

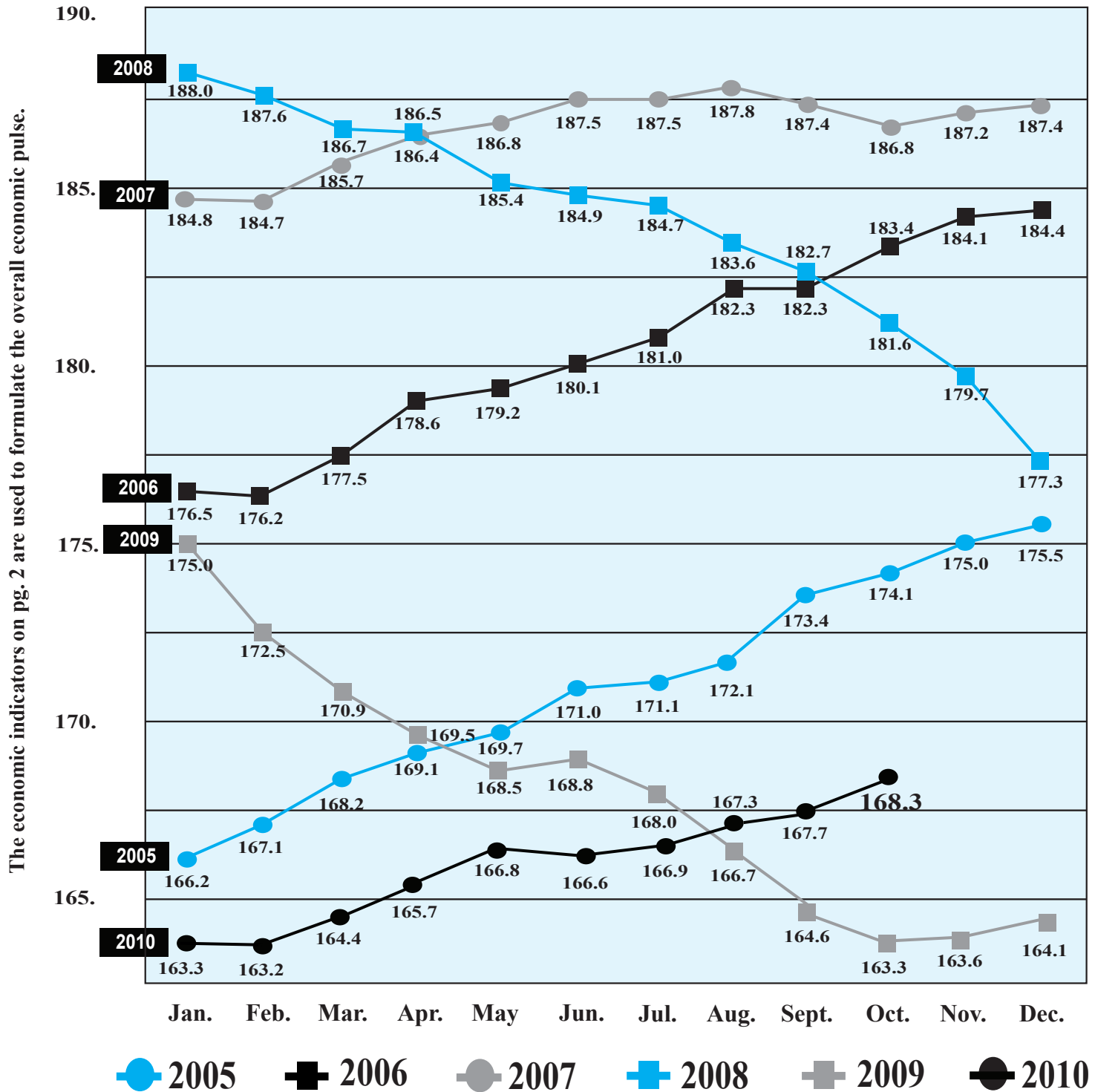
# McAllen Area ECONOMIC PULSE

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## October 2010 Economic Pulse

### The McAllen Chamber of Commerce Economic Index

INDEX (Base=100 Jan 1996)



# The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR October 2010	LAST YEAR October 2009	% CHANGE 10/09 - 10/10
Retail Sales (\$000's - October in 1995\$)	\$245,671	\$233,716	5.1%
Retail Sales (\$000's - Year-To-Date)	\$2,582,715	\$2,575,433	0.3%
Dollars Spent on Auto Purchases (\$000's-October in 1995\$)*	\$75,805	\$63,226	19.9%
Dollars Spent on Auto Purchases (\$000's - YTD)*	\$816,366	\$732,399	11.5%
Lodging Tax Receipts (October)	\$291,780	\$211,191	38.2%
Lodging Tax Receipts (YTD)	\$2,747,992	\$2,794,530	-1.7%
Airline Boardings (October)	30,204	29,980	0.7%
Airline Boardings (YTD)	295,348	310,787	-5.0%
Value All Construction Permits (October)	\$31,598,774	\$22,704,927	39.2%
Value All Construction Permits (YTD)	\$318,327,980	\$282,337,144	12.7%
New Home Permits (October)	123	120	2.5%
New Home Permits (YTD)	1,327	1,029	29.0%
Home Sales (October)	163	201	-18.9%
Home Sales (YTD)	1,926	1,879	2.5%
Average Home Sale Price (October)	\$121,952	\$130,783	-6.8%
Average Home Sale Price (YTD Avg)	\$121,906	\$118,798	2.6%
Hidalgo Bridge Crossings (October)	479,426	508,954	-5.8%
Hidalgo Bridge Crossings (YTD)	4,710,995	4,964,219	-5.1%
Peso/US Dollar Exchange Rate (October)	12.75	13.75	-7.3%
<b>Employment</b>			
Wage & Salary Employment (October)	223,000	218,000	2.3%
Wage & Salary Employment (YTD Avg)	219,510	216,650	1.3%
Unemployment Rate (October)	11.3	10.8	4.6%
Unemployment Rate (YTD Average)	11.7	10.5	11.4%
<b>INDEX - October (Base=100 Jan 1996)</b>	<b>168.3</b>	<b>162.6</b>	<b>3.5%</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 (Not adjusted for inflation)	Percent Export Sales of Total Sales
<b>October 2010</b>	\$26,324	\$350,706	7.5%
<b>YTD 2010</b>	\$258,862	\$3,673,990	7.0%

The McAllen Economic Index rose to 168.3 in October 2010, up from 167.7 in September, and up 3.5% from the October 2009 MEI of 162.6. The index has now increased for four straight months, for seven of the last eight months, and ten of the last twelve months. In fact, the McAllen Economic Index reached its low point in October 2009, suggesting a trough in the general metro area business cycle at that time. As of October 2010, a general, modest recovery has been underway in the McAllen metro area economy for about a year.

Employment and general spending are both posting year-over-year improvements, and concurrent growth in these two sectors is the most obvious evidence of economic improvement. They remain at different levels, however: employment has recovered and current levels are above all prior periods, including the growth period leading up to the recession; real (inflation-adjusted) spending remains well below the peak levels established in 2007.

Real auto spending was up by about 20% in October (compared to October of a year ago); however, the October 2009 auto spending total was down by about 24% compared to the prior year, which in turn was down by 24% compared to the year before that. That has largely been the trend thus far in 2010 - improvement compared to the sharply down years of 2008 of 2009, but the sector continues to lag behind 2006 and 2007.

The improvements in the construction sector are misleading; building permits for the month and year-to-date are significantly higher compared to year-ago levels, but 2009 and 2010 building activity is the lowest since 1998. New housing permits are also up compared to year-ago levels, but home building activity declined sharply in 2007, 2008 and 2009, and 2010 levels are lower than each year 1998 through 2007.

Existing home sales have weakened in recent months for the same reasons housing sales have slowed in most other parts of the country - the expiration of the home buyer tax credit in April 2010, and increasingly burdensome mortgage loan underwriting criteria. Prices have generally held up, though the average through October 2010 is off the peak prices observed in 2006 and 2007.

# Key Points