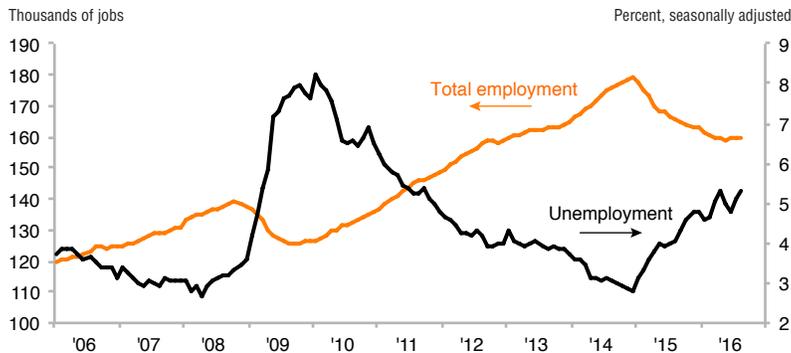


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Summary The Permian Basin economy continues to struggle, but there is room for optimism. The unemployment rate inched up in August, and retail sales were unimpressive in first quarter 2016. The average rig count grew in September, which is a positive sign despite relatively flat production.

Labor Market



SOURCES: Bureau of Labor Statistics; Dallas Fed.

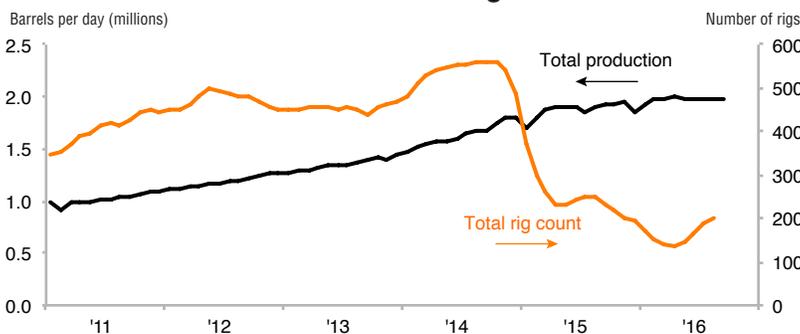
▶ Job levels in the Permian have remained relatively stable since March. Total nonfarm employment grew by 100 jobs to 159,300 in August, but is still down year to date.

▶ The unemployment rate was 5.3 percent in August—above the Texas rate of 4.7 percent and the U.S. reading of 4.9 percent. While the total labor force has grown in both Midland and Odessa, the growth in unemployment has largely been in Odessa. Accordingly, the unemployment rate in Midland has remained flat but has been growing in Odessa since January.

▶ Data show that job losses in the Permian Basin’s mining, logging and construction sector, which accounts for about a quarter of the total nonfarm employment, continue to occur with the year-to-date annualized data showing a -2.6 percent decrease. Trade, transportation and utilities, a sector that employs around 22 percent of the total nonfarm employment, also shows a significant drop of 3.5 percent year to date, annualized. There has been notable growth in other sectors including government and education and health services, but they do not make up quite as large a share of employment.

Energy

Oil Production and Rig Count



SOURCES: Energy Information Administration; Baker Hughes.

▶ Oil production levels have remained surprisingly resilient throughout the downturn. Between August and September, the average rig count rose to 202 total rigs. The increasing activity is a positive sign for the region. The average West Texas Intermediate crude oil price for September picked up to \$45.20.

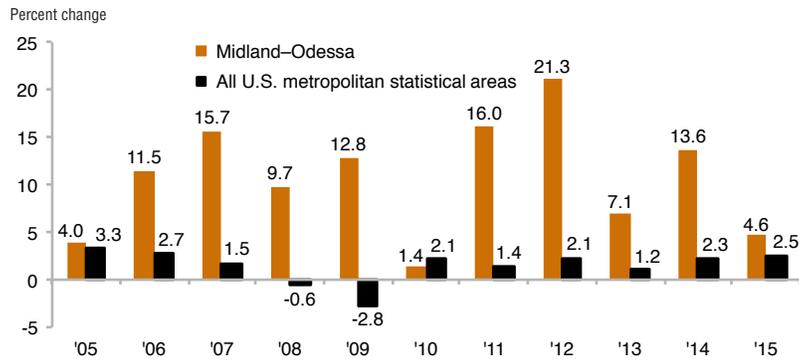
▶ Though it is less than the amount at this same time last year, the average rig count for September is back to where it was by year-end 2015. This could be a good sign for Midland–Odessa employment and gross domestic product (GDP).

West Texas Intermediate Price



SOURCE: World Bank.

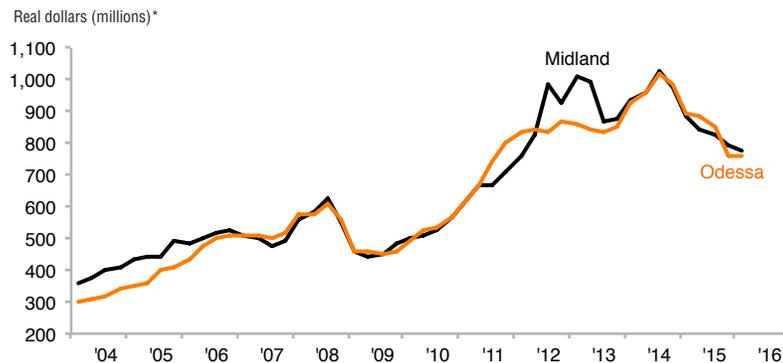
Gross Domestic Product



SOURCE: Bureau of Economic Analysis.

► The combined, inflation-adjusted GDP for Midland and Odessa grew at 4.6 percent. Though faster than all U.S. metropolitan statistical areas in 2015, it is still much slower than 2014 when average monthly oil prices were still relatively high. However, growth was divergent between the two counties. While Midland saw a growth of 9.42 percent during 2015, driven very heavily by natural resources and mining, Odessa showed a steep drop from 8.5 percent growth in 2014 to -7.3 percent in 2015. Though the decline in GDP was broad based, about 40 percent of the drop can be attributed to the trade and natural resources and mining sectors.

Retail Sales

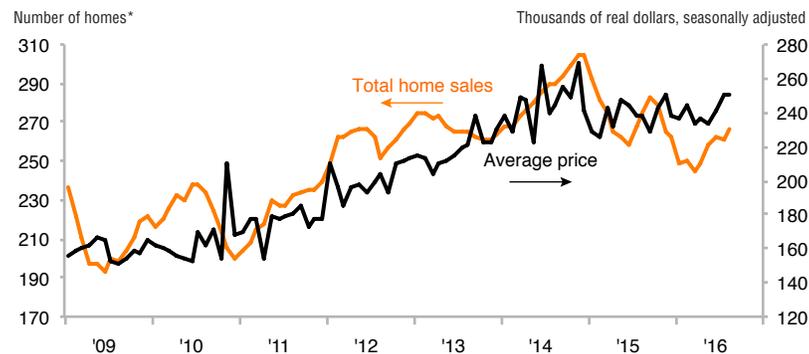


*Seasonally adjusted.

SOURCE: Texas Comptroller of Public Accounts.

► Retail sales in Midland continued to decline in first quarter 2016 but increased half a percentage point in Odessa. That is the first positive change from either county since third quarter 2014. Retail sales totaled \$776 million in Midland and \$761 million in Odessa, a decrease of 12 percent and 14 percent, respectively, from the same time last year.

Housing



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

SOURCE: Texas A&M University Real Estate Center.

► The six-month moving average for Permian Basin home sales continues to trend upward and settled at 267 in August. The real seasonally adjusted mean price stayed flat at \$250,503 after trending up since March 2016.

► There were other positive signs in housing-related data for the Permian Basin. Single-family building permits indexed to 2005 showed about a 19-point jump between July and August. The Housing Opportunity Index for Odessa increased from 73.3 percent to 81.9 percent between first and second quarter 2016. Midland continued to show an upward trend since third quarter 2015 and came in just above Odessa at 83.4 percent in second quarter 2016.

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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