



OKLAHOMA Economic Indicators

February 2013

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SPECIAL REPORT:

Business Establishment Survival in Oklahoma: Younger vs. Older Establishments

The U.S. economy is characterized by dynamic changes and constant churning of both workers and businesses. Each year, many new businesses are formed through establishment openings, at the same time a lot of establishments are unsuccessful and exit the market. In this study, we are concerned with new and younger business establishments' growth: how do they survive in competition, when would they likely withdraw from the market, how many job gains would new business establishments generate, and what has been the effect of the most recent 'Great Recession' on new and young business establishments.

Entrepreneurship plays a vital role in the growth of the U.S. economy. The U.S. Bureau of Labor Statistics (BLS) provides researchers opportunities to study trends in entrepreneurship through the Business Employment Dynamics Program (BED). The BED program is generated from the Quarterly Census of Employment and Wages (QCEW) program, containing statistics describing new private-sector business activities such as business establishments' births and deaths, job gains by establishments' opening and expanding, and job losses by establishments' closing and contracting. According to the BLS definition, an establishment is defined as an economic unit that produces goods or services, usually at a single physical location, and engages in one, or predominantly one, activity. A single firm may operate at one or more establishments under common ownership by a corporate parent. Therefore, an establishment birth can represent either the startup of a new business or the expansion of an existing one.

In particular, the BED has data regarding the age of business establishments, which is based on the annual BED methodology measuring the over-the year employment change from March of each year. The age is decided by the date when the business's employment is firstly positive. Currently, the available data is from March 1994 through March 2011. Age categories used by BED for private-sector business establishments are: 'Less Than One Year', 'One Year Old', 'Two Years Old', and so forth, as well as those 'Born Before March 1993'. Through this specific dataset, we may be able to conduct research on U.S. entrepreneurship with the focus on new and younger businesses establishments, and compare those with older ones as well.

In this analysis, we chose Oklahoma business establishments as our study focus, analyzing their survival rates and employment gains and losses by different age categories. Young establishments may have different survival patterns from older ones. Specifically, we pay greater attention to how the recessions have affected these younger business establishments, particularly in their early stages of growth.

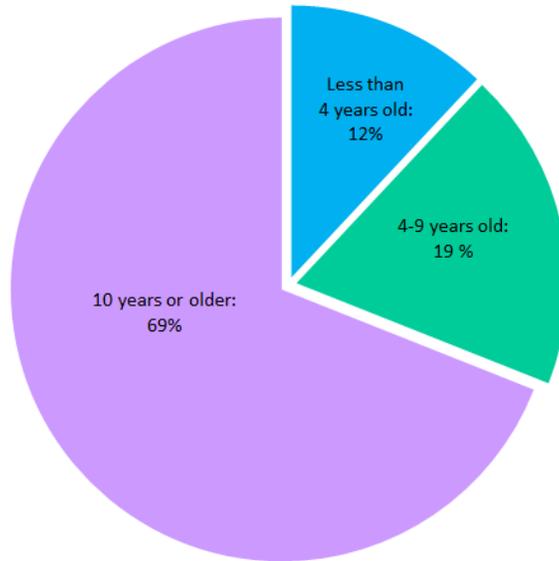
We hope this study provides the reader with a general but somewhat detailed picture of Oklahoma entrepreneurship by looking at business activities across different establishment ages. Especially, we hope our readers gain useful information regarding Oklahoma's new and younger business establishments from this analysis.

I. Oklahoma Private-Sector Establishments by Age: Younger vs. Older Establishments

In March 2011, older business establishments, more than 10-years old inclusive, comprised a majority of total private employment in Oklahoma—roughly 70 percent. This is substantially higher than those establishments 4-9 years old (representing 19 percent); or establishments less than 4 years old (accounting for 12 percent). Older establishments were obviously the largest private employers for Oklahoma's private-sector work force (see Chart 1). The figure is very close to the national average where older establishments employed 74 percent of the U.S. total private employment in March 2011.

**Chart 1: Percent of Oklahoma Total Private Employment by Establishment Age:
March 2011**

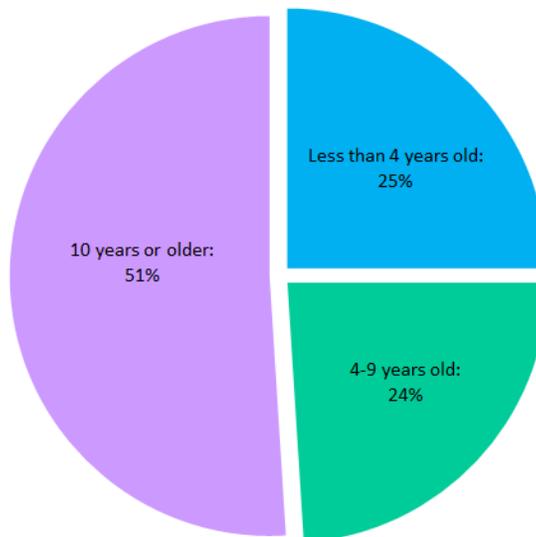
Source : Business Employment Dynamics (BED), U.S. Bureau of Labor Statistics



Older establishments also accounted for the largest number of total private establishments both state and nationwide (see Chart 2). 51 out of 100 Oklahoma private establishments were 10 years or older in May 2011. Nationwide, that number was 52 in March 2011.

**Chart 2: Percent of Oklahoma Private Establishments by Age:
March 2011**

Source: Business Employment Dynamics (BED), U.S. Bureau of Labor Statistics

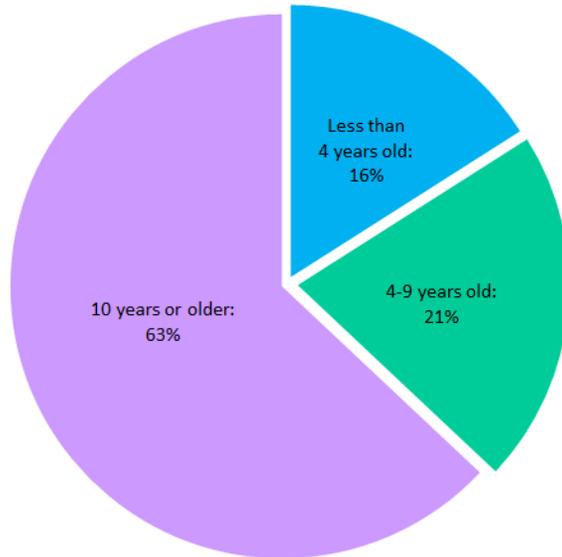


Before the 'Great Recession', younger establishments, (less than 4 years old), contributed more to Oklahoma's private-sector employment than after the recession. They hired a larger share of Oklahoma private-sector employment—16 percent in March 2007. Younger establishments also

occupied a greater percentage of Oklahoma total private establishments—29 percent in March 2007 (see Chart 3 & Chart 4).

**Chart 3: Percent of Oklahoma Total Employment by Establishment Age:
March 2007**

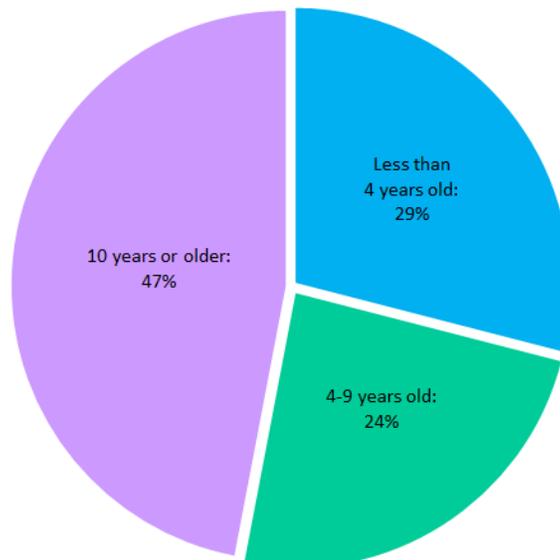
Source: Business Employment Dynamics (BED), U.S. Bureau of Labor Statistics



Older establishments, in contrast, played a much more leading role in Oklahoma private-sector employment. The proportion of older establishments in Oklahoma private-sector employment had grown approximately 6 percent over four years, while that growth was approximately 4 percent in terms of the proportion of older establishments in the number of total private-sector establishments.

**Chart 4: Percent of Total Number of Oklahoma Private Establishments by Age:
March 2007**

Source: Business Employment Dynamics (BED), U.S. Bureau of Labor Statistics



Composition of Oklahoma private-sector establishments and employment by age:

Table 1

Oklahoma Private-Sector Employment by Establishment Age

Age	March 2007		March 2011	
	Number	Percent of Total	Number	Percent of Total
< 1 year	47,693	4.0	32,278	2.8
1-3 years	143,258	11.9	103,189	8.9
4-9 years	252,073	20.9	222,841	19.1
10+ years	762,149	63.2	806,829	69.2
Total	1,205,173	100	1,165,137	100

Oklahoma Private-Sector Establishments by Age

Age	March 2007		March 2011	
	Number	Percent of Total	Number	Percent of Total
< 1 year	7,465	9.3	6,241	7.8
1-3 years	15,549	19.4	13,773	17.1
4-9 years	19,324	24.1	19,438	24.2
10+ years	37,913	47.2	41,022	51.0
Total	80,251	100	80,474	100

Source: Business Employment Dynamics (BED), U.S. Bureau of Labor Statistics

Take a closer look at the composition of Oklahoma private-sector establishments by age in March 2007 and 2011, respectively. Before the recession, there were more young, (less than 4 years old), private-sector establishments playing a more important role in Oklahoma. They employed about 16 percent of the private-sector work force, and their total number accounted for approximately one-third of total private-sector establishments. But they appear to have lost, whereas older private-sector establishments, ten years old or more, gained a lot in both shares throughout the recession and recovery. On the other hand, establishments between four and nine years old roughly maintained their shares over the four years.

II. Oklahoma Private-Sector Establishment Births and Deaths

An establishment birth refers to a new opening, which is less than one year. In general, births of Oklahoma private-sector establishments have decreased significantly over the past 17 years. Private-sector establishment births fell from 7,545 openings in March 1994 to 6,241 openings in March 2011—a decline approximately 17 percent. Newly opened private-sector establishments also employed fewer workers over the period, from 51,064 in March 1994 to 32,278 in March 2011 (see Table 2).

Table 2**Oklahoma Private-Sector Establishment Births, March 1994 - March 2011**

Year	Employment of Newly Opened Establishments (Less Than 1 Year Old)	Number of Newly Opened Establishments (Less Than 1 Year Old)	Average Employment Size of New Openings
1994	51,064	7,545	7
1995	51,245	7,322	7
1996	58,910	7,072	8
1997	65,738	7,905	8
1998	56,575	8,054	7
1999	60,314	7,876	8
2000	59,370	7,289	8
2001	58,170	6,709	9
2002	60,530	7,622	8
2003	46,871	6,684	7
2004	50,737	6,974	7
2005	48,701	7,045	7
2006	48,129	7,853	6
2007	47,693	7,465	6
2008	45,687	7,405	6
2009	39,510	7,319	5
2010	31,147	6,298	5
2011	32,278	6,241	5

Source: Business Employment Dynamics (BED), U.S. Bureau of Labor Statistics

March 1998 saw the maximum number of private-sector establishment births in Oklahoma, with 8,054 new openings occurring that year. The largest employment level for newly opened establishments took place a year earlier, in March 1997, when new private-sector establishments employed 65,738 workers.

Prior to the recession, March 2006 represented the peak point in terms of new openings. That year, a total of 7,853 private-sector establishments opened, with an employment level of 48,129. New openings started to fall in March 2008 and by March 2011 only 6,241 new openings were reported—the lowest number of private-sector establishment births over the past 17 years.

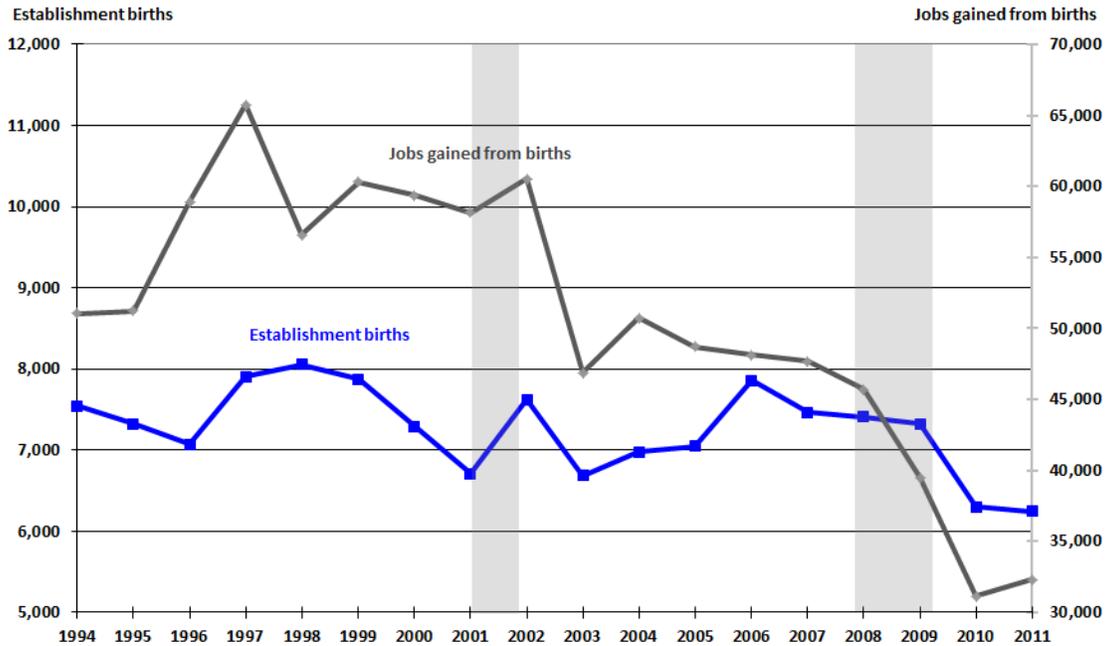
Consecutive years of declining new private-sector establishment employment began in March 2004. By March 2010, new private-sector establishments employed 31,147 workers—the minimum employment level over the past 17 years.

In March 2001, a newly opened private-sector establishment hired nine workers on average, but that number dropped to five by March 2009, 2010 and 2011, the times during and after the ‘Great Recession’.

Chart 5 plots the annual data for Oklahoma private-sector establishment births from March 1994 to March 2011.

Chart 5: Oklahoma Private-Sector Establishment Births, Annual Data, March 1994 to March 2011

Source: Business Employment Dynamics (BED), U.S. Bureau of Labor Statistics

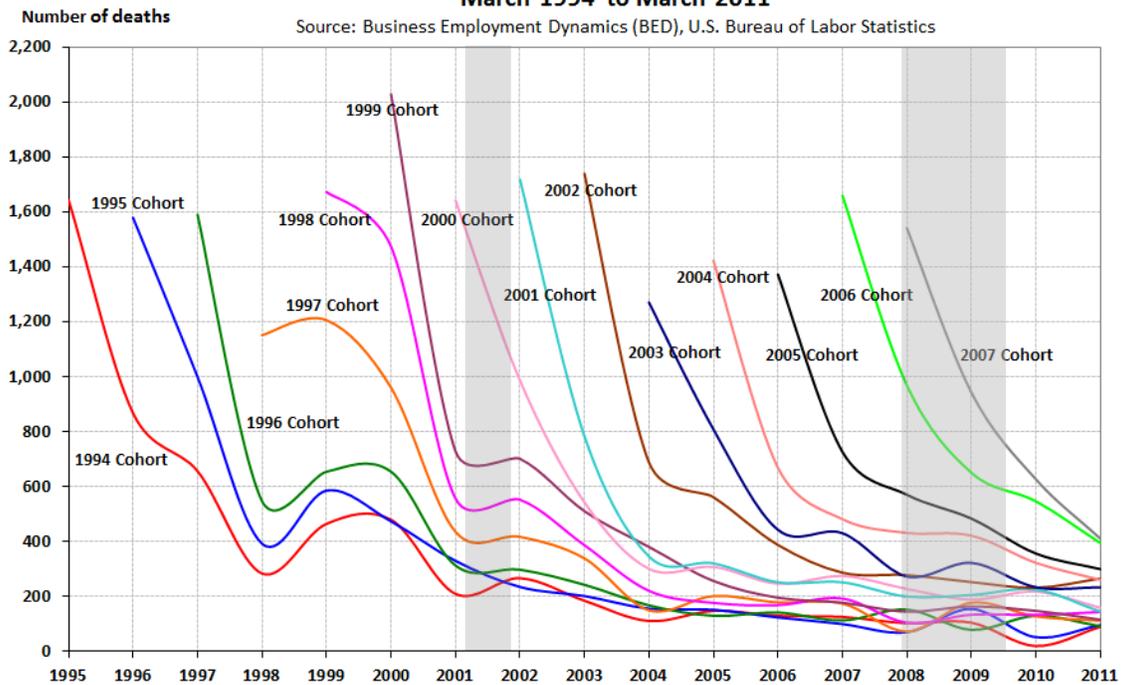


NOTE: Shaded areas represent National Bureau of Economic Research defined recession periods.

Chart 5 reflects the growth trends for Oklahoma’s new openings of private-sector establishments, as well as their employment, or jobs gained from the births, from 1994 to 2011.

Chart 6: Oklahoma Private-Sector Establishment Deaths, Annual Data March 1994 to March 2011

Source: Business Employment Dynamics (BED), U.S. Bureau of Labor Statistics



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

Noticeably, new openings kept falling from 2006 to 2011, with significant declines occurring between March 2009 and March 2010, when the recession was over and the recovery started. A decline in the jobs gained from establishment births occurred even two years earlier in 2004, and clearly between 2008 and 2010, the new openings of establishments in Oklahoma dramatically reduced their employment levels.

Deaths of private-sector establishments are another concern. Typically, in Oklahoma, a great number of private-sector establishments disappear during the first two or three years after births. In other words, an establishment death mainly takes place in the early stages of the establishment. Chart 6 plots the trends of Oklahoma private-sector establishment deaths over the past 17 years, from March 1994 to March 2011.

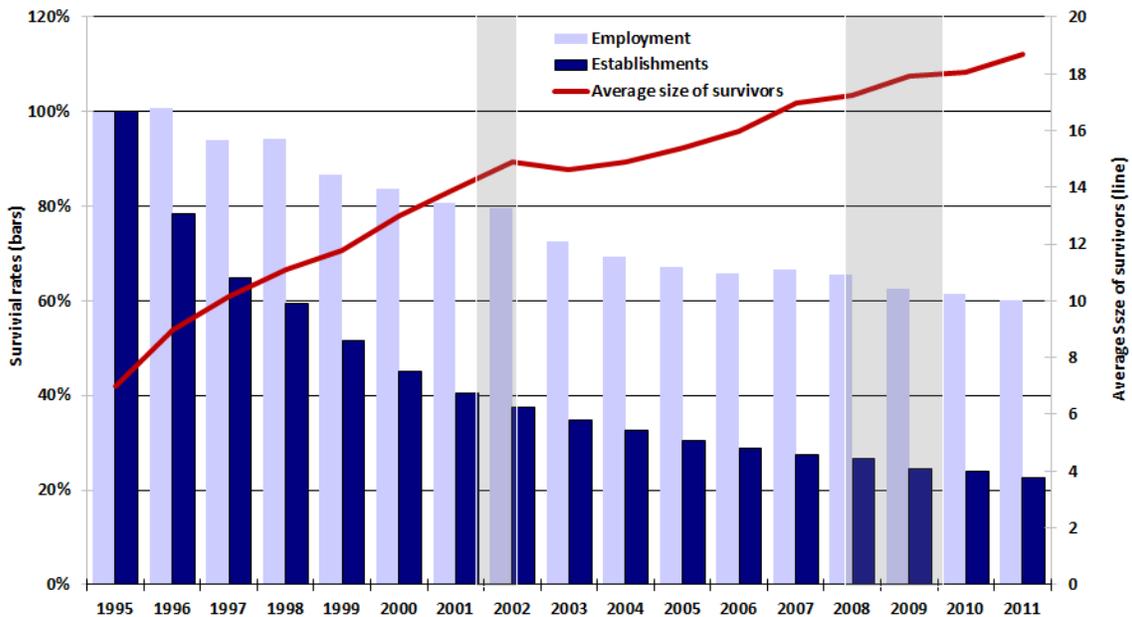
III. Survival Rates of Oklahoma Private-Sector Establishments by Age

The BED age series tracks cohorts of new business establishments to measure how many survive from year to year. Chart 7 shows survival rates for the cohort of new Oklahoma business establishments opening in March 1995. The bars in Chart 7 labeled 'Establishments' indicate what proportion of all openings in March 1995 survived to a given year. The data in Chart 7 shows that only 23 percent of the establishments that opened in March 1995 were still in business in 2011, employing 60 percent of the cohort's initial employment. The first three years seem extremely critical to newly opened establishments for survival. For every 100 private-sector establishments born in March 1995 in Oklahoma, 22 failed to survive after the first year, 35 failed to survive after the second year, and 41 failed to survive the third year after opening.

In Chart 7 below, the 'Employment' bars represent employment levels at the surviving establishments as a percent of the cohort's initial employment.

Chart 7: Survival Rates of Oklahoma Establishments Opening in 1994 and Average Employment per Surviving Establishment

Source: Business Employment Dynamics (BED), U.S. Bureau of Labor Statistics



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

The 'average size of survivors' in Chart 7 is calculated by dividing the surviving cohort employment levels by the total number of surviving establishments, reflecting how many employees are hired by surviving establishments on average. This line shows that for the cohort

of Oklahoma establishments opening in March 1995, the average size of establishments was seven workers. By March 2001, surviving establishments' size had doubled to an average of 14 workers employed by each surviving establishment. In particular, the surviving establishments' size grew quickly during their first three years.

The size of surviving establishments, in general, tended to grow over time, increasing 167 percent from March 1995 to March 2011. Two possible reasons put forward as to why the average size surviving establishments increases over time: 1) the employment levels at the surviving establishments are likely to grow from their initial levels, and 2) if smaller establishments are more likely to die and larger establishments are more likely to survive, the declining number of smaller establishments and growing number of larger establishments will increase the average size of surviving establishments.

IV. Survival Rates and the Recessions

How the two recessions impacted the survival rates of new private-sector establishments in Oklahoma in their early stages is the last focus in this analysis, (since the first three years are particularly critical for their survival as suggested by the analysis).

Table 3 summarizes the survival rates of new establishments opening since March 1999 for their first three years in Oklahoma. The survival rates in bold refer to the ones affected by the recessions. The cohorts 1999 (establishments born in March 1999), 2000 and 2001 were affected by the recession between March and November 2001 during their early stages, and the cohorts 2005, 2006, 2007, 2008, and 2009 were affected by the most recent 'Great Recession'.

In Table 3, a bolded 'percent surviving' refers to a survival rate that was affected by the recession. For the first year survival rates affected by the recessions, their average level is just one percentage point higher than the ones during non-recession periods, and this is also similar to the second and third year survival rates average levels compared with non-recession period ones. The recessions appeared to drop down the survival rates of Oklahoma new establishments further during their first three years, but this negative effect was not very large in Oklahoma.

Table 3
Survival Rates of New Establishments, (First Three Years), 1999-2010

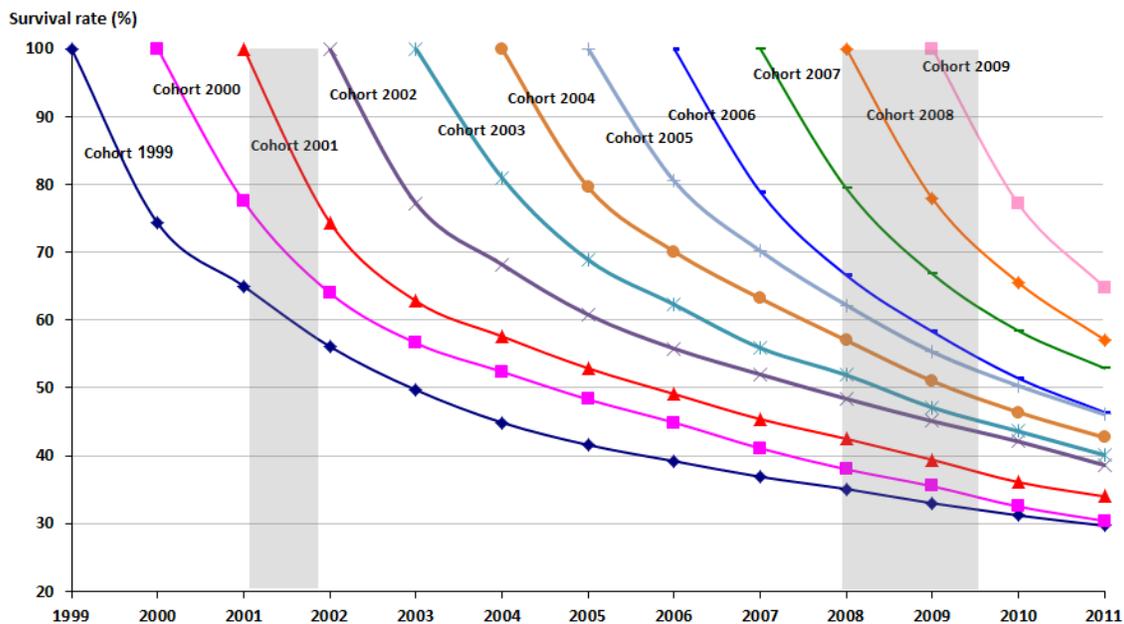
Annual Births Year Ended	Percent Surviving		
	1 year	2 years	3 years
March 1999	74.3	65	56.1
March 2000	77.5	64	56.6
March 2001	74.4	62.8	57.6
March 2002	77.2	68.2	60.8
March 2003	81	68.9	62.3
March 2004	79.6	70.1	63.2
March 2005	80.5	70.2	62.2
March 2006	78.9	66.6	58.3
March 2007	79.4	66.8	58.4
March 2008	77.9	65.5	57.1
March 2009	77.1	64.8	\
March 2010	76.2	\	\
Average (non-recession)	78.2	67.1	59.6
Average (recession)	77.2	65.7	58.8

Source: Business Employment Dynamics (BED), U.S. Bureau of Labor Statistics

Chart 8 plots the survival rates of Oklahoma establishments in the recessions for the all cohorts since March 1999. The establishment survival rates of the older cohorts (1999, 2000, and 2001) appear to be much less affected by the ‘Great Recession’ than the younger cohorts (2007, 2008, and 2009).

Chart 8: Survival Rates of Oklahoma Establishments During the Recessions
Annual Data, March 1999 to March 2011

Source: Business Employment Dynamics (BED), U.S. Bureau of Labor Statistics



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

Young businesses play a critical role in understanding job creation in both the national and statewide economies. The ‘Great Recession’ seems to have reduced establishment birth and survival rates in Oklahoma. New establishments in Oklahoma are also opening with fewer employees, part of an ongoing ten-year trend. The result is that younger business establishments in Oklahoma have a less noticeable role in the state’s private sector in 2011 than they did prior to the recession.

References

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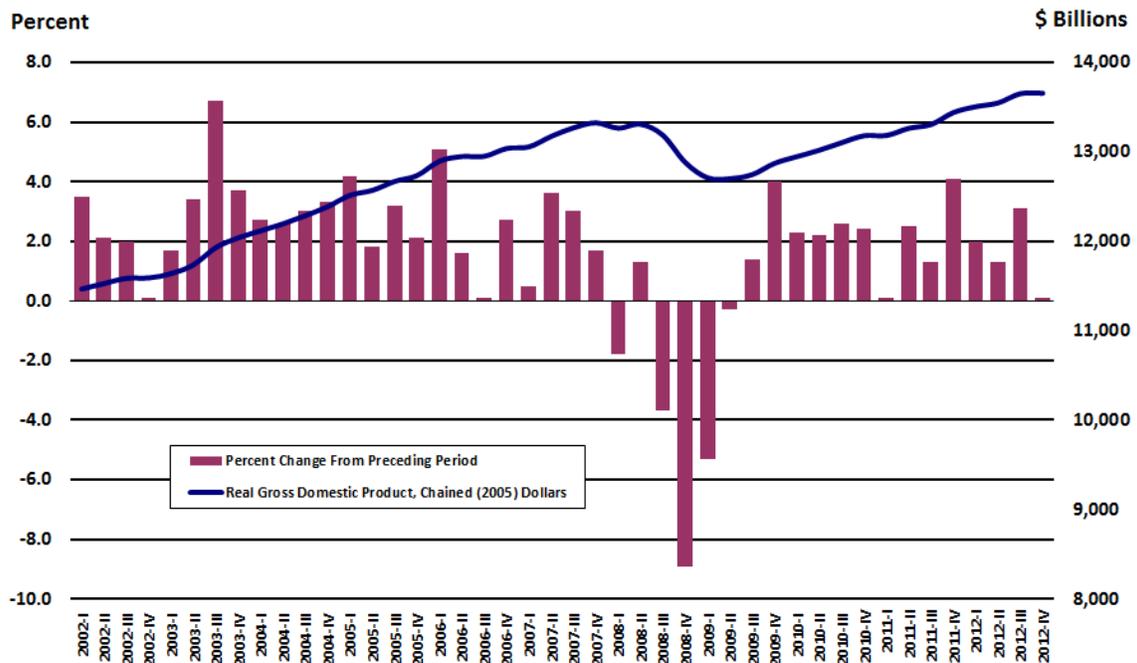
http://www.bls.gov/opub/ils/summary_10_09/younger_older_business_establishments.htm

NOTE: This report is also posted on the OESC website at:

http://www.ok.gov/oesc_web/Services/Find_Labor_Market_Statistics/reports/

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

Rather than contracting as first thought, the U.S. economy actually grew slightly in the last quarter of 2012. Real gross domestic product increased at an annual rate of 0.1 percent in the 4th quarter of 2012, according to the "second" estimate released by the Bureau of Economic Analysis (BEA). The figure was revised up from an initially estimated 0.1 percent downturn.

Among the positive signals for the economy, consumer spending advanced at a seasonally adjusted 2.1 percent rate, a more robust gain than in the 3rd quarter. Consumer spending added 1.5 percentage points to GDP in the 4th quarter. Personal consumption expenditures advanced 2.2 percent, compared with 1.6 percent in the 3rd quarter. Spending on durable goods increased 13.9 percent, compared with an increase of 8.9 percent in the 3rd quarter. Nondurable goods increased 0.4 percent, compared with an increase of 1.2 percent. Services spending advanced 0.9 percent, compared with an increase of 0.6 percent in the previous quarter.

However, business inventories fell more than had been previously estimated, holding back growth 1.55 percent. Real nonresidential fixed investment increased 9.7 percent in the 4th quarter, in contrast to a decrease of 1.8 percent in the 3rd quarter. Businesses spending on equipment and software increased 11.3 percent in the fourth quarter, in contrast to a decrease of 2.6 percent in the previous quarter.

The housing market continued to be a positive contributor to GDP growth in the 4th quarter. Residential fixed investment, which includes spending on home improvements, grew by 17.5 percent in the 4th quarter and added 0.4 percent to GDP.

The 4th quarter was revised upward largely because exports were stronger than first estimated, and imports, which subtract from GDP, slowed further. Real exports of goods and services decreased 3.9 percent in the 4th quarter, in contrast to an increase of 1.9 percent in the 3rd quarter. Real imports of goods and services decreased 4.5 percent, compared with a decrease of 0.6 percent previously.

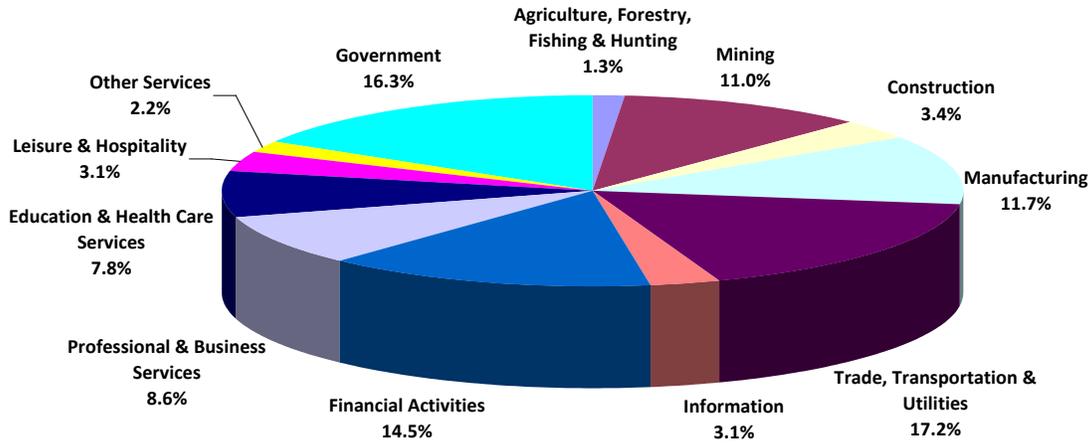
The meager showing last quarter underscored that government spending cuts slowed the recovery's momentum. The decline followed a large jump in spending during the previous quarter. Real federal government consumption expenditures and gross investment declined 14.8 percent in the 4th quarter, in contrast to an increase of 9.5 percent in the 3rd quarter. National defense decreased 22.0 percent in the 4th quarter—the largest percentage decrease in military spending since 1972. Nondefense spending increased 1.8 percent, compared with an increase of 3.0 percent in the 3rd quarter. Real state and local government consumption expenditures and gross investment decreased 1.3 percent, in contrast to an increase of 0.3 percent.

Last quarter's GDP advance was among the weakest of the current recovery, but the revision means the economy has grown for 14 consecutive quarters. For all of last year, the GDP advanced 2.2 percent, an improvement from the 1.8 percent gain in 2011.

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

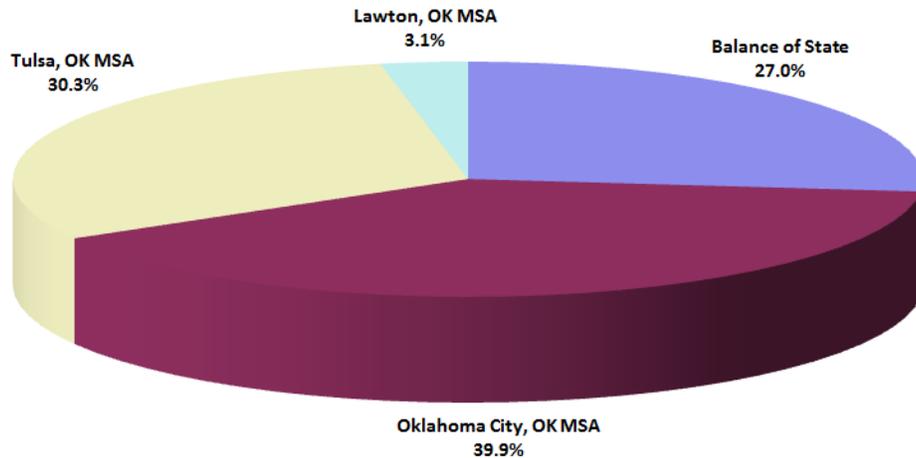
Oklahoma was among 43 states and the District of Columbia experiencing growth in real GDP in 2011, according to the advance estimate from the Bureau of Economic Analysis (BEA). Oklahoma's 2010 advance estimate was revised upward from 1.0 percent to 2.0 percent while the state's 2009 GDP was further revised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

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.

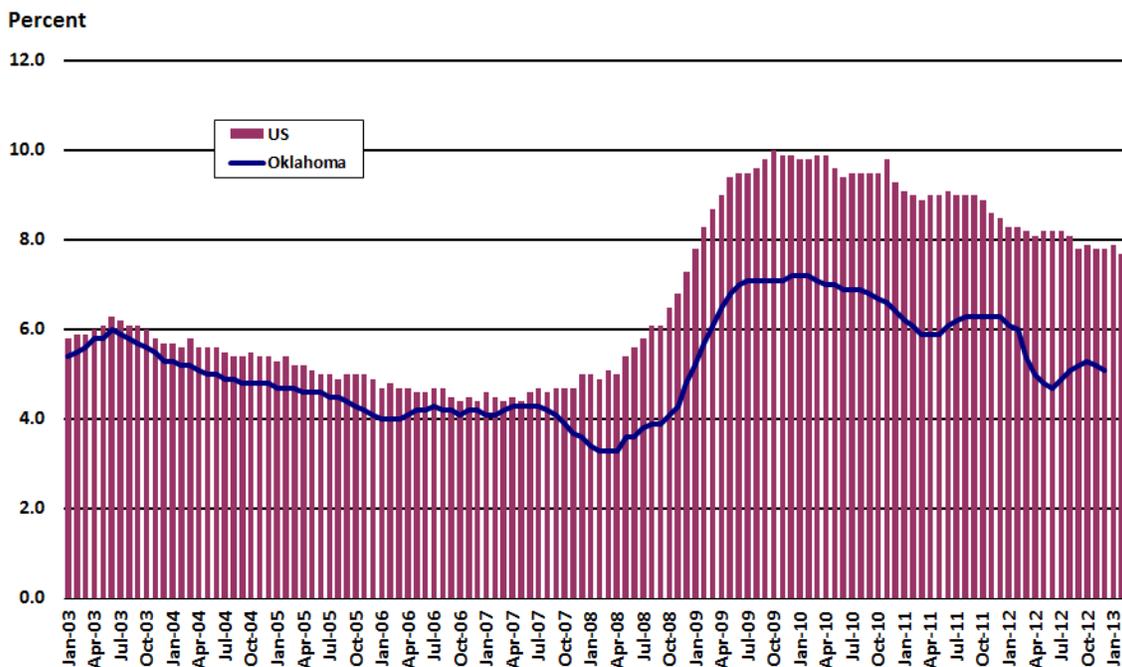
Current Developments

Real GDP increased in 242 of the nation's 366 metropolitan areas in 2011 led by growth in professional and business services, durable-goods manufacturing, and trade, according to the U.S. Bureau of Economic Analysis. Real GDP in metropolitan areas increased 1.6 percent in 2011 after increasing 3.1 percent in 2010.

In terms of growth in real GDP, all Oklahoma metropolitan areas grew in 2011. Lawton MSA grew by 0.9 percent to \$4.2 billion and ranked 169th (out of the 366 U.S. metropolitan areas). Oklahoma City MSA grew by 2.0 percent to \$53.5 billion and ranked 97th. Tulsa MSA grew at a rate of 0.5 percent to \$40.7 billion and ranked at 209th.

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.

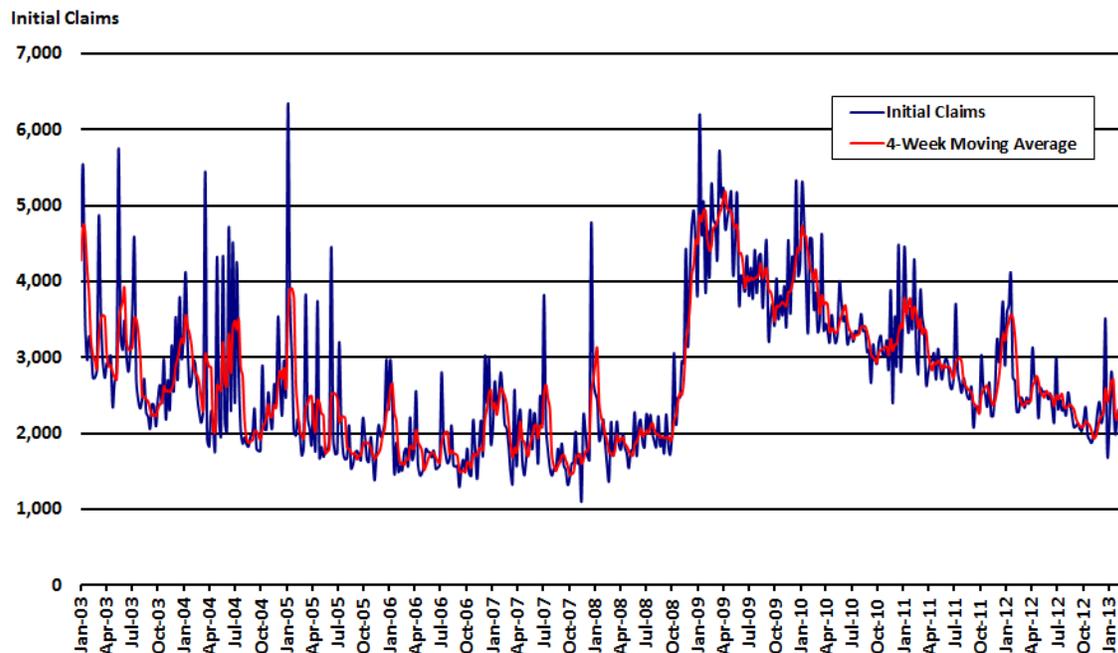
Current Developments

The unemployment rate edged down to 7.7 percent in February, the lowest level since the end of 2008, according to the Bureau of Labor Statistics (BLS). Going forward, the unemployment rate is expected to remain well above the 6.5 percent threshold the Federal Reserve is targeting before allowing interest rates to rise.

Oklahoma's seasonally adjusted unemployment rate ended the year at 5.1 percent in December, improving its rank to the 6th lowest jobless rate, (tied with Vermont), among states. The state's seasonally adjusted unemployment rate declined by 1.2 percentage points compared to December 2011. In December, statewide seasonally adjusted employment was up slightly, while unemployment showed a small drop over the month. For the year, statewide seasonally adjusted unemployment fell by 19,390 persons (-17.2 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 who filed for unemployment benefits unexpectedly fell to a six-week low, showing further improvement in the labor market. In the week ending March 2, the advance figure for seasonally adjusted initial claims was 340,000, a decrease of 7,000 from the previous week's revised figure of 347,000, according to the U.S. Department of Labor (DOL). The less volatile four-week moving average dropped to a five-year low at 348,750, a decrease of 7,000 from the previous week's revised average of 355,750.

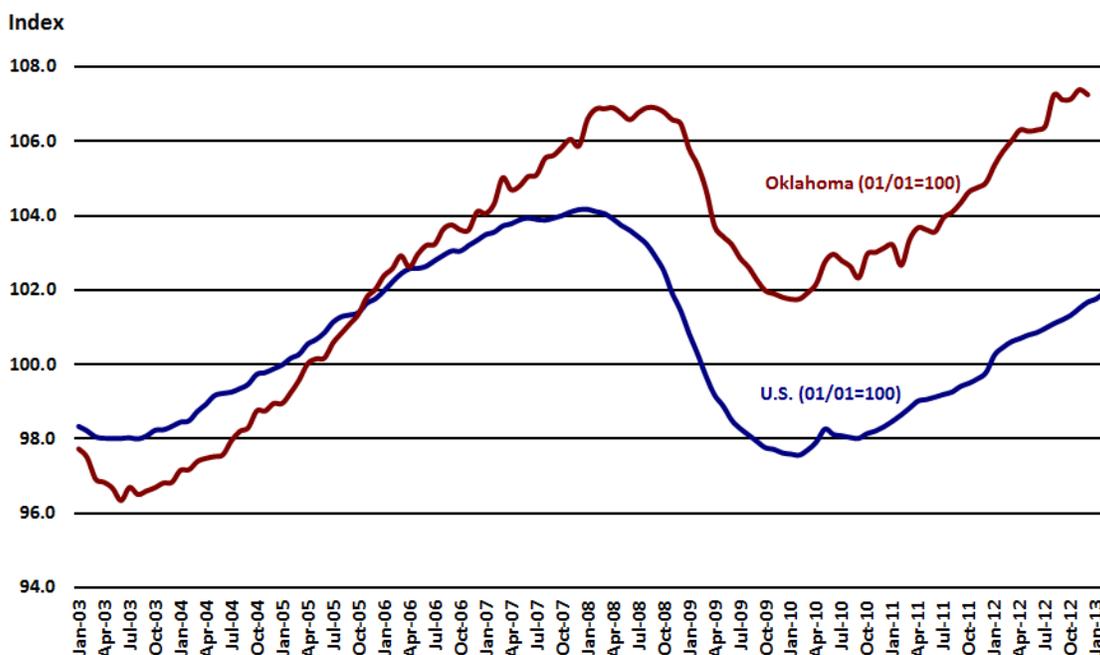
Initial jobless claims in Oklahoma dropped in the third week of February. Initial claims for unemployment were at 1,564 for the file week ending February 23, a decrease of 159 from the previous week's 1,723 initial claims. The initial claims four-week moving average dropped to 1,895 from 2,182—down 267 from the previous week.

Oklahoma continued jobless claims also fell during the same file week ending. Continued claims for unemployment insurance declined by 394 to 21,754 from 22,148 the week earlier.

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

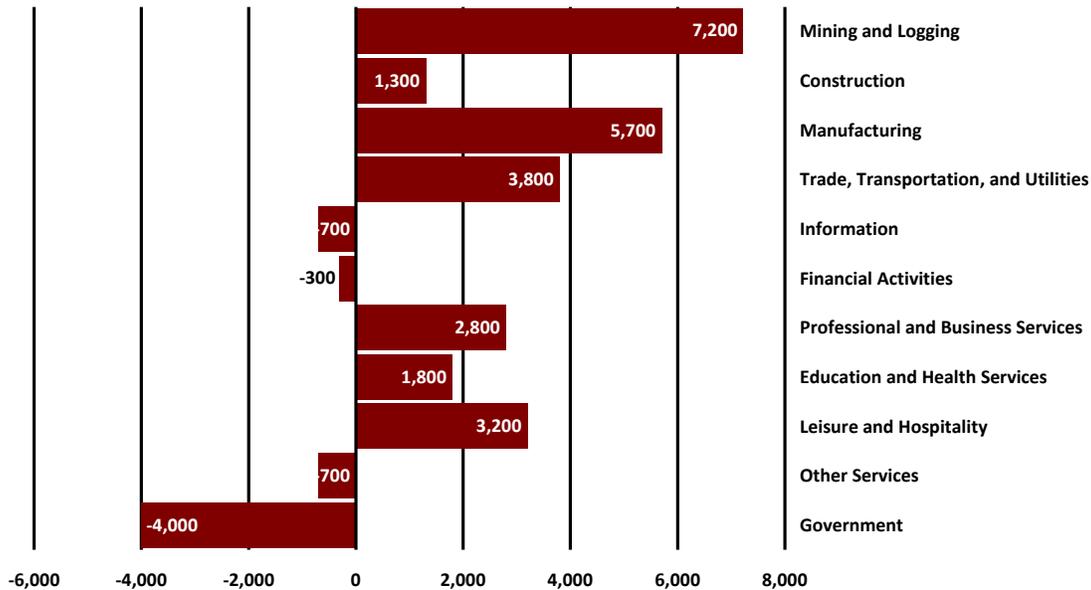
The U.S. jobs market improved more than expected in February with a sizeable gain in payroll employment, a sign of a steadily improving labor market and stronger economic gains. Total nonfarm payroll employment increased by 236,000 in February, according to the Bureau of Labor Statistics (BLS). Employment increased in professional and business services (+73,000 jobs), construction (+48,000 jobs), and health care (+32,000 jobs).

Oklahoma's seasonally adjusted nonfarm employment dropped by 2,000 jobs (-0.1 percent) in December 2012. In December, six out of 11 supersectors shed jobs over the month, with Professional & business services (-2,200 jobs) posting the largest employment drop. Leisure & hospitality (+2,500 jobs) reported the largest gain of the four supersectors to add jobs in December. Mining & logging showed no change for the month. Eight supersectors grew over the year, with trade, transportation & utilities (+10,900 jobs) and leisure & hospitality (+8,800 jobs) leading the way. Over-the-year job losses for December were seen in information (-500 jobs), educational & health services (-1,500 jobs), and other services (-200 jobs).

Oklahoma Employment Change by Industry

2010 - 2011

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



Definition & Importance

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

Current Developments

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

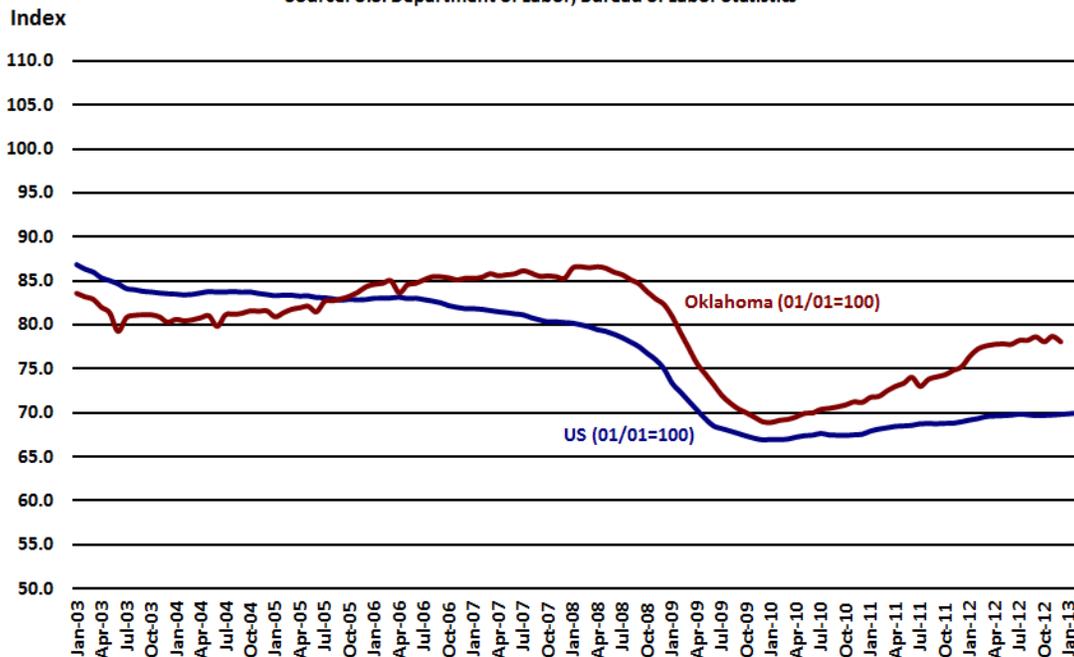
Job gains were registered in seven out of Oklahoma's 11 statewide supersectors. Mining & logging saw the largest employment increase adding 7,200 jobs with the bulk of hiring occurring in support activities for mining. Manufacturing followed with an addition of 5,700 jobs and almost all of the growth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

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

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

Index: January 2001 = 100

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



Definition & Importance

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

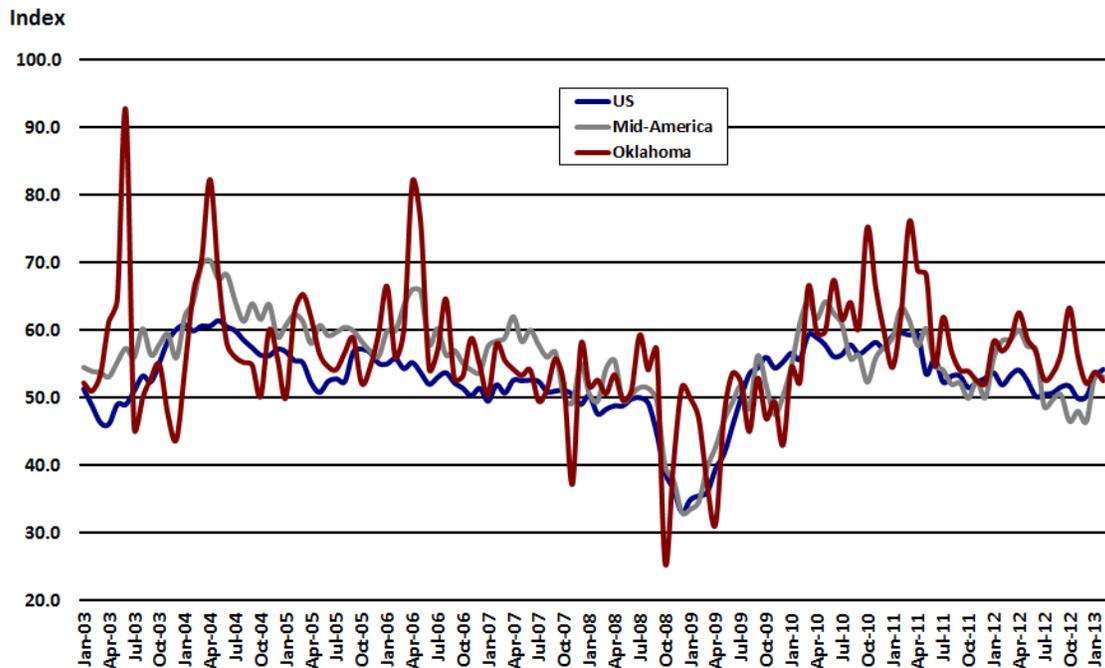
Manufacturers added 14,000 additional workers in February according to the Bureau of Labor Statistics (BLS). Durable goods employment rose by 6,000 jobs, with 8,000 additional workers in nondurable goods industries. The largest gains were seen among fabricated metal products (up 6,400), wood products (+4,000 jobs), food manufacturing (+3,400 jobs), chemicals (+2,600 jobs), transportation equipment (+2,300 jobs), and plastics and rubber products (+1,900 jobs).

Oklahoma manufacturing employment lost ground in December shedding a seasonally adjusted 1,100 jobs (or 10.1 percent). Durable goods manufacturing employment fell by approximately 800 jobs in December while non-durable goods manufacturing lost 300 jobs.

Over-the-year, Oklahoma manufacturers have added a seasonally adjusted 5,000 factory jobs for a growth rate of 3.8 percent. All of the year-over-year job growth has been in durable goods manufacturing as no-durable goods manufacturers shed 500 jobs.

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

American factories expanded in February at the fastest pace in almost two years, spurred by a jump in new orders. The PMI™ rose to 54.2, the highest reading since June 2011, indicating expansion in manufacturing for the third consecutive month, according to the latest Manufacturing ISM Report On Business®. The New Orders Index increased to the highest level since April 2011, registering 57.8 percent, an increase of 4.5 percent over January's reading of 53.3 percent.

As was the case in January, all five of the PMI™'s component indexes—new orders, production, employment, supplier deliveries and inventories—registered in positive territory in February. Of the 18 manufacturing industries surveyed, 15 reported growth, compared with 13 in January.

The monthly Mid-America Business Conditions Index, a leading economic indicator for a nine-state region, dipped slightly for the month. The Business Conditions Index, which ranges between 0 and 100, decreased to a tepid 53.1 from 53.2 in January, according to the Creighton Economic Forecasting Group. The index is pointing to sluggish growth for the region in the next three to six months.

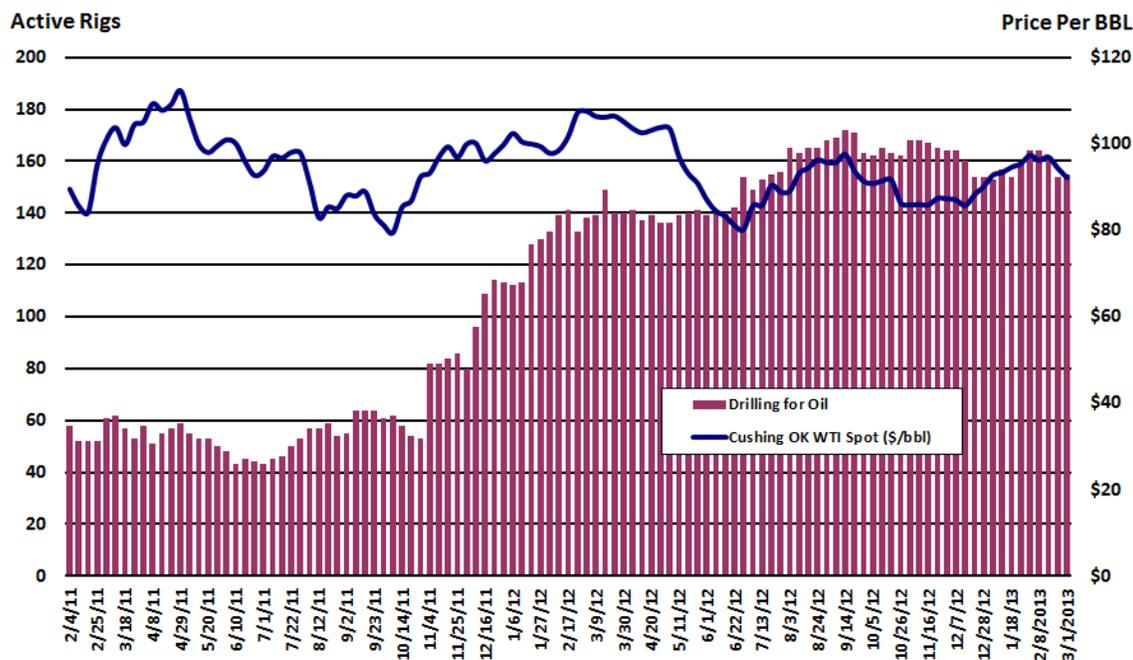
Oklahoma's Business Conditions Index moved above growth neutral for February. The leading economic indicator from a monthly survey of supply managers dipped to 52.5 from 53.8 in January. Components of the January survey of supply managers in the state were new orders at 51.7, production or sales at 48.4, delivery lead time at 49.0, inventories at 62.4, and employment at 51.0.

“Since the recovery began in 2009 and contrary to the nation, Oklahoma’s unemployment rate has declined by two percentage points and the state’s labor force has expanded by almost 40,000 workers. Durable goods manufacturers such as metal product producers are reporting very healthy growth while nondurable manufacturers including food processors are detailing pullbacks in economic activity. Based on our survey results over the past several months, Oklahoma growth will continue on a positive, but slower pace,” said Dr. Ernie Goss, director of Creighton University’s Economic Forecasting Group.

Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

February 2011 to February 2013

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

Baker Hughes recently began releasing detailed weekly oil-directed and gas-directed rig activity reports by state. Although this new dataset is limited, (only beginning in February 2011), it offers tremendous insight into the dramatic shift from natural gas-directed drilling to oil-directed drilling that occurred during 2011. The rig count is an important indicator of exploration and development activity for both oil and natural gas. Historically, drilling for each resource has tracked price changes, although with some lag.

The U.S. Energy Information Administration (EIA) recently reported that the average U.S. retail price for regular motor gasoline has risen 45 cents per gallon since the start of the year, reaching \$3.75 per gallon on February 18. Between January 1 and February 19, the price of Brent crude, the waterborne light sweet crude grade that drives the wholesale price of gasoline sold in most U.S. regions, rose about \$6 per barrel, or about 15 cents per gallon. A simple calculation, which modestly understates the role of higher crude prices to the extent that crude price increases during December 2012 were still not fully passed through in retail gasoline prices at the start of 2013, suggests that about two-thirds of the rise in gasoline prices since the start of the year reflects higher gasoline refining margins or 'crack spreads'.

Both planned and unplanned maintenance at several refineries have supported higher crack spreads. Many refineries schedule maintenance early in the year when gasoline demand is seasonally low. Trade press estimates indicate that off line refinery capacity increased from the beginning of 2013 to more than 1.7 million barrels per day (bbl/d) for the week ending February 15. As a result, the EIA estimates that gross inputs into U.S. refineries fell 9 percent from 15.9 million bbl/d per day in mid-December to 14.4 million bbl/d for the week ending February 15.

WTI-Cushing spot prices averaged \$95.31 per barrel in February, up 55 cents from the January average of \$94.76 per barrel. Over the year, spot WTI-Cushing prices were down \$6.89 from the January 2012 average of \$102.20 per barrel.

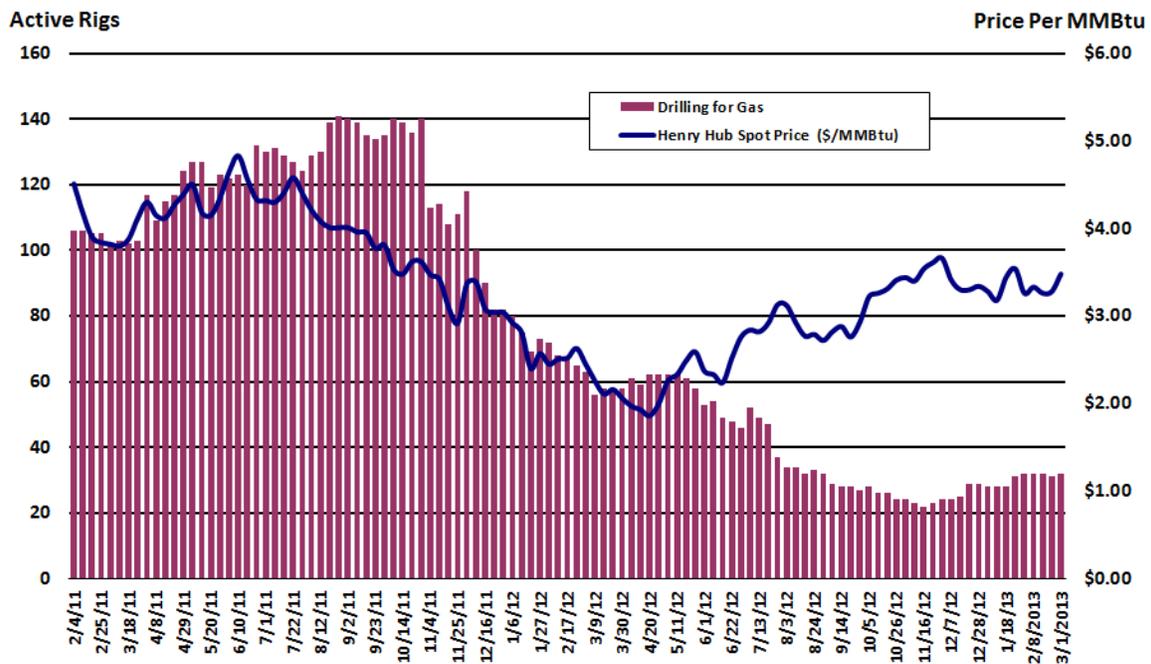
Oklahoma's overall rotary rig activity for February averaged 193, eight rigs more than January's 185 rig count. Over the year, February's active rotary rig count in Oklahoma fell by 12 rigs. Oil-directed active rotary rigs rose to a level of 155 for the week ended March 1, 2013, adding one rig from the previous week.

For the week ending March 1, 2013, there were 155 oil-directed active rotary rigs in Oklahoma, accounting for approximately 83 percent of total rig activity.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

February 2011 to February 2013

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

Faced with decade-low natural gas prices that have made some drilling operations unprofitable, domestic producers have drastically cut drilling and production of the fuel in the U.S. Consequently, natural gas drilling in Oklahoma has also fallen to ten-year lows over the past year.

In mid-2011, natural gas-directed drilling rigs accounted for approximately 75 percent of all drilling activity in Oklahoma. One year later, by mid-2012, that share had fallen to 25 percent.

According to the most recent *State Energy Data Release* from the Energy Information Administration (EIA), U.S. consumption of natural gas totaled 25 quadrillion Btu in 2011, a 2-percent increase from 2010. The top consuming states were Texas, California, and Louisiana.

Although consumption of natural gas increased, U.S. natural gas expenditures fell to \$155 billion in 2011, a 3-percent decrease from 2010. For 2011, the residential sector accounted for 33 percent of total expenditures, the industrial sector accounted for 24 percent, the electric power sector accounted for 24 percent, the commercial sector accounted for 18 percent, and the transportation sector accounted for less than 1 percent.

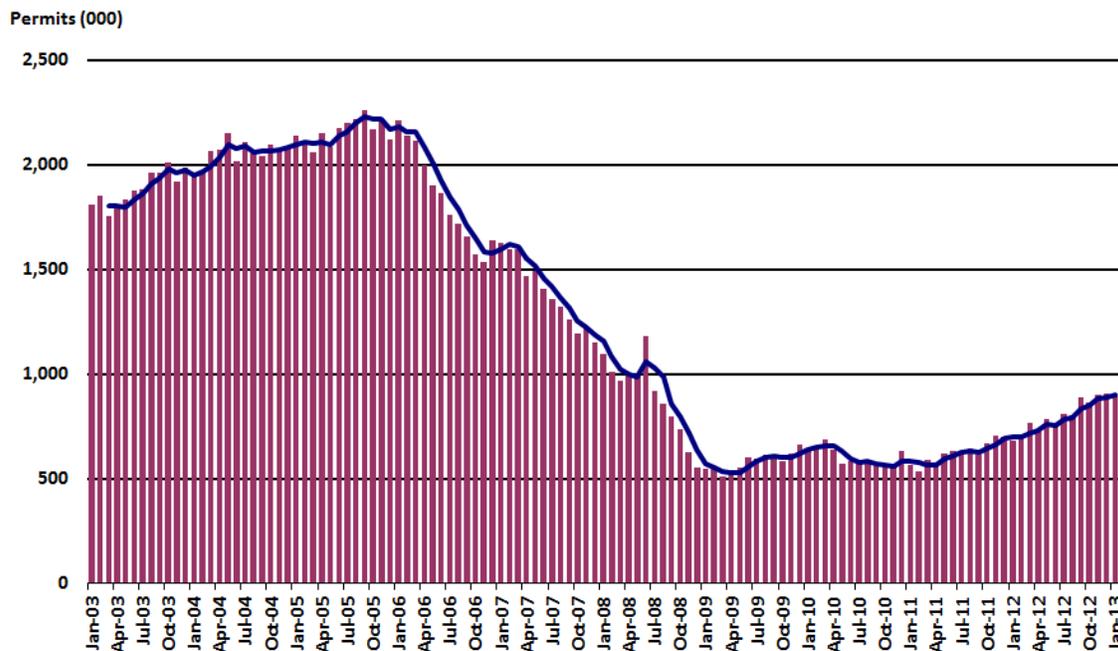
Henry Hub prices were at \$3.48 per MMBtu during the week ending March 1, 2013, an increase of 20 cents from the previous week's \$3.28 per MMBtu but 6 cents higher than \$3.54 per MMBtu a month ago. Natural gas average spot prices in February were unchanged from January' average price of \$3.33 per MMBtu.

According to data reported by Baker Hughes Incorporated, Oklahoma's natural gas rotary rig count was essentially unchanged at 32 active rigs for the week ended March 1, 2013. Over the year, Oklahoma's natural gas-directed rotary rig count has dropped by 31 from 63 rigs (for the week ended March 2, 2012).

U.S. Total Residential Building Permits, 2003-2013

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

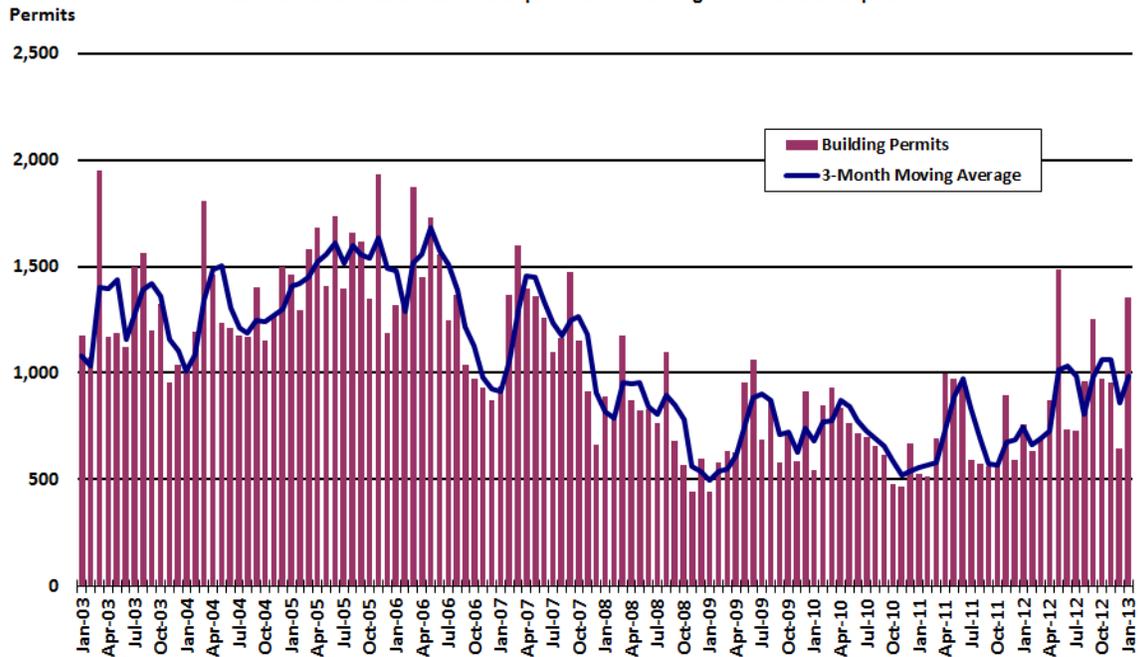
Building permits continued to trend upward at a moderate pace in January while US builders started work on homes at the third highest pace since mid-2008. Privately-owned housing units authorized by building permits in January were at a seasonally adjusted annual rate of 925,000 or 1.8 percent above the revised December rate of 909,000 (which had been the high-point since mid-2008), and 35.2 percent above the January 2012 estimate of 684,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

For all of 2012, U.S. homebuilders started work on 780,000 homes. That was still only about half the annual number consistent with a healthy market, but it represents a 28 percent jump from 2011. And it was also the most housing starts since 2008, when construction was still falling after the housing bubble burst more than six years ago.

Oklahoma Total Residential Building Permits, 2003-2013

Not Seasonally Adjusted

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



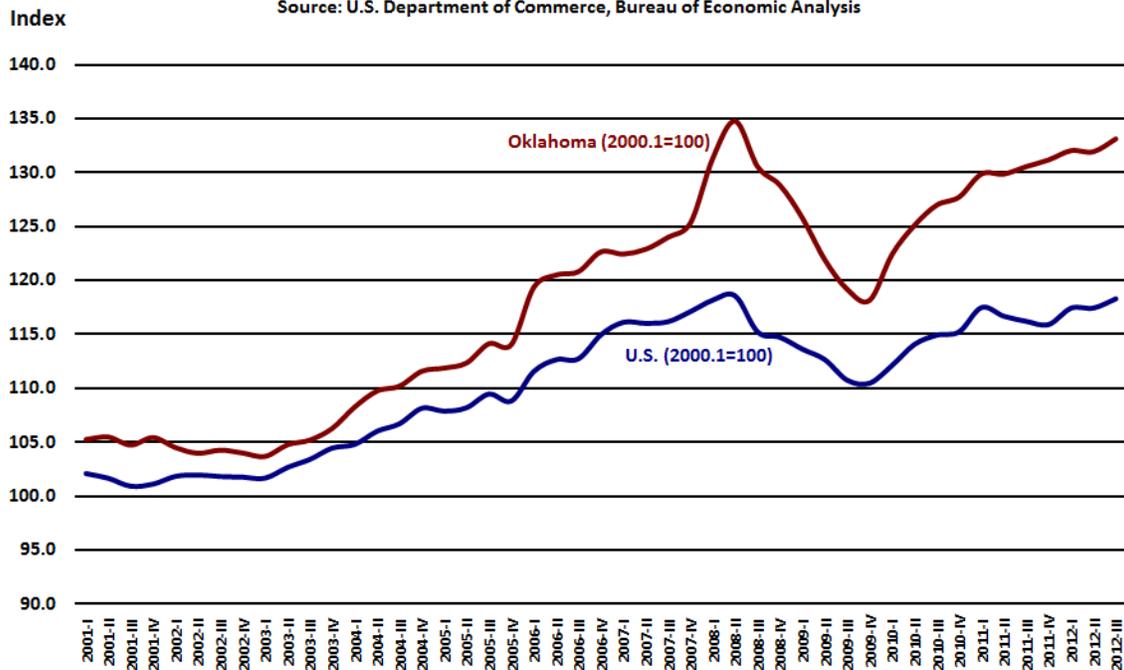
Warmer than normal temperatures helped drive January building permits in Oklahoma to their highest levels since 2005. Total unadjusted residential building permits for January surged 110 percent from December, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development. Single-family permitting activity accounted for 64.0 percent of residential permitting activity in January while apartment permitting added another 29.8 percent.

Over the year, total unadjusted residential permitting in Oklahoma was 79.1 percent better than January 2012. Single-family permitting was up 29.4 percent while the more volatile multi-family component was up 67.2 percent from January 2012.

U.S. and Oklahoma Real Personal Income

Index: 1st Quarter 2000 = 100

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



Definition & Importance

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

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

Current Developments

U.S. consumer spending rose in January even after personal income recorded its biggest monthly drop in 20 years. Personal income decreased \$505.5 billion, or 3.6 percent, and disposable personal income (DPI) decreased \$491.4 billion, or 4.0 percent, in January, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) increased \$18.2 billion, or 0.2 percent in January.

Weakness in January income was led by a monthly 34.8 percent plunge in dividend income following a 32.8 percent spike in December as businesses rushed to pay dividends and bonuses before income taxes increased on top earners—reflecting ‘fiscal cliff’ effects.

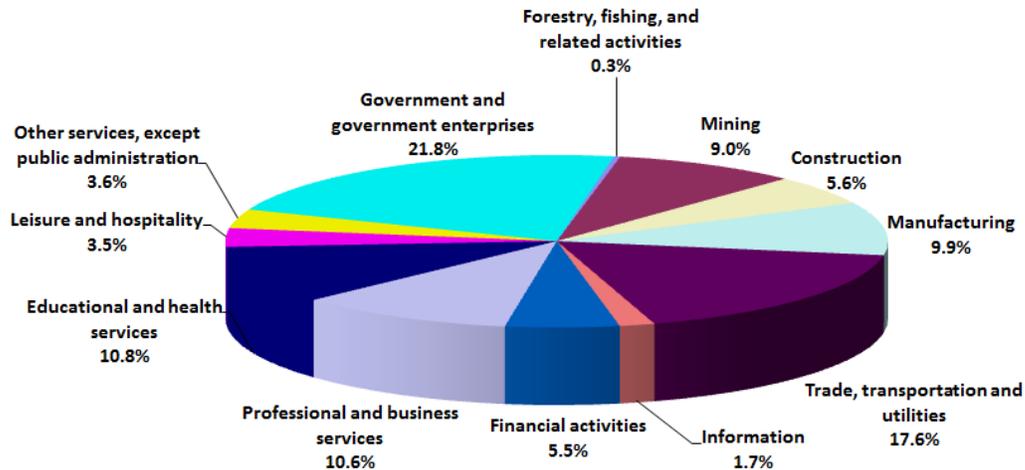
Although spending rose in January, it was supported by a rise in services, probably related to increased utilities consumption after a cold snap during the month. Spending on goods fell, suggesting some hit from the expiration of the 2 percent payroll tax cut at the end of 2012.

With income dropping sharply and spending rising, the saving rate fell to 2.4 percent in January, the lowest level since November 2007.

Oklahoma Nonfarm Industry Contribution to Earnings

Third 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 slowed to 0.5 percent in the 3rd quarter of 2012, from 0.7 percent in the 2nd quarter, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Growth slowed in 34 states, accelerated in 11, and was unchanged in five states (including Oklahoma). Growth across states ranged from 1.4 percent in North Dakota to -1.6 percent in South Dakota.

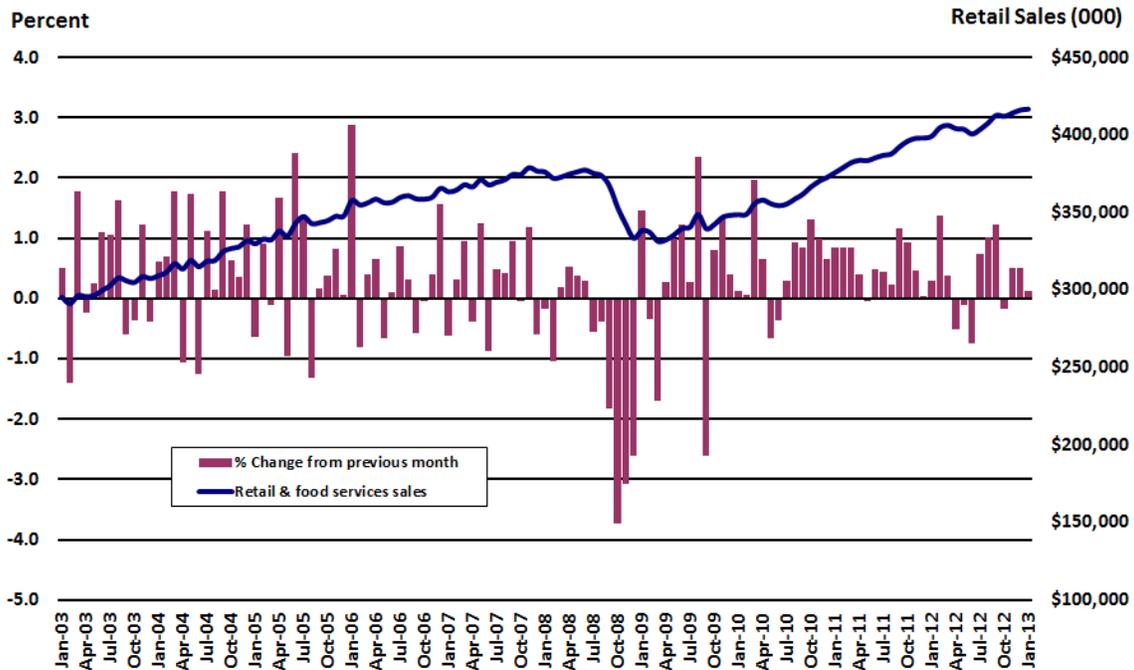
Personal income grew to \$148.7 billion in Oklahoma, up from \$147.7 billion in the 2nd quarter. Oklahoma's personal income growth rate held steady at 0.7 percent for the quarter and ranked 13th in the nation.

Earnings in the construction industry grew 3.6 percent in Texas and 3.3 percent in Oklahoma in the 3rd quarter. Earnings growth of \$2.3 billion in these two states was more than one half the \$4.4 billion of construction earnings growth in the other forty-eight states. In Oklahoma, farm earnings saw the highest percentage increase, growing 13.7 percent during the 2nd quarter. Mining earnings (including oil and gas earnings) fell in most states, including major energy producers such as Texas, Oklahoma, Louisiana, Wyoming, Alaska, and West Virginia.

Earnings in the administrative services industry declined in Oklahoma (down 3.7 percent), Nevada (down 2.5 percent), and West Virginia (down 2.3 percent) and brought administrative services earnings in those states to their lowest levels since the 1st quarter of 2011.

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

In the first month since the temporary cut in Social Security taxes expired last month, retail sales slowed following a strong December. Advance estimates of U.S. retail and food services sales for January, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$416.6 billion, an increase of 0.1 percent from the previous month and 4.4 percent above January 2012, according to the U.S. Census Bureau. Total sales for the November 2012 through January 2013 period were up 4.5 percent from the same period a year ago. The November to December 2012 percent change was unrevised from +0.5 percent.

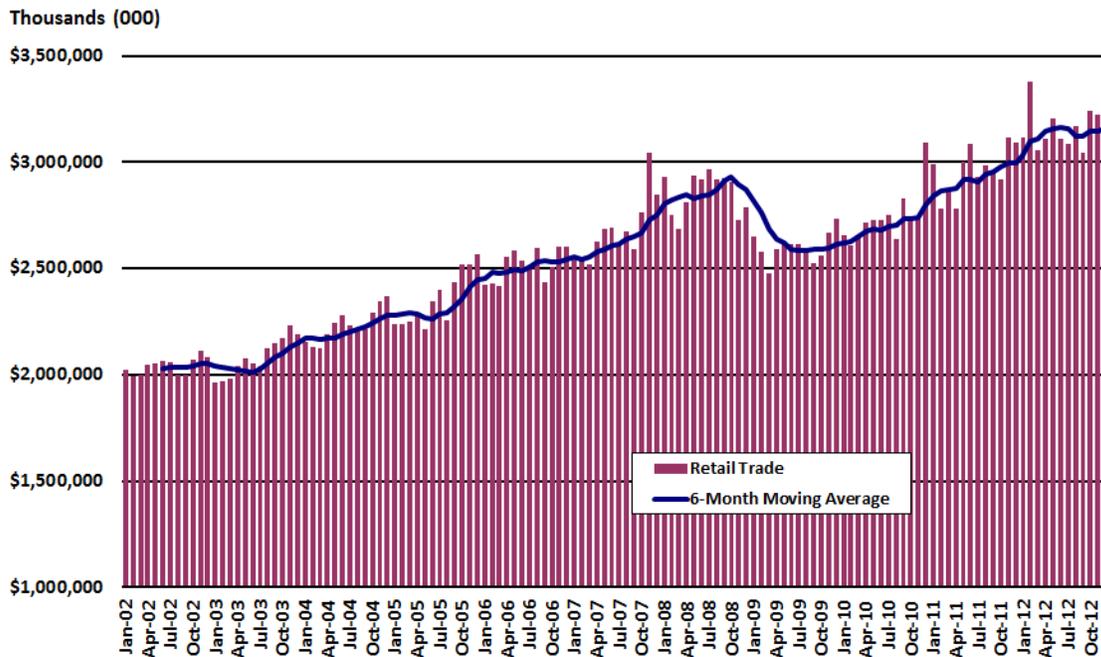
Motor vehicle sales eased 0.1 percent but followed a robust 1.2 percent jump in December. Gasoline sales were up a modest 0.2 percent in January, following a 1.7 percent drop the month before.

Core retail sales, which exclude the more volatile auto, building materials, and gas station sales, ticked up 0.2 percent. Gains were led by general merchandise (+1.1 percent), nonstore retailers (+0.9 percent). Weakness was led by miscellaneous store retailers (-2.6 percent), health & personal care (-1.0 percent), and clothing & accessories (-0.3 percent).

Although the pace of spending clearly slowed in January it's hard to determine the impact of higher payroll taxes given that January came off a strong December. Pullback is normal after a strong month.

Oklahoma Total Adjusted Retail Trade

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



Definition & Importance

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

Current Developments

It appears most Oklahoma consumers took advantage of early store promotions and did most of their holiday shopping early. Total adjusted retail sales for December 2012 were at a level of \$3,186,471,105, down 1.2 percent following strong sales levels in October and November.

Durable goods sales advanced 1.3 percent in December with the largest gains seen in electronics & music stores (+3.5 percent), miscellaneous durable goods (+2.3 percent), and lumber & hardware (+1.1 percent). Gains were also seen in auto accessories & repair (+0.2 percent) and furniture (+0.1 percent). Declining sales were seen in used merchandise (-5.3 percent). Over the year, durable goods sales were 8.3 percent more than December 2011.

Total nondurable goods sales fell almost 2.0 percent in December with the largest decline in estimated gasoline sales (-8.0 percent) and miscellaneous non-durable goods (-5.6 percent). Other declines in non-durable goods were in drug sales (-1.2 percent). Advancing were liquor sales (+1.8 percent), apparel (+0.6 percent), general merchandise (+0.6 percent), and food (+0.4 percent). Eating & drinking sales (1.9 percent) were flat in December. Compared to December 2011, non-durable goods sales improved 1.5 percent.