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**The Midland Development Corporation
presents**

The Midland-Odessa Regional Economic Index and the Texas Permian Basin Petroleum Index May 2018

On the heels of its record-setting five point increase last month, the Midland-Odessa Regional Economic Index posted another large gain in May, improving to 241.5 for the month, up from 237.8 in April, and up 21.6% from the May 2017 MOREI of 198.6. The five-point increase from March to April was the largest single monthly increase in the history of the Midland-Odessa Regional Economic Index which is based at 100.0 in January 1996, and the index also surpassed its previous high point last month to achieve a new record and moved into a new round of real growth. The current cycle of expansion is now 19 months in the making through May over which time the MOREI has increased by over 27%.

All components of the Midland-Odessa Regional Economic Index are at record levels through the first five months of the year, including the non-seasonally adjusted payroll employment estimates. Seasonally adjusted employment remains slightly lower than its prior peak but will almost certainly cross that threshold next month.

The Texas Permian Basin Petroleum Index continues to post sharp month-to-month increases adding another six points in May, increasing to 317.3 for the month up from a revised (upward) 311.2 in April, and up over 27% from the May 2017 TPBPI of 249.4. The regional oil and gas index is now down by only 17% from its peak of 382.3 in November 2014.

The posted price for West Texas Intermediate crude oil was the highest since November 2014, though much Permian crude is discounted considerably from that benchmark, again due to the increasing lack of takeaway capacity relative to rising production in the region. Still, the rig count continues to climb adding 16 rigs from April to May in RRC districts 7C, 8, and 8A. The 3,500 drilling permits issued through May is the highest since 2014 but remains down compared to each year 2011-2014. Estimated oil and gas employment is at record levels and climbing, up by over 30% in May compared to May of a year ago.

The Permian continues to set the pace for statewide and national crude oil production growth with estimated production in those three Railroad Commission districts up by nearly 24% thus far in 2018. Regional natural gas production is up by 22% through May compared to the first five months of a year ago, and both crude oil and natural gas production are primed to set new annual records in 2018. The increasing inability to move that production into the marketplace continues to hang over the markets, though the resulting regional price discounts for crude oil and natural gas seemingly have yet to cut into activity growth. As those discounts remain in place and continue to widen, however, the rig count and other measures of activity will be lower than would otherwise be the case.

The monthly average home sale price for Midland and Odessa combined surpassed \$300,000 for the first time in May, outpacing the May 2017 monthly average by over 12%. The number of closed sales in the combined market also set new records for May and the year-to-date through May, up by 19% and 11%, respectively (and exceeding 400 sales for the first time ever in the month of May). The total real (inflation-adjusted) dollar volume of residential real estate in Midland-Odessa is up by over 30% year-over-year in May and is up by over 17% through the first five months of the year.

A record (for the month of May) 142 permits were issued for new single-family housing construction outpacing the May 2017 total by over 40% and surpassing the 133 permits issued in May 2013. The year-to-date total is a record as well at 777 permits, an increase of 33% compared to the first five months of a year ago.

The building permit monthly valuation total was up by 160% compared to the May 2017 inflation-adjusted monthly total but was not a May monthly record coming up short compared to May 2014. The year-to-date total is a record by far, however, up by some 75% compared to the total through the first five months of 2017.

Spending growth shows no sign of slowing with inflation-adjusted spending per May sales tax receipts up by over 46% compared to May of a year ago, and up by over 42% for the year-to-date. Real auto spending was up by nearly 20% for the month compared to the May 2017 total, which in turn was up by 38% compared to May of the prior year. Through the first five months of the year inflation-adjusted spending on new and used motor vehicles is up by 42% compared to the total through May of last year.

The May 2018 payroll employment estimate totaled for Midland and Odessa is the highest May monthly total on record at 178,700, an increase of 8.2% compared to May of a year ago. These numbers are not seasonally adjusted, meaning comparisons can only be made to the same month in previous years. The Texas Workforce Commission also issues seasonally adjusted employment estimates, however, and these may properly be compared to any prior month. The May seasonally adjusted estimate, also 178,700 coincidentally, is down by only about 400 jobs compared to the record 179,100 in December 2014 and will almost certainly surpass that total with the release of the June employment data.

The combined Midland-Odessa unemployment rate continues to come down at 2.4% in May compared to 3.5% in May 2017. The unemployment rate average through May is an extraordinarily low 2.6%, the lowest ever for the first five months of the year, falling below the 2.8% through May 2008. The average unemployment rate for the 12 months ending in May stands at 2.9%, the lowest 12-month moving average on record as well.