

McAllen Area ECONOMIC PULSE

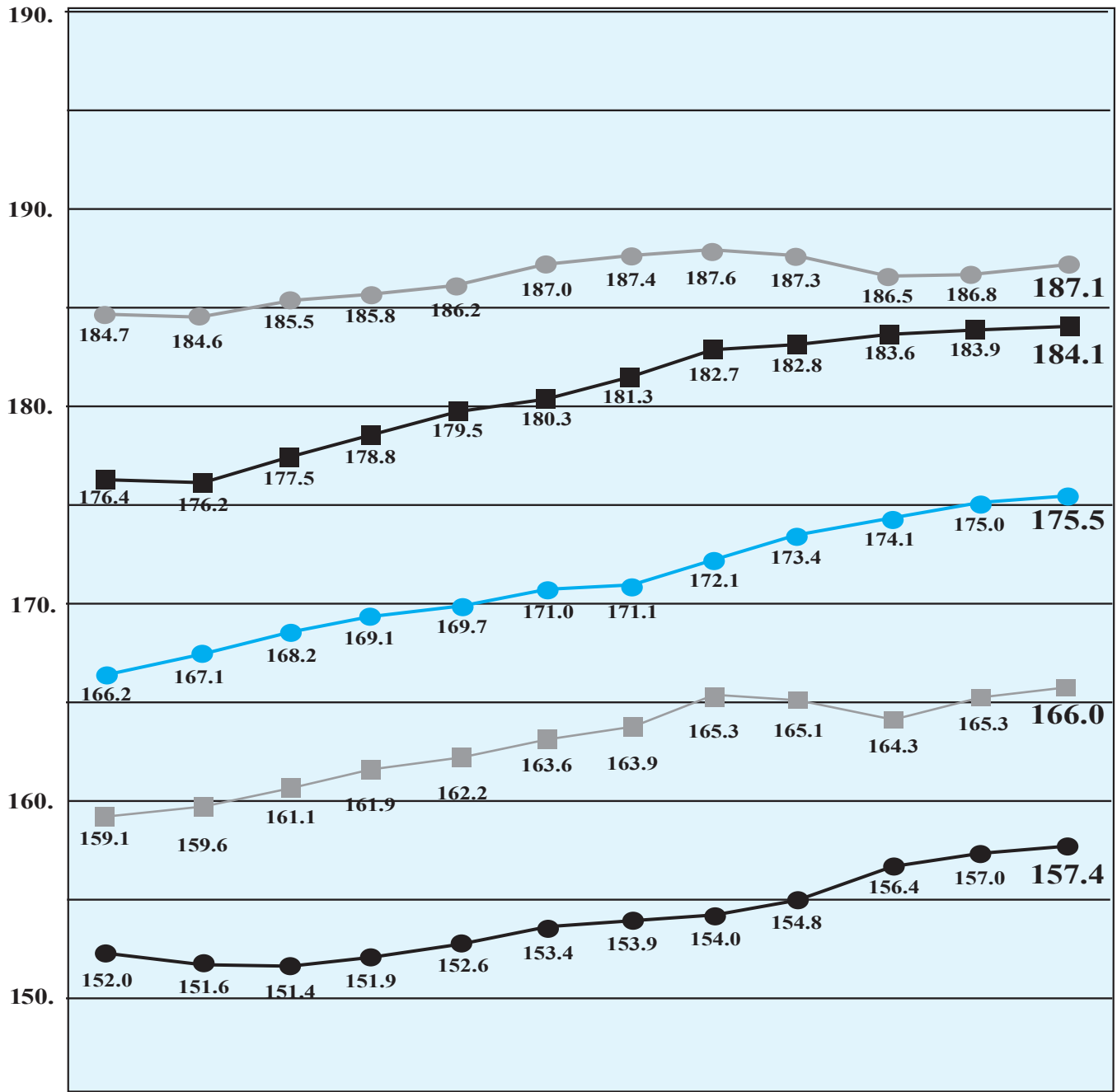
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December 2007 Economic Pulse

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.



2003
 2004
 2005
 2006
 2007

The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR December 2007	LAST YEAR December 2006	% CHANGE 12/06 - 12/07
Retail Sales (000's - Month in 1995\$)	\$957,011	\$927,627	3.2%
Retail Sales (000's - Year)	\$3,526,911	\$3,372,167	4.6%
Motor Vehicle Tax Receipts (Month)	\$291,073	\$253,767	14.7%
Motor Vehicle Tax Receipts (Year)	\$1,221,925	\$1,062,128	15.0%
Lodging Tax Receipts (Year)	\$3,958,283	\$3,567,514	11.0%
Airline Boardings (Month)	103,247	101,293	1.9%
Airline Boardings (Year)	426,418	407,143	4.7%
Value All Construction Permits (Month)	\$202,999,849	\$224,610,478	-9.6%
Value All Construction Permits (Year)	\$742,836,377	\$839,483,335	-11.5%
New Home Permits (Month)	473	636	-25.6%
New Home Permits (Year)	2,405	3,285	-26.8%
Home Sales (Month)	585	666	-12.2%
Home Sales (Year)	2,535	2,535	0.0%
Average Home Sale Price (Month)	\$129,958	\$130,171	-0.2%
Average Home Sale Price (Year)	\$128,872	\$127,972	0.7%
Hidalgo Bridge Crossings (Month)	1,763,468	1,782,906	-1.1%
Hidalgo Bridge Crossings (Year)	6,654,664	6,796,521	-2.1%
Peso Exchange Rate (Month)	\$11.20	\$11.25	-0.4%
Employment			
Wage & Salary Employment (Month)	218,400	207,200	5.4%
Wage & Salary Employment (YTD Avg)	211,000	202,600	4.1%
Unemployment Rate (Month)	6.6	6.9	N/A
Unemployment Rate (YTD Average)	6.5	7.4	N/A
INDEX (Base=100 Jan 1996)	187.1	184.1	1.6%

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
December	\$49,485	\$560,825	8.8%
Annual	\$388,360	\$4,747,119	8.2%

The McAllen metro area economy grew by only 1.6% in 2007, but it was enough to ensure the 12th consecutive year of economic growth as indicated by the McAllen Economic Pulse. The December 2007 McAllen Economic Index of 187.1 was up slightly from the November index of 186.8, and was 1.6% improved over the December 2006 MEI of 184.1.

Growth in the local economy slowed noticeably over the course of the year, as year-over-year growth rates decreased all year, beginning at nearly 5% early in 2007, and slowing to 1.6% at year-end. Booming auto sales and stronger job growth late in the year was offset by lower rates of growth in the retail, construction and housing sectors.

Inflation-adjusted retail activity expanded by 3.2% in the 4th quarter (year-over-year), and a solid 4.6% for the year. Those rates of growth are smaller than in previous years, but the general retail spending sector has grown compared to the prior year each month over the life of the Pulse.

The McAllen metro economy reclaimed the top spot in the state in terms of job growth at 5.4%, adding an estimated 11,200 jobs over the course of the year. The area unemployment rate continued its steady decline in 2007 as well.

Construction activity declined in the 4th quarter, and for the year in total, but these numbers are compared to some very strong numbers in 2006; 4th quarter 2006 construction permit valuations increased by nearly 50%, and then were some 9.6% lower in the 4th quarter of '07, and 2006 valuations were up about 28% over 2005, but then dropped off by 11.5% in 2007. Building activity remains very high in the area -- the 2007 permit valuation total was the 2nd-highest on record behind only 2006.

The homebuilding sector took a beating in 2007, mirroring the sharp declines at the national and state levels, and in the major Texas metro areas. The number of new single-family residence permits issued in 2007 fell by nearly 27%, and this on the heels of a 4% decline in 2006.

Sales of existing homes weakened over the course of the year, declining by over 12% in the 4th quarter, and finishing the year exactly on par with 2006. Price growth was non-existent, but home prices and values have been maintained, the more important representation of the nature of the economic foundation in the metro area.

The McAllen metro economy has matured enormously over the last 12 years, and it is, in part, this maturity that accounts for the slowing rate of growth in 2007 as the economy has expanded impressively over that time and lost a bit of its 'spring-loaded' nature. But 12 years (at least) of unfettered expansion is very impressive, and growth at a slower rate is growth nonetheless.

Key Points