

TEXAS BORDER ECONOMY



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APRIL 2020 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.

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Data current as of June 18, 2020

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Border Summary

BORDER EMPLOYMENT	MARCH MAQUILADORA EMPLOYMENT	BORDER LABOR FORCE	TOTAL TRADE VALUES	HOUSING SALES
▼ -97,600 jobs	▲ 9,700 jobs	▼ -7.5% MOM	▼ -51.2% MOM	▼ -20.2% MOM

April 2020

Economic conditions along the Texas-Mexico border plummeted during the statewide stay-at-home order and due to coronavirus-related disruptions to nearly all facets of social and economic interaction. Almost 100,000 jobs were shed, more than a tenth of the border's employment base. Real wages rose on average due to compositional shifts in the workforce, but joblessness skyrocketed and housing sales plunged 20.2 percent. The U.S. manufacturing industry struggled, particularly in the automotive sector, ahead of contentious policies included in the soon-to-be-effective United States-Mexico-Canada Agreement. Trade activity was dismal, burdened by unfavorable currency fluctuations, restrictions on international crossings, and the struggling Mexican economy. Although labor market conditions improved in May, there are still too many unknowns to determine when a full recovery will be achieved.

Economy

According to the **Dallas Fed's Business-Cycle Indexes**, economic activity along the border worsened considerably. Historic job losses during the statewide stay-at-home mandate and retail struggles from restrictions on noncommercial international crossings brought the Brownsville and El Paso indexes down more than 48 percent on a seasonally adjusted annualized rate (SAAR). The McAllen and Laredo economies fared even worse, plummeting 61.8 and 69.5 percent, respectively. Retail sales along the border will remain constrained as long as cross-border traffic is limited, given the importance of purchases of goods and services by Mexican nationals. Currently, nonessential travel restrictions, which ban Mexican tourists from entering the U.S., are in place until July 21, 2020.

Border **nonfarm employment** contracted by 97,600 jobs or 11.4 percent, exceeding the 10 percent statewide contraction. At least half of the total layoffs were in the leisure/hospitality sector in every border metro. Brownsville and McAllen shed 17,000 and 24,000 positions, respectively. Retail jobs decreased by 2,300 in the former and 3,900 in the latter. El Paso employment declined by 41,100 while Laredo employment fell by 15,500, the second highest number of job losses behind leisure/hospitality in these metros, shedding 5,200 and 2,400 positions, respectively. Only Laredo's government and Brownsville's information industries posted modest gains during April.

On the Mexican side of the border, **manufacturing and maquiladora employment**¹ added 9,700 jobs in March but was 1.6 percent below year-end levels. Hiring in Juarez comprised most of the improvement as maquiladora employment increased by 8,400 workers, 85 percent of the number of jobs shed the prior month, amid Chinese factories reopening. Nuevo Laredo employment rose by 1,200 positions but remained in negative year-to-date (YTD) growth territory. On the other hand, Chihuahua added 1,700 positions, pushing job growth up 1.1 percent YTD. Reynosa and Matamoros were the odd ones out, with the former recording its fourth consecutive decrease in employment, falling 5.8 percent YTD after losing 4,000 jobs. Matamoros employment contracted by 500, ending the first quarter down 2.3 percent since December. U.S. manufacturing production fell 13.8 percent in April with motor vehicle and parts posting the largest decline. The struggling automobile sector and the spread of the pandemic in Mexico does not bode well for the country's manufacturing and maquiladora employment during the second quarter.

Amid widespread layoffs, the Brownsville and El Paso **unemployment rates** shot up to all-time highs of 17.8 and 15.3 percent, respectively. Laredo's jobless rate (14 percent) was less than the nationwide average, while the McAllen metric rose to 19.1 percent. These rates may not capture the full extent of border citizens who are out of work, as those exiting the labor force are not counted as unemployed. The table reveals sizeable and historic declines in every border metro's labor force.

Civilian Labor Force

	Brownsville	El Paso	Laredo	McAllen	Border
March 2020	167,800	364,000	117,700	356,100	1,005,600
April 2020	154,900	334,800	104,000	336,600	930,300
MOM	-7.7%	-8.0%	-11.6%	-5.5%	-7.5%

Note: Seasonally adjusted.

Source: Bureau of Labor Statistics/Haver Analytics

Average real private hourly earnings increased year over year (YOY), but compositional changes in the workforce may explain some of the growth. Many of the border's layoffs were lower-paying jobs, which would push the average wage up. In Laredo, where leisure/hospitality accounted for the greatest share of total jobs lost across the border metros at 60 percent, average wages posted the greatest improvement, rising 8.1 percent YOY after adjusting for inflation. In the Rio Grande Valley, Brownsville and McAllen real earnings jumped 6.9 and 6.7 percent, respectively. El Paso wages rose just 2.2 percent in real terms after falling for four straight months.

With construction exempt from stay-at-home orders, **total construction values** rebounded 35.9 percent from a near two-year low in March. Nevertheless, YTD activity remained 12 percent slower than the pace set in the first four months of 2019. April's improvement was concentrated in the nonresidential sector with school construction picking back up in all four border metros after

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.

pausing in March. Activity in the office/banking building and hospital sectors increased for the second straight month with the latter setting a four-year high in El Paso. On the other hand, single-family construction values decreased along the border, offsetting accelerated apartment activity in the West Texas metro and two-family construction in Brownsville.

In the currency market, exceedingly low oil prices and poor economic performance in Mexico pushed the **peso per dollar exchange rate** up to 24.18 while the inflation-adjusted rate² jumped more than 10 percent in March. Meanwhile, **total trade values** passing through the border plummeted 51.2 percent from \$27.2 billion to \$13.3 billion in April, comprising less than 40 percent of the state's total trade activity compared with 50 percent averaged in 2019. Trade through El Paso suffered, dropping by more than three-fourths in April amid huge cuts in machinery-related commerce. Reduced trade through Laredo constituted the majority of the border's overall decline as vehicular shipments slowed. Meanwhile, total trade through the Rio Grande Valley slid around 40 percent to \$8.9 million in Brownsville and \$1.8 billion in McAllen. The United States-Mexico-Canada Agreement, replacing the North American Free Trade Agreement, takes effect July 1, 2020, and is intended to reaffirm North American trade relationships. Its impact on the U.S. automotive industry, however, is uncertain in an environment weakened by coronavirus-induced consumer concerns.

Housing

Border housing sales plunged 20.2 percent in April with all-around decreases for the second straight month, and the slide is expected to deepen in May. Brownsville sales fell by a third to their lowest reading in six years, with the \$100,000-\$200,000 price cohort constituting most of the reduction. Laredo and McAllen both recorded declines around 20 percent. In McAllen, sales for homes priced less than \$100,000 stole market share from the \$100,000-\$200,000 price cohort, affecting the median sales price. Record sales in El Paso's \$200,000-\$300,000 and \$400,000-and-above price ranges tempered some of the slide at the lower end of the spectrum, resulting in a relatively moderate fall of 12.3 percent.

Single-family housing construction permits fell for the fifth consecutive month, declining 12.5 percent to a seven-year low. Issuance in the Rio Grande Valley fell 11.9 and 17.7 percent in McAllen and Brownsville, respectively. The latter, however, held onto positive YTD growth relative to January-April levels during 2019. El Paso permits were up 15.3 percent this year so far compared with the same period last year despite falling 5.3 percent in April. Laredo was the exception with monthly permits increasing 7.2 percent, although the metric extended its downward trajectory.

Private single-family construction values dropped across the board, ranging from a decrease of 16.6 percent in Brownsville to 43.8 percent in El Paso.

April marked a year-long climb for Laredo's **months of inventory (MOI)**. The metro was the only one along the border to post an increase in its supply of active listings and a decrease in sales,

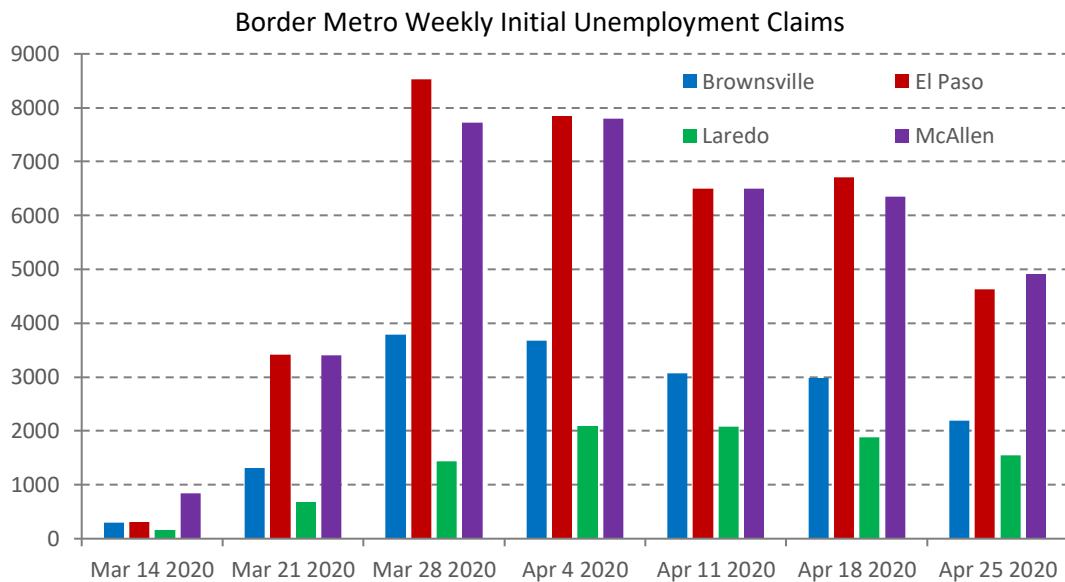
² The real peso per dollar exchange rate is inflation adjusted using the Texas Trade-Weighted Value of the Dollar. Its release typically lags the *Texas Border Economy* by one month.

pushing the MOI to a record-breaking 10.1 months. In Brownsville, inventory inched up to 6.1 months, while the El Paso and McAllen MOI balanced at 3.0 and 6.4 months, respectively.

Housing demand along the border remained stable as indicated by the **average number of days on market (DOM)**. Brownsville’s DOM posted a record low of just 70 days, shedding more than six weeks off its year-ago reading. The McAllen metric slid to 76 days, while the average home in El Paso sold after 66 days. Laredo maintained a DOM below the statewide level, flattening at 51 days.

Annual home-price appreciation was positive in the face of coronavirus disruptions. Monthly fluctuations, however, varied. Laredo’s **median home price** rose for the third straight month to \$183,700, while the Brownsville median price ticked up to \$164,200. On the other hand, McAllen’s metric fell to \$162,000 amid a distributional shift in sales activity. The median price in El Paso decreased \$4,100 to \$167,900 after reaching an all-time high the prior month.

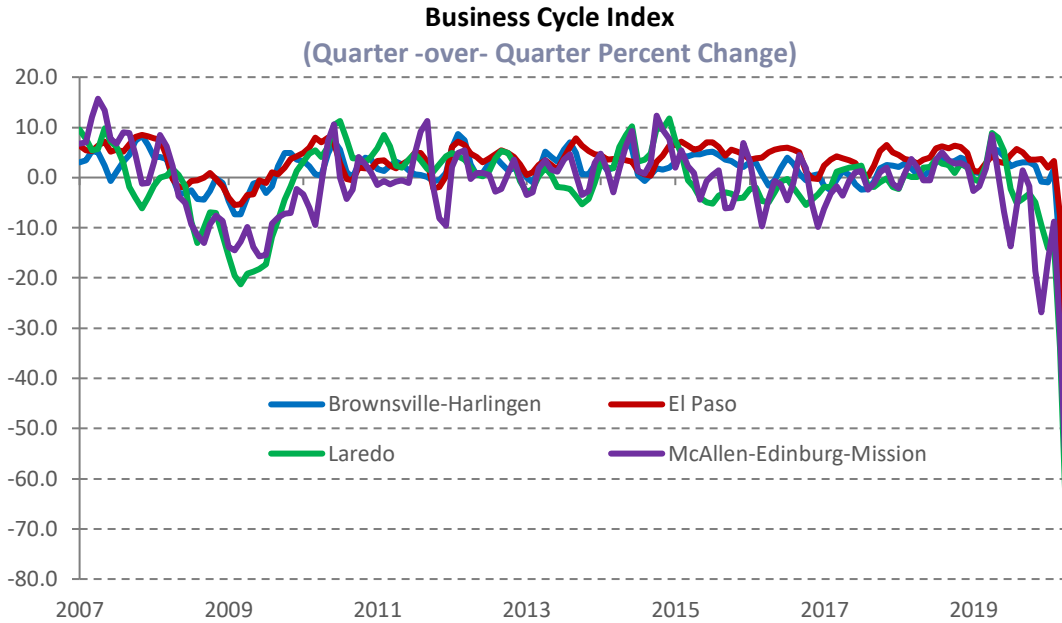
With the expiration of the statewide stay-at-home mandate, the border’s employment situation is expected to recover slightly in May. Weekly initial unemployment insurance claims decreased nearly every week since peaking the last week of March in Brownsville and El Paso and the first week of April in Laredo and McAllen (see graph). This suggests the steepest of the job declines are over. Nevertheless, labor market conditions are unlikely to return to 2019 levels until border traffic ramps back up and the spread of COVID-19 is contained.



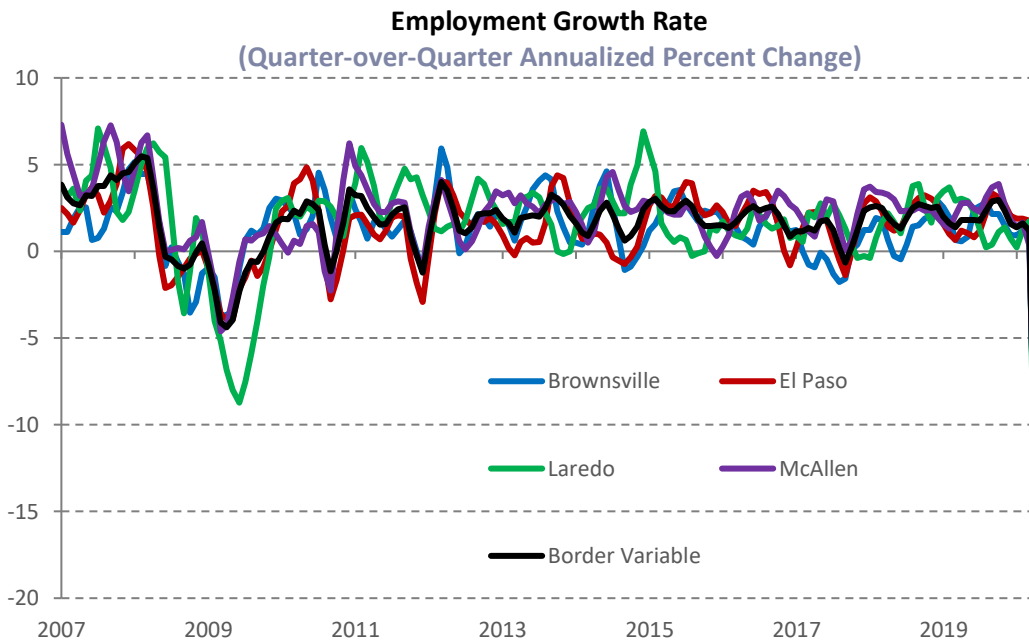
Note: Seasonally adjusted.

Sources: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, and Real Estate Center at Texas A&M University calculations

Economic Activity

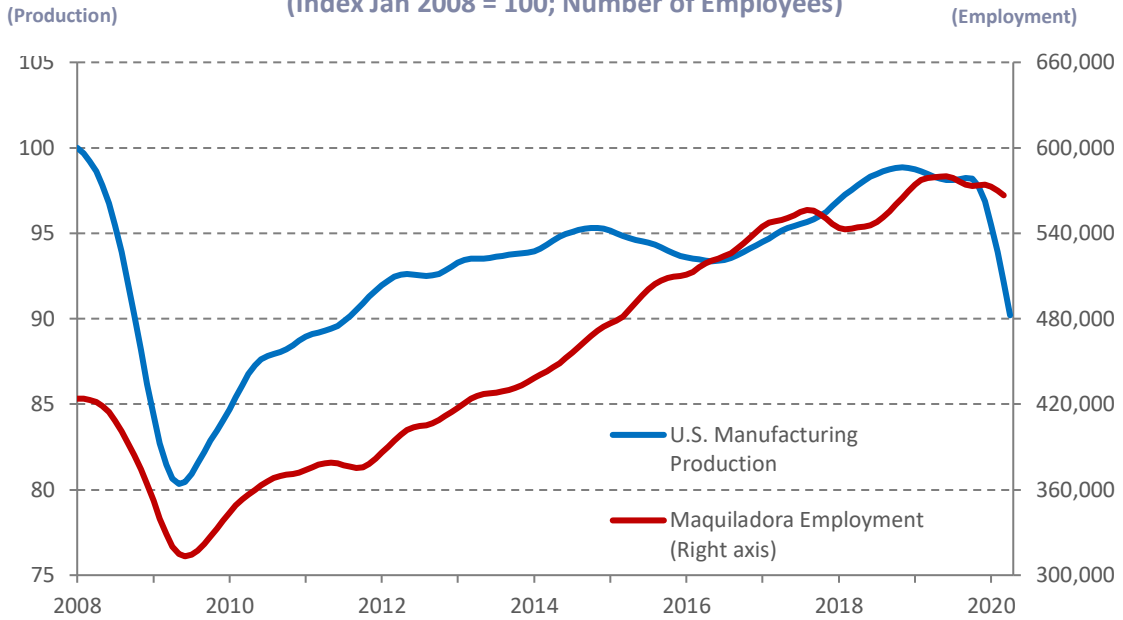


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).
Source: Federal Reserve Bank of Dallas



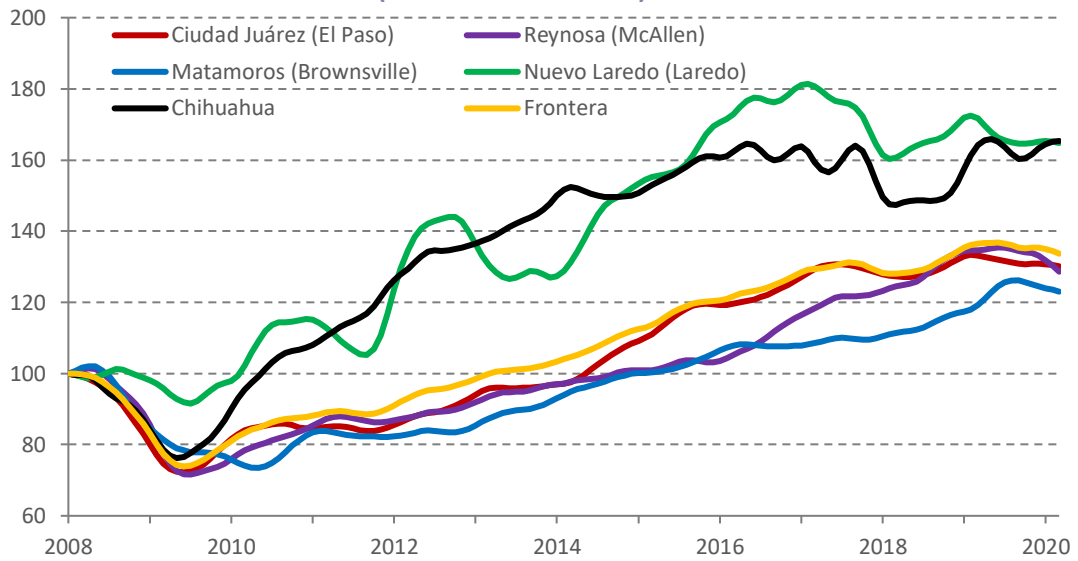
Note: Seasonally adjusted, three-month moving average. April 2020 is preliminary.
For more information, see [Employment Growth Rate](#).
Source: Bureau of Labor Statistics

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



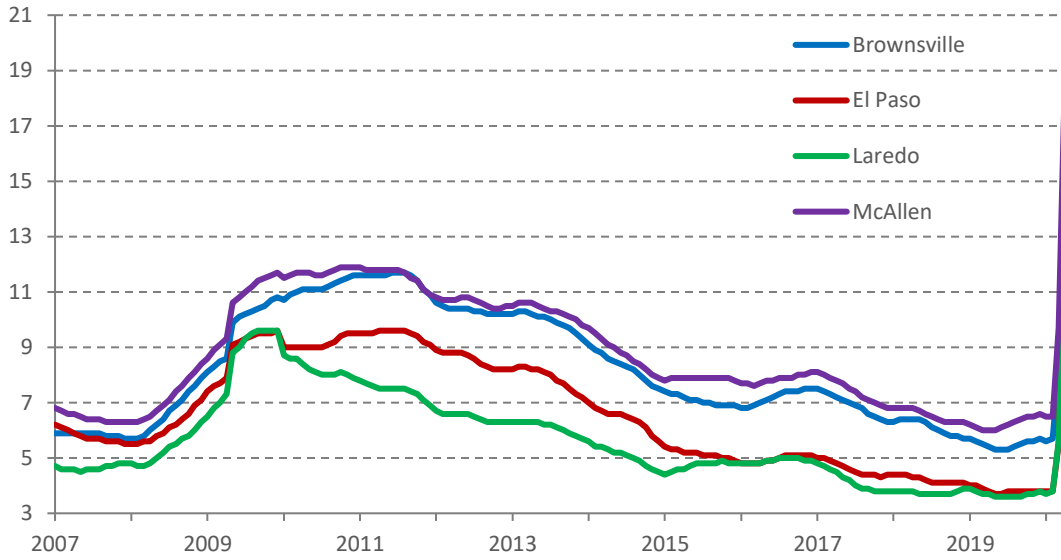
Note: Trend-cycle component.
Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

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



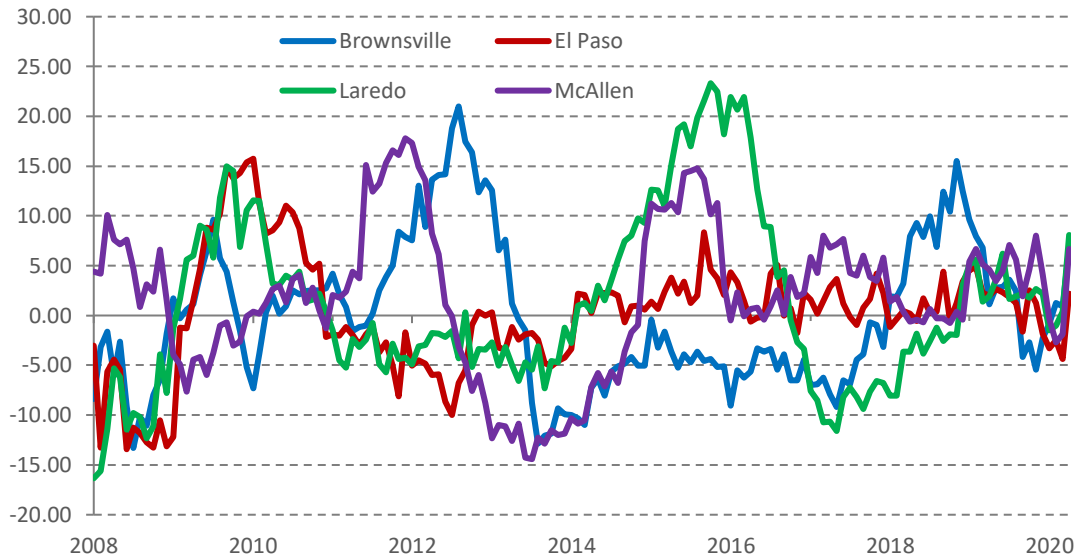
Note: Trend-cycle component.
Source: Instituto Nacional de Estadística y Geografía

Unemployment Rate (Percent)



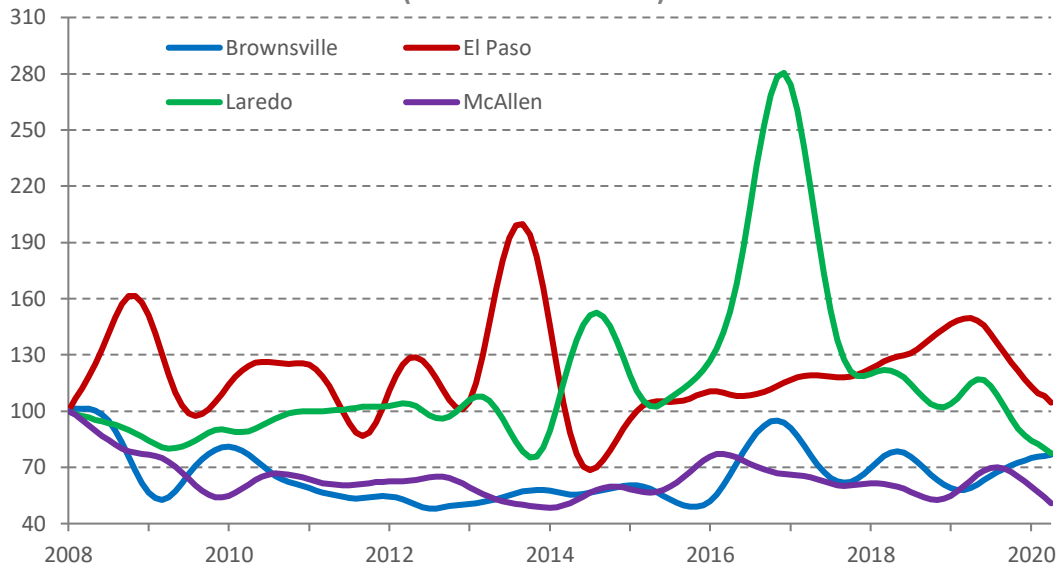
Note: Seasonally adjusted. April 2020 is preliminary. For more information, see [Unemployment Rate](#).
Source: Bureau of Labor Statistics

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



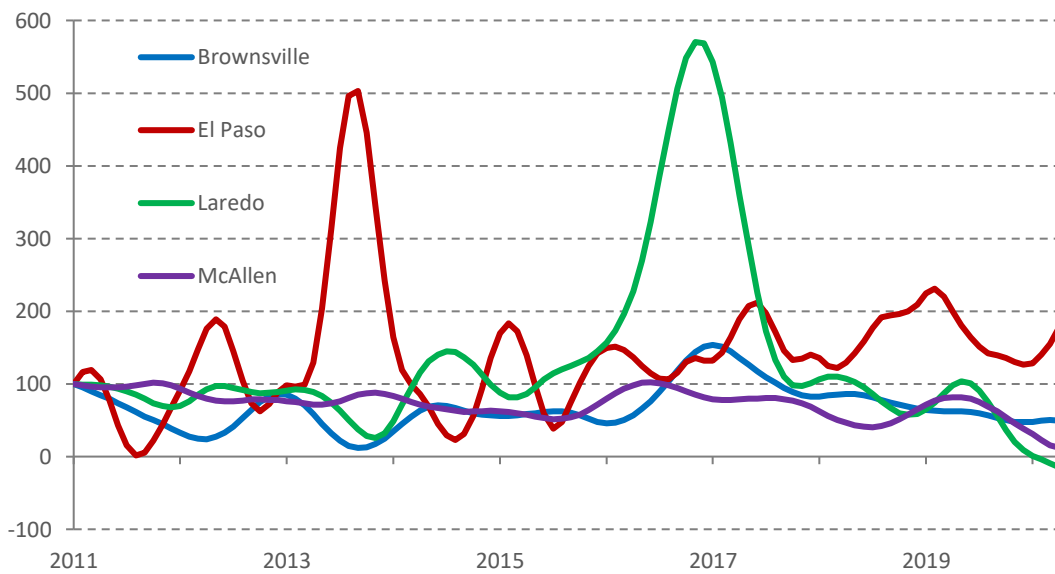
Notes: Inflation adjusted, seasonally adjusted. April 2020 is preliminary.
For more information, see [Total Private Employee Hourly Earnings](#).
Source: Bureau of Labor Statistics

Total Construction Values
(Index Jan 2008= 100)



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

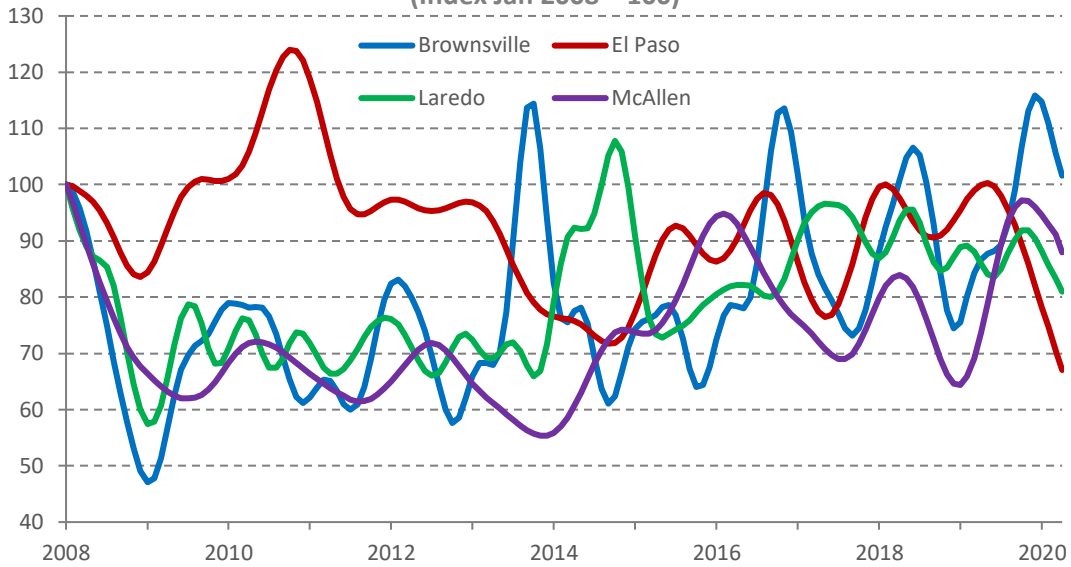
Nonresidential Construction Values
(Index Jan 2011 = 100)



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

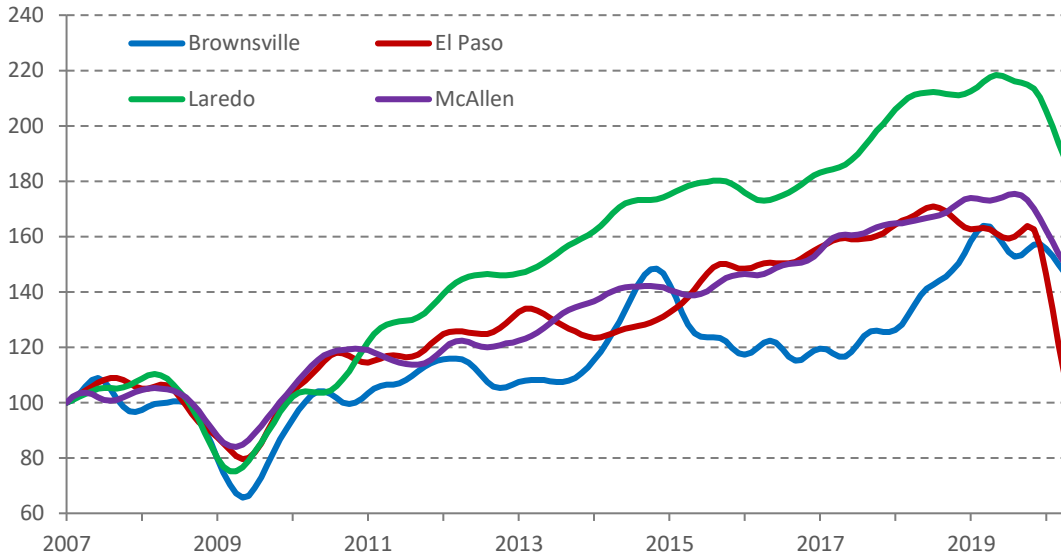
Real Peso per Dollar Exchange Rate

(\\$)



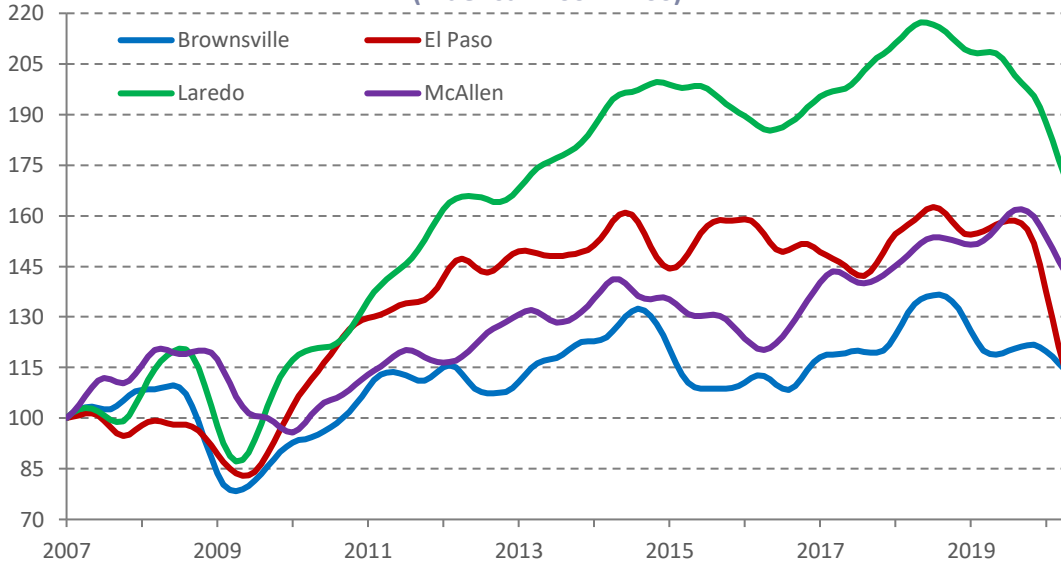
Note: Deflated using the Texas Trade Weighted Value of the Dollar.
Source: Federal Reserve Bank of Dallas

Import Values
(Index Jan 2007 = 100)



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

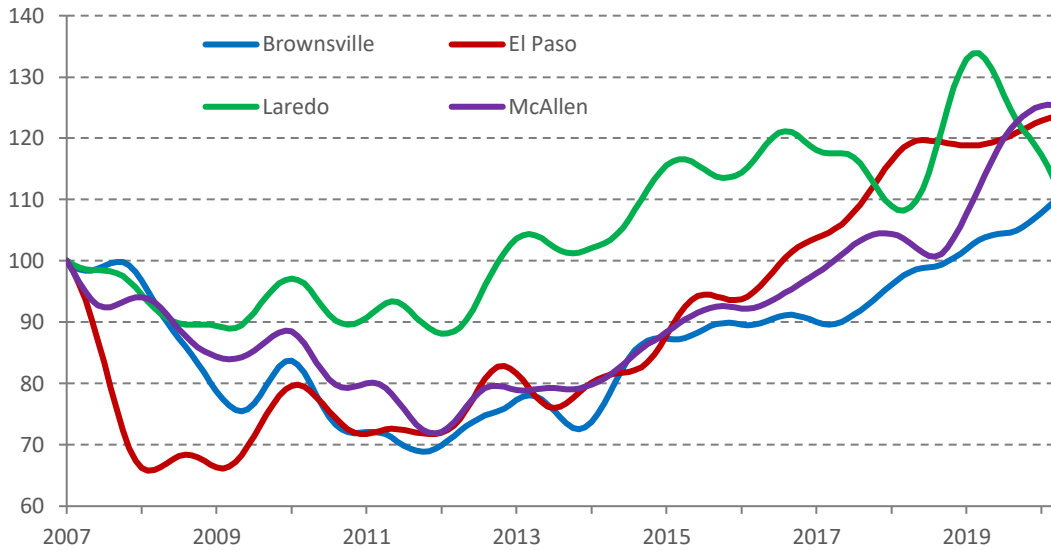
Export Values
(Index Jan 2007 = 100)



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

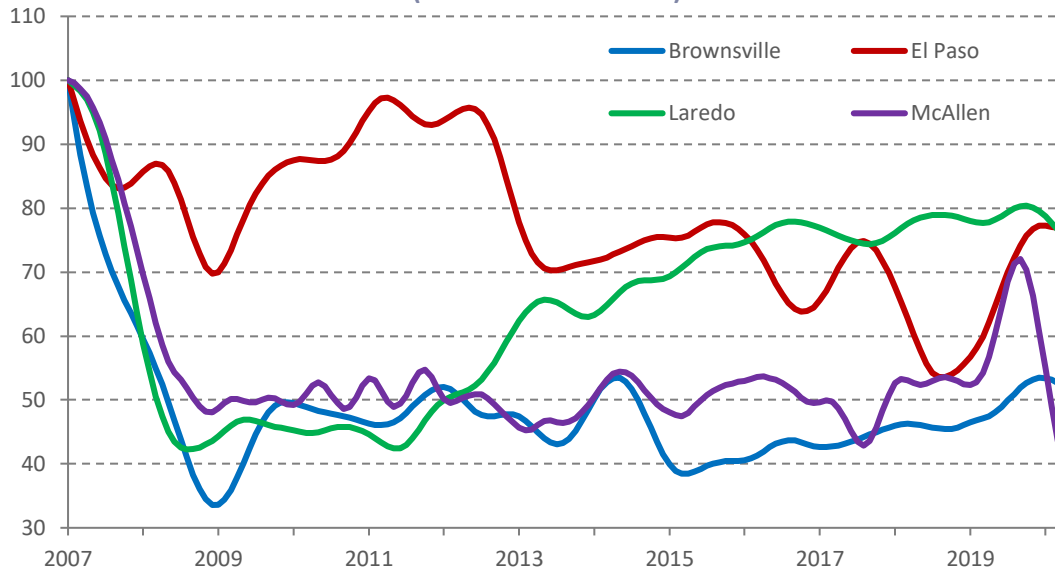
Housing

Housing Sales
(Index Jan 2007 = 100)



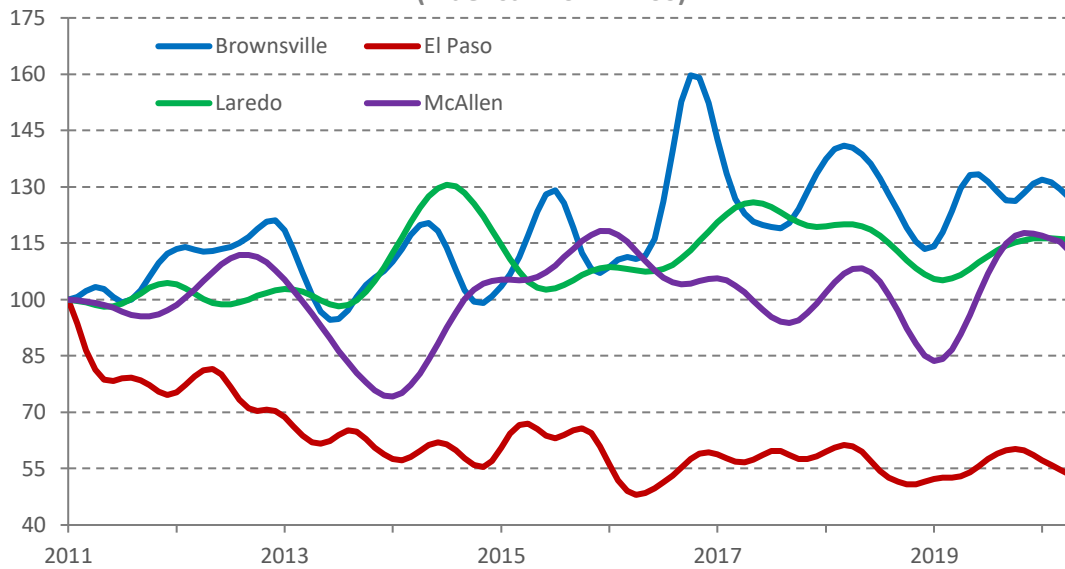
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

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



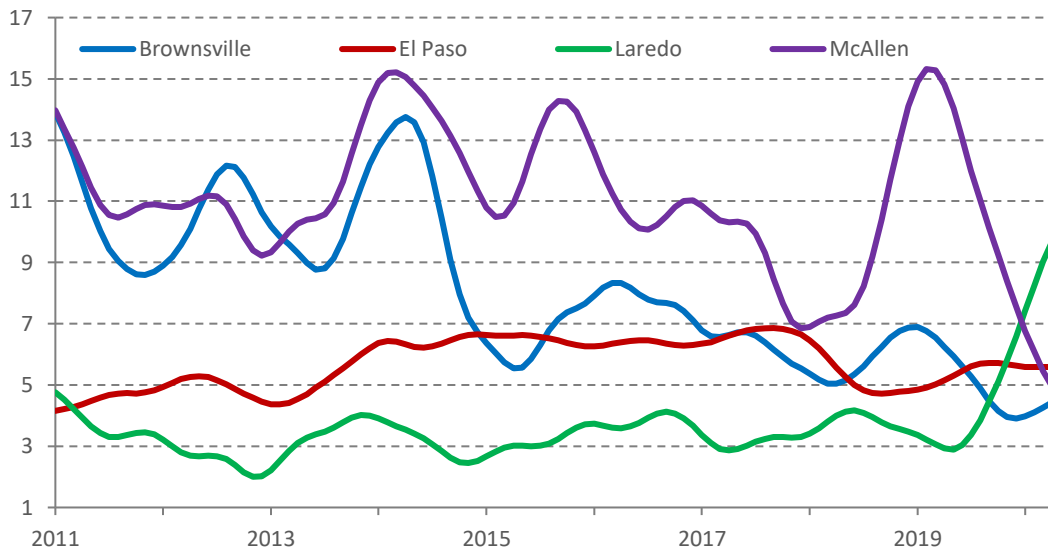
Note: Trend-cycle component.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



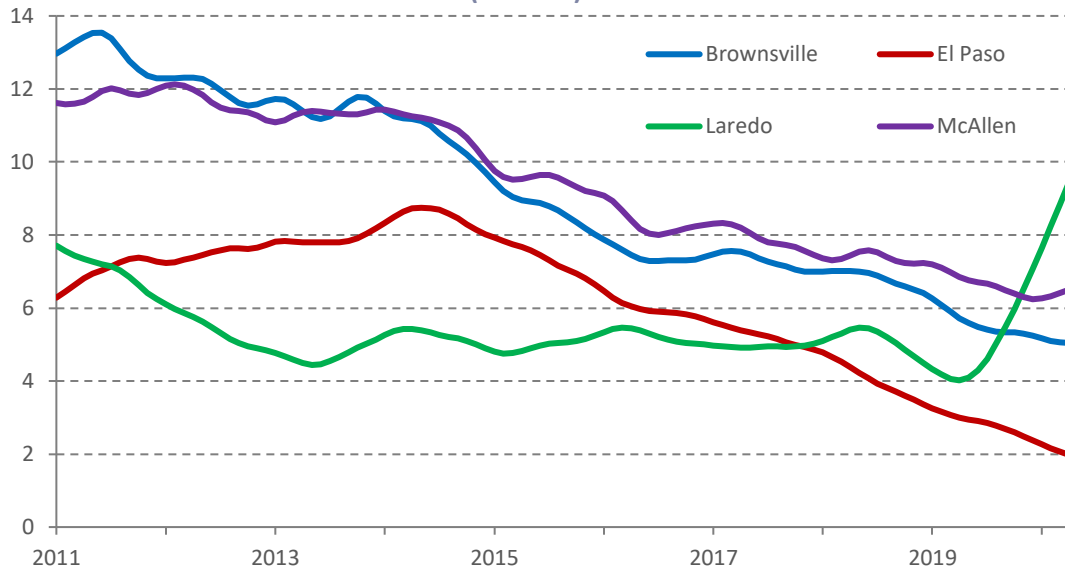
Note: Inflation adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

New Home Months of Inventory
(Months)



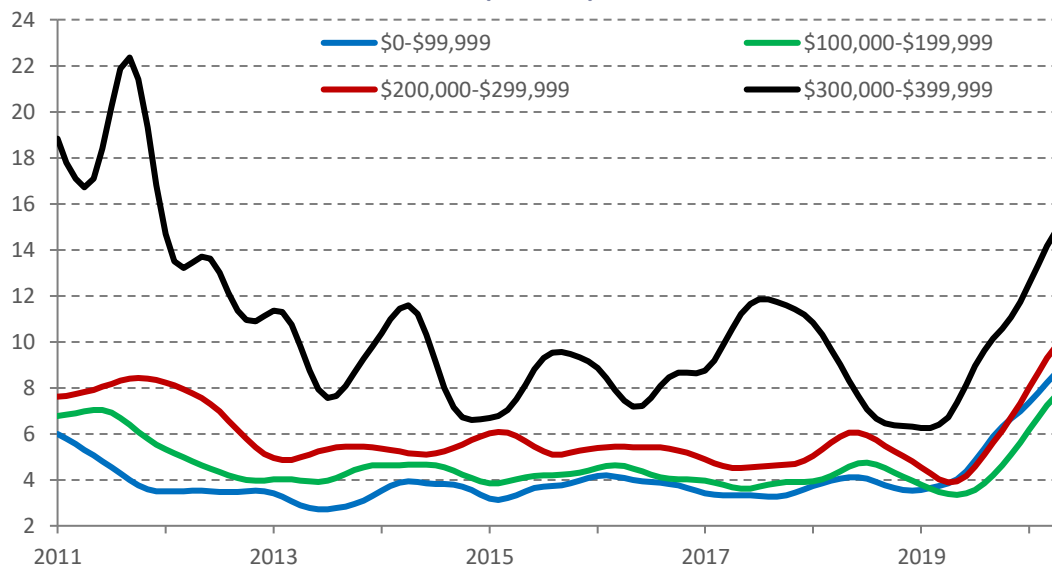
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Existing Home Months of Inventory (Months)



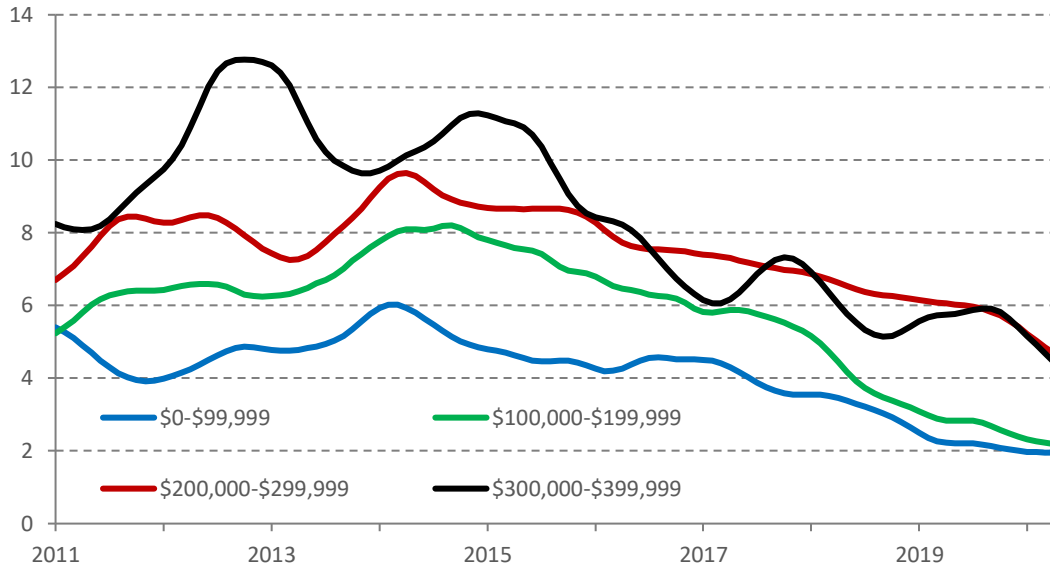
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Laredo Months of Inventory by Price Cohort (Months)



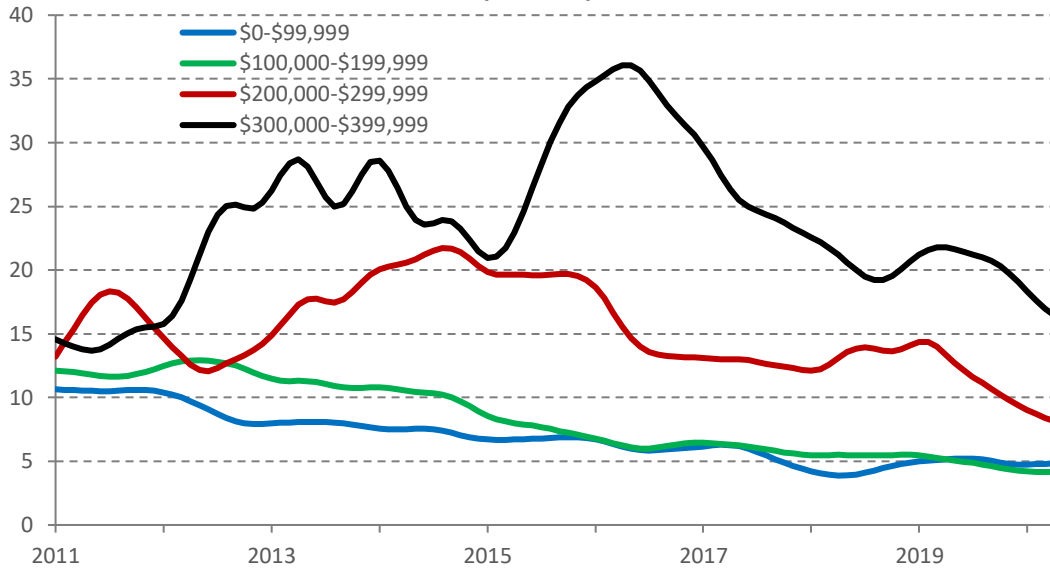
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

El Paso Months of Inventory by Price Cohort (Months)



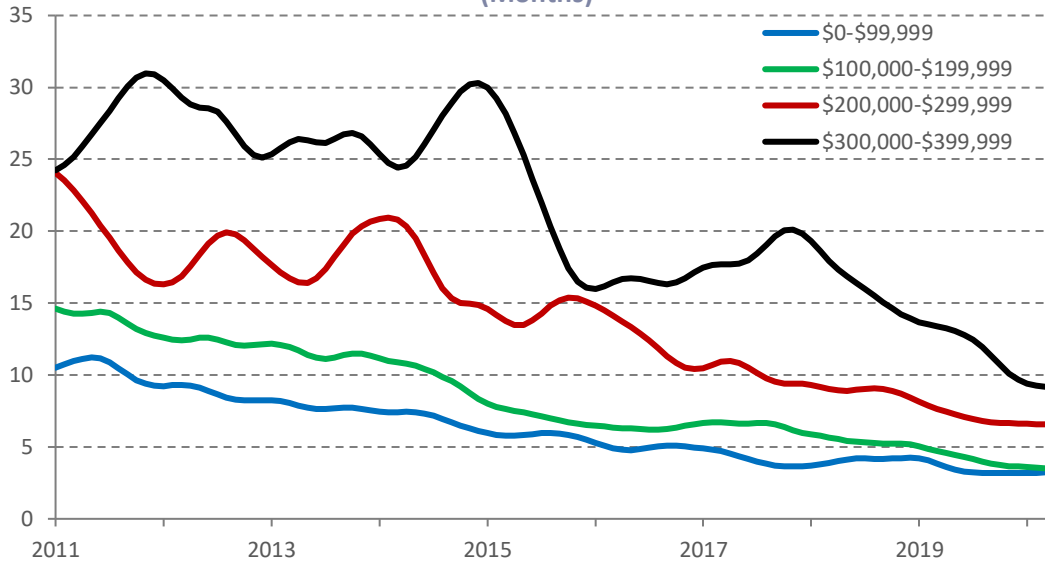
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

McAllen Months of Inventory by Price Cohort (Months)



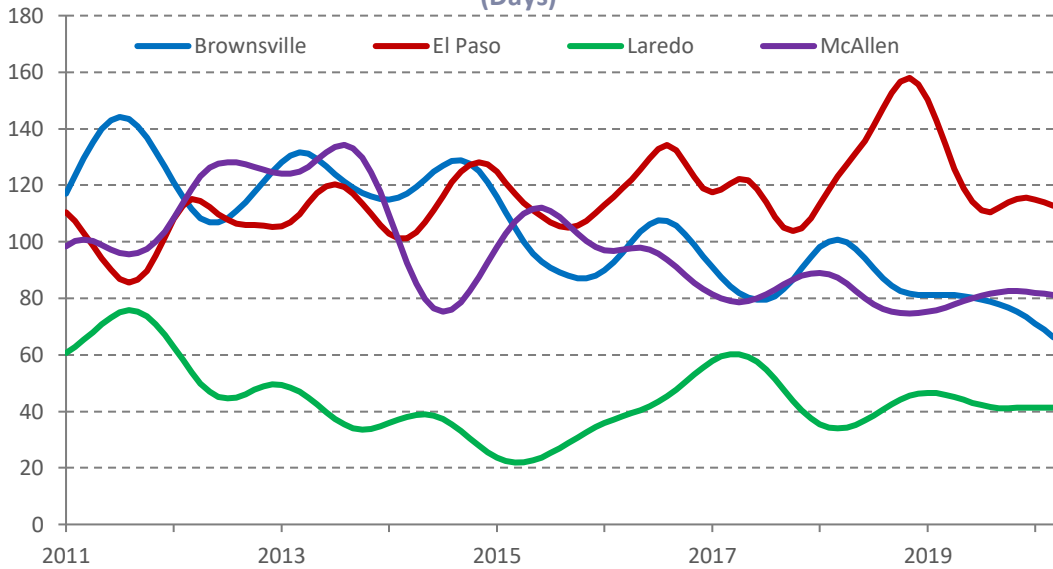
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Brownsville Months of Inventory by Price Cohort (Months)



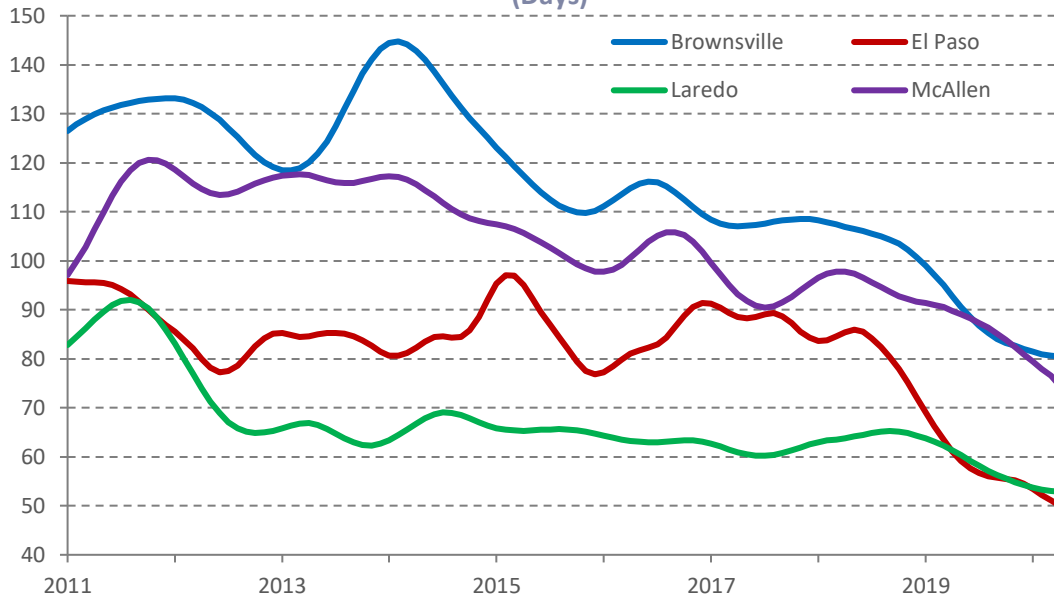
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

New Home Days on Market (Days)



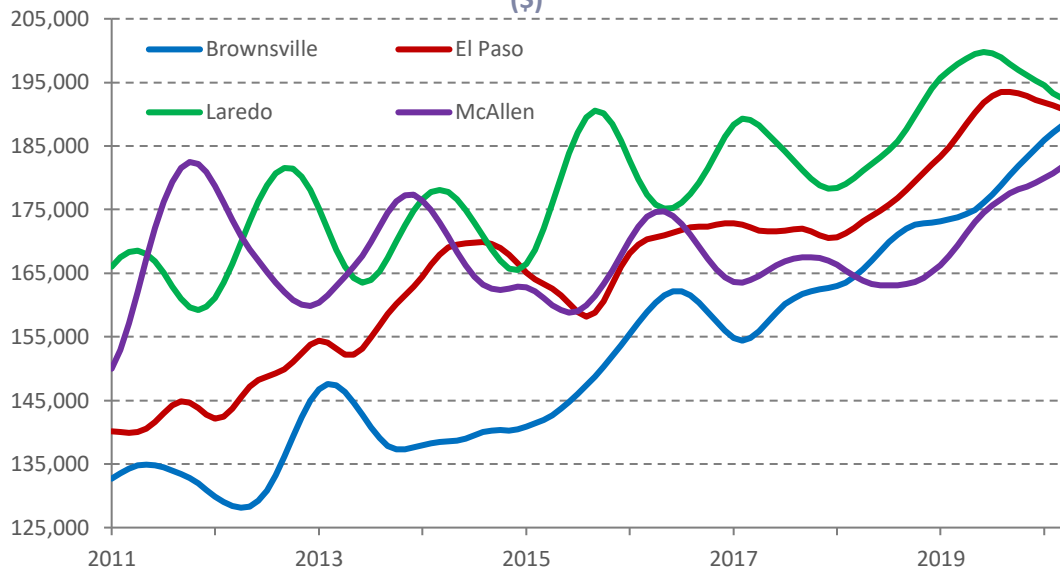
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Days on Market (Days)



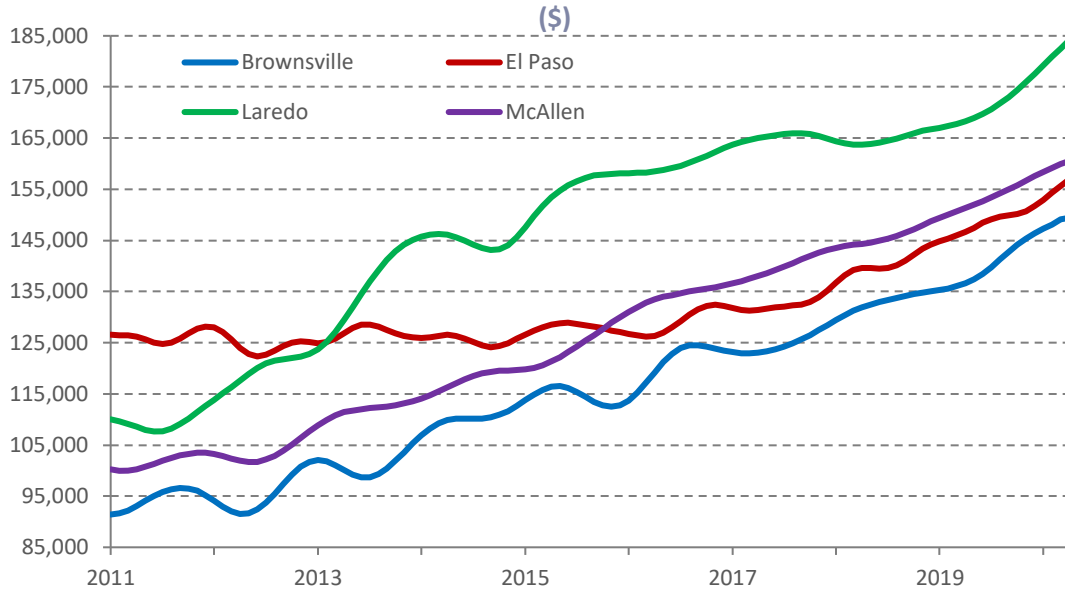
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

New Home Median Sales Price (\$)



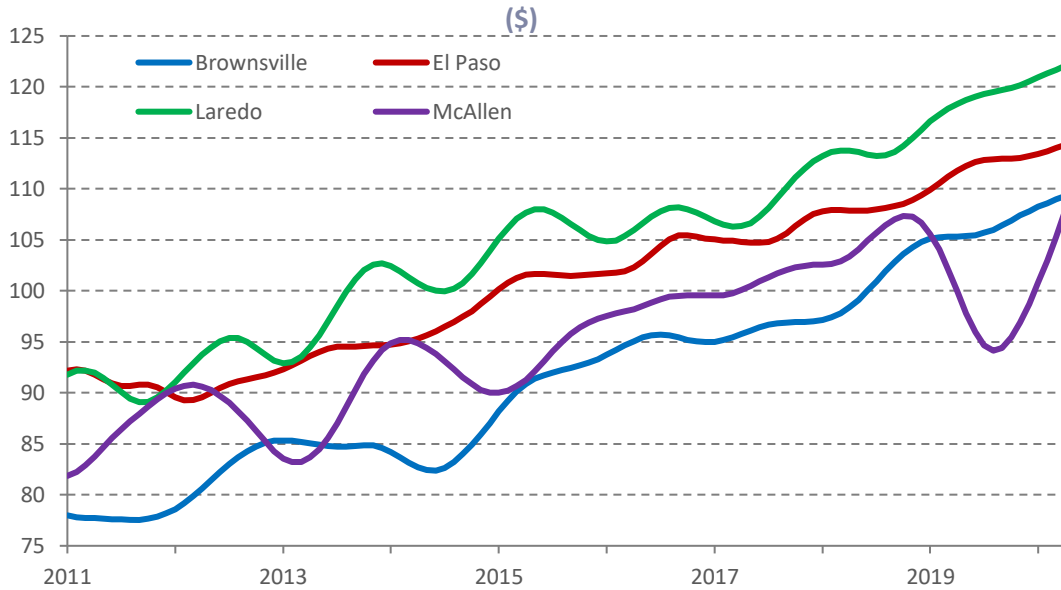
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Median Sales Price



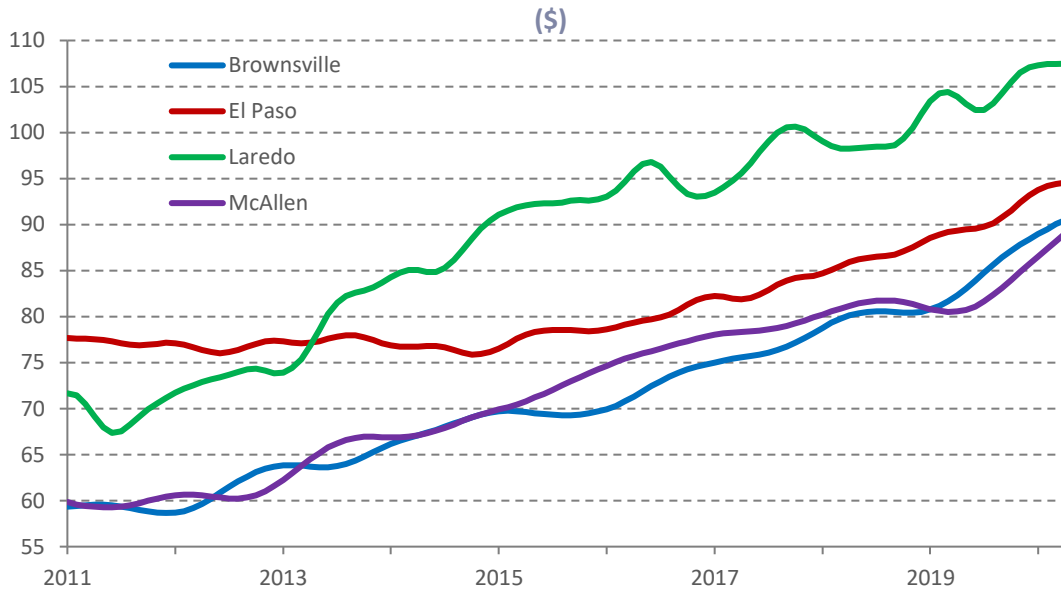
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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



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