



LUBBOCK NATIONAL BANK

Lubbock Economic Index and Consumer Price Index

August 2012

October 4, 2012

Lubbock Economic Index

The Lubbock Economic Index continues to improve, rising to 127.1 in August up from 126.3 in July, and up 6.2% from the August 2011 LEI of 119.7. That marks the seventh consecutive month of growth in the index, and the 6.2% growth compared to August of last year represents the largest margin of year-over-year growth in the entire history of the Lubbock Economic Index.

Most Lubbock economic indicators are improved compared to year-ago levels, and again some are sharply higher in August compared to August 2011. The exception is payroll employment, in which the margin of year-over-year growth closed in August, and the monthly estimate was the same as in August of a year ago.

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 was higher again in August, with inflation-adjusted taxable spending per August sales tax receipts up by 7.6% compared to August of a year ago; the year-to-date total is now over 5% improved compared to the first eight months of 2011, as growth in the spending sector continues to reflect a general economic expansion underway in Lubbock.
- The August payroll employment estimate was unchanged compared to year-ago levels, and the growth of earlier in the year has now evaporated. Year-over-year job growth averaged 2.5% in the first half of the year, exceeding 3% in April and May. The private sector added a net 900 jobs over the 12 months ending August 2012, but that growth was cancelled out by a loss of 900 jobs in the public (government) sector.

The unemployment rate dropped sharply in August, down by over 12% compared to the August 2011 unemployment rate. Again, current unemployment rates remain elevated compared to the low points prior to the recession of 2009, but remain steadily on the decline in 2012.

Auto spending was up by double-digit percentage points for the fifth consecutive month – and in fact that has been the case in seven of the eight months (through August) in 2012. Inflation-adjusted spending on new and used automobiles was up by over 25% in August (year-over-year), and is up by over 19% for the year-to-date. Auto sales in Lubbock have not quite fully recovered from the sharp downturn of 2009, but the gap continues to narrow rapidly.

Building permit activity was sharply higher in August 2012, partly because the August 2011 total was unusually low (the lowest monthly total in 2011, and down by over 60% compared to August of the prior year). August 2012 building permit valuations were more than double the August 2011 total, and the year-to-date total is up by 47% compared to the first eight months of 2011. The year-to-date total in 2012 is the highest since the peak building permit year of 2008.

Housing construction was also improved in August compared to year-ago levels; again, however, that is due primarily to a low total in August 2011 (off by nearly 70% compared to the prior year). On balance, new housing construction in the city is on pace to post its second-lowest year since 1998 (last year was the lowest). The year-over-year gains thus far in 2012 are due simply to the low levels of activity in 2011.

Existing home sales jumped up dramatically in August with the number of closed sales up by nearly 37% compared to August of a year ago. In fact, the 361 sales in August is the second-highest August monthly total in the history of the Lubbock Economic Index, surpassed only by the 362 sales in August 2003. Year-to-date sales are up by a solid 17.3% compared to the first eight months of 2011 as the local residential real estate market continues to recover from the general declines of the previous four years.

But again, the decline was only evident in the number of sales, not in the price of those sales. And 2012 is no exception. The 8.3% year-over-year decline is misleading – the August 2011 average price was an anomaly, up by over 19% compared to August 2010, so the August 2012 average has simply normalized. On balance housing prices (values) continue to improve in 2012 as the market continues to strengthen.

Lubbock Consumer Price Index

The overall rate of year-over-year increase in the Lubbock Consumer Price Index was unchanged from July to August at 2.9%

The food/grocery sector of the Lubbock CPI remains steadily on the decline, falling to 3.0% in August, down from 3.3% in July.

The rate of change in the housing portion of the Lubbock CPI declined slightly in August dipping to 2.8%, down from 2.9% in July; the rate of year-over-year price increase in the energy/utilities sector increased to 2.8% in August up from 2.6% in July.

The health care sector of the Lubbock CPI increased slightly again August, moving upward to 4.0% for the month compared to 3.9% in July. The US national medical care CPI figure was unchanged from July to August at 4.1%.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock declined again in August falling to 1.8%, down from 2.0% in July.

The CPI-U (the benchmark CPI for consumers of all goods and services at the national level) increased in August to 1.7% up from 1.4% in July (it was also at 1.7% in May and June).

The rate of increase in the CPI in the southern region of the US (which includes Texas) increased in August as well, moving upward to 1.6% compared to 1.4% in July.

The Dallas and Houston CPI values are calculated every other month (on off-months); again, the Dallas CPI was last updated in July, and the rate of year-over-year change fell to 1.3%, down from 1.6% in May. The Houston CPI was freshly updated in August, falling sharply – a full point – to .7% down from a 1.7% increase in June.



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The Lubbock Economic Index

Economic Indicators August 2012	Base Year 1996	One Year Ago 2011	This Year 2012	Percent Change 2011-2012
Retail Sales - (\$000s - Per August Sales Tax Rebates in 1995\$)	\$ 187,479	\$ 235,207	\$ 253,131	7.6%
Retail Sales - Year-To-Date	\$ 1,352,553	\$ 1,685,674	\$ 1,773,520	5.2%
Dollars Spent on Auto Purchases - August (\$000s in 1995\$)	\$ 39,298	\$ 49,887	\$ 62,540	25.4%
Dollars Spent on Auto Purchases YTD	\$ 303,654	\$ 368,975	\$ 439,938	19.2%
Lodging Tax Receipts - YTD	\$ 1,386,609	\$ 3,331,178	\$ 3,712,271	11.4%
Airline Boardings - August	51,947	44,313	43,182	-2.6%
Airline Boardings - YTD	402,134	341,383	329,969	-3.3%
Value All Construction Permits - August	\$ 21,766,819	\$ 15,062,813	\$ 33,498,076	122.4%
Value All Construction Permits - YTD	\$ 117,657,640	\$ 204,264,297	\$ 300,310,417	47.0%
New Home Permits - August	35	43	50	16.3%
New Home Permits - YTD	405	379	464	22.4%
Number of Home Sales - August	252	264	361	36.7%
Number of Home Sales - YTD	1,463	1,946	2,283	17.3%
Average Home Sale Price - August	\$ 84,588	\$ 163,055	\$ 148,570	-8.9%
Average Home Sale Price - YTD	\$ 86,023	\$ 143,203	\$ 146,686	2.4%
Electric Utility Customers - August	84,451	99,399	100,300	0.9%
Employment				
Wage and Salary Employment - August	109,500	128,900	128,900	0.0%
Wage and Salary Employment - YTD Average	110,486	127,850	130,350	2.0%
Unemployment Rate - August	4.0%	6.6%	5.8%	-12.1%
Unemployment Rate - YTD Avg	4.5%	6.4%	5.8%	-9.4%
Oil and Gas (Regional)				
Oil Price/Barrel - August (WT Int. Crude)	\$ 20.35	\$ 82.47	\$ 90.63	9.9%
Rig Count - August *	19	37	33	-10.8%
Oil Production - YTD *	99,201	71,384	70,689	-1.0%
Value of Oil Production - YTD *	\$ 1,730,600	\$ 6,639,146	\$ 6,571,495	-1.0%
Agriculture (Regional)				
Cotton Price - August (cents/pound) +	72.33	100.54	68.16	-32.2%
Cotton - Bales Ginned Crop Year **	N/A	N/A	N/A	N/A
Fat Cattle Price - August (\$/hd. Wt.)	\$ 67.15	\$ 113.80	\$ 124.79	9.7%
Value Cattle Marketed - YTD (\$000's) ++	\$ 196,506	\$ 248,966	\$ 274,155	10.1%
INDEX - August (Base=100 January 1996)	101.4	119.7	127.1	6.2%

* Texas Railroad Commission District 8A (Lubbock Area)

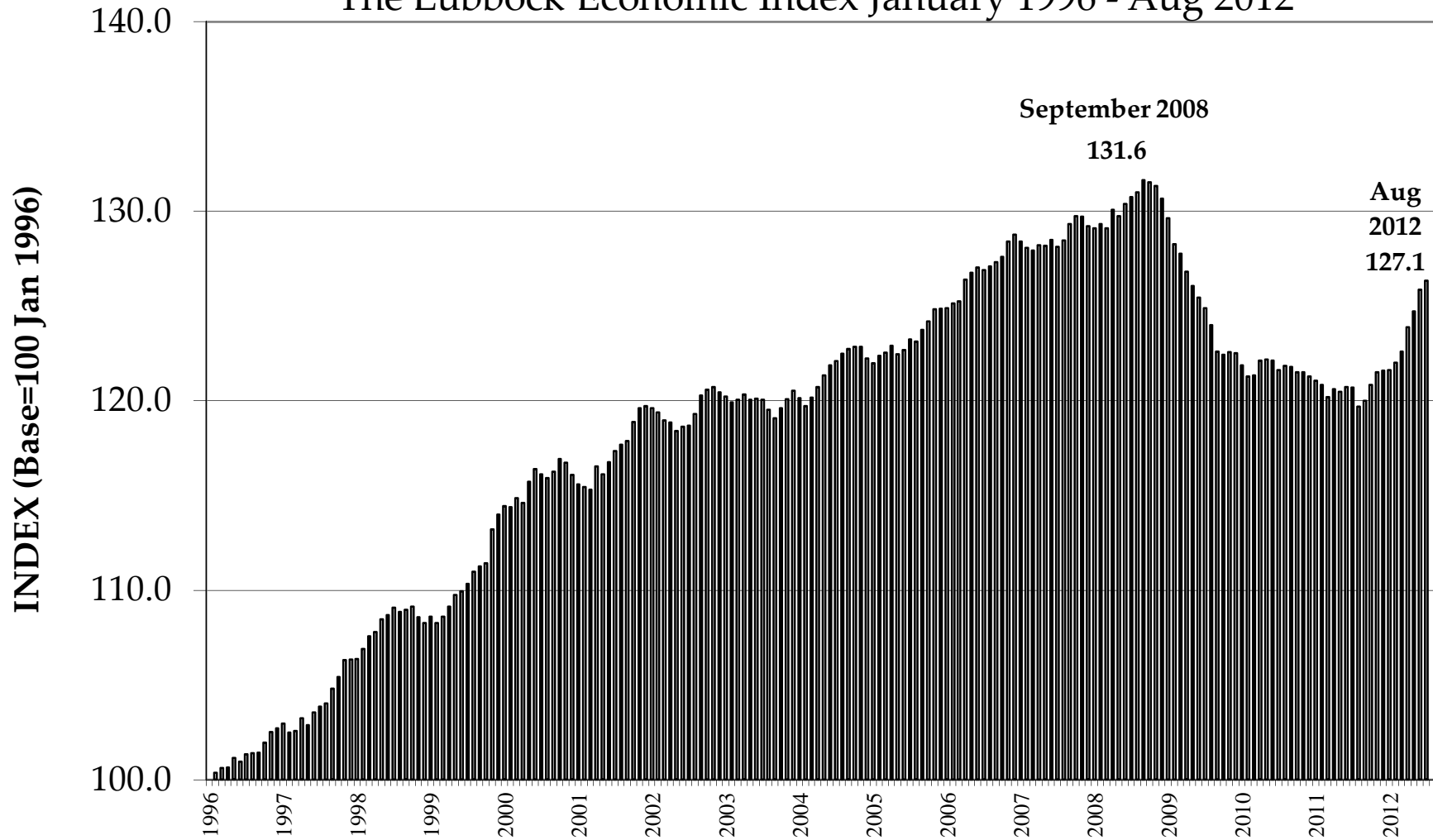
+ Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck

** Texas South Plains Region



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The Lubbock Economic Index January 1996 - Aug 2012





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The Lubbock Economic Index 2006- 2012

