

# 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

**GRIFFIN CARTER** RESEARCH INTERN



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

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

Data current as of Aug. 21, 2020

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# Border Summary

BORDER EMPLOYMENT ▲ 20,200 jobs	LABOR FORCE ▼ -2.7% YTD	MAY MAQUILADORA EMPLOYMENT ▼ -12,700 jobs	TOTAL TRADE VALUES ▲ 62% MOM	HOUSING SALES ▲ 36.5% MOM
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## June 2020

Economic conditions along the border improved in June, but stronger and sustained growth is needed to reach a full recovery. Construction activity and housing sales both increased. Hiring accelerated amid continued rebounds in the leisure/hospitality sector, pulling joblessness down. Labor-market gains, however, may slow during the third quarter as indicated by an uptick in weekly initial unemployment claims in the midst of rising new COVID-19 cases. Moreover, Mexican maquiladora employment decreased in May after months of sluggish manufacturing production, putting additional downward pressure on the border's retail sector, which is already affected by restrictions on nonessential international travel between the North American countries. Although commodity exports rose, values remained well below year-end levels. Limiting the spread of the virus is imperative to the border's return to normalcy.

## Economy

Although labor-market conditions improved, economic activity remained much below prepandemic levels, pulling the **Dallas Fed's Business-Cycle Indexes** down in June, albeit at a slower rate than the previous month. The plummet moderated from a seasonally adjusted annualized rate (SAAR) of more than a 60 percent decrease in both Laredo and McAllen to 50 percent in the former and 24.8 percent in the latter. In El Paso and Brownsville, the metric eased from a downhill pace exceeding 45 percent SAAR to just 24 and 27 percent, respectively. Retail sales, a component of the index, were limited by restrictions on nonessential travel, which ban Mexican tourists from entering the U.S. These measures have been extended through September 21, 2020.

Border **nonfarm employment** regained 20,200 jobs in May, accelerating 2.6 percent and exceeding the statewide growth rate of 1.9 percent. El Paso accounted for almost half of the hires, with leisure/hospitality adding 8,200 positions and retail increasing by 1,500 workers. Laredo's 1,300-job expansion was concentrated in the leisure/hospitality sector, with retail jobs nearly back to year-end levels. In Brownsville and McAllen, 4,000 and 5,400 openings were filled, respectively, with improvement more widespread across several service-providing industries.

The border's transportation/utilities sector, however, was worse off than its trade-related counterpart, with jobs 7 percent less than year-end levels. Some of the contraction is likely associated with the recent hiccups in global manufacturing and **Mexican manufacturing and**

**maquiladora employment**<sup>1</sup>, which fell by 12,700 jobs in May, down 5.6 percent year-to-date (YTD) decline. Reynosa employment extended a five-month decline, decreasing 10.4 percent YTD. Chihuahua registered the steepest monthly drop in maquiladora jobs in percentage terms, amounting to 2,600 jobs. Matamoros employment contracted by 1,000 positions while the slide in Nuevo Laredo was to a 300-worker loss. Juarez shed 5,000 positions but fared relatively well with employment down only 3.5 percent YTD. U.S. manufacturing production improved for the second straight month, increasing 7.4 percent. Nonetheless, output was more than one-tenth less than year-end levels, although production of motor vehicle and parts continued to strengthen. The spread of the pandemic presents additional challenges to Mexico's struggling manufacturing and maquiladora sector.

Laredo and El Paso held the lowest **unemployment rate** among the border metros at 9.5 percent. Even though joblessness in the Rio Grande Valley decreased almost 6 percentage points, the metric remained tied with the national average in Brownsville at 11.1 percent and even higher in McAllen at 12.4 percent.

Weekly initial unemployment insurance claims decreased in the first half of June but inched up during the second half of the month (see figure on page 6), suggesting unemployment may tick up to start the third quarter. The increase in initial claims coincides with the rise in new COVID-19 cases. The border's labor force expanded for the second consecutive month but remained 2.7 percent below year-end levels.

**Average real private hourly earnings** varied along the border. In El Paso, wages reached \$20.28 per hour, increasing 2.9 percent year over year (YOY). Hourly earnings in Laredo (\$18.20) and McAllen (\$19.73) flattened in real terms, while the Brownsville wage (\$16.01) were down after accounting for inflation.

**Total construction values** almost tripled, bringing the sum of the first half of the year just 2 percent below the pace set during the same period last year. The increase was entirely due to the nonresidential sector, particularly massive warehouse-related inflows in El Paso and Laredo. School construction in the West Texas metro rebounded, albeit to a lesser degree. On the residential side, activity declined 5.8 percent as single-family values fell in El Paso and Laredo, offsetting widespread improvement in McAllen's residential sector.

In the currency market, the **peso per dollar exchange rate** dropped for the second straight month to 22.31 percent following a dip in the inflation-adjusted rate<sup>2</sup>, making domestic goods slightly cheaper to foreign consumers, even though the rate remained elevated. **Total trade values** passing through the border recovered 62 percent but were still 30 percent less than year-end levels. Activity in El Paso registered the greatest monthly improvement in percentage terms, largely due to

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

a jump in vehicular-related imports, although YTD growth stayed staunchly in negative territory. Laredo remained the busiest port along the border as auto imports rebounded, with total commerce falling just 18.2 percent YTD. Meanwhile, two consecutive monthly increases in the Rio Grande Valley brought trade a little more than one-tenth less than December 2019 values. The United States-Mexico-Canada Agreement, replacing the North American Free Trade Agreement, took effect July 1, 2020 and is intended to reaffirm North American trade relationships. Its long-term impact on the U.S. automotive industry, however, is uncertain.

## Housing

**Border housing sales** jumped 36.5 percent in June after four consecutive monthly declines. The acceleration in Brownsville and McAllen activity was concentrated in the \$200,000-\$300,000 price range, with YTD sales in the former outpacing transactions during the first six months of last year by 2.3 percent. El Paso registered widespread improvements across the price spectrum, pulling even with the rate set in the first half of 2019. In Laredo, sales picked up 35.8 percent, but total sales YTD were down 14.3 percent relative to the same period a year ago.

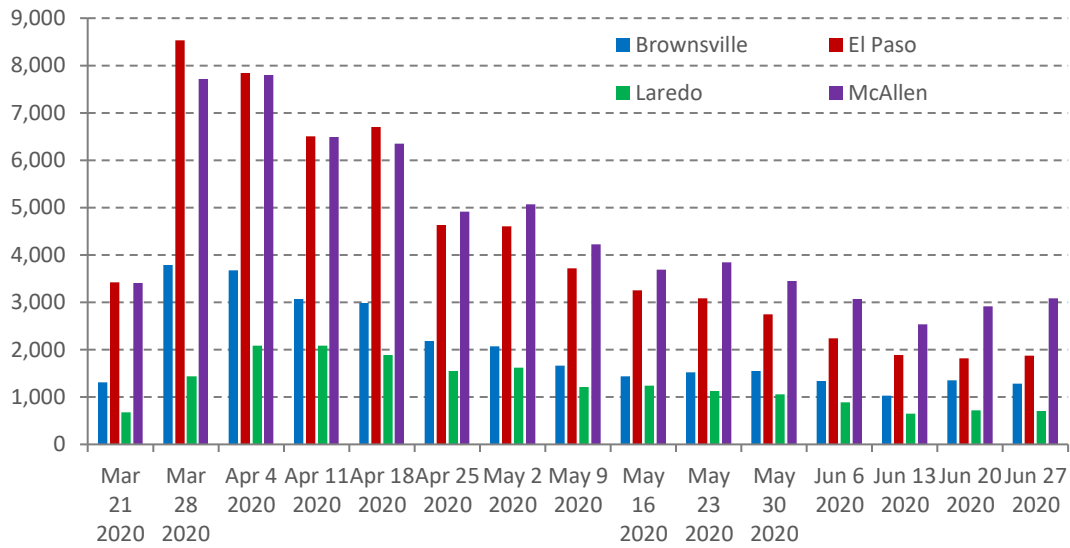
**Single-family housing construction permits** shot up 20.8 percent, but the pace of recovery moderated as the six-month total fell behind the number of permits issued during the first six months of last year. Brownsville and McAllen posted a slowdown in issuance. On the bright side, El Paso's improvement was steady, and Laredo permits accelerated for the third straight month. In contrast, **private single-family construction values** in El Paso and Laredo decreased after strong growth the prior month. Construction values in the Rio Grande Valley increased but extended a downward trend.

**Months of inventory (MOI)** sank to record lows as sales picked up and the supply of active listings continued to drop. Inventory in Brownsville and McAllen fell to 5.0 and 4.8 months, respectively, while El Paso's metric plunges to 2.1 months. The Laredo MOI was the exception, remaining elevated at nine months but still inching down for the second straight month after exceeding 9.1 months in April.

Two months after the economic shutdown, the **average number of days on market (DOM)** rose along the border. Laredo's DOM increased to 63 days, below the statewide average of 64 days. The average home in El Paso sold after 72 days on the market, slower than the previous month but on par with year-ago activity. The DOM was higher in the Rio Grande Valley, reaching 100 and 98 days in Brownsville and McAllen, respectively. The trend, however, remained flat across the metros.

Fluctuations in the **median home price** varied across the border metros on a monthly basis, but annual home-price appreciation was strong uniformly. Compositional changes in sales are likely driving the YOY increases, similar to the statewide acceleration in median home price tempered by more modest growth in the Texas Repeat Sales Home Price Index. Laredo posted an all-time high median price of \$193,800 as sales for homes priced more than \$200,000 surged. El Paso's metric inched up to \$171,600, while the Brownsville median price increased to \$164,000. McAllen's median price slid \$1,300 to \$168,400 from a record high the previous month.

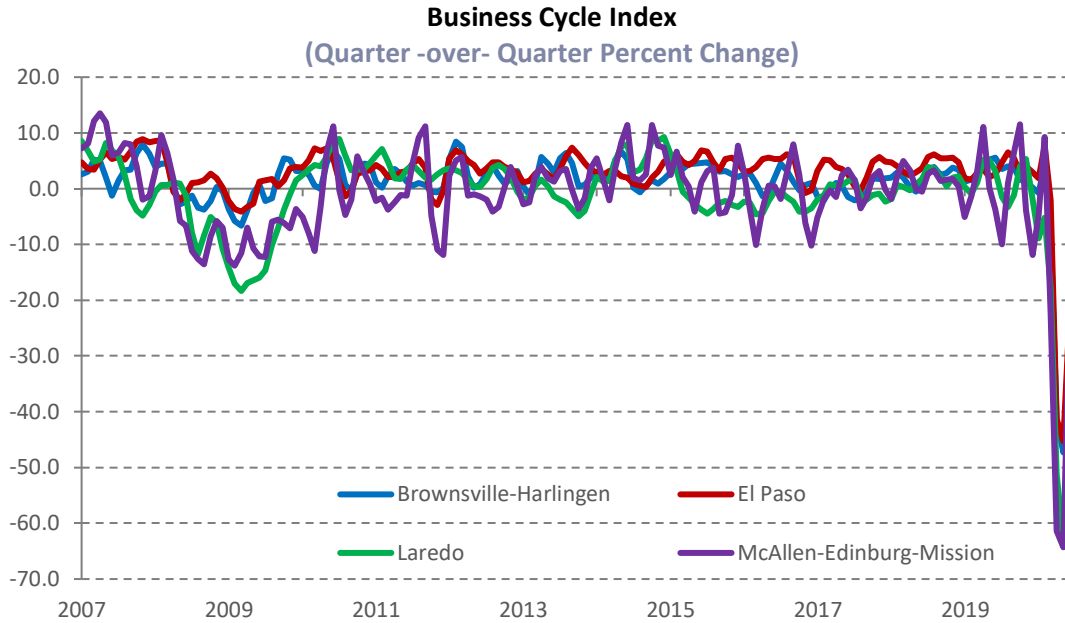
### Border Metro Weekly Initial Unemployment Claims



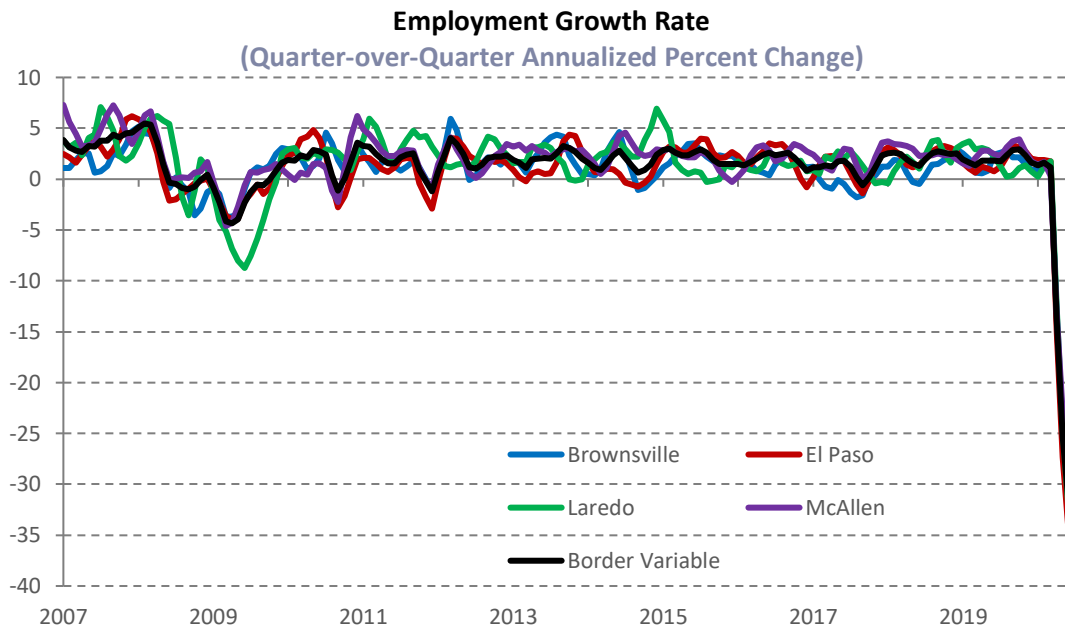
Note: Seasonally adjusted.

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

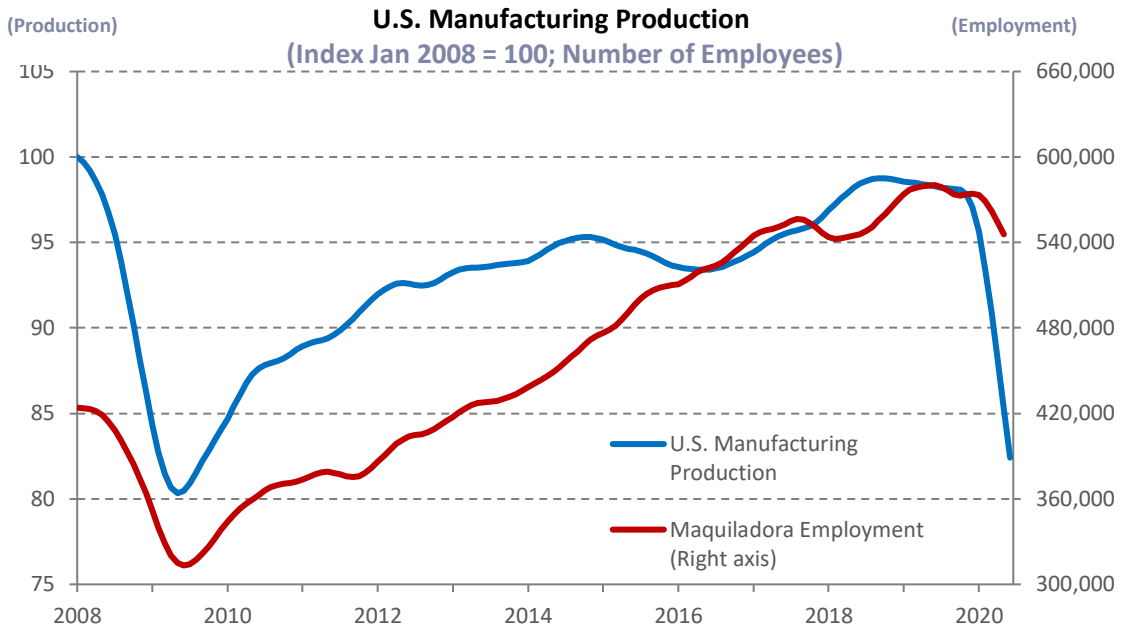


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).  
Source: Federal Reserve Bank of Dallas



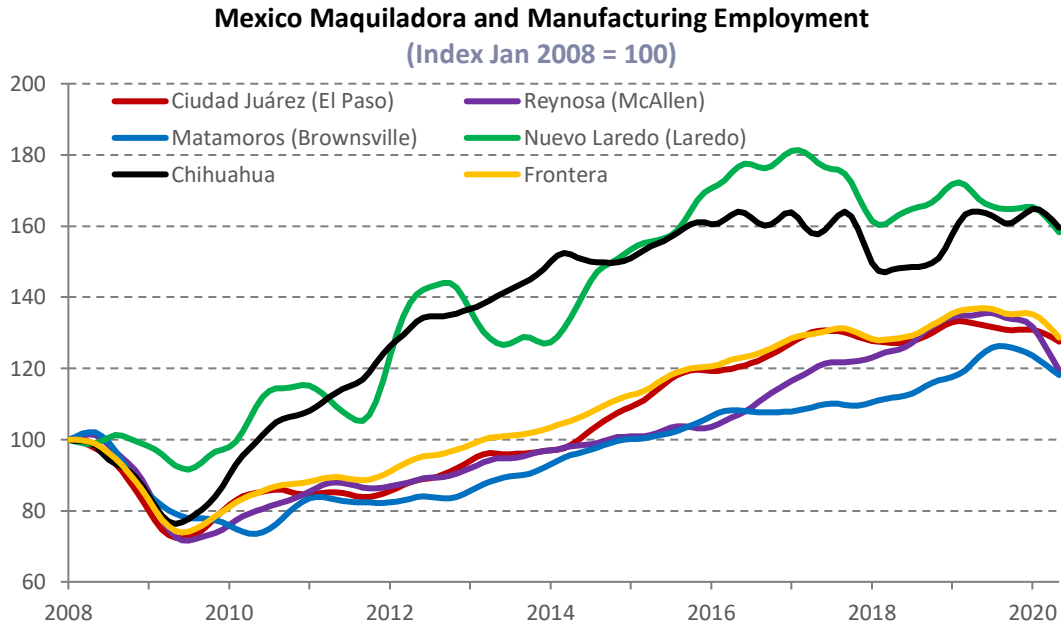
Note: Seasonally adjusted, three-month moving average. June 2020 is preliminary.  
For more information, see [Employment Growth Rate](#).  
Source: Bureau of Labor Statistics





Note: Trend-cycle component.

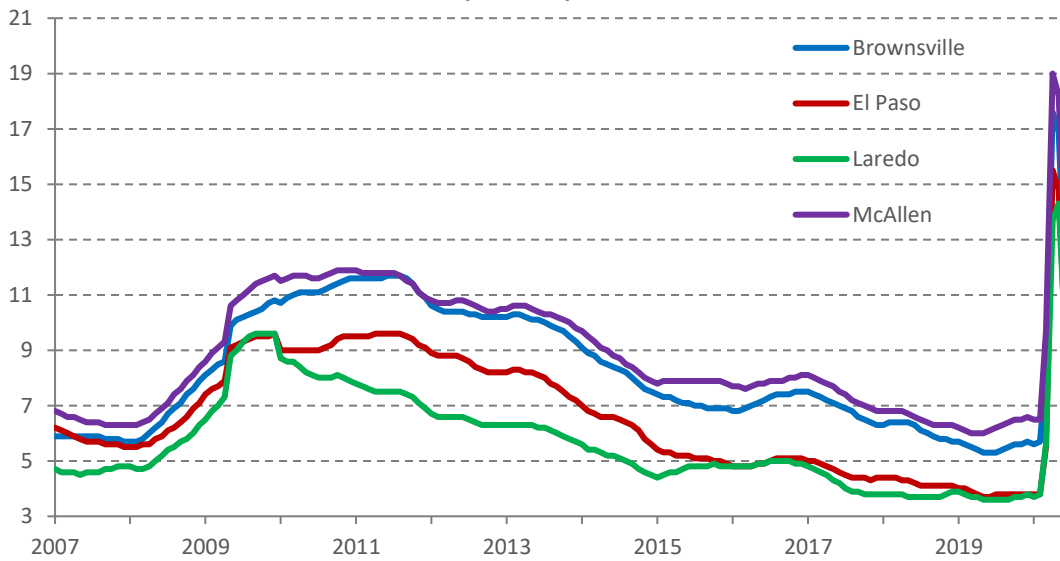
Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía



Note: Trend-cycle component.

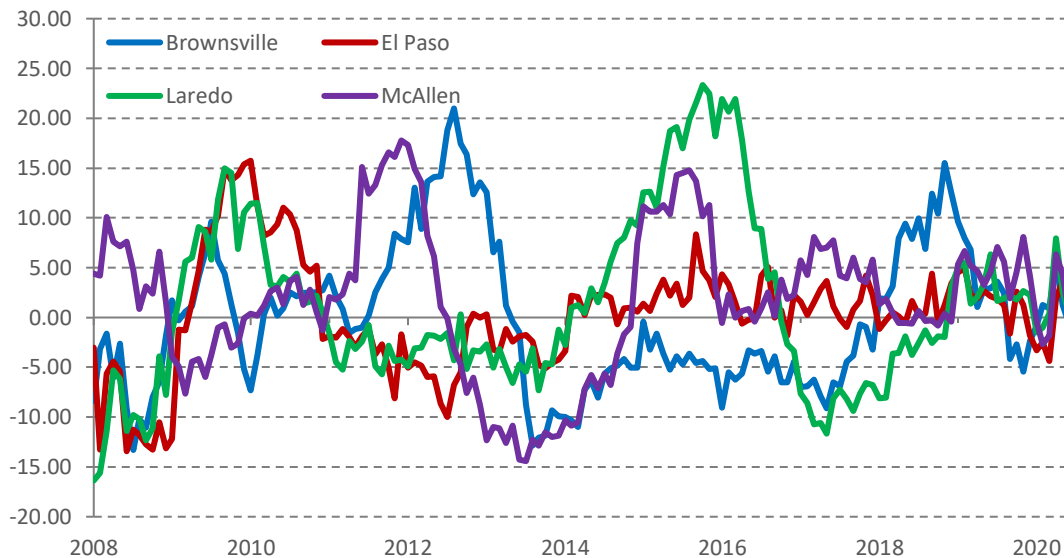
Source: Instituto Nacional de Estadística y Geografía

### Unemployment Rate (Percent)



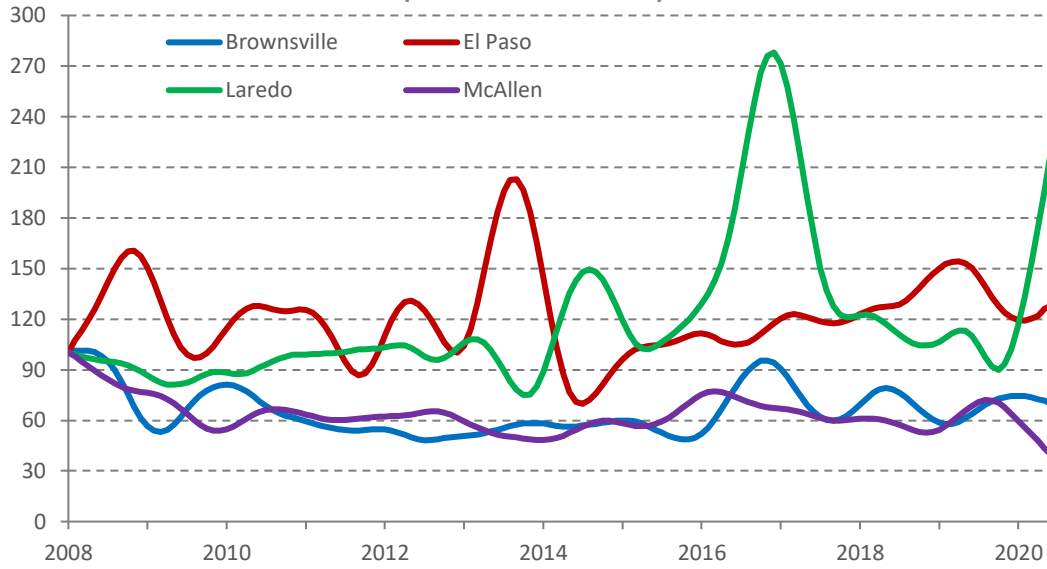
Note: Seasonally adjusted. June 2020 is preliminary. For more information, see [Unemployment Rate](#).  
Source: Bureau of Labor Statistics

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



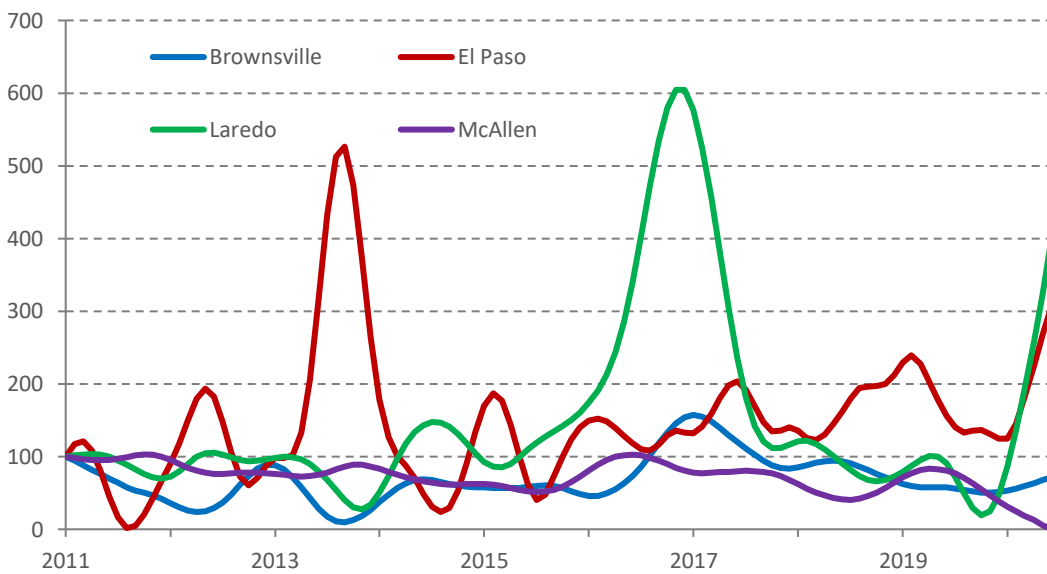
Notes: Inflation adjusted, seasonally adjusted. June 2020 is preliminary.  
For more information, see [Total Private Employee Hourly Earnings](#).  
Source: Bureau of Labor Statistics

**Total Construction Values**  
(Index Jan 2008= 100)



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

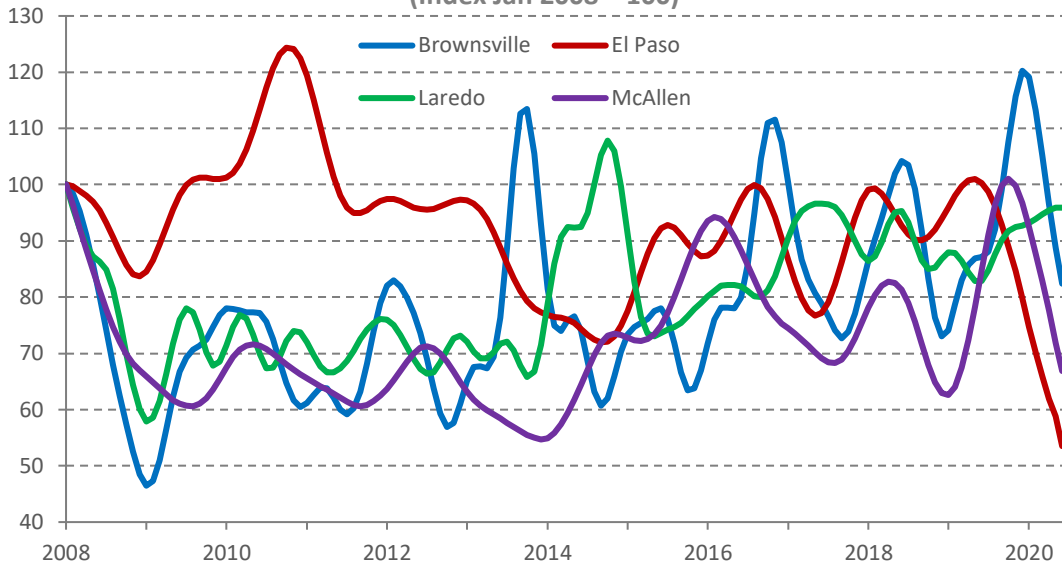
**Nonresidential Construction Values**  
(Index Jan 2011 = 100)



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

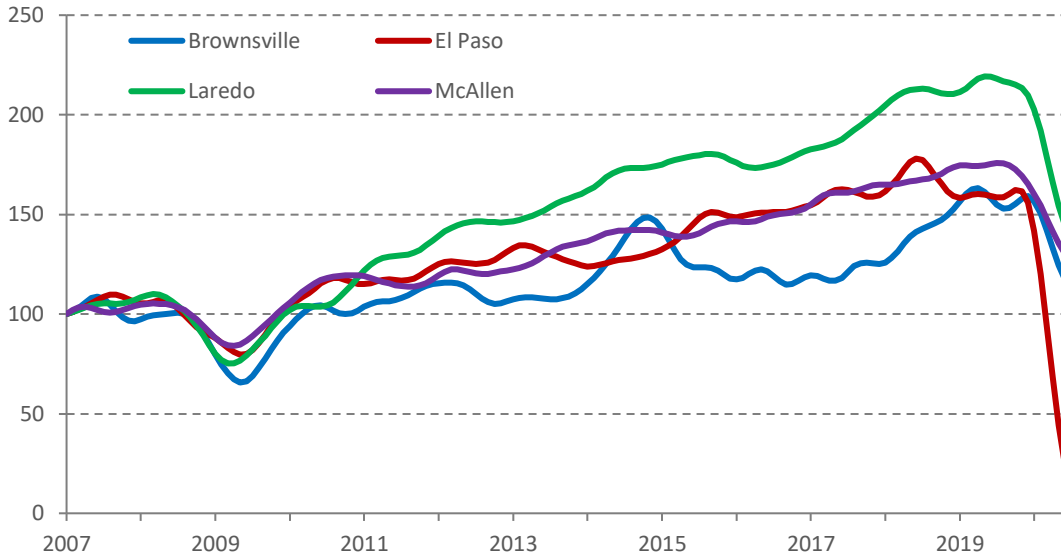
### Real Peso per Dollar Exchange Rate

(\\$)



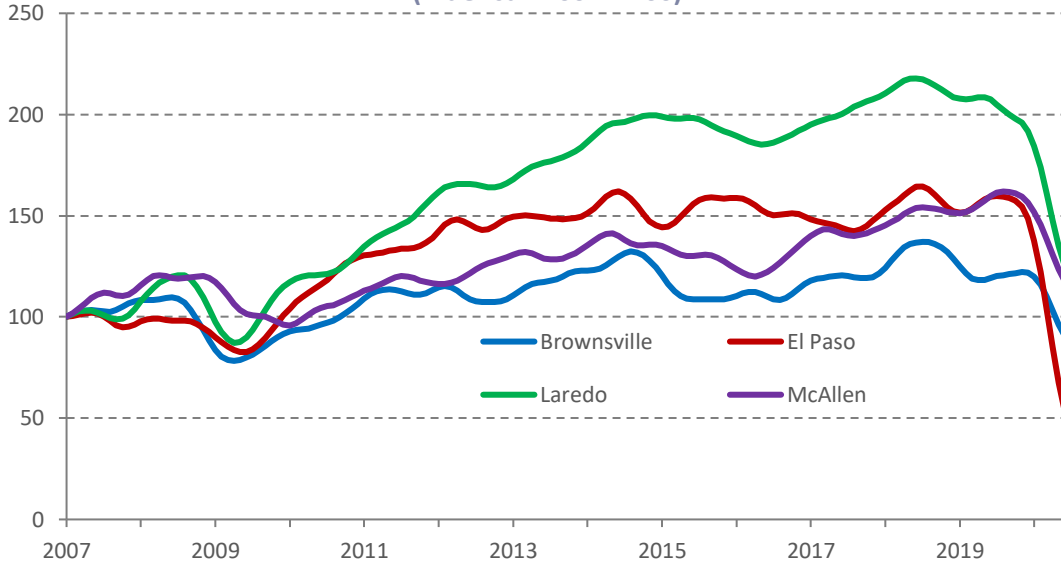
Note: Deflated using the Texas Trade Weighted Value of the Dollar.  
Source: Federal Reserve Bank of Dallas

**Import Values**  
(Index Jan 2007 = 100)



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

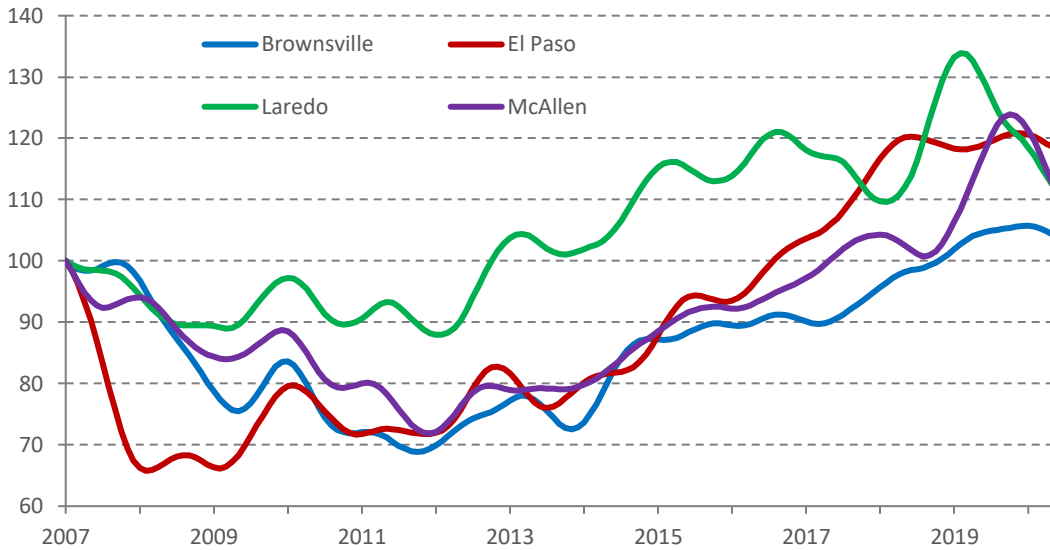
**Export Values**  
(Index Jan 2007 = 100)



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

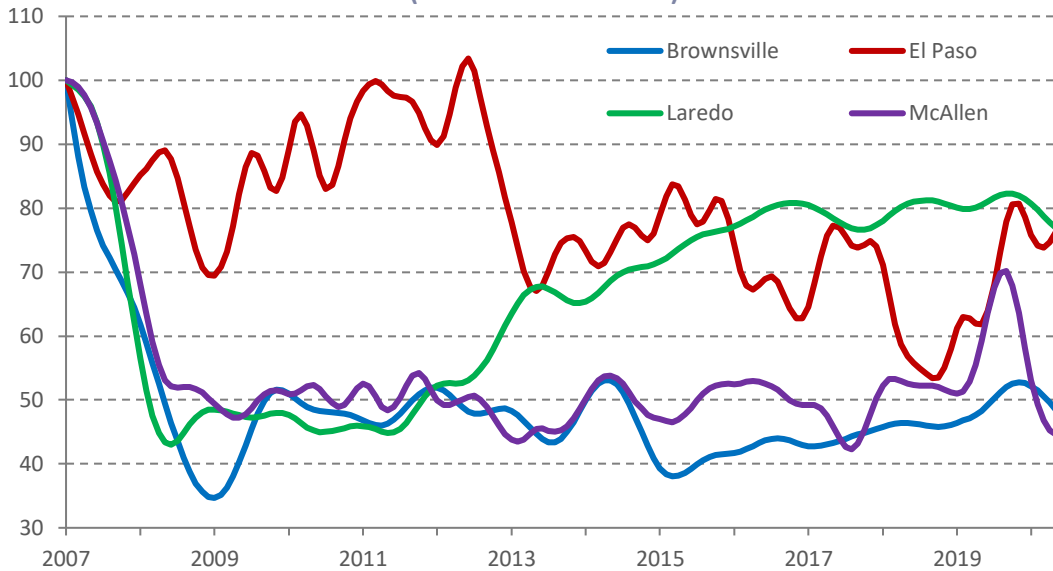
# Housing

**Housing Sales**  
(Index Jan 2007 = 100)



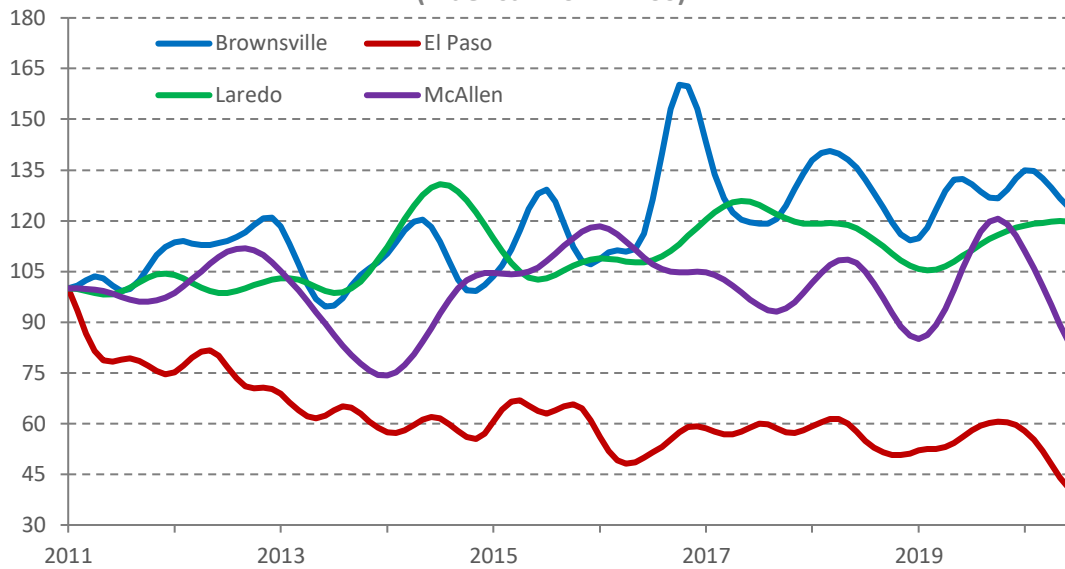
Note: Trend-cycle component.  
Source: Real Estate Center at Texas A&M University

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



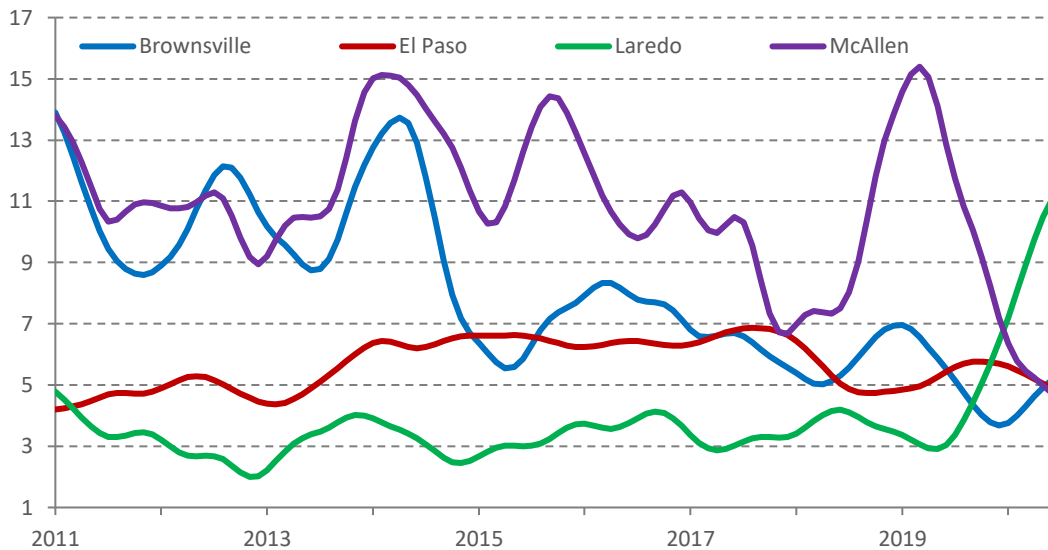
Note: Trend-cycle component.  
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



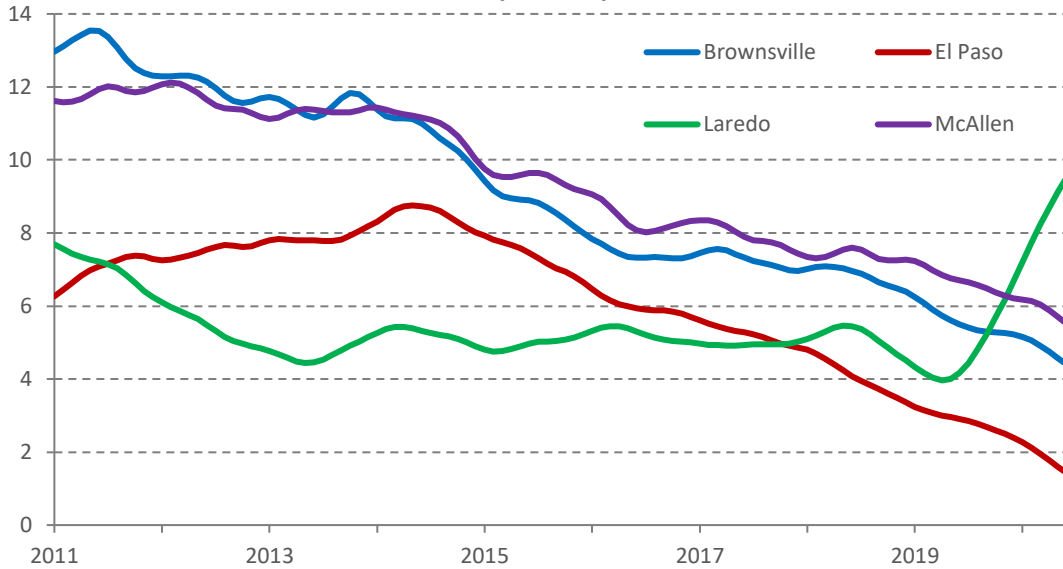
Note: Inflation adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

### New Home Months of Inventory (Months)



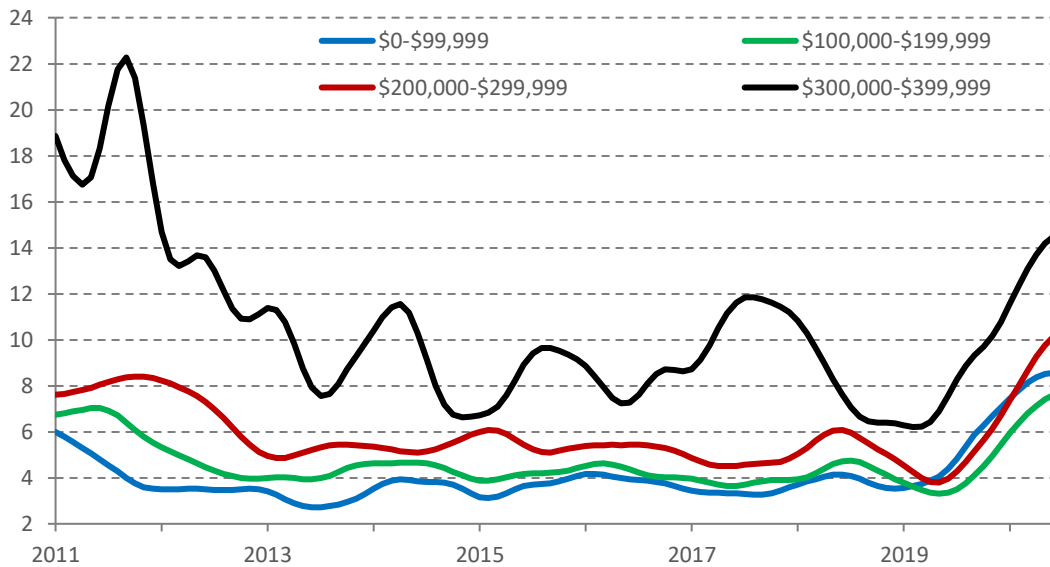
Note: Trend-cycle component.  
Source: Real Estate Center at Texas A&M University

### Existing Home Months of Inventory (Months)



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

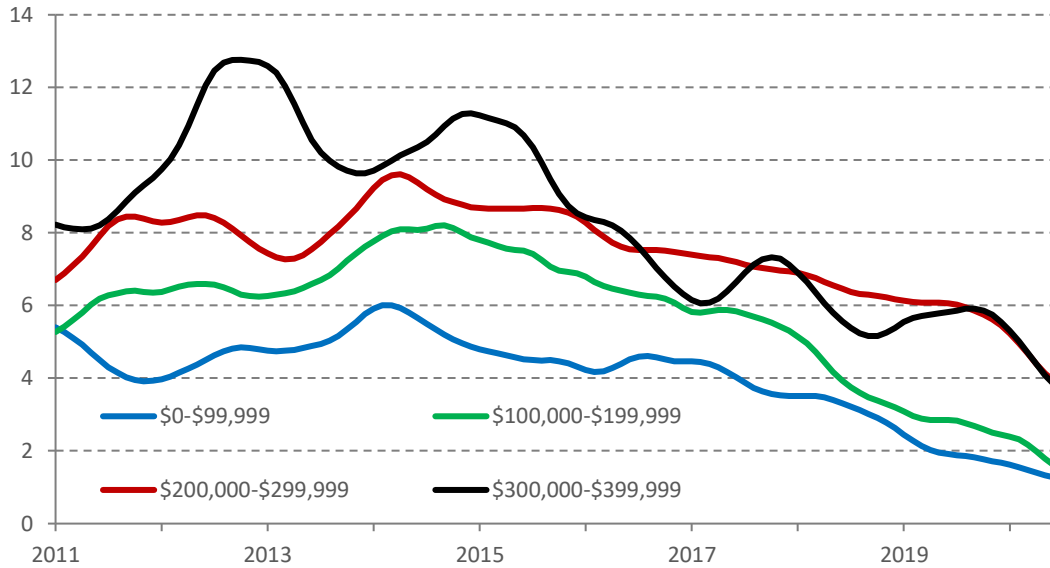
### Laredo Months of Inventory by Price Cohort (Months)



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

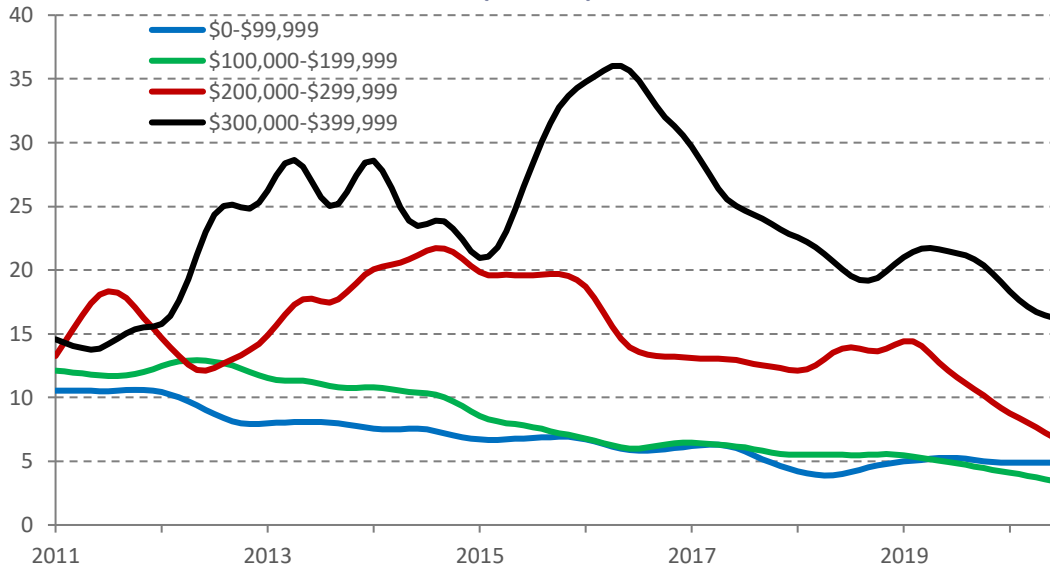


### El Paso Months of Inventory by Price Cohort (Months)



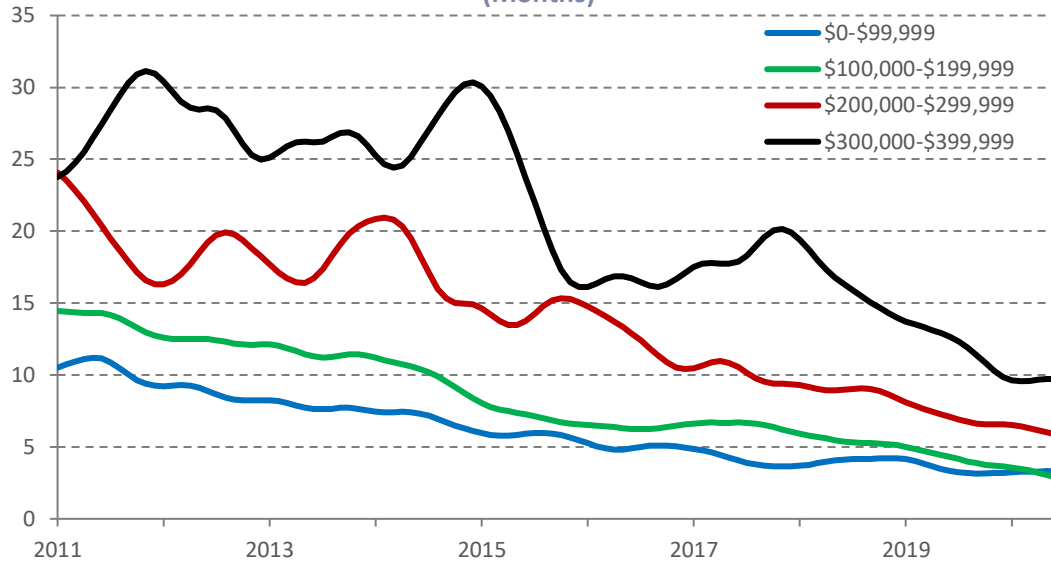
Note: Trend-cycle component.  
Source: Real Estate Center at Texas A&M University

### McAllen Months of Inventory by Price Cohort (Months)



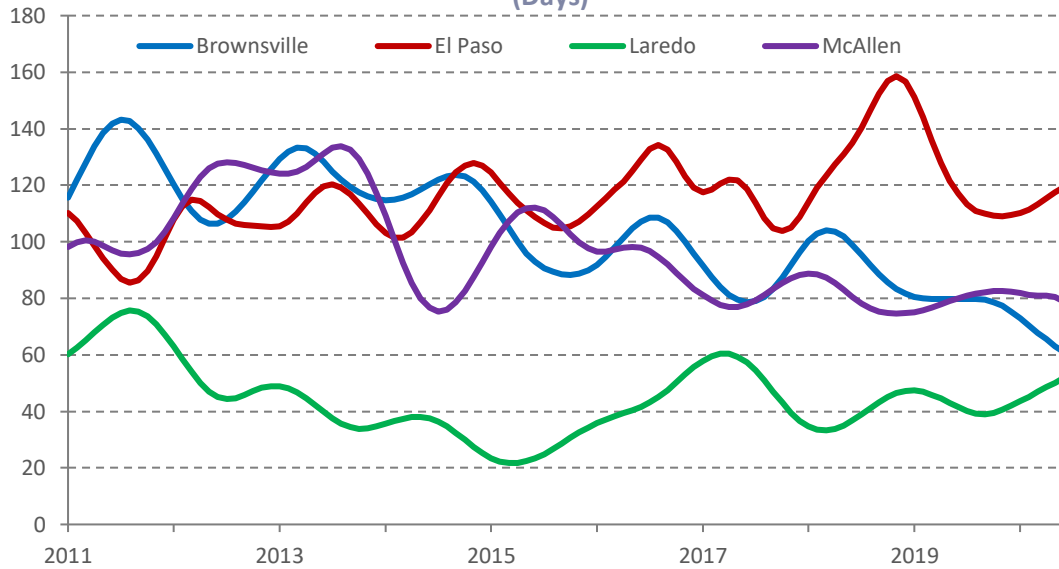
Note: Trend-cycle component.  
Source: Real Estate Center at Texas A&M University

### Brownsville Months of Inventory by Price Cohort (Months)

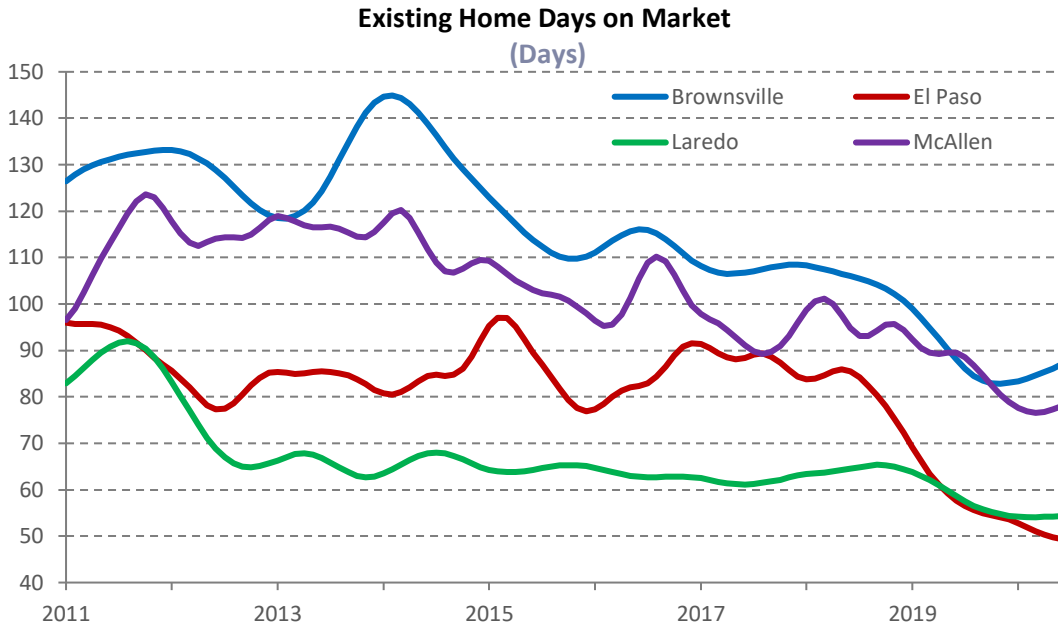


Note: Trend-cycle component.  
Source: Real Estate Center at Texas A&M University

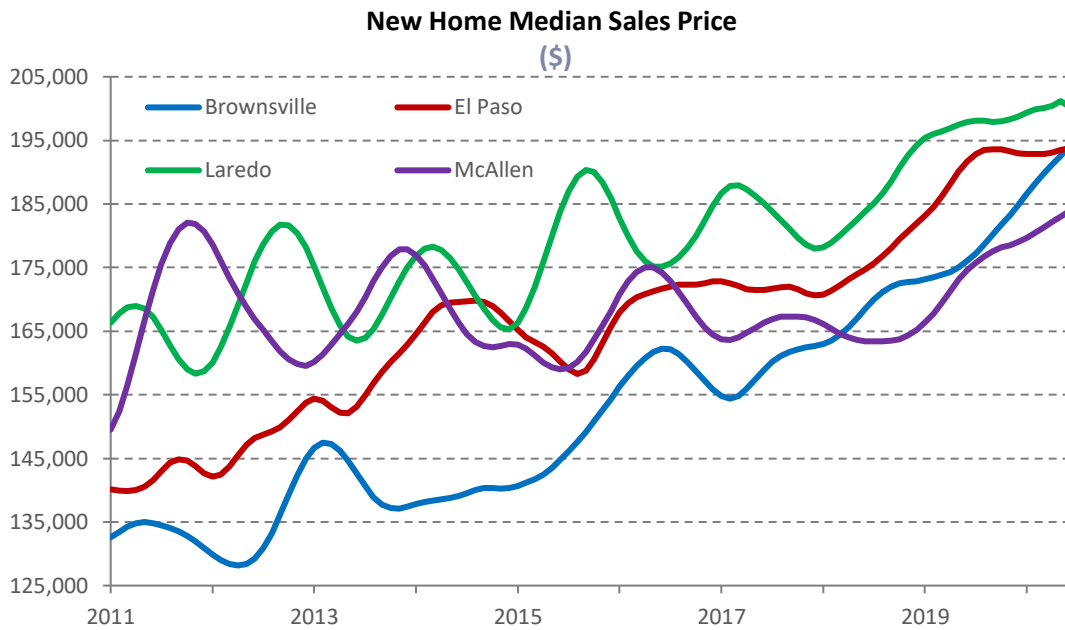
### New Home Days on Market (Days)



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

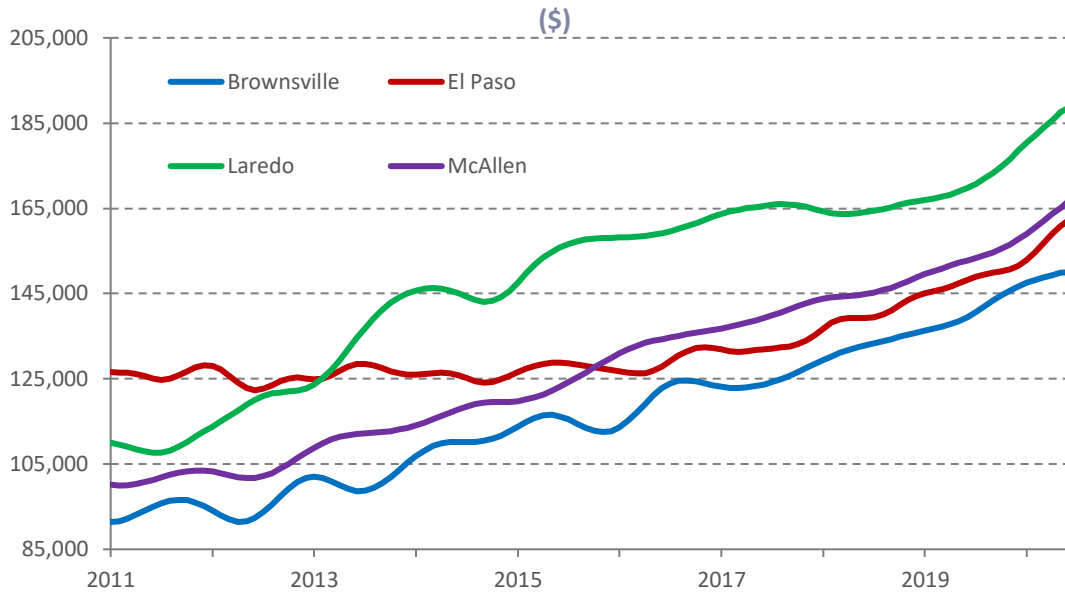


Note: Trend-cycle component. For single-family homes.  
Source: Real Estate Center at Texas A&M University



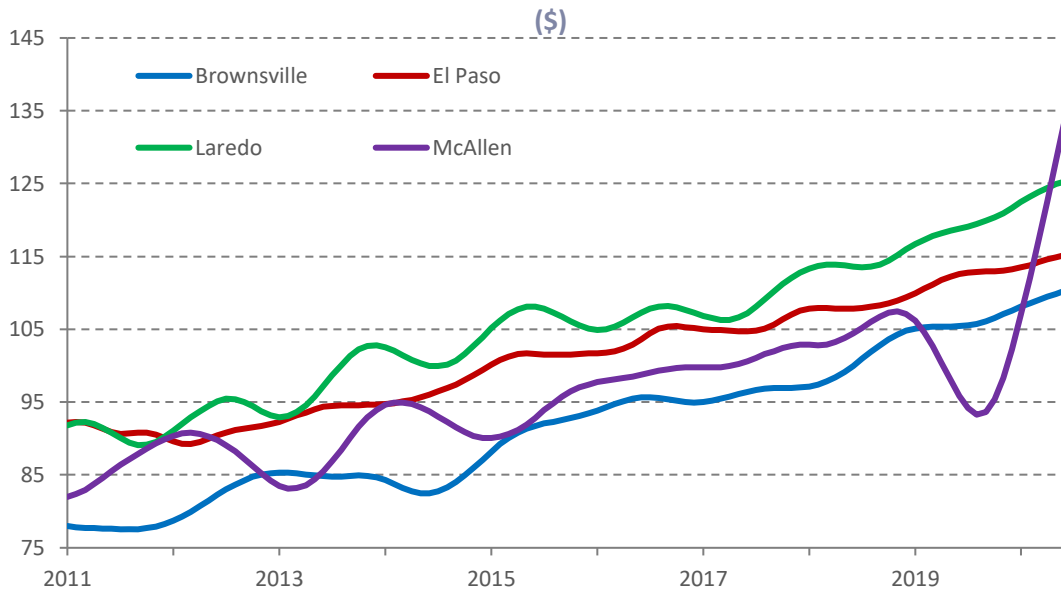
Note: Trend-cycle component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### Existing Home Median Sales Price



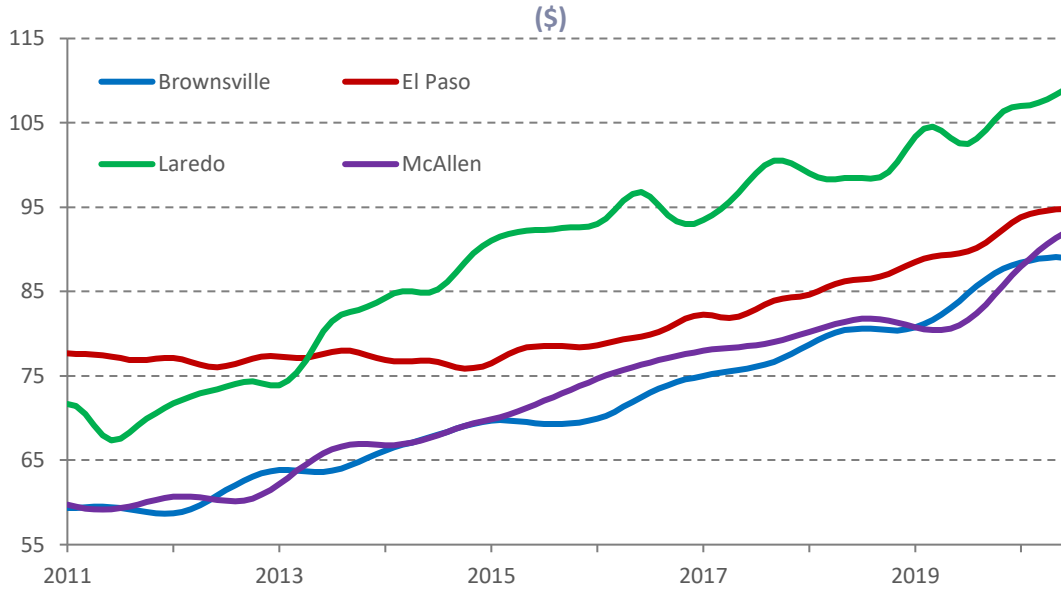
Note: Trend-cycle component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### 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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