



# COMMERCE NATIONAL BANK

## The Bryan-College Station Economic Index December/4<sup>th</sup> Quarter/Annual 2016

**The Bryan-College Station Economic Index was unchanged from November to December at 154.5, and was 2.6% improved over the December 2015 index of 150.6.** While a number of components of the B-CS Economic Index posted year-over-year declines in December, the index still matched its all-time high established in November and several of the numbers were down only compared to some big numbers in December 2015. Through year-end 2016, the pattern of expansion in the metro area economy stands at 67 months and counting.

The pace of growth slowed in the fourth quarter, however, with annualized increase in the B-CS Economic Index of 2.5% over the course of the quarter, compared to growth rates that were consistently in the 3-4% range. General spending and auto spending weakened in 2016 (and December in particular), and hotel/motel activity was lower as well. Construction and home building posted records in 2016 but were sharply lower in December compared to high year-ago levels. Home sales activity remained strong in 2016, and the B-CS economy continued to add jobs, though the rate of job growth narrowed noticeably in the fourth quarter.

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 December sales tax receipts in Bryan-College Station was down by 4% compared to December of a year ago. The fourth quarter total was up by less than a percent compared to the fourth quarter 2015, which in turn was down by 2.4% compared to the fourth quarter of the previous year. For the year, spending was simply flat compared to the 2015 annual total. Spending growth slowed in 2016 after posting strong growth in the prior three years, which logged year-over-year increases of 4.2%, 5.8%, and 7.7%, respectively.
- Payroll employment growth averaged a solid 3.9% for the second straight year, though year-over-year rates of growth narrowed in the second half of the year, and the fourth quarter in particular. An estimated 3,300 jobs were added over the 12 months ending December 2016 for a growth rate of 2.9%. That was good enough for third best among the state's 26 metro areas, though it led the pack for most of the year with growth rates in excess of 4%. The B-CS unemployment rate, which had been falling for more than five years, leveled off in 2016 and finished the year at 3.4% in December, compared to 3.2% in December of 2015.

Auto sales activity was flat for the year, and slipped into negative territory in the fourth quarter the real spending on new and used motor vehicles down by over 8% compared to the fourth quarter 2015. December auto sales fell sharply, registering an 18.3% year-over-year decline. For the year as a whole real auto spending was down by 2% compared to the 2015 annual total. In the six years 2010-2015 auto sales activity increased by an impressive 67%, averaging over 11% per year before slowing in 2016.

B-CS metro area construction activity set a record – by a lot – in 2016 with real building permit valuations up by 46% compared to the 2015 annual total (the previous record), which in turn was up by 33% compared to the prior year. The December total was off by 54%, but the December 2015 monthly valuation was a big number, up by 162% compared to December of the prior year. At first glance the fourth quarter increase of 1.4% seems unspectacular; however, the fourth quarter 2015 was a record at the time (2016 broke that record) and was up by 166% compared to the fourth quarter of the previous year.

The number of new single-family residence construction permits in 2016 surpassed 1,000 for only the second time in a calendar year, and outpaced last year's then-record total by over 4%. The December monthly total was down only compared to a big number in December 2015, and the quarterly total set a new fourth quarter record at 328 permits, an increase of 29% compared to the fourth quarter 2015.

Existing home sales also set a fourth quarter record in 2016 at 644 closed sales (and could actually be revised slightly upward in future months), a 12% increase compared to the fourth quarter 2015. The 2016 annual total was down slightly compared to a record number of sales in 2015. The price of those sales moved sharply higher in 2016 with the annual average up by a whopping 10% compared to the 2015 annual average. Monthly median prices in 2016 were 11% higher on average compared to 2015. The fourth quarter and annual real dollar volume of residential sales activity totals established new records in 2016, up by nearly 20% and 5.5%, respectively, compared to year-ago numbers.

The Bryan-College Station general economy was clearly a growth economy in 2016, even given the sluggish performance in the spending components. Jobs were added, other sectors of the economy performed well, and the Bryan-College Station Economic Index itself achieved a new record in November and held that record in December.

The Texas Workforce Commission will issue revised employment data for Bryan-College Station and other Texas metro areas in early March. At that time we will revised the B-CS Economic Index accordingly, establish new employment and index benchmarks, and provide a general forecast for the local economy moving forward in 2017.

## The Bryan-College Station Economy

The B-CS Economic Index

<b>ECONOMIC INDICATORS *</b>	<b>BASE YEAR 2000</b>	<b>LAST YEAR 2015</b>	<b>THIS YEAR 2016</b>	<b>% Change 2015 - 2016</b>
December/4th Quarter/Annual 2016				
Retail Sales (Per Sales Tax Rebates - December)	\$ 145,737,255	\$ 241,247,528	\$ 231,580,017	-4.0%
Retail Sales (4th Quarter)	\$ 531,577,568	\$ 759,646,982	\$ 766,834,834	0.9%
Retail Sales (Annual)	\$ 2,039,182,258	\$ 2,951,553,842	\$ 2,945,524,640	-0.2%
Automobile Sales (Dollars Spent on Auto Purchases - December)	\$ 16,891,695	\$ 35,962,207	\$ 29,394,606	-18.3%
Automobile Sales (4th Qtr)	\$ 53,669,990	\$ 104,826,452	\$ 96,258,494	-8.2%
Automobile Sales (Annual)	\$ 233,862,368	\$ 430,220,098	\$ 421,472,773	-2.0%
Hotel/Motel Tax Spending (Annual)	\$ 37,109,242	\$ 97,409,534	\$ 91,768,716	-5.8%
Value All Construction Permits (December)	\$ 34,011,847	\$ 68,194,134	\$ 31,076,774	-54.4%
Value All Construction Permits (4th Qtr)	\$ 67,359,536	\$ 190,082,009	\$ 192,776,406	1.4%
Value All Construction Permits (Annual)	\$ 347,037,749	\$ 528,661,132	\$ 770,603,004	45.8%
Single-Family Housing Permits (December)	47	124	80	-35.5%
Single-Family Housing Permits (4th Qtr)	144	255	328	28.6%
Single-Family Housing Permits (Annual)	697	1,153	1,200	4.1%
Number of Home Sales (December)	90	232	232	0.0%
Number of Home Sales (4th Qtr)	231	575	644	12.0%
Number of Home Sales (Annual)	1,356	3,317	3,243	-2.2%
Average Home Sale Price (December)	\$ 118,556	\$ 225,452	\$ 222,265	-1.4%
Average Home Sale Price (4th Qtr)	\$ 125,390	\$ 220,994	\$ 240,329	8.7%
Average Home Sale Price (Annual)	\$ 118,603	\$ 211,510	\$ 232,662	10.0%
Dollar Volume of Residential Home Sales Activity (December)	\$ 15,300,180	\$ 53,298,719	\$ 51,565,479	-3.3%
Dollar Volume of Residential Home Sales Activity (4th Qtr)	\$ 41,631,773	\$ 129,681,969	\$ 155,045,532	19.6%
Dollar Volume of Residential Home Sales Activity (Annual)	\$ 233,645,066	\$ 721,442,574	\$ 761,400,260	5.5%
<b>EMPLOYMENT</b>				
Wage & Salary Employment (December)	85,100	112,900	116,200	2.9%
Wage & Salary Employment (4th Qtr)	85,235	113,000	116,500	3.1%
Wage & Salary Employment (Annual Avg)	82,535	108,940	113,215	3.9%
Unemployment Rate (December)	3.0	3.2	3.4	6.2%
Unemployment Rate (4th Qtr)	3.2	3.3	3.3	0.0%
Unemployment Rate (Annual Average)	3.8	3.6	3.6	0.0%
<b>BRYAN-COLLEGE STATION ECONOMIC INDEX - DECEMBER</b>	<b>101.9</b>	<b>150.6</b>	<b>154.5</b>	<b>2.6%</b>
<b>(Base = 100.0 January 1996)</b>				

\* 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

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## The B-CS Economic Index January 2000 - December 2016

