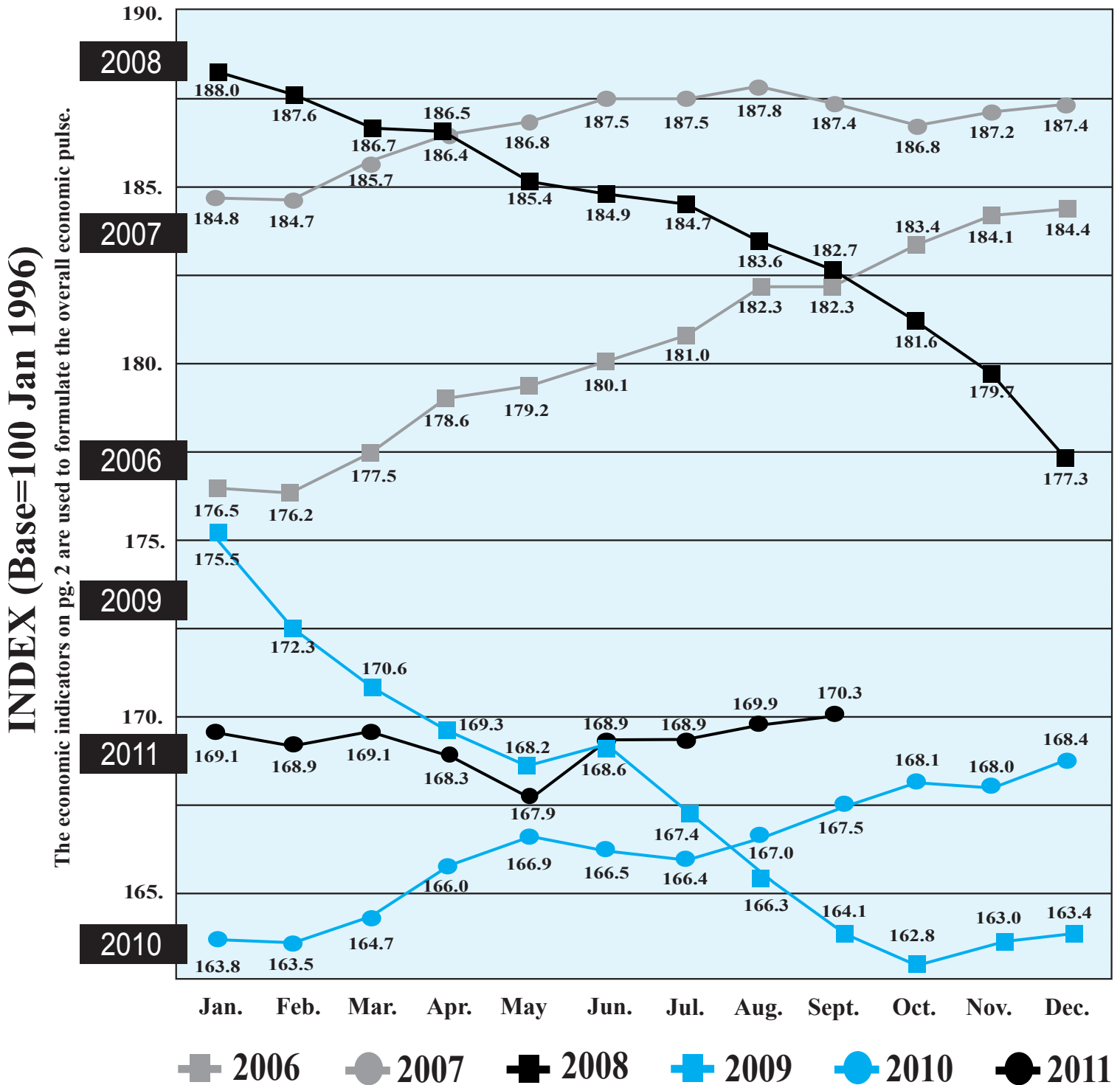


# McAllen Area ECONOMIC PULSE

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## September 2011 Economic Pulse

### The McAllen Chamber of Commerce Economic Index



# The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR September 2011	LAST YEAR September 2010	% CHANGE 2010 - 2011
Retail Sales (\$000's - 3rd Quarter in 1995\$)	\$792,166	\$776,842	2.0%
Retail Sales (\$000's - Year-To-Date)	\$2,428,673	\$2,337,044	3.9%
Dollars Spent on Auto Purchases (\$000's - 3rd Qtr in 1995\$)	\$276,440	\$243,420	13.6%
Dollars Spent on Auto Purchases (\$000's - YTD)	\$862,333	\$740,560	16.4%
Lodging Tax Receipts (3rd Quarter)	\$766,233	\$857,570	-10.7%
Lodging Tax Receipts (YTD)	\$2,367,399	\$2,456,212	-3.6%
Airline Boardings (3rd Qtr)	92,318	91,169	1.3%
Airline Boardings (YTD)	258,078	265,144	-2.7%
Value All Construction Permits (3rd Qtr)	\$113,478,685	\$82,594,223	37.4%
Value All Construction Permits (YTD)	\$379,293,739	\$286,729,207	32.3%
New Home Permits (3rd Qtr)	361	340	6.2%
New Home Permits (YTD)	1,002	1,204	-16.8%
Home Sales (3rd Qtr)	538	528	1.9%
Home Sales (YTD)	1,466	1,763	-16.8%
Average Home Sale Price (3rd Qtr)	\$121,523	\$131,359	-7.5%
Average Home Sale Price (YTD)	\$125,183	\$125,306	-0.1%
Hidalgo Bridge Crossings (3rd Qtr)	1,309,229	1,371,107	-4.5%
Hidalgo Bridge Crossings (YTD)	3,926,534	4,231,569	-7.2%
Peso Exchange Rate (September)	\$13.80	\$12.80	7.8%
<b>Employment</b>			
Wage & Salary Employment (September)	224,300	218,200	2.8%
Wage & Salary Employment (YTD Avg)	222,256	218,211	1.9%
Unemployment Rate (September)	12.2	11.3	8.0%
Unemployment Rate (YTD Average)	12.4	11.8	5.1%
<b>INDEX - September (Base=100 Jan 1996)</b>	<b>170.3</b>	<b>167.5</b>	<b>1.7%</b>

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
<b>Sept 2011</b>	\$18,853	\$403,220	4.7%
<b>Year-To-Date</b>	\$175,832	\$3,500,144	5.0%

The McAllen Economic Index rose for the 2nd straight month (and the third time in the last four months) in September to 170.3, up from 169.9 in August, and up 1.7% from the September 2010 index of 167.5. The economy also improved over the course of the 3rd quarter -- the McAllen Economic Index stood at 168.9 in June. The McAllen metro area general economy has improved steadily -- but slowly -- since troughing in October 2009. However, the McAllen Economic Index as of September 2011 remains down by over 9% compared to the peak MEI of 188.0 achieved in January 2008.

The rate of general real spending growth slowed over the course of the quarter (and in fact was negative in September compared to September of a year ago), with inflation-adjusted taxable retail spending up by 2% compared to the 3rd quarter 2010. For the year-to-date, spending is up a respectable 3.9% compared to the first nine months of a year ago, but remains down compared to each year 2006-2008 prior to the deep recession-induced declines of 2009.

The area continues to add jobs at a solid clip, with payroll employment up by some 2.8% in September compared to September 2010, an expansion of about 6,100 net jobs over the last 12 months. And again, employment has moved beyond its pre-recession levels and into true record territory in 2011.

Hotel/motel activity in McAllen has been generally on the decline for approaching three years now, and declined fairly sharply in the 3rd quarter 2011 with hotel/motel tax receipts down by over 10% compared to the 3rd quarter 2010.

Construction activity is on the rise for the 2nd straight year, however, and posted a sharp increase in the 3rd quarter with building permit valuations up by over 37% compared to the same period in 2010. For the year-to-date, building permits are up by over 30% compared to year-ago levels. Even at that, though, construction activity in 2011 remains down compared to each year 2002-2008, and is down by nearly 40% compared to the peak building permit year of 2006.

Home building across the metro area was up slightly in the 3rd quarter, but remains down for the YTD by nearly 17% (the number of new single-family residence building permits issued). Housing construction in 2011 also remains down sharply compared to most of the prior decade.

Existing home sales were essentially flat for the quarter, and were also down nearly 17% for the year-to-date. As is the case in most Texas metro markets, home sales are down compared to a number of prior years as well; prices have generally held their own during that period, however, even during the course of the recession. Prices dipped in the third quarter, down about 7.5% compared to the 3rd quarter 2010 average. For the year-to-date, the average home sale price is flat compared to a year ago, and at this point there is little cause for alarm in terms of the loss of housing values in the McAllen metro area.

## Key Points