

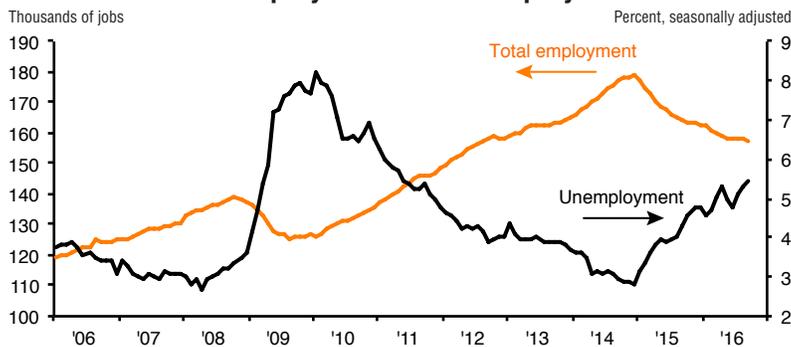
FEDERAL RESERVE BANK OF DALLAS • NOVEMBER 17, 2016

Summary

While the Midland–Odessa job market continues to struggle, there is still room for optimism in the overall economy. The unemployment rate is up, but housing prices, as measured by the Federal Housing Finance Agency (FHFA) Home Price Index, are stable in Midland and rising in Odessa. The rig count held steady in October, surpassing 2015 year-end levels. This is a positive sign even though production has remained relatively flat since the start of the oil downturn.

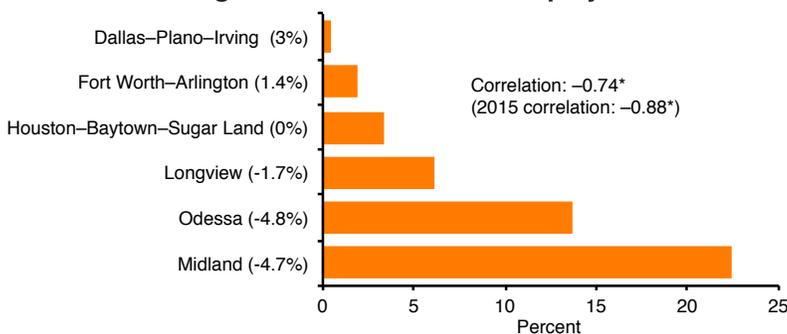
Labor Market

Total Employment and Unemployment



SOURCES: Bureau of Labor Statistics; Dallas Fed.

Mining Sector Share of Total Employment



*Correlations reflect 24 Texas metropolitan statistical areas.

NOTES: Mining share data are as of 2015. Figures in parentheses show annualized total nonfarm job growth for December 2015–September 2016.

SOURCES: Texas Workforce Commission; Bureau of Labor Statistics; Dallas Fed.

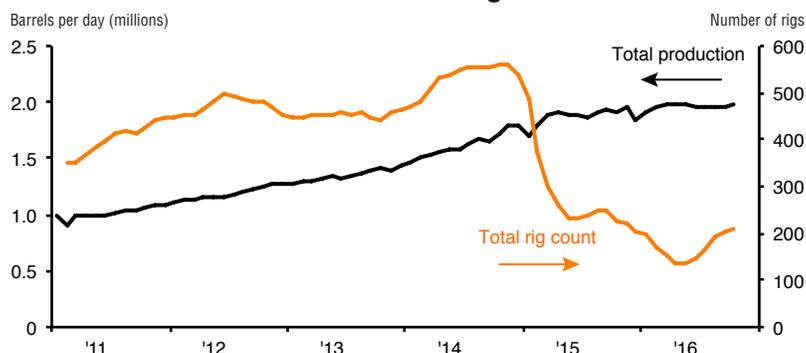
▶ The combined unemployment rate for Midland and Odessa came in at 5.5 percent in September. The unemployment rate has remained flat in Midland but has continued to rise in Odessa since January. Permian Basin unemployment remains above the Texas rate of 4.8 percent and the U.S. reading of 5.1 percent, but Midland’s rate continues to be lower than both at 4.0 percent.

▶ Job levels in Midland–Odessa have been trending down since January 2015. Year to date, the area has lost 5,800 jobs. Generally, the Texas metropolitan statistical areas with the highest concentration of mining jobs have seen the largest total nonfarm employment losses. There is a strong negative correlation between Texas metros’ mining share of employment in 2015 and their year-to-date total nonfarm job growth in 2016. The negative correlation was even stronger in 2015. In Midland, nearly 1-in-4 jobs was in mining in 2015, the largest concentration in the state. Midland has also had one of the largest year-to-date annualized job losses in 2016 at 4.7 percent.

▶ Employment in the Permian Basin’s mining, logging and construction sector has grown two months in a row and at a 5.1 percent annualized monthly rate. Trade, transportation and utilities, a sector that accounts for around 22 percent of total nonfarm employment, continues to sustain losses and has seen a significant drop of 4.5 percent year to date (annualized). There has been notable growth in other sectors, including government, and education and health services, but the share of employment in those industries isn’t as large.

Energy

Oil Production and Rig Count



SOURCES: Energy Information Administration; Baker Hughes.

▶ Production levels have remained surprisingly resilient throughout the downturn, and that trend continued in October. From September to October, the average rig count rose from 202 to 207. The October count surpassed the number at year-end 2015. While the gain was small, the recovery is still a good sign for Midland–Odessa employment.

Energy

West Texas Intermediate Price

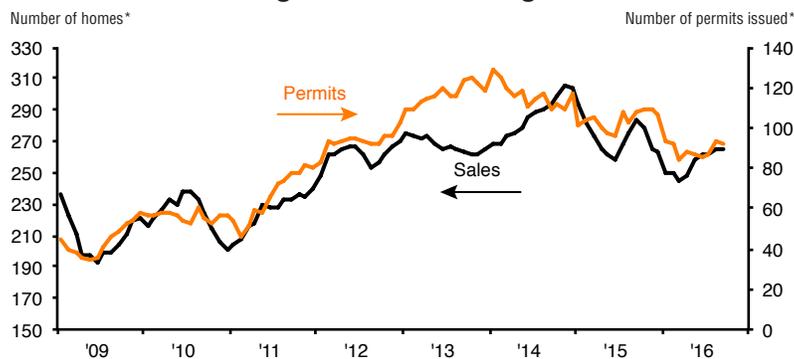


SOURCES: Energy Information Administration; Chicago Mercantile Exchange.

▶ The average price of West Texas Intermediate (WTI) crude oil picked up to \$49.81 per barrel in October. Prices showed some noticeable volatility during the month as Organization of the Petroleum Exporting Countries production talks took place and Energy Information Administration reports came out. Volatility, as measured by the CBOE Crude Oil Volatility Index, trended down for much of October but saw an increase toward the end of the month. A bright spot during the month was that the WTI price hit its highest point since June 14, 2014.

Housing

Housing Sales and Building Permits



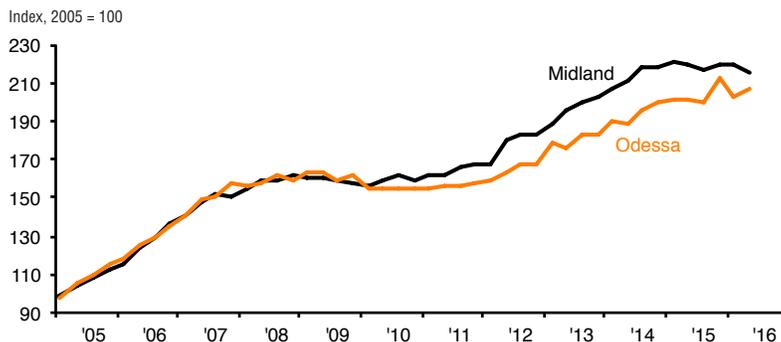
*Six-month moving average.

SOURCE: Texas A&M University Real Estate Center.

▶ The six-month moving average for total home sales held steady at 264 in September. After dipping in the middle of year, single-family housing permits are near where they were at the start of 2016.

▶ The FHFA House Price Index for Midland remained stable in second quarter 2016, while the index for Odessa continued to trend upward. The combined average home price in Midland and Odessa fell from \$249,000 in August to \$246,000 in September.

FHFA Home Price Index



SOURCE: Federal Housing Finance Agency (FHFA).

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 Dylan Szeto at Dylan.Szeto@dal.frb.org.