



LUBBOCK NATIONAL BANK

Lubbock Economic Index and Consumer Price Index

January 2013

March 5, 2013

Lubbock Economic Index

The Lubbock Economic Index achieved a major milestone in January, returning its pre-recession peak of 131.6 last reached in September 2008 just prior to the onset of the downturn in the Lubbock economy. The LEI rose to that level in January by posting a sharp month-to-month increase from 130.5 in December, and was up a stout 8.2% from the January 2012 LEI of 121.6.

A number of economic indicators in January 2013 reflect hefty increases compared to January of a year ago, **and in fact a number of records were set in January 2013.** The spending sectors remain strong, the construction indicators are up by triple-digit percentage points, and residential real estate activity skyrocketed in January.

*Note – the employment data for this monthly report is estimated as the January 2013 employment data has yet to be released. The Texas Workforce Commission is scheduled to release revised employment data for Lubbock and other metro areas for 2011 and 2012 later in March, and the January monthly estimate will be released at that time, and will be based on the new benchmarks as a result of the revision process.

And, of course, January is the one month of the year in which the monthly and year-to-date totals/averages are one and the same.

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 taxable spending, again a critical local economic indicator, continues its steady improvement now well over two years in the making. Spending per January sales tax receipts, adjusted for inflation, is up by over 6% compared to January of a year ago, and is easily a record total for the month of January.
- Again, payroll employment and the unemployment rate for January are estimated pending the release of January 2013 estimates under the new benchmarks for the coming year. The estimates used to calculate the January 2013 Lubbock Economic Index are statistically consistent with recent trends, normal seasonal changes from December to January, and so on. Employment in the latter part of 2012 had weakened according to current estimates and the January estimate reflects those trends. The upcoming revisions may well reverse that pattern. While there are no guarantees, there is reason to believe that may be the case. The most recent (3rd quarter 2012) Quarterly Census of Employment and Wages in Lubbock, a quarterly survey of most payroll employers in the metro area, indicates year-over-year growth of about 1.5% in the third quarter of 2012 compared to the third quarter of 2011. The revision process will reconcile the monthly employment estimates to these numbers, and that is the basis for the strong possibility that Lubbock payroll employment will be revised upward later this month.

Auto sales in Lubbock continue to expand at a rapid pace with inflation-adjusted spending on new and used automobiles up by over 24% in January compared to January of a year ago, which in turn was up by over 15% compared to January of the prior year. It is also a record total for the month of January; that matters because the auto sales sector is still climbing its way back to its pre-recession peak level by every measure including the longer term averages, and is very close now to doing just that.

Construction in Lubbock per building permit valuations was sharply improved compared to year-ago levels. The estimated value of permitted project per January building permits was up by over 140% compared to January of a year ago. For the month of January, the \$46.3 million in permits for January 2013 was second only to January 2008 in which over \$59 million in permits were issued.

Housing construction began the year in spectacular fashion, spiking upward to 115 new single-family residence construction permits, the highest number of permits issued in January in the history of the analysis (and long before that, most likely).

Unbelievably, the residential real estate market posted a new record as well – the 217 closed sales are the highest on record for any January and were up by about 47% compared to January of a year ago. The January average price, up by 13.5% year-over-year, and was also a record for the month of January. The total dollar volume of activity was up by a whopping 66% in January compared to January of a year ago.

The next monthly report will incorporate the employment data revisions, and give us the final picture for 2012 in terms of payroll employment and the unemployment rate. We will then have the basis for a more accurate forecast for the balance of 2013. Meanwhile, the year is clearly off to a marvelous beginning with excellent numbers in virtually all measured sectors of the Lubbock economy. An upward revision in the employment data would complete that picture quite nicely, and we will know the answer to that question later this month.

Lubbock Consumer Price Index

The rate of overall price increase in Lubbock was unchanged from December to January at 2.4%. Slight increases in housing and energy/utilities were offset by declines in food/groceries, medical care and miscellaneous goods and services. Inflation remains generally well in check both at the national and local levels at around 2.0%.

The food/grocery sector of the Lubbock CPI declined yet again over the month falling to 1.9% in January, down from 2.0% in December and down from 4.6% in January 2012.

The rate of change in the housing portion of the Lubbock CPI ticked up slightly in January to 3.2%, up from 3.1% in December; the rate of year-over-year price increase in the energy/utilities sector reversed course in January increasing to 2.4% up from 2.2% in December.

The health care sector of the Lubbock CPI declined once again in January to 3.3%, down from 3.5% in December. The year-over-year rate of change in the US health care CPI also declined again in January to 3.1%, down from 3.2% in December.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock fell slightly in January to 1.2%, down from 1.3% in December.

The US CPI-U (the benchmark CPI for consumers of all goods and services at the national level) declined again in January to 1.6%, down from 1.7% in December, and down from a 2.9% rate of increase in January 2012.

The rate of increase in the CPI in the southern region of the US (which includes Texas) fell back again in January to 1.6% down from 1.7% in December.

The Dallas and Houston CPI values are calculated every other month (on off-months). The Dallas CPI was freshly updated in January and increased to 2.1% up from 1.7% in November. The Houston CPI was last updated in December, and declined to 1.0% down from 1.4% in October.

Lubbock Economic Indicators

Economic Indicators January 2013	Base Year 1996	One Year Ago 2012	This Year 2013	Percent Change 2012-2013
Retail Sales - January (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 150,481	\$ 197,538	\$ 209,496	6.1%
Retail Sales - Year-To-Date	\$ 150,481	\$ 197,538	\$ 209,496	6.1%
Dollars Spent on Auto Purchases - Jan (\$000s in 1995\$)	\$ 30,794	\$ 49,752	\$ 61,745	24.1%
Dollars Spent on Auto Purchases YTD	\$ 30,794	\$ 49,752	\$ 61,745	24.1%
Lodging Tax Receipts - YTD	\$ 376,881	\$ 669,341	\$ 337,489	-49.6%
Airline Boardings - Jan	40,858	34,587	31,253	-9.6%
Airline Boardings - YTD	40,858	34,587	31,253	-9.6%
Value All Construction Permits - Jan	\$ 14,098,765	\$ 19,070,022	\$ 46,388,057	143.3%
Value All Construction Permits - YTD	\$ 14,098,765	\$ 19,070,022	\$ 46,388,057	143.3%
New Home Permits - Jan	45	48	115	139.6%
New Home Permits - YTD	45	48	115	139.6%
Number of Home Sales - Jan	128	148	217	46.6%
Number of Home Sales - YTD	128	148	217	46.6%
Average Home Sale Price - Jan	\$ 86,201	\$ 131,241	\$ 148,979	13.5%
Average Home Sale Price - YTD	\$ 86,201	\$ 131,241	\$ 148,979	13.5%
Employment				
Wage and Salary Employment - Jan**	109,200	129,700	129,100	-0.5%
Wage and Salary Employment - YTD Avg	109,200	129,700	129,100	-0.5%
Unemployment Rate - Jan**	4.6%	5.9%	5.1%	-13.6%
Unemployment Rate - YTD Avg	4.6%	5.9%	5.1%	-13.6%
Oil and Gas (Regional)				
Oil Price/Barrel - Jan (WT Int. Crude)	\$ 17.31	\$ 96.46	\$ 91.15	-5.5%
Rig Count - Jan *	23	41	38	-7.3%
Oil Production - YTD *	12,179	9,075	8,950	-1.4%
Value of Oil Production - YTD *	\$ 181,555	\$ 875,389	\$ 863,317	-1.4%
Agriculture (Regional)				
Cotton Price - Jan (cents/pound) +	79.75	86.15	74.49	-13.5%
Cotton - Bales Ginned Crop Year ++	2,495,400	1,384,650	2,364,650	70.8%
Fat Cattle Price - Jan (\$/hd. Wt.)	\$ 64.50	\$ 123.33	\$ 124.77	1.2%
Value Cattle Marketed - YTD (\$000's) ++	\$ 24,510	\$ 29,599	\$ 31,193	5.4%
INDEX - January (Base=100 January 1996)	100.0	121.6	131.6	8.2%

** Estimated pending Texas Workforce Commission release of revised data for 2011 and 2012, and monthly estimate for Jan 2013

* Texas Railroad Commission District 8A (Lubbock Area)

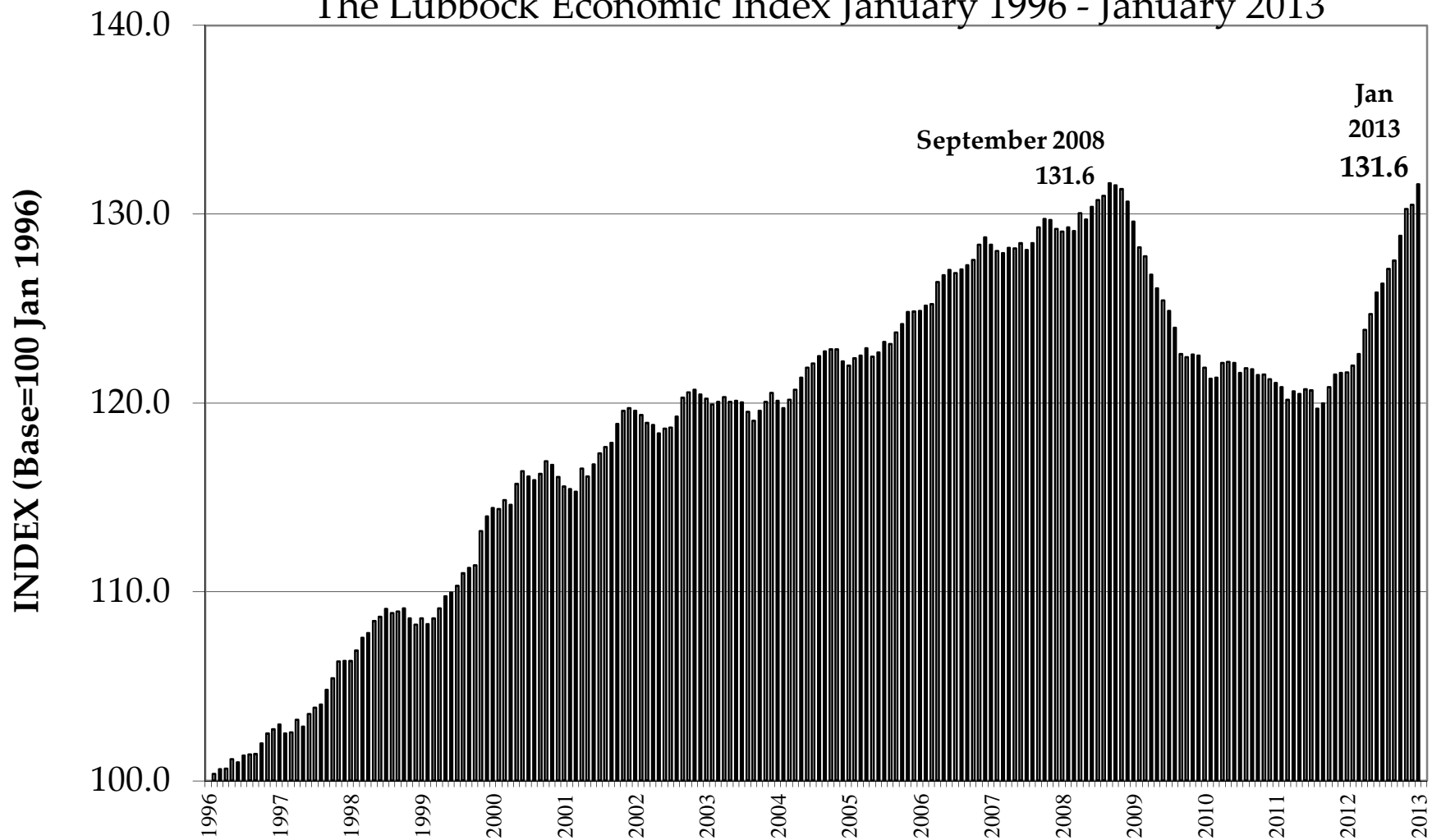
+ Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck

++ Tx Crop Reporting District 1-S



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The Lubbock Economic Index January 1996 - January 2013





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The Lubbock Economic Index 2007 - 2013

