



COMMERCE NATIONAL BANK

The Bryan-College Station Economic Index

June/2nd Quarter 2012

July 31, 2012

The B-CS Economic Index increased from May to June by only 1/10 of a point, but that marks the 10th straight month-to-month increase in the index. The B-CS Economic Index improved to 122.6 in June up from 122.5 in May, and up 3.8% from the June 2011 index of 118.1. The index expanded over the course of the 2nd quarter by 1.4%, and by 2.5% in the first six months of 2012. The B-CS Economic Index remains down by some 4.0% compared to its peak level achieved in December 2008.

Growth in the index reflects general economic improvement, of course, and that improvement is largely driven by spending increases, improvement in the housing sector (both existing home sales and new housing construction), and a declining unemployment rate. Payroll employment growth remains flat midway through 2012.

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) improved significantly in the 2nd quarter compared to year-ago levels, increasing by 6.1% year-over-year. For the year-to-date, general real spending is up by 4% compared to the first six months of 2011. Only as of the 2nd quarter did this important economic indicator surpass its pre-recession peak – the 2nd quarter total was higher compared to the previous peak in the 2nd quarter 2008. The year-to-date total and the moving 12-month average remain down compared to the prior peaks, but the gap continues to narrow as the sector improves.
- Payroll employment in the metro area remains slightly down compared to year-ago levels, with the government sector shedding jobs over the last 12 months, and private sector employment growth remaining generally sluggish. The unemployment rate continues its steady descent, however, and frankly there appears to be no reason the metro area is not adding jobs at this point, so hopefully that is not far off.

Auto spending in B-CS remains strong through the 2nd quarter of 2012 with inflation-adjusted spending on new and used automobiles up by over 17% for the quarter compared to the same period in 2011. For the year-to-date, real auto spending is up by 20% compared to the first six months of a year ago, and again by every measure has recovered from the deep declines of 2009.

Building permits issued in the 2nd quarter trailed permit valuations of a year ago by 13%, and are slightly negative for the year-to-date compared to the first six months of 2011. Permit totals in the 2nd quarter of 2010 and 2011 were extraordinarily high; on balance, construction activity thus far in 2012 is actually faring quite well compared to the more normalized history in this sector.

The number of new housing construction permits issued in the quarter was the highest 2nd quarter total since 2007, and was up by some 28% compared to the 2nd quarter of 2011. The year-to-date total is up by nearly 30% compared to the first six months of 2011, and is also the highest January-June total since 2007.

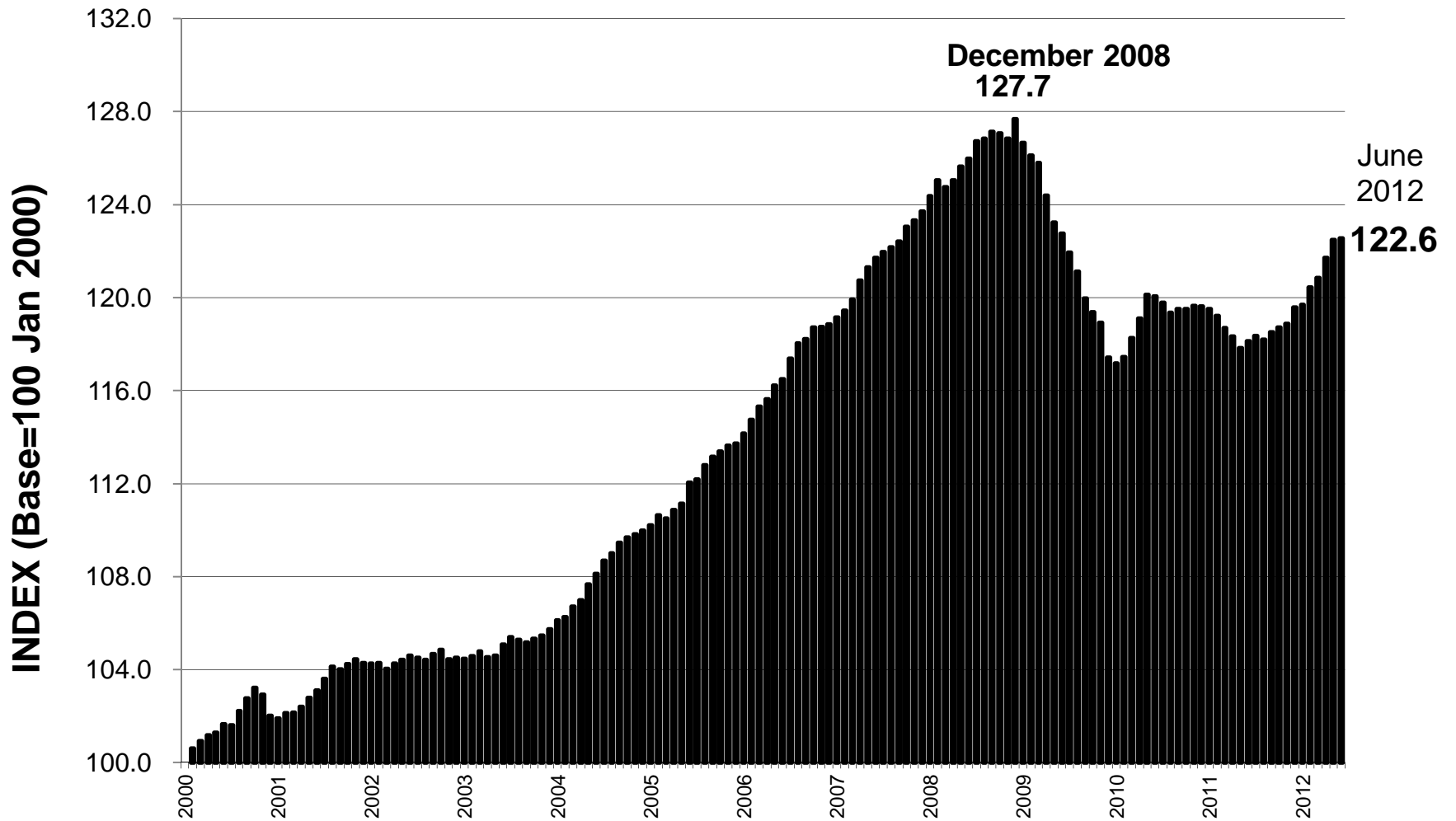
Existing home sales are improved compared to year-ago levels as well, with the number of closed sales up by over 10% for the quarter, and about 9.7% for the year-to-date. Prices continue to move steadily upward with the 2nd quarter average up by over 4% compared to the 2nd quarter 2011, and the year-to-date average sale price up by 4.7% compared to the average for the first six months of a year ago.

The Bryan-College Station general economy has clearly improved in terms of growth and recovery thus far in 2012, and in fact, stronger employment growth is the remaining core piece of the puzzle yet to fall into place. And again, there seems to be little reason the economy is not presently adding jobs, which suggests that we can reasonably expect employment growth to improve over the balance of 2012, along with the B-CS general economy as a whole. It certainly says something about the local economy that index growth has been achieved over the last year with little or no upside support from payroll employment growth.



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The B-CS Economic Index January 2000 - June 2012



The Bryan-College Station Economy



ECONOMIC INDICATORS

June/2nd Quarter 2012

	BASE YEAR 2000	LAST YEAR 2011	THIS YEAR 2012	% Change 2011 - 2012
Retail Sales (2nd Qtr - \$000's Per Sales Tax Rebate in 2000\$)	\$ 353,087,149	\$ 422,434,763	\$ 448,345,228	6.1%
Retail Sales (Year-to-date)	\$ 737,838,691	\$ 877,107,566	\$ 912,540,500	4.0%
Automobile Sales (Dollars Spent on Auto Purchases - \$000's 2nd Qtr in 2000\$)	\$ 57,702,856	\$ 74,592,055	\$ 87,369,143	17.1%
Automobile Sales (YTD)	\$ 115,240,940	\$ 144,280,836	\$ 173,083,858	20.0%
Hotel/Motel Tax Receipts (YTD)	\$ 946,808	\$ 1,744,715	\$ 1,900,583	8.9%
Airline Enplanements (2nd Qtr)	23,029	17,609	16,676	-5.3%
Airline Enplanements (YTD)	45,078	33,356	32,424	-2.8%
Value All Construction (2nd Qtr)	\$ 48,383,513	\$ 109,695,238	\$ 98,878,865	-9.9%
Value All Construction (YTD)	\$ 102,538,891	\$ 169,154,598	\$ 168,284,752	-0.5%
Single-Family Housing Permits (2nd Qtr)	195	211	270	28.0%
Single-Family Housing Permits (YTD)	415	368	475	29.1%
Number of Home Sales (2nd Qtr)	458	708	780	10.2%
Number of Home Sales (YTD)	696	1,065	1,168	9.7%
Average Home Sale Price (2nd Qtr)	\$ 113,581	\$ 169,146	\$ 176,153	4.1%
Average Home Sale Price (YTD)	\$ 112,838	\$ 167,150	\$ 175,057	4.7%
EMPLOYMENT				
Wage & Salary Employment (June)	78,300	94,900	94,800	-0.1%
Wage & Salary Employment (YTD Avg)	81,583	97,000	96,367	-0.7%
Unemployment Rate (June)	4.6	7.6	6.8	-10.5%
Unemployment Rate (YTD Avg)	4.0	6.6	5.9	-9.9%
INDEX - June (Base = 100 January 2000)	101.6	118.1	122.6	3.8%