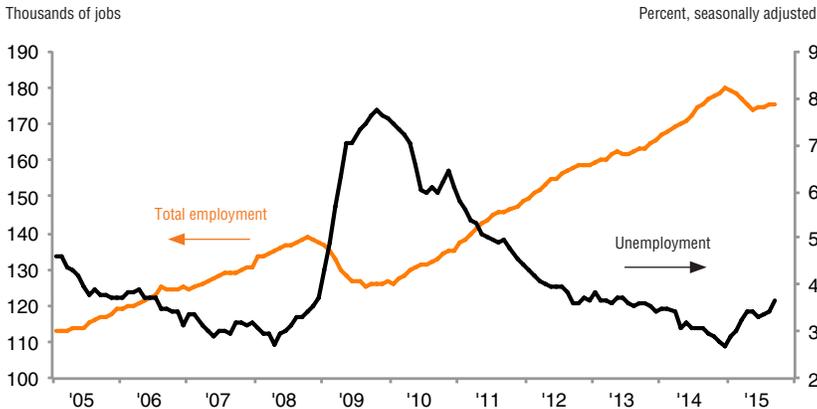


**Summary** Low energy prices continue to slow the Permian Basin economy. Unemployment ticked up in September. The sluggish job market continues to dampen regional retail sales, but the housing market has steadied.

## Labor Market

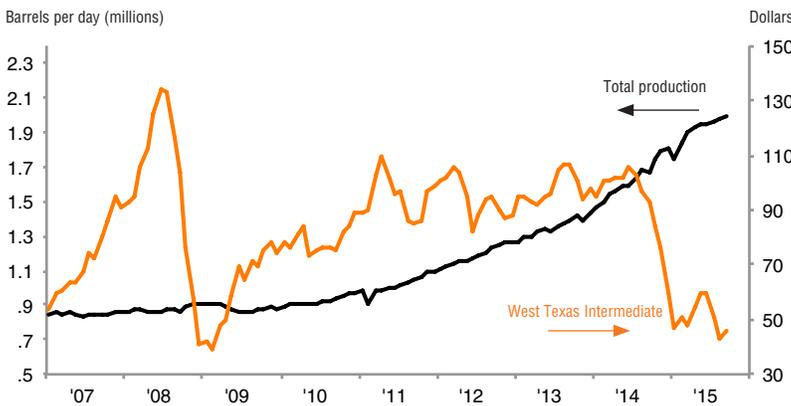


► Midland–Odessa had seen unemployment declines in the years prior to 2015, but those declines have been reversed due to the downturn in oil prices. In September, the unemployment rate stood at 3.7 percent, up from 3.0 percent a year earlier.

► Similarly, total employment in the Permian Basin has leveled off after exhibiting strong growth in prior years. Although September employment inched up to 175,700 from August’s 175,100, year-to-date employment is down at an annualized rate of 2.9 percent.

## Energy

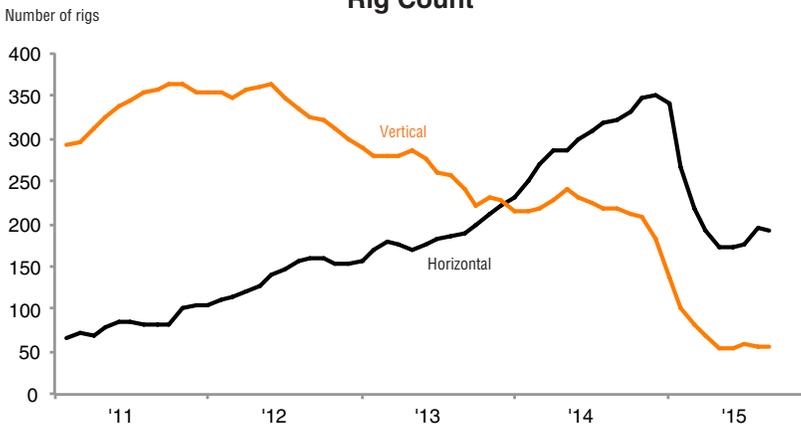
### Oil Production and Spot Price



► West Texas Intermediate crude oil prices plummeted in the last half of 2014 before registering gains in early 2015. Prices fell in August to \$42.86 but rose slightly in September to \$45.45 (see the Dallas Fed’s [Energy Update](#) for more information).

► Total Permian Basin production decreased somewhat in January 2015 but picked up through the remainder of the first and second quarters. In September 2015, it stood at nearly 2 million barrels per day. The Energy Information Administration forecasts that production will increase by 21,000 barrels per day by November as production from new wells offsets declining production from legacy wells.

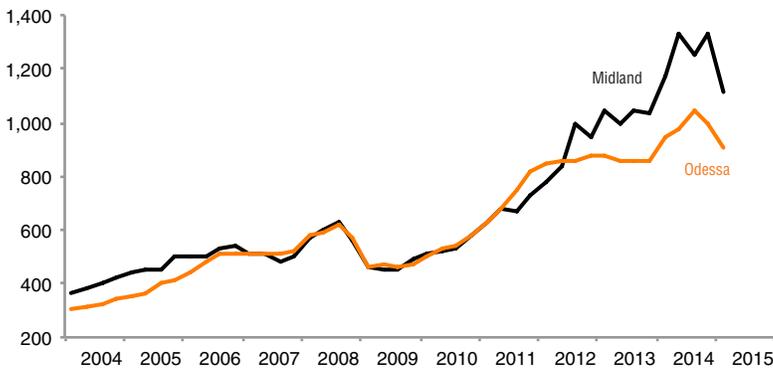
### Rig Count



► Horizontal drilling has revolutionized oil and gas production, as evidenced by the rapid growth of horizontal rigs since 2011. However, WTI’s decline quickly hit both vertical and horizontal rig counts. The vertical count steadied at 57 in September, while the horizontal count stood at 192, up 12 percent from June. Horizontal rigs are expected to lead any recovery in the rig count due to their increased efficiency and production capability.

## Retail Sales

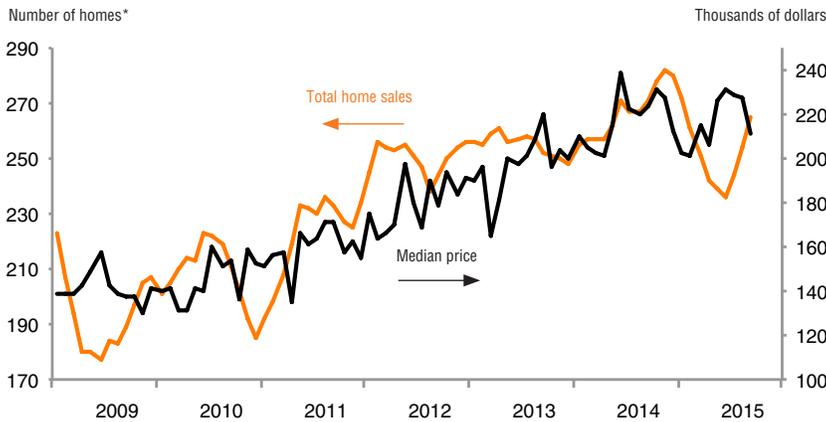
Real dollars (millions), seasonally adjusted



► Retail sales in Midland and Odessa expanded rapidly after 2009, but as the Permian Basin labor market has weakened, so has consumption. In first quarter 2015, the latest point for which data are available, Midland retail sales totaled approximately \$1.1 billion, down 5.4 percent from the same quarter a year earlier. Odessa sales totaled \$907 million, decreasing 3.7 percent over that time.

## Housing

### Median Home Price and Home Sales

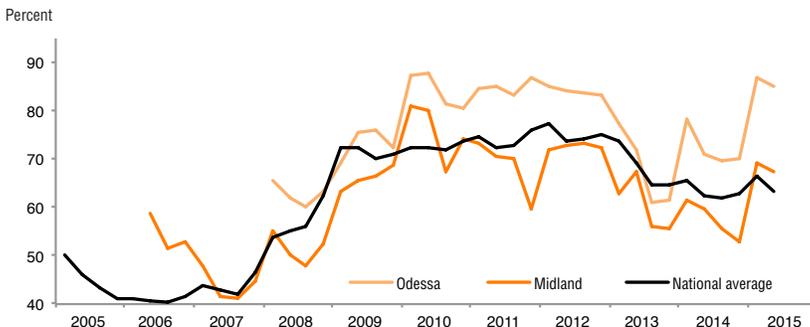


\*Six-month moving average for Midland and Odessa, seasonally adjusted.

► The Permian Basin housing market has yet to reflect all of the weakness in the labor market. Home sales rebounded in September, totaling 265. September sales were down only 2.4 percent from a year ago and 6 percent from the November 2014 peak. Home prices have been uneven over the past year. In September, the median price was \$211,000, down 6 percent from a year ago.

► 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 measures 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 seven to eight of every 10 homes sold in the two cities were considered affordable.

### Home Affordability



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; **oil production and spot price:** Energy Information Administration and World Bank; **rig count:** Baker Hughes; **retail sales:** Texas Comptroller of Public Accounts; **median home price and home sales:** Texas A&M Real Estate Center; **home affordability:** National Association of Homebuilders/Wells Fargo.

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