

INGHAM ECONOMIC REPORTING

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The Midland Development Corporation And Security Bank

Present

The Midland-Odessa Regional Economic Index and the Texas Permian Basin Petroleum Index January 2013

The Midland-Odessa Regional Economic Index continued its upward trend in January, surpassing 200.0 for the first time and climbing to 200.3, up from 199.4 in December and up 11.8% from the January 2012 MOREI of 179.2.

Meanwhile, the Texas Permian Basin Petroleum Index in January posted its first monthly increase in six months, rising to 309.2 up from 308.2 in December, and up a slight .4% from the January 2012 petroleum index of 308.0.

This means that the pattern of slight decline in the regional oil & gas economy, characterized by a relative weakening in crude prices, modestly declining rig counts and a decline in the number of drilling permits issued, may not have the effect of halting growth in the general economy of Midland-Odessa, or even slowing the rate of growth.

The rig count continued its decline in January falling to 380 from a peak of 442 at mid-year 2012 (for RRC districts 7C, 8, and 8A); however, the regional and statewide rig counts increased in February, and activity levels may well be stabilizing and preparing to increase once again. In fact, the number of drilling permits issued in those three RRC districts in January was up by over 36% year-over-year, and was easily the highest January monthly total in the history of the analysis.

*Note – the January employment data in terms of both oil & gas employment and total employment in Midland-Odessa is estimated as the January 2013 employment estimates have not yet been released by the state. Revised employment estimates for 2011 and 2012 will be released in March, and the January 2013 estimates will be released at that time under the new benchmarks. We will then revise the indexes to reflect the revisions for the last two years. Meanwhile, the January 2013 estimates are statistically consistent with recent trends, normal seasonal changes from December to January, and so on.

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

General real spending continues to expand at a rapid pace, with inflation-adjusted taxable spending per January sales tax receipts up by over 16% compared to January of a year ago. Auto sales continue to improve as well with inflation-adjusted spending on new and used automobiles up by over 9% compared to the January 2012 total, which in turn was up by over 40% compared to January 2011.

Construction activity was sharply higher yet again in January, and in fact, the January building permit valuation total was the highest on record for the month of January at nearly \$60 million, and was up by well over 80% compared to the January 2012 total. Housing construction is up by a solid 50% compared to the January 2012 single-family residence building permit total.

The number of existing homes sold actually declined in January (year-over-year) down by about 8% compared to January 2012; clearly this doesn't reflect a decline in housing demand in the combined metro area, just a shortage of properties to sell at current prices. The January 2013 monthly average is up by only about 2% compared to January of a year ago; however, the January 2012 monthly average was up by over 15% compared to the prior year.

The next monthly report will include the important employment data revisions, and the revised indexes according to those revisions. At that point we will also have the basis for a more accurate forecast for the region and metro area for the balance of 2013.