



LUBBOCK NATIONAL BANK

Lubbock Economic Index And Consumer Price Index

June/2nd Quarter 2017

The Lubbock Economic Index surged higher again in June, increasing to 151.1 for the month up from 150.3 in May, and up 3.3% from the June 2016 LEI of 146.3. The pace of growth in the Lubbock general economy gained momentum in the second quarter with the Lubbock Economic Index expanding at a stout 7% annualized rate over the course of the quarter. The pattern of growth in the Lubbock economy extended to 70 months with the June increase in the LEI.

The construction numbers continue to push the index higher, along with home building and housing prices. Auto spending was solidly improved in the second quarter, though the general spending numbers remain very sluggish compared to year-ago levels. Employment growth remains steady if not spectacular, and the unemployment rate fell below its year-ago level for the first time since May 2016.

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.

- Renewed spending growth is going to happen at some point – but the numbers through mid-year do not yet reflect that happy outcome. Taxable real (inflation-adjusted) spending per June sales tax receipts was up by less than a percent compared to June of a year ago, which in turn was down by over 4% year-over-year. Second quarter real spending was down just slightly compared to year-ago levels, and is simply flat for the year-to-date, also up by less than a percent compared to the first six months of 2016.
- The 1.8% rate of year-over-year employment growth in June was the highest of the second quarter, but continues to lag behind the higher rates of growth in the first quarter (2.1%) and last year (2.5%). Among the 26 metro areas in Texas the Lubbock growth rate ranks 14th, with Dallas-Plano-Irving leading the way at 3.4%. A net 2,600 jobs were added over the last 12 months with 1,000 jobs added in Trade/Transportation/Utilities, and 900 jobs added in leisure and hospitality. The Lubbock unemployment rate of 3.9% is fifth best in the state, however, and is down compared to 4.0% in June of a year ago. And again, that marks the first time the monthly unemployment rate has been lower compared to its year-ago level since May of last year.

After two years of sluggish performance (following three years of very strong growth) auto sales in Lubbock are recovering a bit in 2017 with second quarter inflation-adjusted spending on new and used motor vehicles up by nearly 11% compared to the second quarter of a year ago. June real auto spending was down slightly (year-over-year), but the total midway through 2017 is a respectably 3.2% higher compared to real auto spending through June 2016.

The construction sector of the Lubbock economy is simply on fire thus far in 2017 with record building permit valuations in the second quarter and first half of the year. The June monthly total, while not a record for the month of June, was still up by over 26% compared to June of a year ago. The quarterly total exceeded \$300 million for the first time ever (and was nearly double the second quarter 2016), and the midyear total surpassed \$500 million for the first time.

The 385 single-family residence construction permits is the highest second quarter total ever (and is up by 38% year-over-year), and is the second-highest total for any quarter behind only the 441 permits issued in the third quarter 2002. The 750 permits issued through June 2017 is in fact a record for the first six months of the year, posting a 45% year-over-year increase.

Existing home sales have retreated a bit thus far in 2017 compared to the record numbers from a year ago. June home sales were flat but high – the June 2016 home sales number was a record, and was the second-highest monthly number of closed sales on record. Second quarter home sales were down by about 4.5%, and the sales total for the year-to-date is off by about 2% compared to the record numbers through June of a year ago.

Prices are higher in 2016, however, with the June monthly average surpassing \$200,000 for the first time in history, up by a sharp 9.4% compared to June of last year. The second quarter average is up by over 4% year-over-year, and the average for the first six months of the year is up by a solid 3.1% compared to the January-June 2016 average, which in turn was up by over 8%.

Clearly the first half of the year brought general economic growth to the Lubbock metro area, even though a key local economic indicator and critical component of the Lubbock Economic Index – general spending by households and businesses per sales tax receipts – remained flat, showing virtually nothing in the way of growth since the third quarter 2015. Economic growth is poised to continue for the balance of the year, and should hopefully be bolstered by improvement in the general spending sector in the coming months.

Lubbock Consumer Price Index

The rate of year-over-year increase in the Lubbock Consumer Price Index increased to 2.4% in June, up from 2.3% in May. In June of 2016 the year-over-year change in the Lubbock CPI was 1.3%. Increases in energy costs, housing, and medical care have pushed the Lubbock CPI upward over the last 12 months.

The food/grocery sector of the Lubbock CPI moved into positive year-over-year territory for the first time since late 2016 at 0.2%, up from -0.5% in May. The US Southern Region “food at home” CPI value, coincidentally, also stood at 0.2% in June.

After falling in May, the housing component of the Lubbock CPI moved upward in June to 4.1%, compared to 3.9% in May.

The energy (fuels and utilities) sector of the Lubbock CPI declined slightly in June, retreating to 2.7% for the month compared to 2.8% in May.

The medical care component of the Lubbock CPI also declined again to 3.8% in June, down from 4.0% in May. The rate of increase in the US southern region health care CPI declined substantially in June, falling to 3.6% for the month down from 4.3% in May.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock was unchanged from April to May at 1.3%.

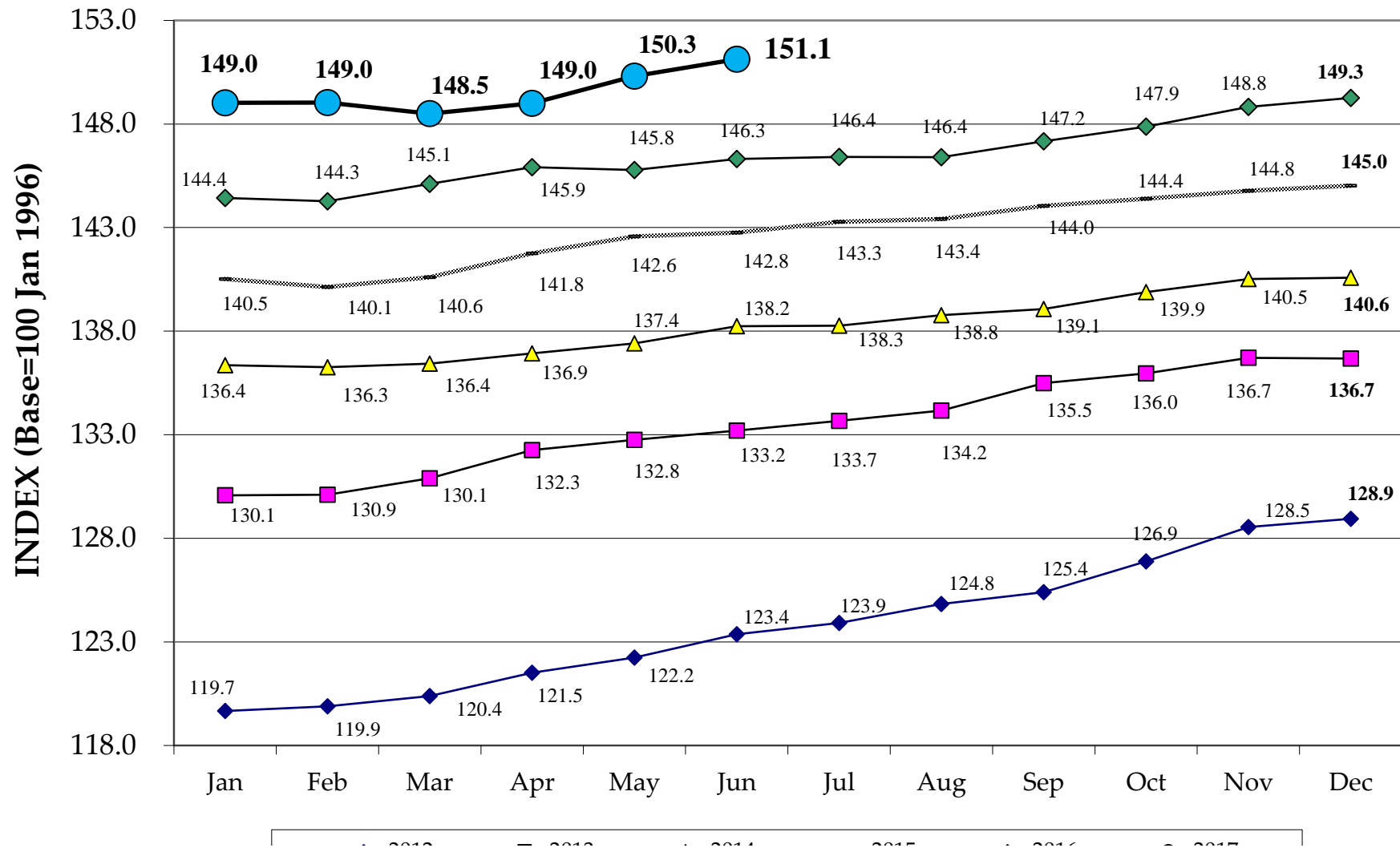
The growth rate in the national CPI-U (the US Consumer Price Index, a broad measure of price change over time) ticked upward slightly in June to 1.7% compared to 1.6% in May. The “core CPI”, the Consumer Price Index minus food and energy, was unchanged from May to June at 1.7%.

The CPI for the southern region of the US (which includes Texas) was up by 1.5% compared to June of a year ago, which is down from the 1.7% rate of change in May.

The Dallas-Fort Worth metro area CPI was last updated in May, and posted a 2.1% rate of year-over-year growth down from 2.2% in March. The Houston metro area CPI was freshly updated in June and increased at a 1.6% year-over-year rate, down from 2.0% in April. The Dallas-Fort Worth and Houston metro area CPI values are calculated every other month on off months from one another.

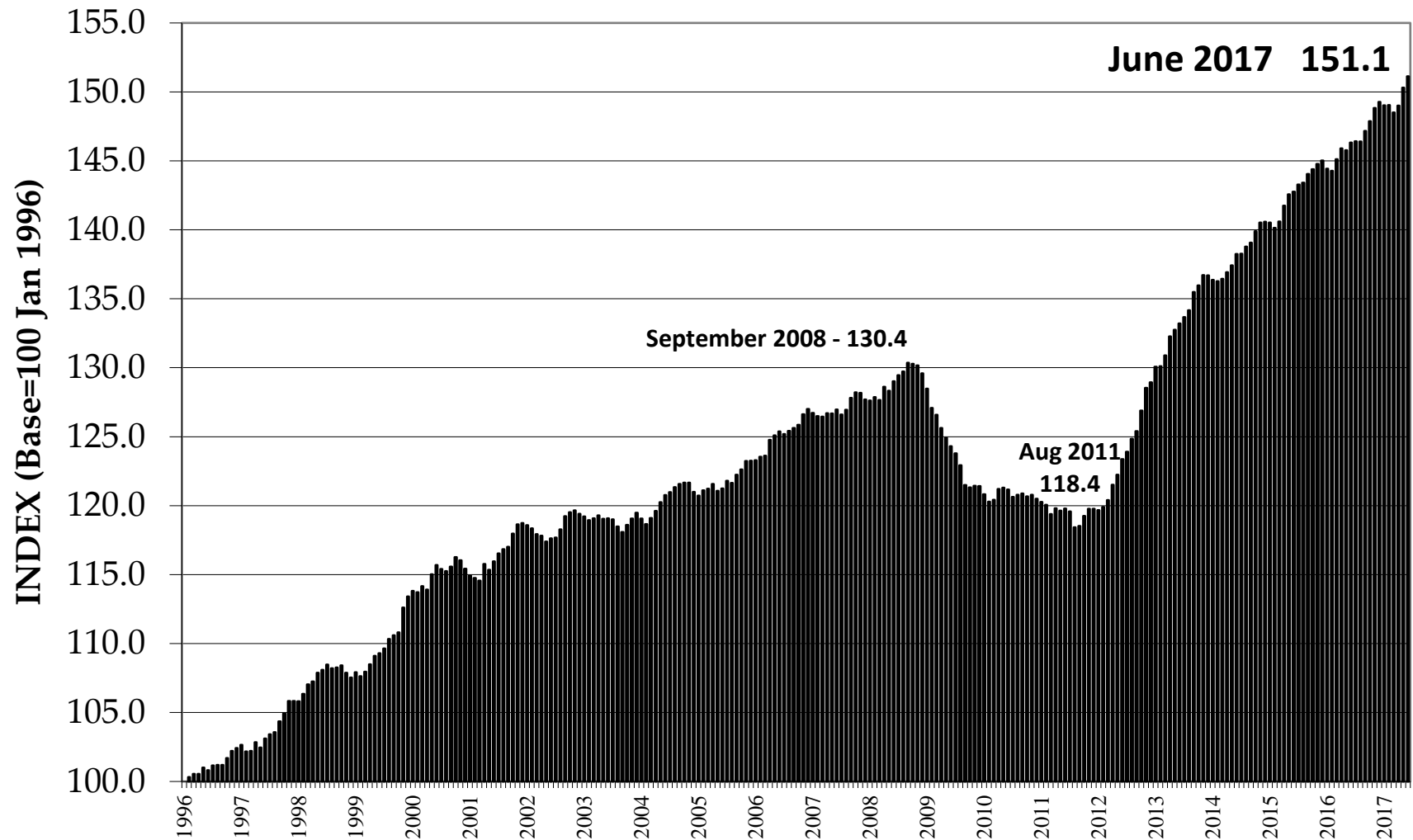
The Lubbock Economy

The Lubbock Economic Index 2012 - 2017



The Lubbock Economy

The Lubbock Economic Index January 1996 - June 2017



The Lubbock Metro Area Economy

The Lubbock Economic Index

Lubbock Economic Indicators*

June/2nd Quarter 2017

	Base Year 1996	One Year Ago 2016	This Year 2017	% Change 2016-2017
Retail Sales - June	\$ 242,352,965	\$ 334,961,595	\$ 337,352,509	0.7%
Retail Sales - 2nd Quarter	\$ 763,651,322	\$ 1,104,813,923	\$ 1,099,490,751	-0.5%
Retail Sales - Year-To-Date	\$ 1,593,845,999	\$ 2,241,600,744	\$ 2,259,858,888	0.8%
Dollars Spent on Auto Purchases - June	\$ 38,572,699	\$ 69,529,007	\$ 68,755,822	-1.1%
Dollars Spent on Auto Purchases - 2nd Qtr	\$ 119,792,205	\$ 187,435,745	\$ 207,712,945	10.8%
Dollars Spent on Auto Purchases YTD	\$ 223,818,002	\$ 394,182,374	\$ 406,899,360	3.2%
Hotel/Motel Spending - YTD Through June	\$ 20,675,471	\$ 47,443,821	\$ 44,678,775	-5.8%
Lubbock International Airport Passenger Enplanements - June	53,196	40,549	40,807	0.6%
Lubbock International Airport Passenger Enplanements - 2nd Qtr	155,182	119,743	121,954	1.8%
Lubbock International Airport Passenger Enplanements - YTD	294,773	225,492	228,880	1.5%
Value All Construction Permits - June	\$ 17,704,772	\$ 46,805,949	\$ 59,141,885	26.4%
Value All Construction Permits - 2nd Qtr	\$ 66,353,183	\$ 160,440,129	\$ 312,730,408	94.9%
Value All Construction Permits - YTD	\$ 133,913,757	\$ 430,433,569	\$ 518,172,798	20.4%
New Home Permits - June	55	114	131	14.9%
New Home Permits - 2nd Qtr	158	279	385	38.0%
New Home Permits - YTD	325	519	750	44.5%
Number of Home Sales - June	195	446	446	0.0%
Number of Home Sales - 2nd Qtr	607	1,279	1,221	-4.5%
Number of Home Sales - YTD	1,024	2,090	2,046	-2.1%
Average Home Sale Price - June	\$ 94,003	\$ 187,194	\$ 204,809	9.4%
Average Home Sale Price - 2nd Qtr	\$ 90,208	\$ 184,994	\$ 192,923	4.3%
Average Home Sale Price - YTD	\$ 86,404	\$ 180,563	\$ 186,248	3.1%
Dollar Volume Residential Real Estate Sales - June	\$ 29,405,335	\$ 85,483,323	\$ 91,344,678	6.9%
Dollar Volume Residential Real Estate Sales - 2nd Qtr	\$ 88,118,897	\$ 242,622,063	\$ 236,022,589	-2.7%
Dollar Volume Residential Real Estate Sales - YTD	\$ 142,902,009	\$ 387,538,840	\$ 382,774,166	-1.2%
Employment				
Wage and Salary Employment - June	112,200	145,500	148,100	1.8%
Wage and Salary Employment - 2nd Qtr Avg	111,635	145,765	147,465	1.2%
Wage and Salary Employment - YTD Avg	111,515	144,685	147,065	1.6%
Unemployment Rate - June	5.1%	4.0%	3.9%	-2.5%
Unemployment Rate - 2nd Qtr Avg	4.4%	3.4%	3.4%	2.0%
Unemployment Rate - YTD Avg	4.4%	3.4%	3.6%	6.5%
LUBBOCK ECONOMIC INDEX - JUNE (Base=100 January 1996)	100.8	146.3	151.1	3.3%

* 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 - June (Posted WT Int. Crude)	\$ 18.83	\$ 45.19	\$ 41.71	-7.7%
Rig Count (Texas RRC District 8A) - June	25	8	19	137.5%
Crude Oil Production (Texas RRC District 8A) - YTD Through June	74,295	50,178	48,031	-4.3%
Value of Oil Production (Texas RRC District 8A) - YTD Through June	\$ 1,414,482	\$ 1,806,317	\$ 2,267,023	25.5%

Agriculture (Regional)

Cotton Price (West Texas, cents/pound) - June	77.23	60.56	60.56	0.0%
Cotton - South Plains Bales Ginned Crop Year	2,483,350	3,584,550	4,371,300	21.9%
Fat Cattle Price (\$/hd. Wt.) - June	\$ 61.33	\$ 125.55	\$ 128.82	2.6%
Value Cattle Marketed (\$000's) - YTD Through June	\$ 158,592	\$ 198,174	\$ 183,331	-7.5%