



LUBBOCK NATIONAL BANK

Lubbock Economic Index And Consumer Price Index July-August 2018

The current expansion in the Lubbock general economy reached the seven-year mark in August according to the Lubbock Economic Index. The index finally reached its post-recession low point in August 2011 and has now been in a cycle of expansion for 84 months through August 2018. The Lubbock Economic Index has grown by over 29% over that time, averaging a very impressive 4.2% per year.

The Lubbock Economic Index increased in both July and August, marking three straight months of growth dating back to June. The index improved to a record 152.5 in August up from 152.0 in July (and 151.8 in June), and up 1.2% from the August 2017 LEI of 150.7.

General spending posted its highest growth rates of the year thus far in July and August; auto spending spiked upward in July and remains solidly higher for the year-to-date through August. Home sales activity remains a key performer in the Lubbock economy and is a primary driver of growth in the Lubbock Economic Index with strong sales and rising prices. Employment growth rates ticked upward over the last three months to just under 3% and the unemployment rate continues to come down.

CONCURRENT trends in two broad measures of the Lubbock economy best represent its current and ongoing health and status, and these are general consumer spending (retail sales) and payroll employment.

- General real (inflation-adjusted) spending per Lubbock sales tax receipts in July and August were up by 3.5% and 3.7%, respectively, compared to year-ago levels, the highest rates of year-over-year growth thus far in 2018. In fact, general spending growth on balance is at its highest level since the latter part of 2015. Even at that, general real spending is still up by less than 2% through August compared to the first eight months of a year ago, suggesting that the general spending component of the Lubbock Economic Index has been sluggish for some three years now before breaking out a bit in July and August.
- Employment growth rates have also improved over the last three months at 2.9% in June and July, and 2.8% in August compared to payroll employment in the same months in 2017. These are the highest rates of year-over-year employment growth thus far in 2018, and in fact are the highest since the latter months of 2016. The 2.8% rate of year-over-year growth in August ranks 7th among the 26 metro areas in Texas, with Lubbock moving up on that list over the last three months. The Lubbock unemployment rate of is 5th best in the state in August at 3.2% and is down from the August 2017 unemployment rate of 3.6%.

Auto sales activity expanded sharply in July posting a 15% increase compared to July 2017, which in turn was up by nearly 11% compared to July of the previous year. Real auto spending was slightly lower in August, down by a slight 1.6% year-over-year, but the total for the year-to-date remains higher by some 8.4% compared to the first eight months of a year ago.

Following a moderate decline in 2017 hotel/motel activity is back on the rise in 2018 with inflation-adjusted hotel/motel occupancy revenue up by a stout 5.5% through August compared to the January-August 2017 total. Airline passenger boardings at Lubbock International Airport through August are at their highest levels since 2012 and are up by close to 5% compared to a year ago, with the August monthly total up by nearly 11% year-over-year.

Construction activity continues its steep decline compared to the record numbers from 2017, with the July real building permit valuation total off by a sharp 58% compared to the July 2017 total, which was the second-highest July monthly total on record. The August permit valuation total was down by 19% compared to August of a year ago, and the total for the year-to-date is now down by 45% compared to the first eight months of a year ago.

New housing construction is faring somewhat better, which is to say the declines from the record 2017 numbers are not nearly so deep. The number of new single-family housing construction permits was down by 4.6% in July, but improved by 7.4% in August, and is down by about 8% for the year-to-date.

Existing home sales continue to push ever higher into record territory in Lubbock with the number of closes sales surpassing 3,000 through August for the first time ever. July home sales were up by nearly 15% compared to July of a year ago (which was down by over 13% compared to the prior year), and the August sales total was up by 8% compared to August of a year ago. For the year-to-date housing sales are up by a solid 8.8% compared to the first eight months of 2017. The average price of those sales continues to increase at a modest and healthy pace, up by 3.5% in August and 3.1% for the year-to-date through August.

The inflation-adjusted total dollar volume of housing sales activity remains impressively on the rise through July and August and is now up by over 9% for the year-to-date compared to the January-August 2017 total.

The seven-year expansion through August is a stunning milestone for the Lubbock general economy, bringing with it job growth, a historically low unemployment rate, and expanded business activity. And there is little to suggest this cycle of economic growth and expansion will not continue for the balance of 2018 and on into 2019.

Lubbock Consumer Price Index

The rate of year-over-year increase in the Lubbock Consumer Price Index remained at 2.4% in both July and August, unchanged from June. Price increases remain generally in check in Lubbock as rising housing and energy costs are offset by flat to slightly declining prices for food/grocery items, medical care, and miscellaneous goods and services.

The food/grocery sector of the Lubbock CPI increased at a 1.0% year-over-year rate in August, down from 1.3% in June and 1.2% in July. And again, the “food at home” component of the regional and national CPI calculations remain extremely low, well below 1% in Texas and the southern region of the US.

The housing sector of the Lubbock CPI was unchanged over the last three months but remains somewhat elevated at 3.6%.

The rate of increase in the energy (fuels and utilities) sector of the Lubbock CPI increased for the seventh straight month in August, moving upward to 3.9% for the month up from 3.7% in July and 3.5% in June.

The medical care component of the Lubbock CPI was unchanged from July to August at 2.0%, both of which are down slightly compared to the 2.2% recorded in June. The US national medical care CPI is at 1.5% in August compared to 1.9% in July and 2.5% in June.

The rate of year-over-year price increase for various miscellaneous goods and services was unchanged from July to August at 1.4%.

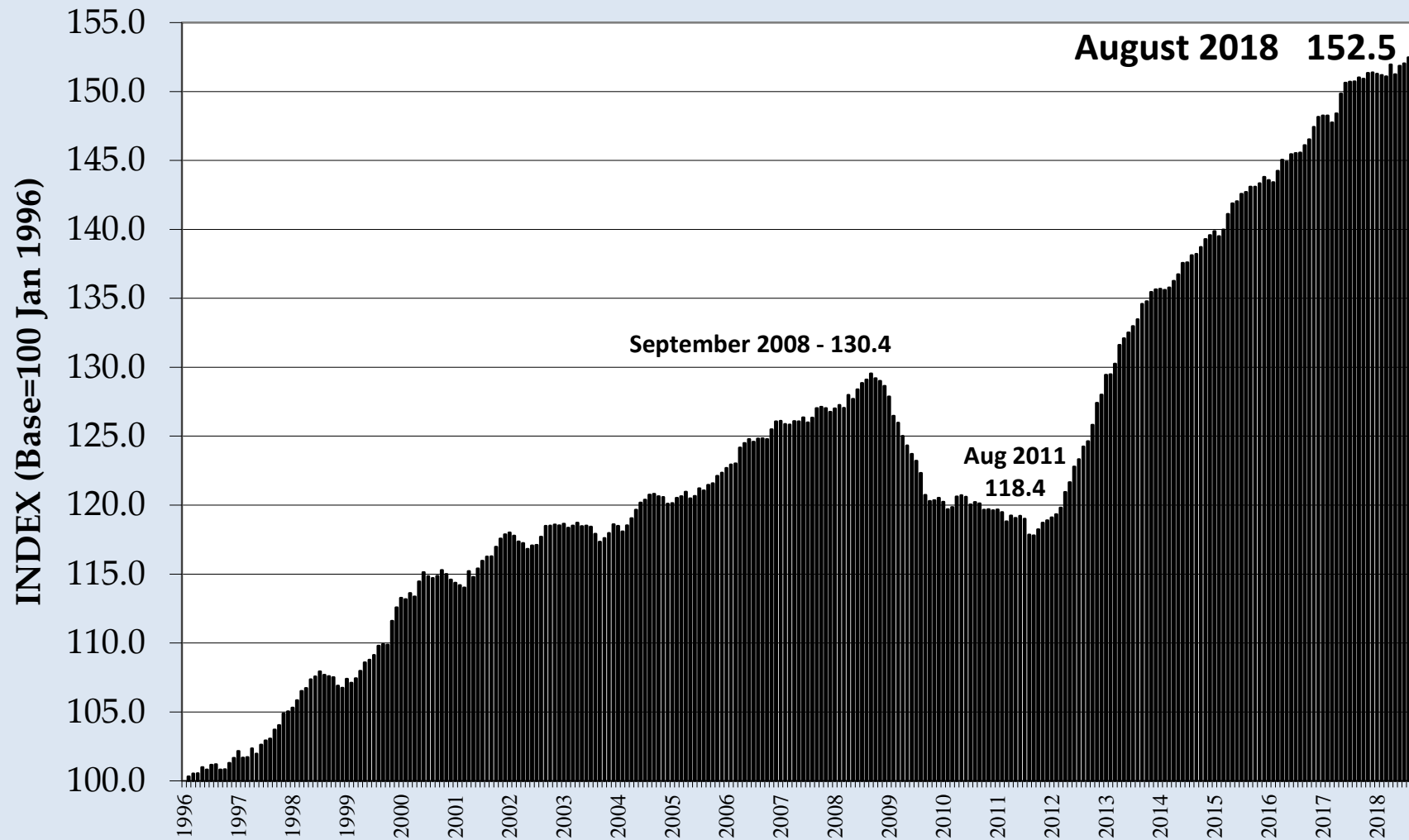
The growth rate in the national CPI-U (the US Consumer Price Index, a broad measure of price change over time) was unchanged from June to July at 2.9%, before retreating to 2.8% in August. The “core CPI”, the Consumer Price Index minus food and energy, stands at 2.2% in August down from 2.3% in June and 2.4% in July.

The CPI for the southern region of the US (which includes Texas) declined in August to 2.4% compared to 2.7% in June and 2.9% in July.

The Dallas-Fort Worth metro area CPI was last updated in July to 3.5% for the month down from 3.9% in May. The Houston metro area CPI was newly updated in August and declined to 2.3% down from 3.0% in June. The Dallas-Fort Worth and Houston metro area CPI values are calculated every other month on off months from one another.

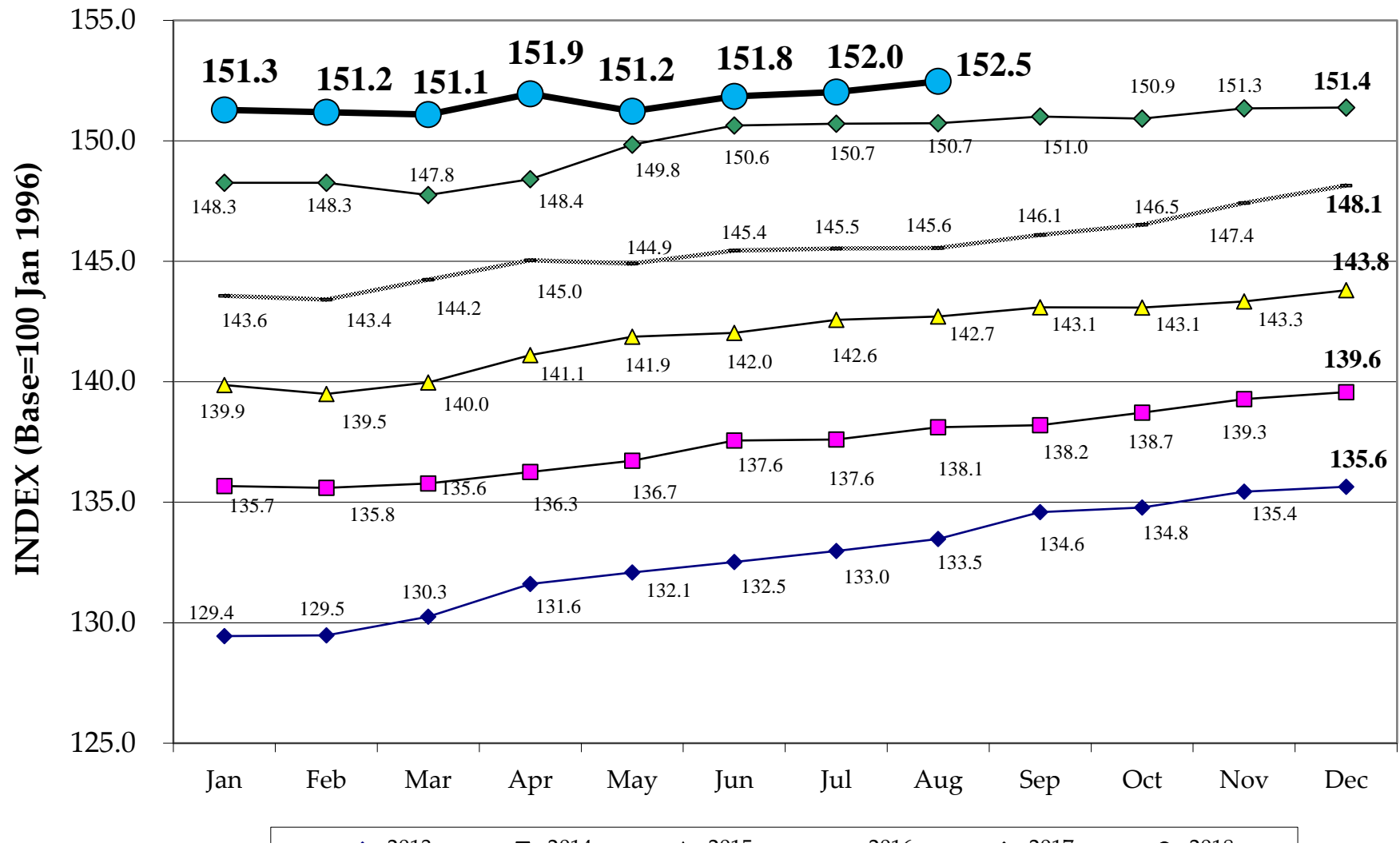
The Lubbock Economy

The Lubbock Economic Index January 1996 - August 2018



The Lubbock Economy

The Lubbock Economic Index 2013 - 2018



The Lubbock Metro Area Economy

The Lubbock Economic Index

Lubbock Economic Indicators* July 2018	Base Year 1996	One Year Ago 2017	This Year 2018	% Change 2017-2018
Retail Sales - July	\$ 222,918,854	\$ 365,158,841	\$ 377,854,799	3.5%
Retail Sales - Year-To-Date	\$ 1,850,590,580	\$ 2,672,978,052	\$ 2,714,080,438	1.5%
Dollars Spent on Auto Purchases - July	\$ 43,233,481	\$ 69,455,937	\$ 79,974,692	15.1%
Dollars Spent on Auto Purchases YTD	\$ 268,530,601	\$ 479,546,048	\$ 527,663,983	10.0%
Hotel/Motel Spending - YTD Through July	\$ 29,505,977	\$ 54,072,811	\$ 56,620,921	4.7%
Lubbock International Airport Passenger Enplanements - July	55,414	40,531	42,215	4.2%
Lubbock International Airport Passenger Enplanements - YTD	350,187	269,411	279,708	3.8%
Value All Construction Permits - July	\$ 39,210,410	\$ 86,149,679	\$ 36,342,517	-57.8%
Value All Construction Permits - YTD	\$ 181,160,496	\$ 635,362,191	\$ 331,726,637	-47.8%
New Home Permits - July	45	87	83	-4.6%
New Home Permits - YTD	370	837	751	-10.3%
Number of Home Sales - July	187	394	452	14.7%
Number of Home Sales - YTD	1,211	2,440	2,656	8.9%
Average Home Sale Price - July	\$ 86,960	\$ 199,847	\$ 198,882	-0.5%
Average Home Sale Price - YTD	\$ 86,490	\$ 188,444	\$ 194,090	3.0%
Dollar Volume Residential Real Estate Sales - July	\$ 26,786,387	\$ 80,905,494	\$ 89,894,555	11.1%
Dollar Volume Residential Real Estate Sales - YTD	\$ 173,935,967	\$ 475,057,111	\$ 518,303,338	9.1%
Employment				
Wage and Salary Employment - July	111,100	146,400	150,700	2.9%
Wage and Salary Employment - YTD Avg	111,455	146,930	150,055	2.1%
Unemployment Rate - July	5.0%	3.7%	3.4%	-8.1%
Unemployment Rate - YTD Avg	4.5%	3.4%	3.2%	-6.3%
LUBBOCK ECONOMIC INDEX - JULY (Base=100 January 1996)	101.2	150.7	152.0	0.9%
* With the exception of the average home sale price, all indicators expressed in dollar form above are adjusted for inflation by restating prior periods in current dollars				
Oil and Gas (Regional)				
Oil Price/Barrel - July (Posted WT Int. Crude)	\$ 19.69	\$ 43.10	\$ 67.40	56.4%
Rig Count (Texas RRC District 8A) - July	24	19	16	-15.8%
Crude Oil Production (Texas RRC District 8A) - July	87,737	56,965	57,789	1.4%
Value of Oil Production (Texas RRC District 8A) - July	\$ 1,656,039	\$ 2,615,518	\$ 3,623,889	38.6%
Agriculture (Regional)				
Cotton Price (West Texas, cents/pound) - July	71.10	66.41	82.18	23.7%
Cotton - South Plains Bales Ginned 2017-18 Crop Year)	2,483,350	4,371,300	4,119,000	-5.8%
Fat Cattle Price (\$/hd. Wt.) - July	\$ 59.76	\$ 118.55	\$ 112.15	-5.4%
Value Cattle Marketed (\$000's) - July	\$ 178,718	\$ 214,144	\$ 210,842	-1.5%

The Lubbock Metro Area Economy

The Lubbock Economic Index

Lubbock Economic Indicators*

August 2018

	Base Year 1996	One Year Ago 2017	This Year 2018	% Change 2017-2018
Retail Sales - (per sales tax receipts) August	\$ 298,413,479	\$ 437,614,331	\$ 453,719,507	3.7%
Retail Sales - Year-To-Date	\$ 2,152,881,416	\$ 3,116,192,808	\$ 3,173,486,487	1.8%
Dollars Spent on Auto Purchases - August	\$ 39,968,901	\$ 78,647,462	\$ 77,357,115	-1.6%
Dollars Spent on Auto Purchases YTD	\$ 308,782,979	\$ 558,699,747	\$ 605,578,131	8.4%
Hotel/Motel Spending - YTD Through August	\$ 31,750,661	\$ 63,913,966	\$ 67,422,640	5.5%
Lubbock International Airport Passenger Enplanements - August	51,947	39,360	43,613	10.8%
Lubbock International Airport Passenger Enplanements - YTD	402,134	308,771	323,321	4.7%
Value All Construction Permits - August	\$ 41,141,990	\$ 63,461,371	\$ 51,378,182	-19.0%
Value All Construction Permits - YTD	\$ 223,376,834	\$ 702,591,496	\$ 385,072,082	-45.2%
New Home Permits - August	35	108	116	7.4%
New Home Permits - YTD	405	945	867	-8.3%
Number of Home Sales - August	252	370	400	8.1%
Number of Home Sales - YTD	1,463	2,810	3,056	8.8%
Average Home Sale Price - August	\$ 84,588	\$ 191,633	\$ 198,338	3.5%
Average Home Sale Price - YTD	\$ 86,162	\$ 188,864	\$ 194,646	3.1%
Dollar Volume Residential Real Estate Sales - August	\$ 35,080,276	\$ 72,825,940	\$ 79,335,006	8.9%
Dollar Volume Residential Real Estate Sales - YTD	\$ 209,341,329	\$ 548,770,932	\$ 598,607,053	9.1%

Employment

Wage and Salary Employment - August	111,900	147,500	151,600	2.8%
Wage and Salary Employment - YTD Avg	111,515	147,000	150,250	2.2%
Unemployment Rate - August	3.9%	3.6%	3.2%	-11.1%
Unemployment Rate - YTD Avg	4.4%	3.4%	3.2%	-6.9%

LUBBOCK ECONOMIC INDEX - AUGUST (Base=100 January 1996)

101.2 150.7 152.5 1.2%

* With the exception of the average home sale price, all indicators expressed in dollar form above are adjusted for inflation by restating prior periods in current dollars

Oil and Gas (Regional)

Oil Price/Barrel - August (Posted WT Int. Crude)	\$ 20.35	\$ 44.70	\$ 64.28	43.8%
Rig Count (Texas RRC District 8A) - August	19	20	19	-5.0%
Crude Oil Production (Texas RRC District 8A) - August	100,431	65,293	66,252	1.5%
Value of Oil Production (Texas RRC District 8A) - August	\$ 1,937,248	\$ 2,987,816	\$ 4,167,911	39.5%

Agriculture (Regional)

Cotton Price (West Texas, cents/pound) - August	72.33	67.42	78.75	16.8%
Fat Cattle Price (\$/hd. Wt.) - August	\$ 67.15	\$ 111.69	\$ 111.85	0.1%
Value Cattle Marketed (\$000's) - August	\$ 196,506	\$ 234,248	\$ 241,042	2.9%