



Border Business Briefs

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The University of Texas–Pan American

Welcome To *Border Business Briefs*

Welcome to the spring issue of Border Business Briefs. In this issue, the Center for Border Economic Studies (CBEST) at The University of Texas–Pan American continues to monitor the major indicators of economic activity throughout Cameron and Hidalgo counties, the respective metropolitan statistical areas (MSAs), and some other Texas–Mexico border communities.

Overall, the economy of Cameron and Hidalgo counties expanded during the fourth quarter of 2004. Most economic indicators were generally on the rise relative to the fourth quarter of 2003. Gross sales continued to grow, unemployment maintained its downward trend, exports and imports through the counties' ports increased and the educational attainment of area residents significantly improved.

In February, CBEST released its first annual forecast of the key economic indicators that impact the economy of the South Texas Border Region. The forecast paints a bright picture for the area's economy over the next year: total employment growth rates are predicted to increase faster than the state average, retail sales growth is expected to surpass increases at the national and state levels and construction activity is projected to follow a similar path. To get a copy of the *Economic Analysis & Forecast* report, contact CBEST office at 956/318-5371.

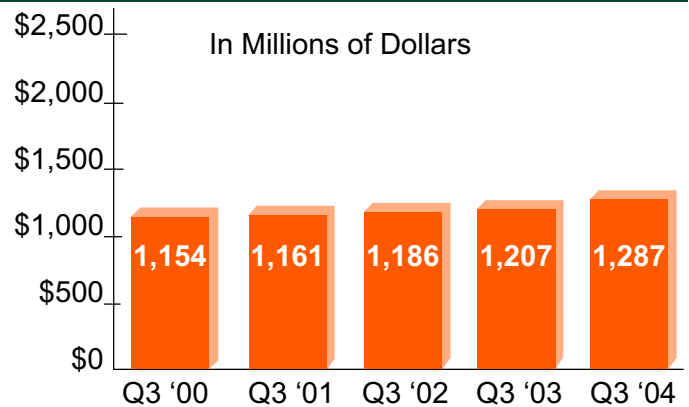
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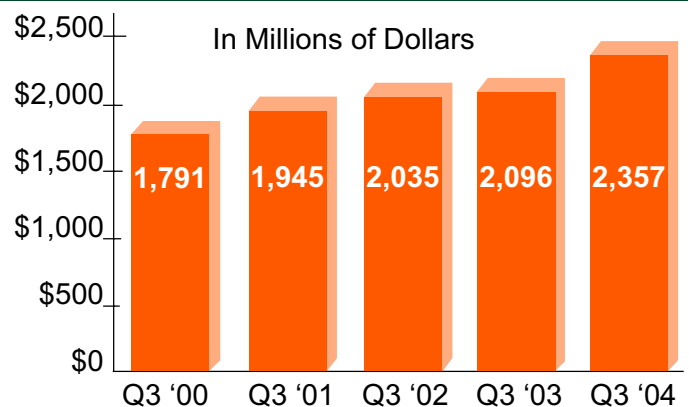
SALES CONTINUE INCREASE

Overall, gross sales have consistently increased between the third quarter of 2000 and the third quarter of 2004. The increase has been most pronounced for the McAllen-Edinburg-Mission MSA where sales increased by 31.5 percent over that time period. In the Brownsville-Harlingen-San Benito MSA, the corresponding increase amounted to 11.6 percent.

Brownsville-Harlingen-San Benito MSA Gross Sales - Second Quarter (2000-2004)



McAllen-Edinburg-Mission MSA Gross Sales - Second Quarter (2000-2004)



Source: Texas Comptroller of Public Accounts

Sales figures for the Brownsville-Harlingen-San Benito and McAllen-Edinburg-Mission MSAs reveal a heavy dependence of the cities' economies on retail trade which accounts for around 60 percent of total sales. Gross sales for the Brownsville area increased by 6.6 percent between the third quarters of 2003 and 2004. Similarly, the McAllen area boasted an increase of 12.5 percent over the same time period.

Gross Sales by Industry and MSA

Gross Sales Q3 04 (in millions of dollars)			
Industry	Brownsville-Harlingen-San Benito MSA	McAllen-Edinburg-Mission MSA	
Manufacturing	135	152	
Wholesale Trade	164	281	
Retail Trade	770	1,480	
Services	105	165	
Other*	113	279	
All Industries	1,287	2,357	
Gross Sales Q3 03 (in millions of dollars)			
Industry	Brownsville-Harlingen-San Benito MSA	McAllen-Edinburg-Mission MSA	
Manufacturing	135	119	
Wholesale Trade	146	226	
Retail Trade	736	1,367	
Services	99	150	
Other*	91	234	
All Industries	1,207	2,096	
Change	6.6%	12.5%	

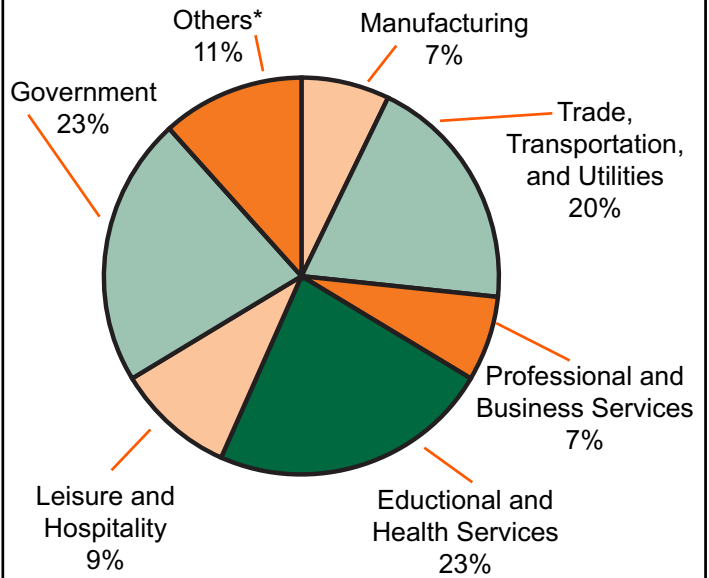
* The "Other" category includes the following sectors, each of which accounts for less than five percent of gross sales: Agriculture, Construction, Transportation, Finance and Mining.
Source: Texas Comptroller of Public Accounts.

EMPLOYMENT

In December 2004, total employment stood at 131,335 for Cameron County and at 216,266 for Hidalgo County. This represented a 1.7 percent and 4 percent increase in em-

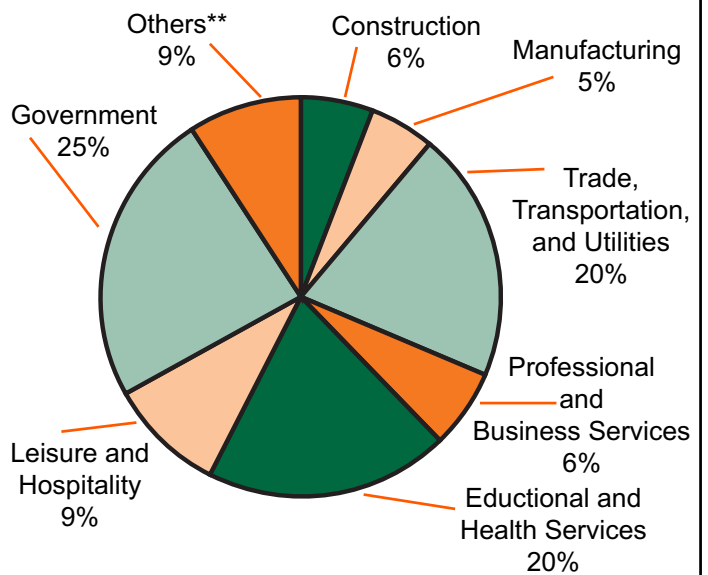
Brownsville-Harlingen-San Benito MSA

Non-Farm Employment by Sector



McAllen-Edinburg-Mission MSA

Non-Farm Employment by Sector



* "Others" category includes the following sectors: Natural Resources, Mining, and Construction, Information, Financial Activities, and Other Services.

** "Others" category includes the following sectors: Natural Resources and Mining, Information, Financial Activities, and Other Services.

Source: Texas Workforce Commission



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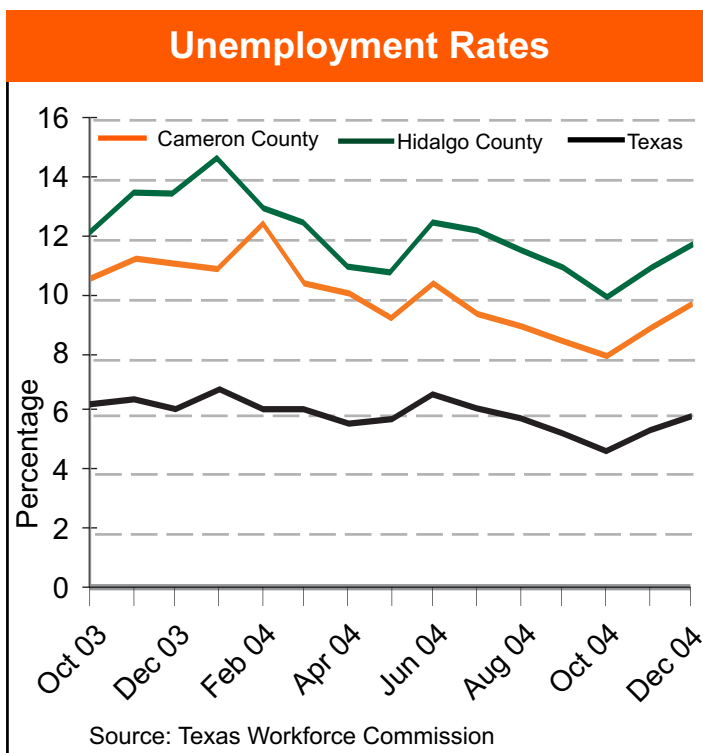
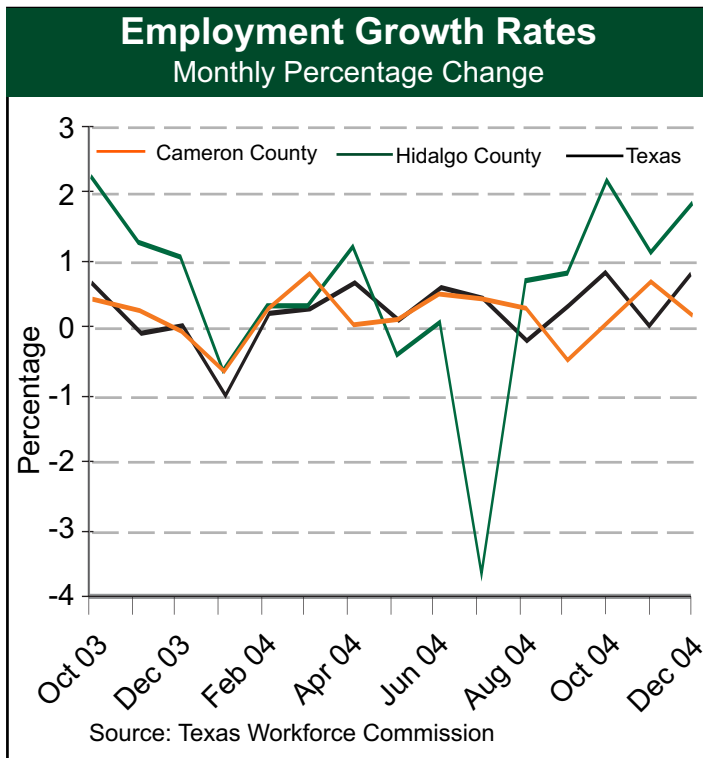
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- Roland S. Arriola**, Vice President, Division of External Affairs
- Dr. Cynthia J. Brown**, Director, CBEST
- Dr. Suad Ghaddar**, Research Associate, CBEST
- Jayshree Bhat**, Research Assistant, CBEST
- Jorge Manzano**, Associate Director, CoSERVE
- Raymundo Valdés**, Coordinator, Mexican Business Information Center
- Arnoldo Mata**, Graphics/layout

Center for Border Economic Studies, The University of Texas-Pan American, 1201 W. University Dr., Edinburg, TX 78541, 956/318-5371, Web site: www.c-best.org.

ployment figures from December 2003 for Cameron and Hidalgo counties, respectively. For the fourth quarter of 2004, the government sector (mainly local government) accounted for nearly a quarter of non-farm employment in both counties. Trade, transportation and utilities (primarily retail trade) and educational and health services represented around a fifth of non-farm employment each.

In December 2004, unemployment hovered at 9.3 and 11.6 percent for Cameron and Hidalgo counties, respectively, compared to rates of 11.1 and 13.5 percent in December 2003. While such rates are higher than those reported for the state of Texas (5.4 percent in December 2004), the decrease in the unemployment rate for Cameron and Hidalgo counties from December 2003 relative to December 2004 exceeded the corresponding decrease for Texas: unemployment rates decreased by 16 and 14 percent for Cameron and Hidalgo counties, respectively, as compared to a 10 percent decrease for Texas. This higher rate of decrease has helped narrow the gap between the unemployment figures of the two counties and those of the state. Monthly employment growth fluctuations for Cameron County, more or less, mirror those at the state level. However, employment growth and declines for Hidalgo County seem to be more exaggerated than those of Texas.



ACCRA Cost of Living Index Q4 2004

	Harlingen	McAllen
Total* (100%)	85.9	83.8
Grocery (14%)	79.0	80.7
Housing (29%)	75.8	70.8
Utilities (10%)	88.8	92.4
Transportation (10%)	100.0	88.8
Health (4%)	96.7	84.3
Miscellaneous (33%)	91.7	92.5
Average rent**	\$618	\$590
Average home price***	\$198,060	\$184,922

*The national average cost for each index area is set at "100", and the indices for each place are then calculated based upon their relation to that average.

**Average rent: two bedrooms, excluding all utilities except water, 1½ or 2 baths, 950 sq. ft.

***Average home price: 2,400 sq. ft. living area, new house, 8,000 sq. ft. lot, 4 bedrooms, 2 baths.

Source: ACCRA (American Chamber of Commerce Researchers Association) Cost of Living Index.

BANKING INDICATORS

The banking sector generally showed signs of growth in both counties between the fourth quarter of 2003 and that of 2004. Bank deposits within the Brownsville-Harlingen-San Benito MSA grew by almost seven percent, with the largest increases in dollar and percentage terms taking place in Brownsville and San Benito, respectively. Within the McAllen-Edinburg-Mission MSA, the city of Edinburg led the growth in bank deposits in percentage terms, while McAllen led the growth in dollar terms, for an overall four percent increase in banking deposits for that MSA.

Bank Deposits Brownsville-Harlingen-San Benito MSA

(in millions of dollars)

	Brownsville	Harlingen	San Benito	MSA Total
Oct-04	\$2,180	\$808	\$212	\$3,200
Nov-04	\$2,206	\$810	\$214	\$3,230
Dec-04	\$2,228	\$811	\$217	\$3,256
Q4 04	\$2,205	\$810	\$214	\$3,229
Oct-03	\$2,002	\$837	\$141	\$2,980
Nov-03	\$2,060	\$829	\$134	\$3,023
Dec-03	\$2,059	\$833	\$162	\$3,054
Q4 03	\$2,040	\$833	\$148	\$3,019
Change	8.1%	-2.8%	47.1%	6.9%

Bank Deposits McAllen-Edinburg-Mission MSA

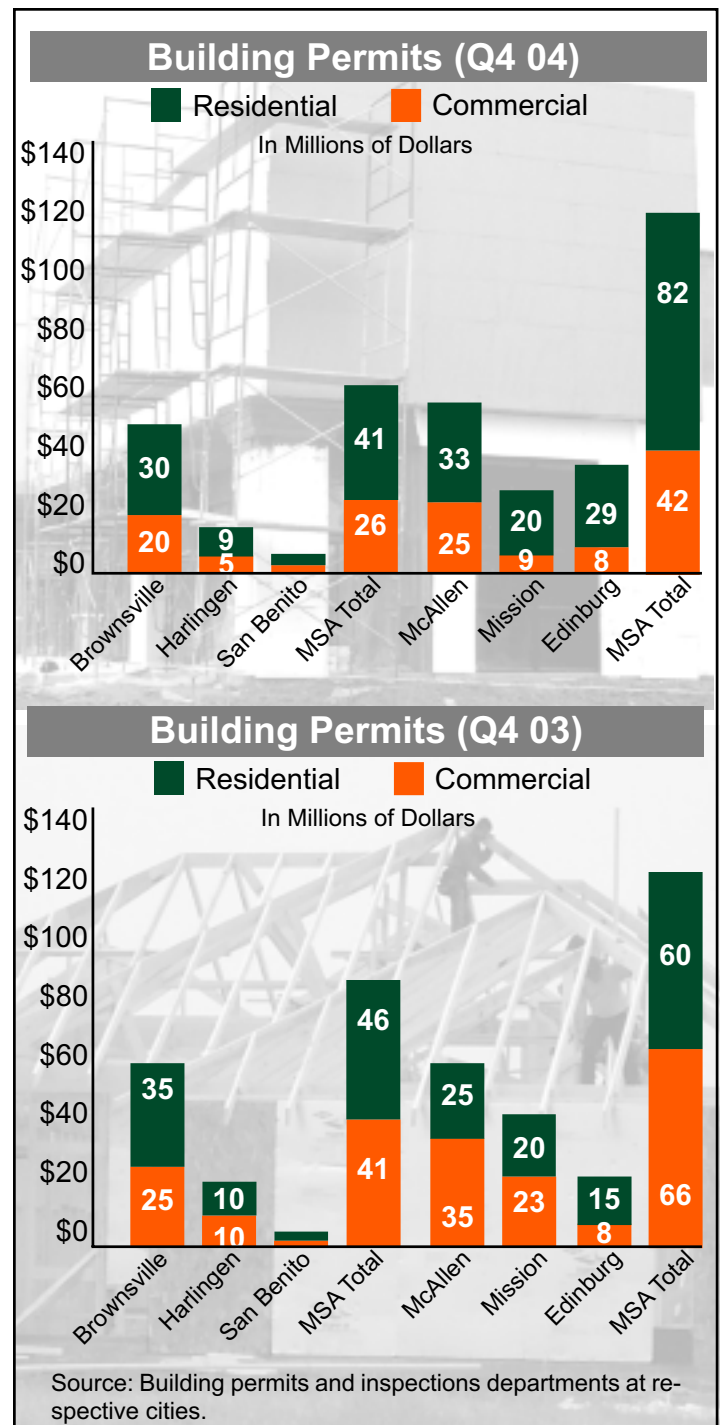
(in millions of dollars)

	McAllen	Edinburg	Mission	MSA Total
Oct-04	\$3,559	\$598	\$690	\$4,847
Nov-04	\$3,580	\$592	\$694	\$4,866
Dec-04	\$3,608	\$611	\$704	\$4,923
Q4 04	\$3,582	\$600	\$696	\$4,879
Oct-03	\$3,543	\$532	\$701	\$4,776
Nov-03	\$3,394	\$555	\$717	\$4,666
Dec-03	\$3,440	\$544	\$642	\$4,626
Q4 03	\$3,459	\$544	\$687	\$4,689
Change	3.6%	10.4%	1.4%	4.0%

Source: Rio Grande Valley Partnership

BUILDING PERMITS

Overall, construction activity slightly declined in the fourth quarter of 2004 relative to that of 2003 as evidenced by the dollar value of building permits issued by the respective cities. The decrease in the Brownsville-Harlingen-San Benito MSA was 11 percent for residential permits and 36.6 percent for commercial permits. For the McAllen-Edinburg-Mission MSA, residential permits increased by 36.7 percent while commercial permits decreased by 36.4 percent.



EXPORT/IMPORT ACTIVITY

Around a fifth of Texas trade activity, whether exports or imports, passes through the ports of Cameron and Hidalgo counties. The fourth quarter of 2004 shows a decrease of about two percent in the level of exports through Cameron and Hidalgo county ports relative to the same quarter in

2003. Texas export activity, however, exhibited an 11.7 increase over the same time period. Import activity, on the other hand, increased by 6.8 percent through the two-county ports, compared to an 11.1 percent increase at the state level.

Total U.S. Export Trade Activity Through Cameron and Hidalgo County Ports*

	(in millions of dollars)				
	Q4 04	% of TX Export Trade Activity	Q4 03	% of TX Export Trade Activity	Change
Brownsville	1,404	9.6%	1,367	10.4%	2.9%
Hidalgo	1,672	11.4%	1,787	13.6%	-6.4%
Progreso	34	0.2%	30	0.2%	13.3%
2-County Total	3,113	21.2%	3,183	24.2%	-2.2%
Texas Total	14,703	100%	13,160	100%	11.7%

Total U.S. Import Trade Activity Through Cameron and Hidalgo County Ports*

	(in millions of dollars)				
	Q4 04	% of TX Import Trade Activity	Q4 03	% of TX Import Trade Activity	Change
Brownsville	1,313	7.0%	1,227	7.2%	7.0%
Hidalgo	2,565	14.1%	2,488	14.6%	6.8%
Progreso	2	0.0%	3	0.0%	-33.3%
2-County Total	3,972	21.1%	3,718	21.9%	6.8%
Texas Total	18,863	100%	16,985	100%	11.1%

*Total export (import) trade activity through the Texas-Mexico border has two components: exports to (imports from) Mexico and exports whose final destination (country of origin) is a country other than Mexico (transshipment). The total export (import) trade activity figure, however, can be used interchangeably with exports to (imports from) Mexico, since the latter figure constitutes more than 95 percent of the total.

Source: Texas Centers for Border Economic and Enterprise Development, Texas A&M International University, The University of Texas-Pan American and The University of Texas-El Paso.

POPULATION

Population by Age and Sex

Age	Cameron County 2003			Hidalgo County 2003		
	Male	Female	Total	Male	Female	Total
Under 20	69,160	66,459	135,619	125,872	120,816	246,688
20-49	69,263	75,026	144,289	120,533	133,673	254,206
50-64	17,332	23,707	41,039	31,393	36,690	68,083
65 +	16,431	21,516	37,947	26,807	33,692	60,499
Total	172,186	186,708	358,894	304,605	324,871	629,476

	Cameron County 2008*			Hidalgo County 2008*		
	Male	Female	Total	Male	Female	Total
Total	192,834	206,263	399,097	349,783	362,319	712,102
Change	12.0%	10.5%	11.2%	14.8%	11.5%	13.1%

* Projections assume rates of net migration one-half of those of the 1990s.

Source: U.S. Census Bureau, 2003 American Community Survey estimates; Texas State Data Center and Office of the State Demographer.

TRANSPORTATION

Air Ports of Entry – Passenger Statistics

	Q4 04	Q4 03	Change
Brownsville	34,037	30,970	9.9%
Harlingen	204,239	185,075	10.4%
McAllen	162,717	149,818	8.6%
Laredo	46,330	39,436	17.5%
El Paso	805,461	741,743	8.6%

Source: Respective Airports.

Land Ports of Entry Border Crossings Southbound Traffic				Land Ports of Entry Border Crossings Northbound Traffic			
	Q4 04	Q4 03	Change		Q4 04	Q4 03	Change
Trucks				Trucks			
Rio Grande Valley *	161,408	147,156	9.7%	Rio Grande Valley *	171,979	163,767	5%
El Paso	73,750	74,584	-1.1%	El Paso	NA	171,374	-
Laredo	381,705	366,649	4.1%	Laredo	340,594	337,856	0.8%
Rail				Rail			
Rio Grande Valley	8,500	11,648	-27%	Rio Grande Valley	2,273	1,518	49.7%
El Paso	0	0	-	El Paso	NA	5,737	-
Laredo	90,635	54,503	66.3%	Laredo	42,083	42,635	-1.3%
Vehicles				Vehicles			
Rio Grande Valley	4,064,092	4,036,493	0.7%	Rio Grande Valley	4,135,272	4,115,912	0.5%
El Paso	1,153,530	1,189,075	-3%	El Paso	1,864,497	1,930,611	-3.4%
Laredo	1,807,928	1,866,182	-3.1%	Laredo	1,746,185	1,797,744	-2.9%
Pedestrians				Pedestrians			
Rio Grande Valley	1,263,301	1,292,721	-2.3%	Rio Grande Valley	1,432,897	1,503,766	-4.7%
El Paso	1,686,998	1,369,322	23.2%	El Paso	1,967,787	2,049,329	-4%
Laredo	1,113,975	1,105,120	0.8%	Laredo	1,252,580	1,226,995	2.1%

Source: Texas Centers for Border Economic and Enterprise Development, Texas A&M International University, The University of Texas-Pan American and The University of Texas-El Paso.

* Rio Grande Valley includes land ports of entry in Cameron and Hidalgo counties.

EDUCATION

The educational attainment of Valley residents has tremendously improved between 2000 and 2003. Based on Census 2000 and the 2003 American Community Survey estimates, the percentage of the population 25 years and over with no high school degree decreased by 10 percent in Cameron County and by 20 percent in Hidalgo County. Corresponding to this decrease was an increase in the number of high school graduates, as well as holders of associate's, bachelor's and graduate degrees in Cameron County. In Hidalgo County the increase was primarily among high school graduates, those with some college, and associate's and bachelor's degree holders. These numbers are consistent with the increase in enrollment at institutions of higher education throughout the two counties. Overall, student enrollment increased by almost 40 percent between the spring semesters of 2001 and 2005.

Educational Attainment

(Percentage of the population 25 years and over)

Cameron County

	2003*	2000**	Change
No high school degree	40.0	44.8	-10.6%
High school graduate	22.5	20.1	11.9%
Some college, no degree	15.2	17.5	-13.1%
Associate's degree	4.6	4.3	7.5%
Bachelor's degree	10.9	8.4	29.1%
Graduate or professional degree	6.8	4.9	38.2%

Hidalgo County

	2003*	2000**	Change
No high school degree	39.7	49.6	-19.9%
High school graduate	27.7	20.2	37.0%
Some college, no degree	16.0	14.5	10.7%
Associate's degree	3.1	2.9	8.4%
Bachelor's degree	8.9	8.4	6.3%
Graduate or professional degree	4.6	4.5	1.3%

* Based on 2003 American Community Survey estimates.

** Based on Census 2000.

Source: U.S. Census Bureau.

Student Enrollment at Institutions of Higher Education in South Texas Region

	Spring 2005	Spring 2001	Change
UTB-TSC	12,090	9,002	34%
TSTC	4,531	3,134	45%
UTPA	16,154	12,210	32%
STC	16,827	11,358	48%
Total	49,602	35,704	39%

Source: Institutional Effectiveness Offices at respective institutions.

UTB-TSC: University of Texas-Brownsville and Texas Southmost College

TSTC: Texas State Technical College

UTPA: The University of Texas-Pan American

STC: South Texas College

THE OTHER SIDE OF THE BORDER

Cameron and Hidalgo counties are adjacent to the State of Tamaulipas on the Mexican side. Within 30 miles of the two counties' border lives more than one million of Tamaulipas' population. Mexican nationals from Tamaulipas as well as other neighboring states, mainly Nuevo Leon, contribute tremendously to the Rio Grande Valley's retail, real estate and banking sectors.

A key component of Tamaulipas' economy is the maquiladora industry. Over the period extending from the fourth quarter of 2003 to the fourth quarter of 2004, the number of maquiladoras in Mexico has slightly increased from 2,791 plants in the fourth quarter of 2003 to 2,816 in the fourth quarter of 2004. Other Mexican border states generally exhibited a similar trend, with the number of plants increasing by 2.4 percent over the same time period. In the state of Tamaulipas, however, the number of maquiladoras decreased by 4.3 percent. On the other hand, employment at maquiladoras did not reflect this trend. Employment generally increased, with the state of Tamaulipas showing a 7.9 percent increase in the number of employees between the fourth quarters of 2003 and 2004.

Maquiladora Industry

Number of Established Plants

Number of Employees

Period	Number of Established Plants			Number of Employees		
	Mexico	Border States	Tamaulipas	Mexico	Border States	Tamaulipas
Q4 03	2,791	2,024	369	1,062,625	825,270	162,822
Q1 04	2,809	2,046	372	1,067,171	829,992	165,473
Q2 04	2,815	2,055	367	1,111,833	863,613	171,274
Q3 04	2,804	2,062	355	1,133,492	878,837	176,493
Q4 04	2,816	2,072	353	1,134,709	879,677	175,715
Q4 change	0.9%	2.4%	-4.3%	6.8%	6.6%	7.9%

Source: INEGI. Estadística de la Industria Maquiladora de Exportación.