

InghamEcon, LLC

Karr Ingham

P.O. Box 7531
Amarillo, TX 79114

(806) 373-4814
karr@inghamecon.com

**The Midland Development Corporation
presents**

The Midland-Odessa Regional Economic Index and the Texas Permian Basin Petroleum Index July 2017

The Midland-Odessa Regional Economic Index posted another sharp increase in July rising to 202.5 for the month up from 199.6 in June and up 4.4% from the July 2016 MOREI of 194.1. The recovery, now nine months in the making, is gaining momentum with impressive year-over-year gains in every single component of the index (most of which were at or near the lowest levels of the contraction last year). General spending and auto spending were both up by double-digit percentage points in July, and the newly released second quarter hotel/motel revenue total was sharply higher compared to the second quarter of a year ago. The July home building permit total was double the July 2016 total, and existing home sales logged a sizable increase as well.

The Texas Permian Basin clearly remains the epicenter of upstream oil & gas recovery in the US, and that is providing the stimulus for growth in the general economy of the Permian Basin and the Midland-Odessa combined metropolitan area. The Texas Permian Basin Petroleum Index improved for the tenth straight month in July to 255.3 up from 250.7 in June, and up nearly 22% from the July 2016 TPBPI of 209.7. While growth in the rig count has stalled for the time being, the number of working rigs in July remains double the total from July of a year ago and the number of drilling permits issued is up by over 80% thus far in 2017. The estimated value of regional crude oil production is up by nearly 35% year-over-year, and the value of natural gas production is up by nearly 50%.

Spending activity continues to improve in Midland-Odessa with general real (inflation-adjusted) spending per July sales tax receipts up by over 32% compared to July 2016, the largest year-over-year improvement thus far in the recovery. That pulled the total for the year-to-date through July to 8% higher compared to the first seven months of a year ago. Auto sales activity remains sharply on the rise as well with inflation-adjusted spending on new and used motor vehicles up by over 18% in July, and 21% for the year-to-date.

Second quarter hotel/motel tax totals were released in July and as expected posted the first large increase in the current recovery. Real hotel/motel spending in Midland-Odessa increased by over 50% compared to the second quarter 2016. Airline passenger boardings at Midland International Airport were up by over 11% in July and close to 10% through the first seven months of the year.

Employment growth rates do not yet match up with other local economic indicators but are slowly gaining momentum and will continue to do so in the months ahead. Total payroll employment in Midland-Odessa for the month of July is estimated at 158,300, an improvement of 2.3% (3,500 jobs) compared to July of a year ago. My suspicion is that once again the numbers are understated compared to actual job growth, again given the extraordinary rates of growth in other (non-estimated) components of

the Midland-Odesa Regional Economic Index. The combined Midland-Odesa unemployment rate remains in steep decline at 3.7% in July compared to an elevated 6.0% in July of a year ago.

On the heels of a huge month in June building permit activity posted a more modest gain in July with the real valuation of all permits issued in Midland-Odesa up by about 6% compared to July of a year ago; through the first seven months of the year real building permit valuations are up by over 22% compared to the total through July of a year ago. The number of new single-family residence permits issued by the two cities was exactly double the total from July of a year ago, and is up by 50% for the year-to-date.

Existing home sales activity continues to climb as well with the number of closed sales up by about 30% thus far in 2017 and up by over 34% in the month of July compared to July of a year ago. The average price of those sales was up by 3.8% in July, and a stout 7.2% higher for the year-to-date through July. The total real (inflation-adjusted) total dollar volume of residential real estate sales activity was up by a sharp 36% in July – and in fact that represents a record total for the month of July over all the history of the Midland-Odesa Regional Economic Index.