

# INGHAM ECONOMIC REPORTING

*Karr Ingham*

P.O. Box 7531  
Amarillo, TX 79114

(806) 373-4814  
karr@inghamecon.com

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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 October 2014**

**The Midland-Odessa Regional Economic Index continues to register expansion in the general economy of the combined metro area in October, and in fact the margin of improvement from September to October was the highest month-to-month increase thus far in 2014 at 2.4 points. The MOREI improved to 228.3 up from 225.9 in September, and up 7.5% from October 2013 index of 212.5. The 7.5% rate of year-over-year improvement is also the largest of 2014 thus far.**

The Texas Permian Basin Petroleum Index continues to increase as well, rising to 376.8 in October up from 374.5 in September and up 11.3% from the October 2013 TPBPI of 338.5. The regional oil and gas numbers – other than the price of crude oil – remain generally stunning with the second-highest number of drilling permits on record issued in October (behind only the record total in September), and Texas Permian Basin rig count that remains in excess of 460.

It won't last. The regional oil & gas numbers are soon to peak and enter into a state of decline, most likely beginning with drilling permits and the regional rig count. In the coming few months, the Texas Permian Basin Petroleum Index itself will peak and begin to decline, followed by the Midland-Odessa Regional Economic Index within 3-6 months after the peak in the petroleum index.

The posted West Texas Intermediate crude oil price/bbl averaged over \$80 in October, and had fallen to only \$77.00 by month-end. The November average declined to about \$72/bbl, and as of last Friday, December 5, the WTI posted price was \$62.25. A contraction of some magnitude is simply unavoidable at this point, and again the depth and duration of regional oil & gas industry contraction and the impacts to the general economy will depend on how low prices go and how long they stay that way.

Meanwhile, the general economy of the Midland-Odessa combined metro area continues to pad its resume, raising the peak level from which it will ultimately decline. The numbers remain extraordinary with double-digit percentage growth in general spending and auto spending, new momentum in hotel/motel activity, strong housing numbers, and a widening margin of year-over-year employment growth (in fact the highest thus far in 2014 at 5.8%). The aggregate unemployment rate for Midland-Odessa has been under 3% for two straight months now, and enplanements at Midland International Airport surpassed 50,000 for only the second time (the first being July of this year).

Only the construction and home building numbers were lower compared to year-ago levels. The \$72 million building permit total issued in Midland-Odessa for the month was down by about 33% compared to October of a year ago, which was an October record and was up by 140% compared to October of the prior year. Most indicators have been in record territory for quite some time now, and while a cyclical contraction is unavoidable at this point, it will not nearly undo the expansion that has been put into place over the last five years and over the entire history of the Midland-Odessa Regional Economic Index.