



August 4, 2025



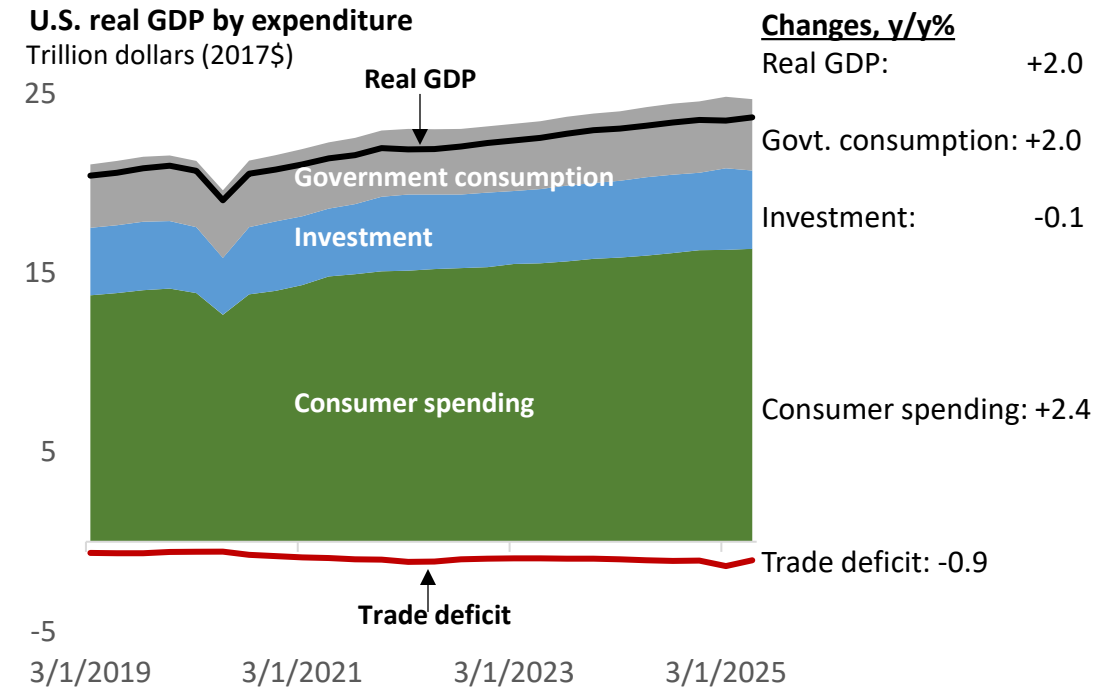


Key points – Week of August 4, 2025

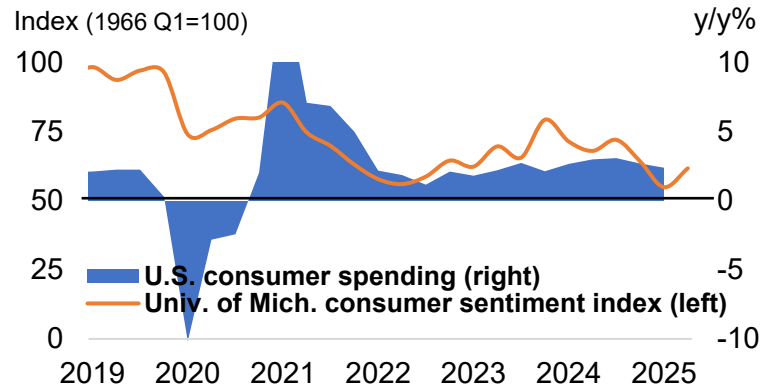
- **Growth slowed notably, led by weakness in the labor market.** U.S. nonfarm payrolls rose by just 73,000 in July—far below expectations—while cumulative downward revisions since April erased 334,000 jobs. The unemployment rate edged up to 4.2%, its highest level in over two years. As shown in the [Chart of the Week](#), consumer spending remained positive, growing by 2.4% year-over-year (y/y) in Q2, but sentiment remains muted. Industrial production showed modest gains, and business investment was flat. Despite a narrowing trade deficit and a rebound in Q2 GDP, early indicators like the ADS index point to softer economic momentum ahead.
- **Oil prices rose as technicals turned bullish, despite rising inventories and weaker demand.** WTI crude rose 3.8% w/w to \$67.61/bbl as of August 1, as markets reacted to speculation over additional Russia sanctions and improved trade prospects. Price momentum turned positive, with the slow stochastic signal reversing sharply, and futures prices now exceed their historical mean reversion threshold, highlighting a shift in near-term expectations. The prompt curve remains in backwardation. However, inventories rose by 7.7 million barrels, and U.S. petroleum demand fell by 0.4 mb/d to 21.4 mb/d—still more than 10% above the seasonal average. Petroleum net exports declined to 1.7 mb/d, down 1.2 mb/d from the prior week.
- **Natural gas prices held steady as inventories grew and momentum paused.** Henry Hub prices fell 0.8% week-over-week (w/w) to \$3.07 per million Btu for the week ended August 1, as markets balanced strong inventories and subdued summer power demand. Futures remain in contango, with spot prices below forward prices, and the slow stochastic signal suggests price momentum paused after recent gains. Working gas storage rose 1.6% w/w to 3.12 tcf—16% above the 5-year average—with injection rates still twice as high as last year. U.S. natural gas net exports rose 35% y/y to 14.6 bcf/d in July, while domestic consumption rose 2.9% m/m but was down 2.9% y/y to 86.1 bcf/d, per EIA estimates.

U.S. economic growth broadly slowed in Q2 2025, signaling emerging headwinds for industry and signs of consumer strain.

- According to the BEA's initial estimate, real GDP grew by 2.0% year-over-year in Q2—matching the revised pace of Q1.
- The biggest surprise was a 0.1% y/y decline in economy-wide investment, which diverged from solid industrial production and rising capacity utilization, suggesting that macro uncertainties have begun to weigh on capital outlays.
- Consumer spending growth slowed to 2.4% y/y, down 0.3 percentage points from Q1.
- Government consumption matched headline GDP growth at 2.0% y/y, decelerating from 2.6% in Q1.
- Meanwhile, the U.S. trade deficit narrowed by 0.9% y/y to \$1.0 trillion, following a record \$1.4 trillion shortfall in Q1 2025 (revised).

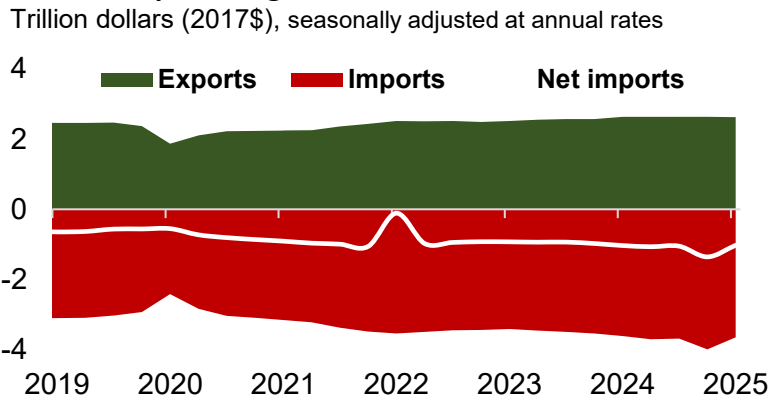


Consumer sentiment vs. spending



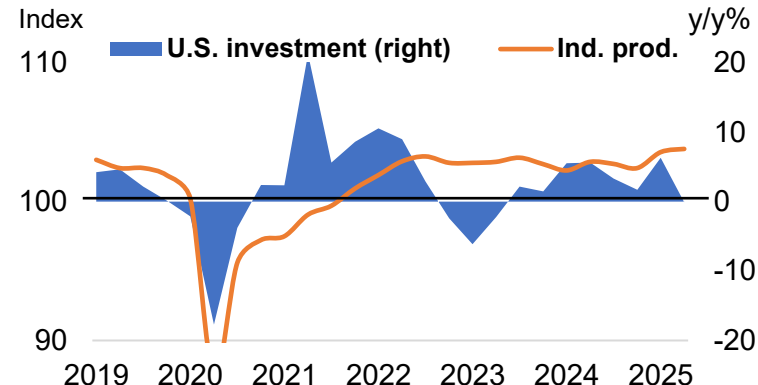
Consumer spending grew by 2.4% y/y in the BEA's initial estimate of Q2 2025 GDP, marking a 0.3 percentage point slowdown from Q1. The University of Michigan's sentiment index—a leading indicator of consumer spending—edged higher in the preliminary July reading but continues to suggest a moderation in spending growth for Q3 2025.

Real net exports of goods and services



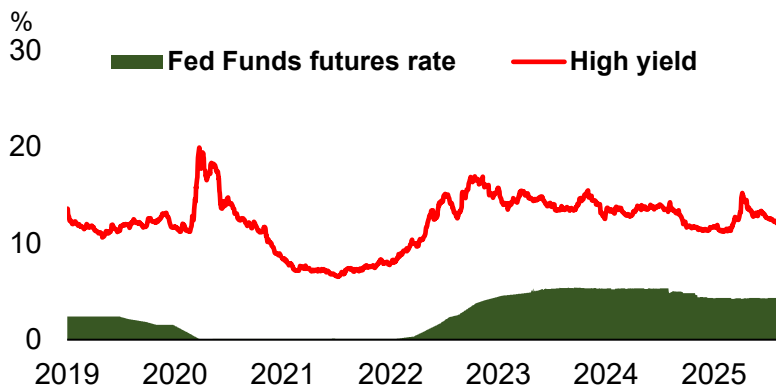
The BEA's initial Q2 2025 GDP report showed the U.S. trade deficit narrowed to \$1.0 trillion, down from a record \$1.4 trillion in Q1, as imports declined more than exports. On a nominal basis, the petroleum trade surplus rose by \$5.5 billion to \$67.8 billion—nearly double its level from a year ago.

Industrial production and investment growth



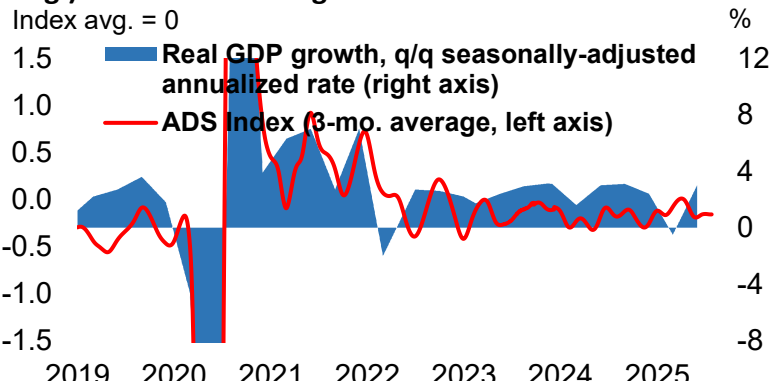
Macro uncertainties stalled investment in Q2 2025. According to the GDP report, economy-wide investment declined 0.1% y/y, diverging from industrial production, which typically leads investment trends. Industrial production rose 0.7% m/m and 0.3% y/y in June, while capacity utilization edged up 0.1 percentage points to 77.6%, per the Federal Reserve Board.

Fed Funds rate and CCC and lower corporate bond yields



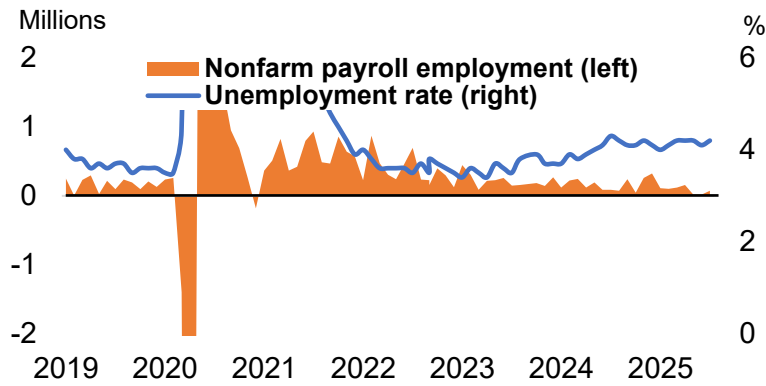
The bond premium for low credit quality fell. High yield (HY) rates, which reflect borrowing costs for below-investment grade firms, fell by 20 basis points to 12.1% for the week ended Aug. 1, while the 30-day Fed Funds futures was unchanged at 4.3%. The premium for low credit quality was 7.8% — on par with the lowest since March.

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



Real GDP growth showed a mixed rebound in Q2 2025, while the ADS Business Conditions Index from the Philadelphia Fed—an early indicator of economic momentum—continued to decelerate as of July 25 but remained consistent with ongoing GDP growth in Q3.

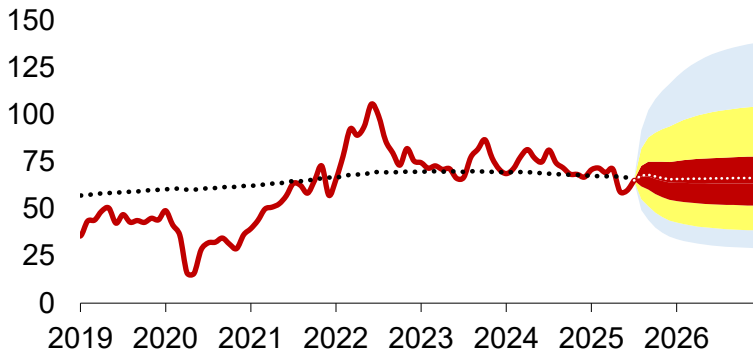
Nonfarm payroll employment & unemployment rate



Labor market conditions weakened – and were downgraded retroactively. Employment is a lagging indicator of GDP growth. Nonfarm payrolls rose by 73,000 in July, but cumulative downward revisions of initial estimates since April have detracted 334,000 jobs. The U.S. unemployment rate rose by 0.1 percentage points to 4.2% according to the BLS.

WTI crude oil price mean reversion analysis

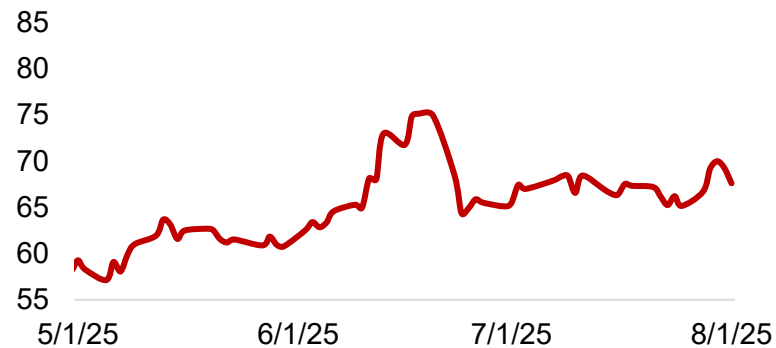
Dollars per barrel (2025\$)



Near-term futures prices exceed 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

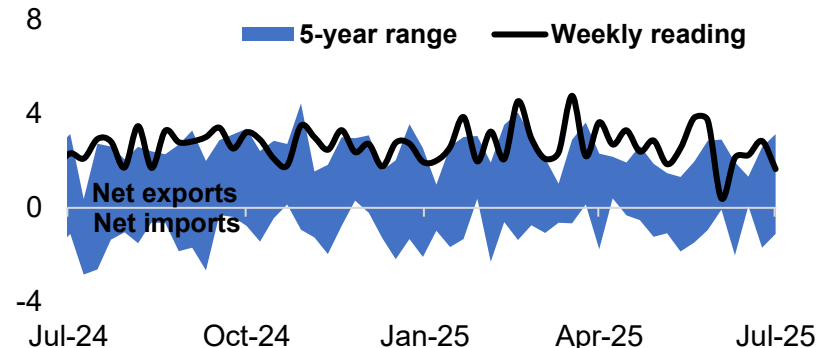
Dollars per barrel



WTI crude oil prices rose 3.8% week-over-week to \$67.61 per barrel as of August 1, despite a buildup in weekly inventories, as markets responded to speculation over additional Russia sanctions and a potential rebound in trade.

U.S. petroleum net exports (imports)

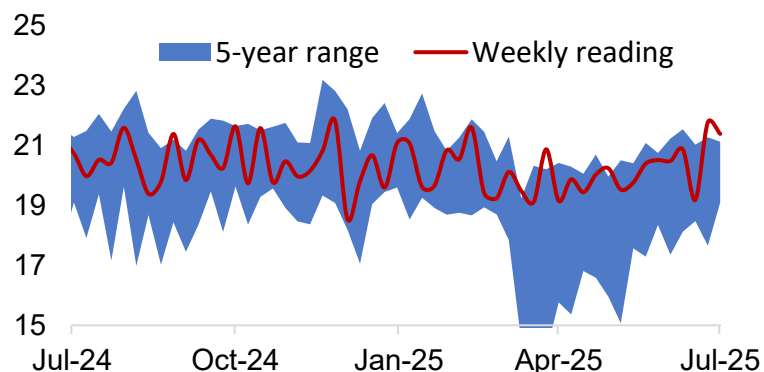
Million barrels per day, mb/d



Petroleum net exports fell to 1.7 mb/d for the week ended July 25, a decrease of 1.2 mb/d from the prior week.

U.S. petroleum demand

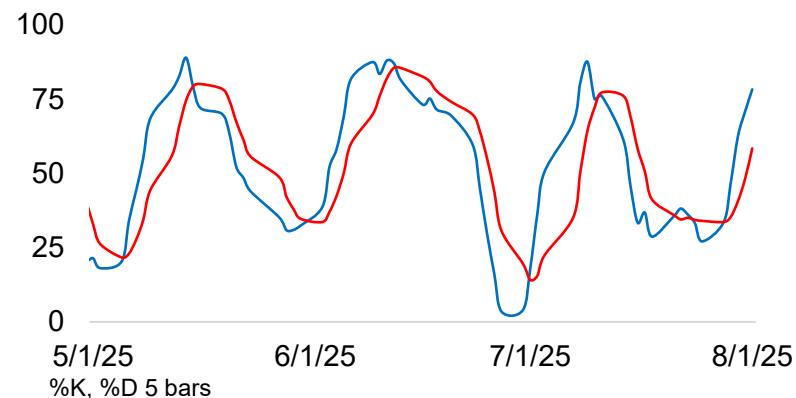
Million barrels per day (mb/d)



Petroleum demand fell. U.S. petroleum demand as of July 25, as measured by deliveries, decreased by 0.4 mb/d from the prior week to 21.4 mb/d – but remained more than 10% above the 5-year range for the second straight week.

WTI crude prompt month futures slow stochastic

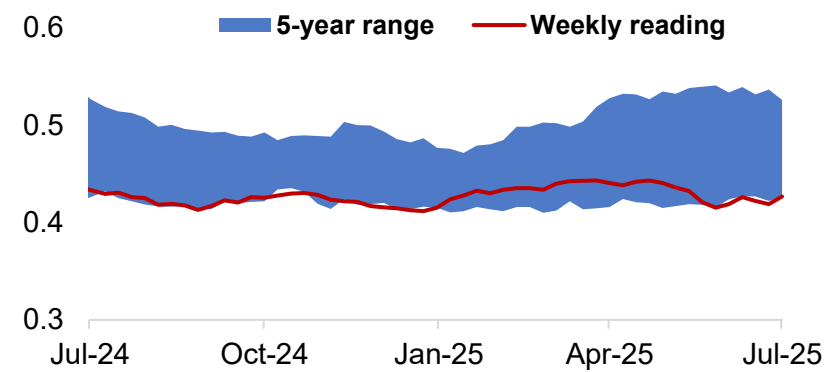
Index level



Price momentum turned positive for week ended August 1.

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

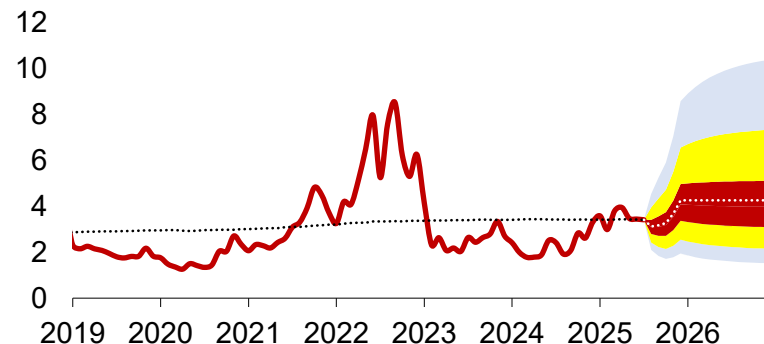
Billion barrels



Inventories increased. U.S. ending stocks of crude oil excluding the Strategic Petroleum Reserve (SPR) increased by 7.7 million barrels (mb) for the week ended July 25.

Natural gas price mean reversion analysis

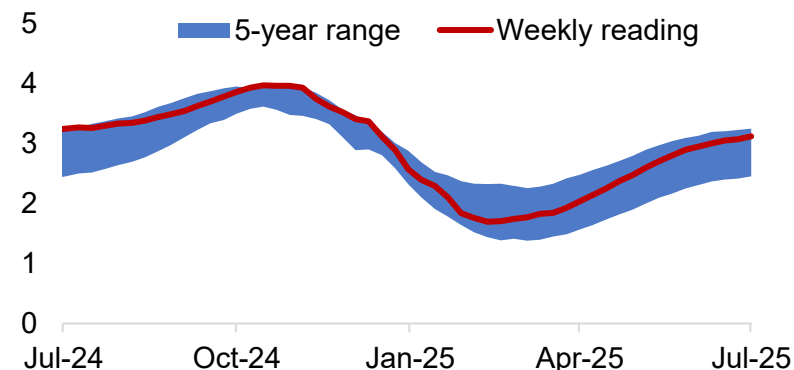
Dollars per mmBtu (2025\$)



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

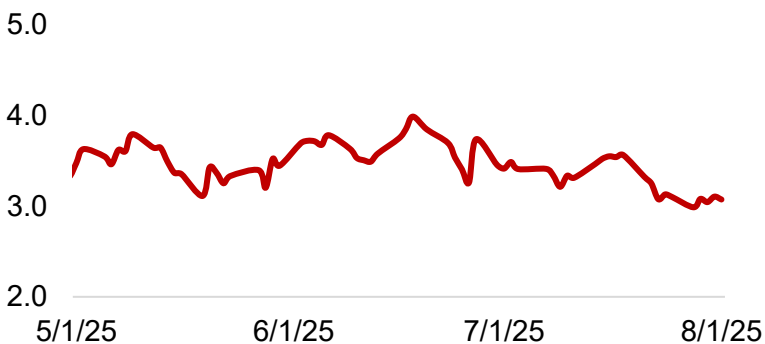
Trillion cubic feet (tcf)



Working natural gas storage increased. Underground storage rose by 1.6% week-over-week to 3.12 trillion cubic feet (tcf) as of July 25 – in the top 16% of the 5-year range with a pace of injections twice that of last year.

Natural gas prompt month futures prices

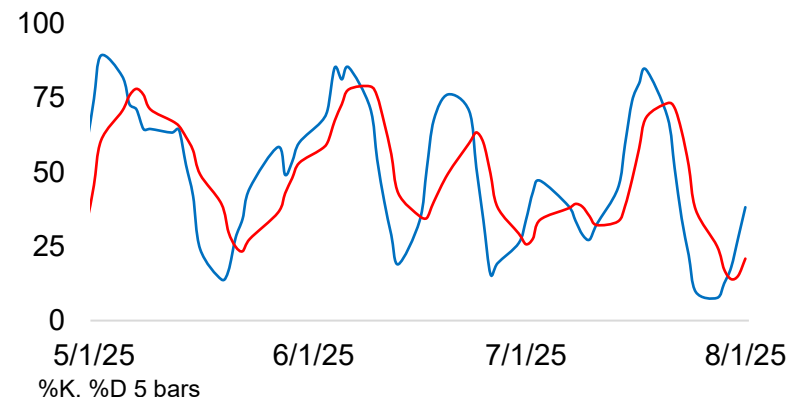
Dollars per million Btu



Henry Hub natural gas prices fell by 0.8% w/w to \$3.07 per million Btu for the week ended August 1, as markets continued to reflect strong inventories and weak expectations for peak summer power consumption.

Natural gas futures slow stochastic

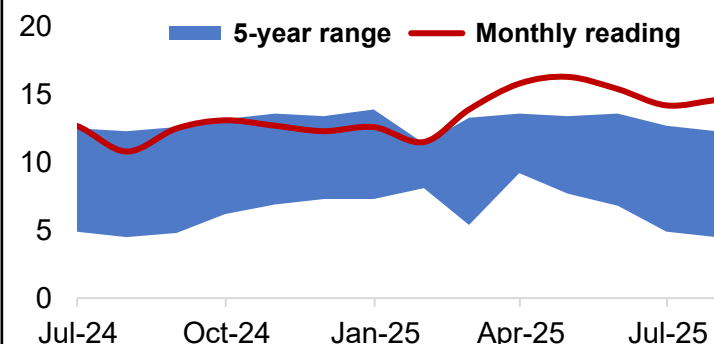
Index level



Natural gas price momentum slowed and appeared to pause during the week ended August 1.

U.S. natural gas net exports

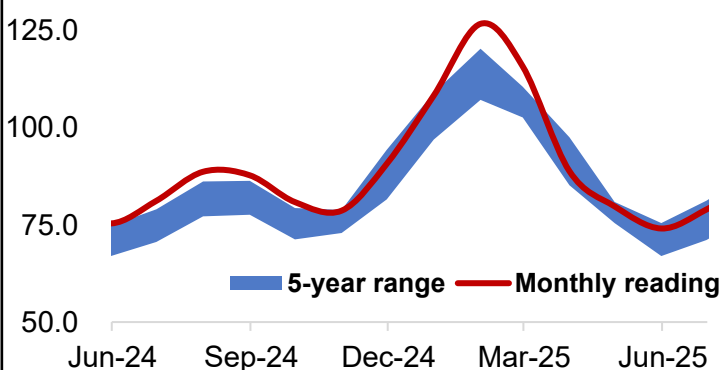
Billion cubic feet per day, bcf/d



According to EIA estimates, U.S. natural gas net exports rose 35% y/y to 14.6 bcf/d in July.

U.S. natural gas consumption

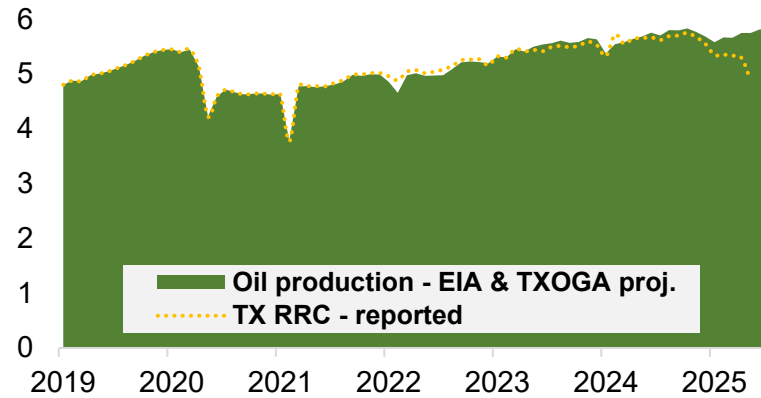
Billion cubic feet per day, bcf/d



Natural gas consumption rose seasonally but fell 2.9% y/y to 86.1 bcf/d in July, according to EIA estimates.

Texas crude oil production, Jan. 2019 – July 2025

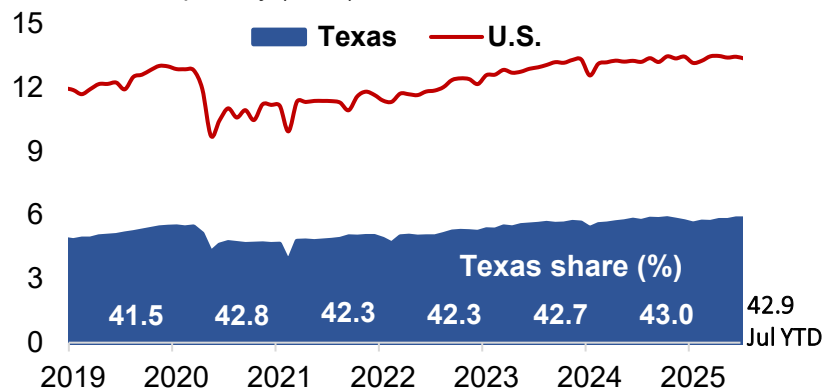
Million barrels per day (mb/d)



Record-high estimated oil production. Texas' oil production averaged 5.75 mb/d in May, according to the EIA. TXOGA estimates that production eclipsed 5.8 mb/d in July and likely reached a new record high.

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

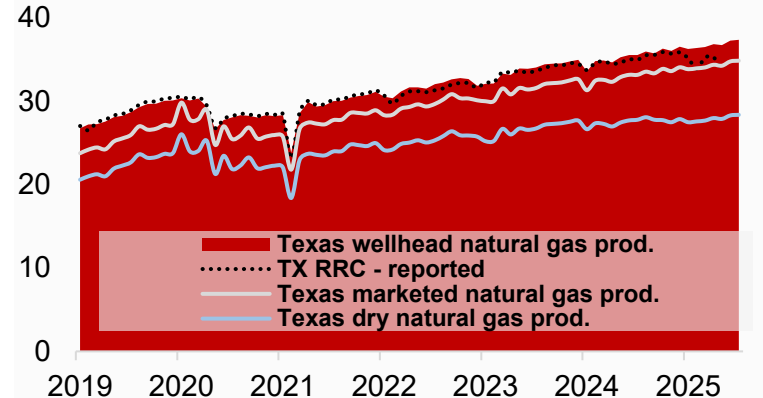
Million barrels per day (mb/d)



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

Texas natural gas production, Jan. 2019 – July 2025

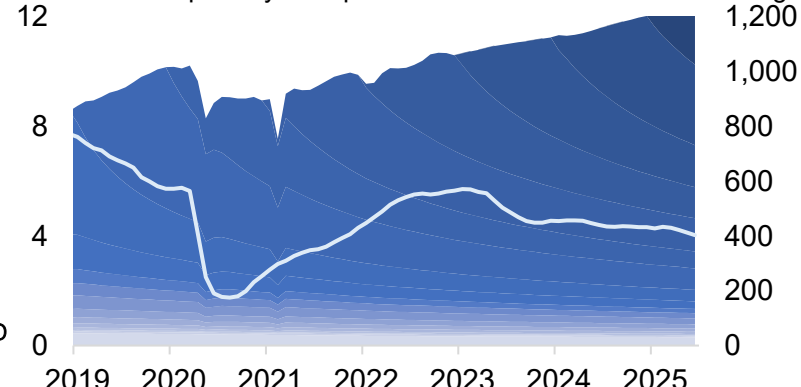
Billion cubic feet per day (bcf/d)



Natural gas production increased. Texas produced 36.7 bcf/d of natural gas gross withdrawals and 34.3 bcf/d of marketed production in May – both 0.3% below record highs set in April, per EIA. TXOGA estimates that Texas' marketed production rose to 34.9 bcf/d in July.

Texas shale basin wellhead oil & natural gas production

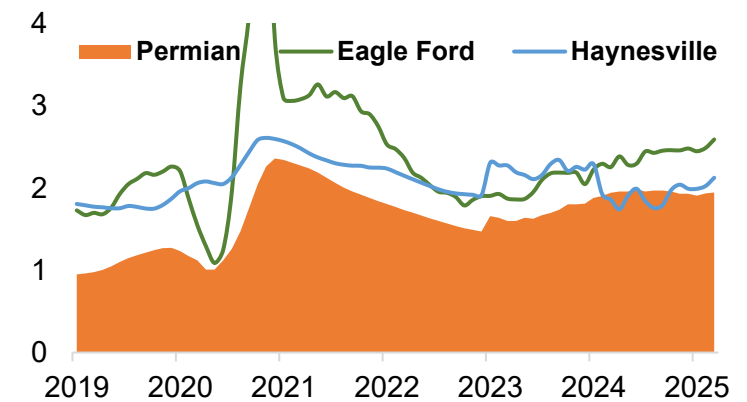
Million barrels per day oil-equivalent



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

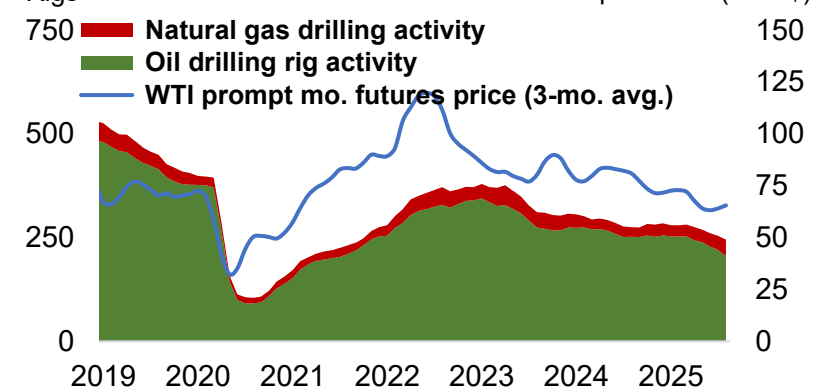
Thousand barrels per day oil-equivalent, kb/doe



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\$)



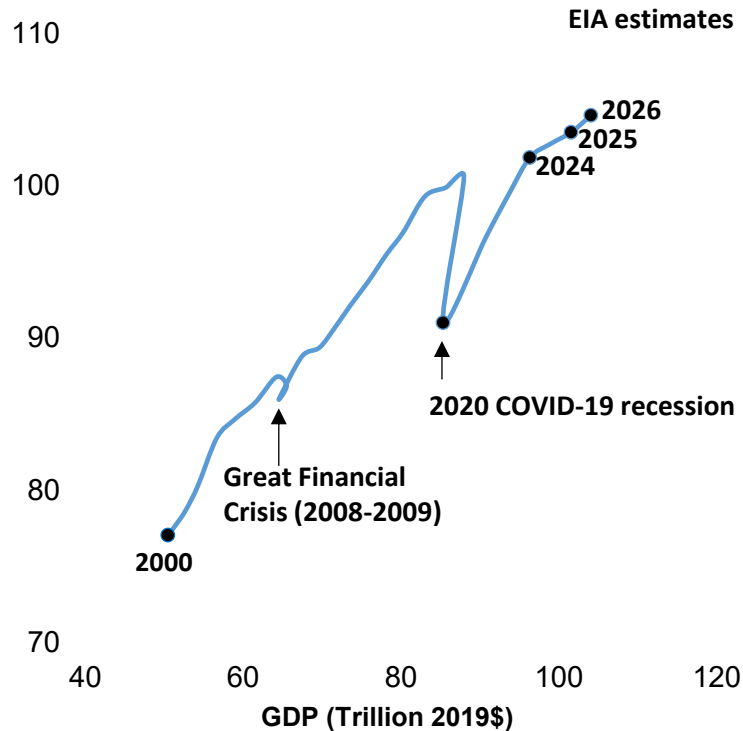
As of August 1, Texas' total rigs declined, according to Baker Hughes, with 206 oil-directed rigs (down 6 rigs w/w) and 39 natural gas-directed rigs (up 2 rigs w/w).

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.

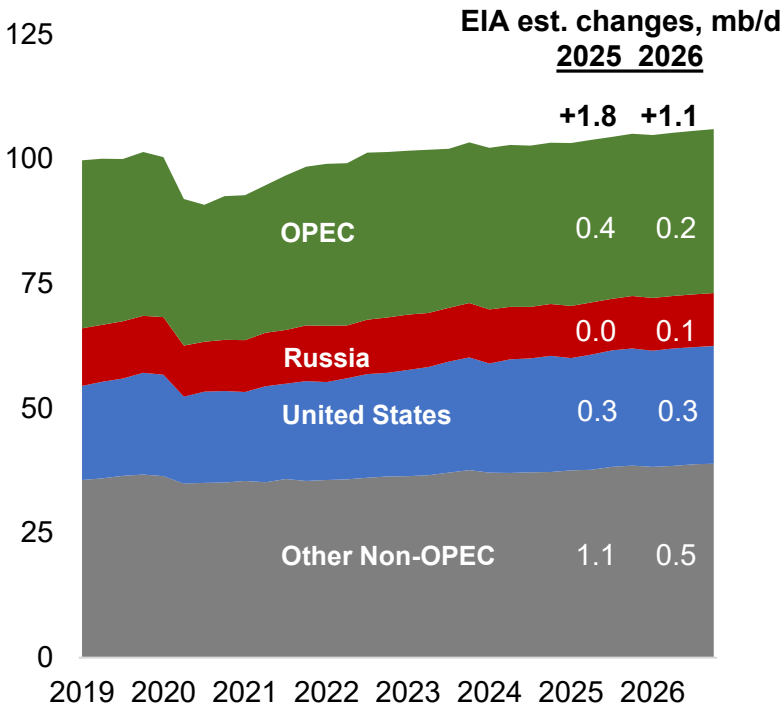
Global oil demand and GDP

Million barrels per day (mb/d)



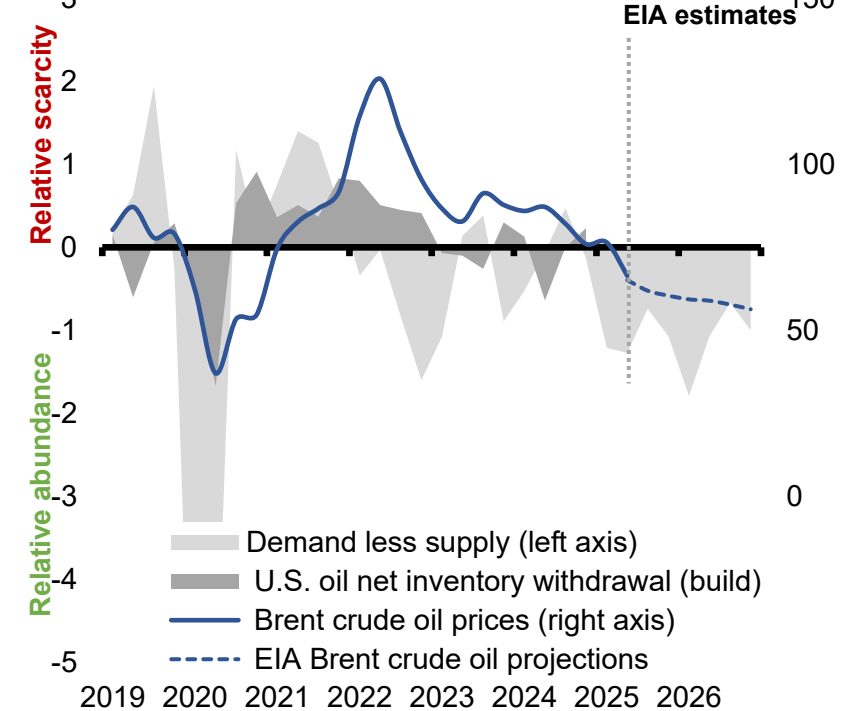
Oil production by country/region

Million barrels per day, mb/d



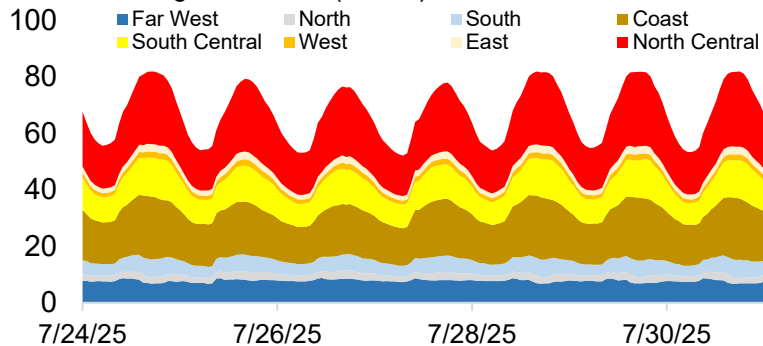
Global demand/supply & Brent prices

Million barrels per day (mb/d)



ERCOT electricity load by region

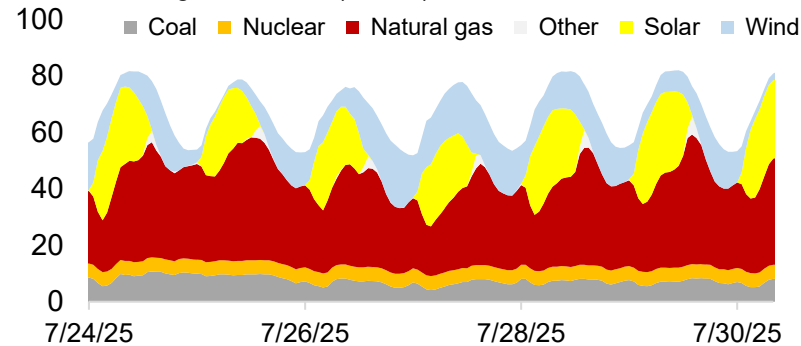
Thousand megawatt-hours (kMWh)



For July 24-30, ERCOT's average hourly electricity load was 67.7 kMWh, up 0.5% w/w, while the maximum hourly load of 82.0 kMWh also rose by 0.5% w/w. Variability was the highest in the North Central and South Central regions.

ERCOT hourly electricity generation by source

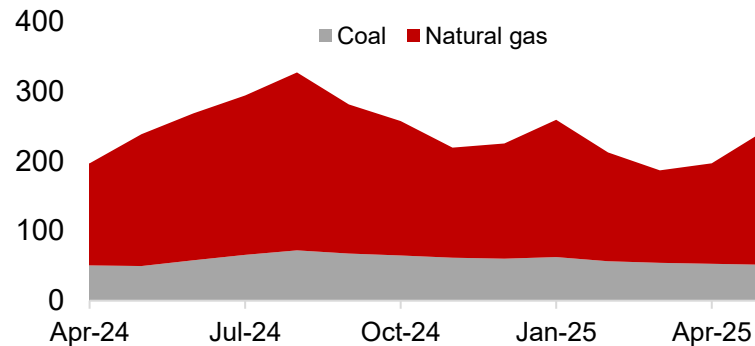
Thousand megawatt-hours (kMWh)



Thermal and dispatchable resources generated up to 90.4% of ERCOT's electricity. ERCOT's hourly electricity generation for the period July 24-30 ranged between 52 and 82 kMWh with a standard deviation of 9.8 kMWh. Thermal and dispatchable sources generated 90.4% of the region's power on the morning of July 25, including 62.9% from natural gas.

Texas electricity plant receipts of natural gas and coal

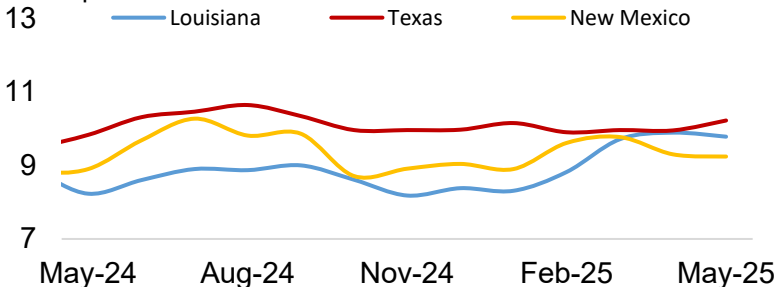
Trillion Btu



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

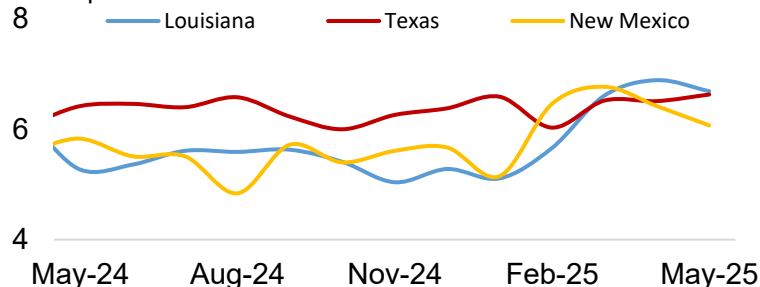
Cents per kilowatt-hour



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

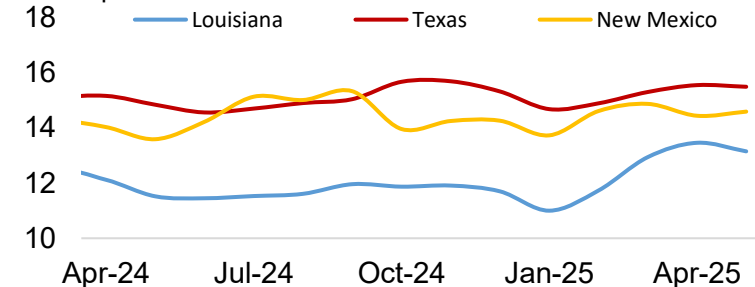
Cents per kilowatt-hour



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

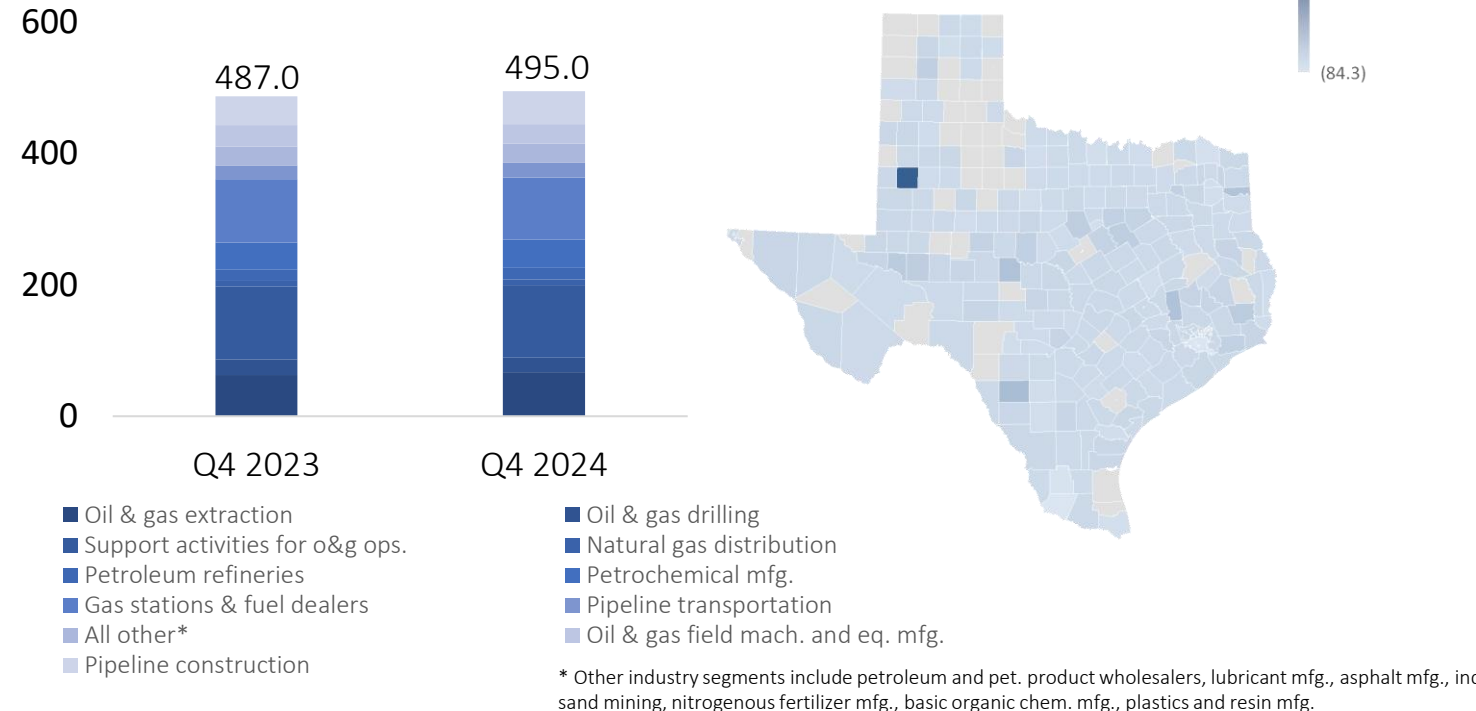


Texas' residential electricity prices slipped by 0.4% m/m but remained up 4.4% y/y to 15.49 cents per kWh in May, remaining above rates in Louisiana (13.15 cents per kWh) and New Mexico (14.59 cents per kWh).

- ▶ 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.

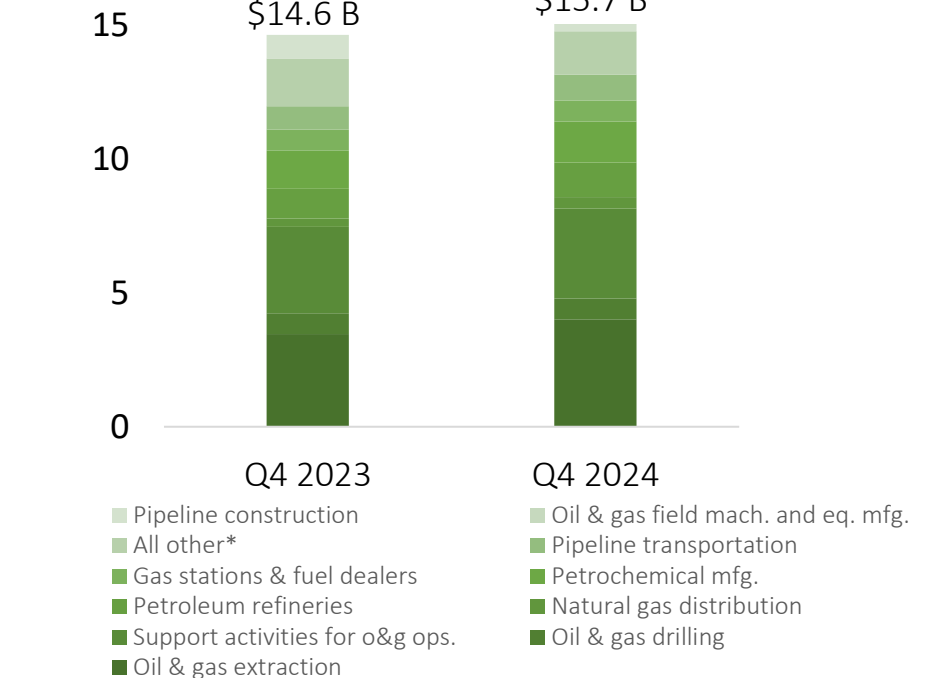
Texas oil and natural gas industry direct employment rose by +1.6% y/y in Q4 2024

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