

McAllen Area ECONOMIC PULSE

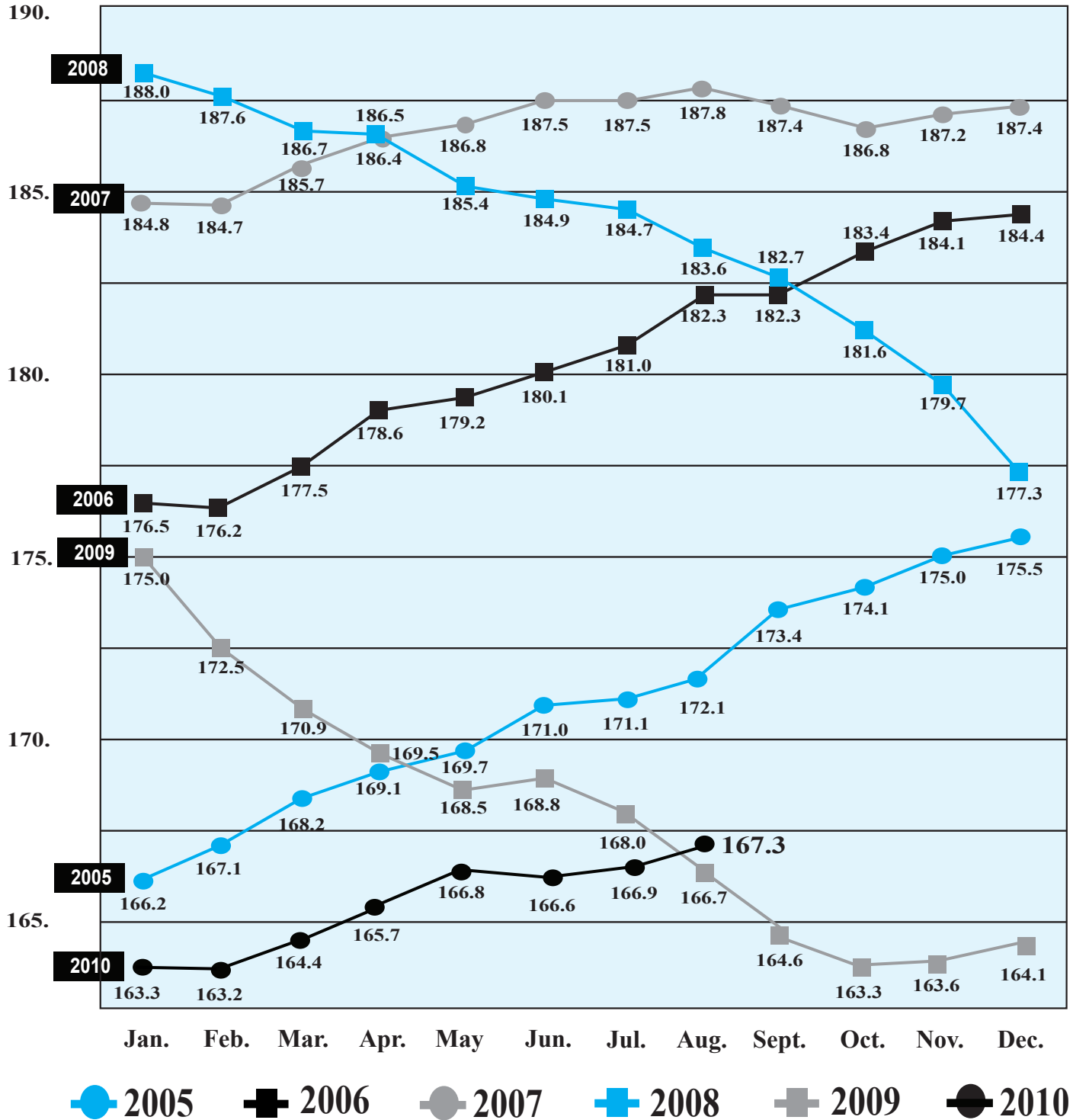
McAllen • Mission • Edinburg • Pharr

August 2010 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 2010	LAST YEAR August 2009	% CHANGE 08/09 - 08/10
Retail Sales (\$000's - August in 1995\$) *	\$246,934	\$239,390	3.2%
Retail Sales (\$000's - Year-To-Date) *	\$2,049,722	\$2,075,037	-1.2%
Dollars Spent on Auto Purchases (\$000's - August in 1995\$)	\$81,064	\$70,342	15.2%
Dollars Spent on Auto Purchases (\$000's - YTD)	\$656,856	\$594,487	10.5%
Lodging Tax Receipts (August)	\$253,392	\$303,184	-16.4%
Lodging Tax Receipts (YTD)	\$2,148,645	\$2,262,085	-5.0%
Airline Boardings (August)	29,239	33,918	-13.8%
Airline Boardings (YTD)	238,708	253,317	-5.8%
Value All Construction Permits (August)	\$29,528,262	\$23,444,725	25.9%
Value All Construction Permits (YTD)	\$263,256,325	\$239,969,517	9.7%
New Home Permits (August)	117	114	2.6%
New Home Permits (YTD)	1,083	820	32.1%
Home Sales (August)	185	188	-1.6%
Home Sales (YTD)	1,596	1,486	7.4%
Average Home Sale Price (August)	\$135,203	\$124,420	8.7%
Average Home Sale Price (YTD Avg)	\$121,770	\$116,569	4.5%
Hidalgo Bridge Crossings (August)	475,216	514,344	-7.6%
Hidalgo Bridge Crossings (YTD)	3,791,405	3,983,994	-4.8%
Peso Exchange Rate (August)	\$13.45	\$13.40	0.4%
Employment			
Wage & Salary Employment (August)	216,600	213,400	1.5%
Wage & Salary Employment (YTD Avg)	219,150	216,725	1.1%
Unemployment Rate (August)	12.2	11.2	8.9%
Unemployment Rate (YTD Average)	11.8	10.3	14.6%
INDEX - August (Base=100 Jan 1996)	167.3	166.3	0.6%

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 (Not adjusted for inflation)	Percent Export Sales of Total Sales
August 2010	\$22,882	\$351,916	6.5%
YTD 2010	\$207,191	\$2,913,347	7.1%

The McAllen area economy continued its general pattern of recovery in August with the McAllen Economic Index achieving its first year-over-year increase since April 2008. The August MEI rose to 167.3, up from 166.9 in July, and up .6% from the August 2009 index of 166.3. The August 2010 MEI represents the highest index value since July 2009, when the index was on the way down as a reflection of the recession across the metro area lasting from February 2008 through October 2009.

Modest increases in general spending and employment along with stronger auto sales, construction and housing prices remain the driving forces behind the trend of overall economic improvement and the current pattern of growth in the McAllen Economic Index which has been generally on the rise since October of last year.

Inflation-adjusted spending by households and businesses in the metro area grew by 3.2% in August compared to August 2009, though the year-to-date real spending total remains lower relative to year-ago levels by about 1.2%. General spending endured deep declines over the course of the recession, and overall spending through the first eight months of 2010 is the lowest 8-month year-to-date total since 2005, so current levels remain well below the highs achieved over the growth period prior to the onset of recession.

Payroll employment in the McAllen metro area is a different story, however. Even though year-to-year growth rates remain fairly modest at about 1.5%, the actual number of jobs in McAllen is at its highest point ever at an estimated 216,600.

Auto sales are improving in 2010, with real (inflation-adjusted) spending on new and used motor vehicles up by over 15% in August compared to August of a year ago, and year-to-date auto spending up by over 10%. Again, however, last year was a sharply lower year, and auto sales in 2010 remain well behind the peak levels achieved in 2007.

Construction activity continues to improve across the metro area relative to last year's very low numbers (the YTD through August 2009 total was down by over 40% compared to 2008); the value of all building permits issued improved by over 25% in August (year-over-year), and nearly 10% for the year-to-date. Still, the 2010 total represents the lowest level of building activity since 1999.

Housing construction is also posting its first year-to-year increases since 2005, though again, the sheer numbers of new single-family residence permits issued across the metro area are considerably less than half the number of new home permits issued during the strong growth years through 2006, after which the numbers began to decline precipitously through 2009.

As is the case across most of Texas, housing prices continue to increase in McAllen, with the average home sale price in August surpassing the August '09 average by 8.7% and the year-to-date average up by 4.5%. Housing prices in McAllen have posted significant year-over-year declines only once in recent years, falling by nearly 7% in the recession year of 2008. Prices have not yet returned to pre-2008 levels but remain at generally healthy levels at this point in the recovery process.

Key Points