



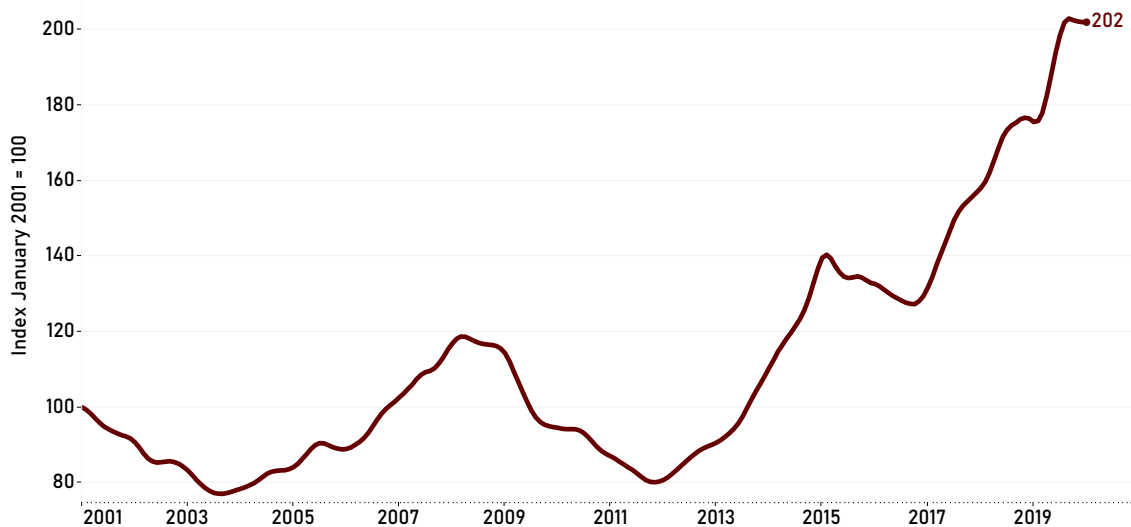
HIGHLIGHTS

- The Business-Cycle Index was basically flat between December 2019 and January 2020.
- The revised nonfarm employment rate was 0.4% higher in January 2020 and has increased 2.6% relative to the level in January 2019.
- Taxable sales were up 0.9% in January and up 5.6% since January 2019.
- Real wages in College Station-Bryan increased 1.3% from the second to the third quarter of 2019.
- The focus section provides a brief discussion of the Covid-19 outbreak with an emphasis on the local economy.

THE COLLEGE STATION-BRYAN BUSINESS-CYCLE INDEX

Figure 1 depicts the College Station-Bryan (CSB) Business-Cycle Index. The January 2020 estimate of the CSB Business-Cycle Index is 202, essentially the same as the revised December 2019 value.

FIGURE 1. COLLEGE STATION-BRYAN BUSINESS-CYCLE INDEX

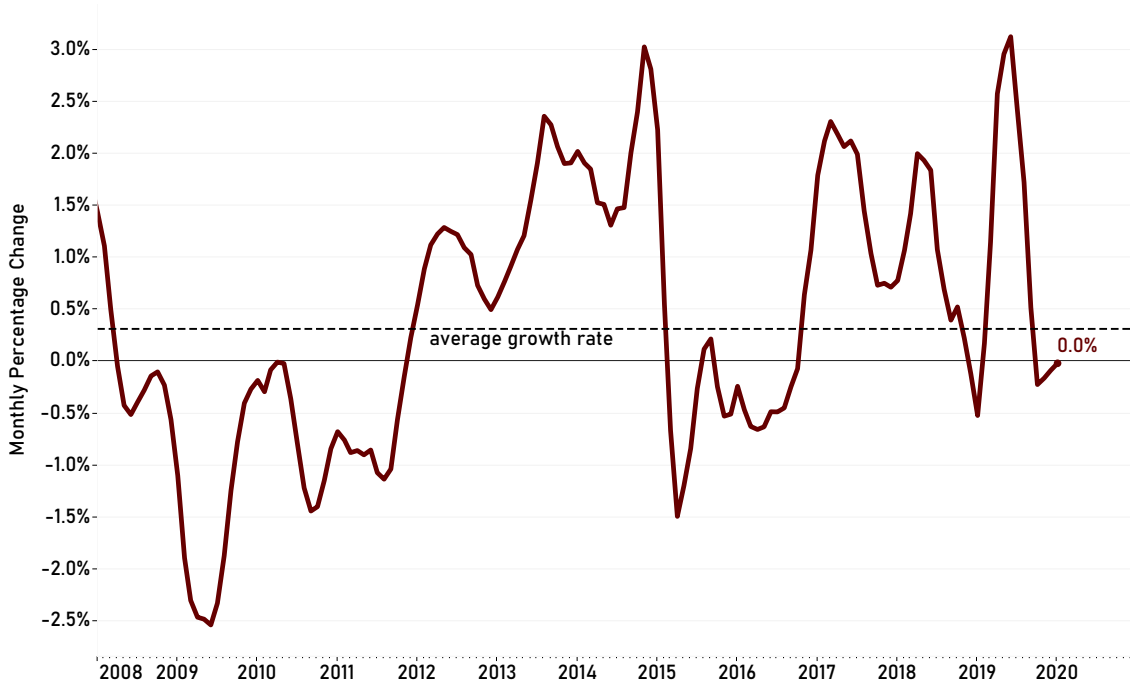


Last reported data point: January 2020 (monthly). Source: Private Enterprise Research Center.

THE COLLEGE STATION-BRYAN BUSINESS-CYCLE

The CSB Business-Cycle was basically flat between December and January. The most recent release of the seasonally adjusted nonfarm employment numbers were revised downward and the values for the recent months based on the current release were lower than in the December release. The revised January 2020 value exhibited an increase of 0.4% relative to December 2019 and is 2.6% higher than its level in January 2019. Taxable sales were up for the month by 0.9% and increased 5.6% since January 2019. The unemployment rate is undergoing a revision by the Bureau of Labor Statistics and its scheduled release will take place March 20. Real wages are released on a quarterly basis. Real wages for the third quarter of 2019 were released this month and were 1.3% higher than in the second quarter of 2019.

FIGURE 2. COLLEGE STATION-BRYAN BUSINESS-CYCLE

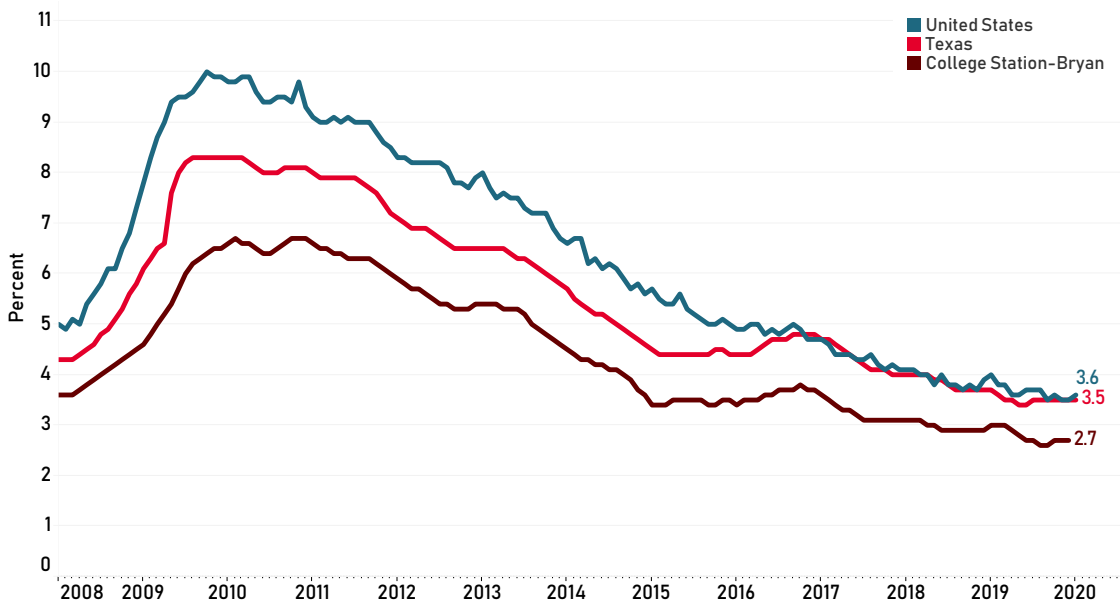


Annualized month-to-month growth rates. Last reported data point: January 2020 (monthly). Source: Private Enterprise Research Center.

UNEMPLOYMENT RATE

Figure 3 depicts the unemployment rate in the College Station-Bryan MSA, along with the series for Texas and the U.S. The Bureau of Labor Statistics is in the process of revising all MSA-level unemployment, employment, and labor force statistics since 2015; an updated unemployment rate for January 2020 is not available at this time. The unemployment rate for the state of Texas remained constant at 3.5%, while the United States unemployment rate increased from 3.5% to 3.6% between December 2019 and January 2020.

FIGURE 3. UNEMPLOYMENT RATE



Seasonally adjusted. Last reported data point: January 2020 (monthly). Source: Bureau of Labor Statistics.

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FOCUS ON THE COLLEGE STATION-BRYAN MSA

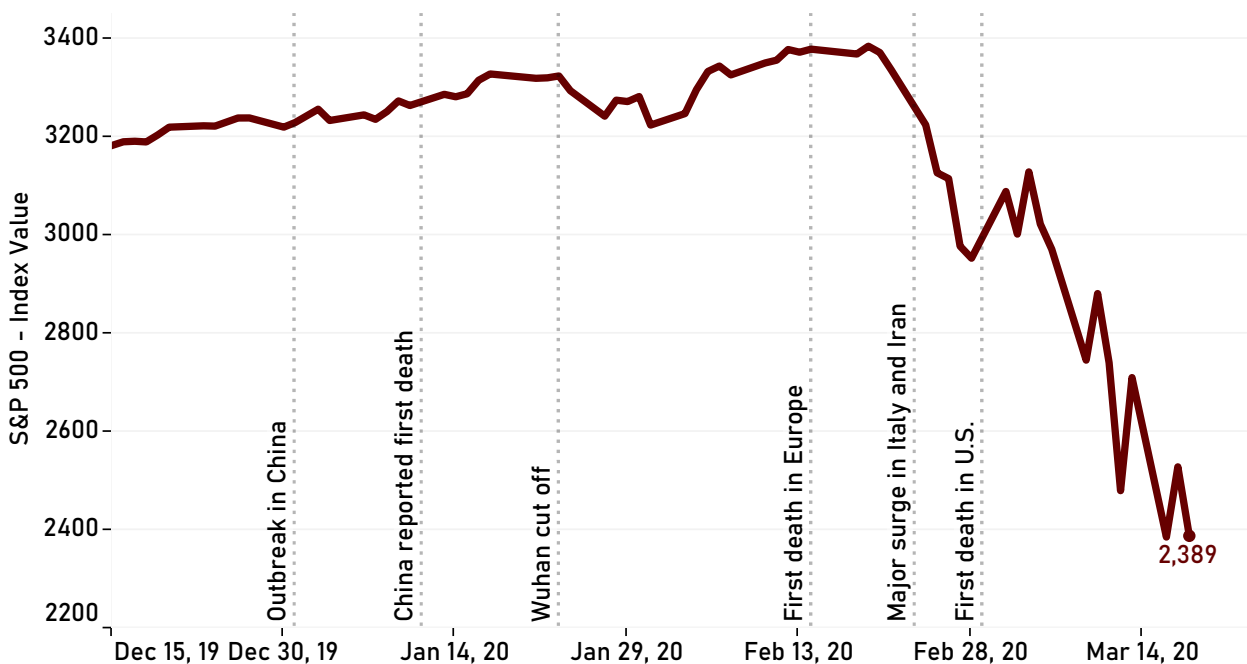
This month, the focus section addresses the effects of the coronavirus (Covid-19) on the national, state and local economy. These are unique times, where government officials are facing a tradeoff between public health concerns and economic activities. The response to containing the spread of Covid-19 has had worldwide economic effects and consequently, it is difficult to limit this discussion only to College Station-Bryan. We begin with a quick look at national data from the stock market, given its timeliness. Next, we consider some state level data and in particular, the oil industry, and lastly we discuss how the ongoing interruption is affecting local economic activity.

NATIONAL ECONOMIC EFFECTS FROM COVID-19

Most national economic data, like labor market statistics and GDP, come with a delay. They typically refer to the past month or the last quarter and, thus, as of yet, statistics that reflect what has happened over the last few weeks in terms of employment or economic output are not available.

In contrast, stock market values are determined frequently and typically indicate investor expectations about the future prospects of firms. Figure 4 depicts the S&P 500 since December 2019 through its close on March 18. As of the time of publication, March 18, the stock market has declined 29.5% since the S&P 500's all-time peak on February 19. The large decline is driven in part by current and expected future declines in economic activity both here and abroad, and also by the large uncertainties accompanying the occurrence of the Covid-19 virus. There is much that is unknown about the virus itself, and about how various government policies will mitigate the medical impact of the virus and its impact on the economy. Investors are averse to uncertainties, especially uncertainties of this global nature, and the uncertainty in and of itself causes both a decline in valuations and volatility in those valuations. As time passes and we gain a better understanding of the virus, its impact on our health, and its impact on the economy, some of the recent uncertainty-induced heavy discounting in stock prices will be lessened. Aggressive Federal Reserve action and the proposed stimulus packages should mitigate some, but not all, of the impact on the economy.

FIGURE 4. S&P 500

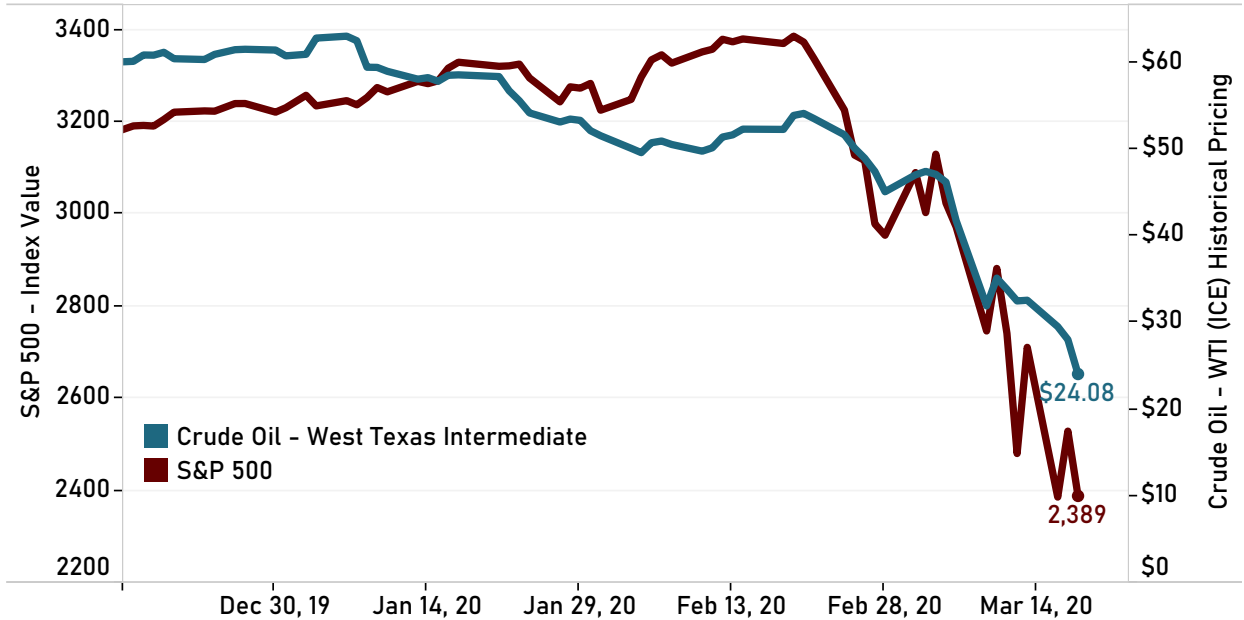


Last reported data point: March 18, 2020 (daily). Source: S&P Dow Jones Indices.

STATE ECONOMIC EFFECTS FROM COVID-19

The steep decline in the stock market during the second week of March, 2020 coincided with a simultaneous steep drop in oil prices, as seen in Figure 5. Between February 19 and March 18 the stock market fell 29.5% and the price for a barrel of oil fell 55.3%. Oil and gas extraction along with other extractive industries account for 9% of Texas’s GDP, and taxes on oil and gas production account for 11.1% of Texas tax revenues. The sharp drop in oil prices, if not quickly reversed, will lead to curtailment of drilling, a reduction in oil field equipment business, and reductions in wages and income in the industry. The reduction in prices, and any reduction in production, will directly impact state tax revenues as well.

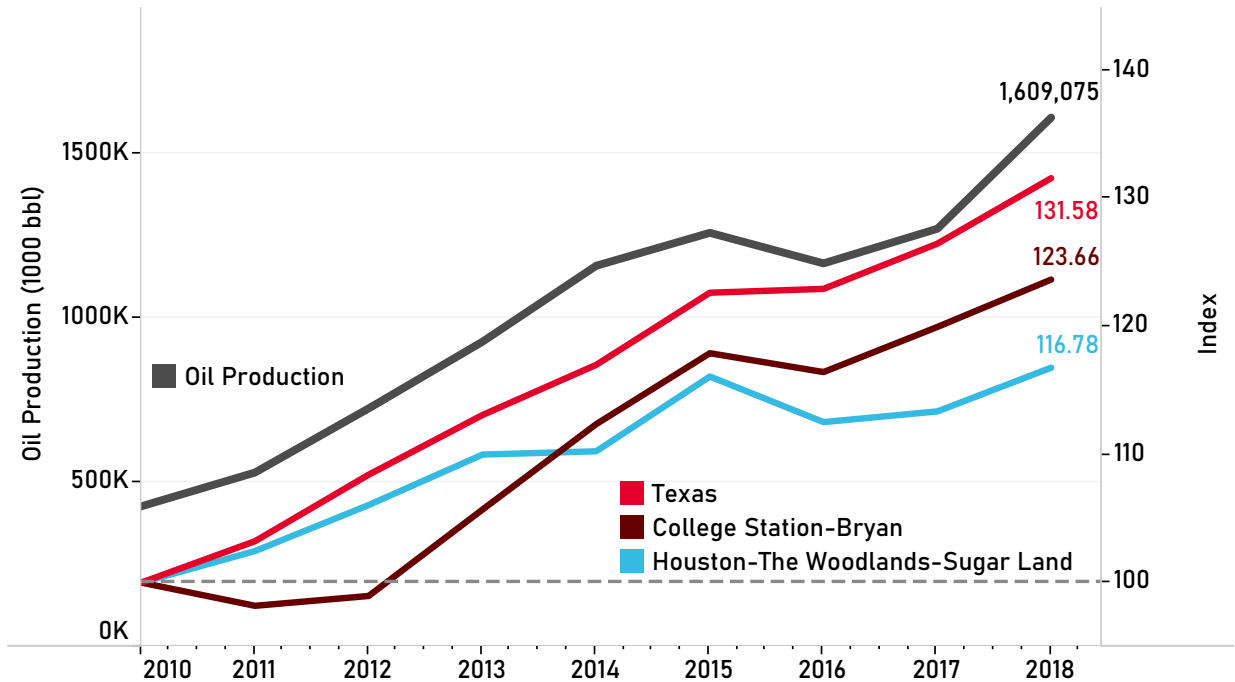
FIGURE 5. S&P 500 AND OIL PRICES



Last reported data point: March 18, 2020 (daily). Sources: S&P Dow Jones Indices and Commodity Research Bureau.

Figure 6 graphs real GDP for the state of Texas, Houston, and College Station-Bryan all indexed to their respective values in 2010 along with Texas oil production from 2010 to 2018. As these series show, the reduction in oil production between 2015 and 2016 coincided with a reduction in the GDP for the Houston MSA and the College Station-Bryan MSA, as well as slower growth of state-wide GDP.

FIGURE 6. OIL PRODUCTION AND GDP



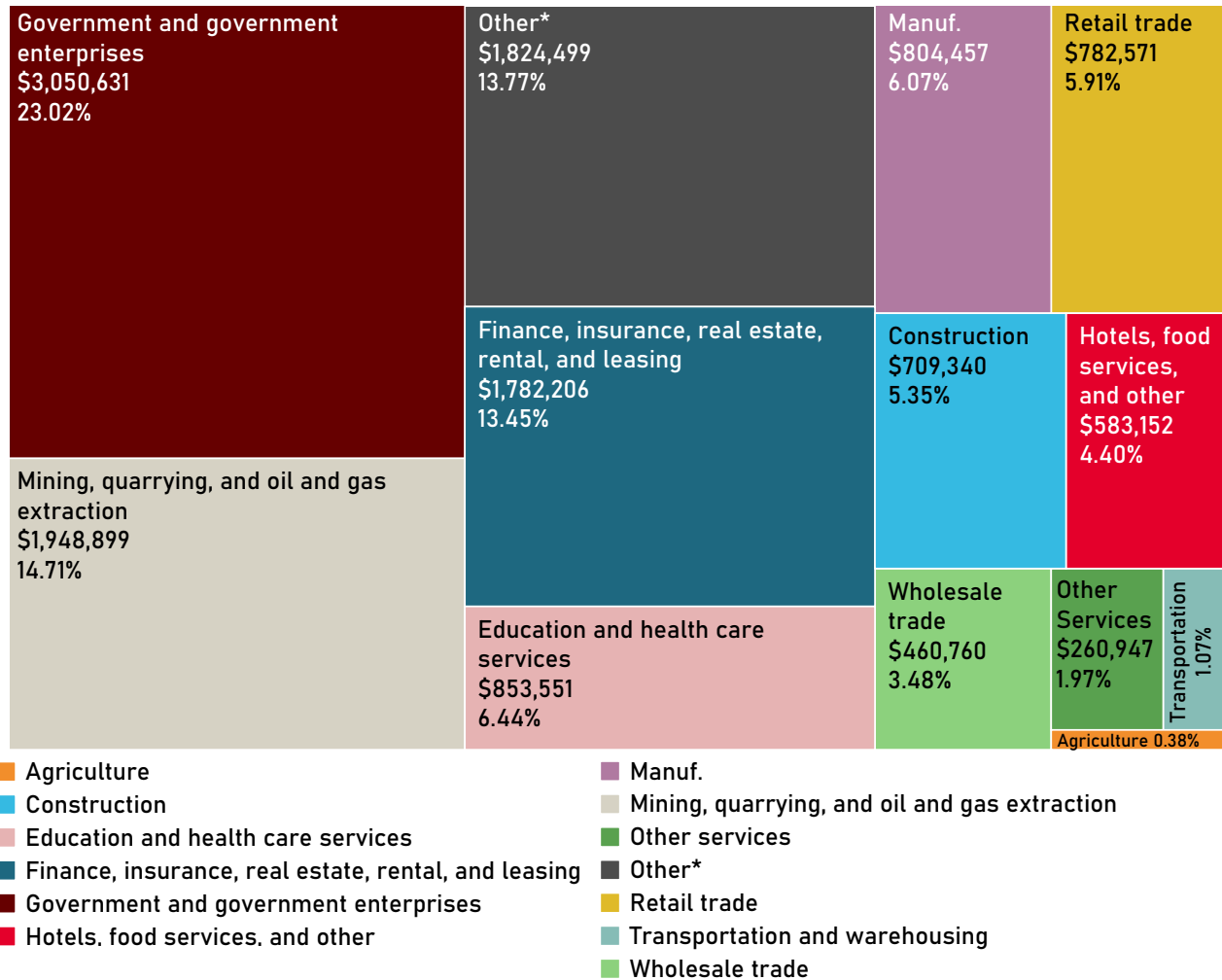
Last reported data point: 2018 (annual). Sources: GDP from the Bureau of Economic Analysis and Oil Production from Energy Information Agency .

LOCAL ECONOMIC EFFECTS FROM COVID-19

Covid-19 arrived during a period of steady economic growth in the Brazos Valley, with increasing wages and sales, and low unemployment. We are all witnessing the effects of the coronavirus on our daily lives, from the crowded — and somewhat depleted — grocery stores to working from home, to extended spring breaks and the suspension of in-person classes at Texas A&M. Given the importance of Texas A&M to the local economy and the importance of students to many local businesses, there are and will continue to be large impacts on local hotels and restaurants, among other businesses. Figure 7 depicts the composition of GDP by industry in College Station-Bryan. Texas A&M is included in the Government sector, which comprises 23% of the local economy. As we have seen in previous issues of *Economic Indicators*, the peaks and troughs of our economy's business-cycle typically lag the rest of the state, in part because changes in state appropriations lag the state's business cycle. Eventually, reductions in state tax revenues may lead to reductions in the growth of state spending, with consequent impacts on Texas A&M and the local economy.

We are collectively hitting the pause button on many of our activities. Some of the lost income and lost production may never be recovered, however, this pause is temporary, in that once the pandemic has run its course we should be able to quickly return to prior levels of economic activity.

FIGURE 7. COMPOSITION OF GDP IN COLLEGE STATION-BRYAN (2018)



Dollar values are reported in thousands. Other* includes: Utilities, Information, and Professional and Business Services. Source: Bureau of Economic Analysis.

NOTES AND LINKS

The extent of the College Station-Bryan MSA is defined by the Census Bureau and includes Brazos, Burleson, and Robertson counties. The Business-Cycle Index is re-estimated each month using the most recent data for the four economic variables included in the model: the unemployment rate, nonfarm employment, real wages, and real taxable sales. The real wage series is released on a quarterly basis and the other three are released monthly. The underlying data series are subject to revision. With new monthly data and revisions of past data, each month the Index and the Business-Cycle will differ from previous estimates.

For more details about the CSB Business-Cycle Index see: *Methodology for Constructing an Economic Index for the College Station-Bryan Metropolitan Statistical Area.*

DATA SOURCES

Gross Domestic Product

Bureau of Economic Analysis, Regional Data, retrieved from Bureau of Economic Analysis, <https://apps.bea.gov/itable/iTable.cfm?ReqID=70&step=1>

Inflation

U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items [CPIAUCSL], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CPIAUCSL>. Wages and Taxable Sales are converted to real dollars (inflation-adjusted) using the CPI-U.

Nonfarm Employment

Federal Reserve Bank of Dallas, Texas Workforce Commission, and Bureau of Labor Statistics, Total Nonfarm Payroll Employment for Texas Metropolitan Statistical Areas, two-step Seasonally Adjusted, retrieved from Federal Reserve Bank of Dallas, <https://www.dallasfed.org/research/econdata/brysa.aspx>

Oil Prices

Standard & Poor's Global Inc., S&P Global Market Intelligence, Commodity Research Bureau, Oil & Gas Market, retrieved using NetAdvantage.

S&P 500

Standard & Poor's Global Inc., S&P Global Market Intelligence, McGraw Hill Financial, S&P Dow Jones Indices, S&P 500 Index, retrieved using NetAdvantage.

Taxable Sales (Sales and Use Tax Allocation)

Texas Comptroller of Public Accounts, Allocation Payment Detail, Current Period Collections. Data available through Texas Comptroller of Public Accounts: <https://mycpa.cpa.state.tx.us/allocation/AllocDetail>. Historical data prior to 2016 from Texas Comptroller of Public Accounts. Seasonal Adjustment by Private Enterprise Research Center.

Texas Oil Production

U.S. Department of Energy, Energy Information Agency, Crude Oil and Condensate, <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=mcrfptx1&f=a>

Unemployment Rate

Bureau of Labor Statistics, Unemployment by Metropolitan Area, Seasonally Adjusted, Local Area Unemployment Statistics, retrieved from Bureau of Labor Statistics, <https://www.bls.gov/lau/metrossa.htm>

Wages

Bureau of Labor Statistics, Total Quarterly Wages in College Station-Bryan, TX (MSA), retrieved from <https://www.bls.gov/cew/datatoc.htm>. Quarterly files by area. Seasonal Adjustment by Private Enterprise Research Center.

CONTACT



The Brazos Valley Economic Development Corporation serves Brazos County, the City of Bryan, the City of College Station, Texas A&M University, the surrounding region and private sector investors through the Invest Brazos Valley program. BVEDC helps companies launch, grow, and locate in the Brazos Valley.

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