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## Laredo Regional Economic Update

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DISCLAIMER: The views expressed are the authors' and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System. Any data requests can be addressed to Diego Morales Burnett at [Diego.Morales-Burnett@dal.frb.org](mailto:Diego.Morales-Burnett@dal.frb.org).

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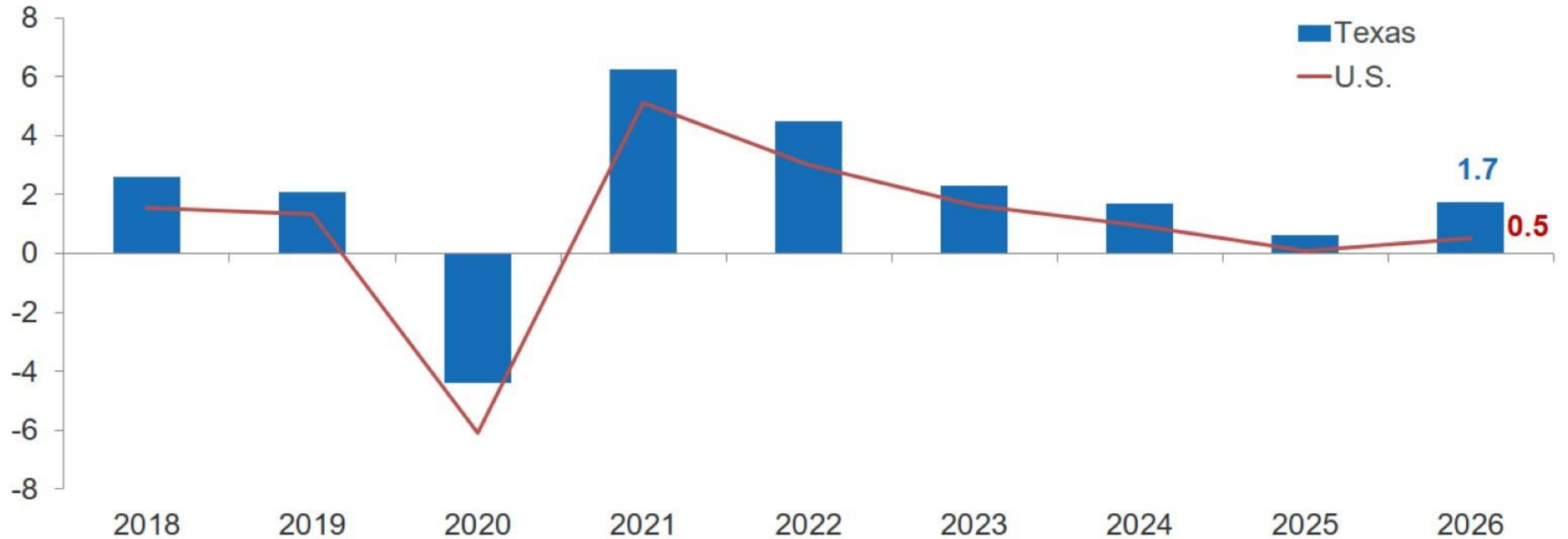
# Overview

- Texas employment growth strengthened notably in March (3.9%)
  - Laredo employment ticked up (1.1%)
- The Dallas Fed's Texas Employment Forecast indicates jobs will increase 1.8% in 2026
  - However, we expect job growth to be 1.2%, more in line with the low end of the forecast range
  - Due to headwinds that include declining immigration constraining labor supply, higher productivity suppressing labor demand, TBOS business suggest employment growth remains sluggish, and geopolitical uncertainty is elevated
  - High oil prices, meanwhile, are expected to boost state economic activity only if they are sustained
- Residential housing markets are expected to remain weak while momentum in AI investment and data center construction will carry forward

# Recent Economic Activity and Labor Markets

# Texas payroll growth picks up in March

Job growth (percent)\*



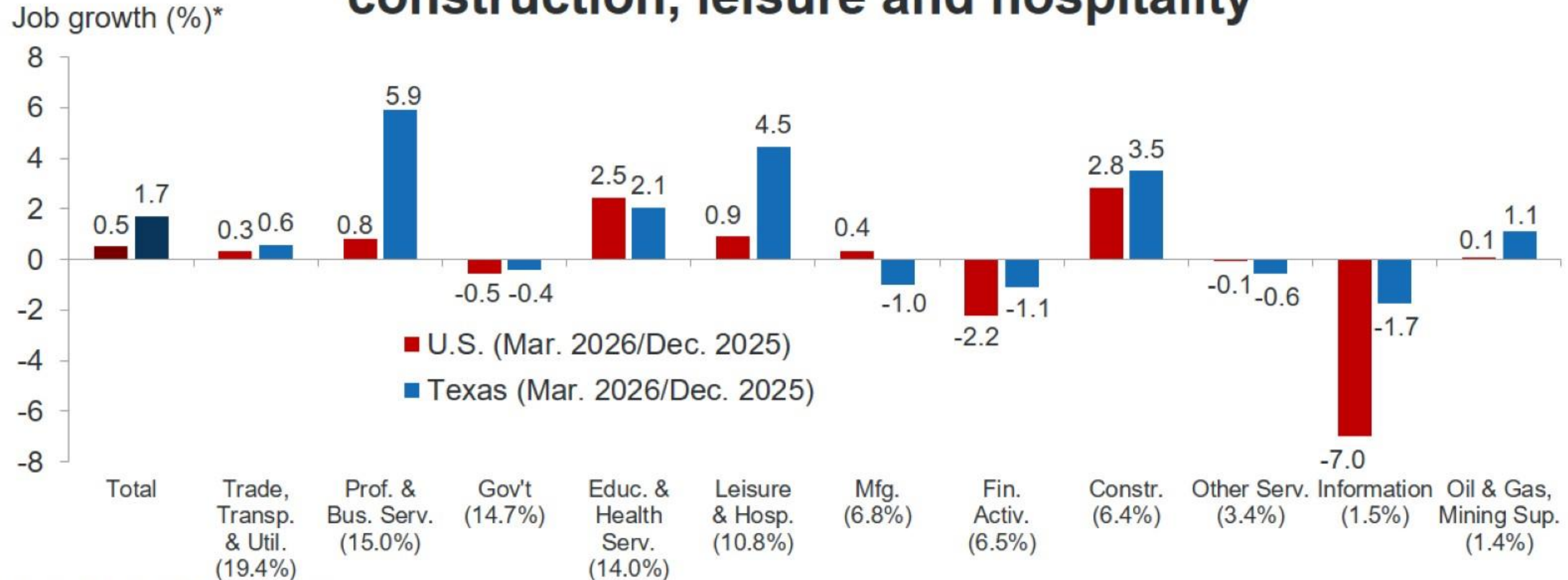
\*Seasonally adjusted, annualized rate.

NOTE: Data are Dec./Dec. Last data point for Texas is annualized job growth Feb. '26/Dec. '25. Last data point for U.S. is Mar. '26/Dec. '25.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

DATA: <https://www.dallasfed.org/research/econdata/tae000000.aspx>

# 2026 Texas job growth strong in business services, construction, leisure and hospitality



\*Seasonally adjusted, annualized rate.

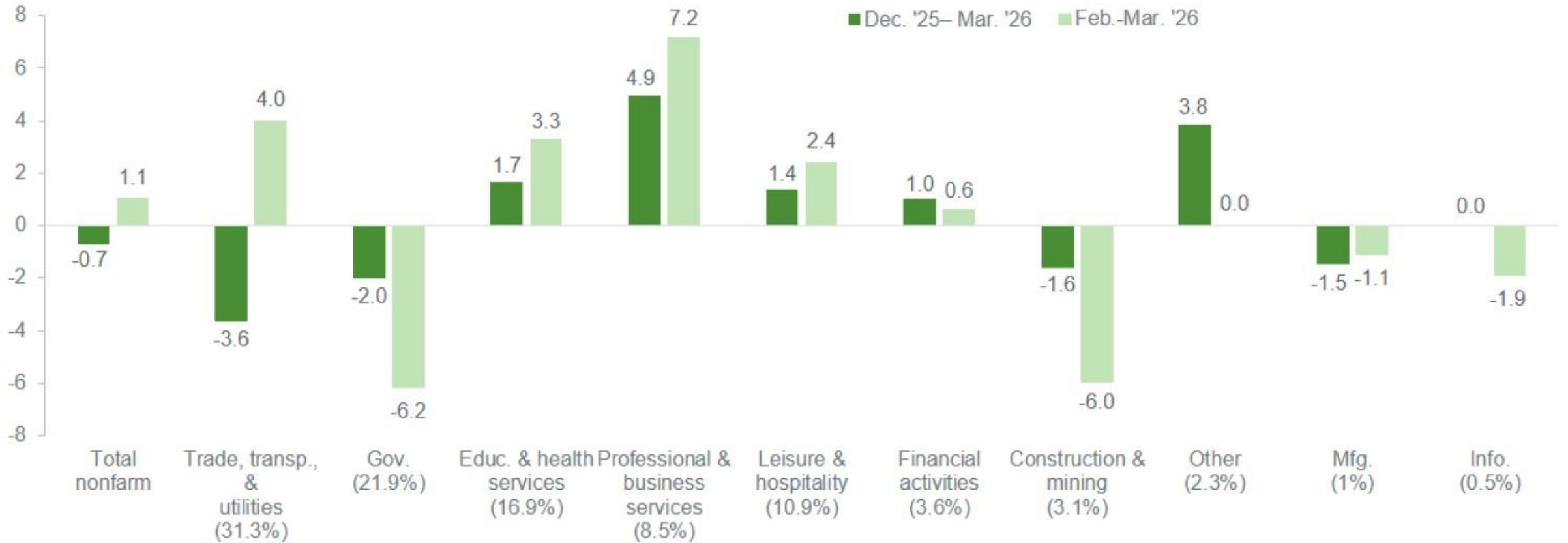
NOTE: Numbers in parenthesis indicate share of total state employment for most recent monthly data.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

DATA: <https://www.dallasfed.org/research/econdata/tx-emp-ind.aspx>

# Weak job growth in Laredo at start of 2026

Laredo Job growth (%)\*



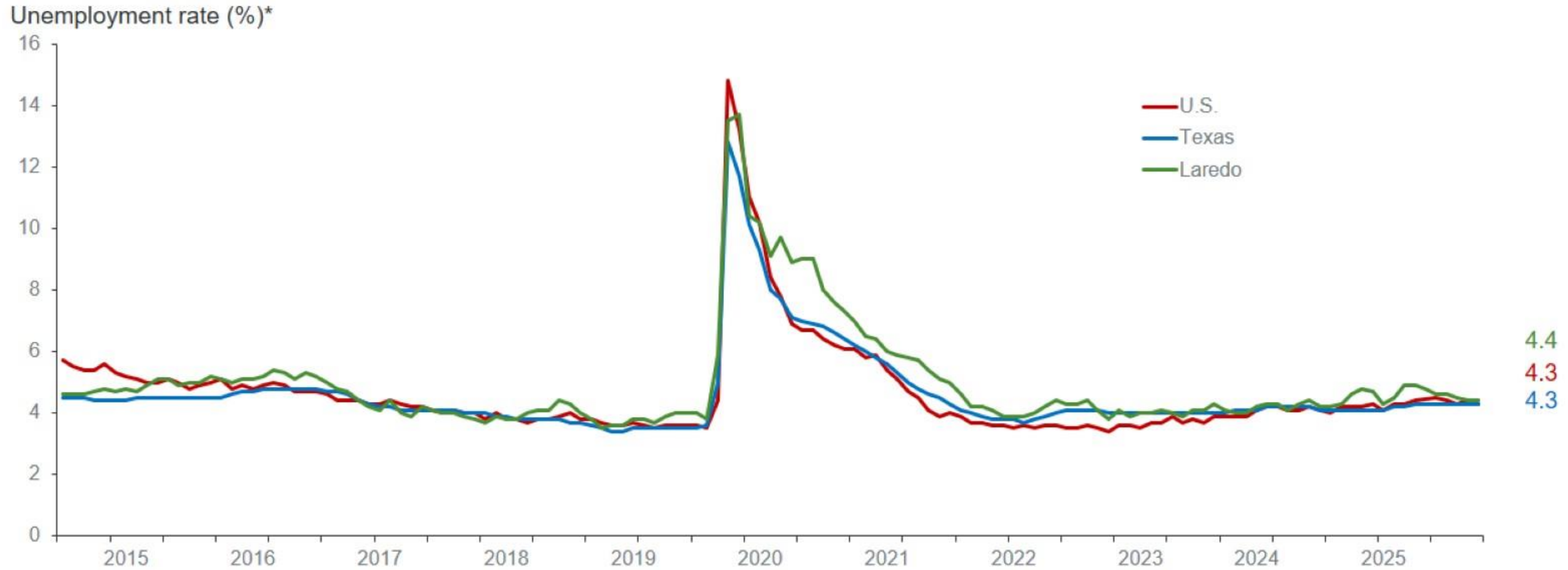
\*Seasonally adjusted, annualized rate.

NOTE: Numbers in parenthesis indicate share of total state employment for most recent monthly data.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; seasonal and other adjustments by FRB Dallas.

DATA: <https://www.dallasfed.org/research/econdata/tx-emp-ind.aspx>

# Laredo unemployment remains low



\*Seasonally adjusted.

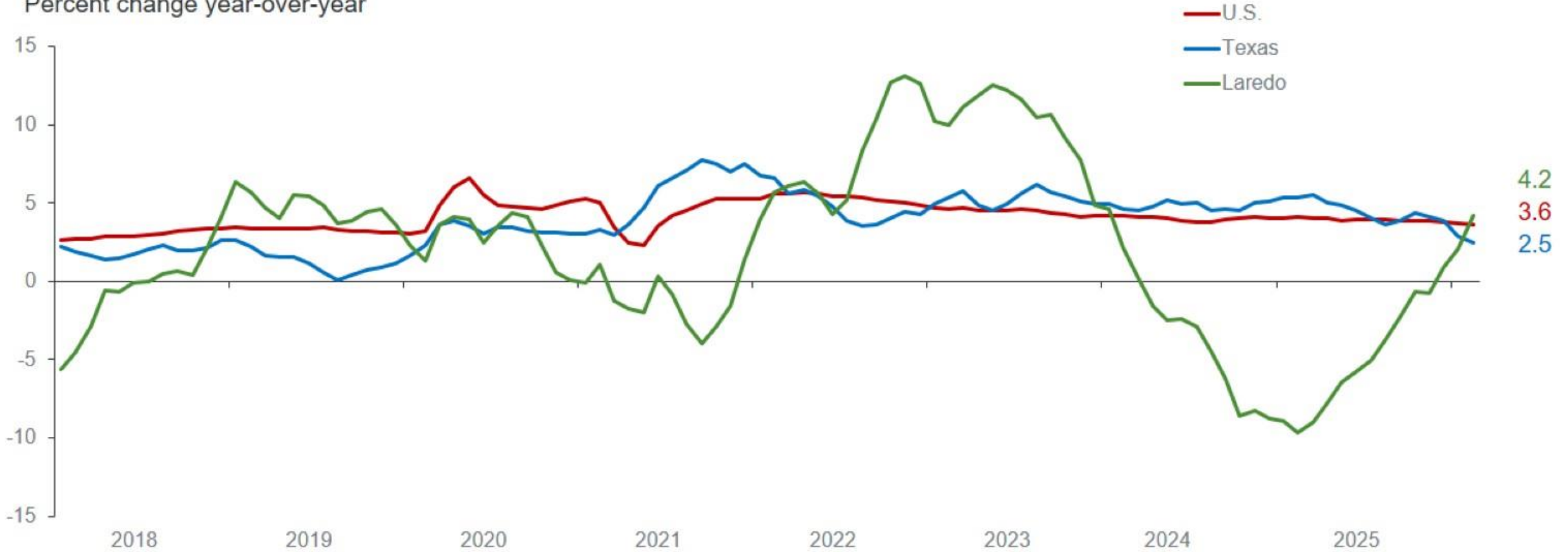
NOTE: Data are through March 2026.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

DATA: [Texas Employment by Industry - Dallasfed.org](https://dallasfed.org/research/employment-by-industry)

# Laredo wage growth accelerates

Private Sector Average Hourly Earnings\*  
Percent change year-over-year



\*Seasonally adjusted and three-month moving average

NOTE: Data are through March 2026.

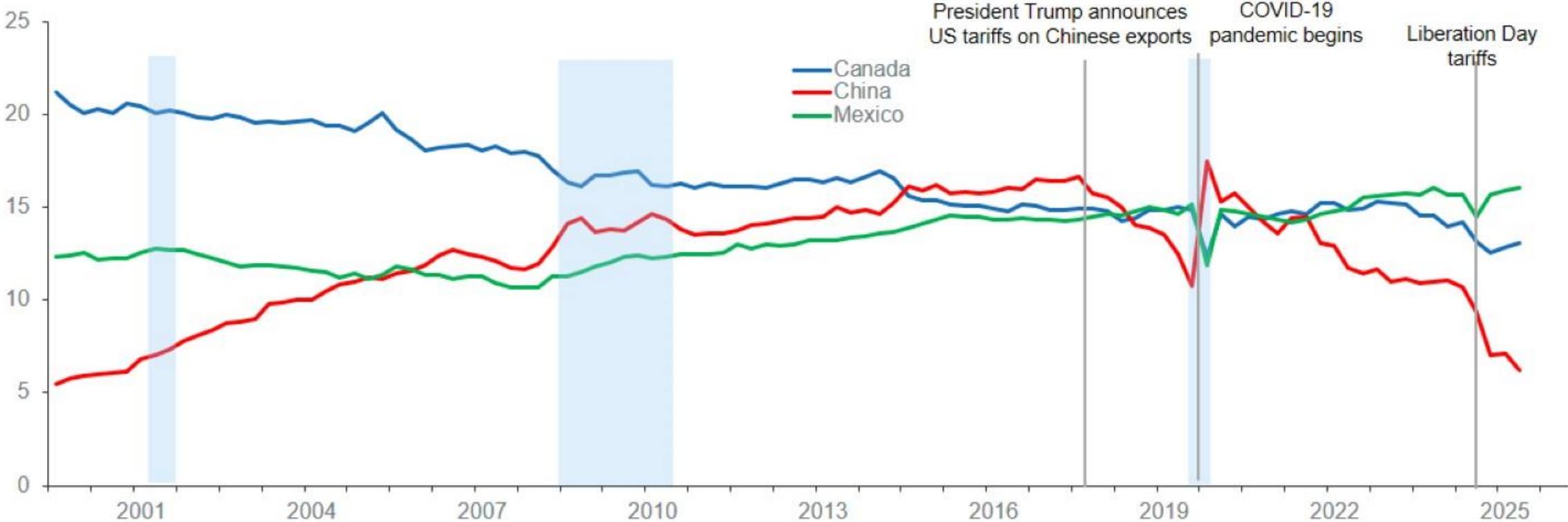
SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; Federal Reserve Bank of Dallas.

DATA: [Texas Employment by Industry - Dallasfed.org](https://dallasfed.org/research-and-data/texas-employment-by-industry)

# International Trade

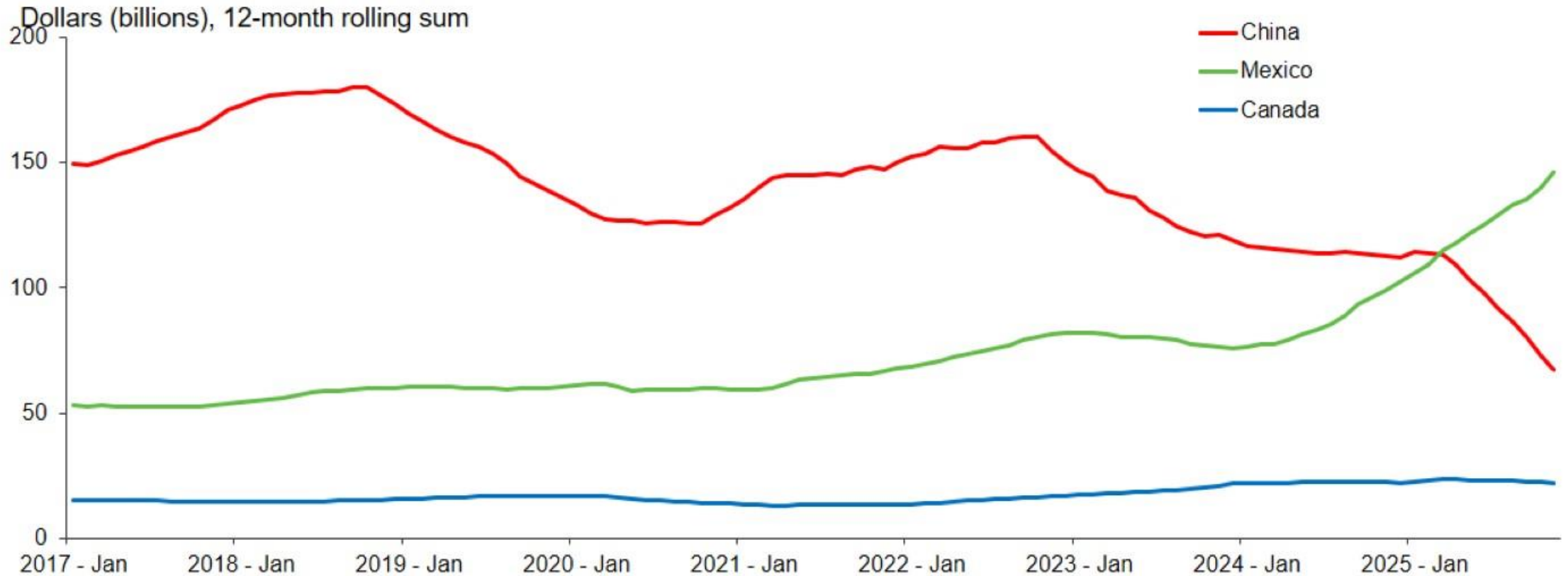
# Mexico becomes top U.S. trading partner at start of 2023

Share of total trade (percent)



NOTES: Seasonally Adjusted. Shaded area refers to recession dates from NBER. Quarterly data. Total trade is the sum of exports and imports. Data through 4Q25. Liberation day tariffs are a broad package of tariffs announced on April 2, 2025.

# U.S. imports of Advanced Technology Products from Mexico have risen rapidly



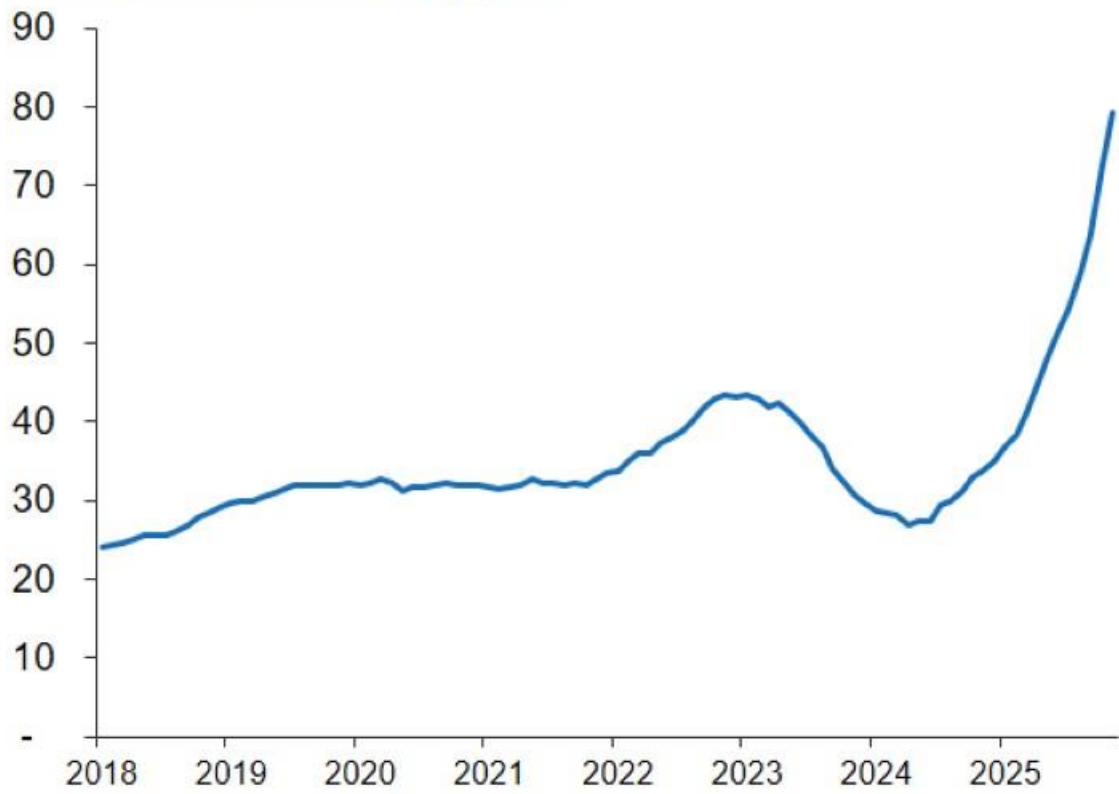
Note: Data through November 2025; The U.S. Census Bureau classifies as Advanced Technology Products goods whose technology is in a recognized high technology field (e.g., information and communications, electronics, aerospace), and that represent leading edge technology in that field.

SOURCE: U.S. Census Bureau

# Mexico's exports of data center equipment are booming

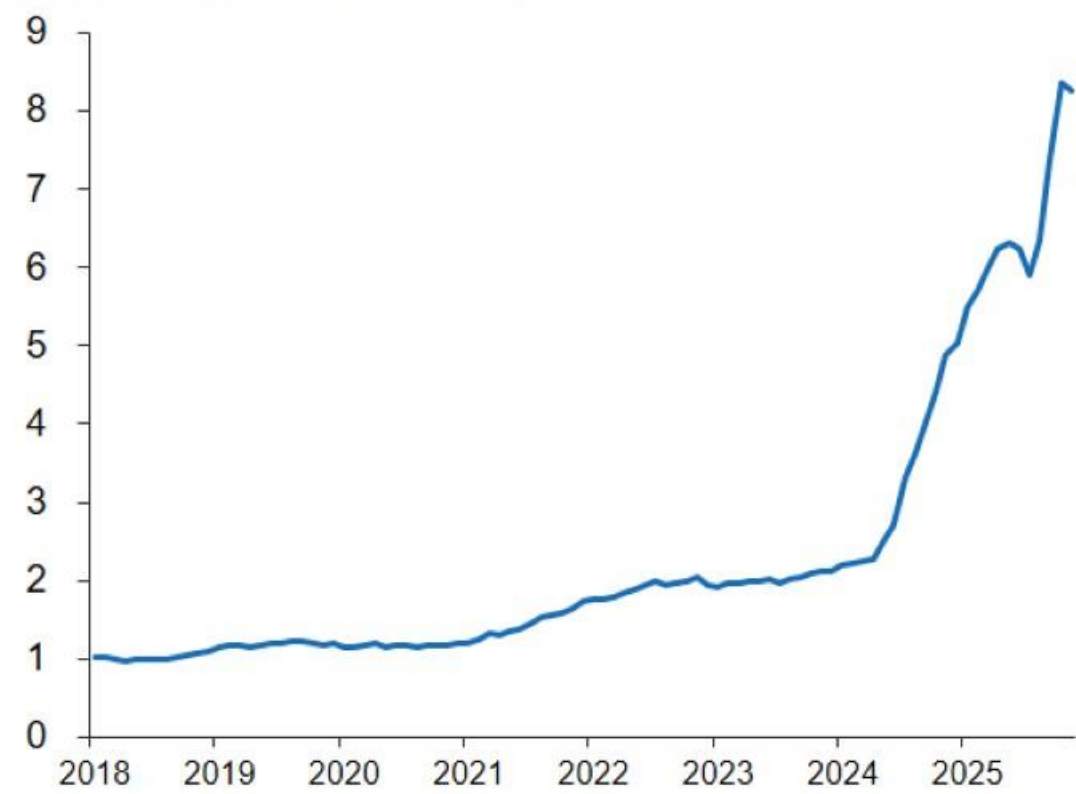
### A. Mexico Exports of Data Processing Machines

Dollars (billions), 12-month rolling sum



### B. Mexico Exports of Server Boards and Parts

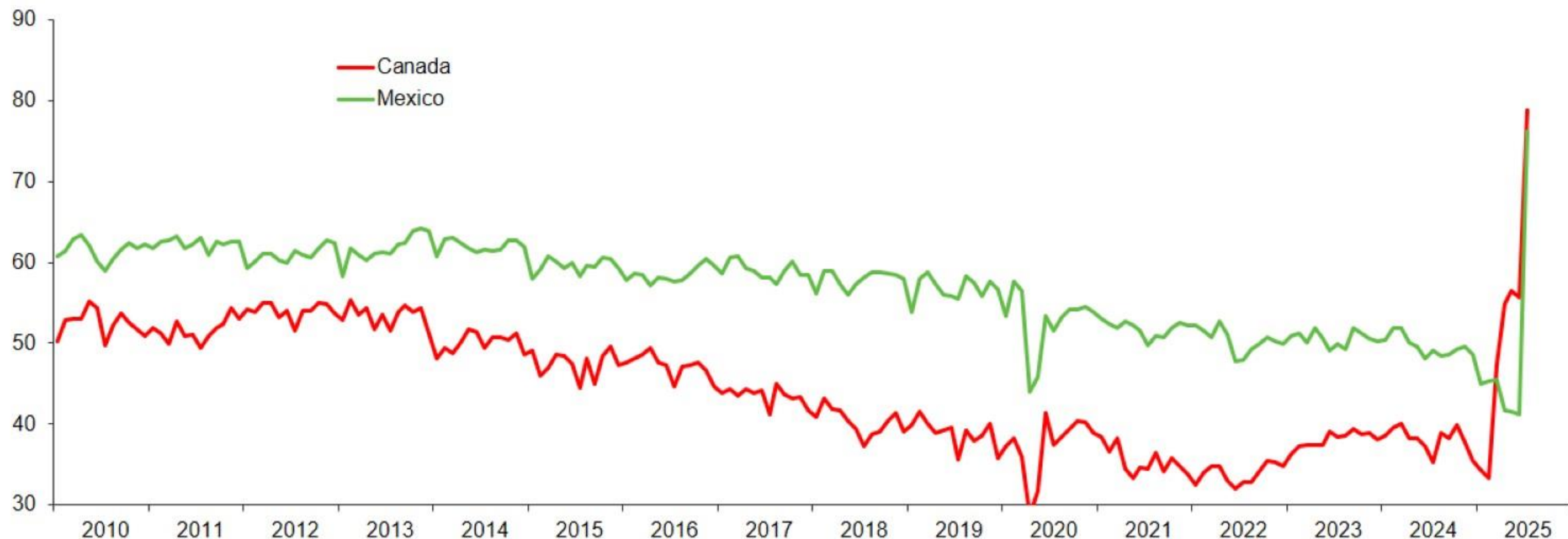
Dollars (billions), 12-month rolling sum



Note: Figures are on nominal basis, not seasonally adjusted; Data are through October 2025  
SOURCES: Banco de Mexico, Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography)

# USMCA compliance increased for all exports from Mexico and Canada to the U.S

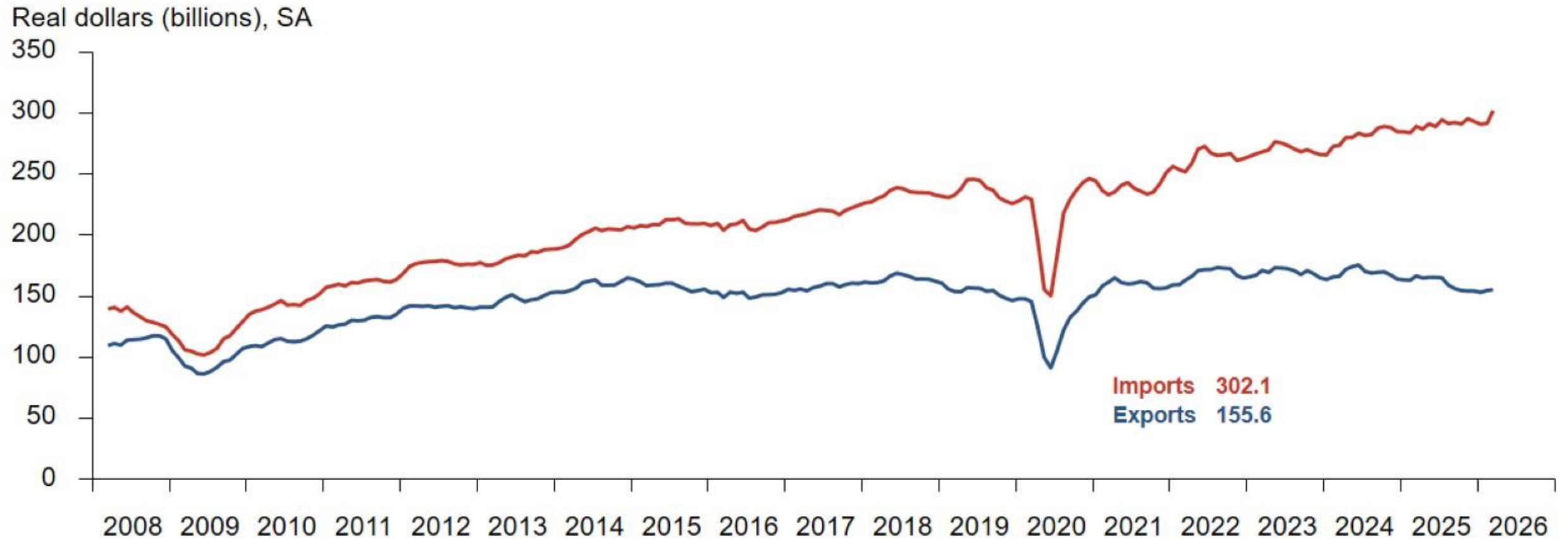
Share, NAFTA-USMCA duty-free / total imports



NOTE: Data are monthly through July 2025.

SOURCE: U.S. International Trade Commission, Department of Commerce.

# Port of Laredo export values fall while import values rise

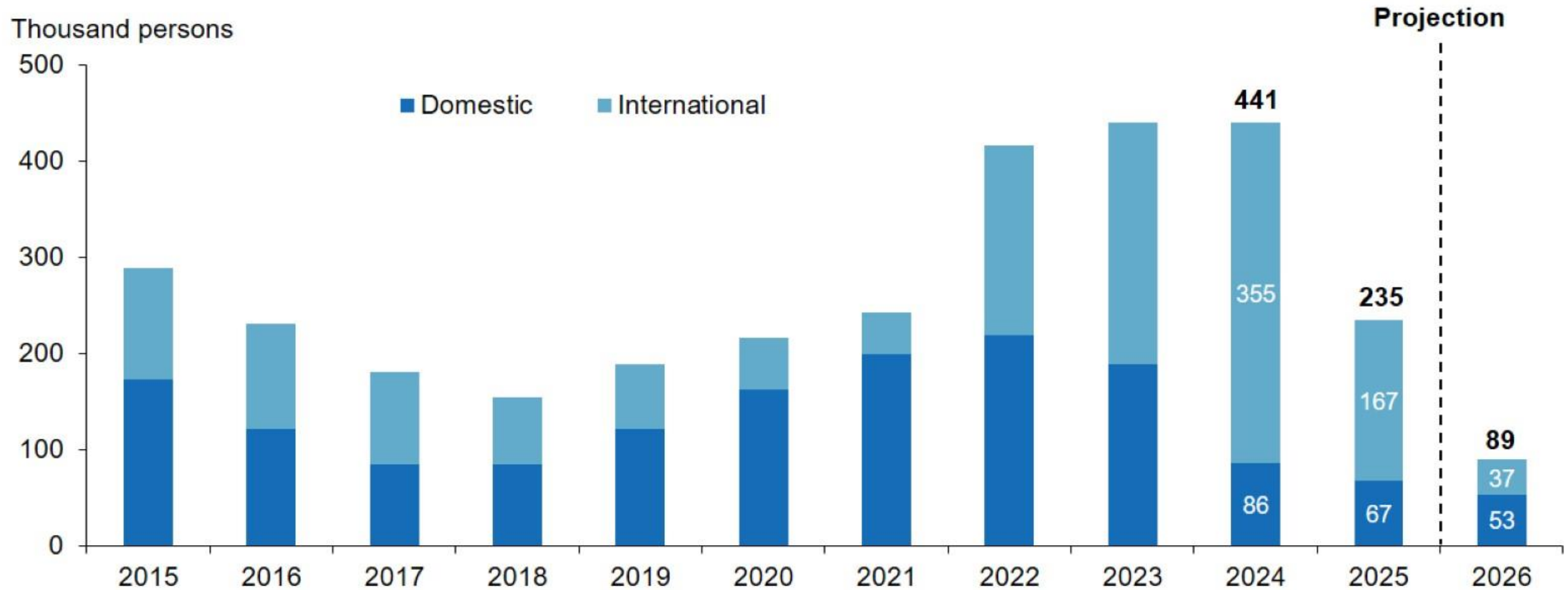


NOTES: Seasonally adjusted, monthly, annualized three-month moving average. Data through March 2026.

SOURCES: U.S. Census Bureau; Bureau of Labor Statistics; seasonal and other adjustments by the Federal Reserve Bank of Dallas.

# Domestic and International Migration

# A big reason for the drop off in job growth is less immigration

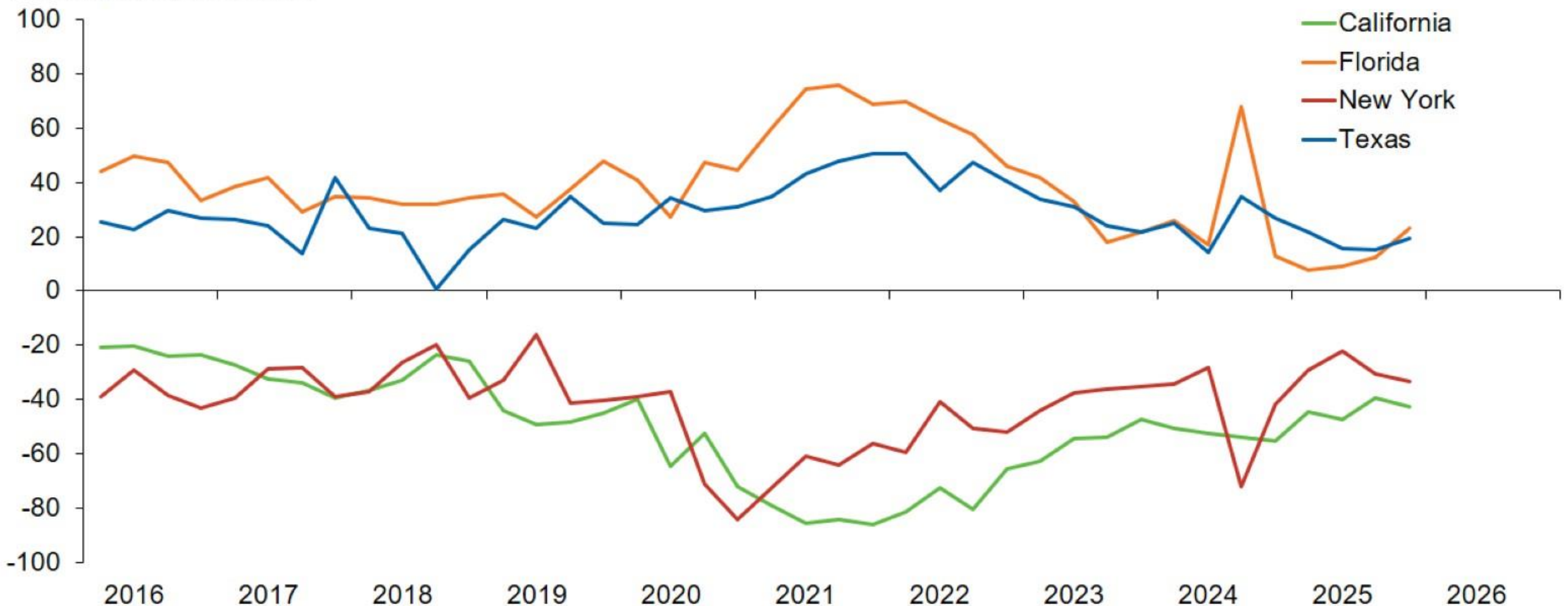


NOTES: Shown are annual net domestic and net international migration to Texas. Change is July to July. Estimate for 2026 is authors' projection.

SOURCE: Census Bureau; authors' calculations.

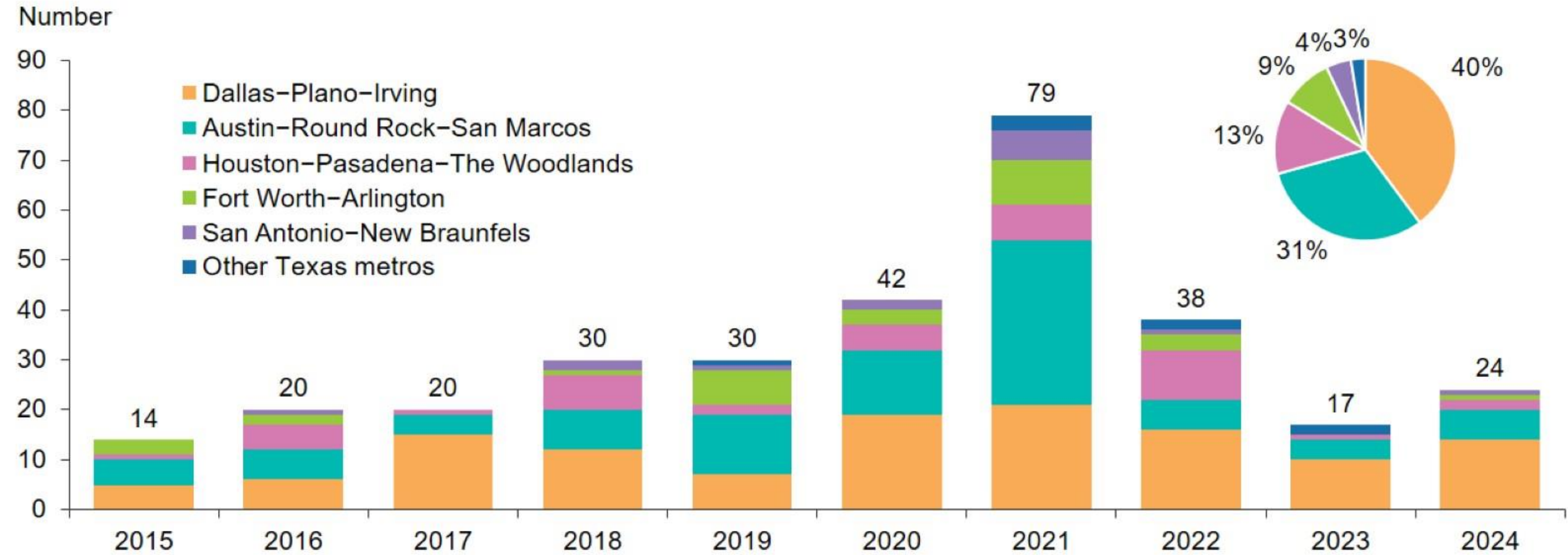
# Net domestic migration to Texas has also slowed

Net-migration, thousands



NOTES: Shown are estimated net migration flows. Data are seasonally adjusted and quarterly through Q4 2025.  
SOURCE: Equifax Consumer Credit Panel; seasonal and other adjustments by Dallas Fed.

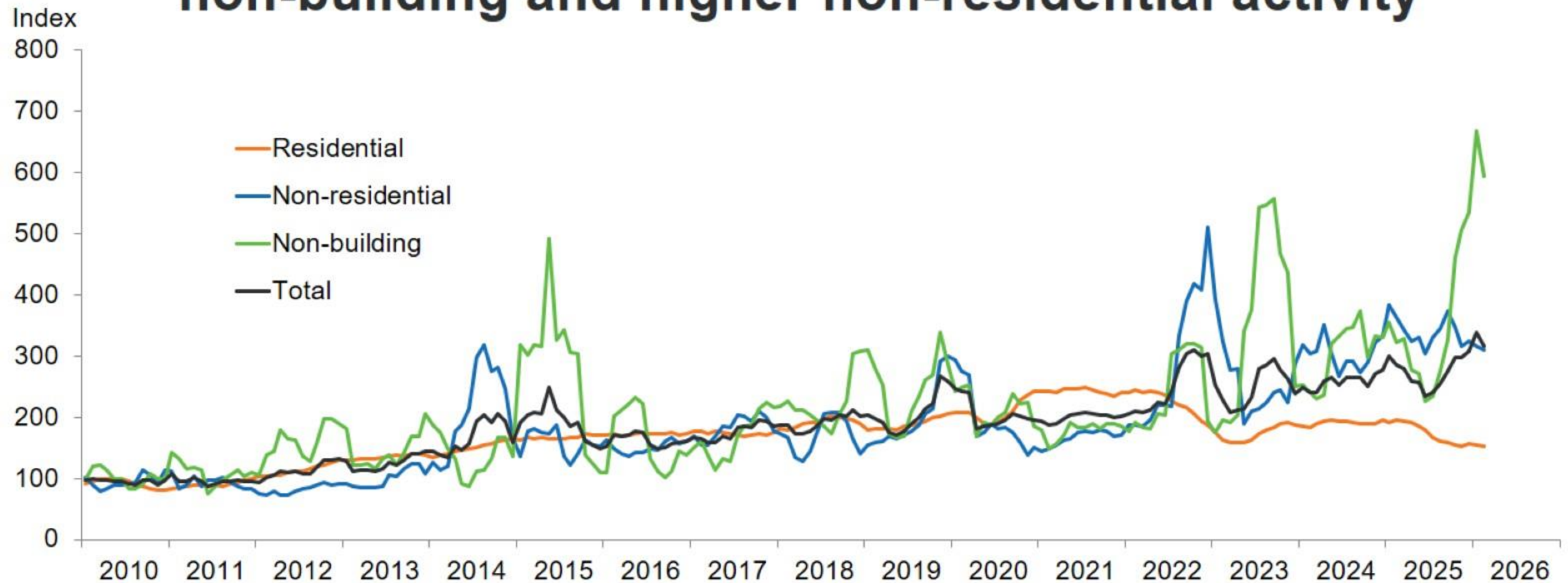
# Corporate moves to Texas peaked during pandemic, led by Austin and Dallas



NOTE: Corporate headquarter relocations shown by arrival destination.  
 SOURCES: Texas Economic Development and Tourism Office; authors' calculations.

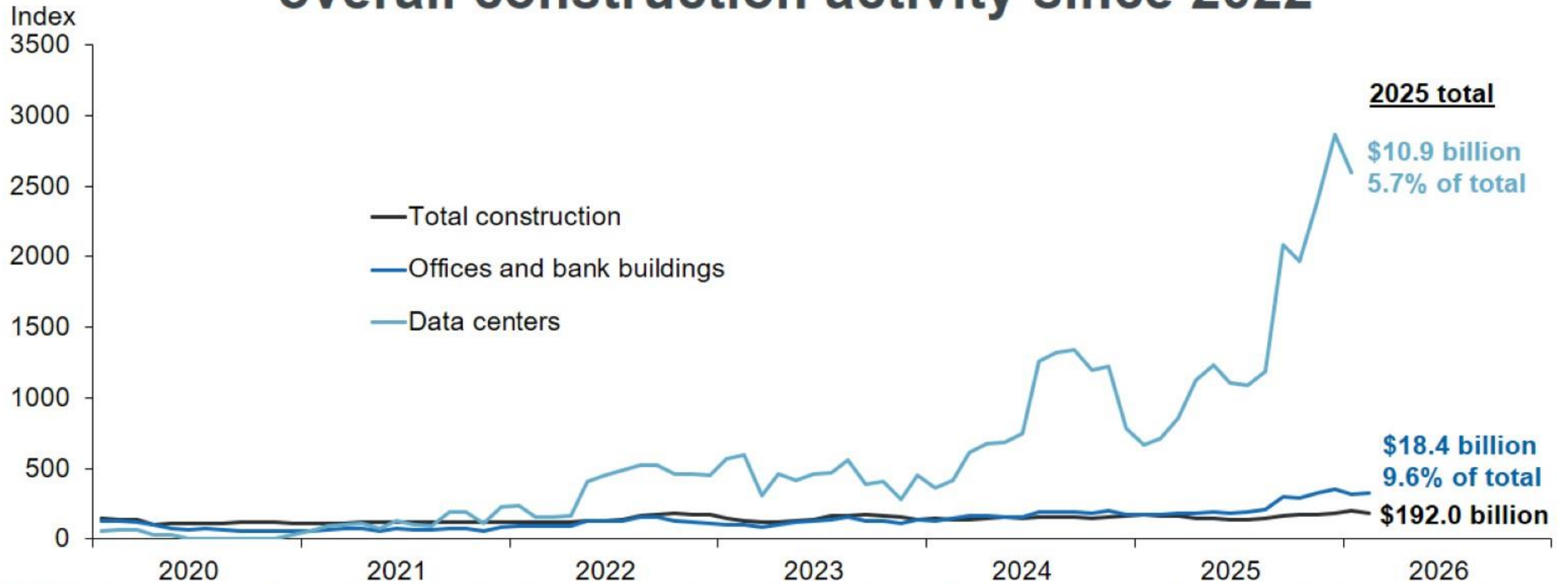
# Construction and Housing Markets

# Construction contract values recover driven by soaring non-building and higher non-residential activity



NOTES: Data are a 5-month moving average of seasonally adjusted real Texas construction contract values through February 2026. Values are indexed and Jan. 2010 = 100.  
SOURCES: Dodge Construction; Federal Reserve Bank of Dallas.

# Growth in data center construction far outpacing overall construction activity since 2022

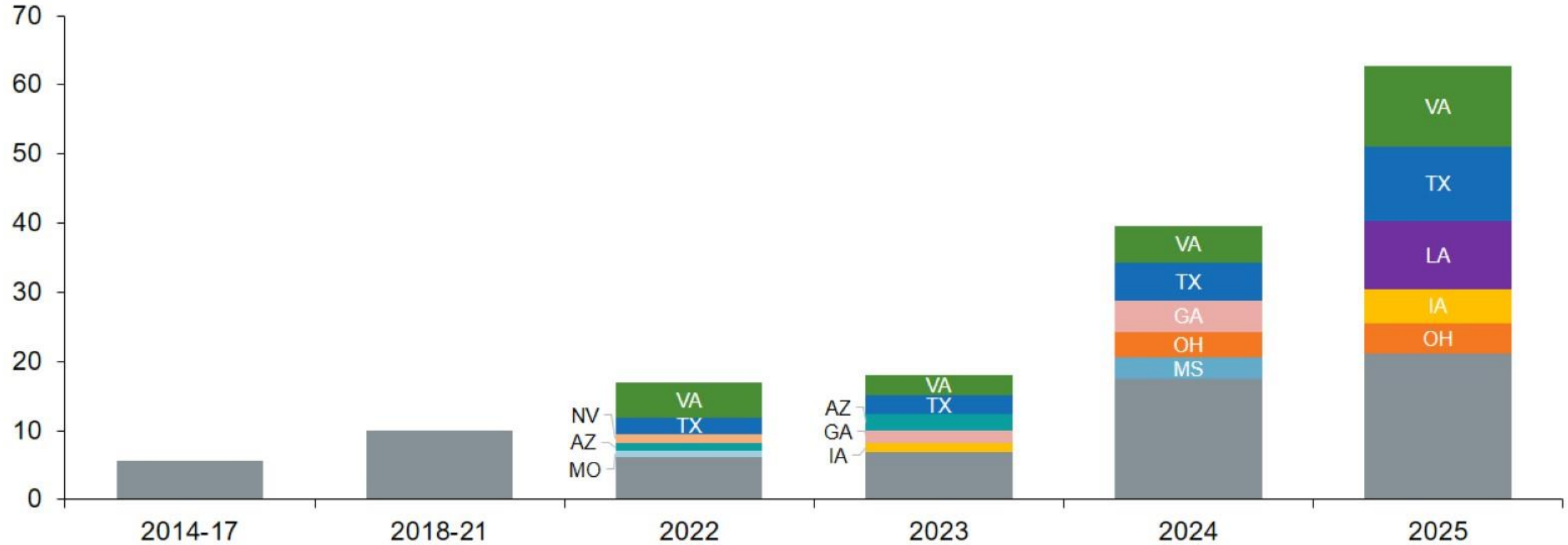


NOTES: Shown are indexed construction contract values for total building, offices and bank buildings, and data center projects in Texas. Contract values are real. Data are indexed such that January 2020 = 100, seasonally adjusted, and smoothed with a 5-month moving average. Total construction and office contract values are monthly through February 2026. Data center contract values are monthly through January 2026 and not seasonally adjusted.

SOURCE: Dodge Construction; seasonal and other adjustments by Federal Reserve Bank of Dallas.

# Texas second among states for data center construction

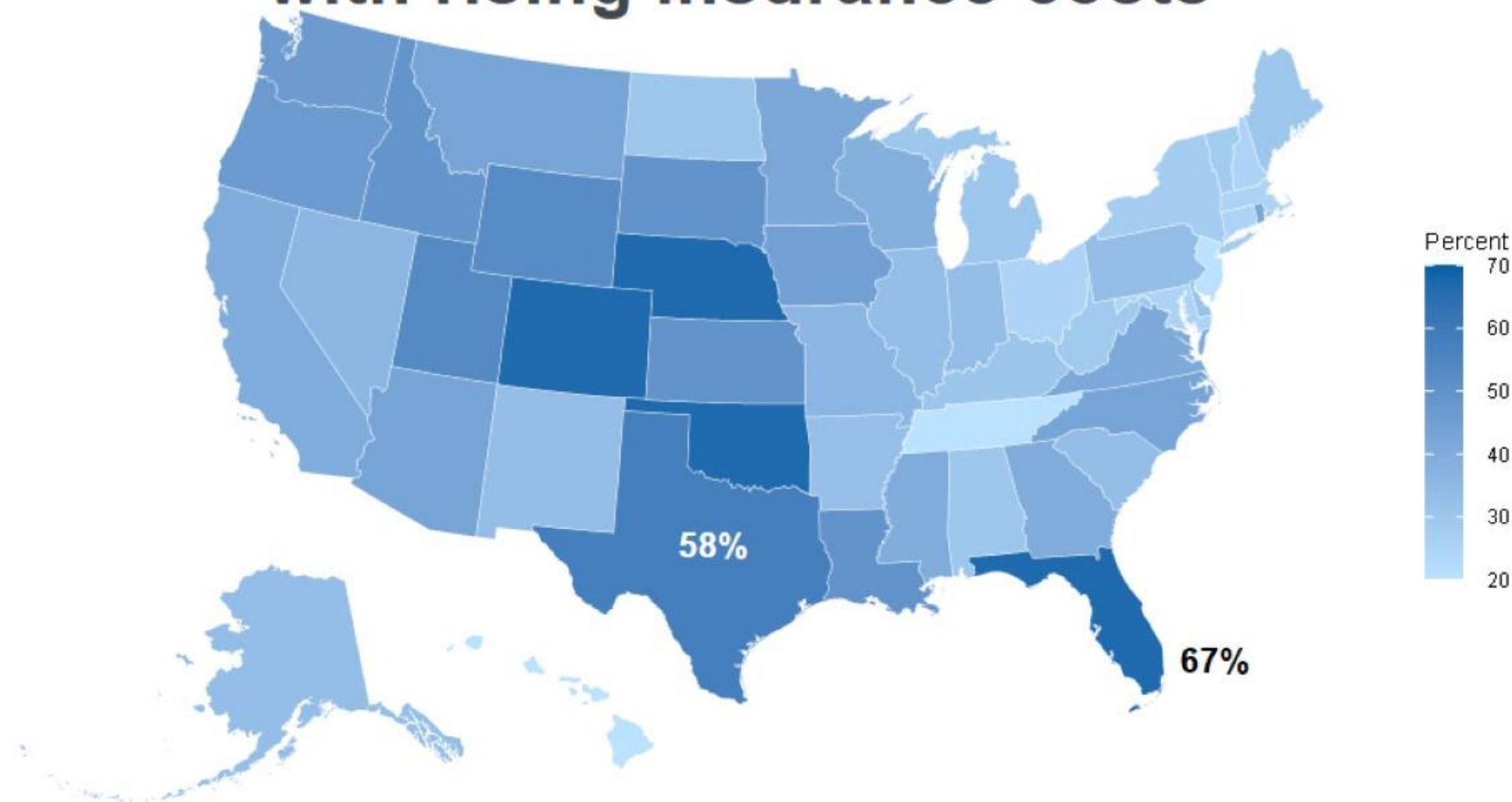
Dollars, billion



NOTES: Shown are total real annual construction contract values for data centers in the nation in 2025 dollars. Bars from 2022-2025 are broken out by the top 5 states and the rest of the nation. Bars for 2014-2017 and 2018-2021 show average annual contract values.

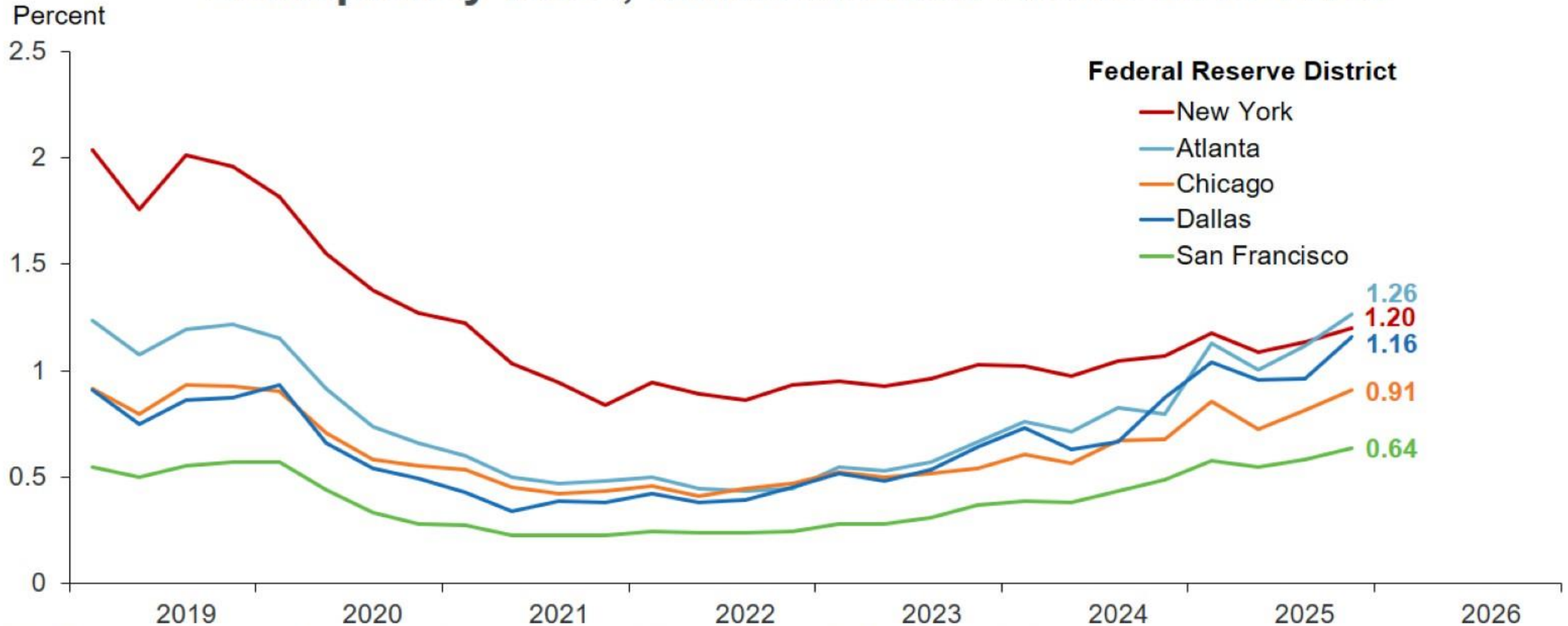
SOURCE: Dodge Construction.

# Existing homeowners also struggle increasingly with rising insurance costs



NOTE: Shown are growth rates of homeowners insurance costs from 2019 through 2024.  
SOURCE: Census Bureau; American Community Survey one-year estimates; authors' calculations.

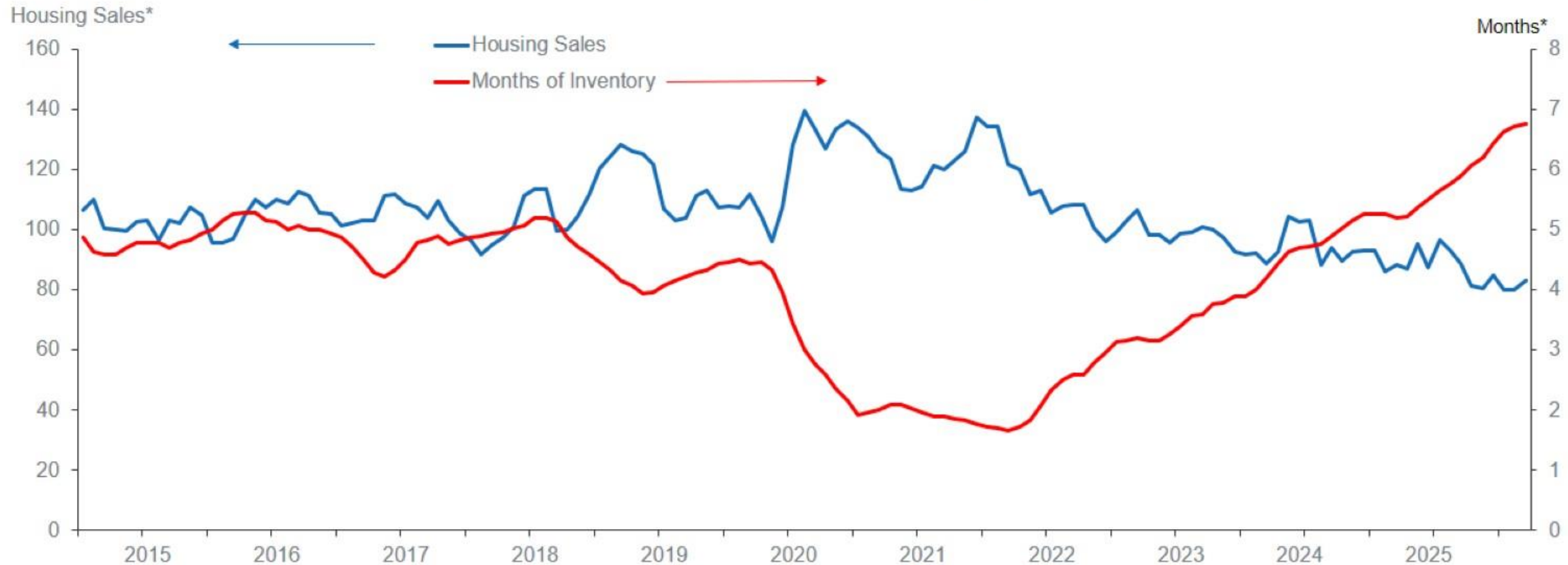
# High insurance costs, property taxes may be contributing to rising delinquency rates, which are now above 2019 level



NOTES: Shown are mortgage delinquency rates for severely delinquent loans (90+ days) by Federal Reserve District.

SOURCE: Federal Reserve Bank of New York Consumer Credit Panel.

# Laredo housing sales stabilized while months of inventory increase



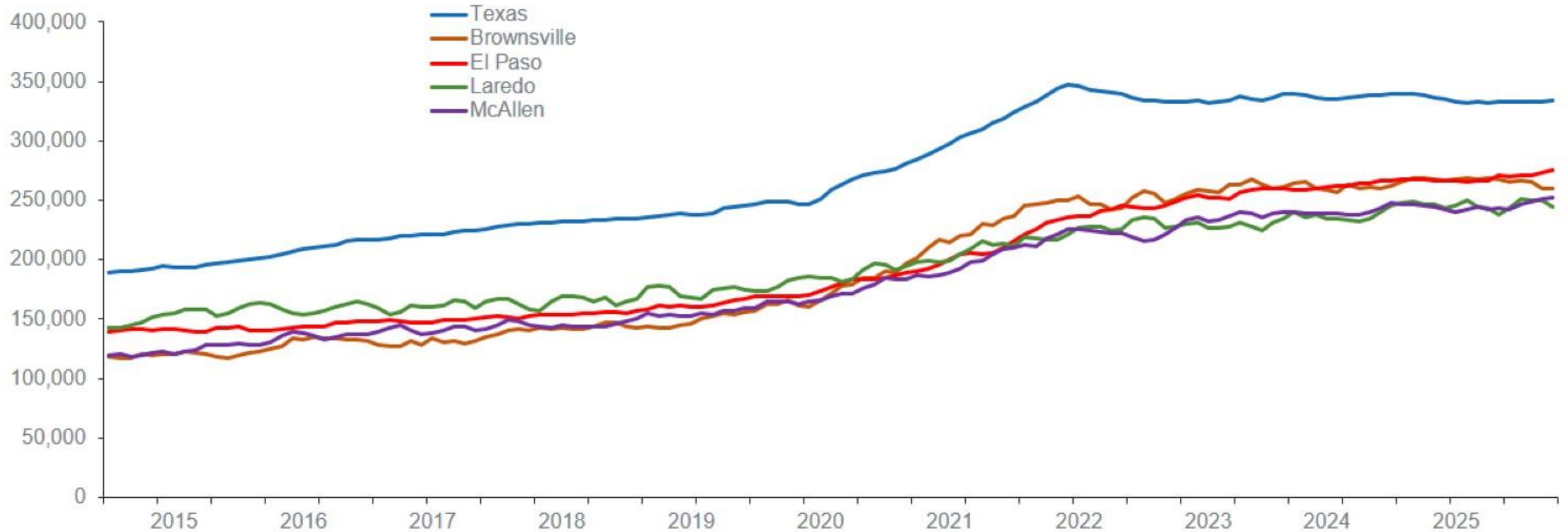
\*Seasonally adjusted and three-month moving average.

NOTE: Data measure sales of residential units (single-family homes, condominiums and townhomes). Existing-Home sales. Data are through March 2026.

SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University; adjustments by the Dallas Federal Reserve Bank.

# Laredo median home prices tick down

Median Home Prices (\$)\*



\*Seasonally adjusted and three-month moving average.

NOTE: Data measure sales of residential units (single-family homes, condominiums and townhomes). Existing-Home sales. Data through March 2026.

SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

# Economic Outlook

# The Texas employment forecast indicates 1.8% growth in 2026 (range 1.2-2.4), with risks to the downside

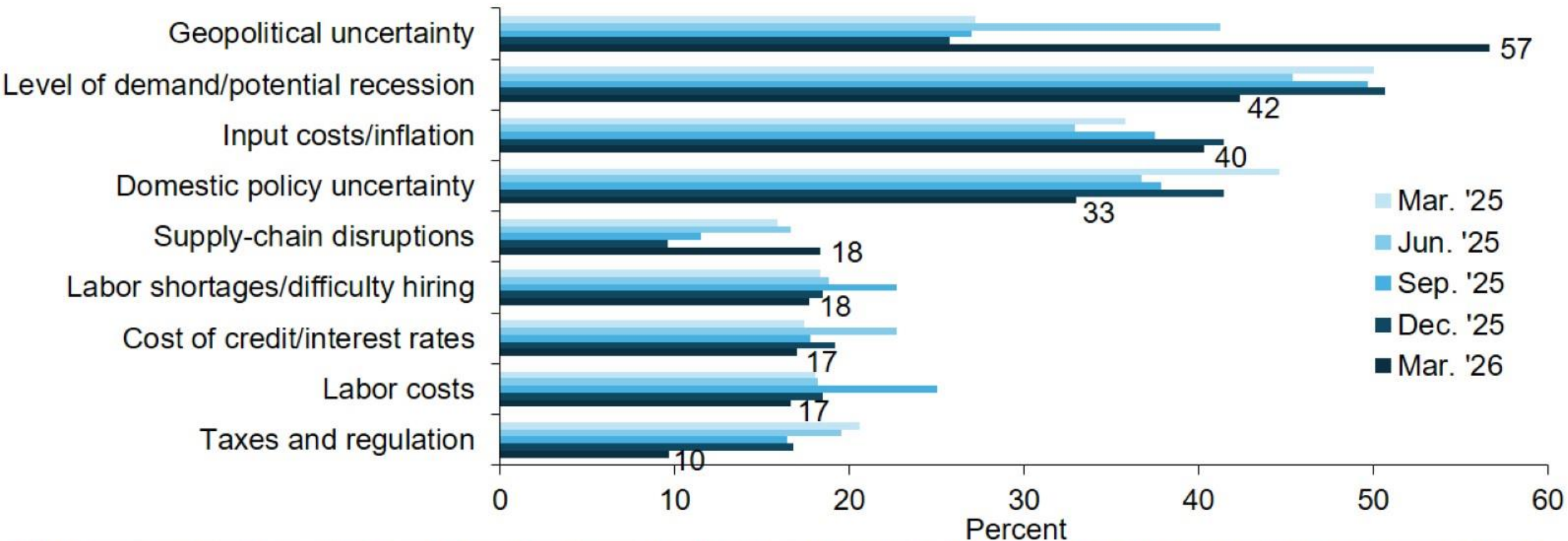
Percent, Y/Y



NOTE: The Dallas Fed Texas Employment Forecast is based on the average of four models. Three models are VARs where Texas payroll employment is regressed on WTI oil prices, the US leading index and the Texas leading index, respectively. The fourth model is a regression of payroll employment on lags of payroll employment, expectations for U.S. GDP growth, WTI oil prices, and four COVID-19 dummy variables (March-June 2020).

# Geopolitical uncertainty, level of demand, and inflation among top concerns

*“What are the primary concerns around your firm's outlook over the next six months, if any? Please select up to three.”*

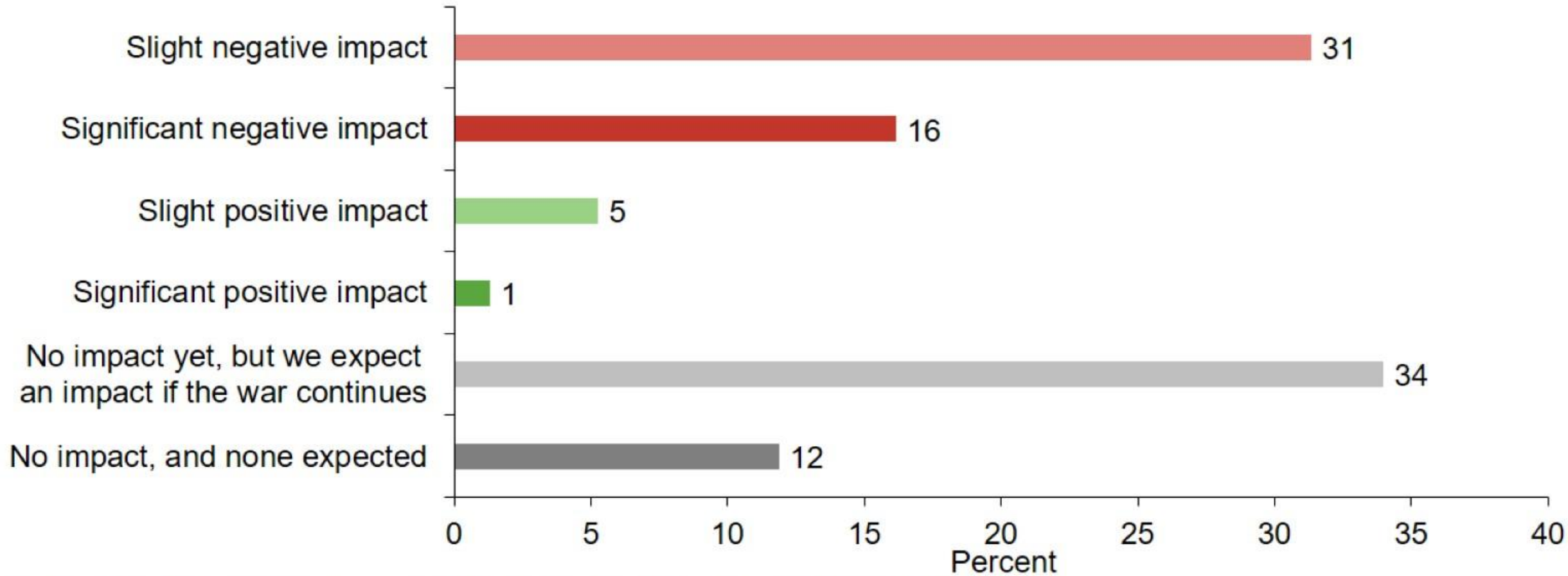


NOTES: Executives from 300 Texas businesses answered this question during the survey collection period, March 17-25, 2026. The shares reporting other (8 percent in March '26) and none (2 percent) are not shown.

SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

# Nearly half of surveyed firms cite a negative impact from the Iran war

*“How has the Iran war affected your firm, on net?”*

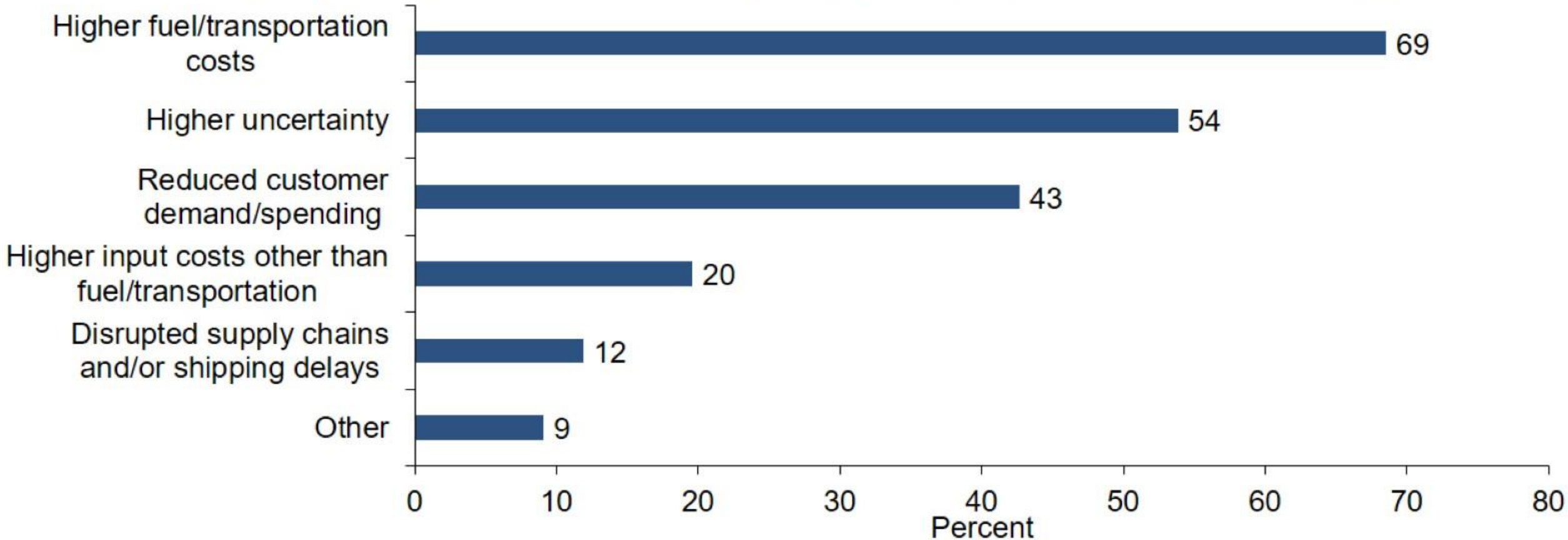


NOTE: Executives from 303 Texas businesses answered this question during the survey collection period, April 14-22, 2026.

SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

# Higher fuel costs are the most cited negative impact

*“In which of the following ways has the Iran war negatively affected your firm? Please select all that apply.”*

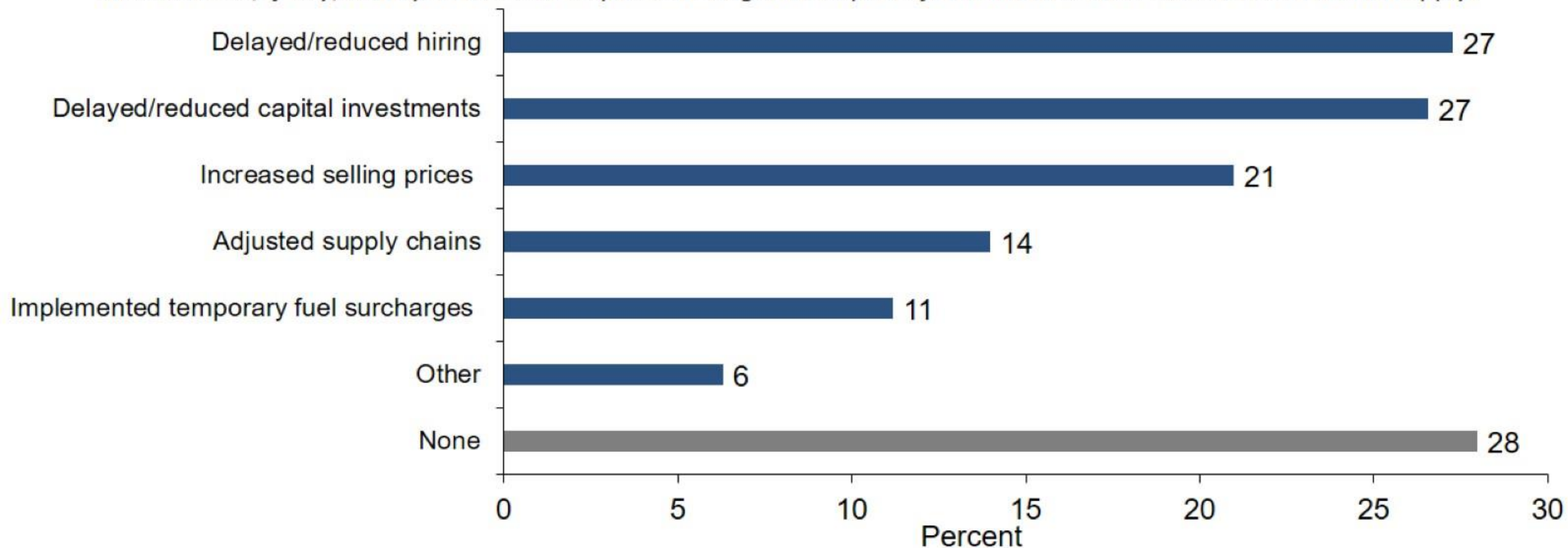


NOTES: Executives from 143 Texas businesses answered this question during the survey collection period, April 14-22, 2026. This question was only posed to those negatively impacted by the Iran war.

SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

# Pullbacks in hiring and capital spending are the most common actions taken by firms negatively affected

*“What actions, if any, have you taken in response to negative impacts from the Iran war? Please select all that apply.”*



NOTES: Executives from 143 Texas businesses answered this question during the survey collection period, April 14-22, 2026. This question was only posed to those negatively impacted by the Iran war.

SOURCE: Federal Reserve Bank of Dallas Texas Business Outlook Surveys.

# Summary

- Job growth should improve in 2026, but it will be mild
- Productivity gains are suppressing hiring, while the immigration crackdown is limiting labor supply
- A continuing AI boom and OBBBA tax provisions will likely boost activity, while a residential construction contraction are a drag on growth
- Iran conflict is leading to higher oil prices, response from Texas oil sector likely to be muted
- Other concerns that bear watching include USMCA review, safety net cuts and federal funding reductions, especially to health care and education

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