

# McAllen Area ECONOMIC PULSE

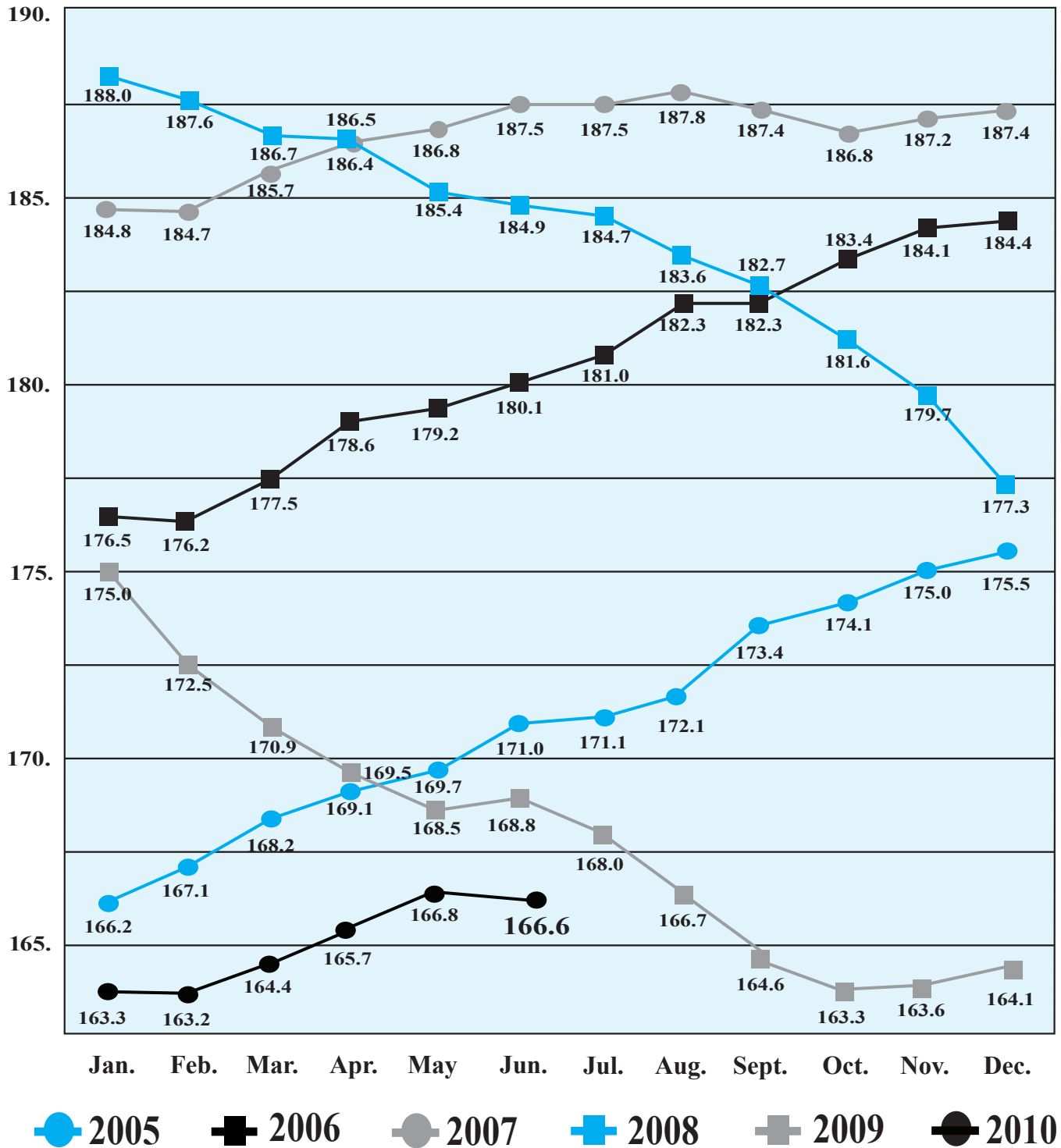
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## June/2nd Quarter 2010 Economic Pulse

### 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 June 2010	LAST YEAR June 2009	% CHANGE 06/09 - 06/10
Retail Sales (\$000's - 2nd Quarter in 1995\$)	\$771,888	\$789,057	-2.2%
Retail Sales (\$000's - Year-To-Date)	\$1,560,796	\$1,587,784	-1.7%
Dollars Spent on Auto Purchases (\$000's - 2nd Qtr in 1995\$)	\$256,537	\$222,448	15.3%
Dollars Spent on Auto Purchases (\$000's - YTD)	\$497,140	\$453,455	9.6%
Lodging Tax Receipts (2nd Quarter)	\$743,938	\$803,529	-7.4%
Lodging Tax Receipts (YTD)	\$1,598,642	\$1,657,608	-3.6%
Airline Boardings (2nd Qtr)	89,899	96,775	-7.1%
Airline Boardings (YTD)	173,975	177,644	-2.1%
Value All Construction Permits (2nd Qtr)	\$114,488,223	\$120,264,250	-4.8%
Value All Construction Permits (YTD)	\$204,134,984	\$196,019,275	4.1%
New Home Permits (2nd Qtr)	414	321	29.0%
New Home Permits (YTD)	864	604	43.0%
Home Sales (2nd Qtr)	668	565	18.2%
Home Sales (YTD)	1,215	1,122	8.3%
Average Home Sale Price (2nd Qtr)	\$130,040	\$119,241	9.1%
Average Home Sale Price (YTD)	\$120,327	\$114,615	5.0%
Hidalgo Bridge Crossings (2nd Qtr)	1,425,866	1,504,236	-5.2%
Hidalgo Bridge Crossings (YTD)	2,860,462	2,947,921	-3.0%
Peso Exchange Rate (June)	13.05	13.65	-4.4%
<b>Employment</b>			
Wage & Salary Employment (June)	222,000	216,400	2.6%
Wage & Salary Employment (YTD Avg)	220,333	218,167	1.0%
Unemployment Rate (June)	12.1	11.2	8.0%
Unemployment Rate (YTD Average)	11.7	10.0	17.0%
<b>INDEX - June (Base=100 Jan 1996)</b>	<b>166.6</b>	<b>168.6</b>	<b>-1.2%</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 (Not adjusted for inflation)	Percent Export Sales of Total Sales
<b>June 2010</b>	\$27,962	\$416,099	6.7%
<b>YTD 2010</b>	\$159,923	\$2,216,024	7.2%

After three straight month-to-month increases, the McAllen Economic Index retreated slightly in June to 166.6, down from 166.8 in May, and down 1.2% from the June 2009 LEI of 168.6. Still, the McAllen economy continues to reflect a modest recovery, with the McAllen Economic Index increasing for six of the last eight months after troughing in October of last year on the heels of a significant contraction in the McAllen metro area economy that began in early 2008.

The area continues to enjoy net job growth, with payroll employment increasing by an estimated 2.6% year-over-year, or about 5,600 jobs, including big gains in education/health services and government (primarily 'local' government). The metro area unemployment rate remains at its highest in the current cycle however, and at its highest since the unemployment rate calculation methodology was changed in 2000. Remember, though, the unemployment rate is generally considered to be a "lagging" economic indicator, meaning it will typically begin to show improvement later in the recovery cycle.

General spending within the metro area by households and businesses remains sluggish, with inflation-adjusted general retail spending down by about 2.2% in the 2nd quarter of 2010, and the total for the first half of the year down by about 1.7% compared to the first six months of 2009. The auto sales picture has improved, however, at least compared to last year's sharply lower sales numbers, with inflation-adjusted spending on new and used automobiles up over 15% for the quarter, and nearly 10% for the YTD.

Economic activity from outside the metro area remains generally weak midway through 2010, with airport passenger boardings and hotel/motel tax receipts in McAllen both down compared to year-ago levels.

Construction activity is up moderately in 2010 - the valuation of building permits is about 4% higher compared to last year; however, permits declined sharply last year, and in fact, the current building permit total through the first half of 2010 is only about half of the total posted in the peak years of 2006-2007. Housing construction began to recovery in the 3rd quarter of 2009 and continues to indicate solid improvements over year-ago numbers, up about 30% for the quarter, and over 40% for the YTD through June.

Existing home sales are also higher compared to last year's low sales numbers; prices continue to improve, however, with the average home sales price up over 9% in the 2nd quarter, and a solid 5% for the YTD compared to the first six months of a year ago.

The McAllen metro area will likely continue to show evidence of economic recovery in the balance of 2010, though that recovery may well be slow and choppy, in much the same fashion as the national economy, and in fact the state economy and that of most Texas metro areas.

# Key Points