



# LUBBOCK NATIONAL BANK

## Lubbock Economic Index and Consumer Price Index April 2010

May 26, 2010

### Lubbock Economic Index

**The Lubbock Economy continues to show signs of recovery through April, with the Lubbock Economic Index posting its largest monthly point gain since September 2008.** The LEI increased by a half-point to 125.1 in April, up from a revised 124.6 in March (the March employment estimate was revised upward with the release of the April preliminary data, raising the March index by 1/10 of a point). The year-over-year decline in the index narrowed to 2.9% in April, down from a 4.2% decline rate in March and a peak decline rate of 6.8% in September 2009. April automobile and housing sales and year-to-date improvements in construction and home building paced the improvement in the April LEI, with these indicators helping to bridge the gap in the Lubbock economy until general spending and employment begin to indicate a stronger recovery.

The 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.

- Taxable retail spending in Lubbock (adjusted for inflation) per the city's April sales tax receipts to the City of Lubbock was down by a sharp 7.3% compared to April of last year; real (inflation-adjusted) general spending in Lubbock by households and businesses is down by 4.6% compared to the first four months of 2009. The April year-over-year decline is the 12<sup>th</sup> consecutive month-to-month decrease, again, a clear indication of local recession from which the Lubbock economy is poised to exit.
- The city's employment picture remains sluggish, with payroll employment dipping by an estimated 400 jobs over the last 12 months. The April year-over-year decrease, though slight, is the 15<sup>th</sup> consecutive month of decline in metro area jobs (compared to the same month in the prior year). Employment loss was generally modest – 2% at its worst in December 2009, and has narrowed considerably in the months since then, again, another indication that recession is moderating and the Lubbock economy is in the midst of a turnaround that will eventually lead to employment growth and a decrease in the city's unemployment rate.

The city's auto sales sector finally put up some big numbers in April – at least compared to the year-ago sales total – with inflation-adjusted spending on new and used automobiles increasing by over 65% compared to April of '09. The strong April total pulled the year-to-date total into positive territory for the first time since mid-2008.

The monthly building permit valuation total was the lowest April monthly figure since April 2000 (though that is not of any particular concern). The year-to-date total remains solidly in positive territory, up by some 40% compared to the first four months of 2009. In context, however, the YTD through April total last year was down by nearly 50% compared to the prior year, and the 2010 January-April total is the lowest since 2005. After a down year in 2009, the city's construction sector is in the midst of a healthy recovery in 2010.

Housing construction permits were also lower for the month, but remain over 25% higher for the year-to-date. This important measure of the city's economy was down sharply in 2009 as well, but is also recovering impressively thus far in 2010.

- more -

LEI/CPI March/1<sup>st</sup> Quarter 2010, p.2.

Existing home sales increased for the second consecutive month after three months of year-over-year decline. All related numbers were healthy and positive in April – closed sales were up by nearly 8% over April of a year ago, the total dollar volume of activity was up by nearly 10%, and prices increased a modest 2.1% on average over the last 12 months. The city's residential real estate market has weathered the recent economic storm very impressively, with sales and volume declining by only very slight margins (about 2%) in 2009, and prices holding at pre-downturn levels.

South Plains agriculture – and cotton in particular – is faring well this year and should be generally stimulative to the Lubbock metro economy in 2010. The most recent crop year cotton crop was some 20-25% higher in terms of volume compared to the prior crop year, and the current average price is nearly 80% higher compared to year-ago levels. Some producers were forward-contracted at lower prices, so the recent higher prices were simply not received for every bale of cotton produced; still the overall value of the crop was significantly higher, and cash receipts should have seen a solid increase as well.

Planted cotton acreage on the South Plains is likely higher this year given the current favorable price situation. Moisture levels are favorable as well, and the end result (barring unforeseen weather circumstances) should be a generally healthy South Plains agricultural economy this year, which is always greatly beneficial to the Lubbock metro economy.

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## **Lubbock Consumer Price Index**

**Prices for various goods and services in the Lubbock metro area continue to moderate through April, with the year-over-year change in the Lubbock Consumer Price Index falling to 1.0% in April, compared to a 1.3% rate of change in March.**

The Lubbock Food/grocery CPI remains in negative territory in April, declining by 1.6%, compared to a decline rate of 1.5% in March. Declining prices over any period of time are rare, of course, and the trend will certainly not be sustained over the long term. However, the current negative rate of price increase in this sector is surely welcomed by Lubbock consumers.

The rate of change in the housing portion of the CPI declined slightly in April, falling to 1.8% compared to 1.9% in March.

The energy/utilities sector of the local CPI increased at a rate of 1.8% in April, compared to a 2.2% rate of year-over-year increase in March.

The health care CPI sector ticked upward slightly in April, growing at a rate of 5.5% compared to a 5.3% rate of increase in March. The rate of price increase for various miscellaneous goods and services fell to a scant .8% in April compared to 1.0% in March.

The CPI-U (the benchmark CPI for consumers of all goods and services at the national level) increased by 2.2% in April compared to April of a year ago. That is down slightly from the 2.3% rate of increase in March. The CPI in the southern region of the US is up by about 2.4% over the last 12 months, compared to a 2.5% rate of increase in March. The Dallas metro area CPI is up by only about 1% over the last 12 months, and the Houston area CPI is up by about 2.3%.



## Lubbock Economic Indicators

Economic Indicators April 2010	Base Year 1996	One Year Ago 2009	This Year 2010	Percent Change 2009-2010
Retail Sales - April (\$000s - Per Sales Tax Rebates in 1995\$)	\$ 150,463	\$ 184,385	\$ 171,013	-7.3%
Retail Sales - Year-To-Date	\$ 684,220	\$ 831,745	\$ 793,168	-4.6%
Dollars Spent on Auto Purchases - April (\$000s in 1995\$)	\$ 35,245	\$ 26,962	\$ 44,577	65.3%
Dollars Spent on Auto Purchases YTD	\$ 138,442	\$ 152,610	\$ 160,587	5.2%
Lodging Tax Receipts - YTD	\$ 748,928	\$ 1,451,366	\$ 1,461,859	0.7%
Airline Boardings - April	48,422	45,877	44,975	-2.0%
Airline Boardings - YTD	188,013	167,660	162,892	-2.8%
Value All Construction Permits - April	\$ 11,601,068	\$ 19,028,028	\$ 17,429,455	-8.4%
Value All Construction Permits - YTD	\$ 49,394,881	\$ 96,057,191	\$ 135,123,393	40.7%
New Home Permits - April	58	62	53	-14.5%
New Home Permits - YTD	225	218	273	25.2%
Number of Home Sales - April	199	298	321	7.7%
Number of Home Sales - YTD	616	920	932	1.3%
Average Home Sale Price - April	\$ 82,662	\$ 134,308	\$ 137,081	2.1%
Average Home Sale Price - YTD	\$ 82,091	\$ 131,432	\$ 134,154	2.1%
Electric Utility Customers - April	84,269	96,495	96,975	0.5%
<b>Employment</b>				
Wage and Salary Employment - Month	111,000	130,000	129,600	-0.3%
Wage and Salary Employment - YTD Average	110,300	130,025	128,675	-1.0%
Unemployment Rate - April	4.1%	4.6%	5.9%	28.3%
Unemployment Rate - YTD Avg	4.4%	4.8%	6.0%	25.0%
<b>Oil and Gas (Regional)</b>				
Oil Price/Barrel - April (WT Int. Crude)	\$ 21.77	\$ 46.95	\$ 81.06	72.7%
Rig Count - April *	19	11	27	145.5%
Oil Production - YTD *	49,644	38,463	36,900	-4.1%
Value of Oil Production - YTD *	\$ 793,194	\$ 1,597,187	\$ 2,824,317	76.8%
<b>Agriculture (Regional)</b>				
Cotton Price - April (cents/pound) +	82.70	42.15	74.70	77.2%
Cotton - Bales Ginned Crop Year ++	2,483,350	2,580,050	3,208,300	24.4%
Fat Cattle Price - April (\$/hd. Wt.)	\$ 59.70	\$ 86.79	\$ 97.77	12.7%
Value Cattle Marketed - YTD (\$000's) ++	\$ 101,239	\$ 76,680	\$ 91,693	19.6%
<b>INDEX - April (Base=100 January 1996)</b>	<b>100.8</b>	<b>128.9</b>	<b>125.2</b>	<b>-2.9%</b>

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

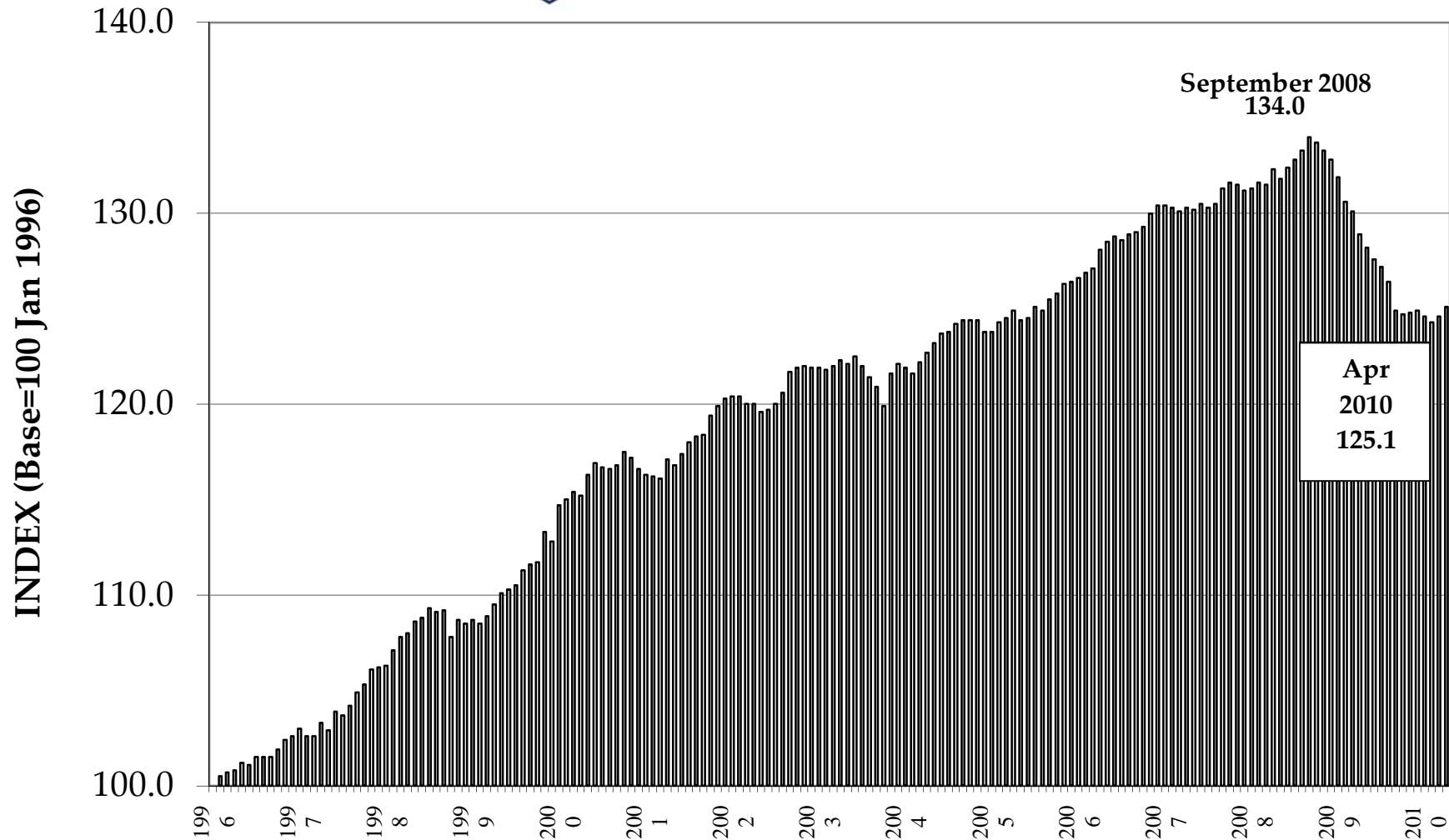
+ Spot Price for 41,4,34; mxd lots, net wt, compressed, FOB Car/Truck

++ South Plains Region

# The Lubbock Economic Index January 1996 - April 2010



LUBBOCK NATIONAL BANK



# The Lubbock Economic Index 2004 - 2010

