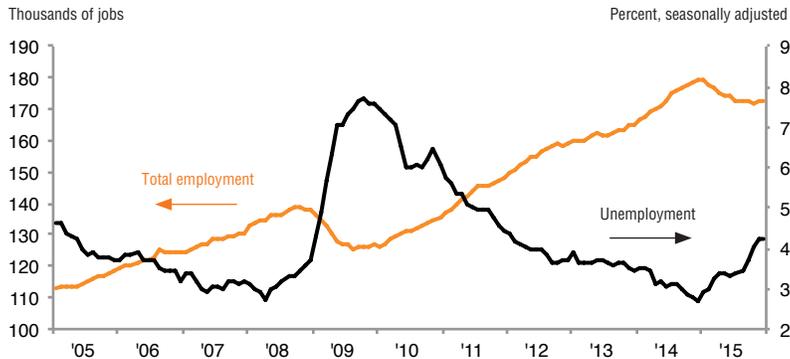


FEDERAL RESERVE BANK OF DALLAS • FOURTH QUARTER 2015

Summary The Permian Basin economy continued to weaken in the fourth quarter as West Texas Intermediate crude oil prices fell over 20 percent. The drop in drilling activity has led to job cuts, moving the unemployment rate higher. The sluggish job market continues to dampen both regional retail sales and the housing market.

Labor Market

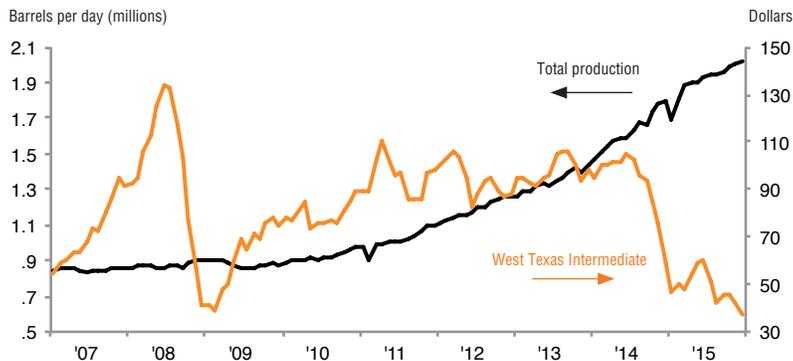


SOURCES: Bureau of Labor Statistics; Dallas Fed.

- ▶ The Permian Basin shed jobs in 2015. Last year, the region's employment dropped 3.9 percent to 172,600, marking the first time the Permian Basin has had an annual job loss since 2009.
- ▶ In December, the unemployment rate stood at 4.2 percent, up from 2.7 percent a year earlier. Although unemployment has been inching up in recent months, it remains below the Texas rate of 4.6 percent and the U.S. rate of 5.0 percent.

Energy

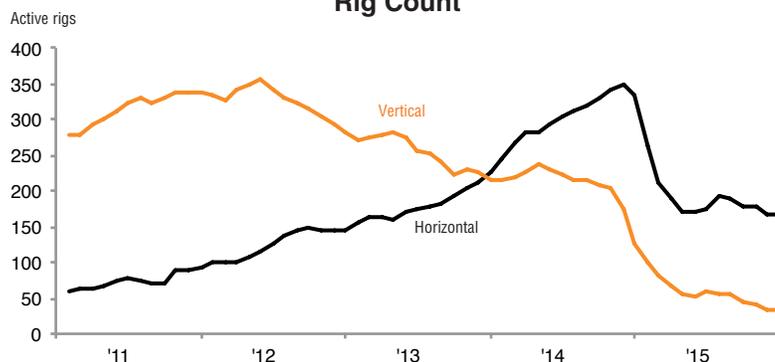
Oil Production and Spot Price



SOURCES: Energy Information Administration; World Bank.

- ▶ West Texas Intermediate (WTI) crude oil continued its decline, falling in November to \$42.70 and in December to \$37.23 (see the Dallas Fed's [Energy Update](#) for more information).
- ▶ While production has fallen in most of the top oil-producing regions in the country, production in the Permian Basin remains resilient. December production inched up from November to 2.02 million barrels per day.
- ▶ The WTI decline has hit both vertical and horizontal rig counts. The vertical count totaled 33 in December, continuing its downward trend in the fourth quarter. After increasing in September, the horizontal count declined to 169 in December. Horizontal rigs are expected to lead any recovery in the rig counts due to their increased efficiency and production capability.

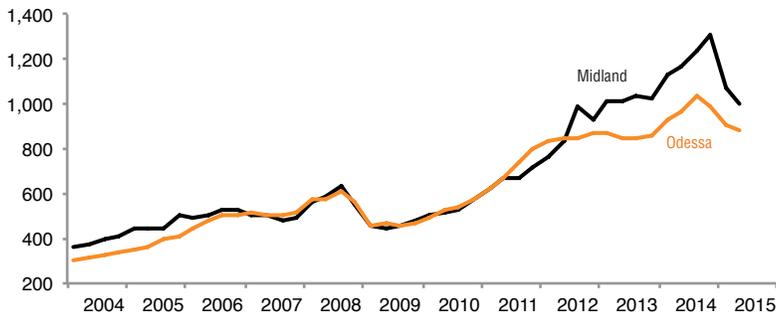
Rig Count



SOURCE: Baker Hughes.

Retail Sales

Real dollars (millions), seasonally adjusted

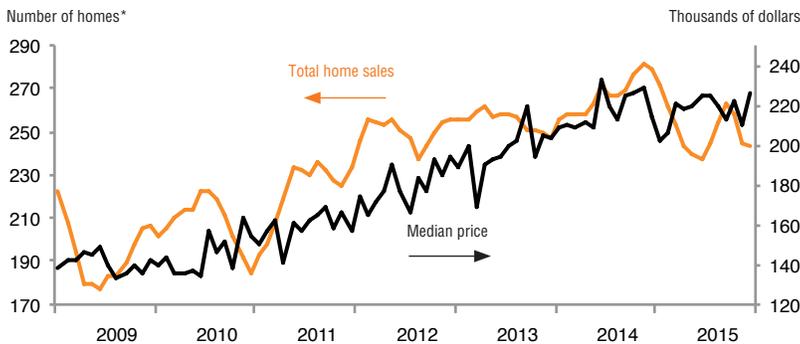


SOURCE: Texas Comptroller of Public Accounts.

▶ Retail sales in Midland and Odessa have slowed as the Permian Basin labor market has weakened. In second quarter 2015, the latest point for which data are available, Midland retail sales totaled approximately \$1 billion, down 13.9 percent from the same quarter a year earlier. Odessa retail sales totaled \$884 million, decreasing 8.3 percent over the same time frame.

Housing

Home Sales and Median Home Price



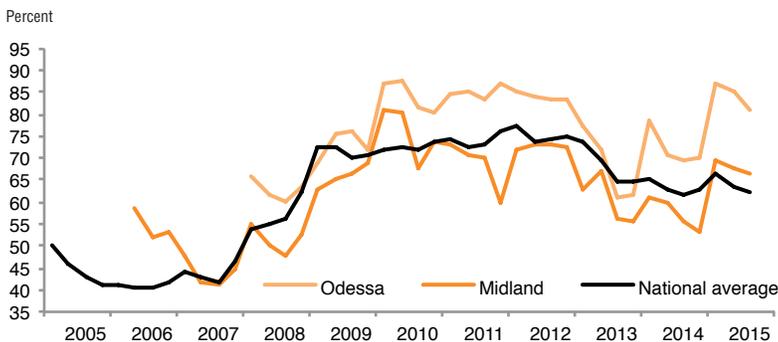
*Six-month moving average for Midland and Odessa, seasonally adjusted.

SOURCE: Texas A&M Real Estate Center.

▶ The housing market in the Permian Basin is beginning to reflect the weakness of the labor market. Although home sales rebounded to 243 in December, sales began to decline in late 2014. The December figure is down nearly 13 percent from a year earlier. In contrast, home prices have remained relatively stable over the past year. In December, the median home price totaled \$225,000, up 5.7 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 downward trend continued into the third quarter. 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 67 percent in Midland and 81 percent in Odessa in the third quarter. This indicates that 7 to 8 of every 10 homes sold in the two cities were considered affordable.

Home Affordability



SOURCE: National Association of Homebuilders/Wells Fargo.

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.

CONTACT: Questions regarding *Permian Basin Economic Indicators* can be addressed to Marycruz De León at marycruz.deleon@dal.frb.org.