



LUBBOCK NATIONAL BANK

Lubbock Economic Index and Consumer Price Index

January 2012

February 27, 2012

Lubbock Economic Index

The Lubbock Economic Index posted its fourth straight monthly increase in January rising to 123.6, up from 123.3 in December and up .1% from the January 2011 LEI of 123.5. That 1/10 of a point increase from January 2011 to January 2012 is slight, of course, but it represents the first year-over-year increase in the Lubbock Economic Index since January 2009. The index was, of course, on its way down at that point, the early stages of what was ultimately a 9% decline in the LEI, peaking at 134.0 in September 2008 and troughing at 121.9 in August-September 2011.

*Note: The employment data for January is estimated; the January estimates have not yet been released, and when they are it will under the new benchmarks for 2012 with the accompanying revised employment data for 2010 and 2011 (for the payroll employment data). At that time, the revisions will be factored into the affected months for 2010 and 2011, and the index values for those months will be revised accordingly. The unemployment rate will also be revised in two sets of data release: revised 2011 data will be released in early March, and revised data for 2010, 2009, and possibly even 2008 and 2007 will be released in late March. Again, all revisions will be factored into the affected historical monthly index calculations.

And, of course, January is the one month of the year in which the monthly and year-to-date totals are one and the same.

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 January sales tax receipts in the city was up by a solid 4.8% compared to January of a year ago. Further, the January inflation-adjusted total – the true and correct measure – was higher than any prior January, suggesting general spending in Lubbock is beginning to move out of the “recovery” phase and into the new “growth” phase.
- Again, the employment data for the month is estimated, both in terms of the payroll employment figure and the unemployment rate. The estimates were made simply for the purposes of calculating the B-CS Economic Index for January, and are statistically consistent with the normal seasonal change from December to January, recent year-over-year growth rates, and the general trends in recent months.

Auto spending was up sharply as well, with inflation-adjusted spending on new and used automobiles up 15.5% compared to January of a year ago, which in turn was up over 33% compared to January 2010. Even at that, though, real auto spending in January was lower compared to the January total for each year 2005-2008, again reflective of the depths of the recession in the auto sector.

Building permit activity was improved in January, up by over 47% year-over-year; however, the January 2011 building permit valuation total was particularly low, down by 68% compared to the prior January, and in fact was the lowest January permit valuation total since 1998. Other than 2011, the \$19 million January permit total is the lowest for January since 1999. The number of new housing construction permits was also improved compared to January of a year ago – which was also low compared to most of the previous decade.

LEI/CPI, p.2.

The residential real estate market, at least in terms of existing home sales follows the same general pattern – improved over year-ago levels but down significantly compared to the peak activity period of the middle part of the last decade. The 148 closed sales in January is up nearly 10% (13 sales) compared to January of a year ago, and peaked at 202 in January 2007. The January 2012 average price is down some 3.5% compared to January of a year ago (which in turn was up 5.5% compared to the prior year).

The impact of the drought of 2011 is beginning to take shape with the release of crop numbers in early 2012. The ongoing cotton ginnings numbers were last updated as of January 15, and suggest a 65-70% decline across the region. The final ginnings numbers for the 2011 crop year will be released in March.

The US Department of Agriculture recently released preliminary estimates for 2011 cotton production on the South Plains, and the numbers are dramatic. The number of bales produced in 2011 was the lowest since 1986. The number of harvested acres declined by nearly 60% from 2010 to 2011, and the number of bales produced fell by an estimated 65%. Prices were higher in 2011, however, and the estimated value of the crop was down by about 48%.

Lubbock Consumer Price Index

The rate of year-over-year change in the Lubbock Consumer Price Index was unchanged from December 2011 to January 2012 at 3.2%.

The food/grocery sector of the Lubbock CPI ticked upward again in January to 4.6%, up from 4.5% in December (year-over-year).

The rate of change in the housing portion of the Lubbock CPI declined slightly to 2.7% in January, down from 2.8% in December. The rate of increase in the energy/utilities sector was unchanged from December 2011 to January 2012 at 3.0%.

The year-over-year rate of change in the Lubbock health care CPI sector rose slightly again in January to 3.5% compared to 3.4% in December. The US national health care CPI declined slightly in January to a 3.1% rate of year-over-year change, down from 3.2% in December.

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

The CPI-U (the benchmark CPI for consumers of all goods and services at the national level) declined a tenth of a point in January to 2.9% down from 3.0% in December. The “core” CPI – the CPI minus food and energy – at the national level increased by a tenth of a point in January to 2.3% up from 2.2% in December.

The rate of increase in the CPI in the southern region of the US (which includes Texas) declined slightly in January to 3.2%, down from 3.3% in December.

The Dallas and Houston CPI values are calculated every other month (on off-months); the Dallas CPI was updated in January, and dropped a full point to 3.0%, down from 4.0% in November. Again, the Houston CPI rate of change dipped slightly to 3.1% in December, down from 3.2% in October.



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Lubbock Economic Indicators

Economic Indicators January 2012	Base Year 1996	One Year Ago 2011	This Year 2012	Percent Change 2011-2012
Retail Sales - January (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 150,481	\$ 188,441	\$ 197,538	4.8%
Retail Sales - Year-To-Date	\$ 150,481	\$ 188,441	\$ 197,538	4.8%
Dollars Spent on Auto Purchases - Jan (\$000s in 1995\$)	\$ 30,794	\$ 43,088	\$ 49,781	15.5%
Dollars Spent on Auto Purchases YTD	\$ 30,794	\$ 43,088	\$ 49,781	15.5%
Lodging Tax Receipts - YTD	\$ 376,881	\$ 426,705	\$ 669,341	56.9%
Airline Boardings - Jan	40,858	36,688	34,587	-5.7%
Airline Boardings - YTD	40,858	36,688	34,587	-5.7%
Value All Construction Permits - Jan	\$ 14,098,765	\$ 12,946,970	\$ 19,070,022	47.3%
Value All Construction Permits - YTD	\$ 14,098,765	\$ 12,946,970	\$ 19,070,022	47.3%
New Home Permits - Jan	45	41	48	17.1%
New Home Permits - YTD	45	41	48	17.1%
Number of Home Sales - Jan	128	135	148	9.6%
Number of Home Sales - YTD	128	135	148	9.6%
Average Home Sale Price - Jan	\$ 86,201	\$ 135,961	\$ 131,241	-3.5%
Average Home Sale Price - YTD	\$ 86,201	\$ 135,961	\$ 131,241	-3.5%
Electric Utility Customers - Jan	84,056	99,012	99,414	0.4%
Employment				
Wage and Salary Employment - Jan**	109,200	128,100	132,000	3.0%
Wage and Salary Employment - YTD Avg	109,200	128,100	132,000	3.0%
Unemployment Rate - Jan**	4.6%	6.4%	5.8%	-9.4%
Unemployment Rate - YTD Avg	4.6%	6.4%	5.8%	-9.4%
Oil and Gas (Regional)				
Oil Price/Barrel - Jan (WT Int. Crude)	\$ 17.31	\$ 85.72	\$ 96.46	12.5%
Rig Count - Jan *	23	25	41	64.0%
Oil Production - YTD *	12,179	9,245	9,059	-2.0%
Value of Oil Production - YTD *	\$ 181,555	\$ 792,453	\$ 873,831	10.3%
Agriculture (Regional)				
Cotton Price - Jan (cents/pound) +	79.75	142.03	86.15	-39.3%
Cotton - Bales Ginned Crop Year ++	2,495,400	4,280,700	1,384,650	-67.7%
Fat Cattle Price - Jan (\$/hd. Wt.)	\$ 64.50	\$ 105.79	\$ 123.33	16.6%
Value Cattle Marketed - YTD (\$000's) ++	\$ 24,510	\$ 19,042	\$ 29,599	55.4%
INDEX - January (Base=100 January 1996)	100.0	123.5	123.6	0.1%

** Estimated pending Texas Workforce Commission release of revised data for 2010 and 2011, and monthly estimate for Jan 2012

* Texas Railroad Commission District 8A (Lubbock Area)

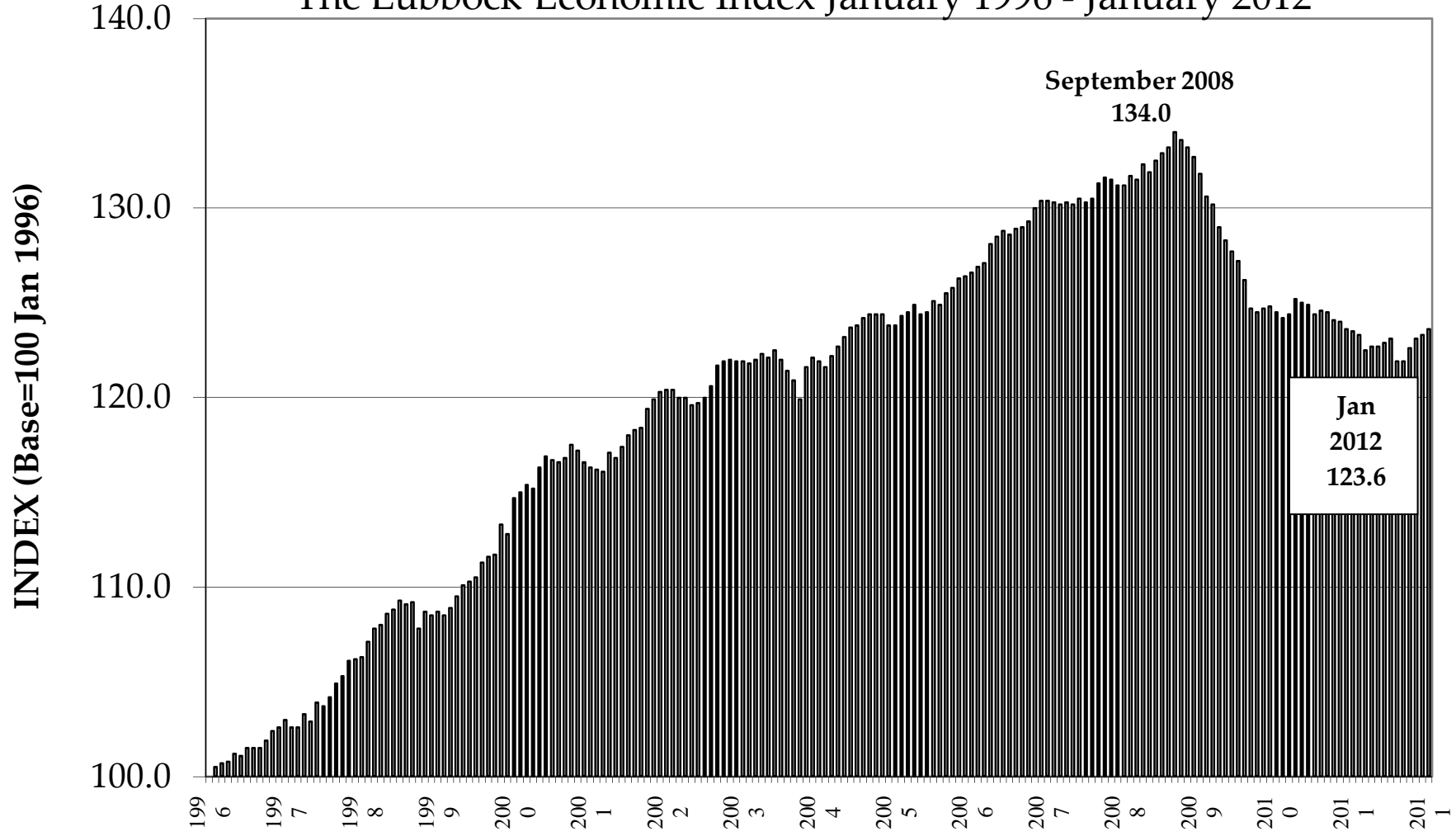
+ Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck

++ Tx Crop Reporting District 1-S



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The Lubbock Economic Index January 1996 - January 2012





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The Lubbock Economic Index 2005- 2011

