



# OKLAHOMA Economic Indicators

April 2012

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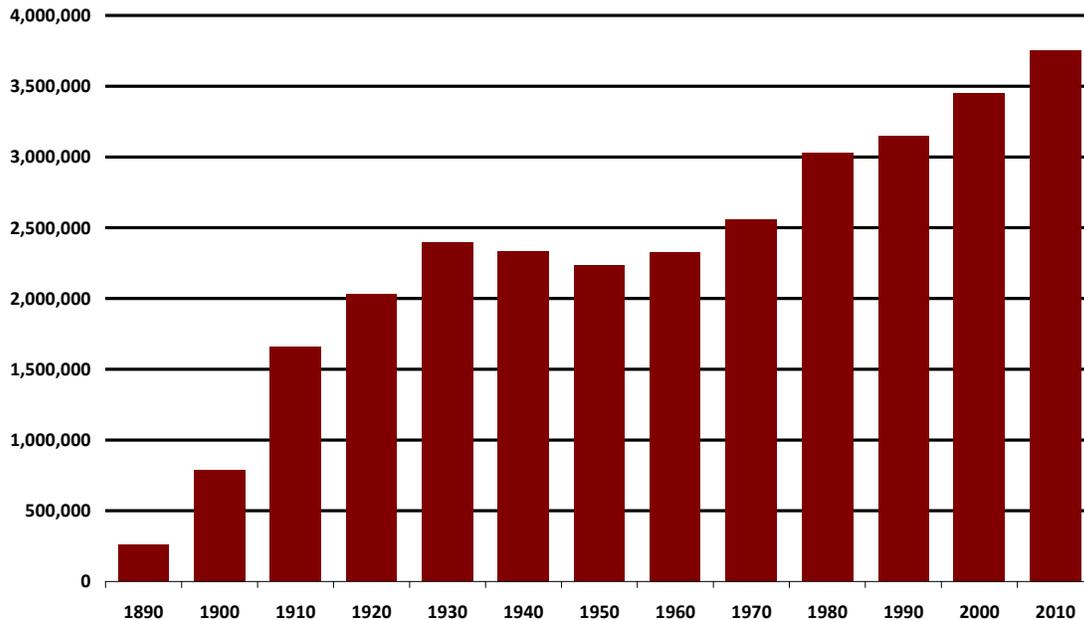
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# TABLE OF CONTENTS

SPECIAL REPORT: Oklahoma Population: 1890 to 2010 .....	2
Real Gross Domestic Product and Quarterly Change .....	4
Industry Share of Oklahoma’s Economy .....	6
Metropolitan Area Contribution to State Real GDP .....	7
U.S. and Oklahoma Unemployment Rate .....	8
Oklahoma Initial Claims for Unemployment Insurance.....	9
U.S. and Oklahoma Nonfarm Payroll Employment .....	10
Oklahoma Employment Change by Industry. ....	11
U.S. and Oklahoma Manufacturing Employment. ....	12
Purchasing Managers’ Index (Manufacturing) .....	13
Oklahoma Active Rotary Rigs and Cushing, OK WTI Spot Price.....	15
Oklahoma Active Rotary Rigs and Henry Hub Natural Gas Spot Price. ....	17
U.S. Total Residential Building Permits.....	19
Oklahoma Total Residential Building Permits.....	20
U.S. and Oklahoma Real Personal Income.....	21
Industry Contribution to Oklahoma Personal Income.....	22
U.S. Adjusted Retail Sales .....	23
Oklahoma Total Adjusted Retail Sales. ....	24

## Oklahoma Population: 1890 to 2010

Source: U.S. Department of Commerce, Bureau of the Census and Oklahoma State Data Center



The first census for Oklahoma began with the 1890 Oklahoma Territorial Census. Both the 1890 and 1900 census populations reported for Oklahoma included the population for Indian Territory. The population of Oklahoma Territory (O.T.), as legally established, was 398,331 in 1900 and 78,475 in 1890. The population of Indian Territory (I.T.), as legally established, was 392,060 in 1900 and 180,182 in 1890. The Census Bureau also conducted a special census of the Oklahoma and Indian territories on July 7, 1907. The population of the entire area was 1,414,177.

Oklahoma was admitted to the Union on November 16, 1907, as the 46th state. The first Census after statehood, conducted in 1910, counted 1,657,155 residents in Oklahoma. According to the most recent Census 2010, Oklahoma's population was 3,751,351—more than double the population we had 100 years ago.

From 1910 to 1930, the state's population grew rapidly from 1,657,155 in 1910 to 2,396,000 in 1930. Between 1910 and 1930 the share of state employment in mining (largely oil and gas) grew from 2 percent to 5 percent as a series of oil fields were opened.<sup>1</sup> However, with the onset of the Great Depression during the 1930s and the 'Dust Bowl' in Oklahoma, the state began to experience negative to stagnant population growth.

During the 1930 to 1940 period, Oklahoma lost 59,606 residents (-2.5 percent) due to the damage caused by the 'Dust Bowl'. Following the Great Depression, the years of World War II witnessed some of the most severe out-migration in the state's history. From 1940 to 1950, the state lost another 103,083 residents (-4.4 percent) as people left to acquire defense jobs, particularly on the West Coast.

The state's population growth regained momentum during the 1960s and 1970s as the economy diversified and expanded. During the 1970s many people migrated into Oklahoma, as the population grew 18.2 percent, rising to 3,025,290 residents by 1980. The oil price shocks of 1973-86 sharply increased the price of Oklahoma crude oil and resulted in rapid employment

<sup>1</sup> [Oklahoma Economy](#) by Dr. Larkin Warner, Professor Emeritus, Oklahoma State University and Oklahoma Historical Society, 2007.

growth in the energy sector. However, the collapse of the energy prices by the mid-1980s led to substantial out-migration for the remainder of the decade and population growth rate of only 4 percent while the nation saw an increase of 9.8 percent.

Population growth picked up to a 9.7 percent rate in the 1990s but still lagged that of the nation which grew at a 13.1 percent rate. The expanding "New Economy" during this period was typified by rapid productivity growth driven by computer-based technology and improvements in telecommunications.

According to Census 2010, Oklahoma's population growth slowed to 8.7 percent during the first decade of the 21st century—an addition of 300,697 residents—reaching a level of 3,751,351, the 28th largest in the nation. Oklahoma's population growth rate for this period was also the 24th fastest among all other states. The nation's population growth rate was 9.7 percent between 2000 and 2010.

The Constitutional basis for conducting the decennial census of population is to reapportion the U.S. House of Representatives. The number of representatives or seats in the U.S. House of Representatives has remained relatively constant at 435 since 1911.<sup>2</sup> Oklahoma saw a high of nine congressional seats in 1930 but since that time, the number has been declining. Negative and slow population growth during 1930 to 1950 resulted in the state losing three congressional seats. Slower than average population growth during the decade of the 1990s caused Oklahoma to lose another seat bringing the total to five (see table below). That number of seats was maintained following Census 2010.

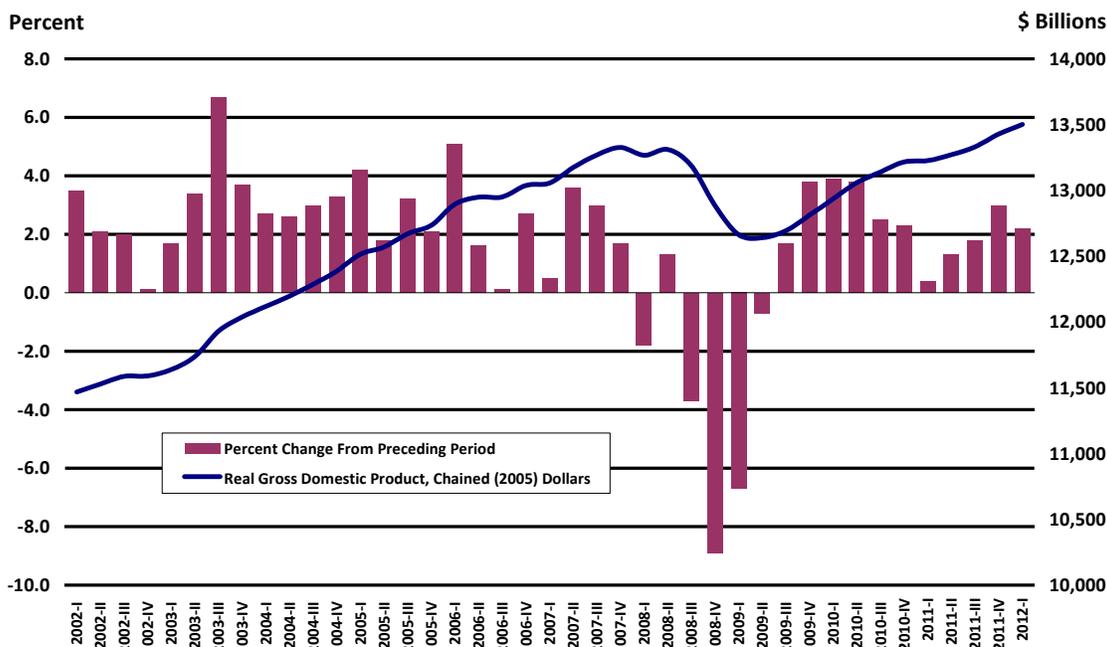
<b>Census Population Trend: United States and Oklahoma, 1890 to 2010</b>				
Year	United States Population	Oklahoma Population		Oklahoma Seats in Congress
		Number	Rank	
1890	62,979,766	258,657	N/A	N/A
1900	76,212,168	790,391	N/A	N/A
1910	92,228,496	1,657,155	23	8
1920	106,021,537	2,028,283	21	8
1930	123,202,624	2,396,040	21	9
1940	132,164,569	2,336,434	22	8
1950	151,325,798	2,233,351	25	6
1960	179,323,175	2,328,284	28	6
1970	203,302,031	2,559,229	28	6
1980	226,542,199	3,025,290	27	6
1990	248,718,302	3,145,585	29	6
2000	281,424,603	3,450,654	28	5
2010	308,745,538	3,751,351	28	5

*Source: U.S. Bureau of Census and Oklahoma State Data Center*

<sup>2</sup> [Congressional Apportionment](#) by Kristin D. Burnett, 2010 Census Briefs, U.S. Department of Commerce, Bureau of Census, November 2011.

## Real Gross Domestic Product and Quarterly Change

Source: U.S. Department of Commerce, Bureau of Economic Analysis



### Definition & Importance

Gross Domestic Product (GDP)—the output of goods and services produced by labor and property located in the United States—is the broadest measure of economic activity. It is also the measure that is most indicative of whether the economy is in recession. In the post-World War II period, there has been no recession in which GDP did not decrease in at least two quarters, (the exceptions being during the recessions of 1960-61 and 2001).

The Bureau of Economic Analysis (BEA), U.S. Department of Commerce releases GDP data on a quarterly basis, usually during the fourth week of the month. Data are for the prior quarter, so data released in April are for the 1st quarter. Each quarter's data are revised in each of the following two months after the initial release.

### Background

There are four major components to GDP:

1. *Personal consumption expenditures*: Individuals purchase durable goods (such as furniture and cars), nondurable goods (such as clothing and food) and services (such as banking, education and transportation).
2. *Investment*: Private housing purchases are classified as residential investment. Businesses invest in nonresidential structures, durable equipment and computer software. Inventories at all stages of production are counted as investment. Only inventory changes, not levels, are added to GDP.
3. *Net exports*: Equal the sum of exports less imports. Exports are the purchases by foreigners of goods and services produced in the United States. Imports represent domestic purchases of foreign-produced goods and services and are deducted from the calculation of GDP.
4. *Government*: Government purchases of goods and services are the compensation of government employees and purchases from businesses and abroad. Data show the portion attributed to consumption and investment. Government outlays for transfer payments or interest payments are not included in GDP.

The four major categories of GDP—personal consumption expenditures, investment, net exports and government—all reveal important information about the economy and should be monitored separately. This allows one to determine the strengths and weaknesses of the economy.

### **Current Developments**

The economy's pace of growth slowed in the 1st quarter as government spending fell and businesses cut back on investment. Real gross domestic product increased at an annual rate of 2.2 percent in the 1st quarter of 2012, according to the "advance" estimate released by the Bureau of Economic Analysis (BEA). In the final three months of 2011, the economy grew at a 3.0 percent rate.

Consumer spending (PCE) accelerated to an annual rate of 2.9 percent in the 1st quarter—the fastest pace in more than a year—adding 2.04 percent to GDP. The strength came from a second robust quarter of growth in auto purchases. However, shoppers faced higher costs as price index for personal consumption expenditures rose 2.4 percent last quarter compared to a 1.2 percent gain in the prior period.

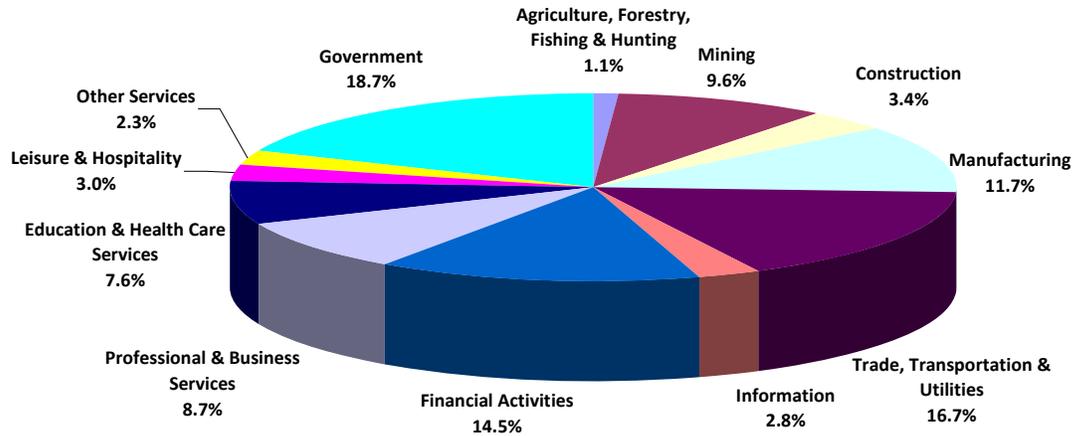
Private inventory investment added to growth in the 1st quarter but at a slower pace than in the 4th quarter. Residential investment increased 19.1 percent, compared with an 11.6 percent gain in the 4th quarter. Business investment in equipment was positive but less so than in the 4th quarter. Gross private investment added 0.77 to 1st quarter GDP.

Net exports were marginally positive but essentially neutral. Real exports of goods and services increased 5.4 percent in the first quarter while real imports of goods and services, (a subtraction from GDP), increased 4.3 percent.

Government spending continues to be a drag on GDP. Real federal government consumption expenditures and gross investment decreased 3.0 percent in the 1st quarter after a 4.2 percent drop in public expenditures in the fourth quarter of 2012. State and local government spending declined 1.2 percent, following a 2.2 percent decline in the 4th quarter. Overall, government expenditures and gross investment subtracted 0.60 percent from 1st quarter GDP.

## 2010 Industry Share of Oklahoma's Economy (by percentage of Gross Domestic Product)

Source: U.S. Department of Commerce, Bureau of Economic Analysis



### Definition & Importance

Oklahoma's economy typically follows a similar trend to that of the nation. State GDP data lags behind national data and is only available annually. As a result, it is not a good indicator of current economic conditions and does not fully reflect the recent changes in Oklahoma's economic climate. However, it is still valuable to understand the state's growth trend compared to the nation and what industries are the largest contributors to Oklahoma's economy.

### Current Developments

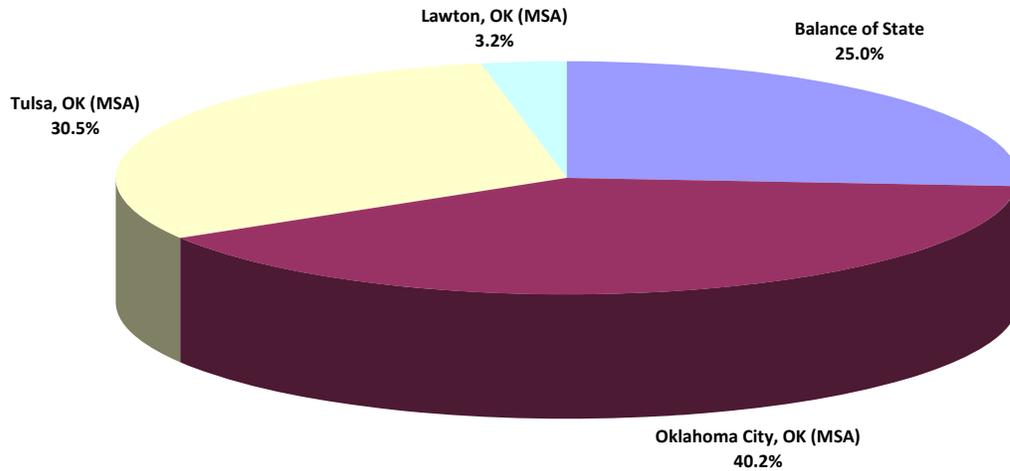
According to the advance estimate from the Bureau of Economic Analysis (BEA), Oklahoma was among 48 states and the District of Columbia experiencing growth in real GDP in 2010. However, Oklahoma's 2009 advance estimate was significantly revised downward primarily due to updated prices for natural gas.

The BEA's advance estimate for 2009 state GDP showed Oklahoma's real GDP had grown by 6.6 percent, leading the nation. The largest contributor to real GDP growth was mining, accounting for 7.23 percentage points of the total growth in real GDP. However, based on updated information, mining actually declined by 0.99 percent in 2009. That adjustment caused the state's GDP to fall to -1.0 percent, ranking Oklahoma 15th in GDP growth among states in 2009.

Oklahoma registered a real GDP of \$133.5 billion in 2010, a 1.0 percent gain from the revised \$132.1 billion in 2009; U.S. real GDP grew at 2.6 percent during the same period. Retail trade contributed to real GDP growth in every state in 2010 and was the leading contributor in Oklahoma, accounting for 0.42 percent of total growth. Durable goods manufacturing was the second-largest contributor to real GDP growth in Oklahoma accounting for 0.40 percentage point of the total growth. Government (0.25 percent) was the state's third-largest real GDP contributor with state and local government accounting for nearly 70 percent of total government real GDP.

## Metropolitan Area Contribution to State Real Gross Domestic Product 2010

Source: U.S. Department of Commerce, Bureau of Economic Analysis



### Definition & Importance

Metropolitan Statistical Areas (MSA) are the county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree of economic and social integration with the nucleus.

Nationally, metropolitan statistical areas represent approximately 90 percent of total GDP. In Oklahoma, the three MSAs of Oklahoma City, Tulsa and Lawton accounted for roughly 75 percent of total state GDP in 2010.

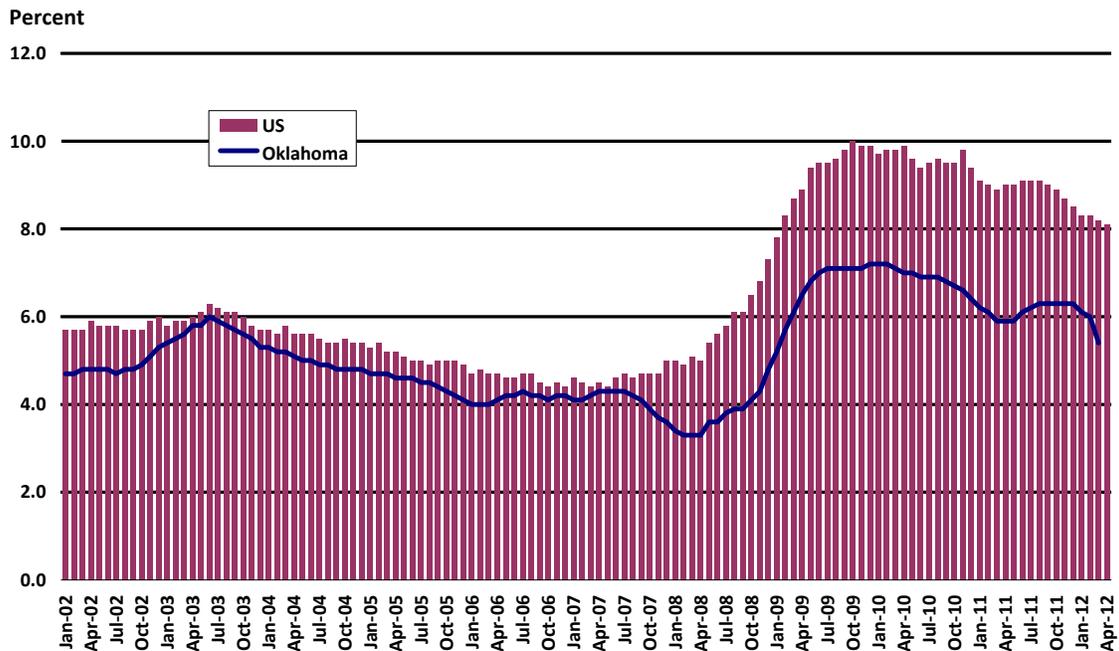
### Current Developments

Real U.S. GDP by metropolitan area increased 2.5 percent in 2010 after declining 2.5 percent in 2009, according to the most current statistics from the U.S. Bureau of Economic Analysis (BEA). The economic growth was widespread as real GDP increased in 304 of 366 (83 percent) metropolitan areas, led by national growth in durable-goods manufacturing, trade, and financial activities.

In terms of growth in real GDP, Lawton MSA ranked 15th out of the 366 U.S. metropolitan areas growing by 6.9 percent to \$4.21 billion in 2010. Oklahoma City MSA ranked 205th growing by 1.7 percent to \$53.7 billion followed by Tulsa MSA ranked at 329th declining by -0.6 percent to \$40.7 billion.

## U.S. and Oklahoma Unemployment Rate (Seasonally Adjusted)

Source: U.S. Department of Labor, Bureau of Labor Statistics



### Definition & Importance

The Bureau of Labor Statistics Local Area Unemployment Statistics (LAUS) program produces monthly estimates of total employment and unemployment from a national survey of 60,000 households. The unemployment rate measures the percentage of people who are without work and is calculated by dividing the estimated number of unemployed people by the civilian labor force. The result expresses unemployment as a percentage of the labor force.

The unemployment rate is a lagging indicator of economic activity. During a recession, many people leave the labor force entirely, as a result the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more people are returning to the labor force as they believe they will be able to find work. The civilian unemployment rate tends towards greater stability than payroll employment on a monthly basis and reveals the degree to which labor resources are utilized in the economy.

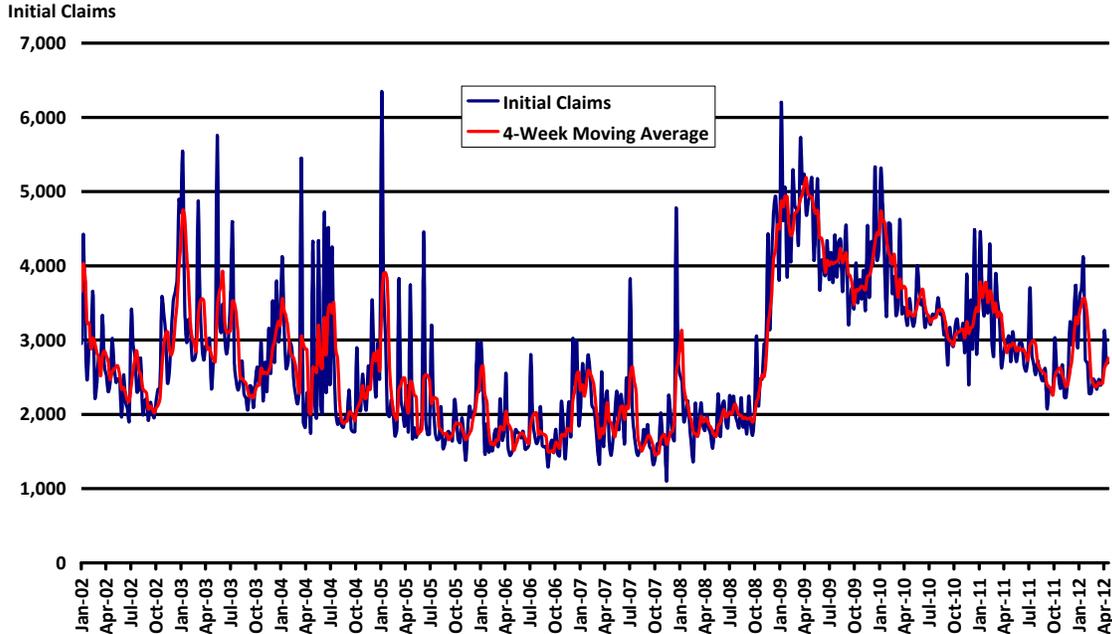
### Current Developments

The U.S. unemployment rate edged down in April, although some of the decline was due to people leaving the work force. The unemployment rate fell to a three-year low of 8.1 percent, according to the U.S. Bureau of Labor Statistics (BLS). The jobless rate drop reflected a 342,000 decline in the labor force in April.

Oklahoma's seasonally adjusted unemployment rate dropped sharply in March to 5.4 percent from 6.0 percent in February. At 9.0 percent, Sequoyah County held onto the state's highest county unemployment rate for March. Latimer County followed closely behind at 8.9 percent, and LeFlore County (8.1 percent) rounded out the three highest county rates for the month. Roger Mills County again claimed Oklahoma's lowest county rate at 1.9 percent. All 77 Oklahoma counties reported unemployment rate decreases over the month.

## Oklahoma Initial Weekly Claims for Unemployment Insurance (Not Seasonally Adjusted)

Source: U.S. Department of Labor, Employment and Training Administration



### Definition & Importance

Initial unemployment claims are compiled weekly by the U.S. Department of Labor, Employment and Training Administration and show the number of individuals who filed for unemployment insurance benefits for the first time. This particular variable is useful because it gives a timely assessment of the overall economy.

Initial claims are a leading indicator because they point to changes in labor market conditions. An increasing trend signals that layoffs are occurring. Conversely, a decreasing trend suggests an improving labor market. The four-week moving average of initial claims smoothes out weekly volatility and gives a better perspective on the underlying trend.

### Current Developments

In the last week of April, the number of people seeking U.S. unemployment benefits fell by the most in more than three months. For the week ending April 28, the advance figure for seasonally adjusted initial claims was 365,000, a decrease of 27,000 from the previous week's revised figure of 392,000, according to the U.S. Department of Labor (DOL). However, the four-week average, a less volatile measure, ticked up to 383,500 last week, the highest level since December.

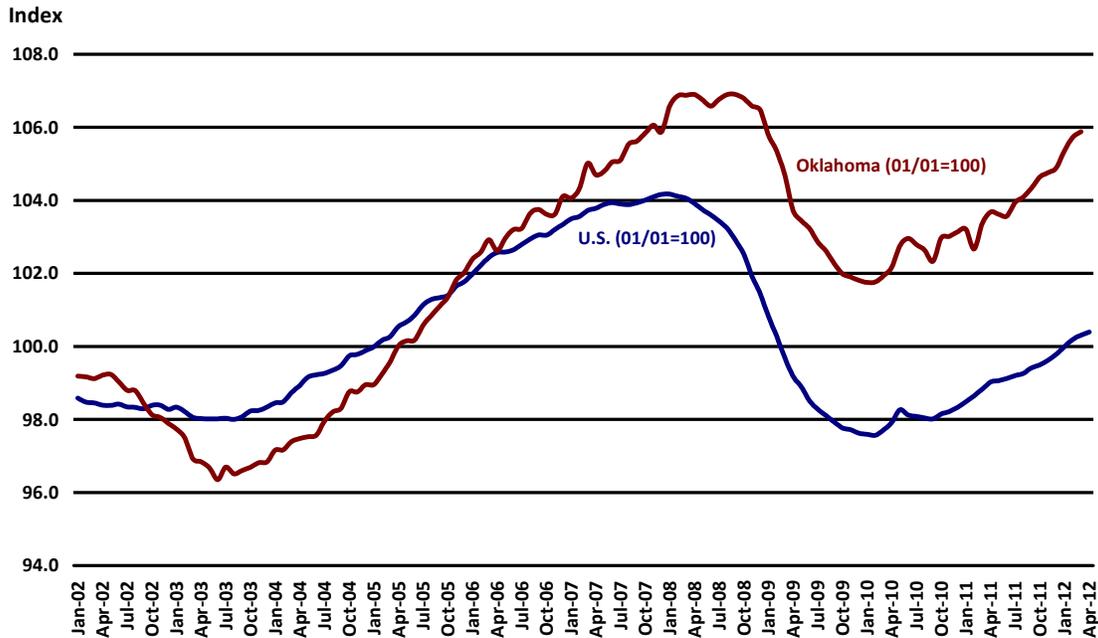
Oklahoma's unadjusted initial claims for unemployment was unchanged in the second week of April. For the file week ending April 14, initial claims were at 2,701, identical to the previous week's level. For the same file week ending, the four-week moving average was 2,756, up 78 from the previous week's 2,678.

Continued claims for unemployment also remained steady during the second week of April. For the file week ending April 14, continued claims were at 22,532, unchanged from the previous week.

## U.S. and Oklahoma Nonfarm Payroll Employment (Seasonally Adjusted)

Index: January 2001=100

Source: U.S. Department of Labor, Bureau of Labor Statistics



### Definition & Importance

Nonfarm payroll employment data is produced by the Current Employment Statistics (CES) program of the Bureau of Labor Statistics (BLS). The CES Survey is a monthly survey of approximately 140,000 nonfarm businesses and government agencies representing approximately 440,000 individual worksites. The CES program has provided estimates of employment, hours, and earnings data by industry for the nation as a whole, all States, and most major metropolitan areas since 1939. In order to account for the size disparity between of U.S. and Oklahoma employment levels, we have indexed the data with January 2001 as the start value.

Payroll employment is one of the most current and reliable indicators of economic conditions and recessionary trends. Increases in nonfarm payrolls translate into earnings that workers will spend on goods and services in the economy. The greater the increases in employment, the faster the total economic growth.

### Current Developments

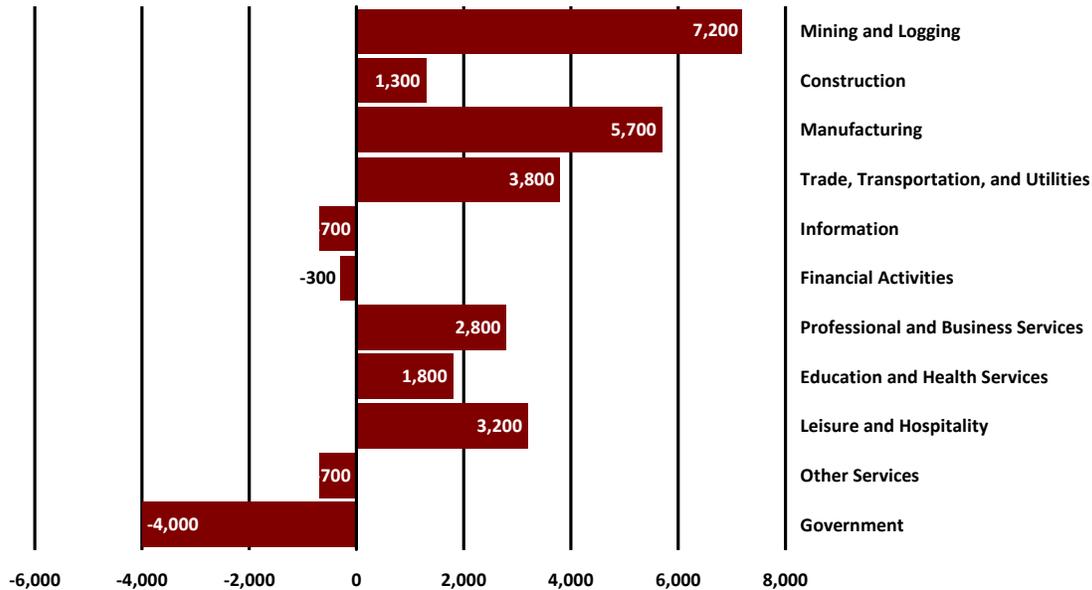
U.S. job growth slowed again in April, suggesting the economy could be settling into a sluggish spring. Nonfarm payroll employment rose by 115,000 in April, the smallest gain in six months, according to the Bureau of Labor Statistics (BLS). Employment increased in professional and business services, retail trade, and health care, but declined in transportation and warehousing. March payrolls grew by an upwardly revised 154,000 from an initially reported 120,000, and February payrolls posted a gain of 259,000, compared with an earlier estimate of 240,000.

Oklahoma's seasonally adjusted total nonfarm employment rose by 2,300 (+0.1 percent) in March. The largest monthly gain came from professional & business services, adding 3,200 jobs. Over-the-month gains also came from mining & logging (+700); manufacturing (700); trade, transportation & utilities (+600); and other services (+400). Construction experienced the most dramatic monthly loss in March, shedding 2,000 jobs. Over the year, manufacturing has the largest employment gain, adding 9,100 jobs. Construction also had the largest over-the-year decline in employment, dropping 2,800 jobs.

## Oklahoma Employment Change by Industry

2010 - 2011

Source: Current Employment Statistics (CES), U.S. Department of Labor, Bureau of Labor Statistics



### Definition & Importance

Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion and decreasing in times of economic slowdown or contraction. These changes are crucial in that they help to recognize the types of jobs being lost by individuals. Anticipating what will happen in recovery helps identify whether those jobs will return or what types of new jobs will be created. Consequently, key information for planning re-employment, retraining, and other workforce and economic development programs is contained within these data. For this analysis, we are using CES annual averages to compare year-over-year employment changes.

### Current Developments

After back-to-back years of job losses, nonfarm employment in Oklahoma turned around in 2011. Nonfarm employment grew at a healthy 1.3 percent growth rate in 2011, adding approximately 20,000 jobs.

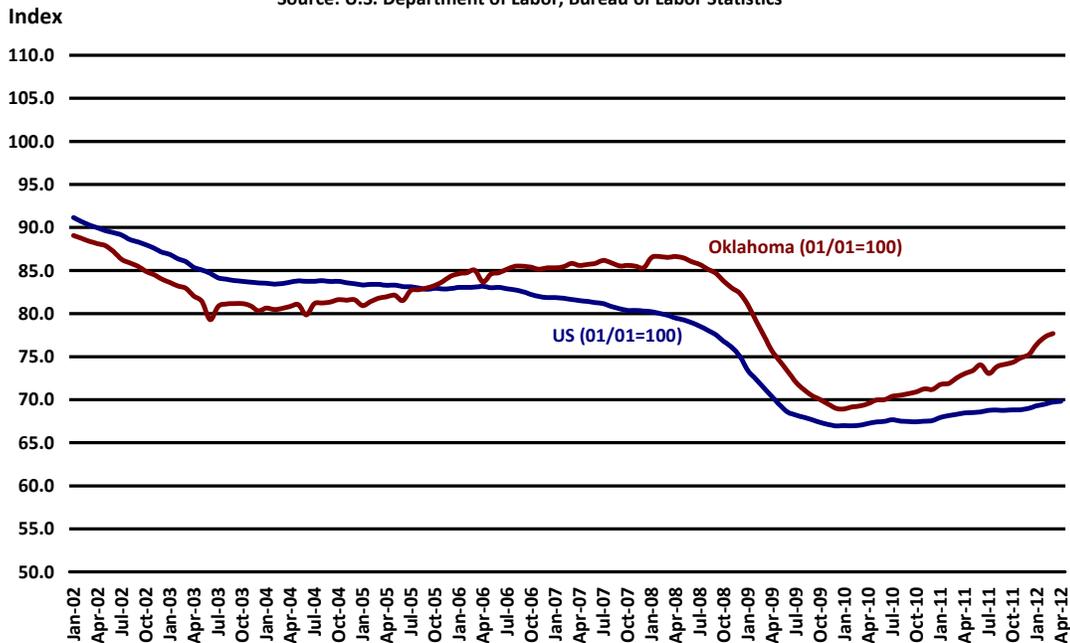
Job gains were registered in seven out of Oklahoma's 11 statewide supersectors. Mining & logging saw the largest employment increase adding 7,200 jobs with the bulk of hiring occurring in support activities for mining. Manufacturing followed with an addition of 5,700 jobs and almost all of the growth coming from durable goods manufacturing. The broad trade, transportation & utilities group added 3,800 employees with most of the growth in wholesale trade. Leisure & hospitality added 3,200 jobs with nearly all of the job gains being in accommodation and food services. Professional and business services employment grew by 2,800 driven by job gains in administrative and support & waste management and remediation services and employment services. Education & health services added 1,800 jobs with nearly all the job growth in ambulatory health care services.

By far, the largest job losses were seen in government which shed approximately 4,000 jobs with almost all of the losses coming from local government.

## U.S. and Oklahoma Manufacturing Employment (Seasonally Adjusted)

Index: January 2001 = 100

Source: U.S. Department of Labor, Bureau of Labor Statistics



### Definition & Importance

Manufacturing employment data is also produced by the Bureau of Labor Statistics' Current Employment Statistics (CES) program. Manufacturing and production are still important parts of both the U.S. and Oklahoma economies. During the 2007-09 recession, employment in manufacturing declined sharply. Although manufacturing plunged in 2008 and early 2009 along with the rest of the economy, it is on the rebound today while other key economic sectors, such as construction, still suffer. In Oklahoma, manufacturing accounts for one of the largest shares of private output and employment in the state. In addition, many manufacturing jobs are among the highest paying jobs in the state.

At one time, manufacturing made up 38 percent of the nation's employment. However, manufacturing employment in the United States has been declining since 1979, as productivity, technology gains, and the transfer of manufacturing to locations outside the United States have reduced the demand for traditional manufacturing employment. Furthermore, current shifts in the industry away from heavy sectors, such as automobiles and basic chemicals toward higher-tech products like computer chips are also accelerating manufacturing's long-term shrinkage.

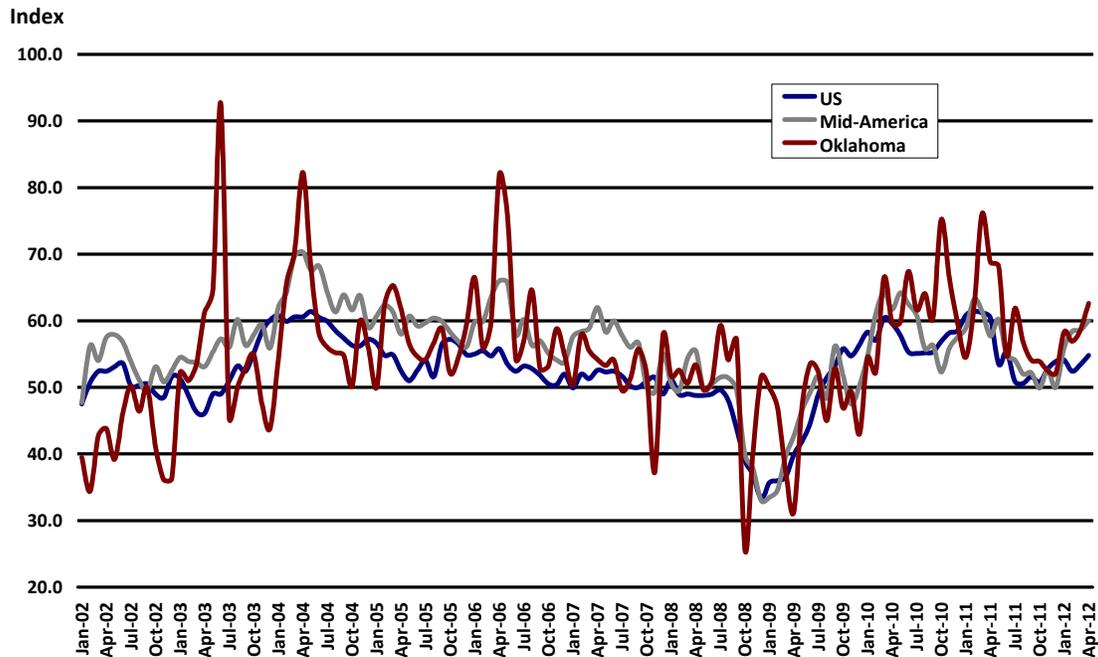
### Current Developments

Factory hiring continued to trend up in April but at a much slower rate than in previous months. Manufacturing employment added 16,000 jobs in April, according to the Bureau of Labor Statistics (BLS). Job growth was in fabricated metal products (+6,000) and machinery (+5,000). Since its most recent employment low in January 2010, manufacturing has added 489,000 jobs, largely in durable goods manufacturing.

Oklahoma manufacturing employment saw healthy gains in March, adding 700 jobs (+0.5 percent from February). Almost all of March's manufacturing job gains were in durable goods manufacturing with machinery manufacturing and transportation equipment manufacturing leading the way.

## Purchasing Managers' Index (Manufacturing)

Sources: ISM Manufacturing Report On Business® and Business Conditions Index for Mid-America, Creighton University



### Definition & Importance

Economists consider the Institute for Supply Management's Purchasing Managers' Index (PMI) a key economic indicator. The Institute for Supply Management (ISM) surveys more than 300 manufacturing firms on employment, production, new orders, supplier deliveries, and inventories. The ISM manufacturing index is constructed so that any level at 50 or above signifies growth in the manufacturing sector. A level above 43 or so, but below 50, indicates that the U.S. economy is still growing even though the manufacturing sector is contracting. Any level below 43 indicates that the economy is in recession.

For the region, since 1994, the Creighton Economic Forecasting Group at Creighton University has conducted a monthly survey of supply managers in nine states (including Arkansas, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma and South Dakota), to produce leading economic indicators for the Mid-America economy using the same methodology as the national survey by the ISM.

### Current Developments

U.S. manufacturing grew at the fastest pace in 10 months in April, suggesting the economy is healthier than recent data had indicated. The PMI registered 54.8 percent, an increase of 1.4 percentage points from March's reading of 53.4 percent, indicating expansion in the manufacturing sector for the 33rd consecutive month, according to the Institute for Supply Management (ISM). That was the strongest pace of manufacturing activity since June, with orders, hiring and production all up.

April's ISM survey found that production is strong (up 2.7 percent). Also, manufacturers in the sample are adding significantly to their payrolls with the employment component up 1.2 percent. Surprisingly, export orders are very strong (up 5.0 percent) and accelerating despite weakness in Europe and slowing in China. Other details showed a slight destocking in inventories (down 1.5 percent), pointing to the need for future orders in order to replenish inventories.

Continuing export and employment growth along with tame inflation kept the Mid-America region's leading economic indicator in very healthy range in April, according to the Creighton Economic Forecasting Group. The index rose to 60.0 from 58.6 in March and 58.4 in February. The index, a leading economic indicator, from a monthly survey of supply managers, has increased for six straight months.

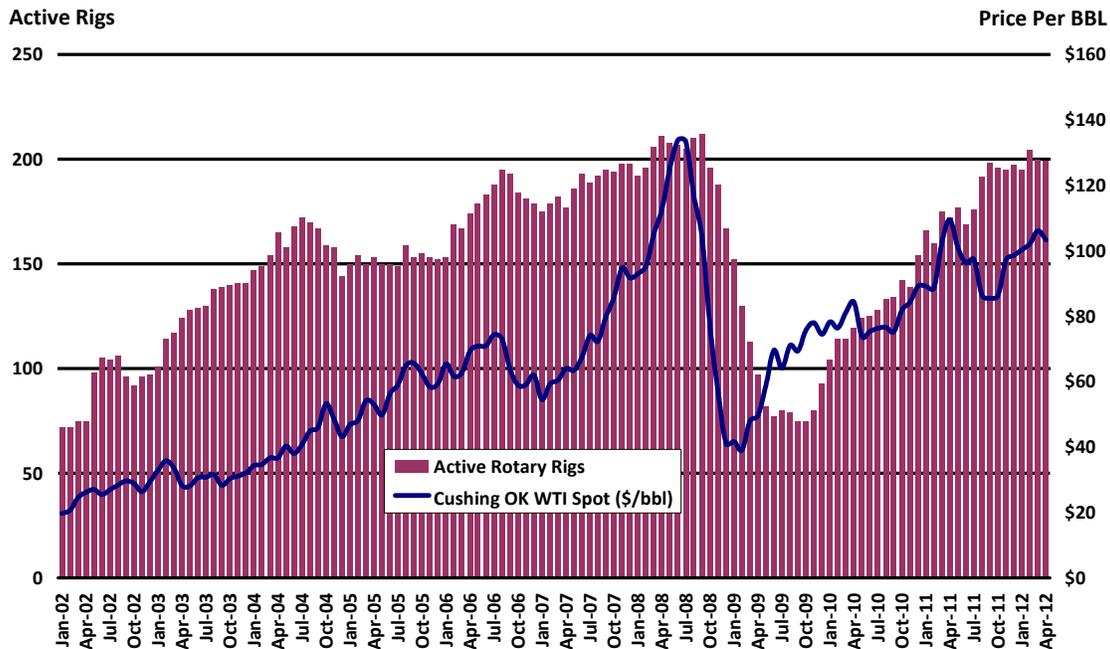
"Despite higher energy prices, manufacturers, especially those tied to international markets and agriculture expanded briskly for the month. Heavy manufacturing continues to be source of growth for the region with export oriented manufacturers leading the way," said Ernie Goss, director of Creighton's Economic Forecasting Group.

Oklahoma's Business Conditions Index also continues to point to a growing economy. The April Business Conditions Index for Oklahoma rose to a very healthy 62.6 from 58.6 in March. Components of the leading economic indicator for April were new orders at 59.3, production or sales at 53.8, delivery lead time at 83.4, inventories at 54.0, and employment at 63.0.

"Second only to North Dakota, Oklahoma's growth continues uninterrupted and very positive. Our survey indicates no change to that growth in the months ahead. Despite healthy economic activity, firms in the state are not adding to the hourly work-week of current employees. Instead, firms are adding new workers. Durable goods producers especially those linked to energy and international markets, such as metal manufacturers, are experiencing solid growth," said Goss.

## Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

SOURCES: U.S. Department of Energy, Energy Information Administration and Baker Hughes Rig Counts



### Definition & Importance

Crude oil is an important commodity in the global market. Prices fluctuate depending on supply and demand conditions in the world. Since oil is such an important part of the economy, it can also help determine the direction of inflation. In the U.S. consumer prices have moderated whenever oil prices have fallen, but have accelerated when oil prices have risen. The U.S. Energy Information Administration (EIA) provides weekly information on petroleum inventories in the U.S., whether produced here or abroad.

The Baker Hughes rig count is an important indicator for the energy industry and Oklahoma. When drilling rigs are active they consume products and services produced by the oil service industry. The active rig count acts as a leading indicator of demand for products used in drilling, completing, producing and processing hydrocarbons.

West Texas Intermediate (WTI-Cushing) is a light crude oil produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams and which is traded in the domestic spot market at Cushing, Oklahoma.

### Background

Oklahoma produces a substantial amount of oil, with annual production typically accounting for more than 3 percent of total U.S. production in recent years. Crude oil wells and gathering pipeline systems are concentrated in central Oklahoma. Two of the 100 largest oil fields in the United States are found in Oklahoma.

The city of Cushing, in central Oklahoma, is a major crude oil trading hub connecting Gulf Coast producers to Midwest refining markets. In addition to Oklahoma crude oil, the Cushing hub receives supply from several major pipelines that originate in Texas. Traditionally, the Cushing Hub has pushed Gulf Coast and Mid-Continent crude oil supply north to Midwest refining markets. However, production from those regions is in decline, and an underused crude oil pipeline system has been reversed to deliver rapidly expanding heavy crude oil supply produced in Alberta, Canada to Cushing, where it can access Gulf Coast refining markets. For this reason, Cushing is the designated delivery point for the New York Mercantile Exchange (NYMEX) crude

oil futures contracts. Crude oil supplies from Cushing that are not delivered to the Midwest are fed to Oklahoma's five refineries, which have a combined distillation capacity of over 500 thousand barrels per day—roughly 3 percent of the total U.S. refining capacity.

### **Current Developments**

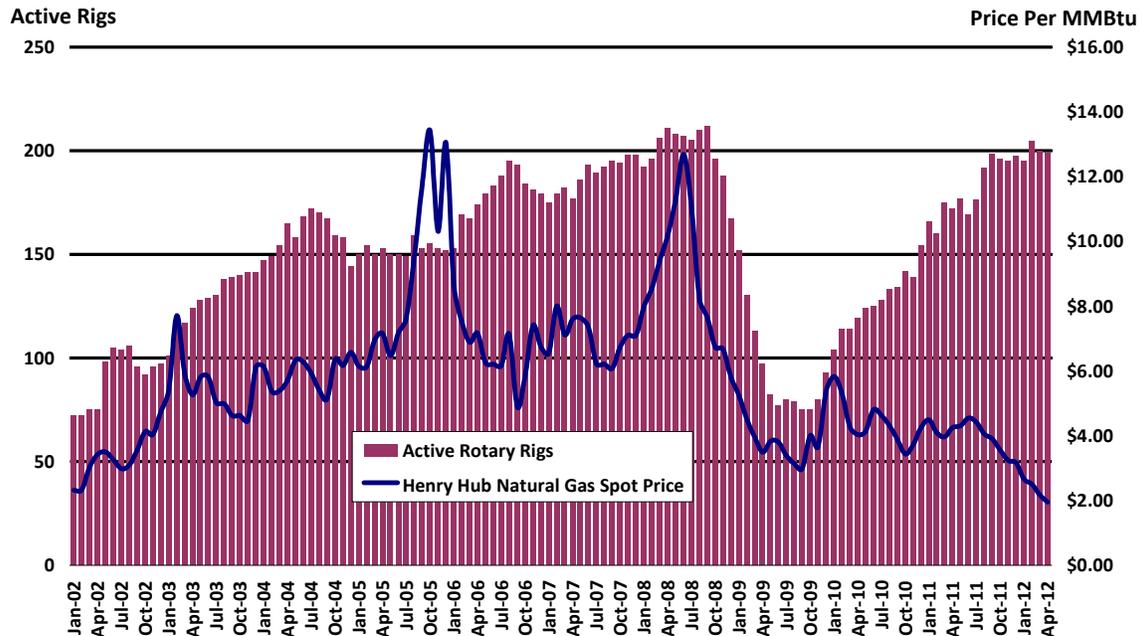
After a surge in gasoline prices earlier this year, prices at the pump have been ticking lower in April. The U.S. average retail price of regular gasoline decreased more than a dime during the month of April, settling at \$3.87 per gallon, a nickel per gallon lower than last year at this time, according to the U.S. Energy Information Administration (EIA). This is the first time the U.S. average price has been lower than the same week the previous year since October 2009. Prices in all regions across the country, with the exception of New England and the Rocky Mountains, were down in April, with the largest drop coming in the Midwest (which includes Oklahoma), where prices fell 16 cents to \$3.75 per gallon. Gulf Coast prices shed 12 cents over the month to become the lowest in the country at \$3.69 per gallon.

Crude prices eased a bit in April, the spot price at Cushing, Oklahoma for West Texas Intermediate (WTI) crude oil averaged \$103.32 per barrel, down \$2.84 (-2.7 percent) from the March average of \$106.16 per barrel. On a year-ago basis, the WTI spot price was \$109.53 per barrel or \$6.21 (5.7 percent) higher than the current price.

Oklahoma's rotary rig activity was little changed in April, edging down one rig to 199. Over the year, Oklahoma's active rotary rig count has grown by 27 rigs from April 2011.

## Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

Sources: U.S. Department of Energy, Energy Information Administration and Baker Hughes Rig Counts



### Definition & Importance

The U.S. Energy Information Administration (EIA) provides weekly information on natural gas stocks in underground storage for the U.S., and three regions of the country. The level of inventories helps determine prices for natural gas products. Natural gas product prices are determined by supply and demand—like any other good and service. During periods of strong economic growth, one would expect demand to be robust. If inventories are low, this will lead to increases in natural gas. If inventories are high and rising in a period of strong demand, prices may not need to increase at all, or as much. During a period of sluggish economic activity, demand for natural gas may not be as strong. If inventories are rising, this may push down oil prices.

The Henry Hub in Erath, Louisiana is a key benchmark location for natural gas pricing throughout the United States. The Henry Hub is the largest centralized point for natural gas spot and futures trading in the United States. The New York Mercantile Exchange (NYMEX) uses the Henry Hub as the point of delivery for its natural gas futures contract. Henry Hub “spot gas” represents natural gas sales contracted for *next day* delivery and title transfer at the Henry Hub. The settlement prices at the Henry Hub are used as benchmarks for the entire North American natural gas market. Approximately 49 percent of U.S. wellhead production either occurs near the Henry Hub or passes close to the Henry Hub as it moves to downstream consumption markets.

### Background

Oklahoma is one of the top natural gas producers in the United States with production typically accounting for almost one-tenth of the U.S. total. More than a dozen of the 100 largest natural gas fields in the country are found in Oklahoma and proven reserves of conventional natural gas have been increasing in recent years.

Most natural gas in Oklahoma is consumed by the electricity generation and industrial sectors. About three-fifths of Oklahoma households use natural gas as their primary energy source for home heating. Nevertheless, only about one-third of Oklahoma’s natural gas output is

consumed within the state. The remaining supply is sent via pipeline to neighboring states, the majority to Kansas, including the natural gas trading hubs in Texas and Kansas.

### **Current Developments**

The U.S. Energy Information Administration (EIA) recently reported that combined marketed natural gas production from the top five natural gas producing states—Texas, Louisiana, Wyoming, Oklahoma, and Colorado—increased by about 7.5 percent in 2011, although their share of total U.S. natural gas output fell slightly to about 65 percent. The drop in their combined share of total U.S. production reflects increased contributions from other states, particularly those in which operators significantly expanded development of shale gas formations. Shale gas production from states such as Pennsylvania helped boost overall U.S. natural gas output by almost 8 percent in 2011.

In Oklahoma, natural gas production increased 3.9 percent in 2011, the second highest annual output since 1994, due to higher output in the Woodford shale play.

Natural gas prices continued on a downward trend in April as a result of continued high production levels, mild weather limiting heating demand, and robust storage. Gas prices are down about 28 percent so far in 2012 and further downside is expected without more cuts in supply. Local producers, Chesapeake and Conoco have previously announced plans to reduce dry gas production this year.

The Henry Hub spot price averaged \$1.95 per million British thermal units (MMBtu) in April—the lowest monthly average since early 1999—and down 23 cents from the March average of \$2.17 per MMBtu.

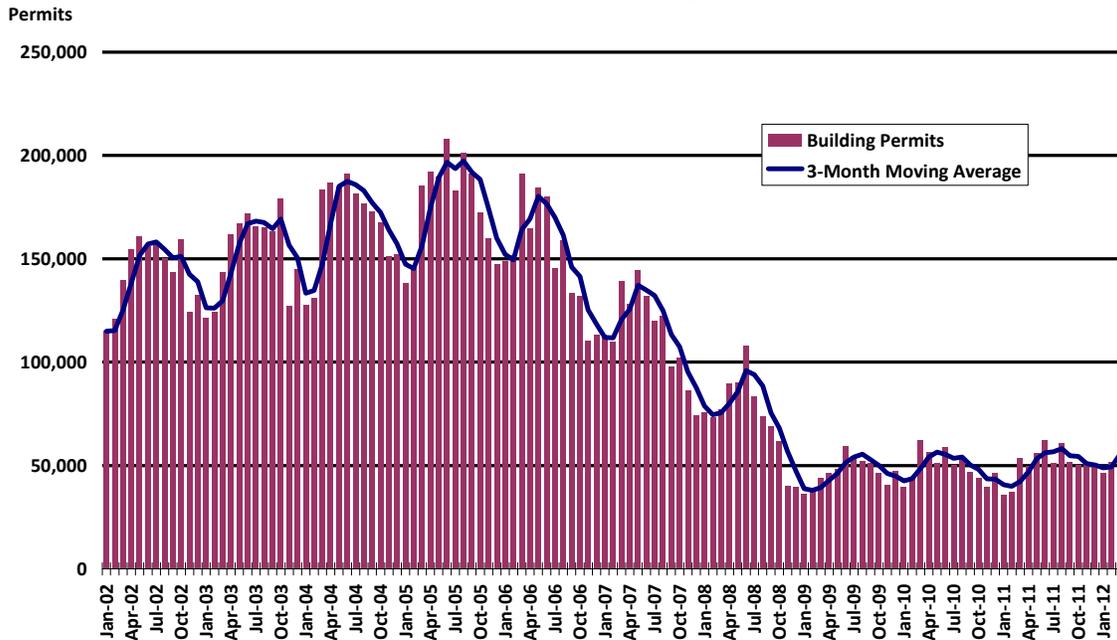
The number of rigs drilling for natural gas in the United States fell this week to the lowest level in 10 years as historically low prices continued to force producers to slow dry gas operations. The gas-directed rig count has dropped in 14 of the last 16 weeks, sliding 18 in the last week of April to 613 and matching the number of rigs drilling for dry gas back in April 2002, according to data from Baker Hughes.

In Oklahoma, gas-directed rotary rig activity was at 61 (30.8 percent) in the week ending April 27 while oil-directed rigs were at 137 (69.2 percent).

## U.S. Total Residential Building Permits, 2002-2012

Not Seasonally Adjusted

Source: U.S. Census Bureau and Department of Housing and Urban Development



### Definition & Importance

The U.S. Census Bureau and the Department of Housing and Urban Development jointly provide monthly national and regional data on the number of new housing units authorized by building permits; authorized, but not started; started; under construction; and completed. The data are for new, privately-owned housing units (single and multifamily), excluding "HUD-code" manufactured homes. Because permits precede construction, they are considered a leading indicator for the residential construction industry and the overall economy. Most of the construction begins the same month the permit is issued. The remainder usually begins construction during the next three months, therefore we also use a three-month moving average.

While home construction represents a small portion of the housing market, it has an outsize impact on the economy. Each home built creates an average of three jobs for a year and about \$90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels in 50 years in 2009, when builders began work on just 554,000 homes.

### Current Developments

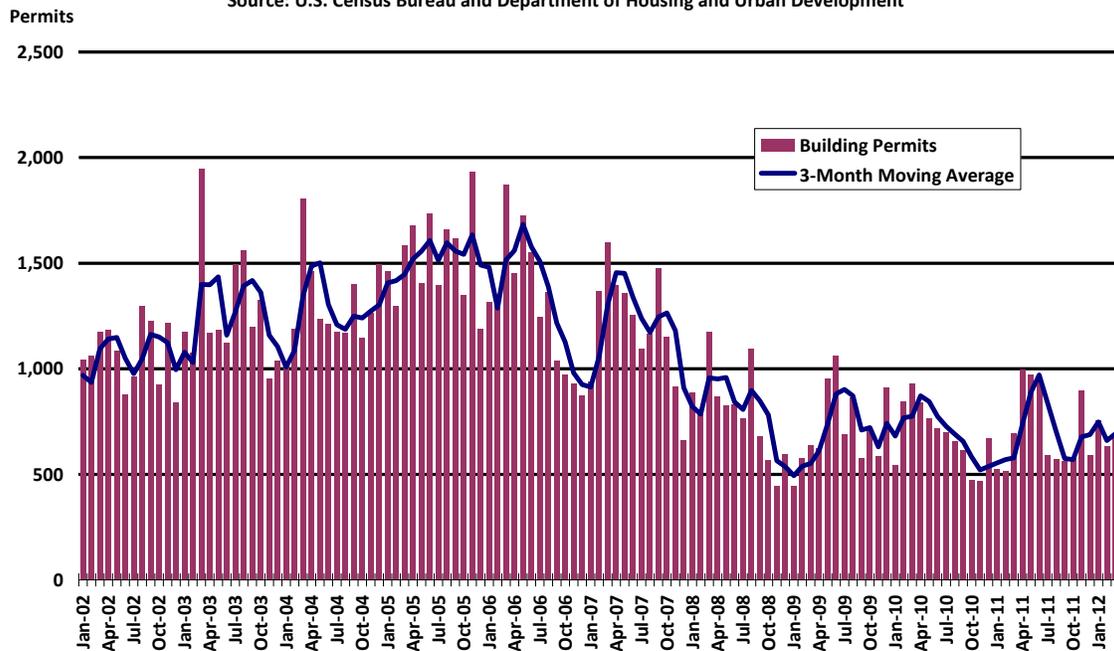
In March, U.S. homebuilders requested the most permits for single-family homes and apartments in 3 1/2 years, a sign that many builders expect the housing market to improve over the next year. Building permits in March were at a seasonally adjusted annual rate of 747,000, up 4.5 percent from the revised February rate and up 30.1 percent from March 2011, according to the U.S. Census Bureau and the Department of Housing and Urban Development. That would be the highest level of residential permitting since September 2008.

Separately, builder confidence in the market for newly built, single-family homes declined for the first time in seven months this April, according to the National Association of Home Builders/Wells Fargo Housing Market Index. The decline brings the index back to where it was in January, which was the highest level since 2007. Although builders have seen interest expressed by buyers in the past few months, that has yet to translate into expected sales activity.

## Oklahoma Total Residential Building Permits, 2002-2012

Not Seasonally Adjusted

Source: U.S. Census Bureau and Department of Housing and Urban Development



Residential permitting activity in Oklahoma picked up in March. Total unadjusted residential building permits were up 8.2 percent while multi-family permitting rose 125 percent after a slow month in February . Single-family permits were up a healthy 10,1 percent from February.

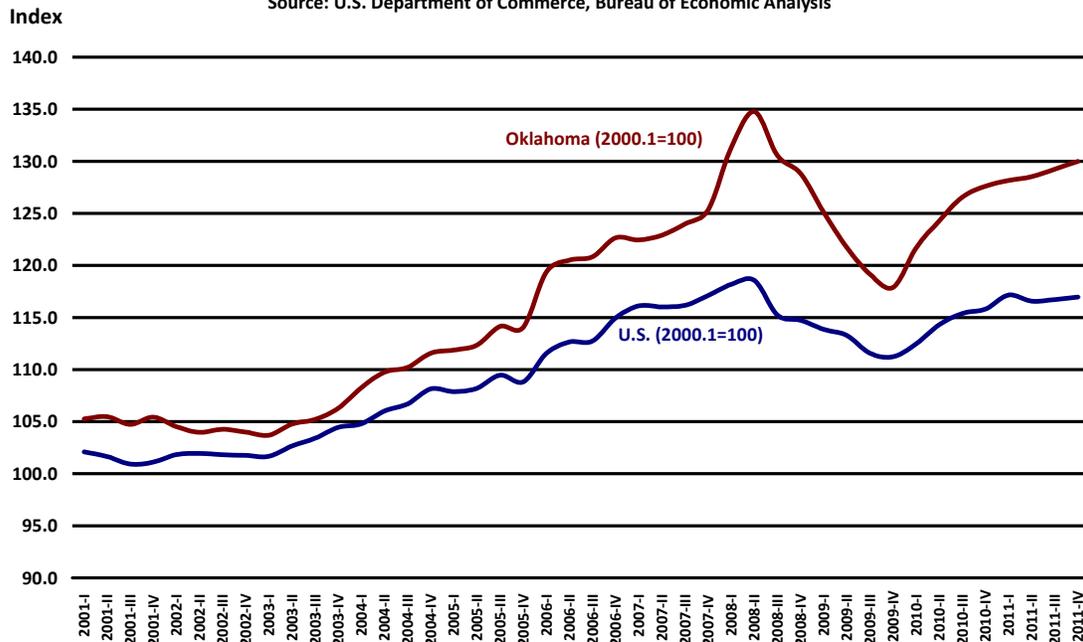
Compared to March 2011, total residential permitting was down slightly at -1.0 percent. Single-family permitting was 19.1 percent above March 2011 while multi-family permitting was down 56.1 percent.

Residential permitting continued at a faster pace than the previous year. Year to date, 2012 total residential permitting activity is 19.7 percent above the first quarter of 2011. Single-family permitting is 13.8 percent more than the first three months of 2011 and multi-family activity is 42.3 percent greater.

## U.S. and Oklahoma Real Personal Income

Index: 1st Quarter 2000 = 100

Source: U.S. Department of Commerce, Bureau of Economic Analysis



### Definition & Importance

Personal income is a broad measure of economic activity and one for which relatively current data are available. Personal income includes earnings, property income such as dividends, interest, and rent and transfer payments, such as retirement, unemployment insurance, and various other benefit payments. It is a measure of income that is available for spending and is seen as an indicator of the economic well-being of the residents of a state. Earnings and wages make up the largest portion of personal income.

To show the vastly different levels of total personal income for the U.S. and Oklahoma on the same chart, these data have been converted to index numbers. This chart shows a comparison of Oklahoma and U.S. growth in real personal income with 1st quarter 2000 as the base year.

### Current Developments

Americans' spending grew more slowly in March, as their incomes grew modestly. Personal income increased \$50.3 billion, or 0.4 percent, and disposable personal income (DPI) increased \$42.5 billion, or 0.4 percent, in March, according to the Bureau of Economic Analysis (BEA). That was a bit faster than February's income gain of 0.3 percent. Real DPI, (disposable income adjusted for inflation), increased 0.2 percent in March, in contrast to a decrease of 0.1 percent in February.

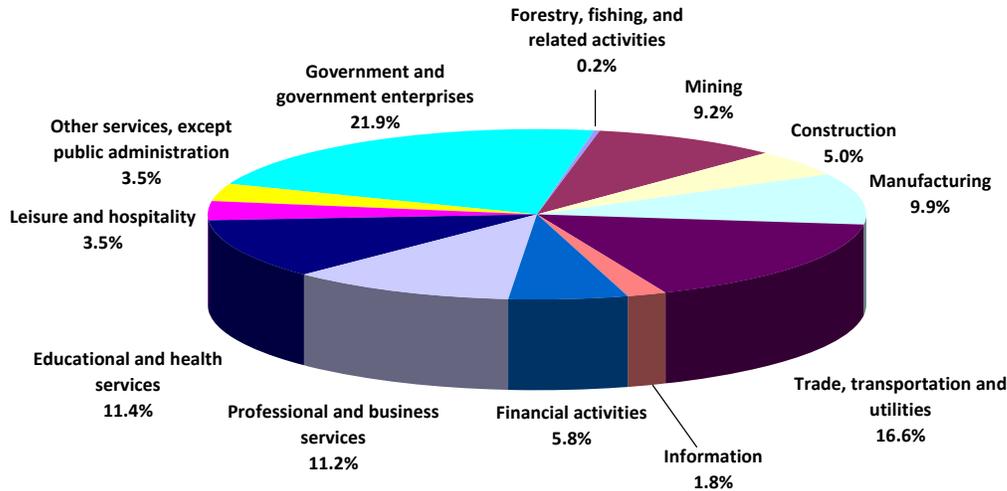
Personal consumption expenditures (PCE) increased \$29.6 billion, or 0.3 percent following a 0.9 percent increase in February. Durable goods spending dipped 0.3 percent in March with auto sales declining after a strong February. Nondurable goods spending jumped 0.9 percent on higher gasoline prices. Spending on services edged up 0.1 percent.

People spent more in part because they saved less. The personal saving rate edged up to 3.8 percent in March, compared with 3.7 percent in February. The saving rate was 4.3 percent in January and had averaged 4.7 percent for all of 2011.

## Oklahoma Nonfarm Industry Contribution to Earnings

Fourth Quarter 2011

Source: U.S. Department of Commerce, Bureau of Economic Analysis



### Definition & Importance

Quarterly estimates of state personal income are seasonally adjusted at annual rates by the Bureau of Economic Analysis (BEA). Quarterly personal income estimates are revised on a regular schedule to reflect more complete than the data that were available when the estimates were initially prepared and to incorporate updated seasonal factors.

### Current Developments

More than two-thirds of U.S. state economies strengthened during the last three months of 2011, the widest advance in more than year, confirming the spread of a recovery fueled by manufacturing and energy production. State personal income rose an average 5.1 percent in 2011 after rising 3.7 percent in 2010, according to estimates by the Bureau of Economic Analysis (BEA). State personal income growth ranged from 3.4 percent in Maine to 8.1 percent in North Dakota.

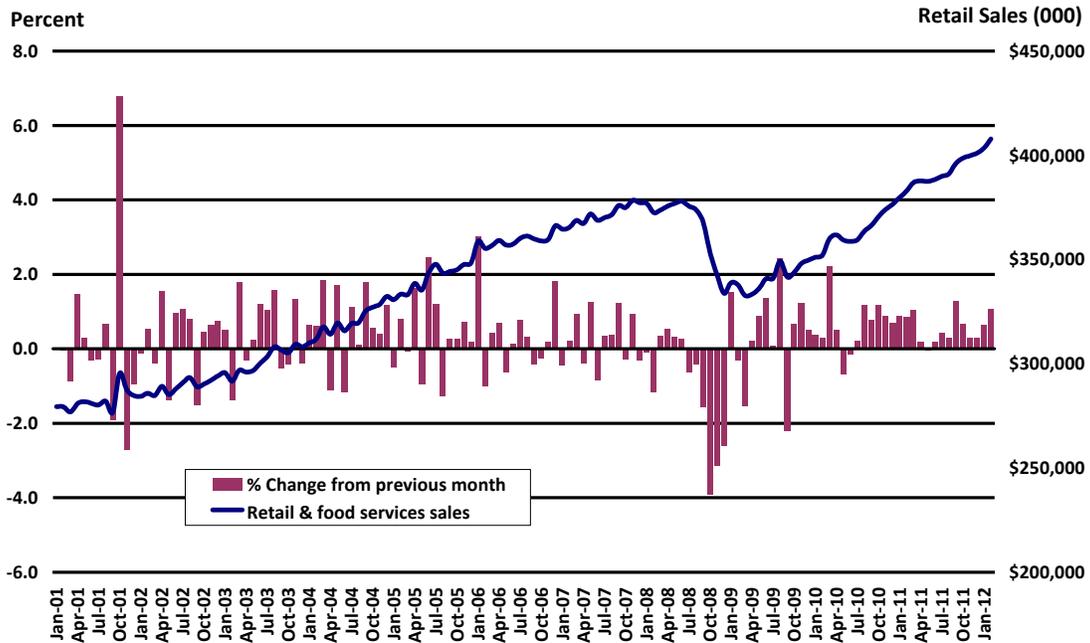
Earnings, which grew an average 4.4 percent in 2011, recovered their pre-recession levels and reached new peaks in 45 states. However, earnings in Arizona, Florida, Michigan, Nevada, and Oklahoma are still below peaks reached in 2007 or 2008.

Private nonfarm earnings accounted for almost all of the growth in personal income in the 4th quarter in most states. Mining earnings grew 9.0 percent, faster than every other industry, and accounted for the bulk of the growth in the six fastest growing states: North Dakota, Wyoming, Oklahoma, Texas, Louisiana, and West Virginia.

For 2011, Oklahoma's total personal income growth rate of 6.2 percent ranked it 4th in the nation with North Dakota (8.1 percent), Iowa (6.8 percent), and Texas (6.6 percent) topping the list. The state's per capita personal income grew 5.3 percent to \$37,277 in 2011 from \$35,389 the previous year, ranking Oklahoma 3rd in the nation for growth. Earnings accounted for 4.29 percentage points to Oklahoma's personal income growth in 2011 led by the mining sector contributing about 1.78 percent points to earnings growth followed by trade, transportation and utilities, (0.64); manufacturing (.50); and health and social assistance (0.38).

## U.S. Retail Sales (Adjusted for Seasonal, Holiday, and Trading-Day Differences)

Source: U.S. Census Bureau, Advance Monthly Sales for Retail and Food Services



### Definition & Importance

Retail sales measure the total receipts at stores that sell merchandise and related services to final consumers. Sales are by retail and food services stores. Data are collected from the Monthly Retail Trade Survey conducted by the U.S. Bureau of the Census. Essentially, retail sales cover the durables and nondurables portions of consumer spending. Consumer spending accounts for roughly two-thirds of the U.S. GDP and is therefore essential to Oklahoma's economy. Retail sales account for around one-half of consumer spending and economic recovery calls for consumption growth.

### Current Developments

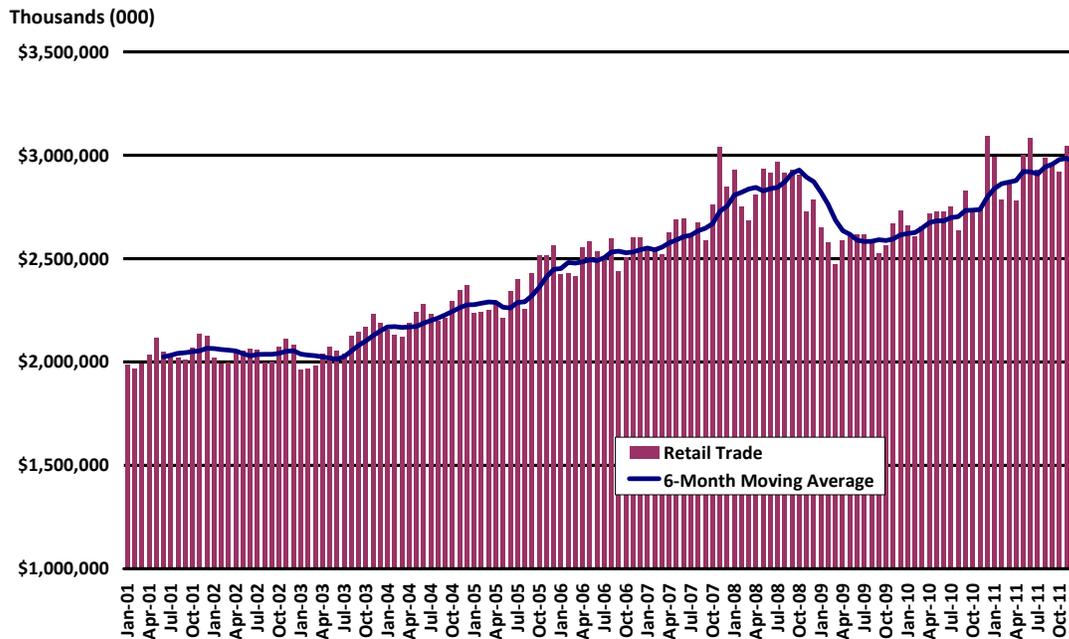
Overall retail sales posted a healthy gain for February on robust auto sales and higher gasoline prices. Advance estimates of U.S. retail and food services sales for February were \$407.8 billion, an increase of 1.1 percent from the previous month and 6.5 percent above February 2011, according to the U.S. Census Bureau. It was the biggest jump in retail sales since September. Retail sales figures for January and December were revised up.

Strength in February sales was seen in the motor vehicles component which rebounded 1.6 percent after dipping 1.6 percent in January. Another factor driving the retail sales increase was a 3.3 percent rise in gasoline sales last month. It was the biggest increase in nearly a year and reflected a surge in gas prices.

Sales excluding autos and gasoline in February improved 0.6 percent, following a 1.0 percent gain the prior month (originally up 0.6 percent). Gains were widespread with clothing & accessories, up 1.8 percent; building material & garden supplies, up 1.4 percent; sporting goods, hobby, book & music stores, up 1.0 percent; electronics & appliances, up 1.0 percent; and food services & drinking places, up 0.8 percent. Declines were seen in furniture & home furnishings, down 1.2 percent, and general merchandise, down 0.1 percent.

## Oklahoma Total Adjusted Retail Trade

Source: Center for Economic & Management Research, University of Oklahoma



### Definition & Importance

The Center for Economic and Management Research (CEMR) Price College of Business, at the University of Oklahoma produces the Oklahoma Monthly Retail Sales Series containing monthly estimates of retail sales for Oklahoma, the Oklahoma City, Tulsa and Lawton Metropolitan Statistical Areas and 48 selected cities in Oklahoma. The series is based on sales tax collection data provided by the Business Tax Division, Oklahoma Tax Commission (OTC). In order to take out monthly volatility, we have used a six-month moving average.

### Current Developments

It appears that many Oklahomans did their holiday shopping a month earlier in 2011, taking advantage of store discounts. Total adjusted retail sales for December was at a level of \$2,982,932,393 which was almost 2 percent below November's sales figure of \$3,042,473,790 and 3.6 percent below December 2010. For the year, Oklahoma total adjusted retail sales was at \$35,330,382,990, that is 7.3 percent above the 2010 sales level of \$32,885,394,745.

By category, December durable goods sales were 1.3 percent above November's sales. All durable goods categories posted sales gains, miscellaneous durable goods (+3.1 percent), auto accessories & repair (+1.6 percent), electronics & music stores (+0.8 percent), furniture (+0.6 percent), lumber & hardware (+0.5), and used merchandise (+0.4 percent).

December nondurable goods sales were off 2.9 percent from November with the largest drop in gasoline sales (-14.7 percent). Apparel sales were up 2.1 percent in December along with liquor (+1.8 percent), general merchandise (+1.1 percent), miscellaneous non-durables (+0.7 percent), food (+0.7 percent), and eating & drinking (+0.4 percent).