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The Bryan-College Station Economic Index February 2018

The Texas Workforce Commission released revised employment estimates for Bryan-College Station and other Texas metro areas in March as a part of the annual process in which the original monthly estimates are reconciled to more complete year-end employer payroll records. The purpose of that exercise is to keep the ongoing series of employment estimates as accurate as possible, and to set the benchmarks for the monthly estimates in the balance of the year ahead. The revisions primarily affected monthly payroll employment estimates in 2017, with some minor, largely immaterial revisions in 2016 as well.

Employment was revised generally downward in 2017 with about 1,000 jobs on average removed from the original monthly estimates over the course of the year. At year-end, however, about 300 jobs were added to the December monthly estimate. Average employment growth in 2017 was revised downward from the original 3.4% to 2.4% per the revised monthly estimates. At year-end, the December year-over-year pre-revision growth rate of 3.8% was revised modestly downward to 3.6%. The significant downward revisions occurred in the January-August time frame over which the monthly estimates were revised downward by about 1,600 jobs.

Even at that, though, the 3.6% rate of growth at year-end 2017 was in the top tier of Texas metro areas, though the sharp upward revisions in Midland and Odessa knocked Bryan-College Station out of the top spot which it had occupied for most of the year. And early in 2018, employment growth rates have strengthened, moving right back above 4% in the first two months of the year.

The Bryan-College Station Economic Index was modestly affected by the employment data revisions with the index at year-end losing about 3/10 of a point to a revised 155.3 compared to the original 155.7. That 155.3 still represents the all-time high point in the B-CS Economic Index as did the December index prior to the revisions.

The Bryan-College Station Economic Index declined slightly in January to 155.2 under the new estimates, and declined again in February to 155.0, which remains some 1.9% improved compared to the revised February 2017 index of 152.1.

General spending growth remains sluggish, and the construction indicators were sharply lower in February compared to year-ago levels both in terms of total construction and new single-family residence construction. Employment growth is strong to begin the year and the unemployment rate remains on the decline. Auto sales are extremely strong in early 2018, and existing home sales are higher as well, particularly in terms of the average home sales prices.

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 February sales tax receipts in Bryan-College Station was up by only about 1 percent compared to February of a year ago, which in turn was down by 1.7% compared to the prior year. For the year-to-date general real spending is up by 1.2% compared to the first two months of 2017. Over the longer term, for the 12 months ending February 2018 general real spending is up by some 1.5% compared to the previous 12-month period. Consumer and business spending by this measure improved at a respectable 3.1% rate in 2017.
- The rate of year-over-year employment growth has picked up the pace in early 2018 at a stout 4.9% in January and 4.8% in February. That ranks third now among Texas metro areas, outpace only by the oil boom economies of Midland and Odessa. So even though the numbers were revised somewhat downward in 2017 the year is off to an extraordinary start in terms of the B-CS overall employment situation with very strong payroll employment growth and unemployment rate decline. The February unemployment rate dipped to 3.0% for the month, the lowest February unemployment rate over the entire history of the B-CS Economic Index and down from 3.6% in February of a year ago.

Auto sales activity continues to set records with inflation-adjusted spending on new and used motor vehicles up by 15% for the month of February and the year-to-date through February. And again, it is certainly possible that auto sales numbers continue to move higher in the B-CS metro area at least in part as replacements of vehicles lost in the region during Hurricane Harvey.

The construction numbers have fallen off sharply in early 2018 with the real (inflation-adjusted) valuation of all building permits issued down by over 60% through February compared to the first two months of 2017. The February permit valuation was down by some 63%, and was the lowest February monthly valuation since the recession year of 2009. The number of new single-family residence construction permits issued for the month was the lowest February monthly total since 2011, and was off by close to 50% compared to February of a year ago. Through the first two months of the year the issuance of new home building permits is down by some 25% compared to year-ago levels.

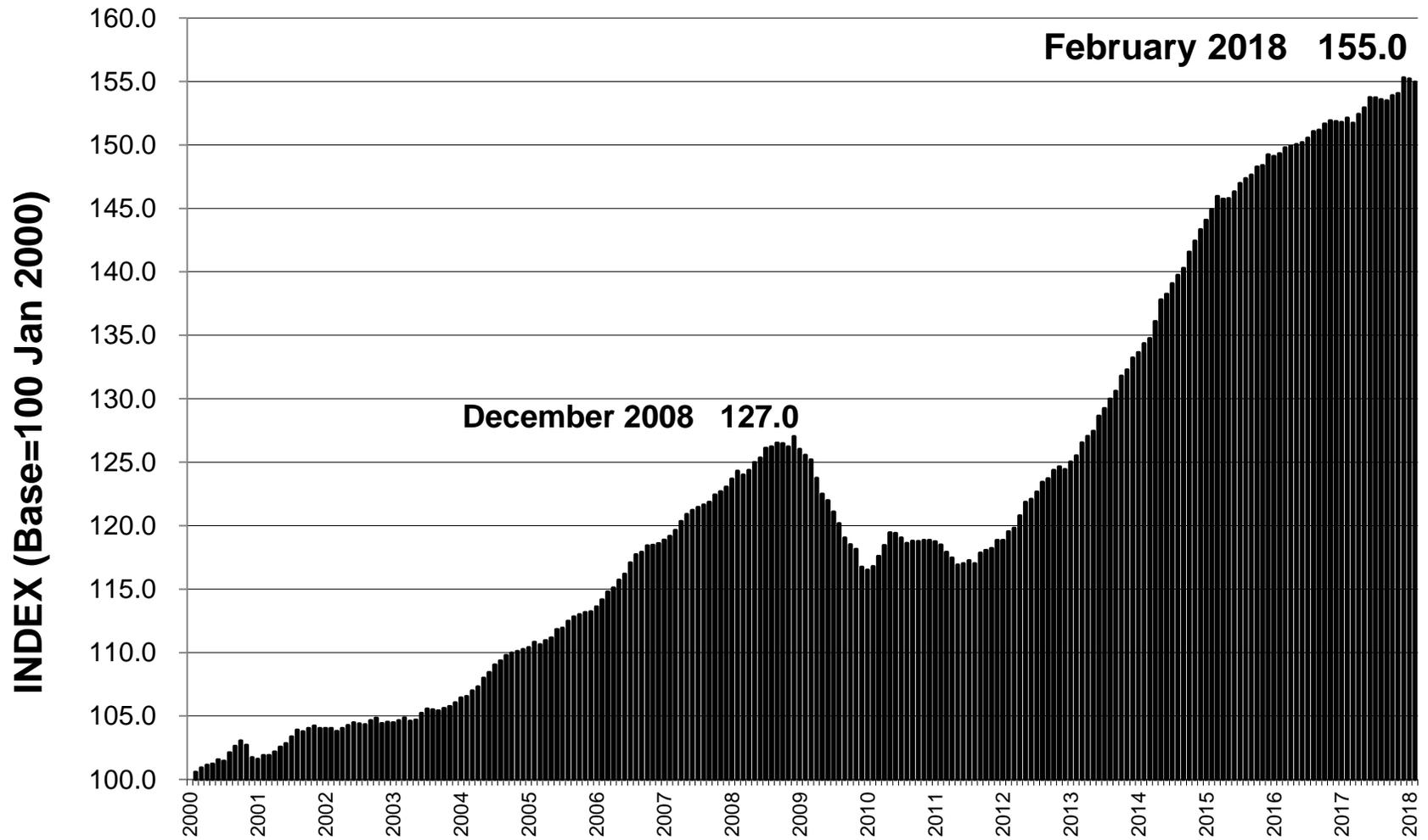
The 383 closed home sales in the first two months of the year tied the January-February record set last year, and in fact the numbers in early 2018 could still be revised slightly upward in the coming months. The average price of those sales is sharply higher with the February monthly average up by over 12% and the average for the first two months of the year up by over 13%. The total real (inflation-adjusted) dollar volume of housing sales activity is up by a solid 10% through February 2018 and represents a record total for the first two months of the year.

The Bryan-College Station metro area economy clearly remains a generally strong economy in the early part of 2018 with above-average employment growth, a very low unemployment rate, and a strong housing market. The declines in construction may or may not set in for the longer term but those numbers have been very strong in recent years culminating in the record year – by far – in 2016. The only area in which growth could be stronger is general spending activity which continues to languish in the 1% year-over-year range. And even at that spending is at record levels, but the growth rates could certainly be stronger.

The outlook for 2018 is sound. The state and national economies are strong and improving at a faster pace, and there is simply nothing to suggest the general growth in the Bryan-College Station metro area economy will not continue for the balance of the year. Growth rates could easily strengthen but it is safe to say the B-CS Economic Index will set new records in 2018 and should finish the year at least 2% higher by year-end compared to the revised 2017 index.

The Bryan-College Station Economy

The B-CS Economic Index January 2000 - February 2018



The Bryan-College Station Economy

The B-CS Economic Index

| ECONOMIC INDICATORS * | BASE YEAR | LAST YEAR | THIS YEAR | % Change |
|---|------------------|------------------|------------------|--------------------|
| February 2018 | 2000 | 2017 | 2018 | 2017 - 2018 |
| Retail Sales (February) | \$ 222,918,316 | \$ 305,065,797 | \$ 308,256,849 | 1.0% |
| Retail Sales (Year-to-date) | \$ 378,715,893 | \$ 555,509,957 | \$ 562,010,435 | 1.2% |
| Automobile Sales (Dollars Spent on Auto Purchases - February) | \$ 18,780,795 | \$ 28,906,791 | \$ 33,362,063 | 15.4% |
| Automobile Sales (YTD) | \$ 36,766,522 | \$ 64,645,217 | \$ 74,309,148 | 14.9% |
| Hotel/Motel Spending (YTD) | \$ 4,240,318 | \$ 11,823,770 | \$ 13,005,431 | 10.0% |
| Value All Construction (February) | \$ 34,803,705 | \$ 45,051,645 | \$ 16,774,565 | -62.8% |
| Value All Construction (YTD) | \$ 66,490,241 | \$ 134,888,755 | \$ 52,104,673 | -61.4% |
| Single-Family Housing Permits (February) | 88 | 111 | 57 | -48.6% |
| Single-Family Housing Permits (YTD) | 133 | 276 | 206 | -25.4% |
| Number of Home Sales (February) | 63 | 186 | 190 | 2.2% |
| Number of Home Sales (YTD) | 118 | 383 | 383 | 0.0% |
| Average Home Sale Price (February) | \$ 118,715 | \$ 221,960 | \$ 248,779 | 12.1% |
| Average Home Sale Price (YTD) | \$ 113,279 | \$ 224,218 | \$ 253,641 | 13.1% |
| Dollar Volume of Residential Home Sales Activity (February) | \$ 11,322,152 | \$ 42,431,790 | \$ 47,267,952 | 11.4% |
| Dollar Volume of Residential Home Sales Activity (YTD) | \$ 20,252,980 | \$ 88,365,578 | \$ 97,258,742 | 10.1% |
| EMPLOYMENT | | | | |
| Wage & Salary Employment (February) | 87,300 | 116,500 | 122,100 | 4.8% |
| Wage & Salary Employment (YTD Avg) | 85,300 | 114,850 | 120,450 | 4.9% |
| Unemployment Rate (February) | 3.9 | 3.6 | 3.0 | -16.7% |
| Unemployment Rate (YTD Avg) | 4.1 | 3.7 | 3.1 | -17.6% |
| INDEX - January (Base = 100 February 2000) | 100.6 | 152.1 | 155.0 | 1.9% |

* 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