

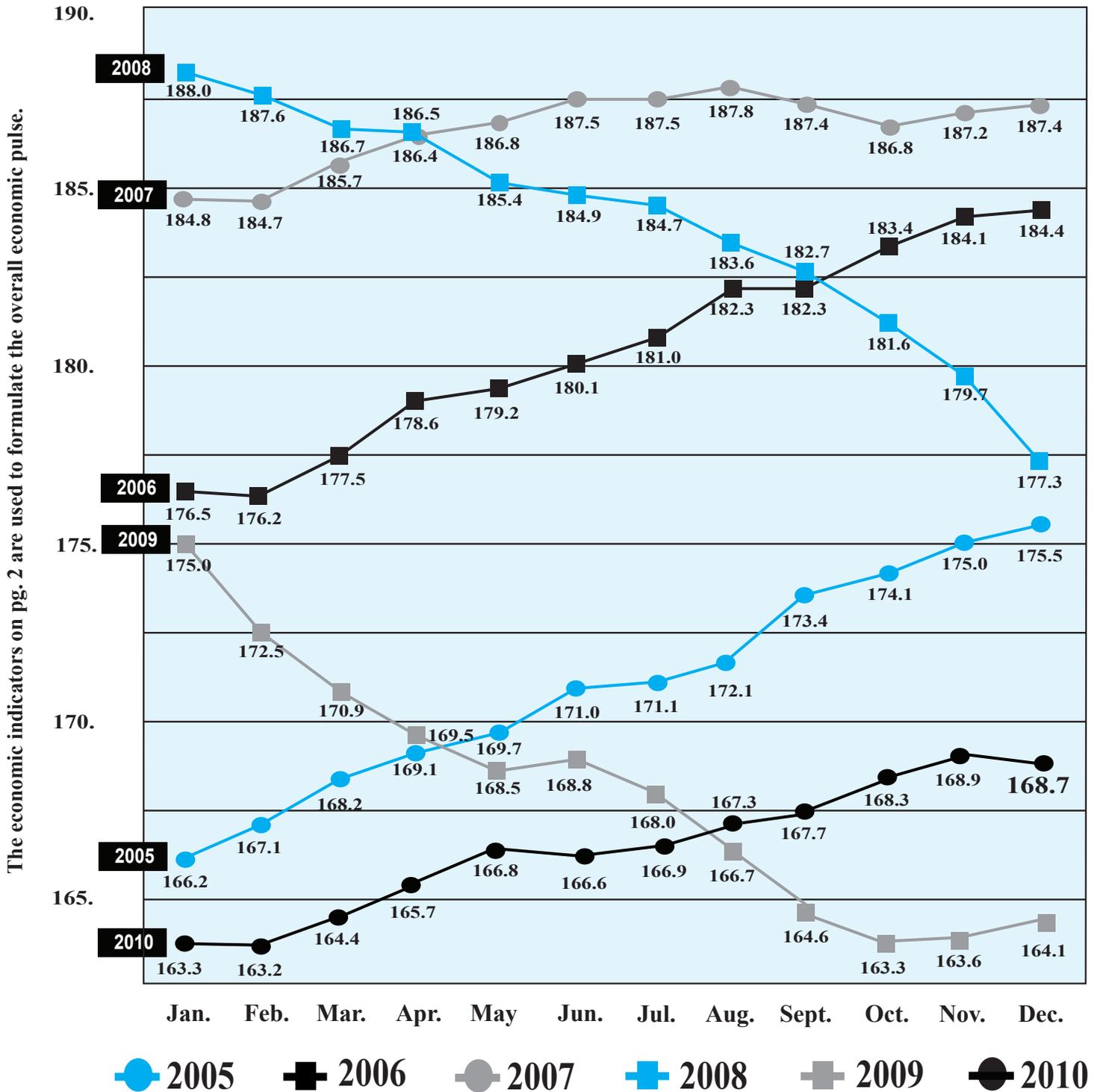
# McAllen Area ECONOMIC PULSE

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## December 2010 Economic Pulse

### The McAllen Chamber of Commerce Economic Index

INDEX (Base=100 Jan 1996)



ECONOMIC INDICATORS	THIS YEAR December 2010	LAST YEAR December 2009	% CHANGE 12/09 - 12/10
Retail Sales (\$000's - 4th Quarter in 1995\$)	\$899,196	\$883,954	1.7%
Retail Sales (\$000's - Annual)	\$3,236,239	\$3,225,675	0.3%
Dollars Spent on Auto Purchases (\$000's - 4th Qtr in 1995\$)	\$229,615	\$186,009	23.4%
Dollars Spent on Auto Purchases (\$000's - Annual)	\$970,175	\$855,181	13.4%
Lodging Tax Receipts (4th Quarter)	\$874,515	\$983,301	-11.1%
Lodging Tax Receipts (Annual)	\$3,330,728	\$3,566,640	-6.6%
Airline Boardings (4th Qtr)	91,741	89,139	2.9%
Airline Boardings (Annual)	356,885	369,946	-3.5%
Value All Construction Permits (4th Qtr)	\$94,969,245	\$68,242,655	39.2%
Value All Construction Permits (Annual)	\$381,698,451	\$327,874,872	16.4%
New Home Permits (4th Qtr)	332	307	8.1%
New Home Permits (Annual)	1,536	1,216	26.3%
Home Sales (4th Qtr)	509	592	-14.0%
Home Sales (Annual)	2,272	2,270	0.1%
Average Home Sale Price (4th Qtr)	\$125,864	\$125,009	0.7%
Average Home Sale Price (Annual)	\$122,399	\$119,352	2.6%
Hidalgo Bridge Crossings (4th Qtr)	1,481,438	1,635,989	-9.4%
Hidalgo Bridge Crossings (Annual)	5,713,007	6,091,254	-6.2%
Peso Exchange Rate (December)	\$12.80	\$13.15	-2.7%
<b>Employment</b>			
Wage & Salary Employment (December)	225,000	220,100	2.2%
Wage & Salary Employment (YTD Avg)	220,392	217,150	1.5%
Unemployment Rate (December)	12.1	11.5	5.2%
Unemployment Rate (Annual Average)	11.8	10.6	11.3%
<b>INDEX - December (Base=100 Jan 1996)</b>	<b>168.7</b>	<b>163.2</b>	<b>3.4%</b>

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
<b>December 2010</b>	\$37,709	\$560,744	6.7%
<b>YTD 2010</b>	\$323,545	\$4,607,384	7.0%

2010 was a year of modest recovery in the greater McAllen metro area economy, though the McAllen Economic Index finished the year with a month-to-month decline from November to December. The December 2010 MEI of 168.7 was down from the November index of 168.9, but was up 3.4% compared to the December 2009 index of 163.2. The McAllen Economic Index peaked at 188.0 in January 2008 before falling to 162.6 in October 2009, reflecting a pronounced local economic recession. The MEI has added some 3.7% to its value since that time.

Employment in 2010 posted moderate improvement, with employment at year-end up some 2.2% (about 4,900 jobs) compared to year-end 2009. The unemployment rate was higher in December 2010 compared to December 2009, but is generally considered to be a "lagging" economic indicator, meaning it will begin to improve well after most other cyclical indicators in the local economy.

General spending remains sluggish with only slight gains in 2010; 4th quarter real (inflation-adjusted) spending was up by about 1.7% compared to the 4th quarter 2009, which in turn was down by 4.5% compared to Q4 2008. Annual 2010 real spending was a slight .3% higher than the annual 2009 total, which in turn was down by over 7% compared to the prior year.

Real auto spending recovered at an impressive clip in 2010, up over 23% for the quarter (year-over-year) and 13% for the year; however, these gains come on the heels of two years of sharp decline in 2008 and 2009, and the quarterly and annual 2010 totals remain significantly lower than 2006 and 2007 (and the 2010 annual total is lower than 2008 as well).

Construction rebounded somewhat in 2010 with the valuation of all permits issued up over 16% compared to 2009; however, the 2009 total was down over 40% compared to the prior year, and the annual 2010 total is behind each year 2001-2008. The trends are similar in housing construction - higher compared to year-ago numbers, but lower compared to most of the recent decade. The total number of single-family residence permits issued in 2010 is lower compared to the annual totals for each year 1997-2007.

After attempting to recover in early 2010, housing sales numbers slipped in the 2nd half of the year and the number of existing home sales was flat compared to 2009 (which in turn was down nearly 13% compared to 2008). These trends mirror those in most Texas metro areas -- slowing sales in the latter half of 2010 due to the expiration of homebuyer tax credits, overly restrictive mortgage credit, and continued sluggish economic conditions. Prices continue to post healthy gains, however; the average home sales price for the year was up by about 2.6% compared to the annual average for 2009.