



June 6, 2016

## Lubbock Economic Index

**The Lubbock Economic Index increased for the second straight month, and to yet another record level in April improving to 146.2 for the month, up from 145.4 in March, and up 3.0% from the April 2015 LEI of 141.9.** The index posted slight declines in January and February 2016, but has since recovered those losses and the overall pattern of economic expansion in Lubbock dating back to the third quarter 2011 remains in place.

Sales tax collections remain generally sluggish in Lubbock (from which real taxable spending is derived) and auto sales were lower in April as well. The home sales component of the Lubbock Economic Index put up the big numbers in April with record sales and prices for the month. The year-to-date construction total is also in record territory; the April number was down, but only compared to strong April permit totals in recent years. The Lubbock metro area continues to enjoy solid employment growth and a low unemployment rate.

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 April sales tax receipts was up by less than a percent compared to April of a year ago, which in turn was up by only about 2% compared to April of the previous year. Through April, general real spending is down by 1.8% compared to the first four months of 2015. For the 12 months ending April 2016, inflation-adjusted taxable spending is down by 1% compared to the prior 12-month period.
- The rate of year-over-year employment growth remains at 3% or higher through April; after averaging 3.0% in the first quarter the April payroll employment estimate is 3.1% higher than April of a year ago, reflecting the addition of 4,300 jobs over the last 12 months. The April unemployment rate of 3.0% is unchanged from April of a year ago; however, that 3% rate of unemployment is the lowest for any month over the entire history of the Lubbock Economic Index. An unemployment rate below 3% represents a very tight labor market, indeed what most economists refer to as 'full employment' and then some. Among Texas metro areas, only Austin-Round Rock has both an unemployment rate lower than Lubbock, and an employment growth rate higher than Lubbock.

Auto sales activity dropped off in April compared to April of a year ago with inflation-adjusted spending on new and used automobiles down by 13% year-over-year. On the heels of three strong growth years (2012-2014 in which auto spending increased by double-digit percentage points each year) auto spending growth slowed in 2015 and remains generally flat thus far in 2016. Through April, real auto spending is down by a very small margin compared to the first four months of a year ago. The actual level of auto spending remains high – very near its record levels from 2014, but has simply flattened as opposed to continuing that rate of growth.

Construction activity per building permit valuations dropped off in April, but only compared to very strong April totals from a year ago, and in fact over the last five years. Interestingly, the monthly record for April was set back in 2001 with about \$75 million in building permits issued (in today's dollars) compared to about \$60 million in April of last year. However, the total for the first four months of 2016 is easily a record and is up by over 50% compared to the January-April 2015 total.

An additional two single-family residence building permits were issued in April of this year compared to last – in turn, the April 2015 total was up by 38% compared to April of the previous year. Through April, housing construction remains generally strong in the city of Lubbock with the number of permits issued up by 10% compared to the first four months of a year ago.

The April numbers from the Lubbock housing market are nothing short of remarkable. The number of closed sales exceeded 400 for only the fifth time (the first four being May-August of 2015) and the first time ever for the month of April. The monthly average price of \$189,582 marks the first time the monthly average price for any month has exceeded \$180,000, and is some 15% higher than the April 2015 monthly average. The end result is a total real (inflation-adjusted) dollar volume of sales activity that is far into record territory, up by 32% in April compared to April of a year ago, and up by 14% for the year-to-date.

The regional oil & gas and agriculture numbers are mixed – low but improving crude oil prices and continued low levels of activity, along with high cotton volumes but generally low prices. On balance, the low prices for south plains-produced commodities is at least partially responsible for the flat spending numbers in the Lubbock metro area.

## **Lubbock Consumer Price Index**

**The year-over-year change in the Lubbock Consumer Price Index increased slightly in April rising to 1.3% compared to 1.2% in March. That is the first monthly increase in well over a year, and was driven by higher prices for housing and higher retail gasoline prices in March and April.**

The rate of price increase in the food and grocery sector of the Lubbock Consumer Price Index continues to come down, falling to 1.4% in April compared to 1.5% in March (and 3.5% in April of a year ago). At the national level and the southern region of the country, the “food at home” CPI continues to register actual price declines compared to year-ago levels, meaning the CPI change is actually negative, down .3% both nationally and in the southern region of the US (which includes Texas).

The housing sector of the Lubbock CPI continues to move upward, increasing at a rate of 4.0% (year-over-year) in April, compared to 3.9% in March.

The rate of price increase in the energy/utilities sector remains negative, but by a smaller margin. Retail gasoline prices have increased in both March and April, and the April rate of change in this category of the Lubbock CPI was -2.9% in April, compared to -3.1% in March. The “fuels & utilities” component of the US southern region CPI is exhibiting the same trends, and stands at -2.1% in April compared to -3.3% in February and -2.5% in March.

The health care sector of the Lubbock CPI increased again in April rising to 3.3% for the month, compared to 3.1% in March (and a low of 2.4% in July 2015). The rate of increase in the US national health care CPI declined again April to 3.0%, compared to 3.3% in March and 3.5% in February.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock was unchanged from March to April at .8%.

The national CPI-U (the US Consumer Price Index, a broad measure of price change over time) increased at a year-over-year rate of 1.1% in April compared to .9% in March. The “core CPI”, the Consumer Price

Index minus food and energy, posted a 2.1% rate of year-over-year increase in April, down from 2.2% in March.

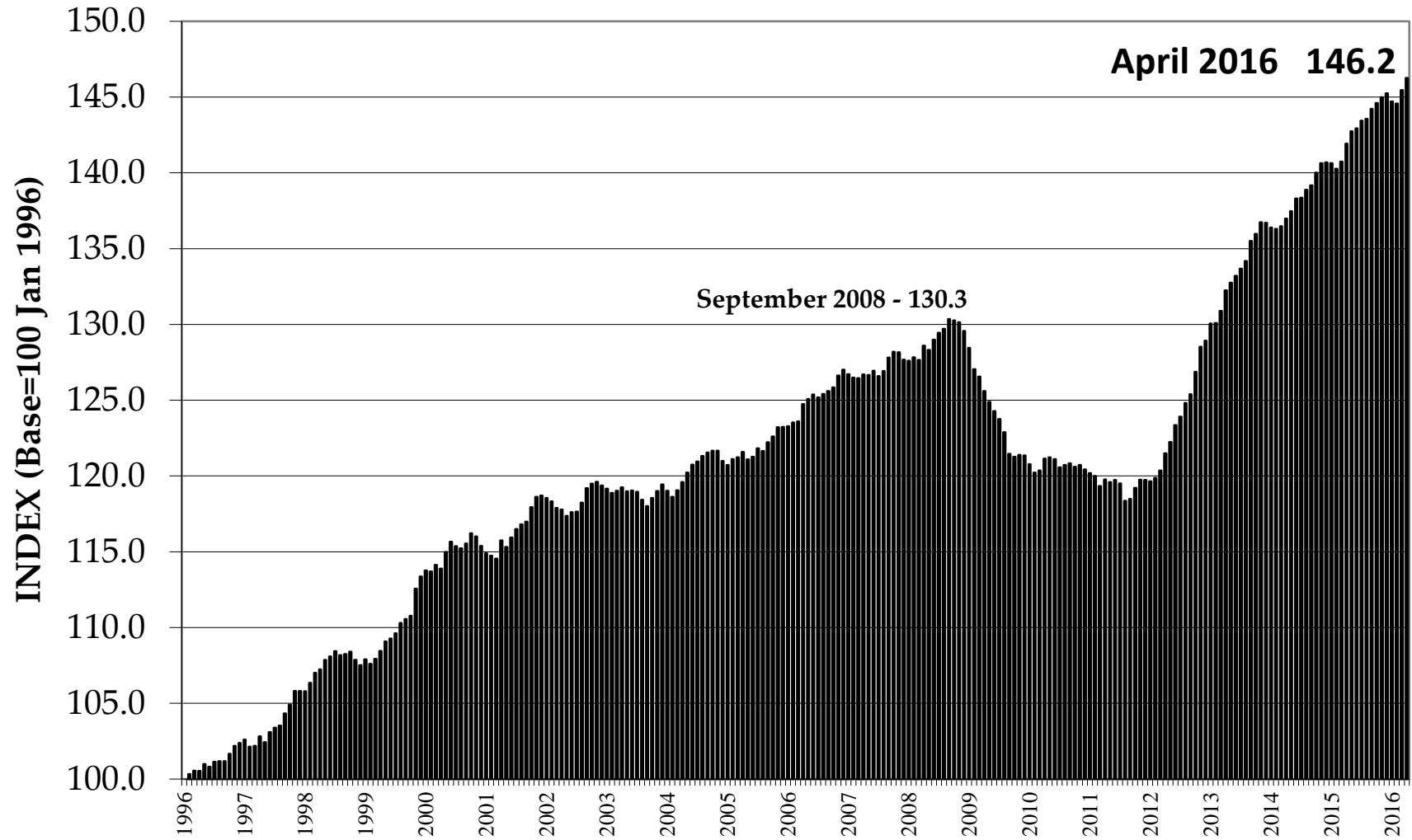
The CPI for the southern region of the US (which includes Texas) ticked upward in April to .9% compared to .7% in February and March.

The Dallas-Fort Worth metro area CPI was last updated in March and posted a year-over-year increase of .6%, compared to a 1.1% rate of change in January. The Houston metro area CPI was freshly updated in April and moderated a bit after a sharp increase in February, increasing at a rate of 1.6% in April compared to 2.0% in February (and .4% 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 2016



## The Lubbock Metro Area Economy

### The Lubbock Economic Index

| <b>Lubbock Economic Indicators*<br/>April 2016</b>  | <b>Base Year<br/>1996</b> | <b>One Year Ago<br/>2015</b> | <b>This Year<br/>2016</b> | <b>% Change<br/>2015-2016</b> |
|---|---------------------------|------------------------------|---------------------------|-------------------------------|
| Retail Sales - April  | \$ 227,808,026            | \$ 316,649,388               | \$ 319,654,251            | 0.9%                          |
| Retail Sales - Year-To-Date   | \$ 1,035,942,051          | \$ 1,453,001,017             | \$ 1,426,233,388          | -1.8%                         |
| Dollars Spent on Auto Purchases - April   | \$ 36,417,184             | \$ 77,368,761                | \$ 67,296,051             | -13.0%                        |
| Dollars Spent on Auto Purchases YTD   | \$ 142,696,974            | \$ 279,070,043               | \$ 278,147,822            | -0.3%                         |
| Hotel/Motel Spending - YTD Through April  | \$ 16,716,497             | \$ 26,678,926                | \$ 29,106,297             | 9.1%                          |
| Lubbock International Airport Passenger Enplanements - April  | 48,422                    | 40,014                       | 38,524                    | -3.7%                         |
| Lubbock International Airport Passenger Enplanements - YTD  | 188,013                   | 139,174                      | 144,273                   | 3.7%                          |
| Value All Construction Permits - April  | \$ 20,423,818             | \$ 60,026,721                | \$ 51,992,797             | -13.4%                        |
| Value All Construction Permits - YTD  | \$ 87,109,696             | \$ 210,160,919               | \$ 318,470,645            | 51.5%                         |
| New Home Permits - April  | 58                        | 91                           | 93                        | 2.2%                          |
| New Home Permits - YTD  | 225                       | 302                          | 333                       | 10.3%                         |
| Number of Home Sales - April  | 199                       | 360                          | 421                       | 16.9%                         |
| Number of Home Sales - YTD  | 616                       | 1,162                        | 1,232                     | 6.0%                          |
| Average Home Sale Price - April   | \$ 82,662                 | \$ 165,152                   | \$ 189,582                | 14.8%                         |
| Average Home Sale Price - YTD   | \$ 81,446                 | \$ 162,796                   | \$ 179,045                | 10.0%                         |
| Dollar Volume Residential Real Estate Sales - April   | \$ 25,857,560             | \$ 60,574,789                | \$ 79,813,865             | 31.8%                         |
| Dollar Volume Residential Real Estate Sales - YTD   | \$ 79,200,472             | \$ 193,142,830               | \$ 220,920,908            | 14.4%                         |
| <b>Employment</b>   |                           |                              |                           |                               |
| Wage and Salary Employment - April  | 110,000                   | 140,100                      | 144,400                   | 3.1%                          |
| Wage and Salary Employment - YTD Avg  | 109,575                   | 138,675                      | 142,850                   | 3.0%                          |
| Unemployment Rate - April   | 4.0%                      | 3.0%                         | 3.0%                      | 0.0%                          |
| Unemployment Rate - YTD Avg   | 4.3%                      | 3.3%                         | 3.2%                      | -3.8%                         |
| <b>LUBBOCK ECONOMIC INDEX - APRIL (Base=100 January 1996)</b>   | <b>100.5</b>              | <b>141.9</b>                 | <b>146.2</b>              | <b>3.0%</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 - April (WT Int. Crude)  | \$ 21.77                  | \$ 50.60                     | \$ 37.51                  | -25.9%                        |
| Rig Count (Texas RRC District 8A) - April   | 19                        | 14                           | 9                         | -35.7%                        |
| Crude Oil Production (Texas RRC District 8A) - April  | 49,644                    | 35,666                       | 34,828                    | -2.3%                         |
| Value of Oil Production (Texas RRC District 8A) - April   | \$ 942,113                | \$ 1,663,392                 | \$ 1,111,847              | -33.2%                        |
| <b>Agriculture (Regional)</b>   |                           |                              |                           |                               |
| Cotton Price (West Texas, cents/pound) - April  | 82.70                     | 61.24                        | 56.24                     | -8.2%                         |
| Cotton - South Plains Bales Ginned Crop Year Through April  | 2,483,350                 | 2,879,150                    | 3,584,550                 | 24.5%                         |
| Fat Cattle Price (\$/hd. Wt.) - April   | \$ 59.70                  | \$ 162.60                    | \$ 129.98                 | -20.1%                        |
| Value Cattle Marketed (\$000's) - April   | \$ 101,238,600            | \$ 142,817,900               | \$ 113,902,900            | -20.2%                        |