



# OKLAHOMA Economic Indicators

January 2014

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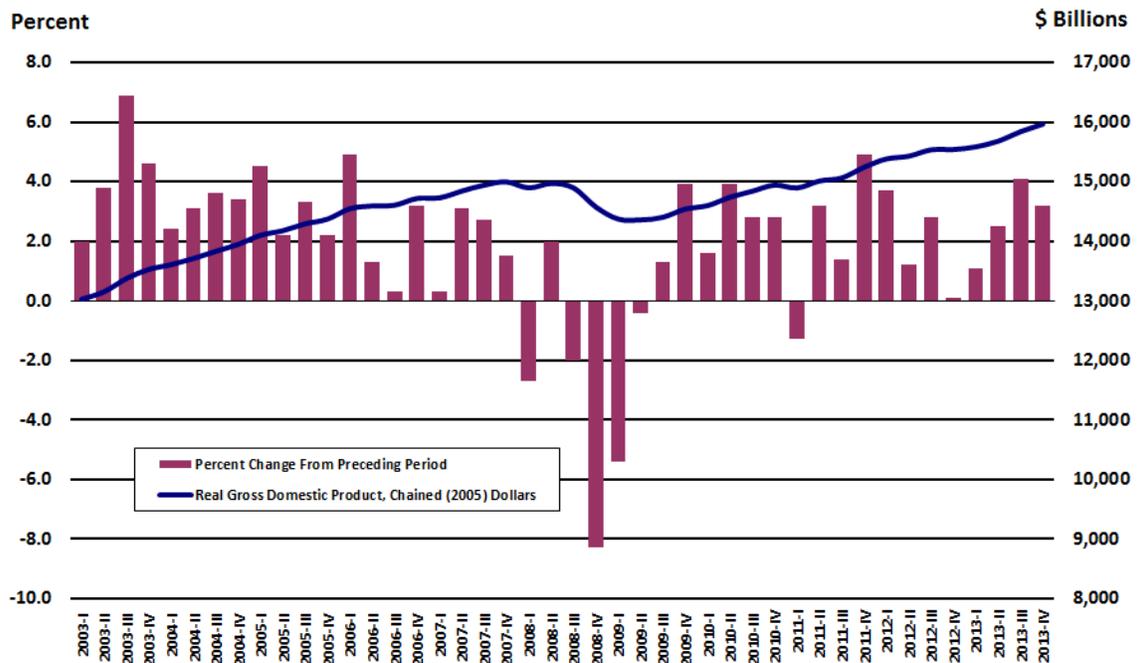
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## Real Gross Domestic Product and Quarterly Change

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 ended the year on a positive note, boosted by the strongest consumer spending in three years. Real gross domestic product increased at an annual rate of 3.2 percent in the 4th quarter of 2013, according to the "advance" estimate released by the Bureau of Economic Analysis (BEA). In the 3rd quarter, real GDP increased 4.1 percent.

The strength in 4th quarter GDP growth came from a 3.3 percent increase in consumer spending, the best spending pace since the 4th quarter of 2010. Spending on durable goods increased 5.9 percent, while nondurable goods spending increased 4.4 percent. Spending on services rose strongly to 2.5 percent in the 4th quarter.

Businesses invested in more equipment in the 4th quarter. Equipment purchases increased 6.9 percent, compared with an increase of 0.2 percent in the previous quarter. Real nonresidential fixed investment, a measure of business spending, increased 3.8 percent in the 4th quarter. The change in real private inventories added 0.42 percentage point to the 4th-quarter change in real GDP after adding 1.67 percentage points to the 3rd-quarter change.

Housing construction declined in the final three months of 2013 on weather and higher mortgage interest rates. Real residential fixed investment decreased 9.8 percent, in contrast to an increase of 10.3 percent in the 3rd quarter.

There was also strength from a shrinking trade deficit in the 4th quarter. Real exports of goods and services increased 11.4 percent in the 4th quarter. Real imports of goods and services, which are a subtraction in the calculation of GDP, increased 0.9 percent in the 4th quarter.

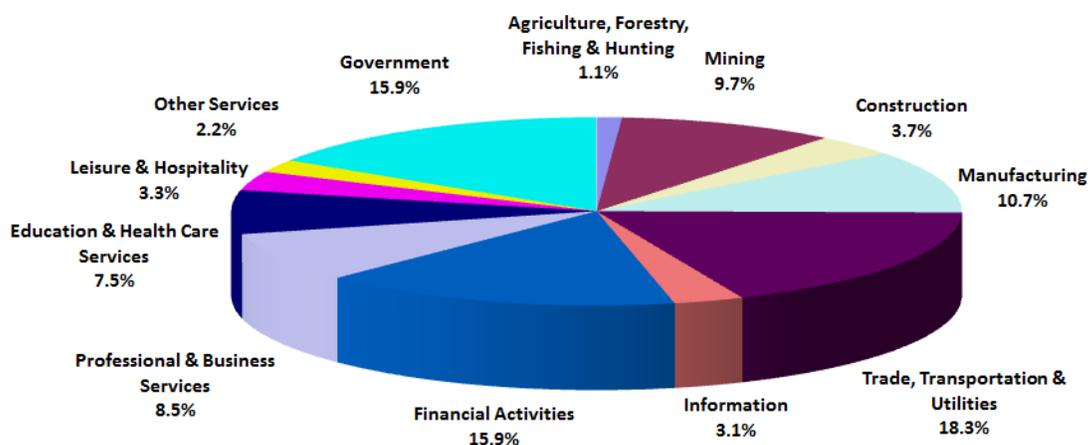
Government spending fell at a 4.9 percent rate in the 4th quarter, held back by federal spending cuts. Real federal government consumption expenditures and gross investment decreased 12.6 percent, compared with a decrease of 1.5 percent in the 3rd quarter. National defense spending decreased 14.0 percent, while nondefense spending decreased 10.3 percent. Real state and local government consumption expenditures and gross investment advanced 0.5 percent.

The BEA also estimated that the 16-day partial government shutdown in October cut 4th-quarter GDP growth by about 0.3 percentage point.

Real GDP increased 1.9 percent in 2013, weaker than the 2.8 percent increase in 2012. The increase in real GDP in 2013 primarily reflected positive contributions from personal consumption expenditures (PCE), exports, residential fixed investment, nonresidential fixed investment, and private inventory investment that were partly offset by a negative contribution from federal government spending, according to the BEA.

## 2012 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, along with 48 states and the District of Columbia, saw growth in real GDP in 2012, according to the advance estimate from the Bureau of Economic Analysis (BEA). Oklahoma's real GDP growth rate of 2.1 percent ranked it 23rd among all other states.

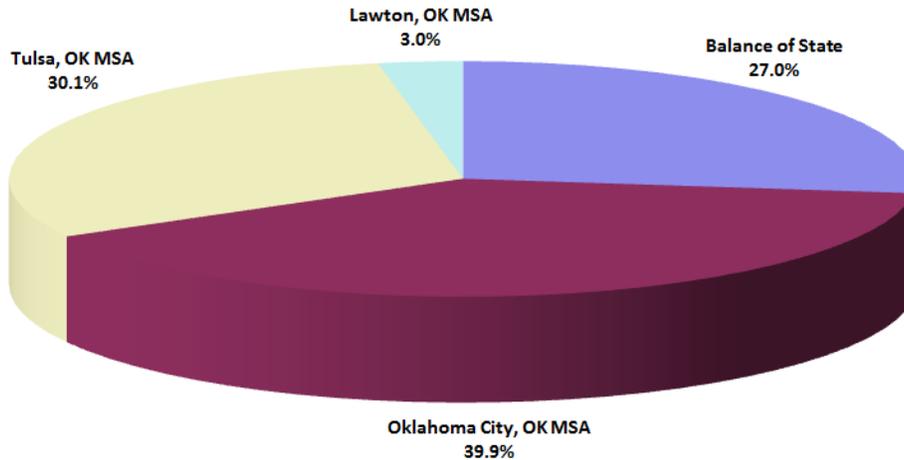
Oklahoma's 2011 advance estimate was revised upward from 1.0 percent to 1.9 percent. In 2011, Oklahoma ranked 20th based on the revised 1.9 percent growth rate.

Oklahoma had a real GDP of \$138.3 billion in 2012, up from \$135.5 billion the year before. 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 2012, with growth accelerating in seven of eight regions. The Great Lakes region was the only region where growth decelerated relative to growth in 2011. The Southwest region, which includes Oklahoma, grew the fastest (4.1 percent), led by Texas with a 4.8 percent increase..

Durable-goods manufacturing was the largest contributor to U.S. real GDP by state growth in 2012, including Oklahoma, where it contributed 0.78 percentage points to overall growth. Other industries adding to 2012 GDP growth in Oklahoma were wholesale trade (0.37 percent); retail trade (0.33 percent); real estate, rental & leasing (0.32 percent); finance & insurance (0.25 percent); accommodation & food services (0.12 percent) and government (0.12 percent). Subtracting from state GDP growth were mining (-0.72 percent) and management of companies (-0.15 percent).

## Metropolitan Area Contribution to State Real Gross Domestic Product 2012

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



### Definition & Importance

Metropolitan Statistical Areas (MSAs) 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 73 percent of total state GDP in 2012.

### Current Developments

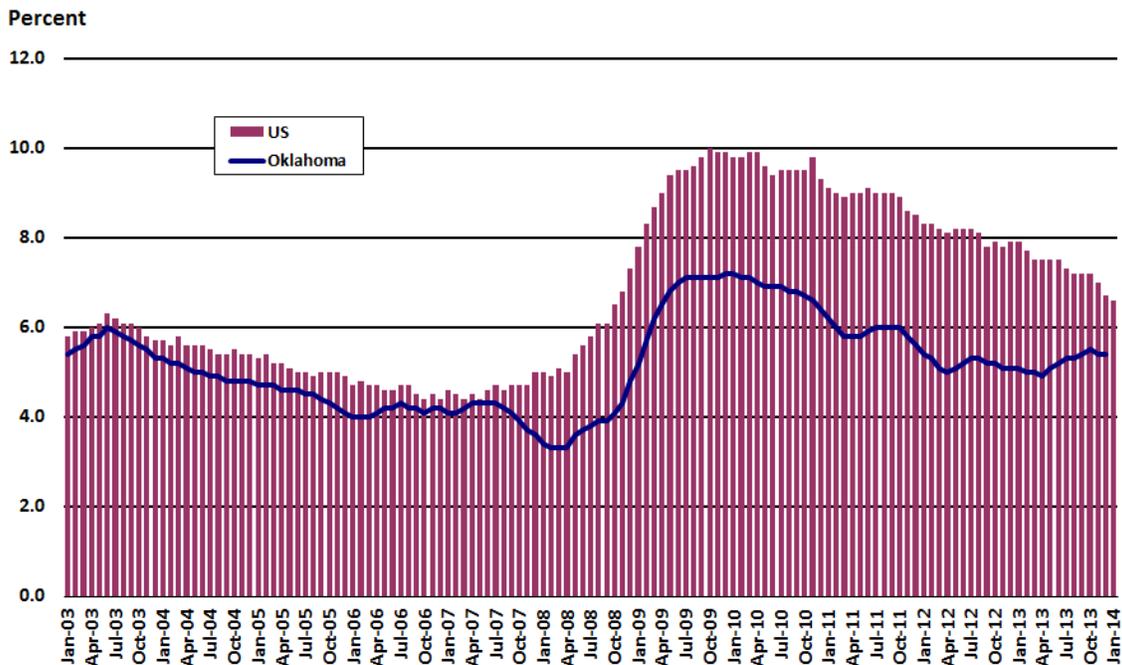
Real GDP increased in 305 of the nation's 381 metropolitan areas in 2012, led by growth in durable-goods manufacturing, trade, and financial activities, according to the U.S. Bureau of Economic Analysis (BEA). Real GDP in metropolitan areas increased 2.5 percent in 2012 after increasing 1.7 percent in 2011, according to BEA revised estimates.

In terms of growth in real GDP, two of the three Oklahoma metropolitan areas grew in 2012. Oklahoma City MSA grew by 2.2 percent to \$55.2 billion and ranked 152nd (out of 381 metro areas). Tulsa MSA grew at a rate of 0.3 percent to \$41.7 billion and ranked at 294th. Lawton MSA was the only state MSA to register negative growth in 2012, declining 2.0 percent to \$4.2 billion in 2012 and ranked 370th out of 381 U.S. metro areas.

Financial activities (+0.67 percent) and leisure & hospitality (+0.22 percent) were the largest contributors to GDP growth in Oklahoma City MSA in 2012. Durable-goods manufacturing (+1.12 percent) led GDP growth in the Tulsa MSA but was offset by declines in other sectors including financial activities (-0.27 percent), and professional & business services (-0.22 percent). GDP growth in the Lawton MSA was hampered by declines in financial activities (-1.17 percent), construction (-0.18 percent), leisure & hospitality (-0.16 percent), and government (-0.10 percent).

## 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

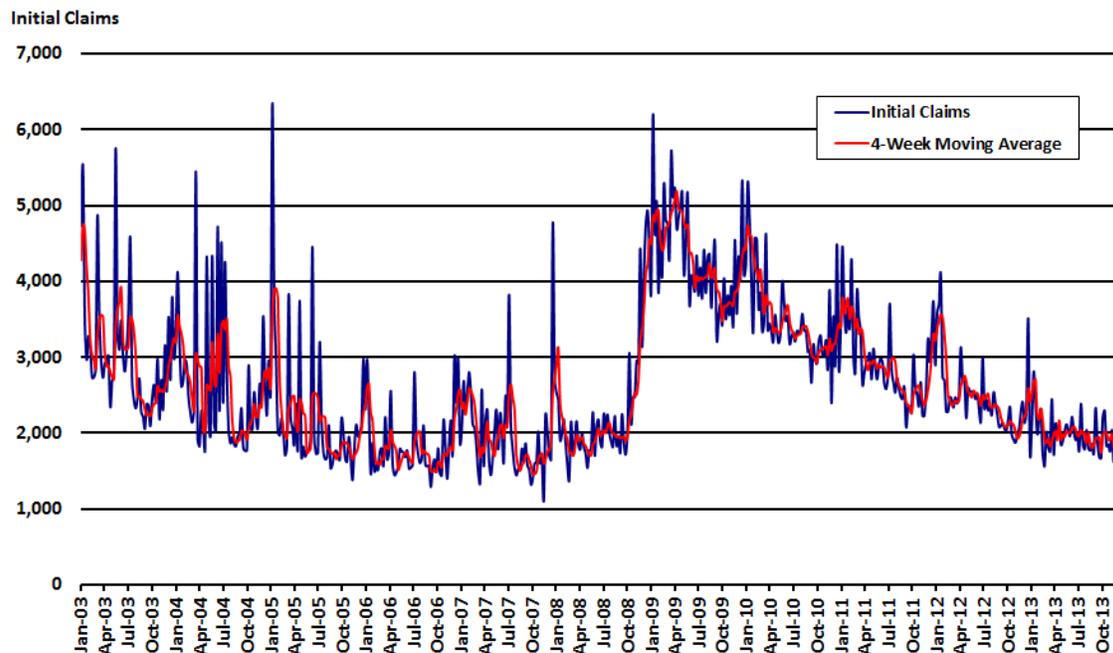
More people began looking for work in January, and some of the jobless were hired, reducing the unemployment rate to the lowest level since October 2008. The unemployment rate declined from 6.7 percent to 6.6 percent in January, according to the Bureau of Labor Statistics (BLS). The labor force sharply rebounded 523,000 in January after dropping 347,000 the month and the labor force participation rate edged up to 63.0 percent from 62.8 percent in December.

Oklahoma's seasonally adjusted unemployment rate held steady at 5.4 percent in December. Unemployment rates rose in 64 of the state's 77 counties in December. Latimer County claimed Oklahoma's highest rate of 9.2 percent while Beaver, Dewey, Ellis and Roger Mills counties tied for the state's lowest county unemployment rate of 2.8 percent.

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.

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

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



### Definition & Importance

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

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

### Current Developments

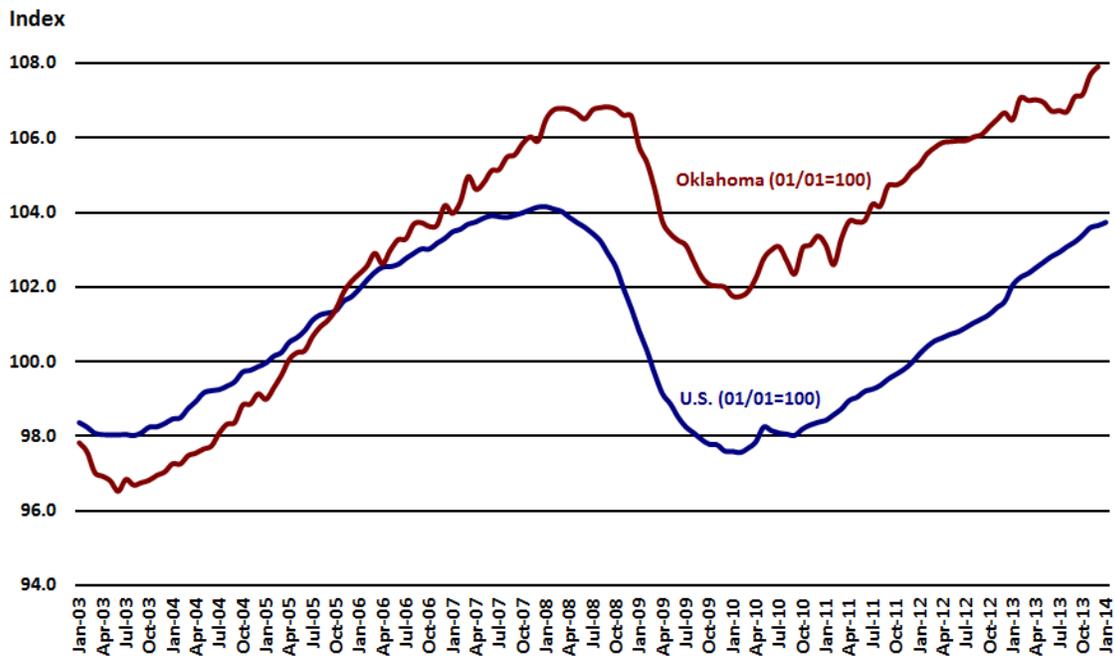
Initial jobless claims dropped sharply in the last week of January, offsetting a surprising jump the previous week. In the week ending February 1, the advance figure for seasonally adjusted initial claims was 331,000, a decrease of 20,000 from the previous week's revised figure of 351,000, according to the U.S. Department of Labor (DOL). The four-week moving average, which smooths out volatility, rose slightly to 334,000.

Oklahoma initial jobless claims fell at the end of January. Initial claims for unemployment jumped to 1,749 for the file week ending January 25, down 183 from the previous week's 1,932 jobless claims and down 458 from a month ago. The less volatile four-week moving average was down 216 to 2,098 from 2,314 the previous week and down 74 from a month ago.

## 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

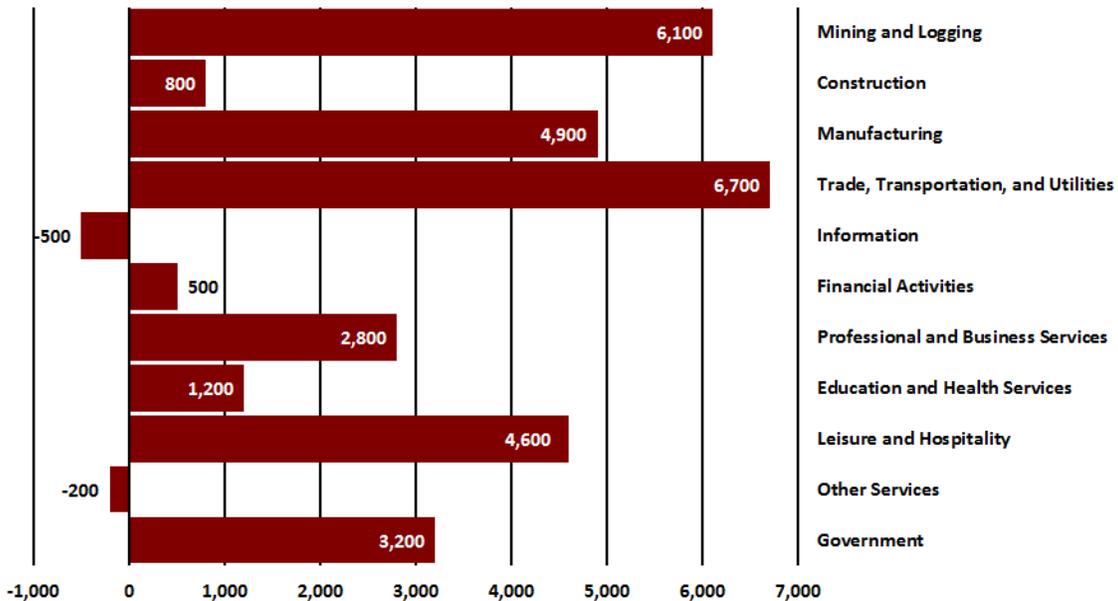
The U.S. labor market was surprisingly weak in January for a second straight month. Total nonfarm payroll employment rose by 113,000 in January, according to the Bureau of Labor Statistics (BLS). In 2013, employment growth averaged 194,000 per month. In January, job gains occurred in construction (+48,000 jobs), manufacturing (+21,000 jobs), wholesale trade (+14,000 jobs), and mining (+7,000 jobs).

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).

State nonfarm employment grew by 18,800 jobs (+1.2 percent) from December 2012 to December 2013.

## Oklahoma Employment Change by Industry 2011 - 2012

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



### Definition & Importance

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

### Current Developments

Nonfarm employment growth in Oklahoma picked up more momentum in 2012. Total nonfarm employment grew at a robust 1.9 percent growth rate in 2011, adding approximately 30,100 jobs.

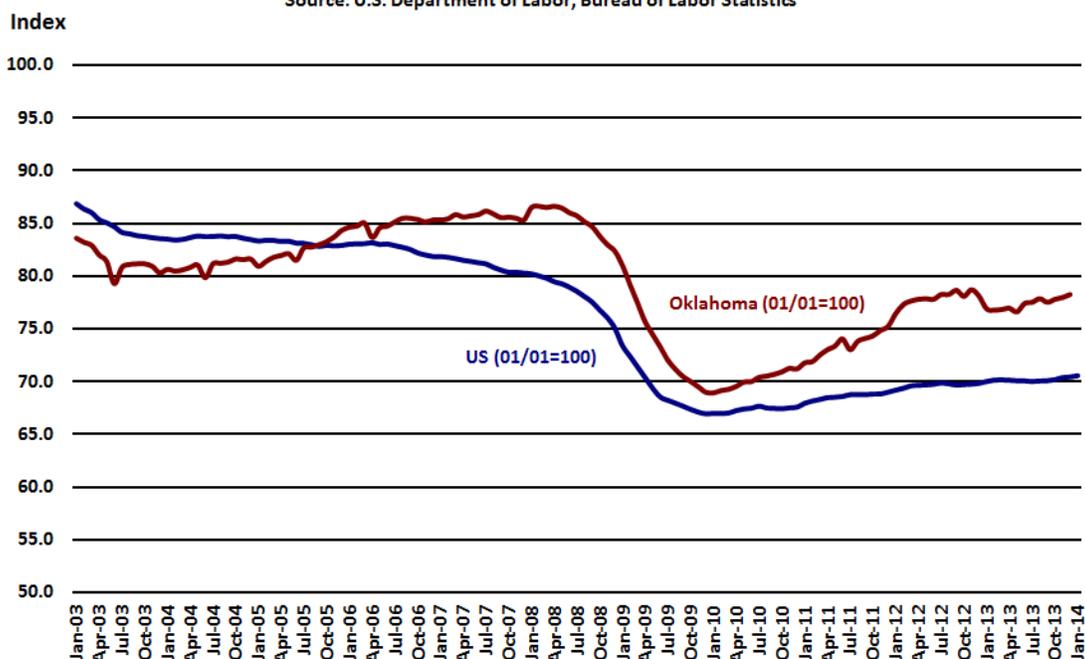
Employment growth in 2012 was wide-ranging with nine out of the 11 statewide industry supersectors reporting job gains. The broad trade, transportation & utilities industry recorded the largest employment increase adding 6,700 jobs with nearly half the hiring in wholesale trade. Mining had another strong year of job growth adding 6,100 jobs and more than half of the growth coming from support activities for mining. Manufacturing added 4,900 jobs with all of the growth in durable goods. Leisure & hospitality added 4,600 jobs with most of the job gains being in accommodation & food services. Professional & business services employment grew by 2,800 driven by job gains in professional, scientific, and technical services and employment services. Government employment added 3,200 jobs with state and local government adding employment as federal government employment shed 700 jobs. Education & health services added 1,200 jobs with two-thirds of the employment gains in hospitals.

Over-the-year job losses were seen in financial activities (-500) and other services (-200).

## 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

U.S. manufacturers continued to expand their workforce in January. Employment in U.S. manufacturers continued to expand their workforce in January. Employment in manufacturing grew in January, adding 21,000 jobs, according to the Bureau of Labor Statistics (BLS). Over the month, job gains occurred in machinery (+7,000 jobs), wood products (+5,000 jobs), and motor vehicles and parts (+5,000 jobs). Manufacturing added an average of 7,000 jobs per month in 2013.

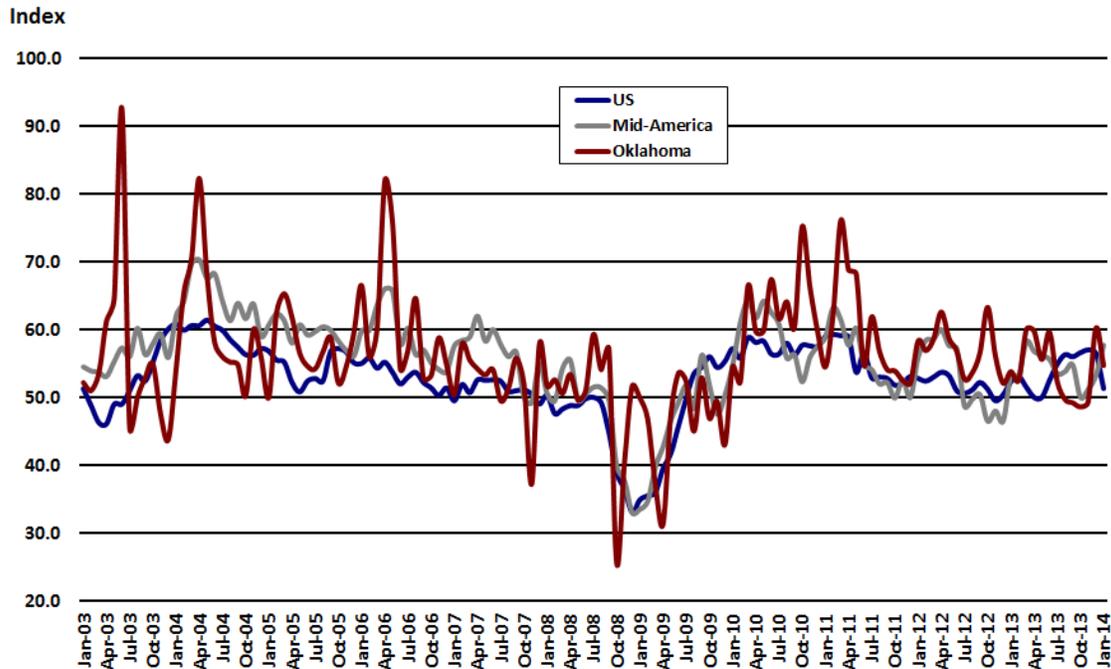
Manufacturing employment in Oklahoma grew added more jobs in December growing by a non-seasonally adjusted 500 jobs (+0.4 percent). Gains in durable goods manufacturing employment (+600 jobs) were blunted by job losses (-100 jobs) in non-durable goods manufacturing.

Over the year, Oklahoma manufacturing employment has 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).

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

## Purchasing Managers' Index (Manufacturing)

Sources: ISM Manufacturing Report On Business® and Business Conditions Index for Mid-America, Creighton University



### Definition & Importance

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

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

### Current Developments

National factory activity plunged to an eight-month low in January, with new orders recording their largest drop in more than 30 years. The January PMI® registered 51.3 percent, a decrease of 5.2 percentage points from December's seasonally adjusted reading of 56.5 percent, according to the latest Manufacturing ISM Report On Business®. This was the lowest reading since May 2013 and the sharpest monthly drop since May 2011.

The New Orders Index registered 51.2 percent, a significant decrease of 13.2 percentage points from December's seasonally adjusted reading of 64.4 percent and one of the largest monthly declines on record. Orders excluding transportation equipment gained 0.2 percent after rising 0.3 percent in November. There were also gains in orders for machinery, electrical equipment, appliances and components.

Manufacturing may not be slowing as sharply as suggested by the ISM survey. A number of survey respondents cited adverse weather conditions as a factor negatively impacting their businesses in January.

For a third straight month, 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, rose to a solid 57.7 from December's 53.2, according to the Creighton Economic Forecasting Group.

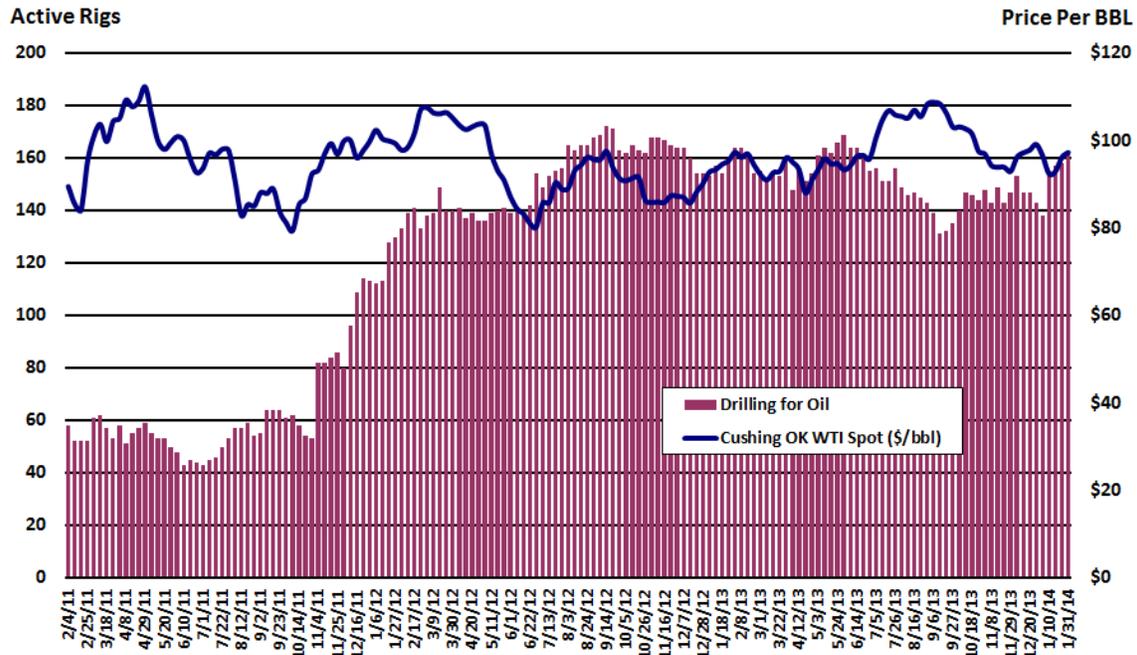
After slipping below growth neutral in the 3rd quarter of 2013, Oklahoma's Business Conditions Index has been pointing toward growth over the last several months. The overall index fell to 54.7 in January from 60.2 in December. Components of the January survey of supply managers in the state were new orders at 50.2, production or sales at 61.9, delivery lead time at 48.5, inventories at 61.7, and employment at 51.3.

"Growth is picking up for business services firms in the state. While growth remains healthy for durable and nondurable goods manufacturers, it has cooled slightly. Overall, the Oklahoma economy will add jobs at an annualized rate of 2 percent, well above the regional and national 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 January 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**

According to the most recent *Short-Term Energy Outlook*, EIA estimates U.S. total crude oil production averaged 7.5 million barrels per day in 2013, an increase of 1.0 million barrels per day from the previous year. Projected domestic crude oil production continues to increase to 8.5 million barrels per day in 2014 and 9.3 million barrels per day in 2015. The 2015 forecast would mark the highest annual average level of production since 1972.

State crude oil production, at 9,753,000 barrels, ranked Oklahoma 5th among all states in November 2013. Crude production in November was down from October's level of 10,012,000 barrels.

The opening of a pipeline to ease a supply bottleneck at a key storage hub has boosted U.S. oil prices. Crude began flowing through the southern leg of TransCanada Corp.'s pipeline last week, connecting the storage hub of Cushing, Oklahoma to refineries along the Gulf Coast. Supplies have been building in Cushing, as innovations in drilling techniques increased U.S. oil production faster than the infrastructure could get it to refiners.

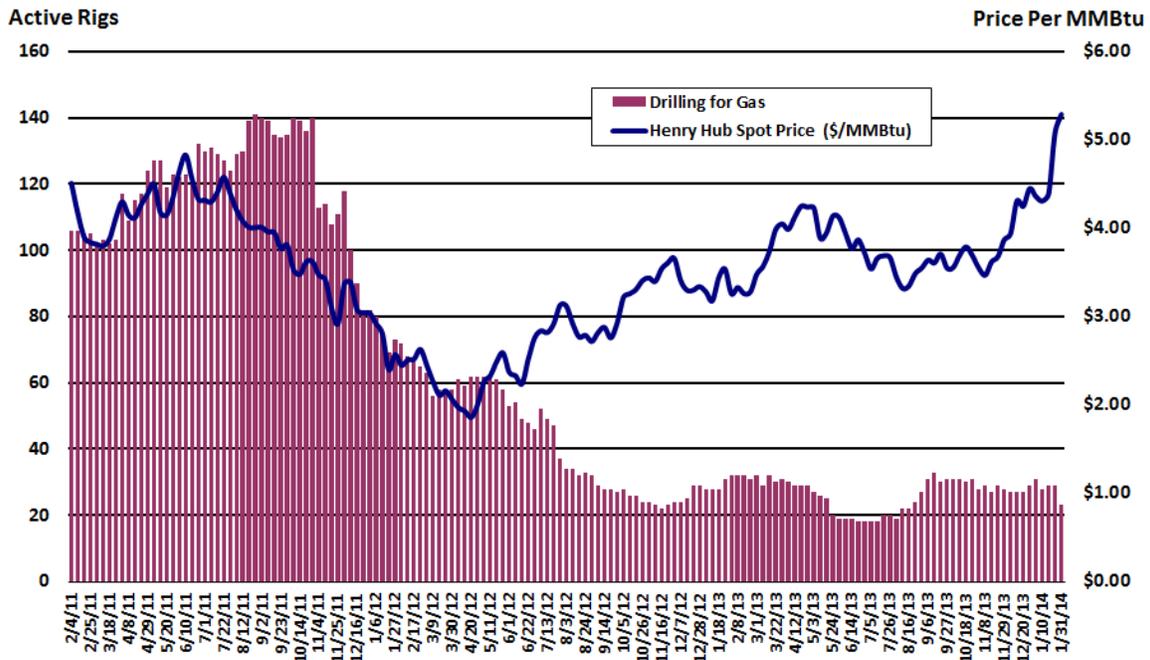
WTI-Cushing spot prices finished January on a strong note, climbing from \$95.14 per barrel at the first of the month and settling at \$97.55 by month's end. The monthly average WTI-Cushing spot price for January was \$94.62 compared to the December average of \$97.63. Over the year, WTI-Cushing average monthly spot prices showed little change from the January 2013 price of \$94.76 per barrel.

Oklahoma's overall rotary rig activity increased in January, adding seven rigs for the month to a level of 182. Over the year, January's active rotary rig count in Oklahoma was three rigs less than 185 in January 2013. Oil-directed active rotary rigs advanced to a level of 162, (for the week ended January 31, 2014), and represented approximately 88 percent of total rig activity in the state in January.

# Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

February 2011 to January 2014

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



## Definition & Importance

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

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

## Background

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

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

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

### **Current Developments**

Pushed by January's arctic blasts and rapidly depleting natural gas storage inventories pushed Henry Hub prices to the highest level in four years. The Henry Hub spot price hit its highest level since February 2010 on January 27, settling at \$5.69 per MMBtu.

According to its most recent Short-Term Energy Outlook, EIA expects that the Henry Hub natural gas spot price, which averaged \$3.73 per MMBtu in 2013, will average \$3.89 per MMBtu in 2014 and \$4.11 per MMBtu in 2015.

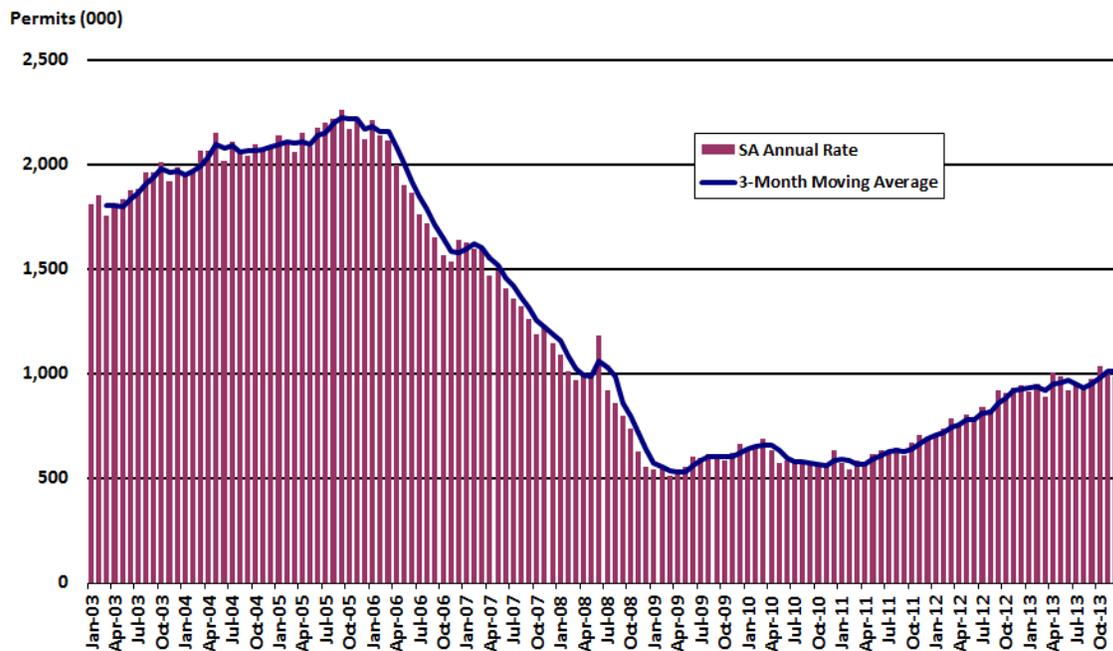
According to data reported by Baker Hughes, Oklahoma's natural gas rotary rig count fell in January. For the week ended January 31, the state natural gas-directed drilling rig count was at 23, accounting for about 12 percent of total drilling activity. Over the year, Oklahoma's natural gas-directed rotary rig count was down by 8 rigs from 31 rigs reported for the week ended January 25, 2013.

The U.S. natural gas rotary rig count totaled 358 as of January 31, which represents an increase of 2 rigs from the previous week, but a decline of 76 rigs from the same time last year, according to data from Baker Hughes Inc.

## 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

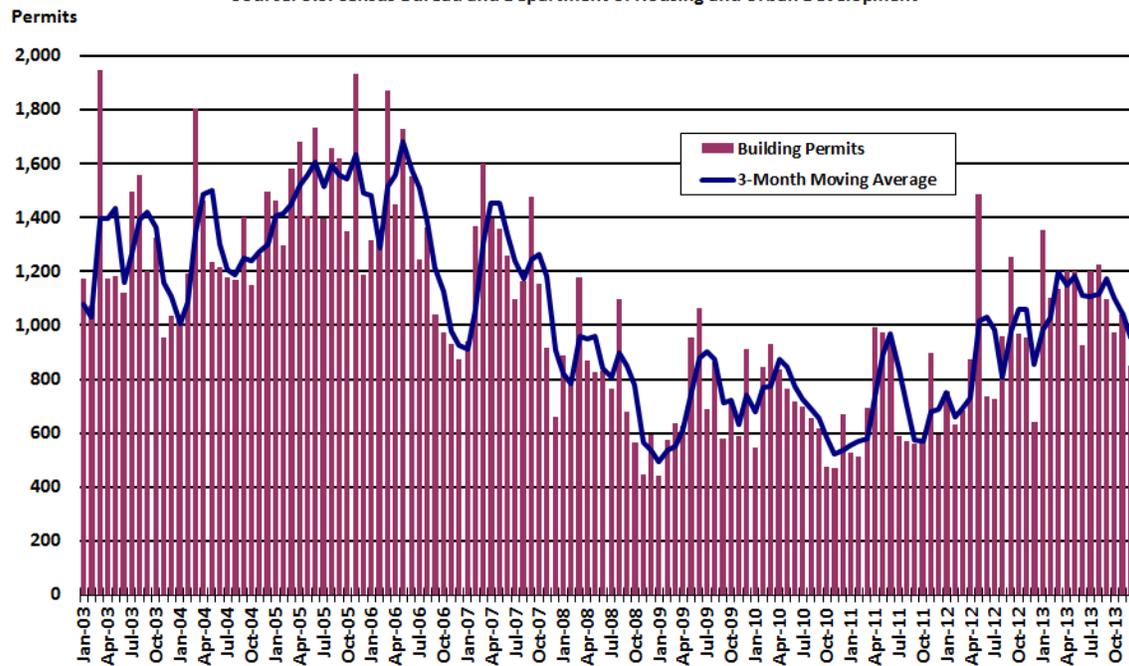
Applications for building permits slowed in December, but ended 2013 with the best showing since 2008. Privately-owned housing units authorized by building permits in December were at a seasonally adjusted annual rate of 986,000, 3.0 percent below the revised November rate of 1,017,000, but is 4.6 percent above the December 2012 estimate of 943,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. An estimated 974,700 housing units were authorized by building permits in 2013, 17.5 percent above the 2012 figure of 829,700.

The National Association of Home Builders/Wells Fargo builder sentiment index climbed to 58 in December. That's up from 54 in November and matched an eight-year high reached in August. Readings above 50 indicate more builders view sales conditions as good, rather than poor.

## Oklahoma Total Residential Building Permits, 2003-2013

Not Seasonally Adjusted

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



Oklahoma residential permitting activity in dipped in December, held back by weather. Total unadjusted residential building permits for November was at a level of 850 total units down 18.3 percent from 1,041 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 77.8 percent of residential permitting activity in December while multi-family permitting was 21.5 percent. Over the year, total unadjusted residential permitting was up 32.2 percent from December 2012.

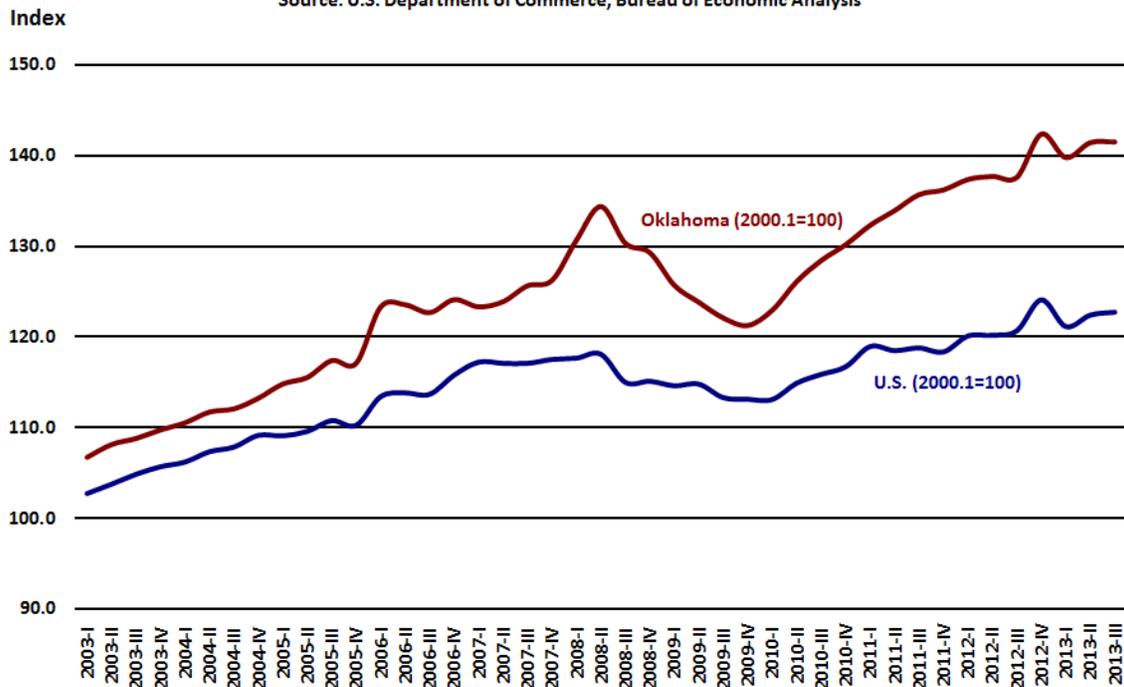
Year-to-date, Oklahoma residential permitting activity in 2013 was 24.6 percent more than 2012. The 2013 pace in residential permitting is also the highest level of residential permitting in Oklahoma since 2007.

Part of the reason for the surge in residential building permits in Oklahoma in 2013 was due to rebuilding after the deadly May 20 tornado 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.

## 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

Americans purchased goods and services at a moderately strong pace for a second straight month in December, although personal income growth was flat. Personal income increased \$2.3 billion, or less than 0.1 percent, and disposable personal income (DPI) decreased \$3.8 billion, or less than 0.1 percent, in December according to the Bureau of Economic Analysis (BEA).

Personal income was unchanged after rising 0.2 percent in November. Wages and salaries were basically flat last month, reflecting a sharp slowing in employment growth. Income sluggishness in December may have been partially weather related.

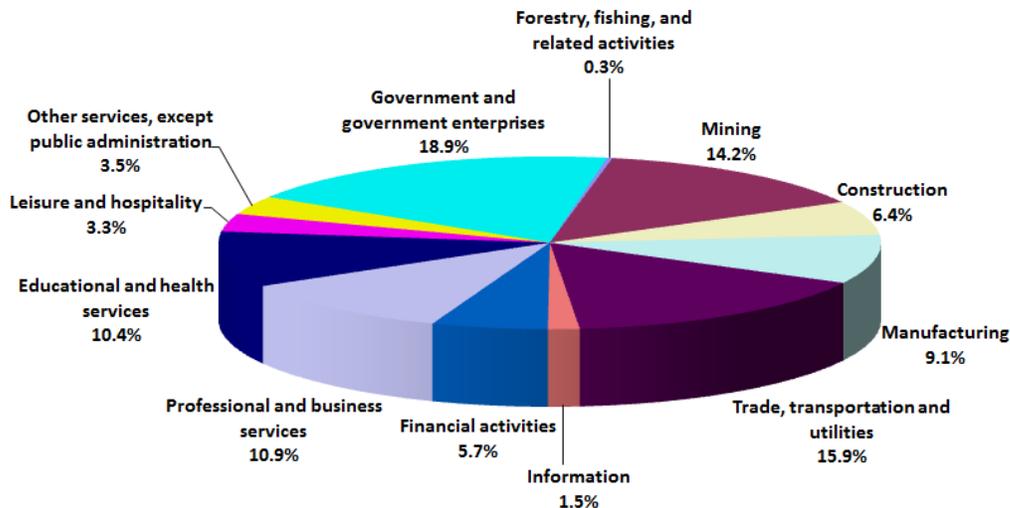
Spending in December was led by a 1.5 percent jump in nondurables with services gaining 0.4 percent. Durable goods spending declined 1.8 percent after a 1.8 percent increase the month before.

Weak income growth coupled with fairly strong spending at the end of last year led to less saving. The saving rate—the percentage of disposable income that households are setting aside—fell to an 11-month low of 3.9 percent in December.

For all of 2013, income growth was 2.8 percent, the weakest performance since 2009.

## 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 information 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.

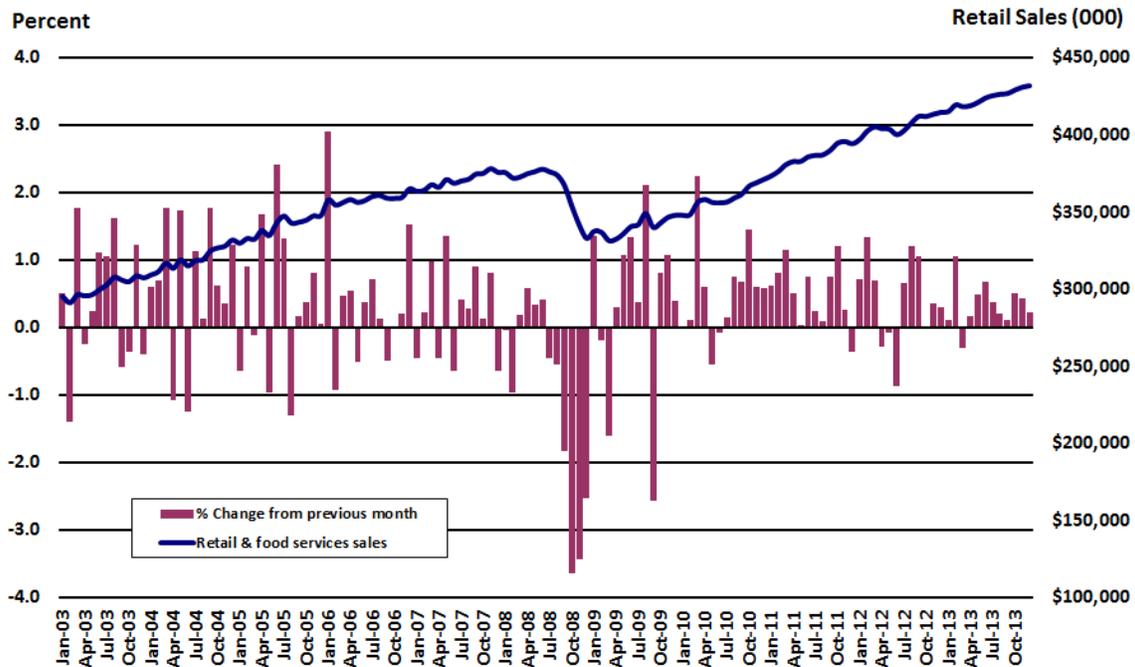
The BEA noted that slightly more than half of the personal income increase in Mississippi—\$1.0 billion—was a current transfer receipt representing a settlement for a class-action suit that alleged racial discrimination by the U.S. Department of Agriculture in its evaluation of farm loan applicants between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

## U.S. Retail Sales (Adjusted for Seasonal, Holiday, and Trading-Day Differences)

Source: U.S. Census Bureau, Advance Monthly Sales for Retail and Food Services



### Definition & Importance

Retail sales measure the total receipts at stores that sell merchandise and related services to final consumers. Sales are by retail and food services stores. Data are collected from the Monthly Retail Trade Survey conducted by the U.S. Bureau of the Census. Essentially, retail sales cover the durables and nondurables portions of consumer spending. Consumer spending accounts for roughly two-thirds of the U.S. GDP and is therefore essential to Oklahoma's economy. Retail sales account for around one-half of consumer spending and economic recovery calls for consumption growth.

### Current Developments

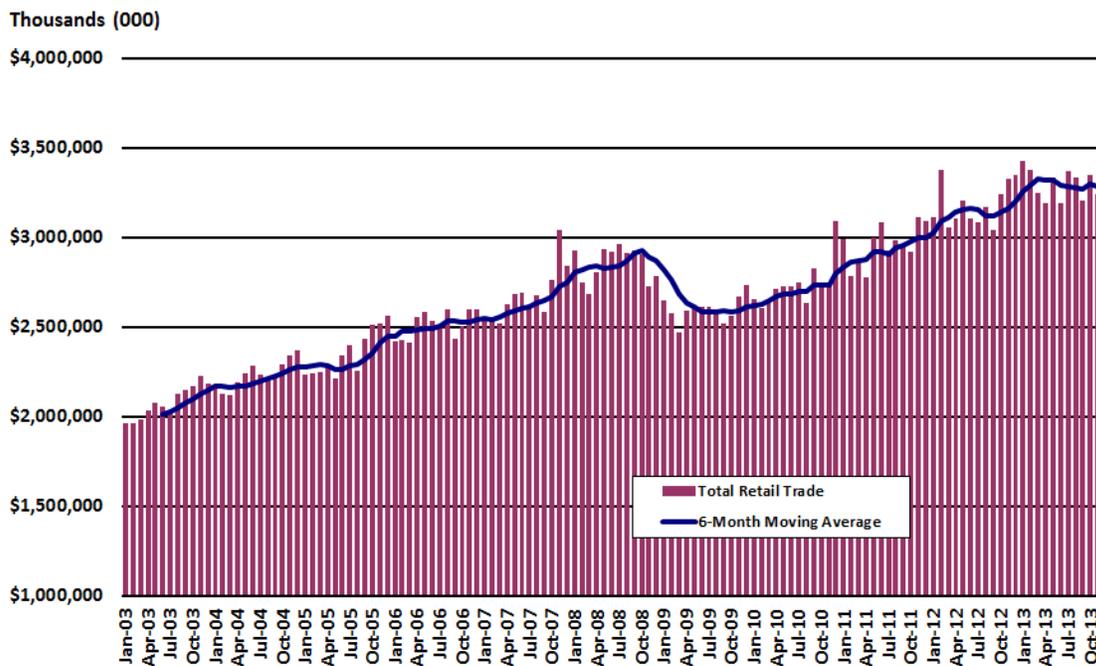
U.S. consumers spent at a steady pace as the holiday season wrapped up, capping what may have been the strongest quarter for consumer spending in three years. Advance estimates of U.S. retail and food services sales for December, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$431.9 billion, an increase of 0.2 percent from the previous month, and 4.1 percent above December 2012, according to the U.S. Census Bureau. Total sales for the 12 months of 2013 were up 4.2 percent from 2012. Total sales for the October through December 2013 period were up 1.0 percent from the same period a year ago.

Auto sales fell 1.8 percent in December, following a 1.9 percent increase in November, dragging down the overall gauge. Excluding autos, retail sales climbed 0.7 percent, the biggest gain since February. Gas station sales rebounded 1.6 percent in December, a reflection of higher fuel prices, following a 1.5 percent decline the month before.

The less volatile "core" retail sales, excluding autos, gas and building supplies rose to a healthy 0.6 percent after gaining 0.3 percent in November. In the core, strength was seen in food & beverage stores (+2.0 percent), health & personal care (+0.6 percent), clothing (+1.8), nonstore retailers (+1.4 percent), and food services & drinking places (+0.5 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

Holiday shopping pushed Oklahoma retail trade to a strong finish in December. Total adjusted retail sales for December 2013 were at a level of \$3.42 billion—a 5.5 percent gain from November and 2.0 percent greater than December 2012. For 2013, total adjusted retail trade was 3.9 percent greater than 2012.

Durable goods sales increased 1.4 percent in December with all durable goods categories advancing. The largest increase was seen in miscellaneous durable goods (+2.5 percent); followed by lumber & hardware (+1.8 percent), and electronics & music store sales (+1.5 percent).

Total nondurable goods sales surged 7.0 percent in December with the largest monthly gain in the volatile estimated gasoline sales (+35.0 percent). Liquor sales were also strong in December (+1.7 percent); apparel sales (+1.4 percent); and general merchandise sales (+1.2 percent). Declining sales were seen in drugs (-0.3 percent); eating & drinking (-0.2 percent), and miscellaneous non-durables (-0.2 percent). Over the year, non-durable goods sales advanced 1.0 percent.