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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 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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Data current as of May 5, 2020

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Please note this review accounts for the initial impacts of the COVID-19 outbreak, reflecting conditions through March 2020.

March 2020

The domestic coronavirus outbreak and ongoing decreases in global manufacturing production triggered a downturn in economic activity along the Texas-Mexico border in March. Employment contracted for the first time in nearly two years, while joblessness shot up more than one percentage point across the board. Housing sales fell 9 percent in an environment of increasing economic uncertainty. Manufacturing activity was constrained by supply-chain disruptions, unfavorable currency fluctuations, and the spread of COVID-19. The border’s trade sector, an integral component of the regional economy, was also affected, recording near-historic declines. Cross-border retail sales were curbed by the ongoing decline in the Mexican economy and the restrictions on border crossings put in place during the second half of March. Second-quarter data are expected to be just as grim, if not more so.

Economy

Economic conditions along the border worsened during March according to the Dallas Fed’s Business-Cycle Indices. Labor market woes pulled down each metro’s index, particularly McAllen’s, which plummeted 12 percent on a seasonally adjusted annualized rate (SAAR). The Laredo and Brownsville indexes fell 8.4 and 2.0 percent, respectively. El Paso was the only locale where the metric maintained positive growth, increasing 2.4 percent SAAR, likely due to starting the year off at a strong pace.

Border nonfarm employment contracted by 2,100 jobs, but the 0.2 percent decline was less than the state average in percentage terms. The larger border metros shed 700 jobs each, although changes in education/health services employment differed. El Paso posted a slight increase whereas the sector led McAllen’s total job loss after driving growth for the past few years. Both locales, however, registered contractions in leisure/hospitality, as did the smaller border Metropolitan Statistical Areas (MSAs). Laredo employment fell by 300 jobs, with professional/business services and mining/logging/construction also recording net layoffs. In Brownsville, retail trade erased the previous two months’ gains, ending the month negative year to date (YTD) and accounting for most of the metro’s 400-job decrease. On the other hand, professional/business and education/health services added more than 100 jobs each.
On the Mexican side of the border, manufacturing and maquiladora employment\(^1\) posted its greatest loss in two years, shedding 17,800 jobs in February. Juarez comprised more than half of the layoffs with nearly 10,000 discharges. Maquiladora employment decreased by 4,200 and 2,400 in Reynosa and Chihuahua, respectively. Matamoros and Nuevo Laredo shed only 1,400 jobs each, but the latter registered the largest decline in percentage terms, falling 4.9 percent. Furthermore, U.S. manufacturing production reported a record-breaking 6.3 percent plunge in March, with automobile production down 36.7 percent, suggesting additional reductions in Mexican manufacturing and maquiladora employment in the coming months. An additional obstacle is the spread of COVID-19 in Mexico, at least in part due to the weak response to the pandemic by the Mexican government, which announced the country’s first cases of coronavirus on Feb. 28.

Amid widespread layoffs, unemployment rates increased throughout the border metros. Joblessness shot up to 7.6 and 8.8 percent in Brownsville and McAllen, respectively. Unemployment was slightly lower at 5.1 percent in both El Paso and Laredo but still jumped more than one percentage point from near-record lows in February.

Average real private hourly earnings declined year over year (YOY) across all the border MSAs. El Paso and McAllen wages slid 4.2 and 2.5 percent, respectively, after adjusting for inflation. Brownsville and Laredo real earnings flattened YOY, remaining well below their multiyear record-highs.

Total construction values fell to their lowest level in nearly two years after accounting for inflation as nonresidential activity slowed to a halt. The school-building sector was the main deterrent, particularly in El Paso, where 2016 school bond construction continued to decelerate. On the other hand, office values ticked up slightly. Residential construction decreased as every border metro except for Brownsville posted declines in single-family values. Fluctuations in two-family home construction were opposite from the single-family sector, increasing in each border metro, excluding Brownsville. El Paso apartment values slipped but were offset by accelerated activity in McAllen.

In the currency market, collapsing oil prices and uncertain global economic activity pushed the peso per dollar exchange rate\(^2\) up to 22.38 after a three-month downturn in the inflation-adjusted rate. Total trade values passing through the border plummeted 12.3 percent, almost entirely due to a historic 38.4 percent decline in El Paso, where trade values slid to a decade low. Machinery accounted for much of the tumble in both exports and imports through the West Texas metro. Total trade through Laredo and Brownsville decreased 3.2 and 7.6 percent, respectively, with imports falling to a greater degree than outgoing shipments. McAllen total trade values flattened, hovering below peak levels reached in September 2019 when energy-related exports surged. The ratification of the United States-Mexico-Canada Agreement by all three countries involved should

\(^1\) 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. Its release typically lags the Texas Border Economy by one month.
reaffirm North American trade relationships. The statutes, however, will not take effect until July 1, 2020, one month later than the original start date, due to the coronavirus pandemic.

**Housing**

**Border housing sales** fell for the second straight month in March, sliding 9 percent. Nonetheless, record activity at the start of the year supported positive QOQ growth. Brownsville sales sank 14 percent month over month, but some of the pullback may be attributed to baseline effects after double-digit increases in each of the two prior months. The elevated activity to start the year and subsequent slowdown was mostly concentrated in the $100,000-$300,000 price range. In El Paso, sales for homes priced from $100,000 and $200,000 continued to correct from an all-time high in January, comprising most of the 9.1 percent drop in the metro’s total sales. McAllen posted its second straight contraction, but the rate of decrease decelerated to 2.3 percent. Laredo recorded a modest decline of 1.1 percent, stabilizing around its five-year average.

**Single-family housing construction permits** plunged 8.6 percent on top of downward revisions to activity during the previous month. Both Laredo and McAllen permits decreased for the second straight month, with the latter continuing to normalize after elevated levels in 2019. In El Paso, issuance dropped 13.3 percent but hovered around its four-year average. Brownsville was the only locale where permits increased, extending a steady trend upward. Fluctuations in **private single-family construction values** were similar to movements in permitting, with every border metro posting a decline except for Brownsville.

An increase in the supply of active listings and falling sales pushed **months of inventory (MOI)** up along the border. Laredo’s MOI ticked up for the tenth consecutive month to 8.9 months. The McAllen metric exceeded 6.4 months after sinking to a record-low of 5.8 months the previous month. Inventory in El Paso and Brownsville expanded more moderately but surpassed 2.7 and 5.8 months, respectively.

Ahead of the most severe coronavirus impacts, housing demand was healthy as indicated by the **average number of days on market (DOM)**. The El Paso and McAllen DOMs shed more than a week off their year-ago levels, falling to 68 and 81 days, respectively. Meanwhile, the average home in Laredo flew off the market 20 days faster relative to last March, selling after only 54 days. On the other hand, Brownsville’s metric flattened at 109 days.

The **median home price** in the Rio Grande Valley corrected downward from above-average increases the previous month. The Brownsville median price plummeted $23,400 to $156,100, while McAllen’s metric fell $4,200 to $165,800. The median price in El Paso ticked up for the fifth consecutive month, reaching $173,100. The Laredo metric rose relative to February but posted negative YOY growth every month this year after elevated prices during 1Q2019. Moderate home-price appreciation is essential to maintain affordability, one of the border’s main attractions, in an environment of low wage growth.
March data reflected ongoing manufacturing-related struggles and initial coronavirus impacts. Economic conditions along the Texas-Mexico border are expected to worsen in the second quarter as shelter-in-place and stay-at-home orders take effect. The border region’s close ties with Mexico, a country predicted to be among those the most affected by the critically low oil prices, global pandemic, and decreased industrial production, heightens the downside risk for the local communities. Exemplifying this, purchases of goods and services along the border by Mexican nationals are negatively impacted by restrictions on international crossings effective March 21, 2020 (although commercial activities, cargo transport, pharmaceutical purchases, and emergency services are not affected, and neither are people who live in Mexico and are authorized to work in the U.S. and those who attend educational institutions in either country). A recession is certain, but the depth and duration is yet to be determined until COVID-19 is contained and a new “normal” is established.
Note: Seasonally adjusted. For more information, see Texas Business Cycle Index.
Source: Federal Reserve Bank of Dallas

Note: Seasonally adjusted, three-month moving average. March 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
Note: Seasonally adjusted. March 2020 is preliminary. For more information, see Unemployment Rate.
Source: Bureau of Labor Statistics

Notes: Inflation adjusted, seasonally adjusted. March 2020 is preliminary. For more information, see Total Private Employee Hourly Earnings.
Source: Bureau of Labor Statistics
Note: Inflation-adjusted Trend-cycle component.
Source: Dodge Data & Analytics
Residential Construction Values
(Index Jan 2008 = 100)

[Graph showing construction values for different cities, indexed Jan 2008 = 100.]

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

Real Peso per Dollar Exchange Rate
($)

[Graph showing the real peso per dollar exchange rate from 2007 to 2019.]

Note: Deflated using the Texas Trade Weighted Value of the Dollar.
Source: Federal Reserve Bank of Dallas
Note: Trend-cycle component.
Sources: Foreign Trade Division and U.S. Census Bureau
Note: Trend-cycle component.
Source: Real Estate Center at Texas A&M University

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