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**The Midland Development Corporation
presents**

The Midland-Odessa Regional Economic Index and the Texas Permian Basin Petroleum Index November 2016

Astoundingly, the Midland-Odessa Regional Economic Index increased in November, the first such improvement in 22 months. The index rose to 195.0 for the month, up from 194.2 in October, but still down 9.7% from the November 2015 MOREI of 215.9. The Midland-Odessa Regional Economic Index peaked in January 2015 and officially began to register the contraction in February. Following 21 straight months of decline, the index reversed course in November 2016.

The turning point may or may not ultimately hold up as employment data revisions issued over the next couple of months are applied to the index, and the index may well decline again next month due simply to some random volatility during the transition. Either way, the increase in the Midland-Odessa Regional Economic Index in November is very encouraging, and suggests better days ahead for the Midland-Odessa combined metro area general economy.

The housing indicators – new single-family housing construction and existing home sales – enjoyed sizable increases in November, and the index remains supported by overstated employment estimates as explained last month. General spending continues to register double-digit percentage year-over-year declines, though the rate of decline is narrowing and in fact spending, while down compared to year-ago levels, appears to be in the process of turning the corner and beginning to improve. Real auto spending posted its first year-over-year improvement since December 2014.

Monthly Midland-Odessa payroll employment estimates suggest an employment level for the combined metro area of 165,400, unchanged compared to November of 2015. Again, though, these estimates are off-base and these numbers stand to be revised downward by thousands of jobs when revised data for 2016 is released in early March.

The Texas Permian Basin Petroleum Index was revised in November to reflect a more realistic industry employment picture; while it knocked the overall index levels downward, the index posted its third monthly improvement in the last four months increasing to 209.7 for the month up from a revised 209.1 in October, and down 17.5% from the November 2015 TPBPI of 254.2. The regional rig count continues to respond to crude oil price increase, and the number of drilling permits issued across the region (the total for RRC districts 7C, 8, & 8A) was up by double-digit percentage points for the second straight month. And while industry employment levels are lower than previous estimates had suggested, it does appear as though oil & gas employment in Midland-Odessa may have hit its low point in September and added a handful of jobs in October and November.

Incredibly, the 116 new single-family residence construction permits issued in Midland and Odessa is the highest total for the month of November on record, and is up by 50% compared to November of a year

ago. The number of existing homes sold was up sharply in November compared to a low total the prior year. The 240 closed sales (subject to minor upward revision in coming months) is up by over 30% compared to the November 2015 total, which in turn was down by 33% compared to November 2014. The average price of those sales was down by about 4.4% year-over-year, as price growth has cooled on the heels of extraordinary growth from 2010-2014.

It appears as though the time has come. After a long and deep contraction in both the regional oil & gas economy and the general economy of Midland-Odessa, the tide is turning for the better. The importance of the upward turn in the Midland-Odessa Regional Economic Index cannot be overstated. While data revisions may alter the numbers a bit in the future, the Midland-Odessa Regional Economic Index and the Texas Permian Basin Petroleum Index appear to have turned the corner, pointing to brighter economic times in 2017 on the heels of the tough times in 2015 and 2016.