

McAllen Area ECONOMIC PULSE

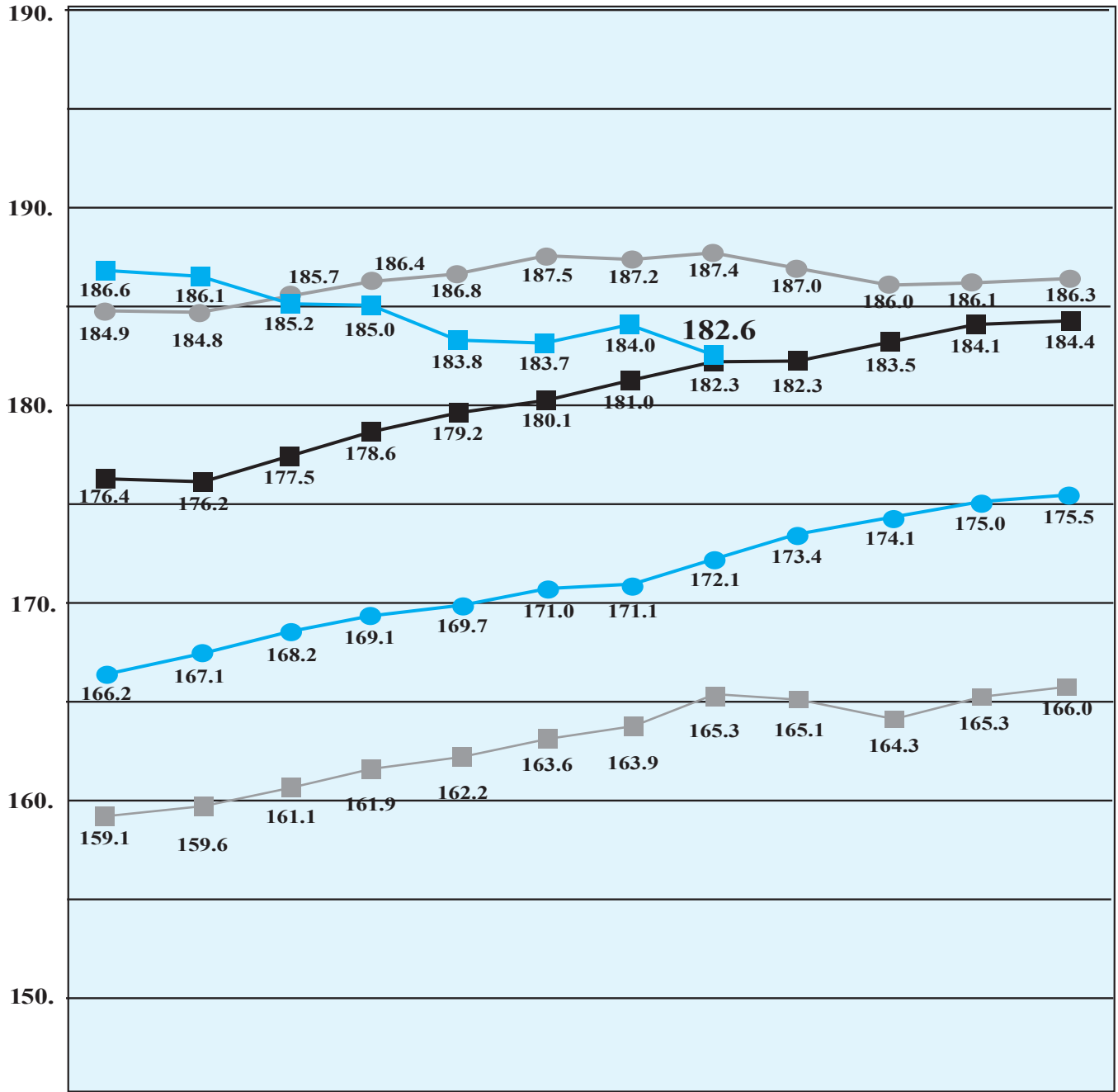
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August 2008 Economic Pulse

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.



■ 2004
 ● 2005
 ■ 2006
 ● 2007
 ■ 2008

The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR August 2008	LAST YEAR August 2007	% CHANGE 08/07 - 08/08
Retail Sales (000's - Month in 1995\$)	\$262,433	\$258,925	1.4%
Retail Sales (000's - Year)	\$2,248,460	\$2,264,329	-0.7%
Motor Vehicle Tax Receipts (Month)	\$84,144	\$103,454	-18.7%
Motor Vehicle Tax Receipts (Year)	\$802,993	\$839,163	-4.3%
Lodging Tax Receipts (Year)	\$2,720,347	\$2,639,725	3.1%
Airline Boardings (Month)	32,868	36,463	-9.9%
Airline Boardings (Year)	273,348	294,009	-7.0%
Value All Construction Permits (Month)	\$50,852,275	\$54,542,319	-6.8%
Value All Construction Permits (Year)	\$411,290,428	\$493,938,074	-16.7%
New Home Permits (Month)	98	256	-61.7%
New Home Permits (Year)	921	1,783	-48.3%
Home Sales (Month)	242	239	1.3%
Home Sales (Year)	1,862	1,758	5.9%
Average Home Sale Price (Month)	\$131,979	\$138,370	-4.6%
Average Home Sale Price (Year)	\$115,546	\$129,084	-10.5%
Hidalgo Bridge Crossings (Month)	557,636	544,586	2.4%
Hidalgo Bridge Crossings (Year)	4,337,188	4,370,487	-0.8%
Peso Exchange Rate (Month)	\$10.95	\$11.45	-4.4%
Employment			
Wage & Salary Employment (Month)	214,300	207,500	3.3%
Wage & Salary Employment (YTD Avg)	215,100	209,200	2.8%
Unemployment Rate (Month)	7.8	6.5	N/A
Unemployment Rate (YTD Average)	6.9	6.8	N/A
INDEX (Base=100 Jan 1996)	182.6	187.4	-2.6%

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
August 2008	\$30,721	\$372,289	8.3%
YTD 2008	\$247,524	\$3,125,913	7.9%

The McAllen Economic Index continued its retreat from the highs established in 2007, dipping to 182.6 in August, down from 184.0 in July, and down 2.6% from the August 2007 MEI of 187.4. The index peaked in June of '07 at 187.5 and has since exhibited increasingly clear evidence of the first cyclical economic slowdown in the nearly 13-year history of the analysis.

Consumer sector weakness coupled with deep declines in construction activity -- home building in particular -- provided the primary downward pressure on the index in August; the unemployment rate has also inched upward compared to year-ago levels, though job creation remains solid thus far in 2008.

Inflation-adjusted general retail spending improved only slightly compared to year-ago levels, up about 1.4% in August (and the August 2007 retail number was weak compared to the prior year as well), and the year-to-date total is down just slightly compared to the first eight months of last year.

Auto sales fell sharply in August (year-over-year) with inflation-adjusted spending on new and used automobiles down nearly 19%, pulling the year-to-date total to 4.3% below year-ago levels. Auto spending was very strong in 2007 -- the monthly and YTD sales totals were up 13.6% and 17.8%, respectively.

Total construction activity across the metro area continues to be generally lower compared to last year; the valuation of all permitted building projects was down nearly 7% in August compared to August 2007, and for the YTD permit valuations are down nearly 17%.

New home construction has slowed dramatically in '08, and the August numbers are no different; the number of new single-family residence permits issued in August fell by over 60% compared to August of last year, pulling the year-to-date total down to a 48% year-over-year decline. Other metro areas in Texas and across the nation have endured similar trends, of course, and the effect is even more pronounced in McAllen as home building increased more rapidly than most other metro areas during the growth period.

Jobs were added at an estimated 3.3% clip over the last 12 months, an increase of some 6,800 jobs. The unemployment rate, however, is well over a full point higher than the August 2007 unemployment rate estimate. The rate of overall job growth will likely continue to narrow in the coming months.

Key Points