



LUBBOCK NATIONAL BANK

February 10, 2016

December/4th Quarter/Annual 2015

The Lubbock economy was a growth economy in 2016, with the Lubbock Economic Index finishing the year at 147.7, an increase of 3.0% compared to the year-end (December) 2014 LEI of 143.3. The December increase marks the tenth straight month of improvement in the Lubbock Economic Index, and extends the general pattern of expansion in the Lubbock economy to 52 months. The index increased at an annualized rate of 2.3% in the fourth quarter of 2015.

The monthly improvement in December was slight – only 2/10 of a point – compared to the November index of 145.5. Record building permit activity in December (and in fact in the fourth quarter and for the year as a whole) pushed the index upward for the month, along with year-over-year increases in new housing permits for the month, quarter, and year. Home sales activity in 2015 was also the highest on record, as were the December totals. General spending and auto spending were down for the month and quarter; however, employment growth remained steady in the 2% year-over-year range.

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 December sales tax receipts in Lubbock was down by over 8% compared to December of a year ago; however, the December 2014 taxable spending total was up by nearly 14% compared to December of the previous year. Fourth quarter general spending was down as well, posting a 2.5% decline relative to the fourth quarter of 2014. For the year as a whole, real spending was up by a very modest 1.5% compared to the annual total for 2014.
- The rate of year-over-year job growth in Lubbock was very consistent throughout 2015, averaging 2% through the first half of the year, and averaging 2.1% for the entire year. And at year-end, the December monthly employment estimate of 142,000 payroll jobs in Lubbock was up by 2.2% compared to December of 2014, an increase of 3,000 over the year. That is very much in line with historical rates of employment growth in Lubbock, and in fact is slightly higher than the post-recession (2009-2010) average employment growth rate of about 1.8%.
- The unemployment rate continued its steady decline throughout most of 2015, but leveled off at year-end and the December unemployment rate of 3.1% was slightly higher than the December 2014 unemployment rate of 3.0%. That's good enough for the third-lowest metro area unemployment rate in the state, behind only Amarillo and Austin-Round Rock. The annual average unemployment rate of 3.4% is the lowest since the 3.0% annual average in 1999.

After five years of extraordinary growth in automobile sales in Lubbock, vehicle sales activity slowed in 2015 with inflation-adjusted spending on new and used autos down by 2.5% compared to the 2014 annual total, which in turn was up by over 13% compared to the prior year. December real auto spending was down sharply, falling by 12.5% compared to December 2014, and the fourth quarter total was down by less than a percent compared to the fourth quarter of 2014, which in turn was up by over 8% compared to the fourth quarter of the previous year. Real auto sales activity in 2015 was the second-highest on record on the heels of the record total from 2014.

The \$664 million in building permits issued in 2015 is easily a record, and outpaced the 2014 permit valuation total (the previous record) by over 30%. The fourth quarter total building permit valuation was also a nominal (unadjusted for inflation) record, and was up by over 48% compared to the fourth quarter 2014. The December monthly total was not a record for the month of December, but it did surpass permit valuations in 2014 by over 80%.

The home building numbers were also improved in 2015 with the number of new single-family residence construction permits up by about 9% for the year compared to a bit of a down year in 2014. The fourth quarter permit total was up by over 12% compared to the fourth quarter of a year ago, which in turn was down by 23% compared to the fourth quarter 2013. The 50 permits issued in December is the highest December monthly total since 2009, and outpaced the December 2014 new housing permit total by 56%.

The Lubbock residential real estate market set new records in 2015 in all respects – the number of sales, the average price of those sales, and the inflation-adjusted total dollar volume of residential housing activity. The 3,984 closed sales for the year is the highest on record, and was over 5% improved compared to the 2014 annual sales total. The fourth quarter total was actually lower compared to 2014, but sales in December set a new December record, and outpaced December 2014 by over 10%. The 2015 average sale price of those homes was up by a solid 3.5% compared to 2014, which in turn was up by about 5% compared to the previous year. The December and fourth quarter sale price averages were up sharply, posting year-over-year increases of 5.8% and 6.5%, respectively.

With sales and prices at record levels, it certainly stands to reason that the total dollar volume of sales activity (adjusted for inflation) is also the highest on record and indeed that is the case with the 2015 total surpassing 2014 by 6.5%. The fourth quarter total was down a bit compared to the fourth quarter of 2014, again because the number of sales was lower. The December monthly total established a new December record, however, and was up by over 14% compared to December 2014.

The performance of the Lubbock economy was impressive in 2015 with new records established in the levels of spending, employment, construction, housing, and the Lubbock Economic Index itself. The economy has now improved for over four straight years after finally bottoming out in 2011 on the heels of the recession year in 2009.

The Texas Workforce Commission will revise Lubbock metro area employment data for 2015 (and perhaps 2014) in early March, and set new benchmarks for monthly employment estimates in 2016. When that process is complete we will consider the prospects for continued economic growth in the balance of the coming year.

Lubbock Consumer Price Index

Falling energy prices continue to keep overall price growth rates in check through year-end 2015, with the Lubbock Consumer Price Index rising at a 1.4% year-over-year growth rate, compared to 1.5% in November. In December of a year ago, the rate of year-over-year increase in the Lubbock CPI was 2.4%.

The rate of price increase in the food and grocery sector of the Lubbock Consumer Price Index declined steadily all year and finished the year at 2.1% for December down from 2.3% in November, and 3.2% in December of a year ago.

The housing sector of the Lubbock CPI is one of only two broad components of the consumer price index calculation in which the rate of year-over-year change did not decline in 2015. The housing portion of the Lubbock Consumer Price Index increased at a rate of 3.8% in December, compared to 3.7% in November and 3.7% in December 2014.

The rate of price increase in the energy/utilities sector remains sharply on the decline, falling yet again to -3.0% in December compared to -2.1% in November. The national “fuels & utilities” CPI is down by 3.3% year-over-year in December, compared to -2.2% in November.

The health care sector of the Lubbock CPI increased by a rate of 2.8% in December, up from a 2.6% pace of year-over-year increase in November. The rate of increase in the US national health care CPI declined again in December to 2.6%, compared to 2.9% in November.

The rate of year-over-year price increase for various miscellaneous goods and services was unchanged from November to December at 1.1%.

The national CPI-U (the US Consumer Price Index, a broad measure of price change over time) increased at a rate of .7% in December. The “core CPI”, the Consumer Price Index minus food and energy, posted a 2.1% rate of year-over-year increase in December.

The CPI for the southern region of the US (which includes Texas), increased at a .5% rate in December compared to December 2014, up from .3% in November.

The Dallas-Fort Worth metro area CPI was last updated in November and climbed up to 0.0, compared to -.9% in September. The Houston metro area CPI was newly updated in December and climbed out of the cellar into positive territory at a .4% rate of year-over-year increase, compared to -.1 in October. The Dallas-Fort Worth and Houston metro area CPI values are calculated every other month on off months from one another.

Lubbock Economic Indicators

<i>Lubbock Economic Indicators December/4th Quarter/Annual 2015</i>	<i>Base Year 1996</i>	<i>One Year Ago 2014</i>	<i>This Year 2015</i>	<i>Percent Change 2014-2015</i>
Retail Sales - December (\$000s in 1995 dollars)	\$ 160,739	\$ 243,186	\$ 223,404	-8.1%
Retail Sales - 4th Qtr	\$ 488,905	\$ 737,462	\$ 718,680	-2.5%
Retail Sales - Annual	\$ 2,002,762	\$ 2,870,636	\$ 2,912,519	1.5%
Dollars Spent on Auto Purchases - December (\$000s in 1995 Dollars)	\$ 34,233	\$ 60,739	\$ 53,140	-12.5%
Dollars Spent on Auto Purchases - 4th Qtr	\$ 99,724	\$ 190,305	\$ 188,928	-0.7%
Dollars Spent on Auto Purchases - Annual	\$ 439,697	\$ 826,206	\$ 805,189	-2.5%
Lodging Tax Receipts - Annual	\$ 2,071,843	\$ 6,407,951	\$ 6,577,004	2.6%
Airline Boardings - December	53,056	38,016	38,195	0.5%
Airline Boardings - 4th Qtr	161,267	121,427	121,968	0.4%
Airline Boardings - Annual	615,023	465,737	462,798	-0.6%
Value All Construction Permits - December	\$ 9,820,668	\$ 25,337,574	\$ 46,721,656	84.4%
Value All Construction Permits - 4th Qtr	\$ 31,737,387	\$ 90,915,147	\$ 135,013,272	48.5%
Value All Construction Permits - Annual	\$ 162,924,623	\$ 508,342,758	\$ 663,963,278	30.6%
New Home Permits - December	51	32	50	56.3%
New Home Permits - 4th Qtr	123	161	181	12.4%
New Home Permits - Annual	571	815	887	8.8%
Number of Home Sales - December	152	281	310	10.3%
Number of Home Sales - 4th Qtr	480	849	778	-8.4%
Number of Home Sales - Annual	2,111	3,801	3,984	4.8%
Average Home Sale Price - December	\$ 93,687	\$ 159,656	\$ 168,846	5.8%
Average Home Sale Price - 4th Qtr	\$ 84,013	\$ 161,862	\$ 172,444	6.5%
Average Home Sale Price - Annual	\$ 85,771	\$ 162,645	\$ 168,261	3.5%
Dollar Volume Residential Real Estate Sales - December (1995\$)	\$ 13,425,273	\$ 28,262,376	\$ 32,304,057	14.3%
Dollar Volume Residential Real Estate Sales - 4th Qtr	\$ 38,122,424	\$ 86,784,700	\$ 82,928,328	-4.4%
Dollar Volume Residential Real Estate Sales - Annual	\$ 173,341,032	\$ 391,888,673	\$ 417,435,533	6.5%
Employment				
Wage and Salary Employment - December	112,800	139,000	142,000	2.2%
Wage and Salary Employment - 4th Qtr Avg	112,600	138,665	141,700	2.2%
Wage and Salary Employment - Annual Avg	110,685	136,900	139,735	2.1%
Unemployment Rate - December	3.3%	3.0%	3.1%	3.3%
Unemployment Rate - 4th Qtr Avg	3.4%	3.3%	3.3%	0.0%
Unemployment Rate - Annual Avg	4.1%	3.9%	3.4%	-14.0%
Oil and Gas (Regional)				
Oil Price/Barrel - December (WT Int. Crude)	\$ 23.37	\$ 55.52	\$ 33.77	-39.2%
Rig Count - December *	19	31	14	-54.8%
Oil Production (000 bbls) - Annual *	148,220	104,783	105,663	0.8%
Value of Oil Production (\$000s) - Annual *	\$ 2,679,236	\$ 9,384,140	\$ 4,790,676	-48.9%
Agriculture (Regional)				
Cotton Price - December (cents/pound) +	69.83	58.78	59.64	1.5%
Cotton - Bales Ginned Crop Year ++	1,629,300	2,653,400	3,031,700	14.3%
Fat Cattle Price - December (\$/hd. Wt.)	\$ 66.27	\$ 163.42	\$ 124.98	-23.5%
Value Cattle Marketed - Annual ++	\$ 308,460	\$ 415,755	\$ 365,864	-12.0%
INDEX - December (Base=100 January 1996)	102.5	143.3	147.7	3.0%

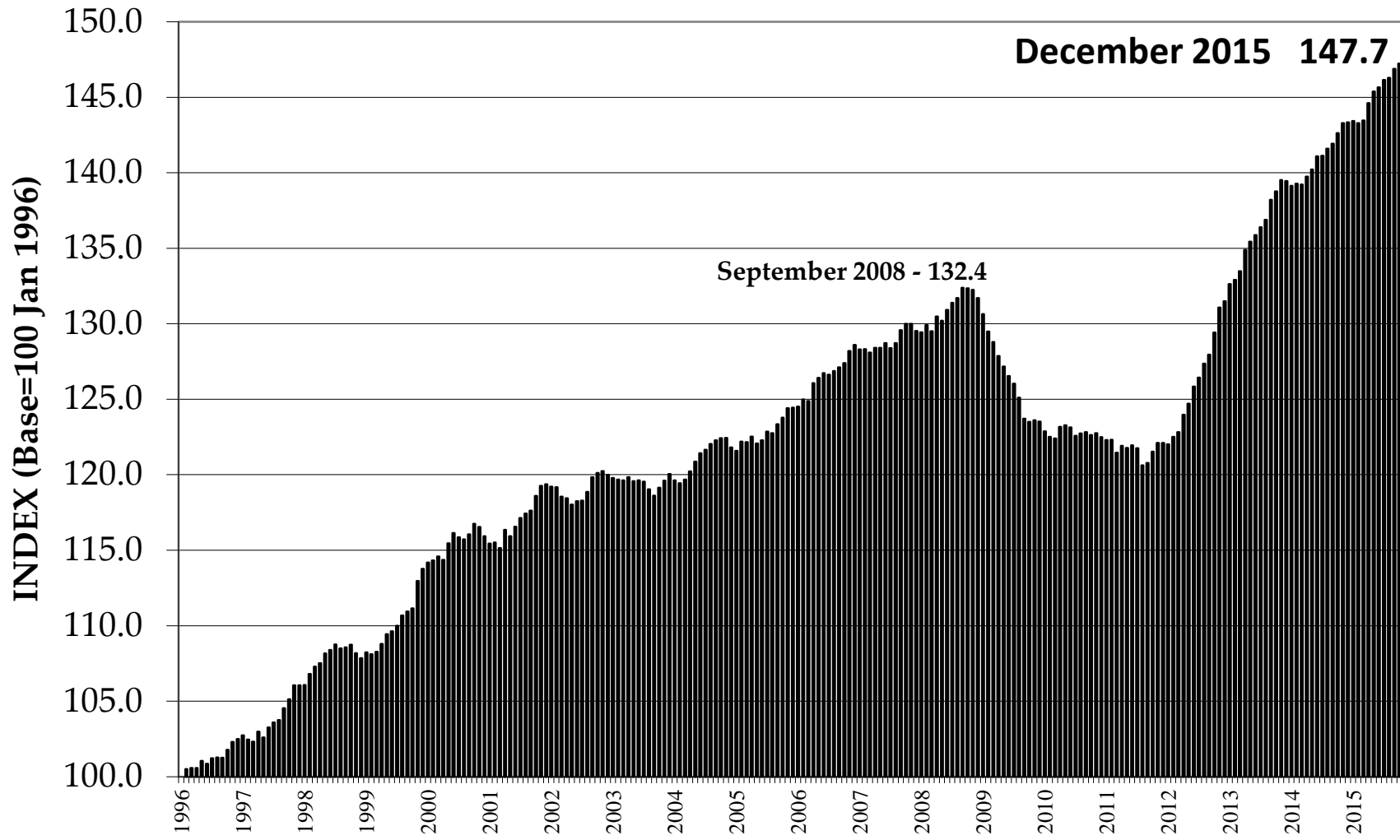
* Texas Railroad Commission District 8A (Lubbock Area)

+ Spot Price for 41.4,34; mxd lots, net wt, compressed, FOB Car/Truck

++ Tx Crop Reporting District 1-S

The Lubbock Economy

The Lubbock Economic Index January 1996 - December 2015



The Lubbock Economy

The Lubbock Economic Index 2009 - 2015

