



Border Business Briefs

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The University of Texas–Pan American

Welcome To *Border Business Briefs*

Welcome to the summer issue of *Border Business Briefs*. Starting with this publication, each issue will focus on a different economic sector within the Valley's economy. In this issue, the focus is on trends within the health care industry. This industry has been booming in both Cameron and Hidalgo counties, with sales and employment growth rates that surpassed those for the state of Texas over the 2000-2004 period. Regarding the Valley's economy as a whole, economic indicators signaled an expanding economy during the first quarter of 2005; unemployment exhibited a faster rate of decline relative to the state, bank deposits increased, the construction sector grew and trade activity through the areas' ports was generally on the rise.

In February of 2005, new MSA definitions were issued based on the Census Bureau's 2002 and 2003 population estimates for cities and towns. For the Lower Rio Grande Valley, the changes were only nominal in nature. The name of the Brownsville-Harlingen-San Benito MSA was changed to Brownsville-Harlingen MSA. The name of the McAllen-Edinburg-Mission MSA was changed to McAllen-Mission-Pharr MSA. Both old and new definitions, though, still correspond to the respective counties of Cameron and Hidalgo.

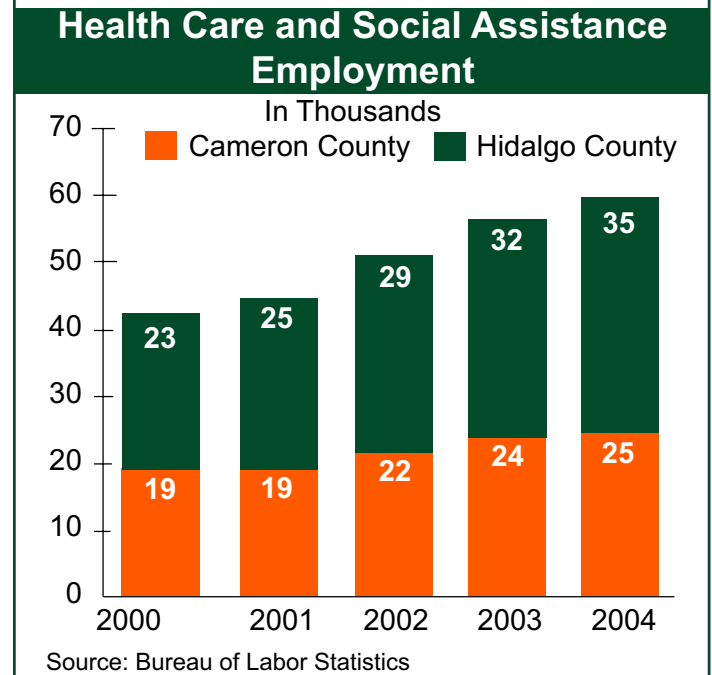
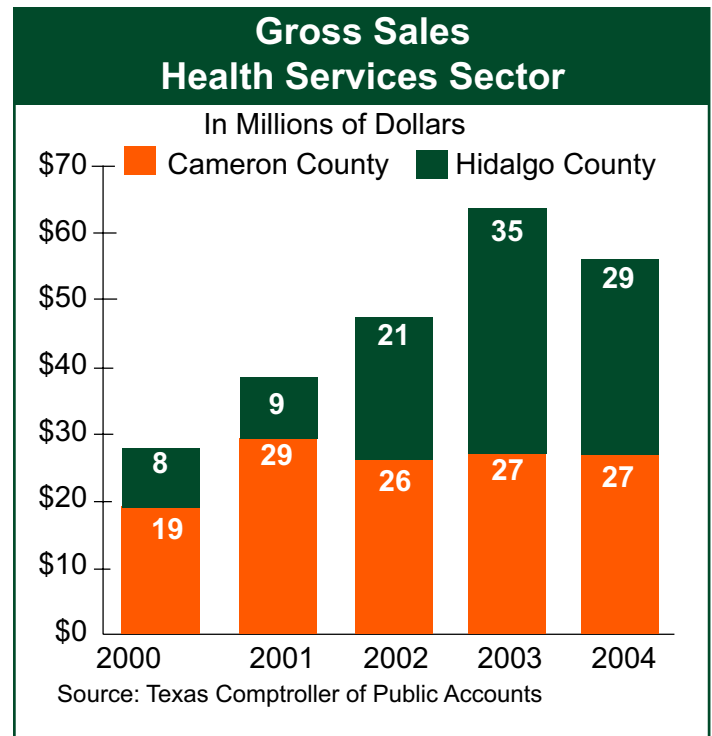
Later this year, CBEST will release a special issue of *Border Business Briefs* focusing on the area's economic trends over the 10-year post NAFTA period (1994-2004). To obtain a copy of the special issue or to subscribe to *Border Business Briefs*, contact the CBEST office at cbest@utpa.edu

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HEALTH CARE INDUSTRY

The health care industry within the Rio Grande Valley has been among the fastest growing sectors of the economy over the past 10 years. Gross sales within the



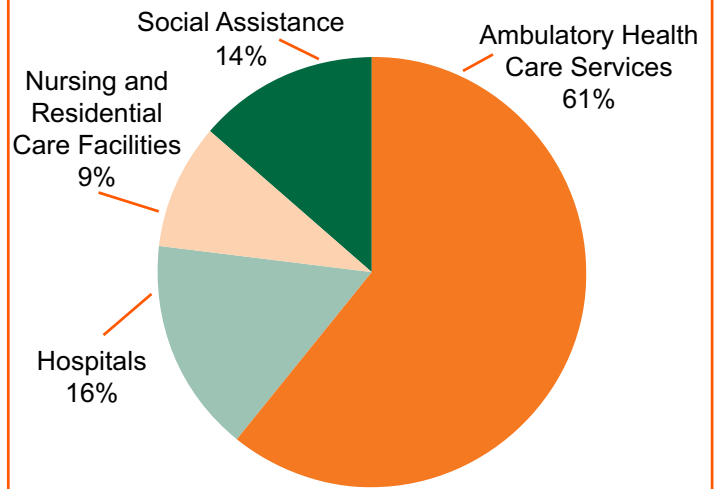
health services sector have gone up from \$27 million to more than \$56 million between 2000 and 2004 in Cameron and Hidalgo counties. In real terms, this corresponded to a 90 percent growth rate, a rate that exceeded Texas' real growth rate of 74 percent in this sector. The growth was most pronounced in Hidalgo County where gross sales within the health services sector rose from \$8 million in 2000 to \$29 million in 2004, an increase of almost 230 percent in real terms.

In terms of jobs, the health care and social assistance sector has exhibited rates of growth that surpassed those of Texas. In 2000, this sector supported 19,000 and 23,000 jobs in Cameron and Hidalgo County, respectively. By 2004, the equivalent numbers were 25,000 and 35,000 jobs. This job growth corresponds to an increase of 34 percent for Cameron County and 54 percent of Hidalgo County over the 2000-2004 period. Texas, on the other hand, had an employment growth rate of 15 percent in this sector over the same time period.

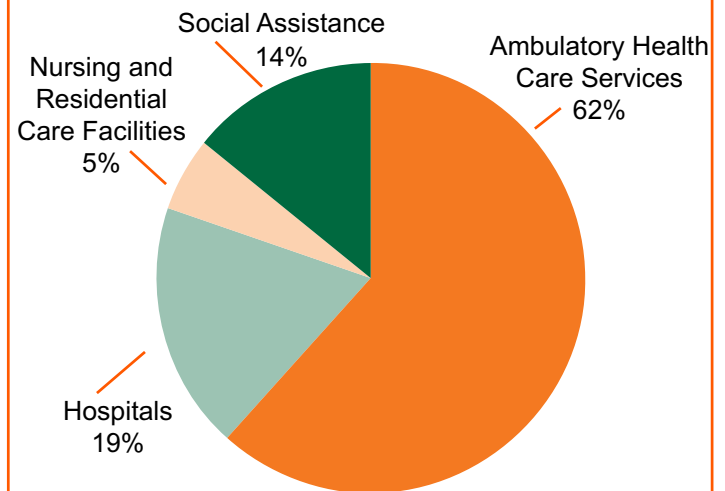
Considering where the jobs are within the health care and social assistance sector, ambulatory health care services have the largest share of the pie, accounting for more than 60 percent of jobs in both counties. Within this sub-sector, home health care services account for 71 and 61 percent of ambulatory health care jobs in Cameron and Hidalgo counties, respectively. Within Texas, the breakdown is slightly different; ambulatory health care services support 46 percent of jobs within the health care services and social assistance sector, while home health care services comprises 38 percent of jobs within the ambulatory health care services sub-sector.

Health Care and Social Assistance Employment

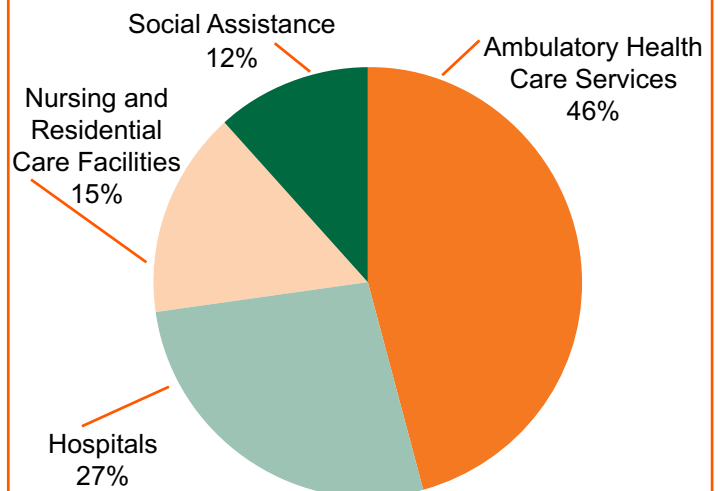
Cameron County: 2004 = 24,924



Hidalgo County: 2004 = 35,329



Texas: 2004 = 942,075



Source: Bureau of Labor Statistics



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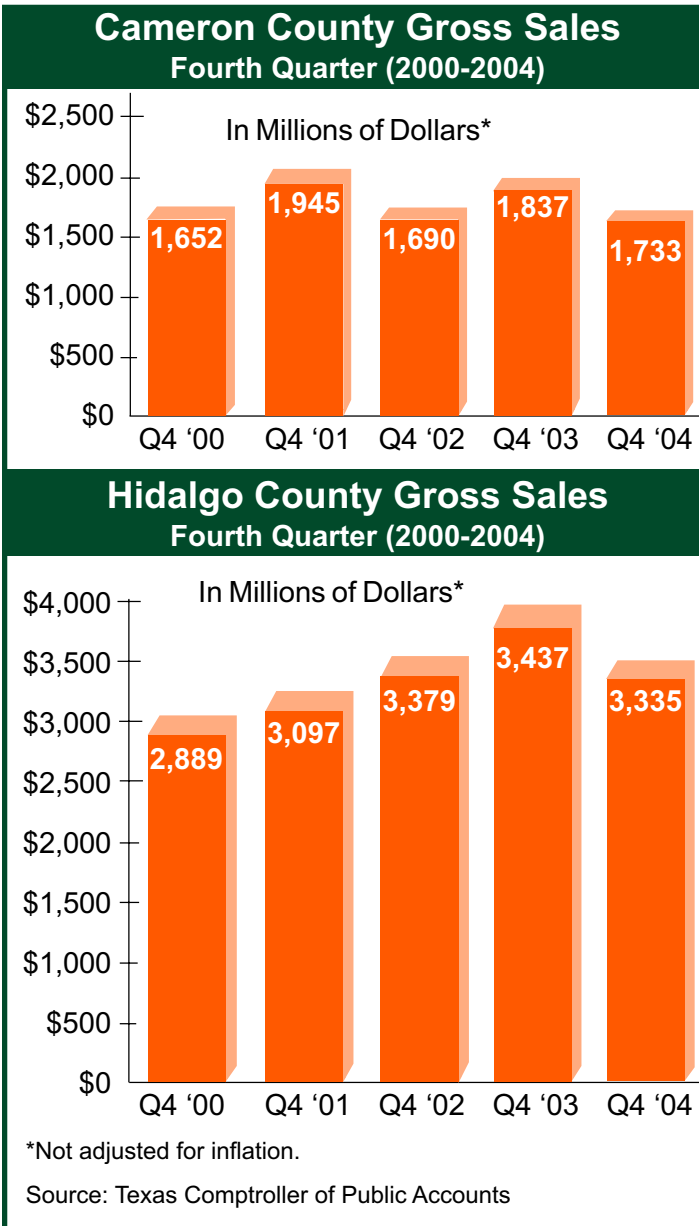
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GROSS SALES

In general, gross sales have increased between the fourth quarter of 2000 and the fourth quarter of 2004. In Cameron County, sales increased by five percent over that time period. For Hidalgo County the corresponding increase amounted to 15 percent.



Between the fourth quarter of 2003 and 2004, gross sales across all industries were to some extent on the decline. Gross sales decreased by six and three percent for Cameron and Hidalgo counties, respectively. Wholesale trade, services and construction were among the booming sectors in Cameron County; manufacturing was the main sector with losses. Within Hidalgo County, growth was reported within the construction and retail trade sectors. The declining segments in the economy were mainly manufacturing and wholesale trade.

Gross Sales by County and Industry

(in millions of dollars)

Cameron County			
	Q4 '04	Q4 '03	Change
Construction	66	64	3%
Manufacturing	246	397	-38%
Wholesale Trade	342	302	13%
Retail Trade	875	865	1%
Services	131	121	8%
Other*	73	89	-18%
All Industries	1,733	1,837	-6%

Hidalgo County			
	Q4 '04	Q4 '03	Change
Construction	208	200	4%
Manufacturing	495	657	-25%
Wholesale Trade	441	467	-6%
Retail Trade	1,870	1,775	5%
Services	213	221	-4%
Other*	109	118	-8%
All Industries	3,335	3,437	-3%

* 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

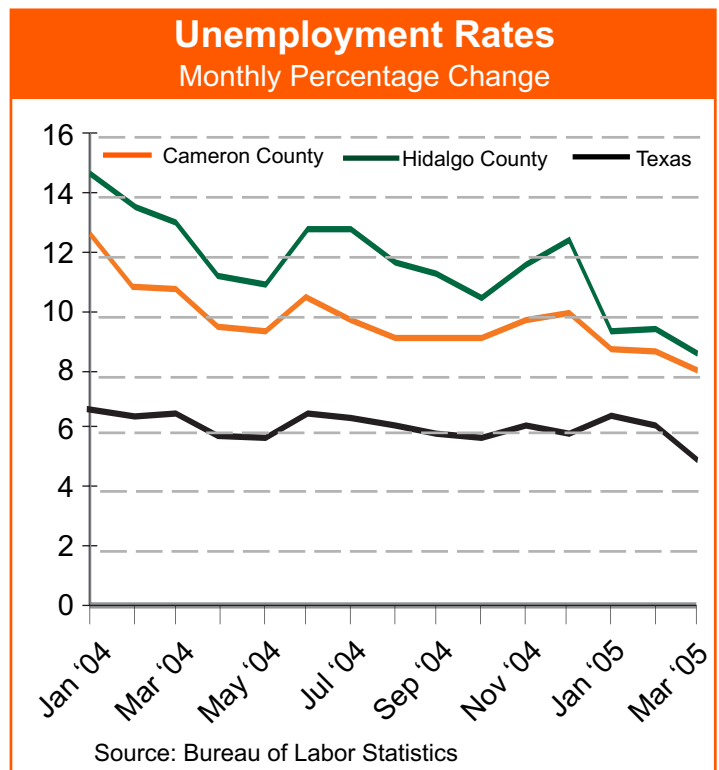
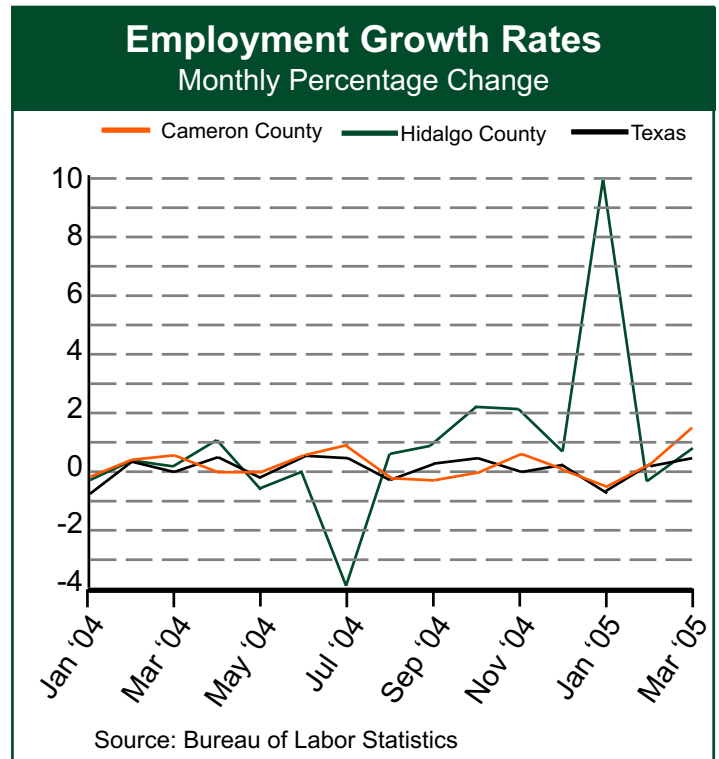
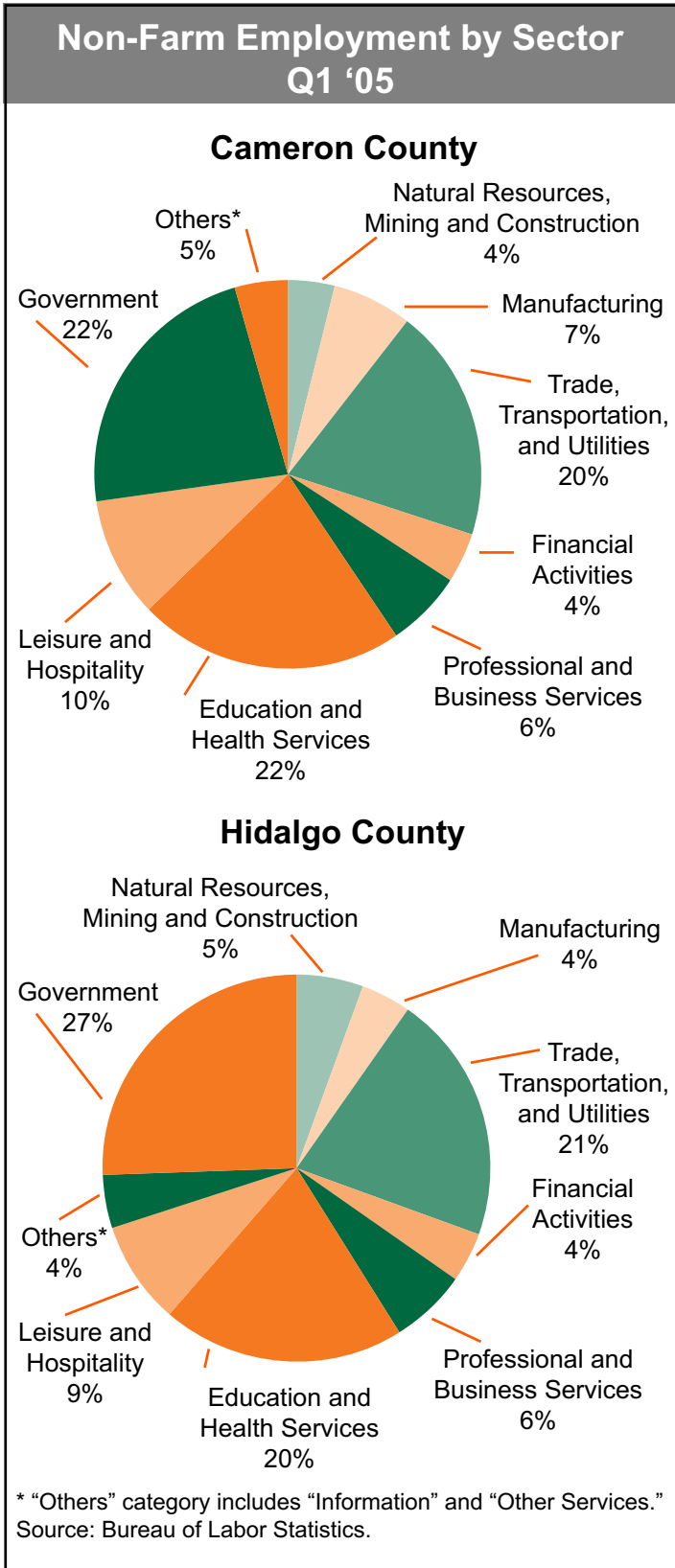
EMPLOYMENT

In March 2005, total employment stood at 132,806 for Cameron County and at 239,485 for Hidalgo County. This represented a two percent and 14 percent increase in employment figures from March 2004 for Cameron and Hidalgo counties, respectively. For the first quarter of 2005, the government sector (mainly local government) accounted for around 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 March 2005, the unemployment rate was eight and 8.5 percent for Cameron and Hidalgo counties, respectively, compared to rates of 10.7 and 13.1 percent in March 2004. While such rates are higher than those reported for the state of Texas (5.5 percent in March 2005), the decrease in

the unemployment rate for Cameron and Hidalgo counties from March 2004 relative to March 2005 exceeded the corresponding decrease for Texas: unemployment rates decreased by 25 and 35 percent for Cameron and Hidalgo counties, respectively, as compared to a 14 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.



BANKING INDICATORS

Banking activity continued to thrive in Cameron and Hidalgo counties in the first quarter of 2005 relative to the same quarter in 2004. In Cameron County, deposits increased by four percent, from \$3.4 billion in the first quarter of 2004 to nearly \$3.6 billion in the corresponding quarter in 2005. The city of Brownsville accounted for more than two thirds of total county deposits, with the cities of Harlingen and San Benito rounding up the top three. Hidalgo County's bank deposits increased by seven percent over the same time period growing from \$6.4 billion to almost \$6.9 billion. Deposits at the city of McAllen's banks comprised more than half of county deposits. The cities of Mission and Edinburg ranked second and third, respectively, in terms of the size of their deposits.

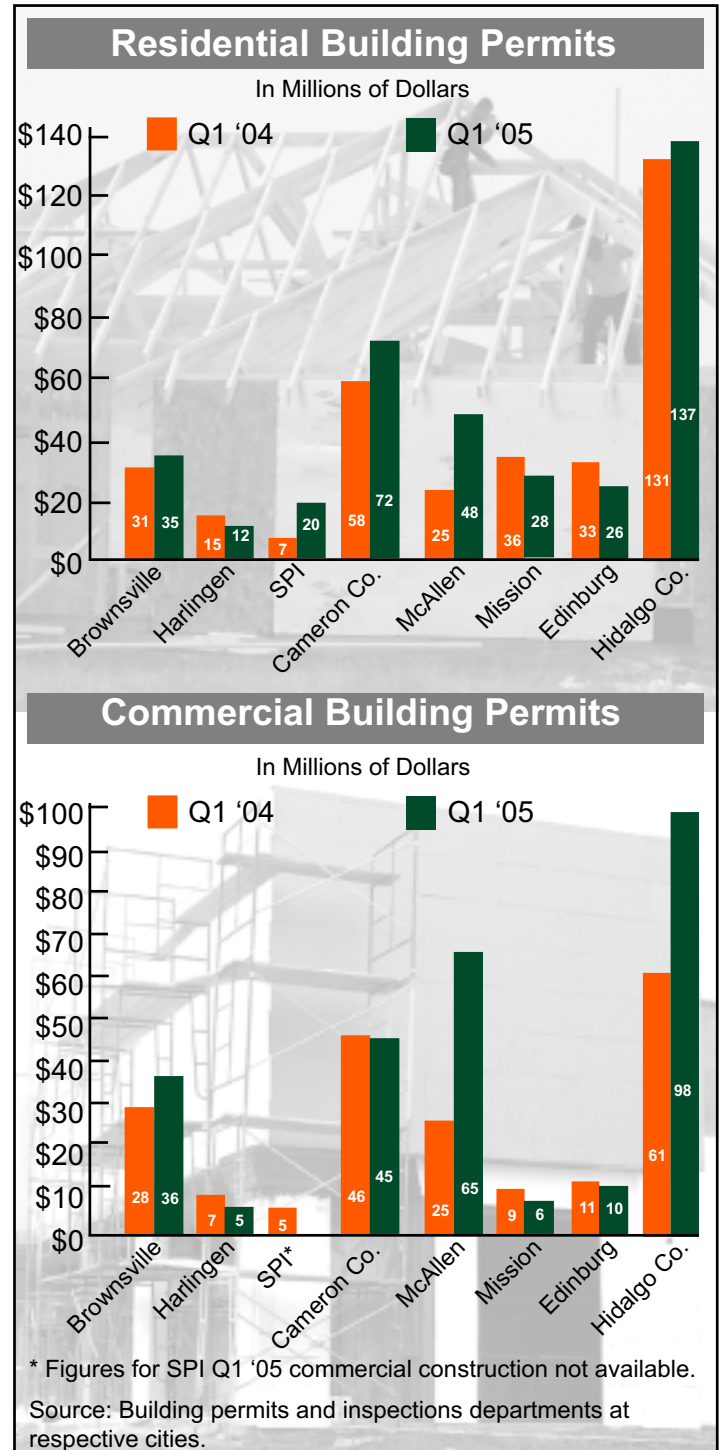
Bank Deposits			
Cameron County (in millions of dollars)			
City	Q1 '05	Q1 '04	Change
Brownsville	\$2,234	\$2,118	5.4%
Harlingen	\$829	\$843	-1.7%
San Benito	\$194	\$169	14.8%
County Total*	\$3,572	\$3,434	4.0%

Bank Deposits			
Hidalgo County (in millions of dollars)			
City	Q1 '05	Q1 '04	Change
McAllen	\$3,642	\$3,517	3.5%
Mission	\$728	\$663	9.9%
Edinburg	\$661	\$600	10.2%
County Total*	\$6,865	\$6,415	7.0%

* County Total includes bank deposits in all cities within a county.
Source: Rio Grande Valley Partnership

BUILDING PERMITS

Construction activity was generally on the rise in the Valley area in the first quarter of 2005 relative to that of 2004. Residential building permits increased by 24 percent in Cameron County and by over four percent. Commercial construction boomed in Hidalgo County as evidenced by the 61 percent increase in the value of commercial permits issued. In Cameron County, however, commercial construction activity more or less remained the same.



TRANSPORTATION

Air Ports of Entry – Passenger Statistics*

	Q1 '05	Q1 '04	Change
Brownsville	38,104	33,094	15.1%
Harlingen	219,294	213,975	2.5%
McAllen	181,697	152,090	19.5%
Laredo	46,007	37,828	21.6%
El Paso	758,674	704,561	7.7%

* Passenger statistics includes both enplaned and deplaned values.

Source: Respective Airports

Land Ports of Entry Border Crossings

Southbound Traffic				Northbound Traffic			
	Q1 '05*	Q1 '04*	Change		Q1 '05	Q1 '04	Change
Trucks				Trucks			
Rio Grande Valley**	107,213	101,712	5.4%	Rio Grande Valley**	198,723	188,781	5.3%
El Paso	48,483	45,569	6.4%	El Paso	174,885	178,317	-1.9%
Laredo	229,017	219,651	4.3%	Laredo	330,100	348,696	-5.3%
Rail				Rail			
Rio Grande Valley**	6,595	6,019	9.6%	Rio Grande Valley**	260	247	5.3%
El Paso	-	-	-	El Paso	351	167	110.2%
Laredo	39,114	34,278	14.1%	Laredo	822	857	-4.1%
Vehicles				Vehicles			
Rio Grande Valley**	2,506,583	2,525,364	-0.7%	Rio Grande Valley**	4,310,677	4,400,272	-2.0%
El Paso	703,572	689,785	2.0%	El Paso	3,800,376	3,629,775	4.7%
Laredo	1,033,143	1,074,849	-3.9%	Laredo	1,582,371	1,688,506	-6.3%
Pedestrians				Pedestrians			
Rio Grande Valley**	839,174	922,984	-9.1%	Rio Grande Valley**	1,696,659	1,858,643	-8.7%
El Paso	859,577	746,595	15.1%	El Paso	1,981,756	2,019,764	-1.9%
Laredo	602,761	635,818	-5.2%	Laredo	1,096,640	1,095,233	0.1%

* Due to data availability issues, southbound traffic compares January and February 2004 crossings to the corresponding 2005 crossings.

** Rio Grande Valley includes land ports of entry in Cameron, Hidalgo and Starr counties for northbound traffic and only Cameron and Hidalgo counties for southbound traffic.

Source: U.S. Customs and Border Protection for northbound traffic; Texas Center for Border and Economic Enterprise Development for southbound traffic.

EXPORT/IMPORT ACTIVITY

Export and import trade activity increased dramatically through the ports of Cameron and Hidalgo counties relative to the State of Texas in the first quarter of 2005 compared with the same quarter in 2004. The growth in this activity was primarily led by the port of Hidalgo, where export (import) activity rose by nearly 30 (11) percent rela-

tive to an increase of five (four) percent through all Texas ports. Exports through Brownsville and Progreso ports exhibited growth rates commensurate with those at the state level. However, import activity through these two ports was marked by declines over the same time period.

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

(in millions of dollars)

	Q1 '05	% of TX Export Trade Activity	Q1 '04	% of TX Export Trade Activity	Change
Brownsville	1,448	7.7%	1,396	7.8%	3.7%
Hidalgo	1,994	10.6%	1,538	8.6%	29.7%
Progreso	30	0.2%	29	0.2%	4.3%
2 County Total	3,472	18.5%	2,963	16.6%	17.2%
Texas Total	18,769	100.0%	17,875	100.0%	5.0%

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

(in millions of dollars)

	Q1 '05	% of TX Import Trade Activity	Q1 '04	% of TX Import Trade Activity	Change
Brownsville	1,279	5.2%	1,340	5.7%	-4.5%
Hidalgo	2,761	11.2%	2,480	10.5%	11.3%
Progreso	2**	0.0%	2**	0.0%	-18.9%
2 County Total	4,042	16.4%	3,822	16.1%	5.7%
Texas Total	24,595	100.0%	23,674	100.0%	3.9%

*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.

**Numbers rounded to nearest million dollars.

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.

MAQUILADORAS

Number of Employees

	Q1 '05	Share of Texas Border Employment	Q1 '04	Share of Texas Border Employment	Change
Matamoros	53,554	13%	52,421	13%	2%
Reynosa	85,789	21%	75,460	19%	14%
Nuevo Laredo	21,145	5%	19,219	5%	10%
Juarez	211,006	51%	198,282	51%	6%
Texas Border	416,345		391,951		6%
US-Mexico Border	674,784		629,704		7%

Number of Established Plants*

	Q1 '05	Share of Texas Border Plants	Q1 '04	Share of Texas Border Plants	Change
Matamoros	122	18%	127	19%	-4%
Reynosa	128	19%	142	21%	-10%
Nuevo Laredo	42	6%	44	7%	-5%
Juarez	294	44%	280	42%	5%
Texas Border	665		672		-1%
US-Mexico Border	1,589		1,569		1%

Value Added (in millions of pesos)

	Q1 '05	Share of Texas Border Value Added	Q1 '04	Share of Texas Border Value Added	Change
Matamoros	2,180	12%	2,041	12%	7%
Reynosa	3,821	21%	3,348	20%	14%
Nuevo Laredo	1,317	7%	988	6%	33%
Juarez	9,699	53%	9,224	55%	5%
Texas Border	18,243		16,881		8%
US-Mexico Border	29,383		27,285		8%

*Established plants as reported by 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.