



LUBBOCK NATIONAL BANK

Lubbock Economic Index And Consumer Price Index

February 2018

The Texas Workforce Commission issued its annual employment data revisions in March for Lubbock and other Texas metro areas, a process in which monthly employment estimates for the last two years (and sometimes prior years as well) are revised and the benchmarks are set for the monthly estimates for the balance of the year ahead. The revisions result from reconciling the previously issued monthly estimates to more complete year-end employer payroll records and are simply meant to keep the ongoing monthly estimates as accurate as possible. The Lubbock Economic Index was revised accordingly, and the index was recalculated for each affected month in recent years. Additionally, a technical correction was made to the LEI over all of its history, though those corrections certainly resulted in no material change to the trends over time or the general outcomes represented by the index.

The employment data revisions, unlike some previous years were generally mild in nature, with very slight downward revisions to the estimates on average in 2016 and modest upward revisions in 2017. On average monthly employment estimates in 2016 were revised downward by about 180 jobs, though the revisions at year-end 2016 were positive, with about 600 jobs added to the December 2016 original estimate. In 2017, employment was revised upward by only about 120 jobs per month, though again at year-end 2017 the original December estimate was revised upward by about 400 jobs.

The impact to the Lubbock Economic was generally insignificant – the slight upward employment data revisions were offset by the minor impacts of the technical change to the index calculation and the end result was a year-end 2017 Lubbock Economic Index of 152.0 (compared to the original LEI of 152.2), an increase of 2.2% compared to the revised 2016 index of 148.7. And in fact the 152.0 is the revised all-time index peak, and the January 2018 Lubbock Economic Index was unchanged, also at 152.0.

The February 2018 Lubbock Economic Index under the new benchmarks declined slightly for the month to 151.9 down from 152.0 in February, but still up 2.0% from the February 2017 LEI of 149.0. Double-digit percentage declines in the construction numbers along with flat general spending compared to year-ago levels kept the index in check in February, though auto sales activity and existing home sales were impressively higher for the month compared to February of a year ago. Employment growth remains steady, and the pace of growth, while still generally modest has improved in the first two months of the year compared to the latter part of 2017. The unemployment rate continues to decline and remains among the lowest in the state.

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 February sales tax receipts was up only slightly compared to February of a year ago, posting a scant 0.4% rate of year-over-year increase. For the first two months of the year general real spending is by just 1.0% compared to the January-February 2017 total. The longer-term trend is the same, with taxable spending for the 12 months ending February 2018 up by 1.0% compared to the previous 12 months.
- Lubbock employment growth rates have improved in early 2018 at 1.4% in January, and 1.9% in February (compared to January and February 2017). Year-over-year employment growth rates were under 1.0% in the last two months of 2017 and averaged 1.2% in the fourth quarter of the year. The February 2018 employment estimate reflects the addition of about 2,800 jobs over the 12-month period, and the Lubbock unemployment rate, which has been coming down since April of last year remains on the decline through February at 3.1% for the month compared to 3.5% in February 2017.

Auto sales continue to climb with inflation-adjusted spending on new and used motor vehicles per February motor vehicle sales tax figures up sharply once again, setting a new February record and posting a 14% increase compared to February of a year ago. For the first two months of the year real auto spending is also a record for that time period and is up by over 12% compared to the January-February 2017 total.

Construction activity is off sharply through February compared to the record numbers in early 2017 with real building permit valuations down by 27% compared to February of a year ago, which in turn was a February monthly record and was up by over 30% compared to February of the previous year. The total for the first two months of the year is down by 42% year-over-year; again, however, the total through February 2017 was up by 15% and was a record for the first two months of the year.

New housing construction was also down for the month with the number of new single-family residence permits off by about 19% year-over-year; again, however, the February 2017 total was a record for the month and was over 55% higher compared to the previous year. Through February, the 248 permits issued, while barely higher compared to last year's sharply higher numbers is actually a January-February record.

And the records keep coming – existing home sales surged to all-time highs in early 2018 as well 290 closed sales in February, a 28% year-over-year increase, and a 16% increase in the first two months of the year (also a record). The average price of those sales is up by a hefty 6.4% through the first two months of the year and the February monthly average is up by 3.6% year-over-year. The inflation-adjusted total dollar volume of home sales activity is sharply higher, setting new records, and posting 29% and 20% year-over-year increases for the month and year-to-date, respectively.

The Lubbock economy is off to a solid beginning in 2018 with record or near-record levels of activity in most components of the Lubbock Economic Index. The rate of growth varies; the two key components of general real spending and employment continue to exhibit somewhat sluggish rates of growth (though again employment growth rates are somewhat higher early in the year), and that is keeping a lid on the rate of overall index growth. But the economy remains at record aggregate levels, economic growth continues, and may hopefully strengthen as the year progresses as there is little on the horizon to suggest otherwise.

Lubbock Consumer Price Index

The rate of year-over-year increase in the Lubbock Consumer Price Index retreated slightly in February, declining to 2.2% for the month compared to 2.3% in January; that is up compared to February 2017, however, in which the rate of increase stood at 1.9%. The pace of housing price increase declined slightly along with the medical care CPI, while the energy component ticked upward.

The food/grocery sector of the Lubbock CPI was unchanged from January to February at 1.2%. The US national “food at home” CPI component remains very low, posting a 0.2% increase over the last year.

The housing component of the Lubbock CPI retreated a bit in February to 3.5% for the month compared to 3.8% in January. The rate of growth in this element of the local CPI has been at or higher than 3% for over five years now.

The rate of increase in the energy (fuels and utilities) sector of the Lubbock CPI increased in February to 2.7%, compared to 2.6% in December and January.

The medical care component of the Lubbock CPI once again fell slightly in February at 2.1% for the month compared to 2.2% in January. In early 2017 the numbers were around 4%; the lower rates of growth in early 2018 do not suggest declining prices, only that prices are increasing at a slower rate. The US national health care CPI increased at a 1.8% rate in February compared to 2.0% in January.

The rate of year-over-year price increase for various miscellaneous goods and services was unchanged from January to February at 1.5%.

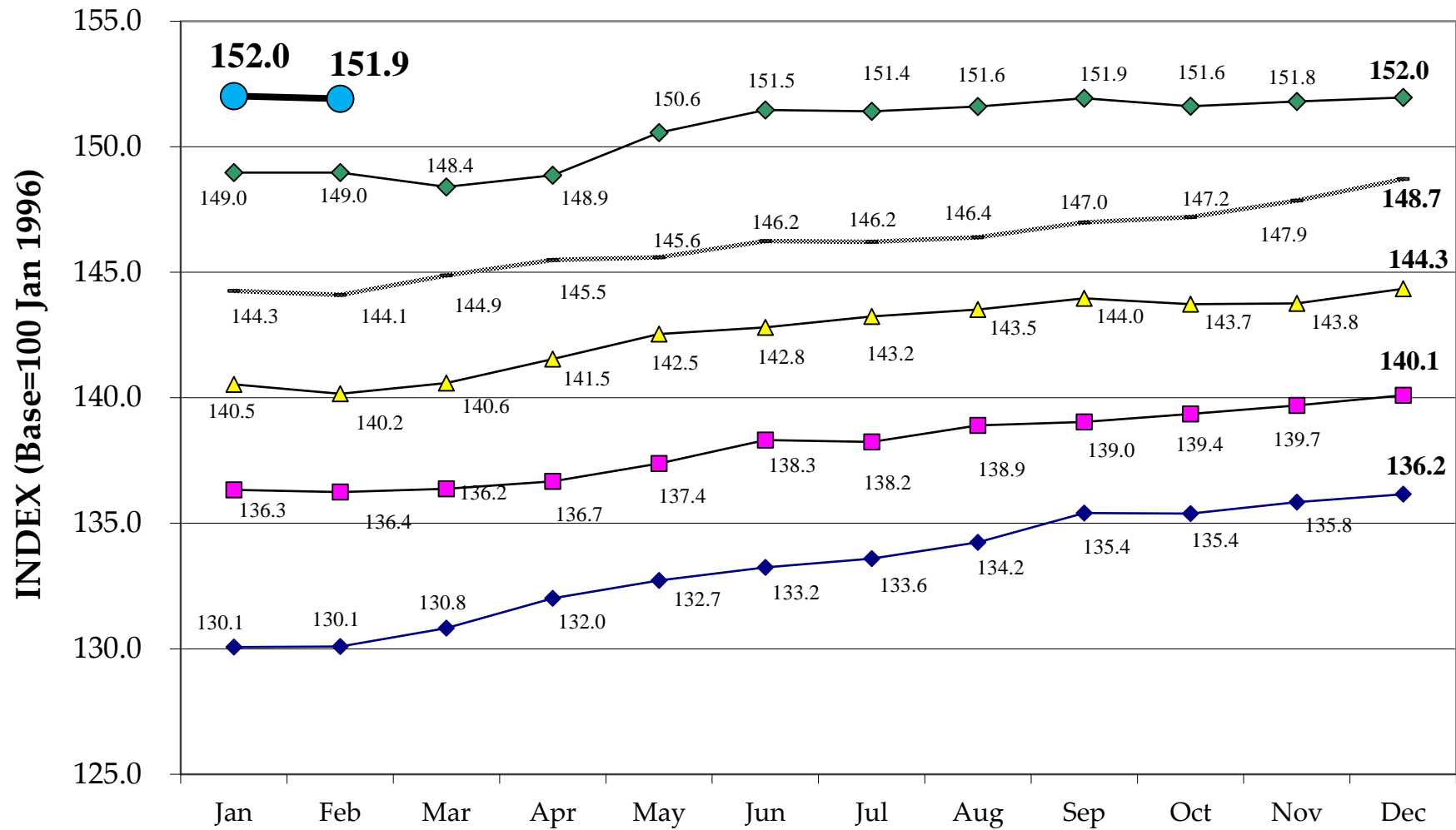
The growth rate in the national CPI-U (the US Consumer Price Index, a broad measure of price change over time) rose slightly in February to 2.2% compared to 2.1% in January. The “core CPI”, the Consumer Price Index minus food and energy, also ticked up slightly in February to 1.9%, up from 1.8% in January.

The CPI for the southern region of the US (which includes Texas) was also higher, increasing at a 2.1% year-over-year rate in February compared to 1.8% in January.

The Dallas-Fort Worth metro area CPI was last updated in January and retreated to 2.7% down from 3.2% in November. The Houston metro area CPI was freshly updated in February and increased fairly sharply at 2.6% compared to 1.7% in December. The Dallas-Fort Worth and Houston metro area CPI values are calculated every other month on off months from one another.

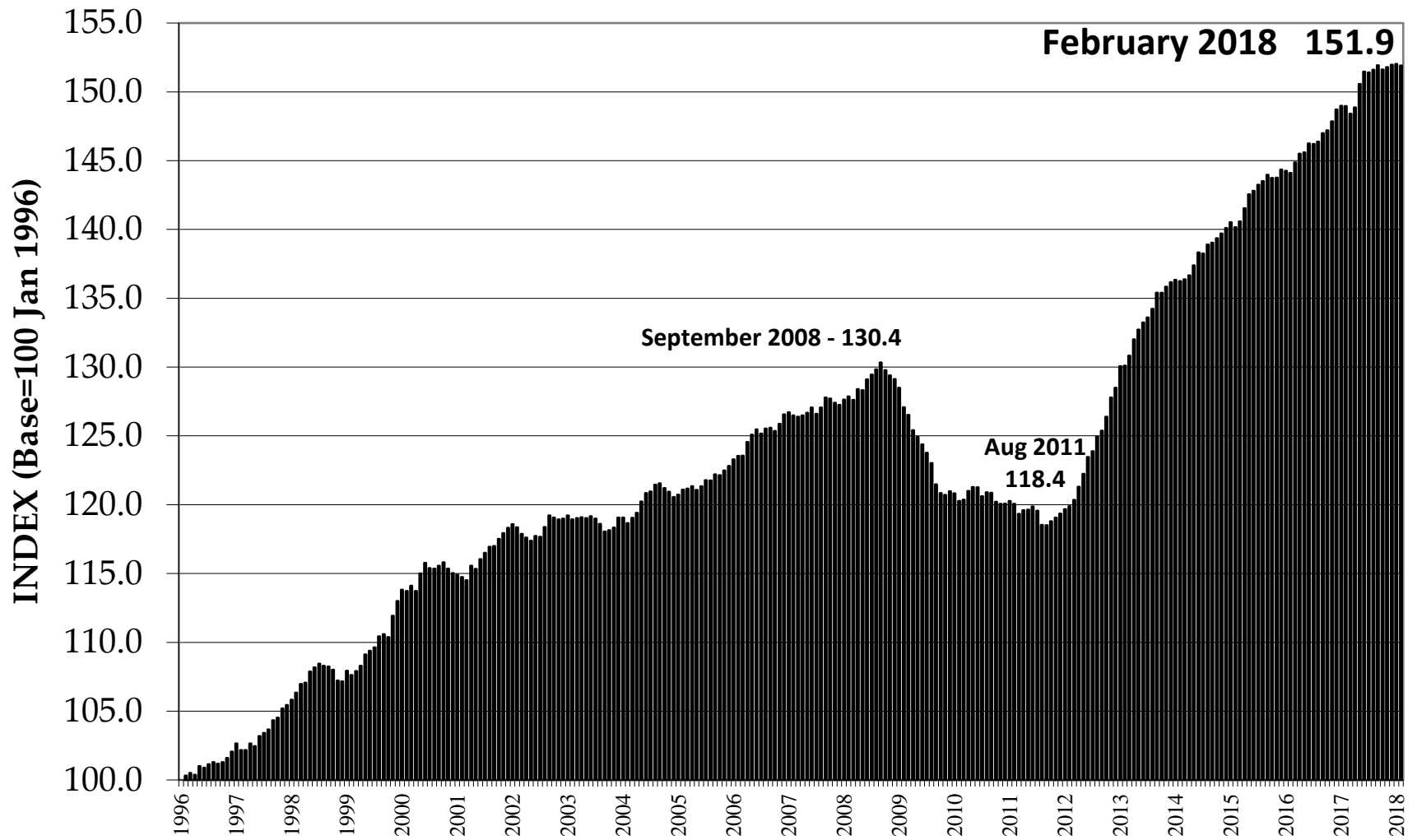
The Lubbock Economy

The Lubbock Economic Index 2013 - 2018



The Lubbock Economy

The Lubbock Economic Index January 1996 - February 2018



The Lubbock Metro Area Economy

The Lubbock Economic Index

Lubbock Economic Indicators* February 2018	Base Year 1996	One Year Ago 2017	This Year 2018	% Change 2017-2018
Retail Sales - February	\$ 375,509,430	\$ 489,574,075	\$ 491,369,739	0.4%
Retail Sales - Year-To-Date	\$ 612,383,023	\$ 850,159,045	\$ 858,881,794	1.0%
Dollars Spent on Auto Purchases - February	\$ 34,252,033	\$ 59,866,702	\$ 68,122,198	13.8%
Dollars Spent on Auto Purchases YTD	\$ 65,392,571	\$ 125,945,763	\$ 141,422,662	12.3%
Hotel/Motel Revenue - YTD Through February	\$ 10,446,331	\$ 12,277,865	\$ 12,619,123	2.8%
Lubbock International Airport Passenger Enplanements - February	44,563	34,411	35,067	1.9%
Lubbock International Airport Passenger Enplanements - YTD	85,421	67,222	69,423	3.3%
Value All Construction Permits - February	\$ 21,987,171	\$ 70,069,235	\$ 51,369,209	-26.7%
Value All Construction Permits - YTD	\$ 47,942,625	\$ 161,289,957	\$ 93,307,935	-42.1%
New Home Permits - February	58	133	108	-18.8%
New Home Permits - YTD	103	244	248	1.6%
Number of Home Sales - February	146	226	290	28.3%
Number of Home Sales - YTD	274	443	514	16.0%
Average Home Sale Price - February	\$ 79,449	\$ 174,527	\$ 180,777	3.6%
Average Home Sale Price - YTD	\$ 81,578	\$ 170,063	\$ 180,957	6.4%
Dollar Volume Residential Real Estate Sales - February	\$ 19,193,739	\$ 40,539,065	\$ 52,425,195	29.3%
Dollar Volume Residential Real Estate Sales - YTD	\$ 37,036,903	\$ 77,514,893	\$ 93,104,777	20.1%
Employment				
Wage and Salary Employment - February	111,400	146,700	149,500	1.9%
Wage and Salary Employment - YTD Avg	111,050	146,000	148,450	1.7%
Unemployment Rate - February	4.4%	3.5%	3.1%	-11.4%
Unemployment Rate - YTD Avg	4.5%	3.5%	3.1%	-10.1%
LUBBOCK ECONOMIC INDEX - February (Base=100 January 1996)	100.3	149.0	151.9	2.0%
* 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 - February (WT Int. Crude)	\$ 17.20	\$ 50.03	\$ 58.72	17.4%
Rig Count (Texas RRC District 8A) - February	20	19	20	5.3%
Crude Oil Production (Texas RRC District 8A) - February	24,761	15,890	16,438	3.4%
Value of Oil Production (Texas RRC District 8A) - February	\$ 427,292	\$ 788,498	\$ 977,065	23.9%
Agriculture (Regional)				
Cotton Price (West Texas, cents/pound) - February	79.76	71.68	75.95	6.0%
Cotton - South Plains Bales Ginned Crop Year Through February	2,483,350	4,371,300	4,119,000	-5.8%
Fat Cattle Price (\$/hd. Wt.) - February	\$ 62.97	\$ 121.20	\$ 121.95	0.6%
Value Cattle Marketed (\$000's) - February	\$ 49,698	\$ 44,114	\$ 50,805	15.2%