



OKLAHOMA Economic Indicators

January 2016

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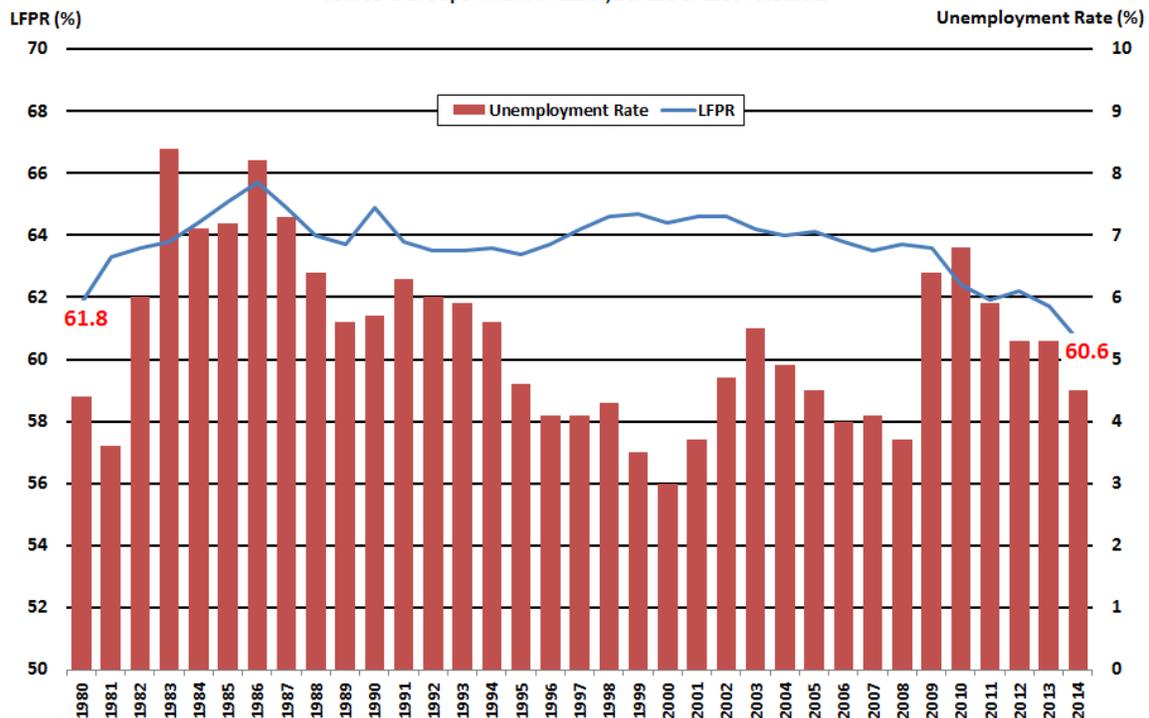
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SPECIAL REPORT: Oklahoma Youth Work Force

The Research & Analysis Division of the Oklahoma Employment Security Commission recently completed a study of the characteristics of Oklahoma’s youth labor force. Using data from both the Bureau of Labor Statistics (BLS) and the U.S. Census Bureau’s Longitudinal Employer-Household Dynamics Quarterly Workforce Indicators, this report offers insight into long-term trends in youth labor force participation and unemployment rates as well as industry employment and earnings.

Oklahoma Unemployment Rate and Labor Force Participation Rate, 1980-2014 Not Seasonally Adjusted

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



Oklahoma Unemployment Rates and Labor Force Participation Rates (1980-2014)

The labor force participation rate is the percentage of working-age persons in the economy who are either employed or unemployed (but looking for a job). Typically a ‘working-age person’ is defined as those between the ages of 16 to 64.

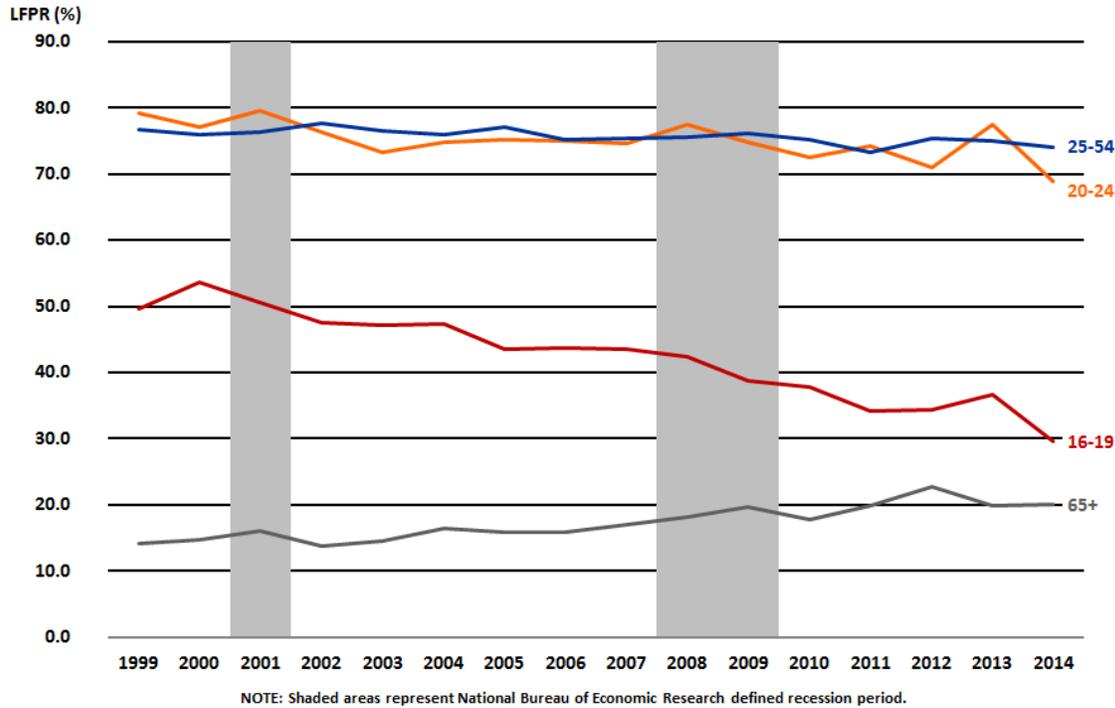
From 1980 to 2014, Oklahoma’s labor force participation rate has followed a downward trend similar to that of the United States. In 1980, Oklahoma’s labor force participation rate was 61.8 percent and climbed to its highest level in 1986 at 65.7 percent but then falling to 60.6 percent in 2014, (see chart above). Interestingly, between 2007 and 2014, Oklahoma’s labor force participation rate fell significantly from 63.5 percent to 60.6 percent—a 2.9 percentage point drop. This trend also coincided with the last recession (December 2007 to June 2009), with the steepest annual drop between 2009 and 2010 (-1.2 percentage points).

During the same timeframe, the state’s unemployment rate averaged 4.4 percent in 1980 then surged to a 35-year high of 8.4 percent in 1983 as a result of the collapse of commodity prices during that period. By 2014, the statewide unemployment rate was 4.5 percent. It should also

be noted that during the decade of the 1980s average annual statewide unemployment rates were 6.0 percent or higher for seven out ten years.

Oklahoma Labor Force Participation Rate by Selected Age Group, 1999-2014 Not Seasonally Adjusted

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



Oklahoma Labor Force Participation Rate by Selected Age Groups

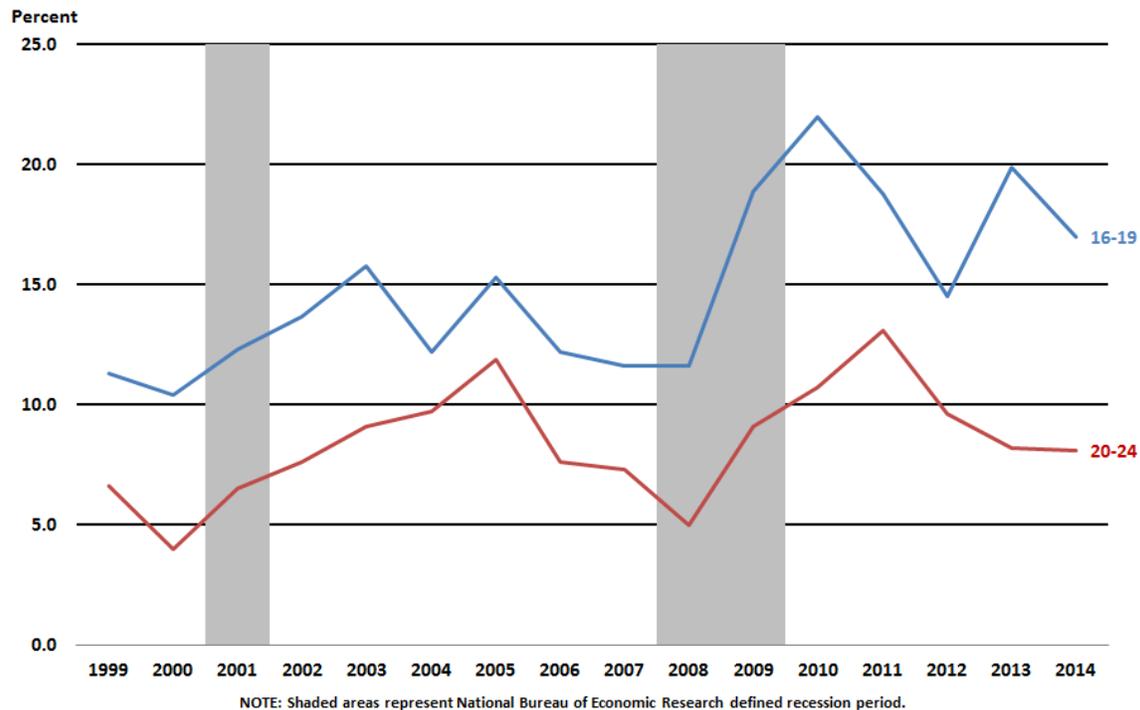
Following the statewide trend, youth labor force participation rates have also been generally declining since 1999. In 2014, the 16-19 age group’s labor force participation rate was 29.6 percent—a 20.0 percentage point decline from 49.6 percent in 1999. The 20-24 age group’s labor force participation rate was 68.8 percent in 2014, down 10.4 percentage points from 79.2 percent in 1999, (see chart above).

It also appears that the most recent recession had some effect on youth labor force participation rates. For the 16-19 age group, the labor force participation rate dropped from 42.3 in 2008 to 37.9 in 2010, declining 4.4 percentage points. The 20-24 age group’s LFPR fell from 77.4 percent in 2008 to 72.6 percent in 2010.

Remarkably, the 65+ age group saw labor force participation rates climb during the recession and continue to grow after the recession’s end. In 2007, the 65+ age group’s labor force participation rate was 17.1 percent but by 2014 that rate had increased to 20.0 percent.

Oklahoma Youth Unemployment Rates, 1999-2014 Not Seasonally Adjusted

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



Oklahoma Youth Unemployment Rates (1999-2014)

It appears that the last two recessions have had some effect on youth unemployment rates. Prior to the 2001 recession (March 2001 to November 2001), the 16 to 19 age group's unemployment rate was 10.4 percent. However, that jobless rate increased to 12.3 percent in 2001 and continued to climb to 13.7 percent in 2002 and 15.8 percent in 2003 until finally stabilizing at 11.6 percent in 2007. The 'Great Recession' (December 2007 to June 2009) had a far more profound effect on the 16 to 19 age group as unemployment rates jumped to 18.9 percent in 2009 and then rose to 22.0 percent the following year. The 20 to 24 age group unemployment rate was also affected by the past two recessions but not to the extent seen by the 16 to 19 group, (see chart above).

Oklahoma Youth Employment by Industry

In Oklahoma, youth employment comprises 11.8 percent of total employment: 1.9 percent for the 14 to 18 age group, 4.1 percent for the 19 to 21 age group, and 5.7 percent for the 22 to 24 group. Accommodation and Food Services and Retail Trade had the highest level of employed youth. Accommodation and Food Services accounted for 48 percent of employment for the age group of 14-18, while Retail Trade accounted for 24 percent for the age group of 19-21, and 17 percent for the age group of 22-24.

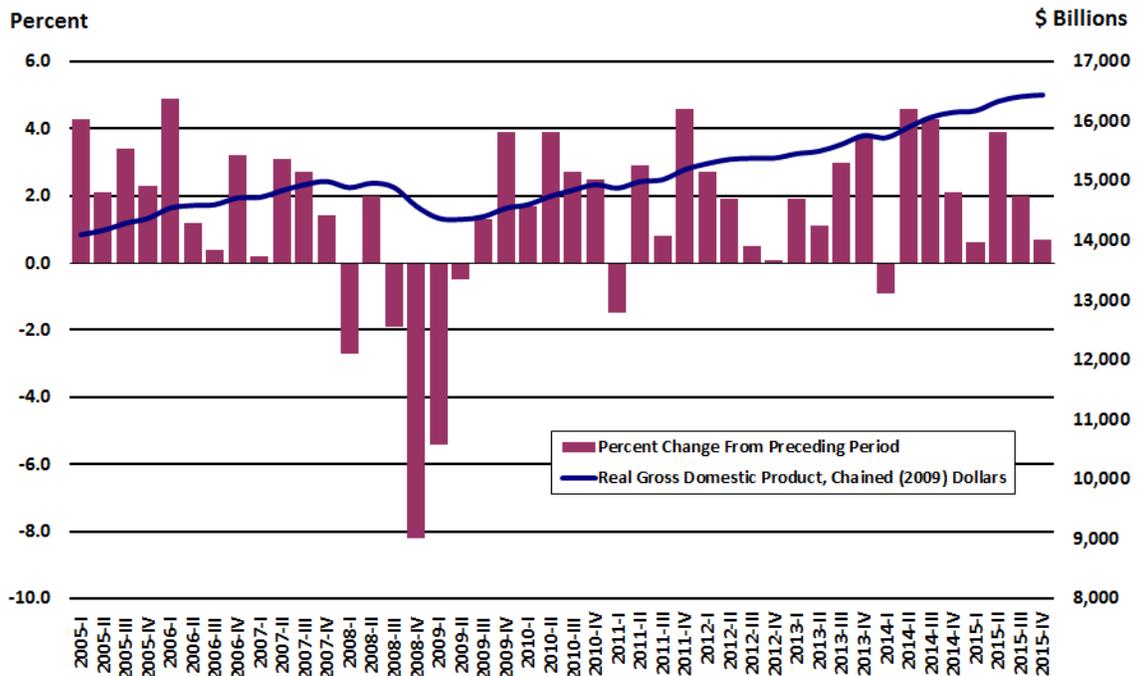
More Information

The full Oklahoma Youth Workforce publication is available on the OESC website at: https://www.ok.gov/oesc_web/documents/lmiyouthlaborforce2015.pdf

It's written in an engaging style and presented in an entertaining format and contains a wealth of information and data regarding trends in Oklahoma's youth labor force.

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 pace of U.S. economic growth lost some momentum in the last three months of 2015 as consumer spending, business investment and exports slowed. Real gross domestic product (GDP) increased at an annual rate of 0.7 percent in the 4th quarter of 2015, according to the "advance" estimate released by the Bureau of Economic Analysis (BEA). In the 3rd quarter, real GDP increased 2.0 percent. The economy grew 2.4 percent in 2015 after a similar expansion in 2014.

Much of the weakness in the 4th quarter reflected a slowdown in consumer spending which increased at a 2.2 percent rate compared to the 3.0 percent pace in the previous quarter. Spending on both durable goods, such as cars, and nondurable goods, such as clothing, slowed during the 4th quarter. Spending on services, adding 0.93 percentage points, was a leading contributor to growth in the 4th quarter.

Cutbacks in business investment spending provided another drag on 4th quarter GDP growth, which fell at a 1.8 percent annual rate, with spending on structures down 5.3 percent. Spending on mining exploration, wells and shafts plunged at a 38.7 percent rate after dropping at a 47.0 percent pace in the 3rd quarter. Business spending on equipment contracted at a 2.5 percent rate last quarter after rising at a 9.9 percent pace in the 3rd quarter.

Businesses also cut spending on stockpiles in an attempt to trim unwanted inventories. Businesses accumulated \$68.6 billion worth of inventory in the 4th quarter, down from \$85.5 billion in the 3rd quarter and subtracting 0.45 percentage point from 4th quarter growth.

Investment in residential construction remained a bright spot in the 4th quarter rising at an 8.1 percent rate. Residential investment added 0.27 percentage points to overall growth in the 4th quarter.

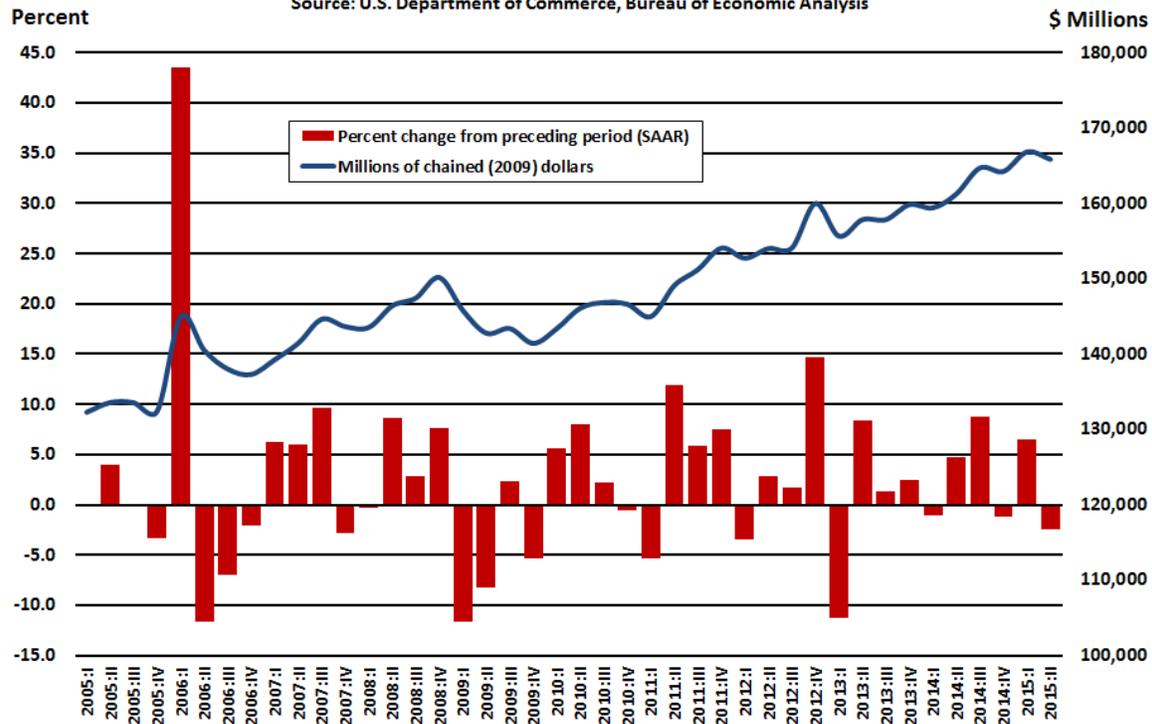
In the 4th quarter a strong dollar, which makes exports more expensive for foreign consumers and imports cheaper for U.S. consumers, continued to contribute to a wider trade deficit. Exports declined -2.5 percent, while imports rose 1.1 percent in the October to December period. Net exports subtracted 0.47 percentage point from GDP growth in the 4th quarter.

Government purchases added modestly to 4th quarter GDP slowing to a growth rate of just 0.7 percent. Federal government rose 2.7 percent, reflecting a 3.6 percent gain in federal defense spending as well as a 1.4 percent increase in nondefense federal spending. State and local government spending slipped 0.6 percent in the 4th quarter.

Oklahoma Real Gross Domestic Product and Quarterly Change

1st Quarter 2005 - 2nd Quarter 2015, Seasonally Adjusted Annual Rates

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

Real GDP increased in 46 states and the District of Columbia in the 2nd quarter of 2015. Overall, U.S. real GDP by state grew at an annual rate of 3.8 percent in the 2nd quarter after increasing 0.7 percent in the 1st quarter of 2015, according to the Bureau of Economic Analysis (BEA). Growth in the service industries led real GDP growth for the nation in the 2nd quarter. Finance and insurance; professional, scientific, and technical services; and wholesale trade were the leading contributors to real U.S. economic growth in the 2nd quarter.

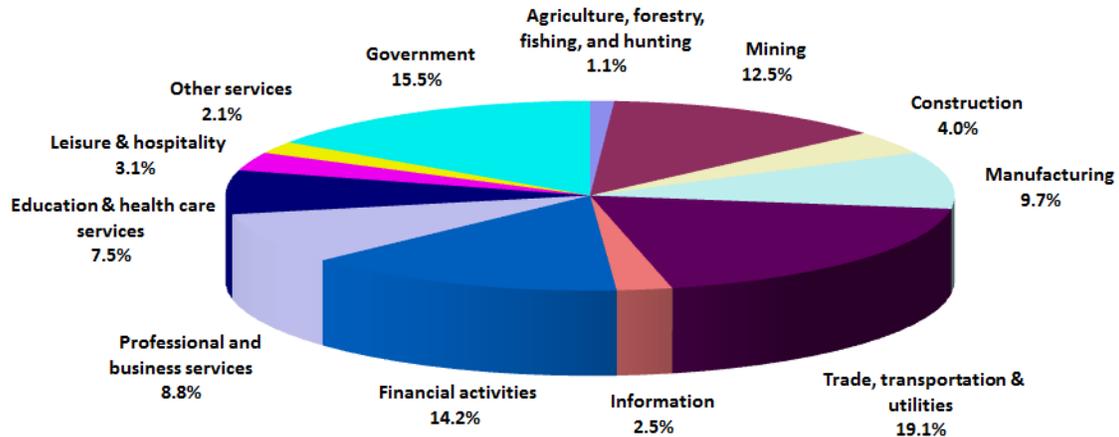
Mining decreased 17.9 percent and subtracted from growth in 49 states in the 2nd quarter of 2015. It subtracted more than two percentage points from real GDP growth in Oklahoma (-4.27 percent), North Dakota (-2.42 percent), West Virginia (-2.8 percent), Texas (-2.13 percent), and Wyoming (-5.43 percent).

The slide in commodity prices caused Oklahoma’s real GDP to contract in the 2nd quarter of 2015. Statewide GDP was at a level of \$165.9 billion in constant 2009 dollars in the 2nd quarter, down from \$166.9 billion in the 1st quarter. The state’s 2nd quarter real GDP declined 2.4 percent, ranking Oklahoma 50th among all other states in terms of GDP growth.

2014 Industry Share of Oklahoma's Economy

(by percentage of Gross Domestic Product)

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



Definition & Importance

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

Current Developments

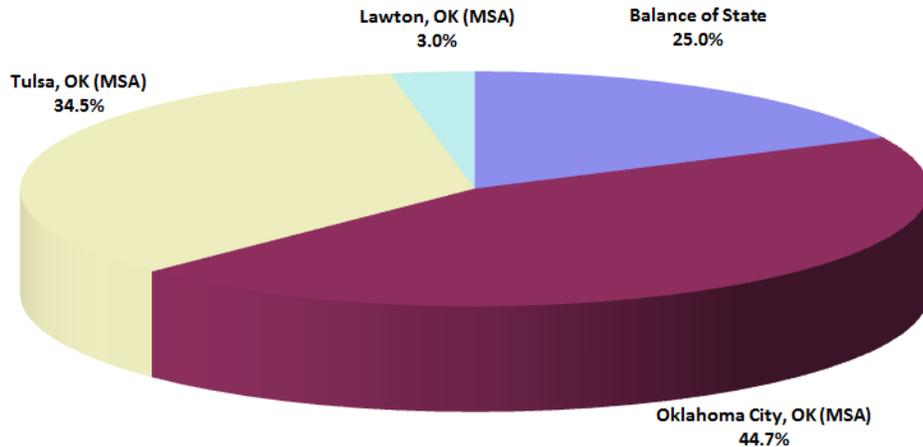
Oklahoma was among 48 states and the District of Columbia experiencing growth in real gross domestic product (GDP) in 2014, according to new statistics from the Bureau of Economic Analysis (BEA). U.S. real GDP grew 2.2 percent in 2014 after increasing 1.9 percent in 2013.

In 2014, Oklahoma's real GDP was at a level of \$162.4 billion, a 2.8 percent gain from the revised \$158.0 billion in 2013. Oklahoma's real GDP growth rate was the 10th highest among all states and the District of Columbia in 2014. Oklahoma's 2013 advance GDP estimate was revised downward from 4.2 percent to 1.8 percent while the state's 2012 GDP was further revised upward from 3.0 percent to 3.5 percent. The Southwest region, which includes Oklahoma, was the fastest growing BEA region in 2014 growing at 4.3 percent, and led by Texas with a 5.2 percent increase.

Although mining was not a significant contributor to real GDP growth for the U.S. economy, it did play a key role in Oklahoma. Mining contributed 1.45 percentage points to statewide real GDP growth in 2014. Other industries adding to 2014 GDP growth in Oklahoma were utilities (0.57 percentage point); non-durable goods manufacturing (0.25 percentage point); wholesale trade (0.22 percentage point); retail trade (0.14 percentage point); and finance & insurance (0.11 percent). Subtracting from Oklahoma GDP growth were real estate, rental & leasing (-0.36 percentage point); construction (-0.22 percentage point); and government (-0.06 percentage point).

Metropolitan Area Contribution to State Real Gross Domestic Product 2014

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



Definition & Importance

Metropolitan Statistical Areas (MSAs) are 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.

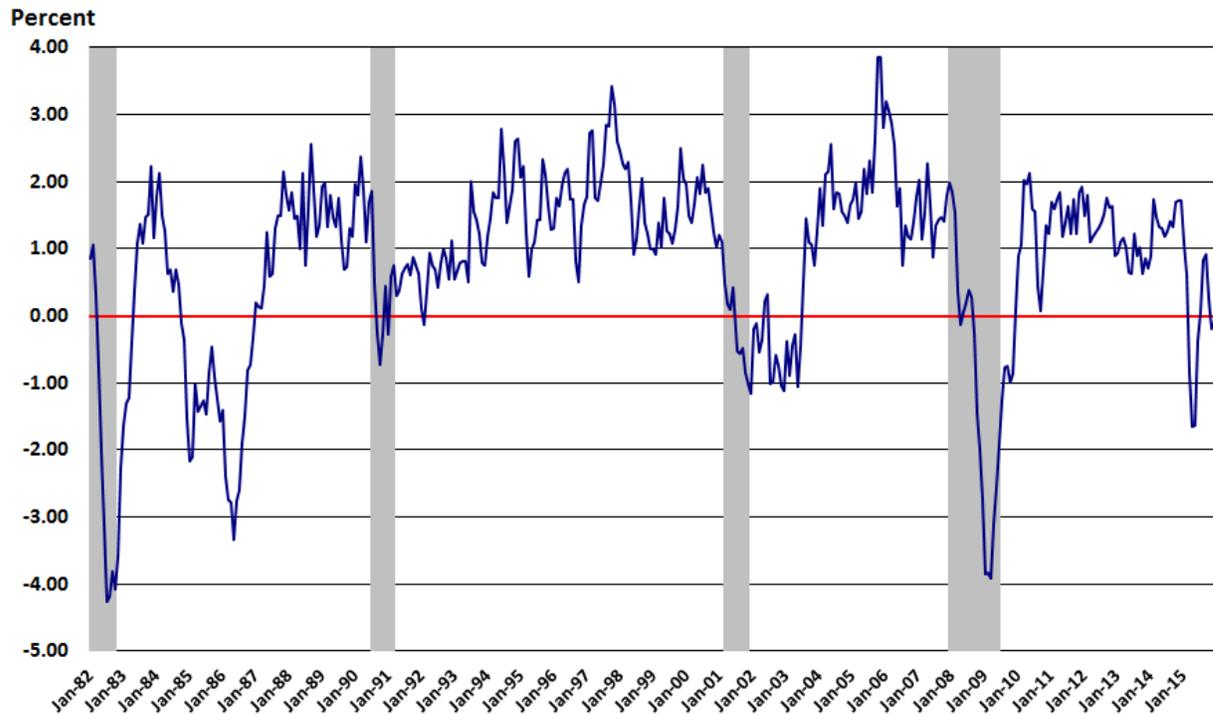
Current Developments

Real GDP increased in 282 of the nation's 381 metropolitan areas in 2014, led by growth in several industry groups: professional and business services, wholesale and retail trade, and the group of finance, insurance, real estate, rental, and leasing, according to the U.S. Bureau of Economic Analysis (BEA). Natural resources and mining remained a strong contributor to growth in several metropolitan areas. Collectively, real GDP for U. S. metropolitan areas increased 2.3 percent in 2014 after increasing 1.9 percent in 2013.

Two of three Oklahoma metropolitan areas outpaced the U.S. metropolitan area real GDP growth in 2014. Tulsa MSA's real GDP grew at a rate of 3.7 percent to \$49.5 billion and ranked 51st (out of 381 metro areas). Oklahoma City MSA grew by 2.6 percent to \$64.5 billion and ranked 99th. Lawton MSA contracted 1.5 percent to \$4.4 billion in 2014 and ranked 344th among U.S. metro areas.

Leading Index for Oklahoma, 1982-2015

Source: Federal Reserve Bank of Philadelphia



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

Definition & Importance

The Federal Reserve Bank of Philadelphia produces leading indexes for each of the 50 states. The indexes are calculated monthly and are usually released a week after the release of the coincident indexes. The Bank issues a release each month describing the current and future economic situation of the 50 states with special coverage of the Third District: Pennsylvania, New Jersey, and Delaware.

The leading index for each state predicts the six-month growth rate of the state's coincident index. In addition to the coincident index, the models include other variables that lead the economy: state-level residential housing permits (1 to 4 units), state initial unemployment insurance claims, delivery times from the Institute for Supply Management (ISM) manufacturing survey, and the interest rate spread between the 10-year Treasury bond and the 3-month Treasury bill.

Current Developments

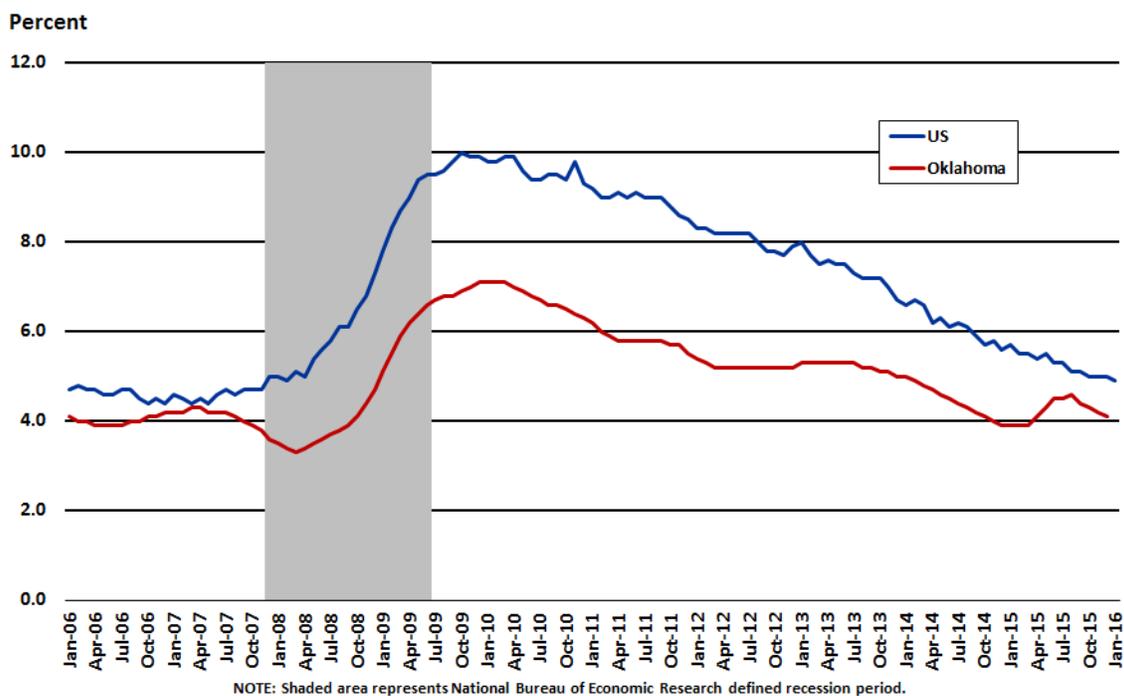
Declining oil and natural gas prices have weighed on Oklahoma's economy since the beginning of 2015. Oklahoma's leading index began falling at the end of 2014 and saw six consecutive months of decline, slipping into negative territory in March, April and May.

After climbing for several months, Oklahoma's leading index slipped back into negative territory in November and December. The Leading Index for Oklahoma registered -0.09 percent in December following a -0.20 percent reading in November, according to the latest figures from the Federal Reserve Bank of Philadelphia.

During the first half of 2015, energy sector layoffs translated into elevated initial claims for unemployment insurance while home builders statewide pulled back on applications for residential construction. After rebounding mid-year, initial claims have begun to climb again and residential permitting activity is slowing.

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

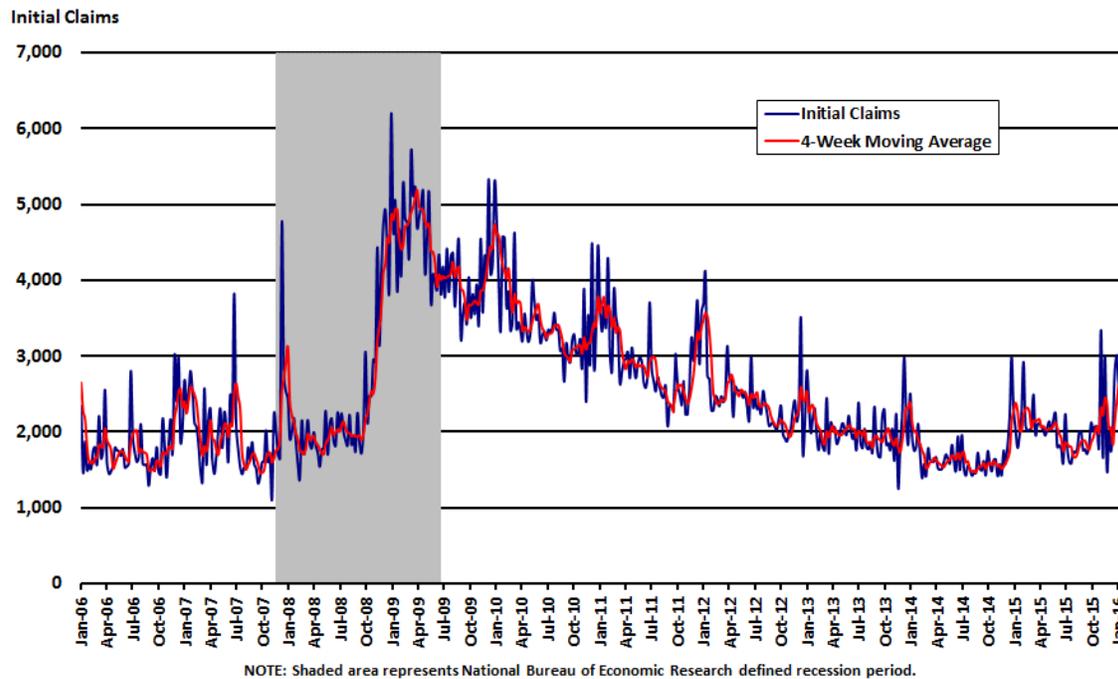
The U.S. unemployment rate dipped to an eight-year low in January as more Americans were looking for jobs and most found them. In January, the unemployment rate fell to 4.9 percent, according to the Bureau of Labor Statistics (BLS). The labor force participation rate, or the share of working-age Americans who are employed or looking for work, was at 62.7 percent in January up from 62.6 percent in December.

Oklahoma's seasonally adjusted unemployment rate declined 0.1 percentage point to 4.1 percent in December which was the 16th lowest jobless rate among all states for the month. Over the year, the state's seasonally adjusted unemployment rate was 0.2 percentage point more than 3.9 percent in December 2014.

Unemployment rates rose in only two of Oklahoma's 77 counties in December. McIntosh County had the highest jobless rates at 8.0 percent while Cimarron County once again had the lowest rate at 1.8 percent.

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

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



Definition & Importance

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

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

Current Developments

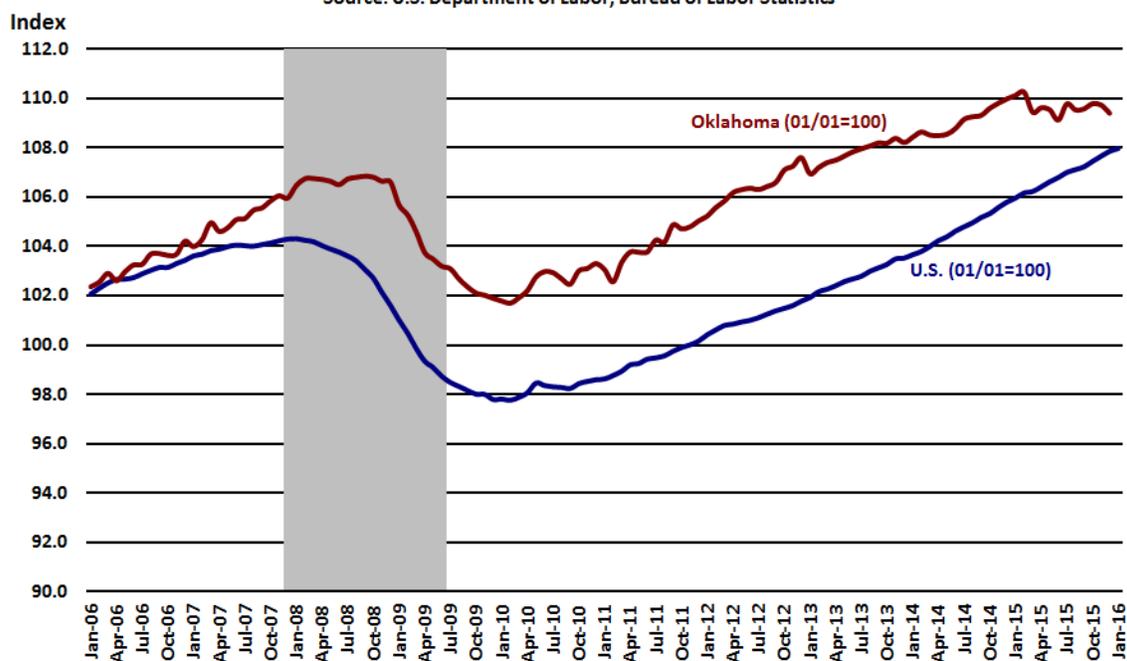
Although more Americans sought unemployment benefits in the last week of January, applications have remained at near historically low levels, a sign of a healthy job market. In the week ending January 30, the advance figure for seasonally adjusted initial claims was 285,000, an increase of 8,000 from the previous week's revised level of 277,000, according to figures released by the U.S. Labor Department (DOL). The less volatile 4-week moving average was 284,750, an increase of 2,000 from the previous week's revised average. The previous week's average was revised down by 250 from 283,000 to 282,750.

Initial claims for jobless benefits in Oklahoma have been falling during the month of January. For the file week ending January 23, initial claims for unemployment insurance benefits were at a level of 1,912, or 239 fewer claims than the previous week. For the same file week ending, the less volatile four-week moving average dropped 229 to 2,411. Continued claims fell 164 to a level of 22,199 for the same file week ending.

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

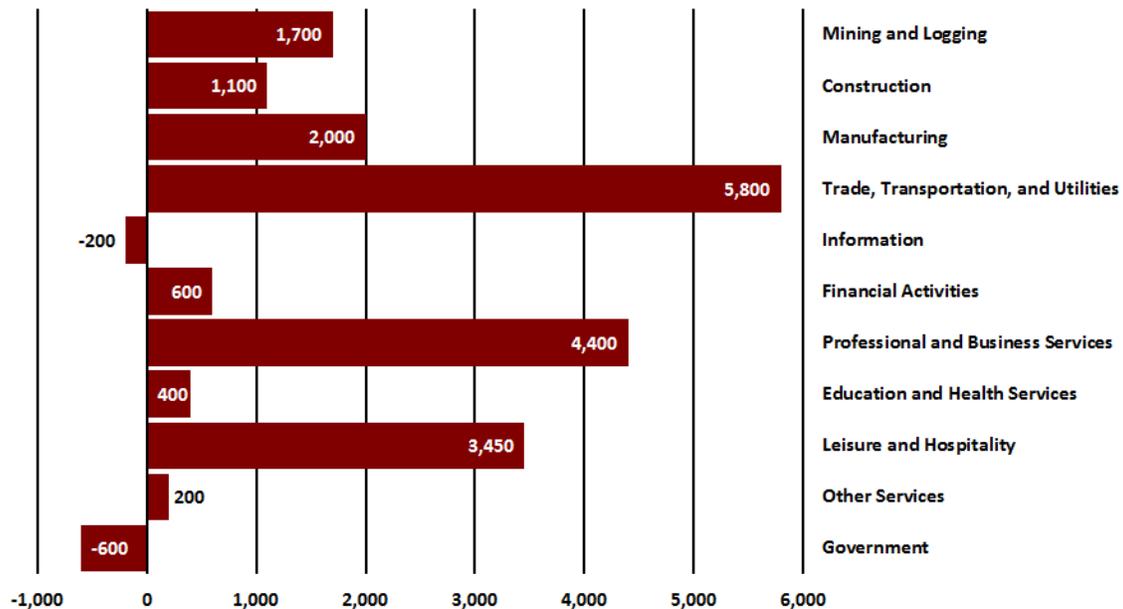
U.S. employment growth slowed in January but rising wages and an unemployment rate at an eight-year low indicate a healthy labor market. Total nonfarm payroll employment rose by 151,000 in January, according to the Bureau of Labor Statistics (BLS). Job gains occurred in several industries, led by retail trade (+58,000), food services and drinking places (+47,000), health care (+37,000), and manufacturing (+29,000). Employment declined in private educational services (-39,000), transportation and warehousing (-20,000), and mining (-7,000).

Oklahoma's seasonally adjusted nonfarm employment dropped 5,100 jobs (-0.3 percent) in December. Two of Oklahoma's 11 supersectors added jobs in December, as construction (+1,300) posted the largest monthly gain followed by mining & logging (+500). Education & health services reported the largest over-the-month loss (-1,800 jobs).

Over the year, statewide total nonfarm employment shed 8,900 jobs (-0.5 percent) led by mining & logging (-12,200 jobs) and manufacturing (-8,900 jobs).

Oklahoma Employment Change by Industry, 2013-2014 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 eased a bit in 2014, adding a non-seasonally adjusted 18,900 jobs for a 1.2 percent growth rate, (compared to 2013, with 21,000 jobs added and a 1.3 percent growth rate).

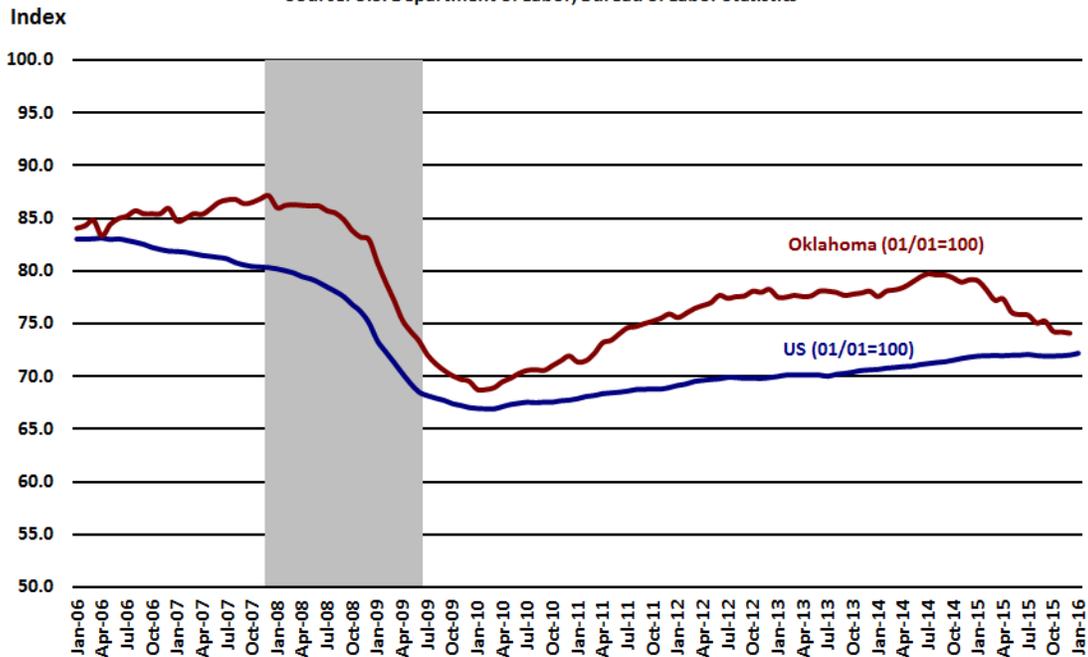
In 2014, nine out of Oklahoma's 11 statewide supersectors recorded job growth. The broad trade, transportation & utilities sector led all other supersectors adding a non-seasonally adjusted 5,800 jobs with the bulk of hiring occurring in retail trade. Professional & business services employment added 4,400 jobs with almost all of the growth coming from administrative & support and waste management & remediation services. Leisure & hospitality added 3,450 employees with most of the growth in accommodation & food services. Manufacturing employment grew by 2,100 driven by job gains in durable goods manufacturing. Mining & logging added 1,700 jobs led by support activities for mining. Construction added 1,100 jobs with nearly all the job growth in specialty trade contractors.

Over-the-year declines were seen in government (-400) and information (-200).

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

Index: January 2001 = 100

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



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

Definition & Importance

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

Current Developments

U.S. manufacturers hired at a solid rate in January, even though a strong dollar and global weakness continue to weigh on U.S. exports. Manufacturing added 29,000 jobs in January, according to the Bureau of Labor Statistics (BLS). Over the month, job gains occurred in food manufacturing (+11,000), fabricated metal products (+7,000), and furniture and related products (+3,000).

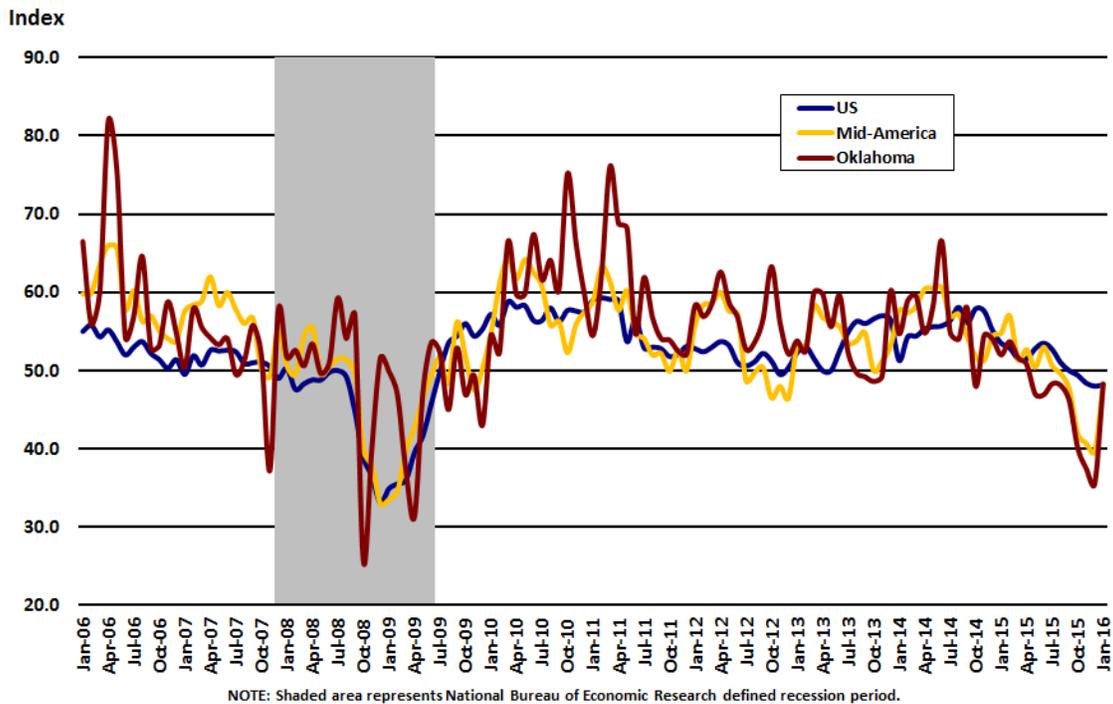
Statewide manufacturing employment shed 200 jobs in December. Non-durable goods manufacturing added 300 jobs over the month which were offset by the 500 jobs lost in durable goods manufacturing.

Over the year, Oklahoma non-seasonally adjusted manufacturing employment has dropped 8,900 jobs (-6.4 percent) with nearly all of the job losses coming from durable goods manufacturing.

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

Purchasing Managers' Index (Manufacturing)

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



Definition & Importance

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

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

Current Developments

U.S. factory activity shrank in January for the fourth straight month as a strong dollar and weak demand overseas squeezed American manufacturers. The January PMI® registered 48.2 percent, an increase of 0.2 percentage point from the seasonally adjusted December reading of 48.0 percent, according to the latest Manufacturing ISM Report On Business®. Of the 18 manufacturing industries, only eight are reporting growth in January while 10 industries reported contraction.

The January Employment Index fell a very steep 2.1 points to 45.9 to signal significant contraction for manufacturing payrolls and marking the third sub-50 reading for employment in the last four months and the lowest reading since 2009. On the positive, a measure of new orders snapped back to 51.5 for the second +50 reading in the last five months pointing to improvement in the coming reports.

The Mid-America Business Conditions Index for November, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, slumped for the month. The Business Conditions Index, which ranges between 0 and 100, improved to a still weak 48.3 from December's 39.5, according to the Creighton Economic Forecasting Group. The regional index, much like the national reading, is now in negative territory indicating manufacturing losses linked to the strong U.S. dollar and to economic weakness among global trading partners.

"The U.S. dollar strengthened by almost 9 percent since June of last year and on Friday (January 29), the dollar posted its largest gain against the Japanese yen since the fourth quarter of 2014. This, along with economic weakness among the nation's chief trading partners, has squeezed, and will continue to squeeze, U.S. and regional manufacturers," said Ernie Goss, Ph.D., director of Creighton University's Economic Forecasting Group.

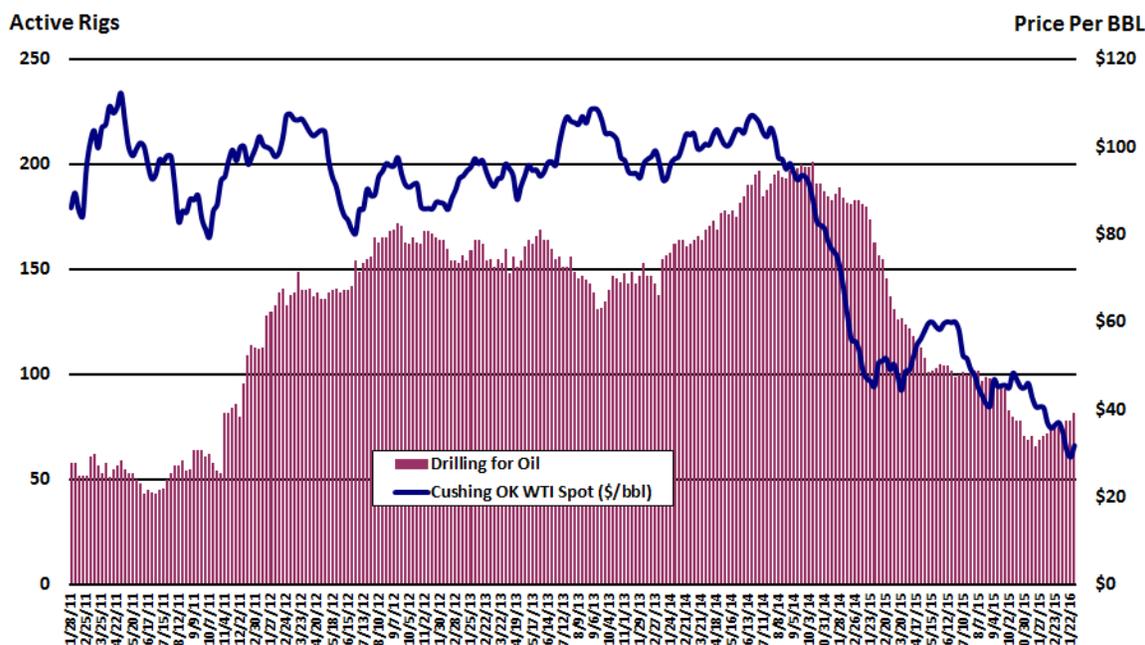
The January Business Conditions Index for Oklahoma slumped below growth neutral for a ninth straight month. The index from a monthly survey of supply managers climbed to a weak 48.3 from 35.5 in December. Components of the January survey of supply managers were new orders at 43.7, production or sales at 45.3, delivery lead time at 53.9, inventories at 49.7, and employment at 48.9.

"According to the latest U.S. government data, exports represent approximately 3.4 percent of the state's overall economy. This places Oklahoma in 48th place among the 50 states. Since Canada is Oklahoma's number one export market, exports will remain under pressure since the value of the U.S. dollar to the Canadian dollar has climbed by more than 8 percent since October 2015," reported Goss.

Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

January 2011 to January 2016

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

In the current *Short-Term Energy Outlook*, the U.S. Energy Information Administration (EIA) forecast West Texas Intermediate (WTI-Cushing) crude oil prices will average \$38/barrel (or \$2/barrel lower than North Sea Brent Crude) in 2016 and \$47/ barrel (or \$3/barrel lower than Brent Crude) in 2017.

U.S. crude oil production averaged an estimated 9.4 million barrels per day (b/d) in 2015, and according to the EIA, it is forecast to average 8.7 million b/d in 2016 and 8.5 million b/d in 2017. The EIA estimates that crude oil production in December fell 80,000 b/d from the November level.

Monthly statewide crude oil production levels have been gradually declining in 2015. Oklahoma's crude production in November was at 12,084,000 barrels, a 6.0 percent drop from October's level of 12,862,000 barrels. However, for the first 11 months of 2015, Oklahoma's crude production was at a level of 145,483,000 barrels, which is 29,689 barrels or 25.6 percent more than the 115,794,000 barrels produced during the first 11 months of 2014.

Domestic crude prices slid further in January as the prolonged glut of oil continues to push prices lower. West Texas Intermediate (WTI-Cushing) spot prices began January at \$36.81/barrel and finished the month at \$33.66/barrel.

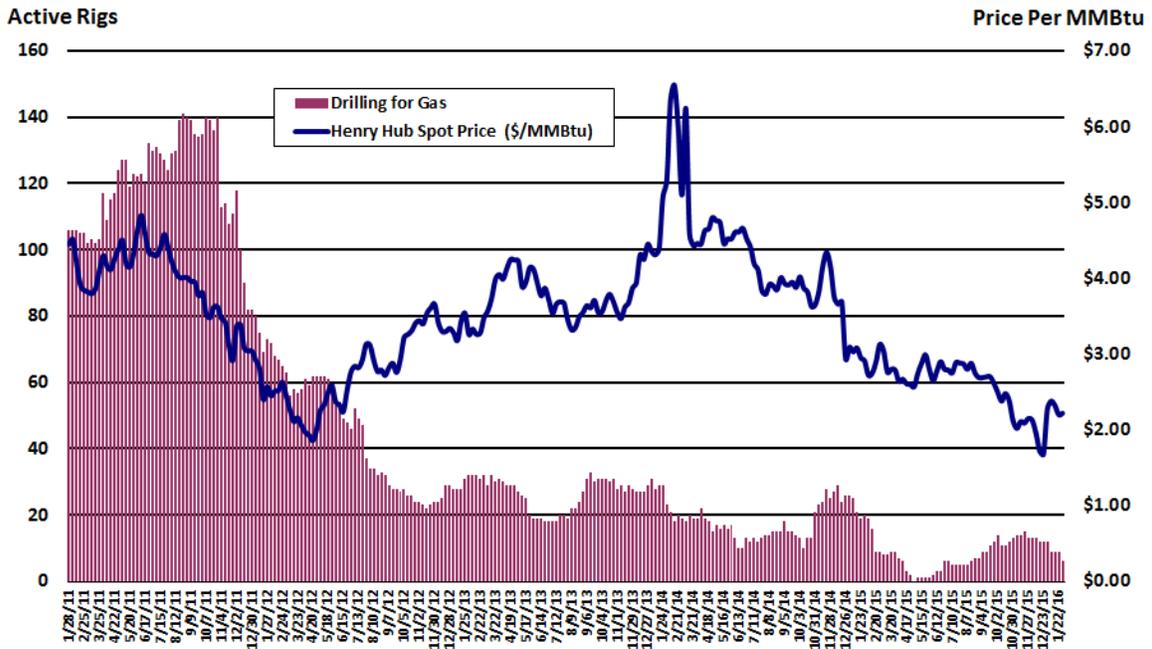
January statewide total drilling activity was virtually unchanged from the previous month. Oklahoma's active rig count was at a level of 88 for the week ending January 29, 2016 compared to the December 25, 2015 count of 87 active rigs. Oil-directed rigs accounted for approximately 93 percent of total rig activity (82 active rigs). Over the year, Oklahoma's rig count was off 95 from 183 rigs operating January 30, 2015.

The U.S. rig count slipped again in January according to Houston-based oilfield services company Baker Hughes. The number of rigs engaged in exploration and production in the U.S. fell to 619 in the last week of January from an October 2014 peak of 1,609, a drop of more than two-thirds since peaking at 1,931 in the last week of September 2014.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

January 2011 to January 2016

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

The average natural gas spot price at the benchmark Henry Hub for December 2015 of \$1.93 per million British thermal units (MMBtu) was the lowest monthly average since March 1999. The U.S. Energy Information Administration's (EIA) latest *Short-Term Energy Outlook* expects natural gas prices to rise, averaging \$2.65/MMBtu in 2016 and \$3.22/MMBtu in 2017. Expected price increases reflect consumption growth, mainly from the industrial sector, that outpaces near-term production growth.

By mid-2017, the EIA expects the United States to be a net exporter of natural gas for the first time since 1955. The forecast reflects increases in natural gas exports by pipeline to Mexico because of growing demand from Mexico's electric power sector. Exports of LNG also increase as Cheniere's Sabine Pass LNG liquefaction plant on the U.S. Gulf Coast enters service in 2016.

In November, U.S. dry natural gas production was the highest for the month since the EIA began reporting dry natural gas production data in 1973. Preliminary dry natural gas production for November 2015 was 2,227 billion cubic feet (Bcf), or 74.2 Bcf/day. This level was a 1.3 Bcf/day (1.7 percent) increase from production of 73.0 Bcf/day in November 2014.

November natural gas gross withdrawals in Oklahoma were at a level of 203,226 MMcf, an decline of -8,725 MMcf from October's production level of 211,951 MMcf. For the first 11 months of 2015, Oklahoma natural gas gross withdrawals totaled 2,296,213 MMcf compared to 2,108,428 MMcf for the first 11 months of 2014, which is 187,785 MMcf, or 8.9 percent, more than 2014 and puts 2015 on track to be the highest natural gas production since record-keeping began in 1991.

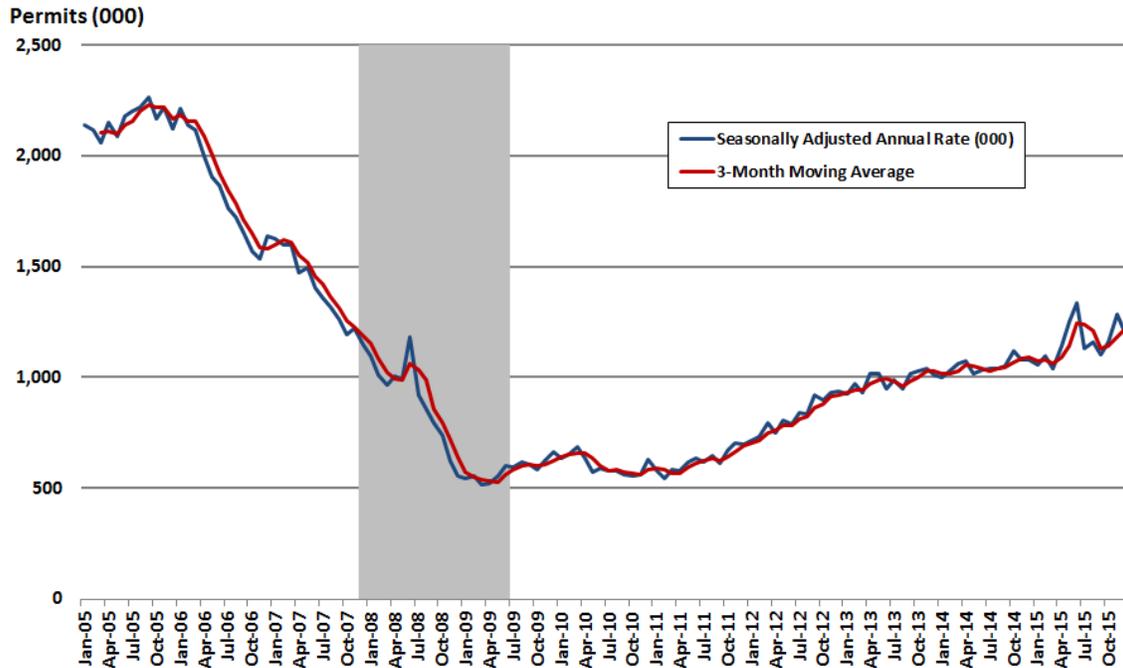
Increased production and record-high inventory levels continue to hold domestic natural gas prices lower. The Henry Hub spot price began the month at \$2.28 per million British thermal units (MMBtu) and finished the month at \$2.28/MMBtu.

Oklahoma's natural gas-directed drilling rig count was cut in half in January shedding six rigs over the month to a level of six active rigs. Over the year, Oklahoma's natural gas-directed rotary rig count was down 14 rigs from 20 reported in the week ended January 30, 2015.

U.S. New Private Housing Units Authorized by Building Permit, 2005-2015

Seasonally Adjusted

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



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

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 outside 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

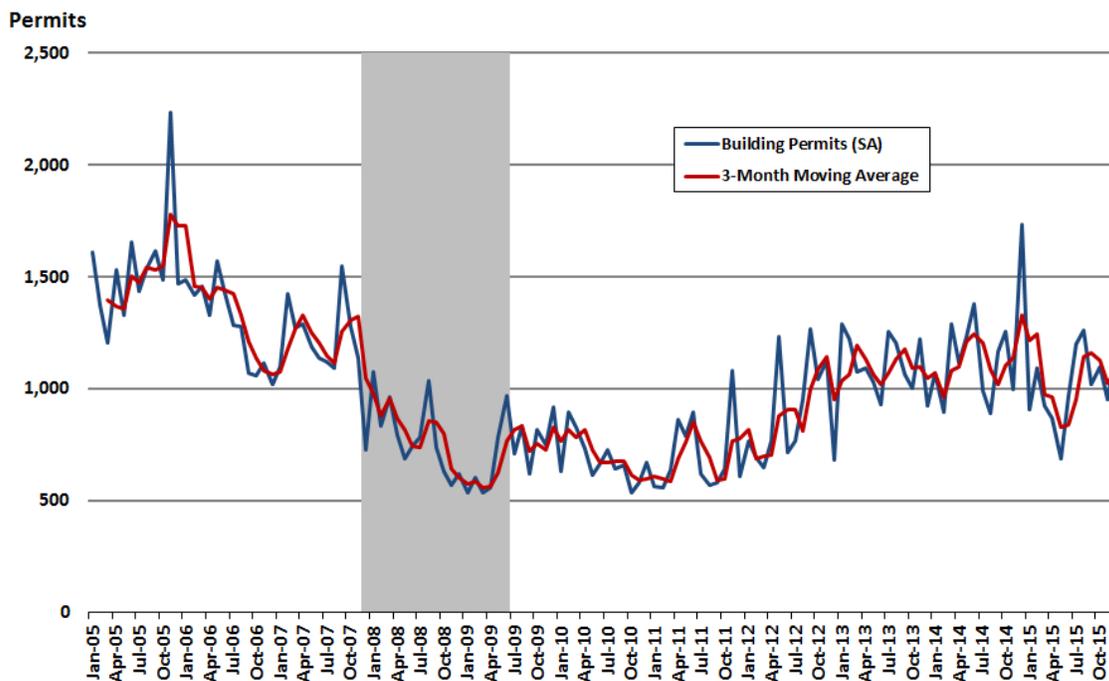
U.S. home builders applied for fewer permits in December following two months of solid gains. Privately-owned housing units authorized by building permits in December were at a seasonally adjusted annual rate of 1,232,000, or 3.9 percent below the revised November rate of 1,282,000, and was 14.4 percent above the December 2014 estimate of 1,077,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. Permits for single-family homes rose 1.8 percent while multi-family permits tumbled 11.4 percent in December. An estimated 1,178,400 housing units were authorized by building permits in 2015, that's 12.0 percent above the 2014 figure of 1,052,100.

Meanwhile, National Association of Home Builders/Wells Fargo builder sentiment index stood at 60 in January, roughly its same level for the past several months.

Oklahoma New Private Housing Units Authorized by Building Permit, 2005-2015

Seasonally Adjusted

Sources: U.S. Census Bureau and Department of Housing and Urban Development, Federal Reserve Bank of St. Louis



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

Definition & Importance

The data services of the Federal Reserve Bank of St. Louis produces series that are seasonally adjusted including monthly state level data on the number of new housing units authorized by building permits. These adjustments are made using the X-12 Procedure of SAS to remove the seasonal component of the series so that non-seasonal trends can be analyzed. This procedure is based on the U.S. Bureau of the Census X-12-ARIMA Seasonal Adjustment Program.

Current Developments

Statewide residential permitting activity picked up in December with healthy over-the-month gains in both single- and multi-family applications. Total residential building permitting for December was at a seasonally-adjusted level of 1,167, which is 214 or 25.2 percent more than the November level of 953 but -570 or 4.7 percent below the December 2014 estimate of 1,737 units, according to figures from the Federal Reserve Bank of St. Louis.

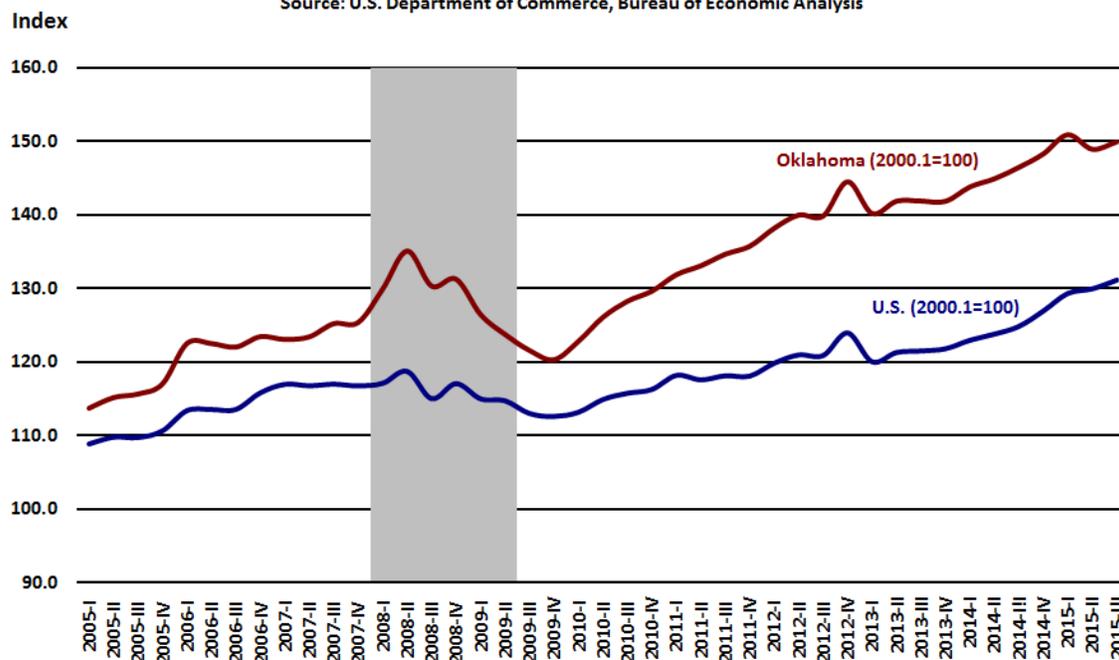
Single-family permitting accounted for 67.4 percent of total residential permitting activity in December while multi-family permitting accounted for 29.3 percent. Applications for single-family homes were at a non-seasonally adjusted level of 708, or 6.1 percent more than November's level of 667 permits. The more volatile multi-family permitting was at a level of 308 in December, or 189 more than November's level of 116 units.

For all of 2015, statewide total residential permitting was at a seasonally-adjusted level of 12,148, which is 1,878 or 13.4 less than the 14,026 total permits issued in 2014.

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

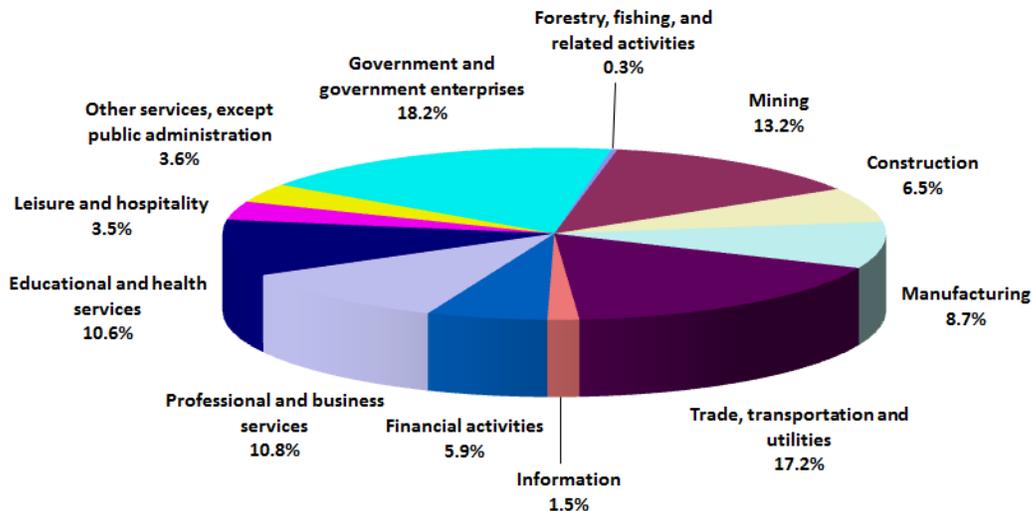
Household spending was flat in December as Americans used gains in incomes to boost their savings to the highest level in three years. Personal income increased \$42.5 billion, or 0.3 percent, and disposable personal income (DPI) increased \$37.8 billion, or 0.3 percent, in December, according to the Bureau of Economic Analysis. Personal consumption expenditures (PCE) decreased \$0.7 billion, or less than 0.1 percent. In November, personal income increased \$44.3 billion, or 0.3 percent, DPI increased \$33.4 billion, or 0.2 percent, and PCE increased \$59.4 billion, or 0.5 percent, based on revised estimates.

Spending in December was led by services, which climbed an inflation-adjusted 0.3 percent. Spending on durable goods, including automobiles, decreased 0.7 percent adjusting for inflation, the most since June, following a 1.8 percent surge in November. Purchases on non-durable goods, which include gasoline, dropped 0.2 percent.

The personal saving rate, (personal saving as a percentage of disposable personal income), moved 0.2 percent higher to 5.5 percent in December, its strongest level since December 2012.

Oklahoma Nonfarm Contribution to Earnings Third Quarter 2015

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 grew 1.3 percent on average in the 3rd quarter of 2015, the same pace as in the 2nd quarter, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Personal income grew in every state with growth rates ranging from 0.6 percent in Alaska to 2.2 percent in Nebraska and South Dakota. Quarterly state personal income estimates for 1st quarter 2015 and 2nd quarter 2015 were revised.

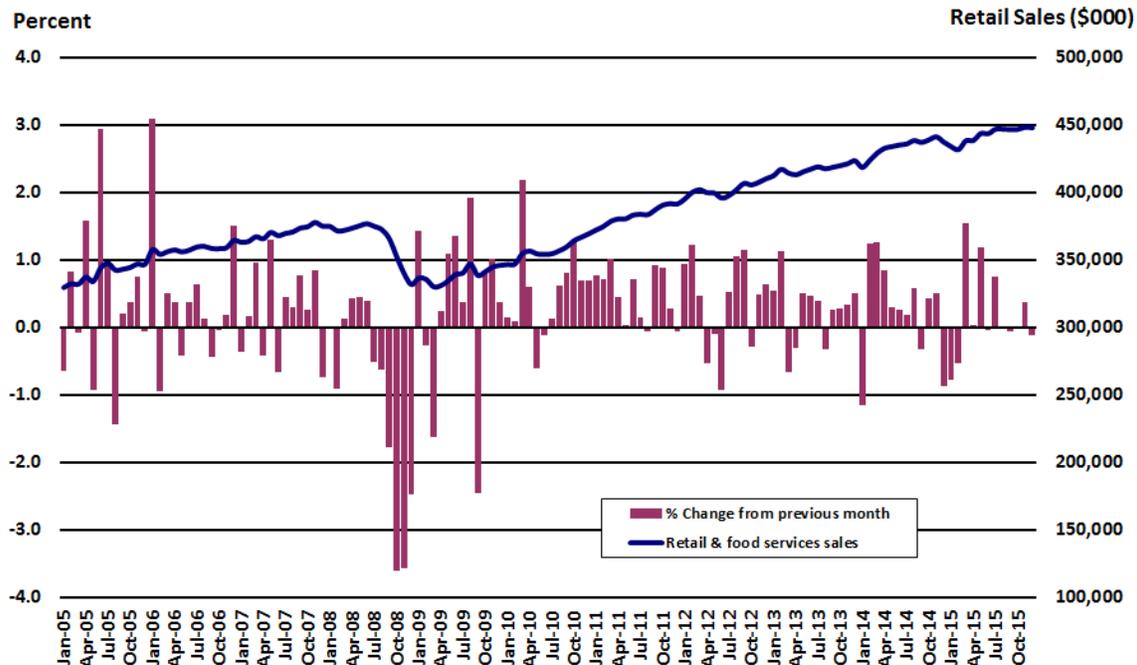
Oklahoma's personal income grew at a 1.0 percent rate, to a level of \$173.9 billion, ranking the state 45th among all states in the 3rd quarter of 2015.

As a result of falling oil prices, personal income gains in the nation's oil-producing states continued to slow during the 3rd quarter. Earnings fell 1.9 percent in mining in the 3rd quarter, after falling 5.5 percent in the 2nd quarter and 0.6 percent in the 1st quarter. This subtracted from personal income growth, particularly in Oklahoma (-0.21 percentage point), as well as North Dakota (-0.26), Wyoming (-0.26), West Virginia (-0.16), Alaska (-0.12), Louisiana (-0.11), and Texas (-0.11).

However, low fuel prices helped the nation's farmers bounce back in the 3rd quarter, as farm earnings grew 17.5 percent in the 3rd quarter after falling 4.5 percent in the 2nd quarter. In Oklahoma, farm earnings grew 22.1 percent in the 3rd quarter. Farm earnings contributed 0.25 percentage point to Oklahoma's personal income in the 3rd quarter.

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

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



Definition & Importance

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

Current Developments

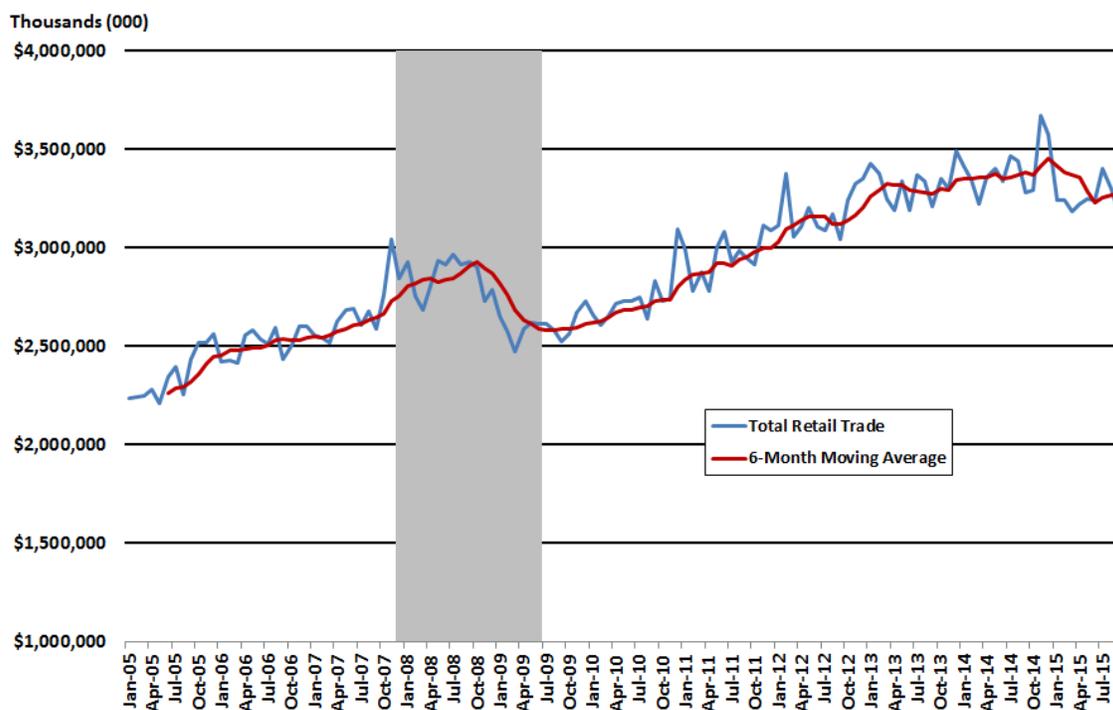
U.S. retail sales fell toward the end of the holiday season, as lower gasoline prices cut into overall sales in December. Advance estimates of U.S. retail and food services sales for November, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$448.1 billion, a decrease of 0.1 percent from the previous month, and 2.2 percent above December 2014, according to the U.S. Census Bureau. Total sales for the 12 months of 2015 were up 2.1 percent from 2014. The October 2015 to November 2015 percent change was revised from up 0.2 percent to up 0.4 percent.

Lower pump prices continued to be a major drag on retail sales in December. Sales at gas stations, which aren't adjusted for changes in price, plunged 1.1 percent. Excluding gas, retail sales were unchanged in December. Sales at auto dealers advanced just 0.1 percent in December but posted a strong 6.3 percent annual gain. Excluding both vehicles and gasoline, retail sales were flat in December.

The less volatile "core" sales, which strip out automobiles, gasoline, building materials and food services fell 0.3 percent after advancing 0.5 percent the prior month. Sales fell in December at clothing (-0.9 percent), electronics outlets (-0.2 percent), and general merchandise stores (-1.0 percent). Those declines were largely offset by spending at restaurants (+0.8 percent), online retailers (+0.3 percent), furniture (+0.9 percent) and sporting goods stores (+0.9 percent).

Oklahoma Total Adjusted Retail Trade, 2005-2015

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



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

Definition & Importance

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

Current Developments

Oklahoma total adjusted retail trade continued to fall in September with broad-based losses occurring in both durable and nondurable sales. Total adjusted retail sales for September were at a level of \$3.17 billion, 1.9 percent lower than the August level of \$3.30 billion. For the first 11 months of 2015, total adjusted retail trade was at a level of \$29.28 billion, 3.3 percent lower than \$30.29 billion for the same period in 2014.

Total durable goods sales fell 0.1 percent in September led by big declines in miscellaneous durable goods (-6.7 percent) and electronics & music store sales (-5.3 percent). Other declining durable goods categories were used merchandise (-1.7 percent); and furniture (-0.4 percent). Over-the-month gains were seen in lumber & hardware (3.8 percent) and auto accessories & repair (1.1 percent).

Nondurable goods spending sank 5.2 percent in September led by another big drop in estimated gasoline sales (-25.8 percent) due to lower pump prices. The average price of gasoline in the state stood at \$2.06 per gallon in September, the lowest it's been since 2004, according to AAA. Other declining categories were general merchandise stores (-2.3 percent); apparel (-5.2 percent); drugstore store sales (-3.0 percent); liquor (-2.4 percent); and miscellaneous non-durable goods (-2.0 percent). Advancing were eating & drinking (1.5 percent) and food sales (0.1 percent).