

# McAllen Area ECONOMIC PULSE

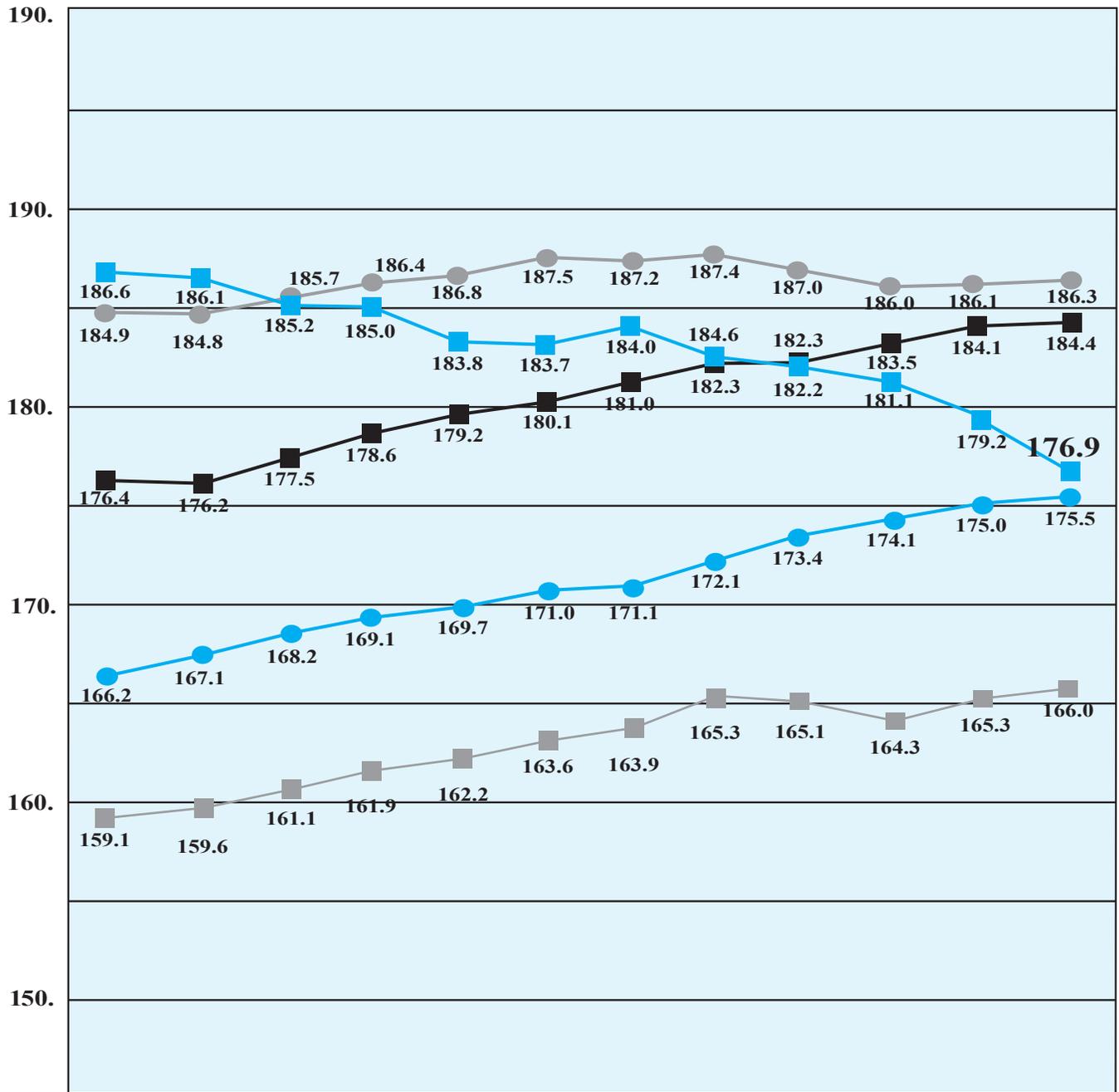
McAllen • Mission • Edinburg • Pharr

## December 2008 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.



2004     
  2005     
  2006     
  2007     
  2008

# The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR December 2008	LAST YEAR December 2007	% CHANGE 12/07 - 12/08
Retail Sales (000's - Month in 1995\$)	\$925,852	\$957,011	--3.3%
Retail Sales (000's - Year)	\$3,475,909	\$3,526,911	-1.4%
Motor Vehicle Tax Receipts (Month)	\$218,228	\$291,073	-25.0%
Motor Vehicle Tax Receipts (Year)	\$1,110,453	\$1,221,925	-9.1%
Lodging Tax Receipts (Year)	\$3,975,332	\$3,958,283	0.4%
Airline Boardings (Month)	88,425	103,247	-14.4%
Airline Boardings (Year)	385,586	426,418	-9.6%
Value All Construction Permits (Month)	\$93,721,237	\$202,999,849	-53.8%
Value All Construction Permits (Year)	\$561,043,414	\$742,836,377	-24.5%
New Home Permits (Month)	248	473	-47.6%
New Home Permits (Year)	1,270	2,405	-47.2%
Home Sales (Month)	512	585	-12.5%
Home Sales (Year)	2,546	2,714	-6.2%
Average Home Sale Price (Month)	\$127,405	\$129,958	-2.0%
Average Home Sale Price (Year)	\$122,584	\$129,690	-5.5%
Hidalgo Bridge Crossings (Month)	1,659,972	1,763,468	-5.9%
Hidalgo Bridge Crossings (Year)	6,499,632	6,654,664	-2.3%
Peso Exchange Rate (Month)	\$14.60	\$11.20	30.4%
<b>Employment</b>			
Wage & Salary Employment (Month)	222,600	214,400	3.8%
Wage & Salary Employment (YTD Avg)	213,500	210,200	1.6%
Unemployment Rate (Month)	9.1	6.8	N/A
Unemployment Rate (YTD Average)	7.3	6.6	N/A
<b>INDEX (Base=100 Jan 1996)</b>	<b>176.9</b>	<b>186.3</b>	<b>-5.0%</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	Export Sales of Total Sales
<b>December 2008</b>	\$38,838	\$552,152	7.0%
<b>YTD 2008</b>	\$369,122	\$4,861,322	7.6%

The McAllen Economic Index declined sharply in December to finish the year at 176.9, down from the November index of 179.2, and down 5.0% from the December 2007 MEI of 186.3. McAllen metro area aggregate economic activity as measured by the McAllen Economic Index peaked in mid-year 2007, and the decline was hastened during 2008, particularly during the latter portion of the year.

Virtually all sectors of the McAllen area economy were in decline to some degree at year-end 2008; only payroll employment numbers continued to improve, posting a 3.8% year-over-year increase in December; however, the state will release revised employment data in March 2009 for 2008 (and possibly 2007), and that may well result in a downward revision for employment levels in 2008. The local unemployment rate has ticked upward significantly in recent months.

General consumer spending fell in the 4th quarter 2008, down by some 3.3% compared to the same period in 2007; for the year, inflation-adjusted spending per sales tax rebates to McAllen, Edinburg, Mission and Pharr declined by about 1.4% compared to 2007. Auto sales in the metro area declined sharply, falling by 25% in the 4th quarter and over 9% for the year.

Construction activity -- both commercial and residential -- beat a hasty retreat in 2008, and at year-end. The value of all building permits issued fell by over 50% in the 4th quarter and nearly 25% for the year. The number of new single-family residence permits issued fell by nearly 50% for the 4th quarter, and for the year as a whole.

Home sales declined by about 6% in 2008, and the average price of those sales fell by about 5%; the rate of price decline is modest, though, and at least so far does not suggest a catastrophic erosion of residential real estate values in the McAllen area.

Border activity contributed to the general decline in consumer activity in 2008; bridge crossings fell by about 2.3% for the year, and nearly 6% in the 4th quarter; the exchange rate has worsened considerably in recent months, meaning US goods are now costing Mexican consumers considerably more, thereby cutting into demand and activity.

The McAllen area economy enjoyed virtually uninterrupted growth through mid-year 2007, with no cyclical decline at all, until the current cycle. Part of the current decline is simply the fruit of that success, and the rapid growth experienced over that time. And clearly, the freefall in the US and global economies is now contributing significantly to the current economic decline in McAllen.

## Key Points