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Growth at the Border: Recent Investment and Job Creation in the Rio Grande Valley

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We examine, in this brief, the Rio Grande Valley (RGV) as a deeply integrated cross-border economy shaped by manufacturing complementarities with northern Mexico and evolving patterns of investment, employment, and wages. Recent growth has generated substantial job creation, but employment remains concentrated in comparatively low-paying service occupations. At the same time, emerging investments in industry and technology point to gradual economic diversification and the potential expansion of higher-value-added activities in the region.

A Cross-Border Economic System in Motion

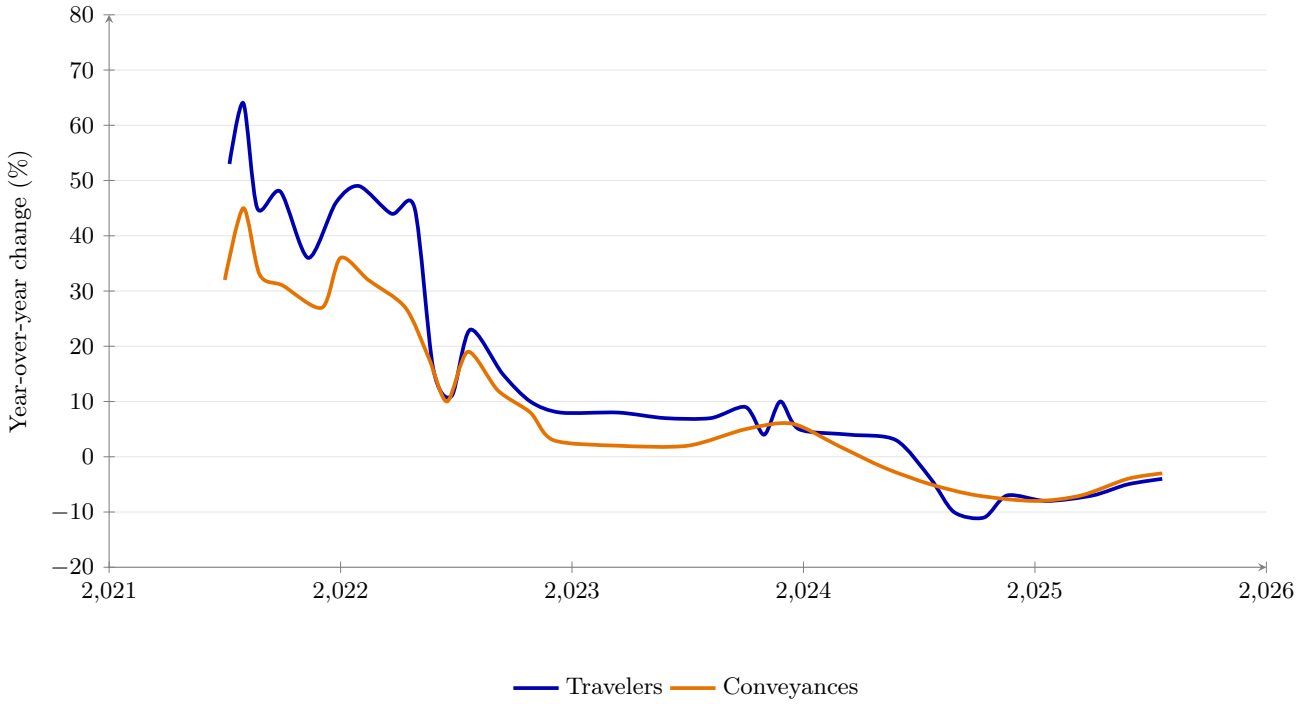
On a typical weekend morning, families from Reynosa and Matamoros line up at international bridges—not merely as foreign visitors, but to carry out routine activities such as buying school supplies at big-box stores in McAllen, shopping at La Plaza Mall, or purchasing groceries in Brownsville. Similarly, on weekday mornings, many young people from Mexico travel north to attend classes at universities across the RGV, where some pursue degree programs while others engage in short-term training or continuing education. These flows are not one-sided: just as Mexican residents cross northward for consumption and education, many residents of South Texas travel south into northern Mexico for comparable economic activities. The scale of these movements is substantial. In 2017 alone, northbound crossings in Brownsville totaled approximately 4.8 million personal vehicles and 2.7 million pedestrians, according to the U.S. Bureau of Transportation Statistics (BTS). Consistent with these patterns, a growing body of research shows that economic activity in Mexican border cities has measurable effects on labor market outcomes in adjacent U.S. regions (Hanson, 2001; Mollick et al., 2006).

These everyday movements capture the economic reality of thousands of families living across two distinct economies that are deeply connected and increasingly interdependent in several important ways (Cañas et al., 2006; Baker, 2025; Dallas Fed, 2025; Brizuela et al., 2026). Despite a recent slowdown to record lows in international border crossings, driven largely by tighter immigration policies and shifts in consumption behavior, the border economy remains a deeply interconnected system. For instance, as displayed in Figure 1, cross-border activity in the RGV experienced a sustained slowdown throughout 2025, with the sharpest declines occurring early in the year. In the first quarter, both conveyances (transportation of goods across the border in the RGV per Dallas Fed) and traveler volumes fell by roughly 15 percent year over year, followed by continued but more moderate declines in the second quarter (around 8 percent) and third quarter (3 to 5 percent), indicating a gradual easing of the contraction. By December 2025, the pace of decline had largely stabilized, with conveyances nearly flat (-0.4 percent) and traveler volumes down modestly (-2.4 percent). Overall, the data point to a persistent but decelerating slowdown, likely reflecting trade uncertainty and tighter immigration policies.

Nearly 20 years ago, economists at the Dallas Fed argued that Texas-Mexico border city pairs such as McAllen-Reynosa and Brownsville-Matamoros were best understood not as separate economies but as complementary partners within a shared cross-border economic framework (Gilmer and Cañas, 2005). Since then, the region has changed significantly, with a growing population, the emergence of new industries, and major transformations in manufacturing, logistics, and services (Cañas, 2006; Baker, 2025; Dallas Fed, 2025; MySA, 2026). Two decades later, it is worth asking: How has this cross-border complementarity evolved? And what does this evolution suggest about the future economic development in the RGV?

A Manufacturing Belt

Figure 1: Year-over-year percent change in travelers and conveyances at RGV border crossings.



Source: U.S. Customs and Border Protection; adjustments by the Federal Reserve Bank of Dallas.
Note: Travelers include pedestrians and passengers crossing through the RGV (Brownsville, Rio Grande City, Roma, Hidalgo, Progreso, and Valley International Airport). Conveyances include personal vehicles, buses, trucks, and rail units. Data are monthly through December, and values represent year-over-year percentage changes.

The RGV, which comprises Hidalgo, Cameron, Starr, and Willacy counties, is a fast-growing, binational regional economy shaped by its proximity to Mexico and strong cross-border commercial ties. The region has a relatively young population, with a median age of approximately 31.8 years (compared with 36.3 years statewide) and nearly 30 percent of residents under 18, a larger share than the Texas average. Historically, the RGV economy has been rooted in agriculture but has evolved over time into a service-oriented regional economy, with employment concentrated in health care, education, retail trade, and government services.

More broadly, when viewed as an integrated economic space, the Texas–Mexico border region's development has been shaped by the predominance of manufacturing activity, particularly on the Mexican side, driven by the expansion of export-oriented maquiladora industries. This manufacturing base has generated strong cross-border production linkages in logistics, trade, labor mobility, and business services, which, in turn, have influenced the economic structure of adjacent U.S. regions, such as the Rio Grande Valley. Empirical evidence supports this interpretation. Using time-series models for border city pairs, Mollick et al. (2006) show that increases in maquiladora production in Mexican border cities lead to measurable employment gains in neighboring U.S. cities, especially in trade, transportation, and government services. These findings indicate that cross-border manufacturing activity is transmitted primarily through service-oriented sectors on the U.S. side, reinforcing the view of the border as an integrated and complementary economic system. Consistent with this perspective, Gilmer and Cañas (2005) characterize the border region as "an important manufacturing region" that remains at a relatively early stage of structural transformation, where industrial activity continues to play a central role. Their analysis of eight U.S.–Mexico border city pairs further suggests that these complementarities are sufficiently strong for the region to function as a single, integrated urban system.

In practical terms, characterizing the Texas-Mexico border as remaining at the secondary stage of industrialization suggests that manufacturing remains the central organizing force of the regional economy, even as employment in South Texas has shifted primarily toward services. Rather than signaling a transition to a post-industrial economy, service-sector growth along the U.S. border region largely reflects the expansion of supporting activities (i.e., logistics, transportation, retail trade) that are structurally linked to industrial production across the border. In other words, employment growth in the service sector within the RGV appears to be strongly dependent on the maquiladora-based manufacturing activity in northern Mexico.

Economic Complementarities

Before taking a closer look at current employment trends in the RGV region, let us clarify how this dependence can best be understood by considering the economic complementarities between the border city pairs, as described by Gilmer and Cañas (2005). According to their approach, cities are considered economic complements when they specialize in different but interconnected industries rather than competing in the same activities. For example, if one city specializes in manufacturing and industrial production, while its neighboring city specializes in transportation, warehousing, and business services, the first city's output effectively becomes the input or source of demand for the second.

Moreover, when these two cities are treated as a single economic unit, their contrasting specializations offset one another, producing a more balanced industrial structure than either city exhibits on its own. This means that a manufacturing-oriented city on one side of the border may generate demand for logistics, retail, and service activities in its neighboring city on the other side. And when these cities are combined, the economy appears more diversified, indicating that the cities function as complements rather than competitors.

These complementarities, in turn, underscore the importance of economic geography in understanding trade patterns and industrial location along the border. Industries tend to cluster where proximity to markets, access to a sufficiently large and stable base of demand, and cross-border accessibility interact to lower production and transportation costs and reinforce industrial specialization. Over time, sustained trade between city pairs in South Texas and northern Mexico has translated these advantages into a tightly integrated regional economy.

These locational advantages and this logic are central to Krugman (1991)'s core-periphery model, which shows how the interaction of market size, transportation costs, and increasing returns can produce durable patterns of industrial concentration and regional economic integration. A key implication of this framework is that the gains from international trade arise not only from comparative advantage, but also from the spatial organization of economic activity, or where production is located. As trade intensifies, firms are increasingly drawn to cluster in proximate locations, giving rise to strong economic complementarities between closely linked regions. However, although Krugman's model is helpful in explaining industrial concentration, the core-periphery distinction alone is insufficient to capture the complexity of the border economy, where cities function as interdependent nodes within an integrated cross-border system rather than as dominant cores and dependent peripheries.

To situate these complementarities in a contemporary context, the next section reviews recent employment and investment trends in the Rio Grande Valley. While job creation remains concentrated in service sectors closely linked to cross-border manufacturing, emerging patterns of investment and industrial development point to a gradual diversification within the region.

An Industrial Revolution?

To understand how the RGV's economy has been evolving beyond its traditional strengths, it is instructive to review recent patterns of private and industrial investment. In 2025, the region attracted billions of dollars in new industrial and technology-related capital projects, signaling a shift toward broader economic diversification. For example, global firms have announced major investments in manufacturing, energy, and recycling facilities across the Valley, including a $50 million aluminum recycling plant in Mission by a Mexican manufacturer, while tech firms and distribution centers are expanding footprints in Edinburg and Brownsville.[1] These ventures reflect strong investment confidence in the region's industrial and logistics potential and may foreshadow changes in employment in the years ahead.

In addition to these developments, the emergence of commercial space activity in the region has introduced a new dimension to the RGV's industrial landscape. SpaceX's Starbase facility in Boca Chica, near Brownsville, has emerged as a significant source of high-technology investment in the region, with recent estimates suggesting hundreds of millions of dollars in economic impact and growing employment associated with aerospace manufacturing and launch operations (e.g., The Monitor, 2024; Texas Tribune, January 29, 2026). While still evolving, these activities show how cutting-edge technology sectors are gradually integrating into the regional economy, complementing existing manufacturing and logistics networks. Beyond direct job creation, SpaceX's presence is expected to generate spillovers

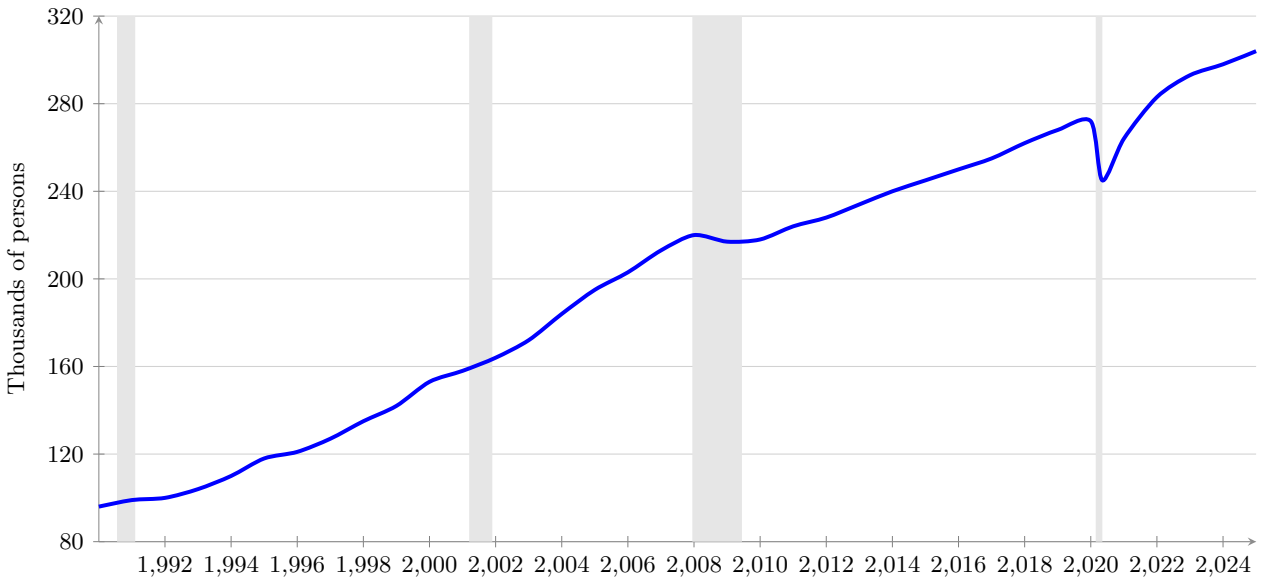
[1] As a recent news article puts it, "the Rio Grande Valley is on the front lines of industrialization, of energy, and of cutting-edge technology," listing several industrial investments across the region as part of the reporting (MySA, 2026).

across construction, urban planning, engineering services, and specialized supply chains, potentially contributing to a shift toward higher-value-added economic activities in the region.

Beyond these emerging high-technology investments, the McAllen–Reynosa corridor continues to illustrate more traditional forms of cross-border economic complementarity. According to the McAllen Economic Development Corporation, several large-scale industrial projects are currently underway in McAllen, with parallel operations in northern Mexico spanning the automotive, medical services, and industrial supply sectors. These developments underscore the region's growth potential, as the corridor is widely regarded as a strategic platform for industrial investment in North America and as one of the most stable and resilient border markets, particularly compared with other regions facing similar global pressures (COSTEP, 2026). Projected investment in the short to medium term is estimated at approximately $1 billion, with the potential to generate more than 1,000 jobs. This scale of investment represents a substantial economic stimulus for the border region, particularly amid heightened uncertainty surrounding trade policy and immigration dynamics.

While this planned investment points to future economic prospects, recent employment trends offer a revealing window into the evolving structure of the regional economy in the aftermath of the pandemic. The employment data for the McAllen–Edinburg–Mission Metropolitan Statistical Area (seasonally adjusted, in thousands of persons) show a striking pattern. Following the sharp decline in 2020 associated with COVID-19, total nonfarm employment rebounded rapidly and continued on a sustained upward trajectory, rising from approximately 245,000 at the pandemic low to just over 300,000 by late 2025 (see Figure 2). This corresponds to an increase of roughly 55,000 to 60,000 jobs, placing employment about 30,000 to 35,000 above its pre-pandemic level of around 270,000. While this recent expansion is somewhat smaller than the cumulative growth observed between 2005 and 2020, the speed of the post-2020 recovery is notably rapid by historical standards, consistent with broader evidence showing that the U.S. labor market rebounded unusually quickly relative to past recessions (Federal Reserve Bank of Philadelphia, 2022; U.S. Department of the Treasury, 2023).

Figure 2: Total nonfarm employment in the McAllen–Edinburg–Mission metropolitan area



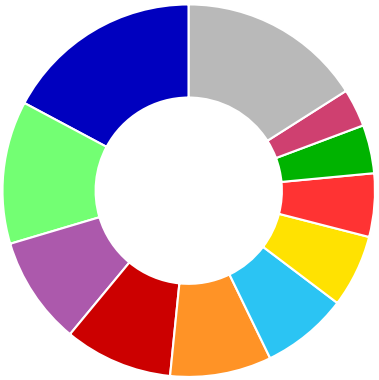
Source: U.S. Bureau of Labor Statistics via FRED, Federal Reserve Bank of St. Louis.
Note: Employment is measured in thousands of persons (seasonally adjusted). Shaded areas indicate U.S. recessions. The figure shows total nonfarm employment in the McAllen–Edinburg–Mission, Texas Metropolitan Statistical Area (MSA) from March 1, 2005, to December 1, 2025. Employment rises steadily from about 190,000 in 2005 to over 300,000 by 2025, with two notable disruptions: a mild plateau during the 2008–2009 recession and a sharp but short-lived drop in 2020 due to COVID-19. After 2020, employment rebounds quickly and continues on a strong upward trend, reaching new highs by the end of the period.

Occupational Composition and Wage Dynamics

It is helpful to examine the occupational composition of employment alongside the aggregate employment growth shown in Figure 2. Figure 3 reports the May 2024 employment shares for major occupational groups in the

McAllen–Edinburg–Mission metropolitan area. Healthcare support was the largest group, accounting for 17.2% of local employment, followed by office and administrative support (12.4%). Food preparation and serving related occupations and educational instruction and library occupations each accounted for 9.4%, while sales and related occupations accounted for 8.8% and transportation and material moving occupations for 7.5%. Together, the ten largest occupational groups accounted for 84.0% of employment. The distribution therefore shows a strong concentration in service-related occupations, while construction, extraction, and production occupations accounted for only 2.4% and 2.3%, respectively.

Figure 3: Employment shares by major occupational group in the McAllen–Edinburg–Mission metropolitan area



Major occupational group	Share (%)
Healthcare support	17.2
Office and administrative support	12.4
Food preparation and serving related	9.4
Educational instruction and library	9.4
Sales and related	8.8
Transportation and material moving	7.5
Healthcare practitioners and technical	6.3
Management	5.5
Protective service	4.2
Business and financial operations	3.3
Other major occupational groups (12)	16.0
Total	**100.0**

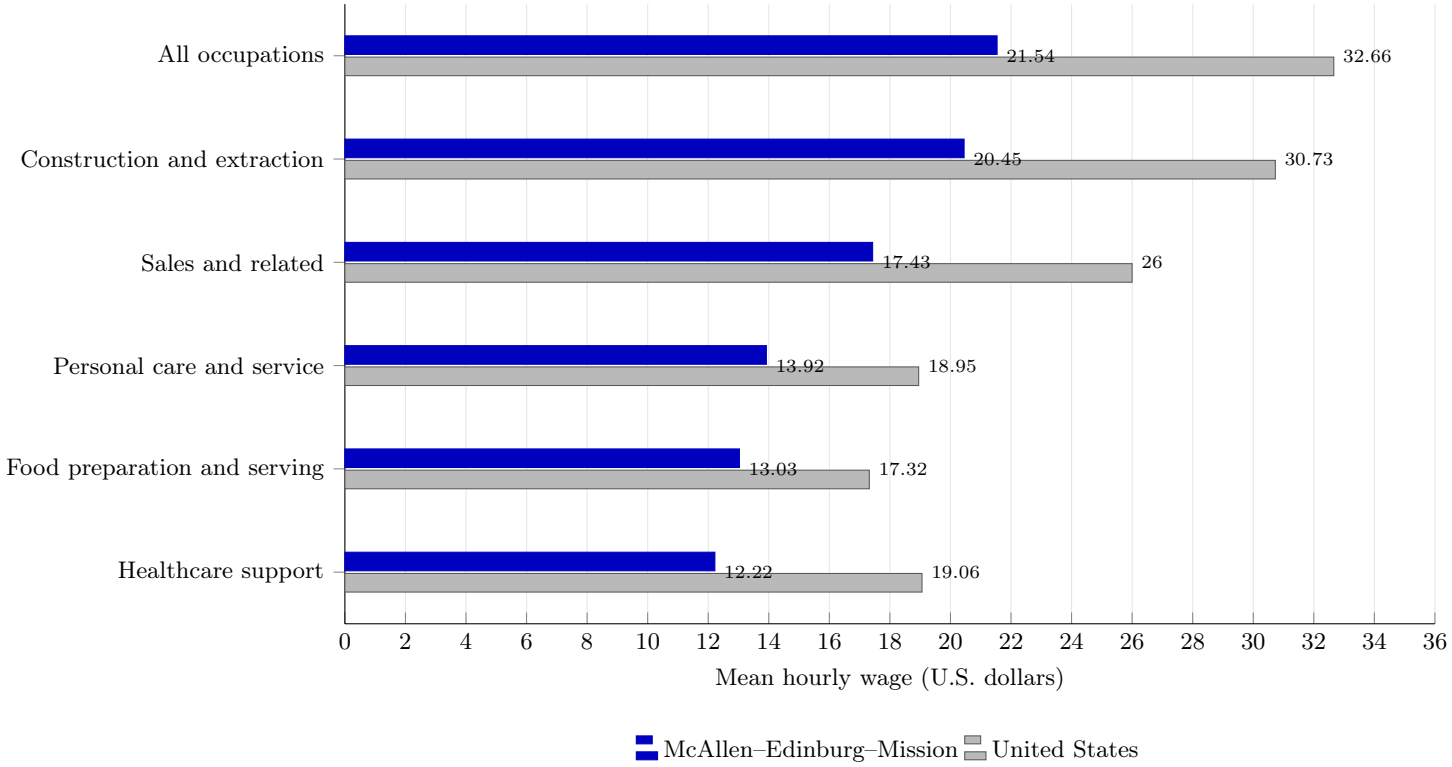
Source: U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, May 2024 (released June 17, 2025).
Note: The figure presents the ten largest major occupational groups in the McAllen–Edinburg–Mission, Texas Metropolitan Statistical Area and combines the remaining 12 groups into "Other major occupational groups." The metropolitan area includes Hidalgo County. Shares refer to wage and salary employment in nonfarm establishments and exclude self-employed workers. The displayed shares sum to 100.0%; individual BLS shares may not sum exactly because of rounding.

The occupational mix has important implications for earnings. As shown in Figure 4, the mean hourly wage across all occupations in McAllen–Edinburg–Mission was $21.54 in May 2024, compared with $32.66 nationwide. Local mean wages were $20.45 for construction and extraction occupations and $17.43 for sales and related occupations. The three lower-paying groups shown in the figure—personal care and service ($13.92), food preparation and serving related ($13.03), and healthcare support ($12.22)—also paid well below their national counterparts. The healthcare-support comparison is particularly important because this was the area's largest major occupational group, representing 17.2% of employment. Higher-paying local groups included management ($46.15), legal occupations ($38.58), and healthcare practitioners and technical occupations ($37.88), but their employment shares were 5.5%, 0.5%, and 6.3%, respectively.

These occupation-based results complement Table 1, which reports annual earnings by industry cluster rather than hourly wages by occupation. Although the two sources measure different concepts and periods, they point in the same direction: earnings in the McAllen–Edinburg–Mission area remain below national benchmarks across many prominent parts of the labor market. The evidence, therefore, suggests a labor-market structure in which substantial employment is concentrated in comparatively low-paying service occupations, while higher-paying occupations account for smaller shares of employment. This helps explain why rapid aggregate job growth need not translate proportionally into gains in average earnings or household income.

Taken together, Figures 2–4 show that employment has expanded in an economy where many workers remain concentrated in comparatively low-paying service occupations. These cross-sectional occupational data do not identify which occupations generated all of the post-pandemic job gains, but they help explain why strong aggregate job creation may coexist with modest earnings gains and persistently low household income levels. At the same time, recent high-technology investments, particularly those associated with aerospace and space-launch operations in the Brownsville area, point to emerging dynamics that may gradually reshape the region's economic structure. These developments introduce a segment of high-skilled, capital-intensive employment that contrasts with the region's traditional reliance on low-wage service sectors. Although still limited in scale, such investments may contribute to future wage growth and occupational upgrading, especially if they generate spillovers into local supply chains and complementary industries. In this sense, the recent trajectory of the border economy reflects a broader development challenge: rapid employment growth coexisting with persistently low wages and limited gains in living standards. To

Figure 4: Mean hourly wages by selected occupational group in McAllen–Edinburg–Mission and the United States, May 2024



Source: U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, May 2024 (released June 17, 2025).
Note: The figure compares mean hourly wages in the McAllen–Edinburg–Mission metropolitan area with corresponding U.S. averages in May 2024. The local mean wage for all occupations was $21.54, compared with $32.66 nationally. Each selected occupational group earned less locally than its national counterpart, with particularly low wages in healthcare support occupations ($12.22), food preparation and serving-related occupations ($13.03), and personal care and service occupations ($13.92). Wages refer to wage and salary workers in nonfarm establishments and exclude self-employed workers.

Table 1: Mean Earnings in Dominant McAllen-Edinburg-Mission Clusters Trail U.S. Counterparts

Sector	**McAllen–Edinburg–Mission MSA**				**U.S.**	**Regional Index**
	2016	**2019**	**2021**	**2023**	**2023**	**U.S.=100**
Utilities	55,444	53,659	54,501	54,398	106,251	51.2%
Education	51,601	53,640	56,133	51,603	66,490	77.6%
Government	46,758	49,087	50,149	49,664	67,435	73.6%
Health services	40,046	37,424	37,540	36,072	69,397	52.0%
Retail	32,272	32,698	35,490	33,770	39,817	84.8%
Social assistance	20,250	19,615	20,770	19,790	33,136	59.7%
Food services	18,384	18,883	19,460	19,023	25,821	73.7%

Source: Authors' calculations based on Federal Reserve Bank of Dallas data (2026, February 6).
Note: The table reports average annual earnings by major industry clusters in the McAllen–Edinburg–Mission MSA from 2016 to 2023 and compares regional earnings with U.S. benchmarks in 2023. Earnings in the region remain consistently below national levels across all sectors, with particularly large disparities in utilities and health services. Locally, wages are highest in utilities, education, and government, while social assistance and food services remain the lowest-paying sectors. Overall, the table points to a persistent low-wage structure, especially in service-oriented industries that constitute a large share of regional employment. The index column (U.S. = 100) is calculated by the author as regional earnings divided by U.S. earnings multiplied by 100.

better contextualize these outcomes, it is instructive to compare this pattern with the evolution of income levels in Mexican border cities along the northern frontier adjacent to the RGV.

In contrast to the RGV, where recent job growth has occurred alongside an occupational structure concentrated in several relatively low-paying service groups, northern Mexico has experienced sustained wage growth in recent years, supported in part by policy-driven increases in the minimum wage. Since 2018, Mexico's minimum wage has more than tripled in nominal terms and risen by approximately 130 percent in real terms. Moreover, the increase in minimum wage levels is estimated to benefit approximately 8.5 million workers (Ulloa, 2025). Although there are indications of a moderation in employment growth in some segments of the maquiladora industry, these policy changes have been associated with measurable gains in real earnings across Mexican border regions.

At the same time, rising incomes in northern Mexico, together with the expansion of domestic retail options, appear to be influencing cross-border consumption patterns. Evidence from the Dallas Fed suggests that the contribution of Mexican shoppers to retail sales in Texas border cities has declined over the past two decades, consistent with income growth and increased local purchasing opportunities in Mexico (Brizuela et al., 2026). While the extent to which this trend will persist remains uncertain, these developments point to evolving demand dynamics within the broader border economy. These patterns highlight a divergence in recent labor market outcomes across the two sides of the border: employment growth in the RGV has been relatively strong but concentrated in lower-wage sectors, whereas northern Mexico has experienced more pronounced wage growth alongside structural changes in consumption behavior. This contrast underscores the role of institutional and policy frameworks in shaping labor market outcomes and reinforces the view that South Texas and northern Mexico are best understood as components of an integrated regional economy.

Geopolitical Risk and the Border Economy

Recent disruptions and heightened uncertainty surrounding the Strait of Hormuz, one of the world's most critical energy transit chokepoints, introduce an additional source of global economic risk with potential implications for the RGV and northern Mexico. The Strait accounts for roughly one-fifth of global oil flows, and recent tensions have significantly constrained shipments, contributing to sharp fluctuations in energy prices and increased volatility in global markets (Shokri, 2026). In the short run, higher and more volatile fuel prices can raise transportation and production costs in a region where logistics, trade, and manufacturing are tightly integrated. At the same time, disruptions to shipping routes and rising insurance and financing costs for energy and intermediate goods may weigh on industrial activity, particularly in export-oriented manufacturing systems that underpin cross-border complementarities. More broadly, market and policy uncertainty and inflationary pressures linked to energy markets may affect household purchasing power on both sides of the border, reinforcing ongoing shifts in cross-border consumption patterns documented in recent data. While the duration of these disruptions remains uncertain, recent evidence (e.g., Kilian et al. 2026) suggests that prolonged instability in the Strait can generate adverse effects globally through energy prices, trade flows, and supply chains, with localized effects in highly integrated regional economies such as the RGV–northern Mexico corridor.

Concluding Remarks

The recent announcement of a planned investment by the French automotive supplier Valeo in McAllen highlights the region's continued potential for industrial expansion and employment growth. The project, which is expected to involve approximately $225 million in investment and create around 500 jobs, illustrates the RGV's capacity to attract higher-value manufacturing activity (Garcia, 2026). Such developments may help diversify the local economy beyond its traditional reliance on lower-wage service occupations. At the same time, the expansion of SpaceX's operations in the Brownsville area underscores the growing role of high-technology investment in the region. As a prominent example of advanced industrial activity in South Texas, these operations point to the RGV's potential to attract innovative industries that complement its existing economic base and may support gradual improvements in productivity and wages.

Overall, these recent trends indicate that the RGV has experienced strong employment growth, albeit with more modest gains in wages and household income. In contrast, northern Mexico has seen more pronounced wage growth in recent years, contributing to shifts in consumption patterns across border communities. These developments suggest a divergence in how economic growth is reflected in labor market outcomes on each side of the border. In addition, rising geopolitical tensions affecting the Strait of Hormuz, a critical global energy transit route, introduce

new uncertainties in energy prices, trade conditions, global product supply chains, and inflation, with potential spillover effects on cross-border production and consumption dynamics. Despite these differences, the economies of the RGV and adjacent northern Mexican cities remain closely interconnected. The analysis suggests that cross-border linkages, shaped by differences in wages and production structures, continue to support a system of complementary economic activities. As investment in advanced technologies, including automation and artificial intelligence, expands across sectors, these linkages are evolving alongside changes in labor markets and consumption patterns. A central challenge for the region is to harness technological adoption to sustain economic growth and ensure that its benefits translate into higher wages, greater productivity, and improved living standards across this integrated cross-border economy.

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