



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*, a quarterly publication of economic indicators published by the Center for Border Economic Studies (CBEST) at The University of Texas-Pan American.

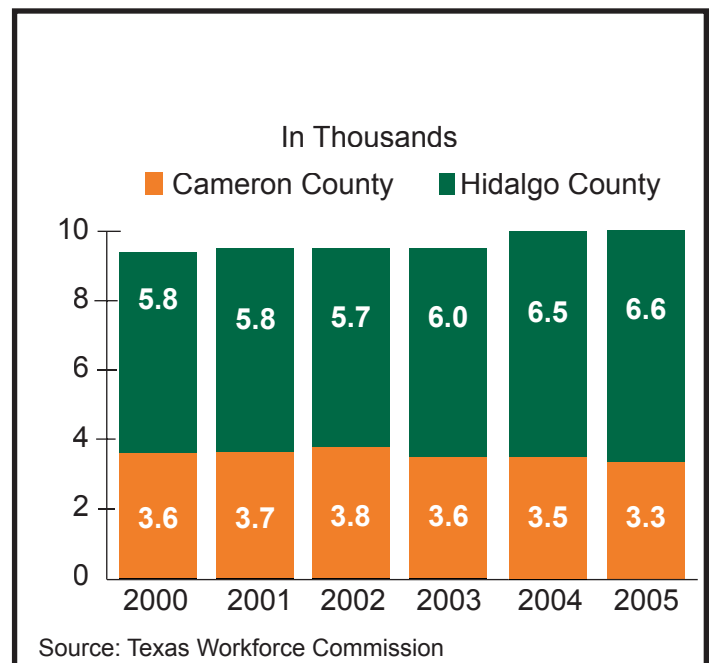
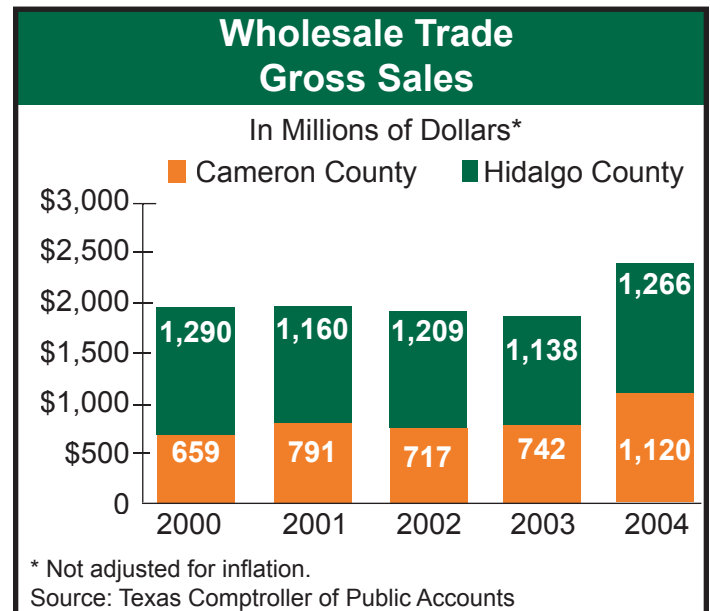
In this issue, CBEST explores trends within the wholesale trade industry in the Lower Rio Grande Valley area, where growth patterns in terms of sales and employment have been different between Cameron and Hidalgo counties. As far as our regular economic indicators, the economy of the Valley exhibited signs of growth in several areas in the fourth quarter of 2005 when compared to the same period in 2004. Jobs were created at faster rates relative to the state—employment increased by five percent in both counties compared to a 2.5 percent growth rate for Texas. Trade activity through the ports of Cameron and Hidalgo counties also grew at faster rates than Texas, and maquiladora activity was on the rise in terms of employment and value added figures. Mixed signals were evident in the construction sector, where the value of commercial building permits increased while that of residential permits decreased. Sales were another area of nonuniform outcomes—gross sales were up in Hidalgo County while they remained more or less the same in Cameron County.

In June, CBEST released the *2006 Economic Analysis and Forecast for the South Texas Border Region*, which can be downloaded at c-best.org under Technical Reports. If you would like to receive *Border Business Briefs*, the *Economic Analysis and Forecast* and other special issues via email, please contact us at cbest@utpa.edu.

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WHOLESALE TRADE

The wholesale trade sector is the second largest economic sector, in terms of sales, in the lower Rio Grande Valley area. It accounted for 19 percent and 12 percent of 2004's annual gross sales in Cameron and Hidalgo counties, respectively. In terms of employment, the wholesale trade sector has accounted for around three percent of total non-farm employment in the past three years in both counties.



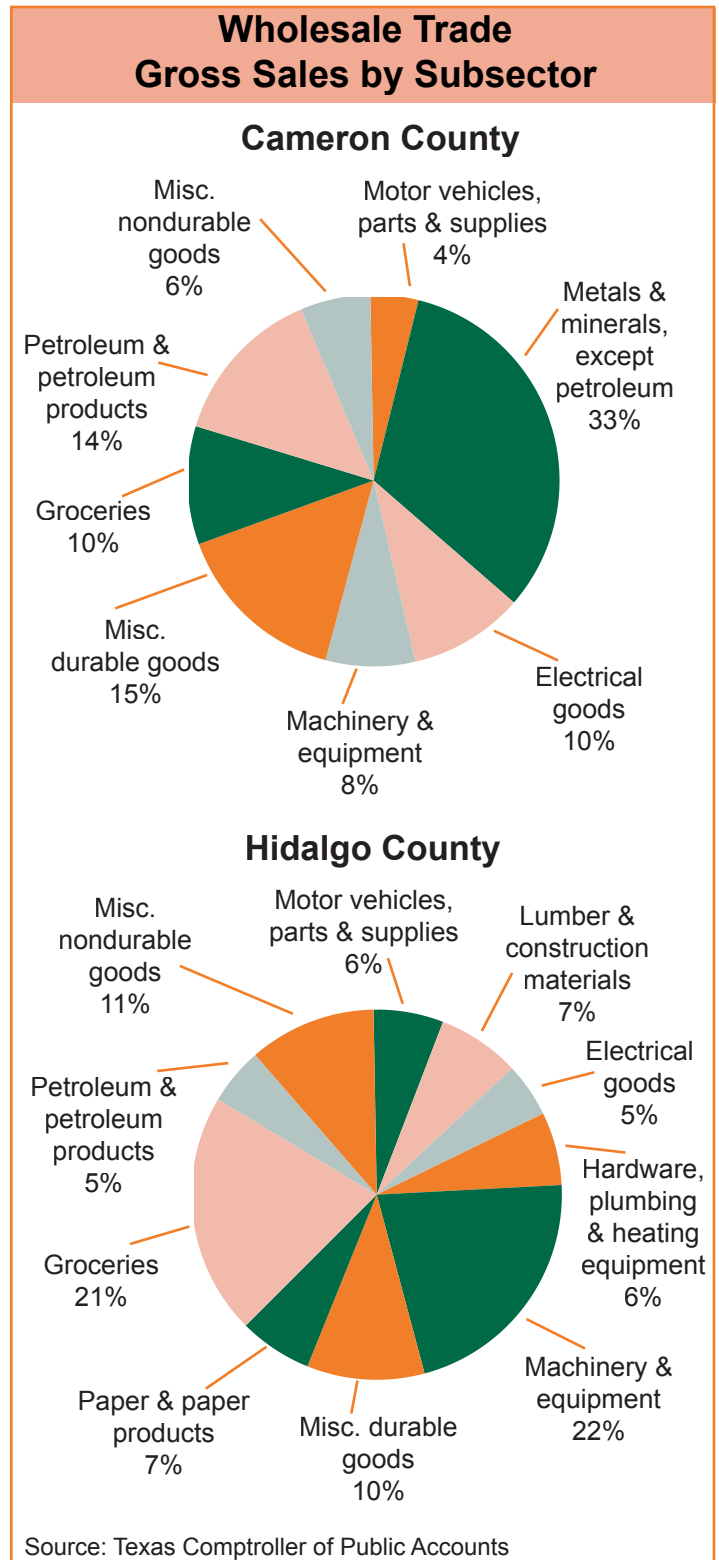
Cameron and Hidalgo counties' wholesale trade sector exhibited quite different trends over the past five years. Cameron County showed a 70 percent rise in this sector's sales over the 2000-2004 period, a significantly higher growth rate than Texas' 35 percent. Hidalgo County's sales, on the other hand, remained more or less the same. Employment, however, reflected quite the reverse picture. Hidalgo County's number of employees working in wholesale trade jobs rose by 12 percent over the same time period, whereas Cameron County reported some job losses. It is worth noting that the pattern of sales growth with no corresponding job gains depicted by Cameron County mirrored that of the state level; Texas wholesale trade gross sales rose by 35 percent while employment in the sector decreased by one percent over the 2000-2004 period.

The two counties also differ in terms of the breakdown of major subsectors within wholesale trade. In Cameron County, "Metals and Minerals" account for a third of sales, while wholesale trade in "Machinery and Equipment" and "Groceries" accounts for around a fifth of sales each. In

terms of employment, "Grocery Product" wholesalers support the most wholesale trade jobs in both counties, 15 percent in Cameron County and 22 percent in Hidalgo County. Other major employment subsectors are: "Electric Goods" and "Machinery and Supply" merchant wholesalers in Cameron County (12 percent of wholesale trade employment each), and "Machinery and Supply" merchant wholesalers in Hidalgo County (16 percent).

Employment by Subsector Average Number of Employees (2005)		
	Cameron County	Hidalgo County
Wholesale Trade	3,326	6,620
Durable Goods	1,742	3,023
Nondurable Goods	1,328	3,085
Electronic Markets	256	512

Source: Texas Workforce Commission



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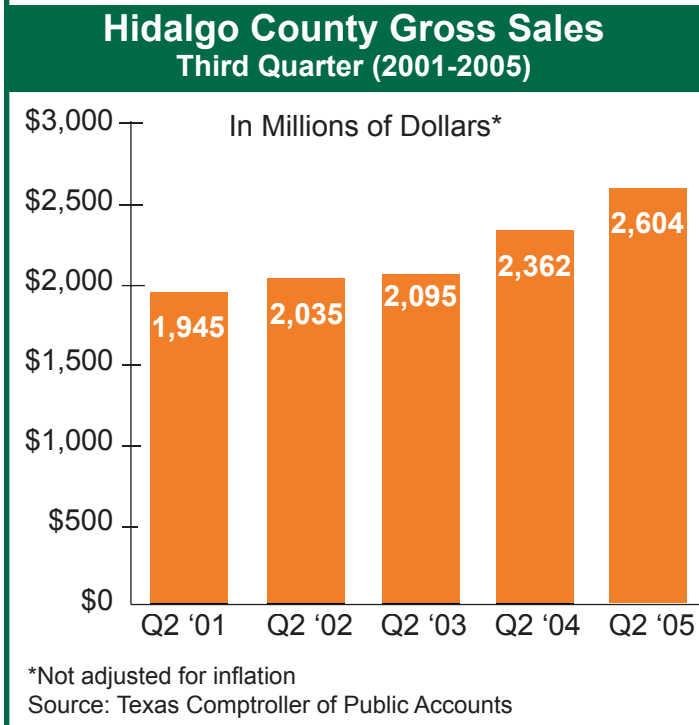
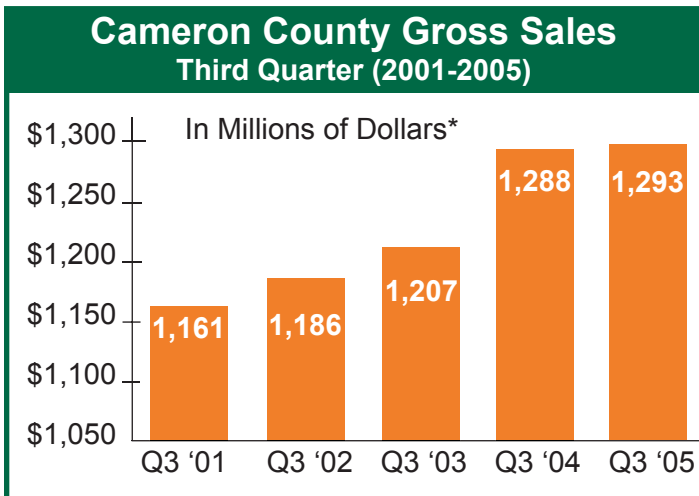
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Dr. Roland S. Arriola, Vice President, Division of External Affairs
Dr. Cynthia J. Brown, Director, CBEST
Dr. Suad Ghaddar, Research Associate, CBEST
Saigiridhar Mullapudi, Business/Economic Research Associate III, DATA Center
Raymundo Valdés, Coordinator, Mexican Business Information Center
Arnoldo Mata, Graphics/Layout

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

GROSS SALES

In general, gross sales have increased between the third quarter of 2001 and the third quarter of 2005. In Cameron County, sales rose by 11 percent over the 2001-2005 time period. The corresponding increase for Hidalgo County amounted to 34 percent.



Relative to the third quarter of 2004, Cameron County gross sales barely increased in the third quarter of 2005, with retail trade as the primary industry showing signs of growth. Hidalgo County, however, posted an increase of 10 percent in its gross sales over the same time period. Significant double digit growth was reported for the manufacturing and services sectors. Trade continued to dominate the economies of both counties, with retail trade and wholesale trade accounting for 60 and 11 percent of gross sales, respectively.

Gross Sales by County and Industry			
In Millions of Dollars			
Cameron County			
	Q3 '05	Q3 '04	Change
Construction	60	60	-0.6%
Manufacturing	100	135	-26%
Wholesale Trade	150	164	-9%
Retail Trade	792	762	4%
Services	107	106	1%
Other*	84	59	42%
All Industries	1,293	1,288	0.4%
Hidalgo County			
	Q3 '05	Q3 '04	Change
Construction	130	154	-15%
Manufacturing	215	158	36%
Wholesale Trade	277	272	2%
Retail Trade	1,556	1,485	5%
Services	186	163	14%
Other*	240	130	85%
All Industries	2,604	2,362	10%

*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

EMPLOYMENT

In December 2005, total employment stood at 137,645 for Cameron County and at 250,082 for Hidalgo County. This represented a 4.5 percent and 5.1 percent increase from December 2004 employment figures for Cameron and Hidalgo counties, respectively. The corresponding employment growth for Texas was 2.5 percent.

By the end of the fourth quarter of 2005, the unemployment rate was 6.2 and 6.9 percent for Cameron and Hidalgo counties, respectively, compared to rates of 8.7 and 9.3 percent in December 2004. While such rates are higher than those reported for the state of Texas (4.8 percent in December 2005), the decrease in the unemployment rate for Cameron and Hidalgo counties between December 2004 and December 2005 exceeded the correspond-

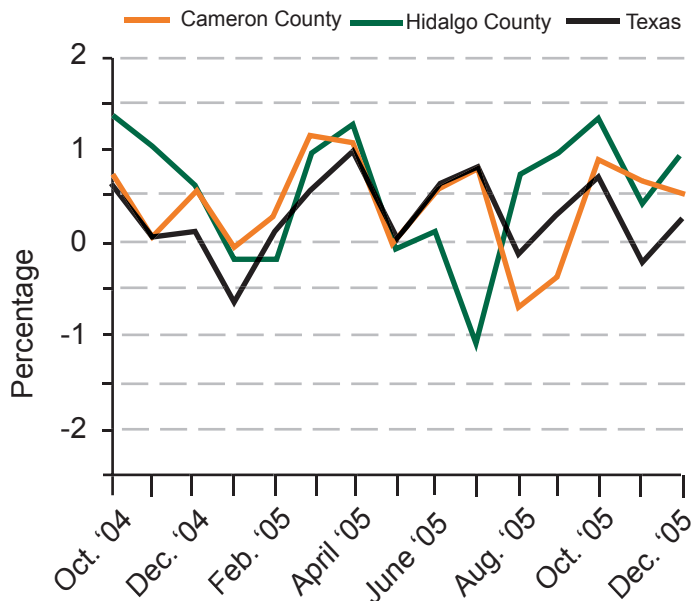
Employment

	Dec. '05	Dec. '04	Change
Hidalgo County	250,082	238,035	5.1%

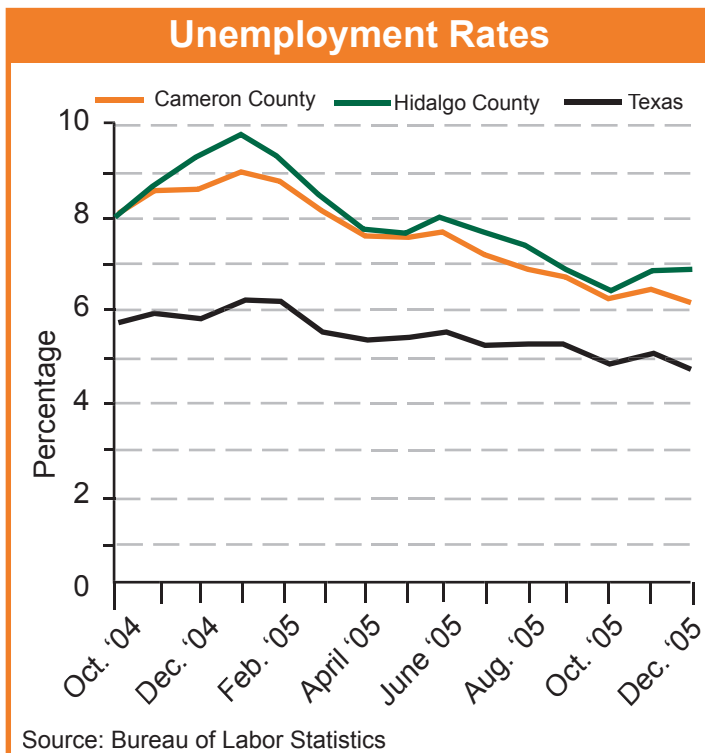
Source: Bureau of Labor Statistics

ing decrease for Texas; unemployment rates decreased by around 26-29 percent for the two counties compared to a 14 percent decrease for Texas. 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 countercyclical to those of Texas during the summer months.

Employment Growth Rates Monthly Percentage Change



Source: Bureau of Labor Statistics



Population

	2005	2010*	Projected Change
Cameron Co.	378,311	432,456	14%
Hidalgo Co.	678,275	800,433	18%
Texas	22,859,968	25,409,530	11%

*Population projections are based on the 2000-2002 migration scenario that takes into account post-2000 population trends.
Source: U.S. Census Bureau; Texas Data Center, Office of the State Demographer

ACCRA Cost of Living Index

Fourth Quarter 2005

	Brownsville	Harlingen	McAllen
Index* (100%)	86.3	87.6	84.8
Grocery Items (13%)	81.0	88.1	80.9
Housing (29%)	71.2	69.8	69.8
Utilities (10%)	103.3	100.0	80.2
Transportation (9%)	103.7	110.0	94.3
Health Care (4%)	90.4	101.8	105.3
Miscellaneous (35%)	90.9	91.2	95.3
Average Rent**	\$671	\$620	\$625

* The ACCRA Cost of Living Index measures relative price levels for consumer goods and services in participating areas. The average for all participating places equals 100, and each participant's index is read as a percentage of the average for all places.
** Average rent: Two bedroom, unfurnished, excluding all utilities except water, 1 1/2 or 2 baths, 950 sq. ft.
Source: ACCRA (American Chamber of Commerce Researchers Association) Cost of Living Index

BANKING INDICATORS

Deposits at banks in the Valley area exhibited a downward trend in the fourth quarter of 2005 relative to the same period in 2004. Deposits decreased by 16 percent in Cameron County and by nine percent in Hidalgo County. The decline was prominent among almost all major cities in the area.

In terms of market share, the city of Brownsville accounted for almost 60 percent of Cameron County's deposits, with the cities of Harlingen (26 percent) and San Benito (six percent) rounding out the top three. Deposits at the city of McAllen's banks comprised around half of deposits in Hidalgo County. The cities of Mission (12 percent) and Edinburg (10 percent) ranked second and third, respectively, in terms of the size of their deposits.

Bank Deposits Cameron County

In Millions of Dollars

City	Q4 '05	Q4 '04	Change
Brownsville	\$1,694	\$2,205	-23.2%
Harlingen	\$761	\$810	-6.0%
San Benito	\$192	\$214	-10.2%
County Total*	\$2,968	\$3,542	-16.2%

Bank Deposits Hidago County

In Millions of Dollars

City	Q4 '05	Q4 '04	Change
McAllen	\$2,842	\$3,582	-20.6%
Mission	\$713	\$696	2.5%
Edinburg	\$603	\$601	0.3%
County Total*	\$6,010	\$6,607	-9.0%

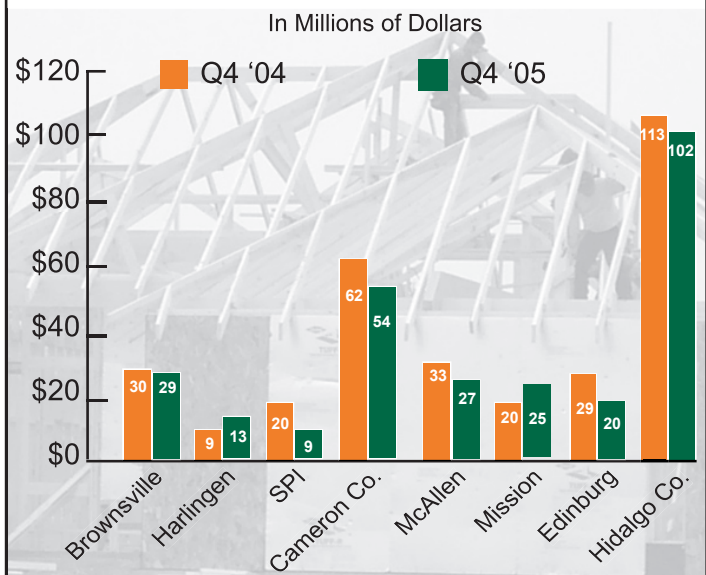
*County Total includes bank deposits in all cities within a county.

Source: Rio Grande Valley Partnership

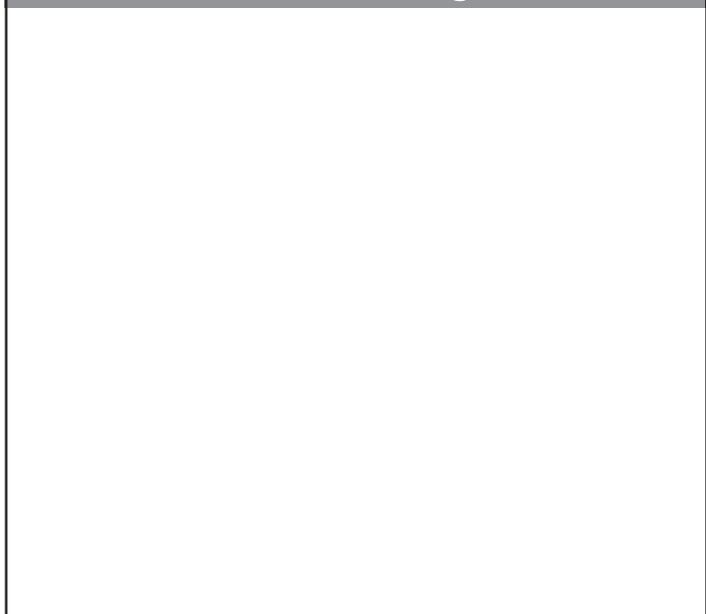
BUILDING PERMITS

Residential construction activity in the Valley exhibited an overall decline; the dollar value of residential building permits decreased by 14 percent in Cameron County and by 10 percent in Hidalgo County. An exception to this trend were the cities of Harlingen and Mission where residential permits' values rose by 57 and 23 percent, respectively. Commercial construction activity, on the other hand, was generally on the rise. In Cameron County, the value of commercial building permits increased by three percent. In Hidalgo County the corresponding increase was 28 percent. The growth was fueled primarily by the cities of Harlingen, South Padre Island and Mission.

Residential Building Permits



Commercial Building Permits



TRANSPORTATION

Air Ports of Entry – Passenger Statistics*

	Q4 '05	Q4 '04	Change
Brownsville	40,218	34,037	18.2%
Harlingen	203,254	204,017	-0.4%
McAllen	185,148	162,717	13.8%
Laredo	44,246	46,330	-4.5%
El Paso	854,936	805,461	6.1%

*Passenger statistics includes both enplaned and deplaned values.
Source: Respective Airports

Land Ports of Entry – Border Crossings

Southbound Traffic

	Q4 '05	Q4 '04	Change
Trucks			
Rio Grande Valley*	173,143	161,408	7.3%
El Paso**	76,902	73,750	4.3%
Laredo	439,650	381,705	15.2%
Rail			
Rio Grande Valley*	10,038	8,500	18.1%
El Paso	-	-	-
Laredo	60,644	64,587	-6.1%
Vehicles			
Rio Grande Valley*	3,427,602	3,572,953	-4.1%
El Paso**	1,229,620	1,153,530	6.6%
Laredo	1,612,870	1,807,928	-10.8%
Pedestrians			
Rio Grande Valley*	1,299,415	1,250,701	3.9%
El Paso**	1,448,136	1,586,876	-8.7%
Laredo	1,121,518	1,124,358	-0.3%

Northbound Traffic

	Q4 '05	Q4 '04	Change
Trucks			
Rio Grande Valley*	187,396	171,979	9.0%
El Paso	189,617	174,303	8.8%
Laredo	387,468	341,695	13.4%
Rail			
Rio Grande Valley*	1,309	2,273	-42.4%
El Paso	22,068	18,549	19.0%
Laredo	43,222	42,083	2.7%
Vehicles			
Rio Grande Valley*	3,737,366	3,921,438	-4.7%
El Paso	4,064,243	3,324,661	22.2%
Laredo	1,607,824	1,658,689	-3.1%
Pedestrians			
Rio Grande Valley*	1,595,592	1,586,400	0.6%
El Paso	2,031,619	2,201,913	-7.7%
Laredo	1,114,226	1,183,012	-5.8%

*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

Export and import trade activity increased considerably through the ports of Cameron and Hidalgo counties relative to the state of Texas in the fourth quarter of 2005 compared with the same quarter in 2004. Exports to Mexico through the two counties' ports rose by 16.6 percent compared to an increase of 8.8 percent through all

Texas ports. Similarly, imports from Mexico increased by 11.2 percent through the two counties versus a four 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		
	Q4 '05	Trade Activity	Q4 '04	Trade Activity	Change
Brownsville	1,687	7.9%	1,407	7.2%	19.9%
Hidalgo	1,904	9.0%	1,672	8.6%	13.9%
Progreso	40	0.2%	34	0.2%	18.1%
Two County Total**	3,631	17.1%	3,113	16.0%	16.6%
Texas Total	21,236	100.0%	19,517	100.0%	8.8%

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

In Millions of Dollars

	% of TX Import		% of TX Import		
	Q4 '05	Trade Activity	Q4 '04	Trade Activity	Change
Brownsville	1,393	5.2%	1,313	5.1%	6.1%
Hidalgo	3,021	11.4%	2,656	10.4%	13.7%
Progreso	3	0.0%	2	0.0%	26.2%
Two County Total**	4,417	16.6%	3,972	15.5%	11.2%
Texas Total	26,578	100.0%	25,564	100.0%	4.0%

*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-EI Paso

MAQUILADORAS

Number of Employees

	% of Texas Border Employment	Q4 '05	Q4 '04	Change
Matamoros	13%	56,832	54,178	4.9%
Reynosa	21%	93,863	82,292	14.1%
Nuevo Laredo	5%	22,790	21,553	5.7%
Juarez	51%	229,009	207,045	10.6%
Texas Border		445,337	410,302	8.5%
U.S.-Mexico Border		712,858	674,178	5.7%

Number of Established Plants*

	% of Texas Border Plants	Q4 '05	Q4 '04	Change
Matamoros	18%	119	124	-3.8%
Reynosa	20%	132	136	-2.5%
Nuevo Laredo	7%	44	43	3.1%
Juarez	7%	44	43	3.1%
Texas Border		662	670	-1.2%
U.S.-Mexico Border		1,598	1,589	0.5%

Value Added (In Millions of Pesos)

	% of Texas Border Value Added	Q4 '05	Q4 '04	Change
Matamoros	11%	2,428	2,382	1.9%
Reynosa	24%	5,166	4,076	26.7%
Nuevo Laredo	6%	1,347	1,433	-6.0%
Juarez	52%	11,282	10,081	11.9%
Texas Border		21,523	19,332	11.3%
U.S.-Mexico Border		34,535	31,527	9.5%

*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 and Estadística de la Industria Maquiladora de Exportación

Edinburg, TX 78541-2999
1201 W. University Drive
The University of Texas-Pan American
Center For Border Economic Studies
The University of Texas-Pan American
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