

McAllen Area ECONOMIC PULSE

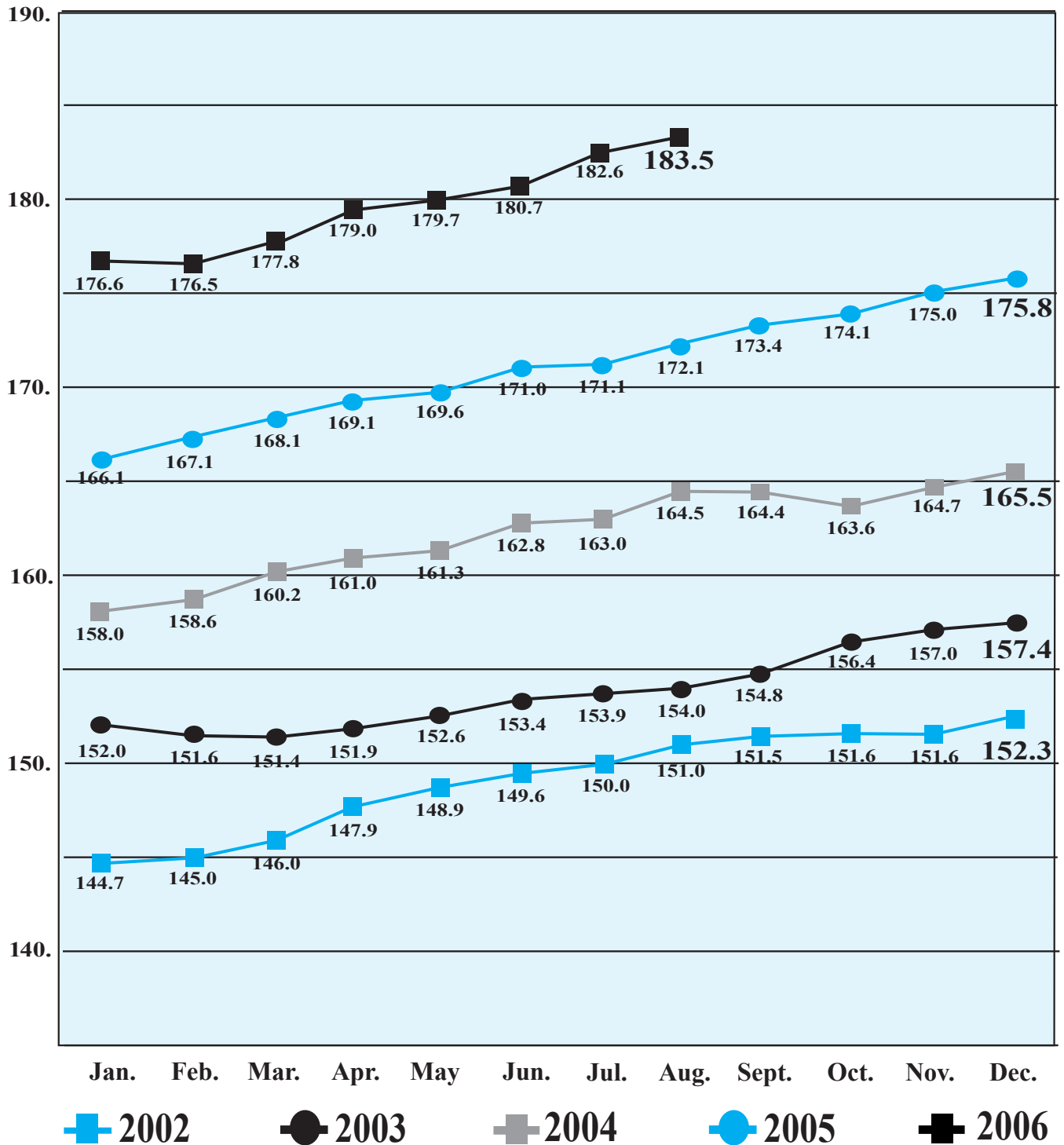
McAllen • Mission • Edinburg • Pharr

August 2006 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 2006	LAST YEAR August 2005	% CHANGE 08/05 - 08/06
Retail Sales (000's - Month in 1995\$)	\$259,556	\$241,374	7.5%
Retail Sales (000's - Year)	\$2,156,253	\$2,014,834	7.0%
Motor Vehicle Tax Receipts (Month)	\$90,963	\$88,923	2.3%
Motor Vehicle Tax Receipts (Year)	\$718,636	\$633,189	13.5%
Lodging Tax Receipts (Year)	\$2,351,720	\$2,104,102	11.8%
Airline Boardings (Month)	31,827	30,218	5.3%
Airline Boardings (Year)	277,107	246,783	12.3%
Value All Construction Permits (Month)	\$58,356,276	\$40,191,316	45.2%
Value All Construction Permits (Year)	\$555,533,448	\$447,845,518	24.0%
New Home Permits (Month)	296	332	-10.8%
New Home Permits (Year)	2,407	2,427	-0.8%
Home Sales (Month)	258	214	20.6%
Home Sales (Year)	1,653	1,454	13.7%
Average Home Sale Price (Month)	\$136,843	\$126,363	8.3%
Average Home Sale Price (Year)	\$125,415	\$116,504	7.6%
Hidalgo Bridge Crossings (Month)	563,048	553,559	1.7%
Hidalgo Bridge Crossings (Year)	4,499,412	4,500,041	0.0%
Peso Exchange Rate (Month)	\$11.10	\$10.90	1.8%
Employment			
Wage & Salary Employment (Month)	203,000	192,400	5.5%
Wage & Salary Employment (YTD Avg)	202,700	192,700	5.2%
Unemployment Rate (Month)	7.1	7.4	N/A
Unemployment Rate (YTD Average)	7.4	8.1	N/A
INDEX (Base=100 Jan 1996)	183.5	172.1	6.6%

In January 2004 the Texas Comptroller's Office began tracking "Manifestos" -- requests for sales tax refunds on items purchased by Mexican citizens or for export into Mexico.

	Export Sales per Manifestos	Total Retail Sales	Export Sales of Total Sales
July 2006	\$28,287	\$345,709	8.2%
Year-to-date	\$220,318	\$2,836,639	7.8%

The McAllen metro economy continues to roar ahead through August 2006, with the McAllen Economic Index improving to 183.5, up from the July index of 182.6, and up 6.6% from the August 2005 MEI of 172.1. Year-over-year growth rates in the McAllen economy have surpassed 5% every month since September 2005, and have been at 6% or higher for six of those months.

The primarily cyclical growth indicators -- consumer spending and employment -- continue to set the pace for growth in the McAllen economy. Inflation-adjusted retail sales per sales tax rebates in the metro area were a strong 7.5% improved over the August 2005 sales total, pulling the year-to-date total to 7% higher than the first eight months of 2005. The rate of job growth remains among the highest in the state; some 10,600 jobs were added to the McAllen area economy over the last 12 months for a growth rate of 5.5%.

The McAllen area economy in 2006 is the beneficiary of considerable stimulus from outside the area; airline activity is up over 12% compared to year-ago numbers, and hotel/motel tax receipts in McAllen are nearly 12% higher compared to the the January-August period of 2005.

Construction activity continues to reflect growth and confidence in the future of the metro area economy; the valuation of building permits issued by the cities of McAllen, Edinburg, Mission and Pharr were 45% higher than August of a year ago, and the total for the year-to-date is 24% improved over the first eight months of 2005. The \$555.5 million in construction projects for which permits have been issued is easily a January-August record.

The only negative on the chart remains the number of new home permits issued; homebuilding has been playing 'catch-up' for a number of years, and the slight cooling in homebuilding growth rates most likely reflects the success of these endeavors. A great many homes have been added to the area inventory in recent years, and it seems apparent that considerable progress has been made in bringing housing availability in line with local growth conditions.

And the inventory is active (as is usually the case in growing economies) with existing home sales in August up over 20% compared to August of 2005, and the YTD total surpassing year-ago levels by nearly 14%. Prices continue to reflect high demand (and the financial ability to meet that demand) with home prices up over 7% on average thus far in 2006.

Key Points