

SOUTHWEST BANK

2026 Economic Outlook

Outlook for the US, Texas, Midland, Odessa, and Permian Basin Areas

THE PERRYMAN GROUP

The United States



The United States economy has shown notable resilience in the face of geopolitical uncertainty, higher inflation, and other challenges, but the pace of expansion has been sluggish. Job gains have been inconsistent, although the unemployment rate remains near 4%, the level considered to be "full employment" as it allows for some slack in the system. The Perryman Group's latest projections call for growth over the next five years, with the pattern likely to be uneven and somewhat back-loaded to the latter years.

The conflict in the Middle East continues. Oil prices remain elevated, with periodic surges and declines based on the events of the day. The Strait of Hormuz remains contested, and Iran and its proxies have damaged pipelines and other infrastructure of Saudi Arabia and other countries.

While there are clear signs that US actions such as the ongoing blockage are putting significant pressure on the regime, thus far no peace has been reached. As a result, oil prices are likely to remain higher than they had been, leading to upward pressure on prices across the economy.

The Federal Reserve recently raised target interest rates and further increases in the coming months have been signaled. Until inflation is reduced, prices will remain in focus, and future decisions will be made based on ongoing data releases. The election sent a clear mandate to address affordability issues. The degree of success will likely impact interest rates as well.

The job market continues to see notable shifts with the deployment of AI. Although many jobs have exposure to AI, it appears that scenarios of very high job losses in the near term are likely overstated. Instead, broader deployment of AI is a source of productivity gains across many occupations, and ongoing investments in related infrastructure are contributing to growth. Clearly, there will be dislocations, however, with opportunities in some fields shrinking over time.

The Perryman Group's latest projections indicate that even with the current challenges, growth is expected over the five-year horizon, though the pace will be uneven and could be stronger in the latter years of the time horizon. A major or long-lasting shock could of course increase instability, but fundamental underlying strengths remain in place.

PROJECTED KEY INDICATORS

Economic Indicator	2026 Level	2031 Level	Level Change	Growth Rate
Real Gross Product	$24.4 tr	$27.6 tr	+$3.3 tr	+2.56%
Real Personal Income	$20.5 tr	$22.4 tr	+$1.8 tr	+1.73%
Total Employment	158.9 m	170.8 m	+11.9 m	+1.45%
Population	342.8 m	352.0 m	+9.2 m	+0.53%
Consumer Price Index	136.1	155.0	+18.9	+2.64%
Industrial Production Index	102.8	114.7	+11.9	+2.21%
3 Month T-Bill	3.89%	3.72%	-0.18	N/A
10 Year T-Bond	4.62%	4.67%	+0.04	N/A
20 Year T-Bond	5.20%	5.24%	+0.05	N/A
Prime Rate	7.02%	7.08%	+0.07	N/A
Moody Aaa	5.74%	5.89%	+0.15	N/A

The Perryman Group's most recent short-term forecast for the US economy indicates significant growth over the next five years.

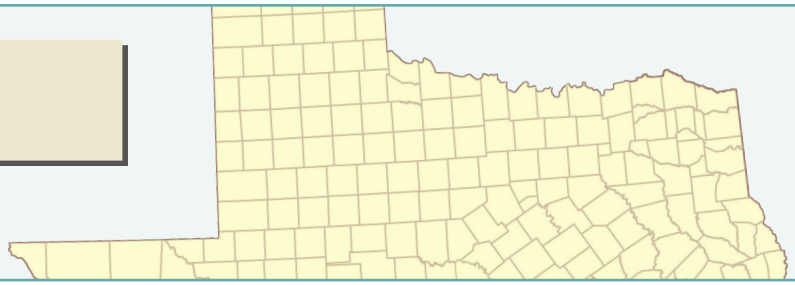
Real gross product is projected to increase at a 2.56% annual pace, reaching a level of $27.6 trillion in 2031.

Almost 11.9 million net new jobs are forecast to be added, for a total 2031 employment of around 170.8 million.

Inflation and interest rates are expected to moderate from recent levels over the next five years.

© 2026 by The Perryman Group

The State of Texas



Texas remains well positioned to outpace the national rate of economic growth. The state has long been a center for expansion, adding population and jobs at a faster rate than other areas. The expansion has slowed, but The Perryman Group's projections call for notable gains over the five-year time horizon.

A major reason for potential success is the fact that Texas has attracted more new corporate locations and expansions than any other state for a number of years. From headquarters operations to new manufacturing facilities, sources of additional jobs and opportunities span a wide spectrum. A variety of industries are also involved, including (among others) finance, semiconductors and advanced manufacturing, data centers and AI infrastructure, biosciences, commercial space activity, petrochemicals including green fuels, and LNG.

At the same time, as the largest exporting state by a wide margin, Texas is particularly susceptible to trade policy and global economic conditions. Tariffs have challenged many industries, both those using imported goods as inputs to manufacturing processes and those facing retaliatory levies.

The oil and gas industry is a significant aspect of the state economy, and the conflict in the Middle East and resulting higher crude prices are having an impact on profits and efforts to enhance production efficiency. Even so, drilling activity remains at a moderate level, due to uncertainty and the expectation that the price increase will be temporary.

The Perryman Group's latest forecast calls for significant growth over the next five years at a rate outpacing the nation and most other areas. While the state faces notable challenges ranging from global uncertainties to investing in education and the infrastructure needed to support a growing population and economy, underlying strength and momentum are expected to generate substantial new activity.

PROJECTED KEY INDICATORS

Economic Indicator	2026 Level	2031 Level	Level Change	Growth Rate
Real Gross Product	$2.4 tr	$2.8 tr	+$406.1 b	+3.21%
Real Personal Income (By Residence)	$1.8 tr	$2.1 tr	+$246.6 b	+2.55%
Real Earnings (By Place of Work)	$1.3 tr	$1.5 tr	+$157.1 b	+2.30%
Total Employment	21.4 m	23.5 m	+2.1 m	+1.91%
Wage and Salary Employment	15.1 m	16.5 m	+1.4 m	+1.73%
Population	32.1 m	34.4 m	+2.2 m	+1.36%
Consumer Price Index	133.8	155.9	+22.1	+3.10%
Industrial Production Index	153.8	182.4	+28.6	+3.47%
Real Retail Sales	$509.5 b	$563.5 b	+$54.0 b	+2.03%

PROJECTED INDUSTRY GROWTH 2026-2031

	Real Gross Product		Employment	
Industry Sector	Level Change	Growth Rate	Level Change	Growth Rate
Agriculture	+$0.7 b	+1.02%	+2,915	+0.65%
Mining	+$40.2 b	+3.56%	+17,017	+1.53%
Utilities	+$3.2 b	+1.72%	+4,161	+1.15%
Construction	+$12.1 b	+2.36%	+104,323	+2.11%
Manufacturing	+$56.4 b	+3.61%	+62,111	+1.19%
Wholesale Trade	+$23.3 b	+2.93%	+54,206	+1.58%
Retail Trade	+$20.9 b	+2.81%	+95,933	+1.30%
Logistics	+$7.8 b	+1.84%	+56,016	+1.60%
Information	+$29.2 b	+4.38%	+16,029	+1.33%
Finance and Insurance	+$20.6 b	+3.02%	+68,408	+1.80%
Real Estate	+$58.9 b	+3.64%	+23,886	+1.68%
Professional and Business Services	+$75.8 b	+4.18%	+272,344	+2.37%
Educational Services	+$2.8 b	+3.08%	+30,834	+2.35%
Health and Social Services	+$22.6 b	+2.99%	+208,964	+2.25%
Amusement and Recreation Services	+$2.8 b	+3.35%	+21,141	+2.23%
Accommodation and Food Services	+$7.7 b	+2.68%	+146,907	+2.02%
Miscellaneous Services	+$4.1 b	+2.20%	+55,173	+1.53%
Government	+$17.0 b	+1.62%	+116,815	+1.01%
All Industry Total	**+$406.1 b**	**+3.21%**	**+1,357,183**	**+1.73%**

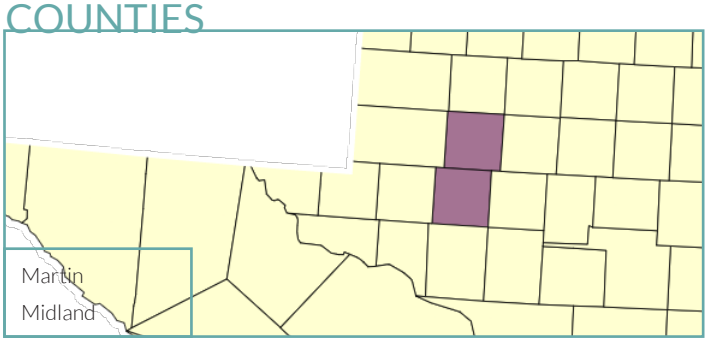
© 2026 by The Perryman Group

Midland

metropolitan statistical area

Over the past year, the Midland area has experienced growth in almost all industry groups (other than the information sector). The area's unemployment rate is currently well below both the state and national levels. The Perryman Group's latest forecast calls for expansion over the next five years, although the pace may be uneven in response to global economic conditions. Employment is projected to grow by nearly 15,860 net new positions, an increase of 2.25% per year from 2026 to 2031. The largest sources of job growth over the period are projected to be mining (up more than 5,220 jobs) and accommodation and food services (adding some 1,650 jobs).

COUNTIES



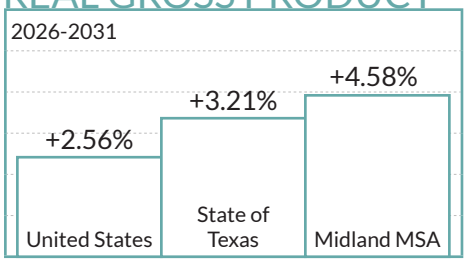
PROJECTED KEY INDICATORS

Economic Indicator	2026 Level	2031 Level	Level Change	Growth Rate
Real Gross Product	$55.5 b	$69.4 b	+$13.9 b	+4.58%
Real Personal Income	$23.0 b	$26.3 b	+$3.3 b	+2.68%
Real Retail Sales	$5.0 b	$5.6 b	+$675.8 m	+2.59%
Population	195,769	215,191	+19,422	+1.91%
Employment	134,940	150,799	+15,859	+2.25%

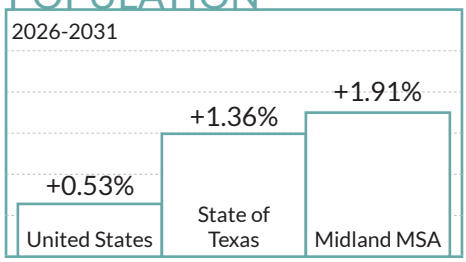
PROJECTED INDUSTRY GROWTH 2026-2031

	Real Gross Product		Employment	
Industry Sector	Level Change	Growth Rate	Level Change	Growth Rate
Agriculture	+$1.5 m	+1.13%	+2	+0.09%
Mining	+$11,724.5 m	+5.08%	+5,223	+2.84%
Utilities	+$30.8 m	+2.73%	+62	+1.02%
Construction	+$157.7 m	+3.25%	+1,515	+2.86%
Manufacturing	+$208.7 m	+3.72%	+306	+1.09%
Wholesale Trade	+$237.9 m	+2.94%	+964	+2.32%
Retail Trade	+$136.6 m	+2.42%	+703	+1.40%
Logistics	+$68.1 m	+2.54%	+812	+2.86%
Information	+$73.3 m	+4.91%	+37	+0.62%
Finance and Insurance	+$69.6 m	+2.11%	+67	+0.56%
Real Estate	+$550.3 m	+3.29%	+1,027	+4.43%
Professional and Business Services	+$375.2 m	+3.81%	+1,241	+1.94%
Educational Services	+$16.6 m	+3.52%	+268	+1.67%
Health and Social Services	+$79.6 m	+2.57%	+703	+1.99%
Amusement and Recreation Services	+$26.2 m	+3.20%	+204	+2.18%
Accommodation and Food Services	+$65.3 m	+2.86%	+1,652	+2.94%
Miscellaneous Services	+$40.2 m	+2.24%	+509	+1.65%
Government	+$67.2 m	+1.31%	+564	+0.96%
All Industry Total	**+$13,929.2 m**	**+4.58%**	**+15,859**	**+2.25%**

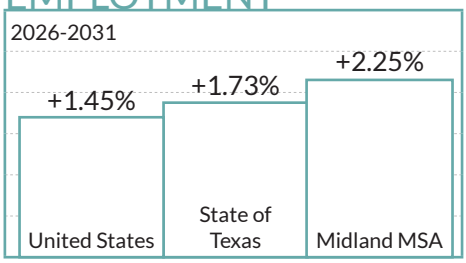
REAL GROSS PRODUCT



POPULATION



EMPLOYMENT

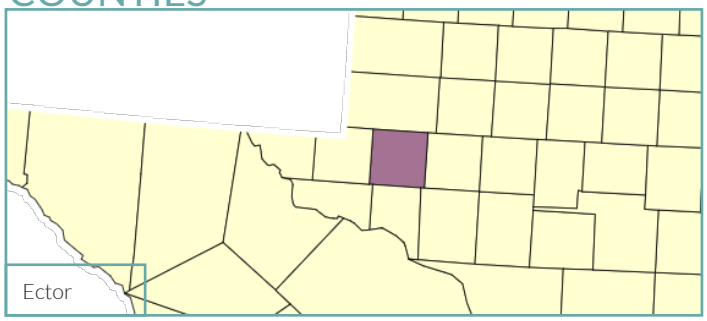


Odessa

metropolitan statistical area

The Odessa area has seen growth in most industries over the past year and has generally exhibited sold expansion. The unemployment rate in the area continues to be well below that of Texas and the US. The Perryman Group's latest forecast calls for expansion over the next five years, though the pace may be uneven in response to global economic conditions. Employment is expected to increase by 6,710 net new positions, a gain of 1.48% per year through 2031, with the wholesale trade and mining industries leading the way in job growth.

COUNTIES



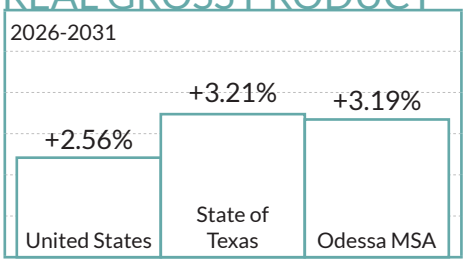
PROJECTED KEY INDICATORS

Economic Indicator	2026 Level	2031 Level	Level Change	Growth Rate
Real Gross Product	$13.9 b	$16.3 b	+$2.4 b	+3.19%
Real Personal Income	$8.9 b	$10.1 b	+$1.2 b	+2.65%
Real Retail Sales	$4.2 b	$4.8 b	+$0.6 b	+2.51%
Population	175,296	189,712	+14,416	+1.59%
Employment	87,761	94,471	+6,710	+1.48%

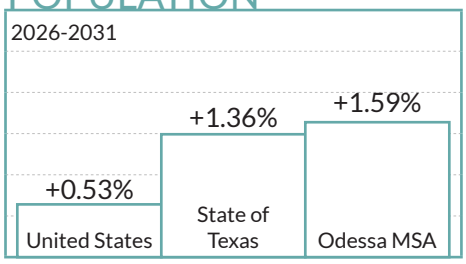
PROJECTED INDUSTRY GROWTH 2026-2031

	Real Gross Product		Employment	
Industry Sector	Level Change	Growth Rate	Level Change	Growth Rate
Agriculture	+$0.2 m	+1.03%	+0	+0.00%
Mining	+$837.6 m	+3.69%	+879	+1.35%
Utilities	+$180.7 m	+5.11%	+50	+2.20%
Construction	+$61.2 m	+1.58%	+748	+1.94%
Manufacturing	+$138.5 m	+3.02%	+220	+0.99%
Wholesale Trade	+$137.8 m	+2.76%	+914	+2.30%
Retail Trade	+$169.1 m	+3.29%	+676	+1.40%
Logistics	+$32.0 m	+1.22%	+90	+0.43%
Information	+$54.4 m	+7.78%	+51	+1.68%
Finance and Insurance	+$18.4 m	+2.03%	+41	+0.49%
Real Estate	+$393.7 m	+3.57%	+203	+1.63%
Professional and Business Services	+$135.4 m	+3.83%	+377	+1.46%
Educational Services	+$7.1 m	+7.49%	+101	+2.88%
Health and Social Services	+$51.4 m	+2.34%	+535	+1.81%
Amusement and Recreation Services	+$3.7 m	+3.24%	+49	+2.24%
Accommodation and Food Services	+$50.7 m	+2.50%	+865	+1.79%
Miscellaneous Services	+$35.5 m	+2.18%	+407	+1.60%
Government	+$60.3 m	+1.31%	+504	+0.90%
All Industry Total	**+$2,367.5 m**	**+3.19%**	**+6,710**	**+1.48%**

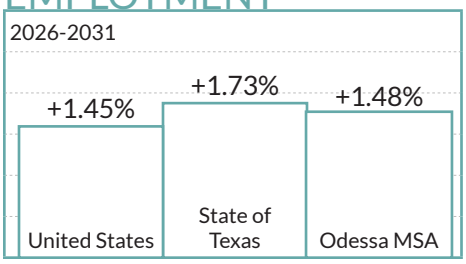
REAL GROSS PRODUCT



POPULATION



EMPLOYMENT

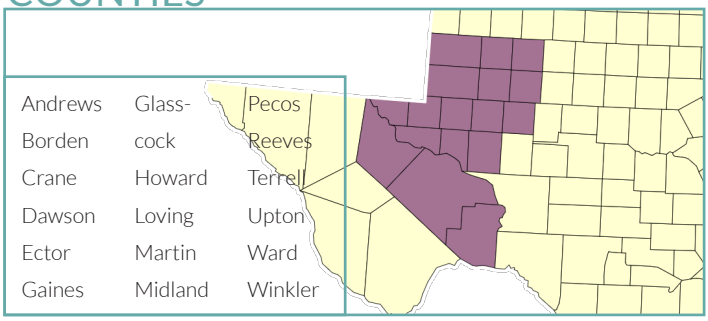


© 2026 by The Perryman Group

Permian Basin Region

With higher oil prices, the Permian Basin has seen notable expansion over the past year, and unemployment in the area continues to trend below the state and national levels. Further expansion over the next five years is projected in The Perryman Group's latest forecast, although the oil and gas sector and other global events, particularly in energy markets, will be the primary determinant of the pace of growth. Employment in the region is forecast to grow by approximately 25,600 net new positions from 2026-2031, with substantial expected gains in the mining (oil and gas) sector. Real gross product is expected to grow by $26.2 billion over the period.

COUNTIES



Andrews
Borden
Crane
Dawson
Ector
Gaines
Glasscock
Howard
Loving
Martin
Midland
Pecos
Reeves
Terrell
Upton
Ward
Winkler

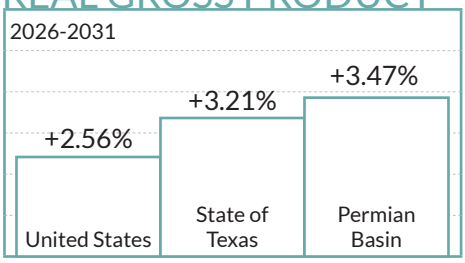
PROJECTED KEY INDICATORS

Economic Indicator	2026 Level	2031 Level	Level Change	Growth Rate
Real Gross Product	$140.8 b	$167.0 b	+$26.2 b	+3.47%
Real Personal Income	$39.3 b	$44.7 b	+$5.4 b	+2.61%
Real Retail Sales	$12.3 b	$13.6 b	+$1.2 b	+1.95%
Population	513,753	555,736	+41,983	+1.58%
Employment	294,776	320,374	+25,598	+1.68%

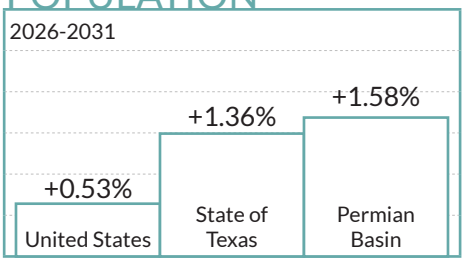
PROJECTED INDUSTRY GROWTH 2026-2031

Industry Sector	Real Gross Product Level Change	Real Gross Product Growth Rate	Employment Level Change	Employment Growth Rate
Agriculture	+$12.3 m	+0.65%	+37	+0.23%
Mining	+$21,670.3 m	+3.68%	+6,415	+2.14%
Utilities	+$325.8 m	+2.94%	+143	+1.05%
Construction	+$302.5 m	+2.42%	+3,483	+2.42%
Manufacturing	+$475.7 m	+3.28%	+600	+0.98%
Wholesale Trade	+$429.9 m	+2.87%	+1,999	+2.12%
Retail Trade	+$368.6 m	+2.70%	+1,548	+1.19%
Logistics	+$89.6 m	+1.27%	+891	+1.35%
Information	+$150.0 m	+5.48%	+115	+1.02%
Finance and Insurance	+$90.2 m	+1.76%	+31	+0.11%
Real Estate	+$1,112.2 m	+3.23%	+1,297	+3.05%
Professional and Business Services	+$570.7 m	+3.72%	+1,853	+1.69%
Educational Services	+$24.0 m	+3.92%	+367	+1.78%
Health and Social Services	+$138.7 m	+2.30%	+1,354	+1.72%
Amusement and Recreation Services	+$32.0 m	+3.12%	+262	+2.05%
Accommodation and Food Services	+$139.6 m	+2.59%	+2,797	+2.14%
Miscellaneous Services	+$94.0 m	+2.18%	+1,072	+1.43%
Government	+$192.0 m	+1.22%	+1,334	+0.70%
All Industry Total	**+$26,218.2 m**	**+3.47%**	**+25,598**	**+1.68%**

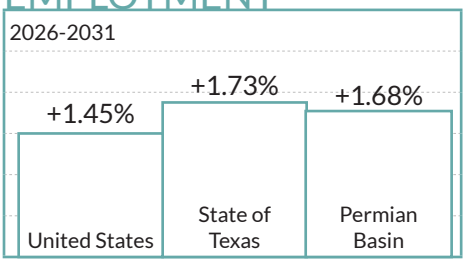
REAL GROSS PRODUCT



POPULATION



EMPLOYMENT



DEFINITIONS

Real Gross Product: Also called "output;" the final value of all goods and services produced in an economy during a given period of time (adjusted for inflation, in 2017 US$).

Real Personal Income: The total income accruing to households where the income-earner resides rather than works (adjusted for inflation, in 2017 US$).

Real Retail Sales: The total volume of retail goods sold (adjusted for inflation, in 2017 US$).

Population: The total number of persons residing in a specific area.

Employment: (Wage and salary) a measure of the number of persons in the workforce excluding proprietors, but including agricultural workers and military personnel.

Annual Growth: Growth rate compounded annually, meaning that it reflects changes in the base from which growth is calculated.

Industrial Production Index: A measure of output in the core production sectors of the economy expressed as an index with 2017=100.

Consumer Price Index: A measure of inflation, the escalation of prices of consumer goods, expressed as an index with 2017=100.

Interest Rates: The rate set on the 20-year Treasury note.

Agriculture includes farming, ranching, commercial fishing, forestry, hunting and trapping, and related services.

Mining includes companies primarily involved in the extraction of minerals occurring naturally (largely oil and gas in Texas).

Utilities includes electric, water, and sanitary services (including all establishments of the US Postal Service).

Construction includes new work, additions, alterations, and repairs of buildings, water systems, highways, utility plants, and other projects.

Manufacturing involves both non-durable items consumed in a short time period such as paper, bread, chemicals, and clothing as well as durable goods typically consumed over a period of several years such as automobiles, washing machines, industrial machinery, and computers.

Wholesale & Retail Trade comprises establishments engaged in wholesaling & retailing merchandise.

Transportation & Warehousing includes transporting passengers and goods, warehousing and storing goods, and providing similar services.

Information includes establishments that create, disseminate, or provide the means to distribute information including data processing; newspaper, book, and periodical publishers; software publishers; broadcasting and telecommunications producers and distributors; motion picture and sound recording industries; and information services.

Finance, Insurance, & Real Estate includes depository and credit institutions, holding companies, insurance carriers and agents, real estate buyers and sellers, real estate agents, and real estate developers.

Services includes companies providing services to individuals, businesses, or government entities such as health care, business services (excluding finance, insurance, and real estate), hotels, and amusements.

Government includes federal, state, local, and international governments and military activity.

METHODOLOGY

Economic and population projections were derived using the **US Multi-Regional Econometric Model**, which was developed by Dr. M. Ray Perryman, President and CEO of The Perryman Group, 40 years ago and has been consistently maintained, expanded, and updated since that time. It is formulated in an internally consistent manner and is designed to permit the integration of relevant global, national, state, and local factors into the projection process. It is the result of more than three decades of continuing research in econometrics, economic theory, statistical methods, and key policy issues and behavioral patterns, as well as intensive, ongoing study of all aspects of the global, US, Texas, and Texas metropolitan area economies. It is extensively used by scores of federal and state governmental entities on an ongoing basis, as well as hundreds of major corporations. The overall methodology, while certainly not ensuring perfect foresight, has been peer-reviewed on numerous occasions and permits an enormous body of relevant information to impact the economic outlook in a systematic manner.

Effective economics, accessible analysis

The Perryman Group provides the economic insights you need for the board room, the courtroom, the hearing room, or any other room where decisions are made.

We are an economic and financial analysis firm that provides clients with thoroughly researched, well-documented, carefully considered answers to complex questions.

Led by Dr. M. Ray Perryman, The Perryman Group covers numerous practice areas including **litigation & regulatory services, impact assessment, economic modeling & forecasting, valuation, economic development & strategic planning**, and **public policy**. In addition, our in-house professionals also provide **market & industry analysis, statistical modeling & analysis, survey & demographic studies, economic statistics**, and other services in a comprehensive manner. The firm has served the needs of more than 3,000 clients ranging from major corporations to small startups and local communities to national governments.

The Perryman Group analyzes and clearly communicates complex issues. The experienced team has a superlative track record in working with both defendants and plaintiffs in hundreds of significant assignments over more than 40 years, and Dr. Perryman has frequently provided successful testimony in numerous high-profile judicial, legislative, and regulatory proceedings. **Deadlines are met, problems are solved, and messages are delivered.**

ABOUT DR. M. RAY PERRYMAN

Dr. Ray Perryman, the founder and CEO of The Perryman Group, has guided clients, subscribers, and audiences through the complexities of economic life for more than 40 years. He holds a BS in Mathematics from Baylor and a PhD in Economics from Rice. He has held numerous academic positions; authored several books, more than 400 academic papers and 3,000 trade articles; and received hundreds of prestigious awards for his academic and professional efforts. Some of his most gratifying work has been in the fields of economic development and social policy, where he has played a role in the creation of hundreds of thousands of jobs, trillions of dollars in investments, and numerous initiatives to address pressing human needs.

FIND US ONLINE: @PERRYMANGROUP

www.perrymangroup.com

Interested in regular updates?

Join our mailing list by scanning the code above!