

Permian Basin Economic Indicators

Federal Reserve
Bank of Dallas

October 21, 2019

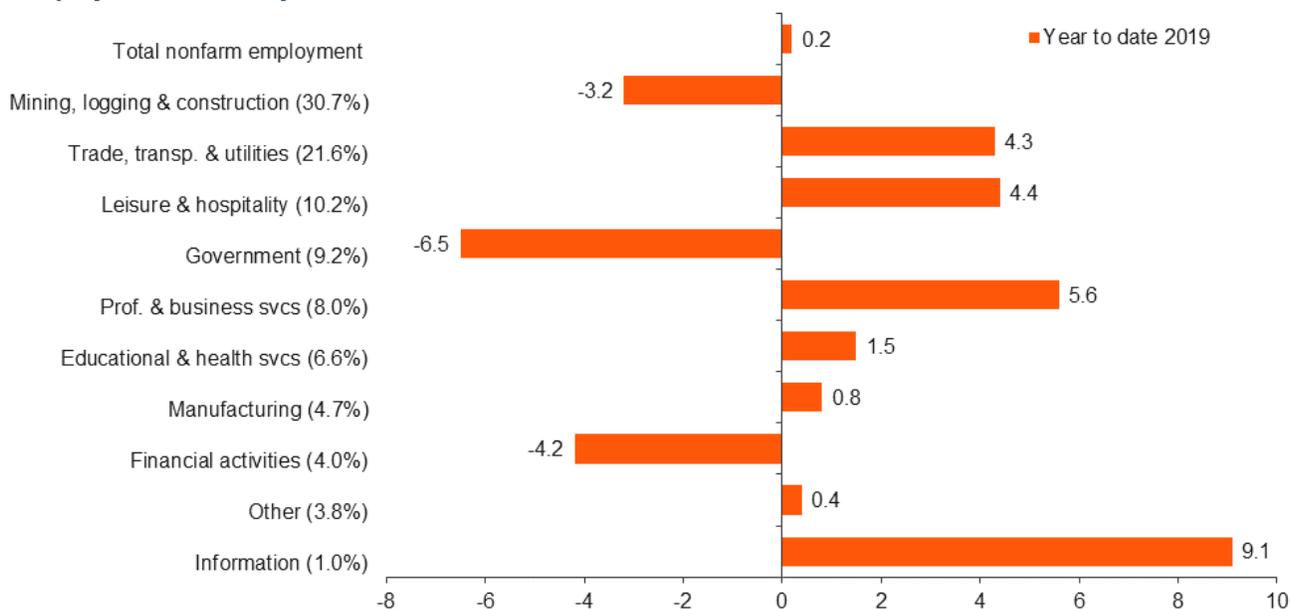
Oil production in the Permian Basin continues to reach new highs. However, the rig count and the number of drilled but uncompleted wells are contracting in the region. As activity in the oil and gas sector has decelerated, year-to-date job growth and home-price appreciation have slowed.

Labor Market

Employment Growth Moderates

Year to date through September, total employment inched up an annualized 0.2 percent, much lower than the double-digit growth seen during the same period last year (*Chart 1*). Sluggish growth was driven by mining, logging and construction—the largest sector in the Permian—which contracted an annualized 3.2 percent.

Chart 1
Employment Growth by Sector



NOTES: Data are seasonally adjusted. Employment is for the Midland and Odessa metropolitan areas. Numbers in parentheses represent share of total employment and may not sum to 100 due to rounding.
SOURCE: Bureau of Labor Statistics.

In September, the unemployment rate remained unchanged from August at 2.3 percent. The Permian Basin jobless rate remained well below the Texas rate of 3.4 percent.

Midland Wages Still on the Rise

While the three-month average for private sector hourly wages in Midland continues to climb, wages in Odessa have dipped (*Chart 2*). The average in Midland stood at \$29.83 in August, up 4.8 percent from a year ago. The average in Odessa fell 3.0 percent from the prior year to \$27.55. In August, both the Midland and Odessa averages were above the Texas average of \$26.24.

Chart 2
Average Private Sector Hourly Wages



*Seasonally adjusted; three-month moving average.

SOURCES: Bureau of Labor Statistics; adjustments by the Dallas Fed.

Energy

Oil Prices Pull Back

The price of West Texas Intermediate (WTI) crude oil edged up in September after a production outage in Saudi Arabia affected global supplies, but prices have since retreated. The October month-to-date WTI average fell to \$52.99 from nearly \$57 in September (*Chart 3*).

Chart 3
West Texas Intermediate (Cushing) 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 2019 Dallas Fed Energy Survey. Data are monthly averages calculated from daily averages. The October reading is the month-to-date average through Oct. 17, 2019.

SOURCES: Energy Information Administration; Dallas Fed; author's calculations.

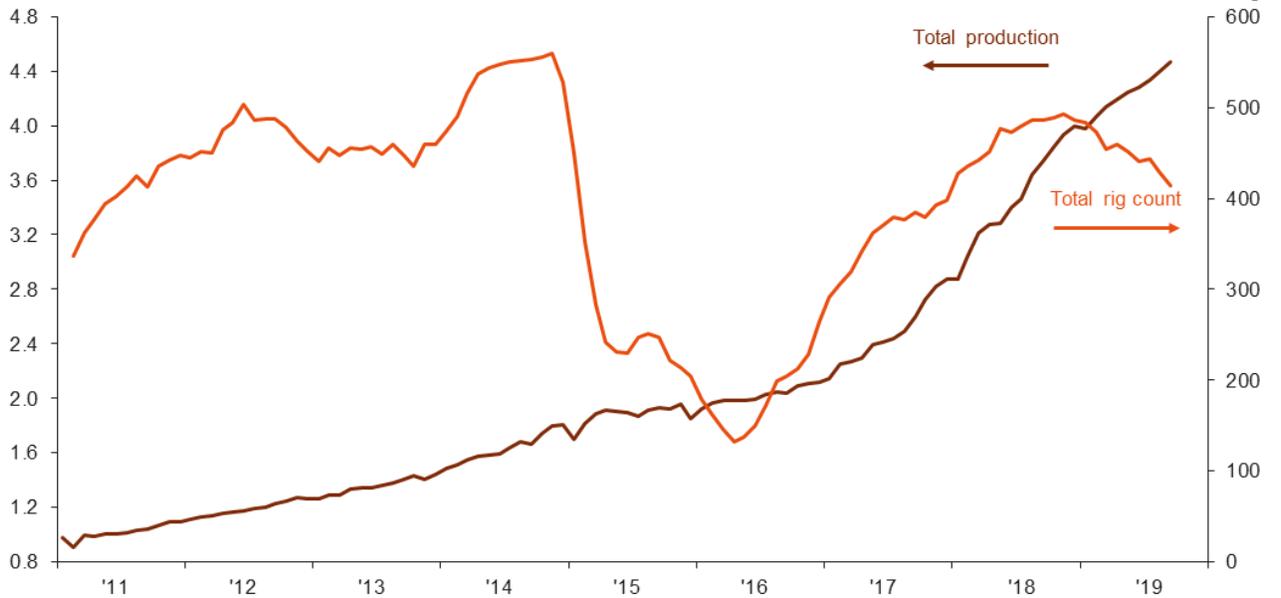
Rig Count Falls, Oil Production Climbs

The Permian Basin rig count has been trending down since November 2018, falling by 79 rigs to 414 in September (Chart 4). Meanwhile, production continues to climb, reaching 4.47 million barrels per day in September.

Chart 4

Oil Production and Rig Count

Barrels per day (millions)



NOTE: Rig count data are monthly.

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

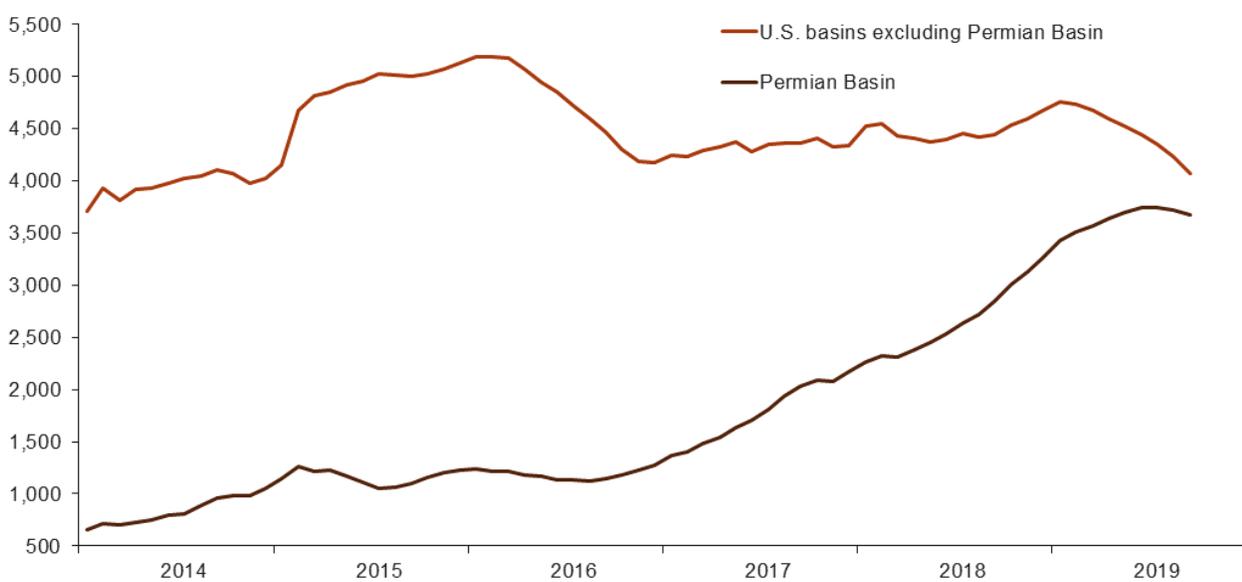
Drilled but Uncompleted Wells Contract

The number of drilled but uncompleted wells (DUCs) in the Permian fell for the second consecutive month (Chart 5). In September, the number of DUCs stood at 3,668, down from 3,717 in August.

Chart 5

Drilled but Uncompleted Wells

Number of wells



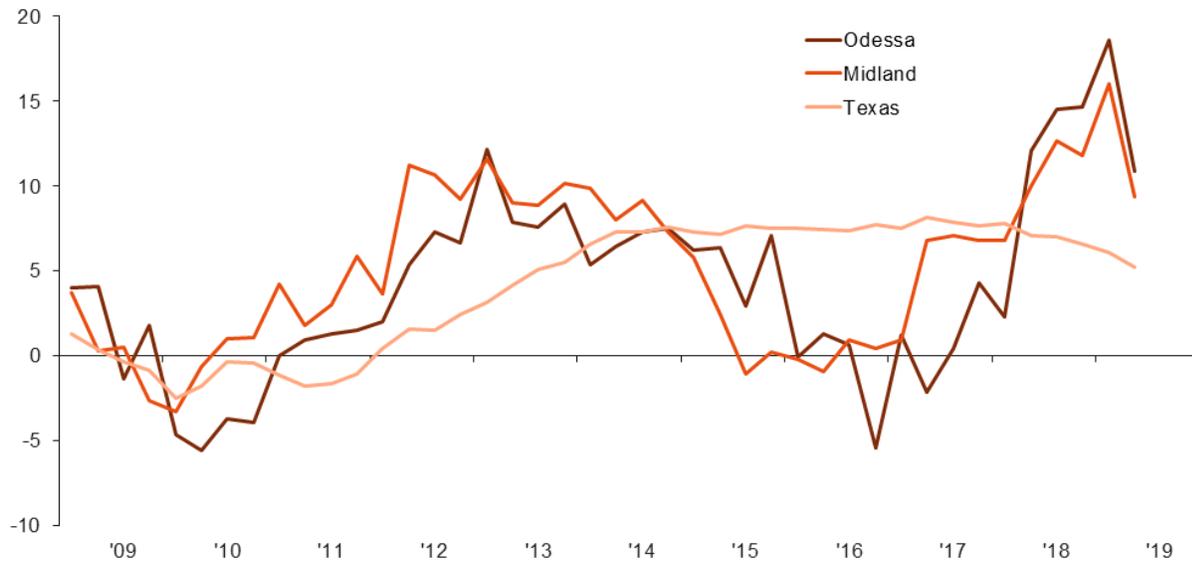
SOURCES: Energy Information Administration; author's calculations.

Housing

Home prices in the Permian continue to rise as inventories remain tight. On a year-over-year basis, prices were up 9.3 percent in Midland and 10.9 percent in Odessa in the second quarter, the most recent data available (*Chart 6*). While home prices continue to increase, the rate of appreciation has slowed.

Chart 6
House Price Indexes

Percent, year/year*



*Quarterly, seasonally adjusted.

SOURCE: Federal Housing Finance Agency.

NOTES: Employment data are for the Midland–Odessa metropolitan statistical area (Martin, Midland and Ector counties), unless otherwise specified. Energy data include 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

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