



# LUBBOCK NATIONAL BANK

## Lubbock Economic Index and Consumer Price Index October 2011

December 1, 2011

### Lubbock Economic Index

**The Lubbock Economic Index posted its largest month-to-month increase since April 2010 (and only the 2<sup>nd</sup> largest since September 2008), rising to 122.6 up from 121.9 in September.** The index remains lower compared to its year-ago level, down 1.2% compared to the October 2010 LEI of 124.1, though that margin of year-over-year decline continues to narrow. The Lubbock Economic Index in October 2011 is down by 8.5% compared to the peak LEI of 134.0 achieved in September 2008.

The metro area continues to add jobs according to current estimates, the spending indicators are solidly improved over year-ago levels, and hotel/motel tax receipts are up significantly. Construction was up sharply for the month, and housing sales and prices also posted year-over-year increases in October.

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.

- Taxable retail spending in Lubbock, adjusted for inflation, per October sales tax receipts in Lubbock was up a solid 5.9% compared to October of a year ago, and the year-to-date total is now up by 3% compared to the same period in 2010. The October monthly real spending figure is the highest October total ever recorded, suggesting that spending in Lubbock is soon to move from the 'recovery' phase to the true growth phase. The year-to-date total remains only very slightly lower – about .2% - compared to the peak spending year of 2008.
- The Lubbock metro area remains in the top tier of Texas metro areas in terms of its employment situation; the 3% year-over-year job growth ranks fifth out of 26 metro areas in the state, and the unemployment rate, while historically high, ranks fourth best. An estimated 4,300 jobs were added to the Lubbock economy over the past year, spread broadly across the various employment sectors including the government sector, which has been under considerable pressure over the last 2-3 years. Only the "information" sector lost jobs over the year, shedding about 100 jobs according to the current estimates. Assuming these estimates are correct, the city is enjoying record employment levels in 2011 – the October '11 employment total is up by about 2,000 jobs compared to the prior peak in October 2008.

Auto sales turned up sharply in October with inflation-adjusted spending on new and used automobiles up by nearly 20% compared to October of a year ago. The year-to-date total is now up by nearly 8% compared to the January-October 2010 period. Auto spending remains lower compared to virtually all of the previous decade, however, reflecting the deep declines in the auto spending sector that Lubbock endured in 2009.

Construction activity rebounded in October with building permit valuations up by 47% compared to October of a year ago; however, the October 2010 permit total was up down by over 40% compared to the prior year, and the October 2010 and 2011 permit valuation numbers were the lowest October totals since 2003. The year-to-date total remains down by about 28% year-over-year, and is down compared to each year dating back to 1999.

New housing permits in October were unchanged compared to October of a year ago, and the YTD total continues sharply lower compared to year ago levels, down by over 35%. Rates of new housing construction in the city have been generally on the decline since as far back as 2003 and clearly that long cycle of decline continues in 2011.

LEI/CPI, p.2.

Existing home sales are historically low as well, but were up modestly in October compared to year ago levels. The year-to-date total is down slightly compared to 2010. Of greater significance, however (at least in terms of the structural condition of the Lubbock economy), prices continue to post healthy improvements, up by 6.2% and 3.8% for the month and year-to-date, respectively.

Data is just beginning to be released on the monthly volume of cotton ginned on the South Plains, and early returns are not always reflective of the final outcome. However, it is widely expected, of course, that the regional crop volume is sharply lower in the drought year of 2011, and the October ginnings numbers suggest a decline compared to October of a year ago of over 55%. The running crop year-to-date ginnings total will be updated each month through March of 2012 for the 2011 crop.

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## **Lubbock Consumer Price Index**

### **The October 2011 Lubbock Consumer Price Index was unchanged from September to October at 3.0%.**

The food/grocery sector of the Lubbock CPI continues to tick higher, up 4.0% in October (year-over-year), compared to a 3.8% rate of change in September.

The rate of change in the housing portion of the Lubbock CPI moved upward again in October to 2.8%, up from 2.6% in September. The rate of increase in the energy/utilities sector retreated slightly in October, dipping to 3.2% down from 3.3% in September.

The year-over-year rate of change in the Lubbock health care CPI sector was unchanged from September to October at 3.2%; the US national health care CPI increased significantly over the month, moving upward to 3.1% in October from 2.8% in September.

The rate of price increase for various miscellaneous goods and services increased slightly over the month to 2.0% in October, up from 1.9% in September.

The CPI-U (the benchmark CPI for consumers of all goods and services at the national level) pulled back in October, dipping to 3.5% down from 3.9% in September. The "core" CPI – the CPI minus food and energy – at the national level ticked up slightly in October to 2.1%, compared to 2.0% in September.

The CPI in the southern region of the US (which includes Texas) declined again in October, falling to 3.7% down from 4.1% in September.

The Dallas and Houston CPI values are calculated every other month (on off-months); again, the Dallas CPI for September also retreated a bit after some sharp increases, falling to 3.7%, down from 4.2% in July. The Houston CPI decreased sharply in October, falling to 3.2% compared to 3.7% in September. The pullback in the southern region of the country and in the Texas major metro price indexes bodes well for the Lubbock short-term future, suggesting that Lubbock consumers will not be looking at sharp, sustained price increases in the near term.



## Lubbock Economic Indicators

Economic Indicators October 2011	Base Year 1996	One Year Ago 2010	This Year 2011	Percent Change 2010-2011
Retail Sales - October (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 142,877	\$ 197,703	\$ 209,376	5.9%
Retail Sales - Year-To-Date	\$ 1,656,734	\$ 2,021,500	\$ 2,082,740	3.0%
Dollars Spent on Auto Purchases - Oct (\$000s in 1995\$)	\$ 36,940	\$ 39,825	\$ 47,630	19.6%
Dollars Spent on Auto Purchases YTD	\$ 375,990	\$ 427,053	\$ 460,938	7.9%
Lodging Tax Receipts - YTD	\$ 1,788,467	\$ 3,693,208	\$ 4,202,285	13.8%
Airline Boardings - Oct	57,848	47,291	46,952	-0.7%
Airline Boardings - YTD	511,604	435,469	432,243	-0.7%
Value All Construction Permits - Oct	\$ 16,793,472	\$ 17,258,228	\$ 25,368,532	47.0%
Value All Construction Permits - YTD	\$ 147,980,708	\$ 339,896,760	\$ 244,908,911	-27.9%
New Home Permits - Oct	42	36	36	0.0%
New Home Permits - YTD	490	676	442	-34.6%
Number of Home Sales - Oct	179	195	208	6.7%
Number of Home Sales - YTD	1,810	2,465	2,417	-1.9%
Average Home Sale Price - Oct	\$ 77,874	\$ 131,810	\$ 140,008	6.2%
Average Home Sale Price - YTD	\$ 86,345	\$ 137,331	\$ 142,604	3.8%
Electric Utility Customers - Oct	84,539	98,929	99,432	0.5%
<b>Employment</b>				
Wage and Salary Employment - Oct	113,400	129,600	133,900	3.3%
Wage and Salary Employment - YTD Avg	110,930	128,250	130,350	1.6%
Unemployment Rate - Oct	3.4%	6.0%	6.1%	1.7%
Unemployment Rate - YTD Avg	4.3%	6.2%	6.4%	3.2%
<b>Oil and Gas (Regional)</b>				
Oil Price/Barrel - September (WT Int. Crude)	\$ 23.34	\$ 78.38	\$ 82.75	5.6%
Rig Count - September *	20	28	41	46.4%
Oil Production (000 bbls) - YTD *	124,080	90,700	88,887	-2.0%
Value of Oil Production (\$000s) - YTD *	\$ 2,197,654	\$ 6,761,827	\$ 8,076,795	19.4%
<b>Agriculture (Regional)</b>				
Cotton Price - Oct (cents/pound) +	71.51	106.64	95.48	-10.5%
Cotton - Bales Ginned Crop Year ++	446,550	1,118,150	488,600	-56.3%
Fat Cattle Price - Oct (\$/hd. Wt.)	\$ 70.89	\$ 98.43	\$ 120.50	22.4%
Value Cattle Marketed - YTD (\$000's) ++	\$ 254,701	\$ 231,947	\$ 316,733	36.6%
<b>INDEX - October (Base=100 January 1996)</b>	<b>101.9</b>	<b>124.1</b>	<b>122.6</b>	<b>-1.2%</b>

\* Texas Railroad Commission District 8A (Lubbock Area)

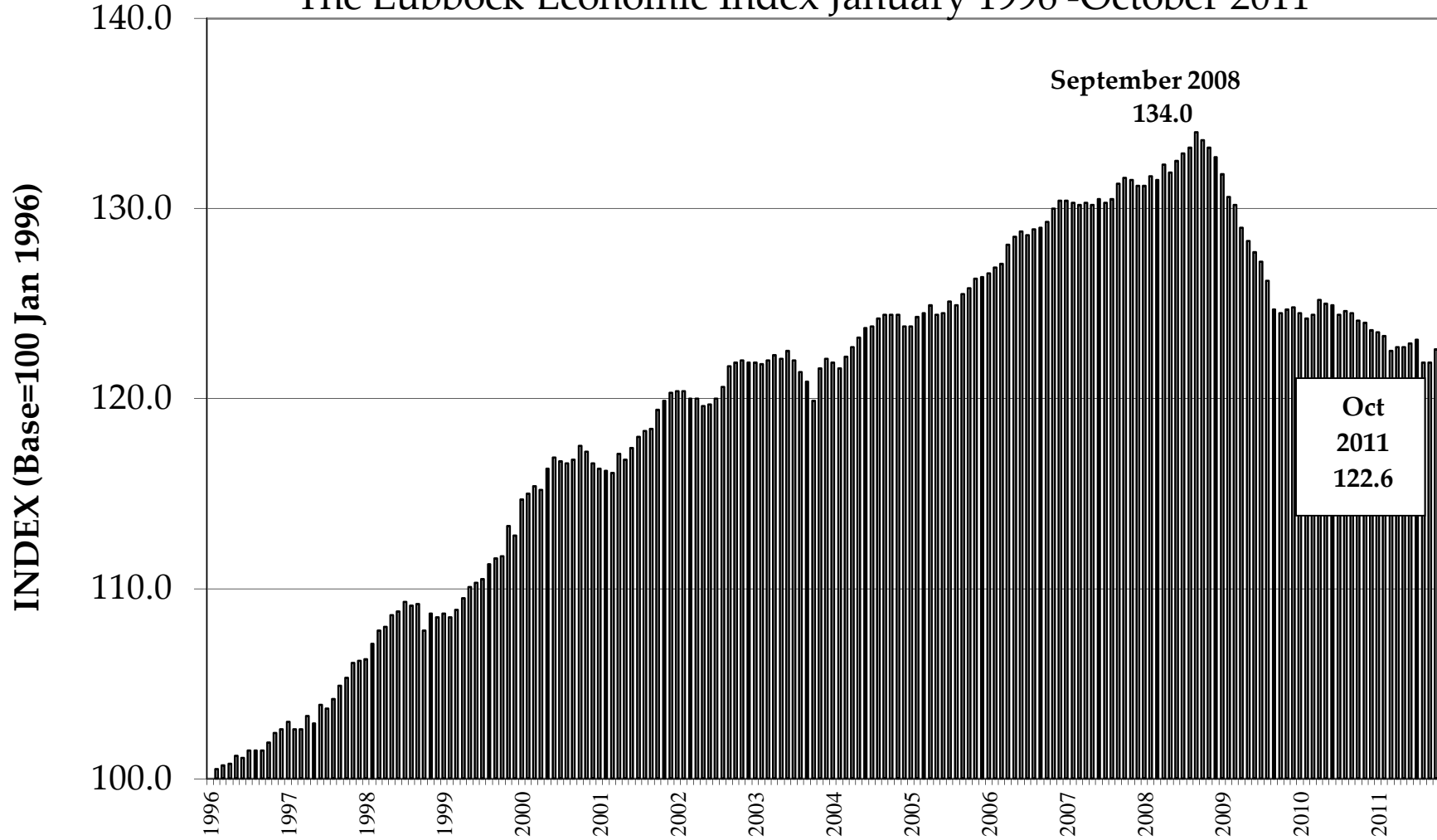
+ Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck

++ South Plains Region



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## The Lubbock Economic Index January 1996 -October 2011





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## The Lubbock Economic Index 2005- 2011

