

# SOUTH TEXAS AND BORDER REGION ECONOMIC OUTLOOK

---

Salvador Contreras  
University of Texas Rio Grande Valley



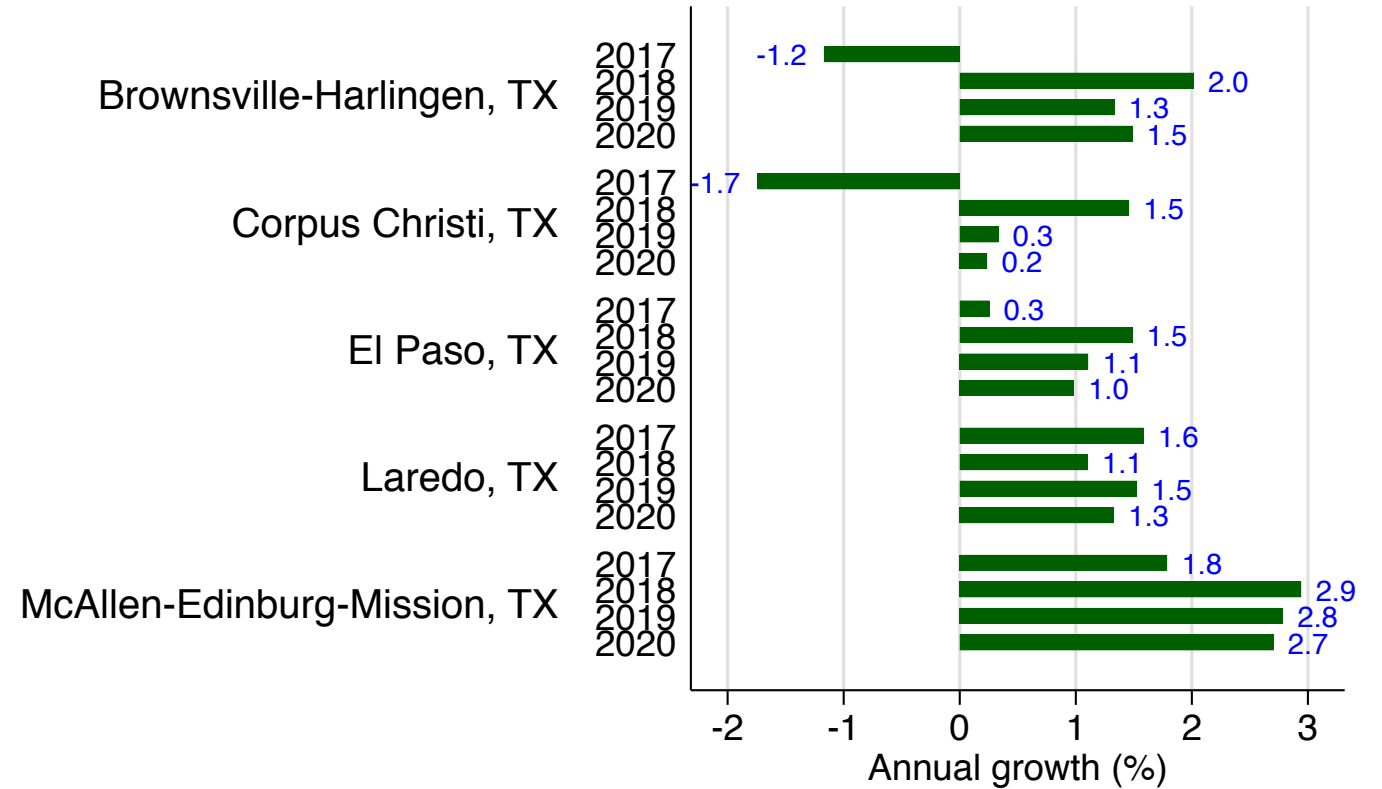
**economic**  
**FORECAST**

LUNCH EON

# REGIONAL REAL GDP FORECAST

- The region is expected to had a strong economic performance in 2018 (forecast) vs 2017 (actuals)
- We forecast a strong 2018 across the region
- 2019 is expected to be weaker across the region. In particular Corpus Christi MSA.
- We expect McAllen-Edinburg-Mission MSA to have a strong 2019

MSA Annual Real GDP growth  
2016-2017 BEA (Actual), 2018-2020 forecast



Source: U.S. Bureau of Economic Analysis. CBEST  
utrgv.edu/cbest

# STATE COMPARISON

Texas Metro's are expected to growth 2.3% in 2019

This is 1.5% lower than 2017

Border/South Texas Region is expected to grow 1.4% compared to 0 growth in 2017

We expect Corpus Christi MSA to have the lowest growth

CBES<sub>t</sub> 2019 Projected Real GDP growth rates by Metro

Metro	year-over-year (%) growth	
	forecast 2019	actual 2017
Midland	8.2	18.8
Odessa	6.5	13.9
Austin-Round Rock	4.2	7.2
San Antonio-New Braunfels	3.4	5.9
Tyler	3.3	4.1
<b>McAllen-Edinburg-Mission</b>	<b>2.8</b>	<b>1.8</b>
College Station-Bryan	2.7	2.7
Amarillo	2.6	2.3
Dallas-Fort Worth-Arlington	2.5	4.1
Houston-The Woodlands-Sugar Land	2.5	1.6
Victoria	2.2	2.0
Beaumont-Port Arthur	1.9	0.2
Abilene	1.6	7.2
Killeen-Temple	1.5	1.7
<b>Laredo</b>	<b>1.5</b>	<b>1.6</b>
Lubbock	1.4	1.3
<b>Brownsville-Harlingen</b>	<b>1.3</b>	<b>-1.2</b>
<b>El Paso</b>	<b>1.1</b>	<b>0.3</b>
San Angelo	1.1	0.9
Waco	1.1	2.8
Wichita Falls	0.9	8.2
Longview	0.7	3.1
Sherman-Denison	0.4	1.7
<b>Corpus Christi</b>	<b>0.3</b>	<b>-1.7</b>
<b>Border/South Texas Metro average</b>	<b>1.4</b>	<b>0.2</b>
<b>All Texas Metros Average</b>	<b>2.3</b>	<b>3.8</b>

Source: U.S. Bureau of Economic Analysis. CBES<sub>t</sub>. [utrgrv.edu/cbest](http://utrgrv.edu/cbest)

# WHAT DRIVES RGV ECONOMY

Government is the largest component of GDP, followed by Education and Health

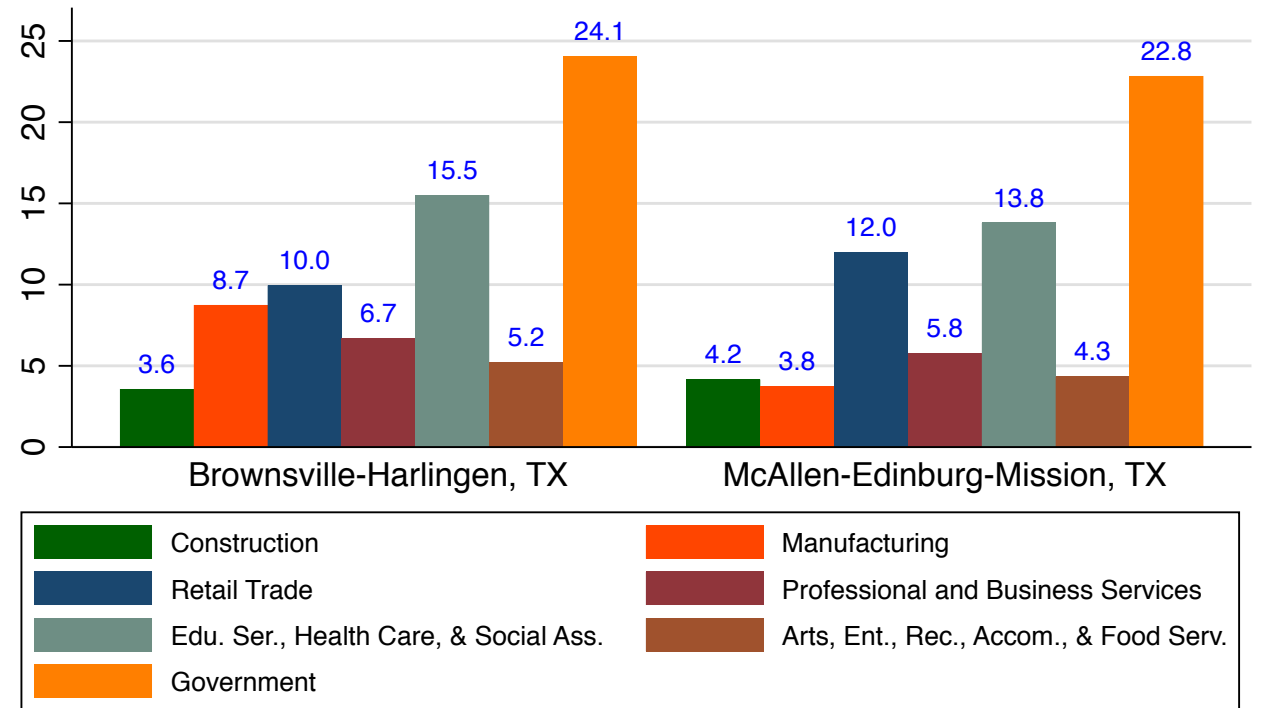
Retail trade is the 3<sup>rd</sup> most important sector

McAllen MSA has a low manufacturing base

Missing: Agriculture, Mining, Utilities, Wholesale, Transportation, Information, Finance, Other

### RGV Components Share of GDP

2017 actuals



Source: U.S. Bureau of Economic Analysis. CBEST  
utrgv.edu/cbest

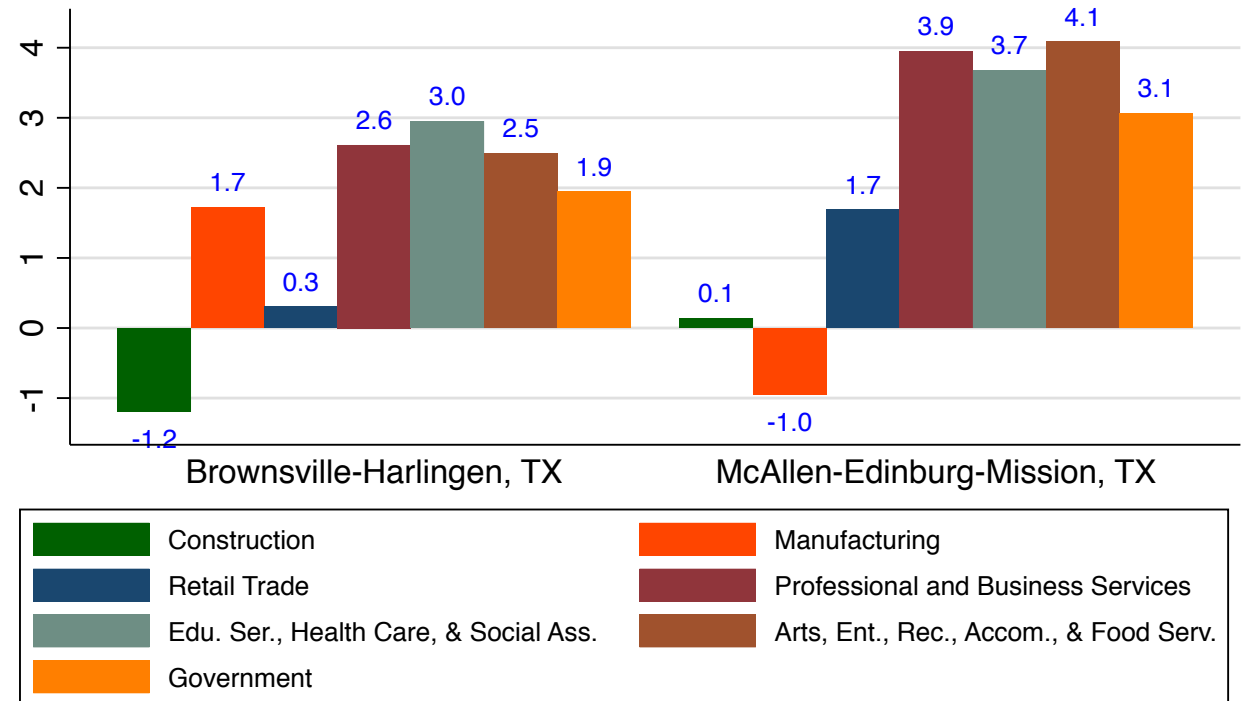
# SECTORS DRIVING GROWTH IN 2019

2019 is expected to be led by Professional and Business Services, Education/Health, Arts/Accommodation, and Government

We see a 2% Manufacturing growth in Cameron County

Construction is forecasted to be weak

RGV Components Real GDP Growth  
2019 forecast

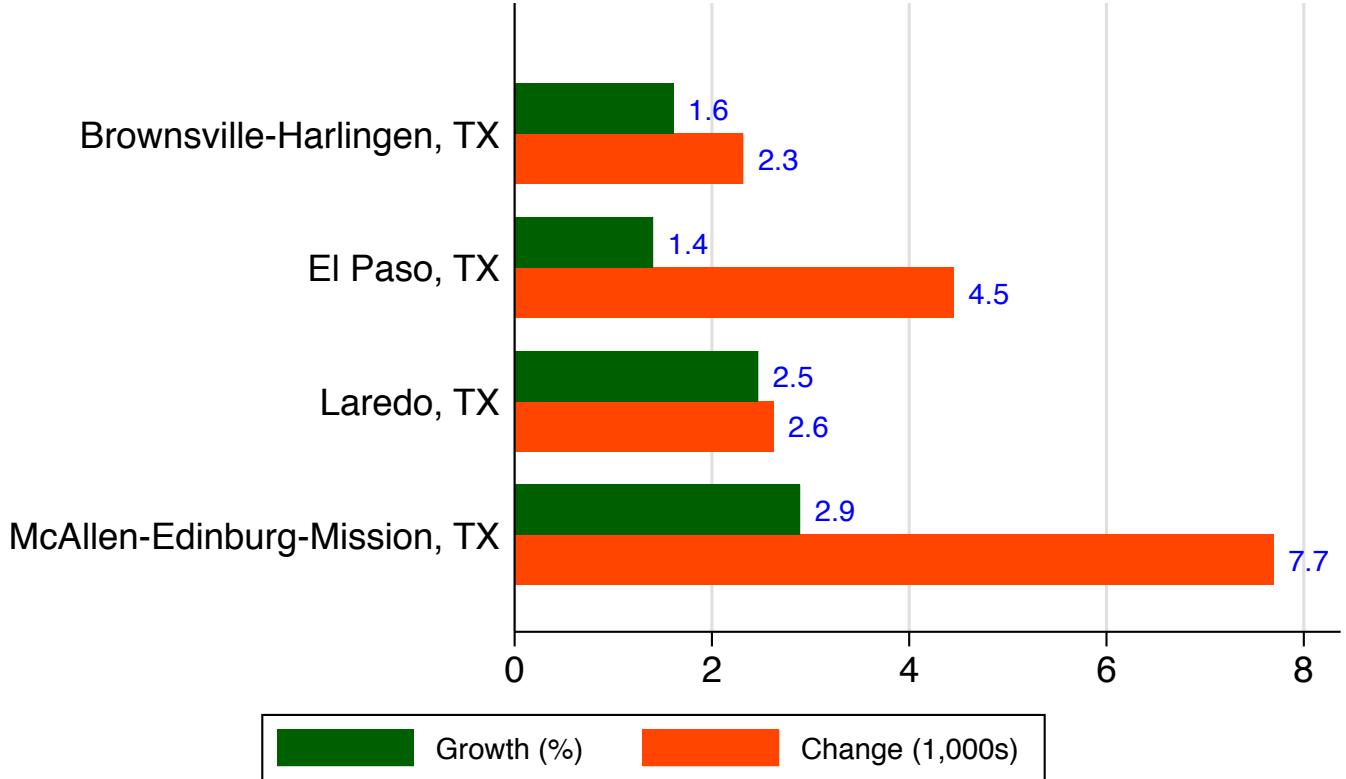


Source: U.S. Bureau of Economic Analysis. CBEST  
utrgv.edu/cbest

# EMPLOYMENT FORECAST

We expect robust increases in employment growth across the border region

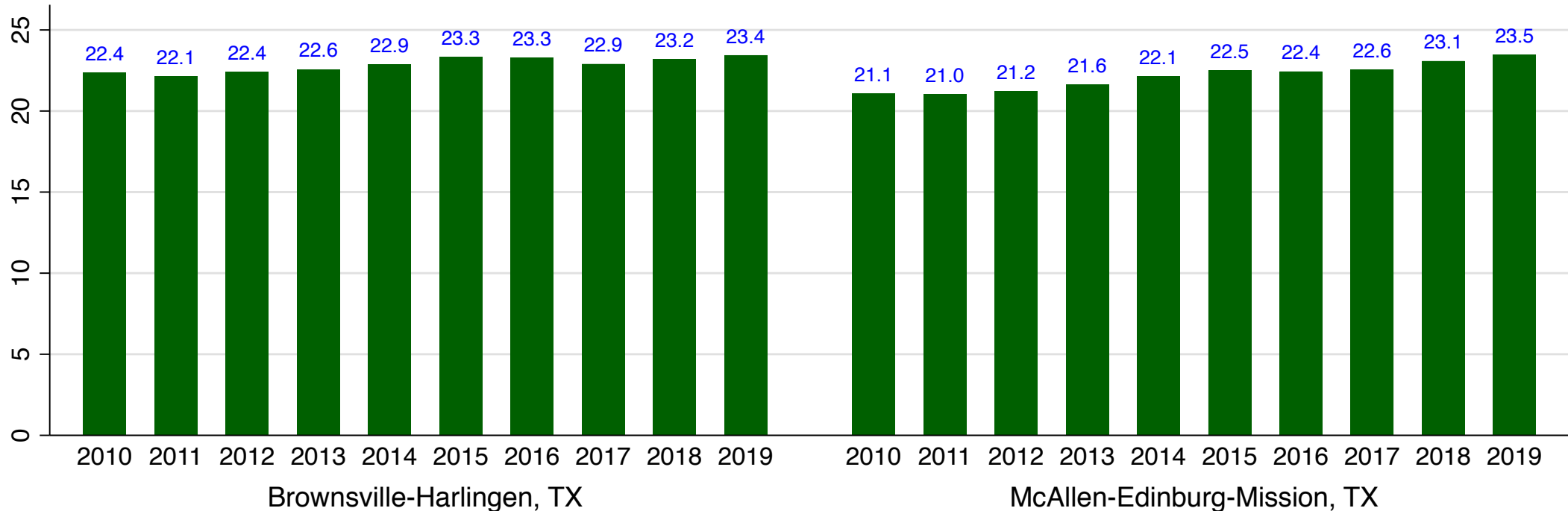
### Nonfarm Employment 2019 forecast



Source: U.S. Bureau of Economic Analysis. CBEST  
[utrgv.edu/cbest](http://utrgv.edu/cbest)

# PER CAPITA REAL GDP

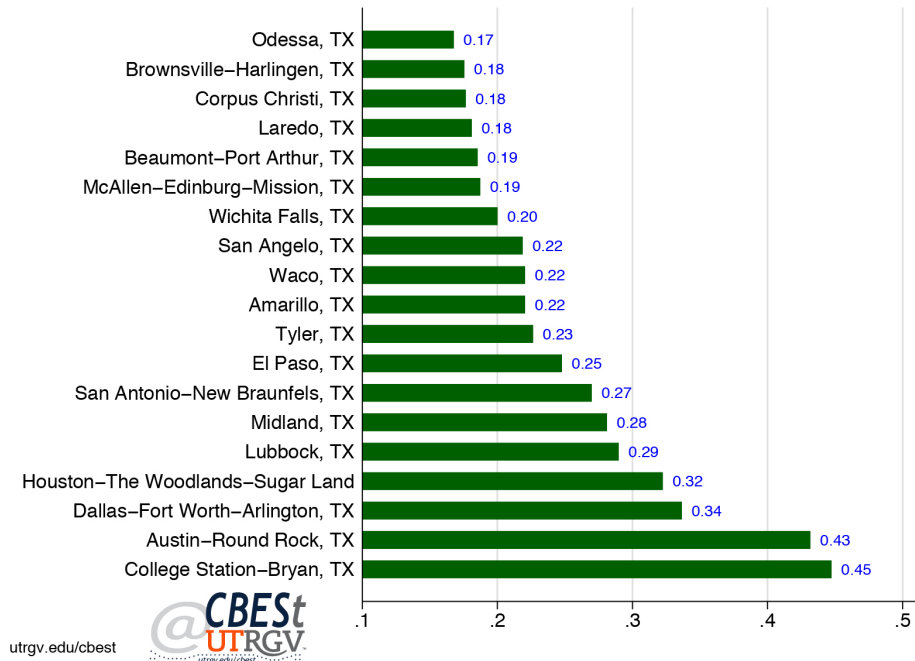
Real GDP Per Capita (2014 dollars)  
2010-2017 actuals, 2018+ forecast  
(\$1,000s)



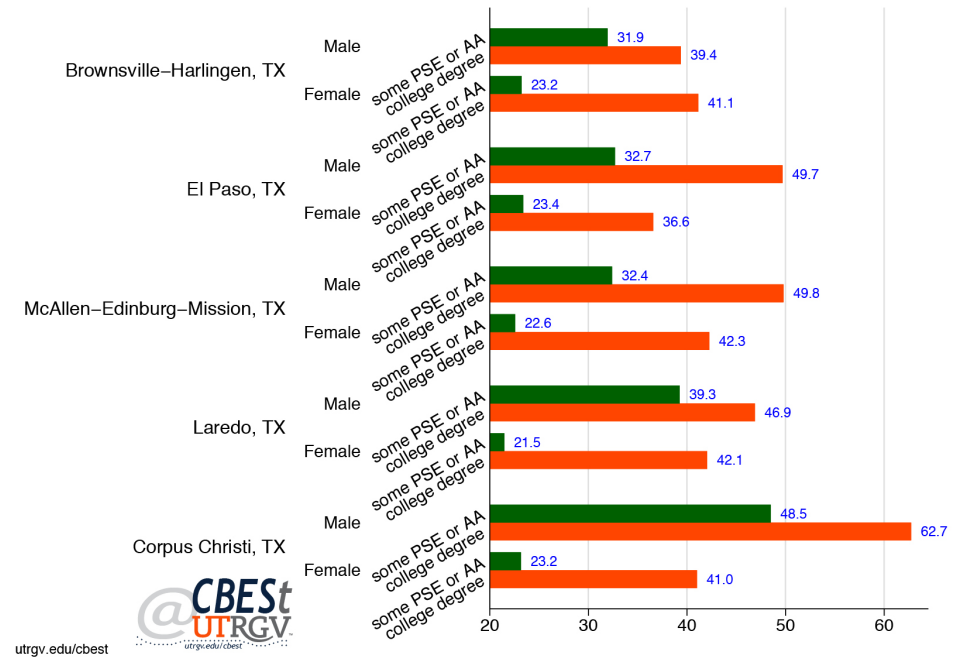
Source: U.S. Bureau of Economic Analysis. CBEST  
utrgv.edu/cbest

# EDUCATION

Percent college graduates among millennials, age 25-35



Millennials average earnings by sex and education, age 25-35 (thousands of dollars)





# RETAIL SALES

2017 was a bad year along the border

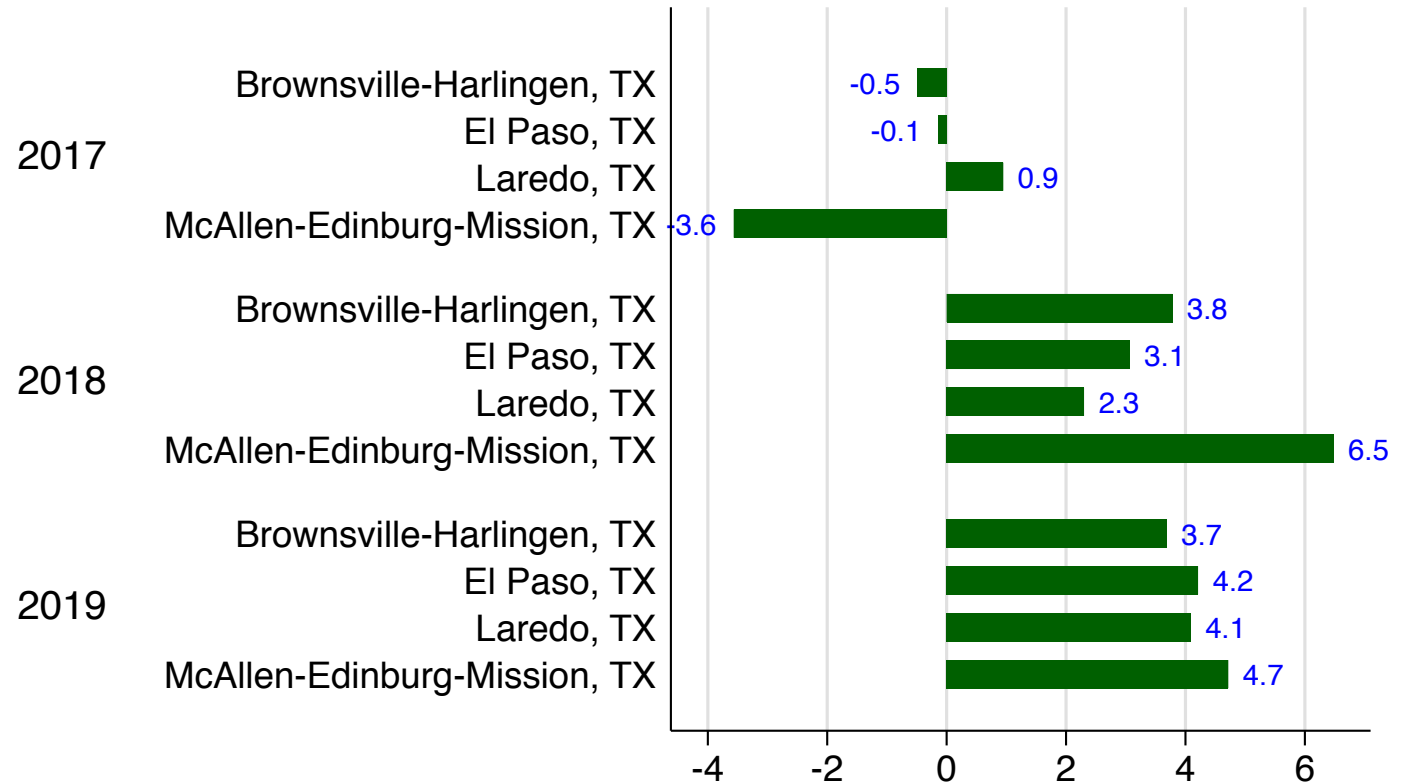
- McAllen-Edinburg-Mission did worse

2018 McAllen-Edinburg-Mission came back to form

- Likely delayed demand

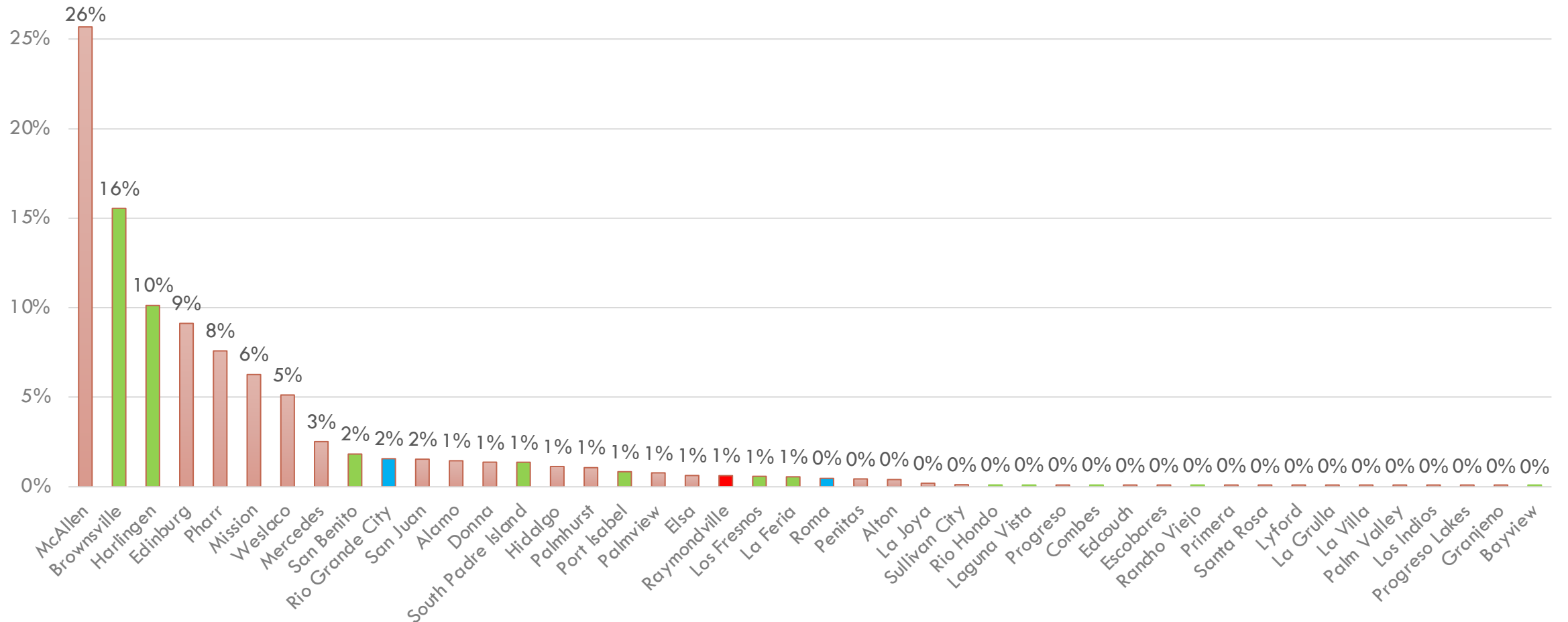
2019 expectation is for strong growth across the border region

Sales Tax Remittances  
2017-18 actual, 2019 forecast



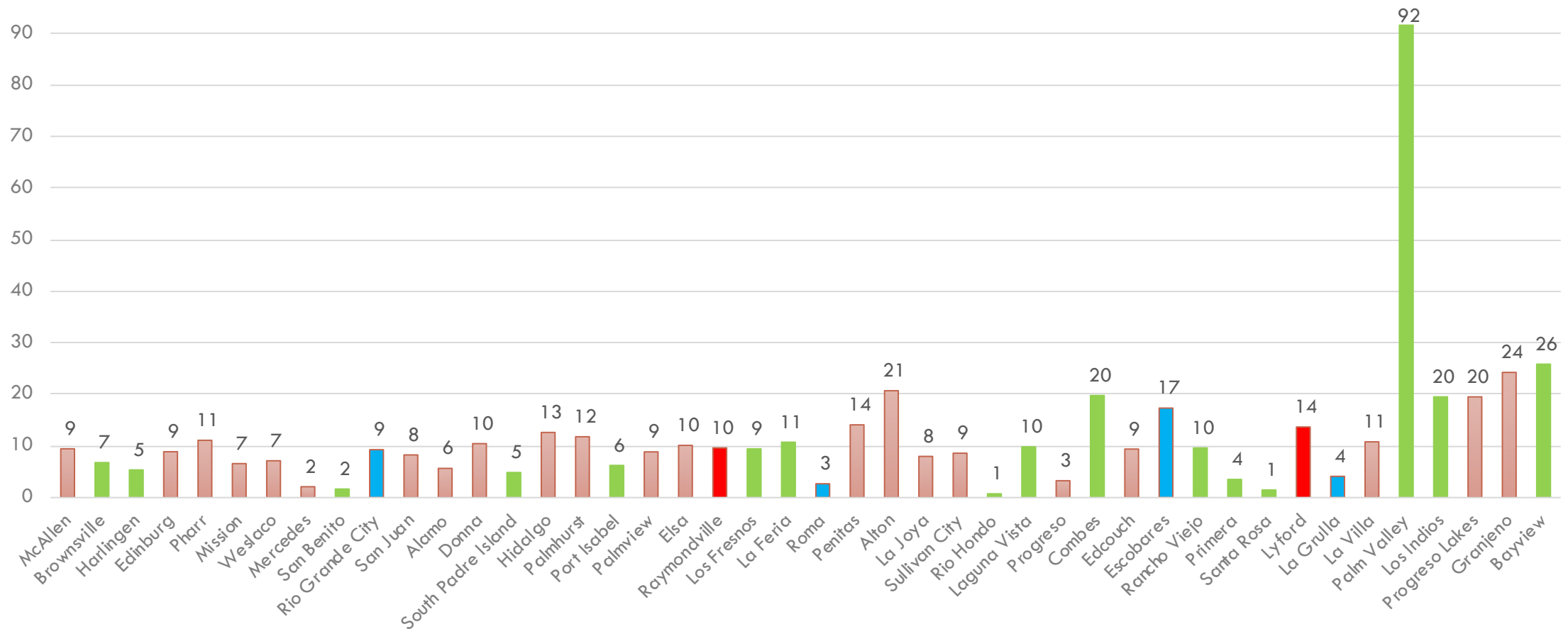
Source: U.S. Bureau of Economic Analysis. CBEST  
utrgv.edu/cbest

# SHARE OF 2018 TAXABLE SALES (\$12.5B)



Source: Texas Comptroller of Public Accounts

# Y/Y GROWTH IN TAXABLE SALES (2017-2018)

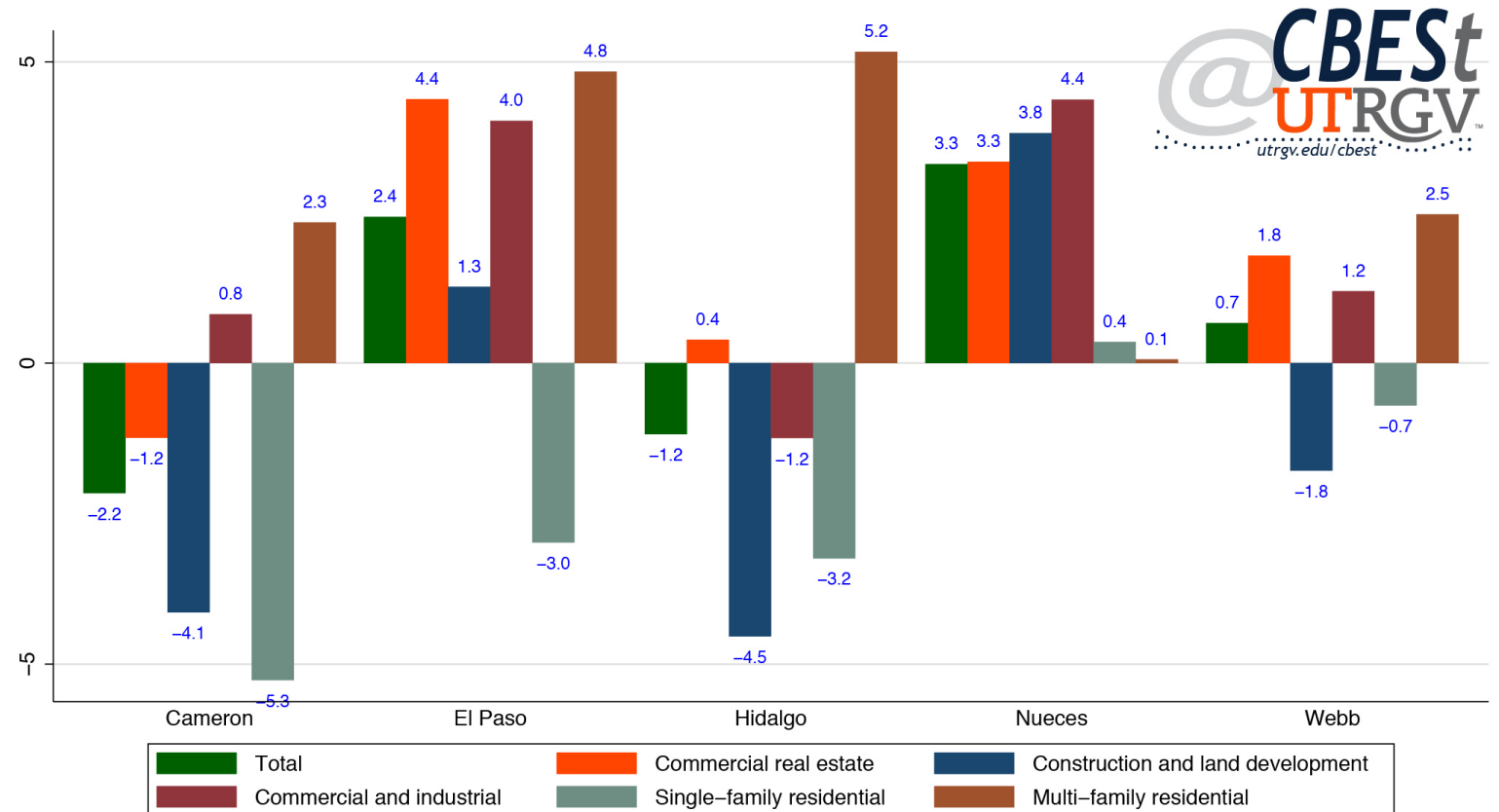


Source: Texas Comptroller of Public Accounts

# AVERAGE ANNUAL GROWTH IN CREDIT, 2010-2017

Total credit is down in Cameron and Hidalgo County

Multi-family residential is up 2.3 and 5.2% in Cameron and Hidalgo County



utrgv.edu/cbest

# BUILDING PERMITS INDEX

## Brownsville-Harlingen

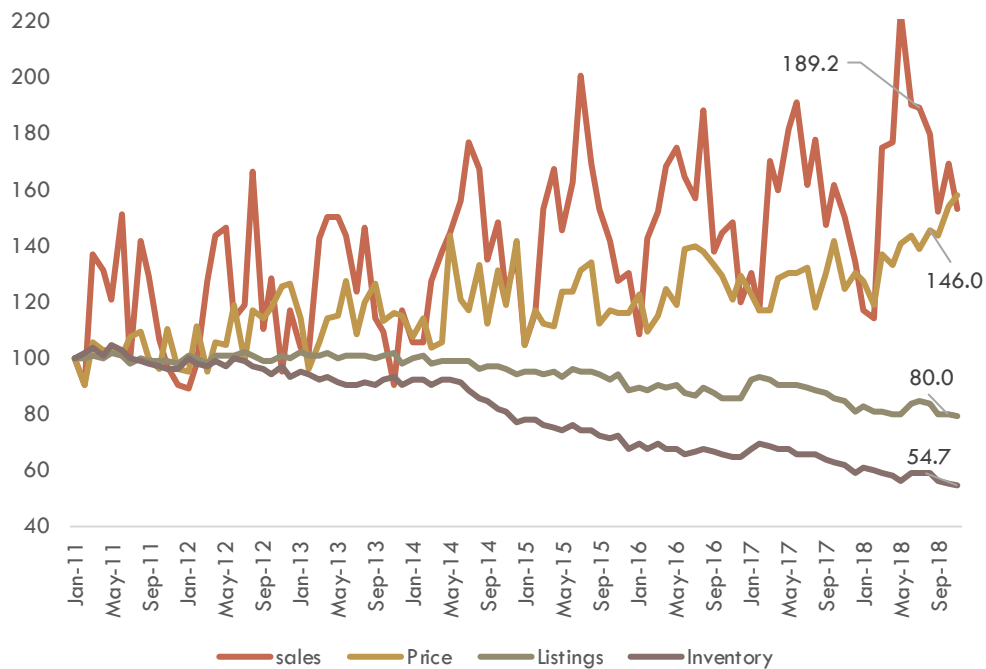


## McAllen-Edinburg-Mission

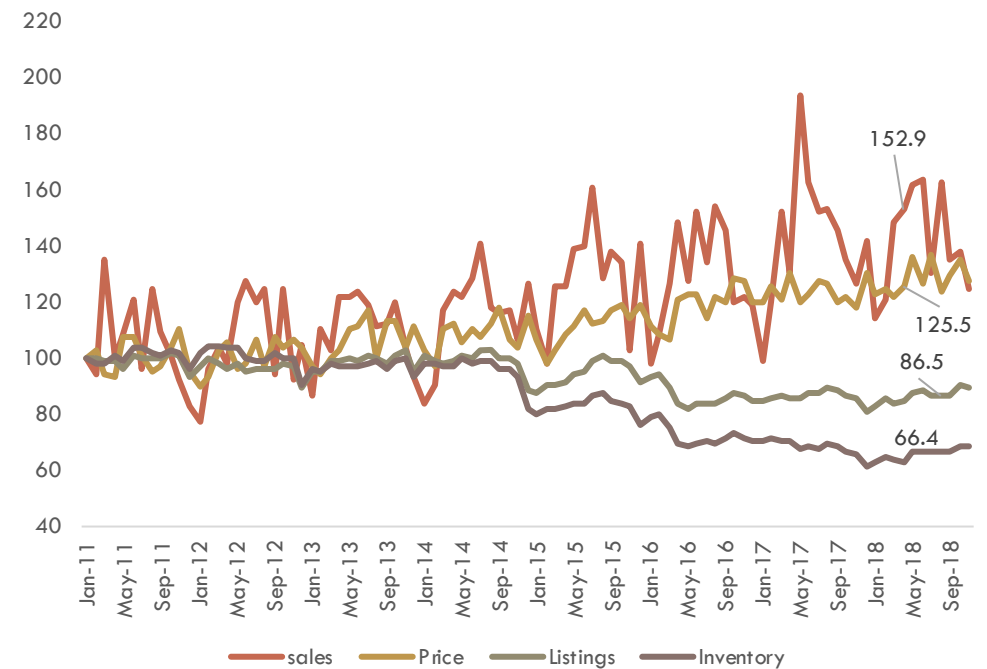


# HOUSING ACTIVITY

## Brownsville-Harlingen



## McAllen-Edinburg-Mission



# 01

## Government Shutdown

- 800K workers without pay

# 02

## Border Security

- Criminalization of the border
- Border narrative

# 03

## Trade

- Ratification of USMCA
- China (March 25% tariffs)

# 04

## Mexico

- AMLO
- Mexican shoppers

# HEADWINDS

THANK YOU!

Salvador Contreras

Associate Professor, Department of Economics and Finance

Director, Center for Border Economic Studies

University of Texas Rio Grande Valley

(956) 665-2827