



LUBBOCK NATIONAL BANK

Lubbock Economic Index

August 2016

The Lubbock economy has now enjoyed five years of growth through August, as the pattern of expansion in the Lubbock economy has been in place for 60 months dating back to the post-recession index trough of 118.4 in August 2011. Over that five-year period of time the Lubbock Economic Index has expanded by about 24%, meaning index growth has averaged a stout 4.8% per year. And again, growth in the index over the last 12 months was only 2.2%, meaning index/economic expansion over the previous four years was well over 5% per year.

General spending continued to trend lower through August, and home sales were down compared to a record sales total in August of a year ago. Auto spending was higher for the month, however, along with new housing construction and building permit activity as a whole. Job growth continues at a steady clip, though the unemployment rate was higher compared to its year-ago level for the second straight 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) taxable spending per August sales tax receipts was down by 2.2% compared to the spending total from August of a year ago, which in turn was up by nearly 6% compared to August of the prior year. Thus far in 2016 general real spending is off by 1.8% compared to the first eight months of 2015.
- Employment in Lubbock continues to add to its record levels, adding about 3,000 jobs over the last 12 months to an August record of 143,500. Job growth was paced by dramatic employment expansion in the Professional and Business Services sector, which added 1,000 jobs over the last 12 months, and Health Services employment which added an estimated 700 jobs since August of a year ago. The Lubbock unemployment rate remains generally low and is third best in the state (among Texas metro areas) in August at 3.8%; again, however, the unemployment rate moved above its year-ago level last month, and the unemployment rate in August of a year ago was 3.6%.

Auto sales activity returned to growth in August with inflation-adjusted spending on new and used motor vehicles up by 7.5% compared to August of a year ago. Real auto spending year-to-date remains down for the second straight year, however, down by 2.8% compared to the total through August 2015, which in turn was down by 2.9% compared to the first eight months of the previous year.

Building permit activity was improved in August with monthly real permit valuations up by over 20% compared to August of a year ago (which in turn was down by over 24% compared to August of the prior year). That will obviously keep the year-to-date total at a record level, and up by over 15% compared to the January-August 2015 real total.

The 105 new single-family residence construction permits in August is the highest August monthly total in six years (137 permits issued in August 2010), and was up by 33% compared to the 79 permits issued

in August of a year ago. The year-to-date total is again the highest since 2008 (834 permits) with 715 permits issued, 100 more than the 615 permits issued through August 2015, an improvement of over 16%.

The number of closed existing home sales (397) in the month of August is the second-highest August monthly total on record, behind only the 416 sales in August of a year ago. The year-to-date total remains in record territory, however, and is some 2.7% higher compared to the January-August total from a year ago (the prior record). The monthly average price was once again sharply higher, posting a 15.6% increase in August compared to August of last year. That is the fourth time in 2016 the monthly average price has logged a double-digit percentage year-over-year increase, and in fact the average through August is over 10% higher than the average for the first eight months of 2015. Because of the average price increase, the total real (inflation-adjusted) dollar volume of residential real estate sales activity was over 8% higher for the month even though the number of sales was lower. The total for the year-to-date just continues to plow ever deeper into the record books, up by over 11% compared to the total through August of a year ago

Lubbock Consumer Price Index

After four straight months at 1.3% the Lubbock Consumer Price Index increased at a year-over-year rate of 1.4% in August. Continued declines in food/grocery items (food in particular) and miscellaneous goods and services along with low energy prices compared to year-ago levels were offset by increases in housing prices and medical care.

The rate of year-over-year price increase in the food/grocery sector of the Lubbock CPI continues to fall, still in positive territory but increasing at a rate of .6% in August, compared to .8% in July. Prices for corresponding goods at the broader geographic levels continue to move further into actual negative territory compared to year-ago levels. The US national “food at home” CPI was 1.8% lower than it was in August of a year ago, and the US southern region CPI for that sector was down by 1.9%.

The housing sector of the Lubbock CPI, already relatively high, ticked upward again in August to 4.4% for the month compared to 4.2% in July. The median home sale price continues to climb, up by nearly 13% in August 2016 compared to August 2015, and the monthly average home sale price is up by over 15% in August.

The rate of year-over-year price change in the energy/utilities sector continues remains in actual negative territory, though to a smaller degree. The energy/utilities CPI in Lubbock was 2.4% lower than it was in August of a year ago; that compares to a 2.5% actual year-over-year decline in July.

Health care costs as reflected by the various CPI values continue to rise, and the same is true in Lubbock. The Lubbock medical care CPI increased at a year-over-year rate of 3.8% in August compared to 3.6% in July. In August of a year ago, that number was 2.4%. The US national health care CPI increased at a rate of 4.9% in August compared to 4.0% in July, and 2.5% in August of a year ago.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock fell yet further in August to .5% for the month compared to .6% in July.

The national CPI-U (the US Consumer Price Index, a broad measure of price change over time) increased at a modest 1.1% in August compared to August of a year ago; however, that is up from a .8% rate of

increase in July. The “core CPI”, the Consumer Price Index minus food and energy, increased at a rate of 2.3% in August, compared to 2.2% in July.

The CPI for the southern region of the US (which includes Texas) reversed course in August on the heels of two months of decline, increasing to 1.1% for the month compared to .7% in July.

The Dallas-Fort Worth metro area CPI was last updated in July and posted a year-over-year increase of 1.3%, compared to a 1.0% rate of change in May. The Houston metro area CPI was freshly updated in August and dropped significantly, falling to .9% for the month compared to a 1.6% rate of year-over-year increase in June. 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*

August 2016

	Base Year 1996	One Year Ago 2015	This Year 2016	% Change 2015-2016
Retail Sales - (per sales tax receipts) August	\$ 286,323,571	\$ 429,585,735	\$ 420,241,250	-2.2%
Retail Sales - Year-To-Date	\$ 2,065,659,693	\$ 3,003,407,857	\$ 2,950,734,179	-1.8%
Dollars Spent on Auto Purchases - August	\$ 39,998,205	\$ 70,626,256	\$ 75,911,557	7.5%
Dollars Spent on Auto Purchases YTD	\$ 309,009,366	\$ 551,073,468	\$ 535,729,223	-2.8%
Hotel/Motel Spending - YTD Through August	\$ 43,752,692	\$ 98,715,937	\$ 100,166,643	1.5%
Lubbock International Airport Passenger Enplanements - August	51,947	39,820	38,241	-4.0%
Lubbock International Airport Passenger Enplanements - YTD	402,134	301,502	301,807	0.1%
Value All Construction Permits - August	\$ 37,817,243	\$ 50,147,564	\$ 60,501,490	20.6%
Value All Construction Permits - YTD	\$ 205,325,412	\$ 463,278,494	\$ 535,759,384	15.6%
New Home Permits - August	35	79	105	32.9%
New Home Permits - YTD	405	615	715	16.3%
Number of Home Sales - August	252	416	397	-4.6%
Number of Home Sales - YTD	1,463	2,864	2,942	2.7%
Average Home Sale Price - August	\$ 84,588	\$ 169,867	\$ 196,499	15.7%
Average Home Sale Price - YTD	\$ 86,162	\$ 167,009	\$ 184,361	10.4%
Dollar Volume Residential Real Estate Sales - August	\$ 33,314,264	\$ 71,974,544	\$ 78,010,176	8.4%
Dollar Volume Residential Real Estate Sales - YTD	\$ 198,802,662	\$ 489,555,340	\$ 544,830,897	11.3%

Employment

Wage and Salary Employment - August	110,200	140,500	143,500	2.1%
Wage and Salary Employment - YTD Avg	109,875	139,290	143,250	2.8%
Unemployment Rate - August	3.9%	3.6%	3.8%	5.6%
Unemployment Rate - YTD Avg	4.4%	3.5%	3.5%	-2.1%

LUBBOCK ECONOMIC INDEX - AUGUST (Base=100 January 1996)

101.2 143.6 146.7 2.2%

* 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 - August (Posted WT Int. Crude)	\$ 20.35	\$ 39.67	\$ 41.49	4.6%
Rig Count (Texas RRC District 8A) - August	19	17	14	-17.6%
Crude Oil Production (Texas RRC District 8A) - August	99,201	70,650	76,207	7.9%
Value of Oil Production (Texas RRC District 8A) - August	\$ 1,730,600	\$ 3,409,015	\$ 2,876,816	-15.6%

Agriculture (Regional)

Cotton Price (West Texas, cents/pound) - August	72.33	58.95	66.67	13.1%
Fat Cattle Price (\$/hd. Wt.) - August	\$ 67.15	\$ 148.77	\$ 112.25	-24.5%
Value Cattle Marketed (\$000's) - August	\$ 196,506	\$ 248,673	\$ 247,479	-0.5%

The Lubbock Economy

The Lubbock Economic Index January 1996 - August 2016



