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Chamber of Commerce
Laredo, Texas

Vision 2010

Economic Outlook Report

Important Facts:

- **The Port of Laredo is the largest port of entry on the U.S.-Mexico border, and the third largest inland border port of entry behind Detroit, MI and Buffalo, NY.**
- **The Port of Laredo handles approximately 40% of U.S.-Mexico trade on the U.S. Southern Border.**
- **Over 10,000 trucks cross at the Port of Laredo daily.**

Inside This Issue...

Formulating a Vision

The Purpose of the Vision 2010 Conference and Trade Mission

During the past two centuries, Laredo has been at the crossroads of U.S.-Mexico trade and commerce. As the city of 221,599 inhabitants enters the new millennium, Laredo will continue to shape the destiny of the region. Tremendous efforts are underway to maintain a competitive business environment. In this regard, extensive participation by the business community will hallmark how well we are prepared to address both the increase in growth and commerce.

The Laredo Chamber of Commerce, over 700 members strong, has a vision and goal to foster the ongoing betterment of the community and region as well as encourage and promote the maintenance of a competitive business sector. There are three prime factors that bode well for the future of Laredo: first is the growing active work force, second the continued diversification of all economic sectors, and third, a significant public-private infrastructure initiative to enhance all areas of the region's transportation corridors and support services.

The 2010 Vision Conference intends to focus on the dynamic commercial viability of the city and the traditional linkages with counterparts in Mexico and the South Texas region. The membership of the Laredo Chamber of Commerce looks forward to continued regional and transnational cooperation. Thus, this publication is a snapshot of Laredo's recent growth and trade activities.

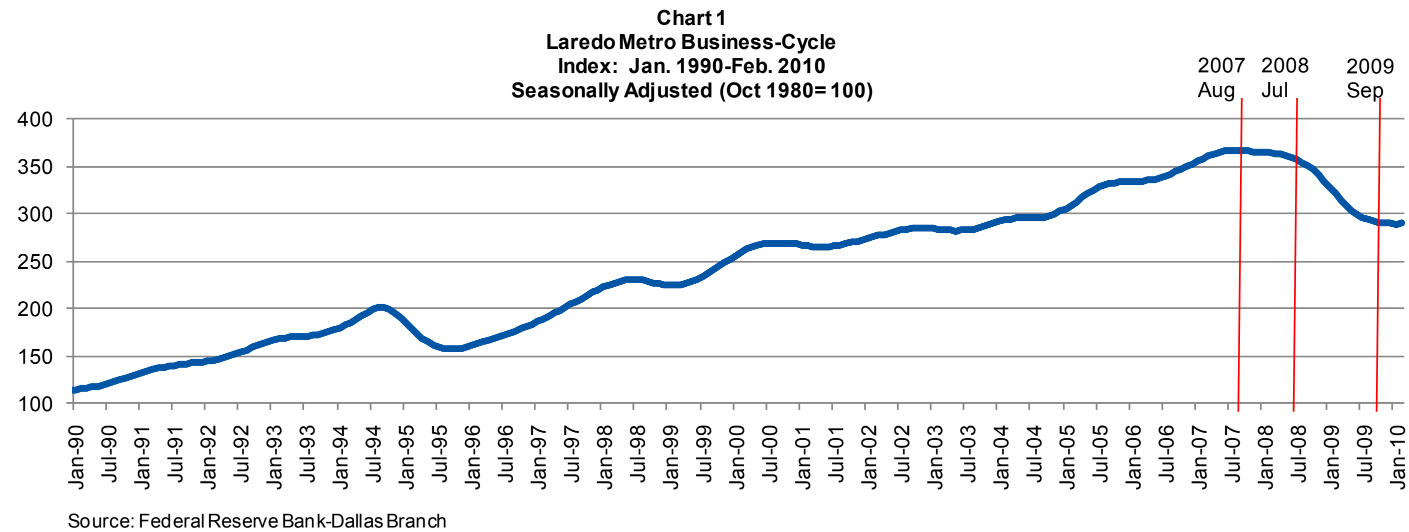
Laredo's Economy Weathers 2009

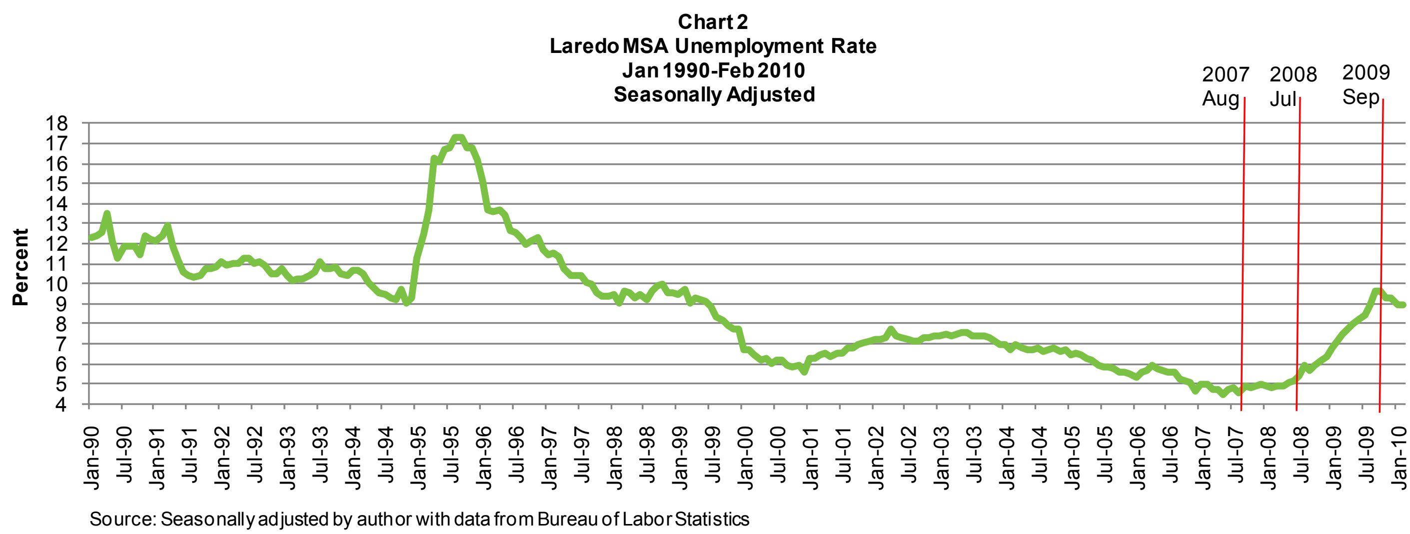
By Pablo Camacho-Gutierrez, Assistant Professor of Economics, Division of International Banking and Finance Studies, A.R. Sanchez Jr., School of Business, Texas A&M International University

This section discusses the statistics on international trade and local economic indicators that characterize Vision, but it also assesses the performance of Laredo's economy during 2009. In addition, this section now includes all nominal variables in both current and constant dollars. The city average Consumer Price Index for all-urban consumer (CPI-U, with base period 1982-84) was used to convert current to constant dollars. Furthermore, the CPI-U was normalized so that current dollars are as of 1990.

Laredo's economy remained in recession during 2009. Chart 1 (see p. 2) shows the seasonally-adjusted Metro Business-Cycle Index for Laredo MSA (MBCI-Laredo) that the Federal Reserve Bank of Dallas (FRBD) publishes, which summarizes "movements in locally measured nonagricultural employment, the unemployment rate, inflation-adjusted wages and inflation-adjusted retail sales" (FRBD). Chart 2 (see p. 2), on the other hand, shows the seasonally adjusted monthly unemployment rate for Laredo MSA. According to both charts, the economy in Laredo showed signs of contractions during the second half of 2007 and the first half of 2008. Then, economic constriction increased in Laredo during the second half of 2008 and the first three quarters of 2009. The economic shrinkage eased during the fourth quarter of 2009.

(Continued on page 2)





Indeed, according to the MBCI-Laredo, the economic activity in Laredo dropped by 13.54 percent during 2009 (see Table 1). In contrast, from September 2009 to February 2010 the economic activity in Laredo dropped at an annualized rate of 0.82 percent. On the other hand, the seasonally-adjusted unemployment rate in Laredo increased by 2.91 percentage points during 2009. In contrast, from September 2009 to February 2010 the seasonally-adjusted unemployment rate in Laredo dropped by 0.73 percentage points. In a sum, Laredo's economy remains in recession, but the latest figures show that the recession is easing. In might take a couple of years before Laredo's economy recovers the level of economy activity that it observed before this recession.

Table 1

Period	Business Cycle Index: Percent Rate of Change*	Unemployment Rate: Percentage Points of Change**
Dec 2008-Dec 2009	-13.54%	2.91
Aug 2007-Jul 2008	-2.64%	0.83
Jul 2008-Sep 2009	-18.37%	4.28
Sep 2009-Feb 2010	-0.82%	-0.73

Source: Author's calculations with data from *Federal Reserve Bank–Dallas Branch and **Bureau of Labor Statistics

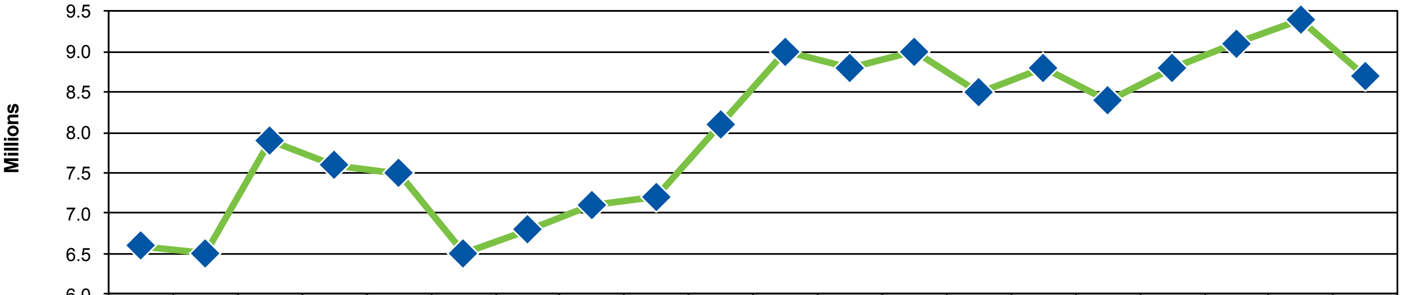
International Crossings

Pedestrian crossings dropped by 7.45 percent in 2009, which ended its growth trend that started in 2006 (see Chart 3 p. 3). There were 8.7 millions of pedestrian crossings in 2009; that is, 700,000 fewer pedestrian crossings occurred in 2009 than in 2008. Compared to the lowest level over the period 1990-2008, 2.2 millions more pedestrian crossings occurred in 2009 than in 1991 or 1995.

Vehicle crossings remained flat at its 2009 level of 9.8 million crossings (see Chart 4), which ended a decade long downward trend. Compared to the highest level over the period 1990-2008, 5.8 million fewer vehicle crossings occurred in 2008 than in 1999, which represent a 37.18 percent reduction. Indeed, vehicle crossing declined at an average annual rate of 4.98 percent from 1999 to 2008.

Truck crossings dropped to 2.8 million crossings in 2009 (according to estimated value for 2009), this follows a three-year period of being stagnant at 3.2 million crossings and sets truck crossings to the same level it observed in years 1998, 1999, 2001, and 2004 (see Chart 5). Indeed,

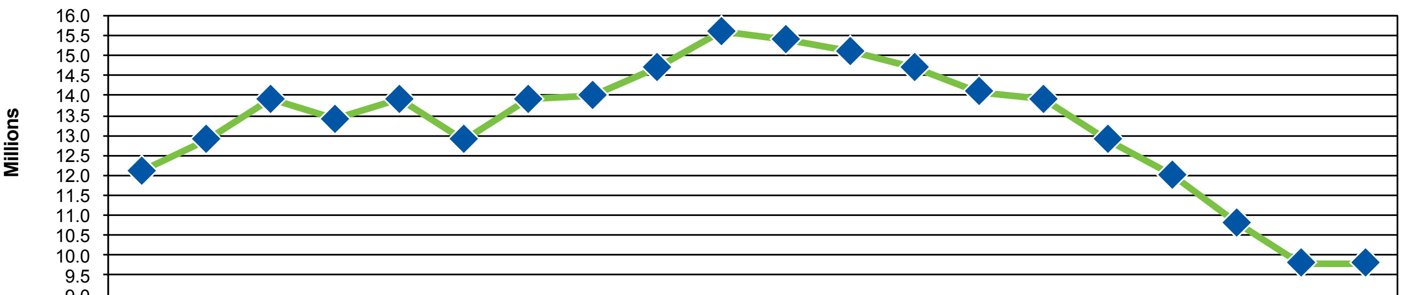
Chart 3
Pedestrian Crossings at Laredo
(North and South)



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Pedestrians	6.6	6.5	7.9	7.6	7.5	6.5	6.8	7.1	7.2	8.1	9.0	8.8	9.0	8.5	8.8	8.4	8.8	9.1	9.4	8.7

Source: Laredo Bridge System and Mexico's Oficina de Caminos y Puentes data compiled by the Texas Center at Texas A&M International University.

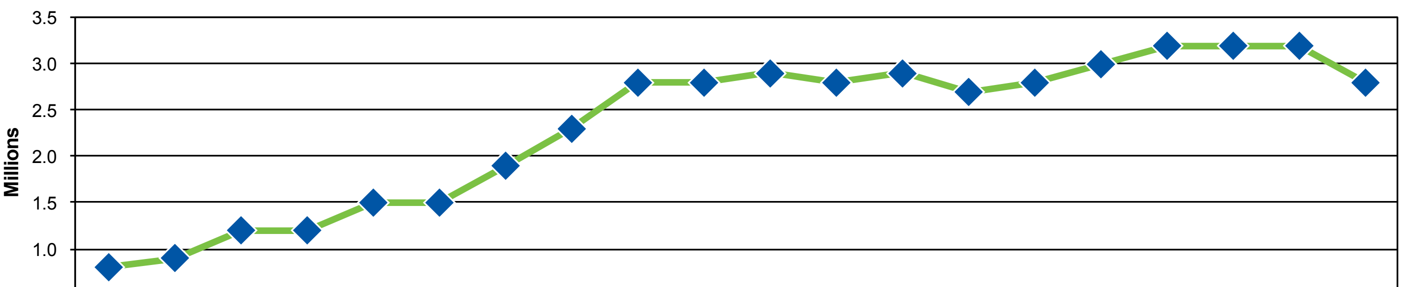
Chart 4
Vehicle Crossings at Laredo
(North and South)



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Vehicles	12.1	12.9	13.9	13.4	13.9	12.9	13.9	14.0	14.7	15.6	15.4	15.1	14.7	14.1	13.9	12.9	12.0	10.8	9.8	9.8

Source: Laredo Bridge System and Mexico's Oficina de Caminos y Puentes data compiled by the Texas Center at Texas A&M International University.

Chart 5
Truck Crossings at Laredo
(North and South)



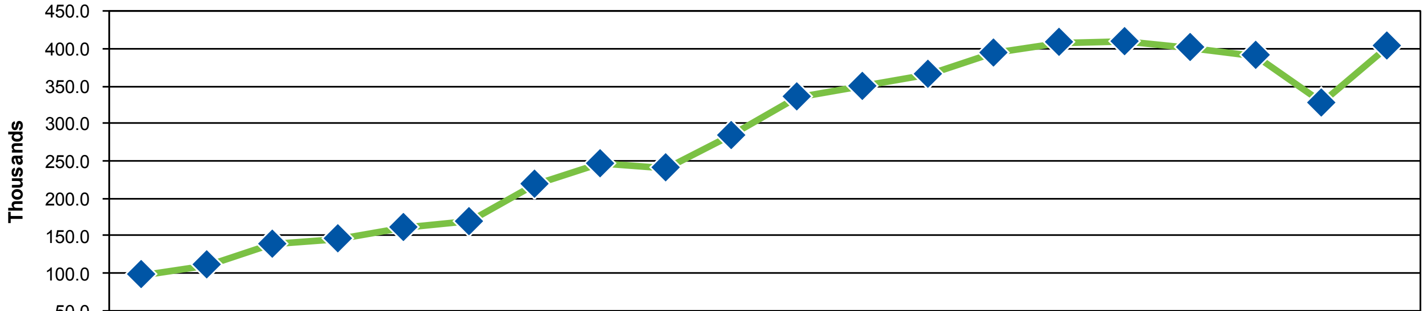
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Est.
Trucks	0.8	0.9	1.2	1.2	1.5	1.5	1.9	2.3	2.8	2.8	2.9	2.8	2.9	2.7	2.8	3.0	3.2	3.2	3.2	2.8

Source: Laredo Bridge System and U.S. Customs Service data compiled by the Texas Center at Texas A&M International University.

truck crossings have fallen within the range of 2.7 to 3.2 million crossings for the entire 11 years period from 1998 to 2009. In contrast, truck crossings grew from 0.8 to 1.5 million crossings during the five years period from 1990 to 1995, and it grew at an ever higher rate during the three years period from 1995 to 1998, reaching 2.8 million crossing in year 2008.

Rail car crossings grew by 23.27 percent in 2009, reaching 403,600 crossings (see Chart 6). However, such level is lower than the level rail car crossings observed in years 2004 and 2005. As a matter of fact, except for the sharp drop this indicator observed in 2008, rail car crossing has remained stagnant since 2003 and fallen within the range of 394,000 to 410,000 crossings.

Chart 6
Rail Car Crossings at Laredo
(North and South)



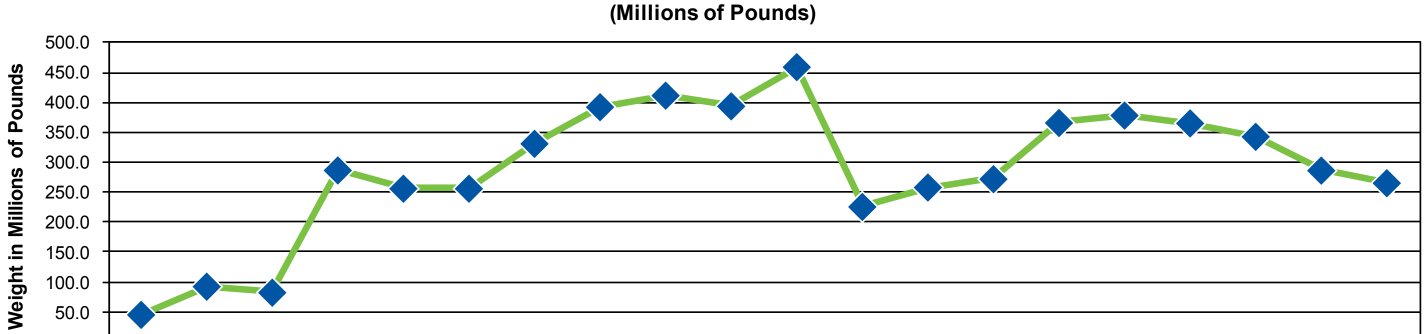
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Rail cars	98.1	111.1	138.7	145.9	161.0	168.8	218.9	246.2	240.8	283.9	335.6	349.6	365.8	394.2	408.5	409.4	401.6	391.1	327.4	403.6

Source: Data provided by railroad companies and compiled by the Texas Center at Texas A&M International University.

Air cargo, measured as gross landed weight, declined in 2009 again (see Chart 7) and reached 265.7 millions of pounds; that is, 21 millions of pounds less cargo arrived at Laredo International Airport in 2009 than in 2008, which represents a decline by 7.32 percent. Air cargo showed a positive growth rate from 1990 to 2000. In particular, air cargo grew from 46.0 millions of pounds in 1990 to 459.4 millions of pounds in 2000, which is the highest level over the period 1990-2009. Air cargo experienced in sharp declined to 226.1 pounds in 2001, down 50.8 per cent with respect to 2000 level. Air cargo started a new growth trend in 2002 but it peaked at 378.6 millions of pounds in 2005. Compared to the highest level over the period 1990-2009, the amount of cargo that arrived to the Laredo International Airport in 2009 was 193.7 millions of pounds less than in 2000, which represented a 42.16 percent reduction.

International bridge revenues dropped in 2009 (see Chart 8 p. 5) to $40.8 million; that is, $3.8 million below its 2008 level, which represents a drop of 8.5 percent (in current dollars). In real terms, bridge revenues have remained flat since 2006 but for year 2008 (when the toll increased). Furthermore, over the 10 years period from 1999 to 2009, in real terms bridge revenues grew by 15.85 percent or at an average annual rate of 1.59 percent. In contrast, over the nine years period from 1990 to 1999, in real terms bridge revenues grew by 115.79 percent or at an average annual rate of 12.87 percent.

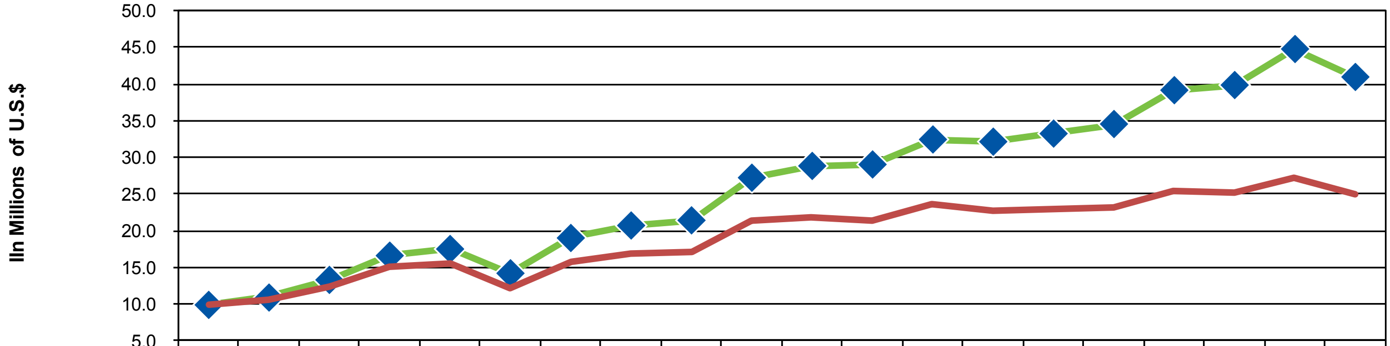
Chart 7
Gross Landed Weight at Laredo International Airport
(Millions of Pounds)



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
G.L.W.	46.0	93.0	83.0	287.0	256.5	256.5	331.4	392.6	411.8	394.0	459.4	226.1	258.5	272.4	366.2	378.6	365.5	343.1	286.7	265.7

Source: Data provided by the Laredo International Airport.

Chart 8
Laredo Bridge Revenues
In Current and 1990 U.S. Dollars



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Current Dollars	9.9	10.9	13.3	16.6	17.5	14.2	19.0	20.7	21.4	27.2	28.8	29.0	32.4	32.1	33.2	34.5	39.1	39.8	44.7	40.9
1990 Dollars	9.9	10.5	12.4	15.0	15.4	12.2	15.8	16.8	17.1	21.4	21.9	21.4	23.5	22.8	23.0	23.1	25.3	25.1	27.1	24.9

Source: Laredo Bridge System data compiled by the Texas Center at Texas A&M International University.

Population and Construction Sector

Laredo has experienced an extraordinary economic growth over the past three decades (see Chart 1 p. 2), which induced a high population growth rate and thus a boom in the construction sector. Laredo has almost doubled its population over the last two decades (see Chart 9). Over the period 1990-2009, the average annual population growth rate is 4.14 percent; in contrast, over the same period the average annual population growth rate for Texas and the U.S. are 2.41 and 1.26 percent, respectively.

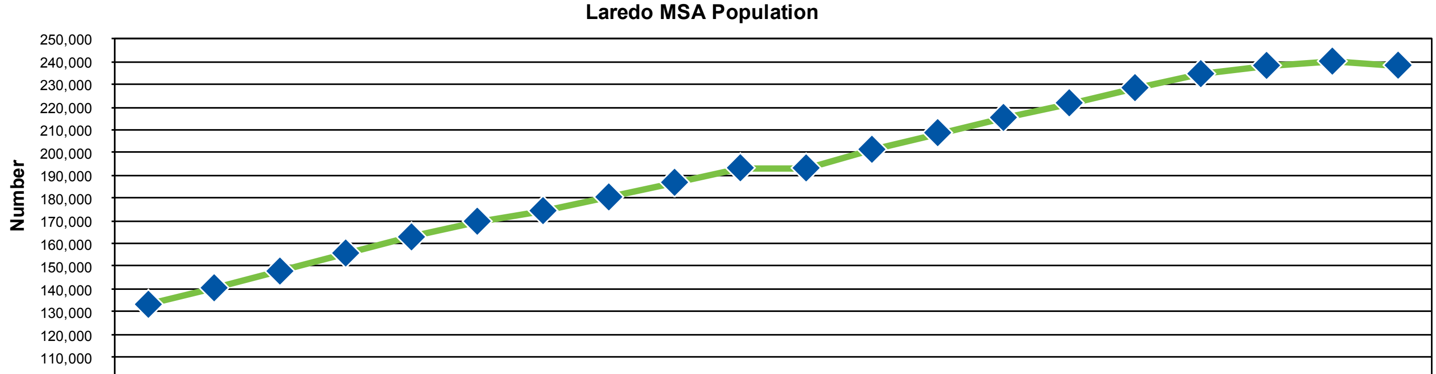
The growth in Laredo's total value of building permits from 1990 to 2007 shows the boom in its construction sector (see Chart 10 p. 8). Indeed, significant declines in Laredo's total building permits values occurred in 1996 and 2003 but did not alter its long term growth trend. However, total building permits values sharply dropped to $255.9 million in 2008, down from $444.4 million in 2007. Total building permits dropped even more in 2009 to $145.6 million. That is, $332.3 million (current dollars) worth of fewer building permits was granted in Laredo in 2009 than in 2007. In real terms, from 2007 to 2009 total building permits values dropped by 70.56 percent. Furthermore, in real terms total building permits values in 2009 falls short of its 1990 level.

International Trade and Commerce

Expansion of U.S.-Mexico trade explains much of the economic growth in Laredo. In 2009, total U.S.-Mexico trade dropped to $305.5 billion, down from $367.4 billion in 2008 (see Chart 16 p. 10). In addition, the port of Laredo handled 39.3 percent of the trade by land between U.S.-Mexico, down from 40.9 percent in 2008 (see Chart 18 p. 11). In other words, not only did the pay get smaller but Laredo's slice did too. On the upside, in contrast to 2008, in both November and December 2009 total U.S.-

(Continued on page 8)

Chart 9
Laredo MSA Population



	1990*	1991**	1992**	1993**	1994**	1995**	1996**	1997**	1998**	1999**	2000*	2001***	2002***	2003***	2004***	2005***	2006***	2007***	2008***	2009***
MSA	133,239	140,492	147,823	155,747	162,834	169,715	174,365	180,370	186,798	193,180	193,117	201,292	208,605	215,269	221,694	228,354	234,498	238,120	239,992	238,211

Source: *U.S. Census Bureau, 1990 and 2000 Census Count
** Population Estimates Program, Population Division, U.S. Bureau of the Census, Washington, DC 20233
***The Texas State Data Center, The Texas State Population Estimates and Projections Program (for July 1, 2001 - January 1, 2009)

A Note on the Central American Hype

By Dr. Pablo Camacho-Gutierrez

This section presents and discusses data regarding the trade that takes place between the U.S. and Central American countries; in particular, how much of the international trade crosses through Laredo. Thus, this section aims at contributing to the analysis of how an increase in the flow of trade between the U.S. and Central American countries could benefit Laredo in terms of increasing the services provided to such international trade, which is an issue that has raised the interest of the community. Indeed, the City of Laredo, in partnership with the Federación de Cámaras y Asociaciones de Exportadores de Centroamérica, Panamá y el Caribe (FECAEXCA), sponsored the First Business Roundtable Laredo-Central America, which took place at Laredo, Texas, from February 24th to 26th of this year.

The interest on the trade between U.S. and Central American countries is due to its potential increase as a result of the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA), which the U.S. approved in 2005 but became effective until 2006. The Central America countries that partner in DR-CAFTA are Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. "CAFTA has eliminated all tariffs on 80 percent of U.S. manufactured goods, with the remainder phased out over a few years. Importantly, the agreement is not limited to manufactured goods, but covers virtually every type of trade and commercial exchange between these countries and the United States. It also strengthens regulatory standards and environmental protections in Central America and the Dominican Republic and provides for independent, outside monitoring" (Enterprise Florida, Inc. at http://www.caftaintelligencecenter.com/subpages/What_is_CAFTA.asp).

This section focuses on all countries in Central America, that is, it includes the trade between the U.S. and Belize as well as the trade between the U.S. and Panama, although Belize and Panama are not partners in DR-CAFTA. Similarly, this section leaves out the trade between the U.S. and Dominican Republic, which is a partner in DR-CAFTA. Even though the recent interest on Central America countries is due to the potential increase in trade between these countries and the U.S., this sections focuses on how Laredo can benefit from serving as a custom port to the flow of trade between the Central American countries and the U.S. After all, if the Port of Laredo is a good option for merchandise that have as origin or destine Costa Rica, Laredo may also be a good option for merchandise that have as origin or destine Belize or Panama; in contrast, one may not make such assumption for those goods that have as origin or destine Dominican Republic, because of geographical reasons.

Chart 14 (see p. 7) provides a very clear picture of how much Laredo could benefit from an increase in the trade flow between the U.S. and Central America countries. First of all, the green line in Chart 14 shows the real dollar amount (in 2009 constant dollars) of all the trade—mostly trade between U.S. and Mexico—that crosses through the Port of Laredo. Similarly, the orange line shows the real dollar amount of all the trade between the U.S. and all seven Central America countries, whereas the blue line shows the real dollar amount of all the trade between the U.S. and all seven Central America countries that crosses through the Port of Laredo. Chart 14 shows that an insignificant portion of the flow of trade between the U.S. and all Central American countries crosses through the Port of Laredo. In 2009, 0.52 percent of all trade between the U.S. and all Central American countries crossed through the Port of Laredo. Furthermore, this participation has declined over time: the corresponding figures for year 2005, 2006, 2007, and 2008 are 0.70, 0.62, 0.65, and 0.59 percent, respectively.

On the other hand, Chart 14 shows the relatively minute amount of total trade between the U.S. and Central American countries that crosses through the Port of Laredo. This is an insignificant amount for a city that handles billions. In 2009 the flow of trade between the U.S. and all Central America countries represented 0.18 percent of the total flow of trade between the U.S. and the rest of the world that crossed through Laredo. In addition, this participation has declined over time: the corresponding figures for year 2005, 2006, 2007, and 2008 are 0.21, 0.19, 0.20, and 0.20 percent, respectively.

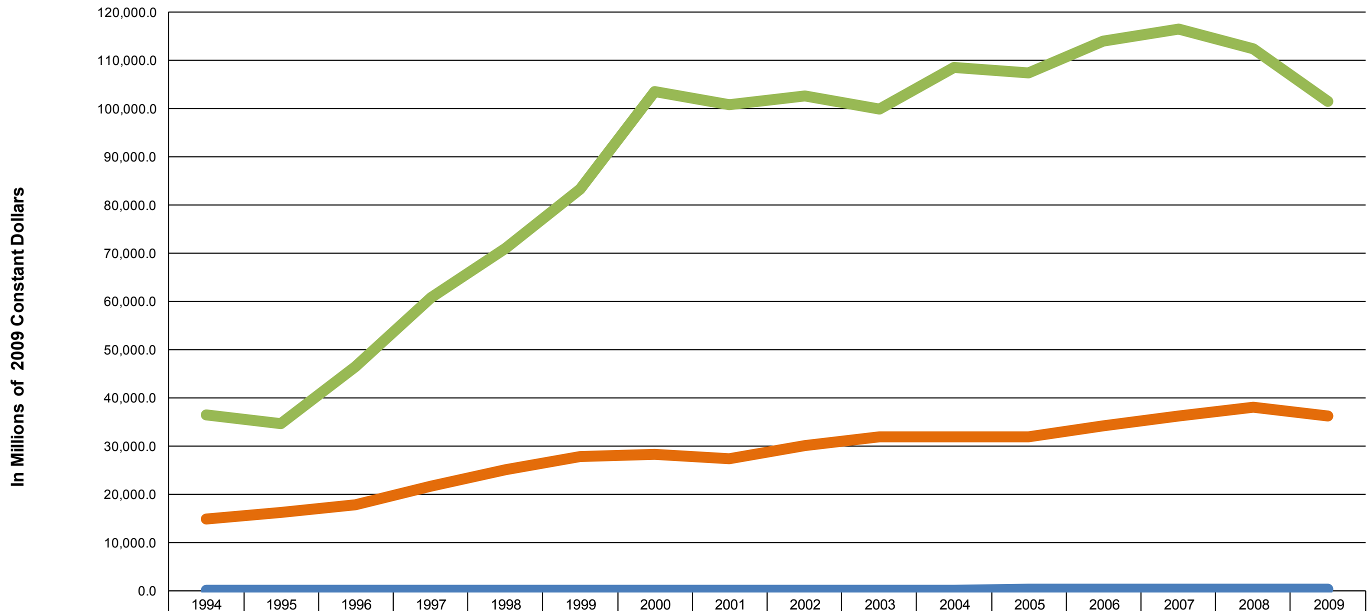
Regarding the issue of whether DR-CAFTA did cause an increase in the trade between the U.S. and Central American countries, Table 4 (see p. 7) shows that trade increase after 2005 up to 2008. However, the growth rates observed during the second half of this decade are not larger than the growth rates observed before DR-CAFTA, especially when compared to the observed growth rates during the second half of the 1990s decade. Even more, Table 3 (see p. 7) shows that the trade between U.S. and Central America countries that crosses through Laredo did not increased after DR-CAFTA; that is, the constant dollar value of the such international trade through Laredo increase by 10.9 percent in 2006, but it declined by 3.7 and 17.4 percent in years 2008 and 2009, respectively.

In a sum, data shows that DR-CAFTA did not increase the rate at which the trade between U.S. and Central America countries had already been growing before it, whereas the amount of such trade that crosses through Laredo port actually declined.

Therefore, one may infer that either the Port of Laredo is not a cost-efficient option for the trade between the U.S. and Central American countries, or the parties involved in such trade have completely missed the advantages that the Port of Laredo represents and thus have lost money.

—By Pablo Camacho-Gutierrez, Assistant Professor of Economics, Division of International Banking and Finance Studies, A.R. Sanchez Jr., School of Business, Texas A&M International University

Chart 14
All U.S. Trade via Port of Laredo,
All U.S.-Cental American Trade,
and U.S.-Central American Trade via Port of Laredo



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
U.S.-C.A.Trade (Laredo)	5.6	14.9	15.6	4.1	4.3	11.7	38.9	29.9	51.9	77.1	140.2	224.7	211.9	235.0	226.4	187.0
U.S.-C.A. Trade	14,823.8	16,330.9	17,782.7	21,710.3	25,198.2	27,761.1	28,174.5	27,450.9	30,016.7	31,887.8	31,887.4	31,985.2	34,207.9	36,324.2	38,055.7	36,272.8
All U.S. Trade (Laredo)	36,397.7	34,563.6	46,432.9	60,933.0	71,130.9	83,360.3	103,542.1	100,936.7	102,696.8	99,985.7	108,603.0	107,434.0	114,138.8	116,643.0	112,558.3	101,579.3

Table 3
U.S.-Central American Trade via the Port of Laredo
(In Millions of 2009 Constant Dollars)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
U.S. Exports to C.A.	5.5	3.5	4.3	2.9	3.4	5.1	14.1	9.6	2.7	0.3	1.6	3.8	0.1	0.5	1.7	1.0
U.S. Imports to C.A.	0.1	11.4	11.3	1.2	0.9	6.6	24.8	20.3	49.2	76.8	138.6	220.9	211.8	234.5	224.7	186.0
U.S.-C.A. Total Trade	**5.6**	**14.9**	**15.6**	**4.1**	**4.3**	**11.7**	**38.9**	**29.9**	**51.9**	**77.1**	**140.2**	**224.7**	**211.9**	**235.0**	**226.4**	**187.0**

U.S.-C.A. Total Trade	**94 v. '95**	**95 v. '96**	**96 v. '97**	**97 v. '98**	**98 v. '99**	**99 v. '00**	**'00 v. '01**	**'01 v. '02**	**'02 v. '03**	**'03 v. '04**	**'04 v. '05**	**'05 v. '06**	**'06 v. '07**	**'07 v. '08**	**'08 v. '09**
Percent Change	166.1	4.7	-73.7	4.9	172.1	232.5	-23.1	73.6	48.6	81.8	60.3	-5.7	10.9	-3.7	-17.4

Table 4
U.S.-Central American Trade
(In Billions of 2009 Constant Dollars)

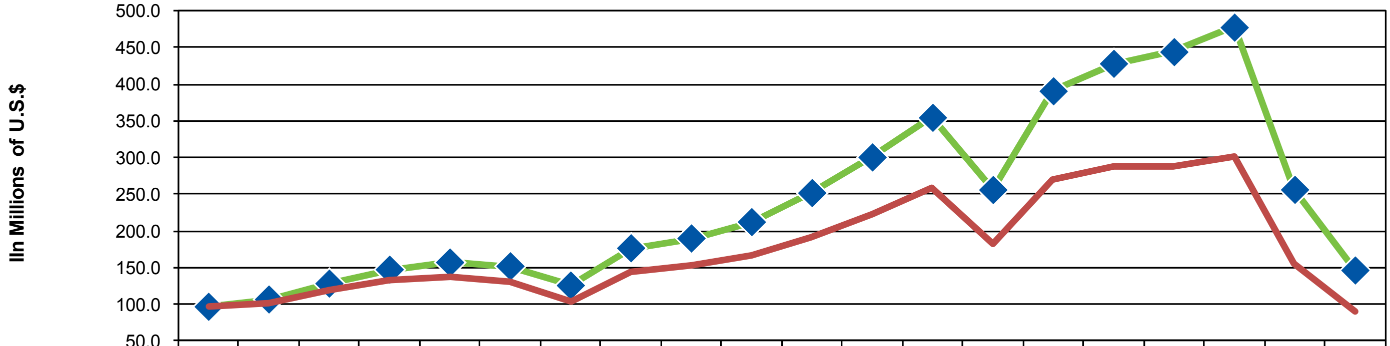
U.S. Exports to C.A.	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Belize	0.139	0.115	0.122	0.133	0.144	0.165	0.249	0.209	0.168	0.239	0.175	0.243	0.259	0.241	0.342	0.258
Costa Rica	2.260	1.998	2.080	2.350	2.756	2.893	2.942	3.019	3.796	4.095	3.819	4.026	4.465	4.714	5.514	4.789
El Salvador	1.123	1.277	1.230	1.625	1.817	1.846	2.129	2.123	2.027	2.184	2.157	2.075	2.325	2.382	2.388	2.058
Guatemala	1.633	1.894	1.793	2.007	2.326	2.201	2.273	2.255	2.490	2.715	2.944	3.172	3.794	4.184	4.575	3.973
Honduras	1.222	1.471	1.882	2.343	2.781	2.881	3.090	2.913	3.131	3.389	3.553	3.640	3.983	4.593	4.698	3.447
Nicaragua	0.224	0.288	0.300	0.336	0.404	0.454	0.455	0.534	0.532	0.601	0.684	0.700	0.812	0.916	1.064	0.728
Panama	1.543	1.600	1.581	1.783	2.103	2.117	1.928	1.605	1.712	2.216	2.045	2.418	2.872	3.774	4.734	4.434
Total	**8.144**	**8.643**	**8.988**	**10.577**	**12.331**	**12.557**	**13.066**	**12.658**	**13.856**	**15.439**	**15.377**	**16.274**	**18.510**	**20.804**	**23.315**	**19.687**

U.S. Imports from C.A.	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Belize	0.066	0.065	0.083	0.097	0.088	0.107	0.116	0.125	0.103	0.130	0.130	0.112	0.159	0.109	0.141	0.105
Costa Rica	2.126	2.277	2.415	2.918	3.674	5.250	4.399	3.723	4.147	4.318	4.052	3.859	4.143	4.082	3.647	5.806
El Salvador	0.786	1.004	1.193	1.691	1.920	2.123	2.401	2.427	2.617	2.592	2.492	2.247	1.997	2.114	2.064	1.908
Guatemala	1.654	1.888	2.054	2.498	2.766	2.997	3.241	3.333	3.693	3.782	3.832	3.554	3.342	3.139	3.204	3.286
Honduras	1.415	1.780	2.197	2.918	3.398	3.588	3.838	4.033	4.305	4.252	4.419	4.236	4.005	4.045	3.750	3.478
Nicaragua	0.216	0.295	0.429	0.551	0.605	0.655	0.731	0.777	0.898	0.988	1.201	1.334	1.645	1.655	1.580	1.686
Panama	0.417	0.379	0.424	0.461	0.417	0.484	0.382	0.375	0.399	0.387	0.385	0.369	0.408	0.377	0.355	0.318
Total	**6.680**	**7.688**	**8.795**	**11.134**	**12.868**	**15.204**	**15.108**	**14.793**	**16.162**	**16.449**	**16.511**	**15.711**	**15.699**	**15.521**	**14.741**	**16.587**

	1994	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
U.S. Exports to C.A.	8.144	8.643	8.988	10.577	12.331	12.557	13.066	12.658	13.856	15.439	15.377	16.274	18.510	20.804	23.315	19.687
U.S. Imports from C.A.	6.680	7.688	8.795	11.134	12.868	15.204	15.108	14.793	16.162	16.449	16.511	15.711	15.699	15.521	14.741	16.587
U.S.-C.A. Total Trade	**14.824**	**16.331**	**17.783**	**21.711**	**25.199**	**27.761**	**28.174**	**27.451**	**30.018**	**31.888**	**31.888**	**31.985**	**34.209**	**36.325**	**38.056**	**36.274**

Source: Chart 14 and Tables 3 and 4 — U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

Chart 10
Laredo Building Permit Values (All Structures)
In Current and 1990 U.S. Dollars



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Current Dollars	95.9	105.9	127.6	146.7	156.5	151.3	125.0	176.0	189.4	211.8	251.5	300.3	354.5	255.7	390.8	428.4	444.4	477.9	255.9	145.6
1990 Dollars	95.9	101.6	118.9	132.6	138.0	129.7	104.2	143.3	151.9	166.1	190.8	221.6	257.6	181.6	270.5	286.7	288.2	301.3	155.4	88.7

Source: City of Laredo's data compiled by the Texas Center at Texas A&M International University.

Mexico trade increased at monthly rates of 6.2 and 18.0 percent, respectively (see Table 5 p. 10).

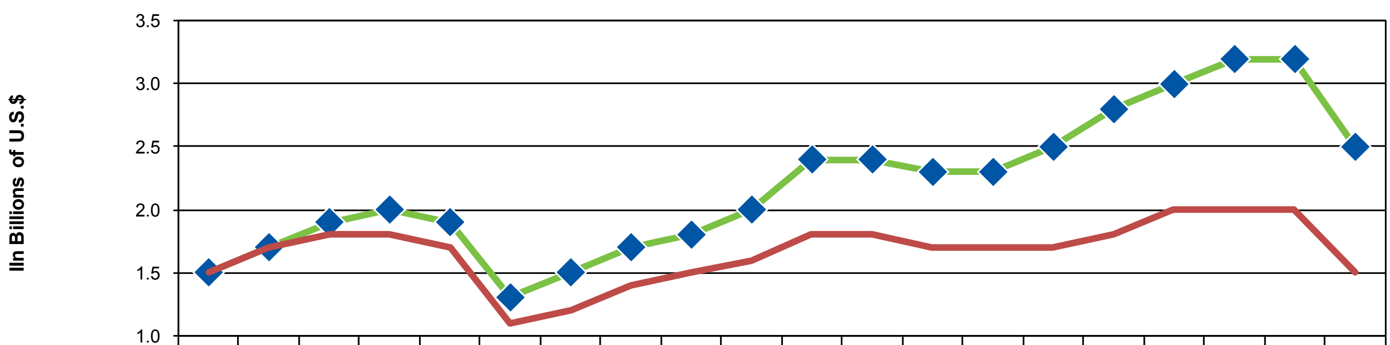
Retail sales in Laredo reached a maximum at $3.2 billion in 2007, remained at the same level in 2008, but (according to estimates) dropped to $2.5 billion in 2009 (see Chart 11). In real terms, retail sales in Laredo have remained stagnant since 2000. Even more, in constant dollars, the level of retail sales in Laredo in 2009 is the same as in 1990. Sales tax rebates (see Chart 12 p. 9), on the other hand, remained flat over the period 2006-2008 but declined to $29.2 million in 2009, down from $32.2 million in 2008. Thus, sales tax rebates in Laredo dropped by 9.18 percent in real terms.

2010 Outlook

In contrast to 2009, Laredo's economy is expected to begin a recovery phase in 2010. As pointed out in *Vision 2009*, Laredo's economy depends on the performance of both U.S. and Mexican economies and the exchange rate between the Mexican peso and U.S. dollar. As a matter of fact, Laredo's dependency on Mexico's economy is greater than on the performance of the U.S. economy, especially in the after-NAFTA era—Phillips and Cañas (2008). Therefore, one may infer the performance of Laredo's economy by looking at what is the recent performance of both U.S. and Mexican economy as well as the exchange rate between these two countries' currencies—assuming these conditions will remain or improve throughout the year.

Regarding the economic activity in the U.S. and Mexico, Table 2 (p. 9) shows that both economies grew during the second half of 2009. Indeed, the U.S. increased its pace of growth from 2.2 percent in the third quarter to 5.6 percent in the fourth quarter. Mexico grew at a rate of 2.0 percent in the fourth quarter down from 2.5 percent growth rate in the third quarter of 2009. Nonetheless, forecasts for Mex-

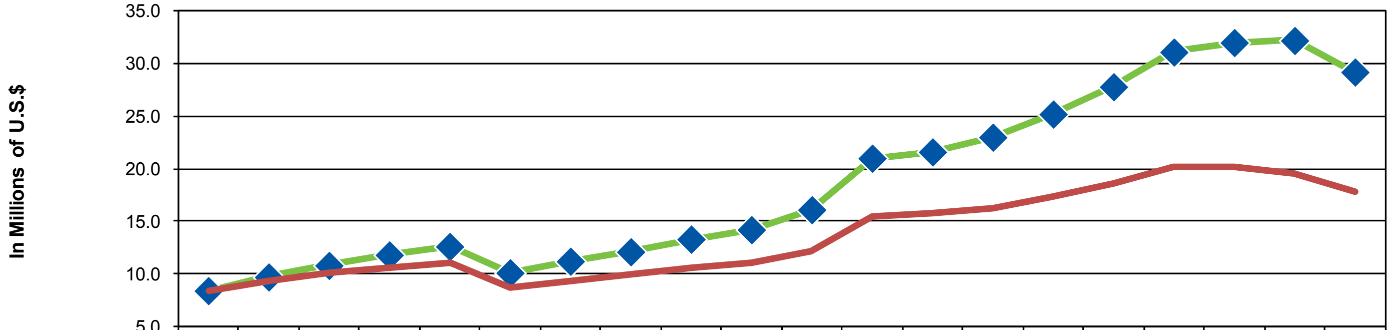
Chart 11
Laredo Retail Sales
In Current and 1990 U.S. Dollars



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Est.
Current Dollars	1.5	1.7	1.9	2.0	1.9	1.3	1.5	1.7	1.8	2.0	2.4	2.4	2.3	2.3	2.5	2.8	3.0	3.2	3.2	2.5
1990 Dollars	1.5	1.7	1.8	1.8	1.7	1.1	1.2	1.4	1.5	1.6	1.8	1.8	1.7	1.7	1.7	1.8	2.0	2.0	2.0	1.5

Source: Texas Comptroller of Public Accounts

Chart 12
Laredo Sales Tax Rebates
In Current and 1990 U.S. Dollars



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Current	8.4	9.7	10.8	11.8	12.6	10.1	11.2	12.1	13.3	14.2	16.1	21.0	21.6	23.0	25.2	27.8	31.1	32.0	32.2	29.2
1990 Dollars	8.4	9.3	10.1	10.6	11.1	8.7	9.3	9.9	10.6	11.1	12.2	15.5	15.7	16.3	17.4	18.6	20.1	20.2	19.6	17.8

Source: Texas Comptroller of Public Accounts

ico's economic growth in 2010 have been revisited upwards throughout the year. It is expected that Mexico grows at a rate of about 4.0 percent or higher during 2010.

Chart 13 (below) shows the behavior of the exchange rate between Mexican peso and U.S. dollar from January 2, 2009 to April 21, 2010. It can be observed that the volatility of the exchange rate has reduced. In addition, the exchange rate has dropped significantly from the level it observed during the first quarter of 2009, in other words, the Mexican peso has appreciated against the U.S. dollar. The exchange rate has shown a clearly defined negative trend since February 5th of this year. As the U.S. economy shows stronger signs of recovery (that translates into stronger economic growth for Mexico) and the Federal Reserve does not push interest rates up, the exchange rate between Mexican peso and U.S. is not expected to bounce back.

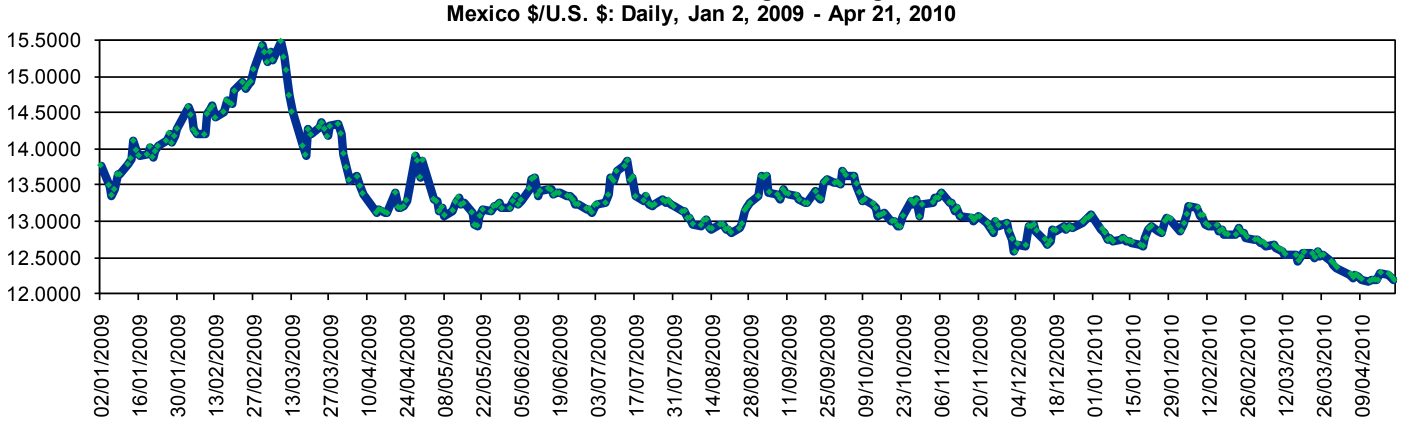
Table 2

Period	U.S. Growth Rate %*	MX Growth Rate %**
2008 Q1	-0.7	1.2
2008 Q2	1.5	-0.4
2008 Q3	-2.7	-0.1
2008 Q4	-5.4	-1.9
2009 Q1	-6.4	-6.9
2009 Q2	-0.7	0.3
2009 Q3	2.2	2.5
2009 Q4	5.6	2.0

Notes: Quarterly Seasonally Adjusted Annual Rates
* Data from Bureau for Economic Analysis
** Data from INEGI

Besides the government sector, Laredo's economy relies on the provision of services to international trade by land between the U.S. and Mexico as well as on retail sales—which are influenced by Mexican cross-shoppers. Therefore, prosperity in both U.S. and Mexico would bring more trade between the two nations. Even more, prosperity in Mexico as well as a strong peso would mean more Mexican cross-shoppers in Laredo and thus higher retail sales. This will surely benefit Laredo's economy in 2010.

Chart 13
48 Hours Interbank Ask Foreign Exchange Rate
Mexico $/U.S. $: Daily, Jan 2, 2009 - Apr 21, 2010



Source: Banco de México

U.S.-Mexico Trade in 2009 and the Port of Laredo by Baldomero G. Garcia

As the onslaught of the recession continued to lumber through the majority of 2009, both trading partners—U.S. and Mexico—weathered some heavy economic problems. Reports of the recession slowing down were abundant towards the end of the year, but cautiously stated that the recovery would continue into 2010. As the mortgage meltdowns were mentioned less; major financial institutions seemed to have righted their ships; and the big three U.S. automakers seemed to have retooled and boosted some consumer demand for their revamped car lines, the U.S. economy appeared to be headed out of the woods. U.S.-Mexico trade figures recorded a good 4th Quarter and appeared to point in the same direction for 2010—up.

At the end of the 4th Quarter in 2008, trade figures were dismal and pointed towards the downturn of the U.S. economy. It was reflected in the last three months of 2008 (see Table 5). From that quarter on into the first three quarters of 2009, trade between the U.S. and Mexico experienced double-digit drops. Through Quarters 1-3, U.S. exports to Mexico averaged a 19.1 percent decrease over the same period in 2008. During the same period, U.S. imports averaged a 24.8 percent drop over 2008. Effectively, the average total trade decrease was 22.5 percent.

The 4th Quarter in 2009 may be indicative of what may be ahead for U.S.-Mexico trade. Table 6 indicated that after October 2009, there were two consecutive months of growth in trade after registering decreases from January 2009 to October 2009. Although it may be to early to predict, the last two months shined a positive light on trade. There was a "last-minute" surge during Quarter 4 in the trade figures particularly November and December (see Table 6). It was not enough to make up for the losses seen in the first three quarters in 2009, but points to a possible reversal of trend in 2010. Both exports and imports were affected in 2009 as indicated in Charts 15 and 16.

In Chart 17 (see p. 11), the data is shown monthly and in "real dollars"—adjusted for inflation. Evident on the chart was a drop in both exports and imports in the last three months of 2008 and eventual upturn of both in 2009.

The Port of Laredo, historically known as the number one inland port on the southern U.S. border, continued in that spot in 2009 even with the drop in trade. The Port of Laredo ended in first place with El Paso, TX a distant sec-

Table 5
U.S.-Mexico Trade, Percent Change, Quarter 4
2007 vs. 2008

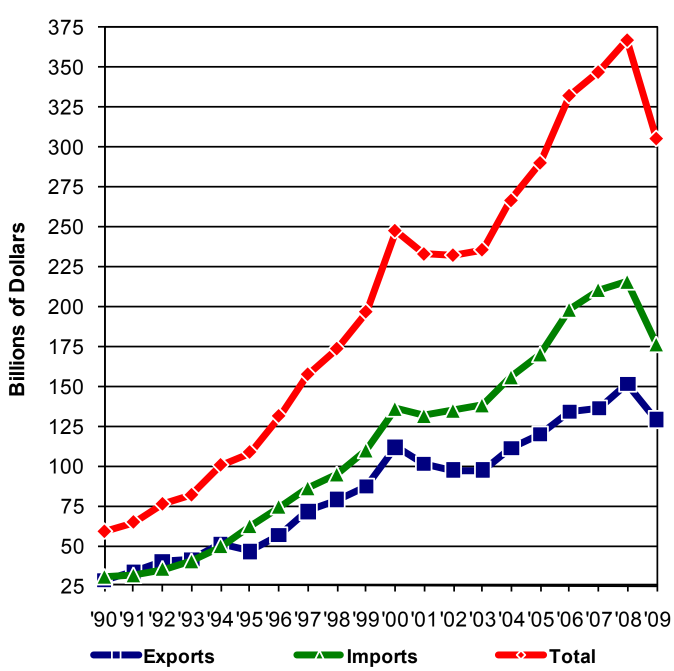
	Oct	Nov	Dec
U.S. Exports to Mexico	20.2	-0.8	0.0
U.S. Imports from Mexico	-0.5	-21.3	-15.0
Total Trade	7.5	-13.5	-9.3

Table 6
U.S.-Mexico Trade, Percent Change, Quarter 4
2008 vs. 2009

	Oct	Nov	Dec
U.S. Exports to Mexico	-14.8	0.0	15.7
U.S. Imports from Mexico	-12.2	11.0	19.7
Total Trade	-13.3	6.2	18.0

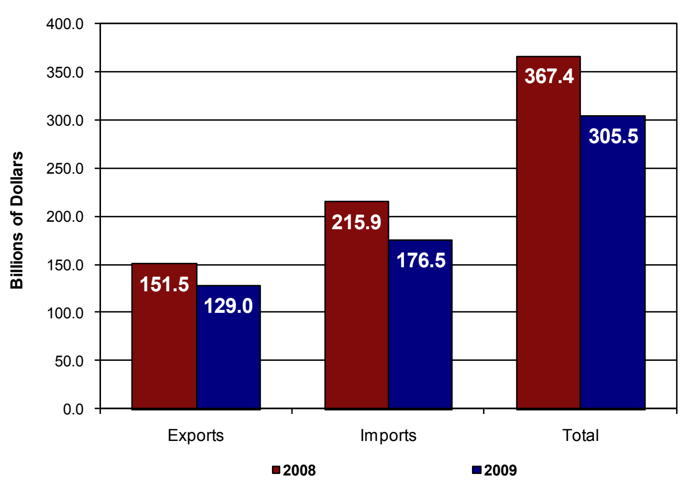
Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

Chart 15
Total U.S.-Mexico Trade, 1990-2009



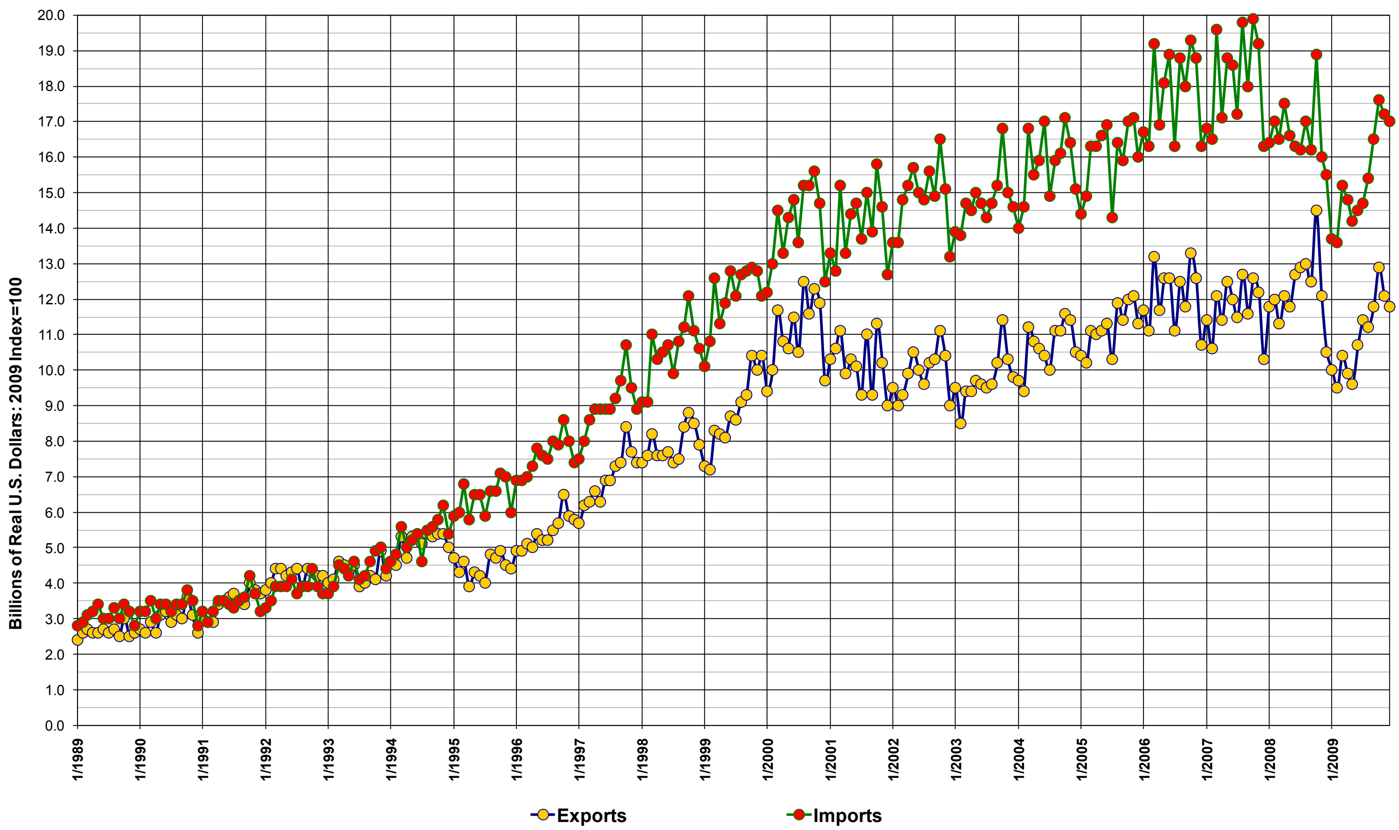
Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C.

Chart 16
U.S.-Mexico Trade, 2008 vs. 2009



Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

Chart 17
U.S.-Mexico Trade, January 1989-December 2009



Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

ond and Otay Mesa Station, CA a very distant third (see Table 7). The Port of Laredo handled $95.6 billion in the total trade dollar value between the trading partners or 39.3 percent of the value of trade along the U.S.-Mexico border for the 2009 year (see Chart 18). In comparison, El Paso percent share was 17.4 percent while Otay Mesa was 11.7 percent.

These border ports of entry—listed in Table 7—are the top ten ports of the total 28 border ports on the U.S.-Mexico border. All these ports had total trade figures of over $1 billion in 2009. Together the total trade dollar value of the merchandise processed at these ten ports equaled $239.3 billion which comprised 98.2 percent of the total trade dollar value handled on the southern ports of entry—$243.6 billion.

Seven of the top ten border ports of entry are located in the state of Texas. California, Arizona and New Mexico have one port, respectively, of the remaining top ten.

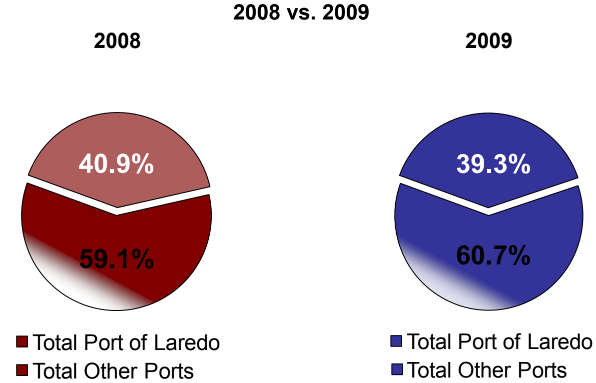
—Baldomero G. Garcia, Program Manager, Texas Center for Border Economic and Enterprise Development, Texas A&M International University

Table 7
Total Trade (Exports Plus Imports), 2008 vs. 2009
Billions of Dollars

	2008	2009
Laredo, TX	**116.1**	**95.6**
El Paso, TX	48.2	42.4
Otay Mesa Station, CA	31.8	28.6
Hidalgo-Pharr, TX	22.2	19.1
Nogales, AZ	19.1	16.2
Eagle Pass, TX	12.8	12.5
Brownsville, TX	12.7	9.8
Calexico-East, CA	11.3	8.4
Del Rio, TX	1.2	4.4
Santa Teresa, NM	2.8	2.3

Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

Chart 18
Percent Share of U.S.-Mexico Trade by U.S.-Mexico Border Ports
2008 vs. 2009



Source: U.S. Department of Commerce data compiled by the Texas Center at Texas A&M International University.

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Vision 2010: Economic Outlook Report

Partnership

By Ray M. Keck III, President
Texas A&M International University
Laredo, Texas

The **Vision 2010: Economic Outlook Report** is a joint effort between the Laredo Chamber of Commerce and Texas A&M International University. The Chamber of Commerce and Texas A&M International University share the common goal of providing business/economic information and analysis to decision makers on a timely basis. We believe that informed decisions taken today by businessmen and women, public officials, and policy makers will determine Laredo's opportunities of tomorrow.

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