

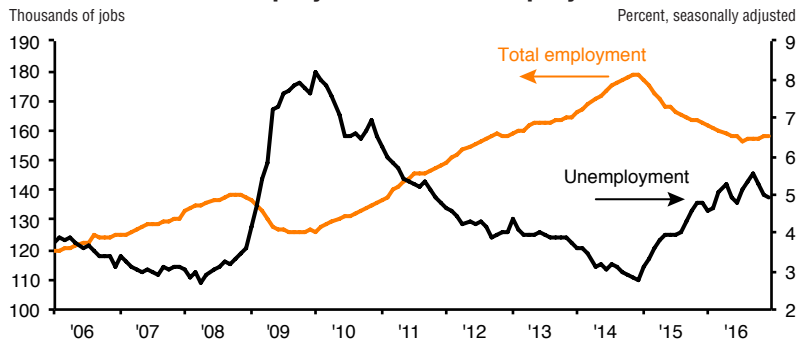
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Summary

The Permian Basin labor market stayed relatively stable in December 2016, while all Permian Basin oil indicators continued to push higher in January. Housing inventories are receding, but sales and permits are still flat.

Labor Market

Total Employment and Unemployment



SOURCES: Bureau of Labor Statistics; Dallas Fed.

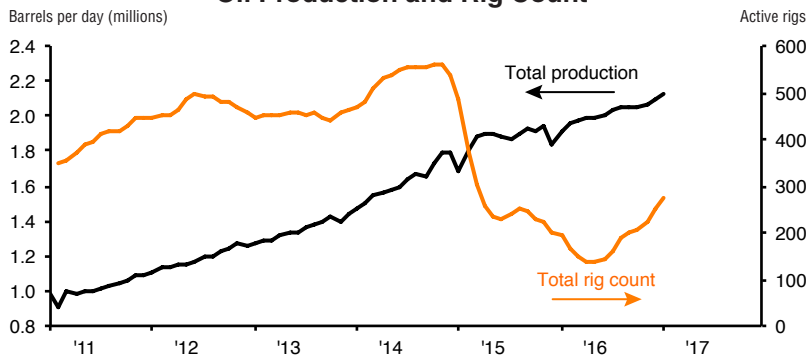
▶ Nonfarm employment in the Permian Basin totaled 157,900 jobs in 2016—a drop of 3 percent, or roughly 5,000 jobs, from December 2015. Both Midland and Odessa lost around 2,500 jobs during the year, but Odessa was hit disproportionately harder.

▶ In December, the Permian Basin unemployment rate decreased from 5 percent to 4.9 percent. Midland’s unemployment rate continues to be much lower than Odessa’s. Odessa’s rate has been above 6 percent since February 2016, while Midland’s has stayed around 4 percent over the same period. The combined unemployment rate continues to be higher than the Texas (4.6 percent) and U.S. (4.8 percent) rates.

▶ Job numbers in the mining, logging and construction sector continue to be stable, with employment hovering at a little over 40,000. Fourth-quarter labor market conditions in the region appear to be in line with the [Dallas Fed Energy Survey](#), in which the majority of respondents noted that firm head counts remain unchanged. Some tailwinds can be found in the survey, including renewed optimism among respondents and increased expectations for 2017 capital spending by exploration and production firms.

Energy

Oil Production and Rig Count

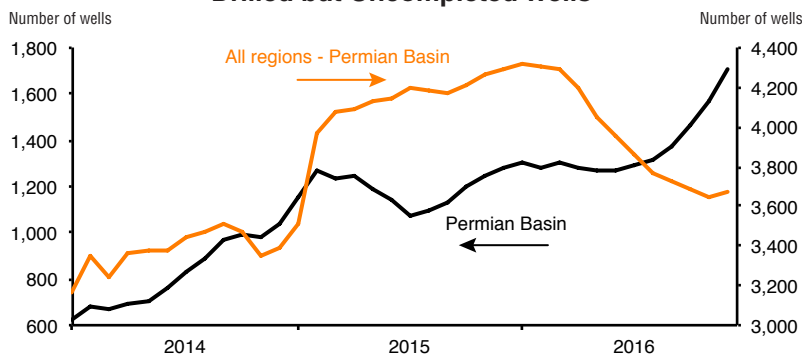


SOURCES: Energy Information Administration; Baker Hughes.

▶ Monthly crude oil production levels rose to an estimated 2.13 million barrels per day (b/d) in the Permian Basin during January—more than 200,000 b/d above year-ago levels. Rig counts continue to climb as oil prices rebound. Though the number of rigs in the Permian Basin has doubled since bottoming out in March 2016, production levels have increased only gradually since then.

▶ The number of drilled but uncompleted wells (DUCs) in the Permian Basin continues to expand. In December, the number rose to 1,706, a 33 percent increase since the end of 2015. The number of DUCs could offer clues to the supply that upstream production firms in the region are capable of producing should prices stay around the current level or go up.

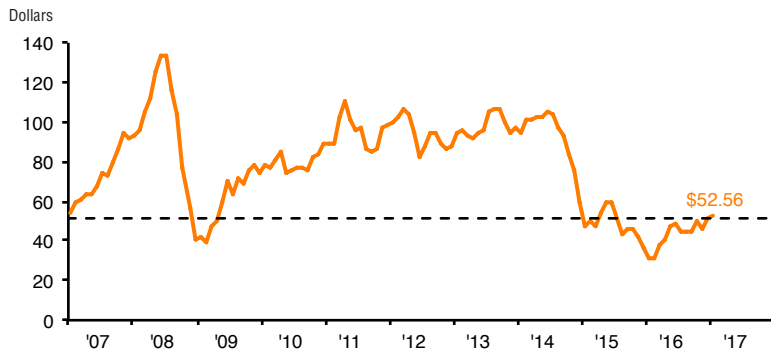
Drilled but Uncompleted Wells



SOURCE: Energy Information Administration.

Energy

West Texas Intermediate Oil Price



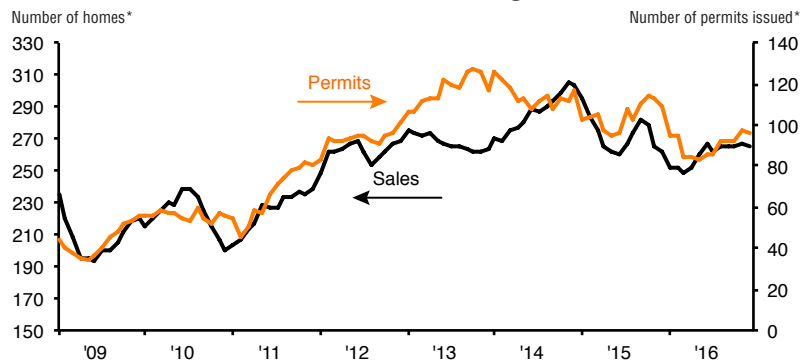
NOTE: Dashed line indicates mean price needed to profitably drill a new well in the Permian Basin, according to the first quarter 2016 Dallas Fed Energy Survey.

SOURCES: Energy Information Administration; Chicago Mercantile Exchange; Dallas Fed.

► The average price per barrel for West Texas Intermediate (WTI) crude oil remained little changed between December 2016 and January 2017. A tug of war between a possible increase in the output of U.S. shale producers and cuts to comply with an agreement between the Organization of the Petroleum Exporting Countries and affiliated groups kept prices stable. The average price for January was \$52.56. That is slightly above the Permian Basin breakeven price, based on the [first quarter 2016 Dallas Fed Energy Survey](#). Respondents to the fourth-quarter survey appeared to expect prices to increase during 2017.

Housing

Home Sales and Building Permits



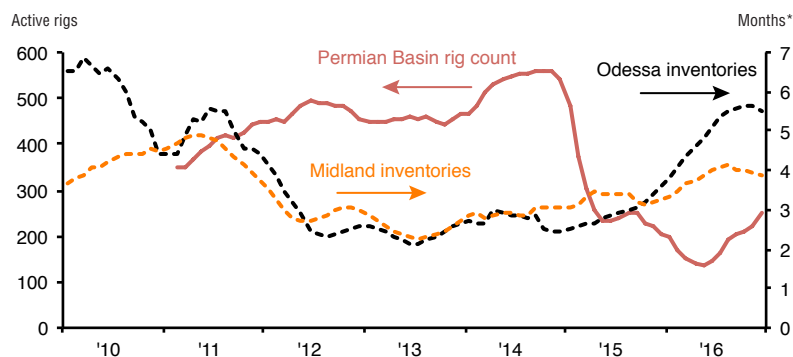
*Six-month moving average.

SOURCE: Texas A&M University Real Estate Center.

► The six-month moving average for Permian Basin home sales remains around 265, with the December reading coming in at 266. The average home price is trending upward in Midland but not in Odessa, where months of inventory have remained higher. Inventories rose in both markets after oil prices and rig counts collapsed, but inventories rose much quicker and higher in Odessa. Rising rig counts and the optimism displayed by [Dallas Fed Energy Survey](#) respondents could be tailwinds for the Permian Basin housing market.

► Monthly single-family housing permits in the region have stayed in the 90s since August 2016, and December's reading was 96 permits. The six-month moving average has been declining in Odessa but rising in Midland.

Home Inventories



*Seasonally adjusted, six-month moving average.

SOURCES: Texas A&M University Real Estate Center; Baker Hughes.

NOTES: Data are for the Midland–Odessa metropolitan statistical area (Martin, Midland and Ector counties), except for energy data, which cover the 55 counties in West Texas and southern New Mexico that make up the Permian Basin region. Data may not match previously published numbers due to revisions.

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