



LUBBOCK NATIONAL BANK

Lubbock Economic Index and Consumer Price Index January 2014

March 11, 2014

Lubbock Economic Index

The rate of year-over-year employment growth strengthened yet further in January; however, declines in other sectors of the Lubbock economy resulted in a slight decline in the Lubbock Economic Index for the month. The January 2014 Lubbock Economic Index fell to 139.1, down from the revised 139.3 in December, but up 4.9% from the revised January 2013 LEI of 132.6. General spending flattened in January compared to year-ago levels, and the number of new housing construction permits was down sharply compared to January of last year. The monthly index decline in January represents the first month-to-month decline in the Lubbock Economic Index since January 2012.

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 sales tax receipts in January was down slightly compared to year-ago levels, off just less than a percent compared to the January 2013 real spending total, which in turn was up by over 6% compared to January of the prior year.
- Lubbock employment per the January estimate was up by a stout 4.0% compared to January 2013, which ranks among all Texas metro areas as the fourth highest rate of year-over-year growth for January, behind only Midland, Austin/San Marcos, and Bryan/College Station. The Lubbock unemployment rate declined sharply, falling to 4.3% down from 5.5% in January 2013, and the lowest January unemployment rate since 2008.

Auto sales remain extraordinarily strong moving in 2014 with inflation-adjusted spending on new and used automobiles up by nearly 13% compared to January of a year ago, which in turn was up by over 24% compared to January of the prior year.

The \$48 million in building permit valuations for the month of January represents the second-highest January total on record (behind the monster month of nearly \$60 million in January 2008), and is up by close to 4% compared to January of a year ago. And to surpass the January 2013 total is quite a feat, as value of building permits issued for the month was up by 143% compared to the January 2012 total. On balance, construction activity remains down slightly compared to the peak period achieved in 2008, but continues to narrow that gap.

The number of new single-family residential construction permits issued in January was actually quite respectable, but was down by some 33% compared to the January 2013 total. Home building permits spiked to 115 in January of last year, the highest January total on record and well more than double the total from January 2012. Residential housing construction (single-family) continues to fare well in the city after two strong years of recovery in 2012 and 2013.

The Lubbock residential real estate market remains impressive as well; the number of homes sold in January was up by only about 2.8% compared to January of a year ago, but that represents a new record, and the January 2013 sales total was up by over 45% compared to January of the prior year. The January monthly average price is also a new record, up by 1.5% compared to the January 2013 monthly average, which in turn was up by a whopping 13.5% compared to January 2012.

The employment data revisions tell us what we needed to know – that the general economic growth enjoyed in the city in 2013 was legitimized by employment growth that was actually even a bit stronger than the original estimates indicated. The Lubbock economy is poised to continue that growth in 2014, and there is every reason to believe that will be the case. The year 2014 should bring continued growth in spending and employment, along with declines in the unemployment rate. Some sectors, which posted dramatic growth in 2012 and 2013 (auto sales, home sales, total construction, for example), could easily flatten in 2014 in terms of the rate of growth. On balance, though, the Lubbock economy should continue to fare well in the coming year, and we look for 3-4% growth in the Lubbock Economic Index in 2014 compared to 2013.

Lubbock Consumer Price Index

Inflation generally remains a non-factor in Lubbock and elsewhere, with the Lubbock Consumer Price Index posting a 2.1% increase in January compared to January of a year ago, down from a 2.2% rate of year-over-year change in December.

The food and grocery sector of the Lubbock Consumer Price Index retreated in January after the December increase, falling to 2.1% for the month down from 2.3% in December.

The rate of change in the housing portion of the Lubbock CPI declined slightly again in January, dipping to 3.3%, compared to 3.5% in December. The rate of price increase in the energy/utilities sector of the Lubbock CPI fell again in January as well, declining to 1.6% compared to 1.8% in December.

The health care sector of the Lubbock CPI rose to 2.4% in January up from 2.3% in November and December. The year-over-year increase in the health care CPI at the US national level rose to 2.1% in January, up from 2.2% in December.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock posted a slight increase in January, rising to 1.3% compared to 1.2% in December.

The rate of growth in the CPI-U (the US Consumer Price Index) remains well under 2%, but rose slightly in January to 1.6% compared to 1.5% in December. The CPI for the southern region of the US (which includes Texas) fell in January to 1.6%, down from 1.8% in December. The Dallas metro area CPI was updated in January, and dipped to 1.2% down from a revised 1.4% in November. The Houston metro area CPI was last updated in December, and jumped upward to 3.4% (revised from the original December estimate of 3.6%), compared to a revised 1.4% in October.



<i>Lubbock Economic Indicators</i> <i>January 2014</i>	<i>Base Year</i> <i>1996</i>	<i>One Year Ago</i> <i>2013</i>	<i>This Year</i> <i>2014</i>	<i>Percent Change</i> <i>2013-2014</i>
Retail Sales - January (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 150,481	\$ 209,496	\$ 207,833	-0.8%
Retail Sales - Year-To-Date	\$ 150,481	\$ 209,496	\$ 207,833	-0.8%
Dollars Spent on Auto Purchases - Jan (\$000s in 1995\$)	\$ 30,794	\$ 61,745	\$ 69,564	12.7%
Dollars Spent on Auto Purchases YTD	\$ 30,794	\$ 61,745	\$ 69,564	12.7%
Lodging Tax Receipts - YTD	\$ 376,881	\$ 337,489	\$ 421,846	25.0%
Airline Boardings - Jan	40,858	31,253	30,344	-2.9%
Airline Boardings - YTD	40,858	31,253	30,344	-2.9%
Value All Construction Permits - Jan	\$ 14,098,765	\$ 46,388,057	\$ 48,138,149	3.8%
Value All Construction Permits - YTD	\$ 14,098,765	\$ 46,388,057	\$ 48,138,149	3.8%
New Home Permits - Jan	45	115	77	-33.0%
New Home Permits - YTD	45	115	77	-33.0%
Number of Home Sales - Jan	128	217	223	2.8%
Number of Home Sales - YTD	128	217	223	2.8%
Average Home Sale Price - Jan	\$ 86,201	\$ 148,979	\$ 151,146	1.5%
Average Home Sale Price - YTD	\$ 86,201	\$ 148,979	\$ 151,146	1.5%
Employment				
Wage and Salary Employment - Jan	107,000	128,900	134,100	4.0%
Wage and Salary Employment - YTD Avg	107,000	128,900	134,100	4.0%
Unemployment Rate - Jan	4.6%	5.5%	4.3%	-21.8%
Unemployment Rate - YTD Avg	4.6%	5.5%	4.3%	-21.8%
Oil and Gas (Regional)				
Oil Price/Barrel - Jan (WT Int. Crude)	\$ 17.31	\$ 91.15	\$ 91.32	0.2%
Rig Count - Jan *	23	38	38	0.0%
Oil Production - YTD *	12,179	8,967	8,875	-1.0%
Value of Oil Production - YTD *	\$ 181,555	\$ 817,311	\$ 810,520	-0.8%
Agriculture (Regional)				
Cotton Price - Jan (cents/pound) +	79.75	74.49	79.93	7.3%
Cotton - Bales Ginned Crop Year ++	2,495,400	2,364,650	2,210,550	-6.5%
Fat Cattle Price - Jan (\$/hd. Wt.)	\$ 64.50	\$ 124.77	\$ 142.51	14.2%
Value Cattle Marketed - YTD (\$000's) ++	\$ 24,510	\$ 31,193	\$ 37,053	18.8%
INDEX - January (Base=100 January 1996)	100.0	132.6	139.1	4.9%

* 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 Economic Index January 1996 - January 2014



