



OKLAHOMA Economic Indicators

January 2015

OKLAHOMA ECONOMIC INDICATORS

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SPECIAL REPORT:

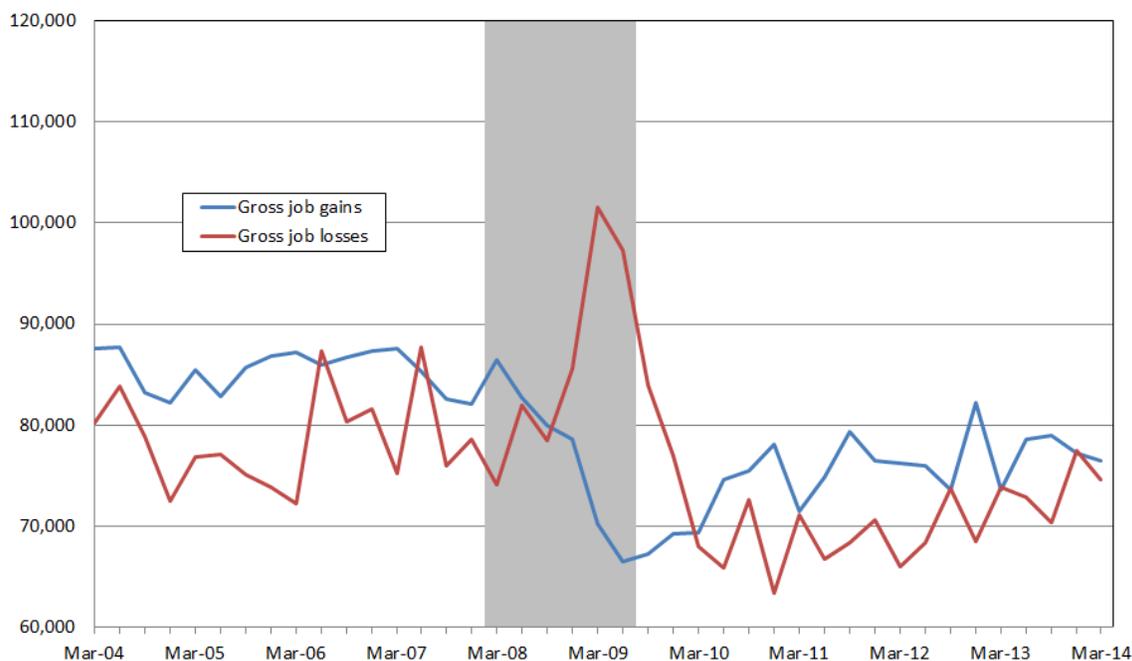
OKLAHOMA BUSINESS EMPLOYMENT DYNAMICS: 1st Quarter 2014

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

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

Chart 1

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



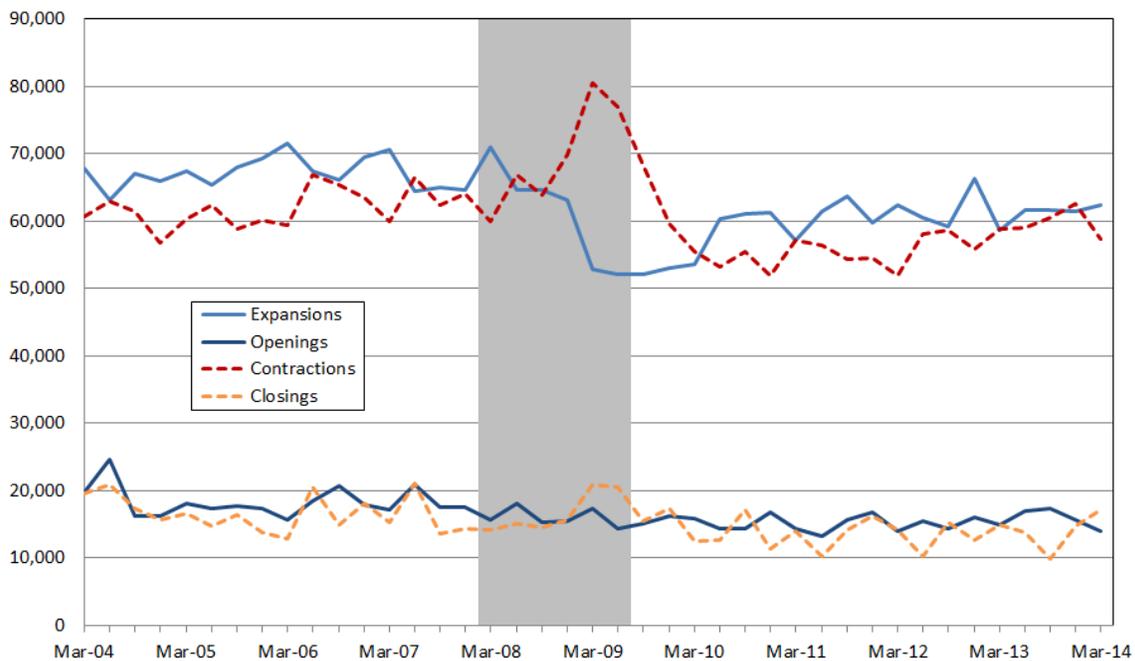
Source: U.S. Bureau of Labor Statistics
Note: Shaded area represents NBER defined recession period.

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

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

Chart 2

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



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

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

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

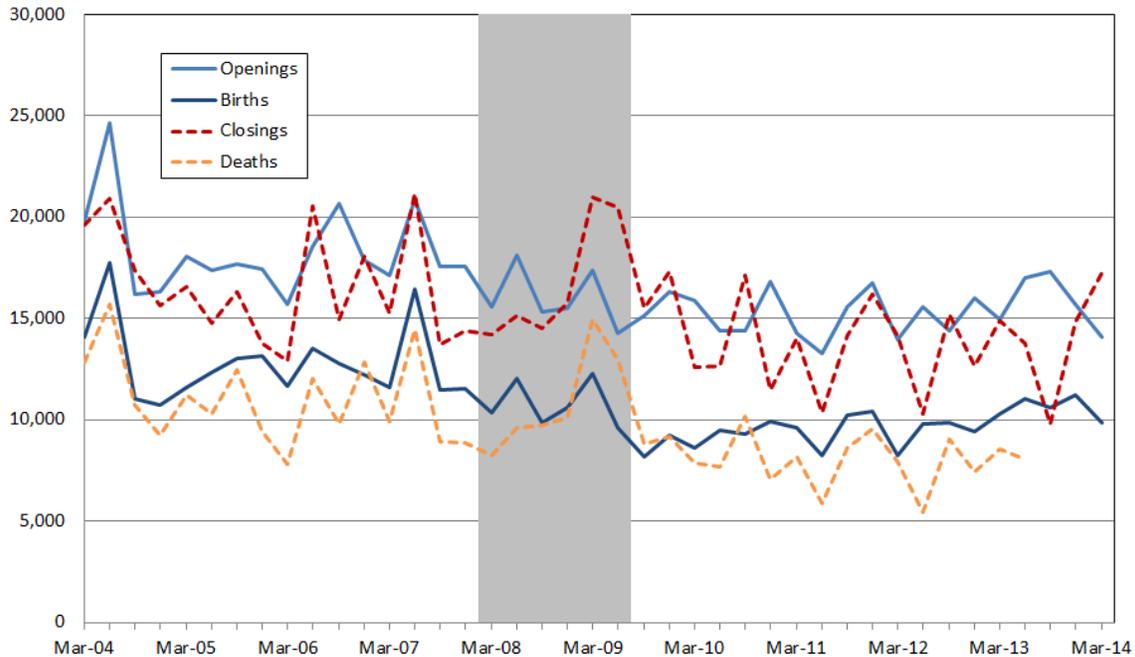
Closing establishments lost 17,233 jobs from December 2013 to March 2014. This represents 2,411 more jobs lost than the prior quarter. Opening establishments gained 14,045 jobs during the 1st quarter of 2014. This represents 1,661 fewer new jobs from private sector establishment openings than in 4th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

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

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

Chart 3

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



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

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

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

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

Chart 4

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

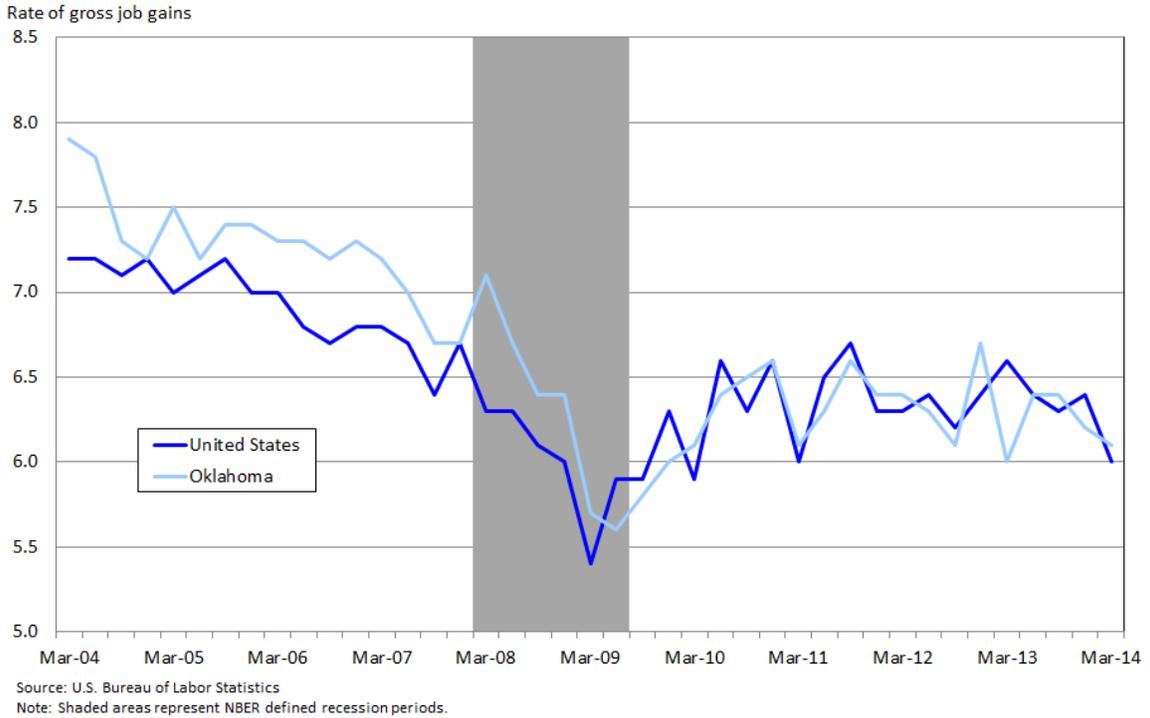
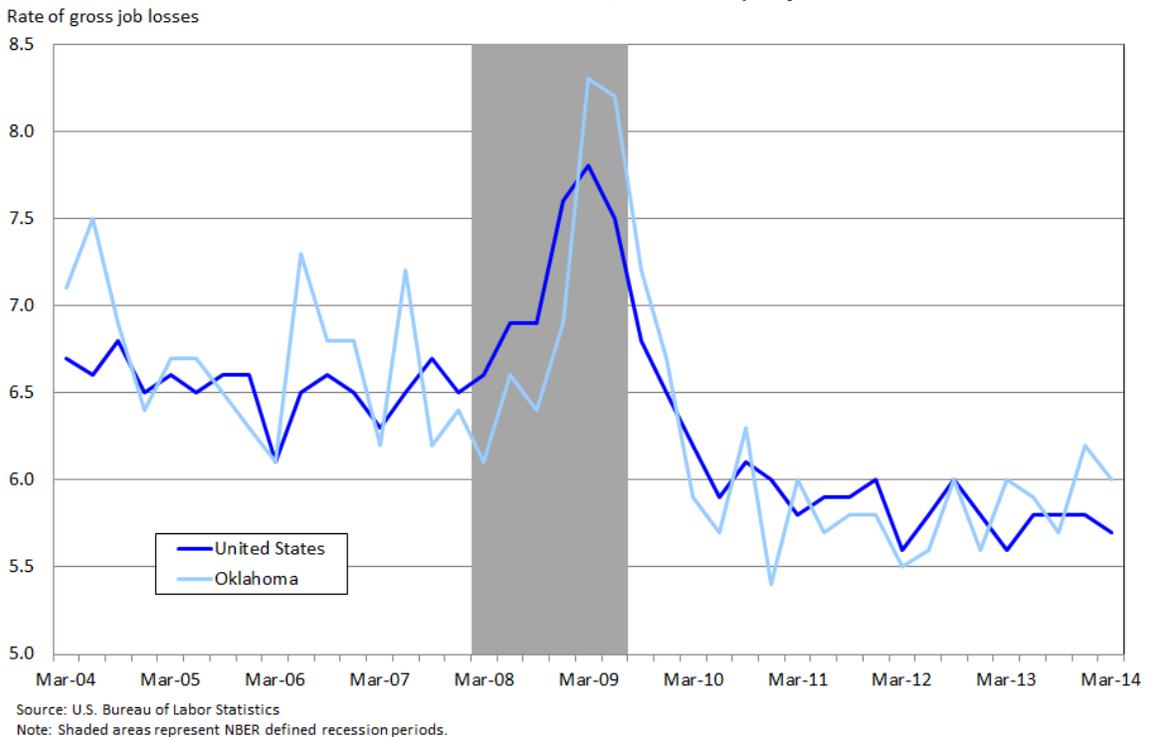


Chart 5

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



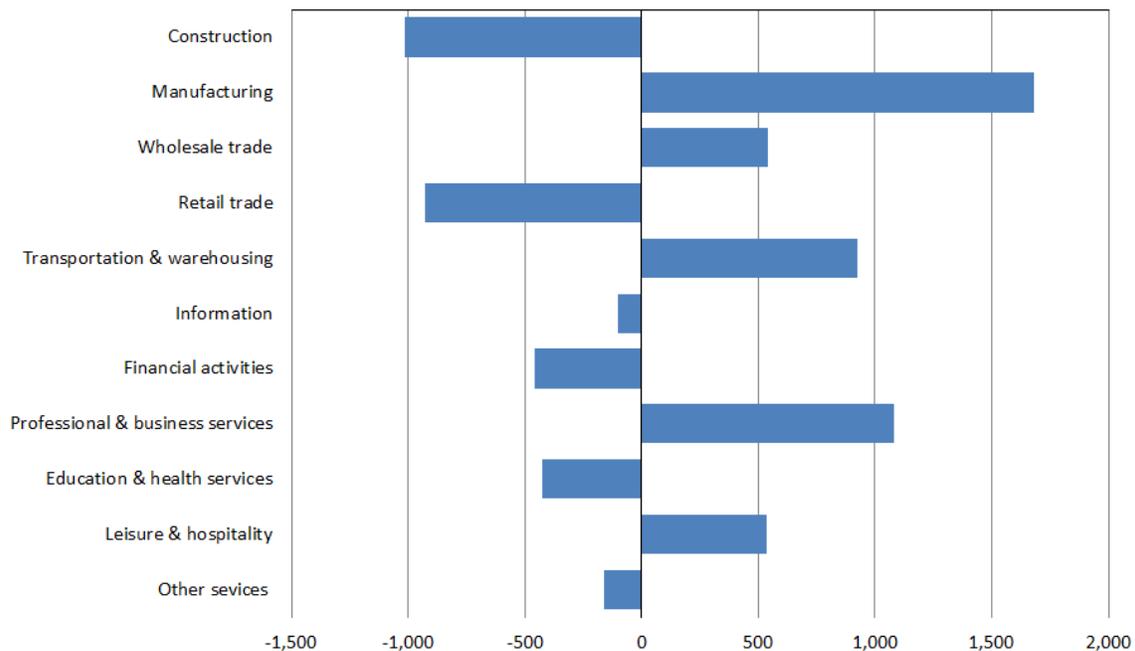
Gross Job Gains and Gross Job Losses by Industry: 1st Quarter 2014

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

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

Chart 6

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



Source: U.S. Bureau of Labor Statistics

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

More Information

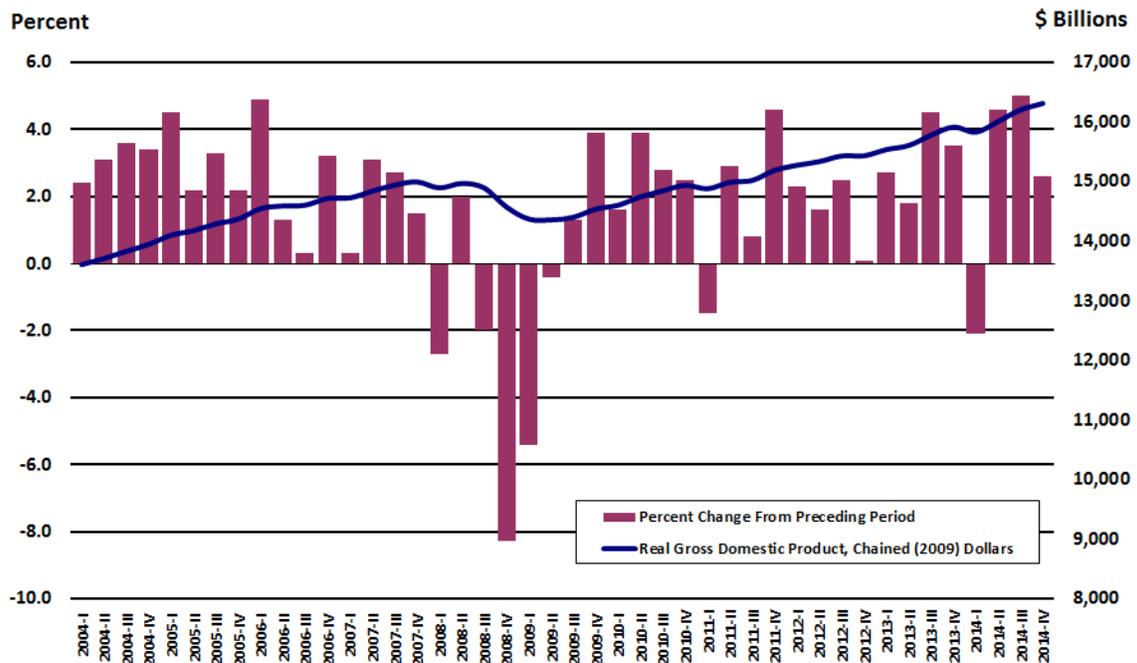
A copy of the full 1st quarter 2014 Oklahoma BED report along with technical notes and detailed tables is available on the OESC website at:

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

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

Real Gross Domestic Product and Quarterly Change

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



Definition & Importance

Gross Domestic Product (GDP)—the output of goods and services produced by labor and property located in the United States—is the broadest measure of economic activity. It is also the measure that is most indicative of whether the economy is in recession. In the post-World War II period, there has been no recession in which GDP did not decrease in at least two quarters, (the exceptions being during the recessions of 1960-61 and 2001).

The Bureau of Economic Analysis (BEA), U.S. Department of Commerce releases GDP data on a quarterly basis, usually during the fourth week of the month. Data are for the prior quarter, so data released in April are for the 1st quarter. Each quarter's data are revised in each of the following two months after the initial release.

Background

There are four major components to GDP:

1. *Personal consumption expenditures*: Individuals purchase durable goods (such as furniture and cars), nondurable goods (such as clothing and food) and services (such as banking, education and transportation).
2. *Investment*: Private housing purchases are classified as residential investment. Businesses invest in nonresidential structures, durable equipment and computer software. Inventories at all stages of production are counted as investment. Only inventory changes, not levels, are added to GDP.
3. *Net exports*: Equal the sum of exports less imports. Exports are the purchases by foreigners of goods and services produced in the United States. Imports represent domestic purchases of foreign-produced goods and services and are deducted from the calculation of GDP.
4. *Government*: Government purchases of goods and services are the compensation of government employees and purchases from businesses and abroad. Data show the portion attributed to consumption and investment. Government outlays for transfer payments or interest payments are not included in GDP.

The four major categories of GDP—personal consumption expenditures, investment, net exports and government—all reveal important information about the economy and should be monitored separately. This allows one to determine the strengths and weaknesses of the economy.

Current Developments

The U.S. economy slowed in the October to December period as weak business spending and a larger trade deficit offset the fastest pace of consumer spending in nine years. Real gross domestic product (GDP) increased at an annual rate of 2.6 percent in the 4th quarter of 2014, according to the "advance" estimate released by the Bureau of Economic Analysis (BEA). In the 3rd quarter, real GDP increased 5.0 percent.

Consumer spending advanced at the fastest rate since 1st quarter 2006, growing 4.3 percent, an acceleration from the 3rd quarter's 3.2 percent pace. Durable goods expenditures increased 7.4 percent compared to an 8.7 percent increase in the 3rd quarter. Nondurable goods spending increased 4.4 percent, up from 2.5 percent in the 3rd quarter. Spending on services also increased 3.7 percent, compared to 3rd quarter's 2.5 percent pace. Personal consumption expenditures added 2.87 percent to 4th quarter GDP growth.

However, business investment on equipment fell at a 1.9 percent rate in the 4th quarter, following two back-to-back quarters of robust gains. It was the largest contraction since the 2nd quarter of 2009. Part of the weakness likely reflected cutbacks in oil and gas drilling by energy companies due to the recent slide in energy prices. Investment in intellectual property products increased 7.1 percent, compared with an increase of 8.8 percent in the 3rd quarter.

Inventory investment rose, notably by wholesale trade industries and manufacturing industries. Restocking by businesses contributed 0.82 percentage point to 4th-quarter GDP. Inventories rose \$113.1 billion in the 4th quarter, compared to \$82.2 billion in the 3rd quarter.

Residential construction made a slight contribution to 4th-quarter GDP growth. Real residential fixed investment increased 4.1 percent, compared with an increase of 3.2 percent in the previous quarter.

A wider trade deficit, which had contributed 0.78 percentage point to growth in the 3rd quarter, reduced growth by 1.02 percentage point from GDP growth in the 4th quarter.

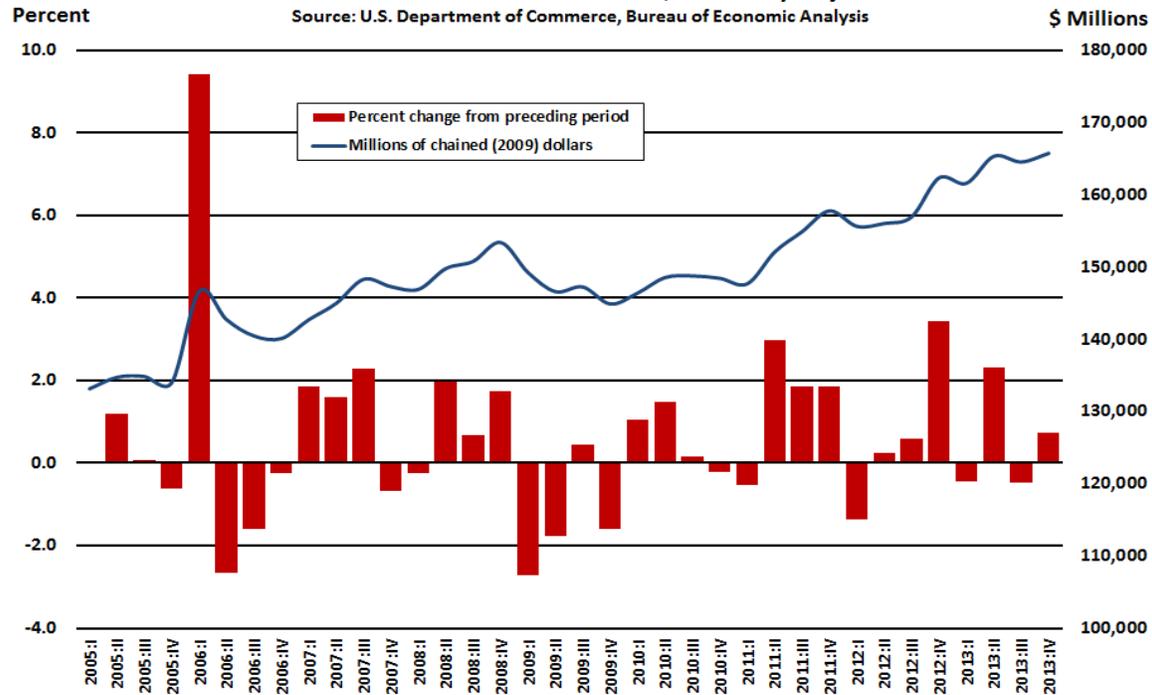
Government spending was a drag to 4th quarter GDP as the surge in defense spending from the 3rd quarter diminished. Real federal government consumption expenditures and gross investment decreased 7.5 percent in the 4th quarter, in contrast to an increase of 9.9 percent in the 3rd quarter. National defense spending plunged 12.5 percent, compared to an increase of 16.0 percent in the previous quarter. Real state and local government consumption expenditures and gross investment increased 1.3 percent, compared with an increase of 1.1 percent pace in the July to September period. Government consumption expenditures and gross investment shaved 0.4 percentage point from GDP growth in the 4th quarter.

For all of 2014, the economy grew at a 2.4 percent pace compared to 2.2 percent in 2013.

Oklahoma Real Gross Domestic Product and Quarterly Change

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

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



Definition & Importance

The U.S. Bureau of Economic Analysis (BEA) recently released prototype statistics of quarterly gross domestic product (GDP) by state for 2005–2013. These new statistics provide a more complete picture of economic growth across states that can be used with other regional data to gain a better understanding of regional economies as they evolve from quarter to quarter. The new data provide a fuller description of the accelerations, decelerations, and turning points in economic growth at the state level, including key information about changes in the distribution of industrial infrastructure across states.

Current Developments

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

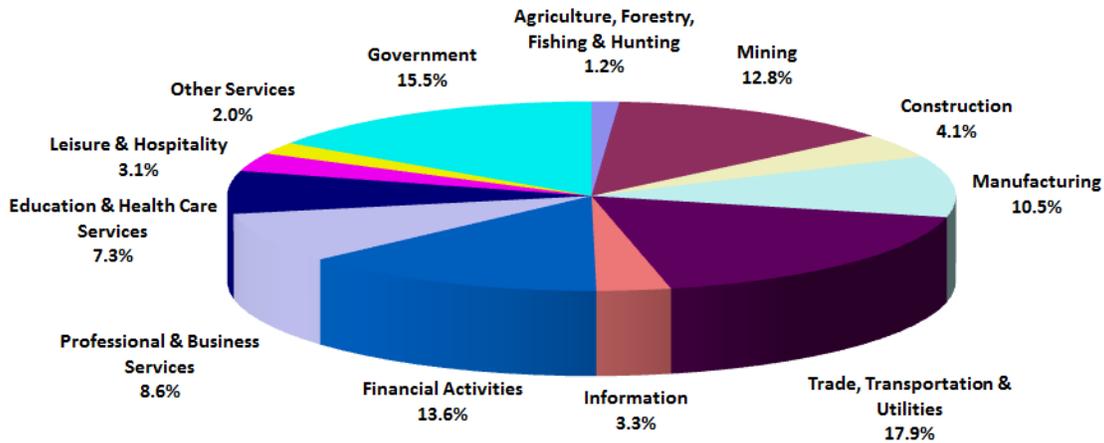
In 4th quarter 2013, Oklahoma's GDP was \$165.7 billion in constant 2009 dollars, up from \$164.5 billion in the 3rd quarter. The state's 4th quarter real GDP increased by \$1.19 billion, or 2.9 percent, ranking Oklahoma 29th among all other states and the District of Columbia.

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

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

(by percentage of Gross Domestic Product)

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



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

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

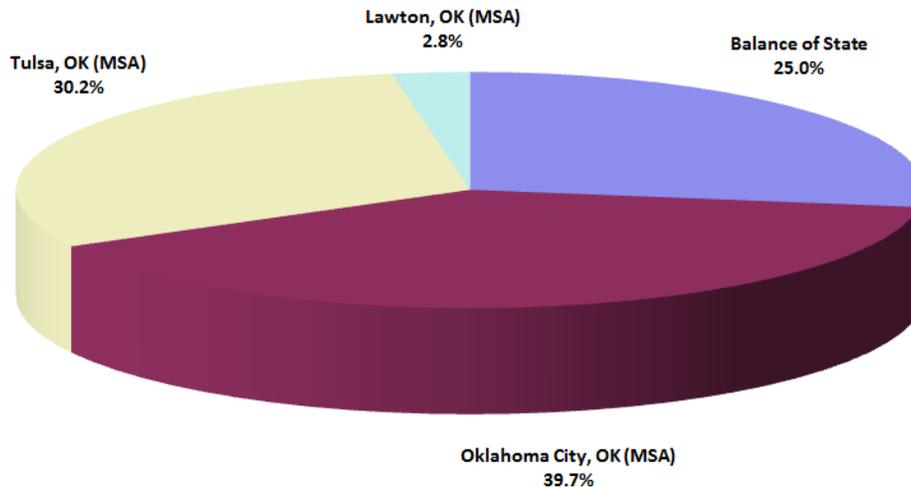
Nondurable-goods manufacturing was the largest contributor to U.S. real GDP by state growth in the 4th quarter of 2013. This industry increased 18.6 percent in the 4th quarter after moderate growth of 2.9 percent in the 3rd quarter. Nondurable-goods manufacturing was the leading contributor to growth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

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

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

Metropolitan Area Contribution to State Real Gross Domestic Product 2013

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



Definition & Importance

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

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

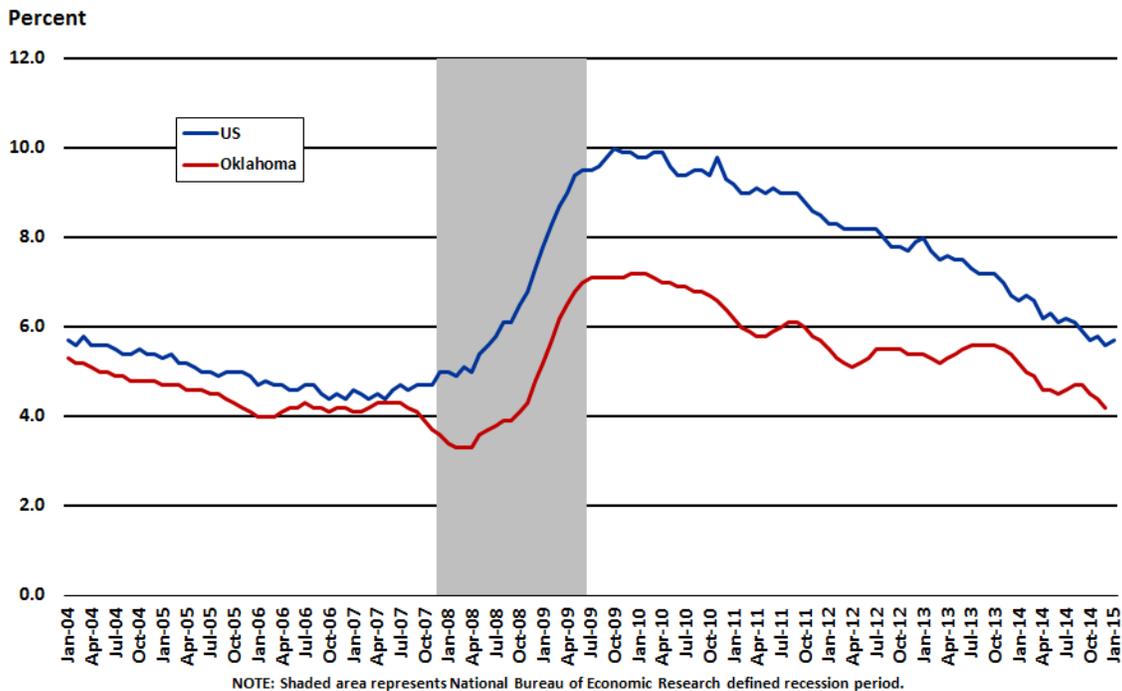
Current Developments

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

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

U.S. and Oklahoma Unemployment Rate (Seasonally Adjusted)

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



Definition & Importance

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

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

Current Developments

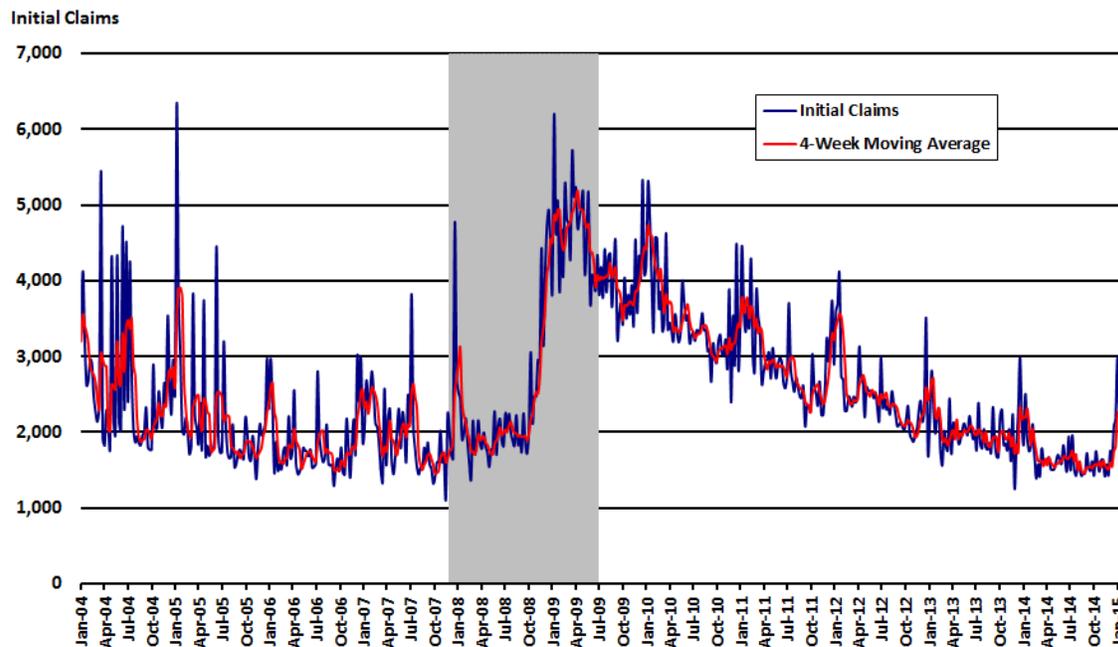
The U.S. unemployment rate edged up in January because the labor force increased as more Americans began looking for jobs. The unemployment rate, at 5.7 percent, changed little in January and has shown no net change since October, according to the Bureau of Labor Statistics (BLS). It appears that some discouraged workers are returning to the labor force. The labor force participation rate rose to 62.9 percent from 62.7 percent in December.

Oklahoma's seasonally adjusted unemployment rate declined by two-tenths of a percentage point to 4.2 percent in December. Over the year, Oklahoma's seasonally adjusted unemployment rate dropped by 1.2 percentage points.

In December, 36 of the state's 77 counties saw unemployment rate increases. McCurtain County closed the year with Oklahoma's highest county unemployment rate of 7.5 percent. Beaver and Ellis counties tied for the month's lowest county unemployment rate of 2.0 percent. Over the year, jobless rates were down for nearly all Oklahoma counties in December.

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

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



Definition & Importance

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

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

Current Developments

More people sought unemployment benefits in the last week of January, following the previous week where jobless claims fell to their lowest level since April 2000. Initial claims for state unemployment benefits increased 11,000 to a seasonally adjusted 278,000 for the week ended January 31, according to figures released by the U.S. Labor Department (DOL). The previous week's jobless claims level was revised up by 2,000 from 265,000 to 267,000. The less volatile 4-week moving average was 290,750, an increase of 250 from the previous week's revised average.

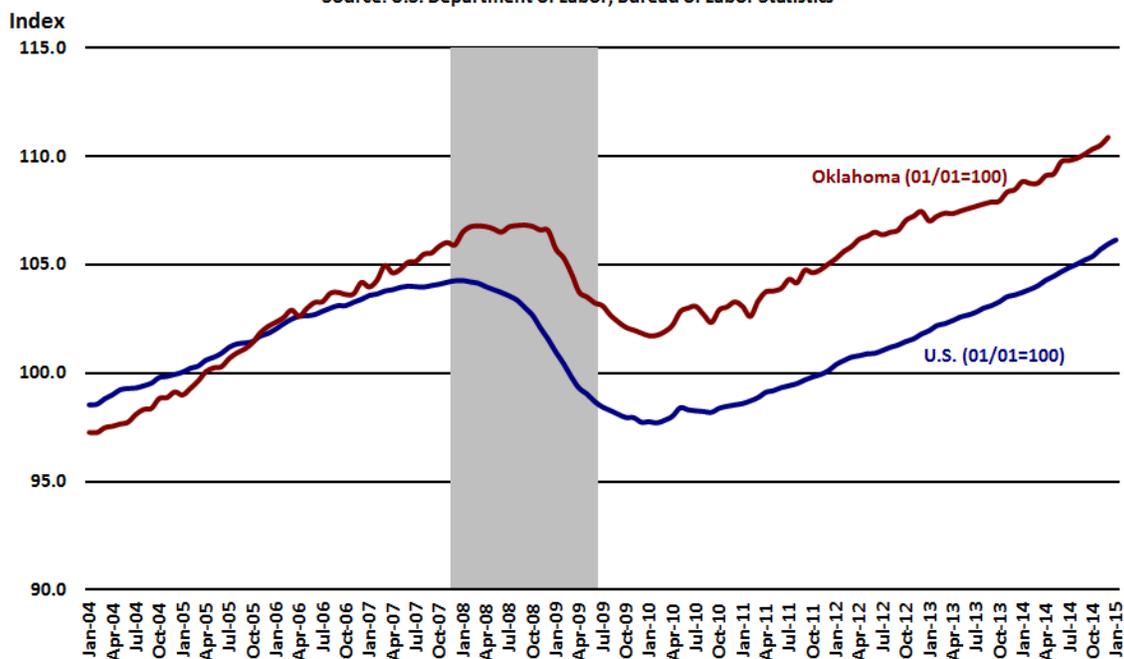
In Oklahoma, initial jobless claims jumped in the first weeks of January but then declined towards the end of the month. For the file week ending January 24, initial jobless claims were at a level of 1,791 or 243 claims less than the previous week. For the same file week ending, the four-week moving average was at 2,083, down 270 claims from the previous week's level of 2,353.

Over the year, statewide initial claims edged up 42 from 1,749 to 1,791 while the less volatile 4-week moving average edged down 15 from 2,098 to 2,083.

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

Index: January 2001=100

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



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

Definition & Importance

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.

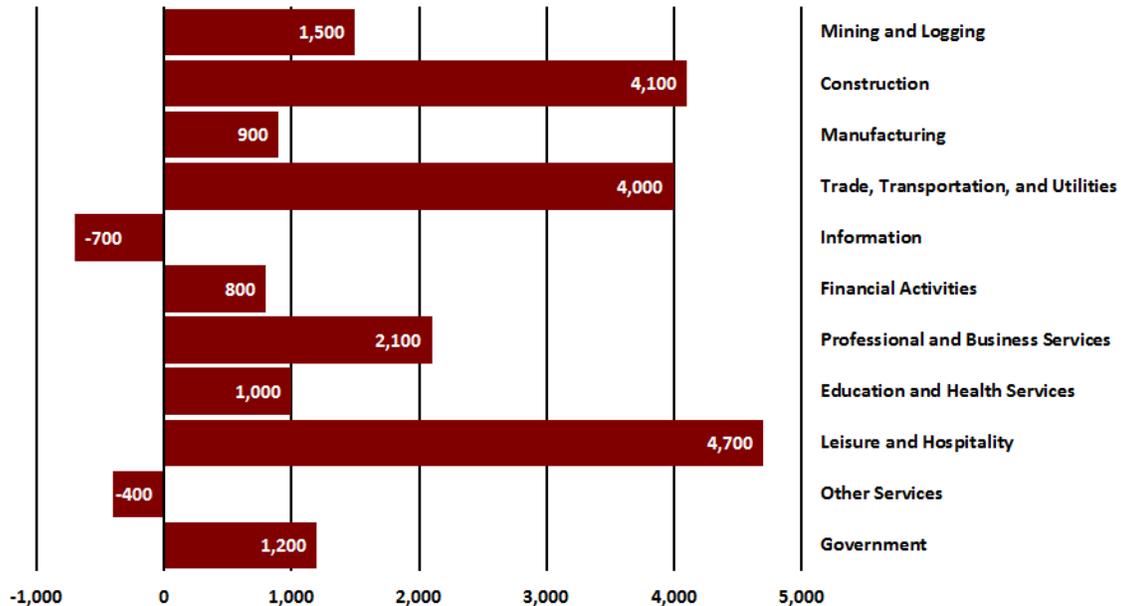
Current Developments

U.S. job growth was robust in January and wages jumped by the most in six years. Total nonfarm payroll employment increased by 257,000 in January, according to the Bureau of Labor Statistics (BLS). Data for November and December was revised to show that employers added 414,000 jobs in November—the largest gain since May 2010. Job growth in December was revised sharply higher to 329,000 from 252,000. Average hourly wages soared 12 cents in January to \$24.75, the sharpest gain since 2008.

Oklahoma ended the year with a strong job gain. Seasonally adjusted nonfarm employment for Oklahoma added 5,700 jobs (+0.3 percent) in December. Six of Oklahoma's 11 supersectors saw job growth in December, led by business & professional services with an over-the-month gain of 2,000 jobs. Construction (+1,200 jobs), educational & health services (+1,100 jobs) and government (+1,100 jobs) also posted substantial gains for the month. Over the year, Oklahoma total nonfarm employment gained 36,700 jobs (+2.2 percent). Education & health services expanded the most over the year adding 7,900 jobs (+3.5 percent).

Oklahoma Employment Change by Industry, 2012-2013 Annual Averages (Not Seasonally Adjusted)

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



Definition & Importance

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

Current Developments

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

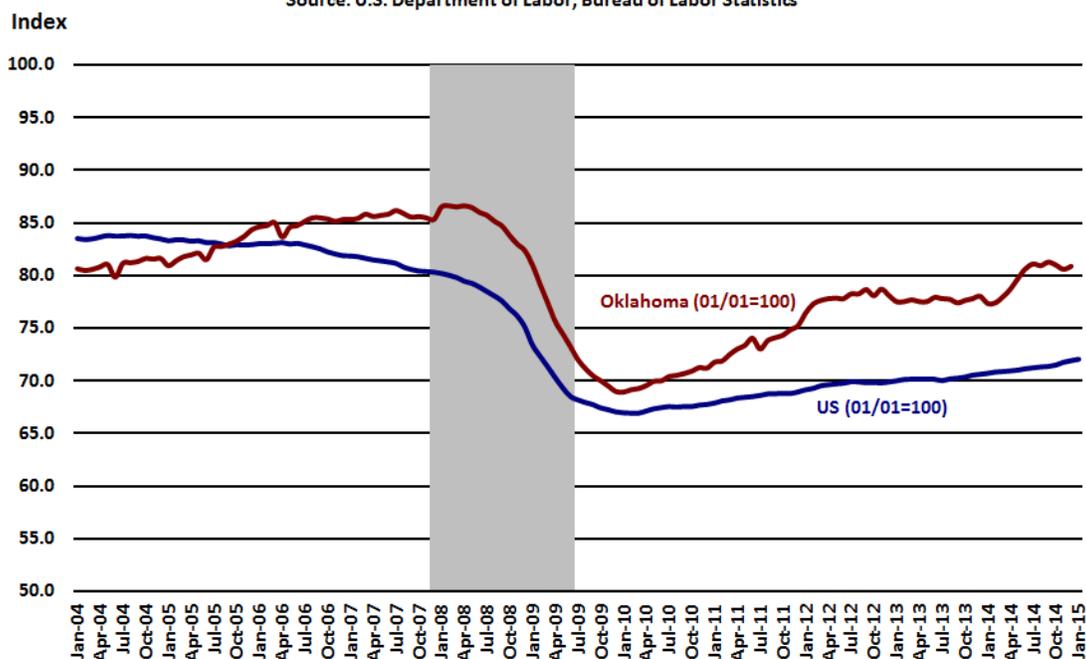
In 2013, nine out of Oklahoma's 11 statewide supersectors recorded job growth. Leisure & hospitality led all other supersectors adding 4,700 jobs with the bulk of hiring occurring in accommodations & food services. Construction employment added 4,100 jobs with almost all of the growth coming from heavy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

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

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

Index: January 2001 = 100

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



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

Definition & Importance

Manufacturing employment data is also produced by the Bureau of Labor Statistics' Current Employment Statistics (CES) program. Manufacturing and production are still important parts of both the U.S. and Oklahoma economies. During the 2007-09 recession, employment in manufacturing declined sharply. Although manufacturing plunged in 2008 and early 2009 along with the rest of the economy, it is on the rebound today while other key economic sectors, such as construction, still suffer. In Oklahoma, manufacturing accounts for one of the largest shares of private output and employment in the state. In addition, many manufacturing jobs are among the highest paying jobs in the state. In order to account for the size disparity between the U.S. and Oklahoma employment levels, we have indexed the data with January 2001 as the starting value.

Current Developments

U.S. factory employment started off on a fast pace in 2015. Manufacturing employment increased by 22,000 in January, according to the Bureau of Labor Statistics (BLS). Job gains occurred in motor vehicles and parts (+7,000 jobs) and wood products (+4,000 jobs). Over the past 12 months, employment in manufacturing has grown by 228,000.

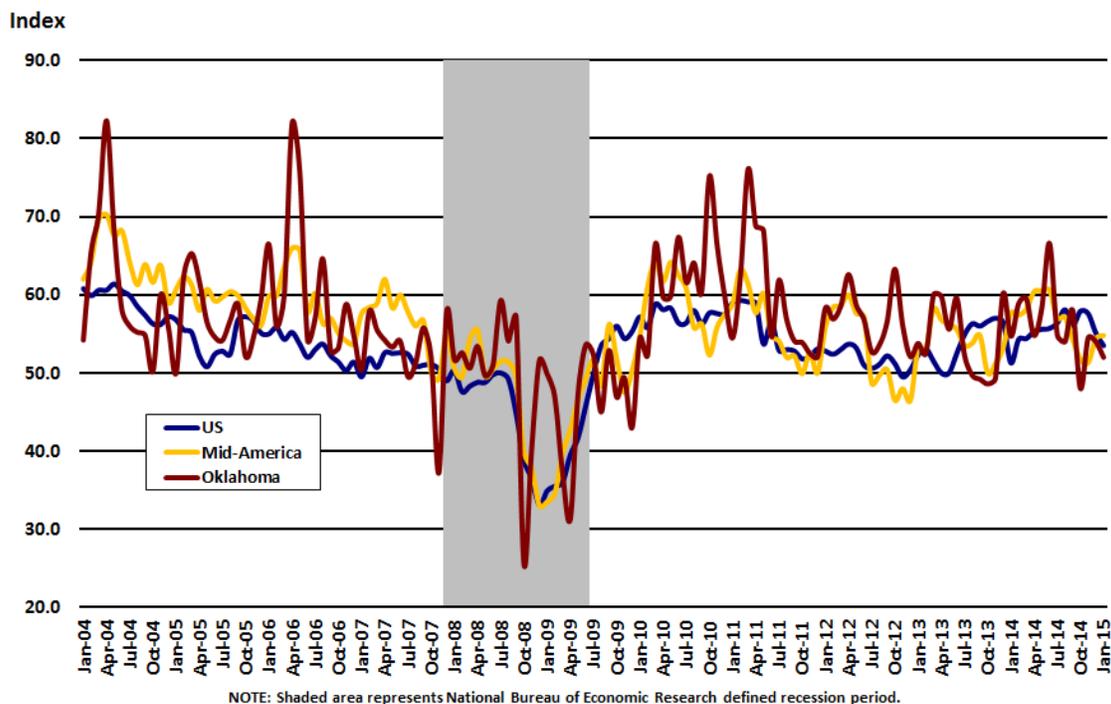
Oklahoma manufacturing employment added a non-seasonally adjusted 500 jobs (0.4 percent) in December. Non-durable goods manufacturing accounted for most of the job gains in December.

Over the year, Oklahoma manufacturing employment has added a non-seasonally adjusted 5,000 jobs for a 3.7 percent growth rate. Durable goods led the job gains, adding a non-seasonally adjusted 4,700 jobs (4.9 percent), while non-durable goods manufacturing gained a non-seasonally adjusted 300 jobs (0.7 percent).

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

Purchasing Managers' Index (Manufacturing)

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



Definition & Importance

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

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

Current Developments

U.S. manufacturing expanded at the slowest pace in a year in January, as orders, production, and hiring all declined. Manufacturing expanded in January as the PMI® registered 53.5 percent, a decrease of 1.6 percentage points when compared to December's reading of 55.1 percent, indicating growth in manufacturing for the 20th consecutive month, according to the latest Manufacturing ISM Report On Business®. Of the 18 manufacturing industries surveyed, 14 reported growth in January.

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

The Mid-America Business Conditions Index for September, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, jumped from November's tepid reading. The Business Conditions Index, which ranges between 0 and 100, rose to 54.8 from December's 54.4 reading, according to the Creighton Economic Forecasting Group. Indices over the past several months are pointing to positive economic gains over the next three to six months for the region.

"Firms such as Helmerich and Payne in Oklahoma, which are tied to energy, and John Deere with links to agriculture, have announced layoffs. I expect these job cuts to grow in the months ahead for states in the region. However, growth for companies outside of energy and agriculture will more than offset the declines in those sectors," said Ernie Goss, Ph.D., director of Creighton University's Economic Forecasting Group.

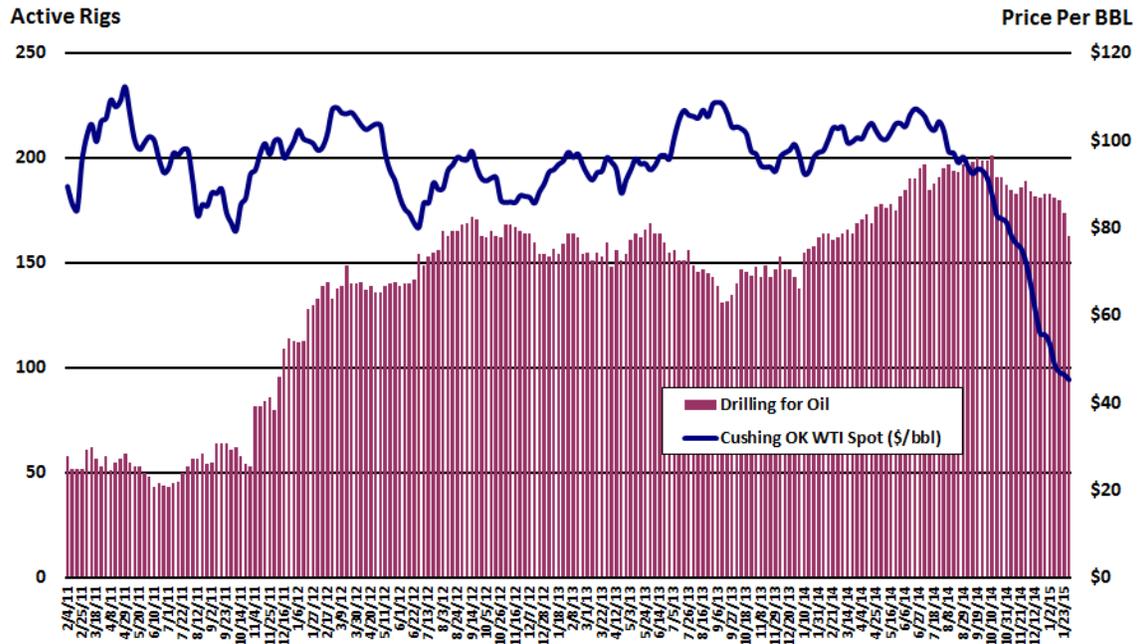
The Business Conditions Index for Oklahoma dipped slightly for January, signaling positive but slower growth in the next three to six months. The index for January declined to 52.0 from 54.0 in December. Components of the January survey of supply managers were new orders at 66.6, production or sales at 52.3, delivery lead time at 35.8, inventories at 49.2, and employment at 56.3.

"Durable goods producers and nondurable manufacturers experienced solid gains for the month. Even plunging oil prices have yet to have a significant negative impact on Oklahoma's energy sector," said Goss.

Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

February 2011 to January 2015

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

During the week ending January 30, 2015, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) increased by 6.3 million barrels from the previous week, according to a report from the EIA. The EIA also noted in the report that U.S. crude oil inventories are at the highest level for this time of year in at least the last 80 years.

Oklahoma's crude production in November was at 10,249,000 barrels, 436,000 barrels (or -4.1 percent) less than October's level of 10,685,000 barrels. For the first 11 months of 2014, Oklahoma's crude production was 114,031,000 barrels, 10,047,000 barrels or 9.7 percent more than the 103,984,000 barrels produced in the first 11 months of 2013.

Crude oil prices fell sharply in the 4th quarter of 2014 as robust global production exceeded demand. After reaching monthly peaks of \$105/bbl in June, West Texas Intermediate (WTI-Cushing) fell to \$59/bbl in December. The WTI-Cushing spot price was \$47.79 per barrel on January 30, 2015, \$2.53 over the previous week's price but \$49.76 under a year ago.

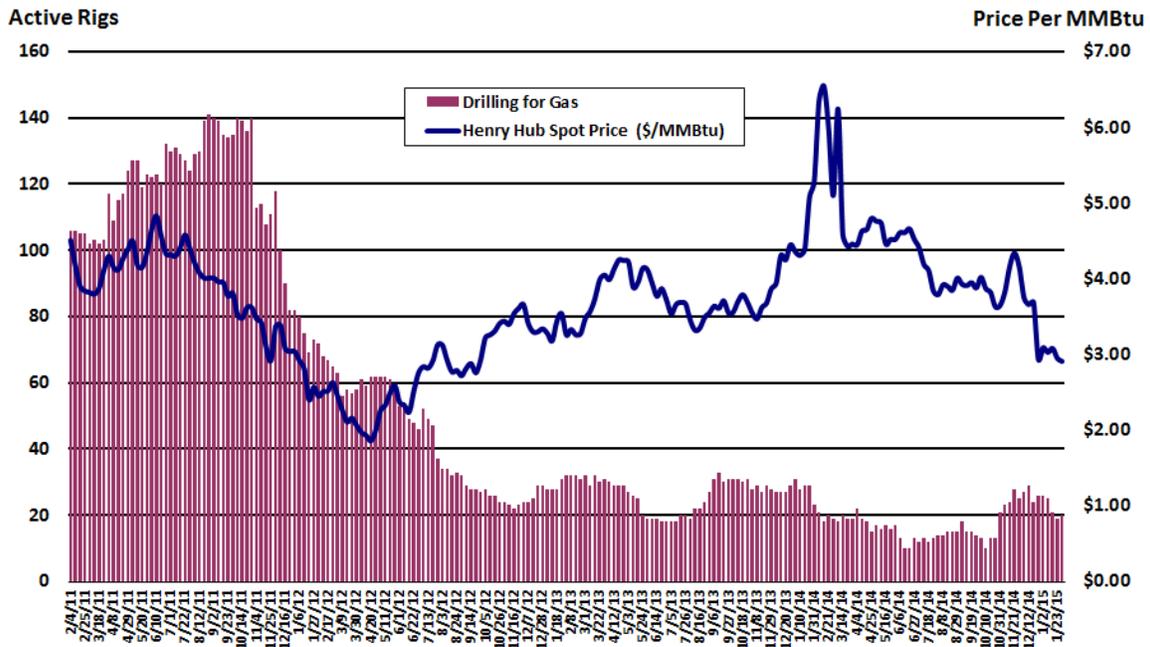
In its weekly release, Houston-based oilfield services company Baker Hughes Inc. reported a massive fall in the U.S. rig count. The number of rigs drilling for oil in the United States dropped by 90, in the week ended January 30, to 1,223—the lowest level of drilling activity in three years.

Oklahoma's average rotary rig count slumped in January on declining oil and gas prices. The weekly rotary rig count was at a level of 183 in the week ended January 30, down 26 rigs, or 12.4 percent from the January 5 weekly average of 211 rigs. Over the year, the active rotary rig count in Oklahoma was two less than 185 for the week ended January 31, 2013. Oil-directed active rotary rigs were at a level of 183, (for the week ended January 30, 2014), and accounted for approximately 89 percent of total rig activity in the state.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

February 2011 to January 2015

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

November 2014 marked the first time since 1996 that the United States did not receive any liquefied natural gas import cargoes from our trading partners, according to the U.S. Energy Information Administration (EIA).

According to the EIA's Weekly Natural Gas Storage Report, Working gas in storage was 2,428 Bcf as of Friday, January 30, 2015. Stocks were 468 Bcf higher than last year at this time and 29 Bcf below the 5-year average of 2,457 Bcf.

With milder weather, demand tumbled for natural gas in January. U.S. natural gas consumption fell 21 percent, hitting a 2015 low of 80 Bcf/d on Sunday, January 18, with consumption across all sectors decreasing, according to data from Bentek Energy. Led by a 29 percent week-over-week decrease in the residential/commercial sector, U.S. consumption for the report week was also 6 percent lower than year-ago levels.

Statewide natural gas production in 2014 continues to outpace 2013. November natural gas gross withdrawals were at a level of 196,260 MMcf, or 6,697 MMcf (or-3.3 percent) less than October. For the first 11 months of 2014, Oklahoma natural gas gross withdrawals totaled 2,108,068 MMcf compared to 1,961,565 MMcf for the same time period in 2013, that's 146,503 MMcf (or 7.5 percent) more than 2013 levels.

Following a short-lived price increase in November, natural gas prices have dropped to their lowest levels since September 2012, reflecting strong domestic production and inventory builds. The Henry Hub spot price fell from \$3.01/MMBtu (on January 2), to \$2.87/MMBtu on January 30.

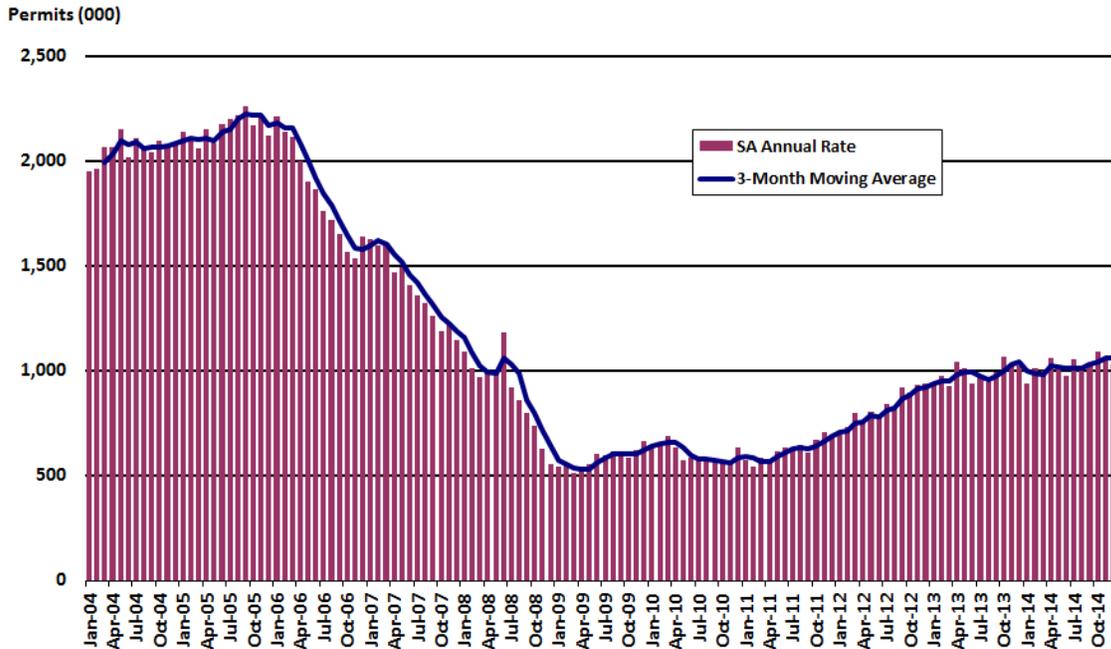
The Baker Hughes rotary rig count for natural gas in Oklahoma turned down in January. For the week ended January 30, Oklahoma's natural gas-directed drilling rig count was at a level of 20 active rigs, or 11 percent of total statewide drilling activity. Over the year, Oklahoma's natural gas-directed rotary rig count was down three rigs from the 23 rigs reported for the week ended January 31, 2014.

The total U.S. rotary rig count decreased by 90 active units to 1,543 rigs for the week ending January 30, and is 14% less than a year ago, according to data from Baker Hughes Inc. The natural gas rig count rose by 3 units to 319, while the oil rig count fell by 94 to 1,223. The largest decline in oil rigs occurred in the Permian Basin, where the count fell by 27. One miscellaneous rig was placed into operation.

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

Seasonally Adjusted

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



Definition & Importance

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

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

Current Developments

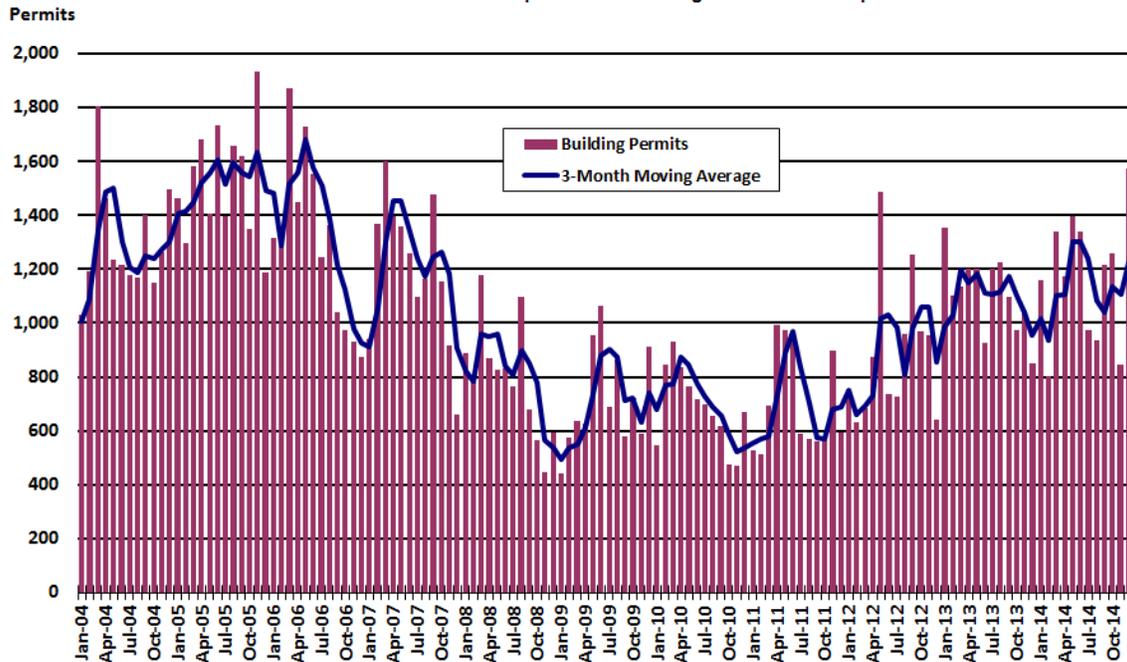
Although permits for future home construction fell 1.9 percent to a 1.03 million-unit pace in December permitting activity has been above a 1 million-unit pace since July. Privately-owned housing units authorized by building permits in December were at a seasonally adjusted annual rate of 1,032,000, 1.9 percent below the revised November rate of 1,052,000, but 1.0 percent above the December 2013 estimate of 1,022,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. An estimated 1,032,900 housing units were authorized by building permits in 2014. This is 4.2 percent above the 2013 figure of 990,800.

Single-family permits rose 4.5 percent to their highest level since January 2008, while multifamily permits tumbled 11.8 percent.

Oklahoma Total Residential Building Permits, 2004-2014

Not Seasonally Adjusted

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



In December, applications for residential building permits in Oklahoma surged to the highest monthly level in seven years, largely driven by apartment permits. Total residential building permitting for December was at an unadjusted level of 1,574 units, 727 more than the previous month, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development.

Single-family permitting accounted for 57.8 percent of total residential permitting activity in December while multi-family permitting added 42.0 percent. Applications for single-family homes were at a non-seasonally adjusted level of 909 or 36.7 percent more than November's level of 665 permits. Multi-family permitting jumped to a non-seasonally adjusted level of 661 permits, 513 more than November's level of 148 permits.

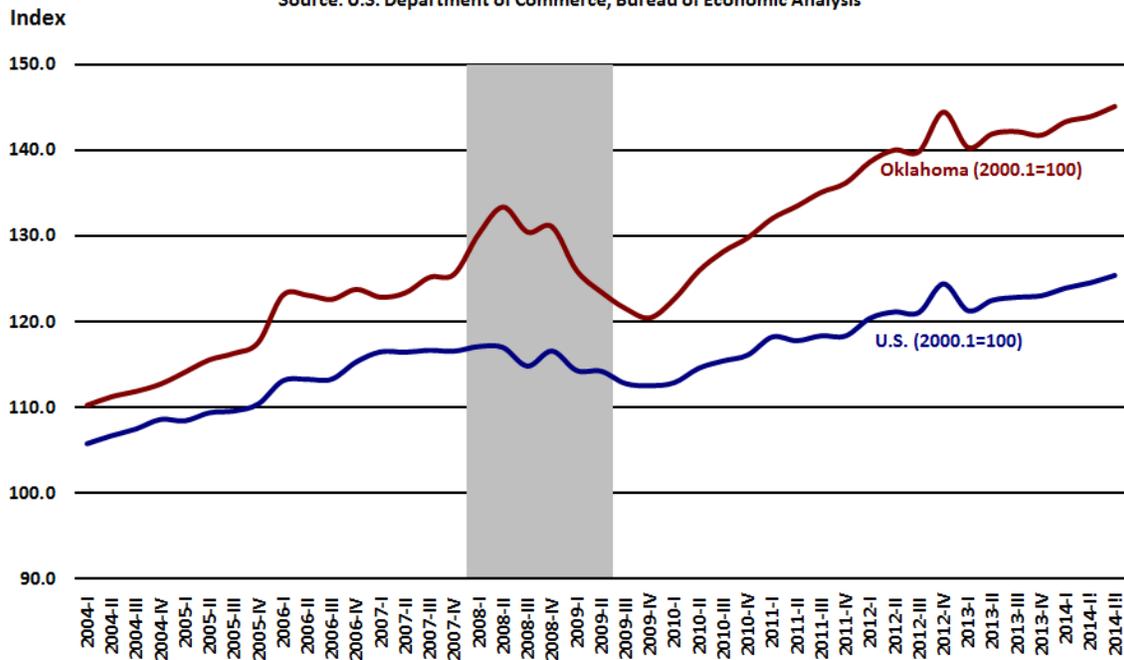
Over the year, total residential permitting was at a non-seasonally adjusted 724 permits or 85.2 percent more than December 2013. Single-family permits were up 248 permits or 37.5 percent more than a year ago, while the more volatile multi-family permitting was 478 more than the December 2013 level of 183 permits.

In 2014, total unadjusted residential building permitting was at a level of 14,024 or 12.7 percent greater than the 2013 total of 12,464 and the highest annual total since 2007. Multi-family permits were 1,127, or 51.8 percent more than 2013, while single-family permits were 447, or 4.1 percent less than 2013.

U.S. and Oklahoma Real Personal Income

Index: 1st Quarter 2000 = 100

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



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

Definition & Importance

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

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

Current Developments

Personal income rose in December, helped by the steady wave of hiring over the past year. Personal income increased \$41.3 billion, or 0.3 percent, and disposable personal income (DPI) increased \$35.8 billion, or 0.3 percent, in December, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) increased \$47.2 billion, or 0.3 percent. In November, personal income increased \$47.2 billion, or 0.3 percent, DPI increased \$34.2 billion, or 0.3 percent, and PCE increased \$58.8 billion, or 0.5 percent, based on revised estimates.

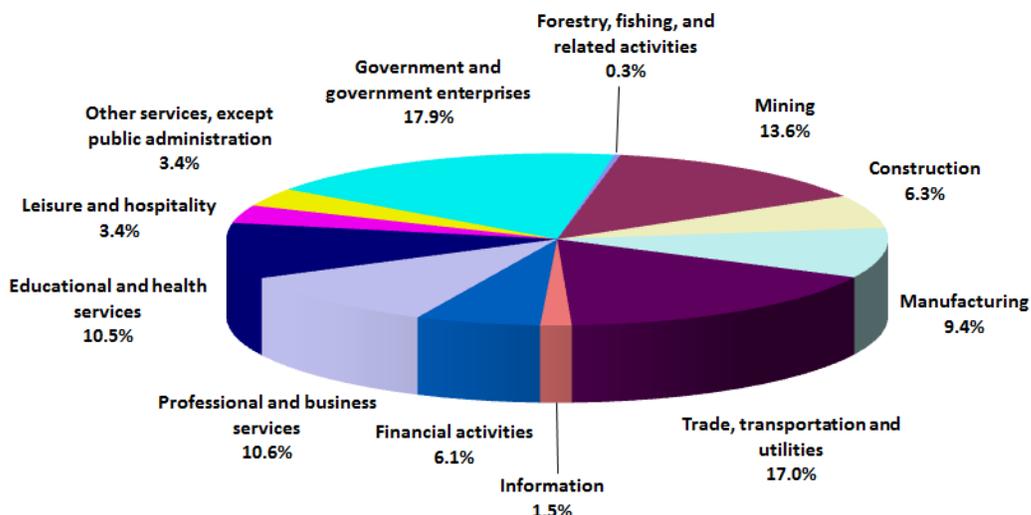
U.S. consumer spending had its largest drop since September 2009 in December, as the pace of motor vehicle sales slowed and more Americans saved their money. Durable goods spending fell 1.2 percent on a swing in auto sales, following a rise of 1.8 percent in November. Spending on nondurable goods, pulled down by gasoline prices, declined 1.3 percent after decreasing 0.3 percent in November. Services edged up 0.1 percent, following a 0.5 percent spike in November.

It appears that households are using the extra income from cheap gasoline for savings. Consumers saved 4.9 percent of their disposable income in December, up from 4.3 percent in November.

Oklahoma Nonfarm Contribution to Earnings

Third Quarter 2014

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



Definition & Importance

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

Current Developments

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

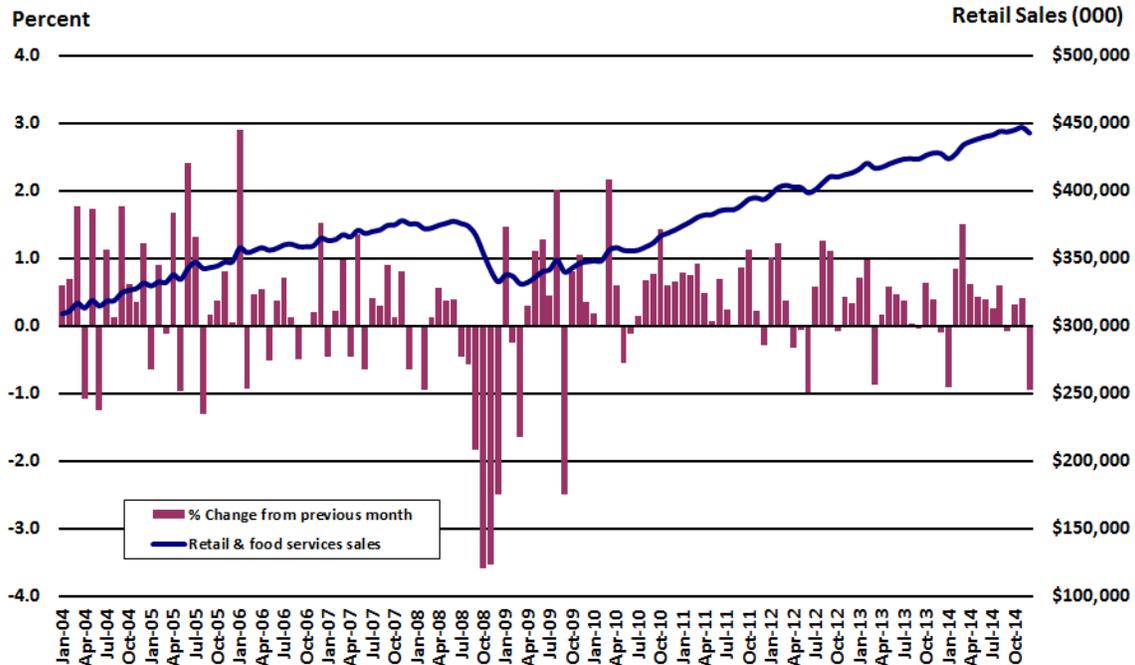
In Alaska, North Dakota, Oklahoma, Texas, and Wyoming, the mining industry (which includes oil and gas extraction) contributed the most to 3rd-quarter earnings growth, according to the BEA. North Dakota, Oklahoma, and Texas have been the 3 fastest growing states, as measured by percent growth of earnings,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

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

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

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

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



Definition & Importance

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

Current Developments

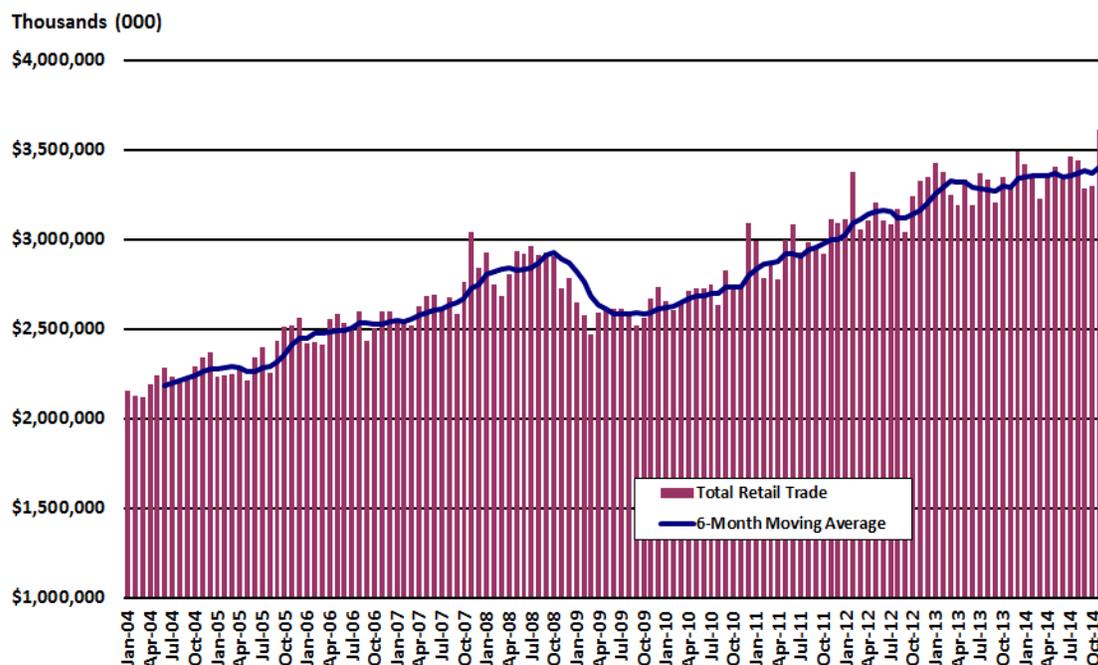
Americans cut back their spending in December as retail sales recorded the largest drop since last January. Advance estimates of U.S. retail and food services sales for December, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$442.9 billion, a decrease of 0.9 percent from the previous month, but up 3.2 percent above December 2013, according to the U.S. Census Bureau. Total sales for the 12 months of 2014 were up 4.0 percent from 2013. The October to November 2014 percent change was revised down from 0.7 percent to 0.4 percent.

Motor vehicle sales dipped 0.7 percent in December, following a 1.6 percent gain the month before. Gasoline station sales fell again on lower pump prices, falling a sharp 6.5 percent, the largest drop since December 2008. Excluding both auto and gasoline, sales declined 0.3 percent after advancing 0.6 percent in November.

The less volatile "core" sales, which strip out automobiles, gasoline, building materials and food services, fell 0.4 percent after rising 0.6 percent in November. Within the core, weakness was broad based, led by miscellaneous store retailers (-1.9 percent), electronics & appliances (-1.6 percent), and general merchandise (-0.9 percent). Notable gains were seen in furniture & home furnishings (+0.8 percent) and food services & drinking places (+0.8 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

Oklahomans took advantage of early holiday shopping deals offered on 'Black Friday' and lower pump prices. After surging 9.7 percent in November, retail sales slipped -2.8 percent in December. Total adjusted retail sales for December was at a level of \$3.52 billion, down from November's level of \$3.62 billion. For 2014, total adjusted retail trade was at a level of \$40.7 billion, 2.2 percent more than \$39.8 billion in 2013.

Total durable goods sales climbed 1.1 percent in December with gains in miscellaneous durable goods (3.2 percent); furniture (2.0 percent); electronics & music store sales (1.3 percent); used merchandise (0.8 percent); and auto accessories & repair (0.8 percent). Lumber & hardware sales were flat in December. Over the year, durable goods sales were grew 7.2 percent.

Nondurable goods sales dropped 4.1 percent in December with the largest monthly loss again in the volatile estimated gasoline sales (-19.7 percent). Spending on drugs also fell in December (-0.2 percent). Spending picked up in apparel (2.3 percent); general merchandise store sales (2.2 percent); liquor (1.6 percent); miscellaneous non-durables (0.5 percent); food (0.3 percent); and eating & drinking (0.2 percent). Over the year, non-durable goods sales were off 1.4 percent.