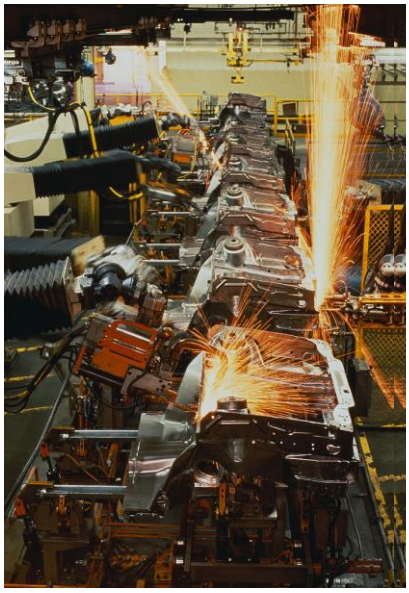

OKLAHOMA
Economic Indicators

February 2014

OKLAHOMA
ECONOMIC INDICATORS

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February 2014

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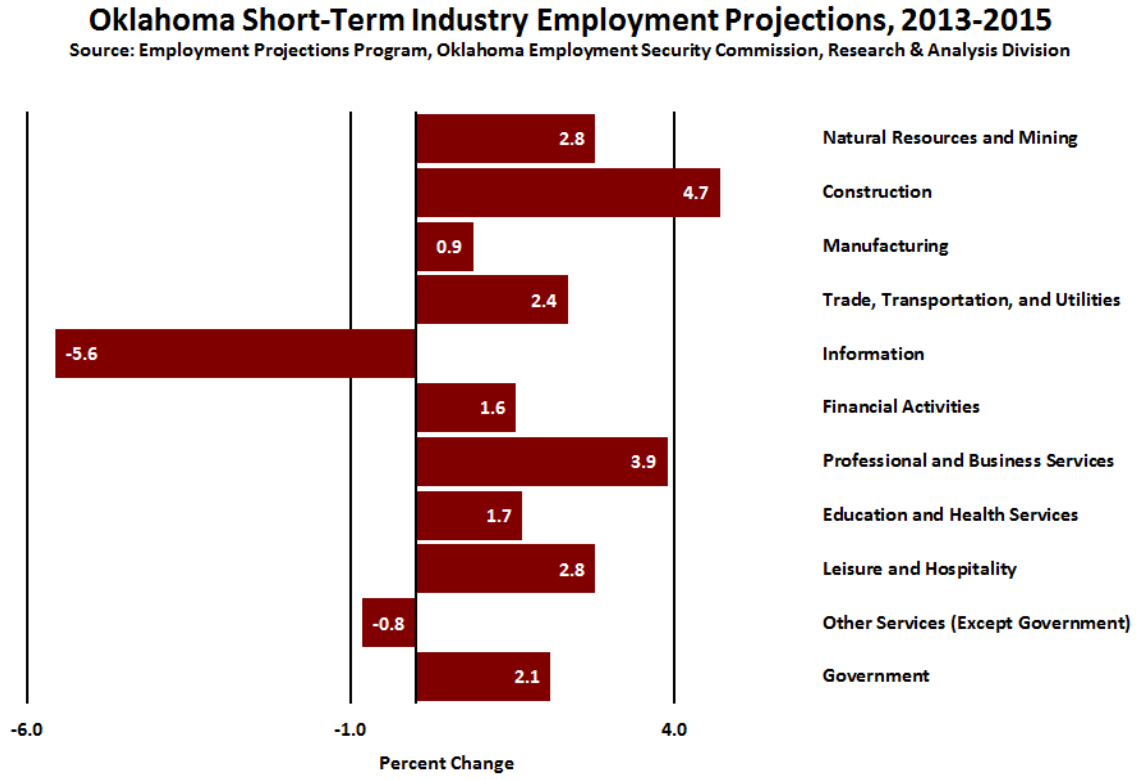
SPECIAL REPORT:
Oklahoma Short-Term Industry and Occupational Projections: 2013 to 2015



Introduction

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

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

Industry Projections

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

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

Table 1.

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

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

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

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

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

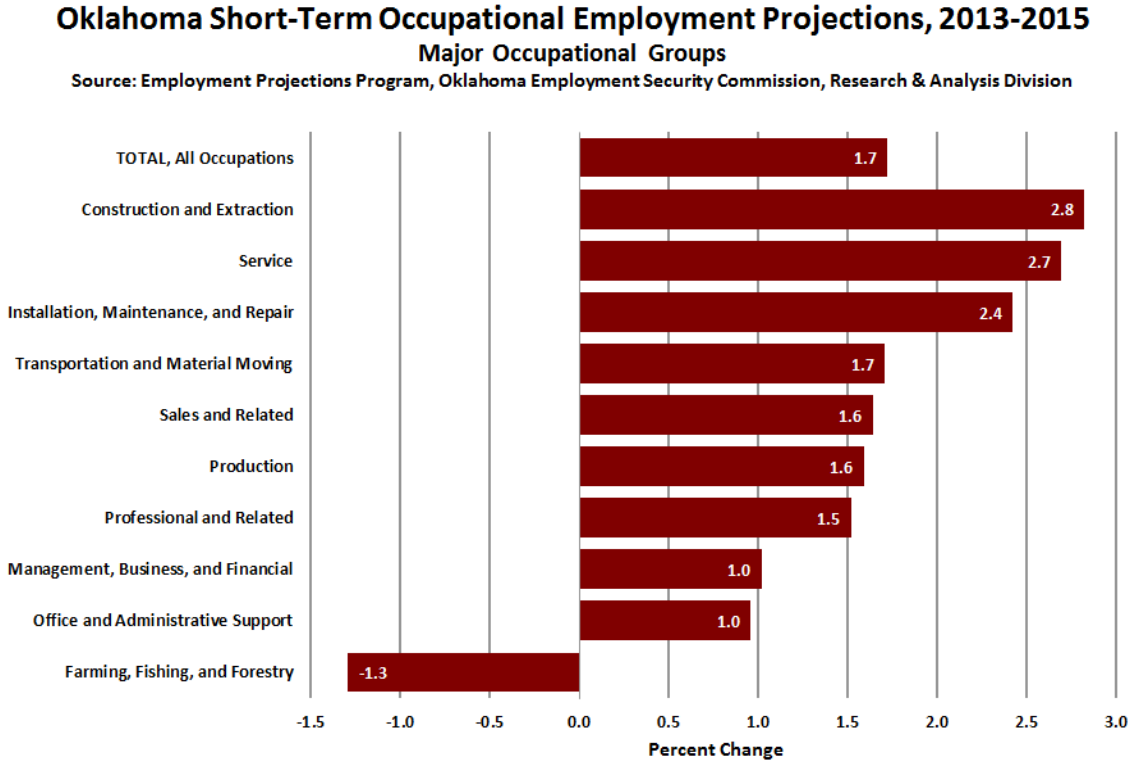
Education & health services employment is expected to add 6,550 jobs (+1.65 percent) from 2013 to 2015 with approximately two-thirds of the job gains in health care & social assistance (+4,760 jobs).

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

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

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

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



Occupational Projections

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

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

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

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

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

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

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

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

Source: Employment Projections program, Oklahoma Employment Security Commission

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

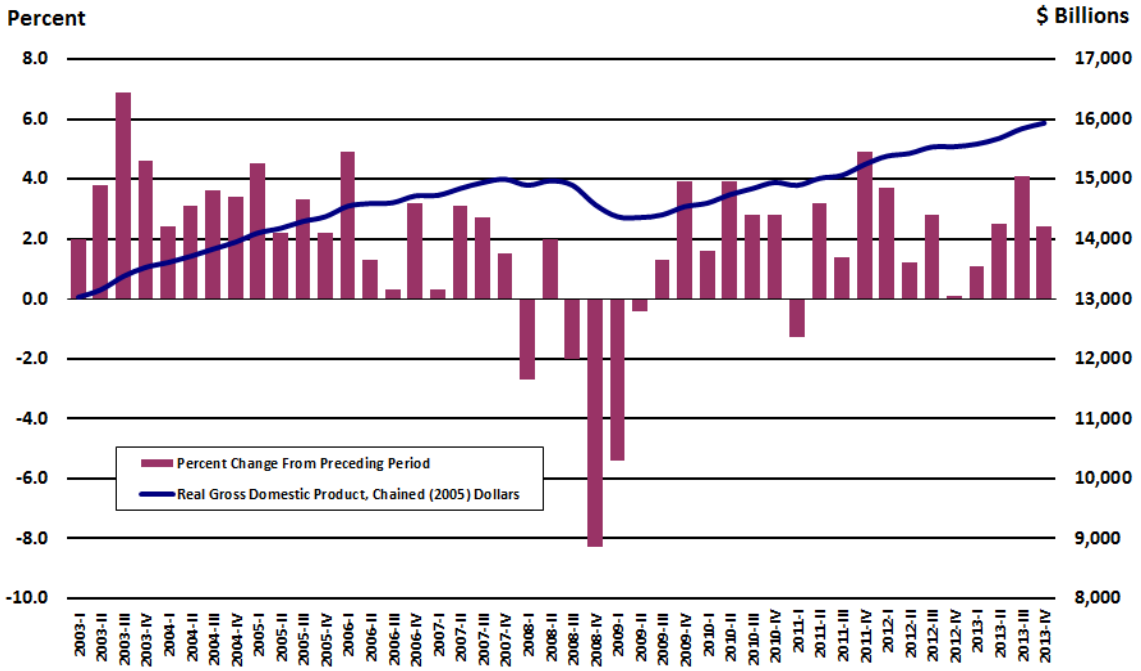
More Information

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

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

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 a sharply slower pace in the 4th quarter than first thought, partly because consumers didn't spend as much as initially estimated. Real gross domestic product increased at an annual rate of 2.4 percent in the 4th quarter of 2013, according to the "second" estimate released by the Bureau of Economic Analysis (BEA). In the 3rd quarter, real GDP increased 4.1 percent.

The “second” estimate of the 4th-quarter percent change in real GDP is 0.8 percentage point, or $32.7 billion, less than the ‘advance’ estimate issued last month, primarily reflecting downward revisions to personal consumption expenditures (PCE), to private inventory investment, to exports, and to state and local government spending that were partly offset by an upward revision to nonresidential fixed investment.

The biggest factor in the revised estimate of growth last quarter came from the reduction in consumer spending. Personal consumption expenditures (PCE) expanded at a 2.6 percent annual rate, well below the initial estimate of 3.3 percent, though still the strongest quarterly spending by consumers in nearly two years. The more sluggish pace of consumer spending likely resulted from bad weather at the end of the year, which cut into vehicle sales, among other purchases.

The government's estimate of business investment was revised up to an annual rate of 7.3 percent in the 4th quarter. That’s the best quarterly showing in a year and much higher than the initial 3.8 percent annual rate.

Housing construction declined in the final three months of 2013. Real residential fixed investment decreased 9.8 percent, in contrast to an increase of 10.3 percent in the 3rd quarter. This setback is expected to be temporary and partly the result of bad weather.

Real exports of goods and services were revised down to 9.4 percent from the initial 11.4 percent pace. Real imports of goods and services, which are a subtraction in the calculation of GDP, increased 1.5 percent in the 4th quarter instead of 0.9 percent as first thought.

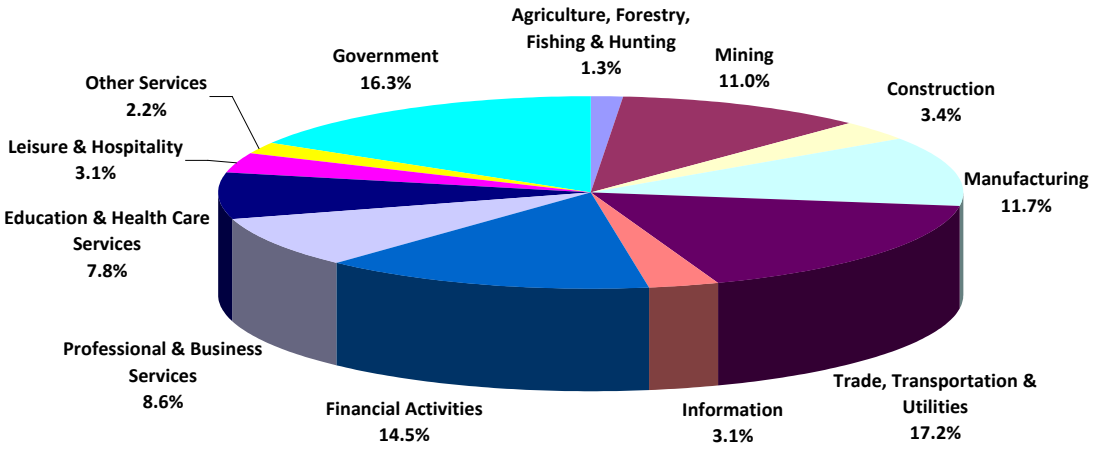
Government spending was a big drag to GDP in the 4th quarter, subtracting 1.1 percentage points from growth. Federal government spending accounted for 1 percentage point of the reduction, reflecting lower defense spending (-14.4 percent). Real state and local government consumption expenditures and gross investment decreased 0.5 percent, in contrast to an increase of 1.7 percent in the 3rd quarter.

Real GDP increased 1.9 percent in 2013, weaker than the 2.8 percent increase in 2012. GDP growth was held back last year by a combination of higher federal taxes and government spending cuts enacted to combat soaring budget deficits.

2011 Industry Share of Oklahoma's Economy

(by percentage of Gross Domestic Product)

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



Definition & Importance

Oklahoma's economy typically follows a similar trend to that of the nation. State GDP data lags behind national data and is only available annually. As a result, it is not a good indicator of current economic conditions and does not fully reflect the recent changes in Oklahoma's economic climate. However, it is still valuable to understand the state's growth trend compared to the nation and what industries are the largest contributors to Oklahoma's economy.

Current Developments

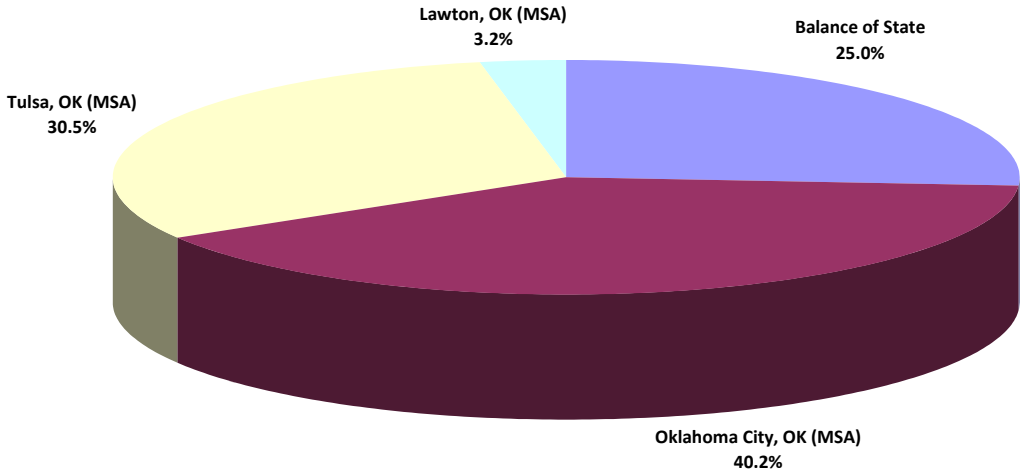
Oklahoma was among 43 states and the District of Columbia experiencing growth in real GDP in 2011, according to the advance estimate from the Bureau of Economic Analysis (BEA). Oklahoma's 2010 advance estimate was revised upward from 1.0 percent to 2.0 percent while the state's 2009 GDP was further revised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

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

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

Metropolitan Area Contribution to State Real Gross Domestic Product
2010

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



Definition & Importance

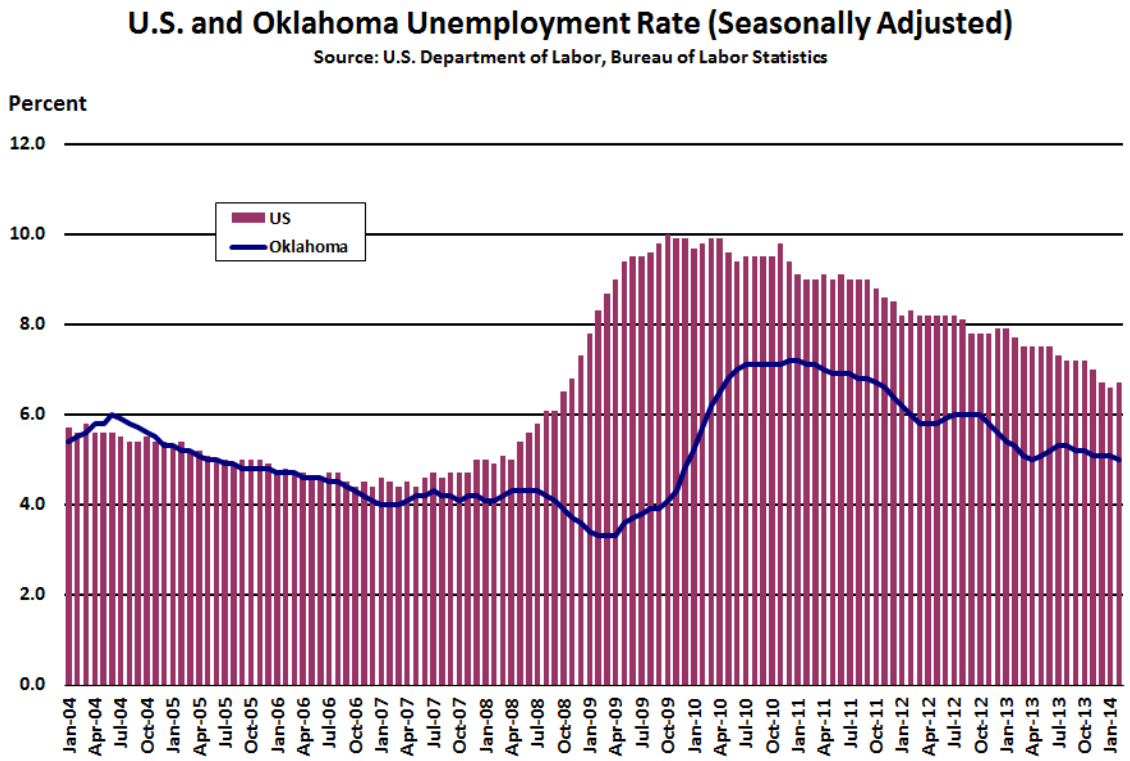
Metropolitan Statistical Areas (MSA) are the county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree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

Nationally, metropolitan statistical areas represent approximately 90 percent of total GDP. In Oklahoma, the three MSAs of Oklahoma City, Tulsa and Lawton accounted for roughly 75 percent of total state GDP in 2010.

Current Developments

Real U.S. GDP by metropolitan area increased 2.5 percent in 2010 after declining 2.5 percent in 2009, according to the most current statistics from the U.S. Bureau of Economic Analysis (BEA). The economic growth was widespread as real GDP increased in 304 of 366 (83 percent) metropolitan areas, led by national growth in durable-goods manufacturing, trade, and financial activities.

In terms of growth in real GDP, Lawton MSA ranked 15th out of the 366 U.S. metropolitan areas growing by 6.9 percent to $4.21 billion in 2010. Oklahoma City MSA ranked 205th growing by 1.7 percent to $53.7 billion followed by Tulsa MSA ranked at 329th declining by -0.6 percent to $40.7 billion.



Definition & Importance

The Bureau of Labor Statistics Local Area Unemployment Statistics (LAUS) program produces monthly estimates of total employment and unemployment from a national survey of 60,000 households. The unemployment rate measures the percentage of people who are without work and is calculated by dividing the estimated number of unemployed people by the civilian labor force. The result expresses unemployment as a percentage of the labor force.

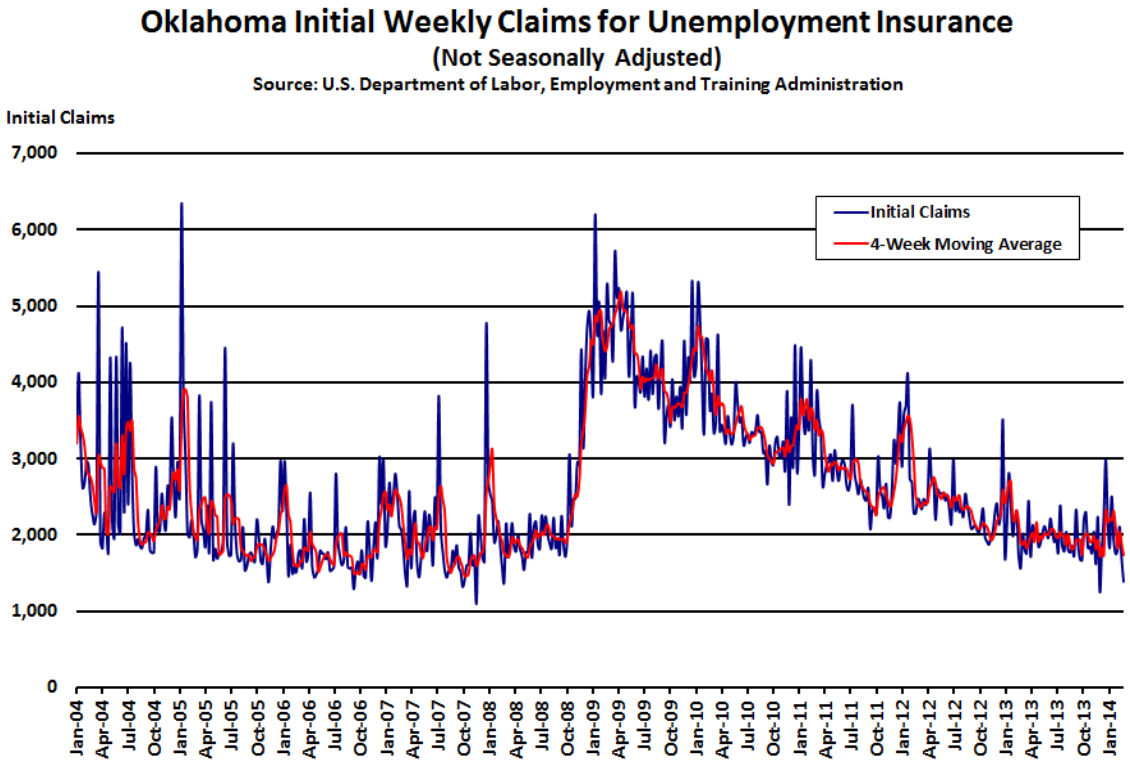
The unemployment rate is a lagging indicator of economic activity. During a recession, many people leave the labor force entirely, as a result the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more people are returning to the labor force as they believe they will be able to find work. The civilian unemployment rate tends towards greater stability than payroll employment on a monthly basis and reveals the degree to which labor resources are utilized in the economy.

Current Developments

More Americans started looking for work in February but didn't find jobs, an encouraging sign suggesting that people were more optimistic about their job prospects. The unemployment rate rose to 6.7 percent from a five-year low 6.6 percent in January, according to the Bureau of Labor Statistics (BLS). The labor force grew 264,000 in February after adding 523,000 the month before. The labor force participation rate held steady at 63.0 percent in February.

Over the year, the state's seasonally adjusted unemployment rate was 0.3 percentage point higher than the December 2012 reading of 5.1 percent. Oklahoma was one of six states that posted a jobless rate increase from a year earlier. Another 42 states and the District of Columbia had rate decreases from a year earlier, and two states had no change, according to the BLS.

NOTE: January 2014 statewide employment and unemployment is scheduled to be released on March 17, 2014.



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.

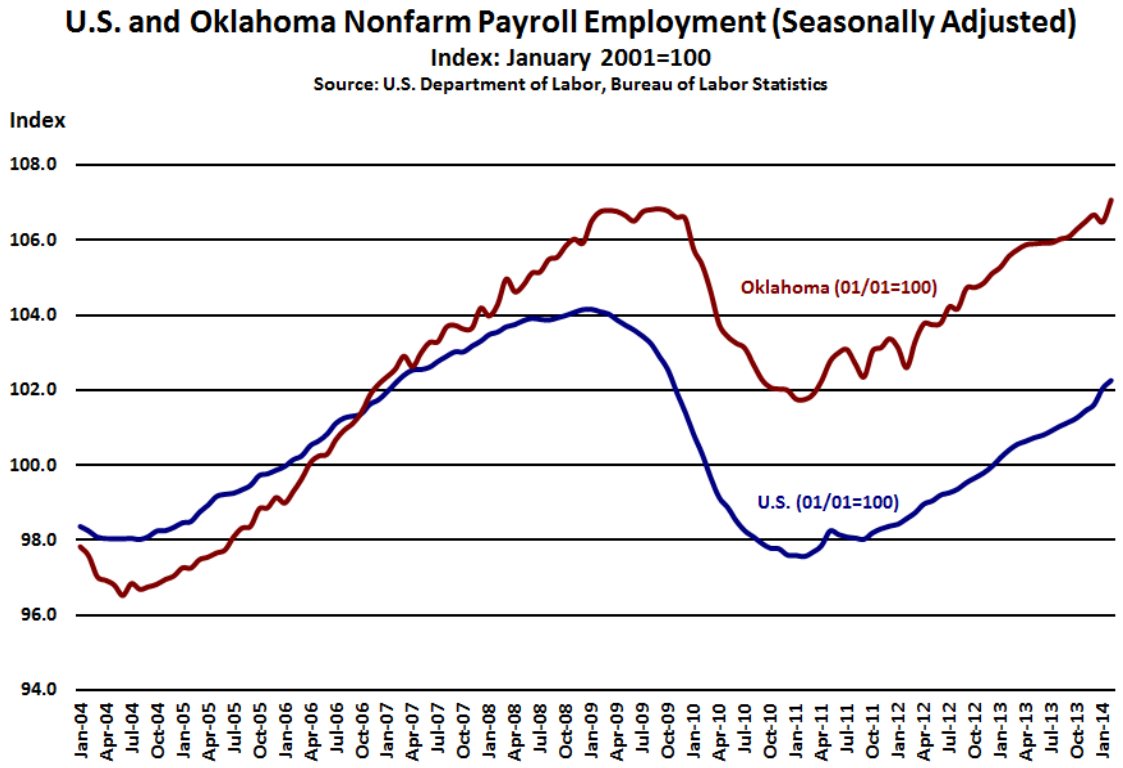
Initial claims are a leading indicator because they point to changes in labor market conditions. An increasing trend signals that layoffs are occurring. Conversely, a decreasing trend suggests an improving labor market. The four-week moving average of initial claims smoothes out weekly volatility and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

Current Developments

The number of Americans filing new claims for jobless benefits hit a three-month low in the last week of February, a sign of strength in a labor market that has recently been impaired by severe winter weather. In the week ending March 1, the advance figure for seasonally adjusted initial claims was 323,000, a decrease of 26,000 from the previous week's revised figure of 349,000, their lowest level since the end of November according to figures released by the U.S. Labor Department (DOL). It was the lowest level of initial jobless claims since the end of November. The less volatile 4-week moving average was 336,500, a decrease of 2,000 from the previous week's revised average of 338,500.

Oklahoma's initial jobless claims continued to trend down in February and it appears that initial claims have finally returned to pre-recession levels. For the file week ending February 22, initial claims for unemployment insurance decreased by 310 from 1,700 the previous week to 1,390. For the same file week ending, the four-week moving average was down 150 from 1,787 to 1,737.

Over the month, statewide initial claims have fallen 359 from 1,749 to 1,390 while the less volatile 4-week moving average has dropped by 352 from 2,098 to 1,737.



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 picked up from recent months in February, despite a blast of wintry weather. Total nonfarm payroll employment rose by 175,000 in February, up from just 129,000 in January, which was revised up from 113,000, according to the Bureau of Labor Statistics (BLS). In 2013, employment growth averaged 194,000 per month. In February, job gains occurred in professional and business services (+79,000) and in wholesale trade (+14,800), while information lost jobs (-16,000).

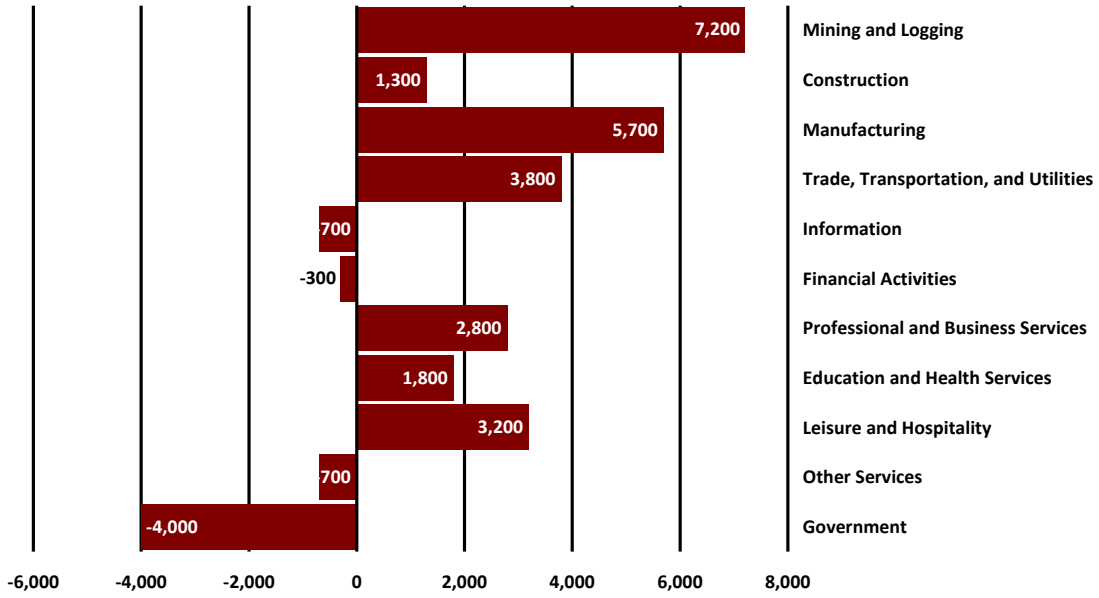
Oklahoma's seasonally adjusted nonfarm employment expanded by 3,400 jobs (+0.2 percent) in December. Oklahoma posted job gains for the fourth straight month due mostly to large increases in professional & business services (+1,900 jobs); mining & logging (+1,200 jobs); trade, transportation & utilities (+1,100 jobs); and government (+1,100 jobs).

NOTE: January 2014 statewide employment and unemployment is scheduled to be released on March 17, 2014.

Oklahoma Employment Change by Industry

2010 - 2011

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



Definition & Importance

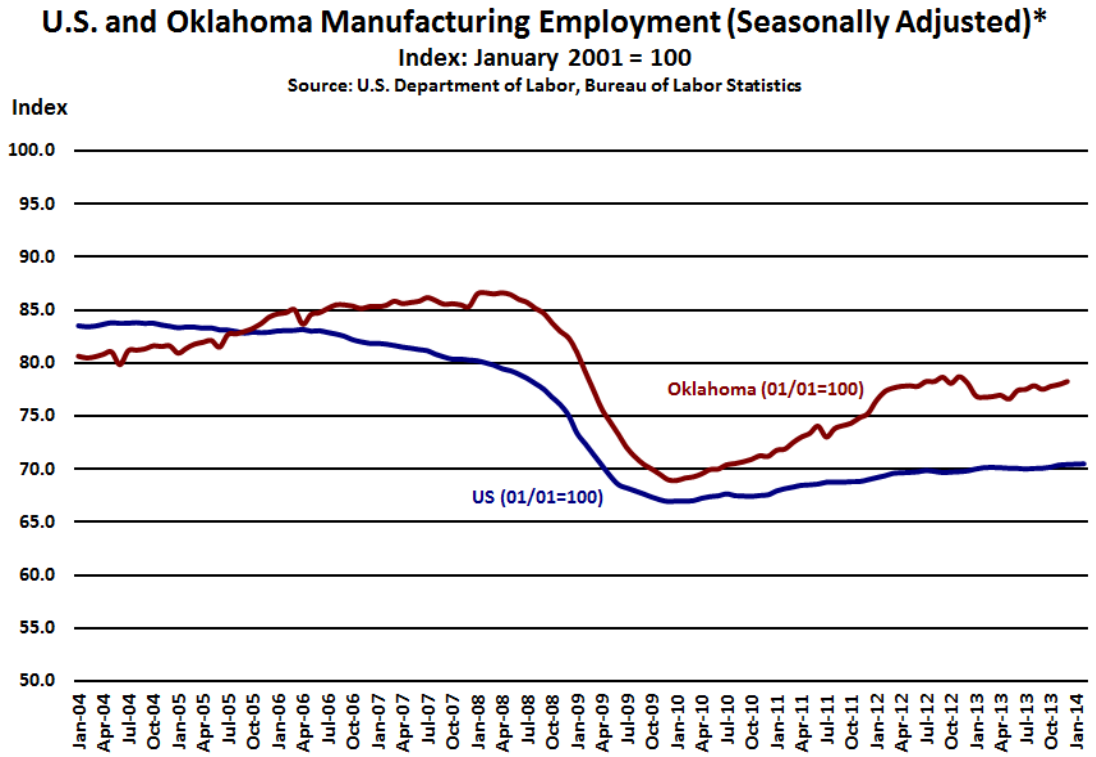
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion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

Current Developments

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

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

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



Definition & Importance

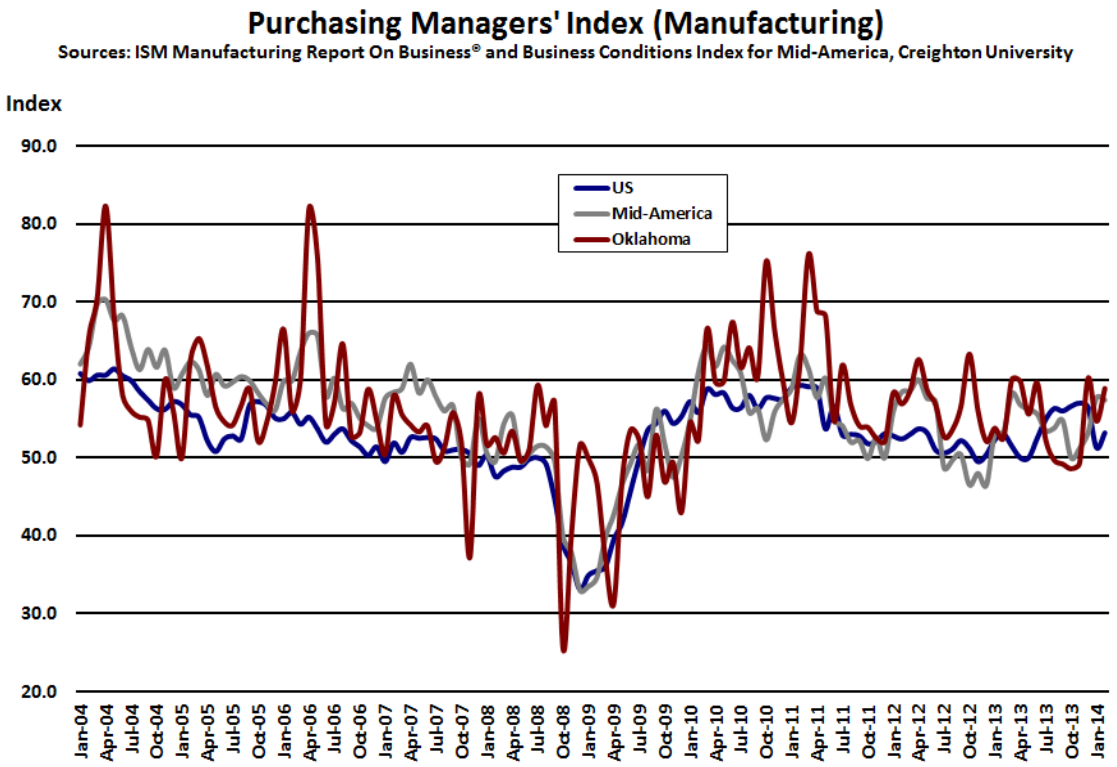
Manufacturing employment data is also produced by the Bureau of Labor Statistics' Current Employment Statistics (CES) program. Manufacturing and production are still important parts of both the U.S. and Oklahoma economies. During the 2007-09 recession, employment in manufacturing declined sharply. Although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

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

Current Developments

Manufacturing employment gains have been softer the past three months, with severe weather likely having a dampening effect. Employment in manufacturing grew in February, adding 6,000 jobs and continuing a trend of weaker hiring seen since December, according to the Bureau of Labor Statistics (BLS). The largest gains were in transportation equipment (+3,700, of which 3,400 stemmed from motor vehicles and parts), miscellaneous nondurable goods (+1,800), machinery (+1,600), plastics and rubber products (+1,400), primary metals (+1,300), textile mills (+1,100), and miscellaneous durable goods (+1,000).

Over the year, Oklahoma manufacturing employment added a non-seasonally adjusted 2,200 jobs for a 1.6 percent growth rate. Durable goods manufacturing employment added 2,000 jobs (2.1 percent) while non-durable goods added 200 jobs (0.5 percent).



Definition & Importance

Economists consider the Institute for Supply Management's Purchasing Managers' Index (PMI) a key economic indicator. The Institute for Supply Management (ISM) surveys more than 300 manufacturing firms on employment, production, new orders, supplier deliveries, and inventories. The ISM manufacturing index is constructed so that any level at 50 or above signifies growth in the manufacturing sector. A level above 43 or so, but below 50, indicates that the U.S. economy is still growing even though the manufacturing sector is contracting. Any level below 43 indicates that the economy is in recession.

For the region, since 1994, the Creighton Economic Forecasting Group at Creighton University has conducted a monthly survey of supply managers in nine states (including Arkansas, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma and South Dakota), to produce leading economic indicators for the Mid-America economy using the same methodology as the national survey by the ISM.

Current Developments

U.S. manufacturing activity picked up in February after slowing in January amid severe winter weather. The February PMI® registered 53.2 percent, an increase of 1.9 percentage points from January's reading of 51.3 percent, indicating expansion in manufacturing for the ninth consecutive month, according to the latest Manufacturing ISM *Report On Business*®. The ISM index rose for six straight months until dipping slightly in December, followed by January's sharp fall as heavy snow caused factories to close.

Shipping disruptions caused by severe winter weather appear to have slowed production which fell a very sharp 6.6 points to 48.2—its lowest level in nearly five years. Supplier deliveries slowed sharply, up 4.2 points to 58.5 which is the slowest reading since April 2011. Slowing deliveries is usually considered a sign of economic strength and lifts the composite, but in this case it is likely only a sign of weather troubles in shipping.

The Mid-America Business Conditions Index, a leading economic indicator for the nine-state region, increased. The Business Conditions Index, which ranges between 0 and 100, dipped slightly in February to 57.4 from January's 57.7, according to the Creighton Economic Forecasting Group. Extreme cold in February had a negative impact on sales for nearly a third of supply managers surveyed in a nine-state region.

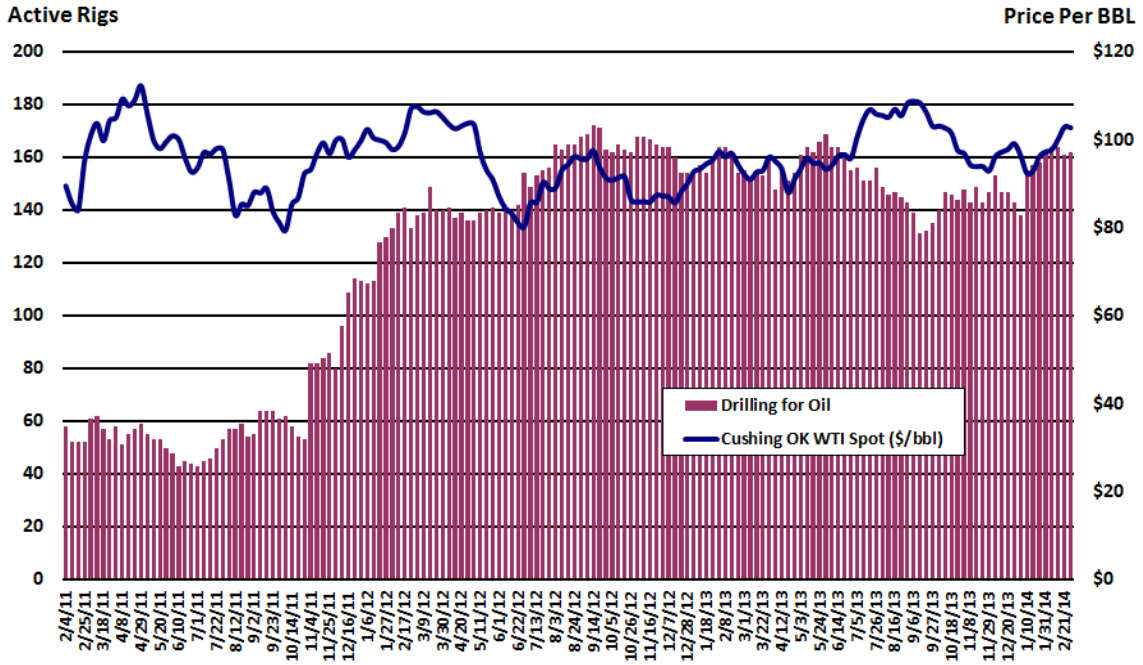
After slipping below growth neutral in the 3rd quarter of 2013, Oklahoma's Business Conditions Index has been pointing toward growth for the first half of 2014. The overall index, a leading economic indicator, advanced to 58.9 in February, up from a 54.7 reading for January. Components of the February survey of supply managers in the state were new orders at 75.1, production or sales at 60.9, delivery lead time at 49.2, inventories at 55.8, and employment at 53.4.

"Advancing economic conditions among durable goods producers, including machinery manufacturers, and business services firms more than offset somewhat weaker business conditions for food processors in the state," 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 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.

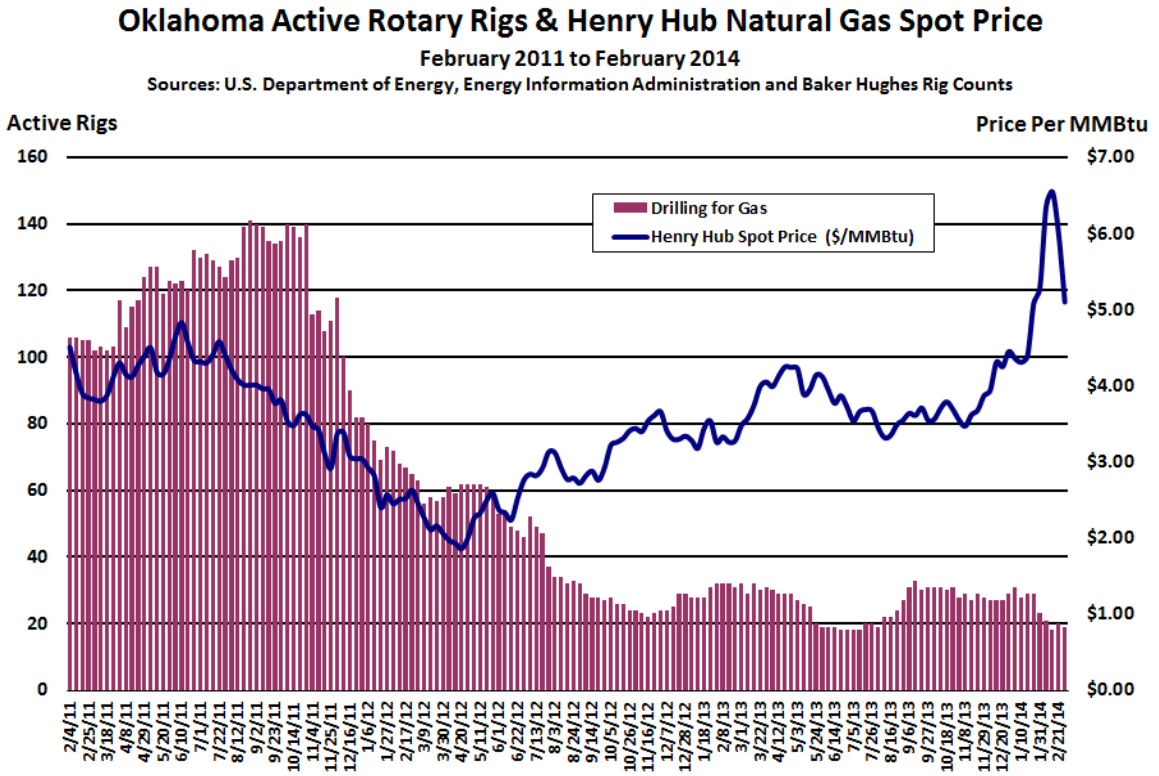
Current Developments

Changes in crude oil and petroleum products trade account for most of the recent narrowing of the total U.S. trade deficit, according to the U.S. Energy Information Administration (EIA). Monthly trade data show the value of crude and petroleum products net imports was roughly equal to the value of electronics net imports in November 2013, and close to the value of net imports of both machinery and vehicles and parts. The monthly oil and petroleum trade deficit had significantly exceeded that of other major commodity categories since it broke away from vehicles and parts in 2004. These four commodity groupings comprised about 82 percent of total net imports for 2013 and represent the four largest categories for both imports and exports last year.

State crude oil production, at 9,462,000 barrels, ranked Oklahoma 5th among all states in December 2013. Crude production in December was down from November's level of 9,961,000 barrels. For all of 2013, Oklahoma crude oil production was 111,369 barrels, that's the highest level of crude production since 1990.

WTI-Cushing spot prices ended the week higher February 28 and overall, ended the month higher as well. WTI-Cushing began the month at $ 96.44 per barrel and finished the month at $102.88 per barrel. The weekly average WTI-Cushing spot price for February 28 was $102.77 per barrel compared to the February 7 average of $97.78 per barrel. Over the year, WTI-Cushing average monthly spot prices showed little change from the January 2013 price of $94.76 per barrel.

Oklahoma's overall rotary rig activity held steady in February at an average level of 182. Over the year, February's active rotary rig count in Oklahoma was 11 rigs less than 193 in February 2013. Oil-directed active rotary rigs advanced to a level of 162, (for the week ended February 28, 2014), representing approximately 90 percent of total rig activity in the state in February.



Definition & Importance

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

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

Background

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

Most natural gas in Oklahoma is consumed by the electricity generation and industrial sectors. About three-fifths of Oklahoma households use natural gas as their primary energy source for home heating. Nevertheless, only about one-third of Oklahoma's natural gas output is

consumed within the state. The remaining supply is sent via pipeline to neighboring states, the majority to Kansas, including the natural gas trading hubs in Texas and Kansas.

Current Developments

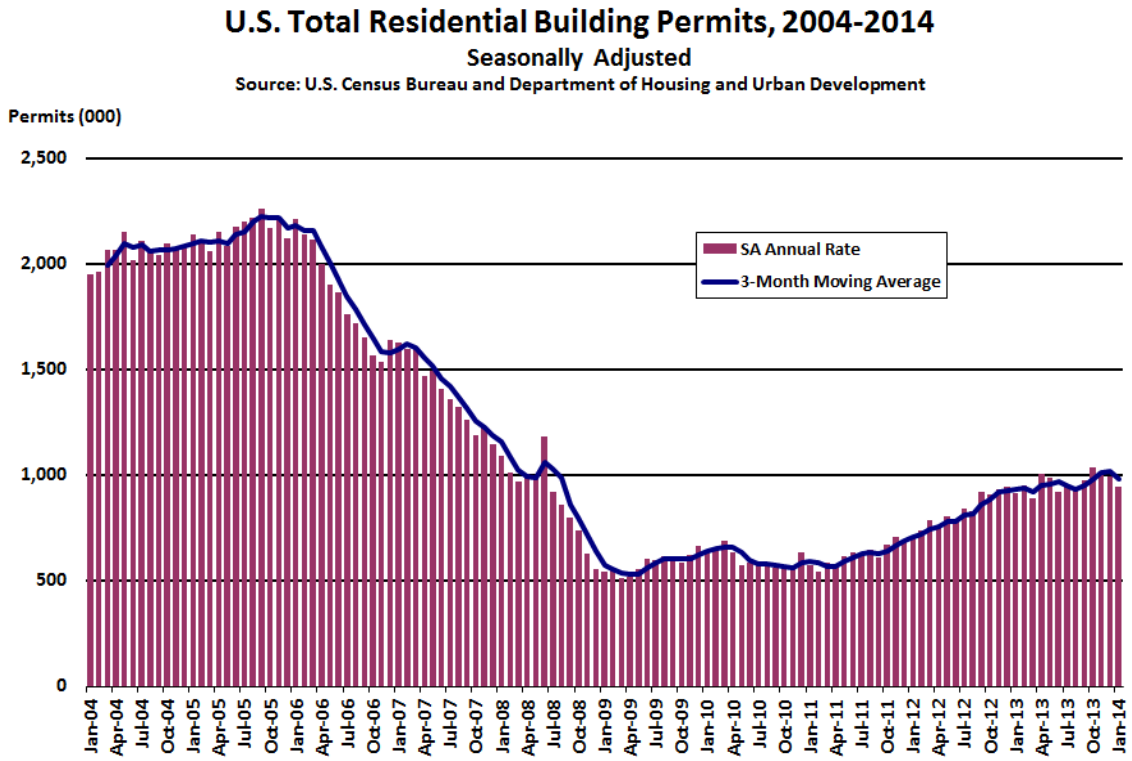
December was a banner month for U.S. natural gas production, hitting a record high of 2.63 Tcf and pushing the 2013 year-end total to a record 30.17 Tcf, according to the U.S Energy Information Administration (EIA). Total U.S. gas production in 2013 surpassed the 2012 total of 29.54 Tcf by 2.1 percent, EIA said in its latest Natural Gas Monthly report.

Oklahoma natural gas production for 2013 was 2,143,989 MMcf, 6.0 percent more than the 2012 total of 2,023,461 MMcf, and its highest annual level since 1991.

Very cold temperatures in early January contributed to a new record-high withdrawal of natural gas from storage and a surge in natural gas spot prices, according to the EIA. Henry Hub natural gas spot prices have been volatile over the past two months, increasing from $3.95 per million British thermal units (MMBtu) on January 10 to a high of $8.15/MMBtu on February 10, before falling back to $4.80/MMBtu on February 28. EIA expects the price increases of the past few months will reverse at the end of winter and that the Henry Hub natural gas spot price, which averaged $3.73/MMBtu in 2013, will average $4.17/MMBtu in 2014.

According to data reported by Baker Hughes, Oklahoma's natural gas rotary rig count continued to fall in February. For the week ended February 28, the state natural gas-directed drilling rig count was at 19, accounting for only 10 percent of total drilling activity. Over the year, Oklahoma's natural gas-directed rotary rig count was down by 12 rigs from 31 rigs reported for the week ended February 22, 2013.

The U.S. natural gas rotary rig count totaled 335 as of February 28, representing a decline of 7 rigs from the previous week and a decline of 93 rigs from the same time last year, according to data from Baker Hughes Inc.



Definition & Importance

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

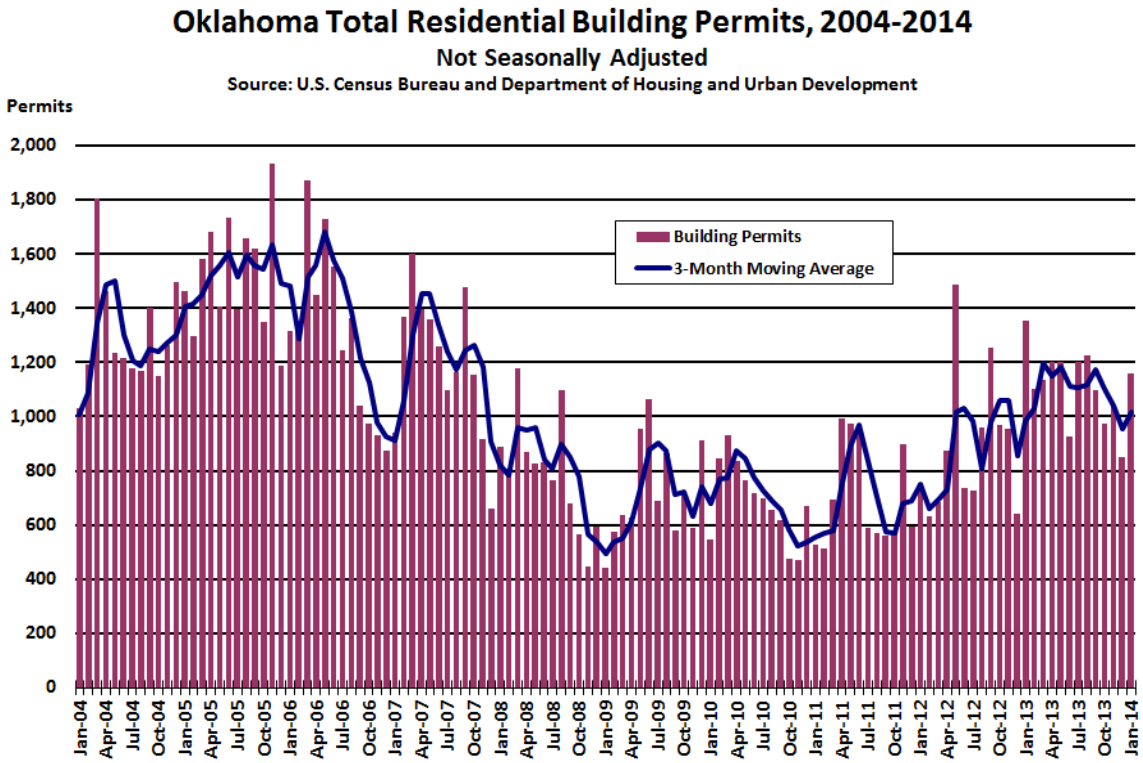
While home construction represents a small portion of the housing market, it has an outsize impact on the economy. Each home built creates an average of three jobs for a year and about $90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels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

Current Developments

Applications for building permits fell in January for a third month but some of the weakness can be attributed to severe winter weather in many parts of the country. Privately-owned housing units authorized by building permits in January were at a seasonally adjusted annual rate of 937,000, 5.4 percent the revised December rate of 991,000 but 2.4 percent above the January 2013 estimate of 915,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

Single-family permitting showed relative strength in January, down only 1.3 percent. But permits for apartments fell steeply, down 13.0 percent. Regionally, the South registered a 3.4 percent gain while the West showed a big decline, down 26.0 percent.

Heavy weather looks to pull down permitting activity in February as well, pointing to the spring for a housing snap back. U.S. homebuilders' confidence in the housing market declined sharply in February, a drop that was blamed on the severe weather battering much of the nation.

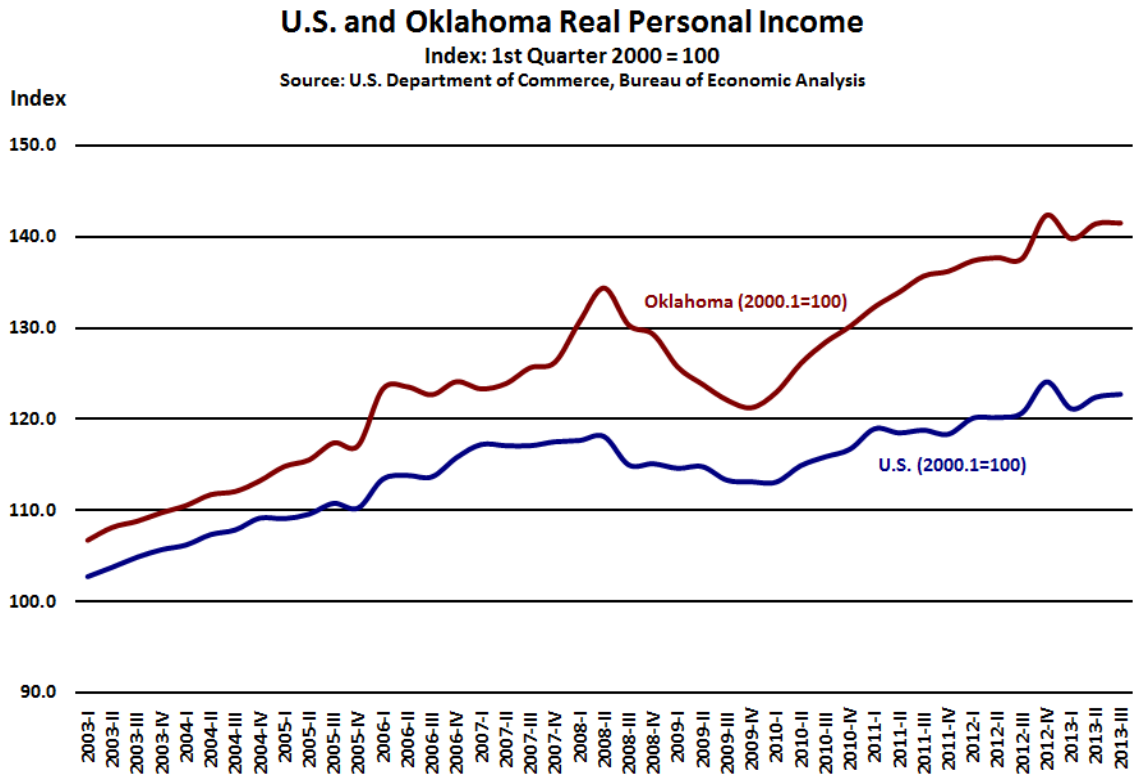


Oklahoma residential permitting activity got off to a fast start in 2014. Total unadjusted residential building permits for January was at a level of 1,159 units, a 36.4 percent increase from 850 units in December, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development.

Single-family permitting accounted for 73.4 percent of residential permitting activity in January while multi-family permitting contributed 26.4 percent. However, over the year, total unadjusted residential permitting was down 14.4 percent from January 2013.

For 2013, statewide single-family permits accounted for 82.0 percent of total unadjusted residential building permits. Multi-family permits accounted for 16.3 percent of residential permitting.

Part of the reason for the surge in residential building permits in Oklahoma in 2013 was due to rebuilding after the deadly May 20 tornadoes that devastated communities in central Oklahoma. Officials in Moore, Oklahoma say the city has issued a record 681 single-family building permits during 2013—440 more permits than were issued during 2012. The Federal Emergency Management Agency (FEMA) estimated that 1,300 homes were destroyed by the EF5 tornado that also killed two dozen people. Additionally, in the May 28 through June 2 severe storms, more than 538 homes and businesses were impacted in Canadian and Oklahoma counties alone, including 52 destroyed, 193 with major damage, and 159 with minor damage. Oklahoma Insurance Department officials estimate up to $2 billion in damage may have occurred in the affected areas.



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

Consumer spending in the U.S. climbed in January as outlays on services recorded their largest increase in over 12 years, likely driven by demand for heating. Personal income increased $43.9 billion, or 0.3 percent, and disposable personal income (DPI) increased $45.2 billion, or 0.4 percent, in January, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) increased $48.1 billion, or 0.4 percent. In December, personal income decreased $5.5 billion, or less than 0.1 percent, DPI decreased $9.7 billion, or 0.1 percent, and PCE increased $6.5 billion, or 0.1 percent, based on revised estimates.

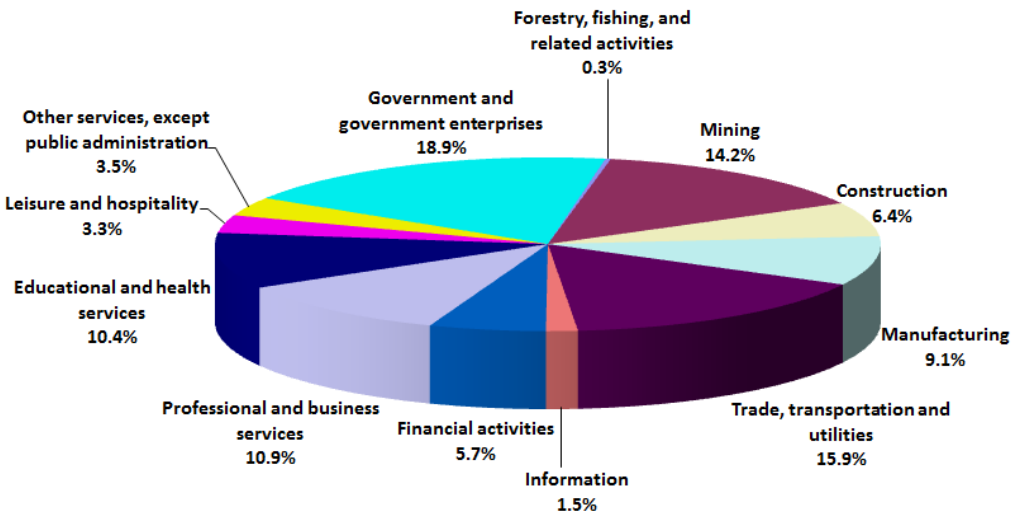
The overall spending increase in January reflected a 0.8 percent jump in spending on services, the effect of higher heating bills. It was the biggest increase in spending on services since October 2001.

The BEA noted that the change in the January estimate of personal income was affected by several special factors. Personal income in January was boosted by several provisions of the Affordable Care Act (ACA), which affected government social benefit payments to persons. Additionally, personal income was boosted by cost-of-living adjustments to several federal transfer programs and by pay raises for civilian and military personnel.

Oklahoma Nonfarm Industry Contribution to Earnings

Third Quarter 2013

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.

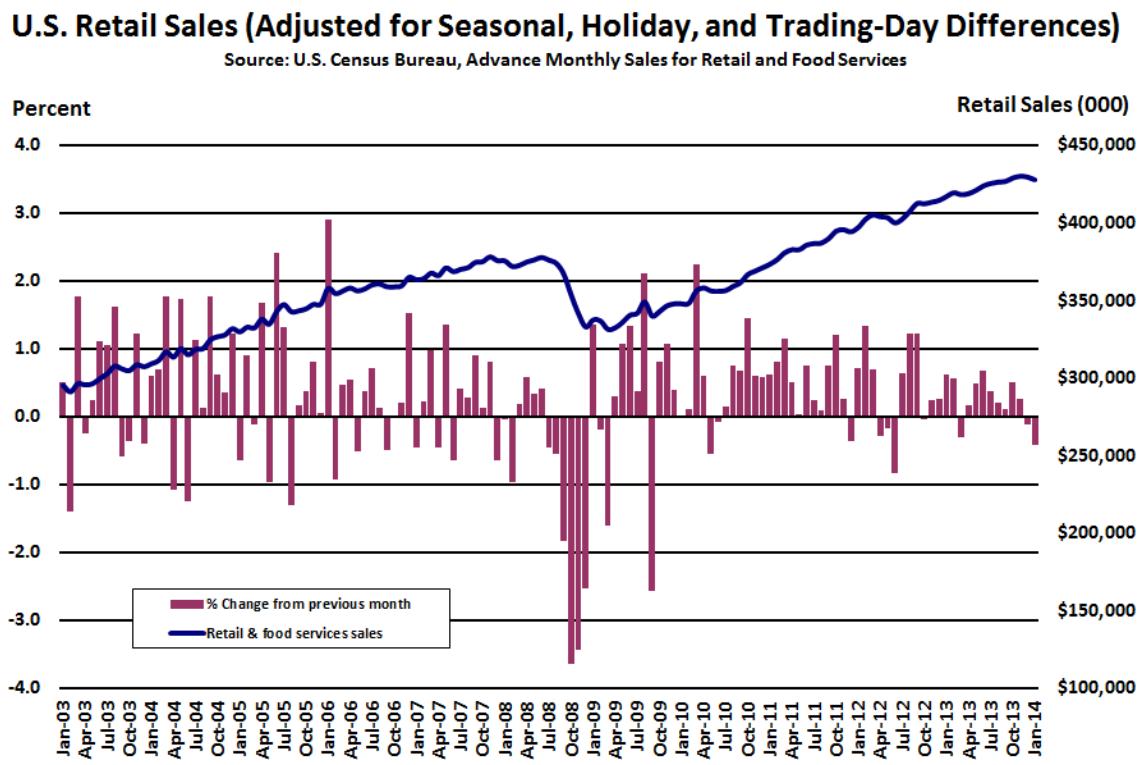
Current Developments

State personal income growth slowed slightly to 1.1 percent in the 3rd quarter of 2013, from 1.2 percent in the 2nd quarter, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Growth slowed in 25 states, (including Oklahoma), accelerated in 22, and was unchanged in 3 states and the District of Columbia. Growth across states ranged from 0.4 percent in New Mexico to 1.9 percent in Mississippi.

The BEA noted that slightly more than half of the personal income increase in Mississippi—$1.0 billion—was a current transfer receipt representing a settlement for a class-action suit that alleged racial discrimination by the U.S. Department of Agriculture in its evaluation of farm loan applicants between 1981 and 1996.

Oklahoma's personal income growth slowed in the 3rd quarter of 2013, lagging behind the national average. Personal income totaled $161.3 billion in the 3rd quarter, up 0.8 percent from $159.9 billion in the 2nd quarter. That ranked Oklahoma 36th (out of 50 states and the District of Columbia) for income growth in the 3rd quarter and below the national rate of 1.1 percent.

Net earnings for the nation grew 0.7 percent in the 3rd quarter, while Oklahoma's net earnings grew 0.4 percent. Mining (0.17 percent), and farm earnings (0.15 percent), were the largest contributors to earnings growth in Oklahoma during the 3rd quarter, while civilian federal government (-0.11 percent), provided the biggest drag to earnings growth.



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

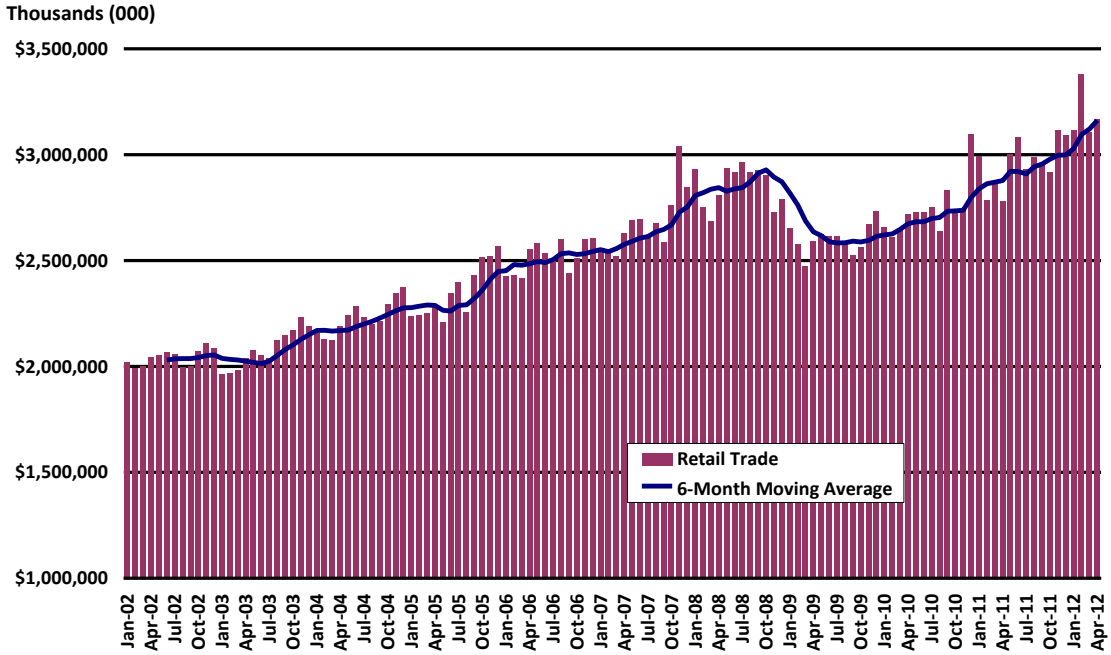
Severely cold weather and winter storms across much of the nation in January may have contributed to a drop in retail sales for the second month in a row. Advance estimates of U.S. retail and food services sales for January, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $427.8 billion, a decrease of 0.4 percent from the previous month, but 2.6 percent above January 2013, according to the U.S. Census Bureau. Total sales for the November 2013 through January 2014 period were up 3.4 percent from the same period a year ago. The November to December 2013 percent change was revised from +0.2 percent to -0.1 percent.

Auto sales pulled down the total in January. Motor vehicle & parts declined 2.1 percent, following a decrease of 1.8 percent in December. Excluding autos, retail sales were unchanged after gaining 0.3 percent the month before. Gas station sales increased 1.1 percent after jumping 1.5 percent in December.

The less volatile "core" retail sales, excluding automobile and gasoline sales were flat in January. In the core, strength was seen in electronics & appliance stores; building materials & garden equipment; and grocery stores. Declines were seen in furniture & home furnishings; health & personal care; clothing; sporting goods, hobby, et al; department stores; nonstore retailers; and food services & drinking places. Core sales in December were revised down to a gain of 0.3 percent from a previously reported increase of 0.7 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 continued to see healthy monthly retail sales gains in the first four months of 2012. Total adjusted retail sales for April was at a level of $ 3,166,433,622 or 1.9 percent above the previous month's sales figure of $3,107,233,820 and 13.9 percent over April 2011.

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

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