

# McAllen Area ECONOMIC PULSE

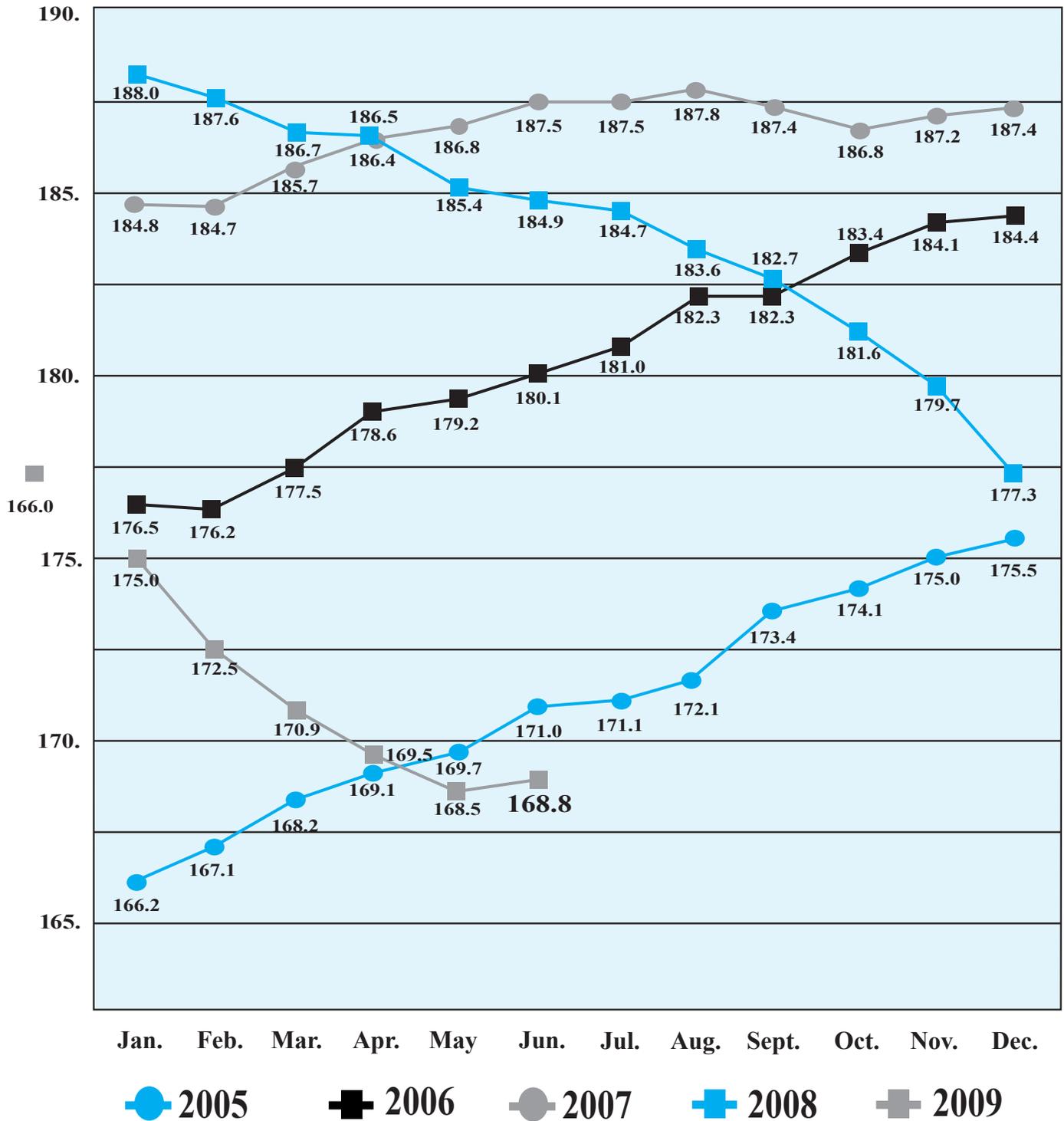
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## June/2nd Quarter 2009 Economic Pulse

### 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 2009	LAST YEAR June 2008	% CHANGE 06/08 - 06/09
Retail Sales (\$000's - 2nd Quarter in 1995\$)	\$789,057	\$849,386	-7.1%
Retail Sales (\$000's - Year-To-Date)	\$1,587,784	\$1,705,815	-6.9%
Dollars Spent on Auto Purchases (\$000's - 2nd Qtr in 1995\$)	\$195,462	\$317,911	-38.5%
Dollars Spent on Auto Purchases (\$000's - YTD)	\$425,700	\$631,848	-32.6%
Lodging Tax Receipts (YTD)	\$1,657,608	\$1,889,915	-12.3%
Airline Boardings (2nd Qtr)	96,775	99,052	-2.3%
Airline Boardings (YTD)	177,644	204,134	-13.0%
Value All Construction Permits (2nd Qtr)	\$120,264,250	\$101,809,688	18.1%
Value All Construction Permits (YTD)	\$196,019,275	\$307,692,619	-36.3%
New Home Permits (2nd Qtr)	321	337	-4.7%
New Home Permits (YTD)	604	722	-16.3%
Home Sales (2nd Qtr)	565	816	-30.8%
Home Sales (YTD)	1,122	1,438	-22.0%
Average Home Sale Price (2nd Qtr)	\$119,241	\$114,966	3.7%
Average Home Sale Price (YTD)	\$122,577	\$123,528	-0.8%
Hidalgo Bridge Crossings (2nd Qtr)	1,504,236	1,631,974	-7.8%
Hidalgo Bridge Crossings (YTD)	2,947,921	3,233,899	-8.8%
Peso Exchange Rate (June)	13.65	10.75	27.0%
<b>Employment</b>			
Wage & Salary Employment (June)	219,200	218,500	0.3%
Wage & Salary Employment (YTD Avg)	220,200	219,900	0.1%
Unemployment Rate (June)	11.0	7.6	N/A
Unemployment Rate (YTD Average)	9.8	6.7	N/A
<b>INDEX (Base=100 Jan 1996)</b>	<b>168.8</b>	<b>184.9</b>	<b>-8.7%</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>June 2009</b>	\$28,536	\$418,655	6.8%
<b>YTD 2009</b>	\$158,346	\$2,224,067	7.1%

The McAllen Economic Index posted a month-to-month increase in June for the first time in 17 months (the index peaked in January 2008 and has declined each month since then), increasing from 168.5 in May to 168.8 in June. The June index is down by 8.7% compared to June of a year ago, but that margin of year-over-year decline also narrowed in June after peaking at 9.1% in April and May.

It is too early to tell whether the index increase from May to June marks the beginning of economic recovery in the McAllen metro area, but clearly it is an encouraging sign, and a "turning point" for the better in the index will obviously be the first step in that recovery whenever it occurs, and this may well be that turning point.

Most metro economic indicators remain down compared to year-ago levels, and during recovery will begin to improve slowly before ultimately returning to pre-downturn levels and beyond, particularly in the consumer and employment sectors.

Inflation-adjusted retail activity was down by over 7% in the 2nd quarter '09 compared to the same period of a year ago, and was down by 6.9% January-June compared to the first six months of 2008.

Auto sales continue to take a beating, with inflation-adjusted spending on new and used automobiles down some 38.5% in the 2nd quarter (year-over-year), and down over 32% for the year-to-date.

The travel/tourism indicators remain negative as well, but appear to be headed for better numbers in the coming months. Hotel motel taxes were down over 8% for the quarter, and over 12% for the YTD; airport passenger boardings (enplanements) were down only 2.3% for the quarter, but remain 12% down for the year. Monthly enplanements in June were higher than the year-ago number for the first time in 2009.

Building permit totals were higher in the 2nd quarter thanks to a strong showing in June, though the year-to-date through June total is the lowest for the first six months of the year since 2000.

The number of new home permits issued in the 2nd quarter was the lowest 2nd quarter total over the entire history of the index analysis, but appears to be stabilizing, albeit at very low levels compared to most of the index history. Home sales numbers remain weaker, but prices continue to hold steady.

McAllen is one of the few Texas metro areas to have remained in positive territory in terms of year-over-year job growth (though clearly those rates of growth have narrowed over the course of the downturn). However, the unemployment rate has risen dramatically and continues to increase.

# Key Points