



LUBBOCK NATIONAL BANK

Lubbock Economic Index and Consumer Price Index

December/4th Quarter/Annual 2012

January 31, 2012

Lubbock Economic Index

The Lubbock Economic Index finished the year at its highest level in four years, rising to 130.5 up from 130.3 in November, and up a stout 7.3% from the December 2011 LEI of 121.6. The Lubbock economy continues to enjoy a strong recovery, now 16 months in the making, from the sharp downturn in 2009 and the malaise that continued to linger past mid-year 2011. The December 2008 Lubbock Economic Index of 130.7 marks the last time the index was at this level or higher; the LEI as of December 2012 is now less than one percent below its peak value of 131.6 reached in September 2008.

A number of Lubbock economic indicators posted significant year-over-year increases in the fourth quarter and for the year as a whole. The city enjoyed a strong year in general spending and auto spending, construction, and housing, along with a declining unemployment rate. The payroll employment picture continues to confound, slipping into negative year-over-year territory in the fourth quarter, a trend which makes little sense given the strong growth in other measurement areas of the Lubbock economy.

As December represents the end of a quarter, the table of economic indicators this month represents largely fourth quarter totals/averages along with the year-to-date totals/averages, with the exception of the employment data which continues to reflect monthly estimates along with the annual average.

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.

- Inflation-adjusted taxable spending per fourth quarter sales tax receipts was up a sharp 8% compared to the fourth quarter 2011, which in turn was up by over 6% compared to the Q4 2010 total. For the year as a whole, general real spending was up by 6.2% compared to the 2011 annual total. Interestingly, it was only in 2012 that general spending by households and business in Lubbock fully recovered from the downturn of 2009-2010, but that did indeed occur and this important local economic indicator is now well into record territory.
- Estimated payroll employment in Lubbock is down by some 1,800 jobs in December compared to December of a year ago, a year-over-year decline of about 1.4%. As recently as May 2012 total employment in Lubbock was up by 3.5% year-over-year and then began to narrow, finally falling below year-ago levels in October. The biggest losses are occurring in the government sector, which lost about 1,600 jobs of the net 1,800 jobs lost over the last 12 months. The private sector also shed about 200 jobs in 2012 as well; again, however, given the strong results in other areas of the Lubbock economy, it would be reasonable to expect accompanying job growth. Hopefully the estimates moving forward will begin to reflect such job growth, because that will complete the picture of recovery and expansion. There is reason to suspect job growth is occurring that is not being captured; however, it is such an important piece of the local economic puzzle that until the estimates begin to indicate sustained employment growth it will remain as a bit of a cloud hanging over the Lubbock economy.

The unemployment rate fell to 4.7% in December, also the lowest in about four years, and down compared to 5.4% at year-end 2011 and a peak of 7.3% in June 2011. The unemployment rate in Lubbock reached its low point in December 2006 at 3.1%.

The auto sales sector enjoyed a very strong year in 2012 with inflation-adjusted spending on new and used automobiles up by over 19% compared to the 2011 annual total. Even at that, real auto spending in 2011 remained slightly behind the pre-recession peak sales total in 2007. The fourth quarter real auto sales total was up by over 21% compared to the fourth quarter 2011, and is the highest fourth quarter total on record.

Construction activity in 2012 as reflected by building permit valuations was the highest annual total in Lubbock since 2008, and was up by over 55% compared to the 2011 annual total. The dollar valuation of building permits issued in the fourth quarter the highest since 2006, and was up compared to the fourth quarter of 2011 by over 80%.

Housing construction was also sharply improved in 2012 compared to the down year of 2011. Nearly 30% more single-family residence construction permits were issued in 2012; again, though, housing construction activity remains generally depressed compared to every year other than 2011. The 2012 annual total of 652 permits is down compared to each year 1998-2010. Still, the 30% recovery from 2011 to 2012 is encouraging, and certainly contributed to the year-over-year increase in the Lubbock Economic Index.

The number of existing home sales transactions continued to climb through year-end 2012 with closed sales up by nearly 30% in the fourth quarter compared to the fourth quarter 2011. For the year 2012, the number of housing sales outpaced the 2011 annual total by over 18%. Prior to 2012 housing sales had declined for four consecutive years, so again the double-digit percent recovery is encouraging and the level of market activity is moving strongly in the right direction. Prices continued to strengthen in 2012 as well, with the fourth quarter average home sale price up 6.4% compared to the fourth quarter 2011, and the annual 2012 average up by a solid 3.8% compared to the 2011 annual average.

Lubbock Consumer Price Index

The rate of inflation continues to fall in the US, in Texas, and in Lubbock, with the rate of overall year-over-year price increase at 2.4% in Lubbock at year-end 2012, compared to a 2.6% rate of year-to-year change in November.

2012 was a year of generally declining rates of inflation in Lubbock. This does not mean prices actually declined, of course (the year-over-year rates of change would be negative in that case), simply that prices are increasing at a slower rate.

The food/grocery sector of the Lubbock CPI continues to decline, dipping to 2.0% in December down from 2.2% in November, and down from 4.5% in December 2011.

The rate of change in the housing portion of the Lubbock CPI was unchanged from November to December at 3.1%; the rate of year-over-year price increase in the energy/utilities sector declined in December to 2.2% down from 2.5% in November.

The health care sector of the Lubbock CPI declined once again in December to 3.5%, down from 3.7% in November. The year-over-year rate of change in the US health care CPI also declined in December to 3.2% down from 3.4% in November.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock dropped again in December to 1.3%, down from 1.6% in November.

After increasing for two straight months, the CPI-U (the benchmark CPI for consumers of all goods and services at the national level) fell again in December to 1.7%, down from 1.8% in November, and down from a 3.0% rate of increase in December 2011.

The rate of increase in the CPI in the southern region of the US (which includes Texas) ticked up slightly in December to 1.7% after a sharp drop in November to 1.6% (down from 2.1% in October).

The Dallas and Houston CPI values are calculated every other month (on off-months); the Houston CPI was freshly updated in December, and declined to 1.0% down from 1.4% in October; the Dallas CPI was last updated in November, and dropped to 1.7% down from 2.3% in September.



Lubbock Economic Indicators

Economic Indicators December/4th Quarter/Annual 2012	Base Year 1996	One Year Ago 2011	This Year 2012	Percent Change 2011-2012
Retail Sales - 4th Qtr (\$000's in 1995 Dollars)	\$ 488,905	\$ 635,695	\$ 686,592	8.0%
Retail Sales - Annual	\$ 2,002,762	\$ 2,509,058	\$ 2,665,234	6.2%
Dollars Spent on Auto Purchases - 4th Qtr (\$000s in 1995 Dollars)	\$ 99,247	\$ 134,022	\$ 162,540	21.3%
Dollars Spent on Auto Purchases - Annual	\$ 438,297	\$ 549,089	\$ 655,004	19.3%
Lodging Tax Receipts - Annual	\$ 2,071,843	\$ 4,768,893	\$ 5,904,127	23.8%
Airline Boardings - 4th Qtr	161,267	136,387	121,664	-10.8%
Airline Boardings - Annual	615,023	521,678	492,073	-5.7%
Value All Construction Permits - 4th Qtr	\$ 31,737,387	\$ 63,317,283	\$ 114,189,938	80.3%
Value All Construction Permits - Annual	\$ 162,924,623	\$ 282,857,662	\$ 440,329,842	55.7%
New Home Permits - 4th Qtr	123	98	151	54.1%
New Home Permits - Annual	571	504	652	29.4%
Number of Home Sales - 4th Qtr	480	610	792	29.8%
Number of Home Sales - Annual	2,111	2,819	3,331	18.2%
Average Home Sale Price - 4th Qtr	\$ 84,360	\$ 142,746	\$ 151,951	6.4%
Average Home Sale Price - Annual	\$ 85,771	\$ 142,827	\$ 148,243	3.8%
Employment				
Wage and Salary Employment - December	114,000	132,000	130,200	-1.4%
Wage and Salary Employment - Annual Avg	111,500	129,083	130,342	1.0%
Unemployment Rate - December	3.3%	5.4%	4.7%	-13.0%
Unemployment Rate - Annual Avg	4.1%	6.2%	5.5%	-11.3%
Oil and Gas (Regional)				
Oil Price/Barrel - December (WT Int. Crude)	\$ 23.37	\$ 95.05	\$ 84.73	-10.9%
Rig Count - December *	19	42	39	-7.1%
Oil Production (000 bbls) - YTD *	148,220	106,747	105,629	-1.0%
Value of Oil Production (\$000s) - YTD *	\$ 2,679,236	\$ 9,759,624	\$ 9,587,631	-1.8%
Agriculture (Regional)				
Cotton Price - December (cents/pound) +	69.83	83.80	69.05	-17.6%
Cotton - Bales Ginned Crop Year ++	1,629,300	1,384,650	2,344,250	69.3%
Fat Cattle Price - December (\$/hd. Wt.)	\$ 66.27	\$ 121.68	\$ 125.53	3.2%
Value Cattle Marketed (\$000s) - Annual ++	\$ 308,460	\$ 373,333	\$ 382,020	2.3%
INDEX - December (Base=100 January 1996)	102.7	121.6	130.5	7.3%

* Texas Railroad Commission District 8A (Lubbock Area)

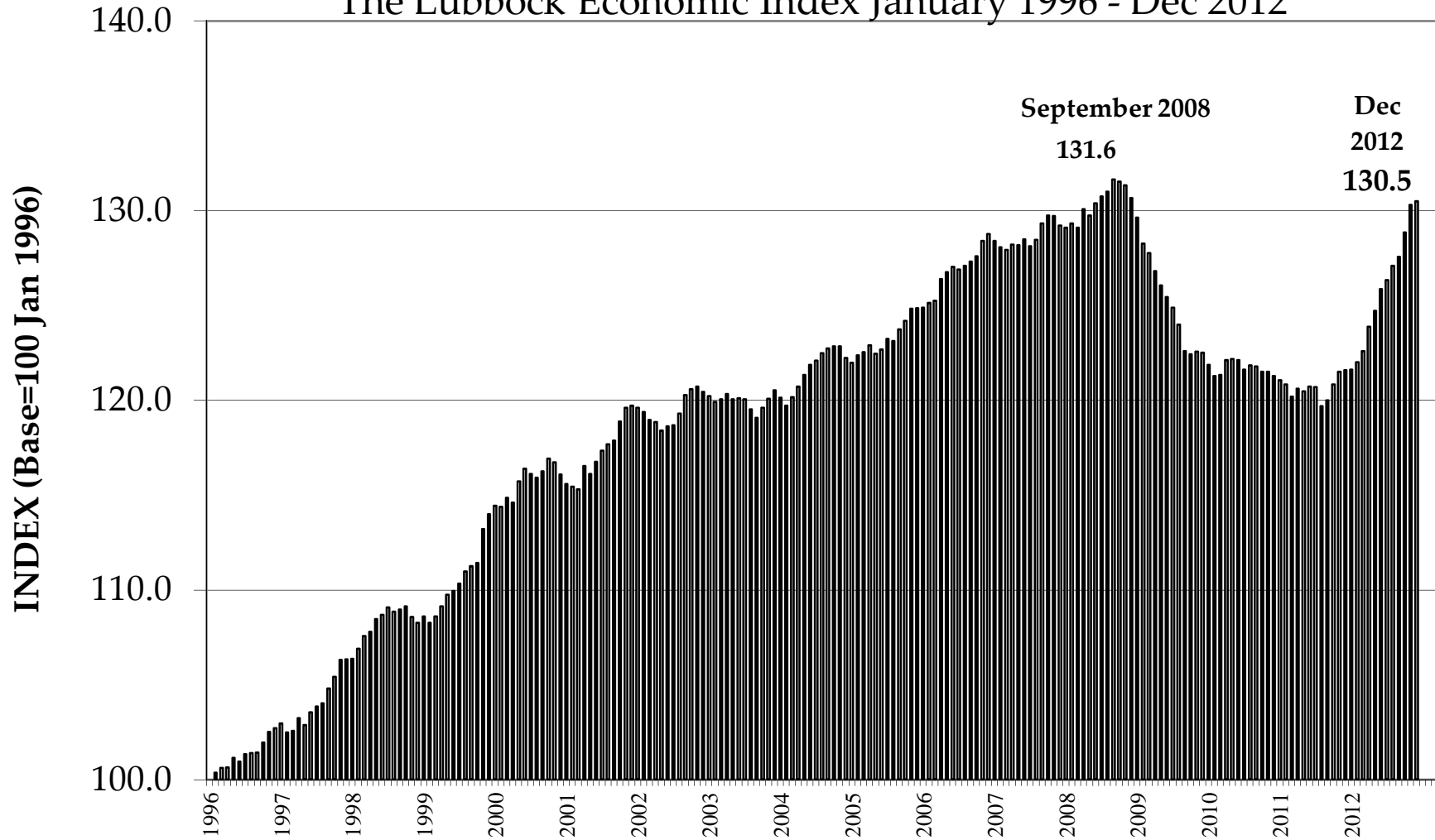
+ Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck, West Texas

++ South Plains Region



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The Lubbock Economic Index January 1996 - Dec 2012





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The Lubbock Economic Index 2006- 2012

