



OKLAHOMA Economic Indicators

April 2016

OKLAHOMA ECONOMIC INDICATORS

Oklahoma Employment Security Commission
Richard McPherson, Executive Director

Economic Research and Analysis Division
Lynn Gray, Director & Chief Economist

Prepared by
Monty Evans, Senior Economist

Will Rogers Memorial Office Building
Labor Market Information Unit, 4th Floor N
P.O. Box 52003
Oklahoma City, OK 73152-2003
Phone: (405) 557-5369
Fax: (405) 525-0139
Email: lmi1@oesc.state.ok.us

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SPECIAL REPORT:

OKLAHOMA JOB QUARTERLY EARNINGS PERCENTILE CHANGES: 2006-2015

A time series analysis of earnings is an important economic indicator of the relative health of Oklahoma’s businesses as well as our workforce well-being. While we have always been able to measure the change in average earnings using administrative records, we have not been able to see changes in earnings across the income spectrum. To address this, the Economic Research & Analysis team at OESC used our agency administrative earnings records to construct a ten-year history and four-year recent changes in earnings as measured by percentiles. At present, we have completed the analysis for the earnings of an aggregate of all industries in this report. The following report highlights three key findings of that analysis and illustrates these findings with a few appropriate charts and tables.

The first key finding is between the years 2005 to 2015 the highest 95th and 99th percentiles grew at faster rates than any other percentile level, while the lowest 5th and 10th percentiles grew at the slowest rates. The 20th through 90th middle percentile levels grew at rates similar to each other over the decade. These change rates for these three different portions of the percentile levels are shown in Chart 1 below.

Chart 1. Job Quarterly Earnings Percentile Percent Change, All Industries: 2005 to 2015

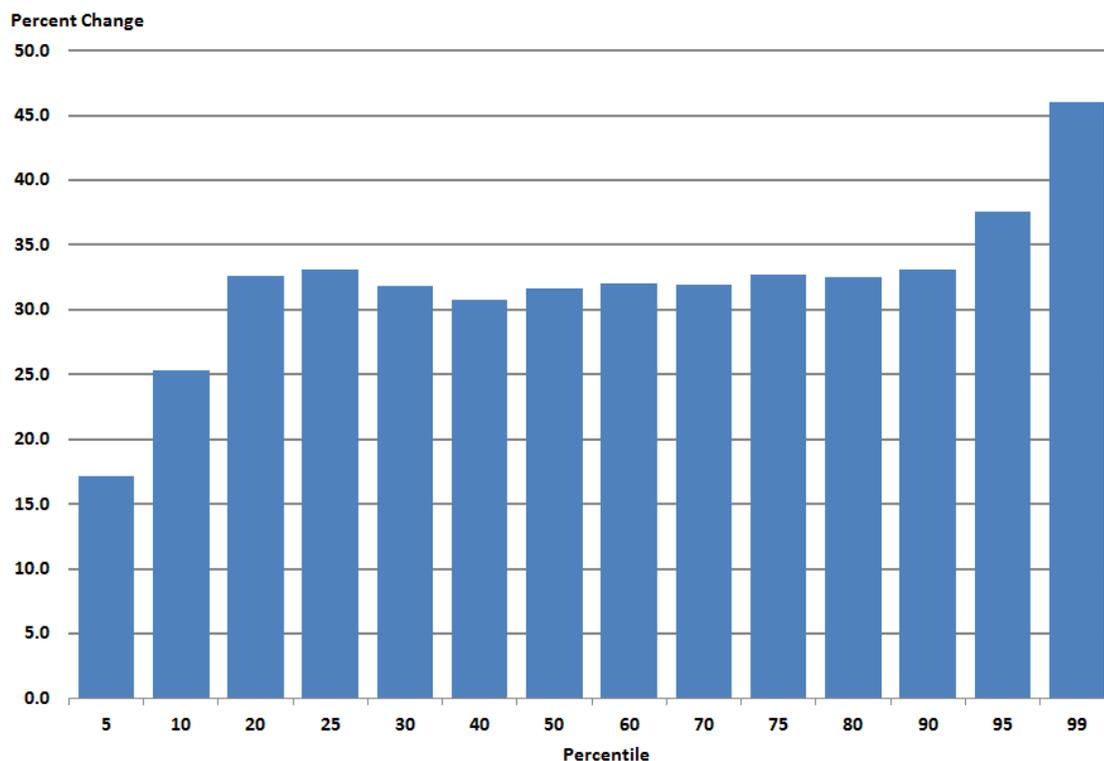


Chart 1 shows that the 5th and 10th percentiles levels grew the slowest, the 95th and the 99th grew the fastest, while the 20th through the 90th percentile levels grew at similar rates.

The second key finding is that the pace of earnings growth has been uneven during the decade with the lower percentile levels outperforming the higher ones during the three years, 2006 to 2009, while during the three years afterward (2009 to 2012), these same lower percentile levels job earnings slowed. Percentage earnings growth for most percentile levels was slower in the 2012-2015 period than it was in the preceding three years. This might be due to layoffs in the

energy sector occurring in the first half of 2015. Table 1 below summarizes the percentile earnings percent change revealed in the second key finding.

Table 1. Job Quarterly Earnings Dollar Amounts by Percentile for Years 2006, 2009, 2012 & 2015

Percentile	2006	2009	2012	2015	2006-09 % Change	2009-12 % Change	2012-15 % Change
5	559	631	650	656	12.9	3.0	0.9
10	883	1,038	1,086	1,105	17.6	4.6	1.7
20	1,725	2,088	2,202	2,262	21.0	5.5	2.7
25	2,261	2,723	2,873	2,970	20.4	5.5	3.4
30	2,857	3,388	3,558	3,708	18.6	5.0	4.2
40	4,088	4,697	4,947	5,212	14.9	5.3	5.4
50	5,311	5,990	6,365	6,750	12.8	6.3	6.0
60	6,657	7,415	7,988	8,450	11.4	7.7	5.8
70	8,359	9,179	10,006	10,554	9.8	9.0	5.5
75	9,450	10,361	11,316	11,947	9.6	9.2	5.6
80	10,782	11,812	12,936	13,608	9.6	9.5	5.2
90	14,787	16,267	17,685	18,698	10.0	8.7	5.7
95	18,750	20,790	22,877	24,641	10.9	10.0	7.7
99	35,351	39,682	44,495	48,176	12.3	12.1	8.3
Total Jobs	1,602,805	1,587,094	1,673,232	1,730,040	-1.0	5.4	3.4

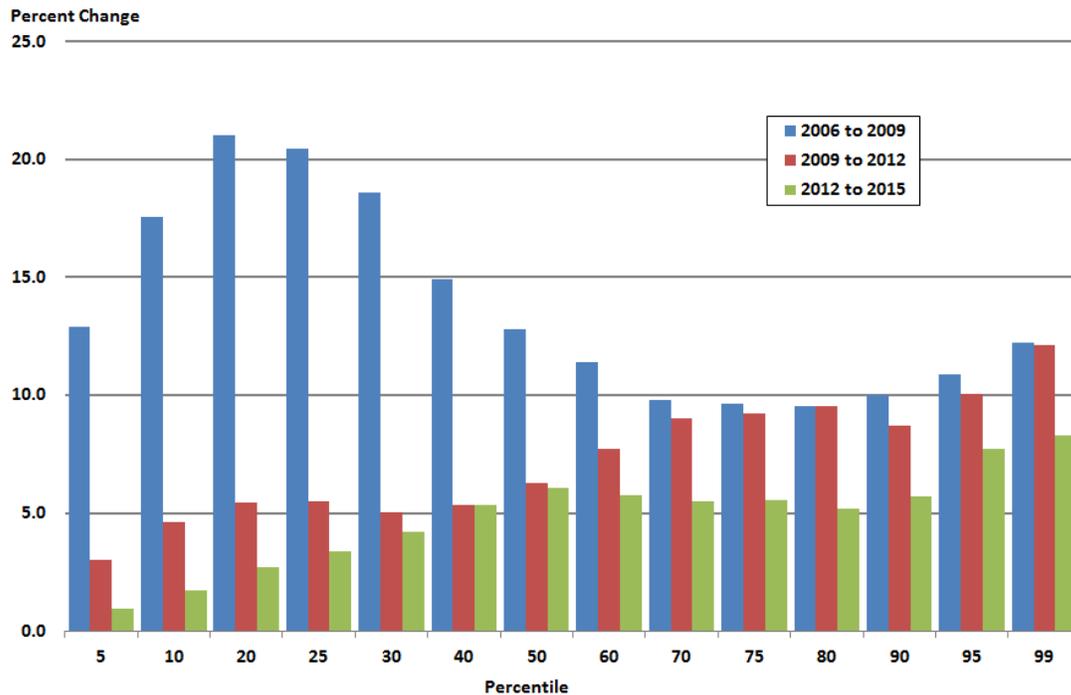
Note¹: Earnings are second quarter job totals, excluding Federal jobs.

Note²: Cases where earnings are less than \$300 removed.

Note³: The unit of analysis is a job.

Chart 2 illustrates the percentile earnings percent change revealed in the second key finding.

Chart 2. Job Quarterly Earnings Percentile Percent Change, All Industries 2006 to 2015



The third key finding is that the earnings gap in dollars between the 5th and 95th percentile grew by \$6,634 between 2005 and 2015. However, the earnings gap in dollars between the 95th and 99th percentiles grew by \$8,446. Table 2 provides the dollar amounts for the period 2005 to 2015 for the third key finding,

Table 2. Job Quarterly Earnings in 10-Year Interval by Percentile: 2005 to 2015

Percentile	2005	2015	Numeric Change	Percent Change
5	\$560	\$656	\$96	17.1
10	\$882	\$1,105	\$223	25.3
20	\$1,706	\$2,262	\$556	32.6
25	\$2,231	\$2,970	\$739	33.1
30	\$2,812	\$3,708	\$896	31.9
40	\$3,986	\$5,212	\$1,226	30.8
50	\$5,127	\$6,750	\$1,623	31.7
60	\$6,400	\$8,450	\$2,050	32.0
70	\$7,998	\$10,554	\$2,556	32.0
75	\$9,005	\$11,947	\$2,942	32.7
80	\$10,268	\$13,608	\$3,340	32.5
90	\$14,053	\$18,698	\$4,645	33.1
95	\$17,911	\$24,641	\$6,730	37.6
99	\$33,000	\$48,176	\$15,176	46.0
Total Jobs	1,531,846	1,730,040	198,194	12.9

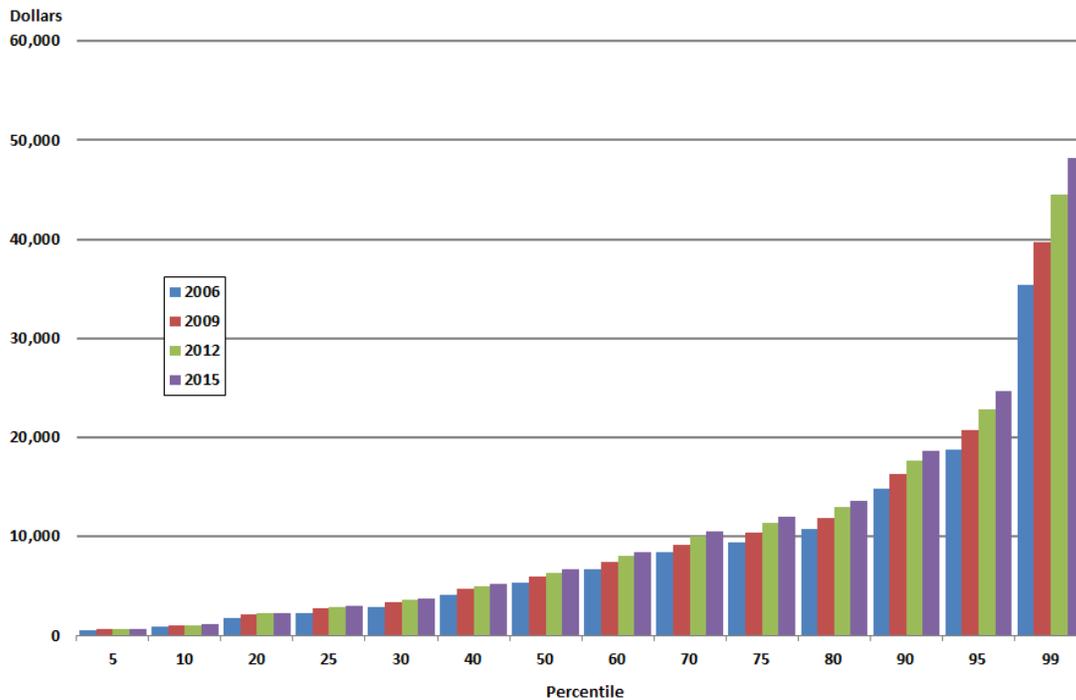
Note¹: Earnings are second quarter job totals, excluding Federal jobs.

Note²: Cases where earnings are less than \$300 removed.

Note³: The unit of analysis is a job.

Chart 5 displays the percentile dollar amounts in the period 2005 to 2015, for the third key finding.

Chart 3. Quarterly Earnings Dollar Amounts by Percentile: 2006, 2009, 2012 & 2015



Summarizing the three key findings, in the decade from 2005 to 2015 the job earnings lowest 5th and 10th percentile levels grew slower than the highest 95th and 99th percentile levels. However, the pace of growth of the different percentile levels was uneven, with the same two lower percentiles outperforming the same higher two percentiles in 2006 to 2009, and slowing in the years afterward, 2009 to 2015. Most percentile levels job earnings percent change slowed even more during and between 2012 and 2015. The dollar earnings amount gaps between the lowest 5th percentile and the next to the highest 95th percentile as well as the dollar amount gap between the 95th and 99th percentiles widened significantly during the decade 2005 to 2015.

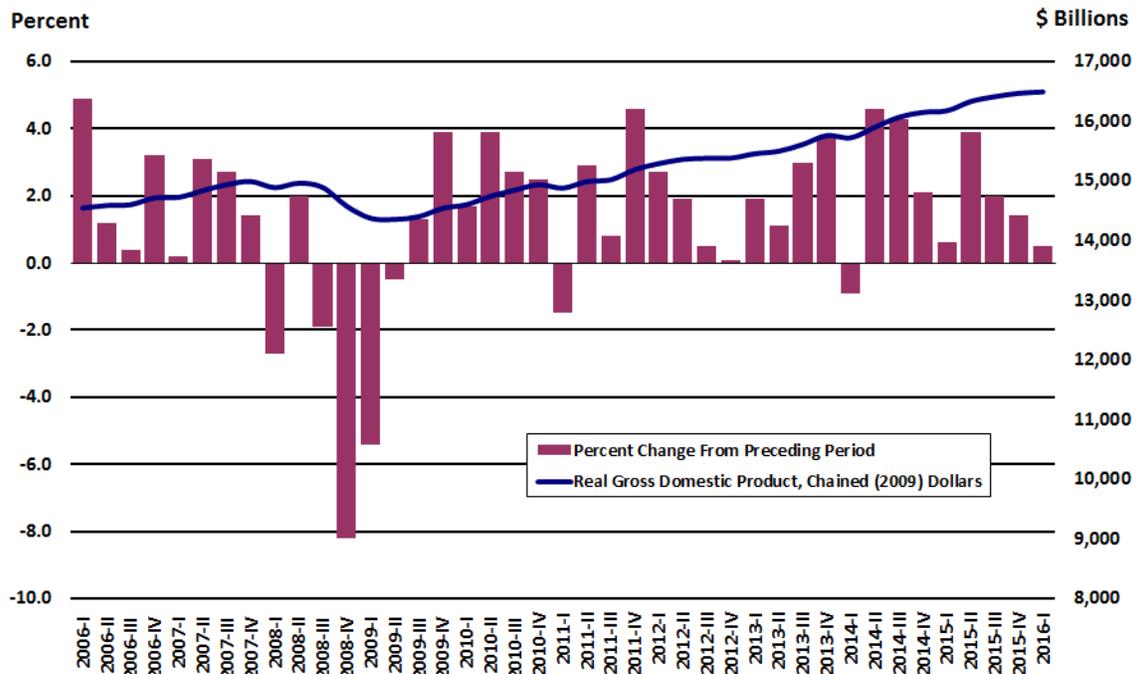
More Information

A copy of the full Oklahoma Job Quarterly Earnings Percentile report is available on the OESC website at:

https://www.ok.gov/oesc_web/documents/lmijobearningsreport.pdf

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 U.S. economy grew at its weakest pace in two years in the 1st quarter as cautious consumers and businesses cut back on spending. Real gross domestic product (GDP) increased at an annual rate of 0.5 percent in the 1st quarter of 2016, according to the "advance" estimate released by the Bureau of Economic Analysis (BEA). In the 4th quarter, real GDP increased 1.4 percent.

Consumer spending, which accounts for more than two-thirds of U.S. economic activity, advanced at the slowest pace since the 1st quarter of 2015. Personal consumption expenditures increased at a 1.9 percent rate, a deceleration from the 4th quarter's 2.4 percent rate. Spending on services rose 2.7 percent, offsetting a 1.6 percent decline in durable goods which were hit by weak vehicle sales. Personal consumption expenditures added 1.27 percentage points to 1st quarter GDP growth.

Cutbacks in business investment spending, which has been hit especially hard by the mining and energy sectors, Investment in equipment tumbled at an 8.6 percent rate, the steepest decline since the 2nd quarter of 2009. Spending on nonresidential structures dropped to a 10.7 percent pace as spending on mining exploration, wells and shafts plunged 86 percent rate in the 1st quarter. Investment in mining exploration contracted at a 39.6 percent rate in the 4th quarter.

In the 1st quarter, businesses accumulated \$60.9 billion worth of inventory, down from \$78.3 billion in the 4th quarter. The small inventory build cut 0.33 percentage point from 1st quarter GDP growth, up from the 0.22 percentage point drag in the previous quarter.

Investment in residential construction remained a bright spot in the 1st quarter. Residential fixed investment, a measurement for building and remodeling, rose 14.8 percent during the quarter, adding 0.49 percentage point to 1st quarter growth.

A strong dollar continued to weigh on exports during the January to March period. Exports fell at a 2.6 percent annual rate, compared to a -2.0 percent rate in the 4th quarter, while imports rose 0.2 percent. Trade subtracted 0.34 percentage point from GDP growth in the 1st quarter

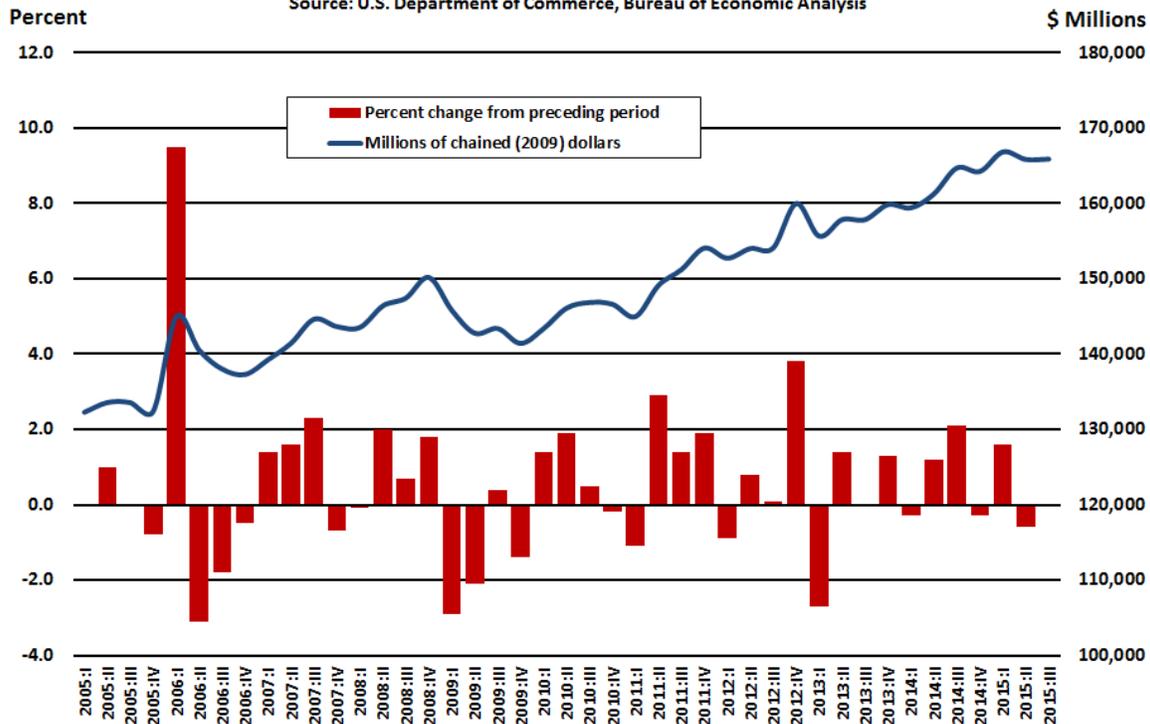
Government purchases made a modest contribution to GDP growth in the 1st quarter. Federal government expenditures were down 1.6 percent from the preceding quarter, held back by a 3.6 percent decline in national defense spending. Federal non-defense spending advanced 1.5 percent. Meanwhile, state and local government spending rose 2.9 percent in the 1st quarter. Government consumption expenditures added 0.20 percentage points to 1st quarter GDP growth.

Real GDP increased 2.4 percent in 2015, the same rate as in 2014, according to the BEA.

Oklahoma Real Gross Domestic Product and Quarterly Change

1st Quarter 2005 - 2nd Quarter 2015, Seasonally Adjusted Annual Rates

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



Definition & Importance

The U.S. Bureau of Economic Analysis (BEA) recently released prototype statistics of quarterly gross domestic product (GDP) by state for 2005–2013. These new statistics provide a more complete picture of economic growth across states that can be used with other regional data to gain a better understanding of regional economies as they evolve from quarter to quarter. The new data provide a fuller description of the accelerations, decelerations, and turning points in economic growth at the state level, including key information about changes in the distribution of industrial infrastructure across states.

Current Developments

Real gross domestic product (GDP) increased in 47 states and the District of Columbia in the 3rd quarter of 2015. Overall, U.S. real GDP by state growth slowed to an annual rate of 1.9 percent in the 3rd quarter of 2015 after increasing 3.8 percent in the 2nd quarter, according to the Bureau of Economic Analysis (BEA). Retail trade, health care and social assistance, and agriculture, forestry, fishing, and hunting were the leading contributors to real U.S. economic growth in the 3rd quarter.

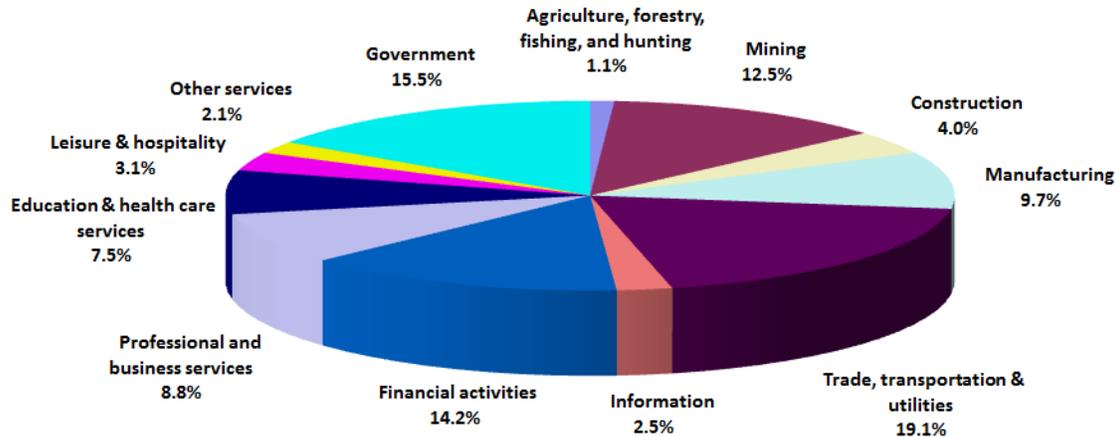
Ongoing reduced commodity prices that caused Oklahoma’s real GDP to contract in the 2nd quarter of 2015 continued to weigh on GDP in the 3rd quarter. Statewide GDP was at a level of \$165.9 billion in constant 2009 dollars in the 3rd quarter, barely growing from \$165.8 billion in the 2nd quarter. Oklahoma’s real GDP grew 0.1 percent in the 3rd quarter, ranking the state 47th among all other states and the District of Columbia. Agriculture, forestry, fishing, and hunting contributed 1.01 percentage points to real GDP growth followed by construction contributing 0.6 percent.

Mining declined 8.3 percent for the nation in the 3rd quarter of 2015. This industry slowed growth in most mining states and subtracted more than a percentage point from real GDP growth in North Dakota, West Virginia, Oklahoma, and Wyoming. In Oklahoma, mining shaved 1.57 percent from overall GDP in the 3rd quarter.

2014 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

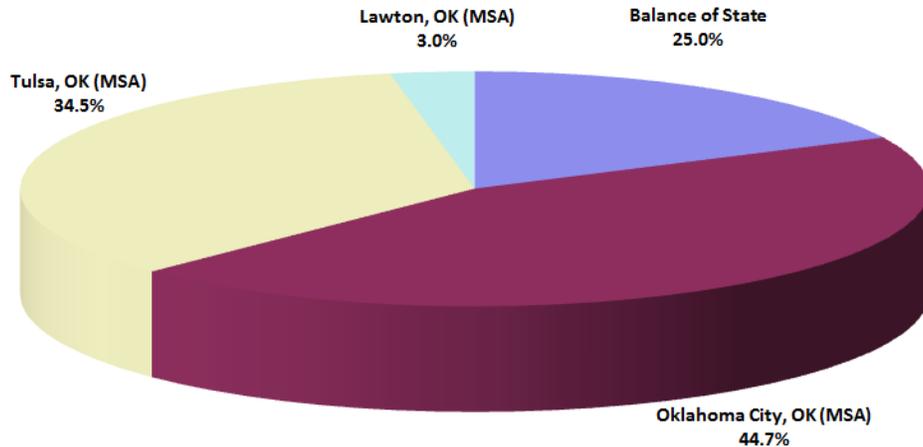
Oklahoma was among 48 states and the District of Columbia experiencing growth in real gross domestic product (GDP) in 2014, according to new statistics from the Bureau of Economic Analysis (BEA). U.S. real GDP grew 2.2 percent in 2014 after increasing 1.9 percent in 2013.

In 2014, Oklahoma's real GDP was at a level of \$162.4 billion, a 2.8 percent gain from the revised \$158.0 billion in 2013. Oklahoma's real GDP growth rate was the 10th highest among all states and the District of Columbia in 2014. Oklahoma's 2013 advance GDP estimate was revised downward from 4.2 percent to 1.8 percent while the state's 2012 GDP was further revised upward from 3.0 percent to 3.5 percent. The Southwest region, which includes Oklahoma, was the fastest growing BEA region in 2014 growing at 4.3 percent, and led by Texas with a 5.2 percent increase.

Although mining was not a significant contributor to real GDP growth for the U.S. economy, it did play a key role in Oklahoma. Mining contributed 1.45 percentage points to statewide real GDP growth in 2014. Other industries adding to 2014 GDP growth in Oklahoma were utilities (0.57 percentage point); non-durable goods manufacturing (0.25 percentage point); wholesale trade (0.22 percentage point); retail trade (0.14 percentage point); and finance & insurance (0.11 percent). Subtracting from Oklahoma GDP growth were real estate, rental & leasing (-0.36 percentage point); construction (-0.22 percentage point); and government (-0.06 percentage point).

Metropolitan Area Contribution to State Real Gross Domestic Product 2014

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



Definition & Importance

Metropolitan Statistical Areas (MSAs) are 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.

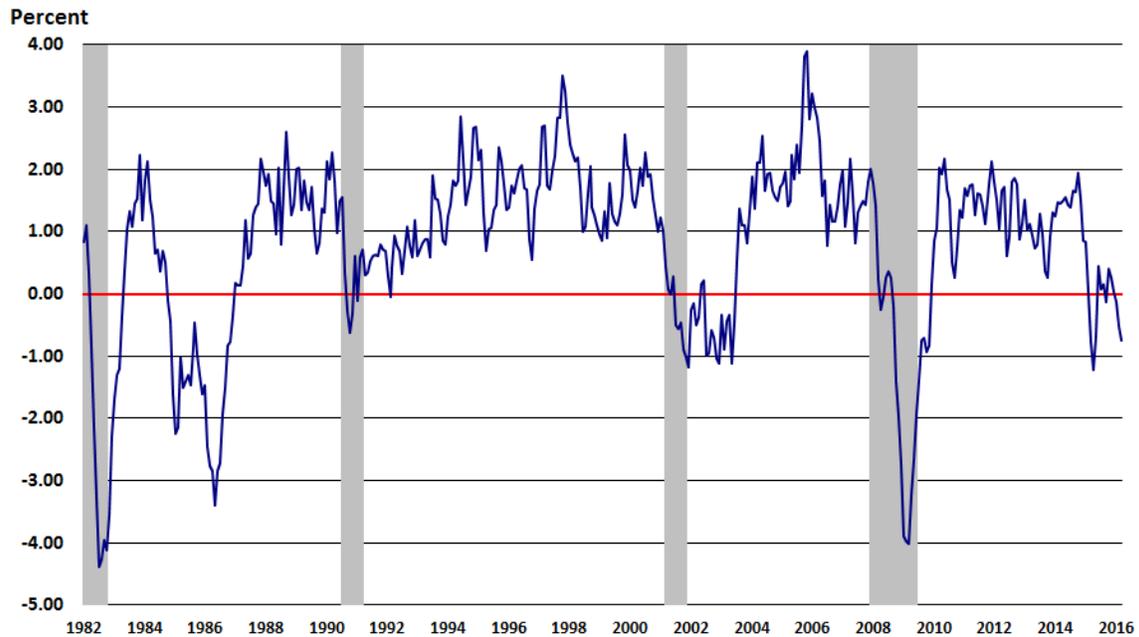
Current Developments

Real GDP increased in 282 of the nation's 381 metropolitan areas in 2014, led by growth in several industry groups: professional and business services, wholesale and retail trade, and the group of finance, insurance, real estate, rental, and leasing, according to the U.S. Bureau of Economic Analysis (BEA). Natural resources and mining remained a strong contributor to growth in several metropolitan areas. Collectively, real GDP for U. S. metropolitan areas increased 2.3 percent in 2014 after increasing 1.9 percent in 2013.

Two of three Oklahoma metropolitan areas outpaced the U.S. metropolitan area real GDP growth in 2014. Tulsa MSA's real GDP grew at a rate of 3.7 percent to \$49.5 billion and ranked 51st (out of 381 metro areas). Oklahoma City MSA grew by 2.6 percent to \$64.5 billion and ranked 99th. Lawton MSA contracted 1.5 percent to \$4.4 billion in 2014 and ranked 344th among U.S. metro areas.

Leading Index for Oklahoma, 1982-2016

Source: Federal Reserve Bank of Philadelphia



NOTE: Shaded areas represent National Bureau of Economic Research defined recession periods.

Definition & Importance

The Federal Reserve Bank of Philadelphia produces leading indexes for each of the 50 states. The indexes are calculated monthly and are usually released a week after the release of the coincident indexes. The Bank issues a release each month describing the current and future economic situation of the 50 states with special coverage of the Third District: Pennsylvania, New Jersey, and Delaware.

The leading index for each state predicts the six-month growth rate of the state's coincident index. In addition to the coincident index, the models include other variables that lead the economy: state-level residential housing permits (1 to 4 units), state initial unemployment insurance claims, delivery times from the Institute for Supply Management (ISM) manufacturing survey, and the interest rate spread between the 10-year Treasury bond and the 3-month Treasury bill.

Current Developments

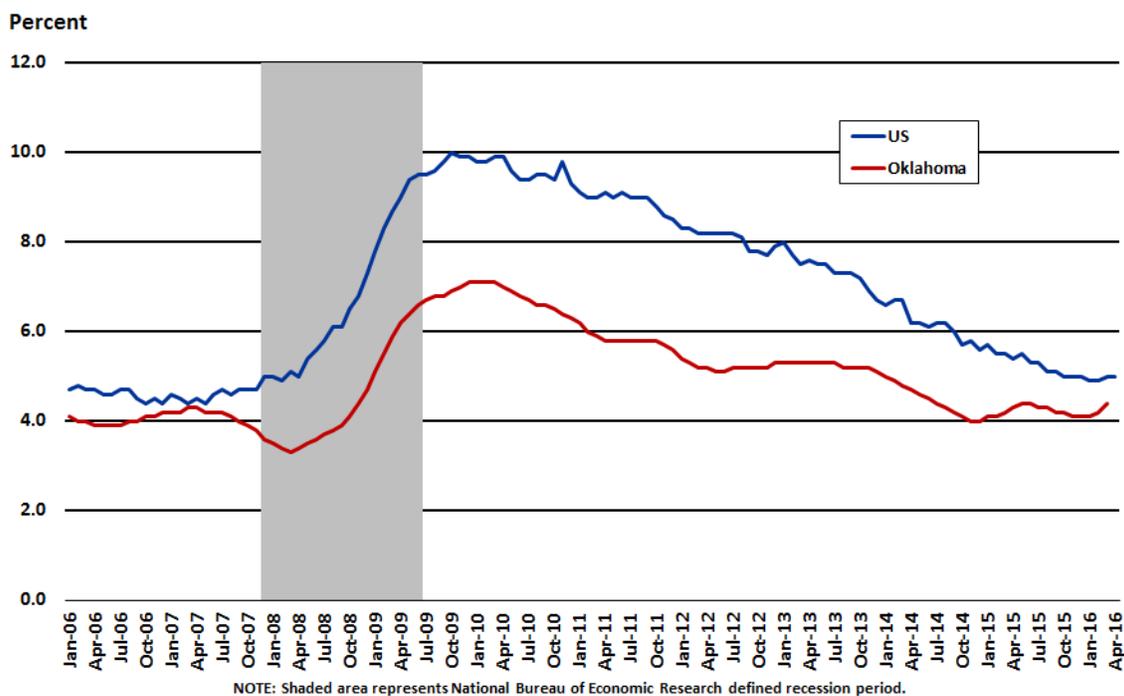
Prolonged declining commodity prices continue to depress Oklahoma's economy in the first quarter as oil prices sunk to 15-year lows. Oklahoma's leading index began falling at the end of 2014 and saw six consecutive months of decline, slipping into negative territory in March, April and May.

During the first half of 2015, energy sector layoffs translated into elevated initial claims for unemployment insurance while home builders statewide pulled back on applications for residential construction. After rebounding mid-year, initial claims have begun to climb again and residential permitting activity is slowing.

In the first three months of 2016, the state's leading index recorded three consecutive months of negative readings. The Leading Index for Oklahoma dropped to -0.74 percent in March 2016 following a -0.53 percent reading in February and -0.13 in January, according to the latest figures from the Federal Reserve Bank of Philadelphia.

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.

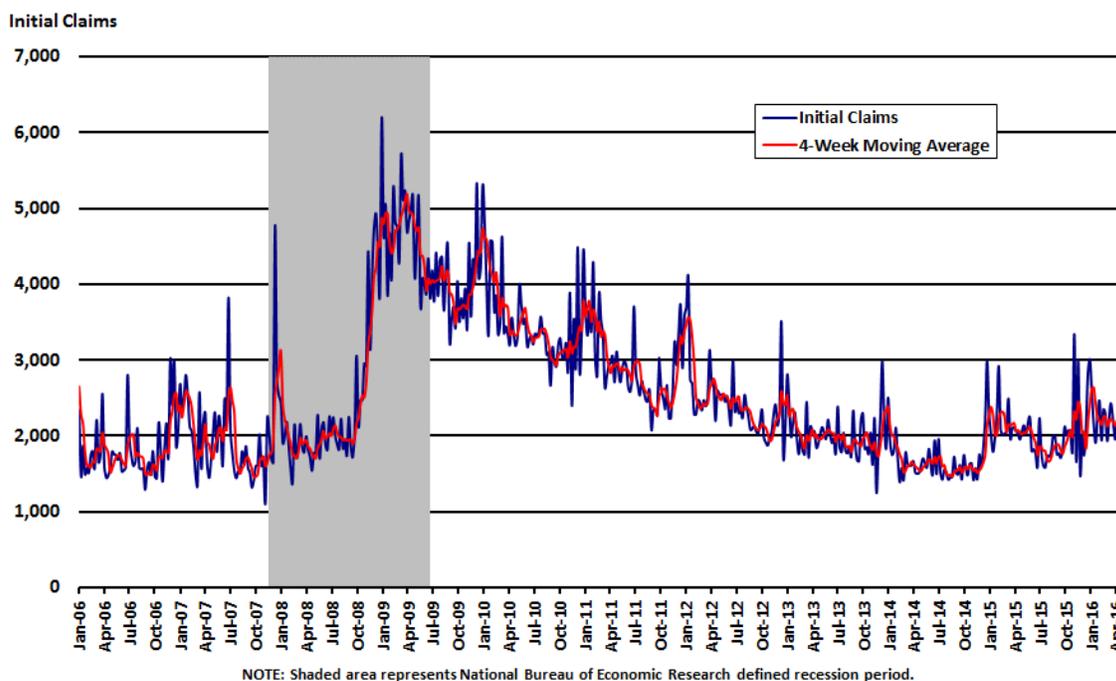
Current Developments

The U.S. unemployment rate held steady in April as the proportion of people who were employed or looking for work declined after four months of increases. In April, the unemployment rate was unchanged at 5.0 percent, according to the Bureau of Labor Statistics (BLS). The labor force participation rate—the share of working-age Americans who are employed or looking for work—declined for the first time in the past five months to 62.8 percent. Over the year, the unemployment rate has fallen by 0.4 percentage point.

Oklahoma's seasonally-adjusted unemployment rate moved up to 4.4 percent in March, a gain of 0.2 percentage point from the previous month. Oklahoma's jobless rate was the 19th lowest jobless rate, (tied with Delaware, Massachusetts and New Jersey), among all states in March. Over the year, the state's seasonally-adjusted unemployment rate was 0.2 percentage point more than 4.2 percent reported in March 2015.

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 smooths out weekly volatility and gives a better perspective on the underlying trend.

Current Developments

The number of Americans filing for jobless benefits jumped in the last week of April, posting the largest gain in more than a year. In the week ending April 30, the advance figure for seasonally adjusted initial claims was 274,000, an increase of 17,000 from the previous week's unrevised level of 257,000, according to figures released by the U.S. Labor Department (DOL). The less volatile 4-week moving average was at a level of 258,000, an increase of 2,000 from the previous week's unrevised average of 256,000.

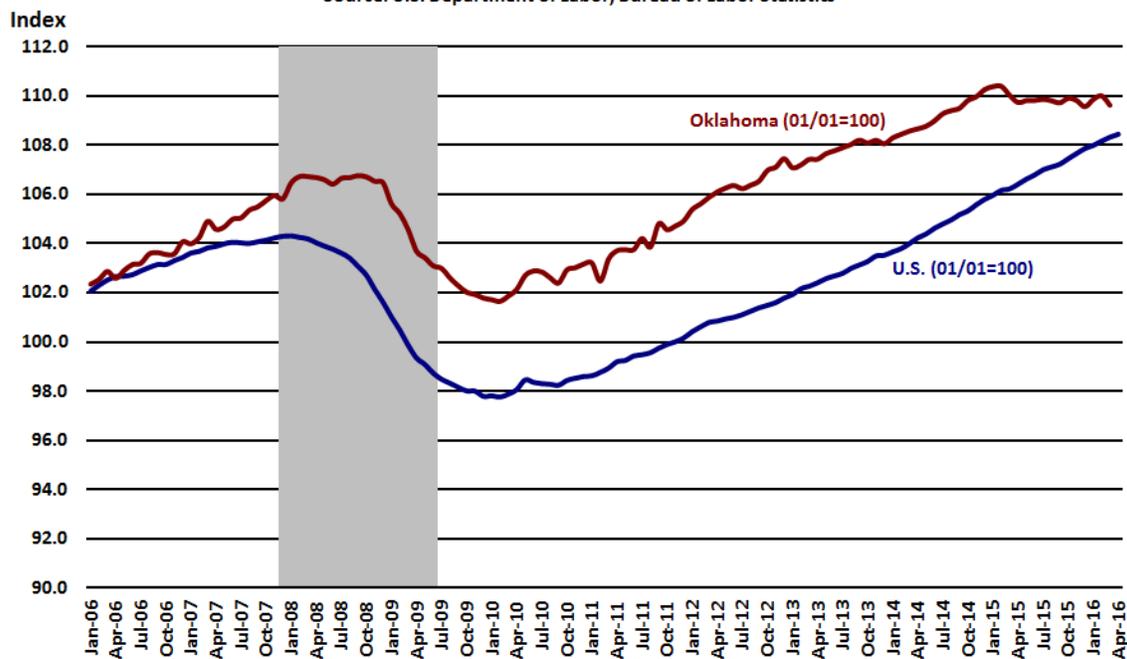
The number of Oklahomans filing initial claims for unemployment insurance benefits continued to climb in April, reflecting ongoing energy sector layoffs. For the file week ending April 23, initial claims for unemployment insurance benefits were at a level of 2,041, up 193 from the previous week. For the same file week ending, the less volatile four-week moving average moved up 34 to 2,007. For the same file week ending on April 23, continued claims increased 59 to a level of 23,463 while the continued claims four-week moving average decreased 46 to 23,441.

Over the year, statewide initial jobless increased 87 from the April 25, 2015 level of 1,954 while continued claims soared 2,644 from 20,819 for the same file week ending.

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

Index: January 2001=100

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



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

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

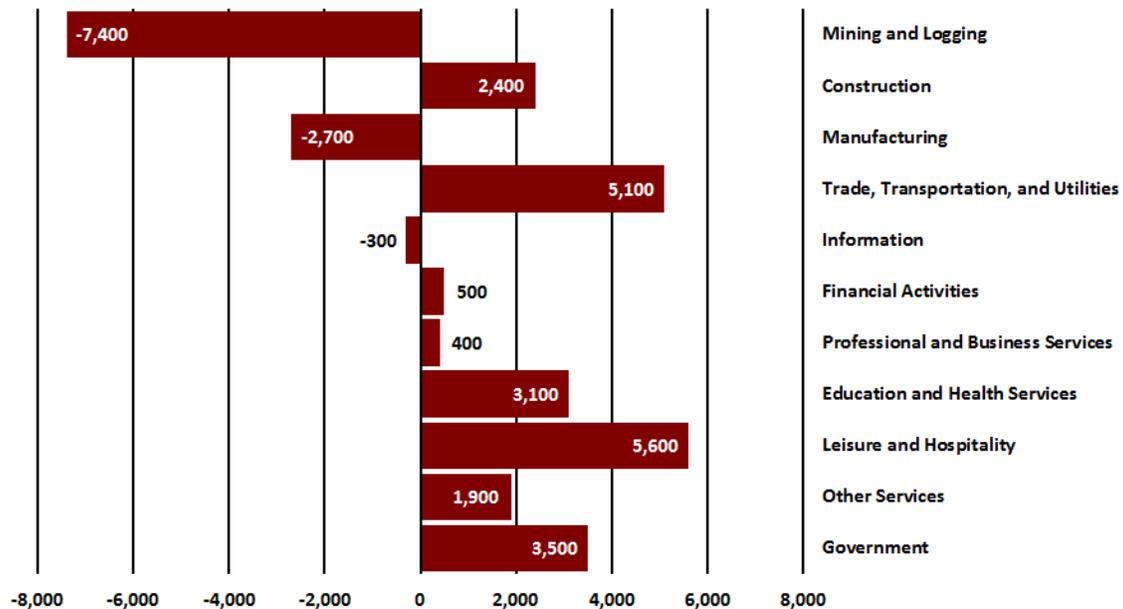
U.S. employers scaled back hiring in April as retailers for the smallest monthly gain since last September. Total nonfarm payroll employment increased by 160,000 in April, according to the Bureau of Labor Statistics (BLS). The change in total nonfarm payroll employment for February and March was revised down to show 19,000 fewer jobs created than previously reported.

Oklahoma nonfarm employment shed a seasonally-adjusted 5,800 jobs (-0.4 percent) in March. Three of Oklahoma's 11 supersectors added jobs in March, as other services (+700 jobs) posted the largest monthly gain followed by leisure & hospitality (+500 jobs). Professional & business services reported the largest over-the-month loss (-2,400 jobs).

Over the year, statewide total nonfarm employment contracted 6,100 jobs (-0.4 percent) led by manufacturing (-11,500 jobs) and mining & logging (-11,300 jobs). Leisure & hospitality (+9,200 jobs) also claimed the largest job gain over the year.

Oklahoma Employment Change by Industry, 2014-2015 Annual Averages (Not Seasonally Adjusted)

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 non-seasonally adjusted annual averages to compare year-over-year employment changes.

Current Developments

Oklahoma annual average employment growth slowed further in 2015, as mounting energy sector layoffs weighed on overall job growth. Total nonfarm employment added a non-seasonally adjusted 12,100 jobs for a 0.7 percent growth rate, (compared to 2014, when 21,300 jobs were added at a 1.3 percent growth rate).

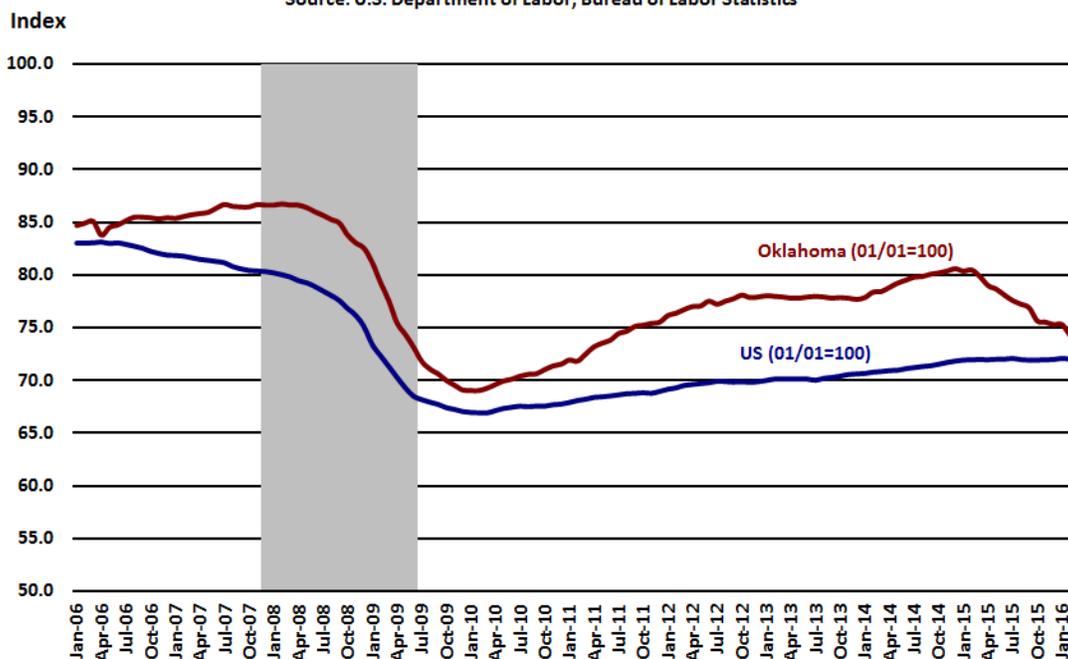
In 2015, eight out of Oklahoma's 11 statewide supersectors recorded job growth. Leisure & hospitality led all other supersectors adding 5,600 jobs with the greater part of hiring occurring in food services and drinking places. The broad trade, transportation & utilities sector added 5,100 jobs with the largest part of growth coming from retail trade. Government added 3,500 employees with most of the growth in local government. Construction added 2,400 jobs with nearly all the job growth in specialty trade contractors.

The largest annual average over-the-year job losses were seen in mining & logging which dropped a non-seasonally adjusted 7,400 jobs (-12.0 percent). Manufacturing employment lost 2,700 jobs mostly in durable goods manufacturing. Information shed 300 jobs in 2015.

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

Index: January 2001 = 100

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



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

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

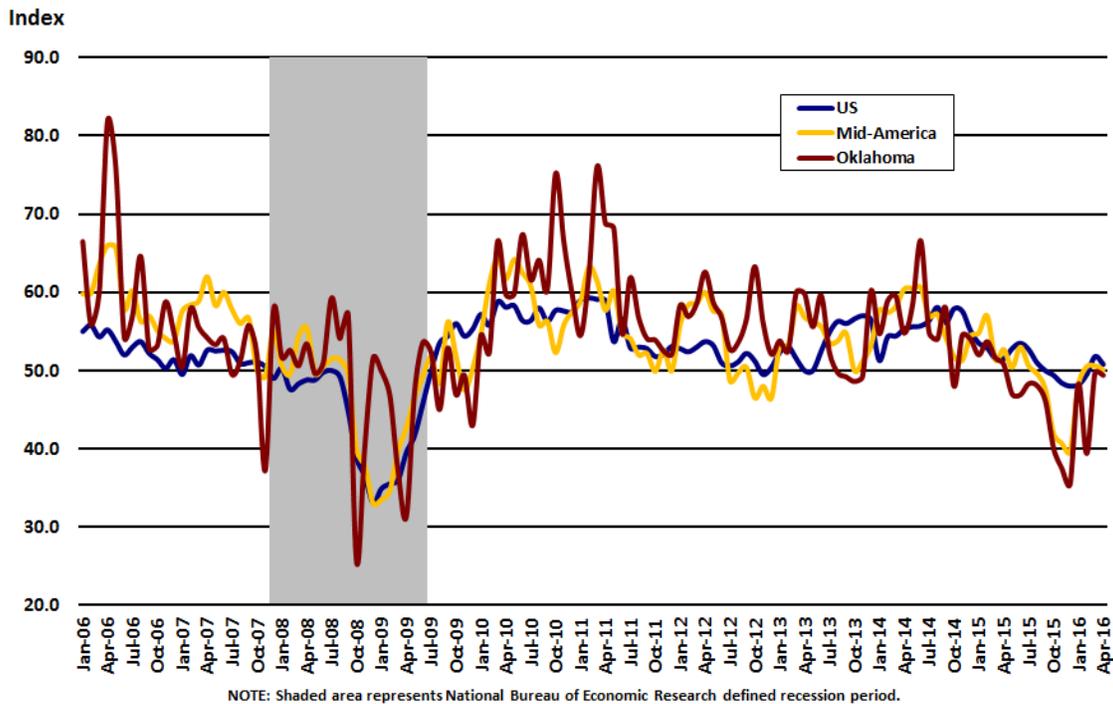
U.S. manufacturing employment rose in April following sharp declines in February and March as global headwinds continue to create challenges for the sector. Manufacturing employment added 4,000 jobs in April, according to the Bureau of Labor Statistics (BLS). In April, durable goods manufacturers added 6,000 workers, while nondurable goods employment was down by 2,000.

Statewide manufacturing employment fell a seasonally-adjusted 1,700 jobs (-1.3 percent) in March. Most of the job losses in March occurred in durable goods manufacturing which shed a non-seasonally adjusted 1,600 jobs (-1.8 percent). Non-durable goods manufacturing lost a seasonally-adjusted 300 jobs (-0.7 percent) over the month.

Over the year, statewide factory employment plunged a seasonally-adjusted 11,500 jobs (-8.2 percent) with nearly all of the job losses coming from durable goods manufacturing. Machinery manufacturing dropped a non-seasonally adjusted 5,500 jobs over the year while fabricated metal product manufacturing lost 4,200 jobs from March 2015 to March 2016. Non-durable goods manufacturing employment lost a seasonally-adjusted 500 jobs (-1.2 percent).

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. factory activity continued to expand in April for a second consecutive month, as more sectors reported increased production and new orders. The April PMI® registered 50.8 percent, a decrease of 1 percentage point from the March reading of 51.8 percent, according to the latest Manufacturing ISM Report On Business®. Manufacturing registered growth in April for the second consecutive month, as 15 of 18 industries reported an increase in new orders in April (up from 13 in March), and 15 of 18 industries reported an increase in production in April (up from 12 in March).

A measure of new orders climbed to 58.2 percent in April, an increase of 3.7 percentage points compared to the March reading of 54.5 percent. The Production Index registered 61 percent in April, an increase of 2.7 percentage points from 58.3 percent reported in March. ISM's Employment Index registered 57.3 percent in April, which is 1.2 percentage points higher than the 56.1 percent reading reported in March.

After three straight months of expanding, the Creighton University Mid-America Business Conditions Index for March, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, declined but remained above growth neutral. The April Business Conditions Index, which ranges between 0 and 100, dipped slightly to a weak 50.1 from March's 50.6, according to the Creighton Economic Forecasting Group. Over the past several months, the regional index, much like the national reading, has indicated the manufacturing sector is experiencing anemic, but stabilizing, business conditions.

"A somewhat weaker U.S. dollar, making U.S. goods more competitively priced abroad, contributed to stabilizing business conditions across the region. At the same time continuing weakness in the region's agriculture and energy sectors remains an obstacle to improving overall growth," said Ernie Goss, Ph.D., director of Creighton University's Economic Forecasting Group.

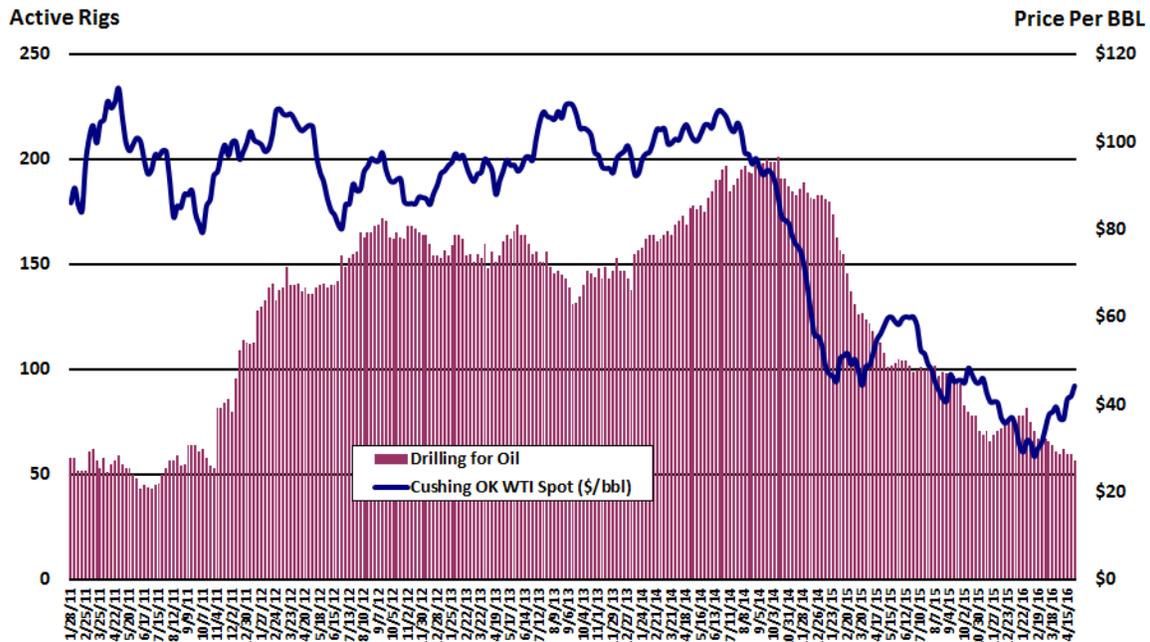
The April Business Conditions Index for Oklahoma slumped below growth neutral for a twelfth straight month. The index from a monthly survey of supply managers declined to 49.4 from 49.7 in March. Components of the April survey of supply managers were new orders at 50.4, production or sales at 49.8, delivery lead time at 52.9, inventories at 49.4, and employment at 44.6.

"Over the past several months, Oklahoma manufacturers, both durable and nondurable, have been shedding jobs at an accelerating pace. Over the past 12 months, Oklahoma's manufacturing sector has reduced employment by 11,700 jobs, or approximately 8.4 percent," reported Goss.

Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

January 2011 to April 2016

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

In the April 2016 *Short-Term Energy Outlook*, the U.S. Energy Information Administration noted that West Texas Intermediate (WTI) crude oil prices averaged \$38/barrel in March, a \$7/barrel increase from February. West Texas Intermediate (WTI) crude oil prices are forecast to average \$35/barrel in 2016 and \$41/barrel in 2017. However, the current values of futures and options contracts suggest high uncertainty in the price outlook. For example, EIA's forecast for the average WTI price in July 2016 of \$35/barrel should be considered in the context of Nymex contract values for July 2016 delivery that were traded during the five-day period ending April 7, suggesting that the market expects WTI prices to range from \$27/b to \$57/b (at the 95% confidence interval).

The EIA also observed that U.S. crude oil production averaged an estimated 9.4 million barrels per day in 2015. It is forecast to average 8.6 million barrels per day in 2016 and 8.0 million barrels per day in 2017, which are both 0.1 million barrels per day lower than forecast in last month's report. EIA estimates that crude oil production in March 2016 averaged 9.0 million barrels per day, 90,000 b/d below the February 2016 level.

Monthly statewide crude oil production levels have been gradually declining over the past year but still remain at historically high levels. Oklahoma's crude production in February was at a level of 11,577,000 barrels, that's 1,010,000 barrels (-8.0 percent) less than January's production level of 12,587,000 barrels. Over the year, Oklahoma's crude production was -1,127,000 barrels or 8.9 percent less than the 12,704,000 barrels produced in February 2015.

After falling as low as \$26.19/barrel in February, West Texas Intermediate (WTI-Cushing) spot prices have recovered steadily since, closing at \$44.30/barrel for the week ending April 29. Over the year, WTI-Cushing domestic crude prices have dropped -\$11.84/barrel, a loss of more than 21 percent.

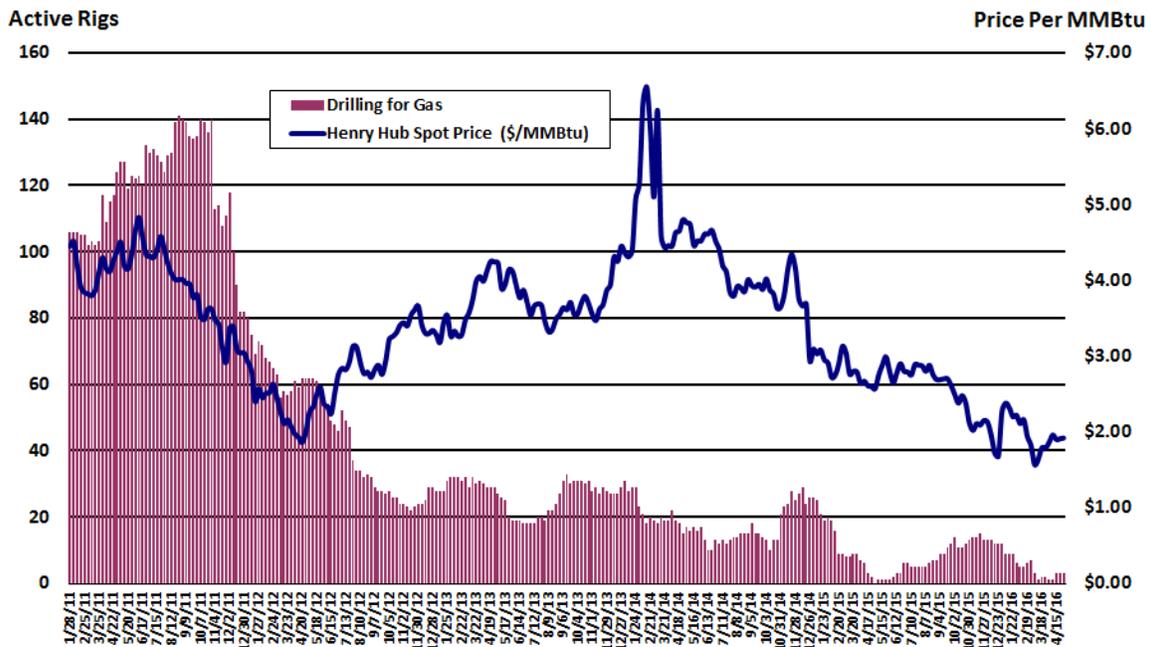
Despite a rise in prices, the U.S. rig count fell for the 19th consecutive week. For the week ending April 29, 2016, companies laid down 11 more rigs, dropping the count to 420, according to oil field services company Baker Hughes. The U.S. rig count peaked at 4,530 in 1981 and bottomed at 488 in 1999.

Oklahoma's active rotary rig count fell to 60 for the week ending April 29, the lowest level since 59 rigs were active for the week ended September 24, 1999. Oil-directed rigs accounted for approximately 95 percent of total rig activity (57 active rigs). Over the year, Oklahoma's rig count was off by 55 rigs operating April 24, 2015. Oklahoma's rig level is down 72 percent since peaking at 214 in the week ending November 28, 2014.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

January 2011 to April 2016

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 or 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 prices. If inventories are high and rising in a period of strong demand, prices may not need to increase at all, or as much. However, 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) reported that natural gas inventories ended the winter heating season (as of March 31, 2016) at 2,478 billion cubic feet (Bcf), slightly above the previous end-of-March record high, set in 2012, according to the April *Short-Term Energy Outlook*. End-of-March inventories were 67 percent above the level at the same time last year and 53 percent above the five-year average for that date. Henry Hub spot prices are forecast to average \$2.18/million British thermal units (MMBtu) in 2016 and \$3.02/MMBtu in 2017, compared with an average of \$2.63/MMBtu in 2015.

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Oklahoma natural gas gross production in February was at a level of 196,561 MMcf, a decline of 14,716 MMcf (-7.0 percent) from the January production level of 211,277 MMcf. Over the year, Oklahoma natural gas gross withdrawals were 9,820 MMcf (5.3 percent) more than the February 2015 level of 186 741 MMcf.

Domestic natural gas prices remained fairly flat in April. The Henry Hub spot price began the month at \$1.88/MMBtu and finished the month at \$1.79/MMBtu, for a gain of a penny per MMBtu over the month.

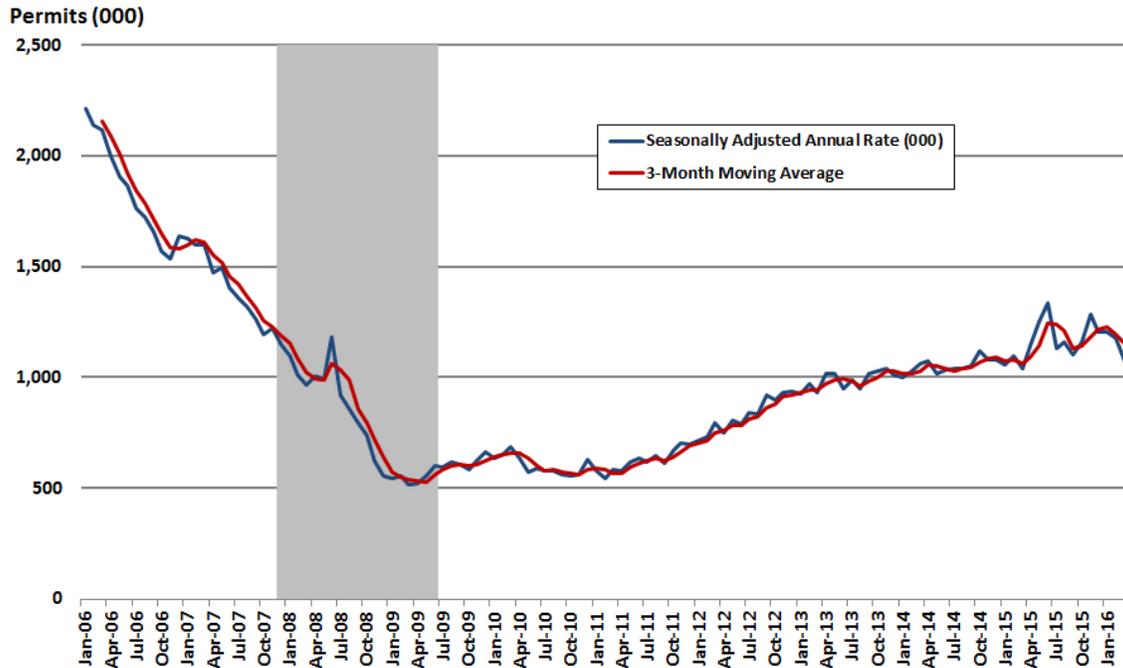
In the U.S. there were 87 active natural gas-directed rigs as of April 29, 2016, according to oil services company Baker Hughes Inc. This represents a decline of 1 unit from the previous week and a loss of 138 rigs over the year.

Oklahoma's natural gas-directed drilling rig count finished the month at a level of 3 active rigs, up from 2 active rigs in the previous month. Over the year, the number of rotary rigs searching for natural gas was up 1 rig from 2 reported for the week ended April 24, 2015.

U.S. New Private Housing Units Authorized by Building Permit, 2006-2016

Seasonally Adjusted

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



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

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 following 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 outside 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.

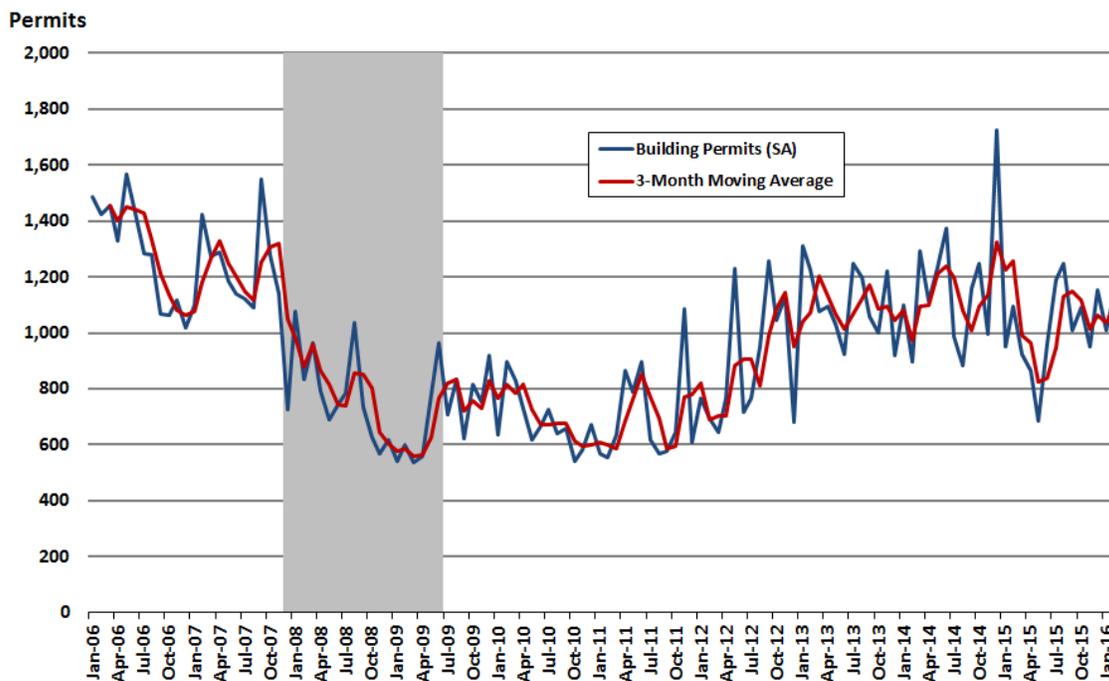
Current Developments

The pace of U.S. homebuilding activity fell in March as permits for future home construction hit a one-year low. Privately-owned housing units authorized by building permits in March were at a seasonally adjusted annual rate of 1,086,000, or 7.7 percent below the revised February rate of 1,177,000 and 4.6 percent above the March 2015 estimate of 1,038,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

Permits for the construction of single-family homes decreased 1.2 percent in March after reaching a more than eight-year high in February. Multi-family building permits plunged 18.6 percent, with approvals for buildings with five units or more falling to their lowest level since August 2013.

Oklahoma New Private Housing Units Authorized by Building Permit, 2006-2016 Seasonally Adjusted

Sources: U.S. Census Bureau and Department of Housing and Urban Development, Federal Reserve Bank of St. Louis



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

Definition & Importance

The data services of the Federal Reserve Bank of St. Louis produces series that are seasonally adjusted including monthly state level data on the number of new housing units authorized by building permits. These adjustments are made using the X-12 Procedure of SAS to remove the seasonal component of the series so that non-seasonal trends can be analyzed. This procedure is based on the U.S. Bureau of the Census X-12-ARIMA Seasonal Adjustment Program.

Current Developments

Oklahoma residential permitting activity slipped in March to its lowest level in four months. Total residential building permitting for March was at a seasonally-adjusted level of 972, or -5.4 percent below the previous month's level of 1,027 and nearly unchanged from the March 2015 estimate of 965 units, according to figures from the Federal Reserve Bank of St. Louis.

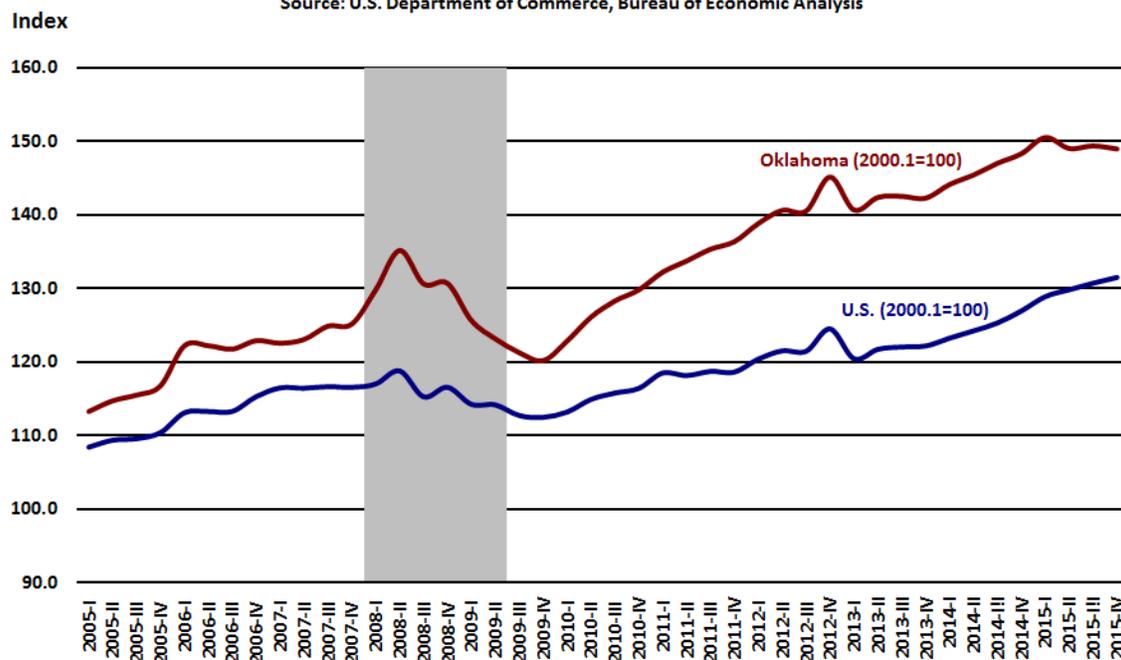
Single-family permitting dominated total residential permitting activity in March accounting for 95.8 of total permitting. Applications for single-family homes were at a seasonally adjusted level of 931, or 21.9 percent more than February's level of 764 permits. Apartment permitting accounted for only 2.4 percent of total residential permitting in March.

Although statewide residential permitting had gotten off to a slow start in 2016, year-to-date total residential permitting has caught up to the first three months of 2015. For the January to March period in 2016, total residential permitting was at a level of 3,034, or 3.1 percent greater than the first three months of 2015.

U.S. and Oklahoma Real Personal Income

Index: 1st Quarter 2000 = 100

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



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

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

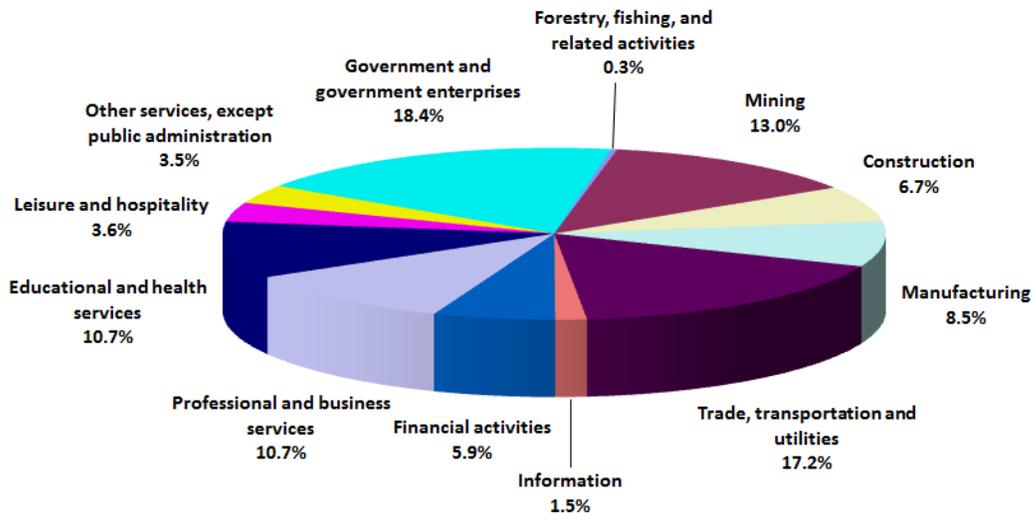
U.S. personal income made a solid gain in March while consumers increased spending by only a modest amount. Personal income increased \$57.4 billion, or 0.4 percent, and disposable personal income (DPI) increased \$50.4 billion, or 0.4 percent, in March, according to the Bureau of Economic Analysis. In February, personal income increased \$12.0 billion, or 0.1 percent, DPI increased \$11.4 billion, or 0.1 percent, and PCE increased \$21.4 billion, or 0.2 percent, based on revised estimates

Spending on durable goods, which includes vehicles, fell 0.6 percent in March, matching the same size drop in January. Spending on non-durable goods, items such as clothing and food rose 0.6 percent. Spending on services such as apartment rentals and utilities, rose 0.1 percent in March.

The big rise in incomes and the small gain in spending resulted in a jump in the personal saving rate to 5.4 percent of after-tax incomes, up from 5.1 percent in February.

Oklahoma Nonfarm Contribution to Earnings Fourth Quarter 2015

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 information than the data that were available when the estimates were initially prepared and to incorporate updated seasonal factors.

Current Developments

State personal income grew on average 4.4 percent in 2015, the same rate as in 2014, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Growth of state personal income—the sum of net earnings by place of residence, property income, and personal current transfer receipts—ranged from -0.2 percent in North Dakota to 6.3 percent in California.

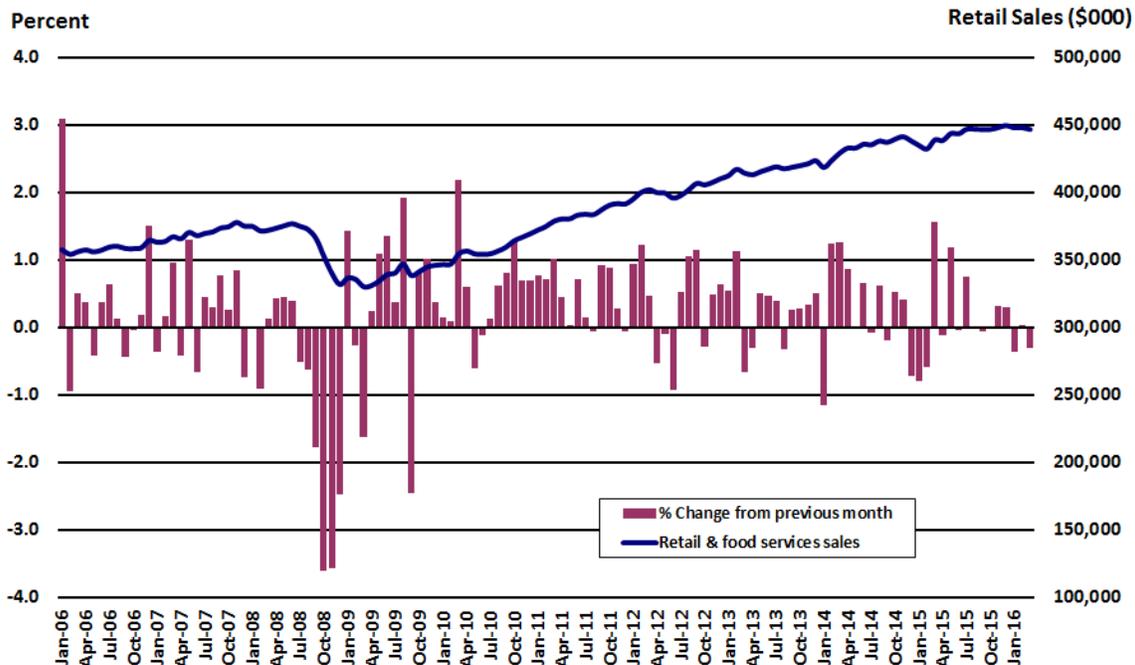
Oklahoma’s personal income grew at a 2.3 percent rate, to a level of \$173.2 billion, ranking the state 44th among all states and the District of Columbia in 2015.

Net earnings grew 4.2 percent on average in 2015, down from 4.6 percent in 2014, according to the BEA. Earnings grew in 21 of the 24 industries for which BEA prepares estimates, with professional and business services, healthcare, and construction contributing the most to overall income growth in 2015. Construction earnings increased for the fifth consecutive year and is now higher than its previous peak before the Great Recession. Earnings in mining and farming, however, fell due to declines in global prices for energy and agricultural commodities.

In Oklahoma, net earnings grew at a 1.6 percent pace in 2015, contributing 1.1 percentage points to the percent change in personal income. Earnings grew in 17 of 24 industries with construction (0.28 percentage points), healthcare (0.28 percentage points, and state & local government (0.23 percentage points), contributing the most to overall income growth in 2015. Subtracting from net earnings growth in 2015 were mining (-0.31 percentage points); durable goods manufacturing (-0.16 percentage points), utilities (-0.15 percentage points), wholesale trade (-0.10 percentage points) farm (-0.06 percentage points), and military (-0.05 percentage points).

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

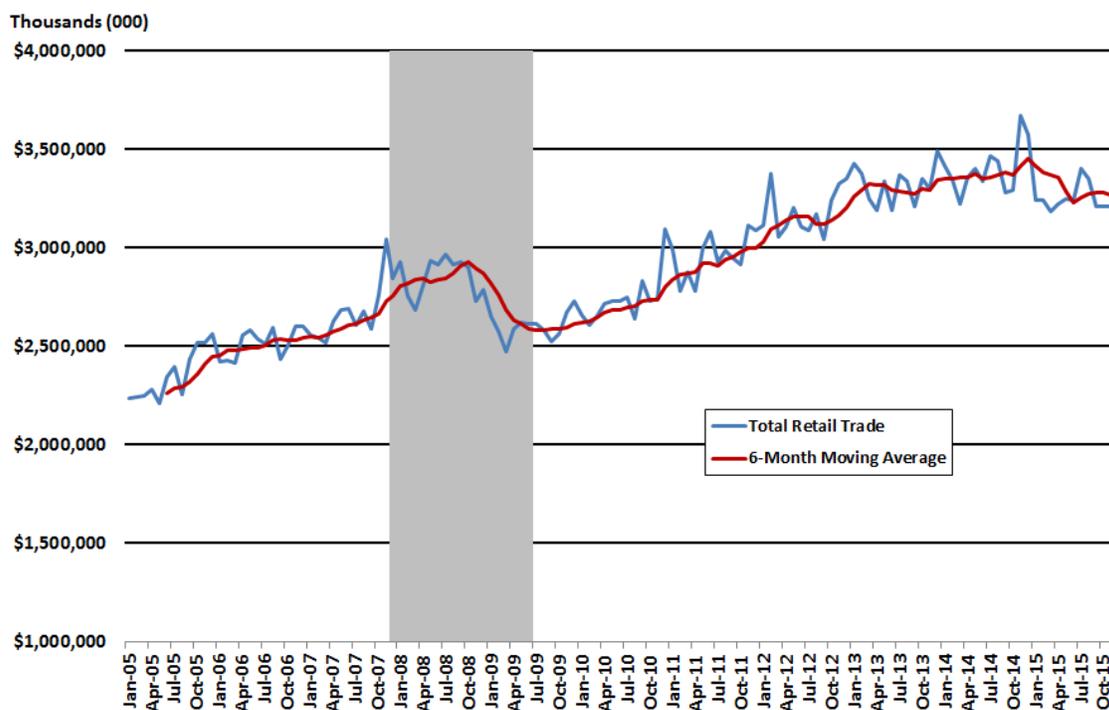
U.S. retail sales unexpectedly fell in March pulled lower by automobile sales and raising concerns that consumer spending may be losing steam. Advance estimates of U.S. retail and food services sales for March, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$446.9 billion, a decrease of 0.3 percent from the previous month, and 1.7 percent above March 2015, according to the U.S. Census Bureau. Total sales for the January 2016 through March 2016 period were up 2.8 percent from the same period a year ago. The January 2016 to February 2016 percent change was revised from down 0.1 percent to virtually unchanged.

Sales at gas stations rose by the most since June, reflecting recent increases in pump prices. Gas station sales, which aren't adjusted for changes in price, jumped 0.9 percent in March. Excluding gas, retail sales fell 0.4 percent in March. Sales at auto dealers saw the biggest drop since last February falling 2.1 percent. Excluding automobiles and gasoline, retail sales rose 0.1 percent over the month and 3.9 percent over the year.

The less volatile "core" sales, which strip out automobiles, gasoline, building materials and food services ticked up 0.1 percent in March after an upwardly revised 0.1 percent gain in February.

Oklahoma Total Adjusted Retail Trade, 2005-2015

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



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

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 Oklahoma consumers opened their wallets for the holiday season in December. Total adjusted retail sales for December were at a level of \$3.31 billion, a 3.0 percent gain from the November level of \$3.22 billion and the second-largest monthly gain this year. For all of 2015, total adjusted retail trade was at a level of \$39.15 billion, 4.1 percent lower than \$40.83 billion in 2014.

Total durable goods sales grew 1.3 percent in December led by gains in miscellaneous durable goods (2.9 percent) and lumber & hardware sales (1.1 percent). Every durable goods category saw over-the-month gains in December including auto accessories & repair (0.8 percent); electronics & music stores (1.0 percent); furniture (0.9 percent); and used merchandise (0.5 percent).

It also appears that Oklahomans spent more time traveling by automobile in December. Nondurable goods spending increased 3.7 percent in December led by a big jump in estimated gasoline sales (24.4 percent). Other advancing categories were general merchandise stores (1.2 percent); apparel (1.8 percent); drugstore store sales (1.1 percent); liquor (1.2 percent); and food (0.1 percent). Declining categories in December were eating & drinking (1.5 percent) and miscellaneous non-durables (-0.1 percent).