CBEST
CENTER FOR BORDER ECONOMIC STUDIES

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*

Welcome to the summer 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.

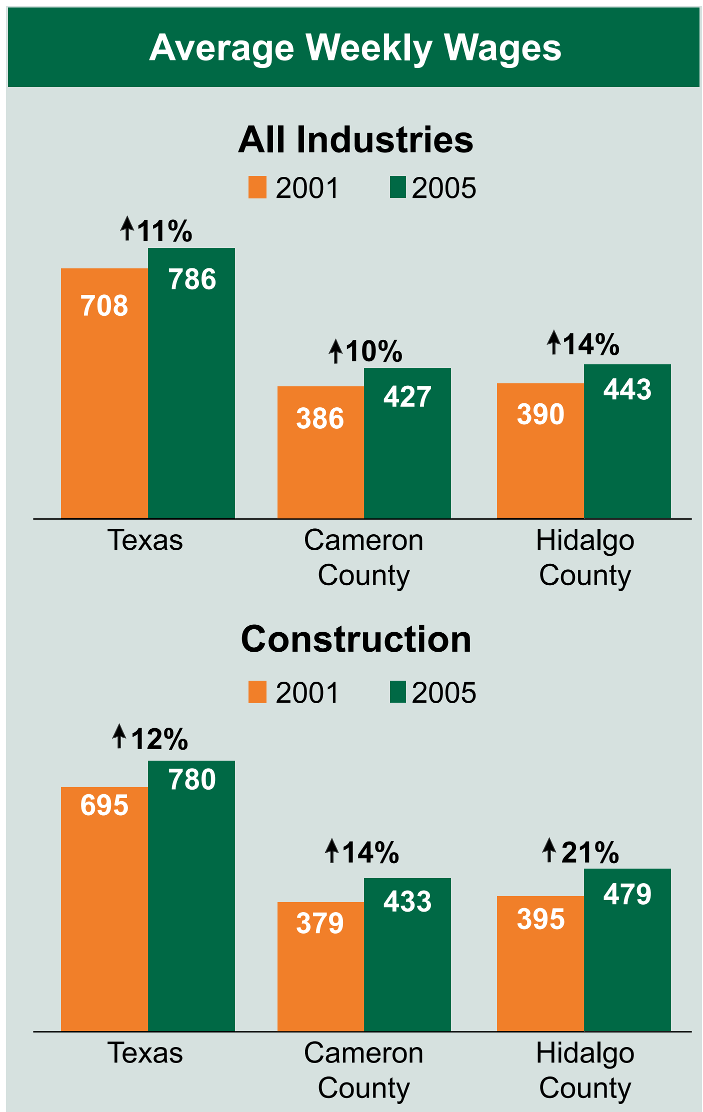
In this issue, CBEST looks at wage levels in Cameron and Hidalgo counties over the 2001-2005 period. Overall, average weekly wages in both counties were around half those at the state level. While low wages can be an attractive feature to businesses relocating to the area, they can also represent a challenge. Low wages result in lower per capita incomes and, consequently, lower standards of living. As far as our regular economic indicators, the economy of the Valley exhibited signs of growth in several areas in the first quarter of 2006 when compared to the same period in 2005. Jobs were created at faster rates relative to the state. Trade activity through the ports of Cameron and Hidalgo counties exhibited double-digit growth rates, and maquiladora activity was on the rise in terms of employment and value added. Mixed signals were evident in sales, whereby gross sales increased by six percent in Hidalgo County and decreased by seven percent in Cameron County.

In June, CBEST released the 2006 *Economic Analysis and Forecast for the South Texas Border Region*, which can be downloaded at www.c-best.org under Technical Reports. If you would like to receive *Border Business Briefs*, the *Economic Analysis and Forecast* and other special issues via e-mail, please contact us at cbest@utpa.edu.

inside

WAGES

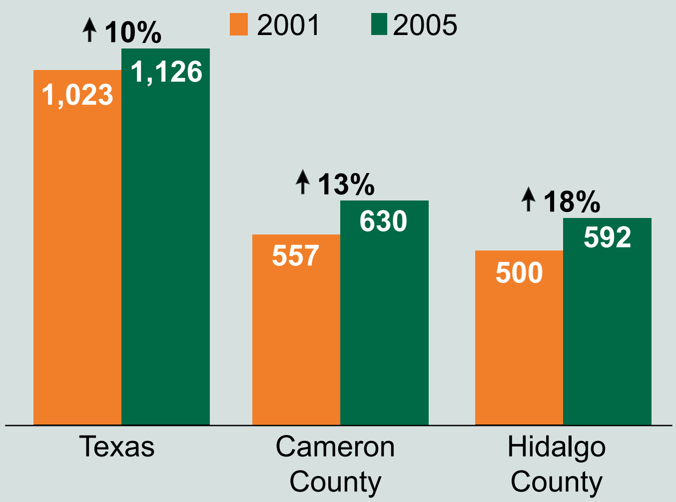
Wage levels in the Rio Grande Valley area are considerably lower than those in Texas. Overall, average weekly wages in Cameron and Hidalgo counties are around 55 percent of Texas wages. Several factors may account for this, among which are: a larger labor pool in the border area, lower skill levels, lower education levels, more labor intensive industries, etc. Industries with the largest deviation from the state wage level are construction, manufacturing and wholesale trade. The smallest deviations are in the retail trade and the accommodation and food services industries. One reason why there is a convergence of wage levels in the latter sectors may be the predominance of minimum



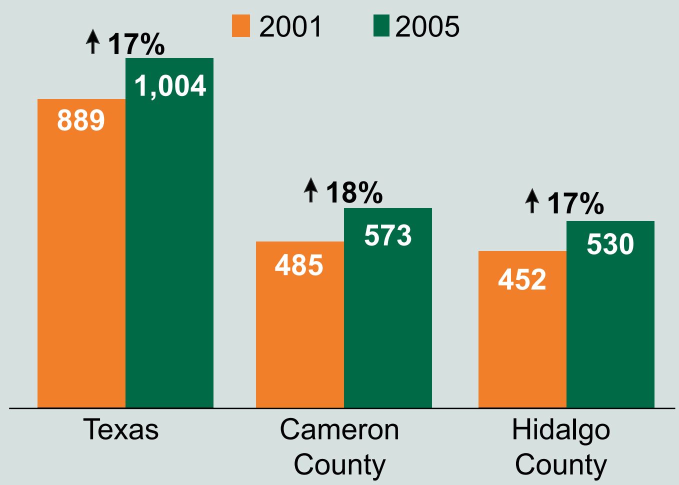
Source: Texas Workforce Commission

Average Weekly Wages

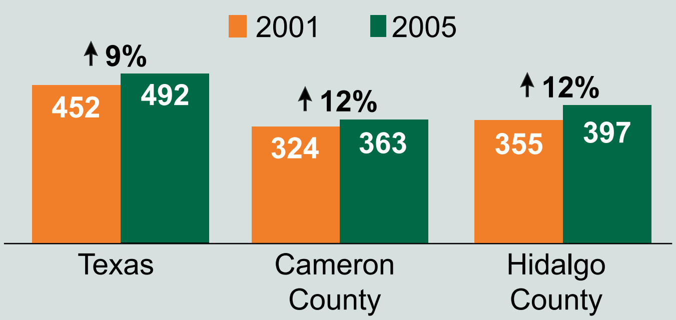
Wholesale Trade



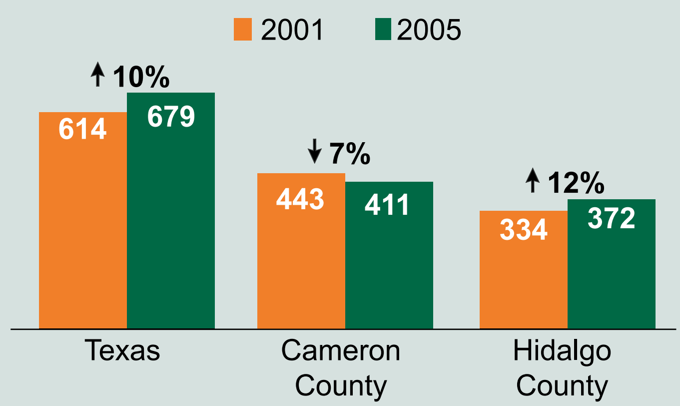
Manufacturing



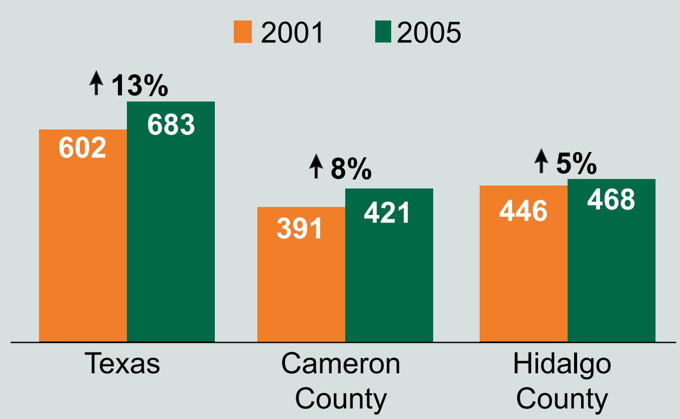
Retail Trade



Educational Services



Health Care and Social Assistance



Source: Texas Workforce Commission

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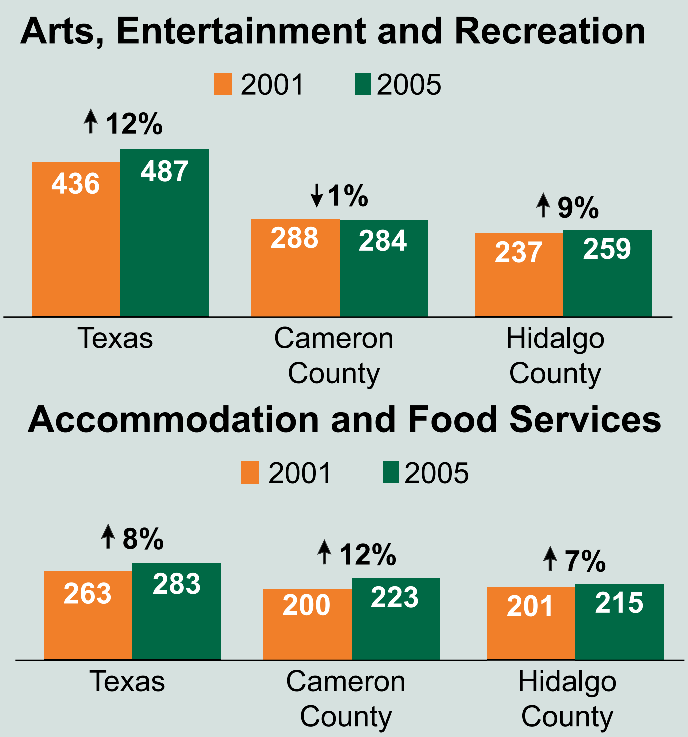
Average Weekly Wages



Source: Texas Workforce Commission

wage jobs in these sectors.

For all industries, average weekly wages at the state level increased by 11 percent between 2001 and 2005. Cameron County reported about the same level of growth, while Hidalgo County's growth rate stood at 14 percent. Sectors where the wage rate increased at a higher rate than that of Texas were: construction, wholesale trade, retail trade and educational services in Hidalgo County, and accommodation and food services in Cameron County. Sectors where the two counties' wage growth rate lagged behind were: educational services and arts and entertainment in Cameron County, and health care and social assistance in both counties.

GROSS SALES

Gross sales have remained more or less the same in Cameron County between the fourth quarter of 2001 and the fourth quarter of 2005. In Hidalgo County, on the other hand, sales rose by 19 percent over the 2001-2005 time period.

Relative to the fourth quarter of 2004, Cameron County's gross sales decreased by seven percent in the fourth quarter of 2005. Construction, retail trade and services were

Gross Sales by County and Industry

In Millions of Dollars

Cameron County

	Q4 '05	Q4 '04	Change
Construction	71	68	**5%**
Manufacturing	266	280	**-5%**
Wholesale Trade	388	650	**-40%**
Retail Trade	954	900	**6%**
Services	137	131	**4%**
Other*	154	83	**85%**
All Industries	1,971	2,113	**-7%**

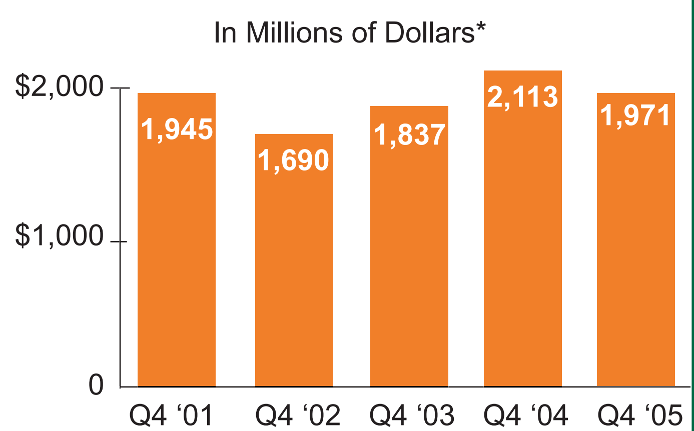
Hidalgo County

	Q4 '05	Q4 '04	Change
Construction	222	217	**2%**
Manufacturing	328	518	**-37%**
Wholesale Trade	480	470	**2%**
Retail Trade	2,119	1,925	**10%**
Services	241	216	**11%**
Other*	295	119	**148%**
All Industries	3,685	3,466	**6%**

*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

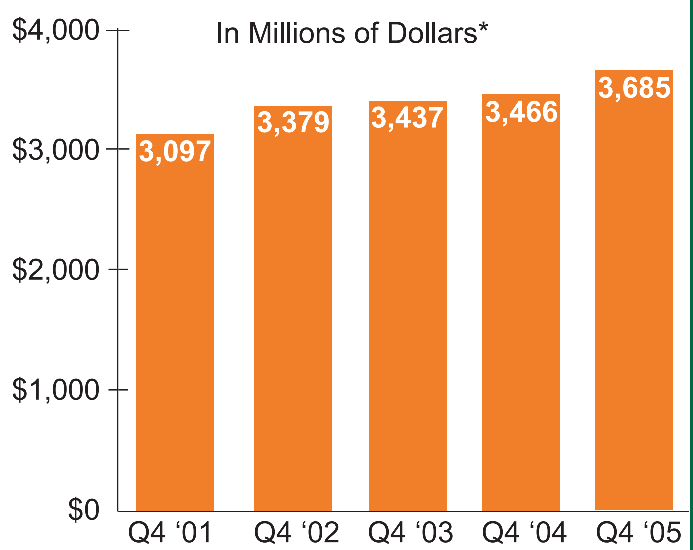
Cameron County Gross Sales

Fourth Quarter (2001-2005)



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

Hidalgo County Gross Sales
Fourth Quarter (2001-2005)



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

the primary industries showing signs of growth. Hidalgo County, however, posted an increase of six percent in its gross sales over the same time period. Double digit growth was reported for the retail trade and services sectors. Trade continued to dominate the economy of both counties, with retail and wholesale trade accounting for around 70 percent of gross sales.

EMPLOYMENT

In March 2006, total employment stood at 134,100 for Cameron County and at 252,070 for Hidalgo County. This represented a 3.4 and five percent increase from March 2005 employment figures for Cameron and Hidalgo counties, respectively. The corresponding employment growth rate for Texas was 2.8 percent.

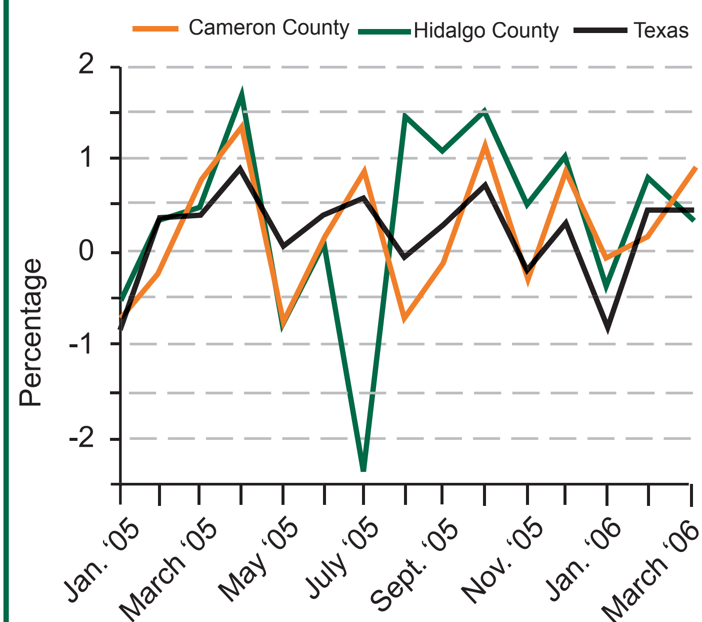
By the end of the first quarter of 2006, the unemployment rate was 6.7 and 7.2 percent for Cameron and Hidalgo counties, respectively, compared to rates of 8.1 and 8.3 percent in March 2005. While such rates are higher than those reported for the state of Texas (five percent in March 2006), the decrease in the unemployment rate for Cameron and Hidalgo counties between March 2005 and March 2006 exceeded the corresponding decrease for Texas: unemployment rates decreased by 13-17 percent for the two counties compared to a seven 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 countercyclical to those of Texas during the summer months.

Employment

	March '06	March '05	**Change**
Cameron County	134,100	129,643	**3.4%**
Hidalgo County	252,070	240,161	**5.0%**
Texas	10,790,879	10,495,354	**2.8%**

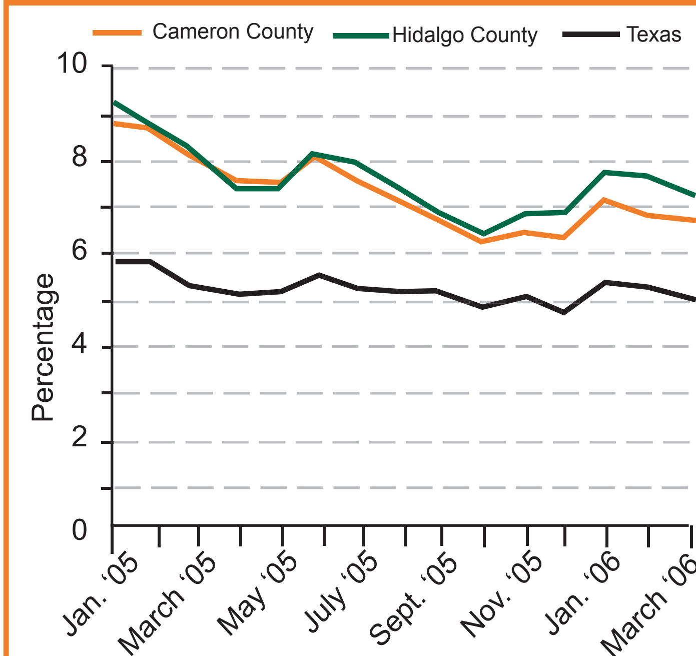
Source: Bureau of Labor Statistics

Employment Growth Rates
Monthly Percentage Change



Source: Bureau of Labor Statistics

Unemployment Rates



Source: Bureau of Labor Statistics

BANKING INDICATORS

Deposits at banks in the Valley exhibited a downward trend in the first quarter of 2006 relative to the same period in 2005. Deposits decreased by 14 percent in Cameron County and by 12 percent in Hidalgo County.

In terms of market share, the city of Brownsville accounted for 56 percent of Cameron County's deposits, with the cities of Harlingen (26 percent) and San Benito (six percent) rounding up the top three. Deposits at the city of McAllen's banks comprised around 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	Q1 '06	Q1 '05	Change
Brownsville	$1,720	$2,234	-23.0%
Harlingen	$805	$829	-3.0%
San Benito	$192	$194	-0.9%
County Total**	$3,058	$3,573	-14.4%

Bank Deposits* Hidalgo County

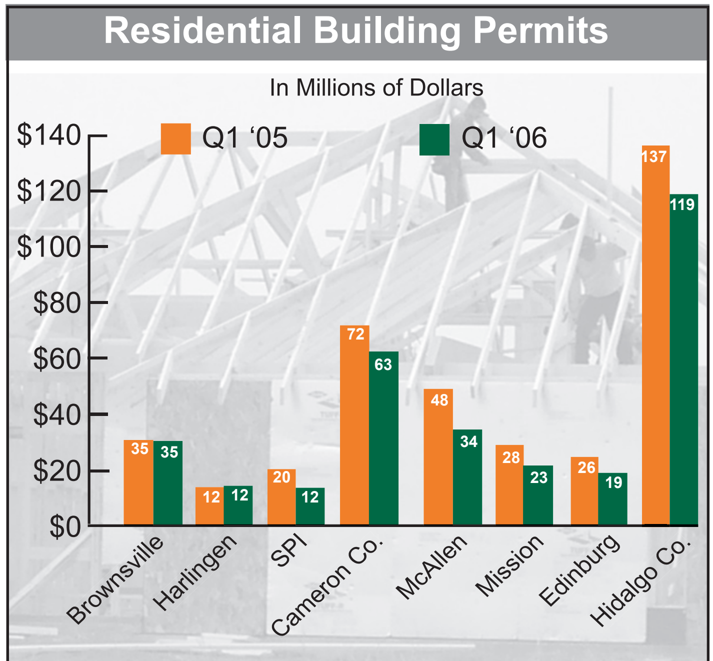
In Millions of Dollars

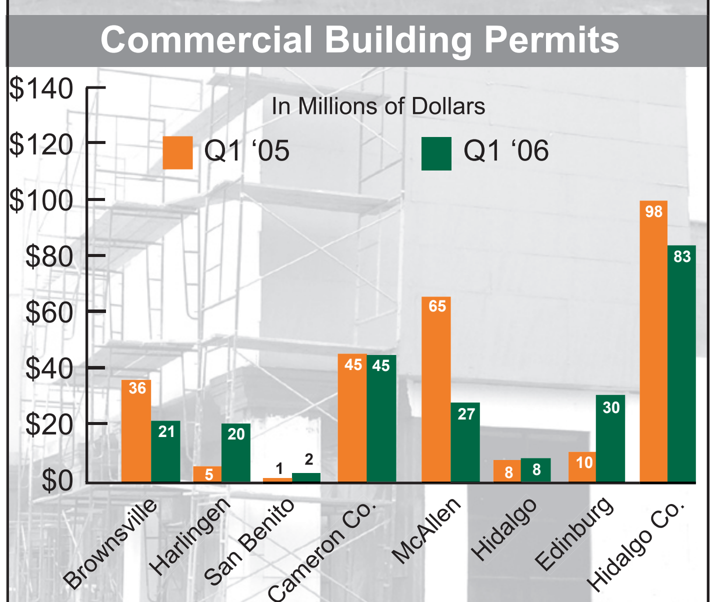
City	Q1 '06	Q1 '05	Change
McAllen	$2,912	$3,642	-20.0%
Mission	$757	$728	3.9%
Edinburg	$609	$661	-7.8%
County Total**	$6,033	$6,865	-12.1%

*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 and Hidalgo counties was generally on the decline; the dollar value of residential building permits decreased by 13 percent in both counties. Commercial construction activity exhibited a similar trend; the dollar value of commercial building permits was down by one percent in Cameron County and by 16 percent in Hidalgo County. Cities that reported overall growth in permit values were Harlingen in terms of both residential and commercial construction activity, and the cities of San Benito, Edinburg and Hidalgo in terms of commercial construction activity.





Source: Building permits and inspections departments at respective cities.

TRANSPORTATION

Air Ports of Entry – Passenger Statistics*

	Q1 '06	Q1 '05	Change
Brownsville	45,186	38,259	**18.1%**
Harlingen	223,197	225,258	**-0.9%**
McAllen	200,150	181,697	**10.2%**
Laredo	42,907	45,978	**-6.7%**
El Paso	774,617	758,674	**2.1%**

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

Land Ports of Entry – Border Crossings

Southbound Traffic

	Q1 '06	Q1 '05	Change
Trucks			
Rio Grande Valley*	180,385	168,655	**7.0%**
El Paso**	80,449	73,586	**9.3%**
Laredo	422,044	350,813	**20.3%**
Rail			
Rio Grande Valley*	11,359	10,531	**7.9%**
El Paso	-	-	**-**
Laredo	56,978	59,424	**-4.1%**
Vehicles			
Rio Grande Valley*	3,343,022	3,395,694	**-1.6%**
El Paso**	1,176,518	1,090,839	**7.9%**
Laredo	1,468,141	1,617,901	**-9.3%**
Pedestrians			
Rio Grande Valley*	1,446,087	1,331,692	**8.6%**
El Paso**	1,205,591	1,339,375	**-10.0%**
Laredo	993,895	950,617	**4.6%**

Northbound Traffic

	Q1 '06	Q1 '05	Change
Trucks			
Rio Grande Valley*	192,391	184,981	**4.0%**
El Paso	186,639	174,885	**6.7%**
Laredo	372,197	330,100	**12.8%**
Rail			
Rio Grande Valley*	1,982	2,069	**-13.9%**
El Paso	20,824	14,544	**43.2%**
Laredo	41,387	35,338	**17.1%**
Vehicles			
Rio Grande Valley*	3,682,792	3,818,832	**-3.6%**
El Paso	3,989,225	3,794,584	**5.1%**
Laredo	1,549,906	1,573,596	**-1.5%**
Pedestrians			
Rio Grande Valley*	1,739,058	1,604,419	**8.4%**
El Paso	1,693,203	1,860,636	**-9.0%**
Laredo	1,067,080	1,096,640	**-2.7%**

*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 first quarter of 2006 compared with the same quarter in 2005. Exports to Mexico through the two counties' ports rose by 11.7 percent compared to an increase of 16.5 percent through all Texas ports. Imports from Mexico increased by 17.2 percent through the two counties versus a 12.1 percent increase at the state level. Overall, the ports of Cameron and Hidalgo counties account for slightly over 17 percent of Texas trade activity with Mexico.

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

In Millions of Dollars

	Q1 '06	% of TX Export Trade Activity	Q1 '05	% of TX Export Trade Activity	**Change**
Brownsville	1,763	8.1%	1,448	7.7%	**21.8%**
Hidalgo	2,068	9.5%	1,994	10.6%	**3.7%**
Progreso	48	0.2%	30	0.2%	**59.2%**
Two County Total	3,879	17.7%	3,472	18.5%	**11.7%**
Texas Total	21,871	100.0%	18,769	100.0%	**16.5%**

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

In Millions of Dollars

	Q1 '06	% of TX Import Trade Activity	Q1 '05	% of TX Import Trade Activity	**Change**
Brownsville	1,501	5.4%	1,279	5.2%	**17.3%**
Hidalgo	3,228	11.7%	2,761	11.2%	**16.9%**
Progreso	9	0.0%	2	0.0%	**378.7%**
Two County Total	4,738	17.2%	4,042	16.4%	**17.2%**
Texas Total	27,571	100.0%	24,595	100.0%	**12.1%**

*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-El Paso

MAQUILADORAS

Number of Employees

	% of Texas Border Employment	Q1 '06	Q1 '05	**Change**
Matamoros	12%	56,267	53,554	**5.1%**
Reynosa	21%	95,281	85,789	**11.1%**
Nuevo Laredo	5%	21,688	21,145	**2.6%**
Juarez	52%	235,598	211,006	**11.7%**
Texas Border		451,043	416,345	**8.3%**
U.S.-Mexico Border		718,301	674,784	**6.4%**

Number of Established Plants*

	% of Texas Border Plants	Q1 '06	Q1 '05	**Change**
Matamoros	18%	119	122	**-2.2%**
Reynosa	20%	131	128	**2.1%**
Nuevo Laredo	7%	43	42	**1.6%**
Juarez	43%	286	294	**-2.8%**
Texas Border		661	665	**-0.7%**
U.S.-Mexico Border		1,606	1,589	**1.1%**

Value Added (In Millions of Pesos)

	% of Texas Border Value Added	Q1 '06	Q1 '05	**Change**
Matamoros	11%	2,286	2,180	**4.8%**
Reynosa	22%	4,543	3,821	**18.9%**
Nuevo Laredo	6%	1,343	1,317	**2.0%**
Juarez	55%	11,478	9,699	**18.3%**
Texas Border		20,895	18,243	**14.5%**
U.S.-Mexico Border		32,931	29,383	**12.1%**

*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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