

INGHAM ECONOMIC REPORTING

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The Midland Development Corporation And Security Bank

Present

The Midland-Odessa Regional Economic Index and the Texas Permian Basin Petroleum Index February 2014

The Midland-Odessa Regional Economic Index has now been on the rise for four years, posting its 48th consecutive month-to-month increase in February 2014. The index improved to 215.4 in February up from 215.2 in January, and up 5.5% from the February 2013 MOREI of 204.2. With the exception of housing construction (new single-family residence building permits), all other economic indicators posted year-over-year increases in February, continuing the strong performance in spending, auto sales, construction, and the metro area employment situation.

The Texas Permian Basin Petroleum Index took a significant leap upward in February moving to 348.2 up from 343.6 in January, and up 8% from the February 2013 petroleum index of 322.5. The regional rig count (for RRC Districts 7C, 8, and 8A) moved above 400 for the first time since October 2012, crude oil prices are up by over 5% compared to year-ago levels, and gas prices are some 50% higher. The estimated volume of crude oil production is up by about 12% thus far in 2014, and the industry continues to add employment in the metro area with direct oil & gas related employment up by 7% compared to this time last year.

General real (inflation-adjusted) spending increased by a solid 7% per February sales tax receipts compared to February of a year ago, which in turn was up by over 10% compared to February of the prior year. For the first two months of the year, total real taxable spending is up by over 6% compared to the January-February 2013 total. Auto spending remains on the rise as well with inflation-adjusted spending on new and used automobiles up by 8% in February compared to February of a year ago, following a 22% year-over-year increase in January.

The construction sector in the combined metro area remains on fire with the largest February total on record (save for the abnormal permit month of February 2001 when a series of power plant permits were issued in Odessa); the \$63 million in building permit valuations was up by about 47% compared to February of a year ago, pulling the year-to-date total up by over 36% compared to the first two months of 2013.

Housing construction per single-family residence permits issued slipped in February, down by about 28% compared to February of a year ago; the permit total for the first two months of the year is down about 12% with the February decline. Existing home sales were only slightly higher for the month, posting a 2.5% increase in the number of closed sales in Midland and Odessa. Rates of year-over-year housing price growth have been reasonably normal thus far in 2014, though prices remain at high levels as a result of the sharp increases in the last three years. The monthly average home sale price in February was up by 3.6% compared to February of a year ago, and is up by 4.5% on average for the first two months of the year.

Again, new employment data benchmarks are in place following last month's revisions to payroll employment estimates in Midland-Odessa in 2012 and 2013. Employment estimates were generally lowered modestly, primarily for 2013, but the trend remains one of strong growth with payroll employment – simply the number of jobs estimated to exist in the Midland-Odessa combined metro area – up by 3.2% compared to February of a year ago, reflecting the addition of 5,000 to the economy over the last 12 months. And of course the unemployment rate remains the lowest in the state, averaging 3.3% in February, down from 3.7% in February of a year ago.