

# Laredo: A Decade of Solid Growth

By

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Good morning!

It is my pleasure to join you today as a participant in the Laredo Chamber of Commerce's Vision 2000 Conference, taking place in one Mexico's most dynamic cities, Monterrey, Nuevo Leon. I have been invited by the conference organizers to provide a brief update on the Laredo economy. And, to comment on the challenges that the Laredo will face in the coming years.

The title of my presentation is Laredo: A Decade of Solid Growth. Much of the material I will present draws upon information contained the *Vision 2000: Economic Report Update*, found in your conference packet.

Notwithstanding Mexico's financial crisis in 1994-95, and the sharp decline in the value of the peso (see Chart 1), Laredo has enjoyed solid growth throughout the 1990s. Between 1990 and 1998, Laredo's population grew two and a half times faster than the State (42.4 percent compared to 17.5 percent, see Chart 2); it created new jobs at a rate twice as fast as the State (41.8 percent compared to 19.3 percent, see Chart 3); and, it outpaced the State in terms of growth in per capita income (51.2 percent compared to 42.2 percent, see Chart 4).

Laredo's growth during the 1990s has been fueled by the strong surge in U.S.-Mexico trade, cross-border commerce, and investment. Since Mexico's membership in the GATT (1986) and implementation of NAFTA (1994), trade between the U.S. and Mexico has increased by 200 percent. In 1998, U.S.-Mexico overland (truck and rail) merchandise trade passing through the Laredo Port of Entry, valued at \$55.8 billion, accounted for slightly less than a third (32.1 percent) of all

merchandise trade between the two countries (see Chart 5). In the same year, the Laredo accounted for 56.5 percent of overland merchandise trade passing through all U.S.-Mexico ports of entry from Texas to California (see Chart 6).

The sharp increase in the volume of international trade flowing through Laredo over the decade is reflected in the following figures. Loaded trucks (north and south) passing through the Laredo Port of Entry increased 152.2 percent between 1990 and 1998 (see Chart 7); loaded railcars (north and south) increased 215.1 percent between 1990 and 1997 (see Chart 8); and, gross landed weight at Laredo's international airport increased roughly 1,000 percent between 1990 and 1998 (see Chart 9).

Laredo's rapid population growth and expansion of economic activity, however, has stretched the community's existing infrastructure to its limit. In response, a local construction boom has resulted, as the city and county, school districts, medical service providers, and commercial and residential builders invest to expand their existing facilities and build new ones to meet anticipated future needs. Laredo's building permit values reached a record high of \$180.4 million in 1998, 91.1 percent higher than the 1990 figure of \$94.4 million. Year-to-date, Laredo's 1999 building permit values are running an astonishing 98.9 percent ahead of 1998 (see Chart 10).

Barring any significant long term downturn in Mexico's economy, expansion of U.S.-Mexico trade and commerce is forecast to continue into the 21<sup>st</sup> century. Laredo can expect to share in the benefits of this expansion.

Right now, Mexico's macroeconomic indicators look good, GDP is rising, exports are expanding, inflation is falling, deficits are declining, capital inflows are strong, and oil revenues are up. Some analysts, however, are concerned the peso is overvalued, by roughly 20 percent. Other concerns include high domestic interest rates, a stagnate domestic economy, declining consumer

purchasing power, a weak banking sector, and uncertainty over the outcome of the presidential election in 2000.

The performance of the U.S. economy also has a bearing on the Mexican economy, since the majority of Mexico's exports, the engine of Mexico current economic growth, are destined for the U.S. market. A slow down in the U.S. economy would have a negative impact on Mexico's economic growth. Today, after eight years of sustained growth, many observers see signs of the U.S. economy weakening: a declining dollar, a tight labor market, consumer prices creeping up, the Dow Jones starting to slide. On the other hand, even if the Federal Reserve decides to raise interest rates in the coming months, the Conference Board's Index of Leading Economic Indicators suggests the current economic expansion has enough strength to continue over the next six months.

Recently, when asked, "How long will it last," Alice Rivlin, the Vice Chair of the Federal Reserve, responded, "No one knows how long the good news will last. But there is a whole list of actions that can be taken by workers, businesses, communities, governments, educational institutions and others that can, if taken together, increase the chances that this remarkable combination of growth and low inflation will continue for a while."\*

The challenges facing Laredo in the future are those that all rapidly growing communities face –the provision of adequate infrastructure, education and job training, social services, and protection of the environment to ensure rising productivity and sustainable growth.

Given that my time is up, I will conclude my remarks at this point.

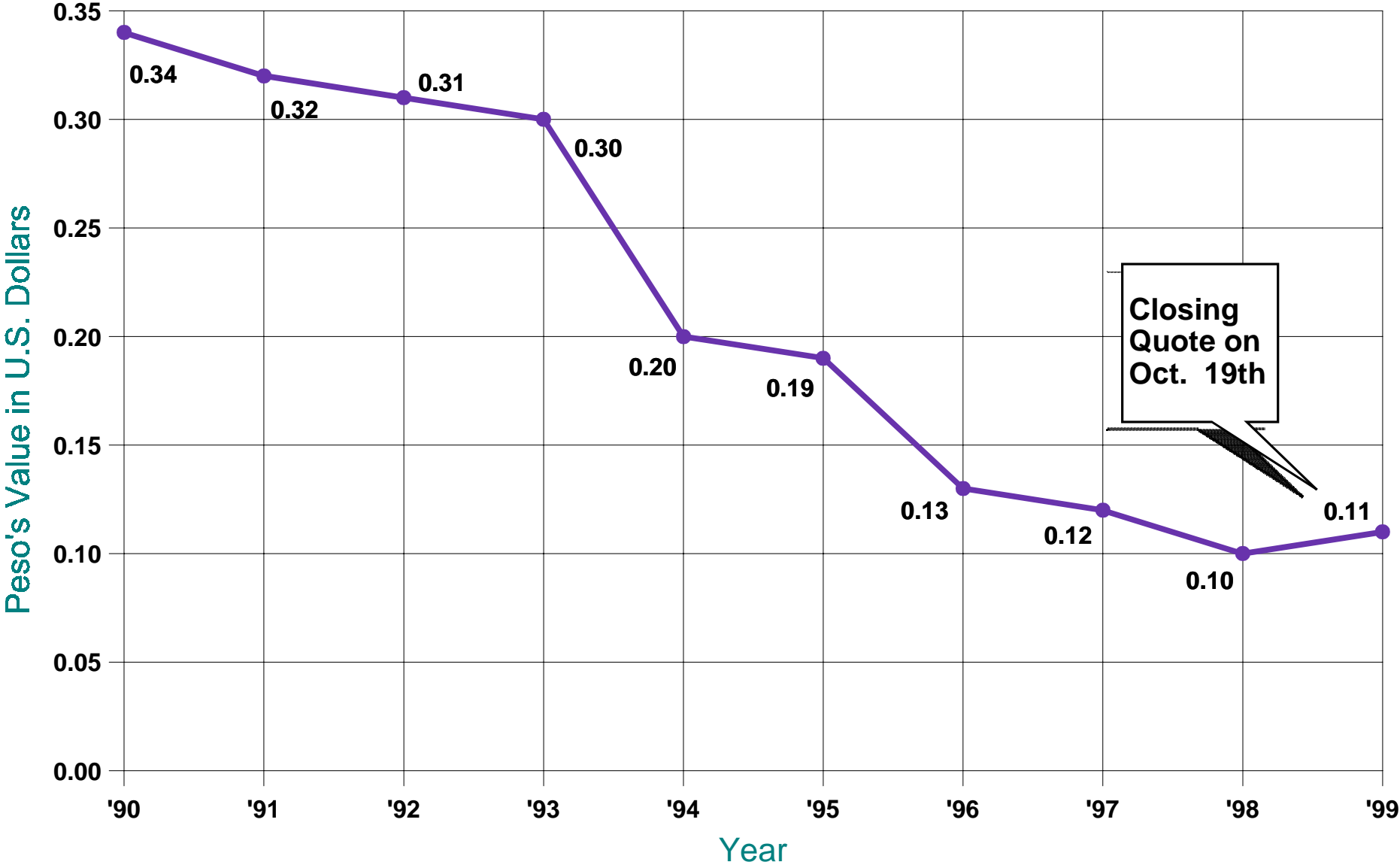
Thank you.

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\* Alice M. Rivlin. Federal Reserve Board speech "On Sustaining U.S. Economic Growth", May 13, 1999. (<http://www.bog.frb.fed.us/BoardDocs/speeches/1999/19990513.htm>)

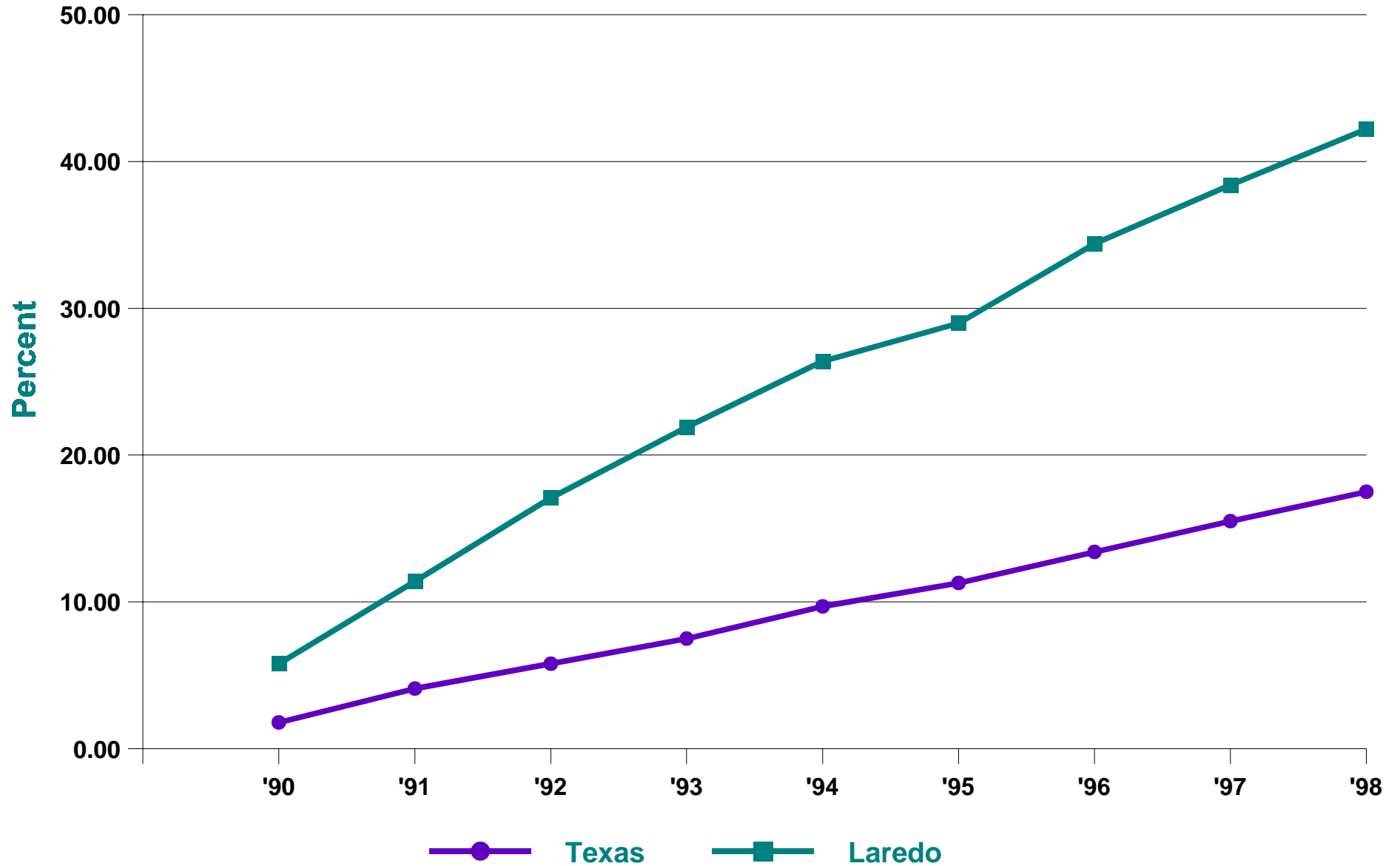
# Chart 1: Mexican Peso Exchange Rate, 1990-1999

End-of-Year Closing Quotes



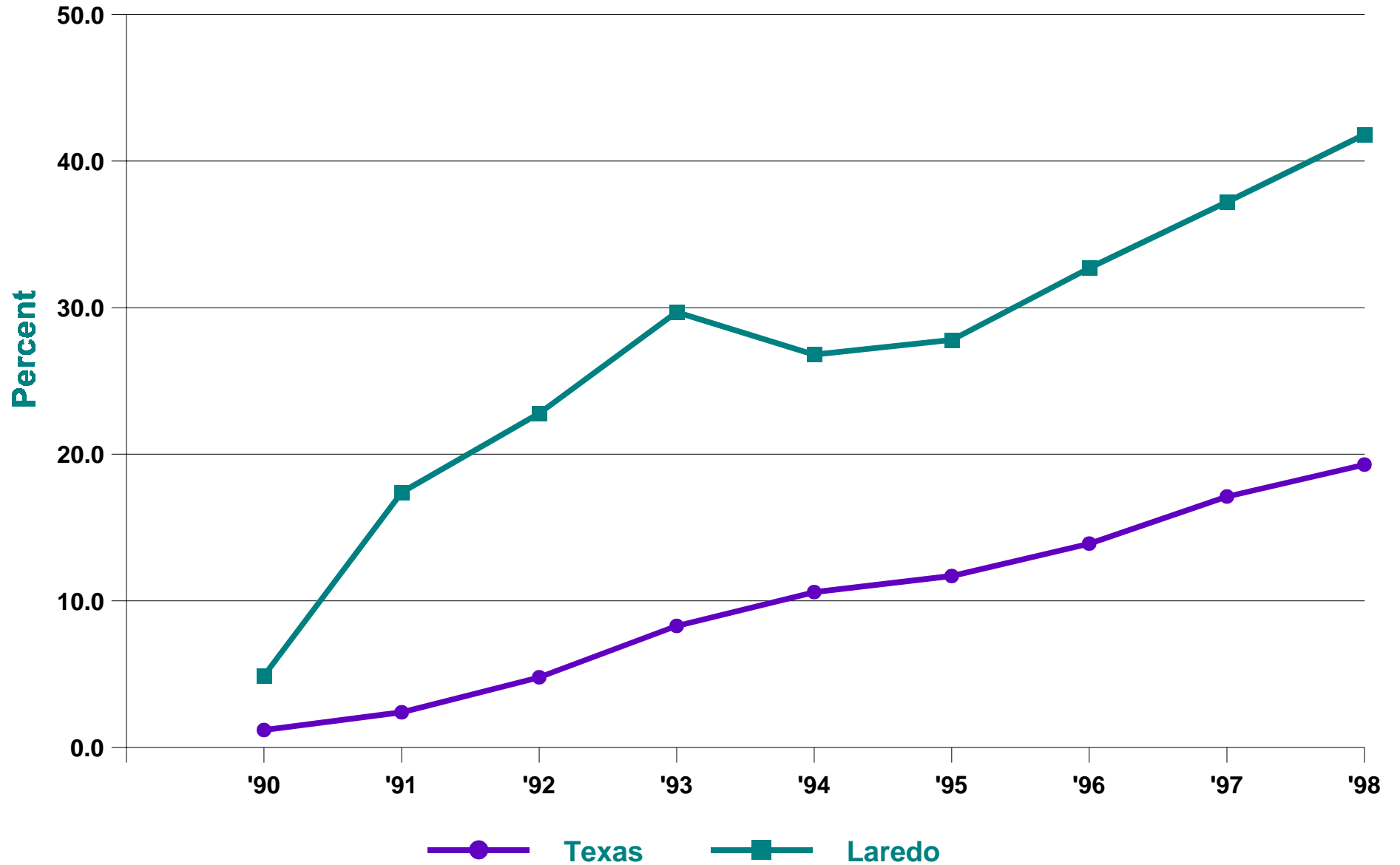
# Chart 2: Laredo Population, 1990-1998

Percent Cumulative Change



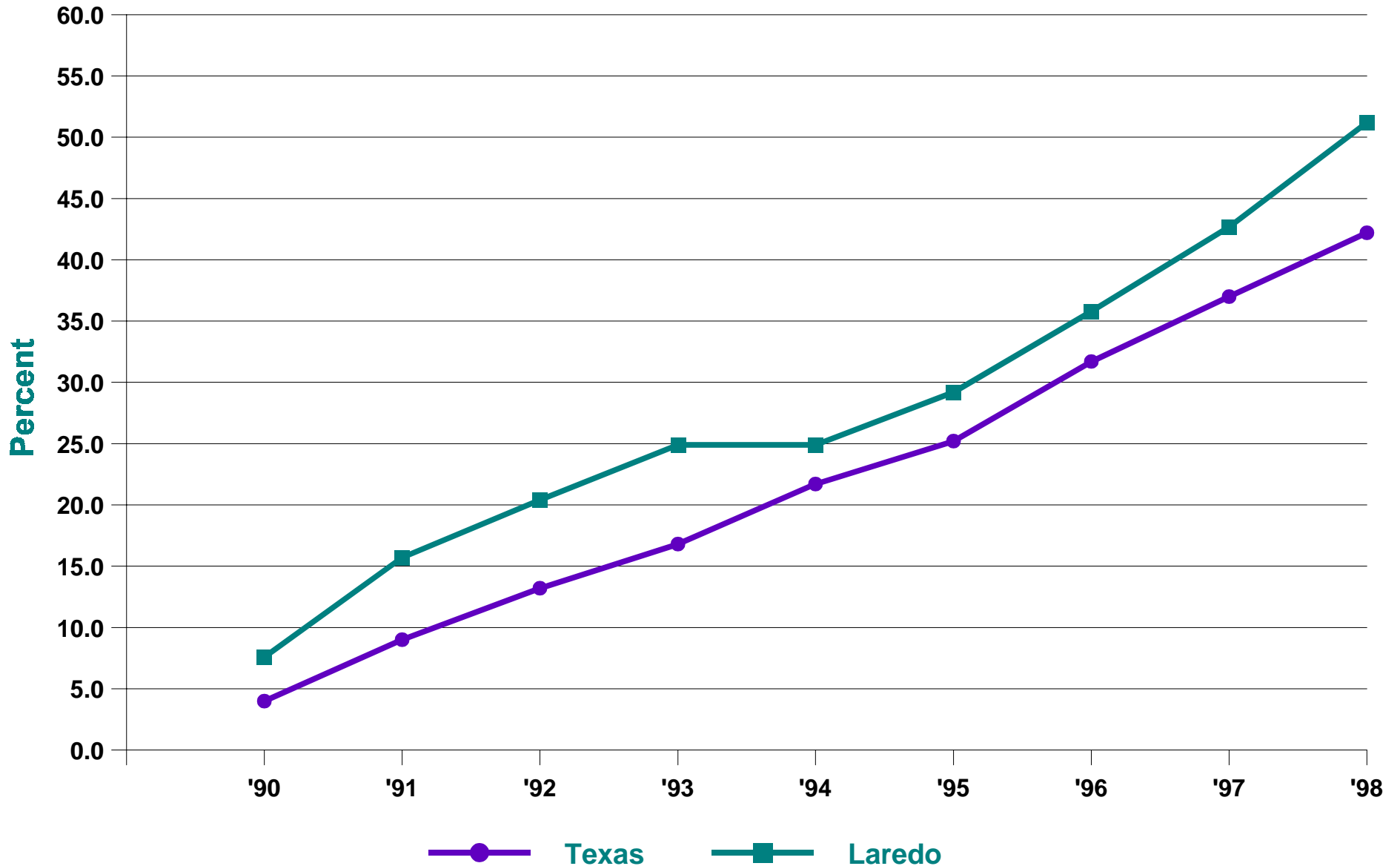
# Chart 3: Laredo Employment, 1990-1998

Percent Cumulative Change



# Chart 4: Laredo Per Capita Income, 1990-1998

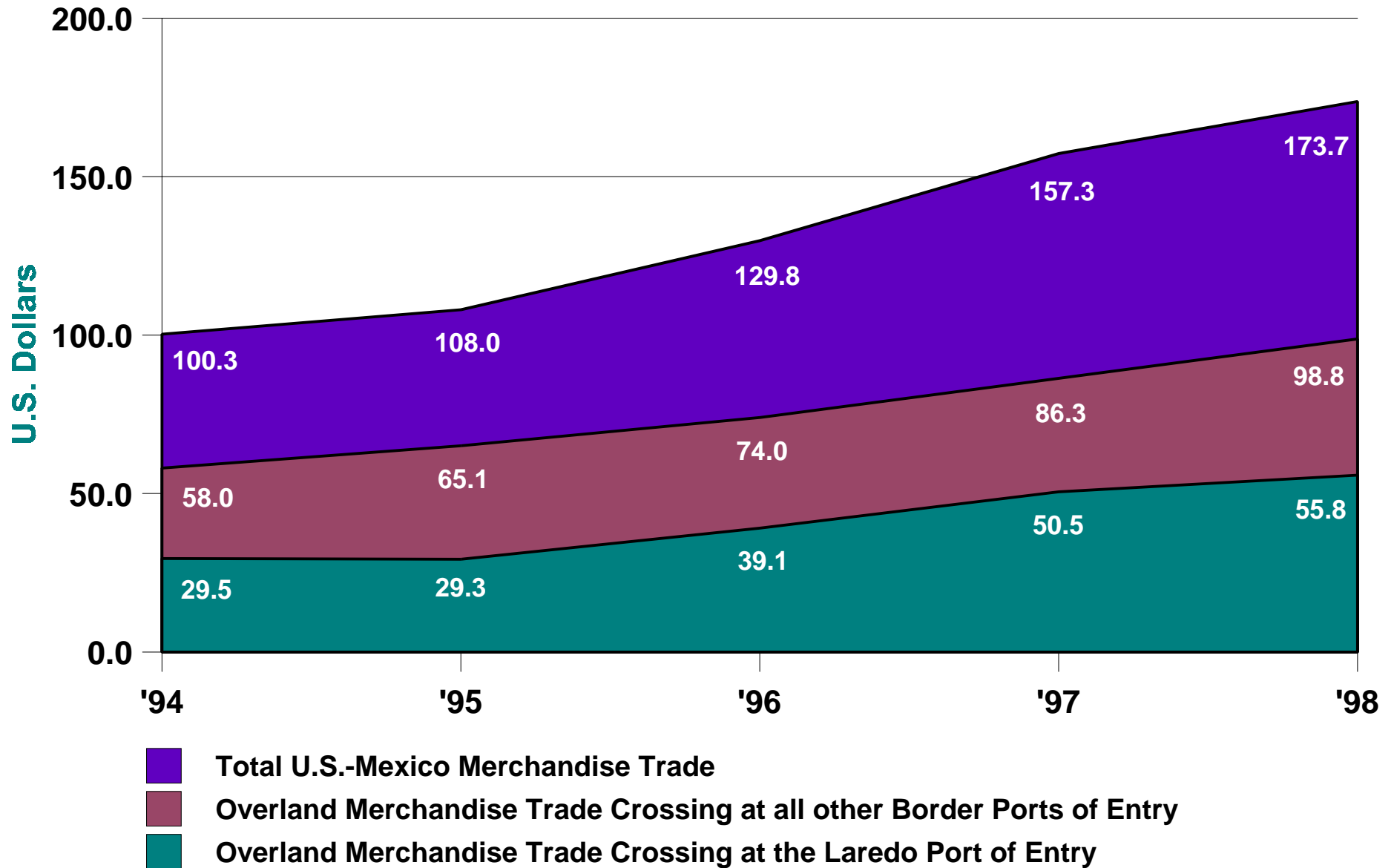
Percent Cumulative Change



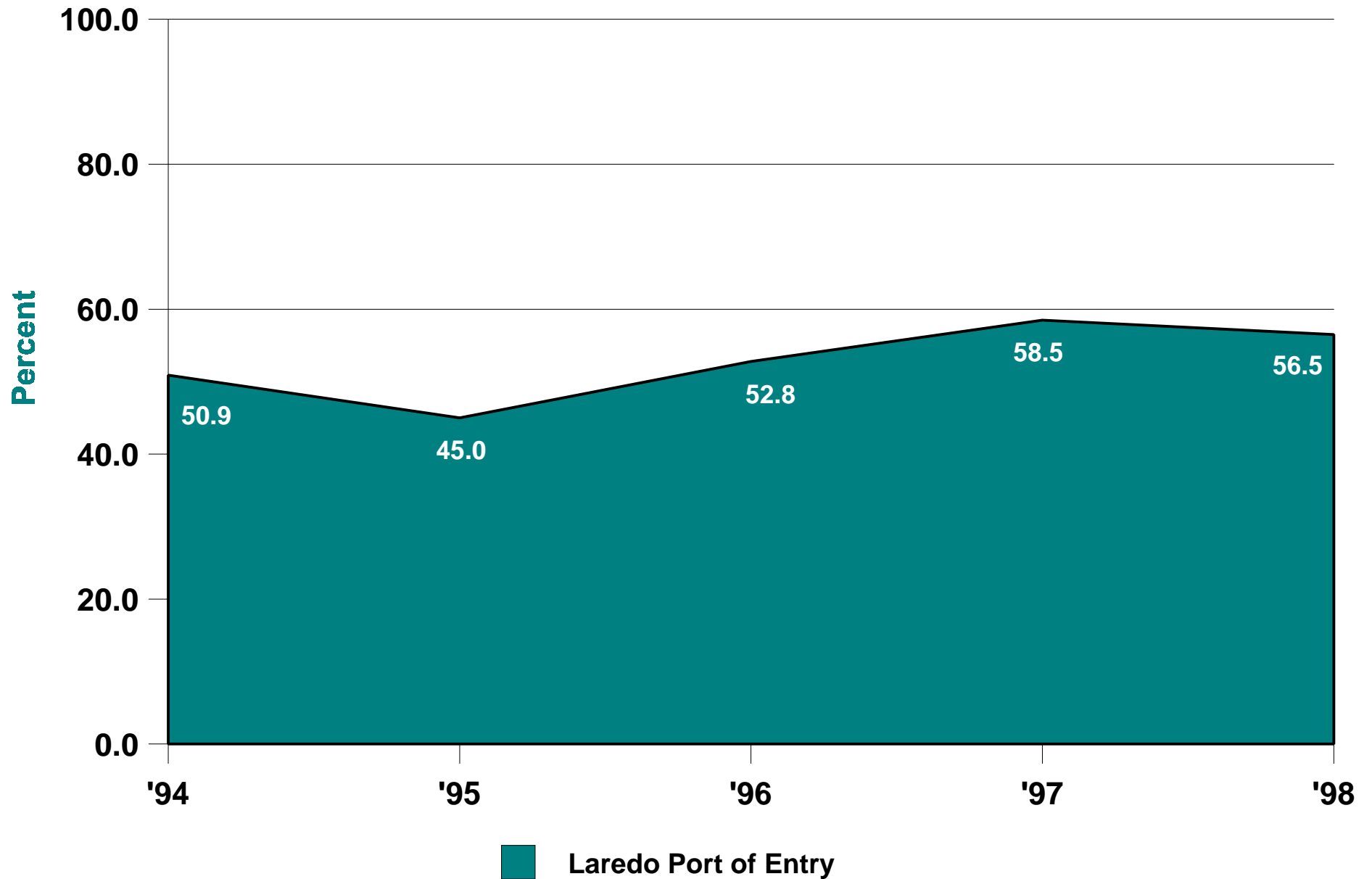


# Chart 5: U.S.-Mexico Merchandise Trade, 1994-1998

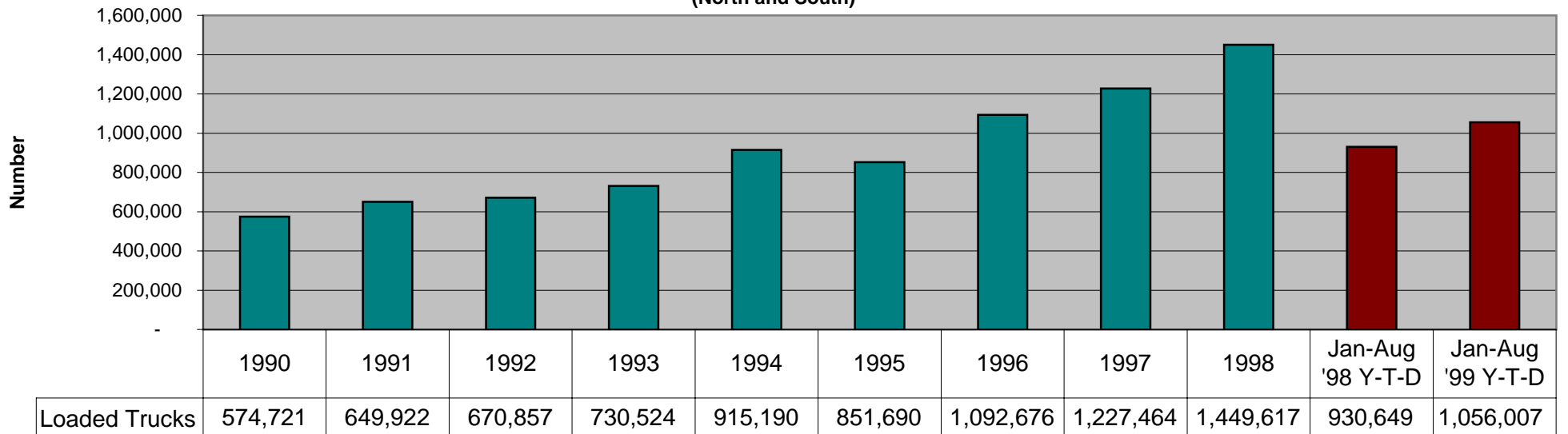
Billions of U.S. Dollars



**Chart 6: Laredo Port of Entry Percentage Share of Overland Merchandise Trade at U.S.-Mexico Ports of Entry, 1994-1998**

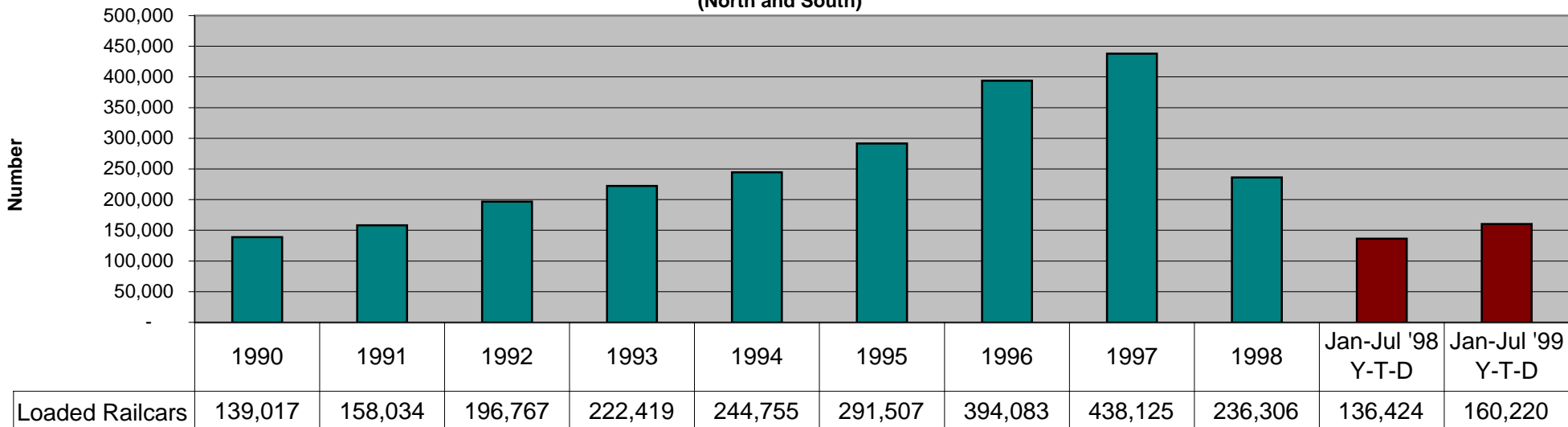


**Chart 7  
Loaded Trucks at Laredo  
(North and South)**



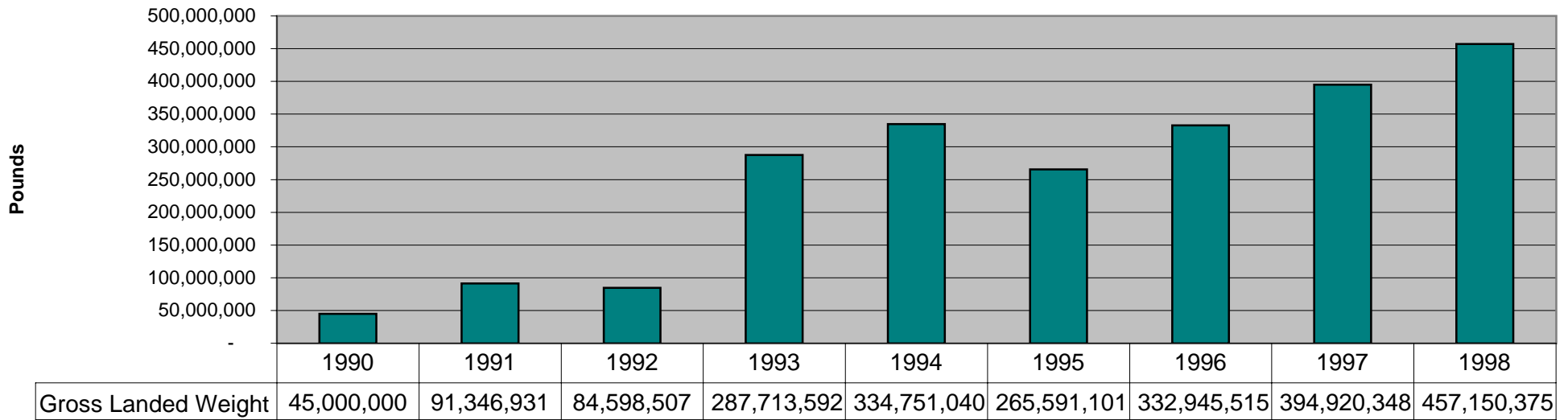
Source: U.S. Bridge Operators and U.S. Customs Service's data compiled by the Texas Center at Texas A&M International University.

**Chart 8  
Loaded Railcars at Laredo  
(North and South)**



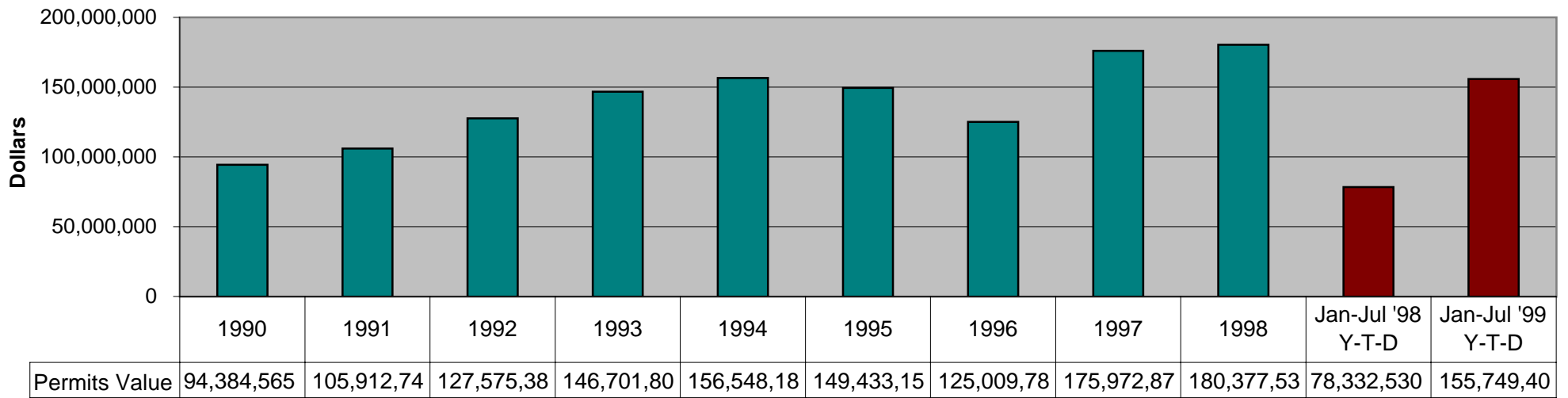
Source: Data provided by railroad companies and compiled by the Texas Center at Texas A&M International University.

**Chart 9  
Gross Landed Weight at Laredo International Airport**



**Source: Data provided by the Laredo International Airport and the Federal Aviation Administration.**

**Chart 10  
Laredo Building Permits Value**



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