



COMMERCE NATIONAL BANK

The Bryan-College Station Economic Index July 2013

September 10, 2013

The B-CS Economy continues to heat up moving into the second half of 2013, particularly in terms of the spending indicators and the residential real estate market. The B-CS Economic Index improved once again in July rising to 128.9 up from 128.3 in June (revised slightly downward due to a minor downward revision in the June employment data), and up a solid 5.0% from the July 2012 index of 122.8. The travel/tourism indicators have increased significantly as well, and employment in the metro area continues to post modest but steady improvement.

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 (adjusted for inflation) per July sales tax receipts in Bryan and College Station was up a stout 8.0% compared to July of a year ago, which in turn was up by 8.5% compared to July of the prior year. For the year-to-date, general real spending is up by 5.1% compared to the first seven months of 2012.
- Payroll employment in the B-CS metro area continues to improve as well, with year-over-year job growth of about 2% in July; for the year-to-date, employment growth is averaging nearly 2.5%, the addition of about 2,300 on average thus far in 2013. The unemployment rate remains grudgingly on the decline as well at 6.1% in July, compared to 6.6% in July 2012.

The auto sales sector continues to put up some huge numbers with inflation-adjusted spending on new and used automobiles in July up by over 30% compared to July 2012. For the year-to-date, real auto spending is up by 12% compared to the first seven months of 2012, which in turn was up by over 17% compared to the January-July 2011 period.

Airline passenger enplanements are up sharply in 2013, and are on pace to post the highest level of activity since 2007. Hotel/motel tax receipts are up by about 27% thus far in 2013 as well, and this does represent a record total. Simply put, more people are coming to B-CS for one reason or another, and the fact that such increased travel to the metro area results in net economic benefit is unquestioned.

The July construction totals are actually quite respectable in terms of the dollar valuation of projects for which building permits were issued; however, the July 2013 number was dwarfed by the July 2012 total of nearly \$50 million. For the year-to-date, building permit valuations are up nearly 4% compared to YTD through July 2012.

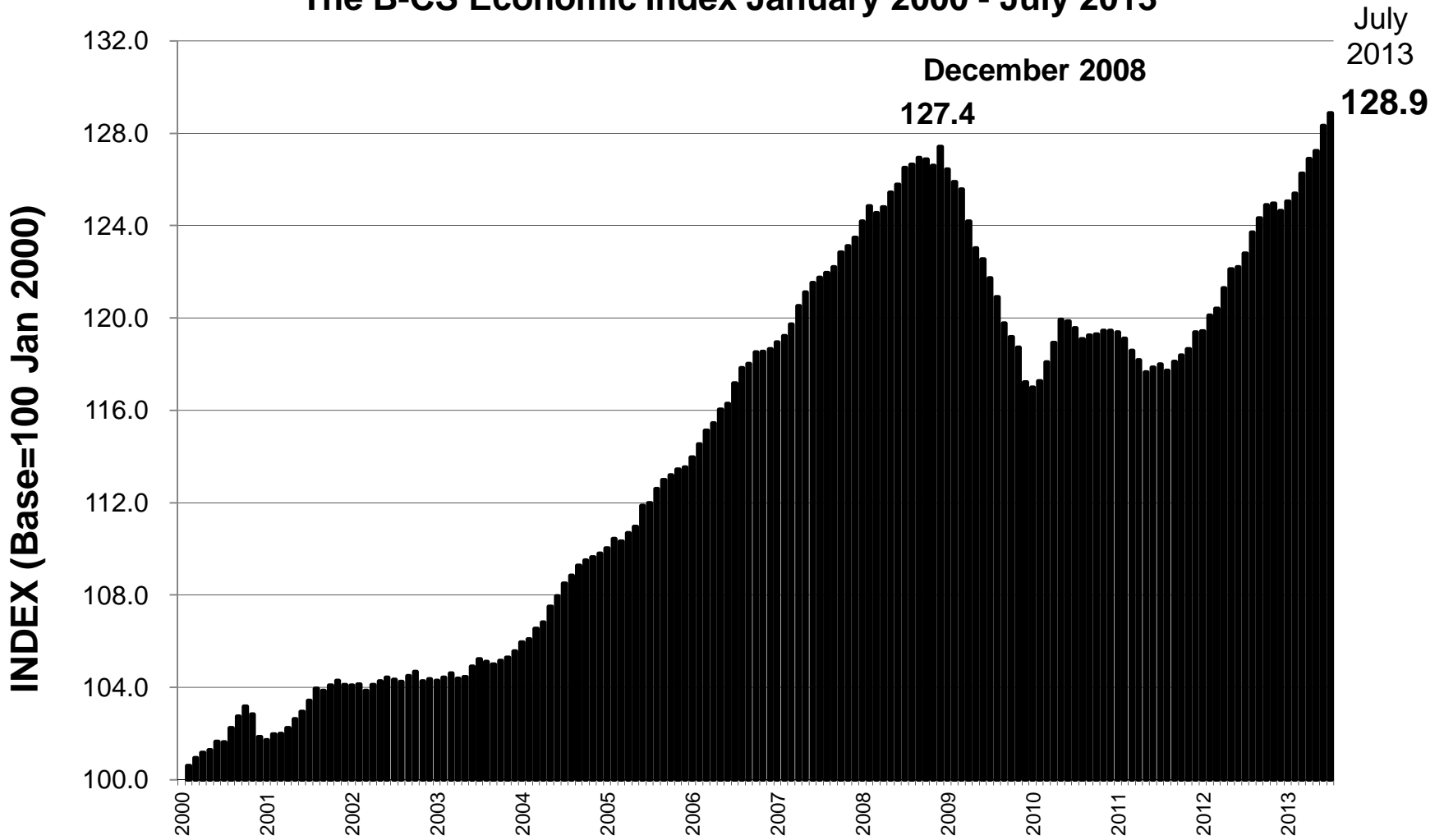
Home building remains generally weaker in the metro area in 2013 with the number of new single-family residence construction permits issued down by over 55% for the month, and over 11% for the year-to-date (about 60 fewer permits issued thus far in 2013).

Housing activity in Bryan-College Station has soared into record territory in 2013, and that trend continues in July with over 400 registered closed sales in a given month for the first time ever (and an increase of nearly 38% compared to July of a year ago). For the year-to-date the number of sales is also on record pace, and is up by nearly 25% compared to the first seven months of 2012. Prices continue to increase as well, with the July monthly average up by some 4.5% compared to July of a year ago. The year-to-date average is up by an even greater margin at 7.4% improved over the YTD through July 2012 average. The inflation-adjusted total dollar volume of residential real estate market activity is over 30% higher thus far in 2013.



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