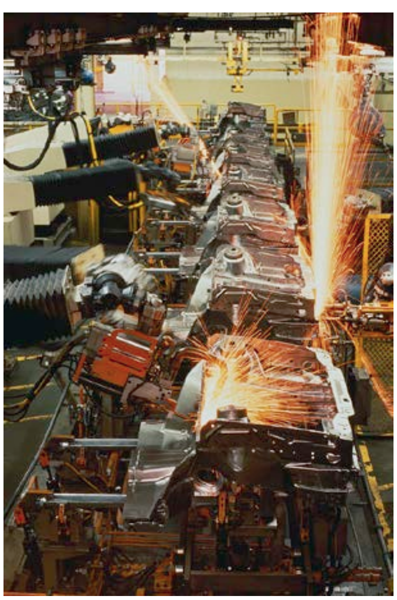

OKLAHOMA
Economic Indicators

August 2012

OKLAHOMA ECONOMIC INDICATORS

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August 2012

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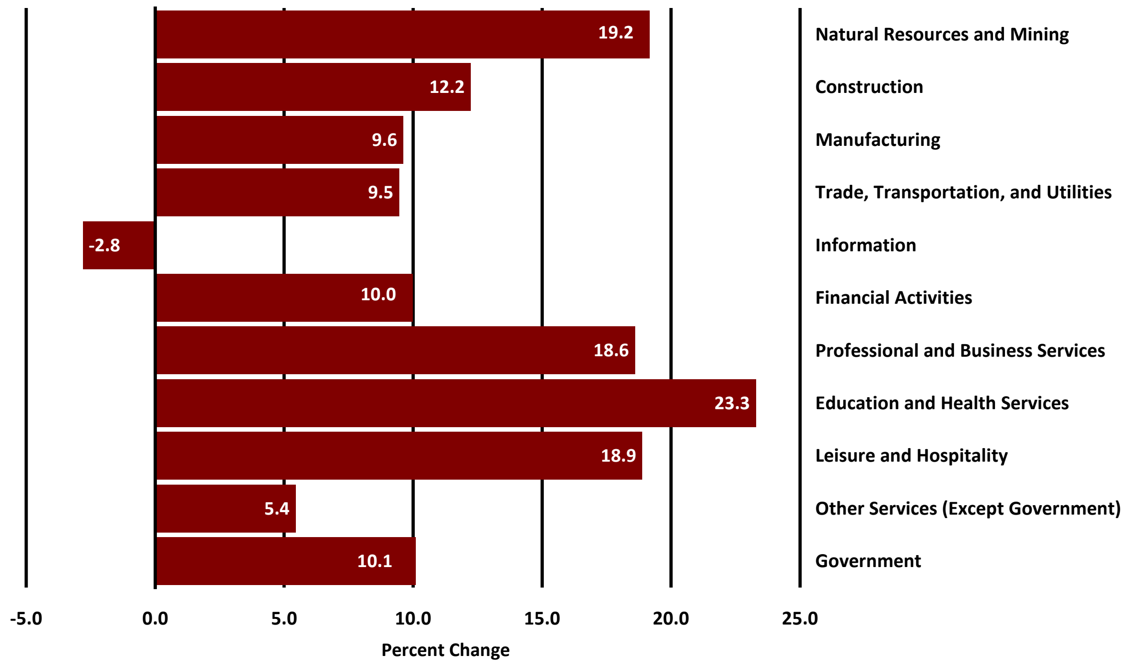
SPECIAL REPORT:
Oklahoma Industry and Occupational Projections: 2010 to 2020

Oklahoma Long-Term Industry Employment Projections, 2010-2020

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



Introduction

Every other year, the Oklahoma Employment Security Commission produces long-term industry and occupational employment projections with the base year of the projections decade being an even-numbered year. The goal is not necessarily to predict the exact level of employment ten years in the future, but rather to determine overall trends that can be used for career and policy planning. Employment projections help to facilitate career exploration by high school students and their teachers and parents, college students, career changers, and career development and guidance specialists. Employment projections are also widely used by policymakers and education and training officials to make decisions about education and training policy, funding, and program offerings. Additionally, other state agencies, researchers, and academics use the projections to understand trends in the economy and labor market.

Industry Projections

Our 2010 to 2020 industry employment forecast for Oklahoma predicts that total payroll employment will grow by 14.1 percent over the decade, adding 234,550 jobs to the state's economy (see Table 1). All but one of Oklahoma's major industry sectors are anticipated to grow in the coming years.

In the goods-producing industries, employment growth in natural resources & mining is expected to lead, adding 13,820 jobs with support activities for mining contributing over half of the job growth (+7,190 jobs). Employment growth in the manufacturing sector follows closely adding 11,810 jobs from 2010 to 2020 with machinery manufacturing and fabricated metal product manufacturing providing more than half (+6,600 jobs) of total growth. Construction employment is expected to return to a healthy growth rate of 12.2 percent, adding 8,250 jobs almost all of which are anticipated to be in the specialty trades contractors sector (+7,850 jobs).

Table 1.
Oklahoma Long-Term Industry Employment Projections, 2010-2020

Sector	2010	2020	Change	% Change
Total Employment	1,662,220	1,896,770	234,550	14.1
Natural Resources and Mining	72,120	85,910	13,820	19.2
Construction	67,410	75,660	8,250	12.2
Manufacturing	122,830	134,650	11,810	9.6
Trade, Transportation, and Utilities	284,870	311,800	26,960	9.5
Information	24,980	24,300	-700	-2.8
Financial Activities	80,550	88,600	8,040	9.9
Professional and Business Services	170,400	202,090	31,700	18.6
Education and Health Services	354,610	437,180	82,580	23.3
Leisure and Hospitality	138,870	165,090	26,220	18.9
Other Services (Except Government)	62,590	66,010	3,410	5.5
Government	172,160	189,540	17,380	10.1

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

In the services-providing industries, employment in education & health services is forecast to provide the largest gains adding 82,580 jobs (23.3 percent) with health care & social assistance accounting for more than two-thirds of the growth and adding 60,780 jobs. Nearly two-thirds of the job growth in health care & social assistance is expected to be in the ambulatory health care services and hospitals sectors.

Professional & business services employment is expected to add 31,700 jobs (+18.6 percent) in the 2010-2020 timeframe. Nearly two-thirds of the job growth is led by gains in the administrative & support services sector which is projected to add 18,680 jobs (+20.8 percent). Professional, scientific & technical services is expected to contribute another 11,760 jobs (+18.8 percent).

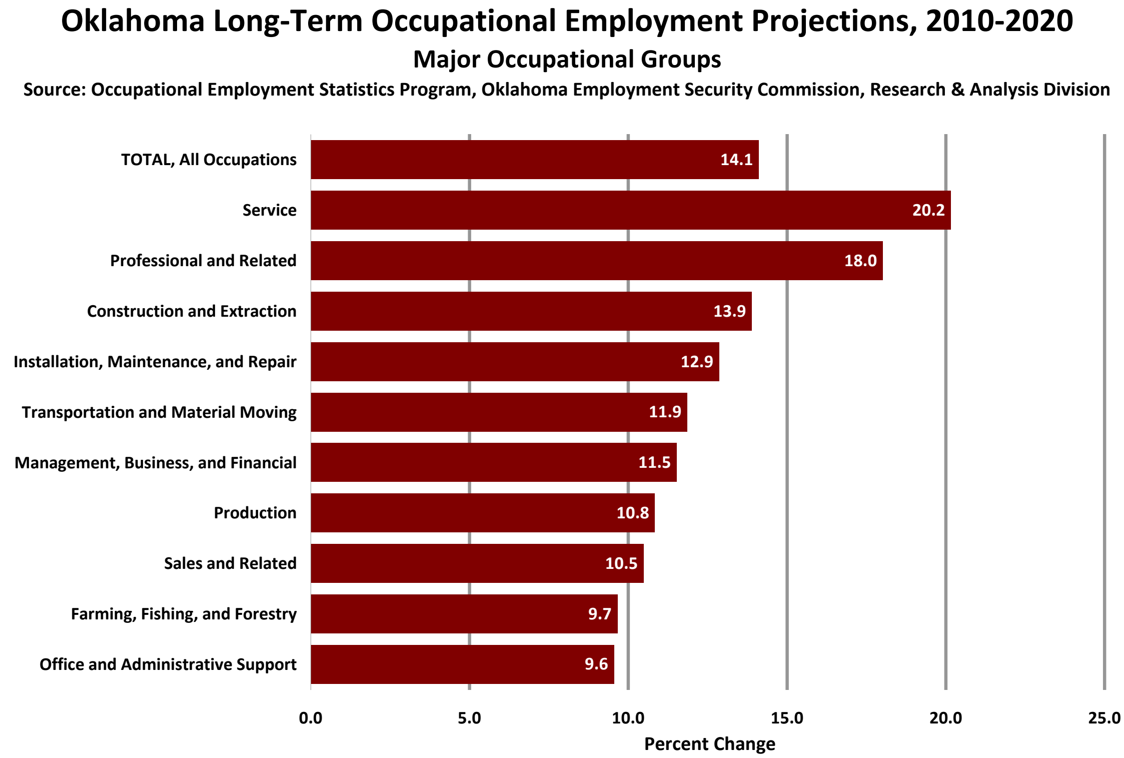
The broad trade, transportation & utilities sector is forecast to add 26,960 jobs (9.5 percent) between 2010 and 2020 with about two-thirds of the employment growth in retail trade (+18,070 jobs). Wholesale trade is expected to add 6,430 jobs (11.6 percent) and transportation & warehousing employment growing by 1,670 jobs (or 3.4 percent). Utilities employment is forecast to grow by 7.0 percent adding 790 jobs.

Accommodation & food services employment is projected to increase by 23,670 jobs (+19.0 percent) from 2010 to 2020 with almost all the job gains in food services & drinking places (+21,820 jobs).

The financial activities supersector is forecast to add 8,040 jobs (+9.9 percent) between 2010 and 2020 with finance & insurance growing by 5,480 (+9.3 percent) and real estate and rental & leasing adding 2,560 jobs (+11.8 percent).

Other services (except government) is expected to add 3,410 for a 5.5 percent gain between 2010 and 2020. Information is the only supersector forecast to lose employment, shedding 700 jobs (-2.8 percent).

Government employment is projected to grow by 10.1 percent adding 17,380 jobs during the 2010-2020 period with nearly all the growth at the local government level which is expected to add 13,960 jobs (+15.2 percent).



Occupational Projections

Turning to occupational projections, the base year, 2010, follows a severe downturn in both the U.S. and Oklahoma economies. Therefore, it is important to note that the estimated employment in 2010 was 87,910 lower than estimated in 2008. Every major occupational group lost employment between 2008 and 2010 with the largest losses coming from office & administrative support (-18,500 jobs), production (-18,290 jobs), and transportation & material moving (-14,640). When analyzing the current projections data, looking at the employment levels in 2008 compared to those in 2010 and in 2020 gives a clearer picture of the employment situation.

In terms of absolute job gains, every major occupational group is expected to add jobs over the decade between 2010 and 2020. Office and administrative support occupations are expected to see the largest gain in employment adding 26,250 jobs. Food preparation & serving related occupations are projected to add 23,730 jobs followed by healthcare practitioners and technical occupations which should add 23,180 jobs over the decade.

Not surprisingly, the fastest growing occupations for the 2010 to 2020 period are in health and personal care. Healthcare support occupations are projected to grow at a rate of 29.7 percent, followed by personal care and service occupations growing at a 27.8 percent rate. Healthcare practitioners and technical occupations are forecast to grow 24.1 percent between 2010 and 2020.

The occupational groups with the most job openings due to growth and replacement needs remained similar to previous projections rounds. Office & administrative support occupations are projected to have 8,680 average annual openings followed by sales & related occupations which should have 7,230 annual openings. Food preparation & serving related occupations are expected to have 6,964 average annual openings between 2010 and 2020.

Oklahoma Occupational Employment Estimates & Projections by Major Group, 2010-2020

Occupational Division	2010	2020	Numeric Change	Percent Change	Average Annual Openings 2010-2020
Total, All Occupations	**1,662,220**	**1,896,770**	**234,550**	**14.11**	**63,280**
Management, Business, and Financial Occupations[1]	171,710	191,500	19,790	11.53	5,620
Professional and Related Occupations[2]	313,640	370,130	56,490	18.01	12,500
Service Occupations[3]	317,120	381,050	63,930	20.16	14,800
Sales and Related Occupations	176,210	194,670	18,460	10.48	7,230
Office and Administrative Support Occupations	274,930	301,180	26,250	9.55	8,680
Farming, Fishing, and Forestry Occupations	21,120	23,160	2,040	9.66	840
Construction and Extraction Occupations	99,330	113,140	13,800	13.89	3,500
Installation, Maintenance, and Repair Occupations	75,390	85,080	9,700	12.86	2,740
Production Occupations	111,610	123,710	12,100	10.84	3,630
Transportation and Material Moving Occupations	101,170	113,170	12,000	11.86	3,750

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. Research & Analysis Division.

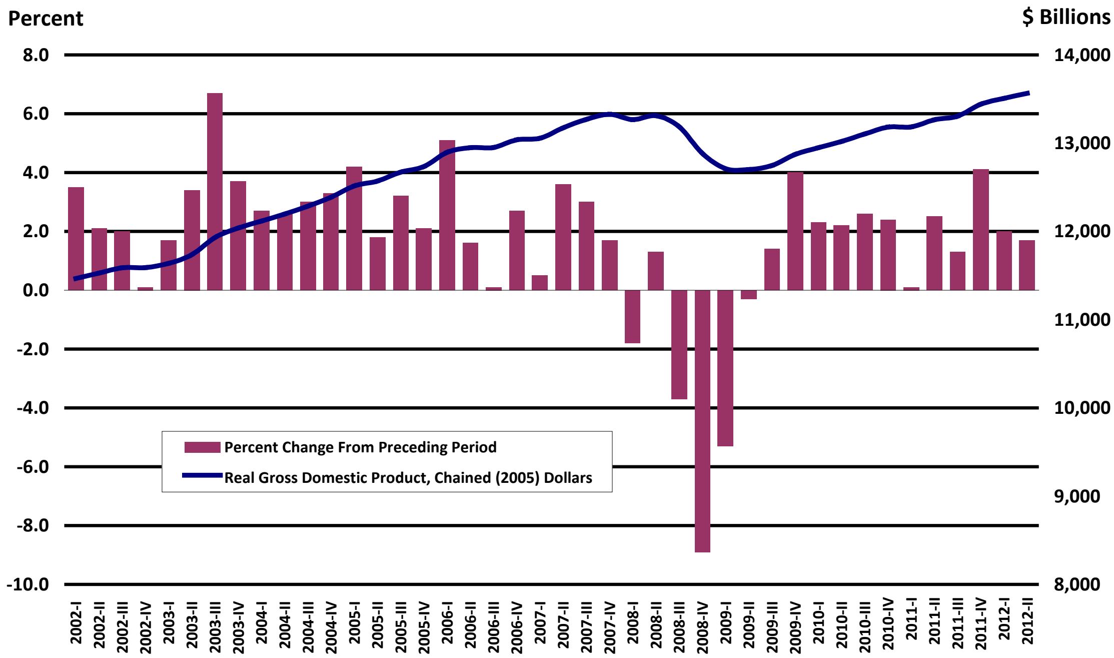
A few occupational groups are projected to have lower employment levels in 2020 than estimated in the 2008 round. Production occupations are forecast to have an employment level of 123,710 by 2020 compared to 129,900 employment level in 2008—a loss of 6,190 jobs. Farming, fishing, & forestry occupations projected employment level of 23,162 is 4,640 jobs less than estimated in 2008. Transportation & material moving occupations is expected to have an employment level of 113,168 in 2020 or 2,650 fewer jobs than the 2008 level of 115,814 workers. Finally, Computer and mathematical occupations is expected to have an employment level of 27,651 by 2020, slightly lower the 2008 estimate of 28,514 jobs.

More Information

Detailed 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 current 2010-2020 round as well as the 2011-2013 short-term industry and occupational projections along with past rounds of long-term and short-term projections.

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

Although the U.S. economy grew slightly faster than first estimated, growth was still sluggish in the 2nd quarter. Real gross domestic product increased at an annual rate of 1.7 percent in the 2nd quarter of 2012 according to the "second" estimate released by the Bureau of Economic Analysis (BEA). Slightly stronger consumer spending and greater exports were the main reasons the BEA reported that growth was better than its initial estimate of 1.5 percent.

Real personal consumption expenditures (PCE) were revised upward to 1.7 percent, (from the previous estimate of 1.5 percent), in the 2nd quarter. By component, durable goods remained unchanged at 1.0 percent while nondurable goods was revised downward to 0.5 percent from the previous estimate of 1.5 percent. Services were revised upward to 2.4 percent from the previous 1.9 percent.

Real nonresidential fixed investment was revised down to 4.2 percent from the advance estimate of 5.3 percent. Investment in nonresidential structures was upwardly revised to 2.8 percent from 0.9 percent rate previously thought. Equipment and software was revised down to 4.7 percent from the previous estimate of 7.2 percent. Real residential fixed investment was also revised down to 8.9 percent from the 9.7 percent advance estimate.

Real exports of goods and services grew at a 6.0 percent rate percent rate, up from the previous estimate of 5.3 percent. Real imports of goods and services was revised downward to 2.9 percent from the 6.0 percent previously thought.

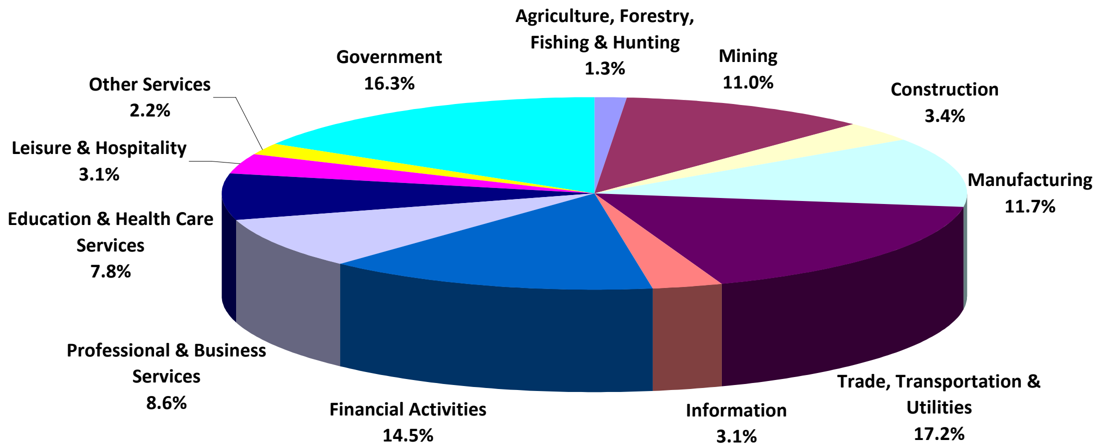
Real federal government consumption expenditures and gross investment was revised down to 0.1 percent in the 2nd quarter from the 0.4 percent initially estimated. National defense spending was revised 0.1 percent from the previous 0.4 percent. Federal nondefense spending remained at 0.3 percent. The drop in real state and local government consumption expenditures and gross investment was revised down to 1.4 percent from the previous 2.1 percent.

Motor vehicle output added 0.18 percentage point to the 2nd quarter change in real GDP after adding 0.72 percentage point to the 1st quarter change. Final sales of computers subtracted 0.09 percentage point from the 2nd quarter change in real GDP after adding 0.02 percentage point to the 1st quarter change.

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

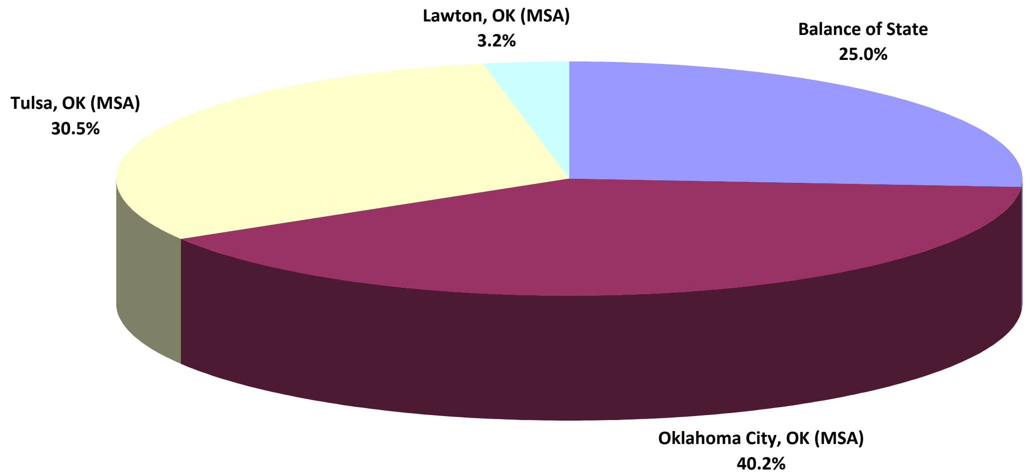
Oklahoma was among 43 states and the District of Columbia experiencing growth in real GDP in 2011, according to the advance estimate from the Bureau of Economic Analysis (BEA). Oklahoma's 2010 advance estimate was revised upward from 1.0 percent to 2.0 percent while the state's 2009 GDP was further revised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

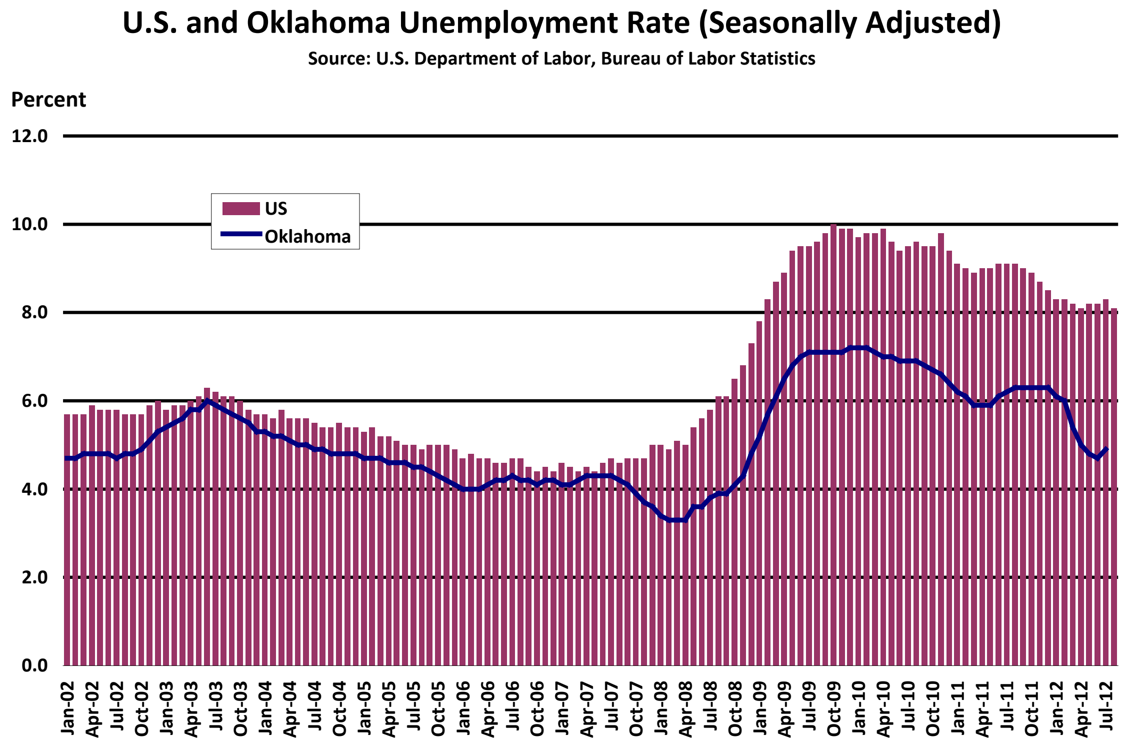
Metropolitan Statistical Areas (MSA) are the county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree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

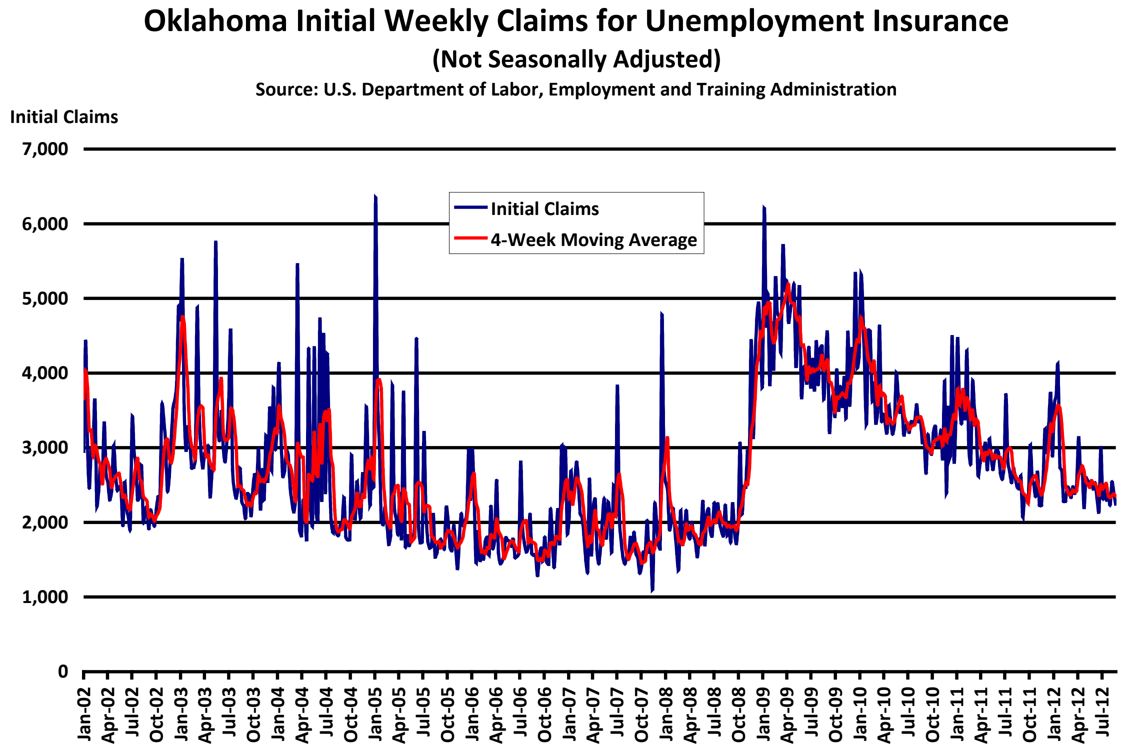
The unemployment rate is a lagging indicator of economic activity. During a recession, many people leave the labor force entirely, as a result the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more 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 unemployment rate ticked down in August but only because more people gave up looking for work. The unemployment rate edged down in August to 8.1 percent, according to the Bureau of Labor Statistics (BLS). In August, the labor force participation rate, the proportion of the population that is either working or looking for work, fell to 63.5 percent—its lowest level in 31 years.

Oklahoma’s seasonally adjusted unemployment rate rose to 4.9 percent in July, an increase of 0.2 percentage points over the month. LeFlore County’s jobless rate of 10.1 percent in July, made it Oklahoma’s highest county rate for the month. Dewey County reported the state’s lowest county rate in July at 2.4 percent. Only six of Oklahoma’s 77 counties posted unemployment rate increases over the month: Cimarron, Coal, Le Flore, McIntosh, Muskogee, and Sequoyah Counties.

Oklahoma Initial Weekly Claims for Unemployment Insurance



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.

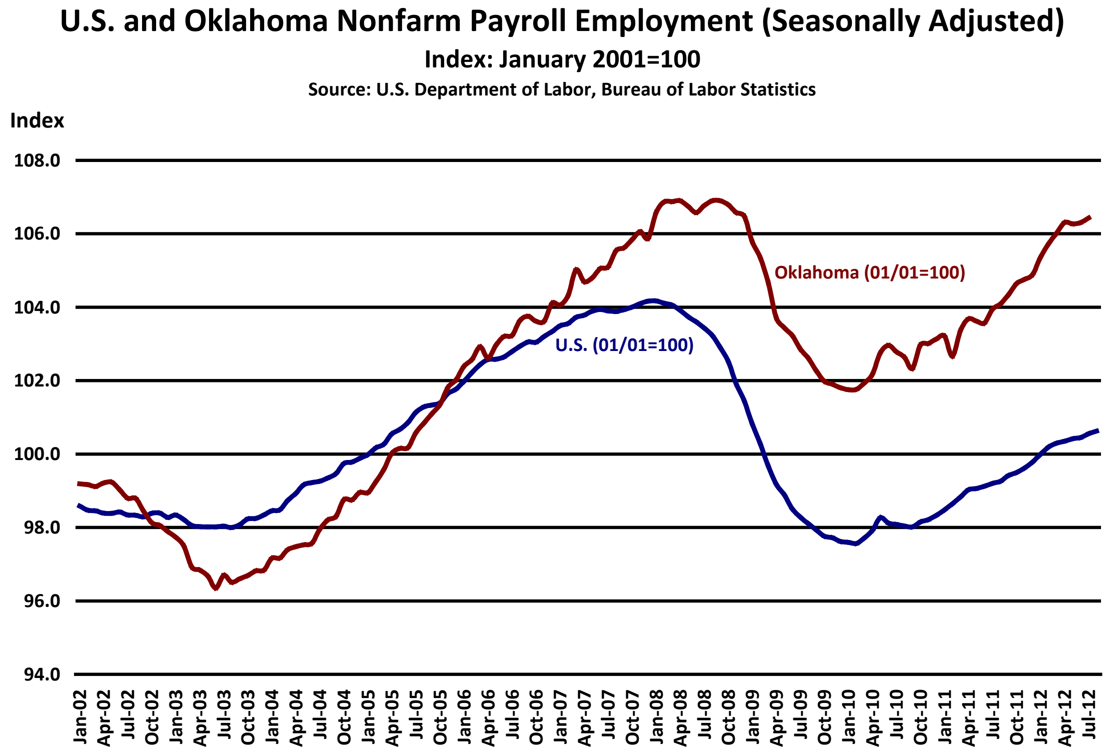
Initial claims are a leading indicator because they point to changes in labor market conditions. An increasing trend signals that layoffs are occurring. Conversely, a decreasing trend suggests an improving labor market. The four-week moving average of initial claims smoothes out weekly volatility and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

Current Developments

Initial claims for unemployment insurance in the United States fell for the first time in four weeks. In the week ending September 1, the advance figure for seasonally adjusted **initial claims** was 365,000, a decrease of 12,000 from the previous week's revised figure of 377,000, according to figures released by the U.S. Labor Department (DOL). The less volatile 4-week moving average was 371,250, an increase of 250 from the previous week's revised average of 371,000.

Oklahoma's initial jobless claims continued on a downward trend in August. For the file week ending August 25, initial claims for unemployment insurance decreased by 145 from 2,391 to 2,246. For the same file week ending, the four-week moving average decreased by 24 from 2,378 to 2,354.

Statewide continued claims decreased by 59 from 22,969 to 22,910 for the file week ending on August 25. For the same file week ending the continued claims four week moving average decreased by 112 from 23,340 to 23,229.



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

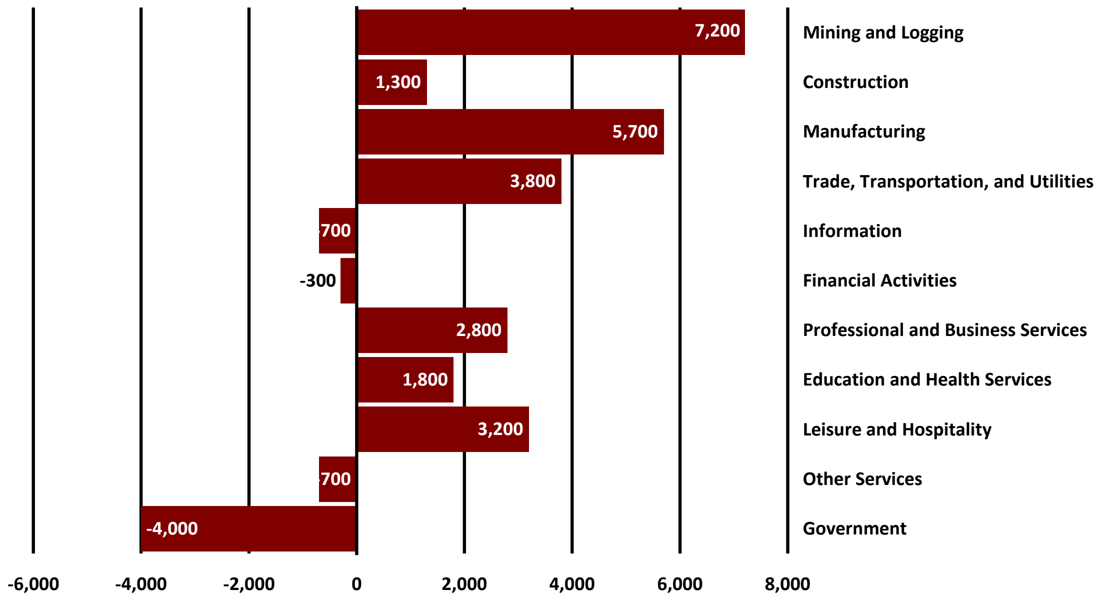
America's employers added payrolls at a moderate pace in August, raising the likelihood the Federal Reserve may step in to spur growth. Total nonfarm payroll employment rose by 96,000 in August, according to the Bureau of Labor Statistics (BLS). Since the beginning of this year, employment growth has averaged 139,000 per month, compared with an average monthly gain of 153,000 in 2011.

Oklahoma's seasonally adjusted nonfarm employment expanded by 1,900 jobs over the month in July with six of Oklahoma's 11 statewide supersectors reported job gains, led by a 2,600-job addition in educational & health services. Professional & business services saw the month's largest loss, shedding 5,000 jobs. Nine statewide supersectors added jobs over the year, with trade, transportation & utilities providing the largest gain adding 10,600 jobs. Construction (-400 jobs) and Information (-700 jobs) had the only over-the-year job losses in July.

Oklahoma Employment Change by Industry

2010 - 2011

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



Definition & Importance

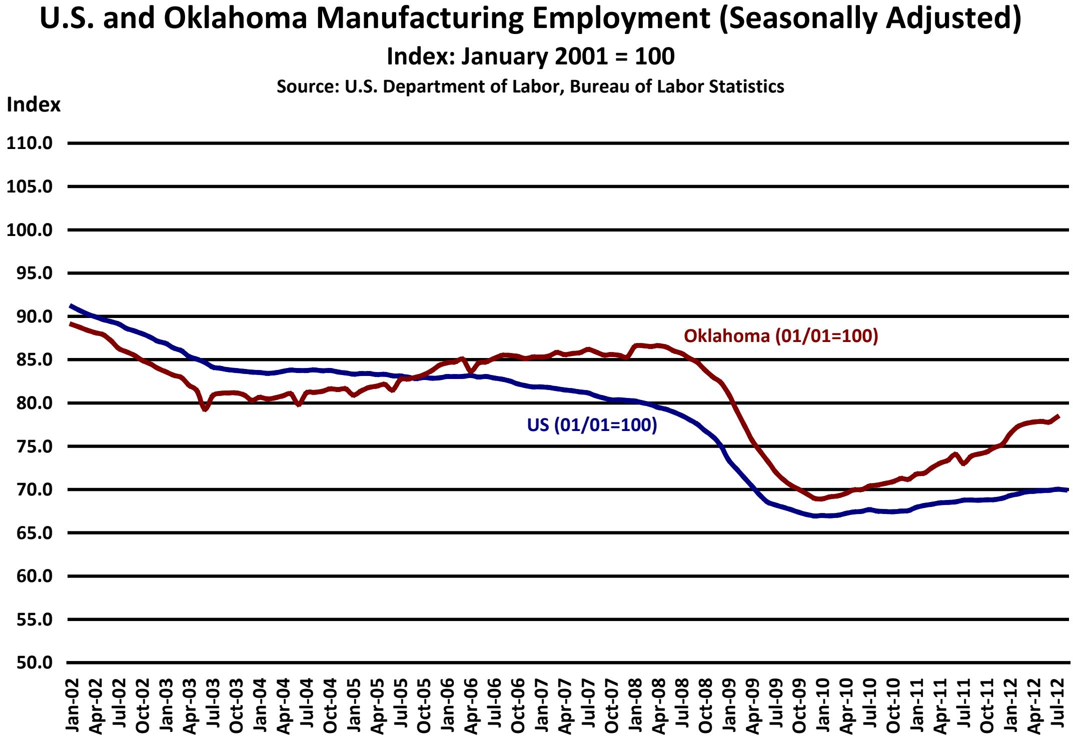
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion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

Current Developments

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

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

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



Definition & Importance

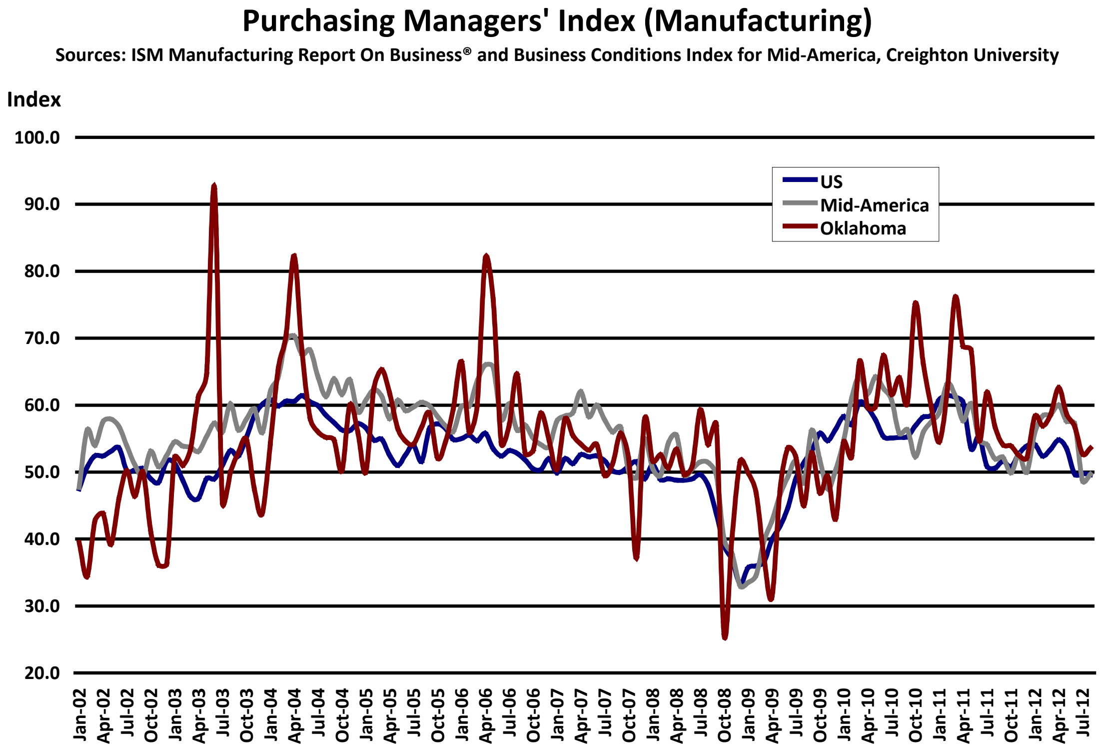
Manufacturing employment data is also produced by the Bureau of Labor Statistics' Current Employment Statistics (CES) program. Manufacturing and production are still important parts of both the U.S. and Oklahoma economies. During the 2007-09 recession, employment in manufacturing declined sharply. Although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

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

Current Developments

August factory hiring registered the first month of job loss in the sector in nearly a year and the worst performance in two years. Manufacturing shed 15,000 jobs in August, according to the Bureau of Labor Statistics (BLS). A decline in motor vehicles and parts (-8,000) partially offset a gain in July. Auto manufacturers laid off fewer workers for factory retooling than usual in July, and fewer workers than usual were recalled in August.

Statewide manufacturing employment growth bounced back in July adding 1,000 jobs (0.7 percent). Job gains were seen in other fabricated metal product manufacturing and machinery manufacturing along with nondurable goods manufacturing. Over the year, manufacturing has added 9,400 jobs for a 7.3 percent growth rate.



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 was sluggish for the third month in a row in August. The PMI registered 49.6 percent, a decrease of 0.2 percentage point from July's reading of 49.8 percent, indicating contraction in the manufacturing sector, according to the Institute for Supply Management (ISM). This is also the lowest reading for the PMI in three years.

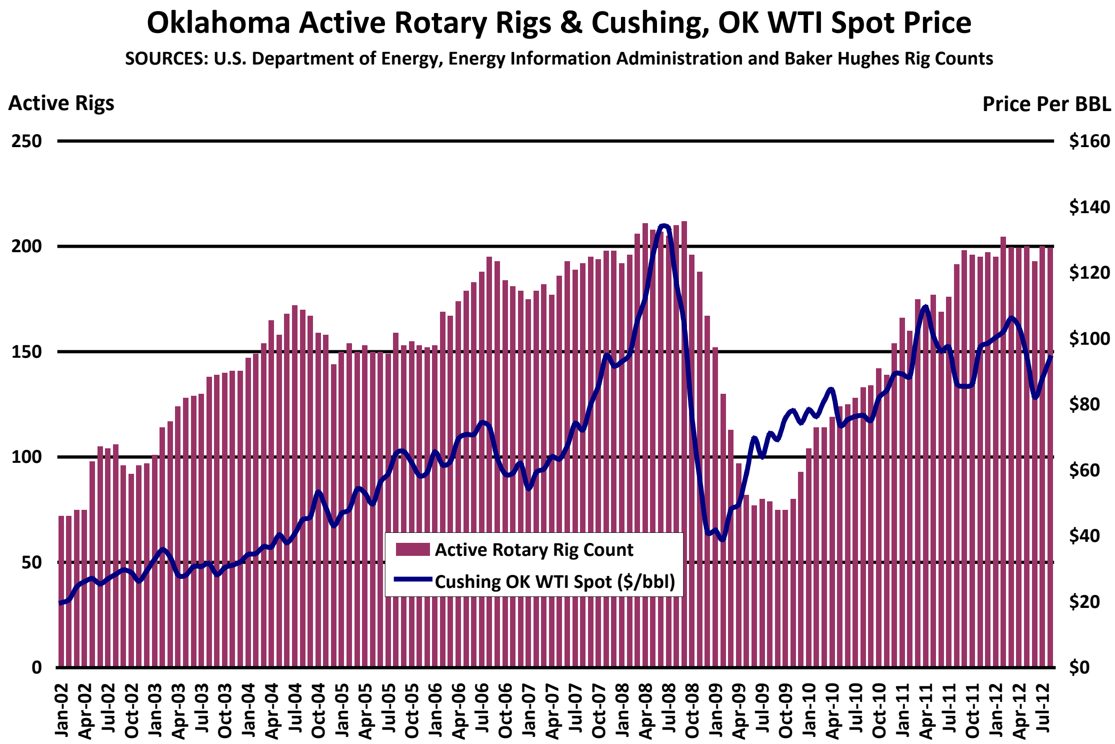
New export orders are definitely part of the problem, at 47.0 for what is also the third straight month of contraction. Manufacturers, as they wait for new orders to return, are increasingly drawing down their backlogs which are at 42.5 for the fifth straight month of contraction.

The lack of new orders is finally starting to hit production which fell a very steep 4.1 points in August to 47.2—the first sub-50 reading since May 2009. Another sign of weakness is the first build in inventories since September 2011 which hints that the slowing is greater than manufacturers were expecting. Import orders are also down while delivery times continue to shorten, both of which are signs of weakness.

Drought conditions across a nine-state region along with worsening global and national economic conditions continued to push the Mid-America monthly Business Conditions Index below growth neutral for the second straight month—the first time since July 2009. The Mid-America region's leading economic indicator rose to a weak 49.7 from 48.7 in July, according to the Creighton Economic Forecasting Group.

The Business Conditions Index for Oklahoma turned up in August, advancing to 53.6 from July's 52.7. Components of the August survey of supply managers in the state were new orders at 56.3, production or sales at 52.3, delivery lead time at 56.3, inventories at 49.4, and employment at 53.6.

"Durable and nondurable goods manufacturers in the state, especially those linked to energy, continue to experience healthy growth," noted 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 prices rose during the 1st quarter of 2012 as concerns about possible international supply disruptions pushed up petroleum prices. Prices then fell during the 2nd quarter before turning sharply upward at the start of the 3rd quarter.

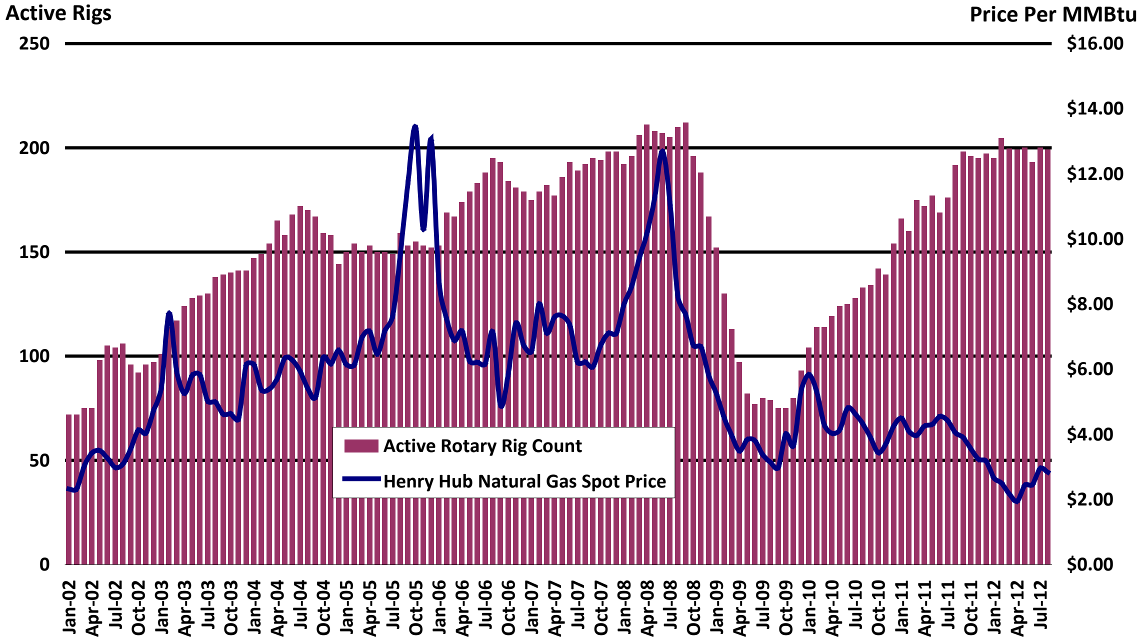
West Texas Intermediate (WTI-Cushing) crude oil started 2012 above $100 per barrel and reached a peak in early March of almost $110 per barrel as positive economic news that could lead to stronger oil demand and worries about supply disruptions linked to Iran's nuclear program contributed to higher prices. Crude oil prices fell during the 2nd quarter due, in part, to concerns about lower oil demand with a slowdown of the global economy. By the end of June, oil prices were down almost 30 percent from their peak to just under $78 per barrel for WTI-Cushing.

Crude oil prices saw continued improvement in August as WTI-Cushing spot prices averaged $94.13 per barrel, up $6.24 (+6.8 percent) from July's average of $87.90 per barrel.

Oklahoma's rotary rig activity averaged 199 in August, virtually unchanged from the previous month's count of 200 rigs. Over the year, Oklahoma's active rotary rig count has grown by eight rigs.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

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



Definition & Importance

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

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

Background

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

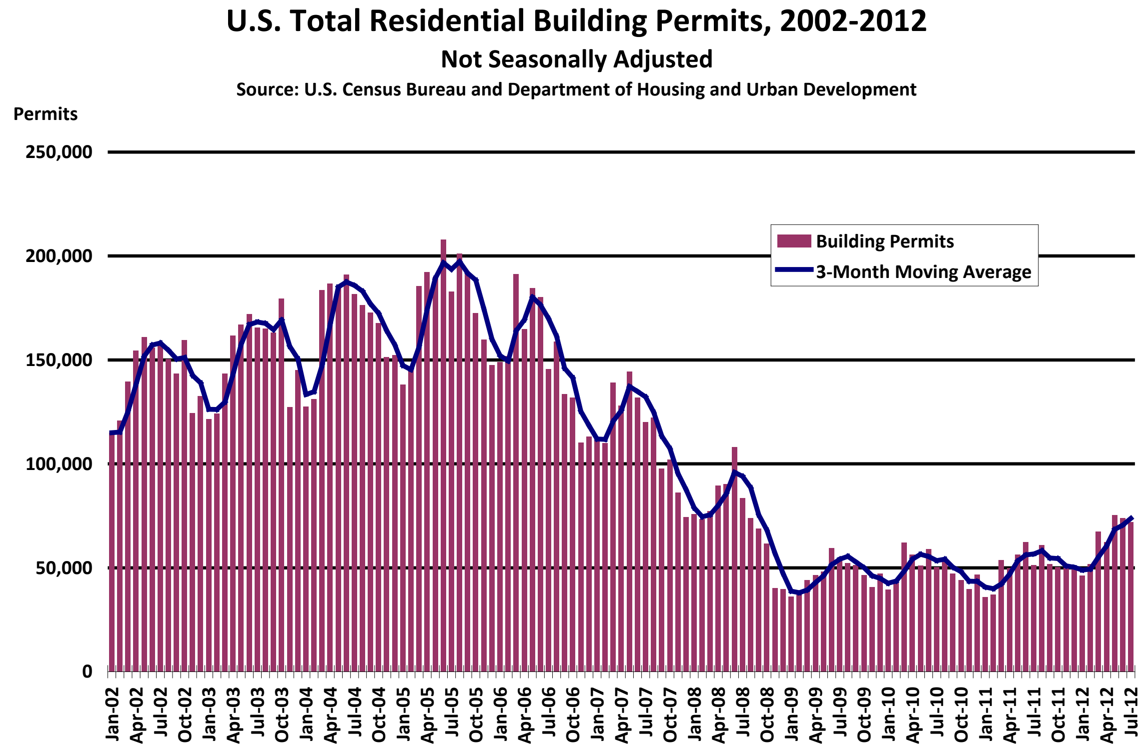
Most natural gas in Oklahoma is consumed by the electricity generation and industrial sectors. About three-fifths of Oklahoma households use natural gas as their primary energy source for home heating. Nevertheless, only about one-third of Oklahoma's natural gas output is consumed within the state. The remaining supply is sent via pipeline to neighboring states, the majority to Kansas, including the natural gas trading hubs in Texas and Kansas.

Current Developments

Although Hurricane Isaac was a category one hurricane, significantly less severe than Hurricanes Katrina, Rita, Gustav, and Ike in 2005 and 2008, it has affected the Gulf Coast energy infrastructure. As of August 28, about 1.3 million barrels per day of crude oil production were shut-in, and about 3 billion cubic feet per day of Gulf natural gas production were shut-in, according to the Bureau of Safety and Environmental Enforcement. Five refineries were shut down and four crude oil pipelines were shut-in due to weather conditions. More than a dozen natural gas pipelines have temporarily curtailed receipts and/or deliveries of natural gas and a number of processing plants have shut down.

Spot prices have generally risen since the end of April, and particularly from mid-June to the present, as demand for natural gas for power generation increased to meet air-conditioning needs. The Henry Hub price averaged $2.84 per MMBtu in August, down slightly (-$0.11) from June's $2.95 per MMBtu price.

In Oklahoma, gas-directed rotary rig activity was at 32 (16 percent) for the week ending August 31 while oil-directed rigs were at 168 (84 percent).



Definition & Importance

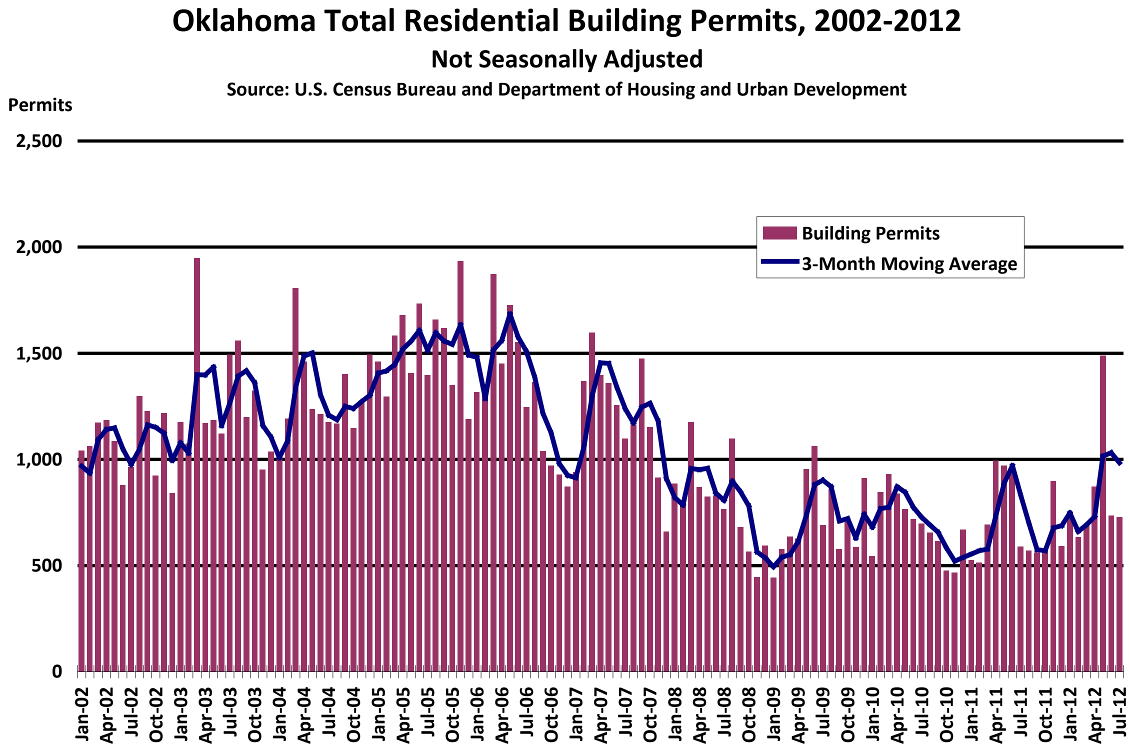
The U.S. Census Bureau and the Department of Housing and Urban Development jointly provide monthly national and regional data on the number of new housing units authorized by building permits; authorized, but not started; started; under construction; and completed. The data are for new, privately-owned 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

Housing starts in the U.S. fell unexpectedly in July, while the number of building permits jumped to the highest level in four years, signaling the industry will keep improving in the second half of the year. Privately-owned housing units authorized by building permits rebounded 6.8 percent in July after a 3.1 percent decline in June, according to the U.S. Census Bureau and the Department of Housing and Urban Development. July's permit strength was led by multifamily but single-family permitting also improved.

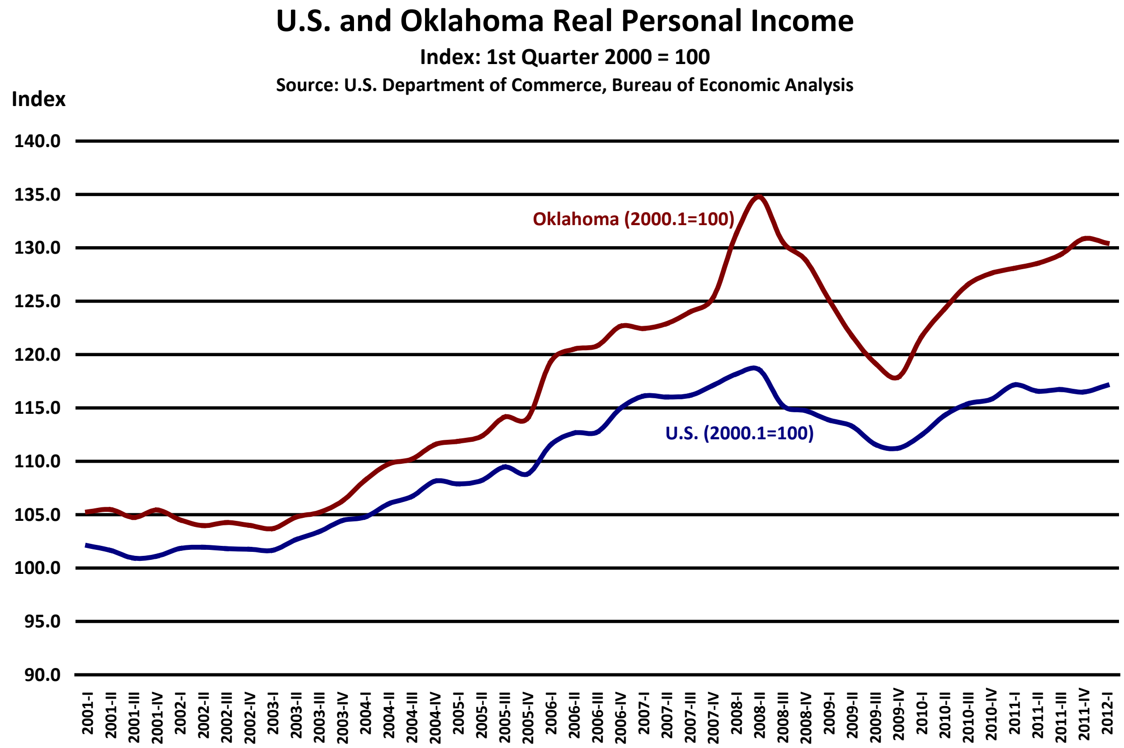
U.S. homebuilders' confidence in the housing recovery improved for a fourth consecutive month in August, reaching its highest level in five years. The National Association of Home Builders/Wells Fargo Housing Market Index (HMI), rose two points in August to 37—the highest reading since March 2007. Any reading below 50 indicates negative sentiment about the housing market. The index hasn't reached that level since April 2006, the peak of the housing boom.



Oklahoma residential permitting activity was nearly unchanged in July. Total unadjusted residential building permits were down 1.0 percent in July, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development. July single-family permitting activity was 1.5 percent above June, while multi-family permitting was down 22.2 percent.

Over the year, current month's total residential permitting was 23.8 percent above July 2011. Single-family permitting was up 23.0 percent while the more volatile multi-family component was up 288.9 percent.

Residential permitting activity in 2012 continues to outpace the previous year and continues to be the strongest since 2008. Year to date, total residential permitting activity was 12.7 percent above the first seven months of 2011. Single-family permitting was 18.7 percent greater while multi-family activity was nearly unchanged at -0.4 percent during the same time 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

It was a relatively good month for consumers as income and spending were up and inflation was flat. Personal income increased $42.3 billion, or 0.3 percent, and disposable personal income (DPI) increased $39.9 billion, or 0.3 percent, in July, according to the Bureau of Economic Analysis (BEA). In June, personal income increased $46.1 billion, or 0.3 percent, DPI increased $37.4 billion, or 0.3 percent.

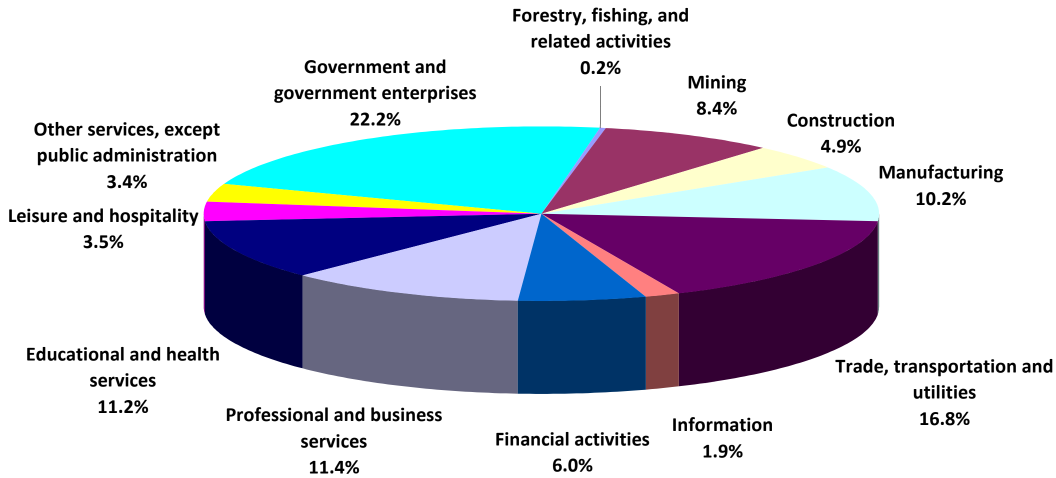
U.S. consumers broke out of their recent spending slump as the back-to-school shopping season kicked into gear in July. Personal consumption expenditures (PCE) increased $46.0 billion, or 0.4 percent in July, following no change in June. Spending gains were broad based. Durable goods purchases jumped 1.1 percent after a 0.4 percent rise the prior month. Nondurables rebounded 0.5 percent, following a 0.5 percent drop in June. Services improved to a 0.3 percent rise after being flat the month before.

The saving rate, which is how much income consumers have left over after spending and taxes, was 4.2 percent in July, about the same as in June but up from between 3.5 percent and 3.7 percent from January to April.

Oklahoma Nonfarm Industry Share of Earnings

First Quarter 2012

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



Definition & Importance

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

Current Developments

State personal income growth accelerated to 0.8 percent in the 1st quarter of 2012, from 0.4 percent in the 4th quarter of 2011, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Personal income rose in 47 of the 50 states, fell in Kansas and Mississippi, and was unchanged in Oklahoma. The percent change across states ranged from 2.3 percent in North Dakota to –0.3 percent in Mississippi.

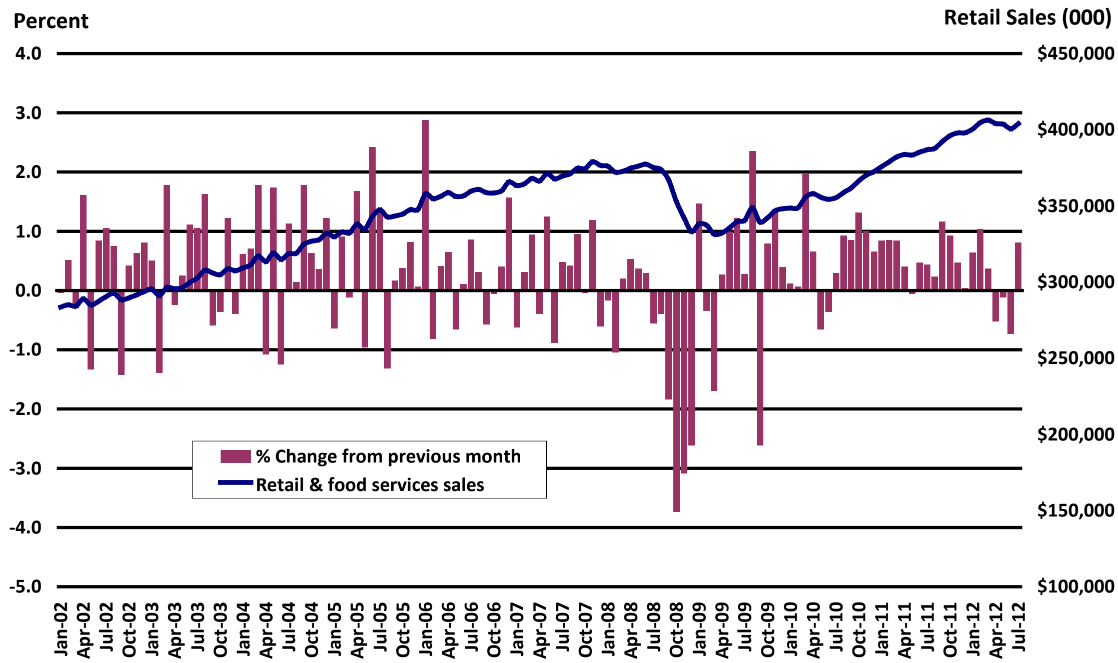
Nationwide, earnings grew 0.8 percent in 1st quarter 2012, after growing 0.5 percent in the 4th quarter. In Oklahoma, 1st quarter net earnings fell 0.6 percent from the previous quarter and subtracted 0.4 percent from overall personal income. That decline in earnings can mostly be attributed to large bonuses paid in the management of companies & enterprises sector in the 4th quarter causing a 35.3 percent drop in 1st quarter earnings for that sector.

Earnings declined in 12 of 24 Oklahoma industries with the largest percentage decline, 36.2 percent, in farm earnings and largest dollar decline, $936 million, in management of companies & enterprises.

Industries reporting earnings growth were led by durable goods manufacturing which grew by 4.4 percent, substantially higher than the national average of 1.4 percent. Earnings growth was also reported in finance & insurance (3.0 percent); wholesale trade (2.9 percent); administrative and waste management services (2.7 percent); educational services (2.2 percent); accommodation & food services (2.0 percent); retail trade (1.7 percent); and health care and social assistance (1.3 percent).

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

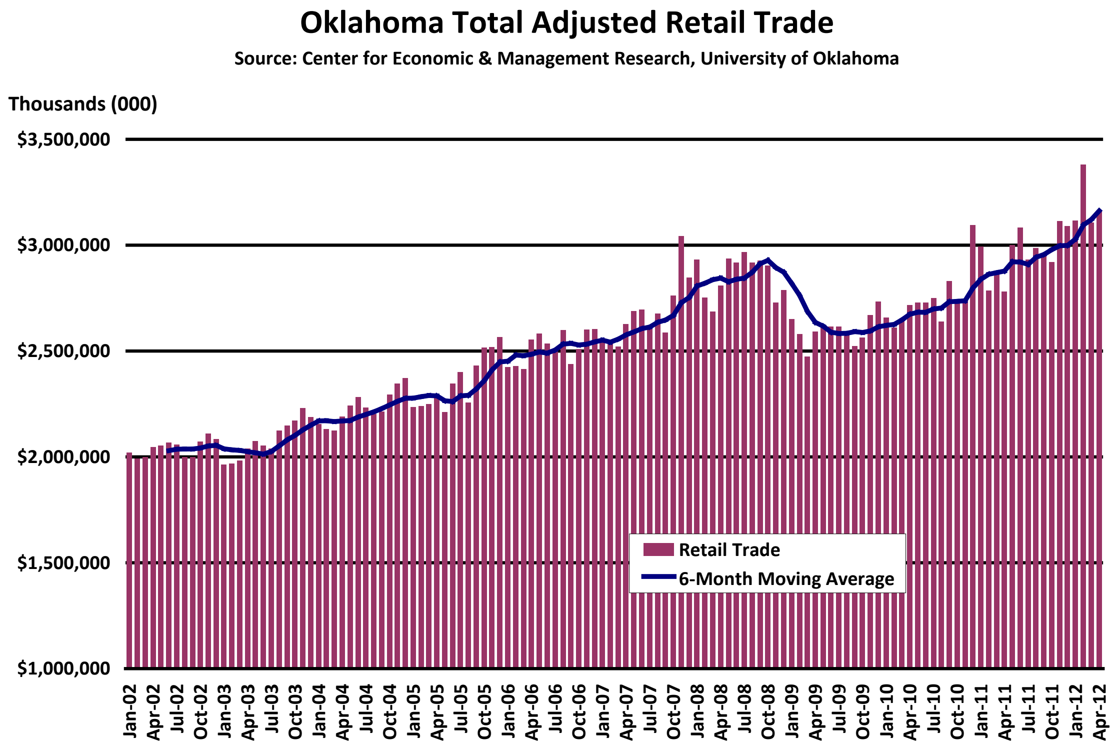
Retail sales measure the total receipts at stores that sell merchandise and related services to final consumers. Sales are by retail and food services stores. Data are collected from the Monthly Retail Trade Survey conducted by the U.S. Bureau of the Census. Essentially, retail sales cover the durables 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 rose in July by the largest amount since February, lifted by more spending on autos, furniture and clothing. Advance estimates of U.S. retail and food services sales for July, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, reached $403.9 billion, an increase of 0.8 percent from the previous month, according to the U.S. Census Bureau. Total sales for the May through July 2012 period were up 4.3 percent from the same period a year ago. The May to June 2012 percent change was revised from -0.5 percent to -0.7 percent.

All major categories showed increases including motor vehicle sales (+0.8 percent); general merchandise sales (+0.7 percent); health & personal care spending (+1.1 percent); furniture sales (+1.1 percent); and restaurants (+0.8 percent). Clothing also showed a significant gain (+0.8 percent), suggesting strength for the back-to-school season.

Retail trade sales were also up 3.7 percent above last year. Nonstore retailers sales were up 11.8 percent from July 2011 and sporting goods, hobby, book and music stores were up 10.6 percent from the previous year.



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

Oklahoma continued to see healthy monthly retail sales gains in the first four months of 2012. Total adjusted retail sales for April was at a level of $ 3,166,433,622 or 1.9 percent above the previous month's sales figure of $3,107,233,820 and 13.9 percent over April 2011.

Durable goods sales advanced 0.56 percent in April led by electronics & music stores (+3.9 percent), miscellaneous durable goods (+3.6 percent), used merchandise (+3.1 percent). and furniture (+1.7 percent). Declining sales were seen in lumber & hardware (-2.8 percent) and auto accessories & repair (+1.6 percent).

Total nondurable goods sales gained 2.3 percent in April with the largest increase seen in gasoline sales (+5.9 percent). Rising gasoline prices in February also contributed to an 8.5 percent spike in overall retail trade for that month. Miscellaneous non-durable sales were up 4.1 percent in April along with apparel sales (3.8 percent), drugs (+2.5 percent), liquor (+2.3 percent), general merchandise (+1.8 percent), and eating & drinking (+0.2 percent). The only non-durable decline was in food sales (-0.4 percent).