

The effect of Mexican Shoppers on the retail sales in the Rio Grande Valley.

What is the expectation for 2019?

Eduardo Saucedo

EGADE Business School, Tecnológico de Monterrey

Garza García, Nuevo León, México

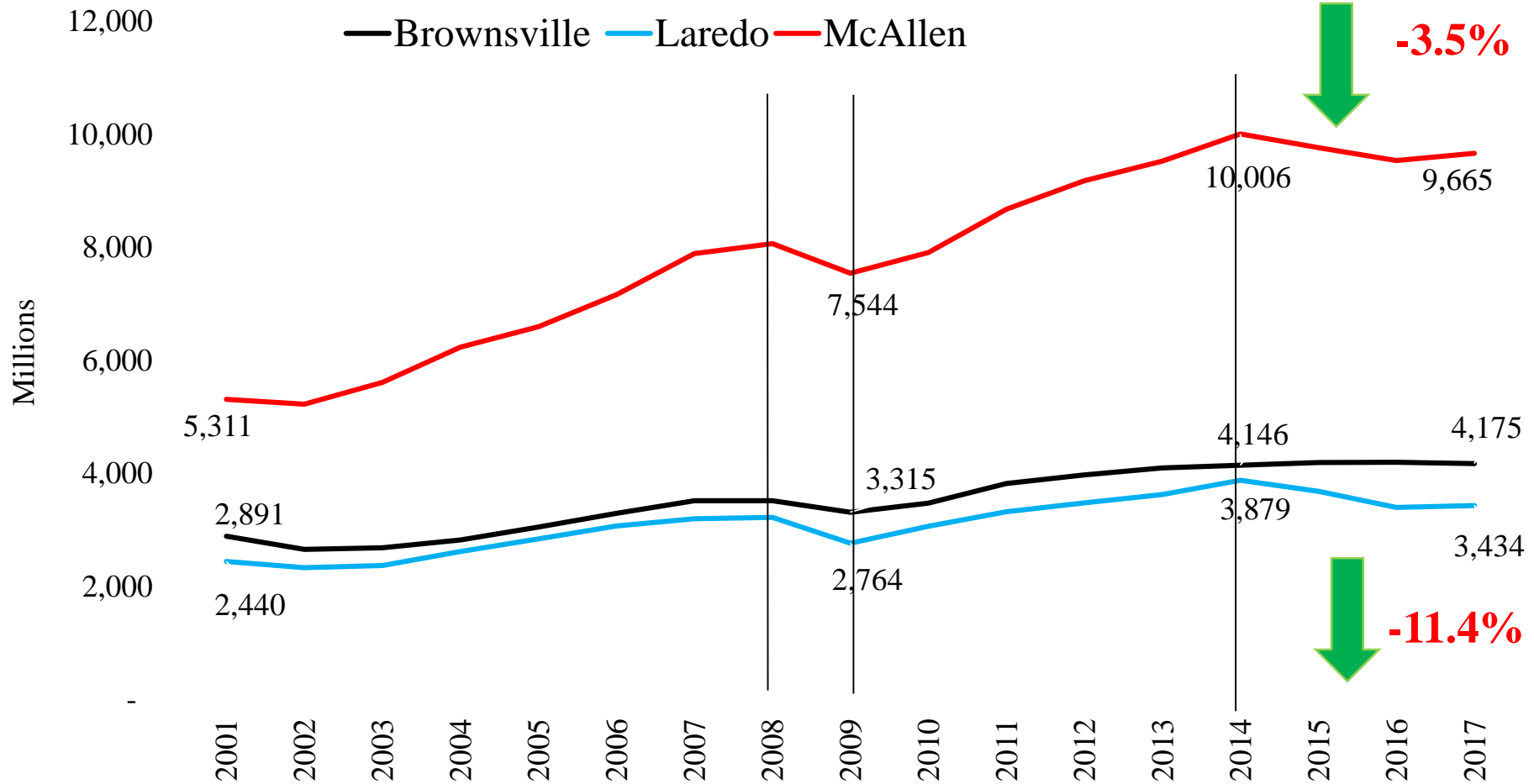
E-mail: eduardo.saucedo@tec.mx

**Why retail sales are so important in the
Rio Grande Valley?**

Importance of Retail Sales in the RGV

In 2016 (last available year), retail sales represented 7.5% of the economy in Texas. However retail sales in the same year represented 13% of the economy in the RGV.

Nominal Retail Sales, McAllen, Brownsville and Laredo MSAs; 2001-2017

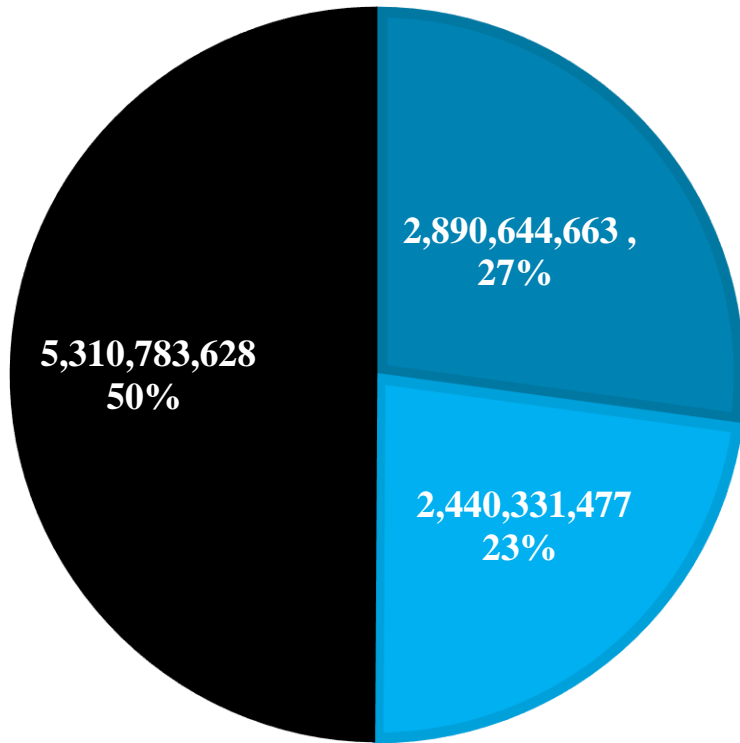


Source: Texas Comptroller of Public Accounts

- Retail sales have been falling in Laredo and McAllen since 2014. In 2018, the expected value for McAllen is around 9,500, 4,000 in Brownsville, and Laredo around 3,300.
- From 2001 to 2017 McAllen increased Retail Sales in 82%, Brownsville in 44%, and Laredo increased 40%

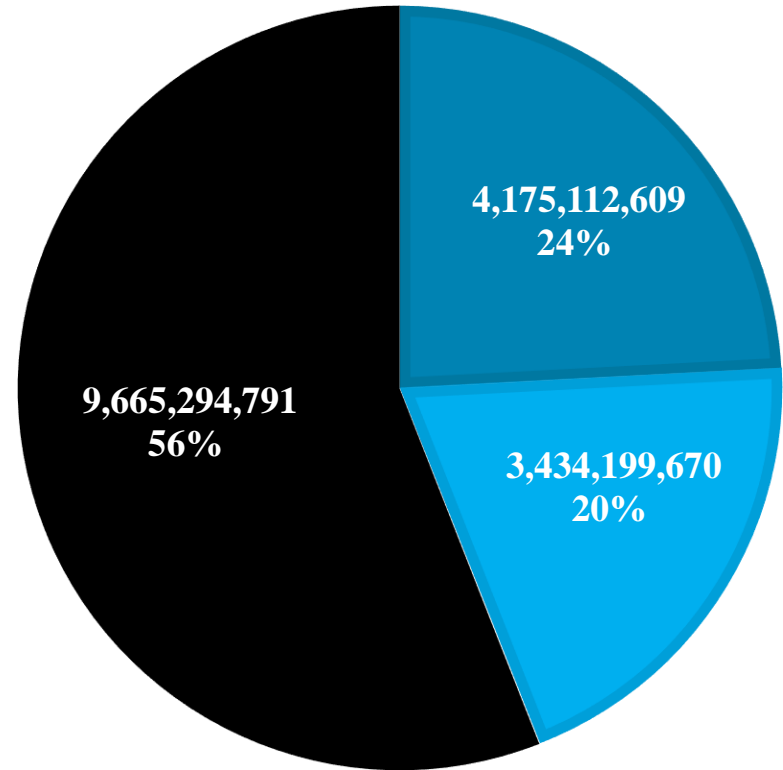
Nominal Retail Sales, Brownsville, Laredo and McAllen MSAs; 2001 and 2017

■ Brownsville ■ Laredo ■ McAllen



2001

Total: \$10,641,759,768



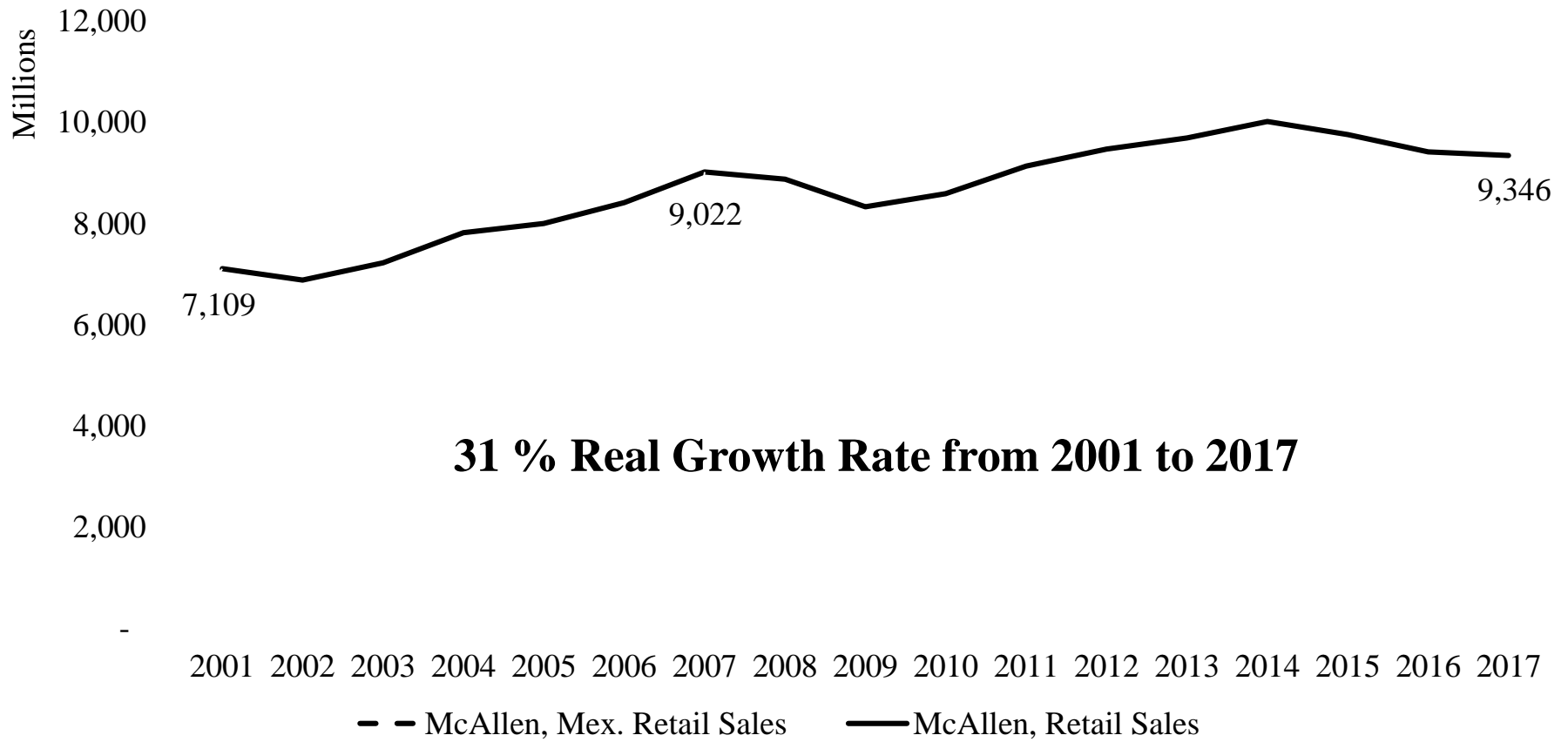
2017

Total: \$17,274,607,070

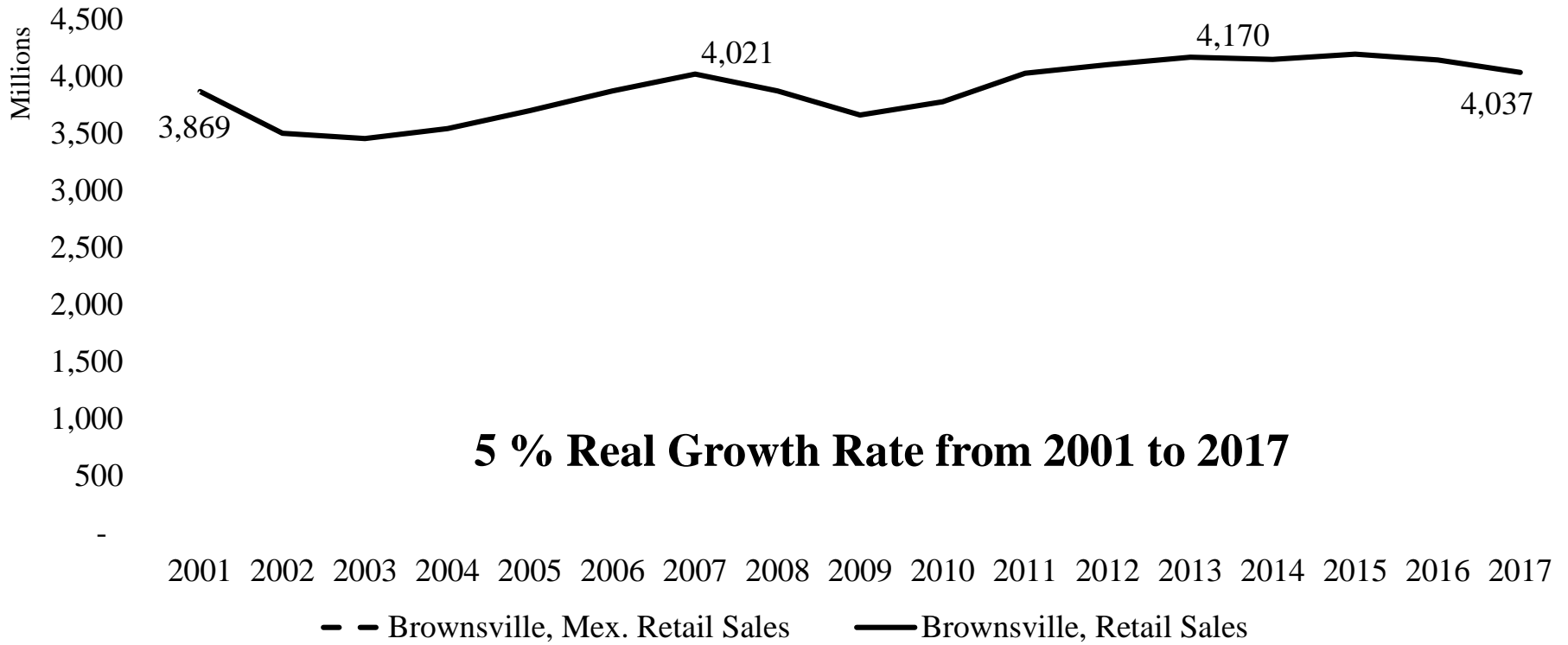
Source: Texas Comptroller of Public Accounts

- McAllen-Edinburg-Mission MSA has increase its participation in the retail sales in the last years.

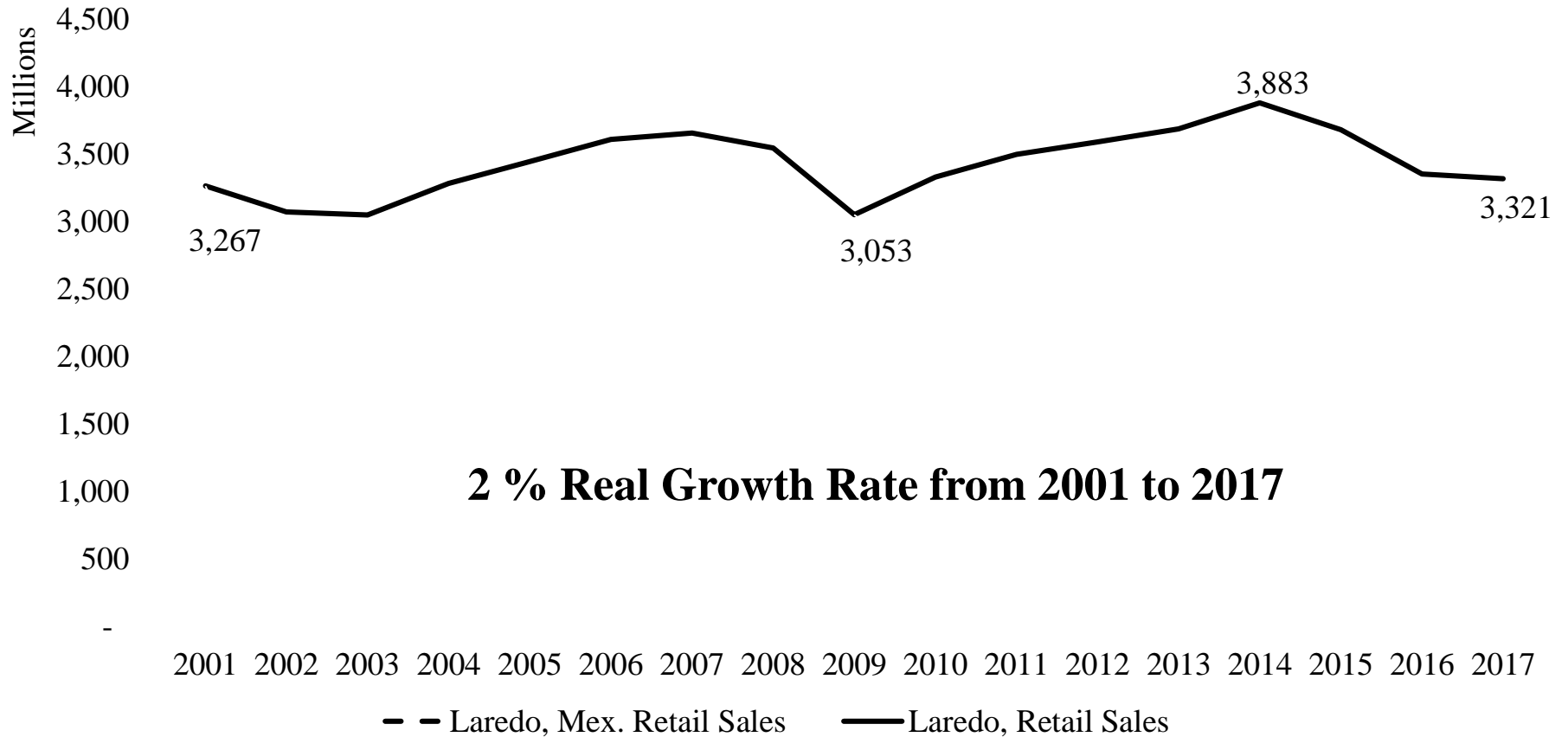
Real Retail Sales in McAllen-Edinburg-Mission MSA, 2001-2017 (2015=100)



Real Retail Sales in Brownsville MSA, 2001-2017 (2015=100)



Real Retail Sales in Laredo MSA, 2001-2017 (2015=100)



Retail Sales in the RGV

Retail Sales =

Amount
Consumed by
People living
in the RGV

+

Amount
Consumed by
People **NOT**
living in the RGV



Mexican Shoppers

Retail Sales in the RGV

Retail Sales =

Amount Consumed by People living in the RGV	+	Amount Consumed by People NOT living in the RGV
---	---	--



Mexican Shoppers



Are there any incentives from Mexicans to come to the RGV for shopping reasons?

Incentives to come to the RGV

1. The variety of products in the RGV is higher than the amount available in Mexico.
2. What about prices between RGV and Mexico?

Difference in Prices in December 2018 RGV vs Mexico



Product	US Price, dollars	México Price, dollars	Percentage difference
MacBook Air, last model	\$1,199.99	\$1,494.79	24%
iPhone XS 64 GB	\$999.99	\$1,262.84	26%
Pantalla LG Ultra HD 43"	\$269.99	\$463.87	71%
Apple Watch Series 4, 40mm	\$399.99	\$489.64	22%
XBOX One X with game included	\$449.99	\$659.74	46%

**If the Mexican peso depreciates
in these percentage incentive to
buy in the RGV almost disappear**



What can reduce incentives of Mexican shoppers to come to the RGV?



With amazon prime there are a lot of benefits such as free shipping to Mexico and customers receive the product in a very short period

The image shows the top portion of the Amazon Mexico website. At the top left is the "amazon.com.mx" logo with a "Prueba Prime" badge. Below it, the shipping location is set to "Monterrey 64723". A central notification box highlights "Envíos GRATIS y rápidos más Prime Video" with a link to "Empieza hoy". To the right is a search bar and the "amazon music PRUEBA GRATIS 30 DÍAS" offer. The navigation bar includes "Mi cuenta", "Prueba Prime", "Wish List", and "Carrito". The main banner is red and features three mannequins on the left and right, with the word "REBAJAS" repeated in white and red, and "hasta 70%" in white. The "Amazon Fashion" logo is at the bottom center.

**Mexicans have strong incentives to
come to the RGV for shopping
reasons**

Mexican Shoppers in the RGV

A large number of Mexican shoppers who visit the RGV with the sole purpose of purchasing goods to take them back to Mexico.

This vast number of **Mexican consumers represents a significant inflow of money**, which accelerates and stimulates the retail sector and the economy in the Valley.

Nobody knows the exact total amount spent by them because the amount is not easy to estimate.

One of the difficulties is that they pay in cash, making it difficult to estimate the total amount spent.

Mexican Shoppers in the RGV

- Nevertheless, **different studies have attempted to estimate the amount spent by Mexican Nationals** when they visit different U.S. border cities.

What is the problem with those studies?

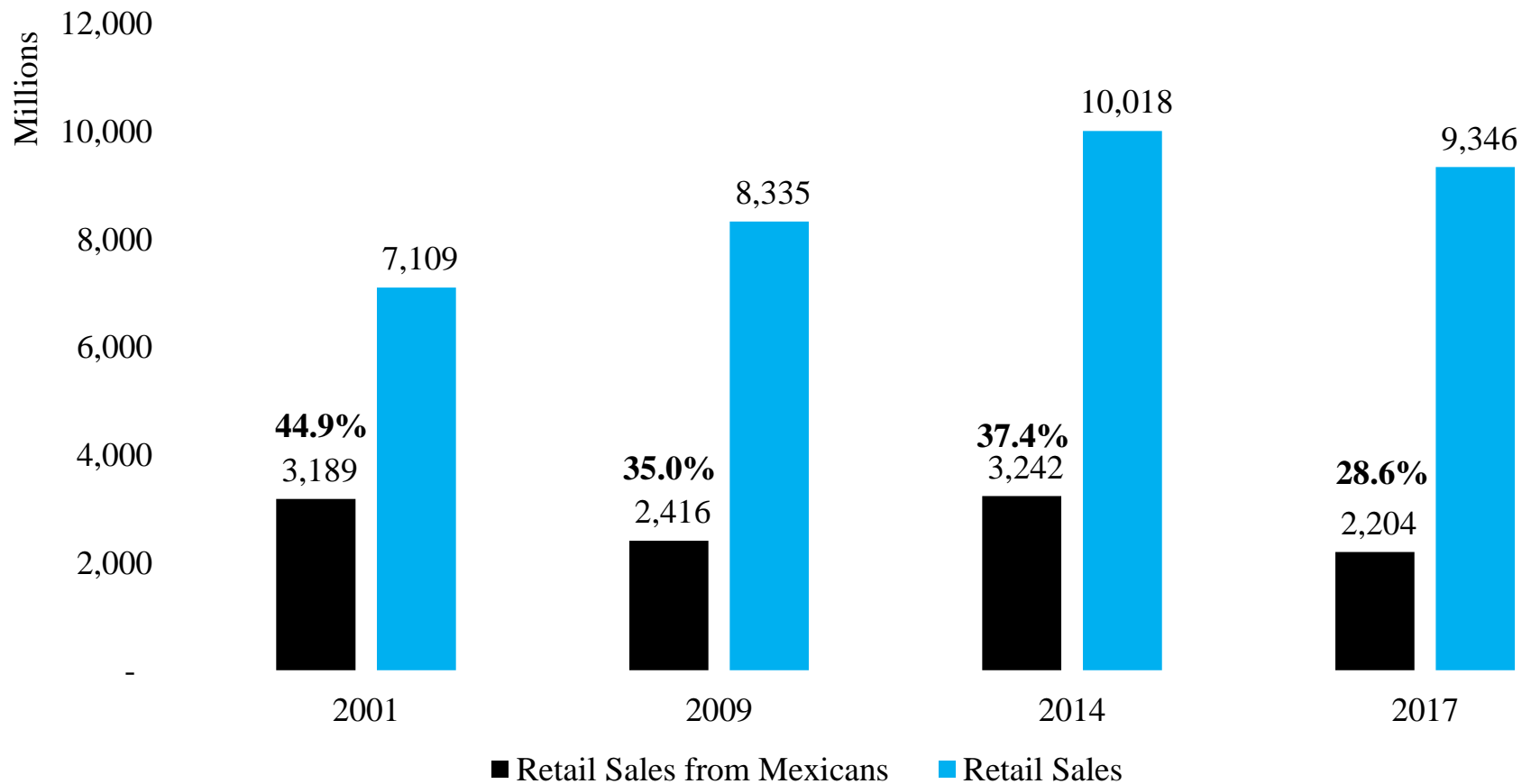
How to calculate the amount spent by Mexican Shoppers?

- Keith Phillips and Roberto Coronado from the Federal Reserve Bank of Dallas develop a very smart methodology to calculate the portion of retail sales due to Mexican Shoppers. Their study is for US border MSA in Texas.

CORONADO, R. A., & PHILLIPS, K. R. (2007). EXPORTED RETAIL SALES ALONG THE TEXAS-MEXICO BORDER. *JOURNAL OF BORDERLANDS STUDIES*, 22(1), 19-38.

Real Retail Sales and Estimated Real Retail Sales From Mexicans, McAllen

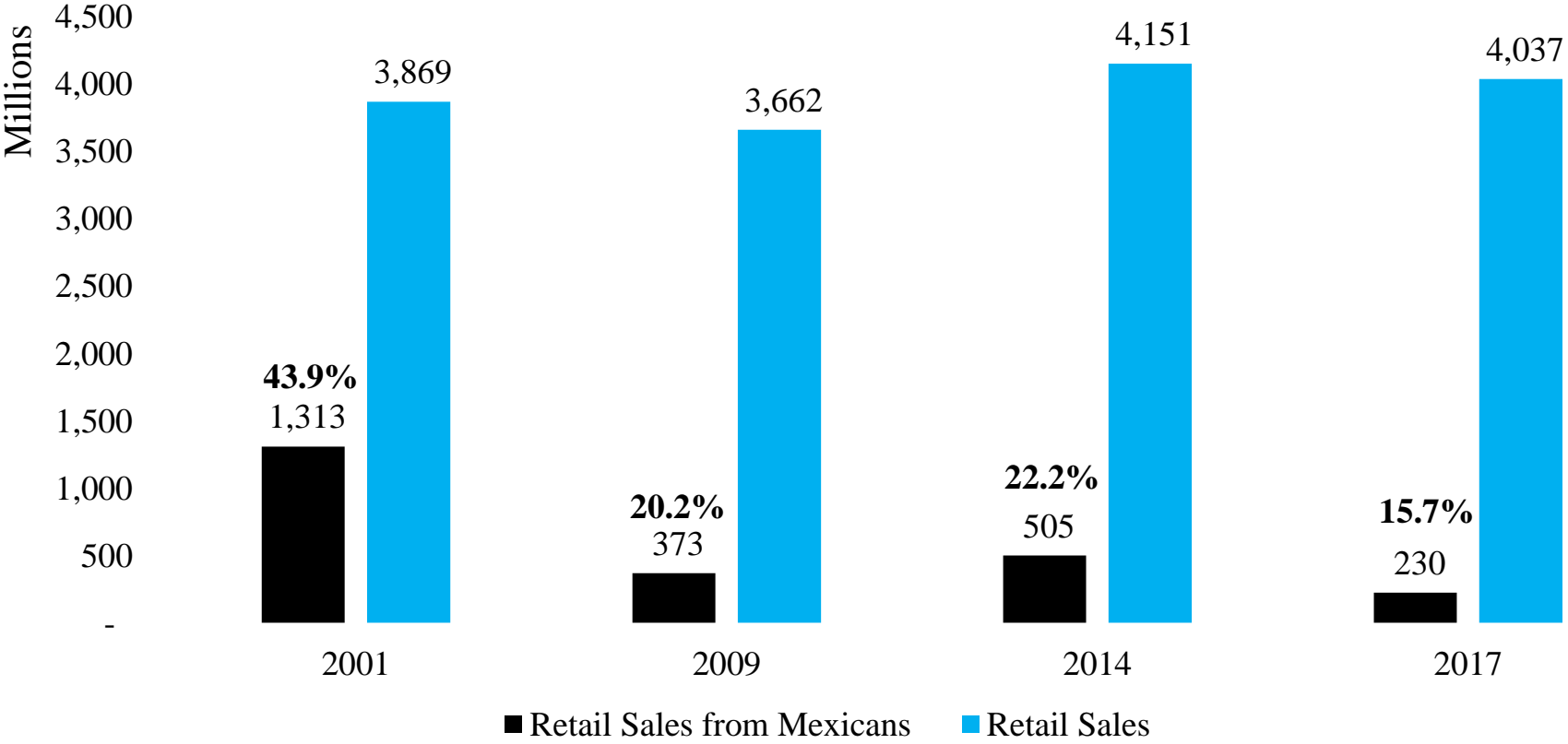
- Following the methodology of Coronado and Phillips (2007), the retail sales from Mexican shoppers in McAllen, Brownsville and Laredo were estimated using an econometric method.



Source: Estimations by the author with data from the U.S. Bureau of Economic Analysis and Texas Comptroller of Public Accounts

Real Retail Sales and Estimated Real Retail Sales From Mexicans, Brownsville

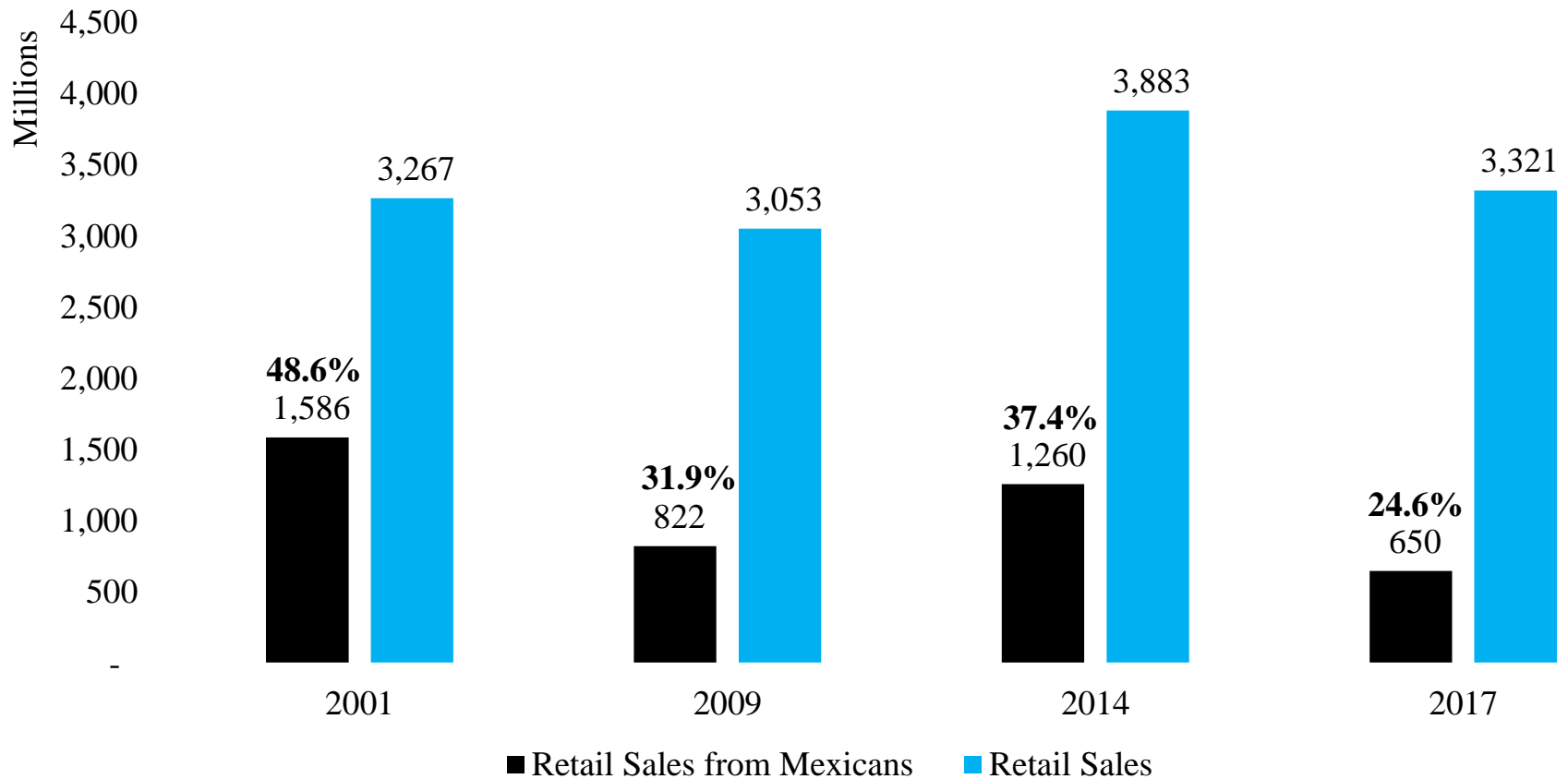
- Following the methodology of Coronado and Phillips (2007) , the retail sales from Mexican shoppers in McAllen, Brownsville and Laredo were estimated using an econometric method.



Source: Estimations by the author with data from the U.S. Bureau of Economic Analysis and Texas Comptroller of Public Accounts

Real Retail Sales and Estimated Real Retail Sales From Mexicans, Laredo

- Following the methodology of Coronado and Phillips (2007) , the retail sales from Mexican shoppers in McAllen, Brownsville and Laredo were estimated using an econometric method.



Source: Estimations by the author with data from the U.S. Bureau of Economic Analysis and Texas Comptroller of Public Accounts

Estimates using Phillips and Coronado (2007)

	Hidalgo County
Average consumption per Mexican (People crossing in cars) in 2017	\$193

Estimates without hard econometrics

	Hidalgo County
Average consumption per Mexican (People crossing in cars) in 2017	\$140

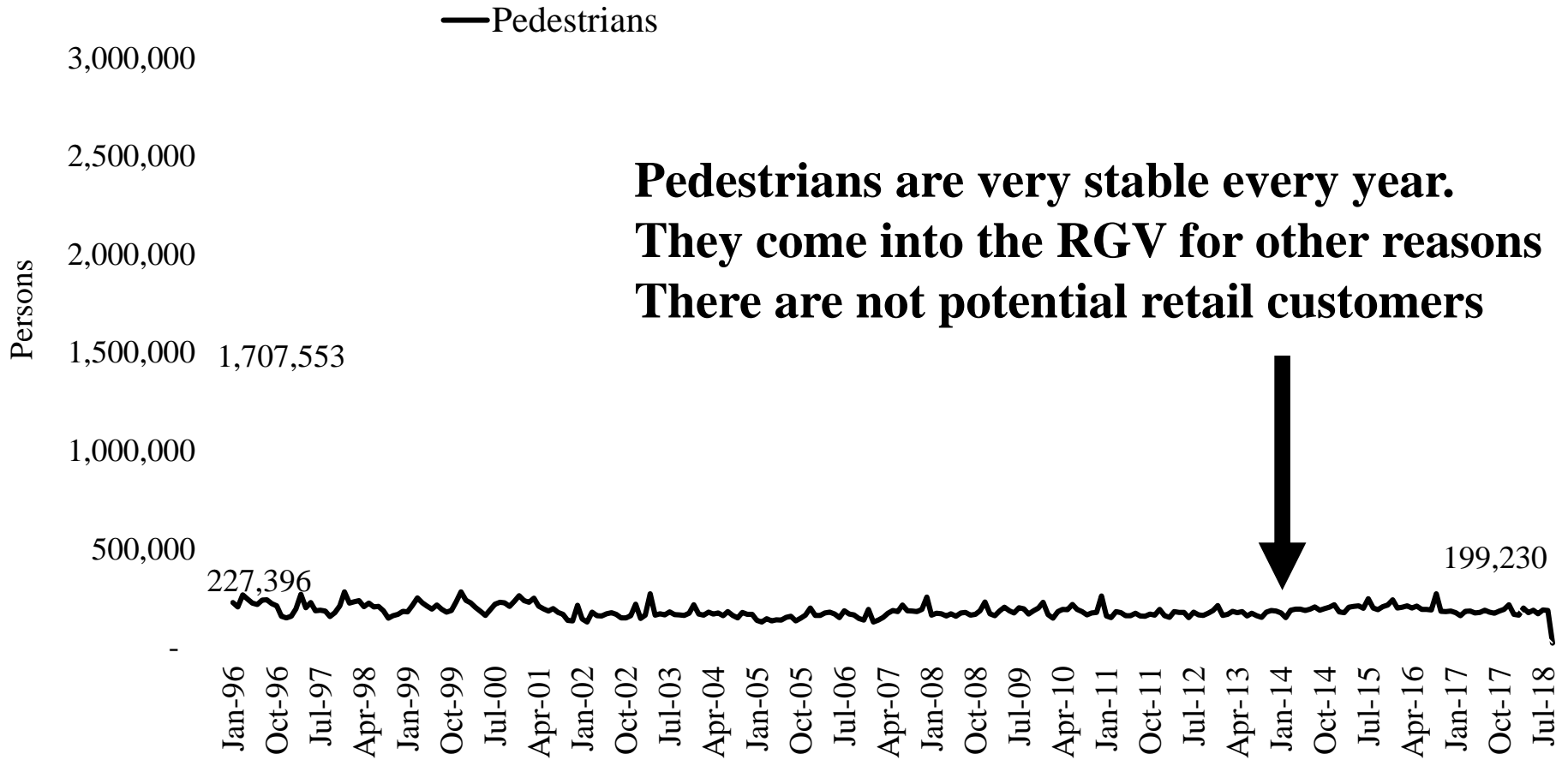
Source: Estimates were produced with data from the U.S. American Community Survey, U.S. Census Bureau, Bureau of Transportation Statistics and INEGI

Assuming that pedestrians and vehicle passengers spend same amount, which is a big assumption.

Let's look at the Hidalgo Bridge, that can give us an idea about the amount of Mexican Shoppers coming into the RGV

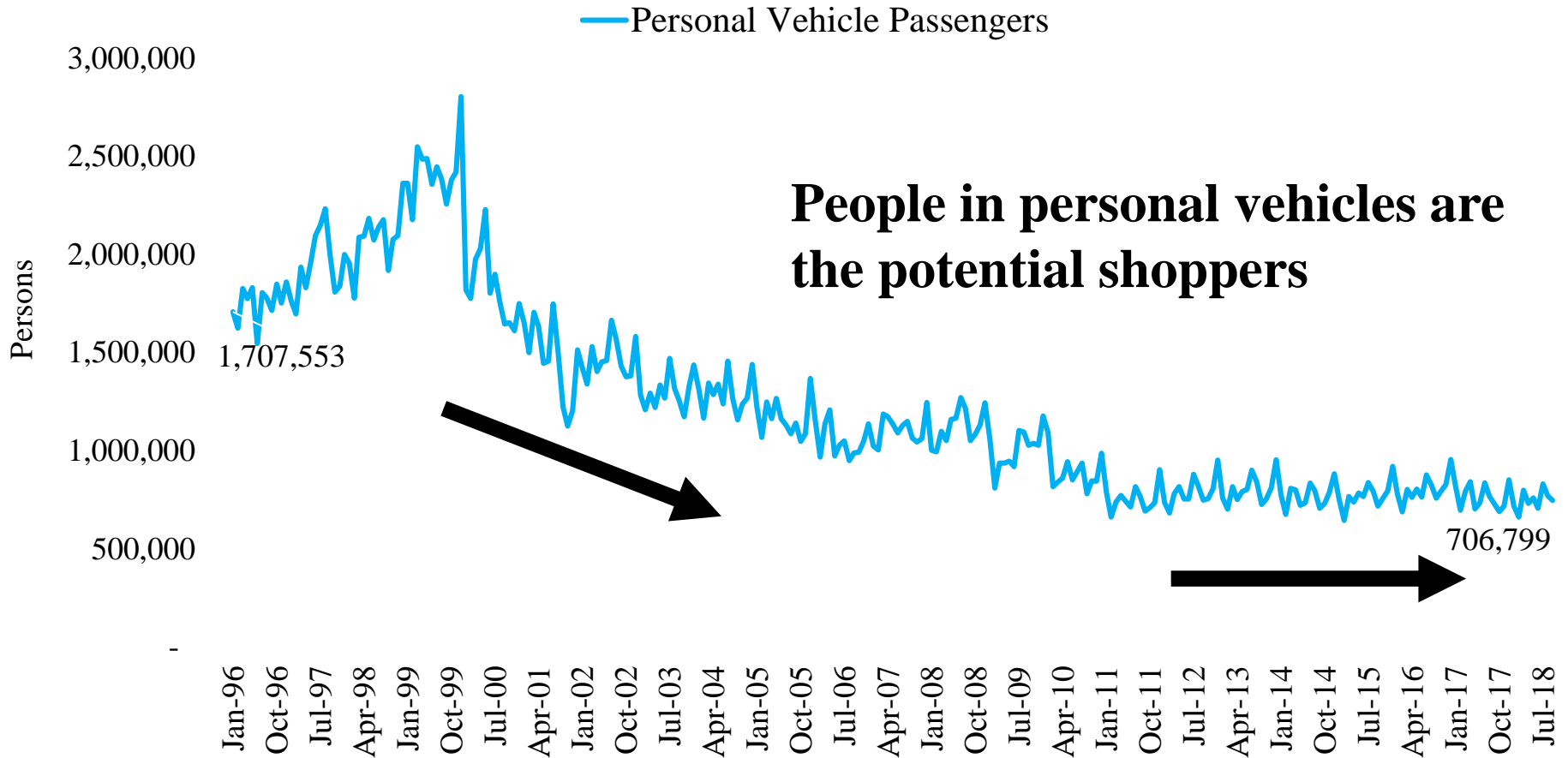
How many people has been crossing the Hidalgo Bridge every month in the last years?

People Crossing The Border, Hidalgo Bridge, 1996-2018



Source: Bureau of Transportation Statistics

People Crossing The Border, Hidalgo Bridge, 1996-2018



Source: Bureau of Transportation Statistics

- Passangers in Personal Vehicles are those who increase retail sales

**How many people cross the Hidalgo
Bridge every day?**

Any guess???

Hidalgo Bridge, 2017

	Pedestrians	Personal Vehicle Passengers
January	175,184	814,484
February	160,532	696,371
March	182,662	793,534
April	184,478	842,127
May	173,988	704,003
June	176,733	734,590
July	188,792	836,177
August	178,279	767,215
September	172,270	728,969
October	183,475	690,203
November	192,369	717,823
December	216,573	851,587

Brownsville+Progreso, 2017

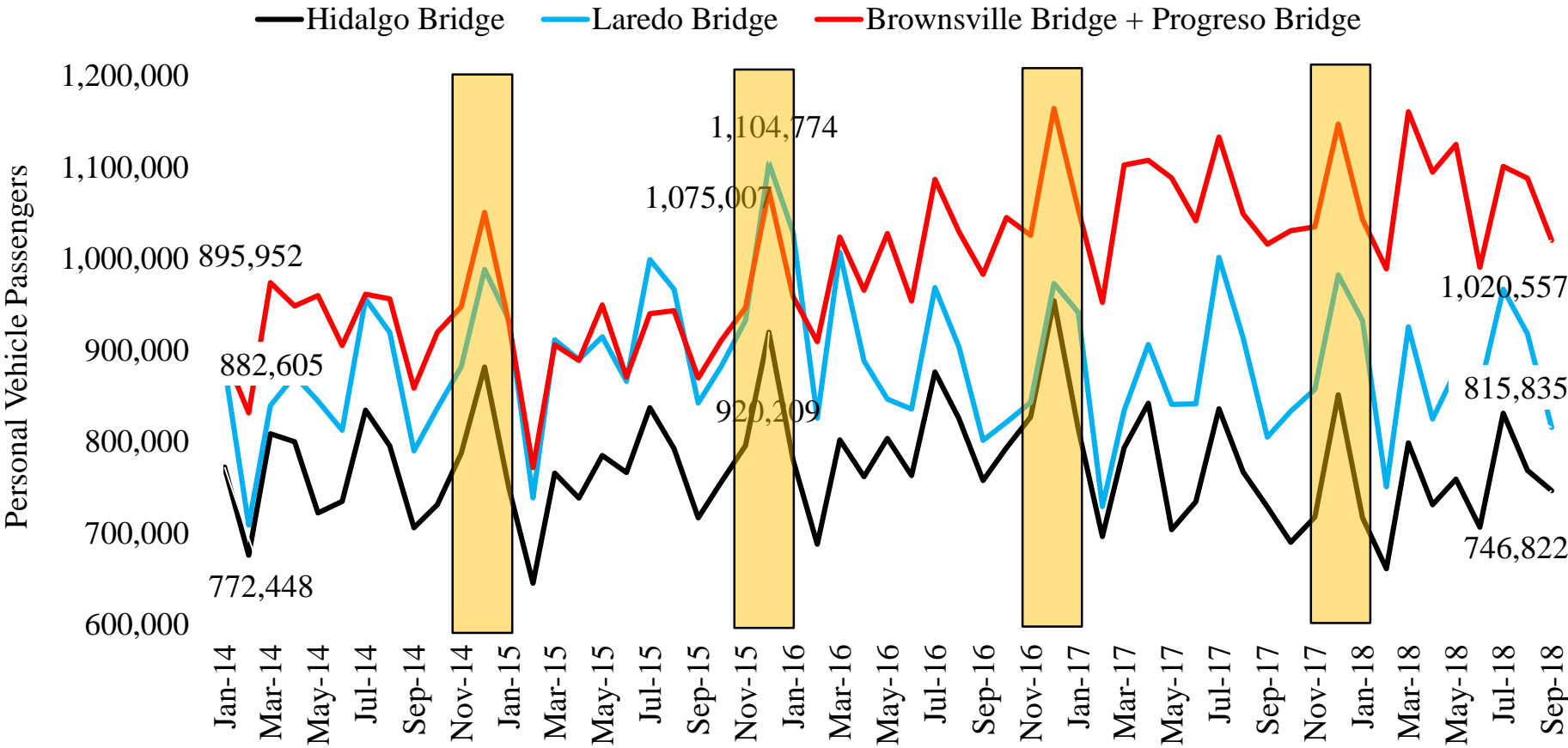
	Pedestrians	Personal Vehicle Passengers
January	221,876	1,054,279
February	199,236	952,661
March	236,982	1,102,743
April	238,506	1,107,857
May	236,351	1,088,724
June	227,148	1,041,747
July	226,348	1,133,528
August	232,586	1,049,214
September	226,763	1,016,157
October	236,512	1,030,929
November	240,302	1,035,253
December	239,209	1,147,577

Source: Bureau of Transportation Statistics

Source: Bureau of Transportation Statistics

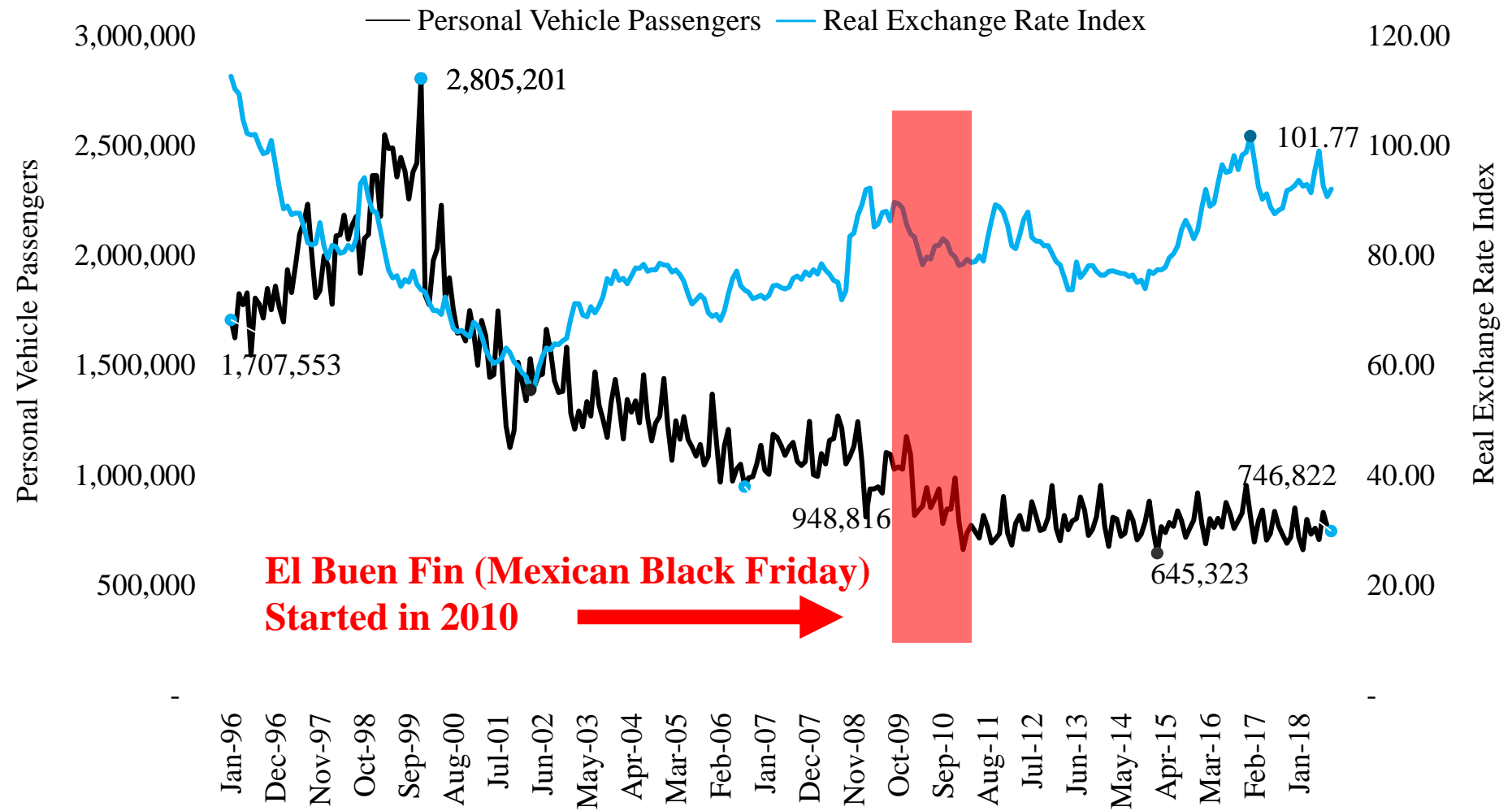
- Mexican pedestrians crossing Hidalgo Bridge per day oscillates among 5,350 and 7,219 passengers between 23,200 and 28,400.
- Mexican pedestrians crossing Progreso Bridge per day oscillates among 6,640 and 8,000 passengers between 31,755 and 38,252.

Passengers in Personal Vehicles, Hidalgo, Laredo and Brownsville and Progreso Bridges; 2014-2018



Source: Bureau of Transportation Statistics

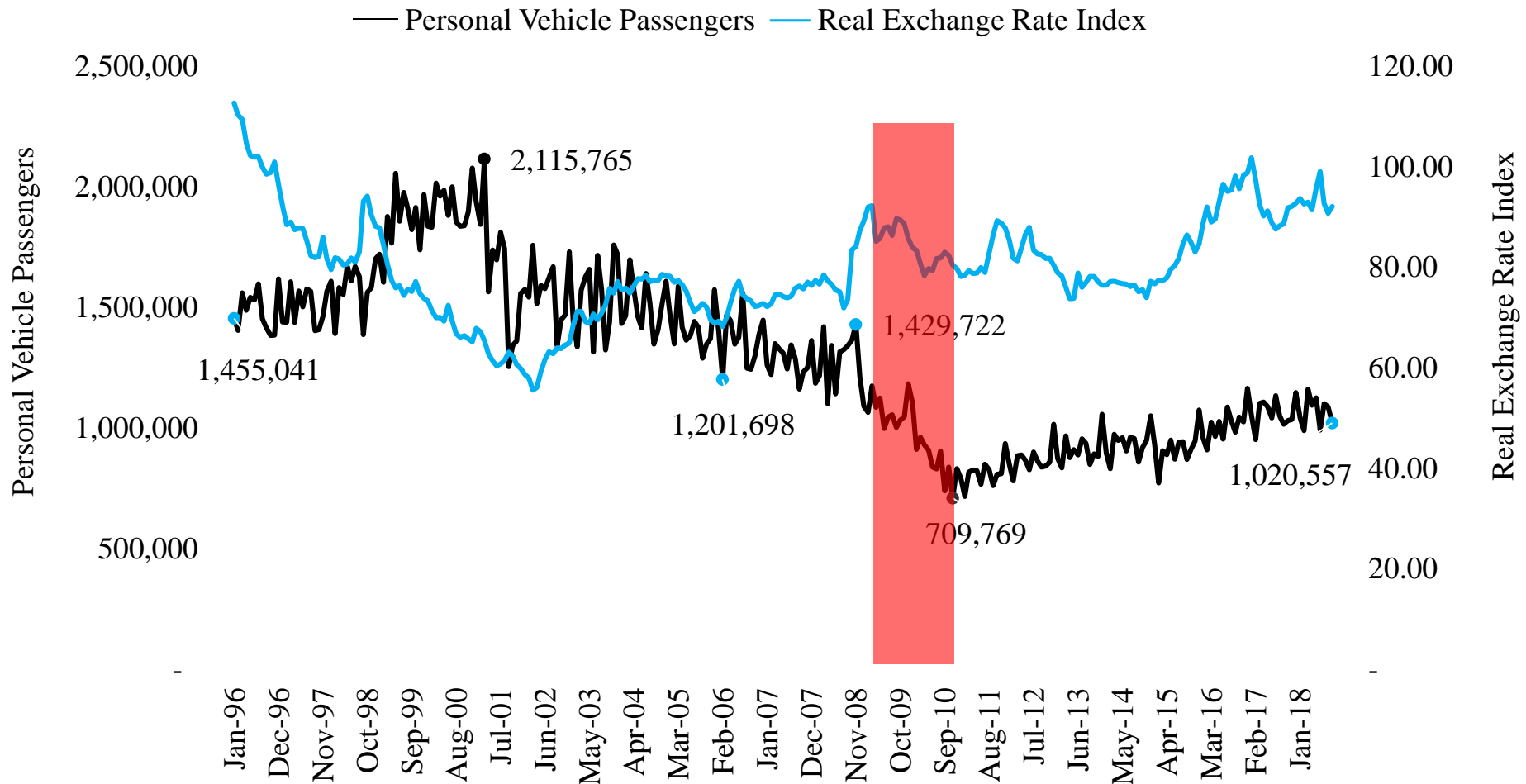
Personal Vehicle Passengers Flow vs. Real Exchange Rate Index, Hidalgo Bridge, 1996-2018



Source: Bureau of Transportation Statistics and Banxico

- Since 2002, there is a clear negative relationship between crossings and real exchange rate.

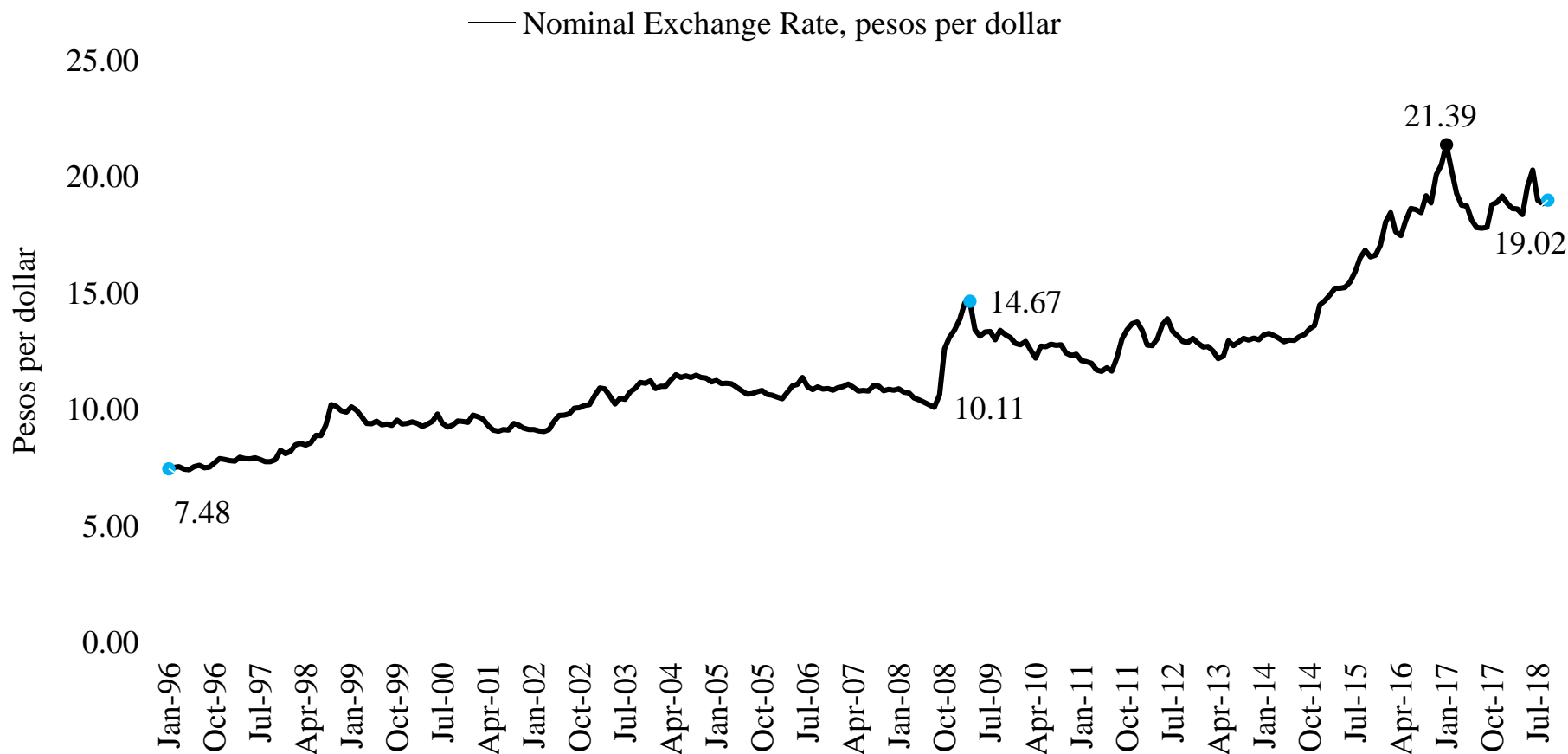
Personal Vehicle Passengers Flow vs. Real Exchange Rate Index, Brownsville Bridge and Progreso Bridge, 1996-2018



Source: Bureau of Transportation Statistics and Banxico

- Finally, for Brownsville an important decrease of the PVP can be seen after March of 2001. Comparing that to September of 2018, the PVP has decreased a little more than 50%.
- The negative relation with the RERI here is more obvious.

Nominal Exchange Rate, 1996-2018

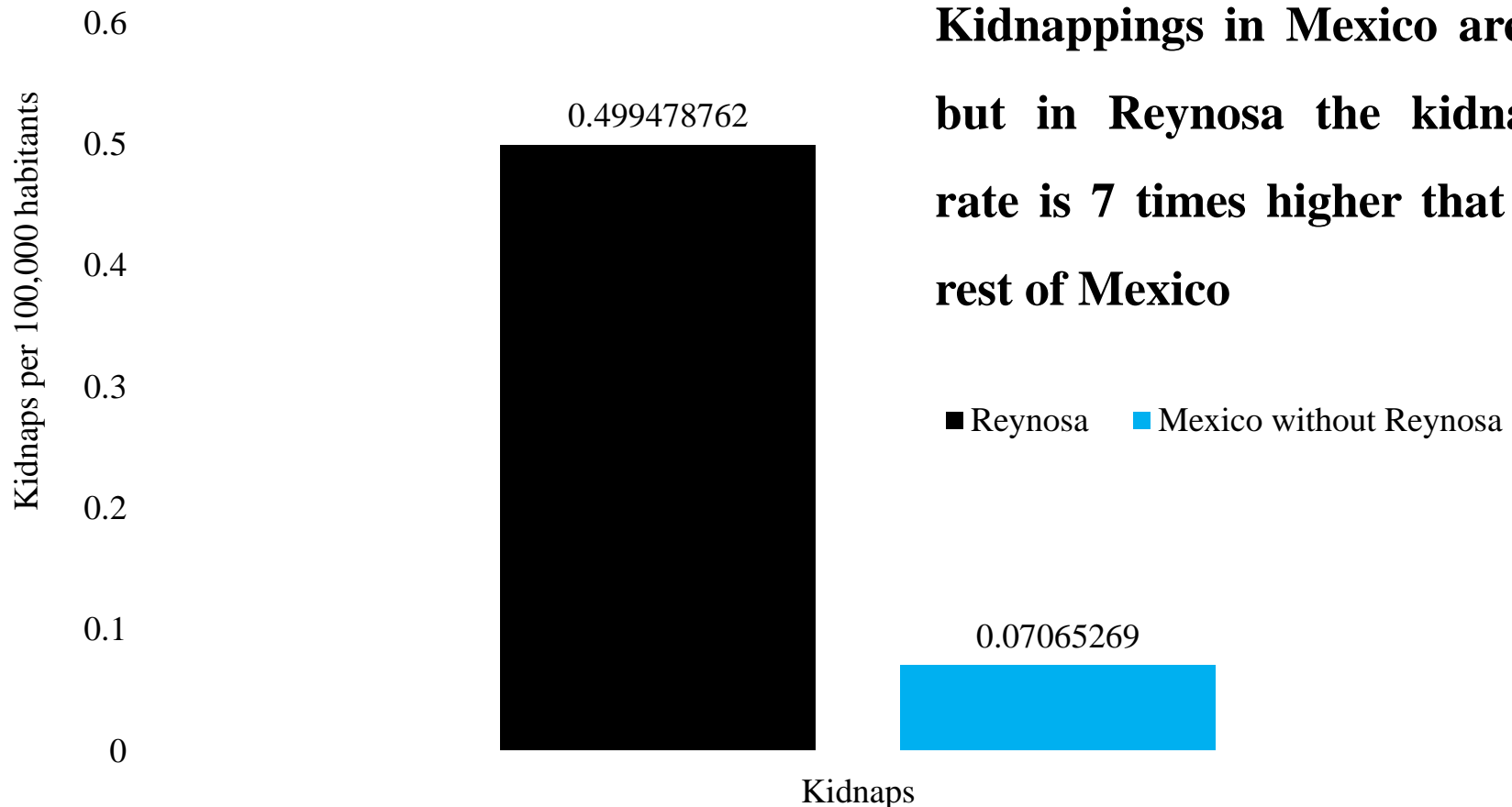


Source: Banxico

- For 2019, analyst consulted by Banxico forecast that the nominal exchange rate closing value for 2019 will be around \$19.80 pesos per dollar.

What about violence?

Average Monthly Kidnappings in Reynosa per 100,000 habitants, 2015-2018

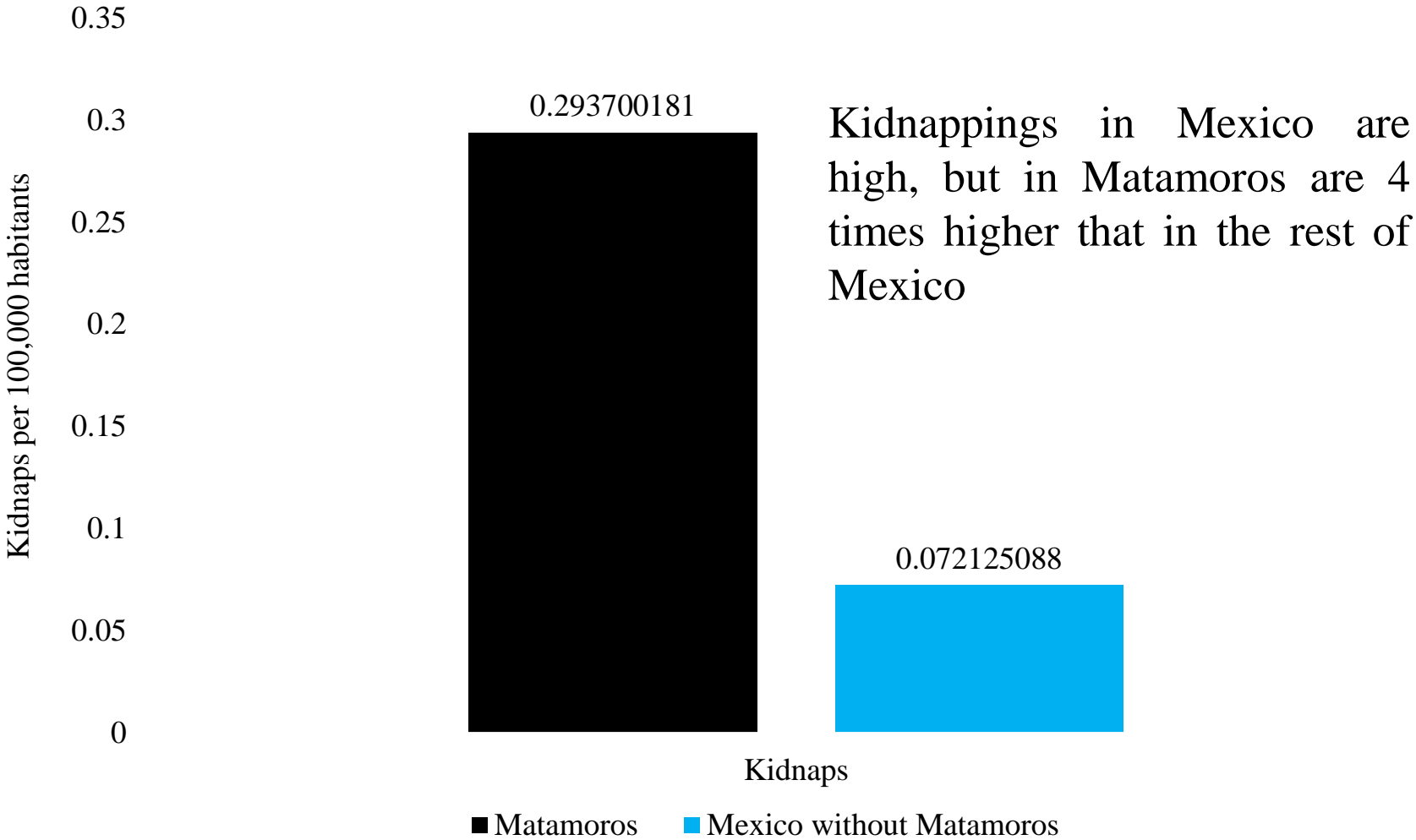


Kidnappings in Mexico are high, but in Reynosa the kidnapping rate is 7 times higher than in the rest of Mexico

Source: Mexico's Executive Secretary of the National System of Public Security

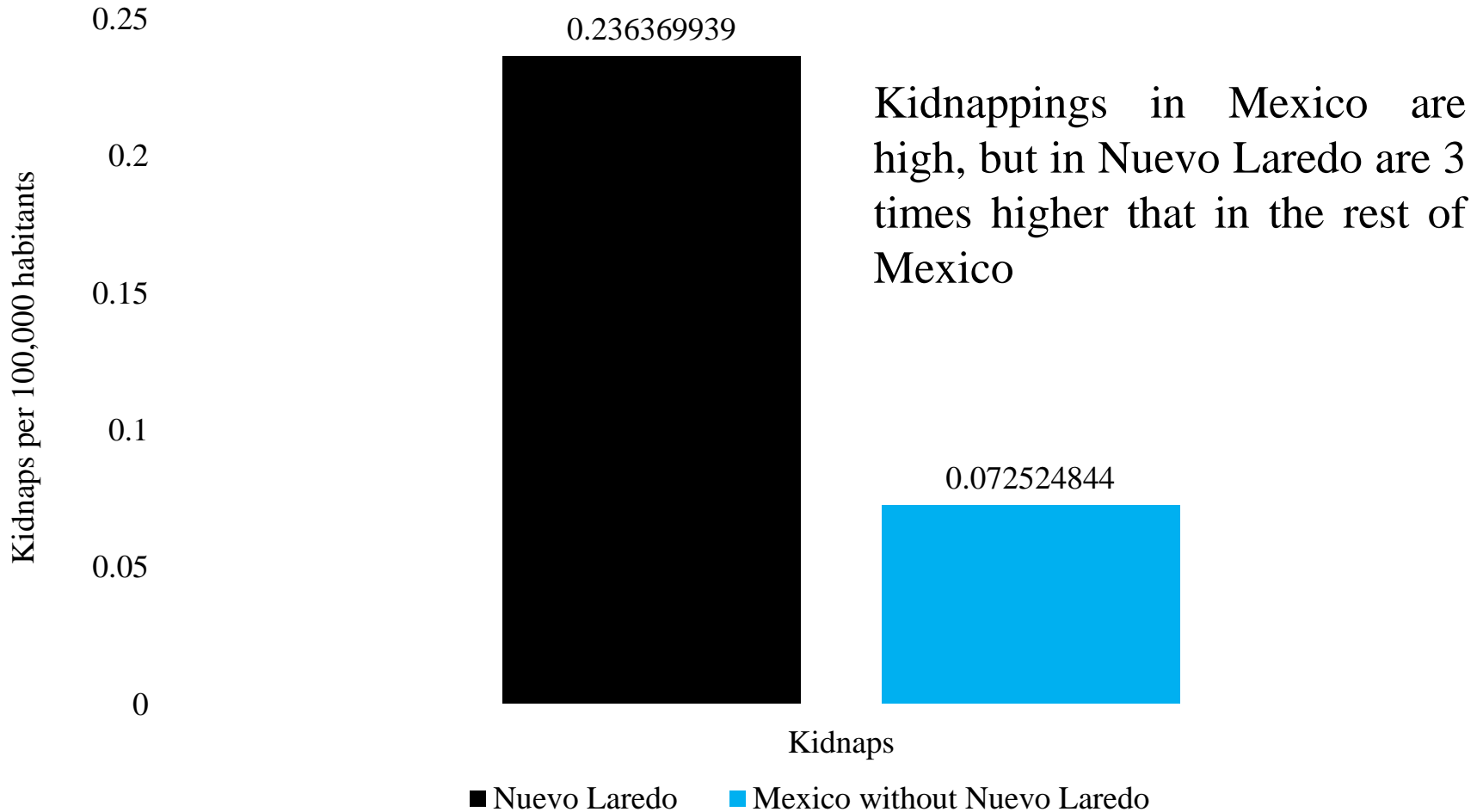
In Reynosa, there are around (4 kidnappings **REGISTERED) every month**

Average Kidnaps per 100,000 habitants, Matamoros vs. Rest of Mexico, 2015-2018



Source: Mexico's Executive Secretary of the National System of Public Security

Average Monthly Kidnaps per 100,000 habitants, Nuevo Laredo vs. Rest of Mexico, 2015-2018

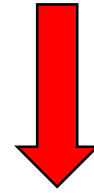


Source: Mexico's Executive Secretary of the National System of Public Security

**What about new economic policies
implemented by the new government?**

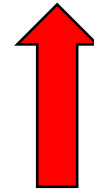
New Mexican Government Policies in the Border

1. Homologation in gas prices to compete with gas stations in the US.



Incentives to come to the RGV

2. Increasing 100% the minimum wage.



Incentives to come to the RGV

3. Reducing the personal income tax from 30% to 20% and the added-value tax from 16% to 8%.



Incentives to come to the RGV

Thank you!!!!

Questions?????

Eduardo Saucedo

EGADE Business School, Tecnológico de Monterrey

Garza García, Nuevo León, México

E-mail: eduardo.saucedo@tec.mx