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**The Midland Development Corporation
presents**

The Midland-Odessa Regional Economic Index and the Texas Permian Basin Petroleum Index March/1st Quarter 2018

The Midland-Odessa Regional Economic Index continues its sharp and swift ascension, improving to 232.8 in March up from a revised (upward) 230.4 in February, and up a remarkable 20% from the March 2017 MOREI of 194.0. The index expanded at an annualized rate of 18.7% in the first quarter of the year and remains on pace to surpass its all-time high of 234.7 achieved in January 2015, the cyclical peak in advance of the contraction induced by downturn in the regional oil and gas economy.

All components of the index posted first quarter year-over-year growth, and only real building permit valuations and existing home sales were down compared to year-ago levels for the month of March. First quarter records were set in real general taxable spending, auto sales activity, building permit valuations, new housing construction permits, existing home sales and prices, and the combined Midland-Odessa unemployment rate. Total payroll employment set a March monthly record but on balance remains down compared to its late-2014 peak level.

The Texas Permian Basin Petroleum Index surpassed 300.0 in March, improving to 302.5 for the month up from a revised 297.4 in February, and up a sharp 28.2% from the March 2017 TPBPI of 235.9. Posted West Texas Intermediate crude oil prices averaged nearly \$60/bbl for the month, though actual prices were discounted considerably from that level due to continued rapid production growth and a lack of pipeline capacity to move that crude out of the Permian. Waha hub gas pricing is suffering from the same affliction with ever-increasing production levels and the sheer inability to move all of that production into the marketplace.

The rig count has increased in spite of these indications of localized gluts and bottlenecks, improving to 352 on average in March (for RRC districts 7C, 8, and 8A), up from 263 in March of a year ago and 325 in December 2017. The number of drilling permits issued in the same region is up by about 10% compared to the total through March of last year, which in turn was more than double the total from the prior year. The rig count and drilling permit numbers continue to lag behind the peak levels reached in 2014 but both are gaining momentum in terms of the pace of increase. Estimated oil and gas industry employment in Midland-Odessa surpassed its previous high point in March, however, increasing to over 31,700 (the previous record employment total was 36,200 in October 2014).

Regional crude oil production (again, RRC districts 7C, 8, and 8A) is up by over 18% through March compared to the first three months of a year ago, and natural gas production is up by over 15% year-over-year.

The general economic data continues to reflect what can only be characterized as a booming economy. General real (inflation-adjusted) spending per March sales tax receipts in Midland-Odessa was up by over 50% compared to March 2017 and is now up by 41% for the year-to-date. First quarter real auto spending was up by nearly 45% and again, both general spending and auto spending established new records in the first quarter.

Even though the March monthly building permit total was down compared to year-ago levels the first quarter total still set a new first quarter record, posting a 70% year-over-year increase. The number of new single-family housing construction permits in the first quarter was unchanged compared to year-ago levels but again, the 497 permits issued through March represents the highest first quarter on record and outpaced the first quarter of a year ago by some 28%.

The same is true of existing home sales – flat in March compared to year-ago levels but setting new records for the first quarter in terms of the number of sales, which was up by nearly 6% year-over-year, and the average price of those sales, which was up by over 6% compared to the average for the first three months of 2017. Naturally, then, the real dollar volume of those sales set a new first quarter record as well, logging a nearly 10% increase compared to the first quarter of a year ago.

Combined payroll employment in Midland-Odessa reached an estimated 173,300 in March, which in fact is the highest March monthly estimate on record. These estimates are not seasonally adjusted; the seasonally adjusted data (which in part is used to calculate the Midland-Odessa Regional Economic Index) suggests that the March employment estimate continues to lag behind peak monthly employment (December 2014) by about 4,500 jobs. That gap will very likely close later in 2018.

The combined Midland-Odessa unemployment rate has plunged over the last year, falling to 2.8% in March (matching the record low last achieved in March 2008); the first quarter average is also 2.8%, which is the lowest on record by a tenth of a point – the first quarter 2008 unemployment rate averaged 2.9%. The labor market in Midland-Odessa is extremely tight and is only becoming more so with each passing month.

Business and economic conditions in Midland-Odessa are nothing short of extraordinary through the first quarter 2018. The recovery in the Midland-Odessa combined metro area economy is nearing the 18-month mark, and the Midland-Odessa Regional Economic Index will very likely surpass its previous high point and move into new record territory with the release of the April 2018 MOREI.