

McAllen Area ECONOMIC PULSE

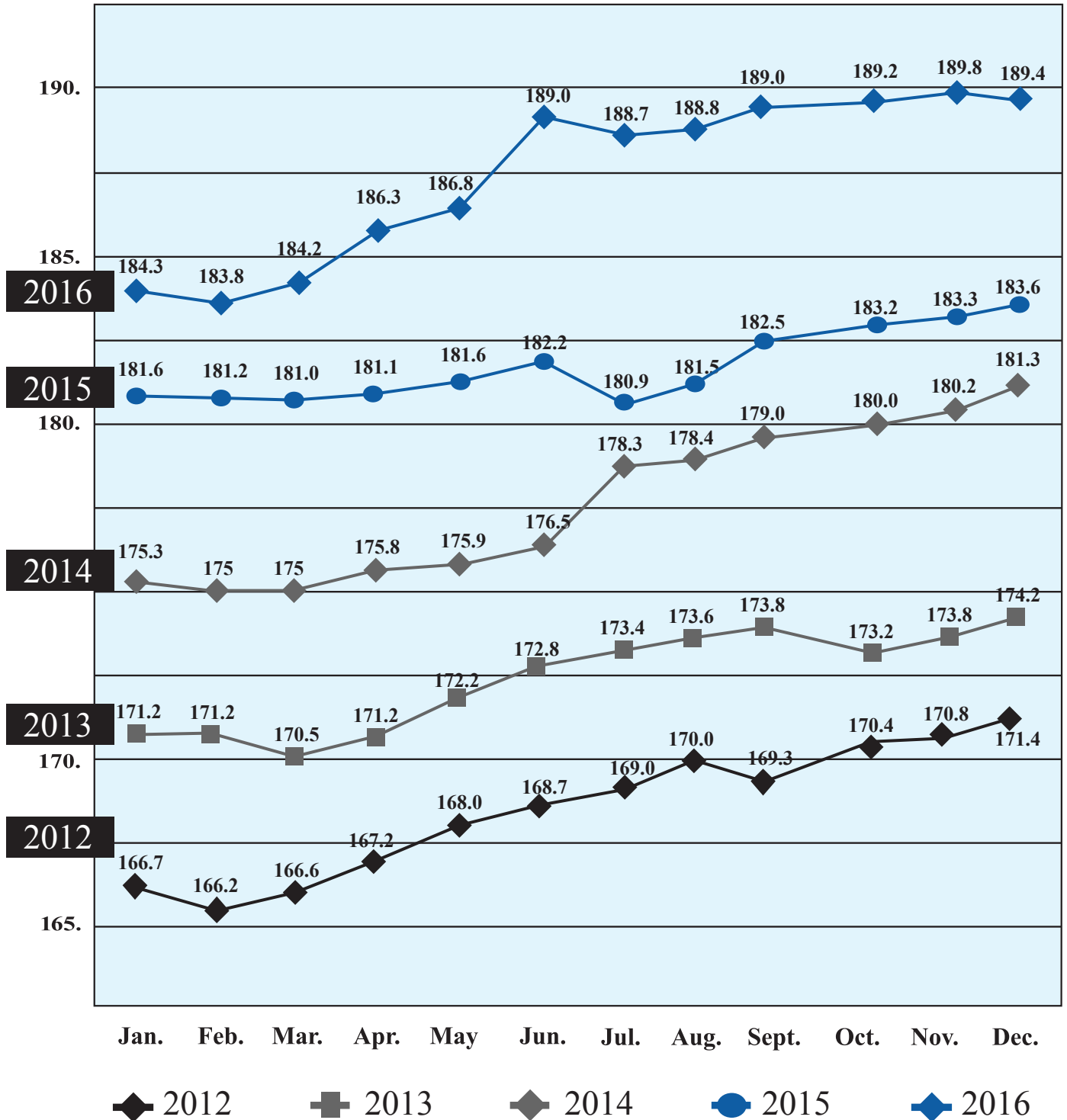
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December 2016 Economic Pulse

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 December 2016	LAST YEAR December 2015	% CHANGE 2015 - 2016
Retail Sales (Per December sales tax Receipts)	\$422,699,916	\$434,443,246	-2.7%
Retail Sales (4th Quarter)	\$1,367,271,509	\$1,421,428,463	-3.8%
Retail Sales (Annual)	\$5,730,602,665	\$5,915,110,163	-3.1%
Dollars Spent on Auto Purchases (December)	\$112,933,878	\$121,538,248	-7.1%
Dollars Spent on Auto Purchases (4th Qtr)	\$371,980,659	\$397,114,181	-6.3%
Dollars Spent on Auto Purchases (Annual)	\$1,666,153,014	\$1,606,206,532	3.7%
Lodging Tax Receipts (December)	\$325,531	\$405,131	-19.6%
Lodging Tax Receipts (4th Qtr)	\$938,085	\$1,099,893	-14.7%
Lodging Tax Receipts (Annual)	\$3,995,399	\$4,390,452	-9.0%
Airline Boardings (December)	31,680	31,241	1.4%
Airline Boardings (4th Qtr)	90,955	95,125	-4.4%
Airline Boardings (Annual)	365,928	400,059	-8.5%
Value All Construction Permits (December)	\$59,441,340	\$52,720,927	12.7%
Value All Construction Permits (4th Qtr)	\$179,310,074	\$137,310,811	30.6%
Value All Construction Permits (Annual)	\$811,806,074	\$476,821,921	70.3%
Home Permits (December)	92	112	-17.9%
Home Permits (4th Qtr)	300	306	-2.0%
Home Permits (Annual)	1,394	1,329	4.9%
Home Sales (December)	203	241	-15.8%
Home Sales (4th Qtr)	609	613	-0.7%
Home Sales (Annual)	2,424	2,589	-6.4%
Average Home Sale Price (December)	\$152,741	\$161,183	-5.2%
Average Home Sale Price (4th Qtr)	\$159,270	\$153,826	3.5%
Average Home Sale Price (Annual)	\$147,360	\$140,842	4.6%
Dollar Volume Residential Real Estate Sales (December)	\$31,006,375	\$39,583,145	-21.7%
Dollar Volume Residential Real Estate Sales (4th Qtr)	\$97,180,393	\$96,236,184	1.0%
Dollar Volume Residential Real Estate Sales (Annual)	\$360,342,218	\$374,741,176	-3.8%
Hidalgo Bridge Crossings (December)	533,007	533,556	-0.1%
Hidalgo Bridge Crossings (4th Qtr)	1,483,143	1,461,089	1.5%
Hidalgo Bridge Crossings (Annual)	5,670,096	5,473,255	3.6%
Peso Exchange Rate (per one US dollar - December)	20.52	17.07	20.2%
Employment			
Wage & Salary Employment (December)	261,200	253,100	3.2%
Wage & Salary Employment (3rd Qtr Avg)	259,235	251,100	3.2%
Wage & Salary Employment (Annual Avg)	255,140	248,183	2.8%
Unemployment Rate (December)	4.9	4.5	8.9%
Unemployment Rate (4th Qtr Avg)	4.6	4.8	-3.5%
Unemployment Rate (Annual Average)	4.8	5.0	-3.5%
INDEX - December (Base=100 Jan 1996)	189.4	183.6	3.1%

*Adjusted for Inflation by Re-Statting in Year 1995 Dollars

- The McAllen Economic Index retreated a bit to finish the year at 189.4 in December, down from its all-time high of 189.8 in November, but still up 3.1% from the December 2015 MEI of 183.6. General spending, auto spending, and hotel/motel activity in McAllen posted year-over-year declines in the fourth quarter. The housing indicators were sharply lower in December, while construction activity put up record numbers in 2016. Job growth continued at a solid pace, but the unemployment rate for the city of McAllen moved back above its year-ago level.

- General real (inflation-adjusted) taxable spending, a critical local economic indicator, flattened in 2015 and continued to exhibit softness in 2016, down by 3.1% for the year as a whole compared to 2015. Fourth quarter spending was down by 3.8% year-over-year, and the December total was off by 2.7% compared to December 2015.

- Real auto spending improved in 2016 for the seventh straight year, with annual spending on new and used motor vehicles up by 3.7% compared to the 2015 annual total. Auto sales activity weakened at year-end, however, with fourth quarter auto spending off by over 6% year-over-year, and December down by over 7% year-over-year.

- The 3.2% employment growth rate in December 2016 was second-best among all Texas metro areas behind only the Dallas-Plano Irving metro area at 3.9%. An estimated 8,100 jobs were added to the McAllen metro area economy over the year with health care as the big winner, adding 5,300 of those jobs. The McAllen city unemployment rate moved back above its year-ago level in December, however, at 4.9% for the month, up from 4.5% in December 2015.

- The construction sector in McAllen enjoyed its best year in 2016 since 2007 with the real building permit valuation total up by over 70% compared to 2015. Fourth quarter inflation-adjusted building permit activity was up by over 30% year-over-year, while the December monthly total posted a 12.7% increase compared to December of a year ago. New single-family housing construction was up by nearly 5% for the year, but the number of new permits dropped off at year-end with December down by 18%, and the fourth quarter down by a modest 2% compared to the fourth quarter 2015.

- The residential real estate market saw slower sales but at higher prices in 2016; the number of closed sales was down by 6.4% compared to the 2015 annual total (and December sales were off by 16% year-over-year). The price of those sales was higher on average, however, with the 2016 annual average up by a solid 4.6% compared to the 2015 average price. The lower sales and prices at year-end pushed the total real dollar volume of sales activity to a nearly 22% decline in December compared to December 2015. For the year as a whole, the sales volume was down by 3.8% compared to 2015, which in turn was up by 8.6% compared to the prior year.

- The cycle of expansion in the McAllen metro area economy extended to seven years (84 months) in November 2016. A one-month decline in the McAllen Economic Index does not nearly mean that expansion has come to an end, though it would certainly be desirable to see a return to growth in the consumer sector of the local economy. While border concerns and peso-dollar exchange rates likely bear some significant measure of blame for spending sluggishness, frankly there is little to suggest the McAllen area economy should be headed for recession anytime soon.

- The Texas Workforce Commission will issue revised employment data for 2016 (and 2015, perhaps) in early March (we will publish the January Pulse before then), and at that time we will revised the McAllen Economic Index accordingly, and use the new benchmarks to issue a general forecast for 2017.