

The Lubbock Economy

FEBRUARY 2023



Lubbock Economic Analysis

Lubbock's economy continues to hold its own, with retail sales up, slower job growth, and less construction. Inflation continues to have a hold on the economy with continued price increases compared year over year. Price increases will continue to weigh on the economy bringing higher interest rate increases from the Fed in an effort to tame inflation in the overall economy. Wages are up, but still behind the overall impact of inflation numbers.

Retail sales for January 2023 are up 9% when compared to January 2022 driven by higher prices. YTD retail sales are up 6% from last year, again mostly driven by higher prices. New vehicle sales saw a 5% increase from last January. Used vehicle sales, however, are still down 5% from last January. Both are affected by supply chain issues and increases in interest rates.

Hotel/motel tax collections are even from where they were last year at this time. Airline boardings are up 24% since January 2022. Both are a reflection that our economy is open and regulations have softened.

Our bank believes we will start seeing a weakening in the employment numbers. The State resets their job numbers in February, so we will wait until March to record any trends.

The dollar amount of building permits for January totaled \$53 million, down 71% from last year. There were 130 new residential starts in January, down 60% from last year. These numbers are more reflective of the historical averages for the city, indicating a normalizing of this industry. The median house price for January 2023 was \$260,000, up 16% from one year ago. Building permits reflected residential valuation from January 2022 to January 2023 being down \$49 million due to higher interest rates in the housing market and fewer housing starts. Commercial activity year over year was down \$89 million due to the commercial permit of \$90 million for the new Lubbock Cooper West High School included in commercial valuations in last year's totals.

Oil prices, compared to last year, are down 17%, and natural gas has dropped by 40%. Rig count has increased to 13 from 5 last year.

For January, wheat is up 11%, corn is up 6% and cotton is down 5%, when compared to January 2022. Drought conditions remain a concern for yields. Fat cattle are up 13% for the month when compared to January one year ago, and milk prices are down 10%. The weather conditions continue to cause concern for the agricultural sector of the economy, with severe drought remaining persistent in the region, which could affect both cotton production and price.

Lubbock Economic Pulse

Economic Components	Current Month	Last Month	One Year Ago
Index (Base Jan. 88 @ 100)	252.27	301.16	300.47
Sales Tax Collections	\$ 10,323,551	\$ 8,003,407	\$ 9,494,887
Sales Tax Collections – Year to Date	\$ 18,326,958	\$ 105,810,829	\$ 17,287,997
New Vehicle Sales	841	663	801
Used Vehicle Sales	1,716	1,559	1,802
Airline Boardings	36,719	41,787	29,648
Hotel/Motel Receipt Tax	550,882	1,048,756	551,486
Population	263,648	263,648	263,648
Employment – CLF*	168,652	168,652	166,327
Unemployment Rate*	% 2.90	% 2.90	% 3.30
Total Workers Employed* (Household Survey)	163,831	163,831	160,838
Total Workers Employed* (Employer Survey)	159,700	159,700	152,100
Average Weekly Wages	\$ 966.00	\$ 966.00	\$ 928.00
Gas Meters	77,451	76,825	76,272
Interest Rates (30 year mortgage rates)	% 6.875	% 6.125	% 4.25
Building Permits (Dollar Amount)	53,237,852	\$ 73,917,113	\$ 182,816,860
Year to Date Permits (Dollar Amount)	53,237,852	\$ 2,035,149,021	\$ 182,816,860
Residential Starts	130	238	321
Year to Date Starts	130	2,206	321
Median House Sold Price	\$ 260,000	\$ 245,678	\$ 224,000
Drilling Rigs in Panhandle	13	11	5
Oil Per Barrel	\$ 79.10	\$ 81.03	\$ 94.97
Natural Gas	\$ 2.50	\$ 3.64	\$ 4.17
Wheat Per Bushel	\$ 8.65	\$ 8.36	\$ 7.80
Fed Cattle Per CWT	\$ 158.00	\$ 155.00	\$ 140.00
Corn	\$ 6.85	\$ 6.79	\$ 6.44
Cotton (Cents Per Pound)	\$ 83.24	\$ 82.35	\$ 87.60
Milk	\$ 18.00	\$ 20.50	\$ 20.00

Stage Two Inflation

Winter 2023

In many areas our economy has entered the second stage of inflation. In the first phase, prices jumped easily, as businesses passed along cost increases or took advantages of shortage of supplies. Consumers were relatively flush and paid higher prices to keep their lifestyles level.

Now the supply chains are getting caught up and more goods are available, just as demand is dropping due to the consumer being tapped out. Many industries have retail price leaders, who are negotiating for cheaper inventory costs and passing along savings to their customers.

This has stalled some price increases, although there are few reports of price declines from the new higher inflated levels. Grocery prices are flattening, commodities, produce and meat are showing more availability and some price drops. Lower gasoline prices have reduced transportation costs.

Some industries are just catching up with inflation, such as new car prices, travel and hotels, and rents (or home mortgages).

This competitive situation should slow the rate of inflation, but put pressure on profits at most businesses. Higher interest rates will slow demand for cars, houses and big-ticket items. Then the question is how much wage inflation will continue to push up costs and therefore prices. All of this is a different environment from the raging inflation of 12 months ago.