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**The Midland Development Corporation
presents**

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

The January 2017 employment data for Midland and Odessa (and other Texas metro areas) was not released until March, as a part of the annual process in which prior monthly data is revised and new benchmarks are established for monthly employment estimates going forward. As suspected, total employment in both Midland and Odessa was revised sharply downward compared to the original monthly estimates in 2016 and the post-revision employment picture suggests a major economic event with dramatic employment loss during the general economic contraction in 2015-2016.

Total employment in Midland-Odessa averaged nearly 164,000 in 2016 per the original monthly estimates issued throughout the year; the revised data indicates average Midland-Odessa employment in 2016 of 157,000, meaning a downward revision of about 7,000 jobs on average for the year. The worst of those months was June 2016, for which the original monthly employment estimate for Midland-Odessa was revised downward by 9,100 jobs.

The new data suggest total Midland-Odessa employment peaked in December 2014 and declined each month through September 2016, over which time an estimated 23,300 jobs were lost (about 13% of the December 2014 peak total). As a matter of context, 53,000 jobs were added in Midland-Odessa over the course of the preceding expansion, again with the peak in December 2014.

Midland lost an estimated 11% of its total employment over the course of the contraction (11,100 jobs), while Odessa employment declined by 15% (12,200 jobs). According to the current estimates, jobs have been added each month October 2016 – January 2017, with an estimated 1,700 jobs added over that period of time.

The Midland-Odessa Regional Economic Index was revised to reflect all employment data revisions for 2016 (and less significant revisions in prior years) and quite logically index values were lowered in 2016 as a result of the downward employment data revisions. The Midland-Odessa Regional Economic Index per the revised employment estimates peaked in January 2015 at 234.5 before entering into a 21 month contraction over which the MOREI declined by 21.9% (troughing at 190.0 in October 2016).

About 10,700 of those jobs lost in the combined Midland-Odessa metro area were direct oil & gas jobs, and the rest were lost across the broader economy as a result of the ripple effects of the contraction in the regional oil & gas economy. The Texas Permian Basin Petroleum Index per the revised employment data peaked at 381.3 in November 2014 before declining by a whopping 45% over the next 22 months. Under the current benchmarks, the TPBPI troughed at 208.9 in September 2016, and has subsequently increased in the succeeding four months.

On the heels of the October 2016 cyclical low point of 190.0, the Midland-Odessa Regional Economic Index increased in November to 190.6 and again in December to 190.9. The index retreated again in January 2017, however, falling back to 190.5 for the month; the margin of year-over-year decline in the index continues to narrow, however, at 9.2% in January 2017 compared to a high of 14.4% in July 2016.

The January retreat is very likely temporary, and appears to be based on somewhat volatile sales tax (general spending) numbers in Midland. The Midland-Odessa combined metro area economy is almost certainly in the recovery phase now, and the index will very likely reflect that reality in the coming months.

The January table of economic indicators continues to reflect mixed results across the various components of the index, with general spending in slightly negative territory and employment still down compared to year-ago levels (though the gap is closing). Auto sales were higher for the month, along with new housing construction and existing home sales. And in fact, each of those was up by double-digit percentage points compared to year-ago levels as the recovery gains momentum. Astoundingly, the January home sales total (224 closed sales) is the highest January monthly total on record, as is the inflation-adjusted total dollar volume of residential real estate sales.

The regional oil & gas economy continues to expand even though crude oil prices have stalled, as the Permian continues to be the center of North American oil & gas recovery. Industry job recovery has been slow thus far, but should pick up with continued sharp year-over-year increases in the rig count and the number of drilling permits issued across the region.

And for the first time in three years, 2017 should be a year of general recovery and expansion in the general economy of the Permian Basin and the Midland-Odessa combined metro area.