



# LUBBOCK NATIONAL BANK

## Lubbock Economic Index

October 2016

**The Lubbock Economic Index pushed yet further into record territory in October improving to 148.0 for the month up from 147.3 in September, and up 2.4% from the October 2015 LEI of 144.6.**

Construction, home building, and the residential real estate market drove index growth in October, along with the strongest year-over-year rate of growth in real spending in nearly two years. Jobs growth continues, though the rate of growth in October was the lowest thus far in 2016, and the unemployment rate fell back below its year-ago level after three straight months of year-over-year increase.

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 October sales tax receipts was a sharp 7.5% improved compared to the October total from a year ago, only the third time this year that spending has posted a year-over-year increase. In fact, the 7.5% rate of growth is the highest since December 2014, and the monthly real spending total set a record for the month of October. Spending for the year-to-date remains lower compared to year-ago levels, however, down by 1.3% compared to the first ten months of 2015.
- The rate of employment growth has noticeably narrowed in recent months; after averaging a solid 3.0% in the first half of 2016, the pace of job growth dropped below 2% in September, and dipped to 1.4% in October. That ranks 16<sup>th</sup> among the 26 metro areas in Texas. The actual number of jobs added year-over-year averaged over 4,200 in the first half of the year, but that figure has been more than cut in half in October in which an estimated 2,000 jobs were added compared to October of a year ago. The Lubbock unemployment rate fell back below its year-ago level in October at 3.2 for the month compared to 3.4% in October of a year ago. The unemployment rate had been moving higher, posting increases in July, August, and September compared to those same months in 2015.

Auto sales activity remains on the skids through October with inflation-adjusted spending on new and used motor vehicles down by over 17% compared to October of last year. Thus far in 2016 real auto spending is down by 4.8% compared to the January-October 2015 total, the second straight year of retreat in Lubbock automobile sales.

Construction activity continued to pad its extraordinary year – two years, actually – with over \$90 million in permit valuations for the month, more than double the October total from a year ago, the highest October monthly total on record, and the fourth-highest total for any month. The year-to-date real permit total – again, a record by far – is up by some 24% compared to the January-October 2015 valuation total, which in turn was up by 25% compared to the first ten months of the previous year.

The 122 new single-family residence construction permits issued in October is the third-highest October monthly total on record, and is the highest since 2003 (Lubbock enjoyed a tremendous boom in new

home construction in 2002 and 2003), and is up over 75% compared to October of a year ago. The number of permits issued through October is up by over 22% compared to the year-to-date through October 2015 permit total.

After declining in the third quarter, the number of existing homes sold returned to year-over-year growth in October with the number of closed sales up by over 8% compared to October of a year ago. The year-to-date home sales total is up by a modest 2.7% compared to the total through October of a year ago, which in turn was up by over 7% compared to the prior year. Prices continue to post sharp increases, with the October monthly average sale price up by nearly 8% compared to October of a year ago. The year-to-date through October average is up by a whopping 10% compared to the average through October 2015.

The aggregate measure of residential real estate sales activity is the real (inflation-adjusted) total dollar volume of existing home sales, and indeed this measure of sales growth is at record levels for the month of October and the year-to-date through October, posting a 14.6% and 11.1% increase, respectively, compared to year-ago levels.

## Lubbock Consumer Price Index

**The rate of year-over-year increase in the Lubbock Consumer Price Index ticked upward by a tenth of a point again in October to 1.6%, compared to 1.5% in September and 1.4% in August. The Lubbock CPI rate of annual change bottomed out at 1.2% in March of this year and has moved up slowly since then, implying slight but steady increases in the aggregate pricing that comprises the local Consumer Price Index.**

The rate of year-over-year price increase in the food/grocery sector of the Lubbock CPI continues to fall, declining again in October to .3% compared to .5% in September.

Increases in Lubbock home sale prices are putting upward pressure on the Lubbock housing CPI in 2016, and the rate of increase moved upward again in October to 4.8%, compared to 4.6% in September.

The energy sector of the Lubbock CPI remains in negative territory in October, but by a lesser amount relative to September. The October energy and utilities CPI value is down by 1.5% compared to October (a -1.5%, in other words), compared to a -2.1% in September.

The medical care component of the Lubbock CPI was unchanged from September to October at 3.9%. The US national health care CPI retreated in October, falling to 4.3% down from 4.9% in August and September.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock declined slightly in October, falling to .4% for the month down from .5% in September.

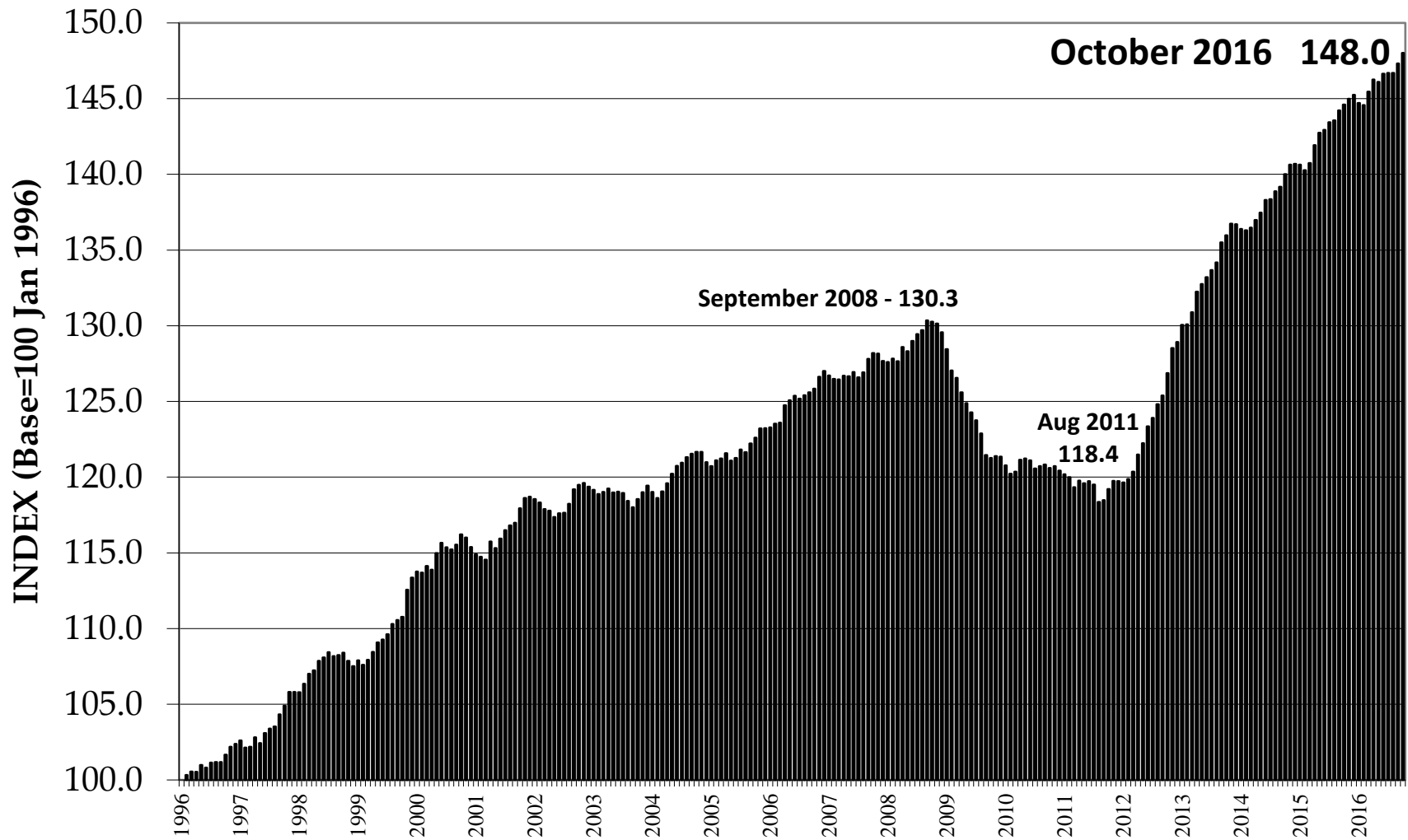
The national CPI-U (the US Consumer Price Index, a broad measure of price change over time) rose at a 1.6% annual rate in October, up from 1.5% in September (and 1.1% in August. The “core CPI”, the Consumer Price Index minus food and energy, increased at a rate of 2.1% in October, down from 2.2% in September.

The CPI for the southern region of the US (which includes Texas) logged another slight increase in October moving upward to 1.5% for the month compared to 1.4% in September.

The Dallas-Fort Worth metro area CPI was last updated in September and posted a year-over-year increase of 2.0%, up significantly from the 1.3% rate of change in July. The Houston metro area CPI was newly updated in October and the rate of increase also moved up fairly sharply to 1.7% for the month, up from .9% in August. 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 - October 2016



## The Lubbock Metro Area Economy

### The Lubbock Economic Index

<b>Lubbock Economic Indicators*</b> <b>October 2016</b>	<b>Base Year</b> <b>1996</b>	<b>One Year Ago</b> <b>2015</b>	<b>This Year</b> <b>2016</b>	<b>% Change</b> <b>2015-2016</b>
Retail Sales - (per sales tax receipts) October	\$ 219,186,113	\$ 337,713,312	\$ 362,979,087	7.5%
Retail Sales - Year-To-Date	\$ 2,541,581,858	\$ 3,703,262,802	\$ 3,653,813,452	-1.3%
Dollars Spent on Auto Purchases - October	\$ 37,587,863	\$ 76,259,219	\$ 62,994,933	-17.4%
Dollars Spent on Auto Purchases YTD	\$ 381,777,544	\$ 700,474,033	\$ 666,782,878	-4.8%
Hotel/Motel Spending - YTD Through October	\$ 39,851,540	\$ 80,356,662	\$ 82,131,580	2.2%
Lubbock International Airport Passenger Enplanements - October	57,848	41,928	42,465	1.3%
Lubbock International Airport Passenger Enplanements - YTD	511,604	382,758	384,118	0.4%
Value All Construction Permits - October	\$ 29,092,121	\$ 44,548,893	\$ 91,479,587	105.3%
Value All Construction Permits - YTD	\$ 258,078,119	\$ 555,288,713	\$ 690,832,907	24.4%
New Home Permits - October	42	69	122	76.8%
New Home Permits - YTD	490	775	949	22.5%
Number of Home Sales - October	179	269	291	8.2%
Number of Home Sales - YTD	1,810	3,475	3,569	2.7%
Average Home Sale Price - October	\$ 77,874	\$ 171,074	\$ 184,673	7.9%
Average Home Sale Price - YTD	\$ 85,457	\$ 167,543	\$ 184,660	10.2%
Dollar Volume Residential Real Estate Sales - October	\$ 21,739,494	\$ 46,878,024	\$ 53,739,754	14.6%
Dollar Volume Residential Real Estate Sales - YTD	\$ 244,191,826	\$ 597,186,219	\$ 663,486,568	11.1%
<b>Employment</b>				
Wage and Salary Employment - October	111,800	142,100	144,100	1.4%
Wage and Salary Employment - YTD Avg	110,220	139,770	143,360	2.6%
Unemployment Rate - October	3.4%	3.4%	3.2%	-5.9%
Unemployment Rate - YTD Avg	4.2%	3.5%	3.5%	-1.7%
<b>LUBBOCK ECONOMIC INDEX - OCTOBER (Base=100 January 1996)</b>	<b>101.7</b>	<b>144.6</b>	<b>148.0</b>	<b>2.4%</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 - August (Posted WT Int. Crude)	\$ 23.34	\$ 42.90	\$ 46.31	7.9%
Rig Count (Texas RRC District 8A) - August	20	14	14	0.0%
Crude Oil Production (Texas RRC District 8A) - August	99,201	88,028	84,244	-4.3%
Value of Oil Production (Texas RRC District 8A) - August	\$ 1,730,600	\$ 4,145,983	\$ 3,254,662	-21.5%
<b>Agriculture (Regional)</b>				
Cotton Price (West Texas, cents/pound) - August	71.51	59.47	66.98	12.6%
Fat Cattle Price (\$/hd. Wt.) - August	\$ 70.89	\$ 131.56	\$ 107.23	-18.5%
Value Cattle Marketed (\$000's) - August	\$ 254,701	\$ 295,305	\$ 301,891	2.2%