

McAllen Area ECONOMIC PULSE

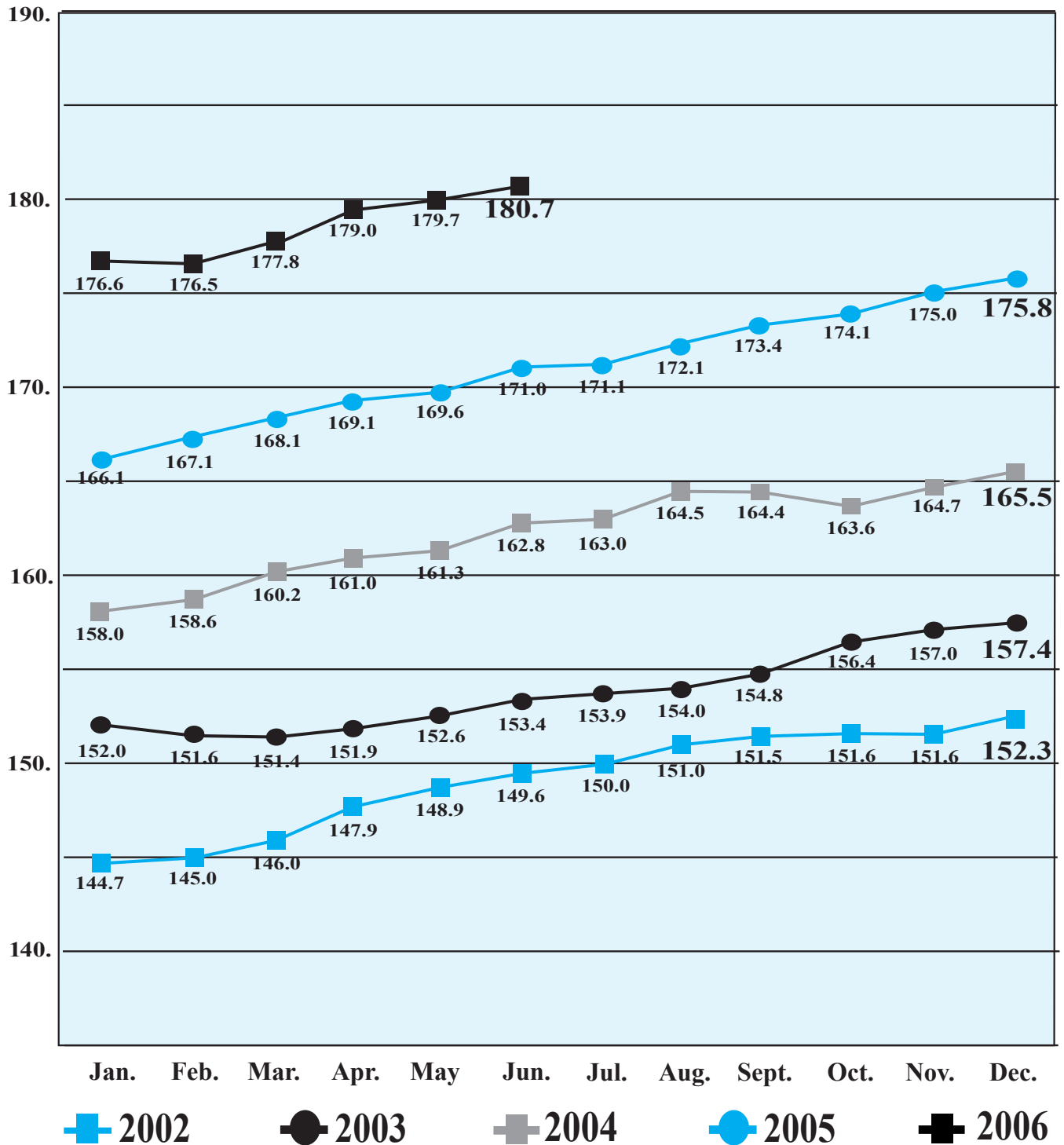
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June 2006 Economic Pulse

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.



The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR June 2006	LAST YEAR June 2005	% CHANGE 06/05 - 06/06
Retail Sales (000's - Month in 1995\$)	\$822,239	\$763,381	7.7%
Retail Sales (000's - Year)	\$1,641,379	\$1,545,162	6.2%
Motor Vehicle Tax Receipts (Month)	\$278,055	\$242,090	14.9%
Motor Vehicle Tax Receipts (Year)	\$545,373	\$471,569	15.7%
Lodging Tax Receipts (Year)	\$1,713,860	\$1,525,323	12.4%
Airline Boardings (Month)	104,910	90,239	16.3%
Airline Boardings (Year)	205,736	181,865	13.1%
Value All Construction Permits (Month)	\$194,157,589	\$167,471,035	15.9%
Value All Construction Permits (Year)	\$380,439,922	\$365,669,844	4.0%
New Home Permits (Month)	951	1,013	-6.1%
New Home Permits (Year)	1,774	1,831	-3.1%
Home Sales (Month)	654	569	14.9%
Home Sales (Year)	1,179	1,045	12.8%
Average Home Sale Price (Month)	\$127,834	\$115,913	10.3%
Average Home Sale Price (Year)	\$123,070	\$113,489	8.4%
Hidalgo Bridge Crossings (Month)	1,686,886	1,728,700	-2.4%
Hidalgo Bridge Crossings (Year)	3,363,614	3,383,599	-0.6%
Peso Exchange Rate (Month)	\$11.65	\$10.98	6.1%
Employment			
Wage & Salary Employment (Month)	203,600	195,000	4.4%
Wage & Salary Employment (YTD Avg)	203,000	193,700	4.8%
Unemployment Rate (Month)	7.8	8.2	N/A
Unemployment Rate (YTD Average)	7.4	8.3	N/A
INDEX (Base=100 Jan 1996)	180.7	171.0	5.7%

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
June 2006	\$30,138	\$396,292	7.6%
Year-to-date	\$162,337	\$2,151,946	7.5%

The McAllen metro area economy continues its impressive growth pattern through the 2nd quarter 2006, with the June 2006 McAllen Economic Index surpassing 180 at 180.7, up from the May MEI of 179.8, and up 5.7% from the June 2005 index of 171.0.

The year-over-year growth rate has been 5% or higher for 10 consecutive months now, and was at 6% or higher for four of those months; amazingly, the average year-over-year growth rate since the inception of the index is 5.9%.

The concurrent trends in general consumer spending and employment growth essentially define the shape of economic performance at the city/metro level, and the numbers in these categories through the 2nd quarter '06 paint an impressive picture, with inflation-adjusted retail sales up 6.2% in the first six months of the year, compared with the Jan-June period in 2005 (and up a very impressive 7.7% for the quarter), and employment growth at a stout 4.8% on average thus far in 2006.

"Big-ticket" spending on automobiles continues to increase by large margins, up nearly 15% in the 2nd quarter, and 15.7% for the year-to-date, compared to the first half of 2005.

Construction across the metro area remains at record levels of activity; the \$380 million in building permit project valuations is the highest six-month total in the history of the index -- probably in history, period -- and is a strong reflection of the strong confidence in the area's economic future on the part of retailers, developers, investors, etc.

The only substantive negative on the table of economic indicators midway through 2006 is the homebuilding sector, and even at that, the number of new single-family residence permits issued by the four major municipalities is only about 3% lower than the January-June period in '05; homebuilding activity remains high, and the leveling off is probably at least in part a reflection of the fact that the single-family housing inventory is coming in line with the growing economy and population of the metro area.

The residential sales market is increasingly reflective of these additions to the area's housing inventory; the number of existing homes sold in the 2nd quarter outpaced the same period in 2005 by nearly 15%, and for the year-to-date, sales are running nearly 13% ahead of year-ago levels. The increase in prices (8.4% over the first six months of last year) suggests continued strong demand, as well as the financial ability of McAllen area residents to afford them and push prices higher.

Key Points