



Border Business Briefs

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Hidalgo County: 8% ↑

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GROSS SALES

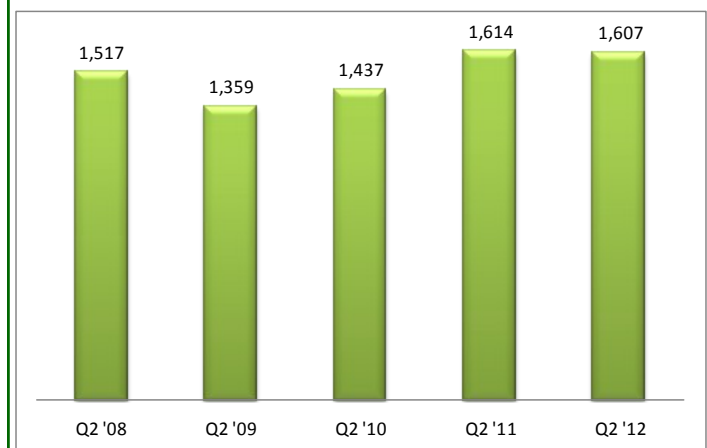
Overall, gross sales increased between the second quarter of 2008 and the corresponding quarter of 2012. In Cameron county sales increased by six percent, while in Hidalgo County the increase was five percent over the same time period.

Relative to the second quarter of 2011, Cameron County's gross sales remained flat in the second quarter of 2012.

Cameron County Gross Sales

Second Quarter (2008-2012)

In Millions of Dollars*



Hidalgo County Gross Sales

Second Quarter (2008-2012)

In Millions of Dollars*



*Not adjusted for inflation

Source: Texas Comptroller of Public Accounts

Hidalgo County posted an increase of eight percent over the same time period. Most sectors experienced increased economic activity but the manufacturing sector recorded the largest income. In Hidalgo County the largest increase was seen in the manufacturing and the accommodation/food service sectors.

Trade continues to dominate the economy of both counties, with retail and wholesale trade accounting for sixty-

six percent of gross sales in Cameron County and sixty-nine percent in Hidalgo County.

Changes in sales tax revenues were consistent across Valley cities in the third quarter of 2012 relative to the same period in 2011. The cities of Brownsville, Harlingen and McAllen posted increases in sales revenues of six, nine, and sixteen percent respectively.

Gross Sales by County and Industry

In Millions of Dollars

Cameron County			
	Q2 '12	Q2 '11	Change
Construction	65	89	-27%
Manufacturing	181	158	14%
Wholesale Trade	160	186	-14%
Retail Trade	900	895	1%
Accom./Food Services	129	119	9%
Other Services*	131	125	5%
Other**	40	42	-5%
All Industries***	1,607	1,614	0%
Hidalgo County			
	Q2 '12	Q2 '11	Change
Construction	123	119	3%
Manufacturing	280	253	11%
Wholesale Trade	488	471	4%
Retail Trade	2,110	1,953	8%
Accom./Food Services	237	216	10%
Other Services*	399	362	10%
Other**	107	96	12%
All Industries***	3,743	3,469	8%

* The "Other Services" category includes the following sectors, each of which accounts for less than two percent of gross sales: Information; Finance and insurance; Real Estate; Professional, scientific and technical services; Management of companies and enterprises; Administrative, support, waste, management and remediation services; Educational services; Healthcare and social assistance; Arts, entertainment and recreation services; among others.

** The "Other" category includes the following sectors, each of which accounts for less than two percent of gross sales: Agriculture; Mining; Utilities; Transportation and warehousing; and Public administration.

*** Totals may not add up due to rounding and disclosure issues.

Source: Texas Comptroller of Public Accounts

Sales Tax Revenues*

In Thousands of Dollars

	Q3 '12	Q3 '11	Change
Brownsville	\$8,434	\$7,915	6.6%
Harlingen	\$5,019	\$4,577	9.7%
McAllen	\$15,123	\$13,033	16.0%

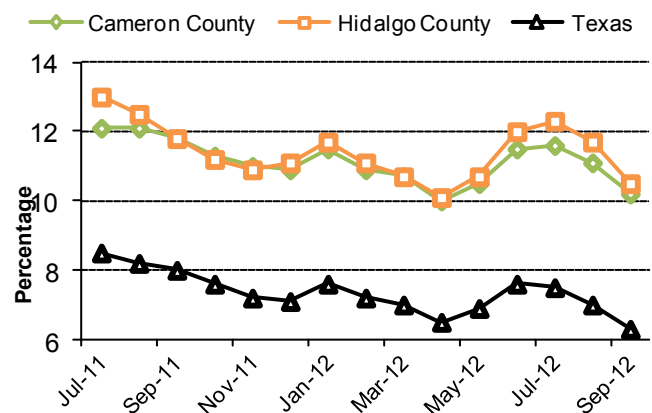
*Sales tax revenues reflect the total dollars returned to a local sales taxing city by the Comptroller's office for their local sales tax collection. City tax for the three above cities amount to two percent of sales. Allocation amounts generally represent taxes collected on sales made two months or more prior to the allocation payment.

Source: Texas Comptroller of Public Accounts

EMPLOYMENT

In September 2012, total employment stood at 142,253 for Cameron County and at 279,843 for Hidalgo County. This represented a 0.9 and a 2.1 percent increase from September 2011 employment figures for Cameron and Hidalgo Counties respectively. These results were consistent with

Unemployment Rates*



Source: Bureau of Labor Statistics

* Not seasonally adjusted.

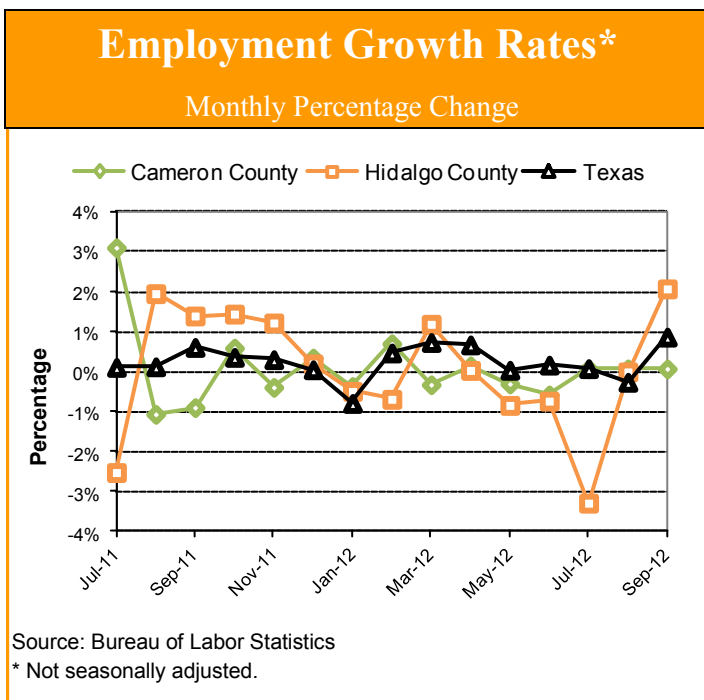
that for the state overall. For the entire state, net job growth was 2.8 percent.

By the end of the third quarter of 2012, the unemployment rate was 10.2 and 10.5 percent for Cameron and Hidalgo counties respectively, compared to rates of 11.8 for both counties in September 2011. Although both counties recorded similar employment growth rates as Texas, both counties continue to record higher unemployment levels than that for the state and the country as a whole. The Texas unemployment rate was 8.0 percent while the average for the country was 8.8 percent in September 2012 compared to 10.2 and 10.5 percent for Cameron and Hidalgo Counties respectively.

BANKING INDUSTRY

Total bank deposits in Cameron and Hidalgo counties increased between 2004 and 2012 rising from \$9.8 billion in June 2004 to \$13.6 billion in June 2012. This represents an annual average compound growth rate of 3.7%, significantly above average inflation rates over the period. However, the two-county deposit growth rate trailed that for the state of Texas which recorded annualized bank deposit growth of 7.6%. The number of banks operating in the two counties grew by 8 (26%) from 31 in 2004 to 39 in 2012. There was also an increase of offices over the period as the number of offices grew by 33% from 178 in 2004 to 237 by June 2012. These aggregated results mirror the relatively strong economic growth recorded in the area over the past eight years.

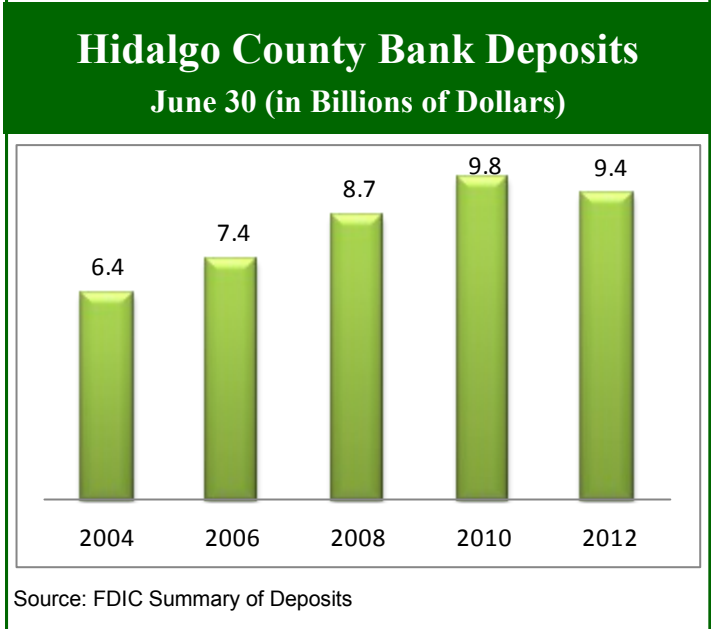
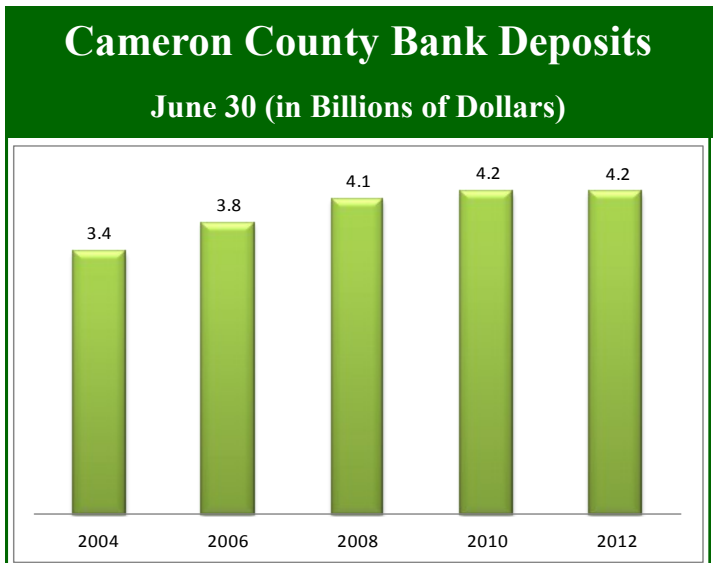
In June 2004, Texas State Bank (now Compass Bank) was



Employment			
	Sep. '12	Sep. '11	Change
Cameron County	142,253	143,768	-1.1%
Hidalgo County	279,843	279,728	0.0%
Texas	11,840,384	11,523,010	2.8%

Unemployment Rates (%)			
	Sep. '12	Sep. '11	Change
Cameron County	10.2	11.8	-13.6%
Hidalgo County	10.5	11.8	-11.0%
Texas	6.3	8.0	-21.3%
U.S.	7.6	8.8	-13.6%

Source: Bureau of Labor Statistics



the market leader in Cameron County with a 23.9% market share while Wells Fargo Bank was second with 19.5%. The rank of these two institutions changed as Wells Fargo Bank recorded the largest share of deposits in Cameron County with 22.3%. Compass Bank which held second place in 2011, saw its share fall to 15.1% coming in third behind International Bank of Commerce with 15.6%. Together, the five largest banks by market share in 2004 held 75.7% of total deposits in Cameron County but this fell to 69.4% in June 2012.

Compass Bank was the largest bank by deposits in Hidalgo County in 2012 with a 21.6% share as at June 2012. Texas State Bank (now Compass Bank) held the top spot in June 2004 with a 28.5% market share. However, unlike Cameron County, the concentration of deposits in the five largest banks by market share held relatively steady, moving from 74.7% in 2004 to 71.5% in 2012. Of note is that JP Morgan Chase Bank, one of the largest banks in the country, which was in the top-five banks in 2004 in both Cameron and Hidalgo counties was replaced in the top five by

a local bank in Hidalgo county. Also, Bank of America, the largest bank in the US, ranks no higher than 9th place in either county in 2004 or 2012. Citibank, the second largest US bank, does not have offices in either Cameron or Hidalgo County.

Although Cameron and Hidalgo counties are served by 39 banks (as at June 2012), deposits are skewed in favor of a few banks with the top-five banks in Cameron County and Hidalgo County holding 69.4% and 71.5% of deposits respectively in 2012. There is further deposit concentration as the two largest cities in each county, Brownsville

Banking Profile

Number of Institutions

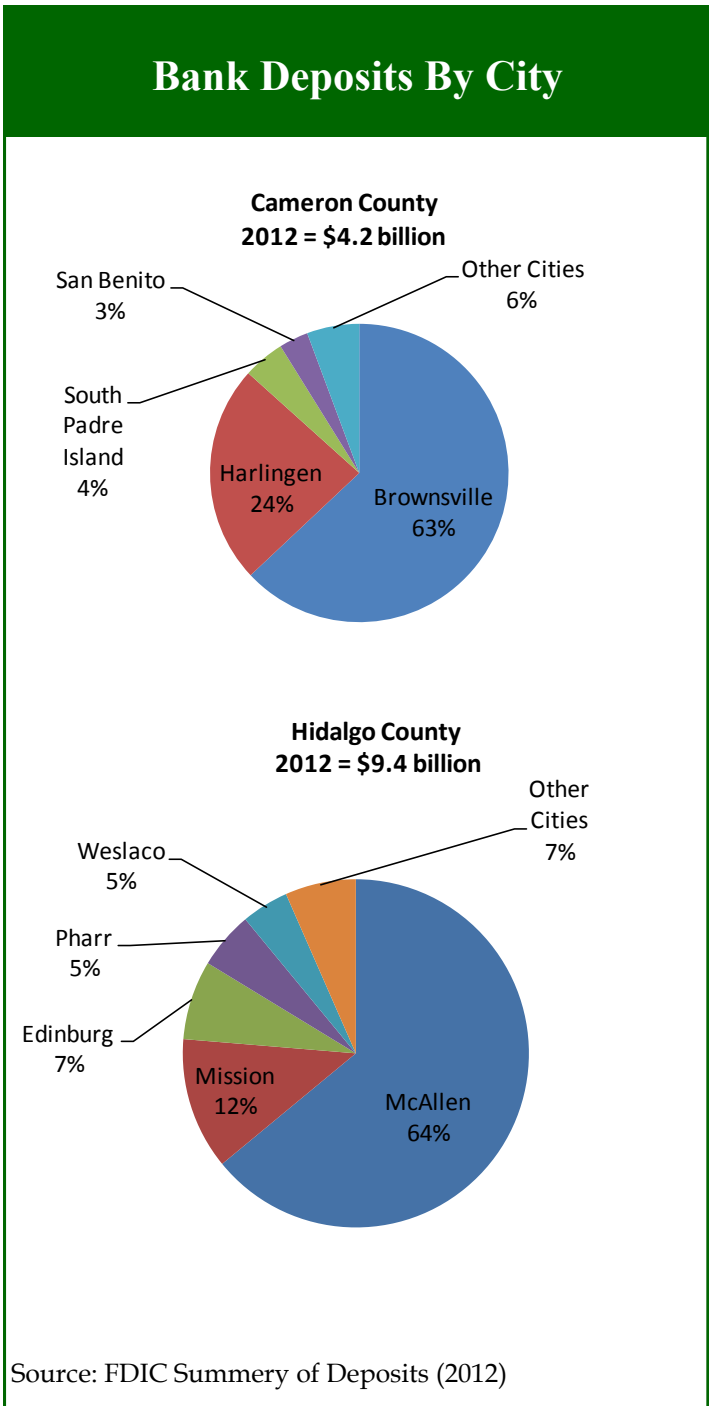
	Institutions in Market	Offices
Cameron County	19	84
Hidalgo County	20	153

Top 5 Banks by Deposits

Cameron County	Market Share
Wells Fargo Bank	22.3%
International Bank of Commerce	15.6%
Compass Bank	15.1%
JPMorgan Chase	8.5%
First National Bank	7.9%

Hidalgo County	Market Share
Compass Bank	21.6%
Inter National Bank	14.7%
Lone Star National Bank	13.3%
International Bank of Commerce	12.6%
First National Bank	9.3%

Source: FDIC Summary of Deposits (2012)



and McAllen, together accounting for 63.7% of total deposits in both counties in 2012.

The housing affordability index for several MLS areas in the two-county area indicates that housing in the area continues to be relatively affordable, especially when viewed against the fact that average income in the area lags both that for Texas and the U.S. as a whole. Home sales reported increases of 12.5 and 1.8 percent in Harlingen and McAllen respectively, and decreased by 0.5 percent in the Brownsville.

Bank Deposits (in Millions of Dollars)			
Cameron County			
City	June 30, 2012	June 30, 2011	Change
Brownsville	2,620	2,612	0.3%
Harlingen	985	1,029	-4.3%
South Padre Island	187	188	-0.5%
San Benito	132	129	2.3%
County Total*	4,160	4,170	-0.2%

Bank Deposits (in Millions of Dollars)			
Hidalgo County			
City	June 30, 2012	June 30, 2011	Change
McAllen	5,996	6,089	-1.5%
Mission	1,152	1,104	4.3%
Edinburg	692	844	-18.0%
Pharr	498	491	1.4%
Weslaco	412	404	2.0%
County Total*	9,367	9,525	-1.7%

*County Total includes bank Deposits in all cities within a county
Source: FDIC Summary of Deposits (2010 and 2011)

BUILDING PERMITS

Residential construction activity in the Lower Rio Grande Valley had mixed results in the third quarter of 2012 when compared to the same period in 2011. In Cameron County the number of permits issued increased by 5.6 percent and decreased by 14.8 percent in Hidalgo County. The dollar value of authorized housing units increased by 13.1 percent in Cameron county and decreased by 3.4 percent in Hidalgo county in the third quarter of 2012, compared to the same period in 2011.

New Privately Owned Housing Units Authorized by County			
Number of Units			
County	Q3 '12	Q3 '11	Change
Cameron	247	234	5.6%
Hidalgo	669	785	-14.8%
	YTD '12*	YTD '11*	
Cameron	730	699	4.4%
Hidalgo	2,210	2,311	-4.4%
Valuation (in thousands of dollars)			
County	Q3 '12	Q3 '11	Change
Cameron	\$25,287	\$22,351	13.1%
Hidalgo	\$105,522	\$109,282	-3.4%
	YTD '12*	YTD '11*	
Cameron	\$71,573	\$69,596	2.8%
Hidalgo	\$331,763	\$311,275	6.6%

Source: U.S. Census Bureau, Construction Statistics
* Year-to-date data include any late reports or corrections from prior months. Summing the published monthly data will not generate the same estimate that is published for year-to-date.

Housing Affordability (Q3 '12)	
MLS Area	HAI*
Brownsville	1.95
Harlingen	2.03
McAllen	1.85
Texas	2.04
USA	1.92

*The Housing Affordability Index is the ratio of median family income to the income required to qualify for an 80 percent, fixed rate mortgage to purchase the median-priced home. The higher the ratio, the more affordable housing is. The MLS Area represents the local reporting Realtors® association's geographical coverage area.
Source: Real Estate Center at Texas A&M University

Home Sales			
Sales			
MLS Area	Q3 '12	Q3 '11	Change
Brownsville	196	197	-0.5%
Harlingen	234	208	12.5%
McAllen	496	487	1.8%
Dollar Volume (In Thousands of Dollars)			
MLS Area	Q3 '12	Q3 '11	Change
Brownsville	\$22,808	\$23,786	-4.1%
Harlingen	\$27,115	\$25,560	6.1%
McAllen	\$63,682	\$55,320	15.1%

Source: Real Estate Center at Texas A&M University

TRANSPORTATION

Airports - Passenger Statistics*

	Q3 '12	Q3 '11	Change
Brownsville	39,719	43,470	-8.6%
Harlingen	160,392	167,086	-4.0%
McAllen	167,339	183,520	-8.8%
Laredo	56,018	59,060	-5.2%
El Paso	762,219	784,696	-2.9%

* Passenger Statistics includes both enplaned and deplaned values.

Source: Respective Airports

Land Ports of Entry - Border Crossings

	Southbound Traffic			Northbound Traffic			
	Q3 '12	Q3 '11	Change	Q3 '12	Q3 '11	Change	
Trucks							
Rio Grande Valley*	147,232	171,238	-14.0%	Rio Grande Valley*	183,231	172,926	6.0%
El Paso**	87,612	84,071	4.2%	El Paso	181,942	184,333	-1.3%
Laredo	456,170	433,476	5.2%	Laredo	451,851	427,009	5.8%
Rail							
Rio Grande Valley*	14,825	11,208	32.3%	Rio Grande Valley*	1,626	2,162	-24.8%
El Paso	-	-		El Paso	8,408	8,746	-3.9%
Laredo	61,197	64,035	-4.4%	Laredo	62,656	51,475	21.7%
Vehicles							
Rio Grande Valley*	2,061,498	2,098,603	-1.8%	Rio Grande Valley*	2,529,496	2,458,012	2.9%
El Paso**	917,782	829,980	10.6%	El Paso	2,354,979	2,364,227	-0.4%
Laredo	1,083,747	1,061,879	2.1%	Laredo	1,143,314	1,199,140	-4.7%
Pedestrians							
Rio Grande Valley*	924,932	915,341	1.0%	Rio Grande Valley*	1,119,222	1,150,480	-2.7%
El Paso**	952,819	1,062,835	-10.4%	El Paso	1,515,757	1,575,111	-3.8%
Laredo	741,420	734,615	0.9%	Laredo	779,662	758,610	2.8%

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

**El Paso has four international bridges. However, southbound data is collected for only two bridges, since Paso del Norte is strictly Northbound and Bridge of the Americas is a toll free bridge. Thus, no official count for southbound traffic is available for Bridge of the Americas.

Source: U.S. Customs and Border Protection for northbound traffic; bridge operators for southbound traffic

EXPORT/IMPORT ACTIVITY

Overall trade activity through the ports of Cameron and Hidalgo counties decreased by 0.7 percent in the third quarter of 2012 relative to the same quarter in 2011. Exports to Mexico through the two counties' ports decreased by 1.2 percent in contrast with the increase through all

Texas ports of 5.2 percent. Imports from Mexico decreased by 0.3 percent through the two counties' ports in contrast to the increase at the state level of 8.6 percent. Overall, the ports of Cameron and Hidalgo counties account for 13.6 percent of Texas trade activity with Mexico.

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

	in Millions of Dollars				
	Q3 '12	% of TX Export Trade Activity	Q3 '11	% of TX Export Trade Activity	Change
Brownsville	2,100	6.2%	2,227	6.9%	-5.7%
Hidalgo	2,639	7.8%	2,581	8.0%	2.2%
Progreso	87	0.3%	76	0.2%	14.1%
Two County Total	4,826	14.2%	4,885	15.2%	-1.2%
Texas Total	33,897		32,229		5.2%

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

	in Millions of Dollars				
	Q3 '12	% of TX Import	Q3 '11	% of TX Import	Change
Brownsville	1,608	3.8%	1,708	4.4%	-5.8%
Hidalgo	3,960	9.3%	3,873	9.9%	2.2%
Progreso	32	0.1%	35	0.1%	-9.8%
Two County Total	5,600	13.2%	5,617	14.4%	-0.3%
Texas Total	42,505		39,127		8.6%

*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.

**Totals may not add up due to rounding.

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

Hotels

	Cameron County			Hidalgo County		
	Q3 '12	Q3 '11	Change	Q3 '12	Q3 '11	Change
Revenues (\$000)	\$44,512	\$40,716	9.3%	\$23,604	\$21,818	8.2%
Room nights available (000)	712.6	714.9	-0.3%	623.9	625.7	-0.3%
Occupancy Rate (%)	59.5	58.0	2.6%	51.8	48.9	5.9%

Source: sourcestrategies.org/texas



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