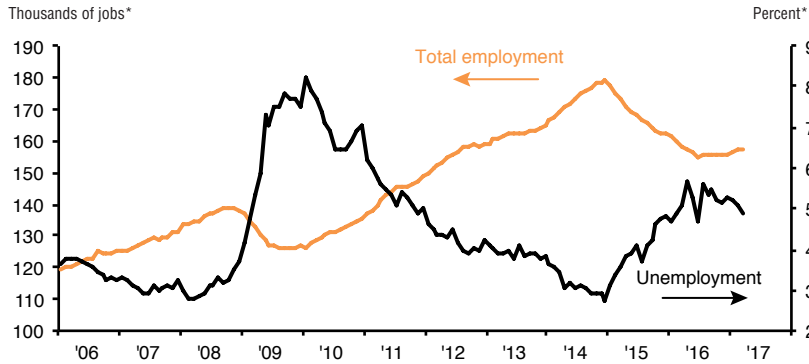


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## Summary

In March, total nonfarm employment stayed stable and the unemployment rate fell. Housing is showing signs of improving as inventories drop, sales rise and prices remain stable. The energy sector continued to see increases in production and rig counts, while the average price of a barrel of oil rose.

### Employment Growth



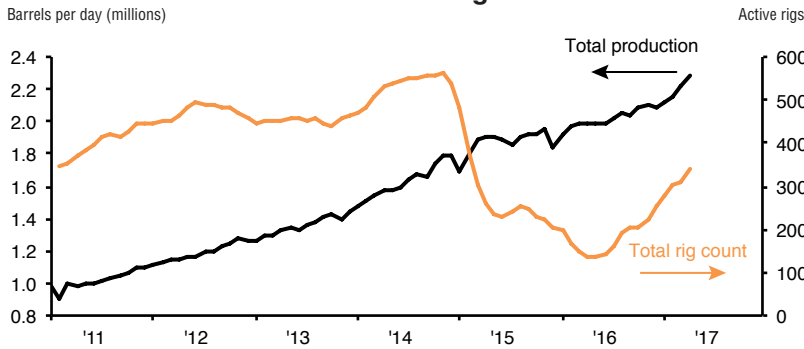
\*Seasonally adjusted.  
SOURCES: Bureau of Labor Statistics; Dallas Fed.

▶ Total nonfarm employment in the Permian Basin remained flat from February to March as employment fell by only 100 jobs. Since the energy recovery started, Permian employment has been rebounding gradually. Since December 2016, employment has grown by 1,300 jobs and at an annualized rate of around 3.4 percent. This is an improvement from the December 2015 to March 2016 numbers, when the region lost 3,700 jobs. A potential tailwind is the improved outlook of oilfield services firms and exploration and production (E&P) firms in the [first-quarter Dallas Fed Energy Survey](#). Most oilfield services firms and about half of the E&P firms increased their expectations of 2018 capital spending.

▶ The unemployment rate in the Permian Basin ticked down from 5.1 percent in February to 4.9 percent in March. Though the rate remains elevated in Odessa, March 2017 was the first time unemployment has come in under 6 percent since June 2016. The unemployment rate in Midland remains low and relatively stable at 4 percent.

### Energy

#### Oil Production and Rig Count

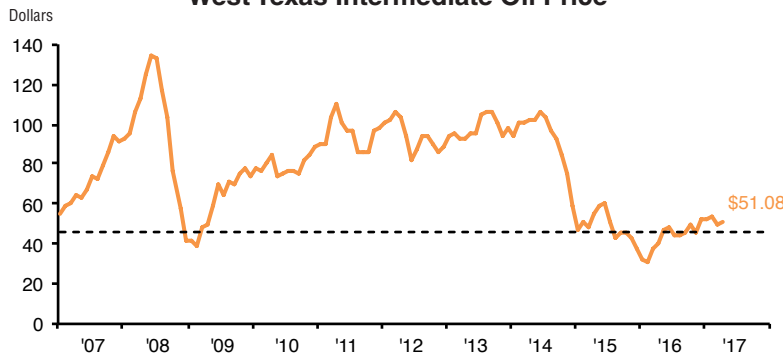


SOURCES: Energy Information Administration; Baker Hughes.

▶ Estimated crude oil production was 2.29 million barrels per day (b/d) in April, up about 70,000 b/d from March. Production levels have accelerated this year and have been above the average monthly growth rate since January. Levels are up about 15 percent year over year based on the April estimate. The Permian rig count grew to 312 in March, up 11 rigs from February, the smallest monthly gain since October 2016. The rig count is up 51 percent over the past six months and 55 percent since bottoming out at 202 in September 2016.

▶ The average price per barrel of West Texas Intermediate (WTI) crude oil rose to \$51.08 in April from \$49.48 in March. While prices did rise above \$53 per barrel, the second half of the month held down the average price as Energy Information Administration gasoline supply data added to concerns in the oil market. The average price for May was still \$5 above the \$46 Permian Basin breakeven price for drilling a new well, as reported in the [first-quarter Dallas Fed Energy Survey](#). According to the survey, respondents expect prices to either rise or stay around the same this year. The April average for the CBOE Oil Volatility Index was still low despite seeing gains toward the end of the month. Prices since the beginning of May have remained under \$50 a barrel.

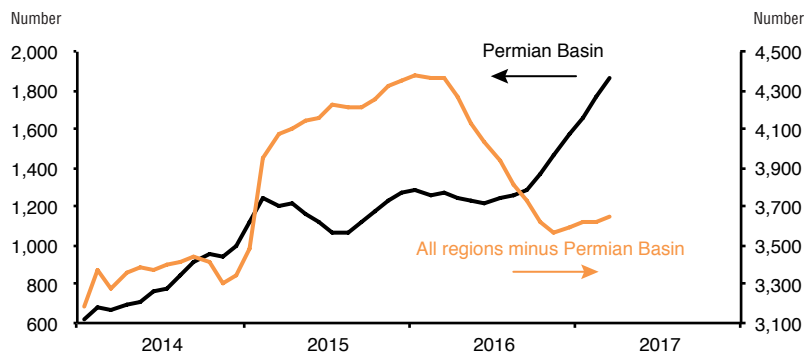
#### West Texas Intermediate Oil Price



NOTE: The dashed line indicates the 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.

## Drilled but Uncompleted Wells

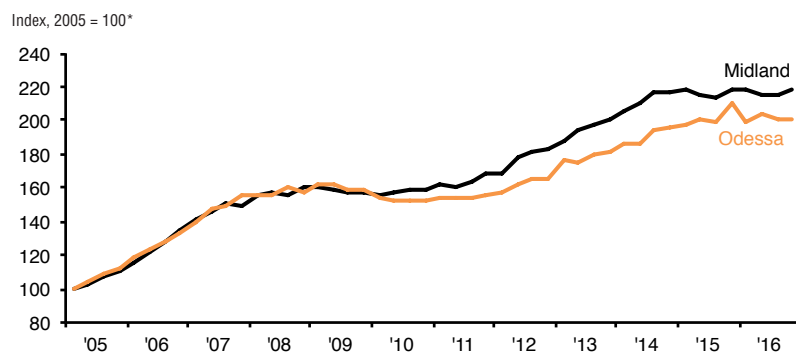


SOURCE: Energy Information Administration.

▶ The number of drilled but uncompleted wells (DUCs) has also been rising in the Permian Basin. The DUC count for the U.S. without the Permian Basin has also been rising; however, most of the growth has been in the Eagle Ford, where the average WTI price needed to cover existing wells is among the lowest in the country. The Permian Basin DUC count rose to 1,864 in March. This a change of 90 DUCs since February and a 47 percent increase since the same time last year. By comparison, the DUC count in the rest of the U.S. is down 16 percent since March 2016 and rose by only 21 rigs between February and March.

## Housing

### FHFA House Price Index



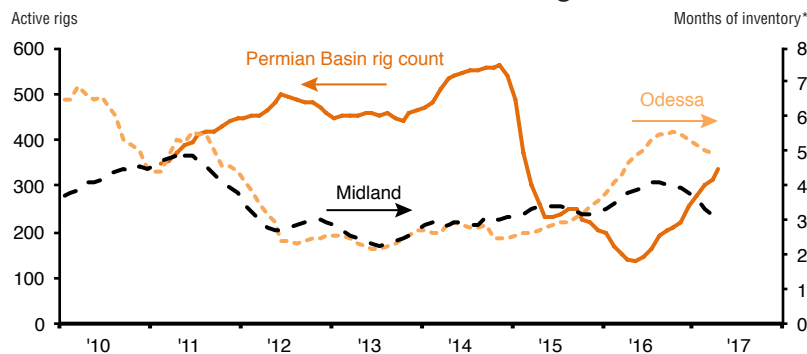
\*Seasonally adjusted.

SOURCE: Federal Housing Finance Agency (FHFA).

▶ The Federal Housing Finance Agency House Price Index (FHFA HPI) stayed relatively stable in Odessa and saw a slight bump up in Midland in fourth quarter 2016, the last quarter of data available. Though both were rather flat throughout 2016, Odessa's FHFA HPI is down about 4 percent since December 2015. Indexed back to 2005, the latest reading for Midland's index was about 218, while Odessa's was 201. The FHFA HPI tracks price changes in the repeat sale or refinancing of a property.

▶ Housing inventories for Midland and Odessa were about 3.2 and 5.0 months, respectively. Consistent with rising home sales, the level of inventory in each metropolitan statistical area has been dropping, though Odessa's inventory remains well above preburst levels. The rising rig count and optimism of energy companies seen in the Dallas Fed Energy Survey could be tailwinds for the Permian Basin housing market.

### Home Inventories and Rigs



\*Seasonally adjusted; six-month moving average.

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

▶ The average home price in the Permian Basin remained steady through 2016 and into 2017 even as home sales have been stronger since December 2016. Home prices averaged about \$248,000 in March 2017, showing no percentage change from February. The six-month moving average for home sales in the Permian Basin increased by about 24 sales between February and March of 2017.

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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