



Border Business Briefs

Vol. 3, No. 1

Fall 2006

A Publication of the Center for Border Economic Studies

The University of Texas-Pan American

Welcome To *Border Business Briefs*

Welcome to the fall issue of *Border Business Briefs*, the quarterly newsletter of economic indicators published by the Center for Border Economic Studies (CBEST) at The University of Texas-Pan American.

Overall, the Lower Rio Grande Valley's economy has continued to expand during the second quarter of 2006 when compared to the same period in 2005. Cameron and Hidalgo counties added more than 15,000 new jobs. Trade activity through the counties' land ports of entry was on the rise as evidenced by the increases in exports (12.5 percent), imports (9.2 percent) and truck crossings (2.1 percent). Passenger activity at area airports rose by 10 percent. Gross sales data also exhibited signs of growth with the two counties reporting 8-9 percent growth rates in the first quarter of 2006 relative to the corresponding quarter in 2005. These economic expansion patterns have been fueled by population growth, among other factors. The area's population is projected to top 1.2 million in 2010, a 16 percent increase from 2005 levels. The population of neighboring areas on the Mexican side of the border is also projected to grow by 17 percent, resulting in a population estimate exceeding 1.4 million in 2010 in cities within 30 miles of Cameron and Hidalgo counties' border.

By the end of the year, CBEST will release its latest *Economic Analysis and Forecast*. For more information, contact the CBEST office at cbest@utpa.edu. Please make note that our Web site address has changed. Our new address is <http://ea.panam.edu/cbest/>.

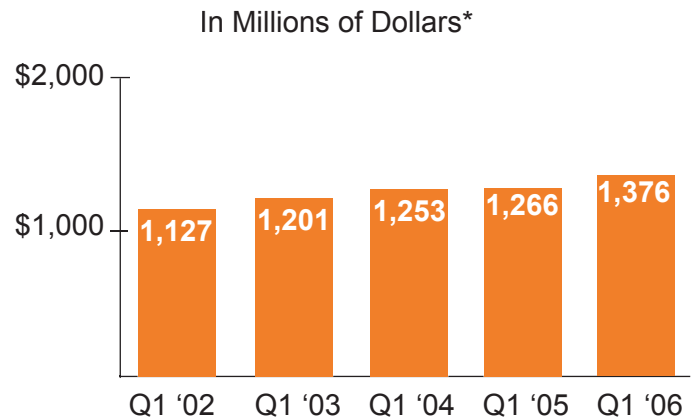
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GROSS SALES

Gross sales at both Cameron and Hidalgo counties have exhibited double-digit growth between the first quarter of 2002 and the corresponding quarter of 2006.

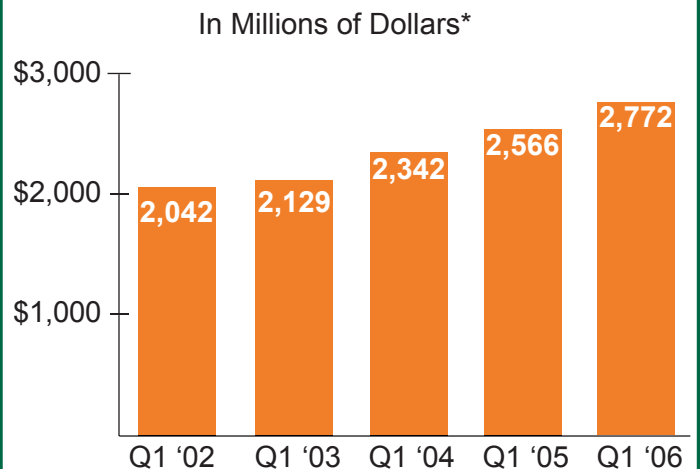
Relative to the first quarter of 2005, Cameron County's gross sales rose by nine percent in the first quarter of 2006. Similarly, Hidalgo County posted an increase of

Cameron County Gross Sales First Quarter (2002-2006)



*Not adjusted for inflation
Source: Texas Comptroller of Public Accounts

Hidalgo County Gross Sales First Quarter (2002-2006)



*Not adjusted for inflation
Source: Texas Comptroller of Public Accounts

Gross Sales by County and Industry

In Millions of Dollars

Cameron County

| | Q1 '06 | Q1 '05 | Change |
|-----------------|--------|--------|--------|
| Construction | 59 | 55 | 8% |
| Manufacturing | 123 | 97 | 28% |
| Wholesale Trade | 155 | 145 | 7% |
| Retail Trade | 831 | 797 | 4% |
| Services | 105 | 104 | 0% |
| Other* | 103 | 69 | 50% |
| All Industries | 1,376 | 1266 | 9% |

Hidalgo County

| | Q1 '06 | Q1 '05 | Change |
|-----------------|--------|--------|--------|
| Construction | 140 | 123 | 14% |
| Manufacturing | 200 | 177 | 13% |
| Wholesale Trade | 304 | 267 | 14% |
| Retail Trade | 1669 | 1644 | 2% |
| Services | 182 | 188 | -3% |
| Other* | 277 | 157 | 77% |
| All Industries | 2772 | 2556 | 8% |

*The "Other" category includes the following sectors, each of which accounts for less than five percent of gross sales: agriculture, transportation, finance and mining.

Source: Texas Comptroller of Public Accounts



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eight percent over the same time period. Manufacturing, construction, and wholesale trade were the primary industries showing positive signs of growth. Trade continued to dominate the economy of both counties, with retail and wholesale trade accounting for three quarters of gross sales.

EMPLOYMENT

In June 2006, total employment stood at 135,772 for Cameron County and at 252,900 for Hidalgo County. This represented a 3.9 and 4.4 percent increase from June 2005 employment figures for Cameron and Hidalgo counties, respectively. The corresponding employment growth rate for Texas was 2.6 percent.

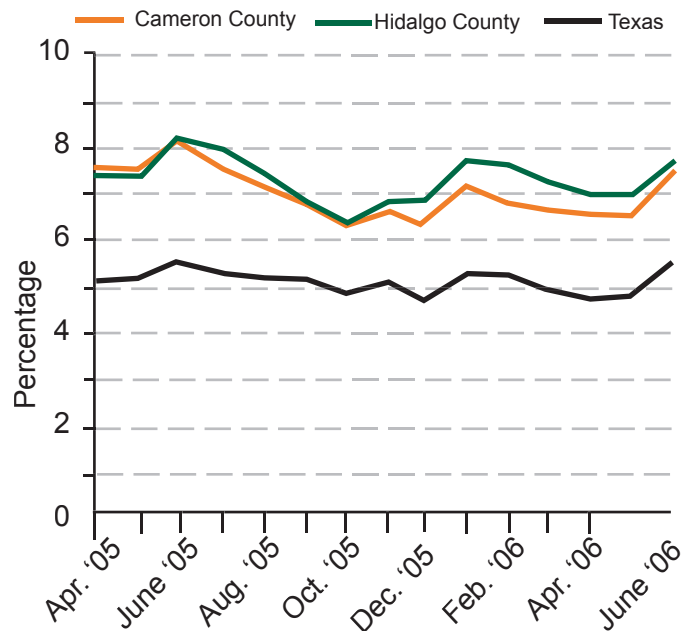
By the end of the second quarter of 2006, the unemployment rate was 7.5 and 7.8 percent for Cameron

Employment

| | June '06 | June '05 | Change |
|----------------|------------|------------|--------|
| Cameron County | 135,772 | 130,644 | 3.9% |
| Hidalgo County | 252,900 | 242,258 | 4.4% |
| Texas | 10,905,885 | 10,625,044 | 2.6% |

Source: Bureau of Labor Statistics

Unemployment Rates

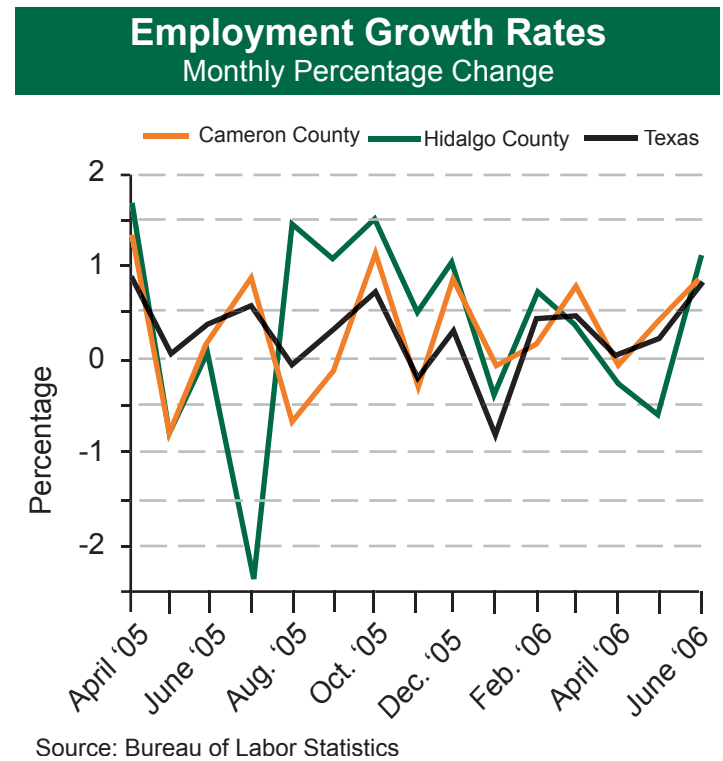
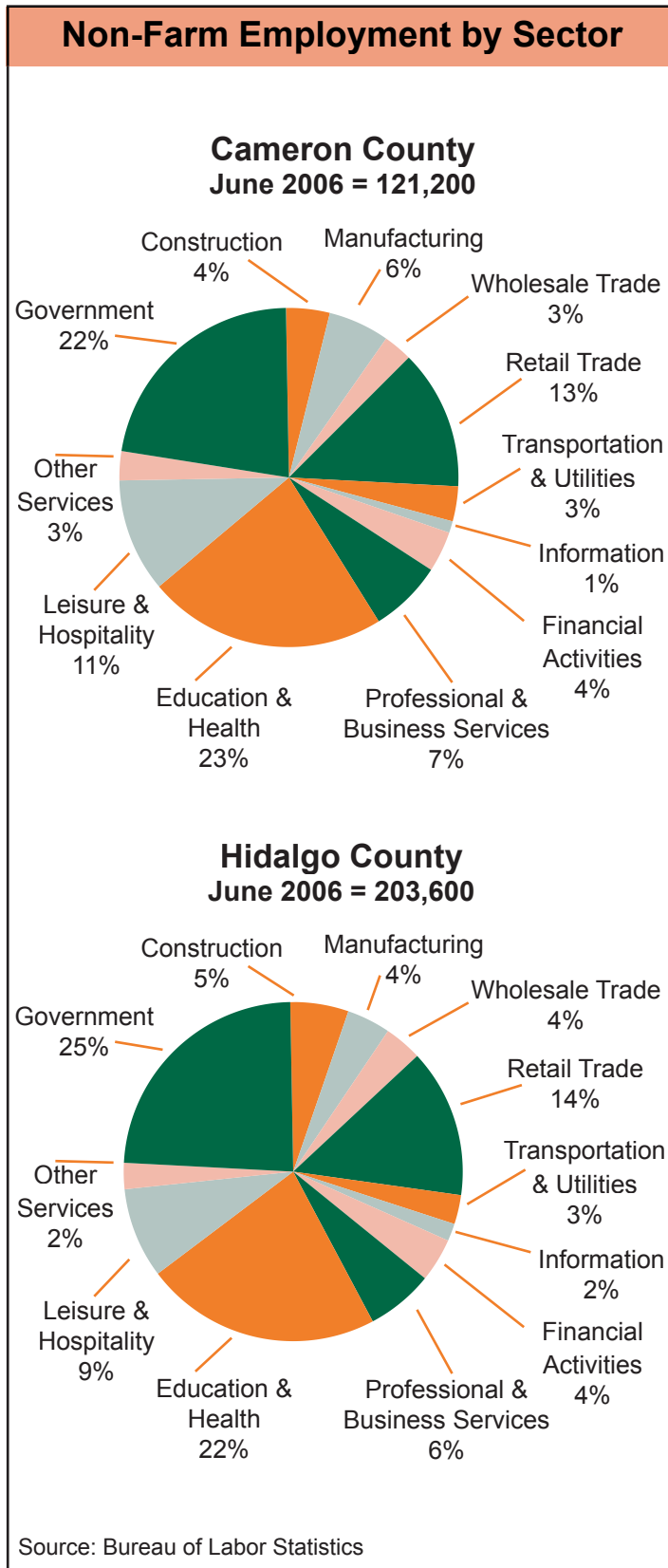


Source: Bureau of Labor Statistics

and Hidalgo counties, respectively, compared to rates of 8.1 and 8.2 percent in June 2005. While such rates are higher than those reported for the state of Texas (5.5 percent in June 2006), the decrease in the un-

employment rate for Cameron and Hidalgo counties between June 2005 and June 2006 exceeded the corresponding decrease for Texas: unemployment rates decreased by around 5-7 percent for the two counties compared to a two percent decrease for Texas. Monthly employment growth fluctuations for Cameron County, more or less, mirrored those at the state level. However, employment growth and declines for Hidalgo County seem to be countercyclical to those of Texas during the summer months.

Major employment sectors are the government sector, educational and health services, retail trade and the leisure and hospitality sectors.



POPULATION

Cameron and Hidalgo counties' population has grown considerably over the past several years. Demographic trends support further growth, with the area's population projected to grow by 16 percent over the 2005-2010 period. Similar growth rates are projected in Tamaulipas, the Mexican state adjacent to both counties. The population of Mexican cities within 30 miles of the border are projected to increase by 17 percent over the same time period. By 2010, Cameron and Hidalgo counties, along with Mexican border cities, are expected to be home to more than 2.5 million people.

Population

| | 2005 | 2010* | Change |
|----------------|------------|------------|--------|
| Cameron County | 374,081 | 418,583 | 12% |
| Hidalgo County | 671,967 | 798,801 | 19% |
| Texas | 22,270,165 | 25,105,646 | 13% |

* Population projections are based on the 2000-2004 migration scenario that takes into account post-2000 population trends.
Source: U.S. Census Bureau: 2005 American Community Survey; Texas Data Center, Office of the State Demographer.

Population of Main Tamaulipas Cities within 30 Miles of the Border

| | 2005 | 2010 | Change |
|-----------------|-----------|-----------|--------|
| Reynosa | 526,888 | 597,200 | 13% |
| Matamoros | 462,157 | 559,295 | 21% |
| Rio Bravo | 106,842 | 126,756 | 19% |
| Valle Hermoso | 62,193 | 70,894 | 14% |
| Díaz Ordaz | 15,028 | 20,466 | 36% |
| Main cities | | | |
| within 30 miles | 1,173,108 | 1,374,611 | 17% |
| Tamaulipas | 3,024,238 | 3,441,570 | 14% |

Source: INEGI: Conteo de Población y Vivienda 2005; CONAPO 2000-2030 population projections.

EDUCATION

The educational attainment of Valley residents has improved between 2000 and 2005. Based on Census 2000 and the 2005 American Community Survey estimates, the percentage of the population 25 years and over with no high school degree decreased by 13 percent in Cameron County and by 16 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 and bachelor's degrees. These trends are consistent with the increase in enrollment at institutions of higher education throughout the two counties. Overall, student enrollment rose by 41 percent between the fall semesters of 2001 and 2006.

Student Enrollment at Institutions of Higher Education in South Texas Region

| | Fall 2006 | Fall 2001 | Change |
|--------------|---------------|---------------|------------|
| UTB-TSC | 15,688 | 9,373 | 67% |
| TSTC | 4,361 | 3,842 | 14% |
| UTPA | 17,337 | 13,640 | 27% |
| STC | 17,926 | 12,448 | 44% |
| Total | 55,312 | 39,303 | 41% |

Source: Institutional Effectiveness Offices at respective institutions.

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

TSTC: Texas State Technical College

UTPA: The University of Texas-Pan American

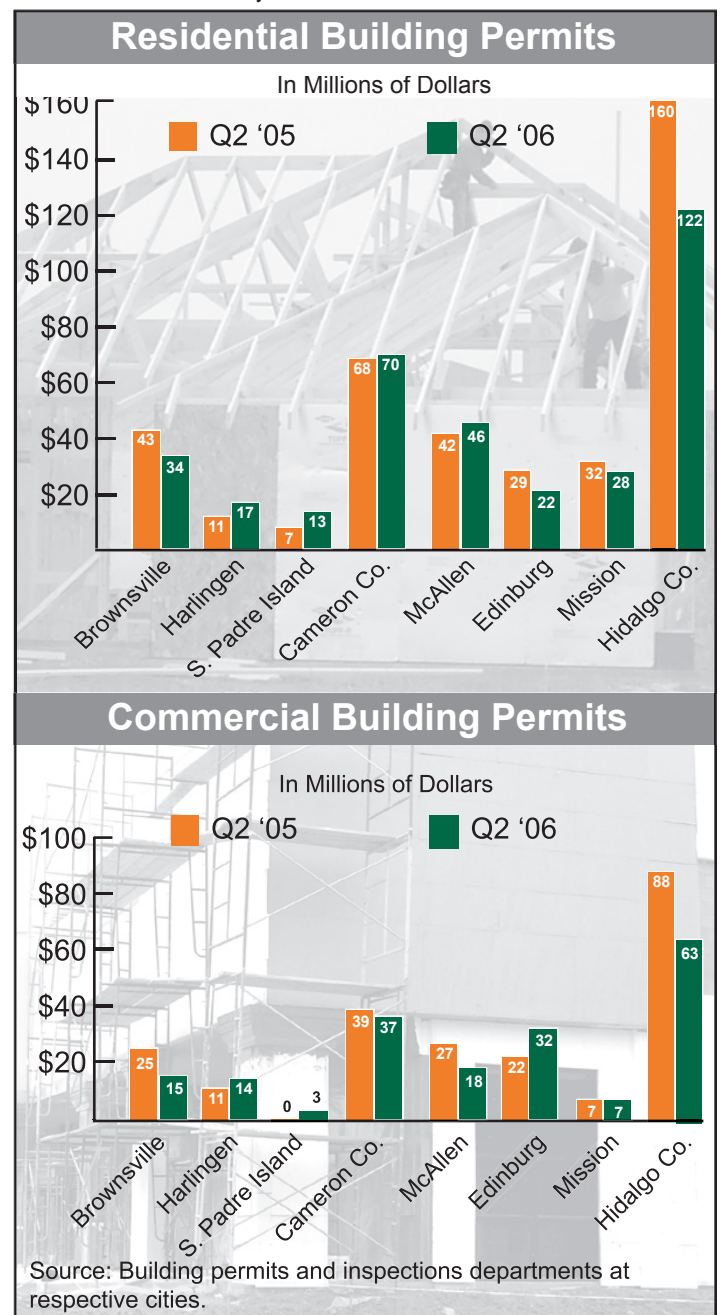
STC: South Texas College

BANKING INDICATORS

Deposits at banks in the Valley area exhibited a downward trend in the second quarter of 2006 relative to the same period in 2005. Deposits decreased by six percent in Cameron County and by 11 percent in Hidalgo County. These numbers, however, may not necessarily reflect the true status of deposits because of reporting irregularities by the area's banking institutions. In terms of market share, the City of Brownsville accounted for 59 percent of Cameron County's deposits, with the cities of Harlingen (25 percent) and San Benito (six percent) rounding up the top three. Deposits at the City of McAllen's banks comprised around a half of deposits in Hidalgo County. The cities of Mission (13 percent) and Edinburg (10 percent) ranked second and third, respectively, in terms of the size of their deposits.

BUILDING PERMITS

Residential construction activity in Cameron County exhibited a four percent rise in the dollar value of residential building permits. Hidalgo County, on the other hand, reported a 24 percent decrease in the corresponding figure. Commercial construction activity was generally on the decline in both counties; the dollar value of commercial building permits was down by four percent in Cameron County and by 29 percent in Hidalgo County. Main cities that reported overall growth in permit values were the cities of Harlingen and South Padre Island in terms of both residential and commercial construction activity, and the cities of Edinburg and Mission in terms of commercial construction activity.



TRANSPORTATION

Airports of Entry – Passenger Statistics*

| | Q2 '06 | Q2 '05 | Change |
|-------------|---------|---------|--------------|
| Brownsville | 45,904 | 37,306 | 23.0% |
| Harlingen | 221,879 | 217,880 | 1.8% |
| McAllen | 204,973 | 175,483 | 16.8% |
| Laredo | 47,095 | 46,165 | 2.0% |
| El Paso | 892,114 | 865,337 | 3.1% |

*Passenger statistics includes both enplaned and deplaned values.

Source: Respective Airports

Land Ports of Entry – Border Crossings

Southbound Traffic

| | Q2 '06 | Q2 '05 | Change |
|--------------------|-----------|-----------|---------------|
| Trucks | | | |
| Rio Grande Valley* | 182,037 | 177,803 | 2.4% |
| El Paso** | 81,400 | 78,072 | 4.3% |
| Laredo | 420,609 | 371,301 | 13.3% |
| Rail | | | |
| Rio Grande Valley* | NA | NA | - |
| El Paso | - | - | - |
| Laredo | NA | NA | - |
| Vehicles | | | |
| Rio Grande Valley* | 3,341,732 | 3,470,554 | -3.7% |
| El Paso** | 1,211,169 | 1,187,220 | 2.0% |
| Laredo | 1,508,601 | 1,686,852 | -10.6% |
| Pedestrians | | | |
| Rio Grande Valley* | 1,183,836 | 1,114,661 | 6.2% |
| El Paso** | 1,287,108 | 1,380,417 | -6.8% |
| Laredo | 1,017,430 | 959,133 | 6.1% |

Northbound Traffic

| | Q2 '06 | Q2 '05 | Change |
|--------------------|-----------|-----------|---------------|
| Trucks | | | |
| Rio Grande Valley* | 189,485 | 186,068 | 1.8% |
| El Paso | 196,565 | 188,582 | 4.2% |
| Laredo | 380,331 | 362,902 | 4.8% |
| Rail | | | |
| Rio Grande Valley* | 1,413 | 2,143 | -34.1% |
| El Paso | 28,543 | 16,744 | 70.5% |
| Laredo | 47,330 | 50,842 | -6.9% |
| Vehicles | | | |
| Rio Grande Valley* | 3,631,211 | 3,850,785 | -5.7% |
| El Paso | 4,011,472 | 4,002,073 | 0.2% |
| Laredo | 1,506,148 | 1,530,590 | -1.6% |
| Pedestrians | | | |
| Rio Grande Valley* | 1,478,539 | 1,351,456 | 9.4% |
| El Paso | 1,793,884 | 1,846,762 | -2.9% |
| Laredo | 1,107,229 | 1,070,667 | 3.4% |

*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

Export and import trade activity through the ports of Cameron and Hidalgo counties experienced double digit growth rates in the second quarter of 2006 compared with the same quarter in 2005. Exports to Mexico through the two counties' ports rose by 12.5 percent compared to an in-

crease of 12.9 percent through all Texas ports. Imports from Mexico increased by 9.2 percent through the two counties versus a 9.7 percent increase at the state level. Overall, the ports of Cameron and Hidalgo counties account for around 17 percent of Texas trade activity with Mexico.

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

In Millions of Dollars

| | % of TX Export | | % of TX Export | | |
|------------------|----------------|----------------|----------------|----------------|--------|
| | Q2 '06 | Trade Activity | Q2 '05 | Trade Activity | Change |
| Brownsville | 1,847 | 8.2% | 1,624 | 8.2% | 13.7% |
| Hidalgo | 2,108 | 9.4% | 1,897 | 9.6% | 11.1% |
| Progreso | 37 | 0.2% | 25 | 0.1% | 46.4% |
| Two County Total | 3,992 | 17.8% | 3,547 | 17.9% | 12.5% |
| Texas Total | 22,414 | 100.0% | 19,858 | 100.0% | 12.9% |

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

In Millions of Dollars

| | % of TX Import | | % of TX Import | | |
|------------------|----------------|----------------|----------------|----------------|--------|
| | Q2 '06 | Trade Activity | Q2 '05 | Trade Activity | Change |
| Brownsville | 1,576 | 5.4% | 1,394 | 5.3% | 13.1% |
| Hidalgo | 3,172 | 10.9% | 2,963 | 11.2% | 7.0% |
| Progreso | 14 | 0.0% | 3 | 0.0% | 438.5% |
| Two County Total | 4,762 | 16.4% | 4,360 | 16.4% | 9.2% |
| Texas Total | 29,113 | 100.0% | 26,547 | 100.0% | 9.7% |

*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.

Note: 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-EI Paso.

MAQUILADORAS

Number of Employees

| | % of Texas Border Employment | Q2 '06 | Q2 '05 | Change |
|--------------------|---------------------------------|---------|---------|--------|
| Matamoros | 12% | 56,139 | 53,892 | 4.2% |
| Reynosa | 21% | 96,176 | 86,698 | 10.9% |
| Nuevo Laredo | 5% | 21,823 | 21,914 | -0.4% |
| Juarez | 53% | 239,730 | 213,972 | 12.0% |
| Texas Border | | 455,059 | 419,531 | 8.5% |
| U.S.-Mexico Border | | 732,624 | 683,621 | 7.2% |

Number of Established Plants*

| | % of Texas Border Plants | Q2 '06 | Q2 '05 | Change |
|--------------------|-----------------------------|--------|--------|--------|
| Matamoros | 18% | 117 | 122 | -3.8% |
| Reynosa | 20% | 134 | 126 | 6.6% |
| Nuevo Laredo | 6% | 42 | 43 | -2.3% |
| Juarez | 43% | 288 | 291 | -0.8% |
| Texas Border | | 663 | 663 | 0.0% |
| U.S.-Mexico Border | | 1,609 | 1,596 | 0.8% |

Value Added (In Millions of Pesos)

| | % of Texas Border Value Added | Q2 '06 | Q2 '05 | Change |
|--------------------|----------------------------------|--------|--------|--------|
| Matamoros | 11% | 2,418 | 2,417 | 0.0% |
| Reynosa | 22% | 4,945 | 4,401 | 12.4% |
| Nuevo Laredo | 6% | 1,381 | 1,395 | -1.0% |
| Juarez | 56% | 12,728 | 10,262 | 24.0% |
| Texas Border | | 22,822 | 19,785 | 15.4% |
| U.S.-Mexico Border | | 36,436 | 31,925 | 14.1% |

*Established plants as reported by Instituto Nacional de Estadística Geografía e Informática (INEGI) correspond to license agreements. In several instances, one license agreement denotes multiple physical plants, a fact that may lead to an underestimation of the actual number of plants.

Source: INEGI: Estadística de la Industria Maquiladora de Exportación

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