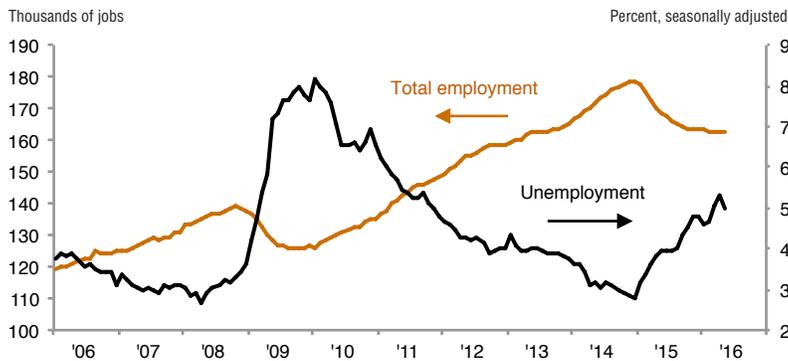


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Summary The dependence on the energy sector continues to subdue the Permian Basin economy. Job losses have stabilized, but the unemployment rate remains well above year-ago levels. Retail sales have declined in both Midland and Odessa. The Odessa housing market appears to be harder hit than Midland's.

Unemployment and Total Employment



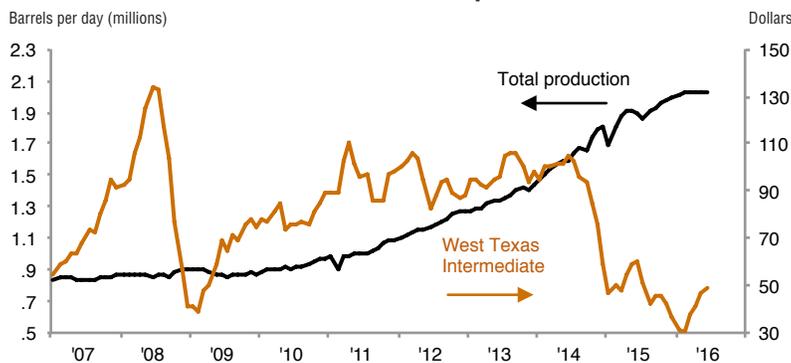
SOURCES: Bureau of Labor Statistics; Dallas Fed.

▶ In May, total nonfarm employment in the Permian stood at 162,500. Job levels have held relatively steady in 2016. After shedding 15,000 jobs in 2015, employment in the Permian Basin has shed only 600 jobs in the first five months of 2016. The 2016 losses are due almost solely to declines in Odessa's total nonfarm employment. Job levels in Midland have remained stable.

▶ The unemployment rate stood at 5.0 percent in May, falling from the April high of 5.3 percent. The Permian Basin unemployment rate remains above the Texas rate of 4.4 percent and the U.S. rate of 4.9 percent.

Energy

Oil Production and Spot Price

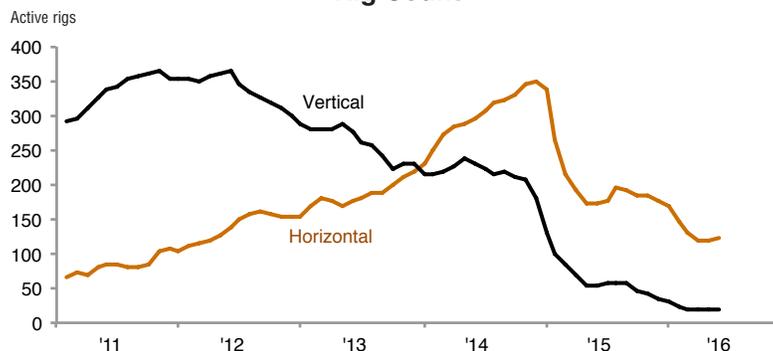


SOURCES: Energy Information Administration; World Bank.

▶ West Texas Intermediate (WTI) crude oil price increased for the third consecutive month and averaged \$48.78 in May. Price expectations have firmed up, and uncertainty, as measured by the Crude Oil Volatility Index, has fallen. (See www.dallasfed.org/research/energy for more information.)

▶ The decline in WTI hit both the vertical and horizontal rig counts. The vertical rig count remained steady in June at 18. The horizontal rig count rose in June to 123. Horizontal rigs are expected to lead any recovery in the rig counts due to their increased efficiency and production capability.

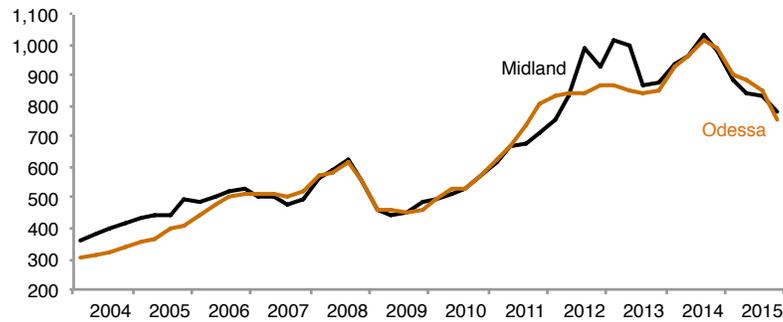
Rig Count



SOURCE: Baker Hughes.

Retail Sales

Real dollars (millions), seasonally adjusted

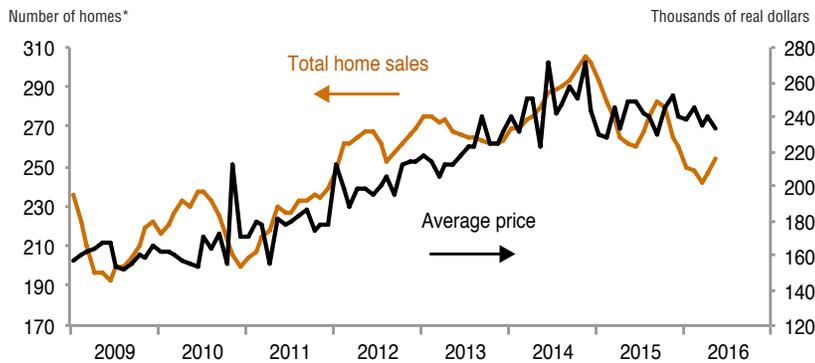


SOURCE: Texas Comptroller of Public Accounts.

▶ The lackluster labor market has continued to slow retail sales in Midland and Odessa. In fourth quarter 2015, the latest point for which data are available, Midland retail sales totaled approximately \$786 million, down nearly 20 percent from the same quarter a year earlier. Odessa retail sales totaled \$754 million, decreasing 23 percent over the same time frame. Sluggish retail sales in the Permian Basin are likely to persist until job growth accelerates.

Housing

Home Sales and Median Home Price



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

SOURCE: Texas A&M University Real Estate Center.

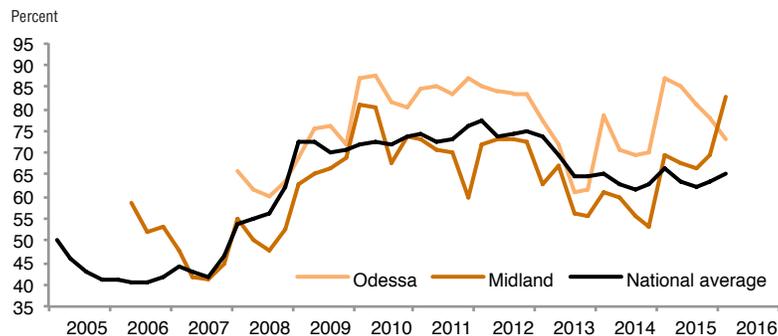
▶ Permian Basin homes sales inched up in May. Homes sales totaled 254 based on a six-month moving average, up 3.0 percent from April sales but down more than 2.8 percent from year-ago sales. The average home price is holding relatively steady. In May, the price stood at \$233,485, down 2.5 percent from last month and down 5.8 percent from a year earlier.

▶ As demand in existing-home sales inched up in May, so did new housing permits. Midland and Odessa new-housing permits totaled an annualized 926 in May, up 3.0 percent from April but down 7.9 percent from a year ago.

▶ 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 indexes for Midland and Odessa moved in sync until third quarter 2015. Since then, the Odessa index has continued to fall, while the Midland index has jumped up. The divergence could be due to the more stable labor market in Midland.

▶ In first quarter 2016, the index stood at 73.3 for Odessa and 82.5 for Midland. This indicates that 7 to 8 of every 10 homes sold in the two cities were considered affordable. Despite the variance between Midland and Odessa, both metros are considered more affordable than the U.S. average.

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.

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