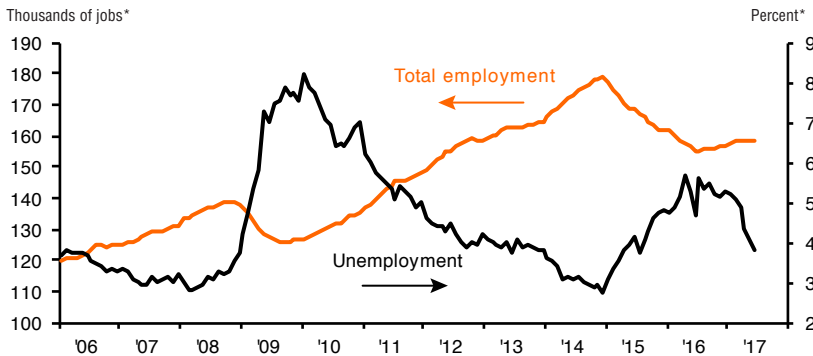


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## Summary

In June, Permian Basin employment remained stable and the unemployment rate continued to fall. The average monthly price per barrel of West Texas Intermediate crude oil rose in July, while estimated production and the rig count continued to climb. The housing market strengthened as prices and sales rose and inventories declined.

### Employment Growth



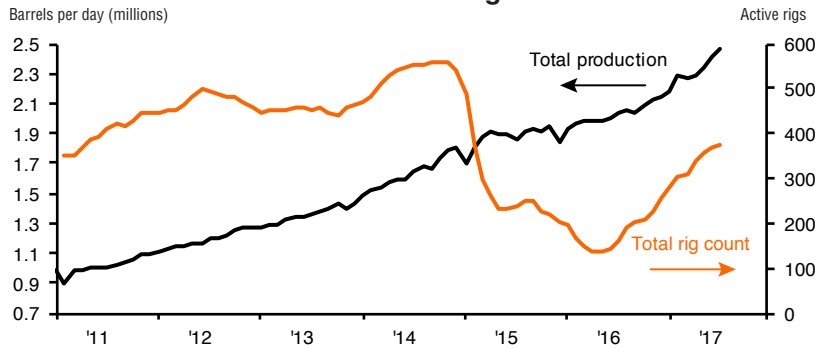
\*Seasonally adjusted.  
SOURCES: Bureau of Labor Statistics; Dallas Fed.

▶ Total nonfarm employment fell by 100 workers between May and June. Employment has hovered around 158,000 since February and has grown at a 2.3 percent year-to-date annualized rate. Since the energy recovery started, Permian employment has been rebounding gradually. However, employment has remained relatively flat the past three months. A potential tailwind is the outlook of oilfield service firms and exploration and production (E&P) firms in the [second-quarter Dallas Fed Energy Survey](#). The company outlook index, though lower than in the first quarter, was still positive at 20.3, and labor market indexes pointed to rising employment.

▶ The unemployment rate in the Permian Basin ticked down from 4.1 percent in April to 3.8 percent in June. Both Odessa's and Midland's unemployment rates continued to drop. While improvements in the unemployment rate and employment are good, the labor force has shrunk by 8,300 compared with June 2016 levels.

### Energy

#### Oil Production and Rig Count

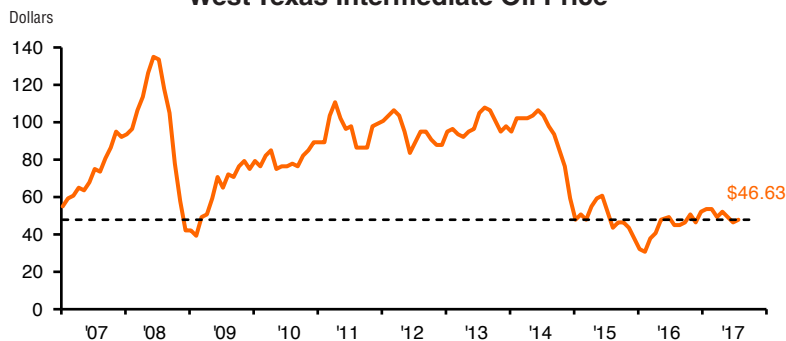


SOURCES: Energy Information Administration; Baker Hughes.

▶ Crude oil production was an estimated 2.47 million barrels per day (b/d) in July, up about 70,000 b/d from June. Monthly production levels have accelerated this year and have grown 2 percent on average since January. Levels are up about 21 percent year over year as of July. The acceleration can be seen in the second-quarter Energy Survey, where 45.2 percent of the E&P firms surveyed said they had increased production and only 27.4 percent said they had decreased it. The Permian rig count grew to 374 in July, up six rigs from June. Growth in the rig count was the slowest since June 2016.

▶ The average price per barrel of West Texas Intermediate crude oil rose to \$46.63 in July from \$45.18 in June. The average price for July was 63 cents above the \$46 Permian Basin breakeven price for drilling a new well as reported in the [first-quarter Dallas Fed Energy Survey](#). Though the monthly average was \$46.63, oil prices did break \$50 at the end of the month. According to the second-quarter survey, respondents on average forecast a rise in WTI to \$48.79 by the end of 2017. This is a few dollars lower than the prior quarter, when respondents predicted \$53.49. According to the second-quarter survey, the highest percentage of respondents thought that oil would fall between \$50 and \$54 a barrel.

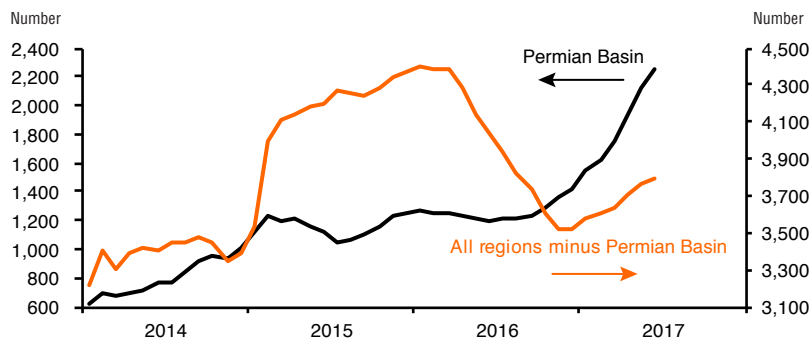
#### West Texas Intermediate Oil Price



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

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

## Drilled but Uncompleted Wells

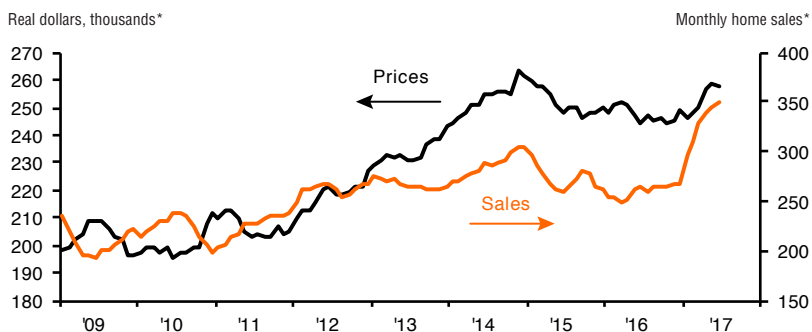


SOURCE: Energy Information Administration.

► The number of drilled but uncompleted wells (DUCs) rose in the Permian Basin and in the other U.S. basins. The number climbed to 3,787 in the U.S. minus the Permian and to 2,244 in the Permian in June. Wells are being drilled faster than they are being completed. The number of DUCs has risen about 88 percent since last June in the Permian Basin but has fallen 6 percent in the other basins.

## Housing

### Monthly Home Sales and Prices



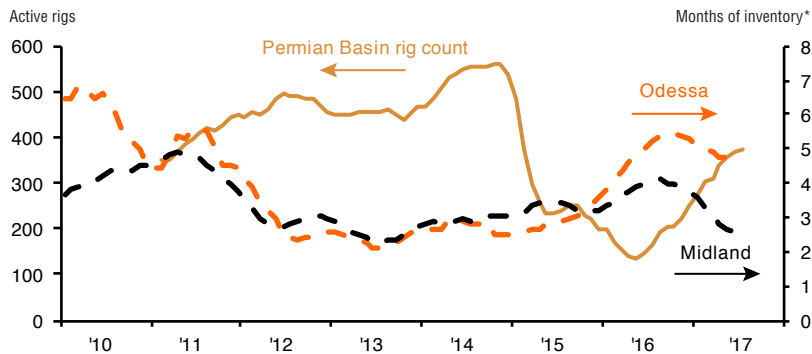
\*Seasonally adjusted.

SOURCE: Federal Housing Finance Agency.

► Home sales increased sharply early in 2017, but growth has slowed since then. The six-month moving average for home sales increased slightly to 349 in June. The six-month moving average for home prices in the Permian Basin have risen over \$13,000 since June 2016. Prices are up 6.8 percent year to date (annualized) and 5 percent year over year.

► June home inventories for Midland and Odessa were about 2.85 and 4.75 months, respectively. Consistent with rising home sales, inventory levels in each metropolitan statistical area have been dropping, though the decline has slowed in both markets. Odessa's inventory remains well above pre-bust levels. The rising rig count and optimism of energy companies seen in the second-quarter Energy Survey could be good signs 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.

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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