

McAllen Area ECONOMIC PULSE

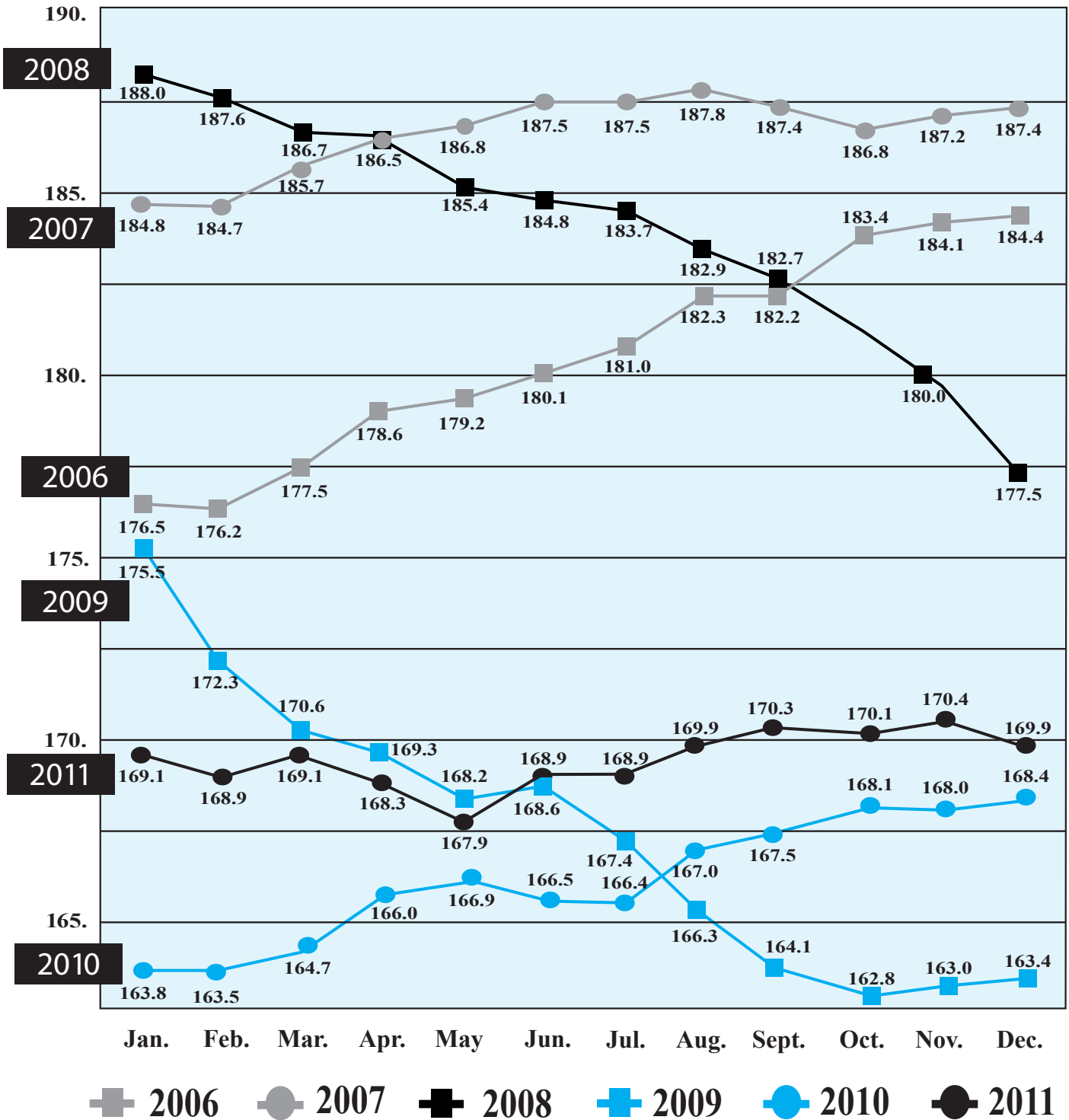
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December 2011 Economic Pulse

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.



ECONOMIC INDICATORS	THIS YEAR December 2011	LAST YEAR December 2010	% CHANGE 2010 - 2011
Retail Sales (\$000's - in 1995\$)	\$909,331	\$899,196	1.1%
Retail Sales (\$000's - Year-To-Date)	\$3,338,004	\$3,236,239	3.1%
Dollars Spent on Auto Purchases (\$000's - Dec. in 1995\$)	\$254,604	\$229,615	10.9%
Dollars Spent on Auto Purchases (\$000's - YTD)	\$1,116,937	\$970,175	15.1%
Lodging Tax Receipts (December)	\$806,166	\$874,515	-7.8%
Lodging Tax Receipts (YTD)	\$3,173,565	\$3,330,728	-4.7%
Airline Boardings (December)	84,655	\$91,741	-7.7%
Airline Boardings (YTD)	342,733	356,885	-4.0%
Value All Construction Permits (December)	\$80,515,270	\$94,969,245	-15.2%
Value All Construction Permits (YTD)	\$459,809,009	\$381,698,451	20.5%
New Home Permits (December)	293	332	-11.7%
New Home Permits (YTD)	1,295	1,536	-15.7%
Home Sales (December)	472	509	-7.3%
Home Sales (YTD)	1,938	2,272	-14.7%
Average Home Sale Price (December)	\$129,426	\$125,864	2.8%
Average Home Sale Price (YTD Avg)	\$125,714	\$122,399	2.7%
Hidalgo Bridge Crossings (December)	1,411,707	1,481,438	-4.7%
Hidalgo Bridge Crossings (YTD)	5,338,241	5,713,007	-6.6%
Peso Exchange Rate (December)	13.65	\$12.80	6.6%
Employment			
Wage & Salary Employment (December)	230,500	224,000	2.9%
Wage & Salary Employment (YTD Avg)	224,108	219,433	2.1%
Unemployment Rate (December)	11.2	12.1	-7.4%
Unemployment Rate (YTD Average)	12.1	11.8	2.5%
INDEX - December (Base=100 Jan 1996)	169.9	168.4	0.9%

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
December 2011	\$30,989	\$580,743	5.3%
YTD	\$249,523	\$4,819,610	5.2%

The McAllen Economic Index declined in December dipping to 169.9 down from 170.4 in November; however, the index finished slightly higher for the year, up .9% compared to the December 2010 MEI of 168.4. Year-end weakness in construction, home building, home sales, and border bridge crossings pressured the index downward in December, but on balance 2011 was a year of modest growth as represented by the two important categories of general real spending and employment.

Inflation-adjusted taxable spending growth weakened in the latter part of the year, and was only about 1% improved in the 4th quarter 2011 compared to 2010; for the year, real spending was up by about 3% compared to the 2010 annual total. Further, the 2011 annual total remains down compared to the 2006, 2007 and 2008 annual totals, suggesting that sector of the McAllen metro area economy remains in the "recovery" phase.

Employment growth actually strengthened in 2011, growing by about 3% over the year (about 6,500 jobs added). And again, total payroll employment in the metro area is now higher than in any prior period including the pre-recession previous peak level.

Auto sales continued to improve in 2011 with inflation-adjusted spending on new and used automobiles up by some 15% for the year, and 11% in the fourth quarter (year-over-year). Real auto spending continues to claw its way back to pre-downturn levels as well, and both the 4th quarter and annual 2011 totals remain down compared to peak auto spending levels achieved in 2007.

Building permit activity declined in the 4th quarter, down over 15% compared to the 4th quarter of a year ago (and over 40% in December); for the year, building permits were up about 20% compared to 2010 but remain significantly lower compared to most of the previous decade.

Housing construction was also down for the quarter, and about 15% fewer permits were issued for the year as a whole. The 473 existing home sales in the quarter represents the lowest 4th quarter total since 2003, and is down by about 7% compared to a year ago. For the year, home sales were down by about 15%, and is also the lowest annual total since 2003. Housing prices have continued to recover since falling by 7-8% in 2008-9, but were generally flat in 2011 on top of a 5% year-over-year gain in 2010.

Revised employment data will be released in early March for 2010 and 2011, and will include January 2012 monthly estimates under these new benchmarks. At that time, we will revise the McAllen Economic Index accordingly, and issue a general forecast for the balance of 2012.