OKLAHOMA
Economic Indicators

July 2014

OKLAHOMA
ECONOMIC INDICATORS

Oklahoma Employment Security Commission
Richard McPherson, Executive Director

Economic Research and Analysis Division
Lynn Gray, Director & Chief Economist

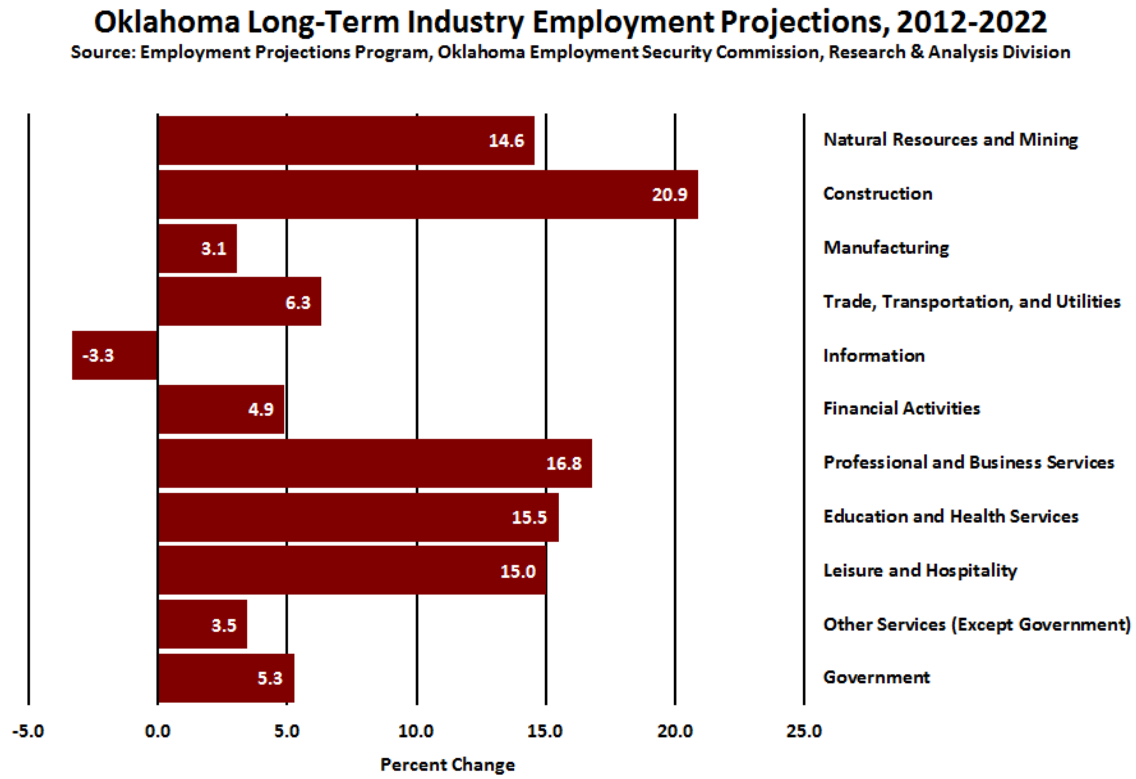
Prepared by
Monty Evans, Senior Economist

Will Rogers Memorial Office Building
Labor Market Information Unit, 4th Floor N
P.O. Box 52003
Oklahoma City, OK 73152-2003
Phone: (405) 557-5369
Fax: (405) 525-0139
Email: lmi1@oesc.state.ok.us

July 2014

TABLE OF CONTENTS

SPECIAL REPORT:
Oklahoma Industry and Occupational Projections: 2012 to 2022



Introduction

Every other year, the Oklahoma Employment Security Commission produces long-term industry and occupational employment projections with the base year of the projections decade being an even-numbered year. The goal is not necessarily to predict the exact level of employment 10 years in the future, but rather to determine overall trends that can be used for career and policy planning. Employment projections help to facilitate career exploration by high school students and their teachers and parents, college students, career changers, and career development and guidance specialists. Employment projections are also widely used by policymakers and education and training officials to make decisions about education and training policy, funding, and program offerings. Additionally, other state agencies, researchers, and academics use the projections to understand trends in the economy and labor market.

Industry Projections

Our 2012 to 2022 industry employment forecast for Oklahoma predicts that total payroll employment will grow by 10.0 percent over the decade, adding 175,070 jobs to the state's economy (see Table 1). All but one of Oklahoma's major industry sectors are anticipated to grow in the coming years.

In the goods-producing industries, employment growth in construction is expected to lead, adding 14,700 jobs with specialty trade contractors contributing over half of the job growth (+7,880 jobs). Employment growth in the natural resources and mining sector follows closely adding 11,010 jobs from 2012 to 2022 with support activities for mining providing nearly three-fourths (+8,400 jobs) of total growth. Manufacturing employment is expected to grow more slowly, at a rate of 3.1 percent, adding 4,150 jobs almost all of which are anticipated to be in machinery manufacturing (+3,100 jobs) and fabricated metals manufacturing (+2,540 jobs). Job losses in most other manufacturing sectors will weigh against job gains.

Oklahoma Long-Term Industry Employment Projections, 2012-2022

Sector	2012	2022	Change	Percent Change
Total Employment[1]	**1,749,370**	**1,924,430**	**175,070**	**10.01**
Natural Resources & Mining	75,440	86,450	11,010	14.59
Construction	70,300	8,500	14,700	20.91
Manufacturing	135,160	139,310	4,150	3.07
Trade, Transportation, & Utilities	290,730	309,160	18,430	6.34
Information	22,640	21,890	-750	-3.31
Financial Activities	80,320	84,250	3,930	4.89
Professional & Business Services	177,540	207,350	29,810	16.79
Education & Health Services	388,780	449,030	60,250	15.50
Leisure & Hospitality	147,130	169,210	22,080	15.01
Other Services (Except Government)	60,060	62,140	2,080	3.47
Government	184,330	194,020	9,690	5.26

[1] Includes Self Employed and Unpaid Family Workers
Source: Employment Projections Program, Oklahoma Employment Security Commission, Research & Analysis Division

In the services-providing industries, employment in education & health services is forecast to provide the largest gains adding 60,250 jobs (15.5 percent) with health care & social assistance accounting for more than four-fifths of the growth and adding 48,460 jobs. More than three-fourths of the job growth in health care & social assistance is expected to be in the ambulatory health care services and hospitals sectors.

Professional & business services employment is expected to add 29,810 jobs (+16.8 percent) in the 2012-2022 timeframe. Nearly half of the job growth is led by gains in the administrative & support services sector which is projected to add 14,500 jobs (+15.7 percent). Professional, scientific & technical services is expected to contribute another 14,360 jobs (+21.8 percent).

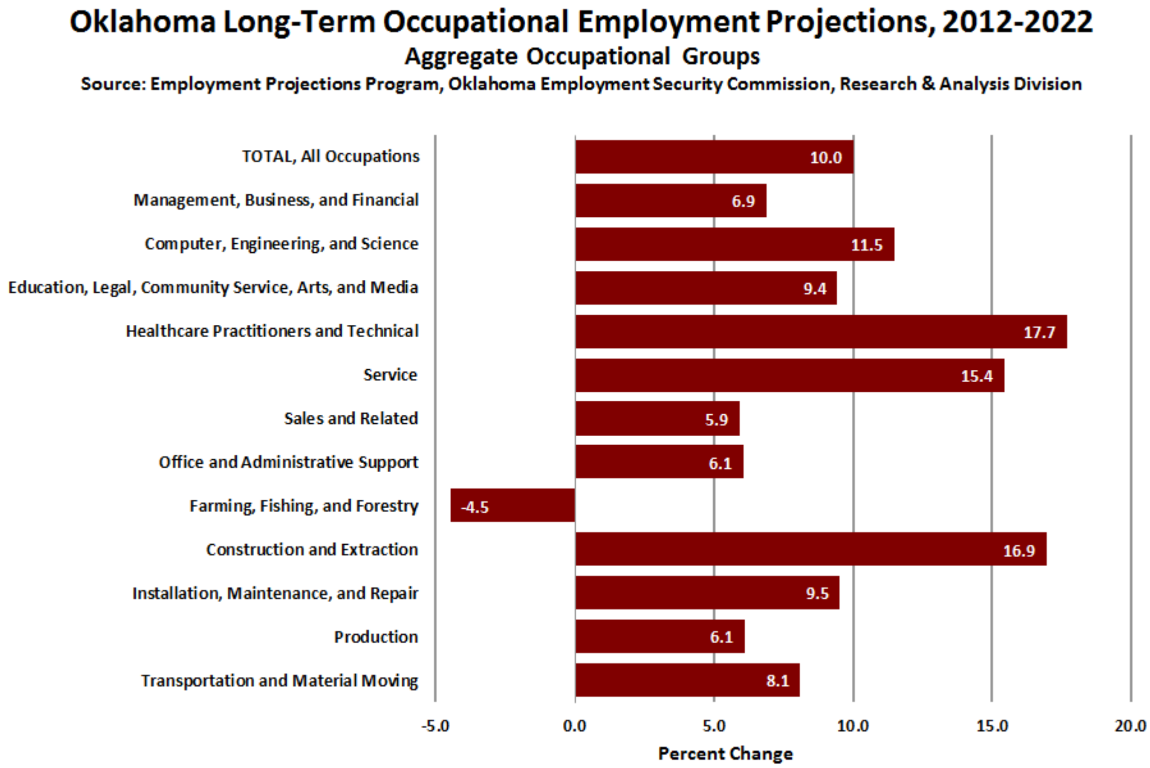
The broad trade, transportation & utilities sector is forecast to add 18,430 jobs (+6.3 percent) between 2012 and 2022 with almost two-thirds of the employment growth in retail trade (+11,060 jobs). Wholesale trade is expected to add 3,930 jobs (6.5 percent) and transportation & warehousing employment growing by 2,930 jobs (+6.5 percent). Utilities employment is forecast to grow by 4.4 percent adding 520 jobs.

Leisure & hospitality employment is projected to increase by 22,080 jobs (+15.0 percent) from 2012 to 2022 with almost all the job gains in food services & drinking places (+18,750 jobs).

The financial activities supersector is forecast to add 3,930 jobs (+4.9 percent) between 2012 and 2022 with finance & insurance growing by 2,120 (+3.6 percent) and real estate and rental & leasing adding 1,810 jobs (+8.4 percent).

Other services (except government) is expected to add 2,080 for a 3.5 percent gain between 2012 and 2022. Information is the only supersector forecast to lose employment, shedding 750 jobs (-3.3 percent).

Government employment is projected to grow by 5.3 percent adding 9,690 jobs during the 2012-2022 period with nearly all the growth at the local government level which is expected to add 18,220 jobs (+18.2 percent). Federal and state government employment are both expected to lose employment in the 2012-2022 round.



Occupational Projections

Turning to occupational projections, several economic trends surfaced in the 2012-2022 round of projections. Health care, influenced by an aging population, is expected to see continued strong growth during the coming decade; construction continues to be on the rebound from the recession; and the need is increasing for replacement workers due to baby boomer retirements.

According to the Oklahoma Employment Security Commission's occupational employment projections, a solid 596,700 total job openings are projected from 2012 to 2022, with 187,720 of these being new jobs created during this period. The remaining 408,980 total job openings are due to the need to replace workers who retire or leave their occupations for other reasons.

In terms of absolute job gains, every major occupational group except farming, fishing & forestry is expected to add jobs over the decade between 2012 and 2022. Service occupations are expected to see the largest gain in employment adding 52,430 jobs. Healthcare practitioners & technical occupations are projected to add 19,070 jobs followed by office & administrative support occupations which should add 17,090 jobs over the decade.

Not surprisingly, the fastest growing occupations for the 2012 to 2022 period are in healthcare practitioners & technical occupations group at 17.7 percent. Construction & extraction occupations are forecast to grow at a 16.9 percent rate. Service occupations, which include healthcare support and personal care & service occupations, follow at a rate of 15.4 percent.

The occupational groups with the most job openings due to growth and replacement needs remained similar to previous projections rounds. Service occupations are projected to have 14,620 average annual openings followed by office & administrative support occupations which should have 8,170 annual openings. Sales & related occupations are expected to have 6,400 average annual openings between 2012 and 2022.

Oklahoma Occupational Employment Estimates & Projections by Aggregate Group, 2012-2022

Aggregate Occupational Division	2012	2022	Numeric Change	Percent Change	Average Annual Openings 2012-2022
Total, All Occupations	**1,749,370**	**1,924,440**	**175,070**	**10.01**	**59,670**
Management, Business, and Financial Occupations[1]	194,480	207,840	13,360	6.87	5,650
Computer, Engineering, and Science[2]	67,840	75,640	7,800	11.50	2,300
Education, Legal, Community Service, Arts, and Media[3]	163,320	178,700	15,380	9.42	5,000
Healthcare Practitioners and Technical[4]	107,870	126,940	19,070	17.68	4,140
Service Occupations[5]	339,980	392,420	52,430	15.42	14,620
Sales and Related Occupations	177,960	188,470	10,510	5.91	6,400
Office and Administrative Support Occupations	282,580	299,670	17,090	6.05	8,170
Farming, Fishing, and Forestry Occupations	14,260	13,620	-640	-4.48	430
Construction and Extraction Occupations	99,480	116,320	16,850	16.94	3,610
Installation, Maintenance, and Repair Occupations	78,700	86,180	7,490	9.52	2,670
Production Occupations	114,790	121,780	6,990	6.09	3,260
Transportation and Material Moving Occupations	108,130	116,870	8,740	8.09	3,420

Notes:

[1]Major occupational groups 11-0000 through 13-0000 in the 2010 Standard Occupational Classification (SOC).

[2]Major occupational groups 15-0000 through 19-0000 in the 2010 Standard Occupational Classification (SOC).

[3]Major occupational groups 21-0000 through 27-0000 in the 2010 Standard Occupational Classification (SOC).

[4]Major occupational group 29-0000 in the 2010 Standard Occupational Classification (SOC).

[5]Major occupational groups 31-0000 through 39-0000 in the 2010 Standard Occupational Classification (SOC).

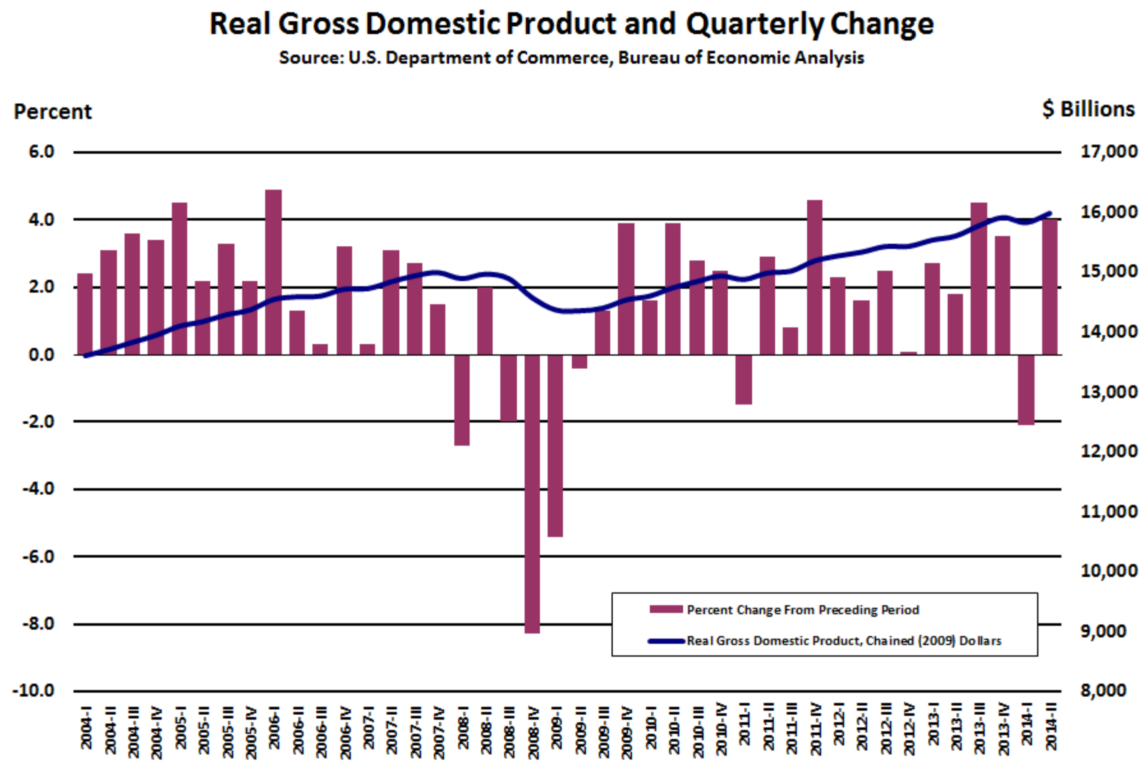
Source: Employment Projections program, Oklahoma Employment Security Commission

Only a handful of occupations are expected to decline from 2012 to 2022. These occupations are focused in postal jobs as the federal postal system cuts back and occupations related to changes in technology, such as switchboard operators and word processors and typists.

More Information

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

There you will find industry and occupational projections for the current 2012-2022 round as well as the 2013-2015 short-term industry and occupational projections along with past rounds of long-term and short-term projections.



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 made a solid rebound in the 2nd quarter on the strength of higher consumer and business spending. Real gross domestic product (GDP) increased at an annual rate of 4.0 percent in the second quarter of 2014, according to the "advance" estimate released by the Bureau of Economic Analysis (BEA). Economic expansion in the 2nd quarter was broad-based, with consumers, businesses, the housing industry and state and local governments all combining to drive growth.

In the 2nd quarter, consumer spending, which accounts for more than two-thirds of U.S. economic activity, posted a robust 2.5 percent gain after a tepid 1.2 percent rate in the 1st quarter. Spending on durable goods such as autos was particularly strong, growing at a 14 percent rate, the biggest quarterly increase since 2009. Nondurable goods outlays increased 2.5 percent. Spending on services advanced 0.7 percent. Overall, personal consumption expenditures (PCE) added 1.69 percentage points to the 2nd quarter change in in real GDP.

Business investment jumped 5.5 percent in the April to June period, compared with a 1.6 percent rate in the previous quarter. Firms increased spending on structures 5.3 percent, while spending for equipment grew 7.0 percent

Businesses also increased their stockpiling in the 2nd quarter. The change in real private inventories added 1.66 percentage points to the 2nd-quarter change in real GDP after subtracting 1.16 percent in the 1st quarter.

Housing, which had been falling for two consecutive quarters, rebounded in the spring. Real nonresidential fixed investment increased 5.5 percent in the 2nd quarter, compared with an increase of 1.6 percent in the 1st quarter.

A higher trade deficit provided a small drag on 2nd quarter growth as some of the increase in domestic demand was met by a surge in imports. Real exports of goods and services increased 9.5 percent in the 2nd quarter while real imports of goods and services advanced 11.7 percent.

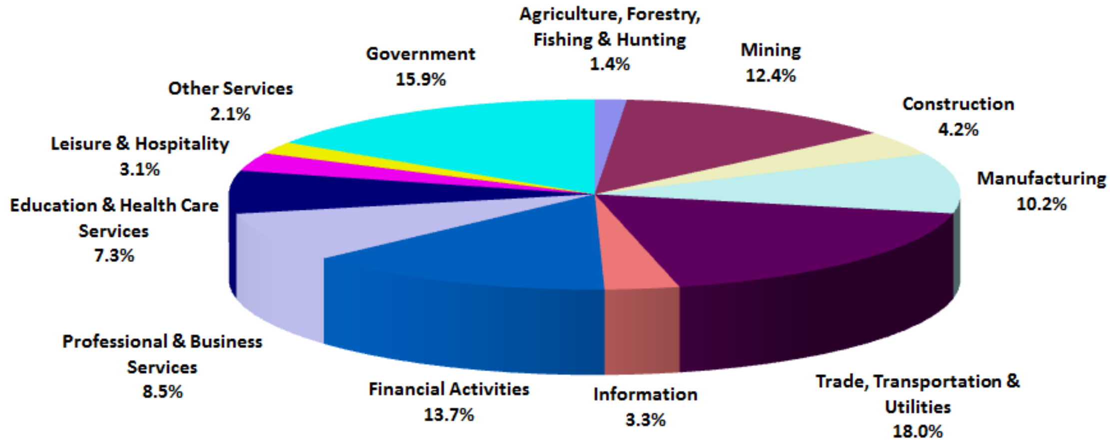
Government spending recovered after two straight declines as state and local governments offset the seventh quarterly decline in federal government spending. Real federal government consumption expenditures and gross investment decreased 0.8 percent in the 2nd quarter. National defense spending increased 1.1 percent while nondefense spending decreased 3.7 percent. Real state and local government consumption expenditures and gross investment increased 3.1 percent.

The BEA also released its annual revisions to GDP data for the previous three years showing that growth was slightly faster in 2013 than previously thought. But the BEA said growth in 2011 and 2012 was slightly lower than previously estimated. The new figures showed growth of 2.2 percent in 2013, 2.3 percent in 2012 and 1.6 percent in 2011.

2013 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

Real gross domestic product (GDP) increased in 49 states in 2013, according to the Bureau of Economic Analysis (BEA). U.S. real GDP growth slowed to 1.8 percent in 2013 after increasing 2.5 percent in 2012. The energy industry was a major driver of economic growth in several of the nation's fastest-growing states last year, including Oklahoma, Texas and the Rocky Mountain region.

In 2013, Oklahoma's GDP was $164.3 billion in constant 2009 dollars, up from $157.7 billion in 2012. The state's real GDP increased by $6.56 billion, or 4.2 percent in 2013, with the mining sector accounting for most of the growth. Oklahoma's 4.2 percent growth rate was the 4th highest among the states and the District of Columbia.

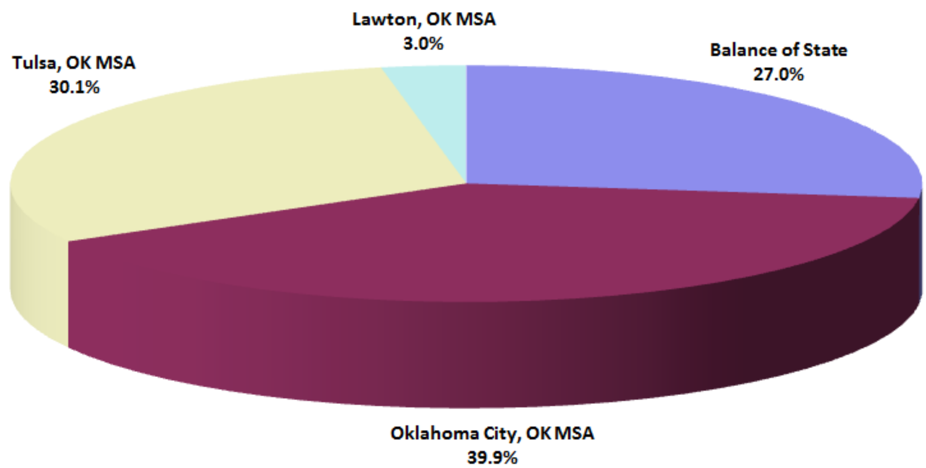
Sixteen Oklahoma industry sectors contributed to GDP growth in 2013, with five subtracting from growth.

The mining sector, which includes the oil and gas industry, was by far the largest contributor to Oklahoma's GDP growth in 2013, adding 2.48 percentage points to overall GDP growth. It was followed by non-durable goods manufacturing, which added 0.47 percent to the state's GDP growth. Next was agriculture, forestry, fishing and hunting adding 0.33 percent.

The largest subtraction came from the real estate and rental and leasing sector, which shaved 0.49 percentage point from state GDP growth.

Metropolitan Area Contribution to State Real Gross Domestic Product 2012

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



Definition & Importance

Metropolitan Statistical Areas (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.

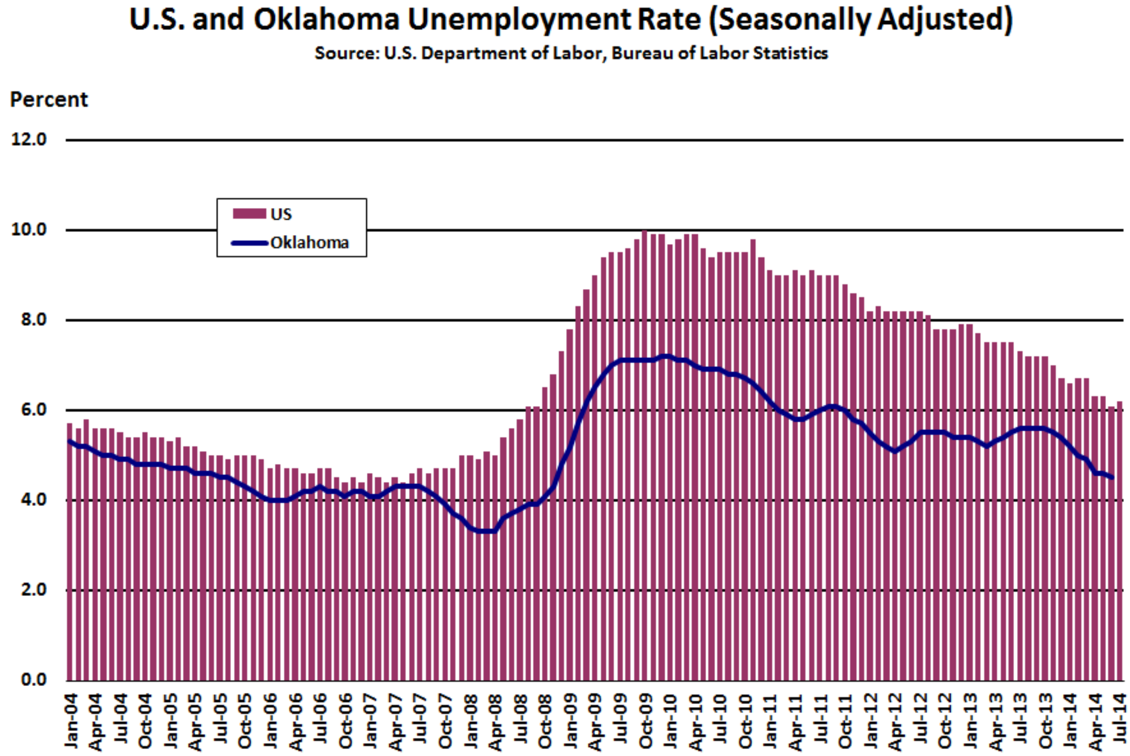
Nationally, metropolitan statistical areas represent approximately 90 percent of total GDP. In Oklahoma, the three MSAs of Oklahoma City, Tulsa and Lawton accounted for roughly 75 percent of total state GDP in 2010.

Current Developments

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

In terms of growth in real GDP, two of the three Oklahoma metropolitan areas grew in 2012. Oklahoma City MSA grew by 2.2 percent to $55.2 billion and ranked 152nd (out of 381 metro areas). Tulsa MSA grew at a rate of 0.3 percent to $41.7 billion and ranked at 294th. Lawton MSA was the only state MSA to register negative growth in2012, declining 2.0 percent to $4.2 billion in 2012 and ranked 370th out of 381 U.S. metro areas.

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



Definition & Importance

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

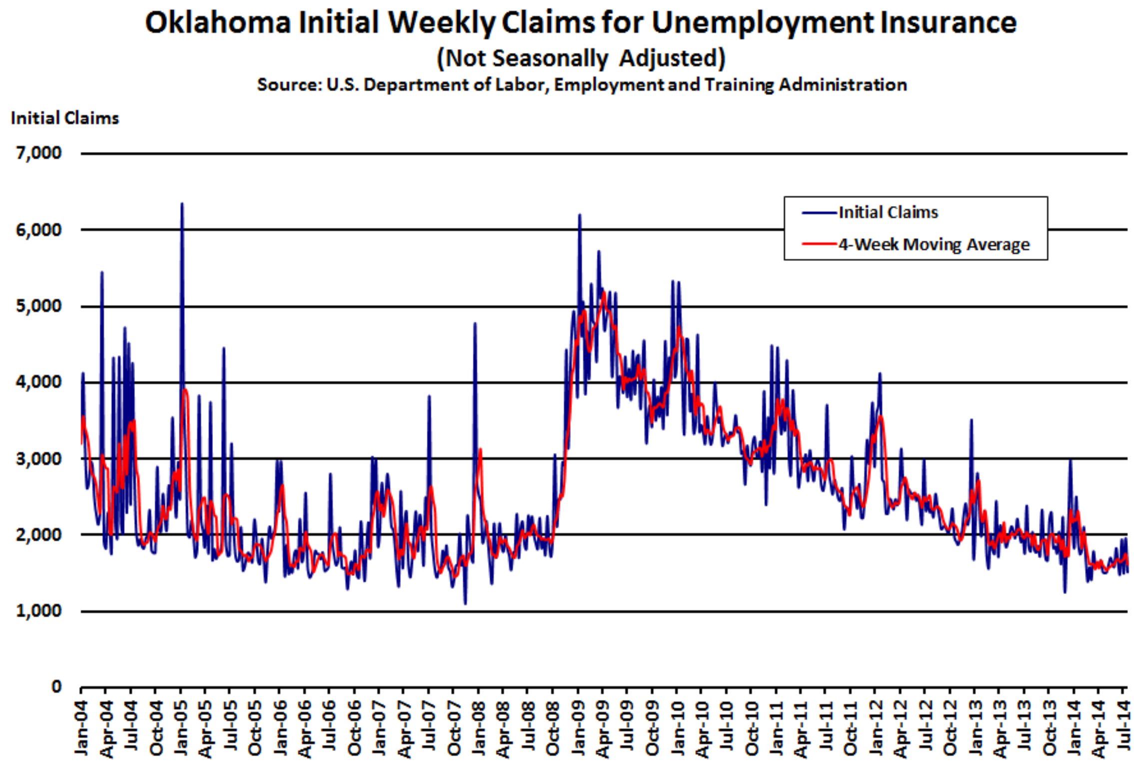
The unemployment rate is a lagging indicator of economic activity. During a recession many people leave the labor force entirely. As a result, the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more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

Current Developments

The unemployment rate ticked up in July as more Americans started looking for work. In July, the unemployment rate rose by 0.1 percentage point to 6.2 percent, according to the Bureau of Labor Statistics (BLS). The civilian labor force participation rate, at 62.9 percent, changed little in July and has been essentially unchanged since April.

Oklahoma's jobless rate declined in June to the lowest level since the onset of the last recession in the state. The statewide seasonally adjusted unemployment rate for Oklahoma edged down to 4.5 percent in June. Oklahoma's jobless rate again tied with Minnesota and Montana for the 10th lowest jobless rate among all states.

Unemployment rates rose over the month in 72 of 77 Oklahoma counties in June. Latimer County, once again, claimed Oklahoma's highest county unemployment rate of 8.5 percent while the month's lowest county unemployment rate was posted by Beckham County at 2.7 percent.



Definition & Importance

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

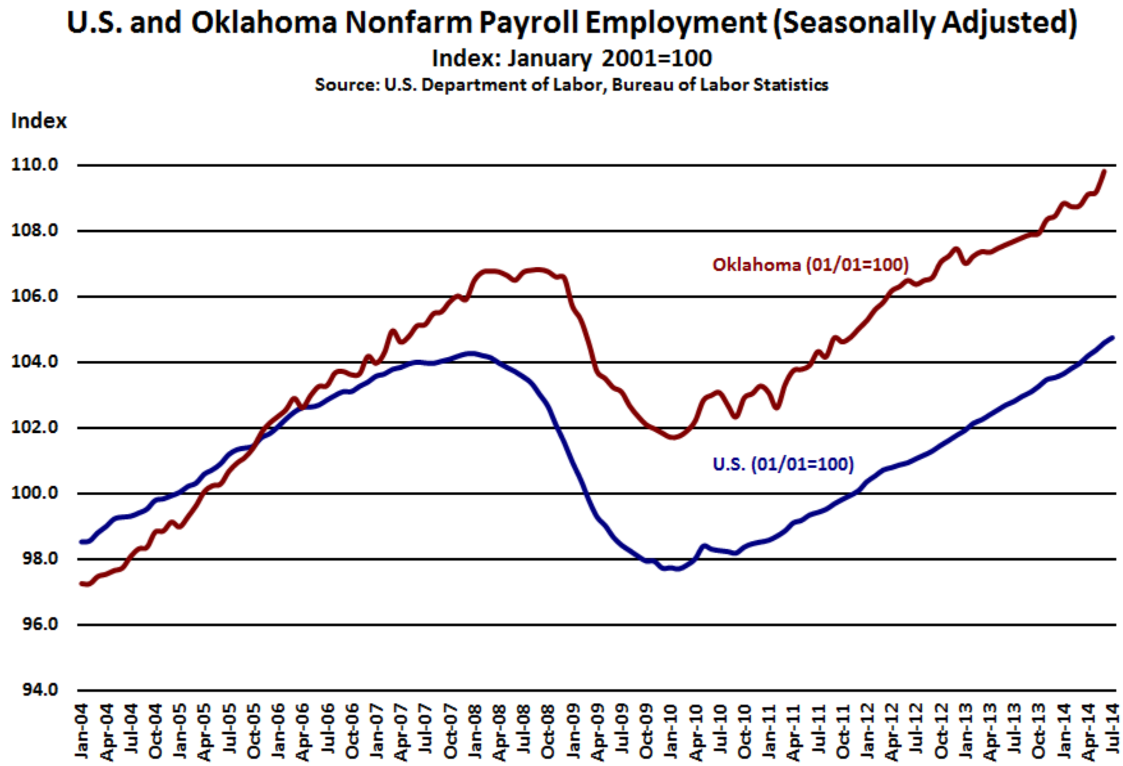
Initial claims are a leading indicator because they point to changes in labor market conditions. An increasing trend signals that layoffs are occurring. Conversely, a decreasing trend suggests an improving labor market. The four-week moving average of initial claims smoothes out weekly volatility and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

Current Developments

The number of Americans filing new claims for U.S. unemployment benefits rose in the last week of July, but has averaged the lowest level in eight years. In the week ending July 26, the advance figure for seasonally adjusted initial claims was 302,000, an increase of 23,000 from the previous week's revised level, according to figures released by the U.S. Labor Department (DOL). Initial claims for the previous week were revised down by 5,000 from to a seasonally adjusted 279,000. The four-week average of claims, considered a better gauge of labor market trends as it irons out week-to-week volatility, fell 3,500 to 297,250, the lowest level since April 2006.

Statewide initial claims for unemployment insurance continued to drop in July. For the file week ending July 19, initial jobless claims were at a level of 1,514, down 446 from the previous week. For the same file week ending, the four-week moving average was at 1,616 down 141 from the previous week’s level of 1,756.

Over the month, statewide initial claims edged up 24 from 1,490 to 1,514 while the less volatile 4-week moving average moved down 32 from 1,647 to 1,616.



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. employers extended their solid hiring for the sixth straight month in July. Total nonfarm payroll employment increased by 209,000 in July, according to the Bureau of Labor Statistics (BLS). In July, employment grew in professional and business services (+47,000 jobs), manufacturing (+28,000 jobs), retail trade (+27,000 jobs), and construction (+22,000 jobs).

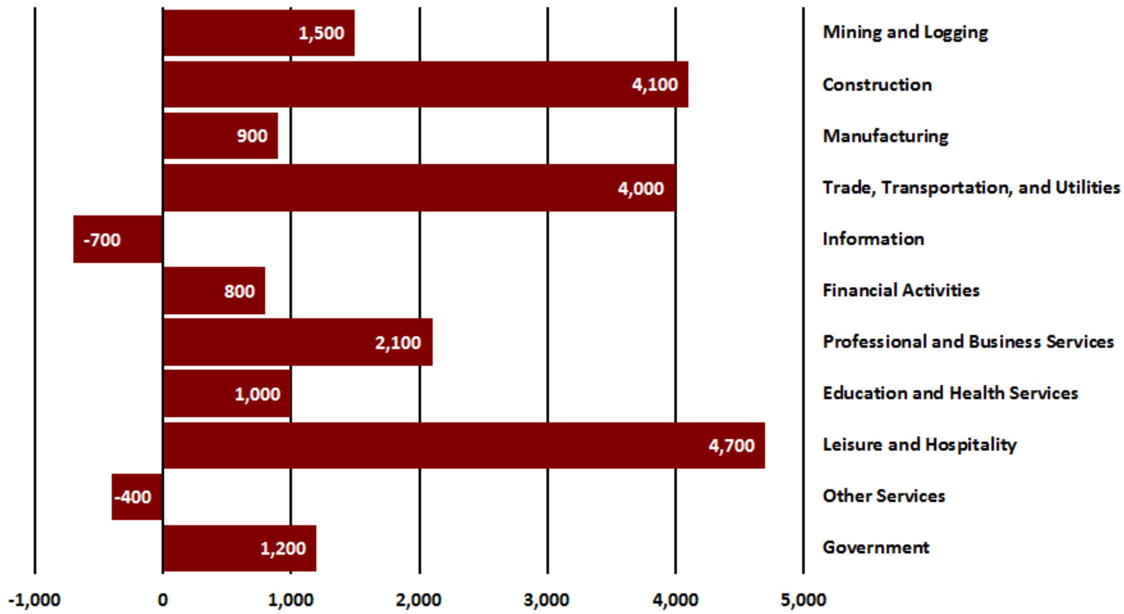
In June, Oklahoma’s seasonally adjusted nonfarm employment grew by 9,600 jobs (+0.6 percent). All of Oklahoma’s 11 supersectors reported job gains in June, with trade, transportation & utilities (+3,100 jobs) accounting for the largest monthly gain.

Over the year, state nonfarm employment increased by 33,900 jobs (+2.1 percent). Trade, transportation & utilities (+9,300 jobs) claimed the largest over-the-year gain, while information (-700), mining & logging (-500), and government (-200), lost jobs.

Oklahoma Employment Change by Industry

2012 - 2013

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



Definition & Importance

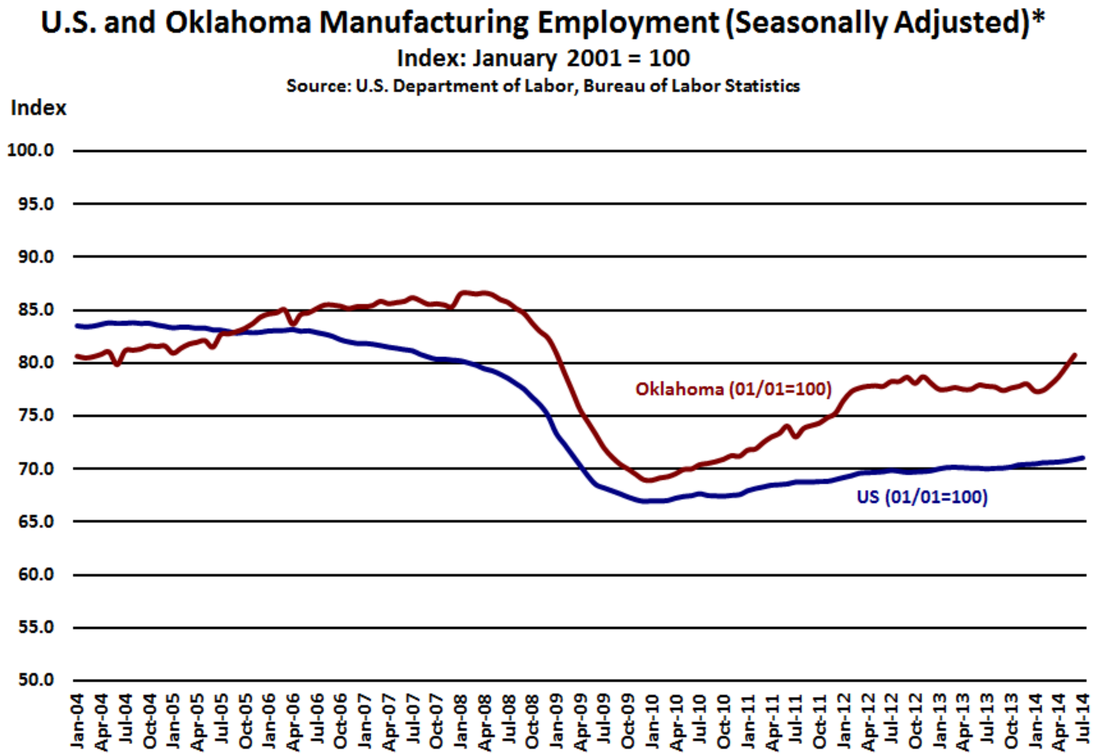
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion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

Current Developments

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

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

Job losses were in financial activities (-500) and other services (-200).



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 added 28,000 jobs in July, according to the Bureau of Labor Statistics (BLS). Job gains occurred in motor vehicles and parts (+15,000 jobs) and in furniture and related products (+3,000 jobs). Over the prior 12 months, manufacturing had added an average of 12,000 jobs per month, primarily in durable goods industries.

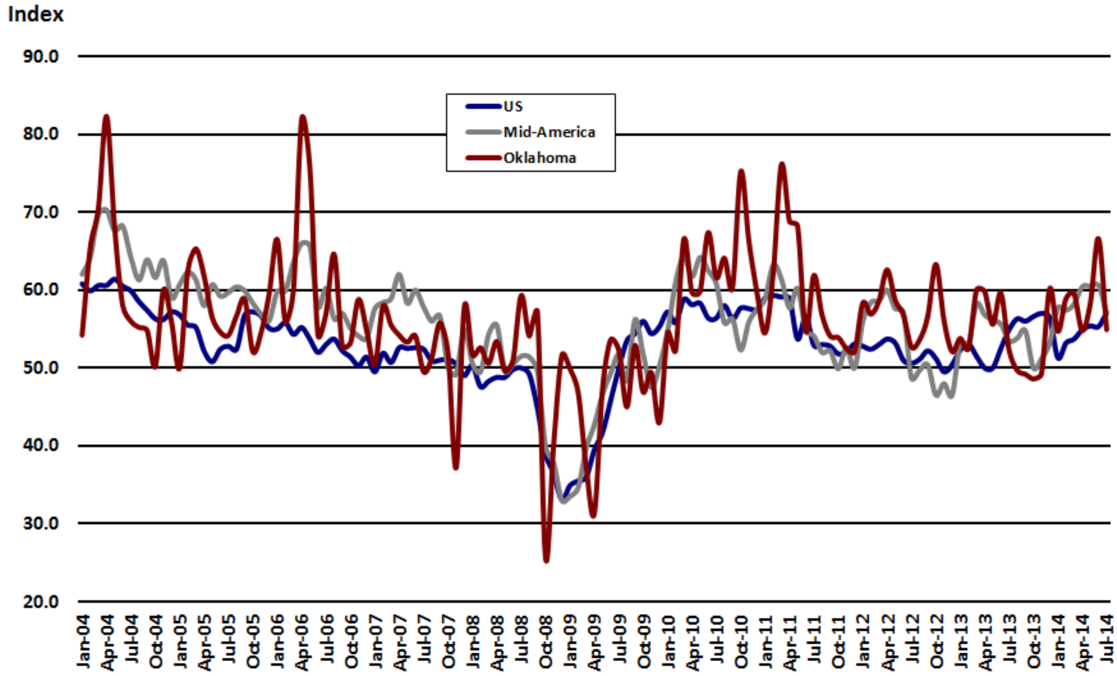
Oklahoma manufacturing employment has accelerated since the first of the year, adding 6,000 non-seasonally adjusted jobs since January. Manufacturing added a non-seasonally adjusted 1,800 jobs (1.3 percent) in June. Durable goods manufacturing accounted for most of June's job growth.

Over the year, Oklahoma manufacturing employment 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 3,700 jobs (3.9 percent), while non-durable goods manufacturing added a seasonally adjusted 1,300 jobs (3.2 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. factory activity expanded at its fastest pace in more than three years in July, pushed by a surge in its new orders and employment components. The July PMI® registered 57.1 percent, an increase of 1.8 percentage points from June's reading of 55.3 percent, according to the latest Manufacturing ISM Report On Business®. Seventeen of 18 manufacturing industries reported growth in July. The only declining industry in July was Wood Products.

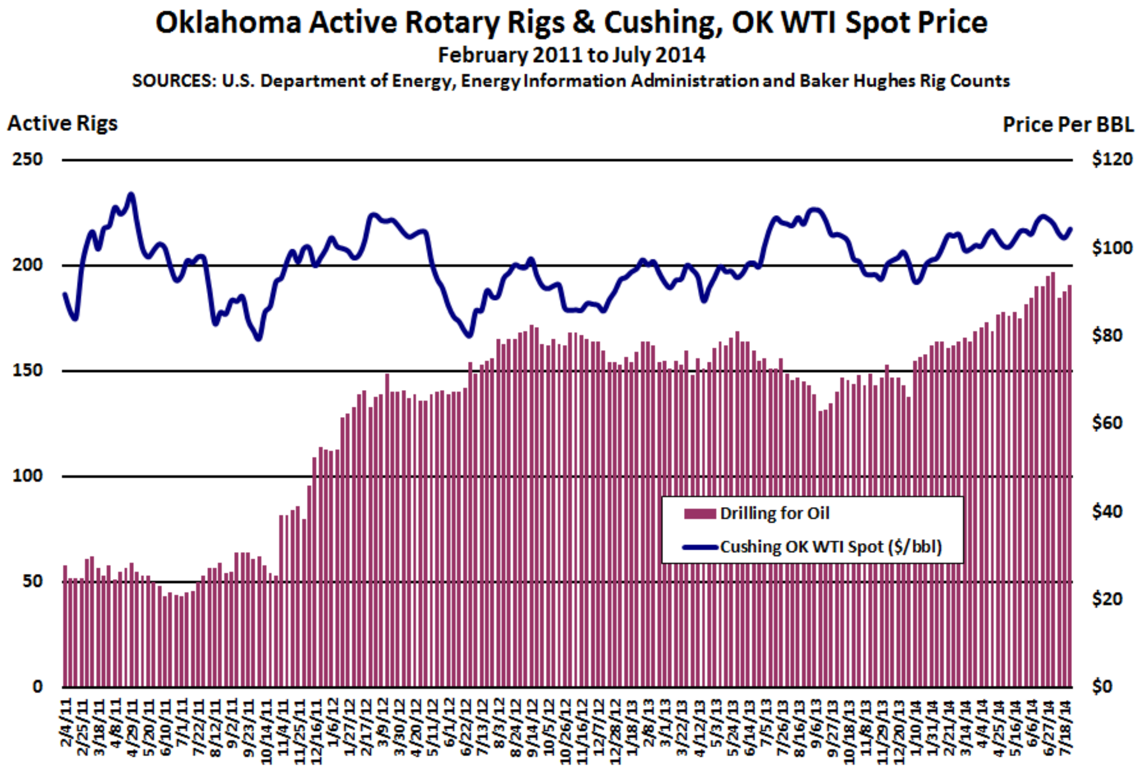
There was a sharp gain in new orders, to 63.4 compared to June's 58.9 for the best reading of the year. The measure for employment jumped to 58.2, for a 5.4 point surge, marking the strongest rate of monthly employment for ISM's sample since June 2011.

The index for production posted a 1.2 point gain to 61.2 from June's 60.0 reading, signaling growth in production for the 5th month in a row. Delivery times slowed noticeably while inventories fell noticeably, both consistent with the strong rate of general activity.

A monthly economic index for nine Midwestern and Plains states slumped in July after rising to its highest level in more than three years in June. The Business Conditions Index, which ranges between 0 and 100, sank to 57.0 from June’s very healthy 60.6 reading, according to the Creighton Economic Forecasting Group. It was the eighth straight month that the index was greater than 50, a level that indicates an expanding economy over the next three to six months

Oklahoma’s Business Conditions Index continues to point to expanding economic conditions in the months ahead. The index for July fell to a solid 54.9 from June’s 66.6 reading. Components of the July survey of supply managers in the state were new orders at 60.6, production or sales at 62.7, delivery lead time at 43.9, inventories at 56.6, and employment at 50.8.

“Expansions for durable and nondurable goods producers and their suppliers more than offset pullbacks for energy linked firms for the month. Over the past 12 months, Oklahoma’s job growth was a healthy 2.1 percent. On the other hand, average weekly earnings for workers in the state over the past 12 months advanced by only 0.6 percent and well below the rate of inflation,” said Dr. Ernie Goss, director of Creighton University’s Economic Forecasting Group.



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.

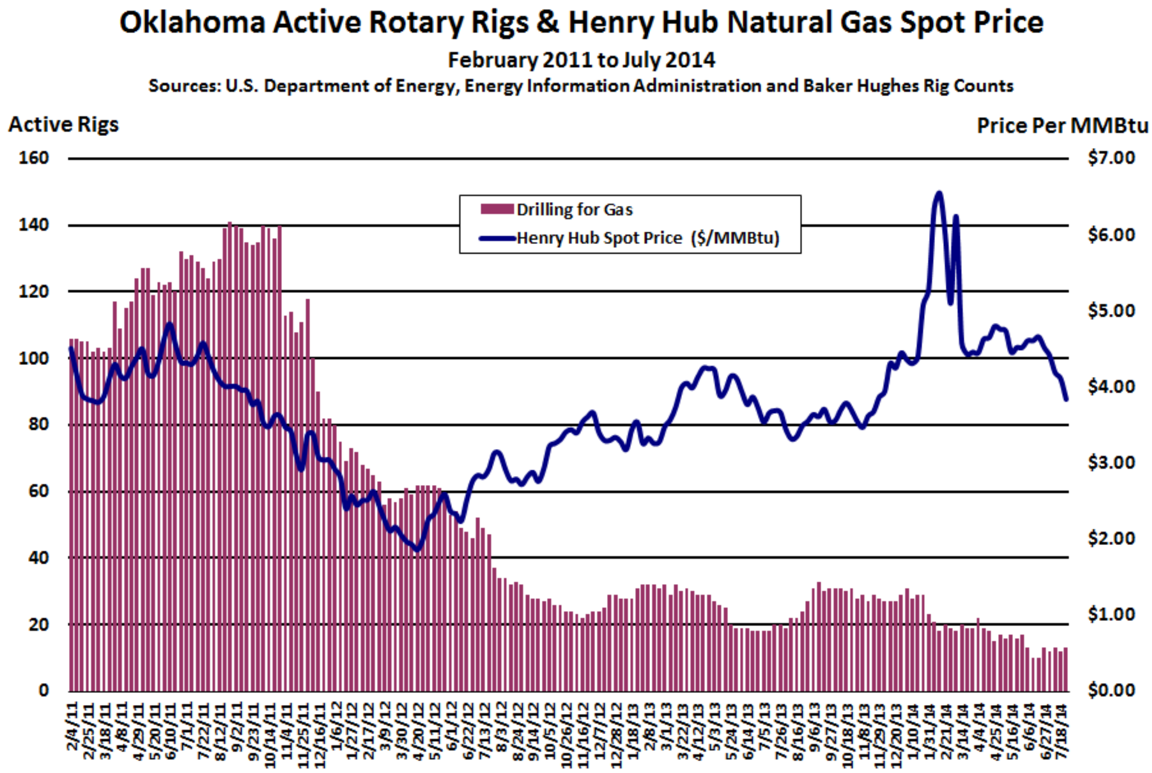
Current Developments

U.S. refineries have been processing record volumes of oil recently, according to a recent report from the U.S. Energy Information Administration (EIA). Refinery inputs hit a record-high 16.8 million barrels per day (bbl/d) in each of the past two weeks, exceeding the previous record from the summer of 2005. Refineries in the Midwest and Gulf Coast in particular pushed the total U.S. input volume upward, as these refiners' access to lower-cost crude oil, expansions of refining capacity, and increases in both domestic demand and exports contributed to higher refinery runs.

May 2014 state crude oil production reached its highest level since July 1987. Total field production of 11,340,000 barrels ranked Oklahoma 5th among all states for the month. Crude production in May was 404,000 barrels more than the previous month's level of 10,936,000 barrels.

Since peaking out in late June during the height of the Iraqi uprising, WTI-Cushing shed over $9 per barrel by the end of July. WTI-Cushing for September delivery slid as much as $1 to $100.67 a barrel in electronic trading on the New York Mercantile Exchange, the lowest since July 15 at $100.56. WTI-Cushing prices have dropped 4.4 percent in July.

Oklahoma's overall rotary rig activity level was little change in July. July's average rotary rig count was at a level of 203, just one more than June's average count of 202 rigs. Over the year, July's active rotary rig count in Oklahoma was 30 more than 173 in July 2013. Oil-directed active rotary rigs advanced to a level of 191, (for the week ended July 25, 2014), representing approximately 94 percent of total rig activity in the state in July.



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

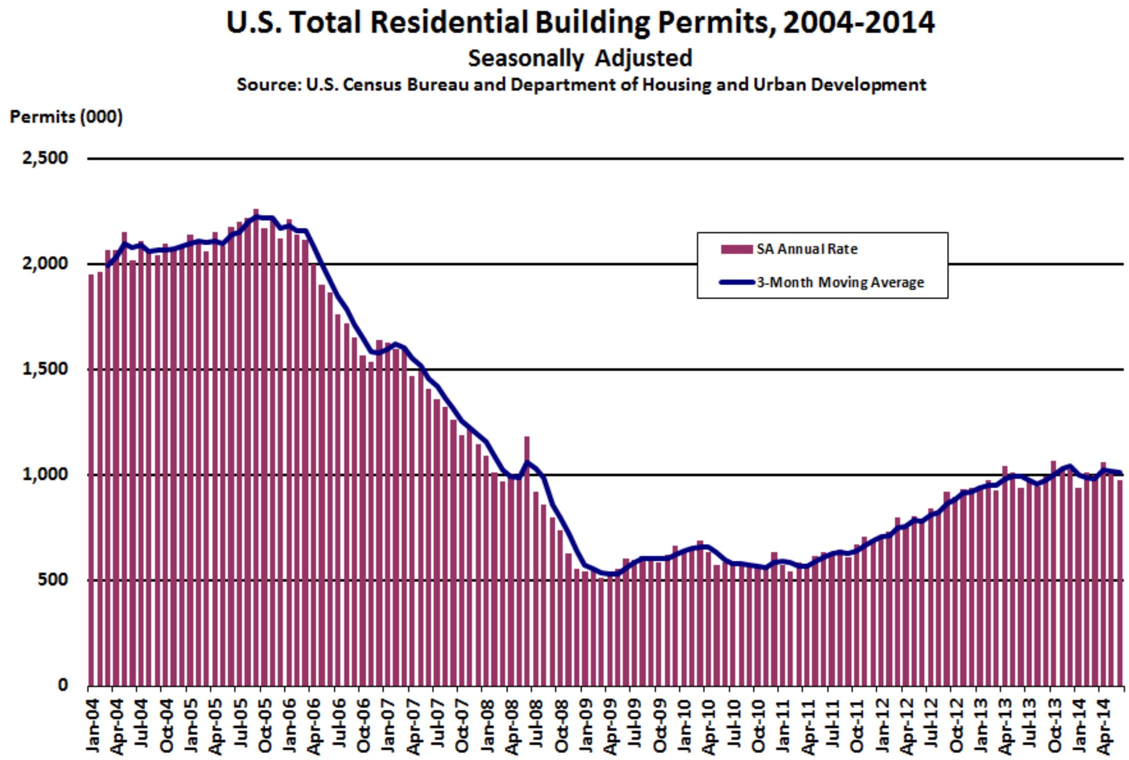
While the number of natural gas-directed drilling rigs is particularly low right now, gas production continues rising, and is currently up 5 percent year-over-year, according to the U.S. Energy Information Administration (EIA). One key reason for the gas production boost is the significant increase in natural gas reserves and production associated with tight oil drilling and production.

In May, Oklahoma natural gas production reached its highest monthly level since record-keeping began in January 1991. Oklahoma natural gas production was at a level of 195,982 MMcf in May 2014, or 7,942 MMcf more than the previous month. Oklahoma natural gas production for 2013 was 2,143,989 MMcf, 6.0 percent more than the 2012 total of 2,023,461 MMcf, also its highest annual level since 1991.

The Henry Hub spot price fell from $4.47/MMBtu at the beginning of the month to $3.76/MMBtu on July 30, continuing a several week decline. On average, prices at trading locations across the country fell by 15 cents/MMBtu, with unseasonably cooler temperatures at the end of the report week in the Northeast, Midwest, and Midcontinent, according to the EIA.

The Baker Hughes rotary rig count for natural gas in Oklahoma continued to fall in July. For the week ended July 25, the state natural gas-directed drilling rig count was at a level of 13 active rigs, accounting for only 6 percent of total statewide drilling activity. Over the year, Oklahoma’s natural gas-directed rotary rig count was down seven rigs from 20 rigs reported for the week ended July 26, 2013.

The U.S. active rotary rig count, as reported by Baker Hughes, increased by 12 to 1,883 active units in the last week of July. Natural gas-directed rigs increased by 3 to 318, and oil-directed rigs increased by 8 to 1,562. Gas-directed rigs are 51 units below last year's level, and oil rigs are 161 units greater than last year's level.



Definition & Importance

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

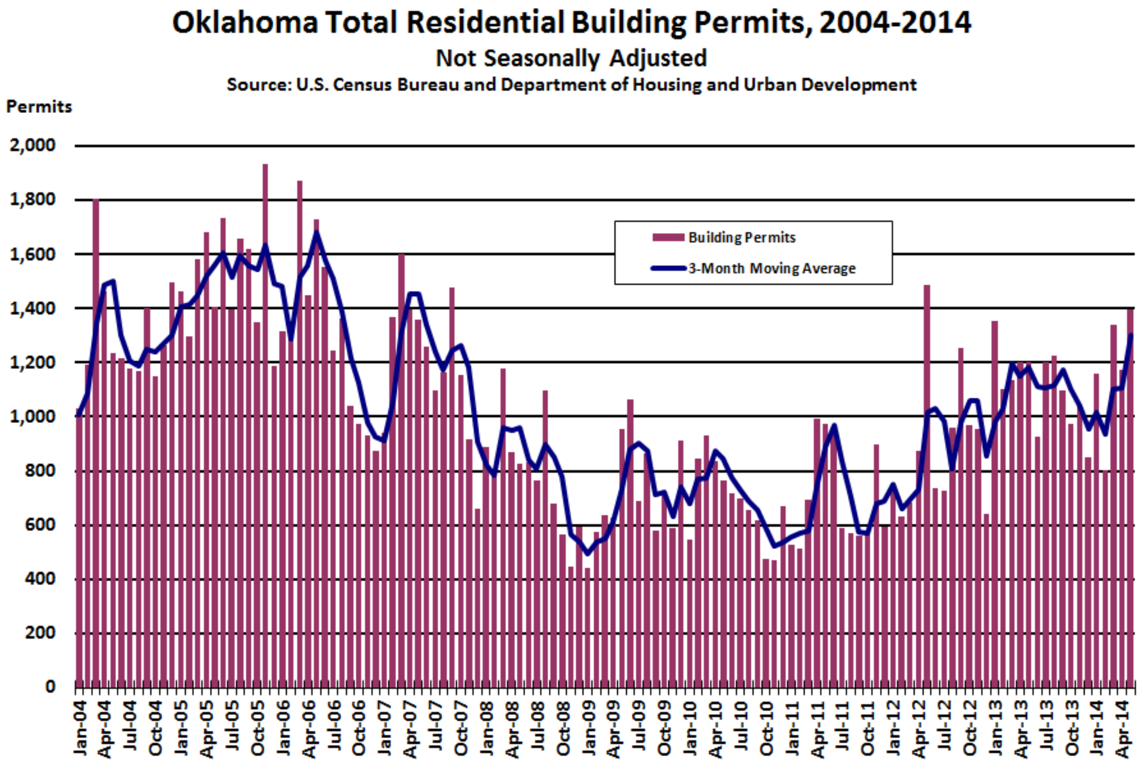
While home construction represents a small portion of the housing market, it has an outsize impact on the economy. Each home built creates an average of three jobs for a year and about $90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels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

Current Developments

Applications for building permits took another step back in June, indicating the housing sector may be losing steam instead of improving. Privately-owned housing units authorized by building permits in June were at a seasonally adjusted annual rate of 963,000, after a 5.1 percent decline in May, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

Permits for single-family homes increased 2.6 percent to a 631,000 unit-pace, the highest level since November. Permits for multi-family housing tumbled 14.9 percent to a 332,000-unit pace.

The National Association of Home Builders, however, reported that homebuilder confidence hit a six-month high in July, reflecting optimism that the second half of the year will see rising sales. The builders' sentiment index rose to 53, up four points from a revised reading of 49 in June.

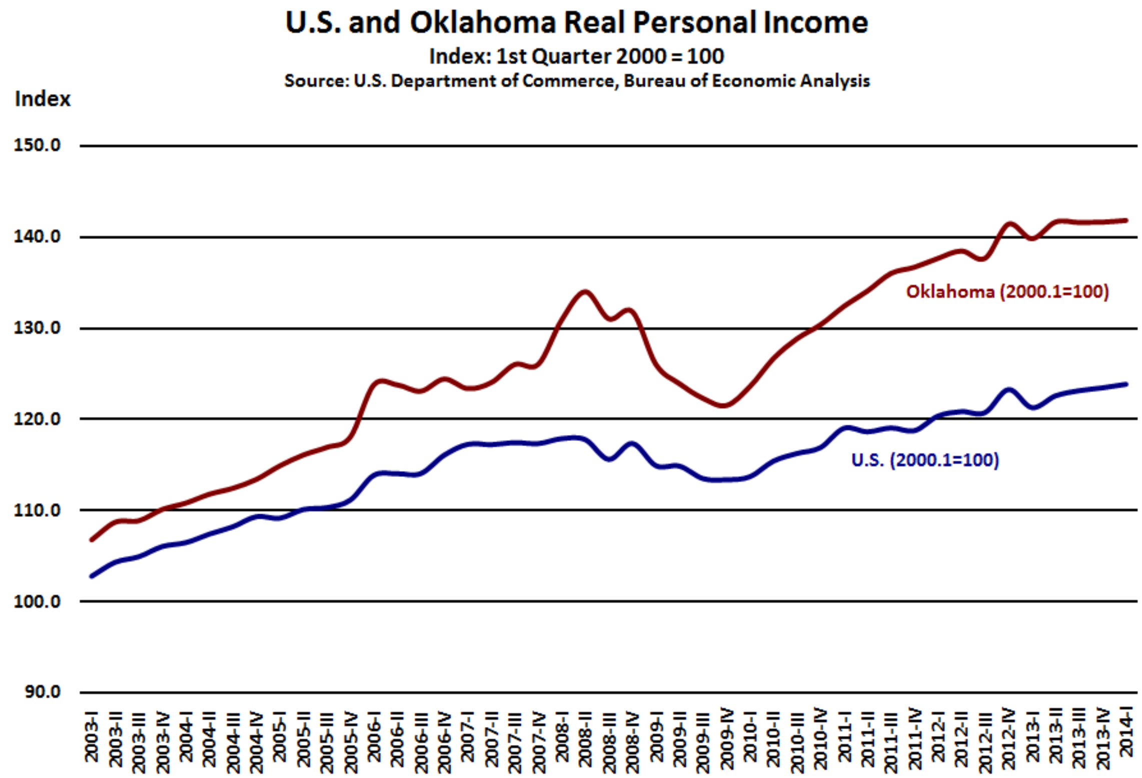


Applications for apartment buildings drove Oklahoma residential permitting activity in June. Total residential building permitting for June was at an unadjusted level of 1,342 units, 3.9 percent lower than the previous month, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development.

Multi-family permitting accounted for nearly a third (32.5 percent) of total residential permitting activity in June while single-family permitting added 65.9 percent. Permits for single-family homes were at a non-seasonally adjusted level of 884 or 9.2 percent below May's level of 974 permits. Applications for apartments were at a non-seasonally adjusted level of 436 permits, 39 more than May's level of 397 permits.

Over the year, total unadjusted residential permitting in June was an unadjusted 416 permits or 44.9 percent more than June 2013. Single-family permits were down slightly -29 permits or 3.2 percent less than a year ago, while the more volatile multi-family permitting was 425 more than the June 2013 level of only 11 permits.

For the first half of 2014, total non-adjusted residential building permitting activity was well above the first six months of 2013. For the first six months of 2014, total unadjusted residential building permitting was at a level of 7,215, or 292 permits (4.2 percent) more than the same period a year ago.



Definition & Importance

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

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

Current Developments

U.S. consumer spending rose at the fastest pace in three months in June, continuing a rebound after a weak 1st quarter, while a key measure of inflation eased. Personal income $56.7 billion, or 0.4 percent, and disposable personal income (DPI) increased $51.5 billion, or 0.4 percent, in June, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) increased $51.7 billion, or 0.4 percent in June.

Personal consumption expenditures (PCE) improved 0.4 percent in June after rising 0.3 percent the month before. Spending strength was in durable goods (up 0.4 percent) and nondurables (up 0.3 percent). Services edged up only 0.1 percent in June.

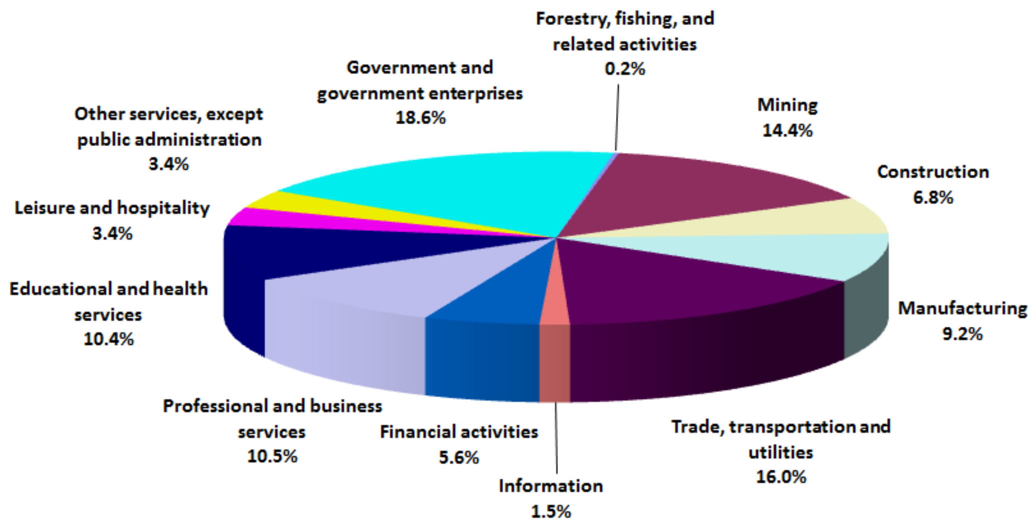
Spending is being supported by steady gains in income. Wages and salaries increased 0.4 percent in both of the most two recent months.

Despite the gains in spending, inflation retreated in June. Core PCE index prices (excluding food and energy), edged up 0.1 percent in June after gaining 0.2 percent the prior month.

Oklahoma Nonfarm Contribution to Earnings

First 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.

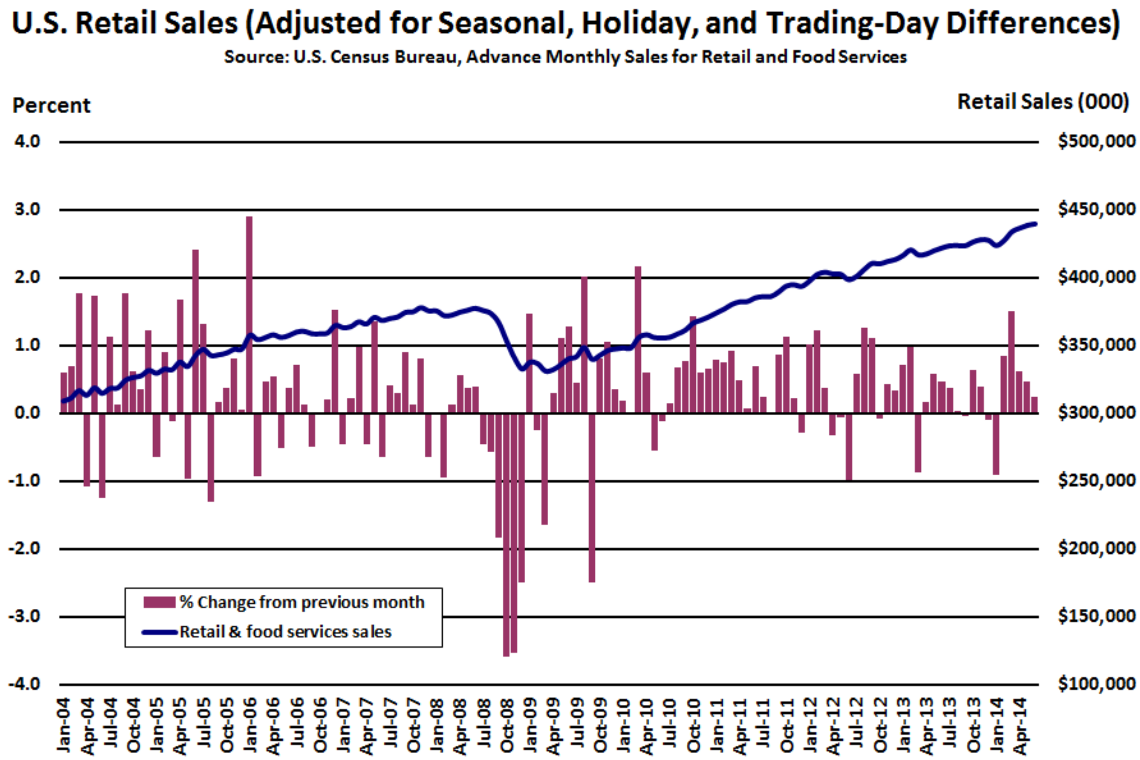
Current Developments

State personal income increased 0.8 percent on average in the 1st quarter of 2014, an acceleration from the 0.5 percent growth in the 4th quarter of 2013, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Personal income grew in 46 states including Oklahoma and growth accelerated in 24 of those states. The fastest growth, 1.4 percent, was in Washington state, Vermont, and West Virginia. Personal income fell 2.9 percent in North Dakota, 0.3 percent in South Dakota, and 0.2 percent in Arkansas and Nebraska.

Personal income Oklahoma ranked 32nd among all states and the District of Columbia growing at a seasonally adjusted rate of 0.6 percent (from the previous quarter) at a level of $162.2 billion.

Overall, statewide earnings grew $1,069 billion in the 1st quarter with the largest increases in construction ($264 million), mining ($258 million), finance & insurance ($135 million) and non-durable goods manufacturing ($111 million).

Earnings fell in seven industries: farming ($132 million), durable goods manufacturing ($50 million), information ($14 million), management of companies ($18 million), utilities ($12 million), real estate, rental & leasing ($3 million), and forestry, fishing and related activities ($1 million).



Definition & Importance

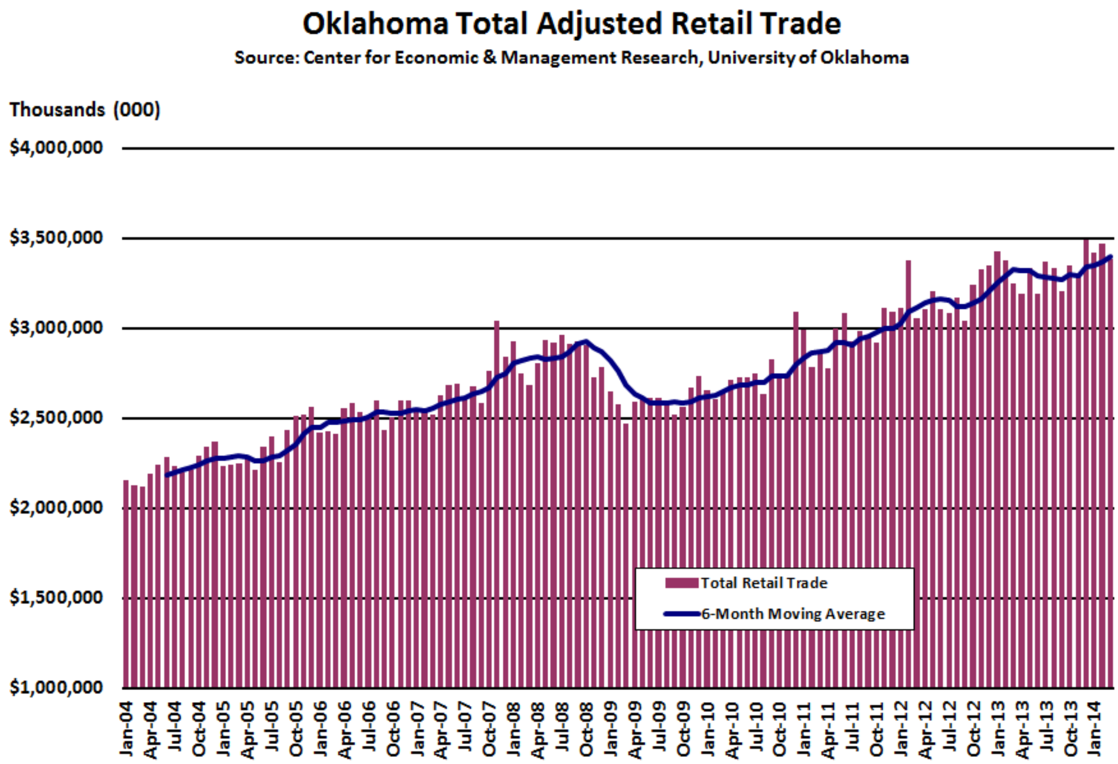
Retail sales measure the total receipts at stores that sell merchandise and related services to final consumers. Sales are by retail and food services stores. Data are collected from the Monthly Retail Trade Survey conducted by the U.S. Bureau of the Census. Essentially, retail sales cover the durables 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 rose modestly in June, held back by a sharp drop at building and garden supply stores and declining auto sales. Advance estimates of U.S. retail and food services sales for June, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $439.9 billion, an increase of 0.2 percent from the previous month, and 4.3 percent above June 2013, according to the U.S. Census Bureau. This follows an upwardly revised 0.5 percent increase in May (originally up 0.3 percent).

Receipts at auto dealerships fell 0.3 percent in June after climbing 0.8 percent in May. The decline is surprising given that automakers reported an eight-year high in motor vehicle sales in June. Excluding motor vehicles, sales increased 0.4 percent after rising by the same margin in May.

The less volatile "core" retail sales, which strip out automobiles, gasoline, building materials and food services, increased a solid 0.6 percent in June. In the core, strength was seen in general merchandise stores (+1.1 percent), nonstore retailers (+0.9 percent), and sporting goods, book & music stores (+0.6 percent). Core sales rose by a revised 0.2 percent in May after previously reported as being flat.



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 consumers pulled back their retail spending in March. Total adjusted retail sales for March 2014 were at a level of $3.38 billion, down 2.4 percent from February but 4.2 percent greater than March 2013. Year to date, total adjusted retail trade was 2.2 percent more than the first three months of 2013

Durable goods sales slipped 1.0 percent in March led by declines in lumber & hardware (-5.1 percent) and auto accessories & repair (-1.9 percent). Gains were seen in miscellaneous durable goods (+3.5 percent); followed by electronics & music store sales (+1.9 percent), and used merchandise (+1.4 percent). Over the year, durable goods sales were up 4.5 percent.

Total nondurable goods sales dropped 2.9 percent in March with the largest monthly loss in the volatile estimated gasoline sales (-17.1 percent). Spending at eating & drinking establishments also fell in March (-1.1 percent), followed by food sales (-0.2 percent). Advancing in March were apparel sales (+0.3 percent); eating & drinking (+4.0 percent): drugs (+3.4 percent); liquor (+2.9 percent); general merchandise (+2.1 percent); and miscellaneous non-durables (+1.1 percent) Over the year, non-durable goods sales were up 4.1 percent.