

TEXAS BORDER ECONOMY



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MAY 2020 DATA

TECHNICAL REPORT

About this Report	2
Border Summary	3
Economic Activity	8
Business Cycle Index	8
Employment Growth Rate	8
U.S. Manufacturing Production	9
Mexico Maquiladora and Manufacturing Employment	9
Unemployment Rate.....	10
Total Private Employee Hourly Earnings	10
Total Construction Values.....	11
Nonresidential Construction Values	11
Residential Construction Values	12
Real Peso per Dollar Exchange Rate	12
Import Values.....	13
Export Values	13
Housing	14
Housing Sales	14
Single-Family Housing Construction Permits.....	14
Total New Private Single-Family Construction Value	15
New Home Months of Inventory	15
Existing Home Months of Inventory	16
Laredo Months of Inventory by Price Cohort	16
El Paso Months of Inventory by Price Cohort.....	17
McAllen Months of Inventory by Price Cohort	17
Brownsville Months of Inventory by Price Cohort	18
New Home Days on Market.....	18
Existing Home Days on Market.....	19
New Home Median Sales Price	19
Existing Home Median Sales Price	20
New Home Median Price Per Square Foot	20
Existing Home Median Price Per Square Foot	21

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 July 22, 2020

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Border Summary

BORDER EMPLOYMENT
▲ 14,000 jobs

LABOR FORCE
▲ 4.2% MOM

TOTAL TRADE VALUES
▼ -2.1% MOM

HOUSING SALES
▬ -0.4% MOM

May 2020

Labor-market conditions improved along the Texas-Mexico border as the statewide stay-at-home mandate expired. Nonfarm employment added 14,000 jobs, pushing joblessness down in every border metro except Laredo. Other economic indicators, however, continued to be weighed down by COVID-19-related disruptions. Housing sales were sluggish, as was overall construction activity. Commodity trade values hovered around decades-low levels while restrictions on nonessential travel between the U.S. and Mexico curtailed retail sales. A full recovery is unlikely to be reached until the spread of coronavirus is contained and international crossings return to more normal levels.

Economy

Economic activity remained stunted along the border, according to the **Dallas Fed's Business-Cycle Indices**. Hiring resumed, but still-elevated joblessness and depressed retail sales kept Laredo's index down 67.2 percent on a seasonally adjusted annualized rate (SAAR). The McAllen metric fared nearly as bad, plummeting 65.4 percent. In Brownsville and El Paso, where the local economies averaged about 3.5 percent growth in 2019, the indexes decreased 50.1 and 45.0 percent, respectively. Border crossing data show traffic rebounded somewhat in May after slowing to a halt in the previous two months, but levels were well below normal (Figures 1 and 2). Retail sales along the border will continue to be 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 August 21, 2020.

Border **nonfarm employment** recovered 14,000 jobs in May but fell short of the 2 percent growth statewide. The majority of positions added belonged to the leisure/hospitality sector, while state and local government employment declined across the board. The retail sector was the second largest contributor to Brownsville and McAllen's 1,400 and 3,800 total job gains, respectively. The same industry registered net increases in El Paso, where hiring in other services boosted the metro's overall employment by 8,100. In Laredo, mining/logging/construction and professional/business services supported the 700-job-payroll expansion. The transportation/utilities sector, however, registered its third straight monthly contraction, shedding 500 jobs.

On the Mexican side of the border, **manufacturing and maquiladora employment**¹ dropped 7,700 jobs in April, falling 3.2 percent year to date (YTD). Reynosa accounted for half of the layoffs, with employment declining 8.6 percent YTD. Matamoros employment decreased for the third consecutive month to contract 4 percent YTD. In Nuevo Laredo and Juarez, maquiladora jobs were down 3.7 and 1.3 percent, respectively, from year-end levels. Chihuahua employment fared slightly better, flattening on the year. U.S. manufacturing production improved 3.8 percent in May with the motor vehicle and parts sector rebounding in particular. Overall activity, however, was still down 17.2 percent YTD. The pandemic presents additional challenges to Mexico's manufacturing and maquiladora employment.

Unemployment rates along the border fell by 0.7 percentage points but remained greater than the statewide average of 13 percent. El Paso joblessness decreased to 14.8 percent, while the metric slid to 16.9 and 18.3 percent in Brownsville and McAllen, respectively. Laredo joblessness was the exception, increasing 0.7 percentage points to 14.4 percent.

Weekly initial unemployment insurance claims trended down in May (Figure 3), suggesting joblessness may further decline in June. The border's labor force expanded 4.2 percent, ranging from 3.5 percent growth in Brownsville to 4.6 percent in El Paso.

Average real private hourly earnings improved year over year (YOY) for the second straight month, although the rate of increase slowed. Inflation-adjusted wages in the Rio Grande Valley ticked up just 0.9 and 0.3 percent in Brownsville and McAllen, respectively. Laredo's hourly earnings rose 2.3 percent in real terms, down from a near 8 percent jump the previous month. El Paso was the exception, where real wages rose 3.2 percent on average.

Total construction values fell more than 40 percent to a five-year low as nonresidential construction pulled back. Activity in El Paso's school and hospital sectors slowed, offsetting improvements in Laredo and Brownsville. Residential values decreased as the multifamily sector returned to the sluggish pace established during the first quarter after a brief surge in April. El Paso apartment values accounted for most of the drawback, although the West Texas metro's increased single-family activity made up for the same sector's decline in Laredo.

In the currency market, the **peso per dollar exchange rate** balanced at 23.52 after the inflation-adjusted rate² inched up 3.6 percent in April. Still, **total trade values** passing through the border slid 2.1 percent to a 14-year low. Laredo exports were the main culprit, sinking by more than a tenth as machinery and plastics shipments decreased. Trade through El Paso also declined, but activity rebounded 17.8 and 13.9 percent in Brownsville and McAllen, respectively. The Rio Grande Valley's trade values, however, were only two-thirds of year-end levels. The United States-Mexico-Canada Agreement, replacing the North American Free Trade Agreement, took effect on July 1,

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. Its release typically lags the *Texas Border Economy* by one month.

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 from coronavirus-induced consumer concerns.

Housing

Border housing sales ticked down 0.4 percent in May, resulting in a 20.4 percent YTD decline. McAllen was responsible for the overall monthly stagnation with sales falling 4.7 percent as activity slumped for homes priced less than \$100,000, offsetting increases in higher-priced cohorts. Brownsville sales flattened, while the El Paso metric rose just 1.6 percent. In Laredo, sales accelerated 7.5 percent with improvements across the price spectrum but fell 8.3 percent YTD.

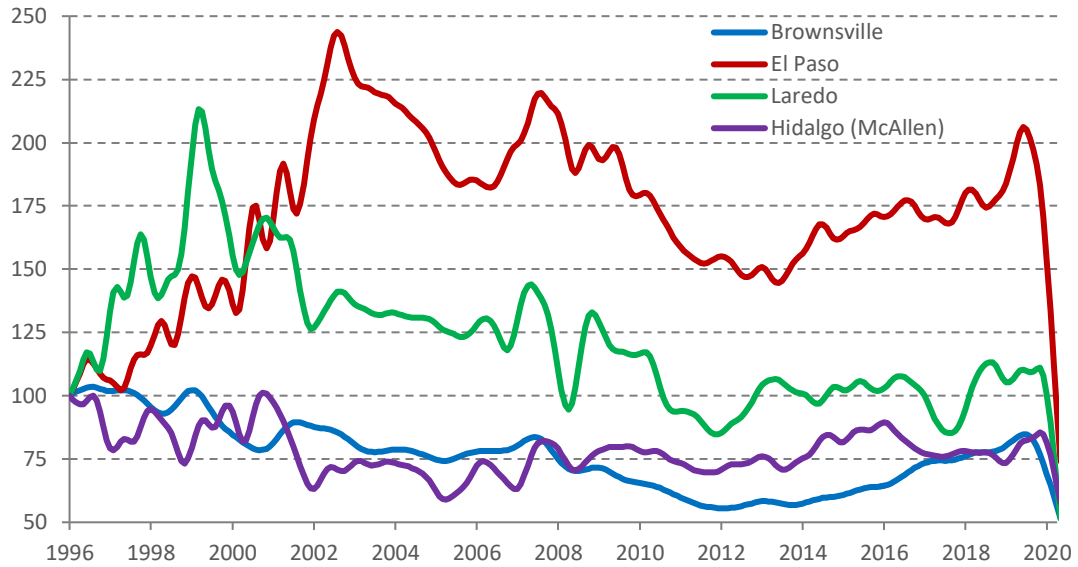
Single-family housing construction permits increased for the first time in sixth months. Issuance in both Brownsville and Laredo recovered almost 18 percent, while McAllen permits surged 12.5 percent. El Paso's metric jumped 5.4 percent, but YTD levels ran 15 percent ahead of last year's permits during the same period. The trend, however, remained flat. **Private single-family construction values** in the West Texas border metro shot up 40 percent in May after dropping by the same degree the previous month. On the other hand, construction values continued to decrease in the Rio Grande Valley and backtracked in Laredo after a brief improvement the prior month.

Months of inventory (MOI) posted historical readings across the board. As the supply of active listings in El Paso sank to a record low, the metro's MOI fell to 2.4 months. Brownsville and McAllen's metric inched down to 5.9 and 5.8 months, respectively. Meanwhile, Laredo's MOI ticked up to an all-time high of 9.8 months.

Despite inventory expansions, Laredo's **average number of days on market (DOM)** remained stable at 52 days, indicating healthy demand. McAllen's metric was also largely unchanged relative to the month prior at 78 days but still shed two weeks compared with year-ago levels. Robust demand in El Paso pulled the DOM down to 65 days. Brownsville's DOM stabilized at 111 days after plummeting to an abnormally low 83 days the previous month.

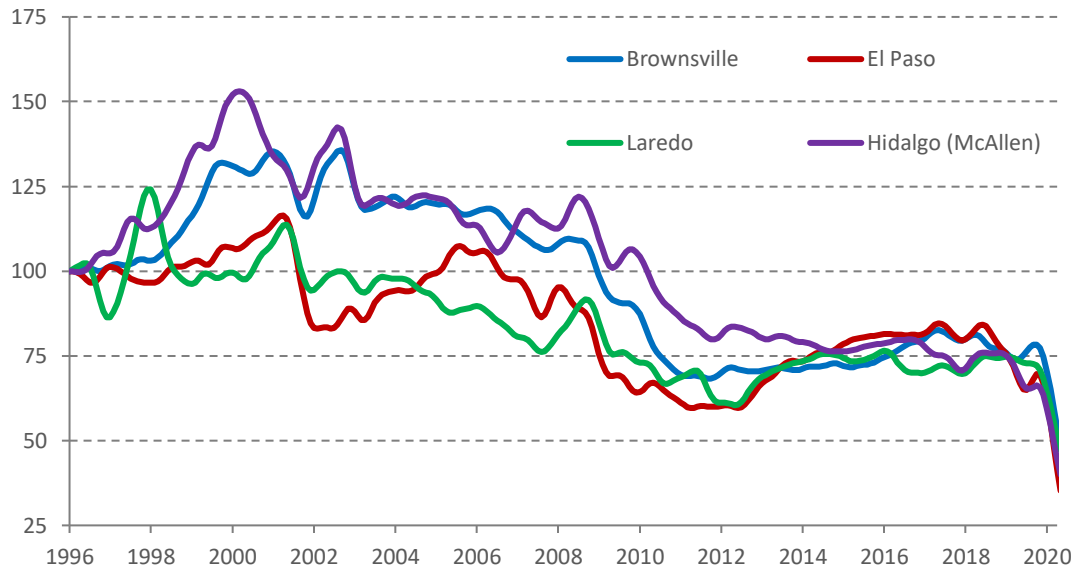
The **median home price** flattened to \$168,900 and \$185,300 in El Paso and Laredo, respectively, with annual price-appreciation in the latter below 2 percent. Brownsville's median price decreased \$2,400 to \$160,500 but maintained strong YOY growth. On the other hand, McAllen's median price rose \$9,400 to \$170,200 amid a shift in the metro's sales distribution. So far the coronavirus has not had a disastrous effect on home prices.

Figure 1. Pedestrian Crossings
(Index Jan 1996 = 100)



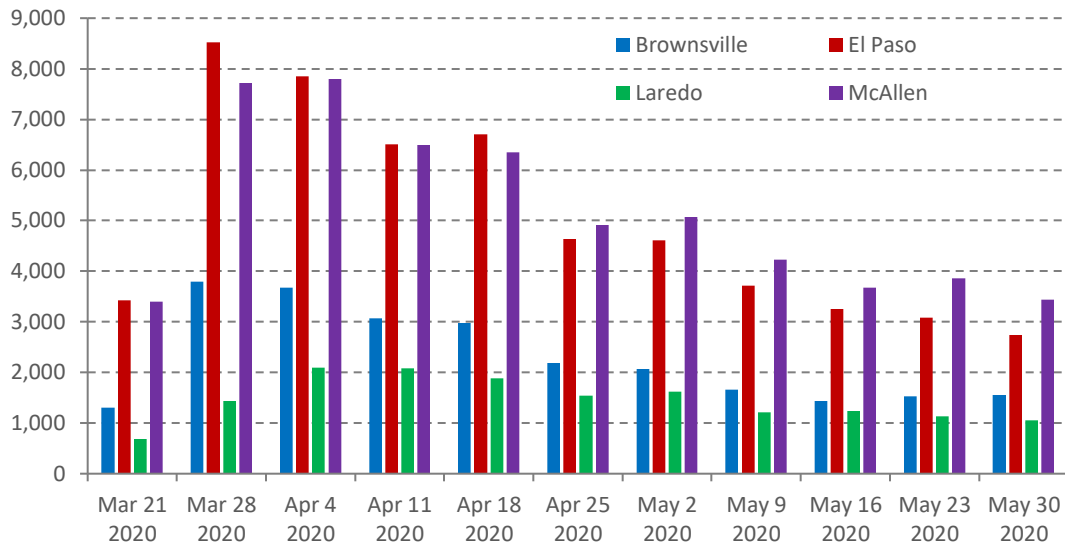
Note: Pedestrians entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection. Trend-cycle component.
Source: U.S. Bureau of Transportation Statistics

Figure 2. Personal Vehicle Crossings
(Index Jan 1996 = 100)



Note: Personal vehicles entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection. Trend-cycle component.
Source: U.S. Bureau of Transportation Statistics

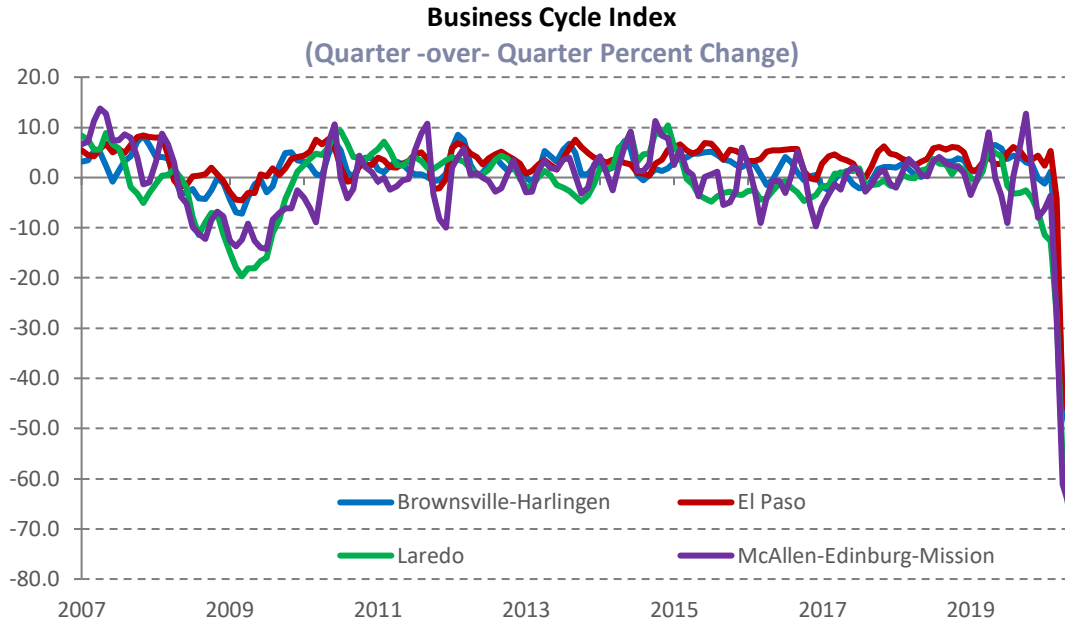
Figure 3. Border Metro Weekly Initial Unemployment Claims



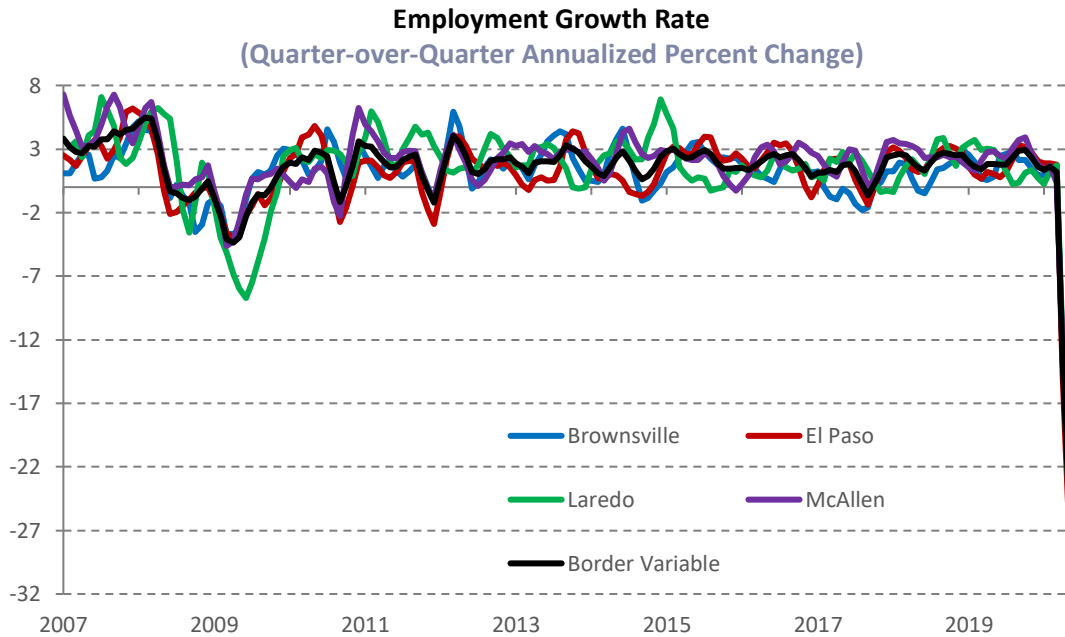
Note: Seasonally adjusted.

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

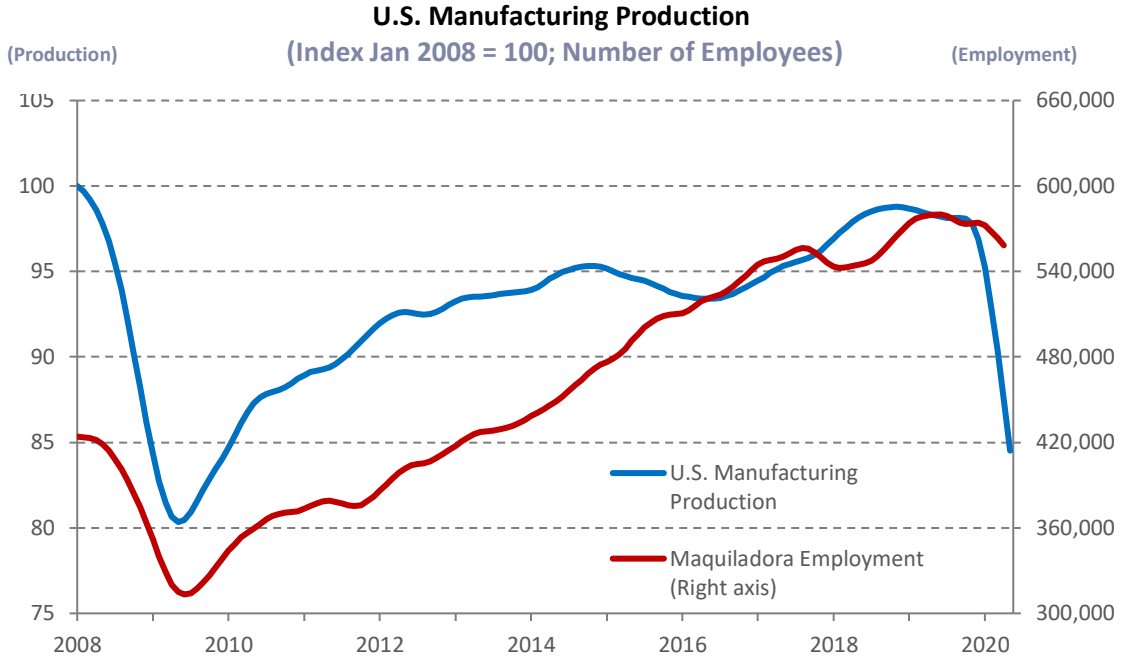
Economic Activity



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



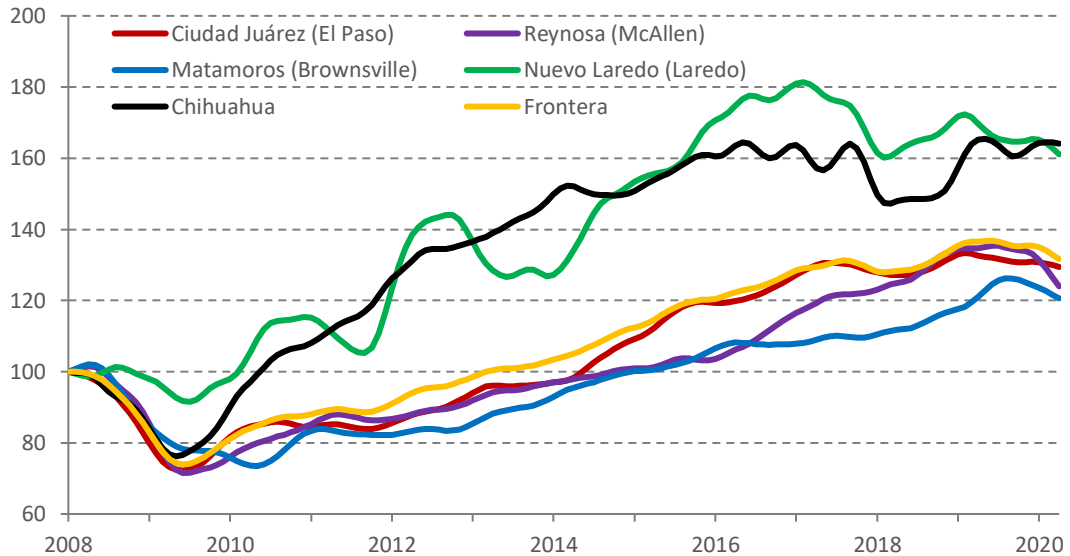
Note: Seasonally adjusted, three-month moving average. May 2020 is preliminary.
For more information, see [Employment Growth Rate](#).
Source: Bureau of Labor Statistics



Note: Trend-cycle component.

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

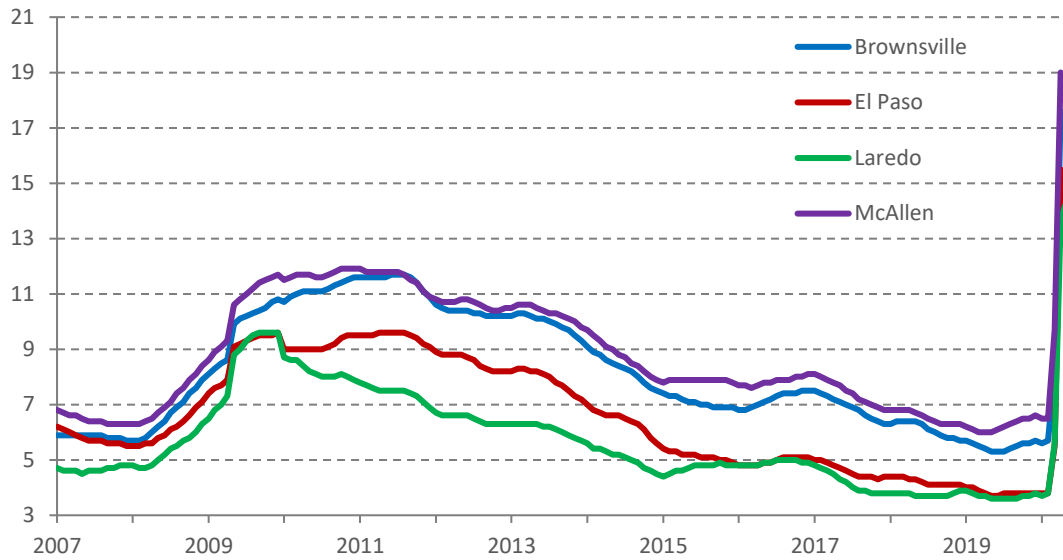
Mexico Maquiladora and Manufacturing Employment (Index Jan 2008 = 100)



Note: Trend-cycle component.

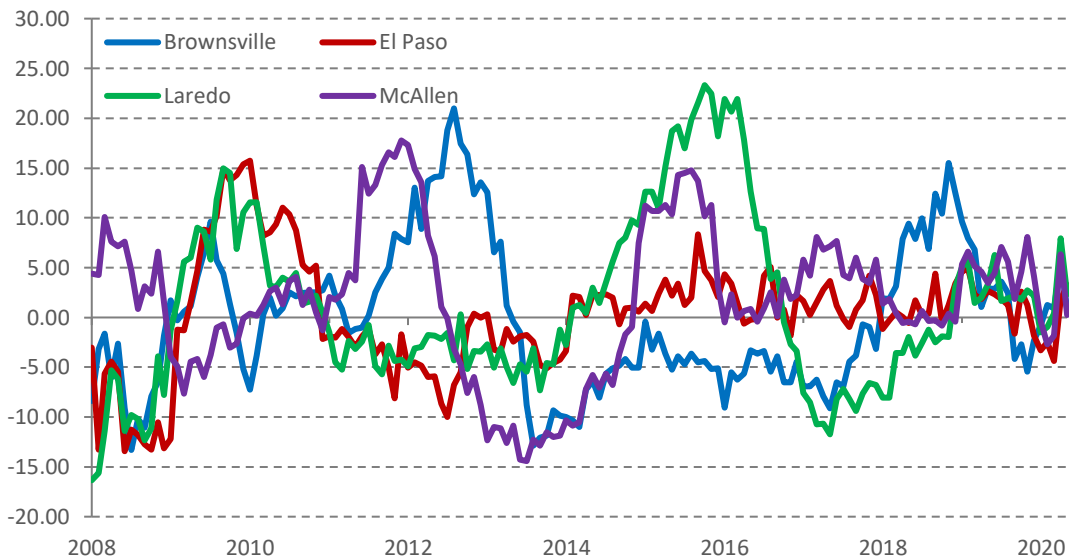
Source: Instituto Nacional de Estadística y Geografía

Unemployment Rate (Percent)



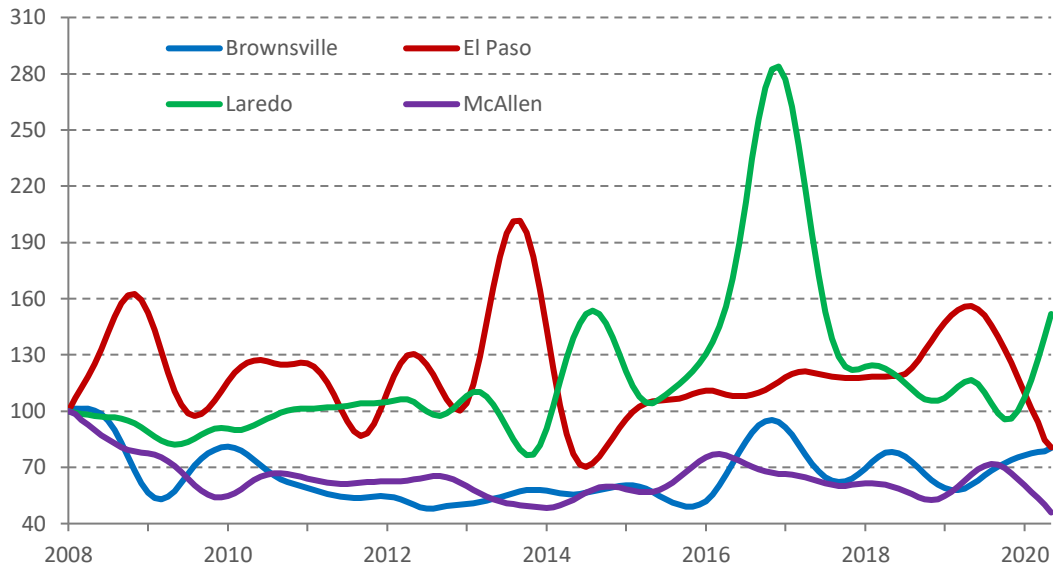
Note: Seasonally adjusted. May 2020 is preliminary. For more information, see [Unemployment Rate](#).
Source: Bureau of Labor Statistics

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



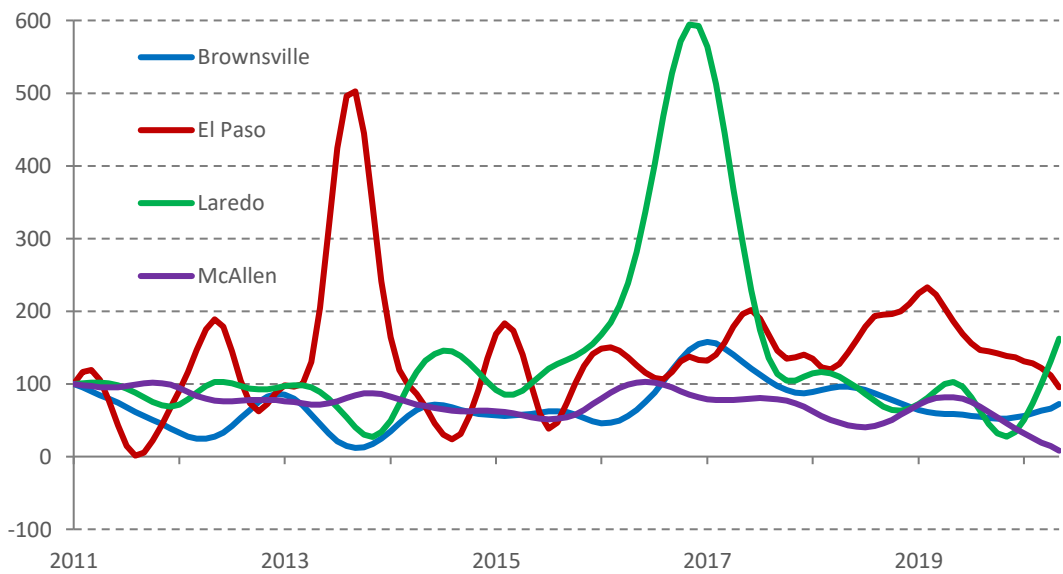
Notes: Inflation adjusted, seasonally adjusted. May 2020 is preliminary.
For more information, see [Total Private Employee Hourly Earnings](#).
Source: Bureau of Labor Statistics

Total Construction Values
(Index Jan 2008= 100)



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

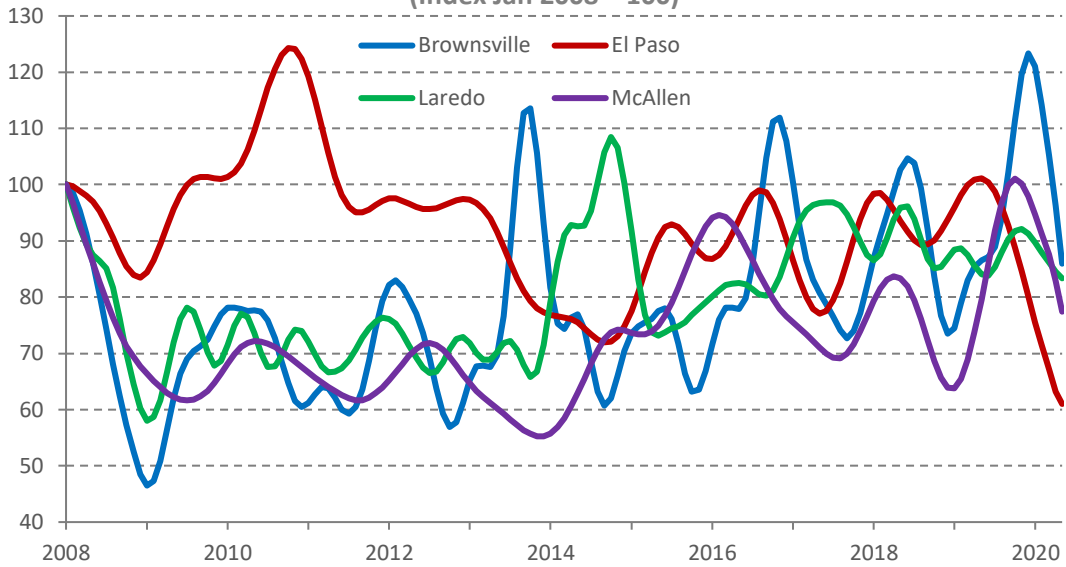
Nonresidential Construction Values
(Index Jan 2011 = 100)



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

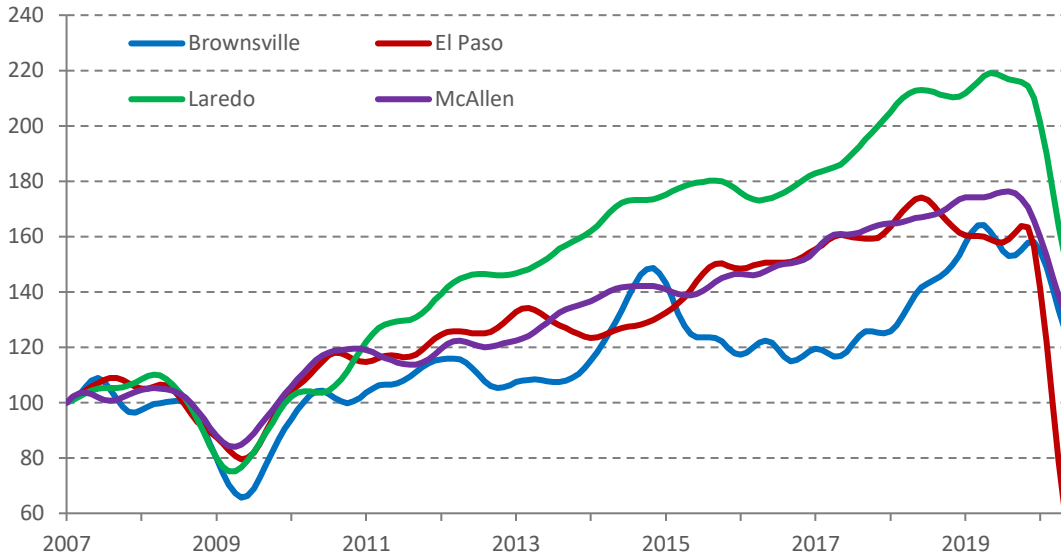
Real Peso per Dollar Exchange Rate

(\\$)



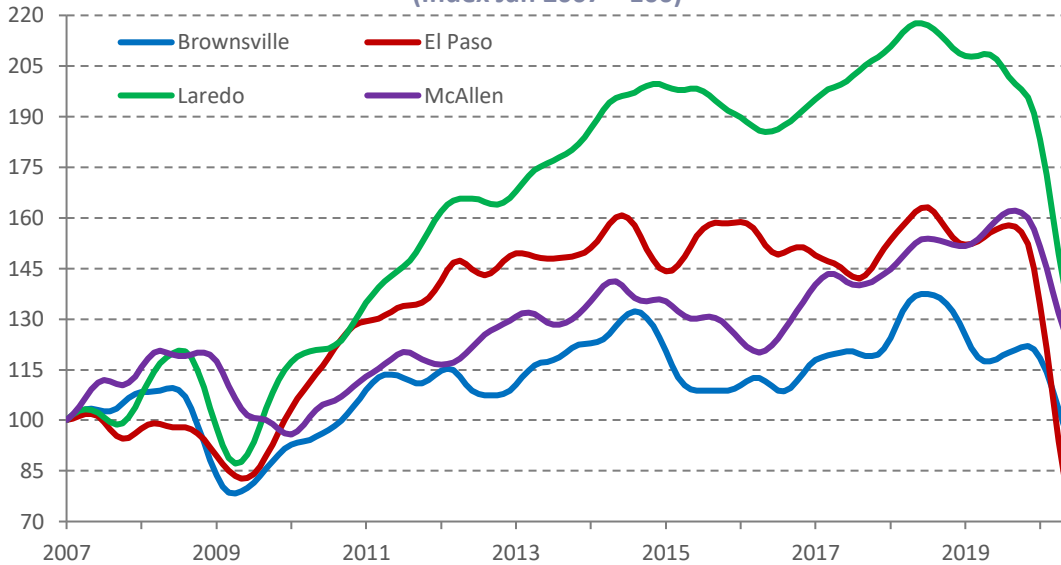
Note: Deflated using the Texas Trade Weighted Value of the Dollar.
Source: Federal Reserve Bank of Dallas

Import Values (Index Jan 2007 = 100)



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

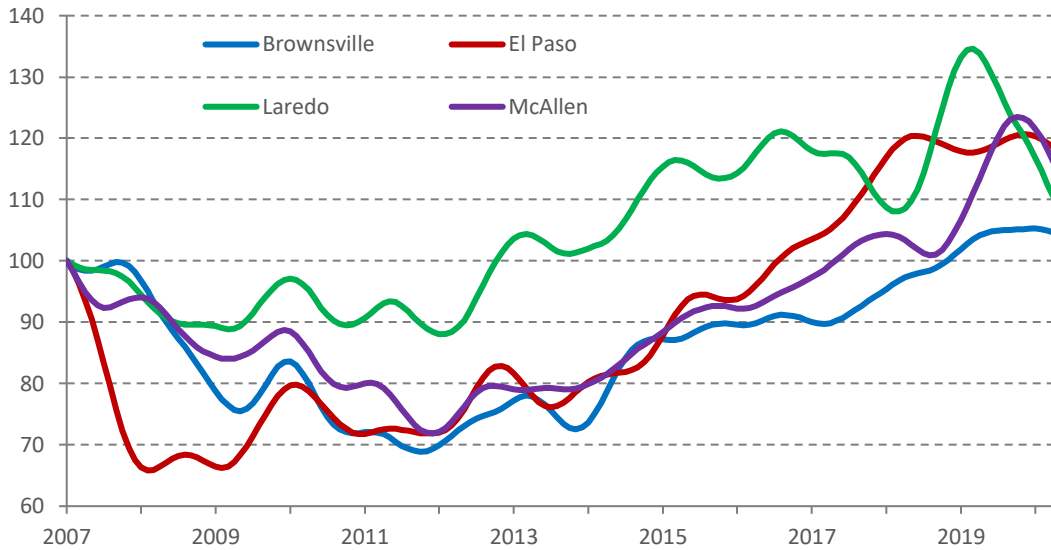
Export Values (Index Jan 2007 = 100)



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

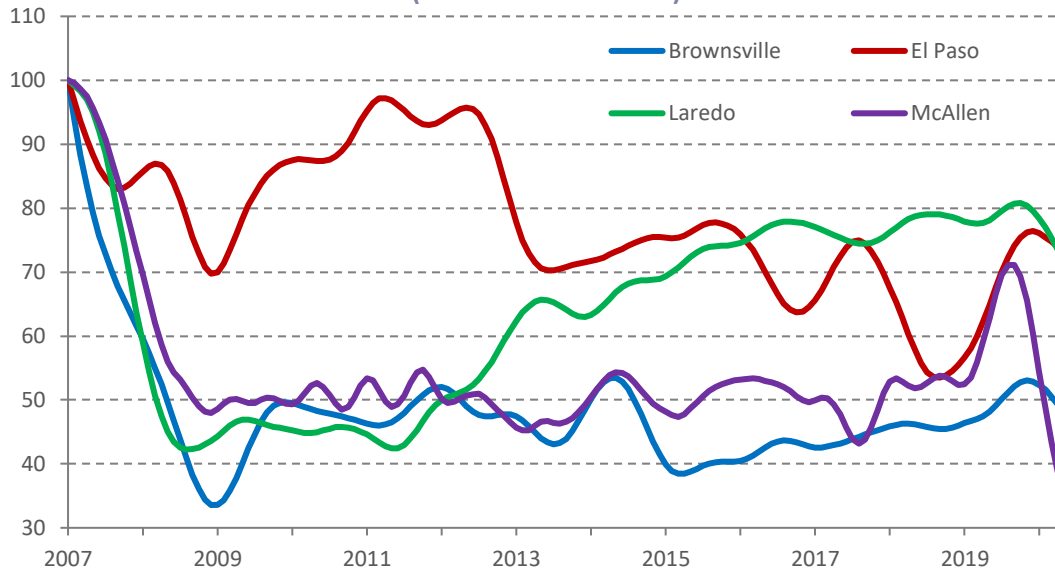
Housing

Housing Sales
(Index Jan 2007 = 100)



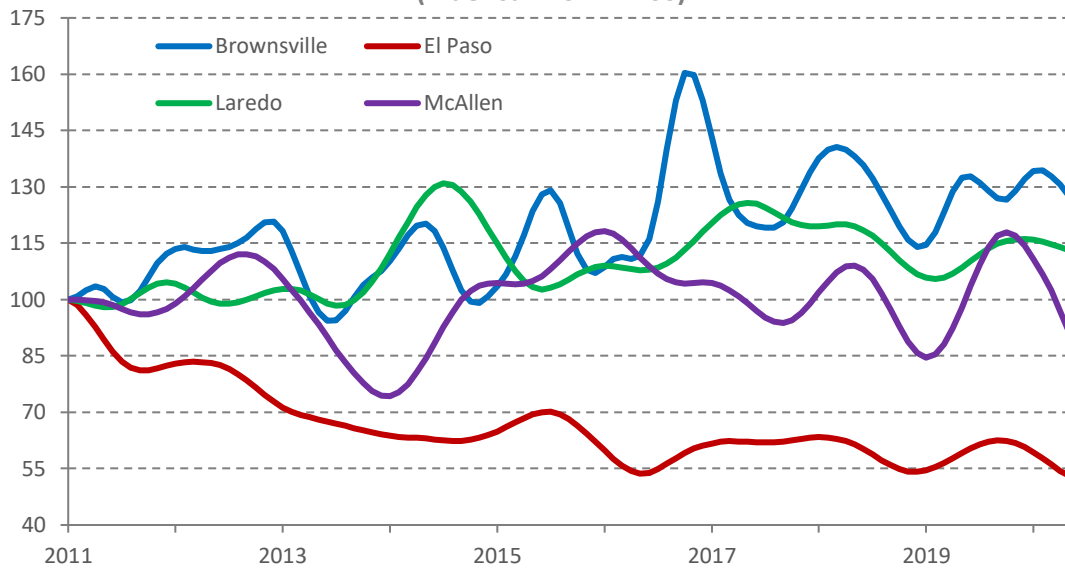
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

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



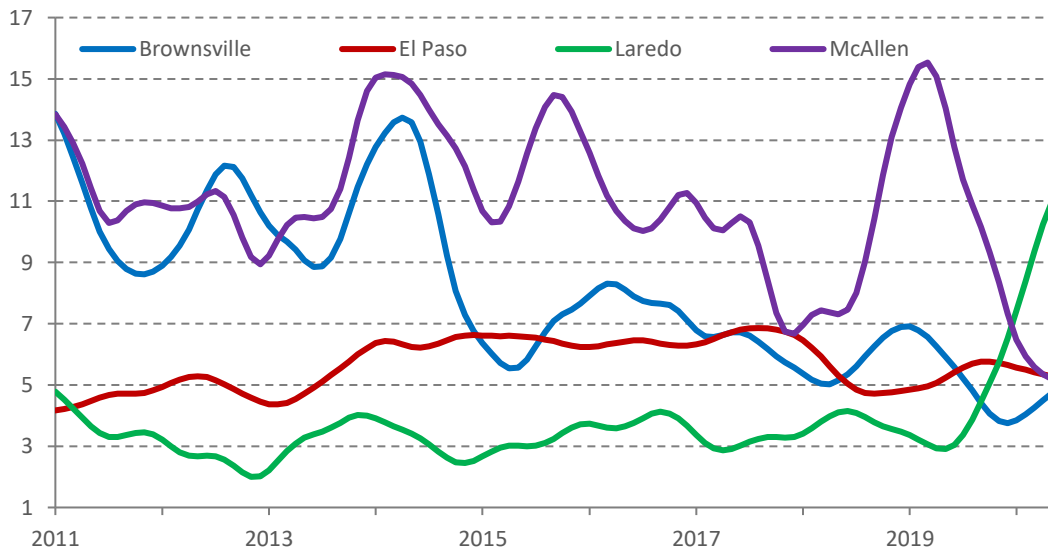
Note: Trend-cycle component.
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



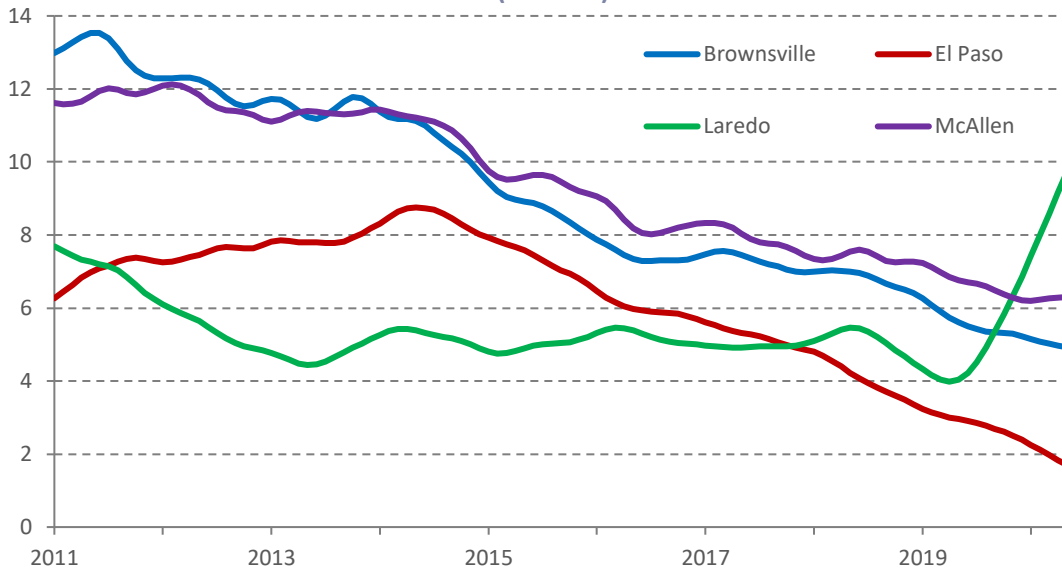
Note: Inflation adjusted. Trend-cycle component.
Source: Dodge Data & Analytics

New Home Months of Inventory
(Months)



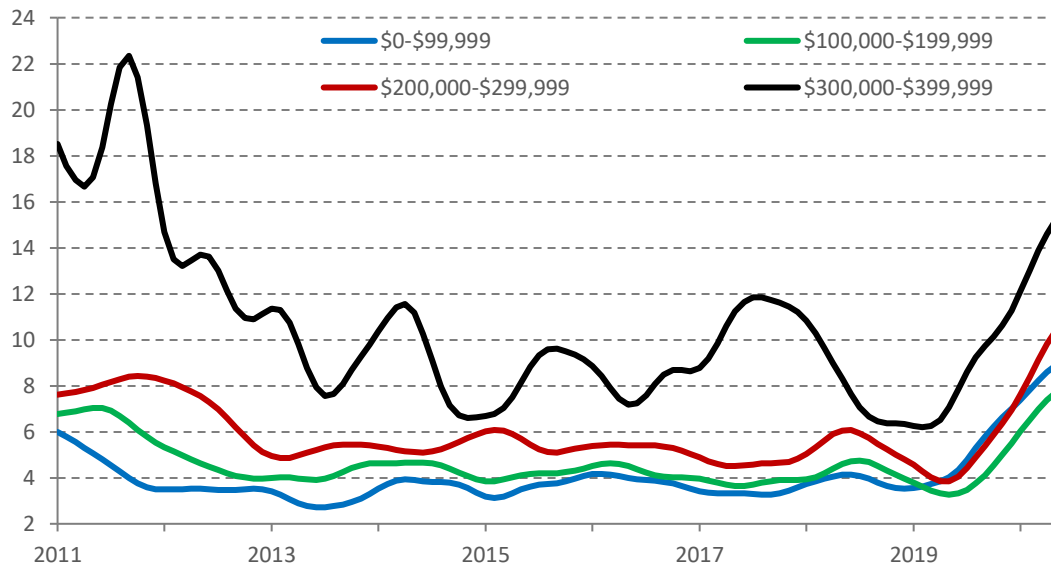
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Existing Home Months of Inventory (Months)



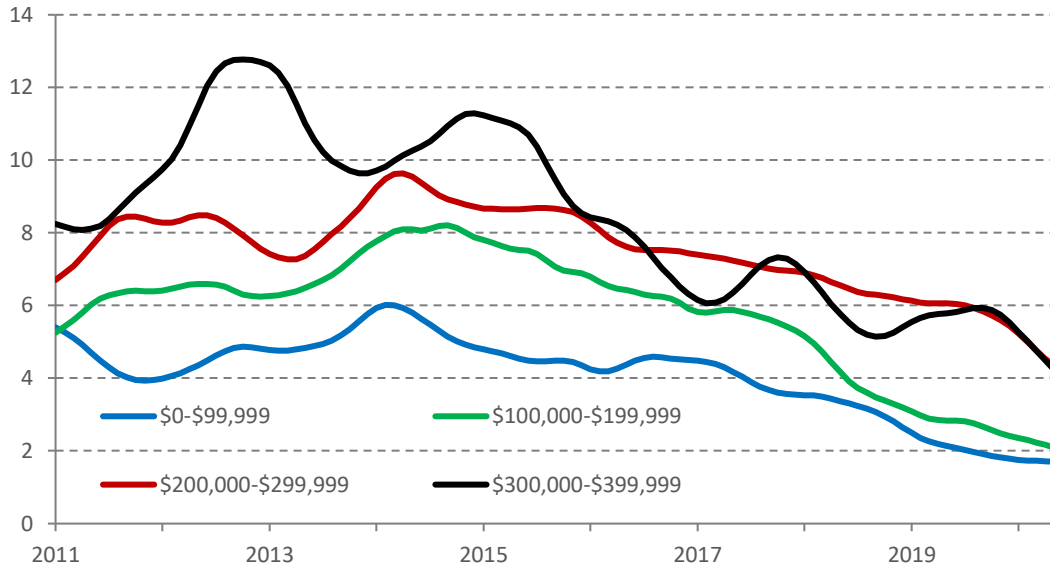
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Laredo Months of Inventory by Price Cohort (Months)



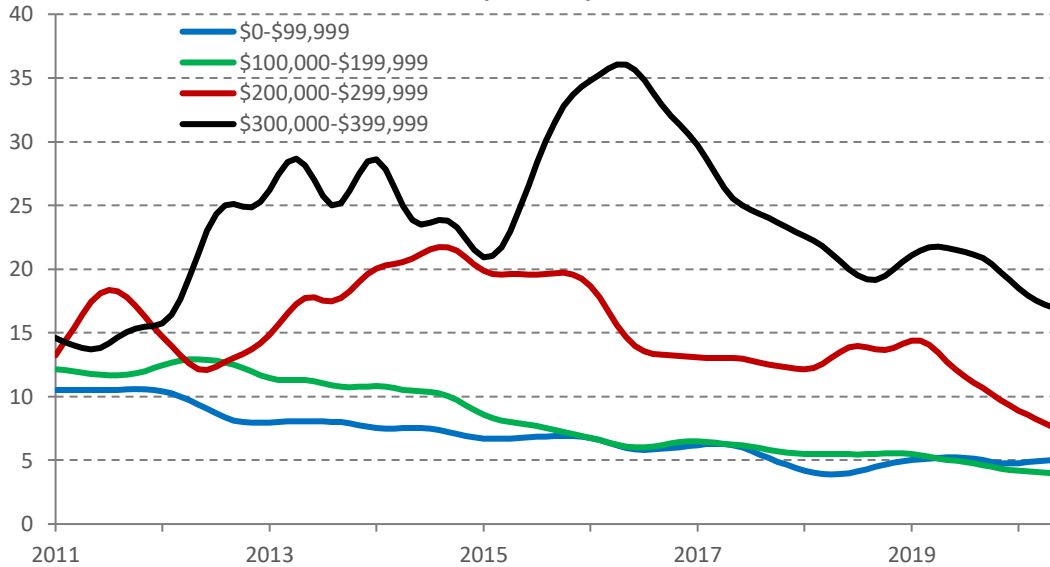
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

El Paso Months of Inventory by Price Cohort (Months)



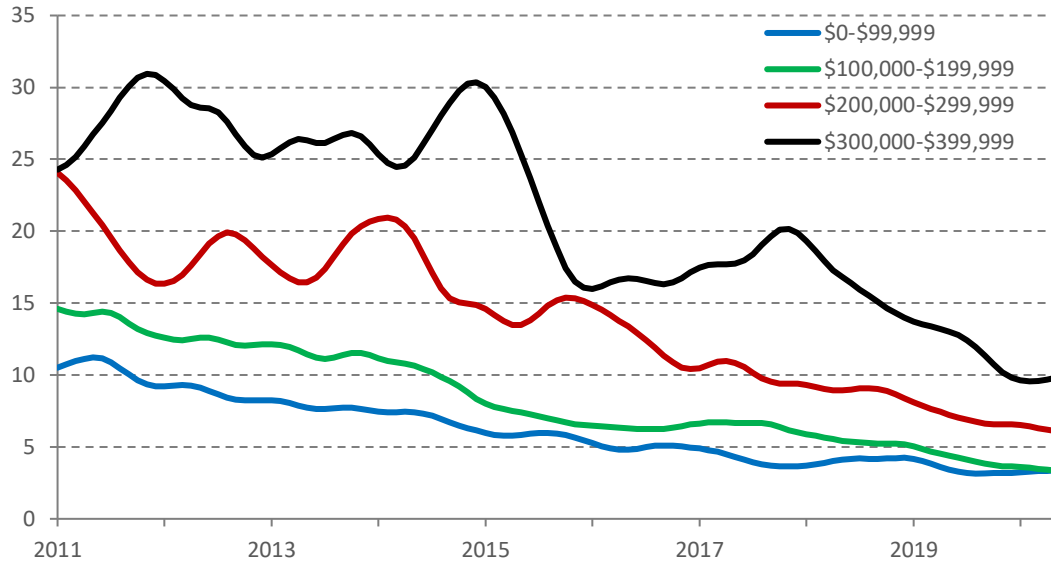
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

McAllen Months of Inventory by Price Cohort (Months)



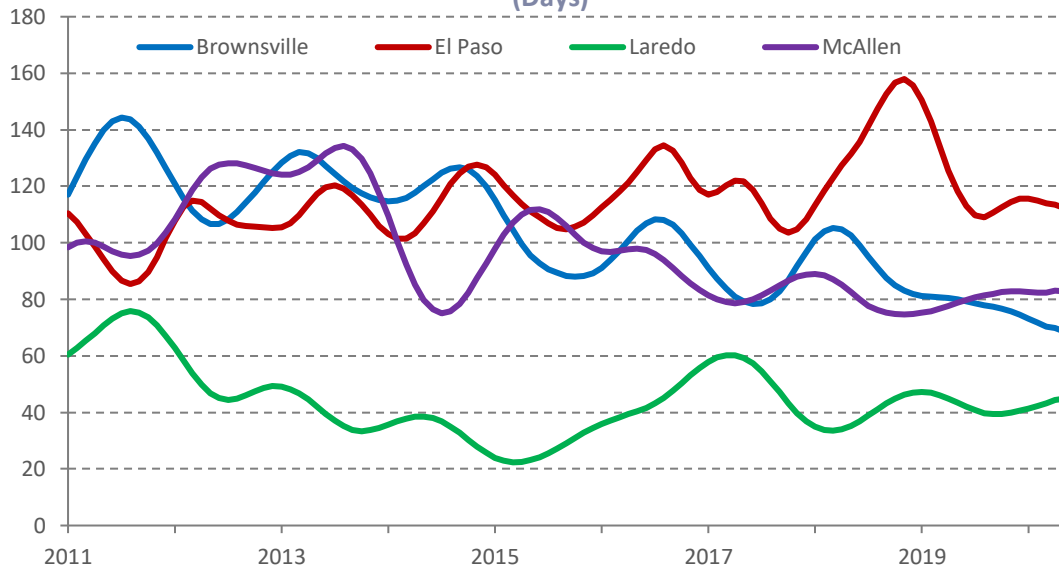
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

Brownsville Months of Inventory by Price Cohort (Months)



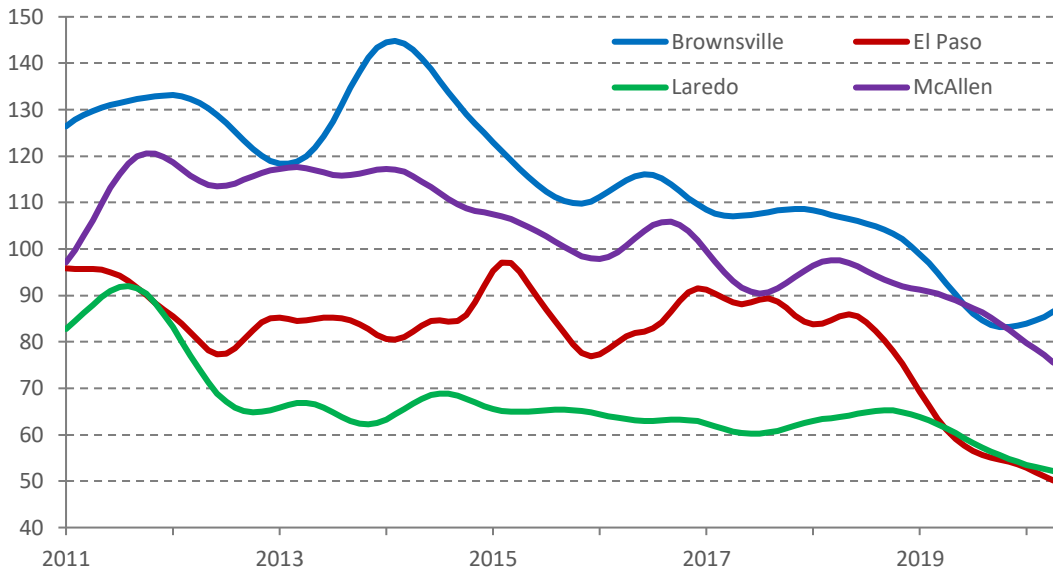
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

New Home Days on Market (Days)



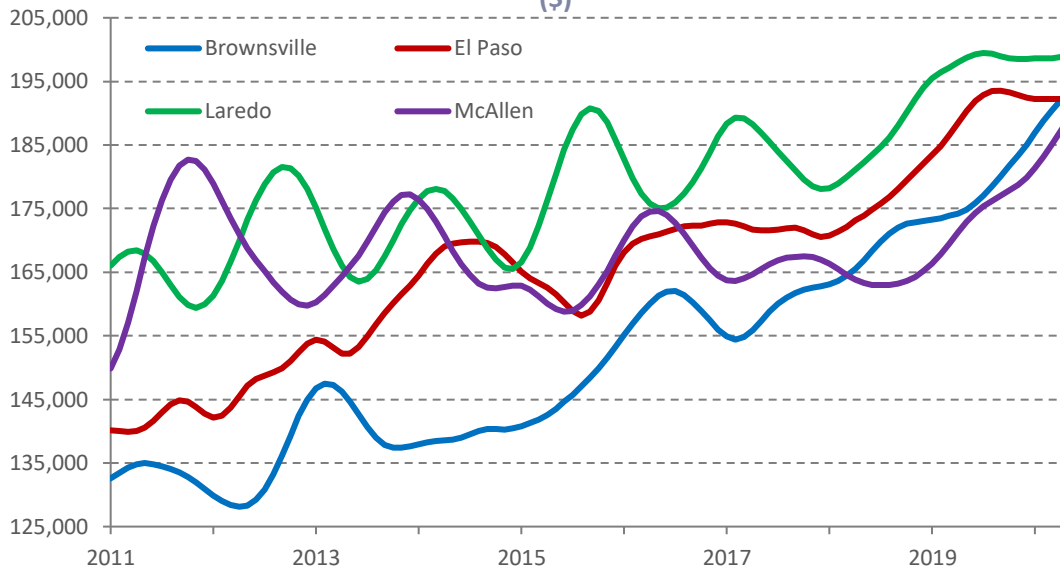
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Days on Market (Days)



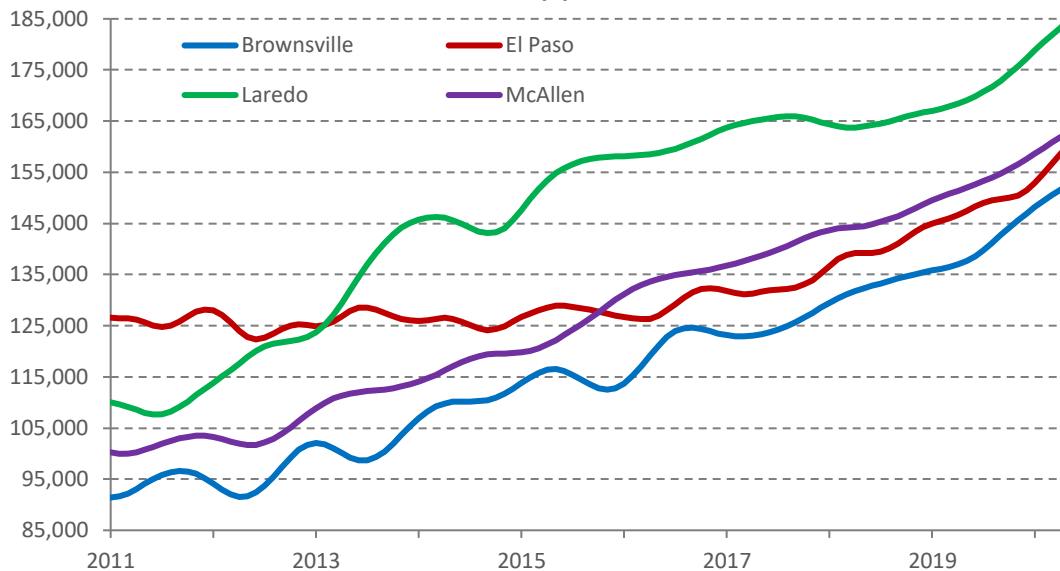
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

New Home Median Sales Price (\$)



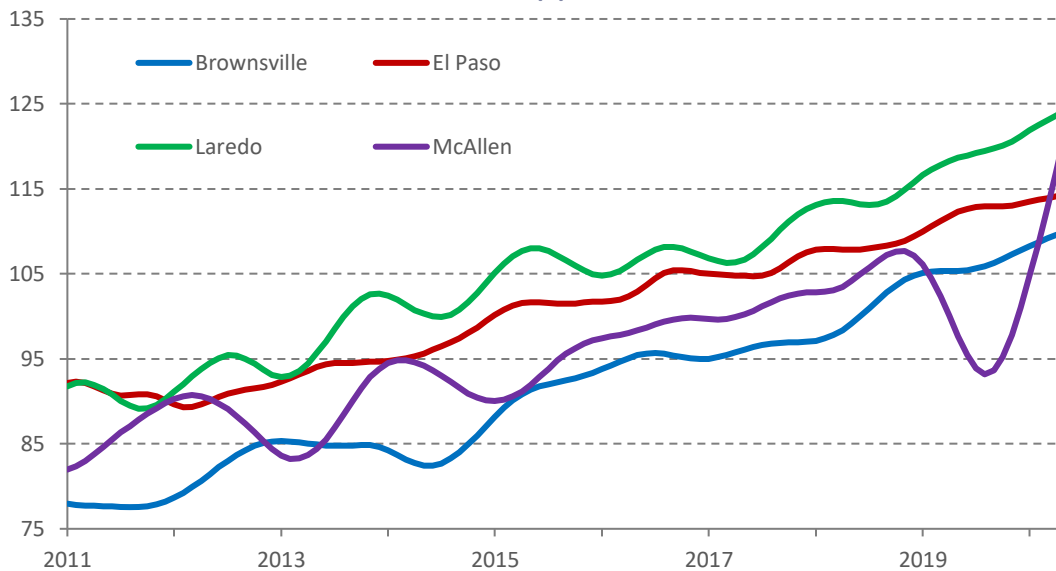
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

Existing Home Median Sales Price (\$)



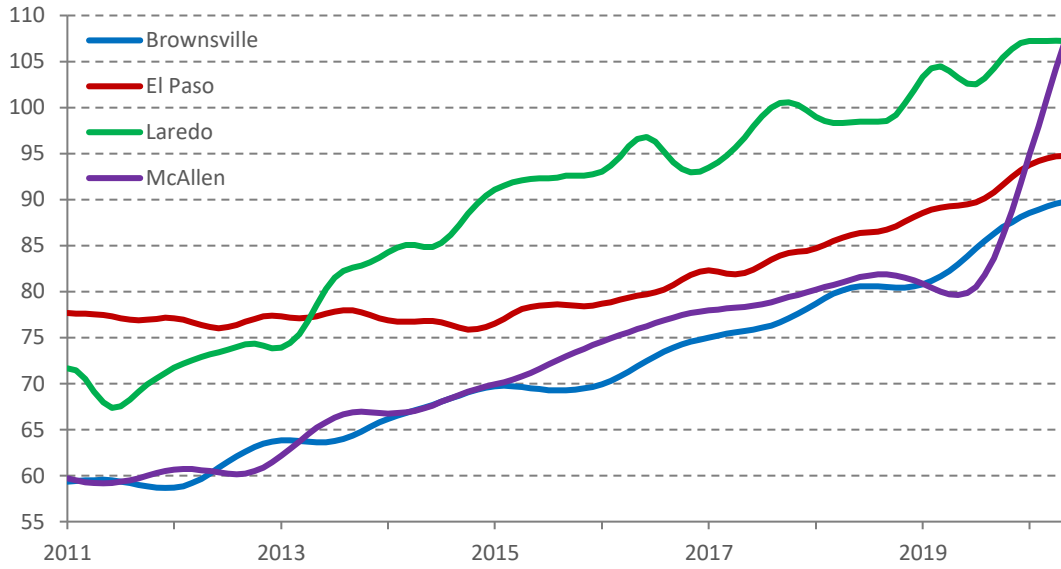
Note: Trend-cycle component. For single-family homes.
Source: Real Estate Center at Texas A&M University

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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