



Border Business Briefs

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A Publication of the Center For Border Economic Studies

The University of Texas-Pan American

Welcome To *Border Business Briefs*

This is the first issue of *Border Business Briefs*, a new publication by The University of Texas-Pan American's Center for Border Economic Studies (CBEST), aimed at providing an economic snapshot of the Lower Rio Grande Valley. Our focus is the two-county area of Cameron and Hidalgo, and the corresponding metropolitan statistical areas (MSAs) of Brownsville-Harlingen-San Benito and McAllen-Edinburg-Mission. Issues will be published on a quarterly basis with the latest released data as well as benchmarks that provide the reader with an insight into economic trends. We hope that you will find this publication useful whether you are a local business, a scholar, a politician, or a new firm contemplating starting a business in the area.

CBEST was established in 2002 with a grant from the Economic Development Administration of the Department of Commerce and is rapidly becoming one of the most important and influential border economics research think tanks on the U.S. side of the border. Other major funding to support research initiatives has been received from the Levi Strauss Foundation, Texas Instruments Incorporated and Pfizer Corporation. CBEST research activities help policymakers on both sides of the border to effectively identify and address the needs of the border region.

To complement and add depth to the information contained in *Border Business Briefs*, CBEST is pleased to announce a new project that forecasts economic indicators, utilizing the most advanced statistical modeling techniques. These projections will be an invaluable tool to assist the business community in making better informed decisions involving the U.S., Texas and Rio Grande Valley economies. Information detailing how to obtain this vital planning information will be forthcoming.

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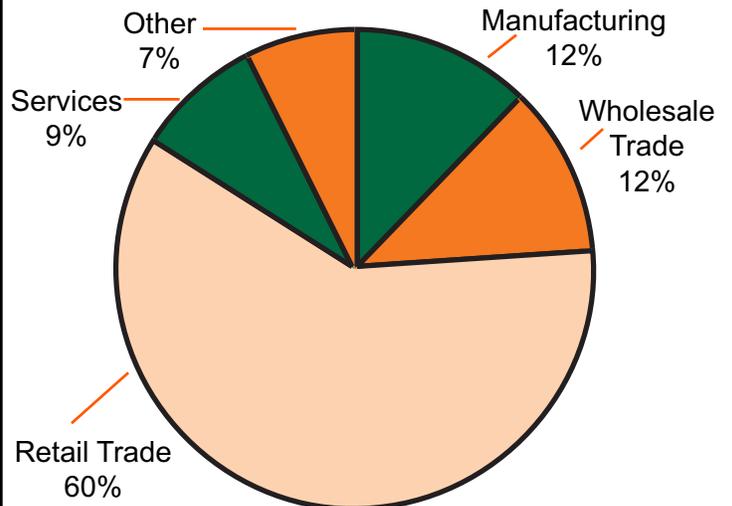
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SALES CONTINUE TO RISE

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 60-64 percent of total sales. Overall, both MSAs witnessed growth in their sales figures between the first quarter of 2003 and that of 2004; the McAllen area boasted a 10 percent increase while the Brownsville area had a four percent increase.

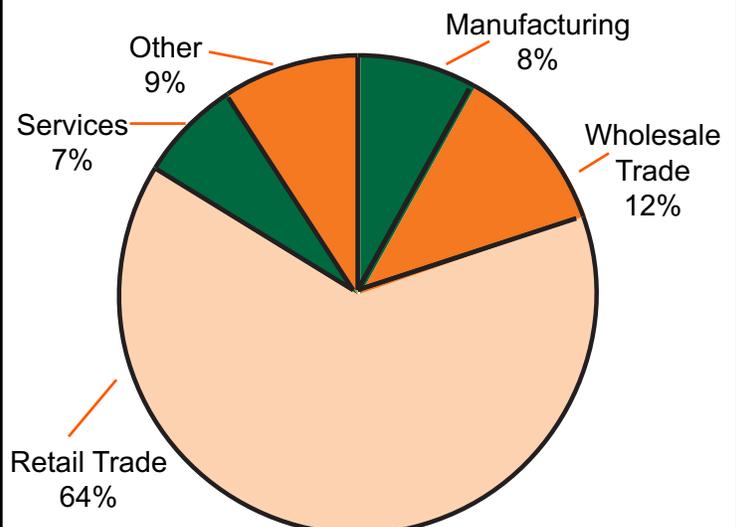
Brownsville-Harlingen-San Benito MSA

Gross Sales (Q1 04)



McAllen-Edinburg-Mission MSA

Gross Sales (Q1 04)



Source: Texas Comptroller of Public Accounts

Gross Sales by Industry and MSA

Industry	Gross Sales Q1 04 (in millions of dollars)	
	Brownsville-Harlingen-San Benito MSA	McAllen-Edinburg-Mission MSA
Manufacturing	151	188
Wholesale Trade	144	276
Retail Trade	755	1,502
Services	107	164
Other*	92	215
All Industries	1,249	2,345

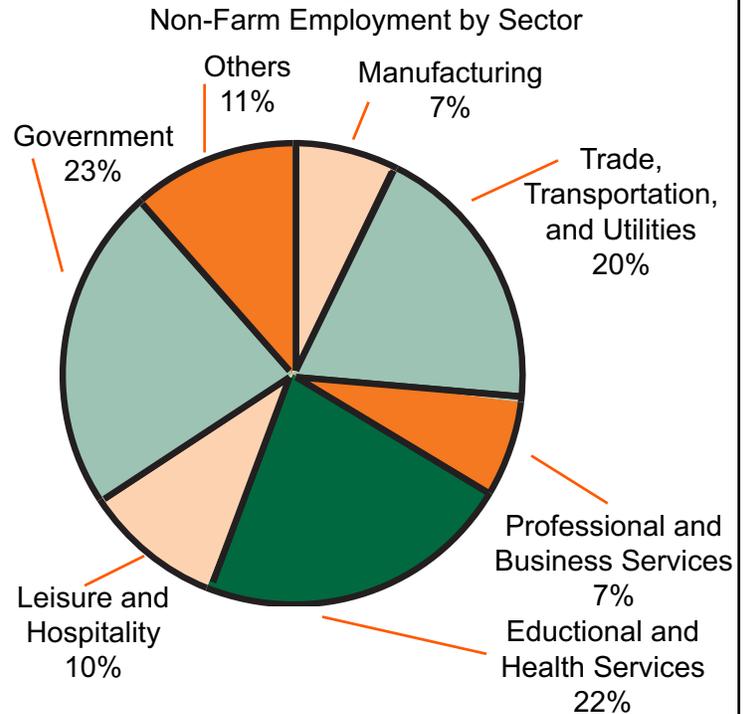
Industry	Gross Sales Q1 03 (in millions of dollars)	
	Brownsville-Harlingen-San Benito MSA	McAllen-Edinburg-Mission MSA
Manufacturing	162	142
Wholesale Trade	144	222
Retail Trade	709	1,418
Services	95	144
Other*	90	204
All Industries	1,200	2,130
Change	4.1%	10.1%

* 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.

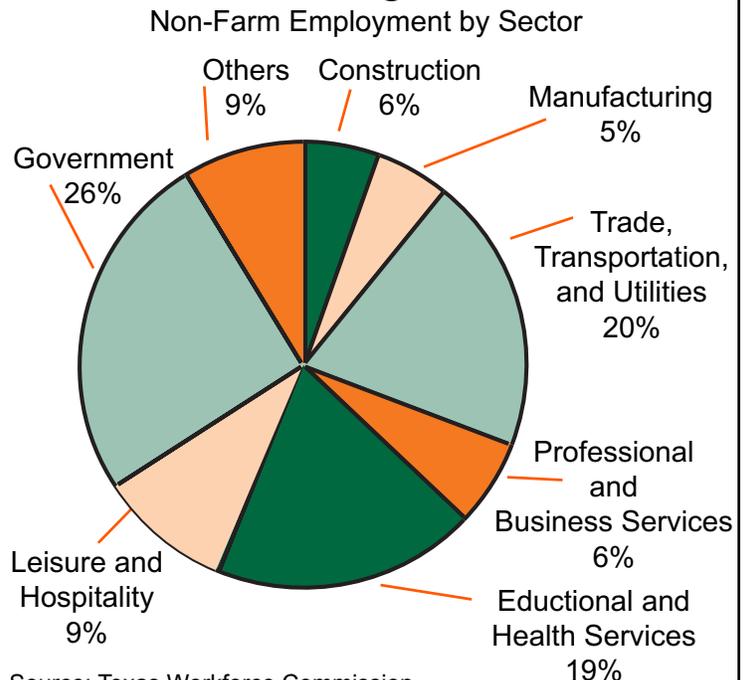
EMPLOYMENT

In June of 2004, total employment stood at 130,566 for Cameron County and at 210,124 for Hidalgo County. Within the two corresponding MSAs, the government sector (mainly local government) accounts for around a quarter of non-farm employment during the first two quarters of 2004. Trade, transportation and utilities (primarily retail trade) and educational and health services represent around a fifth of non-farm employment each.

Brownsville-Harlingen-San Benito MSA



McAllen-Edinburg-Mission MSA



Source: Texas Workforce Commission



Border Business Briefs

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Top 10 Private and Public Employers*

(4th quarter 2003)

Cameron County

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

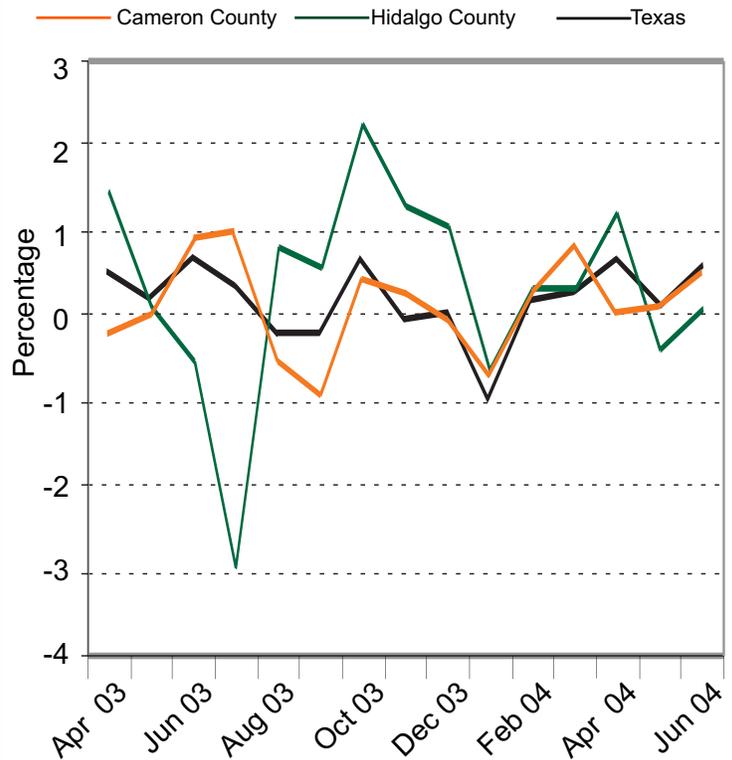
Hidalgo County

Edinburg CISD	Public
HEB 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
Weslaco ISD	Public

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

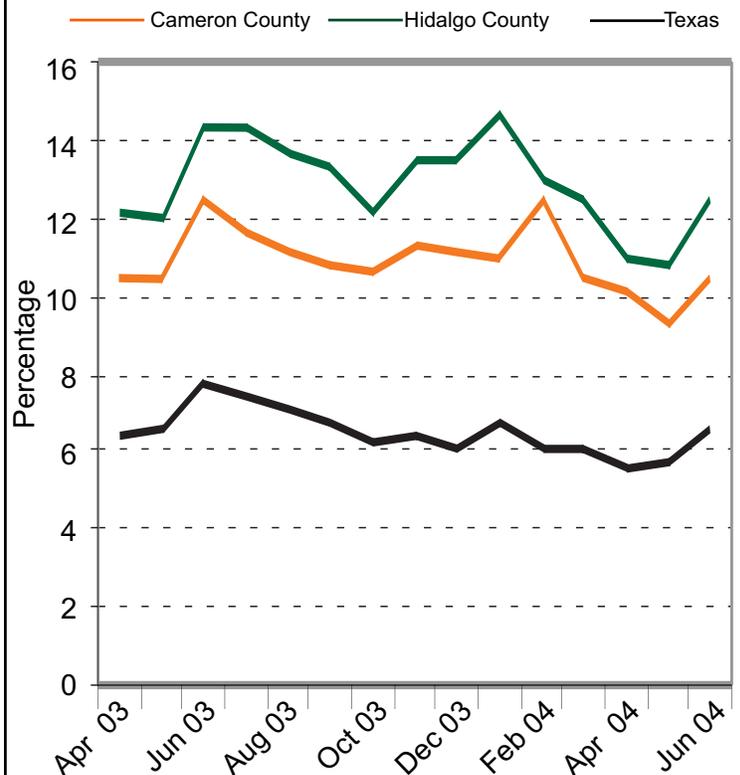
Employment Growth Rates

Monthly Percentage Change



Source: Texas Workforce Commission

Unemployment Rates



Source: Texas Workforce Commission

Cameron and Hidalgo counties generally exhibit higher unemployment rates relative to Texas. In June of 2004, unemployment hovered at 10.5 and 12.4 percent for Cameron and Hidalgo counties, respectively. While such rates are higher than those reported for the state of Texas (6.5 percent in June 04), the movement in the unemployment rate over the 15-month period, April 03 through June 04, 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.

BANKING INDICATORS

The banking sector shows signs of growth in both counties between the second quarters of 2003 and 2004. Bank deposits within the Brownsville-Harlingen-San Benito MSA grew by over ten 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 deposits.

Bank Deposits Brownsville-Harlingen-San Benito MSA

(in millions of dollars)

	Brownsville	Harlingen	San Benito	MSA Total
Apr-04	\$2,184	\$839	\$170	\$3,193
May-04	\$2,190	\$832	\$165	\$3,187
Jun-04	\$2,197	\$833	\$170	\$3,200
Q2 04	\$2,190	\$835	\$168	\$3,193
Apr-03	\$1,918	\$804	\$138	\$2,860
May-03	\$1,941	\$809	\$138	\$2,887
Jun-03	\$1,970	\$815	\$137	\$2,921
Q2 03	\$1,943	\$809	\$137	\$2,890
Change	12.7%	3.1%	22.4%	10.5%

Bank Deposits McAllen-Edinburg-Mission MSA

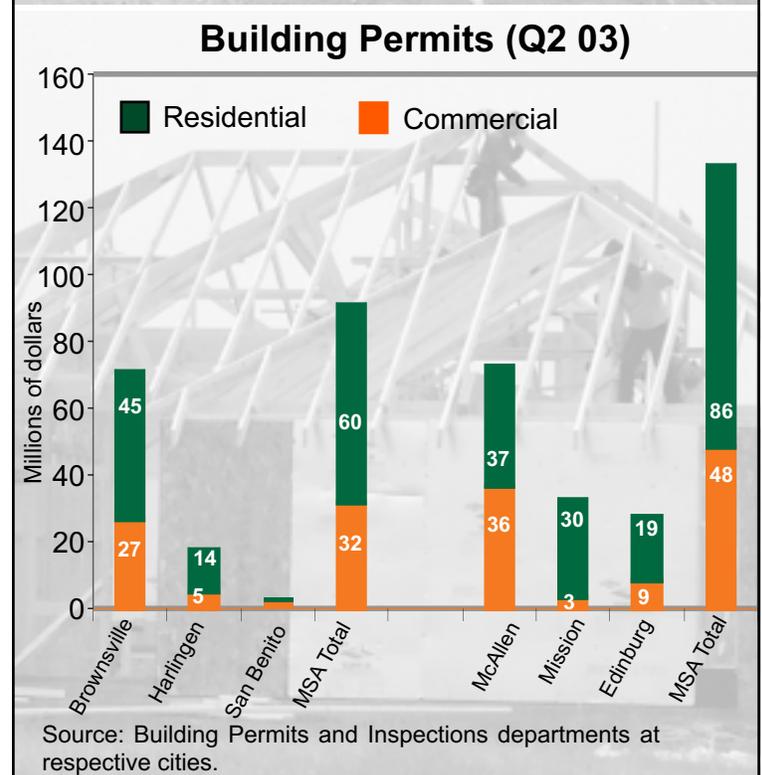
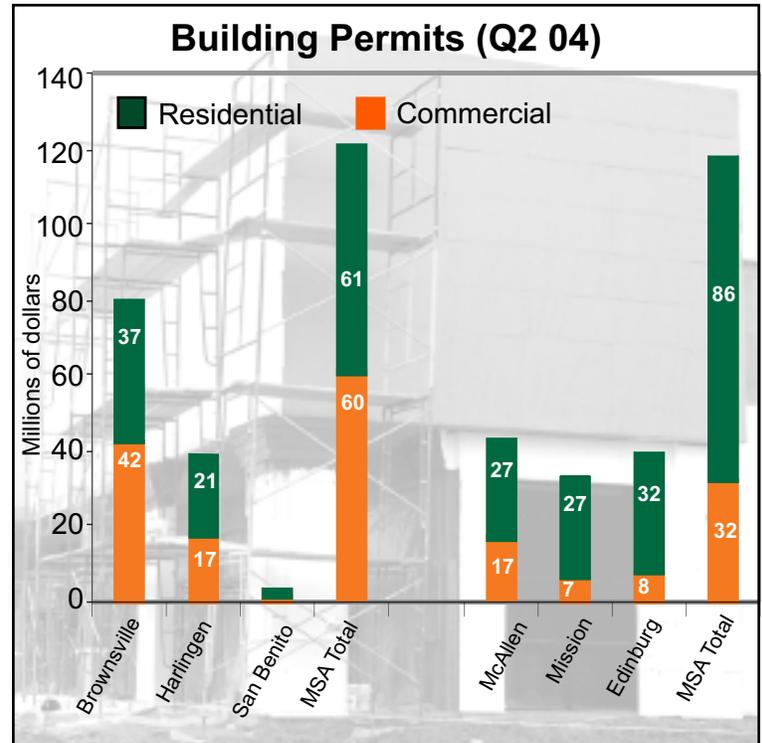
(in millions of dollars)

	McAllen	Mission	Edinburg	MSA Total
Apr-04	\$3,500	\$670	\$600	\$4,769
May-04	\$3,516	\$653	\$596	\$4,765
Jun-04	\$3,531	\$667	\$594	\$4,792
Q2 04	\$3,516	\$663	\$597	\$4,775
Apr-03	\$3,466	\$666	\$530	\$4,662
May-03	\$3,607	\$672	\$531	\$4,809
Jun-03	\$3,590	\$680	\$534	\$4,803
Q2 03	\$3,554	\$672	\$532	\$4,758
Change	-1.1%	-1.4%	12.3%	0.4%

Source: Rio Grande Valley Partnership

BUILDING PERMITS

Examination of the distribution of building permits among the cities that comprises each MSA reveals two different pictures for the pattern of construction growth between the two MSAs. The cities of McAllen, Edinburg and Mission seem to experience a parallel construction boom. On the other hand, within the Brownsville-Harlingen-San Benito MSA, Brownsville has the highest dollar value for building permits, a value that, in the second quarter of 2004, is double that of Harlingen and almost ten times that of San Benito.



EXPORT/IMPORT ACTIVITY

Around a fifth of Texas trade activity, whether exports or imports, passes through the ports of Cameron and Hidalgo counties. The second quarter of 2004 shows a significant increase in the level of trade between the United States and Mexico, both at the state and two-county level. Exports to Mexico in-

creased by 20 percent through the three ports of Cameron and Hidalgo counties versus an increase of 17 percent through all Texas ports. Similarly, imports from Mexico increased by 17 percent through the two counties versus a 14 percent increase at the state level.

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

(in millions of dollars)

	Q2 04	% of TX Export Trade Activity	Q2 03	% of TX Export Trade Activity	Change
Brownsville	\$1,494	10.6%	\$1,297	10.7%	15.2%
Hidalgo	1,781	12.6%	1,422	11.8%	25.3%
Progreso	31	.2%	23	.2%	38.8%
2-County Total	\$3,307	23.4%	\$2,742	22.7%	20.6%
Texas Total	\$14,153	100%	\$12,092	100%	17%

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

(in millions of dollars)

	Q2 04	% of TX Import Trade Activity	Q2 03	% of TX Import Trade Activity	Change
Brownsville	\$1,403	7.4%	\$1,347	8.1%	4.1%
Hidalgo	2,711	14.3%	2,167	13%	25.1%
Progreso	2	.01%	2	.01%	-7.4%
2-County Total	\$4,116	21.6%	\$3,517	21.1%	17%
Texas Total	\$19,029	100%	\$16,707	100%	13.9%

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			Hidalgo County		
	Male	Female	Total	Male	Female	Total
Under 20	63,453	61,281	124,734	112,198	109,024	221,222
20-49	62,160	70,564	132,724	111,189	120,676	231,865
50-64	18,615	21,779	40,394	28,284	32,818	61,102
65 +	16,281	21,094	37,375	24,852	30,422	55,274
Total	160,509	174,718	335,227	276,523	292,940	569,463

Source: U.S. Census Bureau, Census 2000

TRANSPORTATION

Air Ports of Entry – Airline Boardings

	Apr 03	May 03	Jun 03	Q2 03	Apr 04	May 04	Jun 04	Q2 04	Change
Brownsville	5,238	5,054	5,886	16,178	5,669	5,303	5,700	16,672	3.1%
Harlingen	32,671	32,202	35,266	100,139	40,406	37,887	39,263	117,556	17.4%
McAllen	22,513	22,192	24,986	69,691	25,717	25,986	29,175	80,878	16.1%

Source: Rio Grande Valley Partnership.

Land Ports of Entry Border Crossings – Southbound Traffic

	Q2 04	Q2 03	Change
Trucks			
Rio Grande Valley*	176,816	160,477	10.2%
El Paso	73,488	68,039	8.0%
Laredo	362,410	339,066	6.9%
Rail			
Rio Grande Valley	7,514	9,569	-21.5%
El Paso	0	0	-
Laredo	58,798	60,926	-3.5%
Vehicles			
Rio Grande Valley	4,320,990	4,482,014	-3.6%
El Paso	1,104,457	1,128,220	-2.1%
Laredo	1,768,547	1,778,897	-0.6%
Pedestrians			
Rio Grande Valley	1,209,185	1,232,181	-1.9%
El Paso	1,472,827	1,381,441	6.6%
Laredo	1,026,007	979,965	4.7%

Land Ports of Entry Border Crossings – Northbound Traffic

	Q2 04	Q2 03	Change
Trucks			
Rio Grande Valley	193,550	175,979	10.0%
El Paso	185,520	160,208	15.8%
Laredo	347,173	341,944	1.5%
Rail			
Rio Grande Valley	1,210	2,536	-52.3%
El Paso	17,513	5,716	206.4%
Laredo	45,123	46,492	-2.9%
Vehicles			
Rio Grande Valley	4,490,929	4,597,627	-2.3%
El Paso	1,926,667	2,092,470	-7.9%
Laredo	1,761,878	1,808,124	-2.6%
Pedestrians			
Rio Grande Valley	1,369,439	1,395,877	-1.9%
El Paso	1,878,449	1,925,882	-2.5%
Laredo	1,149,427	1,090,625	5.4%

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.

EDUCATION

Based on the 2000 Census data, the educational attainment of adults, 25 years of age and older, within Cameron and Hidalgo counties, falls behind that of Texas adults. While around three quarters of Texas adults have a high school degree or higher, only about half of the adults from the two counties can boast that level of education. Similarly, close to a quarter of Texas adults have a bachelor's degree or higher while only 13 percent of those from the two-county area have a college degree. However, given the enrollment increases at higher education institutions, the educational attainment of area residents is expected to improve over the next ten years.

Educational Attainment

(Population 25 years and over)

	Cameron County		Hidalgo County	
	Number	Percent	Number	Percent
No high school degree	83,716	44.8	150,961	49.5
High School graduate	37,615	20.1	61,598	20.2
Some college, no degree	32,734	17.5	44,068	14.5
Associate degree	8,014	4.3	8,710	2.9
Bachelor's degree	15,785	8.4	25,507	8.4
Graduate or professional degree	9,200	4.9	13,826	4.5
Total	187,064	100	304,670	100

Source: U.S. Census Bureau, Census 2000

There are several institutions of higher education in the Lower Rio Grande Valley. Within Cameron County, the University of Texas at Brownsville/Texas Southmost College (UTB-TSC) serves 11,560 students at its Brownsville campus, an enrollment increase of 27 percent over Fall 2000. Texas State Technical College (TSTC) in Harlingen is a two-year higher education institution emphasizing courses of study in technical education. It experienced enrollment growth of 36 percent over the Fall 2000-Fall 2004 period. In Hidalgo County, the two institutions of higher education are The University of Texas-Pan American (UTPA) in Edinburg and South Texas College (STC) in McAllen, Weslaco and Rio Grande City³. Fall 2004 enrollment at UTPA exceeded 17,000 students, marking a 33 percent increase over the Fall 2000 enrollment of 12,760 students. At STC, enrollment increased by 55 percent, from 11,338 students in Fall 2000 to 17,138 students in Fall 2004.

Student Enrollment at Institutions of Higher Education

	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.

THE OTHER SIDE OF THE BORDER

Cameron and Hidalgo counties are adjacent to the State of Tamaulipas on the Mexican side. Tamaulipas' population exceeds three million people with almost 40 percent of the population living within 30 miles of Cameron and Hidalgo counties' border.

Population 2004

Tamaulipas Cities within 30 Miles of the Border

State of Tamaulipas	3,106,529
Reynosa	504,748
Matamoros	486,941
Rio Bravo	116,130
Valle Hermoso	65,094
Gustavo Díaz Ordaz	18,384
Nuevo Progreso	9,000

Source: CONAPO 2003/Consejo Estatal de Población Tamaulipas.

A key component of Tamaulipas' economy is the maquiladora industry. In June of 2004, there were 359 maquiladora firms within the state, constituting 13 percent of all maquiladoras within Mexico and 18 percent of those within border states. In terms of employment, maquiladoras provided jobs to more than 160 thousand employees in Tamaulipas. Between June of 2003 and June 2004, the number of established maquiladoras with activities decreased in general. Within Tamaulipas, that decline amounted to almost four percent. However, the decrease in the number of companies did not translate into decreases in employment. To the contrary, over the same time period, maquila employment in Tamaulipas increased by seven percent.

³ The Rio Grande City campus is in Starr County and has accounted for 7-8 percent of STC enrollment over the past four years.

Maquiladora Industry

Period	Number of Established Plants			Number of Employees		
	Mexico	Border States	Tamaulipas	Mexico	Border States	Tamaulipas
Q2 04						
Apr-04	2,820	2,056	373	1,092,447	849,316	168,608
May-04	2,823	2,060	370	1,114,728	867,038	173,540
Jun-04	2,801	2,049	359	1,128,324	874,486	171,673
Q2 03						
Apr-03	2,934	2,124	377	1,065,679	815,776	161,383
May-03	2,896	2,096	375	1,070,705	821,338	163,364
Jun-03	2,868	2,073	373	1,057,765	811,301	160,361
June Change	-2.3%	-1.2%	-3.8%	6.7%	7.8%	7.1%

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

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