



# LUBBOCK NATIONAL BANK

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December 11, 2014

## Lubbock Economic Index

**The Lubbock Economy remains firmly in expansion mode through October with the Lubbock Economic Index increasing to 143.5 up from 142.7 in September, and up 3.5% from the October 2013 LEI of 138.7.** Home sales returned to record territory for the month of October and auto sales continue to rise at an impressive pace. General spending was down slightly for the month compared to a high total in October of a year ago, and the city's employment situation continues to improve. Permits for housing construction were the highest in years for the month of October, and construction in general remains in positive year-over-year territory.

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 down slightly compared to October of a year ago; however, the October 2013 total was a sharp 7.7% improved compared to October of the prior year. For the year-to-date 2014, general real spending in Lubbock is up by 2.1% compared to the year-to-date through October 2013 total, which in turn was up by 5.4% compared to the first nine months of 2012.
- The already stout employment figure for September was revised upward to a 3.7% rate of year-over-year growth (the original estimate suggested a 3.4% growth rate), and while the growth rate slowed with the release of the October data (which is subject to minor revision next month), the Lubbock economy remains a steady job creation machine. An estimated 3,700 jobs were added over the last 12 months for a growth rate of about 2.7%. Job creation on average remains above 3% for the year-to-date through October. The unemployment rate continues to reflect a sharp year-over-year decline dipping to 3.7% in October compared to 4.6% in October of a year ago.

The big ticket auto sales sector continues its march through record territory with inflation-adjusted spending on new and used motor vehicles posting a 6.6% increase in October compared to October of a year ago. The October 2013 real auto sales total, in turn, was up by nearly 12% compared to October of the prior year. Thus far in 2014 auto spending is up by nearly 14% compared to the first ten months of a year ago.

The 85 new single-family residence permits issued in the month of October represent the highest October monthly total since 2006, and outpaced the October 2013 total by some four permits (nearly 5%). The permit total remains down for the year-to-date but the gap has narrowed in the last two months. It is a record year for construction as well with the valuation of all building permits issued – residential, commercial, new, and alterations/remodels – up solidly compared to year-ago levels and the highest ever for the January-October period.

The 312 closed housing sales for the month is up by nearly 9%, is also an October record, and marks the first time over 300 homes have been sold in the month of October. The year-to-date sales total remains down compared to last year's record numbers in which the number of homes sold through October outpaced the prior year by well over 20%. The October 2014 monthly average price sale price is up a

healthy 2.6% compared to October of a year ago. Through October 2014 the average home sale price in Lubbock is up a stout 4.6% compared to the January-October 2013 average, which in turn was up by over 5% compared to the first ten months of the prior year.

Crude oil prices have fallen by well over 40% since June of this year, and while Lubbock does not have nearly the economic sensitivity to oil price movements as Midland and Odessa, there is a significant amount of oil and gas exploration & production activity in the region nonetheless. The sharp price decline is soon to cause a contraction in regional and statewide oil and gas activity, and some of those effects may be felt in Lubbock. Oil & gas is not a primary driver of the Lubbock economy, so it seems unlikely that the coming decline in activity will result in any sort of actual economic contraction in Lubbock, but it could certainly tend to flatten the growth rate a bit.

## **Lubbock Consumer Price Index**

**The rate of year-over-year increase in the Lubbock Consumer Price Index was unchanged from September to October at 2.4%.**

The rate of price increase as reflected by the food and grocery sector of the Lubbock Consumer Price Index increased in October to 3.0%, up from a 2.8% rate of year-over-year growth in September.

The rate of change in the housing portion of the Lubbock CPI was unchanged from September to October at 3.6%. The rate of price increase in the energy/utilities sector remains on the decline aided by lower gasoline prices, falling to 1.6% in October down from 1.8% in September. At the national level, the "energy" CPI category declined by 1.6% in October compared to October of a year ago.

The health care sector of the Lubbock CPI was unchanged over the month at 2.5% for both September and October. The rate of increase in the US medical care CPI increased slightly to 2.1% in October, up from 2.0% in September.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock was unchanged from September to October at 1.4%.

The rate of year-over-year growth in the CPI-U (the US Consumer Price Index) was unchanged yet again in October at 1.7% for the third straight month. The CPI for the southern region of the US (which includes Texas) declined slightly to 1.6% in October compared to 1.7% in September. The Dallas-Fort Worth metro area CPI was last updated in September, and declined slightly to 1.1% compared to 1.2% in July and 1.8% in May. The Houston metro area CPI was newly updated in October, increasing sharply to 3.4% compared to 2.6% in August. The Houston economy has enjoyed strong growth as a result of dramatic increases in oil & gas activity in recent years, and rapidly growing economies tend to have higher rates of inflation. The Dallas-Fort Worth and Houston metro area CPI values are calculated every other month on off months from one another.



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## Lubbock Economic Indicators October 2014

	<i>Base Year</i> 1996	<i>One Year Ago</i> 2013	<i>This Year</i> 2014	<i>Percent Change</i> 2013-2014
Retail Sales - October (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 142,877	\$ 232,009	\$ 228,439	-1.5%
Retail Sales - Year-To-Date	\$ 1,656,734	\$ 2,312,850	\$ 2,361,612	2.1%
Dollars Spent on Auto Purchases - October (\$000s in 1995\$)	\$ 36,940	\$ 66,774	\$ 71,186	6.6%
Dollars Spent on Auto Purchases YTD	\$ 375,990	\$ 621,363	\$ 706,883	13.8%
Lodging Tax Receipts - YTD	\$ 1,788,467	\$ 4,939,606	\$ 4,778,027	-3.3%
Airline Boardings - October	57,848	43,000	42,717	-0.7%
Airline Boardings - YTD	511,604	391,737	386,862	-1.2%
Value All Construction Permits - October	\$ 16,793,472	\$ 30,660,190	\$ 30,050,650	-2.0%
Value All Construction Permits - YTD	\$ 147,980,708	\$ 386,697,668	\$ 447,478,261	15.7%
New Home Permits - October	42	81	85	4.9%
New Home Permits - YTD	490	795	739	-7.0%
Number of Home Sales - October	179	287	312	8.7%
Number of Home Sales - YTD	1,810	3,453	3,264	-5.5%
Average Home Sale Price - October	\$ 77,874	\$ 157,765	\$ 161,797	2.6%
Average Home Sale Price - YTD	\$ 86,345	\$ 155,653	\$ 162,768	4.6%
<b>Employment</b>				
Wage and Salary Employment - October	110,000	134,600	138,300	2.7%
Wage and Salary Employment - YTD Avg	108,390	131,780	135,810	3.1%
Unemployment Rate - October	3.4%	4.6%	3.7%	-19.6%
Unemployment Rate - YTD Avg	4.3%	5.2%	4.1%	-20.7%
<b>Oil and Gas (Regional)</b>				
Oil Price/Barrel - October (WT Int. Crude)	\$ 23.34	\$ 97.19	\$ 80.94	-16.7%
Rig Count - October *	20	37	31	-16.2%
Oil Production (000 bbls) - YTD *	124,080	87,685	87,183	-0.6%
Value of Oil Production (\$000s) - YTD *	\$ 2,197,654	\$ 8,319,600	\$ 8,249,159	-0.8%
<b>Agriculture (Regional)</b>				
Cotton Price - October (cents/pound) +	71.51	78.39	62.25	-20.6%
Fat Cattle Price - October (\$/hd. Wt.)	\$ 70.89	\$ 129.06	\$ 165.00	27.8%
Value Cattle Marketed - YTD (\$000's) ++	\$ 254,701	\$ 315,833	\$ 359,090	13.7%
<b>INDEX - October (Base=100 January 1996)</b>	<b>101.8</b>	<b>138.7</b>	<b>143.5</b>	<b>3.5%</b>

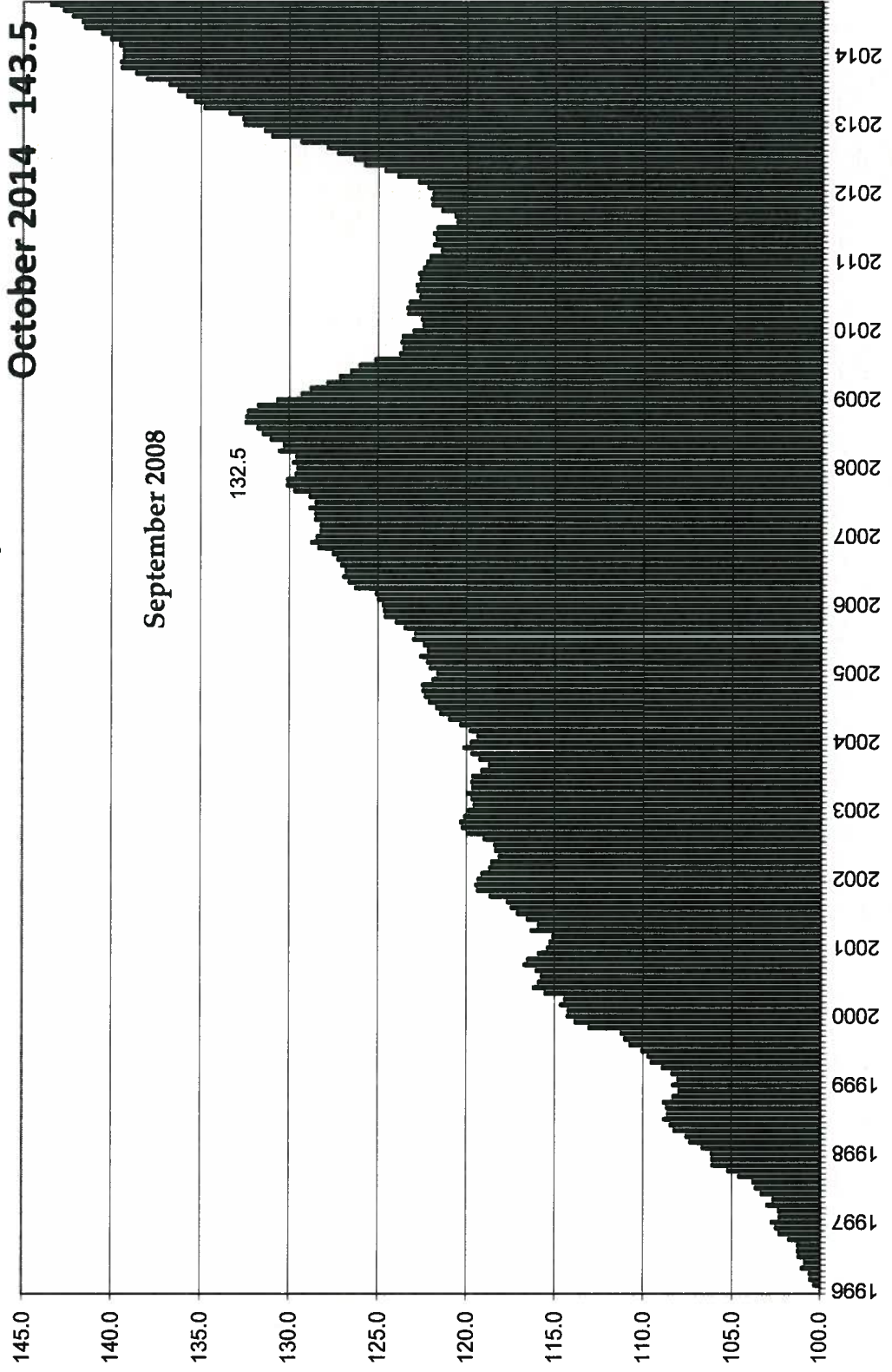
\* Texas Railroad Commission District 8A (Lubbock Area)

+ Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck

++ South Plains Region



The Lubbock Economic Index January 1996 - October 2014



INDEX (Base=100 Jan 1996)

