

McAllen Area ECONOMIC PULSE

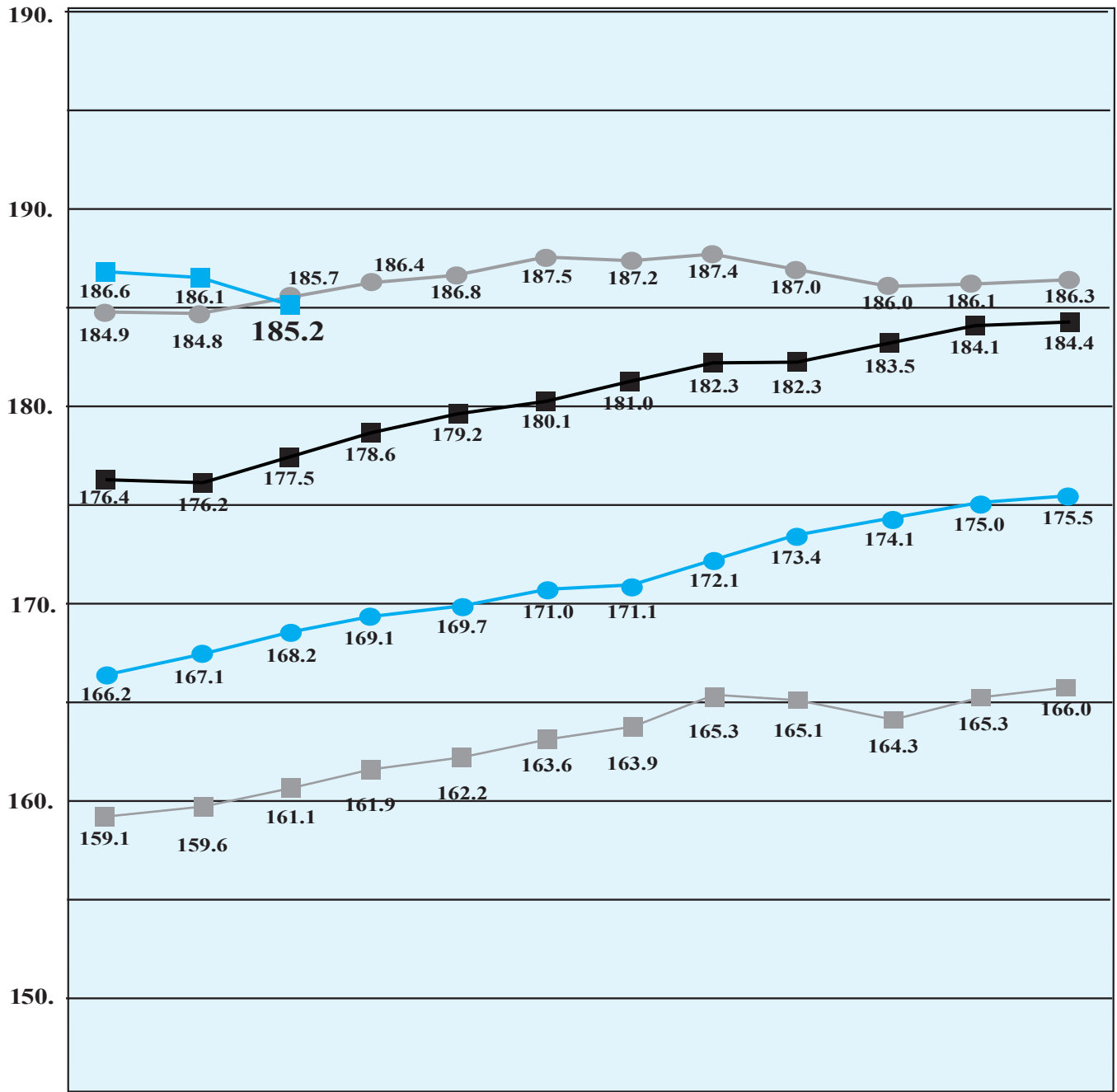
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March 2008 Economic Pulse

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 March 2008	LAST YEAR March 2007	% CHANGE 03/07 - 03/08
Retail Sales (000's - Month in 1995\$)	\$335,838	\$343,578	-2.3%
Retail Sales (000's - Year)	\$856,428	\$863,742	-0.8%
Motor Vehicle Tax Receipts (Month)	\$111,361	\$121,201	-8.1%
Motor Vehicle Tax Receipts (Year)	\$313,937	\$315,590	-0.5%
Lodging Tax Receipts (Year)	\$1,013,574	\$981,662	3.3%
Airline Boardings (Month)	37,605	39,365	-4.5%
Airline Boardings (Year)	105,082	102,217	2.8%
Value All Construction Permits (Month)	\$42,264,619	\$108,084,172	-60.9%
Value All Construction Permits (Year)	\$205,882,931	\$228,896,786	-10.1%
New Home Permits (Month)	126	261	-51.7%
New Home Permits (Year)	385	650	-40.8%
Home Sales (Month)	304	230	32.2%
Home Sales (Year)	702	590	19.0%
Average Home Sale Price (Month)	\$110,376	\$121,031	-8.8%
Average Home Sale Price (Year)	\$110,716	\$123,922	-10.7%
Hidalgo Bridge Crossings (Month)	574,887	589,010	-2.4%
Hidalgo Bridge Crossings (Year)	1,601,925	1,611,767	-0.6%
Peso Exchange Rate (Month)	10.90	11.40	-4.4%
Employment			
Wage & Salary Employment (Month)	215,400	210,100	2.5%
Wage & Salary Employment (YTD Avg)	214,200	209,100	2.4%
Unemployment Rate (Month)	6.4	6.4	N/A
Unemployment Rate (YTD Average)	6.8	7.2	N/A
INDEX (Base=100 Jan 1996)	185.2	185.7	-0.3%

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
March 2008	\$33,159	\$462,748	7.2%
YTD 2008	\$97,248	\$1,176,693	8.3%

The McAllen Economic went negative year-over-year for the first time in its history in March, dipping to 185.2, down from 186.1 in February, and down .3% from the March 2007 index of 185.7.

The consumer sector put on the brakes in the first quarter, with inflation-adjusted retail spending down 2.3% in March (compared to March of a year ago), and down a slight .8% for the first quarter.

Inflation-adjusted spending on new and used automobiles was down about 8% in March, and is also slightly negative YTD compared to the first three months of 2007; however, auto sales were very high in early 2007 (March and YTD '07 sales were about 14% and 18%, respectively, improved over the prior year) so vehicle sales remain high, but have leveled off.

The McAllen metro area economy continues to add jobs thus far in 2008, but at a generally slower clip than a year ago. Job growth of about 2.5% thus far in 2008 compares with over 3.5% through March of last year, and an average for 2007 of over 3.8%. The area unemployment rate posted its lowest March total ever at 5.7%.

Building activity has declined relative to year-ago permit valuation totals; however, last year's first quarter totals were very high - a record high, in fact - and the first quarter 2008 permit valuation total is 2nd only to a year ago.

Homebuilding continues to take a beating through the first quarter of the year, with the number of new single-family residence permits issued in March down over 50% compared to March of last year, and the first quarter total down over 40%. This marks the 2nd consecutive year of deep declines as the housing inventory is brought into line with current demand.

Existing home sales have increased sharply through the first quarter; the number of homes sold in March was over 30% higher than March of last year, and the year-to-date total was some 19% higher compared to the first quarter of 2007. Prices have dipped a bit, however, down about 10% thus far in 2008.

The McAllen area economy is beginning to suggest the characteristics of a maturing economy, as opposed to what has clearly been a long period of development and expansion. Economies that are more mature and developed are much more likely to indicate cyclical tendencies and to move in concert with the broader state and national economies, and this is most likely what we are now witnessing in the McAllen area economy.

Key Points