

McAllen Area ECONOMIC PULSE

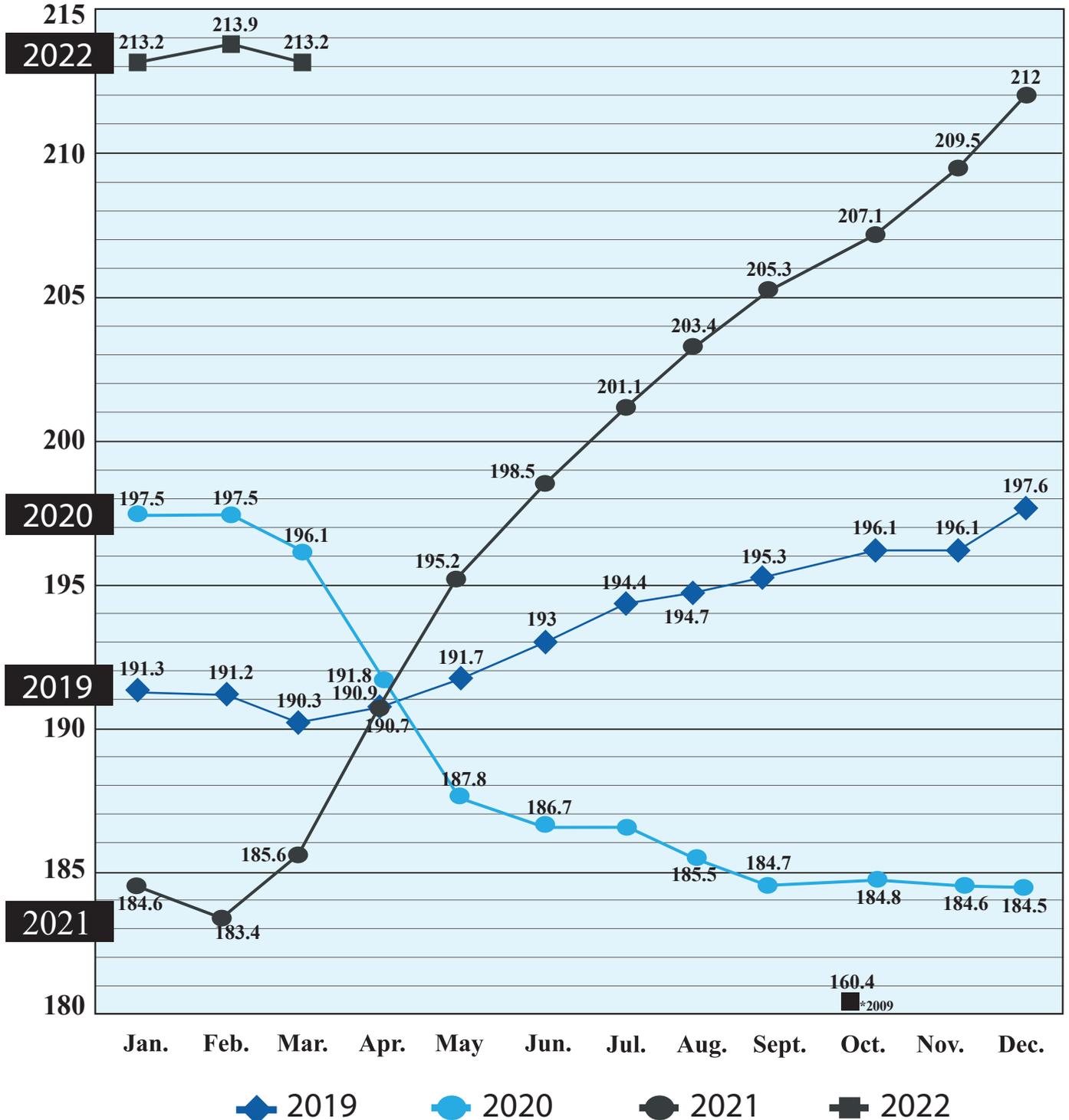
McAllen • Mission • Edinburg • Pharr

March 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.



160.4
*2009

The McAllen Area Economy

ECONOMIC INDICATORS*	THIS YEAR March 2022	LAST YEAR March 2021	% CHANGE 2021-2022
Retail Sales (March)	\$ 663,422,013	\$ 579,597,701	11.4%
Retail Sales (1st Quarter)	\$ 2,315,319,198	\$ 1,984,985,843	17.5%
Dollars Spent on Auto Purchases (March)	\$ 234,488,466	\$ 219,610,909	6.0%
Dollars Spent on Auto Purchases (1st Qtr)	\$ 616,694,685	\$ 608,905,655	-1.8%
Lodging Tax Receipts (March)	\$ 527,294	\$ 328,411	-20.2%
Lodging Tax Receipts (1st Qtr)	\$ 1,274,778	\$ 891,632	32.7%
Airline Boardings (March)	34,104	31,241	97.9%
Airline Boardings (1st Qtr)	99,974	65,647	91.4%
Value All Construction Permits (March)	\$ 64,665,475	\$ 200,560,143	5.4%
Value All Construction Permits (1st Qtr)	\$ 175,639,120	\$ 336,494,578	-18.4%
New Home Permits (March)	187	211	-22.4%
New Home Permits (1st Qtr)	468	520	-9.1%
Home Sales (March)	409	371	41.6%
Home Sales (1st Qtr)	1,103	918	26.9%
Average Home Sale Price (March)	\$ 244,359	\$ 206,686	12.7%
Average Home Sale Price (1st Qtr Avg)	\$ 230,913	\$ 201,880	12.3%
Dollar Volume of Home Sales (March)	\$ 99,942,653	\$ 80,116,198	53.2%
Dollar Volume of Home Sales (1st Qtr)	\$ 255,949,492	\$ 193,940,279	37.1%
Hidalgo Bridge Crossings (March)	425,385	284,695	72.4%
Hidalgo Bridge Crossings (1st Qtr)	1,167,431	734,746	64.9%
Peso/US Dollar Exchange Rate (March)	20.57	20.78	0.9%
Employment			
Wage & Salary Employment (March)	283,500	268,300	5.9%
Wage & Salary Employment (1st Qtr Avg)	281,535	266,800	5.5%
Unemployment Rate - McAllen City (March)	4.4	7.2	-28.9%
Unemployment Rate - McAllen City (1st Qtr Avg)	5.2	7.5	-27.3%
INDEX - March (Base =100 January 1996)	213.2	186.4	16.2%

* 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 Economic Index declined in March for the first time in 13 months, retreating to 213.2 for the month down from 213.9 in February, but still up by 14.4% from the March 2021 MEI of 186.4. Sharp declines in the construction indicators were the culprit with both total construction and new home building down compared to year-ago levels.

The March monthly decline pushed down the annualized rate of growth in the index for the first quarter to 1.3%, from the anticipated 3.5-4.0% had it stayed on the growth path it has been on in recent months. Still, even though economic headwinds certainly exist in 2022 in the form of inflation, high energy prices, and other difficulties, there is little reason to think the decline in March represents the end of the current cycle of expansion in the greater McAllen area economy.

Other sectors of the McAllen metro economy continue to reflect post-COVID growth and expansion through the first quarter even with the inflation headwinds significantly affecting the numbers. The spending indicators remains on the rise along with hotel/motel activity, airport passenger enplanements, border crossings, and the McAllen residential real estate market.

Real (inflation) adjusted general spending across the four-city metro area* was up by 14.5% per March sales

Key Points

Key Points (continued)

tax receipts compared to March 2021, even with inflation in the “core” CPI (the deflator for this component of the index) now approaching 7%. The first quarter real spending total is up by a stout 16.6% year-over-year. General spending in McAllen quickly recovered its COVID losses and has been in record territory for more than a year now.

Auto spending inflation rates are even higher at over 20% but have peaked and begun to decline. Real growth is difficult to achieve at those rates of price increase but still inflation-adjusted spending on new and used motor vehicles was up by 6.8% in March, which moved first quarter auto spending back into the black, up by a slight 1.3% compared to the first three months of 2021. The auto sales sector is also at record levels through the first quarter 2022.

It was only in the first quarter 2022 that real hotel/motel activity in the city of McAllen fully recovered the COVID-related declines of the last two years. Inflation-adjusted spending on lodging in McAllen moved achieved a new record in the first quarter, posting a 43% year-over-year increase along the way including a 60% increase in March – and that is with an 18% inflation rate applied to those numbers in early 2022.

Passenger activity at McAllen International Airport set a record in 2021, but those fantastic rates of growth slowed a bit in the first quarter. The number of passenger enplanements was up by over 50% compared to the first quarter 2021 but was about 5,100 short of the record first quarter of over 105,000 in 2008.

Real building permit valuations in the four cities was down by some 68% in March and 48% in the first quarter, albeit compared to high numbers from a year ago. The March 2021 permit valuation total the highest ever for the month of March and was the third highest for all months. In that context the first quarter 2022 totals are respectable enough, but the deep declines still pulled the index lower for the month.

New housing construction was lower as well with the number of new single-family residence permits down by 11% compared to a big number from last year. The 211 permits issued in March was not nearly a record but was the highest since March 2007 and was up by 73% compared to March 2020. First quarter new single-family permits were down by 10% compared to the first quarter 2021, which in turn was up by 38% year-over-year.

First quarter existing home sales surpassed 1,000 for the first time – in fact surpassed 1,100 at a preliminary (subject to minor revision in the coming months) 1,103 closed sales, an increase of 20% over the first quarter 2021 sales total. That included a record 409 closed sales in March, exceeding 400 for the month of March for the first time on record. The nominal (not adjusted for inflation) average price of those sales was up by double-digit percentage points for the 21st straight month in March, up by over 18% compared to March of a year ago. The first quarter average was up by over 14% year-over-year.

Record sales at record prices means record real housing transactions. The inflation-adjusted total dollar volume of residential real estate sales in the McAllen metro area was up by a sharp 32% in the first quarter 2022, including a 21% year-over-year gain in March.

While the McAllen Economic Index is likely to return to growth in April, the rates of growth going forward in 2022 may be difficult to maintain, which is to say that the 14-16% rates of year-over-year growth in late 2021 and early 2022 are probably not sustainable. Further, inflation will continue to cut into many of these number significantly until it begins to subside. In other words, barring the onset of recession in the US, the McAllen metro area economy should continue to perform at a high aggregate level as reflected by the McAllen Economic Index but may flatten in the coming months.

*McAllen, Edinburg, Mission, and Pharr