



COMMERCE NATIONAL BANK

Committed to Your Success

The Bryan-College Station Economic Index January 2017

Employment data for Bryan-College Station and other Texas metro areas was released only in March as a part of the Texas Workforce Commission's annual data revision process, in which monthly employment estimates for prior periods of time are revised based on updated employer information. The process also establishes the benchmarks for monthly estimates moving forward in 2017.

Typically the annual employment data revision process results in potentially significant revisions to monthly employment estimates in the prior year, or perhaps the prior two years. This time, however, Bryan-College Station monthly employment estimates were revised significantly upward dating back to at least 1999, the year in which data collection began for the B-CS Economic Index based in January 2000. On average, monthly employment estimates were revised upward by about 3,700 jobs from 1999 to 2015; however, the 2016 monthly employment estimates were revised upward by only about 500 jobs on average.

The Texas Workforce Commission does not provide specific information on the nature of the revisions, based on its policy of keeping individual employer information confidential, so we are left to guess as to what might cause such a dramatic revision in employment data. It seems clear that the TWC identified a group of jobs that were likely apportioned to another metro area (or group of metro areas) that should have always been counted as jobs that actually exist within the B-CS metro area. These could be private sector jobs (companies with multiple locations), or public sector jobs, which would include Texas A&M University.

It may be the case that reporting in 2016 helped to identify that problem. Year-over-year employment growth rates were among the highest in the state in 2016, averaging nearly 4% for the year. It now appears as though the 2016 estimates may have included the "lost" 3,500-4000 jobs, whereas the 2015 estimates (and every year before that) may not have contained those estimates. Again, the sharp upward revisions occurred in each year through 2015, and the 2016 data revisions were relatively minor.

So, while employment estimates for 2016 were not revised downward, the rate of year-over-year employment growth was dramatically lower simply because the 2015 estimates were revised upward, as was every other year dating back to at least 1999 (and probably before that). According to the updated employment data, the average pace of employment growth in 2016 was 1.7%, compared to 3.9% per the original estimates.

The Bryan-College Station Economic Index was recalculated over all of its history to reflect the sweeping employment data revisions; the broad trend over most of that time was largely unaffected, though index values in 2016 were generally lowered compared to the initial pre-revision monthly index numbers.

The original B-CS Economic Index at year-end (December) 2016 was 154.5, up by 2.6% compared to the original December 2015 index. The average growth rate in 2016 was a stout 3.9%. After the revised employment data is factored in, the year-end 2016 B-CS Economic Index was 151.8, an increase of 1.5% over the revised December 2015 index, and the average index rate of growth in 2016 was a more modest 1.7%.

So, the benchmarks for 2017 employment estimates and the Bryan-College Station Economic Index are now in place, and the January index report is complete. **The January 2017 B-CS Economic Index improved slightly to 152.0, up slightly from the revised December 2016 index of 151.8, and up 1.8% from the revised January 2016 index of 149.4.**

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 monthly sales tax receipts was generally sluggish throughout 2016; spending per January sales tax data in Bryan and College Station posted solid year-over-year growth, however, at 4.4% improved compared to the January 2015 real spending total. For the 12 months ending January 2017, however, real spending was essentially flat (a slight .1% improvement) compared to the prior 12-month period of time.
- Under the new benchmarks, payroll employment is at a higher level than previously thought, but the rates of employment growth are lower (again, largely because employment levels through 2015 were revised upward, and the 2016 upward revisions were much smaller). This is good news, of course – it suggests more jobs existed than previously thought. Employment is at record levels, and job growth continues moving into 2017. Over 15,000 jobs have been added to the B-CS metro area economy in just the last five years. The January 2017 payroll employment estimate of 115,500 reflects a 2.8% increase over January 2016 employment with over 3,000 jobs added over the last 12 months. After achieving very low levels through 2015, the B-CS unemployment rate reversed course in 2016 and moved back above its year-ago level and that remains the case in January 2017 with an unemployment rate of 3.7% compared to 3.5% in January 2016.

Real auto spending finished last year down slightly compared to the previous year (after six full years of very strong growth), and that trend continued in January with inflation-adjusted spending on new and used motor vehicles down by about 1.6% compared to January 2016. Since the recession of 2009, real auto spending grew by about 68% through 2015 before moderating in 2016.

Construction activity has exploded in recent years, set a new record in 2016 (and was up by 46% compared to 2015), and that trend continues in early 2017. The inflation-adjusted value of all building permits issued in January was up by 25% compared to January 2016, which in turn was up by 142% compared to January of the prior year. The \$86 million in January building permits is not a record – the January totals in 2007 and 2008 were each higher at \$97.7 million and \$129.3 million, respectively (adjusted for inflation).

The number of new single-family residence construction permits issued in January is a January record at 165, an increase of 65% over the January 2016 total. And in fact it is the third-highest total for any month behind only the 178 permits in March 2016 and 179 permits in April 2002.

Existing home sales also set a new January record at 195 (preliminarily – that total could be revised slightly upward in coming months as additional January sales are reported), and was up by a sharp 23% compared to January of a year ago. The average price of those sales was up by 10% compared to the January 2016 monthly average, continuing the 2016 trend in which the average price for the year was over 10% higher compared to the previous year. That puts the real total dollar volume of residential real estate sales deep into record territory, and up by 33% compared to January 2016.

The pace of growth in the Bryan-College Station metro area economy has slowed over the last two years, 2016 in particular in which the B-CS Economic Index expanded by only 1.5% compared to 2015. Statewide economic growth slowed in 2016 as well, as the effects of a sharp contraction in the state's oil & gas industry filtered through the broader economy of the state. The effects of slowing state economic growth along with the direct effects of lower regional oil & gas activity (which had been substantial through 2014) likely conspired to dampen rates of economic growth last year. However, the economy continued to expand – simply at a slower rate. Moving into 2017, the state's oil & gas industry is in recovery and the Texas statewide economy is beginning to respond in positive fashion as well. The only potential negative is downward pressure on the state budget under consideration in the current session of the Texas Legislature that will go into effect later this year. That may well affect hiring and other types of spending at Texas A&M University, which in turn could continue to keep a lid on growth rates in 2017-2018. That said, however, there is little reason to believe the B-CS economy will not be a growth economy in 2017, though it may not be at the levels enjoyed over most of the post-recession period, 2012-2015 in particular.

The Bryan-College Station Economy

The B-CS Economic Index

ECONOMIC INDICATORS *	BASE YEAR	LAST YEAR	THIS YEAR	% Change
January 2017	2000	2016	2017	2016 - 2017
Retail Sales (January)	\$ 152,709,274	\$ 235,079,419	\$ 245,479,723	4.4%
Retail Sales (Year-to-date)	\$ 152,709,274	\$ 235,079,419	\$ 245,479,723	4.4%
Automobile Sales (Dollars Spent on Auto Purchases - January)	\$ 18,210,989	\$ 36,777,096	\$ 36,186,030	-1.6%
Automobile Sales (YTD)	\$ 18,210,989	\$ 36,777,096	\$ 36,186,030	-1.6%
Hotel/Motel Revenue (YTD)	\$ 1,525,821	\$ 5,931,531	\$ 5,911,429	-0.3%
Value All Construction (January)	\$ 30,361,600	\$ 68,815,947	\$ 86,066,255	25.1%
Value All Construction (YTD)	\$ 30,361,600	\$ 68,815,947	\$ 86,066,255	25.1%
Single-Family Housing Permits (January)	45	100	165	65.0%
Single-Family Housing Permits (YTD)	45	100	165	65.0%
Number of Home Sales (January)	61	158	195	23.4%
Number of Home Sales (YTD)	61	158	195	23.4%
Average Home Sale Price (January)	\$ 92,049	\$ 206,453	\$ 227,096	10.0%
Average Home Sale Price (YTD)	\$ 92,049	\$ 206,453	\$ 227,096	10.0%
Dollar Volume of Residential Home Sales Activity (January)	\$ 8,267,880	\$ 33,257,218	\$ 44,283,711	33.2%
Dollar Volume of Residential Home Sales Activity (YTD)	\$ 8,267,880	\$ 33,257,218	\$ 44,283,711	33.2%
EMPLOYMENT				
Wage & Salary Employment (January)	83,300	112,400	115,500	2.8%
Wage & Salary Employment (YTD Avg)	83,300	112,400	115,500	2.8%
Unemployment Rate (January)	4.2	3.5	3.7	5.7%
Unemployment Rate (YTD Avg)	4.2	3.5	3.7	5.7%
INDEX - January (Base = 100 January 2000)	100.0	149.4	152.0	1.8%

* 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

The Bryan-College Station Economy

The B-CS Economic Index January 2000 - January 2017

