



**July 7, 2025**





## Key points – Week of July 7, 2025

- **U.S. economic signals remain broadly resilient.** Non-farm payrolls rose by 147,000 in June, while the unemployment rate edged down by 0.1 percentage points to 4.1%. The stronger labor market aligns with continued improvements in consumer sentiment, steady industrial production, and positive momentum in the ADS Business Conditions Index. Financial conditions eased slightly, with high-yield bond spreads narrowing to 12.6% and the 30-day Fed Funds futures rate falling to 4.32%, supporting near-term growth prospects despite ongoing policy headwinds.
- **Oil markets reflected re-stabilization.** As highlighted in the [Chart of the Week](#), U.S. petroleum net exports saw their largest weekly decline on record, dropping by 3.3 million b/d to just 0.4 million b/d for the week ended June 27. The decline reflects a combination of higher imports, lower exports, and seasonal product flows—driven by market dynamics rather than structural weakness. U.S. petroleum demand held steady at 20.5 million b/d, while U.S. crude inventories (excluding the SPR) increased by 3.8 million barrels but remained below the bottom of the 5-year range. WTI crude prices rebounded 2.2% to \$67.00 per barrel as of July 3, supported by easing geopolitical tensions and improving price momentum.
- **Natural gas markets reflected stronger storage levels.** Working gas in underground storage rose by 1.9% w/w to 2.95 trillion cubic feet as of June 27, placing inventories in the top 22% of the 5-year range. Market prices more fully adjusted to this dynamic, with Henry Hub futures falling 8.8% to \$3.41 per million Btu for the week ended July 3. Seasonal factors also contributed, with U.S. net exports decreasing to 14.6 bcf/d in June and consumption rising to 78 bcf/d, though consumption remains down 3.9% year-over-year according to EIA estimates. Price momentum turned modestly positive to close the week.

## When is a bearish headline not the full story?

- U.S. petroleum net exports fell by 3.3 million barrels per day (mb/d) to 0.4 mb/d for the week ending June 27—the largest weekly decline on record since 1991.

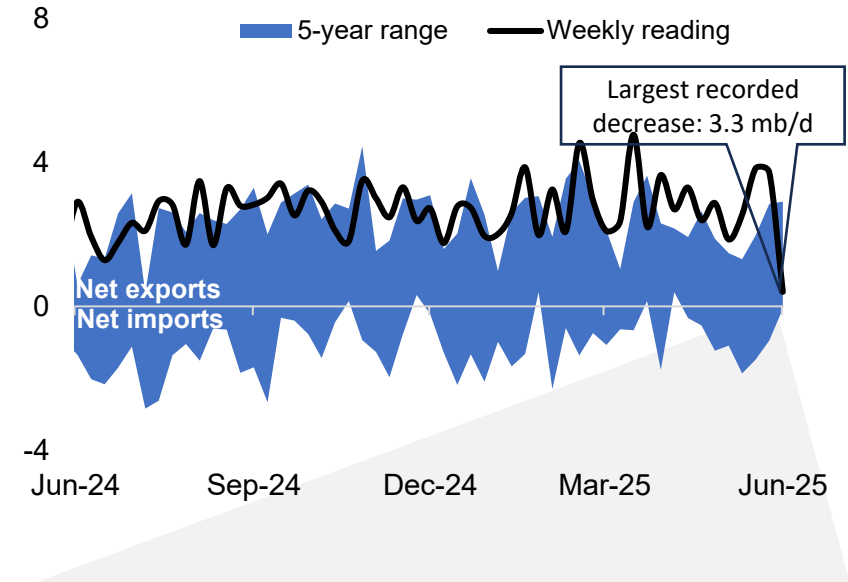
## What drove the shift? A rare alignment of factors:

- Crude oil imports ↑ 1.0 mb/d (w/w)
  - Midwest: +0.6 mb/d from Canada, boosting refinery supply
  - Gulf Coast: +0.4 mb/d, mainly from Nigeria and Ecuador
- Crude oil exports ↓ 2.0 mb/d (w/w)
  - Narrower WTI-Brent spread reduced export incentive
  - Easing Middle East risk premiums softened global demand for U.S. crude
- Refined product exports ↓ 0.3 mb/d (w/w)
  - Typical seasonal dip, consistent with recent years

**Bottom line:** This record weekly swing reflects market mechanics—higher refinery runs, relative regional prices, and seasonal product flows—rather than structural weakness in U.S. energy trade.

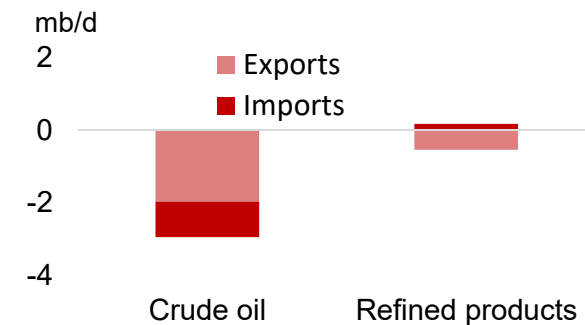
## U.S. petroleum net exports (imports)

Million barrels per day, mb/d

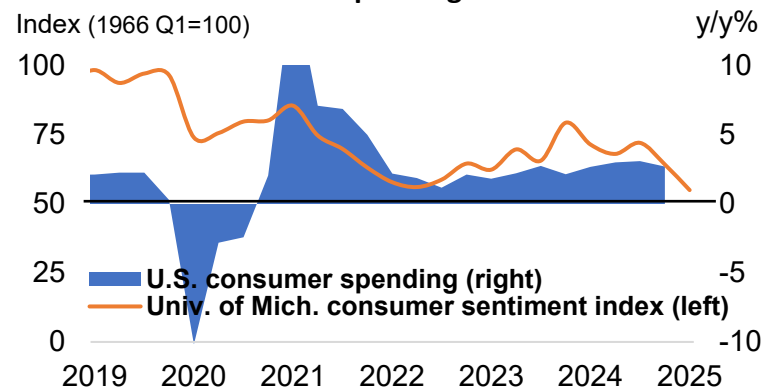


## What happened for the week ended June 27?

- Crude oil imports rose by 1.0 mb/d w/w
- Crude oil exports fell by 2.0 mb/d w/w
- Refined product net exports fell by 0.4 mb/d

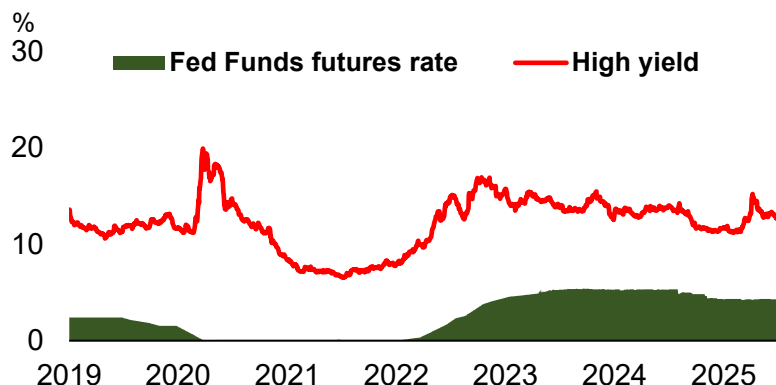


## Consumer sentiment vs. spending



Consumer spending was revised down by 0.2 percentage points to 2.7% y/y in the BEA's final Q1 2025 GDP report. The slowdown aligns with weakened consumer sentiment reported by the University of Michigan. The quarterly average of the UM sentiment index points to modest but positive spending growth for Q2 2025.

## Fed Funds rate and CCC and lower corporate bond yields

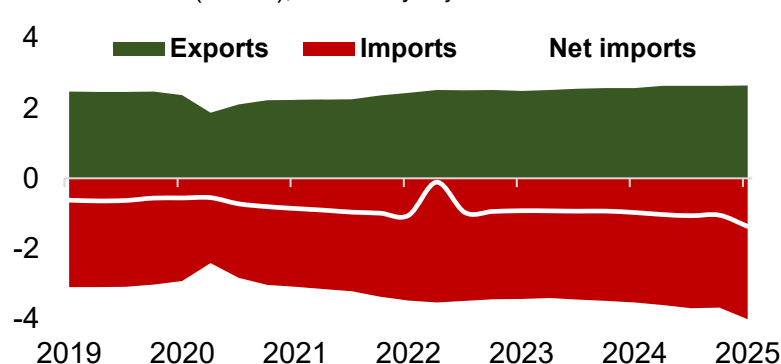


The bond premium for low credit quality fell. High yield (HY) rates, which reflect borrowing costs for below-investment grade firms, fell 7 basis points to 12.6% for the week ended July 3, while the 30-day Fed Funds futures rose by 4 basis points to 4.32%. The premium for low credit quality fell to 8.28% - the lowest since March.

sources: FRED; Univ. of Michigan; BEA; CME Group; Federal Res. Board; Philadelphia Fed. Res.; Bureau of Labor Statistics

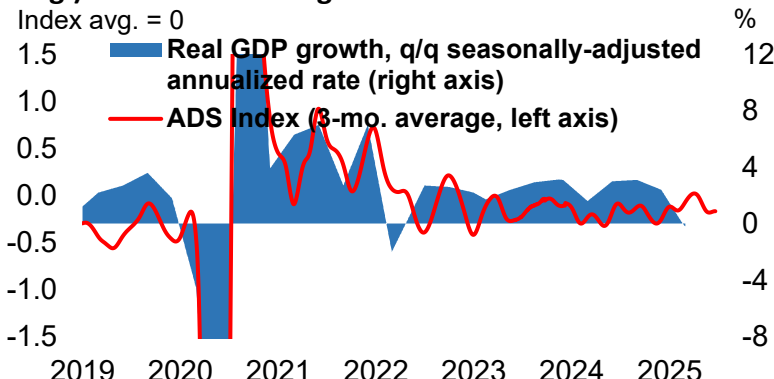
## Real net exports of goods and services

Trillion dollars (2017\$), seasonally adjusted at annual rates



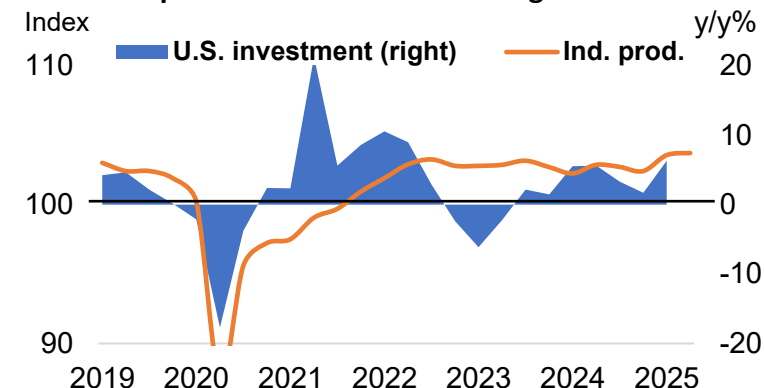
BEA's final GDP report for Q1 2025 withheld detail on net trade and inventories, an unusual omission. Prior estimates showed the real U.S. trade deficit widening to a \$1.4 trillion annualized rate, up from \$980 billion in Q4 2024. On a nominal basis, the petroleum trade surplus was revised higher by \$6.8 billion to \$62.3 billion for the quarter, 11% above year-ago levels.

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



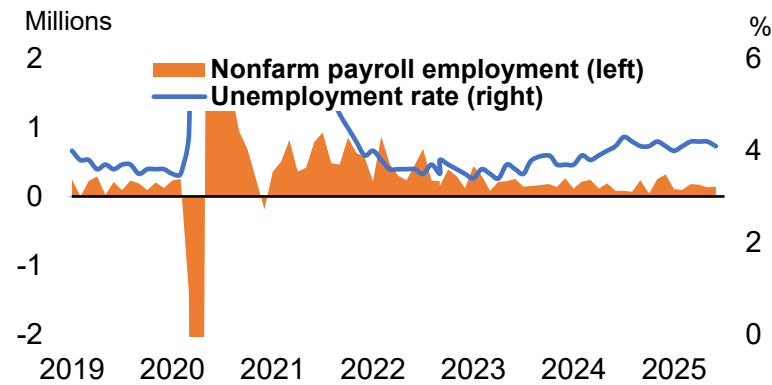
BEA downgraded U.S. real GDP growth by 0.4 percentage points to a 0.5% q/q contraction in Q1 2025. The ADS Business Conditions Index, published by the Philadelphia Fed, serves as a leading indicator of GDP growth. As of June 26, the index showed some deceleration but remained consistent with continued GDP growth in Q2 2025.

## Industrial production and investment growth



BEA revised economywide investment 0.1 percentage points lower to a still-solid 6.3% y/y for Q1 2025. As a leading indicator of capital spending, industrial production rose 0.1% m/m and 0.8% y/y in May, with capacity utilization holding at 77.4%. These trends point to stable, constructive business conditions, consistent with Federal Reserve assessments.

## Nonfarm payroll employment & unemployment rate

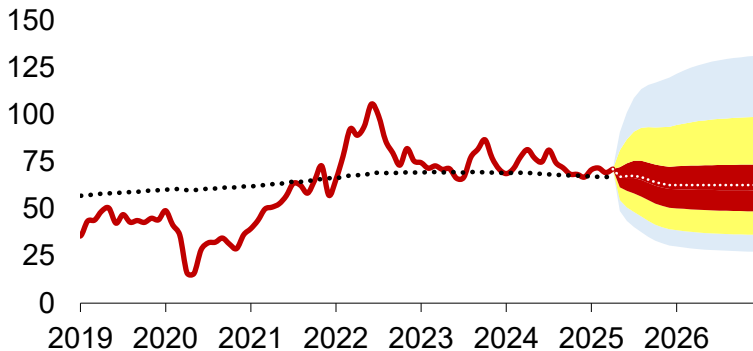


Labor market conditions showed resilience. Employment is a lagging indicator of GDP growth. Non-farm payrolls increased by 147,000 in June, and the U.S. unemployment rate fell by 0.1 percentage points to 4.1% according to the BLS.



## WTI crude oil price mean reversion analysis

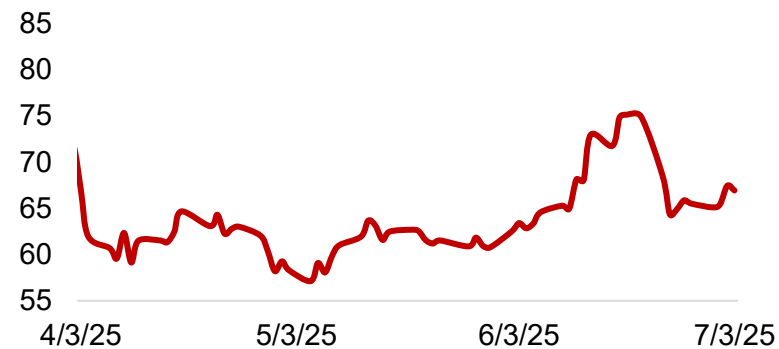
Dollars per barrel (2025\$)



**Near-term 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

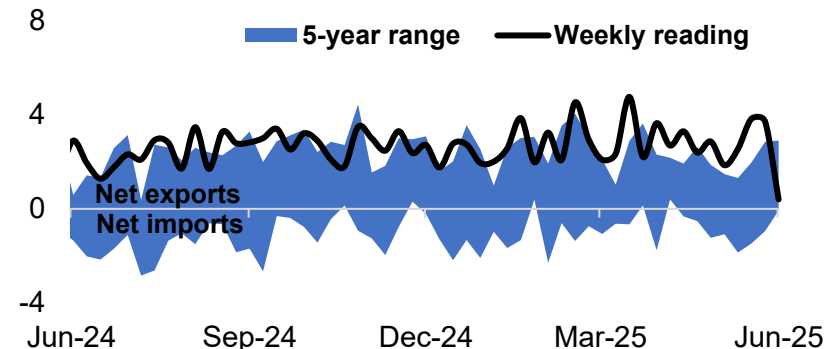
Dollars per barrel



WTI crude oil prices rebounded by 2.2% w/w to \$67.00 per barrel as of July 3, following a 12.6% w/w decrease last week as Middle East geopolitical tensions eased.

## U.S. petroleum net exports (imports)

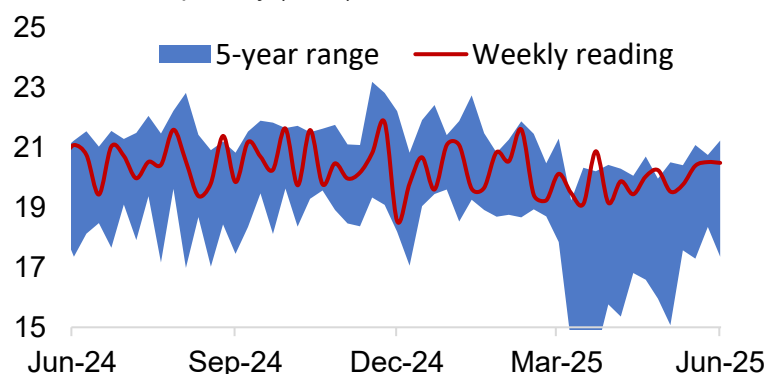
Million barrels per day, mb/d



**Petroleum net exports record largest weekly drop on record.** Net exports fell to 0.4 mb/d for the week ended June 27, a decrease of 3.3 mb/d from the prior week – and the lowest weekly level since September 2023.

## U.S. petroleum demand

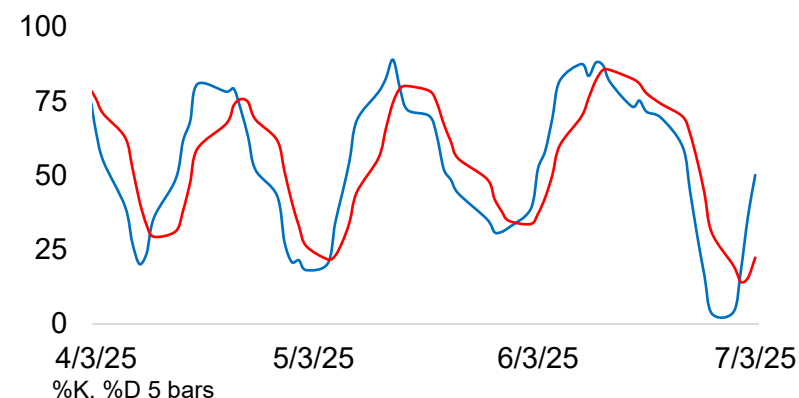
Million barrels per day (mb/d)



**Petroleum demand held strong.** U.S. petroleum demand as of June 27, as measured by deliveries, was effectively unchanged from the prior week at 20.5 mb/d.

## WTI crude prompt month futures slow stochastic

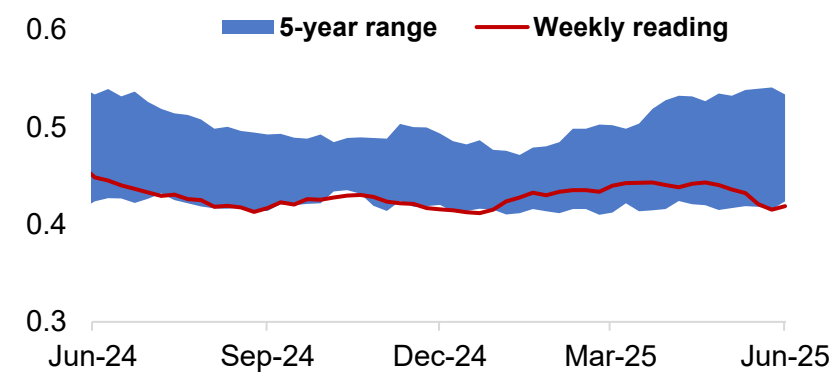
Index level



Price momentum turned positive for the week ended July 3.

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

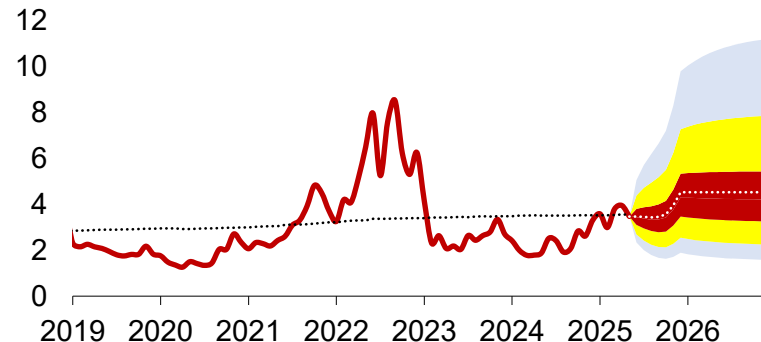
Billion barrels



**Inventories increased.** U.S. ending stocks of crude oil excluding the Strategic Petroleum Reserve (SPR) increased by 3.8 million barrels (mb) for the week ended June 27 – but remained below the bottom of the 5-year range.

## Natural gas price mean reversion analysis

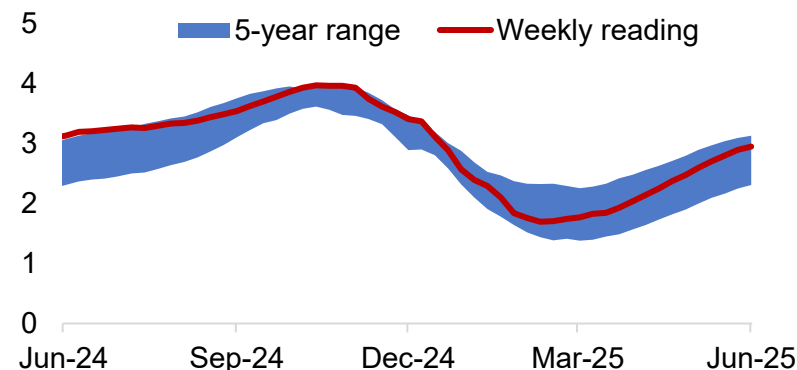
Dollars per mmBtu (2025\$)



**Near-term futures prices have aligned with their historical mean reversion threshold.** The futures curve is in contango, with spot prices below forward prices. Historical confidence intervals suggest greater potential for upside price movement than downside risk.

## U.S. weekly working gas storage

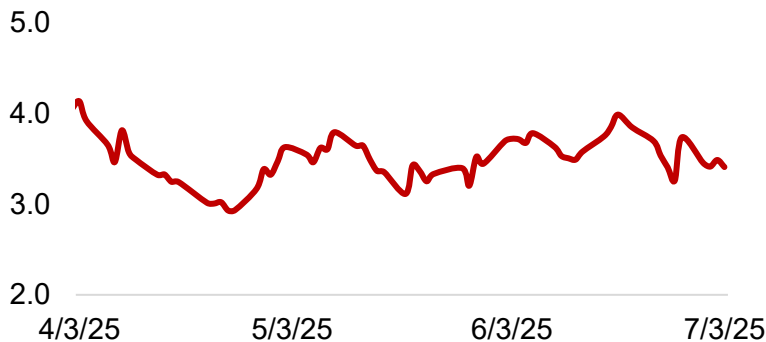
Trillion cubic feet (tcf)



**Working natural gas storage increased.** Working gas in underground storage rose by 1.9% w/w to 2.95 tcf as of June 27—an increase into the top 22% within the 5-year range.

## Natural gas prompt month futures prices

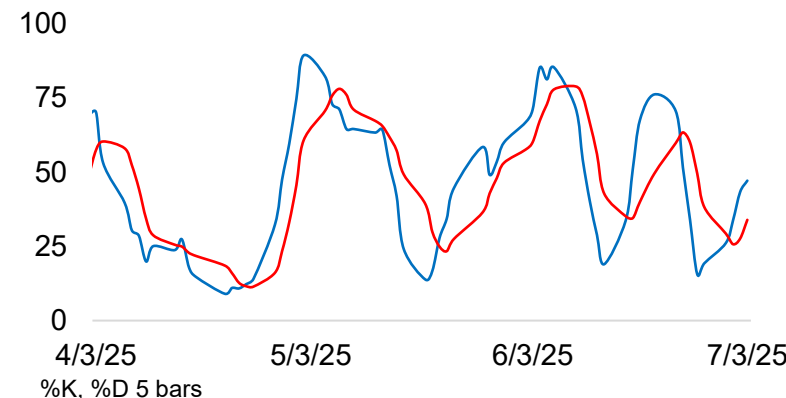
Dollars per million Btu



Henry Hub natural gas prices fell 8.8% week-over-week to \$3.41 per million Btu for the week ended July 3, as markets further factored in strong storage levels.

## Natural gas futures slow stochastic

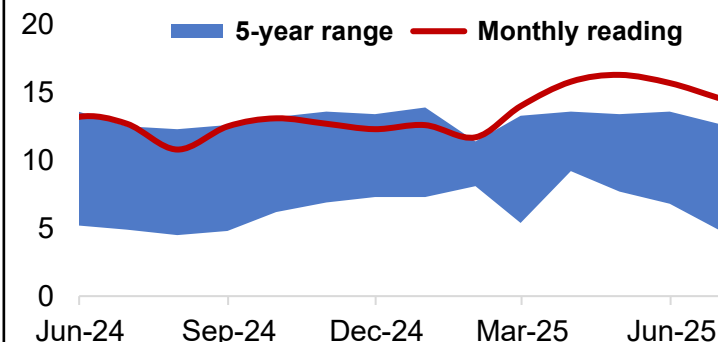
Index level



Natural gas price momentum slowed and turned up for the week ended July 3.

## U.S. natural gas net exports

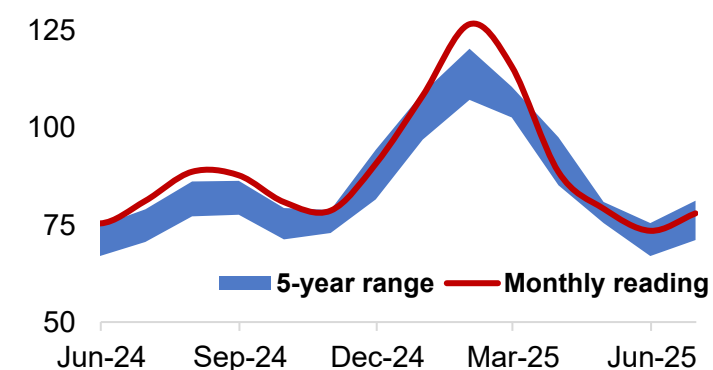
Billion cubic feet per day, bcf/d



**According to EIA estimates, U.S. natural gas net exports decreased seasonally to 14.6 bcf/d in June and remained up by 15.0% y/y.**

## U.S. natural gas consumption

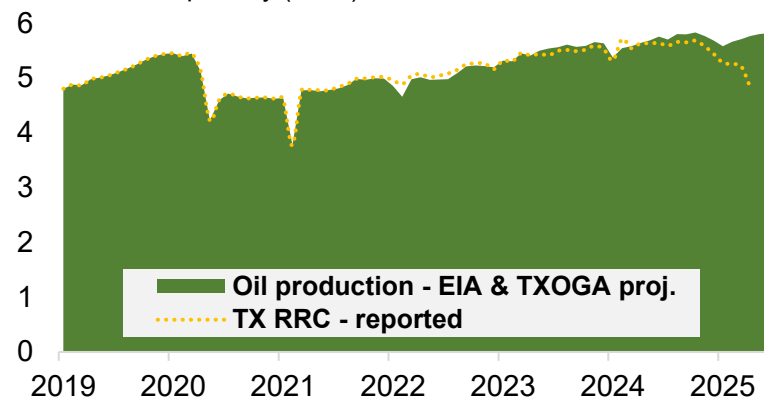
Billion cubic feet per day, bcf/d



**Natural gas consumption seasonally rose by 6.1% m/m to 78 bcf/d in June, but was down by 3.9% y/y according to EIA estimates.**

## Texas crude oil production, Jan. 2019 – June 2025

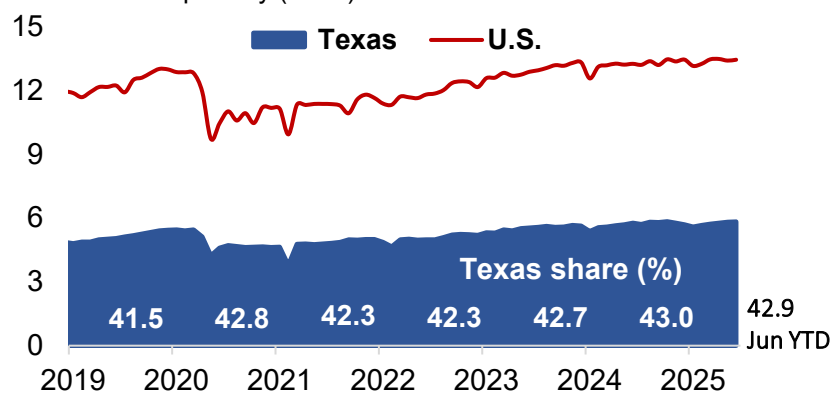
Million barrels per day (mb/d)



**Strong continued oil production.** Texas' oil production averaged 5.77 mb/d in April, according to the EIA. TXOGA estimates that production eclipsed 5.8 mb/d in June.

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

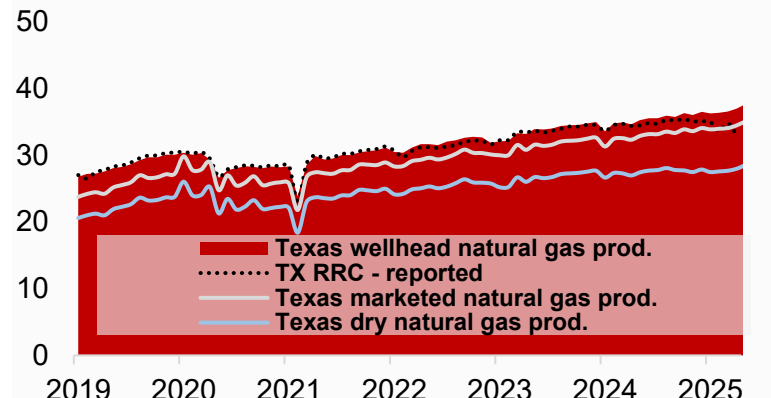
Million barrels per day (mb/d)



In the first half of 2025, Texas accounted for 42.9% of total U.S. crude oil production.

## Texas natural gas production, Jan. 2019 – June 2025

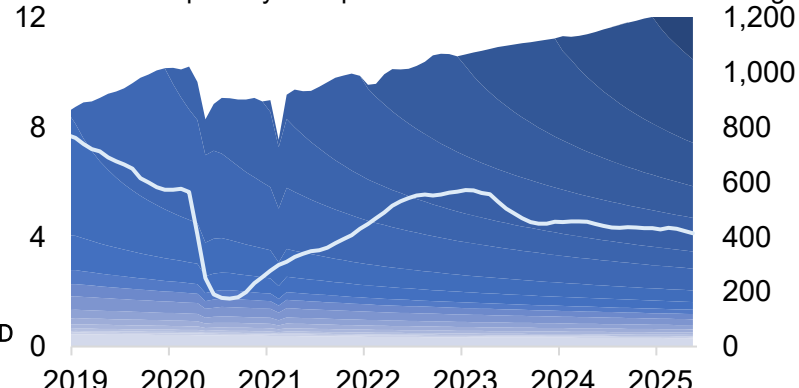
Billion cubic feet per day (bcf/d)



**Natural gas production increased.** Texas produced record highs of 37.0 bcf/d of natural gas gross withdrawals and 34.5 bcf/d of marketed production in April, per EIA. TXOGA estimates that Texas' marketed production rose to 35.5 bcf/d in June.

## Texas shale basin wellhead oil & natural gas production

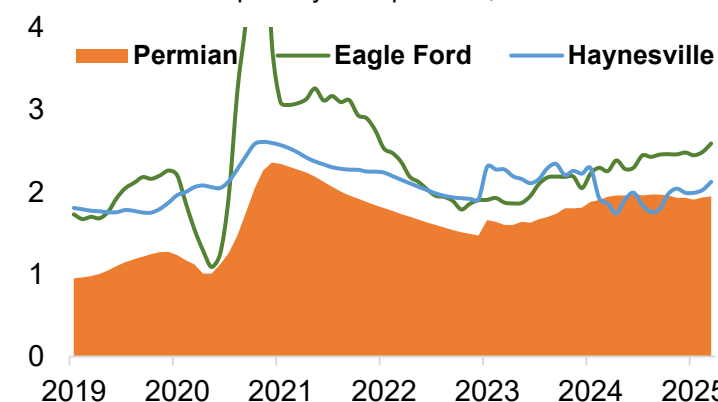
Million barrels per day oil-equivalent



**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

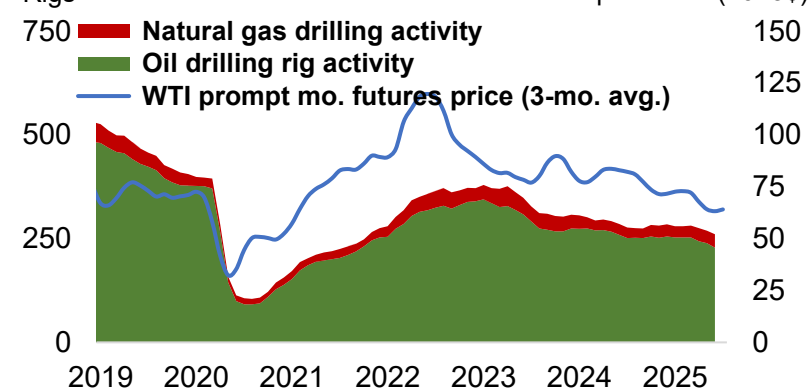
Thousand barrels per day oil-equivalent, kb/doe



**Rig productivity gains continued across major basins in May.** EIA estimates of rig productivity for May 2025 showed rig productivity increased year-to-date through May rose by 1.1% y/y in the Permian Basin, 8.1% y/y in the Eagle Ford, and 7.4% y/y in the Haynesville.

## Texas drilling activity and WTI crude oil futures prices

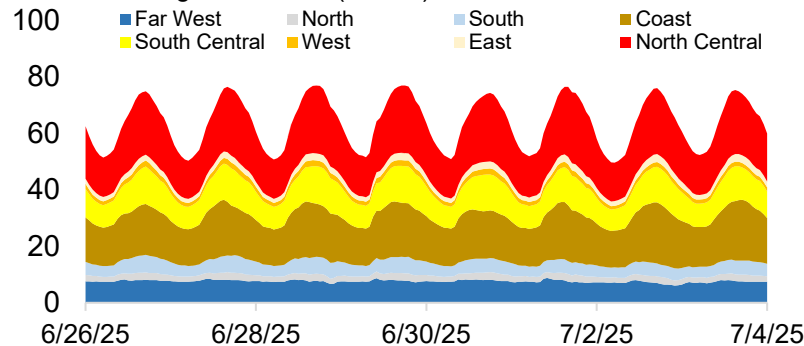
Rigs Dollars per barrel (2025\$)



**As of July 4, Texas' drilling rig activity fell net,** according to Baker Hughes, with 222 oil-directed rigs (down 3 rigs w/w) and 33 natural gas-directed rigs (up 1 rig w/w).

## ERCOT electricity load by region

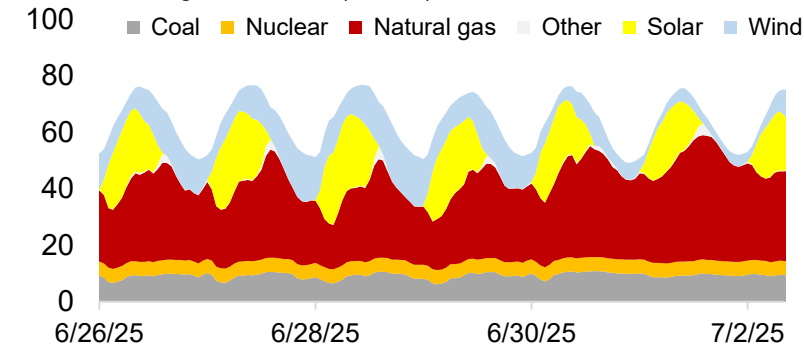
Thousand megawatt-hours (kMWh)



For June 26 – July 2, ERCOT's average hourly electricity load was 64.0 kMWh, down 2.8% w/w, while the maximum hourly load of 77.0 kMWh fell by 1.3% w/w. Variability was the highest in the East and North Central regions.

## ERCOT hourly electricity generation by source

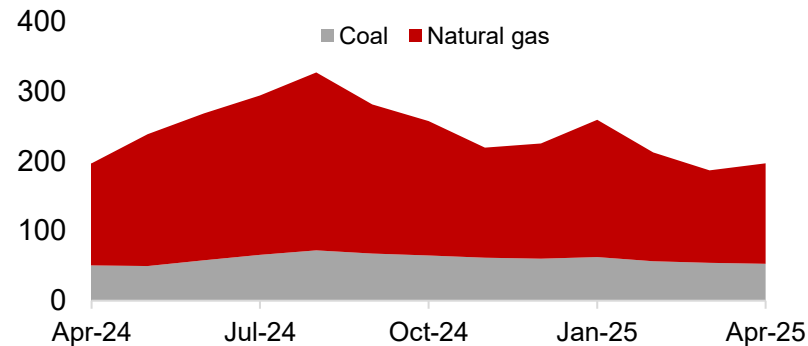
Thousand megawatt-hours (kMWh)



**Thermal and dispatchable resources generated up to 94.3% of ERCOT's electricity.** ERCOT's hourly electricity generation for the period June 26-July 2 ranged between 49 and 77 kMWh with a standard deviation of 8.9 kMWh. Thermal and dispatchable sources generated 94.3% of the region's power on the morning of July 2, including 70.1% from natural gas.

## Texas electricity plant receipts of natural gas and coal

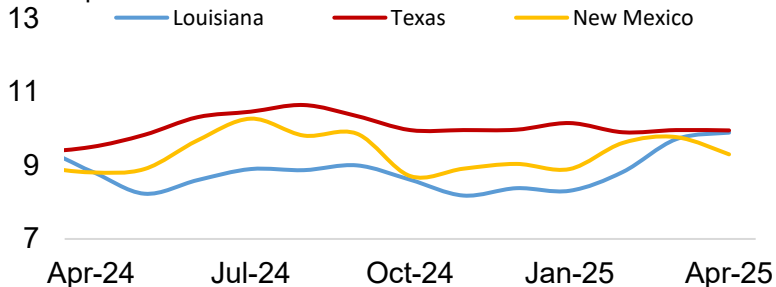
Trillion Btu



**Coal-gas switching continued in April.** Texas electricity plant receipts of natural gas fell by 3.0% m/m in April 2025, while receipts of coal rose 9.0% m/m.

## Electricity prices – average across all end-use sectors

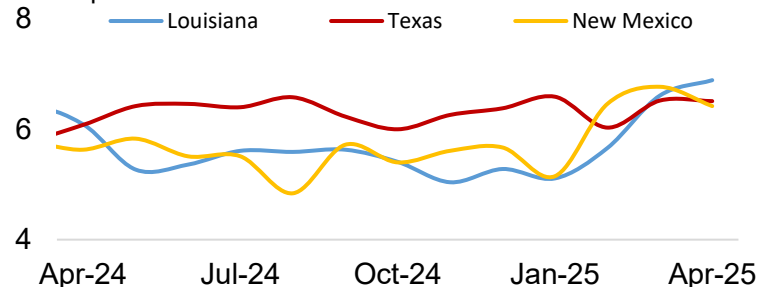
Cents per kilowatt-hour



**Texas electricity prices held steady in April 2025.** The average price of electricity in Texas was unchanged from March at 9.96 cents per kWh, marking a 4.7% year-over-year increase. For comparison, April electricity prices averaged 9.89 cents per kWh in Louisiana and 9.3 cents per kWh in New Mexico.

## Industrial electricity prices

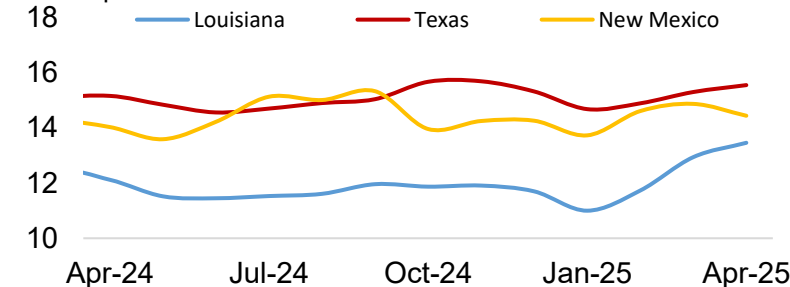
Cents per kilowatt-hour



**Texas' average industrial electricity price edged down** by 0.2% to 6.51 cents per kWh in April but remained 7.1% higher year-over-year. In Louisiana, industrial prices rose 4.2% month-over-month and 13.1% year-over-year to 6.89 cents per kWh—exceeding Texas rates for the first time since April 2024. New Mexico's average industrial price fell 5.2% from March but remained up 14.0% year-over-year at 6.42 cents per kWh, erasing the state's historical price advantage.

## Residential electricity prices

Cents per kilowatt-hour



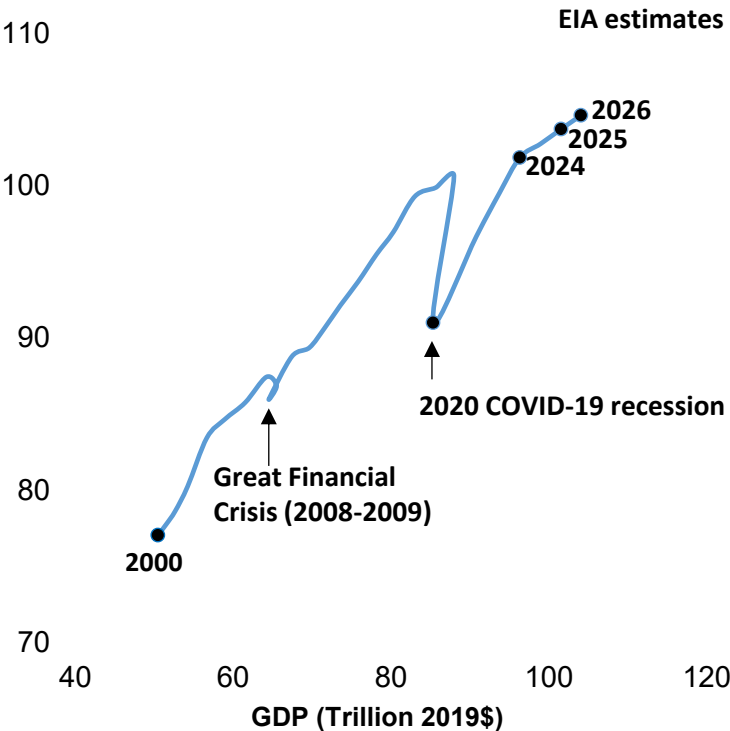
**Texas' residential electricity prices rose.** Residential electricity prices in Texas rose to 15.55 cents per kWh in April, up 2.6% y/y, remaining above rates in Louisiana (13.46 cents per kWh) and New Mexico (14.44 cents per kWh).



- Global oil demand has been downgraded but could still reach a 3<sup>rd</sup> consecutive record high, increasing from 102.7 mb/d in 2024 to 103.5 mb/d in 2025 and 104.6 mb/d in 2026 per EIA
- With reduced expectations for U.S. production growth, EIA projects 2025-2026 global supply increases of 1.6 mb/d and 0.8 mb/d, respectively, which is an upgrade to 2025 (led by other non-OPEC and OPEC producers) and a downgrade to 2026.
- EIA projects continued oil supply growth through 2026, with Brent crude oil prices averaging \$66 per barrel in 2025 and \$59 per barrel in 2026—compared with \$79 currently.

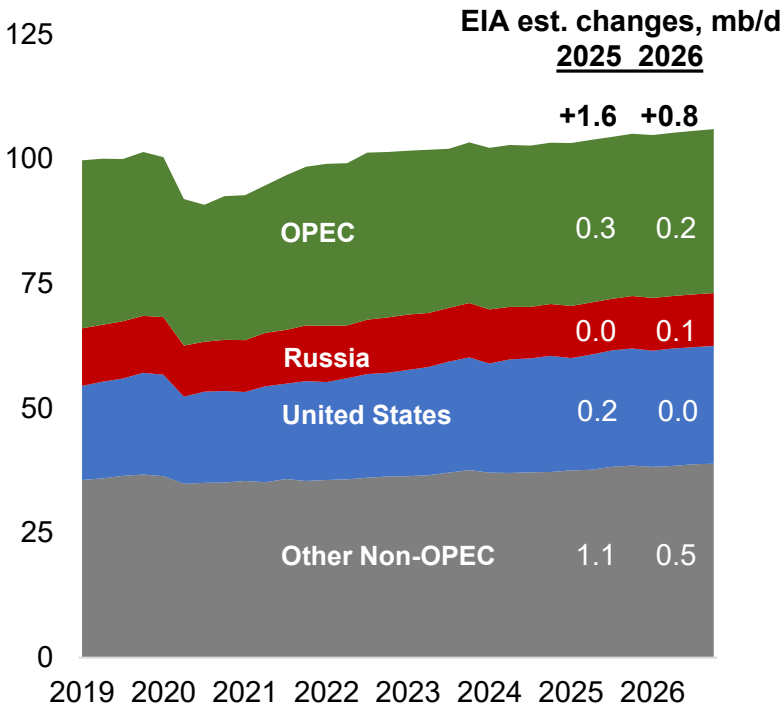
## Global oil demand and GDP

Million barrels per day (mb/d)



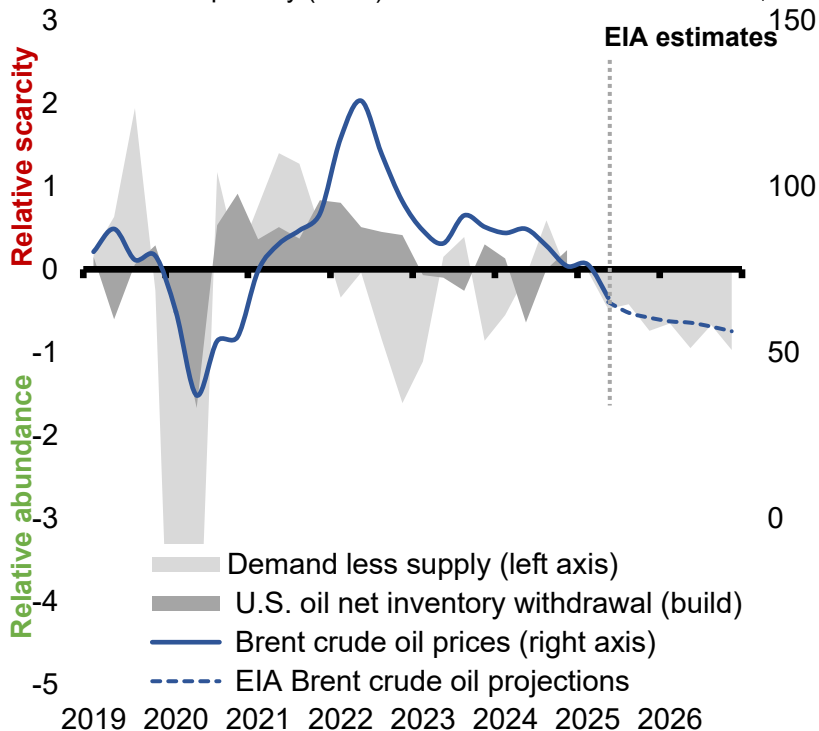
## Oil production by country/region

Million barrels per day, mb/d



## Global demand/supply & Brent prices

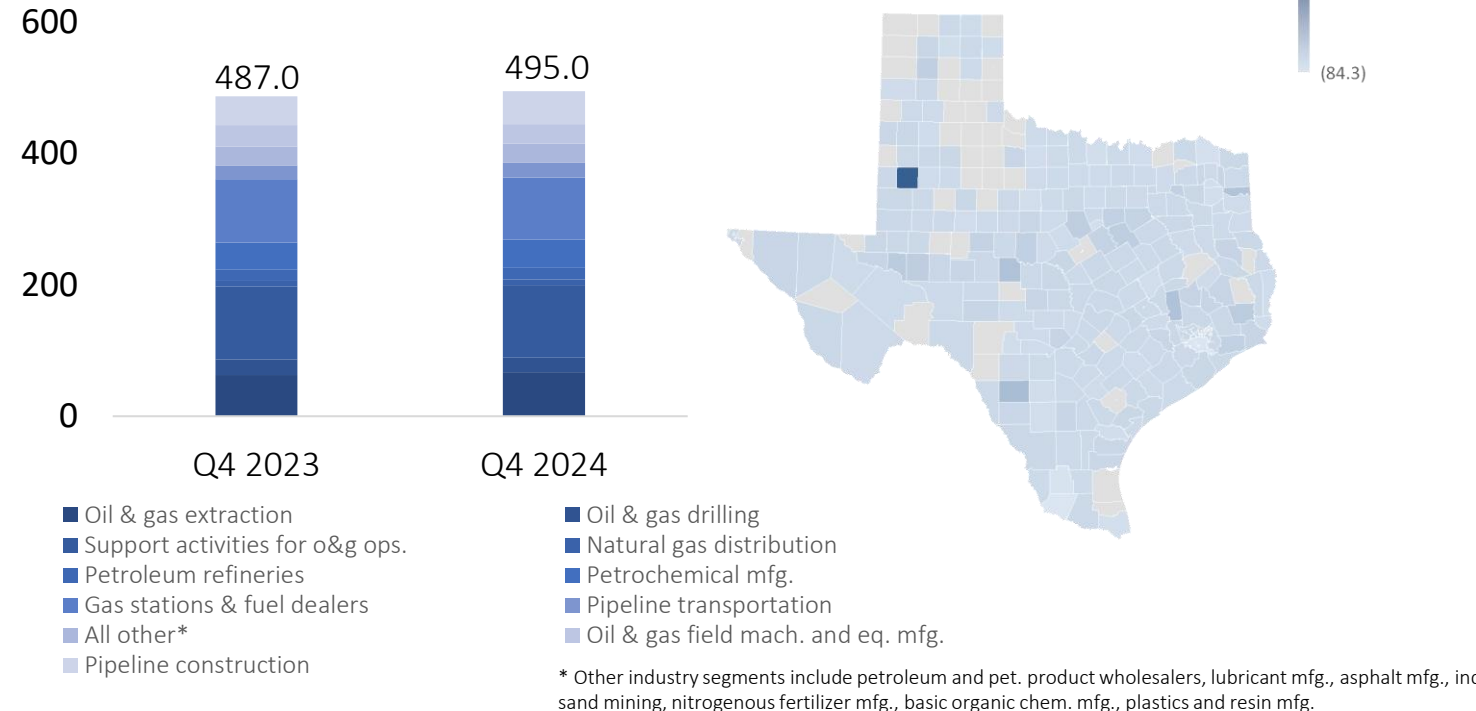
Million barrels per day (mb/d)



- 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.

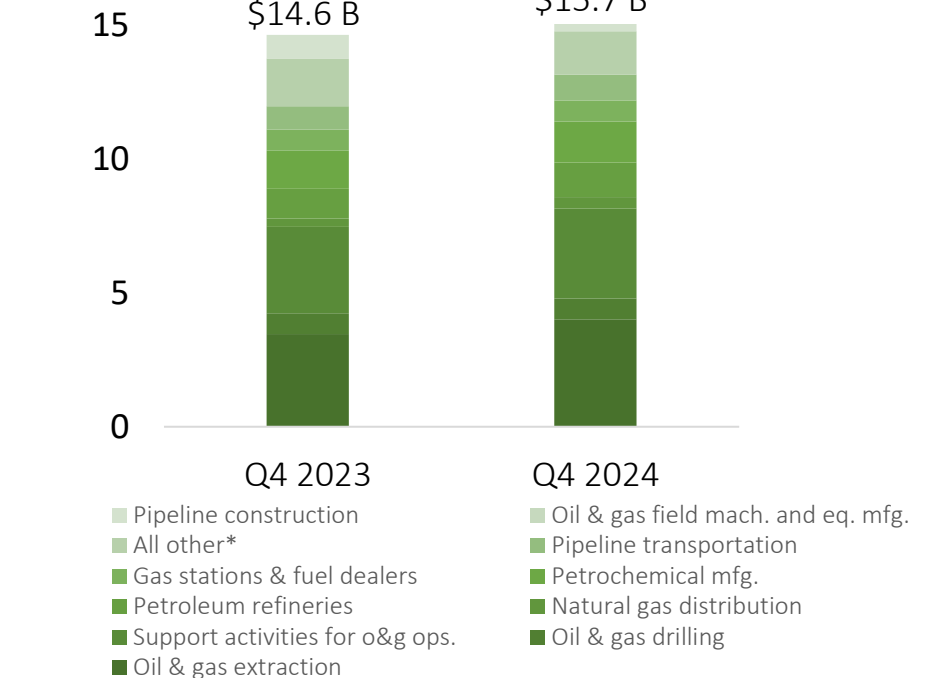
## Texas oil and natural gas industry direct employment rose by +1.6% y/y in Q4 2024

Thousand Jobs



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

Billion dollars





---

**R. Dean Foreman, Ph.D.**  
**dforeman@txoga.org**