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The Bryan-College Station Economic Index June/2nd Quarter 2018

After softening a bit in the first quarter of the year the Bryan-College Station general economy has gained considerable momentum in the second quarter. The Bryan-College Station Economic Index logged its third straight monthly increase in June improving to 156.7 for the month up from 156.2 in June, and up 1.9% from the June 2017 B-CS Economic Index of 153.7. Second quarter growth was particularly stout with annualized growth in the index of 5.2% over the course of the quarter. The Bryan-College Station general economy moves into its eighth year of growth in June with the expansion in the B-CS Economic Index having achieved the seven-year mark in May.

The spending indicators were particularly strong in the second quarter, and the employment situation in the B-CS metro area remains one of the best in the state with strong payroll employment growth and a low (and declining) unemployment rate. Travel and tourism activity is on the rise with double-digit percentage year-over-year growth in hotel/motel activity. Home sales improved in the second quarter after flattening in the first three months of the year, and the average price of those sales has grown rapidly in the first half of the year. Construction activity remains sharply on the decline through the second quarter, new housing construction included, and these are the only negatives on the chart at the midway point in 2018.

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.

- Following a year-over-year decline in the first quarter general real (inflation-adjusted) spending rebounded in the second quarter with spending per second quarter sales tax receipts posting a solid 4.1% increase over the second quarter 2017. Real household and business taxable spending per June sales tax receipts was up by a sharp 8% compared to June of last year. For the year-to-date general real spending is up by only about 1% compared to the first six months of a year ago, again due to a weak first quarter of the year in which spending declined by about 1.8% year-over-year.
- Employment growth is averaging an impressive 4.6% through the first six months of the year and averaged 4.4% in the second quarter. Estimated payroll employment in the month of June was up by a sharp 4.9%, which makes it the second-fastest growing metro area in Texas in terms of employment behind Midland at 9.5% in June (and averaging 10% thus far in 2018). The June monthly Bryan-College Station unemployment rate has been below 4% only twice – in June 2017 and June 2018. And the unemployment rate continues to fall in 2018 at 3.5% in June compared to 3.7% in June of a year ago.

Auto sales activity remains particularly robust at the midway point in 2018 with inflation-adjusted spending on new and used motor vehicles up by 13.7% through June compared to the first six months of a year ago. Second quarter real auto spending was even more impressive, up by over 19% compared to the second quarter 2017. These are all record auto spending totals – June, the second quarter, and the first six months of the year. In fact, second quarter real auto spending is the highest quarterly total for any quarter, not just the second quarter, and the total through June is a record by far.

Construction activity continues to decline for the second straight year following the record year of 2016 with the real valuation of all building permits issued down by 38% thus far in 2018 compared to the first six months of a year ago. The second quarter real permit total was off by 34% year-over-year, and the June monthly permit valuation was down by nearly 44%. In the years four years 2013-2016 the inflation-adjusted annual permit valuation totals posted year-over-year increases of 6%, 14%, 33%, and 46%, and the 2018 annual total was over 133% higher than the 2012 annual total. After that peak, however, activity began to decline in 2017 and the rate of decline has sharpened thus far in 2018.

The number of new single-family residence construction permits issued through June is the lowest midyear total since 2013 and is down by over 20% compared to the January-June 2017 total. New housing construction also peaked in 2017 before beginning to decline in 2017, and that decline continues in 2018 as well. The June monthly total was actually slightly higher compared to a generally low number from June 2017, but the second quarter total was off by about 15% year-over-year.

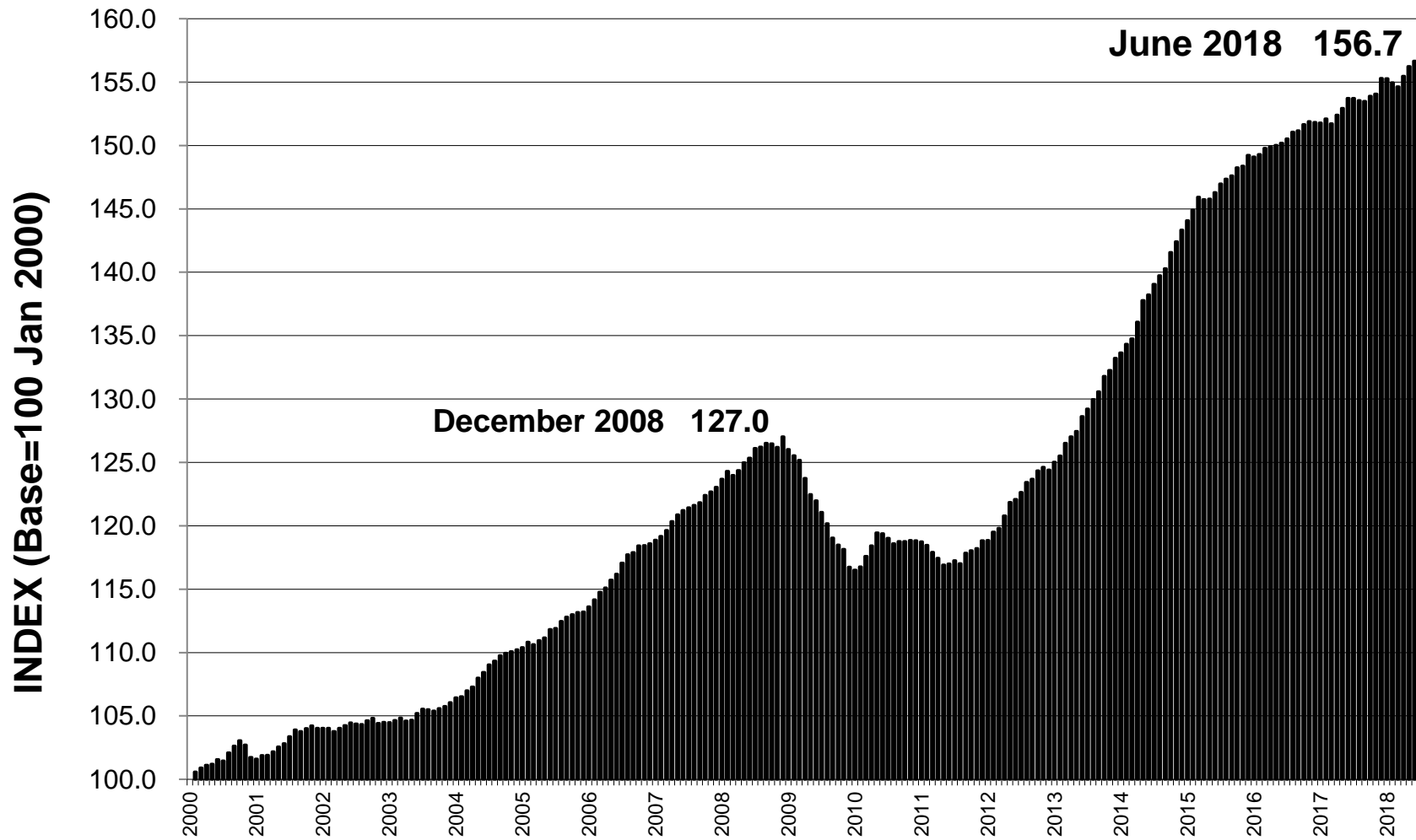
Residential real estate sales are flat compared to year-ago levels, at least in terms of the number of closed sales, but flat at a high level. Housing sales reached new records in 2017, and the sales total through midyear 2018 is down just slightly compared to the midyear 2017 total. Second quarter sales were higher, however, and in fact established a new quarterly record with 1,145 closed sales, an increase of 4.6% compared to the second quarter of a year ago. The price of those sales continues to rise with the June monthly average up by 6% year-over-year, and the midyear average up by 5.7% compared to the first six months of 2017.

Residential real estate sales activity as measured by the inflation-adjusted total dollar volume of sales is in its eighth straight year of expansion in 2018. While the rate of growth compared to year-ago levels has narrowed, that is simply because the pace of growth prior to that has been nothing short of extraordinary. Activity has more than doubled over that period of time and with the higher prices in 2018 even though sales are flat, the real dollar volume of housing sales in the metro area is at record levels for the month, quarter, and year-to-date through June.

The Bryan-College Station Economic Index is at a record level through June 2018 and continues to reflect general expansion in the B-CS metro area economy. General spending and employment growth are especially impressive midway through the year, and are the hallmarks of a growing, healthy local economy. The construction declines are of little concern, especially given the remarkable growth in those sectors through 2017. The forecast calls for continued economic growth in the second half of the year as well – there is simply no reason at this point to believe any sort of sustained economic slowdown or contraction is looming around the corner.

The Bryan-College Station Economy

The B-CS Economic Index January 2000 - June 2018



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The B-CS Economic Index

ECONOMIC INDICATORS *	BASE YEAR	LAST YEAR	THIS YEAR	% Change
June/2nd Quarter 2018	2000	2017	2018	2017 - 2018
Retail Sales (June)	\$ 149,701,262	\$ 234,148,968	\$ 252,931,941	8.0%
Retail Sales (2nd Quarter)	\$ 503,031,146	\$ 740,904,852	\$ 771,629,883	4.1%
Retail Sales (Year-to-date)	\$ 1,051,173,467	\$ 1,561,706,753	\$ 1,578,031,418	1.0%
Automobile Sales (Dollars Spent on Auto Purchases - (June)	\$ 18,971,335	\$ 36,439,650	\$ 41,024,550	12.6%
Automobile Sales (2nd Qtr)	\$ 58,216,015	\$ 102,067,538	\$ 121,863,207	19.4%
Automobile Sales (YTD)	\$ 116,254,696	\$ 204,752,340	\$ 232,777,020	13.7%
Hotel/Motel Spending (YTD)	\$ 17,284,232	\$ 42,443,022	\$ 48,616,430	14.5%
Value All Construction (June)	\$ 25,435,338	\$ 41,856,946	\$ 23,567,148	-43.7%
Value All Construction (2nd Qtr)	\$ 84,385,761	\$ 178,436,777	\$ 117,541,358	-34.1%
Value All Construction (YTD)	\$ 179,737,395	\$ 377,233,430	\$ 232,621,068	-38.3%
Single-Family Housing Permits (June)	51	57	58	1.8%
Single-Family Housing Permits (2nd Qtr)	195	256	219	-14.5%
Single-Family Housing Permits (YTD)	415	629	494	-21.5%
Number of Home Sales (June)	183	393	386	-1.8%
Number of Home Sales (2nd Qtr)	447	1,095	1,145	4.6%
Number of Home Sales (YTD)	668	1,834	1,813	-1.1%
Average Home Sale Price (June)	\$ 121,414	\$ 239,761	\$ 254,223	6.0%
Average Home Sale Price (2nd Qtr)	\$ 125,293	\$ 245,807	\$ 253,533	3.1%
Average Home Sale Price (YTD)	\$ 124,789	\$ 242,001	\$ 255,891	5.7%
Dollar Volume of Residential Home Sales Activity (June)	\$ 33,673,517	\$ 96,823,655	\$ 98,130,062	1.3%
Dollar Volume of Residential Home Sales Activity (2nd Qtr)	\$ 85,050,604	\$ 277,166,867	\$ 290,899,038	5.0%
Dollar Volume of Residential Home Sales Activity (YTD)	\$ 126,818,863	\$ 458,184,951	\$ 466,024,838	1.7%
EMPLOYMENT				
Wage & Salary Employment (June)	81,200	111,200	116,700	4.9%
Wage & Salary Employment (2nd Qtr Avg)	85,435	114,865	119,935	4.4%
Wage & Salary Employment (YTD Avg)	85,750	115,265	120,535	4.6%
Unemployment Rate (June)	4.5	3.7	3.5	-5.4%
Unemployment Rate (2nd Qtr Avg)	3.9	3.2	3.0	-7.2%
Unemployment Rate (YTD Avg)	3.9	3.4	3.0	-11.3%
BRYAN-COLLEGE STATION ECONOMIC INDEX - JUNE	101.6	153.7	156.7	1.9%
(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