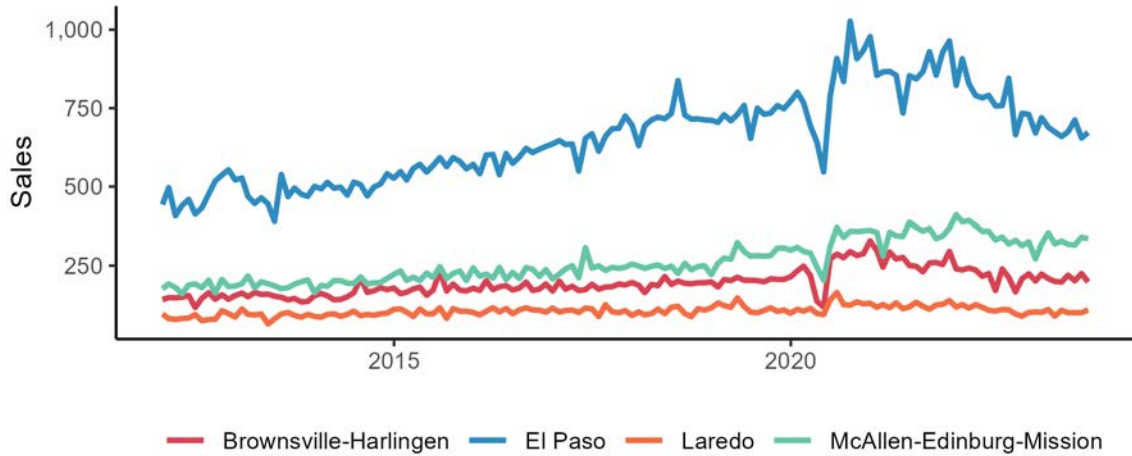
Texas Border Export Values



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

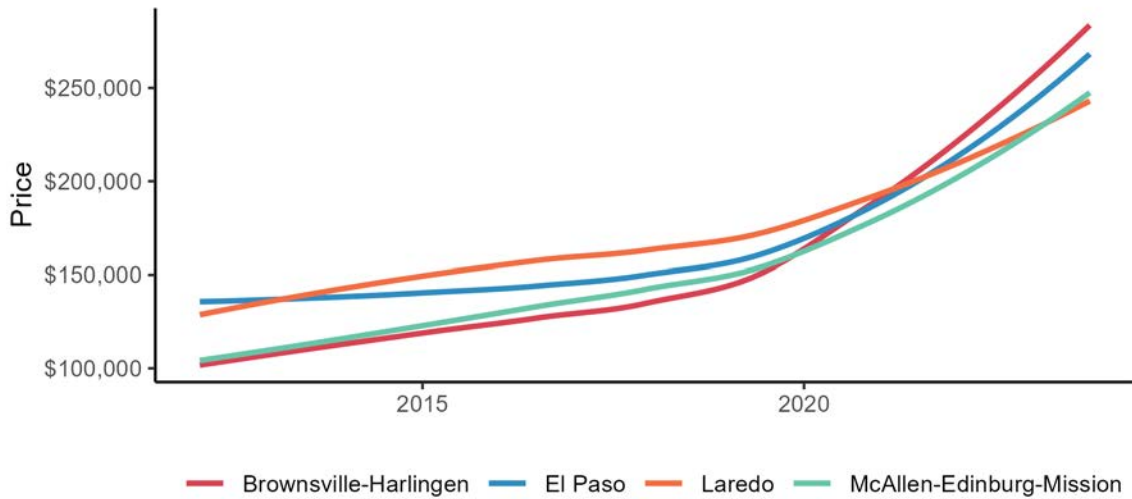
Housing

Border Metro Home Sales
Seasonally Adjusted Annualized Rate



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

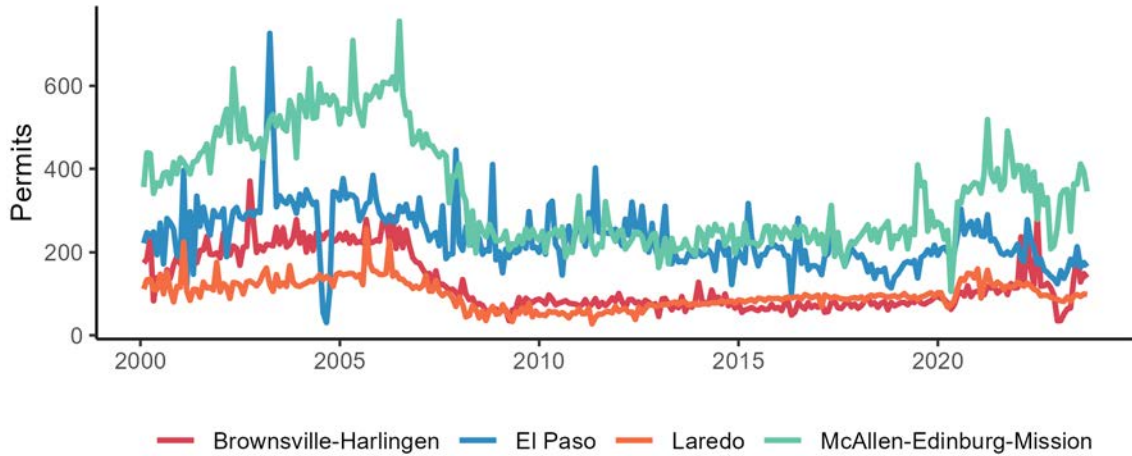
Border Metro Home Price Trend



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

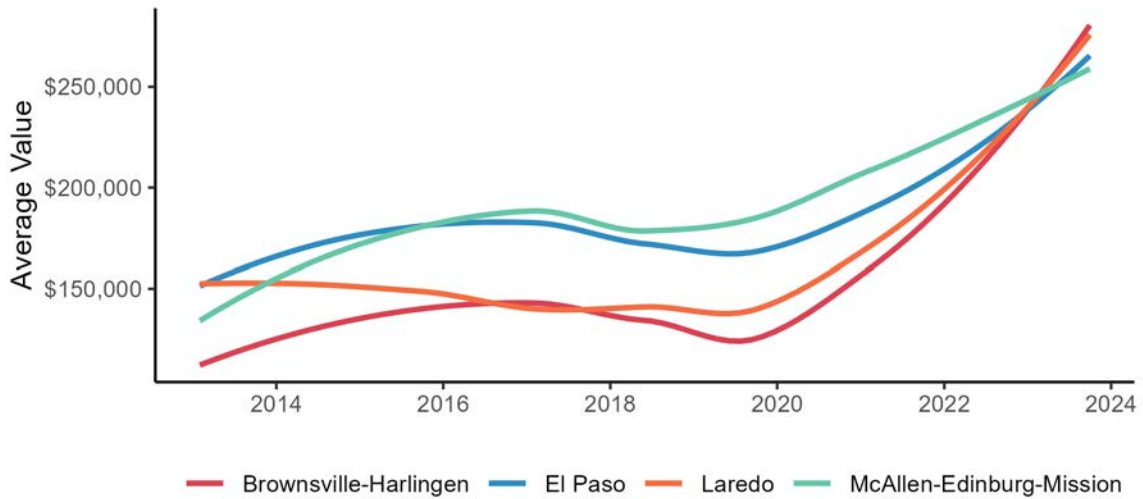
Housing

Border Metro Single-Family Permits
Seasonally Adjusted Annualized Rate



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

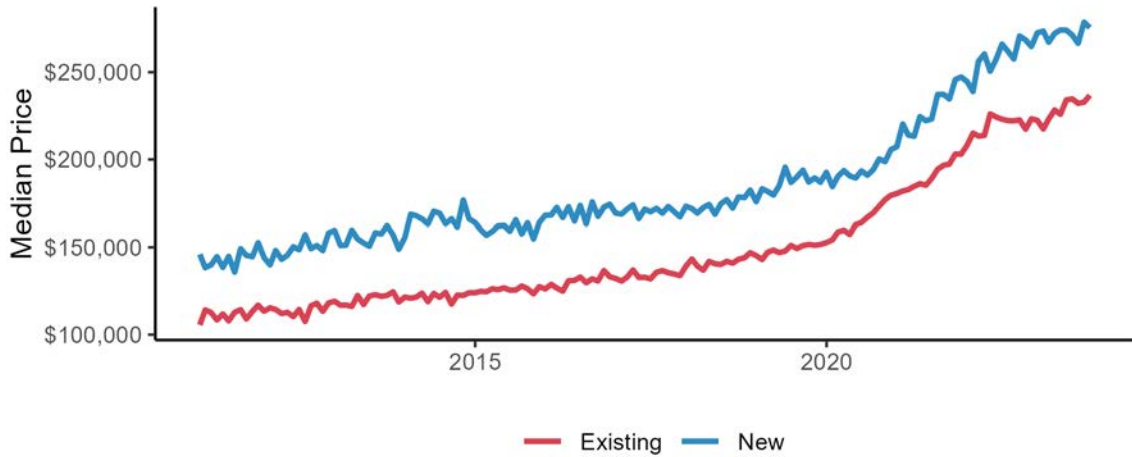
Border Metro Single-Family Average Permit Values



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

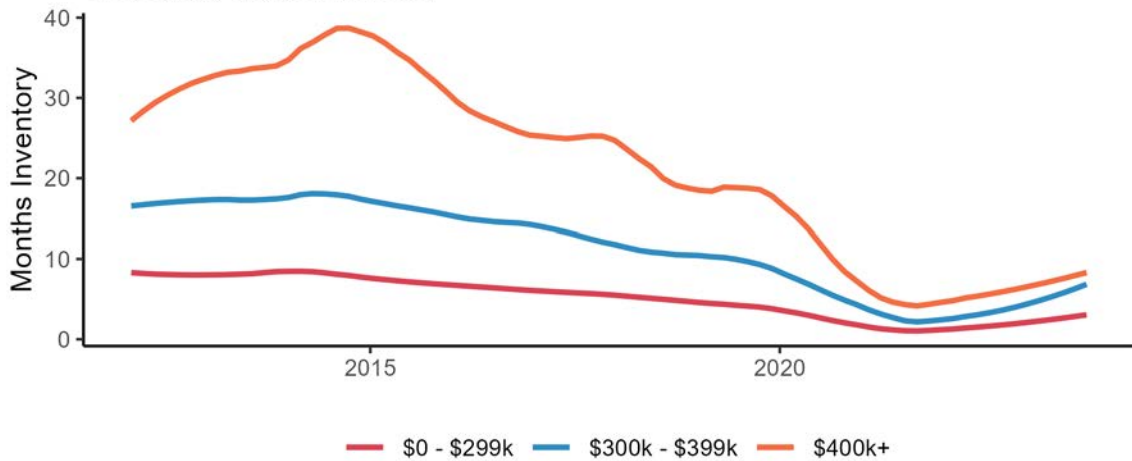
Housing

New and Existing Border Home Prices
Seasonally Adjusted Annualized Rate



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

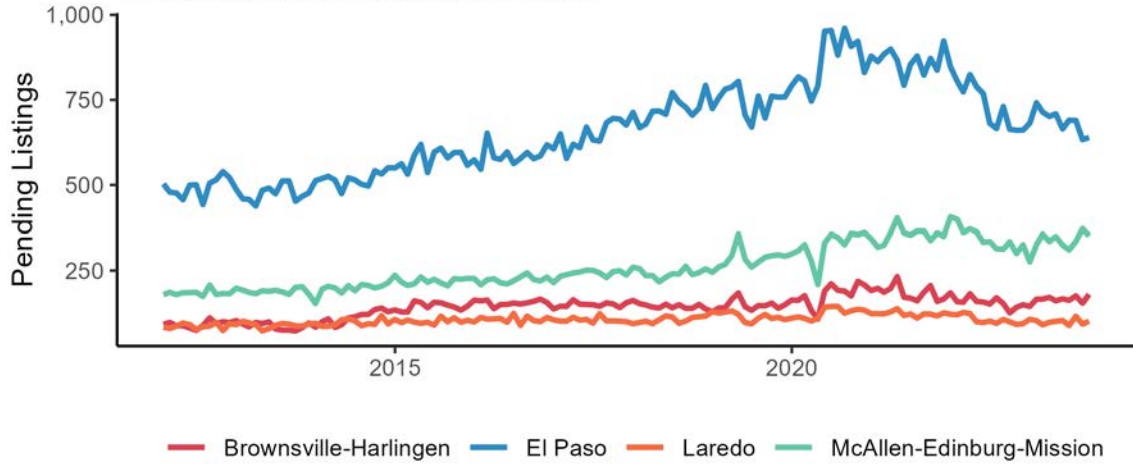
Border Housing Inventory by Price Range
Seasonally Adjusted Trend



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

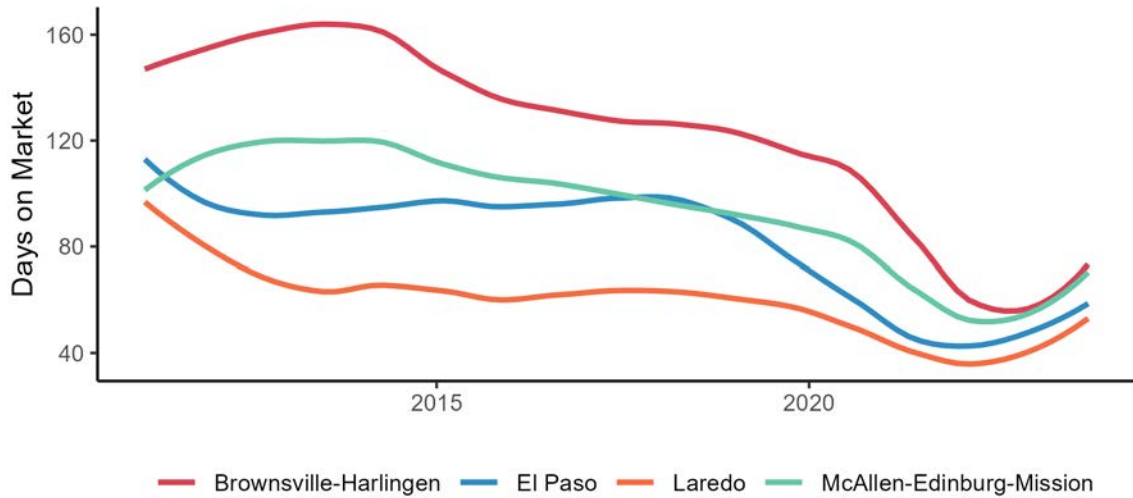
Housing

Border Metro Pending Listings
Seasonally Adjusted Annualized Rate



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

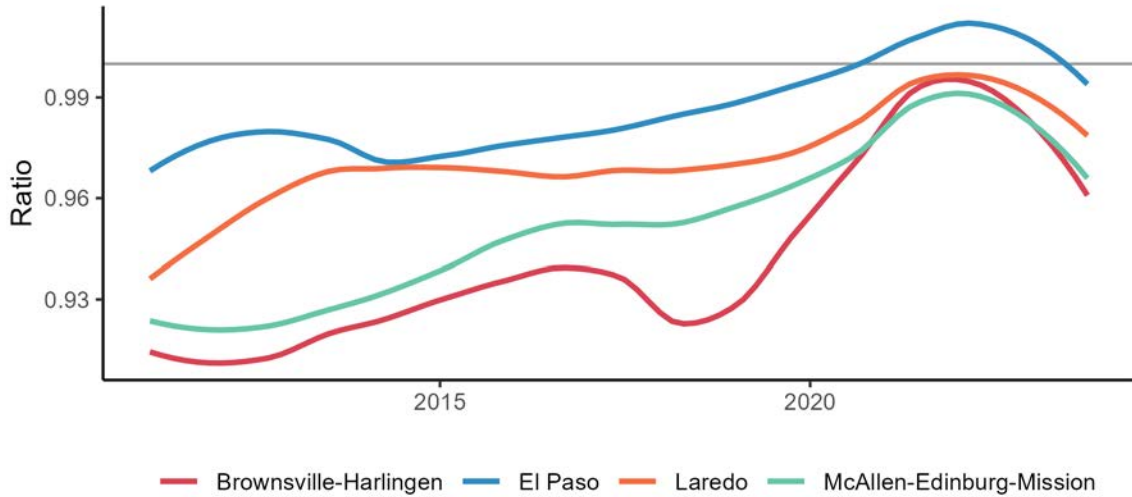
Border Metro Days on Market Trend



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

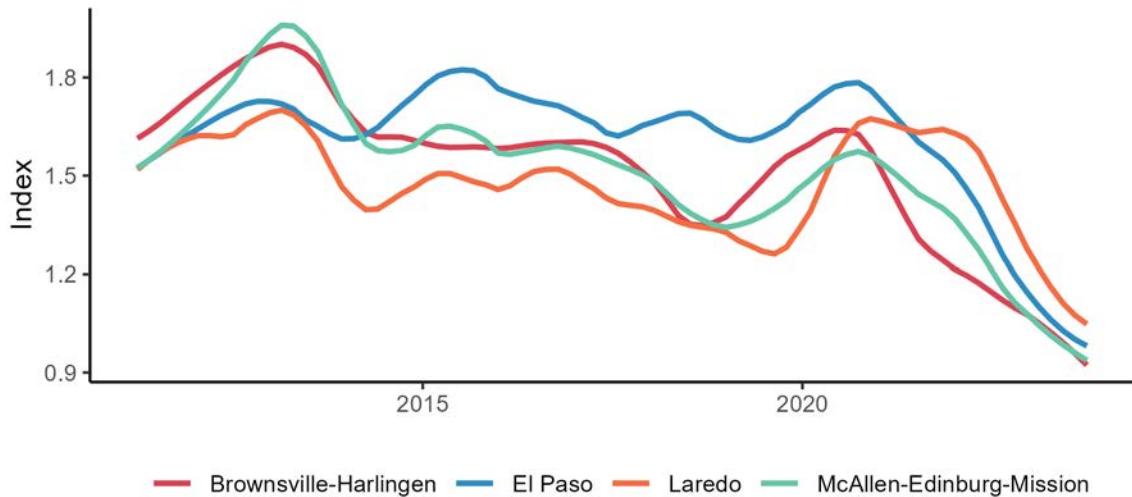
Housing

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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