



August 8, 2016

Lubbock Economic Index And Consumer Price Index June/2nd Quarter 2016

After a slight decline in May, the Lubbock Economic Index surged ahead in June to new record level of 146.6 up from 146.1 in May (and the previous record 146.3 in April), and up 2.6% from the June 2015 LEI of 142.9. The June increase extends the pattern of expansion in the Lubbock general economy to 58 months, though again, the Lubbock Economic Index has posted a month-to-month decline in three of the six months thus far in 2016.

The Lubbock Economic Index increased at an annualized rate of 3.3% in the second quarter, significantly higher than the .6% rate of annualized growth in the first quarter of the year and the 2.6% rate of growth over the last 12 months.

Growth in the index thus far in 2016 (and in the second quarter) has largely been driven by the non-spending components of the index, as general spending and auto spending are down compared to 2015 levels. Elsewhere, though, construction, home building, residential real estate activity, and employment are all improved for the first half of 2016 compared to the first six months of a year ago.

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 second quarter sales tax receipts in Lubbock was down by 2.1% compared to the second quarter of a year ago, and is now down by 2.4% for the year-to-date. The June monthly real spending total was off by 4.4% compared to June of a year ago. New spending records were established in 2015; the June 2015 monthly total, along with the second quarter, and the first six months of 2015 were the highest on record (and again, these are inflation-adjusted numbers). Spending began to weaken in the second half of 2015, posted a year-over-year negative in the fourth quarter and has remained in negative territory since then. And again, the weakness in spending can be traced in large part back to the dramatic slowdown in regional oil & gas activity. The upstream (exploration and production) oil & gas industry is not a huge direct component of the Lubbock economy (about 3%); however, it is a much larger share of the regional economy, and the Lubbock metro area economy relies heavily on spending activity from the region as a whole.
- That spending weakness has yet to cut into employment growth in Lubbock, which continues to expand at a 3% year-over-year clip. The June employment growth rate of 3.0% again ranks as 4th best among all Texas metro areas behind Bryan-College Station, Dallas-Plano-Irving, and Austin-Round Rock. An estimated 4,200 net jobs were added to the Lubbock economy over the last 12 months, including 1,000 in Professional and Business Services, 1,300 in Health Services, 800 in Trade/Transportation/Utilities, and 700 in Government (local, state, and federal). The Lubbock unemployment rate increased from May to June, but that is a normal seasonal occurrence. The relevant comparison is to year-ago levels and the

3.9% unemployment rate for June is down slightly compared to the 4.0% rate of unemployment in June of a year ago, and is the lowest June monthly unemployment rate over the entire 20-year history of the Lubbock Economic Index.

Auto sales activity declined in the second quarter with inflation-adjusted spending on new and used motor vehicles down by over 10% compared to the second quarter of a year ago (which in turn was down by about 2.6% compared to the previous year). Real auto spending thus far in 2016 is off by 3% compared to the first six months of a year ago. Auto sales activity enjoyed a phenomenal five-year period of growth from 2010-2014 in which real auto spending grew at an annual average rate of about 12% before beginning to weaken in 2015 in which auto spending was down by a modest 2.5%.

Building permit activity in the city was down sharply in June and second quarter, but only compared to huge – and record – permit activity in 2015. Real building permit valuations in the second quarter were down by 27% compared to the record total from the second quarter 2015, which was up by over 50% compared to the second quarter of the prior year. The June monthly total posted a 35% year-over-year decline; again, though, the June 2015 monthly total was a record by far, and was up by 48% compared to June of the previous year. And even with the monthly and quarterly declines, building permit activity through June remains in record territory and nearly 16% higher than the first six months of 2015.

Housing construction is at its highest level since 2006 with 519 new single-family residence building permits issued through June, an increase of 11% compared to the first six months of a year ago. The June monthly total was up by nearly 40% compared to June of a year ago, pulling the second quarter permit total to 279, an increase of over 8% compared to the second quarter of 2015.

The Lubbock housing market continues to put up some extraordinary numbers midway through 2016; the 2,090 closed sales is the most ever recorded through the first six months of the year, surpassing the previous record 2,016 sales through June 2013. The 1,279 second quarter sales total is a record, not just for the second quarter but for any quarter (and the June total is a record for the month of June as well). The price of those sales has soared in 2016 with the average sale price through June up by 8.5% compared to the first six months of a year ago. The June monthly average is up by 9.7%, and the average for the second quarter is also over 9% higher compared to the second quarter 2015.

That means the inflation-adjusted total dollar volume of residential sales activity is deep into record territory in 2016, up by over 13% in the second quarter and some 10.5% for the year-to-date.

The spending components of the Lubbock Economic Index may well remain under some pressure in the coming months, perhaps even through the balance of the year. It seems unlikely the Lubbock economy is in danger of slipping into recession though the index movements may be a bit choppy as they have been through the midway point in 2016. Meanwhile, the Lubbock economy continues to close in on five full years of impressive growth and expansion.

Lubbock Consumer Price Index

The year-over-year change in the Lubbock Consumer Price Index was again unchanged for the month at 1.3% in June, as it was in April and May. In June 2015, the year-over-year rate of overall price change in Lubbock was 2.0%.

The rate of price increase in the food/grocery sector of the Lubbock CPI continues to come down at 1.0% (the increase in June 2016 over June 2015), compared to a 1.2% rate of year-over-year change in May. The US national and US southern region “food at home” CPI components are actually in negative territory, having declined by over 1% compared to the June 2015 CPI values.

The housing sector of the Lubbock CPI continues to tick upward at a record 4.2% higher than June of a year ago, compared to a 4.0% rate of change in May.

The rate of year-over-year price change in the energy/utilities sector remains in negative year-over-year territory at -2.8%, unchanged from the May number.

The health care sector of the Lubbock CPI increased in June to 3.4%, up from 3.3% in May. The rate of increase in the US national health care CPI increased to 3.6% in June, compared to 3.2% in May.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock declined in May to .6%, down from .8% in March, April, and May.

The national CPI-U (the US Consumer Price Index, a broad measure of price change over time) was unchanged from May to June at 1.0%. The “core CPI”, the Consumer Price Index minus food and energy, was up slightly in June at 2.3% compared to 2.2% in May.

The CPI for the southern region of the US (which includes Texas) remains below 1% and dropped slightly in June to .8%, down from .9% in May.

The Dallas-Fort Worth metro area CPI was last updated in May and posted a year-over-year increase of 1.0%, compared to a .6% rate of change in March. The Houston metro area CPI was freshly updated in June and posted a slight increase, rising at a rate of 1.6% for the month compared to 1.4% in April (revised downward from the originally reported April CPI year-over-year change of 1.6%). 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* June/2nd Quarter 2016	Base Year 1996	One Year Ago 2015	This Year 2016	% Change 2015-2016
Retail Sales - June	\$ 236,947,126	\$ 342,636,302	\$ 327,490,060	-4.4%
Retail Sales - 2nd Quarter	\$ 746,617,586	\$ 1,103,323,392	\$ 1,080,170,336	-2.1%
Retail Sales - Year-To-Date	\$ 1,558,294,235	\$ 2,244,656,455	\$ 2,191,600,393	-2.4%
Dollars Spent on Auto Purchases - June	\$ 39,095,012	\$ 70,293,578	\$ 70,513,423	0.3%
Dollars Spent on Auto Purchases - 2nd Qtr	\$ 121,414,311	\$ 210,964,946	\$ 189,714,205	-10.1%
Dollars Spent on Auto Purchases YTD	\$ 226,848,722	\$ 411,061,841	\$ 398,888,803	-3.0%
Hotel/Motel Spending - YTD Through June	\$ 28,714,440	\$ 43,260,873	\$ 46,344,652	7.1%
Lubbock International Airport Passenger Enplanements - June	53,196	39,958	40,549	1.5%
Lubbock International Airport Passenger Enplanements - 2nd Qtr	155,182	122,069	119,743	-1.9%
Lubbock International Airport Passenger Enplanements - YTD	294,773	221,229	225,492	1.9%
Value All Construction Permits - June	\$ 17,404,991	\$ 71,546,313	\$ 46,020,121	-35.7%
Value All Construction Permits - 2nd Qtr	\$ 65,229,679	\$ 215,893,707	\$ 157,731,637	-26.9%
Value All Construction Permits - YTD	\$ 131,646,306	\$ 365,421,722	\$ 423,131,526	15.8%
New Home Permits - June	55	82	114	39.0%
New Home Permits - 2nd Qtr	158	257	279	8.6%
New Home Permits - YTD	325	468	519	10.9%
Number of Home Sales - June	195	425	446	4.9%
Number of Home Sales - 2nd Qtr	607	1,207	1,279	6.0%
Number of Home Sales - YTD	1,024	2,009	2,090	4.0%
Average Home Sale Price - June	\$ 94,003	\$ 170,657	\$ 187,194	9.7%
Average Home Sale Price - 2nd Qtr	\$ 90,208	\$ 169,594	\$ 184,994	9.1%
Average Home Sale Price - YTD	\$ 86,404	\$ 166,458	\$ 180,563	8.5%
Dollar Volume Residential Real Estate Sales - June	\$ 28,719,073	\$ 73,880,078	\$ 83,488,314	13.0%
Dollar Volume Residential Real Estate Sales - 2nd Qtr	\$ 86,062,379	\$ 208,830,263	\$ 236,959,752	13.5%
Dollar Volume Residential Real Estate Sales - YTD	\$ 139,566,963	\$ 341,800,091	\$ 378,494,462	10.7%
Employment				
Wage and Salary Employment - June	110,500	139,400	143,600	3.0%
Wage and Salary Employment - 2nd Qtr Avg	110,265	139,865	144,200	3.1%
Wage and Salary Employment - YTD Avg	109,850	139,035	143,265	3.0%
Unemployment Rate - June	5.1%	4.0%	3.9%	-2.5%
Unemployment Rate - 2nd Qtr Avg	4.4%	3.5%	3.3%	-3.8%
Unemployment Rate - YTD Avg	4.4%	3.5%	3.3%	-4.3%
LUBBOCK ECONOMIC INDEX - JUNE (Base=100 January 1996)	100.8	142.9	146.6	2.6%

* 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)

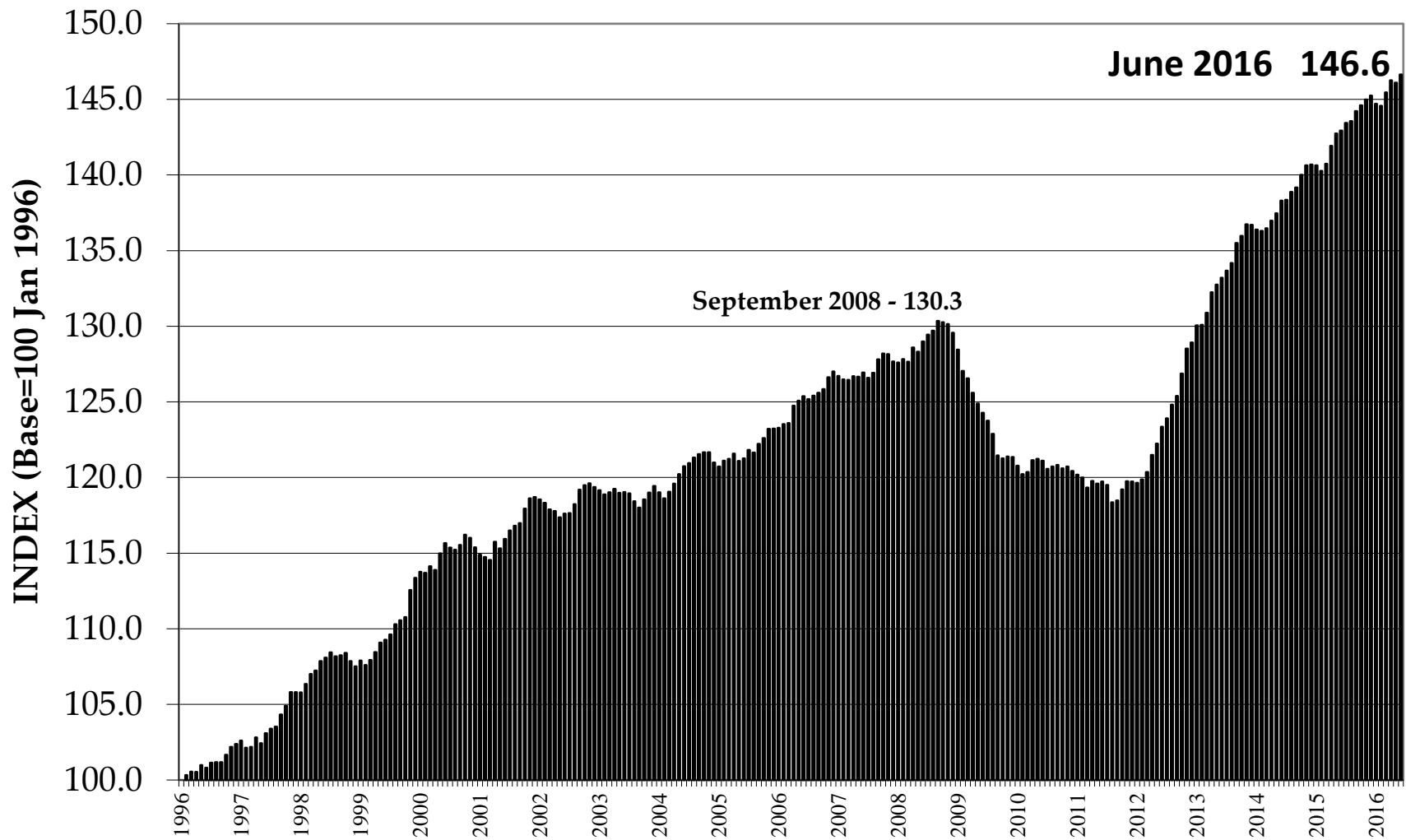
Oil Price/Barrel - June (Posted WT Int. Crude)	\$ 18.83	\$ 56.24	\$ 45.19	-19.6%
Rig Count (Texas RRC District 8A) - June	25	11	8	-27.3%
Crude Oil Production (Texas RRC District 8A) - June	74,295	53,064	51,486	-3.0%
Value of Oil Production (Texas RRC District 8A) - June	\$ 1,414,482	\$ 2,639,505	\$ 1,852,913	-29.8%

Agriculture (Regional)

Cotton Price (West Texas, cents/pound) - June	77.23	61.43	60.56	-1.4%
Cotton - South Plains Bales Ginned Crop Year	2,483,350	2,879,150	3,584,550	24.5%
Fat Cattle Price (\$/hd. Wt.) - June	\$ 61.33	\$ 151.19	\$ 125.55	-17.0%
Value Cattle Marketed (\$000's) - June	\$ 158,592	\$ 208,482	\$ 198,174	-4.9%

The Lubbock Economy

The Lubbock Economic Index January 1996 - June 2016



The Lubbock Economy

The Lubbock Economic Index 2010 - 2016

