



LUBBOCK NATIONAL BANK

Lubbock Economic Index And Consumer Price Index

June/2nd Quarter 2018

The Lubbock Economic Index rebounded in June increasing to 151.8 for the month up from 151.2 in May, and up 0.8% from the June 2017 LEI of 150.6. The all-time index peak remains at 151.9, achieved in April of this year. The June recovery, following a decline in May, aided the quarterly outcome over which the Lubbock Economic Index improved at an annualized 2.0% pace in the second quarter of the year. The index is based at 100.0 in January 1996.

General taxable spending was flat in June compared to year-ago levels and is slightly improved for the second quarter and year-to-date. Auto sales continue to reflect strong improvement along with hotel/motel activity and airline passenger enplanements at Lubbock International Airport. The pace of employment growth hastened in June and the unemployment rate remains on the decline midway through 2018. Total construction and homebuilding were the only negatives on the chart for the second quarter and year-to-date compared to the record numbers from a year ago. However, residential real estate sales set new records for the month, second quarter, and first half of the year 2018.

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 June were statistically unchanged compared to June of a year ago, while spending per second quarter sales tax receipts was up by about 1.1%. Midway through 2018 general real taxable spending is up by 1.2% compared to the first six months of a year ago. Actual sales tax receipts are up by about 3.1% through June 2018 but inflation takes a bite out of that growth rate. The ongoing adjustments for inflation and other statistical phenomena make the Lubbock Economic Index and its various components comparable from period to period and over the long term.
- The rate of year-over-year employment growth was revised upward in May to 2.2% compared to the original 2.0%, and then spiked upward in June with the monthly payroll employment estimate up by 2.9% compared to June 2017, reflecting the addition of about 4,200 jobs over the last year. The increase vaulted Lubbock into the top 10 among Texas metro areas in terms of the rate of year-over-year job growth in June. The unemployment rate was below 4% in June for only the second time on record (the first was June 2017) and fell to 3.6% in June compared to 3.7% in June of a year ago.

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Vehicle sales continue to push ever upward in Lubbock with inflation-adjusted auto spending setting new records for the month of June, the second quarter, and the first half of the year. Second quarter real auto spending was up by over 10% compared to the second quarter of a year ago, which in turn was up by nearly 11% compared to the prior year. Midway through 2018 auto spending is up by 9% compared to the first six months of 2017.

Construction activity has expanded dramatically in recent years – 32% in 2015, 18% in 2016, and another 10% in 2017. After setting records last year construction has slowed considerably in 2018 with the real dollar valuation of all building permits issued down by 46% through midyear compared to the January-June total from a year ago. The second quarter total was off by 58% compared to the second quarter of 2017, which in turn was up by 94% compared to the previous year. The June monthly total posted a year-over-year increase, however, up by 6% compared to June of a year ago, and in fact was the third-highest June building permit total on record.

Single-family housing construction is down across the board off by 31% in June, 18% in the second quarter, and 11% through the first half of the year compared to year-ago levels. Again, however, the number of second quarter and year-to-date through June permits issued in 2017 were at record levels by far and home building in 2017 has slowed on the heels of strong growth the previous three years.

Over 2,200 home sales were recorded through June 2018, a record for the first six months of the year and an increase of nearly 8% compared to the midway point in 2017. The June monthly and second quarter sales totals were also record numbers up by about 8% compared to year-ago levels. The average price of those sales continues to climb at a healthy pace up by 3.5% year-over-year in the second quarter, and 3.7% through the first six months of the year. The June average price was down slightly compared to June of a year ago, which in turn was up by over 9% compared to the prior year.

The real (inflation-adjusted) total dollar volume of housing sales in the Lubbock market expanded by 4.4% year-over-year in the month of June, 8.5% in the second quarter, and 8.7% through the first six months of the year compared to year-ago levels. Lubbock home sales activity is impressively on the rise in 2018 after easing a bit in 2017 and is setting records by every measure midway through the year.

The Lubbock metro area economy is approaching seven straight years of expansion at midyear 2018. The Lubbock Economic Index has flattened a bit in the first six months of the year and the rates of year-over-year growth in the index have slowed. But at this point there is certainly reason to believe the Lubbock economy will continue to experience general growth for the balance of the year. Or, put another way, there is little to suggest that any sort of localized contraction or recession is looming around the corner in the second half of 2018.

Lubbock Consumer Price Index

The Lubbock Consumer Price Index continues to tick upward through midyear 2018 with the year-over-year rate of growth increasing for the third straight month to 2.4% up from 2.3% in May, 2.2% in April, and 2.1% in March. Rising energy and housing costs relative to year-ago levels are pushing the rate of increase in the local consumer price index upward, while food/grocery costs, medical care, miscellaneous goods and services are generally stable, increasing at modest year-over-year rates.

The food/grocery sector of the Lubbock CPI posted a 1.3% increase in June compared to June of a year ago, and that 1.3% is unchanged from May. The broader measures remain very moderate in terms of cost increases with the US Southern Region “food at home” CPI component increasing at a 0.3% rate compared to a year ago, and the US national “food at home” increasing at a 0.4% rate in June.

The housing sector of the Lubbock CPI declined slightly in June but remains in excess of 3.5% at 3.6% for the month compared to June of last year. Last year, however, the housing component of the Lubbock CPI was increasing at a 4.1% year-over-year rate, so the upward pressure on housing costs has been in place for some time now.

The rate of increase in the energy (fuels and utilities) sector of the Lubbock CPI continues to press upward as well at 3.5% in June compared to 3.2% in May and 2.9% in April.

The medical care component of the Lubbock CPI was unchanged from May to June at 2.2%. The US national health care CPI ticked upward to 2.5% in June compared to 2.4% in May.

The rate of year-over-year price increase for various miscellaneous goods and services was 1.4% in June, up from 1.3% in May.

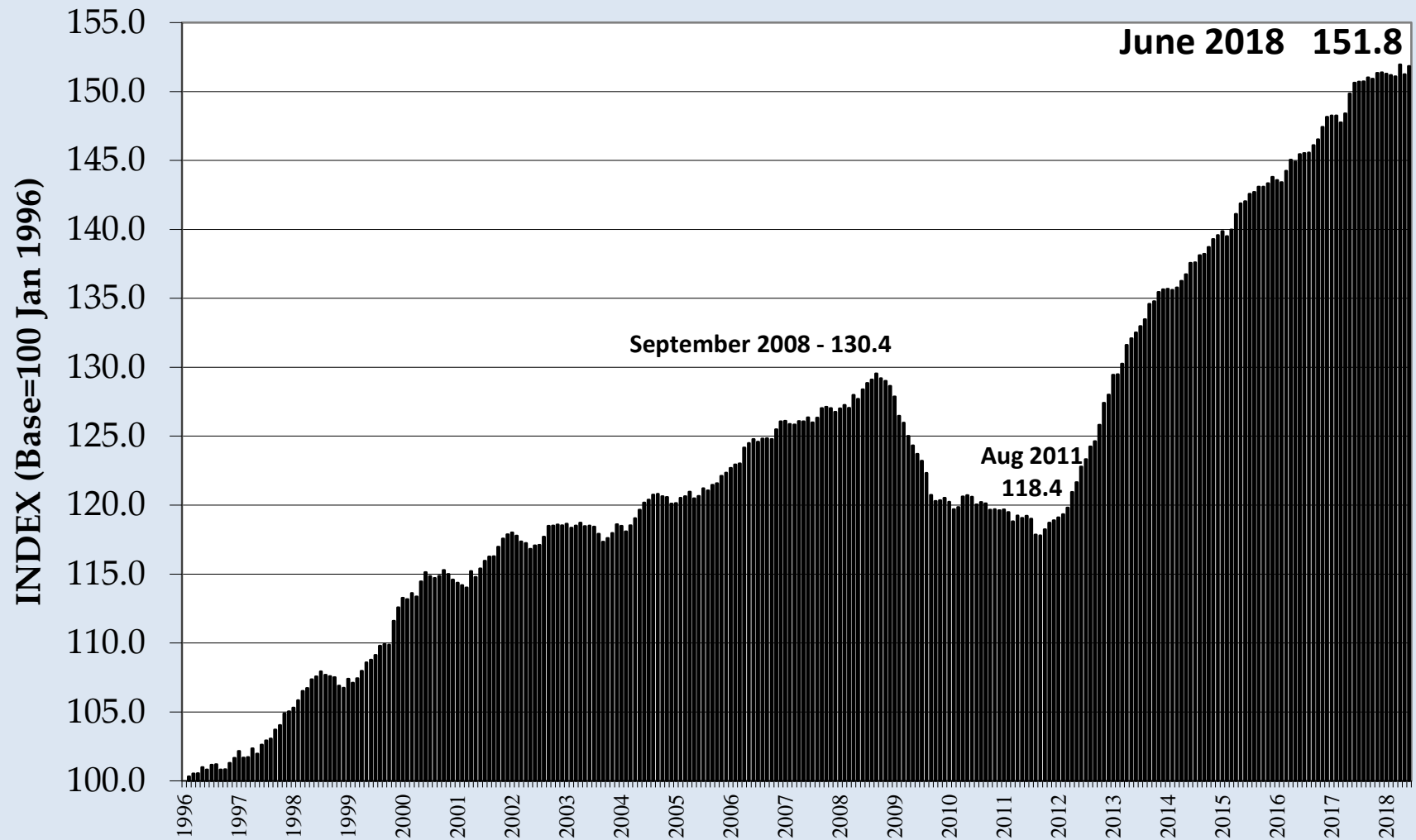
The growth rate in the national CPI-U (the US Consumer Price Index, a broad measure of price change over time) increased again in June to 2.9% up from a revised 2.8% in May. The “core CPI”, the Consumer Price Index minus food and energy, increased slightly to 2.3% in June compared to 2.2% in May.

The CPI for the southern region of the US (which includes Texas) was unchanged from May to June at 2.7%.

The Dallas-Fort Worth metro area CPI was last updated in May and was sharply higher increasing by a full point to 3.9% compared to 2.9% in March. The Houston metro area CPI was freshly updated in June and jumped upward to 3.0% compared to 2.4% in April. The Dallas-Fort Worth and Houston metro area CPI values are calculated every other month on off months from one another.

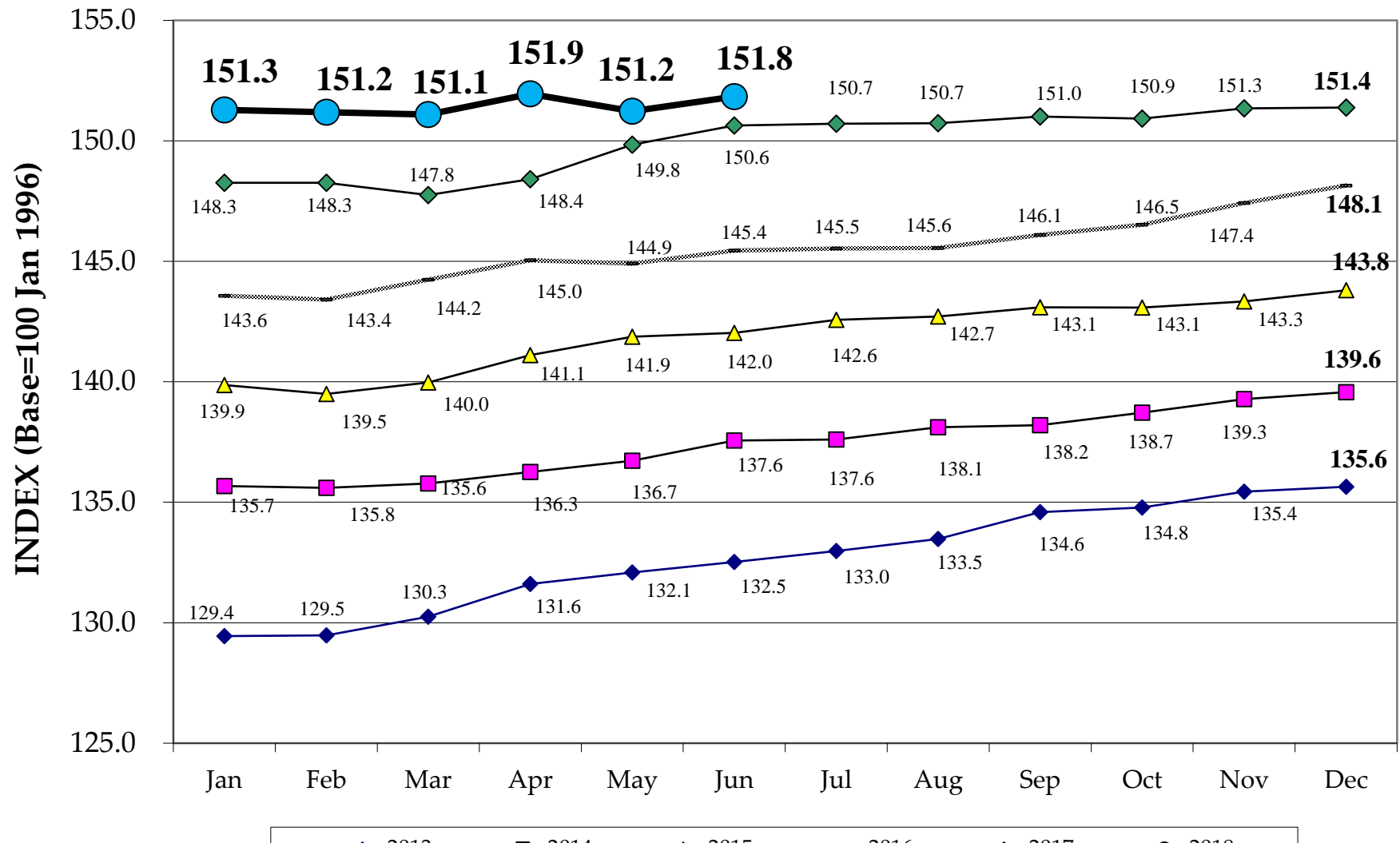
The Lubbock Economy

The Lubbock Economic Index January 1996 - June 2018



The Lubbock Economy

The Lubbock Economic Index 2013 - 2018



The Lubbock Metro Area Economy

The Lubbock Economic Index

Lubbock Economic Indicators* June/2nd Quarter 2018	Base Year 1996	One Year Ago 2017	This Year 2018	% Change 2017-2018
Retail Sales - June	\$ 246,987,844	\$ 343,804,205	\$ 343,812,805	0.0%
Retail Sales - 2nd Quarter	\$ 778,255,768	\$ 1,120,517,957	\$ 1,132,988,940	1.1%
Retail Sales - Year-To-Date	\$ 1,624,327,500	\$ 2,303,077,550	\$ 2,331,425,614	1.2%
Dollars Spent on Auto Purchases - June	\$ 38,827,610	\$ 69,195,494	\$ 72,524,041	4.8%
Dollars Spent on Auto Purchases - 2nd Qtr	\$ 120,583,860	\$ 209,149,642	\$ 230,754,218	10.3%
Dollars Spent on Auto Purchases YTD	\$ 225,297,120	\$ 410,090,112	\$ 447,158,996	9.0%
Hotel/Motel Spending - YTD Through June	\$ 20,730,477	\$ 45,611,684	\$ 47,261,590	3.6%
Lubbock International Airport Passenger Enplanements - June	53,196	40,807	43,959	7.7%
Lubbock International Airport Passenger Enplanements - 2nd Qtr	155,182	121,954	126,374	3.6%
Lubbock International Airport Passenger Enplanements - YTD	294,773	228,880	237,493	3.8%
Value All Construction Permits - June	\$ 18,638,223	\$ 62,251,121	\$ 65,988,933	6.0%
Value All Construction Permits - 2nd Qtr	\$ 69,851,530	\$ 329,164,722	\$ 137,203,816	-58.3%
Value All Construction Permits - YTD	\$ 140,974,109	\$ 545,436,405	\$ 293,366,088	-46.2%
New Home Permits - June	55	131	90	-31.3%
New Home Permits - 2nd Qtr	158	385	317	-17.7%
New Home Permits - YTD	325	750	668	-10.9%
Number of Home Sales - June	195	446	482	8.1%
Number of Home Sales - 2nd Qtr	607	1,221	1,316	7.8%
Number of Home Sales - YTD	1,024	2,046	2,204	7.7%
Average Home Sale Price - June	\$ 94,003	\$ 204,809	\$ 203,286	-0.7%
Average Home Sale Price - 2nd Qtr	\$ 90,208	\$ 192,923	\$ 199,636	3.5%
Average Home Sale Price - YTD	\$ 86,404	\$ 186,248	\$ 193,107	3.7%
Dollar Volume Residential Real Estate Sales - June	\$ 30,216,018	\$ 93,862,981	\$ 97,984,068	4.4%
Dollar Volume Residential Real Estate Sales - 2nd Qtr	\$ 90,548,268	\$ 242,529,552	\$ 263,238,013	8.5%
Dollar Volume Residential Real Estate Sales - YTD	\$ 146,841,709	\$ 393,326,960	\$ 427,512,452	8.7%
Employment				
Wage and Salary Employment - June	112,200	147,200	151,400	2.9%
Wage and Salary Employment - 2nd Qtr Avg	111,635	147,800	151,033	2.2%
Wage and Salary Employment - YTD Avg	111,515	147,015	149,950	2.0%
Unemployment Rate - June	5.1%	3.7%	3.6%	-2.7%
Unemployment Rate - 2nd Qtr Avg	4.4%	3.2%	3.1%	-4.2%
Unemployment Rate - YTD Avg	4.4%	3.4%	3.2%	-6.0%
LUBBOCK ECONOMIC INDEX - JUNE (Base=100 January 1996)	100.8	150.6	151.8	0.8%
* 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 - June (Posted WT Int. Crude)	\$ 18.83	\$ 41.71	\$ 63.75	52.8%
Rig Count (Texas RRC District 8A) - June	25	19	18	-5.3%
Crude Oil Production (Texas RRC District 8A) - YTD Through June	74,295	48,659	49,224	1.2%
Value of Oil Production (Texas RRC District 8A) - YTD Through June	\$ 1,414,482	\$ 2,257,492	\$ 3,047,331	35.0%
Agriculture (Regional)				
Cotton Price (West Texas, cents/pound) - June	77.23	70.24	81.48	16.0%
Cotton - South Plains Bales Ginned Crop Year	2,483,350	4,371,300	4,119,000	-5.8%
Fat Cattle Price (\$/hd. Wt.) - June	\$ 61.33	\$ 128.82	\$ 110.41	-14.3%
Value Cattle Marketed (\$000's) - YTD Through June	\$ 158,592	\$ 183,331	\$ 182,805	-0.3%