



LUBBOCK NATIONAL BANK

Lubbock Economic Index And Consumer Price Index July 2017

After sizable monthly increases in May and June the Lubbock Economic Index posted a more modest increase in July, but increase it did to 151.2 up from 151.1 in June and up a solid 3.3% from the July 2016 LEI of 146.4. General spending posted its largest increase of the year thus far, and auto sales were sharply higher as well. Construction activity was up by more than 50% year-over-year, and employment continues to post modest gains compared to year-ago levels. Home building and existing home sales were down for the month, though the average price of those sales was higher.

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 spending per sales tax receipts finally posted stout year-over-year growth in July, up by 6.6% compared to July of 2016, which in turn was up by over 3% compared to July of the previous year. Again, that marks the highest rate of year-over-year spending growth thus far in 2017. Through the month of July general real spending is up by 1.6% compared to the first seven months of 2016, which in turn was down by 1.7% compared to the January-July total from the prior year.
- An estimated 2,200 jobs have been added to the Lubbock economy over the last 12 months, a growth rate of 1.5% which ranks 16th among Texas' 26 metro areas. Employment growth is averaging about 1.6% through the first seven months of 2017, which is down compared to employment growth rates of well over 2% in 2015 and 2016, and in fact about 2.8% through July of a year ago. The unemployment rate moved yet further below its year-ago level in July at 3.6% for the month compared to 4.1% in July 2016.

Auto sales activity was higher in July, albeit compared to a lower total in July of a year ago; real (inflation-adjusted) spending on new and used motor vehicles was up by nearly 11% in July compared to July 2016, which in turn was down by about 12% compared to July of the previous year. Through the first seven months of the year real auto spending is up by 4.3% year-over-year. Again, however, auto spending through July 2016 was down by roughly the same amount, posting a 4.3% year-over-year decline.

The July monthly real building permit total was the second-highest on record for the month of July, down only compared to the huge total posted in July 2005, and was up by nearly 50% compared to July of a year ago. For the year-to-date building permit valuations are up by nearly 24% compared to the January-July 2016 total, which in turn was up by 15% compared to the prior year. Construction activity per real building permit valuations remains well into record territory in 2017, and just through July is outpacing the annual totals for most years over the history of the Lubbock Economic Index.

The number of new single-family residence construction permits issued in July was down a slight 4.4% compared to July of a year ago (which in turn was up by well over 30% year-over-year); however, the year-to-date total remains at a record level, surpassing 800 through the month of July for the first time ever, and outpacing the total through July 2016 by some 37%.

Existing home sales continue to trend a bit lower in 2017 compared to the record numbers from a year ago, with the number of closed sales in July off by about 13% compared to the July 2016 total. For the year-to-date Lubbock home sales are down by about 4% compared to the January-July 2016 total, which again was a record for that time frame, and was up by 4% compared to the first seven months of the prior year. The average price of those July sales was up significantly, however, posting a 4.5% year-over-year increase, and the average through July is up by a solid 3.3% compared to the average through July of a year ago.

The real (inflation-adjusted) total dollar volume of residential real estate sales activity is down by just over 3% through July compared to the total through July of a year ago, which in turn was a record total by far, and was up by about 12% compared to the first seven months of the previous year. So, even though home sales activity has declined a bit thus far in 2017, the market remains healthy, the sales numbers remain high, and average (and median) prices continue to rise.

Lubbock Consumer Price Index

The rate of year-over-year increase in the Lubbock Consumer Price Index was unchanged from June to July at 2.4%. The housing component of the Lubbock CPI remains generally high and that along with energy prices is pushing the Lubbock CPI higher compared to year-ago levels – the Lubbock CPI was increasing at a 1.3% rate in July of 2016.

Again, the food/grocery sector of the Lubbock CPI remains quite low on balance but moved into positive year-over-year territory in June for the first time in a while, and continued to increase in July rising to 0.4%, compared to 0.2% in June.

The housing component of the Lubbock CPI remains in the 4% range at 4.1% for the month of July, unchanged compared to June. Rental rates remain strong, and the average and median housing prices in Lubbock both remain above 4% through July. On balance, mortgage rates are slightly higher in 2017 compared to 2016 as well.

The energy (fuels and utilities) sector of the Lubbock CPI was unchanged from June to July at 2.7%.

The medical care component of the Lubbock CPI also fell again in July, dipping to 3.5% for the month down from 3.8% in June. The US medical care CPI rose at a 2.6% year-over-year rate in July, while the US southern region medical care CPI increased at a 3.6% year-over-year rate in July.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock ticked upward slightly in July at 1.4%.

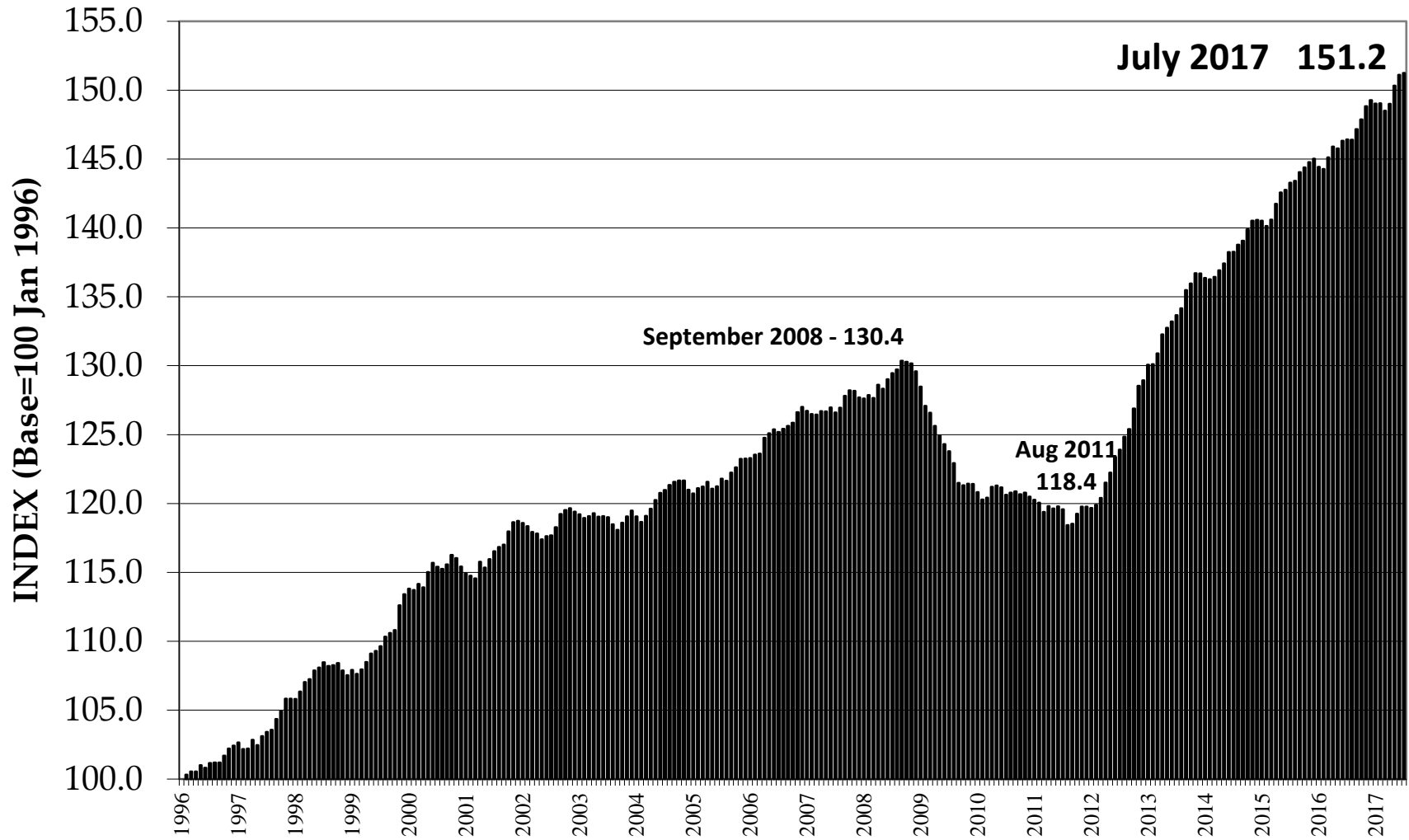
The growth rate in the national CPI-U (the US Consumer Price Index, a broad measure of price change over time) stood at 1.7% in July compared to a revised 1.6% for the month of June. The “core CPI”, the Consumer Price Index minus food and energy, was unchanged again in July at 1.7%.

The CPI for the southern region of the US (which includes Texas) was up by 1.6% in July, up slightly compared to the 1.5% recorded in June.

The Dallas-Fort Worth metro area CPI was newly updated in July, and posted a 1.9% rate of year-over-year growth compared to 2.1% in May. The Houston metro area CPI was last updated in June and increased at a 1.6% year-over-year rate, down from 2.0% in April. The Dallas-Fort Worth and Houston metro area CPI values are calculated every other month on off months from one another.

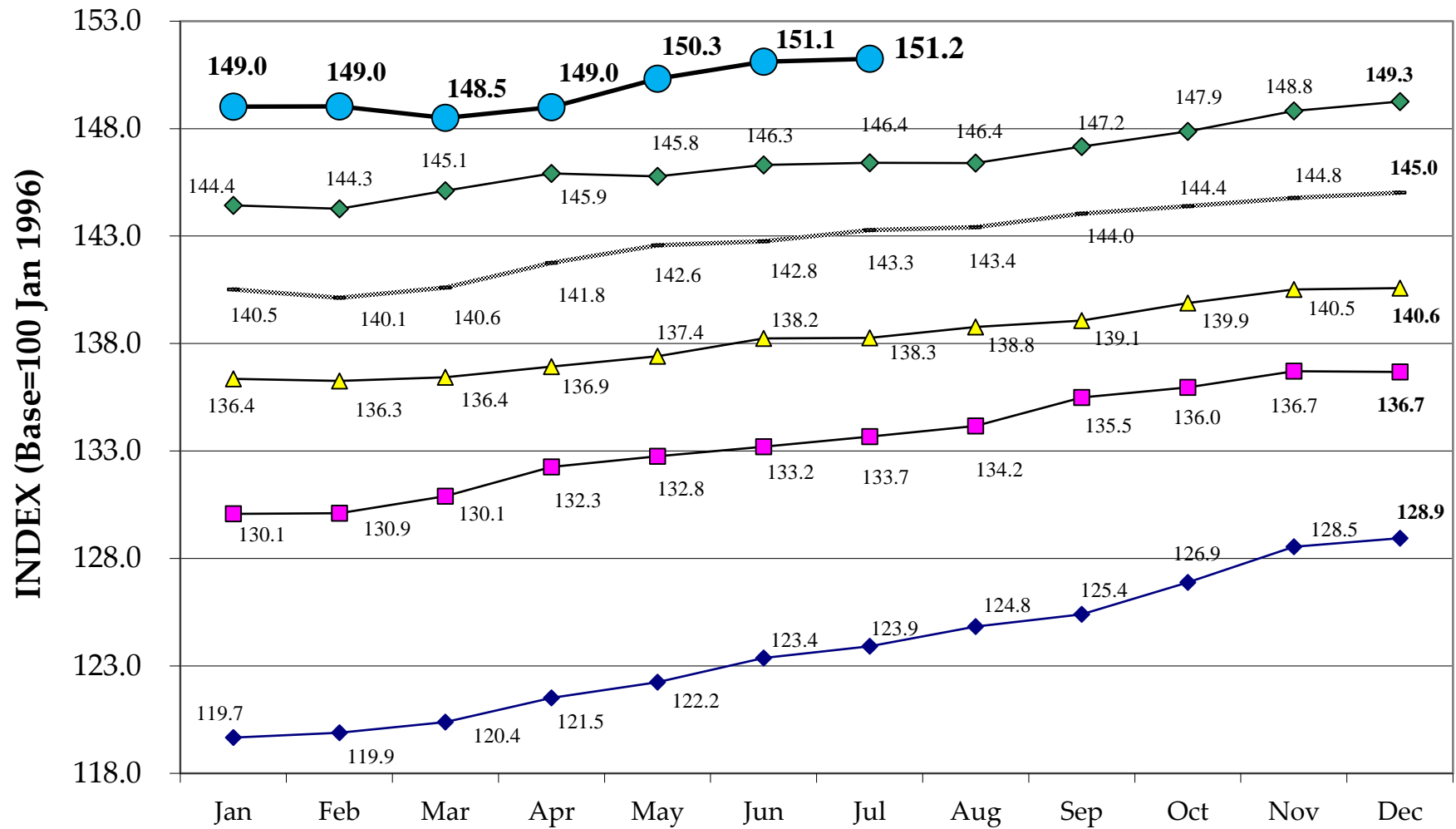
The Lubbock Economy

The Lubbock Economic Index January 1996 - July 2017



The Lubbock Economy

The Lubbock Economic Index 2012 - 2017



The Lubbock Metro Area Economy

The Lubbock Economic Index

Lubbock Economic Indicators* July 2017	Base Year 1996	One Year Ago 2016	This Year 2017	% Change 2016-2017
Retail Sales - July	\$ 218,562,406	\$ 335,957,871	\$ 358,022,632	6.6%
Retail Sales - Year-To-Date	\$ 1,814,424,947	\$ 2,580,394,700	\$ 2,620,740,706	1.6%
Dollars Spent on Auto Purchases - July	\$ 42,757,958	\$ 62,085,029	\$ 68,834,448	10.9%
Dollars Spent on Auto Purchases YTD	\$ 265,577,045	\$ 454,508,140	\$ 473,917,789	4.3%
Hotel/Motel Spending - YTD Through July	\$ 29,383,202	\$ 56,695,541	\$ 53,847,812	-5.0%
Lubbock International Airport Passenger Enplanements - July	55,414	38,074	40,531	6.5%
Lubbock International Airport Passenger Enplanements - YTD	350,187	263,566	269,411	2.2%
Value All Construction Permits - July	\$ 37,083,003	\$ 54,355,930	\$ 81,463,897	49.9%
Value All Construction Permits - YTD	\$ 171,331,423	\$ 485,865,193	\$ 600,915,659	23.7%
New Home Permits - July	45	91	87	-4.4%
New Home Permits - YTD	370	610	837	37.2%
Number of Home Sales - July	187	455	394	-13.4%
Number of Home Sales - YTD	1,211	2,545	2,440	-4.1%
Average Home Sale Price - July	\$ 86,960	\$ 191,219	\$ 199,847	4.5%
Average Home Sale Price - YTD	\$ 86,490	\$ 182,468	\$ 188,444	3.3%
Dollar Volume Residential Real Estate Sales - July	\$ 26,069,327	\$ 89,140,388	\$ 78,739,691	-11.7%
Dollar Volume Residential Real Estate Sales - YTD	\$ 169,279,780	\$ 477,515,704	\$ 462,340,048	-3.2%
Employment				
Wage and Salary Employment - July	111,100	144,300	146,500	1.5%
Wage and Salary Employment - YTD Avg	111,455	144,630	146,945	1.6%
Unemployment Rate - July	5.0%	4.1%	3.6%	-12.2%
Unemployment Rate - YTD Avg	4.5%	3.5%	3.6%	3.3%
LUBBOCK ECONOMIC INDEX - JULY (Base=100 January 1996)	101.2	146.4	151.2	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 - July (Posted WT Int. Crude)	\$ 19.69	\$ 41.55	\$ 43.10	3.7%
Rig Count (Texas RRC District 8A) - July	24	8	19	137.5%
Crude Oil Production (Texas RRC District 8A) - July	87,737	58,511	56,155	-4.0%
Value of Oil Production (Texas RRC District 8A) - July	\$ 1,656,039	\$ 2,152,543	\$ 2,579,695	19.8%
Agriculture (Regional)				
Cotton Price (West Texas, cents/pound) - July	71.10	67.45	66.41	-1.5%
Cotton - South Plains Bales Ginned 2016-17 Crop Year	2,483,350	3,584,550	4,371,300	21.9%
Fat Cattle Price (\$/hd. Wt.) - July	\$ 59.76	\$ 117.44	\$ 118.55	0.9%
Value Cattle Marketed (\$000's) - July	\$ 178,718	\$ 221,662	\$ 214,144	-3.4%