



# COMMERCE NATIONAL BANK

## The Bryan-College Station Economic Index August 2012

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October 8, 2012

The B-CS Economic Index as of August 2012 has now been on the rise for a full year; the index increased in August for the 12<sup>th</sup> straight month rising to 123.9 up from 123.2 in July, and up 4.9% from the August 2011 index of 118.2. A rising B-CS Economic Index over time means general economic improvement; indeed that has been the case in the metro area, and the numbers on the data table generally bear out that assumption with the important exception of the payroll employment data.

The general spending numbers for the month were down just slightly compared to year-ago numbers, though the overall trend is clearly higher in 2012; the payroll employment data is generally weak thus far in 2012, but the unemployment rate is steadily on the decline. Generally speaking, all areas of the B-CS economy other than employment are fueling growth in the index, and those improvements do represent an overall expansion of the B-CS metro area economy.

The *concurrent* trends in two important sectors of the local economy best represent its current condition, and these are general consumer spending (as represented by inflation-adjusted retail spending), and the metro area's employment situation as represented by payroll employment and the unemployment rate.

- General taxable spending per monthly sales tax receipts in Bryan and College Station (adjusted for inflation) in August was down just slightly compared to year-ago levels; however, that may well be simply some random volatility in the numbers (for which this particular set of numbers is well-known). On balance, general real spending (as measured by inflation-adjusted taxable spending) has improved steadily thus far in 2012 and is up by close to 4% for the year-to-date.
- Payroll employment estimates returned to negative year-over-year territory in August, down by 1.3% compared to August of a year ago (the loss of an estimated 1,200 jobs over the last 12 months. The private sector added a modest 200 jobs over that period of time, but the public (government) sector lost an estimated 1,400 jobs. The payroll employment estimates must be taken at face value – simply put, there are no other estimates available. But it is possible that job growth is occurring that has not yet been accounted for. If that is the case, the estimates will begin to reflect that growth sooner or later, possibly with the annual data revision process in early 2013. It just seems unlikely that strong growth is occurring in other more directly measured sectors of the B-CS economy with little or no job growth. The expectation is that continued economic recovery as reflected in general spending, construction, housing, and so on will ultimately lead to employment growth; and again, general spending and employment do not typically move in opposite directions for any sustained period of time.
- The unemployment rate is solidly lower compared to year-ago levels, however, and continues to decline steadily with each passing month. Continued economic recovery as reflected in general spending, construction, housing, and so on will ultimately lead to employment growth; and again, general spending and employment do not typically move in opposite directions for any sustained period of time.

Auto sales in the metro area remain in impressive growth territory with inflation-adjusted spending on new and used automobiles up by over 9% compared to August of a year ago, which in turn was up by about 25% compared to the prior year. For the year-to-date, real auto spending is up by over 16% compared to the first eight months of 2011.

The August building permit valuation total was up by some 47% compared to August of a year ago; however, the August 2011 total was abnormally low (down by close to 70% compared to the prior year),

and the August 2012 total was the second-lowest since 2004. On balance, however, construction activity remains solidly higher in 2012 with year-to-date permit valuations up by over 20% compared to the YTD through August period in 2011.

The same is true of housing construction in the B-CS metro area; the number of new single-family residence permits is up compared to year-ago numbers, but the year-ago (August) numbers were low, and the monthly total remains lower compared to virtually all of the history of the B-CS Economic Index dating back to 2000. Still, the numbers represent some measure of recovery compared to last year's low totals, and the number of permits issued thus far in 2012 is up by over 30% year-over-year.

Existing home sales jumped upward in August, posting the highest August monthly total since 2007 and the third-highest in the history of the index. The monthly average sale price was up by nearly 16% compared to August of a year ago, and is easily a record nominal (unadjusted for inflation) average price for the month of August. The year-to-date average is up a sharp 6% compared to the January-August 2011 period, and the trends thus far in 2012 represent a significant strengthening of the B-CS residential real estate market.



**ECONOMIC INDICATORS**

	BASE YEAR 2000	LAST YEAR 2011	THIS YEAR 2012	% Change 2011 - 2012
August 2012				
Retail Sales (Per Sales Tax Rebate - August) *	\$ 131,371,762	\$ 157,869,661	\$ 156,071,461	-1.1%
Retail Sales (Year-To-Date) *	\$ 981,951,803	\$ 1,163,305,604	\$ 1,207,823,354	3.8%
Automobile Sales (Dollars Spent on Auto Purchases - August) *	\$ 22,017,065	\$ 29,335,238	\$ 32,001,934	9.1%
Automobile Sales (YTD) *	\$ 155,929,762	\$ 200,501,437	\$ 233,077,240	16.2%
Hotel/Motel Tax Receipts (YTD)	\$ 1,273,607	\$ 2,499,335	\$ 2,644,307	5.8%
Airline Enplanements (Aug)	7,376	5,197	5,667	9.0%
Airline Enplanements (YTD)	59,387	44,087	43,672	-0.9%
Value All Construction (Aug)	\$ 19,884,789	\$ 10,481,789	\$ 15,442,525	47.3%
Value All Construction (YTD)	\$ 164,037,604	\$ 194,035,400	\$ 233,372,052	20.3%
Single-Family Housing Permits (Aug)	43	21	35	66.7%
Single-Family Housing Permits (YTD)	508	430	568	32.1%
Number of Home Sales (Aug)	176	196	296	51.0%
Number of Home Sales (YTD)	1,032	1,505	1,756	16.7%
Average Home Sale Price (Aug)	\$ 116,600	\$ 161,567	\$ 187,324	15.9%
Average Home Sale Price (YTD)	\$ 114,013	\$ 167,856	\$ 178,156	6.1%
<b>EMPLOYMENT</b>				
Wage & Salary Employment (Aug)	79,800	94,200	93,000	-1.3%
Wage & Salary Employment (YTD Avg)	81,050	96,325	95,713	-0.6%
Unemployment Rate (Aug)	4.1	7.1	6.3	-11.3%
Unemployment Rate (YTD Avg)	4.1	6.8	6.1	-10.3%
<b>INDEX - August (Base = 100 January 2000)</b>	<b>102.2</b>	<b>118.2</b>	<b>123.9</b>	<b>4.9%</b>

\* Adjusted for inflation by restating in year 2000 dollars



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## The B-CS Economic Index January 2000 - August 2012

