



OKLAHOMA Economic Indicators

June 2013

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June 2013

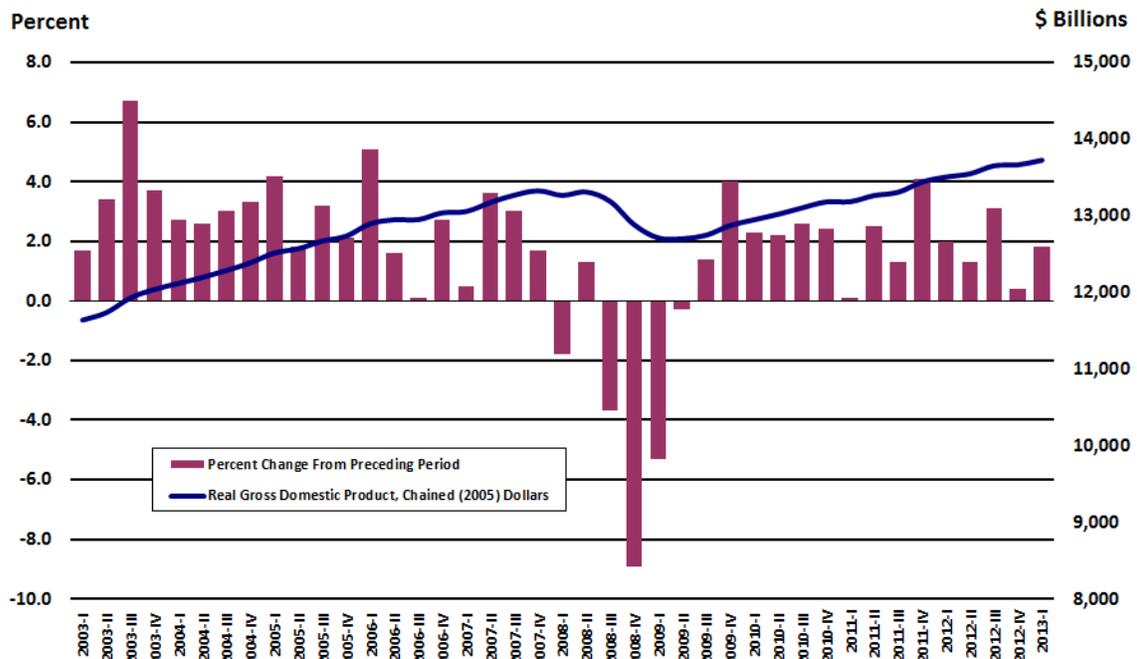
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Real Gross Domestic Product and Quarterly Change

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



Definition & Importance

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

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

Background

There are four major components to GDP:

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

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

Current Developments

The U.S. economy expanded at a slower pace than previously estimated in the 1st quarter as consumer spending and business investment were revised sharply downward. Real gross domestic product increased at an annual rate of 1.8 percent from January through March, according to the "third" estimate released by the Bureau of Economic Analysis (BEA). That was considerably less than the "second" estimate of a 2.4 percent growth rate. In the 4th quarter, real GDP increased 0.4 percent.

The revision was due largely to slower growth in personal consumption, which eased to a 2.6 percent gain from the earlier estimate of 3.4 percent. Consumer spending, which accounts for two-thirds of economic output, was likely hit by a rise in payroll taxes at the start of the year and relatively stagnant incomes.

Business investment was much slower than previously estimated, with a final reading of only 0.4 percent growth, compared with a 2.2 percent gain in the previous report. Firms decreased spending on structures—particularly power and communication infrastructure—and equipment and software.

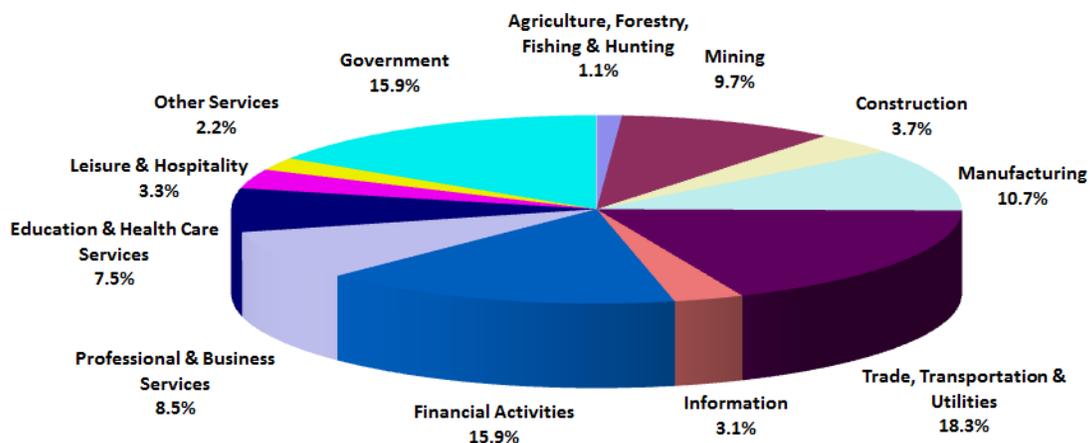
The housing market remained a bright spot. Residential investment, which includes home building and improvements, advanced at 14 percent, a stronger pace than previously thought. The sector has contributed to overall growth for eight straight quarters.

Exports were weaker than first estimated, though a decline in imports, which subtracts from GDP, helped neutralize the impact on overall growth. Real exports of goods and services decreased 1.1 percent in the 1st quarter while real imports of goods and services decreased 0.4 percent.

Government spending was relatively unchanged from earlier estimates and continues to be a drag on growth. Real federal government consumption expenditures and gross investment decreased 8.7 percent in the 1st quarter, matching the earlier reading. Real state and local government consumption expenditures and gross investment decreased 2.1 percent.

2012 Industry Share of Oklahoma's Economy (by percentage of Gross Domestic Product)

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



Definition & Importance

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

Current Developments

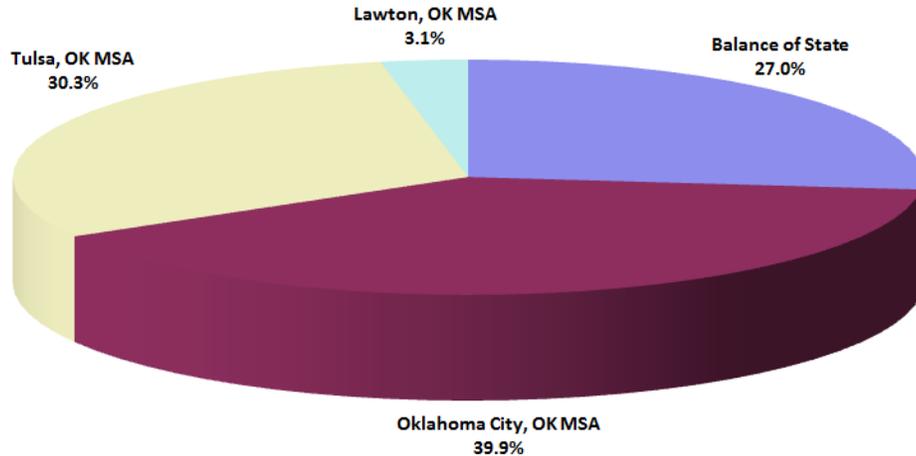
Oklahoma, along with 48 states and the District of Columbia, saw growth in real GDP in 2012, according to the advance estimate from the Bureau of Economic Analysis (BEA). Oklahoma's 2011 advance estimate was revised upward from 1.0 percent to 1.9 percent. Oklahoma's real GDP growth rate of 2.1 percent ranked it 23rd among all other states. In 2011, Oklahoma ranked 20th based on the revised 1.9 percent growth rate.

Oklahoma had a real GDP of \$138.3 billion in 2012, up from \$135.5 billion the year before. U.S. real GDP by state grew 1.5 percent in 2011 after a 3.1 percent increase in 2010. Real GDP increased in all eight BEA regions in 2012, with growth accelerating in seven of eight regions. The Great Lakes region was the only region where growth decelerated relative to growth in 2011. The Southwest region, which includes Oklahoma, grew the fastest (4.1 percent), led by Texas with a 4.8 percent increase..

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

Metropolitan Area Contribution to State Real Gross Domestic Product 2011

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.

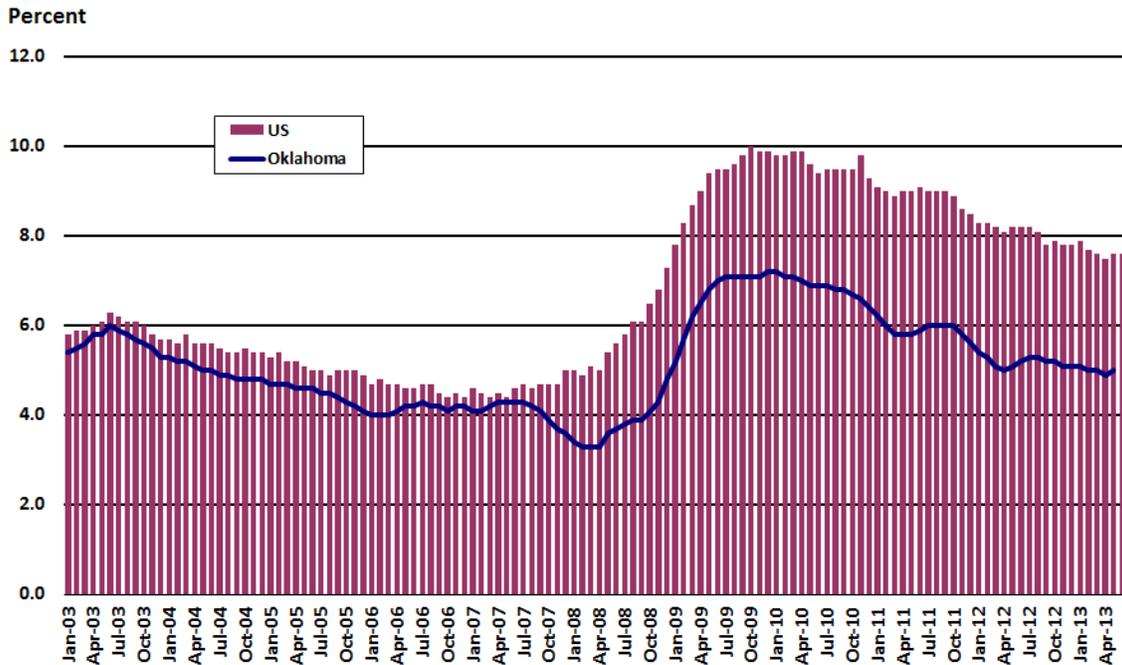
Current Developments

Real GDP increased in 242 of the nation's 366 metropolitan areas in 2011 led by growth in professional and business services, durable-goods manufacturing, and trade, according to the U.S. Bureau of Economic Analysis. Real GDP in metropolitan areas increased 1.6 percent in 2011 after increasing 3.1 percent in 2010.

In terms of growth in real GDP, all Oklahoma metropolitan areas grew in 2011. Lawton MSA grew by 0.9 percent to \$4.2 billion and ranked 169th (out of the 366 U.S. metropolitan areas). Oklahoma City MSA grew by 2.0 percent to \$53.5 billion and ranked 97th. Tulsa MSA grew at a rate of 0.5 percent to \$40.7 billion and ranked at 209th.

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

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



Definition & Importance

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

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

Current Developments

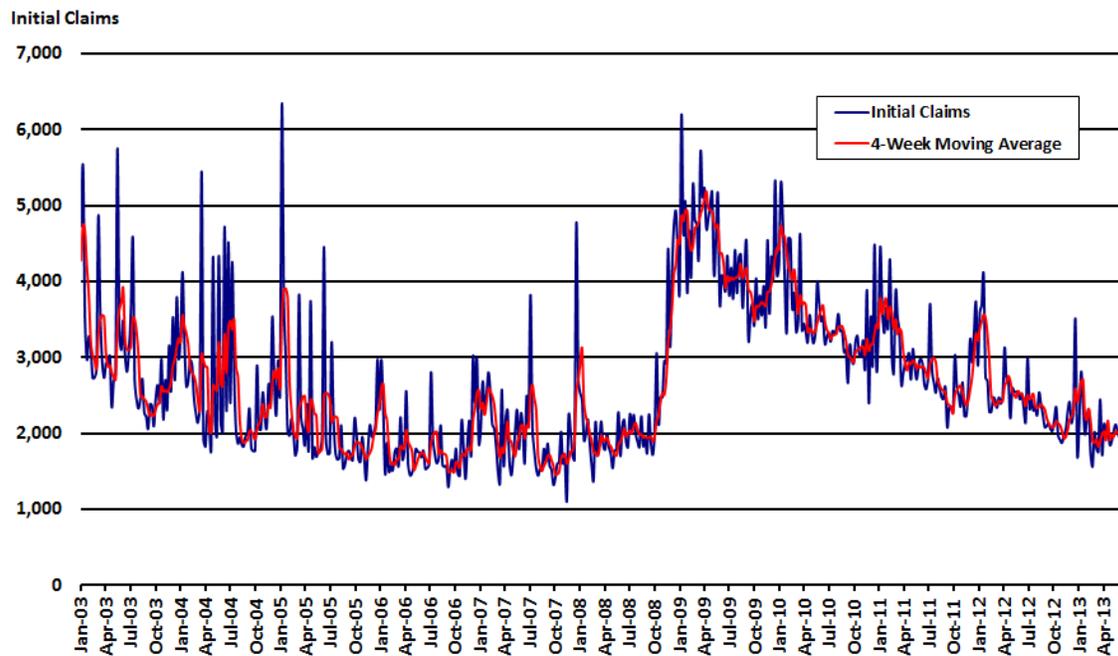
The unemployment rate held steady in June as more people started looking for work. The unemployment rate was unchanged at 7.6 percent in June, according to the Bureau of Labor Statistics (BLS). The civilian labor force increased by 177,000 over the month, and the labor force participation rate, which measures those employed as well as those looking for work as a portion of the population, edged up 0.1 percentage point to 63.5 percent.

Statewide, the unemployment rate rose by one-tenth percentage point to a seasonally adjusted 5.0 percent in May. This was the first time since July 2012 that Oklahoma reported an over-the-month unemployment rate increase.

Unemployment rates rose in all of Oklahoma's 77 counties in May. Sequoyah County posted the state's highest county unemployment rate of 9.0 percent while Roger Mills County again had Oklahoma's lowest county unemployment rate at 2.2 percent.

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

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



Definition & Importance

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

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

Current Developments

The number of Americans seeking unemployment benefits fell in the last week of June, a sign that layoffs remain low and companies are adding a modest number of jobs. In the week ending June 29, the advance figure for seasonally adjusted initial claims was 343,000, a decrease of 5,000 from the previous week's revised figure of 348,000, according to the U.S. Department of Labor. The four-week moving average, which smooths out short-term spikes, was 345,500, a decrease of 750 from the previous week's revised average of 346,250.

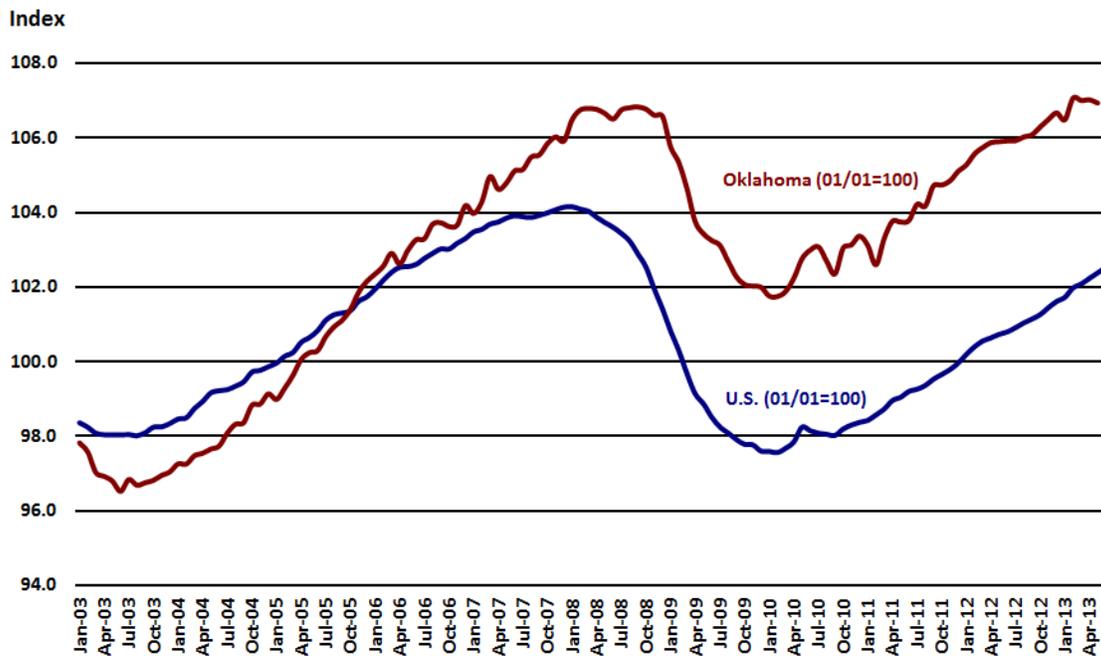
Oklahoma initial jobless claims continue on a long-term downward path. For the file week ending June 15, initial claims dropped by 172 to 2,042. For the same file week ending, the less volatile initial claims four-week moving average contracted by 19 to 2,066.

For the file week ending June 15, continued claims rose by 31 to 20,685. Continued claims four-week moving average for the same file week was up by 188 to 20,366.

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

Index: January 2001=100

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



Definition & Importance

Nonfarm payroll employment data is produced by the Current Employment Statistics (CES) program of the Bureau of Labor Statistics (BLS). The CES Survey is a monthly survey of approximately 140,000 nonfarm businesses and government agencies representing approximately 440,000 individual worksites. The CES program has provided estimates of employment, hours, and earnings data by industry for the nation as a whole, all States, and most major metropolitan areas since 1939. In order to account for the size disparity between of U.S. and Oklahoma employment levels, we have indexed the data with January 2001 as the start value.

Payroll employment is one of the most current and reliable indicators of economic conditions and recessionary trends. Increases in nonfarm payrolls translate into earnings that workers will spend on goods and services in the economy. The greater the increases in employment, the faster the total economic growth.

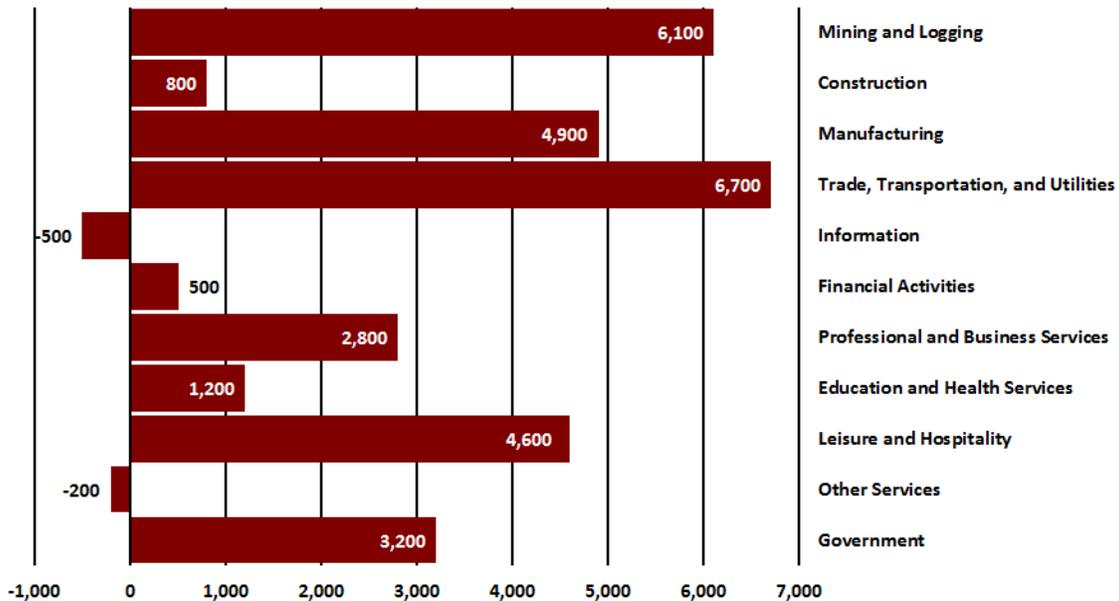
Current Developments

U.S. employers hired at a healthy rate in June and many more in April and May than previously thought. Total nonfarm payroll employment increased by 195,000 in June, according to the Bureau of Labor Statistics (BLS). The change in total nonfarm payroll employment for April was revised upward 50,000 to 199,000, and the change for May was revised upward 20,000 to 195,000. In June, employment increased in professional and business services (+57,000 jobs), food services and drinking places (+38,000 jobs), and retail trade (+28,000 jobs).

Oklahoma's seasonally adjusted nonfarm employment shed 1,300 jobs (-0.1 percent) in May. Only two supersectors gained jobs over the month, with leisure & hospitality (+3,400 jobs) accounting for almost all of the job growth. Trade, transportation & utilities (-3,000 jobs) reported the largest monthly job loss. No other supersector contracted by more than 400 jobs in May. Leisure & hospitality also provided May's largest annual job increase adding 8,300 jobs (+5.7 percent). Over-the-year job losses came from mining & logging (-1,700 jobs); financial activities (-800 jobs); and other services (-3,100 jobs).

Oklahoma Employment Change by Industry 2011 - 2012

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



Definition & Importance

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

Current Developments

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

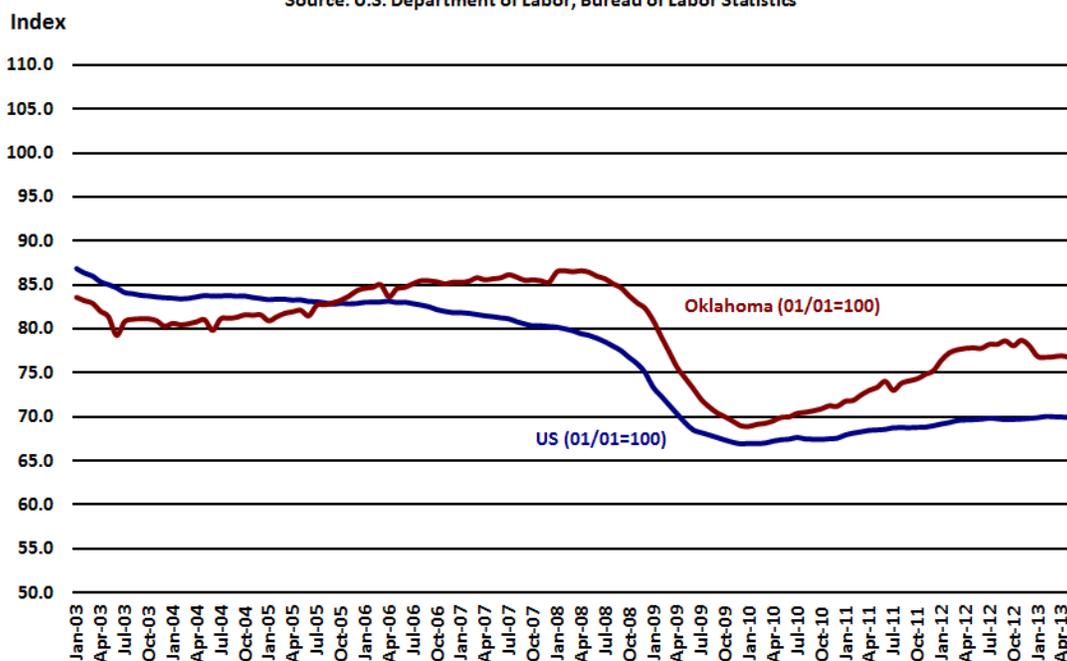
Employment growth in 2012 was wide-ranging with nine out of the 11 statewide industry supersectors reporting job gains. The broad trade, transportation & utilities industry recorded the largest employment increase adding 6,700 jobs with nearly half the hiring in wholesale trade. Mining had another strong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

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

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

Index: January 2001 = 100

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



Definition & Importance

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

Current Developments

U.S. manufacturing employment remained very soft in June. Manufacturing employment fell by 6,000 workers in June according to the Bureau of Labor Statistics (BLS). This was the fourth straight month of declining manufacturing employment, continuing hiring weaknesses in the sector that have been seen since mid-2012. In June, there were job losses of 3,000 workers in both the durable and nondurable goods sectors.

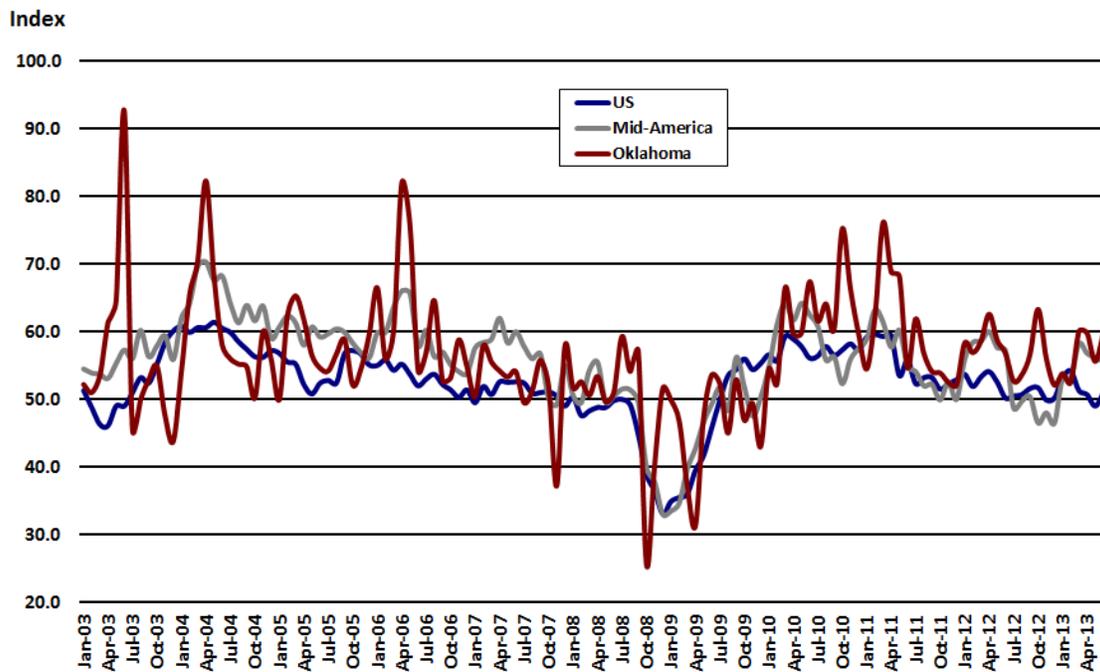
Manufacturing employment growth continued to slow in May with statewide factories shedding a non-seasonally adjusted 300 jobs (-0.2 percent). Durable goods manufacturing employment was unchanged in April while non-durable goods manufacturing accounted for nearly all of the job losses.

Over the year, Oklahoma manufacturing employment has added a non-seasonally adjusted 400 jobs for a 0.3 percent growth rate. Durable goods manufacturing employment added 1,200 jobs (1.28 percent) and non-durable goods manufacturing lost 800 jobs (-1.96 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

American factory activity rebounded in June as new orders picked up along with exports and production. The PMI™ registered 50.9 percent, an increase of 1.9 percentage points from May's reading of 49 percent, indicating expansion in the manufacturing sector for the fifth time in the first six months of 2013, according to the latest Manufacturing ISM Report On Business®.

New orders were up 3.1 points to 51.9. The ISM report also showed strength in export orders, at 54.5 percent, up from 51.0 percent in May. Strong levels of new orders point to rising activity in the months ahead for the sector. For June, production picked up solidly, rising to 53.4 percent from 48.6 percent.

However, the Employment Index, at 48.7 percent, contracted for the first time since September 2009. Other readings were flat including inventories, delivery times, and prices.

The monthly Mid-America Business Conditions Index, a leading economic indicator for a nine-state region, declined for a third straight month. The Business Conditions Index, which ranges between 0 and 100, declined to a solid 55.6 in June from 56.2 in May, according to the Creighton Economic Forecasting Group. The index continues to point to positive, but somewhat slower economic growth for the region in the next three to six months.

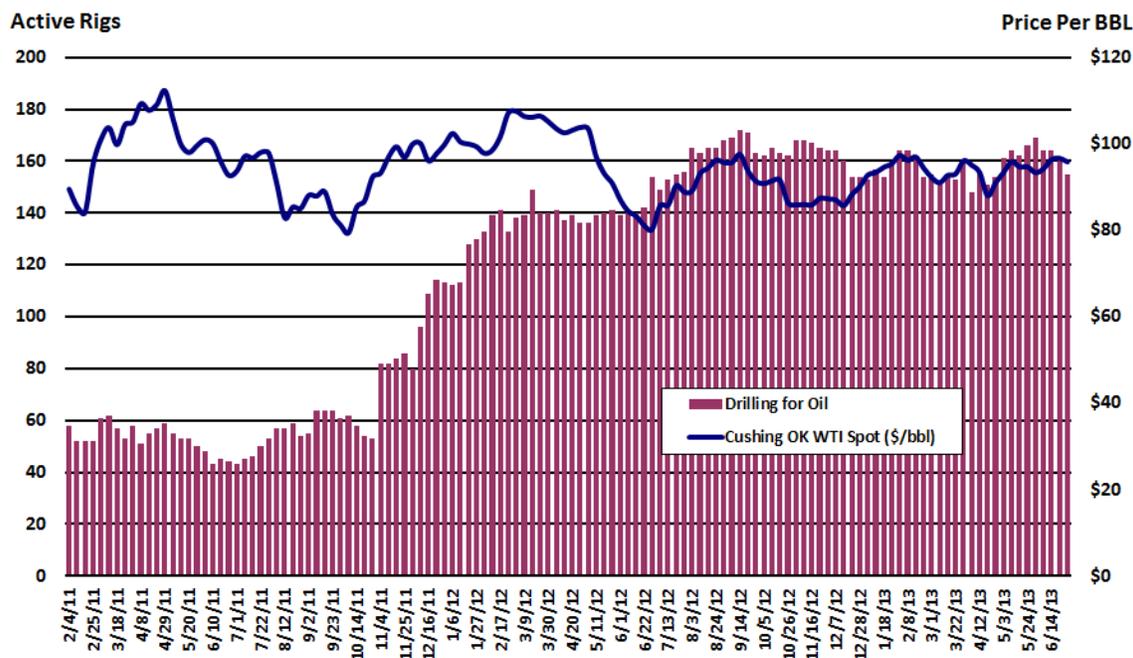
The Business Conditions Index for Oklahoma remained above growth neutral for June. The leading economic indicator from a monthly survey of supply managers climbed to 59.6 from May's 55.6. Components of the June survey of supply managers in the state were new orders at 64.2, production or sales at 65.9, delivery lead time at 53.3, inventories at 60.5, and employment at 54.2.

"Growth for durable goods producers in the state more than offset weaker conditions for Oklahoma's energy firms and for nondurable manufacturers," said Dr. Ernie Goss, director of Creighton University's Economic Forecasting Group.

Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

February 2011 to June 2013

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



Definition & Importance

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

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

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

Background

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

The city of Cushing, in central Oklahoma, is a major crude oil trading hub connecting Gulf Coast producers to Midwest refining markets. In addition to Oklahoma crude oil, the Cushing hub receives supply from several major pipelines that originate in Texas. Traditionally, the Cushing Hub has pushed Gulf Coast and Mid-Continent crude oil supply north to Midwest refining markets. However, production from those regions is in decline, and an underused crude oil pipeline system has been reversed to deliver rapidly expanding heavy crude oil supply produced in Alberta, Canada to Cushing, where it can access Gulf Coast refining markets. For this reason,

Cushing is the designated delivery point for the New York Mercantile Exchange (NYMEX) crude oil futures contracts. Crude oil supplies from Cushing that are not delivered to the Midwest are fed to Oklahoma's five refineries, which have a combined distillation capacity of over 500 thousand barrels per day—roughly 3 percent of the total U.S. refining capacity.

Current Developments

The Brent-WTI spread, the difference between the prices of Brent and West Texas Intermediate (WTI) crude oils, has narrowed considerably over the past several months, according to the Energy Information Administration (EIA). The spread, which was more than \$23 per barrel (\$/bbl) in mid-February, fell to under \$9/bbl in April, and has ranged between \$6/bbl and \$10/bbl since then.

The narrowing of the spread is supported by several factors that have:

- Lowered Brent (North Sea) prices because Brent-quality crude imports into North America have been displaced by increased U.S. light sweet crude production, reducing Brent-quality crude demand, and
- Raised WTI-Cushing prices because the infrastructure limitations that had lowered WTI prices are lessening.

The future of the Brent-WTI price spread will be determined, in part, by the balance between future growth in U.S. crude production and the capacity of crude oil infrastructure to move that product to U.S. refiners. The International Energy Agency (IEA) reported that planned maintenance in the North Sea oil fields this summer will reduce production, adding upward pressure to Brent prices and potentially widening the Brent-WTI spread.

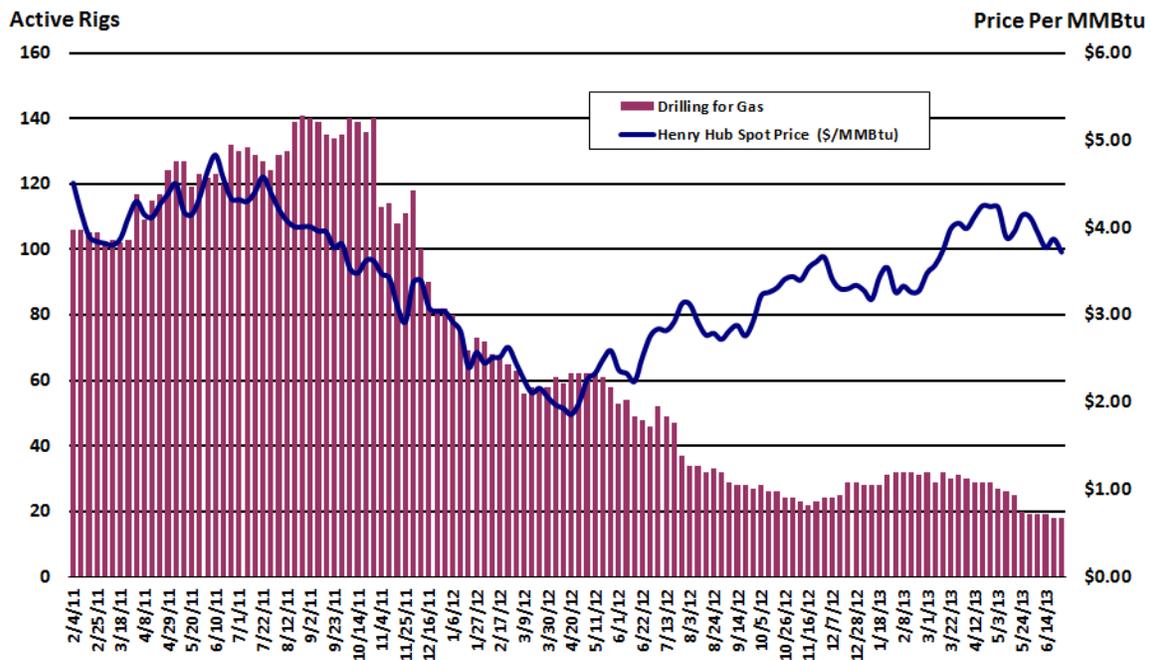
WTI-Cushing spot prices averaged \$95.77 per barrel for the month of June. That was \$1.26 more than May's average of \$94.51 per barrel. Compared to last year, the current price is \$13.47 more than the June 2012 average of \$82.30 per barrel.

Oklahoma's overall rotary rig activity for June averaged 179—the lowest monthly average in two years. Over the year, May's active rotary rig count in Oklahoma fell by 14 rigs. Oil-directed active rotary rigs dropped to a level of 155 for the week ended June 28, 2013 accounting for approximately 90 percent of total rig activity in the state.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

February 2011 to June 2013

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



Definition & Importance

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

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

Background

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

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

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

Current Developments

Natural gas use for industrial purposes was more than 3 percent, or 0.6 billion cubic feet per day (Bcf/d), greater during the first five months of 2013 compared to the same period in 2012, according to a recent report from the Energy Information Administration (EIA). Higher industrial gas usage reflects recent economic gains and sustained, historically low natural gas prices that have provided operators of natural gas-intensive industrial facilities in the United States a cost advantage relative to competing facilities that rely on higher-cost energy sources.

In April, Lower 48 States natural gas production increased 0.8 percent or 0.57 Bcf/d according to data from the EIA. Oklahoma's production rose 0.9 percent or 0.05 Bcf/d in April.

The Henry Hub spot price began the month of June at \$4.00 per MMBtu and then fell to \$3.57 per MMBtu by month's end. The average Henry Hub natural gas spot price was \$3.83 per MMBtu in June compared to May's average price of \$4.04 per MMBtu.

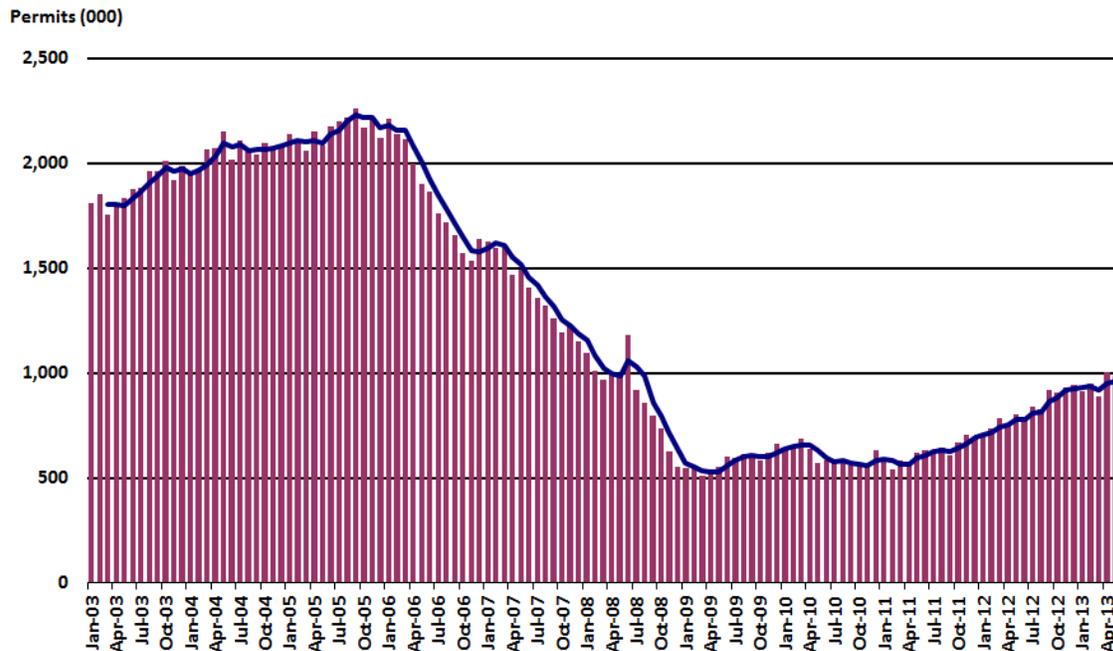
According to data reported by Baker Hughes, Oklahoma's natural gas rotary rig count continued to fall in June. For the week ended June 28, 2013, the state natural gas-directed drilling rig count stood at 18 or only 10 percent of total drilling activity. Over the year, Oklahoma's natural gas-directed rotary rig count has dropped by 28 from 46 rigs (for the week ended June 29, 2012).

The Baker Hughes U.S. natural gas rotary rig count totaled 353 active units as of Friday, June 28, up four rigs from the previous week. The oil rig count declined by 15 to 1,390.

U.S. Total Residential Building Permits, 2003-2013

Seasonally Adjusted

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



Definition & Importance

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

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

Current Developments

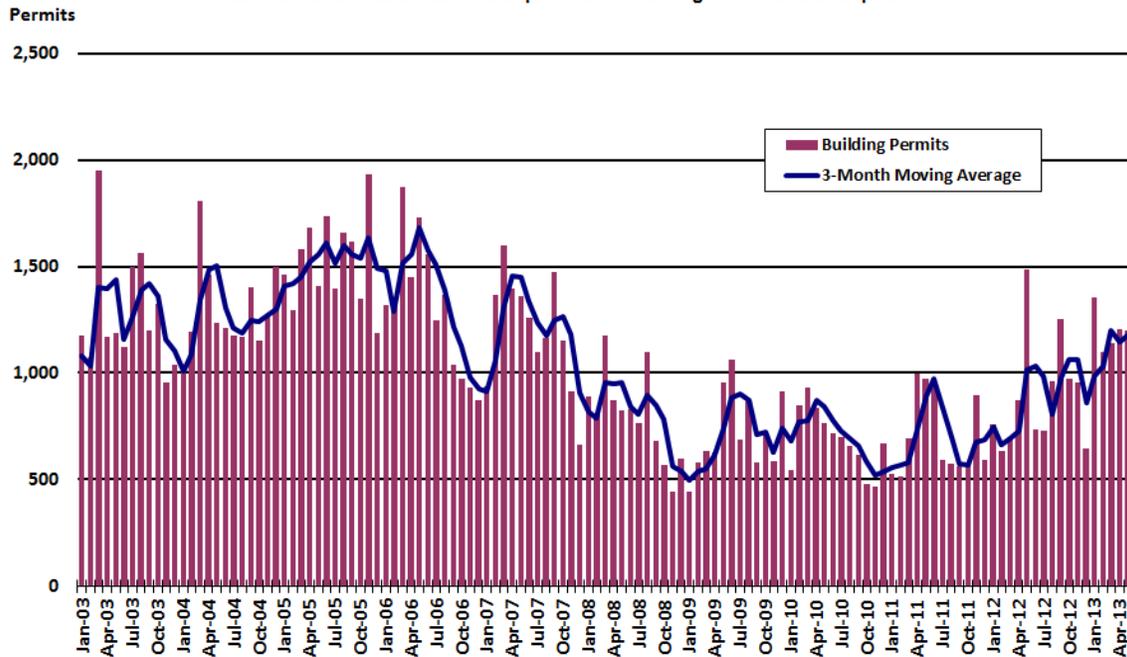
U.S. builders stepped up home construction in May and applied for permits to build single-family homes at the second-fastest pace in five years. Privately-owned housing units authorized by building permits in May were at a seasonally adjusted annual rate of 974,000 or 3.1 percent below the revised April rate of 1,005,000, but 20.8 percent above the May 2012 estimate of 806,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. The reason for the decline in May permitting was because of a drop in apartment permits, which are more volatile.

An improved outlook for the housing market has made builders more optimistic, leading to more construction and jobs. The National Association of Home Builders/Wells Fargo builder sentiment index rose to 52 in June, up from 44 in May. That was the highest reading in seven years and the largest monthly increase in more than a decade.

Oklahoma Total Residential Building Permits, 2003-2013

Not Seasonally Adjusted

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



Residential building permit activity was essentially flat in May with a pullback in single-family permitting and a spike in apartment permitting. Total unadjusted residential building permits for May edged down 0.2 percent from April, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development. Single-family permitting activity accounted for about 75 percent of residential permitting activity in May while multi-family permitting accounted for about 22 percent.

Over the year, total unadjusted residential permitting was 19.3 percent lower than May 2012. Single-family permitting was up 30.0 percent while the more volatile multi-family component was down 85.3 percent from May 2012.

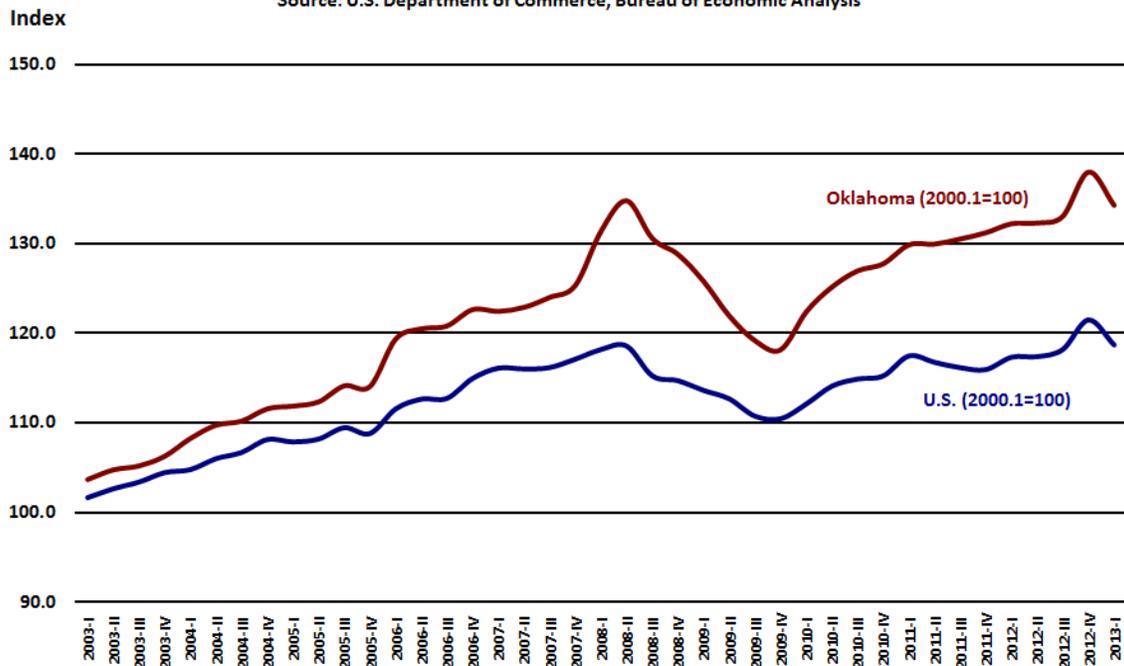
Year-to-date, Oklahoma residential permitting activity in 2013 was 35.2 percent greater than the first five months of 2012.

Tornado outbreaks during the month of May will no doubt have a significant impact on residential permitting activity going forward. The Oklahoma Department of Emergency Management reported that, besides the loss of human life, an estimated 1,150 homes were destroyed in the May 20 tornado that devastated South Oklahoma City and Moore. The Oklahoma Department of Insurance said insurance claims for the damage would likely be more than \$1 billion.

U.S. and Oklahoma Real Personal Income

Index: 1st Quarter 2000 = 100

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



Definition & Importance

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

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

Current Developments

The U.S. consumer sector improved in May in both income and spending while inflation remained low. Personal income increased \$69.4 billion, or 0.5 percent, and disposable personal income (DPI) increased \$57.0 billion, or 0.5 percent, in May, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) increased \$29.0 billion, or 0.3 percent. In April, personal income increased \$18.3 billion, or 0.1 percent, DPI increased \$6.5 billion, or 0.1 percent, and PCE decreased \$39.6 billion, or 0.3 percent, based on revised estimates.

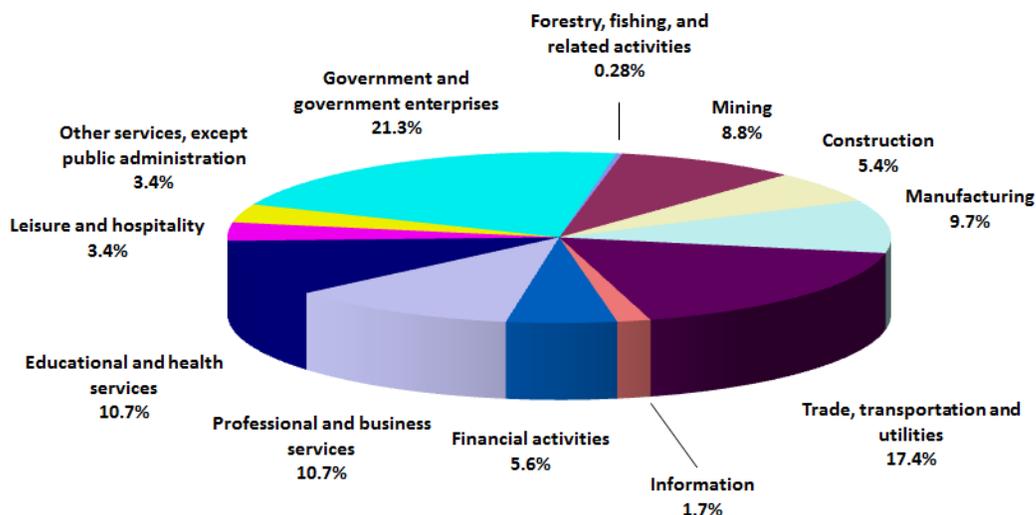
Consumers are benefiting from low inflation. The price index for PCE increased 0.1 percent in May, in contrast to a decrease of 0.3 percent in April. The PCE price index, excluding food and energy (core inflation), increased 0.1 percent, compared with an increase of less than 0.1 percent

Americans also chose to put a little more away last month. The savings rate rose to 3.2 percent in May—the highest savings rate since December.

Oklahoma Nonfarm Industry Contribution to Earnings

First Quarter 2013

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



Definition & Importance

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

Current Developments

State personal income declined an average 1.2 percent in the 1st quarter of 2013 after growing 2.7 percent in the 4th quarter of 2012, according to the most recent estimates by the U.S. Bureau of Economic Analysis (BEA). Personal income declines ranged from 0.1 percent in Iowa to 2.5 percent in Wyoming. The only state showing an increase in personal income in the 1st quarter was South Dakota, which grew 1.6 percent.

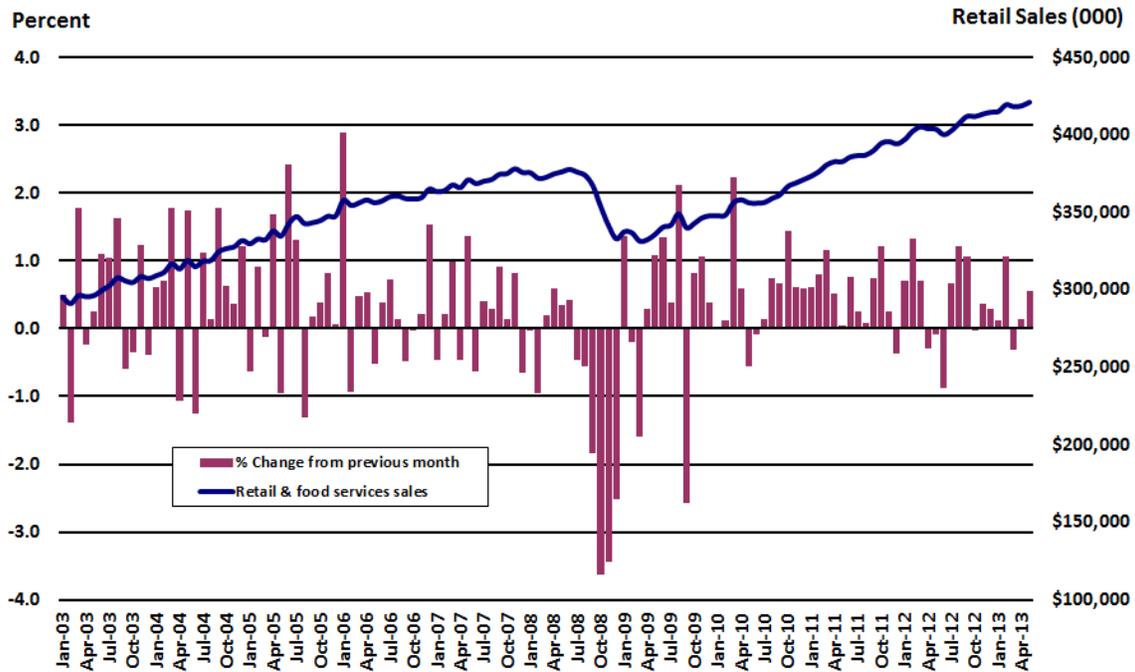
The BEA noted that the decline in 1st-quarter personal income reflected the effects of several special factors including the expiration at the beginning of 2013 of the "payroll tax holiday" (a temporary two-percentage point reduction in the personal contribution rate for social security). Also, in anticipation of 1st-quarter changes to the individual income tax rates, many people accelerated the receipt of income, including personal dividends and bonuses, into the 4th quarter to avoid higher rates.

After experiencing 11 consecutive quarters of growth, personal income in Oklahoma plunged in the 1st quarter. Oklahoma's personal income totaled \$151.6 billion in the 1st quarter of 2013, down from \$154.2 billion in the 4th quarter of 2012 for a 1.6 percent decline. That ranked Oklahoma 43rd (out of 50 states) for income growth in the 1st quarter and well below the national average.

In Oklahoma, earnings from construction was the largest contributor to 1st-quarter personal income growth, adding 0.13 percentage points to the percent change in state personal income. Professional, scientific, and technical services earnings added 0.12 percentage points. Mining recorded the biggest drag on earnings subtracting 0.37 percentage points.

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

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



Definition & Importance

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

Current Developments

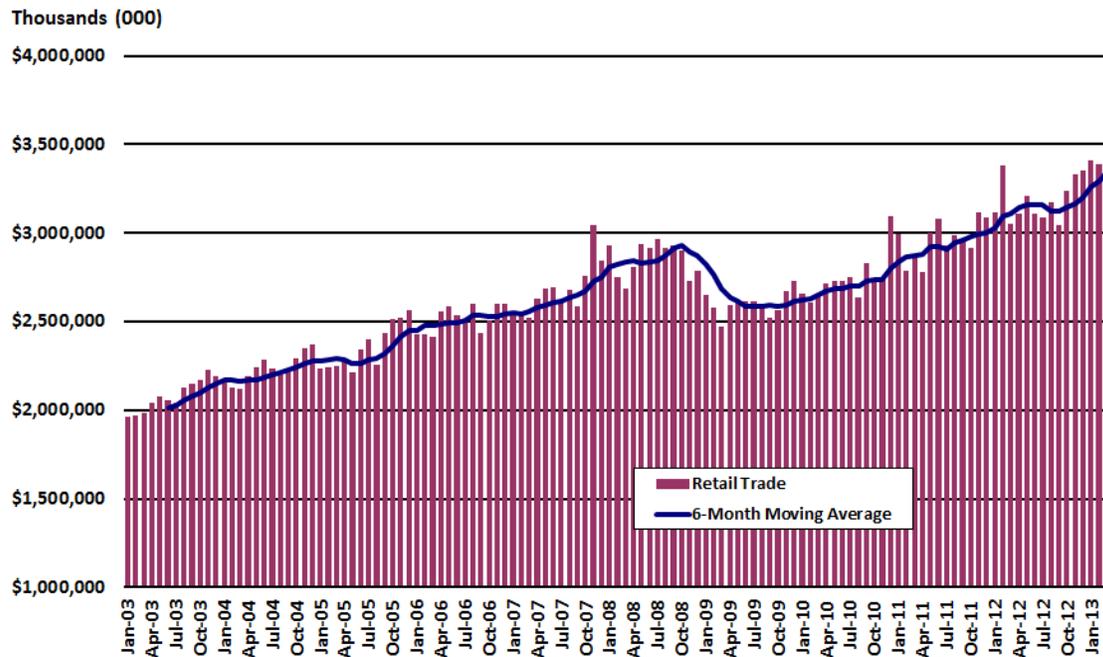
Americans stepped up purchases at retail businesses in May, led by biggest jump in auto sales in six months. The U.S. Census Bureau announced today that advance estimates of U.S. retail and food services sales for May, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$421.1 billion, an increase of 0.6 percent from the previous month, and 4.3 percent above May 2012, according to the U.S. Census Bureau. Total sales for the March through May 2013 period were up 3.7 percent from the same period a year ago. The March to April 2013 percent change was unrevised from 0.1 percent

The April gain was led by a 1.8 percent jump in auto sales, the biggest increase in six months. Sales at gasoline stations edged down 0.2 percent thanks to declining prices. Excluding volatile autos, gas and building supplies, core retail sales rose 0.3 percent, slightly higher than the 0.2 percent April increase.

Elsewhere, furniture and home furnishing stores (-0.8 percent), electronics & appliances (-0.4 percent) and clothing & accessories (-0.2 percent) were down on the month. All other categories advanced with building materials climbing 0.9 percent, food rising 0.7 percent, and sporting goods increasing 0.6 percent.

Oklahoma Total Adjusted Retail Trade

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



Definition & Importance

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

Current Developments

Falling pump prices during the first few months of the year caused Oklahoma consumers to spend less on gasoline and lowered overall retail trade levels. Total adjusted retail sales for March 2013 were at a level of \$3.36 billion—down 0.8 percent from February but 9.9 percent greater than March 2012. For the first three months of 2013, total adjusted retail trade was 6.3 percent more than the same period in 2012.

Durable goods sales improved 1.3 percent in March with the largest gain seen in electronics & music store sales (+7.4 percent), followed by miscellaneous durable goods (+3.2 percent), and furniture (+1.8 percent). Gains were also seen in auto accessories & repair (+1.4 percent) and used merchandise (+0.2 percent). Declining sales were seen in lumber & hardware (-1.6 percent). Over the year, durable goods sales were 20.6 percent more than March 2012.

Total nondurable goods sales sank 1.7 percent in March with the largest drop in estimated gasoline sales (-11.0 percent). The other decline in non-durable goods sales was food (-3.7 percent). Advancing were apparel sales (+3.8 percent); liquor (+2.1 percent); general merchandise (+1.9 percent); drugs (+1.9 percent); and eating & drinking (1.3 percent). Over the year, non-durable goods sales advanced 6.7 percent.