



June 2, 2025





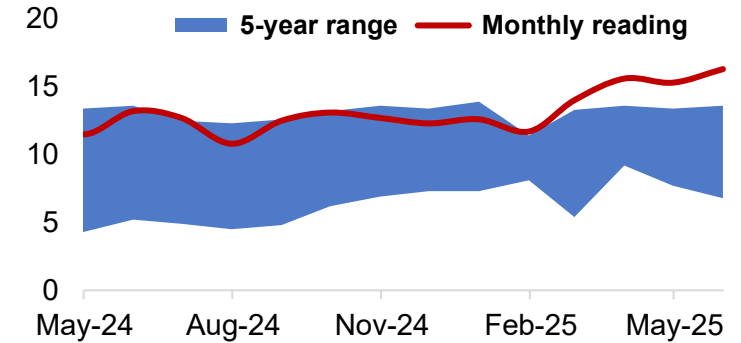
Key points for the week of June 2, 2025

- **Mixed U.S. economic signals.** First-quarter 2025 real GDP growth was revised upward by 0.1 percentage points in May, supported by stronger economywide investment. However, this was largely offset by weaker consumer spending. Consumer sentiment has remained near record lows, with the University of Michigan's final May reading among the weakest on record. Meanwhile, core PCE inflation slowed to 2.5% in April, reinforcing expectations for a more accommodative path for the Fed Funds rate. In contrast, the Philadelphia Fed's ADS Business Conditions Index remained consistent with historical patterns of economic growth, and yields on lower-rated corporate bonds (CCC and below) declined by 35 basis points week-over-week (w/w) as of May 30.
- **Crude oil prices edged lower despite tighter fundamentals.** WTI crude fell 2.0% week-over-week to \$60.31 per barrel (as of May 30), reflecting concerns over global economic softness and ample international supply. However, EIA data for the week ended May 23 showed tightening domestic fundamentals, with petroleum demand rising by 0.2 million barrels per day to 20.2 mb/d (above the 5-year range), net exports reaching 2.9 mb/d, and a drawdown in crude inventories.
- **Natural gas prices rebound as storage growth slows.** Henry Hub natural gas prices rose 3.6% w/w to \$3.56 per million Btu, recovering from a 12% decline over the prior two weeks. The rebound was driven by slower weekly storage injections and record-high U.S. natural gas net exports of 16.3 bcf/d, as featured in this week's [Chart of the Week](#). The market remains in contango, with spot prices trading below futures, and near-term contracts aligning with historical mean-reversion thresholds.
- **Texas electricity prices and fuel switching.** Texas retail electricity prices rose 6.1% year-over-year (y/y) on average across all sectors—and 11.8% y/y for the industrial sector, per EIA data. As natural gas prices exceeded \$4.10 per million Btu in March, power generators shifted toward coal, with coal deliveries rising 14.0% y/y and natural gas deliveries falling 14.0% y/y, demonstrating short-term fuel substitution in the generation mix.

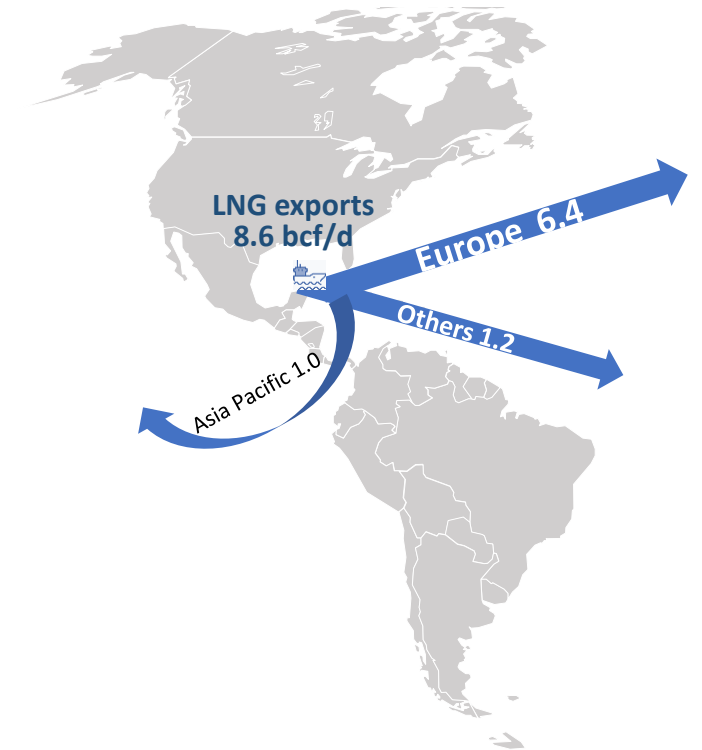
- Global LNG growth.** The global liquefied natural gas (LNG) market grew by 2.4% year-over-year in 2024, reaching a record-high 54.2 billion cubic feet per day (bcf/d), according to the International Gas Union ([IGU](#)).
- Record U.S. exports.** The U.S. Energy Information Administration ([EIA](#)) estimates that U.S. natural gas net exports reached an all-time high of 16.3 bcf/d in May 2025.
- Counter-seasonal gains.** The increase in U.S. LNG exports reflects the ramp-up of three major new export facilities: Plaquemines LNG (Phases 1 and 2), Corpus Christi Stage 3, and Golden Pass LNG. These projects have a combined nominal capacity of 5.3 bcf/d (and up to 6.3 bcf/d peak capacity) and are expected to expand U.S. LNG export capacity by nearly 50% once fully operational, per EIA.
- Regional dynamics.** Data from the U.S. International Trade Commission (USITC) show that Europe remained the dominant destination for U.S. LNG exports, accounting for approximately three-quarters of total volumes.
- Asia-Pacific re-exports.** The Asia-Pacific region imported only 1.0 bcf/d from the U.S., with none shipped directly to China. Instead, China [re-exported](#) record monthly volumes using its contracted LNG offtake capacity, according to Bloomberg. This highlights the growing fungibility of LNG as a global commodity and the rise of secondary market activity.

U.S. natural gas net exports

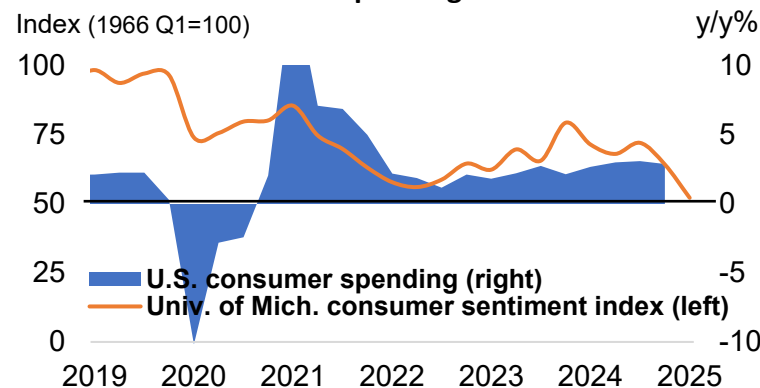
Billion cubic feet per day, bcf/d



U.S. LNG exports by region in March 2025, bcf/d

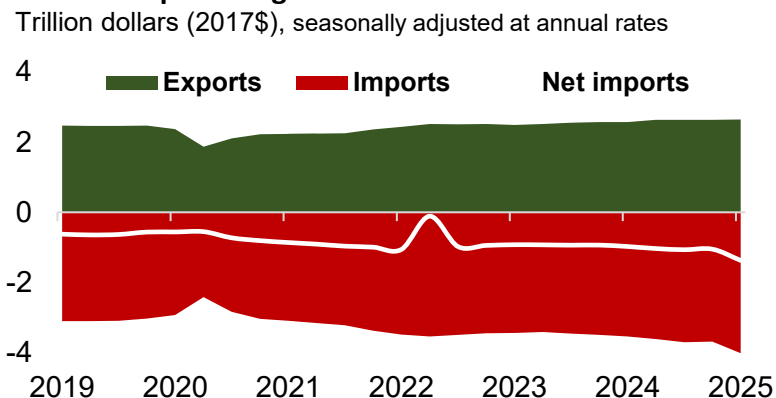


Consumer sentiment vs. spending



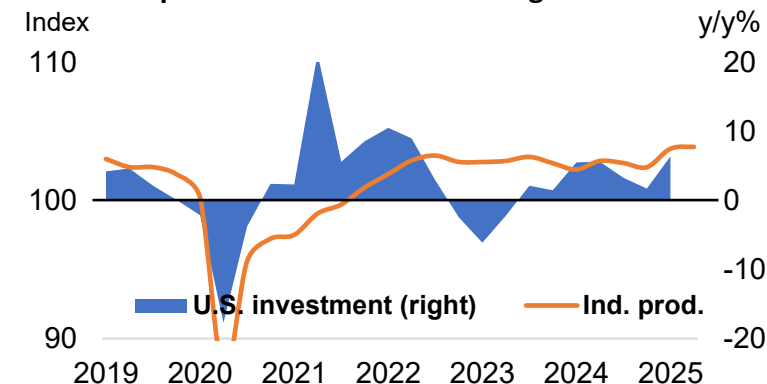
Consumer spending was revised down by 0.2 percentage points by BEA to 2.9% y/y for Q1, likely front-loaded by advance purchases. By comparison, the University of Michigan's survey for May remained near its lowest levels on record, and the historical relationship implies little or no consumer spending growth for Q2 2025.

Real net exports of goods and services



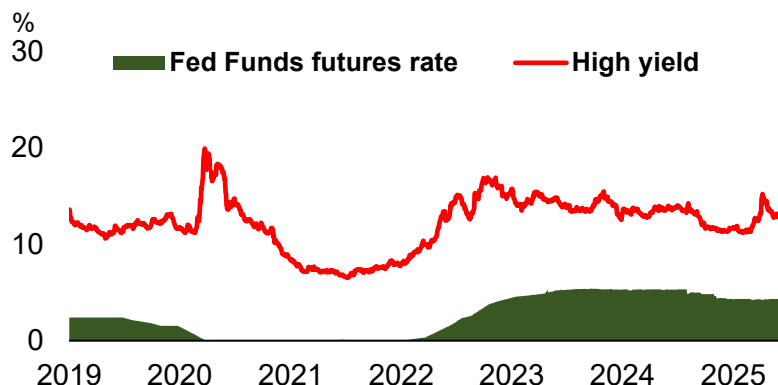
The U.S. real trade deficit ran at an annualized rate of \$1.4 trillion in Q1 2025 (up from \$0.98 trillion in Q4 2024), per BEA. On a nominal basis, the trade surplus in petroleum and related products was revised up by \$8.4 billion to \$55.5 billion in Q1 and \$56.1 billion a year ago.

Industrial production and investment growth



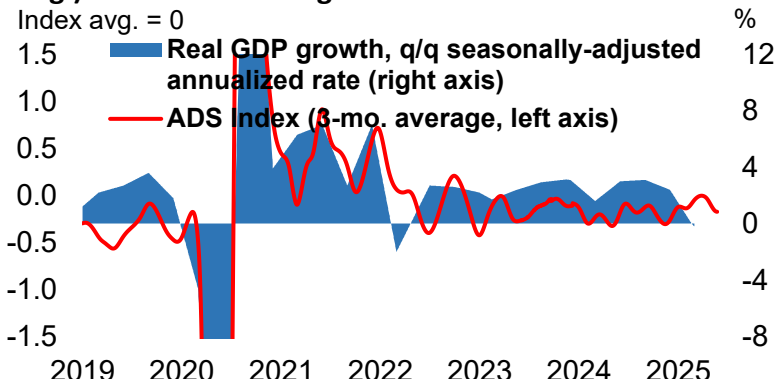
Economywide investment was revised up by 0.5% to 6.4% y/y in Q1, per the Bureau of Economic Analysis. U.S. industrial production rose by 1.5% y/y in April and held flat versus March, according to the Federal Reserve. As a leading indicator of economy-wide investment, the data suggest that business conditions remain constructive.

Fed Funds rate and CCC and lower corporate bond yields



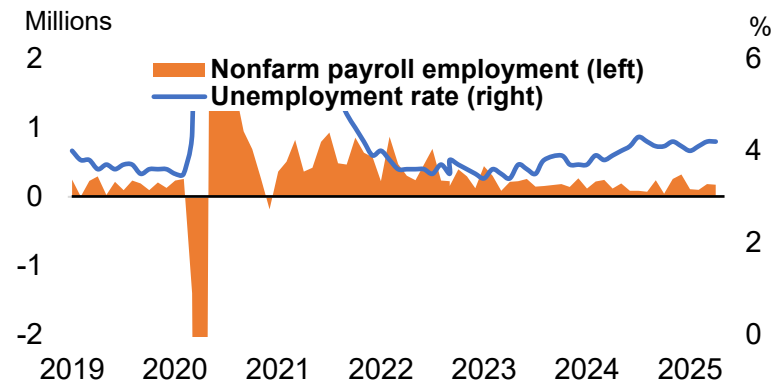
Bond premium for low credit quality decreased. High yield (HY) rates reflect debt costs for firms with below-investment grade credit quality. For the week ended May 30, HY rates (12.8%) fell by 35 basis points w/w, while 30-day Fed Funds futures held steady at 4.3%, yielding a premium for low credit quality of 8.5%.

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 30 showed a deceleration in the ADS index but remained consistent with GDP growth in Q2 2025.

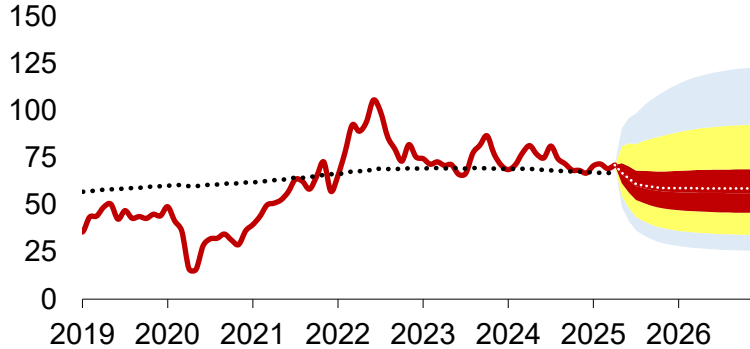
Nonfarm payroll employment & unemployment rate



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

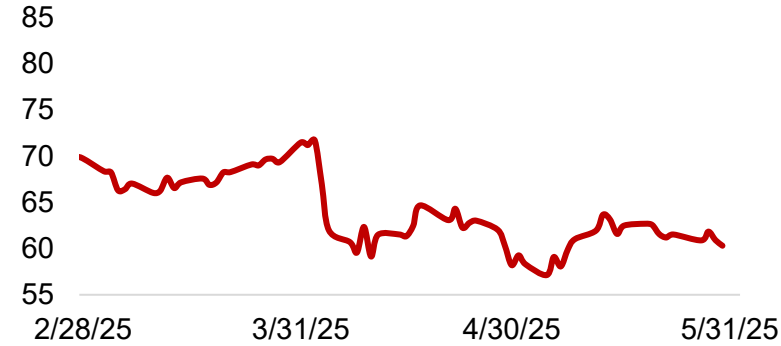
Dollars per barrel (2025\$)



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

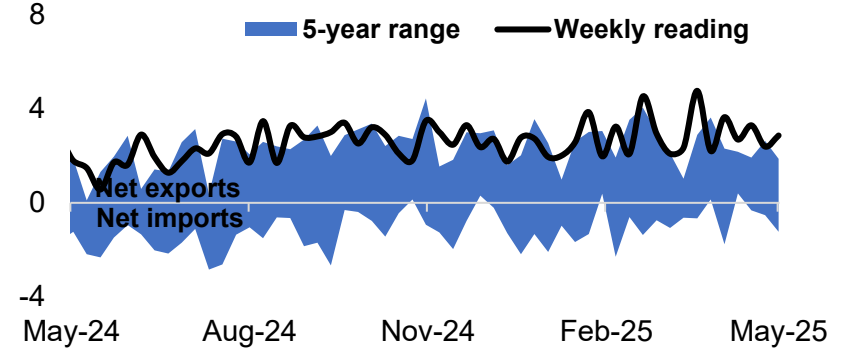
Dollars per barrel



WTI crude oil prices fell 2.0% w/w to \$60.31 per barrel as of May 30, with continued concerns for looser market fundamentals and economic slowing.

U.S. petroleum net exports (imports)

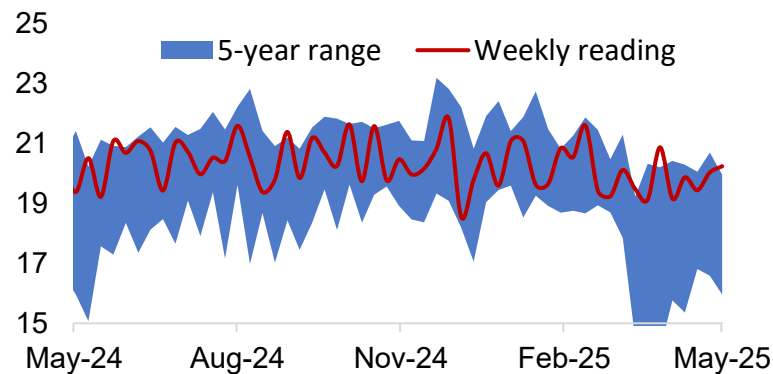
Million barrels per day, mb/d



Petroleum net exports rose. Net exports rose to 2.9 mb/d for the week ended May 23, an increase of 0.5 mb/d from the prior week.

U.S. petroleum demand

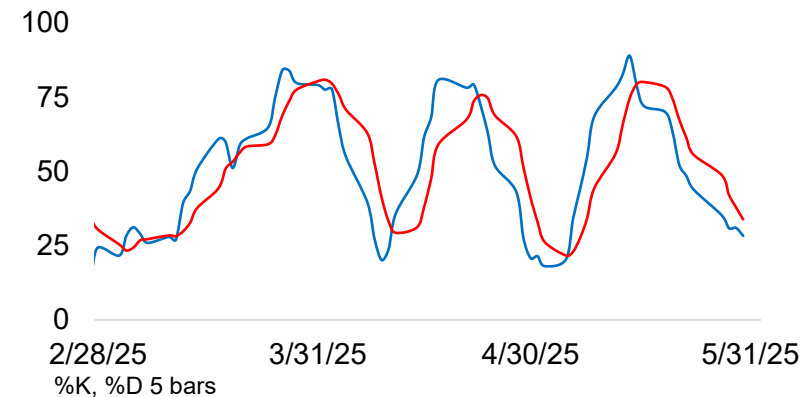
Million barrels per day (mb/d)



Petroleum demand increased. U.S. petroleum demand as of May 23, as measured by deliveries, rose by 0.2 mb/d versus the prior week to 20.2 mb/d.

WTI crude prompt month futures slow stochastic

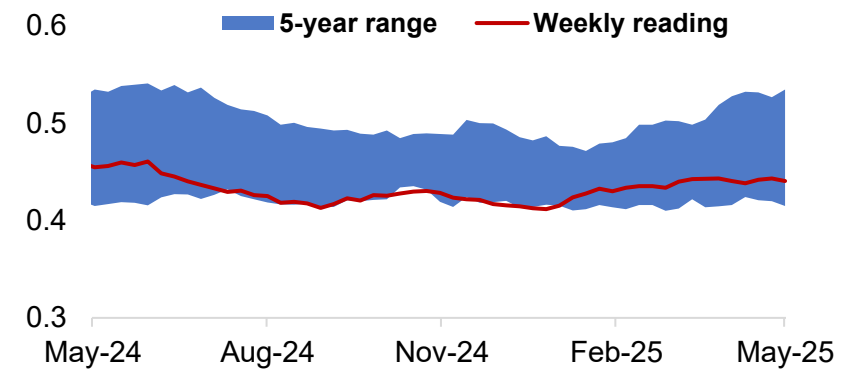
Index level



Price momentum fell during the week ended May 30.

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

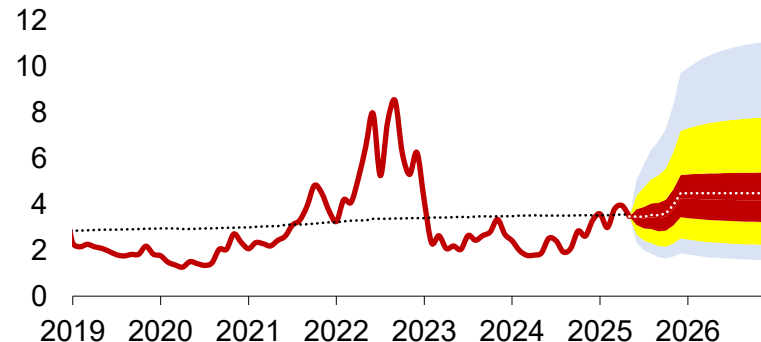
Billion barrels



Inventories decreased. U.S. ending stocks of crude oil excluding the Strategic Petroleum Reserve (SPR) decreased by 2.8 million barrels (mb) for the week ended May 23.

Natural gas price mean reversion analysis

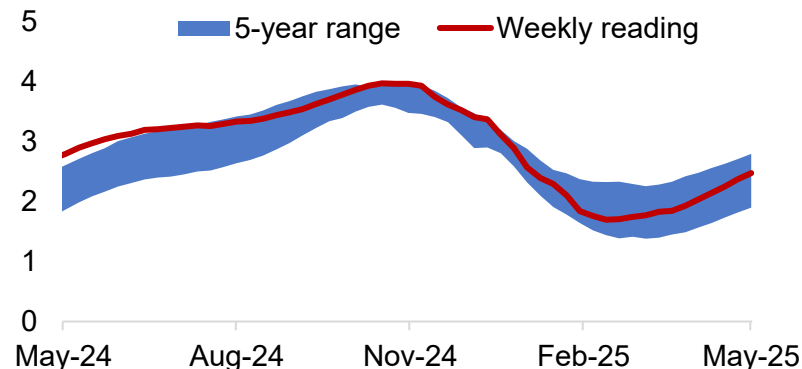
Dollars per mmBtu (2025\$)



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

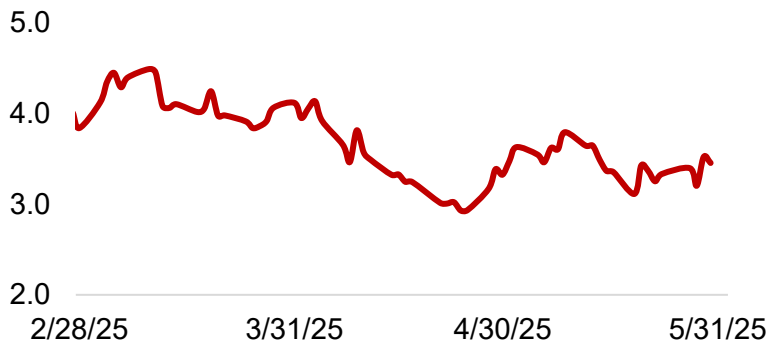
Trillion cubic feet (tcf)



Working natural gas storage increased. Working gas in underground storage rose by 4.3% w/w to 2.5 tcf as of May 23—top 36% within the five-year range.

Natural gas prompt month futures prices

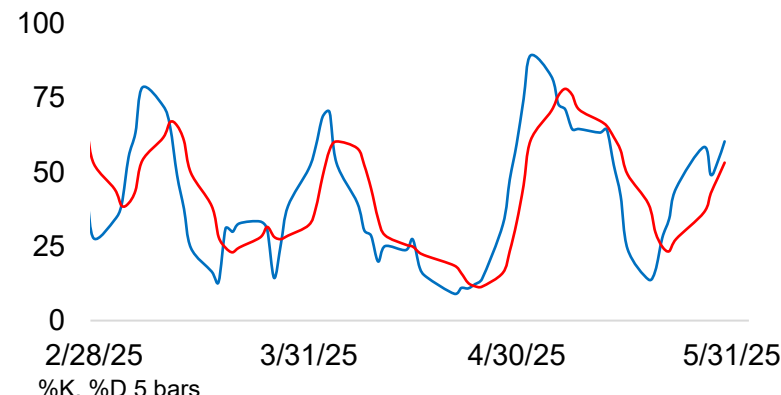
Dollars per million Btu



Natural gas prices partially rebounded following two weekly decreases. Henry Hub natural gas prices rose 3.6% week-over-week to \$3.46 per million Btu for the week ended May 30.

Natural gas futures slow stochastic

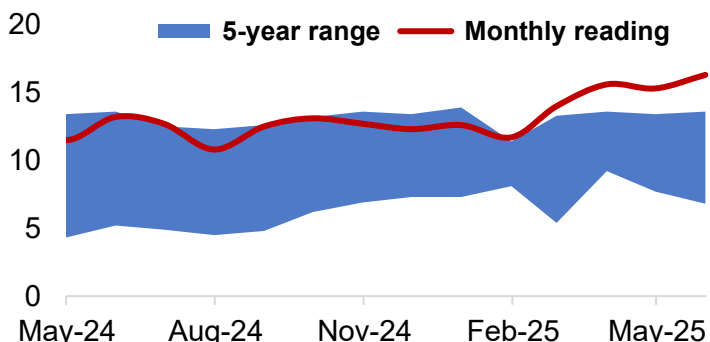
Index level



Natural gas price momentum rose for the week ended May 30.

U.S. natural gas net exports

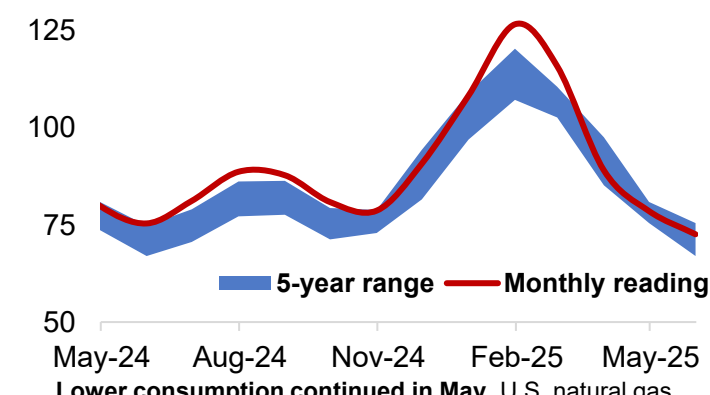
Billion cubic feet per day, bcf/d



According to EIA estimates, U.S. natural gas net exports rose to a record 16.3 bcf/d in May, up 23.5% y/y

U.S. natural gas consumption

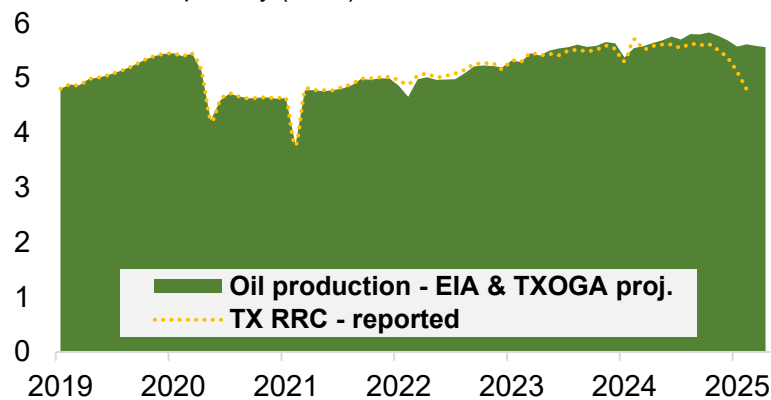
Billion cubic feet per day, bcf/d



Lower consumption continued in May. U.S. natural gas consumption of 72.6 bcf/d in May fell by 3.7% y/y per EIA.

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

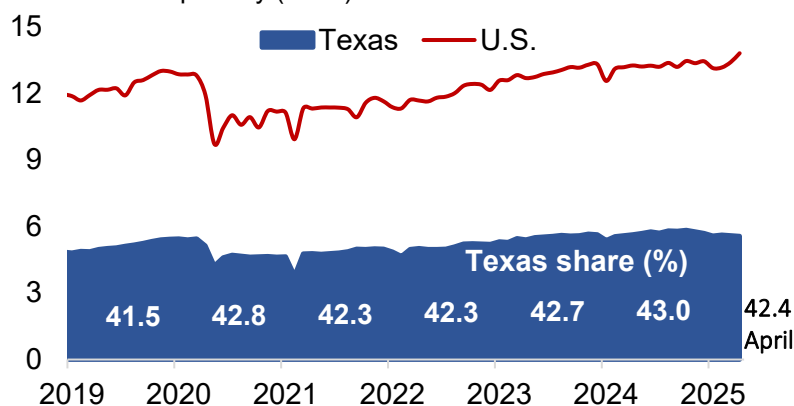
Million barrels per day (mb/d)



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

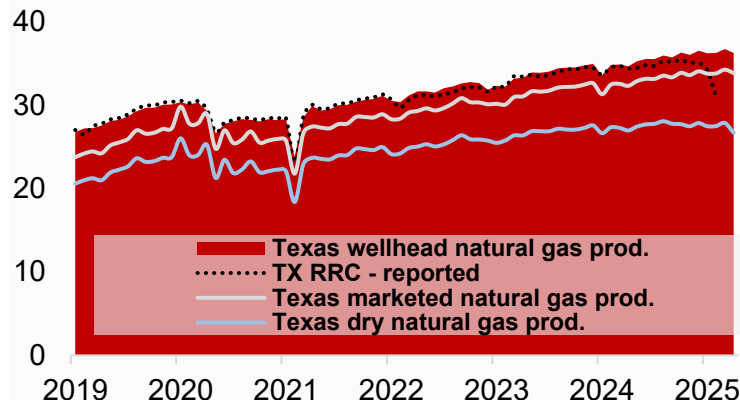
Million barrels per day (mb/d)



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

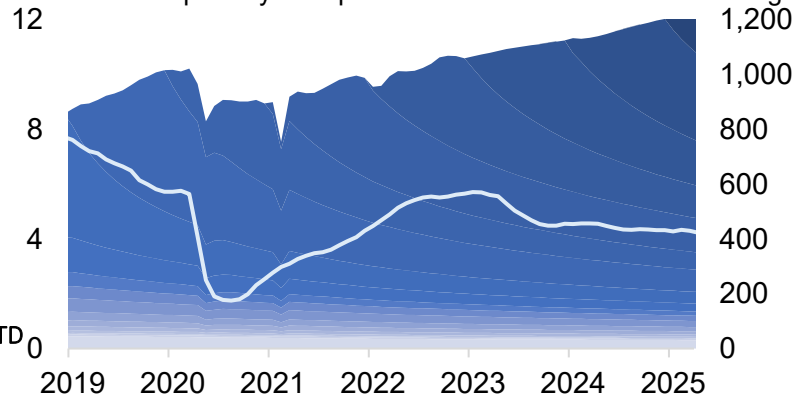
Billion cubic feet per day (bcf/d)



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

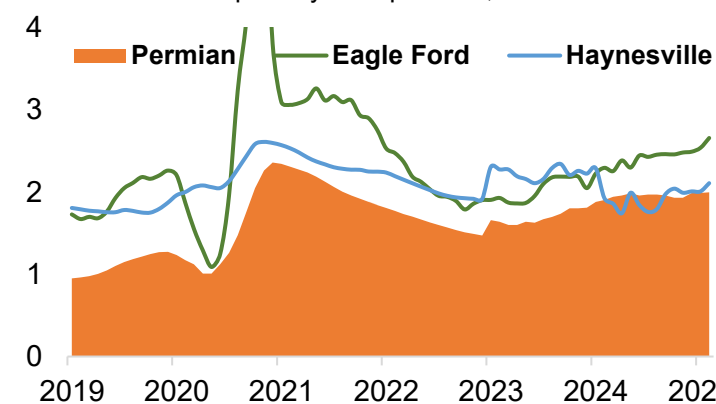
Million barrels per day oil-equivalent



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

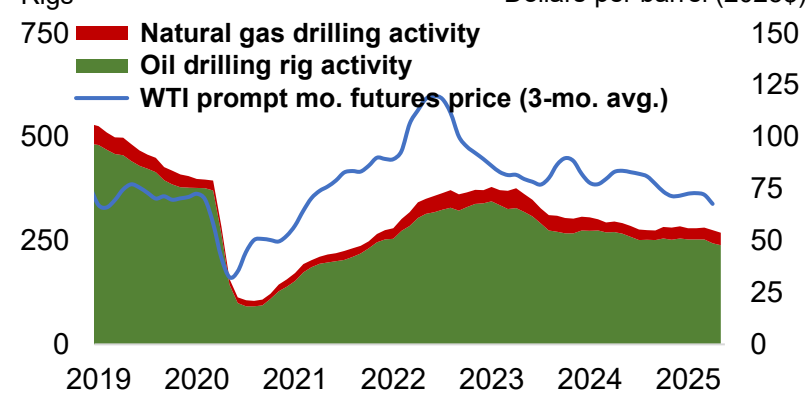
Thousand barrels per day oil-equivalent, kb/doe



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

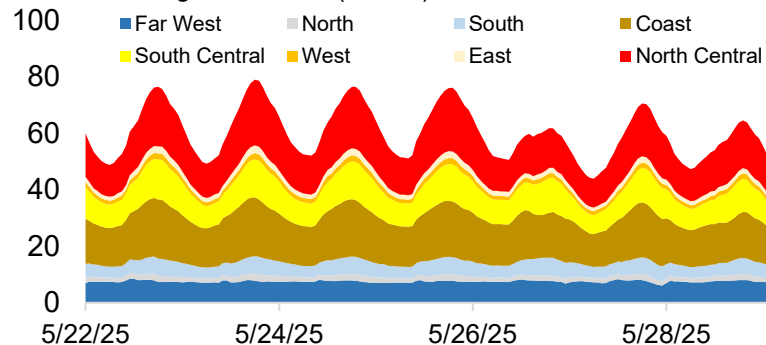
Rigs Dollars per barrel (2025\$)



As of May 30, Texas' drilling rig activity held steady on net, according to Baker Hughes, with 236 oil-directed rigs (down 1 rig w/w) and 30 natural gas-directed rigs (up 1 rig w/w).

ERCOT electricity load by region

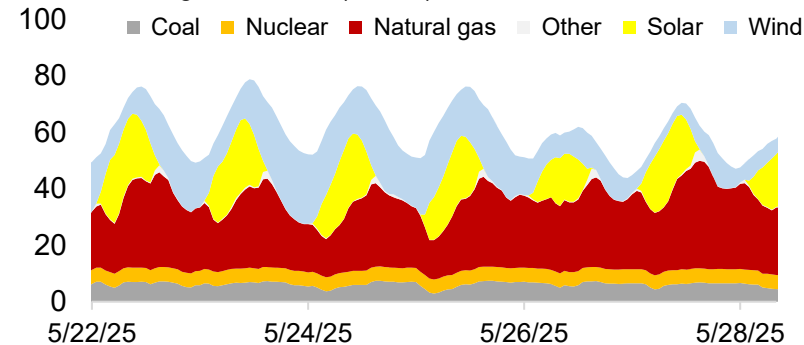
Thousand megawatt-hours (kMWh)



For May 22-28, ERCOT's average hourly electricity load was 60.4 kMWh, down 0.6% w/w, while the maximum hourly load of 79.1 kMWh rose by 5.3% w/w. Variability was the highest in the North Central and West regions.

ERCOT hourly electricity generation by source

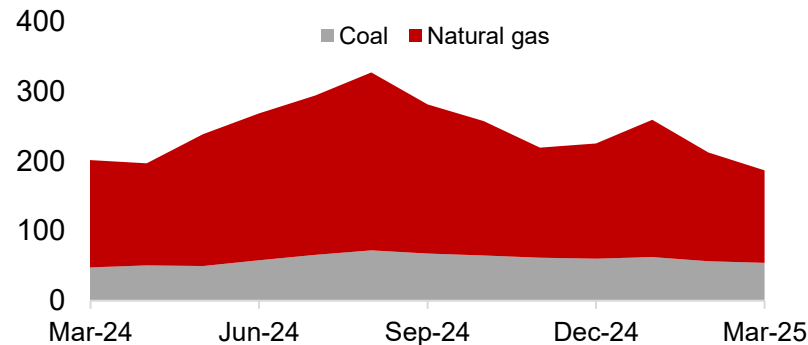
Thousand megawatt-hours (kMWh)



Thermal and dispatchable resources generated up to 88.0% of ERCOT's electricity. ERCOT's hourly electricity generation for the period May 22-28 ranged between 44 and 79 kMWh with a standard deviation of 8.9 kMWh. Thermal and dispatchable sources generated 88.0% of the region's power on the morning of May 28, including 63.5% from natural gas.

Texas electricity plant receipts of natural gas and coal

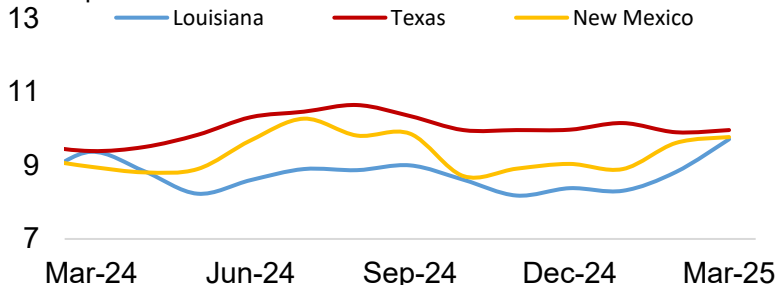
Trillion Btu



Coal-gas switching returned in March. Texas electricity plant receipts of natural gas fell by 14.0% y/y in March 2025, while receipts of coal increased by 14.0% y/y.

Electricity prices – average across all end-use sectors

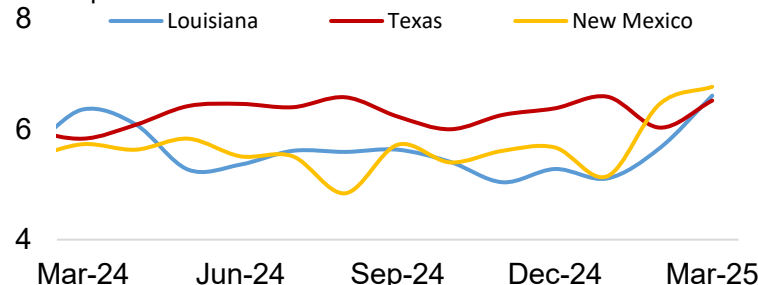
Cents per kilowatt-hour



Texas' electricity prices rose in March 2025. The average price of electricity in Texas increased by 0.6% m/m and 6.1% y/y in March to 9.96 cents per kWh, compared with 9.71 cents per kWh in Louisiana and 9.77 cents per kWh in New Mexico.

Industrial electricity prices

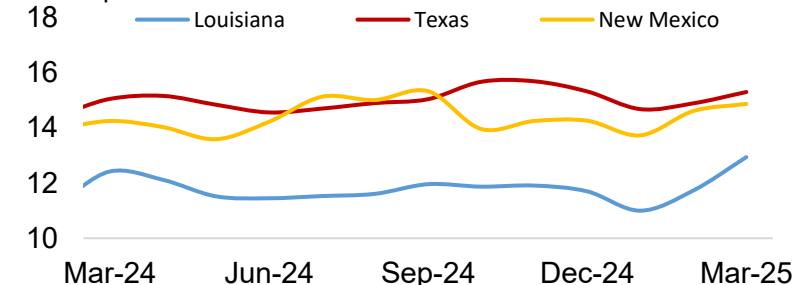
Cents per kilowatt-hour



Texas' average industrial electricity price rose to 6.52 cents per kWh in March, up 8.1% m/m and 11.8% y/y. Rates in Louisiana and New Mexico also increased to similar levels, 6.61 cents per kWh in Louisiana and 6.77 cents per kWh in New Mexico.

Residential electricity prices

Cents per kilowatt-hour

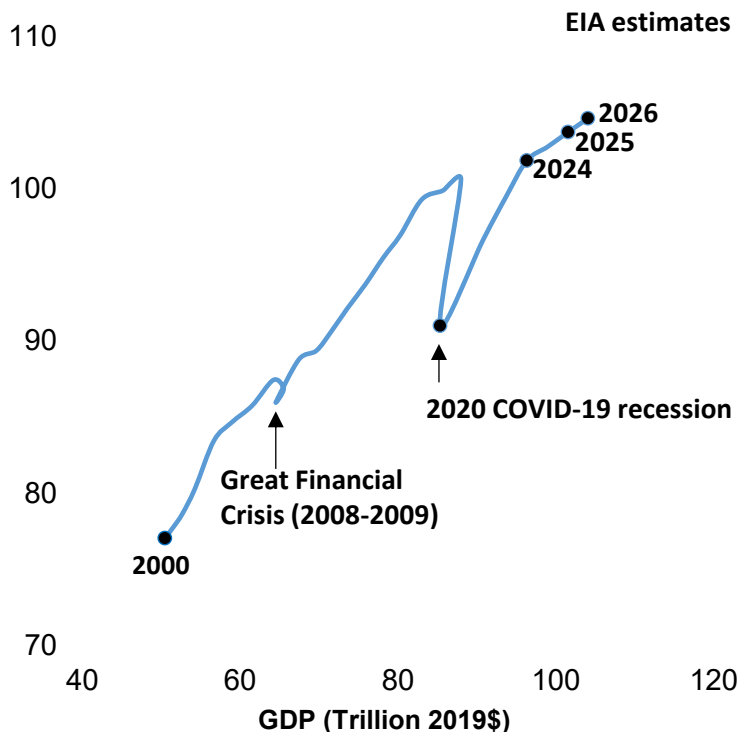


Texas' residential electricity prices rose. Residential electricity prices in Texas rose to 15.30 cents per kWh in March, up 1.7% y/y, remaining above rates in Louisiana (12.94 cents per kWh) and New Mexico (14.87 cents per kWh).

- 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 projects continued oil supply abundance through 2026, with Brent crude oil prices averaging \$66 per barrel in 2025—compared with \$64 currently.

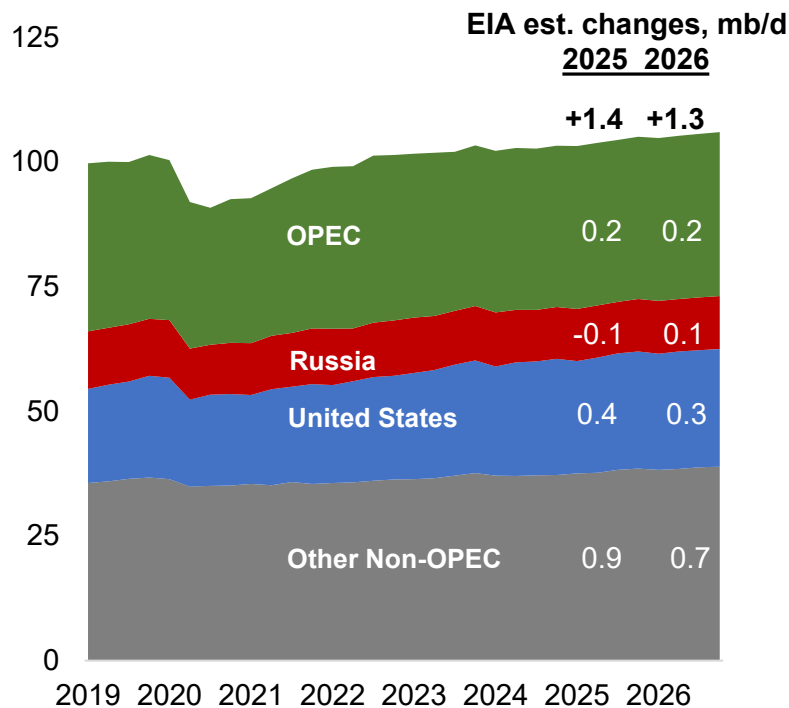
Global oil demand and GDP

Million barrels per day (mb/d)



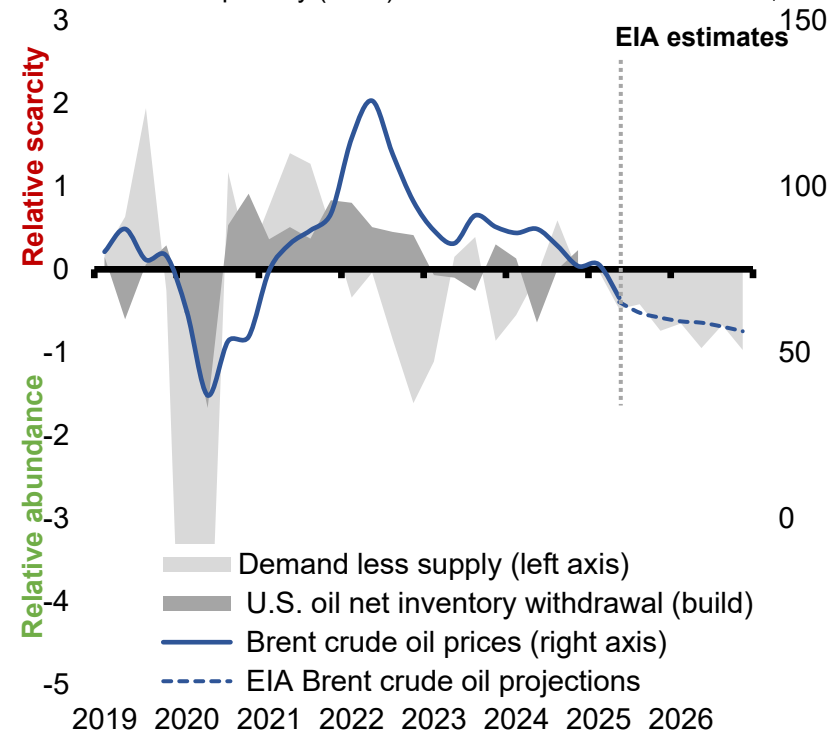
Oil production by country/region

Million barrels per day, mb/d



Global demand/supply & Brent prices

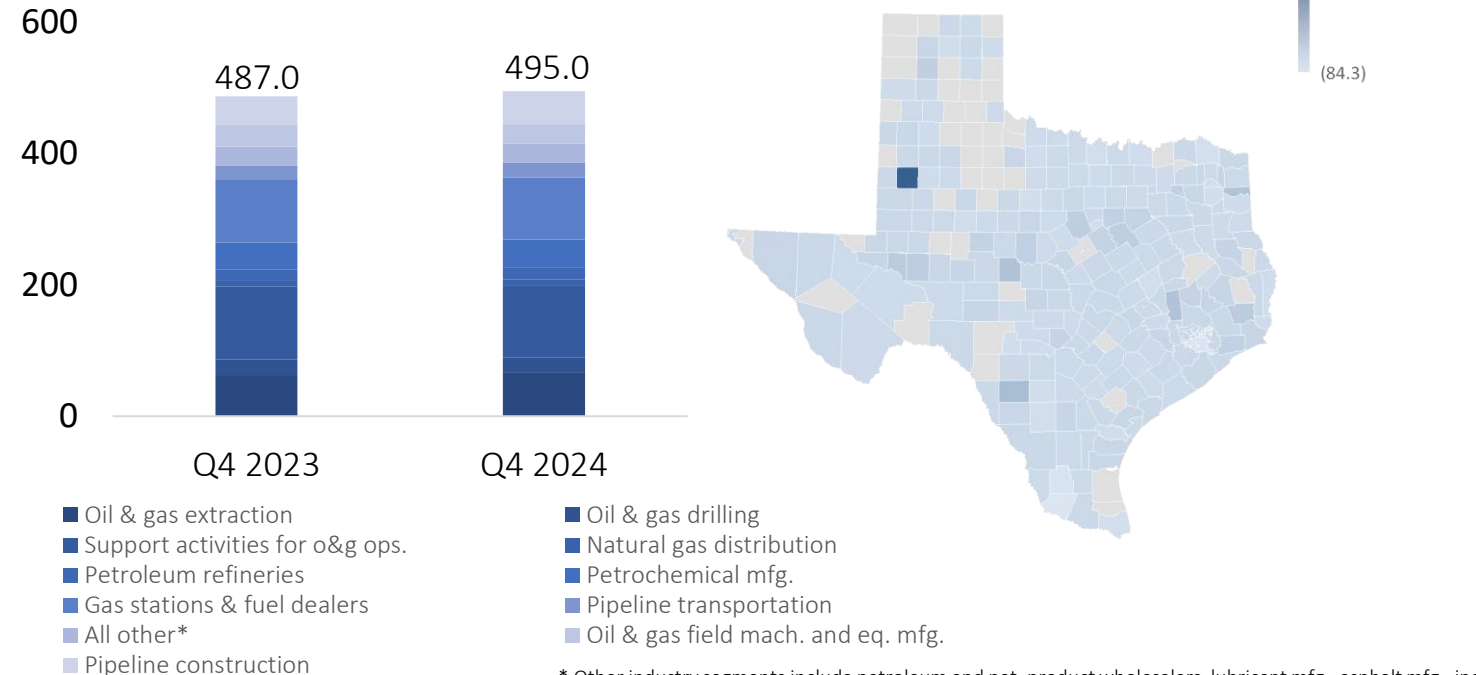
Million barrels per day (mb/d)



- 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

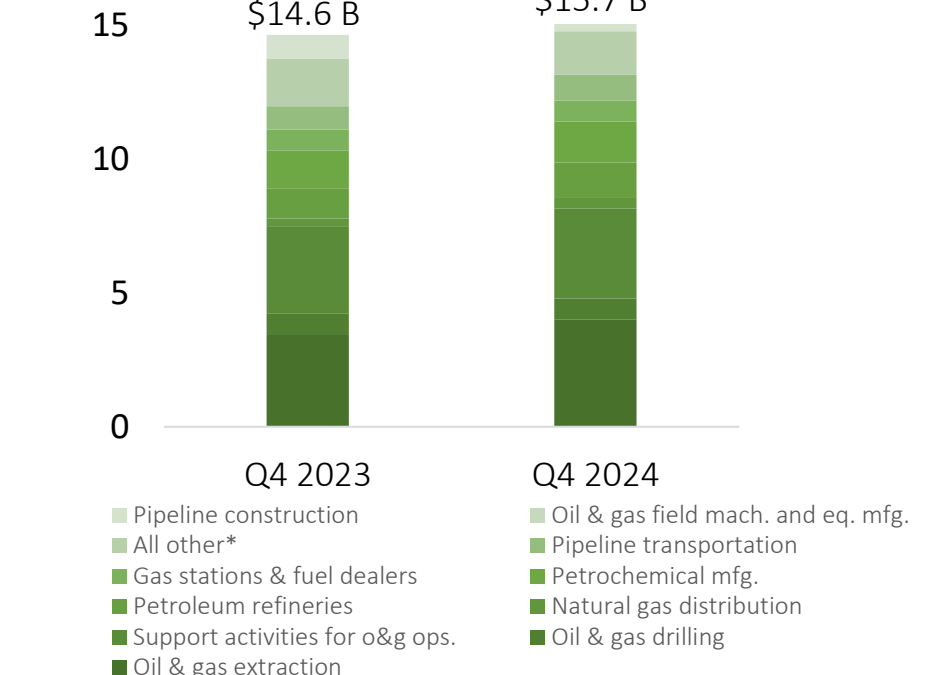
Thousand Jobs



* Other industry segments include petroleum and pet. product wholesalers, lubricant mfg., asphalt mfg., industrial sand mining, nitrogenous fertilizer mfg., basic organic chem. mfg., plastics and resin mfg.

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

Billion dollars





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