

# McAllen Area ECONOMIC PULSE

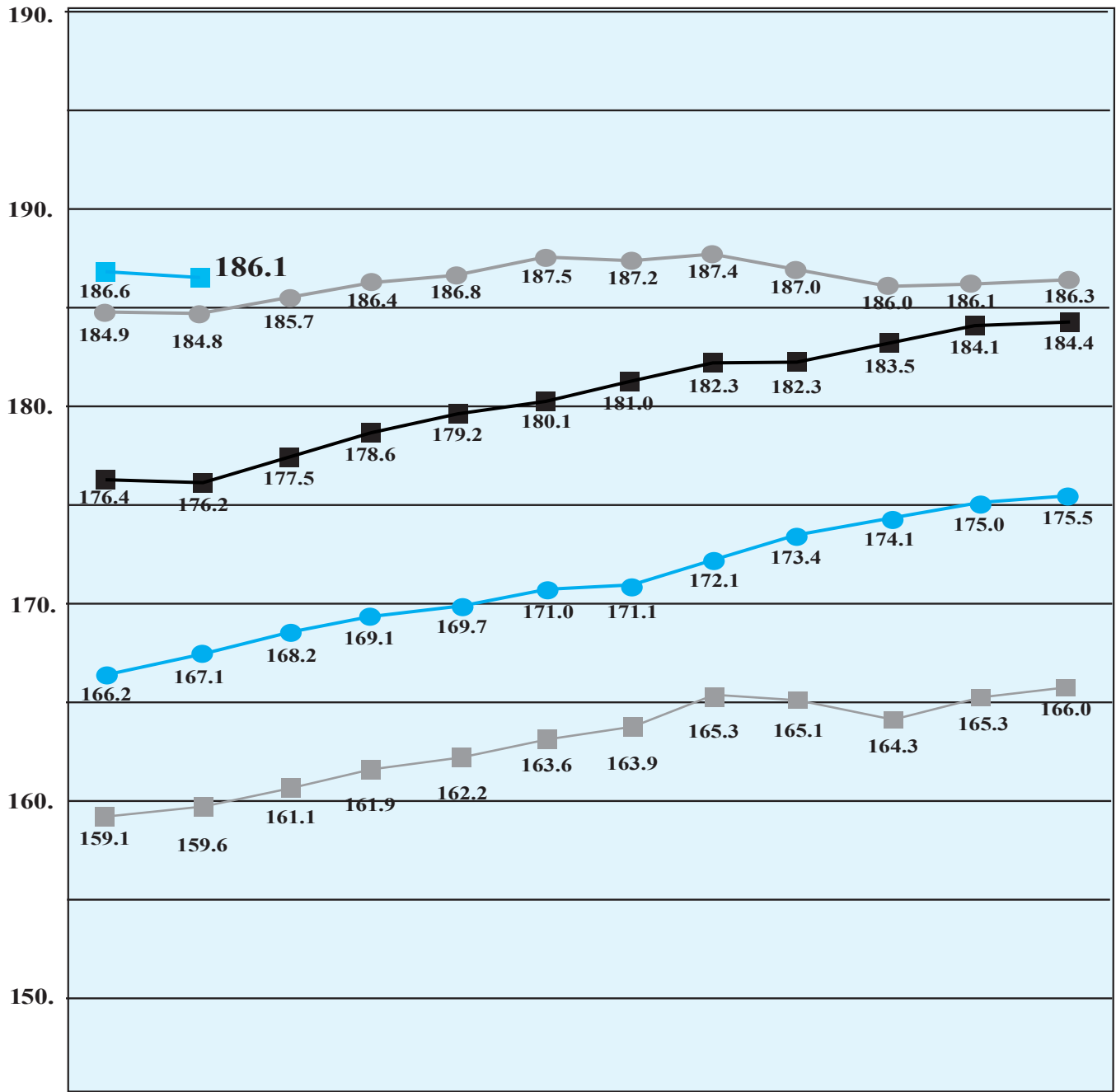
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## February 2008 Economic Pulse

### 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 February 2008	LAST YEAR February 2007	% CHANGE 02/07 - 02/08
Retail Sales (000's - Month in 1995\$)	\$263,697	\$260,844	1.1%
Retail Sales (000's - Year)	\$520,590	\$520,164	0.1%
Motor Vehicle Tax Receipts (Month)	\$97,651	\$95,204	2.6%
Motor Vehicle Tax Receipts (Year)	\$202,576	\$194,389	4.2%
Lodging Tax Receipts (Year)	\$697,175	\$652,598	6.8%
Airline Boardings (Month)	33,766	31,084	8.6%
Airline Boardings (Year)	67,477	62,852	7.4%
Value All Construction Permits (Month)	\$66,499,201	\$47,225,084	40.8%
Value All Construction Permits (Year)	\$163,618,312	\$120,812,614	35.4%
New Home Permits (Month)	131	226	-42.0%
New Home Permits (Year)	259	389	-33.4%
Home Sales (Month)	206	183	12.6%
Home Sales (Year)	398	360	10.6%
Average Home Sale Price (Month)	\$110,825	\$124,563	-11.0%
Average Home Sale Price (Year)	\$110,886	\$125,367	-11.6%
Hidalgo Bridge Crossings (Month)	520,679	514,649	1.2%
Hidalgo Bridge Crossings (Year)	1,027,038	1,022,757	0.4%
Peso Exchange Rate (Month)	11.05	11.40	-3.1%
<b>Employment</b>			
Wage & Salary Employment (Month)	214,000	209,000	2.4%
Wage & Salary Employment (YTD Avg)	213,600	208,700	2.3%
Unemployment Rate (Month)	6.6	7.3	N/A
Unemployment Rate (YTD Average)	7.0	7.6	N/A
<b>INDEX (Base=100 Jan 1996)</b>	<b>186.1</b>	<b>184.8</b>	<b>0.7%</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>February 2008</b>	\$30,617	\$362,189	8.5%
<b>YTD 2008</b>	\$64,090	\$713,945	9.0%

The McAllen area economy continues to be a bit sluggish in early 2008 with flat retail growth, continued dramatic slowdowns in homebuilding and lower existing home prices. The February 2008 McAllen Economic Index dipped to 186.1, down from 186.6 in January, and up .7% from the February 2007 MEI of 184.8.

The .9% and .7% margins of year-over-year growth for January and February, respectively, mark the first time that the rate of growth has fallen below 1% in the entire 12-year history of the analysis. The previous low of 2.0% was set in August of 2003 (compared to August of 2002).

The McAllen area economy is likely being affected by two phenomena on the heels of the index peak in August of last year (at 187.4); first, the slowing national economy, reducing the demand for locally produced goods and services, and (2) the maturation of the McAllen metro area economy over a long period of time. The achievement of that higher level of maturity would result in a natural leveling of local economic growth.

General consumer spending is generally flat thus far in 2008, with inflation-adjusted retail sales basically on par with year-ago levels; spending in the big-ticket auto sector is faring slightly better, with inflation-adjusted spending on new and used automobiles up over 4% for the first two months of the year.

The economy continues to add jobs at a respectable 2.0 - 2.5% clip; an estimated 5,000 jobs were added over the last 12 months, for a growth rate of 2.4%. The area unemployment rate continues to improve, posting its lowest seasonal rate ever.

The construction sector is the clear bright spot thus far in 2008, with the value of all building permits issued up over 40% (year-over-year) in February, and 35% for the two-month YTD total. These strong totals are not inconsistent with the current state of the broader economy, as high levels of commercial (and multi-family housing) construction often come very late in economic growth periods.

Housing construction continues to take a beating, with the number of new single-family residence permits down 42% in February, and 33% YTD; existing home sales indicate mixed results, with a higher unit number of sales thus far in '08, but at prices some 11% below year-ago levels.

## Key Points