

The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR January 2009	LAST YEAR January 2008	% CHANGE 01/08 - 01/09
Retail Sales (000's - Month in 1995\$)	\$257,486	\$256,893	0.2%
Retail Sales (000's - Year)	\$257,486	\$256,893	0.2%
Motor Vehicle Tax Receipts (Month)	\$71,012	\$104,925	-32.3%
Motor Vehicle Tax Receipts (Year)	\$71,012	\$104,925	-32.3%
Lodging Tax Receipts (Year)	\$335,907	\$353,325	-4.9%
Airline Boardings (Month)	26,979	33,711	-20.0%
Airline Boardings (Year)	26,979	33,711	-20.0%
Value All Construction Permits (Month)	\$27,281,406	\$97,119,111	-71.9%
Value All Construction Permits (Year)	\$27,281,406	\$97,119,111	-71.9%
New Home Permits (Month)	88	128	-31.3%
New Home Permits (Year)	88	128	-31.3%
Home Sales (Month)	162	192	-15.6%
Home Sales (Year)	162	192	-15.6%
Average Home Sale Price (Month)	\$101,811	\$110,946	-8.2%
Average Home Sale Price (Year)	\$101,811	\$110,946	-8.2%
Hidalgo Bridge Crossings (Month)	504,022	506,359	-0.5%
Hidalgo Bridge Crossings (Year)	504,022	506,359	-0.5%
Peso Exchange Rate (Month)	14.95	11.05	35.3%
Employment			
Wage & Salary Employment (Month)	219,900	218,900	0.5%
Wage & Salary Employment (YTD Avg)	219,900	218,900	0.5%
Unemployment Rate (Month)	10.1	7.2	N/A
Unemployment Rate (YTD Average)	10.1	7.2	N/A
INDEX (Base=100 Jan 1996)	175.0	188.0	-6.9%

In January 2004 the Texas Comptroller's Office began tracking "Manifiestos" -- requests for sales tax refunds on items purchased by Mexican citizens or for export into Mexico.

	Export Sales per Manifiestos	Total Retail Sales	Export Sales of Total Sales
January 2009	\$25,594	\$360,009	7.1%
YTD 2009	\$25,594	\$360,009	7.1%

Revised employment estimates for 2007 and 2008 were released in March for the McAllen metro area. Payroll employment was revised sharply upward for 2007, with about 5,000 jobs added to the December 2007 total compared to the original estimates. The 2008 total was barely revised; the end result was to raise the McAllen Economic Index for much of 2007 and early 2008. The December 2007 index, for example, was raised over a full point, and the December 2008 index was raised from the original value of 176.9 to 177.3 when the new employment estimates are factored in.

Compared to the raised 2007 estimates, the year-end 2008 employment growth rate had slipped to only 1.4% compared to December 2007, and has narrowed even further in early 2009. The employment data revisions, while raising the index values in 2007 and early 2008, do not change the overall contraction underway in the metro area economy, and did not stem the decline in the McAllen Economic Index in 2008.

The McAllen Economic Index dipped again in January 2009 to 175.0, down from the revised December '08 MEI of 177.3, and down 6.9% from the revised January 2008 index of 188.0. The general consumer (retail sales) and employment sectors are only slightly positive compared to year-ago levels, and most other sectors continue to post deep declines.

Inflation-adjusted retail spending in January was flat compared to the same time last year, in fact for the 2nd consecutive year. Year-over-year employment growth has narrowed to .5%, and the unemployment rate is now in excess of 10%.

Automobile sales began 2009 much the way they finished 2008 -- down sharply, with inflation-adjusted spending on new and used autos down over 30%.

The construction and housing sectors continue to weigh heavily on the McAllen Economic Index, with building permits down over 70%, and new single-family residence permits down about 30% year-over-year. Both were down sharply in 2008. Existing home sales are down about 15% in January (compared to January 2008), and prices fell by about 8%.

The peso-dollar exchange rate has soared in recent months, making it more expensive for Mexican buyers to purchase goods on the US side of the border, further cutting into spending growth. Travel and tourism indicators are weakening as well, as the national recession has clearly come home to roost in McAllen.

Key Points