

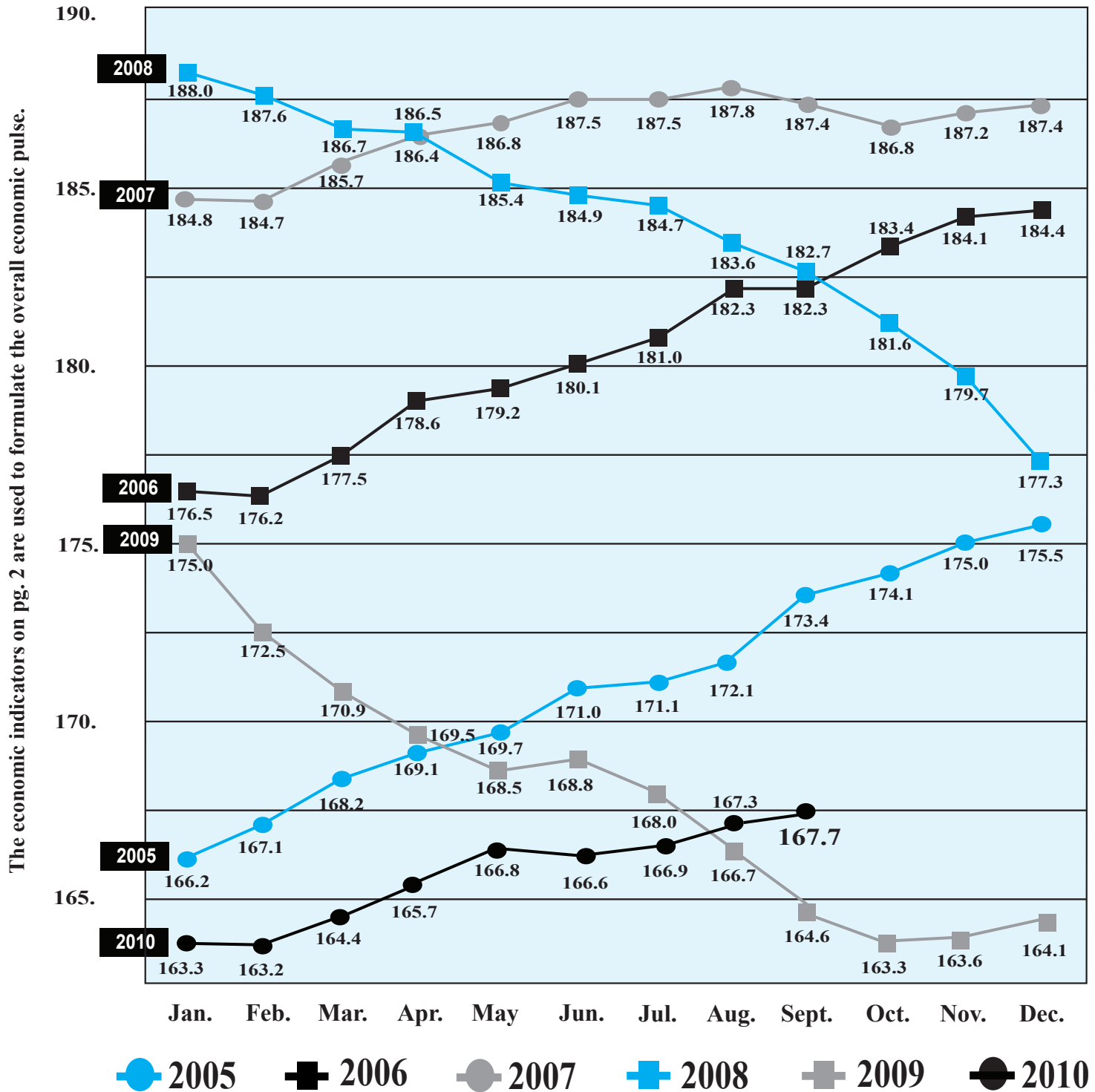
McAllen Area ECONOMIC PULSE

McAllen • Mission • Edinburg • Pharr

September 2010 Economic Pulse

The McAllen Chamber of Commerce Economic Index

INDEX (Base=100 Jan 1996)



ECONOMIC INDICATORS	THIS YEAR September 2010	LAST YEAR September 2009	% CHANGE 09/09 - 09/10
Retail Sales (\$000's - 3rd Quarter in 1995\$)	\$776,842	\$753,937	3.0%
Retail Sales (\$000's - Year-To-Date)	\$2,337,044	\$2,341,721	-0.2%
Dollars Spent on Auto Purchases (\$000's - 3rd Qtr in 1995\$)	\$243,420	\$215,717	12.8%
Dollars Spent on Auto Purchases (\$000's - YTD)	\$740,560	\$669,172	10.7%
Lodging Tax Receipts (3rd Quarter)	\$857,570	\$925,732	-7.4%
Lodging Tax Receipts (YTD)	\$2,456,212	\$2,583,340	-4.9%
Airline Boardings (3rd Qtr)	91,169	103,163	-11.6%
Airline Boardings (YTD)	265,144	280,807	-5.6%
Value All Construction Permits (3rd Qtr)	\$82,594,223	\$63,612,942	29.8%
Value All Construction Permits (YTD)	\$286,729,207	\$259,632,216	10.4%
New Home Permits (3rd Qtr)	340	305	11.5%
New Home Permits (YTD)	1,204	909	32.5%
Home Sales (3rd Qtr)	528	556	-5.0%
Home Sales (YTD)	1,763	1,678	5.1%
Average Home Sale Price (3rd Qtr)	\$131,359	\$123,171	6.6%
Average Home Sale Price (YTD)	\$121,904	\$117,467	3.8%
Hidalgo Bridge Crossings (3rd Qtr)	1,371,107	1,507,344	-9.0%
Hidalgo Bridge Crossings (YTD)	4,231,569	4,455,265	-5.0%
Peso Exchange Rate (September)	\$12.80	\$13.80	-7.2%
Employment			
Wage & Salary Employment (September)	218,900	214,700	2.0%
Wage & Salary Employment (YTD Avg)	219,122	216,500	1.2%
Unemployment Rate (September)	11.3	11.2	0.9%
Unemployment Rate (YTD Average)	11.8	10.4	13.5%
INDEX - September (Base=100 Jan 1996)	167.7	164.1	2.2%

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
September 2010	\$25,347	\$409,937	6.2%
YTD 2010	\$232,538	\$3,323,284	7.0%

The McAllen Economic Index increased for the third straight month, and has now posted month-to-month increases for seven of the nine months through the end of the third quarter 2010. The MEI rose to 167.7 in September up from 167.3 in August, and is now 2.2% improved over the September 2009 index of 164.1. That 2.2% represents the largest year-over-year increase in the McAllen Economic Index since September 2007. The MEI peaked in January 2008 and entered into a period of recession that appears to have ended in October 2009.

The MEI peaked in January 2008 at 188.0 and entered into a period of recession that appears to have ended in October 2009, when the index troughed at 162.6. Clearly the index, and therefore aggregate economic activity across the metro area, remains behind the peak levels achieved prior to the recession, but the modest recovery now underway should continue well into the foreseeable future.

General real spending (inflation-adjusted) in the metro area improved in the third quarter by some 3.0% compared to the third quarter 2009, the largest year-over-year improvement since the 4th quarter 2007. However, the third quarter '09 total was down by nearly 11% compared to the prior year, so consumer/business spending in the region remains well below the pre-downturn peak levels. The year-to-date total remains slightly negative compared to the first nine months of 2009, but has steadily narrowed all year long.

The McAllen metro area continues to post modest employment growth, and the 2% year-over-year improvement continues to rank in the top three among Texas metro areas. Payroll employment in McAllen has actually surpassed its 2008 peak (employment declined in 2009), meaning it has achieved an all-time high in 2010. It appears as though the unemployment rate has probably peaked -- or is in the process of doing -- but it may be well into next year before it begins to indicate a sustained decrease.

Auto sales are on the rise after declining sharply for two straight years in 2008 and 2009. Inflation-adjusted spending on new and used automobiles is up over 12% in the third quarter 2010 compared to the third quarter 2009 total, but remains well below the sales pinnacle reached in 2007.

Construction in the metro area has improved compared to a year ago, but the last two years (2009 and 2010) have been extraordinarily low compared to the prior several years, and in fact, the third quarter totals in 2009 and 2010 are the lowest since the third quarter of 1998. The same is true of the year-to-date totals over the last two years, as building activity has slowed dramatically compared to virtually all of the decade of the 2000s.

Home building (new single-family residence permits) are higher in 2010 than in 2008 and 2009, but remain well below every other year dating back to 1997.

Existing home sales have slowed in recent months, and declined by about 5% year-over-year in the third quarter. Again, the expiration of home buyer tax credits earlier in the year and increasingly restrictive mortgage credit are placing downward pressure on the housing market in McAllen and virtually everywhere else. Prices continue to hold up well, however, up well over 6% in the third quarter (year-over-year) and up about 3.8% for the year-to-date.