



LUBBOCK NATIONAL BANK

Lubbock Economic Index and Consumer Price Index

October 2012

November 27, 2012

Lubbock Economic Index

The Lubbock Economic Index rose sharply in October increasing to 128.8 up from 127.6 (revised upward from 127.5 due to an upward revision in September payroll employment) in September, and up 6.6% from the October 2011 LEI of 120.8. The recovery in the Lubbock general economy is now 14 months in the making and most Lubbock economic indicators continue to show improvement moving into the latter part of 2012.

The October index of 128.8 is the highest monthly value since January 2009 when the LEI was in the early stages of recession-induced decline, which lasted until August 2011. The Lubbock Economic Index as of October 2012 is now just about 2% off its peak value of 131.6 achieved in September 2008.

The spending indicators remain solidly on the rise, construction per October permits was sharply higher compared to year-ago levels, and the housing indicators are up by double-digit percentages year-over-year. Employment continues to be the odd man out with current estimates showing little or no growth; however, the unemployment rate continues its steady descent.

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.

- Inflation-adjusted taxable spending per October sales tax receipts was up by about 3% compared to October of a year ago, which in turn was up by some 6% compared to the prior year. For the year-to-date through October, taxable real spending is up by 5.3% compared to the January-October 2011 total.
- Payroll employment growth remains non-existent according to current estimates; the numbers are generally flat over the last five months, and again, it appears as though public sector (government) employment is where jobs are being lost, down 1,900 jobs in October compared to October of a year ago. The private sector continues to enjoy modest but steady growth, adding an estimated 1,000 jobs over the last 12 months.

The unemployment rate dipped below 5% in October for the first time since 2009, and the October unemployment rate of 4.9% is the lowest for the month of October (again, the proper comparison) since 2008. The steady decrease in the unemployment rate, which began in earnest a year ago in October 2011, is a sure sign of continued recovery from the recession during which the unemployment rate spiked to over 7%.

Auto sales in Lubbock remain sharply on the rise with inflation-adjusted spending on new and used automobiles up by about 25% in October compared to October 2011. For the year-to-date, real auto spending is up by over 19% compared to the first ten months of a year ago. Even at that, auto sales have yet to catch up to the pre-downturn peak sales level, but another few months of strong improvement will take care of that.

At over \$58 million, the building permit valuation total was among the highest ever recorded for any month in Lubbock, and is by far the highest October total on record. Permits for nearly \$29 million in new housing units were issued in October, including over \$18 million for new single-family residences, and permits totaling \$15 million for new school construction were issued in October as well. Thus far in 2012, the building permit valuation total is up by over 57% compared to the low numbers posted in 2011.

The number of new single-family residence construction permits issued in October was nearly double the low total issued in October of the last couple of years; for the year-to-date, the number of new SFR permits is up by close to 30% compared to last year's extraordinarily low totals.

Sales and prices of existing homes in Lubbock were up dramatically in October compared to October of a year ago; the number of closed sales topped the year-ago total by over 25%, and the average price of those sales was over 8% higher than the October 2011 average. For the year-to-date, the number of homes sold is up by over 15% year-over-year, and the average price through October is up by a healthy 3.4%. The number of sales has not returned to prior peak levels; however, the total dollar volume of activity, perhaps a more comprehensive indicator of housing activity (a function of the number of sales multiplied by the price of those sales) is at record levels in 2012 (unadjusted for inflation).

Lubbock Consumer Price Index

The overall rate of year-over-year increase in the Lubbock Consumer Price Index dropped in October to 2.7%, down from 2.9% in September.

The food/grocery sector of the Lubbock CPI continues to come down, falling to 2.6% in October, down from 2.9% in September.

The rate of change in the housing portion of the Lubbock CPI ticked up slightly in October to 2.9%, up from 2.8% in September; the rate of year-over-year price increase in the energy/utilities sector fell once again to 2.5%, down from 2.7% in September.

The health care sector of the Lubbock CPI declined in October to 3.9%, down from 4.2% in September. The year-over-year rate of change in the US health care CPI dropped from 4.1% in September to 3.7% in October.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock fell back again in October to 1.8%, down from 2.0% in September.

The CPI-U (the benchmark CPI for consumers of all goods and services at the national level) increased again in October to 2.2%, up from 2.0% in September.

The rate of increase in the CPI in the southern region of the US (which includes Texas) was unchanged from September to October at 2.1%.

The Dallas and Houston CPI values are calculated every other month (on off-months); the Houston CPI was freshly updated in October, and rose to 1.4%, up from .7% in August; the Dallas CPI was last updated in September, moving upward by a full point to 2.3% up from 1.3% in July.

Lubbock Economic Indicators

| Economic Indicators October 2012 | Base Year 1996 | One Year Ago 2011 | This Year 2012 | Percent Change 2011-2012 |
|-------------------------------------------------------------------|---------------------------|------------------------------|---------------------------|-------------------------------------|
| Retail Sales - October (\$000s - Per Sales Tax Rebates in 1995\$) | \$ 142,877 | \$ 209,376 | \$ 215,424 | 2.9% |
| Retail Sales - Year-To-Date | \$ 1,656,734 | \$ 2,082,740 | \$ 2,194,065 | 5.3% |
| Dollars Spent on Auto Purchases - Oct (\$000s in 1995\$) | \$ 36,940 | \$ 47,832 | \$ 59,739 | 24.9% |
| Dollars Spent on Auto Purchases YTD | \$ 375,990 | \$ 462,899 | \$ 552,203 | 19.3% |
| Lodging Tax Receipts - YTD | \$ 1,788,467 | \$ 4,202,285 | \$ 4,565,777 | 8.6% |
| Airline Boardings - Oct | 57,848 | 46,952 | 43,124 | -8.2% |
| Airline Boardings - YTD | 511,604 | 432,243 | 413,533 | -4.3% |
| Value All Construction Permits - Oct | \$ 16,793,472 | \$ 25,368,532 | \$ 58,836,043 | 131.9% |
| Value All Construction Permits - YTD | \$ 147,980,708 | \$ 244,908,911 | \$ 384,975,947 | 57.2% |
| New Home Permits - Oct | 42 | 36 | 71 | 97.2% |
| New Home Permits - YTD | 490 | 442 | 572 | 29.4% |
| Number of Home Sales - Oct | 179 | 208 | 261 | 25.5% |
| Number of Home Sales - YTD | 1,810 | 2,417 | 2,800 | 15.8% |
| Average Home Sale Price - Oct | \$ 77,874 | \$ 140,008 | \$ 151,752 | 8.4% |
| Average Home Sale Price - YTD | \$ 86,345 | \$ 142,604 | \$ 147,521 | 3.4% |
| Electric Utility Customers - Oct | 84,539 | 99,432 | 100,319 | 0.9% |
| Employment | | | | |
| Wage and Salary Employment - Oct | 113,400 | 131,400 | 130,500 | -0.7% |
| Wage and Salary Employment - YTD Avg | 110,930 | 128,450 | 130,370 | 1.5% |
| Unemployment Rate - Oct | 3.4% | 5.9% | 4.9% | -16.9% |
| Unemployment Rate - YTD Avg | 4.3% | 6.3% | 5.6% | -11.1% |
| Oil and Gas (Regional) | | | | |
| Oil Price/Barrel - September (WT Int. Crude) | \$ 23.34 | \$ 82.75 | \$ 86.04 | 4.0% |
| Rig Count - September * | 20 | 41 | 41 | 0.0% |
| Oil Production (000 bbls) - YTD * | 124,080 | 88,991 | 88,137 | -1.0% |
| Value of Oil Production (\$000s) - YTD * | \$ 2,197,654 | \$ 8,085,797 | \$ 8,118,568 | 0.4% |
| Agriculture (Regional) | | | | |
| Cotton Price - Oct (cents/pound) + | 71.51 | 95.48 | 65.99 | -30.9% |
| Cotton - Bales Ginned Crop Year ++ | 446,550 | 488,600 | 636,150 | 30.2% |
| Fat Cattle Price - Oct (\$/hd. Wt.) | \$ 70.89 | \$ 120.50 | \$ 125.33 | 4.0% |
| Value Cattle Marketed - YTD (\$000's) ++ | \$ 254,701 | \$ 316,733 | \$ 330,440 | 4.3% |
| INDEX - October (Base=100 January 1996) | 102.0 | 120.8 | 128.8 | 6.6% |

* Texas Railroad Commission District 8A (Lubbock Area)

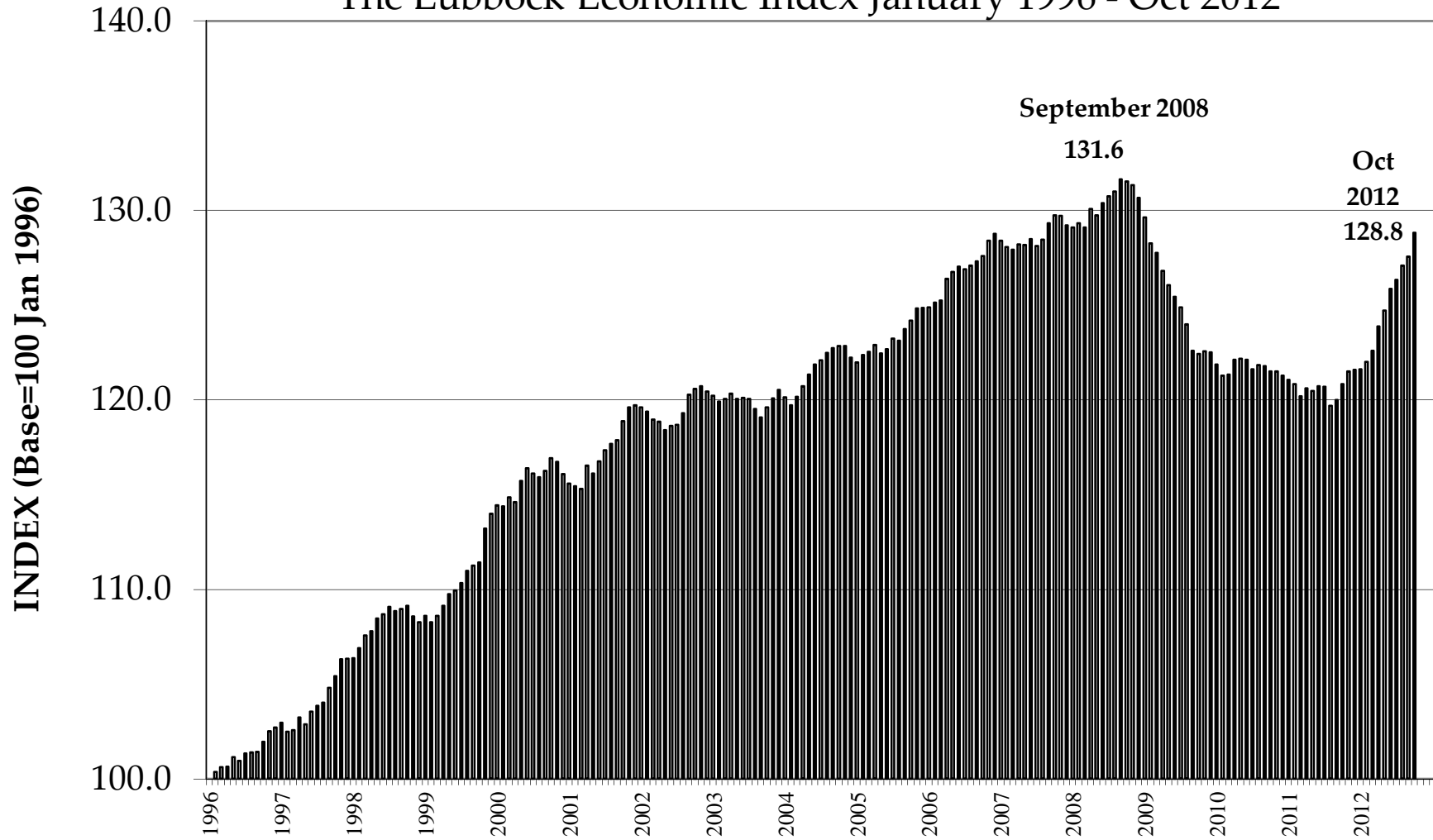
+ Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck

++ South Plains Region



LUBBOCK NATIONAL BANK

The Lubbock Economic Index January 1996 - Oct 2012





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The Lubbock Economic Index 2006- 2012

