



LUBBOCK NATIONAL BANK

Lubbock Economic Index

February 2017

The Lubbock Economic Index was unchanged from January to February at 149.0 – that compares to the high point of 149.3 in December 2016, and is up a solid 3.3% compared to the February 2016 LEI of 144.3. Even though the index has flattened a bit over the last 2-3 months the general pattern of economic expansion remains in place, and has now reached the 5 ½ year mark (66 months). The expectation is that the Lubbock economy will continue to enjoy growth and expansion in 2017, especially with an improving regional economy, and higher prices for cotton and crude oil compared to year-ago levels.

Spending is flat compared to year-ago levels, and auto sales are down thus far in early 2017 along with hotel/motel revenues. Construction and home-building are up sharply (and at a record level) in the first two months of the year, while existing home sales are down and average prices are flat compared to early 2016.

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) taxable spending per February sales tax receipts was down by less than a percent compared to February of a year ago, which in turn was down by 4.6% compared to February of the prior year. Through the first two months of the year general real spending is up by 2% compared to the January-February 2016 total, which in turn was off by about 3% compared to the previous year. The spending total for the 12 months ending February 2017 is down by about .5% compared to the prior 12-month period of time. A return to some measure of sustained growth in spending in 2017 would certainly help to buoy the Lubbock Economic Index, and this is the hope and expectation for the balance of the year.
- The Lubbock economy added an estimated 3,400 jobs over the last 12 months for a growth rate of 2.4%, right in line with the average 2.5% rate of growth in 2016. Public sector (government) employment led the way with 1,000 jobs added since February of last year. That could certainly include Texas Tech University, employment for which is classified as 'state government.' Mining, Logging, and Construction added about 600 jobs over the last year, while Trade/Transportation/Utilities and Leisure/Hospitality each added 700 jobs. The Lubbock unemployment rate remains higher compared to its year-ago level (unemployment in late 2015 and early 2016 were the lowest compared to virtually the entire history of the Lubbock Economic Index) at 3.7% for the month compared to 3.3% in February 2016.

On the heels of double-digit percentage growth from 2012-2014 auto sales slowed in 2015 and 2016, and that trend continues in early 2017. Inflation-adjusted spending on new and used motor vehicles was down by 5% in February (year-over-year), and real auto spending through February is down by 4.8% compared to the first two months of a year ago.

The construction sector is off to a torrid start in 2017 with record real building permit valuations through February. The February monthly total is up by 33%, and the total for the first two months of the year is a record by far, and is up by 15% compared to the January-February 2016 total. Single-family residential construction makes up a sizable portion of that total with a record number of permits issued in the first two months of 2017 – the 244 permits issued through February is up by 63% compared to year-ago levels. The single-family permit valuation makes up about a third of the total permit valuation through the first two months of 2017.

Existing home sales softened a bit in February compared to February of last year, down about 5% for the month (though the total is subject to minor revision in the coming months). Through February home sales are down just slightly compared to the first two months of a year ago. The average price of those sales is flat compared to January and February of last year (the January-February 2016 average was up by over 4% compared to the first two months of the prior year). The total inflation-adjusted dollar volume of residential real estate sales activity is down by 4% through February compared to the total for the first two months of 2016, which in turn was up by a stout 7% compared to the previous year.

Aggregate real economic activity in Lubbock remains at or near its all-time high point according to the Lubbock Economic Index in early 2017. The consumer sector, especially from the surrounding region has been under some considerable pressure over the last two years; there is every reason to believe the regional economic situation will be better in 2017 compared to 2015 and 2016, and this should contribute to solid economic growth in the Lubbock metro area.

And indeed the regional influences are registering improved numbers in early 2017. Crude oil prices, which dramatically affect a great many surrounding cities and counties, are 85% higher than at this time last year, and are essentially double the low point from February 2016. The rig count and the number of drilling permits are on the rise, and the industry is beginning to add employees again, albeit in small numbers thus far. Cotton prices are 26% higher compared to year-ago levels, and the number of bales ginned through the season (representative of the 2016 crop) is over 20% higher.

Lubbock Consumer Price Index

The rate of year-over-year increase in the Lubbock Consumer Price Index ticked upward in February to 1.9%, up from 1.8% in January (and 1.3% in February 2016).

The rate of year-over-year price increase in the food/grocery sector of the Lubbock CPI retreated yet further into actual negative year-over-year territory at -.5% in February compared to -.3% in January. And again, the national and regional CPI values for “food at home” are both negative compared to year-ago levels as well.

The housing sector of the Lubbock CPI declined again in February to 4.3%, down from 4.7% in January and a high point of 4.9% in November and December.

The energy (fuels and utilities) sector of the Lubbock CPI moved upward again in February to 1.0% compared to .5% in January. Higher petroleum prices and the resulting impact on end-use energy pricing are pushing this sector of the LEI upward (and the same is the case at the statewide and national levels).

The medical care component of the Lubbock CPI increased in February to 3.9% compared to 3.6% in January. The US national health care CPI declined again in February to 3.5% compared to 3.9% in January and 4.1% in December. At the southern US region, however, the cost of medical care is on the rise with the health care CPI for that region now up by 5.1% year-over-year.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock increased slightly in February to .8%, compared to .6% in January.

The national CPI-U (the US Consumer Price Index, a broad measure of price change over time) increased at a 2.7% annual rate in February, compared to 2.5% in January (and 2.1% in December). The “core CPI”, the Consumer Price Index minus food and energy, posted a 2.2% rate of year-over-year growth in February compared to 2.3% in January.

The CPI for the southern region of the US (which includes Texas) increased again in February, up by 2.8% in February compared to a 2.6% rate of year-over-year change in January.

The Dallas-Fort Worth metro area CPI was last updated in January and increased to 2.7% compared to 2.4% in November. The Houston metro area CPI was newly updated in February and the rate of increase declined a bit to 2.1%, compared to 2.3% 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 Metro Area Economy

The Lubbock Economic Index

Lubbock Economic Indicators* February 2017	Base Year 1996	One Year Ago 2016	This Year 2017	% Change 2016-2017
Retail Sales - February	\$ 368,751,403	\$ 483,651,036	\$ 480,763,231	-0.6%
Retail Sales - Year-To-Date	\$ 601,361,992	\$ 818,170,314	\$ 834,858,769	2.0%
Dollars Spent on Auto Purchases - February	\$ 34,494,428	\$ 63,305,865	\$ 60,111,125	-5.0%
Dollars Spent on Auto Purchases YTD	\$ 65,855,343	\$ 132,951,847	\$ 126,534,081	-4.8%
Hotel/Motel Revenue - February	\$ 10,418,074	\$ 12,614,132	\$ 12,244,653	-2.9%
Lubbock International Airport Passenger Enplanements - February	44,563	34,507	34,411	-0.3%
Lubbock International Airport Passenger Enplanements - YTD	85,421	66,999	67,222	0.3%
Value All Construction Permits - February	\$ 21,140,045	\$ 50,792,080	\$ 67,371,092	32.6%
Value All Construction Permits - YTD	\$ 46,095,481	\$ 134,627,902	\$ 155,068,425	15.2%
New Home Permits - February	58	85	133	56.5%
New Home Permits - YTD	103	150	244	62.7%
Number of Home Sales - February	146	239	226	-5.4%
Number of Home Sales - YTD	274	451	443	-1.8%
Average Home Sale Price - February	\$ 79,449	\$ 174,574	\$ 174,527	0.0%
Average Home Sale Price - YTD	\$ 81,578	\$ 170,554	\$ 170,063	-0.3%
Dollar Volume Residential Real Estate Sales - February	\$ 18,674,828	\$ 42,574,111	\$ 39,443,075	-7.4%
Dollar Volume Residential Real Estate Sales - YTD	\$ 36,035,595	\$ 78,540,007	\$ 75,419,246	-4.0%
Employment				
Wage and Salary Employment - February	111,400	143,900	147,300	2.4%
Wage and Salary Employment - YTD Avg	111,050	142,950	146,450	2.4%
Unemployment Rate - February	4.4%	3.3%	3.7%	12.1%
Unemployment Rate - YTD Avg	4.5%	3.4%	3.6%	6.0%
LUBBOCK ECONOMIC INDEX - February (Base=100 January 1996)	100.3	144.3	149.0	3.3%
* 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 - February (WT Int. Crude)	\$ 17.20	\$ 27.08	\$ 50.03	84.8%
Rig Count (Texas RRC District 8A) - February	20	8	19	137.5%
Crude Oil Production (Texas RRC District 8A) - February	24,557	17,436	16,566	-5.0%
Value of Oil Production (Texas RRC District 8A) - February	\$ 374,065	\$ 484,558	\$ 649,907	34.1%
Agriculture (Regional)				
Cotton Price (West Texas, cents/pound) - February	79.76	56.85	71.68	26.1%
Cotton - South Plains Bales Ginned Crop Year Through February	2,483,350	3,584,550	4,371,300	21.9%
Fat Cattle Price (\$/hd. Wt.) - February	\$ 62.97	\$ 136.82	\$ 121.20	-11.4%
Value Cattle Marketed (\$000's) - February	\$ 49,698	\$ 51,034	\$ 44,114	-13.6%

The Lubbock Economy

The Lubbock Economic Index January 1996 - February 2017



