

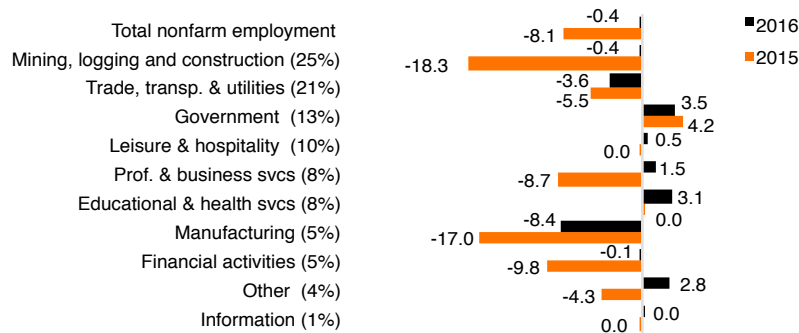
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Summary

The Permian Basin labor market stayed relatively stable in 2016 compared with 2015, when the regional economy was tumbling with the oil market. The number of drilled but uncompleted wells in the Permian Basin continues to rise along with the rig count. Housing sales were strong in January, and inventories are trending down.

Labor Market

Employment Growth by Sector

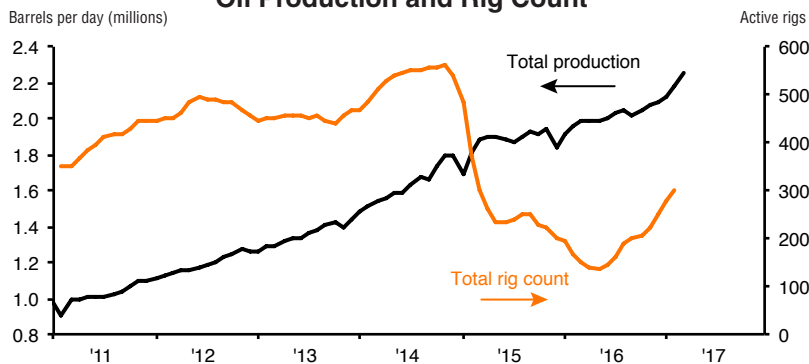


NOTES: Data show seasonally adjusted and annualized percentage employment growth by industry supersector. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.
SOURCES: Texas Workforce Commission; Bureau of Labor Statistics.

▶ Total nonfarm employment slipped 0.4 percent in 2016, compared with a decline of 8.1 percent in 2015. Government continued to grow and education and health services posted a moderate gain of 3.1 percent. The region's most important sector, mining, logging and construction, lost only 0.4 percent of its jobs, compared with 18.3 percent in 2015. Respondents to the Dallas Fed's [fourth quarter 2016 Energy Survey](#) expressed renewed optimism, and exploration and production firms expected to increase capital spending in 2017. This could be a tailwind for the Permian Basin labor market.

Energy

Oil Production and Rig Count

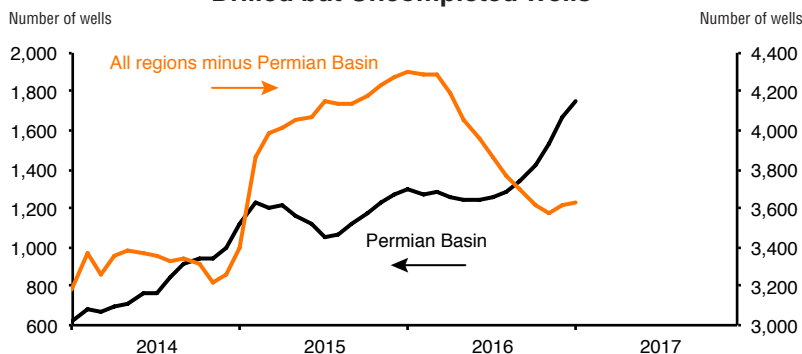


▶ Monthly crude oil production levels are estimated to have increased to 2.18 million barrels per day in the Permian Basin during February. Production levels have been picking up since September, rising 8 percent. The Permian rig count has also been gaining momentum, advancing by 50 percent since September to 301 rigs in March. This is the first time the rig count has hit 300 since March of 2015.

▶ The number of drilled but uncompleted wells (DUCs) in the Permian Basin has been growing since June 2016. In January, the number of DUCs stood at 1,757, a 5 percent month-over-month increase.

SOURCES: Energy Information Administration; Baker Hughes.

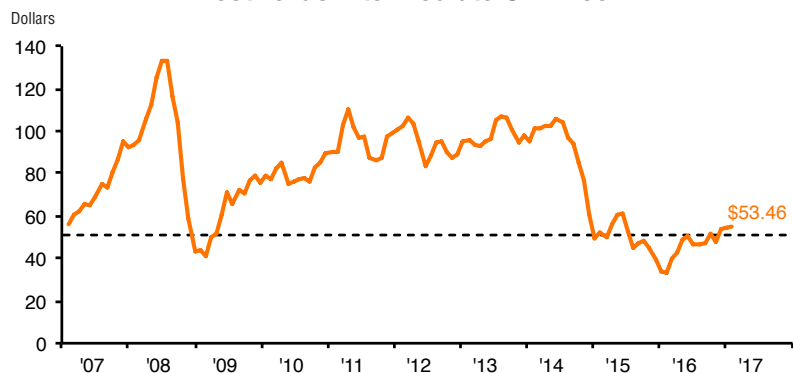
Drilled but Uncompleted Wells



SOURCE: Energy Information Administration.

Energy

West Texas Intermediate Oil Price



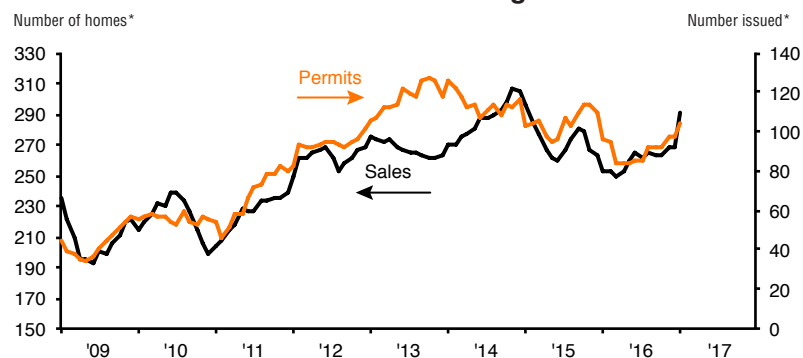
NOTE: Dashed line indicates mean price needed to profitably drill a new well in the Permian Basin, according to the first quarter 2016 Energy Survey.

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

► The average price per barrel for West Texas Intermediate crude oil edged up to \$53.46 in February. The price is slightly above the Permian Basin breakeven price based on the [first quarter 2016 Energy Survey](#). According to the fourth quarter survey, respondents appeared to expect prices to rise in 2017. In February, the Chicago Board Options Exchange's Crude Oil Volatility Index was at the lowest monthly level since September 2014, reflecting the relatively stable prices.

Housing

Home Sales and Building Permits



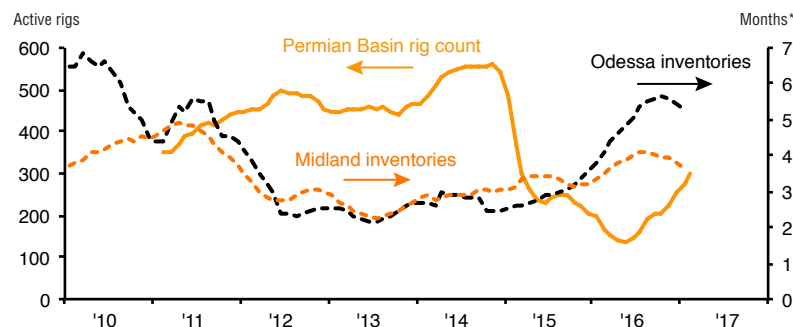
*Seasonally adjusted, six-month moving average.

SOURCE: Texas A&M University Real Estate Center.

► Combined housing permits and housing sales in the Permian Basin were relatively strong in January, with the six-month moving averages jumping to 104 and 290, respectively.

► The six-month moving averages for months of housing inventory were 3.6 in Midland and 5.3 in Odessa. Although these levels are low (six months is considered healthy), they remain well above where they were during the oil boom. However, inventories have begun to decline. The rising rig count and optimism of Dallas Fed district energy companies could be tailwinds for the Permian Basin housing market.

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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