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The Midland Development Corporation  
presents  
**The Midland-Odessa Regional Economic Index**  
and the  
**Texas Permian Basin Petroleum Index**  
November 2018

The Texas Alliance of Energy Producers Texas Permian Basin Petroleum Index posted a decline from October to November 2018 after 25 straight months of increase, in response to crude oil price declines that began in mid-October. The TPBPI increased from September to October, peaking at 349.4 for the month, before retreating to 346.7 in November. The regional oil and gas activity index remains nearly 22% higher compared to the November 2017 number, but the monthly decline would be of concern were it to signal the onset of a period of sustained contraction in the Permian Basin oil and gas economy.

The jury is still out on that, but there is good reason to believe that may not be the case. The Texas Permian Basin Petroleum Index is poised to decline again in December, but crude oil prices have stabilized and recovered much of what was lost in November and December. If that trend continues to be the case this indeed should not mean the end of the general expansion in regional oil and gas activity that followed on the heels of the nasty downturn 2014-2016.

Posted West Texas Intermediate crude oil prices averaged \$67.19 in October before falling to \$53.33 in November, and \$45.31 in December. Daily posted prices peaked at \$71.75 in October 1 and declined by \$10/bbl by month-end. Prices dipped below \$40/bbl on December 24 at \$39.25, but then began to recover, exceeding \$50/bbl on January 18 at \$50.25.

The regional rig count (Texas RRC districts 7C, 8, and 8A) declined from its recent October peak of 390 to 387 in November; the number of drilling permits issued in November was down by over 30% compared to November 2017. Estimated oil and gas employment in the Midland-Odessa metro area declined by about 1,000 jobs from October to November as well. However, not much should be read into that just yet; industry employment does not typically decline that rapidly following a decline in price, and the November estimate could be nothing more than a coincidental random monthly estimating statistical phenomenon.

The Midland-Odessa Regional Economic Index also would not typically respond so quickly, either, and indeed the metro area economic numbers continue to reflect strong economic expansion. **The index improved to 257.8 in November, up from 255.5 in October (and 253.0 in September), and up 17.3% from the November 2017 MOREI of 219.8.**

Only the construction indicators – total building permit valuations and the number of new single-family residence permits – were down in November compared to year-ago levels (and the year-to-date

improvement remains strong); otherwise, the various economic indicators continue to reflect the continued rapid expansion in the Midland-Odessa combined metro area economy.

The spending indicators remain particularly strong with inflation-adjusted general spending per November sales tax receipts up by over 26% in October, and 24% in November compared to year-ago levels. For the year-to-date through October general real taxable spending is up by an incredible 35.5% compared to the first eleven months of 2017. Auto sales activity posted a 35% year-over-year increase in October, and an increase of over 18% in November. For the year-to-date, real auto spending in the Petroplex is up by 33% compared to the total through November 2017, which in turn was up by 29% compared to the previous year.

The pace of year-over-year employment growth continues to narrow through November with total Midland-Odessa payroll employment up by 3.8% compared to November of a year ago. Again, that is in large part due to the Odessa monthly estimates, which are up by just over 1% compared to year-ago levels. These estimates are likely not correct and will be revised upward in early March. Midland payroll employment was up by 5.9% in November compared to the November 2017 monthly estimate. The combined Midland-Odessa unemployment rate declined to a record low 2.3% in November compared to 2.8% in November 2017.

Construction activity per building permit valuations was higher in October, but logged a year-over-year decline in November, off by about 13% compared to November 2017, which in turn was up by over 70% compared to the prior year. The real (inflation-adjusted) building permit total through November is at its highest level since 2014 and is up by some 32% compared to the total through November 2017.

Housing construction remains on the rise as well, though the number of new single-family residence permits issued in November was down slightly compared to November 2017. The October permit total was up by 28%, however, and the year-to-date (through November) home building permit total remains far into record territory at 1,655 permits, an increase of over 30% compared to the first eleven months of 2017.

Existing home sales remain high – and at record levels – as well with the number of closed housing sales up by 6% in October and 21% in November compared to year-ago levels. The home sales total through November is up by about 11% year-over-year and is easily the highest on record for the first eleven months of the year. The October monthly average price was a whopping 16% higher, and the average for November was up by 5.7% compared to November of 2017. Through the month of November the average Midland-Odessa home sales price is up by 9.7% compared to the January-November 2017 average.

The inflation-adjusted total dollar volume of home sales activity continues to reflect the sharp expansion in the Midland-Odessa residential real estate market for the second straight year, up by over 18% through November compared to the January-November 2017 total, which in turn was up by over 35% compared to the prior year.

The December monthly report will finish out a year of extraordinary economic expansion in the Midland-Odessa general economy. The general sentiment about the regional oil and gas economy – and its ultimate impact on the overall economy – was a bit rattled with the sharp crude oil price declines in November and December, but the recovery of over \$10/bbl since that time suggests continued economic strength moving into 2019.