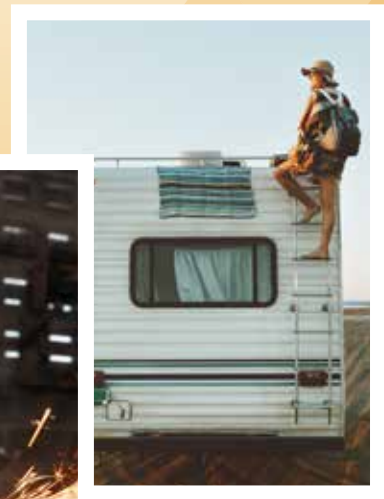
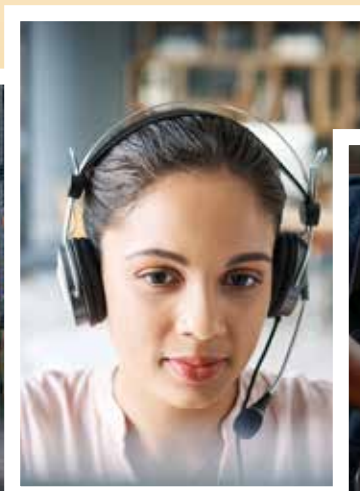


# TEXAS BORDER ECONOMY

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TEXAS A&M UNIVERSITY

Texas Real Estate Research Center



TECHNICAL REPORT

2165

AUGUST 2021 DATA

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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).

Dr. Luis B. Torres, Wesley Miller, Jacob Straus, and Brendan Harrison

Data current as of October 25, 2021

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# Border Summary

BORDER EMPLOYMENT

▲ 3,900 jobs

JULY MAQUILADORA EMPLOYMENT

▲ 1,700 jobs

TOTAL TRADE VALUES

▼ -2.1% MOM

HOUSING SALES

▲ 4.7% MOM

## August 2021

Economic recovery along the Texas-Mexico border continued as payrolls expanded despite a spike in new August COVID-19 cases. Payrolls expanded across the border metros, albeit at a slower pace, due to strong hiring during the previous month. Unemployment declined across the southern region despite labor-force contractions in Brownsville and McAllen. South of the border, Mexican maquiladora and manufacturing employment expanded slightly in July, but global supply-chain delays curtailed total trade values. Border housing sales rebounded as strong gains in Laredo and El Paso outweighed losses in McAllen and Brownsville. A slowdown in single-family construction permits and a steep reduction in residential construction values further exacerbated supply constraints.

## Economy

The border economies maintained positive momentum toward recovery as indicated by the **Dallas Fed's Business-Cycle Indexes**. Significant job gains in McAllen and Brownsville elevated their indexes 30.1 and 8.8 percent, respectively, on a seasonally adjusted annualized rate (SAAR) in August. After local unemployment rates dropped in Laredo and El Paso, the index accelerated 10.3 percent in the former but decelerated to 8.1 percent in the latter as hiring slowed. Pedestrian and personal vehicle crossings from Mexico increased but remained more than 50 and 28 percent below pre-pandemic levels, respectively (Figures 1 and 2). The U.S.'s 19-month ban on nonessential travel was lifted Nov. 8, opening the border to international visitors who can provide proof of vaccination and a recent negative COVID-19 test. The new policy may positively affect future leisure/hospitality employment and retail sales, two-critical components to border economic activity.

**Border nonfarm employment** expanded for the fourth straight month, gaining 3,900 jobs in August. Strong job growth in McAllen primarily contributed to the recent expansion, where the local economy recovered all jobs lost during the pandemic, netting 2,300 workers for the month, led by hiring in education/health services and transportation/utilities sectors. Employment growth accelerated in Brownsville and Laredo, adding 400 and 500 workers, respectively. Government employment led the expansion in both metros as economic recovery bolstered government revenues. On the other hand, El Paso added only 700 positions for the month.

On the southern side of the border, **Mexican manufacturing and maquiladora employment**<sup>1</sup> increased moderately in July, adding 1,707 workers. Hiring was most robust in Nuevo Laredo, where payrolls expanded 4.1 percent, gaining 1,239 employees and hovering close to record employment, while contractions in Juarez and Matamoros led to losses of 836 and 843 positions, respectively. Nuevo Laredo and Chihuahua maquiladora and manufacturing employment expanded by 1,239 positions in the former and 605 employees in the latter. Revised U.S. manufacturing production data revealed output flattened in August as supply-chain disruptions continue to prevent activity from rebounding to pre-pandemic levels. The IHS Markit Mexico Manufacturing Purchasing Managers' Index extended its streak in negative territory to more than 18 months. Some companies noted weaker demand, causing manufacturers to restrict production and hiring, further hindering the recovery process. The pandemic and the Mexican government's responses to the virus remain significant factors concerning the country's future growth.

Amid a growing labor market along the border, **unemployment rates** in El Paso and Laredo fell to 6.1 and 6.3 percent, respectively, as the local labor forces expanded. In McAllen, however, the local labor force declined, but the jobless rate dipped 1 percentage point to 9 percent. Unemployment in Brownsville inched down for the fourth consecutive month to 8.9 percent. On the bright side, weekly initial unemployment claims decreased across the border metros after rising during the previous month despite a spike in new COVID-19 cases in the third week of August (Figure 3).

Annual fluctuations in **average private hourly earnings** revealed negative wage growth along the border. Some downward pricing pressure was related to rising inflation, depreciating the value of the U.S. dollar relative to last year. McAllen real hourly wages fell year over year (YOY) for 12 consecutive months, declining 5.8 percent to a nominal wage of \$19.79 on average. The metric in Brownsville (\$16.62) and El Paso (\$20.27) sank below year-end levels after falling 2.8 and 2.9 percent, respectively, in real terms. Real earnings in Laredo (\$17.99) declined at the greatest rate among the border metros, plummeting 9.5 percent annually.

**Total construction values** declined in August, remaining nearly 25 percent below the year-to-date (YTD) average due to accelerated activity in the first quarter. A reduction in residential construction accounted for most of the monthly contraction with widespread decreases across all border metros, especially in single-family houses and duplex construction. Moderate gains in apartment values in Brownsville and Laredo were offset by substantial losses in El Paso and McAllen. In the nonresidential sector, a steep drop in school construction contributed to the overall decrease in activity.

In the currency market, the **peso per dollar exchange rate** inched down to 19.97, but the inflation-adjusted rate<sup>2</sup> elevated 3.8 percent above pre-pandemic levels, revealing that domestic goods remained relatively costly to Mexican buyers. Amid a spike in new COVID-19 cases, **total trade**

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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.

**values** passing through the border hubs contracted 2.1 percent due to reduced trade in El Paso and Laredo, pulling down overall border metric 7.9 percent below pre-pandemic levels. The values in the border metros, however, surpassed pre-crisis levels except in El Paso, where activity plummeted 63.8 percent since February 2020. Ongoing supply-chain disruptions uniquely affected El Paso's trade as its international commerce is largely dependent on products that contain semiconductors. The border's trade sector remains an integral component of the local economies.

## Housing

Mortgage interest rates reached an all-time low in August as **border housing sales** rebounded, increasing 4.7 percent. Transactions for higher-priced homes rose across the border metros, but reduced activity at the bottom cohorts amid constrained inventory abated additional sales growth. In Laredo and El Paso, the metric accelerated 10.1 and 5.6 percent, respectively. On the other hand, sales declined in the Rio Grande Valley (RGV), falling 1.3 percent in Brownsville and 2.7 percent in McAllen.

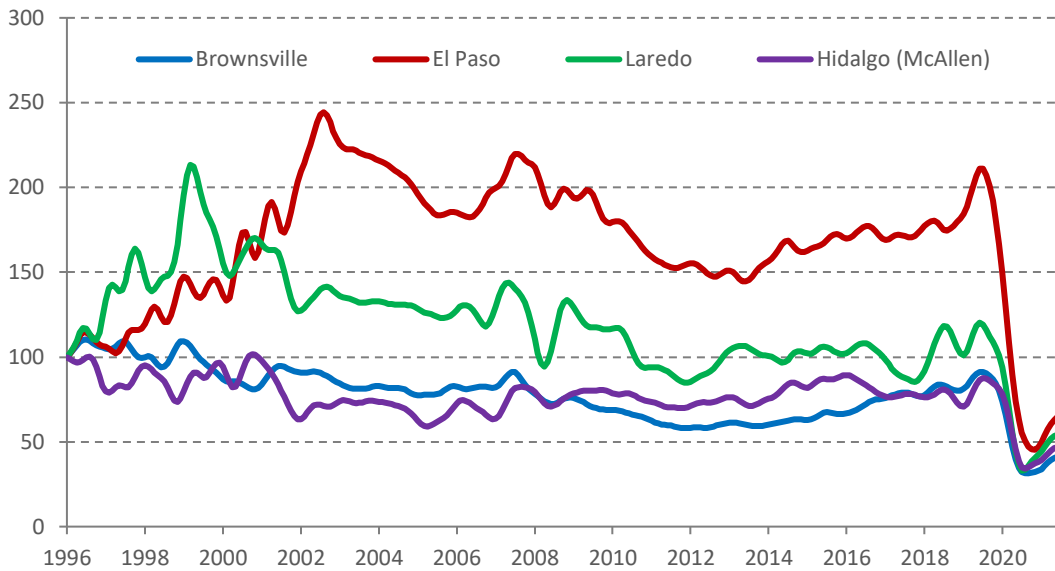
On the supply side, **single-family housing construction permits** declined 8.6 percent to 676 permits, trending downward across the border metros. Issuance in the Rio Grande Valley decreased 2.6 and 17.2 percent in Brownsville and McAllen, respectively. Activity fell 5 percent in El Paso and 7.2 percent in Laredo. **Private single-family construction values** reflected fluctuations in permits as values fell 16.4 percent, plummeting a third below year-end levels.

Amid reduced sales activity and elevated new listings in the RGV during August, **months of inventory (MOI)** ticked up to 1.6 and 2.4 months in Brownsville and McAllen, respectively. Meanwhile, inventory in Laredo expanded slightly to 1.9 months. The El Paso MOI remained unchanged at 1.2 months, but the metric improved for homes priced less than \$200,000.

The **average number of days on market (DOM)** along the border declined 39 percent relative to year-ago levels. This corroborated robust demand despite monthly upticks in the Brownsville and Laredo metric to 58 and 41 days, respectively, from record-lows the previous month. Conversely, El Paso shed two days off its DOM, dropping to 37 days, while McAllen recorded an all-time low of 55 days.

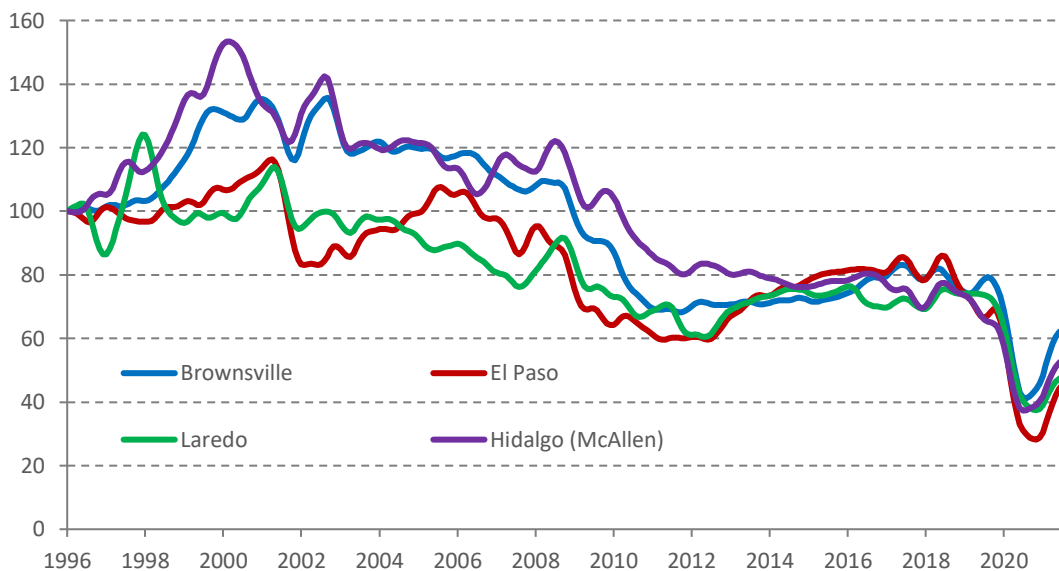
The ongoing shift in the composition of sales toward higher-priced homes due to limited inventories at the lower end of the market contributed to substantial gains in the **median home price**. In Brownsville, the share of homes sold priced less than \$200,000 declined over 20 percentage points annually as the median price elevated to an all-time high of \$232,100 and averaged 28.9 percent YTD growth relative to the same time last year. The other metros also registered double-digit home-price appreciation YTD relative to the same period in 2020, although at less extreme rates. Median prices in El Paso and Laredo rose to record levels of \$205,500 and \$214,900, respectively. Despite upward-trending sale prices, the metric in McAllen decreased on a monthly basis, falling to \$189,400. Favorable housing affordability has historically been a draw to the local communities and is important to the border's economic prosperity.

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



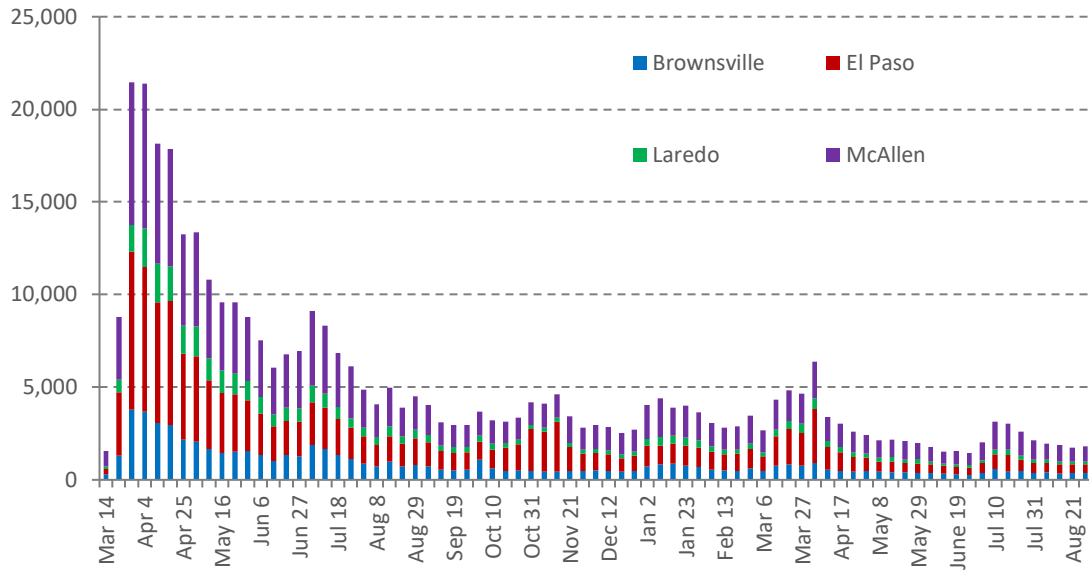
Note: Pedestrians entering the United States from Mexico. Data collected at ports of entry by U.S. Customs and Border Protection. Trend-cycle component.  
Source: U.S. Bureau of Transportation Statistics

**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 (2020-21)**

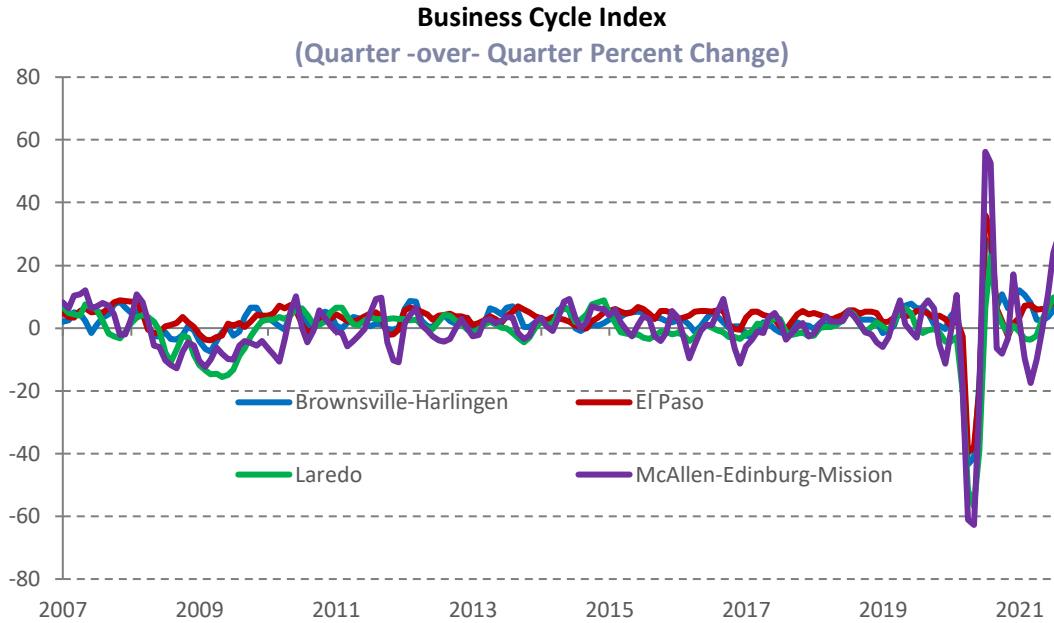


Note: Seasonally adjusted.

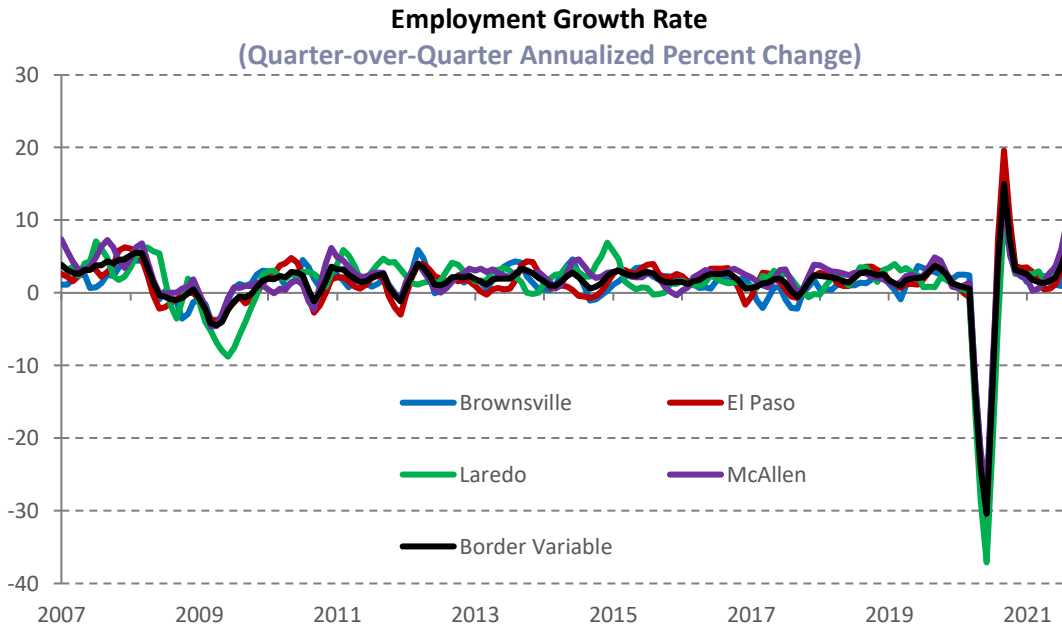
Source: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, and Texas Real Estate Research Center at Texas A&M University calculations



# Economic Activity

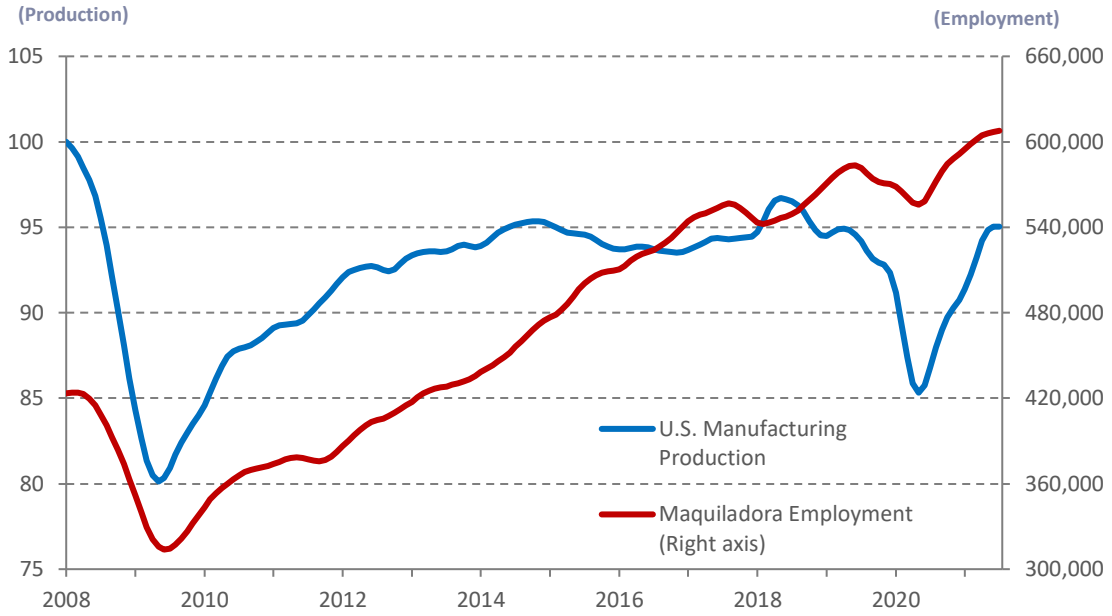


Note: Seasonally adjusted. For more information, see [Texas Business Cycle Index](#).  
Source: Federal Reserve Bank of Dallas



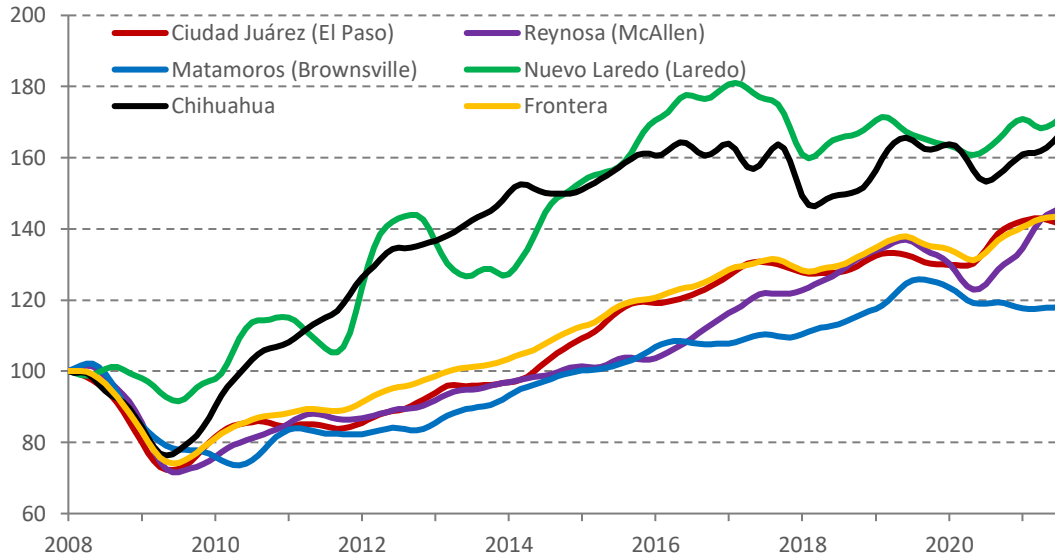
Note: Seasonally adjusted, three-month moving average. August 2021 is preliminary.  
For more information, see [Employment Growth Rate](#).  
Source: Bureau of Labor Statistics

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



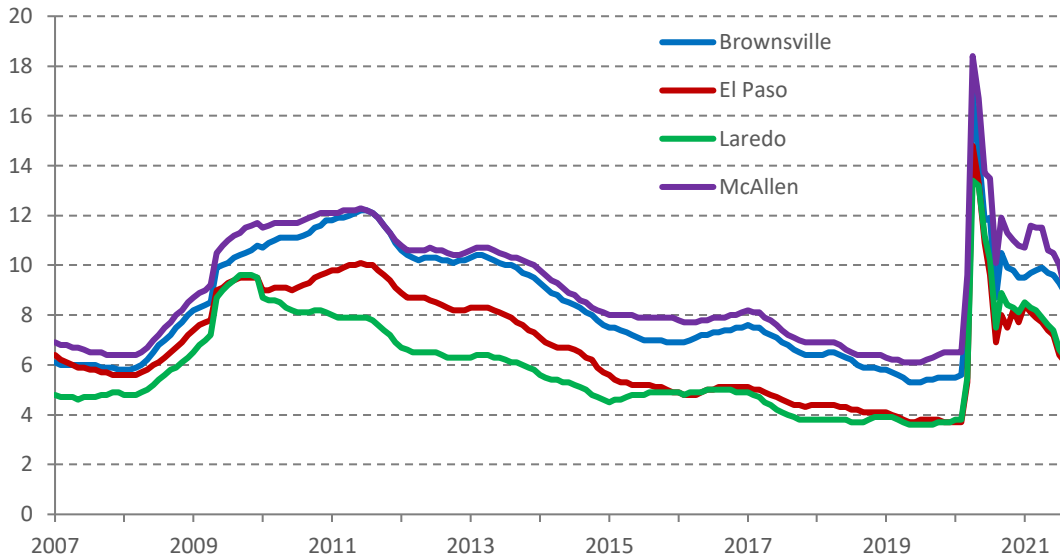
Note: Trend-cycle component.  
Sources: Federal Reserve Bank of St. Louis and Instituto Nacional de Estadística y Geografía

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



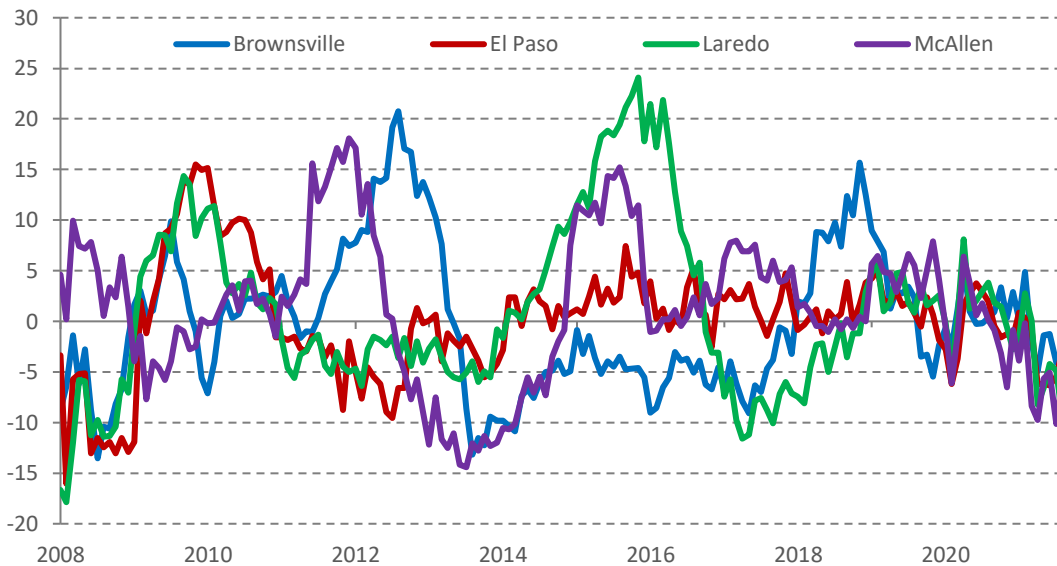
Note: Trend-cycle component.  
Source: Instituto Nacional de Estadística y Geografía

### Unemployment Rate (Percent)



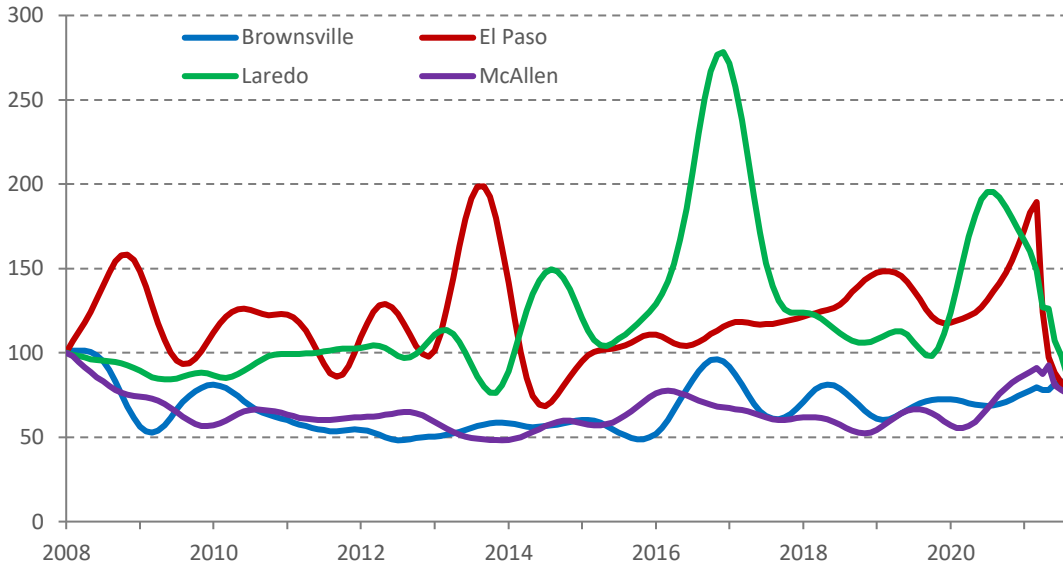
Note: Seasonally adjusted. August 2021 is preliminary. For more information, see [Unemployment Rate](#).  
Source: Bureau of Labor Statistics

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



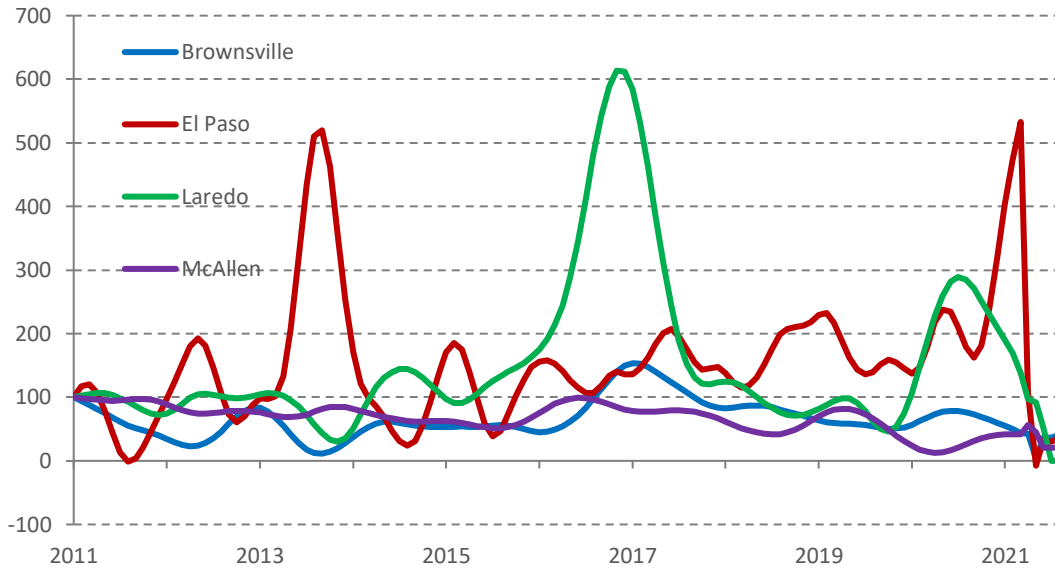
Notes: Inflation adjusted, seasonally adjusted. August 2021 is preliminary.  
For more information, see [Total Private Employee Hourly Earnings](#).  
Source: Bureau of Labor Statistics

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



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

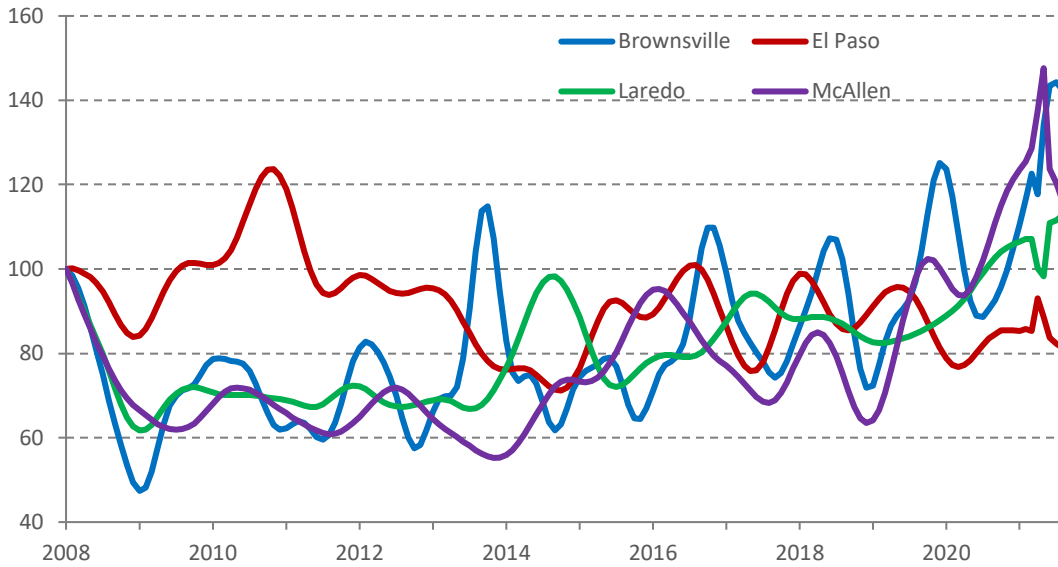
**Nonresidential Construction Values**  
(Index Jan 2011 = 100)



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

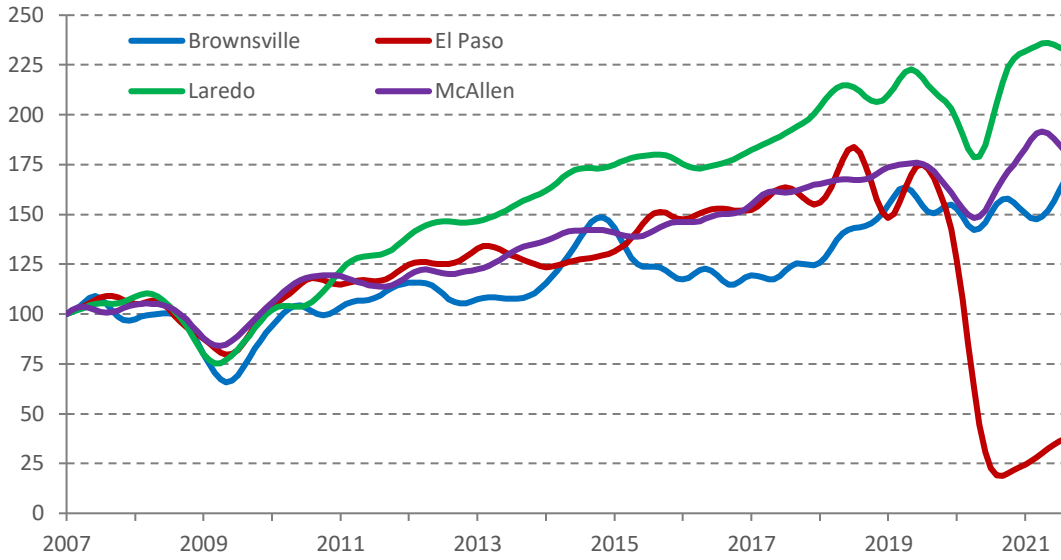
### Real Peso per Dollar Exchange Rate

(\\$)



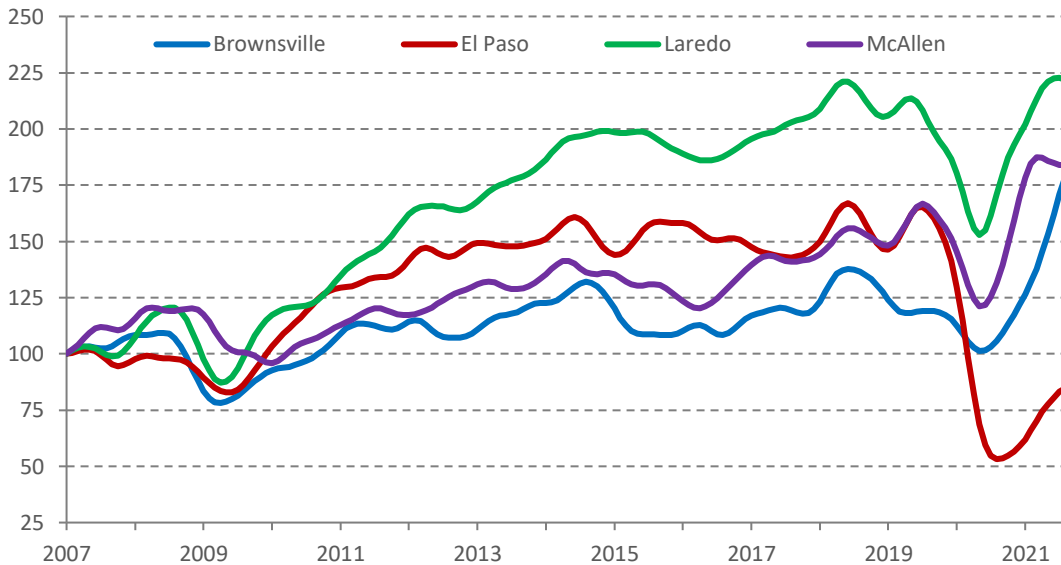
Note: Deflated using the Texas Trade Weighted Value of the Dollar.  
Source: Federal Reserve Bank of Dallas

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



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

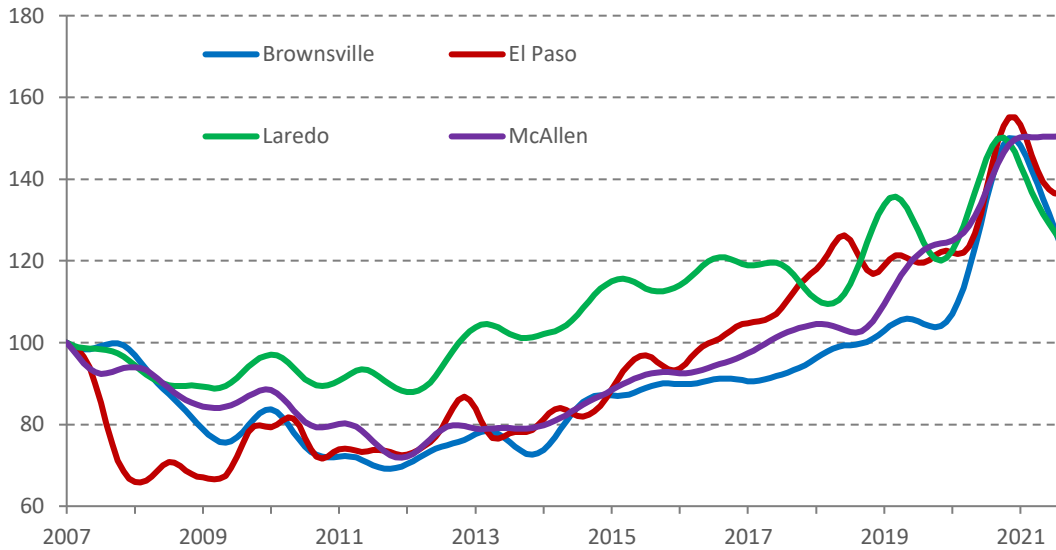
**Export Values**  
(Index Jan 2007 = 100)



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

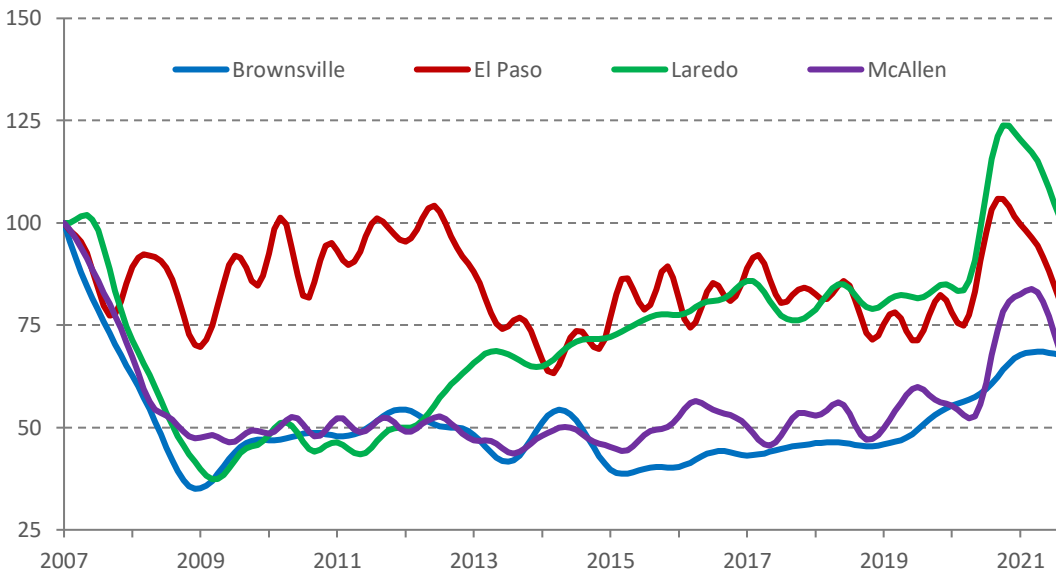
# Housing

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



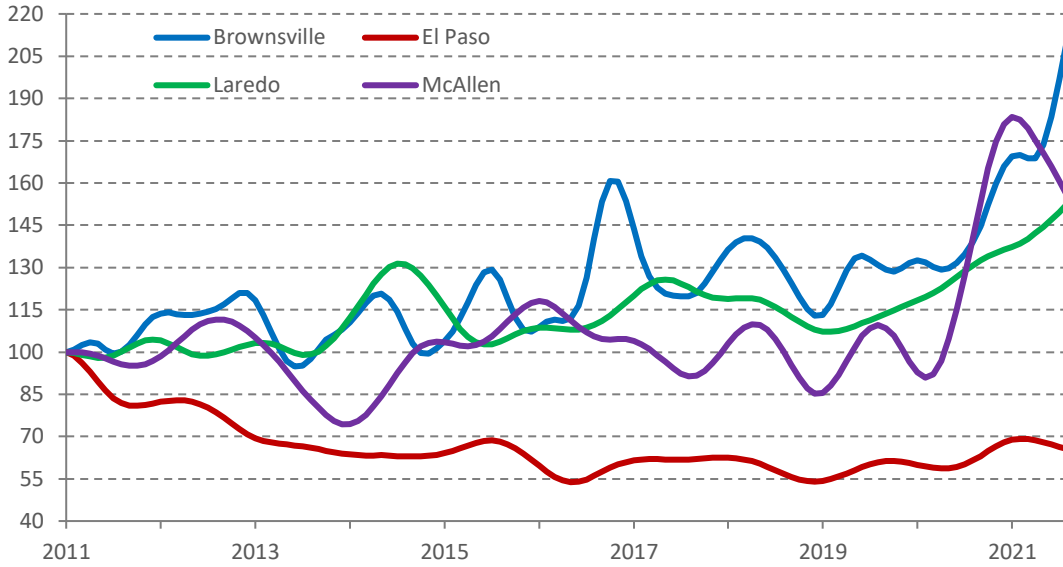
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



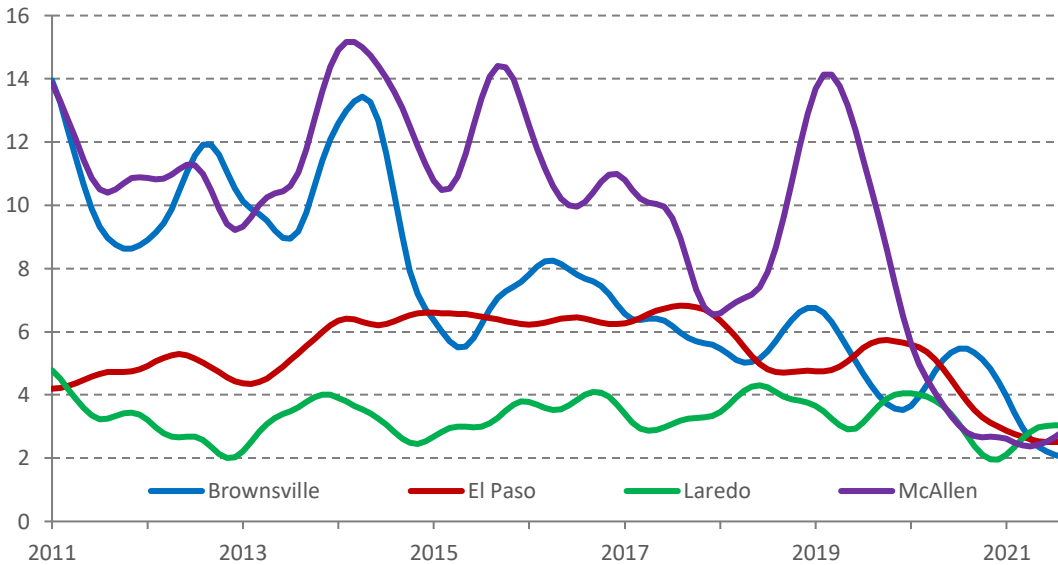
Note: Trend-cycle component.  
Sources: U.S. Census Bureau and Texas Real Estate Research Center at Texas A&M University

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



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

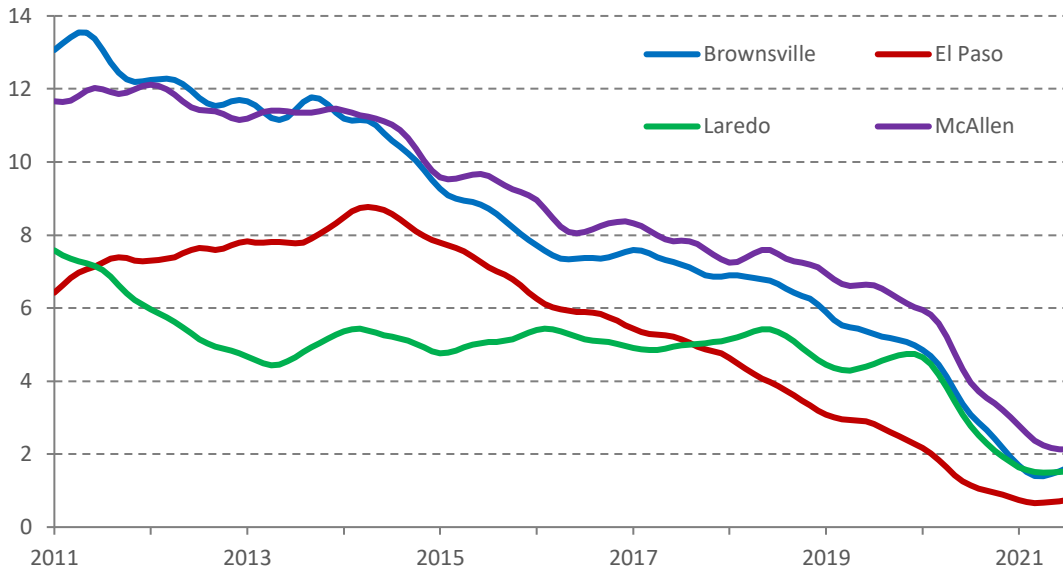
**New Home Months of Inventory**  
(Months)



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

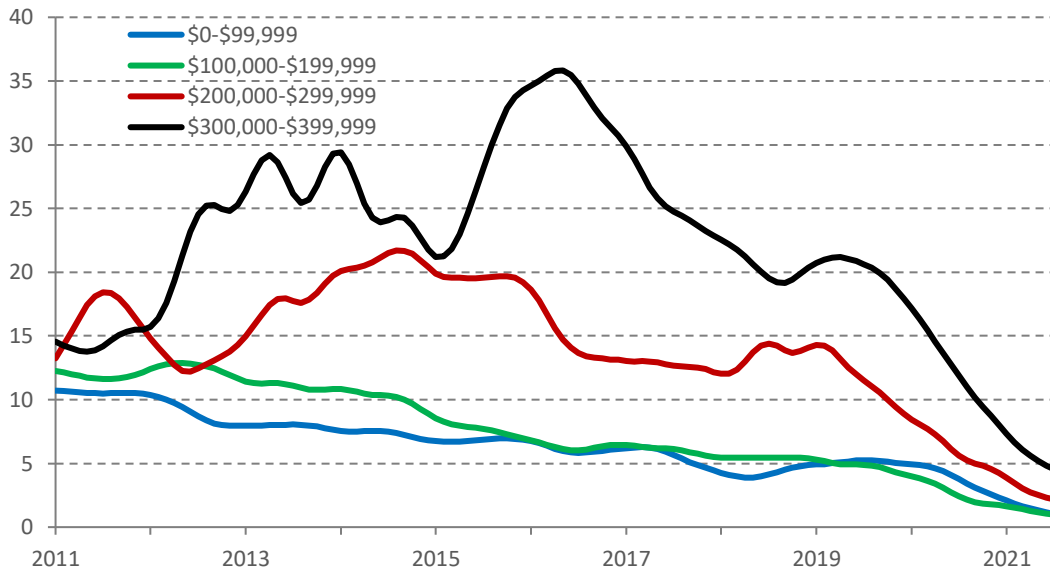


### Existing Home Months of Inventory (Months)



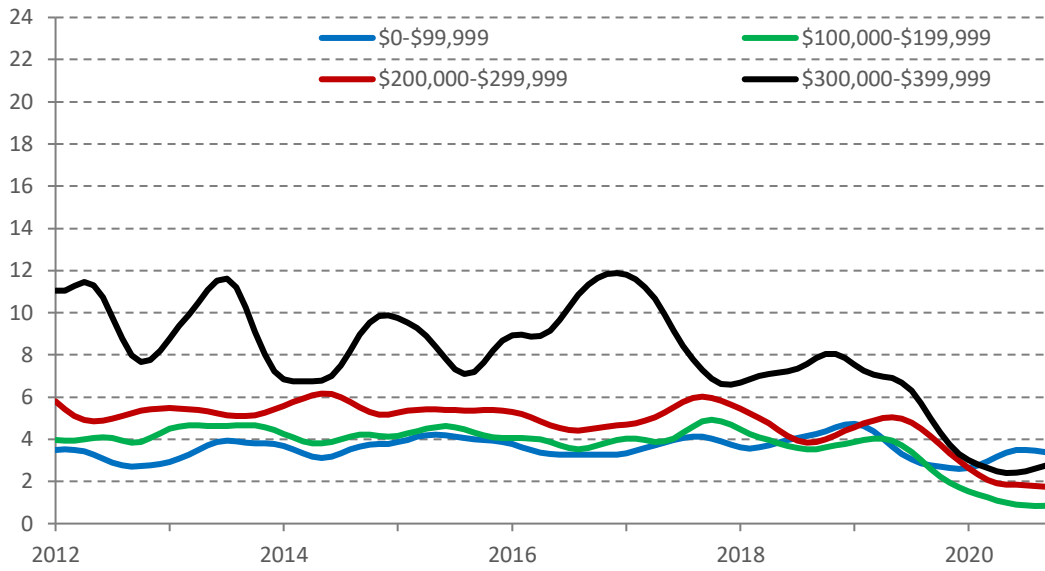
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



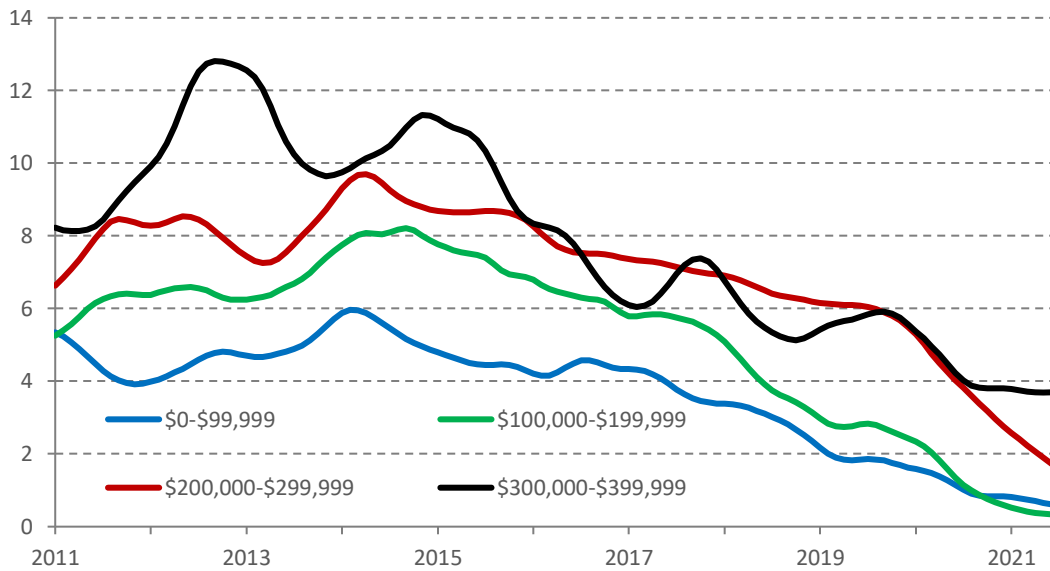
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



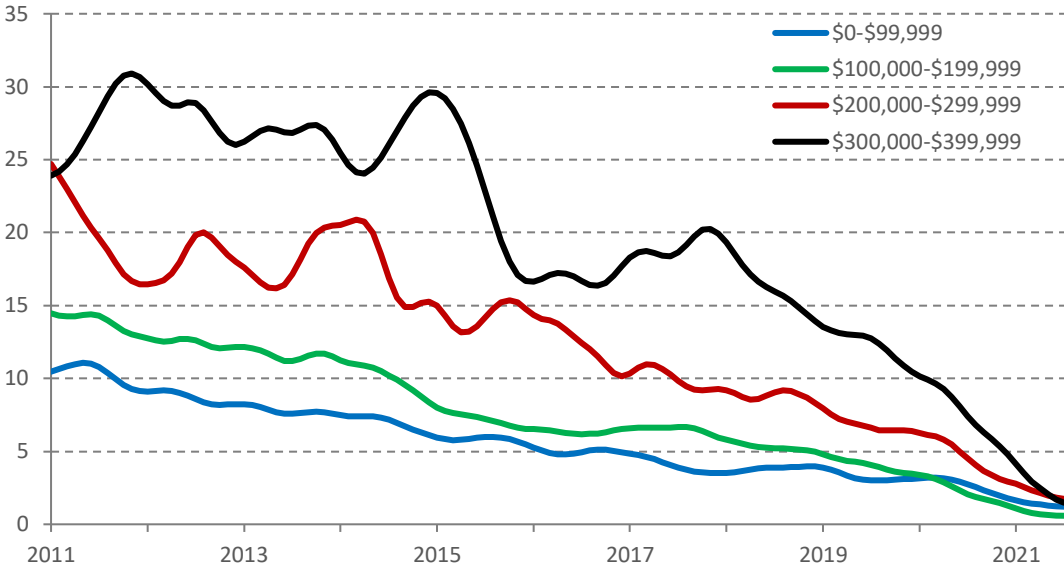
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



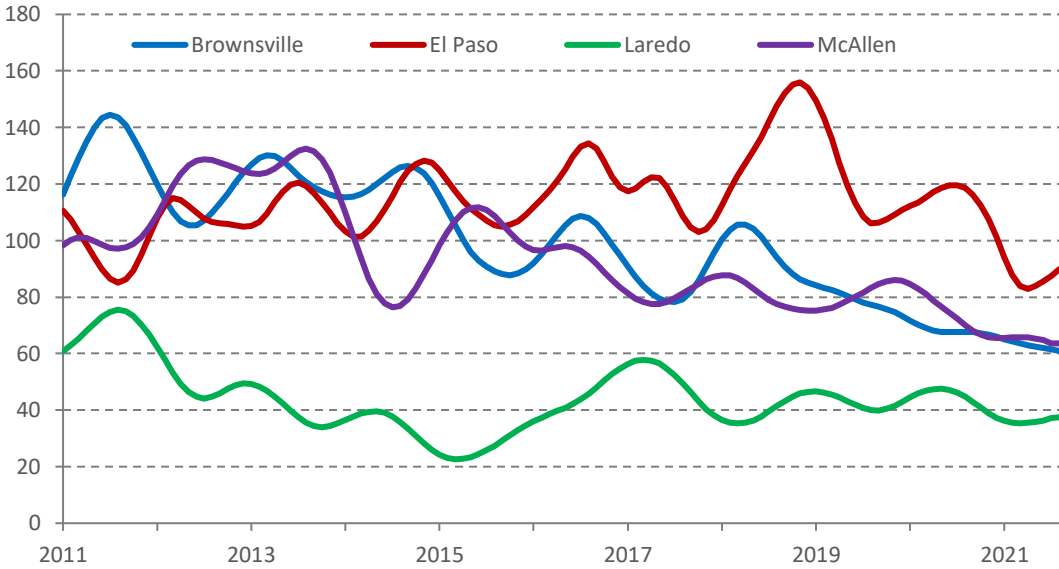
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

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



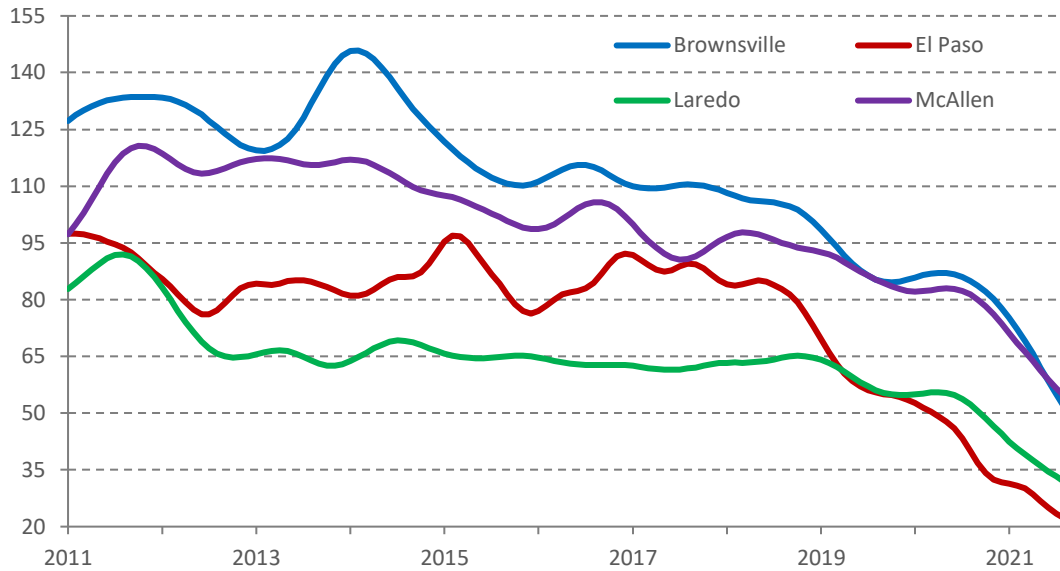
Note: Trend-cycle component.  
Source: Texas Real Estate Research Center at Texas A&M University

### New Home Days on Market (Days)



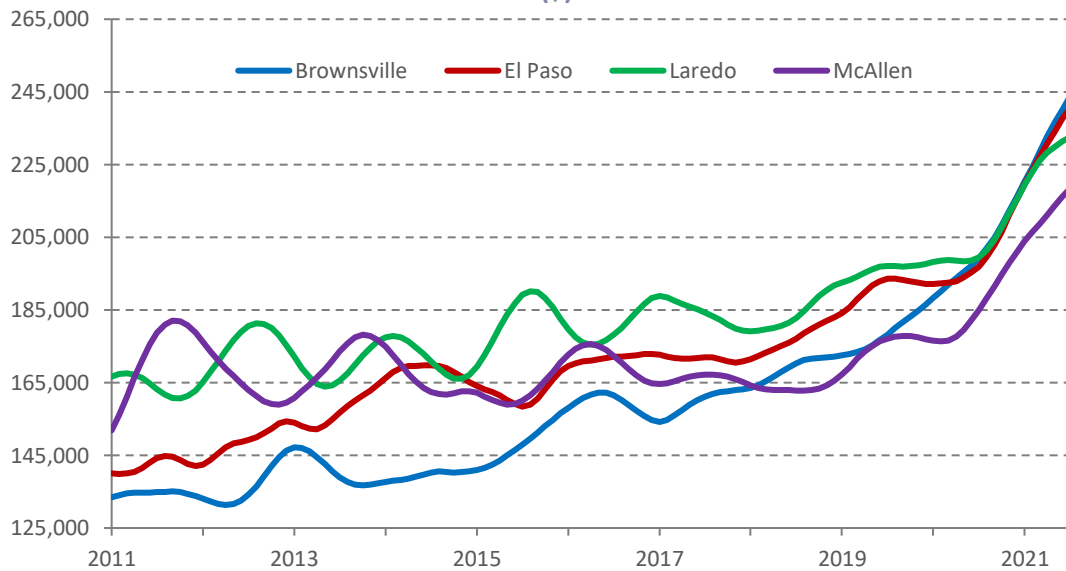
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### Existing Home Days on Market (Days)



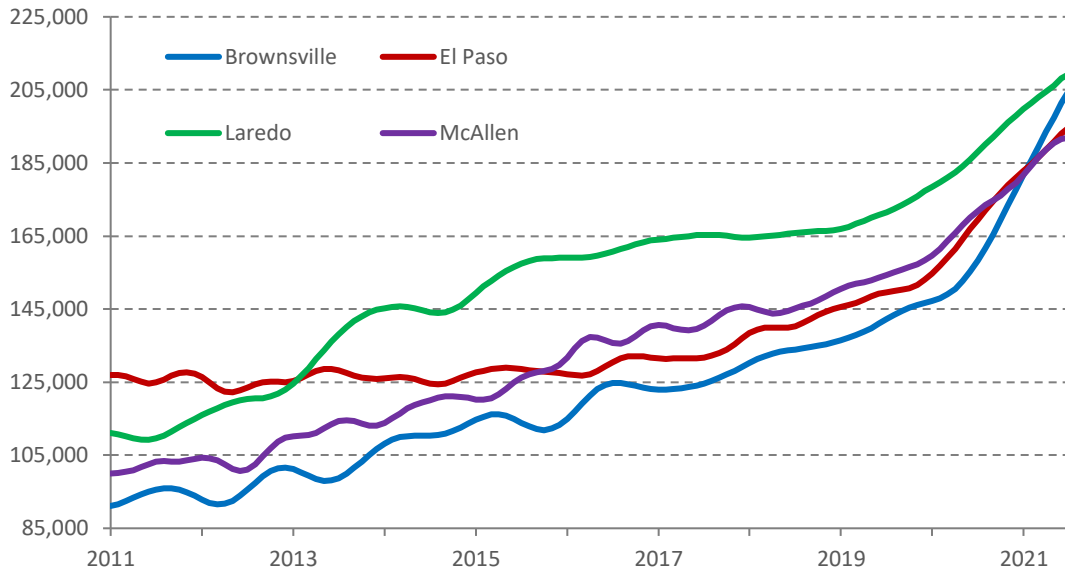
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



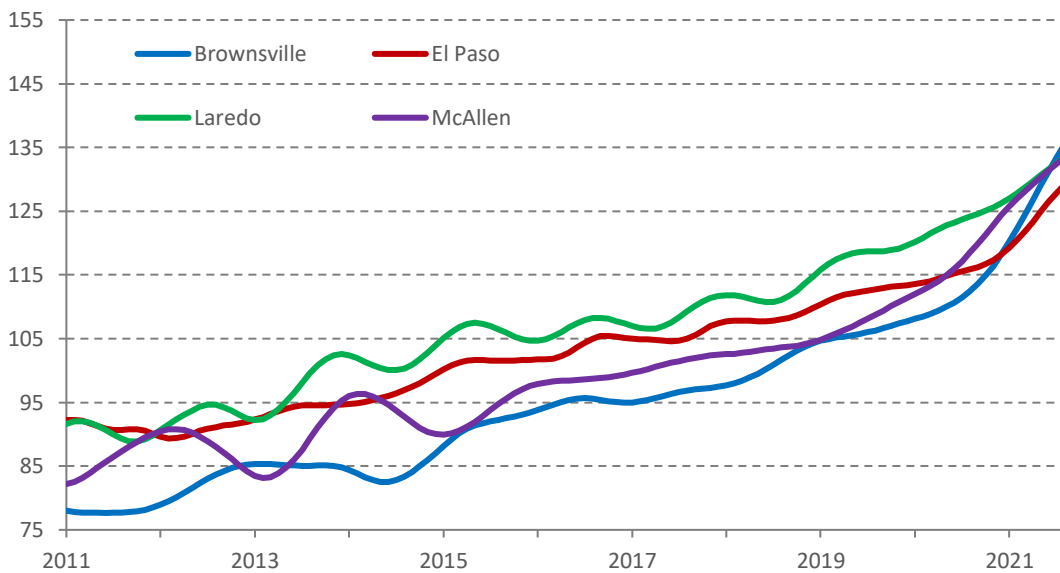
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

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



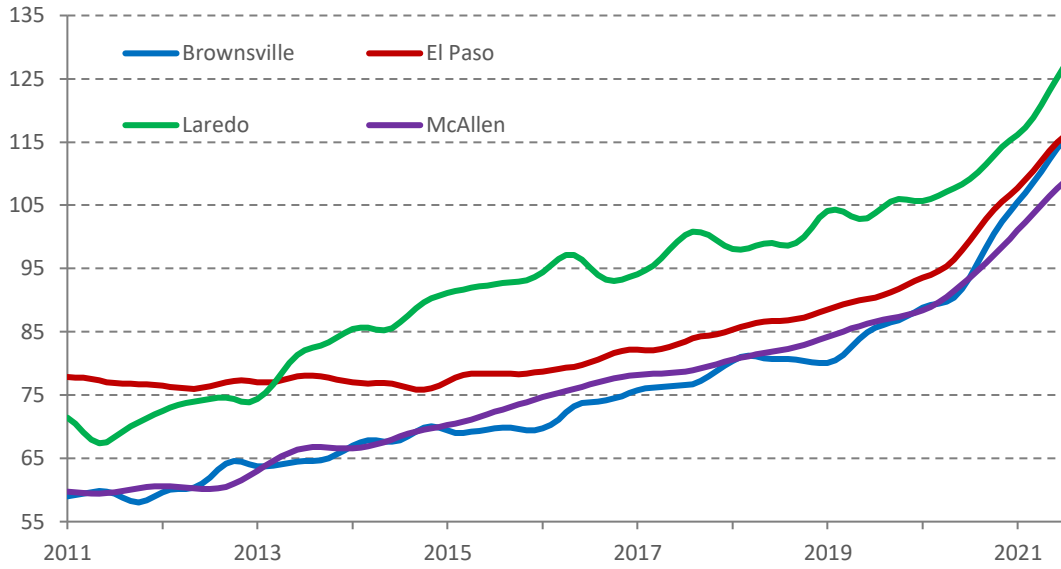
Note: Trend-cycle component. For single-family homes.  
Source: Texas Real Estate Research Center at Texas A&M University

### 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



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