



# COMMERCE NATIONAL BANK

## The Bryan-College Station Economic Index May 2012

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June 28, 2012

The B-CS Economic Index enjoyed another significant monthly increase in May, rising to 122.5 up from 124.7 in April (revised upward from 124.5 due to an upward revision in the April payroll employment estimate, and in the April housing construction data), and up 4.0% from the May 2011 B-CS Economic Index of 117.8.

A number of local economic indicators were sharply improved in May compared to year-ago levels, helping to push the index higher; general real spending growth is solid, but the employment data continues to reflect a puzzling weakness.

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) continues to reflect steady improvement with real spending per May sales tax receipts up by 5.3% compared to May of a year ago, and the year-to-date total up by 4.1% compared to the first five months of 2011. The monthly totals remain in excess of all prior levels, including pre-recession 2008 (and early 2009); the year-to-date total remains only slightly behind the pre-recession peak, but of course, if the monthly 2012 totals remain higher, that gap will close in a few months, and indeed the gap continues to narrow with each passing month.
- Public sector employment loss is pulling B-CS employment below year-ago levels with the loss of 1,300 government jobs over the last 12 months, according to the estimates for May. The private sector added a modest 300 jobs over that period of time, but the metro area dropped a net 1,000 jobs. "State Government" appears to be the culprit, losing 1,100 jobs over the last 12 months. University employment falls in the state government employment sector, though the data is intentionally unrevealing about exactly where jobs are gained or lost.

Auto spending in B-CS was up a whopping 40% in May compared to May of last year, easily the highest May total for any year on record. Year-to-date real (inflation-adjusted) auto spending is up by nearly 25% compared to year-ago levels, and is also well into record territory at this point.

A \$28 million permit for a medical building in the metro area helped to push the monthly building permit total for Bryan and College Station to a 77% increase over May of last year. The year-to-date total is up by about 28%. The construction sector is faring well in 2012, though permit valuation totals remain considerably below the huge numbers posted in 2007 and 2008.

The single-family housing total for April was revised upward from its already high number, making the permit total for April nearly double the April 2011 total. May housing construction permits were off by 5.6% compared to May of last year, but for the year-to-date, about 40% more permits have been issued for new residential construction compared to the January-May 2011 period.

Existing home sales were up by over 20% for the third time out of five months thus far in 2012. The number of closed sales was up by 23.5% in May, year-over-year, and the total for the year-to-date is up by some 12%. Prices just continue to climb – the May monthly average is up nearly 4% compared to May 2011, and thus far in 2012, the average home sale price is up by a stout 5.6%.

The month of May brought with it some turmoil in terms of news and results on the US and global economic fronts. The European debt crisis weighed heavily on European economies, and in fact, Great Britain announced in May that the country's economy had slipped back into recession. Concerns also increased greatly in May about a significant slowdown in Asian economies. In the US, the May monthly employment report was disappointingly and unexpectedly weak in terms of payroll employment growth, and the seasonally adjusted national unemployment rate actually increased from April to May for the first time since the third quarter 2011. The stock market gave back all of its gains for the year in May, and just like that, general optimism about the US economy for the balance of 2012 turned to increasing pessimism about the condition of the economy in the short term.

One month of bad news does not make a trend any more than a single month of great news. But it does point to the fact that the US and global economies have yet to move beyond the effects of the recession of 2008-2009. And that matters in B-CS because the state and local metro economies are virtually always affected by trends at the broader levels, good or bad. So, local numbers simply bear watching closely with each passing month for evidence of a slowdown.





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

