

McAllen Area ECONOMIC PULSE

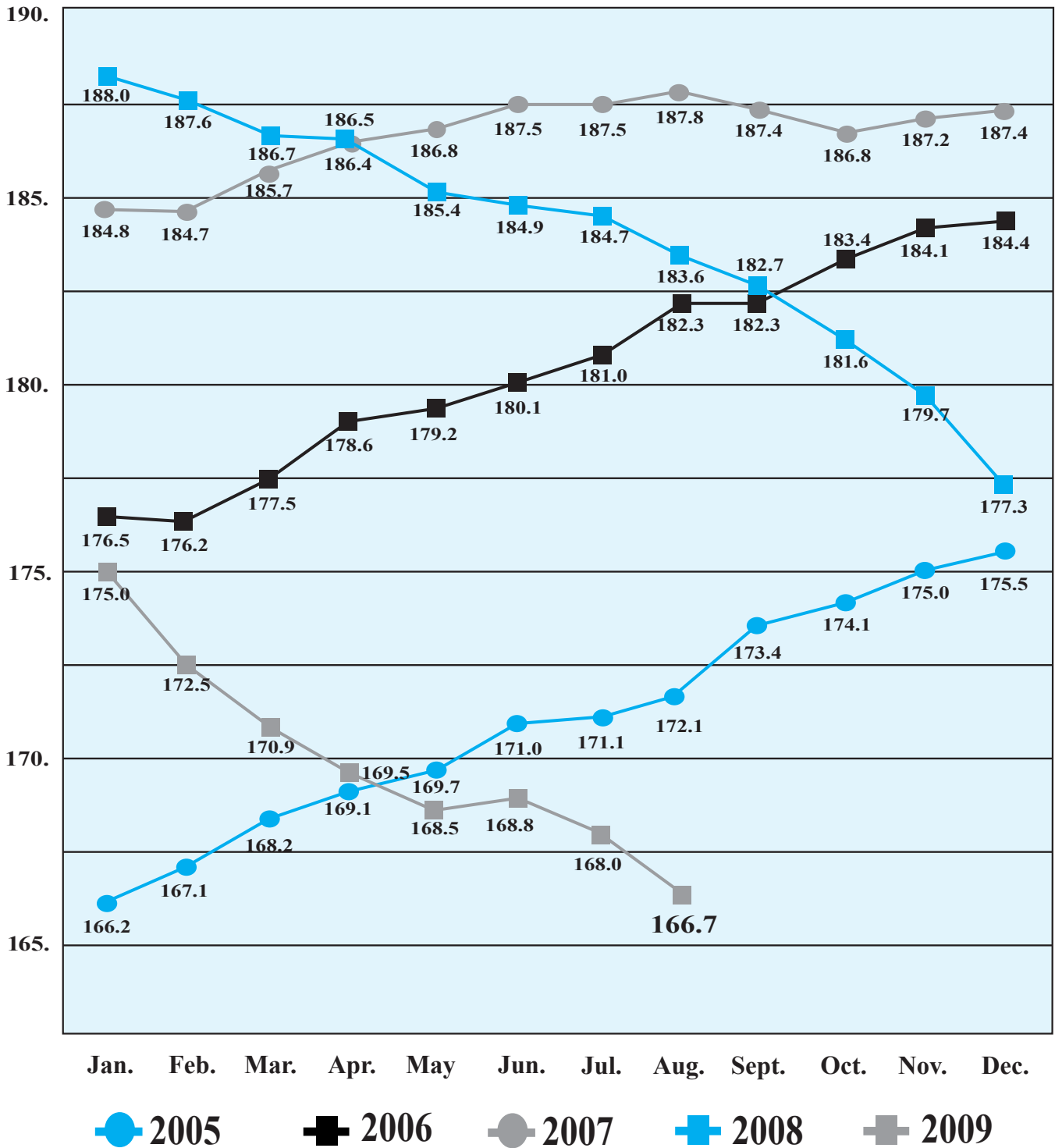
McAllen • Mission • Edinburg • Pharr

▶ August 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 August 2009 | LAST YEAR August 2008 | % CHANGE 08/08 - 08/09 |
|--|--------------------------|--------------------------|---------------------------|
| Retail Sales (\$000's - August in 1995\$) * | \$239,390 | \$262,645 | -8.9% |
| Retail Sales (\$000's - Year-To-Date) * | \$2,075,037 | \$2,248,671 | -7.7% |
| Dollars Spent on Auto Purchases (\$000's - August in 1995\$) | \$70,601 | \$84,144 | -16.1% |
| Dollars Spent on Auto Purchases (\$000's - YTD) | \$566,766 | \$802,993 | -29.4% |
| Lodging Tax Receipts (August) | \$303,184 | \$417,390 | -27.4% |
| Lodging Tax Receipts (YTD) | \$2,262,085 | \$2,720,347 | -16.8% |
| Airline Boardings (August) | 33,918 | 32,868 | 3.2% |
| Airline Boardings (YTD) | 253,317 | 273,348 | -7.3% |
| Value All Construction Permits (August) | \$23,444,725 | \$50,852,275 | -53.9% |
| Value All Construction Permits (YTD) | \$239,969,517 | \$411,290,428 | -41.7% |
| New Home Permits (August) | 114 | 98 | 16.3% |
| New Home Permits (YTD) | 820 | 921 | -11.0% |
| Home Sales (August) | 188 | 242 | -22.3% |
| Home Sales (YTD) | 1,486 | 1,862 | -20.2% |
| Average Home Sale Price (August) | \$124,420 | \$131,979 | -5.7% |
| Average Home Sale Price (YTD Avg) | \$116,569 | \$115,546 | 0.9% |
| Hidalgo Bridge Crossings (August) | 514,344 | 557,636 | -7.8% |
| Hidalgo Bridge Crossings (YTD) | 3,983,994 | 4,337,188 | -8.1% |
| Peso Exchange Rate (August) | \$13.40 | \$10.95 | 22.4% |
| Employment | | | |
| Wage & Salary Employment (August) | 216,500 | 215,100 | 0.7% |
| Wage & Salary Employment (YTD Avg) | 219,300 | 218,400 | 0.4% |
| Unemployment Rate (August) | 11.4 | 8.0 | N/A |
| Unemployment Rate (YTD Average) | 10.2 | 7.0 | N/A |
| INDEX - August (Base=100 Jan 1996) | 166.7 | 183.6 | -9.2% |

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 |
|--------------------|--------------------------------|--|--|
| August 2009 | \$23,620 | \$337,454 | 7.0% |
| YTD 2009 | \$206,572 | \$2,910,534 | 7.1% |

The McAllen Economic Index dipped again in August to 166.7, down from 168.0 in July, and down 9.2% from the August 2008 MEI of 183.6. The McAllen area economy continues its general pattern of decline that began in early 2008 -- the index peaked in January 2008 at 188.0, and has declined for 18 of the 19 months since then.

Most sectors of the local economy continue in negative territory compared to year-ago numbers as the area remains firmly entrenched in a significant economic contraction, again the first such contraction of any magnitude in the history of the McAllen Economic Index analysis.

The consumer spending sector continues to suffer, with inflation-adjusted spending per sales tax receipts (to McAllen, Edinburg, Mission and Pharr) down nearly 9% in August compared to August of last year, and down some 7.7% for the year-to-date.

Inflation-adjusted spending on new and used automobiles declined by about 16% in August, an improvement over the average 30% decline in 2009 up to that point, a likely result of the "cash for clunkers" program which may have provided some temporary benefit to dealers in the metro area.

The employment situation remains a bit baffling thus far in 2009, with the unemployment rate significantly higher, most sectors of the local economy in decline, but still slightly positive employment estimates compared to last year. 2009 employment data is subject to revision early next year, and the current slight gains may not survive that process.

The housing construction sector actually posted a year-over-year increase in August; however, not much can be made of that because the August 2008 total number of new single-family residence permits actually dipped below 100, and was over 60% lower compared to the prior year.

Airline passenger boardings were slightly higher in August, but hotel-motel tax receipts remain sharply lower; the border indicators are negative as well, with Hidalgo bridge crossings down over 8% and the exchange rate increasingly unfavorable to increased activity in McAllen.

Key Points