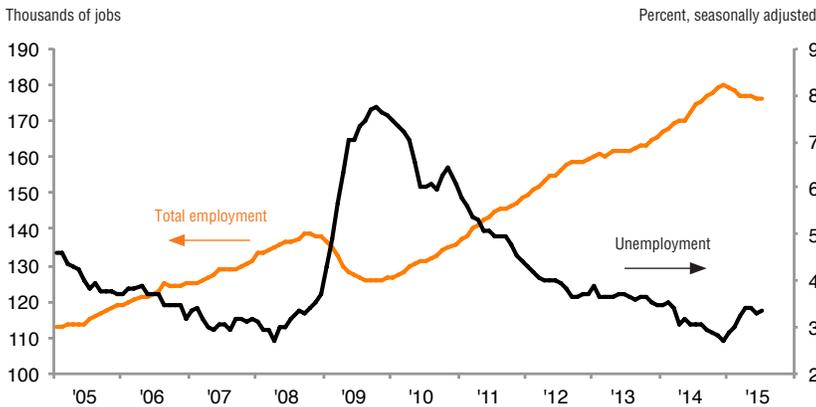


Summary

local housing market.

The Permian Basin economy has cooled as low oil prices have led to layoffs in the region. In July, employment fell at an annualized rate of 1.3 percent. The weaker job market is slowing retail sales and the

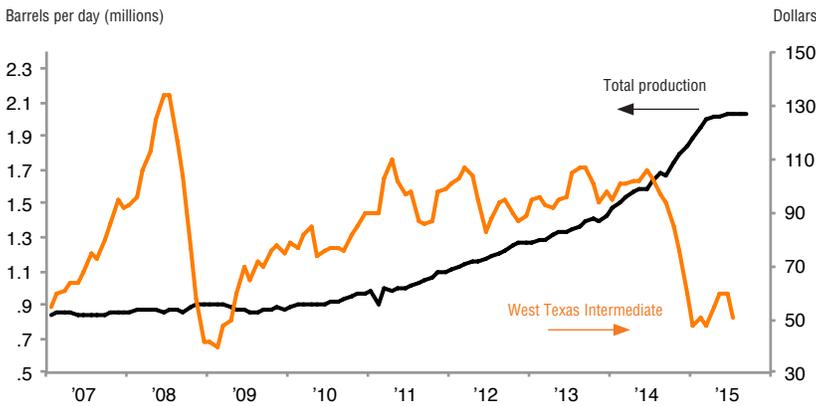
Labor Market



As oil prices picked up in 2009 and as technological advances allowed for drilling in places that were previously not viable, the Permian Basin became one of the fastest-growing regions in the state. Jobs were plentiful and unemployment was below 3 percent. However, with the recent downturn in energy prices, the region has started to shed jobs and unemployment has inched up. The unemployment rate moved up from 2.6 percent in late 2014 to 3.4 percent in March 2015 before leveling off. In July, unemployment stood at 3.3 percent, still below the Texas rate of 4.2 percent and the U.S. rate of 5.2 percent.

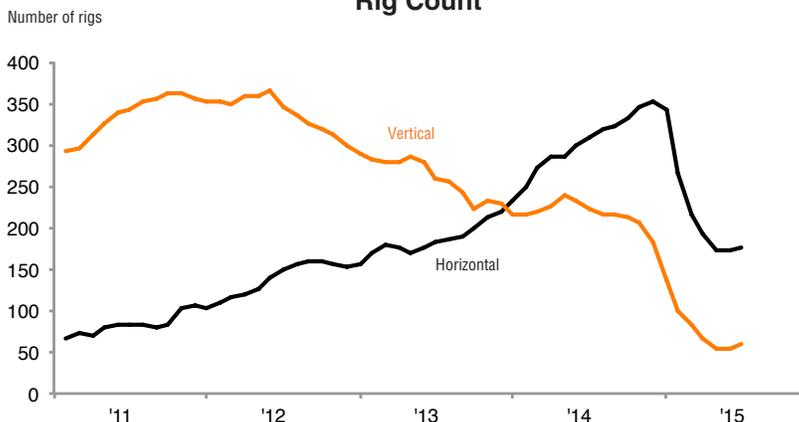
Energy

Oil Production and Spot Price



West Texas Intermediate (WTI) crude oil prices plummeted in the second half of 2014. After registering gains in May and June, prices again fell in July to \$50.90 per barrel. WTI remains well below its 2014 peak (see www.dallasfed.org/research/energy for more information). Production continued to increase in the months when oil prices turned down, with growth tapering off only in second quarter 2015 (August and September production data are Energy Information Administration estimates). The continued production gains were due to drilling contracts already in place during the downturn and to increased drilling efficiency.

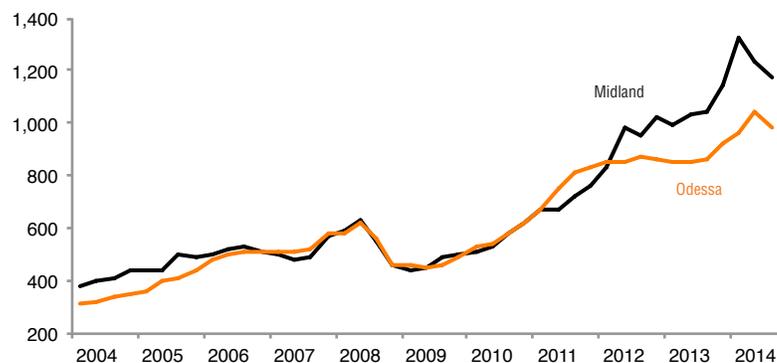
Rig Count



Oil and gas production has been revolutionized by horizontal drilling—as evidenced by the rapid growth of horizontal drilling rigs since 2011, the earliest year for which data are available. Horizontal rigs eclipsed vertical rigs in the Permian Basin in late 2013. However, the decline in WTI quickly brought both rig counts to a standstill. Horizontal rigs dropped 52 percent, from 351 in December 2014 to 168 in early June, their lowest level. At the end of July, the rig count stood at 177 for horizontal and 58 for vertical rigs.

Retail Sales

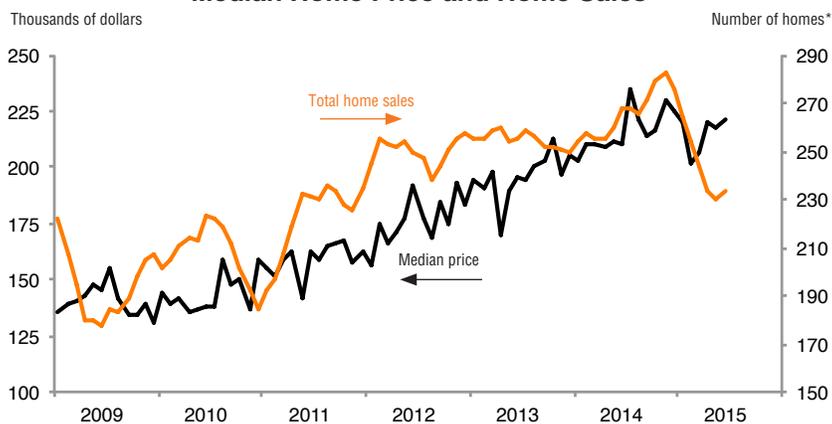
Real dollars (millions), seasonally adjusted



▶ Retail sales in Midland and Odessa expanded rapidly after 2009, peaking in the months immediately prior to the oil price downturn. Sales grew strongly in the Permian Basin in part due to the expansion of the mining, logging and construction industry, which boasts the highest wages in the state. The industry represents only about 8 percent of the total workforce in Texas but over 25 percent of total jobs in the Permian Basin.

Housing

Median Home Price and Home Sales

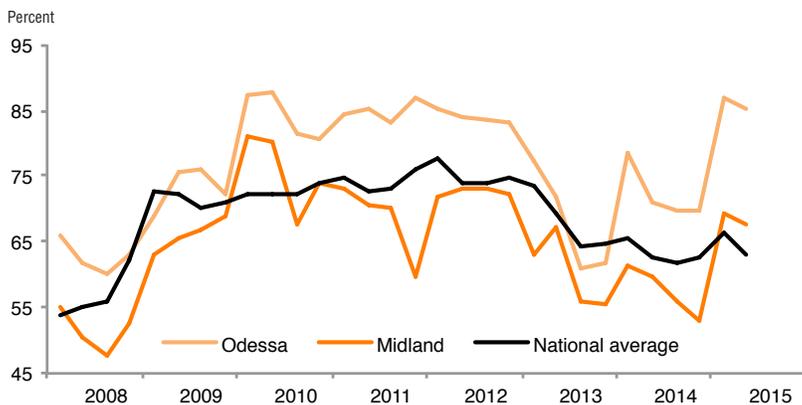


*Six-month moving average for Midland and Odessa, seasonally adjusted.

▶ High-paying oil and gas jobs attracted newcomers to the Permian Basin. The population in Midland and Odessa jumped nearly 15 percent from 2010 to 2014. The boom drove up demand for housing and boosted the median home price. But as oil prices have fallen, the housing market has cooled. June home sales totaled 233 based on a six-month moving average, down nearly 13 percent from a year ago. The median home price stood near \$221,000.

▶ The strength of existing-home sales fueled growth in single-family home construction, and new housing permits surged. Midland and Odessa permits totaled 664 in 2010, peaked at 1,447 in 2013 and remained high at 1,377 in 2014. However, as existing-home sales have slowed, so has new-home construction. Year to date, permits have fallen to 1,134 on an annualized basis.

Home Affordability



▶ Home affordability inched up in the first quarter of 2015 but fell in the second quarter as the effects of the oil price downturn began to be felt. The National Association of Home Builders/Wells Fargo Housing Opportunity Index represents the share of homes sold that are considered affordable to a family earning the median income. The index fell to 68 percent in Midland and 85 percent in Odessa in the second quarter. This indicates that 7 to 8 of every 10 homes sold in the two cities were considered affordable.

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.

SOURCES: **Employment:** Bureau of Labor Statistics (BLS) and Dallas Fed; **energy:** Energy Information Administration and World Bank; **rig count:** Baker Hughes; **retail sales:** Texas Comptroller of Public Accounts; **home sales:** Texas A&M Real Estate Center; **home affordability:** National Association of Homebuilders/Wells Fargo.

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