



LUBBOCK NATIONAL BANK

Lubbock Economic Index and Consumer Price Index

July 2011

August 29, 2011

Lubbock Economic Index

The Lubbock Economic Index posted another slight increase from June to July rising to 123.1, up from 122.9 in June (revised downward by 1/10 of a point due to a downward revision in the June payroll employment estimate). The July LEI is down by 1.0% compared to the July 2010 index of 124.4.

The rate of spending growth has slowed and housing construction dropped off dramatically; however, the building permit total was high for the month, housing sales were improved compared to last year's low level, and employment took a sharp and surprising turn upward.

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 July sales tax receipts in Lubbock, was up by about 1.7% compared to July of a year ago. For the year-to-date, real spending is up by about 3.3% compared to the first seven months of 2010. Spending thus far in 2010 remains above all prior years (the peak spending year of 2008 in particular), but the margin by which that is the case has narrowed a bit as the rate of growth has slowed in recent months.
- The Lubbock employment estimates continue to exhibit an odd spike, further exacerbated in July; the July payroll employment estimate in Lubbock is up by 4% compared to July of a year ago. That year-over-year rate of growth is up from well under 1% in each of the first five months of the year. The June original payroll employment estimate was up by 2.0% year-over-year, and that estimate was scaled back to 1.6% with the release of the July data. Only in the rarest of circumstances does employment growth change that much that rapidly, and indeed, 4% employment growth generally occurs in economies that are well into a significant overall growth period, which has not been the case in Lubbock in 2011. According to the monthly estimates, the Lubbock economy went from adding about 500 jobs year-over-year in the first five months of the year, to 5,000 jobs in July and the highest rate of growth since 1997. The 4% rate of growth vaults Lubbock into the top spot among Texas metro areas in terms of jobs added over the last 12 months. The newly found job growth is spread across a number of employment categories, even government, which has gone from a year-over-year loss of 800 jobs to a gain of 200 jobs in one month alone.

Auto spending continues to improve slowly but steadily, with inflation-adjusted spending on new and used automobiles per Lubbock County motor vehicle sales tax receipts up by nearly 6% in July compared to July of a year ago. For the year-to-date through July, real auto spending is up by some 8.8% compared to the first seven months of 2010. Still, spending on this big-ticket item remains down compared to each year 2000 – 2008, and is off its 2008 peak spending level by nearly 18%.

The \$49.7 million in building permits issued in July was the highest monthly total since December 2009, and the 2nd-highest July monthly total on record behind only the \$90 million permit total in July 2005. The year-to-date total remains down by over 20% compared to a year ago, and the lowest YTD through July total since 2002.

The 35 new single-family residence construction permits was the lowest July housing construction total since 1995 and was off by nearly 60% compared to a year ago. The year-to-date total is down by over 27% compared to the first seven months of 2010, and is the lowest January-July total since 1997.

Existing home sales increased by nearly 40% in July (year-over-year), having more to do with the fact that the July 2010 total was especially low, in fact, the lowest July total since 2000. The year-to-date total is down by about 8% compared to a year ago, and remains the lowest YTD through July total since 2001. Prices continue to increase, however. The July average of \$145,191 is easily the highest July monthly average on record, as is the YTD 2011 average of \$140,087. Thus far in 2011, the average home sale price is up by 3% compared to a year ago.

Lubbock Consumer Price Index

The July 2011 Lubbock Consumer Price Index increased by 2.7% compared to July of 2010, up from the 2.5% rate of increase in June.

The food/grocery sector of the Lubbock CPI continues to increase, up by 2.6% in July, compared to a 2.0% rate of increase in June.

The rate of change in the housing portion of the Lubbock CPI was unchanged from June to July at 2.3%. The rate of increase in the energy/utilities sector declined slightly in July to 3.4%, down from 3.5% in June.

The year-over-year rate of change in the Lubbock health care CPI sector fell slightly to 3.4% in July, down from 3.5% in June. The US national health care CPI increased by a rate of 3.2% year-over-year in June compared to a 2.9% rate of change in May.

The rate of price increase for various miscellaneous goods and services increased to 1.6% in July, up from 1.4% in June.

The CPI-U (the benchmark CPI for consumers of all goods and services at the national level) was unchanged in July for the third straight month at 3.6%. The “core” CPI – the CPI minus food and energy – at the national level rose to 1.8% in July up from 1.6% in June.

The CPI in the southern region of the US (which includes Texas) increased in July to 4.1%, up from 3.8% in June, the highest CPI rate of change since the sharp price increases of 2008.

The Dallas and Houston CPI values are calculated every other month (on off-months); the Dallas CPI for July 2011 was 4.2% higher than the July 2010 value, another sharp increase from the 3.3% rate of increase in May. And again, the Houston metro area CPI was last updated in June, dropping to 3.4% down from 3.9% in April.



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Lubbock Economic Indicators

Economic Indicators July 2011	Base Year 1996	One Year Ago 2010	This Year 2011	Percent Change 2009-2011
Retail Sales - July (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 140,343	\$ 183,193	\$ 186,347	1.7%
Retail Sales - Year-To-Date	\$ 1,165,074	\$ 1,404,698	\$ 1,450,467	3.3%
Dollars Spent on Auto Purchases - July (\$000s in 1995\$)	\$ 42,552	\$ 42,607	\$ 45,109	5.9%
Dollars Spent on Auto Purchases YTD	\$ 264,357	\$ 292,297	\$ 317,899	8.8%
Lodging Tax Receipts - YTD	\$ 1,292,780	\$ 2,679,236	\$ 2,985,332	11.4%
Airline Boardings - July	55,414	46,744	47,657	2.0%
Airline Boardings - YTD	350,187	301,149	297,070	-1.4%
Value All Construction Permits - July	\$ 20,836,961	\$ 28,005,455	\$ 49,721,827	77.5%
Value All Construction Permits - YTD	\$ 95,890,821	\$ 241,431,501	\$ 189,201,484	-21.6%
New Home Permits - July	45	86	35	-59.3%
New Home Permits - YTD	370	463	336	-27.4%
Number of Home Sales - July	187	225	312	38.7%
Number of Home Sales - YTD	1,211	1,830	1,682	-8.1%
Average Home Sale Price - July	\$ 86,960	\$ 140,435	\$ 145,191	3.4%
Average Home Sale Price - YTD	\$ 86,228	\$ 135,977	\$ 140,087	3.0%
Electric Utility Customers - July	84,451	97,050	99,454	2.5%
Employment				
Wage and Salary Employment - July	109,300	126,200	131,200	4.0%
Wage and Salary Employment - YTD Average	110,300	128,143	129,486	1.0%
Unemployment Rate - July	5.0%	6.9%	7.2%	4.3%
Unemployment Rate - YTD Avg	4.5%	6.2%	6.4%	3.2%
Oil and Gas (Regional)				
Oil Price/Barrel - July (WT Int. Crude)	\$ 19.69	\$ 72.66	\$ 93.57	28.8%
Rig Count - July *	24	26	39	50.0%
Oil Production - YTD *	86,563	63,577	62,144	-2.3%
Value of Oil Production - YTD *	\$ 1,489,093	\$ 4,741,410	\$ 5,874,694	23.9%
Agriculture (Regional)				
Cotton Price - July (cents/pound) +	71.10	74.63	112.19	50.3%
Cotton - Bales Ginned Crop Year ++	2,483,350	3,208,300	4,753,360	48.2%
Fat Cattle Price - July (\$/hd. Wt.)	\$ 64.02	\$ 93.21	\$ 111.15	19.2%
Value Cattle Marketed - YTD (\$000's) ++	\$ 179,718	\$ 160,882	\$ 217,102	34.9%
INDEX - July (Base=100 January 1996)	101.5	124.4	123.1	-1.0%

* Texas Railroad Commission District 8A (Lubbock Area)

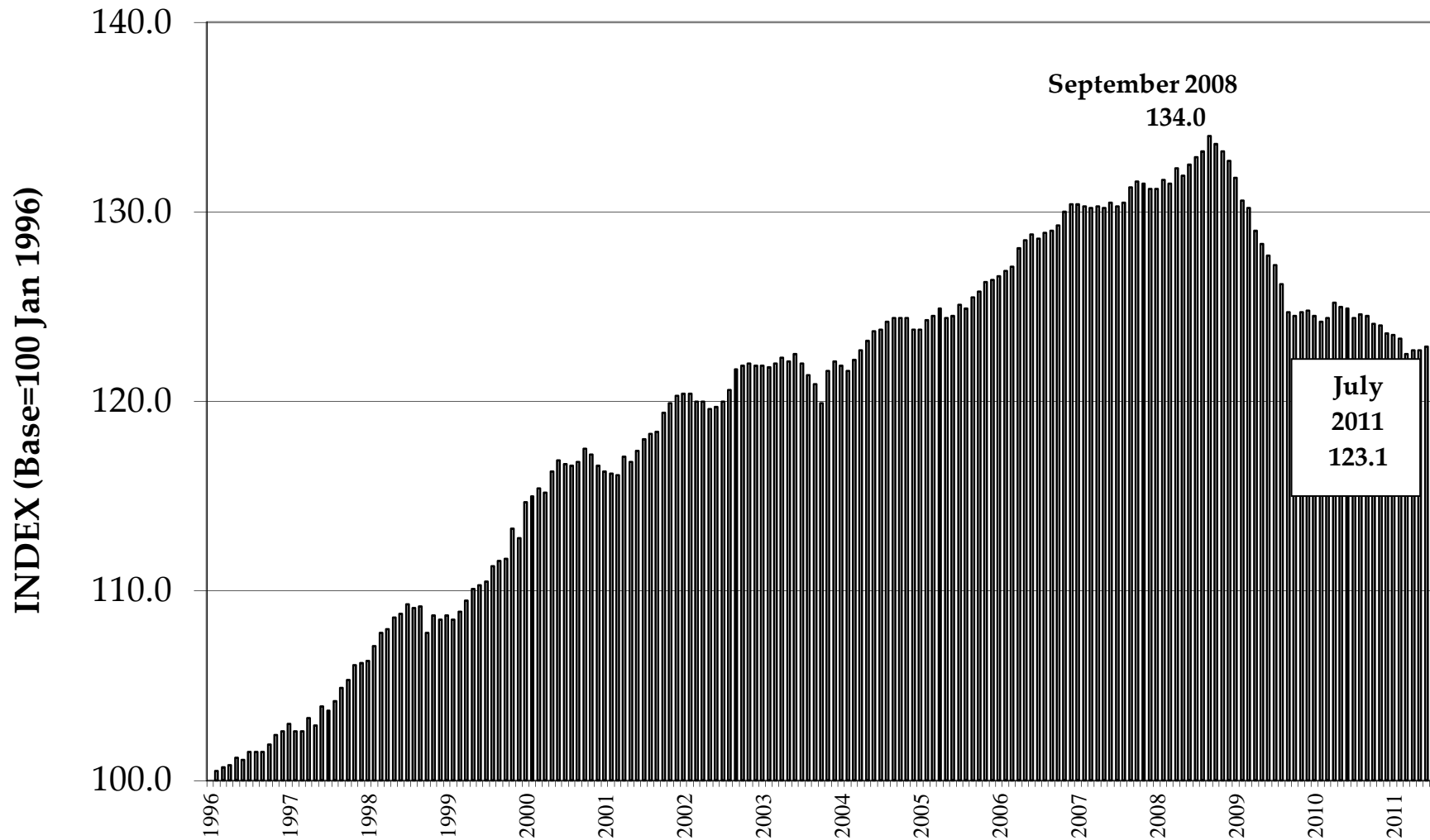
+ Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck

++ Tx Crop Reporting District 1-S



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The Lubbock Economic Index January 1996 - July 2011





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The Lubbock Economic Index 2005- 2011

