

McAllen Area ECONOMIC PULSE

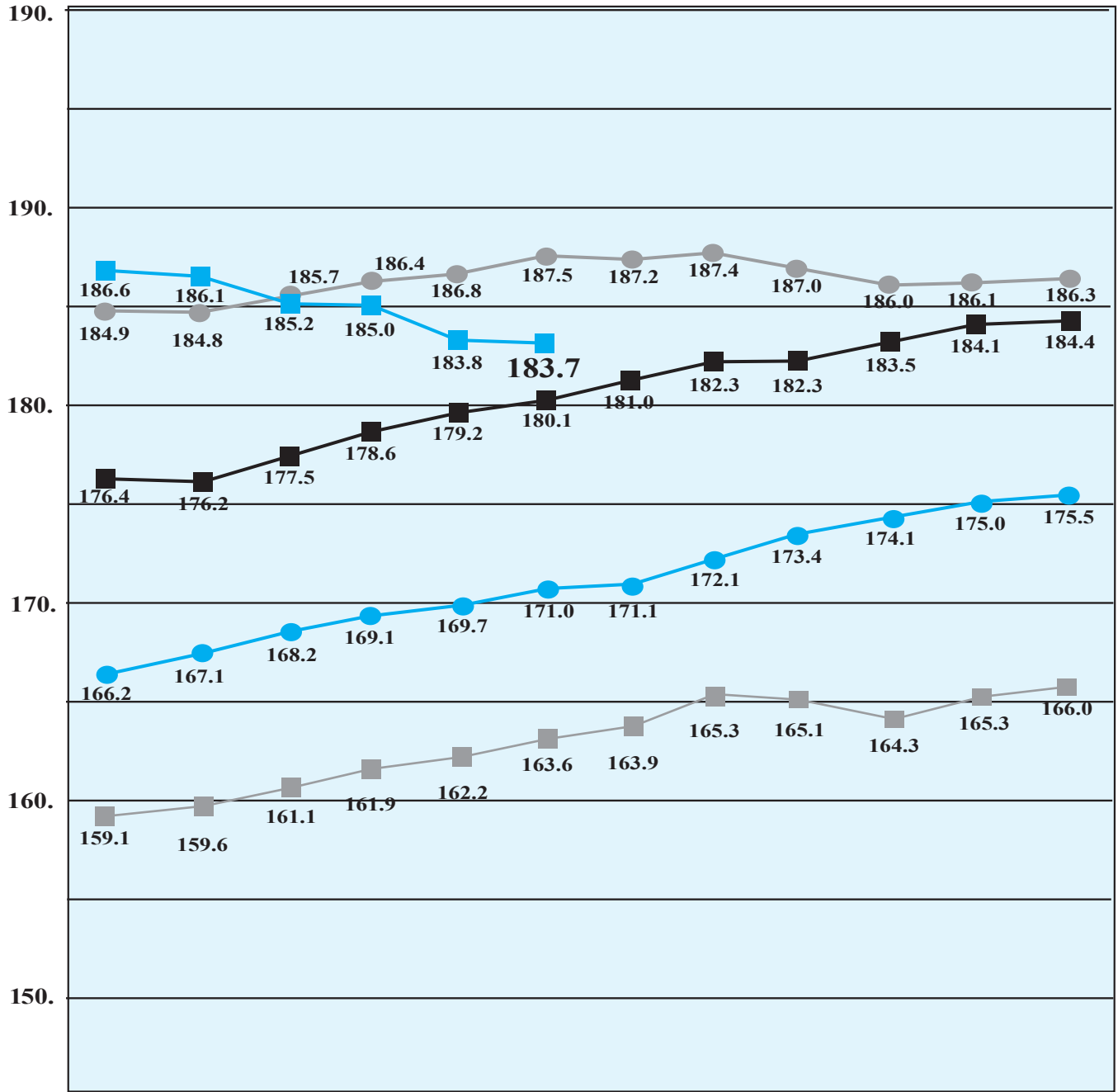
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June 2008 Economic Pulse

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 June 2008	LAST YEAR June 2007	% CHANGE 06/07 - 06/08
Retail Sales (000's - Month in 1995\$)	\$849,386	\$862,453	-1.5%
Retail Sales (000's - Year)	\$1,705,815	\$1,726,195	-1.2%
Motor Vehicle Tax Receipts (Month)	\$317,911	\$321,999	-1.3%
Motor Vehicle Tax Receipts (Year)	\$631,848	\$637,588	-0.9%
Lodging Tax Receipts (Year)	\$1,889,915	\$1,853,240	2.0%
Airline Boardings (Month)	99,052	111,552	-11.2%
Airline Boardings (Year)	204,134	213,769	-4.5%
Value All Construction Permits (Month)	\$101,809,688	\$171,598,398	-40.7%
Value All Construction Permits (Year)	\$307,692,619	\$400,495,184	-23.2%
New Home Permits (Month)	337	730	-53.8%
New Home Permits (Year)	722	1,380	-47.7%
Home Sales (Month)	816	676	20.7%
Home Sales (Year)	1,518	1,266	19.9%
Average Home Sale Price (Month)	\$114,966	\$128,541	-10.6%
Average Home Sale Price (Year)	\$123,528	\$126,232	-2.1%
Hidalgo Bridge Crossings (Month)	1,631,974	1,668,143	-2.2%
Hidalgo Bridge Crossings (Year)	3,233,899	3,279,910	-1.4%
Peso Exchange Rate (Month)	10.75	11.20	-4.0%
Employment			
Wage & Salary Employment (Month)	217,200	210,600	3.1%
Wage & Salary Employment (YTD Avg)	215,500	210,300	2.5%
Unemployment Rate (Month)	7.2	7.1	N/A
Unemployment Rate (YTD Average)	6.6	6.8	N/A
INDEX (Base=100 Jan 1996)	183.7	187.5	-2.0%

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 2008	\$36,202	\$454,941	8.0%
YTD 2008	\$198,934	\$2,358,483	8.4%

The McAllen metro area economy continues to indicate some modest decline, as the McAllen Economic Index dipped slightly to 183.7 in June, down from 183.8 in May, and down 2% from the June 2007 index of 187.5. As it turns out, the June '07 index of 187.5 also serves as the historical index high, suggesting the economy peaked at that time -- for the first time in the history of the analysis dating back to January 1996 -- and has endured a slight contraction since that time.

Though the area continues to add jobs at a solid 3% clip, consumer activity remains sluggish, and the construction indicators remain in deeply negative territory, placing considerable downward pressure on the McAllen Economic Index.

Consumer measures in the metro area are generally flat, with inflation-adjusted retail activity down about 1.5% in the 2nd quarter compared to the 2nd quarter of last year, and year-to-date sales down about 1.2%, again adjusted for inflation. Retail spending was still on the rise last year, so this year's number compares with last year's high number -- the highest 2nd quarter total in the history of this analysis -- so activity remains generally high, though spending has clearly leveled off.

Auto sales (inflation-adjusted spending on new and used automobiles) declined about 1.3% for the quarter, and about 1% for the year-to-date. The same trend is true, however; high last year (up over 15% in the 2nd quarter of a year ago compared to the previous year), and leveling in 2008.

The value of all building permits issued across the metro area fell by about 40% in the 2nd quarter (year-over-year), and about 23% for the year-to-date. The number of new home permits also dipped sharply, about 50% lower for the quarter and the YTD.

Existing home sales are considerably higher, however; a great many homes have been added to the area inventory over a number of years, making them available for trading now, and that phenomenon is presently serving as a substitution for new home building. Prices dipped a bit in the 2nd quarter, down about 10% compared to last year, but the average price for the year-to-date is down only about 2%. The maintenance of area home values is an important testament to the general underlying economic strength of the metro area, and is frankly more important in that regard than the cyclical decline in homebuilding.

The McAllen area general economy is experiencing its first break in growth in at least 13 years, and probably longer than that. The economy has grown sharply and impressively over that period of time -- the McAllen Economic Index in June 2008 is a whopping 80% higher than it was in June 1996, suggesting the economy was well on its way to doubling in size prior to this break in the action.

Key Points