

McAllen Area ECONOMIC PULSE

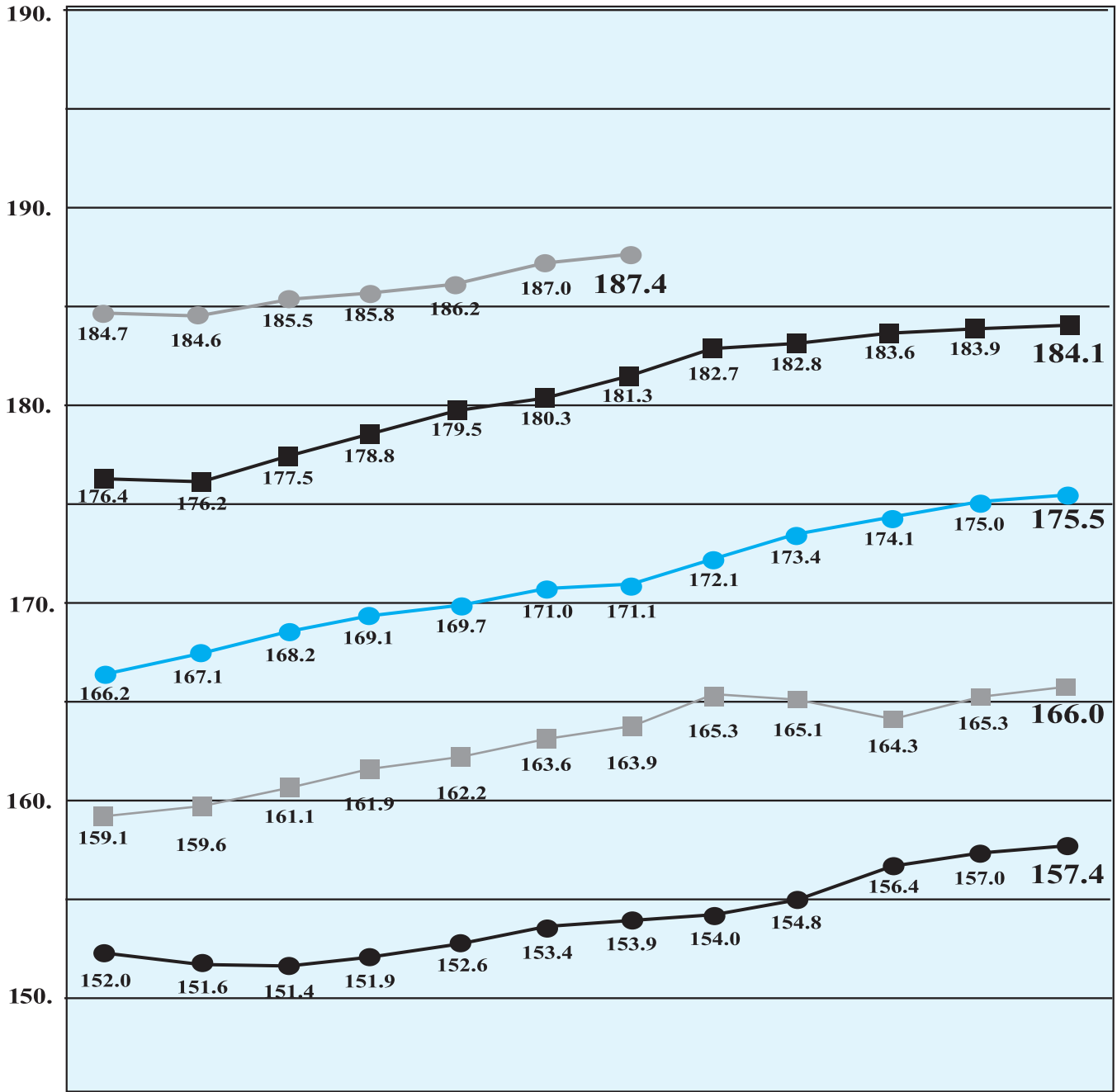
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July 2007 Economic Pulse

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.



2003
 2004
 2005
 2006
 2007

The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR July 2007	LAST YEAR July 2006	% CHANGE 07/06 - 07/07
Retail Sales (000's - Month in 1995\$)	\$279,209	\$255,318	9.4%
Retail Sales (000's - Year)	\$2,005,404	\$1,896,697	5.7%
Motor Vehicle Tax Receipts (Month)	\$98,121	\$82,129	19.5%
Motor Vehicle Tax Receipts (Year)	\$735,709	\$626,856	17.4%
Lodging Tax Receipts (Year)	\$2,298,885	\$1,962,928	17.1%
Airline Boardings (Month)	43,777	39,544	10.7%
Airline Boardings (Year)	257,546	245,280	5.0%
Value All Construction Permits (Month)	\$38,900,571	\$116,735,250	-66.7%
Value All Construction Permits (Year)	\$439,395,755	\$497,177,172	-11.6%
New Home Permits (Month)	147	337	-56.4%
New Home Permits (Year)	1,527	2,111	-27.7%
Home Sales (Month)	253	216	17.1%
Home Sales (Year)	1,519	1,395	8.9%
Average Home Sale Price (Month)	\$136,913	\$128,060	6.9%
Average Home Sale Price (Year)	\$127,893	\$123,783	3.3%
Hidalgo Bridge Crossings (Month)	545,991	572,750	-4.7%
Hidalgo Bridge Crossings (Year)	3,825,901	3,936,364	-2.8%
Peso Exchange Rate (Month)	\$11.25	\$11.10	1.4%
Employment			
Wage & Salary Employment (Month)	207,200	194,400	6.6%
Wage & Salary Employment (YTD Avg)	208,100	201,400	3.3%
Unemployment Rate (Month)	7.2	8.1	N/A
Unemployment Rate (YTD Average)	6.8	7.8	N/A
INDEX (Base=100 Jan 1996)	187.4	181.3	3.4%

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
July 2007	\$32,317	\$377,001	8.6%
Year-to-date	\$204,112	\$2,679,080	7.6%

The McAllen area economy just continues to exhibit a steady, stubborn growth pattern, with the McAllen Economic Index increasing to 184.7 in July, up from 184.0 in June (revised slightly downward due to a corrected auto sales figure), and up 3.4% from the July 2006 index of 181.3.

The year-over-year margin of growth in the index continues to close, though -- the 3.4% improvement from July 2006 to July 2007 represents the smallest year-over-year growth in the local economy since October 2003. That the economy remains a growing economy is the most important consideration, however; growth rates have ebbed and flowed over the history of the McAllen Economic Pulse, but the the index has yet to post a year-over-year decline, a very impressive and unusual record.

Growth in the McAllen area economy is presently being powered by the sectors in which growth is most desirable: general consumer activity and employment both indicate very impressive year-over-year gains, and again, concurrent growth in these two areas represents the very essence of economic growth at the local level.

Inflation-adjusted general retail spending in the metro area advanced by over 9% in July compared to July of a year ago, pulling the year-to-date total to 5.7% improved over the first seven months of 2006; and current-year growth comes on top of impressive numbers a year ago, in which July retail activity was nearly 12% higher than the prior July, and the YTD 2006 total was about 7% improved over 2005.

After languishing in the 2-3 percent range in the first half of the year, employment growth jumped upward dramatically -- and unnaturally -- in July with year-over-year job growth of an estimated 6.6%, indicating the addition of some 12,800 jobs. Employment is typically much less volatile than other sectors of the local economy, and a huge leap upward over one month is highly unusual. It may be that earlier employment estimates were low, and the July figure may be an overshoot, which would suggest true employment growth at a very respectable 4% or better.

Building permits across the metro area were down over 65% compared to last July, but the July 2006 total was the 2nd-highest in the history of the analysis at over \$116 million just for the one month. So the July monthly total and the YTD 2007 total are being compared to some very high numbers from a year ago, and current-year activity actually remains very high (the 2nd most active year ever, lagging behind only last year).

True and deep declines certainly ARE evident in the homebuilding sector, however; the number of permits issued thus far in 2007 is the lowest January-July total since 1999. Again, the two related sectors of homebuilding and existing home sales appear to be coming in line with one another as great strides have been made in recent years toward meeting strong housing demand.

Key Points