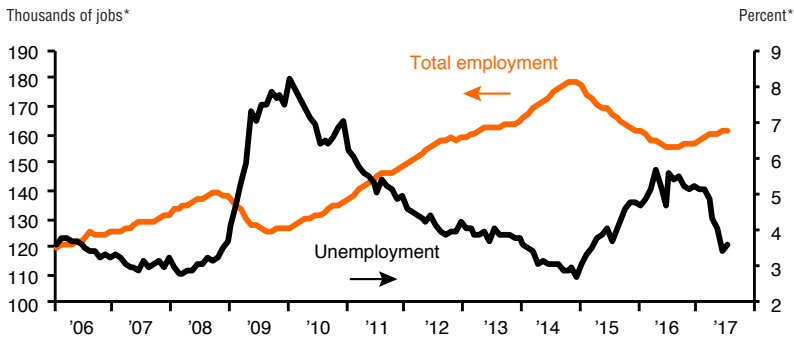


FEDERAL RESERVE BANK OF DALLAS • SEPTEMBER 13, 2017

## Summary

Permian Basin employment grew in July at a 1.1 percent monthly annualized rate, and the unemployment rate ticked up. The average monthly price per barrel of West Texas Intermediate crude oil rose in August, while estimated production and the rig count also increased. The housing market continued to strengthen with rising home prices and a jump in sales and permits.

### Employment Growth



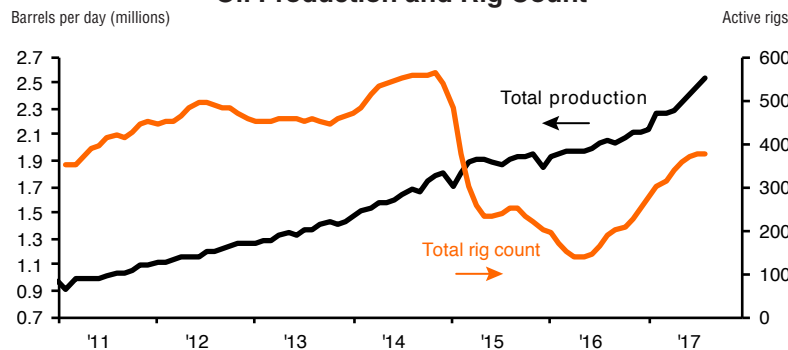
\*Seasonally adjusted.  
SOURCES: Bureau of Labor Statistics; Dallas Fed.

► Employment in the Permian Basin was just under 161,000 in July and has grown 2.7 percent year to date. In 2016, employment shrank by 3.2 percent. 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 the first quarter, was still positive at 20.3, and the labor market indexes pointed to rising employment.

► The unemployment rate in the Permian Basin ticked up from 3.4 percent in June to 3.6 percent in July. While the unemployment rate has been low and employment has picked up, the labor force has shrunk in the last year by 2,300 people.

### Energy

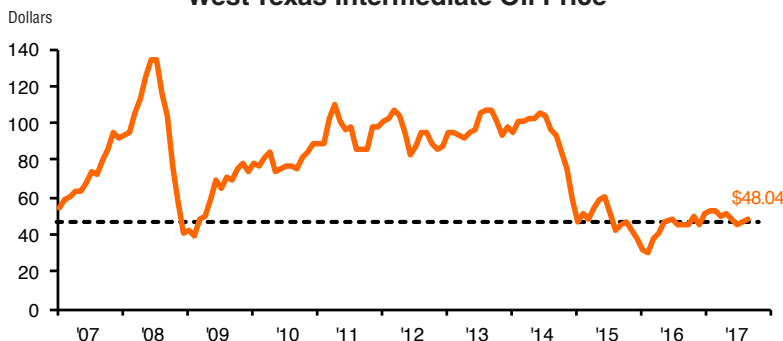
#### Oil Production and Rig Count



SOURCES: Energy Information Administration; Baker Hughes.

► Oil production in the Permian Basin is estimated to have grown to 2.5 million barrels per day, up 24 percent from a year ago. Average monthly production in 2017 is double the 2016 average. The acceleration in the last year can be seen in the second-quarter Dallas Fed Energy Survey where 45.2 percent of the E&P firms surveyed said they had increased production, only 27.4 percent said they decreased, and 27.4 percent reported no change. The Permian Basin rig count was 378 in August, an increase of 48 percent from a year ago. However, the last two months saw the slowest growth in the rig count in over a year.

#### West Texas Intermediate Oil Price

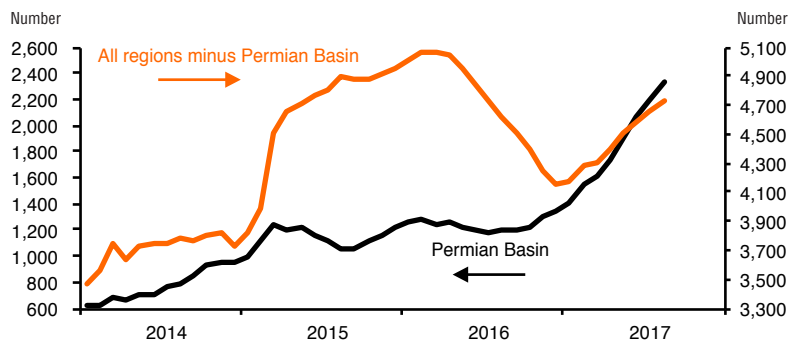


NOTE: The dashed line indicates the mean price needed to profitably drill a new well in the Permian Basin, according to the first quarter 2017 Dallas Fed Energy Survey.

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

► The average price per barrel of West Texas Intermediate crude oil rose to \$48.04 in August from \$46.63 in July and was \$2 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 second-quarter Dallas Fed Energy Survey, respondents on average are forecasting a rise in WTI to \$48.79. This is a few dollars lower than the prior quarter's forecast that predicted \$53.49. According to the second-quarter survey, the highest percentage of respondents thought that oil would average between \$50 and \$54 a barrel.

## Drilled but Uncompleted Wells

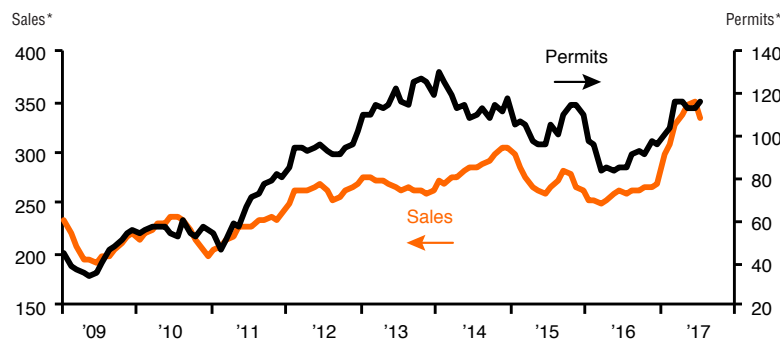


SOURCE: Energy Information Administration.

► The number of drilled but uncompleted wells (DUCs) in the U.S. minus the Permian rose to 4,729 and to 2,330 in the Permian in July. Wells are being drilled faster than they are being completed. The number of DUCs has risen about 94 percent since last June in the Permian Basin and by 2 percent in the other basins. In 2017, 917 DUCs have been added.

## Housing

### Home Sales and Building Permits



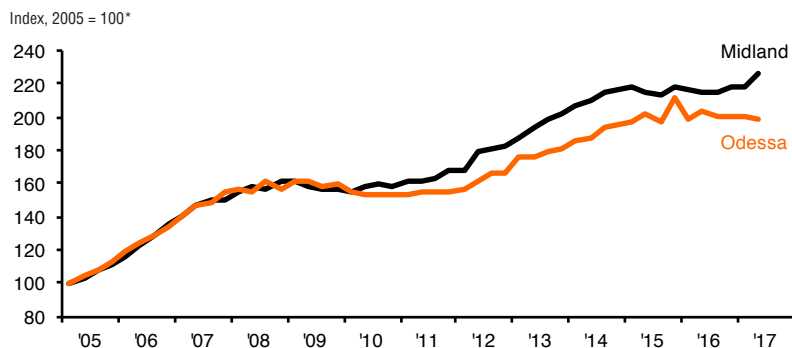
\*Seasonally adjusted; six-month moving average.

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

► July single-family home sales in the Permian Basin are up 28 percent from the same period last year. Home sales remain elevated despite the month-over-month decrease. July single-family housing permits are up 36 percent year over year and have remained elevated since March.

► The Federal Housing Finance Agency House Price Index showed a strong bump in the value of existing homes in Midland during the second quarter. Prices are up 5 percent over the last year in Midland but are down 3 percent in Odessa. This could be reflective of lower inventory levels and an uptick in employment within the region. The average price of homes in Midland during July was \$305,000, while Odessa's reading for the same month was \$187,000.

### FHFA House Price Index



\*Seasonally adjusted.

SOURCE: Federal Housing Finance Agency.

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.

CONTACT: Questions regarding *Permian Basin Economic Indicators* can be addressed to Dylan Szeto at [Dylan.Szeto@dal.frb.org](mailto:Dylan.Szeto@dal.frb.org).