

# McAllen Area ECONOMIC PULSE

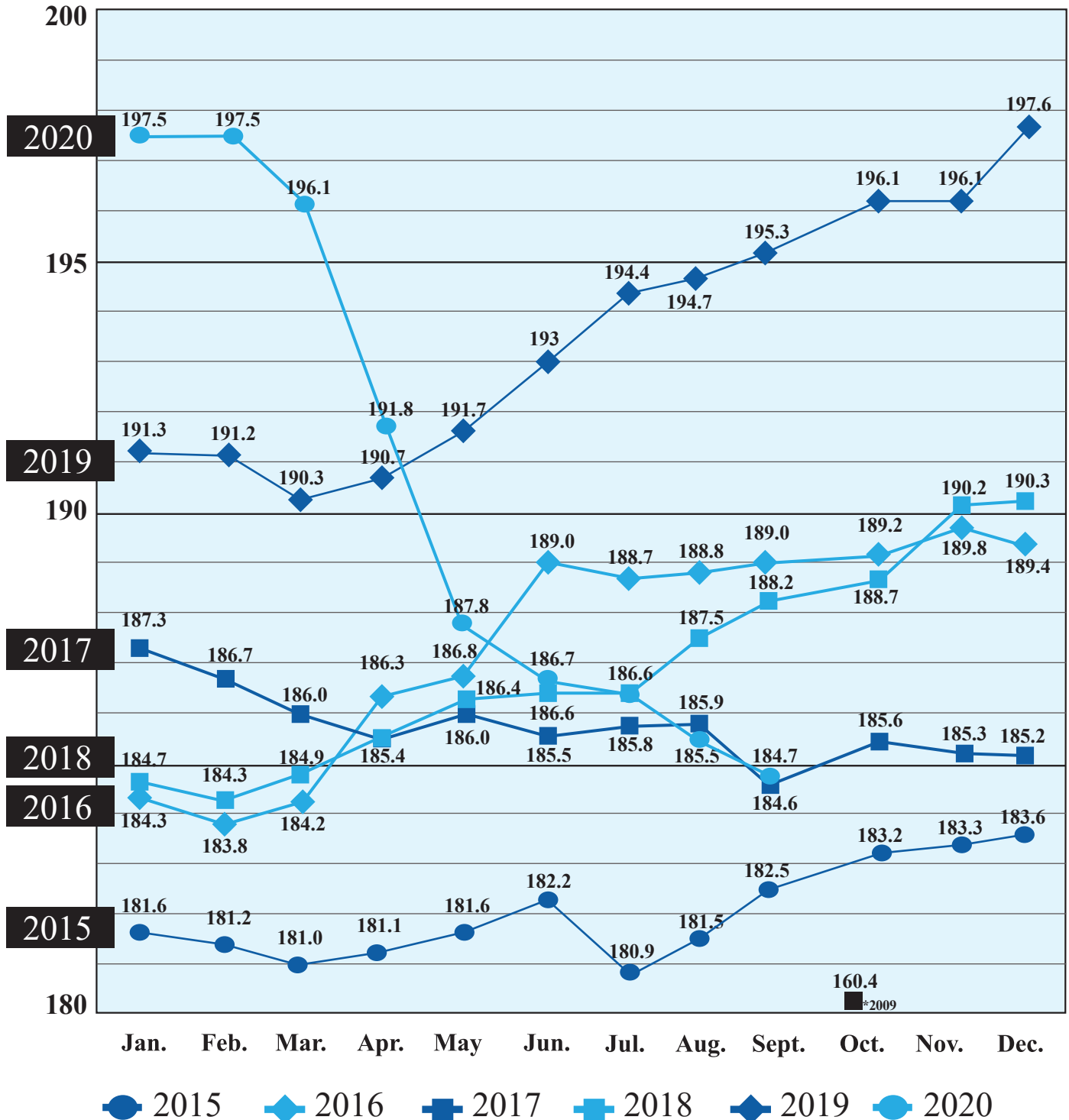
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## September 2020 Economic Pulse

### The McAllen Chamber of Commerce Economic Index

INDEX (Base=100 Jan 1996)

The economic indicators on pg. 2 are used to formulate the overall economic pulse.



ECONOMIC INDICATORS*	THIS YEAR September 2020	LAST YEAR September 2019	% CHANGE 2019-2020
Retail Sales (Per September Sales Tax Receipts)	\$ 524,442,088	\$ 583,350,362	-10.1%
Retail Sales (3rd Quarter)	\$ 1,653,509,691	\$ 1,722,401,919	-4.0%
Retail Sales (Year-To-Date)	\$ 4,888,955,699	\$ 5,128,706,788	-4.7%
Dollars Spent on Auto Purchases (September)	\$ 171,710,696	\$ 142,795,373	20.2%
Dollars Spent on Auto Purchases (3rd Qtr)	\$ 500,623,491	\$ 471,185,641	6.2%
Dollars Spent on Auto Purchases (YTD)	\$ 1,452,417,819	\$ 1,435,540,541	1.2%
Lodging Tax Receipts (September)	\$ 247,537	\$ 337,092	-26.6%
Lodging Tax Receipts (3rd Quarter)	\$ 848,876	\$ 1,026,106	-17.3%
Lodging Tax Receipts (YTD)	\$ 1,987,337	\$ 3,000,116	-33.8%
Airline Boardings (September)	13,708	30,404	-54.9%
Airline Boardings (3rd Qtr)	38,158	113,497	-66.4%
Airline Boardings (YTD)	141,662	321,953	-56.0%
Value All Construction Permits (September)	\$ 49,916,146	\$ 46,372,819	7.6%
Value All Construction Permits (3rd Qtr)	\$ 141,578,437	\$ 165,598,381	-14.5%
Value All Construction Permits (YTD)	\$ 367,068,102	\$ 410,013,913	-10.5%
New Home Permits (September)	170	141	20.6%
New Home Permits (3rd Qtr)	496	424	17.0%
New Home Permits (YTD)	1,253	1,120	11.9%
Home Sales (September)	367	284	29.2%
Home Sales (3rd Qtr)	1,117	880	26.9%
Home Sales (YTD)	2,778	2,588	7.3%
Average Home Sale Price (September)	198,043	164,512	20.4%
Average Home Sale Price (3rd Qtr)	\$ 196,260	\$ 170,828	14.9%
Average Home Sale Price (YTD)	\$ 185,181	\$ 166,947	10.9%
Dollar Volume Residential Real Estate Sales (September)	\$ 72,681,600	\$ 47,776,040	52.1%
Dollar Volume Residential Real Estate Sales (3rd Qtr)	\$ 219,587,006	\$ 154,104,831	42.5%
Dollar Volume Residential Real Estate Sales (YTD)	\$ 517,329,021	\$ 445,640,212	16.1%
Hidalgo Bridge Crossings (September)	201,861	420,809	-52.0%
Hidalgo Bridge Crossings (3rd Qtr)	574,679	1,253,058	-54.1%
Hidalgo Bridge Crossings (YTD)	2,295,041	3,803,068	-39.7%
Peso Exchange Rate (per one US dollar - September)	21.63	19.59	10.4%
<b>Employment</b>			
Wage & Salary Employment (September)	255,900	270,400	-5.4%
Wage & Salary Employment (3rd Qtr Avg)	254,765	268,000	-4.9%
Wage & Salary Employment (YTD Avg)	261,165	269,365	-3.0%
Unemployment Rate (September)	10.0	4.1	143.9%
Unemployment Rate (3rd Qtr Avg)	9.6	4.4	118.9%
Unemployment Rate (YTD Average)	9.5	4.2	123.3%
INDEX - January (Base=100 January 1996)	184.7	195.5	-5.5%

\*With the exception of the average monthly home sale price, all economic indicators expressed in dollar form above are adjusted for inflation by restating prior periods in current dollars

The McAllen metro area general economy continued to suffer the ravages of COVID through the end of the third quarter as the McAllen Economic Index remains on the decline. The index has fallen in every month thus far in 2020, thus the September decline marks the ninth straight. The rate of decline has slowed since the worst of the shock in April and May but still the index continues to fall.

The McAllen Economic Index declined to 184.7 in September down from 185.5 in August, and down 5.5% from the September 2019 MEI of 195.5. The index peaked at 197.6 in December 2019 and is now down by 6.5% compared to that pinnacle. The index fell at a 4.0% annualized rate over the course of the third quarter.

The mainstay local economic indicators of general spending and employment remain lower compared to year-ago levels, while auto sales were sharply higher in September. The housing indicators, both new construction and existing home sales, continue to perform extremely well in 2020, enduring only temporary declines in April and May before a quick and impressive recovery. The travel and tourism indicators remain severely affected though both airline passenger activity and hotel/motel spending have shown some modest improvement after the catastrophic COVID-related declines.

Employment has begun to decline again the last two months after recovering some of the nearly 25,000 COVID jobs lost through April. The seasonally adjusted estimates suggest that

## Key Points (continued)

In May, June, and July nearly 12,000 jobs were added back but employment reversed course has fallen by 1,000 jobs in August and September. McAllen metro area employment reached its all-time record in January of this year and is down by an estimated 16,800 jobs (-6.1%) from that point.

The non-seasonally adjusted estimates, reflected on the monthly table of economic indicators, indicate the loss of 14,500 jobs in September compared to September 2019, a year-over-year decline of 5.4%. The McAllen city unemployment rate remains elevated through September at 10.0%, an increase of nearly 2.5 times the September 2019 unemployment rate of 4.1%.

General real (inflation-adjusted) spending per sales tax receipts across the four-city metro area\* also remains in negative territory compared to year-ago levels, posting a 10% decline in September and a 4.0% year-over-year decline in the third quarter following an 11.2% decline in the second quarter. For the year-to-date general real spending is now down by 4.7% compared to the first nine months of 2019.

After deep declines in April and May, auto sales activity has bounced back and is putting up record numbers through the third quarter of the year. The year-to-date real auto spending total returned to positive year-over-year territory as of September – the increase is only 1.2% but that represents a new January-September record. The September monthly and third quarter auto spending numbers are also record totals for those time periods, up by over 20% in September and 6% in the third quarter compared to year-ago levels.

Also setting records, and in a big way, is the 2020 McAllen metro area housing market in terms of sales, prices, and the inflation-adjusted dollar volume of those sales. After deep but temporary declines in April and May, the number of homes sold in the market was up by double-digit percentage points in September for the fourth straight month with the number of closed sales up by nearly 30% compared to September 2019. Third quarter home sales were up by some 27% and the total for the year-to-date is up by over 7% compared to the first nine months of a year ago. And again, all are record sales totals for the month, quarter, and year-to-date.

The average price of those sales is up sharply at over 20% for the month and 15% for the quarter. Through the first nine months of the year the McAllen metro area average home sale price is up by nearly 11% compared to the average through September 2019. The value of those transactions is exploding all previous records with the inflation-adjusted dollar volume of sales up by a whopping 52% in September and over 42% in the third quarter. For the year-to-date, home sales activity by this aggregate measure is up by 16% compared to the total through September of a year ago.

All things considered the economy is performing reasonably well under the heavy pressures of COVID, the lockdown, and the sharply decreased border activity. The resurgence of COVID the virus also means the resurgence of COVID as an economic event, and clearly the recovery has stalled a bit in the general spending and employment components of the metro area economy. That other sectors of the economy have recovered quickly and continue to perform well, even setting new records in 2020, speaks well of the underlying economic strength and the likelihood the economy will return to solid growth once the virus is in check.

\*McAllen, Edinburg, Mission, and Pharr