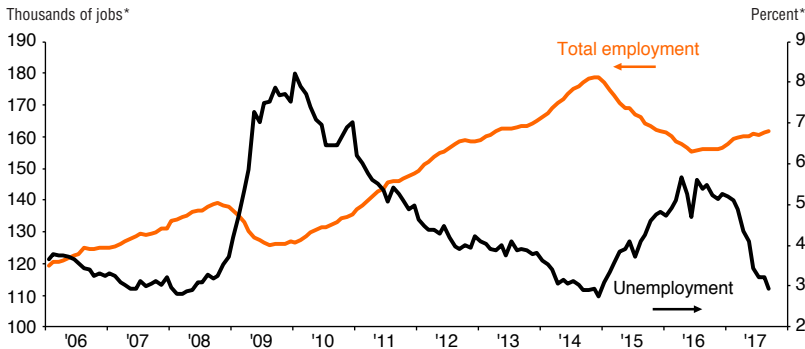


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Summary

Employment in the Permian Basin continued to grow in September while the unemployment rate fell. Permian Basin energy indicators were a mixed bag as the rig count contracted but production continued to expand. Overall, housing indicators remain robust despite falling sales numbers.

Employment Growth

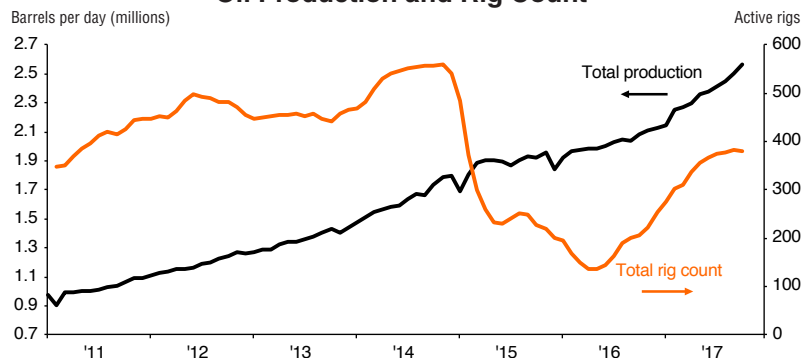


*Seasonally adjusted.
SOURCES: Bureau of Labor Statistics; Dallas Fed.

- ▶ Permian Basin employment continued to expand in September, growing at a 5.9 percent monthly annualized rate. Year-to-date employment has expanded by 5,300 jobs—or a 4.6 percent year-to-date annualized rate—and has been trending upward since December 2016. A potential tailwind is the company outlook index released in the [third-quarter Dallas Fed Energy Survey](#). The index rose from 20.3 in the second quarter to 28.2 in the third, while uncertainty about the outlook decreased. This could be a hopeful sign for increased employment in the Permian.
- ▶ The unemployment rate in the Permian Basin dropped to 2.9 percent in September. This is just above the 2.7 percent rate in December 2014—Permian Basin’s lowest unemployment rate since 2005.

Energy

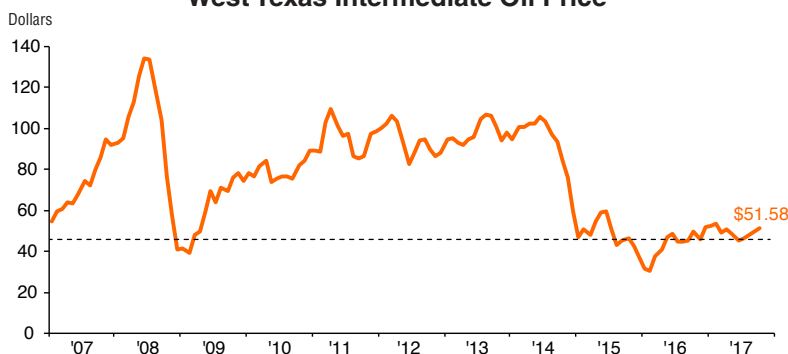
Oil Production and Rig Count



SOURCES: Energy Information Administration; Baker Hughes.

- ▶ In October, Permian Basin’s rig count contracted for the first time since May 2016 with a total of 381 rigs compared with 383 in September. The contraction follows months of moderating rig count growth in the second half of the year. The total U.S. rig count excluding the Permian also fell during the month. Despite the contraction, the Dallas Fed Energy Survey points to a continued overall expansion of economic activity in the second half of the year.
- ▶ Oil production increased by 60,800 barrels per day from September to October, as production was just below 2.6 million barrels per day. Production in the Permian has expanded 23 percent since the same time last year. Increases in the company outlook index combined with an increase in the price forecast in the third-quarter Dallas Fed Energy Survey provide some optimism for continued expansion in the Permian.

West Texas Intermediate Oil Price



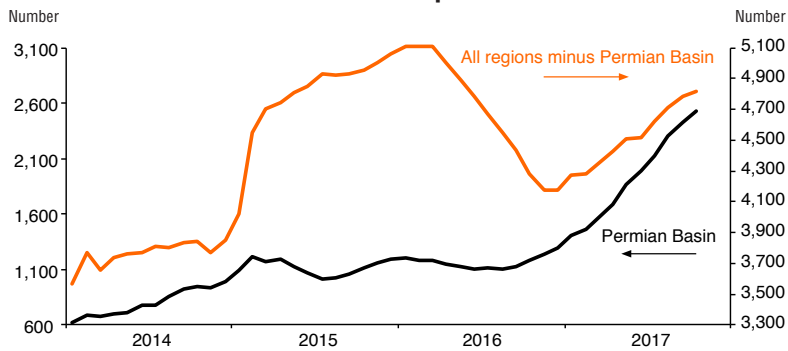
NOTE: The dashed line indicates the mean price needed to profitably drill a new well in the Permian Basin, according to the first quarter 2017 Dallas Fed Energy Survey.

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

- ▶ The average price per barrel of West Texas Intermediate crude oil rose to \$51.58 in October from \$49.82 in September. A rise in geopolitical concerns, continued OPEC compliance and declining U.S. inventories contributed to the rise in oil prices. The October average remains above the \$46 Permian Basin breakeven price reported in the [first-quarter 2017 Dallas Fed Energy Survey](#).

Energy

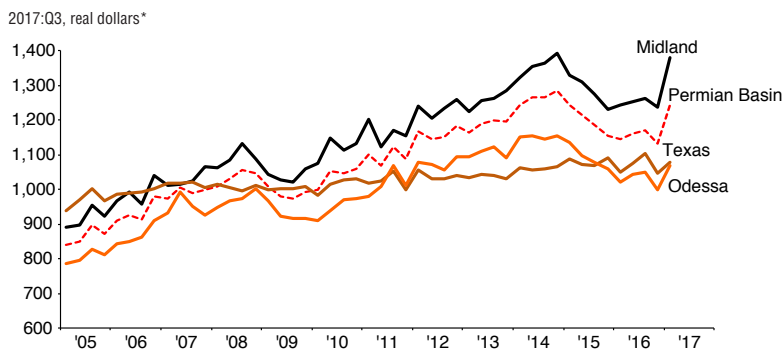
Drilled but Uncompleted Wells



SOURCE: Energy Information Agency.

▶ While the number of rigs in the Permian Basin declined, the number of drilled but uncompleted wells (DUCs) continued to expand at a swift pace. The Permian Basin's November DUC count, which has more than doubled since October 2016, was 2,533, while the count for the U.S. excluding the Permian Basin was about 4,800.

Midland–Odessa Average Weekly Wages



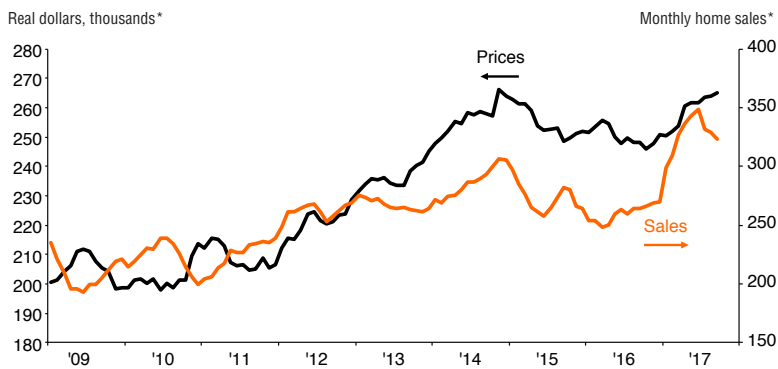
*Seasonally adjusted.

NOTE: Permian Basin is a weighted average of Midland–Odessa. Wages are weighted by quarterly metropolitan statistical area employment.

SOURCE: Texas Comptroller of Public Accounts.

▶ Average weekly wages in the Permian Basin jumped 9.8 percent in first quarter 2017 (latest data available) when compared with fourth quarter 2016. Wages may have been bolstered by strong growth in mining, a high-paying sector. Mining employment grew by 4 percent, while total employment in the Permian only grew by 1.5 percent. Coinciding with sharp employment growth, wages in the mining sector exceeded total wage growth by nearly 2 percentage points, growing at 11.7 percent.

Home Sales and Prices



*Seasonally adjusted; six-month moving average.

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

▶ Though home sales have been falling since June, sales remain elevated, and other indicators show continued strength in the Permian Basin housing market. Home sales dipped from 329 in August to 323 in September. Despite this, the average price of a home increased from about \$263,800 to just under \$265,100 during that same period. Home prices have increased 7 percent year over year, while home sales increased 22 percent over the same period.

▶ Ongoing tightness in housing supply could account for continued growth in the price of single-family homes despite a curtailing of sales. The six-month moving average for home inventories fell to 4.1 months in Odessa and just under 1.9 months in Midland.

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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