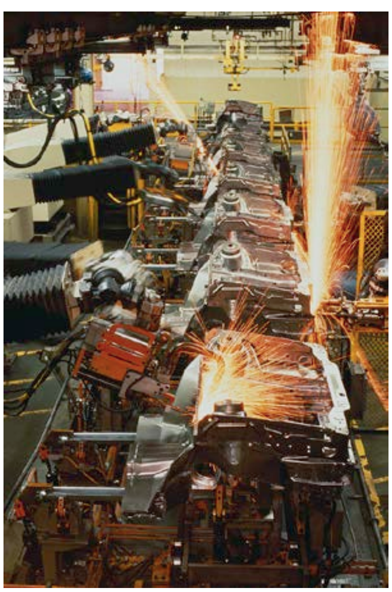

OKLAHOMA
Economic Indicators

July 2016

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
E-mail: lmi1@oesc.state.ok.us

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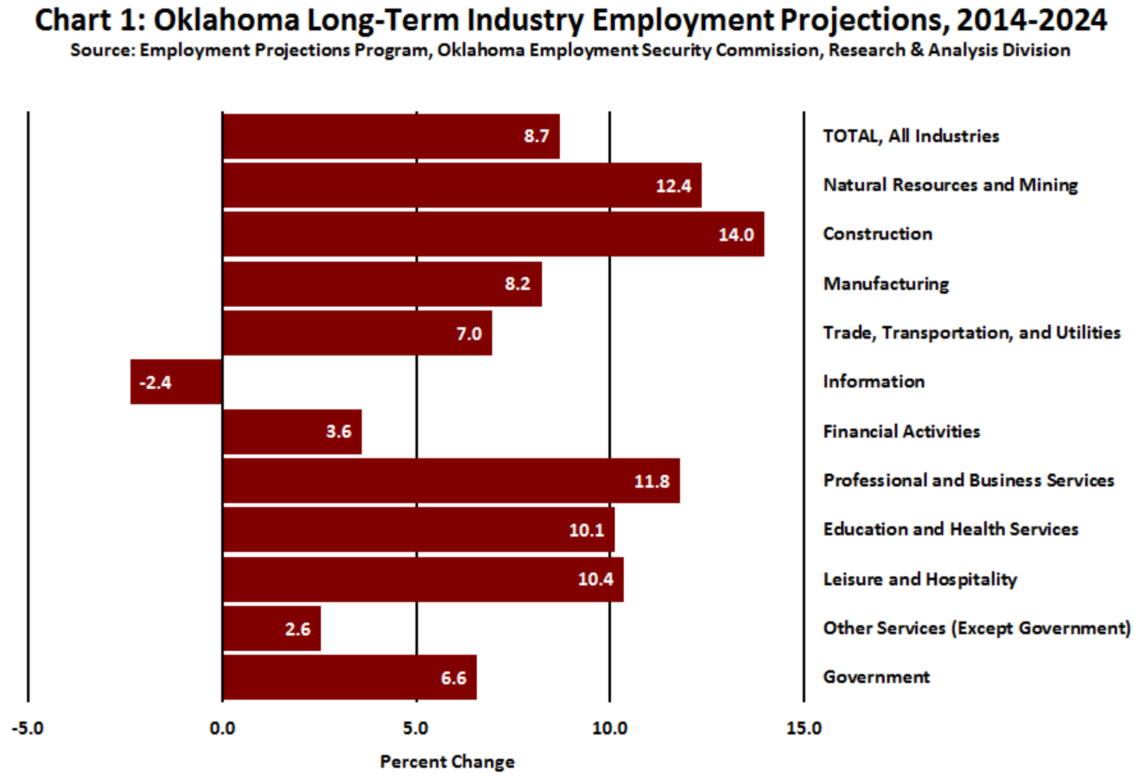
Oklahoma Industry and Occupational Projections: 2014 to 2024



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 2014 to 2024 industry employment forecast for Oklahoma predicts that total payroll employment will grow 8.7 percent over the decade, adding 153,870 jobs to the state's economy. All but one of Oklahoma's major industry sectors are anticipated to grow in the coming years, (see Table 1).

In the goods-producing industries, employment growth in manufacturing is projected to lead, adding 11,460 jobs almost all of which are anticipated to be in machinery manufacturing (5,980 jobs) and fabricated metals manufacturing (4,360 jobs). Job losses in most other manufacturing sectors will offset any job gains. Employment growth in the construction sector follows closely adding 10,540 jobs from 2014 to 2024 with specialty trade contractors also providing over half (5,820 jobs) of total growth. Natural resources and mining employment is expected to grow at a rate of 12.4 percent, adding 9,600 jobs almost all of which are in support activities for mining (7,510 jobs).

Table 1: Oklahoma Long-Term Industry Employment Projections, 2014-2024

Sector	2014	2024	Change	% Change
Total Employment[1]	**1,767,250**	**1,921,130**	**153,870**	**8.71**
Natural Resources and Mining	77,610	87,210	9,600	12.36
Construction	75,330	85,860	10,540	13.99
Manufacturing	139,300	150,770	11,460	8.23
Trade, Transportation, and Utilities	301,570	322,550	20,980	6.96
Information	21,710	21,190	-520	-2.38
Financial Activities	79,620	82,490	2,880	3.61
Professional and Business Services	185,420	207,320	21,900	11.81
Education and Health Services	389,390	428,810	39,420	10.12
Leisure and Hospitality	169,900	187,510	17,610	10.36
Other Services (Except Government)	61,780	63,360	1,580	2.55
Government	163,200	173,940	10,740	6.58

[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 39,420 jobs (10.1 percent) with health care & social assistance accounting for more than four-fifths of the growth and adding 32,220 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 21,900 jobs (11.8 percent) in the 2014-2024 timeframe. Nearly half of the job growth in this industry is led by gains in the professional, scientific, and technical services sector which is projected to add 10,460 jobs (15.5 percent). Administrative and support services is expected to contribute another 8,000 jobs (8.4 percent).

The broad trade, transportation & utilities supersector is forecast to add 20,980 jobs (7.0 percent) between 2014 and 2024 with almost two-thirds of the employment growth in retail trade (12,630 jobs). Wholesale trade is expected to add 3,440 jobs (5.4 percent) and transportation & warehousing employment gaining 3,740 jobs (7.9 percent). Utilities employment is forecast to grow at a 9.7 percent rate adding 1,170 jobs.

Leisure & hospitality employment is projected to increase by 17,610 jobs (10.4 percent) from 2014 to 2024 with over two-thirds of the job gains in food services & drinking places (12,310 jobs).

The financial activities supersector is forecast to add 2,880 jobs (3.6 percent) between 2014 and 2024 with gains in finance & insurance (3,480 jobs) offset by losses in real estate and rental & leasing (-600 jobs).

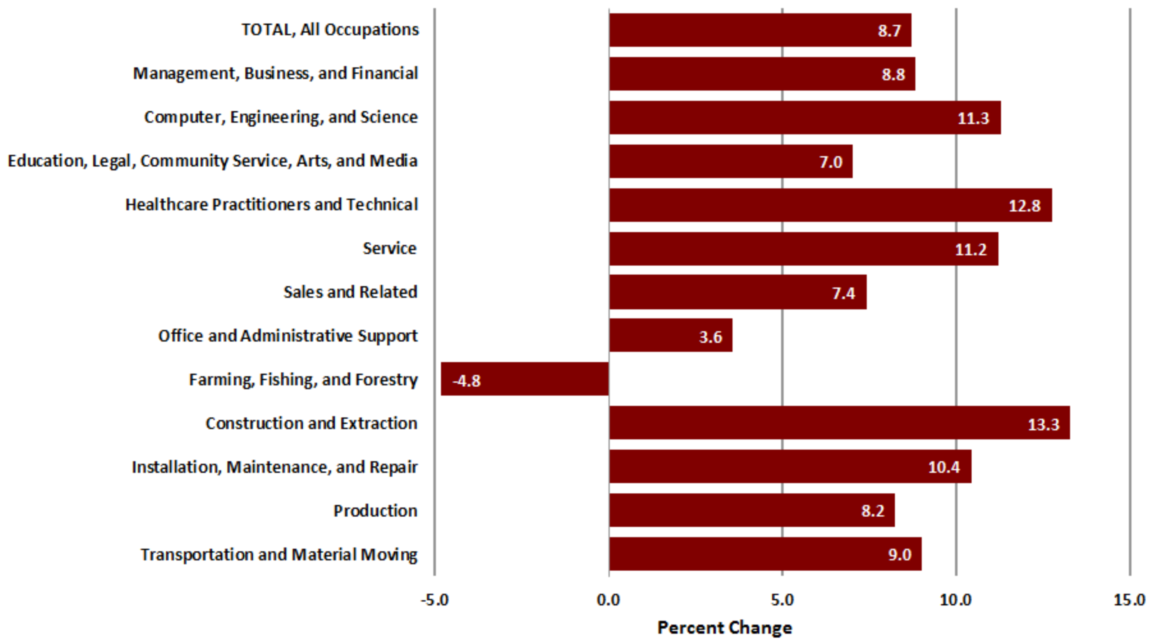
Other services (except government) is expected to add 1,580 for a 2.6 percent gain between 2014 and 2024. Information is the only supersector forecast to lose employment, shedding 520 jobs (-2.4 percent).

Government employment is projected to grow 6.6 percent adding 10,740 jobs during the 2014-2024 period with nearly all the growth at the local government level (excluding casinos, casino hotels, education and hospitals) which is expected to add 11,620 jobs (14.6 percent). Federal and state government employment are both expected to lose employment in the 2014-2024 round.

Chart 2: Oklahoma Long-Term Occupational Employment Projections, 2014-2024

Aggregate Occupational Groups

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



Occupational Projections

Turning to occupational projections, several economic trends surfaced in the 2014-2024 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 583,240 total job openings are projected from 2014 to 2024, with 164,400 of these being new jobs created during this period. The remaining 418,850 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 2014 and 2024. Service occupations are expected to see the largest gain in employment adding 39,130 jobs. Office & administrative support occupations are projected to add 16,990 jobs followed by healthcare practitioners and technical occupations which should add 13,820 jobs over the decade, (see Table 2).

The fastest growing occupations for the 2014 to 2024 period are in construction & extraction occupations at 13.3 percent. Healthcare practitioners and technical occupations are forecast to grow at a 12.8 percent rate. Employment in computer, engineering & science occupations is projected to grow at 11.3 percent. Service occupations, which include healthcare support and personal care & service occupations, follow at an 11.2 percent rate of growth.

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 13,940 average annual openings followed by office & administrative support occupations which should have 6,970 annual openings. Sales & related occupations are expected to have 6,560 average annual openings between 2014 and 2024.

Table 2: Oklahoma Occupational Employment Estimates & Projections, 2014-2024

Aggregate Occupational Division	2014	2024	Numeric Change	Percent Change	Average Annual Openings
Total, All Occupations	**1,767,250**	**1,921,130**	**153,870**	**8.71**	**58,320**
Management, Business, and Financial Occupations	192,410	209,400	16,990	8.83	5,910
Computer, Engineering, and Science[2]	74,190	82,550	8,360	11.27	2,450
Education, Legal, Community Service, Arts, and Me	170,770	182,740	11,970	7.01	4,880
Healthcare Practitioners and Technical[4]	108,440	122,260	13,820	12.75	3,780
Service Occupations5	349,260	388,380	39,130	11.20	13,940
Sales and Related Occupations	176,020	189,060	13,030	7.40	6,560
Office and Administrative Support Occupations	273,200	282,900	9,700	3.55	6,970
Farming, Fishing, and Forestry Occupations	11,950	11,370	-580	-4.81	320
Construction and Extraction Occupations	99,320	112,520	13,200	13.28	3,090
Installation, Maintenance, and Repair Occupations	78,240	86,410	8,170	10.44	2,680
Production Occupations	119,640	129,500	9,860	8.24	3,960
Transportation and Material Moving Occupations	113,820	124,050	10,230	8.99	3,800

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).

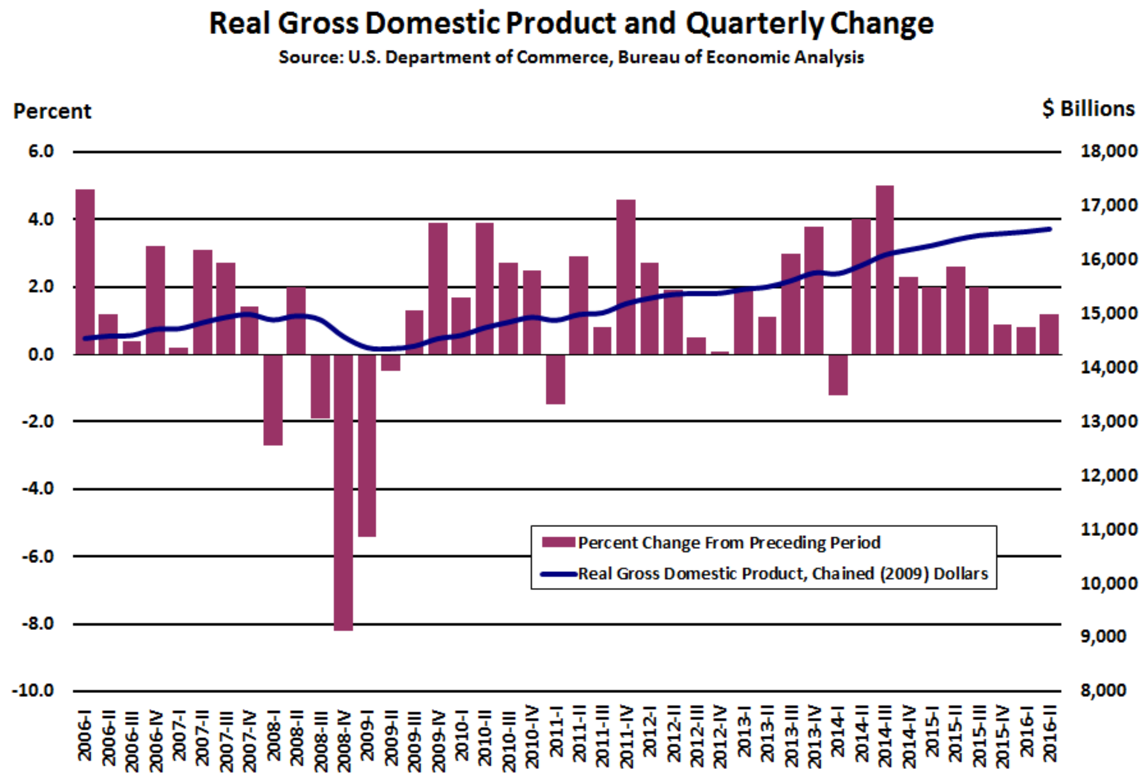
Source: Employment Projections program, Oklahoma Employment Security Commission

Only a handful of occupations are expected to decline between 2014 to 2024. 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 2014-2024 round as well as the 2015-2017 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 performed only slightly better in the 2nd quarter than the 1st quarter as strong consumer spending gains were offset by weak housing and business inventory investment. Real gross domestic product (GDP) increased at an annual rate of 1.2 percent in the 2nd quarter of 2016, according to the "advance" estimate released by the Bureau of Economic Analysis (BEA). In the 1st quarter, real GDP increased at a downwardly revised rate of 0.8 percent (from 1.1 percent).

Consumer spending, which accounts for more than two-thirds of U.S. economic activity, picked up in the spring, surging at an annual rate of 4.2 percent and more than doubled the 1st quarter pace of 1.6 percent. Spending on durable goods, such as automobiles, increased at a 8.4 percent rate while spending on nondurable goods, such as clothing, expanded a 6.0 percent pace Spending on services, such as transportation grew 3.0 percent in the 2nd quarter. Personal consumption expenditures (PCE) added 2.83 percentage points to 2nd quarter GDP growth.

Business investment declined in the spring for a third straight quarter, reflecting declines in structures and in equipment. Nonresidential fixed investment declined at a 3.2 percent rate. Nonresidential fixed investment subtracted 0.28 percentage point from GDP growth in the 2nd quarter.

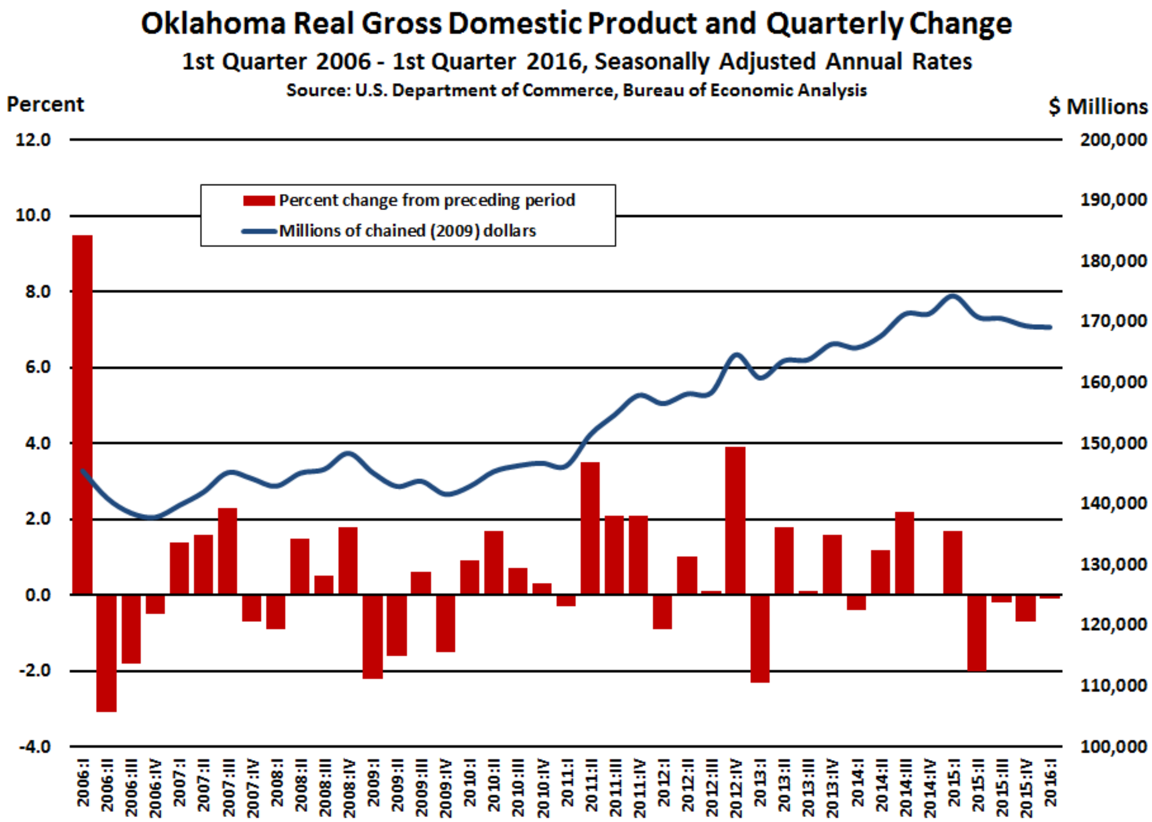
Business inventory investment fell for the first time in nearly five years in the April -June quarter. The reduction in inventories pulled down 2nd quarter GDP 1.16 percentage points in the 2nd quarter.

Housing construction, which had been performing well, sunk at an annual rate of 6.1 percent in the 2nd quarter, reflecting weakness in both single-family and apartment construction. Residential fixed investment shaved 0.24 percentage point from 2nd quarter GDP growth.

Strength in net exports, reflected by the first gain in exports since the 2nd quarter last year, was another positive in the April-June quarter. Exports grew at an annualized 1.4 percent rate while imports declined 0.4 percent. Trade added a revised 0.23 percentage point to 2nd quarter GDP growth.

Government purchases trimmed growth in the 2nd quarter as federal, state and local governments pulled back on spending. Federal government expenditures decreased at an annualized 0.2 percent rate, held back by a 3.0 percent decline in national defense spending. Federal non-defense spending grew 3.9 percent. Meanwhile, state and local government spending shrank 1.3 percent in the 2nd quarter. Government consumption expenditures subtracted 0.16 percentage points from GDP growth in the 2nd quarter.

In its annual revision of GDP, the BEA raised its growth estimate for 2015 to 2.6 percent, up from its previous estimate of 2.4 percent—the best annual reading so far since the ‘Great Reccession’ ended in 2009.



Definition & Importance

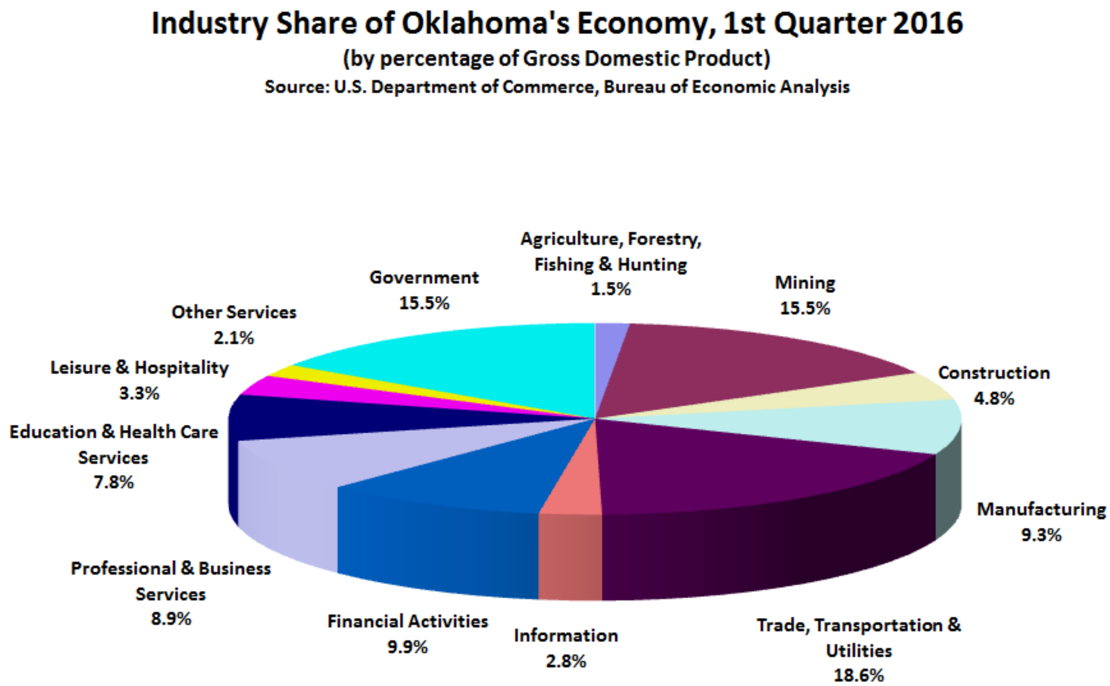
The U.S. Bureau of Economic Analysis (BEA) recently released prototype statistics of quarterly gross domestic product (GDP) by state for 2005–2013. These new statistics provide a more complete picture of economic growth across states that can be used with other regional data to gain a better understanding 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 gross domestic product (GDP) increased in 37 states and the District of Columbia in the 1st quarter of 2016, according to the Bureau of Economic Analysis (BEA). Real GDP by state growth, at an annual rate ranged from 3.9 percent in Arkansas to -11.4 percent in North Dakota. Construction; health care and social assistance; and retail trade were the leading contributors to U.S. economic growth in the 1st quarter.

In the 1st quarter of 2016, Oklahoma's real GDP contracted for the fourth consecutive quarter, slipping -0.5 percent and ranking the state 39th among all other states and the District of Columbia. Statewide GDP was at a level of $176.8 billion (in constant 2009 dollars) in the 4th quarter, down $2.48 billion from 3nd quarter's level of $179.3 billion.

It also appears that Oklahoma's economy did not perform as well as previously thought. The state's real GDP growth in 2nd quarter 2015 was slashed from -2.4 percent to -7.7 percent while 3rd quarter 2015 growth was revised downward from 1.0 percent to -0.6 percent.



Construction grew 9.0 percent in the 1st quarter of 2016—the eighth consecutive quarter of growth for this industry. This industry contributed to growth in 47 states and the District of Columbia including Oklahoma where it added 0.7 percentage point to the state's real GDP growth.

Health care and social assistance grew 3.8 percent in the 1st quarter. This industry contributed to growth in every state and the District of Columbia. In Oklahoma, health care and social assistance added 0.21 percentage point to GDP growth.

Retail trade grew 4.8 percent in the 1st quarter. This industry contributed to growth in 47 states and the District of Columbia and 0.22 percentage point to real GDP in Oklahoma.

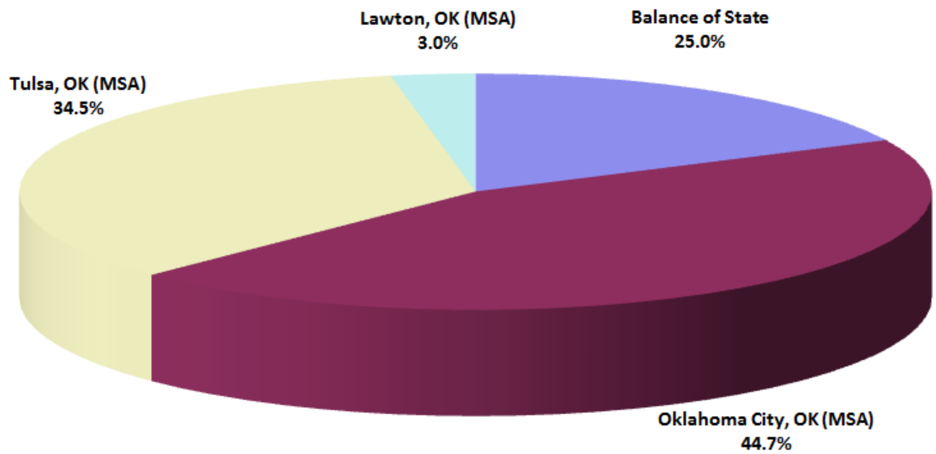
Although agriculture, forestry, fishing, and hunting was not a significant contributor to real GDP growth for the nation, it had an important impact on economic growth in several states including Oklahoma. This industry contributed 0.83 percentage points to real GDP growth in Oklahoma—the largest contributor to the state's GDP growth in the 1st quarter.

Mining declined 11.1 percent for the nation in the 1st quarter. This industry subtracted 0.73 percentage point from real GDP growth in Oklahoma and was the largest drag on the state's GDP growth in the 1st quarter

Transportation and warehousing declined 8.8 percent for the nation in the 1st quarter. This industry subtracted from real GDP growth in all states and the District of Columbia including Oklahoma where it subtracted 0.53 percentage point from real GDP growth.

Metropolitan Area Contribution to State Real Gross Domestic Product 2014

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



Definition & Importance

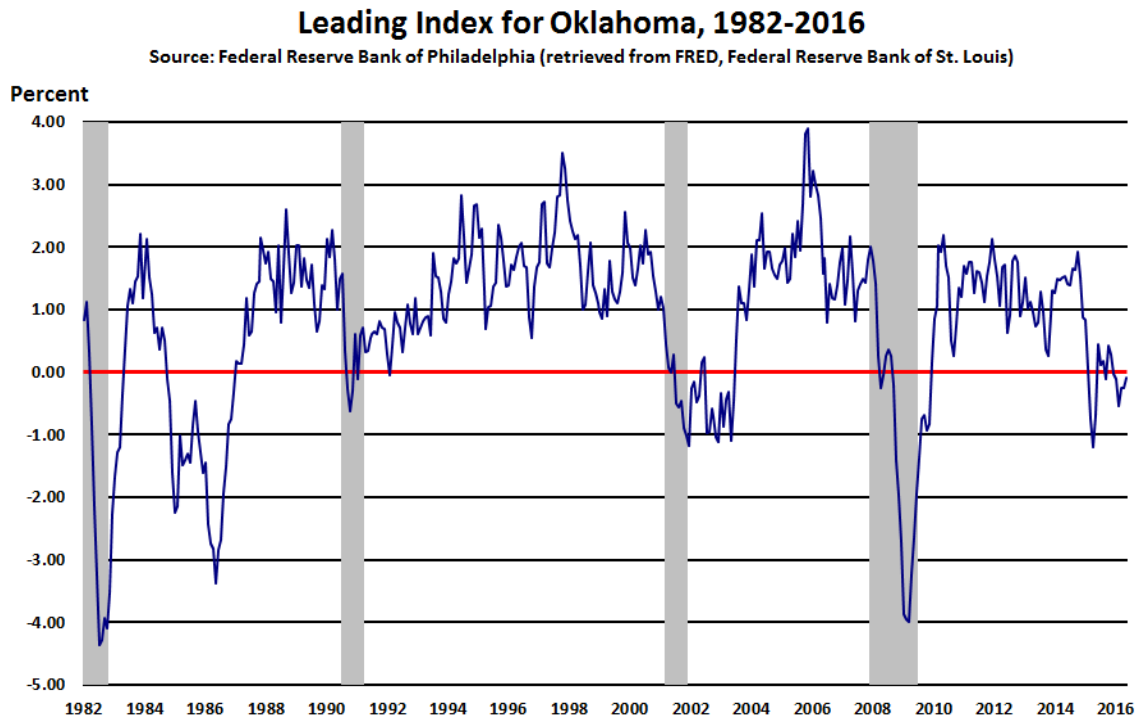
Metropolitan Statistical Areas (MSAs) are county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree of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



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.

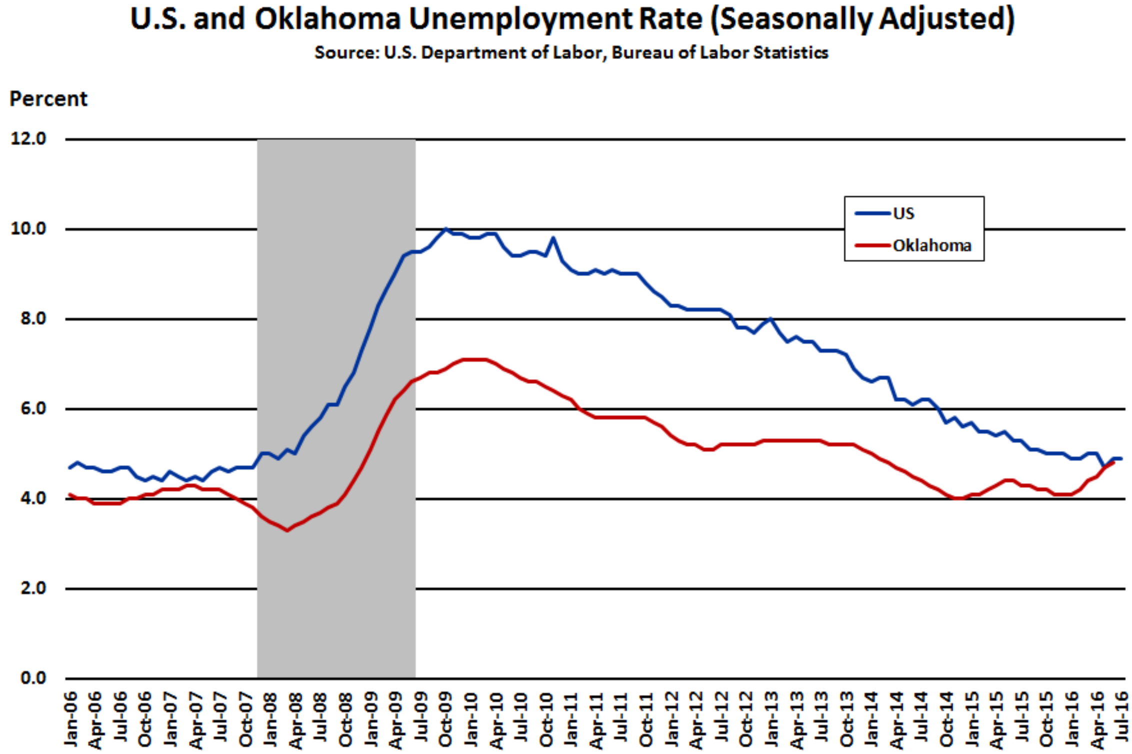
The leading index for each state predicts the six-month growth rate of the state's coincident index. In addition to the coincident index, the models include other variables that lead the economy: state-level residential housing permits (1 to 4 units), state initial unemployment insurance claims, delivery 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

Prolonged declining commodity prices continue to depress Oklahoma’s economy in the first quarter as oil prices sunk to 15-year lows. 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 of 2015.

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 sluggish.

Although Oklahoma’s leading index has been in negative territory for six consecutive months since December 2015, it appears to be recovering. The Leading Index for Oklahoma climbed to -0.09 percent in May following back-to-back -0.26 percent readings in April and March and -0.54 in February, according to the latest figures from the Federal Reserve Bank of Philadelphia.



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

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.

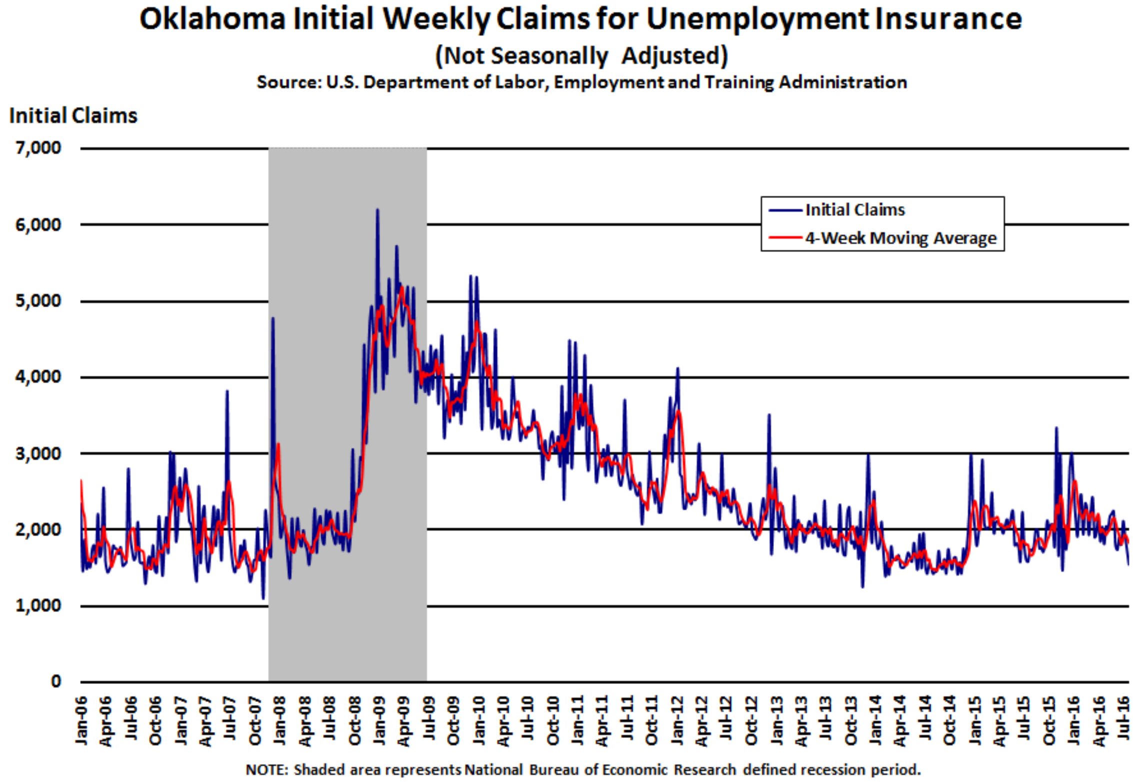
The unemployment rate is a lagging indicator of economic activity. During a recession many people leave the labor force entirely. As a result, the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more 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 held steady in July as more Americans began looking for work and most found jobs. In July, the unemployment rate was unchanged at 4.9 percent, according to the Bureau of Labor Statistics (BLS). The labor force participation rate—the share of working-age Americans who are employed or looking for work—climbed to 62.8 percent in July, up 0.1 percentage point from the previous month.

Oklahoma's seasonally-adjusted unemployment rate rose for the fifth consecutive month in June to 4.8 percent, a gain of 0.1 percentage point from the previous month. Over the year, the state's seasonally-adjusted unemployment rate was 0.4 percentage point more than 4.4 percent reported in June 2015.

In June, Stephens County again posted Oklahoma's highest county unemployment rate at 10.8 percent followed by Latimer County (10.1 percent) and McIntosh County (9.5 percent). Grant County again claimed the lowest county unemployment rate of 3.3 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 smooths out weekly volatility and gives a better perspective on the underlying trend.

Current Developments

Initial claims for jobless benefits jumped in the last week of July. In the week ending July 2, the advance figure for seasonally adjusted initial claims was 254,000, a decrease of 16,000 from the previous week's revised level, according to figures released by the U.S. Labor Department (DOL). The less volatile 4-week moving average was at a level of 264,750, a decrease of 2,500 from the previous week's revised average of 267,250. This marks 70 consecutive weeks of initial claims below 300,000, the longest streak since 1973.

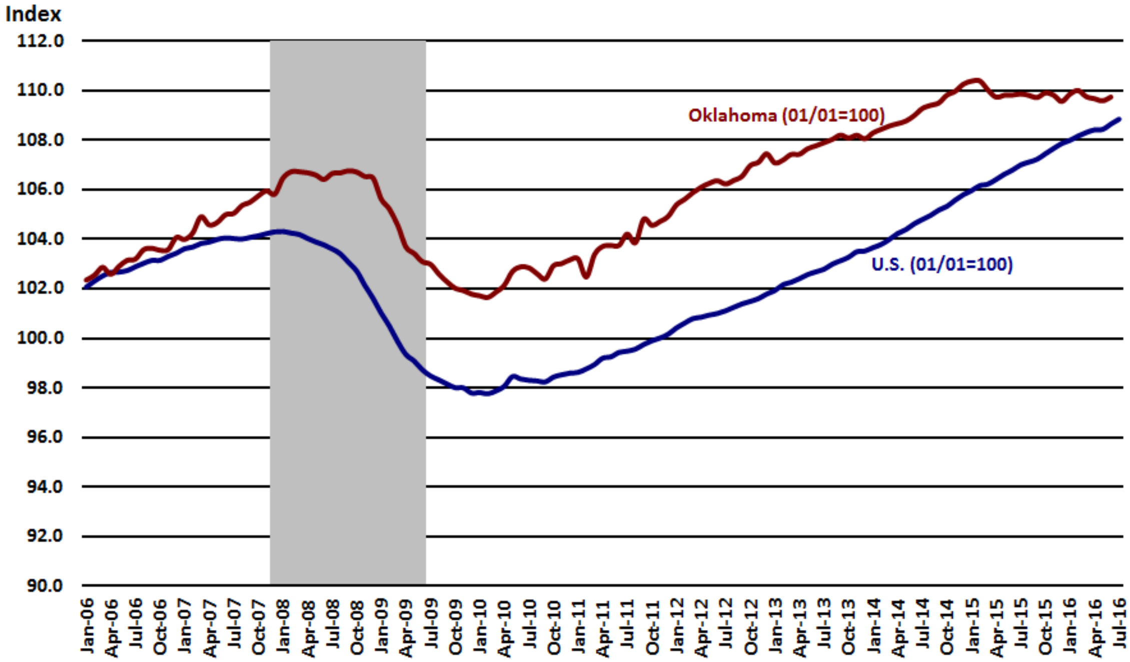
Fewer Oklahomans filed jobless claims in July as energy sector layoffs appear to be easing. For the file week ending July 30, initial claims for unemployment insurance benefits were at a level of 1,547, down 196 from the previous week. For the same file week ending, the less volatile four-week moving average decreased 65 to 1,833. For the same file week ending on July 30, continued claims declined 174 to a level of 24,488 while the continued claims four-week moving average fell 63 to 24,467.

Over the year, statewide initial jobless claims were 133 more than the July 25, 2015 level of 1,610 while continued claims were 942 more than 23,546 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. employers hired at a healthy pace for the second month in a row in July. Total nonfarm payroll employment increased by 255,000 in July, according to the Bureau of Labor Statistics (BLS). Nonfarm payroll employment gains for June were upwardly revised to 292,000, down from an initial estimate of 287,000. Nonfarm payroll for May was upwardly revised to 24,000 from 11,000.

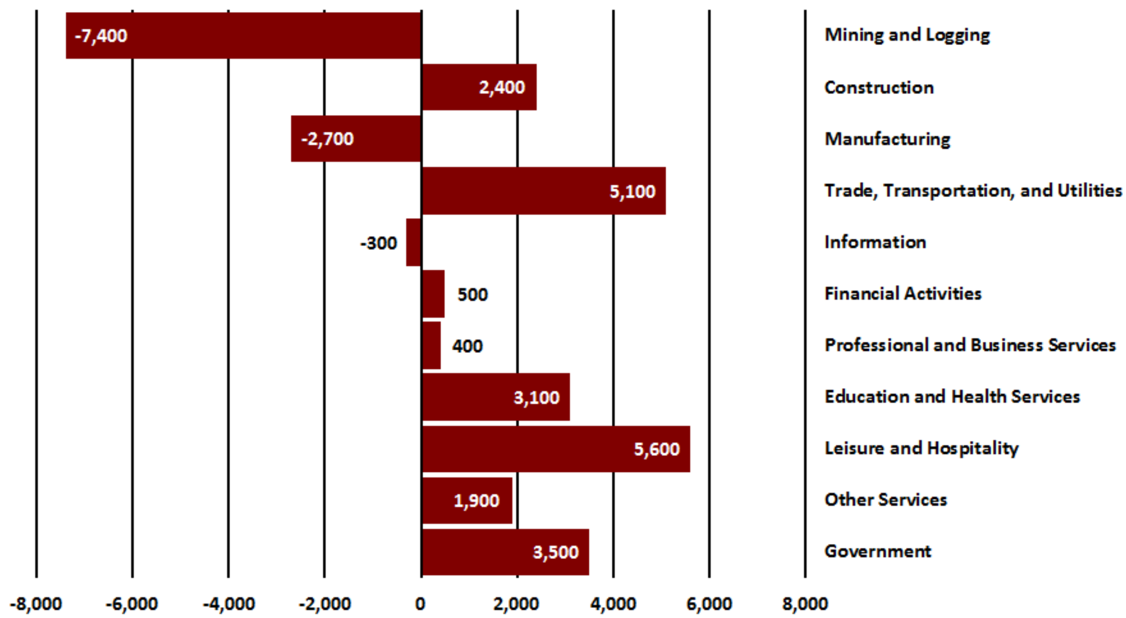
Oklahoma nonfarm payrolls grew by a seasonally-adjusted 2,300 jobs (0.1 percent) in June. April’s job losses were revised upwards to -1,300 from a previously reported -700. Seven of Oklahoma’s 11 supersectors added jobs over the month as education & health services (2,000 jobs) posted the largest monthly job gain in June. Manufacturing reported the largest over-the-month loss (-1,200 jobs) followed by mining & logging (-800 jobs).

Over the year, statewide total nonfarm employment lost 1,200 jobs (-0.1 percent) led by manufacturing (-11,800 jobs) and mining & logging (-9,900 jobs). Leisure & hospitality (+9,200 jobs) once again claimed the largest job gain over the year.

Oklahoma Employment Change by Industry, 2014-2015

Annual Averages (Not Seasonally Adjusted)

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



Definition & Importance

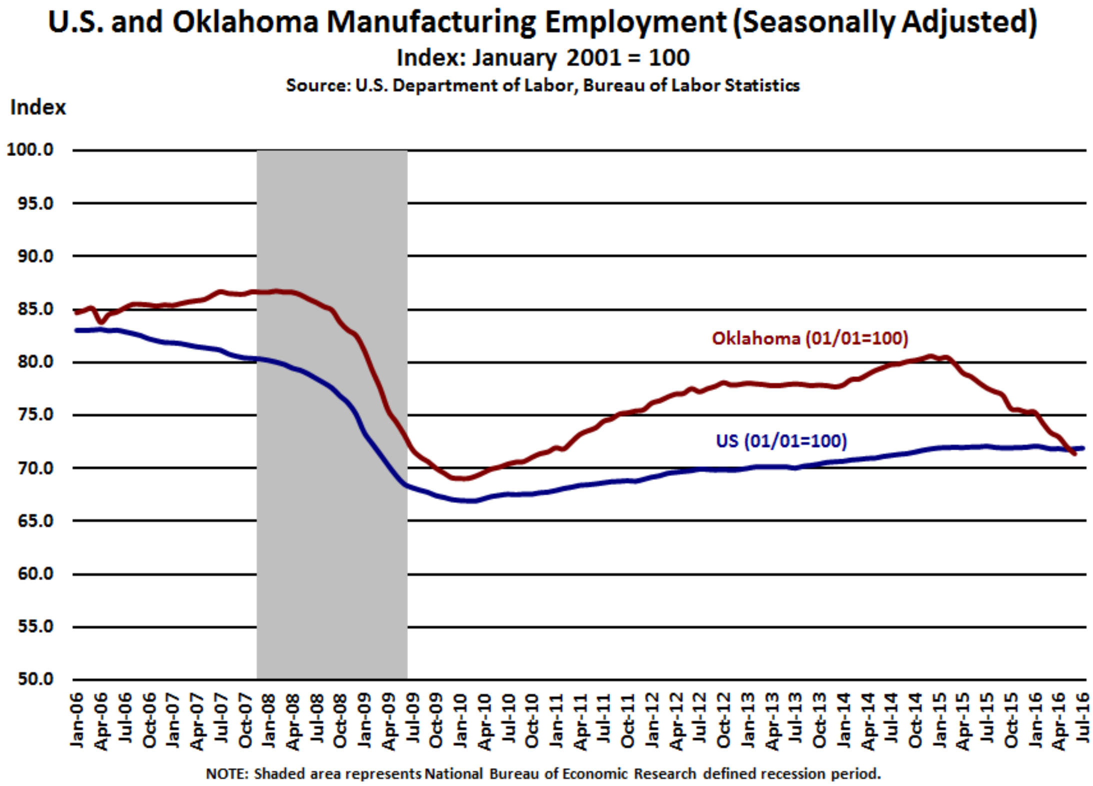
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion 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

Oklahoma annual average employment growth slowed further in 2015, as mounting energy sector layoffs weighed on overall job growth. Total nonfarm employment added a non-seasonally adjusted 12,100 jobs for a 0.7 percent growth rate, (compared to 2014, when 21,300 jobs were added at a 1.3 percent growth rate).

In 2015, eight out of Oklahoma's 11 statewide supersectors recorded job growth. Leisure & hospitality led all other supersectors adding 5,600 jobs with the greater part of hiring occurring in food services and drinking places. The broad trade, transportation & utilities sector added 5,100 jobs with the largest part of growth coming from retail trade. Government added 3,500 employees with most of the growth in local government. Construction added 2,400 jobs with nearly all the job growth in specialty trade contractors.

The largest annual average over-the-year job losses were seen in mining & logging which dropped a non-seasonally adjusted 7,400 jobs (-12.0 percent). Manufacturing employment lost 2,700 jobs mostly in durable goods manufacturing. Information shed 300 jobs in 2015.



Definition & Importance

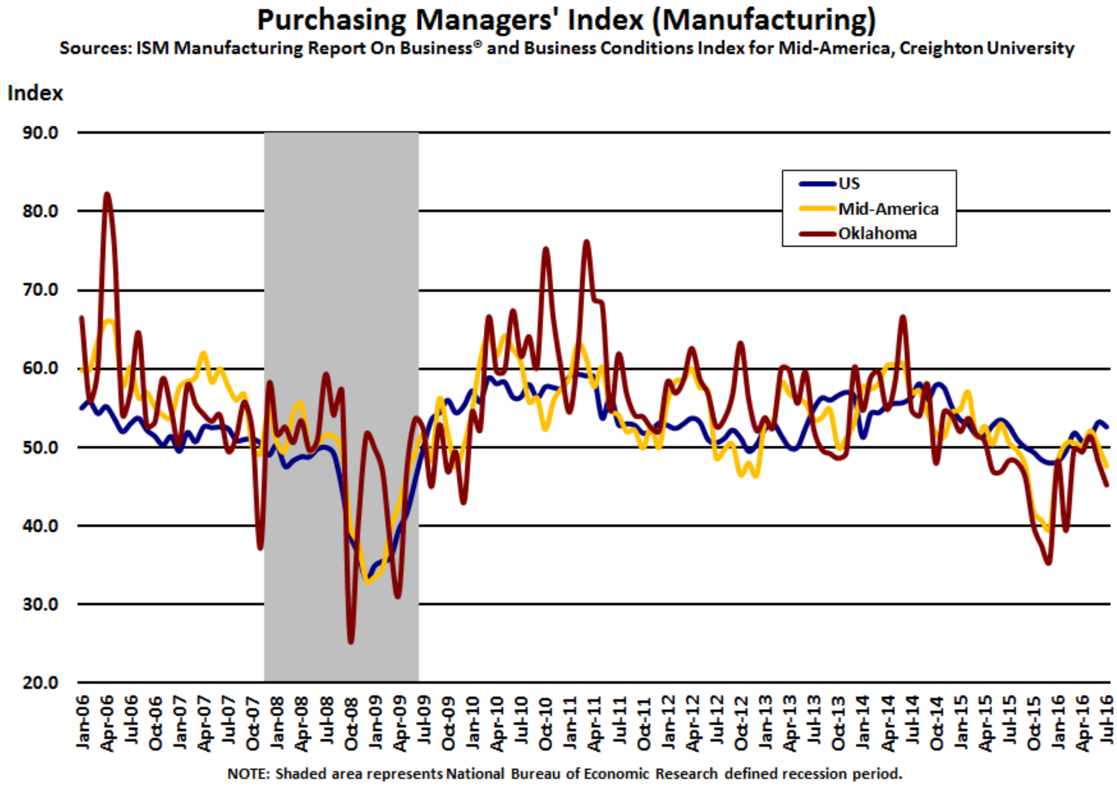
Manufacturing employment data is also produced by the Bureau of Labor Statistics' Current Employment Statistics (CES) program. Manufacturing and production are still important parts of both the U.S. and Oklahoma economies. During the 2007-09 recession, employment in manufacturing declined sharply. Although 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. manufacturing employment rose modestly for the second straight month in July as weak overseas demand and a strong dollar continue to weigh on the industry. Manufacturing employment added 9,000 jobs in July, according to the Bureau of Labor Statistics (BLS). Job gains in non-durable goods manufacturing (11,000 jobs) was partially offset by job losses in durable goods manufacturing (-2,000 jobs).

Oklahoma factory employment declined for a fifth consecutive month in June dropping a seasonally-adjusted 1,200 jobs (-0.9 percent). The bulk of June's manufacturing job losses occurred in durable goods led by fabricated metal products and machinery manufacturing.

Over the year, statewide manufacturing employment dropped a seasonally-adjusted 11,800 jobs (-8.6 percent) with nearly all of the job losses coming from durable goods manufacturing. Machinery manufacturing lost a non-seasonally adjusted 4,400 jobs over the year while fabricated metal product manufacturing fell by 4,500 jobs. Non-durable goods manufacturing employment lost a seasonally-adjusted 800 jobs (-2.0 percent).



Definition & Importance

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

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

Current Developments

Although U.S. factory activity expanded at a slower pace in July, manufacturing still reported growth for the fifth consecutive month. The July PMI® registered 52.6 percent, a decrease of 0.6 percentage point from the June reading of 53.2 percent, according to the latest Manufacturing ISM Report On Business®. Manufacturing registered growth in June for the fifth consecutive month as 12 of 18 industries reported an increase in new orders (same as June), and nine of 18 industries reported an increase in production (down from 12 in June).

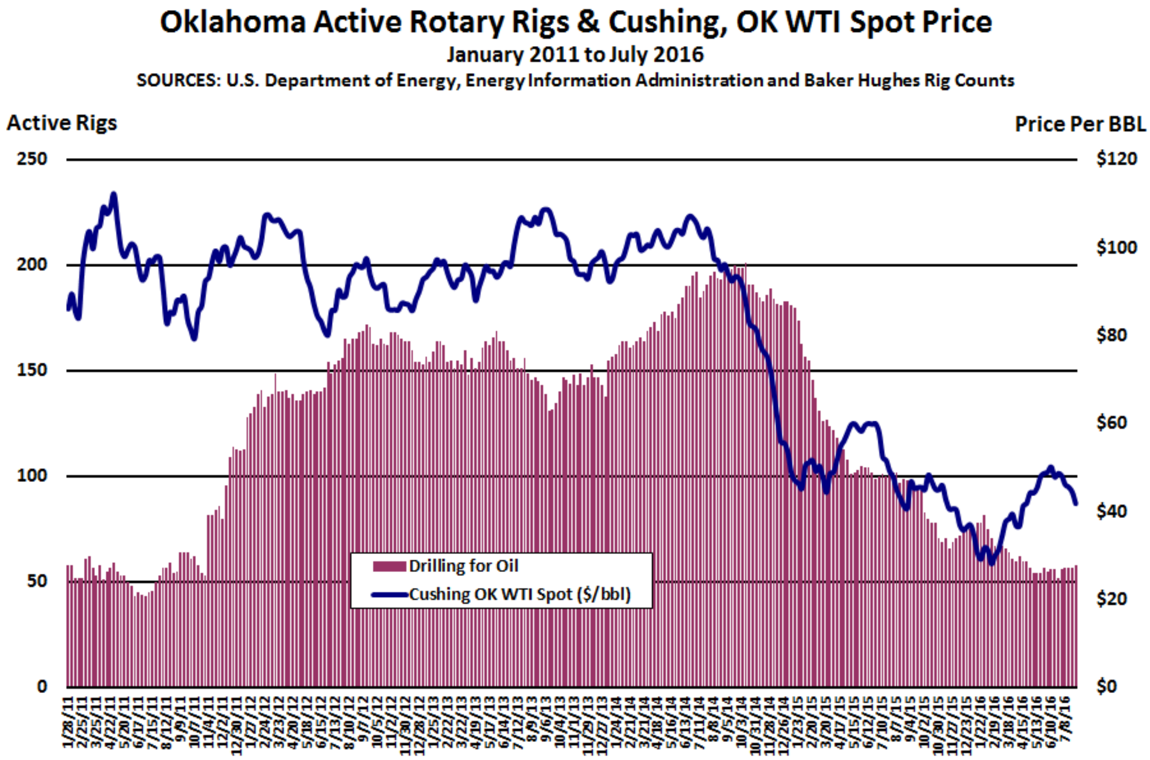
The New Orders Index remained a bright spot in July, at a robust 56.9 reading, signaling future strength in employment. A measure of export orders wasn't as strong as domestic orders but they were still strong at 52.5. Production was solid in July at 55.4 for a 0.7 gain in the month. Inventories were flat and prices for inputs are showing modest pressure. The Employment Index decreased to 52.7 in July from a 55.5 reading in June.

The Creighton University Mid-America Business Conditions Index, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, declined in July. The July Business Conditions Index, which ranges between 0 and 100, fell to 47.6 from June's 50.1 reading, according to the Creighton Economic Forecasting Group. Over the past several months the regional index, much like the national reading, has indicated the manufacturing sector is experiencing anemic to negative business conditions.

"More than one-fifth of businesses, or 20.9 percent, named downturns in the farm economy as the largest factor slowing company sales and growth. Thus, the relative strength of the U.S. dollar, which has made regional manufactured goods less competitively priced abroad and pushed agriculture commodity prices lower, continue to slow regional manufacturing growth," said Ernie Goss, Ph.D., director of Creighton University's Economic Forecasting Group.

After moving above growth neutral for May, Oklahoma's Business Conditions Index has been below growth neutral 50.0 for two straight months. The July index sank to 45.2 from 48.1 in June. Components of the July survey of supply managers were new orders at 46.8, production or sales at 46.3, delivery lead time at 51.3, inventories at 39.6, and employment at 42.1.

"Over the last 12 months, Oklahoma has lost more than 12,000 manufacturing jobs with 90 percent of the losses recorded among durable or heavy manufacturing firms. Losses have been significant for metal manufacturers with links to the energy sector. On the other hand, food processors in the state continue to expand sales, but with only slight net new hiring," reported Goss.



Definition & Importance

Crude oil is an important commodity in the global market. Prices fluctuate depending on supply and demand conditions in the world. Since oil is such an important part of the economy, it can also help determine the direction of inflation. In the U.S. consumer prices have moderated whenever oil prices have fallen, but have accelerated when oil prices have risen. The U.S. Energy Information Administration (EIA) provides weekly information on petroleum inventories in the U.S., whether produced here or abroad.

The Baker Hughes rig count is an important indicator for the energy industry and Oklahoma. When drilling rigs are active they consume products and services produced by the oil service industry. The active rig count acts as a leading indicator of demand for products used in drilling, completing, producing and processing hydrocarbons.

West Texas Intermediate (WTI-Cushing) is a light crude oil produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams and which is traded in the domestic spot market at Cushing, Oklahoma.

Background

Oklahoma produces a substantial amount of oil, with annual production typically accounting for more than 3 percent of total U.S. production in recent years. Crude oil wells and gathering pipeline systems are concentrated in central Oklahoma. Two of the 100 largest oil fields in the United States are found in Oklahoma.

The city of Cushing, in central Oklahoma, is a major crude oil trading hub connecting Gulf Coast producers to Midwest refining markets. In addition to Oklahoma crude oil, the Cushing hub receives supply from several major pipelines that originate in Texas. Traditionally, the Cushing Hub has pushed Gulf Coast and Mid-Continent crude oil supply north to Midwest refining markets. However, production from those regions is in decline, and an underused crude oil pipeline system has been reversed to deliver rapidly expanding heavy crude oil supply produced in Alberta, Canada to Cushing, where it can access Gulf Coast refining markets. For this reason, Cushing is the designated delivery point for the New York Mercantile Exchange (NYMEX) crude oil futures contracts. Crude oil supplies from Cushing that are not delivered to the Midwest are fed to Oklahoma’s five refineries, which have a combined distillation capacity of over 500 thousand barrels per day—roughly 3 percent of the total U.S. refining capacity.

Current Developments

According to the July 2016 *Short-Term Energy Outlook*, the U.S. Energy Information Administration (EIA) expects that U.S. regular gasoline retail prices this summer will average $2.25/gallon, or 2 cents/gallon lower than forecast in last month's *Short-Term Energy Outlook* and 39 cents/gallon lower than last summer, measured from April through September. U.S. regular gasoline retail prices are forecast to average $2.12/gal in 2016 and $2.28/gal in 2017.

Pump prices in Oklahoma fell to some of the lowest in the nation in July. The statewide average price for self-serve regular gasoline was $1.94 a gallon, the fifth-lowest state gas price average in the nation, according to AAA.

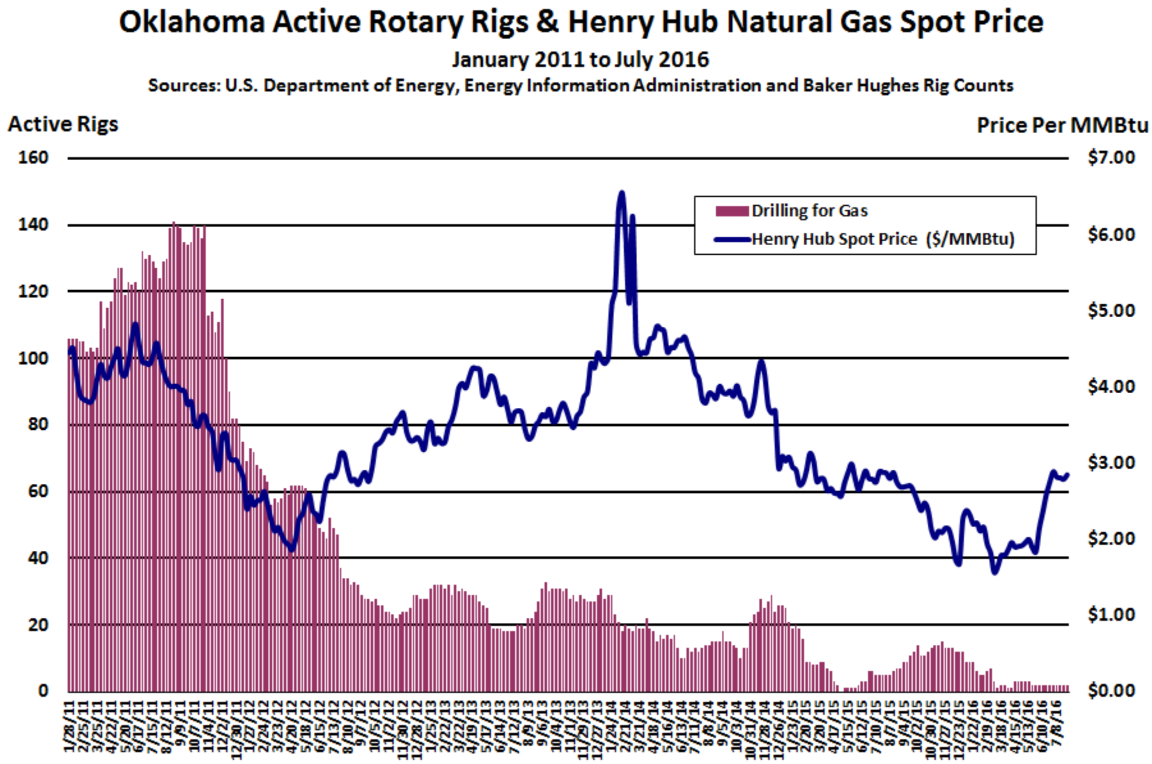
The EIA reported that U.S. crude oil production averaged 9.4 million barrels per day (b/d) in 2015. Production is forecast to average 8.6 million b/d in 2016 and 8.2 million b/d in 2017, both unchanged from last month's *Short-Term Energy Outlook*. EIA estimates that crude oil production for June 2016 averaged 8.6 million b/d, which is more than 0.2 million b/d below the May 2016 level, and almost 1 million b/d below the 9.7 million b/d level reached in April 2015

Monthly statewide crude oil production levels have been gradually declining over the past year but still remain at historically high levels. Oklahoma’s crude production in May was at a level of 13,291,000 barrels, or 601,000 barrels (4.7 percent) more than April’s production level of 12,690,000 barrels. Oklahoma’s crude production for the first five months of 2016 was 64,993,000 barrels or 5.8 percent less than the 68,978,000 barrels produced during the same period in 2015.

Stepped up OPEC production and increased U.S. oil rig activity continued to weigh on the market in July. After falling as low as $26.19/barrel in February, West Texas Intermediate (WTI-Cushing) spot prices climbed as high as $51.23/barrel in June before slumping to $41.54/barrel by the end of July. Over the year, WTI-Cushing domestic crude prices were down $11.30/barrel, (-18.8 percent) from $60.01/barrel for the week ending June 26, 2015.

The number of rigs searching for oil and natural gas in the U.S. increased by one for the week ended Friday, July 29 to 463, according to oil field services company Baker Hughes. That compares to a year ago, when 874 rigs were active. The U.S. rig count peaked at 4,530 in 1981 and reached an all-time low of 404 in May.

Baker Hughes reported Oklahoma’s active rig count for the week ending July 29 was up one to 60 active rigs. Oil-directed rigs accounted for approximately 97 percent of total rig activity (58 active rigs). Over the year, Oklahoma had 107 active rigs operating July 31, 2015.



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

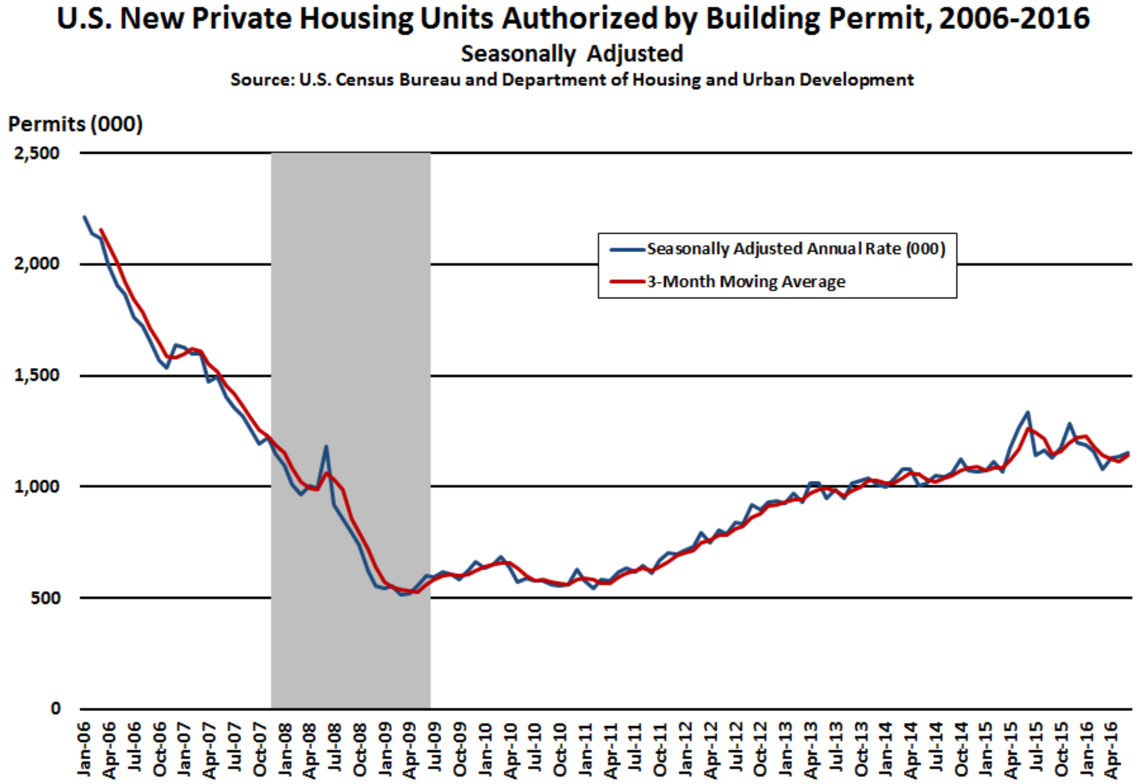
Natural gas working inventories were 3,179 billion cubic feet (Bcf) on July 1 according to the July 2016 *Short-Term Energy Outlook*, from the U.S. Energy Information Administration (EIA). This level is 20 percent higher than a year earlier, and 23 percent higher than the previous five-year (2011-15) average for that week. The natural gas storage injection season typically runs from April through October. The EIA projects that natural gas inventories will be at 4,022 Bcf by the end of October 2016, which would be the highest end-of-October level on record. Henry Hub spot prices are forecast to average $2.36/million British thermal units (MMBtu) in 2016 and $2.95/MMBtu in 2017, compared with an average of $2.63/MMBtu in 2015.

Natural gas production in Oklahoma doesn't seem to be significantly slowing any time soon. Oklahoma natural gas gross production in May was at a level of 212,615 MMcf, an increase of 7,744 MMcf (3.8 percent) from the April production level of 204,871 MMcf. For the first five months of 2016, Oklahoma natural gas gross withdrawals were at a level of 1,047,305 MMcf, 13,058 MMcf (1.3 percent) more than 1,034,247 MMcf produced in the same period last year.

Warmer weather this summer has helped drive up the price of natural gas as power plants consume more gas as people turn on their air conditioners. Natural gas spot prices continued to climb in July. The Henry Hub spot price rose to $2.79/MMBtu at month's end, for a gain of $0.08/MMBtu from $2.89/MMBtu at the beginning of the month.

In the U.S. there were 86 active rigs searching for natural gas as of July 29, 2016—a loss of two units from the previous week and a loss of 123 rigs over the year, according to oil services company Baker Hughes Inc.

Oklahoma's natural gas-directed drilling rig count finished the month with two active rigs, the same number active rigs in the previous month end. Over the year, the statewide number of rotary rigs exploring for natural gas was down three rigs from five reported for the week ended July 29, 2015.



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.

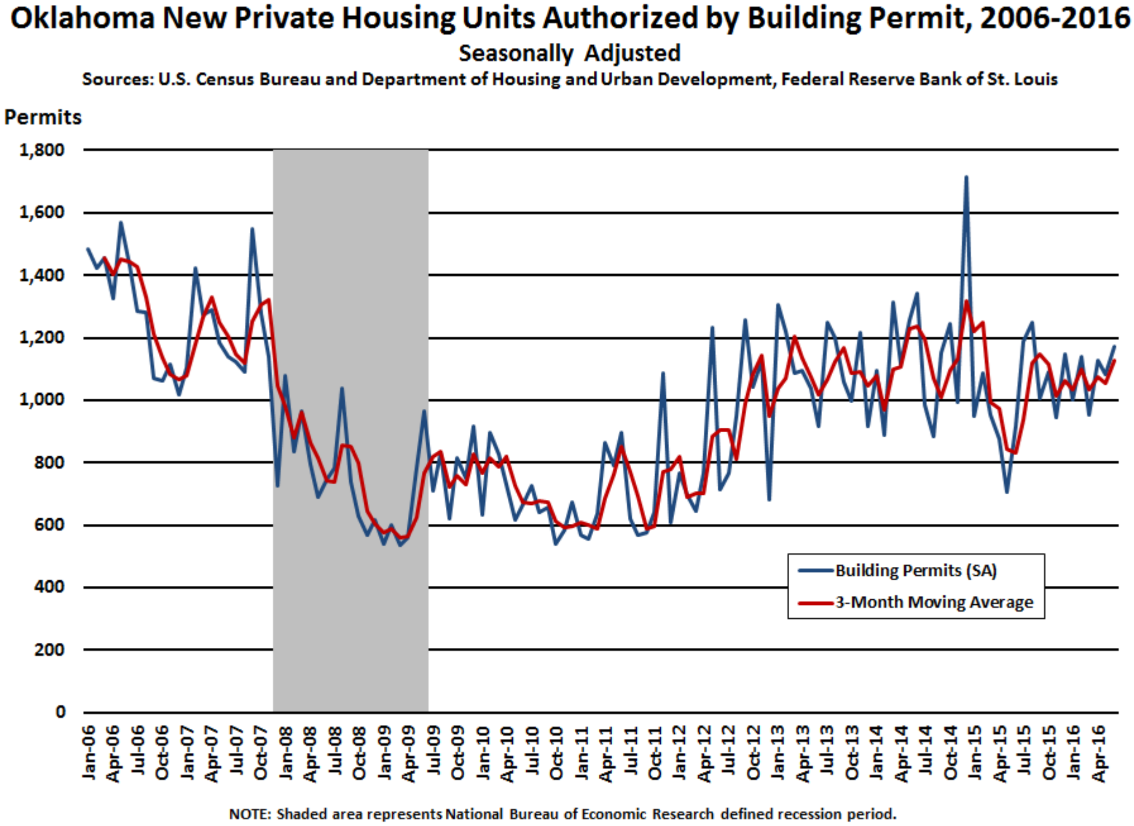
While home construction represents a small portion of the housing market, it has an outsize impact on the economy. Each home built creates an average of three jobs for a year and about $90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels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

Current Developments

The U.S. housing market continued to improve in June as both building permits and housing starts grew. Privately-owned housing units authorized by building permits in June were at a seasonally adjusted annual rate of 1,153,000, or 1.5 percent above the revised May rate of 1,136,000, but 13.6 percent below the June 2015 estimate of 1,334,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

Permits for the construction of single-family homes rose 1.0 percent in June to a 738,000 rate while multi-family building permits increased 1.9 percent to a rate of 412,000 units.

The National Association of Home Builders/Wells Fargo builder sentiment index edged down to 59 in July from a reading of 60 in June, indicating homebuilders remain confident that sales conditions are good.



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

Definition & Importance

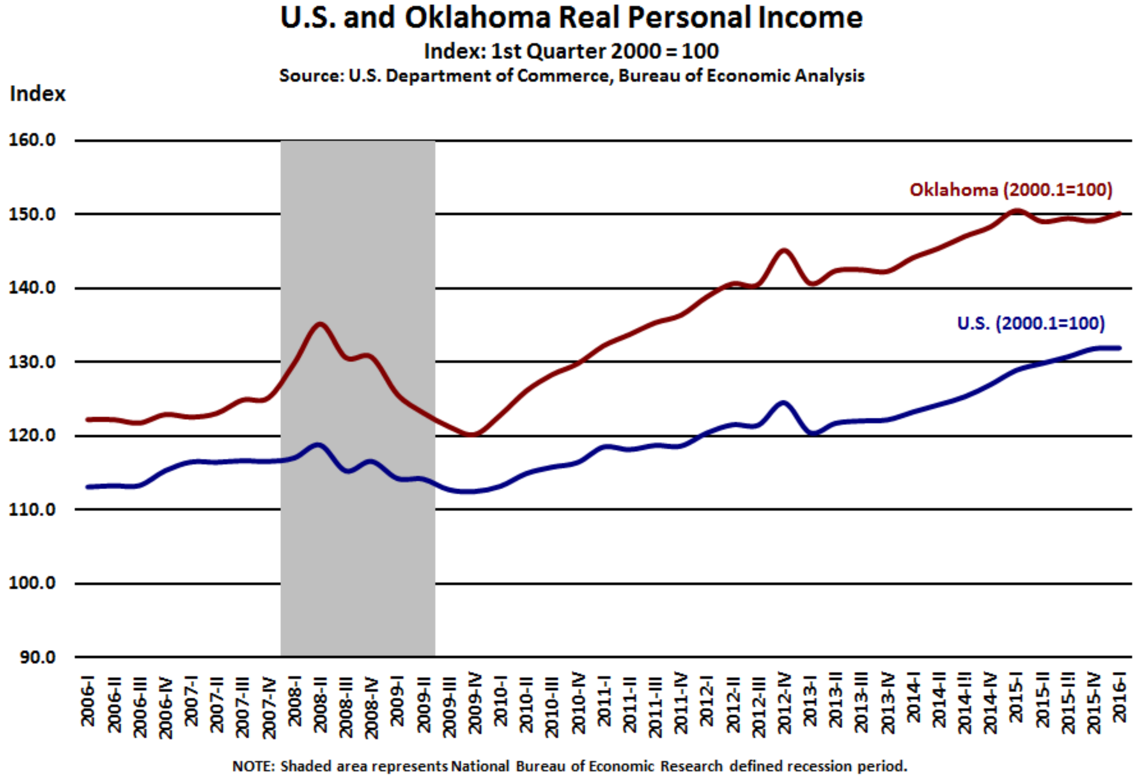
The data services of the Federal Reserve Bank of St. Louis produces series that are seasonally adjusted including monthly state level data on the number of new housing units authorized by building permits. These adjustments are made using the X-12 Procedure of SAS to remove the seasonal component of 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

More Oklahoma home builders requested applications for residential construction in June, pushing permitting to the highest level in ten months. Total residential building permits for June was at a seasonally adjusted level of 1,171, 8.1 percent (+88 permits) more than May's upwardly revised level of 1,083 and 27.8 percent (+255 permits) above the June 2015 estimate of 916 units, according to figures from the Federal Reserve Bank of St. Louis.

Single-family permitting accounted for approximately 73.8 percent of total residential permitting activity in June while multi-family permitting accounted for 24.2 percent. Applications for single-family homes were at a non-seasonally adjusted level of 890, up 3.8 percent from May's level of 833 permits. The more volatile multi-family permitting was at a non-seasonally adjusted level of 292 in June, down 2.3 percent, or -7 units, from May.

It looks like this year's residential permitting is on track to outperform the previous year. For the first half of 2016, residential permitting was at a seasonally adjusted level of 6,478 permits or 18.2 percent above the first six months of 2015. Single-family permits showed virtually no change from the first half of 2015 at a non-seasonally adjusted level of 4,972 permits, down one from the 2015 level of 4,971 permits. The more volatile multi-family permitting was at a level of 1,421 or 953 permits more than the first half of 2015, at a non-seasonally adjusted level of 468 permits.



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.

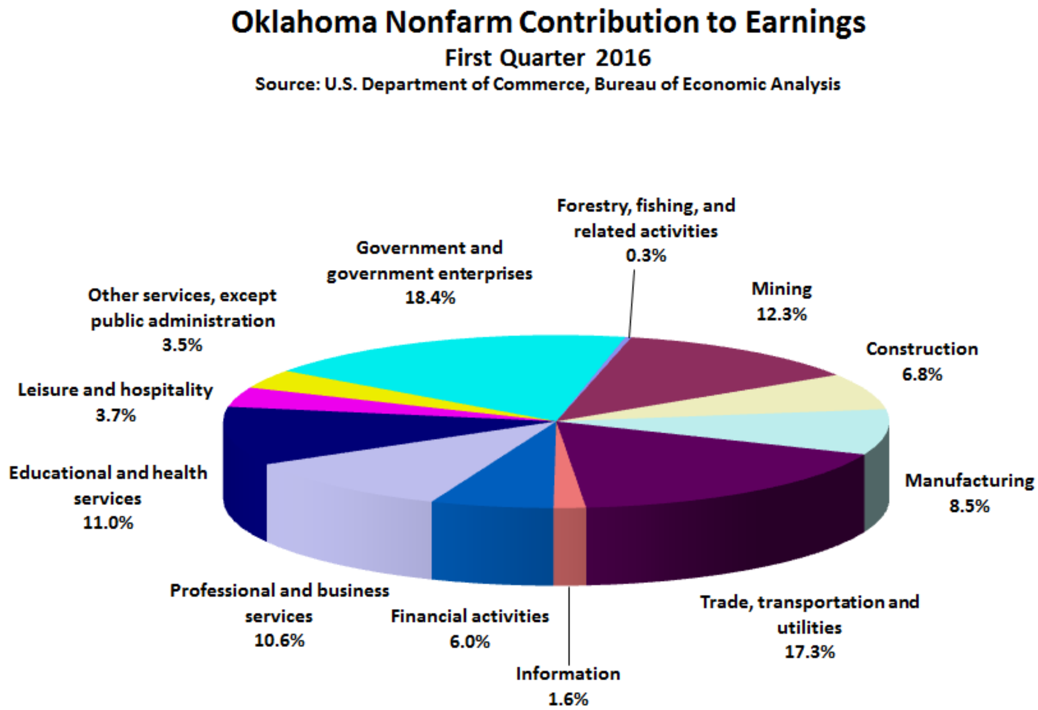
To show the vastly different levels of total personal income for the U.S. and Oklahoma on the same chart, these data have been converted to index numbers. This chart shows a comparison of Oklahoma and U.S. growth in real personal income with 1st quarter 2000 as the base year.

Current Developments

American consumers continued to shop in May although at a slower pace than April and personal income notched a third straight month of growth. Personal income increased $37.1 billion, or 0.2 percent, and disposable personal income (DPI) increased $33.9 billion, or 0.2 percent, in May, according to the Bureau of Economic Analysis. Personal consumption expenditures (PCE) increased $53.5 billion, or 0.4 percent. In April, personal income increased $75.4 billion, or 0.5 percent, DPI increased $68.6 billion, or 0.5 percent, and PCE increased $141.2 billion, or 1.1 percent, based on revised estimates.

Spending on durable goods, such as autos and appliances, fell 0.3 percent in June following a 0.4 percent decline in May, reflecting weak vehicle sales. Spending on nondurable goods showed an outsized increase of 0.7 percent, due, in part, to higher oil prices and not increased demand. Spending on services rose a very solid 0.5 percent for a second straight month.

The gain in spending was funded, in part, by savings as the savings rate was down 0.2 to 5.3 percent in June. The June savings rate was the smallest since March 2015 which was also at a 5.3 percent rate. The personal savings rate hit a four-year high in March at 6.0 percent.



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

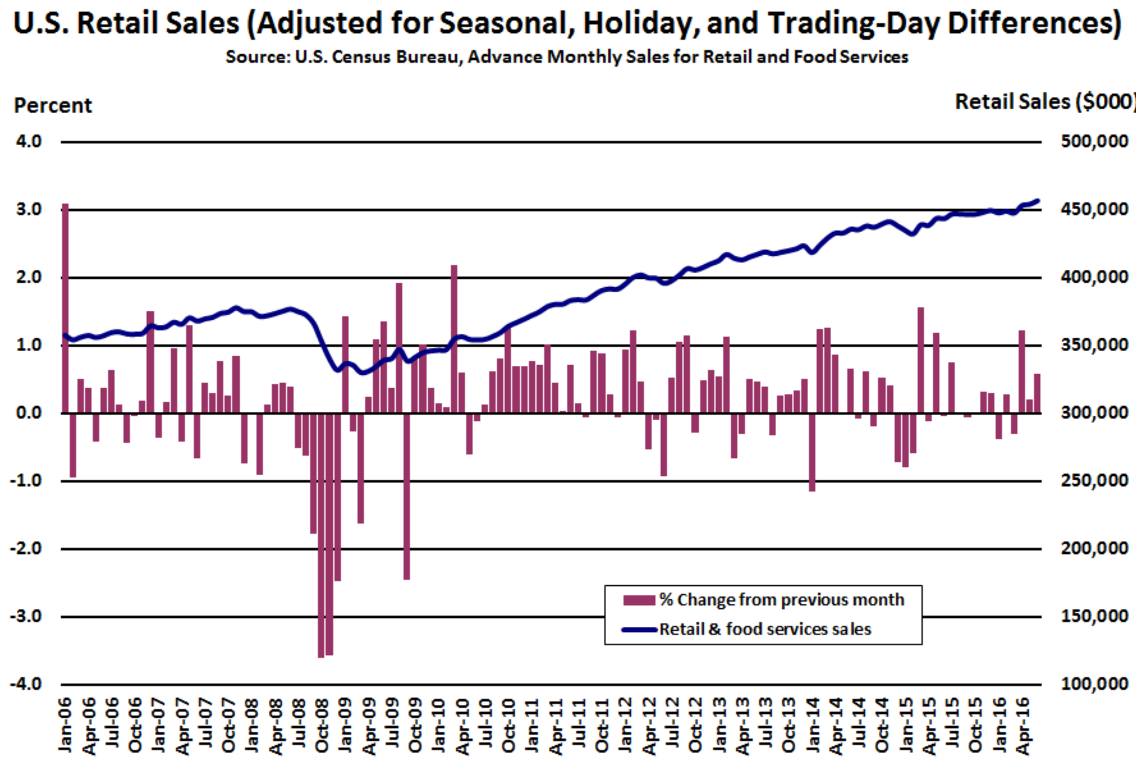
State personal income grew 1.0 percent on average in the 1st quarter of 2016, the same pace as in the 4th quarter of 2015, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Personal income grew in every state except Wyoming and North Dakota with 1st quarter personal income growth rates ranging from -1.3 percent in North Dakota to 1.5 percent in Washington.

Oklahoma's personal income grew at a 0.6 percent rate, to a level of $174.6 billion, ranking the state 43rd among all states and the District of Columbia in the 1st quarter of 2016.

Overall, net earnings increased 1.1 percent in the 1st quarter of 2016 and was the leading contributor to growth in personal income in most states including Oklahoma where net earnings grew 0.6 percent and contributed 0.4 percentage point to personal income growth.

In Oklahoma, growth in farm earnings was the leading contributor to earnings growth in the 1st quarter of 2016, adding 0.22 percentage point to personal income growth. Growth in construction earnings contributed 0.17 percentage point to personal income growth while health care and social assistance added 0.11 percentage point in the 1st quarter of 2016.

Mining earnings declined 4.4 percent in the 1st quarter of 2016, the fifth consecutive quarterly decline, and was a major contributor to declining incomes in Wyoming and North Dakota. In Oklahoma, mining earnings declined 3.6 percent and shaved 0.32 percentage point from 1st quarter income growth. Since peaking in the 4th quarter of 2014, mining earnings have declined 15.8 percent nationally and 12.4 percent in Oklahoma.



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.

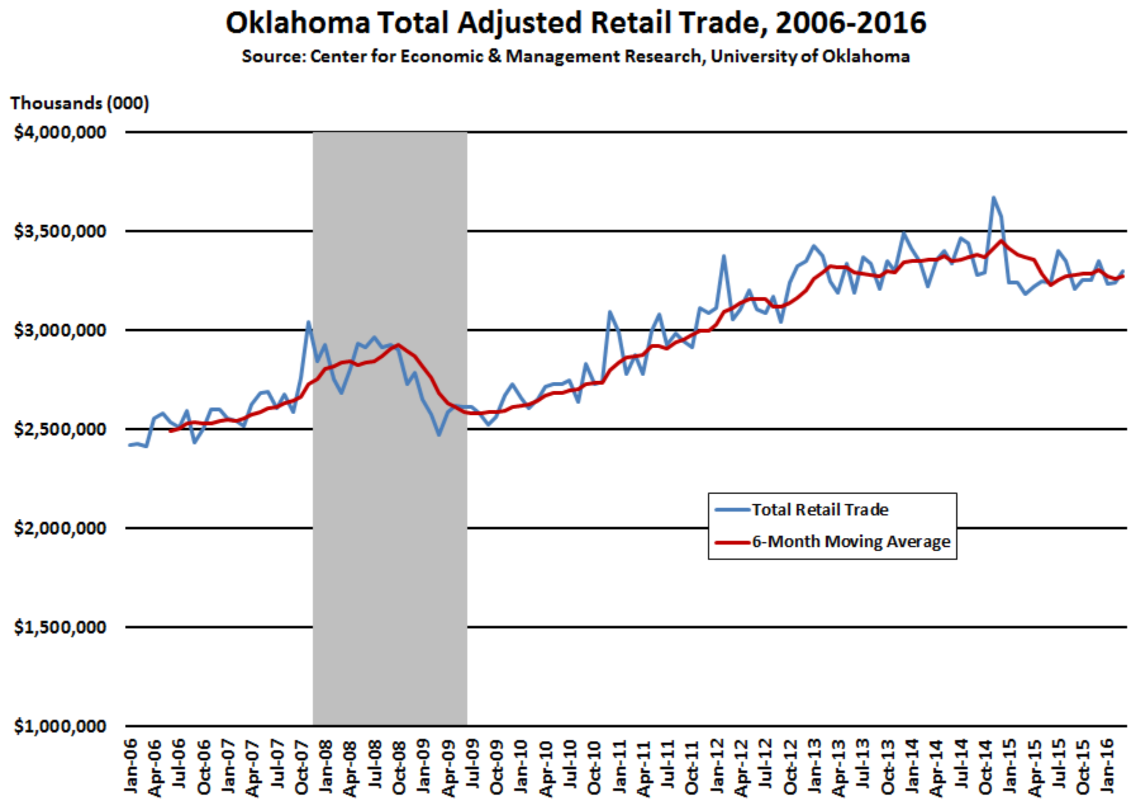
Current Developments

U.S. retail sales picked up at a healthy pace in June with 11 out of 13 major categories showing stronger demand than the previous month. 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 $457.0 billion, an increase of 0.6 percent from the previous month, and 2.7 percent above June 2015, according to the U.S. Census Bureau. Total sales for the April 2016 through June 2016 period were up 2.6 percent (±0.5%) from the same period a year ago. The April 2016 to May 2016 percent change was revised from up 0.5 percent to up 0.2 percent.

Auto dealers' sales were essentially flat in June, rising only 0.1 percent after sinking 0.5 percent in May. Gasoline station receipts saw a 1.2 percent rise to sales in June. Excluding automobiles and gasoline, retail sales rose a robust 0.7 percent over the month and 4.7 percent over the year.

The less volatile "core" sales used to calculate gross domestic product, and strips out automobiles, gasoline, building materials and food services rose a healthy 0.5 percent in June after an upwardly revised 0.5 percent increase in May.

Most other retail categories reported growth in June, led by a 3.9 percent surge in building supplies. Online retail sales jumped 1.1 percent. Sporting goods and hobby stores sales climbed 0.8 percent. Clothing store sales (-1.0 percent) and restaurant sales (-0.3 percent) were the only declining categories in June.



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 consumers upped their spending in March as rising pump prices helped to spike estimated gasoline sales. Total adjusted retail sales for March were at a level of $3.29 billion, a 1.7 percent gain from the February level of $3.24 billion.

Total durable goods sales slumped -0.9 percent in March led by declining sales at lumber & hardware stores (-4.0 percent) and furniture store sales (-2.5 percent) likely reflecting the slowdown in statewide home building activity. Auto accessories & repair receipts were also down in March at -2.9 percent. Durable goods categories with over-the-month gains included electronics & music stores (1.9 percent); miscellaneous durable goods (3.5 percent); and used merchandise (0.7 percent).

Oklahomans spent more on gasoline in March as statewide prices climbed from $1.47 per gallon to 1.83 per gallon from February 24 to March 30 (as reported by GasBuddy.com)—a nearly 25 percent increase. Nondurable goods spending increased 2.7 percent in March led by a big jump in estimated gasoline sales (20.3 percent). Other advancing non-durable goods categories were general merchandise stores (1.5 percent); apparel (2.7 percent); drugstore store sales (2.4 percent); liquor (1.4 percent). Declining categories in March were eating & drinking (-1.4 percent); food (-0.8 percent) and miscellaneous non-durables (-0.1 percent).