

TEXAS BORDER ECONOMY



TEXAS A&M UNIVERSITY

Real Estate Center

JAMES P. GAINES CHIEF ECONOMIST

LUIS B. TORRES RESEARCH ECONOMIST

WESLEY MILLER RESEARCH ASSOCIATE

PAIGE SILVA RESEARCH ASSOCIATE



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NOVEMBER 2019 DATA

TECHNICAL REPORT

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About this Report

Real Estate 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. All measurements are calculated using seasonally adjusted data, and percentage changes are calculated month-over-month, unless stated otherwise.

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.

Dr. James P. Gaines, Dr. Luis B. Torres, Wesley Miller, and Paige Silva

Data current as of January 7, 2020

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Border Summary

BORDER EMPLOYMENT

▲ 2.1% SAAR

MAQUILADORA EMPLOYMENT

▼ -0.2% YTD

TOTAL TRADE VALUES

▲ 2.3% MOM

HOUSING SALES

▼ -0.5% MOM

November 2019

Moderating labor market conditions on both sides of the Texas-Mexico border and dismal GDP growth associated with the U.S.' southern neighbor hindered Texas' border communities. The retail sector, an important part of the border economies, showed signs of struggling following decreased inflation-adjusted retail sales in 1Q2019. Unemployment ticked up as payroll expansions slowed but remained at historically low levels, supporting real wage improvements. Housing sales hovered just below record-breaking volumes in concordance with healthy demand. Stability in the peso-per-dollar exchange rate and progress toward approving the United States-Mexico-Canada Agreement (USMCA) eased trade uncertainty, which may lift total trade values in 2020. However, concerns regarding the pact's regulatory mandates hurting the U.S. automobile industry could exacerbate troubles currently associated with the slowing global economy.

Economy

Economic activity along the border came to a halt according to the **Dallas Fed's Business-Cycle Indices**. Labor market woes in Laredo and McAllen pulled their indices down 3.8 and 4.9 percent, respectively, on a seasonally adjusted annualized rate (SAAR). The Brownsville index inched up 1 percent amid retail struggles. El Paso was the exception, accelerating 5 percent as employment expanded by more than 1,000 jobs for the third straight month.

Border **nonfarm employment** created 700 new jobs, increasing 2.1 percent SAAR. El Paso added 1,100 positions, most of which were in the professional/business services sector. Retail employment shed 300 jobs but maintained an upward trend. Brownsville payrolls expanded by 100 jobs, with education/health and financial activities gains offsetting retail losses. The trade sector in McAllen also contracted, contributing heavily to a total loss of 500 jobs. The metro's education/health services sector decreased in size after six straight months of net hiring. Laredo's workforce stabilized at 106,900 employees. Payroll expansions in transportation/utilities and leisure/hospitality compensated for losses in mining/logging/construction and retail.

On the Mexican side of the border, **manufacturing and maquiladora employment**¹ shed 2,900 jobs in October, falling negative year to date (YTD). Juarez and Reynosa maquiladora employment extended downward trends, shedding 600 and 700 jobs, respectively. In Nuevo Laredo,

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.

employment reversed October's modest gains. Matamoros and Chihuahua both registered net layoffs but maintained positive YTD growth of 5.8 and 3.4 percent, respectively. U.S. manufacturing production rose 1.1 percent in November with the resolution of the General Motors strike, which may elevate manufacturing and maquiladora employment.

Unemployment rates ticked up along the border as hiring slowed. McAllen's unemployment rate increased from 6.0 to 6.2 percent. In Brownsville and El Paso, the metric inched up to 5.4 and 3.8 percent, respectively, after hovering at historical lows for four straight months. Laredo was the exception, holding at 3.6 percent joblessness.

Amid stable unemployment, Laredo's **average real private hourly earnings** improved 1.9 percent year over year (YOY). However, much progress is needed to recover lost ground from a two-year slide ending in April. Inflation-adjusted wages accelerated 7.2 and 6.7 percent in Brownsville and McAllen, respectively. Meanwhile, El Paso's real earnings declined slightly despite steady hiring.

Total construction values fell to a year-and-a-half low but remained 6.3 percent above 2018 levels on a YTD basis. Residential values registered a steep decline as two-family construction in McAllen normalized after exceptionally high activity in October. McAllen single-family values also decreased, offsetting minor gains in Brownsville and El Paso. On the nonresidential side, falling school construction in El Paso and McAllen extended the downward trend. New school projects in both metros, however, should boost values to start 2020.

In the currency market, the **peso-per-dollar exchange rate** steadied at 19.33, corresponding to a flat trend in the inflation-adjusted rate² in the second half of the year. The stabilization can be attributed to the absolute and relative difference between Mexico's and United States' interest rates. Total trade values passing through the border rose 2.3 percent during November largely due to a rebound in Laredo's electric machinery imports. Exports improved as Laredo's and Brownsville's increases offset continued declines in El Paso and McAllen. Trade uncertainty has eased with the ratification of the USMCA by both chambers of the U.S. Congress, although concerns exist regarding the pact's regulatory mandates hurting the U.S. automobile industry.

Housing

Border housing sales flattened in November after data revisions reversed the prior two months' declines to increases. Most of October's improvement was attributed to McAllen, which surpassed 300 sales for the first time in series history, maintaining that level in November due to rising transactions for homes from between \$100,000-\$200,000. Brownsville's sales stabilized, registering 5.8 percent above 2018 YTD levels. Activity in Laredo rebounded on a monthly basis, but momentum slowed compared with the breakneck pace in the first half of the year. El Paso sales

² The real peso per dollar exchange rate is inflation adjusted using the Texas Trade-Weighted Value of the Dollar. Its release typically lags the *Texas Border Economy* by one month.

increased slightly, although transactions for homes priced greater than or less than \$200,000-\$400,000 perpetuated a downward trend.

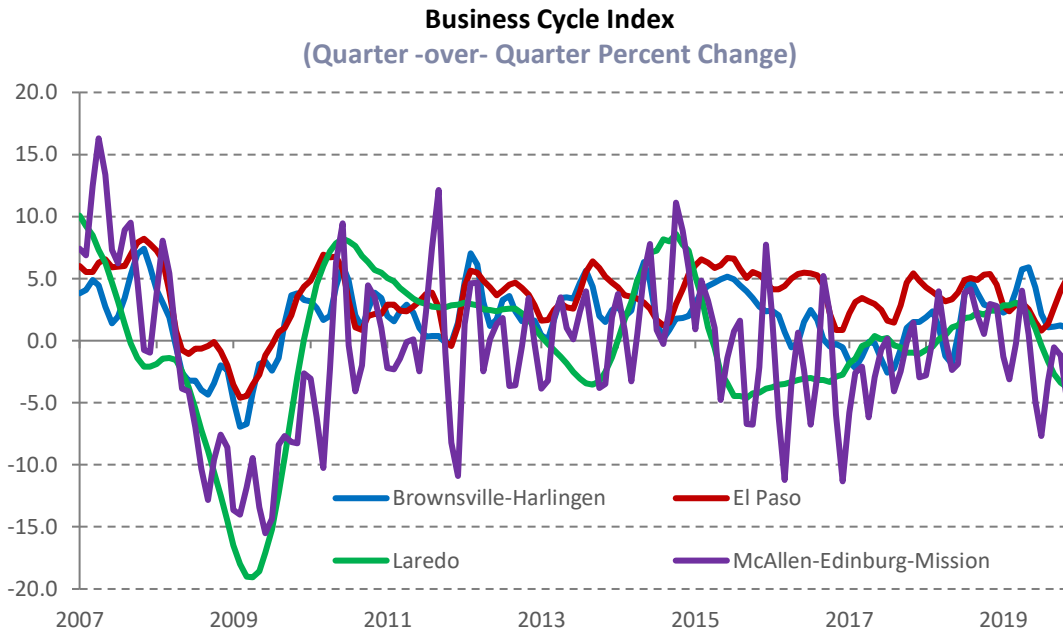
Supply-side activity remained healthy as indicated by **single-family housing construction permits**. Brownsville and El Paso permits increased 6.1 and 20.9 percent, respectively, over 2018 levels on a YTD basis. McAllen permits showed signs of flattening after a steep upward trend in 2Q2019 and 3Q2019 but registered 14.9 percent growth compared with January through November permits last year. In Laredo, issuance calmed after four consecutive increases. **Private single-family construction values** trended upward in McAllen and Laredo. Brownsville values increased for the second straight month but have yet to recover to the YTD high recorded in May. On the other hand, construction values continued to fall in El Paso after third-quarter improvements.

Increased supply of active listings raised the border metros' **months of inventory (MOI)** of homes for sale. Laredo's MOI jumped to 6.9 months after increasing every month since falling to an all-time low in April of 3.9 months. Inventory in Brownsville and El Paso ticked above 6.7 and 3.4 months, respectively, after reaching historical lows the previous month. On the other hand, record-breaking sales pulled McAllen's MOI down to 6.9 months.

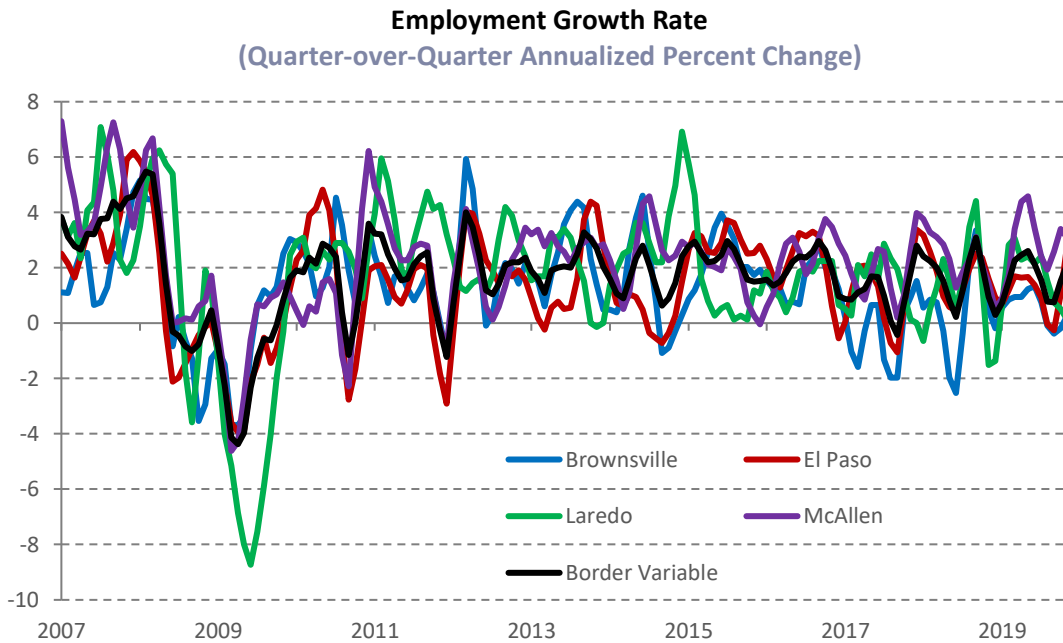
The **average number of days on market (DOM)** trended down along the border, corroborating healthy demand. El Paso's metric corrected upward to 77 days from an abnormally low level in October but shed 20 days off of last year's DOM. The average home in the Rio Grande Valley sold 26 and 12 days faster than last November at 99 and 85 days in Brownsville and McAllen, respectively. Laredo's DOM balanced at 53 days, shaving six days off the metric in the span of a year.

During healthy economic activity, El Paso's **median home price** rose to \$168,900 as the share of total homes sold priced less than \$200,000 sunk below 70 percent for the first time in series history. In Brownsville, the metric normalized, reaching \$161,100 after an 8.2 percent decline the prior month. Laredo's and McAllen's median price settled at \$180,400 and \$155,600, respectively, amid labor market struggles. Moderate home-price appreciation is essential to maintain affordability in an environment of low wage growth.

Economic Activity

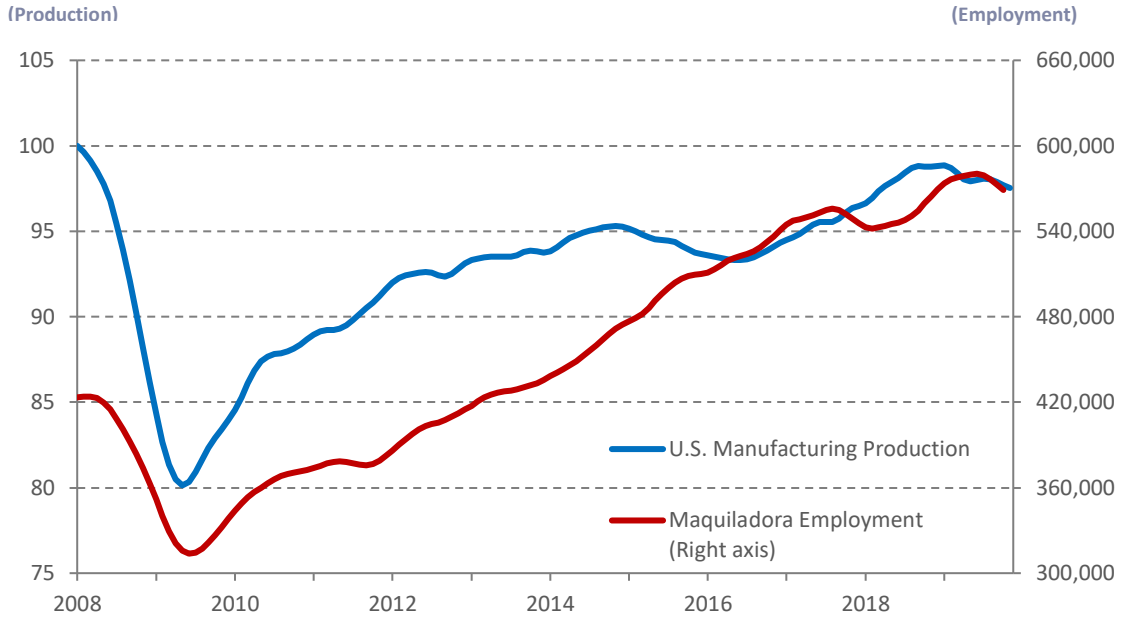


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).
Source: Federal Reserve Bank of Dallas



Note: Seasonally adjusted, three-month moving average. November 2019 is preliminary.
For more information, see [Employment Growth Rate](#).
Source: Bureau of Labor Statistics

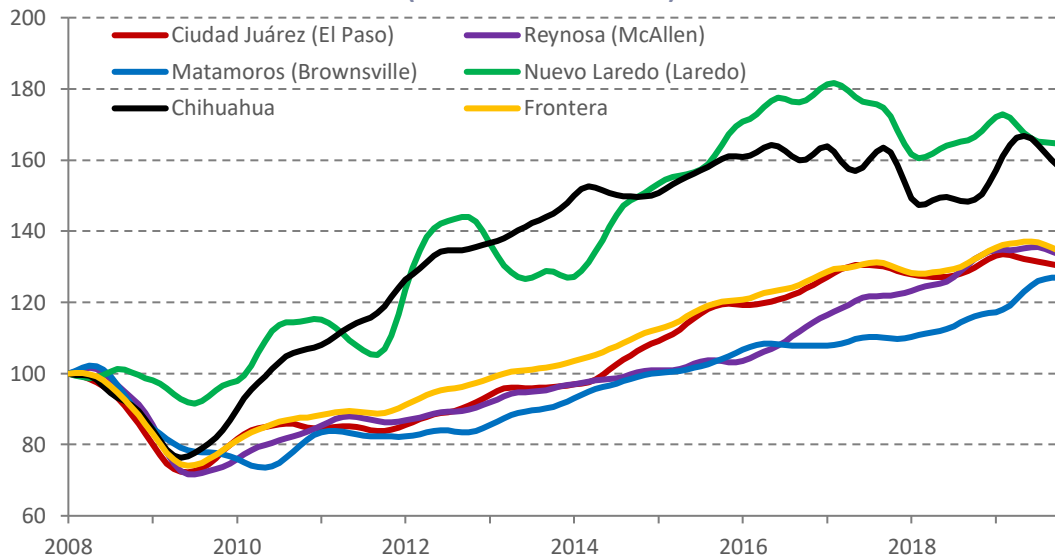
U.S. Manufacturing Production
(Index Jan 2008 = 100; Number of Employees)



Note: Trend-cycle component.

Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

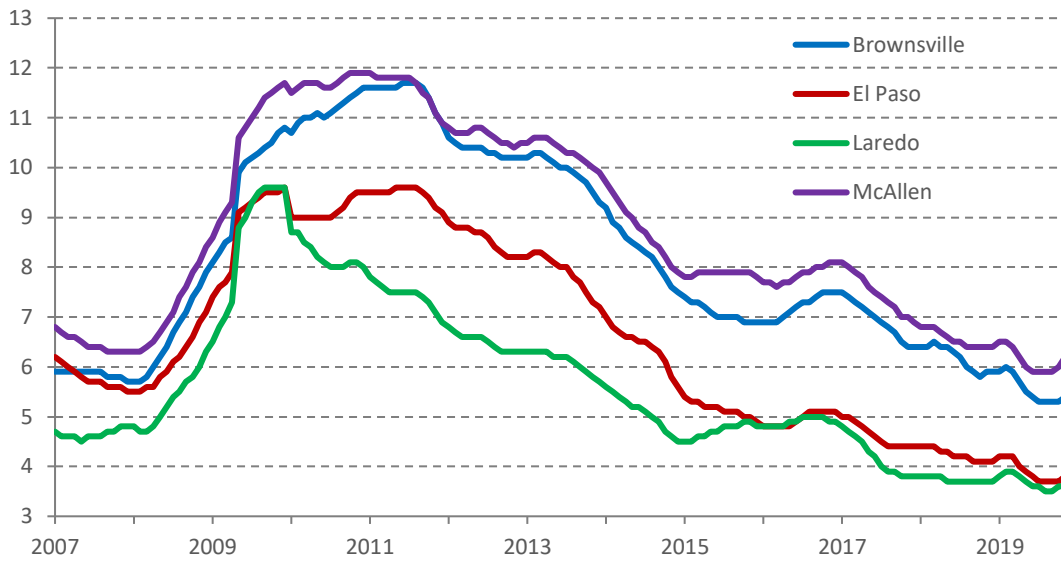
Mexico Maquiladora and Manufacturing Employment
(Index Jan 2008 = 100)



Note: Trend-cycle component.

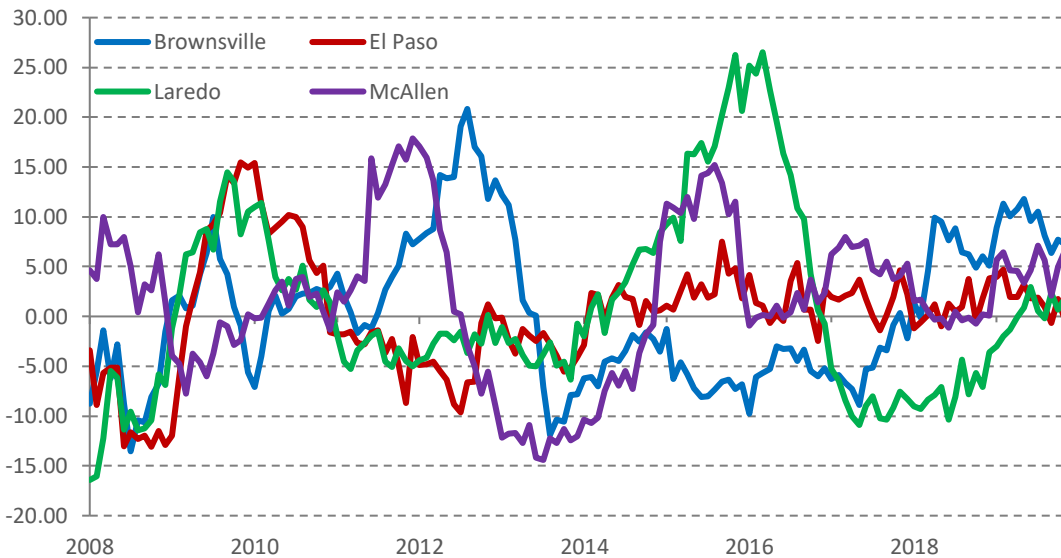
Source: Instituto Nacional de Estadística y Geografía

Unemployment Rate (Percent)



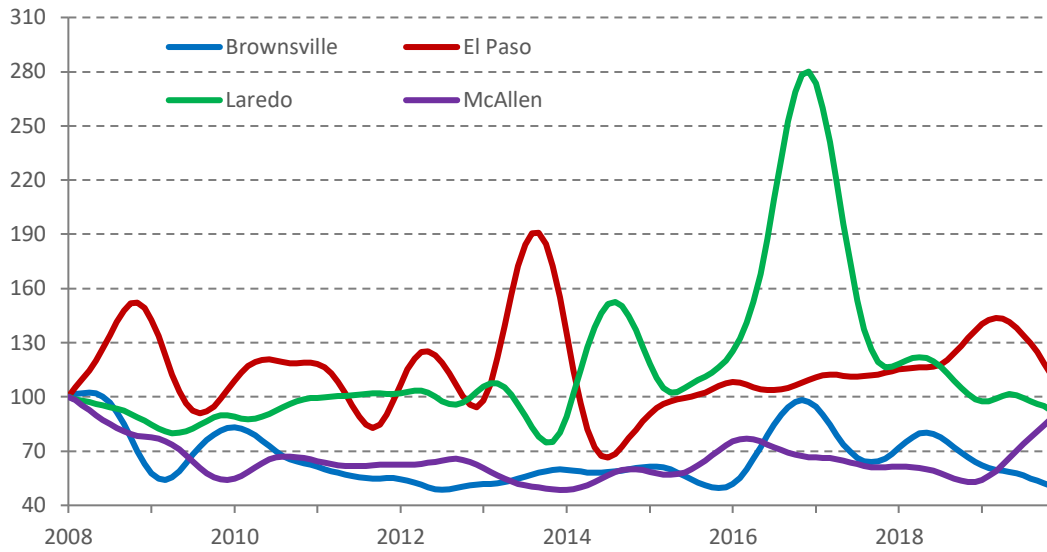
Note: Seasonally adjusted. November 2019 is preliminary. For more information, see [Unemployment Rate](#).
Source: Bureau of Labor Statistics

Total Private Employee Hourly Earnings (Year-over-Year Percent Change)



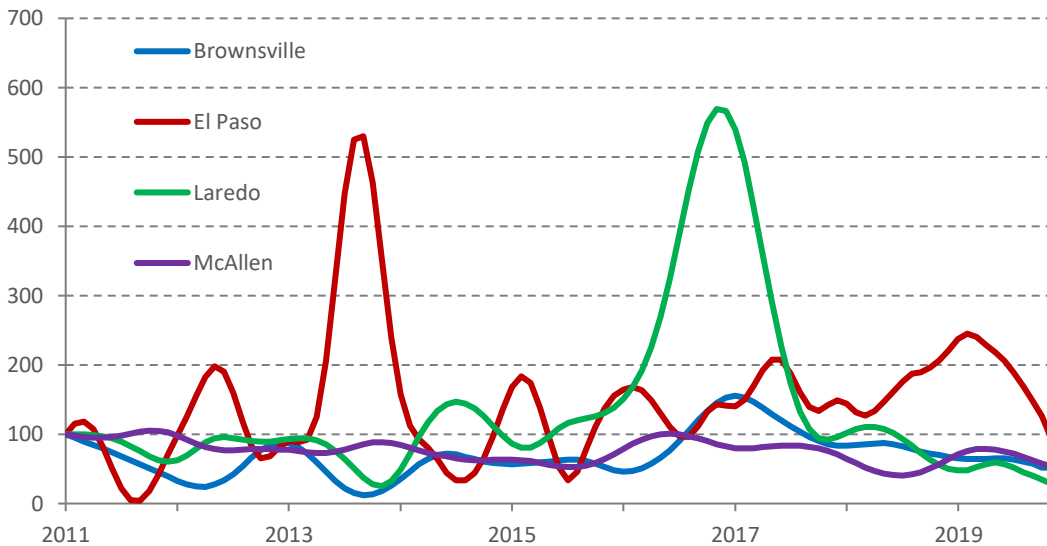
Notes: Inflation adjusted, seasonally adjusted. November 2019 is preliminary.
For more information, see [Total Private Employee Hourly Earnings](#).
Source: Bureau of Labor Statistics

Total Construction Values
(Index Jan 2008= 100)



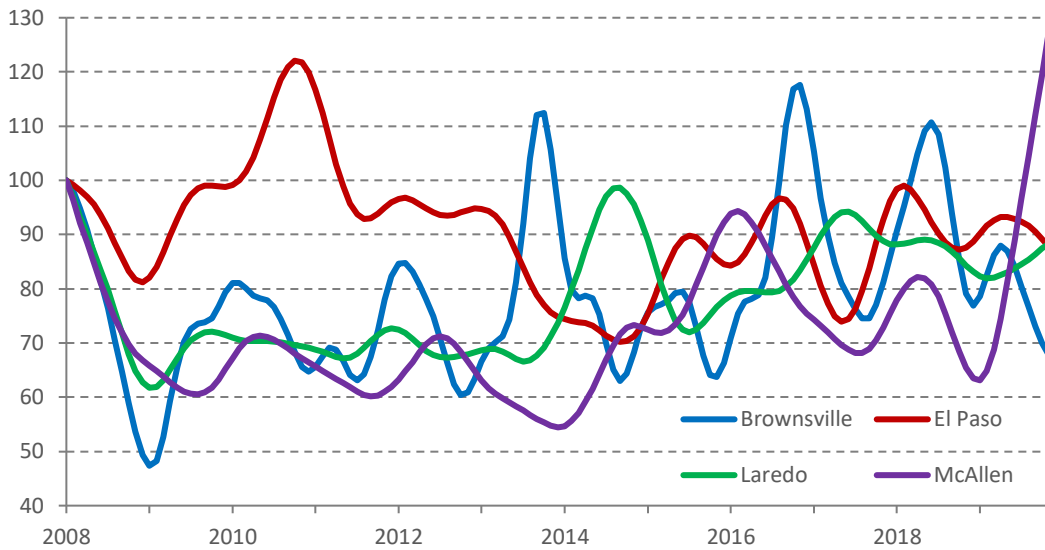
Note: Inflation-adjusted Trend-cycle component.
Source: Dodge Data & Analytics

Nonresidential Construction Values
(Index Jan 2011 = 100)



Note: Inflation-adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

Residential Construction Values
(Index Jan 2008 = 100)



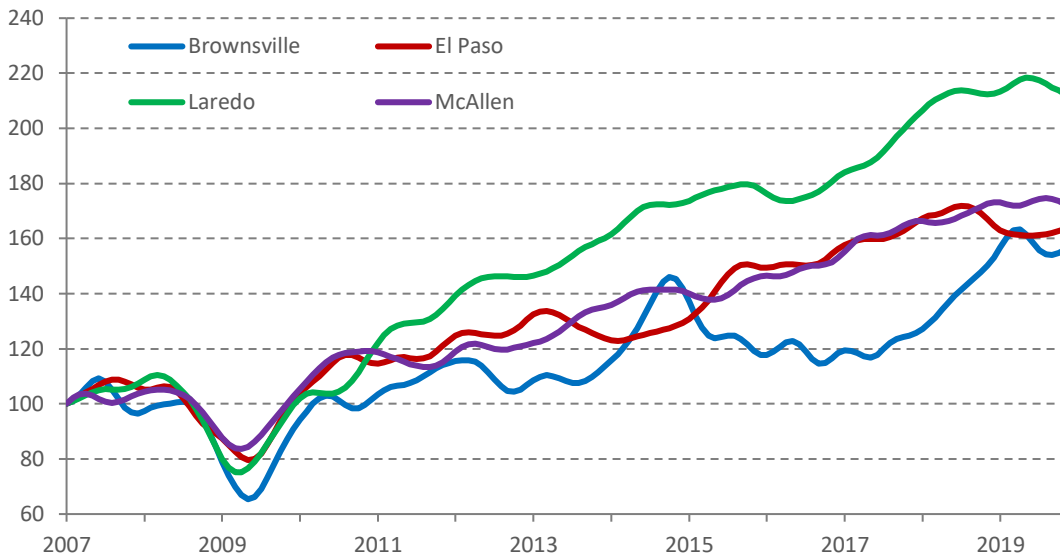
Note: Inflation-adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

Real Peso per Dollar Exchange Rate
(\$)



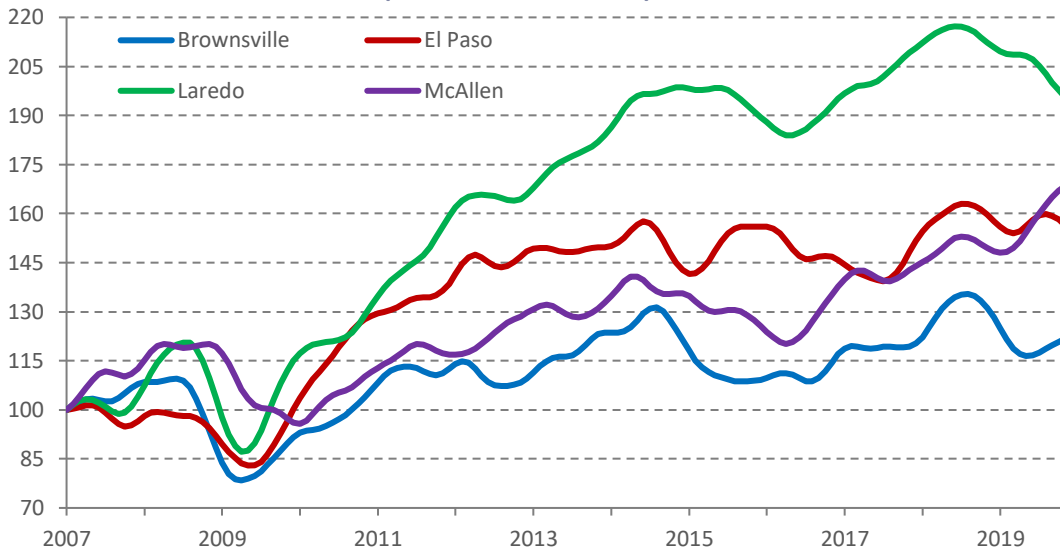
Note: Deflated using the Texas Trade Weighted Value of the Dollar.
Source: Federal Reserve Bank of Dallas

Import Values (Index Jan 2007 = 100)



Note: Trend-cycle component.
Sources: Foreign Trade Division and U.S. Census Bureau

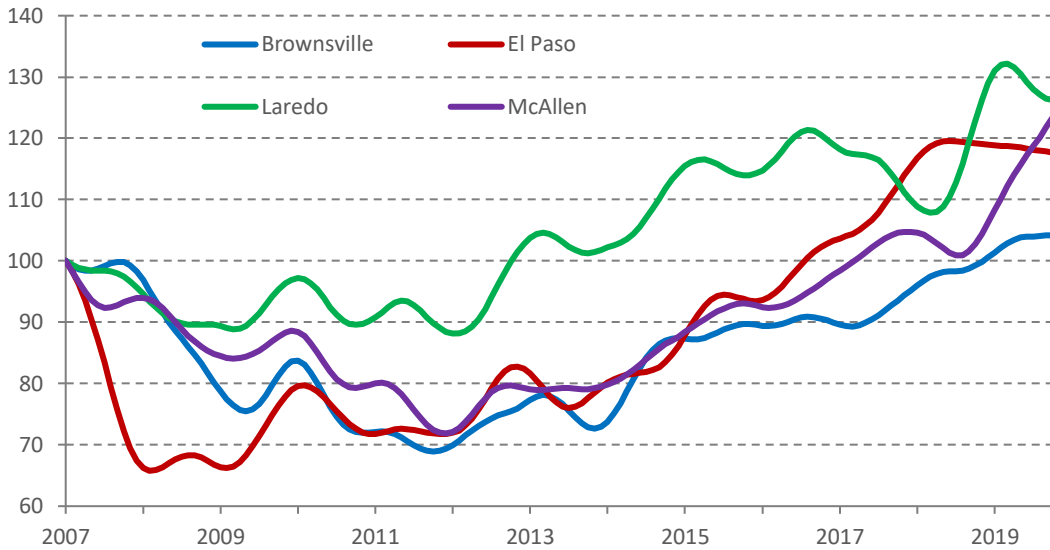
Export Values (Index Jan 2007 = 100)



Note: Trend-cycle component.
Sources: Foreign Trade Division and U.S. Census Bureau

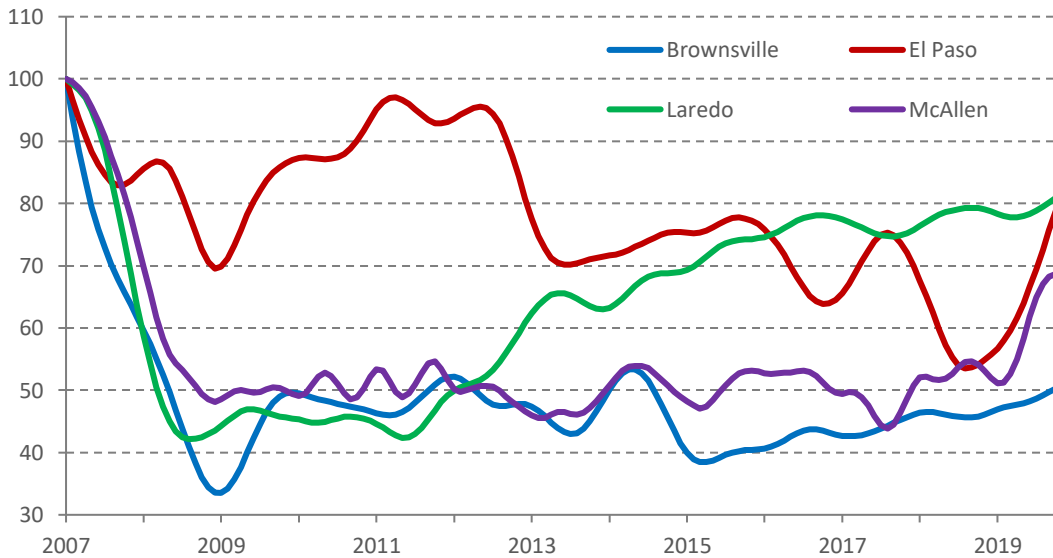
Housing

Housing Sales
(Index Jan 2007 = 100)



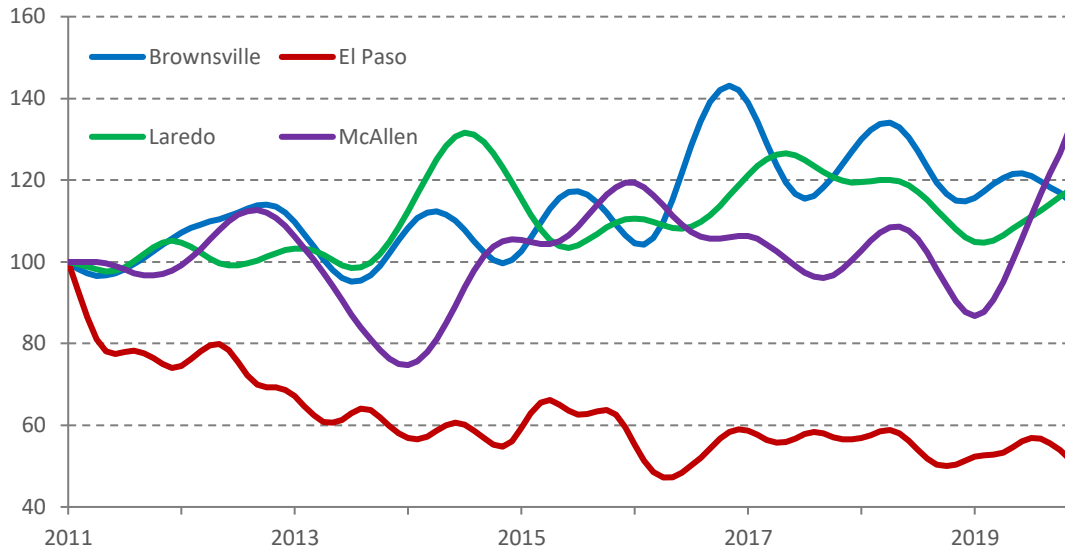
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Single-Family Housing Construction Permits
(Index Jan 2007 = 100)



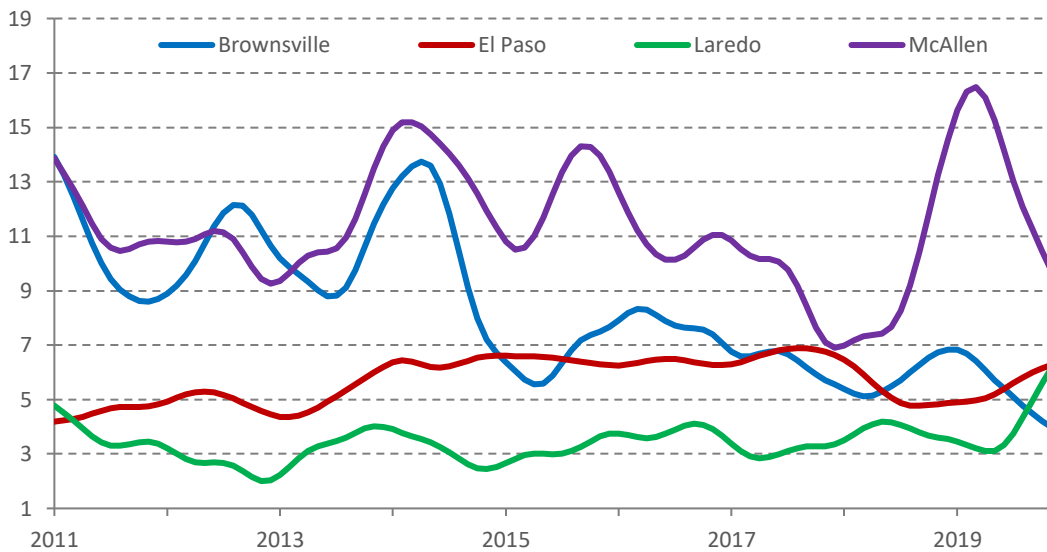
Note: Trend-cycle component.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

Total New Private Single-Family Construction Value
(Index Jan 2011 = 100)



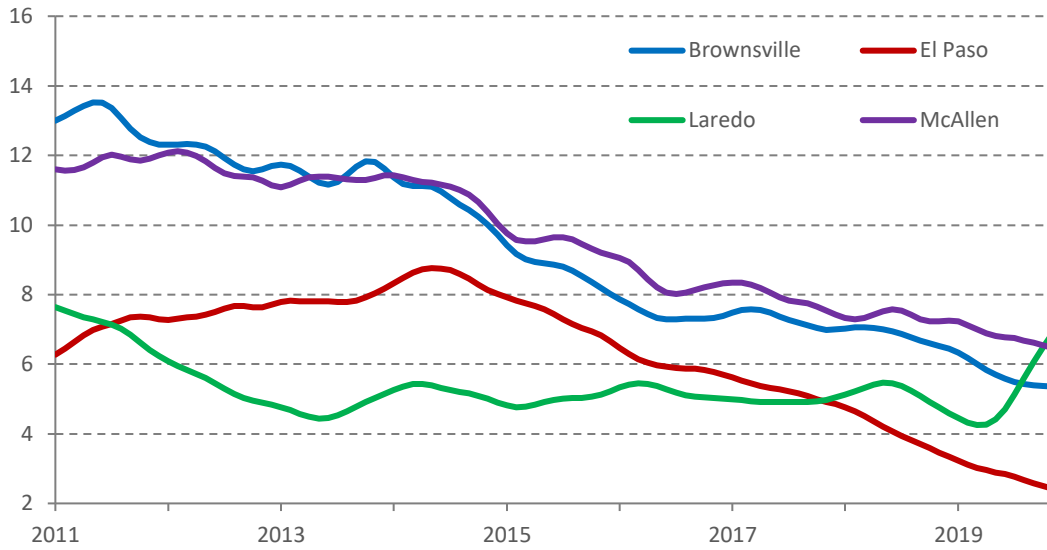
Note: Inflation adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

New Home Months of Inventory
(Months)



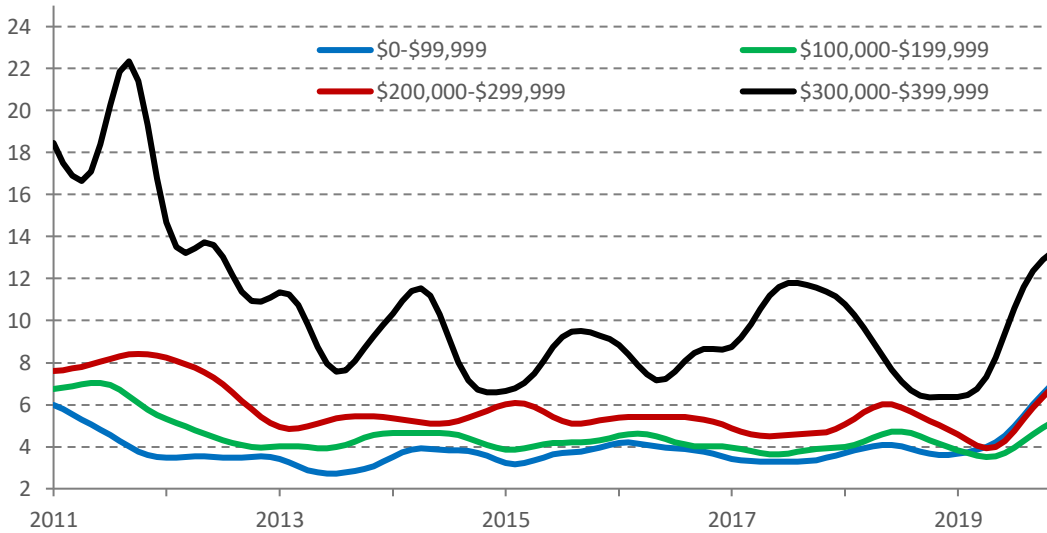
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Existing Home Months of Inventory (Months)



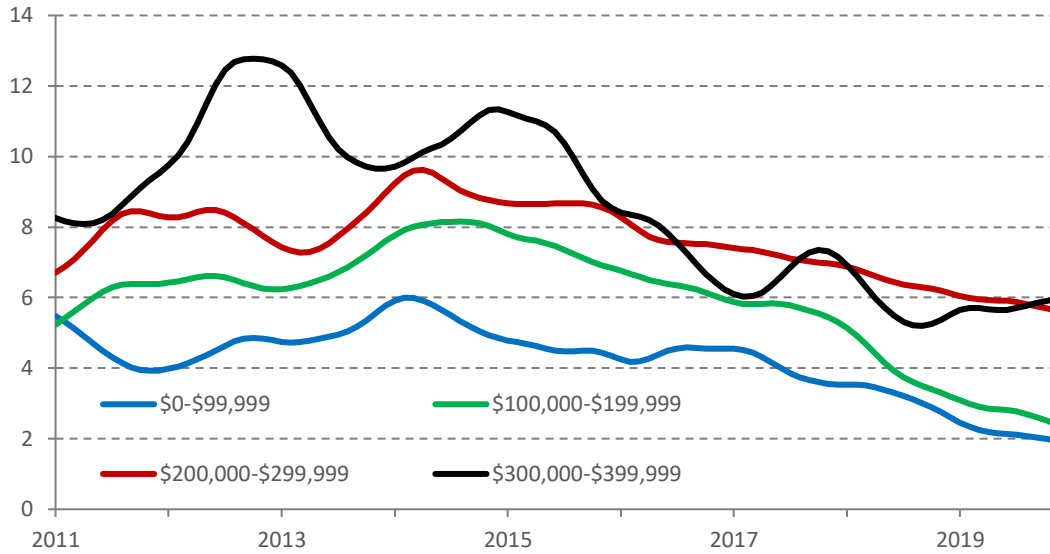
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Laredo Months of Inventory by Price Cohort (Months)



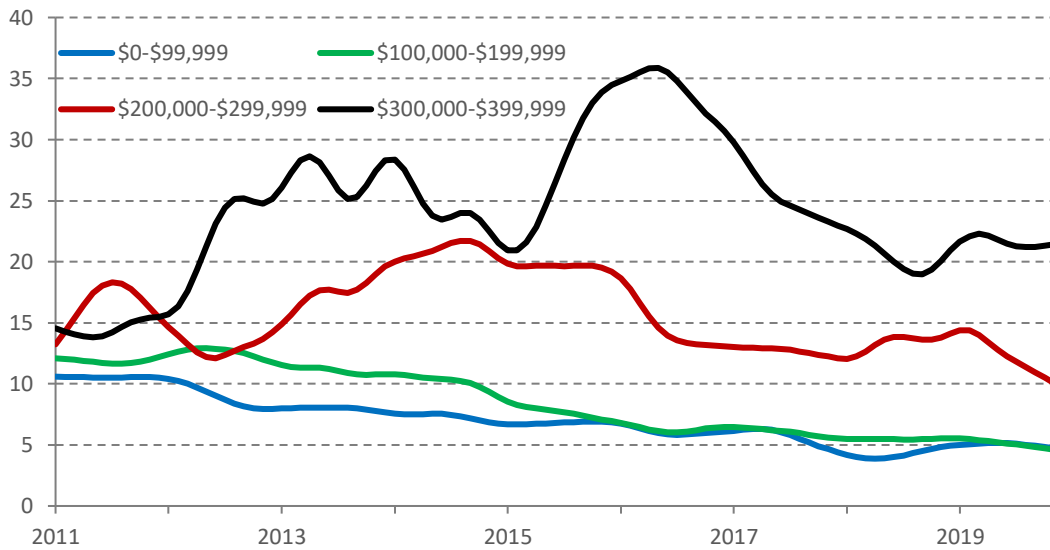
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

El Paso Months of Inventory by Price Cohort (Months)



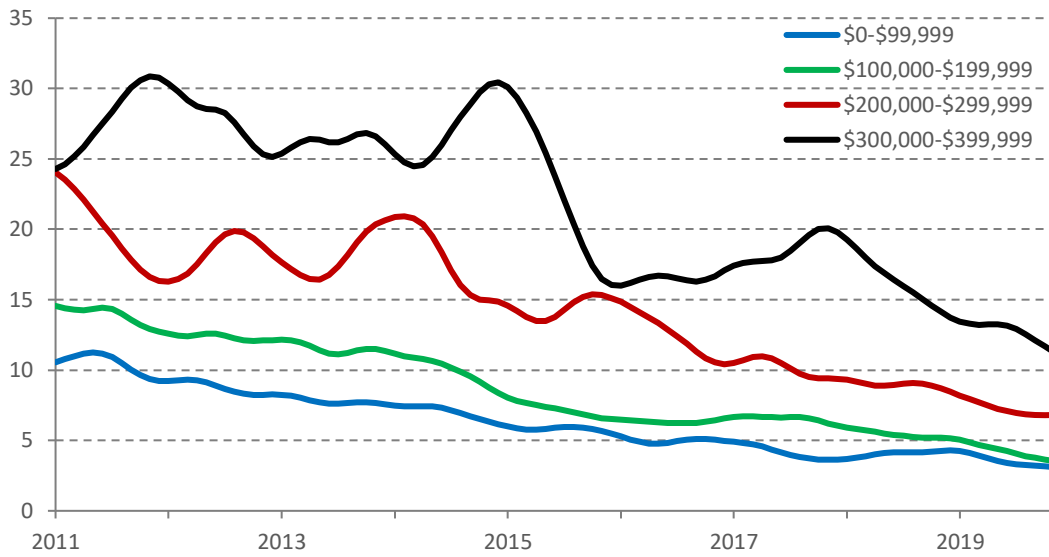
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

McAllen Months of Inventory by Price Cohort (Months)



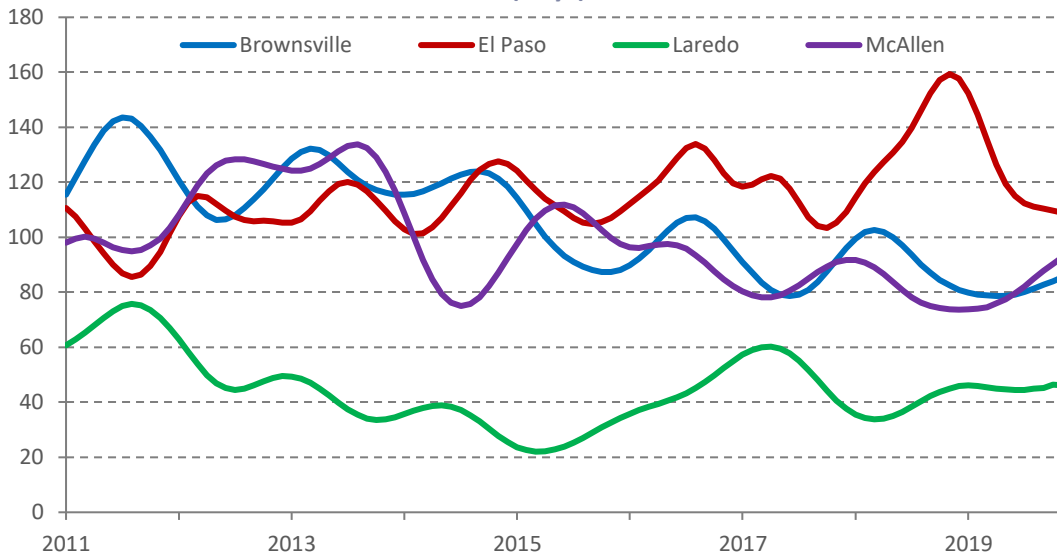
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Brownsville Months of Inventory by Price Cohort (Months)



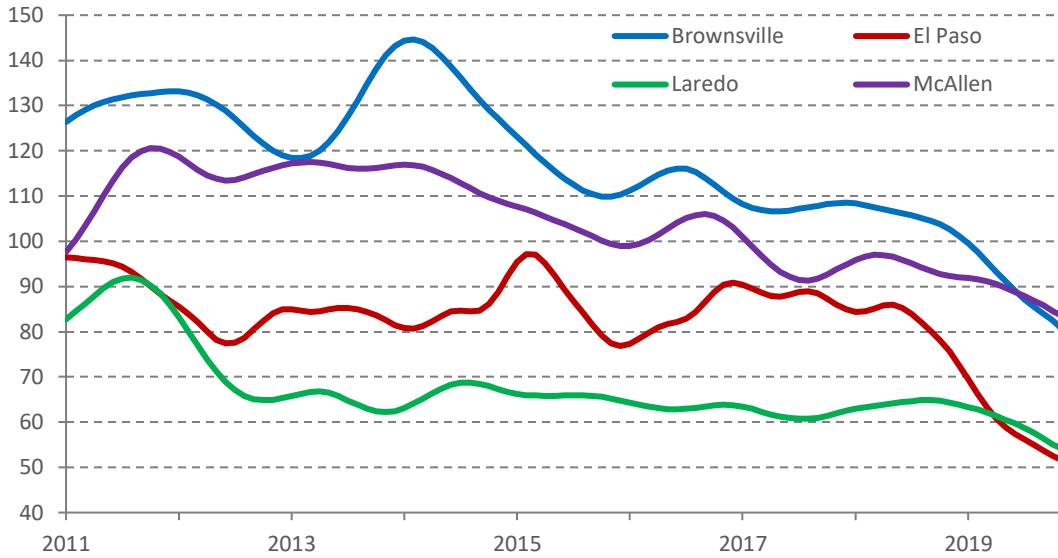
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

New Home Days on Market (Days)



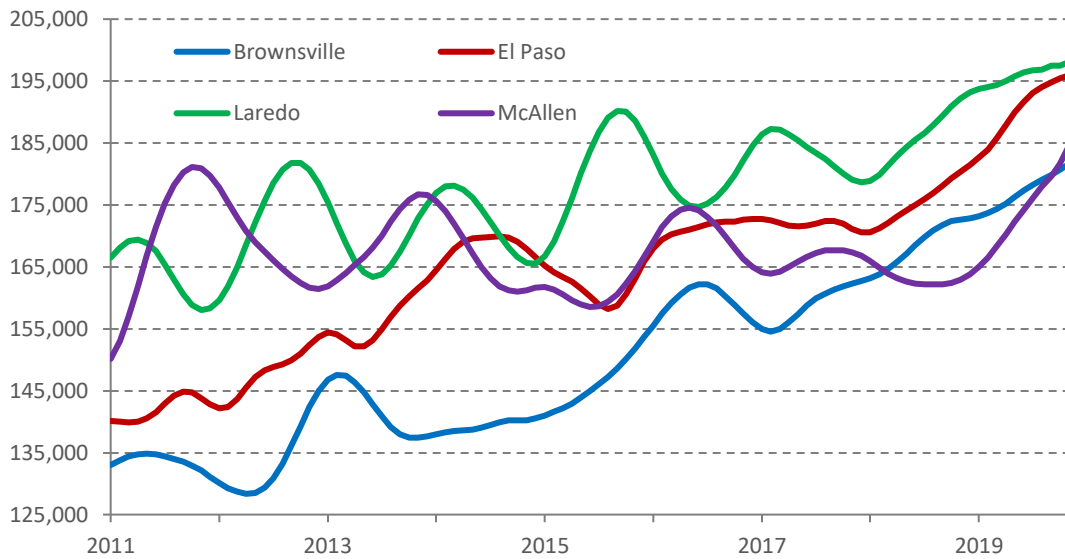
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Days on Market (Days)



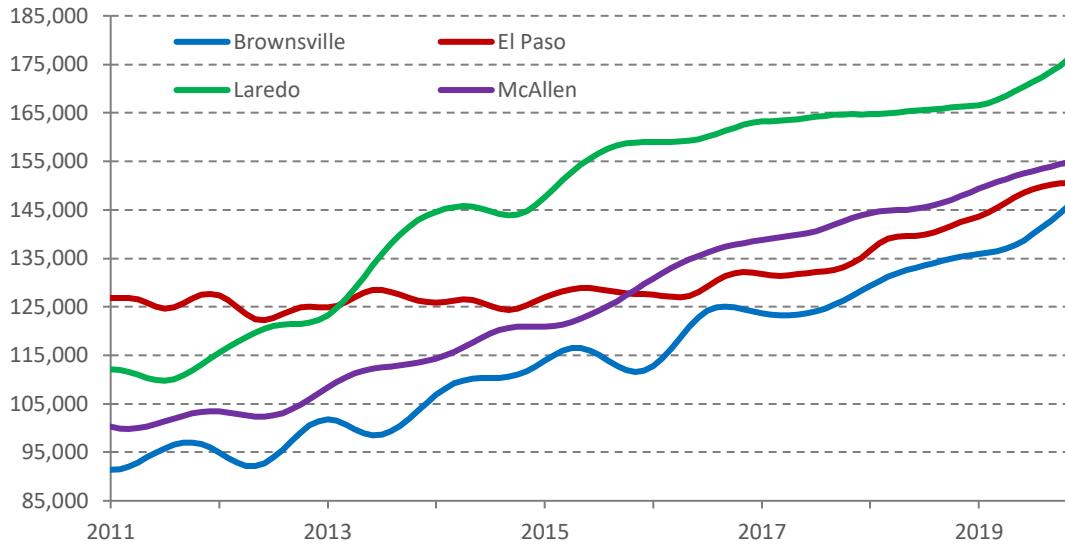
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

New Home Median Sales Price (\$)



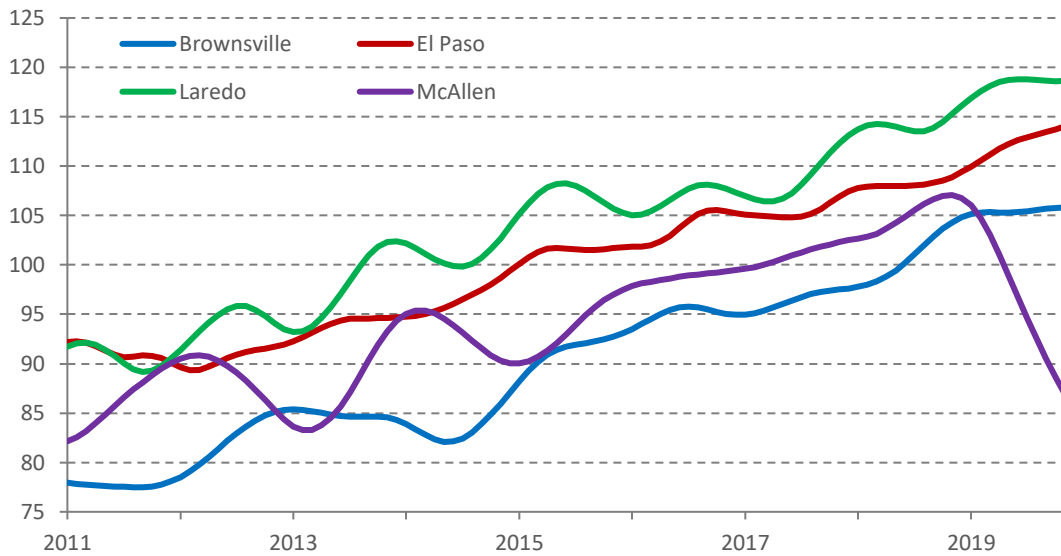
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Median Sales Price (\$)



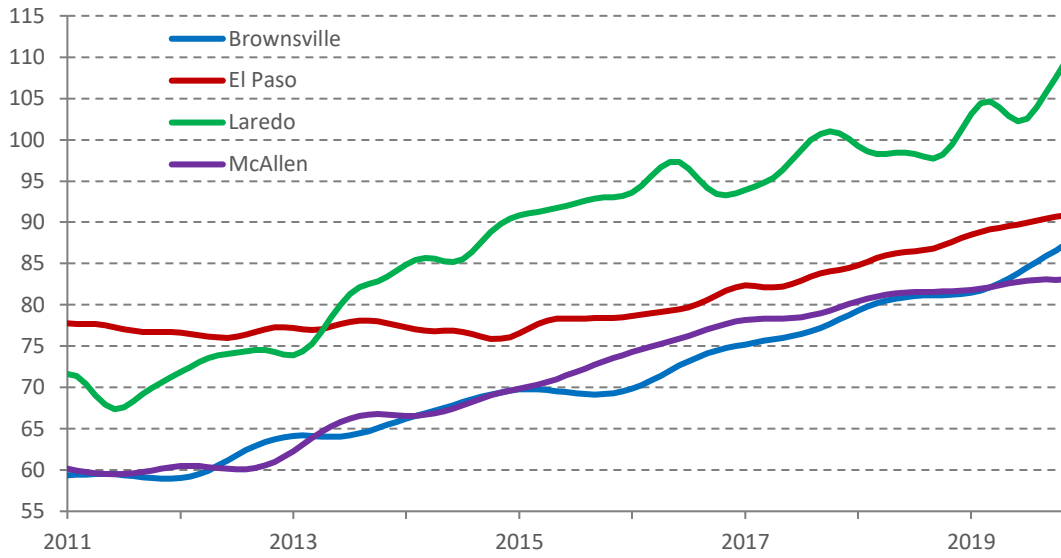
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

New Home Median Price Per Square Foot (\$)



Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Median Price Per Square Foot (\$)



Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University



TEXAS A&M UNIVERSITY
Real Estate Center

MAYS BUSINESS SCHOOL

Texas A&M University
2115 TAMU
College Station, TX 77843-2115

<http://recenter.tamu.edu>
979-845-2031

DIRECTOR

GARY W. MALER

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