



LUBBOCK NATIONAL BANK

Lubbock Economic Index And Consumer Price Index June/2nd Quarter 2012

July 30, 2012

Lubbock Economic Index

The 2nd quarter of 2012 was a growth quarter for the Lubbock economy, as was the first half of 2012 as a whole. The Lubbock Economic Index continued its sharp upward movement in June rising to 125.8, up from 124.7 in May, and up 4.2% from the June 2011 LEI of 120.7. The index increased by 2.6% in the 2nd quarter alone and by 3.5% in the first half of the year. With the exception of passenger enplanements at Lubbock International Airport, all metro area economic indicators are improved compared to year-ago levels both for the quarter, and for the first half of 2012.

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.

- Real (inflation-adjusted) spending in Lubbock per sales tax receipts in the 2nd quarter was up by a solid 5.5% compared to the 2nd quarter 2011, and is up by 3.8% for the year-to-date through June. General spending per the June sales tax total was up by 4.4% compared to June of a year ago. And again, at this point, no matter how you slice it, general real spending in Lubbock is higher than at any point in the past, and has impressively embarked into record territory. And remember, these are inflation-adjusted figures so the increases accurately reflect *real* growth over time.
- The rate of year-over-year employment growth slowed in June, increasing at a 1.3% pace over the last 12 months. The June figure is preliminary and could be revised upward next month, but for now, that 1.3% rate of growth compares to 3.0% and 3.5% in April and May, respectively. An estimated 1,700 net jobs were added over the last 12 months; however, about 2,700 jobs were added in the private sector in Lubbock over that period of time, and that is ultimately what must drive sustained economic improvement over time. The “government” employment sector lost 1,000 jobs over the last 12 months according to the current estimates. Payroll employment in Lubbock has also surpassed all prior periods and is therefore at record levels, and continues to improve moving into the 2nd half of the year.

The unemployment rate has not yet returned to its pre-recession lows, and in fact is a ways away from doing so; however, it remains steadily on the decline and is about 11% lower than at this time last year. The unemployment rate took a seasonal uptick from May to June, but that is of no consequence precisely *because* it is a seasonal phenomenon, and it happens every year without fail. The more correct measures are a comparison from June of this year to June of last year, and again, it is lower in 2012; also, the moving 12-month average, which automatically removes all seasonality, has been coming down since October of last year and continues to do so.

The local auto sales sector remains on the path of rapid recovery midway through the year, with inflation-adjusted spending on new and used automobiles up by 16% compared to year-ago levels, and up by over 20% in the 2nd quarter alone. Even at that, real auto spending continues to lag behind pre-downturn levels and remains down compared to each year 2006-2008.

The quarterly building permit total has surpassed \$145 million only three times in the history of the Lubbock Economic Index, and one of those was in the 2nd quarter 2012. The quarterly total of \$145.8 million is the third-highest quarterly total on record, and is up by a whopping 86% compared to the 2nd quarter 2011. The permit total for the first six months of the year is up by over 66% compared to the first half of 2011, but is still down by about 14% compared to the record building year of 2008.

Housing construction is on the mend in 2012 as well, with the number of new single-family residence construction permits up by over 10% in the 2nd quarter (year-over-year) and by over 15% for the year-to-date. However, 2011 was a particularly weak year for housing construction, so the increases in 2012 compared to 2011 are a bit misleading absent the broader context, and that context is that housing construction has been in the throes of a long cyclical slowdown which is now in its ninth year. But the increases thus far in 2012 could easily signal the beginnings of the recovery, buoyed by general economic improvement and employment growth which are critical to housing market strength.

Existing home sales are exhibiting something of a similar pattern – higher for the quarter and year-to-date, but compared to lower numbers in 2011. Sales are up by over 15% for the quarter, and nearly 18% for the year-to-date, and while it could signal the beginning of renewed strength in the housing market (at least in terms of sales numbers), sales totals remain down compared to the five years 2006-2010. But again, prices have never faltered and continue to post steady increases. The 2nd quarter 2012 average is the highest quarterly average price ever recorded, and is up by over 6% compared to a year ago. The average for the year-to-date is up by over 5%, and also represents the highest January-June average on record. (These are “nominal” numbers, unadjusted for inflation).

The Lubbock economy has picked up the pace of recovery in 2012, and in the 2nd quarter in particular. Frustratingly, the direction the local economy receives from the broader US and national economies (and the connection is increasingly significant) appears to have worsened in the 2nd quarter with weakness in the global economy, an unexpected slowdown in US employment growth and a reversal in the national unemployment rate which had been declining. The chances appear to have increased that the US could potentially enter a new round of recession, and this could easily have future implications to the Lubbock economy. But for now, the economy is growing steadily, and the Lubbock Economic Index is closing the gap between current levels and its peak achieved in September 2008.

Lubbock Consumer Price Index

The rate of year-over-year change in the Lubbock Consumer Price Index was unchanged from May to June at 3.1%, after declining for the first time in the current cycle last month.

The food/grocery sector of the Lubbock CPI continues its welcome retreat dipping to 3.8% in June, down from 4.0% in May.

The rate of change in the housing portion of the Lubbock CPI ticked up slightly in June to 2.9%, up from 2.8% in May; the rate of increase in the energy/utilities sector declined again in June, falling to 2.7% down from 2.9% in May.

Only the health care sector in Lubbock exhibited an increase in the growth rate for the month, rising to 3.8% up from 3.6% in May. The rate of change in the US healthcare CPI also increased in June to 4.0% up from 3.6% in May.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock was unchanged for the month at 2.2%.

The CPI-U (the benchmark CPI for consumers of all goods and services at the national level) was unchanged from May to June at 1.7%, but has dropped appreciably in recent months.

The rate of increase in the CPI in the southern region of the US (which includes Texas) ticked up slightly in June to 1.7% up from 1.6% in May; however, the regional CPI had dropped sharply prior to that.

The Dallas and Houston CPI values are calculated every other month (on off-months); again, the Dallas CPI was updated in May, and the rate of year-over-year change dropped sharply to 1.6%, down from 2.7% in March. The Houston CPI was freshly updated in June, and the rate of year-over-year increase declined to 1.7% down from 2.2% in April.



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Lubbock Economic Indicators

Economic Indicators June/2nd Quarter 2012	Base Year 1996	One Year Ago 2011	This Year 2012	Percent Change 2011-2012
Retail Sales - 2nd Quarter (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 490,974	\$ 610,563	\$ 643,859	5.5%
Retail Sales - Year-To-Date	\$ 1,024,732	\$ 1,264,120	\$ 1,312,171	3.8%
Dollars Spent on Auto Purchases - 2nd Qtr (\$000s in 1995\$)	\$ 118,607	\$ 135,494	\$ 163,312	20.5%
Dollars Spent on Auto Purchases YTD	\$ 221,804	\$ 273,737	\$ 317,812	16.1%
Lodging Tax Receipts - YTD	\$ 904,702	\$ 2,145,033	\$ 2,360,499	10.0%
Airline Boardings - 2nd Qtr	155,182	135,062	127,718	-5.4%
Airline Boardings - YTD	294,773	249,413	243,229	-2.5%
Value All Construction Permits - 2nd Qtr	\$ 37,260,047	\$ 78,167,493	\$ 145,783,646	86.5%
Value All Construction Permits - YTD	\$ 75,053,860	\$ 139,479,657	\$ 231,754,499	66.2%
New Home Permits - 2nd Qtr	158	165	183	10.9%
New Home Permits - YTD	325	301	348	15.6%
Number of Home Sales - 2nd Qtr	607	863	998	15.6%
Number of Home Sales - YTD	1,024	1,370	1,615	17.9%
Average Home Sale Price - 2nd Qtr	\$ 90,312	\$ 140,877	\$ 149,486	6.1%
Average Home Sale Price - YTD	\$ 86,106	\$ 138,925	\$ 146,073	5.1%
Electric Utility Customers - June	84,362	99,572	99,826	0.3%
Employment				
Wage and Salary Employment - June	110,400	128,300	130,000	1.3%
Wage and Salary Employment - YTD Average	110,650	127,583	130,733	2.5%
Unemployment Rate - June	5.2%	7.3%	6.5%	-11.0%
Unemployment Rate - YTD Avg	4.5%	6.2%	5.7%	-8.1%
Oil and Gas (Regional)				
Oil Price/Barrel - June (WT Int. Crude)	\$ 18.83	\$ 92.67	\$ 79.08	-14.7%
Rig Count - June *	25	38	37	-2.6%
Oil Production - YTD *	74,295	53,551	53,077	-0.9%
Value of Oil Production - YTD *	\$ 1,230,442	\$ 5,071,126	\$ 5,028,153	-0.8%
Agriculture (Regional)				
Cotton Price - June (cents/pound) +	77.23	142.14	64.05	-54.9%
Cotton - Bales Ginned Crop Year ++	2,483,350	4,753,360	1,450,700	-69.5%
Fat Cattle Price - June (\$/hd. Wt.)	\$ 61.33	\$ 107.79	\$ 119.67	11.0%
Value Cattle Marketed - YTD (\$000's) ++	\$ 158,592	\$ 185,980	\$ 216,868	16.6%
INDEX - June (Base=100 January 1996)	101.0	120.7	125.8	4.2%

* Texas Railroad Commission District 8A (Lubbock Area)

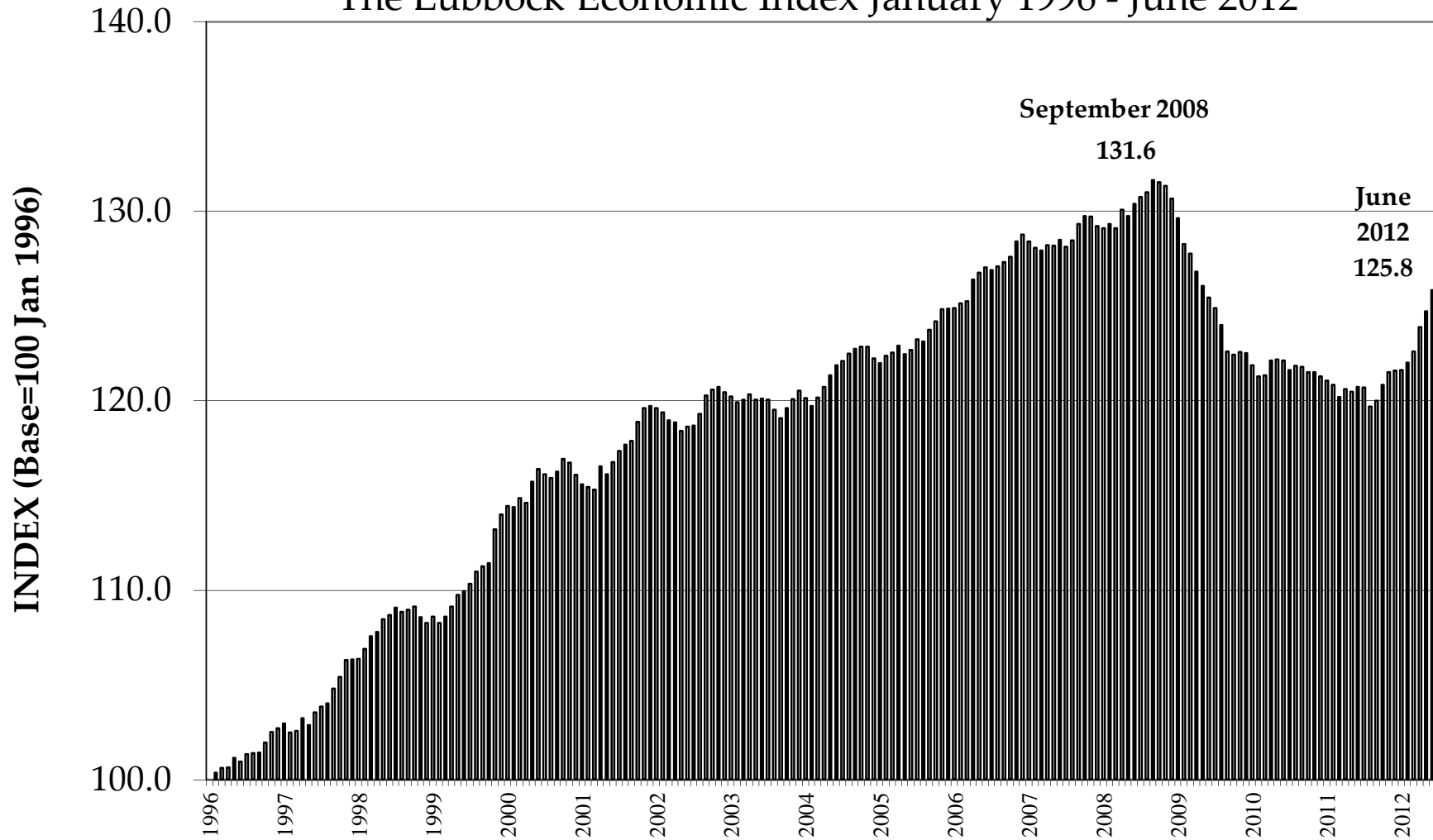
+ Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck

++ Tx Crop Reporting District 1-S



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The Lubbock Economic Index January 1996 - June 2012





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The Lubbock Economic Index 2006- 2012

