

McAllen Area ECONOMIC PULSE

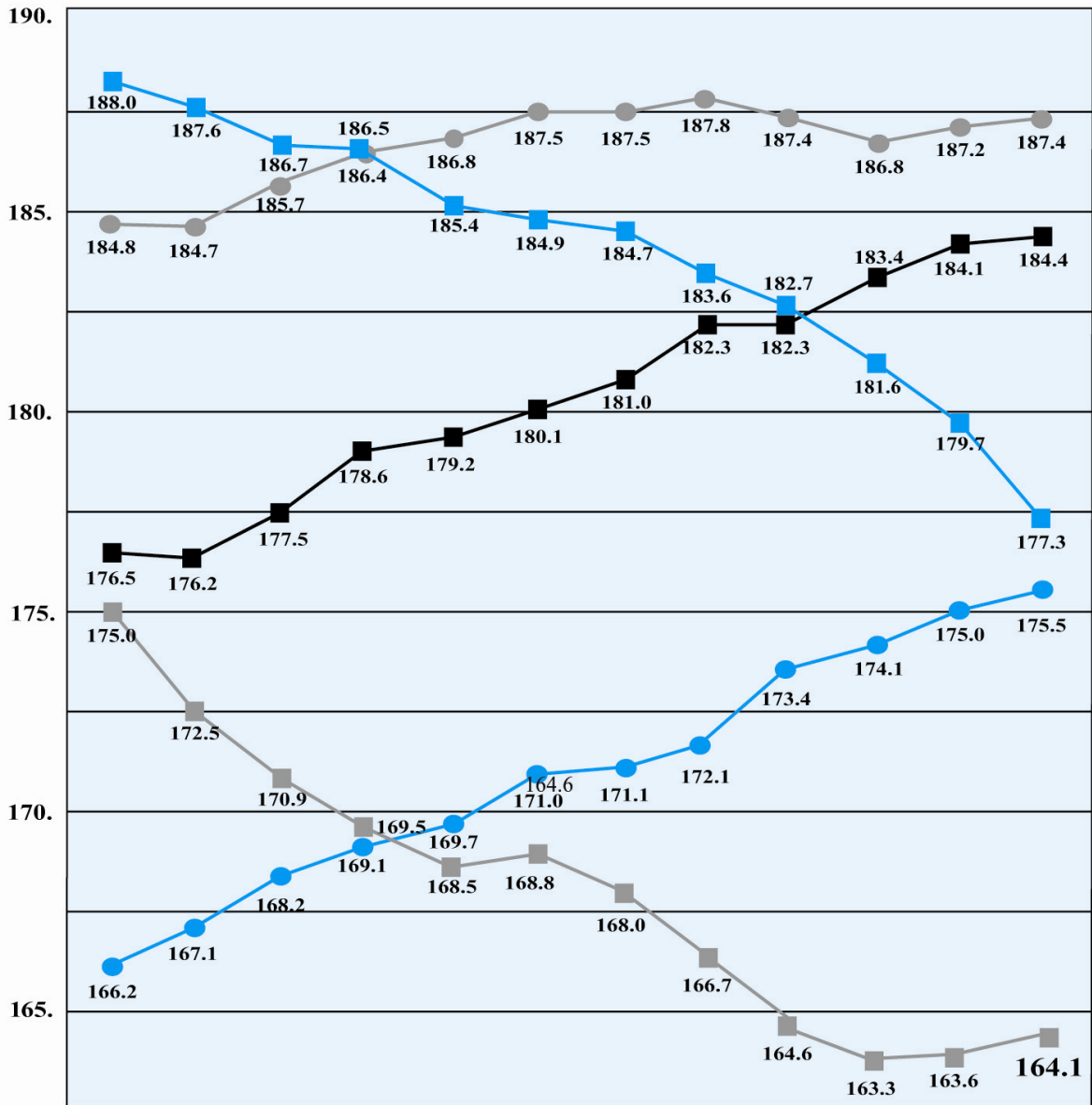
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December 2009 Economic Pulse

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.



Jan. Feb. Mar. Apr. May Jun. Jul. Aug. Sept. Oct. Nov. Dec.

● 2005 ■ 2006 ● 2007 ■ 2008 ■ 2009

The McAllen Area Economy

ECONOMIC INDICATORS	THIS YEAR December 2009	LAST YEAR December 2008	% CHANGE 12/08 - 12/09
Retail Sales (\$000's - 4th Quarter in 1995\$)	\$883,954	\$925,852	-4.5%
Retail Sales (\$000's - Annual)	\$3,225,675	\$3,475,909	-7.2%
Dollars Spent on Auto Purchases (\$000's - 4th Qtr in 1995\$)	\$184,329	\$218,228	-15.5%
Dollars Spent on Auto Purchases (\$000's - Annual)	\$825,578	\$1,110,453	-25.7%
Lodging Tax Receipts (4th Quarter)	\$983,301	\$913,672	7.6%
Lodging Tax Receipts (Annual)	\$3,566,640	\$3,975,332	-10.3%
Airline Boardings (4th Qtr)	89,139	88,425	0.8%
Airline Boardings (Annual)	369,946	385,586	-4.1%
Value All Construction Permits (4th Qtr)	\$68,242,655	\$93,721,237	-27.2%
Value All Construction Permits (Annual)	\$327,874,872	\$561,043,414	-41.6%
New Home Permits (4th Qtr)	307	248	23.8%
New Home Permits (Annual)	1,216	1,270	-4.3%
Home Sales (4th Qtr)	592	512	15.6%
Home Sales (Annual)	2,270	2,602	-12.8%
Average Home Sale Price (4th Qtr)	\$125,009	\$127,405	-1.9%
Average Home Sale Price (Annual)	\$119,352	\$120,263	-0.8%
Hidalgo Bridge Crossings (4th Qtr)	1,635,989	1,659,972	-1.4%
Hidalgo Bridge Crossings (Annual)	6,091,254	6,499,632	-6.3%
Peso Exchange Rate (December)	\$13.15	\$14.60	-9.9%
Employment			
Wage & Salary Employment (December)	224,200	222,400	0.8%
Wage & Salary Employment (Annual Avg)	220,200	218,600	0.7%
Unemployment Rate (December)	11.7	9.0	N/A
Unemployment Rate (Annual Average)	10.6	7.3	N/A
INDEX - December (Base=100 Jan 1996)	164.1	177.3	-7.4%

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
(Not adjusted for inflation)

Percent Export Sales
of Total Sales

	December 2009	Total Retail Sales	Percent Export Sales
	\$36,317	\$545,753	6.7%
YTD 2009	\$322,997	\$4,535,331	7.1%

2009 was a year of continued general decline in the McAllen metro area economy; however, the McAllen Economic Index turned upward at year-end, increasing in both November and December, and finishing the year at 164.1, up from 163.6 in November, but down 7.4% compared to the December 2008 MEI of 177.3.

Housing indicators drove the improvement in the index at year-end, with new housing construction permits up well over 20% in the 4th quarter (year-over-year), and existing home sales improving by about 15% compared to the 4th quarter of 2008. Both finished lower for the year as a whole, however.

Consumer spending declined considerably in 2009 with inflation-adjusted retail spending falling by over 7% compared to 2008. Spending declined in the 4th quarter as well, though the 4.5% year-over-year decrease was the smallest of the four quarters of '09.

Auto sales declined each of the 12 months of '09 compared to the prior year, and the sector as a whole finished down over 25% compared to 2008 in terms of inflation-adjusted spending on new and used automobiles. Fourth quarter spending was down about 15%, but again, that was a smaller margin of decline than the previous three quarters of the year.

Construction activity in the metro area declined sharply in 2009 with the valuation of all building permits issued falling by over 40% compared to 2008, the third consecutive year of decline. The \$328 million in permit valuations was the lowest annual total since 1998, and the fourth quarter valuation total was the lowest since 1996.

Border activity as represented by Hidalgo bridge crossings has been on the wane for several years now, and posted another 6.3% decrease in 2009. The peso has generally devalued over that period of time as well, and 2009 reflected the lowest peso value on average over the history of the index dating back to 1995, cutting into the purchasing power of the peso and negatively affecting border-related spending in the metro area.

The McAllen area unemployment rate has risen considerably over the last two years, and averaged over 10% in 2009. Payroll employment -- the number of jobs estimated to exist in the metro area -- continued to indicate very modest improvement through year-end, a trend that appears to buck other measurable sectors of the local economy. The Texas Workforce Commission will issue revised 2008 and 2009 data over the next few weeks that may shed more light on the area's true employment situation during the recession year of 2009.

Key Points