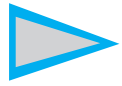
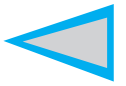


# McAllen Area ECONOMIC PULSE

McAllen • Mission • Edinburg • Pharr



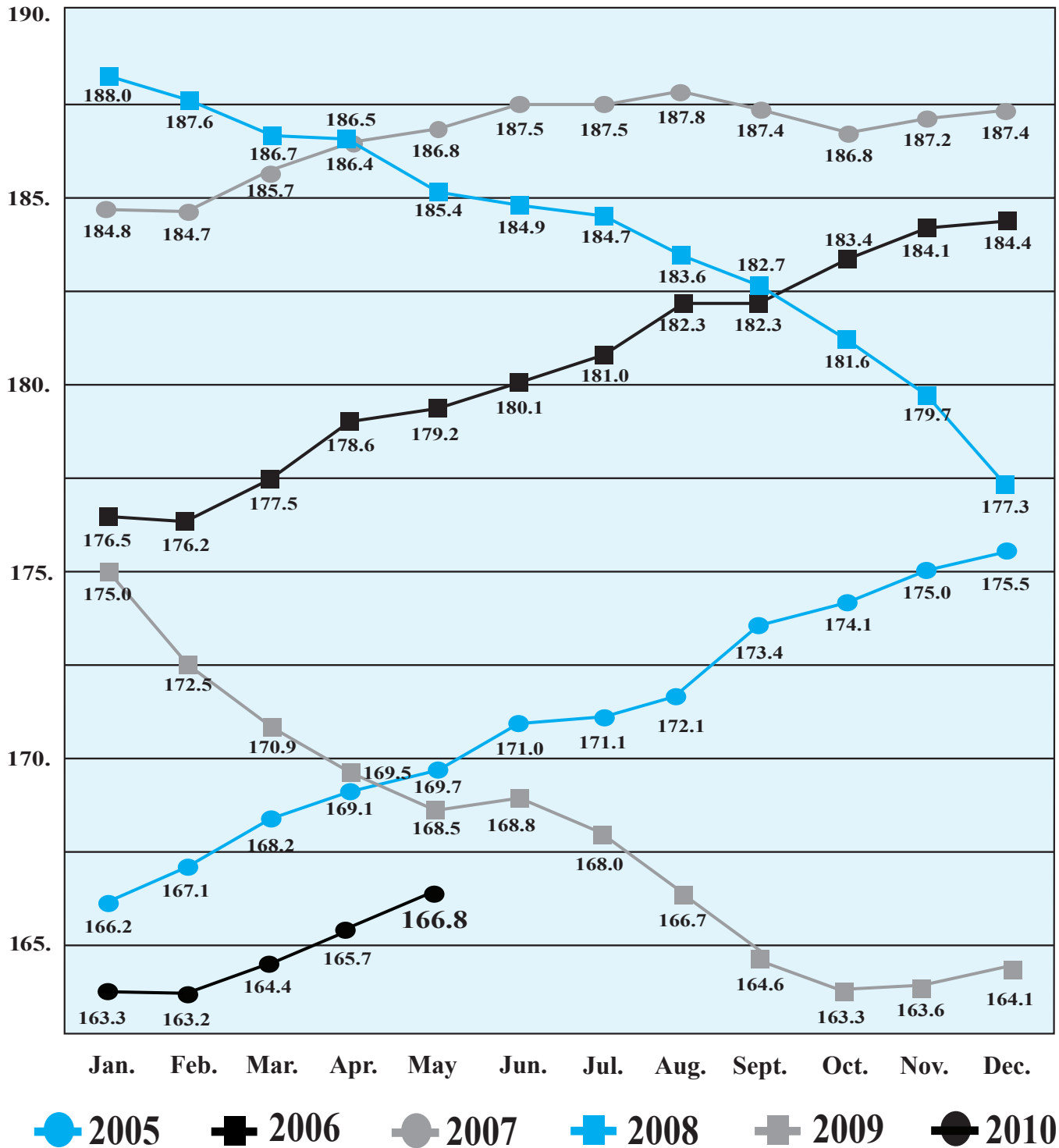
## May 2010 Economic Pulse



### 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 May 2010	LAST YEAR May 2009	% CHANGE 05/09 - 05/10
Retail Sales (\$000's - May in 1995\$)	\$240,038	\$234,149	2.5%
Retail Sales (\$000's - Year-To-Date)	\$1,268,786	\$1,290,135	-1.7%
Dollars Spent on Auto Purchases (\$000's - May in 1995\$)	\$83,247	\$64,965	28.1%
Dollars Spent on Auto Purchases (\$000's - YTD)	\$414,177	\$376,007	10.2%
Lodging Tax Receipts (May)	\$283,171	\$254,656	11.2%
Lodging Tax Receipts (YTD)	\$1,394,998	\$1,424,032	-2.0%
Airline Boardings (May)	29,184	29,505	-1.1%
Airline Boardings (YTD)	141,195	140,310	0.6%
Value All Construction Permits (May)	\$27,870,116	\$23,199,153	20.1%
Value All Construction Permits (YTD)	\$152,668,730	\$120,771,267	26.4%
New Home Permits (May)	141	100	41.0%
New Home Permits (YTD)	758	480	57.9%
Home Sales (May)	216	167	29.3%
Home Sales (YTD)	1,012	897	12.8%
Average Home Sale Price (May)	\$129,370	\$114,800	12.7%
Average Home Sale Price (YTD)	\$119,489	\$112,460	6.3%
Hidalgo Bridge Crossings (May)	490,071	515,799	-5.0%
Hidalgo Bridge Crossings (YTD)	2,399,603	2,461,849	-2.5%
Peso/Dollar Exchange Rate (May)	13.40	13.40	0.0%
<b>Employment</b>			
Wage & Salary Employment (May)	222,400	219,200	1.5%
Wage & Salary Employment (YTD Avg)	220,000	218,520	0.7%
Unemployment Rate (May)	11.3	9.7	16.5%
Unemployment Rate (YTD Avg)	11.6	9.7	19.6%
INDEX - May (Base=100 Jan 1996)	<b>166.8</b>	<b>168.2</b>	<b>-0.8%</b>

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 (Not adjusted for inflation)	Percent Export Sales of Total Sales
<b>May 2010</b>	\$22,732	\$341,196	6.7%
<b>YTD 2010</b>	\$131,961	\$1,799,925	7.3%

The McAllen Economic Index increased for the third consecutive month in May, and for the sixth time in the last seven months, rising to 166.8 up from 165.7 in April, and the index low in the current cycle of 162.4 in October of last year. The McAllen Economic Index remains below its year-ago level, but only by .8%, having narrowed considerably from the 10.9% margin of year-over-year decline observed last October.

Auto sales, construction, home building and housing remain the driving forces behind the recent improvement in the McAllen Economic Index. General retail spending and the employment situation could stand some improvement, however, and the growth in the index -- i.e. the local economy -- will likely stall at some point absent growth in these two important areas of local economic measurement.

Inflation-adjusted retail spending by households and businesses in the McAllen metro area was up by about 2.5% in May compared to May of last year; however, growth and improvement in the general spending area is choppy, and the year-to-date total remains negative compared to the first five months of 2009.

Automobile spending remains sharply higher compared to last year's disastrously low levels, up some 28% in May (year-over-year), and about 10% for the year-to-date.

The construction sector continues to post double-digit percent improvement thus far in 2010, with the value of all building permits issued in McAllen, Edinburg, Mission and Pharr up 20% in May, and 26% YTD compared to the corresponding time periods in 2009. The number of new single-family housing permits improved by over 40% in May, and is up close to 60% for the year-to-date. Again, though, these numbers were extraordinarily low last year (and the year before, actually), and these sectors have yet to return to anything close to pre-downturn levels.

Housing sales also nosedived in '09, and have recovered a significant portion of those lost sales thus far in 2010, though, again, the numbers remain below the peak levels of 2008. Housing prices continue to reflect a generally solid market, however, and the maintenance of housing values across the metro area. Prices have slipped only slightly compared to the market peak in 2006 and 2007, and are up over 6% on average for the year-to-date compared to this time last year.

The area employment picture is a mixed bag, with modest payroll employment growth (about 1.5% in May compared to May of last year), but an unemployment rate that remains considerably elevated over year-ago levels. Still, the area is one of the few in Texas to come through the recent recession with little or no job loss. At its worst, employment declined by around 1% late in 2009 and has since posted a moderate recovery and return to positive (though not overly stimulative) growth rates.

General spending and employment are always the long-term driving force behind local economic growth, and the long-term growth in the McAllen Economic Index -- the McAllen metro area general economy -- will be pegged to a stronger recovery in these two pivotal local economic sectors. The national recovery appears to have stalled, at least to some degree, and the flagging US economic picture will continue to serve as a drag on the McAllen area economy as well.

## Key Points