



LUBBOCK NATIONAL BANK

Lubbock Economic Index and Consumer Price Index

February 2013

April 2, 2013

Lubbock Economic Index

The Lubbock Economic Index improved slightly in February under these benchmarks increasing to 132.7 up from 132.6 in January, and up a sharp 8.6% from the February 2012 (revised) LEI of 122.2. This marks the 13th straight monthly increase in the Lubbock Economic Index, and the 17th in the last 18 months. The Lubbock economy is clearly enjoying expansion and improvement, and most Lubbock economic indicators – certainly the most relevant indicators – point to solid (and in some cases dramatic) year-over-year improvement in early 2013.

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.

- General taxable spending per February sales tax receipts in Lubbock (adjusted for inflation so that comparisons over time are accurate) was up by 8.7% compared to February of a year ago, and the year-to-date through February total is up by 7.6% compared to the first two months of 2012. These numbers represent solid rates of growth and expansion in the Lubbock consumer sector (it actually encompasses spending households and businesses, as well as visitors to the Lubbock metro area from outside the city), and are consistent with overall growth and expansion in the Lubbock general economy.
- Lubbock payroll employment in February stands at an estimated 130,400, up by 2.2% (2,800 jobs) compared to February of a year ago. We need not be overly concerned about historical levels, revised estimates and such; we do need to be very concerned with whether or not jobs are being added to the economy and the likelihood that will continue. The current estimates suggest that indeed that is the case. And even though the employment estimating process has been something of a roller coaster ride in recent years, again the numbers make more sense now than they did prior to the last round of revision. And it just makes intuitive sense that jobs would be added simply because other sectors of the Lubbock economy that are more easily measured are indicating sharp growth. This is clearly an economy in which people are being put to work, and the unemployment rate is on the decline. And again, payroll employment in the city stands at record levels in early 2013. The unemployment rate has not returned to its pre-recession low point, and if it does that will likely be some time off. But it is on the decline, and should continue to come down over the balance of the coming year.

Auto sales in Lubbock – again adjusted for inflation – declined slightly in February compared to February of a year ago; however, the February 2011 total was up by over 17% compared to the prior year. And the January-February 2013 total is up by over 12% compared to the first two months of 2012 so auto sales continue to improve in Lubbock. The auto sales sector technically remains in the “recovery” stage, having not yet fully returned to the pre-recession 2008 peak levels, but that is very likely to occur in the coming months in 2013.

Construction in Lubbock per building permit valuations was also down modestly in February compared to February of a year ago (which was also a high number compared to the prior year), but for the year-to-date is up by over 45% compared to the January-February 2012 total. Home building in the city is off to a great start to the year as well with the number of new single-family residence permits up by over 70% thus far in 2013 (year-over-year), and up by over 15% in February. That represents the highest January-February total since 2006.

The residential real estate market is simply on fire early on in 2013. Existing home sales were up by nearly 25% in February on the heels of a 46% year-over-year increase in January. The 467 closed sales thus far in the year is the highest January-February total for any year on record, as is the total dollar volume of activity, which is up by 50% compared to the first two months of 2012. The average price was up by over 13% in February compared to February of a year ago, which in turn was up by 17% compared to the prior year.

The Lubbock economy, as represented by the Lubbock Economic Index, did not fully bottom out post-recession until the third quarter of 2011. Since then, the economy has recovered rapidly and the LEI has soared, adding over 10% to its value over that period of time. Clearly the Lubbock economy is enjoying some considerable growth momentum moving into 2013.

The employment data revisions provide some clarity to that picture. We now know that in addition to strong growth in general spending, auto spending, construction, and housing, that jobs are being added as well. The rate of job growth is not as strong as it could be – but it could also be the case that the estimates are not fully capturing employment growth in the city.

The Lubbock Economic Index will not likely continue to expand at an 8% clip – high rates of growth are much more likely to occur in the recovery phase, which is only just now coming to a close. The Lubbock economy should continue to expand in the balance of 2013, and that expansion will be reflected in continued spending growth, job growth, and a declining unemployment rate. Housing will very likely continue to improve, both in terms of new housing construction and sales, volume, and pricing of existing residential real estate in the city. The Lubbock Economic Index could easily add another 5% in 2013, which would put the year-end LEI at around 138.0.

Lubbock Consumer Price Index

The rate of overall price increase in Lubbock continues to tick downward falling to 2.3% in February, down from 2.4% in January (and the peak of 3.3% in March and April of last year). By virtually all measures – local, state, national – inflation remains well in check, and price increases are taking a generally smaller portion of disposable income. Energy markets are always potentially volatile, and housing is on the increase, but in an overall sense (which the broader Lubbock CPI is designed to represent), price inflation is not overly troublesome at present.

The food/grocery sector of the Lubbock CPI declined yet again over the month falling to 1.6% in February, down from 1.9% in January and again, down from the 4.6% peak in January 2012.

The rate of change in the housing portion of the Lubbock CPI increased again in February to 3.3%, up from 3.2% in January; the rate of year-over-year price increase in the energy/utilities sector was unchanged from January to February at 2.4%.

The health care sector of the Lubbock CPI fell again in February to 3.1%, down from 3.3% in January. The year-over-year rate of change in the US health care CPI was unchanged for the month at 3.1%.

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock was also unchanged from January to February at 1.2%.

The US CPI-U (the benchmark CPI for consumers of all goods and services at the national level) reversed course in February after three straight monthly declines, rising to 2.0% up from 1.6% in January.

The rate of increase in the CPI in the southern region of the US (which includes Texas) remains well below 2.0%, but ticked up slightly in February to 1.8% up from 1.6% 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 increased to 2.1% up from 1.7% in November. The Houston CPI was freshly updated in February, and continued to decline yet further dipping to .7%, down from 1.0% in December.



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Economic Indicators February 2013	Base Year 1996	One Year Ago 2012	This Year 2013	Percent Change 2012-2013
Retail Sales - February (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 238,554	\$ 285,165	\$ 310,038	8.7%
Retail Sales - Year-To-Date	\$ 389,035	\$ 482,704	\$ 519,533	7.6%
Dollars Spent on Auto Purchases - Feb (\$000s in 1995\$)	\$ 33,908	\$ 48,518	\$ 48,434	-0.2%
Dollars Spent on Auto Purchases YTD	\$ 64,735	\$ 98,270	\$ 110,179	12.1%
Lodging Tax Receipts - YTD	\$ 454,928	\$ 1,066,036	\$ 757,576	-28.9%
Airline Boardings - Feb	44,563	38,227	32,479	-15.0%
Airline Boardings - YTD	85,421	72,814	63,732	-12.5%
Value All Construction Permits - Feb	\$ 11,958,604	\$ 35,186,802	\$ 32,720,784	-7.0%
Value All Construction Permits - YTD	\$ 26,057,369	\$ 54,256,824	\$ 79,108,841	45.8%
New Home Permits - Feb	58	59	68	15.3%
New Home Permits - YTD	103	107	183	71.0%
Number of Home Sales - Feb	146	201	250	24.4%
Number of Home Sales - YTD	274	349	467	33.8%
Average Home Sale Price - Feb	\$ 79,449	\$ 145,714	\$ 165,153	13.3%
Average Home Sale Price - YTD	\$ 81,578	\$ 139,576	\$ 157,637	12.9%
Employment				
Wage and Salary Employment - Feb	107,500	127,600	130,400	2.2%
Wage and Salary Employment - YTD Avg	107,250	127,100	129,950	2.2%
Unemployment Rate - Feb	4.4%	5.7%	5.1%	-10.0%
Unemployment Rate - YTD Avg	4.5%	5.9%	5.3%	-10.2%
Oil and Gas (Regional)				
Oil Price/Barrel - Feb (WT Int. Crude)	\$ 17.20	\$ 98.81	\$ 91.90	-7.0%
Rig Count - Feb *	20	35	45	28.6%
Oil Production - YTD *	24,557	17,883	17,603	-1.6%
Value of Oil Production - YTD *	\$ 374,065	\$ 1,745,687	\$ 1,611,047	-7.7%
Agriculture (Regional)				
Cotton Price - Feb (cents/pound) +	79.76	82.45	74.49	-9.7%
Cotton - Bales Ginned Crop Year-To-Date ++	2,483,350	1,450,700	2,365,750	63.1%
Fat Cattle Price - Feb (\$/hd. Wt.)	\$ 62.97	\$ 124.38	\$ 125.00	0.5%
Value Cattle Marketed - YTD (\$000's) ++	\$ 49,698	\$ 59,450	\$ 63,693	7.1%
INDEX - February (Base=100 January 1996)	100.3	122.2	132.8	8.6%

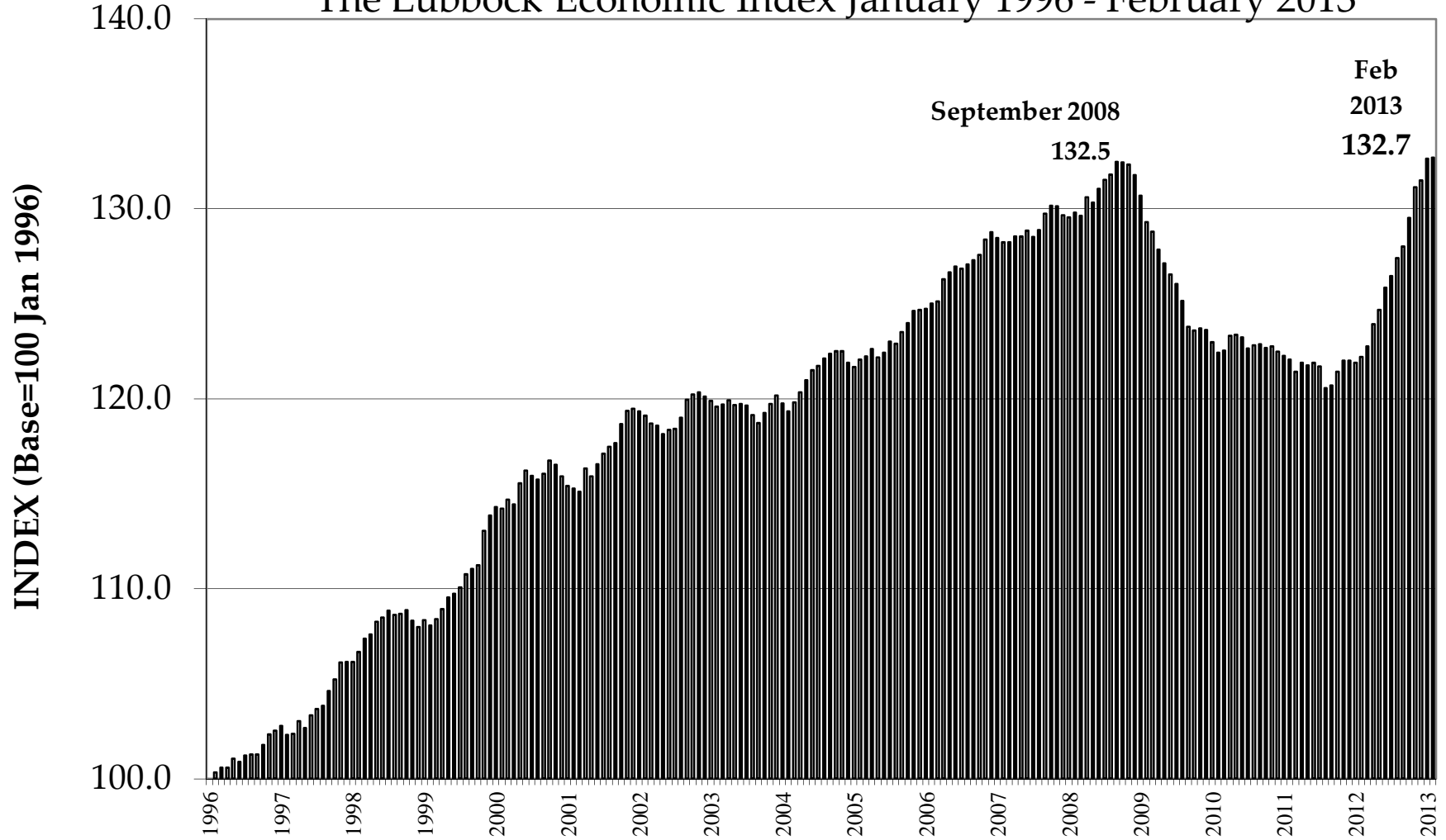
* Texas Railroad Commission District 8A (Lubbock Area)

+ 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 - February 2013





The Lubbock Economic Index 2007 - 2013

