



LUBBOCK NATIONAL BANK

Lubbock Economic Index And Consumer Price Index September/3rd Quarter 2017

The Lubbock economy moved into its seventh year of expansion in September with another monthly increase in the Lubbock Economic Index, which improved to a record 151.7 for the month up from 151.3 in August, and up 3.1% from the September 2016 LEI of 147.2.

Third quarter growth was less robust, with the index increasing at a 1.6% annualized rate over the course of the quarter. The Lubbock economy posted solid quarterly gains in the spending and construction components, including continued record performance in total building permits, and a sharp decline in the unemployment rate along with modest employment growth. Home sales are down compared to year-ago levels, though the average price of those sales is slightly higher.

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 spending per sales tax receipts in the third quarter was up by a respectable 3.0% compared to the third quarter 2016, which in turn was down by about 2% compared to the previous year. The September monthly real spending total was up by 3.2% compared to September 2016, which in turn was off by over 6% compared to September of the prior year. Through the first nine months of the year general taxable spending is up by a modest 1.5% compared to the January-September 2016 total which, again, was down by some 2.2% compared to the previous year. Spending growth has been fitful thus far in 2017 with a moderate first quarter year-over-year increase, a slight decline in the second quarter, and now 3% growth in the third quarter, the highest rate of year-over-year increase since the second quarter 2015. This important component of the Lubbock Economic Index continues to search for its strong growth footing after a year-and-a-half of general weakness and mild decline.
- Job growth continues through September in Lubbock with the addition of an estimated 2,000 jobs over the last 12 months according to the preliminary numbers, a year-over-year growth rate of 1.4%. "Trade, Transportation, and Utilities" led the way with about 800 jobs added over the last year, followed by "Government" (national, state, and local) which added an estimated 600 jobs over the last 12 months. The "Manufacturing" sector dropped about 100 jobs over the past year according to the September monthly estimates. The 1.4% rate of year-over-year growth in September ranks 14th among the 26 metro areas in Texas. The unemployment rate continues its rapid decline in September falling below 3% for the month at 2.9%, compared to 3.5% in September 2016. That marks the lowest September unemployment rate since 1999, also at 2.9%.

The auto sales sector in Lubbock has rebounded over the last two quarters after more than two years of decline. Real (inflation-adjusted) spending on new and used motor vehicles was up by over 6% in the third quarter compared to the third quarter 2016, on the heels of a 10.8% rate of growth in the second quarter. For the year-to-date through September, real auto spending in Lubbock is up by 4.2% compared to the first nine months of a year ago. Both the second quarter and year-to-date totals are the second-highest on record, behind only the auto spending totals for those same time periods in 2014.

The construction numbers in Lubbock continue to smash all prior records through the third quarter 2017 with both the third quarter and year-to-date real building permit valuation totals at the highest levels ever (the previous record was in 2016, by the way). In fact the total through the third quarter 2017 has surpassed the annual total for every year through 2015, and is up by over 21% compared to the first nine months of a year ago. The third quarter 2017 permit valuation total posted a 24% year-over-year increase, and the September monthly total – not quite a record for the month of September, actually – was up by over 28% compared to September 2016. Again, these numbers are adjusted for inflation so the comparisons to previous time periods are valid.

Housing construction continues to shatter the prior records as well with the number of new single-family residence permits surpassing 1,000 through the third quarter of the year for the first time ever (the number of permits issued through September 2002 was exactly 1,000), and outpacing the total through September of a year ago by over 30%. The third quarter 2017 total was up by nearly 7% year-over-year, but was not quite a record at 329 – 333 permits were issued in the third quarter of 2008.

The housing records were set in 2016 – the sales totals through September and for the year as a whole were the highest on record – and continue to lag behind those numbers in 2017. The number of closed sales in the third quarter of the year was down by nearly 9% year-over-year, and the total through the month of September is down by 4.6% compared to the first nine months of a year ago. The average price of those sales is a record, however, posting modest year-over-year gains in September, the third quarter and year-to-date.

The aggregate of these two measures, the inflation-adjusted dollar volume of housing sales, again established record highs in 2016, and have retreated in 2017, down by 10% in the third quarter compared to the third quarter 2016, and down by 4.5% through September compared to the first nine months of a year ago. That nine-month total, by the way, is still the second-highest on record, so the Lubbock residential real estate market remains active and healthy though down compared to the 2016 record levels.

The Lubbock economy is performing quite well through the third quarter of the year, even though the last couple of years have seen some sluggishness in general spending and somewhat lower rates of employment growth. Other components of the Lubbock Economic Index have taken up the slack, however, namely auto spending, construction, and the unemployment rate, and again, even the third quarter general real spending numbers were respectably improved over year-ago levels. The balance of the year should continue to bring general growth in the Lubbock economy and there is little to suggest that should not continue to be the case moving into 2018.

Lubbock Consumer Price Index

After three straight months at 2.4%, the year-over-year rate of change in the Lubbock Consumer Price Index declined to 2.3% in September. That compares to 1.5% in September of a year ago. Energy prices have increased over that period of time, and that is the principal force behind the upward movement in the Lubbock CPI since then.

The food/grocery sector of the Lubbock CPI was unchanged from August to September at 0.5%; the US national “food at home” CPI component is up by 0.4% in September, and is up by a slight 0.2% in the southern region of the US.

The housing component of the Lubbock CPI continued to come down in September, declining to 3.7% for the month compared to 3.9% in August and 4.1% in July (and 4.6% in September of a year ago).

The energy (fuels and utilities) sector of the Lubbock CPI reversed course in September moving upward to 2.8% compared to 2.6% in August. In September of a year ago, however, the CPI was actually negative compared to its prior year level, down by about 2.1%.

The medical care component of the Lubbock CPI also declined again in September retreating to 3.1% for the month down from 3.4% in August. The US medical care CPI also declined in September to 1.6% down from 1.8% in August.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock was unchanged from August to September at 1.5%.

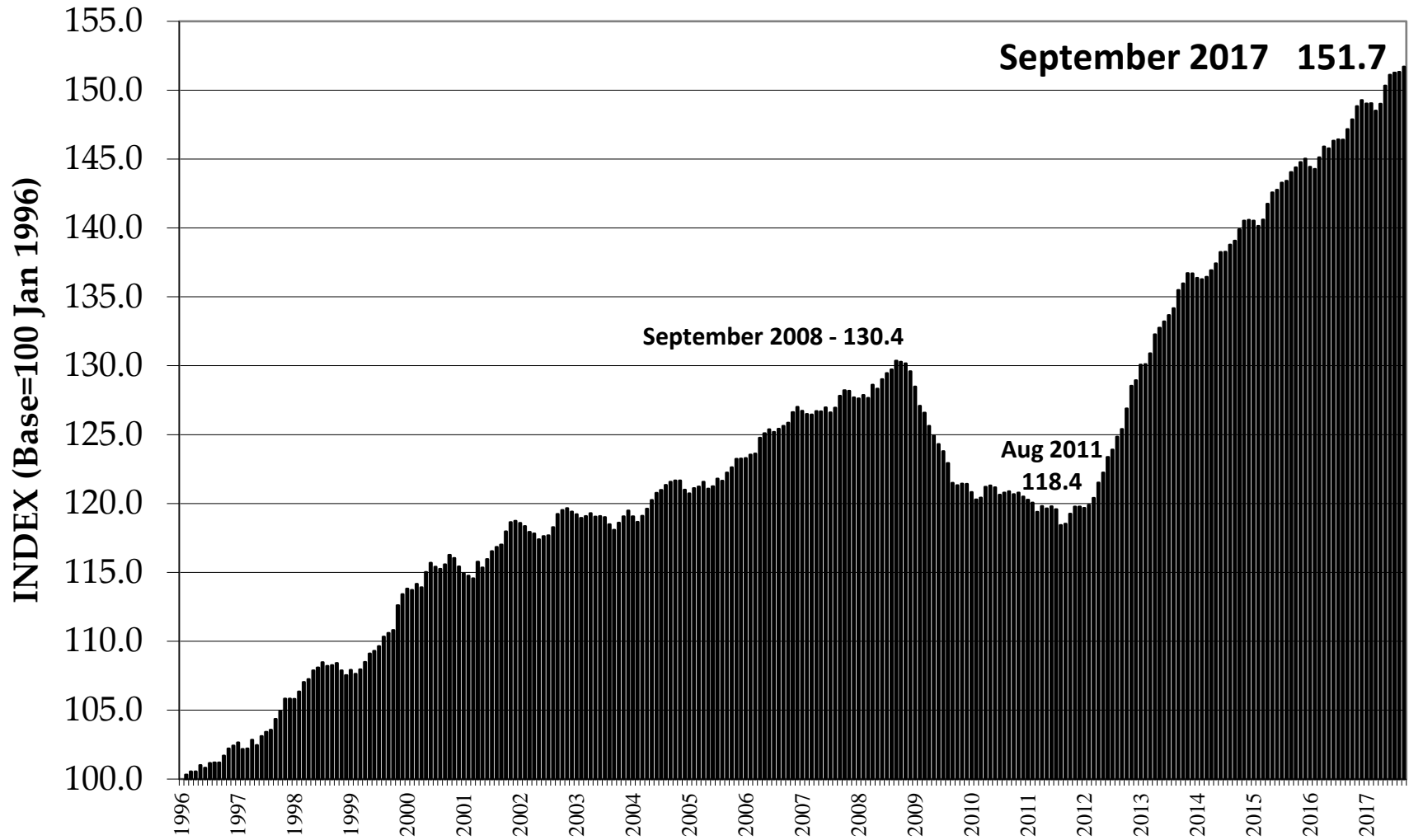
The growth rate in the national CPI-U (the US Consumer Price Index, a broad measure of price change over time) increased again in September to 2.2% compared to 1.9% in August and 1.7% in July. The “core CPI”, the Consumer Price Index minus food and energy, was unchanged yet again in September at 1.7% for the fifth straight month.

The CPI for the southern region of the US (which includes Texas) posted an increase in September, rising to 2.4% for the month compared to 1.9% in August.

The Dallas-Fort Worth metro area CPI was newly updated in September, and was up sharply at 3.2% compared to 1.9% in July. The Houston metro area CPI was last updated in August and increased at a 2.2% year-over-year rate, up from 1.6% in June. The Dallas-Fort Worth and Houston metro area CPI values are calculated every other month on off months from one another.

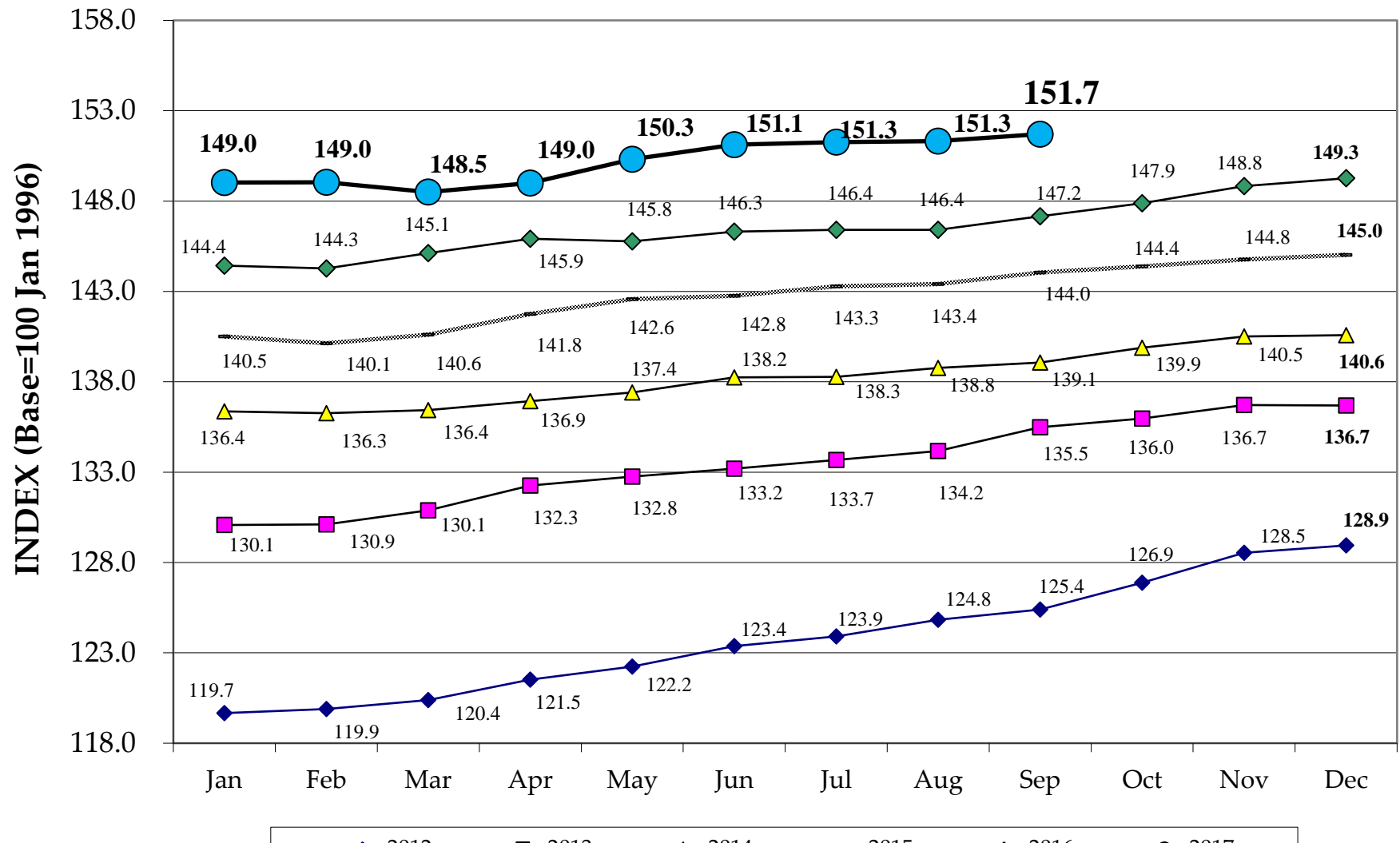
The Lubbock Economy

The Lubbock Economic Index January 1996 - September 2017



The Lubbock Economy

The Lubbock Economic Index 2012 - 2017



The Lubbock Metro Area Economy

The Lubbock Economic Index

Lubbock Economic Indicators* September/3rd Quarter 2017

	Base Year 1996	One Year Ago 2016	This Year 2017	% Change 2016-2017
Retail Sales - September	\$ 251,868,206	\$ 332,671,508	\$ 343,399,561	3.2%
Retail Sales - 3rd Quarter	\$ 763,745,998	\$ 1,099,172,597	\$ 1,131,659,173	3.0%
Retail Sales - Year-To-Date	\$ 2,363,814,295	\$ 3,349,524,443	\$ 3,400,340,442	1.5%
Dollars Spent on Auto Purchases - September	\$ 35,327,212	\$ 68,034,982	\$ 70,858,500	4.2%
Dollars Spent on Auto Purchases - 3rd Qtr	\$ 117,179,810	\$ 204,283,754	\$ 216,831,739	6.1%
Dollars Spent on Auto Purchases YTD	\$ 338,934,295	\$ 594,831,916	\$ 619,979,641	4.2%
Hotel/Motel Spending - YTD Through September	\$ 31,704,027	\$ 74,759,610	\$ 71,481,510	-4.4%
Lubbock International Airport Passenger Enplanements - September	53,196	39,846	38,716	-2.8%
Lubbock International Airport Passenger Enplanements - 3rd Qtr	155,182	116,161	118,607	2.1%
Lubbock International Airport Passenger Enplanements - YTD	294,773	341,653	347,487	1.7%
Value All Construction Permits - September	\$ 24,161,097	\$ 65,215,444	\$ 83,862,775	28.6%
Value All Construction Permits - 3rd Qtr	\$ 100,438,681	\$ 182,224,456	\$ 225,915,019	24.0%
Value All Construction Permits - YTD	\$ 235,598,209	\$ 616,662,257	\$ 748,852,525	21.4%
New Home Permits - September	55	112	134	19.6%
New Home Permits - 3rd Qtr	158	308	329	6.8%
New Home Permits - YTD	325	827	1,079	30.5%
Number of Home Sales - September	195	336	318	-5.4%
Number of Home Sales - 3rd Qtr	607	1,188	1,082	-8.9%
Number of Home Sales - YTD	1,024	3,278	3,128	-4.6%
Average Home Sale Price - September	\$ 94,003	\$ 187,259	\$ 190,899	1.9%
Average Home Sale Price - 3rd Qtr	\$ 90,208	\$ 191,863	\$ 194,408	1.3%
Average Home Sale Price - YTD	\$ 86,404	\$ 184,658	\$ 189,070	2.4%
Dollar Volume Residential Real Estate Sales - September	\$ 23,512,302	\$ 64,541,911	\$ 60,705,775	-5.9%
Dollar Volume Residential Real Estate Sales - 3rd Qtr	\$ 83,931,052	\$ 234,243,466	\$ 210,865,475	-10.0%
Dollar Volume Residential Real Estate Sales - YTD	\$ 227,788,950	\$ 624,374,603	\$ 596,200,066	-4.5%
Employment				
Wage and Salary Employment - September	112,800	145,700	147,700	1.4%
Wage and Salary Employment - 3rd Qtr Avg	111,935	145,100	147,365	1.6%
Wage and Salary Employment - YTD Avg	111,655	144,820	147,135	1.6%
Unemployment Rate - September	3.6%	3.5%	2.9%	-17.1%
Unemployment Rate - 3rd Qtr Avg	4.2%	3.8%	3.4%	-10.6%
Unemployment Rate - YTD Avg	4.3%	3.5%	3.5%	0.3%
LUBBOCK ECONOMIC INDEX - SEPTEMBER (Base=100 January 1996)	101.2	147.2	151.7	3.1%

* With the exception of the average home sale price, all indicators expressed in dollar form above are adjusted for inflation by restating prior periods in current dollars

Oil and Gas (Regional)

Oil Price/Barrel - September (Posted WT Int. Crude)	\$ 22.23	\$ 41.48	\$ 46.06	11.1%
Rig Count (Texas RRC District 8A) - September	16	14	23	64.3%
Crude Oil Production (Texas RRC District 8A) - September	112,723	74,805	72,942	-2.5%
Value of Oil Production (Texas RRC District 8A) - September	\$ 2,210,512	\$ 2,828,481	\$ 3,329,829	17.7%

Agriculture (Regional)

Cotton Price (West Texas, cents/pound) - September	72.53	66.75	69.64	4.3%
Fat Cattle Price (\$/hd. Wt.) - September	\$ 71.09	\$ 106.03	\$ 107.08	1.0%
Value Cattle Marketed (\$000's) - September	\$ 219,965	\$ 271,866	\$ 259,946	-4.4%