OKLAHOMA
Economic Indicators

April 2014

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ECONOMIC INDICATORS

Oklahoma Employment Security Commission
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April 2014

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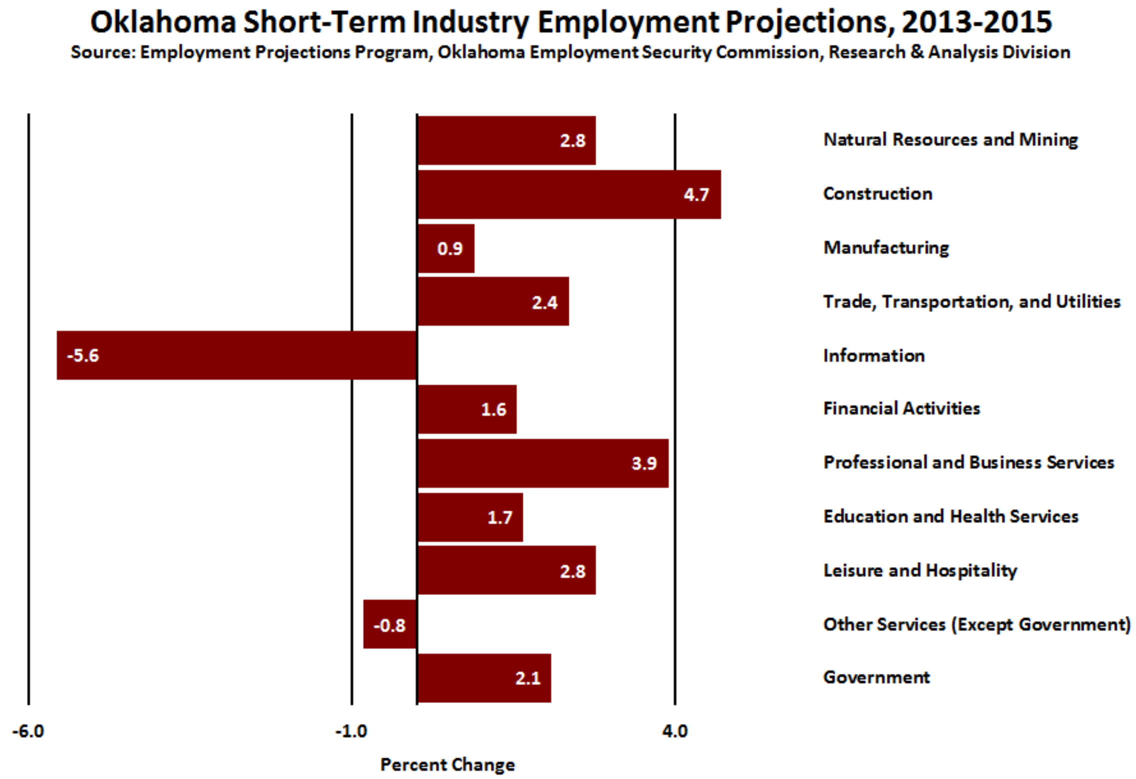
SPECIAL REPORT:
Oklahoma Short-Term Industry and Occupational Projections: 2013 to 2015



Introduction

Every year, the Oklahoma Employment Security Commission produces the state's short-term employment projections. These projections use historical and current industry employment and occupational survey data to project how employment will change over a two-year period. The short-term projection results reflect short-term business cycle activity, such as periods of recession or rapid growth. Consequently, the short-term employment projections are helpful for those looking for immediate employment, whether temporary, part-time or full-time.

The 2013-2015 short-term employment projections were based on Oklahoma historical data from the 1st quarter of 1996 through the 1st quarter of 2013. The primary data sources used were the Quarterly Census of Employment and Wages (QCEW) and the Occupational Employment Statistics (OES) survey.

Industry Projections

For our 2013 to 2015 short-term industry employment forecast for Oklahoma, we expect total payroll employment will grow 1.72 percent, adding 30,130 jobs to the state's economy (see Table 1). Nine out of 11 of Oklahoma's industry supersectors are anticipated to grow in the 2013-2015 forecast period.

In the goods-producing industries, construction is expected to lead employment growth, adding 3,330 jobs with heavy and civil engineering construction (+1,170) and specialty trade contractors (+1,580) contributing most of the job growth. Employment growth in mining follows closely adding 2,220 jobs from 2013 to 2015 with oil and gas extraction (+1,710 jobs) providing most of the growth. Manufacturing is expected to add 1,220 jobs, growing at 0.89 percent during the two-year period.

Table 1.
Oklahoma Short-Term Industry Employment Estimates & Projections, 2013-2015

Supersector	1st Qtr. 2013	1st Qtr. 2015	Change	% Change
Total Employment	**1,749,930**	**1,780,070**	**30,130**	**1.72**
Natural Resources and Mining	76,250	78,370	2,120	2.78
Construction	70,750	74,080	3,330	4.71
Manufacturing	136,340	137,550	1,220	0.89
Trade, Transportation, and Utilities	287,590	294,370	6,770	2.35
Information	21,650	20,450	-1,200	-5.56
Financial Activities	80,140	81,380	1,250	1.56
Professional and Business Services	176,880	183,770	6,900	3.90
Education and Health Services	396,750	403,300	6,550	1.65
Leisure and Hospitality	145,700	149,750	4,050	2.78
Other Services (Except Government)	58,910	58,440	-480	-0.81
Government	184,220	188,060	3,850	2.09

Source: Employment Projections Program, Oklahoma Employment Security Commission, Research & Analysis Division.

In the services-providing industries, employment in professional & business services is forecast to provide the largest gains adding 6,900 jobs (3.90 percent). Administrative & support and waste management & remediation services employment accounts for more than half of the job growth, adding 3,750 jobs. Professional, scientific & technical services is projected to add 2,860 jobs growing at a 4.25 percent rate.

The broad trade, transportation & utilities sector is forecast to add 6,770 jobs (2.35 percent) between 2013 and 2015 with about two-thirds of the employment growth in retail trade (+4,680 jobs). Wholesale trade is expected to add 1,920 jobs (3.15 percent). Utilities employment is forecast to grow 1.06 percent adding 120 jobs. Transportation & warehousing employment is expected to remain flat.

Education & health services employment is expected to add 6,550 jobs (+1.65 percent) from 2013 to 2015 with approximately two-thirds of the job gains in health care & social assistance (+4,760 jobs).

Leisure and hospitality employment is projected to increase by 4,050 jobs (+2.78 percent) from 2013 to 2015 with 87.7 percent of the job gains coming from food services & drinking places (+3.390 jobs).

The financial activities supersector is forecast to add 1,250 jobs (+1.56 percent) in the 2013-15 timeframe with finance & insurance growing by 960 (+1.66 percent) and real estate and rental & leasing adding 280 jobs (+1.30 percent).

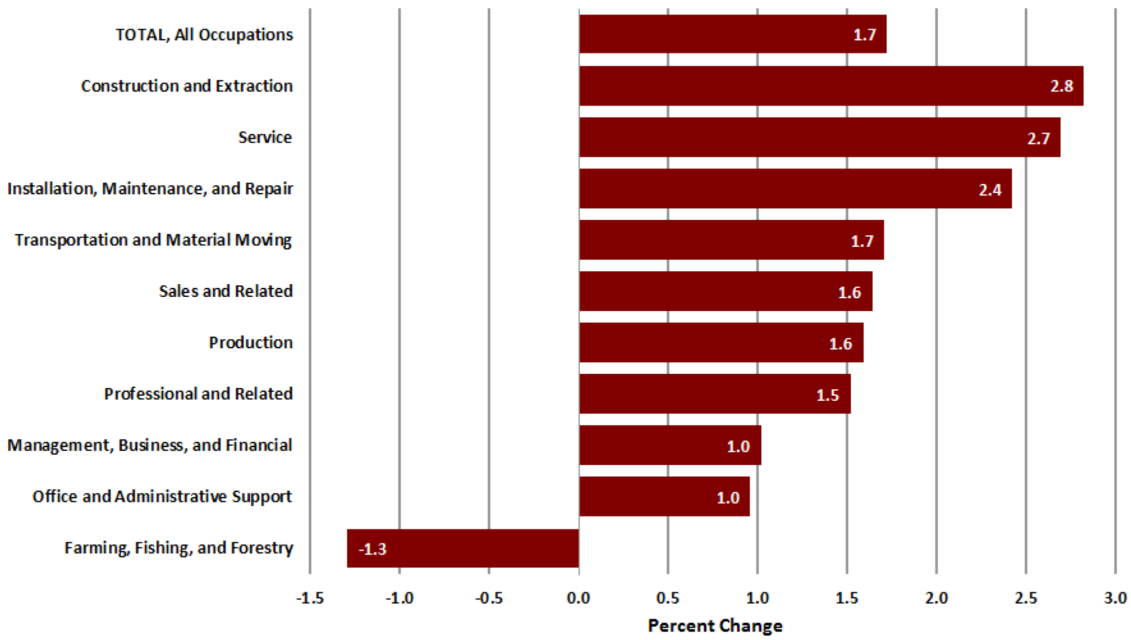
Other services (except government) and information were the only supersectors forecast to lose employment, shedding 480 and 1,200 jobs respectively.

Government employment is projected to grow 2.09 percent adding 3,850 jobs during the 2013-2015 period with all the growth at the local government level which is expected to add 4,880 jobs (+4.84 percent). Federal and state government employment is forecast to decline.

Oklahoma Short-Term Occupational Employment Projections, 2013-2015

Major Occupational Groups

Source: Employment Projections Program, Oklahoma Employment Security Commission, Research & Analysis Division



Occupational Projections

Turning to occupational projections, all but one of the major broad occupational groups are expected to enjoy positive job growth in the 2013-2015 projection round. An estimated 116,310 total job openings are forecast for the 2013-2015 period or about 58,150 each year from 2013 to 2015. About 15,070 jobs are expected to be added each year during this 2-year period, plus an estimated 41,180 annual replacement job openings.

Service occupations are expected to see the largest gain in employment adding 4,560 jobs each year in the 2013-2015 period along with an estimated 14,720 average annual openings. Food preparation & serving related occupations are projected to add 1,830 jobs annually followed by protective service occupations which should add 820 jobs each year from 2013 to 2015.

Construction and extraction occupations are the fastest growing major occupational group for the 2013 to 2015 period, growing at a rate of 2.82 percent. Construction and extraction occupations are expected to add an estimated 1,410 new jobs each year during the two-year period in addition to another 3,280 average annual job openings.

The major occupational group with the most job openings due to growth and replacement needs was also service occupations with 14,720 average annual openings. Within the service occupations, food preparation & serving related occupations are projected to have 7,810 average annual openings followed by protective service occupations which should have 1,890 annual openings. Building and grounds cleaning and maintenance occupations are expected to have 1,790 average annual openings between 2013 and 2015.

The major occupational group with the largest number of workers was professional and related occupations with an estimated employment level of 343,850 in 2013. This major group is projected to add 5,230 new jobs in the two-year period (2,610 annually) with 9,620 average annual openings.

Table 2.
Oklahoma Short-Term Occupational Employment Estimates & Projections by Major Group, 2013-2015

Occupational Division	1st Qtr. 2013	1st Qtr. 2015	Numeric Change	Percent Change	Average Annual Openings 2013-15
Total, All Occupations	**1,749,930**	**1,780,070**	**30,130**	**1.72**	**58,150**
Management, Business, and Financial Occupations[1]	194,240	196,220	1,980	1.02	5,190
Professional and Related Occupations[2]	343,850	349,080	5,230	1.52	9,620
Service Occupations[3]	338,960	348,090	9,130	2.69	14,720
Sales and Related Occupations	175,050	177,920	2,870	1.64	7,290
Office and Administrative Support Occupations	281,870	284,580	2,710	0.96	7,720
Farming, Fishing, and Forestry Occupations	14,290	14,110	-180	-1.29	430
Construction and Extraction Occupations	99,640	102,450	2,810	2.82	3,280
Installation, Maintenance, and Repair Occupations	78,320	80,220	1,900	2.42	2,860
Production Occupations	115,060	116,900	1,840	1.59	3,620
Transportation and Material Moving Occupations	108,640	110,500	1,860	1.71	3,430

Notes:
1) Major occupational groups 11-0000 through 13-0000 in the 2010 Standard Occupational Classification (SOC).
2) Major occupational groups 15-0000 through 29-0000 in the 2010 Standard Occupational Classification (SOC).
3) Major occupational groups 31-0000 through 39-0000 in the 2010 Standard Occupational Classification (SOC).

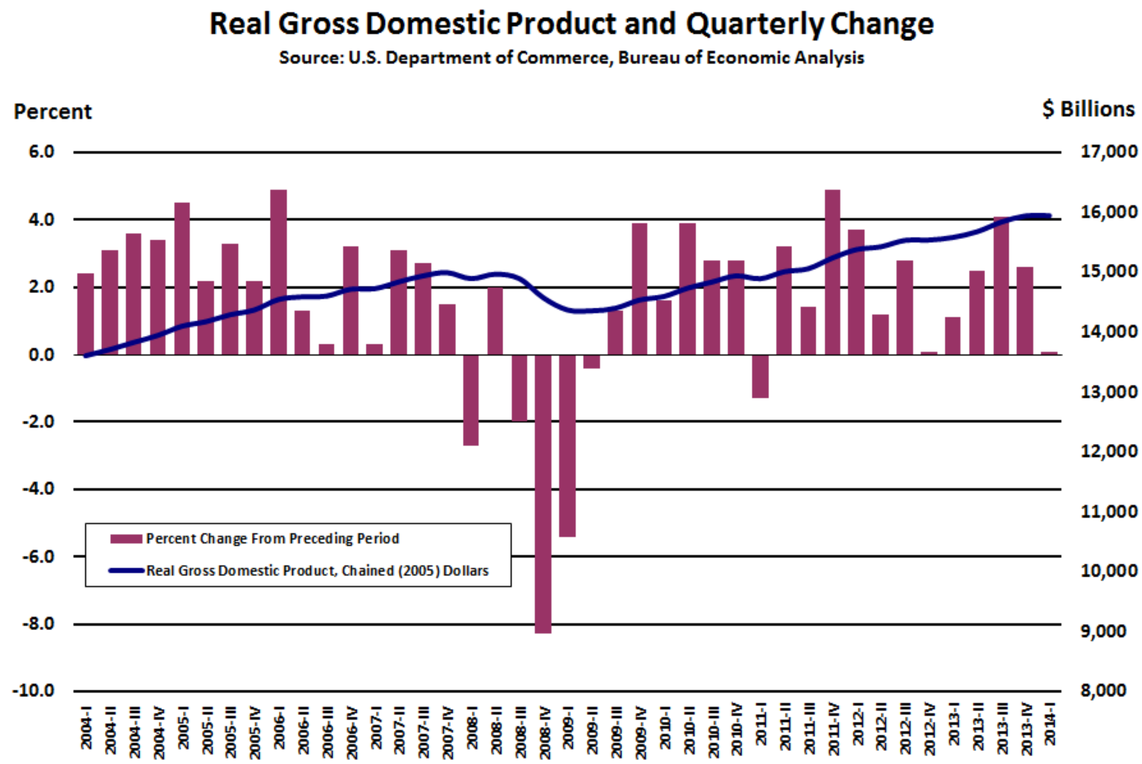
Source: Employment Projections program, Oklahoma Employment Security Commission

Only one major occupational group is forecast to decline in employment in the 2013-2015 projection round. Farming, fishing, and forestry occupations are projected to shed 180 jobs (-1.29 percent) during the two-year period. However, we estimate that there will also be approximately 430 average annual openings in this occupational group each year during this 2-year period.

More Information

Detailed industry and occupational forecast tables are available at:
http://www.ok.gov/oesc_web/Services/Find_Labor_Market_Statistics/Projections/

There you will find industry and occupational projections for the 2013-2015 round as well as the 2010-2020 long-term industry and occupational projections along with past rounds of long-term and short-term projections.



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

U.S. economic growth came to a standstill in the 1st quarter, largely due to adverse weather conditions slowing production. Real gross domestic product increased at an annual rate of 0.1 percent in the 1st quarter, according to the "advance" estimate released by the Bureau of Economic Analysis (BEA). That was the weakest pace since the end of 2012 and was down from a 2.6 percent rate in the previous quarter.

Consumer spending grew at a surprisingly strong 3.0 percent annual rate in the 1st quarter, driven by a 4.4 percent rise in spending on services which added 1.96 percentage points to GDP. The jump in services spending likely reflected higher utility bills (due to frigid winter weather), and an expansion in health care spending from provisions of the Affordable Care Act. Consumer spending on goods rose just 0.4 percent, the smallest gain in nearly three years.

A drop in business investment dampened GDP growth in the 1st quarter. Nonresidential fixed investment fell at a 2.1 percent rate, with spending on equipment plunging at a 5.5 percent annual rate. The slowdown in investment coincided with weaker hiring during the quarter.

Real residential fixed investment fell 5.7 percent in the 1st quarter as cold weather likely halted some building. But other factors including mortgage rates that are a percentage point higher than a year earlier, higher home prices and a shortage of available houses could also be discouraging families from moving.

A widening trade deficit also contributed to the weak 1st quarter GDP growth as foreign demand slowed. The 7.6 percent drop in real exports in the 1st quarter subtracted 1.07 percentage points from GDP. Real imports of goods and services decreased 1.4 percent in the 1st quarter.

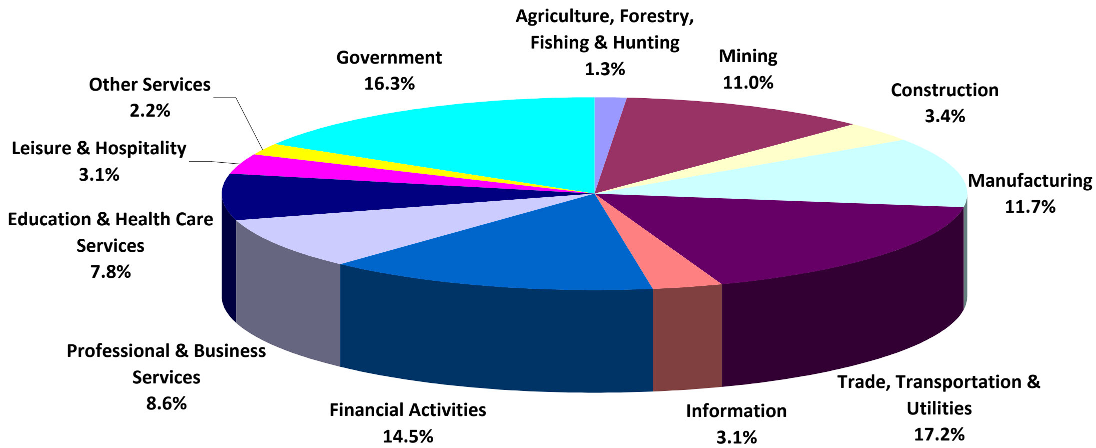
Less spending by state and local governments also held back growth in the 1st quarter. That pullback offset a rebound in federal spending. Federal government outlays grew 0.7 percent. National defense spending decreased 2.4 percent while nondefense spending increased 5.9 percent. Real state and local government consumption expenditures and gross investment decreased 1.3 percent.

If not for the increased spending on health care and utilities, the economy would have contracted in the 1st quarter. Medical spending rose at a time when millions of Americans were enrolling in insurance plans created under the new health care law.

2011 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

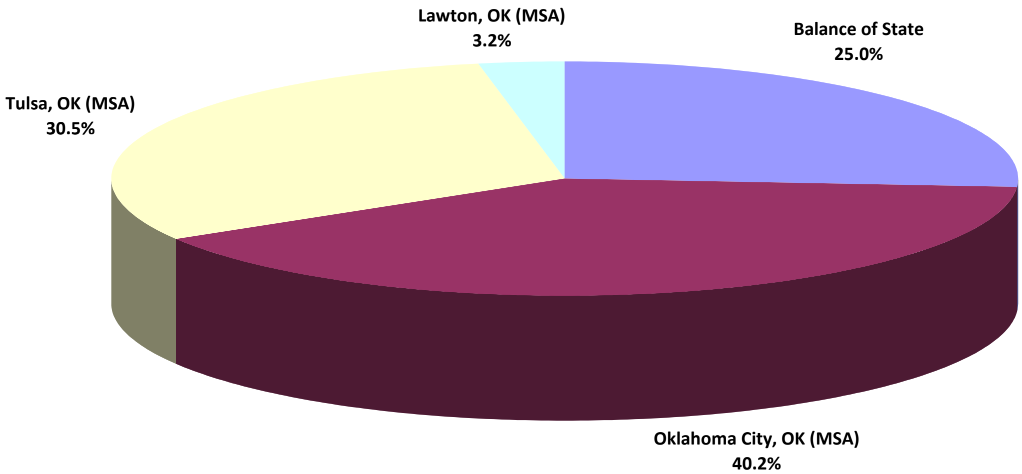
Oklahoma was among 43 states and the District of Columbia experiencing growth in real GDP in 2011, according to the advance estimate from the Bureau of Economic Analysis (BEA). Oklahoma's 2010 advance estimate was revised upward from 1.0 percent to 2.0 percent while the state's 2009 GDP was further revised downward reflecting depressed energy prices during that period.

Oklahoma registered a real GDP of $134.2 billion in 2011, a 1.0 percent gain from the revised $132.8 billion in 2010. U.S. real GDP by state grew 1.5 percent in 2011 after a 3.1 percent increase in 2010. Real GDP increased in all eight BEA regions in 2011, although growth slowed in most regions. The Southwest region, which includes Oklahoma, grew the fastest at 2.7 percent, led by Texas with a 3.3 percent increase.

Durable-goods manufacturing was the leading contributor to real GDP growth in 26 states including Oklahoma, where it contributed 0.54 percentage points to overall growth. Other industries adding to 2011 GDP growth in Oklahoma were, wholesale trade (0.29 percent); health care & social assistance (0.26 percent); mining (0.24 percent); and professional, scientific & business services (0.20 percent). Subtracting from Oklahoma GDP growth were agriculture, forestry, fishing & hunting (-0.26 percent); utilities (-0.19 percent); real estate, rental & leasing (-0.17 percent); government (-0.13 percent); and nondurable goods manufacturing (-0.11 percent).

Metropolitan Area Contribution to State Real Gross Domestic Product 2010

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



Definition & Importance

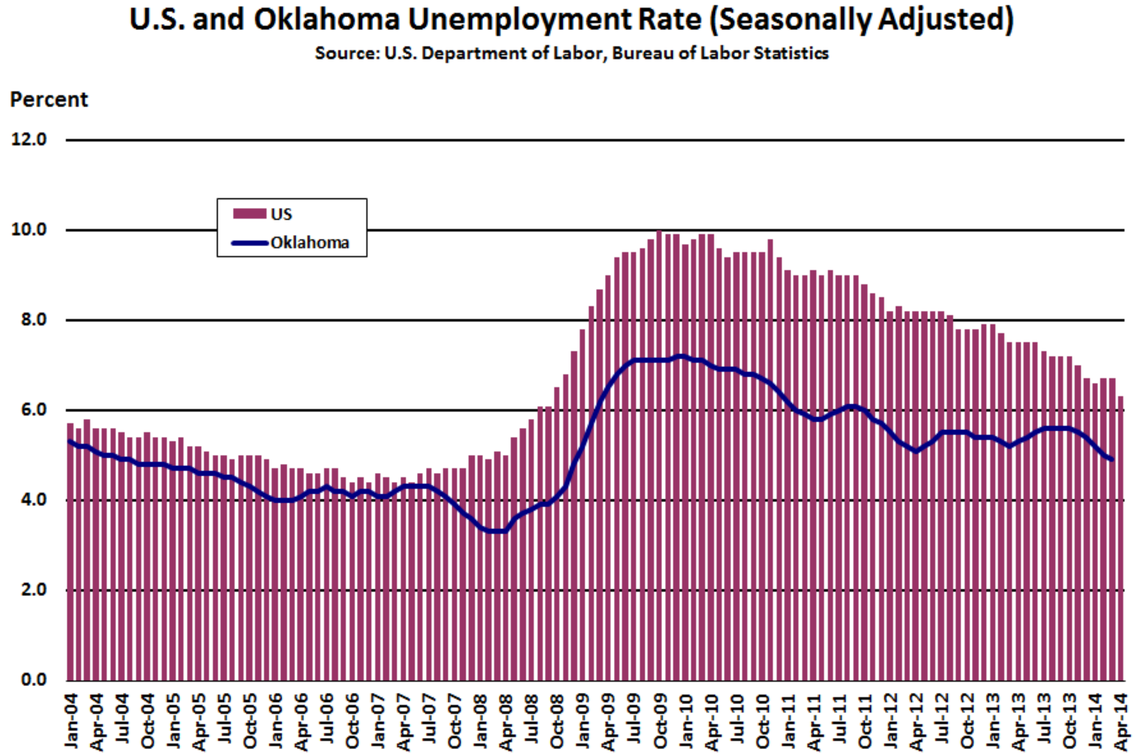
Metropolitan Statistical Areas (MSA) are the county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree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



Definition & Importance

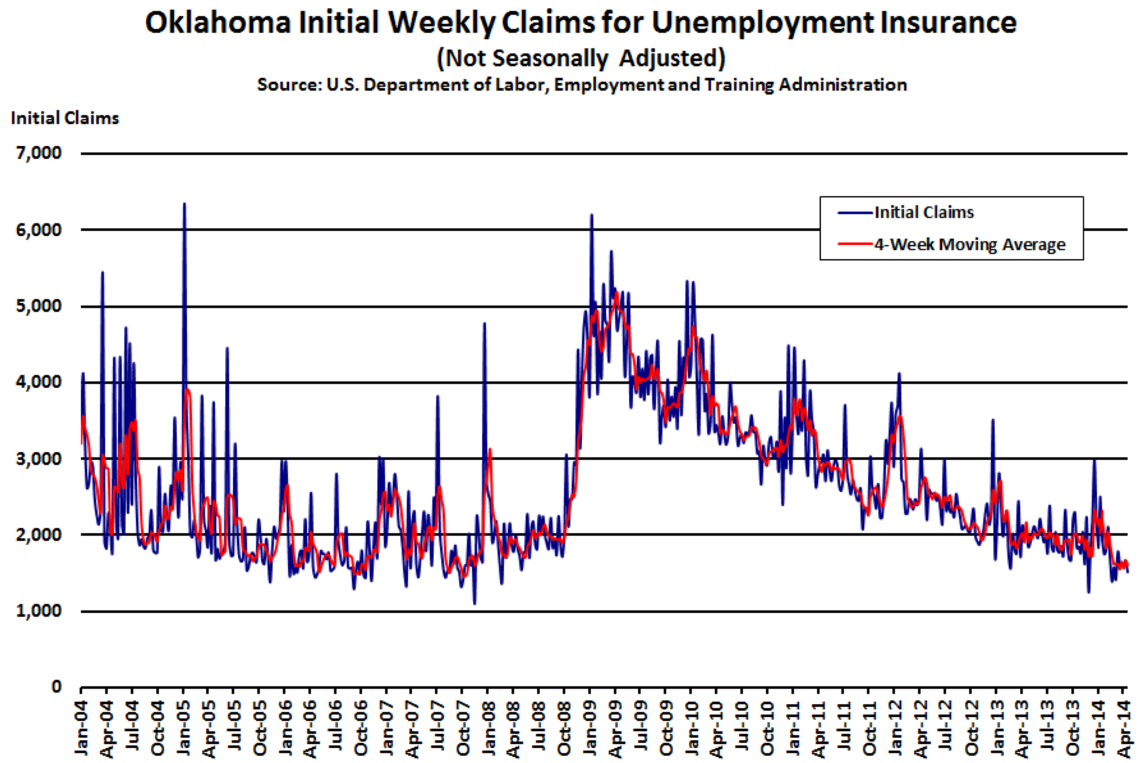
The Bureau of Labor Statistics Local Area Unemployment Statistics (LAUS) program produces monthly estimates of total employment and unemployment from a national survey of 60,000 households. The unemployment rate measures the percentage of people who are without work and is calculated by dividing the 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 tumbled in April to its lowest level since September 2008. The unemployment rate fell by 0.4 percentage point to 6.3 percent in April, according to the Bureau of Labor Statistics (BLS). But the drop occurred because the number of people working or seeking work fell sharply. The civilian labor force dropped by 806,000 in April while the labor force participation rate fell by 0.4 percentage point to 62.8 percent in April.

Oklahoma's unemployment rate hit a five-year low in March. The statewide seasonally adjusted unemployment rate improved to 4.9 percent in March, marking the first time it has dipped below 5.0 percent since December 2008. That jobless rate was also the 12th lowest among all state in March. The unemployment rates for 69 of Oklahoma's 77 counties dropped over the month, while rates rose in only two counties. Latimer County again recorded Oklahoma's highest county unemployment rate of 8.7 percent while Dewey County claimed the month's lowest county unemployment rate of 2.6 percent.



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.

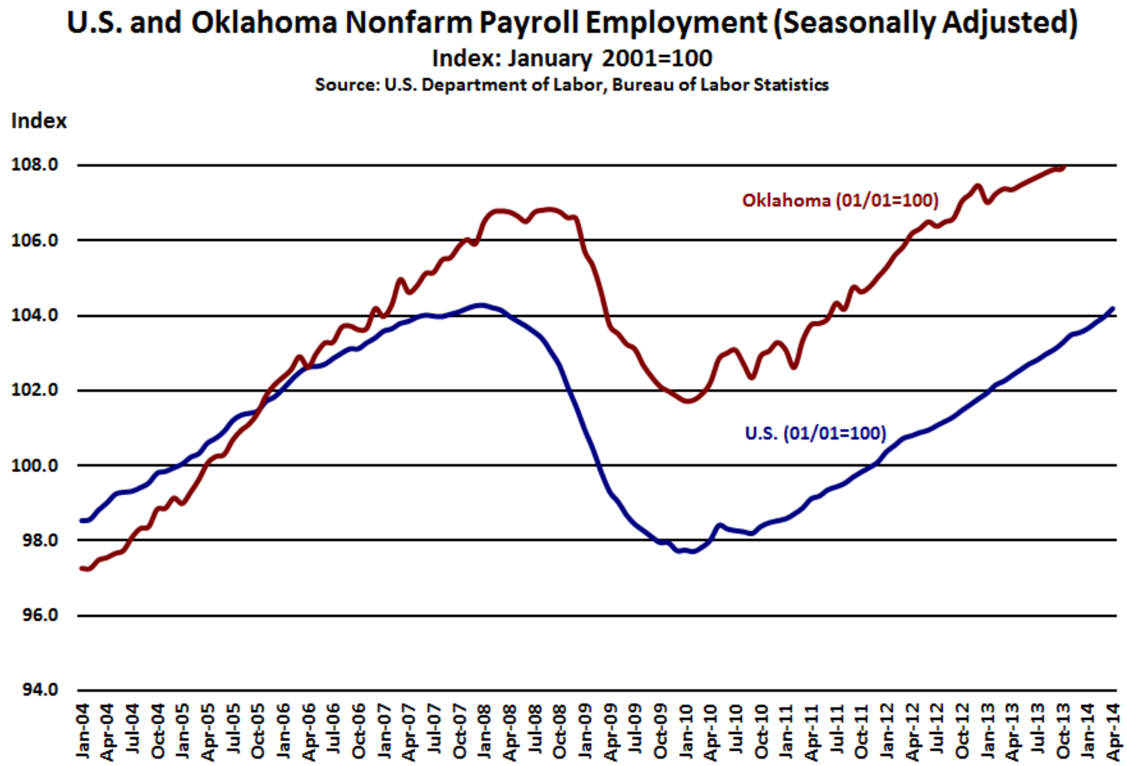
Current Developments

The number of Americans applying for unemployment benefits rose in the last week of April to the highest level since February. In the week ending April 26, the advance figure for seasonally adjusted initial claims was 344,000, an increase of 14,000 from the previous week's revised level, according to figures released by the U.S. Labor Department (DOL). The less volatile 4-week moving average was 320,000, an increase of 3,000 from the previous week's revised average of 317,000.

Unemployment benefits are a proxy for layoffs, and they have fallen to pre-recession levels since peaking at 665,000 in March 2009.

Oklahoma's initial jobless claims continued to trend down in April as initial claims have also returned to pre-recession levels. For the file week ending April 19, initial claims for unemployment insurance declined 150 from 1,666 the previous week to 1,516. For the same file week ending, the four-week moving average was down 61 from 1,667 to 1,607.

Over the month, statewide initial claims fell by 114 from 1,630 to 1,516 while the less volatile 4-week moving average edged up by 52 from 1,555 to 1,607.



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.

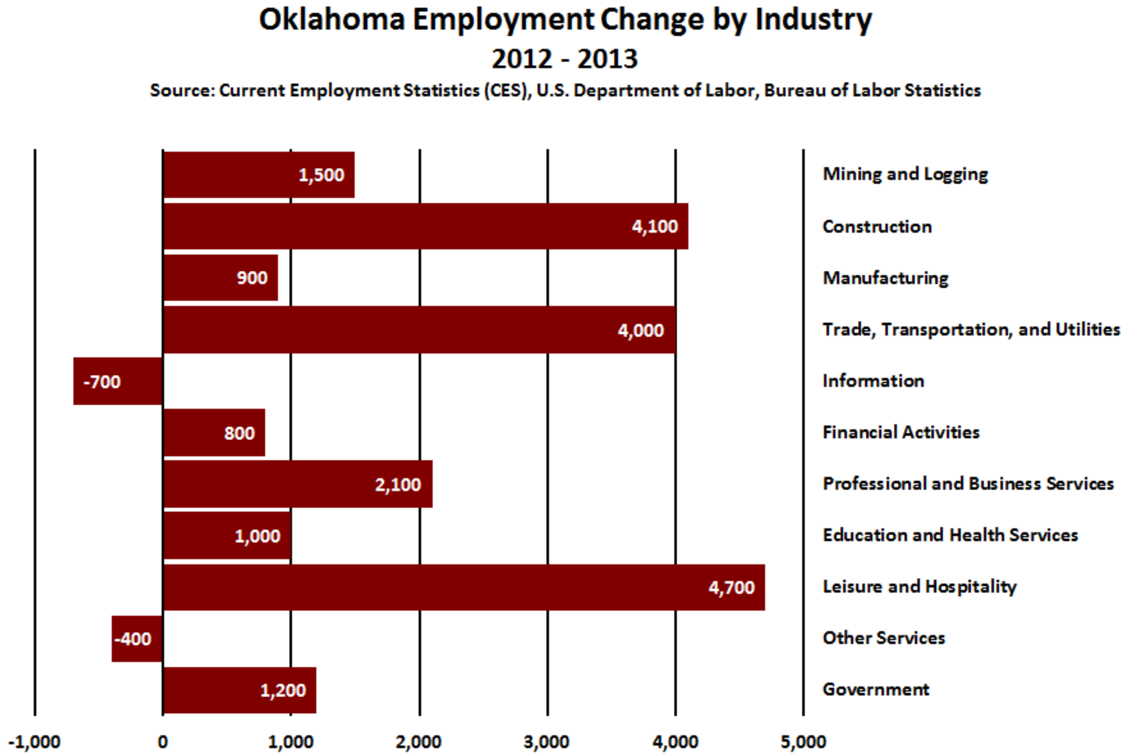
Payroll employment is one of the most current and reliable indicators of economic conditions and recessionary trends. Increases in nonfarm payrolls translate into earnings that workers will spend on goods and services in the economy. The greater the increases in employment, the faster the total economic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

Current Developments

U.S. payrolls surged in April at the fastest pace in two years, a sign the economy is picking up after an unusually cold and disruptive winter slowed growth. Total nonfarm payroll employment rose by 288,000 in April, according to the Bureau of Labor Statistics (BLS). Hiring last month was broad-based and included higher-paying jobs. Manufacturing gained 12,000 positions. Construction added 32,000 jobs. Professional and technical services, which include accounting and engineering positions, gained 25,100 jobs.

Oklahoma's seasonally adjusted nonfarm employment added 2,100 jobs (+0.1 percent) in March. Three of Oklahoma's 11 supersectors provided all of the job gains in March, with educational & health services (+3,200 jobs) leading the way. Other services (-1,000 jobs) reported the largest job loss for the month.

Over the year, state nonfarm employment expanded by 22,900 jobs (+1.4 percent).



Definition & Importance

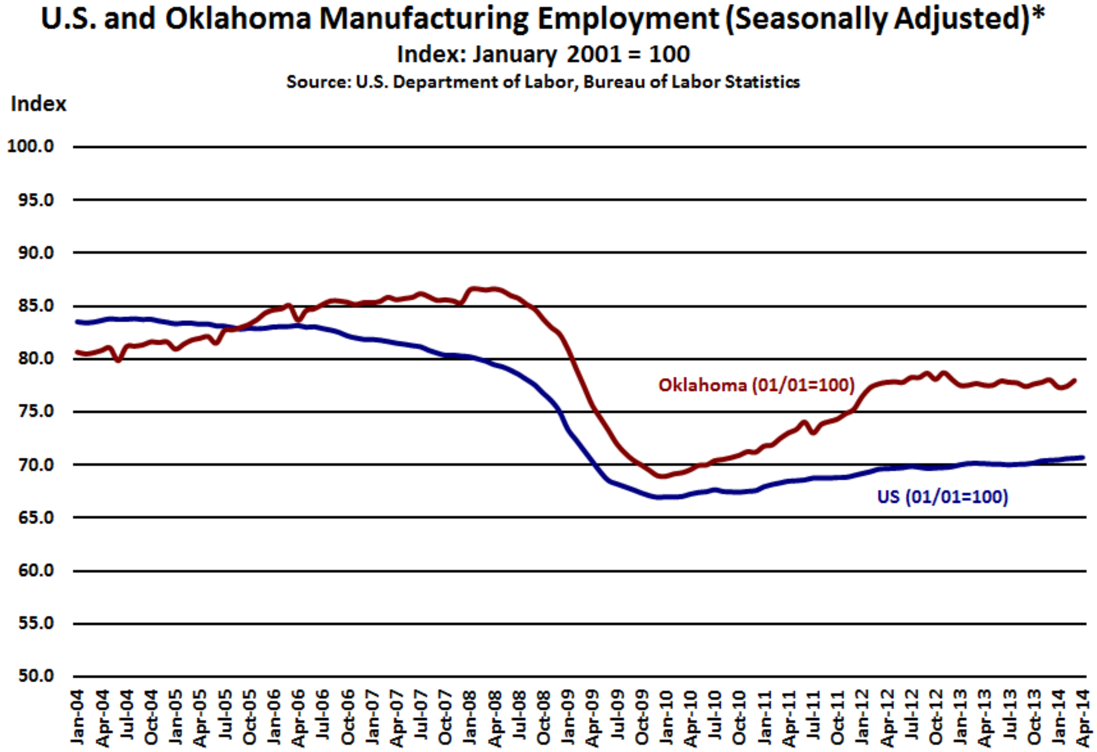
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion 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

Nonfarm employment growth slowed a bit in 2013, adding 19,000 jobs for a 1.2 percent growth rate.

In 2013, nine out of Oklahoma's 11 statewide supersectors recorded job growth. Leisure & hospitality led all other supersectors adding 4,700 jobs with the bulk of hiring occurring in accommodations & food services. Construction employment added 4,100 jobs with almost all of the growth coming from heavy and civil engineering construction and specialty trade contractors. The broad trade, transportation & utilities group added 4,000 employees with most of the growth in wholesale trade. Professional and business services employment grew by 2,100 driven by job gains in administrative and support & waste management and remediation services and employment services. Mining & logging and manufacturing employment growth both slowed significantly from the previous year. Education & health services added 1,000 jobs with nearly all the job growth in ambulatory health care services.

Once again, over-the-year declines were seen in information (-700) and other services (-400).



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. In order to account for the size disparity between the U.S. and Oklahoma employment levels, we have indexed the data with January 2001 as the starting value.

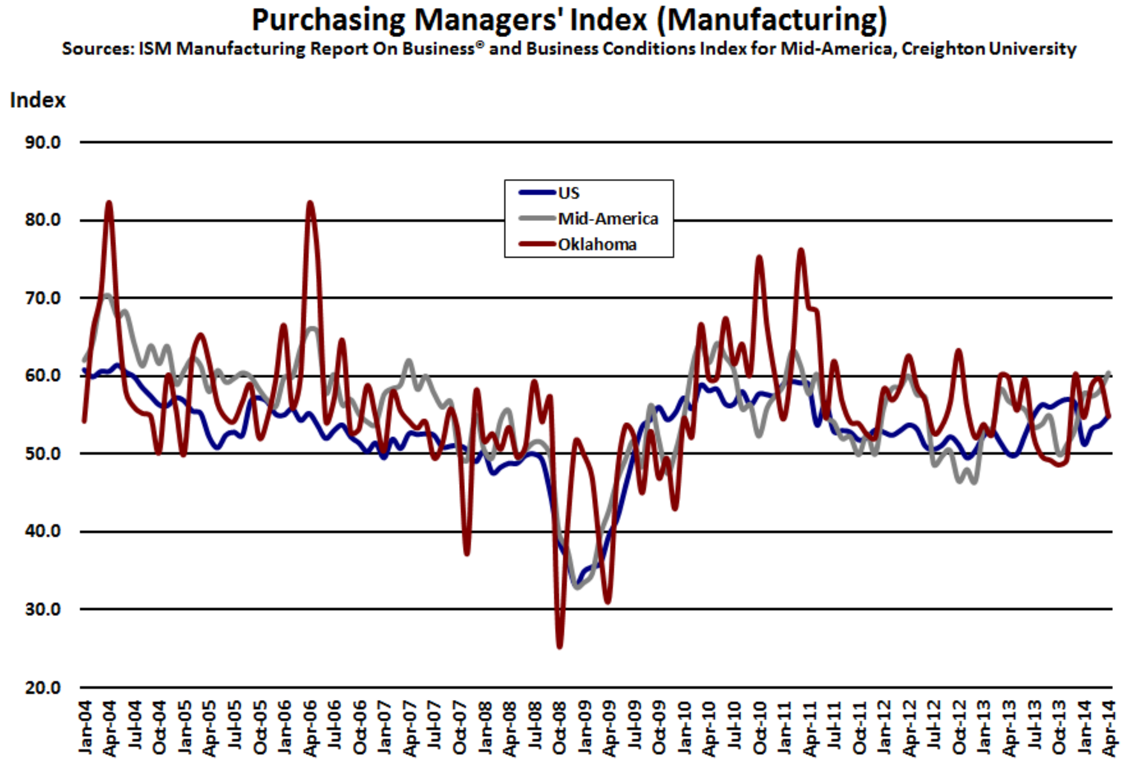
Current Developments

U.S. factory employment added 12,000 net new workers in April after rising by 7,000 in March, according to the Bureau of Labor Statistics (BLS). In April, durable goods industries generated 11,000 new workers, with nondurable goods firms adding another 1,000. The strongest growth was seen in the motor vehicles and parts (+5,200), machinery (+4,200), fabricated metal products (+3,800), wood products (+2,000), and nonmetallic mineral products (+1,800) sectors.

Oklahoma manufacturers added a non-seasonally adjusted 1,000 jobs (0.7 percent) in March. Job gains were practically evenly divided between durable goods and non-durable goods manufacturing.

Over the year, Oklahoma manufacturing employment added a non-seasonally adjusted 500 jobs for a 0.4 percent growth rate. Durable goods manufacturing employment slipped by a non-seasonally adjusted 100 jobs while non-durable goods employment added 600 jobs.

**As of January 2013, due to employment stability in the Manufacturing and Information supersectors, the BLS has determined that they do not need to be adjusted for seasonal factors at this time.*



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 activity grew faster in April than in March as exports picked up and factories accelerated hiring. The April PMI® registered 54.9 percent, an increase of 1.2 percentage points from March's reading of 53.7 percent, indicating expansion in manufacturing for the 11th consecutive month, according to the latest Manufacturing ISM Report On Business®. The rise in the ISM's index suggests that manufacturers are expanding steadily after a sluggish start to the year.

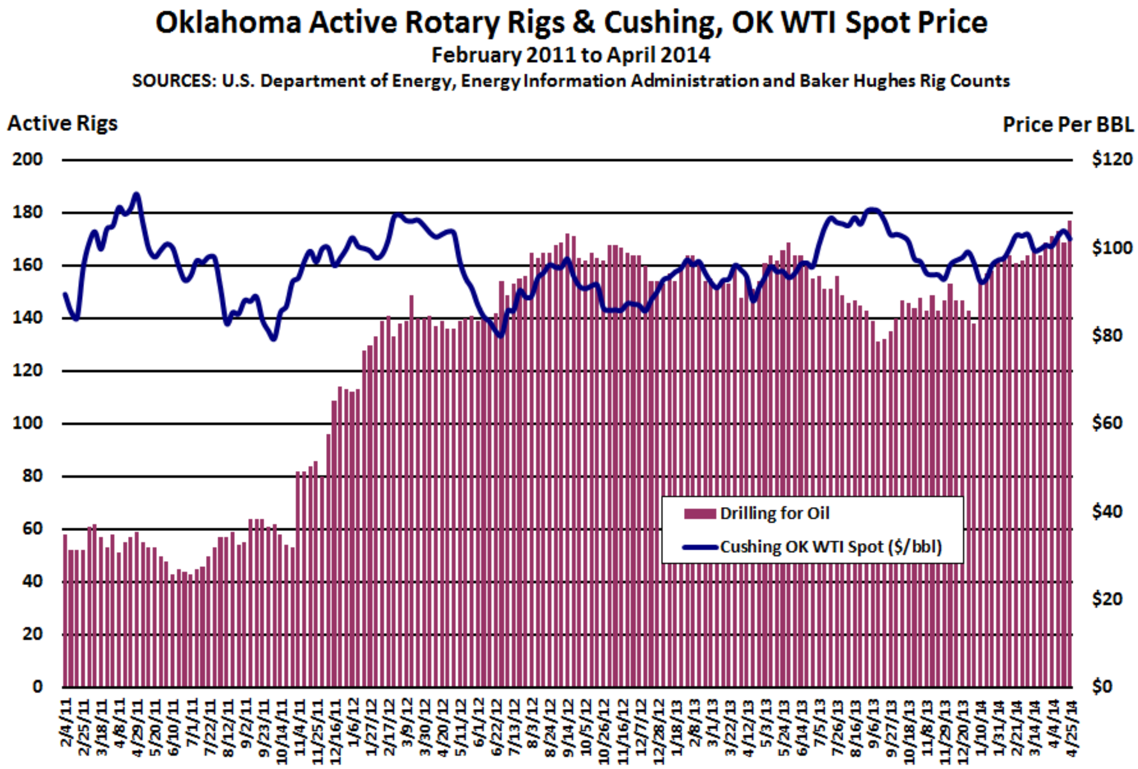
Improved growth in employment was a highlight in the April report, jumping to 54.7 from 51.1 in March, a sign that factories added many more jobs in April. Production, which in February was held down by the month's heavy weather, made a big comeback in ISM's sample, at 55.9 for a 7.7 point gain.

The Mid-America Business Conditions Index, a leading economic indicator for the nine-state region, hit a three-year high in April, suggesting more economic growth over the next three to six months. The Business Conditions Index, which ranges between 0 and 100, climbed to 60.4

from 58.2 in March, according to the Creighton Economic Forecasting Group. The April reading was the highest overall reading since March 2011.

Oklahoma's leading economic indicator also continued to point to healthy gains for the next three to six months. Oklahoma's Business Conditions Index declined to a still respectable 54.8 from last month's 59.5. Components of the April survey of supply managers in the state were new orders at 59.8, production or sales at 54.7, delivery lead time at 51.2, inventories at 53.2, and employment at 55.0.

"Except for food processors in the state, nondurable goods manufacturers reported solid gains for the month. Despite gains among manufacturers in the state over the past year, Oklahoma's manufacturing sector has approximately 10 percent fewer manufacturing workers today than shortly before the national recession began," said Dr. Ernie Goss, director of Creighton University's Economic Forecasting Group.



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

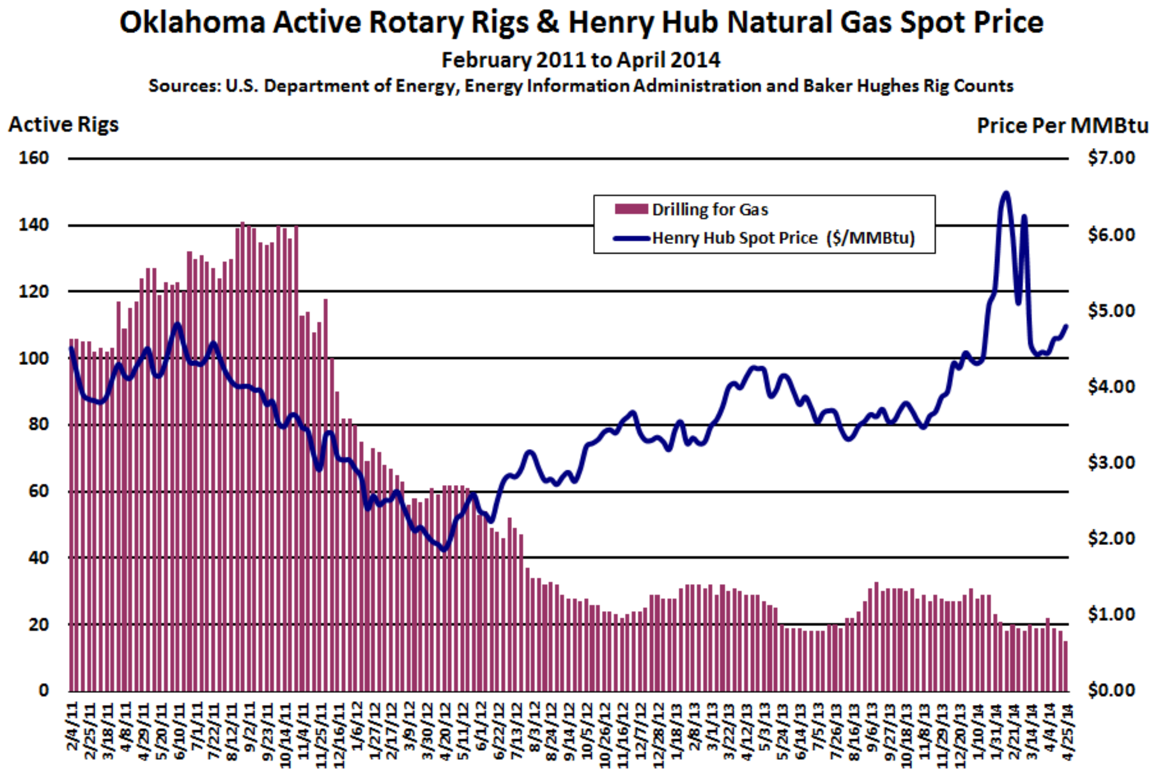
Crude oil inventories at Cushing, Oklahoma, the primary crude oil storage location in the United States, decreased 13 million barrels (32 percent) over the past two months, according to the U.S. Energy Information Administration (EIA). On March 21, Cushing inventories were less than 29 million barrels, more than 20 million barrels lower than a year ago and the lowest level since early 2012.

The recent drawdown of stocks at Cushing resulted from three factors: 1) the startup of TransCanada's Cushing Marketlink pipeline, which is now moving crude oil from Cushing to the U.S. Gulf Coast; 2) sustained high crude oil runs at refineries in the Midwest and Gulf Coast, which are partially supplied by Cushing; and 3) expanded pipeline infrastructure and railroad shipments that have made it possible for crude oil to bypass Cushing storage and move directly to refining centers on the East Coast, Gulf Coast, and West Coast.

State crude oil production slipped a bit in February hampered by cold weather. Total field production of 9,194,000 barrels ranked Oklahoma 6th among all states in February. Crude production in February was 1,089,000 barrels less than January's level of 10,283,000 barrels—a 24-year high.

WTI-Cushing began the month at $99.69 per barrel, climbing to $104.35 before settling at $101.13 per barrel. Over the year, WTI-Cushing average monthly spot prices were 11.1 percent higher than the April 2013 average price of $92.02 per barrel.

Oklahoma's overall rotary rig activity saw gains in April, averaging 191 compared to March's average of 185 for an increase of six rigs. Over the year, April's active rotary rig count in Oklahoma was nine more than 182 in April 2013. Oil-directed active rotary rigs advanced to a level of 177, (for the week ended April 25, 2014), representing approximately 92 percent of total rig activity in the state in April.



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

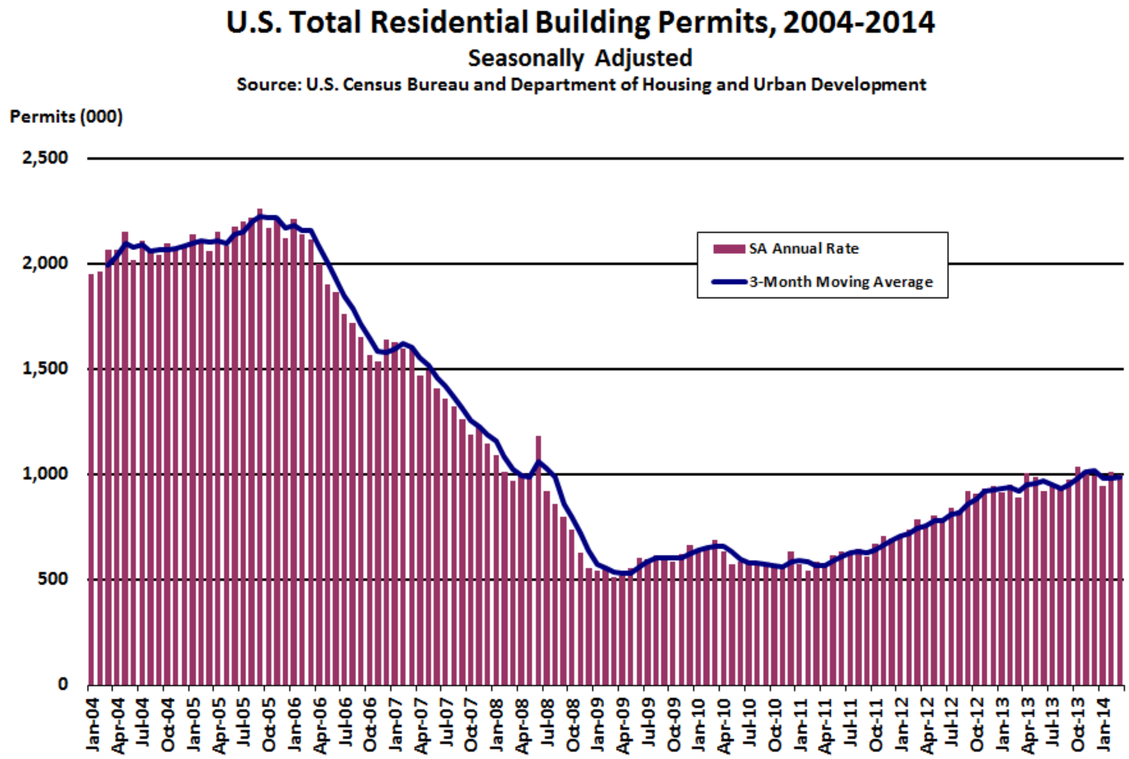
U.S. wet natural gas proved reserves decreased 26 trillion cubic feet (7.5 percent) in 2012. Low natural gas prices, reflected in a 34 percent decline in the 12-month, first-of-the-month, average spot price of natural gas at the Henry Hub between 2011 and 2012, led to large negative net revisions (-45.6 trillion cubic feet) to the reserves of existing fields that offset almost all gains from extensions of existing fields. Proved natural gas reserves in the Marcellus Shale gas play in Pennsylvania and West Virginia surpassed those in the Barnett Shale play of Texas to become the largest shale gas play in the United States.

Oklahoma natural gas production was at a level of 164,192 MMcf in February. That's 21,932 MMcf (0.3 percent) less than January's level of 186,124 MMcf. Oklahoma natural gas production for 2013 was 2,143,989 MMcf, 6.0 percent more than the 2012 total of 2,023,461 MMcf, and its highest annual level since 1991.

Natural gas spot prices were generally flat in April, increasing by a few cents in some locations. The Henry Hub spot price was nearly flat, finishing the month at $4.78 per MMBtu.

According to data reported by Baker Hughes, Oklahoma's natural gas rotary rig count remained low in April. For the week ended April 25, the state natural gas-directed drilling rig count was at a level of 15 active rigs, accounting for less than 10 percent of total drilling activity. Over the year, Oklahoma's natural gas-directed rotary rig count was down by 14 rigs from 9 rigs reported for the week ended April 26, 2013.

The U.S. natural gas rotary rig count totaled 1,861 as of April 25, up by 30 rigs from the previous week, according to data from Baker Hughes Inc. The natural gas rig count increased by 7 rigs to 326, and the number of oil-directed rigs increased by 24 to 1,541. The average oil rig count for April 2014 was 10 percent higher than April 2013, and the active gas rig count was 15 percent lower.



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.

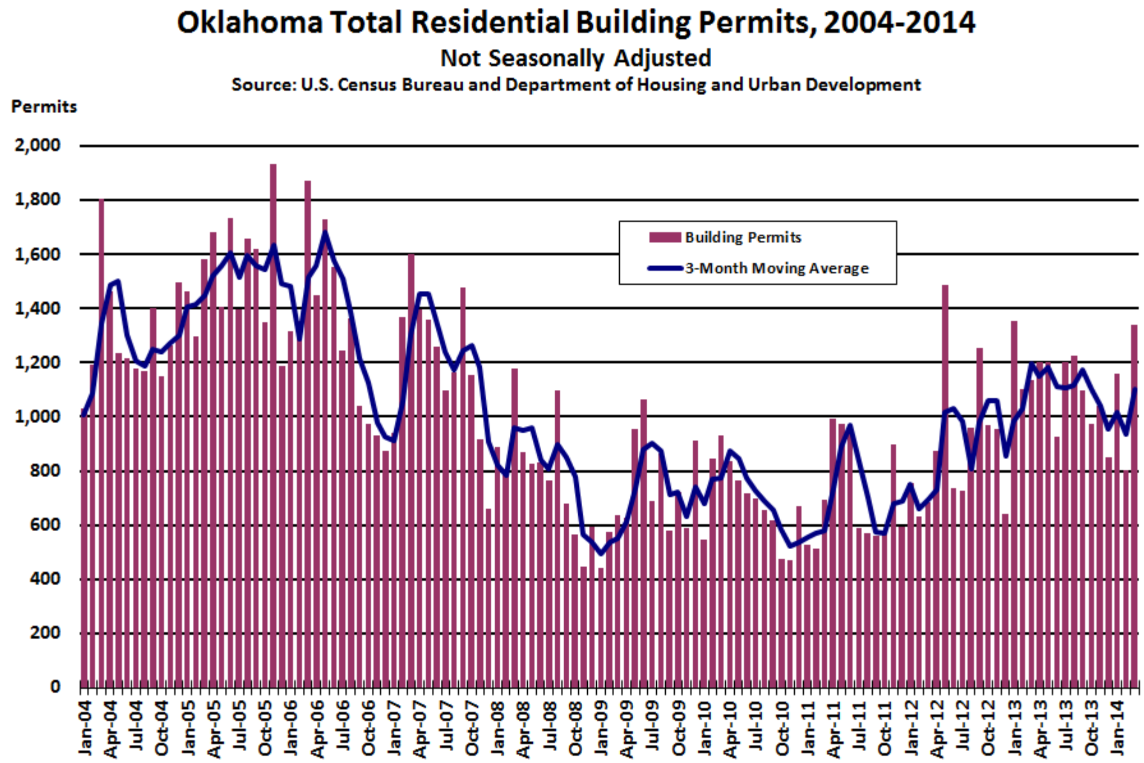
While home construction represents a small portion of the housing market, it has an outsize impact on the economy. Each home built creates an average of three jobs for a year and about $90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels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

Current Developments

New home construction rose slightly in March while building permits fell, held down by sagging apartment building applications. Privately-owned housing units authorized by building permits in March were at a seasonally adjusted annual rate of 990,000, 2.4 percent below the revised February rate of 1,014,000, but 11.2 percent above the March 2013 estimate of 890,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

The decline in overall permits in March was largely due to an 8.0 percent drop in multifamily units. Single-family authorizations in March were at a rate of 592,000 or 0.5 percent above the revised February figure of 589,000.

U.S. homebuilders' confidence in the housing market rose modestly in April but remained at low levels for the third straight month, according to the National Association of Home Builders/Wells Fargo builder sentiment index. The index edged up to 47 in April from 46 in March.

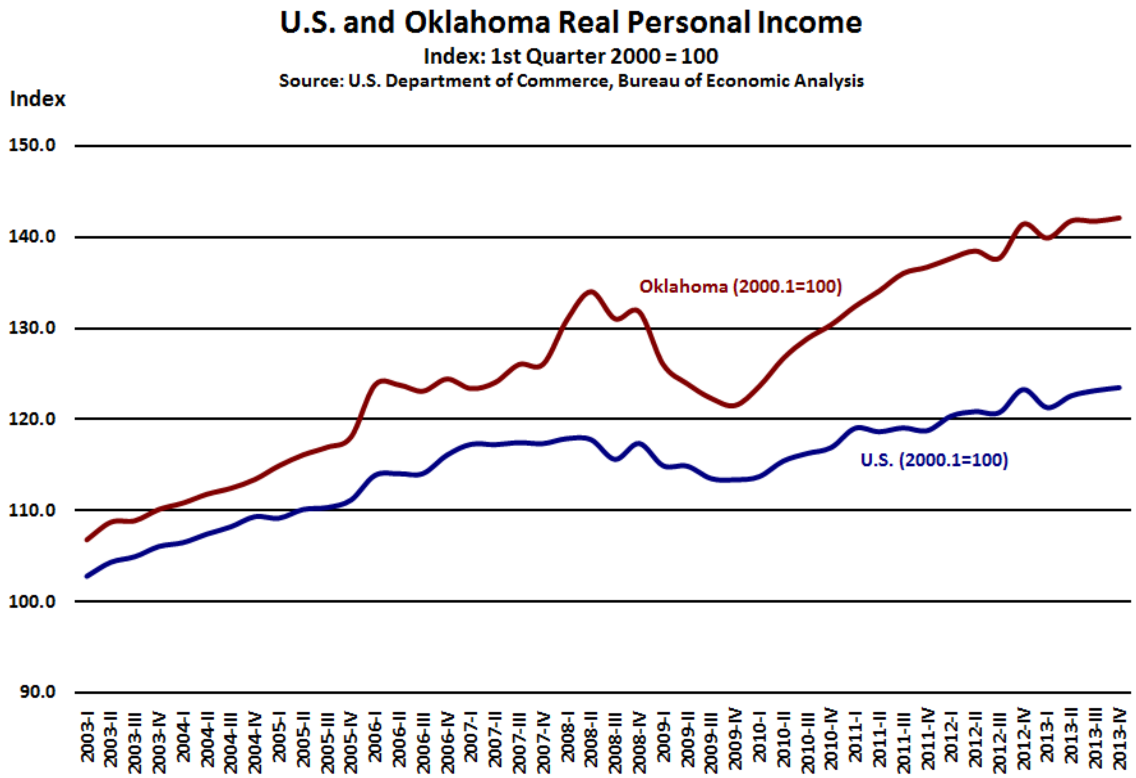


March residential permitting activity climbed to the highest monthly level in more than two years, boosted by a surge in multi-family applications. Total residential building permitting for March was at an unadjusted level of 1,341 units, a 67.0 percent rise from 803 units in February, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development.

In March, single-family permitting accounted for 70.2 percent of residential permitting activity while multi-family permitting added 28.0 percent. Permits for single-family homes were at a non-seasonally adjusted level of 941 or 26.1 percent over February's level of 746 permits. Applications for apartments were at a non-seasonally adjusted level of 373 after essentially no activity in the previous month.

Over the year, total unadjusted residential permitting was up 204 permits or 17.9 percent greater than March 2013. Although single-family permits were down over the year (-46), multi-family permitting more than made up for that loss (+226).

Year to date, total non-adjusted residential building permitting activity is 8.0 percent (-289) lower than the first three months of 2013.



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.

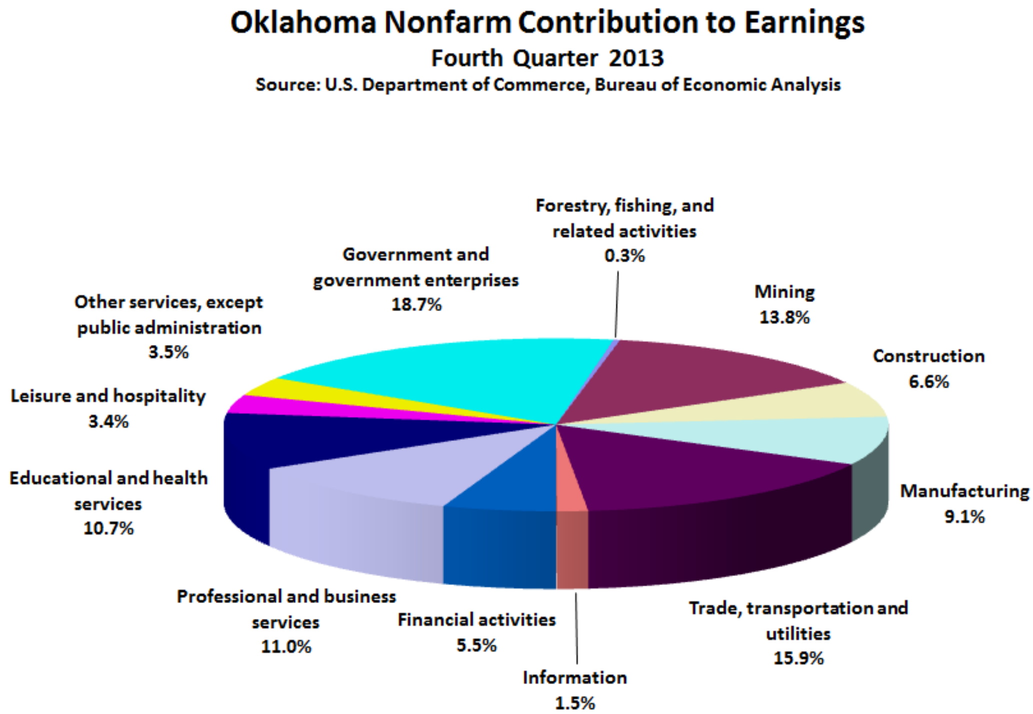
To show the vastly different levels of total personal income for the U.S. and Oklahoma on the same chart, these data have been converted to index numbers. This chart shows a comparison of Oklahoma and U.S. growth in real personal income with 1st quarter 2000 as the base year.

Current Developments

Personal income and spending in the U.S. both rose by more than expected in March, suggesting the economy is gaining momentum after a winter slowdown. Personal income increased $78.4 billion, or 0.5 percent, and disposable personal income (DPI) increased $68.0 billion, or 0.5 percent, in March, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) increased $107.2 billion, or 0.9 percent In February, personal income increased $54.3 billion, or 0.4 percent, DPI increased $47.6 billion, or 0.4 percent, and PCE increased $54.7 billion, or 0.5 percent, based on revised estimates.

Spending is making a comeback after adverse weather in January and February. Durable good spending jumped 2.6 percent, following a 1.1 percent rise in February. Nondurables increased 0.8 percent, following an increase of 0.4 percent in February. Spending on services jumped 0.7 in March after an advance of 0.4 percent the prior month.

Because spending outpaced income, the personal saving rate slipped to 3.8 percent from 4.2 percent. The saving rate is now at the lowest level since January 2013.



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.

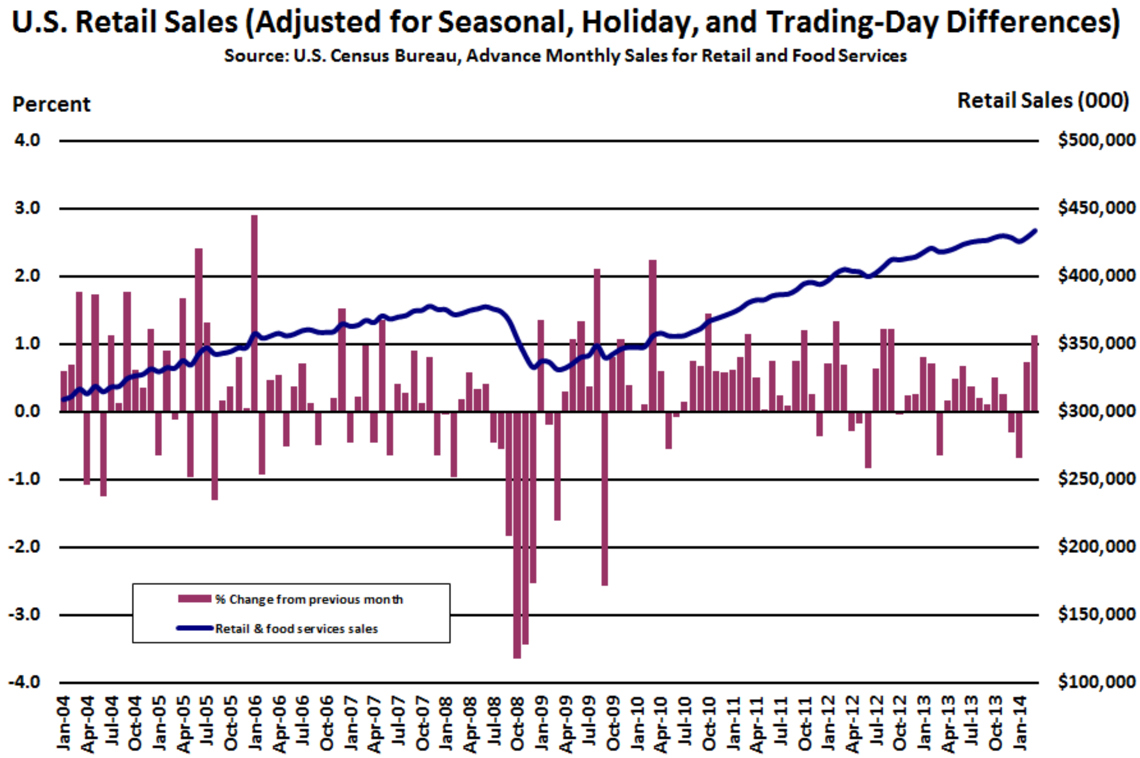
Current Developments

Average state personal income growth slowed to 2.6 percent in 2013 from 4.2 percent in 2012, according to estimates released by the U.S. Bureau of Economic Analysis (BEA). State personal income growth ranged from 1.5 percent in West Virginia to 7.6 percent in North Dakota, with every state growing more slowly in 2013 than in 2012. Inflation, as measured by the national price index for personal consumption expenditures, slowed to 1.1 percent in 2013 from 1.8 percent in 2012.

According to the BEA, slower personal income growth reflected the effects of several special factors including the expiration at the beginning of 2013 of the "payroll tax holiday" (a temporary two-percentage point reduction in the personal contribution rate for social security) and the acceleration of the receipt of income, especially personal dividends and salary bonuses, into 2012 in anticipation of changes in individual income tax rates for 2013. The expiration of the payroll tax holiday increased contributions for government social insurance, a subtraction in the calculation of personal income.

Oklahoma's 3.3 percent growth rate in personal income easily topped the national average and ranked the state 7th among all other states in 2013. Earnings in the state rose to $160.1 billion (+3.3 percent) in 2013 from nearly $155 billion in 2012. Construction earnings grew by $954 million, adding 0.62 percent to total earnings followed by mining which grew by $698 million and added 0.45 percent.

In the 4th quarter, personal income in the state grew 0.5 percent to $161.8 billion, 26th highest in the nation.



Definition & Importance

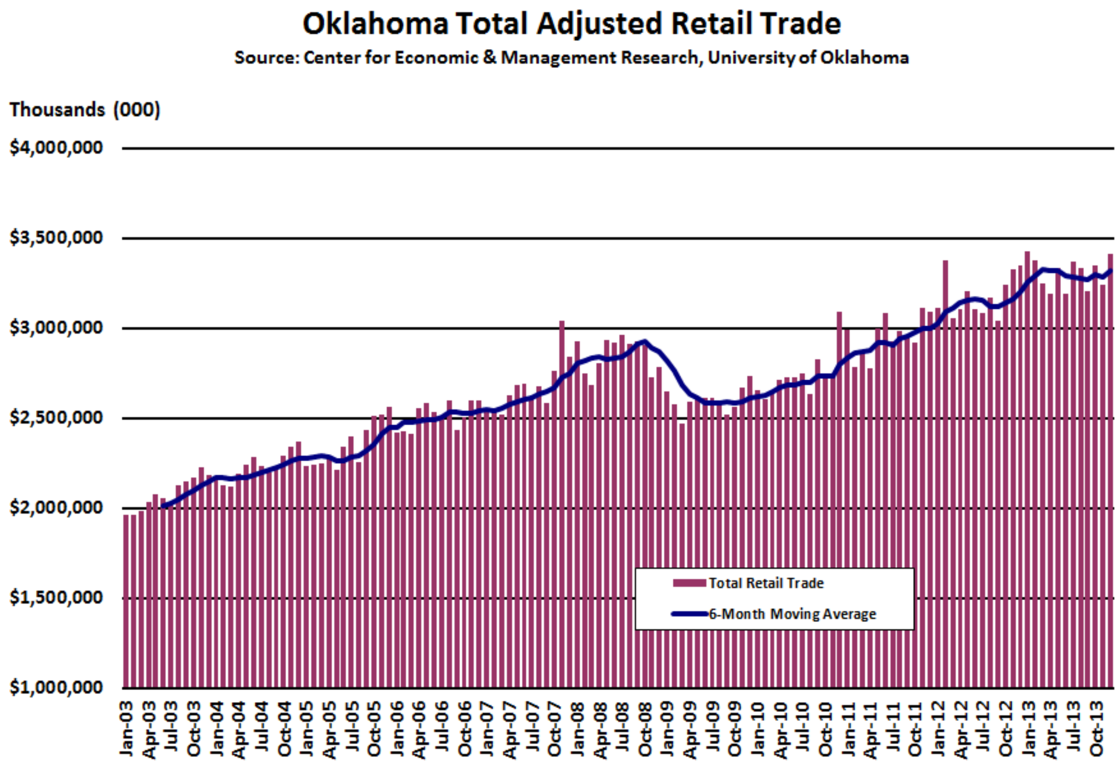
Retail sales measure the total receipts at stores that sell merchandise and related services to final consumers. Sales are by retail and food services stores. Data are collected from the Monthly Retail Trade Survey conducted by the U.S. Bureau of the Census. Essentially, retail sales cover the durables 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

U.S. retail sales surged in March by the largest amount in 18 months, led by purchases of autos and furniture. Advance estimates of U.S. retail and food services sales for March, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $433.9 billion, an increase of 1.1 percent from the previous month, and 3.8 percent above March 2013, according to the U.S. Census Bureau. Sales had fallen in January and December. The January 2014 to February 2014 percent change was revised up to 0.7 percent, more than double its previous estimate.

Much of the latest advance came from motor vehicles which jumped 3.1 percent, following a 2.5 percent rebound in February. Excluding motor vehicles, sales increased a still healthy 0.7 percent. Gasoline sales held back the total as this component declined 1.3 percent after edging up 0.1 percent in February. Retail sales excluding autos and gasoline increased 1.0 percent after gaining 0.4 percent in February.

The less volatile "core" retail sales, excluding automobile and gasoline sales, increased 0.8 percent in March, more than double the 0.5 percent gain in February. In the core, strength in March was in furniture & home furnishings (1.0 percent); general merchandise (1.9 percent); building materials & garden equipment (1.8 percent); clothing & accessories stores (1.0 percent); nonstore retailers (1.7 percent); and food services & drinking places (1.1 percent).



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

Holiday shopping pushed Oklahoma retail trade to a strong finish in December. Total adjusted retail sales for December 2013 were at a level of $3.42 billion—a 5.5 percent gain from November and 2.0 percent greater than December 2012. For 2013, total adjusted retail trade, at $39.7 billion, was 3.9 percent greater than 2012.

Durable goods sales increased 1.4 percent in December with all durable goods categories advancing. The largest increase was seen in miscellaneous durable goods (+2.5 percent); followed by lumber & hardware (+1.8 percent), and electronics & music store sales (+1.5 percent).

Total nondurable goods sales surged 7.0 percent in December with the largest monthly gain in the volatile estimated gasoline sales (+35.0 percent). Liquor sales were also strong in December (+1.7 percent); apparel sales (+1.4 percent); and general merchandise sales (+1.2 percent). Declining sales were seen in drugs (-0.3 percent); eating & drinking (-0.2 percent), and miscellaneous non-durables (-0.2 percent). Over the year, non-durable goods sales advanced 1.0 percent.