



# The McAllen Area Economy

| ECONOMIC INDICATORS                    | THIS YEAR<br>February 2006 | LAST YEAR<br>February 2005 | % CHANGE<br>02/05 - 02/06 |
|--|----------------------------|----------------------------|---------------------------|
| Retail Sales (000's - Month in 1995\$) | \$249,764                  | \$229,181                  | 9.0%                      |
| Retail Sales (000's - Year)            | \$489,147                  | \$463,265                  | 5.6%                      |
| Motor Vehicle Tax Receipts (Month)     | \$80,147                   | \$69,707                   | 15.0%                     |
| Motor Vehicle Tax Receipts (Year)      | \$160,498                  | \$135,622                  | 18.3%                     |
| Lodging Tax Receipts (Year)            | \$494,797                  | \$466,607                  | 6.0%                      |
| Airline Boardings (Month)              | 31,684                     | 28,626                     | 10.7%                     |
| Airline Boardings (Year)               | 61,920                     | 56,757                     | 9.1%                      |
| Value All Construction Permits (Month) | \$57,398,455               | \$105,167,711              | -45.4%                    |
| Value All Construction Permits (Year)  | \$109,930,381              | \$142,173,831              | -22.7%                    |
| New Home Permits (Month)               | 269                        | 276                        | -2.5%                     |
| New Home Permits (Year)                | 528                        | 492                        | 7.3%                      |
| Home Sales (Month)                     | 150                        | 147                        | 2.0%                      |
| Home Sales (Year)                      | 298                        | 301                        | -1.0%                     |
| Average Home Sale Price (Month)        | \$126,793                  | \$115,083                  | 10.2%                     |
| Average Home Sale Price (Year)         | \$117,985                  | \$107,376                  | 9.9%                      |
| Hidalgo Bridge Crossings (Month)       | 521,369                    | 511,846                    | 1.9%                      |
| Hidalgo Bridge Crossings (Year)        | 1,083,452                  | 1,060,424                  | 2.2%                      |
| Peso Exchange Rate (Month)             | 10.70                      | 11.05                      | -3.2%                     |
| <b>Employment</b>                      |                            |                            |                           |
| Wage & Salary Employment (Month)       | 202,500                    | 192,100                    | 5.4%                      |
| Wage & Salary Employment (YTD Avg)     | 201,800                    | 191,000                    | 5.7%                      |
| Unemployment Rate (Month)              | 7.7                        | 8.9                        | N/A                       |
| Unemployment Rate (YTD Average)        | 7.8                        | 9.1                        | N/A                       |
| <b>INDEX (Base=100 Jan 1996)</b>       | <b>176.5</b>               | <b>167.1</b>               | <b>5.6%</b>               |

The McAllen Economic Index in February declined just very slightly to 176.5, down from 176.6 in January, due likely to a statistical anomaly caused by the drop in February building permit valuations compared to February of a year ago; the slight dip in the index is of no concern at all, and is almost certainly a temporary, one-month phenomenon as other indicators are very strong, particularly consumer spending and job growth. In addition, the February index is a stout 5.6% improved over February of a year ago.

February building permit valuations in the four cities (McAllen, Edinburg, Mission & Pharr) were not 'low' as such -- the February '05 valuation was extraordinarily high; so again, the drop is not worrisome either in the building sector or in the McAllen Economic Index. A high level of construction activity continues across the McAllen metro area, but the impact to the index of last year's high February total dropped off with the February 2006 calculations.

The two most important sectors of the economy -- consumer spending and employment -- continue to exhibit impressive growth with inflation-adjusted retail sales up 9% in February compared to February '05, and the year-to-date sales figure up 5.6%; year-over-year job growth remains well over 5%, with an estimated 10,400 jobs added over the last 12 months.

The auto sector is booming in early 2006, with inflation-adjusted sales of new and used automobiles up over 18% in February and nearly 17% for the first two months of the year compared to 2005 sales figures.

Homebuilding continues to post solid numbers -- the number of new home permits issued in February was down slightly from a year ago, but last year's number was a strong February number, and the total for January and February is outpacing the same period in 2005 by over 7%

The number of existing homes sold across the metro area is in a statistical dead heat with year-ago numbers; however last year's January-February sales were the highest ever by a significant margin, so the housing market remains very strong, active and vibrant. Further, prices are up about 10%, so the total dollar volume in early 2006 is a record number.

Texas border economies remain the strongest in the state, and more importantly, have been steadily strong over a long period of time, as opposed to being subjected to cycles of boom and bust. The McAllen and Laredo economies have been neck-and-neck in terms of the growth patterns, and have generally been at the top of the list in job growth.

## Key Points