

McAllen Area ECONOMIC PULSE

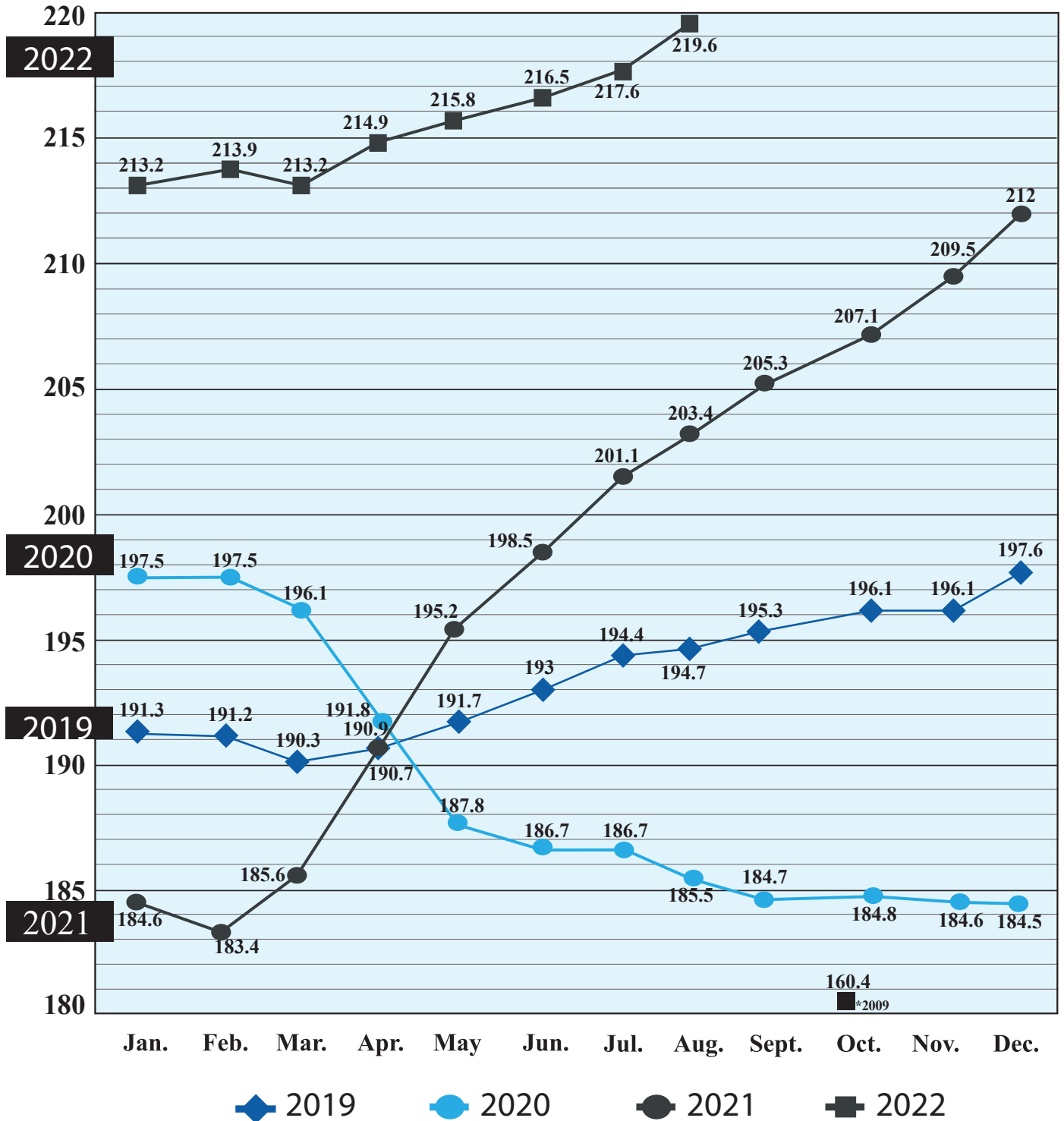
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August 2022 Economic Pulse

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

| ECONOMIC INDICATORS* | THIS YEAR August 2022 | LAST YEAR August 2021 | % CHANGE 2021-2022 |
|--|--------------------------|--------------------------|-----------------------|
| Retail Sales (\$000's - Per August sales tax rebate) | \$ 805,811,385 | \$ 755,605,750 | 6.6% |
| Dollars Spent on Auto Purchases (\$000's - August) | \$ 242,913,085 | \$ 214,016,794 | 13.5% |
| Lodging Tax Receipts (August) | \$ 334,564 | \$ 358,280 | -6.6% |
| Airline Boardings (August) | 39,913 | 47,636 | -16.2% |
| Value All Construction Permits (August) | \$ 71,886,800 | \$ 72,957,763 | -1.5% |
| New Home Permits (August) | 184 | 209 | -12.0% |
| Home Sales (August) | 383 | 399 | -4.0% |
| Average Home Sale Price (August) | 248,263 | 215,938 | 15.0% |
| Dollar Volume Residential Real Estate Sales (August) | \$ 95,084,719 | \$ 86,159,460 | 10.4% |
| Hidalgo Bridge Crossings (August) | 435,351 | 296,920 | 46.6% |
| Peso Exchange Rate (August) | 20.18 | 20.08 | 0.5% |
| Employment | | | |
| Wage & Salary Employment (August) | 284,100 | 269,900 | 5.3% |
| Unemployment Rate (August) | 5.3 | 6.2 | -14.5% |
| INDEX - June (Base =100 January 1996) | 219.6 | 203.4 | 8.0% |

* 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 cycle of expansion in the McAllen metro area economy extended to 18 months in August with another solid increase in the McAllen Economic Index. The index improved to 219.6 in August up from 203.4 from the August 2021 MEI.

The rate of growth in the index is slowing, however, with the 8.0% year-over-year growth down compared to the peak of 16.2% in February 2022.

General spending and employment, the two mainstay local economic indicators, continue to reflect growth midway through 2022, with both at record levels and climbing. Hotel/motel activity is showing a slight slow turn in August 2022, and Hidalgo bridge crossings remain sharply higher through midyear with an incredible 46.6% increase in bridge crossings. It almost seems with the high increase in bridge crossings and retail sales showing strong trends that Mexican nationals are again considering McAllen as their main shopping destination.

Both total construction and new housing construction keep on normalizing, showing lower numbers compared to record numbers in 2021. Higher prices are keeping the total dollar volume of sales at record levels, however.

General spending activity continues to improve even compared to fantastic rates of growth in 2021. General real (inflation-adjusted) spending per August sales tax receipts in the four-city metro area were up by 6.6% compared to August 2021.

Travel indicators remain adjusting with a 6.6% decrease of hotel and motel tax and a decrease of 16.2% of airline boardings. Society is transitioning through some travel adjustments after COVID-19, yet number should turn over for the holiday season later this year.

The construction indicators remain lower across the board. The inflation-adjusted total building

Key Points

Key Points (continued)

permit valuation in the four cities was down another 1.5% compared to last year.

New single-family housing construction permits are down compared to record totals in 2021, posting declines of 16% for the year compared to record totals for those time periods last year.

Existing home sales also set records in 2021, and continued to do so in the first five months of 2022. The August monthly sales total was lower, however, off by 4% compared to a record August 2021.

The nominal average price of those sales was once again up sharply at 10% in August year-over-year. An increase in value of construction along with a slowdown of new home sales and new home permits reflect an adjustment of the real estate industry. The slowdown can be attributed to inflation and the consequential high prices of materials alongside labor shortages. Additionally, rising interests' rates generally deaccelerate investments, mainly on real estate.

An estimated 14,200 jobs were added over the 12 months ending in August for a year-over-year growth rate of an impressive 5.3%. Employment fully recovered its COVID-19 losses in August 2021 and has been at record and climbing levels since then.

The McAllen city unemployment rate decreased from July to August, setting up a good trend for the holiday season.

Even with a few negative indicators, the MEI grew a whopping 8% year-over-year, the McAllen metro area economy remains an economy clearly in expansion through midyear 2022.

The likelihood of a recession in the near future is a much more open question and one we do not yet know the answer to. Yet, the border towns, especially McAllen is one of the most resilient economies in the US and its almost recession-proof. If a recession happens to hit at a national level, McAllen will not suffer from it for at least 2-3 years.

*McAllen, Edinburg, Mission, and Pharr