

# Revised data shows Midland-Odessa economy even stronger than thought

■ Commission finds area gained even more jobs than earlier reported

By Mella McEwen  
Oil Editor

Annual revisions to employment data by the Texas Workforce Commission have painted a clearer picture of the Midland-Odessa economy, and that picture is one of an economy even stronger than previously thought.

"The 2,500 total jobs added to the esti-

mate at the end of 2007 basically doubled the job growth rate, taking it from the previous estimated rate that had narrowed to just below 2 percent to just below 4 percent," said Karr Ingham, the Amarillo economist who prepares the Midland-Odessa Regional Economic Index.

The revised data put Midland-Odessa's economic growth rate at the end of 2007 at 6.4 percent above the end of 2006 and February's index as 6.4 percent above last February's level. For now, he said, the area's economy has apparently leveled off into a "perfectly acceptable and positive rate of

growth" in the range of 6 percent or more, a range even more acceptable, he said, given rates were over 10 percent not too long ago. "This simply suggests the economy continues to operate at a high level, creating opportunities and jobs and that its primary driver — oil and gas activity — continues to function at the high levels that resulted in overall economic expansion to begin with."

With unemployment below 3 percent — Midland's unemployment was 2.6 percent and Odessa's 3.1 percent in February —

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"finding workers becomes a sticky issue."

Jobs are, Ingham said, "the fruits of a rapidly expanding economy, and grow this economy has done in response to continued high levels of oil and gas exploration and production activity in the region."

There has been, he added, a significant amount of economic growth in a compressed period of time — three or four years — that has drained the labor pool and the inventory of housing needed to shelter workers.

Finding workers has been a challenge for several reasons, Ingham said, starting with the fact that workers were lost during the economic downturns of the 1980s and late 1990s because, as he noted, "they weren't sitting around waiting to be employed. So there's no pool to draw from for these new jobs."

A second challenge is the fact that, while there has been strong growth in the labor force, it has been outpaced by economic growth. And while builders have been busy building new homes — new home permits were up 5.9 percent in February from the previous year — a continued decline in existing home sales — down 5.7 percent over last year — and rising sales prices — up 18.5 percent in February — "scream housing shortage," Ingham said.

Consumer activity also remains strong, with retail sales up 3.8 percent over last year and automobile sales were even stronger, Ingham said, gaining 28.2 percent over February 2007 levels.

Further, Ingham said, travel and tourism are adding to the Midland-Odessa economies, with enplanements at Midland International up 10 percent and hotel/motel taxes rising 13.1 percent on top of a 43 percent gain in 2007 over 2006.

Higher commodity prices — crude oil in particular — drove strong growth in 2007 and into 2008, Ingham said. He said slowing economies may affect oil prices, but it is difficult to imagine a situation in which prices retreat significantly.

"A slowing U.S. economy will to some degree place some negative pressure on the Midland-Odessa metro economy, but oil wins out, as usual. One can only expect economic growth in Midland-Odessa in 2008, though the growth rates may continue to dwindle as the year goes on. When all is said and done, however, growth of, say, 3-4 percent in 2008 would look just fine under any circumstances. And in Midland-Odessa, where that comes on the heels of 3 percent, 6 percent, 8 percent, 13 percent and 6 percent growth in the last five years, adding another 3-4 percent in 2008 becomes even more impressive."

Mella McEwen can be reached at [casell@mrt.com](mailto:casell@mrt.com).