



Border Business Briefs

Vol. 2, No. 2

Winter 2006

A Publication of the Center For Border Economic Studies

The University of Texas-Pan American

Welcome To *Border Business Briefs*

Welcome to the winter 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.

Starting in Summer 2005, CBEST started focusing on one industry in every issue. In this issue, the focus is on trends within the retail trade industry, which has been booming in both Cameron and Hidalgo counties. Gross sales and employment in this sector grew over the past five years at rates that surpassed those at the state level. The Valley's economy as a whole expanded in the third quarter of 2005, relative to the same period in 2004. Hidalgo County showed signs of growth in almost all of its economic indicators. Cameron County, however, did not exhibit the same pattern; growth was limited to employment figures, retail trade and construction industries. Export/import activity through the ports of Cameron and Hidalgo counties grew at faster rates than Texas, and maquiladora activity was on the rise in terms of employment and value added figures. In addition, the educational attainment in both counties significantly improved in 2004 relative to 2000.

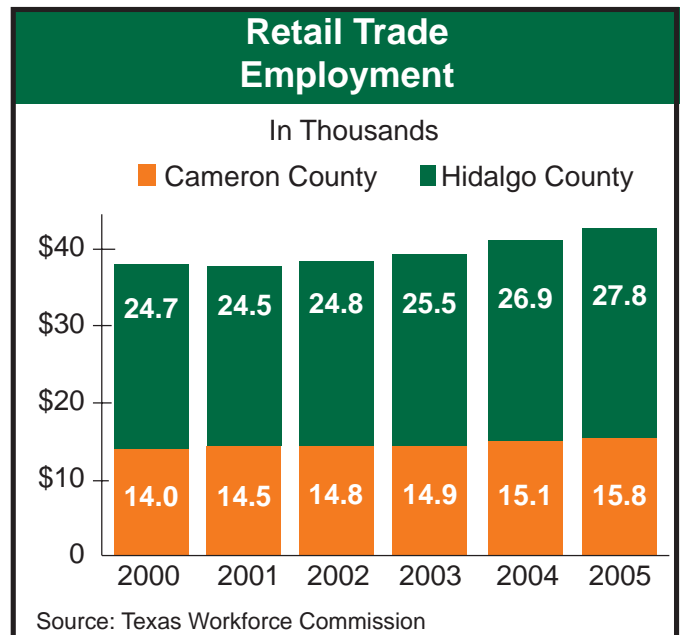
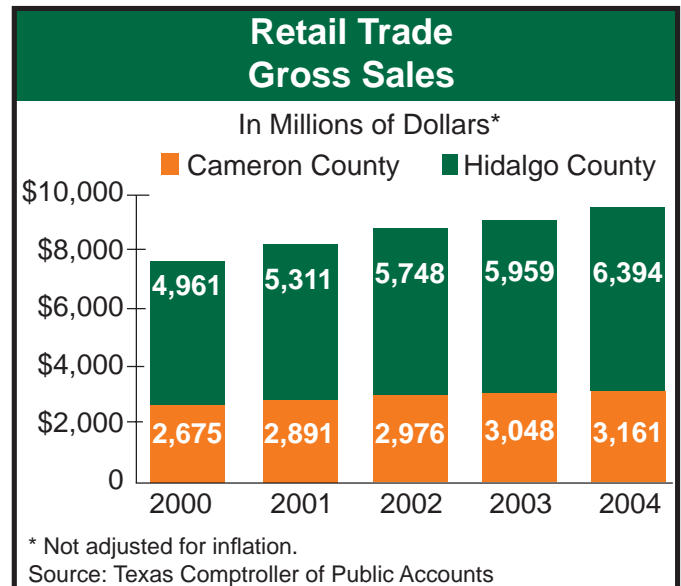
In a few weeks, CBEST will release the second annual Economic Analysis and Forecast for the South Texas Border Region. The report will provide forecasts through 2007 for select economic indicators at the national, state and local levels, as well as for Mexico. If you would like to receive more information on this release, please email us at cbest@utpa.edu.

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RETAIL TRADE

The retail trade sector is a major cornerstone in the economy of the Rio Grande Valley accounting for almost 60 percent of gross sales and 14 percent of non-farm employment in the area. Over the past five years, gross sales within the retail trade sector have gone up from \$2.7 billion to \$3.2 billion in Cameron County and from \$5 billion to \$6.4 billion in Hidalgo County. This increase corresponded to an 18 percent growth rate in Cameron



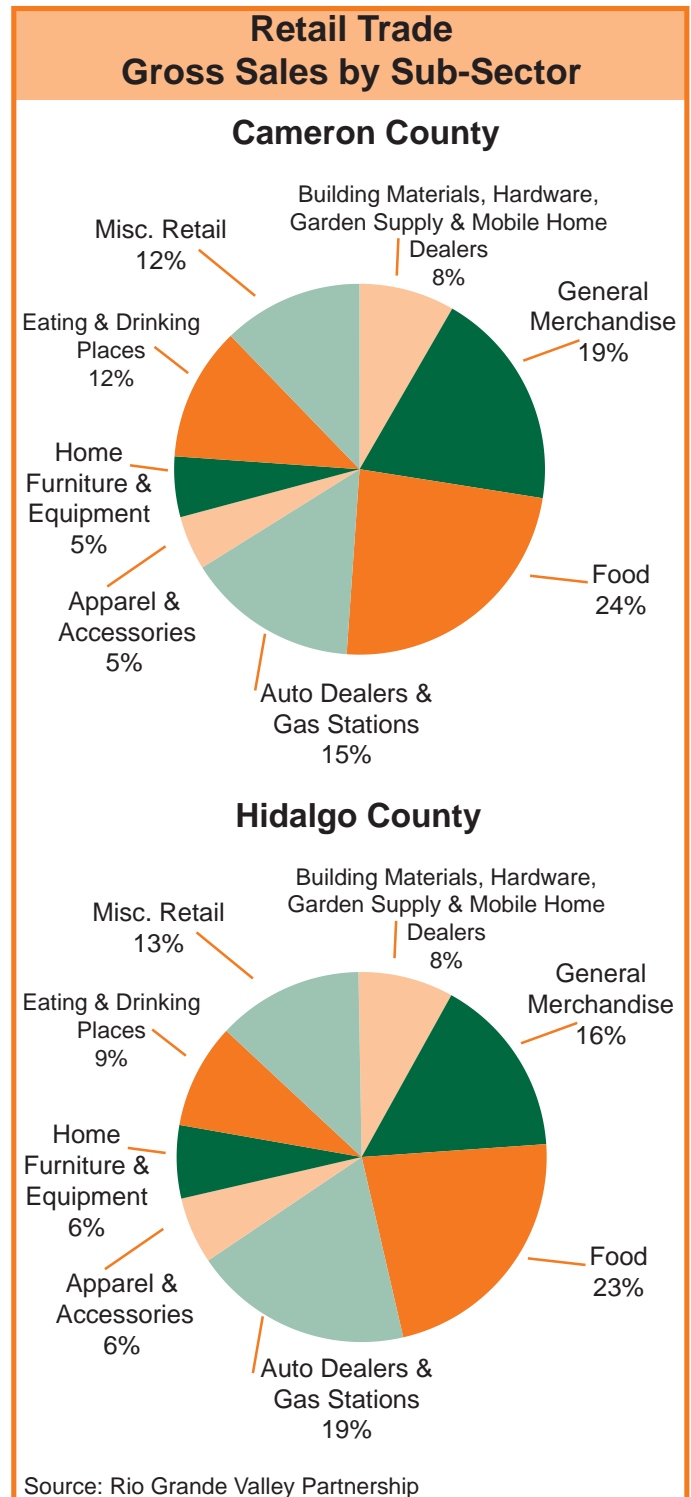
County and a 29 percent growth rate in Hidalgo County, both of which exceeded Texas' growth rate of 11 percent in this sector.

Within the retail trade sector, food stores constitute the largest portion with almost a quarter of retail trade gross sales. Other major retail sub-sectors are general merchandise stores and auto dealers and gasoline service stations.

In terms of jobs, the retail trade sector has exhibited rates of growth that surpassed those of Texas. In 2000, this sector supported 14,000 and 24,700 jobs in Cameron and Hidalgo counties, respectively. By 2005, the equivalent numbers were 15,800 and 27,800, corresponding to an increase of more than 12 percent over the 2000-2005 period. Texas, on the other hand, suffered a decline of 0.8 percent in retail trade employment over the same time period.

Employment by Sub-Sector Number of Employees		
	Cameron County	Hidalgo County
Retail trade	15,005	24,012
Motor vehicle & parts	1,873	3,246
Furniture & home furnishings	526	867
Electronics/appliance stores	369	710
Building material & supplies	939	1,765
Food & beverage stores	2,788	4,328
Health & personal care	635	1,258
Gasoline stations	1,268	2,047
Clothing stores	1,916	3,004
Sporting goods & books/music	464	725
General merchandise stores	3,407	4,811
Misc. store retailers	(250-499)	(500-999)
Nonstore retailers	(250-499)	(250-499)

Source: 2002 Economic Census




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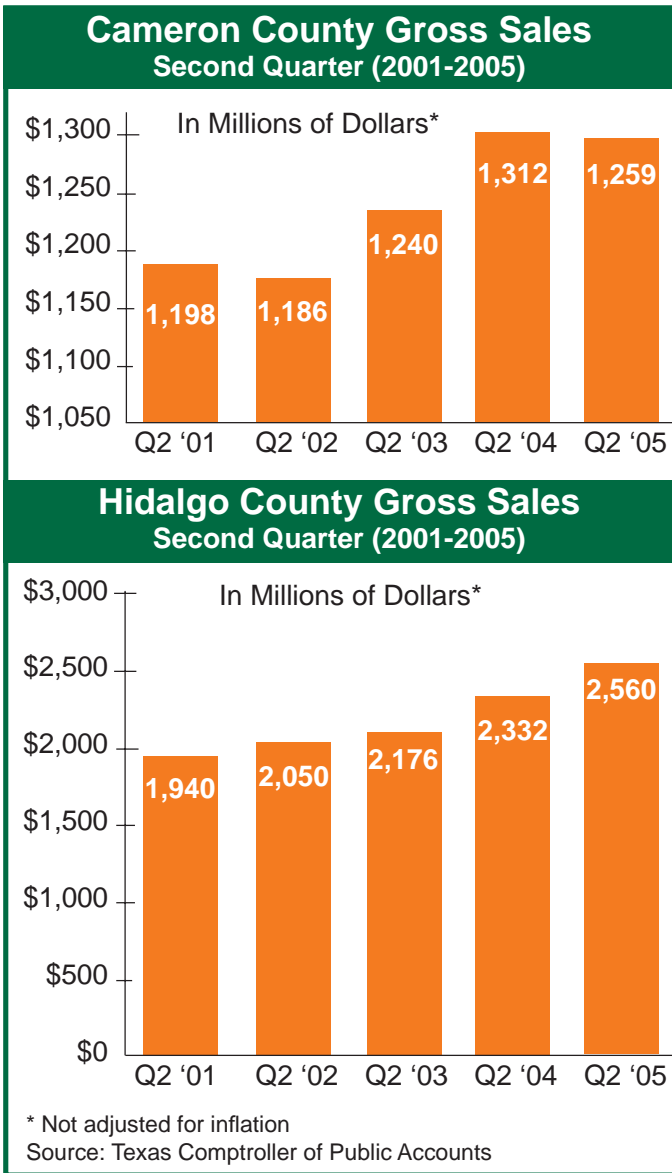
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GROSS SALES

In general, gross sales have increased between the second quarter of 2001 and the second quarter of 2005. In Cameron County, sales increased by five percent over that time period. For Hidalgo County, the corresponding increase amounted to almost 32 percent.



Relative to the second quarter of 2004, Cameron County gross sales marginally decreased in the second quarter of 2005, with construction and retail trade as the primary growing industries. Hidalgo County, however, posted an increase of 10 percent in its gross sales over the same time period. Significant growth was noticeable in manufacturing, retail trade, wholesale trade and services. Retail trade continued to dominate the economies of both counties, accounting for almost two-thirds of gross sales.

Gross Sales by County and Industry

In Millions of Dollars

Cameron County

	Q2 '05	Q2 '04	Change
Construction	56	48	17%
Manufacturing	101	205	-51%
Wholesale Trade	151	159	-5%
Retail Trade	783	746	5%
Services	105	103	2%
Other*	52	51	2%
All Industries	1,259	1,312	-4%

Hidalgo County

	Q2 '05	Q2 '04	Change
Construction	132	128	3%
Manufacturing	180	163	10%
Wholesale Trade	285	266	7%
Retail Trade	1,586	1,475	8%
Services	187	175	7%
Other*	190	125	52%
All Industries	2,560	2,332	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 September 2005, total employment stood at 134,824 for Cameron County and at 243,482 for Hidalgo County. This represented a 3.7 percent and 5.3 percent increase from September 2004 employment figures for Cameron and Hidalgo counties, respectively. The corresponding employment growth for Texas was 2.7 percent.

By the end of the third quarter of 2005, the unemployment rate was 6.7 and 6.9 percent for Cameron and Hidalgo counties, respectively, compared to rates of 8 and 8.3 percent in September 2005. While such rates are higher than those reported for the state of Texas (5.3 percent in September 2005), the decrease in the unemployment rate for Cameron and Hidalgo counties from September 2004 relative to September 2005 exceeded the corresponding

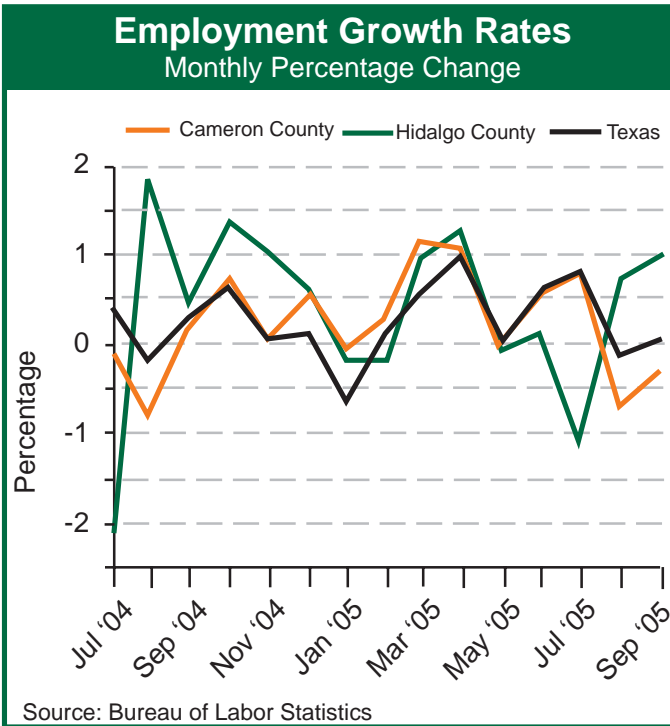
	Sep. '05	Sep. '04	Change
Hidalgo County	243,482	231,286	5.3%

Source: Bureau of Labor Statistics

decrease for Texas; unemployment rates decreased by about 16 percent for the two counties, compared to an 8 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 more exaggerated than those of Texas.

EDUCATIONAL ATTAINMENT

The educational attainment of Valley residents continued to improve according to the most recent 2004 American Community Survey estimates. Compared to Census 2000 numbers, the percentage of the population 25 years and older with no high school degree decreased by 15 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, those with some college education, as well as holders of bachelor's and graduate degrees in Cameron County. In Hidalgo County, the increase was primarily among high school graduates and associate and bachelor's degree holders.



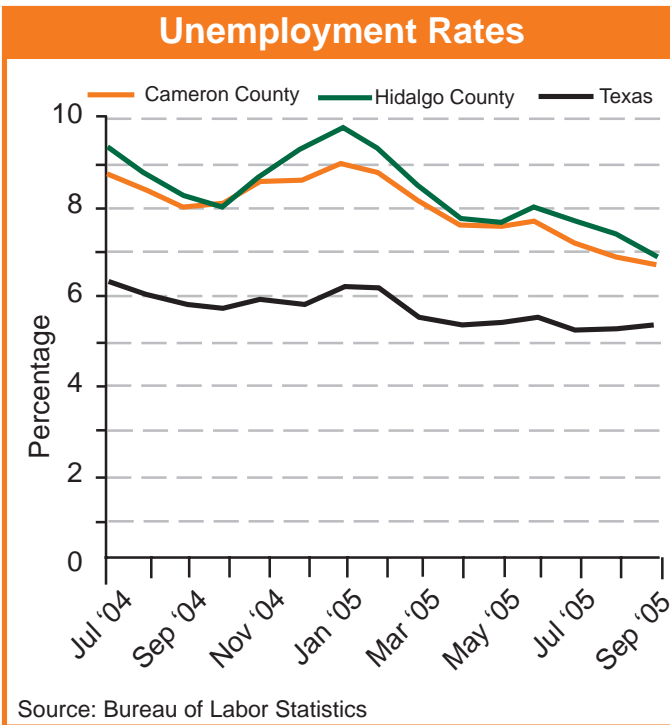
Educational Attainment

Percentage of the population 25 years and over

	Cameron County		
	2004*	2000**	Change
No high school	37.9	44.8	-15.4%
High school graduate	22.6	20.1	12.4%
Some college, no degree	19.6	17.5	12.0%
Associate degree	4.0	4.3	-7.0%
Bachelor's degree	10.5	8.4	25.0%
Graduate or professional degree	5.3	4.9	8.2%

	Hidalgo County		
	2004*	2000**	Change
No high school	41.6	49.5	-16.0%
High school graduate	24.1	20.2	19.3%
Some college, no degree	12.8	14.5	-11.7%
Associate degree	5.0	2.9	72.4%
Bachelor's degree	13.2	8.4	57.1%
Graduate or professional degree	3.4	4.5	-24.4%

*Source: 2004 American Community Survey estimates
 **Source: Census 2000



BANKING INDICATORS

The two counties of the Valley area exhibited different patterns regarding banking activity. Bank deposits in Cameron County experienced a decline of 4 percent in the third quarter of 2005 relative to the same quarter in 2004. Hidalgo County, on the other hand, experienced a 3.2 percent growth in its deposits over the same time period. The largest increases in dollar terms were for the city of San Benito (\$42 million) in Cameron County and the city of Mission (\$44 million) in Hidalgo County.

In terms of market share, the city of Brownsville accounted for 60 percent of Cameron County's deposits, with the cities of Harlingen (24 percent) and San Benito (6 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 (11 percent) and Edinburg (9 percent) ranked second and third, respectively, in terms of the size of their deposits.

Bank Deposits Cameron County			
In Millions of Dollars			
City	Q3 '05	Q3 '04	Change
Brownsville	\$1,994	\$2,164	-7.8%
Harlingen	\$785	\$812	-3.3%
San Benito	\$207	\$165	25.5%
County Total*	\$3,319	\$3,455	-4.0%

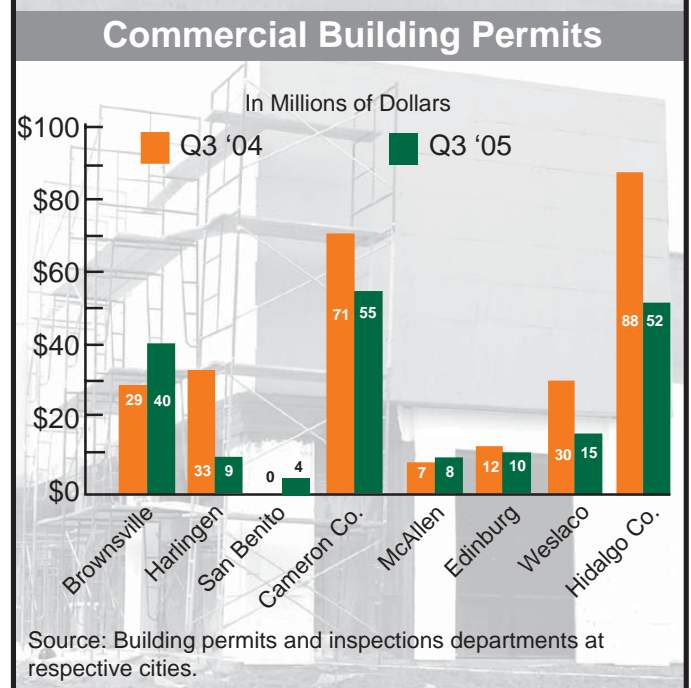
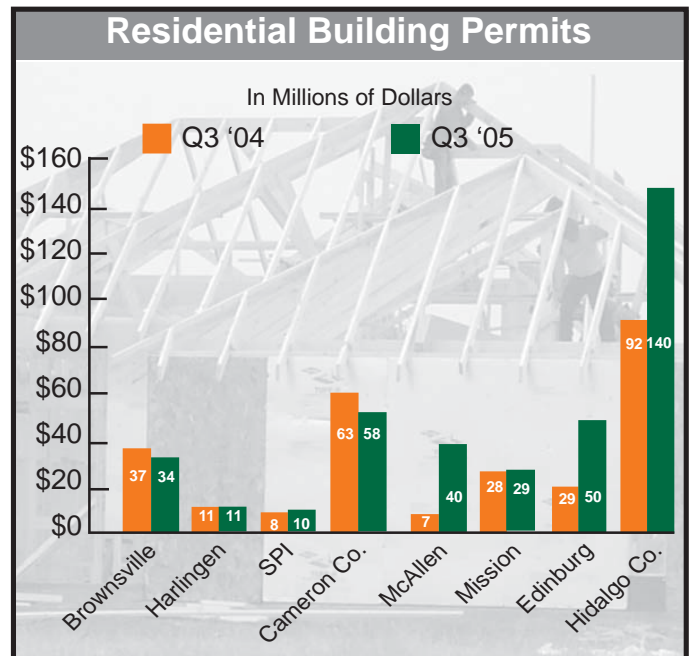
Bank Deposits Hidago County			
In Millions of Dollars			
City	Q3 '05	Q3 '04	Change
McAllen	\$3,381	\$3,493	-3.2%
Mission	\$724	\$679	6.5%
Edinburg	\$613	\$570	7.6%
County Total*	\$6,580	\$6,375	3.2%

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

Source: Rio Grande Valley Partnership

BUILDING PERMITS

Residential construction activity in the Valley was generally on the rise; the value of residential building permits grew by 33 percent. That growth, however, was primarily fueled by the growth in Hidalgo County, where the dollar value of residential permits increased by more than 60 percent. On the other hand, commercial construction activity in both counties suffered an overall decline, whereby commercial permits' values decreased by 33 percent. An exception to this trend were the cities of Brownsville, South Padre Island and McAllen.



Source: Building permits and inspections departments at respective cities.

TRANSPORTATION

Air Ports of Entry – Passenger Statistics*

	Q3 '05	Q3 '04	Change
Brownsville	35,069	34,823	0.7%
Harlingen	212,096	217,147	-2.3%
McAllen	185,661	158,805	16.9%
Laredo	47,167	40,705	15.9%
El Paso	892,499	856,096	4.3%

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

Land Ports of Entry – Border Crossings

Southbound Traffic

	Q3 '05	Q3 '04	Change
Trucks			
Rio Grande Valley*	167,238	164,570	1.6%
El Paso**	76,158	73,267	3.9%
Laredo	381,616	371,096	2.8%
Rail			
Rio Grande Valley*	8,559	9,864	-13.2%
El Paso	-	-	-
Laredo	58,028	60,478	-4.1%
Vehicles			
Rio Grande Valley*	3,283,601	3,426,476	-4.2%
El Paso**	1,191,760	1,117,819	6.6%
Laredo	1,542,745	1,722,144	-10.4%
Pedestrians			
Rio Grande Valley*	1,043,273	1,135,786	-8.1%
El Paso**	1,320,624	1,597,265	-17.3%
Laredo	959,155	1,021,182	-6.1%

Northbound Traffic

	Q3 '05	Q3 '04	Change
Trucks			
Rio Grande Valley*	183,891	174,113	5.6%
El Paso	187,570	181,427	3.4%
Laredo	375,137	349,845	7.2%
Rail			
Rio Grande Valley*	1,745	1,217	43.4%
El Paso	12,166	15,153	-19.7%
Laredo	43,990	49,768	-11.6%
Vehicles			
Rio Grande Valley*	3,670,211	3,836,937	-4.3%
El Paso	4,096,691	3,799,362	7.8%
Laredo	1,550,687	1,673,911	-7.4%
Pedestrians			
Rio Grande Valley*	1,420,364	1,502,173	-5.4%
El Paso	1,901,804	2,101,247	-9.5%
Laredo	1,182,437	1,078,784	9.6%

* 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 third quarter of 2005, compared with the same quarter in 2004. Exports to Mexico through the two counties' ports rose by 13.7 percent compared to an increase of 6.9 percent through all

Texas ports. Similarly, imports from Mexico increased by 3.5 percent through the two counties versus a 2.3 percent increase at the state level. Overall, the ports of Cameron and Hidalgo counties account for about 17 percent of Texas trade activity with Mexico.

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

	In Millions of Dollars				
	Q3 '05	% of TX Export Trade Activity	Q3 '04	% of TX Export Trade Activity	Change
Brownsville	1,736	8.7%	1,452	7.8%	19.6%
Hidalgo	1,827	9.2%	1,670	9.0%	9.4%
Progreso	31	0.2%	40	0.2%	-22.1%
Two County Total	3,595	18.1%	3,161	17.0%	13.7%
Texas Total	19,900	100.0%	18,620	100.0%	6.9%

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

	In Millions of Dollars				
	Q3 '05	% of TX Import Trade Activity	Q3 '04	% of TX Import Trade Activity	Change
Brownsville	1,367	5.3%	1,310	5.2%	4.3%
Hidalgo	2,841	11.0%	2,757	10.9%	3.1%
Progreso	2	0.0%	2	0.0%	10.1%
Two County Total	4,210	16.3%	4,069	16.1%	3.5%
Texas Total	25,827	100.0%	25,251	100.0%	2.3%

*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.

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

	% of Texas Border Employment	Q3 '05	Q3 '04	Change
Matamoros	13%	54,499	53,877	1.2%
Reynosa	21%	91,319	82,224	11.1%
Nuevo Laredo	5%	21,673	21,339	1.6%
Juarez	51%	218,816	205,971	6.2%
Texas Border		429,381	408,743	5.0%
US-Mexico Border		695,804	673,245	3.4%

Number of Established Plants*

	% of Texas Border Plants	Q3 '05	Q3 '04	Change
Matamoros	18%	120	127	-5.5%
Reynosa	19%	129	134	-3.7%
Nuevo Laredo	6%	43	42	2.4%
Juarez	44%	289	289	0.0%
Texas Border		662	670	-1.2%
US-Mexico Border		1,583	1,579	0.3%

Value Added (In Millions of Pesos)

	% of Texas Border Value Added	Q3 '05	Q3 '04	Change
Matamoros	12%	2,363	2,153	9.7%
Reynosa	23%	4,673	3,843	21.6%
Nuevo Laredo	7%	1,334	1,201	11.1%
Juarez	52%	10,440	9,805	6.5%
Texas Border		20,099	18,275	10.0%
US-Mexico Border		32,666	30,408	7.4%

*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.

