



# LUBBOCK NATIONAL BANK

## **Lubbock Economic Index And Consumer Price Index March/1<sup>st</sup> Quarter 2017**

**The Lubbock Economic Index slipped a bit in March, falling to 148.5 for the month down from 149.0 in January and February (and the index high point in December of 149.3), but still up 2.3% from the March 2016 LEI of 145.1.** A sharply lower monthly building permit total – though compared only to the record monthly total in March 2016 – is the culprit, along with lower auto sales and hotel motel activity, and a year-over-year increase in the unemployment rate.

General spending was up modestly for the month and first quarter of the year, and home sales activity was higher for the month and quarter. Housing construction set a quarterly record in the first quarter of the year, and jobs were added over the last 12 months, though the rate of year-over-year employment growth dropped by a full point from February to March.

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 first quarter sales tax receipts in Lubbock was up by about 2% compared to the first quarter of 2016, which in turn was down by 2.6% compared to the prior year. The March figure was also up by just over 2% compared to March of a year ago. Spending growth has made little headway over the past year, however, with real taxable spending in the 12 months ending March 2017 down by about a half percent relative to the previous 12 months.
- The rate of year-over-year employment growth declined in March compared to February; jobs were still added, but only at a 1.4% clip according to the preliminary estimates, compared to 2.5% in January and 2.4% in February (and 2.5% on average in 2016). The March estimates are subject to revision next month with the release of the preliminary April estimate, so there is some possibility the March estimate could be revised upward at that time. The March unemployment rate of 4.0% is the highest for the month of March since 2014 (when the unemployment rate was on the way down), and is up compared to 3.3% in March of last year. The number of employed residents in Lubbock is not on the decline; the labor force is growing at a faster pace, however, and the mathematical outcome is an increase in the unemployment rate.

Auto sales activity was down in March compared to a strong total in March of a year ago. Real spending on new and used motor vehicles was down by 1.6% in March compared to March 2016, which in turn was up by 11% compared to March of the prior year. First quarter auto spending was down by 3.7%, the fourth straight quarterly year-over-year decline in automobile sales.

The construction sector per building permit valuations was down in March, but only compared to the highest monthly total ever recorded in March of last year. That pulled the quarterly total into negative territory after a record first two months of the year, now down by 24% compared to the record first quarter. Still, it represents the third-highest quarterly total on record over the entire history of the Lubbock Economic Index.

The 365 new single-family residence building permits is the second-highest permit total on record behind only the 441 permits issued in the third quarter 2002, and is up by over 50% compared to the first quarter of last year. The March monthly permit total is up by 34% compared to March 2016, and the value of those permits makes up more than half of the total monthly building permit valuation.

Existing home sales returned to positive year-over-year territory in March with over 380 closed sales, a record for the month of March and a 6% increase over March 2016. The first quarter sales total is slightly higher compared to the 1<sup>st</sup> quarter of a year ago, and is near the record 828 sales in the first quarter 2013. The March average sale price was up by 3.6% compared to March 2016, which in turn was up by over 11% compared to March of the prior year, while the first quarter average posted a 1.6% year-over-year increase. The sales and price numbers were high enough to propel the March monthly and first quarter real (inflation-adjusted) total dollar volume of residential real estate sales to record levels, up by 7.6% and 1.3%, respectively.

The Lubbock Economic Index lost ground in the first quarter, with the March LEI again at 148.5, down from the December 2016 record index value of 149.3. However, again there is little reason to believe the cycle of general economic expansion in Lubbock has come to an end. Some components of the Lubbock Economic Index – construction, housing construction, and home sales/prices in particular – are at very high and record levels and may or may not retreat a bit from those levels in the coming months as auto sales have done over the previous couple of years. However, the benchmark components of general spending and employment are very likely to reflect increases in 2017, and that will be most indicative of continued economic growth in Lubbock.

## Lubbock Consumer Price Index

**The rate of year-over-year increase in the Lubbock Consumer Price Index moved above 2% in March for the first time since June 2015 at 2.1%, up from 1.9% in February and 1.8% in January.**

The medical care component of the Lubbock CPI is driving the increase, along with energy prices that are once again on the rise. Growth in housing prices has flattened but remains at a high level, while food/grocery prices remain negative compared to year-ago levels.

The rate of year-over-year price increase in the food/grocery sector of the Lubbock CPI declined again, moving further into negative territory at -.6% compared to -.5% in February. And again, the national and regional CPI values for “food at home” (it’s not a perfect apples-to-apples comparison) are both negative compared to year-ago levels as well, indicating at least temporary price declines as opposed to increase.

The housing sector of the Lubbock CPI was unchanged from February to March at 4.3% (and peaked at 4.9% in November and December 2016).

The energy (fuels and utilities) sector of the Lubbock CPI moved upward again in March to 1.5%, compared to 1.0% in February.

The medical care component of the Lubbock CPI moved above 4% in March to 4.2% compared to 3.9% in February. The US southern region health care CPI came in at 4.8% year-over-year in March, down from 5.1% in February, while the US national medical care CPI is up by 3.5% compared to March of last year.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock increased to 1.0% for the month compared to .8% in February..

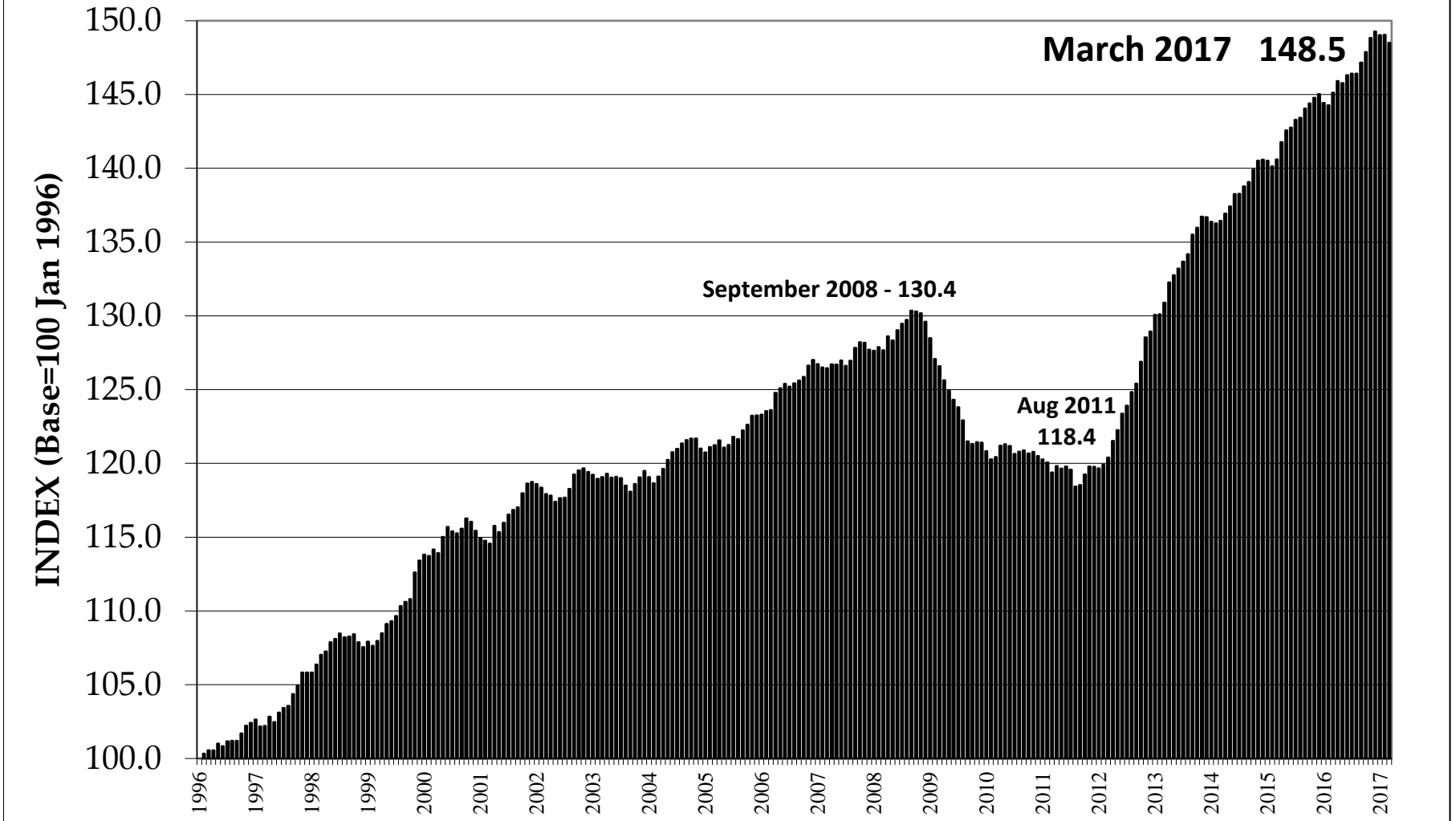
The national CPI-U (the US Consumer Price Index, a broad measure of price change over time) increased at a 2.4% annual rate in March, compared to 2.7% in February. The “core CPI”, the Consumer Price Index minus food and energy, posted a 2.0% rate of year-over-year growth in March compared to 2.2% in February.

The CPI for the southern region of the US (which includes Texas) declined in March at 2.2%, down from 2.8% in February and 2.6% in January.

The Dallas-Fort Worth metro area CPI was freshly updated in March also declining to 2.2%, down from 2.7% in January. The Houston metro area CPI was last updated in February and declined modestly 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 Economy

The Lubbock Economic Index January 1996 - March 2017





## The Lubbock Metro Area Economy

### The Lubbock Economic Index

<b>Lubbock Economic Indicators* March/1st Quarter 2017</b>	<b>Base Year 1996</b>	<b>One Year Ago 2016</b>	<b>This Year 2017</b>	<b>% Change 2016-2017</b>
Retail Sales - March	\$ 224,118,319	\$ 312,170,807	\$ 318,930,481	2.2%
Retail Sales - 1st Quarter	\$ 826,584,773	\$ 1,131,843,774	\$ 1,155,322,552	2.1%
Dollars Spent on Auto Purchases - March	\$ 39,086,431	\$ 75,627,309	\$ 74,408,768	-1.6%
Dollars Spent on Auto Purchases 1st Qtr	\$ 104,557,449	\$ 207,803,262	\$ 200,204,410	-3.7%
Hotel/Motel Spending - YTD Through March	\$ 10,710,440	\$ 20,772,385	\$ 18,829,054	-9.4%
Lubbock International Airport Passenger Enplanements - March	54,170	38,750	39,704	2.5%
Lubbock International Airport Passenger Enplanements - 1st Qtr	139,591	105,749	106,926	1.1%
Value All Construction Permits - March	\$ 20,791,694	\$ 132,833,928	\$ 48,275,267	-63.7%
Value All Construction Permits - 1st Qtr	\$ 67,035,459	\$ 267,894,914	\$ 203,852,943	-23.9%
New Home Permits - March	64	90	121	34.4%
New Home Permits - 1st Qtr	167	240	365	52.1%
Number of Home Sales - March	143	360	382	6.1%
Number of Home Sales - 1st Qtr	417	811	825	1.7%
Average Home Sale Price - March	\$ 79,502	\$ 177,360	\$ 183,681	3.6%
Average Home Sale Price - 1st Qtr	\$ 80,866	\$ 173,575	\$ 176,368	1.6%
Dollar Volume Residential Real Estate Sales - March	\$ 18,293,823	\$ 65,215,630	\$ 70,166,054	7.6%
Dollar Volume Residential Real Estate Sales - 1st Qtr	\$ 54,413,168	\$ 143,938,172	\$ 145,760,582	1.3%
<b>Employment</b>				
Wage and Salary Employment - March	112,100	144,900	147,000	1.4%
Wage and Salary Employment - 1st Qtr Avg	111,400	143,600	146,635	2.1%
Unemployment Rate - March	4.2%	3.3%	4.0%	21.2%
Unemployment Rate - 1st Qtr Avg	4.4%	3.3%	3.7%	11.0%
<b>LUBBOCK ECONOMIC INDEX - March (Base=100 January 1996)</b>	<b>100.5</b>	<b>145.1</b>	<b>148.5</b>	<b>2.3%</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 - March (WT Int. Crude)	\$ 19.59	\$ 34.58	\$ 45.50	31.6%
Rig Count (Texas RRC District 8A) - March	22	11	19	72.7%
Crude Oil Production (Texas RRC District 8A) - March	37,287	25,846	24,584	-4.9%
Value of Oil Production (Texas RRC District 8A) - March	\$ 423,720	\$ 778,520	\$ 1,015,695	30.5%
<b>Agriculture (Regional)</b>				
Cotton Price (West Texas, cents/pound) - March	79.25	54.25	74.65	37.6%
Cotton - South Plains Bales Ginned Crop Year Through March	2,483,350	3,584,550	4,371,300	21.9%
Fat Cattle Price (\$/hd. Wt.) - March	\$ 61.74	\$ 136.82	\$ 127.25	-7.0%
Value Cattle Marketed (\$000's) - March	\$ 73,777	\$ 86,607	\$ 77,199	-10.9%