



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*, the quarterly newsletter of economic indicators published by the Center for Border Economic Studies (CBEST) at The University of Texas-Pan American.

Overall, the Lower Rio Grande Valley's economy has continued to expand during the second quarter of 2006 when compared to the same period in 2005. Cameron and Hidalgo counties added more than 15,000 new jobs. Trade activity through the counties' land ports of entry was on the rise as evidenced by the increases in exports (12.5 percent), imports (9.2 percent) and truck crossings (2.1 percent). Passenger activity at area airports rose by 10 percent. Gross sales data also exhibited signs of growth with the two counties reporting 8-9 percent growth rates in the first quarter of 2006 relative to the corresponding quarter in 2005. These economic expansion patterns have been fueled by population growth, among other factors. The area's population is projected to top 1.2 million in 2010, a 16 percent increase from 2005 levels. The population of neighboring areas on the Mexican side of the border is also projected to grow by 17 percent, resulting in a population estimate exceeding 1.4 million in 2010 in cities within 30 miles of Cameron and Hidalgo counties' border.

By the end of the year, CBEST will release its latest *Economic Analysis and Forecast*. For more information, contact the CBEST office at cbest@utpa.edu. Please make note that our Web site address has changed. Our new address is <http://ea.panam.edu/cbest/>.

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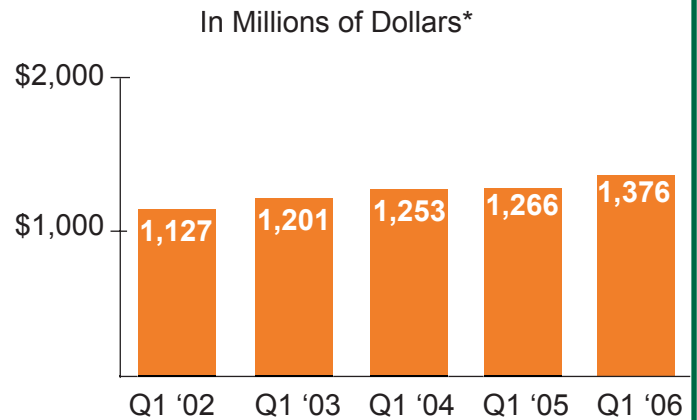
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GROSS SALES

Gross sales at both Cameron and Hidalgo counties have exhibited double-digit growth between the first quarter of 2002 and the corresponding quarter of 2006.

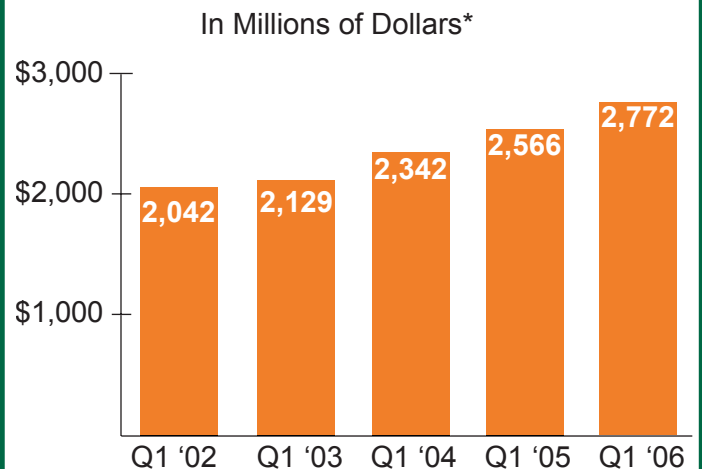
Relative to the first quarter of 2005, Cameron County's gross sales rose by nine percent in the first quarter of 2006. Similarly, Hidalgo County posted an increase of

Cameron County Gross Sales First Quarter (2002-2006)



*Not adjusted for inflation
Source: Texas Comptroller of Public Accounts

Hidalgo County Gross Sales First Quarter (2002-2006)



*Not adjusted for inflation
Source: Texas Comptroller of Public Accounts

Gross Sales by County and Industry

In Millions of Dollars

Cameron County

	Q1 '06	Q1 '05	Change
Construction	59	55	8%
Manufacturing	123	97	28%
Wholesale Trade	155	145	7%
Retail Trade	831	797	4%
Services	105	104	0%
Other*	103	69	50%
All Industries	1,376	1266	9%

Hidalgo County

	Q1 '06	Q1 '05	Change
Construction	140	123	14%
Manufacturing	200	177	13%
Wholesale Trade	304	267	14%
Retail Trade	1669	1644	2%
Services	182	188	-3%
Other*	277	157	77%
All Industries	2772	2556	8%

*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



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eight percent over the same time period. Manufacturing, construction, and wholesale trade were the primary industries showing positive signs of growth. Trade continued to dominate the economy of both counties, with retail and wholesale trade accounting for three quarters of gross sales.

EMPLOYMENT

In June 2006, total employment stood at 135,772 for Cameron County and at 252,900 for Hidalgo County. This represented a 3.9 and 4.4 percent increase from June 2005 employment figures for Cameron and Hidalgo counties, respectively. The corresponding employment growth rate for Texas was 2.6 percent.

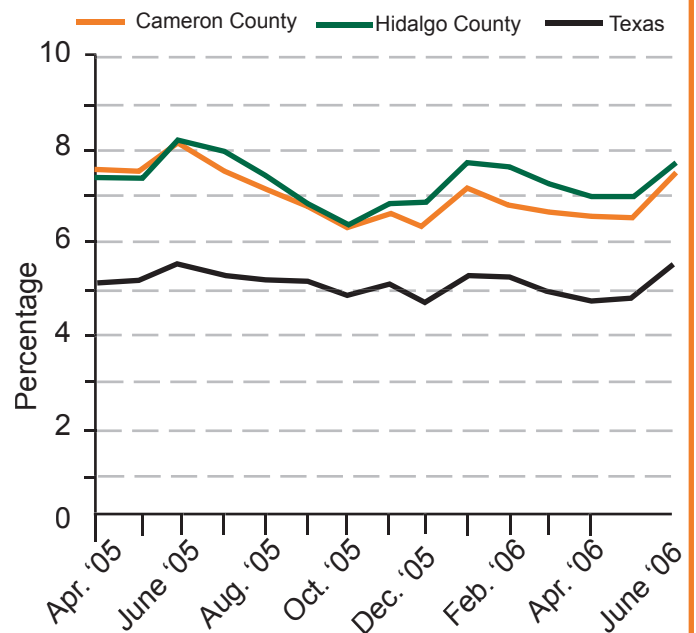
By the end of the second quarter of 2006, the unemployment rate was 7.5 and 7.8 percent for Cameron

Employment

	June '06	June '05	Change
Cameron County	135,772	130,644	3.9%
Hidalgo County	252,900	242,258	4.4%
Texas	10,905,885	10,625,044	2.6%

Source: Bureau of Labor Statistics

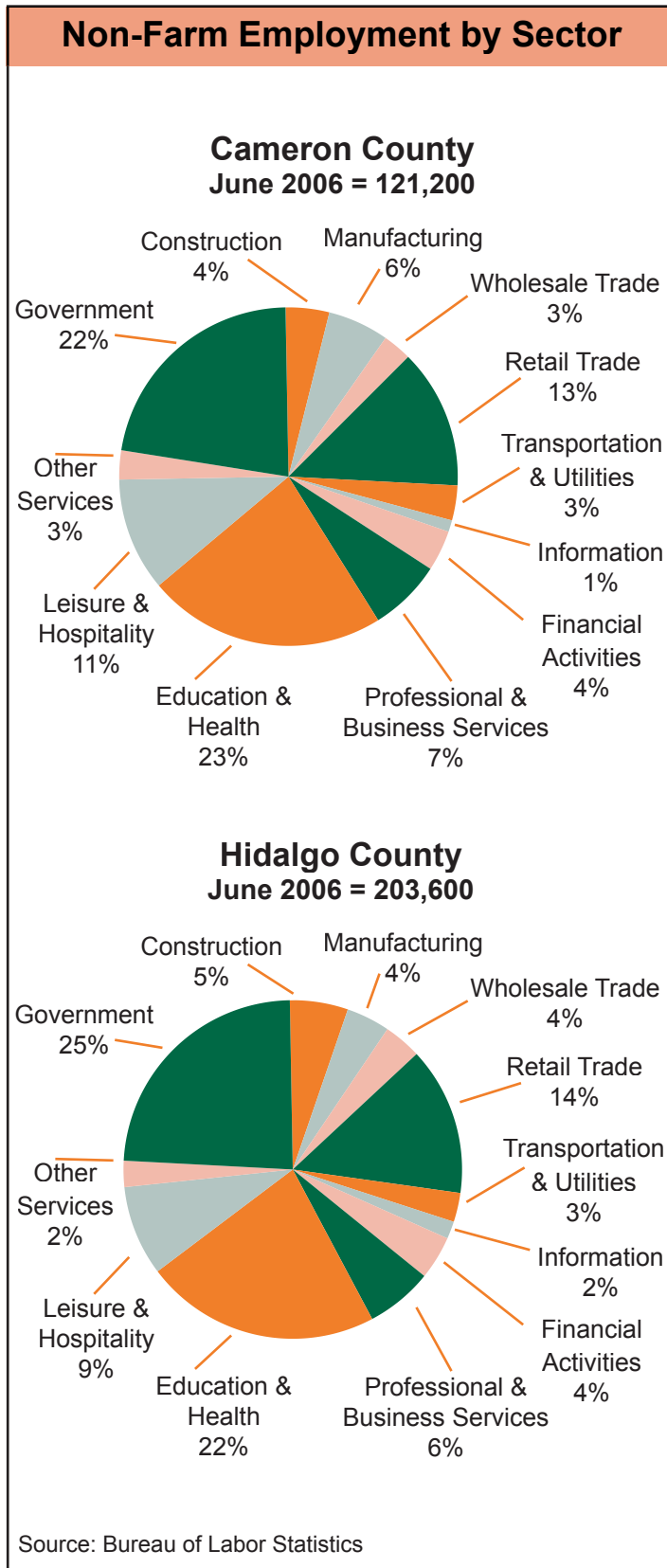
Unemployment Rates



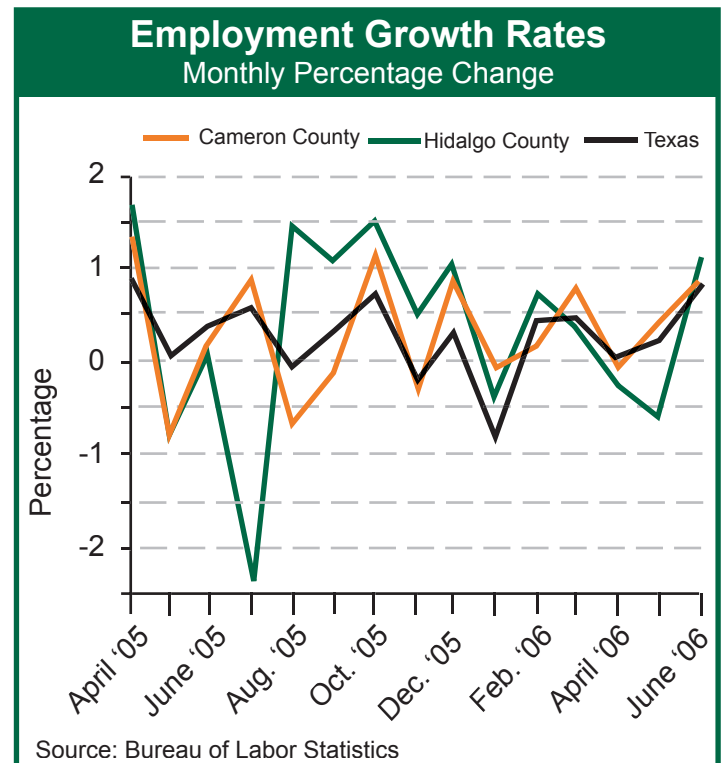
Source: Bureau of Labor Statistics

and Hidalgo counties, respectively, compared to rates of 8.1 and 8.2 percent in June 2005. While such rates are higher than those reported for the state of Texas (5.5 percent in June 2006), the decrease in the un-

employment rate for Cameron and Hidalgo counties between June 2005 and June 2006 exceeded the corresponding decrease for Texas: unemployment rates decreased by around 5-7 percent for the two counties compared to a two percent decrease for Texas. Monthly employment growth fluctuations for Cameron County, more or less, mirrored those at the state level. However, employment growth and declines for Hidalgo County seem to be countercyclical to those of Texas during the summer months.



Major employment sectors are the government sector, educational and health services, retail trade and the leisure and hospitality sectors.



POPULATION

Cameron and Hidalgo counties' population has grown considerably over the past several years. Demographic trends support further growth, with the area's population projected to grow by 16 percent over the 2005-2010 period. Similar growth rates are projected in Tamaulipas, the Mexican state adjacent to both counties. The population of Mexican cities within 30 miles of the border are projected to increase by 17 percent over the same time period. By 2010, Cameron and Hidalgo counties, along with Mexican border cities, are expected to be home to more than 2.5 million people.

Population

	2005	2010*	Change
Cameron County	374,081	418,583	12%
Hidalgo County	671,967	798,801	19%
Texas	22,270,165	25,105,646	13%

* Population projections are based on the 2000-2004 migration scenario that takes into account post-2000 population trends.
Source: U.S. Census Bureau: 2005 American Community Survey; Texas Data Center, Office of the State Demographer.

Population of Main Tamaulipas Cities within 30 Miles of the Border

	2005	2010	Change
Reynosa	526,888	597,200	13%
Matamoros	462,157	559,295	21%
Rio Bravo	106,842	126,756	19%
Valle Hermoso	62,193	70,894	14%
Díaz Ordaz	15,028	20,466	36%
Main cities			
within 30 miles	1,173,108	1,374,611	17%
Tamaulipas	3,024,238	3,441,570	14%

Source: INEGI: Conteo de Población y Vivienda 2005; CONAPO 2000-2030 population projections.

EDUCATION

The educational attainment of Valley residents has improved between 2000 and 2005. Based on Census 2000 and the 2005 American Community Survey estimates, the percentage of the population 25 years and over with no high school degree decreased by 13 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, as well as holders of associate's and bachelor's degrees. These trends are consistent with the increase in enrollment at institutions of higher education throughout the two counties. Overall, student enrollment rose by 41 percent between the fall semesters of 2001 and 2006.

Educational Attainment

(Percentage of the population 25 years and over)

Cameron County

	2005	2000	Change
No high school degree	38.8	44.8	-13.4%
High school graduate	24.2	20.1	20.4%
Some college, no degree	16.7	17.5	-4.6%
Associate's degree	6.7	4.3	55.8%
Bachelor's degree	9.3	8.4	10.7%
Graduate or professional degree	4.3	4.9	-12.2%

Hidalgo County

	2005	2000	Change
No high school degree	41.7	49.5	-15.8%
High school graduate	24.5	20.2	21.3%
Some college, no degree	15.4	14.5	6.2%
Associate's degree	3	2.9	3.4%
Bachelor's degree	10.9	8.4	29.8%
Graduate or professional degree	4.4	4.5	-2.2%

Source: U.S. Census Bureau: 2005 American Community Survey, Census 2000.

Student Enrollment at Institutions of Higher Education in South Texas Region

	Fall 2006	Fall 2001	Change
UTB-TSC	15,688	9,373	67%
TSTC	4,361	3,842	14%
UTPA	17,337	13,640	27%
STC	17,926	12,448	44%
Total	55,312	39,303	41%

Source: Institutional Effectiveness Offices at respective institutions.

UTB-TSC: The University of Texas-Brownsville and Texas Southmost College

TSTC: Texas State Technical College

UTPA: The University of Texas-Pan American

STC: South Texas College

BANKING INDICATORS

Deposits at banks in the Valley area exhibited a downward trend in the second quarter of 2006 relative to the same period in 2005. Deposits decreased by six percent in Cameron County and by 11 percent in Hidalgo County. These numbers, however, may not necessarily reflect the true status of deposits because of reporting irregularities by the area's banking institutions. In terms of market share, the City of Brownsville accounted for 59 percent of Cameron County's deposits, with the cities of Harlingen (25 percent) and San Benito (six percent) rounding up the top three. Deposits at the City of McAllen's banks comprised around a half of deposits in Hidalgo County. The cities of Mission (13 percent) and Edinburg (10 percent) ranked second and third, respectively, in terms of the size of their deposits.

Bank Deposits* Cameron County

In Millions of Dollars

City	Q2 '06	Q2 '05	Change
Brownsville	\$1,946	\$2,181	-10.8%
Harlingen	\$827	\$811	1.9%
San Benito	\$189	\$223	-15.1%
County Total**	\$3,316	\$3,536	-6.2%

Bank Deposits* Hidalgo County

In Millions of Dollars

City	Q2 '06	Q2 '05	Change
McAllen	\$2,970	\$3,618	-17.9%
Mission	\$772	\$733	5.3%
Edinburg	\$624	658	-5.2%
County Total**	\$6,135	\$6,867	-10.7%

*In rare instances, some financial institutions may make public only the last monthly deposit reported to the FDIC. Also, some financial institutions may attribute total monthly deposits for each branch to the main bank.

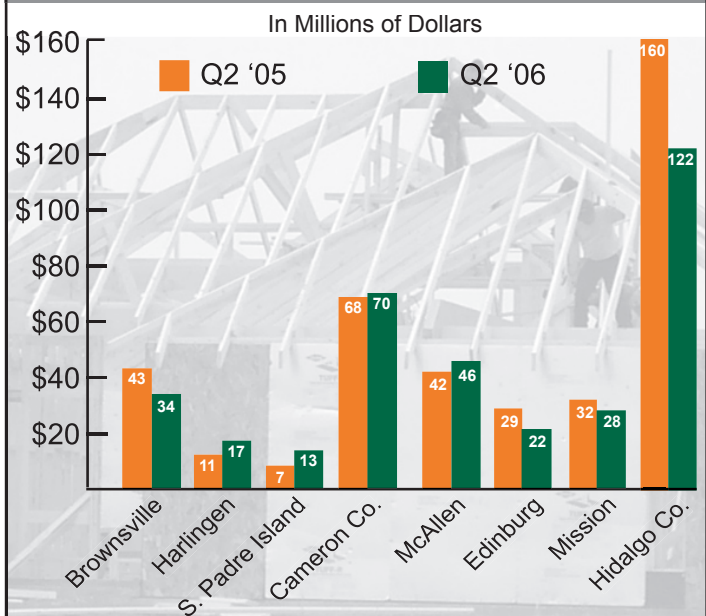
**County Total includes bank deposits in all cities within a county.

Source: Rio Grande Valley Partnership

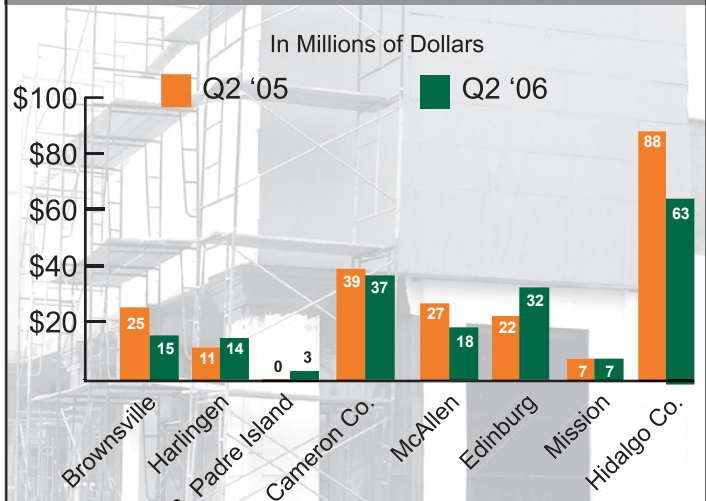
BUILDING PERMITS

Residential construction activity in Cameron County exhibited a four percent rise in the dollar value of residential building permits. Hidalgo County, on the other hand, reported a 24 percent decrease in the corresponding figure. Commercial construction activity was generally on the decline in both counties; the dollar value of commercial building permits was down by four percent in Cameron County and by 29 percent in Hidalgo County. Main cities that reported overall growth in permit values were the cities of Harlingen and South Padre Island in terms of both residential and commercial construction activity, and the cities of Edinburg and Mission in terms of commercial construction activity.

Residential Building Permits



Commercial Building Permits



Source: Building permits and inspections departments at respective cities.

TRANSPORTATION

Airports of Entry – Passenger Statistics*

	Q2 '06	Q2 '05	Change
Brownsville	45,904	37,306	23.0%
Harlingen	221,879	217,880	1.8%
McAllen	204,973	175,483	16.8%
Laredo	47,095	46,165	2.0%
El Paso	892,114	865,337	3.1%

*Passenger statistics includes both enplaned and deplaned values.

Source: Respective Airports

Land Ports of Entry – Border Crossings

Southbound Traffic

	Q2 '06	Q2 '05	Change
Trucks			
Rio Grande Valley*	182,037	177,803	2.4%
El Paso**	81,400	78,072	4.3%
Laredo	420,609	371,301	13.3%
Rail			
Rio Grande Valley*	NA	NA	-
El Paso	-	-	-
Laredo	NA	NA	-
Vehicles			
Rio Grande Valley*	3,341,732	3,470,554	-3.7%
El Paso**	1,211,169	1,187,220	2.0%
Laredo	1,508,601	1,686,852	-10.6%
Pedestrians			
Rio Grande Valley*	1,183,836	1,114,661	6.2%
El Paso**	1,287,108	1,380,417	-6.8%
Laredo	1,017,430	959,133	6.1%

Northbound Traffic

	Q2 '06	Q2 '05	Change
Trucks			
Rio Grande Valley*	189,485	186,068	1.8%
El Paso	196,565	188,582	4.2%
Laredo	380,331	362,902	4.8%
Rail			
Rio Grande Valley*	1,413	2,143	-34.1%
El Paso	28,543	16,744	70.5%
Laredo	47,330	50,842	-6.9%
Vehicles			
Rio Grande Valley*	3,631,211	3,850,785	-5.7%
El Paso	4,011,472	4,002,073	0.2%
Laredo	1,506,148	1,530,590	-1.6%
Pedestrians			
Rio Grande Valley*	1,478,539	1,351,456	9.4%
El Paso	1,793,884	1,846,762	-2.9%
Laredo	1,107,229	1,070,667	3.4%

*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 through the ports of Cameron and Hidalgo counties experienced double digit growth rates in the second quarter of 2006 compared with the same quarter in 2005. Exports to Mexico through the two counties' ports rose by 12.5 percent compared to an in-

crease of 12.9 percent through all Texas ports. Imports from Mexico increased by 9.2 percent through the two counties versus a 9.7 percent increase at the state level. Overall, the ports of Cameron and Hidalgo counties account for around 17 percent of Texas trade activity with Mexico.

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

	In Millions of Dollars				
	Q2 '06	% of TX Export Trade Activity	Q2 '05	% of TX Export Trade Activity	Change
Brownsville	1,847	8.2%	1,624	8.2%	13.7%
Hidalgo	2,108	9.4%	1,897	9.6%	11.1%
Progreso	37	0.2%	25	0.1%	46.4%
Two County Total	3,992	17.8%	3,547	17.9%	12.5%
Texas Total	22,414	100.0%	19,858	100.0%	12.9%

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

	In Millions of Dollars				
	Q2 '06	% of TX Import Trade Activity	Q2 '05	% of TX Import Trade Activity	Change
Brownsville	1,576	5.4%	1,394	5.3%	13.1%
Hidalgo	3,172	10.9%	2,963	11.2%	7.0%
Progreso	14	0.0%	3	0.0%	438.5%
Two County Total	4,762	16.4%	4,360	16.4%	9.2%
Texas Total	29,113	100.0%	26,547	100.0%	9.7%

*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.

Note: Totals may not add up due to rounding.

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 '06	Q2 '05	Change	
Matamoros	56,139	53,892	4.2%	12%
Reynosa	96,176	86,698	10.9%	21%
Nuevo Laredo	21,823	21,914	-0.4%	5%
Juarez	239,730	213,972	12.0%	53%
Texas Border	455,059	419,531	8.5%	
U.S.-Mexico Border	732,624	683,621	7.2%	

Number of Established Plants*

	% of Texas Border Plants	Q2 '06	Q2 '05	Change
Matamoros	18%	117	122	-3.8%
Reynosa	20%	134	126	6.6%
Nuevo Laredo	6%	42	43	-2.3%
Juarez	43%	288	291	-0.8%
Texas Border		663	663	0.0%
U.S.-Mexico Border		1,609	1,596	0.8%

Value Added (In Millions of Pesos)

	% of Texas Border Value Added	Q2 '06	Q2 '05	Change
Matamoros	11%	2,418	2,417	0.0%
Reynosa	22%	4,945	4,401	12.4%
Nuevo Laredo	6%	1,381	1,395	-1.0%
Juarez	56%	12,728	10,262	24.0%
Texas Border		22,822	19,785	15.4%
U.S.-Mexico Border		36,436	31,925	14.1%

*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

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