



The Perryman Group | Feb 2024

The Economic Benefits of Texas-Mexico Trade

Trade between the United States and Mexico is crucial to both nations, and Texas has been the leading state for exports and imports between the two countries for decades. Through November, 2023 exports from Texas to Mexico totaled more than \$120 billion, with over \$132 billion in imports. Top exports include petroleum and coal products, computer and electronic products, chemicals, and transportation equipment. The largest import categories are transportation equipment, computer and electronic products, electrical equipment and appliances, and oil and gas.

In addition, complex supply chains are well developed, and components in numerous industries cross the border multiple times during the production process. Trade is beneficial to both countries, as comparative advantages with regard to costs, infrastructure, and

workforce can be tapped to improve overall efficiencies, competitiveness, and growth. Consequently, prosperity both north and south of the border is enhanced.

The Perryman Group has been analyzing US-Mexico trade for many years and has developed comprehensive systems to quantify the total economic benefits. Briefly stated, exports stimulate business activity in Texas to produce and transport the various goods. Imports generate downstream effects as they are transported and sold in retail outlets or used in additional production in Texas. There are also indirect effects throughout the supply chain and consumer impacts as wages earned across the production process are spent.

The Perryman Group estimates that trade between Texas and Mexico generates business activity across the United States of

The Economic Impact of Texas-Mexico Trade

| Region | Expenditures | Gross Product | Income | Employment |
|---------------|----------------|---------------|--------------|------------|
| Border Region | +\$55.556 b | +\$28.883 b | +\$17.780 b | +301,411 |
| Texas | +\$1,150.413 b | +\$471.447 b | +\$284.818 b | +3,627,283 |
| United States | +\$2,639.798 b | +\$998.666 b | +\$600.761 b | +8,117,203 |

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Notes: See page 3 for industry detail and page 4 for additional information on methods and assumptions used.

about \$998.7 billion in gross domestic product annually and more than 8.1 million jobs (including multiplier effects and based on 2023 trade levels). For Texas, the total benefits include an estimated \$471.4 billion in gross product and over 3.6 million jobs (again based on 2023 trade levels). Of the statewide total, the border region comprises \$28.9 billion in gross product and more than 301,000 jobs. About 25% of all activity

in the vast Texas economy is thus tied to interactions with Mexico.

With the current situation at the border and the State policy response, inefficiencies in the flow of imports and exports have arisen, causing notable economic losses. The Perryman Group found that the slowdowns arising during 2023 led to aggregate losses in the border region alone of an estimated -\$1.6

billion in output and about -16,750 jobs.

Mexico is now the top trading partner for the United States and has been perennially for Texas. By capitalizing on relative strengths, trade creates jobs and opportunities for both nations. The economic benefits are both enormous and expanding.

The Economic Impact of Trade-Related Losses on the Border Region Due to Inefficiencies Associated with the Border Situation

Results by industry

| Industry | Expenditures | Gross Product | Income | Employment |
|------------------------------|-------------------|-------------------|-------------------|----------------|
| Agriculture | -\$0.117 b | -\$0.031 b | -\$0.021 b | -266 |
| Mining | -\$0.046 b | -\$0.011 b | -\$0.005 b | -25 |
| Utilities | -\$0.076 b | -\$0.017 b | -\$0.008 b | -27 |
| Construction | -\$0.058 b | -\$0.031 b | -\$0.026 b | -294 |
| Manufacturing | -\$0.823 b | -\$0.285 b | -\$0.168 b | -2,033 |
| Wholesale Trade | -\$0.099 b | -\$0.067 b | -\$0.039 b | -357 |
| Retail Trade* | -\$0.862 b | -\$0.654 b | -\$0.381 b | -9,372 |
| Transportation & Warehousing | -\$0.327 b | -\$0.218 b | -\$0.144 b | -1,603 |
| Information | -\$0.045 b | -\$0.028 b | -\$0.012 b | -86 |
| Financial Activities* | -\$0.306 b | -\$0.073 b | -\$0.028 b | -229 |
| Business Services | -\$0.060 b | -\$0.036 b | -\$0.030 b | -293 |
| Health Services | -\$0.095 b | -\$0.066 b | -\$0.056 b | -756 |
| Other Services | -\$0.175 b | -\$0.089 b | -\$0.071 b | -1,414 |
| Total, All Industries | -\$3.088 b | -\$1.605 b | -\$0.988 b | -16,753 |

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Notes: Monetary values given in billions of 2023 US dollars. See page 4 for additional detail on the methods and assumptions used. Components may not sum due to rounding. Retail Trade includes Restaurants, Financial Activities includes Real Estate.

The Economic Impact of Texas-Mexico Trade

Results by region and industry

| | Expenditures | Gross Product | Income | Employment |
|------------------------------|----------------------|---------------------|---------------------|-------------------|
| BORDER REGION | | | | |
| Agriculture | +\$2.112 b | +\$0.563 b | +\$0.371 b | +4,783 |
| Mining | +\$0.830 b | +\$0.192 b | +\$0.092 b | +442 |
| Utilities | +\$1.371 b | +\$0.311 b | +\$0.136 b | +479 |
| Construction | +\$1.043 b | +\$0.561 b | +\$0.462 b | +5,296 |
| Manufacturing | +\$14.804 b | +\$5.124 b | +\$3.031 b | +36,574 |
| Wholesale Trade | +\$1.776 b | +\$1.202 b | +\$0.693 b | +6,420 |
| Retail Trade* | +\$15.500 b | +\$11.763 b | +\$6.862 b | +168,611 |
| Transportation & Warehousing | +\$5.878 b | +\$3.921 b | +\$2.593 b | +28,833 |
| Information | +\$0.806 b | +\$0.497 b | +\$0.212 b | +1,550 |
| Financial Activities* | +\$5.510 b | +\$1.310 b | +\$0.505 b | +4,117 |
| Business Services | +\$1.074 b | +\$0.651 b | +\$0.531 b | +5,272 |
| Health Services | +\$1.707 b | +\$1.193 b | +\$1.009 b | +13,597 |
| Other Services | +\$3.146 b | +\$1.596 b | +\$1.282 b | +25,438 |
| Total, All Industries | +\$55.556 b | +\$28.883 b | +\$17.780 b | +301,411 |
| STATE OF TEXAS | | | | |
| Agriculture | +\$24.173 b | +\$6.305 b | +\$4.192 b | +54,095 |
| Mining | +\$70.822 b | +\$15.962 b | +\$7.763 b | +35,206 |
| Utilities | +\$41.679 b | +\$9.220 b | +\$4.023 b | +14,261 |
| Construction | +\$18.820 b | +\$10.144 b | +\$8.359 b | +95,783 |
| Manufacturing | +\$548.978 b | +\$176.641 b | +\$104.619 b | +1,021,118 |
| Wholesale Trade | +\$73.471 b | +\$49.711 b | +\$28.664 b | +265,545 |
| Retail Trade* | +\$99.959 b | +\$74.824 b | +\$43.473 b | +1,090,738 |
| Transportation & Warehousing | +\$55.582 b | +\$35.289 b | +\$23.339 b | +259,471 |
| Information | +\$15.664 b | +\$9.665 b | +\$4.126 b | +30,152 |
| Financial Activities* | +\$106.012 b | +\$27.727 b | +\$10.463 b | +88,419 |
| Business Services | +\$29.959 b | +\$18.084 b | +\$14.752 b | +146,409 |
| Health Services | +\$22.979 b | +\$16.082 b | +\$13.597 b | +183,220 |
| Other Services | +\$42.316 b | +\$21.795 b | +\$17.449 b | +342,865 |
| Total, All Industries | +\$1150.413 b | +\$471.447 b | +\$284.818 b | +3,627,283 |
| UNITED STATES | | | | |
| Agriculture | +\$103.385 b | +\$24.897 b | +\$16.631 b | +226,811 |
| Mining | +\$118.274 b | +\$26.463 b | +\$13.646 b | +72,183 |
| Utilities | +\$106.972 b | +\$22.434 b | +\$9.790 b | +36,631 |
| Construction | +\$37.297 b | +\$19.028 b | +\$15.680 b | +189,662 |
| Manufacturing | +\$1283.594 b | +\$360.491 b | +\$208.523 b | +2,349,239 |
| Wholesale Trade | +\$203.219 b | +\$130.276 b | +\$75.118 b | +734,588 |
| Retail Trade* | +\$197.013 b | +\$139.654 b | +\$81.130 b | +2,149,872 |
| Transportation & Warehousing | +\$163.359 b | +\$100.021 b | +\$66.151 b | +776,301 |
| Information | +\$31.426 b | +\$18.358 b | +\$7.838 b | +60,458 |
| Financial Activities* | +\$205.318 b | +\$51.989 b | +\$20.158 b | +180,110 |
| Business Services | +\$59.085 b | +\$33.671 b | +\$27.467 b | +287,750 |
| Health Services | +\$44.792 b | +\$29.690 b | +\$25.103 b | +357,056 |
| Other Services | +\$86.063 b | +\$41.695 b | +\$33.527 b | +696,542 |
| Total, All Industries | +\$2639.798 b | +\$998.666 b | +\$600.761 b | +8,117,203 |

Source: US Multi-Regional Impact Assessment System, The Perryman Group

Notes: Monetary values given in billions of 2023 US dollars. See page 4 for additional detail on the methods and assumptions used. Components may not sum due to rounding. Retail Trade includes Restaurants, Financial Activities includes Real Estate.

METHODS AND ASSUMPTIONS

Any economic stimulus, whether positive or negative, generates multiplier effects throughout the economy. In this instance, the most recent Texas-Mexico trade data maintained by the US Census Bureau was utilized as inputs to the process. Exports stimulate business activity in Texas through production and transportation of various goods. Imports generate downstream effects as they are transported and sold in retail outlets or used in additional production in Texas. There are also indirect effects throughout the supply chain and consumer impacts as wages earned across the production process are spent.

The Perryman Group's US Multi-Regional Impact Assessment System was used to estimate the total (not only direct, but also indirect and in-

duced) effects of Texas-Mexico trade. The System was developed by the firm about 40 years ago and has been used in hundreds of analyses for clients ranging from major corporations to government agencies and has been peer reviewed on multiple occasions. It was used for modeling the effects of both the North American Free Trade Agreement (NAFTA) and the US-Mexico-Canada Agreement (USMCA). The impact system uses a variety of data (from surveys, industry information, and other sources) to describe the various goods and services (known as resources or inputs) required to produce another good/service. This dynamic process allows for estimation of the total economic impact (including multiplier effects) of Texas-Mexico trade as well as the costs of current

inefficiencies.

Total economic effects are quantified for key measures of business activity. Note that these are different ways of looking at the same economic effects; they are not additive. Total expenditures (or total spending) measures the dollars changing hands as a result of the economic stimulus. Gross product (or output) is production of goods and services that will come about or be foregone as a result of the activity. Personal income is dollars that end up in the hands of people in the area; the vast majority of this aggregate derives from the earnings of employees, but payments such as interest and rents are also included. Jobs are ongoing effects measured for a particular year.

THE PERRYMAN GROUP



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M. RAY PERRYMAN, PH.D.

Dr. Perryman is the President and CEO of the Perryman Group and Distinguished Professor of Economic Theory and Method at the International Institute for Advanced Studies. Over the past 40 years, Dr. Perryman has helped recruit corporations providing tens of thousands of jobs through economic development work, resolved billion-dollar legal issues, and revamped public policy through impact assessments and other studies. His firm has measured economic impacts for corporate locations and expansions involving billions in investments, and his economic forecasts are used by corporations and government agencies alike.



He has provided economic analysis and expert testimony for civil litigation across a wide range of practice areas including antitrust and competition, intellectual property disputes, securities, and commercial and complex litigation. His work combines strong expertise in economic damages calculation, asset valuation, market analysis, and statistical methods and econometrics.

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