



**July 28, 2025**





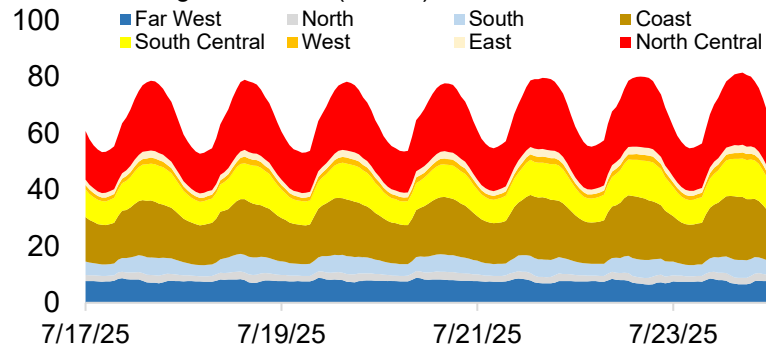
## Key points – Week of July 28, 2025

- **Growth resilient despite headwinds.** Economic data showed continued resilience in key areas. Industrial production rose 0.7% m/m and 0.3% y/y in June, while nonfarm payrolls increased by 147,000 and the unemployment rate fell to 4.1%. Consumer sentiment improved slightly in July but remains low, suggesting cautious consumer behavior. The BEA revised Q1 2025 real GDP growth down by 0.4 points to -0.3% q/q, driven in part by a wider trade deficit and omitted inventory data. Despite this, the ADS Index suggests GDP is still growing in Q2. Meanwhile, the bond premium for low credit quality narrowed as high-yield corporate borrowing costs fell.
- **Oil prices remained stabled amid tight inventories.** WTI crude oil prices held steady over the past month, slipping just 3.4% week-over-week (w/w) to \$65.05 per barrel as of July 25, even as U.S. crude inventories declined further. Inventories excluding the Strategic Petroleum Reserve fell by 3.2 million barrels to 419 million barrels—their lowest since January and below the 5-year historical range. Meanwhile, U.S. petroleum demand rose to 21.8 million b/d (+2.6 mb/d w/w), and net exports rose to 2.8 mb/d, reflecting strong international and domestic market pull. Futures prices remain in backwardation, suggesting persistent near-term supply tightness despite uncertainty over longer-term market direction.
- **Natural gas prices retreated as strong storage and cooler summer weather weighed on sentiment.** Prices fell 13.0% week-over-week to \$3.10 per million Btu for the week ended July 25, as markets responded to milder forecasts and reduced expectations for peak summer power demand. While the latest storage build was in line with last year's pace, inventories have steadily accumulated to 3.08 tcf—placing them in the top 20% of the 5-year range. This well-supplied backdrop has pressured prices, even as June consumption rose 6.1% month-over-month and net exports remained 15% above year-ago levels. The futures curve remains in contango, with near-term prices trading below their historical mean reversion threshold—suggesting potential upside if weather or demand conditions tighten.
- **As highlighted in the [Chart of the Week](#), Texas electricity prices escalated in May 2025 and remained higher than those in neighboring Louisiana and New Mexico.**

# Chart of the Week: Texas electricity prices escalated in May 2025

## ERCOT electricity load by region

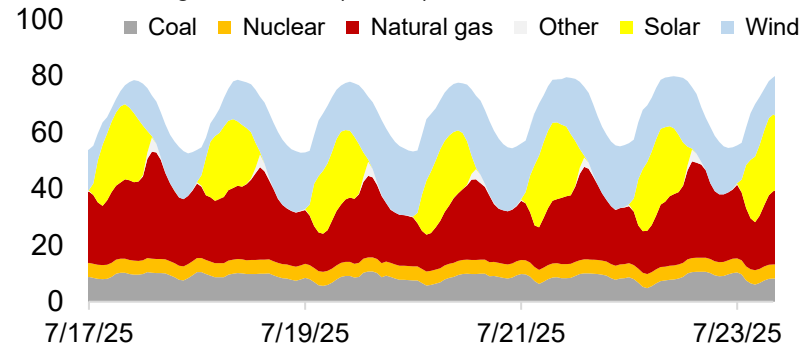
Thousand megawatt-hours (kMWh)



For July 17-23, ERCOT's average hourly electricity load was 67.4 kMWh, up 6.1% w/w, while the maximum hourly load of 81.6 kMWh rose by 4.2% w/w. Variability was the highest in the North Central and East regions.

## ERCOT hourly electricity generation by source

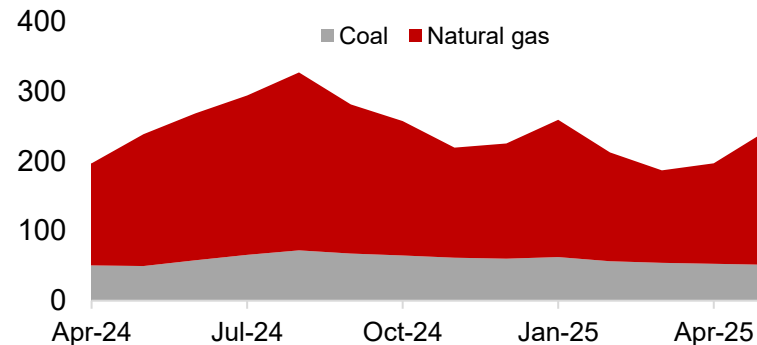
Thousand megawatt-hours (kMWh)



**Thermal and dispatchable resources generated up to 77.8% of ERCOT's electricity.** ERCOT's hourly electricity generation for the period July 17-24 ranged between 53 and 81 kMWh with a standard deviation of 9.4 kMWh. Thermal and dispatchable sources generated 77.8% of the region's power on the morning of July 18, including 49.2% from natural gas.

## Texas electricity plant receipts of natural gas and coal

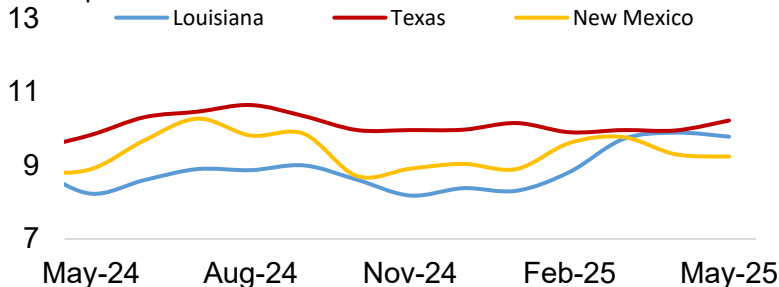
Trillion Btu



**Natural gas receipts accelerated in May.** Texas electricity plant receipts of natural gas rose by 32/6% m/m in May 2025, while receipts of coal fell 2.0% m/m.

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

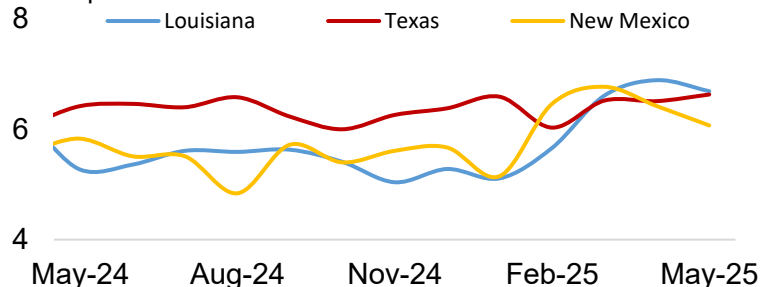
Cents per kilowatt-hour



**Texas electricity prices escalated in May 2025.** The average price of electricity in Texas rose 2.7% m/m and 4.0% y/y to 10.22 cents per kWh. For comparison, May electricity prices averaged 9.78 cents per kWh in Louisiana and 9.24 cents per kWh in New Mexico.

## Industrial electricity prices

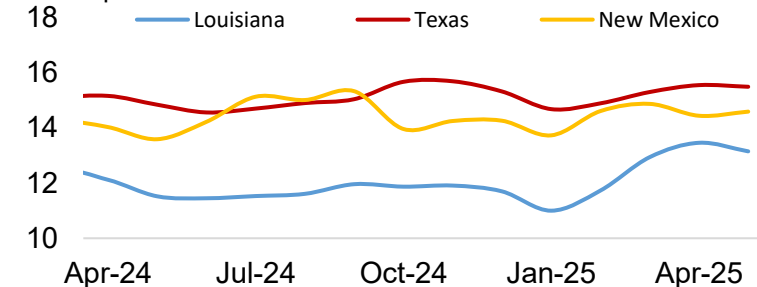
Cents per kilowatt-hour



**Texas' industrial electricity prices rose** by 1.8% m/m and 3.3% y/y to 6.63 cents per kWh in May, while those in neighboring Louisiana and New Mexico receded by 2.9% m/m and 5.5% m/m, respectively, to be on par or lower than prices in Texas.

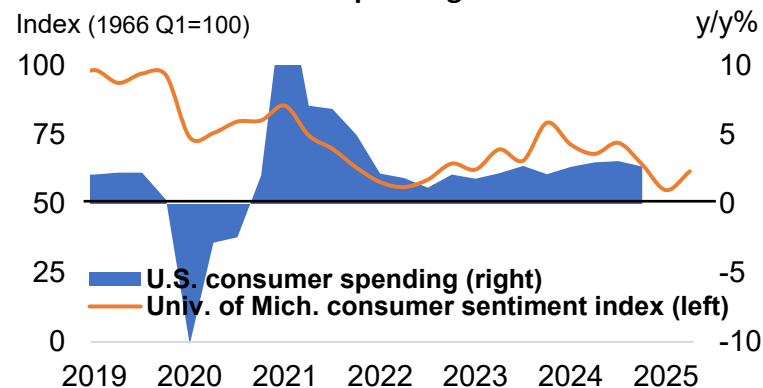
## Residential electricity prices

Cents per kilowatt-hour



**Texas' residential electricity prices slipped by 0.4% m/m but remained up 4.4% y/y** to 15.49 cents per kWh in May, remaining above rates in Louisiana (13.15 cents per kWh) and New Mexico (14.59 cents per kWh).

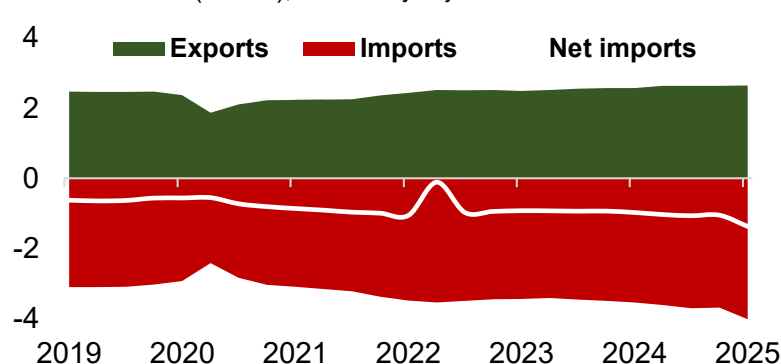
## Consumer sentiment vs. spending



Consumer sentiment edged up in the University of Michigan's initial July survey, but remains historically low. The UM sentiment index is a leading indicator of consumer spending growth and currently points to modest but positive spending growth for Q2 and Q3 2025.

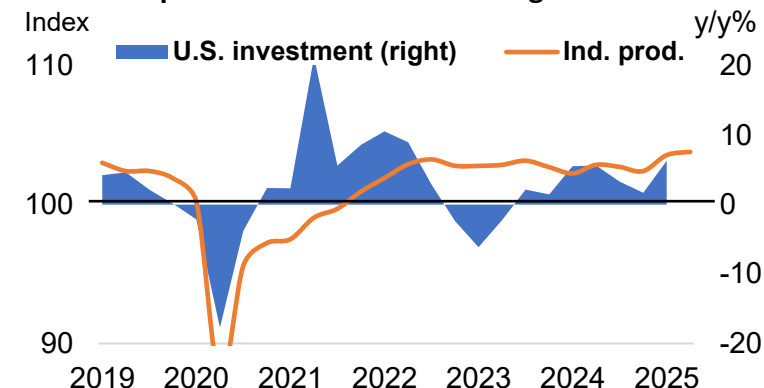
## Real net exports of goods and services

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



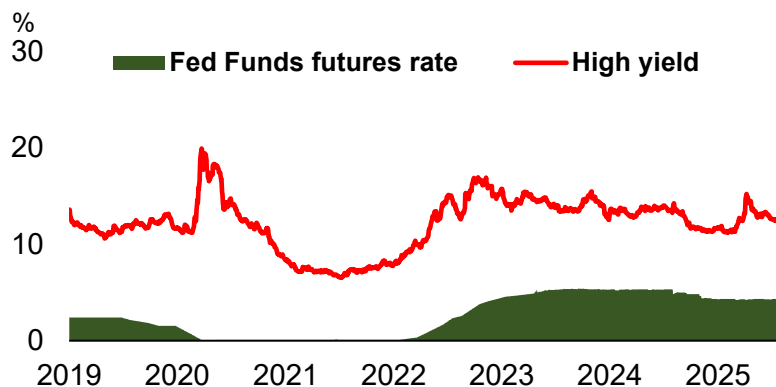
**BEA's final GDP report for Q1 2025 withheld detail on net trade and inventories**, an unusual omission. Prior estimates showed the real U.S. trade deficit widening to a \$1.4 trillion annualized rate, up from \$980 billion in Q4 2024. On a nominal basis, the petroleum trade surplus was revised higher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

## Industrial production and investment growth



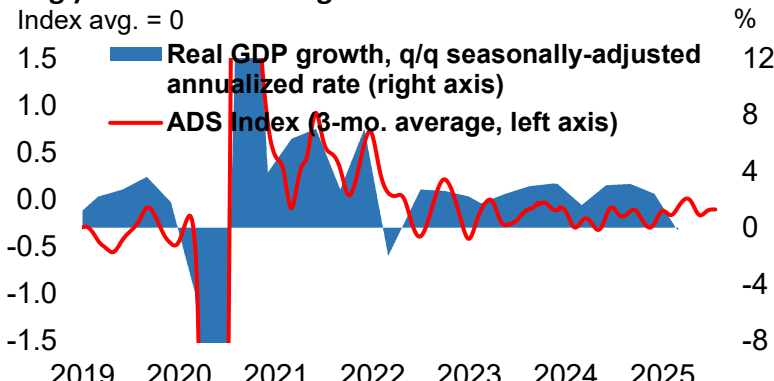
**Industrial production showed resilience in June**, rising 0.7% m/m and 0.3% y/y, while capacity utilization edged up 0.1 percentage points to 77.6%, according to the Federal Reserve Board. As a leading indicator of economywide investment, industrial production aligns with a downward-revised 6.3% y/y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

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



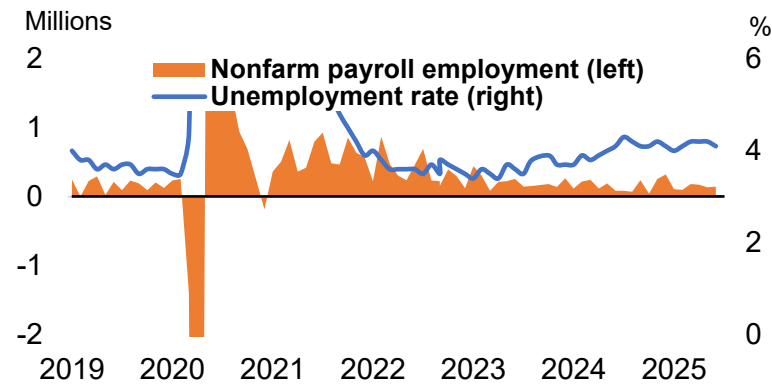
**The bond premium for low credit quality decreased.** High yield (HY) rates, which reflect borrowing costs for below-investment grade firms, fell 20 basis points to 12.3% for the week ended July 25, while the 30-day Fed Funds futures remained unchanged at 4.3%. The premium for low credit quality fell to 8.0% — on the lowest since March.

## 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. In data as of July 19, the index showed deceleration but was consistent with continued GDP growth in Q3 2025.

## Nonfarm payroll employment & unemployment rate

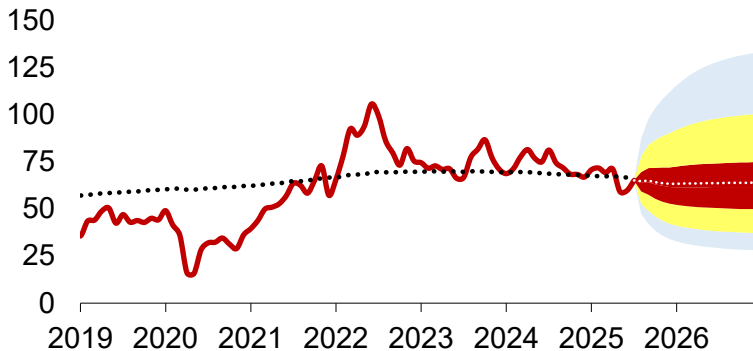


**Labor market conditions showed resilience.** Employment is a lagging indicator of GDP growth. Non-farm payrolls increased by 147,000 in June, and the U.S. unemployment rate fell by 0.1 percentage points to 4.1% according to the BLS.



## WTI crude oil price mean reversion analysis

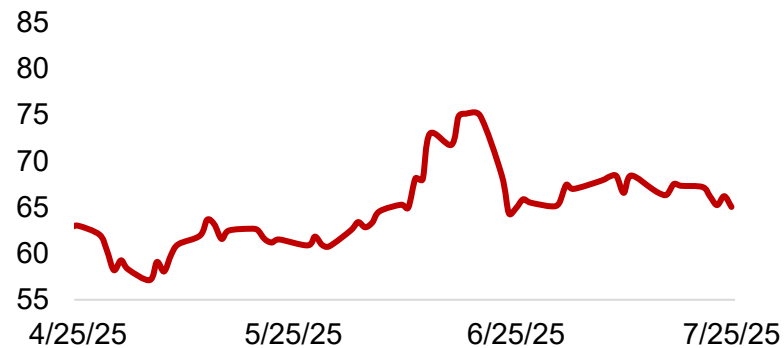
Dollars per barrel (2025\$)



**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

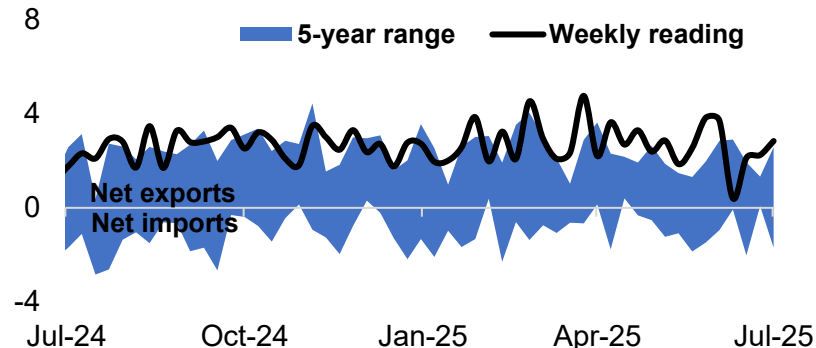
Dollars per barrel



WTI crude oil prices slipped by 3.4% w/w to \$65.05 per barrel as of July 25, as markets continue to await clearer fundamental direction.

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

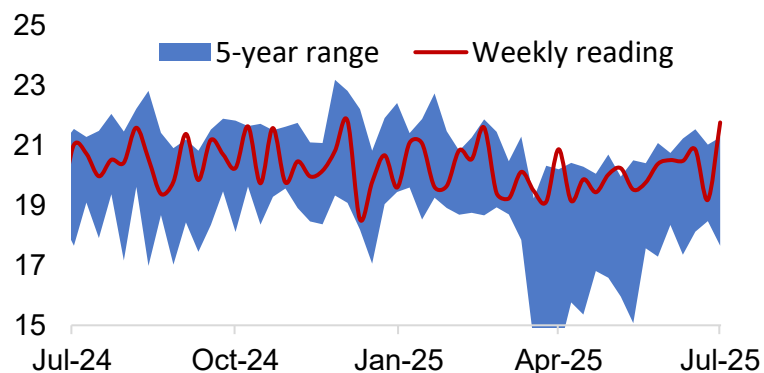
Million barrels per day, mb/d



**Petroleum net exports rose to 2.8 mb/d for the week ended July 18,** an increase of 0.6 mb/d from the prior week.

## U.S. petroleum demand

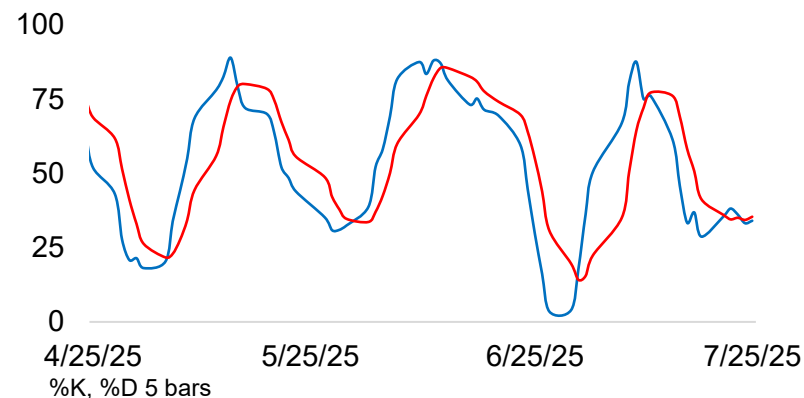
Million barrels per day (mb/d)



**Petroleum demand rose.** U.S. petroleum demand as of July 18, as measured by deliveries, increased by 2.6 mb/d from the prior week to 21.8 mb/d – 14% above the 5-year range.

## WTI crude prompt month futures slow stochastic

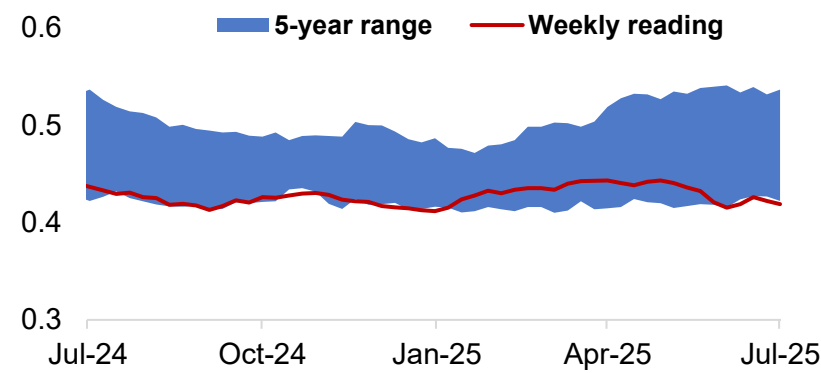
Index level



Price momentum slowed for the week ended July 25.

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

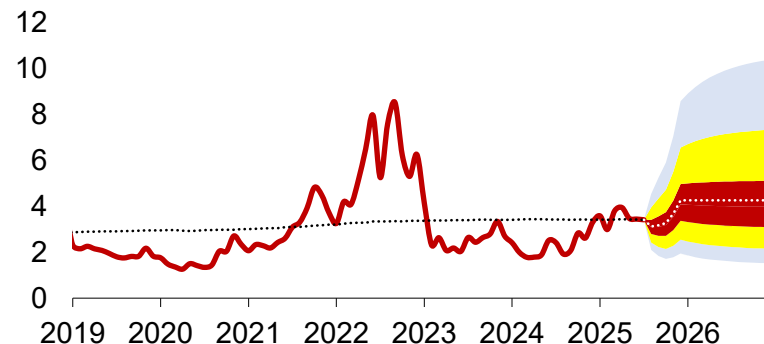
Billion barrels



**Inventories decreased.** U.S. ending stocks of crude oil excluding the Strategic Petroleum Reserve (SPR) decreased by 3.2 million barrels (mb) for the week ended July 18 – and remained below the bottom of the 5-year range.

## Natural gas price mean reversion analysis

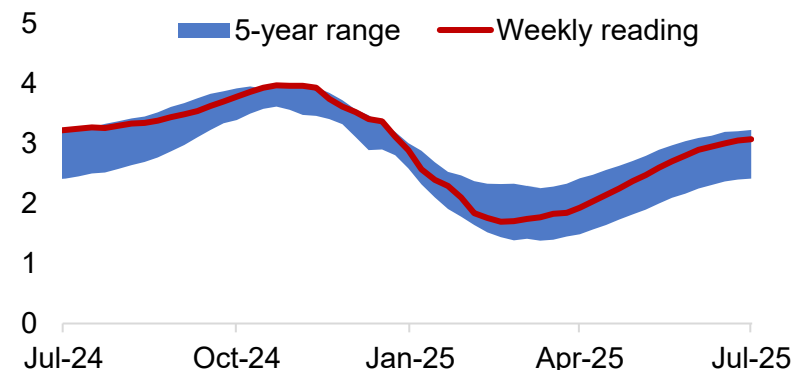
Dollars per mmBtu (2025\$)



**Near-term futures prices have fallen below 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

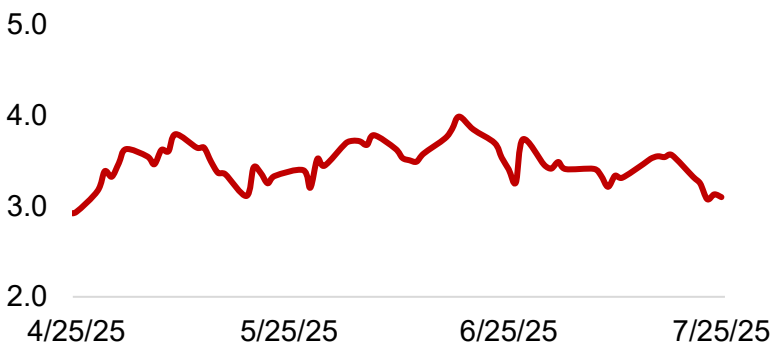
Trillion cubic feet (tcf)



**Working natural gas storage increased.** Underground storage rose by 0.8% week-over-week to 3.08 trillion cubic feet (tcf) as of July 18 – top 20% within the 5-year range with a pace of injections on par with last year.

## Natural gas prompt month futures prices

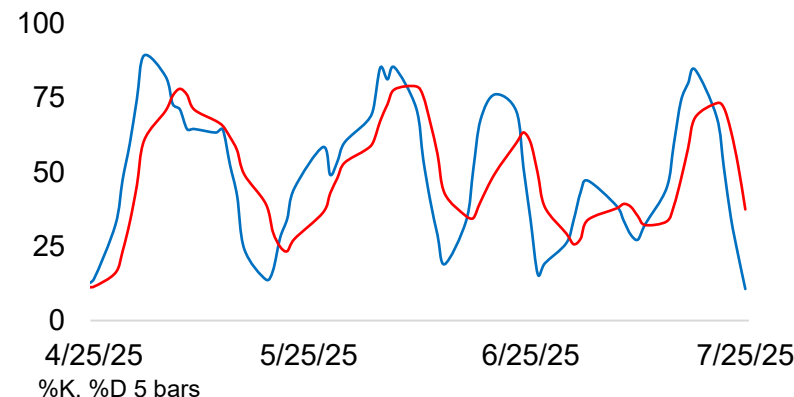
Dollars per million Btu



**Henry Hub natural gas prices fell on strong storage, weaker weather-driven expectations.** Prices decreased 12.2% week-over-week to \$3.13 per million Btu for the week ended July 25, as markets priced in strong inventories amid reduced expectations for peak summer power consumption.

## Natural gas futures slow stochastic

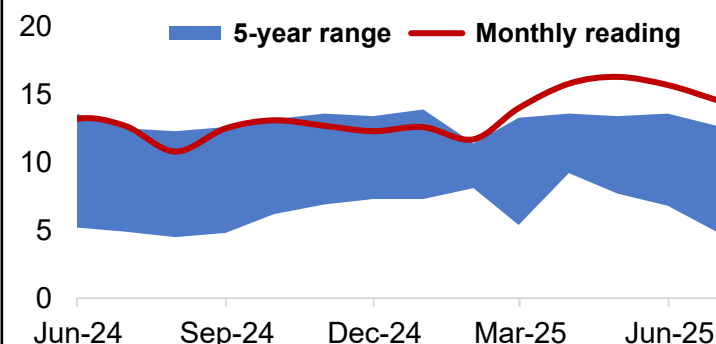
Index level



Natural gas price momentum slowed during the week ended July 25.

## U.S. natural gas net exports

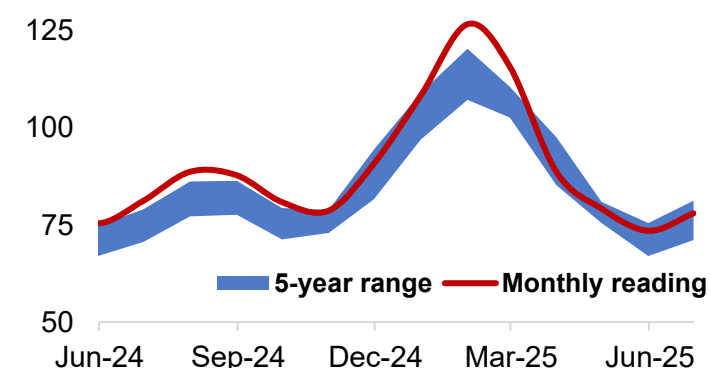
Billion cubic feet per day, bcf/d



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

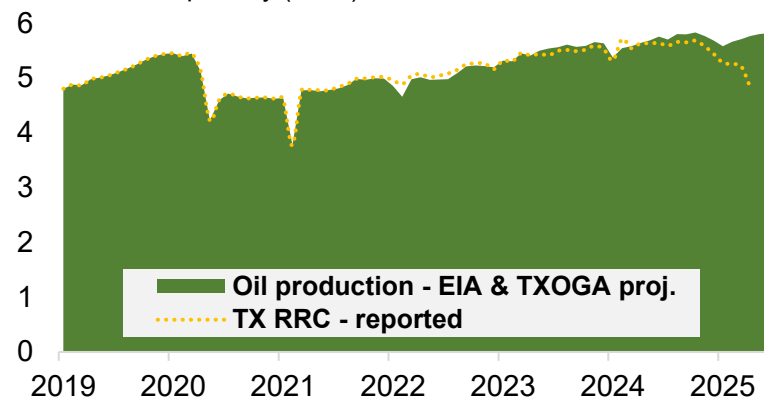
Billion cubic feet per day, bcf/d



**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

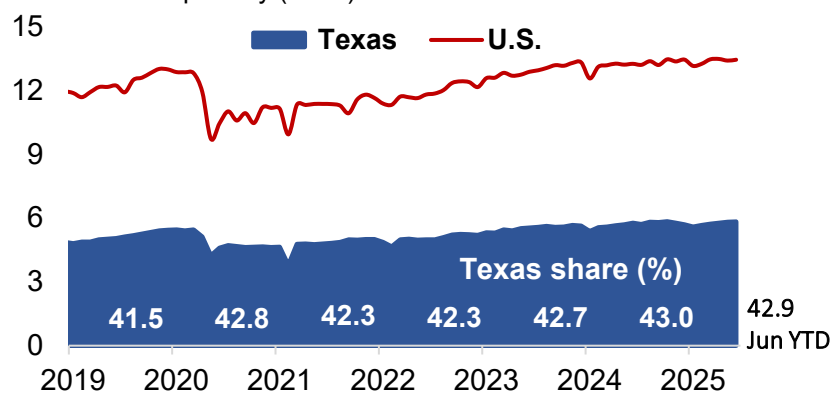
Million barrels per day (mb/d)



**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

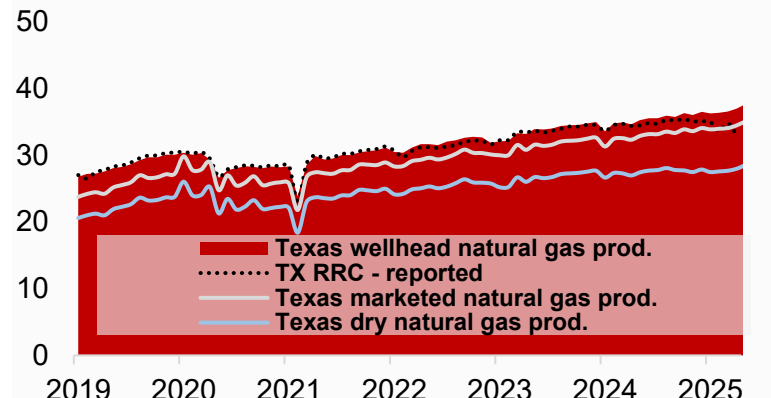
Million barrels per day (mb/d)



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

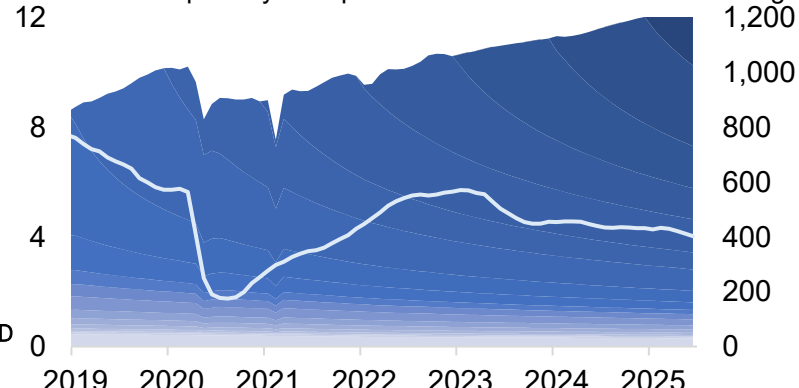
Billion cubic feet per day (bcf/d)



**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

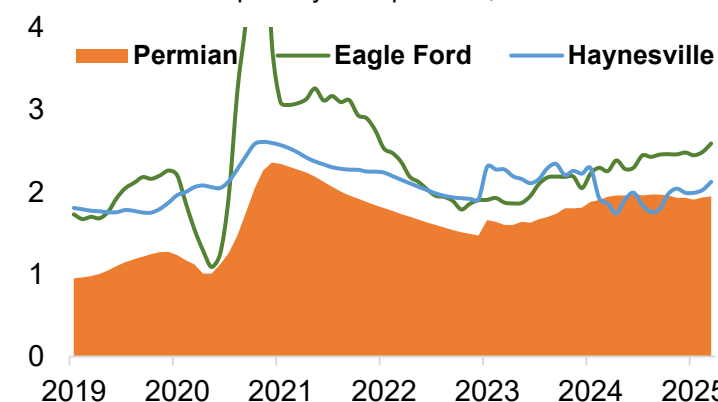
Million barrels per day oil-equivalent



**EIA estimates show changes in oil and natural gas production across Texas** shale basins in June 2025, including the Permian (+4.4% y/y), Eagle Ford (+2.5% y/y), and Haynesville (+5.3% y/y).

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

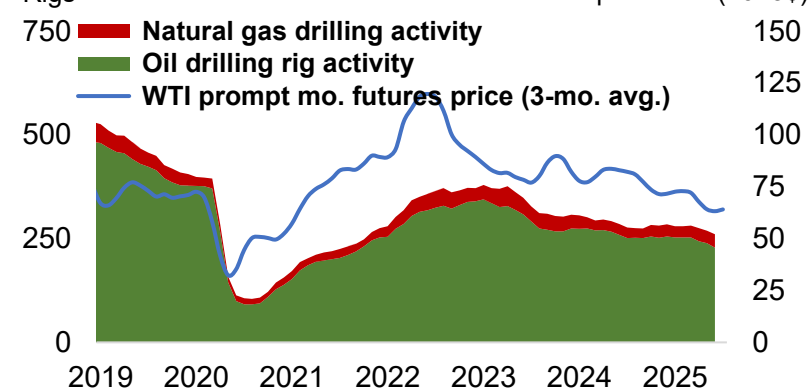
Thousand barrels per day oil-equivalent, kb/doe



**Rig productivity gains continued across major basins in June.** EIA estimates of rig productivity for June 2025 rose by 1.8% y/y in the Permian Basin, 2.9% y/y in the Eagle Ford, and 1.7% y/y in the Haynesville.

## Texas drilling activity and WTI crude oil futures prices

Rigs Dollars per barrel (2025\$)



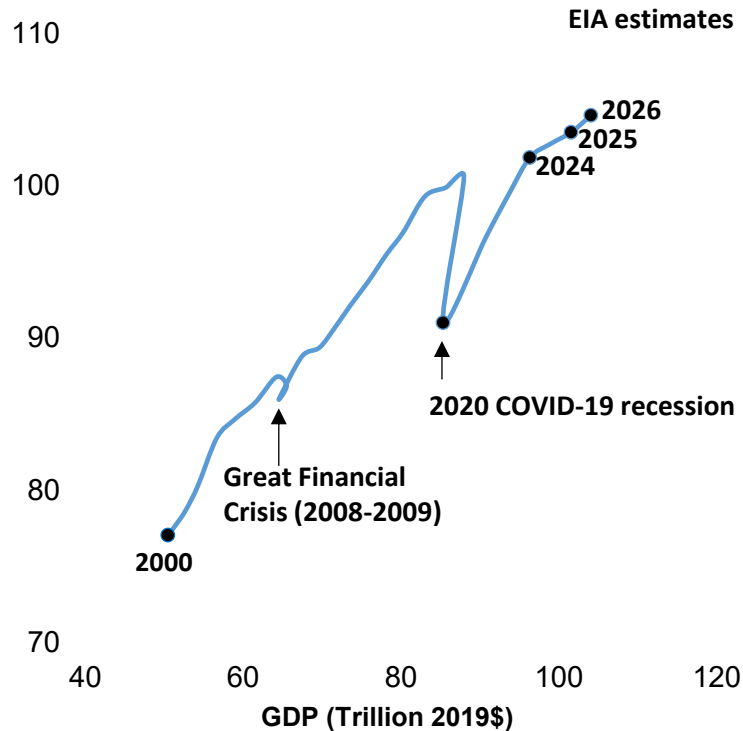
**As of July 24, Texas' total rigs declined**, according to Baker Hughes, with 212 oil-directed rigs (down 6 rigs w/w) and 37 natural gas-directed rigs (up 2 rigs w/w).

# 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.

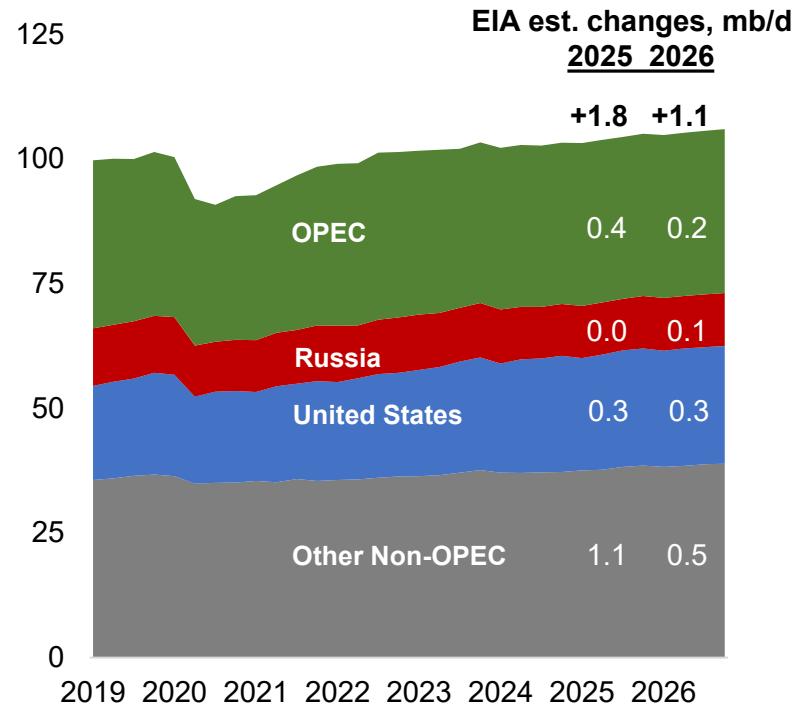
## Global oil demand and GDP

Million barrels per day (mb/d)



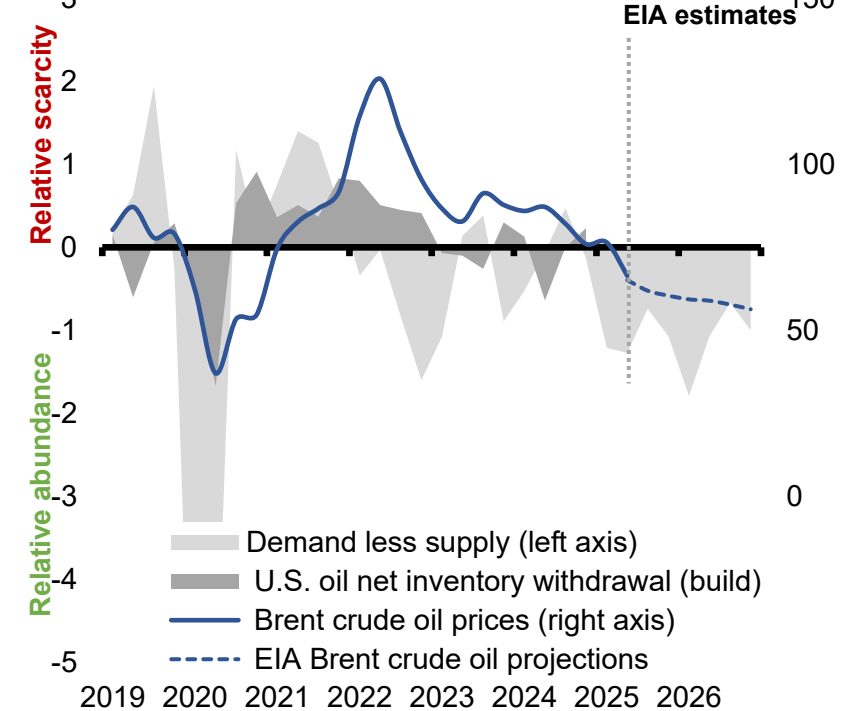
## Oil production by country/region

Million barrels per day, mb/d



## Global demand/supply & Brent prices

Million barrels per day (mb/d)

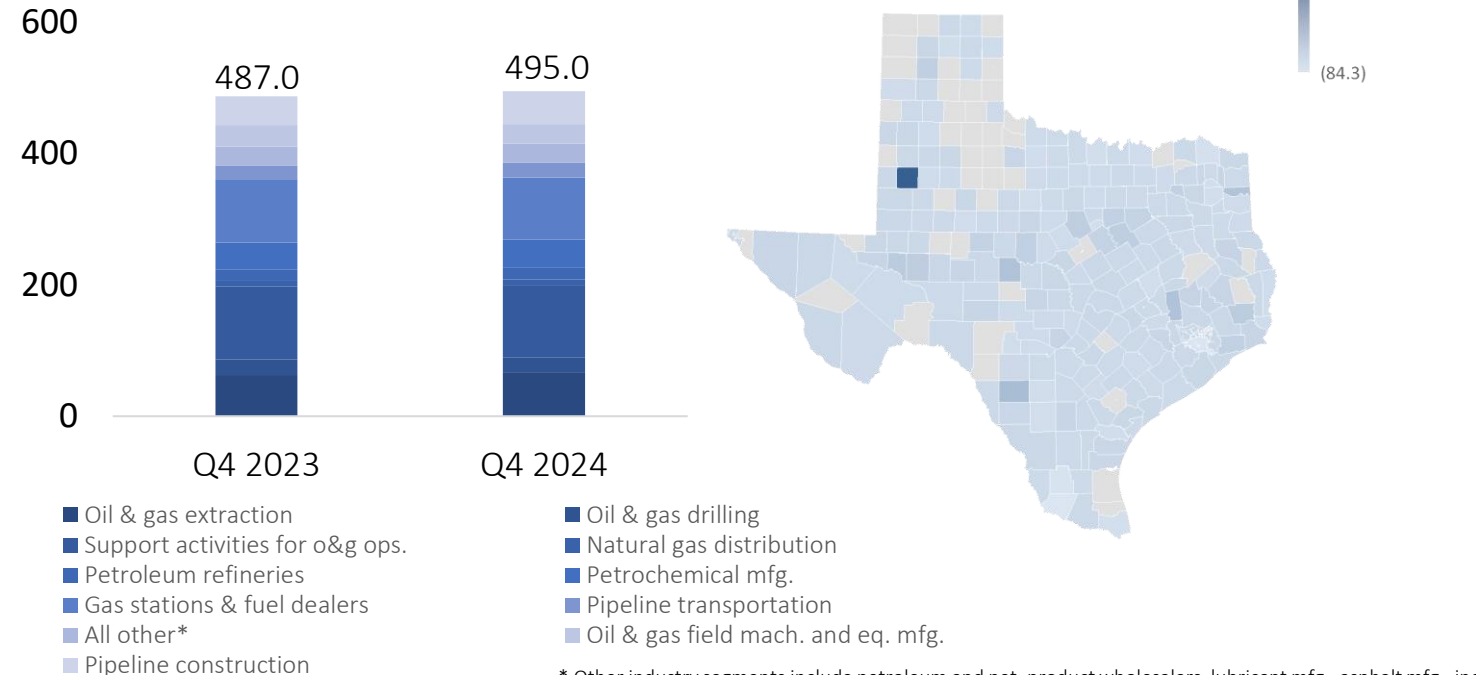




- Texas oil and natural gas industry employment and wages grew by 1.6% and 7.6% year-over-year (y/y), respectively, in Q4 2024, reaching 494,961 jobs and \$15.7 billion in wages.
- The vast majority of job growth year-over-year occurred in pipeline construction (+6,674 jobs) and natural gas extraction (+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

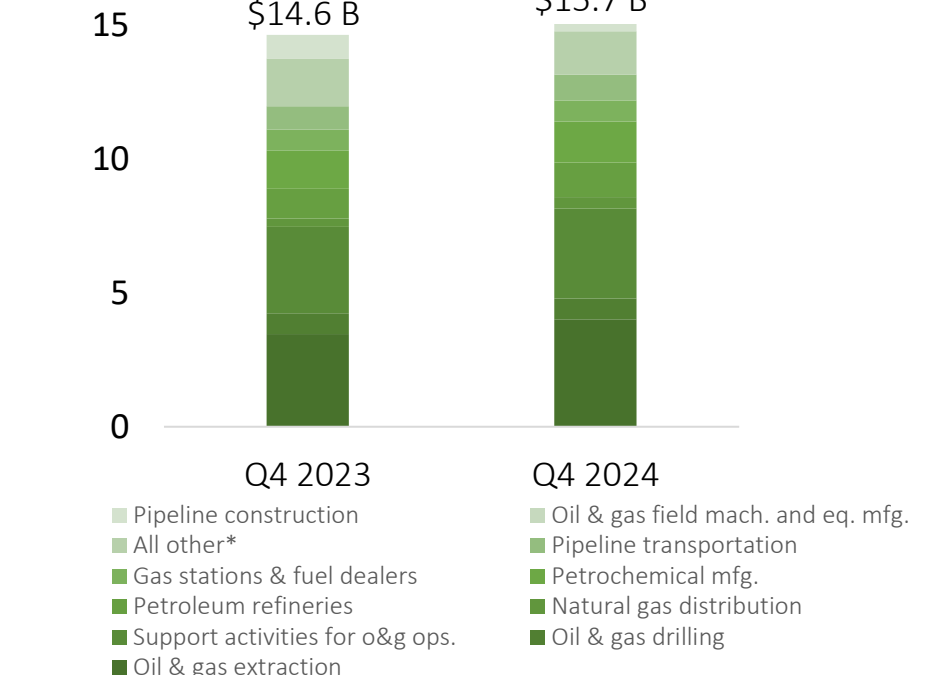
Thousand Jobs



\* 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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