



TEXAS

The Real Estate Center at Texas A&M noted in their August Summary that “The Texas economy moved forward but displayed some noteworthy obstacles. The statewide unemployment rate fell to 4.2 percent at the expense of record-low labor force participation. Stagnant wages challenged most of the State, hindering growth in Texas per capita income. Hurricane Harvey disrupted the Houston economy, driving up initial unemployment insurance claims and stalling trade activity along the Gulf Coast. The declining value of the dollar and strong global economy should boost economic performance and assist in the hurricane recovery process. In addition, the prospect of tax reform may provide an avenue for improved growth.”

AUSTIN

The Dallas Fed reported that “The Austin economy expanded at a moderate pace in August. Growth in the Austin Business-Cycle Index continued to fall below its long-term trend as jobs declined in August, although the area unemployment rate remained flat at a low level. Data on real output growth show that Austin was the fastest-growing Texas metro in 2016.”

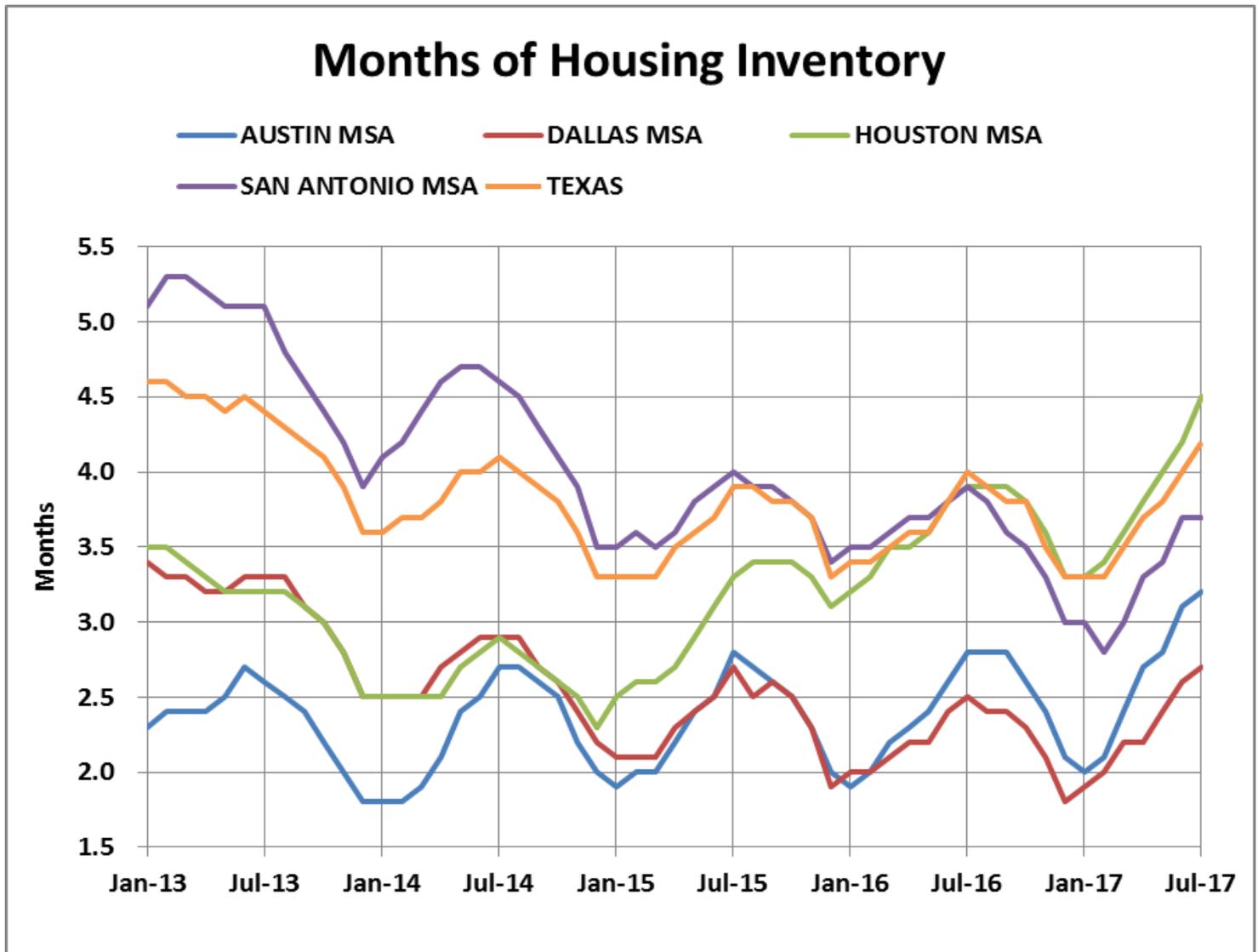


UNITED STATES

“Hurricanes Harvey and Irma, if taken together, would rank among the costliest weather-related disasters in U.S. history based on the estimated value of destroyed or damaged property and infrastructure. Moreover, the back-to-back storms in late August and early September have introduced substantial uncertainty into the economy’s near-term outlook. Previous natural disasters suggest that despite interruption of economic activity in the immediate term and hardship for those living in affected areas, the impact on the national economy—an impact that includes subsequent boosts to activity from rebuilding—tends to be modest.” - Research Department at the Federal Reserve Bank of Dallas

HOUSING – INVENTORY

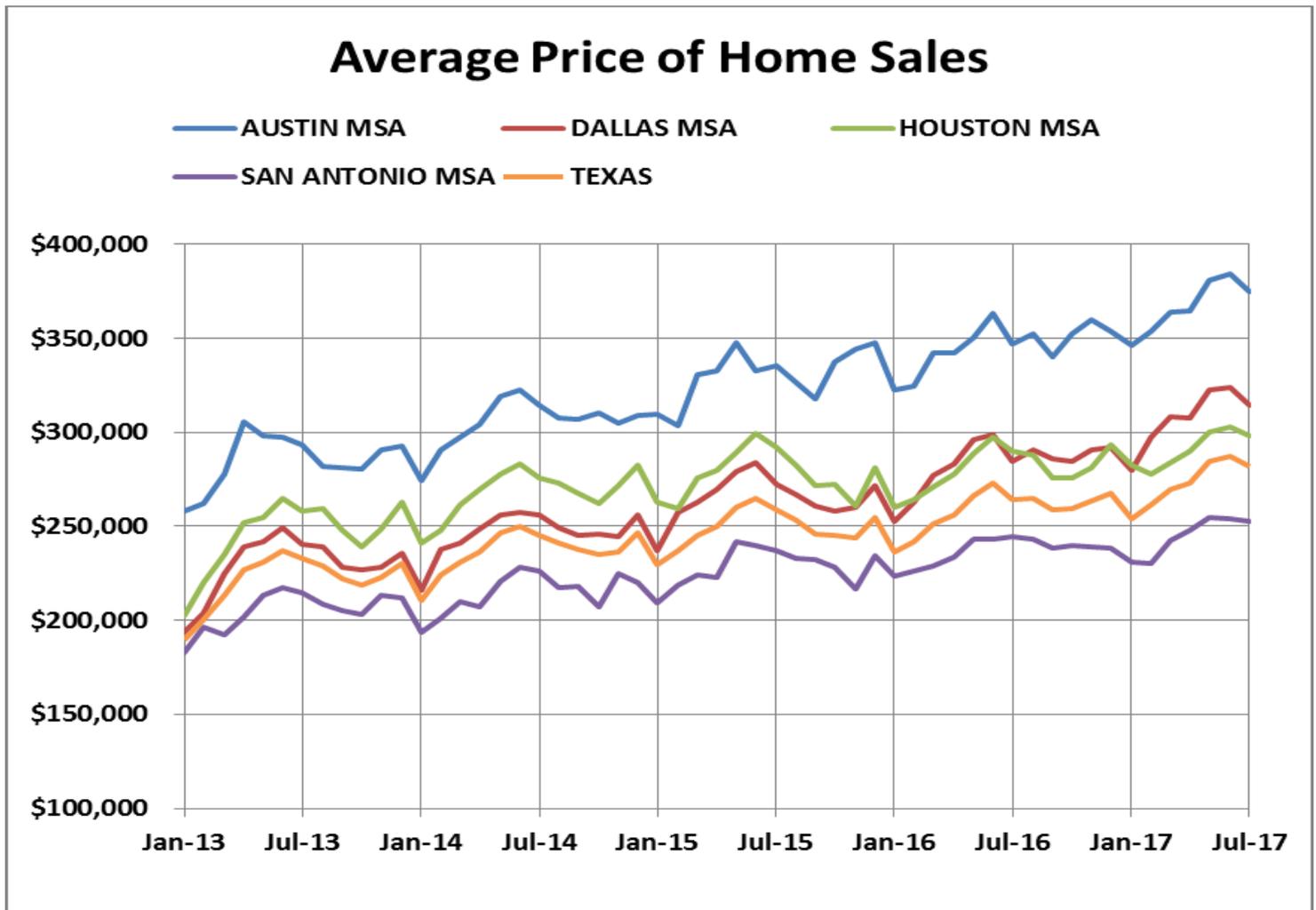
The Austin MSA’s months of housing inventory was 3.1 in June 2017 and 3.2 in July 2017. These were the first months to exceed 3.0 since October 2012. The Real Estate Center has estimated that “seasonally adjusted; around 6.5 months of inventory is considered a balanced housing market in which neither sellers nor buyers dictate prices.”



Source: Real Estate Center at Texas A&M University

HOUSING – AVERAGE SALES PRICE

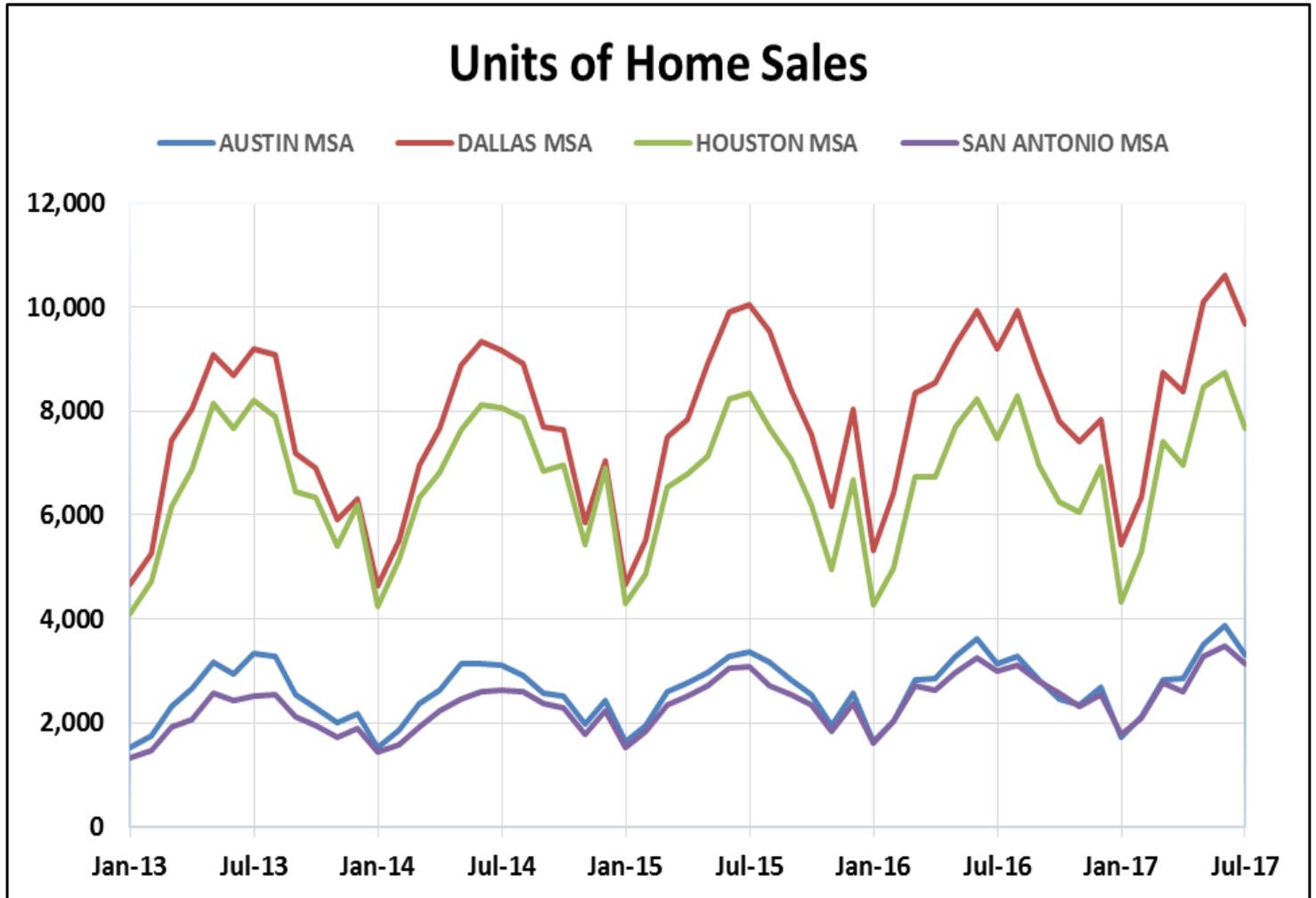
For a single-unit of residential housing in Austin “the average sales price rose 8.29% [year-over-year] from \$346,866 to \$375,633, while the average price per square foot subsequently rose from \$167 to \$179. Median price rose 4.43% [year-over-year] from \$282,000 to \$294,500, while the median price per square foot also rose from \$142 to \$150.” – July Housing Report for Austin-Round Rock – Real Estate Center



Source: Real Estate Center at Texas A&M University

HOUSING – HOME SALES

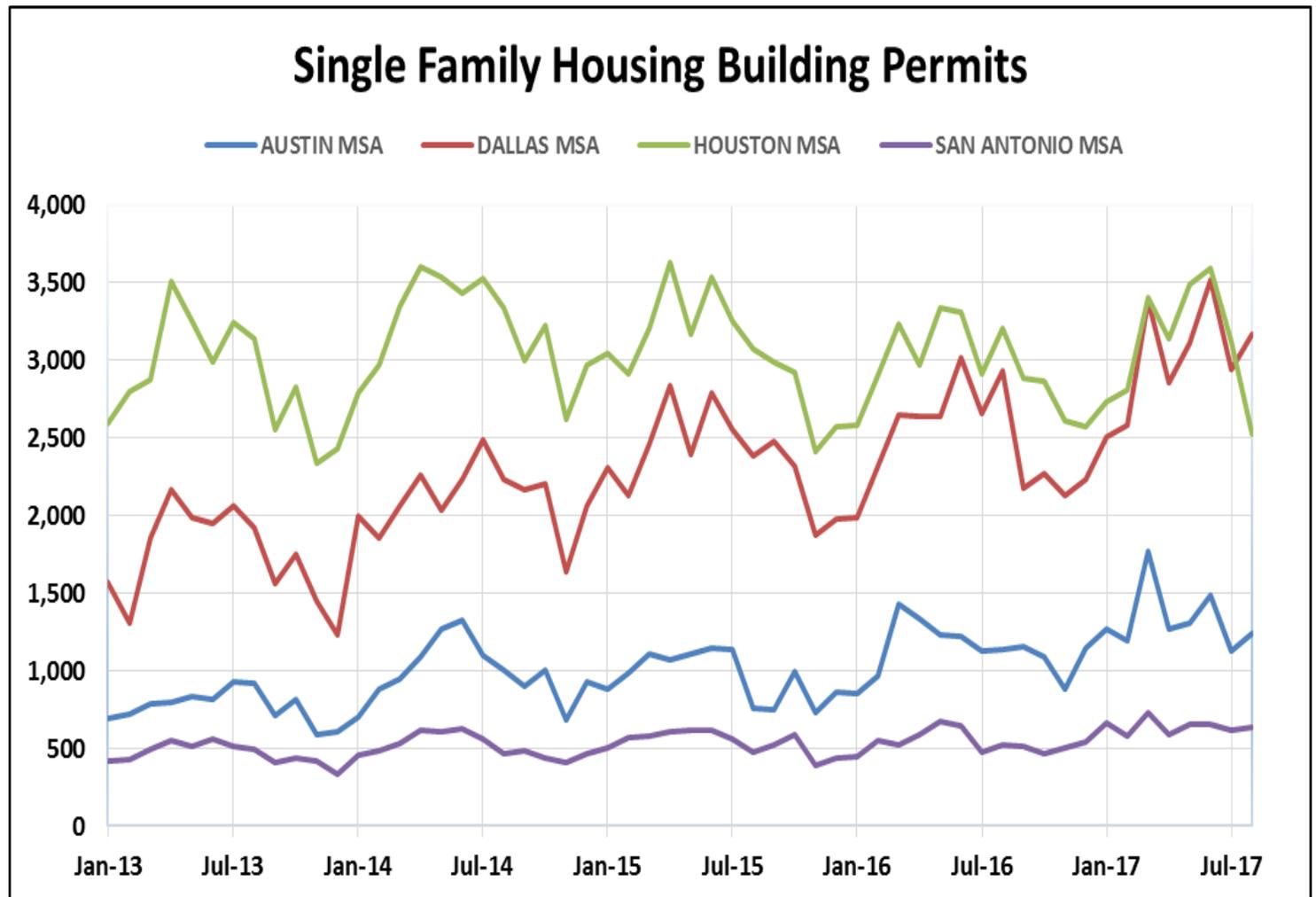
Austin MSA’s “sales volume for single-unit residential housing increased 5.35% [year-over-year] from 3,140 to 3,308 transactions. Year-to-date sales reached a total of 20,196 closed listings. Dollar volume rose from \$1.09 billion to \$1.24 billion.” – July Housing Report for Austin-Round Rock – Real Estate Center



Source: Real Estate Center at Texas A&M University

HOUSING – SINGLE FAMILY BUILDING PERMITS

Data prepared by the National Association of Home Builders indicates that 2017 August YTD Single Family building permits are up 14% in Austin-Round Rock, 16% in Dallas-Ft Worth, 1% in Houston-Baytown, and 16% in San Antonio.

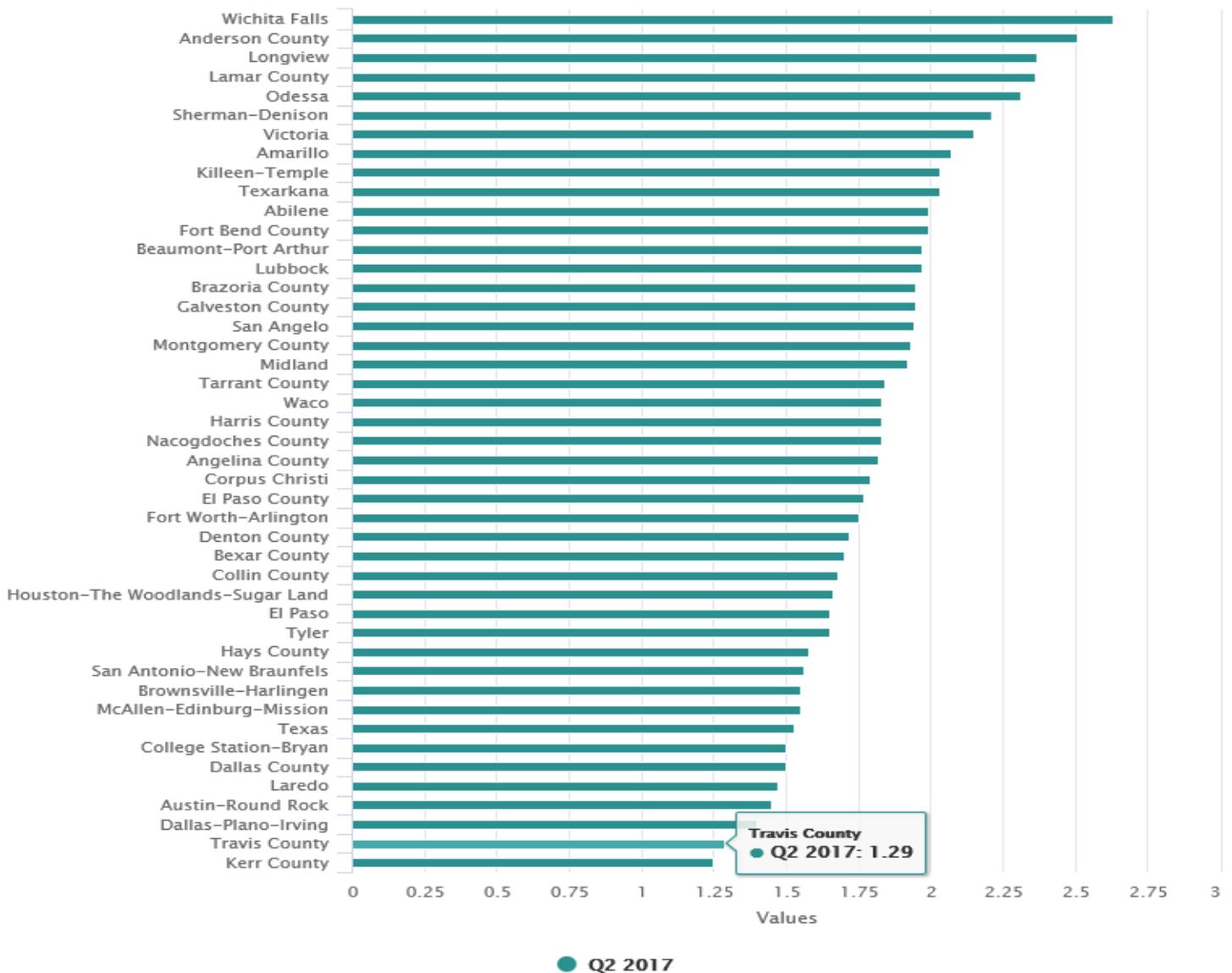


Source: Real Estate Center at Texas A&M University

HOUSING – TEXAS HOUSING AFFORDABILITY INDEX

“The Texas Housing Affordability Index (THAI) reflects the relationship between the current median family income in a locale and the computed amount required to purchase a median-priced home. The required income derives from the current mortgage interest rate, an assumed 20 percent down payment, and the lenders’ required mortgage debt-to-income ratio. A higher HAI indicates relatively greater affordability. A ratio of 1.00 means that the median family income (MFI) is exactly sufficient to purchase the median-priced home.” – Real Estate Center

Texas Housing Affordability Index

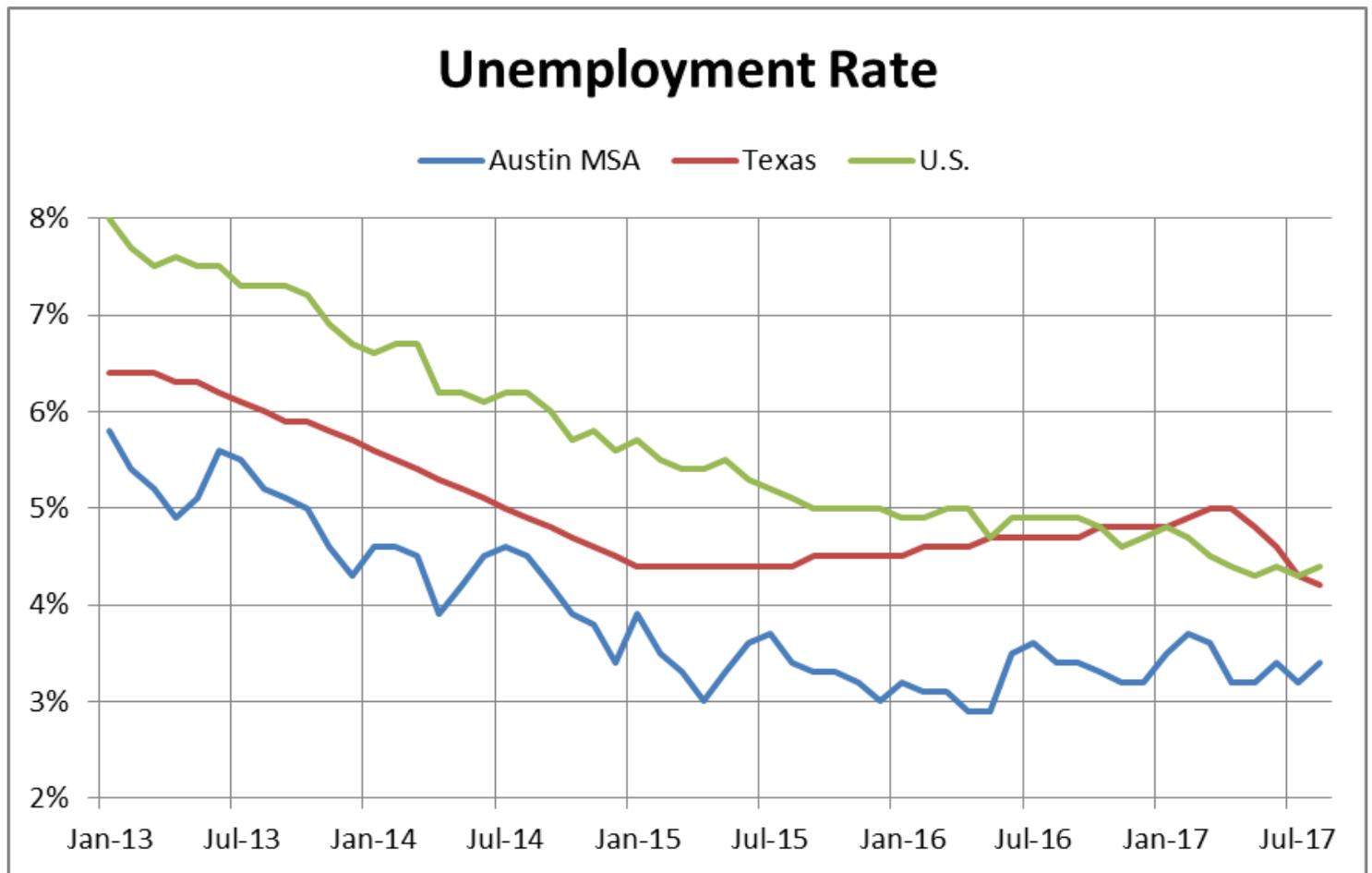


Highcharts.com

Source: Real Estate Center at Texas A&M University

JOBS - UNEMPLOYMENT RATES – AUSTIN MSA, TEXAS, U.S.

The Austin MSA unemployment rate was 3.4 percent in August. This is significantly below the state and national rates of 4.2 and 4.4 percent, respectively. “The [Austin] labor force has grown at a 1.8 percent annualized rate year-to-date, below its long-term average but much faster than the State’s 0.1 percent growth.”- Austin Economic Indicators - Dallas Fed – Oct 2017

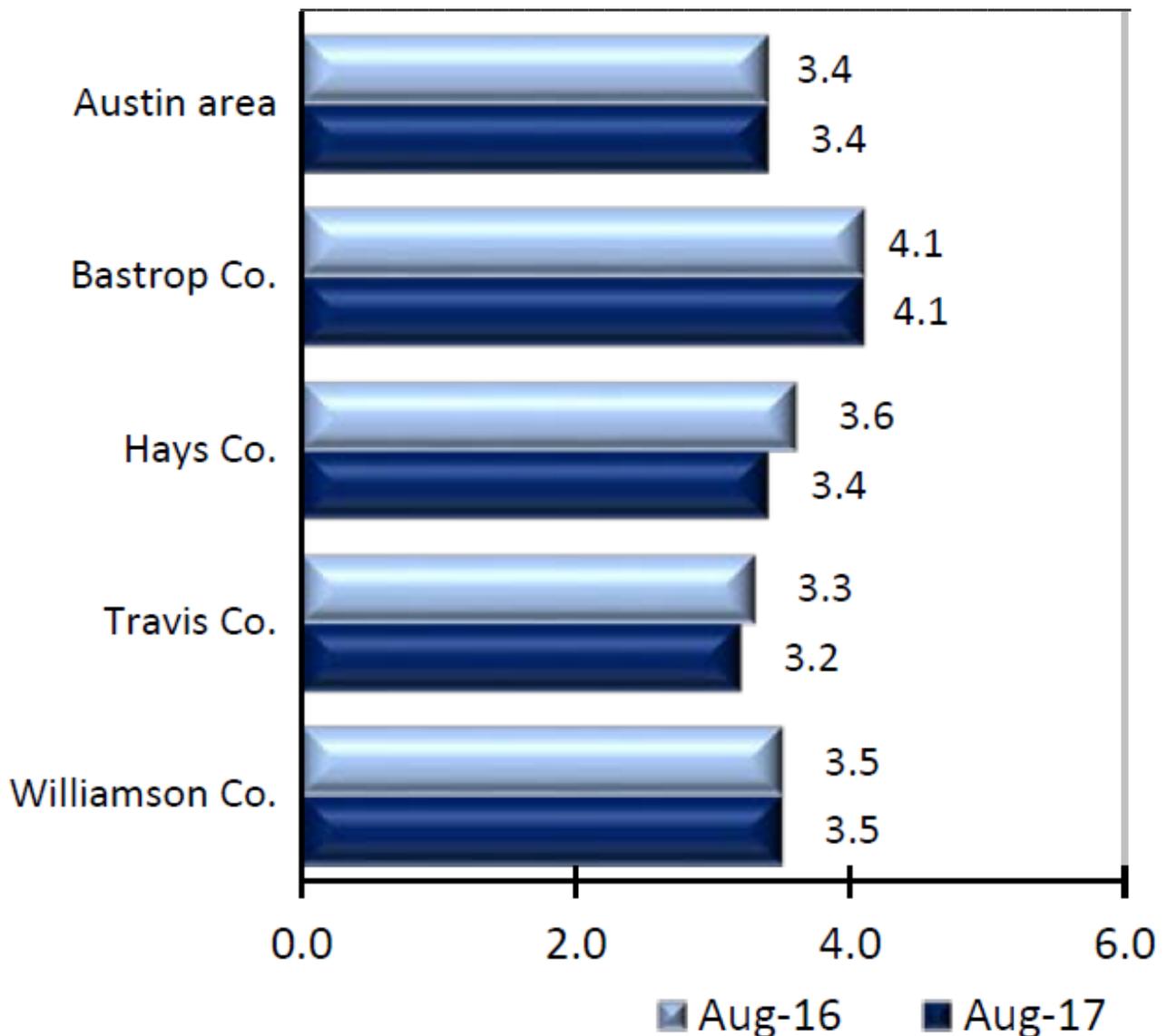


*Note: U.S. and Texas seasonally adjusted, Austin MSA not seasonally adjusted.
Source: Bureau of Labor Statistics*

JOBS - UNEMPLOYMENT RATE – AUSTIN AREA

Below is a chart taken from the September 27, 2017, Austin Area Economic Summary prepared by the U.S. Bureau of Labor Statistics. It graphically shows that unemployment rates throughout most of the Austin area are consistent with prior year.

Unemployment rates

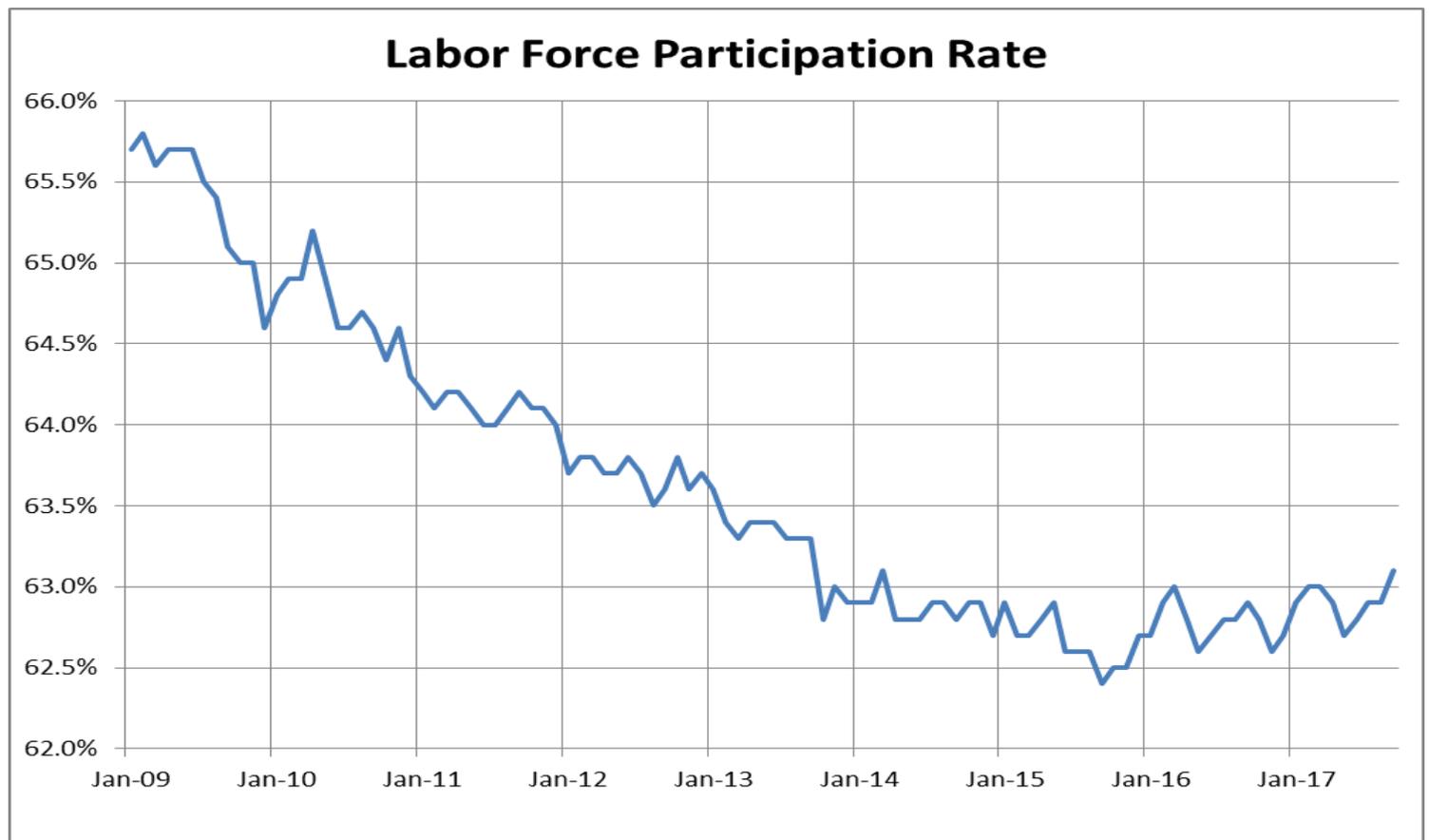


Source: U.S. BLS, Local Area Unemployment Statistics.

JOBS – LABOR PARTICIPATION RATE

The **labor force participation rate**, as defined by the Bureau of Labor Statistics (BLS), is “the percentage of the population [16 years and older] that is either employed or unemployed [that is, either working or actively seeking work].”

“The Bureau of Labor Statistics on Friday [October 6th] said the labor force participation rate of 63.1 percent reached a high for the year in September, up two-tenths of a point from August. The number of employed Americans reached 154,345,000 in September, setting a sixth record since January. As the number of employed Americans reached an all-time high, the number of unemployed Americans in September -- 6,801,000 -- hasn't been this low since May 2007. The already low unemployment rate dropped another two-tenths of a point to 4.2 percent last month. That is the lowest since early 2001. BLS noted that the recent hurricanes had ‘no discernible effect on the national unemployment rate.’ ” - CNSNews.com

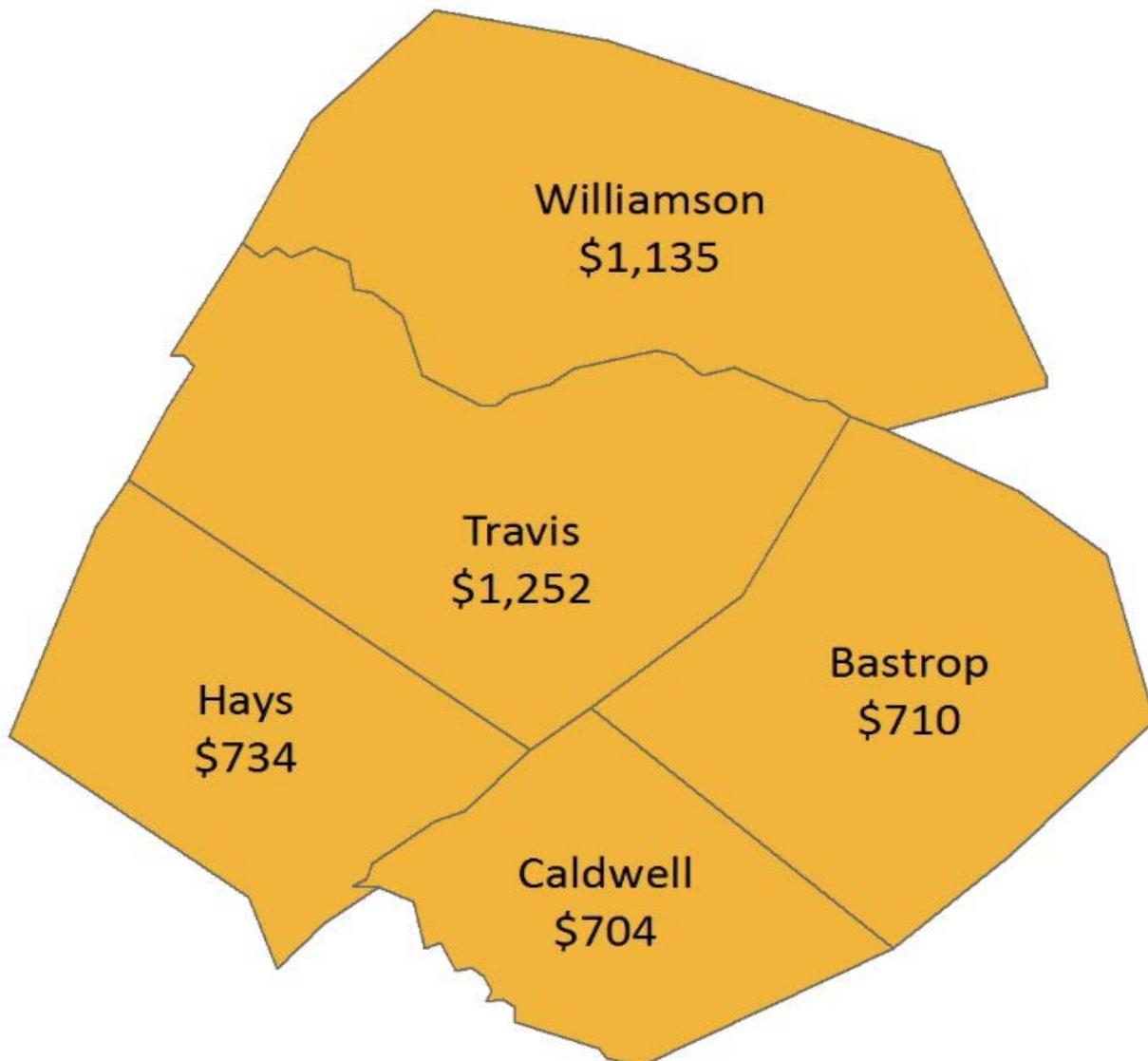


Source of Data: Bureau of Labor Statistics

JOBS – AVERAGE WEEKLY WAGES BY COUNTY

Below is a chart comparing the average weekly wages for all industries by county. The most recent data for the Austin area is from the 1st Quarter 2017. Travis County wages show an increase of \$8 over the previous quarter.

What is included in total wages? “Under most State laws or regulations, wages include bonuses, stock options, severance pay, profit distributions, cash value of meals and lodging, tips and other gratuities, and, in some States, employer contributions to certain deferred compensation plans such as 401(k) plans.” – Bureau of Labor Statistics (BLS)



Source: U.S. BLS, Quarterly Census of Employment and Wages.

JOBS – NONFARM EMPLOYMENT BY INDUSTRY

The chart below shows the year-over-year changes in employment by major industry sector. The total Austin area nonfarm employment has increased by 21,100 jobs (2.1%) from prior year.

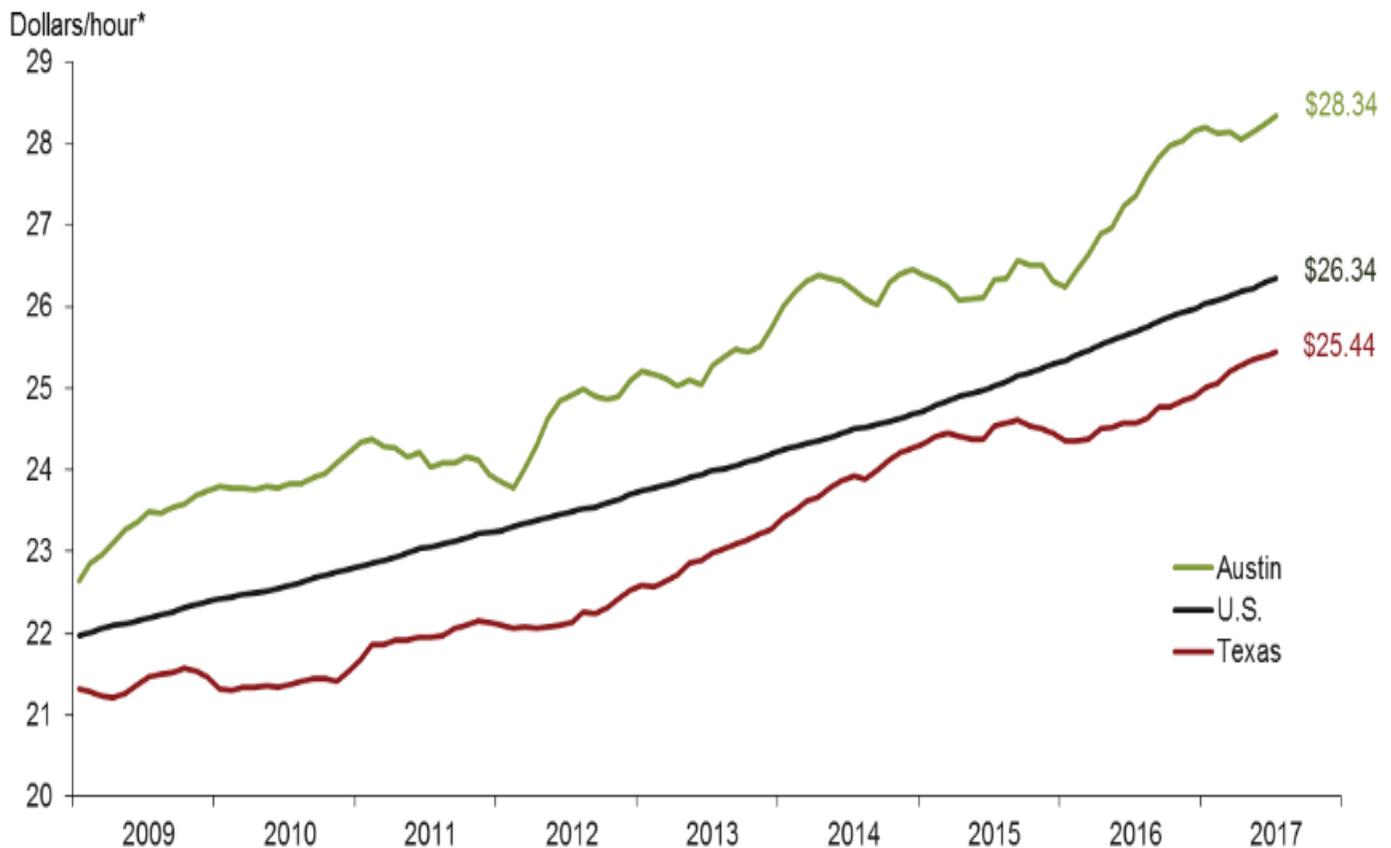
Austin area employment (numbers in thousands)	Aug. 2017	Change from Aug. 2016 to Aug. 2017	
		Number	Percent
Total nonfarm	1,018.9	21.1	2.1
Mining, logging, and construction	63.9	3.8	6.3
Manufacturing	58.8	2.5	4.4
Trade, transportation, and utilities	173.9	2.1	1.2
Information	27.6	-0.9	-3.2
Financial activities	57.4	-0.1	-0.2
Professional and business services	169.8	-1.9	-1.1
Education and health services	121.7	5.3	4.6
Leisure and hospitality	129.1	5.8	4.7
Other services	45.5	1.5	3.4
Government	171.2	3.0	1.8

Source: U.S. BLS, Current Employment Statistics.

JOBS – PRIVATE SECTOR HOURLY WAGES

“Private-sector hourly wages in Austin continued to rise in August, with the three-month moving average increasing to \$28.34. While well above the State average, the year-over-year change in Austin is just slightly above Texas’ 3.5 percent rate. Both continue to grow faster than the U.S. average of 2.5 percent.” – Dallas Fed

Private-Sector Average Hourly Earnings



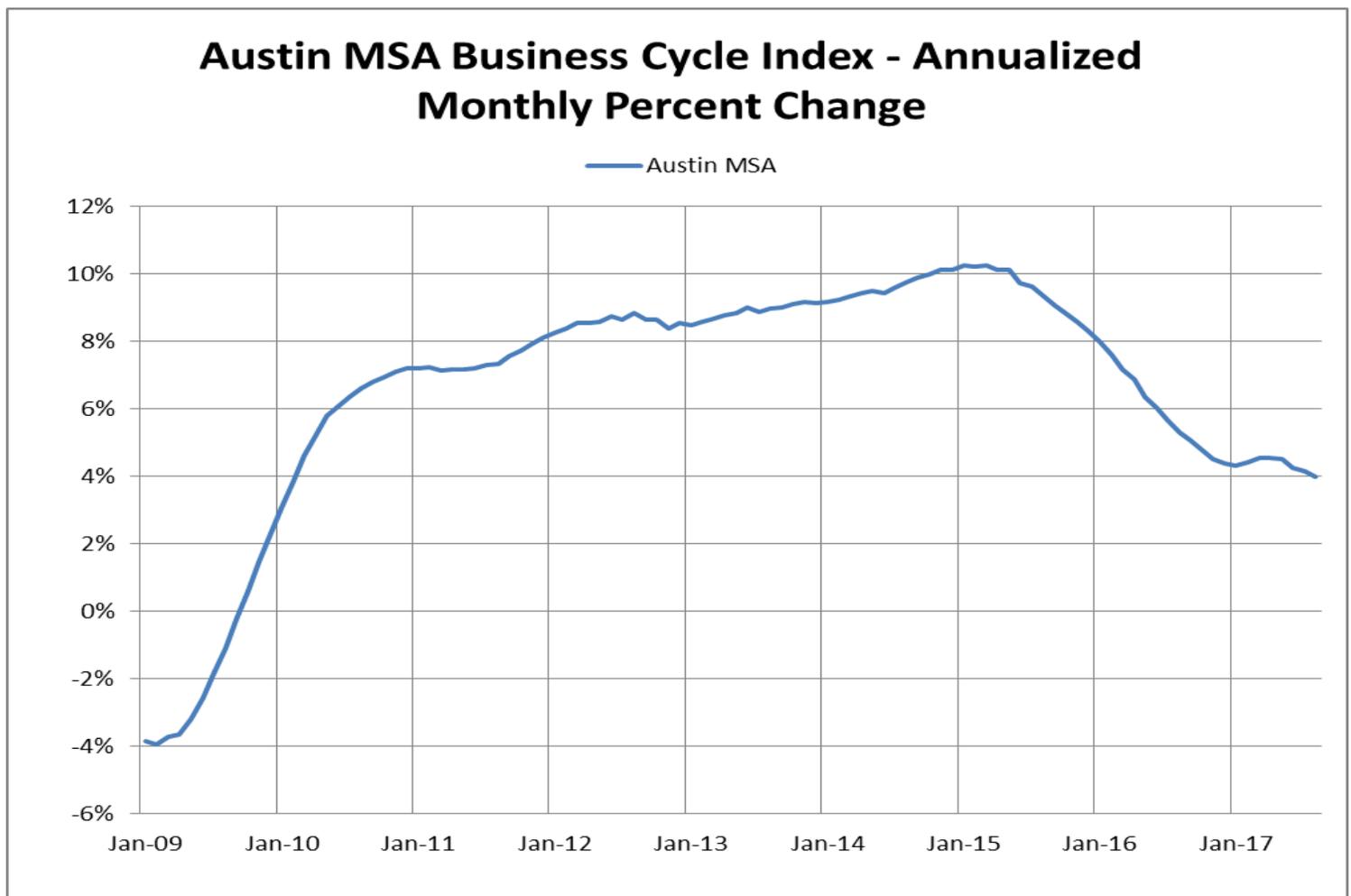
*Seasonally adjusted; three-month centered moving average.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

BUSINESS CYCLE INDEX – AUSTIN MSA

Business Cycle Indexes are meant to reflect broad movements in local economic conditions. The Dallas Fed states that “the [local area] indexes are constructed based on the aggregated movements in the local area unemployment rate, nonagricultural employment, inflation-adjusted wages, and inflation-adjusted retail sales. The weights of the components are statistically optimized for each metropolitan area in order to best capture the underlying cyclical movements in the local area economy.”

“The Austin Business-Cycle Index expanded at a 4.0 percent annualized pace in August, slowing slightly from 4.1 percent in July. This is below its long-term pace of growth and overall year-to-date growth. Weak job gains have dragged on the index.”– Austin Economic Indicators - Dallas Fed



Source: Federal Reserve of Dallas - Index, 1980 = 100

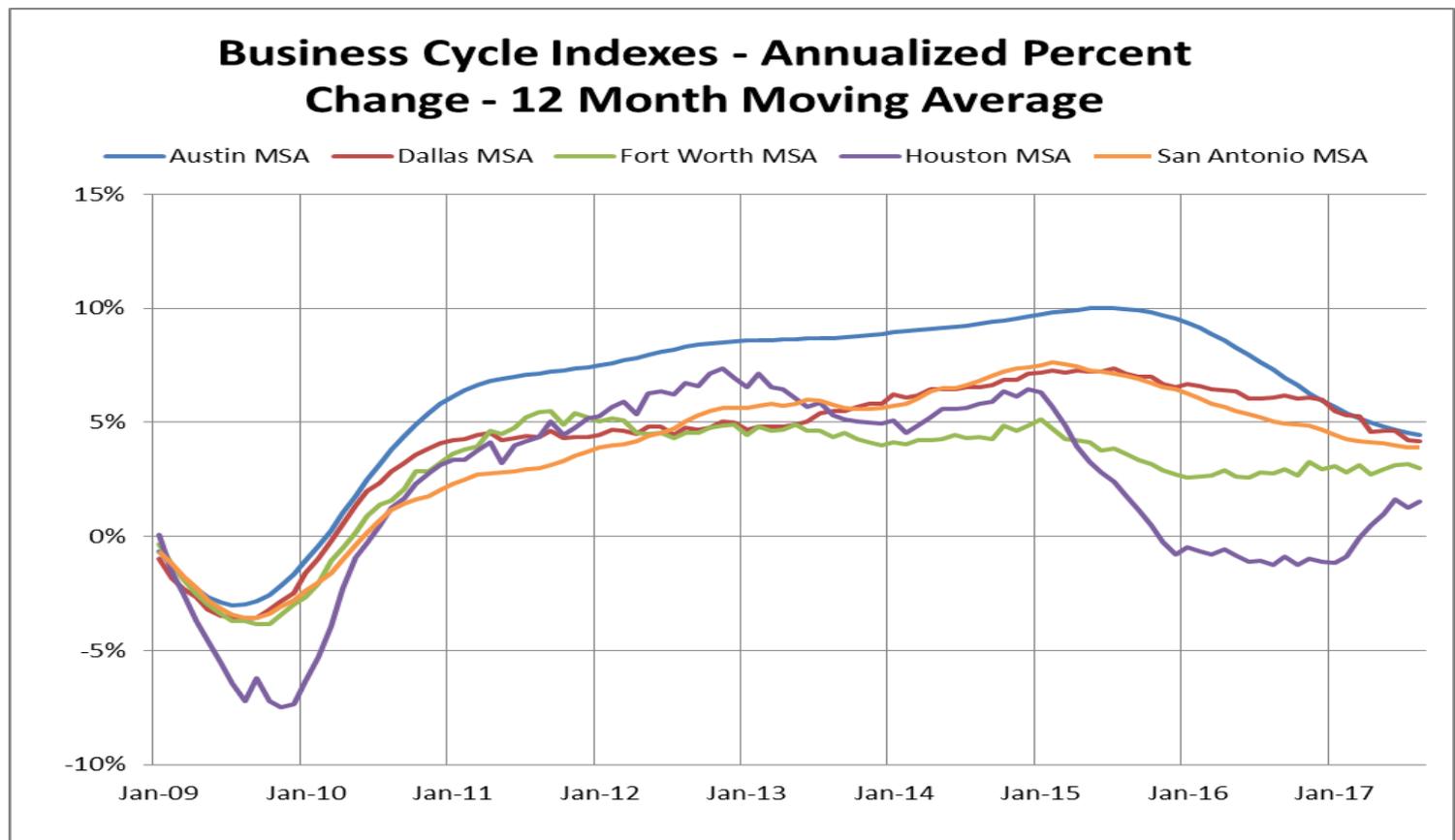
BUSINESS CYCLE INDEX – MAJOR METROS

In the chart below, a twelve month moving average was incorporated to smooth out short-term fluctuations and highlight longer-term cycles.

“The Dallas Business-Cycle index grew an annualized 4.5 percent in August, ahead of July’s 3.8 percent pace. Growth in Fort Worth’s business-cycle index was nearly flat in August, following July’s strong 7.0 percent annualized increase. Year over year, the Dallas index was up a solid 4.2 percent, and the Fort Worth index was up 3.0 percent.”

“The San Antonio Business-Cycle Index expanded at a 4.3 percent annualized rate in August, its fastest pace in eight months and well above the long-term 3.2 percent average. August’s strong job growth of 7.6 percent was the primary driver of gains in the index.”

“The index suggests that economic activity in Houston has been expanding at a modest pace this year but has been slowing the past few months.” Economic Indicators – Dallas Fed



Source: Federal Reserve of Dallas – Index, 1980 = 100

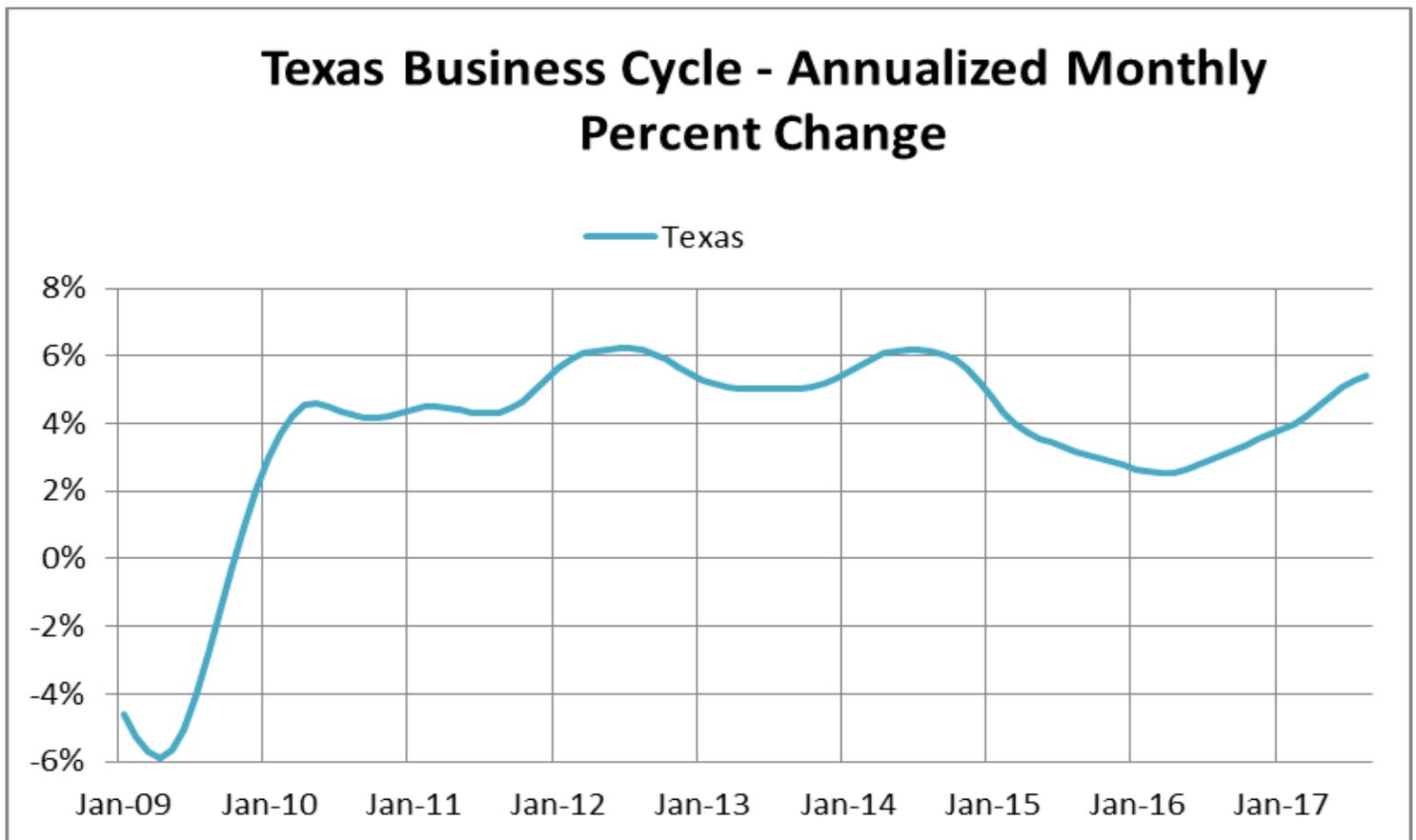
Source: Federal Reserve of Dallas

BUSINESS CYCLE INDEX – TEXAS

The **Texas Business Cycle Index** measures the current state of the Texas economy. The Dallas Fed constructed the index using payroll employment, gross state product, and the unemployment rate.

The Texas Business Cycle Index continues to increase, indicating continued economic expansion.

“Texas sustained positive economic growth as the **Texas Business Cycle Index** increased at a quarterly annualized rate of 5.4 percent, the largest increase since 2014.” - Real Estate Center

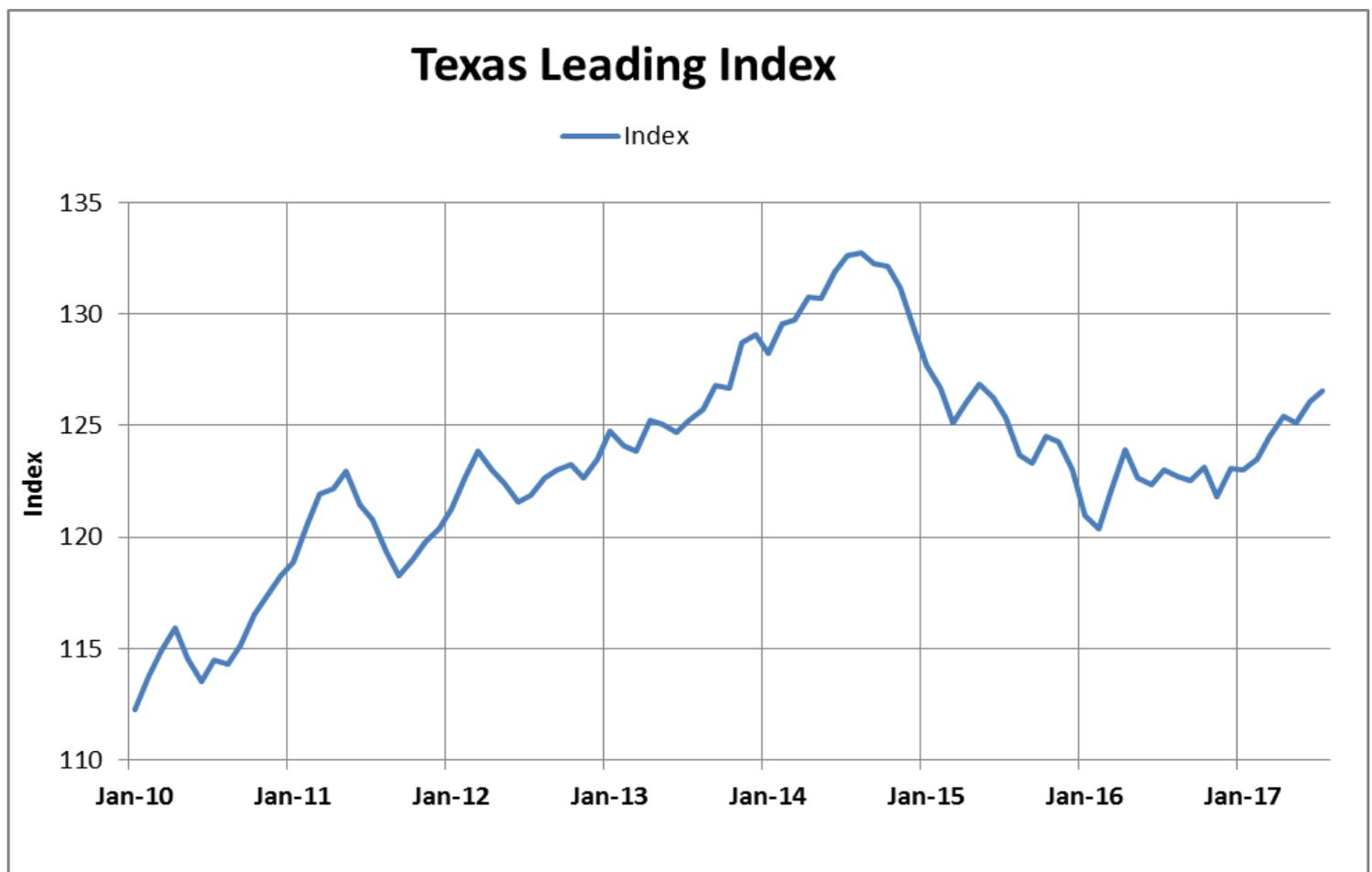


Source: Federal Reserve of Dallas - Index, 1987 = 100

LEADING INDEX – TEXAS

Dallas Fed has defined the **Texas Leading Index** as the “single summary statistic that sheds light on the future of the State's economy.” The Texas Leading Index is made up of eight leading indicators that have been shown to change direction – up or down – before the overall economy. The eight indicators used by the Dallas Fed are the Texas value of the dollar, U.S. leading index, real oil price, well permits, initial claims for unemployment insurance, Texas stock index, help-wanted index and average weekly hours worked in manufacturing.

The Texas Leading Index has increased in five of the last six months.

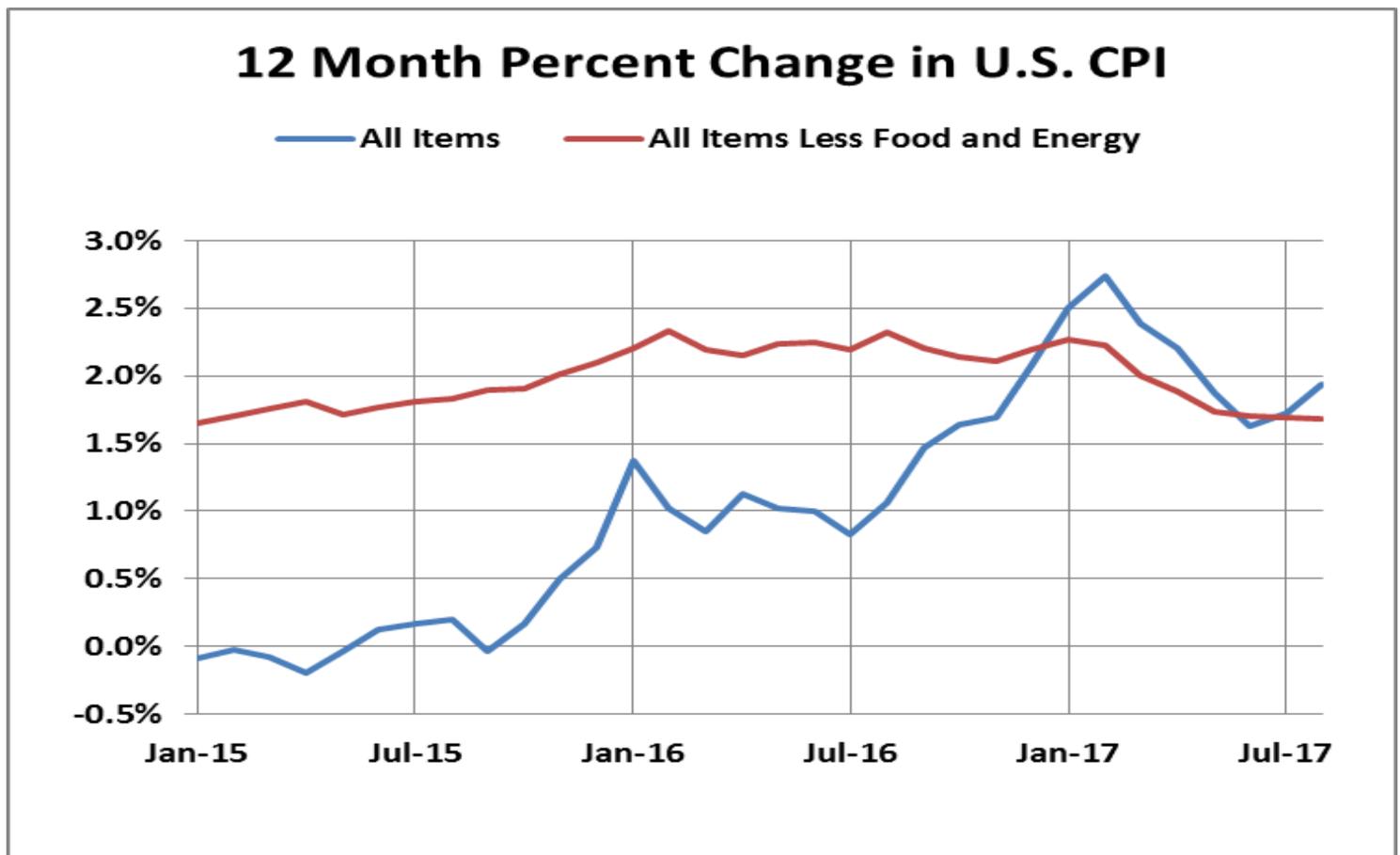


Source: Federal Reserve of Dallas – Index, 1987 = 100

CONSUMER PRICE INDEX

According to the Bureau of Labor Statistics (BLS), “There are a variety of CPI numbers generated each month. In the graph below, two numbers are compared. The first is the **Official CPI Number** that is reported to the media. It is the broadest and most comprehensive CPI and is called the **All Items CPI for All Urban Consumers**. The second one is called the **All items less food and energy**. The BLS mentions that “Some users of CPI data use this index because food and energy prices are relatively volatile, and these users want to focus on what they perceive to be the ‘core’ or ‘underlying’ rate of inflation.”

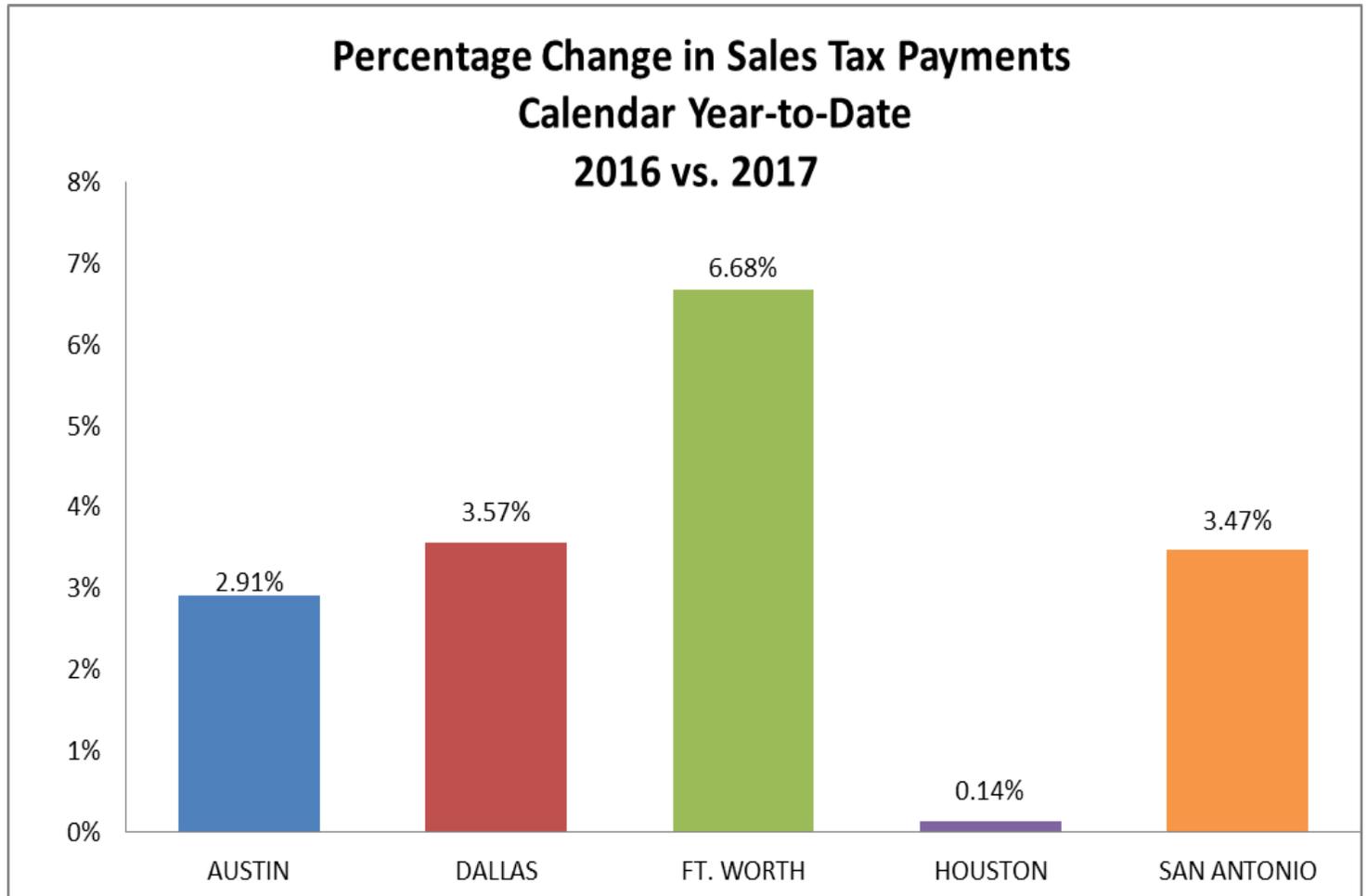
“The all items index rose 1.9 percent for the 12 months ending August, a larger increase than the 1.7 percent increase for the 12 months ending July. The 12-month change in the index for all items less food and energy remained at 1.7 percent for the fourth month in a row. It has remained in the range of 1.6 percent to 2.3 percent since June 2011. The energy index rose 6.4 percent over the past 12 months, and the food index increased 1.1 percent.”– BLS – Economic News Release



Source: Bureau of Labor Statistics, not seasonally adjusted, 1982-84=100

SALES TAX – MAJOR METRO

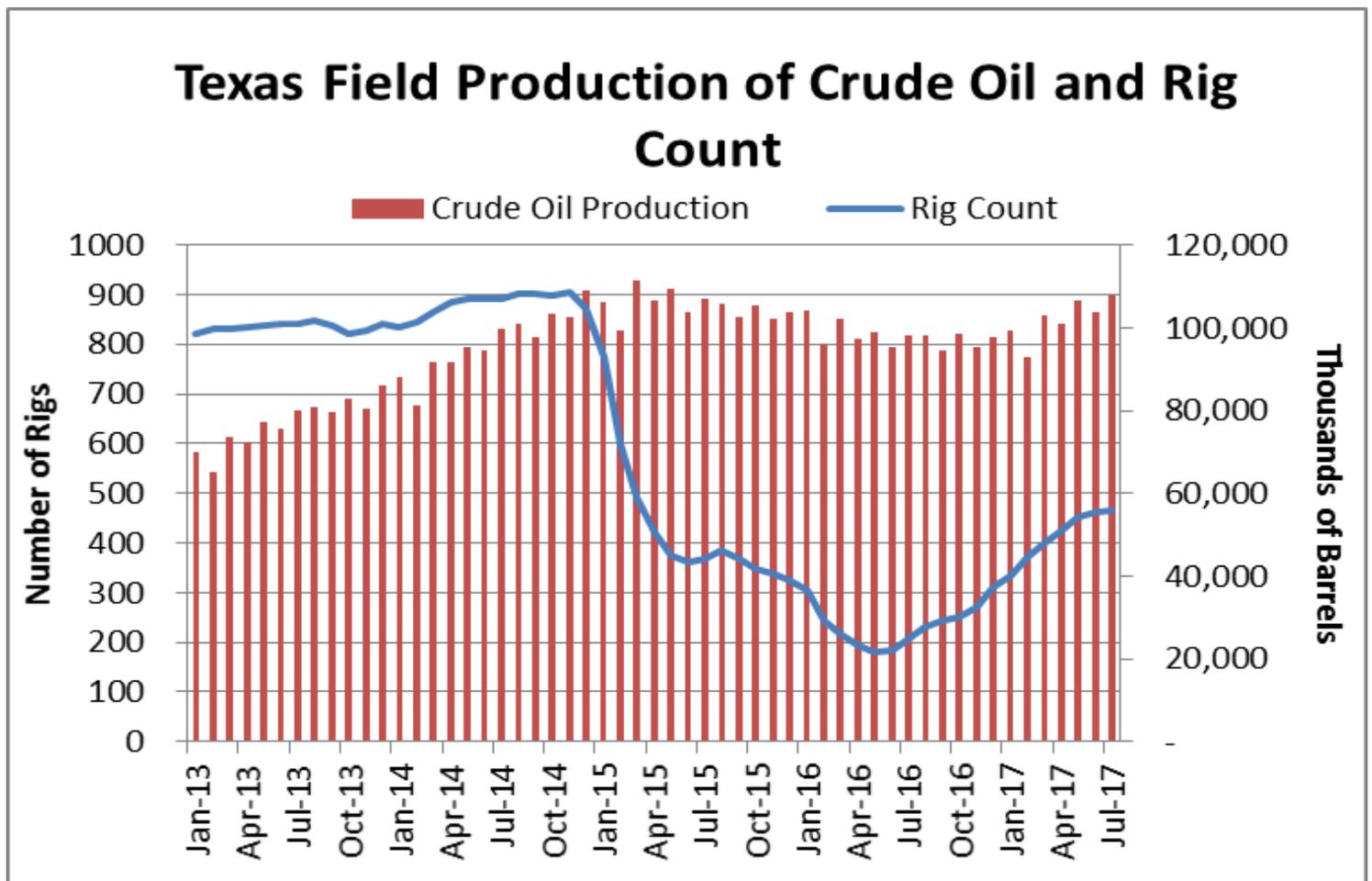
Below is a graph of the 2016 vs. 2017 year-to-date percentage change in Sales Tax Payments made by the State to the five major cities in Texas. Based on the September 2017 report, the increase in Austin’s year-to-date revenue is \$4.5M.



Source: Texas Comptroller of Public Accounts

OIL AND NATURAL GAS

“The average West Texas intermediate crude oil spot price increased to \$48.04 despite nearly 20 percent of the nation’s refining capacity shutting down in the wake of the hurricane. Concerns regarding the global glut eased as U.S. stockpiles shrunk. The number of active rigs in Texas fell to 460 and crude oil production slowed to under 1 percent growth. Decreased demand for natural gas in Houston outweighed Gulf Coast production disruptions, holding the Henry Hub spot price below \$3.00 per million BTU (British thermal unit).” - Outlook for the Texas Economy – Real Estate Center – August Summary



Source: of Data: Baker Hughes and U.S. Energy Information Administration.

IN-DEPTH – ALIBABA



Source: Daily News and Analysis - India

WHAT IS ALIBABA*?

Alibaba is the world's largest retailer as measured by annual gross merchandise volume. Many compare its operations to Amazon. It is an e-commerce conglomerate that has dominated the Chinese market by capturing 80% of all online retail sales. Alibaba currently has a presence in over 200 countries.

HOW MANY PEOPLE USE ALIBABA?

Alibaba hosts more than 10 million merchants and businesses across multiple retail platforms. Over 200 million people use Alibaba each day. "In fiscal year 2017, about 80% of our transactions took place on mobile, and our annual active consumers reached 454 million while mobile monthly active users reached 507 million." – Daniel Zhang CEO Alibaba Group

HOW DID IT BEGIN?

Alibaba was founded in 1999 by 18 people led by Jack Ma, a former English teacher from Hangzhou, China. "Since launching its first website helping small Chinese exporters, manufacturers and entrepreneurs to sell internationally, Alibaba Group has grown into a global leader in online and mobile commerce." – The Alibaba Group

WHERE DID THE NAME ALIBABA COME FROM?

Jack Ma came up with the idea of basing it on the story of Ali Baba and the Forty Thieves while in a coffee shop in San Francisco.

** Note: In this article, Alibaba includes the Alibaba Group and businesses of related companies and affiliates.*

IN-DEPTH – ALIBABA



Source: Seeking Alpha - Entrepreneur

IS ALIBABA THE AMAZON OF THE EAST?

Alibaba is unique. It acts like a combination of Amazon, Ebay and Paypal. Unlike Amazon, the Alibaba Group does not engage in direct sales, compete with their merchants or hold inventory. Instead, Alibaba provides an ecommerce platform which others utilize to buy and sell.

Alibaba is made up of a number of companies. Some are set up to allow businesses to sell wholesale, some retail. Taobao was set up to allow consumer-to-consumer transactions like Ebay. Ant Financial operates Alipay which is much larger, more encompassing than Paypal.

MAJOR BUSINESSES OF THE ALIBABA GROUP AND AFFILIATES



Source: Alibaba Group

IN-DEPTH – ALIBABA

MAJOR BUSINESSES OF THE ALIBABA GROUP AND AFFILIATES (continued)

- “**Alibaba.com** is the company’s original business. It is a trading platform linking Chinese businesses to international businesses that need Chinese inventory or manufacturers. It is like Amazon.com in that it matches buyers and sellers. Unlike Amazon, Alibaba.com does not hold inventory or participate in logistics such as sourcing, storage, or shipping. Alibaba.com makes money by receiving a commission on each transaction as well as by charging subscription fees to sellers who maintain storefronts in the marketplace.
- **Taobao** is Alibaba Group’s largest business. It is a consumer-to-consumer marketplace similar to eBay.com. Unlike eBay, Taobao does not charge a commission on transactions. Rather, it makes money by selling ads (similar to Google). Merchants can pay to place their products higher in priority, to gain visibility for their products, or to reach more customers through search ads.
- **Tmall.com** spun off from Taobao as a premium business-to-consumer marketplace aimed at the growing middle class. It features higher-end, international brands and charges its merchants yearly fees.” - Kristina Zucchi, CFA for Investopedia.
- “**AliExpress** is a global retail marketplace that enables consumers from around the world to buy directly from manufacturers and distributors in China. The difference between Taobao and AliExpress is that Taobao focuses on selling to the Chinese consumers, whereas AliExpress allows consumers from countries like Russia, USA, Spain, Brazil, France, UK, etc., to shop directly from Chinese businesses.
- **1688.com** hosts more than 500,000 quality suppliers offering over 150 million different types of products. 1688.com caters to individuals and businesses from all around the world and is today the number one website when looking for wholesalers and suppliers in China.” – Aashish Pahwa - Feeddough August 2017

IN-DEPTH – ALIBABA



MAJOR BUSINESSES OF THE ALIBABA GROUP AND AFFILIATES (continued)

- “**Ant Financial** is the most valuable fin-tech company in the world that brings inclusive financial services to the world. The company operates Alipay, the world’s largest mobile and online payments platform, Yu’e Bao, the world’s largest money-market fund, Ant Fortune, Zhima Credit and MYbank.” – Feeddough August 2017
- “**Alipay** is a third-party mobile and online payment platform. Alipay overtook PayPal as the world’s largest mobile payment platform. In the fourth quarter of 2016, Alipay had a 54% share of China’s US\$5.5 trillion mobile payment market, by far the largest in the world.” – Wikipedia
- “**Alibaba Cloud** is a global cloud computing company headquartered in Hangzhou. Alibaba Cloud provides a suite of cloud computing services that covers elastic computing, object storage, relational database, big data analysis, and artificial intelligence in eight geographical regions around the globe. Alibaba Cloud is the largest cloud computing company in China with data centers across six regions within mainland China.” – Wikipedia
- “**Cainiao Network** is a logistics data platform operator dedicated to meeting the current and future logistics demands of China’s online and mobile commerce sector.” – Feeddough – August 2017
- “**Alimama** is a marketing technology platform that enables merchants and brands to place various marketing formats on the Alibaba Group’s marketplaces.” – Alibaba Group

IN-DEPTH – ALIBABA



Source: Shutterstock
BEIJING, CHINA - DECEMBER 10, 2016: Alibaba Group sign [-]

OTHER ALIBABA BUSINESSES

The Alibaba Group owns:

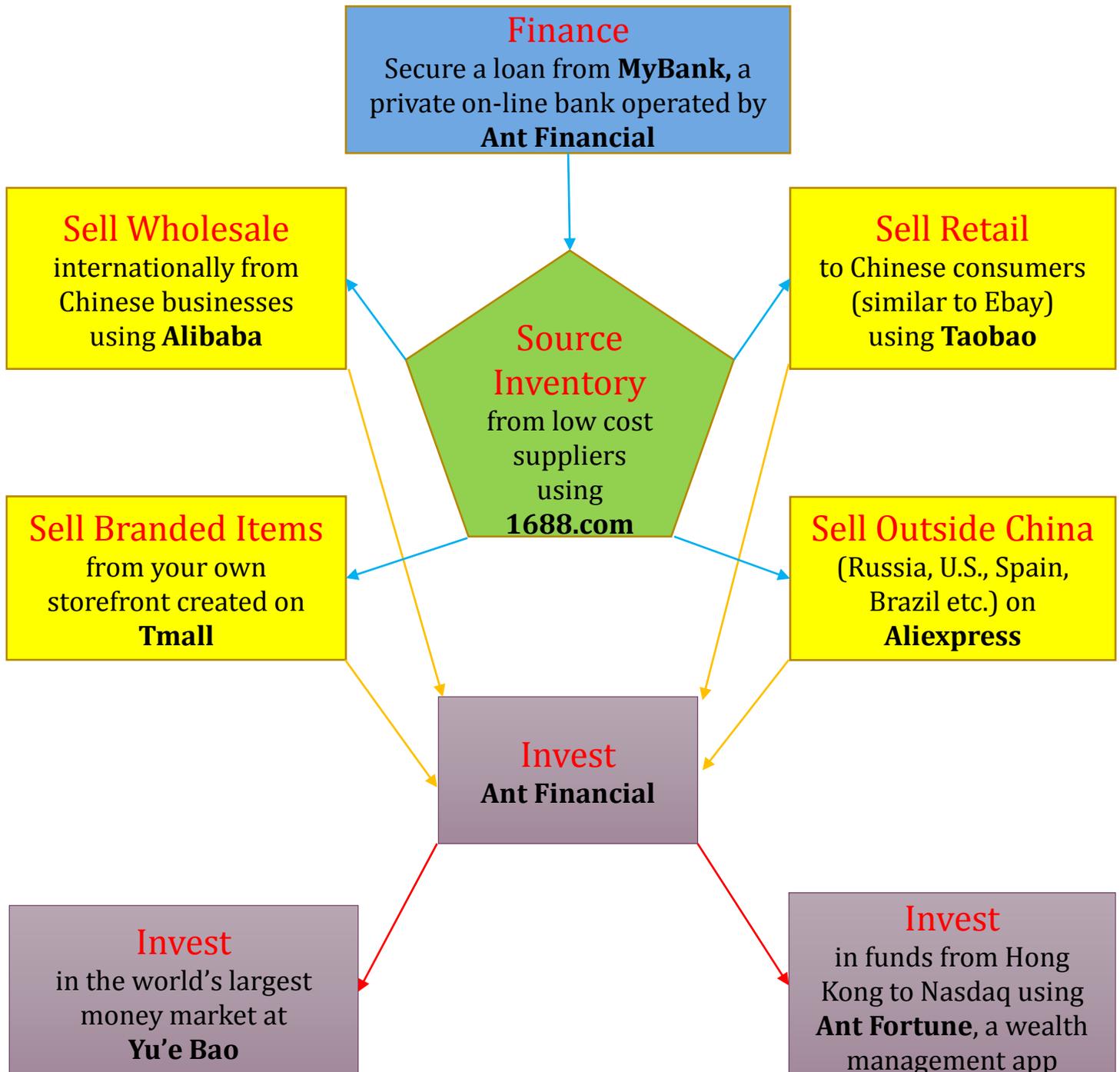
- AutoNavi – a Chinese map and navigation company that provides mapping to Google
- Juhuasuan - a flash sale site similar to Groupon
- Aliwangwang - an instant messaging service
- Laiwang - a messaging application competing with Tencent's WeChat
- Youku Tudou – internet television platform similar to YouTube
- South China Morning Post Group – Hong Kong's most influential English daily newspaper
- Intime Retail Group – leading domestic department store

The Alibaba Group has an interest in:

- Sina Weibo – the Chinese equivalent to Twitter
- Didi Chuxing – China's dominant ride-hailing app
- Singapore's postal service, Meizu – a Chinese smartphone startup
- Hema supermarket stores (two years before Amazon purchased Whole Foods)

IN-DEPTH – ALIBABA

PUTTING IT ALL TOGETHER – FINANCING, SOURCING, SELLING, INVESTING



IN-DEPTH – ALIBABA

WHAT ARE SOME OF ALIBABA'S RISK FACTORS GOING FORWARD?

- Allegations and lawsuits claiming that some items listed and content available on the Alibaba Group's marketplaces and websites are pirated, counterfeit or illegal.
- Failure to manage the growth of business and operations.
- Difficulties in integrating the diverse and large number of personnel, operations, products, services, technology, internal controls and financial reporting of companies acquired, and any unanticipated expenses relating to business integration.
- Challenges of expanding international and cross-border businesses into an increasing number of international markets, such as Southeast Asia, India and Russia.
- A reliance on Alipay to conduct substantially all of the payment processing and escrow services on the Alibaba Group's marketplace. The Alibaba Group Holding LTD does not control Alipay or its parent entity, Ant Financial Services, over which Jack Ma effectively controls a majority of voting interest.
- The Alibaba Group may become the target of anti-monopoly and unfair competition claims, which may result in it being subject to fines as well as constraints on its business.
- A material reliance on the Chinese marketplace.

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