



LUBBOCK NATIONAL BANK

Lubbock Economic Index and Consumer Price Index

March/1st Quarter 2012

April 30, 2012

Lubbock Economic Index

The Lubbock Economic Index continued its upward trend in March, posting its 7th consecutive monthly increase and rising to 123.9 up from 123.2 in February. The 1.8% increase over the March 2011 LEI of 121.7 represents the largest year-over-year increase in the Lubbock Economic Index since September 2008. The spending numbers are up compared to year-ago levels, along with construction and housing indicators. Jobs continue to be added at a modest pace, and the unemployment rate remains on the decline.

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 spending in Lubbock per March sales tax receipts in the city was up by 3% compared to March of a year ago; for the year-to-date, spending per first quarter sales tax receipts was up by 2.3% compared to the first quarter 2011. By every interpretation of the numbers, general real spending in Lubbock has now surpassed all prior periods, including the pre-recession peak period, and is now truly moving into record territory.
- Payroll employment in the Lubbock metro area was up by about 2,800 jobs in March compared to March of a year ago, a growth rate of 2.2%. The unemployment rate for the month is the lowest March unemployment rate in three years. The unemployment rate remains considerably higher than pre-recession rates of unemployment, a predictable trend, but began to come down in late 2011 and should continue to do so.

Both the monthly and longer-term averages in general spending and in total payroll employment have now fully recovered – in other words, they have regained all that was lost during the downturn and are now moving well into record territory. The importance of this accomplishment cannot be overstated, as it represents the long-awaited end to the “recovery phase” for these two critical indicators, and the onset of a new round of growth.

The Lubbock Economic Index itself has yet to reach its pre-recession pinnacle, of course; a number of indicators continue to lag behind those peak levels – auto sales, construction, and housing (both housing construction and existing home sales) all remain lower compared to prior levels, and again, the unemployment rate is more than two full points higher compared to its low point in the previous expansion.

First quarter real (inflation-adjusted) auto spending was up by over 11% compared to the first quarter 2011 total. March real spending on new and used automobiles was up by 4.1 % compared to March of a year ago. This big-ticket spending sector in Lubbock continues its slow but steady climb out of the deep hole into which it fell in late 2008 and 2009.

The first quarter building permit total was up by over 40% compared to the first quarter of a year ago; again, however, the Q1 2011 total was low, down by about 47% compared to the prior year. The March monthly building permit total was up by over 60% year-over-year, but the March 2011 total was again abnormally low, down by over 50% compared to the prior year. The same trends apply to new housing construction in the city – solid improvements over year-ago levels, which in turn were down sharply compared to the prior year.

And in fact the same is true for existing home sales in the city, at least in terms of the number of sales (not the price of those sales). Closed sales in the first quarter were up by over 20% compared to the first quarter of 2011, which in turn was down by about 17% compared to Q1 of the prior year. March closed sales were up by nearly 28% year-over-year, but the March 2011 sales total was off by over 30%. Activity in all these sectors is largely regaining what it lost a year ago, but continues to lag well behind the years leading up to the downturn.

Housing prices have been and remain the exception, improving by some 3.7% (unadjusted for inflation) compared to the first quarter 2011 average. Prices remain at all-time highs – the first quarter average of over \$140,500 is the highest nominal average ever recorded.

Lubbock Consumer Price Index

The rate of year-over-year change in the Lubbock Consumer Price Index increased in March to 3.3%, up from 3.2% in February.

The food/grocery sector of the Lubbock CPI was unchanged from February to March at 4.4%, year-over-year.

The rate of change in the housing portion of the Lubbock CPI was also unchanged for the month at 2.6; the rate of increase in the energy/utilities sector moved upward to 3.4% in March compared to 3.2% in February.

The year-over-year rate of change in the Lubbock health care CPI sector also increased in March to 3.7%, up from 3.5% in February. The US national health care CPI increased at a rate of 3.5% over the last 12 months.

The rate of price increase for various miscellaneous goods and services in Lubbock increased in March to 2.4%, up from 2.2% in February.

The CPI-U (the benchmark CPI for consumers of all goods and services at the national level) fell in March to 2.7%, down from 2.9% in February. The “core” CPI – the CPI minus food and energy – at the national level increased by a tenth of a point in March to 2.3%, up from 2.2% in February.

The rate of increase in the CPI in the southern region of the US (which includes Texas) declined significantly in March to 2.8%, down from 3.3% in February.

The Dallas and Houston CPI values are calculated every other month (on off-months); the Dallas CPI declined in March to 2.7%, down from 3.0% in January. And again, the Houston CPI rate of change rose to 3.6% in February 2012, up from 3.1% in December 2011.



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Lubbock Economic Indicators

Economic Indicators March/1st Quarter 2012	Base Year 1996	One Year Ago 2011	This Year 2012	Percent Change 2011-2012
Retail Sales - March (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 144,722	\$ 180,284	\$ 185,609	3.0%
Retail Sales - 1st Quarter	\$ 533,757	\$ 653,557	\$ 668,312	2.3%
Dollars Spent on Auto Purchases - March (\$000s in 1995\$)	\$ 38,566	\$ 53,442	\$ 55,638	4.1%
Dollars Spent on Auto Purchases 1st Quarter	\$ 103,197	\$ 137,846	\$ 153,871	11.6%
Lodging Tax Receipts - 1st Quarter	\$ 467,309	\$ 1,064,484	\$ 1,184,960	11.3%
Airline Boardings - March	54,170	42,739	42,697	-0.1%
Airline Boardings - 1st Quarter	139,591	114,351	115,511	1.0%
Value All Construction Permits - March	\$ 11,736,444	\$ 19,717,914	\$ 31,714,029	60.8%
Value All Construction Permits - 1st Quarter	\$ 37,793,813	\$ 61,312,164	\$ 85,970,853	40.2%
New Home Permits - March	64	53	58	9.4%
New Home Permits - 1st Quarter	167	136	165	21.3%
Number of Home Sales - March	143	210	268	27.6%
Number of Home Sales - 1st Quarter	417	507	617	21.7%
Average Home Sale Price - March	\$ 79,502	\$ 143,848	\$ 141,823	-1.4%
Average Home Sale Price - 1st Quarter	\$ 80,866	\$ 135,603	\$ 140,552	3.6%
Electric Utility Customers - March	84,202	99,215	99,582	0.4%
Employment				
Wage and Salary Employment - March	111,200	127,800	130,600	2.2%
Wage and Salary Employment - 1st Quarter Avg	110,267	127,067	130,100	2.4%
Unemployment Rate - March	4.3%	5.9%	5.7%	-3.4%
Unemployment Rate - 1st Quarter Avg	4.4%	6.2%	5.7%	-8.1%
Oil and Gas (Regional)				
Oil Price/Barrel - March (WT Int. Crude)	\$ 19.59	\$ 99.47	\$ 102.79	3.3%
Rig Count - March *	22	30	35	16.7%
Oil Production - YTD *	37,287	27,362	26,618	-2.7%
Value of Oil Production - YTD *	\$ 587,626	\$ 2,474,942	\$ 2,644,495	6.9%
Agriculture (Regional)				
Cotton Price - March (cents/pound) +	79.25	193.21	81.98	-57.6%
Cotton - Bales Ginned Crop Year ++	2,483,350	4,753,350	1,450,700	-69.5%
Fat Cattle Price - March (\$/hd. Wt.)	\$ 61.74	\$ 115.91	\$ 127.08	9.6%
Value Cattle Marketed - 1st Quarter (\$000's) ++	\$ 73,777	\$ 75,349	\$ 89,950	19.4%
INDEX - March (Base=100 January 1996)	100.7	121.7	123.9	1.8%

* Texas Railroad Commission District 8A (Lubbock Area)

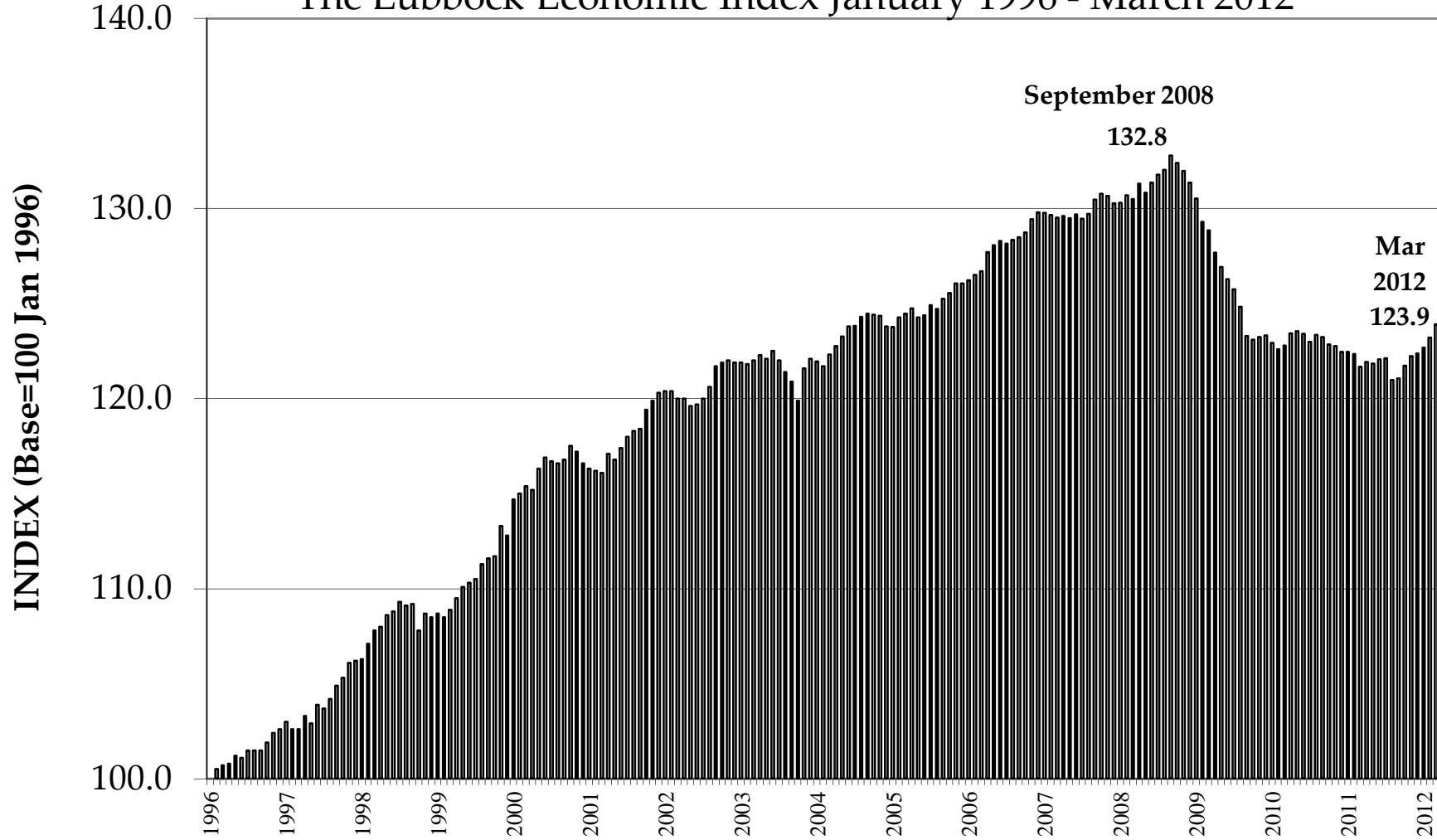
+ Average Monthly Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck

++ Texas South Plains



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The Lubbock Economic Index January 1996 - March 2012





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The Lubbock Economic Index 2006- 2012

