



# LUBBOCK NATIONAL BANK

## **Lubbock Economic Index And Consumer Price Index May 2018**

The Lubbock Economic Index declined in May retreating to 151.1 for the month down from 151.9 in April (revised downward slightly from the original 152.0 due to a downward revision in the April employment estimates), but up 0.9% from the May 2017 LEI of 149.8.

The sharp year-over-year decline in the May building permit total virtually single-handedly pulled the index lower in May, as the May monthly permit valuation total was down by more than 80% compared to the record number from May of a year ago. General taxable spending continues to exhibit only modest gains compared to year-ago levels while auto spending posted another stout increase in May. Housing construction set a new May monthly record but is still lower for the year-to-date. Existing home sales were down slightly for the month of May, but the number of sales remains at record levels through the first five months of the year. The pace of employment growth ticked upward in May and the unemployment rate remains below 3% for the month.

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 May was up by a modest 1.9% compared to the May 2017 total, which in turn was down slightly (less than a percent) compared to the prior year. For the year-to-date general real spending is up by 1.4% compared to the first five months of a year ago. For the 12 months ending May 2018 taxable spending is also up by 1.4% compared to the previous 12-month period, so the rate of growth in real spending has been consistent over the last year; however, general spending in Lubbock has historically exhibited much stronger rates of growth during times of sustained economic expansion, and the hope is that spending begins to improve at a faster pace in the near future.
- The rate of year-over-year employment growth returned to 2.0% in May after dipping to 1.5% in April and is averaging 1.8% through the first five months of the year. An estimated 2,900 jobs were added to the Lubbock economy over the last 12 months with “leisure and hospitality” leading the way at 1,200 jobs added over the last year. “Trade, transportation and utilities” added 600 jobs, and “professional and business services” added another 500. The Lubbock employment growth rate of 2.0% is at the midpoint (13<sup>th</sup>) of the 26 metro areas in Texas. Midland is leading the pack at 11.3% for May and Victoria is last with a decline of 2.4%. The Lubbock unemployment rate stands at 2.8% in May, down from 3.0% in May 2017.

Auto sales activity in Lubbock, already well into record territory, posted another strong month with inflation-adjusted spending on new and used motor vehicles up by over 11% in May compared to May of a year ago. For the year-to-date, real auto spending is up by some 10% compared to the January-May 2017 total.

In May of last year, the single-month record for building permit valuations was set with the May 2017 monthly total in excess of \$200 million. That was only the second time a single month's total exceeded \$100 million, much less \$200 million. The May 2018 permit valuation total was respectable enough at over \$37 million but was still down by some 82% compared to the huge total from a year ago. Even before the sharp decline in May building permit activity was down by nearly 29% compared to the total through April of last year. Through May 2018 the real (inflation-adjusted) permit total is down by over 50% compared to the first five months of 2017. And again, the 80% decline in permit valuations, albeit compared to a massive total from a year ago was virtually solely responsible for the index decline in May, though obviously if other components (like spending) were stronger it would have provided some additional upside support.

The monthly number of new housing construction permits was a May monthly record at 145, in increase of about 5% compared to May of a year ago, which in turn was up by about 90% compared to the previous year. Through May the permit total remains down by some 6% compared to the January-May 2017 total, which in turn was up by 50% year-over-year. Housing construction remains very strong in Lubbock – the total through May 2018 is the second-highest on record for the first five months of the year, down only compared to the record number from a year ago.

The Lubbock residential real estate market continues to perform at a high level with the number of homes sold through May setting a new January-May record and outpacing the year-ago total by nearly 8%. The May monthly sales total was slightly lower compared to May of last year, which stands as the May monthly record. The May 2018 average sale price was up by a stout 6.7% year-over-year and is up by over 5% for the year-to-date.

On the aggregate, then, the total real (inflation-adjusted) dollar volume of home sales activity is at record levels for the month of May and for the year-to-date, now up by 10% compared to the total through May of a year ago.

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## Lubbock Consumer Price Index

**The rate of year-over-year increase in the Lubbock Consumer Price Index increased to 2.3% in May compared to 2.2% in April, and 2.3% in May of a year ago. All components of the Lubbock CPI increased in May compared to April pushing the rate of increase upward by a tenth of a point from April to May.**

The food/grocery sector of the Lubbock CPI posted a 1.3% year-over-year increase in May, and that is up from the 1.1% rate of increase in April. In May 2017 the CPI value was actually negative by about 0.5%.

The housing sector of the Lubbock CPI continues to increase, rising to 3.7% in May up from 3.6% in April and 3.4% in March.

The rate of increase in the energy (fuels and utilities) sector of the Lubbock CPI increased in May to 3.2% up from 2.9% in April. The US national “fuels and utilities” CPI component does not include motor fuels and is up by only about 1.8%; the Lubbock CPI does include motor fuels, however, hence the higher number for Lubbock.

The medical care component of the Lubbock CPI increased to 2.2% in May up from 2.0% in March and April. The US national health care CPI increased to 2.4% in May compared to 2.2% in April.

The rate of year-over-year price increase for various miscellaneous goods and services was 1.3% in May, up from 1.2% in April.

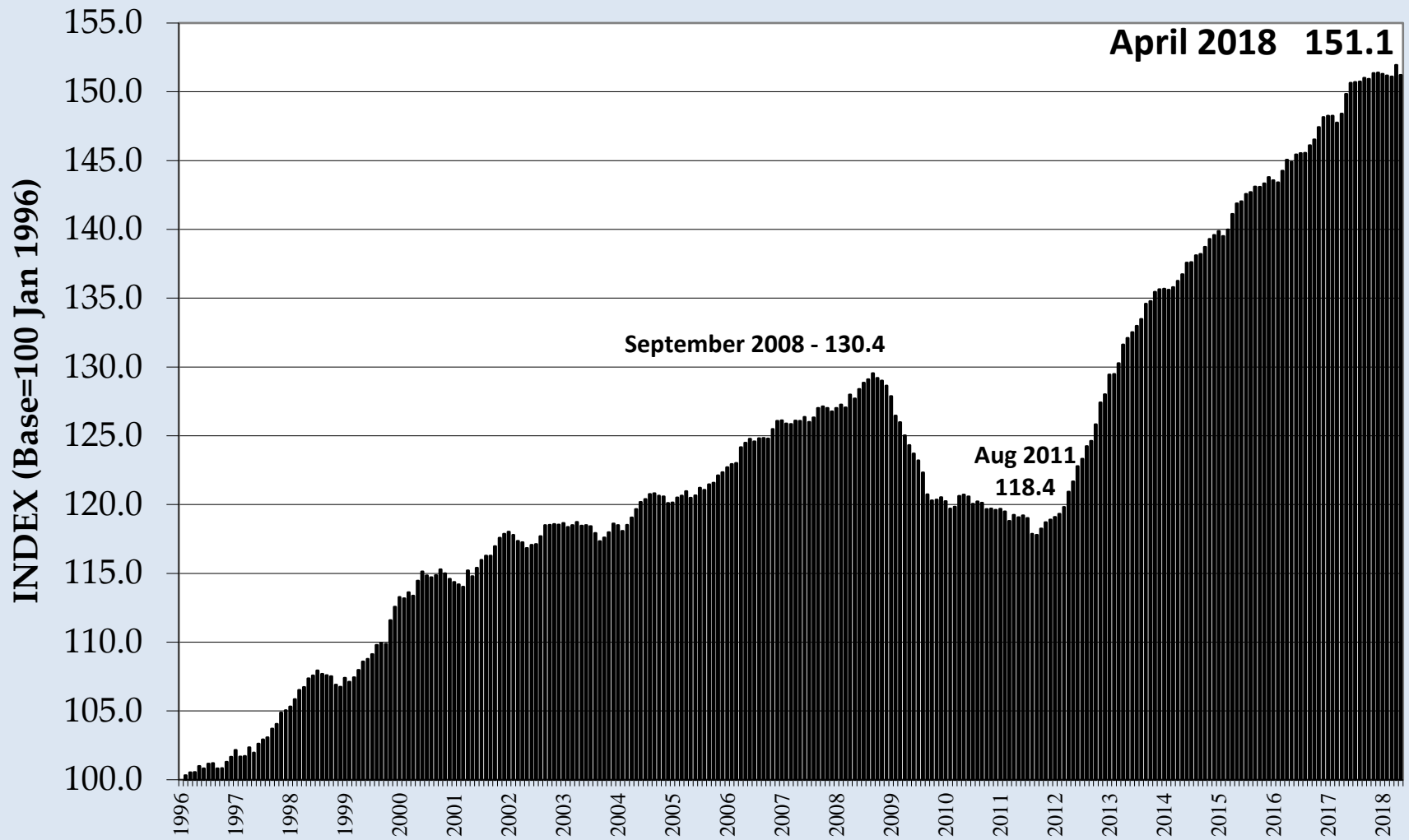
The growth rate in the national CPI-U (the US Consumer Price Index, a broad measure of price change over time) continued to rise in May increasing to 2.7% up from 2.4% in April. The “core CPI”, the Consumer Price Index minus food and energy, increased slightly to 2.2% in May compared to 2.1% in April.

The CPI for the southern region of the US (which includes Texas) jumped up again in May increasing to 2.7% up from 2.4% in April.

The Dallas-Fort Worth metro area CPI was newly 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 last 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.

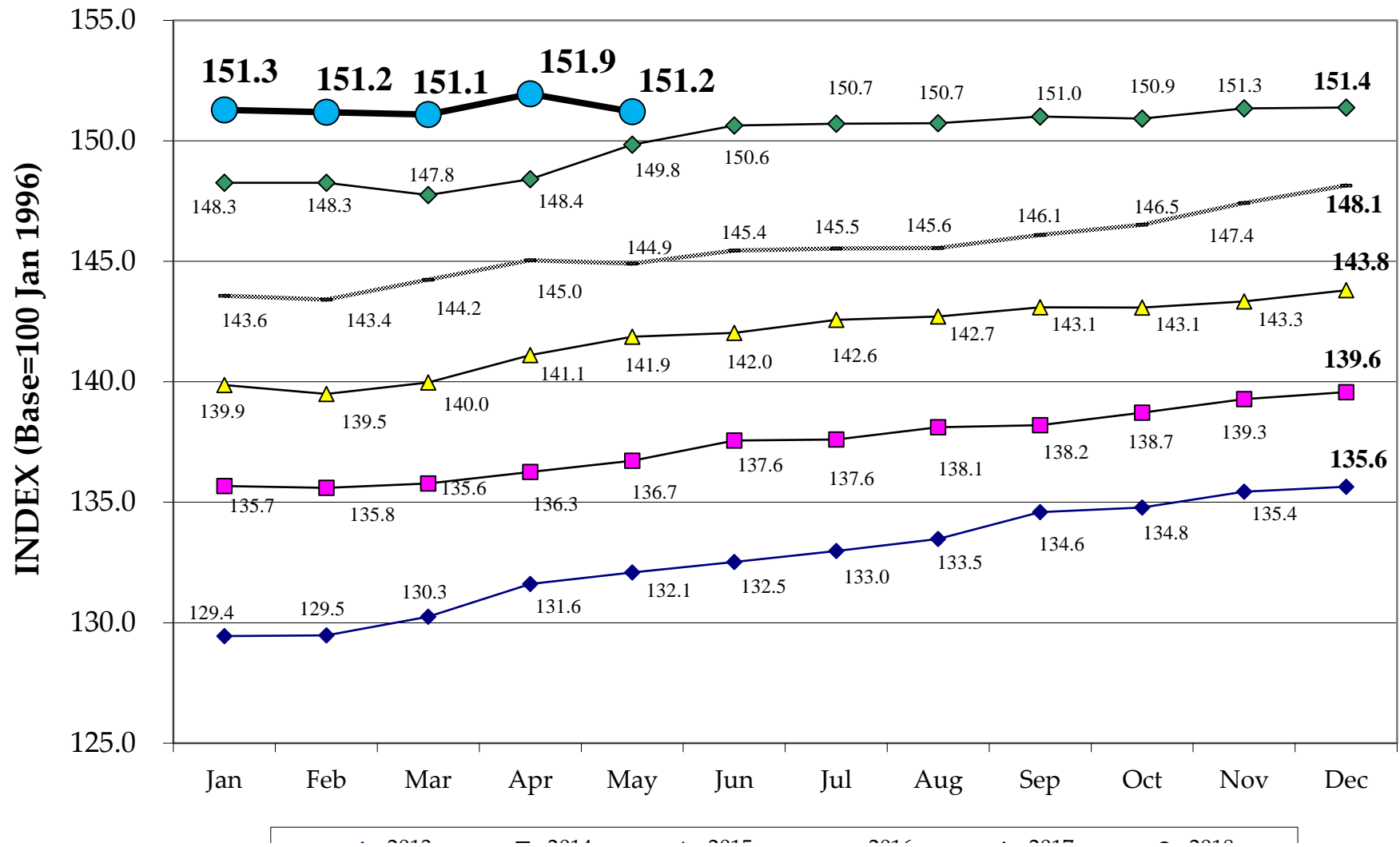
# The Lubbock Economy

The Lubbock Economic Index January 1996 - May 2018



# The Lubbock Economy

## The Lubbock Economic Index 2013 - 2018



## The Lubbock Metro Area Economy

### The Lubbock Economic Index

<b>Lubbock Economic Indicators* May 2018</b>	<b>Base Year 1996</b>	<b>One Year Ago 2017</b>	<b>This Year 2018</b>	<b>% Change 2017-2018</b>
Retail Sales - May	\$ 292,192,144	\$ 447,456,285	\$ 454,991,902	1.7%
Retail Sales - Year-To-Date	\$ 1,374,642,292	\$ 1,955,436,328	\$ 1,983,720,293	1.4%
Dollars Spent on Auto Purchases - May	\$ 45,254,566	\$ 71,089,915	\$ 78,921,881	11.0%
Dollars Spent on Auto Purchases YTD	\$ 183,944,230	\$ 336,278,022	\$ 369,561,428	9.9%
Hotel/Motel Spending - YTD Through May	\$ 20,140,993	\$ 35,798,494	\$ 38,621,838	7.9%
Lubbock International Airport Passenger Enplanements - May	53,564	42,160	43,274	2.6%
Lubbock International Airport Passenger Enplanements - YTD	241,577	188,073	193,534	2.9%
Value All Construction Permits - May	\$ 29,220,759	\$ 214,953,970	\$ 37,057,532	-82.8%
Value All Construction Permits - YTD	\$ 121,463,357	\$ 479,739,085	\$ 225,763,235	-52.9%
New Home Permits - May	45	138	145	5.1%
New Home Permits - YTD	270	619	578	-6.6%
Number of Home Sales - May	213	441	434	-1.6%
Number of Home Sales - YTD	829	1,600	1,722	7.6%
Average Home Sale Price - May	\$ 93,785	\$ 183,662	\$ 195,895	6.7%
Average Home Sale Price - YTD	\$ 84,616	\$ 181,074	\$ 190,257	5.1%
Dollar Volume Residential Real Estate Sales - May	\$ 32,977,905	\$ 83,246,485	\$ 85,018,541	2.1%
Dollar Volume Residential Real Estate Sales - YTD	\$ 116,390,847	\$ 298,860,959	\$ 328,864,825	10.0%
<b>Employment</b>				
Wage and Salary Employment - May	111,500	148,200	151,100	2.0%
Wage and Salary Employment - YTD Avg	111,380	146,980	149,580	1.8%
Unemployment Rate - May	4.1%	3.0%	2.8%	-6.7%
Unemployment Rate - YTD Avg	4.3%	3.3%	3.1%	-6.7%
<b>LUBBOCK ECONOMIC INDEX - MAY (Base=100 January 1996)</b>	<b>101.0</b>	<b>149.8</b>	<b>151.2</b>	<b>0.9%</b>
* 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				
<b>Oil and Gas (Regional)</b>				
Oil Price/Barrel - May (Posted WT Int. Crude)	\$ 19.52	\$ 45.06	\$ 66.37	47.3%
Rig Count (Texas RRC District 8A) - May	29	22	18	-18.2%
Crude Oil Production (Texas RRC District 8A) - May	62,756	40,632	41,020	1.0%
Value of Oil Production (Texas RRC District 8A) - May	\$ 1,197,617	\$ 1,922,692	\$ 2,523,855	31.3%
<b>Agriculture (Regional)</b>				
Cotton Price (West Texas, cents/pound) - May	80.05	75.03	77.25	3.0%
Cotton - South Plains Bales Ginned Crop Year Through May	2,483,350	4,371,300	4,119,000	-5.8%
Fat Cattle Price (\$/hd. Wt.) - May	\$ 59.76	\$ 137.71	\$ 114.86	-16.6%
Value Cattle Marketed (\$000's) - May	\$ 135,899	\$ 145,963	\$ 154,098	5.6%