

QUOTABLE: *“It looks like the regional economy is following the nation into a soft landing. Texas employment is forecasted to grow 1.7 to 2 percent in 2007.”*

—Pia Orrenius, Senior Economist

ENERGY: Oil, Gasoline Prices Rise from January Lows

After slipping to a 20-month low just above \$50 a barrel in the third week of January, prices for West Texas Intermediate crude oil climbed back above \$60 in March.

Several factors contributed to the rebound. World consumption is extremely insensitive to price in the short run, which means that small changes in the perceived balance of supply and demand can lead to large swings in market prices.

In addition, demand proved robust as cold weather pushed up heating oil consumption, and U.S. gasoline demand was unseasonably high.

On the supply side, growth of non-OPEC output was less than anticipated. Geopolitical tension and Venezuela's

nationalization of foreign oil interests raised concerns about the security of supplies.

Retail gasoline prices increased about 50 cents a gallon from early January to a national average of \$2.65 in late March. Spot and futures prices point to further increases—perhaps 10 cents over the next few weeks.

Rising crude oil prices account for about 70 percent of the gain. The remaining 30 percent represents the spread between gasoline and crude oil prices that occurs before the spring and early summer's increase in demand. The seasonal rise arrived six to eight weeks early this year.

Gasoline futures markets suggest pump prices won't hit last summer's high of more than \$3 a gallon.

—Stephen P. A. Brown

THE BORDER: Laredo's Warehousing Sector May Face Challenges

Nearly half of all land-borne trade between the U.S. and Mexico goes across Laredo's international bridges.

The heavy cross-border flow of goods has shaped the city's economy. Unlike El Paso and McAllen, which rely heavily on maquiladora activity on the Mexican side, Laredo is tied more to the transportation and warehousing sector.

Indeed, Laredo's share of employment in the transportation and warehousing sector is five times larger than the national average.

Now, Mexico and the U.S. have changed the rules. In February, the two countries launched a program under which U.S. officials will inspect incoming trucks on the Mexican side

of the border. The Mexican trucks will then be allowed to travel into U.S. territory beyond the border region.

Open transport was contemplated under the North American Free Trade Agreement of 1994, but U.S. regulations delayed its implementation. The ability of Mexican trucks to travel into the U.S. reduces importers' logistics costs, but it also diminishes the need for warehouse facilities to store goods along the border until they're picked up by U.S. trucks.

Increasing trade and a stable peso have made Laredo one of the border region's most dynamic local economies. The transportation and warehousing sector will be diminished if fewer Mexican trucks unload cargo in Laredo.

—José Joaquín López

SAN ANTONIO: Production Begins for Toyota Pickup Trucks

With much fanfare, Toyota announced in December 2002 that San Antonio would be home to its U.S. plant producing the full-size Tundra pickup truck.

The \$1.3 billion, 2,000-acre manufacturing facility started operations in November, with an annual capacity of 200,000 Tundras, about a tenth of the Japanese automaker's projected U.S. output for 2008. Toyota's San Antonio operation employs nearly 2,000 workers.

In addition to the Toyota plant itself, San Antonio's economy gained an estimated 2,100 jobs with suppliers of seats, fuel tanks, stamped parts, glass and exhaust systems.

The result has been a record year for manufacturing jobs

in San Antonio. Overall, the metropolitan area's factory employment rose by 3,100 last year, or 6.5 percent, the best showing under the present data-classification system, which began in 1990.

San Antonio-produced Tundras arrived in showrooms in February. Because of high and volatile gasoline prices, the Tundra's North American sales declined 16 percent last year, to 124,508. As the San Antonio plant increases supply this year, a major marketing campaign and the prospect of more stable fuel prices are expected to increase sales.

—Keith R. Phillips