



# The McAllen Area Economy

## Key Points

ECONOMIC INDICATORS*	THIS YEAR December 2020	LAST YEAR December 2019	% CHANGE 2019-2020
Retail Sales (Per December Sales Tax Receipts)	\$ 553,486,481	\$ 553,610,325	0.0%
Retail Sales (4th Quarter)	\$ 1,723,845,209	\$ 1,656,813,496	4.0%
Retail Sales (Annual)	\$ 6,625,686,298	\$ 6,799,037,564	-2.5%
Dollars Spent on Auto Purchases (December)	\$ 161,712,566	\$ 147,672,392	9.5%
Dollars Spent on Auto Purchases (4th Qtr)	\$ 477,965,352	\$ 460,286,482	3.8%
Dollars Spent on Auto Purchases (Annual)	\$ 1,930,453,104	\$ 1,895,896,144	1.8%
Lodging Tax Receipts (December)	\$ 174,250	\$ 253,009	-31.1%
Lodging Tax Receipts (4th Quarter)	\$ 495,343	\$ 893,010	-44.5%
Lodging Tax Receipts (Annual)	\$ 2,407,086	\$ 3,779,008	-36.3%
Airline Boardings (December)	\$ 18,952	\$ 36,525	-48.1%
Airline Boardings (4th Qtr)	53,210	107,703	-50.6%
Airline Boardings (Annual)	194,872	429,656	-54.6%
Value All Construction Permits (December)	\$ 82,220,639	\$ 62,216,238	32.2%
Value All Construction Permits (4th Qtr)	\$ 213,210,216	\$ 129,610,640	64.5%
Value All Construction Permits (Annual)	\$ 581,481,125	\$ 540,965,792	7.5%
New Home Permits (December)	156	105	48.6%
New Home Permits (4th Qtr)	473	372	27.2%
New Home Permits (Annual)	1,726	1,492	15.7%
Home Sales (December)	353	282	25.2%
Home Sales (4th Qtr)	1,018	864	17.8%
Home Sales (Annual)	3,784	3,458	9.4%
Average Home Sale Price (December)	207,512	171,591	20.9%
Average Home Sale Price (4th Qtr)	\$ 198,413	\$ 170,134	16.6%
Average Home Sale Price (Annual)	\$ 188,517	\$ 167,793	12.4%
Dollar Volume Residential Real Estate Sales (December)	\$ 73,251,845	\$ 49,397,527	48.3%
Dollar Volume Residential Real Estate Sales (4th Qtr)	\$ 202,305,794	\$ 150,385,597	34.5%
Dollar Volume Residential Real Estate Sales (Annual)	\$ 719,134,170	\$ 599,470,264	20.0%
Hidalgo Bridge Crossings (December)	269,150	497,533	-45.9%
Hidalgo Bridge Crossings (4th Qtr)	758,683	1,416,867	-46.5%
Hidalgo Bridge Crossings (Annual)	3,053,724	5,219,935	-41.5%
Peso Exchange Rate (December)	\$ 19.96	\$ 19.11	4.4%
<b>Employment</b>			
Wage & Salary Employment (December)	262,800	276,800	-5.1%
Wage & Salary Employment (4th Qtr Avg)	261,135	275,600	-5.2%
Wage & Salary Employment (Annual Avg)	261,160	270,925	-3.6%
Unemployment Rate - McAllen City (December)	8.1	4.4	84.1%
Unemployment Rate - McAllen City (4th Qtr Avg)	8.3	4.2	97.6%
Unemployment Rate - McAllen City (Annual Average)	9.2	4.2	116.9%
INDEX - January (Base=100 January 1996)	184.5	197.7	-6.7%

\* 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 2020 McAllen metro area economy was truly a COVID economy with economic activity contracting at the fastest pace since the Great Recession in 2009. The McAllen economy had been on an extraordinary run in 2018 and 2019 with the McAllen Economic Index increasing by an impressive 7.0% between February 2018 and December 2019, which was the all-time peak in the index. While the index declined in January and February 2020, it is quite likely the McAllen economy would have enjoyed continued economic expansion for the year had COVID not come along. The McAllen Economic Index declined by only 1/10 of a point in December falling to 184.5 for the month down from 184.6 in November, but was down sharply for the year, off by 6.7% compared to the December 2019 MEI of 197.7, which again was the all-time peak in the index.

The onset of COVID in March and the following months naturally pushed any component of the economy having to do with the movement of people downward. Hotel/motel activity, airline passenger enplanements, and US-Mexico bridge crossings at the Hidalgo bridge all fell sharply and have shown only modest improvement since then. The employment indicators were also deeply negatively affected and remain well short of pre-COVID levels in terms of payroll employment and the unemployment rate.

McAllen metro area employment fell by some 27,700 jobs (over 10%) between January and April,

## Key Points (continued)

including nearly 25,000 jobs in April alone. By year-end about 12,900 of those jobs had been added back, leaving employment as of December 2020 down by about 14,800 jobs compared to the January peak employment level of nearly 275,000 jobs according to the seasonally adjusted monthly employment estimates.

The non-seasonally adjusted employment estimates (reflected on the table of economic indicators) which can only be compared to the same month in a prior year suggest the loss of 14,000 jobs in the McAllen economy between December 2019 and December 2020, a decline of 5.1%.

The spending indicators fared better, however, showing signs of more rapid recovery after deep declines in the second quarter. General real (inflation-adjusted) spending per monthly sales tax receipts in the four-city metro area\* posted a 4.0% year-over-year increase in the fourth quarter (and was flat in December), and was down by only about 2.5% for the year compared to the 2019 annual total, which in turn was up by a sharp 7.0% compared to the prior year.

Auto spending was even more impressive, finishing the year strongly after 38% and 15% declines in April and May, respectively. Auto sales rebounded in the third quarter with a 6.2% year-over-year increase and a 3.8% increase in the fourth quarter, including a 9.5% increase in December. In fact, the December, fourth quarter, and annual 2020 auto sales totals set records, and inflation-adjusted auto spending recovered to post a 1.8% year-over-year gain for the year.

Construction recovered rapidly after sharp declines in April and May finishing the year up by 7.5% in terms of inflation-adjusted building permit valuations, including a 65% year-over-year increase in the fourth quarter. The 1,726 new single-family residence construction permits issued in 2020 was up by nearly 16% year-over-year and was the highest annual total since 2007, the last of the huge years in that decade in which homebuilding exceeded existing home sales (a rare occurrence).

The McAllen metro area residential real estate market new all kinds of new records in 2020, even with declines in sales of well over 20% in April and May. The number of closed sales surpassed 3,000 for only the second time and outpaced the 2019 annual sales total by over 9%. The December monthly and fourth quarter sales totals were also records for those time periods, up by 25% and 18%, respectively, compared to year-ago levels. The average price of those sales spiked sharply upward in 2020, posting double-digit percentage year-over-year gains in seven of the twelve months including the final six months of the year. The annual average home sale price was up by over 12% in 2020, with the fourth quarter average up by 16.6%. The December monthly average sale price was up by a whopping 21% year-over-year.

That means the total real (inflation-adjusted) dollar volume of housing sales put up some massive numbers in 2020. December monthly home sales activity by this aggregate measure was up by over 48% compared to December 2019, while the fourth quarter was up by nearly 35%. For the year, the real dollar volume of home sales activity was up by 20% over the 2019 annual total.

This is not quite the final word on the 2020 McAllen metro area economy. The Texas Workforce Commission will soon be releasing revised employment data for McAllen and other Texas metro areas, in which monthly employment estimates for 2020 (and probably 2019 as well) will be updated as a part of the annual revision process which also establishes the benchmarks going forward in 2021. The next report (January 2021) will incorporate and analyze the revised employment data, and we will update the McAllen Economic Index accordingly.

\*McAllen, Edinburg, Mission, and Pharr