



# The McAllen Area Economy

## Key Points

ECONOMIC INDICATORS*	THIS YEAR May 2021	LAST YEAR May 2020	% CHANGE 2020-2021
Retail Sales (May)	\$ 781,559,122	\$ 562,547,511	38.9%
Retail Sales (Year to Date)	\$ 3,223,787,628	\$ 2,822,681,257	14.2%
Dollars Spent on Auto Purchases (May)	\$ 211,813,511	\$ 158,051,716	34.0%
Dollars Spent on Auto Purchases (YTD)	\$ 971,882,712	\$ 802,279,902	21.1%
Lodging Tax Receipts (May)	\$ 366,770	\$ 72,787	403.9%
Lodging Tax Receipts (YTD)	\$ 1,311,104	\$ 908,536	44.3%
Airline Boardings (May)	39,058	6,418	508.6%
Airline Boardings (YTD)	136,970	95,799	43.0%
Value All Construction Permits (May)	\$ 60,505,872	\$ 42,871,245	41.1%
Value All Construction Permits (YTD)	\$ 408,008,625	\$ 188,745,377	116.2%
New Home Permits (May)	186	107	73.8%
New Home Permits (YTD)	929	580	60.2%
Home Sales (May)	381	251	51.8%
Home Sales (YTD)	1,645	1,314	25.2%
Average Home Sale Price (May)	\$ 215,128	\$ 183,423	17.3%
Average Home Sale Price (YTD Avg)	\$ 206,384	\$ 175,164	17.8%
Dollar Volume of Home Sales (May in 1995\$)	\$ 81,963,807	\$ 47,013,859	74.3%
Dollar Volume of Home Sales (YTD)	\$ 340,881,019	\$ 235,858,536	44.5%
Hidalgo Bridge Crossings (May)	306,159	203,011	50.8%
Hidalgo Bridge Crossings (YTD)	1,329,351	1,511,712	-12.1%
Peso/US Dollar Exchange Rate (May)	19.98	23.52	-15.0%
<b>Employment</b>			
Wage & Salary Employment (May)	265,800	254,800	4.3%
Wage & Salary Employment (YTD Avg)	265,180	265,640	-0.2%
Unemployment Rate (McAllen City - May)	6.8	13.5	-49.6%
Unemployment Rate (McAllen City - YTD Average)	7.7	8.9	-13.7%
INDEX - May (Base=100 January 1996)	195.2	188.1	3.8%

\* 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 economy continued its rapid recovery from COVID in May, with another sharp upward move in the McAllen Economic Index, resulting in the first year-over-year increase in the index since April of last year (when the index was quickly declining) The index increased by the second-largest monthly margin on record (the largest was last month), improving by 4.2 points to 195.2 in May up from 190.9 in March, and up by 3.8% from the May 2020 MEI of 188.1. The post-COVID low point in the McAllen Economic Index was 183.4 in February 2021. Through May, the index is now down by only 2.5 points (1.3%) compared to the index peak of 197.6 in December 2019.

The monthly table of economic indicators reflects sizable year-over-year gains in most components of the index compared to COVID-depressed levels of activity in May 2020, and many are establishing new records, continuing to outpace even pre-COVID numbers.

General real (inflation-adjusted) taxable spending per May sales tax receipts in the McAllen metro area\*, which largely reflects taxable purchases made in March, was up by nearly 39% compared to May (March) of a year ago. Interestingly, though, spending per May sales tax receipts in 2020 was down by only 6.5% compared to the prior year, so the 2021 May monthly total reflects recovery of

## Key Points (continued)

what was lost last year and then significantly higher “new” activity beyond that.

Auto spending, having recovered quickly in 2020, continues to put up strong numbers in 2020. May real (inflation-adjusted) auto spending was up by 34% compared to May of a year ago, which was one of the two COVID decline months in April and May last year. May 2021 auto spending is a May monthly record, however, as is the year-to-date total. Auto inflation has spiked upward post-COVID, with new and used motor vehicle prices increasing at nearly 10% year-over-year, the effect of which is to lower the real rate of auto sales growth relative to the nominal (raw) sales figures.

Employment growth stalled temporarily in May, likely due to the uneven nature of month-to-month job growth, not because employment recovery is faltering. The May monthly estimate (non-seasonally adjusted) is up by 4.3% compared to May 2020 in which jobs were added following the loss of over 28,000 jobs from March to April. Through May about 18,300 jobs have been added back; however, May employment is still down by 10,200 jobs compared to the employment peak achieved in January 2020.

Hotel/motel activity in the city of McAllen came roaring back in May with a 400% increase in real spending on lodging in the city. And this is at lower prices as the sector remains in a state of deflation (which won't last for long) which means greater rates of occupancy. The May hotel/motel total is the highest for the month of May on record, and one of the highest for any month. The same is true of airport activity with monthly passenger enplanements at McAllen International Airport also setting a record for the month of May.

Construction activity per building permit valuations continues to put up impressive numbers and remains the highest since 2007, and the four-city total up by over 40% compared to May of a year ago. The number of new single-family residence construction permits issued through May also remains the highest since 2007 and is outpacing the first five months of 2020 by about 60%.

The McAllen metro area residential real estate market continues to set records in every respect – the number of sales, the price of those sales, and the inflation-adjusted dollar volume of sales activity. Both the May monthly sales total as well as year-to-date sales are records by far and are higher compared to year-ago levels by 52% and 25%, respectively. The average price of those sales was up by double-digit percentage points in May for the 11th straight month posting a 17% year-over-year increase, and the year-to-date average sale price is up by nearly 18%.

The real total dollar volume of residential real estate sales in the McAllen market was up by a sharp 74% in May and is up by 45% for the year-to-date compared to the first five months of 2020.

The McAllen Economic Index is primed to recover to its previous peak and move into new record territory with the release of the June report, marking a startlingly rapid full recovery from the 2020 COVID economy by that measure.

\*McAllen, Edinburg, Mission, and Pharr