

Permian Basin Economic Indicators

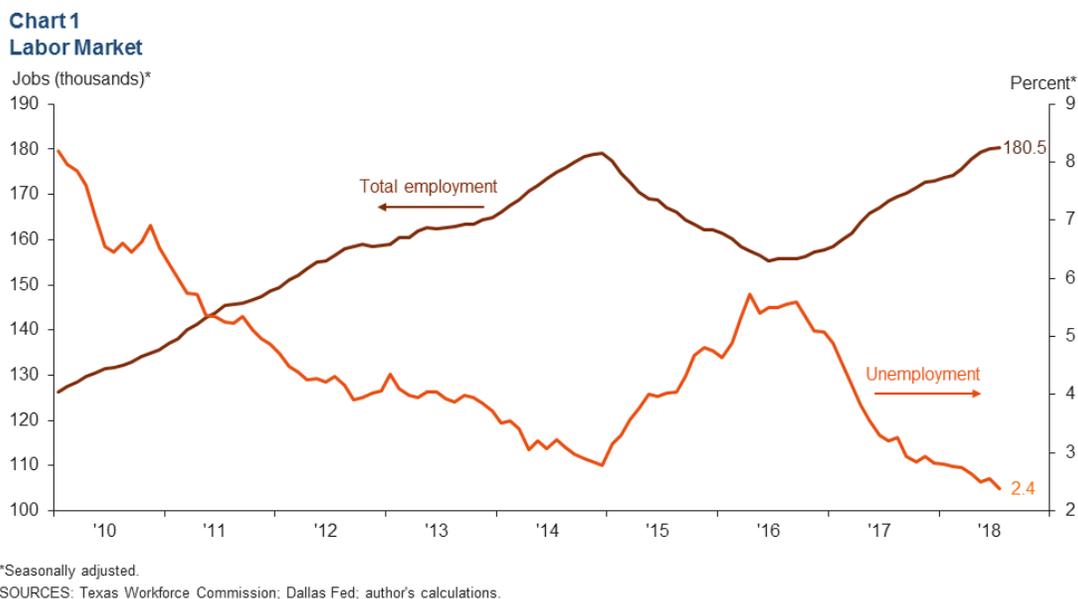
Federal Reserve
Bank of Dallas

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The Permian Basin's employment and rig count have experienced slower growth over the last three months, but overall, economic indicators show a robust economy. The region continues to experience a strong labor market, tight housing supply and expanding oil production.

Labor Market

Permian Basin employment grew to 180,500 jobs in July—a 1.9 percent annualized increase from June (*Chart 1*). Employment continues to reach fresh highs, but year-over-year growth is slowing. Growth is being led by Midland as Odessa posted two months of employment declines for the first time since 2016. The Permian's 7.4 percent year-to-date annualized employment growth is still more than double Texas' rate.



Unemployment in the Permian Basin reached a new low as it fell to 2.4 percent in July from 2.5 percent in June. This is significantly below both the Texas and U.S. rates. The Permian's labor force numbers are also at their highest ever.

Energy

Rig Count Inches Up, Production Growth Slows

The Permian Basin's rig count inched up between June and July, growing by six rigs to 479 (*Chart 2*). August's latest rig count was 483 as the Permian's rig count growth continues to abate. This slowdown is partially due to pipeline constraints in the Permian Basin.

Chart 2
Oil Production and Rig Count



NOTES: Rig count data are monthly. The August 2018 reading is the end-of-week rig count through the week of Aug. 17, 2018.
SOURCES: Energy Information Administration; Baker Hughes; author's calculations.

The Permian's oil production advanced for the sixth month in a row in July, growing to 3.34 million barrels per day—a year-over-year increase of over 900,000 barrels. Monthly growth in production has been somewhat slower in 2018 than 2017 when production growth was about 2.5 percent monthly. This year's monthly growth rate is just above 2.4 percent. Production increases are expected to slow again in August and September according to the Energy Information Administration.

Price of West Texas Intermediate (WTI) Falls in August

The average daily spot price per barrel of WTI slid from over \$71 per barrel in July to \$67.55 in August (Chart 3). Brent crude has averaged \$71.07 per barrel in August. WTI's decrease was partially driven by lower global demand expectations and geopolitical tensions.

Chart 3
West Texas Intermediate Oil Price

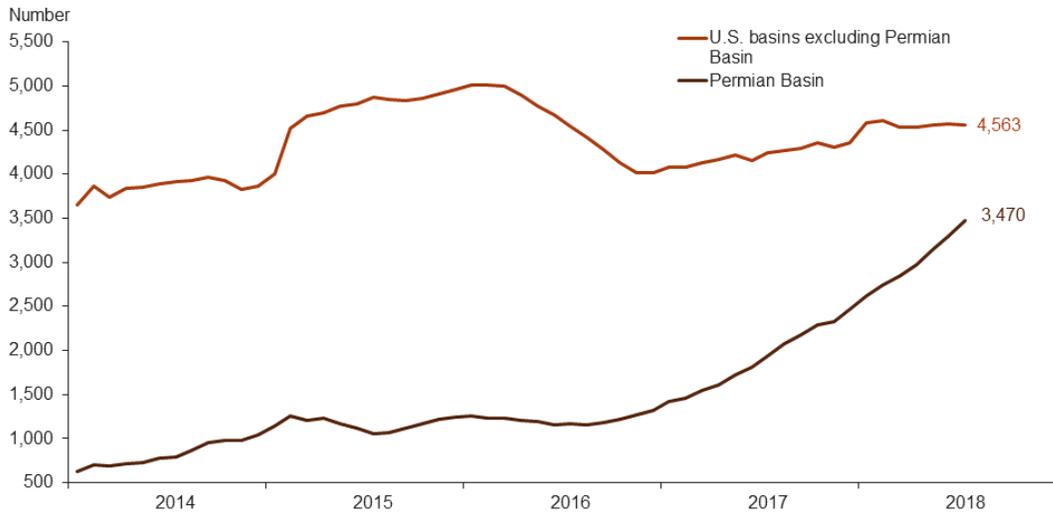


NOTES: The dashed line indicates the mean price needed to profitably drill a new well in the Permian Basin, according to the first quarter 2018 Dallas Fed Energy Survey. Data are monthly averages aggregated from daily averages. The August 2018 observation is the month-to-date average through Aug. 17, 2018.
SOURCES: Energy Information Administration; Dallas Fed; author's calculations.

Permian's Drilled but Uncompleted Wells Still on the Rise

The number of Permian Basin's drilled but uncompleted wells (DUC) increased by 5 percent to 3,470 between June and July (Chart 4). Outside the Permian Basin, DUCs have remained flat since March, hovering between 4,500 and 4,600. The rise in the Permian's DUC count is partially related to ongoing pipeline constraints and lower wellhead prices in the Permian.

Chart 4
Drilled but Uncompleted Wells



SOURCES: Energy Information Administration; author's calculations.

Housing

Prices Continue to Rise, Home Sales Decelerate

The average price of a home in the Permian Basin rose to about \$286,700 in July, an increase of just under 1 percent from June (*Chart 5*). Home prices have continued to rise despite a deceleration in home sales. Though home sales fell by 2 percent between June and July, sales are still 9.5 percent above July 2017 numbers.

Chart 5
Home Sales and Prices



*Seasonally adjusted; six-month moving average.

SOURCES: Real Estate Center at Texas A&M University; seasonal adjustments by the Dallas Fed; author's calculations.

Home Inventories Remain Low

The housing supply remains tight in the Permian Basin. Midland's existing-home inventory was 1.3 months in July, while Odessa's was 1.5 months (*Chart 6*). Total listings also remain low. The six-month moving average for total listings was 485 in July—just half of what it was in July 2017.

Chart 6
Single-Family Existing-Home Inventory



*Seasonally adjusted; six-month moving average.

SOURCES: Real Estate Center at Texas A&M University; seasonal adjustments by the Dallas Fed; author's calculations.

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.

About Permian Basin Economic Indicators

Questions can be addressed to Dylan Szeto at Dylan.Szeto@dal.frb.org. *Permian Basin Economic Indicators* is released on the third Wednesday of every month.