



July 21, 2025





Key points – Week of July 21, 2025

- **U.S. economic indicators held steady this week**, with industrial production rising 0.7% in June and capacity utilization edging up to 77.6%. Labor markets remained firm, and interest rates were unchanged. [Chart of the Week](#): CPI has recently outpaced PPI, suggesting improving business margins and limited pass-through of producer cost declines to consumers.
- **Oil prices remained solid on tighter fundamentals and geopolitical uncertainties.** Crude oil futures edged up 0.6% to \$68.87 per barrel as of July 18, holding near their long-run mean reversion threshold and remaining in backwardation. Market momentum slowed amid uncertainty surrounding new EU sanctions on Russia. In the latest EIA weekly U.S. petroleum data, net exports rose to 2.2 mb/d—up 0.1 mb/d from the prior week—and crude inventories excluding the SPR declined by 3.9 million barrels, staying below the five-year range.
- **Natural gas prices rose on speculative demand expectations, despite strong supply data.** Henry Hub prices climbed 8.4% week-over-week to \$3.59 per million Btu for the week ended July 18, as markets priced in the potential for a summer heatwave and elevated power burn. However, working gas storage rose by 1.5% w/w to 3.05 tcf as of July 11—twice the injection pace of last year—suggesting ample supply. While storage levels remain below year-ago levels, continued strong builds indicate the market is well supplied. Natural gas net exports fell seasonally to 14.6 bcf/d in June, while consumption rose 6.1% month-over-month but declined 3.9% year-over-year.

Chart of the Week: CPI Edges Ahead of PPI as Consumer Prices Rise

Big picture

- Producer prices (PPI) have been more volatile than consumer prices (CPI)
- PPI typically leads CPI, reflecting how cost changes move through the supply chain
- Recently, CPI has risen more than PPI, which could signal:
 - Pricing power rose among consumer-facing businesses
 - Lagged effects from past cost increases or trade policy

Consumer price drivers

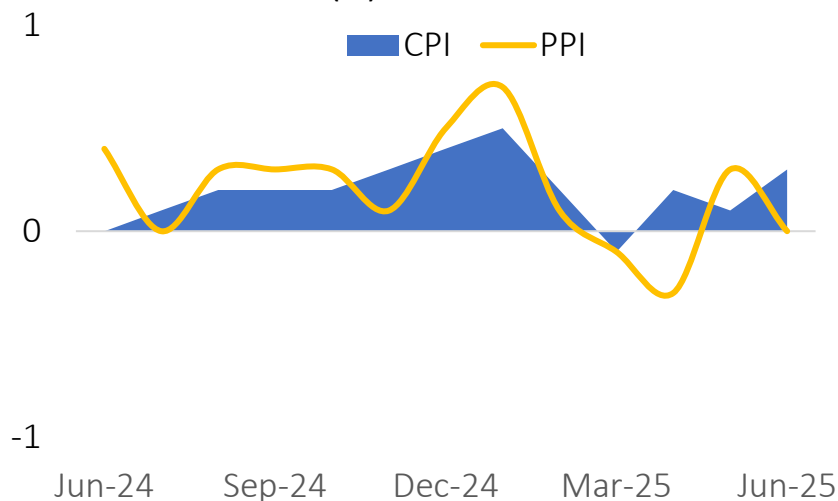
- Apparel prices have swung—likely reacting to trade policy
- Energy has remained volatile, tied to oil and gas markets
- Housing, medical care, and services are steady, offering a stable reference point

Producer price drivers

- Primary goods (like metals, lumber) show spikes, often linked to global commodity prices
- Transportation equipment (e.g., vehicles) prices are mostly flat
- Computer and furniture manufacturing show modest, steady increases

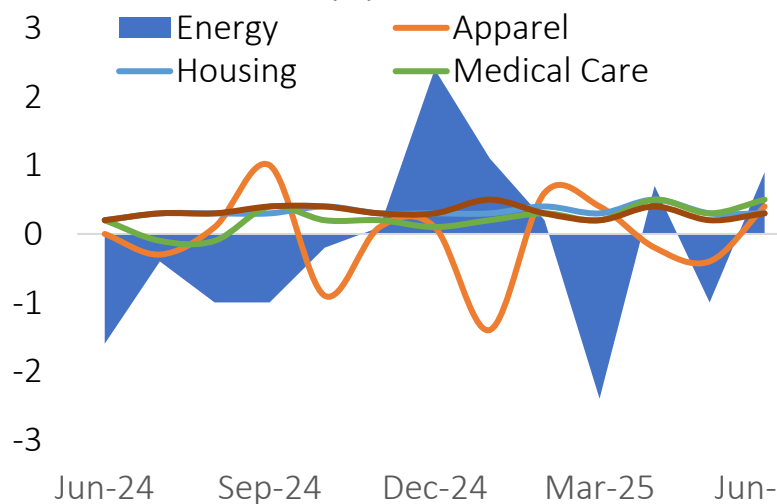
Headline inflation trends

Month-over-month (%)



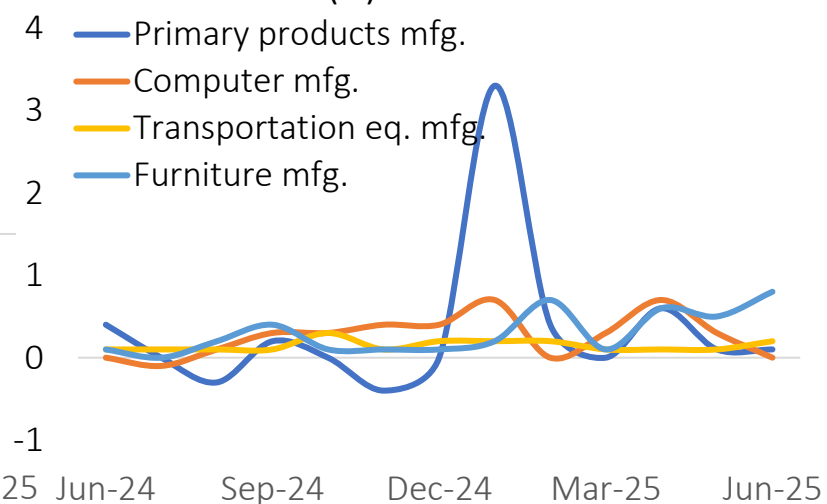
Consumer prices by category

Month-over-month (%)

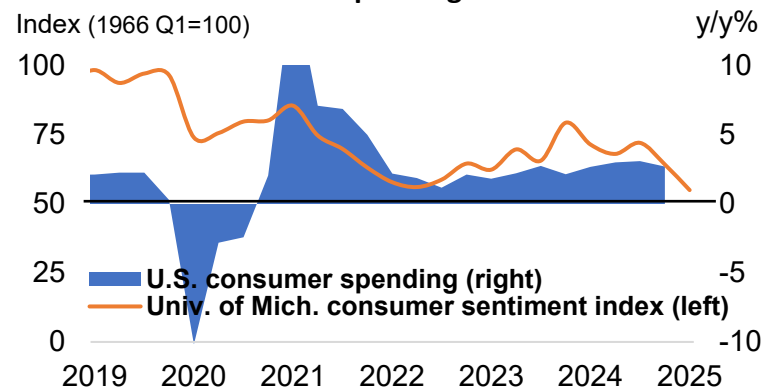


Producer prices by category

Month-over-month (%)

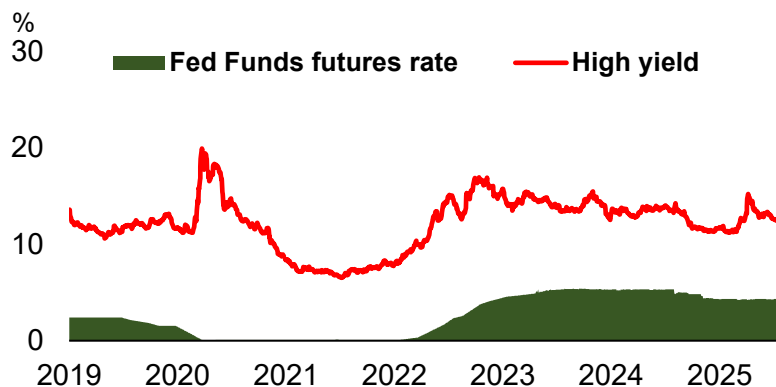


Consumer sentiment vs. spending



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 (UM). 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

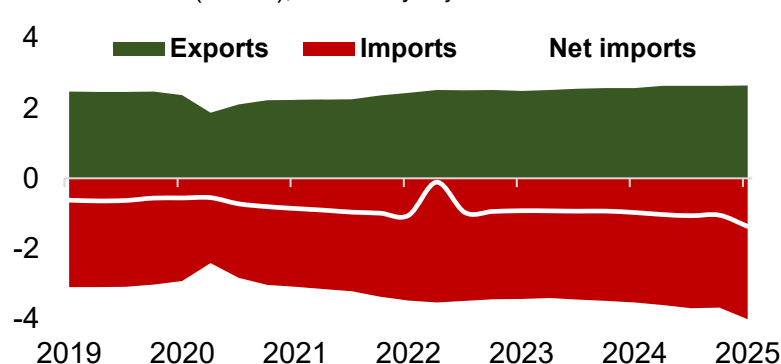


The bond premium for low credit quality held steady. High yield (HY) rates, which reflect borrowing costs for below-investment grade firms, fell 6 basis points to 12.5% for the week ended July 18, while the 30-day Fed Funds futures remained unchanged at 4.3%. The premium for low credit quality fell to 8.2% — on par with the lowest since March.

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

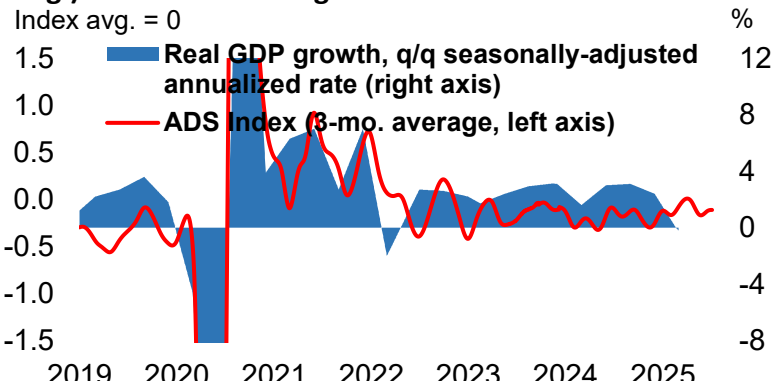
Real net exports of goods and services

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



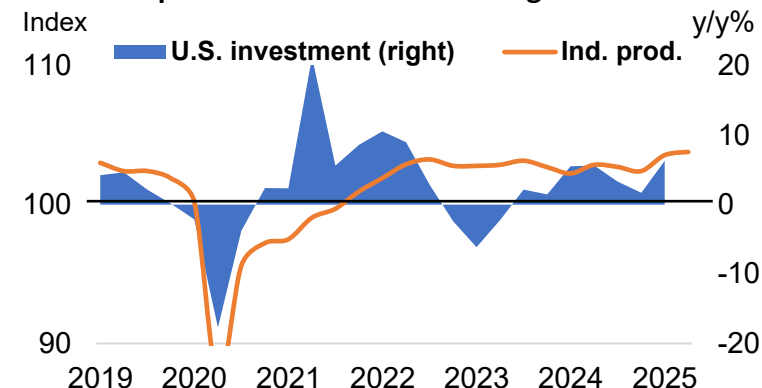
BEA's final GDP report for Q1 2025 withheld detail on net trade and inventories, an unusual omission. Prior estimates showed the real U.S. trade deficit widening to a \$1.4 trillion annualized rate, up from \$980 billion in Q4 2024. On a nominal basis, the petroleum trade surplus was revised higher by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



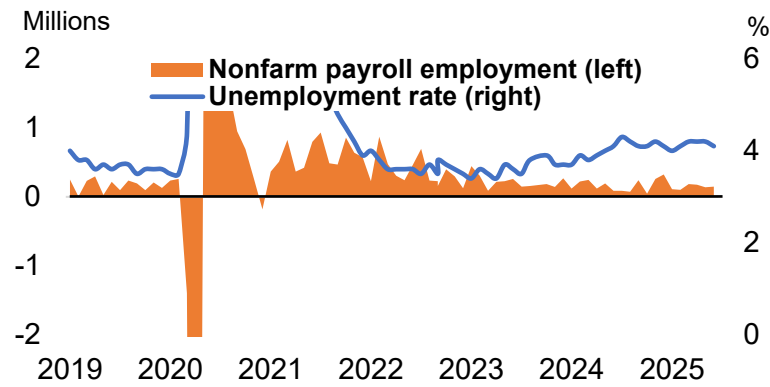
BEA downgraded U.S. real GDP growth by 0.4 percentage points to a 0.5% q/q contraction in Q1 2025. The ADS Business Conditions Index, published by the Philadelphia Fed, serves as a leading indicator of GDP growth. As of July 11, the index showed some deceleration but remained consistent with continued GDP growth in Q2 2025.

Industrial production and investment growth



Industrial production showed resilience in June, rising 0.7% m/m and 0.3% y/y, while capacity utilization edged up 0.1 percentage points to 77.6%, according to the Federal Reserve Board. As a leading indicator of economywide investment, industrial production aligns with a downward-revised 6.3% y/y increase in Q1 2025 investment and points towards continued growth in Q2 2025.

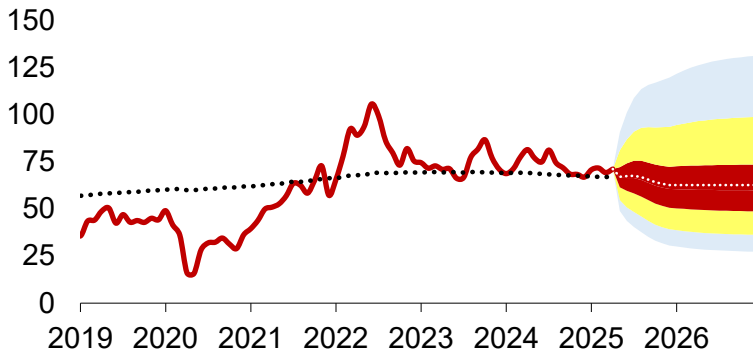
Nonfarm payroll employment & unemployment rate



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

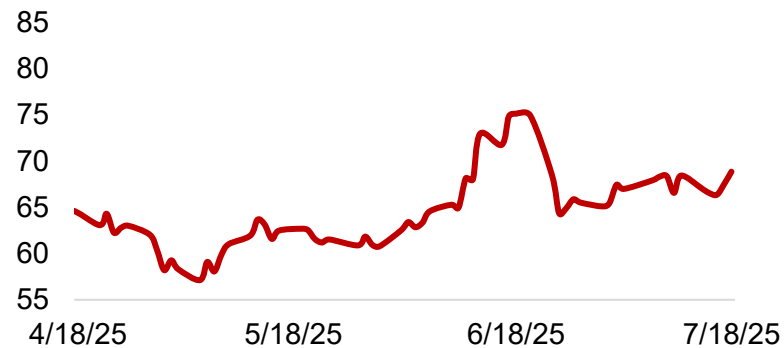
Dollars per barrel (2025\$)



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

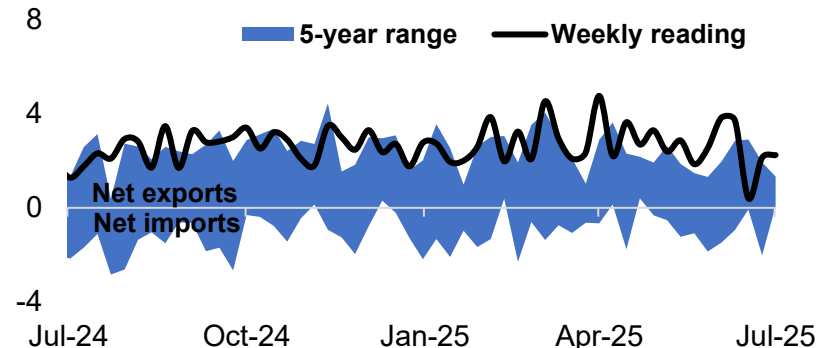
Dollars per barrel



WTI crude oil prices edged up 0.6% w/w to \$68.87 per barrel as of July 18, as markets continue to await clearer fundamental direction and assess the impact of new EU sanctions on Russia.

U.S. petroleum net exports (imports)

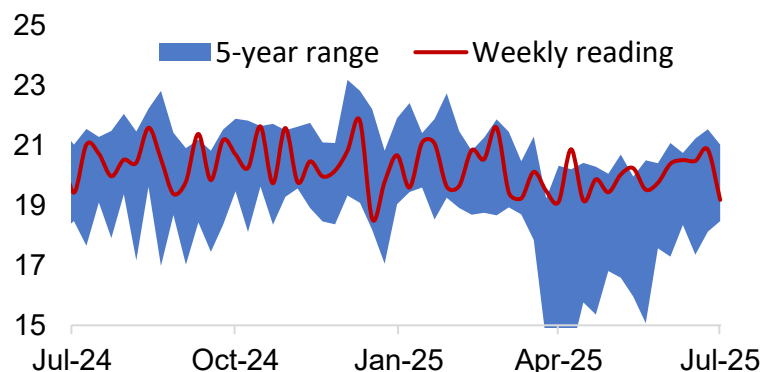
Million barrels per day, mb/d



Petroleum net exports rose to 2.2 mb/d for the week ended July 11, an increase of 0.1 mb/d from the prior week.

U.S. petroleum demand

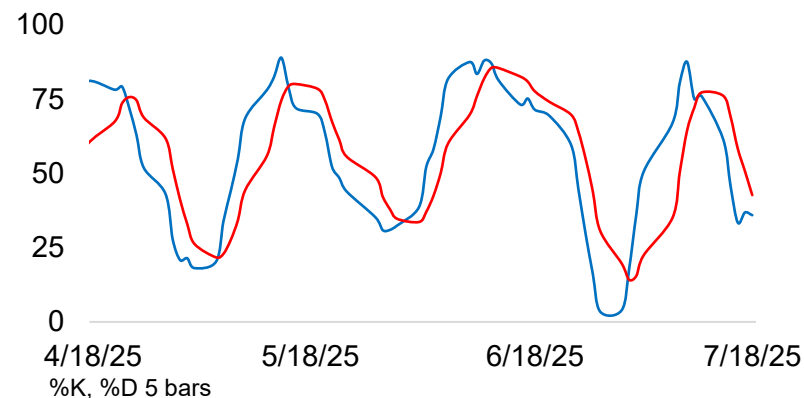
Million barrels per day (mb/d)



Petroleum demand fell. U.S. petroleum demand as of July 11, as measured by deliveries, decreased by 1.7 mb/d from the prior week to 19.2 mb/d.

WTI crude prompt month futures slow stochastic

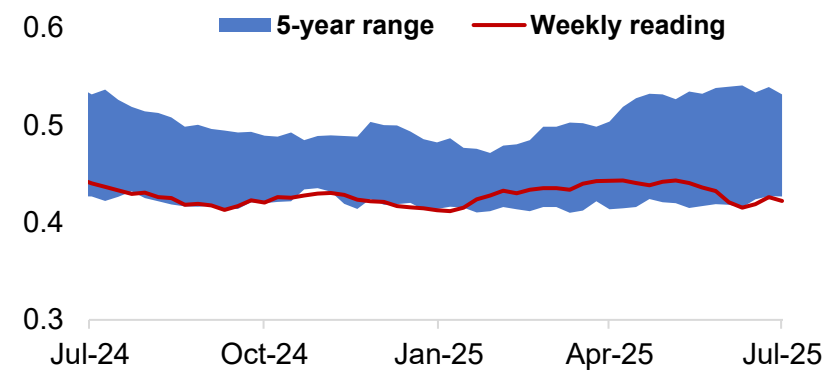
Index level



Price momentum slowed for the week ended July 18.

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

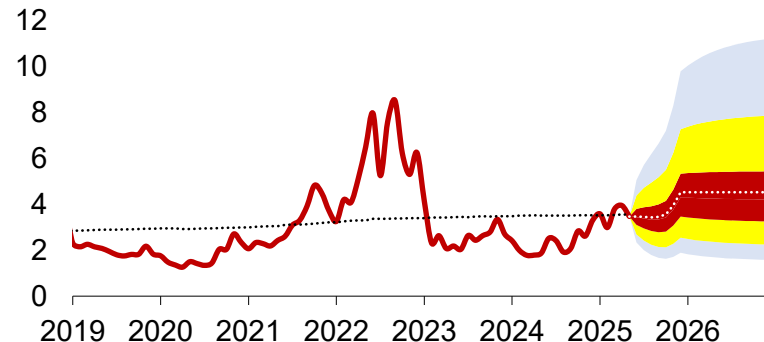
Billion barrels



Inventories decreased. U.S. ending stocks of crude oil excluding the Strategic Petroleum Reserve (SPR) decreased by 3.9 million barrels (mb) for the week ended July 11 – and remained below the bottom of the 5-year range.

Natural gas price mean reversion analysis

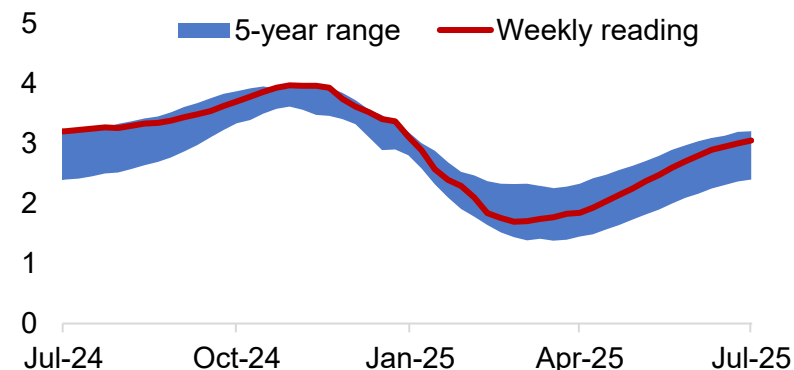
Dollars per mmBtu (2025\$)



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

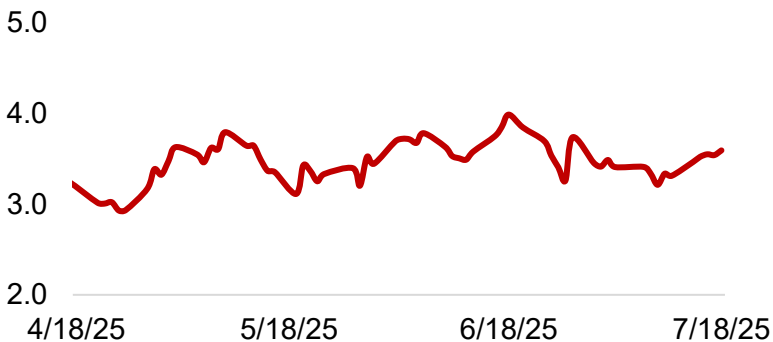
Trillion cubic feet (tcf)



Working natural gas storage increased. Underground storage rose by 1.5% week-over-week to 3.05 trillion cubic feet (tcf) as of July 11. While this level remains below the 3.21 tcf recorded during the same week last year, the pace of injections is twice as fast and ranks in the top 20% of the five-year range.

Natural gas prompt month futures prices

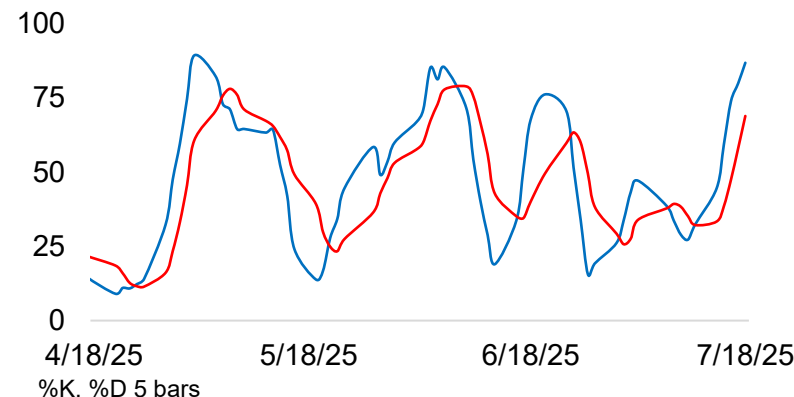
Dollars per million Btu



Henry Hub natural gas prices rose on weather-driven demand. Prices increased 8.4% week-over-week to \$3.59 per million Btu for the week ended July 18, as markets priced in expectations of a summer heatwave and strong power sector natural gas consumption.

Natural gas futures slow stochastic

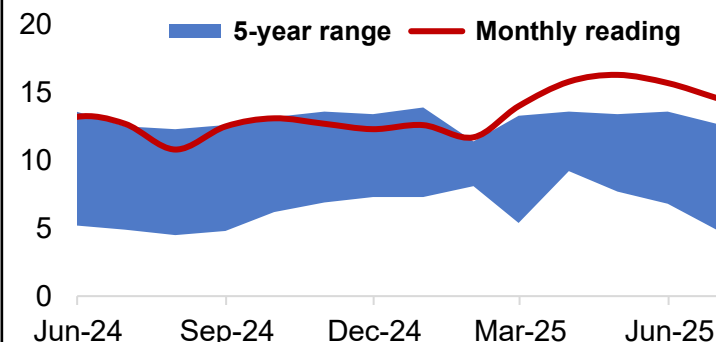
Index level



Natural gas price momentum rose during the week ended July 18.

U.S. natural gas net exports

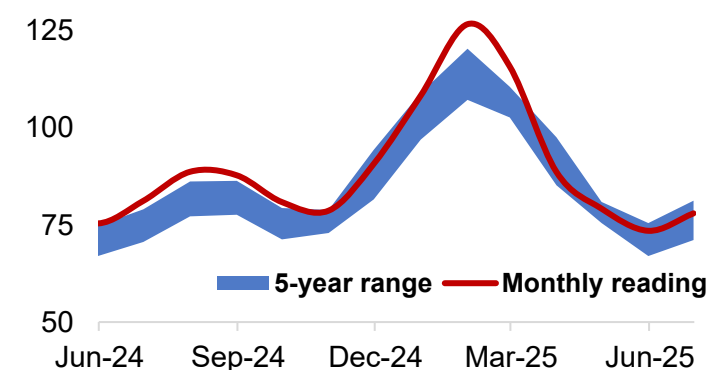
Billion cubic feet per day, bcf/d



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

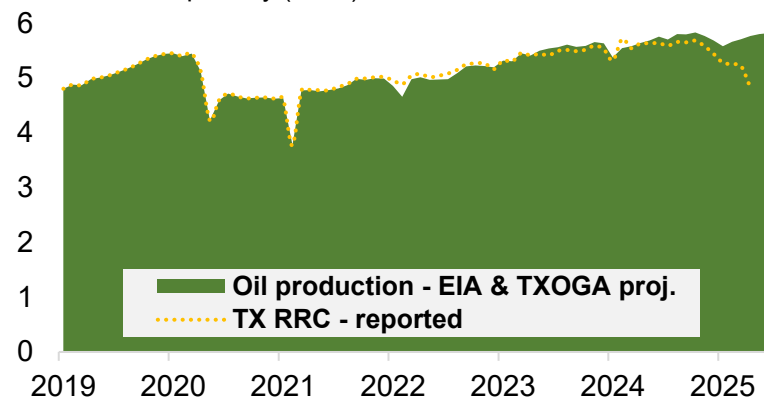
Billion cubic feet per day, bcf/d



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

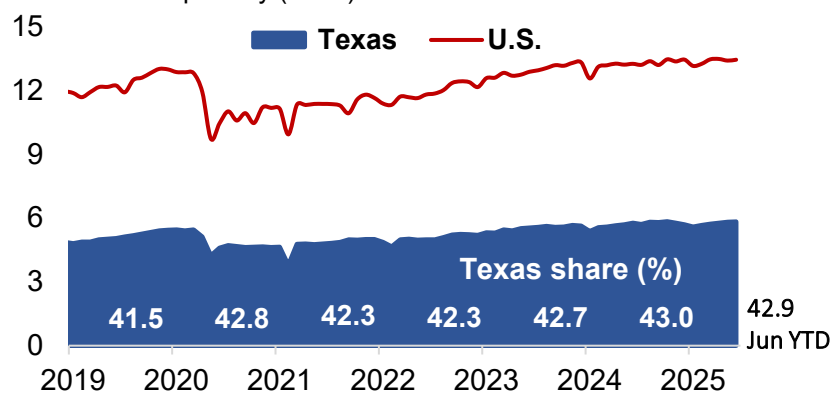
Million barrels per day (mb/d)



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

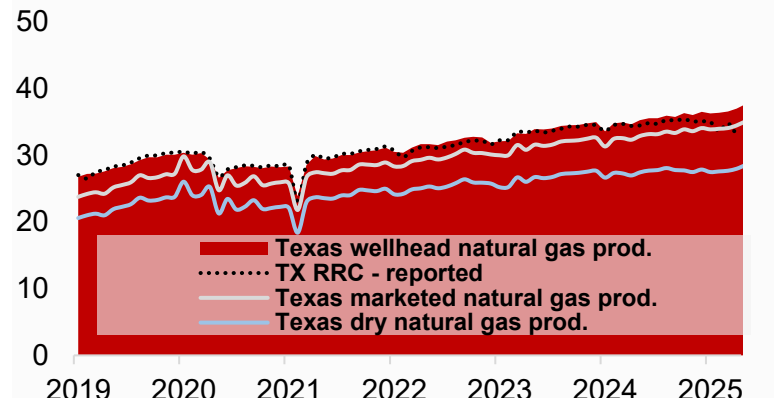
Million barrels per day (mb/d)



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

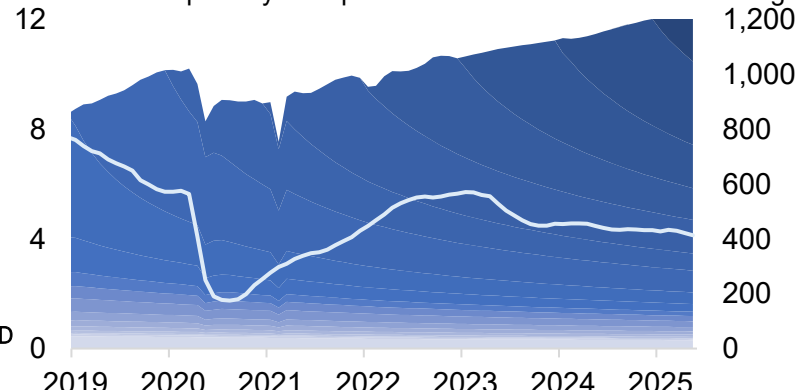
Billion cubic feet per day (bcf/d)



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

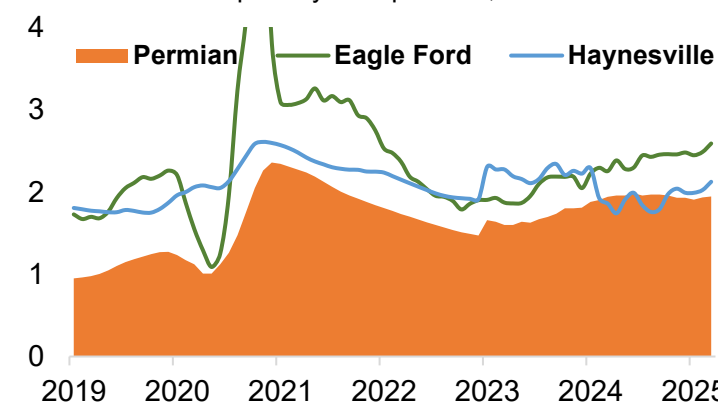
Million barrels per day oil-equivalent



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

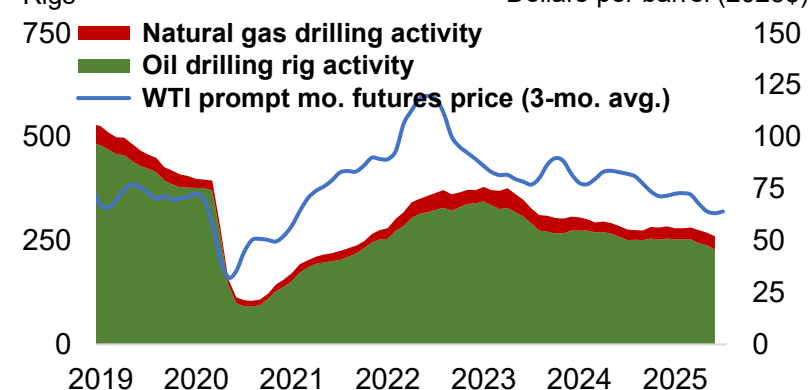
Thousand barrels per day oil-equivalent, kb/doe



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

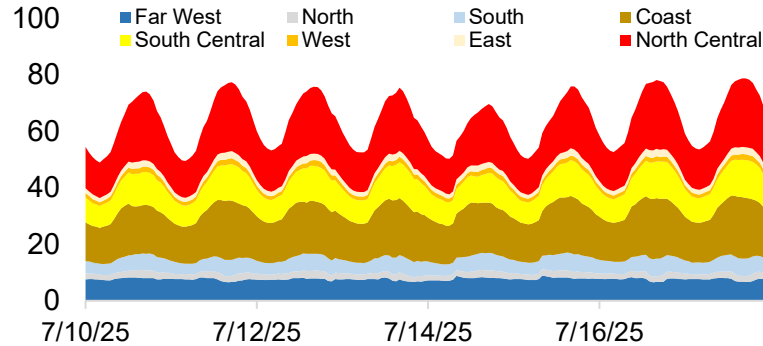
Rigs Dollars per barrel (2025\$)



As of July 18, Texas' total rig decline, according to Baker Hughes, with 218 oil-directed rigs (down 3 rigs w/w) and 35 natural gas-directed rigs (up 1 rig w/w).

ERCOT electricity load by region

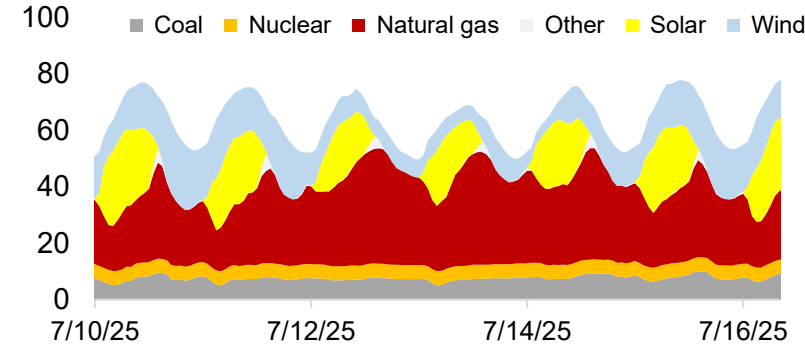
Thousand megawatt-hours (kMWh)



For July 10-16, ERCOT's average hourly electricity load was 63.9 kMWh, up 5.1% w/w, while the maximum hourly load of 78.8 kMWh rose by 5.0% w/w. Variability was the highest in the North Central and East regions.

ERCOT hourly electricity generation by source

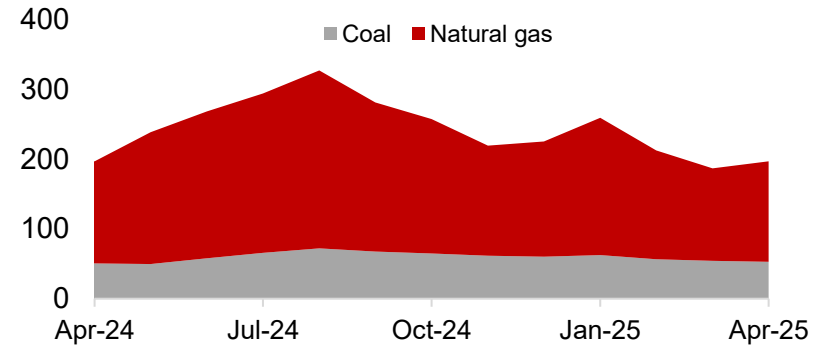
Thousand megawatt-hours (kMWh)



Thermal and dispatchable resources generated up to 87.4% of ERCOT's electricity. ERCOT's hourly electricity generation for the period July 10-16 ranged between 49 and 79 kMWh with a standard deviation of 8.9 kMWh. Thermal and dispatchable sources generated 87.4% of the region's power on the night of July 12, including 66.6% from natural gas.

Texas electricity plant receipts of natural gas and coal

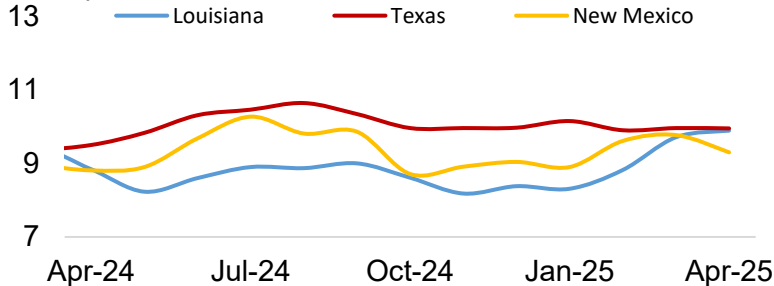
Trillion Btu



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

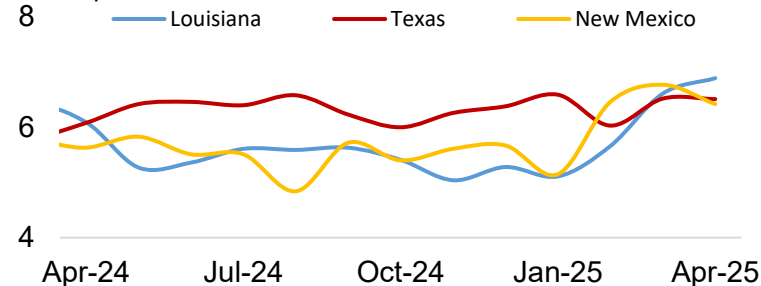
Cents per kilowatt-hour



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

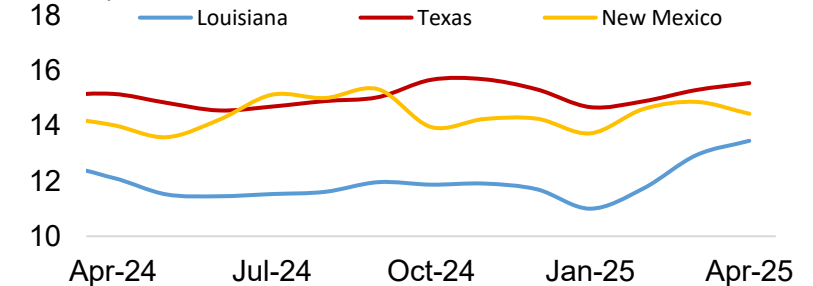
Cents per kilowatt-hour



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



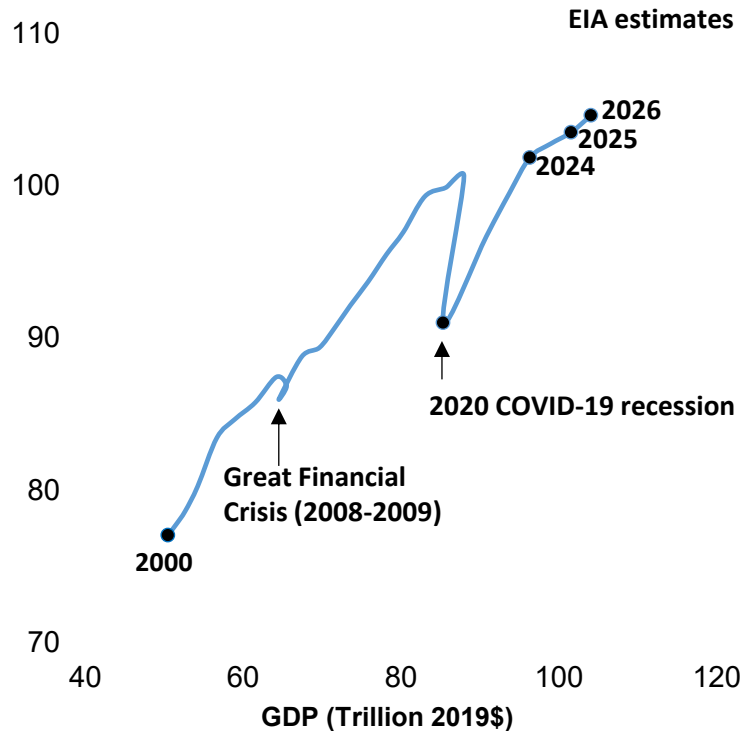
Texas' residential electricity prices rose. Residential electricity prices in Texas rose to 15.55 cents per kWh in April, up 2.6% y/y, remaining above rates in Louisiana (13.46 cents per kWh) and New Mexico (14.44 cents per kWh).

Global oil market outlook – Global supply growth upgraded by EIA for 2025 and 2026 despite lower demand expectations

- Global oil demand, as downgraded last month, is still expected to set a third consecutive record, rising from 102.7 mb/d in 2024 to 103.5 mb/d in 2025 and 104.6 mb/d in 2026.
- The EIA upgraded its global supply growth projections to 1.8 mb/d in 2025 and 1.1 mb/d in 2026, led by the U.S. and OPEC producers.
- Brent crude oil prices are projected to average \$69 per barrel in 2025 and \$58 in 2026—compared with about \$69 currently.

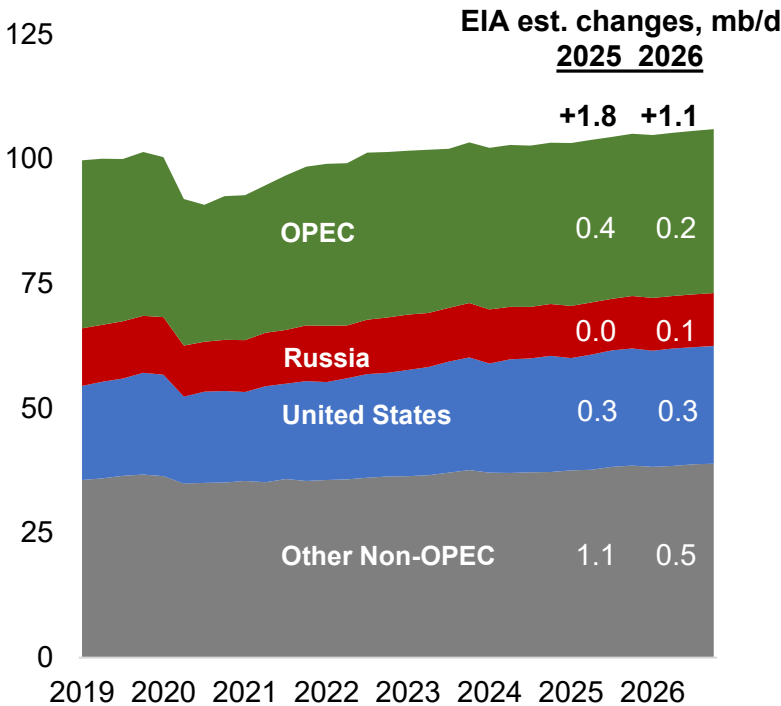
Global oil demand and GDP

Million barrels per day (mb/d)



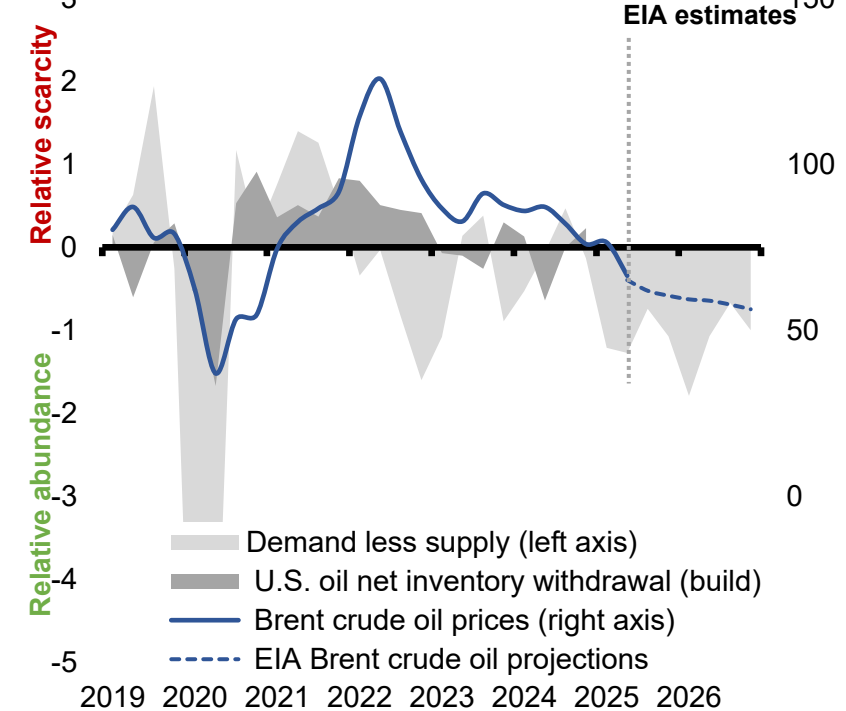
Oil production by country/region

Million barrels per day, mb/d



Global demand/supply & Brent prices

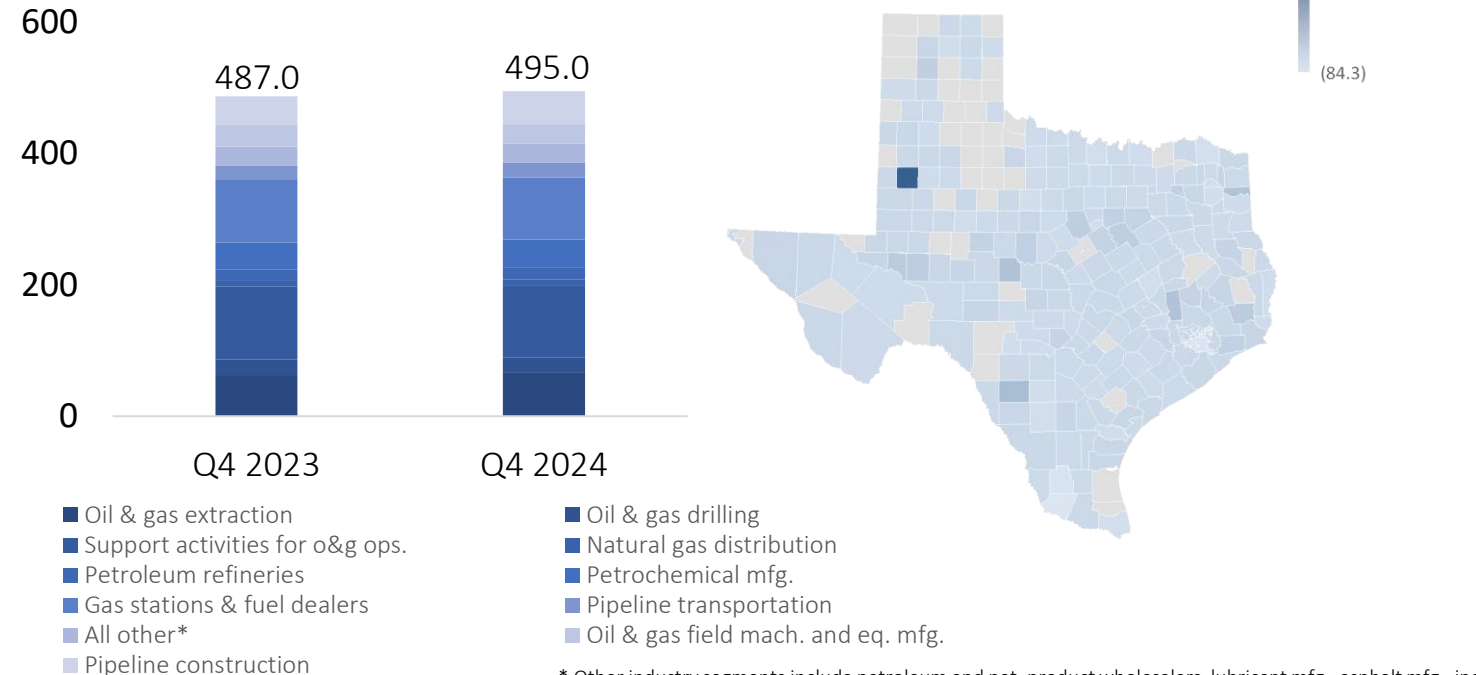
Million barrels per day (mb/d)



- 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

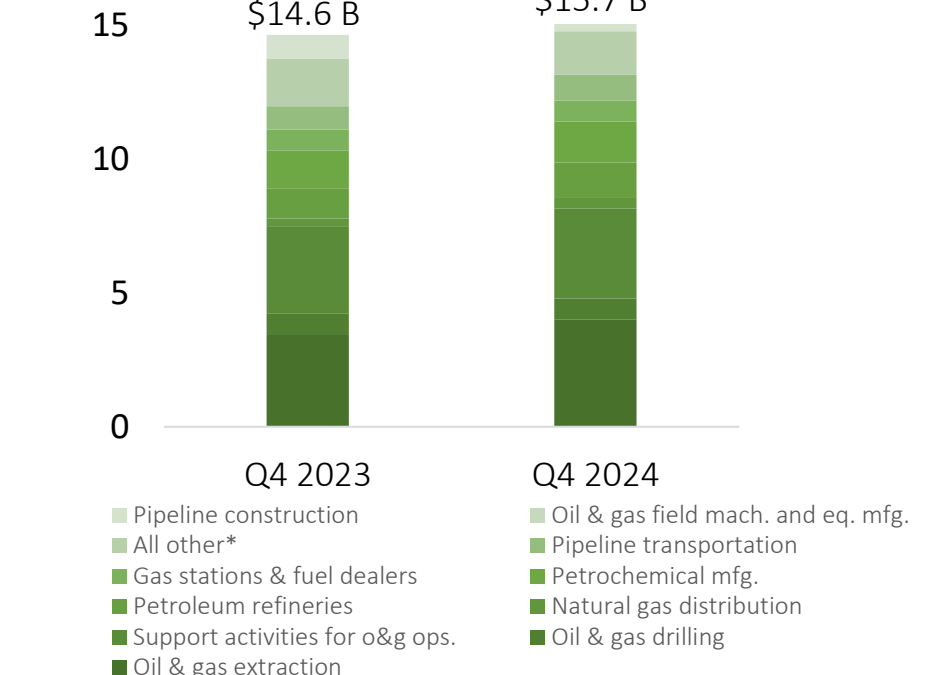
Thousand Jobs



* 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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