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The Midland Development Corporation
presents

The Midland-Odessa Regional Economic Index
and the
Texas Permian Basin Petroleum Index
July 2018

The Midland-Odessa combined metro area general economy continued its expansion through July with the Midland-Odessa Regional Economic Index posting its 21st straight monthly increase to 247.6 up from 245.1 in June, and up 20.2% from the July 2017 MOREI of 206.0. The numbers in the various components of the Midland-Odessa Regional Economic Index remain generally spectacular with only July monthly building permit activity down compared to year-ago levels. The spending indicators continue to post incredible growth rates, and hotel/motel activity in the combined metro area is very nearly double year-ago levels. New single-family housing construction remains at double-digit percentage growth rates along with the inflation-adjusted total dollar volume of existing home sales. Employment growth remains strong, though the rates of year-over-year growth have receded a bit in recent months, and the unemployment growth rate is at all-time record low levels.

The Texas Permian Basin Petroleum Index continued its upward swing as well, increasing to 328.4 in July up from 322.5 in June, and up 26.4% from the July 2017 TPBPI of 259.8. Activity levels continue to increase in the face of locally depressed pricing as a result of the ever-worsening takeaway capacity issues. Crude oil prices in the Permian remain some $10-15 below WTI posted and Cushing prices, and natural gas prices are now routinely discounted by well more than $1/mmbtu, and on at least one day fell to below $1/mmbtu.

The rig count appeared to be flattening in response to lower Permian commodity prices, retreating to 378 on average in July after reaching a monthly average 384 in June. However, the rig count reversed course in August and is now on the rise once again. The rig count totals for the index are the sum of the monthly averages for RRC districts 7C, 8, and 8A, and the same is true of drilling permits, well completions, and production data for crude oil and natural gas.

The number of drilling permits issued in July was up by nearly 19% compared to July of a year ago, which in turn was up by 70% compared to the previous July. The number of permits issued for the year-to-date is up by nearly 16% year-over-year, and is the highest January-July total since 2014 though the numbers continue to lag behind those sky-high levels.

Oil and gas employment in Midland and Odessa continues to climb with the July monthly estimate reaching nearly 40,000 which is about 22% of all payroll employment in the combined metro area. Oil and gas employment peaked at just over 36,000 in the previous expansion.

As of July, total payroll employment in Midland-Odessa has now fully surpassed all previous levels and moved into new record territory. Seasonally adjusted employment reached 179,100 in December 2015, and the July 2018 monthly estimate is 179,200. The non-seasonally adjusted July estimate of 179,500 is well above the previous July record of 174,800, so employment has now fully recovered, marking a significant milestone in the continued growth and expansion in the combined metro area economy. Year-over-year growth rates have moderated a bit, falling below 7% in July compared to growth rates in excess of 9% in late 2017 and 8% on average midway through 2018. The unemployment rate continues to decline at a rapid year-over-year rate, but that will not continue much longer simply because there is little room for it to go much lower. The combined Midland-Odessa unemployment rate for July stands at 2.5% compared to 3.5% in July of a year ago.

Spending growth remains fantastic through July with inflation-adjusted general taxable spending up by nearly 39% per July monthly sales tax receipts compared to July of a year ago. For the year-to-date general real spending remains over 41% improved over the first seven months of 2017. Auto sales activity spiked upward in July with inflation-adjusted spending on new and used motor vehicles up by 53% compared to July of a year ago, pulling the year-to-date total to over 40% higher compared to the January-July 2017 total.

Prior to the first and second quarters of 2018, quarterly hotel/motel spending (restated in 2018 dollars) reached as high as $58.9 million in the third quarter of 2014. Hotel/motel revenue surpassed $70 million in the second quarter of 2018, and a whopping $81 million in the third quarter. Real hotel/motel activity in Midland-Odessa is very nearly double year-ago levels, and as before is a function of added rooms that are occupied at rising rates per room.

Building permit activity was down for the second straight month compared to year-ago levels, but the inflation-adjusted valuation of all permits issued remains up by some 21% for the year-to-date. The number of new single-family residence construction permits surpassed 200 in a month for the first time ever in July, and is easily a record for the year-to-date as well.

Monthly existing home sales remained in excess of 400 for the fourth straight month (and had only done so one time before reaching 415 in June of a year ago). The sales total for the year-to-date surpassed 2,500 through July for the first time ever. The July monthly average sale price was up by nearly 12% compared to July of a year ago, and the average for the year-to-date is a stout 8.7% higher than the average through July of a year ago.

The constraints to continued expansion in Permian Basin oilfield activity – takeaway capacity and the ability to somehow market, store, or otherwise dispose of rising oil and gas production – simply have yet to cause any noticeable slowdown in the oil and gas E&P sector. That still remains a distinct possibility at some point in the near future, but the numbers continue to climb, the Texas Permian Basin Petroleum Index continues to rise, and the stimulus to the general economy of Midland-Odessa is resulting in activity levels and growth rates not previously observed in an economy that has seen its share of rapid growth cycles.