



OKLAHOMA Economic Indicators

December 2014

OKLAHOMA ECONOMIC INDICATORS

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TABLE OF CONTENTS

SPECIAL REPORT: OKLAHOMA BUSINESS EMPLOYMENT DYNAMICS: 1st Quarter 2014...	2
U.S. Real Gross Domestic Product and Quarterly Change.....	8
Oklahoma’s Real Gross Domestic Product and Quarterly Change.....	10
Industry Share of Oklahoma’s Economy.....	11
Metropolitan Area Contribution to State Real GDP.....	12
U.S. and Oklahoma Unemployment Rate.....	13
Oklahoma Initial Claims for Unemployment Insurance.....	14
U.S. and Oklahoma Nonfarm Payroll Employment.....	15
Oklahoma Employment Change by Industry.....	16
U.S. and Oklahoma Manufacturing Employment.....	17
Purchasing Managers’ Index (Manufacturing).....	18
Oklahoma Active Rotary Rigs and Cushing, OK WTI Spot Price.....	20
Oklahoma Active Rotary Rigs and Henry Hub Natural Gas Spot Price.....	22
U.S. Total Residential Building Permits.....	24
Oklahoma Total Residential Building Permits.....	25
U.S. and Oklahoma Real Personal Income.....	26
Industry Contribution to Oklahoma Personal Income.....	27
U.S. Adjusted Retail Sales.....	28
Oklahoma Total Adjusted Retail Sales.....	29

SPECIAL REPORT:

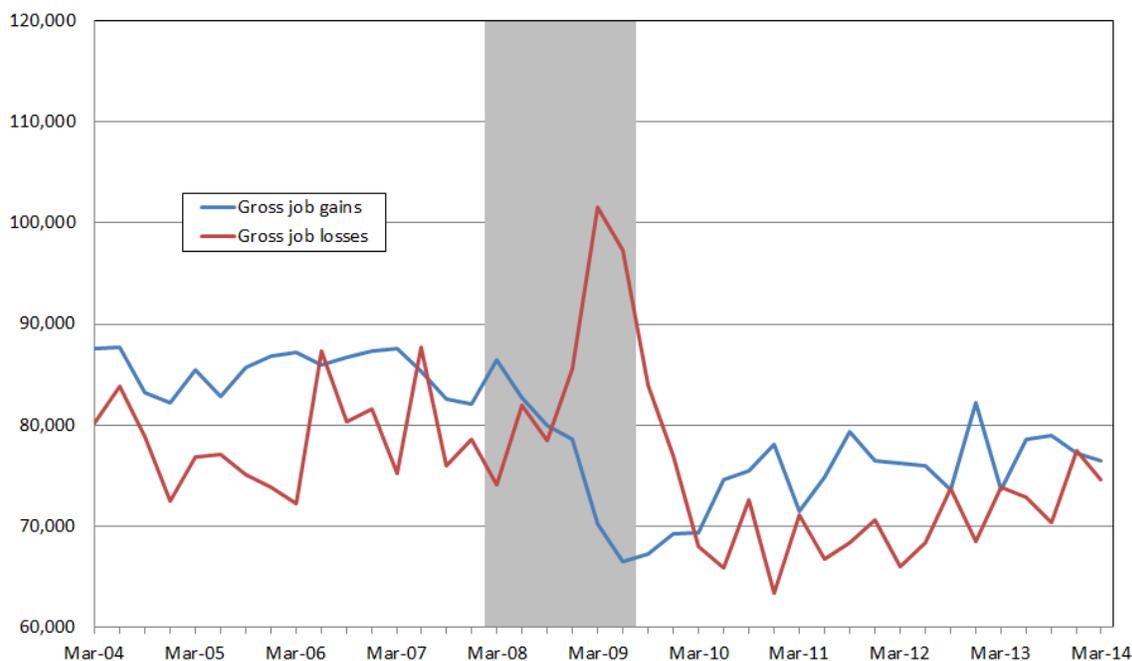
OKLAHOMA BUSINESS EMPLOYMENT DYNAMICS: 1st Quarter 2014

Gross Job Gains and Gross Job Losses: 1st Quarter 2014

From December 2013 to March 2014 gross job gains in Oklahoma totaled 76,411, while gross job losses numbered 74,634, according to the Oklahoma Employment Security Commission, Economic Research and Analysis Division, and the U.S. Bureau of Labor Statistics, (see Chart 1, below and Table 1, page 7). Gross job gains exceeded gross job losses for a net employment gain of 1,777 in 1st quarter 2014. During the previous quarter, gross job losses exceeded gross job gains by 219.

Chart 1

Private sector gross job gains and gross job losses in Oklahoma
March 2004 - March 2014, seasonally adjusted



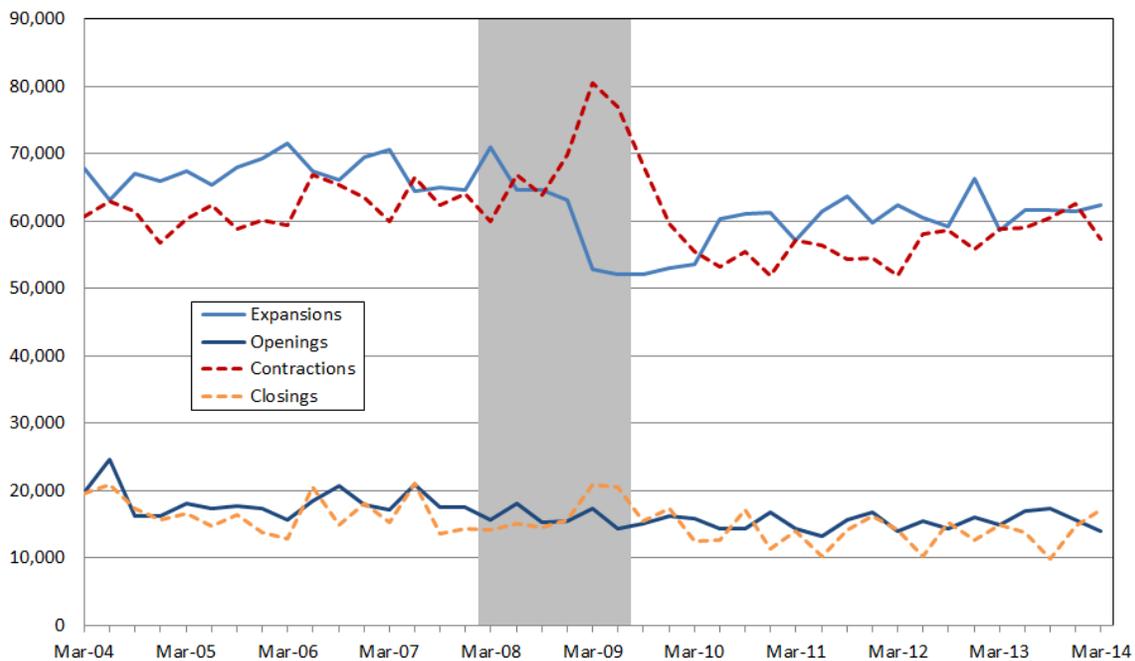
Source: U.S. Bureau of Labor Statistics
Note: Shaded area represents NBER defined recession period.

The change in the number of jobs over time is the net result of increases and decreases in employment that occur at all businesses in the economy. Business Employment Dynamics (BED) statistics track these changes in employment at private business establishments from the third month of one quarter to the third month of the next. *Gross job gains* are the sum of increases in employment from expansions at existing establishments and the addition of new jobs at opening establishments. *Gross job losses* are the result of contractions in employment at existing establishments and the loss of jobs at closing establishments. The difference between the number of gross job gains and the number of gross job losses is the net change in employment, (see Technical Note, p. 7, for more information).

The number of gross job gains in Oklahoma rose by 793 between December 2013 and March 2014, (see Chart 1, above and Table 1, page 7). Oklahoma's gross job gains have remained above 75,000 for four consecutive quarters. After rising in the previous quarter, gross job losses declined by almost 3,000 for the three months ended in March 2014. In the past ten years, job losses in the state peaked in 1st quarter 2009 when more than 101,000 jobs were lost.

Chart 2

Components of private sector gross job gains and losses in Oklahoma
March 2004 - March 2014, seasonally adjusted



Source: U.S. Bureau of Labor Statistics
Note: Shaded areas represent NBER defined recession periods.

Gross Job Gains and Losses: Openings vs. Closings and Expansions vs. Contractions

Contracting establishments in Oklahoma lost 57,401 jobs in the 1st quarter of 2014. This number represents 5,200 fewer jobs lost from the previous quarter. Expanding establishments gained 62,366 jobs, an increase of 868 jobs compared to the 4th quarter of 2013.

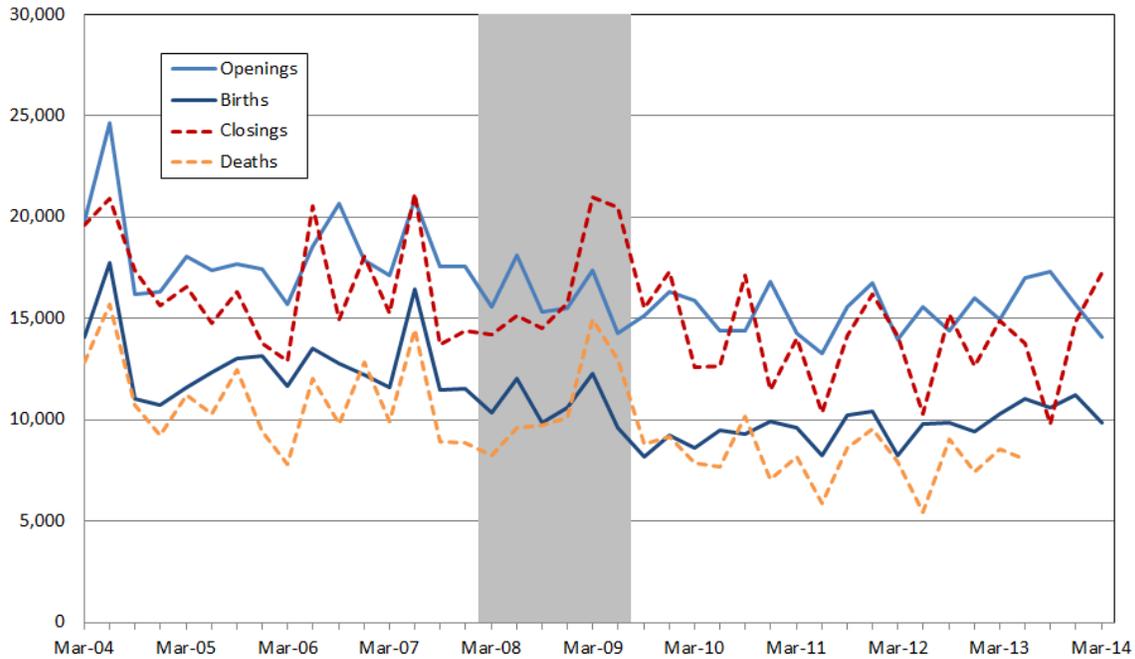
Closing establishments lost 17,233 jobs from December 2013 to March 2014. This represents 2,411 more jobs lost than the prior quarter. Opening establishments gained 14,045 jobs during the 1st quarter of 2014. This represents 1,661 fewer new jobs from private sector establishment openings than in 4th quarter 2013, (see Chart 2, above).

In Oklahoma, the number of private sector establishment births, (a subset of the openings data), declined by 29 to 2,298 in the 1st quarter of 2014. These new establishments accounted for 9,828 jobs or 1,376 fewer jobs than the previous quarter.

Data for establishment deaths, (a subset of the closings data), are now available through the 2nd quarter of 2013. From March 2013 to June 2013, 8,021 jobs were lost at 2,106 private sector establishments in Oklahoma. In the prior quarter, 8,532 jobs were lost at 2,441 private sector establishments (see Chart 3, next page).

Chart 3

Employment from private sector openings, closings, births and deaths in Oklahoma
March 2004 - March 2014, seasonally adjusted



Source: U.S. Bureau of Labor Statistics
Note: Shaded areas represent NBER defined recession periods.

Gross Job Gains and Gross Job Losses: Percent of Total Private Sector Employment

Gross job gains represented 6.1 percent of 1st quarter 2014 total private sector employment in Oklahoma with expansions accounting for 5.0 percent of total private sector employment and openings contributing 1.1 percent. Nationally, gross job gains accounted for 6.0 percent of private employment in 1st quarter 2014. Oklahoma's rate of gross job gains generally tracked with the U.S. rate from the 4th quarter of 2008 to the 4th quarter of 2012. In the 1st quarter of 2013, Oklahoma's rate of gross job gains was 6.0 percent, considerably lower than the national rate of 6.6 percent. (See Chart 4, page 5.)

Oklahoma's rate of gross job losses as a percent of total private sector employment was 6.0 percent in the 1st quarter of 2014, with contractions accounting for 4.6 percent and closings adding another 1.4 percent. That was higher than the national rate of 5.7 percent. The rate of gross job losses in Oklahoma mirrored the national rate from 1st quarter 2011 to 4th quarter 2012, but has shown more volatility in recent quarters. (See Chart 5, page 5.)

Chart 4

Private sector gross job gains as a percent of employment, United States and Oklahoma
 March 2004 - March 2014, seasonally adjusted

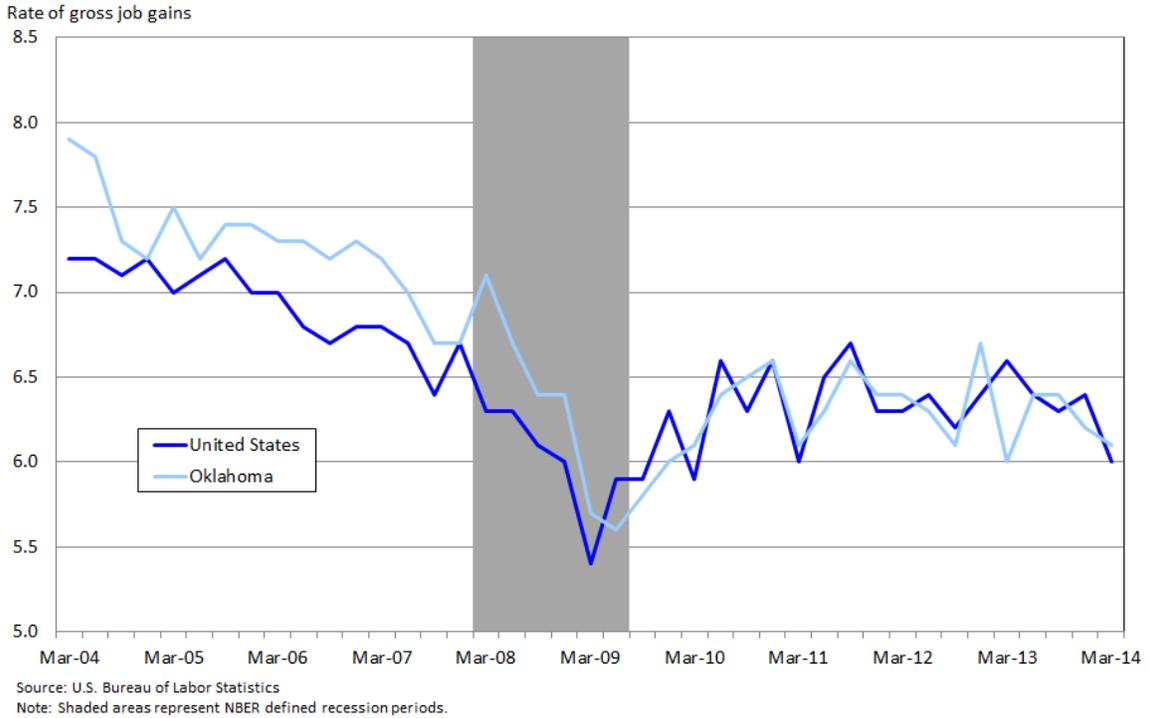
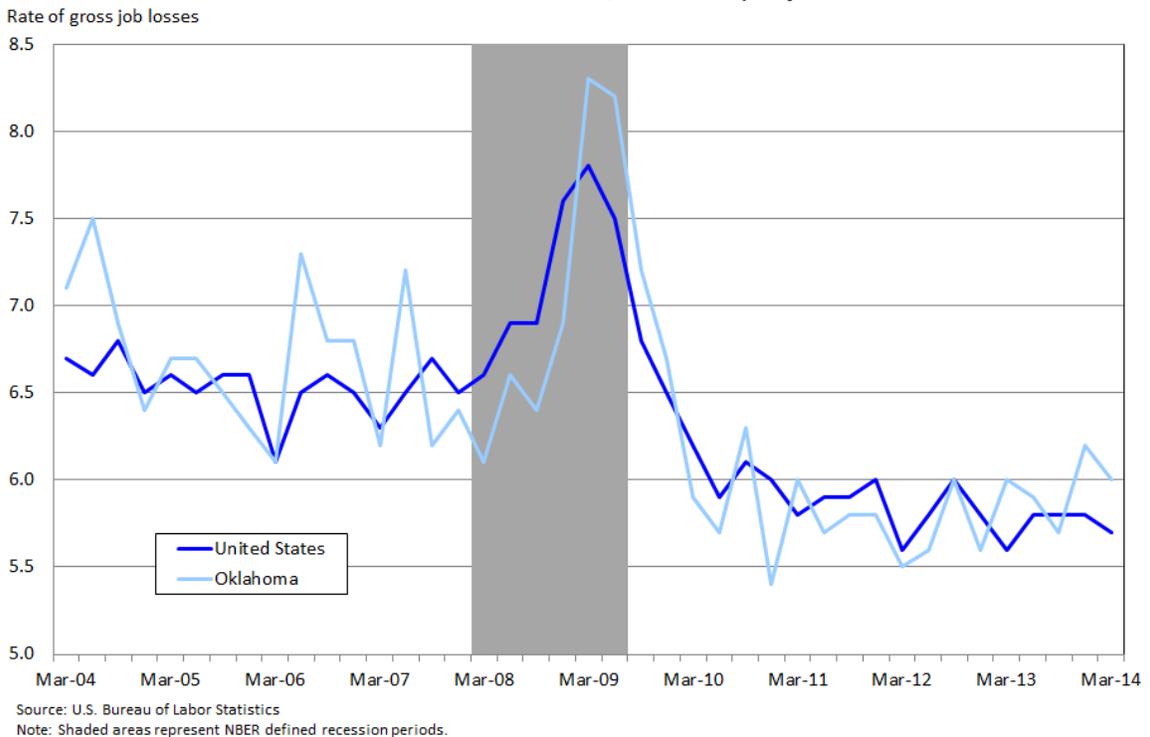


Chart 5

Private sector gross job losses as a percent of employment, United States and Oklahoma
 March 2004 - March 2014, seasonally adjusted



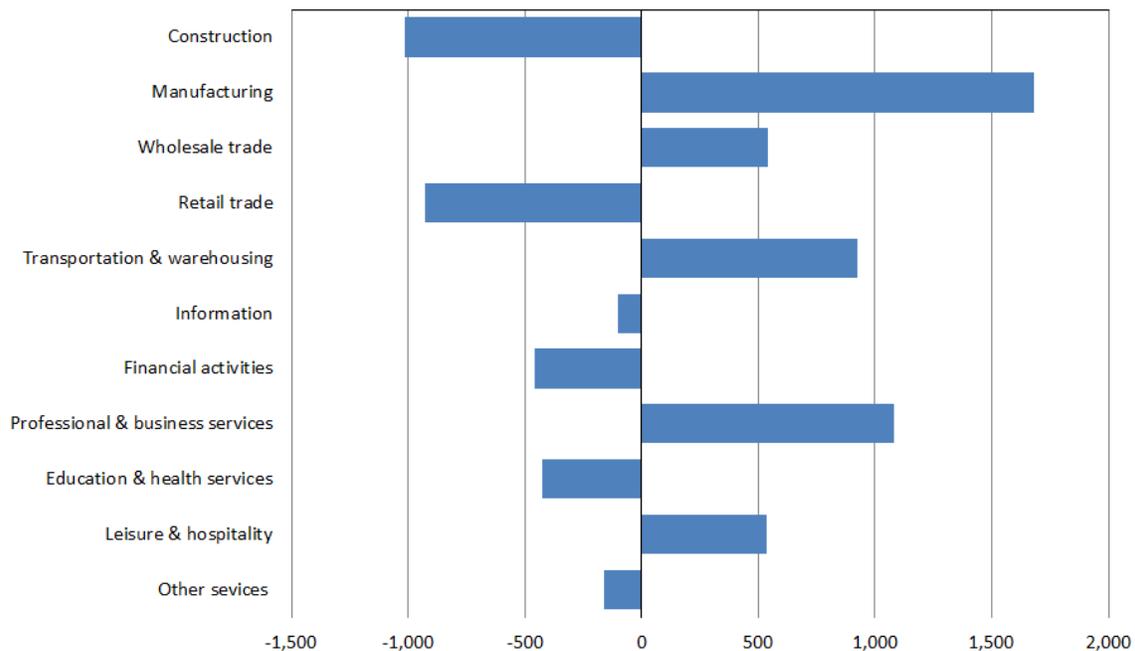
Gross Job Gains and Gross Job Losses by Industry: 1st Quarter 2014

During the 1st quarter of 2014, gross job gains exceeded gross job losses in 5 of 11 industry sectors in Oklahoma. For example, within manufacturing, gross job gains exceeded gross job losses by 1,680. While 3,975 jobs were lost at closing and contracting establishments in the industry, 5,655 were created at opening and expanding establishments in the 3 months ended in March 2014. In professional and business services, the loss of 13,296 jobs at closing and contracting establishments was offset by a gain of 14,378 jobs at opening and expanding establishments, resulting in a net gain of 1,082 jobs. Professional and business services also led all industry sectors in terms of both gross job gains and gross job losses with more than 13,000 of each, producing a net change of 1,082, (See Chart 6 below and Table 5, pages 13-17).

In contrast, gross job losses exceeded gross job gains in six industry sectors in March 2014. The largest net employment decline occurred in construction, where gross job losses exceeded gross job gains by 1,015. Other sectors recording net job losses were retail trade (-928); financial activities (-456 jobs); education and health services (-425 jobs); other services (-159 jobs); and information (-104 jobs).

Chart 6

Private sector net change in jobs by industry, Oklahoma
March 2014, seasonally adjusted



Source: U.S. Bureau of Labor Statistics

Table 1. Oklahoma: Three-month private sector gross job gains and losses, seasonally adjusted					
Category	3 months ended				
	Mar 2013	June 2013	Sep 2013	Dec 2013	Mar 2014
	Levels				
Gross job gains.....	73,631	78,547	78,989	77,204	76,411
Expanding establishments	58,682	61,536	61,708	61,498	62,366
Opening establishments	14,949	17,011	17,281	15,706	14,045
Gross job losses.....	73,800	72,791	70,356	77,423	74,634
Contracting establishments	58,904	59,047	60,557	62,601	57,401
Closing establishments	14,896	13,744	9,799	14,822	17,233
Net employment change ¹	-169	5,756	8,633	-219	1,777
	Rates (percent)				
Gross job gains.....	6.0	6.4	6.4	6.2	6.1
Expanding establishments	4.8	5.0	5.0	4.9	5.0
Opening establishments	1.2	1.4	1.4	1.3	1.1
Gross job losses.....	6.0	5.9	5.7	6.2	6.0
Contracting establishments	4.8	4.8	4.9	5.0	4.6
Closing establishments	1.2	1.1	0.8	1.2	1.4
Net employment change ¹	0.0	0.5	0.7	0.0	0.1
Source: Bureau of Labor Statistics					
¹ Net employment change is the difference between total gross job gains and total gross job losses.					

More Information

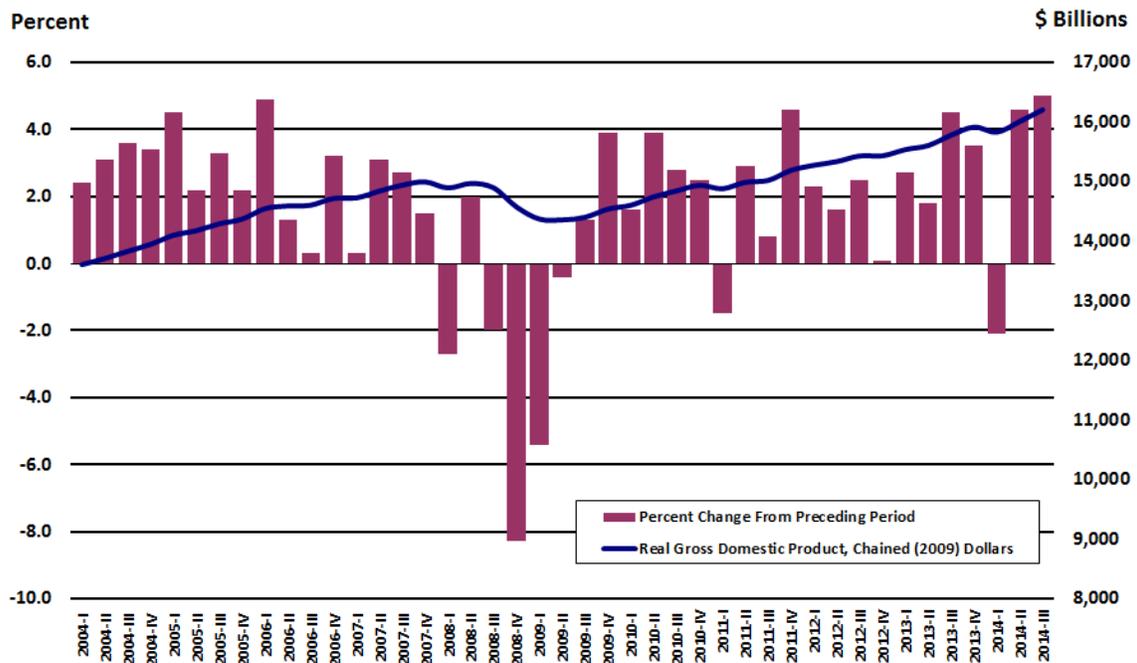
A copy of the full 1st quarter 2014 Oklahoma BED report along with technical notes and detailed tables is available on the OESC website at:

http://www.ok.gov/oesc_web/documents/lmibedpub1q2014.pdf

Additional information about the Business Employment Dynamics program is available online at: <http://www.bls.gov/bdm>

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 fastest pace in more than a decade in the 3rd quarter, reflecting stronger gains in consumer and business spending. Real gross domestic product (GDP) increased at an annual rate of 5.0 percent in the 3rd quarter of 2014, according to the "third" estimate released by the Bureau of Economic Analysis (BEA). It was the fastest quarterly growth since the 3rd quarter of 2003 and follows a 4.6 percent annual growth rate in the April-June quarter.

Consumer spending grew at a 3.2 percent rate, the fastest pace since 4th quarter 2013, instead of the previously reported 2.2 percent rate. Spending on durable goods increased 9.2 percent instead of the 8.7 percent rate in the "second" estimate. Nondurable goods outlays increased 2.5 percent, up from the 2.2 percent pace previously reported. Spending on services also increased 2.5 percent, much higher than the 1.2 percent growth estimated earlier. Personal consumption expenditures added 2.21 percent to 3rd quarter GDP growth.

Business investment was raised to an 8.9 percent pace from a 7.1 percent rate, with a stronger pace of spending on equipment, structures, and intellectual products than previously thought accounting for most of the revision.

Inventories were also revised higher in the 3rd quarter. Private businesses increased inventories were \$82.2 billion instead of the \$79.1 billion reported earlier. The change in real private inventories only subtracted 0.03 percentage point from the 3rd-quarter change in real GDP rather than shaving 0.12 percentage point as previously estimated.

Spending on residential construction was also revised higher. Real residential fixed investment surged 8.9 percent instead of the 2.7 percent rate reported earlier.

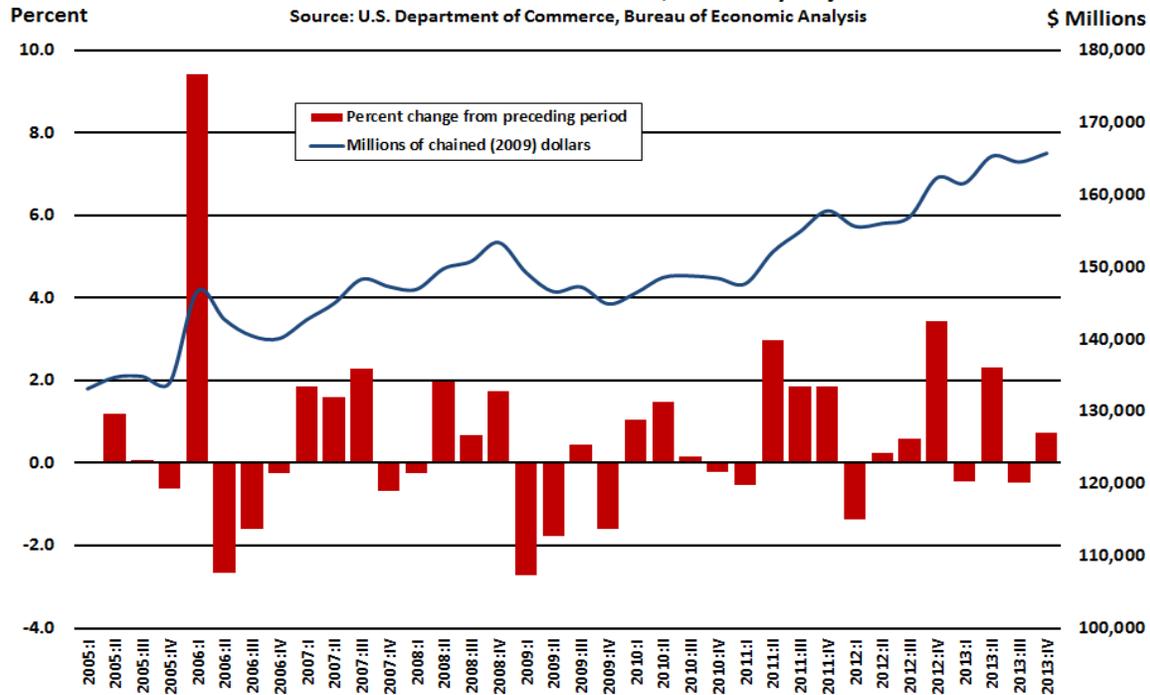
Export growth was cut to a 4.5 percent rate from the previously reported 4.9 percent pace, while imports were also revised down. Imports, which subtract from GDP, were revised down from -0.7 percent to -0.9 percent. A smaller trade deficit added 0.78 percentage point to GDP growth last quarter.

Government outlays were revised higher in the 3rd quarter as federal defense spending jumped by the most since 2009. Real federal government consumption expenditures and gross investment increased 9.9 percent while national defense spending increased 16.0 percent. Real state and local government consumption expenditures and gross investment increased 1.1 percent, instead of 0.8 percent previously reported. Government consumption expenditures rose 4.4 percent in the 3rd quarter, adding 0.80 to GDP growth.

Oklahoma Real Gross Domestic Product and Quarterly Change

1st Quarter 2005 - 4th Quarter 2013, Seasonally Adjusted

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

U.S. real GDP by state increased 1.8 percent in 2013. Growth in real GDP accelerated in the 2nd and 3rd quarter of the year after increasing at an annual rate of 1.1 percent in the 1st quarter. After reaching a high of 4.2 percent in the 3rd quarter, growth in real GDP decelerated to 2.8 percent in the 4th quarter. Real GDP grew steadily in 24 states through all four quarters in 2013. In the 4th quarter of 2013, real GDP increased in all states except Mississippi and Minnesota.

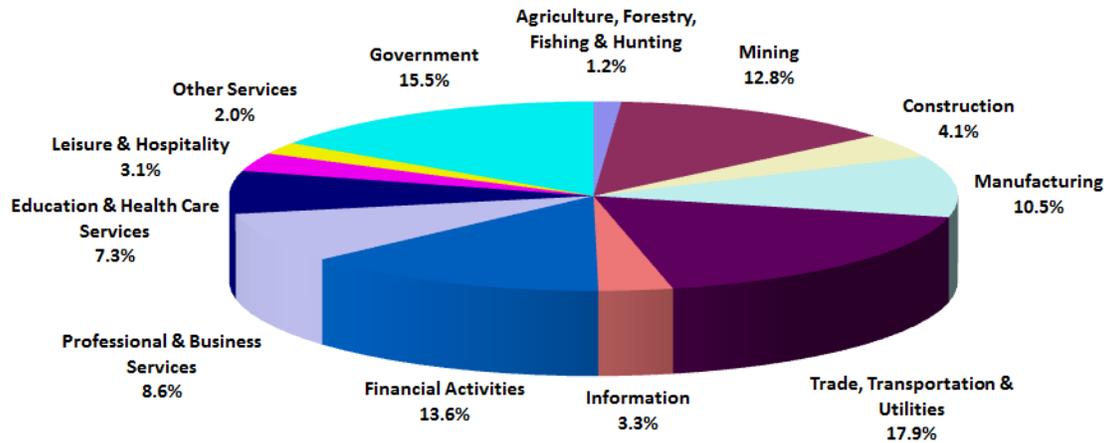
In 4th quarter 2013, Oklahoma's GDP was \$165.7 billion in constant 2009 dollars, up from \$164.5 billion in the 3rd quarter. The state's 4th quarter real GDP increased by \$1.19 billion, or 2.9 percent, ranking Oklahoma 29th among all other states and the District of Columbia.

For all of 2013, Oklahoma's real GDP was at a level of \$164.3 billion in constant 2009 dollars, growing at a rate of 4.2 percent from 2012. That was the fourth-highest annual GDP growth rate among all other states and the District of Columbia. North Dakota was first with a 9.7 percent growth rate followed by Wyoming at 7.6 percent and West Virginia at 5.1 percent.

Industry Share of Oklahoma's Economy, 4th Quarter 2013

(by percentage of Gross Domestic Product)

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



Fifteen Oklahoma industry sectors contributed to GDP growth in the 4th quarter of 2013, with six sectors subtracting from growth. The mining sector, which includes the oil and gas industry, was by far the largest contributor to Oklahoma's GDP growth in the 4th quarter, adding 2.39 percentage points to overall GDP growth, followed by non-durable goods manufacturing which contributed 0.94 percentage points. Agriculture, forestry, fishing and hunting was the biggest drag to state GDP growth subtracting 1.95 percentage points.

Mining was the most predominant contributor to growth in Alaska, Colorado, New Mexico, North Dakota, Oklahoma, West Virginia, and Wyoming. Mining contributed 8.62 percentage points to growth in North Dakota, 6.85 percentage points to growth in Wyoming, 4.85 percentage points to growth in West Virginia, and 2.39 points to growth in Oklahoma.

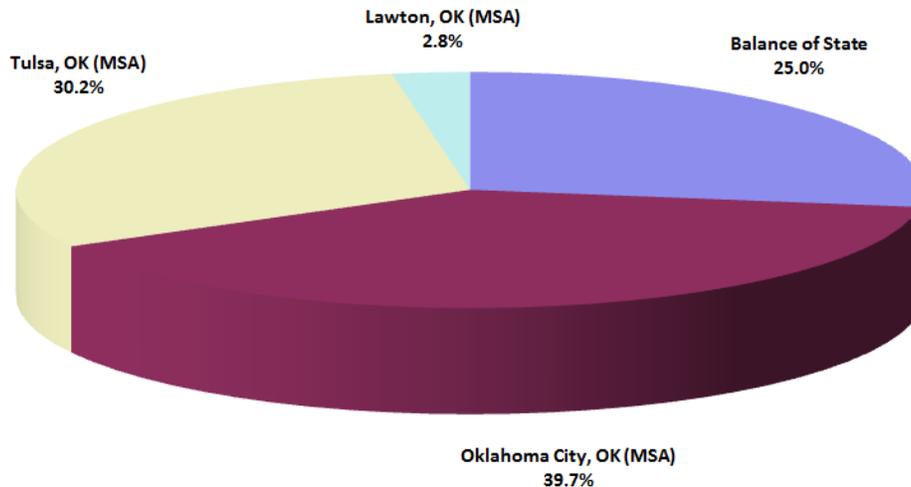
Nondurable-goods manufacturing was the largest contributor to U.S. real GDP by state growth in the 4th quarter of 2013. This industry increased 18.6 percent in the 4th quarter after moderate growth of 2.9 percent in the 3rd quarter. Nondurable-goods manufacturing was the leading contributor to growth in 31 states in the 4th quarter. In Oklahoma, non-durable goods manufacturing contributed 0.94 percent to real GDP growth in the 4th quarter of 2013 and was the second largest contributor to growth in that quarter.

The government sector declined 1.9 percent in the 4th quarter of 2013 and subtracted 0.24 percentage point from the growth in the nation. In Oklahoma, government subtracted 0.06 percentage point from growth in the 4th quarter.

Construction subtracted from growth in 47 states and the District of Columbia in the 4th quarter of 2013. This industry declined 5.9 percent and subtracted 0.22 percentage point from growth in the nation. In Oklahoma, construction subtracted 0.27 percentage point from real GDP in the 4th quarter.

Metropolitan Area Contribution to State Real Gross Domestic Product 2013

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.

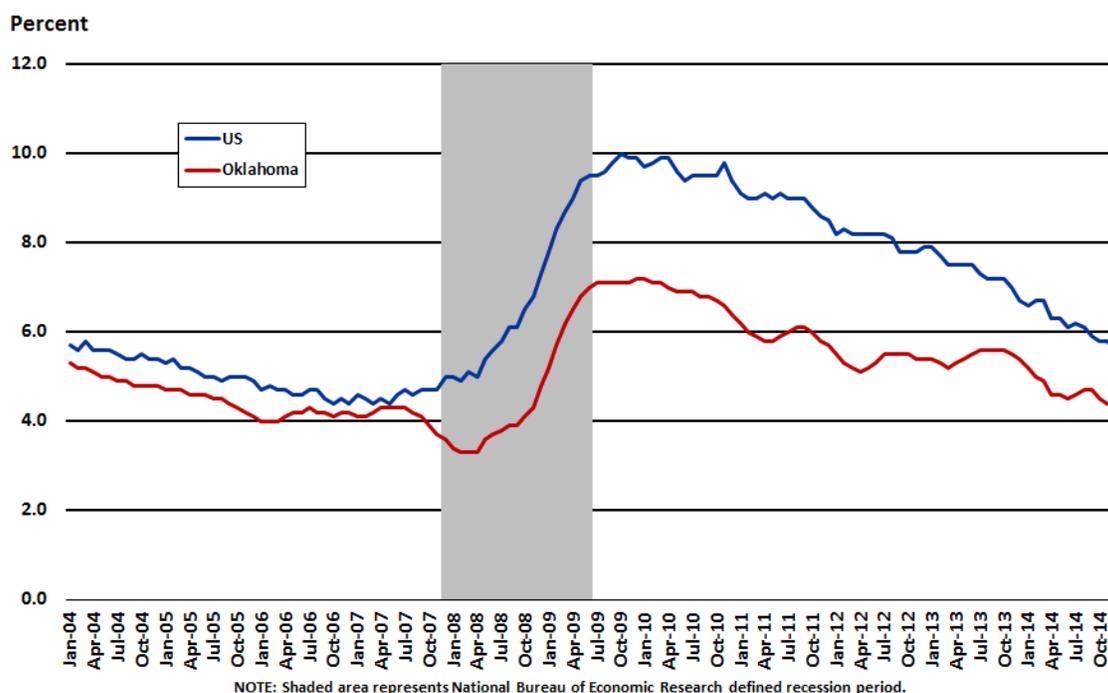
Current Developments

Real GDP increased in 292 of the nation's 381 metropolitan areas in 2013, led by widespread growth in finance, insurance, real estate, rental, and leasing, nondurable-goods manufacturing and professional and business services, according to the U.S. Bureau of Economic Analysis (BEA). Natural resources and mining also spurred strong growth in several metropolitan areas. Collectively, real GDP for U.S. metropolitan areas increased 1.7 percent in 2013 after increasing 2.6 percent in 2012.

All three Oklahoma metropolitan areas outpaced or equaled U.S. metropolitan area real GDP growth in 2013. Oklahoma City MSA grew by 3.9 percent to \$65.2 billion and ranked 56th (out of 381 metro areas). Tulsa MSA grew at a rate of 3.5 percent to \$49.6 billion and ranked at 68th. Lawton MSA grew 1.7 percent to \$4.5 billion in 2013 and ranked 175th out of 381 U.S. metro areas.

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

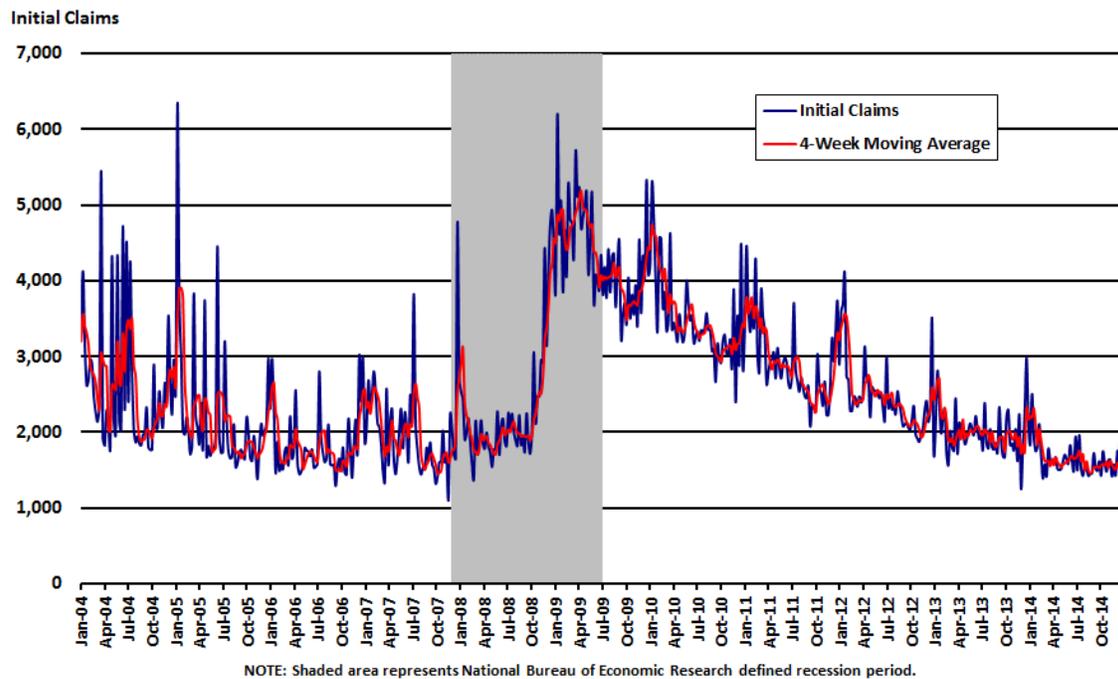
The jobless rate fell to a 6-1/2-year low in December, but that was mainly because people left the labor force. The unemployment rate declined by 0.2 percentage point to 5.6 percent in December, according to the Bureau of Labor Statistics (BLS). However, the labor force participation rate, the percentage of the working age population who either have a job or are looking for one, dropped back to the 36-year low of 62.7 percent reached in September.

Oklahoma's seasonally adjusted unemployment rate was 4.4 percent in November, a drop of one-tenth of a percentage point from October. That jobless rate was the 14th-lowest among all states in November. Over the year, Oklahoma's seasonally adjusted unemployment rate fell by 1.1 percentage points.

In November, 37 of the state's 77 counties saw unemployment rate increases. McCurtain County posted Oklahoma's highest county unemployment rate of 7.5 percent, while Major County claimed the state's lowest county unemployment rate of 2.1 percent.

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

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



Definition & Importance

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

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

Current Developments

The number of Americans filing new claims for unemployment benefits rose in the last week of December, but the trend remained consistent with sustained strength in the labor market. In the week ending December 27, the advance figure for seasonally adjusted initial claims was 298,000, an increase of 17,000 from the previous week's revised level, according to figures released by the U.S. Labor Department (DOL). Initial claims for the previous week were revised up by 1,000 from 280,000 to 281,000. The less volatile 4-week moving average was 290,750, an increase of 250 from the previous week's revised average.

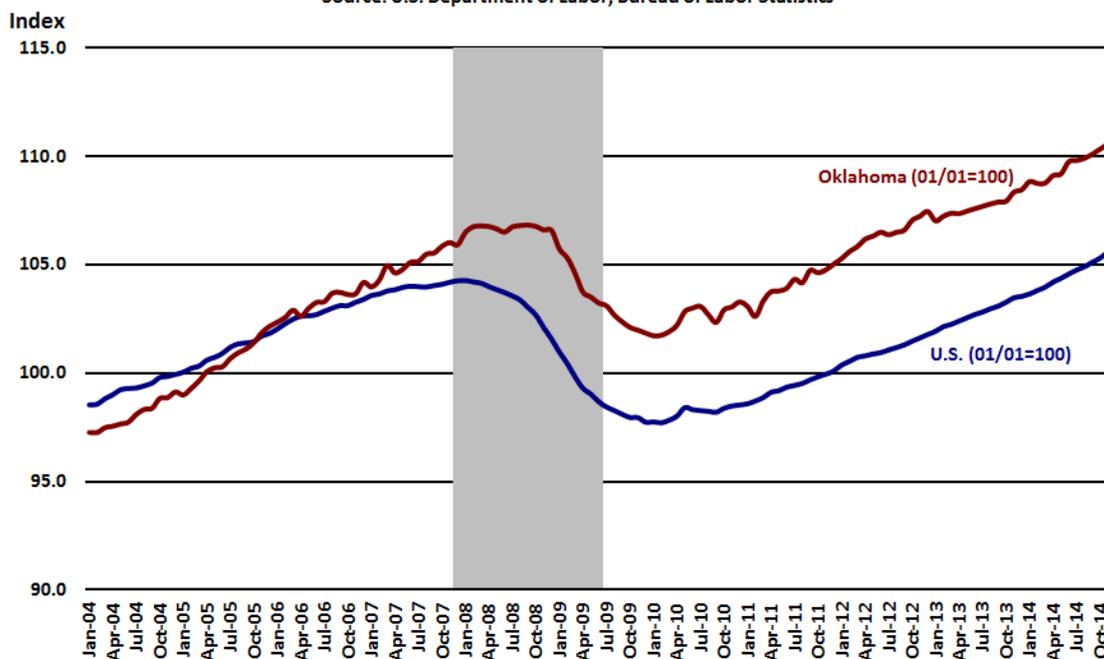
Fewer Americans filed applications for unemployment benefits in 2014 than at any time in 14 years as the economic expansion strengthened. An average 308,500 workers a week filed jobless claims this year, the least since 299,600 in 2000, according to figures from the DOL.

Oklahoma initial jobless claims moved up in December. For the file week ending December 27, initial jobless claims were at a level of 2,191 or 118 claims more than the previous week. For the same file week ending, the four-week moving average was at 1,820, up 72 claims from the previous week's level of 1,749. Over the year, statewide initial claims have fallen by 16 from 2,207 to 2,191 while the less volatile 4-week moving average dropped by 352 from 2,172 to 1,820.

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

Index: January 2001=100

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



Definition & Importance

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

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

Current Developments

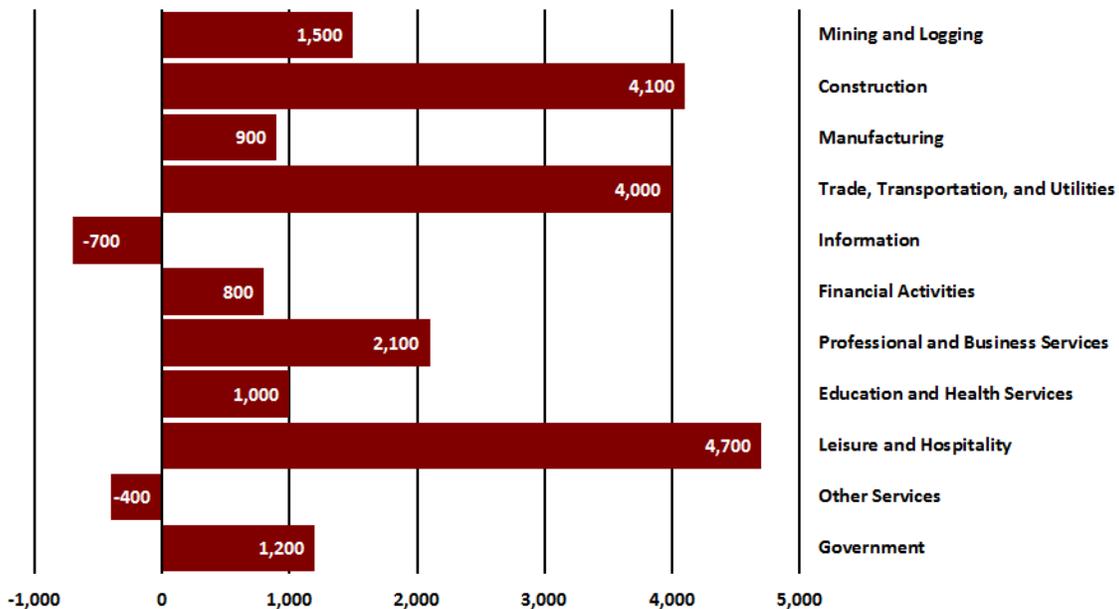
U.S. job growth increased at a brisk pace in December, capping the best year for hiring in 15 years. Total nonfarm payroll employment rose by 252,000 in December, according to the Bureau of Labor Statistics (BLS). Job gains occurred in professional and business services (+52,000), construction (+48,000), food services and drinking places (+44,000), health care (+34,000), and manufacturing (+17,000).

Oklahoma's seasonally adjusted nonfarm employment added 3,400 jobs (+0.2 percent) in November. Seven of Oklahoma's 11 supersectors saw job growth in November, led by business & professional services (+2,700) posted the largest monthly gain. Leisure & hospitality (-1,500) and manufacturing (-700); posted the only over-the-month job losses in November.

Over the year, Oklahoma total nonfarm employment gained 33,500 jobs (+2.0 percent). Education & health services led the job growth, adding 8,500 jobs (+3.8 percent).

Oklahoma Employment Change by Industry, 2012-2013 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

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

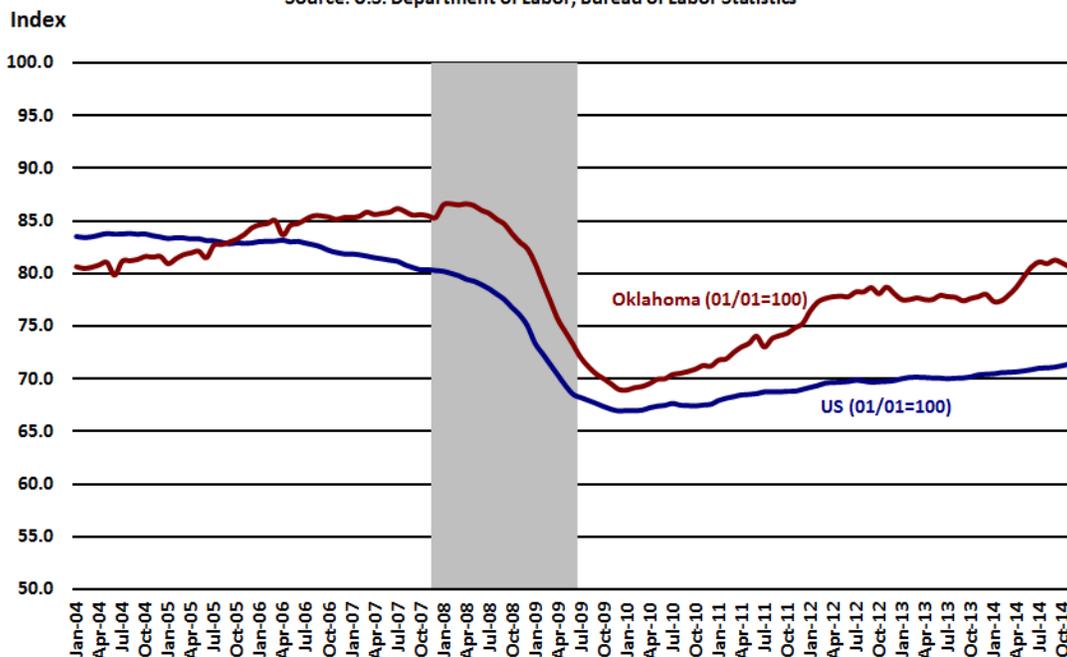
In 2013, nine out of Oklahoma's 11 statewide supersectors recorded job growth. Leisure & hospitality led all other supersectors adding 4,700 jobs with the bulk of hiring occurring in accommodations & food services. Construction employment added 4,100 jobs with almost all of the growth coming from heavy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

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

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. manufacturers increased their workforce at a decent pace in 2014. Manufacturers added 17,000 net new workers in December, extending the increase of 29,000 in November, according to the Bureau of Labor Statistics (BLS). December's employment gains were mostly in durable goods (+13,000). Manufacturing added 186,000 jobs in 2014, up from a gain of 88,000 in 2013.

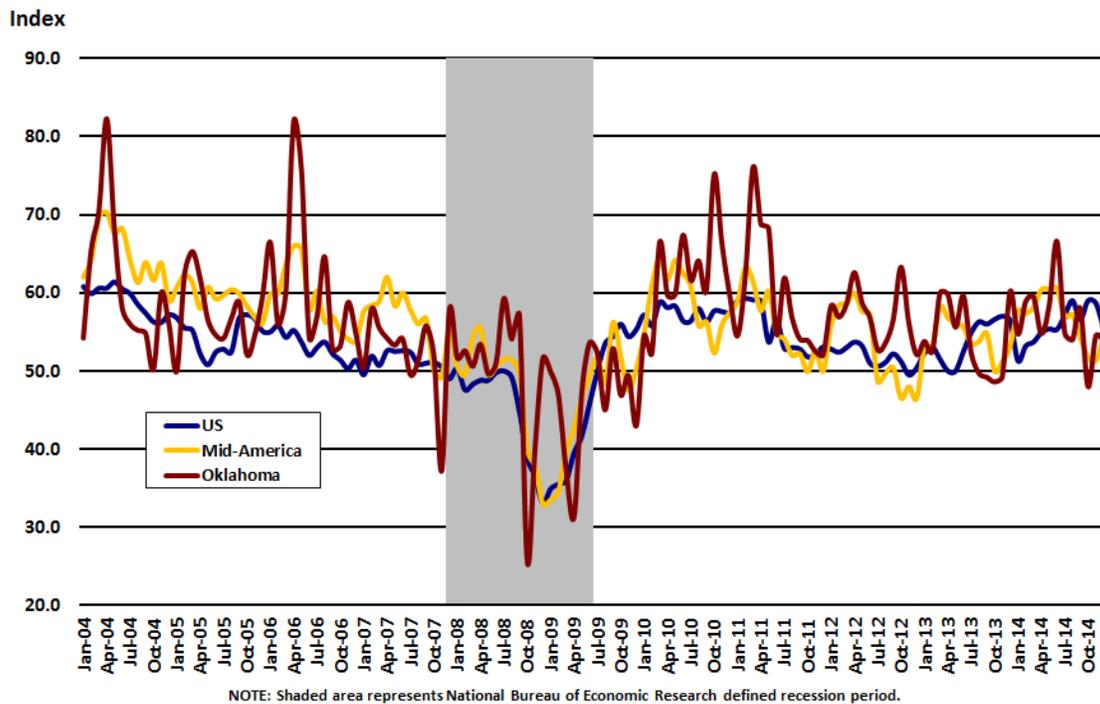
Oklahoma manufacturing employment shed a non-seasonally adjusted 700 jobs (-0.4 percent) in October. Non-durable goods manufacturing accounted for the entire job losses in November.

Over the year, Oklahoma manufacturing employment has added a non-seasonally adjusted 4,900 jobs for a 3.6 percent growth rate. Durable goods led the job gains, adding a non-seasonally adjusted 5,200 jobs (5.6 percent), while non-durable goods manufacturing subtracted a non-seasonally adjusted 300 jobs (0.7 percent).

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

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 expanded at the slowest pace in six months in December, mainly due to declines in orders and production. The December PMI® registered 55.5 percent, a decrease of 3.2 percentage points from November's reading of 58.7 percent, according to the latest Manufacturing ISM Report On Business®. Although December's reading is the lowest since June, it still remains at a solid level. Of the 18 manufacturing industries surveyed, 11 reported growth in December.

The New Orders Index registered 57.3 percent, a decrease of 8.7 percentage points from the reading of 66 percent in November, still in expansion territory however. Despite the slowdown, the Employment Index rose 1.9 percentage points, suggesting factories likely added jobs last month.

The Mid-America Business Conditions Index for December, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, jumped from November's tepid reading. The Business Conditions Index, which ranges between 0 and 100, rose to 54.4 from November's 51.3 reading, according to the Creighton Economic Forecasting Group. Indices over the past several months are pointing to positive economic gains over the next three to six months for the region.

"Over the past six months, a 26 percent decline in grain prices and a 13 percent plunge in fuel and related products have had negative impacts on businesses with ties to agriculture and energy. At the same time, these price declines have produced positive impacts for firms more closely tied to the consumer," said Ernie Goss, Ph.D., director of Creighton University's Economic Forecasting Group.

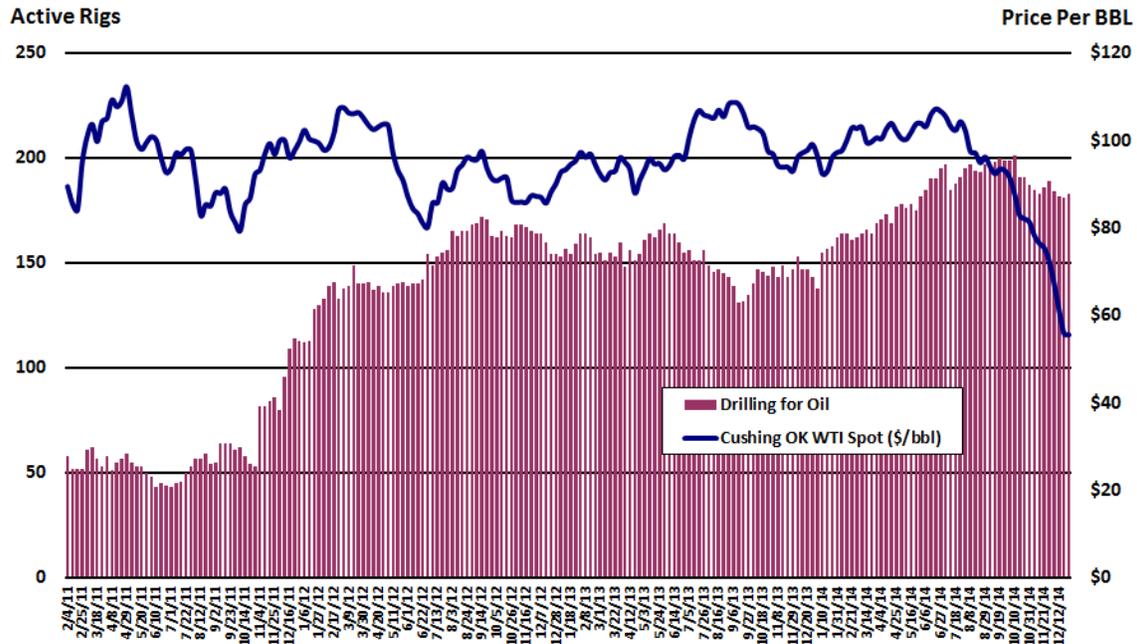
Oklahoma's Business Conditions Index dipped slightly for December, but still signaled positive growth in the next three to six months. The index for December declined to 54.0 from November's 54.5. Components of the December survey of supply managers in the state were new orders at 58.2, production or sales at 54.5, delivery lead time at 46.5, inventories at 52.8, and employment at 58.2.

"For 2014, Oklahoma's leading industry was machinery manufacturing while its lagging industry was food processing. Based on our survey results, I expect the state to add jobs at a positive but weaker pace for the first half of the year with pullbacks in the state's energy sector and firms tied to energy restraining growth," noted Dr. Goss

Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

February 2011 to December 2014

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

Record U.S. oil production combined with lower-than-expected global demand has oversupplied oil markets. The U.S. average price for regular gasoline as of December 29, 2014, was \$2.30 per gallon, down 10 cents from the week prior and \$1.03 per gallon lower than the same time last year, according to the U.S. Energy Information Administration (EIA).

As of January 5, 2015, AAA reported that statewide prices for regular unleaded gasoline in Oklahoma was at \$1.893 per gallon, compared to \$3.061 per gallon at the same time a year ago, a decline of \$1.17 per gallon or more than 60 percent.

The average U.S. household is expected to spend about \$550 less on gasoline in 2015 compared with 2014, as annual motor fuel expenditures are on track to fall to their lowest level in 11 years, according to a recent report from the EIA. Lower fuel expenditures are attributable to a combination of falling retail gasoline prices and more fuel-efficient cars and trucks that reduce the number of gallons used to travel a given distance.

Oklahoma's crude production in October was at 10,879,000 barrels, 434,000 barrels (or 4.2 percent) more than September's level of 10,445,000 barrels. Year to date, Oklahoma's crude production was 105,671,000 barrels, or 11.7 percent more than the 94,641,000 barrels produced in the first ten months of 2013.

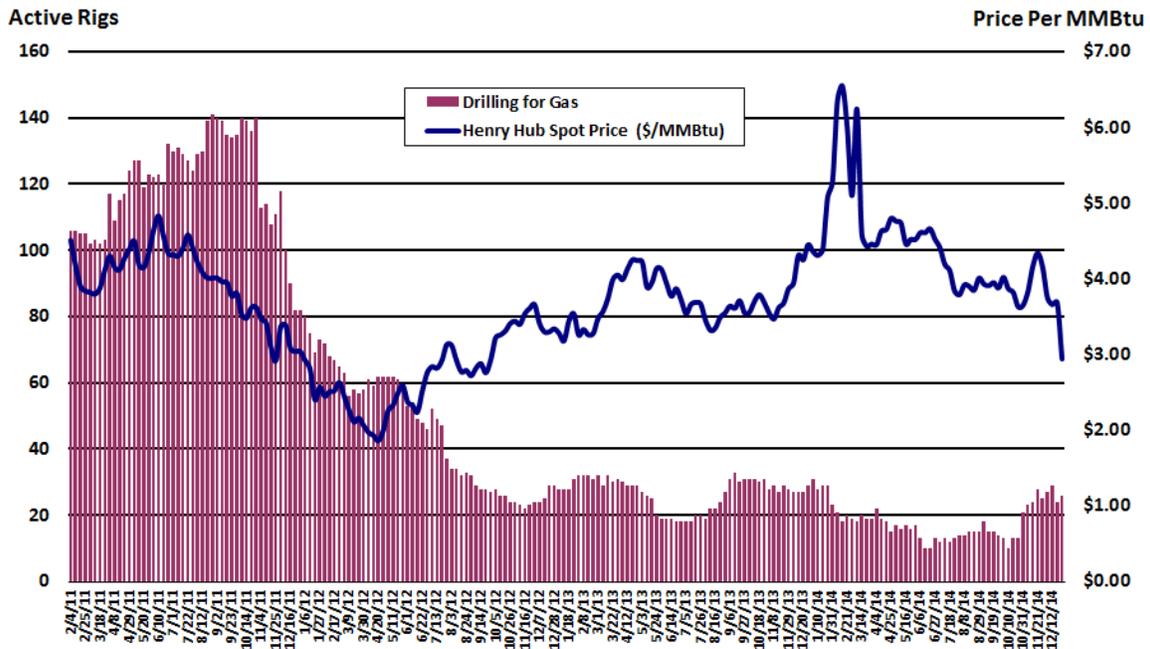
The selloff that started in midsummer has wiped out nearly half of crude oil's value amid growing concerns of global oversupply coupled with weak demand. The price of West Texas Intermediate (WTI) crude oil delivered to Cushing, Oklahoma declined more than 31 percent from June to November and another 13 percent after the late November announcement of the Organization of the Petroleum Exporting Countries (OPEC) decision to maintain the current production level. Since peaking at \$107.23 per barrel (for the week ending June 20), WTI prices have plunged to \$55.58/bbl for the week ending December 26.

Oklahoma's average rotary rig count was at a level of 209 in December, two less than November's average of 211 rigs. Over the year, the active rotary rig count in Oklahoma was 34 more than 175 in November 2013. Oil-directed active rotary rigs were at a level of 183, (for the week ended December 26, 2014), and accounted for approximately 88 percent of total rig activity in the state.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

February 2011 to December 2014

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

According to the EIA's Weekly Natural Gas Storage Report, natural gas storage levels for the Lower 48 states, as of December 12, were slightly above 2013 levels for the first time this year. Inventories totaled 3,295 billion cubic feet (Bcf) as of December 12, compared to 3,289 Bcf in the same week of 2013. Stock levels fell sharply in early 2014 because of extremely cold weather, and remained at or below the five-year minimum level up until this week.

Natural gas production levels have risen to record highs in the past several weeks, according to production data from Bentek Energy, LLC. Dry natural gas production averaged 70.8 Bcf/d since November 1, which is an increase of 4.8 Bcf/day over that same period in 2013, according to Bentek. A contributing factor to lower production levels in 2013 was production freeze-offs that occurred in December 2013.

In Oklahoma, natural gas production in 2014 continues to outpace 2013. October natural gas gross withdrawals were at a level of 202,864 MMcf, or 7,714 MMcf (or 4.0 percent) more than September. For the first ten months of 2014, Oklahoma natural gas gross withdrawals totaled 1,911,715 MMcf compared to 1,777,737 MMcf for the same time period in 2013, that's 133,978 MMcf (or 7.5 percent) more than 2013 levels.

The price at the Henry Hub in Louisiana started the month of December at \$4.30/MMBtu, then after fluctuating slightly, fell to as low as \$2.74/MMBtu before closing the month at \$3.07/MMBtu.

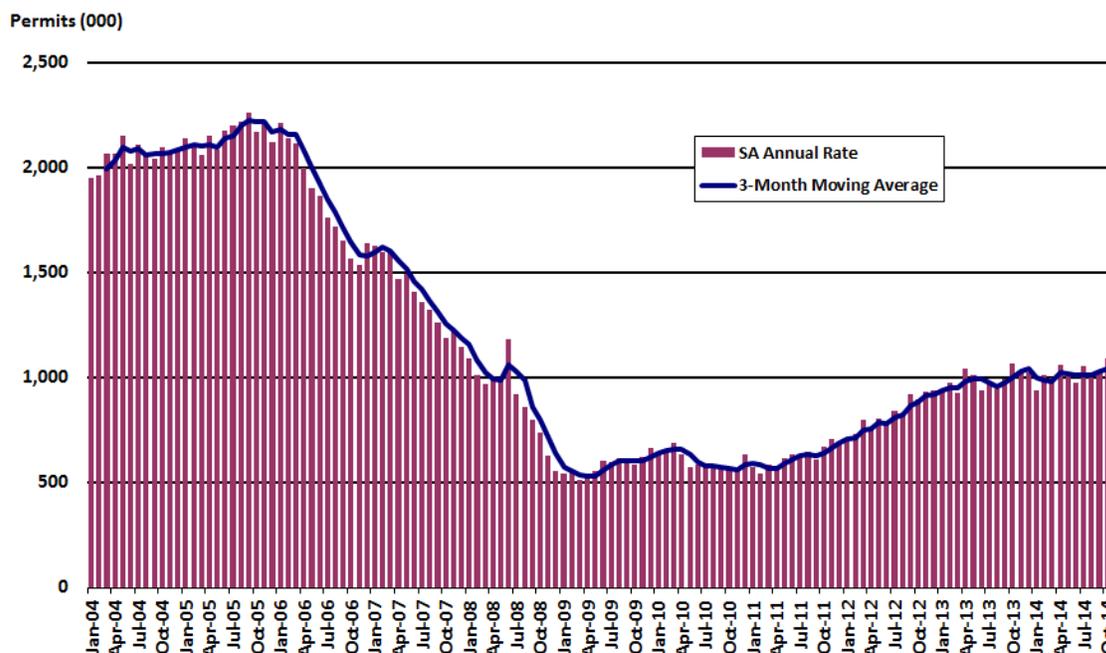
The Baker Hughes rotary rig count for natural gas in Oklahoma has been climbing since June. For the week ended December 26, the state natural gas-directed drilling rig count was at a level of 26 active rigs, or 12 percent of total statewide drilling activity. Over the year, Oklahoma's natural gas-directed rotary rig count was down three rigs from the 29 rigs reported for the week ended December 27, 2013.

The total U.S. rotary rig count for the week ending December 26 declined by 35 units to 1,840 rigs, according to data from Baker Hughes Inc. The natural gas rig count added 2 units to 340, while oil rigs fell by 37 units to 1,499, along with one rig categorized as 'miscellaneous'.

U.S. Total Residential Building Permits, 2004-2014

Seasonally Adjusted

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



Definition & Importance

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

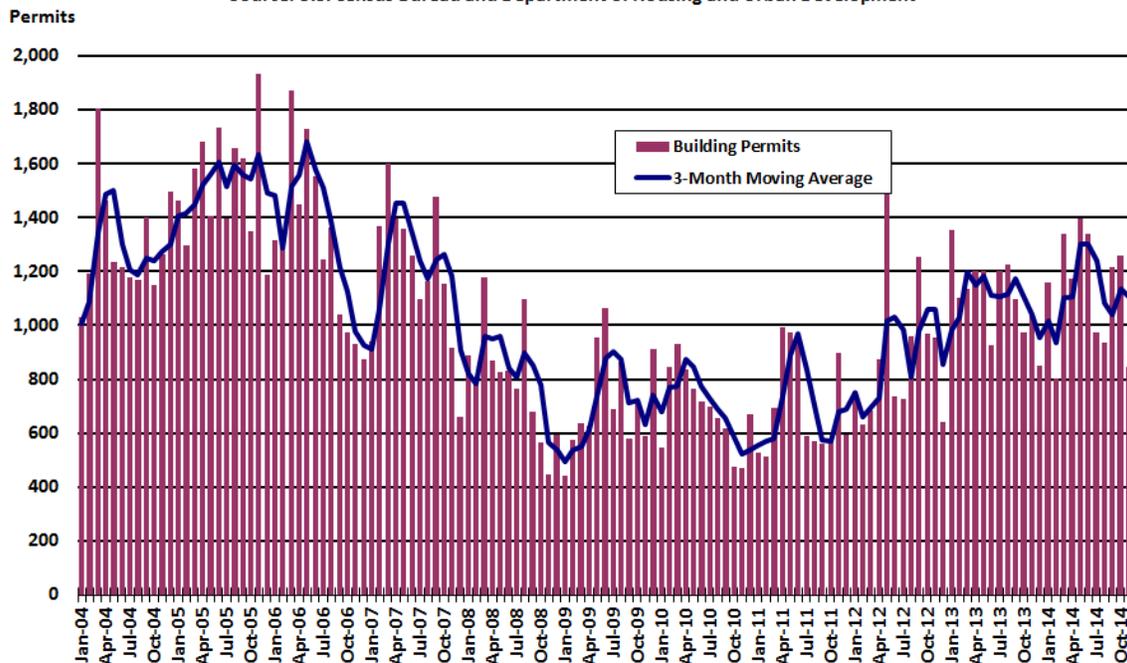
Applications for building permits, as well as housing starts, were down in November but the fundamentals point to a healthy housing market. Privately-owned housing units authorized by building permits in November were at a seasonally adjusted annual rate of 1,035,000, or 5.2 percent below the revised October rate of 1,092,000 and 0.2 percent below the November 2013 estimate of 1,037,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. Permits, which lead starts by three to four months, have been above the 1 million pace threshold since July.

Permits for single-family homes fell 1.2 percent to a 639,000-unit pace in November. Permits for multi-family housing plunged 11.0 percent to a 396,000-unit pace, following two months of strong gains.

Oklahoma Total Residential Building Permits, 2004-2014

Not Seasonally Adjusted

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



Statewide residential permitting activity sank in November in both the single-family and multi-family categories. Total residential building permitting for November was at an unadjusted level of 847 units, or 32.8 percent lower than the previous month, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development.

Single-family permitting accounted for 78.5 percent of total residential permitting activity in November while multi-family permitting added 17.5 percent. Applications for single-family homes were at a non-seasonally adjusted level of 847 or 32.8 percent less than October's level of 1,260 permits. Multi-family permitting fell to a non-seasonally adjusted level of 148 permits, 185 less than October's level of 333 permits.

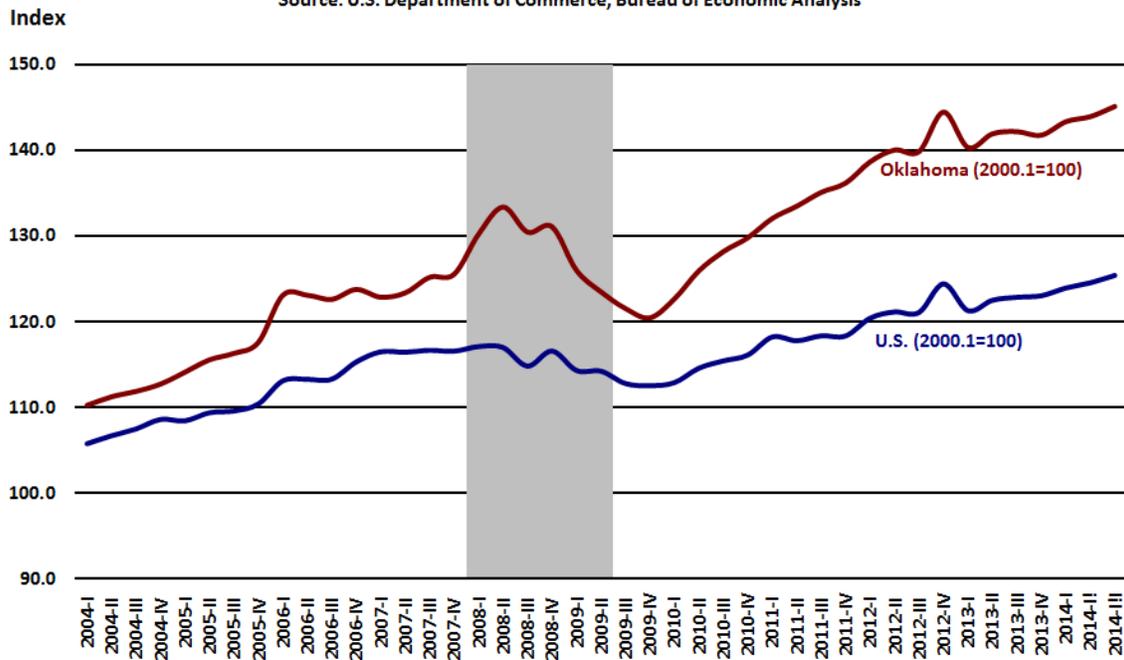
Over the year, total residential permitting was at a non-seasonally adjusted 194 permits or 18.6 percent less than November 2013. Single-family permits were down 101 permits or 11.1 percent less than a year ago, while the more volatile multi-family permitting was 111 less than the November 2013 level of 259 permits.

For the first 11 months of 2014, total unadjusted residential building permitting was at a level of 12,450 or 14 permits (-0.1 percent) less than the same period a year ago.

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

Personal income growth slowed in July to its weakest pace since December as savings rose to their highest level in more than 1 1/2 years. Personal income increased \$28.6 billion, or 0.2 percent, and disposable personal income (DPI) increased \$17.7 billion, or 0.1 percent, in July, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) decreased \$13.6 billion, or 0.1 percent. In June, personal income increased \$67.1 billion, or 0.5 percent, DPI increased \$62.9 billion, or 0.5 percent, and PCE increased \$50.5 billion, or 0.4 percent, based on revised estimates.

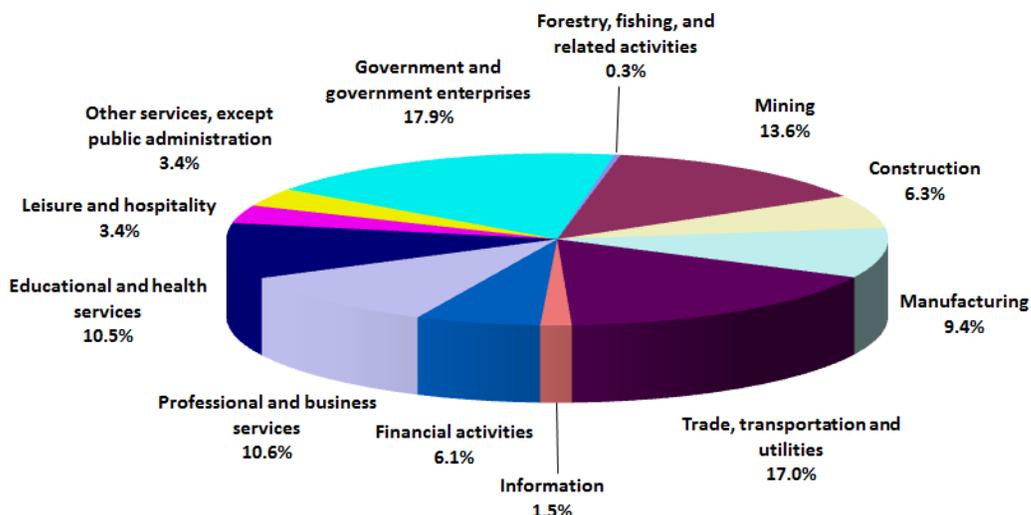
Personal consumption expenditures (PCE) unexpectedly declined 0.1 percent after a 0.4 percent jump in June. Spending on durable goods, including cars and trucks, declined 0.6 percent, following a 0.5 percent advance in June. Purchases of non-durable goods, which include fuel and clothing, fell 0.2 percent. Spending on services was flat in July, reflecting a weather-related drop in demand for utilities.

Incomes rose for a seventh straight month in July, while savings hit their highest level since December 2012. Personal saving, (DPI less personal outlays), was \$739.1 billion in July, compared with \$709.4 billion in June.

Oklahoma Nonfarm Contribution to Earnings

Third Quarter 2014

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 averaged 1.0 percent in the 3rd quarter of 2014, down from 1.2 percent in the 2nd quarter, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Growth in personal income—the sum of net earnings by place of residence, property income, and personal current transfer receipts—slowed in 38 states and in the District of Columbia. The percent change across states ranged from -0.2 percent in South Dakota (the only state with a decline) to 1.4 percent in Texas. Inflation, as measured by the national price index for personal consumption expenditures, slowed to 0.3 percent in the third quarter from 0.6 percent in the second quarter.

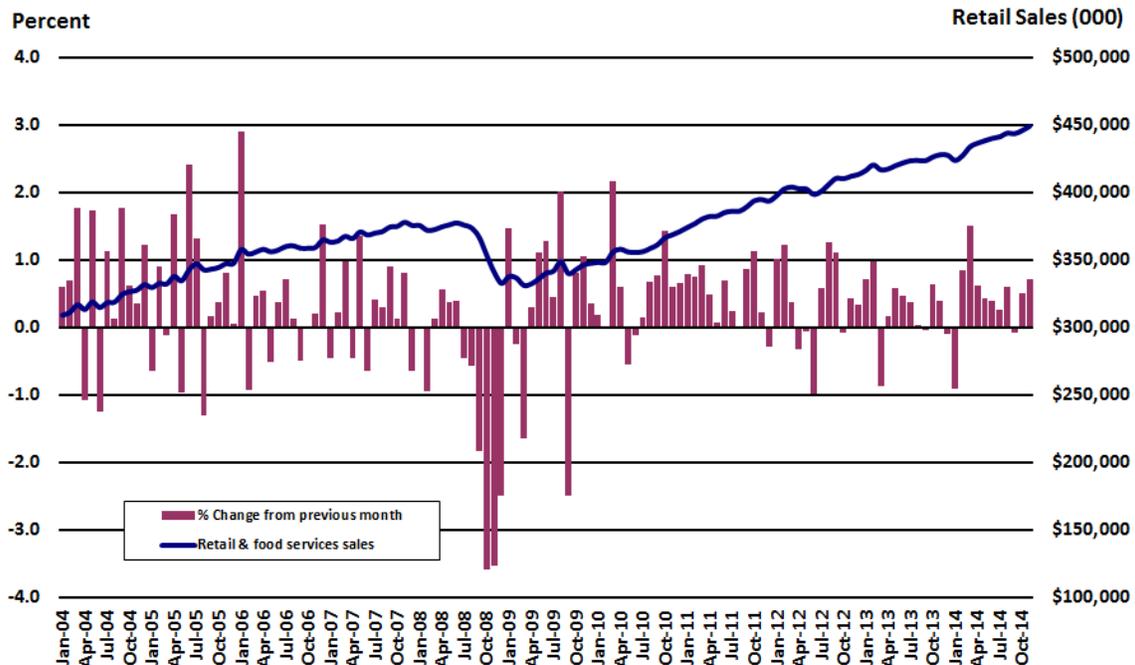
In Alaska, North Dakota, Oklahoma, Texas, and Wyoming, the mining industry (which includes oil and gas extraction) contributed the most to third-quarter earnings growth, according to the BEA. North Dakota, Oklahoma, and Texas have been the 3 fastest growing states, as measured by percent growth of earnings, since the recession troughed in the second quarter of 2009.

In the 3rd quarter of 2014, Oklahoma's personal income increased \$1.84 billion, or 1.1 percent, and ranked tenth in the nation for personal income growth. Earnings grew \$1.29 billion in the 3rd quarter at a rate of 1.2 percent.

Mining, by far, added the most to nonfarm earnings growth in Oklahoma, accounting for a quarter of total earnings and growing at a rate of 2.6 percent in the 3rd quarter. Durable goods manufacturing contributed another 10 percent, followed by health care and social assistance adding 9 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

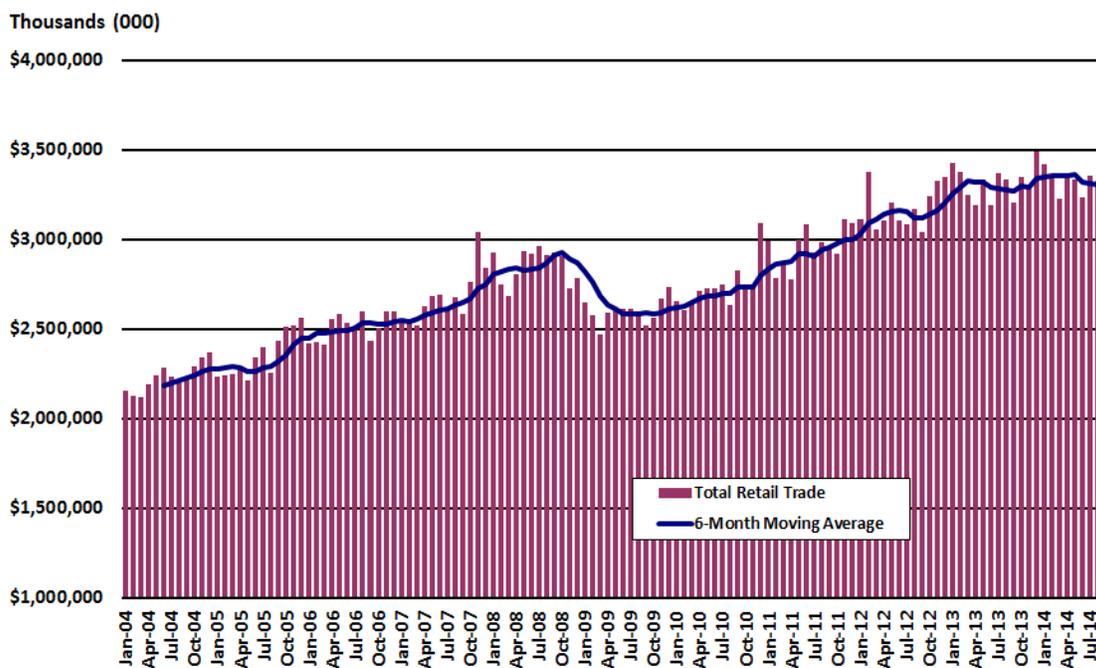
U.S. retail sales advanced at a faster pace in November as lower gasoline prices gave the holiday shopping season a lift. Advance estimates of U.S. retail and food services sales for November, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$449.3 billion, an increase of 0.7 percent from the previous month, and 5.1 percent above November 2013, according to the U.S. Census Bureau. Total sales for the September through November 2014 period were up 4.7 percent from the same period a year ago. The September to October 2014 percent change was revised up from 0.3 percent to 0.5 percent.

Spending on motor vehicles jumped 1.7 percent after gaining 0.8 percent in October. Gasoline station sales fell on lower pump prices, declining 0.8 percent after a 1.3 percent drop in October. Excluding both autos and gasoline, sales advanced 0.6 percent in November after a 0.7 percent rise the prior month.

The less volatile "core" sales, which strip out automobiles, gasoline, building materials and food services, and correspond most closely with the consumer spending component of gross domestic product, increased 0.6 percent in November after rising 0.5 percent in October. Last month, core retail sales were lifted by a 1.2 percent jump in receipts at clothing store. Department store sales advanced 1.0 percent, while electronics and appliance store sales increased 0.9 percent.

Oklahoma Total Adjusted Retail Trade

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



Definition & Importance

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

Current Developments

Oklahoma retail spending slipped in September, held back by lower pump prices. Total adjusted retail sales for September was at a level of \$3.15 billion, down 5.5 percent from August and 1.9 percent less than September 2013. Year to date, total adjusted retail trade was 0.3 percent more than the first nine months of 2013.

Durable goods sales fell 0.6 percent in September with declines in miscellaneous durable goods (-4.0 percent); electronics & music store sales (-1.1 percent); used merchandise (-1.0 percent); and furniture (-0.9 percent). The only durable goods categories to see gains was auto accessories & repair (+1.3 percent), and lumber & hardware (+0.2 percent). Over the year, durable goods sales were down 9.5 percent.

Total nondurable goods sales tumbled 7.0 percent in September with the largest monthly loss in the volatile estimated gasoline sales (-29.8 percent). Spending on apparel also fell in September (-2.8 percent), followed by general merchandise store sales (-2.2 percent), liquor (-1.5 percent); and drugs (-0.4 percent). Advancing in September were miscellaneous non-durables (+1.3 percent); and eating & drinking (+0.9 percent). Food sales were flat in September. Over the year, non-durable goods sales were up 0.9 percent.