

McAllen Area ECONOMIC PULSE

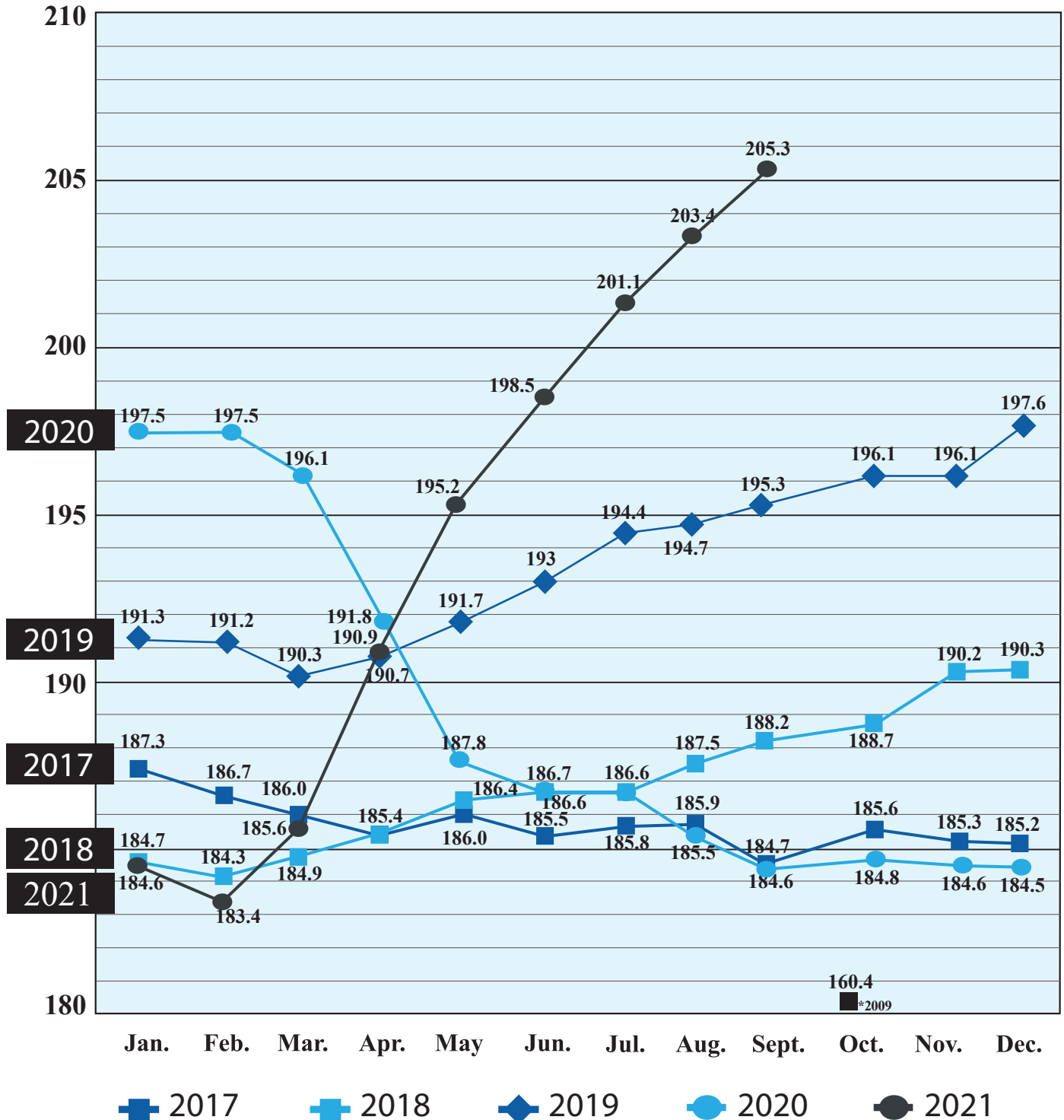
McAllen • Mission • Edinburg • Pharr

September 2021 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.



The McAllen Area Economy

Key Points

ECONOMIC INDICATORS*	THIS YEAR September 2021	LAST YEAR September 2020	% CHANGE 2020-2021
Retail Sales (Per September Sales Tax Receipts)	\$ 644,299,803	\$ 534,267,534	20.6%
Retail Sales (3rd Quarter)	\$ 2,055,104,517	\$ 1,684,488,268	22.0%
Retail Sales (Year-To-Date)	\$ 5,981,606,207	\$ 4,980,550,502	20.1%
Dollars Spent on Auto Purchases (September)	\$ 202,882,868	\$ 196,994,025	3.0%
Dollars Spent on Auto Purchases (3rd Qtr)	\$ 640,003,542	\$ 572,525,652	11.8%
Dollars Spent on Auto Purchases (YTD)	\$ 1,961,190,316	\$ 1,661,042,065	18.1%
Lodging Tax Receipts (September)	\$ 399,332	\$ 243,788	63.8%
Lodging Tax Receipts (3rd Quarter)	\$ 1,130,603	\$ 836,019	35.2%
Lodging Tax Receipts (YTD)	\$ 2,768,590	\$ 1,957,237	41.5%
Airline Boardings (September)	40,235	13,708	193.5%
Airline Boardings (3rd Qtr)	144,643	38,158	279.1%
Airline Boardings (YTD)	328,880	141,662	132.2%
Value All Construction Permits (September)	\$ 53,368,609	\$ 55,769,131	-4.3%
Value All Construction Permits (3rd Qtr)	\$ 203,947,355	\$ 158,208,157	28.9%
Value All Construction Permits (YTD)	\$ 733,139,109	\$ 410,225,850	78.7%
New Home Permits (September)	190	170	11.8%
New Home Permits (3rd Qtr)	593	496	19.6%
New Home Permits (YTD)	1,728	1,253	37.9%
Home Sales (September)	371	363	2.2%
Home Sales (3rd Qtr)	1,134	1,114	1.8%
Home Sales (YTD)	3,218	2,773	16.0%
Average Home Sale Price (September)	234,951	197,262	19.1%
Average Home Sale Price (3rd Qtr)	\$ 227,129	\$ 195,783	16.0%
Average Home Sale Price (YTD)	\$ 215,277	\$ 184,741	16.5%
Dollar Volume Residential Real Estate Sales (Sept)	\$ 87,166,710	\$ 73,552,632	18.5%
Dollar Volume Residential Real Estate Sales (3rd Qtr)	\$ 258,391,526	\$ 224,407,815	15.1%
Dollar Volume Residential Real Estate Sales (YTD)	\$ 699,967,095	\$ 529,181,716	32.3%
Hidalgo Bridge Crossings (September)	298,767	201,861	48.0%
Hidalgo Bridge Crossings (3rd Qtr)	869,837	574,679	51.4%
Hidalgo Bridge Crossings (YTD)	2,476,627	2,295,041	7.9%
Peso Exchange Rate (per one US dollar - September)	20.01	21.63	-7.5%
Employment			
Wage & Salary Employment (September)	273,800	259,100	5.7%
Wage & Salary Employment (3rd Qtr Avg)	270,200	256,435	5.4%
Wage & Salary Employment (YTD Avg)	267,120	261,990	2.0%
Unemployment Rate (September)	5.9	9.6	-38.5%
Unemployment Rate (3rd Qtr Avg)	6.3	9.9	-36.0%
Unemployment Rate (YTD Average)	7.2	9.5	-24.3%
INDEX - August (Base =100 January 1996)	205.3	185.1	10.9%

* 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 Economy continued its impressive expansion through the third quarter 2021 with the seventh consecutive monthly increase in the McAllen Economic Index. The index increased by nearly two full points to 205.3 up from 203.4 in August, and up 10.9% from the September 2020 MEI of 185.1. The McAllen Economic Index increased at a whopping 13.8% annualized rate in the third quarter of the year. Since reaching its cyclical low point in February of this year, the index has increased by 12.0%.

As previously noted, the McAllen economy passed from the “recovery” phase from the COVID downturn of 2020 into the “new growth” phase in June of this year. Even considering the depressed numbers in 2020, the

Key Points (continued)

year-over-year increases in the various indicators and the McAllen Economic Index itself are staggering with double-digit percentage increases in most components of the index, and employment growth at over 5%.

Marking an important post-COVID milestone, total payroll employment in the McAllen metro area surpassed its pre-COVID high point in September and moved into record territory once again, according to the seasonally adjusted employment estimates. That means the 28,500 jobs lost in March and April 2020 have now been fully recovered and then some. The non-seasonally adjusted September employment estimate of 273,800 (reflected on the table of economic indicators) is a September record, and is up by 5.7% compared to September of a year ago.

General real (inflation-adjusted) spending per sales tax receipts in the four-city metro area* is up by over 20% through the end of the third quarter compared to the total through September of a year ago, which in turn was down by only 4.7% compared to the first nine months of the previous year. Third quarter spending was up by 22%, and spending per September sales tax returns was up by 20.6% compared to year-ago levels.

Real auto sales activity is at record levels as well, with inflation-adjusted spending on new and used motor vehicles up by over 18% through September, and nearly 12% for the third quarter. September monthly real auto sales were up by “only” 3.0% compared to September 2020, which in turn was up by 20% compared to September of the prior year. Inflation continues to impact these numbers significantly; the auto sales tax total for September was actually 18.5% higher than September 2020, but auto sales inflation rates remain near 15%, making the inflation-adjusted year-over-year gain considerably lower.

Hotel/motel activity, which suffered from deflation rather than inflation during COVID (but is now normalizing quickly) is sharply higher compared to year-ago levels but remains down compared to a number of prior years before 2020. Real hotel motel tax receipts are up by over 40% thus far in 2021 (through the end of the third quarter), and were up by 64% and 35% for September and the third quarter, respectively.

The number of passenger enplanements at McAllen International airport has now fully recovered from COVID and then some; the 328,880 enplanements through September is a new record for the first nine months of the year. The third quarter total is a new quarterly record as well (for any quarter, not just the third quarter), and enplanements in September exceeded 40,000 for the first time (for the month of September).

Construction per building permit valuations issued in McAllen, Edinburg, Mission, and Pharr through September is the highest since 2016. Records for construction activity were set largely in the 2000s, and current permit totals remain well below those records. But permit valuations are higher in 2021 following nearly four full years of decline.

The same is true of new single-family housing construction, also for the four-city metro area – sharply higher in 2021, but down compared to the records set in the decade of the 2000s. Still, the 1,728 permits issued thus far in 2021 is the highest since 2007, and is outpacing year-ago levels by some 38%.

Existing home sales have been setting records all year long, however, and that continues through September with September monthly and third quarter closed sales up only modestly year-over-year, breaking last year's records for the month and quarter. Home sales activity through the first nine months of the year is at a record level, and is up by 13.5% compared to the total through September 2020. The average price of those sales is sharply higher, up by 19% in September, 16% in the third quarter, and 16.5% for the year-to-date.

Higher sales and prices mean records across the board for the inflation-adjusted total dollar volume of home sales activity, which is up by over 32% through September compared to year-ago levels, and over 15% in the third quarter.

The McAllen metro area economy is expanding rapidly through the end of the third quarter 2021. While the new COVID variant is of some economic concern, there appears to be little chance that it will cut into the region's economic performance going forward. Governments and citizens in Texas seem unwilling to revert to anything that looks like a lockdown, which would be a forced decline in economic activity. Left to its own devices, the McAllen economy is growing impressively, setting the stage for a record year when 2021 is said and done.

*McAllen, Edinburg, Mission, and Pharr