



May 27, 2025





Key points for the week of May 27, 2025

- **U.S. economic signals remained mixed.** Consumer sentiment remained subdued, with the University of Michigan's final May survey recording the second-lowest index value ever recorded. In contrast, business indicators were more resilient: yields on lower-rated corporate bonds (CCC and below) rose by 25 basis points week-over-week as of May 23, while the ADS Business Conditions Index from the Philadelphia Fed decelerated modestly but remained consistent with historical patterns of economic growth.
- **Oil prices held above \$60 per barrel amid competing signals.** West Texas Intermediate (WTI) crude declined 1.8% week-over-week to \$61.38 per barrel (as of May 23), reflecting a tug-of-war between concerns over global economic softness and a weaker U.S. dollar that provided upward support. EIA data for the week ending May 16 showed mixed fundamentals: U.S. crude production dipped below 13.4 million barrels per day (mb/d); petroleum demand increased, net exports declined, and crude inventories rose by 1.3 million barrels.
- **Natural gas prices fell on robust storage levels.** Henry Hub natural gas prices declined 2.7% week-over-week to \$3.25 per million Btu—and are down 14.0% over the past two weeks—as above-average storage levels weighed on the market, despite expectations for slower growth in associated gas production. Near-term futures have returned to their historical mean-reversion threshold, and the market remains in contango, with spot prices below futures prices.
- **Texas oil and natural gas industry employment and wages rose in Q4 2024.** As highlighted in the [Chart of the Week](#), industry jobs and wages increased by 1.6% and 7.6% year-over-year, respectively, reaching 494,961 jobs and \$15.7 billion in quarterly wages—underscoring the sector's resilience and continued economic contribution.

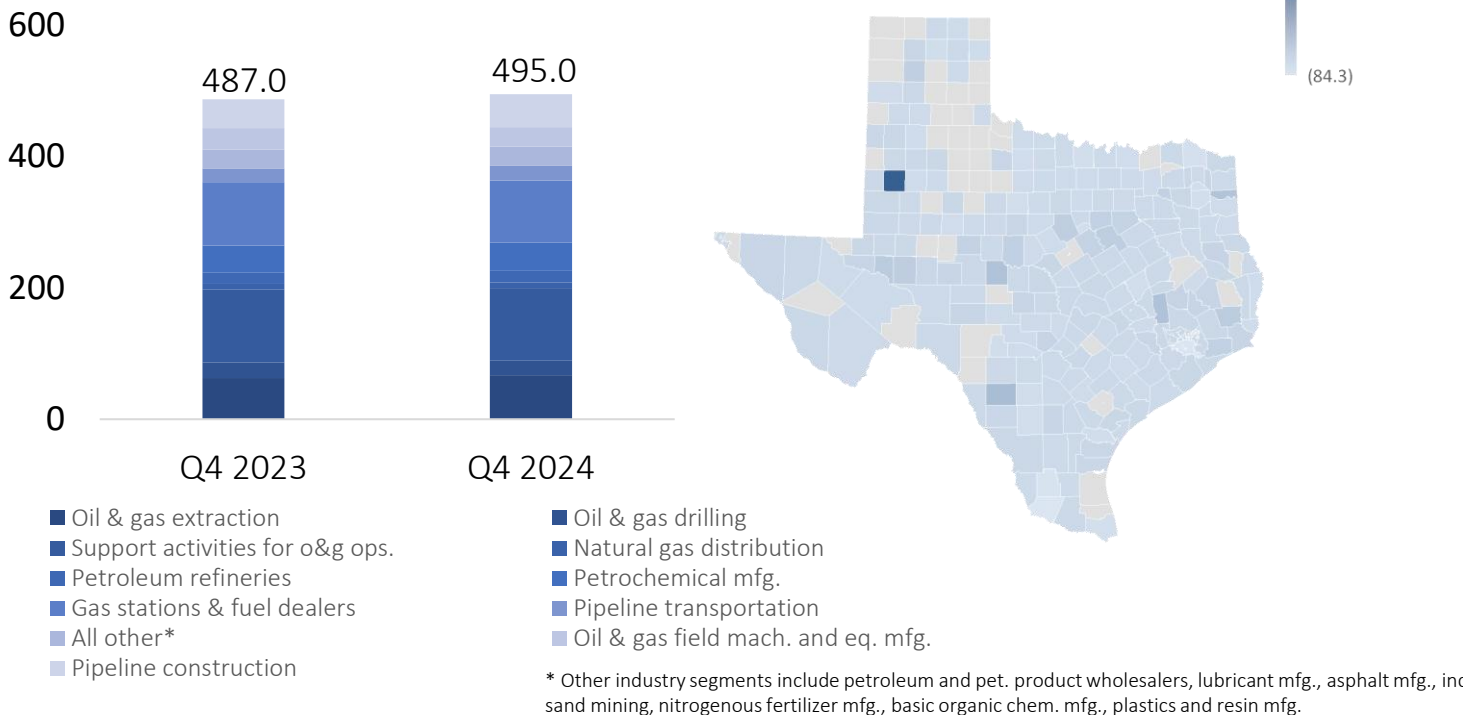
Chart of the Week: Texas oil and natural gas industry jobs and wages increased in Q4 2024



- ▶ Texas oil and natural gas industry employment and wages grew by 1.6% and 7.6% year-over-year (y/y), respectively, in Q4 2024, reaching 494,961 jobs and \$15.7 billion in wages.
- ▶ The vast majority of job growth year-over-year occurred in pipeline construction (+6,674 jobs) and natural gas extraction (+4,612 jobs), per data from the U.S. Census Bureau and the Texas Workforce Commission.

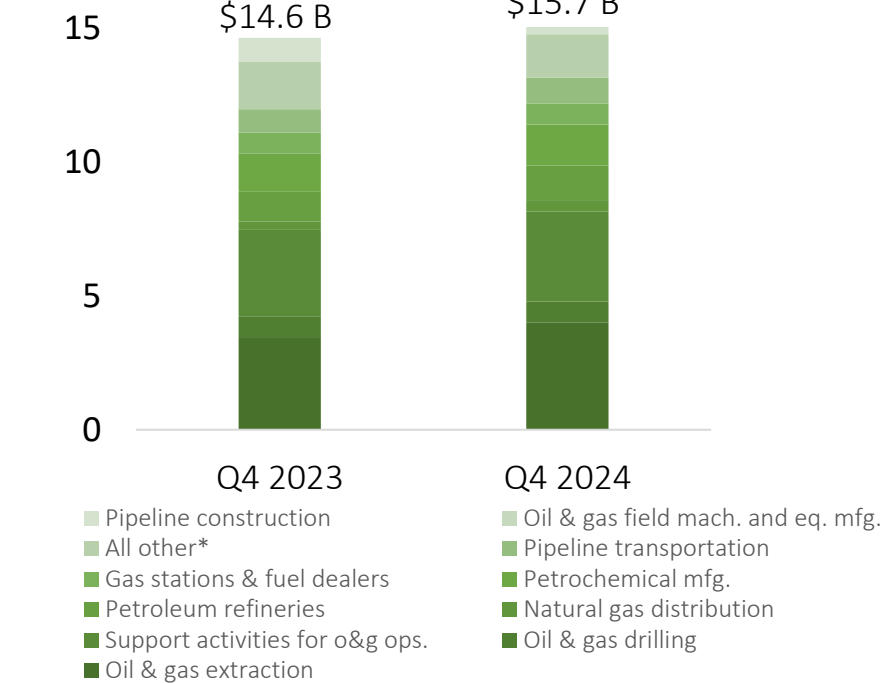
Texas oil and natural gas industry direct employment rose by +1.6% y/y in Q4 2024

Thousand Jobs

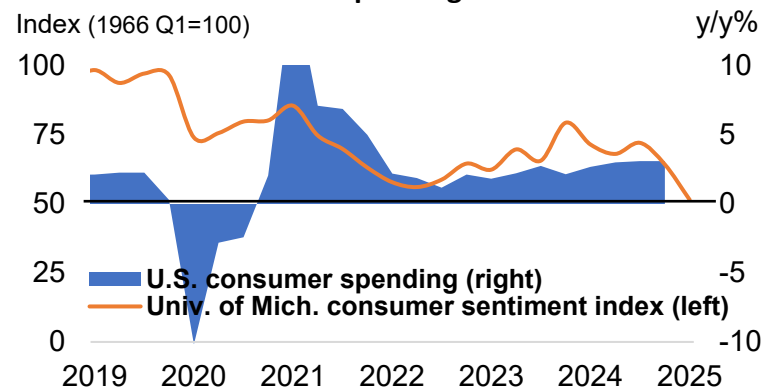


Texas oil and natural gas industry direct wages rose by +7.6% y/y in Q4 2024

Billion dollars

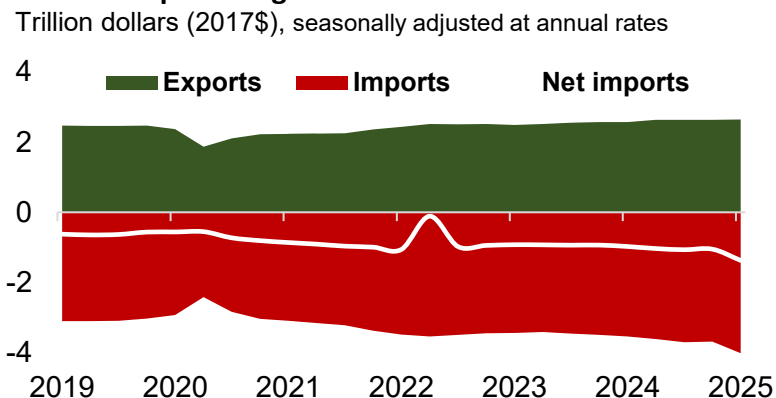


Consumer sentiment vs. spending



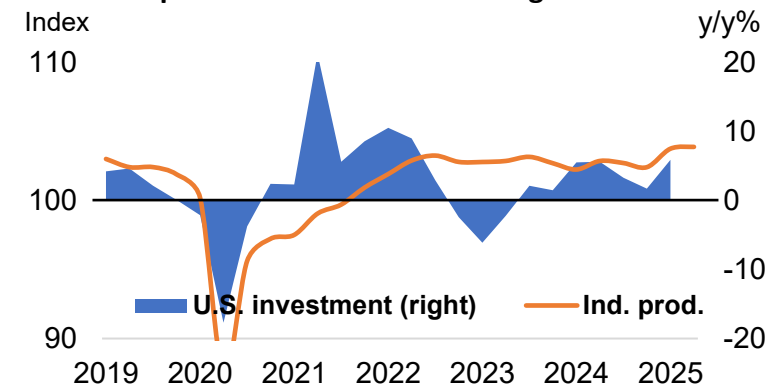
Consumer sentiment fell by 2.7% m/m and by 31.4% year-to-date in the University of Michigan's initial survey for May. This level historically still implies little or no consumer spending growth in Q2 2025. Consumer spending grew 3.1% y/y in Q1 2025, per Bureau of Economic Analysis, but was likely front-loaded by advance purchases.

Real net exports of goods and services



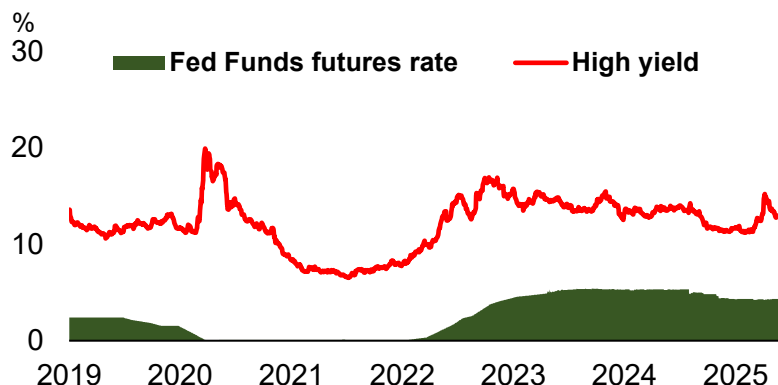
The U.S. recorded a trade deficit of \$1.4 trillion in Q1 2025. The U.S. real trade deficit ran at an annualized rate of \$1.4 trillion in Q1 2025 (up from \$0.98 trillion in Q4 2024) per BEA. On a nominal basis, the trade surplus in petroleum and related products fell to \$47.1 billion from \$56.1 billion a year ago.

Industrial production and investment growth



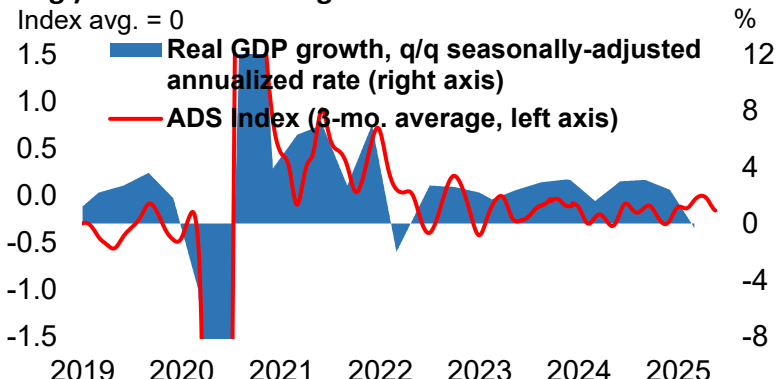
Industrial production points to steady investment conditions. U.S. industrial production rose by 1.5% y/y in April and held flat versus March, according to the Federal Reserve. As a leading indicator of economy-wide investment, the data suggest that business conditions remain constructive.

Fed Funds rate and CCC and lower corporate bond yields



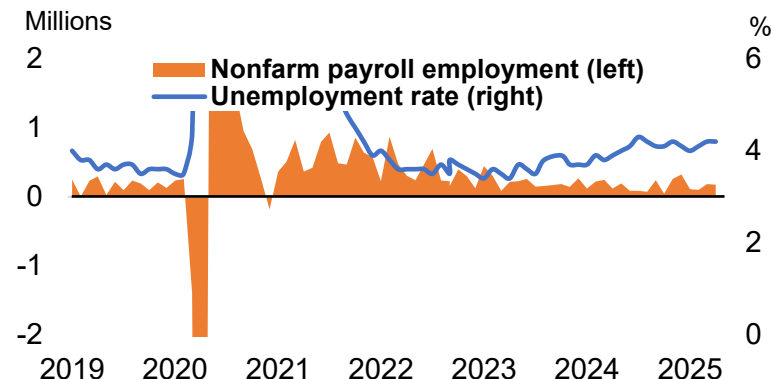
Bond premium for low credit quality increased. High yield (HY) rates reflect debt costs for firms with below-investment grade credit quality. For the week ended May 23, HY rates (13.0%) rose by 0.25% w/w, while 30-day Fed Funds futures held steady at 4.3%, yielding a premium for low credit quality of 8.7%.

Aruoba-Diebold-Scotti Business Conditions Index (qtr. avg.) vs. U.S. real GDP growth



U.S. real GDP growth contracted q/q in Q1 2025. The ADS business conditions index, published by the Philadelphia Fed. Res. Bank, is a leading indicator of GDP growth. Readings as of May 23 showed a deceleration in the ADS index but remained consistent with GDP growth in Q2 2025.

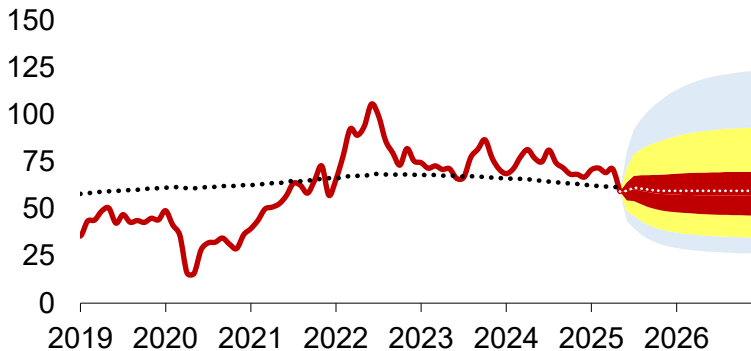
Nonfarm payroll employment & unemployment rate



Labor market conditions remained solid. Employment is a lagging indicator of GDP growth. Non-farm payrolls increased by 177,000, and the U.S. unemployment rate remained unchanged at 4.2% in April per BLS.

WTI crude oil price mean reversion analysis

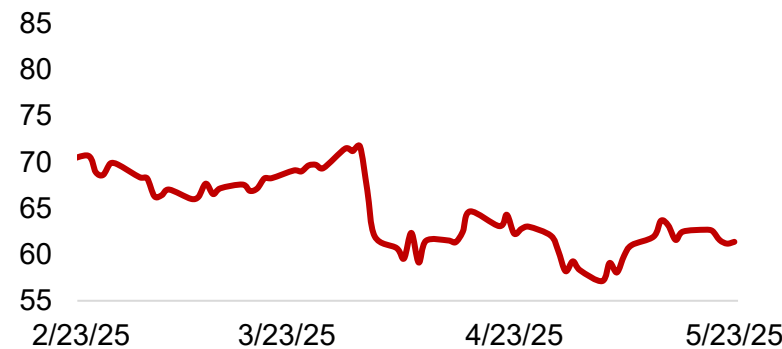
Dollars per barrel (2025\$)



Futures prices are aligned with their historical mean reversion threshold. The futures strip remains in backwardation (i.e., futures prices are below spot prices).

WTI crude prompt month futures prices

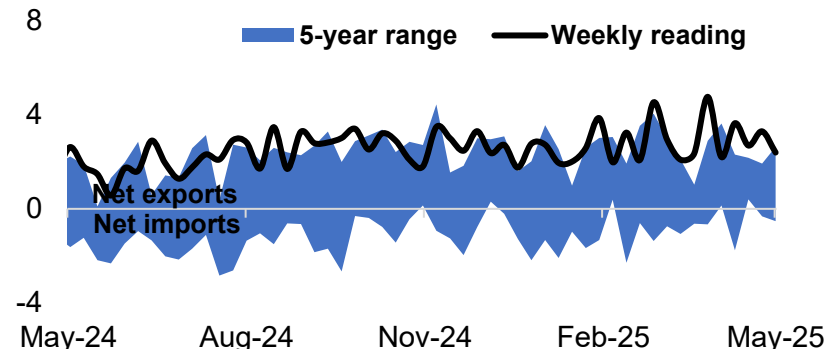
Dollars per barrel



WTI crude oil prices fell 1.8% w/w to \$61.38 per barrel as of May 23, with renewed concerns for weaker market fundamentals and economic slowing.

U.S. petroleum net exports (imports)

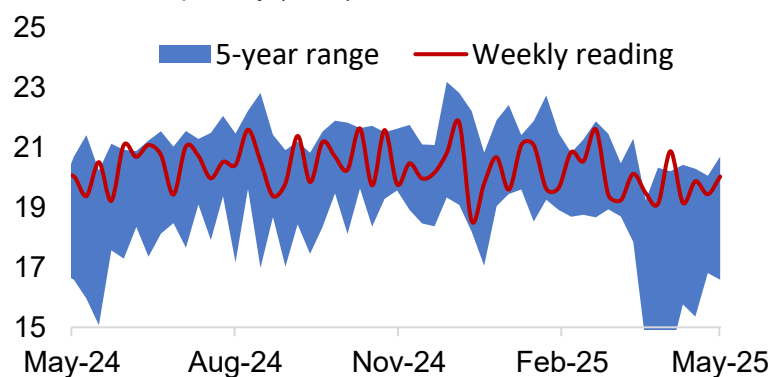
Million barrels per day, mb/d



Petroleum net exports fell. Net exports fell to 2.4 mb/d for the week ended May 16, a decrease of 0.9 mb/d from the prior week.

U.S. petroleum demand

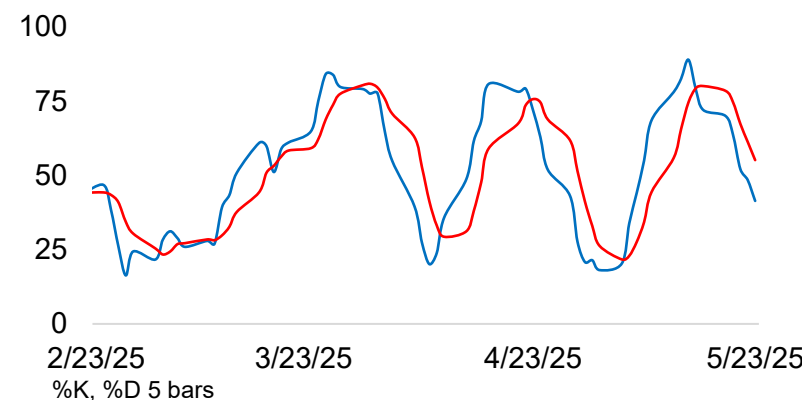
Million barrels per day (mb/d)



Petroleum demand increased. U.S. petroleum demand as of May 16, as measured by deliveries, rose by 0.6 mb/d versus the prior week to 20.0 mb/d.

WTI crude prompt month futures slow stochastic

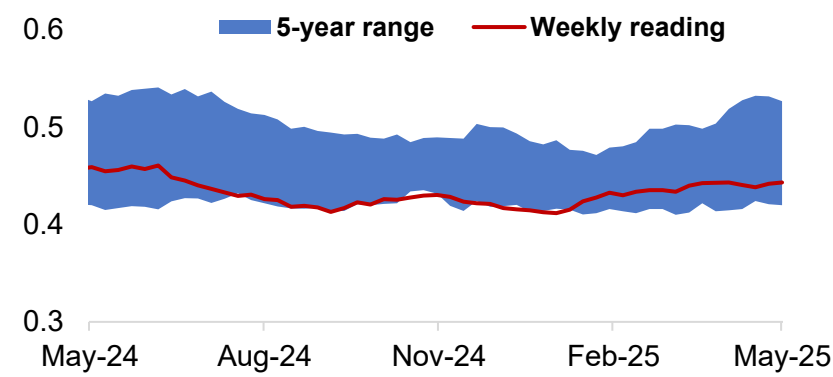
Index level



Price momentum turned down for the week ended May 23.

U.S. ending stocks of crude oil (excluding the SPR)

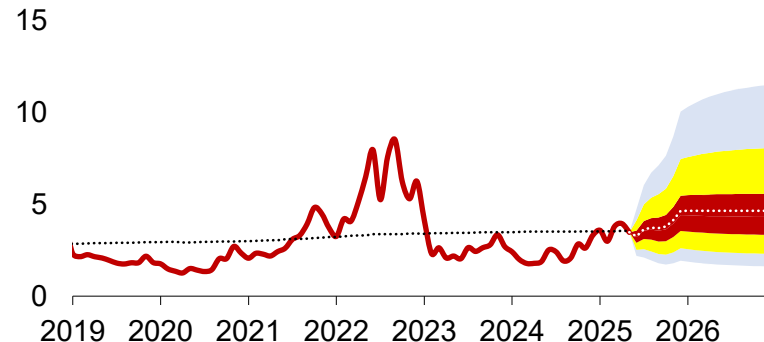
Billion barrels



Inventories increased. U.S. ending stocks of crude oil excluding the Strategic Petroleum Reserve (SPR) increased by 1.3 million barrels (mb) for the week ended May 16.

Natural gas price mean reversion analysis

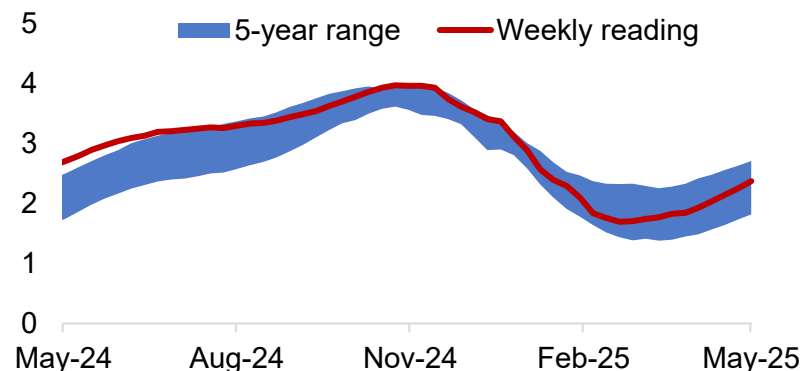
Dollars per mmBtu (2025\$)



Near-term futures prices are aligned with their historical mean reversion threshold. Futures prices are in contango (that is, spot prices are lower than futures prices). Historical confidence intervals suggest more potential for upside price movement than downside.

U.S. weekly working gas storage

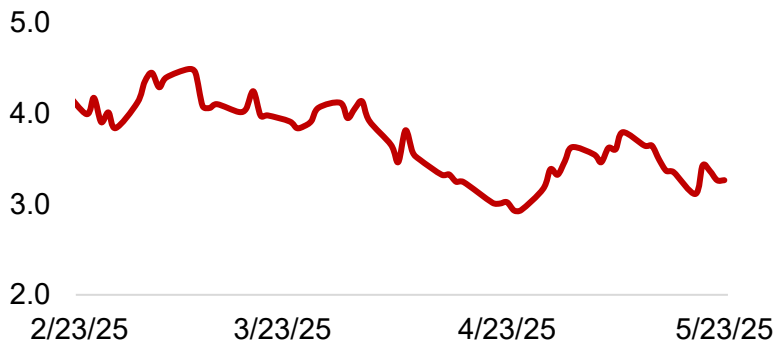
Trillion cubic feet (tcf)



Working natural gas storage increased. Working gas in underground storage rose by 5.3% w/w to 2.4 tcf as of May 16—top 38% within the five-year range.

Natural gas prompt month futures prices

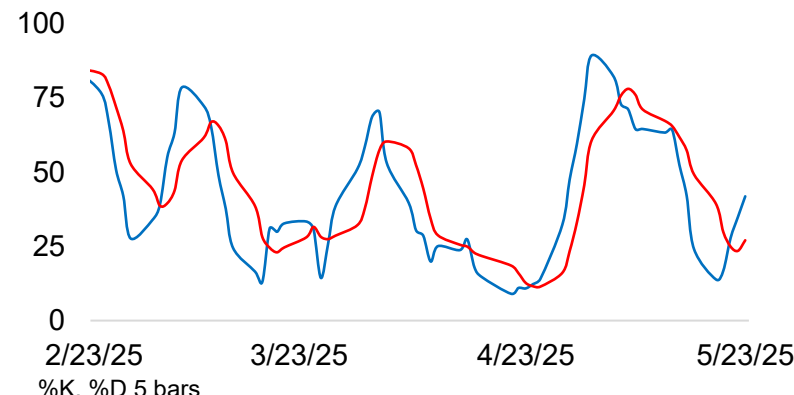
Dollars per million Btu



Natural gas prices fell as strong storage levels alleviated supply concerns. Henry Hub natural gas prices fell 2.7% week-over-week to \$3.27 per million Btu for the week ended May 23.

Natural gas futures slow stochastic

Index level

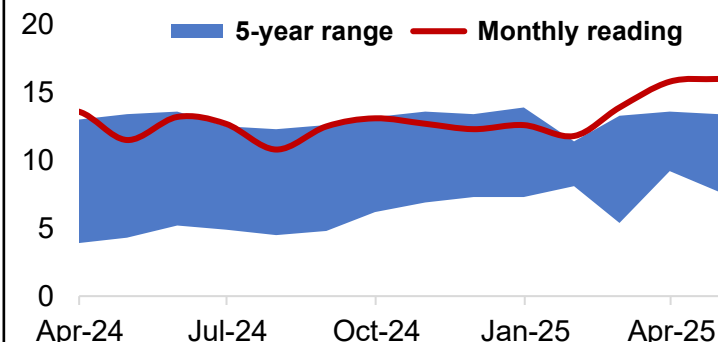


%K, %D 5 bars

Natural gas price momentum fell and then turned positive for the week ended May 23.

U.S. natural gas net exports

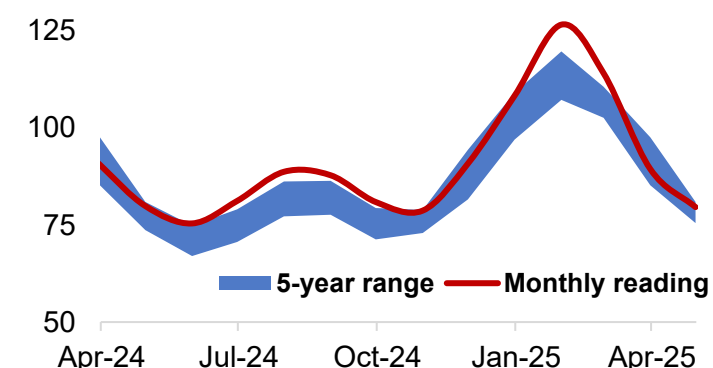
Billion cubic feet per day, bcf/d



According to EIA estimates, natural gas net exports reached a record high 16.0 bcf/d in April.

U.S. natural gas consumption

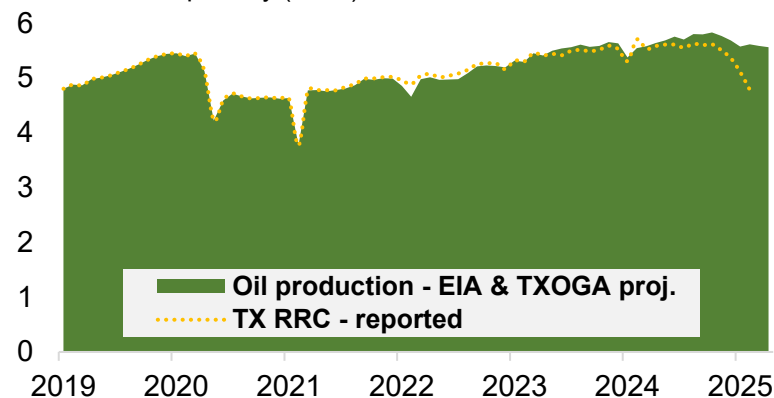
Billion cubic feet per day, bcf/d



Solid consumption continued in April. U.S. natural gas consumption of 79.6 bcf/d in April fell by 0.4% y/y per EIA.

Texas crude oil production, Jan. 2019 – Apr. 2025

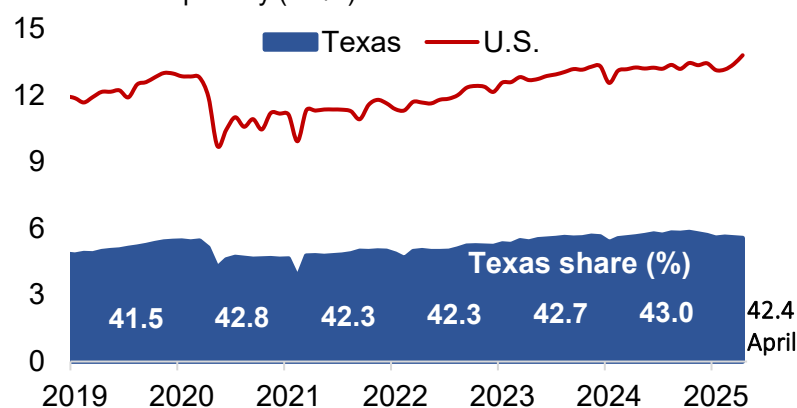
Million barrels per day (mb/d)



Strong oil production sustained. Texas' oil production averaged 5.6 mb/d in February, according to the EIA. TXOGA estimates that production remained steady at 5.6 mb/d in April.

U.S. and Texas crude oil production, Jan. 2019 – Apr. 2025

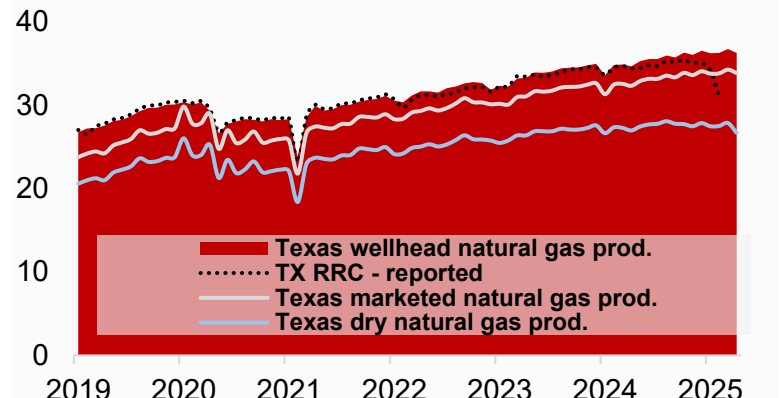
Million barrels per day (mb/d)



In the first four months of 2025, Texas accounted for 42.4% of total U.S. crude oil production and 30.8% of U.S. marketed natural gas production, reflecting a lower share for oil but higher one for gas.

Texas natural gas production, Jan. 2019 – Apr. 2025

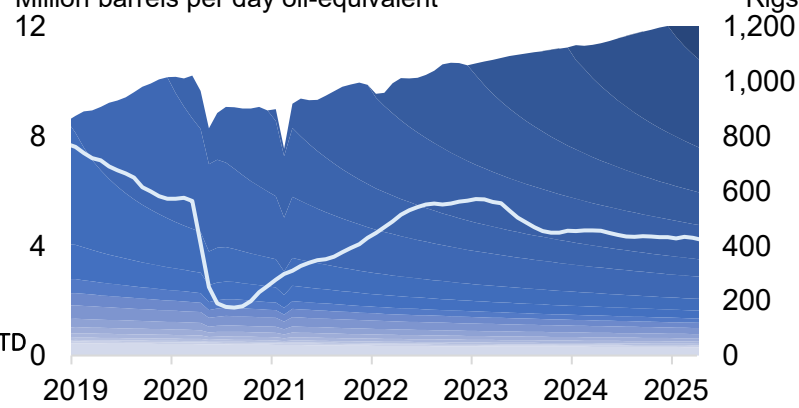
Billion cubic feet per day (bcf/d)



Natural gas production increased. Texas produced 36.3 bcf/d of natural gas gross withdrawals and 33.8 bcf/d of marketed production in February per EIA. TXOGA estimates that Texas' marketed production rose to 33.9 bcf/d in April.

Texas shale basin wellhead oil & natural gas production

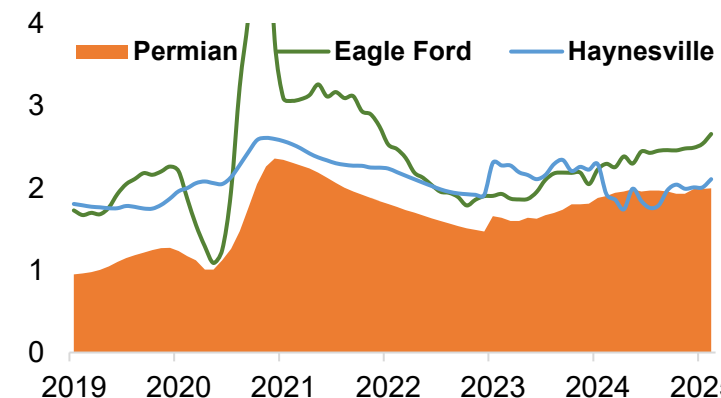
Million barrels per day oil-equivalent



EIA estimates show changes in oil and natural gas production across Texas shale basins in April 2025, including the Permian (+5.7% y/y), Eagle Ford (+3.3% y/y), and Haynesville (+2.5% y/y).

Texas rig productivity by basin – new monthly prod. per rig

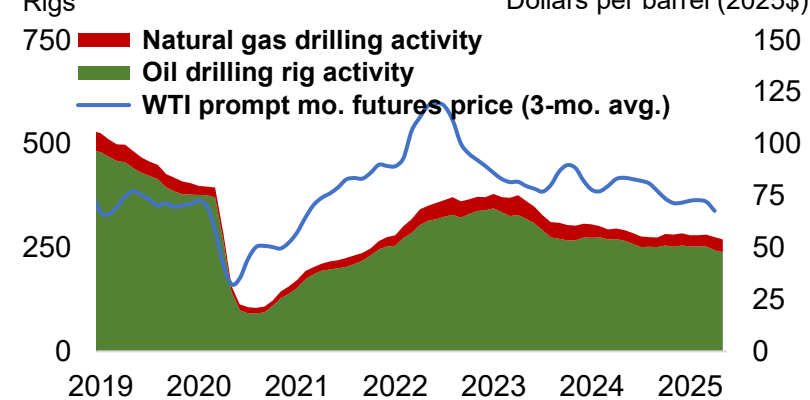
Thousand barrels per day oil-equivalent, kb/doe



Rig productivity gains continued across major basins in April. EIA estimates of rig productivity for April 2025 showed rig productivity increased by 6.6% y/y in the Permian Basin and 6.9% y/y in the Eagle Ford, and 7.0% y/y in the Haynesville.

Texas drilling activity and WTI crude oil futures prices

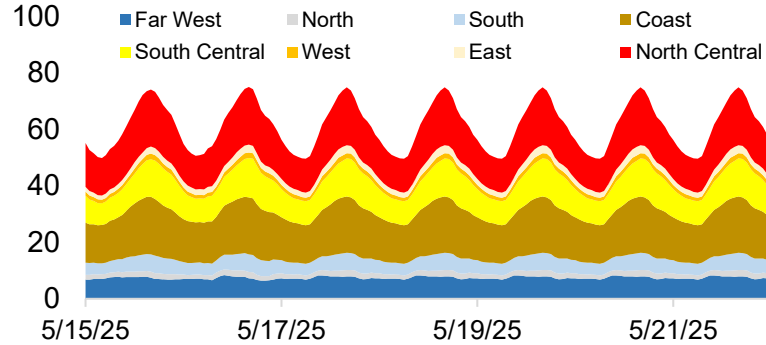
Rigs Dollars per barrel (2025\$)



As of May 23, Texas' drilling rig activity decreased, according to Baker Hughes, with 237 oil-directed rigs (down 4 rigs w/w) and 29 natural gas-directed rigs (down 1 rig w/w).

ERCOT electricity load by region

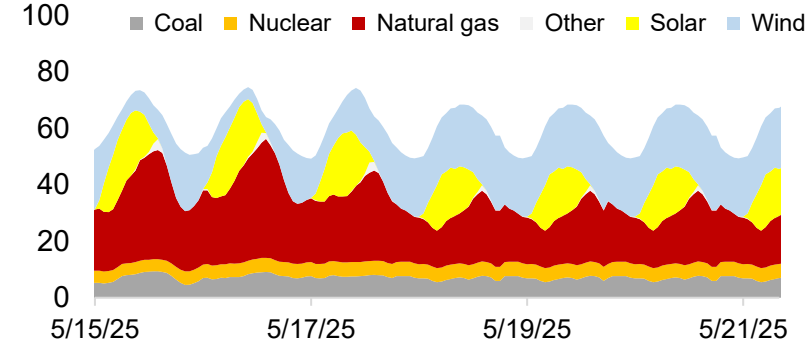
Thousand megawatt-hours (kMWh)



For May 15-21, ERCOT's average hourly electricity load was 51.3 kMWh, down 0.4% w/w, while the maximum hourly load of 75.1 kMWh fell by 3.3% w/w. Variability was the highest in the East and North Central regions.

ERCOT hourly electricity generation by source

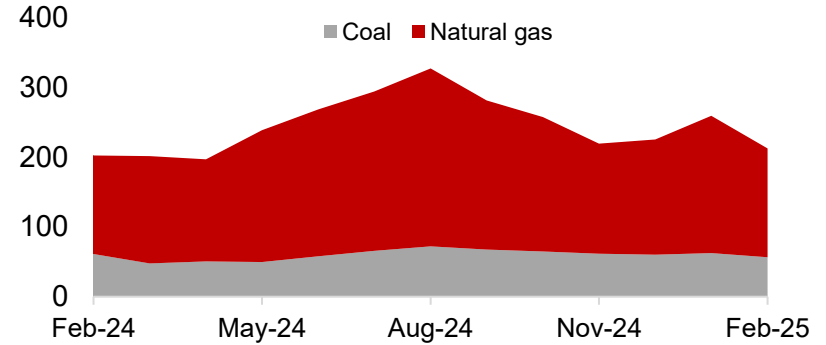
Thousand megawatt-hours (kMWh)



Thermal and dispatchable resources generated up to 87.8% of ERCOT's electricity. ERCOT's hourly electricity generation for the period May 15-21 ranged between 49 and 75 kMWh with a standard deviation of 7.6 kMWh. Thermal and dispatchable sources generated 87.8% of the region's power on the night of May 16, including 65.8% from natural gas.

Texas electricity plant receipts of natural gas and coal

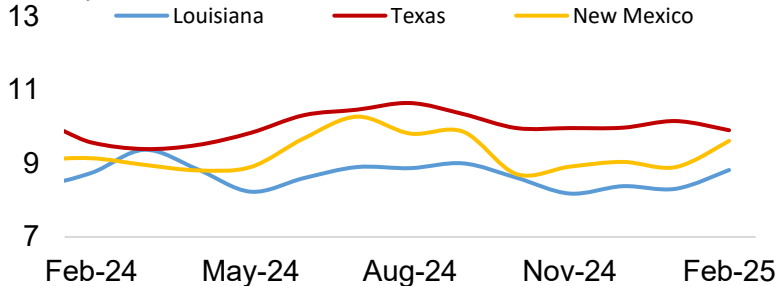
Trillion Btu



Texas electricity plant receipts of natural gas rose by 10.5% y/y in February 2025, while receipts of coal decreased by 7.7% y/y.

Electricity prices – average across all end-use sectors

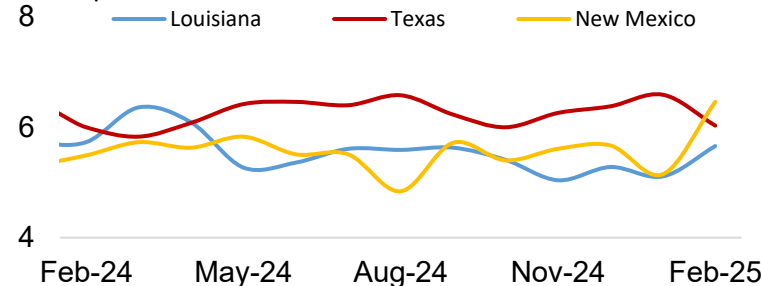
Cents per kilowatt-hour



Texas' electricity prices fell in February 2025. The average price of electricity in Texas decreased by 2.5% m/m but rose by 3.4% y/y in February to 9.90 cents per kWh, compared with 8.82 cents per kWh in Louisiana and 9.61 cents per kWh in New Mexico.

Industrial electricity prices

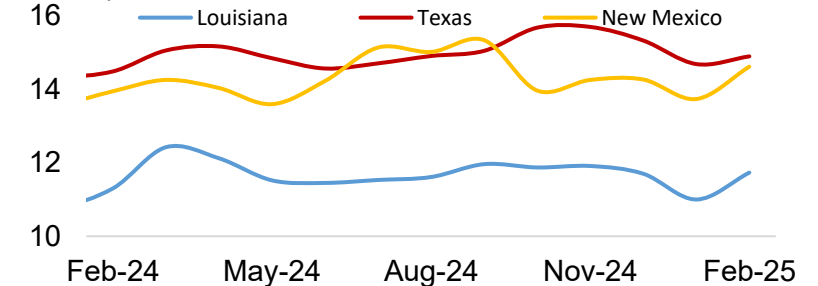
Cents per kilowatt-hour



Texas' average industrial electricity price fell to 6.03 cents per kWh in February, down 8.5% m/m but up 0.5% y/y. Rates in Louisiana remained lower at 5.66 cents per kWh, but New Mexico's rate jumped 25.4% m/m to 6.46 cents per kWh.

Residential electricity prices

Cents per kilowatt-hour

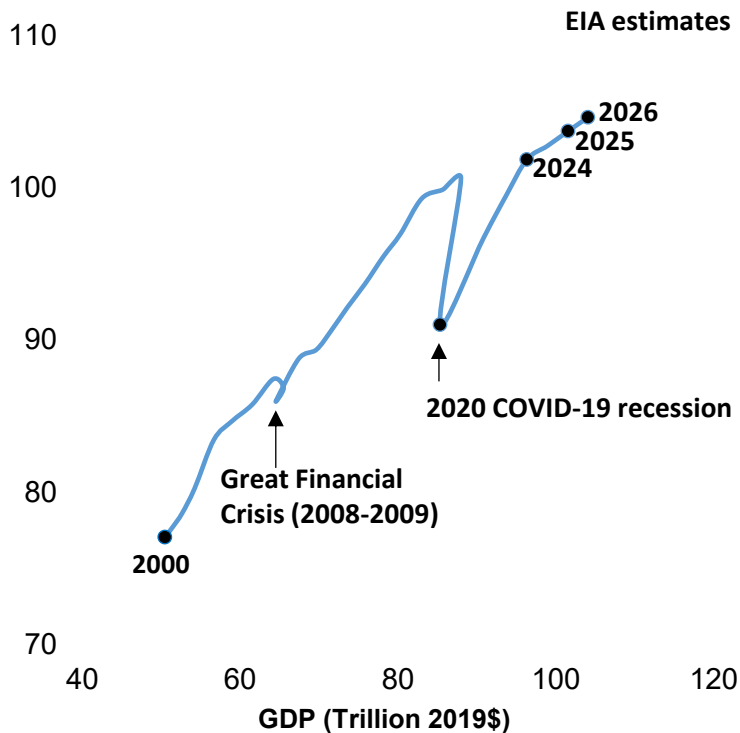


Texas' residential electricity prices rose. Residential electricity prices in Texas rose to 14.89 cents per kWh in February, up 2.8% y/y, remaining above rates in Louisiana (11.73 cents per kWh) and New Mexico (14.61 cents per kWh).

- Global oil demand has been downgraded but could still reach a 3rd consecutive record high, increasing from 102.7 mb/d in 2024 to 103.7 mb/d in 2025 and 104.6 mb/d in 2026 per EIA
- EIA projects 2025-2026 global supply increases of 1.4 mb/d and 1.3 mb/d, respectively,
- EIA foresees an abundance of oil supply continuing through 2026, corresponding with Brent crude oil prices of \$66 on average in 2025, compared with \$63 per barrel currently

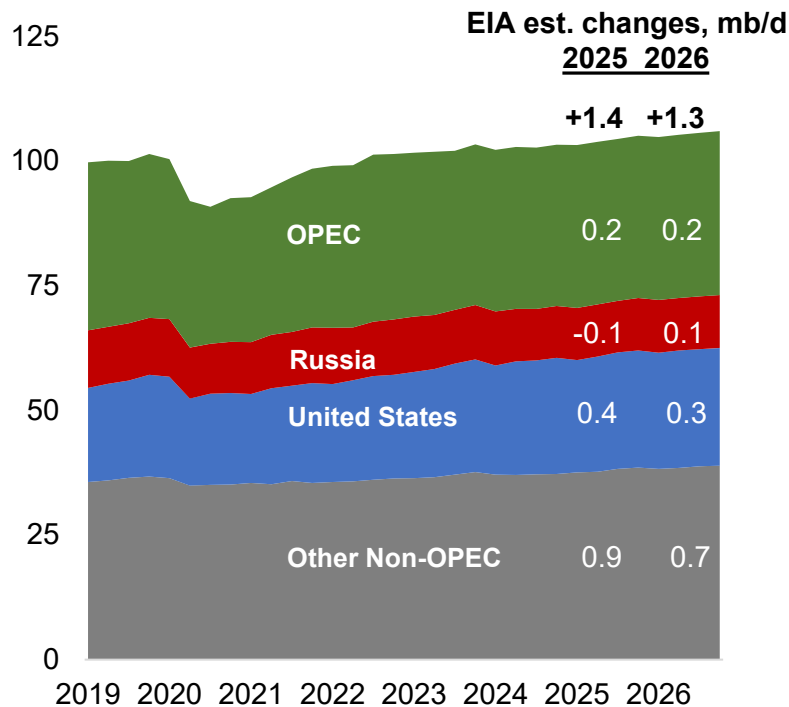
Global oil demand and GDP

Million barrels per day (mb/d)



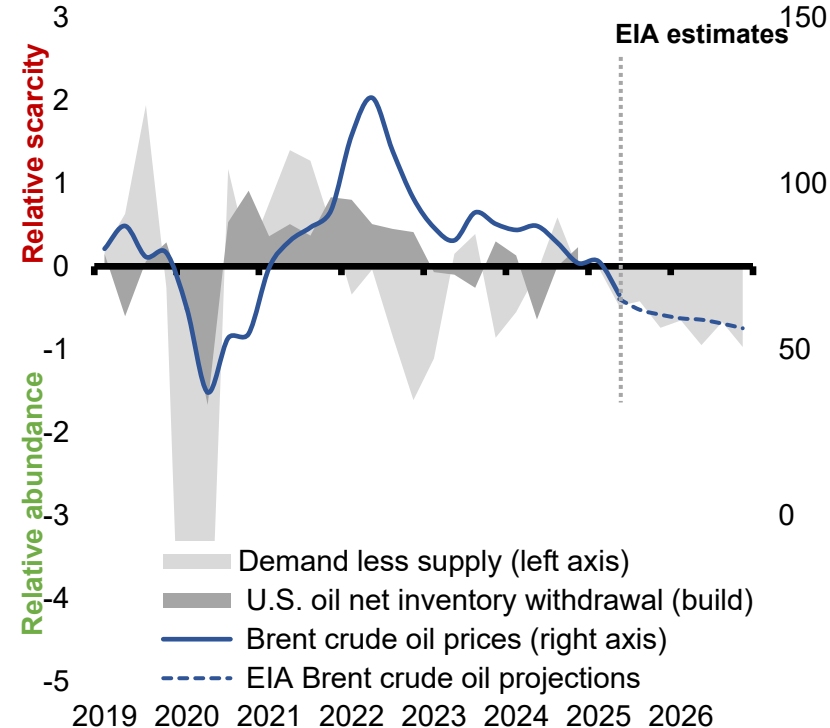
Oil production by country/region

Million barrels per day, mb/d



Global demand/supply & Brent prices

Million barrels per day (mb/d)





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