

# TEXAS BORDER ECONOMY



TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



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NOVEMBER 2020 DATA

TECHNICAL REPORT

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## About this Report

Texas Real Estate Research 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).

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Data current as of Jan. 26, 2021

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# Border Summary

BORDER EMPLOYMENT ▲ 6,000 jobs	OCT. MAQUILADORA EMPLOYMENT ▲ 2,500 jobs	BORDER LABOR FORCE ▬ 0.1% YTD	TOTAL TRADE VALUES ▲ 2.3% MOM	HOUSING SALES ▲ 3.0% MOM
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## November 2020

Economies along the Texas-Mexico border continued recovering, but key indicators were mixed, signaling slower growth. Hiring picked up, and more residents entered the labor force in November. However, unemployment also rebounded, while average hourly earnings declined even before adjusting for inflation. On the bright side, manufacturing, construction, and trade activity all improved for the second straight month. Total housing sales increased after a standstill in October. New listings in El Paso and McAllen provided some relief to extremely depleted inventories, but home prices soared amid robust demand and a supply shortage at the lower-end of the price spectrum.

The pandemic remains the greatest headwind to the local communities. When the number of daily new cases in El Paso skyrocketed at the end of October, the county ordered another shutdown of nonessential businesses. The shutdown was overturned by a Texas appeals court, but daily new cases have since decreased and stabilized. Less encouraging, Laredo's daily new cases have continued to climb into the new year, and the COVID-19 hospitalization rate approached 50 percent. Vaccine distribution and an approved second round of federal stimulus, however, should be a boon to the health crisis and economic recovery.

## Economy

Labor-market woes pulled the **Dallas Fed's Business-Cycle Indexes** down 9.5 and 3.7 percent on a seasonally adjusted annualized rate (SAAR) in McAllen and Laredo, respectively. Brownsville's metric flattened, while the index in El Paso decelerated for the third consecutive month, rising just 2.4 percent SAAR. Retail sales, a component of the index, may be limited by the ban on nonessential travel in North America, which prohibits Mexican tourists from entering the U.S. These measures have been extended through Feb. 21, 2021. Pedestrian and personal vehicle traffic from Mexico sank more than 66 and 48 percent year to date (YTD), respectively (Figures 1 and 2). On the bright side, Laredo was the only border metro where the number of retailers was substantially down from year-end levels, contracting 4.4 percent.

Total border **nonfarm employment** accelerated in November, adding 6,000 jobs, but remained 5 percent down YTD. El Paso recovered 3,300 positions, led by gains in transportation/utilities. McAllen employment rebounded from a three-month contraction after increasing by 2,200 workers, many of which were hired in the education/health services, transportation/utilities, and wholesale trade sectors. In Brownsville and Laredo, payrolls expanded by 300 and 200 employees,

respectively. Hiring in Brownsville's leisure/hospitality and education/health services offset losses in retail and professional/business services. Meanwhile, Laredo registered job growth in many service-providing industries.

On the southern side of the border, **Mexican manufacturing and maquiladora employment**<sup>1</sup> reached an all-time high of 584,400 after hiring 2,500 workers in October. Reynosa accounted for most of the overall gain, expanding payrolls for the fourth consecutive month with a 2,000-job increase. Chihuahua also extended a three-month improvement by adding 900 employees. Only maquiladora employment in Nuevo Laredo and Juarez, however, posted positive YTD growth, elevating 1.0 and 6.7 percent, respectively, despite a monthly contraction in Juarez. On the other hand, Matamoros employment recorded 300 layoffs, pushing levels 3.9 percent below the year-end job count. U.S. manufacturing production slowed in November but still eked out a modest gain, maintaining an upward trend. Stronger factory activity in the U.S. and Mexico should bolster Mexico's economic recovery, but the pandemic remains a significant deterrent to the country's future growth, especially as additional fiscal stimulus seems unlikely.

As more residents entered the labor force, **unemployment rates** rose by about 2 percentage points. In the Rio Grande Valley, the metric increased to 12.9 and 11.5 percent in McAllen and Brownsville, respectively, while El Paso's unemployment rate shot up to 9.6 percent. Laredo was the exception, with joblessness ticking up by slightly more than 1 percentage point to 9.4 percent. On the bright side, the border's labor force rebounded to year-end levels. Weekly initial unemployment claims also declined in November (Figure 3), suggesting labor-market conditions may improve in December.

Weak labor-market conditions were corroborated by declines in **average private hourly earnings**. In McAllen, wages averaged \$19.05 per hour after falling 6.8 percent year over year (YOY) in real terms. Although McAllen was the highest-paying border metro, its earnings lagged the state average by more than \$8 per hour. Leisure/hospitality and education/health services, typically lower-paying industries and the ones most affected by the recent health crisis, comprise a larger share of total employment along the border, particularly in the Rio Grande Valley, than the overall state. The increasingly large gap between the border's and the state's wages reflects the disparate impacts of the pandemic and its economic aftermath. El Paso earnings (\$18.83) dropped 4.2 percent annually after accounting for inflation, while the Brownsville metric (\$16.53) posted a 1.9 percent contraction. Meanwhile, Laredo's hourly wages (\$18.20) flattened relative to inflation-adjusted year-ago levels.

An upward revision to October data and continued growth in November pulled YTD **total construction values** up 2.8 percent relative to the same period last year. A rebound in nonresidential values accounted for the monthly improvement. Increased school values in Laredo and El Paso and a surge of investment in the latter's warehouse sector offset decreased office-

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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.

building construction in McAllen. McAllen also contributed to the overall decline in residential activity, with the metro's single-family values dropping by half to normalize at the average level during 2019.

In the currency market, the **peso-per-dollar exchange rate** decreased for the fourth consecutive month to 20.46 as the inflation-adjusted rate<sup>2</sup> also declined. The metric rose 4.7 percent YOY in real terms, however, revealing that domestic goods were still relatively costly to Mexican buyers. On the bright side, the annual growth rate has decelerated since reaching double-digits during second quarter 2020. **Total trade values** passing through the border improved 2.3 percent, largely due to increased vehicular-related imports to El Paso. Nevertheless, trade through the West Texas metro remained just a quarter of year-end values, whereas the Laredo and McAllen metrics exceeded December 2019 levels, and Brownsville trade drew even YTD.

## Housing

After sluggish activity the previous month, **border housing sales** increased 3 percent in November to a record-high. Brownsville sales rose for the third straight month, accelerating 6.3 percent, while Laredo's metric elevated 1.9 percent. In both metros, transactions for homes priced more than \$200,000 pulled the total up. In contrast, sales priced less than \$200,000 in El Paso contributed to the overall 4.7 percent improvement. Still, the share of activity at the lower end of the price spectrum was less than it was a year ago. McAllen sales jumped 4.3 percent after stalling the previous month.

**Single-family housing construction permits** stepped back 6.2 percent following a six-month upturn. El Paso accounted for most of the downward correction, with issuance falling 10.6 percent. McAllen permits ticked down 2.3 percent from a post-Great Recession high the previous month, while Laredo's metric stabilized. Brownsville was the exception with issuance rebounding 12.2 percent to third-quarter levels. **Private single-family construction values** trended similarly to permit activity, with all but El Paso values exhibiting a steep upward trajectory.

Fluctuations in **months of inventory (MOI)** varied along the border. A steady influx of new listings priced less than \$300,000 pushed McAllen's MOI to 3.6 months. In El Paso, an increase in homes hitting the market priced from \$100,000 and \$400,000 contributed to the MOI ticking up above 1.5 months. Nevertheless, the metrics were still around historically low levels. Inventory in Brownsville and Laredo plunged to all-time lows of 3.1 and 2.0 months, respectively.

The **average number of days on market (DOM)** continued to sink below year-ago readings, indicating robust demand amid historically low mortgage rates. The Rio Grande Valley shed ten days off the metric, falling to 90 days in Brownsville and 73 days in McAllen. Meanwhile, the DOM

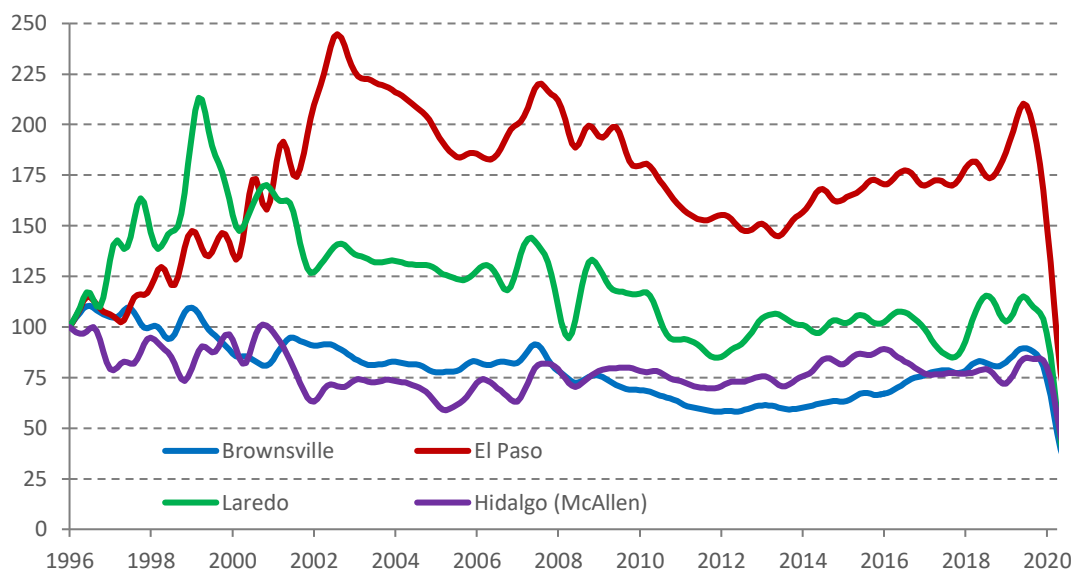
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<sup>2</sup> The real peso per dollar exchange rate is inflation adjusted using the Texas Trade-Weighted Value of the Dollar. Its release typically lags the *Texas Border Economy* by one month.

in Laredo and El Paso declined more than two and three weeks, respectively, averaging 40 days in the former and 52 days in the latter.

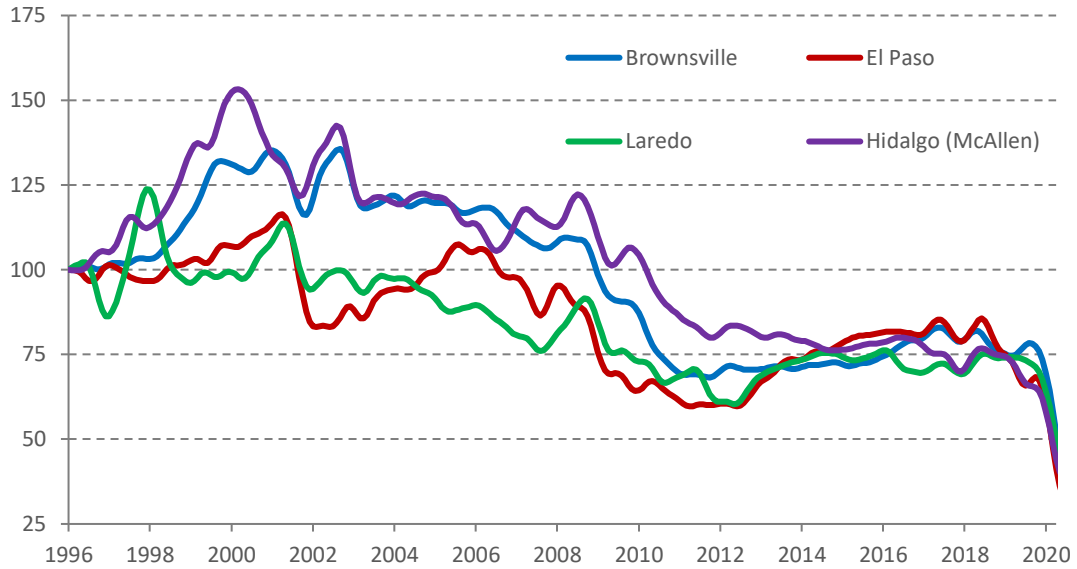
A shift in the composition of sales toward higher-priced homes due to limited inventories at the lower end of the price spectrum contributed to price increases. The **median home price** rose to record highs in Laredo and the Rio Grande Valley. Laredo’s metric jumped to \$202,900, averaging 5.5 percent growth YTD compared with the first 11 months of 2019. Home-price appreciation hovered in the double-digits in Brownsville and McAllen, pushing the median price to \$192,000 and \$186,300, respectively. El Paso’s median price ticked down to \$180,600 due to monthly sales fluctuations, but annual price growth hovered around 8 percent on a YTD basis. If compositional changes in sales were controlled for, however, it is likely that the true changes in single-home values were more moderate, as demonstrated by the similar statewide acceleration in median home price and less rapid growth in the Texas Repeat Sales Home Price Index.

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



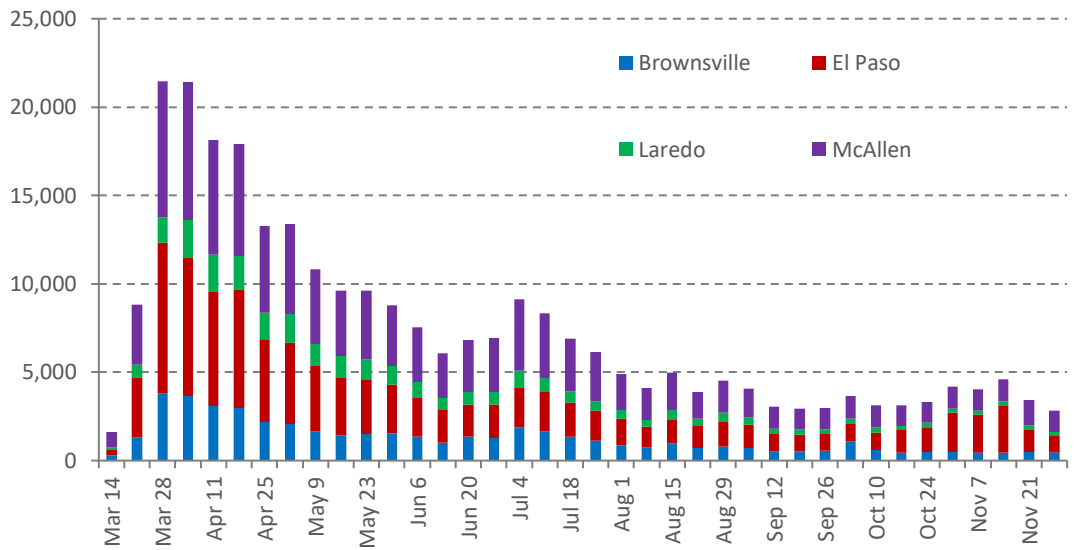
Note: Pedestrians entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection. Trend-cycle component.  
Source: U.S. Bureau of Transportation Statistics

**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

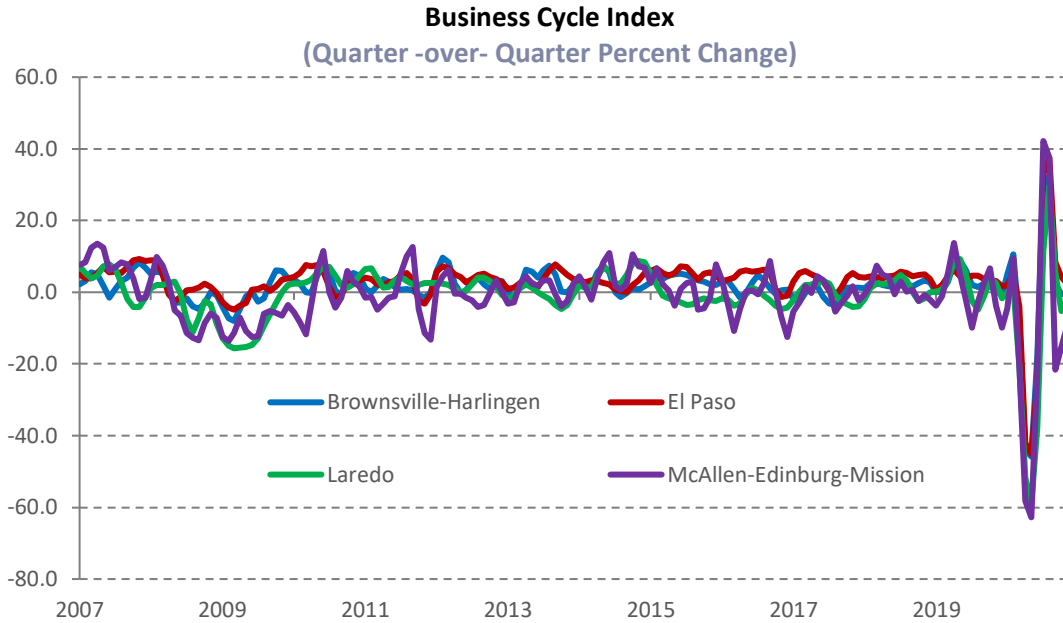
**Figure 3. Border Metro Weekly Initial Unemployment Claims (2020)**



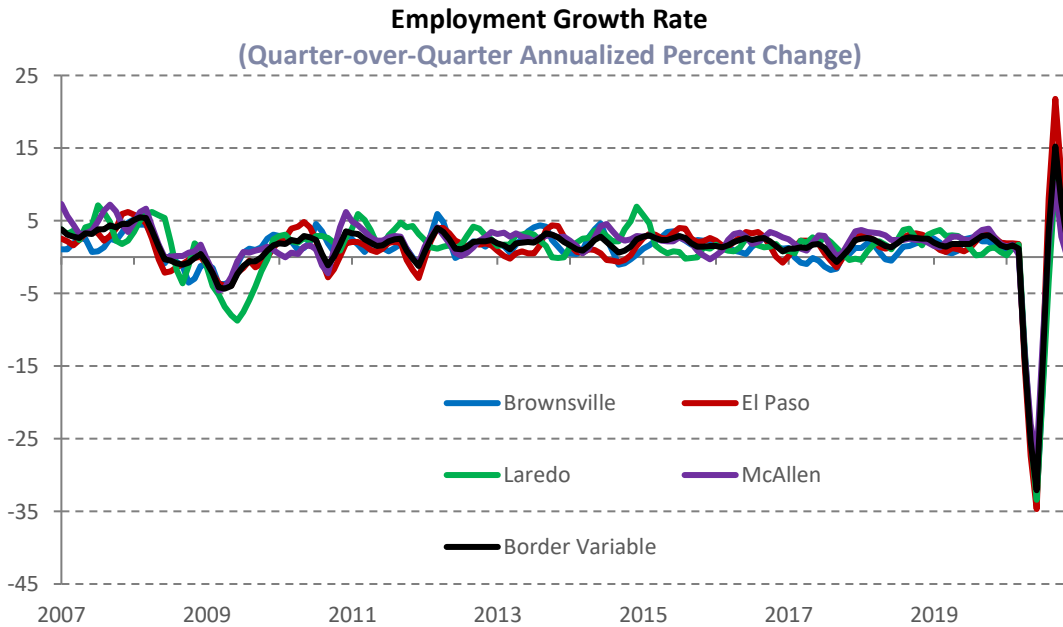
Note: Seasonally adjusted.  
Sources: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, and Texas Real Estate Research Center at Texas A&M University calculations



# Economic Activity

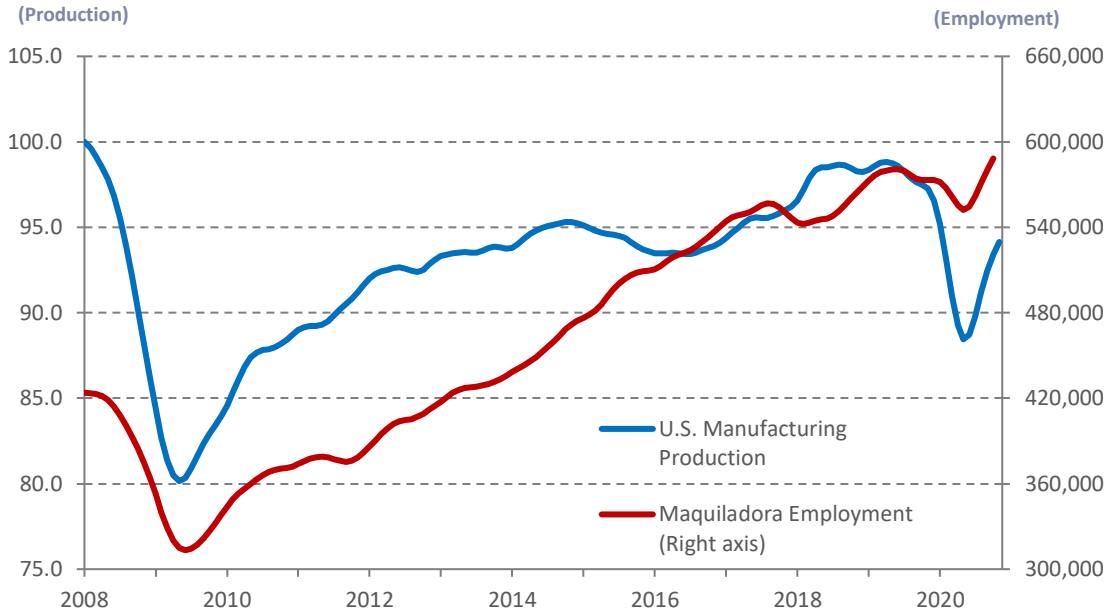


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).  
Source: Federal Reserve Bank of Dallas



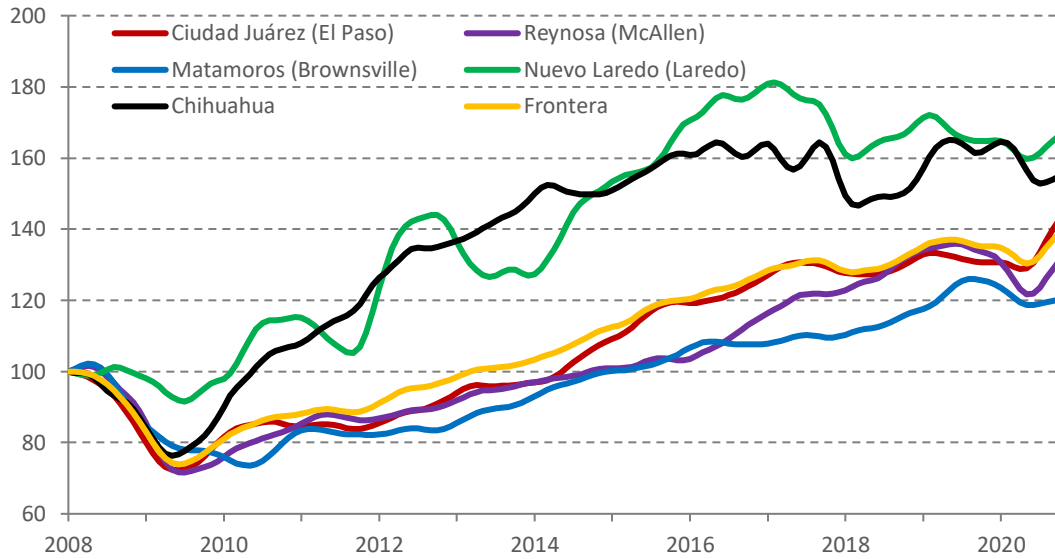
Note: Seasonally adjusted, three-month moving average. November 2020 is preliminary.  
For more information, see [Employment Growth Rate](#).  
Source: Bureau of Labor Statistics

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



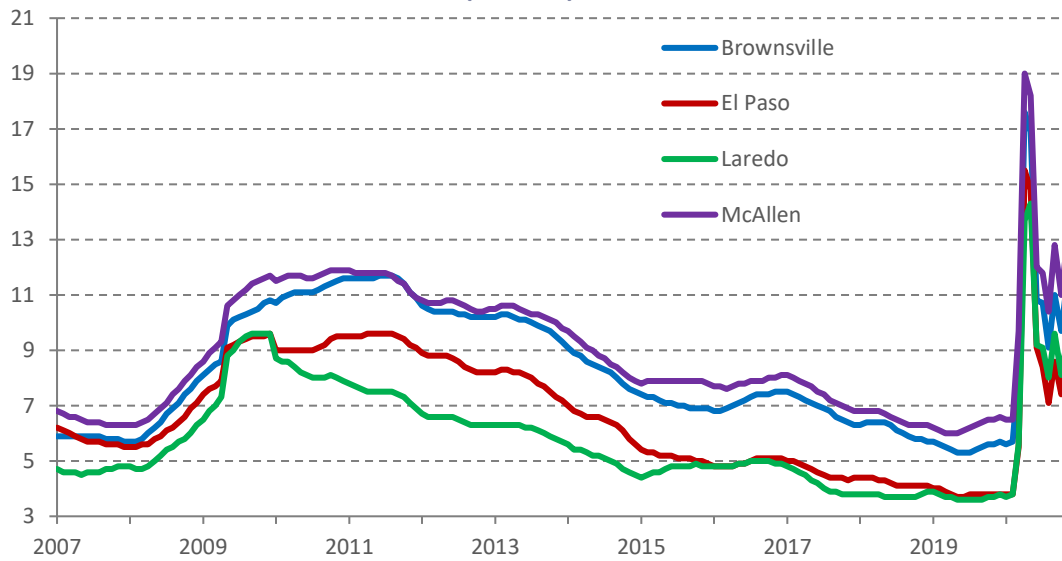
Note: Trend-cycle component.  
Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

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



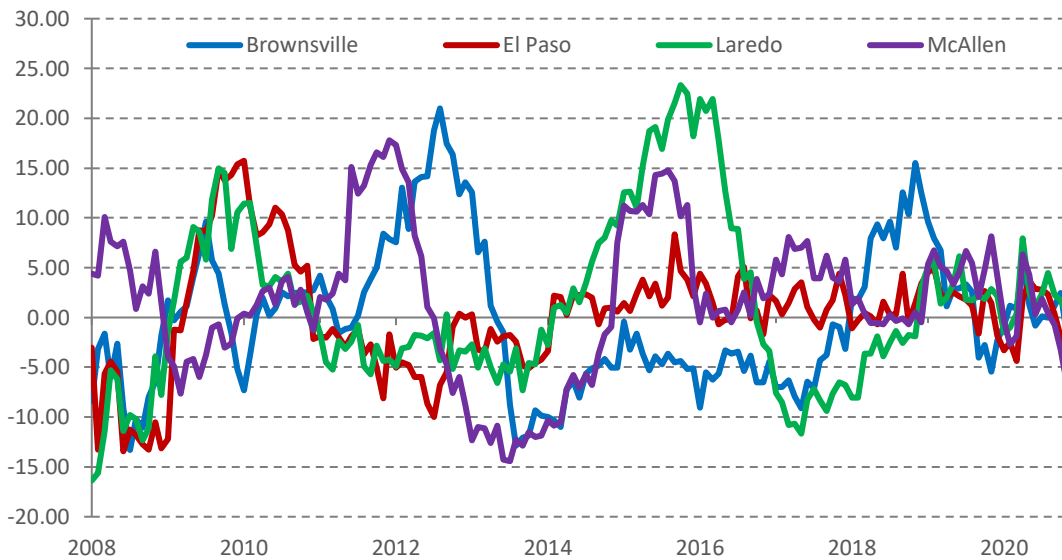
Note: Trend-cycle component.  
Source: Instituto Nacional de Estadística y Geografía

### Unemployment Rate (Percent)



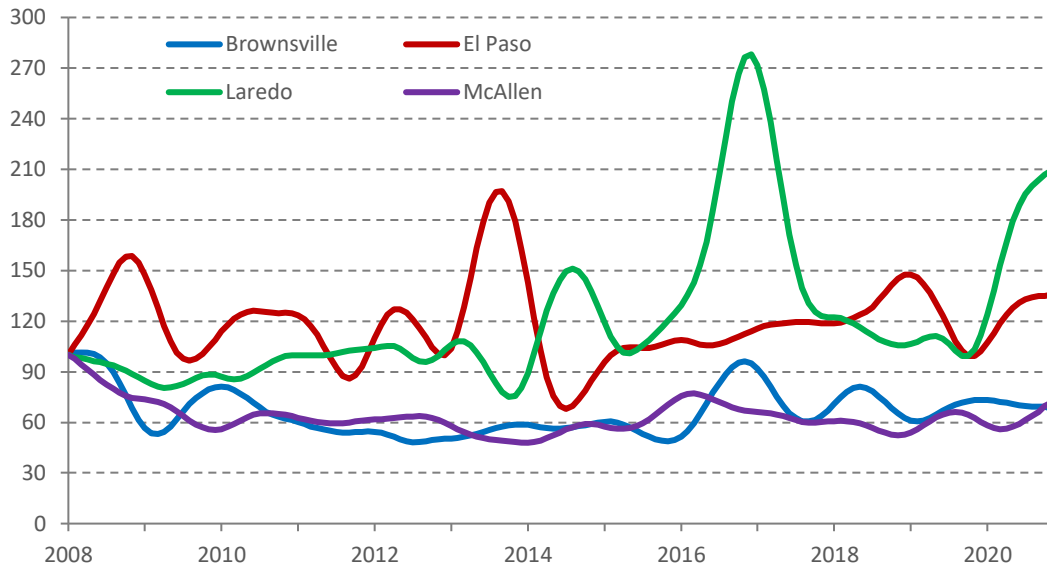
Note: Seasonally adjusted. November 2020 is preliminary. For more information, see [Unemployment Rate](#).  
Source: Bureau of Labor Statistics

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



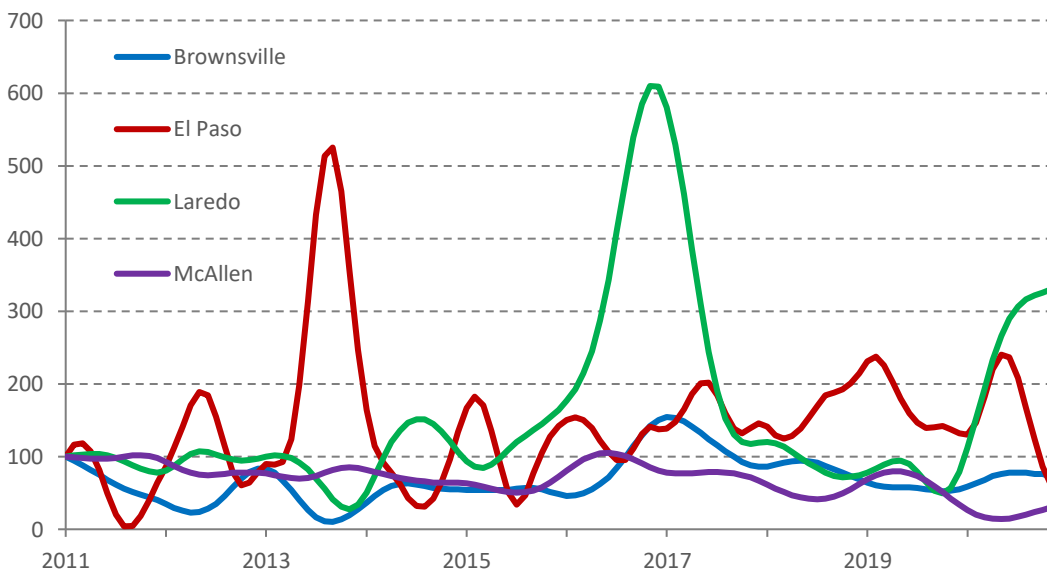
Note: Inflation adjusted, seasonally adjusted. November 2020 is preliminary.  
For more information, see [Total Private Employee Hourly Earnings](#).  
Source: Bureau of Labor Statistics

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



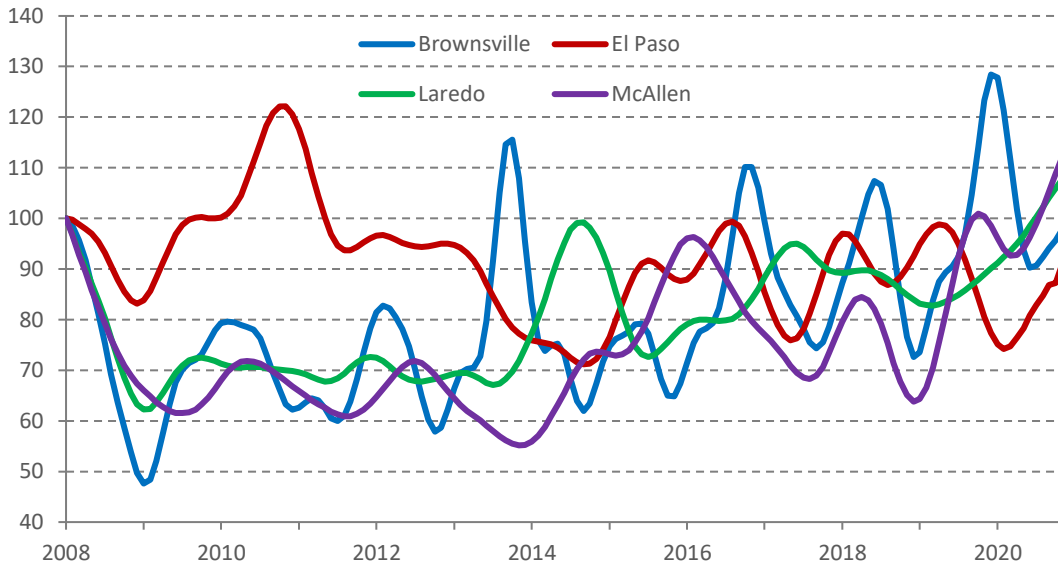
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

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



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

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



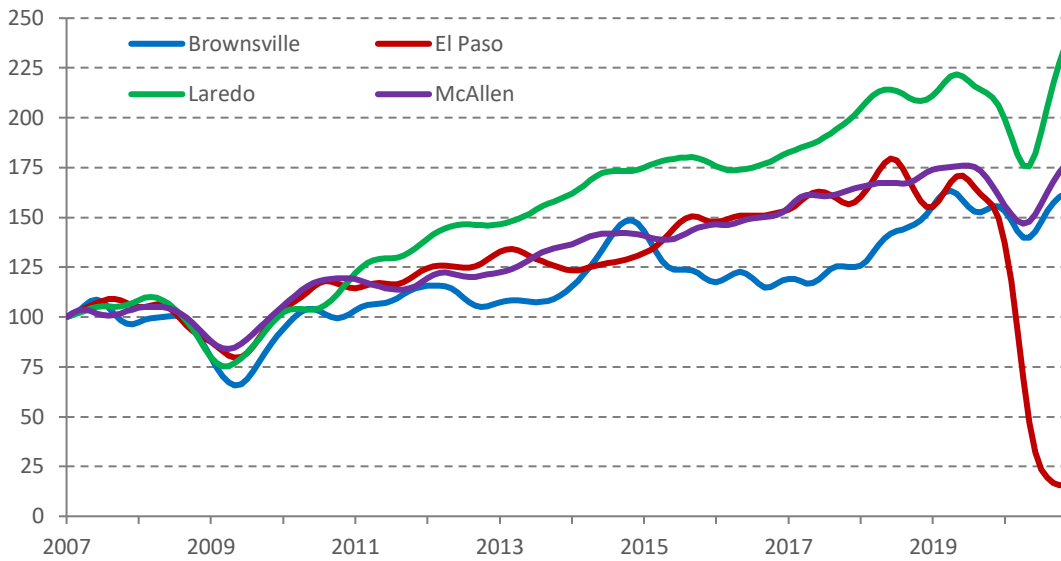
Note: Inflation-adjusted. Trend-cycle component.  
Source: Dodge Data & Analytics

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



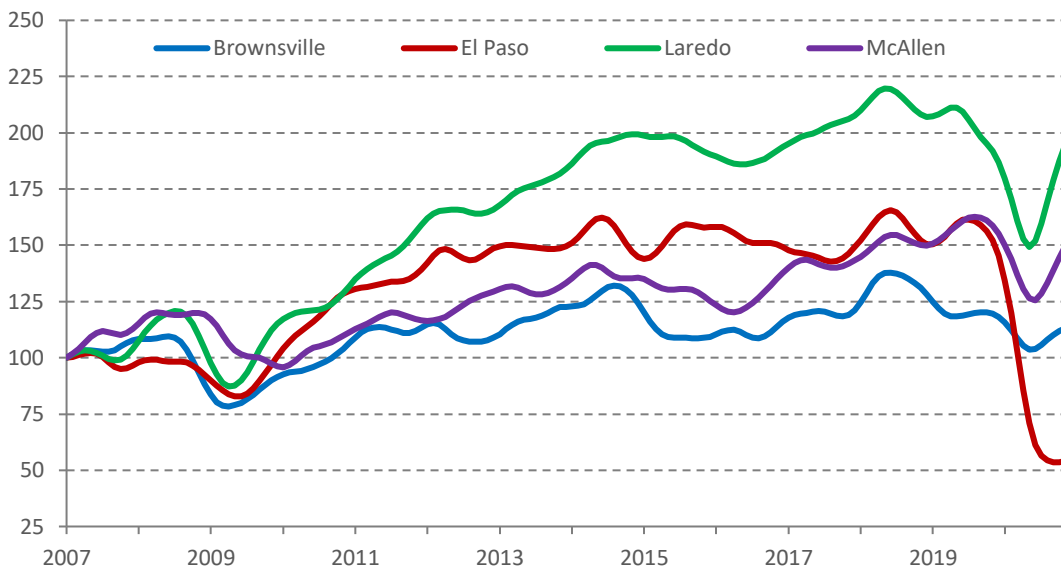
Note: Deflated using the Texas Trade Weighted Value of the Dollar.  
Source: Federal Reserve Bank of Dallas

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



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

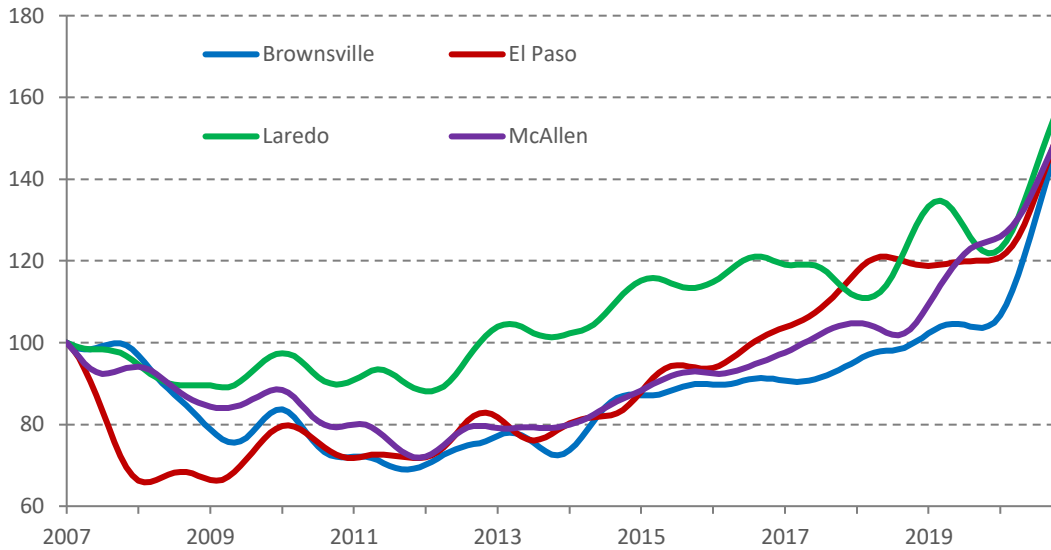
**Export Values**  
(Index Jan 2007 = 100)



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

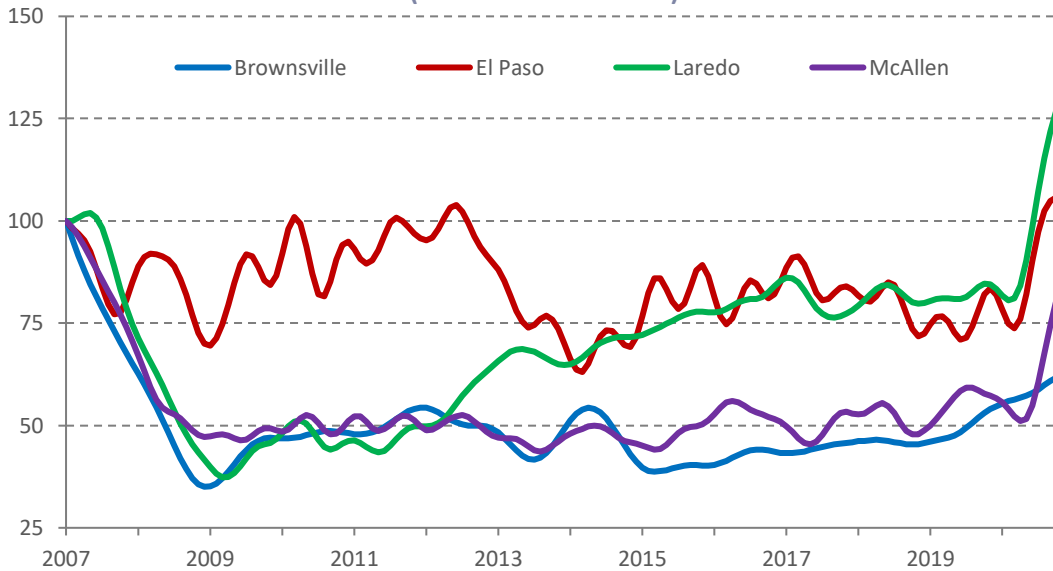
# Housing

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



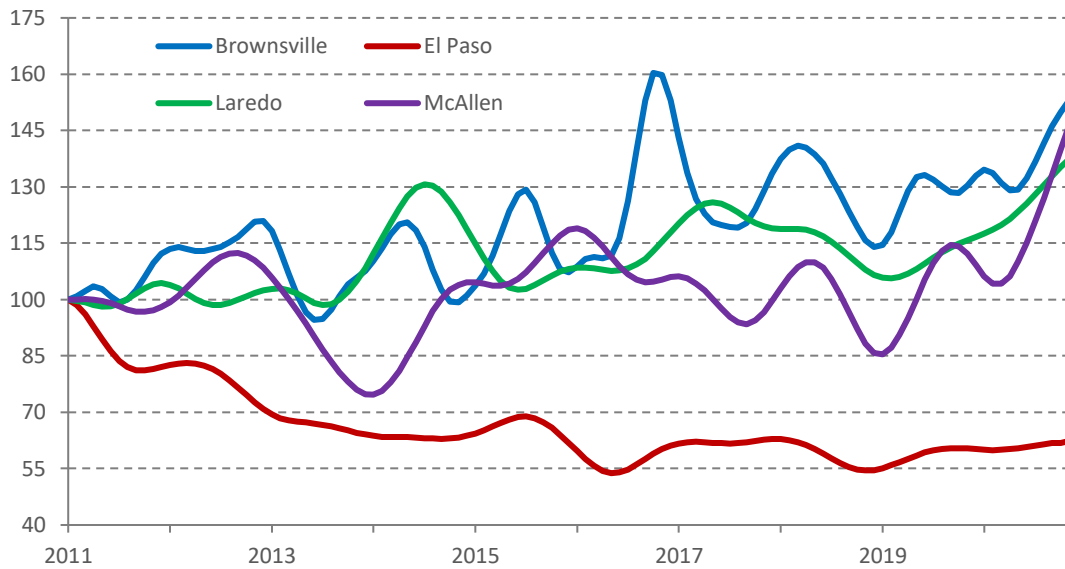
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



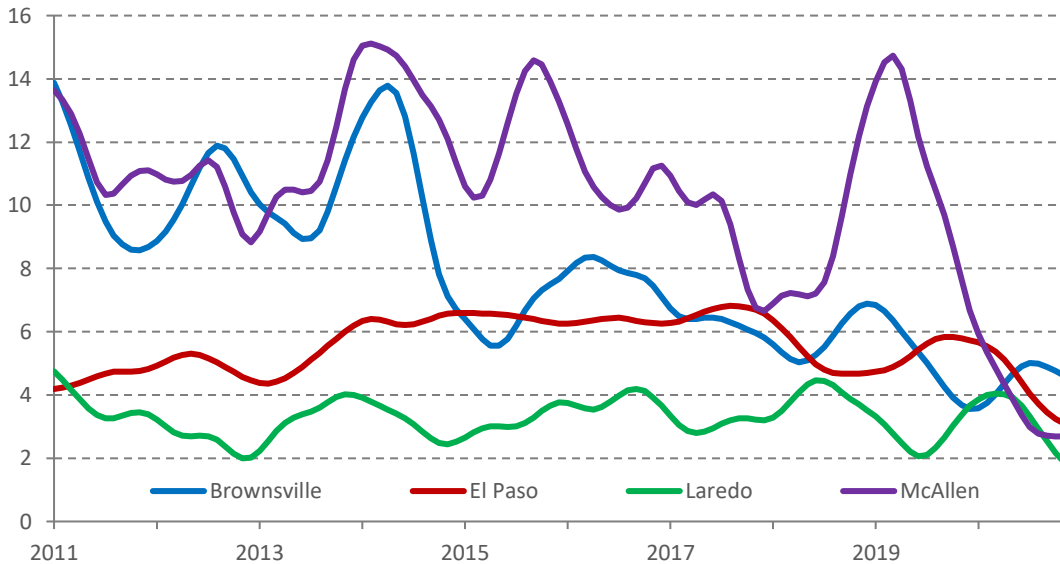
Note: Trend-cycle component.  
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

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



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

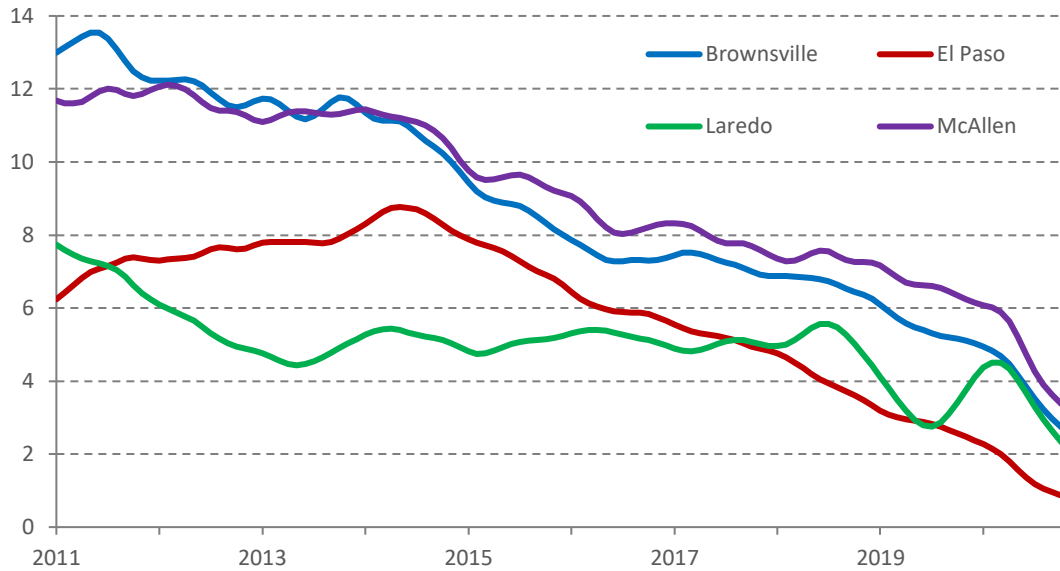
**New Home Months of Inventory**  
(Months)



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

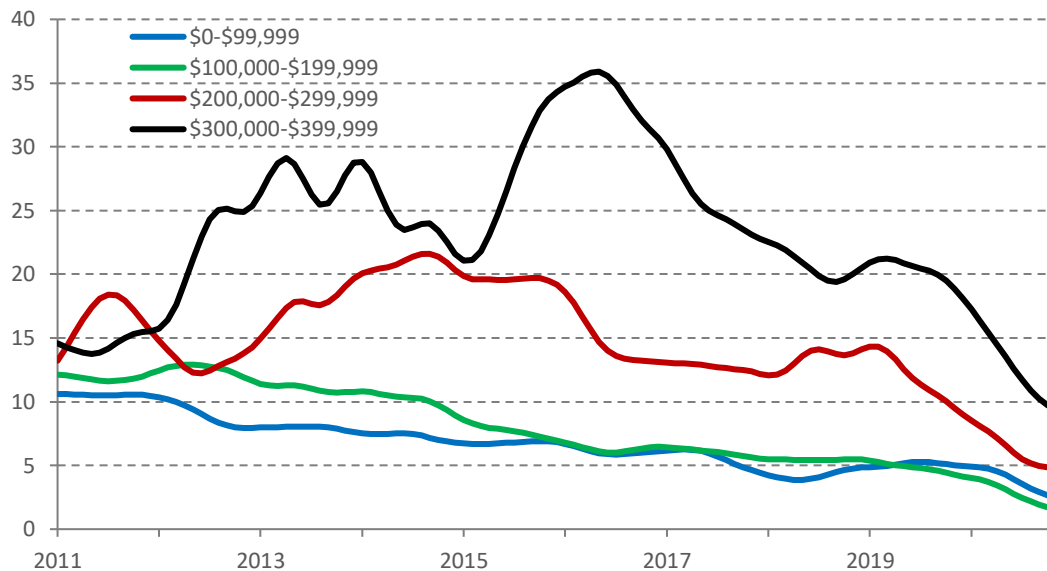


### Existing Home Months of Inventory (Months)



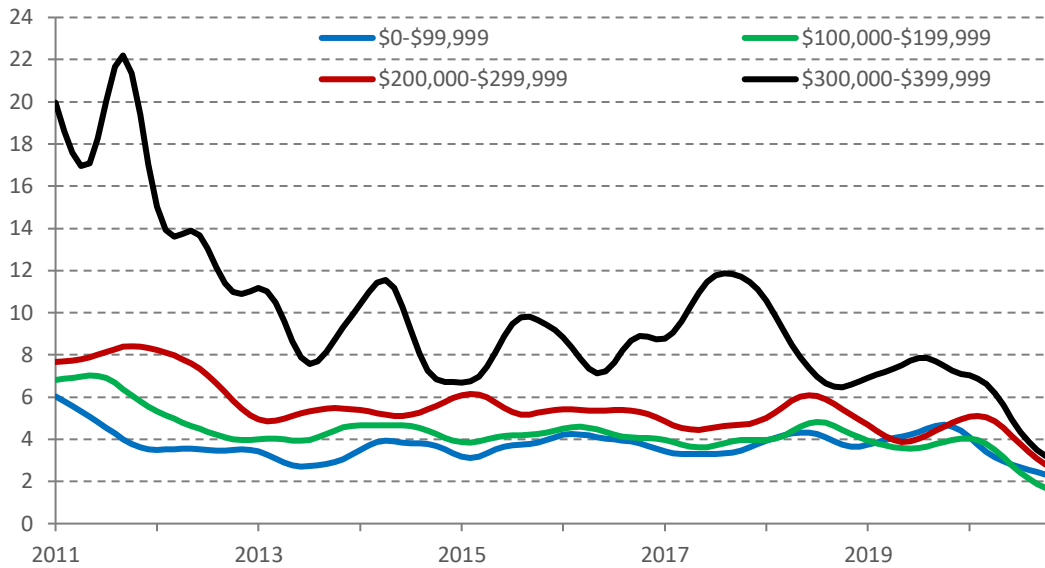
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



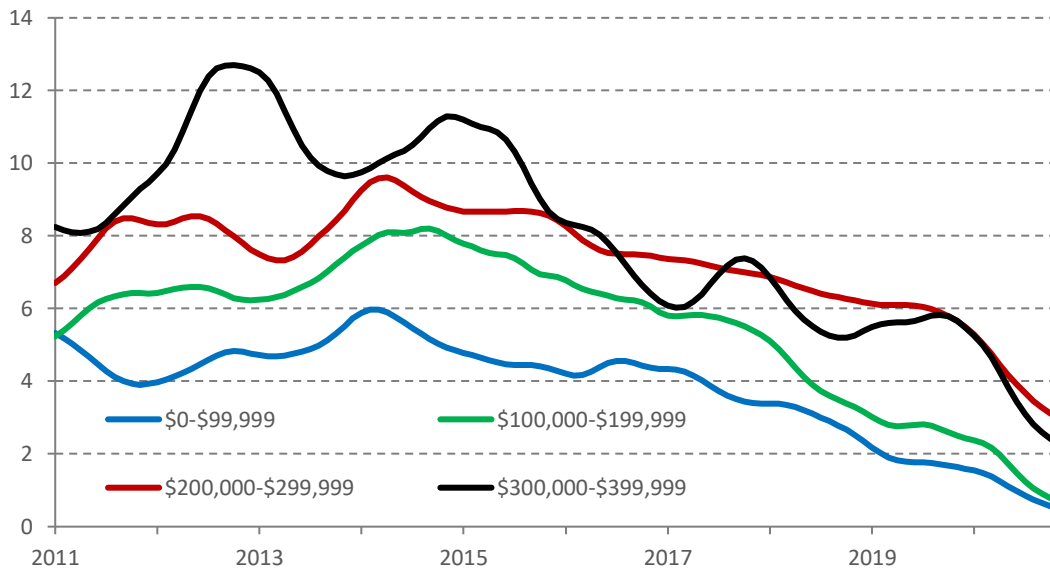
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



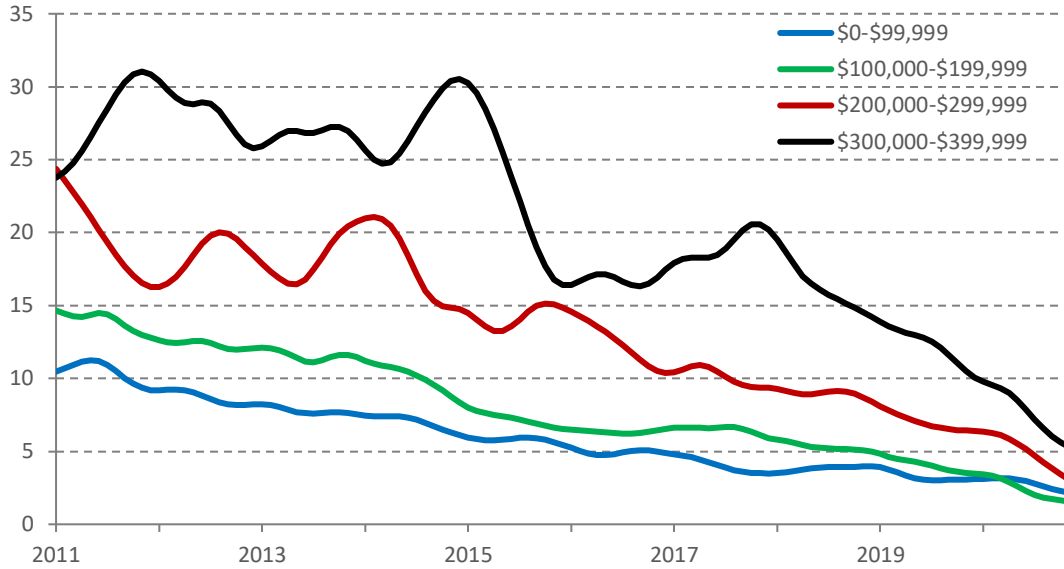
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



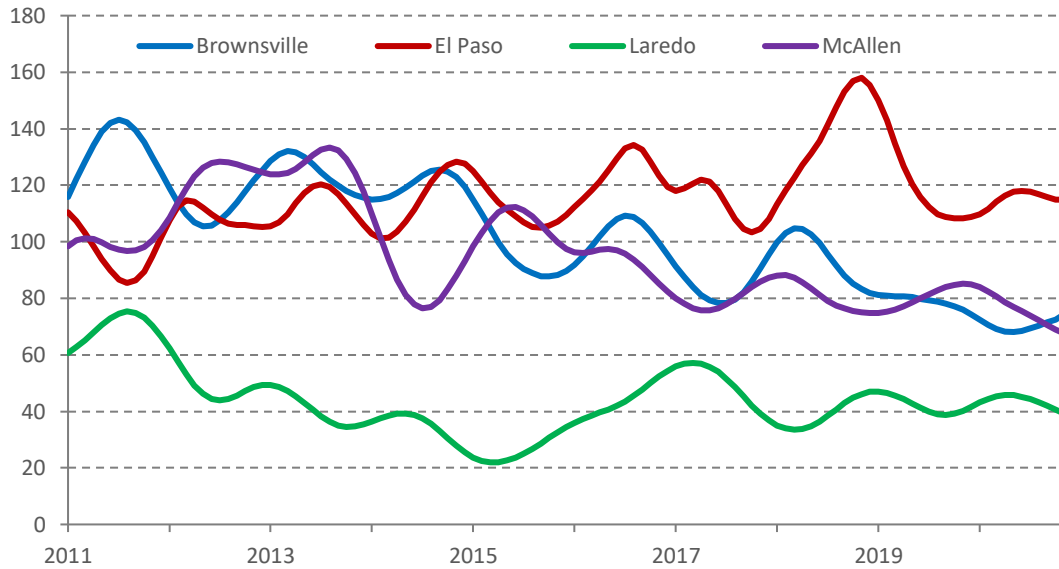
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



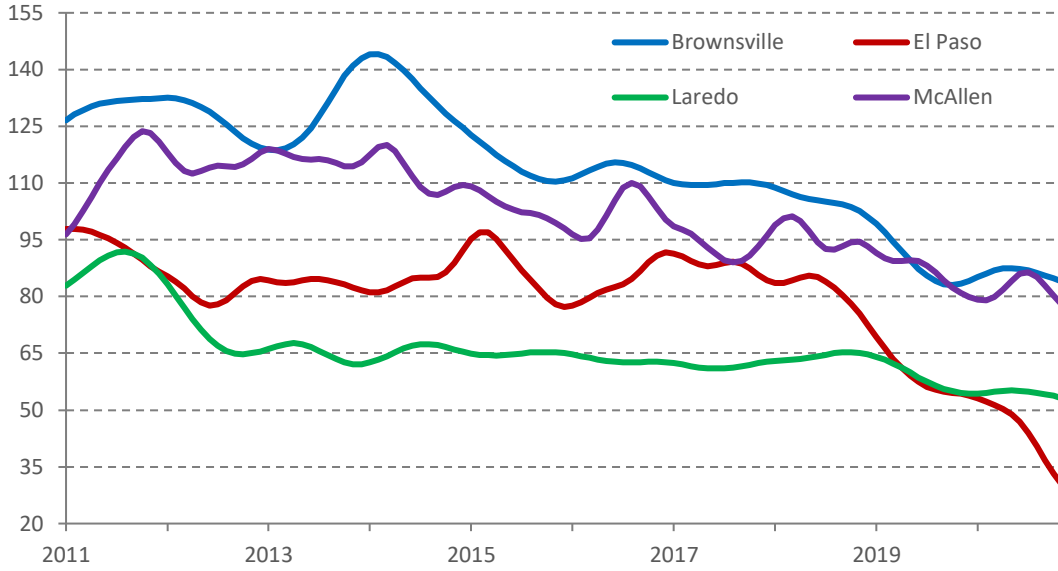
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### New Home Days on Market (Days)



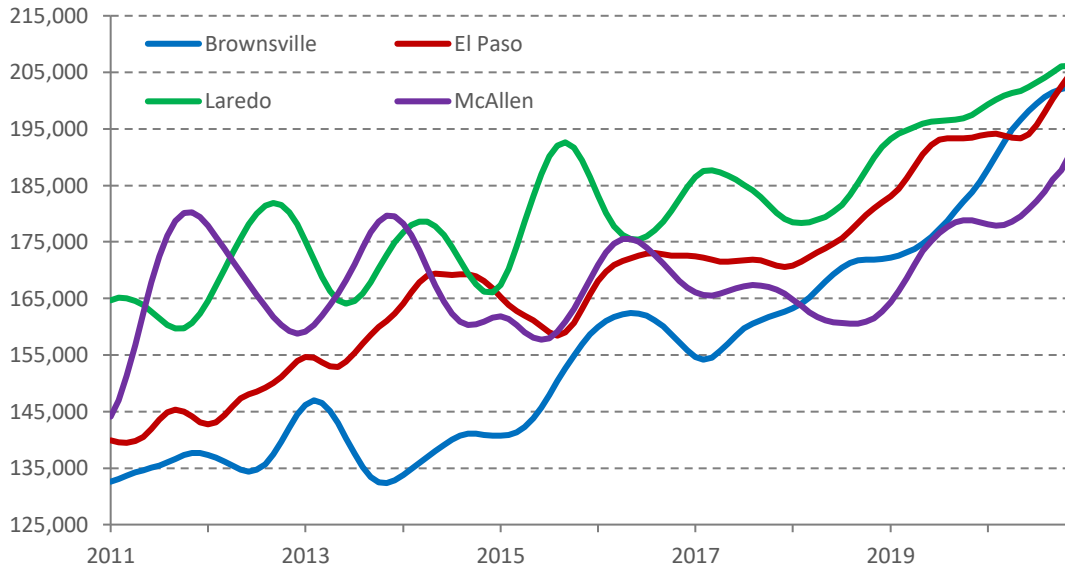
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Existing Home Days on Market (Days)



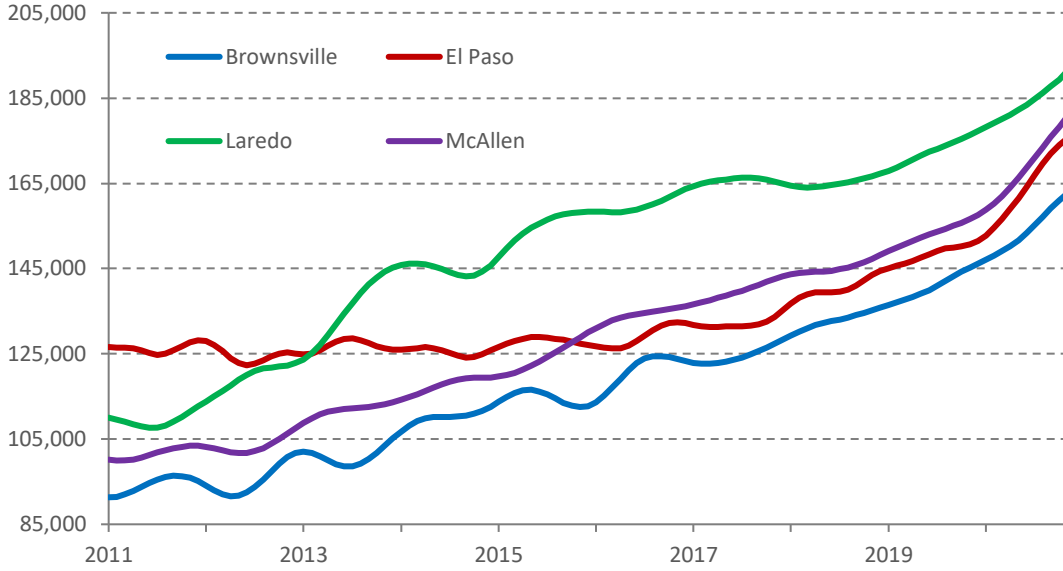
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



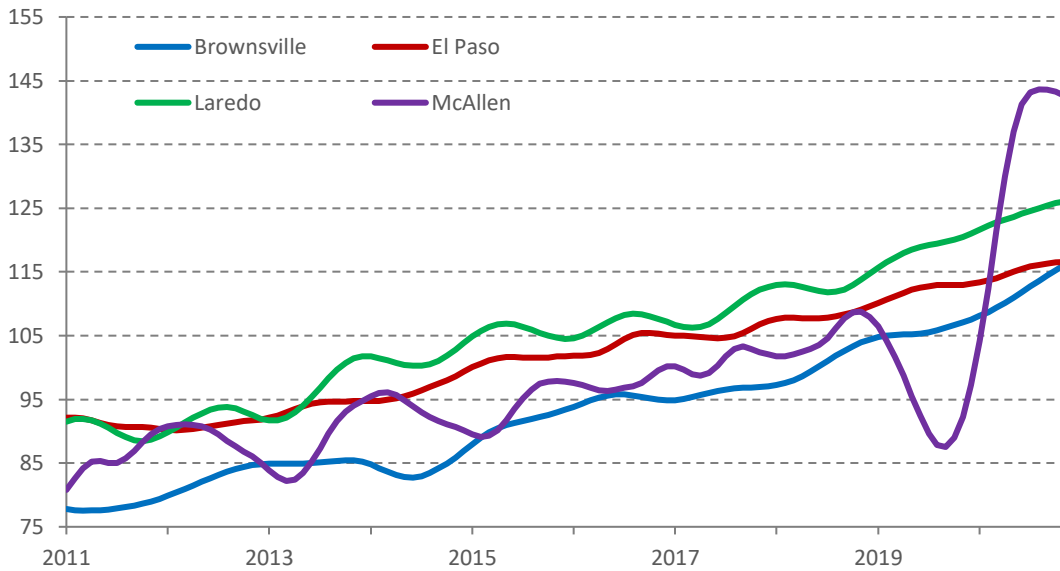
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



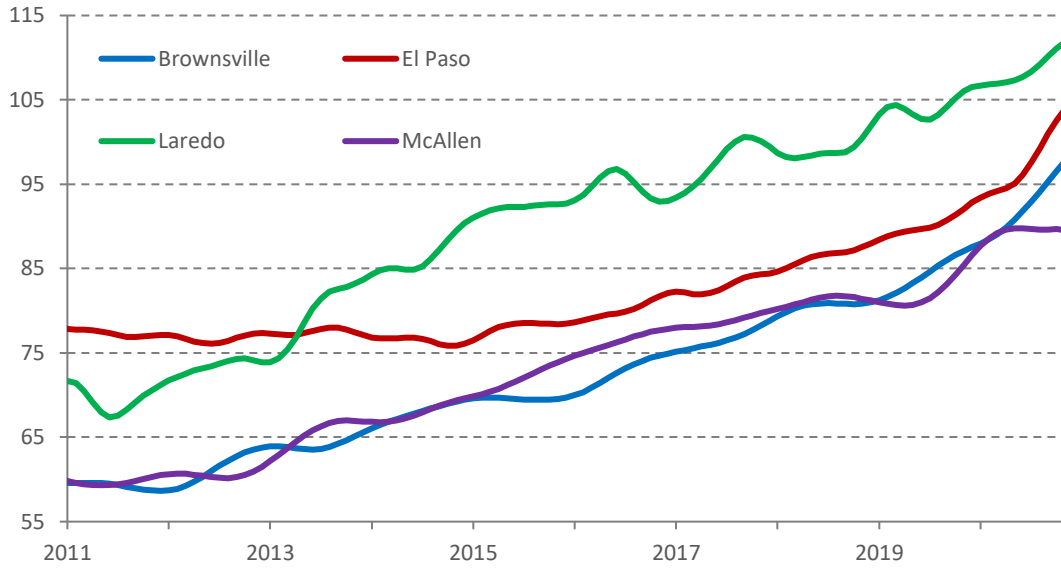
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### New Home Median Price Per Square Foot (\$)



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

### Existing Home Median Price Per Square Foot (\$)



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



TEXAS A&M UNIVERSITY

# Texas Real Estate Research Center

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