

McAllen Area ECONOMIC PULSE

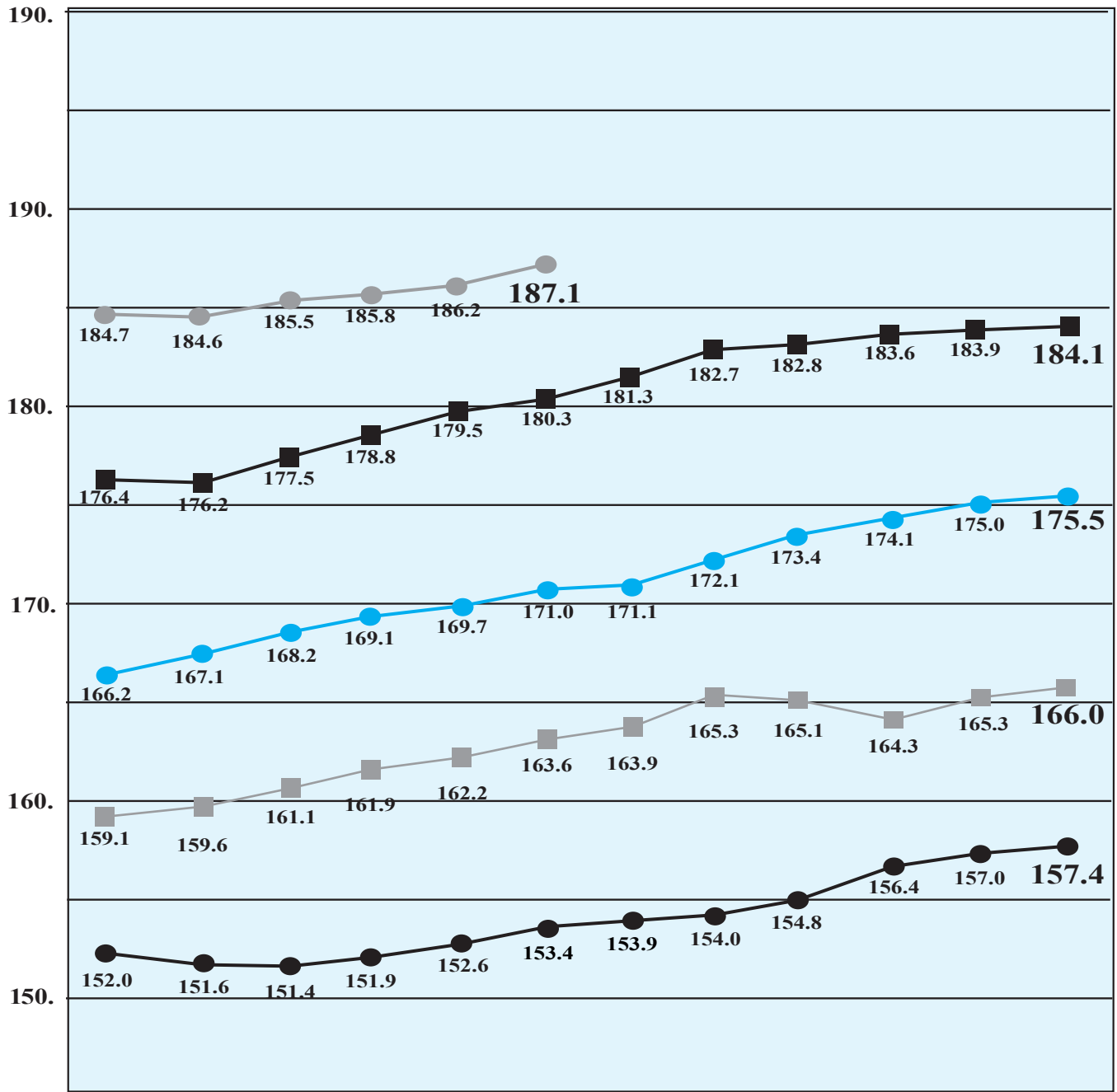
McAllen • Mission • Edinburg • Pharr

June 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 June 2007	LAST YEAR June 2006	% CHANGE 06/06 - 06/07
Retail Sales (000's - Month in 1995\$)	\$862,453	\$822,239	4.9%
Retail Sales (000's - Year)	\$1,726,195	\$1,641,379	5.2%
Motor Vehicle Tax Receipts (Month)	\$334,254	\$277,661	20.4%
Motor Vehicle Tax Receipts (Year)	\$649,844	\$544,727	19.3%
Lodging Tax Receipts (Year)	\$1,853,240	\$1,713,860	8.1%
Airline Boardings (Month)	111,552	104,910	6.3%
Airline Boardings (Year)	213,769	205,736	3.9%
Value All Construction Permits (Month)	\$171,598,398	\$194,159,589	-11.6%
Value All Construction Permits (Year)	\$400,495,184	\$380,441,922	5.3%
New Home Permits (Month)	730	951	-23.2%
New Home Permits (Year)	1,380	1,774	-22.2%
Home Sales (Month)	676	654	3.4%
Home Sales (Year)	1,266	1,179	7.4%
Average Home Sale Price (Month)	\$128,541	\$127,834	0.6%
Average Home Sale Price (Year)	\$127,392	\$123,070	3.5%
Hidalgo Bridge Crossings (Month)	1,668,143	1,686,886	-1.1%
Hidalgo Bridge Crossings (Year)	3,279,910	3,363,614	-2.5%
Peso Exchange Rate (Month)	\$11.20	\$11.65	-3.9%
Employment			
Wage & Salary Employment (Month)	208,900	202,900	3.0%
Wage & Salary Employment (YTD Avg)	208,300	202,500	2.9%
Unemployment Rate (Month)	6.9	8.0	N/A
Unemployment Rate (YTD Average)	6.7	7.7	N/A
INDEX (Base=100 Jan 1996)	187.1	180.3	3.8%

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
June 2007	\$29,760	\$436,895	6.8%
Year-to-date	\$171,795	\$2,302,079	7.5%

The McAllen metro area economy continued its expansion in the 2nd quarter with solid growth in the McAllen Economic Index, a composite reflection of a comprehensive group of local economic indicators based at 100.0 in January 1996. The MEI moved upward in June to 187.1, up from 186.2 in May, and up 3.8% from the June 2006 McAllen Economic Index of 180.3.

Regional consumer activity (including Mexico) continue to be the driving force behind local economic expansion; inflation-adjusted retail sales per sales tax rebates to McAllen, Edinburg, Mission and Pharr were nearly 5% higher in the 2nd quarter of 2007 compared to the same period in 2006, and year-to-date retail sales are a solid 5.2% higher than the first six months of a year ago.

The auto sales sector is experiencing dramatic growth in 2007; 2nd quarter inflation-adjusted spending on new and used automobiles was over 20% higher than the 2nd quarter of 2006, and for the year-to-date, auto sales are over 19% higher than a year ago.

In both consumer categories, growth in 2007 comes on top of strong growth a year ago as well. Retail growth through mid-year 2006 was over 6% improved over the first six months of the prior year, which makes current-year growth even more impressive; auto sales in the first six months of last year were over 15% higher than the prior year, and the sector is adding another 20% to that in 2007.

Construction permit valuations in the four-city metro area surpassed \$400 million for the first six months of the year for the first time ever, as building activity continues to grow at a record clip adding considerable growth stimulus to the overall economy. Permit valuations in the 2nd quarter were down compared to a year ago, but 2nd quarter 2006 construction activity was very high -- in fact, the highest 2nd quarter total ever.

Homebuilding continues to exhibit deep declines, with new single-family residence permits down well over 20% for the quarter, and the year-to-date through June period.

Existing home sales, however, remain solid, with closed sales in the 2nd quarter outpacing year-ago sales by 3.4%, and mid-year 2007 sales are well over 7% higher than a year ago. Both the 2nd quarter and mid-year 2007 sales totals are records for those time periods.

Employment growth rates, which had declined a bit in 2007 have stabilized, indicating 3% growth at mid-year 2007, coupled with a continued downward move in the unemployment rate.

Overall growth rates have stabilized in the high 3% range for the McAllen Economic Index, and the important consumer and employment sectors appear to be picking up a little momentum in recent months, which bodes well for overall economic growth the balance of 2007.

Key Points