

McAllen Area ECONOMIC PULSE

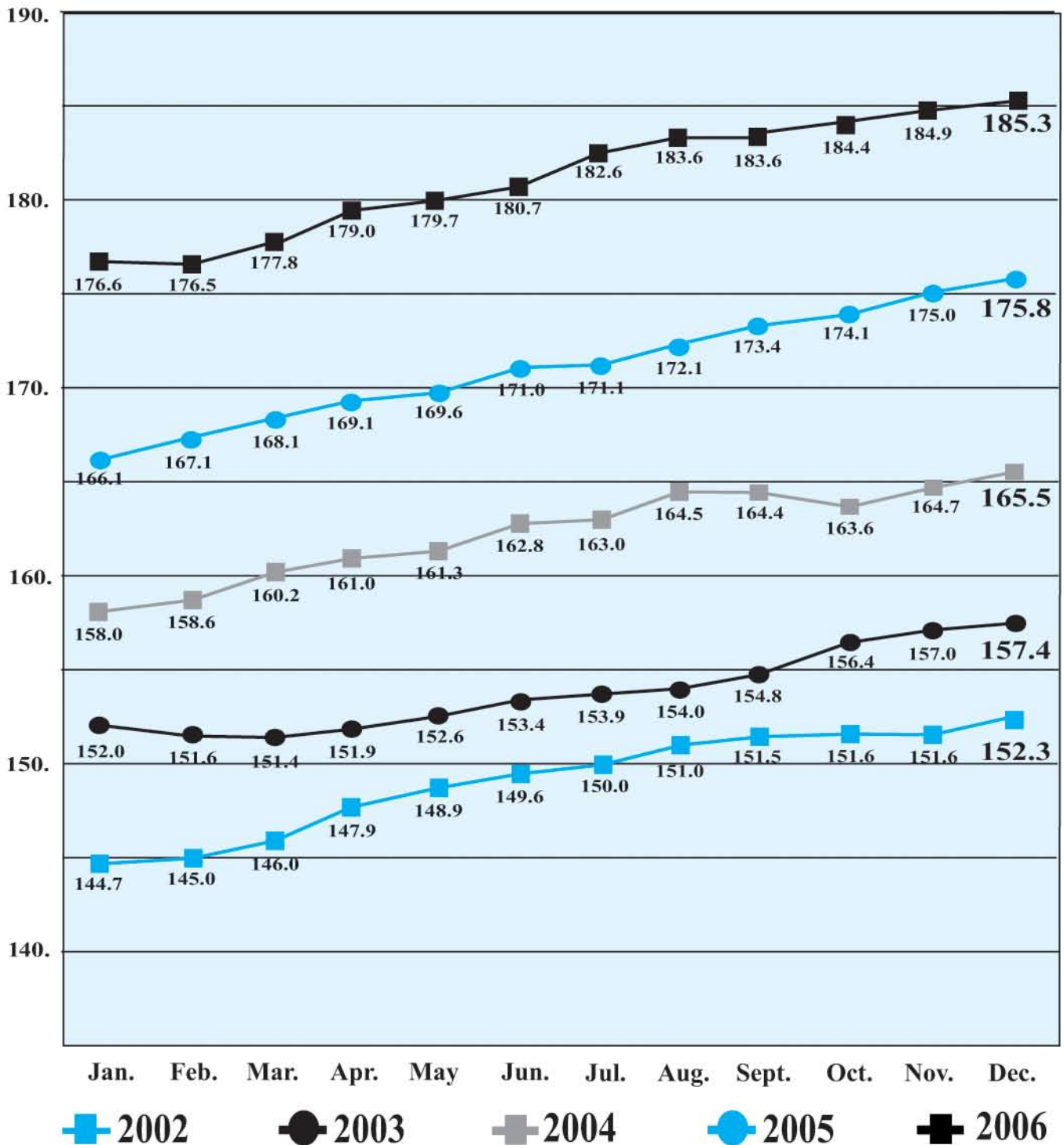
McAllen • Mission • Edinburg • Pharr

December 2006 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 December 2006	LAST YEAR December 2005	% CHANGE 12/05 - 12/06
Retail Sales (000's - Month in 1995\$)	\$927,627	\$886,322	4.7%
Retail Sales (000's - Year)	\$3,372,167	\$3,198,822	5.4%
Motor Vehicle Tax Receipts (Month)	\$253,767	\$207,810	22.1%
Motor Vehicle Tax Receipts (Year)	\$1,062,128	\$919,839	15.5%
Lodging Tax Receipts (Year)	\$3,567,514	\$3,246,337	9.9%
Airline Boardings (Month)	101,293	92,956	9.0%
Airline Boardings (Year)	407,143	368,492	10.5%
Value All Construction Permits (Month)	\$224,610,478	\$151,730,853	48.0%
Value All Construction Permits (Year)	\$839,483,335	\$654,554,044	28.3%
New Home Permits (Month)	636	698	-8.9%
New Home Permits (Year)	3,285	3,421	-4.0%
Home Sales (Month)	666	652	2.1%
Home Sales (Year)	2,535	2,293	10.6%
Average Home Sale Price (Month)	\$130,171	\$119,299	9.1%
Average Home Sale Price (Year)	\$127,972	\$117,801	8.6%
Hidalgo Bridge Crossings (Month)	1,782,906	1,836,868	-2.9%
Hidalgo Bridge Crossings (Year)	6,796,521	6,869,271	-1.1%
Peso Exchange Rate (Month)	\$11.25	\$10.90	3.2%
Employment			
Wage & Salary Employment (Month)	210,900	203,100	3.8%
Wage & Salary Employment (YTD Avg)	204,500	194,900	4.9%
Unemployment Rate (Month)	6.6	6.9	N/A
Unemployment Rate (YTD Average)	7.1	7.7	N/A
INDEX (Base=100 Jan 1996)	185.3	175.8	5.4%

In January 2004 the Texas Comptroller's Office began tracking "Manifiestos" -- requests for sales tax refunds on items purchased by Mexican citizens or for export into Mexico.

	Export Sales per Manifiestos	Total Retail Sales	Export Sales of Total Sales
November 2006	\$43,257	\$537,168	8.1%
Year-to-date	\$344,402	\$4,455,954	7.7%

The McAllen economy continued to exhibit impressive growth in 2006 as the McAllen Economic Index improved to 185.3 at year-end, 5.4% higher than the December 2005 index of 175.8. Year-over-year growth rates in 2006 were well above five percent all year long, and were six percent or higher four of the twelve months.

Most sectors of the McAllen metro economy grew -- and grew stoutly -- in 2007, with the exception of homebuilding and Hidalgo bridge crossings.

The McAllen area economy added some 7,800 jobs in 2007 (3.8% at year-end compared to December 2005), and averaged nearly 5% during 2007. The highest rates of job growth were in the Professional and Business Services sector (8.4%, or 1,100 jobs), the Financial Services sector (6%, or 500 jobs), and the Education and Health Services sector (5.4%, or 2,400 jobs), suggesting employment growth in skilled services that are relatively high-paying, with considerable economic impact through the ripple effects of the payrolls for those jobs.

And those payrolls kept spending at a high level, with inflation-adjusted retail sales in 2006 outpacing 2005 by some 5.4% (and 4.7% in the fourth quarter). Auto sales in the metro area were simply booming in 2006, with inflation-adjusted spending on new and used automobiles gaining over 15% in 2005, and over 22% in the fourth quarter.

Visitors to the area contributed greatly to economic growth in 2006; airline boardings were over 10% higher in 2006 compared to 2005, and McAllen hotel-motel tax receipts improved by about 10% as well, both of which suggest hefty increases in business and leisure travel to and through the area.

Construction in the four cities (McAllen, Edinburg, Mission and Pharr), strong in 2005 (permit valuations were nearly 13% higher than 2004), continued at a torrid clip in 2006, with permit valuations surpassing the 2005 total by over 28%, at a whopping \$839 million. And the fourth quarter alone was huge, with permit valuations nearly 50% higher than the fourth quarter of 2005.

Homebuilding activity remains high in the area, with the number of new home permits surpassing 3,000 in 2006 for the 5th consecutive year. The number of permits declined a bit in 2006, down 4% from 2005, and growth in the new home sector has leveled off (but again, at a high level) as the area's housing inventory comes into balance.

The addition of those homes continues to turn up in the existing (MLS) home sales sector, and the number of closed sales in 2006 was 106% higher than in 2005; prices continue to reflect a bit of a shortage relative to demand, with the average price increasing by well over 8%. The area continued the unusual trend in 2006 of more new home permits issued (3,285) than existing homes sold (2,535).

Key Points