



# LUBBOCK NATIONAL BANK

## Lubbock Economic Index And Consumer Price Index February 2012

April 5, 2012

### Lubbock Economic Index

**The February 2012 Lubbock Economic Index increased for the sixth straight month to 123.2, up from 122.7 in January, and up .7% compared to the February 2010 LEI of 122.3.** Retail spending per sales tax receipts was flat compared to year-ago levels, but employment continues to grow, and the unemployment rate, though revised slightly upward during the revision process, appears to finally be steadily on the decline. In addition, auto sales, construction, home building, and existing home sales all posted strong year-over-year growth in February, helping to push the Lubbock Economic Index 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.

- Real spending in Lubbock per February sales tax receipts in the city was essentially flat compared to year-ago levels; that is not catastrophic, as the year-ago (February 2010) real spending total was up by over 5% compared to the prior year. However, the February sales tax rebate largely reflects December 2011 sales activity, and Lubbock retailers likely hoped for a better outcome for the holiday season. Spending per sales tax receipts thus far in 2011 is up by 2% compared to the first two months of 2011 and again, remains higher compared to the pre-recession spending peak levels.
- Payroll employment in Lubbock continues to improve under the new employment benchmarks, up by 2.9% (about 3,700 jobs) compared to February of a year ago. The government (state, local, federal) sector added 1,300 of those jobs, and jobs were added broadly across other sectors of the Lubbock economy. Only the "Information" employment sector lost jobs over the last 12 months, declining by 100 jobs or so.

The Lubbock unemployment rate was down compared to its year-ago level for the fifth straight month, and though it remains elevated relative to its pre-recession low point, it does appear to be steadily on the decline as of late 2011. The February unemployment rate stands at 5.5%, compared to 6.2% in February 2010.

Auto spending was up by double-digit percentage points for the second straight month in February with real (inflation-adjusted) spending on new and used automobiles up over 17% compared to February of a year ago. Real auto spending in January-February is up by over 16% compared to the first two months of 2010, but is still down by about 11% compared to the first two months of 2008, the peak year for auto spending in Lubbock prior to the sharp downturn.

The February building permit total was the highest February monthly total since 2008, and was up by over 20% compared to February 2010. For the year-to-date, building permit activity is up by over 30% compared to year-ago levels. Building permit valuations in early 2010 were exceptionally low, however

– the total for the first two months of the year was down by 45% compared to the same period in the 2010.

New housing construction is also improved compared to year-ago levels; again, though, the number of new single-family residence construction permits in early 2011 was very low. The monthly and year-to-date permit numbers are up by 40.5 and 28.9%, respectively, compared to 2010; the monthly and YTD through February 2011 permit numbers were down by 44% and 38%, respectively.

February home sales were the highest since February 2009, up by over 24% compared to February 2010. For January-February, housing sales are up by about 18% compared to the first two months of a year ago. The average price was up sharply – nearly 17% -- compared to February of a year ago, suggesting one or more large home sales during the month. On balance, housing values as represented by average prices continue to improve, generally rising at a 2-3% annual rate.

The final South Plains cotton ginnings totals are in for the 2010 crop year (the crop planted and harvested in 2010, and ginned in 2010 and 2011); not surprisingly, total bales ginned on the South Plains were down by about 70% compared to the prior year cotton crop due, of course, to the extreme drought endured last year. Interestingly, because of the nature of crop marketing years, the bulk of the negative impact of the drought will likely be felt more in 2011 than in 2010. The marketing year for cotton on the South Plains begins in the fall when the crop is harvested, and spans through the next fall when the 2011 crop will be harvested. Most of the marketing year, during which the proceeds for the crop will be spent, occurs in 2011 rather than in 2010, which enjoyed the residual effects of a strong crop in 2010, which was by far the highest value crop on record.

### **The 2012 Forecast**

The US economy continues to deal with the effects of the “great recession”, and the recovery has been slow and tenuous. The recession, which occurred largely in 2008 and midway through 2009, was such an extraordinary economic event that it continues to dominate the discussion nearly three years later. The recession of 2008-9 at the US national level turned into the recession of 2009 at the Texas state level, and in the Lubbock metro area economy.

A quick glance at the graph of the Lubbock Economic Index suggests the difficulty of the recovery from the recession. As recently as 6-9 months ago, the concerns of a double-dip recession in the US were on the rise, though those concerns have abated considerably since then. Moving into 2012, the prevailing forecast is for moderate growth in the US economy this year with perhaps a 25% possibility that the outcome could be either better than that, or worse than that. In other words, there is only cautious optimism that we have moved beyond the effects of the recession and that the US will enjoy a solid growth economy in 2012, with significant levels of uncertainty about where we go from here.

Our forecast is for 3-4% growth in the Lubbock Economic Index in 2012, which reflects the expectation for growth in spending and employment along with continued modest improvements in the housing market (both construction and existing home sales). The spending and employment numbers are reasonably solid, with both now surpassing pre-recession peak levels, which is something not nearly every metro area in Texas can claim. A growing national economy will provide considerable stimulus to the Lubbock local economy; moreover, the negative effects of the 2010 drought will be tempered in 2012 by payments to producers in the form of crop insurance and disaster payments. Additionally, the region has enjoyed some moisture, brightening the prospects for spring planting across the region. Just the act of farming itself is stimulative to the regional economy with the purchase of the various inputs – fuel, fertilizer, etc.

In short, 2012 should be the best year for the Lubbock economy since 2008.

## **Lubbock Consumer Price Index**

**The rate of year-over-year change in the Lubbock Consumer Price Index was again unchanged from January to February at 3.2%.**

The food/grocery sector of the Lubbock CPI actually declined slightly for the first time in over a year, dipping to 4.5% in February, down from 4.6% in January.

The rate of change in the housing portion of the Lubbock CPI also declined again slightly to 2.6% in February, down from 2.7% in January. The rate of increase in the energy/utilities sector ticked upward to 3.2% compared to 3.0% in January.

The year-over-year rate of change in the Lubbock health care CPI sector held steady from January to February at 3.5%. The US national health care CPI increased at a rate of 3.4% over the last 12 months.

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

The CPI-U (the benchmark CPI for consumers of all goods and services at the national level) remained constant from January to February at 2.9%. The “core” CPI – the CPI minus food and energy – at the national level retreated by a tenth of a point in February to 2.2% down from 2.3% in January.

The rate of increase in the CPI in the southern region of the US (which includes Texas) increased in February to 3.3% up from 3.2% in January.

The Dallas and Houston CPI values are calculated every other month (on off-months); the Dallas CPI was last updated in January, and dropped a full point to 3.0%, down from 4.0% in November. The Houston CPI rate of change rose to 3.6% in February 2012, up from 3.1% in December.



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## Lubbock Economic Indicators

Economic Indicators February 2012	Base Year 1996	One Year Ago 2011	This Year 2012	Percent Change 2011-2012
Retail Sales - February (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 238,554	\$ 284,833	\$ 285,165	0.1%
Retail Sales - Year-To-Date	\$ 389,035	\$ 473,274	\$ 482,704	2.0%
Dollars Spent on Auto Purchases - Feb (\$000s in 1995\$)	\$ 33,837	\$ 41,286	\$ 48,452	17.4%
Dollars Spent on Auto Purchases YTD	\$ 64,631	\$ 84,374	\$ 98,233	16.4%
Lodging Tax Receipts - YTD	\$ 454,928	\$ 955,909	\$ 1,066,036	11.5%
Airline Boardings - Feb	44,563	34,924	38,227	9.5%
Airline Boardings - YTD	85,421	71,612	72,814	1.7%
Value All Construction Permits - Feb	\$ 11,958,604	\$ 28,647,280	\$ 35,186,802	22.8%
Value All Construction Permits - YTD	\$ 26,057,369	\$ 41,594,250	\$ 54,256,824	30.4%
New Home Permits - Feb	58	42	59	40.5%
New Home Permits - YTD	103	83	107	28.9%
Number of Home Sales - Feb	146	162	201	24.1%
Number of Home Sales - YTD	274	297	349	17.5%
Average Home Sale Price - Feb	\$ 79,449	\$ 124,616	\$ 145,714	16.9%
Average Home Sale Price - YTD	\$ 81,578	\$ 129,772	\$ 139,576	7.6%
Electric Utility Customers - Feb	84,130	99,188	99,520	0.3%
<b>Employment</b>				
Wage and Salary Employment - Feb	110,400	126,600	130,300	2.9%
Wage and Salary Employment - YTD Avg	109,800	126,700	130,000	2.6%
Unemployment Rate - Feb	4.4%	6.2%	5.5%	-11.3%
Unemployment Rate - YTD Avg	4.5%	6.3%	5.7%	-9.5%
<b>Oil and Gas (Regional)</b>				
Oil Price/Barrel - Feb (WT Int. Crude)	\$ 17.20	\$ 86.07	\$ 98.81	14.8%
Rig Count - Feb *	20	29	35	20.7%
Oil Production - YTD *	24,557	18,174	17,690	-2.7%
Value of Oil Production - YTD *	\$ 374,065	\$ 1,561,026	\$ 1,726,846	10.6%
<b>Agriculture (Regional)</b>				
Cotton Price - Feb (cents/pound) +	79.76	175.13	82.45	-52.9%
Cotton - Bales Ginned Crop Year-To-Date ++	2,483,350	4,753,350	1,450,700	-69.5%
Fat Cattle Price - Feb (\$/hd. Wt.)	\$ 62.97	\$ 108.42	\$ 124.38	14.7%
Value Cattle Marketed - YTD (\$000's) ++	\$ 49,698	\$ 42,895	\$ 59,450	38.6%
<b>INDEX - February (Base=100 January 1996)</b>	<b>100.5</b>	<b>122.3</b>	<b>123.2</b>	<b>0.7%</b>

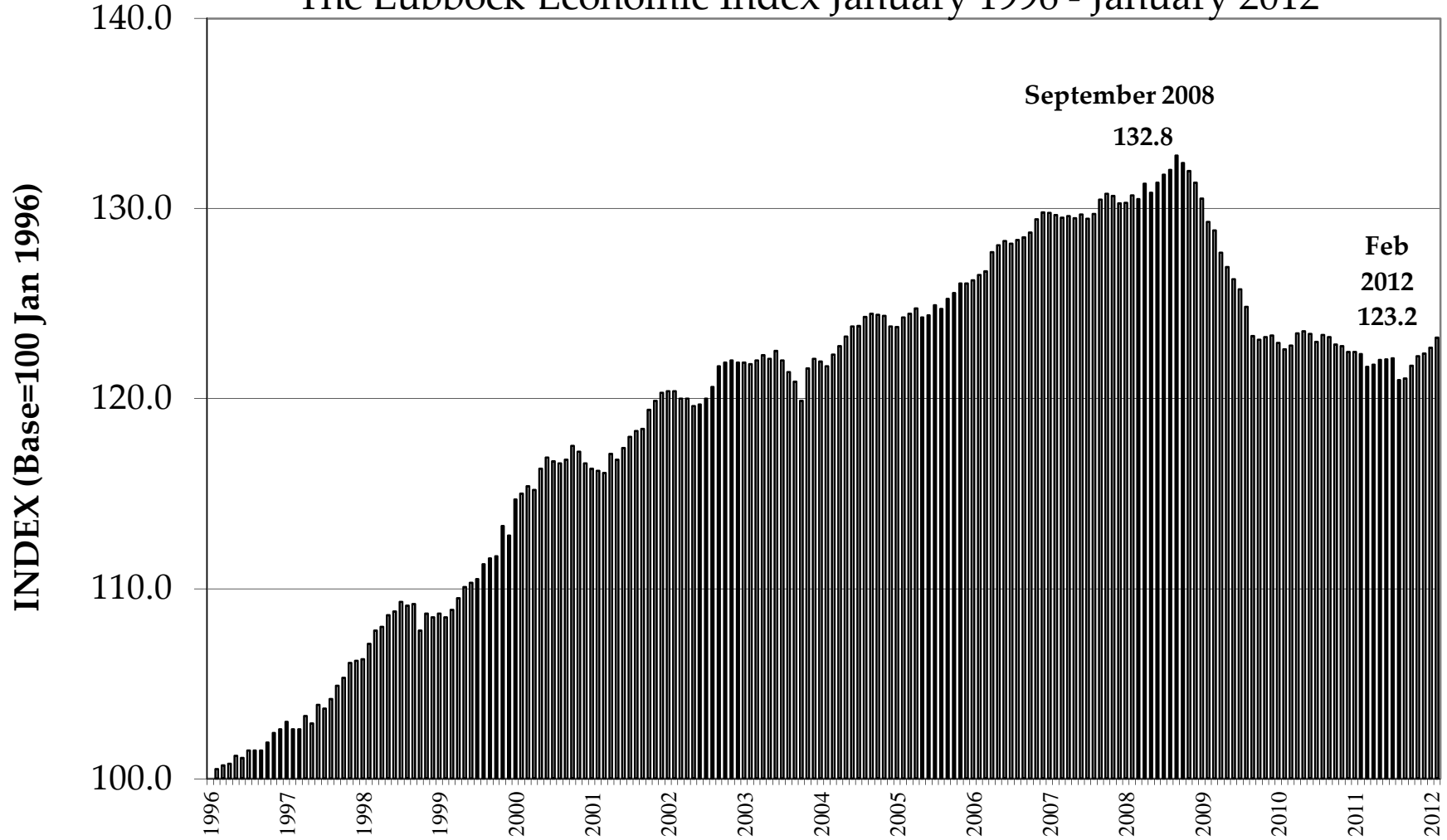
\* Texas Railroad Commission District 8A (Lubbock Area)

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

++ Texas South Plains



## The Lubbock Economic Index January 1996 - January 2012





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## The Lubbock Economic Index 2005- 2011

