

McAllen Area ECONOMIC PULSE

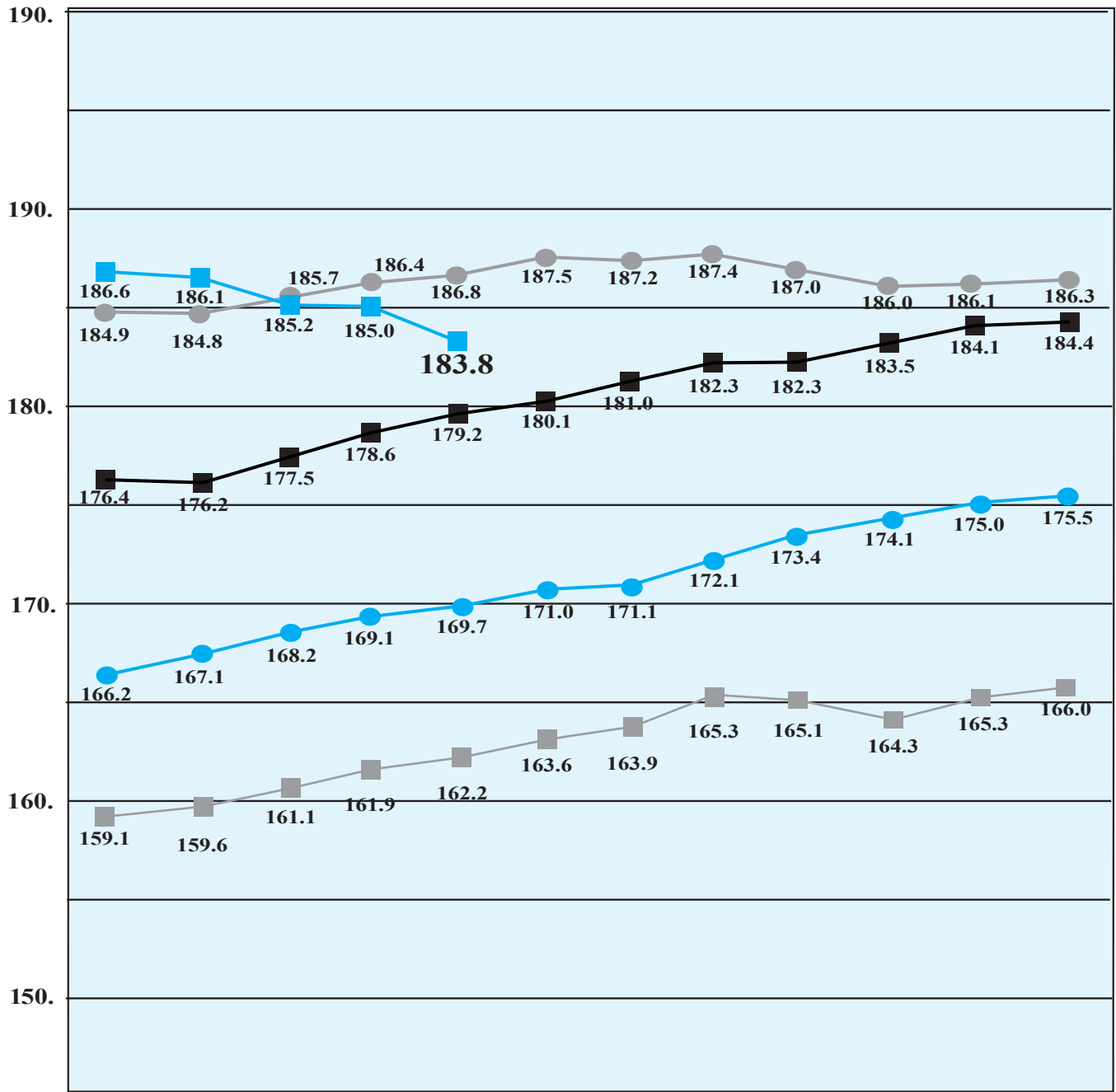
McAllen • Mission • Edinburg • Pharr

May 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 May 2008	LAST YEAR May 2007	% CHANGE 05/07 - 05/08
Retail Sales (000's - Month in 1995\$)	\$266,371	\$270,034	-1.4%
Retail Sales (000's - Year)	\$1,380,595	\$1,401,442	-1.5%
Motor Vehicle Tax Receipts (Month)	\$99,428	\$105,230	-5.5%
Motor Vehicle Tax Receipts (Year)	\$530,803	\$535,831	-0.9%
Lodging Tax Receipts (Year)	\$1,624,255	\$1,601,895	1.4%
Airline Boardings (Month)	33,015	34,269	-3.7%
Airline Boardings (Year)	169,048	172,781	-2.2%
Value All Construction Permits (Month)	\$24,404,254	\$58,459,129	-58.3%
Value All Construction Permits (Year)	\$270,329,436	\$340,397,460	-20.6%
New Home Permits (Month)	75	234	-67.9%
New Home Permits (Year)	608	1,130	-46.2%
Home Sales (Month)	299	226	32.3%
Home Sales (Year)	1,290	1,032	25.0%
Average Home Sale Price (Month)	\$106,556	\$122,735	-13.2%
Average Home Sale Price (Year)	\$109,729	\$122,653	-10.5%
Hidalgo Bridge Crossings (Month)	565,879	567,811	-0.3%
Hidalgo Bridge Crossings (Year)	2,693,756	2,737,430	-1.6%
Peso Exchange Rate (Month)	11.65	11.20	4.0%
Employment			
Wage & Salary Employment (Month)	216,400	211,500	2.3%
Wage & Salary Employment (YTD Avg)	215,200	210,200	2.4%
Unemployment Rate (Month)	6.1	5.9	N/A
Unemployment Rate (YTD Average)	6.4	6.7	N/A
INDEX (Base=100 Jan 1996)	183.8	186.8	-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
May 2008	\$32,076	\$370,229	8.7%
YTD 2008	\$162,732	\$1,903,542	8.5%

The McAllen Economic Index continued its decline in May, slipping to 183.8, down from 185.0 in April, and down 1.6% from the May 2007 index of 186.8. The MEI peaked in June of last year at 187.5, and has declined some 2% since then.

Slowing consumer activity, deep declines in the construction sector, and double-digit percent declines in area home prices conspired to push the index lower in May, though the metro area continues to add jobs at a respectable clip.

Inflation-adjusted retail sales (per sales tax rebates to McAllen, Edinburg, Mission and Pharr) declined by 1.4% in May compared to May of last year, and are down 1.5% for the year-to-date; inflation-adjusted dollars spent on auto sales in Hidalgo County in May fell by 5.5% year-over-year, pulling the year-to-date total slightly negative at .9%.

The construction sector continued to take a beating in May, with the value of all building permits issued down nearly 60% compared to May of a year ago, and the year-to-date total is down over 20% through May compared to the first five months of 2007.

Housing construction declines are even more dramatic, with the number of new home permits issued in May down nearly 70% compared to May of last year, and some 46% for the year-to-date. In McAllen alone, 14 new single-family residence permits were issued in May, compared to 80 for May '07.

Sales of existing homes are taking up some of that slack, with the number of homes sold in May up over 30% compared to May of last year, and a stout 25% for the YTD. Prices have declined, however -- the average homesale price for May was down some 13% compared to May of last year, and the average price for the year-to-date is down about 10.5% through May.

The area economy continues to add jobs, though at a slower pace in 2008; the margin of improvement in May 2008 compared to May 2007 is an estimated 2.3%, compared to year-over-year job growth in May 2007 of 4.8% compared to May of the prior year. The unemployment rate remains relatively low compared to the historical numbers in McAllen, but has inched up a bit in recent months, and is now slightly higher than the year-ago level at 6.1% for May.

The McAllen metro area economy is clearly experiencing its first significant sustained decline in its history. The spectacular growth over the 12 years leading up to the peak in June of last year greatly matured the local economy, and simply put, developing economies tend to grow more rapidly than more developed economies, which the McAllen metro economy has now become. That maturity, coupled with downward pressure from a slowing national economy generally accounts for the current local decline.

Key Points