



July 26, 2016

The Bryan-College Station Economic Index June/2nd Quarter/Midyear 2016

The Bryan-College Station Economic Index logged another modest increase in June to press upward to a new record 152.1 for the month, up from 151.9 in May and up a solid 3.5% from the June 2015 index of 147.0. The table of economic indicators for June and the second quarter is peppered with a few negatives, however, with year-over-year declines for the month, quarter, and first six months of the year in general spending, auto spending, and existing home sales. Construction activity per building permits issued is down sharply for the month and quarter, but remains at a record level for the first six months of the year.

As a result, the rate of growth in the B-CS Economic Index has clearly slowed in 2016, and in the second quarter in particular. The annualized rate of growth in the second quarter of 2016 was a very modest 1.0% compared to 2.0% in the first six months of the year, and 3.5% over the last 12 months.

The Bryan-College Station Economic Index is a fully inflation-adjusted measure of economic performance in the B-CS metro area, and is designed to track business cycles and growth rates in the Bryan-College Station metro area economy. The index is based at 100.0 in January 2000.

The Bryan-College Station general economy has been in a state of steady expansion for over five years at this point, with the pattern of increase and growth in the B-CS Economic Index at 61 months through June 2016. Over that period of time, the index has grown by 29.6%, averaging a remarkable 5% per year over that period of time.

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 employment situation as represented by payroll employment and the unemployment rate.

- General real (inflation-adjusted) taxable spending per sales tax receipts in the second quarter were down by about 1% compared to the 2nd quarter of a year ago, and the total through June is down by just under 1% compared to the first six months of 2015. The June real spending total is off by 2.4% compared to June of last year. The declines are neither deep nor catastrophic, but they do signal a general sluggishness in spending growth that dates back to the 2nd quarter of 2015.
- Employment growth in the B-CS metro area has been nothing short of remarkable in 2015 and 2016. Employment growth averaged nearly 4% in 2015 (and was right at 4% at year-end), and has thus far averaged 4.2% in 2016. Job growth averaged a stout 4.0% in the second quarter, and was up by 4.3% in June reflecting the addition of an estimated 4,600 jobs over the last 12 months. That 4.3% rate of year-over-year growth in June is the highest among Texas' 26 metro areas. The unemployment rate of 4.1% ranks 7th among Texas metro areas and is down from 4.2% in June of a year ago. And in fact, it is the lowest June unemployment rate over the entire history of the B-CS Economic Index analysis.

After six years of impressive growth, auto sales have weakened in 2016 with inflation-adjusted spending on new and used automobiles logging a 3% year-over-year decline in the second quarter of the year. In June, real auto spending was down by a sharp 8.7%, and the total through June is now down by 1.1% compared to the first six months of a year ago.

Construction activity took a nosedive in the second quarter of the year on the heels of a record first quarter in which real building permit valuations were up by 107% compared to the first quarter of 2015. Inflation-adjusted building permit activity was down by about 29% in the second quarter (year-over-year), but remains nearly 40% higher for the year-to-date compared to the January-June 2015 total. Even given the second quarter decline, real building permit activity through June is a record total for the first six months of the year.

Single-family housing construction is at a record level as well with 658 new permits issued in Bryan and College Station through June 2016, an increase 4% compared to the first six months of a year ago. The 87 permits issued in June 2016 is the second-highest June total on record behind only the 101 permits issued in June 2006, and is up by nearly 37% compared to June of a year ago.

The residential real estate market in Bryan-College Station put up some big numbers from 2012-2014 before slowing a bit in 2015; thus far in 2016 sales activity is generally flat compared to year-ago levels with the number of closed sales down just slightly compared to the first six months of a year ago. Second quarter home sales were down by 6.5% year-over-year, and the June sales total was down by about 5% year-over-year. Sales activity remains relatively high, actually – the B-CS residential real estate market established new records for sales, prices, and real total dollar volume of activity in 2015. And in fact average home sale prices have continued to climb yet further into record territory in 2016; the second quarter average home sale price was up by a sharp 9% compared to the second quarter of a year ago. The average through June is up by nearly 9% as well, and the June 2016 monthly average is up by a whopping 13% compared to June of a year ago.

Even though sales have flattened in 2016, the price increases of those sales have been sufficient to keep the real (inflation-adjusted) total dollar volume of residential real estate sales activity in record territory for the month of June and for the first six months of 2016.

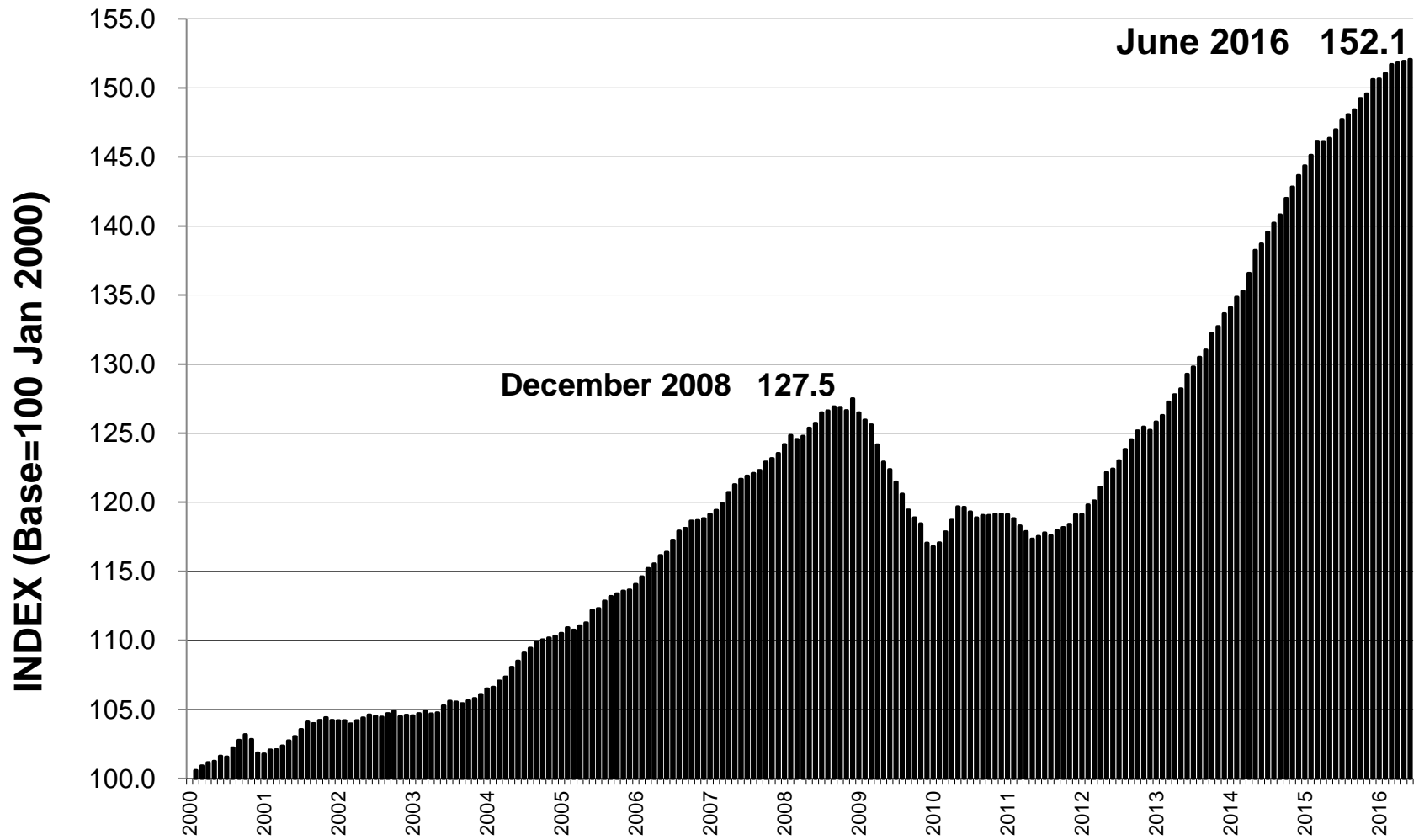
The pace of economic growth in the Bryan-College Station metro area has been more than impressive over the last five years, but has begun to slow a bit in 2016. Statewide economic growth has cooled as well, largely in response to dramatically lower crude oil prices and the resulting contraction in industry activity across the state. And in fact, declining oil & gas activity is likely affecting the B-CS economy as well; Eagle Ford Shale exploration and production activity had been moving into the region, and prior to crude oil price collapse the level of activity (rig count, drilling permits, etc.) had been high and climbing. Expanded oil & gas activity always brings higher rates of economic growth; conversely, however, when oil & gas activity declines sharply it tends to place downward pressure on local and regional economies.

However, the Bryan-College Station economy is not primarily driven by the upstream (exploration & production) oil & gas business, and certainly has a lot more going for it. Even beyond that, the 5% rates of year-over-year growth over the last five years are simply difficult to sustain indefinitely, and the slowing pace of growth may have been inevitable at some point, anyway.

Even given the slower rate of growth the Bryan-College Station economy remains a growth economy midway through 2016, and there is little reason to believe that will not continue to be the case for the balance of the year.

The Bryan-College Station Economy

The B-CS Economic Index January 2000 - June 2016



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ECONOMIC INDICATORS *	BASE YEAR	LAST YEAR	THIS YEAR	% Change
June/2nd Quarter 2016	2000	2015	2016	2015 - 2016
Retail Sales (June)	\$ 143,615,504	\$ 228,584,551	\$ 223,086,057	-2.4%
Retail Sales (2nd Quarter)	\$ 482,581,582	\$ 707,778,649	\$ 701,415,781	-0.9%
Retail Sales (Year-to-date)	\$ 1,008,440,449	\$ 1,467,698,996	\$ 1,456,051,014	-0.8%
Automobile Sales (Dollars Spent on Auto Purchases - (June)	\$ 19,342,128	\$ 37,970,856	\$ 34,669,854	-8.7%
Automobile Sales (2nd Qtr)	\$ 59,353,841	\$ 105,405,911	\$ 102,220,620	-3.0%
Automobile Sales (YTD)	\$ 118,526,882	\$ 210,836,376	\$ 208,421,709	-1.1%
Hotel/Motel Spending (YTD)	\$ 16,838,995	\$ 41,089,644	\$ 41,901,573	2.0%
Value All Construction (June)	\$ 23,752,364	\$ 53,463,357	\$ 39,616,824	-25.9%
Value All Construction (2nd Qtr)	\$ 78,802,226	\$ 130,690,389	\$ 93,245,389	-28.7%
Value All Construction (YTD)	\$ 167,844,750	\$ 262,779,053	\$ 367,110,039	39.7%
Single-Family Housing Permits (June)	51	61	83	36.1%
Single-Family Housing Permits (2nd Qtr)	195	239	247	3.3%
Single-Family Housing Permits (YTD)	415	632	658	4.1%
Number of Home Sales (June)	186	388	369	-4.9%
Number of Home Sales (2nd Qtr)	458	1,069	999	-6.5%
Number of Home Sales (YTD)	696	1,735	1,650	-4.9%
Average Home Sale Price (June)	\$ 108,978	\$ 207,847	\$ 235,170	13.1%
Average Home Sale Price (2nd Qtr)	\$ 113,581	\$ 207,603	\$ 226,322	9.0%
Average Home Sale Price (YTD)	\$ 112,838	\$ 206,630	\$ 224,932	8.9%
Dollar Volume of Residential Home Sales Activity (June)	\$ 29,198,166	\$ 82,146,605	\$ 86,777,900	5.6%
Dollar Volume of Residential Home Sales Activity (2nd Qtr)	\$ 75,086,321	\$ 226,403,843	\$ 226,402,807	0.0%
Dollar Volume of Residential Home Sales Activity (YTD)	\$ 113,568,277	\$ 366,400,997	\$ 372,225,555	1.6%
EMPLOYMENT				
Wage & Salary Employment (June)	78,700	106,300	110,900	4.3%
Wage & Salary Employment (2nd Qtr Avg)	82,335	108,765	113,165	4.0%
Wage & Salary Employment (YTD Avg)	81,950	107,850	112,385	4.2%
Unemployment Rate (June)	4.5	4.2	4.1	-2.4%
Unemployment Rate (2nd Qtr Avg)	3.9	3.6	3.5	-1.9%
Unemployment Rate (YTD Avg)	3.9	3.6	3.5	-2.3%
BRYAN-COLLEGE STATION ECONOMIC INDEX - JUNE	101.6	147.0	152.1	3.5%
(Base=100.0 January 2000)				

* With the exception of the average home sale price, all economic indicators expressed in dollar form above are adjusted for inflation by restating prior periods in current dollars