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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**  
February 2016

The Midland-Odessa Regional Economic Index declined for the 13<sup>th</sup> straight month in February falling to 207.0 down from 209.8 in January, and down 11.1% from the February 2015 MOREI of 232.9. The index is now down 11.8% from its peak of 233.7 achieved in January 2015. And remember, the Midland-Odessa Regional Economic Index was revised last month to reflect broad employment data revisions released just last month, and changes to the methodology that now render the analysis fully adjusted for inflation.

Not all components of the index posted year-over-year declines in February. Existing home sales were up compared to a generally low number from a year ago, and the monthly average price was higher as well. And interestingly, the February real building permit total was an all-time record for the month of February.

Otherwise, though, general spending, auto spending, and new housing construction continue to register double-digit percentage year-over-year declines. Employment loss under the new benchmarks released last month remains in the 6% range, and the unemployment rate is up sharply compared to its year-ago level.

The Texas Permian Basin Petroleum Index dropped to its lowest level since June 2010, falling to 225.4 in February down from 233.4 in January, and down 36.6% from the February TPBPI of 355.7. The regional rig count in February averaged 151, down by more than 50% compared to its year-ago level. The most recent weekly rig count (last Friday, April 1) dropped to 130, a decrease of 72% compared to November 2014 in advance of the onset of rig count decline. The number of drilling permits issued in the first two months of the year is the lowest January-February total since 2002.

While crude oil production has begun to register year-over-year declines in other parts of the state and nation (and statewide in Texas), production continues to indicate year-over-year growth in the Permian in early 2016; the rate of year-over-year growth is narrowing, but still-elevated production levels are no doubt depressing prices even further on a regional basis, and that in turn will very likely continue to pressure activity levels downward.

And as long as the regional petroleum economy as reflected by the Texas Permian Basin Petroleum Index remains in decline, there is every reason to believe the general economy will do the same. That is certainly the case through February.

Real taxable spending per February sales tax receipts in Midland-Odessa was down by about 17% compared to February of a year ago (which in turn was up by some 13% compared to February of the prior year – the observable decline in sales tax receipts began shortly thereafter). Real auto spending was also down by about 17% year-over-year, and is down by nearly 30% for the first two months of the year.

Home sales actually improved in February, though compared to a low number in February of a year ago. The number of closed sales in Midland-Odessa was up by about 10% in February compared to the February 2014 sales total, which in turn was down by 25% compared to February of the previous year. The uptick in sales activity is not due to price decline; the February monthly average price was up by 5.4% compared to February of a year ago and the average for the first two months of the year is up by 4.1% year-over-year.

The February building permit valuation total in Midland-Odessa (adjusted for inflation) was up by 19% compared to February of last year, and in fact is the highest February real building permit valuation over the entire history of the index. New housing construction declined for the month, however, registering a sharp 38% decline in February and 31% for the first two months of the year.

An estimated 10,300 jobs were lost in the Midland-Odessa economy over the last 12 months, a decline of about 6% in February compared to February of a year ago. An estimated 4,700 of those are oil & gas jobs within the metro area, and of course the regional job loss is significantly higher which also affects the economy of the Midland-Odessa regional metro hub.