

# Permian Basin Economic Indicators

Federal Reserve  
Bank of Dallas

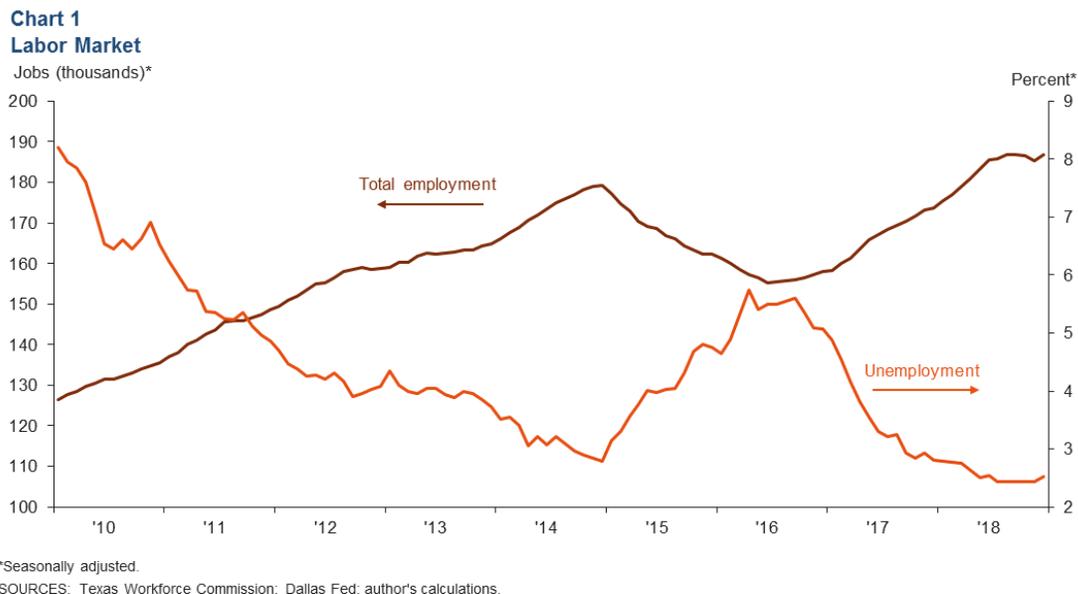
January 30, 2019

In 2018, Permian Basin employment grew 7.5 percent, well above Texas' job growth of 2.4 percent. However, area job growth fell in the last quarter, and the unemployment rate inched up to 2.5 percent. Oil production remains strong, but the rig count was flat. Housing measures continue to show strength.

## Labor Market

### Employment Expands in December

Permian Basin employment grew at annualized rate of 9.5 percent in December (*Chart 1*), up from the 8.3 percent decline in November. Payrolls dipped in the fourth quarter after posting a solid gain of 10.2 percent in the first nine months of 2018.



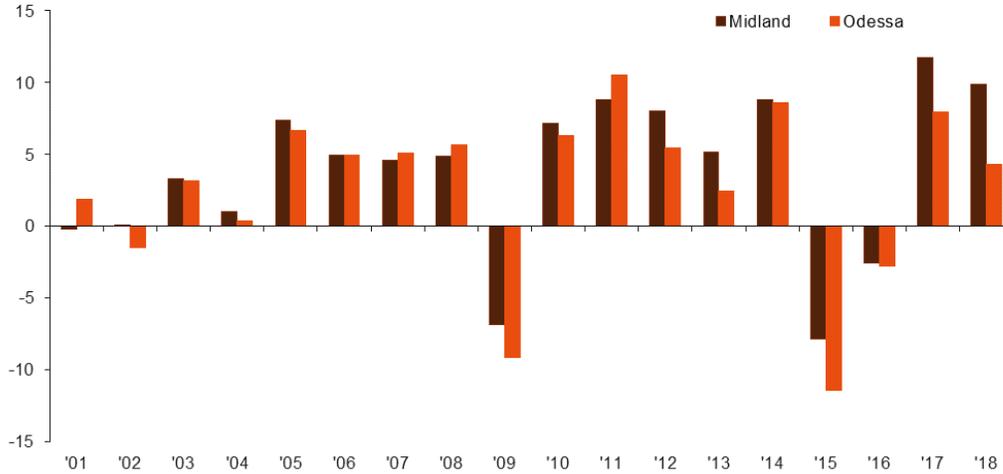
Despite the December job gains, the jobless rate inched up to 2.5 percent. The rate remained well below the Texas average of 3.7 percent.

### Midland Outpaces Odessa in Job Growth

In 2018, employment expanded 9.9 percent in Midland, compared with 4.3 percent in Odessa (*Chart 2*). This marked the second consecutive year in which Midland's employment gains outpaced Odessa's. Both metros outpaced the state's 2.4 percent growth. Midland created approximately 9,700 jobs last year, compared with 3,200 in Odessa.

**Chart 2**  
**Job Growth**

Percent, December/December



SOURCES: Texas Workforce Commission; seasonal and other adjustments by the Dallas Fed.

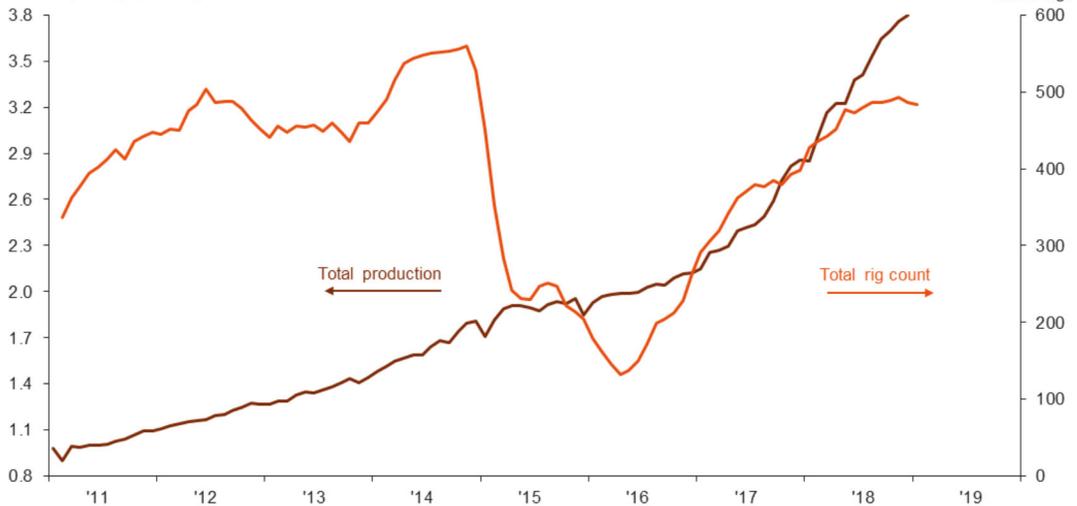
## Energy

### Oil Production Climbs; Rig Count Still Subdued

Permian Basin oil production is estimated to have reached 3.8 million barrels per day (b/d) in December, up from November's 3.76 million b/d (*Chart 3*). Meanwhile, the Permian Basin rig count was little changed at 484 in January.

**Chart 3**  
**Oil Production and Rig Count**

Barrels per day (millions)



NOTES: Rig count data are monthly. The January 2019 reading is the end-of-week rig count for the week ending Jan. 25, 2019.

SOURCES: Energy Information Administration; Baker Hughes; author's calculations.

### West Texas Intermediate Oil Price Drops

After peaking in October near \$76, the West Texas Intermediate (WTI) oil price has fallen. WTI this month has averaged \$50.84 through Jan. 24 (*Chart 4*). According to the latest Dallas Fed Energy Survey, respondents expect prices to finish 2019 near \$59.97 per barrel.

**Chart 4**  
**West Texas Intermediate (Cushing, OK) Oil Price**

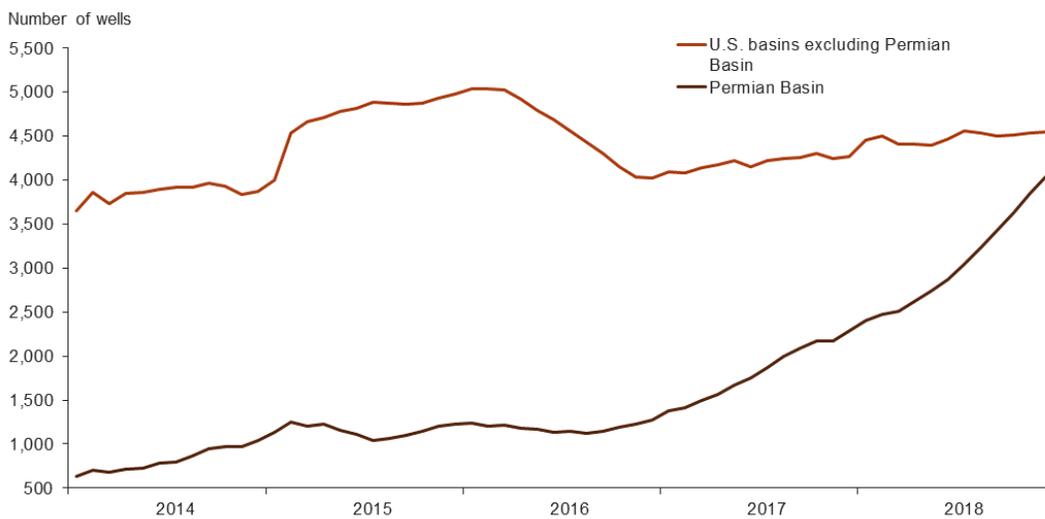


NOTES: The dashed line indicates the mean price needed to profitably drill a new well in the Permian Basin, according to the first quarter 2018 Dallas Fed Energy Survey. Data are monthly averages calculated from daily averages. The January reading is the month-to-date average through Jan. 24, 2019.  
 SOURCES: Energy Information Administration; Dallas Fed; author's calculations.

## Drilled but Uncompleted Wells Rise Steadily

The Permian Basin had over 4,000 drilled but uncompleted wells (DUCs) in December, up 5.3 percent from November (*Chart 5*). DUCs outside of the Permian continued to increase at a much slower pace. The Permian now accounts for just under half of all DUCs in the U.S.

**Chart 5**  
**Drilled but Uncompleted Wells**



SOURCES: Energy Information Administration; author's calculations.

## Housing

Existing-home sales reached new highs in 2018. Sales in the Permian Basin totaled 4,521, up more than 10 percent from 4,100 in 2017 (*Chart 6*). The average price also continued to climb, rising 6.3 percent over the year to \$282,913.

**Chart 6**  
**Home Sales and Prices**



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

With robust sales, inventories remain tight in the Permian region. In December, inventories stood at 1.6 months in Midland and 1.3 months in Odessa.

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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 Marycruz De Leon at [Marycruz.DeLeon@dal.frb.org](mailto:Marycruz.DeLeon@dal.frb.org). *Permian Basin Economic Indicators* is released on the third Wednesday of every month.