

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 July 2014

The Midland-Odessa Regional Economic Index posted another strong monthly increase in July rising to 222.9 up from 221.3 in June, and up 6.2% from the July 2013 MOREI of 210.0. All components used to calculate the index were improved in July compared to July of a year ago, and in fact only the year-to-date building permit number is down compared to some extraordinary construction numbers in 2013. Crude oil prices retreated modestly in July but oil and gas activity increased overall across the region based on higher prices in the first half of the year, and the continued expansion in the regional exploration and production economy continues to drive strong growth and expansion in the general economy of the Midland-Odessa metro area.

The consumer numbers remain strong through July with inflation-adjusted general spending per sales tax receipts in Midland-Odessa up by a stout 13.2% for the month compared to July of a year ago, and the total for the year-to-date up by over 10% compared to the first seven months of 2013. Growth in auto sales has gained momentum in a big way in 2014 after settling into single-digit percentage rates of growth in 2013. Inflation-adjusted spending on new and used automobiles in July was up by over 20% compared to July of a year ago (which incidentally was the strongest month of growth in 2013 up by nearly 13% compared to July of the prior year). For the year-to-date, real auto spending is now up by over 15% compared to the January-July period from a year ago.

The rate of employment growth is once again gaining momentum with the number of jobs in July up by an estimated 5.4% compared to July of a year ago, compared to rates of growth just under 4% at year-end 2013.

Business travel to the region continues to drive the ongoing increases in the travel and tourism indicators with enplanements at Midland International Airport up by a whopping 13% in July (year-over-year), and hotel/motel tax receipts up by over 10% based on second quarter occupancy.

After three spectacular years for the construction industry in Midland-Odessa, and a year that was nothing short of spectacular in 2013 it seemed quite logical that the numbers could be lower in 2014. And while the year-to-date total through July 2014 is off by about 10% compared to the first seven months of a year ago, the building permit numbers are surprisingly strong. The July valuation total of \$153 million is the highest on record for the month of July, and in fact is nearly \$45 million higher than the next-highest July total, which in fact was July of a year ago.

And speaking of records, the 160 new single-family residence construction permits is the highest monthly total on record for *any* month, July or otherwise, surpassing the next closest month (September 2013) by 22 permits. That pulled the year-to-date total into positive (and record) territory, with the January-July total surpassing 800 permits for the first time.

The 336 closed home sales for the month is also a record number of sales for the month of July, and the July total is nearly 11% higher compared to July of a year ago. The number of existing home sales for the year-to-date is not quite a record – the total for the first seven months of 2014 is 1,915 in Midland-Odessa, down by about 100 sales compared to the 2,014 sales for the same period in 2005.

Incredibly, however, the total dollar volume of residential sales activity stands at over \$470 million in the first seven months of 2014, compared to \$218 million for the same period in 2005, as prices have increased astronomically since that period of time. Prices continue to rise in 2014, of course, with the July monthly average up by 6.6% compared to July of a year ago, which in turn was up by nearly 15% compared to July of the prior year. For the year-to-date through July 2014, the average home sale price is up by nearly 13% compared to the January-July 2013 time frame.

The regional rig count continues to push ever further into record territory rising to 467 in July (for RRC districts 7C, 8, and 8A), along with a 42% year-over-year increase in drilling permits. In fact, the sharp increases in May, June, and July pulled the year-to-date total back into positive territory, and the 6,569 permits issued thus far in 2014 is indeed a new record for the first seven months of the year. The rate of year-over-year increase in oil & gas employment in Midland-Odessa has surged upward in the last two months, surpassing 10% for the first time in 2014.