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**The Midland Development Corporation  
presents**

## **The Midland-Odessa Regional Economic Index and the Texas Permian Basin Petroleum Index September/3<sup>rd</sup> Quarter 2017**

**The Midland-Odessa Regional Economic Index posted another strong monthly increase in September rising to 209.7 for the month, up from 205.1 in August, and up 8.9% from the September 2016 MOREI of 191.0.** The improvement in September is the 11<sup>th</sup> straight monthly increase in the index on the heels of the index trough in October 2016, over which time the Midland-Odessa Regional Economic Index has expanded by some 9.4%. Third quarter growth was stout as well with annualized growth in the MOREI of 17% over the course of the quarter.

The expansion and recovery in the regional oil & gas economy reached the year-long mark in September with the 12<sup>th</sup> consecutive monthly increase in the Texas Permian Basin Petroleum Index, a tracking device for the Texas portion of the Permian Basin utilizing data primarily from Texas Railroad Commission districts 7C, 8, and 8A. The index increased to 263.4 in September, up from 259.8 in August and up nearly 25% compared to the September 2016 TPBPI of 209.6.

The regional rig count remains much-improved over year-ago levels, but has certainly flattened out and in fact declined slightly in recent weeks as stalled crude oil pricing has ceased to stimulate increases in the rig count. The number of drilling permits also dropped off in September compared to the prior four months though again, the total was higher compared to September of a year ago. These numbers are through September, of course; there has been some upward movement in price in October and in recent days, and this may well stimulate some additional drilling activity as reflected in the rig count and other measures.

The combined Midland-Odessa general economy continues to soar through September with double-digit percentage year-over-year increases in general spending, auto spending, hotel/motel spending, construction, home building, and existing home sales activity. General real (inflation-adjusted) spending per September sales tax receipts was up by over 40% compared to September of a year ago, and was up by 34% for the third quarter. Real auto spending posted a 29% year-over-year increase in the third quarter, and is now up by over 24% for the year-to-date. The third quarter 2017 real auto spending total is the second-highest third quarter total on record behind only the third quarter 2014 as economic activity was peaking in advance of the contraction in 2015.

This is a recurring theme, and is once again the case in 2017; the employment numbers are registering employment growth, but it is very likely that employment growth is occurring at a faster pace than indicated by current monthly data. The September Midland-Odessa employment total is up by only about 1.7% year-over-year according to the current estimates, but again jobs are almost certainly being added at a faster rate, and the level of employment is probably higher than the numbers presently suggest. The

3.2% monthly employment rate is the second-lowest for the month of September (3.0% in September 2014), and is down sharply compared to the 5.6% unemployment rate in September 2016.

Construction activity was lower in September compared to year-ago levels; however, the third quarter total was some 6% improved over the third quarter 2016, and the total for the year-to-date is up by nearly 20% year-over-year. Building permit activity remains well below the extraordinary numbers recorded 2012-2014, and in fact the total through September 2017 is down by about 50% compared to the January-September permit valuation in the record year of 2013.

Single-family housing construction is at record levels, however; the 1,085 new housing construction permits issued through September is the highest January-September total on record, and is up by over 38% compared to the first nine months of a year ago. The third quarter permit total is not a record, but is historically high and is up by over 30% compared to the third quarter 2016.

Existing home sales remains deep into record territory as well; the 1,107 closed sales in the third quarter (subject to minor upward revision in the coming months) marks the first time any quarterly total has exceeded 1,100 sales, and only the second time any quarterly total has exceeded 1,000 sales (the number of closed sales in the second quarter 2017 was 1,092). The September sales total is a September monthly record as well. The number of homes sold through September is up by 28% year-over-year, and is also a record for the first nine months of the year. Prices are higher as well with the September monthly average up by 10.6% compared to September of a year, and up by 6.7% and 7.3%, respectively, for the third quarter and year-to-date.

The inflation-adjusted total dollar volume of housing sales activity of course set records for the month of September, the third quarter, and the year-to-date through September. The September monthly total was up by a whopping 45% year-over-year, and is now up by 34% for the first nine months of the year.

Clearly the Midland-Odessa metro area general economy is expanding at a rapid pace in 2017, and that growth will very likely continue through the end of the year and on into 2018. That growth would have occurred just on the momentum of what has already occurred in terms of regional oil & gas recovery, and again crude oil prices have increased by some \$5/barrel in recent weeks, and that bodes even better for the fortunes of the metro area economy and the duration of the recovery/expansion. The Midland-Odessa Regional Economic Index is still down compared to its January 2015 peak level by about 11%, but that is down from 19% at the worst of the contraction and will narrow rapidly in the coming months, though it will be well into 2018 before the index reaches and surpasses that level. But the economy is moving rapidly in the right direction, and that will continue to be the case for the foreseeable future. And hopefully, 2017 turns out to be the early stages of a long and sustained round of new economic growth and expansion in the Midland-Odessa economy.