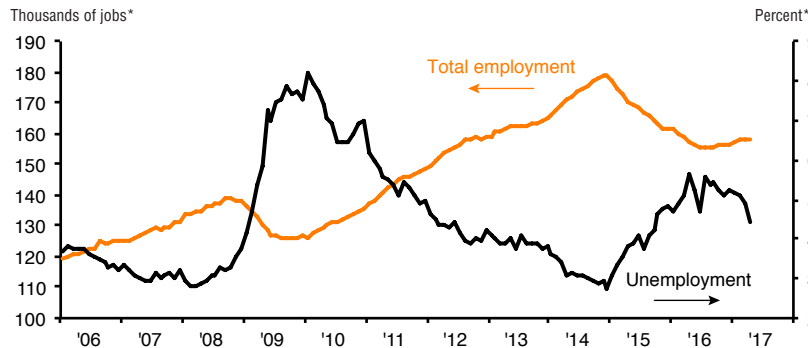


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## Summary

In April, the Permian Basin labor market remained stable with a declining unemployment rate. Average weekly wages fell in the Permian Basin and the state in fourth quarter 2016. The average monthly price per barrel of West Texas Intermediate crude oil fell in May, while production and the rig count continued to rise. The housing market continued to show signs of strengthening.

### Employment Growth

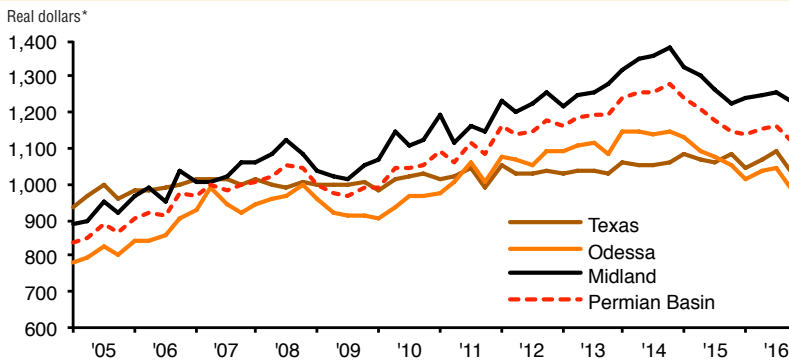


\*Seasonally adjusted.  
SOURCES: Bureau of Labor Statistics; Dallas Fed.

▶ Total nonfarm employment in the Permian Basin inched up by 200 jobs from March to April and settled at 158,200. Employment has remained around 158,000 since February. Since the energy recovery started, Permian employment has been rebounding gradually. Since December 2016, employment in the Permian Basin has grown by 1,500 jobs and at an annualized rate of around 3 percent. A potential tailwind is the improved outlook of oilfield service firms and exploration and production (E&P) firms as reported in the [first-quarter Dallas Fed Energy Survey](#). Most oilfield service 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 4.9 percent in March to 4.4 percent in April. Though Odessa's unemployment rate remains higher than Midland's, Odessa's reading of 5.2 percent is the lowest since September 2015. The unemployment rate in Midland remains low and relatively stable, dropping to just under 4 percent.

### Average Weekly Wages



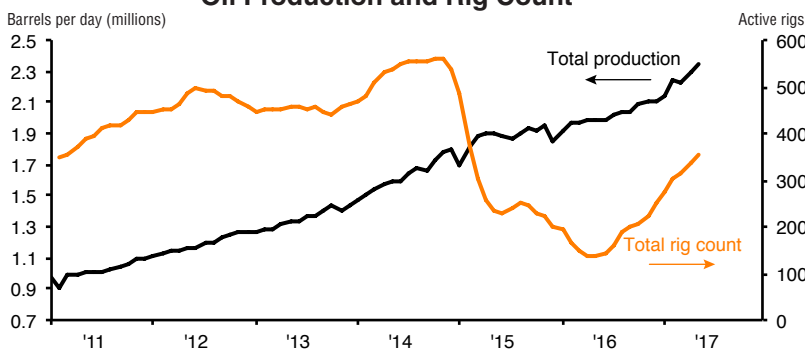
\*Seasonally adjusted.  
NOTE: Permian Basin is a weighted average of Midland-Odessa. Wages are weighted by quarterly metropolitan statistical area employment.  
SOURCES: Texas Workforce Commission; author's calculations.

▶ After rising through the first three quarters of 2016, average weekly wages fell in the Permian Basin and Texas in the fourth quarter. Average weekly wages for the fourth quarter were \$1,041, \$988 and \$1,232 in Texas, Odessa and Midland, respectively. The weighted average Permian Basin wage is \$1,124. Average weekly wages are typically higher in Midland than in Texas and Odessa.

▶ Quarter over quarter, wages fell around 5 percent in Texas and Odessa and about 2 percent in Midland. While Texas and Odessa's wages fell year over year, Midland's wages nudged higher by 0.7 percent.

### Energy

#### Oil Production and Rig Count

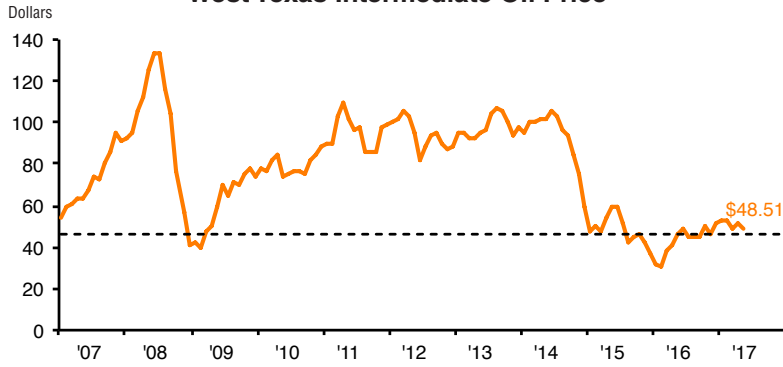


SOURCES: Energy Information Administration; Baker Hughes.

▶ Crude oil production was 2.34 million barrels per day (b/d) in May, up about 2.3 percent (about 50,000 b/d) from April. Production levels have accelerated this year and have been growing at 2.1 percent since January. That is almost double the average rate that production grew in 2016. Levels are up about 18 percent year over year in May. The Permian rig count grew to 357 in May, up 19 rigs from April. The rig count is up 41 percent since December 2016 and 163 percent since the low point in May 2016.

## Energy

### West Texas Intermediate Oil Price



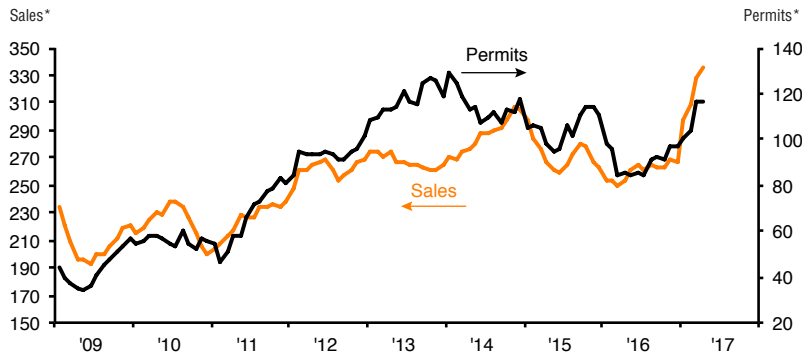
NOTE: The dashed line indicates the mean price needed to profitably drill a new well in the Permian Basin, according to the first quarter 2017 Dallas Fed Energy Survey.

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

► The average price per barrel of West Texas Intermediate crude oil fell to \$48.51 in May from \$51.08 in April. The average price for May was still \$2.51 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 May average for the CBOE Oil Volatility Index jumped about 5 points to 32.6, which is near where it was in the beginning of 2017. Prices have stayed near the \$46 per barrel breakeven figure during June.

## Housing

### Home Sales and Building Permits



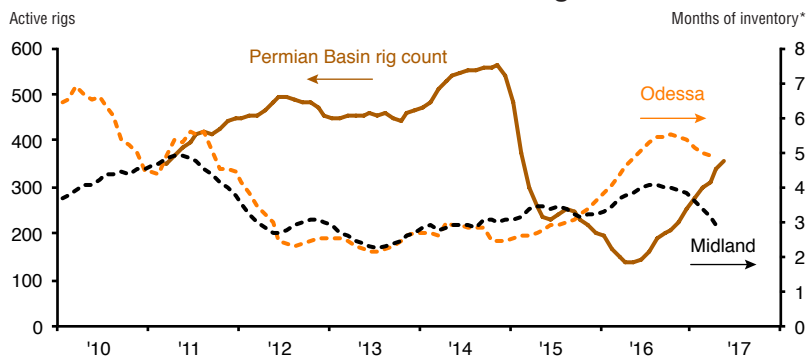
\*Seasonally adjusted; six-month moving average.

SOURCE: The Real Estate Center at Texas A&M University.

► The six-month moving average for home sales has risen sharply since the beginning of 2017 and settled at 336 sales for April. This is a 26 percent increase since December 2016. Other housing variables are showing some strength, with single-family housing permits climbing 21 percent since December 2016. Total listings have been dropping in Midland and Odessa, while the six-month moving average price of a home has remained near the same price since December 2016.

► April housing inventories for Midland and Odessa were about 2.9 and 4.8 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 impact 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.

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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