



LUBBOCK NATIONAL BANK

Lubbock Economic Index And Consumer Price Index March/1st Quarter and April 2018

A couple of minor technical corrections were made to the Lubbock Economic Index, resulting in some slight revisions to monthly Lubbock Economic Index values, and those corrections along with the annual employment data revisions set the benchmarks for the index for the balance of 2018 through the next round of employment data revisions in early 2019. Again, however, the general trends in the index were not altered, however, and the turning points and rates of growth were essentially unchanged.

The Lubbock Economic Index declined slightly in both February and March with the March monthly LEI dipping by a tenth of a point for the third straight month to 151.1 down from 151.2 in February but up 2.3% from the March 2017 LEI of 147.8. **The Lubbock Economic Index rebounded in April surging upward to 152.0, a new record for the index under the current benchmarks and a 2.4% increase over the April 2017 LEI of 148.4.** Through the first four months of the year the Lubbock Economic Index has increased at an annualized rate of only about 1.1%, though that is an improvement over the first quarter of the year in which the annualized rate of growth was actually slightly negative.

General spending in Lubbock continues to expand at a modest pace along with employment, and the Lubbock unemployment rate remains on the decline reaching historic low levels in March and April. Automobile spending is posting impressive year-over-year increases through the first four months of the year, though construction activity is on the decline on the heels of a record year in 2017. Home sales rebounded in April after a slight decline in March, and home sales in the first quarter and for the year-to-date through April are at record levels as are the prices of those sales.

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 March posted a 2.2% year-over-year gain and was up by 1.3% in the first quarter. Taxable spending in April was up by 1.5% and the total for the year-to-date through April is up by 1.4% compared to the first four months of a year ago. Again, general spending activity has been noticeably weaker since 2014 with slowing rates of growth and a negative year in 2016 compared to 2015. Growth rates languished in the 1.0-1.5% range in 2017 and remain in that range on average in early 2018 though the March and April monthly growth rates moved higher. First quarter general real spending was up by 1.3% year-over-year, and the total through April is up by 1.4% with March and April monthly spending up by 2.0% and 1.7%, respectively.
- The estimated number of jobs in the Lubbock metro area economy reached 150,000 for the first time ever in April; these numbers are not seasonally adjusted, so the estimates will vary from month to month and will likely fall back during the summer months; however, it is the highest employment estimate on record for the month of April, and the seasonally adjusted Lubbock payroll employment estimate (not shown on the data table) also surpassed 150,000 for the first time in April. The rate of year-over-year employment growth in April was 1.6%

down from 2.0% in March and 1.8% on average in the first quarter of the year. That 1.6% growth rate is tied for 14th best in the state with Killeen-Temple and Amarillo. The Lubbock unemployment rate dipped to 2.8% in April, the lowest on record for the month of April and down compared to the April 2017 unemployment rate of 2.9%

Auto sales activity in Lubbock continues its assault on prior records reaching new highs in the first quarter, for the month of April, and through the first four months of the year. First quarter real auto spending was up by a stout 7.7% compared to the first quarter 2017, and again is the highest first quarter on record. That was followed by a record in April, which was up by over 15% compared to April of a year ago, pushing the total for the year-to-date to some 9.6% improved over the first four months of 2017, and ever deeper into record territory.

Lubbock construction set all kinds of records in 2017 but building activity is pulling back from those strong numbers thus far in 2018. First quarter real building permit valuations were down by 28% compared to the first quarter of a year ago, though the March monthly total was up by over 18%. April returned to negative year-over-year territory, however, posting a 33% decline bringing the year-to-date total to about 29% lower compared to the first four months of 2017, the lowest January-April total since 2014.

Housing construction is on the same path – lower in 2018 after the record-setting year in 2017. The number of new single-family residence permits issued is down by about 10% through April compared to the total through April of a year ago, which in turn was up by 45% compared to the first four months of the prior year. The first quarter total was down by only about 4% year-over-year, but January is the only month in 2018 thus far in which the number of permits issued was higher compared to year-ago levels. That does not mean the numbers are bad – the 433 permits issued through April is still the second-highest on record for that time period behind only the January-April 2017 total.

After setting a new first quarter record existing home sales reached 400 in the month of April for the first time ever (for the month of April), outpacing the April 2017 total by 20%. The 888 closed sales in the first quarter is also the highest ever for that time frame and was up by nearly 8% year-over-year. Through April the record number of sales is up by 11% year-over-year. The first quarter average sale price was up by a stout 4% compared to the first quarter of a year ago, and the April monthly average was up by over 5% year-over-year, bringing the average through April to 4.6% improved over the first four months of 2017.

The real (inflation-adjusted) total dollar volume of residential real estate activity obviously set new records in the first quarter, posting a 9% year-over-increase, followed by a sharp 23% increase in the month of April. Through the first four months of the year real home sales activity is up by some 13% as the Lubbock general residential real estate market continues to improve at a blistering pace thus far in 2018 in terms of rising sales and prices.

Lubbock Consumer Price Index

The rate of year-over-year increase in the Lubbock Consumer Price Index declined slightly in March to 2.1% compared to 2.2% in February and then returned to 2.2% in April. The CPI values for housing and energy remain relatively high and presently have upward pressure on them, while food/groceries, health care, and miscellaneous goods and services are generally stable with modest movements up or down.

The food/grocery sector of the Lubbock CPI reversed course and declined slightly in March to 1.1% compared to 1.2% in February and was unchanged from March to April at 1.1%. The national “food at home” CPI sector remains very low at a 0.4% rate of year-over-year increase.

The housing price increase rates also turned upward again in April after declines in February and March, increasing to 3.6% for the month up from 3.4% in March (and 3.5% in February).

The rate of increase in the energy (fuels and utilities) sector of the Lubbock CPI increased again over the last two months at 2.8% in March and 2.9% in April compared to 2.7% in February. Crude oil price increases and resulting increases elsewhere in the consumer energy sphere in 2017 are pushing the energy CPI upward though generally low natural gas prices are keeping rates of price increase in check thus far.

The medical care component of the Lubbock CPI remains steady at 2% in both March and April down from 2.1% in February (and over 4% in March and April of a year ago. The US national health care CPI increased to 2.0% in March and 2.2% in April compared to 1.8% in February.

The rate of year-over-year price increase for various miscellaneous goods and services declined in March and April at 1.4% and 1.2%, respectively, down from 1.5% in February.

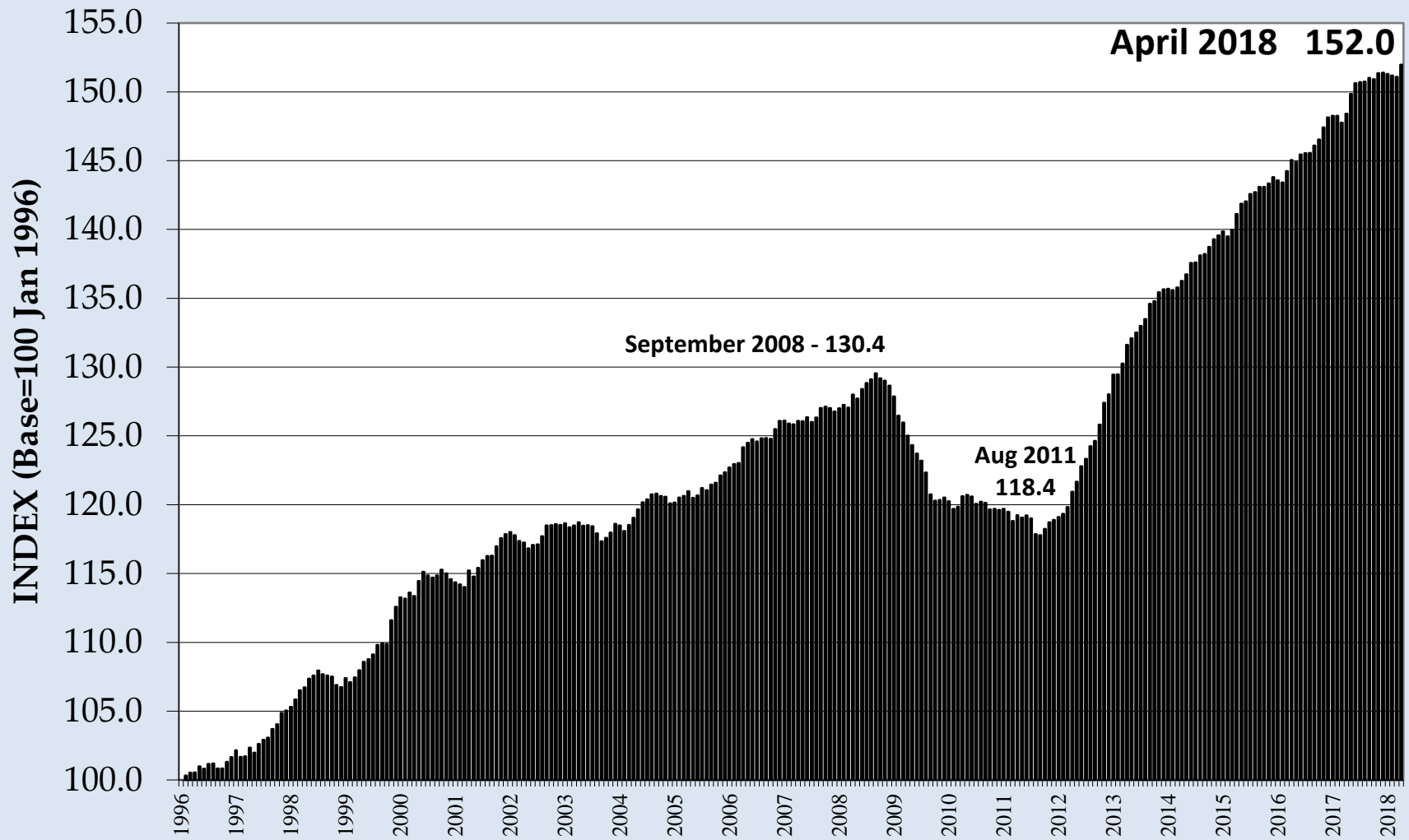
The growth rate in the national CPI-U (the US Consumer Price Index, a broad measure of price change over time) increased over the last two months at 2.4% in March and 2.5% in April, up from 2.2% in February. The “core CPI”, the Consumer Price Index minus food and energy, was unchanged from March to April at 2.1%, but that is up from 1.8% in February.

The CPI for the southern region of the US (which includes Texas) has ticked upward over the last two months to 2.3% in March and 2.4% in April, compared to 2.1% in February.

The Dallas-Fort Worth metro area CPI was last updated in March and turned northward again increasing to 2.9% up from 2.7% in January (and 3.2% in November). The Houston metro area CPI was updated in April and declined to 2.4% down from 2.6% in February, but still up from the 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.

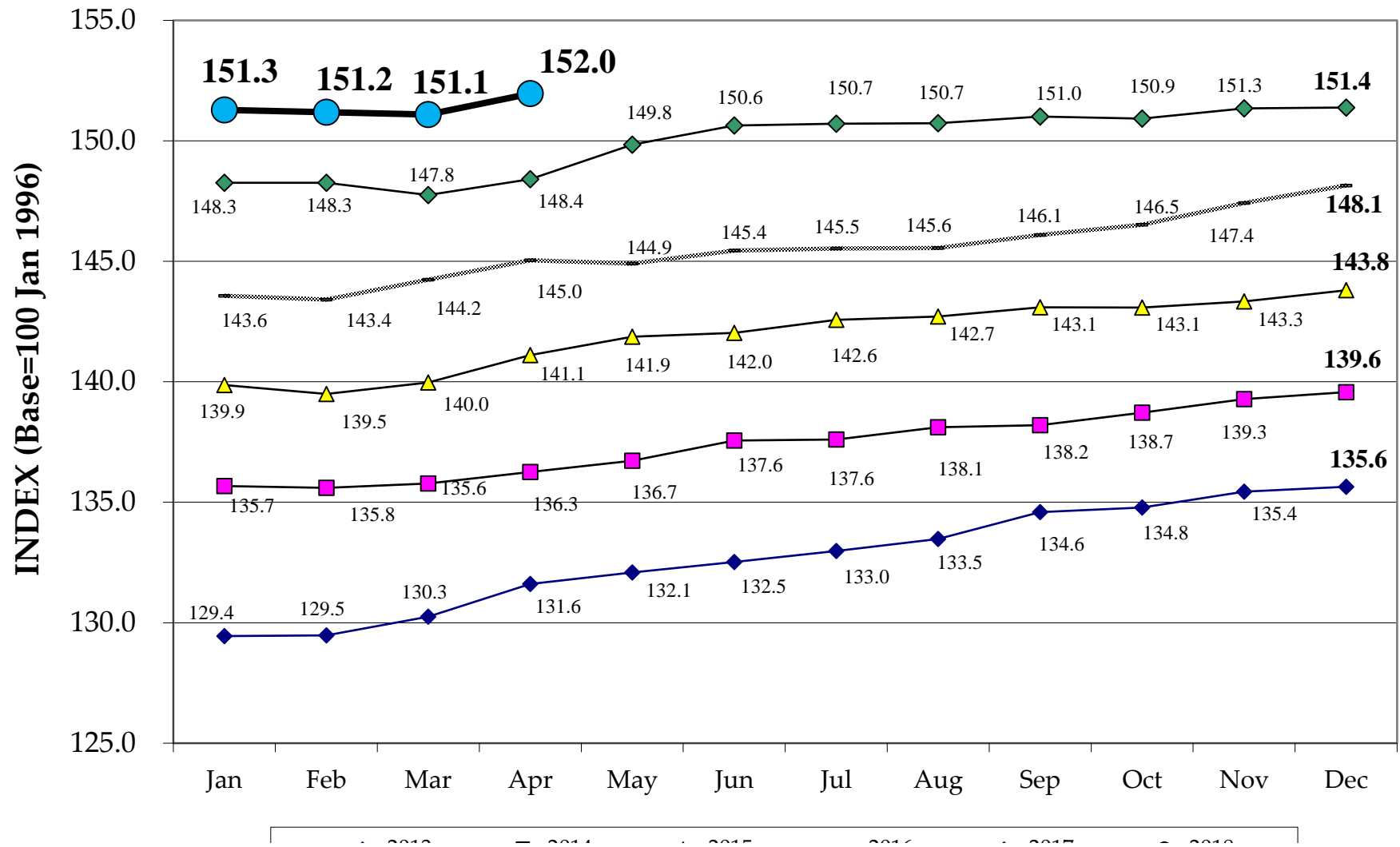
The Lubbock Economy

The Lubbock Economic Index January 1996 - April 2018



The Lubbock Economy

The Lubbock Economic Index 2013 - 2018



The Lubbock Metro Area Economy

The Lubbock Economic Index

Lubbock Economic Indicators*

March/1st Quarter 2018

	Base Year 1996	One Year Ago 2017	This Year 2018	% Change 2017-2018
Retail Sales - March	\$ 228,157,788	\$ 324,678,828	\$ 331,733,629	2.2%
Retail Sales - 1st Quarter	\$ 841,482,993	\$ 1,176,145,884	\$ 1,191,936,855	1.3%
Dollars Spent on Auto Purchases - March	\$ 39,004,965	\$ 74,389,253	\$ 74,335,198	-0.1%
Dollars Spent on Auto Purchases 1st Qtr	\$ 104,339,524	\$ 200,223,287	\$ 215,632,401	7.7%
Hotel/Motel Spending - YTD Through March	\$ 10,709,075	\$ 18,826,653	\$ 19,706,818	4.7%
Lubbock International Airport Passenger Enplanements - March	54,170	39,704	41,696	5.0%
Lubbock International Airport Passenger Enplanements - 1st Qtr	139,591	106,926	111,119	3.9%
Value All Construction Permits - March	\$ 21,650,334	\$ 50,262,212	\$ 59,541,444	18.5%
Value All Construction Permits - 1st Qtr	\$ 69,803,841	\$ 212,261,626	\$ 153,269,856	-27.8%
New Home Permits - March	64	121	103	-14.9%
New Home Permits - 1st Qtr	167	365	351	-3.8%
Number of Home Sales - March	143	382	374	-2.1%
Number of Home Sales - 1st Qtr	417	825	888	7.6%
Average Home Sale Price - March	\$ 79,502	\$ 183,681	\$ 186,829	1.7%
Average Home Sale Price - 1st Qtr	\$ 80,866	\$ 176,368	\$ 183,430	4.0%
Dollar Volume Residential Real Estate Sales - March	\$ 18,800,975	\$ 72,111,237	\$ 69,874,115	-3.1%
Dollar Volume Residential Real Estate Sales - 1st Qtr	\$ 55,921,641	\$ 149,801,440	\$ 163,189,460	8.9%

Employment

Wage and Salary Employment - March	112,100	146,700	149,600	2.0%
Wage and Salary Employment - 1st Qtr Avg	111,400	146,235	148,865	1.8%
Unemployment Rate - March	4.2%	3.6%	3.5%	-2.8%
Unemployment Rate - 1st Qtr Avg	4.4%	3.5%	3.2%	-7.6%

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

100.5 147.8 151.1 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 - March (WT Int. Crude)	\$ 19.59	\$ 45.50	\$ 59.43	30.6%
Rig Count (Texas RRC District 8A) - March	22	19	15	-21.1%
Crude Oil Production (Texas RRC District 8A) - March	37,683	24,207	24,236	0.1%
Value of Oil Production (Texas RRC District 8A) - March	\$ 680,434	\$ 1,166,911	\$ 1,440,420	23.4%

Agriculture (Regional)

Cotton Price (West Texas, cents/pound) - March	79.25	74.65	76.83	2.9%
Cotton - South Plains Bales Ginned Crop Year **	2,483,350	4,371,300	N/A	N/A
Fat Cattle Price (\$/hd. Wt.) - March	\$ 61.74	\$ 127.25	\$ 125.47	-1.4%
Value Cattle Marketed (\$000's) - March	\$ 73,777	\$ 77,199	\$ 83,426	8.1%

** Available only through February 2018 - March release pending

The Lubbock Metro Area Economy

The Lubbock Economic Index

Lubbock Economic Indicators* April 2018	Base Year 1996	One Year Ago 2017	This Year 2018	% Change 2017-2018
Retail Sales - April	\$ 237,600,733	\$ 327,137,959	\$ 332,031,368	1.5%
Retail Sales - Year-To-Date	\$ 1,080,473,743	\$ 1,505,226,679	\$ 1,525,937,144	1.4%
Dollars Spent on Auto Purchases - April	\$ 35,438,864	\$ 67,052,844	\$ 77,262,185	15.2%
Dollars Spent on Auto Purchases YTD	\$ 138,863,526	\$ 265,520,548	\$ 291,003,895	9.6%
Hotel/Motel Spending - YTD Through April	\$ 17,115,566	\$ 26,994,900	\$ 27,652,989	2.4%
Lubbock International Airport Passenger Enplanements - April	48,422	39,660	39,141	-1.3%
Lubbock International Airport Passenger Enplanements - YTD	188,013	146,586	150,260	2.5%
Value All Construction Permits - April	\$ 21,484,452	\$ 49,725,359	\$ 33,430,880	-32.8%
Value All Construction Permits - YTD	\$ 91,633,411	\$ 263,036,430	\$ 187,463,462	-28.7%
New Home Permits - April	58	116	82	-29.3%
New Home Permits - YTD	225	481	433	-10.0%
Number of Home Sales - April	199	334	400	19.8%
Number of Home Sales - YTD	616	1,159	1,288	11.1%
Average Home Sale Price - April	\$ 82,662	\$ 189,279	\$ 199,297	5.3%
Average Home Sale Price - YTD	\$ 81,446	\$ 180,089	\$ 188,358	4.6%
Dollar Volume Residential Real Estate Sales - April	\$ 27,170,256	\$ 64,971,028	\$ 79,718,965	22.7%
Dollar Volume Residential Real Estate Sales - YTD	\$ 83,221,199	\$ 215,118,838	\$ 243,285,751	13.1%
Employment				
Wage and Salary Employment - April	111,200	148,000	150,400	1.6%
Wage and Salary Employment - YTD Avg	111,350	146,675	149,250	1.8%
Unemployment Rate - April	4.0%	2.9%	2.8%	-3.4%
Unemployment Rate - YTD Avg	4.3%	3.4%	3.1%	-6.7%
LUBBOCK ECONOMIC INDEX - APRIL (Base=100 January 1996)	100.5	148.4	152.0	2.4%
* 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 - April (WT Int. Crude)	\$ 21.77	\$ 47.00	\$ 62.80	33.6%
Rig Count (Texas RRC District 8A) - April	19	22	16	-27.3%
Crude Oil Production (Texas RRC District 8A) - YTD Through April	49,644	32,262	32,466	0.6%
Value of Oil Production (Texas RRC District 8A) - YTD Through April	\$ 942,113	\$ 1,545,487	\$ 1,956,972	26.6%
Agriculture (Regional)				
Cotton Price (West Texas, cents/pound) - April	82.70	74.76	75.17	0.5%
Cotton - South Plains Bales Ginned 2016 Crop Year - Marketed in 2016-17	2,483,350	4,371,300	4,119,000	-5.8%
Fat Cattle Price (\$/hd. Wt.) - April	\$ 59.70	\$ 131.33	\$ 120.92	-7.9%
Value Cattle Marketed (\$000's) - YTD Through April	\$ 101,238,600	\$ 107,405,300	\$ 118,491,500	10.3%