



COMMERCE NATIONAL BANK

Bryan-College Station Economic Index

February 9, 2015

December/4th Quarter/Annual 2014

The Bryan-College Station Economy enjoyed a phenomenal year of growth and expansion in 2014 chronicled by the B-CS Economic Index which improved to 144.9 in December, up a stout 7.9% from the December 2013 index of 134.2. The B-CS Economic Index is deep into record territory at this point, and posted month-to-month improvement in all 12 months of 2014 and in fact since mid-2011 has declined only one time so this clearly is an extraordinary run of economic growth in Bryan-College Station. Fourth quarter growth was equally strong with the B-CS Economic Index increasing at an annualized rate of 8.2% over the quarter. Through year-end 2014 the current expansion has been in place – and virtually unfettered – for 43 months and counting, over which time the Bryan-College Station Economic Index has grown by over 23%.

All components of the B-CS Economic Index were improved in 2014 compared to 2013, and not by small margins. In fact, on the entire table of economic data which includes December, 4th quarter, and annual 2014 data compared to 2013 levels (and base year 2000 levels), only December single-family residence permits and the 4th quarter building permit total were down compared to the prior year.

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.

- Inflation-adjusted spending in the B-CS metro area per sales tax receipts in Bryan and College Station was up nearly 10% in the fourth quarter compared to the fourth quarter 2013, and the total for the year as a whole was up an impressive 7.7% compared to the 2013 annual total, which in turn was up by nearly 6% compared to the prior year. And in fact 2014 marks the third straight year of growth in real spending activity in Bryan-College Station.
- Year-over-year employment growth at year-end stood at 2.6% reflecting the addition of about 2,700 jobs over the 12 months ending December 2014. Rates of job growth had slowed in the second half of the year, but only compared to very strong rates of growth in the latter half of 2013 in which employment growth averaged over 4.5%, at times surpassing 5%. For the year as a whole, employment growth in the B-CS metro area averaged a solid 3.7%. The unemployment rate also continued its sharp decline through year-end with the December unemployment rate dropping to 3.0%, the lowest monthly unemployment rate over the entire history of the B-CS Economic Index.

Auto sales in B-CS improved significantly for the fifth straight year in 2014 with inflation-adjusted spending on new and used automobiles up by over 9% compared to the 2013 real auto spending total. Fourth quarter auto spending was up by 14.4% compared to the fourth quarter 2013, and real auto spending in December was up by a whopping 22% compared to December 2013, which in turn was up by over 16% compared to December of the prior year. Since bottoming out in 2009 as a result of the recession real auto spending has increased by over 60%.

Building permit activity in Bryan-College Station surpassed \$400 million for only the second time, and is in fact the second-highest total on record (not adjusted for inflation) behind only the \$518 in permits issued in 2008. The 2014 annual total represents a 16% improvement over 2013. The fourth quarter total was down by some 24% compared to the fourth quarter of the prior year; however, the fourth quarter 2013 total was nearly double the total from the prior year.

The annual record for new home building (single-family residence construction permits issued) is 997 in 2003; the number of permits issued in 2014 came within 10 of that total, and was sharply improved over the 2013 annual total posting a 30% year-over-year increase. Fourth quarter growth was even more impressive with the number of permits up by nearly 40% compared to the fourth quarter 2013 which in turn was up by nearly 50% compared to the prior year.

The housing market improved dramatically again in 2014 with home sales easily at record levels, surpassing 3,000 in a year for the first time and outpacing the 2013 sales total – the second-highest number of sales on record – by over 9%. Fourth quarter home sales were up by about 13% compared to the fourth quarter 2013, which in turn was up by 14% compared to the prior year. The 2014 annual average price was up by a stout 7% compared to the 2013 average, which in turn was up by over 5% compared to the prior year. The December monthly average was up sharply (nearly 15%), as was the fourth quarter average sale price (over 12%).

This means, of course, that the total dollar volume of residential real estate sales activity was a record going away, even when adjusted for inflation. The real dollar volume of home sales in B-CS in 2014 was up by over 14% for the year as a whole, and by well over 20% in the fourth quarter.

The Bryan-College Station economy was simply clicking on all cylinders in 2014 and moves into 2015 with considerable momentum. However, there is at least the potential for some external downward economic pressure in the coming year. Brazos County is on the northeastern fringes of the prolific Eagle Ford Shale oil and natural gas production area, and activity levels were slowly but surely on the rise in the county and in the Brazos Valley region as a whole. At the moment, some 20 rigs are operating in the region and the rise in oil & gas development activity very likely contributed to the strong growth in the B-CS metro area economy in 2014. However, crude oil prices have fallen dramatically, and activity levels in the Eagle Ford Shale are quickly on the decline as well. The deep contraction underway in statewide oil & gas activity is almost certain to cut into economic growth rates in Texas and that may well be the case in Bryan-College Station as well.



ECONOMIC INDICATORS

December/4th Quarter/Annual 2014

	BASE YEAR 2000	LAST YEAR 2013	THIS YEAR 2014	% Change 2013 - 2014
Retail Sales (December - Per Sales Tax Rebate) *	\$ 116,914,241	\$ 152,717,377	\$ 171,232,804	12.1%
Retail Sales (4th Quarter) *	\$ 367,326,218	\$ 511,636,839	\$ 562,250,049	9.9%
Retail Sales (Annual) *	\$ 1,386,469,466	\$ 1,928,640,247	\$ 2,077,741,802	7.7%
Automobile Sales (Dollars Spent on Auto Purchases - December) *	\$ 16,458,474	\$ 28,333,979	\$ 34,497,004	21.8%
Automobile Sales (4th Qtr) *	\$ 52,293,516	\$ 81,783,584	\$ 93,546,515	14.4%
Automobile Sales (Annual) *	\$ 227,864,501	\$ 372,550,470	\$ 407,009,001	9.2%
Hotel/Motel Tax Receipts (Annual)	\$ 1,980,931	\$ 5,416,402	\$ 6,044,358	11.6%
Airline Enplanements (December)	7,374	7,096	7,425	4.6%
Airline Enplanements (4th Qtr)	25,039	21,937	22,905	4.4%
Airline Enplanements (Annual)	91,628	84,733	87,980	3.8%
Value All Construction (December)	\$ 21,108,516	\$ 19,963,444	\$ 27,226,509	36.4%
Value All Construction (4th Qtr)	\$ 41,770,247	\$ 98,835,782	\$ 74,835,733	-24.3%
Value All Construction (Annual)	\$ 213,269,386	\$ 358,145,104	\$ 414,577,570	15.8%
Single-Family Housing Permits (December)	47	97	85	-12.4%
Single-Family Housing Permits (4th Qtr)	144	180	251	39.4%
Single-Family Housing Permits (Annual)	697	755	987	30.7%
Number of Home Sales (December)	113	190	200	5.3%
Number of Home Sales (4th Qtr)	257	520	587	12.9%
Number of Home Sales (Annual)	1,421	2,855	3,123	9.4%
Average Home Sale Price (December)	\$ 120,310	\$ 185,099	\$ 212,765	14.9%
Average Home Sale Price (4th Qtr)	\$ 124,339	\$ 187,955	\$ 211,143	12.3%
Average Home Sale Price (Annual)	\$ 111,027	\$ 189,664	\$ 202,932	7.0%
Home Sales Dollar Volume - December *	\$ 10,229,371	\$ 25,115,964	\$ 29,591,641	17.8%
Home Sales Dollar Volume - 4th Quarter *	\$ 27,834,107	\$ 69,906,388	\$ 86,400,320	23.6%
Home Sales Dollar Volume - Annual *	\$ 156,210,061	\$ 390,250,097	\$ 446,319,060	14.4%
EMPLOYMENT				
Wage & Salary Employment (December)	84,700	105,600	108,300	2.6%
Wage & Salary Employment (Annual Avg)	82,150	101,515	105,310	3.7%
Unemployment Rate (December)	3.1	4.3	3.0	-30.2%
Unemployment Rate (Annual Avg)	3.8	5.1	4.0	-21.5%
INDEX - December (Base = 100 January 2000)	101.8	134.2	144.9	7.9%

* Adjusted for inflation by re-stating in year 2000 dollars



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The B-CS Economic Index January 2000 - December 2014
December 2014 144.9

