



LUBBOCK NATIONAL BANK

Lubbock Economic Index and Consumer Price Index

September/3rd Quarter 2011

October 27, 2011

Lubbock Economic Index

The Lubbock Economic Index was unchanged from August to September at 121.9, and remains lower compared to its year-ago level, down 2.1% from the September 2010 LEI of 124.5. The Lubbock metro area economy continues to enjoy solid job growth, though the rate of increase has moderated, housing sales were up for the month and quarter, and housing prices continue to increase. Construction activity, including home building, is once again sharply lower compared to year-ago and historical levels and the unemployment rate remains high.

As September represents the end of the quarter, the table of economic indicators contains largely third quarter totals/averages along with the year-to-date totals/averages, with the exception of the employment data which reflects the September monthly estimates along with the year-to-date averages.

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 third quarter sales tax receipts were up a very modest 1.2% compared to the third quarter 2010 total. For the year-to-date, real general spending is up about 2.7% compared to the first nine months of a year ago. Spending in 2011 continues to inch its way back to its pre-downturn highs; the third quarter total is down about 4.3% compared to the third quarter 2008, and the YTD through September 2011 total is down just about .5% compared to the January-September '08 total (spending peaked in 2008 just prior to the recession in 2009).
- After the surprising uptick in employment growth rates in Lubbock in recent months, those growth rates have begun to moderate a bit, and the September payroll employment estimate is up by 2.3% compared to September of a year ago (the year-over-year growth rate had spiked upward to 3.7% in July after averaging well under 1% up to that point), a net addition of about 3,000 jobs across a broad spectrum of various employment categories over the last 12 months. There is no relief in terms of the Lubbock unemployment rate, however, which continues to inch upward. The September rate of 6.5% is up from 6.1% in September of a year ago, and remains the highest unemployment rate in well over 20 years.

Auto sales were up modestly in the third quarter with inflation-adjusted spending on new and used automobiles up by 2.2% compared to the third quarter of a year ago. The year-to-date real auto spending total is up by 6.7% compared to the YTD through September 2010 total, but remains significantly lower compared to the January-September totals in 2007 and 2008 in advance of the downturn.

Construction activity remains sharply lower in 2011 with building permit valuations posting a quarterly decline for the fourth straight quarter dating back to the fourth quarter of 2010. The third quarter total building permit valuation total was down by over 25% year-over-year; the YTD total is down by some 32%, and represents the lowest January-September total since 1999.

LEI/CPI, p.2.

Housing construction continues to slow dramatically as well, with the number of new single-family residence construction permits down about 60% in the third quarter compared to the same period in 2010. The 105 permits issued in the quarter is easily the lowest third quarter permit total dating back to at least 1995, the year data collection began for the Lubbock Economic Index analysis. The number of permits issued for the YTD is down by about 37% compared to the first nine months of a year ago.

Existing home sales have improved, however, with the number of closed sales in the third quarter up by over 26% year-over-year (the September sales total was nearly 40% improved over September of a year ago). As a matter of context, however, the third quarter 2010 housing sales total was down by about 30% compared to the prior year, and home sales thus far in 2011 are down compared to the last 10 years or so.

Prices continue to improve, however; the third quarter average home sale price was up by about 3.8% compared to Q3 2010, and the year-to-date total is up by 3.7%. Over the last 16 years (or longer), housing prices have done nothing but escalate at a generally healthy rate, and that trend remains uninterrupted during the economic turmoil of recent years and through the third quarter of 2011.

Lubbock Consumer Price Index

The September 2011 Lubbock Consumer Price Index increased by 3.0% compared to September of 2010, up from a 2.8% rate of year-over-year price increase in August.

The food/grocery sector of the Lubbock CPI continues to move upward, up 3.8% in September (year-over-year), compared to a 3.2% rate of change in August.

The rate of change in the housing portion of the Lubbock CPI ticked upward again slightly to 2.6% in September, up from 2.5% in August. The rate of increase in the energy/utilities sector increased in September for the first time in five months, rising to 3.3% up from 3.1% in August.

The year-over-year rate of change in the Lubbock health care CPI sector declined in September to 3.2%, down from 3.4% in August. The US national health care CPI fell to 2.8% in September, down from 3.2% in August.

The rate of price increase for various miscellaneous goods and services rose slightly in September to 1.9%, up from 1.8% in August.

The CPI-U (the benchmark CPI for consumers of all goods and services at the national level increased again to 3.9% in September, up from 3.8% in August. The “core” CPI – the CPI minus food and energy – at the national level was unchanged from August to September at 2.0%

The CPI in the southern region of the US (which includes Texas) retreated slightly in September to 4.1%, down from a 4.3% year-over-year rate of change in August.

The Dallas and Houston CPI values are calculated every other month (on off-months); the Dallas CPI for September also retreated a bit after some sharp increases, falling to 3.7%, down from 4.2% in July. And again, the Houston CPI stands at 3.7% in August, compared to 3.4% in June.



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Lubbock Economic Indicators

Economic Indicators September/3rd Quarter 2011	Base Year 1996	One Year Ago 2010	This Year 2011	Percent Change 2010-2011
Retail Sales - 3rd Qtr (\$000's in 1995 Dollars)	\$ 489,126	\$ 602,292	\$ 609,243	1.2%
Retail Sales - Year-To-Date	\$ 1,513,857	\$ 1,823,797	\$ 1,873,363	2.7%
Dollars Spent on Auto Purchases - 3rd Qtr (\$000s in 1995 Dollars)	\$ 117,246	\$ 137,537	\$ 140,519	2.2%
Dollars Spent on Auto Purchases - YTD	\$ 339,050	\$ 387,228	\$ 413,309	6.7%
Lodging Tax Receipts - YTD	\$ 1,400,656	\$ 3,107,610	\$ 3,452,344	11.1%
Airline Boardings - 3rd Qtr	158,983	133,773	135,878	1.6%
Airline Boardings - YTD	453,756	388,178	385,291	-0.7%
Value All Construction Permits - 3rd Qtr	\$ 56,133,376	\$ 109,212,486	\$ 80,060,722	-26.7%
Value All Construction Permits - YTD	\$ 131,187,236	\$ 322,638,532	\$ 219,540,379	-32.0%
New Home Permits - 3rd Qtr	123	263	105	-60.1%
New Home Permits - YTD	448	640	406	-36.6%
Number of Home Sales - 3rd Qtr	607	665	839	26.2%
Number of Home Sales - YTD	1,631	2,270	2,209	-2.7%
Average Home Sale Price - 3rd Qtr	\$ 89,647	\$ 143,724	\$ 149,257	3.8%
Average Home Sale Price - YTD	\$ 87,286	\$ 137,805	\$ 142,849	3.7%
Electric Utility Customers - September	84,492	97,212	99,399	2.2%
Employment				
Wage and Salary Employment - September	112,000	129,000	132,000	2.3%
Wage and Salary Employment - YTD Avg	110,656	128,100	129,911	1.4%
Unemployment Rate - September	3.6%	6.1%	6.5%	6.6%
Unemployment Rate - YTD Avg	4.4%	6.2%	6.4%	3.2%
Oil and Gas (Regional)				
Oil Price/Barrel - September (WT Int. Crude)	\$ 22.23	\$ 71.93	\$ 81.56	13.4%
Rig Count - September *	16	30	37	23.3%
Oil Production (000 bbls) - YTD *	111,534	81,590	79,993	-2.0%
Value of Oil Production (\$000s) - YTD *	\$ 1,956,597	\$ 6,047,770	\$ 7,340,590	21.4%
Agriculture (Regional)				
Cotton Price - September (cents/pound) +	72.53	87.48	99.15	13.3%
Fat Cattle Price - September (\$/hd. Wt.)	\$ 71.09	\$ 97.13	\$ 117.22	20.7%
Value Cattle Marketed - YTD ++	\$ 219,965	\$ 207,339	\$ 281,788	35.9%
INDEX - September (Base=100 January 1996)	101.5	124.5	121.9	-2.1%

* Texas Railroad Commission District 8A (Lubbock Area)

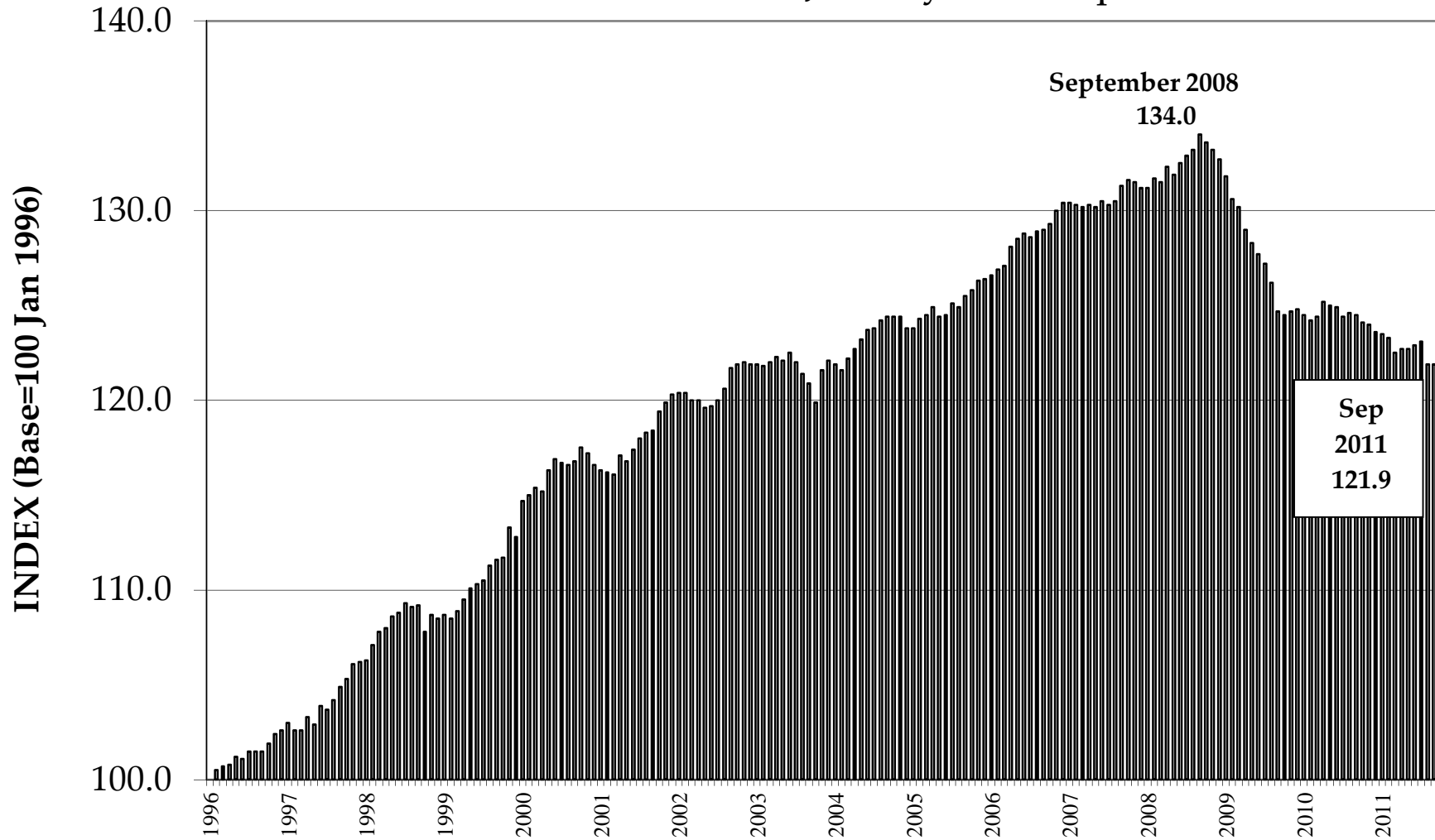
+ Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck

++ Tx Crop Reporting District 1-S



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The Lubbock Economic Index January 1996 -September 2011





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The Lubbock Economic Index 2005- 2011

