

The Lubbock Economy

JUNE 2022



Still Here to Stay

Lubbock Economic Analysis

The Lubbock Economy continues to remain strong coming out of the pandemic, Lubbock's highly skilled and educated workforce, proximity and connection to major national and international markets, and affordable utility and living costs drives the local economy. Lubbock's diverse economy based on manufacturing, agriculture, wholesale and retail trade services, as well as government, education and health care move the business and employment opportunities that drives the Lubbock economy in 2022.

Retail sales for May 2022 are up 4% when compared to May 2021 and 25% from three years ago. New vehicle sales are down 25% from last May due to supply shortages, and down 10% from May 2019. Used vehicle sales are down 8% compared to May 2021, and down 9% from three years ago.

Tourism is recovering, with strength in the motel tax collections, which is up 35% compared to May 2021 and up 4% compared to three years ago. Airline boarding's are continuing to recover, indicated by the 23% increase since May 2021; however, they are still down 3% when compared to 2019.

Workers employed are up 5,000 over 12 months ago on both the household and employer survey. The labor force has increased 2% compared to May 2021 and 3% from three years ago. Wages are down 5% from last year and up 5% from three years ago.

Construction is continuing to thrive with the dollar amount of building permits issued up 809% compared to last year and up 393% from three years ago. YTD is \$883,922,360, up 263% from last year. Residential construction starts for May 2022 are up 252% compared to one year ago and up 353% from three years ago. The median house price for May 2022 \$248,000 compared to \$220,000 one year ago and \$199,935 three years ago.

Commodities all show higher prices, with oil up 67% since May 2021 and natural gas up 124%, boosting the rig count to 8 from 4 since last year. For May 2022, wheat is up 59%, corn is up 34% and cotton is up 101% when compared to May 2021. Fat cattle are up 12% for the month when compared to May one year ago. Milk prices are up 48% from last May; higher input costs have cut profitability for dairy producers.

Lubbock Economic Pulse

Economic Components	Current Month	Last Month	One Year Ago
Index (Base Jan. 88 @ 100)	316.75	303.49	
Sales Tax Collections	\$ 7,578,644	\$ 9,707,021	\$ 7,259,105
Sales Tax Collections – Year to Date	\$ 48,056,480	\$ 40,477,836	\$ 42,101,083
New Vehicle Sales	866	812	1,148
Used Vehicle Sales	2,283	2,467	2,494
Airline Boardings	45,058	40,809	36,598
Hotel/Motel Receipt Tax	\$ 923,049	\$ 839,635	\$ 684,355
Population	263,648	263,648	252,506
Employment – CLF*	167,837	168,038	165,310
Unemployment Rate*	% 3.00	% 2.80	% 4.40
Total Workers Employed* (Household Survey)	162,730	163,260	157,997
Total Workers Employed* (Employer Survey)	155,800	155,300	147,900
Average Weekly Wages	\$ 928.00	\$ 928.00	\$ 981.00
Gas Meters	76,667	76,202	74,724
Interest Rates (30 year mortgage rates)	% 6.125	% 5.500	% 3.000
Building Permits (Dollar Amount)	\$ 340,614,598	\$ 81,486,610	\$ 37,444,140
Year to Date Permits (Dollar Amount)	\$ 883,922,360	\$ 543,307,762	\$ 243,436,691
Residential Starts	507	139	144
Year to Date Starts	1,406	899	1,017
Median House Sold Price	\$ 248,000	\$ 235,000	\$ 220,000
Drilling Rigs in Panhandle	8	7	4
Oil Per Barrel	\$ 118.78	\$ 114.20	\$ 70.92
Natural Gas	\$ 7.50	\$ 7.95	\$ 3.35
Wheat Per Bushel	\$ 10.50	\$ 11.78	\$ 6.60
Fed Cattle Per CWT	\$ 134.00	\$ 140.00	\$ 120.00
Corn	\$ 7.68	\$ 8.01	\$ 5.72
Cotton (Cents Per Pound)	\$ 140.06	\$ 134.25	\$ 69.80
Milk	\$ 24.50	\$ 24.00	\$ 16.50

Inflation

June 2022

Inflation is now on everyone's mind, with most comments being that it is "too much". We are cursed with the double whammy of both types of inflation:

Cost Push
Demand Pull

The problems appear compounded because of the inability of fiscal and monetary leaders in Washington to recognize the causes of the problem. We have reported on inflation regularly over the last year; and policy makers have been on a different page.

Our inflationary pressures come from:

Fiscal Policy

- A 9% drop in output was juiced by a 27% level of "stimulus", (which appears to be three times what was needed).
- Extra federal unemployment insurance cut people's desire to work. Labor shortages exacerbated the Covid supply shortage.
- Extended lockdown is still impacting the Supply Chain.
- Energy policy designed to restrict supply caused prices to double.
- In addition, the Federal Government ran deficits during a boom (even John Maynard Keynes would not approve).
Too much money chasing too few goods.

Monetary Policy

- Interest Rates were driven too low and stayed too long.
- Quantitative Easing should have stopped 18 months ago when the economy had restarted; so currently excess liquidity is still juicing the economy.

The compound errors in both of these policies have combined to cause the current level of "too much" inflation.

Inflationary effects will be on:

Companies

- Interest costs will more than double.
- Borrowing will increase due to higher inventory prices, and inventory builds as supply chain improves.
- Borrowing levels will increase due to higher inventory prices, and excess inventory builds anticipated price increases.

Individuals

- Much higher risk of a recession.
- In the 1970's, lack of political will put off the day of reckoning, making inflation imbedded in household and corporate spending decisions. This extended the problem and made it worse.