

# TEXAS BORDER ECONOMY



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JULY 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 Sept. 21, 2020

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# Border Summary

BORDER EMPLOYMENT

▲ 6,200 jobs

JUNE MAQUILADORA EMPLOYMENT

▼ -2,900 jobs

TOTAL TRADE VALUES

▲ 12.8% MOM

HOUSING SALES

▲ 15.0% MOM

## July 2020

Economic activity increased along the border, but the recovery lost steam as COVID-19 cases surged in July. Payrolls expanded by 6,000 jobs; half of the hiring, however, was government positions. Unemployment ticked down and weekly initial unemployment claims decreased amid a slowdown in the number returning to the workforce. Although Mexican manufacturing and maquiladora employment was down in June, rebounding manufacturing-related trade and the reaffirmation of North American trade relationships by the United States-Mexico-Canada Agreement (USMCA) should encourage future commerce. Home sales increased 15 percent to an all-time high with single-family building permits on the rebound. The resiliency of the housing market is likely due to the pandemic-induced recession impacting renters more than homebuyers. Nonetheless, the virus and the related economic uncertainty is the greatest headwind to the economies of border communities.

## Economy

Continued labor-market improvements, however modest, pulled the **Dallas Fed's Business-Cycle Indexes** into positive growth territory on a seasonally adjusted annualized rate (SAAR). El Paso's and McAllen's indexes rose 49.7 and 44.6 percent, respectively. In Brownsville, the pace of recovery was slower as the index increased 20.9 percent, while Laredo's metric flattened in SAAR terms. 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 Oct. 21, 2020.

Border **nonfarm employment** expanded by only 6,200 positions in July, remaining 6 percent below year-end levels. McAllen accounted for much of the slowdown, adding just 400 jobs as losses in leisure/hospitality and education/health services weighed on improvement in government employment. Similarly, El Paso's government sector, along with professional/business services, contributed to the metro's 4,200-job increase while leisure/hospitality, education/health services, and wholesale trade posted net layoffs. Meanwhile, 700 workers were hired in Brownsville and modest gains across multiple industries in Laredo pushed employment up by 900.



On the southern side of the border, **Mexican manufacturing and maquiladora employment**<sup>1</sup> fell by more than 2,900 to its lowest level since December 2017. Reynosa and Chihuahua employment decreased by 2,200 and 1,600 jobs, sliding 11.8 and 7.5 percent year to date (YTD), respectively. The four-month decline in Matamoros moderated in June but still dropped 6.3 percent YTD. Despite manufacturing and maquiladora employment stabilizing in Juarez and adding 300 positions in Nuevo Laredo, jobs in both locations were down 3.3 percent YTD. Although U.S. manufacturing production rose for the third straight month in July, improving 3.4 percent, output fell short of year-end activity by 8.1 percent.

Amid modest hiring in the Rio Grande Valley, the **unemployment rate** slipped one-tenth and two-tenths of a percentage point to 10.7 and 11.8 percent in Brownsville and McAllen, respectively. On the bright side, joblessness in El Paso (8.3 percent) and Laredo (8.8 percent) hovered lower than the national average of 10.2 percent.

Weekly initial unemployment insurance claims increased during the first half of July but fell in the last two weeks of the month (Figure 1), suggesting labor market conditions continued to improve in August. The labor force expansions, however, moderated, remaining 3.2 and 3.9 percent below year-end levels in Brownsville and Laredo, respectively. El Paso's labor force was down 2.2 percent YTD in July, but the McAllen metric decreased only 1 percent YTD.

**Average real private hourly earnings** accelerated 3.4 percent in El Paso although nominal earnings flattened at \$20.27 per hour. McAllen hourly earnings were higher at \$20.36 but increased just 1.2 percent after accounting for inflation. Laredo wages (\$18.24) rose 1.4 percent in real terms while inflation-adjusted growth in Brownsville earnings (\$16.47) slowed to a halt.

After tripling the previous month, **total construction values** normalized in July, running 5.1 percent ahead of values during the first seven months of 2019. Nonresidential values were well above their long-term average. Office construction in El Paso and Laredo maintained a rapid pace, but the greatest contribution was increased school-building values in all the border metros except for McAllen. On the residential side, sluggish multifamily activity offset stable single-family investment uniformly along the border.

In the currency market, the **peso-per-dollar exchange rate** steadied at 22.40 after two consecutive decreases in the inflation-adjusted rate<sup>2</sup> but remained elevated almost 20 percent YTD. **Total trade values** passing through the border rose 12.8 percent but were down more than one-fifth YTD. Laredo values accounted for most of the monthly improvement, while Brownsville values recovered to year-end levels after increasing for the third straight month in July. Trade through McAllen, however, stalled and El Paso values were less than a third of December commerce with

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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.

machinery-related trade the main culprit. The USMCA, which was implemented July 1, 2020, should reaffirm North American trade relationships, supporting the ongoing recovery.

## Housing

**Border housing sales** jumped 15 percent in July to record-breaking levels amid historically low mortgage rates. Nonetheless, the rate of change slowed as pent-up demand from the economic shutdown waned. In the Rio Grande Valley, activity decelerated in the \$100,000-\$200,000 price range, resulting in increases of 8.5 percent in Brownsville and 12.5 percent in McAllen. Laredo sales rose 24.9 percent, while the growth rate in El Paso stabilized at 18.4 percent.

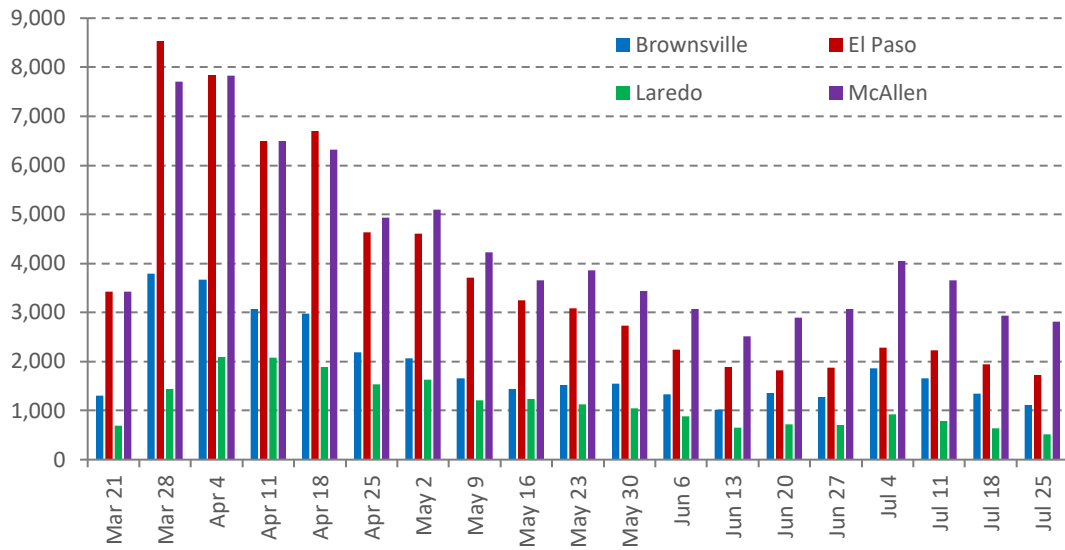
**Single-family housing construction permits** accelerated 21.8 percent, pushing the YTD total into positive growth territory relative to issuance during January through July of last year. Activity picked up along the border except for in McAllen, where permits fell 7.3 percent. On the other hand, **private single-family construction values** increased the Rio Grande Valley and Laredo but declined in El Paso, dragging the aggregated total down 4 percent.

Strong sales pulled El Paso's **months of inventory (MOI)** to a record-low 1.8 months, well below the state average of 2.6 months. The metric sank to 4.6 and 4.1 months in Brownsville and McAllen, respectively. Laredo's MOI remained elevated at eight months but extended a rapid decline since reaching an all-time high of 9.1 months in April as the metro's year-long influx of active listings dried up.

Housing demand strengthened among the population demographic whose jobs are less likely to be affected by the pandemic and more likely to be homebuyers. The **average number of days on market (DOM)** fell to 65 in El Paso as the average home sold a week faster than the same period last year. The DOM in Laredo and McAllen also decreased, falling to 58 and 90 days, respectively, but remained greater than year-ago levels. Brownsville was the exception, with the metric rising to a year-and-a-half high of 120 days.

Shrinking inventory at the lower end of the price spectrum pushed sales activity toward higher-priced homes. In Brownsville, the **median home price** shot up \$13,100 to \$176,900, averaging double-digit annual price growth in 2020. El Paso and McAllen's median price also recorded strong YOY growth, increasing to \$175,300 and \$167,000, respectively. Price fluctuations in Laredo differed from the other border metros, ticking down to \$187,700 in July amid shifts in sales composition away from higher-priced homes to the \$100,000-\$200,000 price cohort. Average home-price appreciation in the metro was more moderate, most likely due to a buildup in supply in 2019. Rising home prices without sufficient wage growth chips away at housing affordability, which has historically been a drawing point for the border communities.

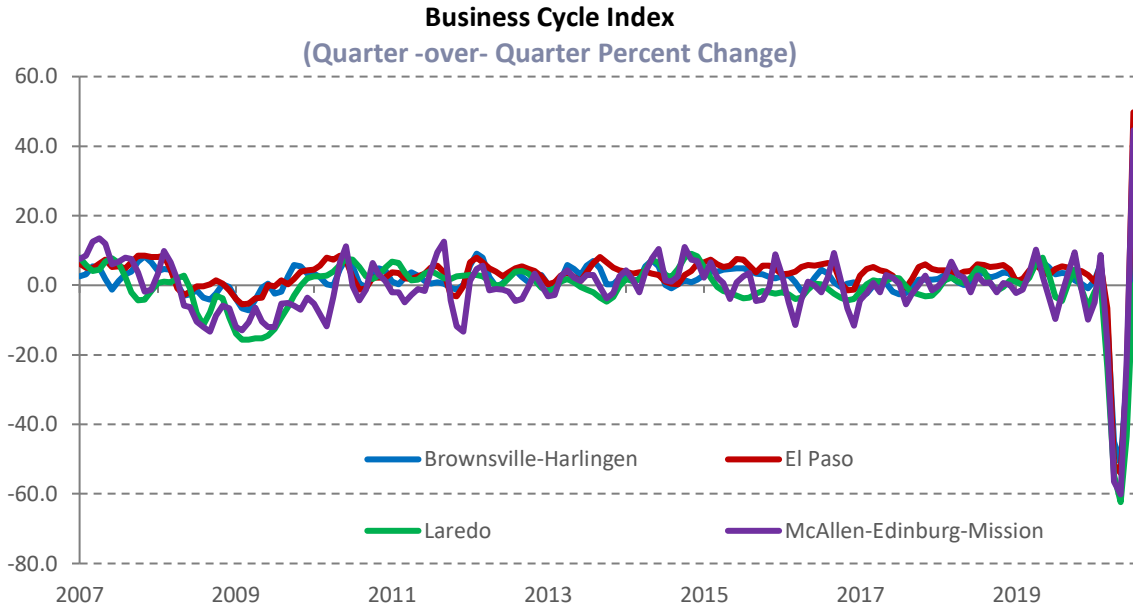
### Border Metro Weekly Initial Unemployment Claims (2020)



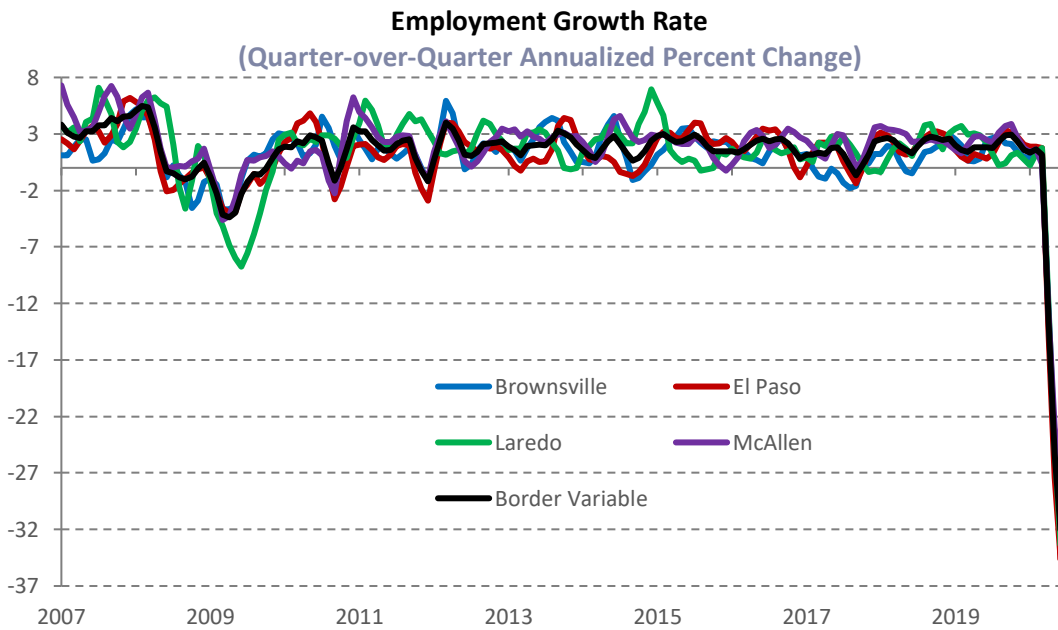
Note: Seasonally adjusted.

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



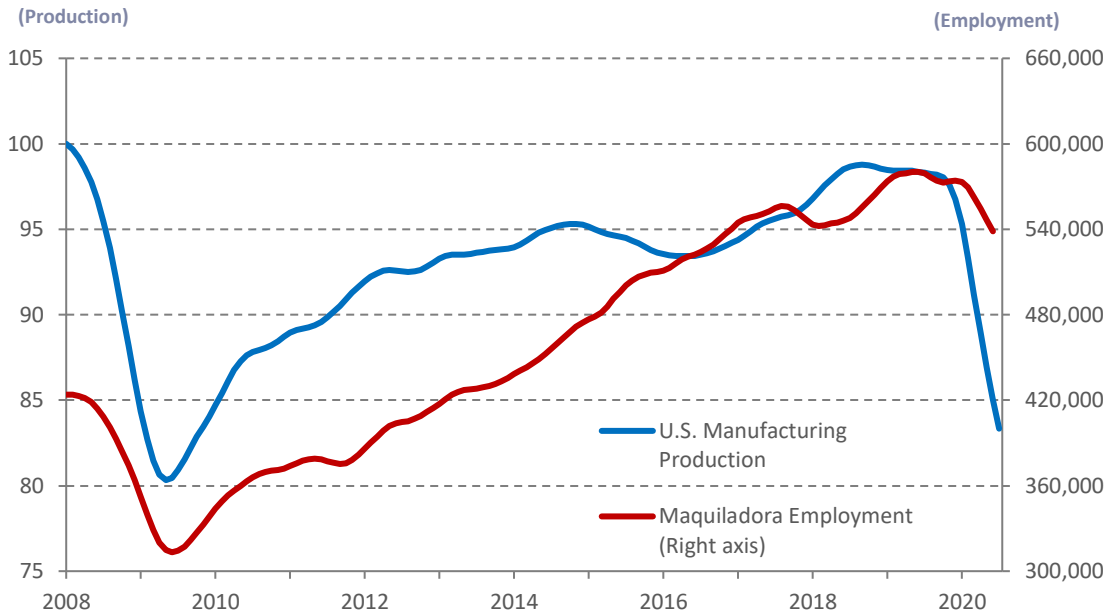
Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).  
Source: Federal Reserve Bank of Dallas



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

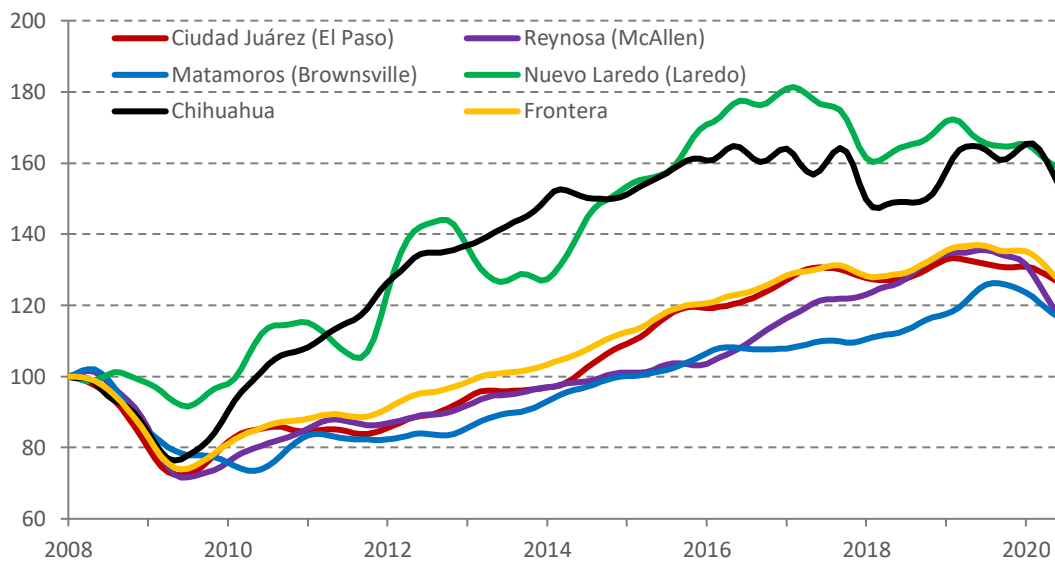


### U.S. Manufacturing Production (Index Jan 2008 = 100; Number of Employees)



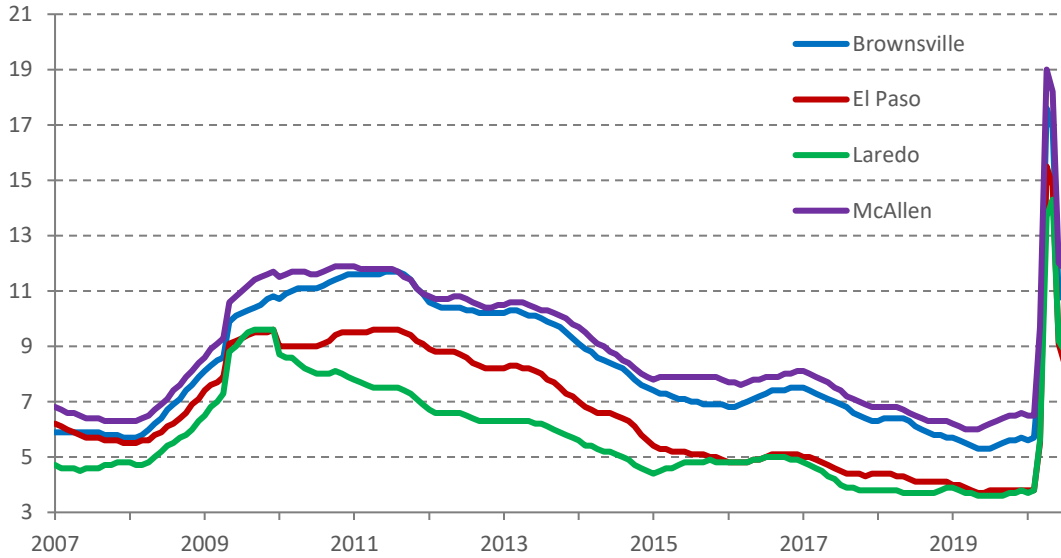
Note: Trend-cycle component.  
Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

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



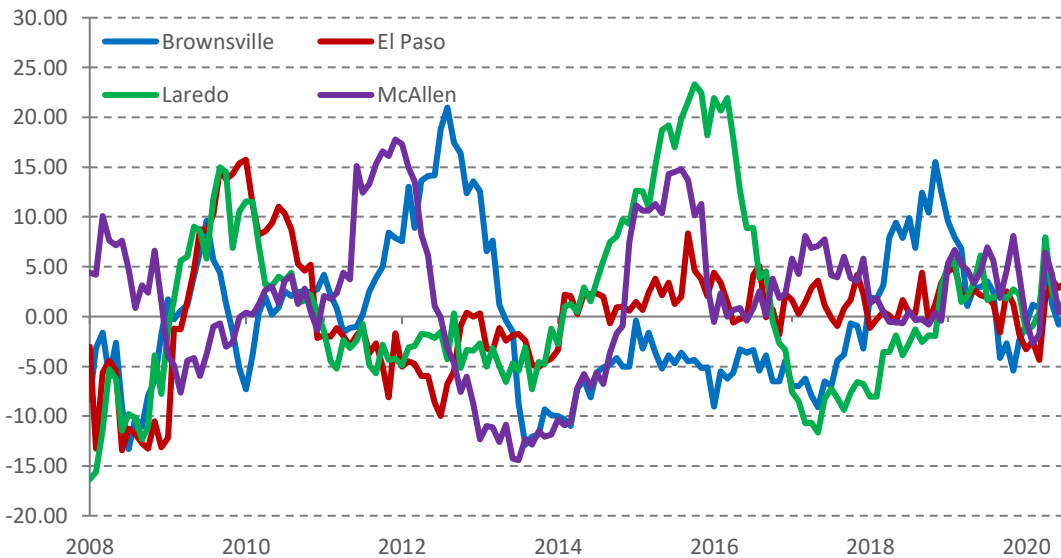
Note: Trend-cycle component.  
Source: Instituto Nacional de Estadística y Geografía

### Unemployment Rate (Percent)



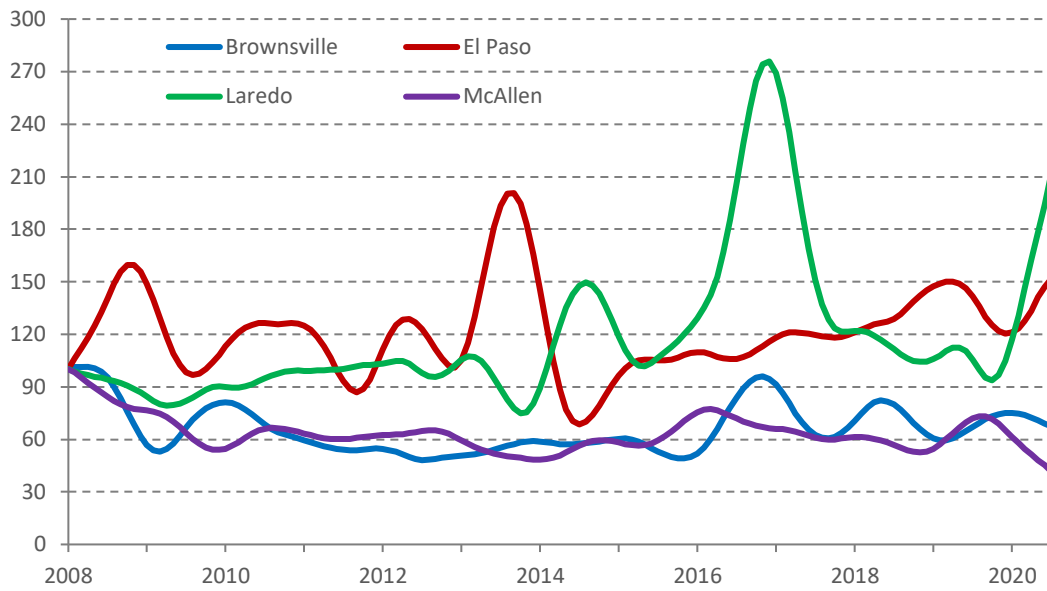
Note: Seasonally adjusted. July 2020 is preliminary. For more information, see [Unemployment Rate](#).  
Source: Bureau of Labor Statistics

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



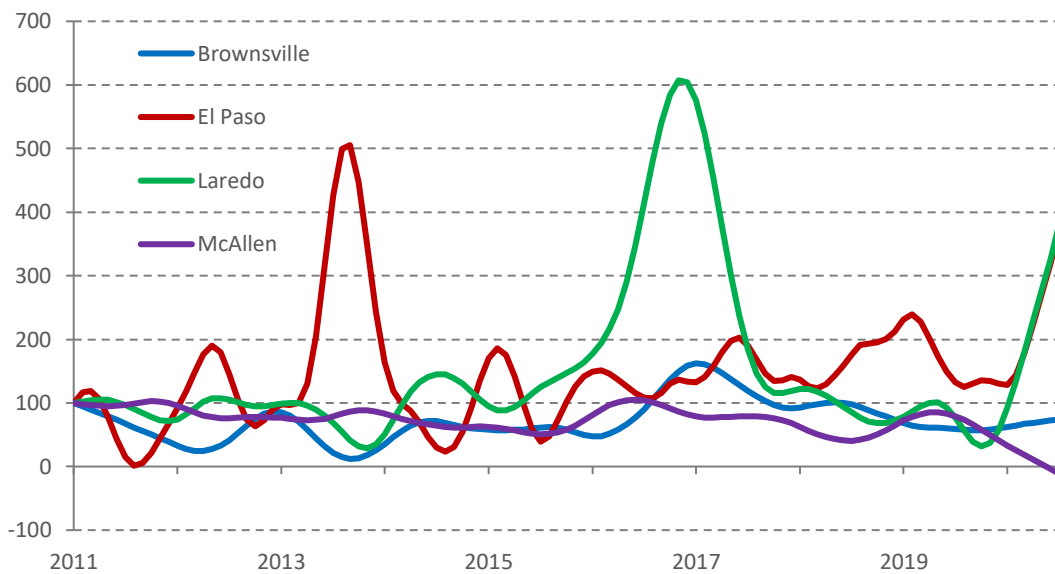
Notes: Inflation adjusted, seasonally adjusted. July 2020 is preliminary.  
For more information, see [Total Private Employee Hourly Earnings](#).  
Source: Bureau of Labor Statistics

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



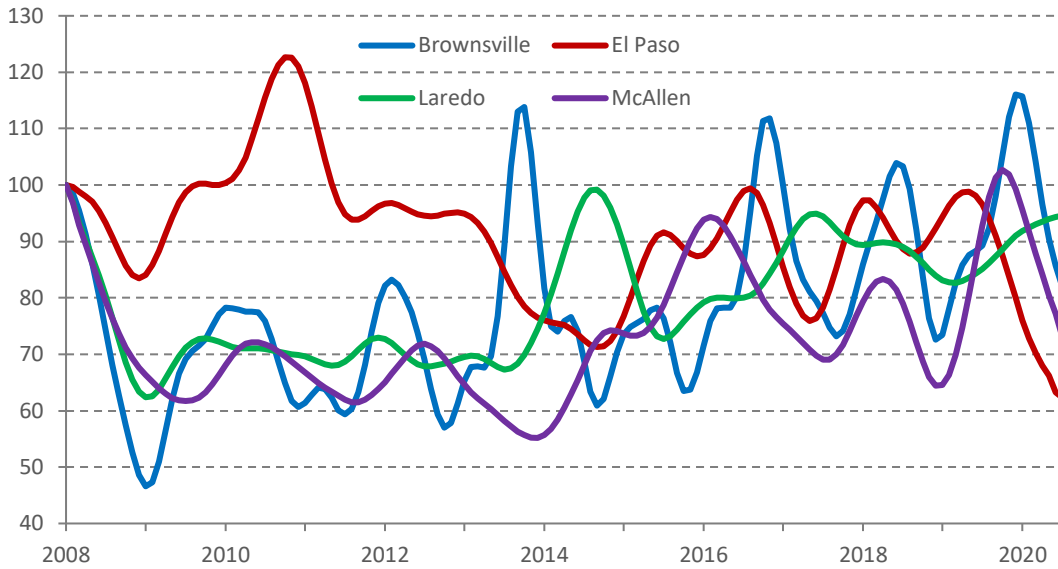
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

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



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

### Residential Construction Values (Index Jan 2008 = 100)



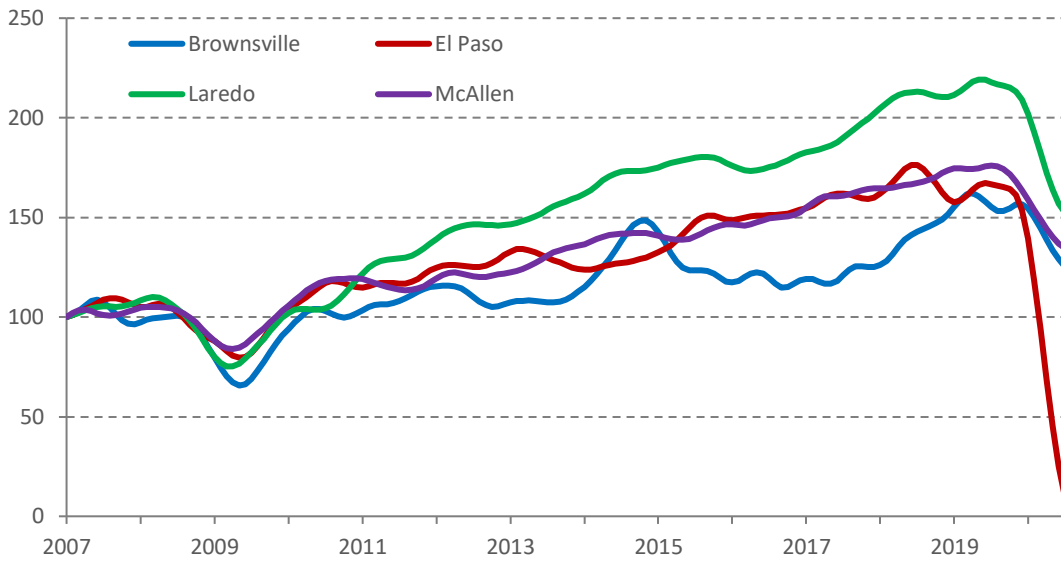
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

### Real Peso per Dollar Exchange Rate (\$)



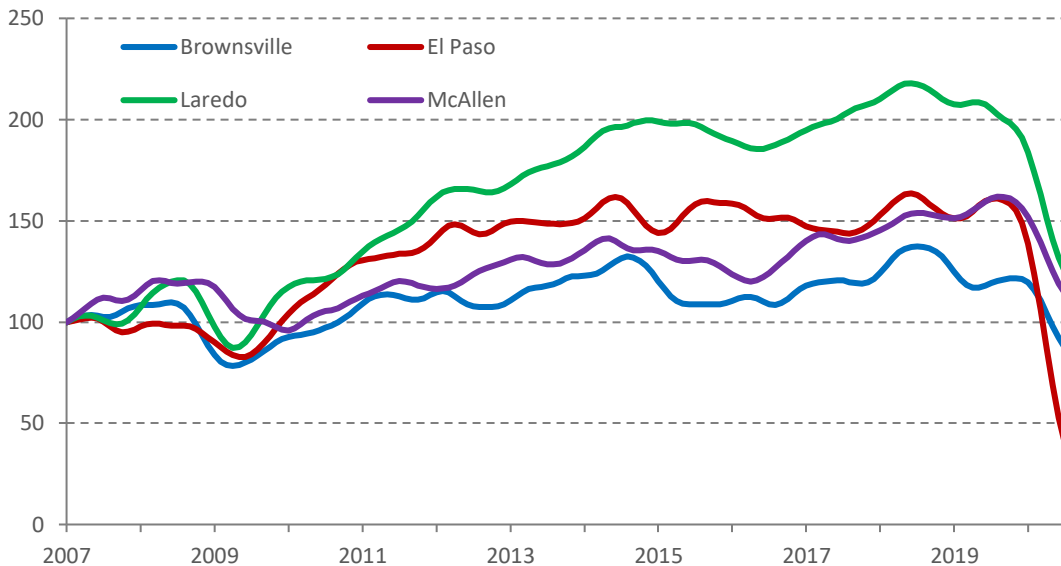
Note: Deflated using the Texas Trade Weighted Value of the Dollar.  
Source: Federal Reserve Bank of Dallas

### 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)

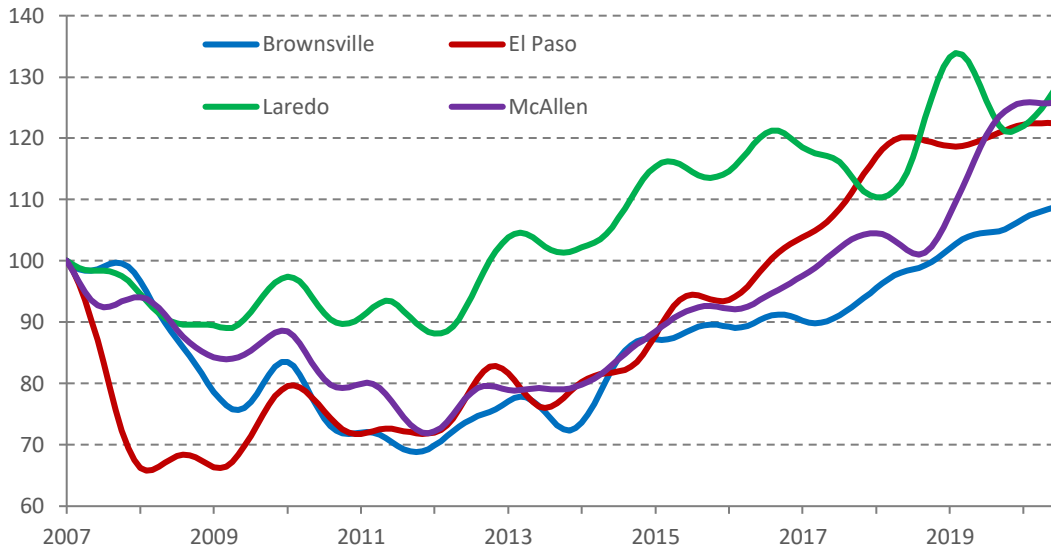


Note: Trend-cycle component.  
Sources: Foreign Trade Division and U.S. Census Bureau



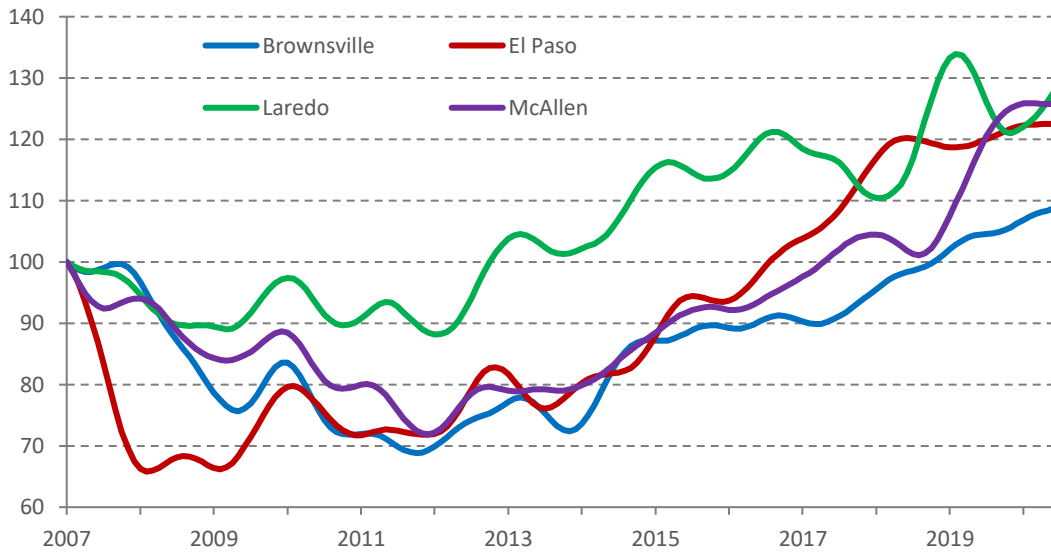
# Housing

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



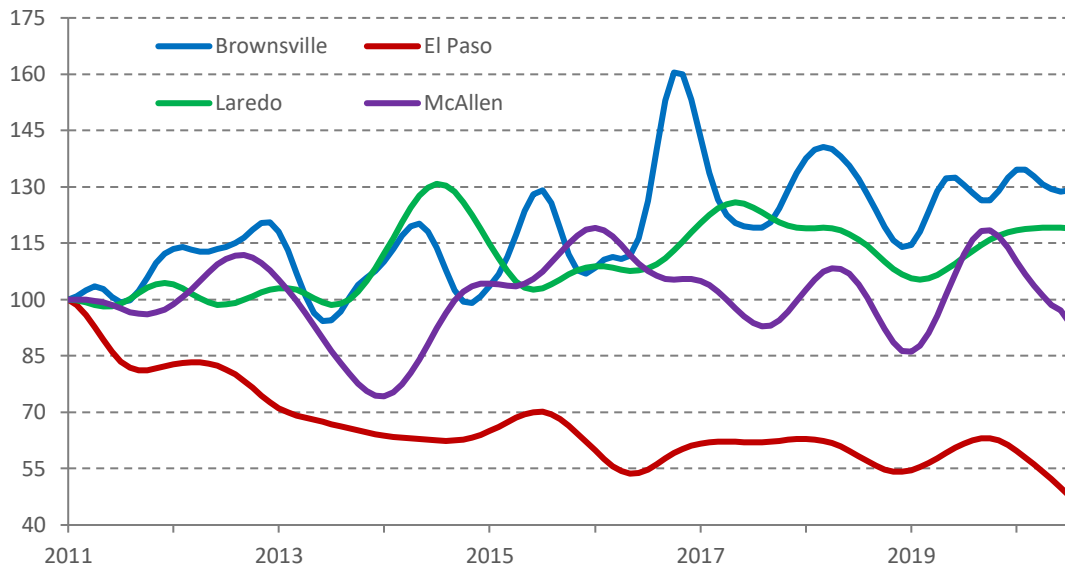
Note: Trend-cycle component.  
Source: Real Estate Center at Texas A&M University

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



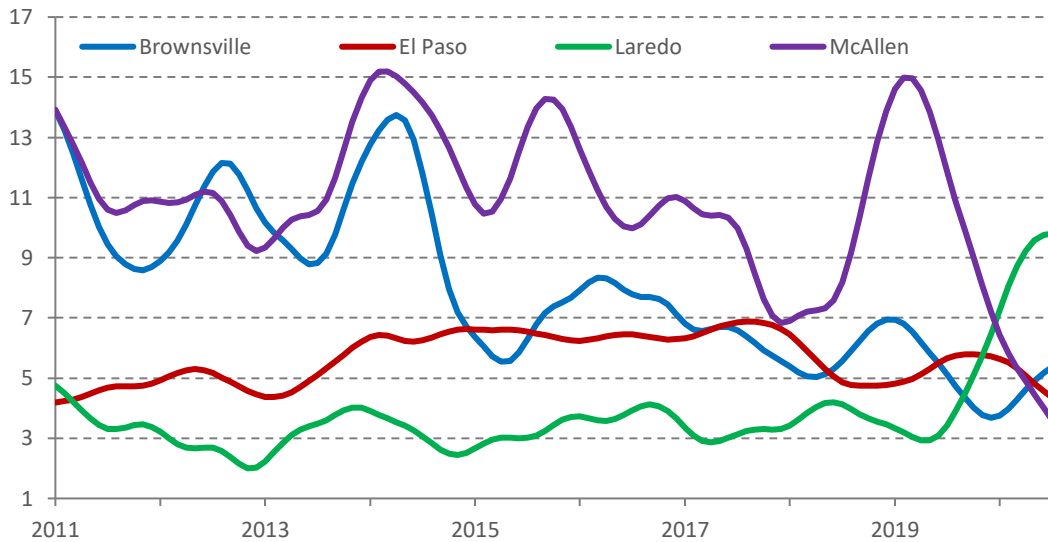
Note: Trend-cycle component.  
Sources: U.S. Census Bureau and Real Estate Center at Texas A&M University

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



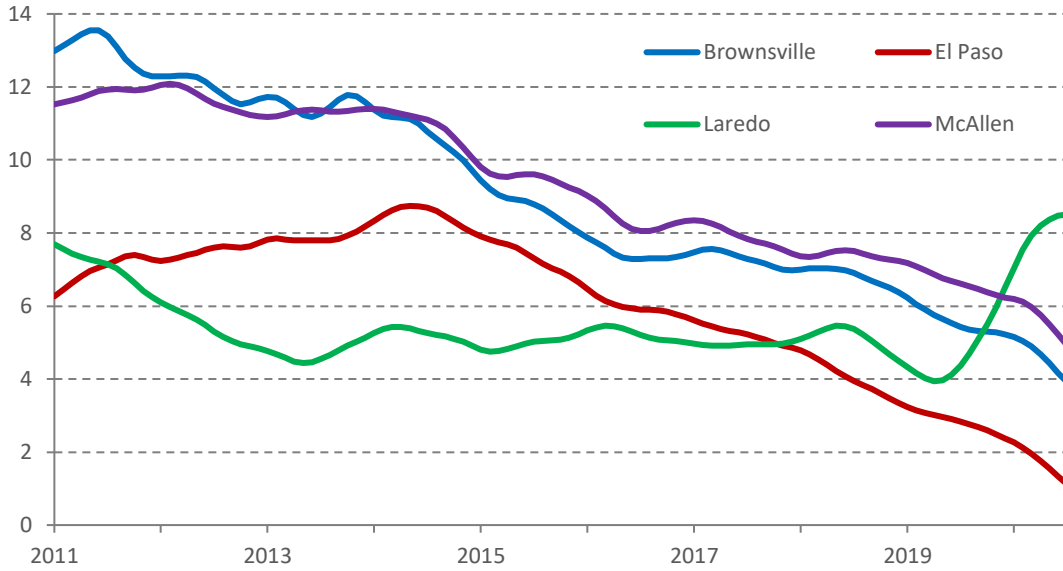
Note: Inflation adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

### New Home Months of Inventory (Months)



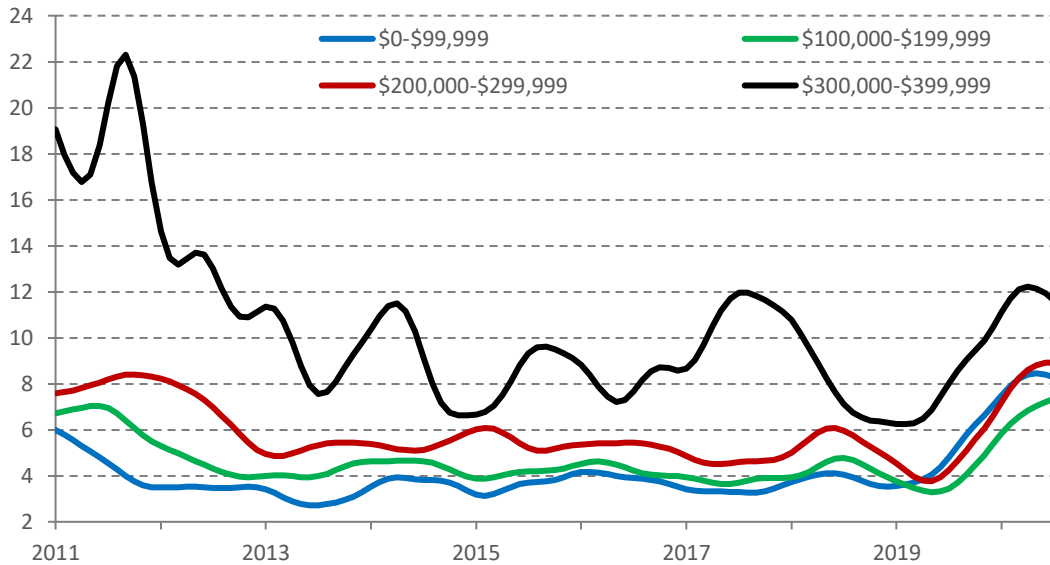
Note: Trend-cycle component.  
Source: Real Estate Center at Texas A&M University

### Existing Home Months of Inventory (Months)



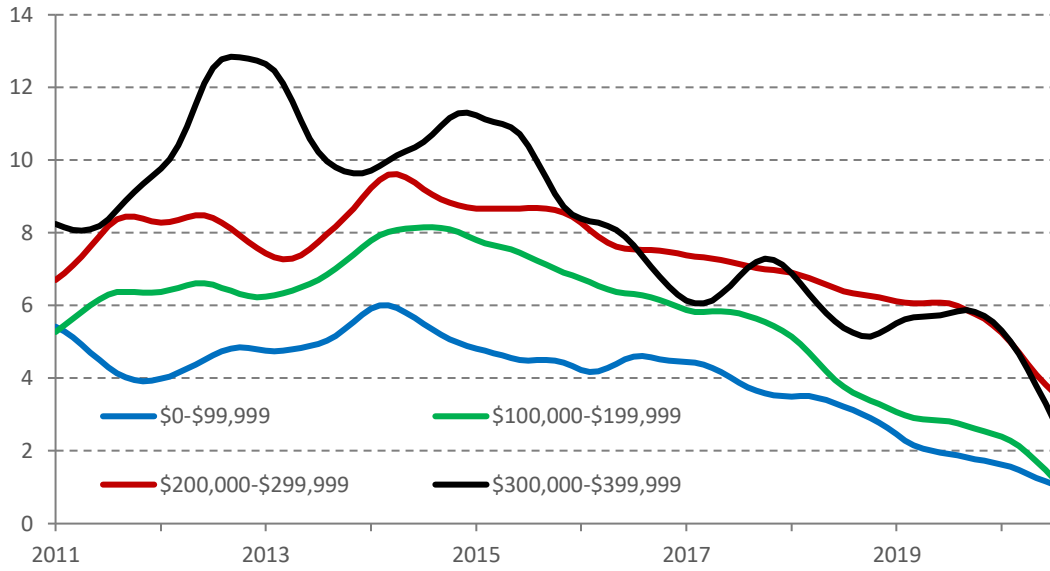
Note: Trend-cycle component.  
Source: Real Estate Center at Texas A&M University

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



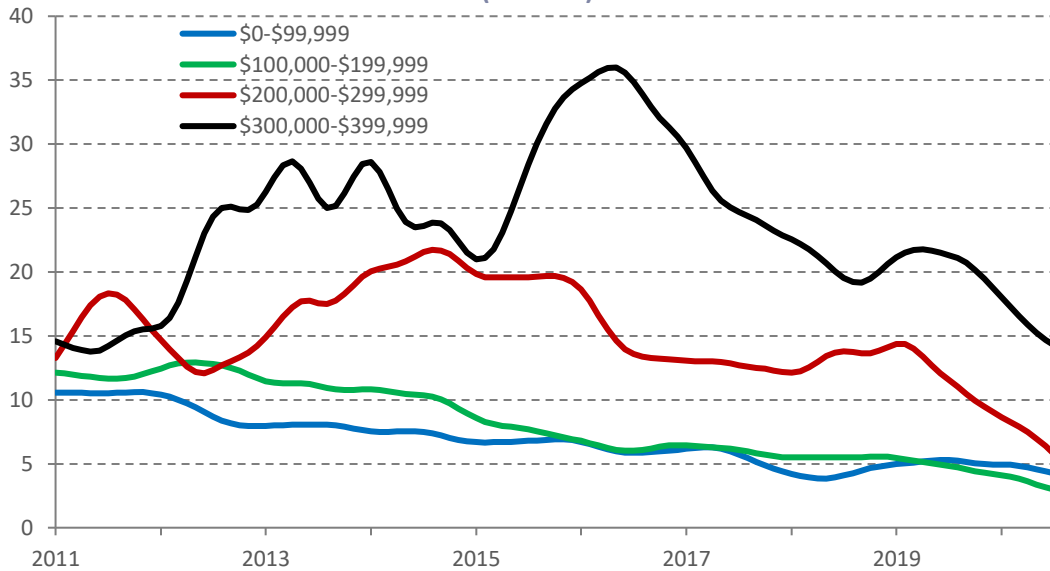
Note: Trend-cycle component.  
Source: Real Estate Center at Texas A&M University

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



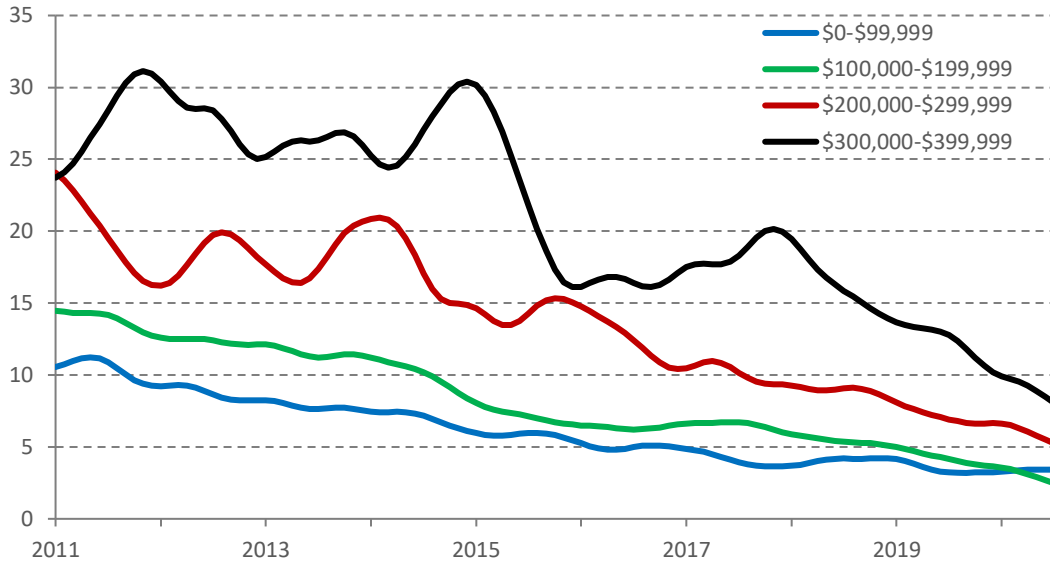
Note: Trend-cycle component.  
Source: Real Estate Center at Texas A&M University

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



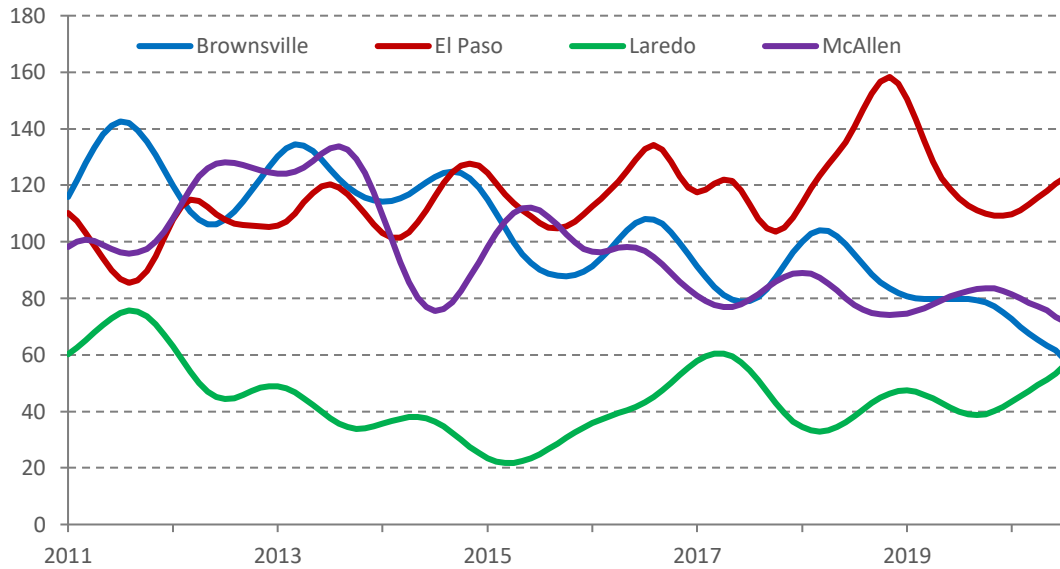
Note: Trend-cycle component.  
Source: Real Estate Center at Texas A&M University

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



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

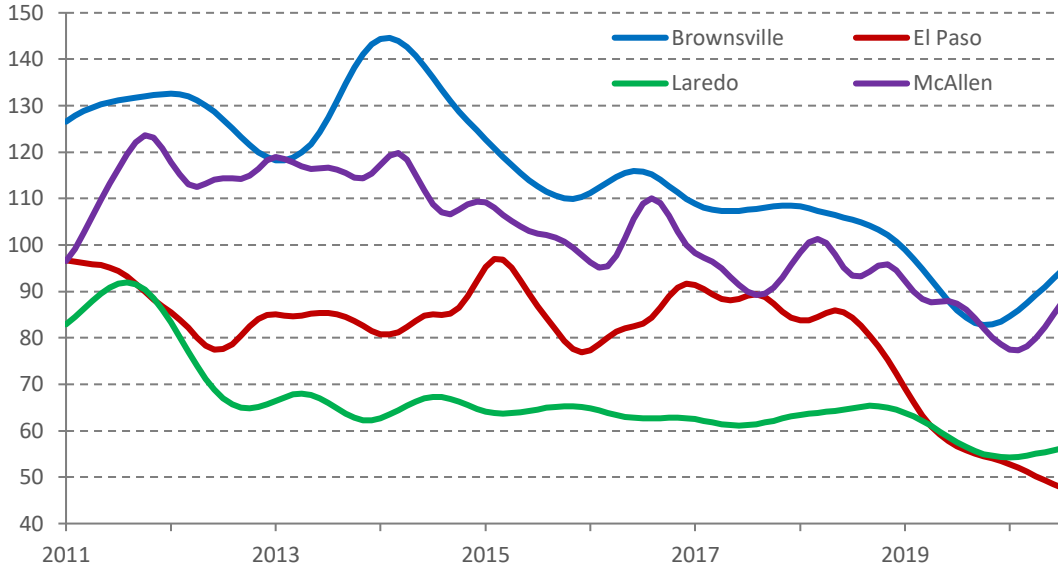
### New Home Days on Market (Days)



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

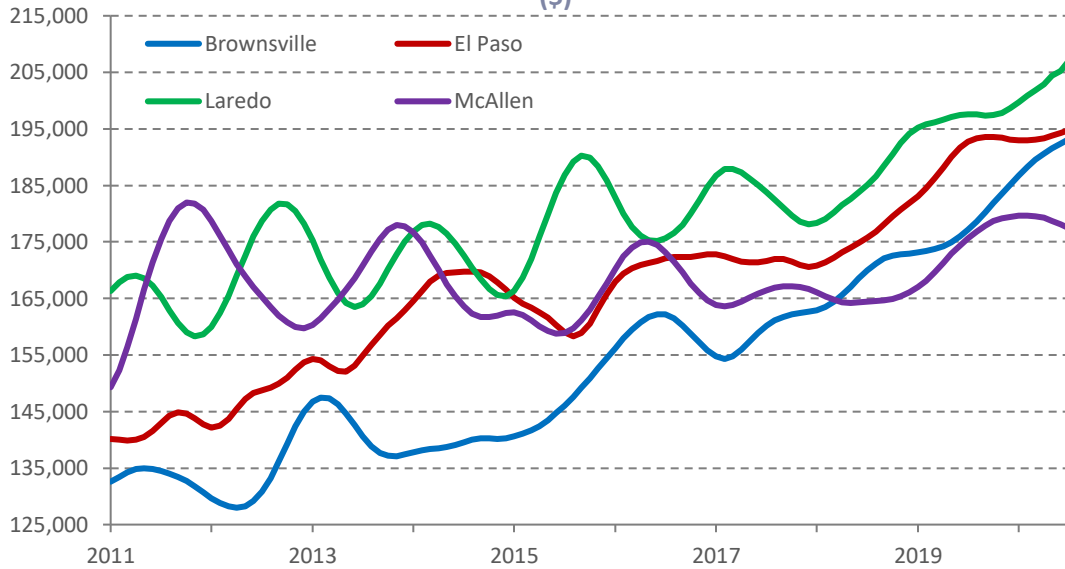


### Existing Home Days on Market (Days)



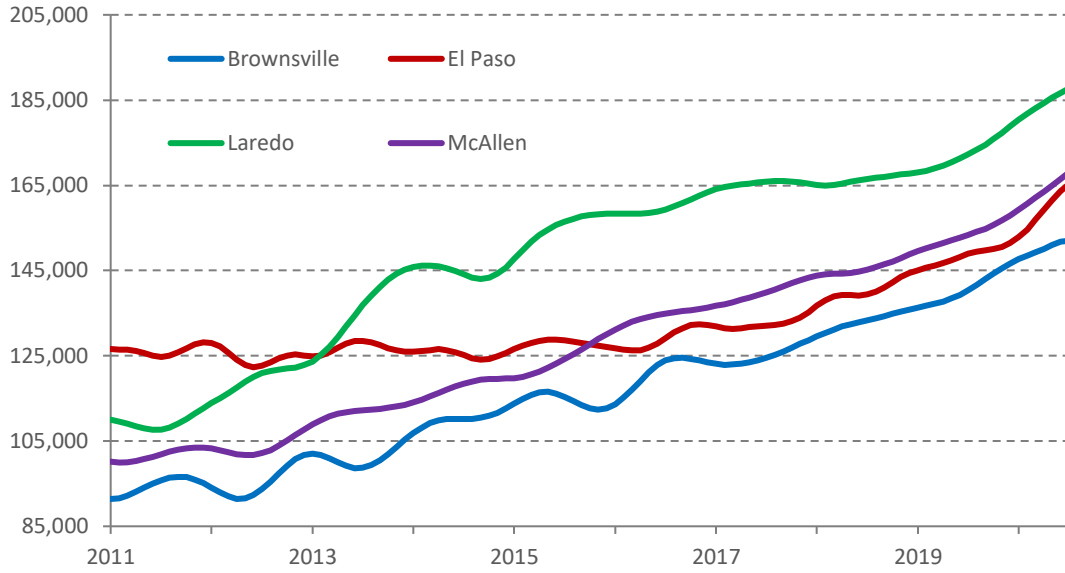
Note: Trend-cycle component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### New Home Median Sales Price (\$)



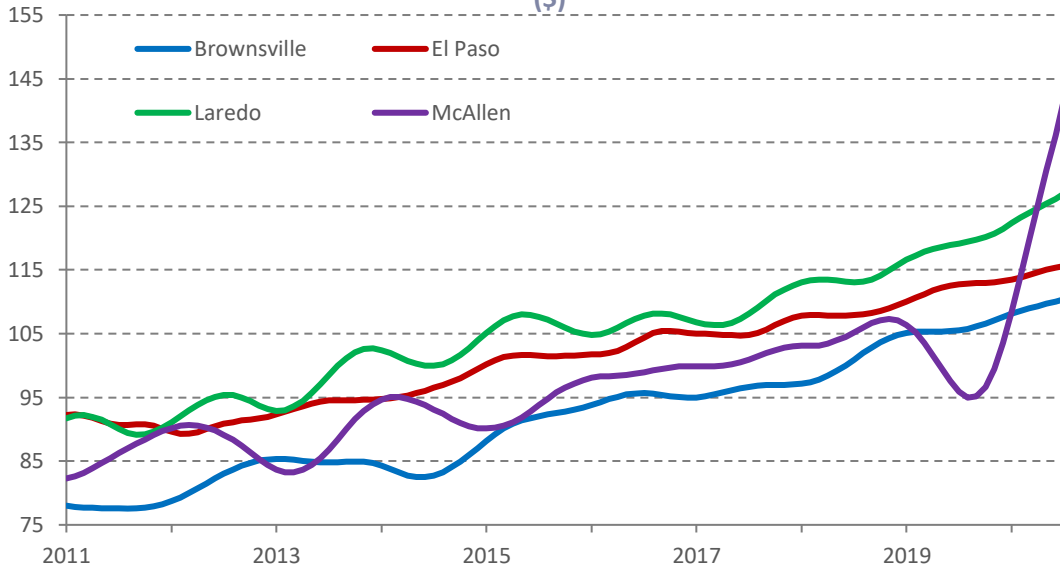
Note: Trend-cycle component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### Existing Home Median Sales Price (\$)



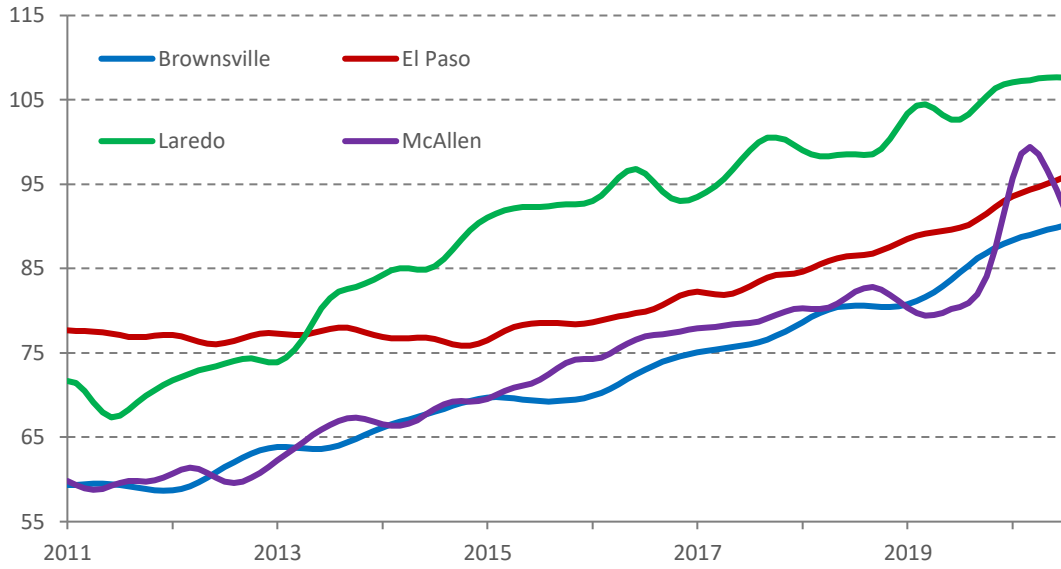
Note: Trend-cycle component. For single-family homes.  
Source: Real Estate Center at Texas A&M University

### 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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