



LUBBOCK NATIONAL BANK

Lubbock Economic Index and Consumer Price Index

June/2nd Quarter 2013

July 29, 2013

Lubbock Economic Index

The first half of 2013 was one of continued solid growth and expansion in the Lubbock economy, and the Lubbock Economic Index remains on the rise through June. The LEI improved to 135.3 in June up from 135.0 in March, and up 7.5% from the June 2012 index of 125.8. The Lubbock economy as measured by the Lubbock Economic Index grew at an annualized rate of 5.8% in the first half of the year, and 5.4% in the second quarter. Increases in general spending, hotel/motel tax receipts, housing construction and home sales fueled economic growth in the second quarter in Lubbock; the rate of employment growth slowed, total construction was down for the quarter, and the pace of decline in the unemployment rate has cooled.

As June represents the end of the quarter, the table of economic indicators this month largely reflects quarterly totals/averages along with the year-to-date totals/averages, with the exception of the employment data which reflects June monthly estimates along with the year-to-date averages. And of course the Lubbock Economic Index itself is the June monthly value.

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 real (inflation-adjusted) taxable spending per second quarter sales tax receipts was up by a solid 5.8% compared to the second quarter 2012, which in turn was up by 5.5% compared to the second quarter of 2011. For the year-to-date, general real spending is up by a strong 6.8% compared to the first six months of 2012.
- The rate of payroll employment growth slowed according to the June estimate, which is up by less than a percent compared to June of a year ago. Prior to June, employment growth was averaging about 2% year-over-year; the June estimate could be revised next month (it is technically a preliminary estimate), but either way the trend of steady but moderate employment growth remains well in place in Lubbock. The unemployment rate rose from May to June, but that reflects a seasonal increase (the unemployment rate always increases from May to June, and is no cause for concern. The June unemployment rate is down compared to year-ago levels, and again that is the proper measure. However, the rate of year-over-year decline has slowed in recent months, and the unemployment rate remains stubbornly high compared to its low points in the prior growth cycle.

Auto sales declined slightly in the second quarter with inflation-adjusted spending on new and used automobiles down by about 2% compared to the second quarter of a year ago; however, the second quarter 2012 total was up by over 20% compared to the prior year, so on balance real auto spending remains high. For the year-to-date auto spending remains positive compared to year-ago levels, up by 4.4% compared to the first six months of 2012.

Construction activity was down in the second quarter posting a 16.8% year-over-year decline compared to the second quarter of a year ago. However, the second quarter 2012 total was up by over 85% compared to the prior year, so the construction sector continues to fare generally well in Lubbock in 2013.

The year-to-date building permit valuation total is down just slightly compared to the first six months of 2012, which in turn was up by 66% compared to the January-June 2011 total.

Housing construction enjoyed its best second quarter since 2008 in terms of the number of new single-family residence building permits issued by the city. The second quarter total of 245 permits issued represents a 34% increase over the second quarter of a year ago. For the year-to-date, the number of new housing construction permits issued is up by over 45% compared to the first six months of a year ago, the strongest first half total since 2006.

The residential real estate market in Lubbock continues to improve by leaps and bounds with the number of homes sold in the second quarter up by 19%, and the year-to-date number of closed sales up by about 25% compared to the first six months of 2012. The number of closed sales in the first six months of the year surpassed 2,000 for the first time ever, and indeed the housing market is well into record territory midway through 2013. And prices remain steadily on the rise as well, with the second quarter average up by nearly 3% year-over-year, and the year-to-date average up by over 5%. The inflation-adjusted dollar volume of sales activity, the best overall measure of market performance, is up by a whopping 29% thus far in 2013 compared to the first six months of 2012.

Lubbock Consumer Price Index

The rate of overall price increase in Lubbock rose to 2.3% in June, up from 2.2% in March, April, and May.

The food/grocery sector of the Lubbock CPI increased slightly in June to 1.4%, up from 1.3% in May (the numbers represent the change compared the same month the prior year). While the increase was only a tenth of a percentage point, it does represent the first increase in the year-over-year CPI change since January 2012.

The rate of change in the housing portion of the Lubbock CPI was unchanged from May to June at 3.6%. The rate of year-over-year price increase in the energy/utilities sector rose in June to 2.4% up from 2.2% in May.

The health care sector of the Lubbock CPI declined again in June, falling to 2.6% down from 2.8% in May. The year-over-year rate of change in the US health care CPI also declined again in June to 2.1% down from 2.2% in May (and 2.7% in June).

The rate of year-over-year price increase for various miscellaneous goods and services in Lubbock rose again in June to 1.3%, up from 1.1% in May.

The US CPI-U (the benchmark CPI for consumers of all goods and services at the national level) increased for the second straight month to 1.8% in June, up from 1.4% in May.

The rate of increase in the CPI in the southern region of the US (which includes Texas) also increased fairly sharply in June to 1.9%, up from 1.3% in May.

The Dallas and Houston CPI values are calculated every other month (on off-months). The Houston CPI was freshly updated in June, and increased to 1.5% up from .7% in May. The Dallas CPI was last updated in May, and fell slightly to 1.6% down from 1/8% in March.



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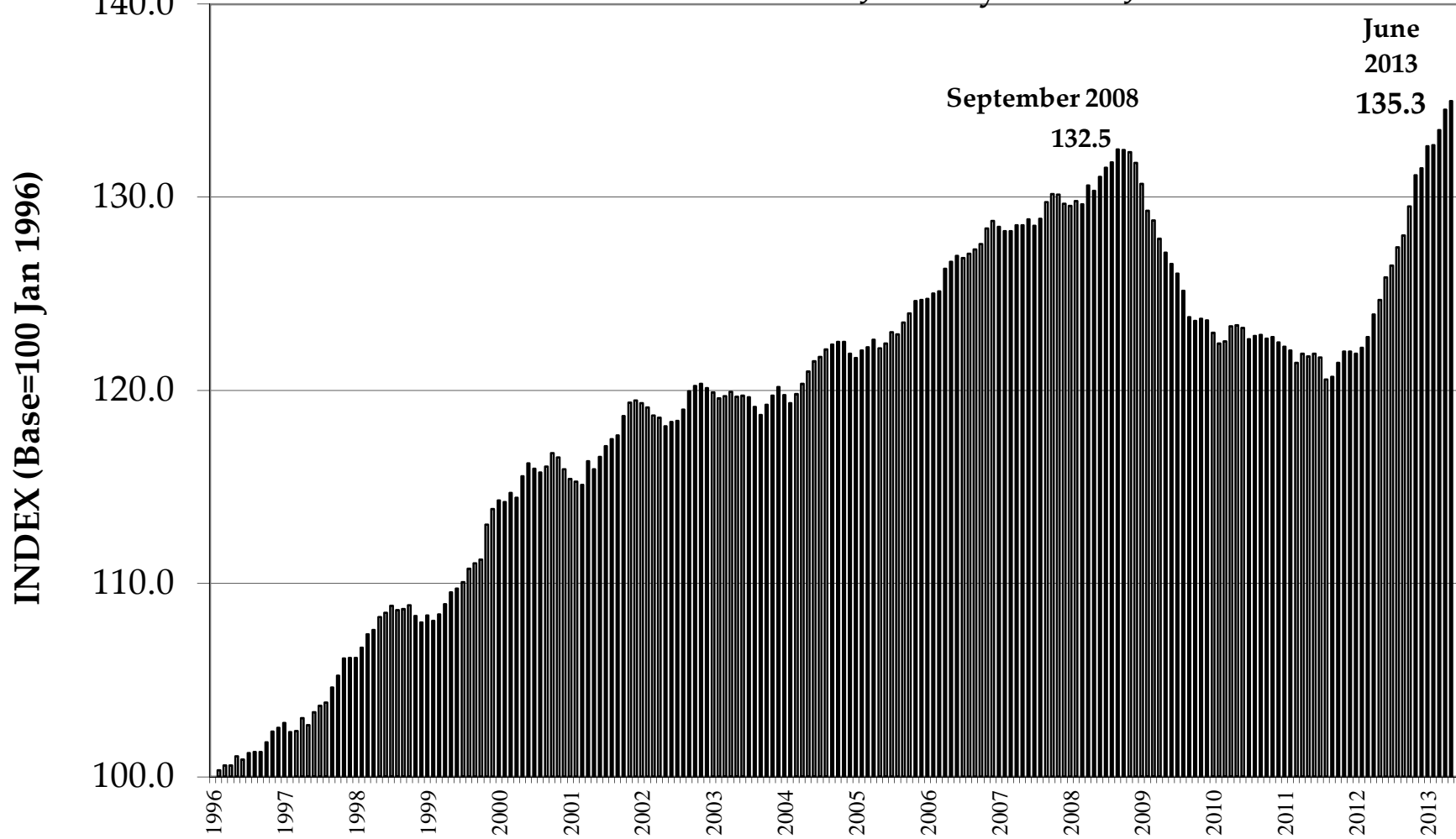
Economic Indicators June/2nd Quarter 2013	Base Year 1996	One Year Ago 2012	This Year 2013	Percent Change 2012-2013
Retail Sales - 2nd Quarter (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 490,974	\$ 643,859	\$ 681,034	5.8%
Retail Sales - Year-To-Date	\$ 1,024,732	\$ 1,312,171	\$ 1,400,769	6.8%
Dollars Spent on Auto Purchases - 2nd Qtr (\$000s in 1995\$)	\$ 118,607	\$ 163,696	\$ 160,439	-2.0%
Dollars Spent on Auto Purchases YTD	\$ 221,804	\$ 317,836	\$ 331,747	4.4%
Lodging Tax Receipts - YTD	\$ 904,702	\$ 2,360,499	\$ 2,713,917	15.0%
Airline Boardings - 2nd Qtr	155,182	127,718	124,386	-2.6%
Airline Boardings - YTD	294,773	243,229	229,078	-5.8%
Value All Construction Permits - 2nd Qtr	\$ 37,260,047	\$ 145,783,646	\$ 121,264,420	-16.8%
Value All Construction Permits - YTD	\$ 75,053,860	\$ 231,754,499	\$ 228,541,752	-1.4%
New Home Permits - 2nd Qtr	158	183	245	33.9%
New Home Permits - YTD	325	348	509	46.3%
Number of Home Sales - 2nd Qtr	607	998	1,188	19.0%
Number of Home Sales - YTD	1,024	1,615	2,016	24.8%
Average Home Sale Price - 2nd Qtr	\$ 90,312	\$ 149,486	\$ 153,860	2.9%
Average Home Sale Price - YTD	\$ 86,106	\$ 146,073	\$ 153,493	5.1%
Employment				
Wage and Salary Employment - June	108,600	129,500	130,500	0.8%
Wage and Salary Employment - YTD Average	108,000	128,317	130,617	1.8%
Unemployment Rate - June	5.2%	6.4%	6.1%	-4.7%
Unemployment Rate - YTD Avg	4.5%	5.8%	5.4%	-7.2%
Oil and Gas (Regional)				
Oil Price/Barrel - June (WT Int. Crude)	\$ 18.83	\$ 79.08	\$ 92.08	16.4%
Rig Count - June *	25	37	35	-5.4%
Oil Production - YTD *	74,295	53,390	52,711	-1.3%
Value of Oil Production - YTD *	\$ 1,230,442	\$ 5,057,097	\$ 4,783,812	-5.4%
Agriculture (Regional)				
Cotton Price - June (cents/pound) +	77.23	64.05	81.46	27.2%
Cotton - Bales Ginned Crop Year ++	2,483,350	1,450,700	2,365,750	63.1%
Fat Cattle Price - June (\$/hd. Wt.)	\$ 61.33	\$ 119.67	\$ 121.08	1.2%
Value Cattle Marketed - YTD (\$000's) ++	\$ 158,592	\$ 216,868	\$ 202,995	-6.4%
INDEX - June (Base=100 January 1996)	100.9	125.8	135.3	7.5%

* 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

The Lubbock Economic Index January 1996 - June 2013





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The Lubbock Economic Index 2007 - 2013

