TEXAS BORDER ECONOMY

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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 monthly 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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Home sales declined but trended upward amid improving labor-market conditions. Total construction values picked up while single-family permit activity remained above depressed 2018 levels. National industrial production rallied after falling in April as the dollar appreciated, boosting import trade values. Export values registered below year-ago level; however, the ratification of the U.S.-Mexico-Canada Agreement by the Mexican Senate promotes a positive trade outlook.

Economy

The **Dallas Fed’s Business-Cycle Indices** indicated healthy economic activity along the border. Steady job creation and rising real wages bumped the Brownsville and El Paso indices up 4.6 and 2.6 percent, respectively, on a seasonally adjusted annualized rate (SAAR). In Laredo, accelerated hiring and historically low unemployment increased the local metric to 5.9 percent growth. The McAllen index slowed amid weaker employment growth but remained in double digits.

Pickups in both residential and nonresidential activity bolstered **total construction values.** El Paso ISD bond construction continued to pull school-building values up, while warehouse projects broke ground in McAllen and Laredo. In Brownsville, hospital and hotel activity surged. On the residential side, renewed apartment construction in El Paso accounted for most of the increase.

**Nonfarm employment** expanded for the sixth consecutive month, adding 1,700 jobs after lackluster numbers in April. El Paso led the border, gaining 900 jobs as all main subsectors registered payroll expansions. After booming in the first quarter, McAllen employment moderated, creating just 100 jobs. Although the metro’s education/health services industry remained strong, the goods-producing sector contracted year to date (YTD). Brownsville paralleled its Rio Grande Valley counterpart in hiring patterns, netting 300 new positions.
In Laredo, the transportation/utilities subsector shed jobs; however, education/health services corrected for a contractionary start to the year, supporting a 400-job addition.

After nine consecutive monthly increases, **Mexican manufacturing and maquiladora employment**\(^1\) contracted, shedding 1,600 jobs. U.S. industrial production and retail sales of automobiles staggered in April, reporting year-over-year (YOY) decreases across the board. Maquiladora employment in Reynosa and Nuevo Laredo decreased for the third straight month, with the former falling 0.5 percent YTD. In Juarez, high turnover rates and stagnant industrial manufacturing continued to weigh on maquiladora employment as the city registered a 5,400-job contraction over the past two months. Growth tapered after record-high maquiladora employment in Matamoros to end the first quarter. Chihuahua was the bright spot, extending a five-month streak of positive net hiring, increasing 9 percent YTD.

Steady hiring on the U.S. side of the border nudged **unemployment rates** to historical lows. Joblessness in McAllen and Brownsville decreased for the third straight month to 6.0 and 5.5 percent, respectively. In El Paso, steady hiring pulled unemployment below 4 percent. The unemployment rate in Laredo tied the record low of 3.7 percent.

**Real private hourly earnings** maintained positive momentum along the border. Inflation-adjusted wages in McAllen continued to correct upwards after flattening in 2018, jumping 3.7 percent YOY. In El Paso, real earnings inched up YOY, extending a six-month improvement. Hourly wages in Brownsville maintained double-digit increases YOY in real terms but have yet to recover after sliding between 2013 and 2017. Laredo remained the outlier as data revisions revealed that real earnings dipped slightly YOY in April, thereby reinstating a now 30-month streak of falling values.

In the currency market, the **peso per dollar exchange rate** ticked up to 19.11, making domestic goods more expensive to Mexican buyers. The inflation-adjusted rate\(^2\), however, has trended downward since December. Total trade values passing through the border metros rebounded after suppressed first quarter activity, posting a record-high $31.5 billion. Import values surged amid increased industrial production, registering an all-time high as Laredo imports recorded an 8.3 percent YTD increase. Total export values, however, peaked last August at $13.3 billion and have yet to reach average 2018 levels. Brownsville export values sank to a two-year low as oil (excluding crude) exports fell for the seventh time in eight months.

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\(^1\) 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.
Housing

Border housing sales fell 3.7 percent after setting a record high in April but trended upward among solid job-market improvements. In the Rio Grande Valley, sales for homes priced less than $100,000 normalized after a surge in April, but transactions for higher-priced homes remained steady. El Paso sales stuttered on the whole; however, there were 55 more transactions for homes priced between $200,000 and $300,000 than a year ago. Activity in Laredo slumped as transactions for homes priced more than $200,000 fell after a three-month stagnation.

On the supply side, the border metros issued a total of 570 single-family housing construction permits, correcting for depressed activity at the start of spring. Activity in McAllen rebounded for the second consecutive month after two straight quarters of decline. Permit issuance in Brownsville and Laredo flattened while El Paso continued to normalize following below-average levels last year. Private single-family construction values trended downward along the border except in Brownsville where values moderated after sliding in the second half of 2018.

After reaching record lows in April, the months of inventory (MOI) of homes for sale ticked up. The El Paso metric registered 3.5 months but remained below the statewide average. Brownsville and Laredo’s MOI inched up to 7.7 and 4.3 months, respectively. McAllen inventories flattened at eight months, but a steady stream of new listings priced above $300,000 since the second quarter of last year, kept the MOI above last January’s all-time low of 7.5 months.

The average number of days on market (DOM) trended downward along the border, indicating healthy demand. Homes in Brownsville sold more than six weeks faster than they did a year ago with an all-time low DOM at 89 days. The El Paso metric hovered around April’s record low, averaging 77 days on the market. Laredo’s DOM sank beneath the statewide average, balancing at 55 days after an annual high in March. In McAllen, the metric registered slightly below last year’s level at 93 days.

Amid decreased sales, median home prices rose across the board. El Paso’s median price reached $163,200 as activity continued to shift away from homes priced below $100,000 into higher price cohorts. Brownsville’s metric registered $143,000 but stayed well below November’s record high of $158,700. The McAllen median price inched up to $155,300. After a brief reprieve in April, the Laredo metric increased for the fourth time this year, posting $179,500.
Note: Seasonally adjusted. For more information, see Texas Business Cycle Index.
Source: Federal Reserve Bank of Dallas

Note: Inflation adjusted trend-cycle component.
Source: Dodge Analytics
Nonresidential Construction Values
(Index Jan 2011 = 100)

Residential Construction Values
(Index Jan 2008 = 100)

Note: Inflation adjusted trend-cycle component.
Source: Dodge Analytics

Note: Inflation adjusted trend-cycle component.
Source: Dodge Analytics
Note: Seasonally adjusted, 3-month moving average. May 2019 is preliminary.
For more information, see Employment Growth Rate.
Source: Bureau of Labor Statistics

Note: Trend-Cycle Component.
Source: Instituto Nacional de Estadística y Geografía
Note: Seasonally adjusted. May 2019 is preliminary. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics

Notes: Inflation adjusted. May 2019 is preliminary. For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
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
Note: Trend-Cycle Component.
Sources: Foreign Trade Division and U.S. Census Bureau
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 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)

Brownsville  El Paso
Laredo  McAllen

Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

Brownsville Months of Inventory by Price Cohort

(Months)

$0-$99,999
$100,000-$199,999
$200,000-$299,999
$300,000-$399,999

Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University
El Paso Months of Inventory by Price Cohort

Laredo Months of Inventory by Price Cohort

Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University
McAllen Months of Inventory by Price Cohort

Note: Trend-Cycle Component.
Source: Real Estate Center at Texas A&M University

New Home Days on Market

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