



COMMERCE NATIONAL BANK

The Bryan-College Station Economic Index February 2013

April 3, 2013

The B-CS Economic Index has continued to improve in 2013 increasing to 125.4 in February, up from 125.0 in January, and up 4.4% from the February 2012 index of 120.1. Continued solid general spending numbers, widening margins of employment growth, and continued declines in the unemployment rate are helping to grow the B-CS Economic Index in early 2013, with mixed results in other sectors of the 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 February sales tax receipts was up by a solid 4.2% compared to February of a year ago, pulling the January-February total to 3.7% improved over the first two months of 2012. And importantly, that two-month total represents a record for that time period, and that matters because the general spending sector again is only just now in the process of fully recovering from the recession-induced declines beginning in 2009.
- Payroll employment has continued to improve early on in 2013 under the new benchmarks; the February estimate is up by some 2.7% (the addition of about 2,600 jobs) compared to the February 2011 revised estimate. That 2.7% represents the largest margin of year-over-year employment growth since early 2009 just prior to the onset of sustained declines in employment, again as a result of the oncoming recession. Current employment is also at a record level – this is the highest number of payroll jobs ever recorded in the B-CS metro area under the current set of historical benchmarks.

At first glance the auto sales total appears merely flat in February compared to February of a year ago; however, the February 2012 inflation-adjusted auto sales total was up by a whopping 43% compared to February of the prior year, and the February 2013 sales total has remained on par with that high level, so the sector continues to power through new record territory moving into 2013.

The region is clearly blessed with visitors from beyond so far this year; passenger enplanements at the regional airport are up by over 17% year-over-year, and hotel/motel tax receipts are up by over 50% thus far in calendar year 2013. (A portion of those tax receipts were from lodging that occurred in prior periods – still, they represent hotel/motel activity and should be factored into the index as such.)

Construction activity per building permit valuation totals was down in February compared to a strong February in 2012, and the permit total for the first two months of the year is down by over 20% compared to the year-to-date through February 2012 total. That represents the lowest January-February total in B-CS since 2009. The number of new housing construction permits was down by about 5% in February compared to February of a year ago – however, the February 2011 total was nearly double the February 2011 total. Home building improved sharply in 2012 compared to 2011, and housing construction continues to fare reasonably well according to permit numbers in early 2013.

Housing activity in February was essentially level with February 2012 numbers in terms of closed sales (and the February 2012 sales total was up by well over 20% compared to February of the prior year). For the year-to-date, housing sales are up by over 11%, and the 266 closed sales thus far in 2013 equals the prior record for that two month period, which occurred in January-February 2007. The monthly average price was down by about 5% year-over-year in February, but the average for the first two months of the year is up by just over 2%.

The February 2013 B-CS Economic Index of 125.4 is down by only about 1.6% compared to the prior index peak of 127.4 achieved in December 2008 in advance of the recession of 2009. The index will almost certainly surpass that pinnacle in the coming months, marking the full return of aggregate economic activity to pre-recession peak levels and beyond. That does not necessarily mean all local economic indicators used to calculate the index will have moved beyond prior peak levels (total construction and housing construction, for example), simply that overall economic activity as measured by the index will have fully recovered, marking a new round of economic growth in the metro area.

It certainly does mean that the mainstay local economic indicators of general real spending and employment will have fully recovered, and indeed they have done so at this point. The expectation is that these important local economic indicators will continue to improve in 2013, and that the unemployment rate will continue to come down. The residential real estate market is in the process of returning to pre-recession levels, and the expectation is that the housing market in B-CS will continue to fare well in the coming year in terms of sales, prices, and the total dollar volume of activity.

The primary threat to continued recovery in the B-CS economy would be a new round of recession at the national and state levels, and that seems increasingly unlikely at this point. Beyond that, there is simply little to suggest the B-CS general economy will not be a growth economy when all is said and done in 2013.



The B-CS Economic Index
ECONOMIC INDICATORS
February 2013

	BASE YEAR 2000	LAST YEAR 2012	THIS YEAR 2013	% Change 2012 - 2013
Retail Sales (February - Per Sales Tax Rebate in 2000\$) *	\$ 157,565,924	\$ 185,643,336	\$ 193,348,915	4.2%
Retail Sales (Year-to-date) *	\$ 267,688,724	\$ 326,397,037	\$ 338,330,721	3.7%
Automobile Sales (Dollars Spent on Auto Purchases - February in 2000\$) *	\$ 18,549,962	\$ 28,555,501	\$ 28,581,926	0.1%
Automobile Sales (YTD) *	\$ 36,319,050	\$ 55,268,875	\$ 60,311,469	9.1%
Hotel/Motel Tax Receipts (YTD)	\$ 246,632	\$ 564,001	\$ 863,916	53.2%
Airline Enplanements (February)	6,901	4,967	5,837	17.5%
Airline Enplanements (YTD)	13,621	9,738	10,768	10.6%
Value All Construction (February)	\$ 20,232,073	\$ 36,074,250	\$ 22,191,522	-38.5%
Value All Construction (YTD)	\$ 38,586,964	\$ 49,217,928	\$ 38,806,666	-21.2%
Single-Family Housing Permits (February)	88	81	77	-4.9%
Single-Family Housing Permits (YTD)	133	120	118	-1.7%
Number of Home Sales (February)	69	124	125	0.8%
Number of Home Sales (YTD)	130	239	266	11.3%
Average Home Sale Price (February)	\$ 105,797	\$ 159,587	\$ 151,814	-4.9%
Average Home Sale Price (YTD)	\$ 99,346	\$ 169,136	\$ 172,699	2.1%
EMPLOYMENT				
Wage & Salary Employment (February)	82,700	96,200	98,800	2.7%
Wage & Salary Employment (YTD Avg)	80,200	94,050	96,400	2.5%
Unemployment Rate (February)	4.0	5.8	5.3	-8.6%
Unemployment Rate (YTD Avg)	4.2	6.0	5.6	-6.7%
INDEX - February (Base = 100 January 2000)	100.6	120.1	125.4	4.4%

* Adjusted for inflation by restating in year 2000 dollars



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The B-CS Economic Index January 2000 - February 2013

