



# The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR March 2006	LAST YEAR March 2005	% CHANGE 03/05 - 03/06
Retail Sales (000's - Month in 1995\$)	\$329,993	\$318,516	3.6%
Retail Sales (000's - Year)	\$819,140	\$781,781	4.8%
Motor Vehicle Tax Receipts (Month)	\$106,820	\$93,857	13.8%
Motor Vehicle Tax Receipts (Year)	\$267,318	\$229,479	16.5%
Lodging Tax Receipts (Year)	\$892,930	\$796,134	12.2%
Airline Boardings (Month)	38,906	34,869	11.6%
Airline Boardings (Year)	100,826	91,626	10.0%
Value All Construction Permits (Month)	\$76,351,952	\$56,024,978	36.3%
Value All Construction Permits (Year)	\$186,282,333	\$198,198,809	-6.0%
New Home Permits (Month)	295	326	-9.5%
New Home Permits (Year)	823	818	0.6%
Home Sales (Month)	227	175	29.7%
Home Sales (Year)	525	476	10.3%
Average Home Sale Price (Month)	\$116,740	\$118,447	-1.4%
Average Home Sale Price (Year)	\$118,306	\$111,066	6.5%
Hidalgo Bridge Crossings (Month)	593,276	594,475	-0.2%
Hidalgo Bridge Crossings (Year)	1,676,728	1,654,899	1.3%
Peso Exchange Rate (Month)	11.00	11.10	-0.9%
<b>Employment</b>			
Wage & Salary Employment (Month)	203,900	193,500	5.4%
Wage & Salary Employment (YTD Avg)	202,500	191,800	5.6%
Unemployment Rate (Month)	7.2	8.3	N/A
Unemployment Rate (YTD Average)	7.6	8.8	N/A
<b>INDEX (Base=100 Jan 1996)</b>	<b>177.8</b>	<b>168.1</b>	<b>5.8%</b>

After a slight decline in February, the March 2006 McAllen Economic Index rebounded strongly to 177.8, up from 176.5 in February (the January MEI was 175.5), and up a strong 5.8% from the March 2005 index of 168.1.

The metro area economy turned in strong first quarter numbers in retail sales, auto sales, employment growth, travel and tourism and sales of existing homes.

Inflation-adjusted retail spending increased by 4.8% in the first quarter compared to a year ago; this year's first quarter growth is even more impressive when taken in context with growth in prior years -- first quarter '05 retail sales were 8% improved over '04, which in turn was over 12% higher than '03, so growth in consumer spending thus far in 2006 is especially stout when added to very strong growth in prior years.

After a couple of years of sluggish growth, the auto sector has rebounded strongly in 2006, with inflation-adjusted spending on new and used motor vehicles up 16.5% in the first quarter compared to the first three months of 2005.

Hotel/motel tax receipts are over 12% higher through March, and enplanements at McAllen International Airport are 10% improved over year-ago levels, suggesting a continued strong contribution to the local economy from outside the metro area. Business and leisure travel to and through the area is plainly high, and the dollars spent by non-residents have tremendous "ripple effects" as they flow through the economy.

The number of existing homes sold in the metro area increased by over 10% in the first quarter (and nearly 30% in March alone compared to a year ago); prices grew by a healthy 6.5% compared to the January-March average for 2005, pushing the total dollar volume of activity to over 16% improved over last year.

Construction activity as represented by the valuation of projects for which permits were issued was down by about 6% in the first quarter - however, last year's first quarter total was very high, in fact, the highest first quarter total in the history of the McAllen Economic Pulse, and the first quarter '06 was the second-highest, so building in the metro area continues at a very high level.

Growth in homebuilding remains sluggish -- homes are being built in large numbers (the first quarter total for new home permits issued is the third-highest on record), but the sector has been flat in terms of additional growth for about three years now.

The metro area employment situation continues to improve dramatically, with job growth averaging 5.6% in the first quarter compared to year-ago levels, and the unemployment rate continuing to come down.

# Key Points