



LUBBOCK NATIONAL BANK

Lubbock Economic Index And Consumer Price Index January 2018

The Lubbock Economic Index inched upward in January following a modest decline in December, matching its record high of 154.4 from November 2016. The January index is up from 152.2 in December and is up by 2.3% compared to the January 2017 LEI of 149.0.

The general pattern of expansion in the Lubbock economy, in place since the third quarter 2011, remains in place moving into 2018. Retail spending logged a modest year-over-year increase in January, while real auto spending was sharply higher for the month. Construction activity per building permit valuations was off by over 50% compared to January of a year ago, though new housing construction set a record for the number of single-family residence building permits issued in the month of January. The Lubbock residential real estate market also began the year on solid footing with record sales and prices for the month of January.

January is, of course, the one month of the year in which the monthly and year-to-date totals/averages are one and the same.

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 January sales tax receipts set a record for the month of January, up by 1.9% compared to January of a year ago, which in turn was up by nearly 6% compared to January of the previous year. For the 12 months ending January 2018 real taxable spending was up by only about 1.0% compared to the prior 12 months. The January 2018 monthly total is a January record – the 12-month total is not, however, suggesting the substantive trend in general spending in the Lubbock metro area is a bit lower compared to the peak year of 2015 after which spending began to weaken a bit.
- Lubbock employment growth remains in the 1% range according to the January estimate; again, however, we await revised monthly employment data for Lubbock and other Texas metro areas, scheduled to be released on March 9. Employment estimates for 2016 and 2017 will be revised (and perhaps earlier years as well) and the revisions will shed more light on the true employment situation for Lubbock moving into 2018. The January unemployment rate estimate remains historically low dipping to 3.0% for the month compared to 3.4% in January 2017. Updated unemployment rate data is coming as well as a part of the annual data revision process.

Auto sales activity surged upward to a new January record with inflation-adjusted spending on new and used motor vehicles up by nearly 11% compared to January of a year ago. The longer-term averages have now surpassed all previous high marks as well with the 12-month moving average also at its highest point ever as of January 2018, so auto spending in every respect is at a record level in Lubbock.

The construction numbers were respectable enough in January but dropped off considerably compared to last year's January monthly record with the real valuation of all building permits issued down by 54% compared to the January 2017 total. New housing construction was sharply higher, on the other hand, with 140 single-family residence building permits issued for the month, a January monthly record and a 26% improvement over January of a year ago.

The 224 closed home sales in the Lubbock market is also a January monthly record surpassing the prior record of 223 sales posted in January 2014. The average price of those sales spiked upward in January, up by 9.5% compared to the January 2017 monthly average. That combination pushed the real (inflation-adjusted) total dollar volume of home sales activity to a new January record by far, and at the same time outpacing the January 2017 total by a stout 10%.

The revised employment data for Lubbock and other Texas metro areas for at least 2016 and 2017 will be released on March 9. At that time monthly payroll employment estimates for the affected time periods will be revised as a part of an annual process that reconciles the previous monthly estimates with more complete quarterly employer records. The revised data also establishes the benchmarks for the monthly estimates moving forward in 2018. The Lubbock Economic Index will be revised and updated accordingly at that time, and the February LEI report in late March will contain the incorporated revisions.

Lubbock Consumer Price Index

The Lubbock Consumer Price Index increased at a 2.3% year-over-year rate in January, compared to 2.2% in December and 1.8% in January 2017. A slight increase in the food/grocery CPI along with a higher housing CPI component and miscellaneous goods and services pushed the growth rate upward in January, while energy was unchanged for the month and the health care CPI rate of change dropped slightly.

The food/grocery sector of the Lubbock CPI increased again slightly in January, rising to 1.2% (the January 2018 CPI value compared to January 2017), up from 1.1% in December, and -0.3% in January of a year ago.

The housing component of the Lubbock CPI remains somewhat elevated, and with upward pressure at 3.8% in January compared to 3.6% in December. Average and median housing prices are significantly higher, as is the cost of a new home in Lubbock. Mortgage rates and apartment rents are higher as well.

The rate of increase in the energy (fuels and utilities) sector of the Lubbock CPI remained at 2.6% in January, unchanged from December and up from 2.4% in November.

The medical care component of the Lubbock CPI declined again slightly in January to 2.2% compared to 2.3% in December. The US national health care CPI posted a 2.0% rate of year-over-year increase in January.

The rate of year-over-year price increase for various miscellaneous goods and services increased in January to 1.5% compared to 1.3% in December.

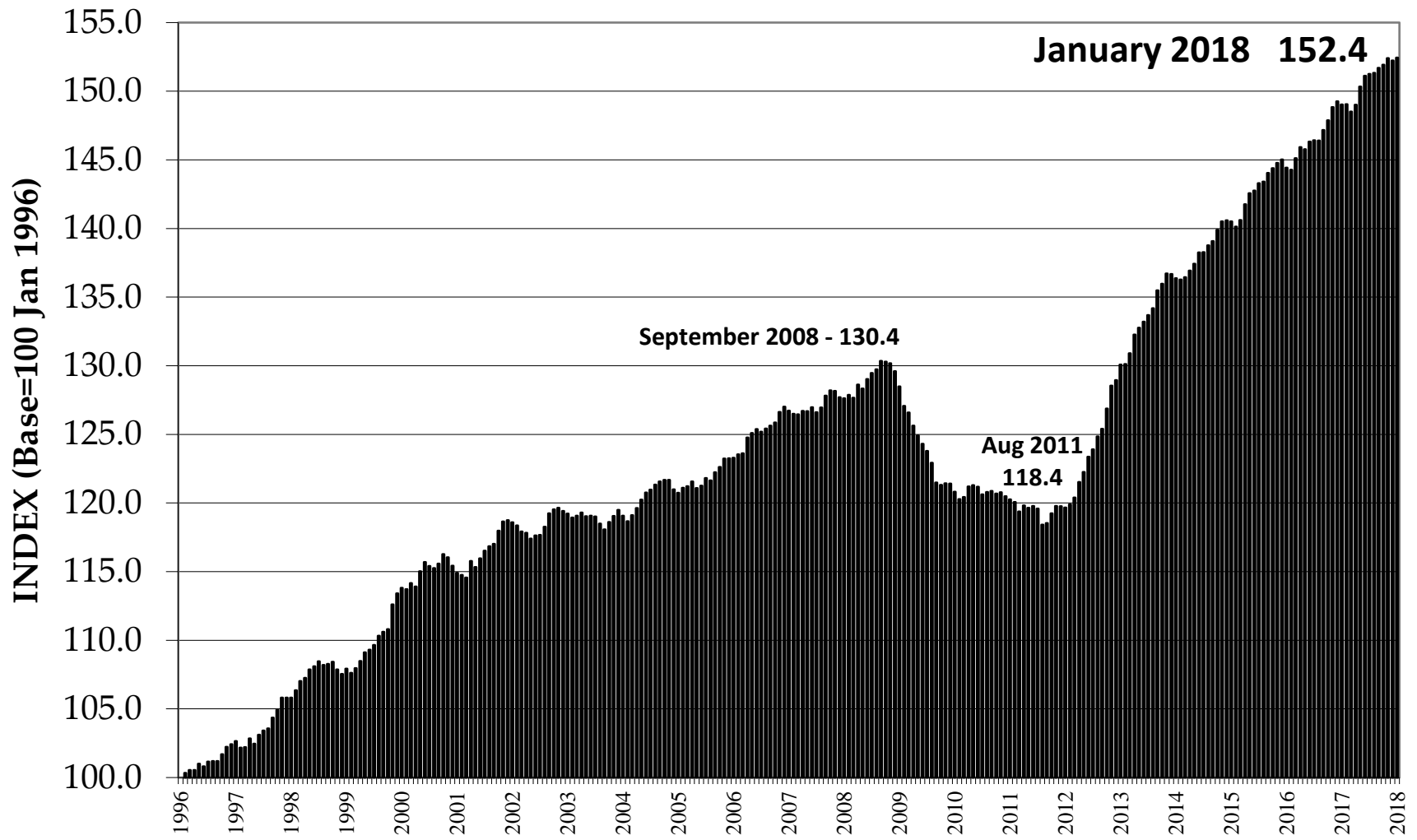
The growth rate in the national CPI-U (the US Consumer Price Index, a broad measure of price change over time) was unchanged from December to January at 2.1%. The “core CPI”, the Consumer Price Index minus food and energy, was also unchanged from December to January at 1.8%.

The CPI for the southern region of the US (which includes Texas) also remained constant in January at 1.8% unchanged from the month of December.

The Dallas-Fort Worth metro area CPI was newly updated in January and retreated to 2.7% down from 3.2% in November. The Houston metro area CPI was last updated in December and posted a 1.7% rate of increase, down from 2.3% in October. 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 - January 2018



The Lubbock Metro Area Economy

The Lubbock Economic Index

Lubbock Economic Indicators* January 2018	Base Year 1996	One Year Ago 2017	This Year 2018	% Change 2017-2018
Retail Sales - January	\$ 236,476,983	\$ 359,981,224	\$ 366,896,709	1.9%
Retail Sales - Year-To-Date	\$ 236,476,983	\$ 359,981,224	\$ 366,896,709	1.9%
Dollars Spent on Auto Purchases - January	\$ 31,212,427	\$ 66,231,607	\$ 73,469,681	10.9%
Dollars Spent on Auto Purchases YTD	\$ 31,212,427	\$ 66,231,607	\$ 73,469,681	10.9%
Hotel/Motel Spending - January	\$ 8,673,842	\$ 6,744,649	\$ 6,916,700	2.6%
Lubbock International Airport Passenger Enplanements - January	40,858	32,811	34,356	4.7%
Lubbock International Airport Passenger Enplanements - YTD	40,858	32,811	34,356	4.7%
Value All Construction Permits - January	\$ 25,849,896	\$ 90,849,740	\$ 41,769,064	-54.0%
Value All Construction Permits - YTD	\$ 25,849,896	\$ 90,849,740	\$ 41,769,064	-54.0%
New Home Permits - January	45	111	140	26.1%
New Home Permits - YTD	45	111	140	26.1%
Number of Home Sales - January	128	217	224	3.2%
Number of Home Sales - YTD	128	217	224	3.2%
Average Home Sale Price - January	\$ 86,201	\$ 165,414	\$ 181,190	9.5%
Average Home Sale Price - YTD	\$ 86,201	\$ 165,414	\$ 181,190	9.5%
Dollar Volume Residential Real Estate Sales - January	\$ 17,802,375	\$ 36,891,303	\$ 40,586,591	10.0%
Dollar Volume Residential Real Estate Sales - YTD	\$ 17,802,375	\$ 36,891,303	\$ 40,586,591	10.0%
Employment				
Wage and Salary Employment - January	110,700	145,600	147,000	1.0%
Wage and Salary Employment - YTD Avg	110,700	145,600	147,000	1.0%
Unemployment Rate - January	4.6%	3.4%	3.0%	-11.8%
Unemployment Rate - YTD Avg	4.6%	3.4%	3.0%	-11.8%
LUBBOCK ECONOMIC INDEX - January (Base=100 January 1996)	100.0	149.0	152.4	2.3%
* 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 - January (WT Int. Crude)	\$ 17.31	\$ 49.25	\$ 60.10	22.0%
Rig Count (Texas RRC District 8A) - January	23	18	19	5.6%
Crude Oil Production (Texas RRC District 8A) - January	12,764	8,290	8,515	2.7%
Value of Oil Production (Texas RRC District 8A) - January	\$ 220,938	\$ 408,259	\$ 511,724	25.3%
Agriculture (Regional)				
Cotton Price (West Texas, cents/pound) - January	79.75	70.25	75.18	7.0%
Cotton - South Plains Bales Ginned Crop Year Through January	2,495,400	4,200,550	3,953,050	-5.9%
Fat Cattle Price (\$/hd. Wt.) - January	\$ 64.50	\$ 117.36	\$ 123.63	5.3%
Value Cattle Marketed (\$000's) - January	\$ 24,510	\$ 22,298	\$ 25,961	16.4%