OKLAHOMA
Economic Indicators

June 2014

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ECONOMIC INDICATORS

Oklahoma Employment Security Commission
Richard McPherson, Executive Director

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

Prepared by
Monty Evans, Senior Economist

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

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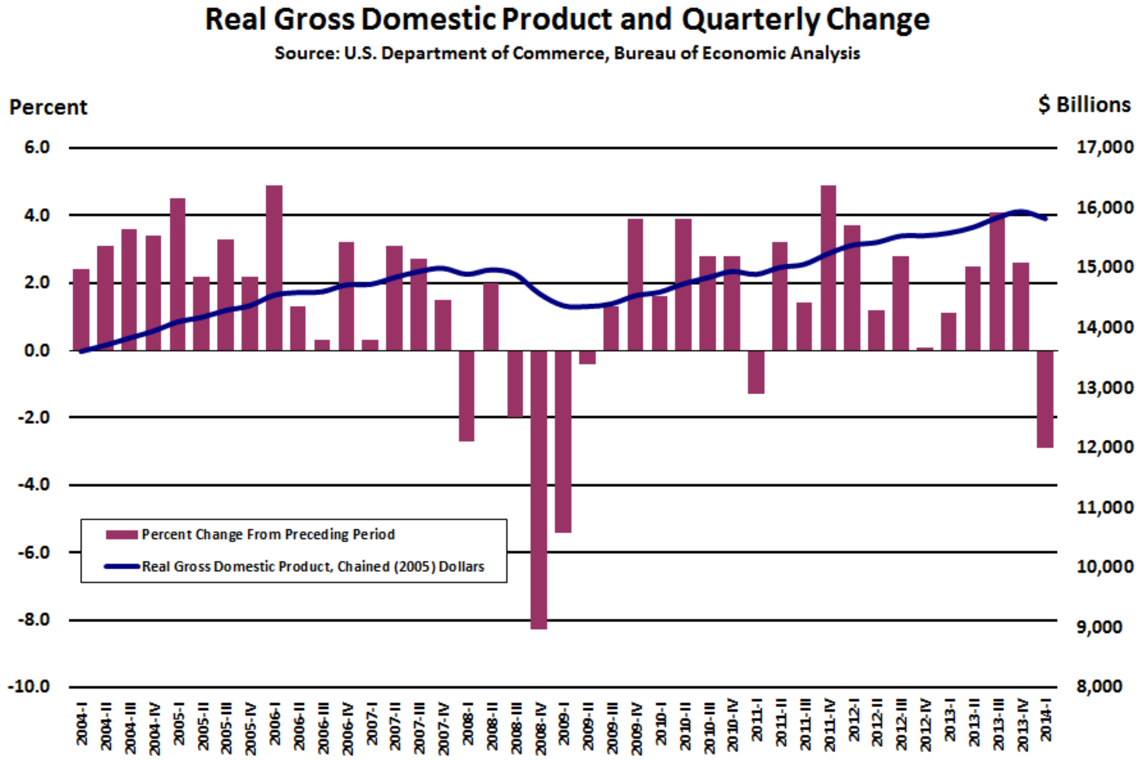
TABLE OF CONTENTS



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 shrank in the 1st quarter by the most since the midst of the last recession as consumer spending cooled. Real gross domestic product (GDP) decreased at an annual rate of 2.9 percent in the 1st quarter of 2014 according to the "third" estimate released by the Bureau of Economic Analysis (BEA). The 1st-quarter contraction of GDP was even more severe than the 1 percent annual decline reported in the “second” estimate a month ago.

Two-thirds of the downward revision in 1st quarter GDP reflected a slowdown in health care spending. Instead of rising at a 1 percent rate, health care spending fell to a 0.2 percent rate.

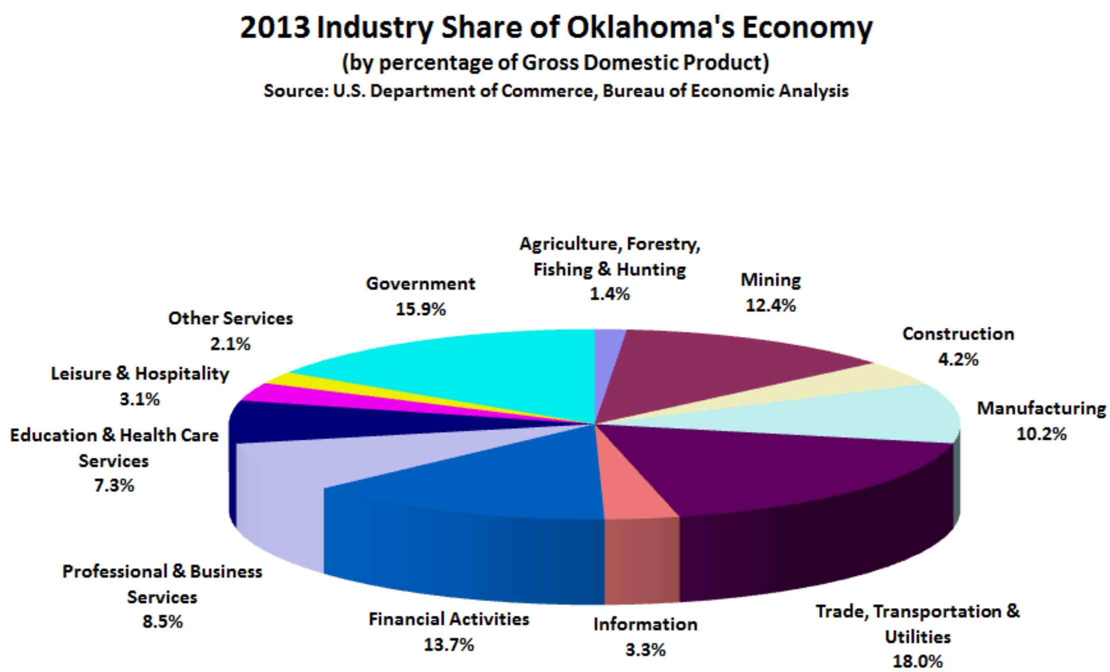
Real personal consumption expenditures increased 1.0 percent in the 1st quarter instead of the 3.1 percent rate previously estimated. The gain, which added 0.71 percentage point to GDP, was sharply down from the previous estimate of a 3.1 percent addition. Spending on durable goods increased 1.2 percent, while nondurable goods increased 0.3 percent. Services spending, which includes items like health care and utilities, was slashed to 1.5 percent from the previous estimate of 4.3 percent.

Business investment fell at a 1.2 percent annualized rate, compared with a previously reported 1.6 percent annualized drop. Companies reduced their spending on structures at a 7.7 percent pace, and spending for equipment fell 2.8 percent. Inventories subtracted 1.70 percentage points from GDP from January to March, the most since 4th quarter 2012.

The housing market also trimmed GDP, although fixed residential investment was a smaller drag on 1st-quarter growth than initially estimated. Residential fixed investment dipped 4.2 percent, less than the previous estimate of 5.0 percent, and subtracted 0.13 percentage point from GDP growth, rather than the 0.16 subtraction previously reported.

Another factor pulling down 1st quarter GDP growth was a bigger trade deficit than initially estimated. Exports declined at an 8.9 percent rate, instead of the 6.0 percent pace previously thought. Net exports subtracted 1.53 percentage points from GDP, compared with a prior estimate of 0.95 percentage point.

Less spending by state and local governments also held back growth in the 1st quarter and offset a rebound in federal spending. Federal government outlays grew 0.6 percent, down slightly from the previous estimate of 0.7 percent. National defense spending decreased 2.5 percent while nondefense spending increased 5.9 percent. Real state and local government consumption expenditures and gross investment decreased 1.7 percent, more than estimated before. Total government spending subtracted 0.14 percentage point from GDP for the quarter, compared with the previous estimate of a 0.15 percentage point subtraction from growth.



Definition & Importance

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

Current Developments

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

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

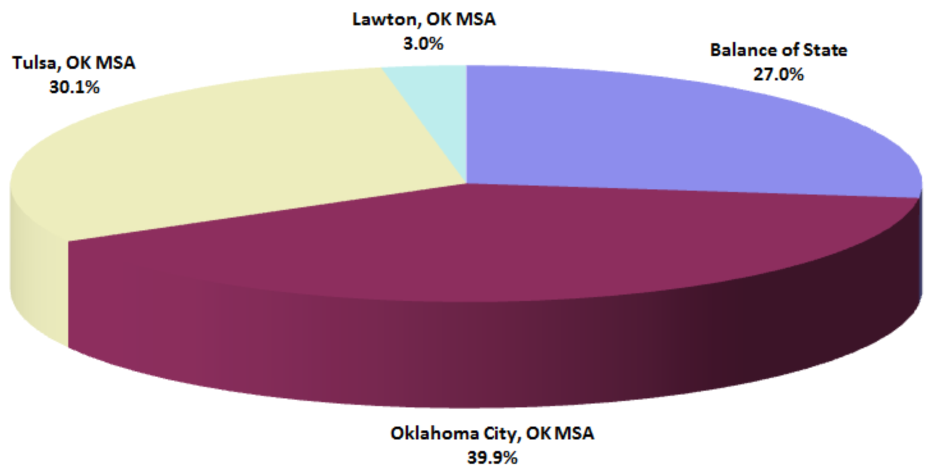
Sixteen Oklahoma industry sectors contributed to GDP growth in 2013, with five subtracting from growth.

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

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

Metropolitan Area Contribution to State Real Gross Domestic Product 2012

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



Definition & Importance

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

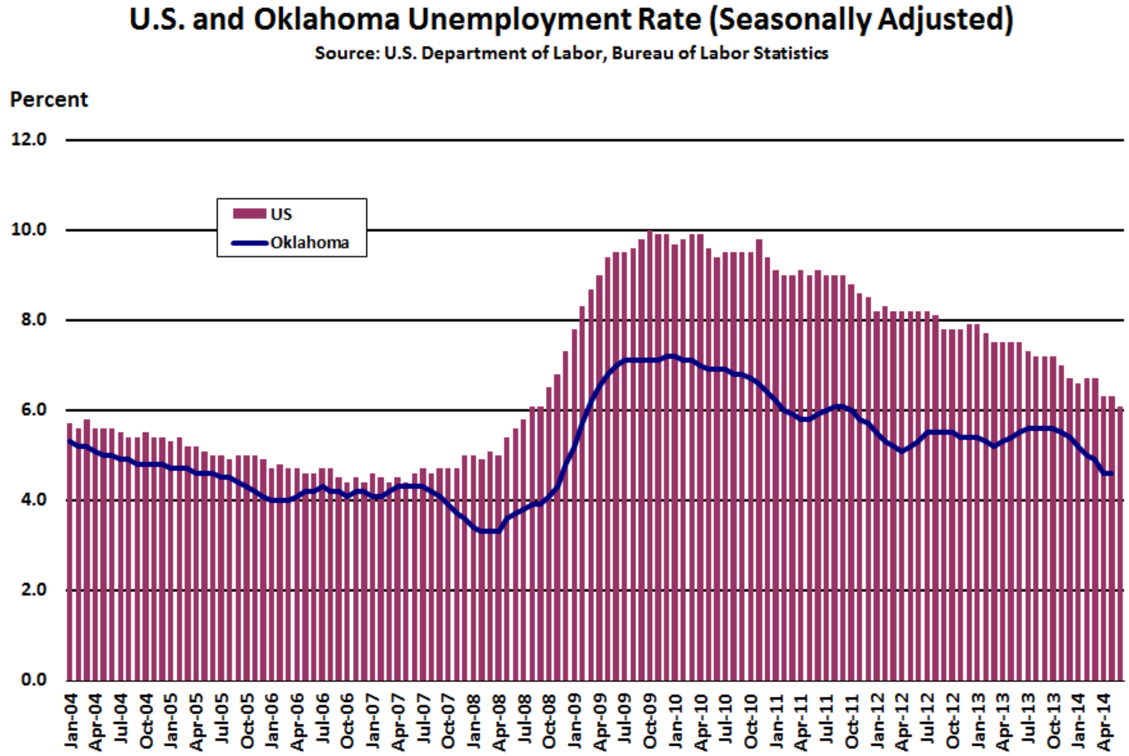
Nationally, metropolitan statistical areas represent approximately 90 percent of total GDP. In Oklahoma, the three MSAs of Oklahoma City, Tulsa and Lawton accounted for roughly 75 percent of total state GDP in 2010.

Current Developments

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

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

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



Definition & Importance

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

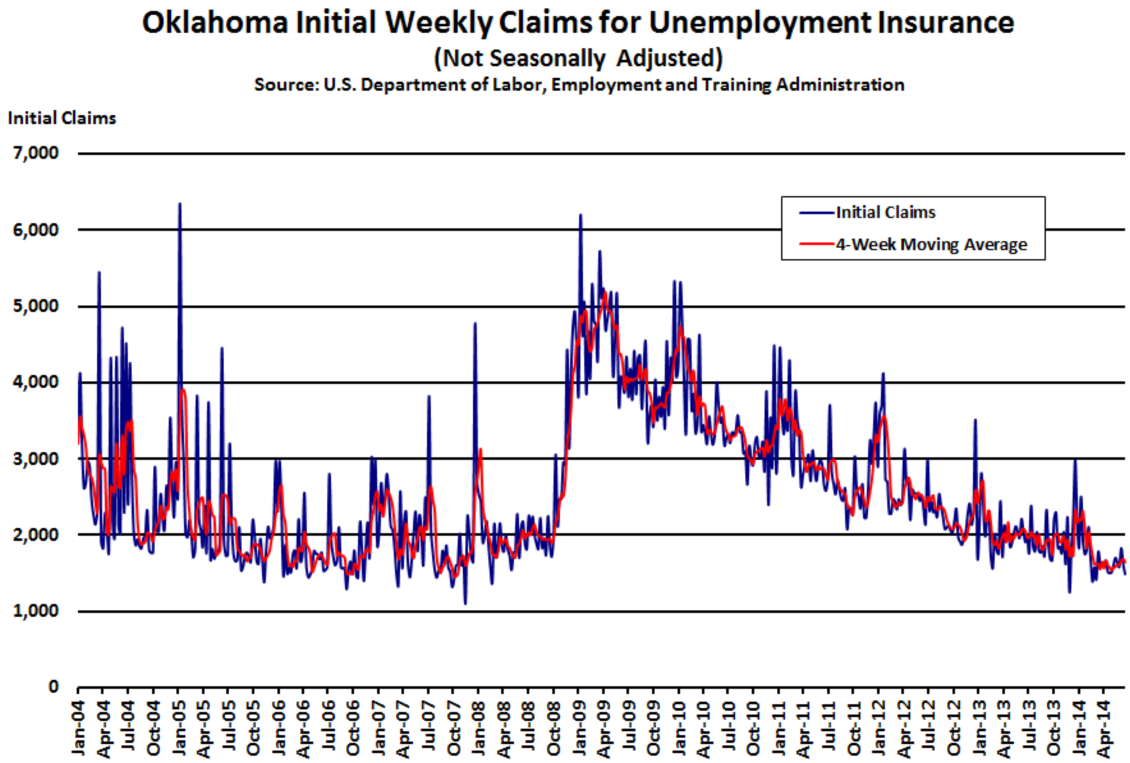
The unemployment rate is a lagging indicator of economic activity. During a recession many people leave the labor force entirely. As a result, the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more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

Current Developments

The U.S. unemployment rate dipped in June to the lowest level since September 2008. In June, the unemployment rate declined by 0.2 percentage point to 6.1 percent, according to the Bureau of Labor Statistics (BLS). The civilian labor force participation rate held steady at 62.8 percent for the third consecutive month in June.

Oklahoma’s unemployment rate held steady in May, matching the five-year low reached the previous month. The statewide seasonally adjusted unemployment rate for Oklahoma remained at 4.6 percent in May. Oklahoma’s jobless rate tied with Minnesota and Montana for the 10th lowest jobless rate among all states.

Unemployment rates rose in all 77 Oklahoma counties in May. Latimer County, once again, claimed Oklahoma’s highest county unemployment rate of 8.4 percent while the month’s lowest county unemployment rate again belonged to Dewey County at 2.3 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.

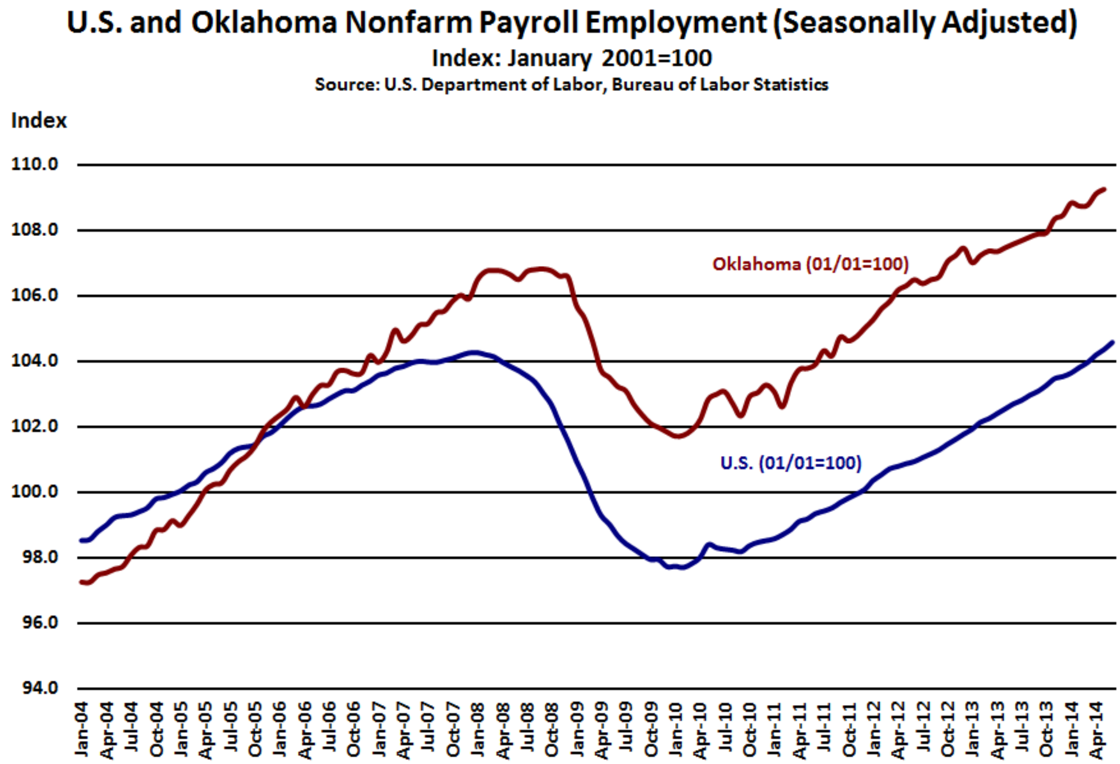
Initial claims are a leading indicator because they point to changes in labor market conditions. An increasing trend signals that layoffs are occurring. Conversely, a decreasing trend suggests an improving labor market. The four-week moving average of initial claims smoothes out weekly volatility and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

Current Developments

New applications for unemployment benefits ticked up in the last week of June but remained near pre-recession levels. In the week ending June 28, the advance figure for seasonally adjusted initial claims was 315,000, an increase of 2,000 from the previous week's revised level, according to figures released by the U.S. Labor Department (DOL). Initial claims for the week ended June 21 were revised up by 1,000 to a seasonally adjusted 313,000. The four-week moving average, which smooths out much week-to-week volatility, edged up by 500 to 315,000.

Statewide initial claims for unemployment insurance continued to fall in June. For the file week ending June 21, initial jobless claims were at a level of 1,490, down 134 from the previous week. For the same file week ending, the four-week moving average was nearly unchanged from 1,687 to 1,647.

Over the month, statewide initial claims dropped by 153 from 1,643 to 1,490 while the less volatile 4-week moving average moved up by 31 from 1,616 to 1,647.



Definition & Importance

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

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

Current Developments

U.S. job growth continued to gain momentum in June with hiring over the past five months being the strongest since the tech boom in the late 1990s. Total nonfarm payroll employment rose by 288,000 in June, according to the Bureau of Labor Statistics (BLS). Job gains were widespread in June, led by employment growth in professional and business services (+67,000), retail trade (+40,000), food services and drinking places (+33,000), and health care (+21,000).

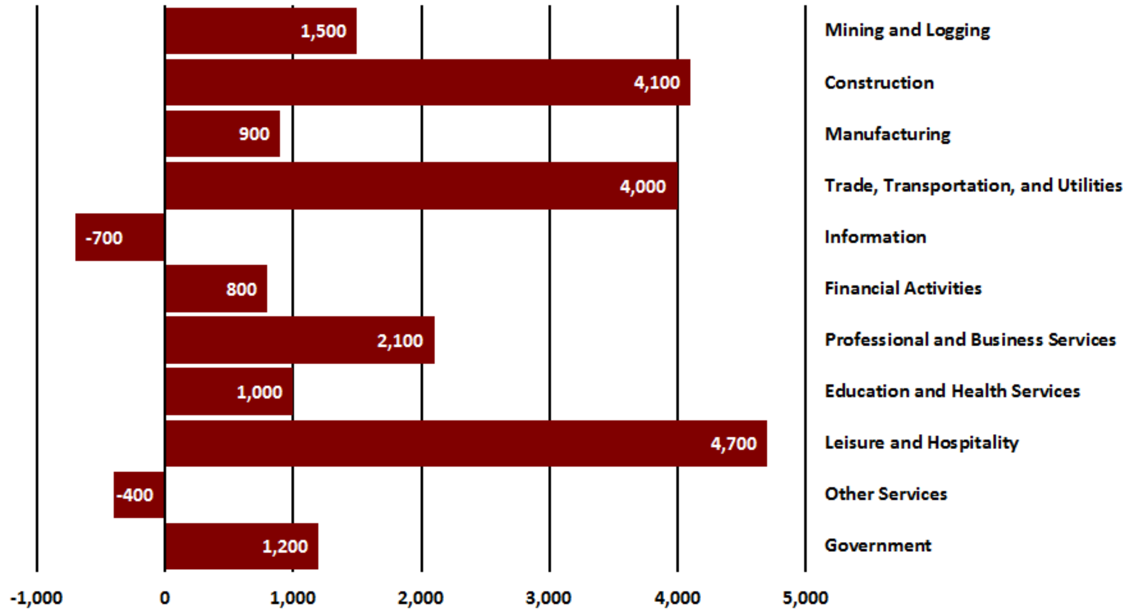
Oklahoma's seasonally adjusted nonfarm employment grew by 2,200 jobs (+0.1 percent) in May. Four of Oklahoma's 11 supersectors reported job gains in May, with professional & business services (+2,500 jobs) providing the largest monthly gain. Mining & logging (-1,900 jobs) had the largest job loss for the month.

Over the year, state nonfarm employment increased by 27,100 jobs (+1.7 percent). Leisure & hospitality (+8,000 jobs) claimed the largest May-to-May gain, while mining & logging (-1,800), government (-1,300), and information (-900) shed jobs over the year.

Oklahoma Employment Change by Industry

2012 - 2013

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



Definition & Importance

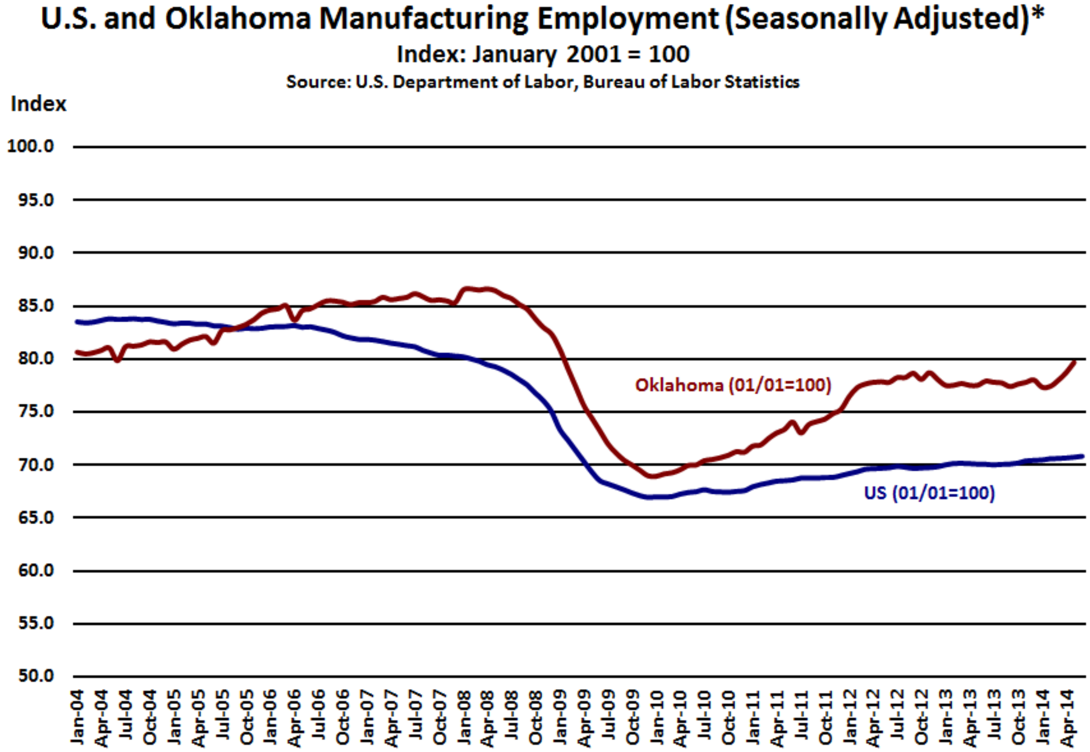
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion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

Current Developments

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

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

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



Definition & Importance

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

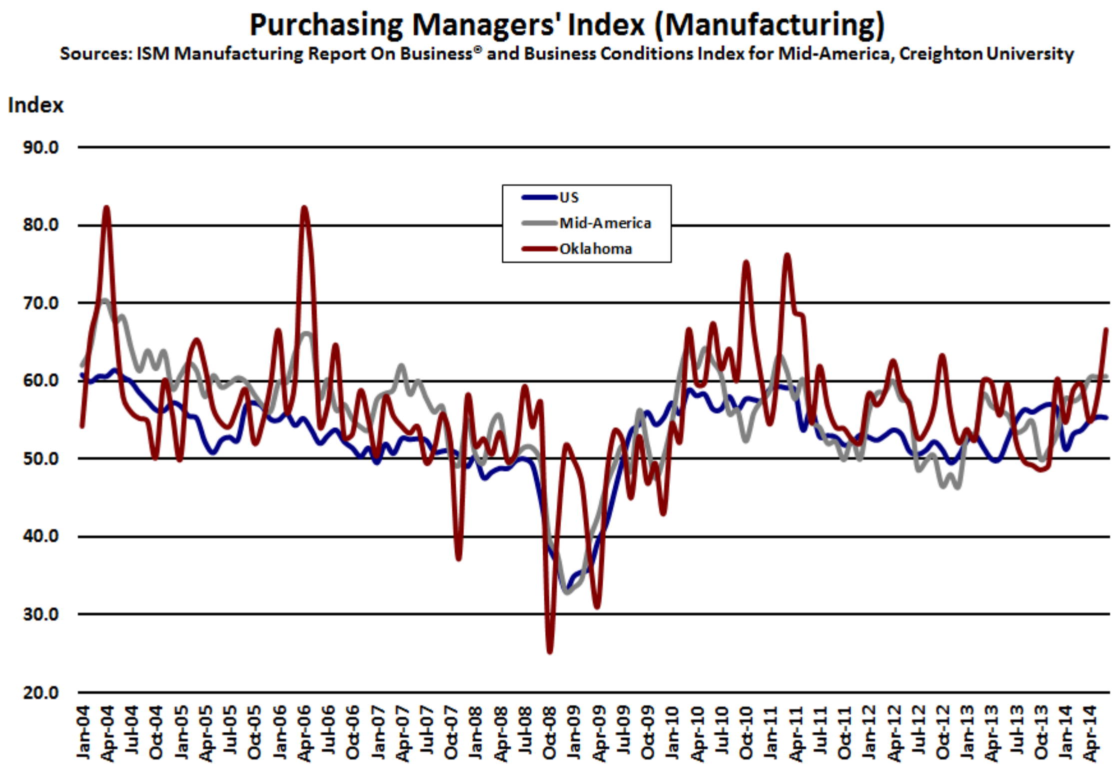
Current Developments

U.S. manufacturers added 16,000 workers in June, its 11th straight positive monthly reading for job gains. Manufacturing job gains continue to be unevenly distributed, with durable goods firms hiring 17,000 additional workers in June while nondurable goods entities shed 1,000 jobs for the month, according to the Bureau of Labor Statistics (BLS). The motor vehicle sector experienced the fastest growth in June, adding 5,900 workers in June and 37,200 over the past year. In contrast, food manufacturing (-4,800) and miscellaneous durable goods (-1,000) had the greatest monthly job losses.

Factory job growth has been picking up in Oklahoma since the first of the year. Manufacturing employment added a non-seasonally adjusted 1,700 jobs (1.2 percent) in May with all of the job gains coming from durable goods manufacturing.

Over the year, Oklahoma manufacturing employment added a non-seasonally adjusted 3,800 jobs for a 2.8 percent growth rate. Machinery manufacturing led the job gains, adding 1,100 jobs for a 3.7 percent growth rate.

**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.*



Definition & Importance

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

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

Current Developments

U.S. manufacturing activity expanded in June for the 13th consecutive month, but the pace of the expansion slowed from May as production dipped. The June PMI® registered 55.3 percent, nearly unchanged from May's reading of 55.4 percent, according to the latest Manufacturing ISM Report On Business®. Fifteen of 18 manufacturing industries grew in June, led by furniture makers and mineral producers. Textile, chemical, and plastics and rubber manufacturing contracted in June.

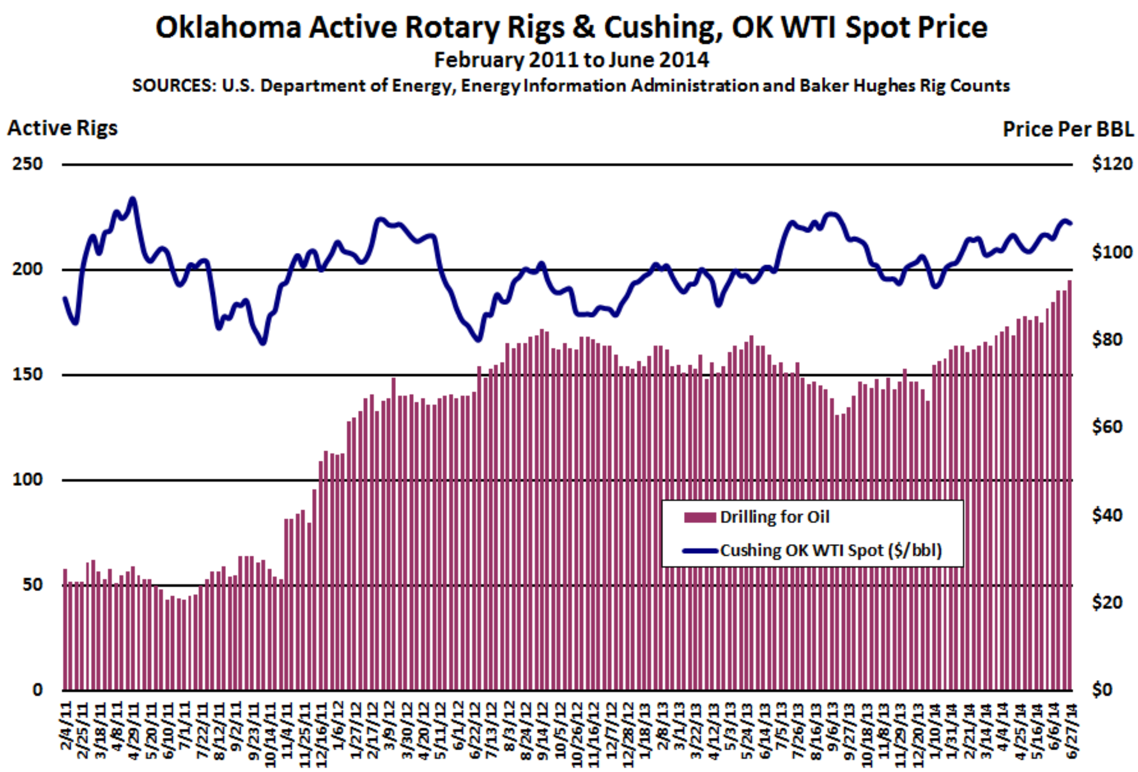
New orders were the key highlight of the June ISM report. The index for new orders posted a 2.0 point gain to 58.9 from May's 56.9 reading, signaling growth in new orders for the 13th month in a row. The production index stood at 60.0, lower by 1.0 point from May's 61.0 reading.

The measure for employment expanded for the 12th straight month in June, rising to 52.8, the same level of growth recorded in the prior month.

A monthly economic index for nine Midwestern and Plains states inched up in May to the highest overall reading in more than three years. The Business Conditions Index, which ranges between 0 and 100, climbed to 60.6 from 60.5 in May, according to the Creighton Economic Forecasting Group. That's the sixth straight month that the index was greater than 50, a level that indicates an expanding economy over the next three to six months.

Oklahoma's leading economic indicator continues to point to expanding economic conditions in the months ahead. Oklahoma's Business Conditions Index for June jumped to 66.6 from May's healthy 58.3. Components of the June survey of supply managers in the state were new orders at 71.2, production or sales at 69.9, delivery lead time at 62.8, inventories at 63.3, and employment at 65.9.

"There are more workers on Oklahoma companies' payrolls than ever before. Our surveys indicate that this expansion will continue to with a new employment record set each month. Growth for both durable and nondurable goods, especially those tied to energy, will boost economic expansion for the second half of 2014," said Dr. Ernie Goss, director of Creighton University's Economic Forecasting Group.



Definition & Importance

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

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

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

Background

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

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

Current Developments

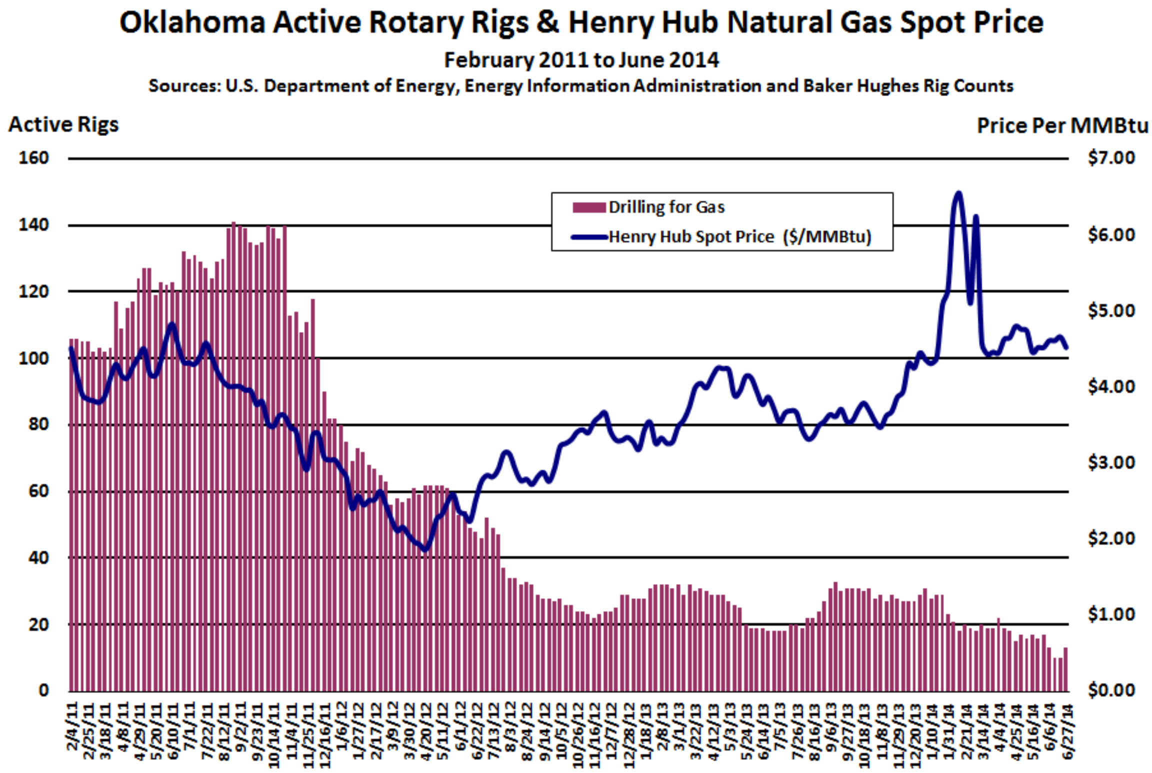
U.S. total crude oil production, which averaged 7.4 million barrels per day (bbl/d) in 2013, is expected to average 8.5 million bbl/d in 2014 and 9.3 million bbl/d in 2015, according to the most recent *Short-Term Energy Outlook* from the U.S. Energy Information Administration (EIA).

Growth in domestic production has contributed to a significant decline in petroleum imports. The share of total U.S. liquid fuels consumption met by net imports fell from 60 percent in 2005 to an average of 33 percent in 2013. EIA expects the net import share to decline to 22 percent in 2015, which would be the lowest level since 1970.

State crude oil production in April reached its highest level since July 1988. Total field production of 10,502,000 barrels ranked Oklahoma 5th among all states in April. Crude production in April was 13,000 barrels more than March's level of 10,489,000 barrels.

Unrest in Iraq put upward pressure on world oil prices in June. WTI-Cushing began the month of June at $103.07 per barrel, and then climbed as high as $107.52 before settling at $106.07 per barrel by month's end. Over the year, WTI-Cushing average monthly spot prices were 10.5 percent higher than the June 2013 average price of $95.77 per barrel.

Oklahoma's overall rotary rig activity has been climbing since last fall. June's average rotary rig count was at a level of 208, eight more than April's average count of 200. Over the year, June's active rotary rig count in Oklahoma was 35 more than 173 in June 2013. Oil-directed active rotary rigs advanced to a level of 195, (for the week ended June 30, 2014), representing approximately 94 percent of total rig activity in the state in June.



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

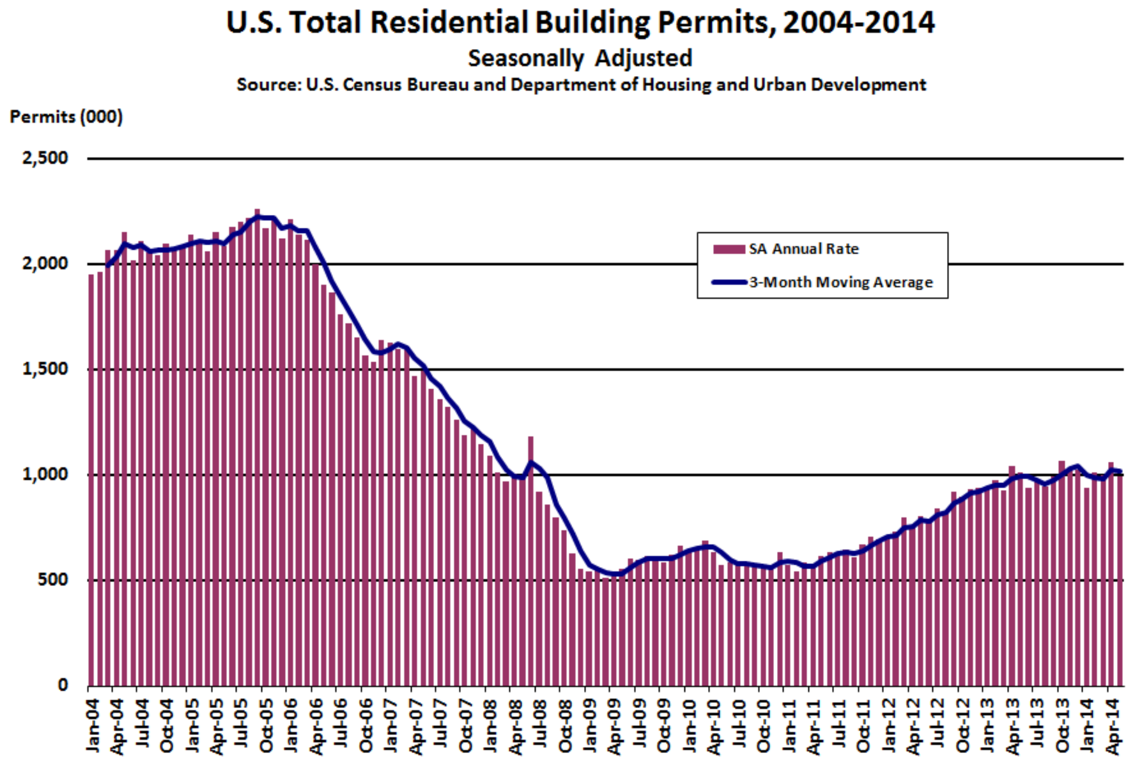
Natural gas working inventories on June 27 totaled 1.93 trillion cubic feet (Tcf), according to U.S. Energy Information Administration (EIA) estimates. That's 0.67 Tcf (26 percent) below the level at the same time a year ago and 0.79 Tcf (29 percent) below the previous five-year average (2009-13). Projected natural gas working inventories are expected to reach 3.43 Tcf by the end of October, or 0.38 Tcf below the level at the same time last year, according to the EIA's most recent *Short-Term Energy Outlook*. The EIA expects that the Henry Hub natural gas spot price, which averaged $3.73 per million British thermal units (MMBtu) in 2013, will average $4.77/MMBtu in 2014 and $4.50/MMBtu in 2015.

Oklahoma natural gas production was at a level of 190,320 MMcf in April, slightly below the 190,588 MMcf level in the previous month. However, that was the second-highest monthly level of production since January 1991. Oklahoma natural gas production for 2013 was 2,143,989 MMcf, 6.0 percent more than the 2012 total of 2,023,461 MMcf, also its highest annual level since 1991.

Natural gas spot prices continued to decline in June. The average daily Henry Hub spot price dropped by 19 cents/MMBtu from June 25 to June 27, from $4.57/MMBtu to $4.38/MMBtu, reaching its lowest level since the end of May.

According to data reported by Baker Hughes, Oklahoma's natural gas rotary rig count continued to fall in June. For the week ended June 27, the state natural gas-directed drilling rig count was at a level of 13 active rigs, accounting for only 6 percent of total statewide drilling activity. Over the year, Oklahoma's natural gas-directed rotary rig count was down five rigs from 18 rigs reported for the week ended June 28, 2013.

The U.S. active rotary rig count totaled 1,873 as of June 27, up 15 rigs from the previous week. Natural gas-directed rigs were at a level of 311 and accounted for 16.6 percent of total U.S. drilling activity. Oil-directed rigs were at a level of 1,562 and accounted for 83.4 percent of total drilling activity.



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.

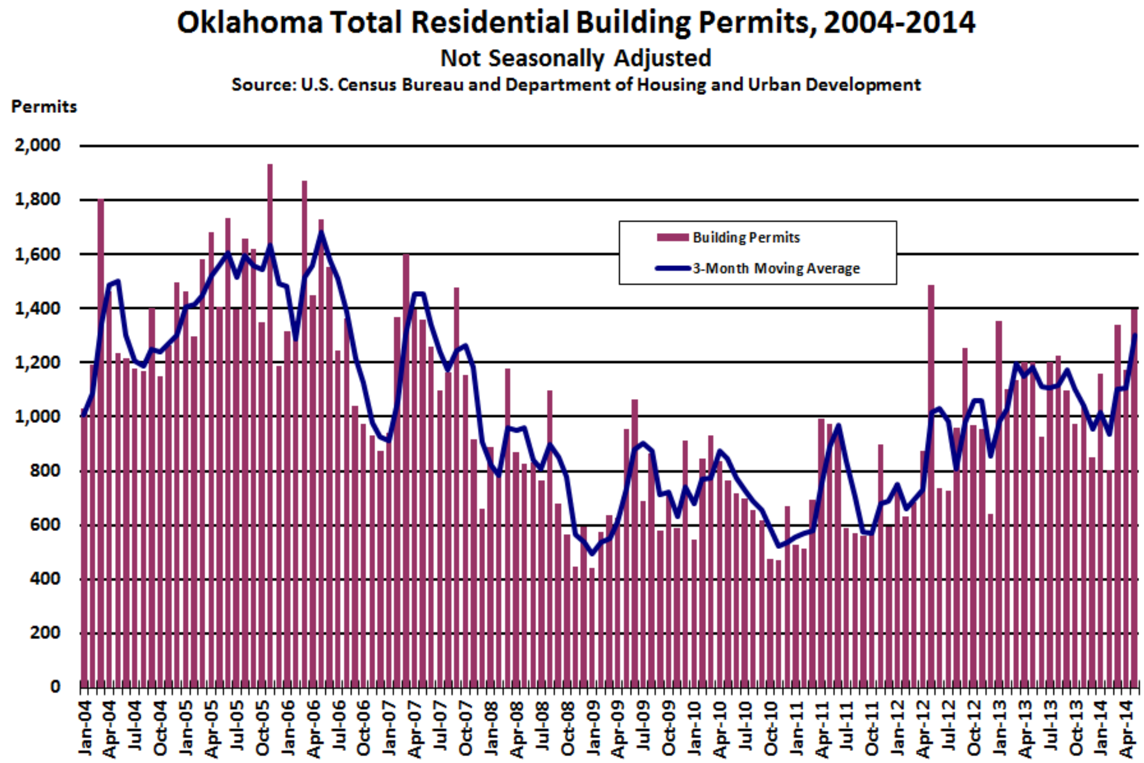
While home construction represents a small portion of the housing market, it has an outsize impact on the economy. Each home built creates an average of three jobs for a year and about $90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels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

Current Developments

Newly approved applications for building permits fell in May on a sharp decline in the volatile multi-family segment. Privately-owned housing units authorized by building permits in May were at a seasonally adjusted annual rate of 991,000 or 6.4 percent below the revised April rate of 1,059,000 and 1.9 percent below the May 2013 estimate of 1,010,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

Single-family permits jumped 3.7 percent to a 619,000 pace in May, their fastest rate of increase since September 2012. Multi-family permitting fell 20.4 percent at a seasonally adjusted annual rate of 347,000 in May.

The National Association of Home Builders/Wells Fargo builder sentiment index rose in June for the first time this year. The index rose to 49, just below the 50 level that indicates builders consider the conditions for new construction as good. The index had been above 50 from June through January.

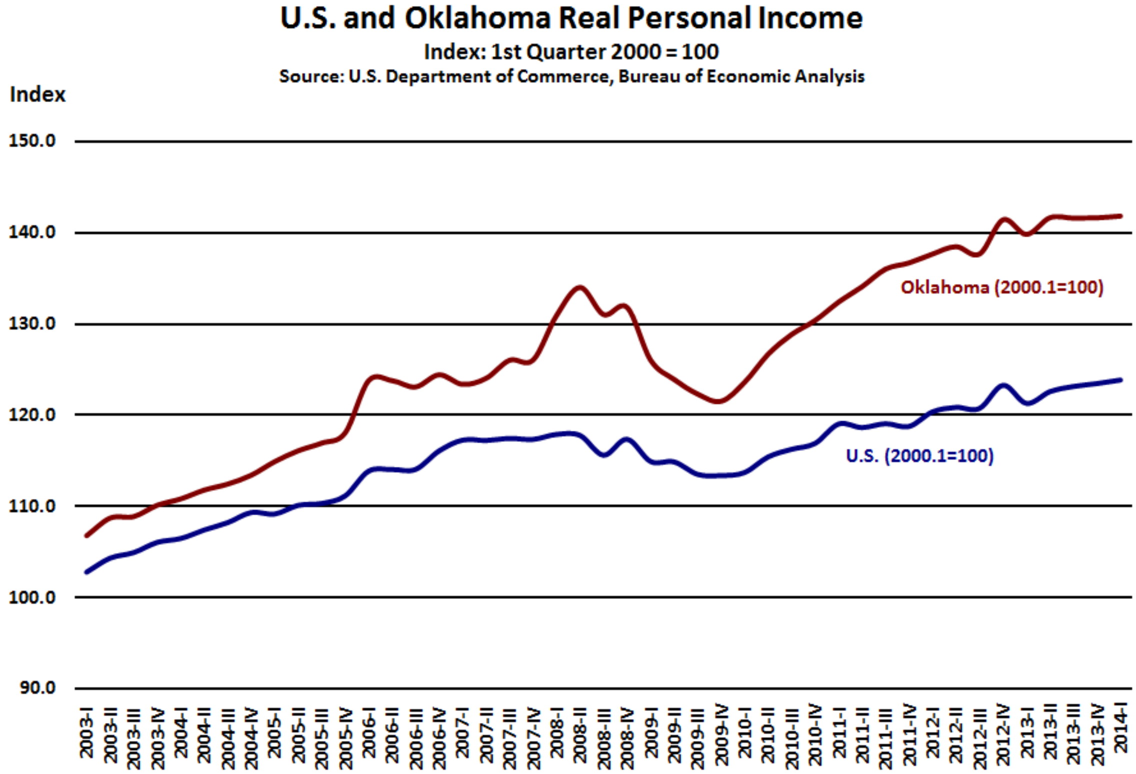


Residential permitting activity in Oklahoma picked up in May, helped by a surge in apartment permitting. Total residential building permitting for May was at an unadjusted level of 1,397 units, 19.1 percent more than the previous month, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development.

In May, single-family permitting accounted for 69.7 percent of residential permitting activity while multi-family permitting added 28.4 percent. Permits for single-family homes were at a non-seasonally adjusted level of 974 or 0.5 percent over April's level of 969 permits. Applications for apartments were at a non-seasonally adjusted level of 397 permits, 203 more than April's level of 194 permits.

Over the year, May's total unadjusted residential permitting was 196 permits or 16.3 percent more than May 2013. Single-family permits were up 78 or 8.7 percent greater than a year ago, while the more volatile multi-family permitting was 120 (43.3 percent) more than the April 2013 level of 277 permits.

Year to date, total non-adjusted residential building permitting activity remains lower than the first five months of 2013. For the first five months of 2014, total unadjusted residential building permitting was at a level of 5,873, that's 124 permits (-2.1 percent) less than the same period a year ago.



Definition & Importance

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

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

Current Developments

Consumer spending unexpectedly fell in April after the biggest surge in almost five years as incomes slowed. Personal income increased $43.7 billion, or 0.3 percent, and disposable personal income (DPI) increased $44.6 billion, or 0.3 percent, in April, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) increased $16.3 billion, or 0.1 percent. Personal consumption expenditures (PCE) decreased $8.1 billion, or 0.1 percent. Personal income rose a healthy 0.5 percent in March after a 0.4 percent gain the month before.

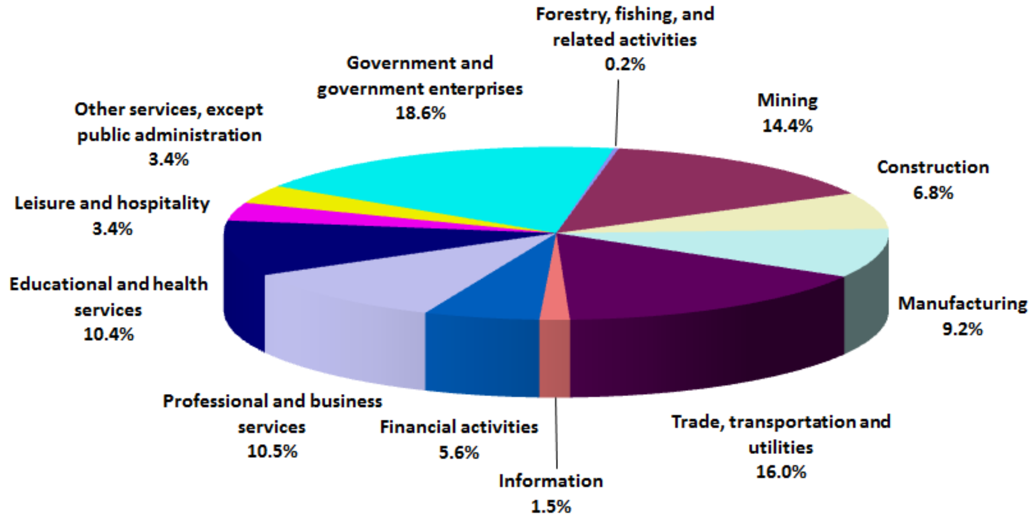
Wages and salaries growth decelerated to 0.2 percent in April, the smallest gain this year, after 0.6 percent advance in March. The saving rate increased to 4 percent from 3.6 percent.

Spending on durable goods decreased 0.5 percent adjusted for inflation, reflecting a pause in auto sales, following a 3.7 percent surge in March. Purchases of non-durable goods, which include gasoline, fell 0.3 percent. Household outlays on services dropped 0.2 percent on a decline in utilities and healthcare after a 0.5 percent rise in March. The core price measure, which excludes food and fuel, rose 0.2 percent from the prior month and was up 1.4 percent from April 2013.

Oklahoma Nonfarm Contribution to Earnings

First Quarter 2014

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



Definition & Importance

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

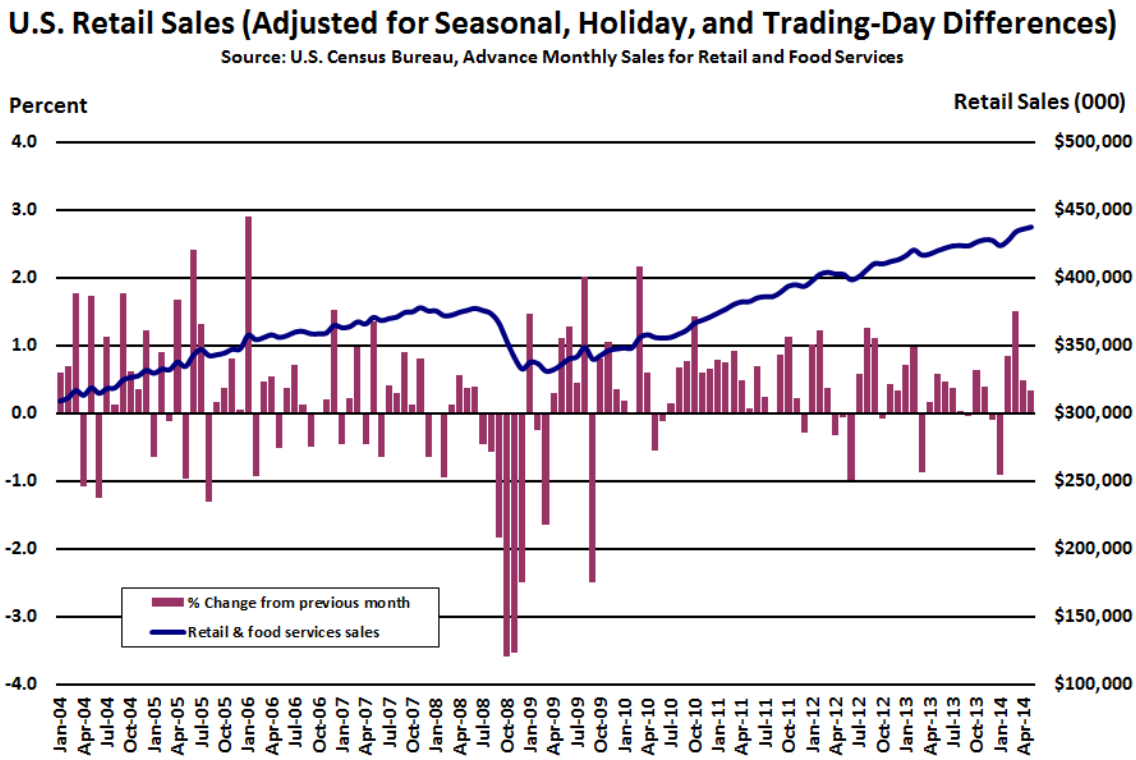
Current Developments

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

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

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

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



Definition & Importance

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

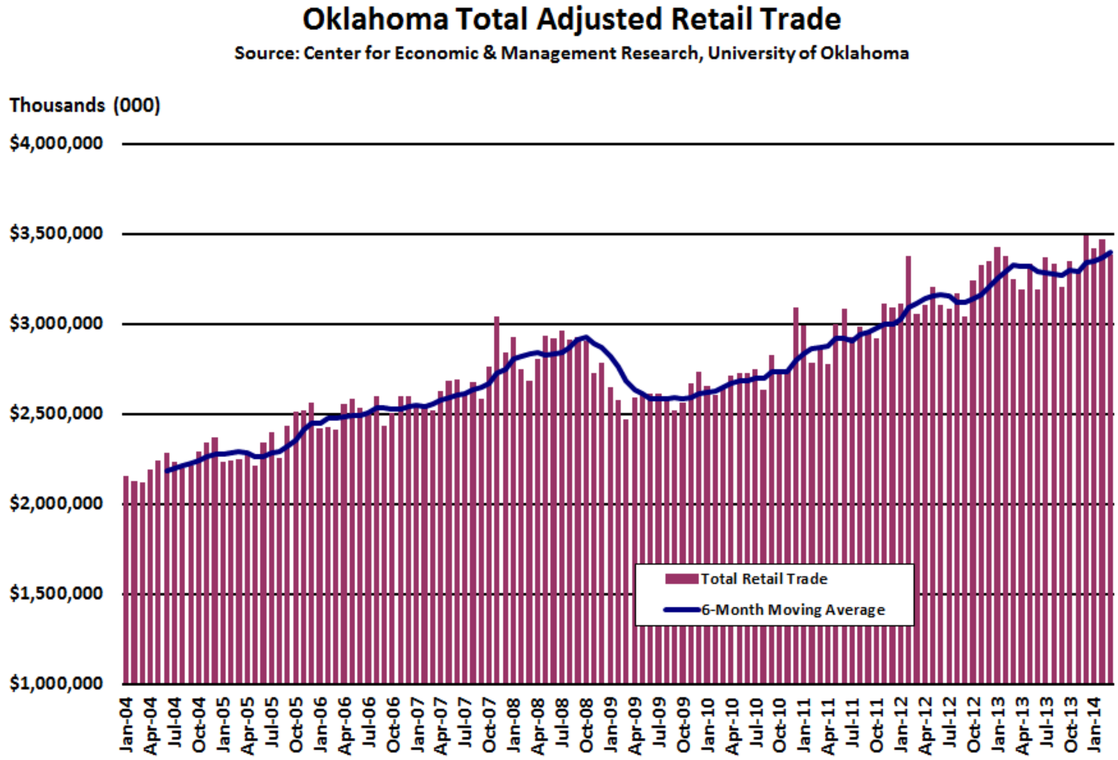
Current Developments

U.S. retail sales rose for a fourth straight month in May, helped by a surge in demand for autos. Advance estimates of U.S. retail and food services sales or May, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $437.6 billion, an increase of 0.3 percent from the previous month, and 4.3 percent above May 2013, according to the U.S. Census Bureau. This follows a 0.5 percent climb in April, (revised upward from 0.1 percent) and a 1.5 percent surge in March, which was the biggest one-month gain in four years. Total retail sales were up 4.3 percent in May from a year earlier.

Auto sales jumped 1.4 percent in May after a rise of 0.9 percent the prior month. Excluding motor vehicles, sales edged up 0.1 percent, following a boost of 0.4 percent in April (originally reported flat).

The less volatile "core" retail sales, excluding automobile and gasoline sales, were flat in May after a 0.3 percent increase the month before. In the core, strength was led by a 1.8 percent rebound in miscellaneous store retailers, up 1.8 percent, following a 1.4 percent drop in April. Also, building materials & garden equipment, was up 1.1 percent after 1.9 percent. Furniture & home furnishings sale were healthy in May.

Weakness in May was led by clothing & accessories which declined 0.6 percent, following a 1.2 spike in April.



Definition & Importance

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

Current Developments

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

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

Total no-durable goods sales dropped 2.9 percent in March with the largest monthly loss in the volatile estimated gasoline sales (-17.1 percent). Spending at eating & drinking establishments also fell in March (-1.1 percent), followed by food sales (-0.2 percent). Advancing in March were apparel sales (+0.3 percent); eating & drinking (+4.0 percent): drugs (+3.4 percent); liquor (+2.9 percent); general merchandise (+2.1 percent); and miscellaneous non-durables (+1.1 percent) Over the year, non-durable goods sales were up 4.1 percent.