



Border Business Briefs

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The University of Texas–Pan American

Welcome To *Border Business Briefs*

Welcome to the fall issue of *Border Business Briefs*. This issue marks the first anniversary of this publication. During the past year, *Border Business Briefs* monitored quarterly changes in local economic indicators and provided an economic snapshot of the Lower Rio Grande Valley region. The Center for Border Economic Studies (CBEST) also published in 2005 a special issue examining economic activity over the 1994-2004 period. The Center plans to establish this tradition of an annual special issue designed to provide more in-depth analysis of certain economic sectors. If you have ideas or suggestions as to the focus of the 2006 Special Issue, e-mail us at cbest@utpa.edu

In this issue, the focus is on trends within the banking industry, which has been booming in both Cameron and Hidalgo counties. Deposits in area banks rose at rates that surpassed those for the state of Texas over the 1994-2004 period. The Valley's economy as a whole expanded in the second 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, retail trade, construction gross sales and export activity. The remaining indicators more or less remained the same.

Early in 2006, CBEST will release its second annual Economic Analysis and Forecast for the South Texas Border Region. The report will provide forecasts through 2007 for selected economic indicators at the national, state and local levels as well as for Mexico.

BANKING INDUSTRY

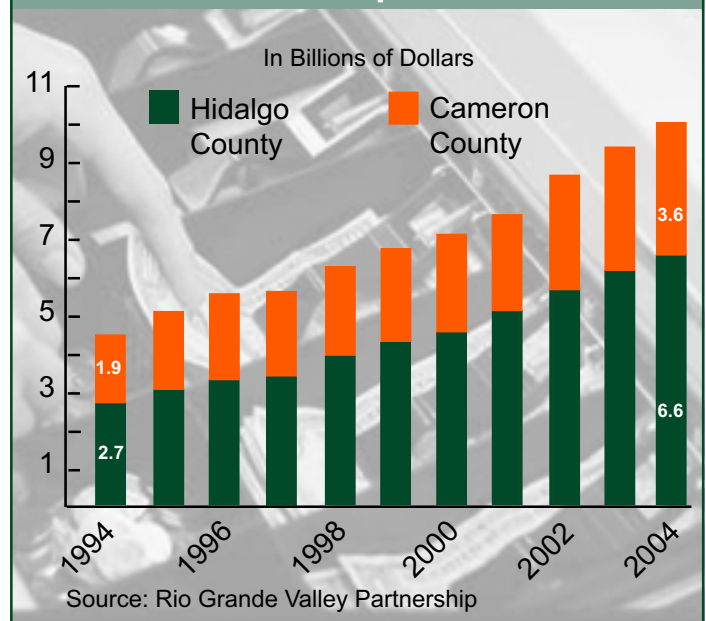
The banking industry in the Lower Rio Grande Valley area has been one of the thriving economic sectors over the past 10-year period. Deposits at Valley banks increased considerably between 1994 and 2004. In Cameron County, bank deposits rose from \$1.9 billion in 1994 to \$3.6 billion in 2004. In real terms, this increase corresponded to an average annual growth rate of four percent. Similarly, Hidalgo County's bank deposits grew from \$2.7 billion in 1994 to \$6.6 billion in 2004, corresponding to nearly a seven percent average annual real growth rate. These growth rates exceeded those of Texas; state deposits grew on average 3.6 percent annually in real terms over the same time period.

In 2004, bank deposits in the city of Brownsville accounted for 65 percent of total deposits in Cameron County. In Hidalgo County, the city of McAllen had the largest share of 54 percent. Fourteen and 17 commercial banking and savings institutions served the Cameron and Hidalgo counties' market, respectively. Texas State Bank enjoyed the largest market share in both counties. Wells Fargo Bank Texas was a close second in Cameron County. The second largest market share in Hidalgo County belonged to First National Bank and the International Bank of Commerce was ranked third in both counties.

inside

Banking Industry	1
Population	2
Gross Sales	3
Employment	4
Banking Indicators	5
Building Permits	5
Transportation	6
Import/Export Activity	7
Maquiladoras	7

Bank Deposits



Bank Deposits

Average Annual Real Growth Rates (1994-2004)

Cameron County	4.0%
Hidalgo County	6.8%
Texas	3.6%

Source: CBEST calculations

Banking Profile

Number of Institutions

	Institutions in Market	Offices
Cameron County	14	64
Hidalgo County	17	114

Top 3 Banks by Deposits

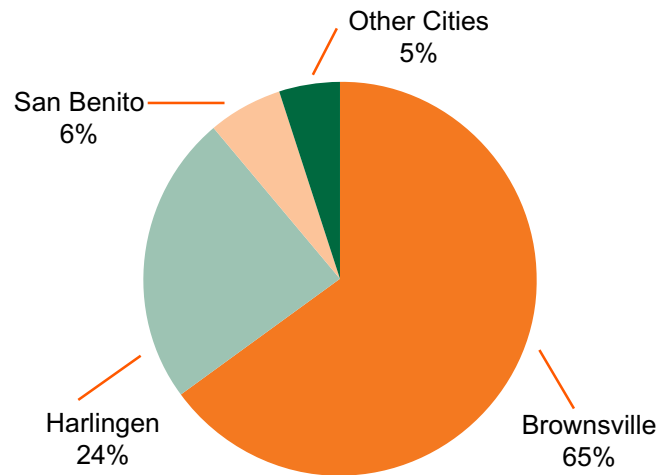
Cameron County	Market share
Texas State Bank	23%
Wells Fargo Bank Texas	20%
International Bank of Commerce	13%

Hidalgo County	Market Share
Texas State Bank	28%
First National Bank	15%
International Bank of Commerce	12%

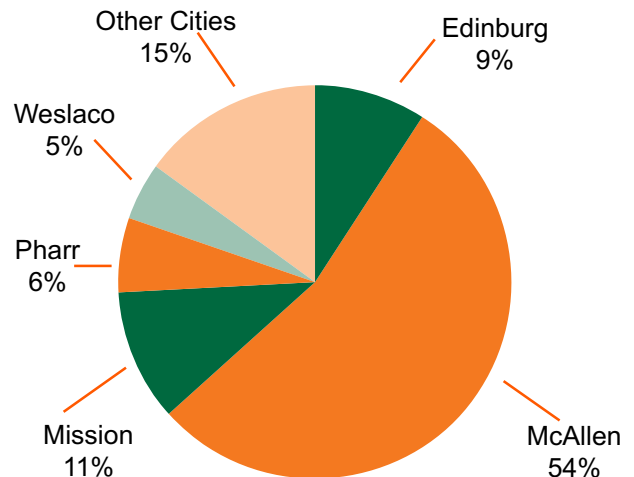
Source: FDIC Summary of Deposits (2004)

Bank Deposits By City

Cameron County 2004 = \$3.6 billion



Hidalgo County 2004 = \$6.6 billion



Source: Rio Grande Valley Partnership



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Population

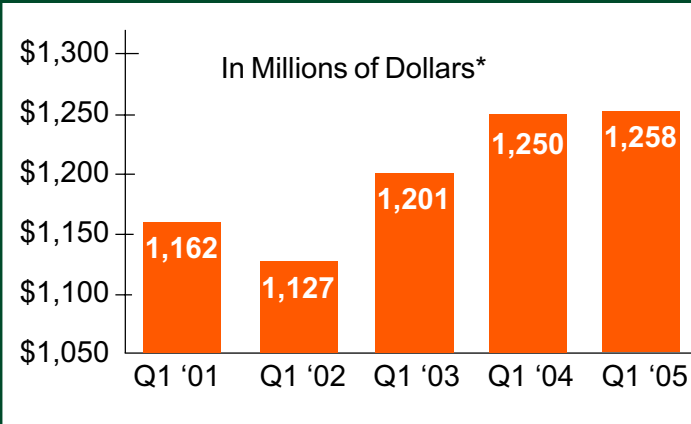
	2000	2004	Change
Cameron County	335,227	367,603	10%
Hidalgo County	569,463	651,974	14%
Texas	20,851,820	21,912,164	5%

Source: U.S. Census Bureau: Census 2000; 2004 American Community Survey estimates

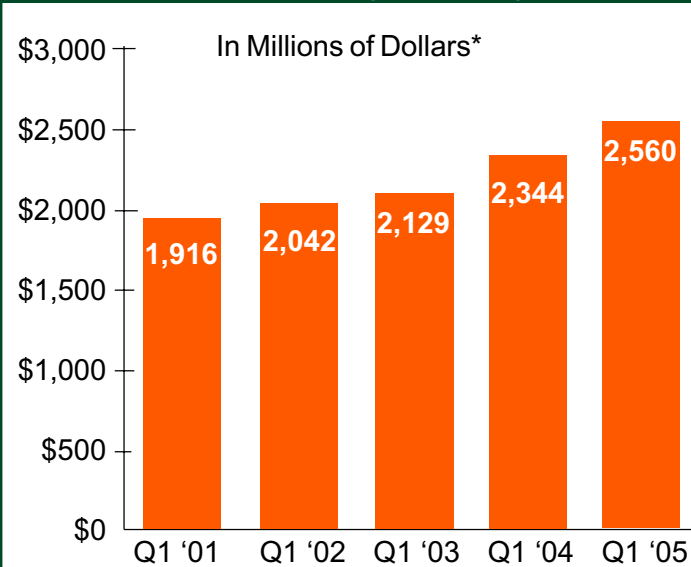
GROSS SALES

In general, gross sales have increased between the first quarter of 2001 and the first quarter of 2005. In Cameron County, sales increased by eight percent over that time period. For Hidalgo County the corresponding increase amounted to almost 34 percent.

Cameron County Gross Sales
First Quarter (2001-2005)



Hidalgo County Gross Sales
First Quarter (2001-2005)



Source: Texas Comptroller of Public Accounts

Relative to the first quarter of 2004, Cameron County sales marginally increased in the first quarter of 2005, with retail trade and construction as the primary growing industries. Hidalgo County, however, posted an increase of nine percent in its gross sales over the same time period; double digit growth was reported for the services and retail trade sectors. Other growing sectors were construction and wholesale trade. 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			
	Q1 '05	Q1 '04	Change
Construction	54	52	4%
Manufacturing	97	151	-36%
Wholesale Trade	145	147	-2%
Retail Trade	800	749	7%
Services	106	107	-1%
Other*	56	46	23%
All Industries	1,258	1,253	0.4%

Hidalgo County			
	Q1 '05	Q1 '04	Change
Construction	125	114	9%
Manufacturing	171	199	-14%
Wholesale Trade	281	258	9%
Retail Trade	1,660	1,501	11%
Services	189	162	16%
Other*	135	108	25%
All Industries	2,560	2,342	9%

* 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 June 2005, total employment stood at 135,473 for Cameron County and at 242,376 for Hidalgo County. This represented a 3.3 percent and five percent increase in employment figures from June 2004 for Cameron and Hidalgo counties, respectively. Corresponding employment growth for Texas was 2.6 percent. 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.

By the end of the second quarter of 2005, the unemployment rate was 7.7 and eight percent for Cameron and

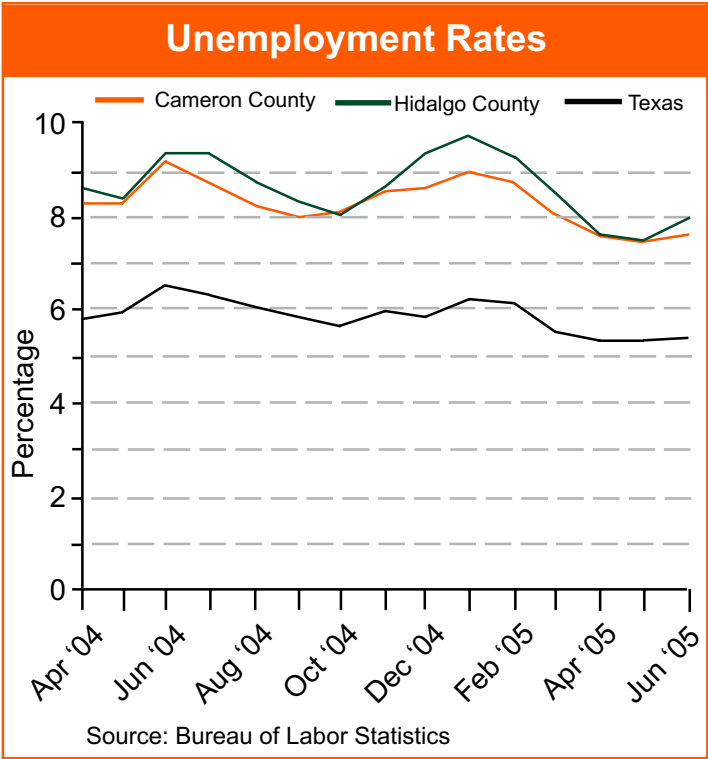
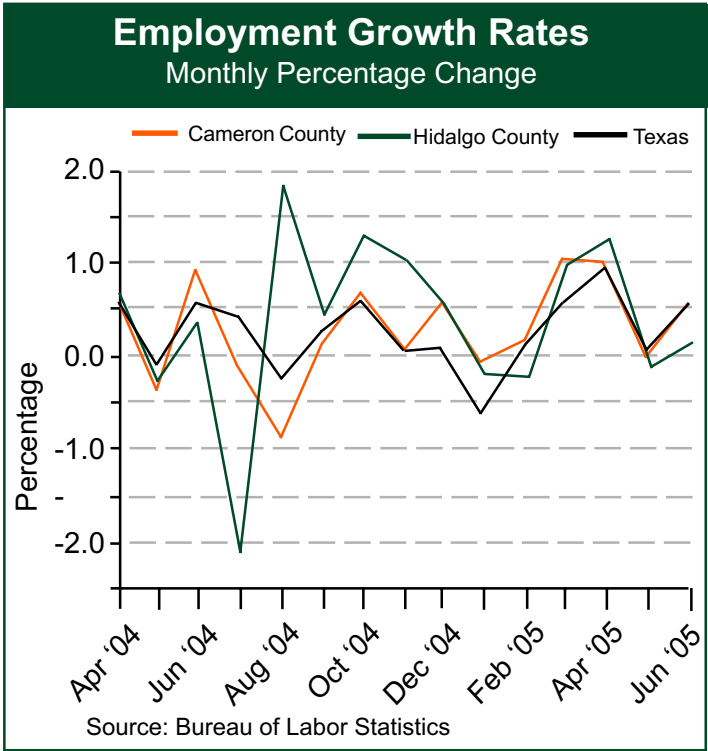
Hidalgo counties, respectively, compared to rates of 9.2 and 9.4 percent in June 2004. While such rates are higher than those reported for the state of Texas (5.4 percent in June 2005), the decrease in the unemployment rate for Cameron and Hidalgo counties from June 2004 relative to June 2005 is similar to the corresponding decrease for Texas: unemployment rates decreased by 16 and 15 percent for Cameron and Hidalgo counties, respectively, as compared to a 17 percent decrease for Texas. Monthly employment growth fluctuations for Cameron County and in the past few months Hidalgo County, more or less, mirror those at the state level.

Largest Private Sector Employers*	
(January 2005)	
Cameron County	
APC Home Health Service Inc.	
Abundant Life Home Health Inc.	
Bee First Primary Home Care	
Brownsville Valley Regional	
Caring for You Home Health Inc.	
H-E-B Grocery Company	
Texas Visiting Nurse Service Ltd.	
Valley Baptist Medical Center	
Vicki Roy Home Health Service LP	
Wal-Mart Associates Inc.	
Hidalgo County	
Convergys Customer Management	
Health Care Unlimited Inc.	
H-E-B Grocery Company	
Knapp Medical Center	
McAllen Hospitals LP	
Rio Grande Regional Hospital Inc.	
Texas State Bank	
Texas Visiting Nurse Service Ltd.	
T-Mobile USA Inc.	
Wal-Mart Associates Inc.	

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

EMPLOYMENT			
	June '05	June '04	Change
Cameron County	135,473	131,101	3.3%
Hidalgo County	242,376	230,881	5.0%
Texas	10,634,668	10,364,968	2.6%

Source: Bureau of Labor Statistics



BANKING INDICATORS

Banking activity continued to thrive in the Valley area in the second quarter of 2005 relative to the same quarter in 2004. The growth was more pronounced for Hidalgo County where deposits increased by 5.5 percent, from \$6.4 billion in the second quarter of 2004 to \$6.8 billion in the corresponding quarter of 2005. Cameron County deposits, on the other hand, increased by 1.2 percent. The largest increases in dollar terms were for the city of San Benito in Cameron County (\$55 million) and the city of McAllen in Hidalgo County (\$95 million).

In terms of market share, the city of Brownsville accounted for around two-thirds of Cameron County's deposits, with the cities of Harlingen and San Benito rounding up the top three. Deposits at the city of McAllen's banks comprised more than half of deposits in Hidalgo County. The cities of Mission and Edinburg ranked second and third, respectively, in terms of the size of their deposits.

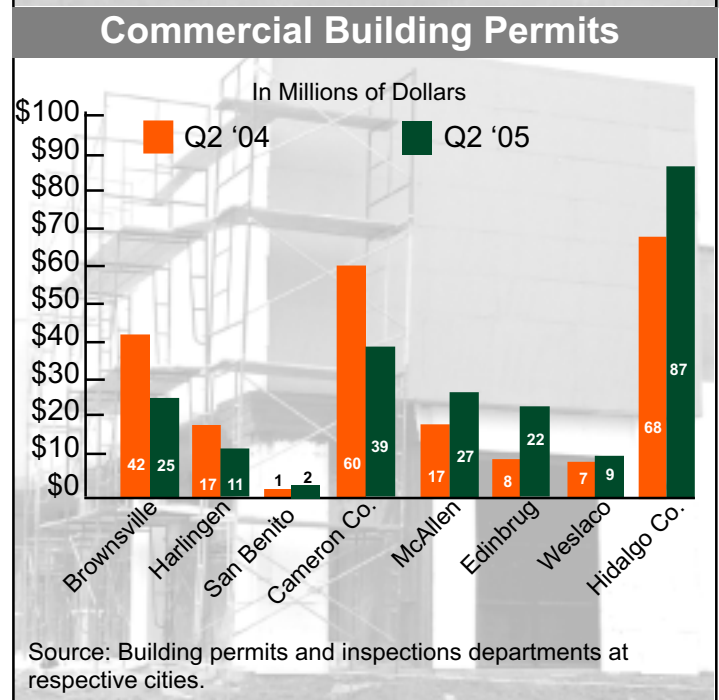
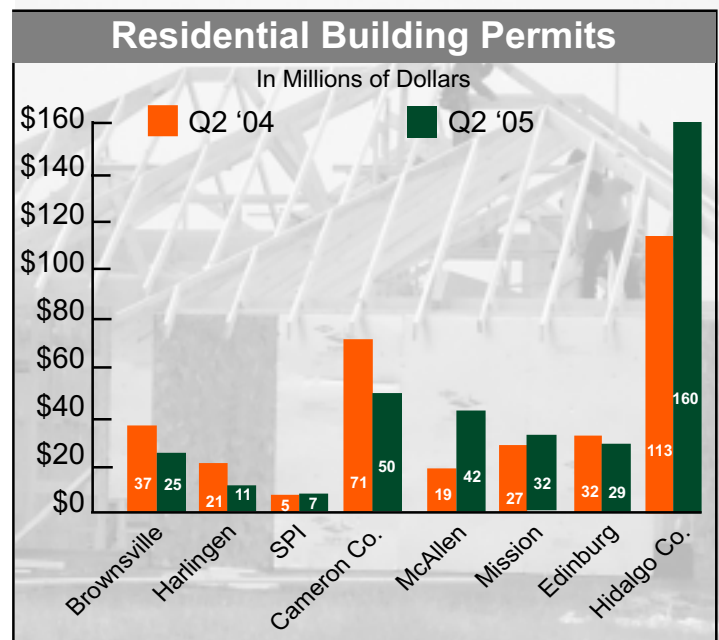
Bank Deposits Cameron County			
(In Millions of Dollars)			
City	Q2 '05	Q2 '04	Change
Brownsville	\$2,181	\$2,191	-0.4%
Harlingen	\$811	\$831	-2.4%
San Benito	\$223	\$168	32.5%
County Total*	\$3,536	\$3,493	1.2%

Bank Deposits Hidago County			
(In Millions of Dollars)			
City	Q2 '05	Q2 '04	Change
McAllen	\$3,618	\$3,523	2.7%
Mission	\$733	\$668	9.7%
Edinburg	\$658	\$594	10.8%
County Total*	\$6,783	\$6,427	5.5%

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

BUILDING PERMITS

Residential construction activity in the Valley grew on the whole by 14 percent between the second quarters of 2004 and 2005. That growth, however, was fueled only by the growth in Hidalgo County where the dollar value of residential permits increased by 42 percent. Cameron County, on the other hand, suffered from a decline in residential construction equivalent to almost 30 percent. Commercial permits' values exhibited a similar pattern whereby Hidalgo County enjoyed an increase close to 30 percent while Cameron County experienced a decline of around 36 percent.



Source: Building permits and inspections departments at respective cities.

TRANSPORTATION

Air Ports of Entry – Passenger Statistics*

	Q2 '05	Q2 '04	Change
Brownsville	37,492	32,786	14.4%
Harlingen	217,880	229,513	-5.1%
McAllen	175,483	158,489	10.7%
Laredo	46,771	38,403	21.8%
El Paso	866,337	838,288	3.3%

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

Land Ports of Entry – Border Crossings

Southbound Traffic				Northbound Traffic			
	Q2 '05	Q2 '04	Change		Q2 '05	Q2 '04	Change
Trucks				Trucks			
Rio Grande Valley*	177,803	167,587	6.1%	Grande Valley*	186,068	181,303	2.6%
El Paso**	79,760	73,488	8.5%	El Paso	188,582	187,500	0.6%
Laredo	371,301	362,411	2.5%	Laredo	362,902	351,614	3.2%
Rail				Rail			
Rio Grande Valley*	9,457	7,514	25.9%	Rio Grande Valley*	2,109	1,210	74.3%
El Paso	-	-	-	El Paso	16,744	17,513	-4.4%
Laredo	62,978	58,798	7.1%	Laredo	45,328	45,123	0.5%
Vehicles				Vehicles			
Rio Grande Valley*	3,470,554	3,435,892	1.0%	Rio Grande Valley*	3,850,839	3,864,069	-0.3%
El Paso**	1,231,730	1,104,457	11.5%	El Paso	3,789,690	3,617,878	4.7%
Laredo	1,686,852	1,768,547	-4.6%	Laredo	1,530,590	1,712,156	-10.6%
Pedestrians				Pedestrians			
Rio Grande Valley*	1,114,661	1,160,112	-3.9%	Rio Grande Valley*	1,351,456	1,475,187	-8.4%
El Paso**	1,440,457	1,472,827	-2.2%	El Paso	1,846,762	2,229,369	-17.2%
Laredo	959,133	1,026,007	-6.5%	Laredo	1,070,667	1,150,076	-6.9%

* 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

Around 17 percent of Texas trade activity with Mexico passes through the ports of Cameron and Hidalgo counties. In the second quarter of 2005, the level of trade between Texas and Mexico continued its upward trend compared with the same quarter in 2004. Export and import trade activity generally increased through the ports of

Cameron and Hidalgo counties, at rates higher than those at the state level. Exports to Mexico through the two counties' ports rose by 7.2 percent relative to an increase of 5.4 percent through all Texas ports. Similarly, imports from Mexico increased by 5.9 percent through the two counties versus a 3.4 increase at the state level.

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

(In Millions of Dollars)

	Q2 '05	% of TX Export Trade Activity	Q2 '04	% of TX Export Trade Activity	Change
Brownsville	1,624	8.2%	1,494	7.9%	8.7%
Hidalgo	1,897	9.6%	1,781	9.5%	6.5%
Progreso	25	0.1%	32	0.2%	-20.0%
Two County Total	3,547	17.9%	3,307	17.6%	7.2%
Texas Total	19,858	100.0%	18,832	100.0%	5.4%

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

(In Millions of Dollars)

	Q2 '05	% of TX Import Trade Activity	Q2 '04	% of TX Import Trade Activity	Change
Brownsville	1,394	5.3%	1,403	5.5%	-0.6%
Hidalgo	2,963	11.2%	2,711	10.6%	9.3%
Progreso	3	0.0%	2	0.0%	40.5%
Two County Total	4,360	16.4%	4,116	16.0%	5.9%
Texas Total	26,547	100.0%	25,673	100.0%	3.4%

*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-EI Paso.

MAQUILADORAS

Number of Employees

	% of Texas Border Employment	Q2 '05	Q2 '04	Change
Matamoros	13%	53,315	53,135	0.3%
Reynosa	20%	81,133	80,103	1.3%
Nuevo Laredo	5%	20,381	20,207	0.9%
Juárez	51%	205,302	204,977	0.2%
Texas Border		406,251	405,386	0.2%
US-Mexico Border		666,306	660,659	0.9%

Number of Established Plants*

	% of Texas Border Plants	Q2 '05	Q2 '04	Change
Matamoros	19%	127	126	0.8%
Reynosa	21%	139	143	-2.8%
Nuevo Laredo	6%	42	43	-2.3%
Juarez	42%	285	284	0.5%
Texas Border		672	675	-0.4%
US-Mexico Border		1,573	1,575	-0.1%

Value Added (In Millions of Pesos)

	% of Texas Border Value Added	Q2 '05	Q2 '04	Change
Matamoros	12%	2,383	2,167	10.0%
Reynosa	22%	4,251	3,844	10.6%
Nuevo Laredo	7%	1,348	1,129	19.4%
Juárez	52%	10,188	9,739	4.6%
Texas Border		19,463	18,187	7.0%
US-México Border		31,558	29,768	6.0%

*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.