

McAllen Area ECONOMIC PULSE

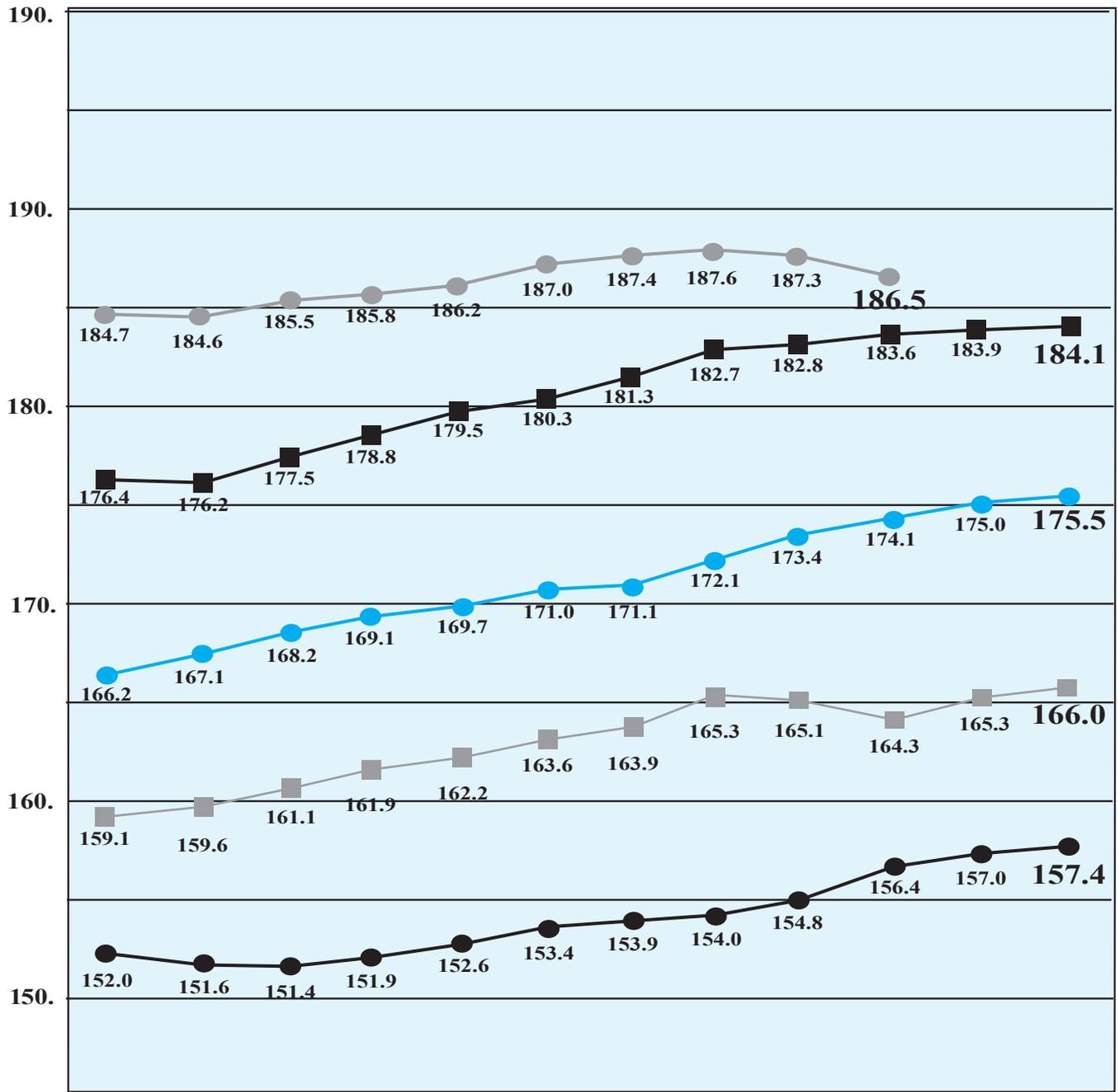
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October 2007 Economic Pulse

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.



● 2003 ■ 2004 ● 2005 ■ 2006 ● 2007

The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR October 2007	LAST YEAR October 2006	% CHANGE 10/06 - 10/07
Retail Sales (000's - Month in 1995\$)	\$264,464	\$251,327	5.2%
Retail Sales (000's - Year)	\$2,834,363	\$2,695,866	5.1%
Motor Vehicle Tax Receipts (Month)	\$109,628	\$87,494	25.3%
Motor Vehicle Tax Receipts (Year)	\$1,040,480	\$895,855	16.1%
Lodging Tax Receipts (Year)	\$3,266,365	\$2,917,285	12.0%
Airline Boardings (Month)	31,486	30,771	2.3%
Airline Boardings (Year)	354,657	336,621	5.4%
Value All Construction Permits (Month)	\$57,048,412	\$111,905,153	-49.0%
Value All Construction Permits (Year)	\$596,884,941	\$726,778,010	-17.9%
New Home Permits (Month)	157	243	-35.4%
New Home Permits (Year)	2,089	2,892	-27.8%
Home Sales (Month)	202	248	-18.5%
Home Sales (Year)	2,152	2,117	1.7%
Average Home Sale Price (Month)	\$131,602	\$136,264	-3.4%
Average Home Sale Price (Year)	\$128,819	\$128,142	0.5%
Hidalgo Bridge Crossings (Month)	545,830	548,240	-0.4%
Hidalgo Bridge Crossings (Year)	5,437,026	5,561,855	-2.2%
Peso Exchange Rate (Month)	10.95	10.75	1.9%
Employment			
Wage & Salary Employment (Month)	215,500	205,000	5.1%
Wage & Salary Employment (YTD Avg)	209,600	201,800	3.9%
Unemployment Rate (Month)	5.3	6.3	N/A
Unemployment Rate (YTD Average)	6.5	7.5	N/A
INDEX (Base=100 Jan 1996)	186.5	183.6	1.6%

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
October 2007	\$25,329	\$358,955	7.1%
Year-to-date	\$291,084	\$3,802,662	7.7%

Declines in construction and real estate combined to decrease the McAllen Economic Index for the second consecutive month at 186.5 in October, down from 187.3 in September. And while the October index remains above the year-ago index, the 1.6% improvement compared to October 2006 is the narrowest year-over-year improvement in the history of the analysis.

Still, the two sectors which anchor the index and best represent the health and cyclical status of any local economy -- indicators of consumer spending, and the metro area employment situation -- continue to post solid numbers, and in fact, employment growth is stronger in late 2007 than was the case earlier in the year.

In the consumer sector, inflation-adjusted retail sales in October were a solid 5.2% improved over October of a year ago, and the year-to-date total remains over 5% improved compared to the first ten months of 2006. The auto sales sector is posting huge growth numbers, with inflation-adjusted auto sales in October outpacing October '06 sales by over 25%, and over 16% year-to-date.

Some 10,500 jobs were added to the McAllen area economy over the 12 months ending with October, a growth rate of a stout 5.1%. Year-over-year job growth averaged under 3% in the first half of the year, but since then has averaged well over 5%. The unemployment rate continues its notable decline as well -- the 5.3% for October is the lowest of the year, and the lowest October unemployment rate in the history of the analysis, and long before.

The construction sector is taking a beating, at least compared to record numbers in 2006, with the valuation of all building permits issued in the metro area down nearly 50% in October (year-over-year), and nearly 18% for the year-to-date. However, building activity last year was very strong, and in fact, the October 2006 total was the third highest in the history of the index, and was one of only four months in the last 12 years that the monthly total was over \$100,000.

The McAllen housing indicators are down sharply as well in 2007, with the number of new home permits issued in the metro area down over 35% compared to October of last year, and nearly 28% for the year-to-date. Monthly sales of existing homes was down (year-over-year) for the third consecutive month, and year-to-date sales and prices are essentially on par with year-ago numbers.

Key Points