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The Midland Development Corporation
presents

The Midland-Odessa Regional Economic Index
and the
Texas Permian Basin Petroleum Index
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The Midland-Odessa Regional Economic Index continues to press upward in this new round of expansion improving to 194.5 in April, up from 193.2 in March but still down 3.4% from the April 2016 MOREI of 201.3. The recovery is now six months in the making through April, with the index increasing in five of those six months since troughing in October 2016. Nearly all economic indicators have moved into positive year-over-year territory for both the month and year-to-date. Modest though it was, payroll employment posted its first year-over-year increase since March 2015. The unemployment rate moved below its year-ago level in February and is now steadily on the decline as the metro-wide employment situation continues to recover from deep declines of the last two years.

The Texas Permian Basin Petroleum Index increased for the seventh straight month in April rising to 240.8, up from 234.9 in March and up 11.3% from the April 2016 regional petroleum index of 216.4. (These values are constantly revised to incorporate revised regional production data, employment, and other data.) The April rig count is well more than double its year-ago level, and crude oil and natural gas prices remain sharply higher compared to low (but improving) levels in April 2016. The lagging indicators of crude oil and natural gas well completions are the only deep negatives remaining on the table of regional oil & gas indicators. Oil & gas employment in the metro area has fully moved higher compared to a year ago, though the levels of employment remain low compared to pre-downturn peak levels.

Total payroll employment posted its first year-over-year increase for the first time in over six years – not by much, but the margin will continue to improve in the coming months as the recovery process plays out. An estimated 157,400 workers were on the payrolls of Midland-Odessa firms in April, an increase of about 400 jobs compared to April of a year ago. Again, however, over 23,000 jobs were lost over the course of the contraction, so employment recovery in the metro area has a long way to go in terms of gaining back all that was lost.

General real (inflation-adjusted) spending per April sales tax receipts in Midland-Odessa was up by 15.7% compared to April 2016, which in turn was down by nearly 24% compared to April of the prior year. Year-to-date real spending moved from negative to positive in April, up by a percent compared to the first four months of a year ago.

Real auto spending is generally on the rise thus far in 2017, but the path is a bit spasmodic in these early stages of recovery. Through the first four months of the year inflation-adjusted spending on new and used automobiles is up by about 13% year-over-year, even though the April increase was less than a percent compared to April of a year ago. That is the result of a sharp year-over-year decline in auto spending in

Odessa (nearly 20%) – Midland auto sales numbers in April were predictably higher at nearly 19% improved over April of last year.

The construction numbers faltered a bit in April with the inflation-adjusted valuation of all building permits issued down by about 19% compared to April 2016, which in turn was down by nearly 23% from April of the previous year (and in fact that is the lowest April total since 2010). The year-to-date total remains positive, however, at close to 9% improved over the first four months of 2016.

Housing construction continues to put up big numbers in early 2017, and not just compared to year-ago levels. The 494 new single-family residence building permits issued through April is the highest total ever for the first four months of the year (and in the process is up by well over 60% compared to year-ago levels). The April monthly permit total is not an April record, but is solidly improved over the April 2016 total (an additional 11 permits issued).

Housing sales are equally impressive with record sales at record prices through the first four months of 2017. The number of closed sales exceeded 1,000 through April for the first time ever, and not by just a little bit (1,175 closed sales, and subject to some minor upward revision in the coming months). The average price of these sales is soaring, up by nearly 11% on average in the month of April, and over 7% for the year-to-date compared to year-ago levels.

This means, of course, that aggregate housing sales activity as measured by the inflation-adjusted total dollar volume of residential housing sales is now at record levels by a staggering amount, especially given the fact that the combined metro area economy only very recently exited a deep recession in which aggregate economic activity declined by over 20%. Real sales volume through April is not only up compared to year-ago levels by over 40%, it is over 18% higher compared to the prior January-April record which was achieved in 2014. The April monthly total is not quite a record, but is still up compared to April of a year ago by nearly 20%.

The elephant in the room is crude oil prices, and the general lack of movement in prices over a nearly year-long period of time. The April monthly average was a bit higher at $47/bbl (posted prices, not futures prices), but on balance crude oil prices have largely not moved since June 2016. The May monthly average was lower than April, and daily prices thus far in June are lower than that. So, even though oil & gas activity levels have risen dramatically, pushing the region into a new round of expansion (and are taking the general economy upward at the same time), the question simply has to be how long that expansion will last if crude oil prices do not move appreciably upward at this point, or even fall back a touch.