



Border Business Briefs

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The University of Texas–Pan American

Welcome To *Border Business Briefs*

Welcome to the second 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 third quarter of 2004. All major economic indicators were generally on the rise relative to the third 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 will release its *Economic Analysis & Forecast for the South Texas Border Region*. The report is the first annual forecast of economic indicators that impact the South Texas area. Its objective is to foster a better understanding of the area's economy through analysis of historical trends, and to improve the decision-making process of local business leaders by providing them with economic forecasts that utilize advanced economic modeling techniques.

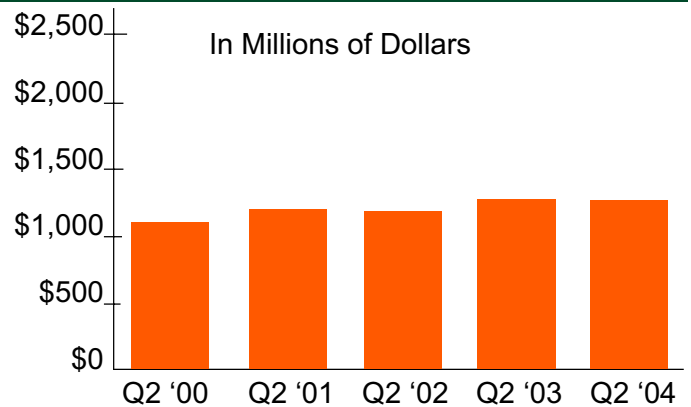
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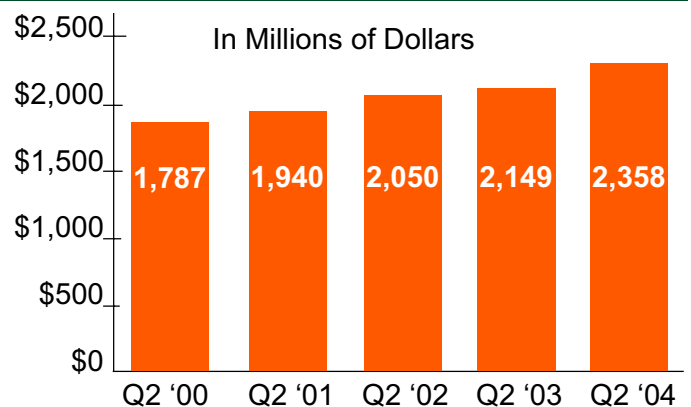
SALES CONTINUE INCREASE

Overall, gross sales have consistently increased between the second quarter of 2000 and the second quarter of 2004. The increase has been most pronounced for the McAllen-Edinburg-Mission MSA where sales increased by more than 30 percent over that time period. In the Brownsville-Harlingen-San Benito MSA, the corresponding increase amounted to 13 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 60 percent of total sales. Gross sales for the Brownsville area remained more or less the same between the third quarters of 2003 and 2004. On the other hand, the McAllen area boasted an increase of almost ten percent over the same time period.

Gross Sales by Industry and MSA

| Gross Sales Q2 04 (in millions of dollars) | | |
|---|--------------------------------------|------------------------------|
| Industry | Brownsville-Harlingen-San Benito MSA | McAllen-Edinburg-Mission MSA |
| Manufacturing | 137 | 157 |
| Wholesale Trade | 157 | 277 |
| Retail Trade | 746 | 1,488 |
| Services | 103 | 175 |
| Other* | 99 | 261 |
| All Industries | 1,242 | 2,358 |

| Gross Sales Q2 03 (in millions of dollars) | | |
|---|--------------------------------------|------------------------------|
| Industry | Brownsville-Harlingen-San Benito MSA | McAllen-Edinburg-Mission MSA |
| Manufacturing | 154 | 132 |
| Wholesale Trade | 150 | 226 |
| Retail Trade | 739 | 1,409 |
| Services | 101 | 151 |
| Other* | 96 | 231 |
| All Industries | 1,240 | 2,149 |
| Change | 0.2% | 9.7% |

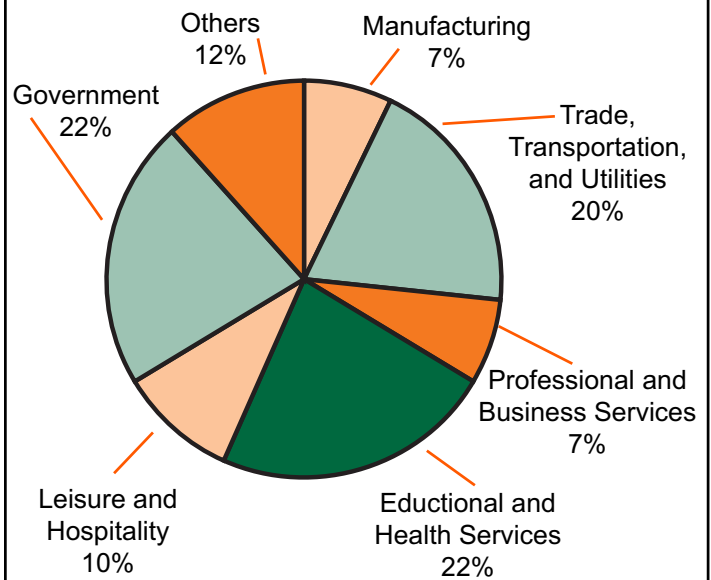
* The "Other" category includes the following sectors, each of which accounts for less than five percent of gross sales: Agriculture, Construction, Transportation, Finance and Mining.
Source: Texas Comptroller of Public Accounts.

EMPLOYMENT

In September of 2004, total employment stood at 130,632 for Cameron County and 205,280 for Hidalgo County. For the third 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.

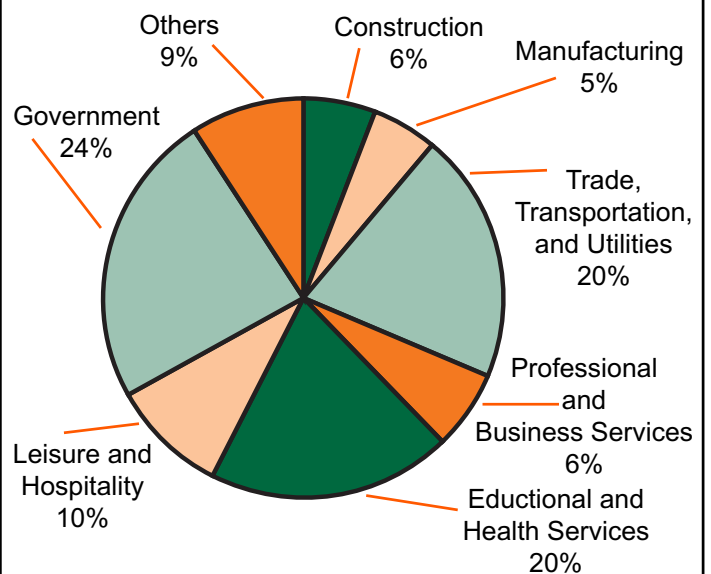
Brownsville-Harlingen-San Benito MSA

Non-Farm Employment by Sector



McAllen-Edinburg-Mission MSA

Non-Farm Employment by Sector



Source: Texas Workforce Commission



Border Business Briefs

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Unemployment continued its downward trend over the third quarter of 2004. In September of 2004, unemployment hovered at 8.6 and 10.7 percent for Cameron and Hidalgo counties, respectively, compared to rates of 10.7 and 13.3 percent in September of 2003. While such rates are higher than those reported for the state of Texas (5.5 percent in September of 2004), the downward movement in the unemployment rate over the 15-month period, July

03 through September 04, for the two counties mirrors that of the state. This is also evident by examining employment growth rates over the same period. Cameron County employment growth rates follow the same pattern as those of Texas. However, employment growth and declines for Hidalgo County seem to be more exaggerated than those of the state.

Top 10 Private and Public Employers*

(2nd quarter 2004)

Cameron County

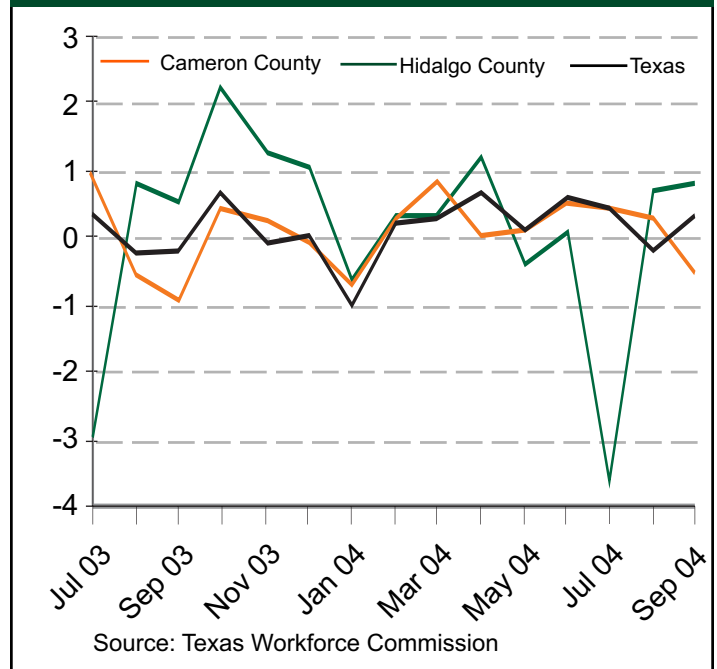
| | |
|--|---------|
| Brownsville ISD | Public |
| Dept. of Homeland Security | Public |
| Harlingen CISD | Public |
| H-E-B Grocery Company | Private |
| San Benito ISD | Public |
| Cameron County Government | Public |
| Texas Visiting Nurse Service | Private |
| University of Texas at Brownsville and Texas Southmost College | Public |
| Valley Baptist Medical Center | Private |
| Wal-Mart | Private |

Hidalgo County

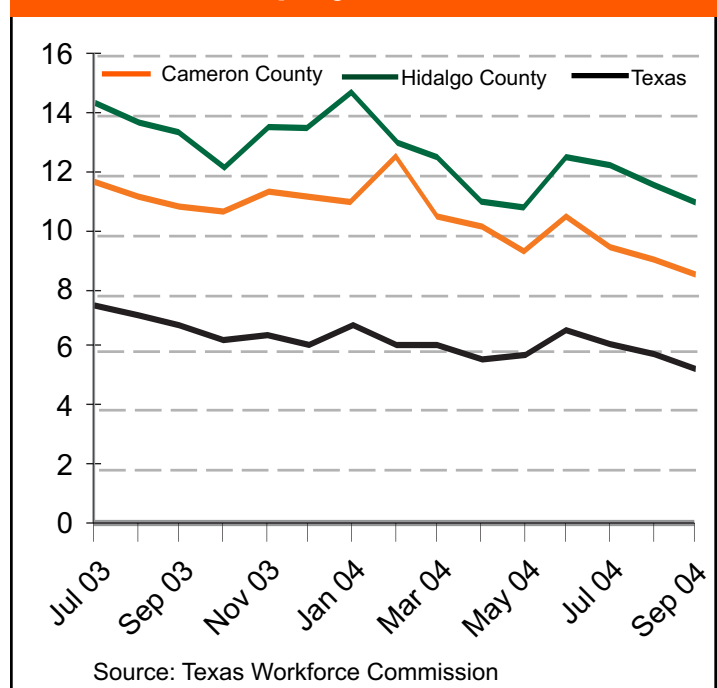
| | |
|----------------------------------|---------|
| Donna ISD | Public |
| Edinburg CISD | Public |
| H-E-B Grocery Company | Private |
| La Joya ISD | Public |
| McAllen Hospitals | Private |
| McAllen ISD | Public |
| Pharr-San Juan-Alamo ISD | Public |
| Hidalgo County Government | Public |
| University of Texas-Pan American | Public |
| Wal-Mart | Private |

* Employers are listed alphabetically, with no ranking intended.
Source: Texas Workforce Commission.

Employment Growth Rates Monthly Percentage Change



Unemployment Rates



BANKING INDICATORS

The banking sector generally showed signs of growth in both counties between the third quarter of 2003 and that of 2004. Bank deposits within the Brownsville-Harlingen-San Benito MSA grew by more than 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 both in dollar and percentage terms, while McAllen and Mission had minor decreases in the amount of their deposits.

Bank Deposits Brownsville-Harlingen-San Benito MSA

(in millions of dollars)

| | Brownsville | Harlingen | San Benito | MSA Total |
|---------------|--------------|--------------|--------------|-------------|
| Jul-04 | \$2,172 | \$828 | \$163 | \$3,163 |
| Aug-04 | \$2,180 | \$801 | \$166 | \$3,147 |
| Sep-04 | \$2,139 | \$805 | \$167 | \$3,111 |
| Q3 04 | \$2,164 | \$811 | \$165 | \$3,140 |
| Jul-03 | \$1,969 | \$826 | \$139 | \$2,934 |
| Aug-03 | \$1,965 | \$826 | \$137 | \$2,928 |
| Sep-03 | \$1,960 | \$828 | \$136 | \$2,924 |
| Q3 03 | \$1,965 | \$827 | \$137 | \$2,929 |
| Change | 10.1% | -1.9% | 20.4% | 7.2% |

Bank Deposits McAllen-Edinburg-Mission MSA

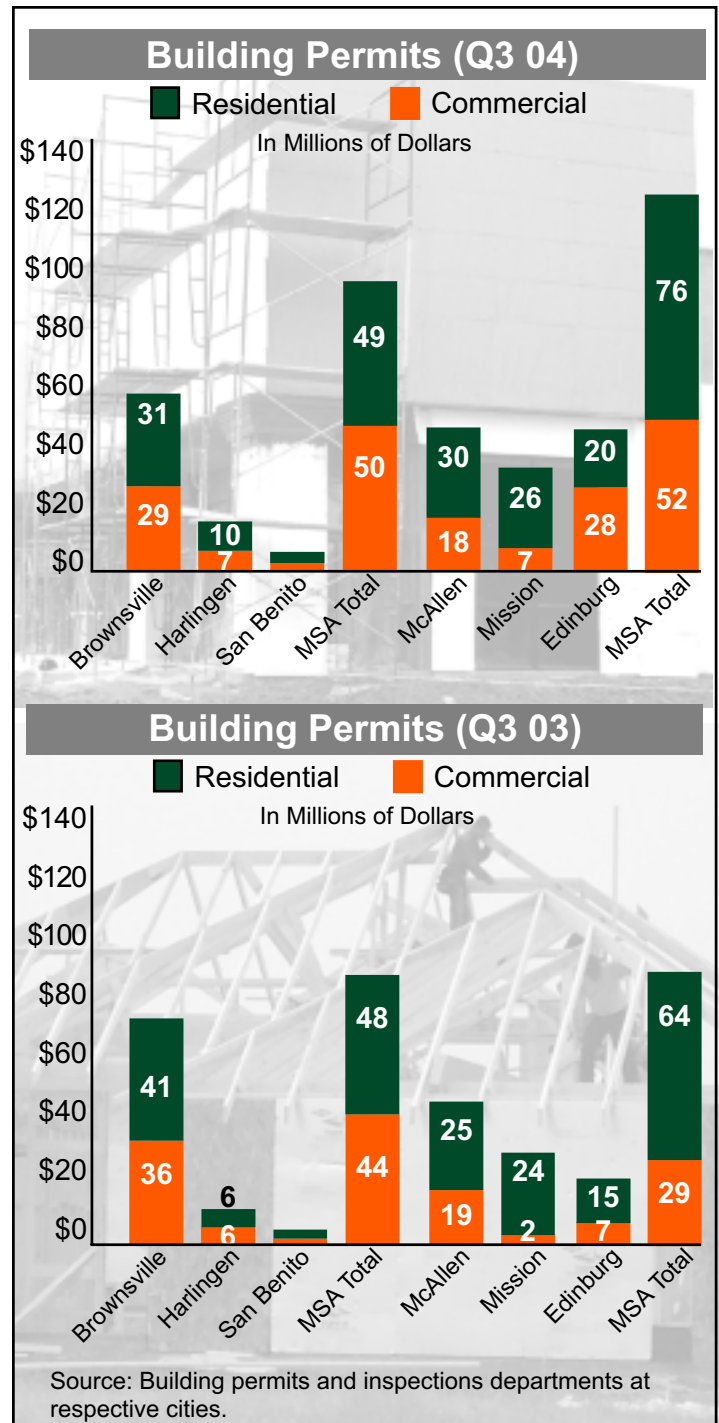
(in millions of dollars)

| | McAllen | Edinburg | Mission | MSA Total |
|---------------|--------------|-------------|--------------|--------------|
| Jul-04 | \$3,511 | \$575 | \$681 | \$4,767 |
| Aug-04 | \$3,473 | \$553 | \$671 | \$4,697 |
| Sep-04 | \$3,496 | \$580 | \$686 | \$4,762 |
| Q3 04 | \$3,493 | \$569 | \$679 | \$4,742 |
| Jul-03 | \$3,615 | \$525 | \$670 | \$4,810 |
| Aug-03 | \$3,552 | \$528 | \$690 | \$4,770 |
| Sep-03 | \$3,531 | \$532 | \$695 | \$4,758 |
| Q3 03 | \$3,566 | \$528 | \$685 | \$4,779 |
| Change | -2.0% | 7.8% | -0.8% | -0.8% |

Source: Rio Grande Valley Partnership

BUILDING PERMITS

Overall, construction activity was on the rise in the third quarter of 2004 relative to that of 2003 as evidenced by the number of building permits issued by the respective cities. For the Brownsville-Harlingen-San Benito MSA, commercial and residential permits increased by 14 percent and two percent, respectively. The increase in the McAllen-Edinburg-Mission MSA was by almost 80 percent for commercial permits and close to 20 percent for residential permits.



EXPORT/IMPORT ACTIVITY

Around a fifth of Texas trade activity, whether exports or imports, passes through the ports of Cameron and Hidalgo counties. The third quarter of 2004 shows an increase of six percent in the level of exports through Cameron and Hidalgo county ports relative to the same quarter in 2003.

Texas ports, however, exhibited double that increase over the same time period. Import activity, on the other hand, increased by 15.6 percent through the two-county ports as compared to an 11.7 percent increase at the state level.

Total U.S. Export Trade Activity Through Cameron and Hidalgo County Ports¹

(in millions of dollars)

| | Q3 04 | % of TX Export Trade Activity | Q3 03 | % of TX Export Trade Activity | Change |
|----------------|--------|----------------------------------|--------|----------------------------------|--------|
| Brownsville | 1,452 | 10.5% | 1,362 | 11.0% | 6.6% |
| Hidalgo | 1,670 | 12.0% | 1,578 | 12.8% | 5.8% |
| Progreso | 40 | 0.3% | 32 | 0.3% | 23.9% |
| 2-County Total | 3,161 | 22.8% | 2,972 | 24.1% | 6.4% |
| Texas Total | 13,895 | 100% | 12,356 | 100% | 12.5% |

Total U.S. Import Trade Activity Through Cameron and Hidalgo County Ports²

(in millions of dollars)

| | Q3 04 | % of TX Import Trade Activity | Q3 03 | % of TX Import Trade Activity | Change |
|----------------|--------|----------------------------------|--------|----------------------------------|--------|
| Brownsville | 1,310 | 7.0% | 1,239 | 7.4% | 5.8% |
| Hidalgo | 2,757 | 14.7% | 2,279 | 13.6% | 21.0% |
| Progreso | 2 | 0.0% | 2 | 0.0% | 26.3% |
| 2-County Total | 4,069 | 21.7% | 3,520 | 21.0% | 15.6% |
| Texas Total | 18,733 | 100% | 16,776 | 100% | 11.7% |

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.

¹ Total export trade activity through the Texas-Mexico border has two components: exports to Mexico and exports whose final destination is a country other than Mexico (transshipment). The total export trade activity figure, however, can be used interchangeably with exports to Mexico, since the latter figure constitutes more than 99 percent of the total.

² Total import trade activity through the Texas-Mexico border has two components: imports from Mexico and imports whose country of origin is other than Mexico (transshipment). The total import trade activity figure, however, can be used interchangeably with imports from Mexico, since the latter figure constitutes more than 95 percent of the total.

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 2000 | | | Hidalgo County 2000 | | |
|---------------|---------------------|-------------|-------------|---------------------|--------------|--------------|
| | Male | Female | Total | Male | Female | Total |
| Total | 160,509 | 174,718 | 335,227 | 276,523 | 292,940 | 569,463 |
| Change | 7.3% | 6.9% | 7.1% | 10.2% | 10.9% | 10.5% |

Source: U.S. Census Bureau, 2003 American Community Survey estimates and Census 2000.

TRANSPORTATION

Air Ports of Entry – Passenger Statistics

| | Q3 04 | Q3 03 | Change |
|-------------|---------|---------|--------|
| Brownsville | 34,107 | 31,148 | 9.5% |
| Harlingen | 217,147 | 195,795 | 10.9% |
| McAllen | 158,805 | 140,076 | 13.4% |
| Laredo | 40,705 | 38,731 | 5.1% |
| El Paso | 856,096 | 785,649 | 9.0% |

Source: Respective Airports.

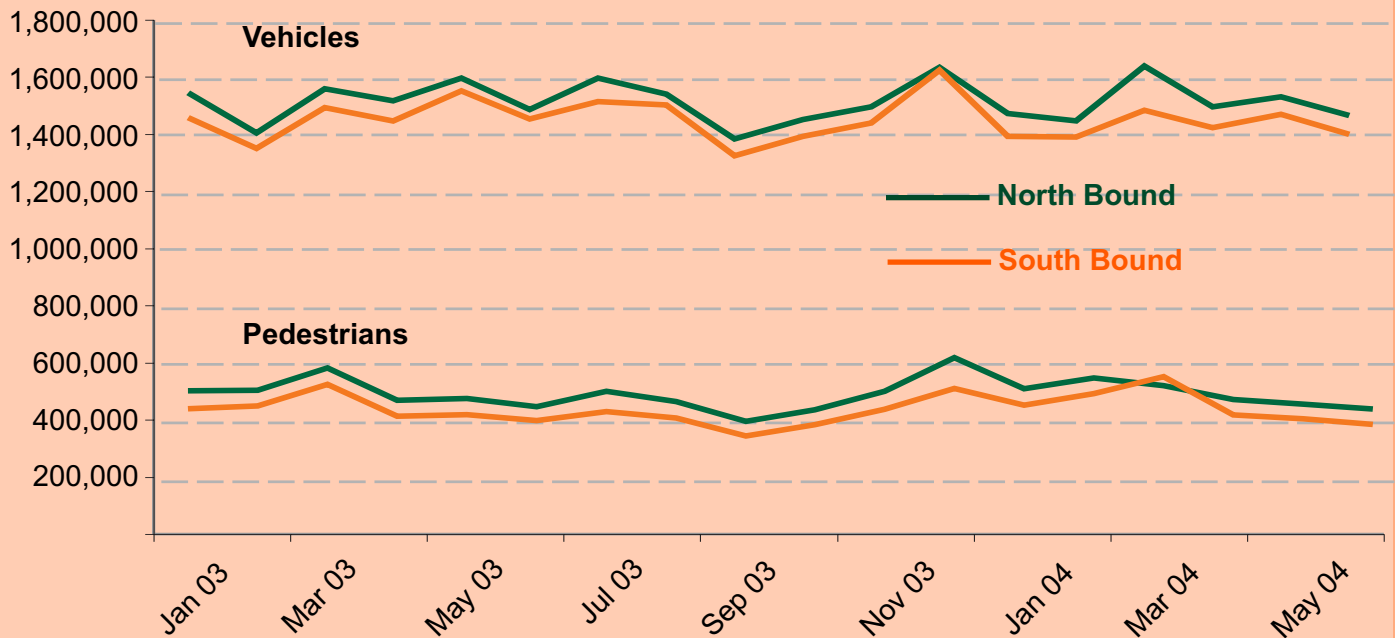
Land Ports of Entry Border Crossings – Southbound Traffic

| | Q3 04 | Q3 03 | Change |
|---------------------|---------|---------|--------|
| Trucks | | | |
| Rio Grande Valley * | 174,667 | 156,294 | 11.8% |
| El Paso | 73,26 | 71,023 | 3.2% |
| Laredo | NA | 347,223 | - |

Land Ports of Entry Border Crossings – Northbound Traffic

| | Q3 04 | Q3 03 | Change |
|---------------------|---------|---------|--------|
| Trucks | | | |
| Rio Grande Valley * | 186,446 | 174,089 | 7.1% |
| El Paso | 181,425 | 165,725 | 9.5% |
| Laredo | 293,543 | 335,086 | -12.4% |

Rio Grande Valley Bridge Crossings



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, Hidalgo and Starr counties.
NA: Not available.

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, 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 and bachelor's degree holders. These numbers are consistent with the increase in enrollment at institutions of higher education throughout the two counties.

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 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 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

| | Fall 2004 | Fall 2000 | Change |
|--------------|---------------|---------------|------------|
| UTB-TSC | 11,560 | 9,075 | 27% |
| TSTC | 4,457 | 3,266 | 36% |
| UTPA | 17,030 | 12,760 | 33% |
| STC | 17,138 | 11,338 | 51% |
| Total | 50,185 | 36,439 | 38% |

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 third quarter of 2003 to the third quarter of 2004, the number of maquiladoras in Mexico has slightly increased from 2,778 plants in the third quarter of 2003 to 2,804 in the third quarter of 2004. Other Mexican border states generally exhibited a similar trend, with the number of plants increasing by 2.6 percent over the same time period. In the state of Tamaulipas, however, the number of maquiladoras decreased by four percent. On the other hand, employment at maquiladoras did not reflect this trend. Employment generally increased, with the state of Tamaulipas showing a 9.6 percent increase in the number of employees between the third 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 |
| Q3 03 | 2,778 | 2,009 | 370 | 1,052,075 | 812,589 | 161,009 |
| 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 |
| Q3 change | 1.0% | 2.6% | -4.0% | 7.7% | 8.2% | 9.6% |

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