

InghamEcon, LLC

Karr Ingham, Economist

P.O. Box 7531
Amarillo, TX 79114

Phone: (806) 373-4814
e-mail: karr@InghamEcon.com

Lubbock National Bank

Lubbock Economic Index

And

Consumer Price Index

March/1st Quarter 2019

Lubbock payroll employment data was revised in the first quarter 2019 along with all other Texas metro areas as a part of the Texas Workforce Commission annual revision process in which monthly estimates for the previous two years are reconciled to more complete employer payroll records. At the same time, the benchmarks are set for the monthly estimates in the year ahead. The revision process in 2019 was not kind to Lubbock, as the original estimates were revised downward by a considerable amount.

The original 2018 monthly total employment estimates – simply the number of jobs estimated to exist within the Lubbock metro area economy, was revised downward by 2,750 jobs on average for the year, with the monthly revisions deepening as the year progressed. By year's end, some 3,500 jobs were lopped off the original December 2018 monthly estimate. The original employment growth rate of 2.3% on average for 2018 (and 3.0% at year-end) dropped to below 1% to 0.6% for the year and 0.7% in December. The 2017 monthly estimates were very slight and largely immaterial, with the number of jobs reduced by about 100 on average for the year.

The Lubbock Economic Index was revised downward accordingly. The original December 2018 Lubbock Economic Index of 154.4 dropped to 153.0 as a result of the employment data revisions, and other months of the year were lowered as well, increasingly so as the year progressed. The resulting December 2018 index of 153.0 remains the Lubbock Economic Index record, though the rate of growth dipped to 1.2% compared to the year-end (December) 2017 LEI, down from the original year-end growth rate of 2.0%

The reason(s) for the revisions are not generally known because to make them known would often reveal individualized information about specific employers. In a metro area like Lubbock, in which there have not been rapid cyclical shifts in employment, it is most often caused by employees apportioned to the wrong area for an employer that has multiple locations, and indeed this has happened before in Lubbock.

Even with the downward revisions, jobs were still added albeit at a considerably slower pace, and Lubbock still enjoyed a growth economy in 2018 with the Lubbock Economic Index achieving the seven-year expansion mark in September 2018 and moving into its 8th straight year of growth.

And that pattern likely remains in place, though the Lubbock Economic Index has moved generally sideways thus far in 2019. The index declined slightly to 152.6 in both January and February respectively, compared to 153.0 in December, before recovering slightly in March to 152.9, an improvement of 1.4% compared to the March 2018 LEI of 150.9.

General spending was higher for the month and quarter, while auto spending was slightly higher compared to year-ago levels. Employment growth rates have improved through the first quarter of the year and the unemployment rate continues to come down. Total construction was improved in the first quarter, and new single-family housing construction was sharply higher in March but down slightly for the quarter. Existing home sales are generally flat compared to year-ago levels, but the average price of those sales is up significantly compared to year-ago levels.

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 the employment situation as represented by payroll employment and the unemployment rate.

- General real (inflation-adjusted) spending per first quarter sales tax receipts was up by a respectable 3.0% in the first quarter compared to the first quarter 2018 total. The March spending total was up by nearly 7% compared to March of a year ago. Both are record totals for those time periods. The real spending total for the 12 months ending March 2019 is up by a solid 3.8% compared to the previous 12-month period and that moving 12-month total is also at a record level. The ongoing expansion in this number is the very essence of continued localized economic growth and its importance cannot be overstated, particularly since the numbers are certain, based on tax receipts, and not subject to future revision like the employment data is.
- Employment is also at a record level in Lubbock even though the estimates were revised downward in 2018. The 149,100 jobs in March is the highest March total on record under the new benchmarks though growth rates are slower per the revised data. Growth rates have ticked upward in 2019, however; the March estimate is up by 1.3% compared to March 2018 (and February was up by 1.6%), as opposed to growth rates below 1% in late 2018. The unemployment rate remains on the decline at 3.1% in March compared to 3.5% in March of a year ago.

Auto sales expanded slightly through the first quarter (and are also at record levels for March and the first quarter) with inflation-adjusted spending on new and used motor vehicles up by about 1% compared to the first quarter 2018, which in turn was nearly 8% higher compared to the first quarter of the previous year.

Building permit activity was improved for the quarter with the real (inflation-adjusted) valuation of all construction permits issued up by 7.6% compared to a lower total in the first quarter 2018 total, though the March monthly total was off by about 4% year-over-year. The 151 new single-family housing construction permits issued in March represents a March monthly record, surpassing the previous record of 140 permits issued in March 2004.

First quarter existing home sales broke the record established in 2018 with an additional eight closed sales in the first three months of 2019. The average price of those sales continues to climb, posting a 4.4% year-over-year increase in March, and a stout 7.1% for the quarter, aided by a sharp 19% increase in February. The total inflation-adjusted dollar volume of home sales, which was up impressively in 2018, continues to improve through the first quarter 2019, increasing by 5.5% compared to the first three months of a year ago.

Lubbock Consumer Price Index

The rate of year-over-year price increase in the Lubbock Consumer Price Index continued to fall in the first quarter 2019 thanks to declining energy prices and stabilization in median home sale price in Lubbock, though food and grocery prices began to tick upward a bit. The Lubbock CPI increased at a rate of 1.8% in March compared to 2.0% in December 2018, and 1.9% in January and February 2019.

The food/grocery sector of the Lubbock CPI began to move upward from low levels at year-end 2018; the rate of increase of 0.9% in March was up compared to 0.4% in December and January, and 0.6% in February.

The housing component of the Lubbock CPI finally eased a bit to 4.0% in March, down from 4.2% in December and January, and 4.3% in February.

The rate of increase in the energy (fuels and utilities) sector of the Lubbock CPI remains on the decline through March at 1.4% down from 2.5% in December and as high as 3.9% in August 2018. The fuels and utilities component of the CPI for the Southern region of the US stands at 1.2% in March.

The medical care component of the Lubbock CPI remains in check, falling to 1.6% in March compared to 1.8% in December and January, and 1.7% in February. The US national Health Care CPI rate of increase in March is 1.9% compared to 2.0% in December 2018.

The rate of year-over-year price increase for various miscellaneous goods and services has been unchanged since December at 1.3%.

The growth rate in the national CPI-U (the US Consumer Price Index, a broad measure of price change over time) was generally steady through the first quarter finishing at 2.0% in March compared to 1.9% in December. The “core CPI”, the Consumer Price Index minus food and energy, was down slightly in March at 2.1% compared to 2.2% in December.

The CPI for the southern region of the US (which includes Texas) was lower in January and February before ticking upward to 1.6% in March, compared to 1.5% in December.

The Dallas-Fort Worth metro area CPI was newly updated in March and increased to 2.7%, up from 2.2% in November and 2.1% in January. The Houston metro area CPI was last updated in February and dropped to 0.9% compared to 2.2% in October and 2.3% in December. The Dallas-Fort Worth and Houston metro area CPI values are calculated every other month on off months from one another.