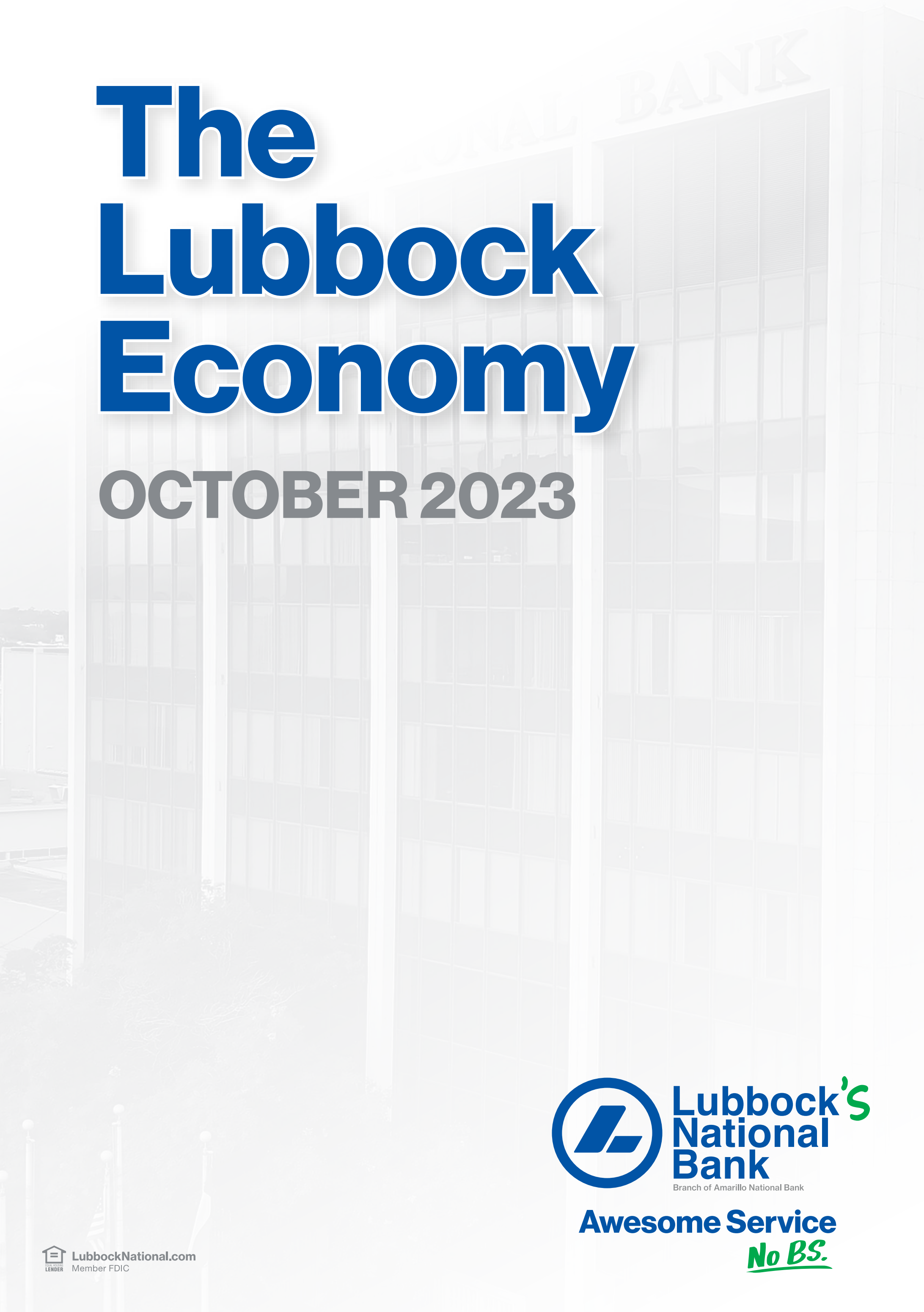

The Lubbock Economy

OCTOBER 2023

Lubbock's National Bank

Branch of Amarillo National Bank

Awesome Service No BS.

Lubbock Economic Analysis

Lubbock's economy in September shows good retail sales growth year over year but continues to be affected by the interest rate environment in all building activity. Tourism is showing a slowdown compared to last year and new vehicle sales are holding steady with used vehicle sales moving down year over year. Employment is growing although at a small increase and unemployment numbers are still low. Crop yields are low due to the persistent drought this summer. Potential interest rate hikes in the future could determine any future slowdown in the overall economy.

Retail sales for September 2023 are up 5.99%, since September 2022. YTD retail sales are up 3.87% from last year. Retail sales reflect a growth in the overall economy but inflation is still a factor in the percentage being up. New vehicle sales saw a 1.81% increase from last September, while used vehicle sales are down 13.45%.

Travel is down with Hotel/Motel tax collections down 12.88% from last September and Airline boardings are also down 1.28%.

Workers Employed are up 2,600 over the last 12 months on the Employer Survey and 3,080 on the household survey. The labor force has increased 2.05% compared to September 2022 and wages are flat. Unemployment is higher at 3.30% compared to 3.20% last year at this time.

September Building Permits totaled $77 million, down $45 million from last year. There were 127 new residential starts in September, down 5.93% from last year. Housing continues to be affected by the interest rate environment with the prolonged higher interest rates and builders cautious about building inventory. The median house price was $239,000, down 1.90% from one year ago.

Commercial building activity YTD is down $174 million from last year. There were 140 new commercial starts in September up from last year 81%. Although new commercial starts are up for commercial projects, they represent small commercial remodels and small commercial builds.

Oil prices compared to last year are down 2.45% and natural gas has dropped by 46.01%. Our rig count has increased from 12 to 13 from August to September 2023. Wheat is down 28.53% and corn is down 27.78%, while cotton has dropped 18.39%. Fat cattle are up 27.25% from one year ago, while milk prices are down 22.99%.

Lubbock Economic Pulse

Economic Components	Current Month		Last Month		One Year Ago	
Index (Base Jan. 88 @ 100)		274.05		299.83		554.23
Sales Tax Collections	$	8,840,210	$	8,140,563	$	8,340,922
Sales Tax Collections – Year to Date	$	84,083,046	$	75,242,836	$	80,946,458
New Vehicle Sales		1,011		1,002		993
Used Vehicle Sales		2,143		2,083		2,476
Airline Boardings		47,251		47,045		47,865
Hotel/Motel Receipt Tax	$	669,316		966,050		768,282
Population		263,648		263,648		263,648
Employment – CLF*		171,655		171,369		168,210
Unemployment Rate*	%	3.30	%	3.90	%	3.20
Total Workers Employed* (Household Survey)		165,916		164,768		162,836
Total Workers Employed* (Employer Survey)		159,800		158,200		157,200
Average Weekly Wages	$	1,014.00	$	1,014.00	$	1,021.00
Gas Meters		77,026		77,690		76,271
Interest Rates (30 year mortgage rates)	%	7.875	%	7.250	%	7.625
Building Permits (Dollar Amount)	$	77,485,290	$	90,324,407	$	122,725,542
Year to Date Permits (Dollar Amount)	$	1,055,008,005	$	977,522,715		$1,358,621,026
Residential Starts		127		179		135
Year to Date Starts		1,397		1,270		1,891
Median House Sold Price	$	239,000	$	243,000	$	243,623
Drilling Rigs in Panhandle		13		12		11
Oil Per Barrel	$	83.49	$	89.93	$	85.59
Natural Gas	$	3.38	$	2.76	$	6.26
Wheat Per Bushel	$	6.79	$	6.81	$	9.50
Fed Cattle Per CWT	$	184.51	$	187.87	$	145.00
Corn	$	4.94	$	4.63	$	6.84
Cotton (Cents Per Pound)	$	82.03	$	81.08	$	100.51
Milk	$	16.75	$	17.75	$	21.75

Inflation Update
October 2023

As we enter this late phase of the 2nd stage of inflation, higher costs for inputs, labor, and interest are hurting nearly every company. Meanwhile, gross margins are under pressure due to competition and adequate supply of goods, as customer resistance to some of the higher prices stiffens.

Motel occupancy is off of the post-pandemic highs, with occupancy down 5-9% and room rates off slightly. Reports say business travel is slowing, while weekend occupancy remains good.

Gasoline prices have dropped, even though crude oil has stayed high. Refiners are facing a glut of production and have made big cuts to their margins. This situation will probably self-correct, and prices at the pump will head back up.

Fall harvests have had fairly good yields, but some of the timing on the rain was not ideal. Lower prices will cut into farm incomes.

Higher interest rates have worked through the economy, with savers being paid adequate returns (finally). Most banks are down slightly in deposits (however, Amarillo National has seen record deposits 14 of the last 62 days, and is one of the few banks that has grown). National reports are that the lending standards are tightening, and the run up in the 5 and 10-year treasury rates will be felt in autos, housing and most corporate income statements. The loose Fiscal Policy is overcoming the tight Monetary Policy. There are less buyers for bonds to finance the record federal deficits, as China and Japan drop out of the market, and Europeans are unable to handle all the excess debt issuance.

Consumers continue to be shocked in the grocery store. If gasoline goes back up, it will certainly hurt attitudes going into the holiday season, as much of the excess savings have already been spent. Interest rates on car loans and mortgages have doubled from the Covid (lows back to more normal levels), and they may be headed higher. Meanwhile, loan loss rates have also doubled on auto loans.