OKLAHOMA
Economic Indicators

June 2015

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ECONOMIC INDICATORS

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June 2015

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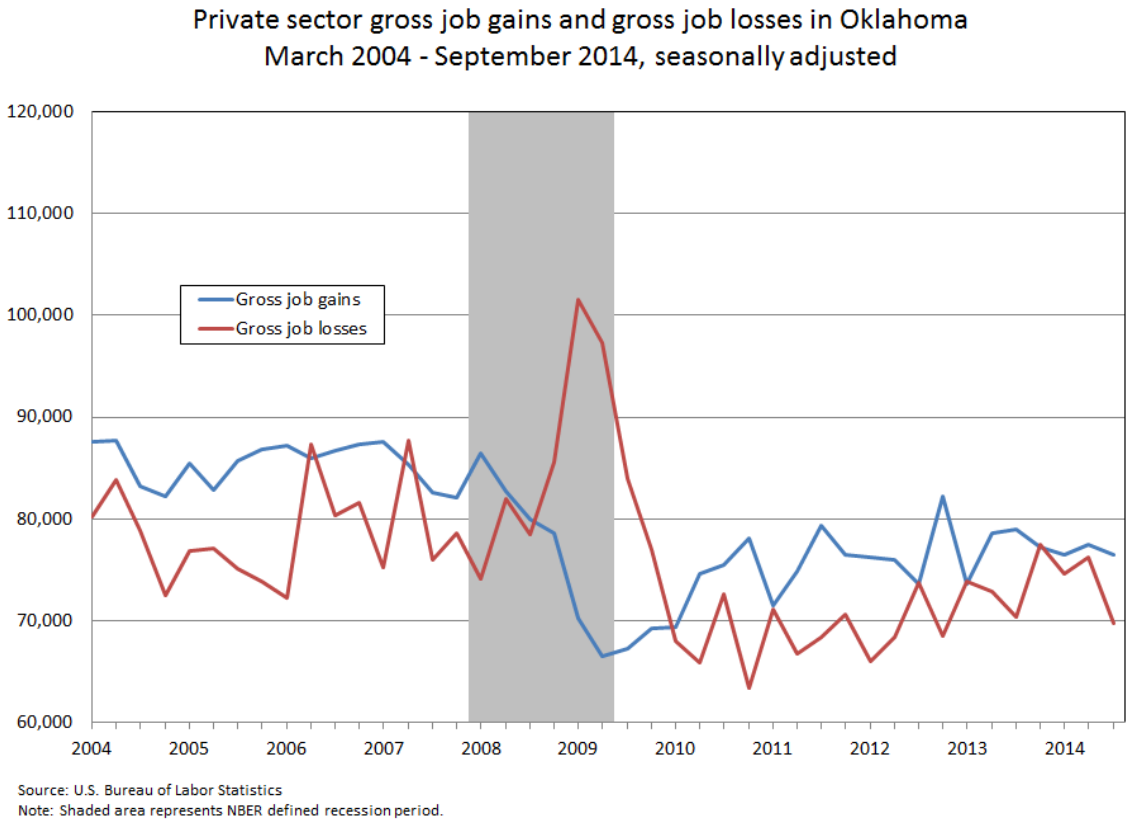
Gross Job Gains and Gross Job Losses: 3rd Quarter 2014

From June 2014 to September 2014 gross job gains in Oklahoma totaled 76,496, while gross job losses numbered 69,680, according to the Oklahoma Employment Security Commission, Economic Research and Analysis Division, and the U.S. Bureau of Labor Statistics, (see Chart 1, below and Table 1, page 7). Gross job gains exceeded gross job losses for a net employment gain of 6,816 in 3rd quarter 2014. During the previous quarter, gross job gains exceeded gross job losses by 1,214.

Chart 1

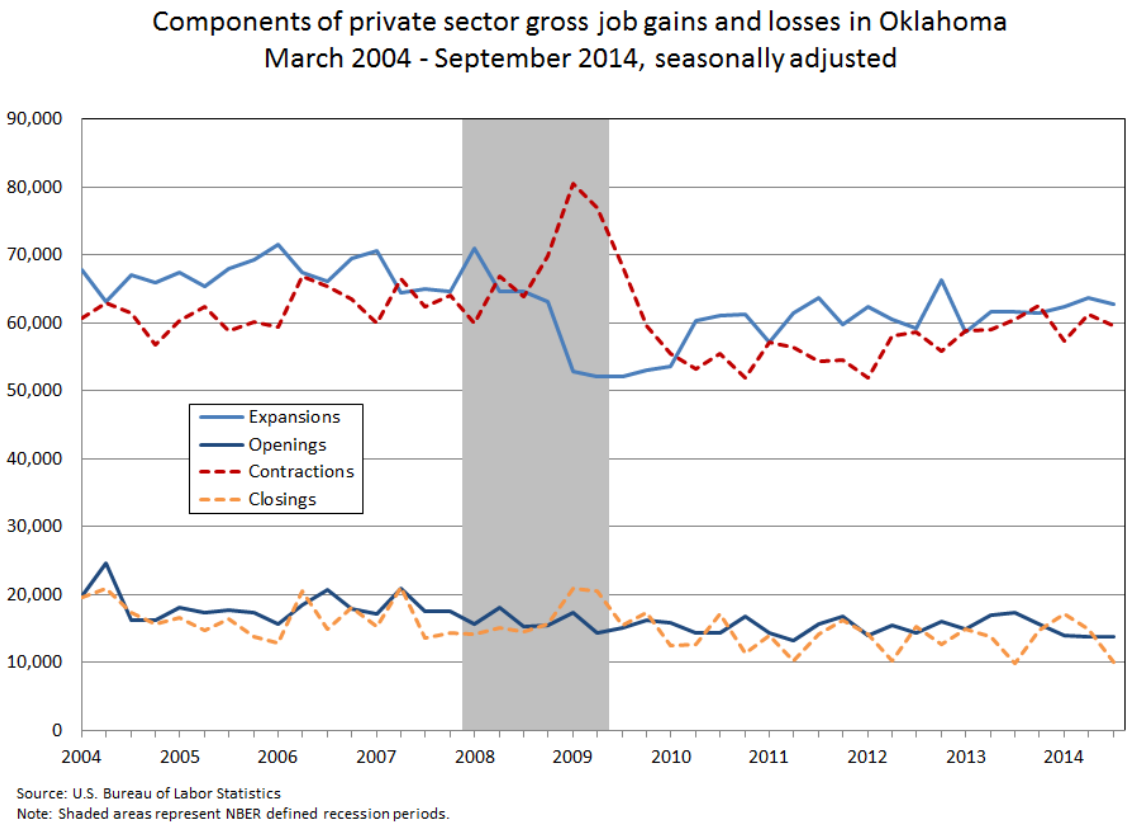


Source: U.S. Bureau of Labor Statistics
Note: Shaded area represents NBER defined recession period.

The change in the number of jobs over time is the net result of increases and decreases in employment that occur at all businesses in the economy. Business Employment Dynamics (BED) statistics track these changes in employment at private business establishments from the third month of one quarter to the third month of the next. Gross job gains are the sum of increases in employment from expansions at existing establishments and the addition of new jobs at opening establishments. Gross job losses are the result of contractions in employment at existing establishments and the loss of jobs at closing establishments. The difference between the number of gross job gains and the number of gross job losses is the net change in employment.

The number of gross job gains in Oklahoma shrunk by 962 between June 2014 and September 2014, (see Chart 1, above and Table 1, p. 7). Oklahoma's gross job gains have remained above 75,000 for six consecutive quarters. After rising in the previous quarter by 1,610, gross job losses dropped by 6,564 in the 3rd quarter. In the past ten years, job losses in the state peaked in 1st quarter 2009 when more than 101,000 jobs were lost.

Chart 2



Source: U.S. Bureau of Labor Statistics
Note: Shaded areas represent NBER defined recession periods.

Gross Job Gains and Losses: Openings vs. Closings and Expansions vs. Contractions

Contracting establishments in Oklahoma lost 59,560 jobs in the 3rd quarter of 2014. This number represents 1,756 fewer jobs lost from the previous quarter. Expanding establishments gained 62,772 jobs, a decrease of 886 jobs compared to the 2nd quarter of 2014.

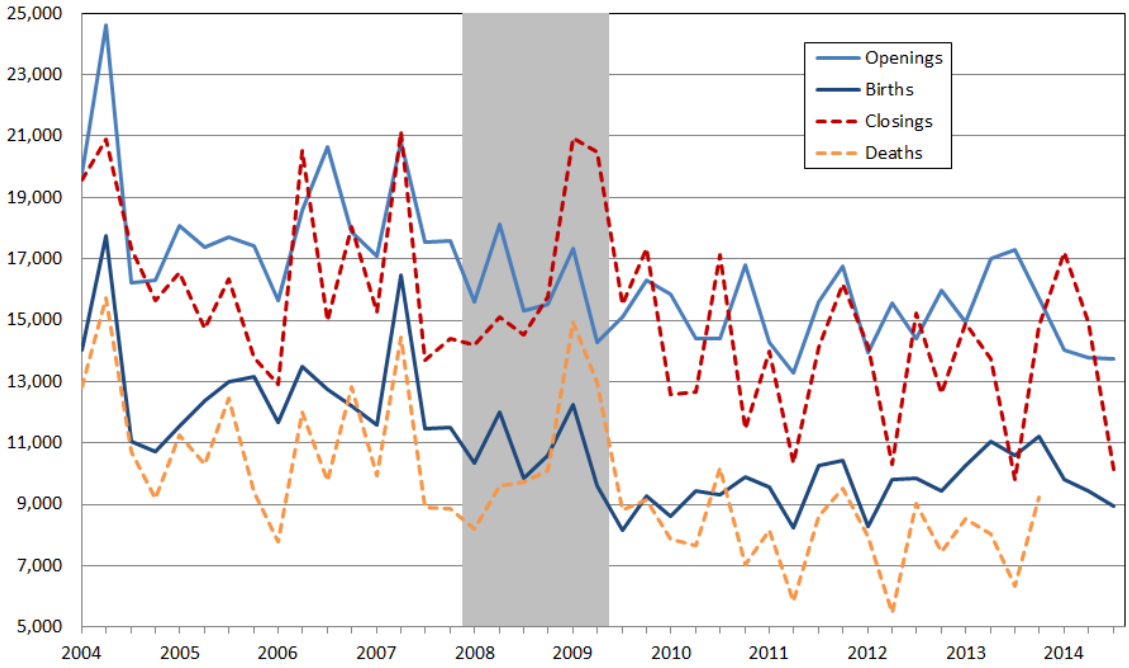
Closing establishments lost 10,120 jobs from June 2014 to September 2014. This represents 4,808 fewer jobs lost than the prior quarter. Opening establishments gained 13,724 jobs during the 3rd quarter of 2014. This represents 76 fewer new jobs from private sector establishment openings than in 2nd quarter 2014, (see Chart 2, above).

In Oklahoma, the number of private sector establishment births, (a subset of the openings data), decreased by 93 to 2,310 in the 3rd quarter of 2014. These new establishments accounted for 8,959 jobs or 483 fewer jobs than the previous quarter.

Data for establishment deaths, (a subset of the closings data), are now available through the 4th quarter of 2013. From September 2013 to December 2013, 9,230 jobs were lost at 2,174 private sector establishments in Oklahoma. In the prior quarter, 6,333 jobs were lost at 1,661 private sector establishments (see Chart 3, next page).

Chart 3

Employment from private sector openings, closings, births and deaths in Oklahoma
March 2004 - September 2014, seasonally adjusted



Source: U.S. Bureau of Labor Statistics
Note: Shaded areas represent NBER defined recession periods.

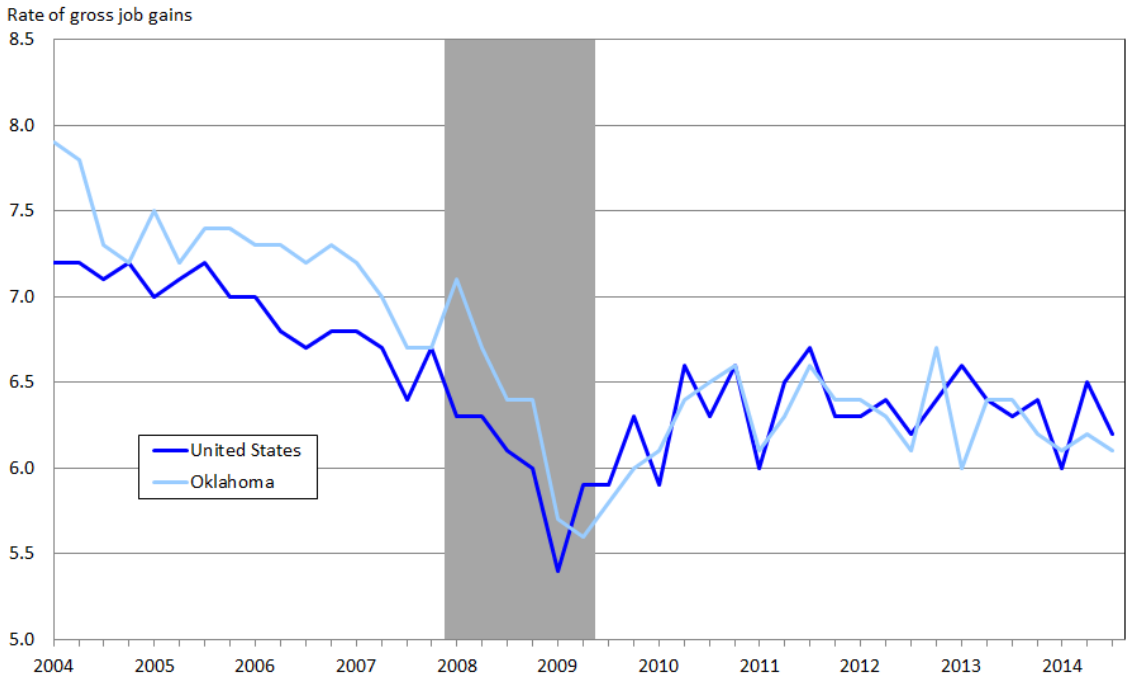
Gross Job Gains and Gross Job Losses: Percent of Total Private Sector Employment

Gross job gains represented 6.1 percent of 3rd quarter 2014 total private sector employment in Oklahoma. Expansions accounted for 5.0 percent of total private sector employment and openings contributed 1.1 percent. Nationally, gross job gains accounted for 6.2 percent of private employment in 3rd quarter 2014. Oklahoma's rate of gross job gains generally tracked with the U.S. rate from the 4th quarter of 2008 to the 4th quarter of 2012. In the 1st quarter of 2013, Oklahoma's rate of gross job gains was 6.0 percent, considerably lower than the national rate of 6.6 percent. (See Chart 4, page 5.)

Oklahoma's rate of gross job losses as a percent of total private sector employment was 5.5 percent in the 3rd quarter of 2014, with contractions accounting for 4.7 percent and closings adding another 0.8 percent. That was lower than the national rate of 5.8 percent. The rate of gross job losses in Oklahoma mirrored the national rate from 1st quarter 2011 to 4th quarter 2012, but has shown more volatility in recent quarters. (See Chart 5, page 5).

Chart 4

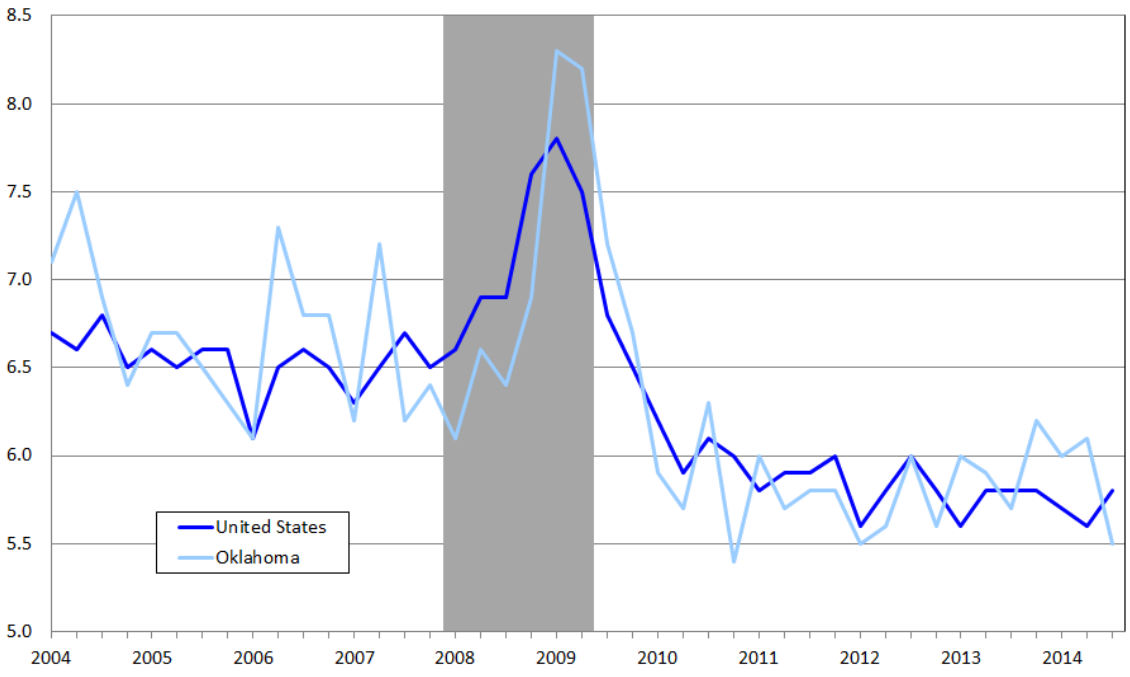
Private sector gross job gains as a percent of employment, United States and Oklahoma
March 2004 - September 2014, seasonally adjusted



Source: U.S. Bureau of Labor Statistics
Note: Shaded areas represent NBER defined recession periods.

Chart 5

Private sector gross job losses as a percent of employment, United States and Oklahoma
March 2004 - September 2014, seasonally adjusted



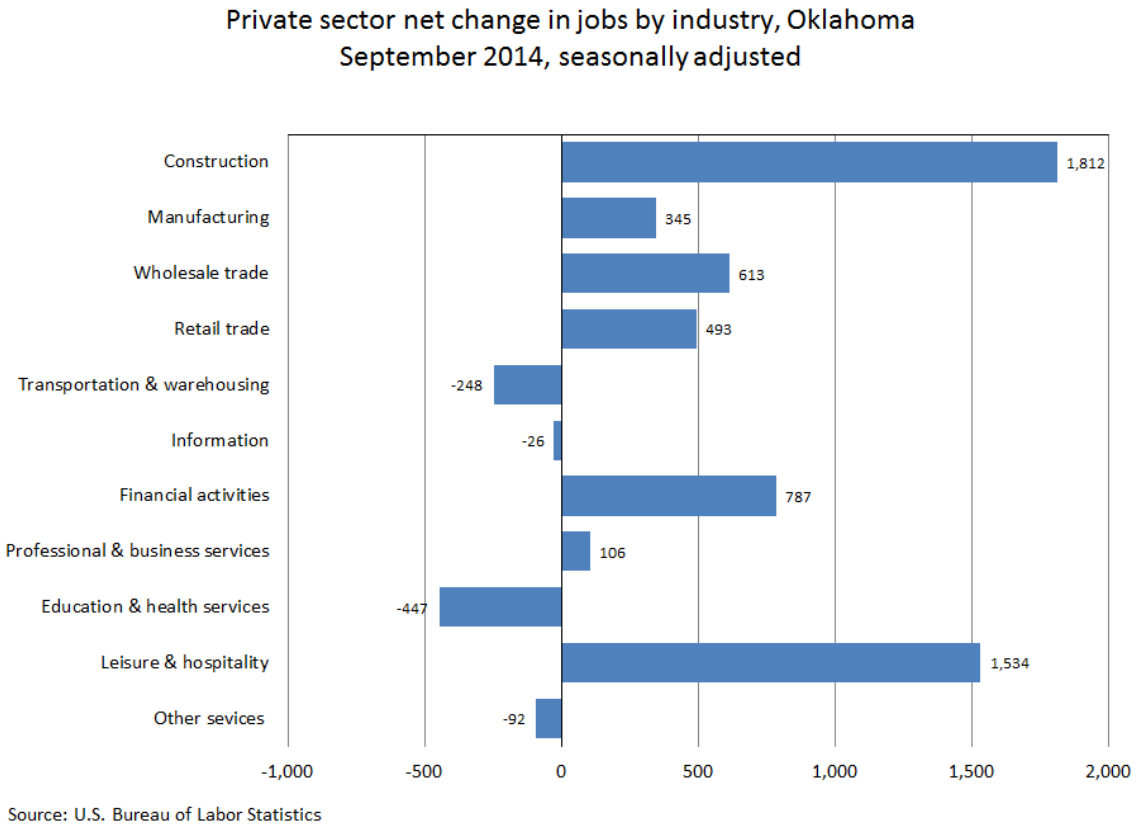
Source: U.S. Bureau of Labor Statistics
Note: Shaded areas represent NBER defined recession periods.

Gross Job Gains and Gross Job Losses by Industry: 3rd Quarter 2014

During the 3rd quarter of 2014, gross job gains exceeded gross job losses in 7 of 11 reported industry sectors in Oklahoma. For example, within manufacturing, gross job gains exceeded gross job losses by 345. While 4,323 jobs were lost at closing and contracting establishments in the industry, 4,668 were created at opening and expanding establishments in the 3 months ended in September 2014. In professional and business services, the loss of 13,100 jobs at closing and contracting establishments was offset by a gain of 13,206 jobs at opening and expanding establishments, resulting in a net gain of 106 jobs. Professional and business services also led all industry sectors in terms of both gross job gains and gross job losses with more than 13,000 of each. (See Chart 6 below and Table 5, pages 13-16). The largest net employment increase occurred in construction, where gross job gains exceeded gross job losses by 1,812.

In contrast, gross job losses exceeded gross job gains in four reported industry sectors in September 2014. Sectors recording net job losses were education and health services (-447); transportation and warehousing (-248); information (-26); other services (-92).

Chart 6



Source: U.S. Bureau of Labor Statistics

Table 1. Oklahoma: Three-month private sector gross job gains and losses, seasonally adjusted					
Category	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014
	Levels				
Gross job gains.....	**78,989**	**77,204**	**76,411**	**77,458**	**76,496**
Expanding establishments	61,708	61,498	62,366	63,658	62,772
Opening establishments	17,281	15,706	14,045	13,800	13,724
Gross job losses.....	**70,356**	**77,423**	**74,634**	**76,244**	**69,680**
Contracting establishments	60,557	62,601	57,401	61,316	59,560
Closing establishments	9,799	14,822	17,233	14,928	10,120
Net employment change[1]	8,633	-219	1,777	1,214	6,816
	Rates (Percent)				
Gross job gains.....	**6.4**	**6.2**	**6.1**	**6.2**	**6.1**
Expanding establishments	5.0	4.9	5.0	5.1	5.0
Opening establishments	1.4	1.3	1.1	1.1	1.1
Gross job losses.....	**5.7**	**6.2**	**6.0**	**6.1**	**5.5**
Contracting establishments	4.9	5.0	4.6	4.9	4.7
Closing establishments	0.8	1.2	1.4	1.2	0.8
Net employment change[1]	0.7	0.0	0.1	0.1	0.6

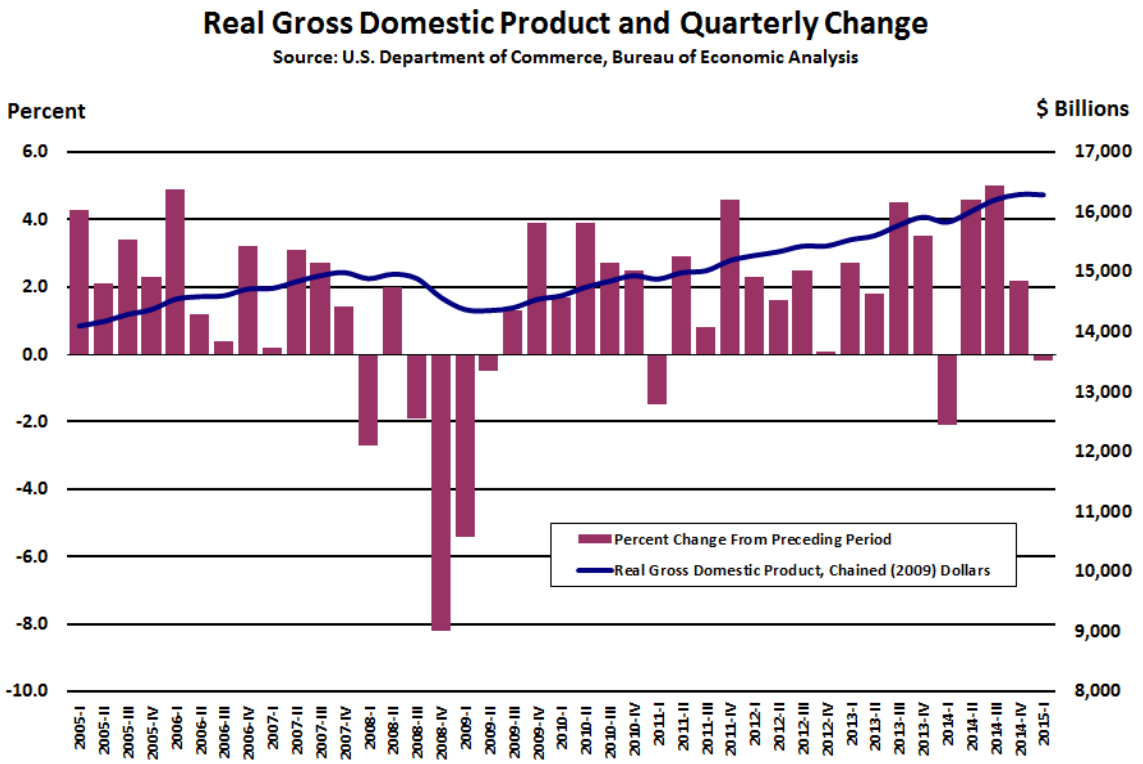
Source: U.S Bureau of Labor Statistics

[1]Net employment change is the difference between total gross job gains and total gross job losses.

More Information

A copy of the full 3rd quarter 2014 Oklahoma BED report along with technical notes and detailed tables is available on the OESC website at:
http://www.ok.gov/oesc_web/documents/lmibedpub3q2014.pdf

Additional information about the Business Employment Dynamics program is available online at:
http://www.bls.gov/bdm



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 contracted in the first three months of the year, but not as much as previously thought. Real gross domestic product (GDP) decreased at an annual rate of 0.2 percent in the 1st quarter of 2015, according to the "third" estimate released by the Bureau of Economic Analysis (BEA). In the 4th quarter, real GDP increased 2.2 percent.

Weakness in 1st quarter consumer spending was blamed on unusually severe winter weather in February. Real personal consumption expenditures were raised to a 2.1 percent growth pace from the 1.8 percent rate previously reported. Durable goods expenditures were upwardly revised to 1.3 percent, up from 1.1 percent reported last month. Non-durable goods spending was also revised upward to 0.8 percent instead of 0.1 percent as first thought. Spending on services was also revised upward to 2.7 percent, instead of a 2.5 percent pace previously reported.

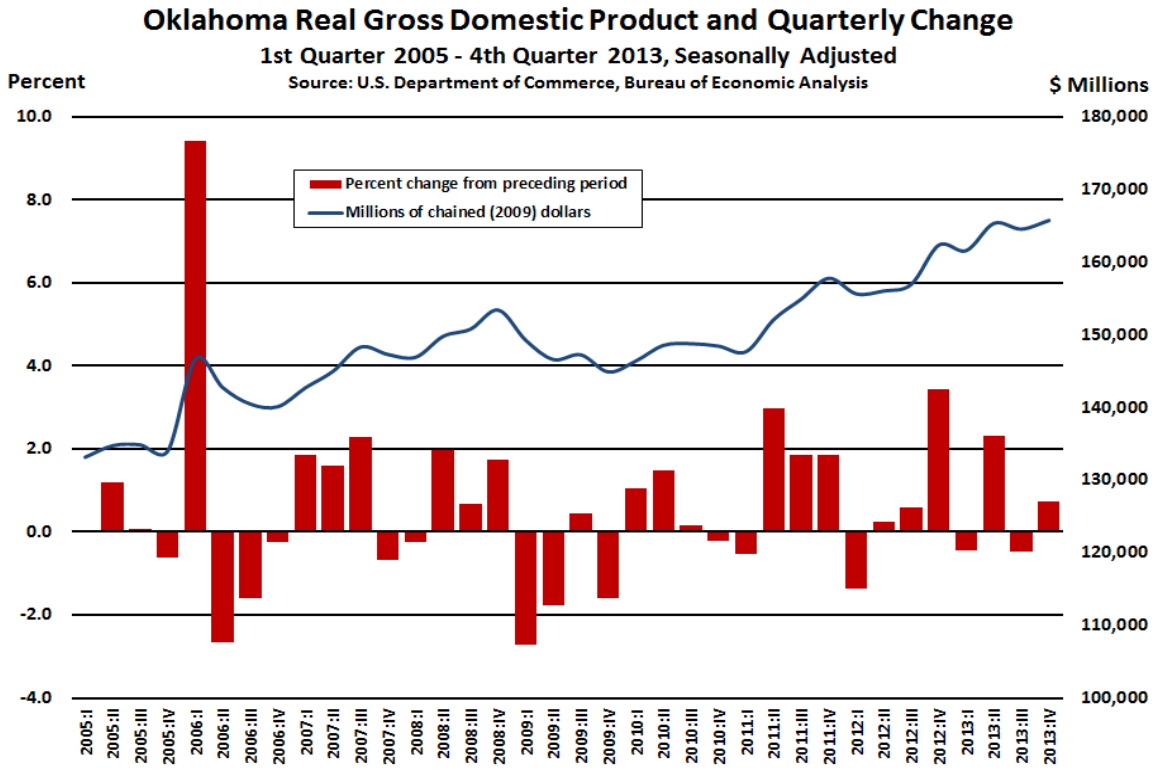
Business investment spending was less weak than previously estimated last month. Business investment in structures, which include oil wells, dropped by 18.8 percent in the 1st quarter instead of -20.8 previously reported, still the biggest drop in four years.

Businesses accumulated $99.5 billion in inventories in the 1st quarter, $4.5 billion more than previously estimated. Inventories contributed 0.45 percentage point to GDP instead of the previously reported 0.33 percentage point.

An upward revision in housing construction last quarter offset some of the weakness in GDP growth. Real residential fixed investment increased 6.5 percent, instead of the first reported 5.0 percent rate, adding 0.16 percentage point to 1st quarter GDP growth.

Although export growth was revised higher, it was offset by an upward revision to imports. The trade deficit subtracted 1.9 percentage points from GDP, with 1.03 percentage point of the loss coming from a big drop in exports.

Government spending also weighed on real GDP growth in the 1st quarter. Real federal government consumption expenditures and gross investment was flat in the 1st quarter. National defense spending was revised upward to 1.2 percent while nondefense spending remained at 2.0 percent. Real state and local government consumption expenditures and gross investment was revised downward to -1.0 percent, instead of -1.8 percent. Government consumption expenditures and gross investment deducted 0.11 percentage point from GDP growth in the 1st quarter.



Definition & Importance

The U.S. Bureau of Economic Analysis (BEA) recently released prototype statistics of quarterly gross domestic product (GDP) by state for 2005–2013. These new statistics provide a more complete picture of economic growth across states that can be used with other regional data to gain a better understanding of regional economies as they evolve from quarter to quarter. The new data provide a fuller description of the accelerations, decelerations, and turning points in economic growth at the state level, including key information about changes in the distribution of industrial infrastructure across states.

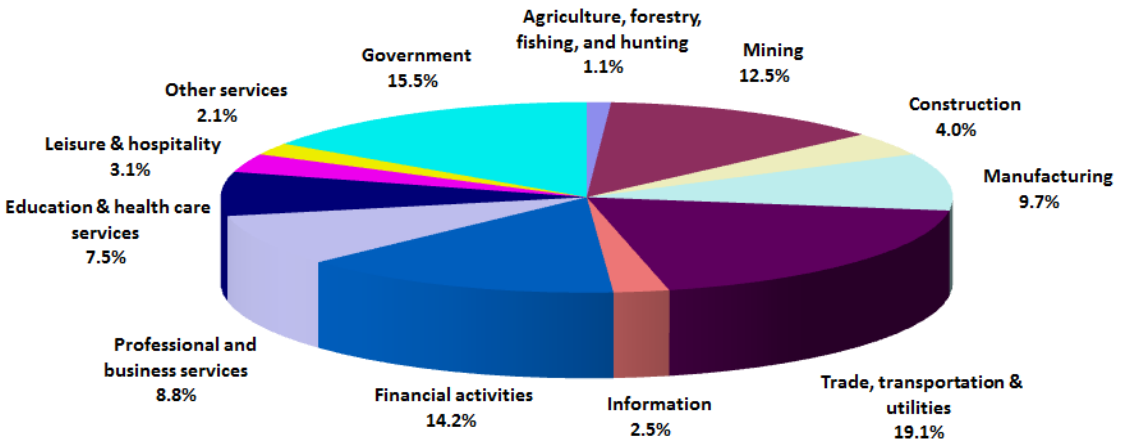
Current Developments

U.S. real GDP by state increased 1.8 percent in 2013. Growth in real GDP accelerated in the 2nd and 3rd quarter of the year after increasing at an annual rate of 1.1 percent in the 1st quarter. After reaching a high of 4.2 percent in the 3rd quarter, growth in real GDP decelerated to 2.8 percent in the 4th quarter. Real GDP grew steadily in 24 states through all four quarters in 2013. In the 4th quarter of 2013, real GDP increased in all states except Mississippi and Minnesota.

In 4th quarter 2013, Oklahoma's GDP was $165.7 billion in constant 2009 dollars, up from $164.5 billion in the 3rd quarter. The state's 4th quarter real GDP increased by $1.19 billion, or 2.9 percent, ranking Oklahoma 29th among all other states and the District of Columbia.

For all of 2013, Oklahoma's real GDP was at a level of $164.3 billion in constant 2009 dollars, growing at a rate of 4.2 percent from 2012. That was the fourth-highest annual GDP growth rate among all other states and the District of Columbia. North Dakota was first with a 9.7 percent growth rate followed by Wyoming at 7.6 percent and West Virginia at 5.1 percent.

2014 Industry Share of Oklahoma's Economy
(by percentage of Gross Domestic Product)
Source: U.S. Department of Commerce, Bureau of Economic Analysis



Definition & Importance

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

Current Developments

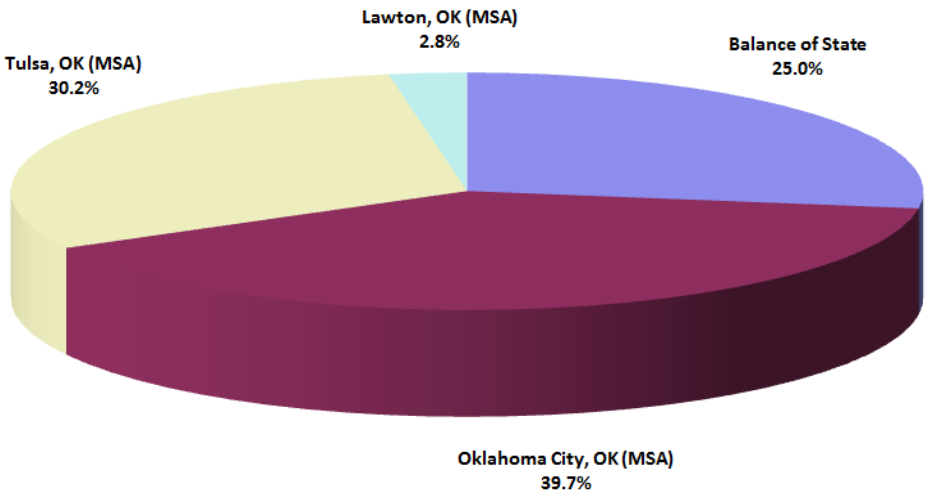
Oklahoma was among 48 states and the District of Columbia experiencing growth in real gross domestic product (GDP) in 2014, according to new statistics from the Bureau of Economic Analysis (BEA). U.S. real GDP grew 2.2 percent in 2014 after increasing 1.9 percent in 2013.

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

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

Metropolitan Area Contribution to State Real Gross Domestic Product 2013

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



Definition & Importance

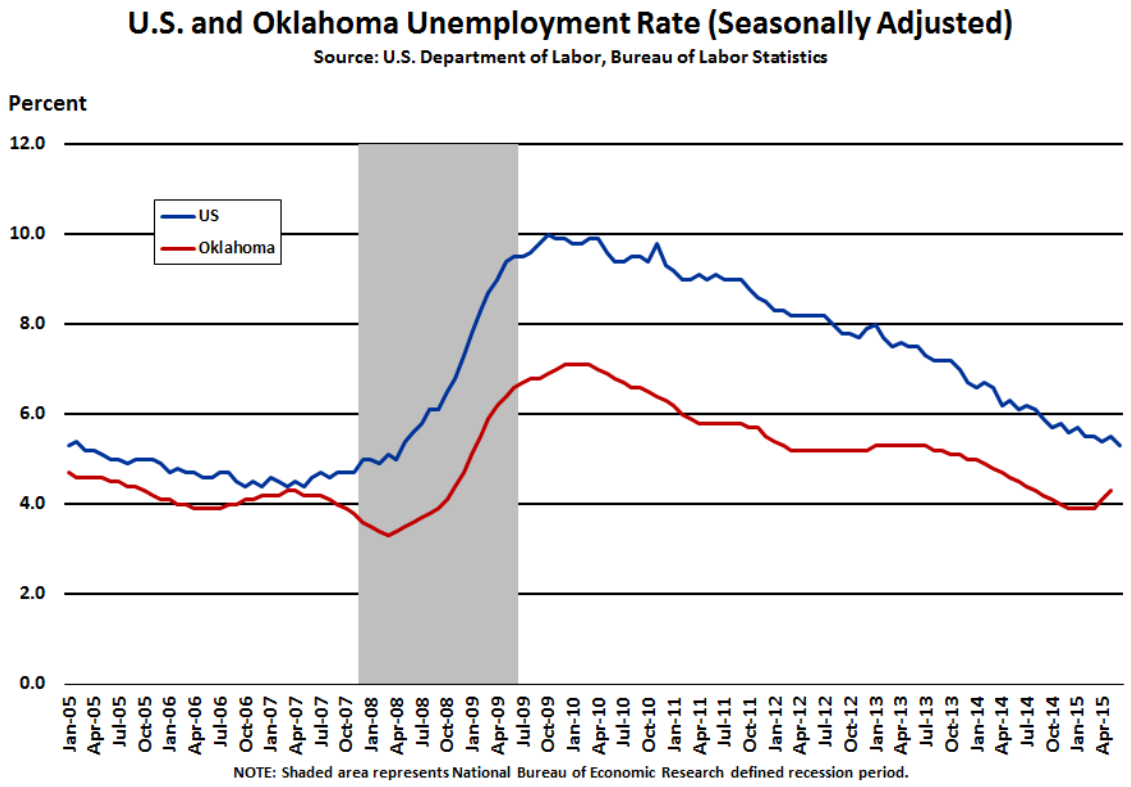
Metropolitan Statistical Areas (MSA) are the county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree 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 292 of the nation's 381 metropolitan areas in 2013, led by widespread growth in finance, insurance, real estate, rental, and leasing, nondurable-goods manufacturing and professional and business services, according to the U.S. Bureau of Economic Analysis (BEA). Natural resources and mining also spurred strong growth in several metropolitan areas. Collectively, real GDP for U.S. metropolitan areas increased 1.7 percent in 2013 after increasing 2.6 percent in 2012.

All three Oklahoma metropolitan areas outpaced or equaled U.S. metropolitan area real GDP growth in 2013. Oklahoma City MSA grew by 3.9 percent to $65.2 billion and ranked 56th (out of 381 metro areas). Tulsa MSA grew at a rate of 3.5 percent to $49.6 billion and ranked at 68th. Lawton MSA grew 1.7 percent to $4.5 billion in 2013 and ranked 175th out of 381 U.S. metro areas.



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.

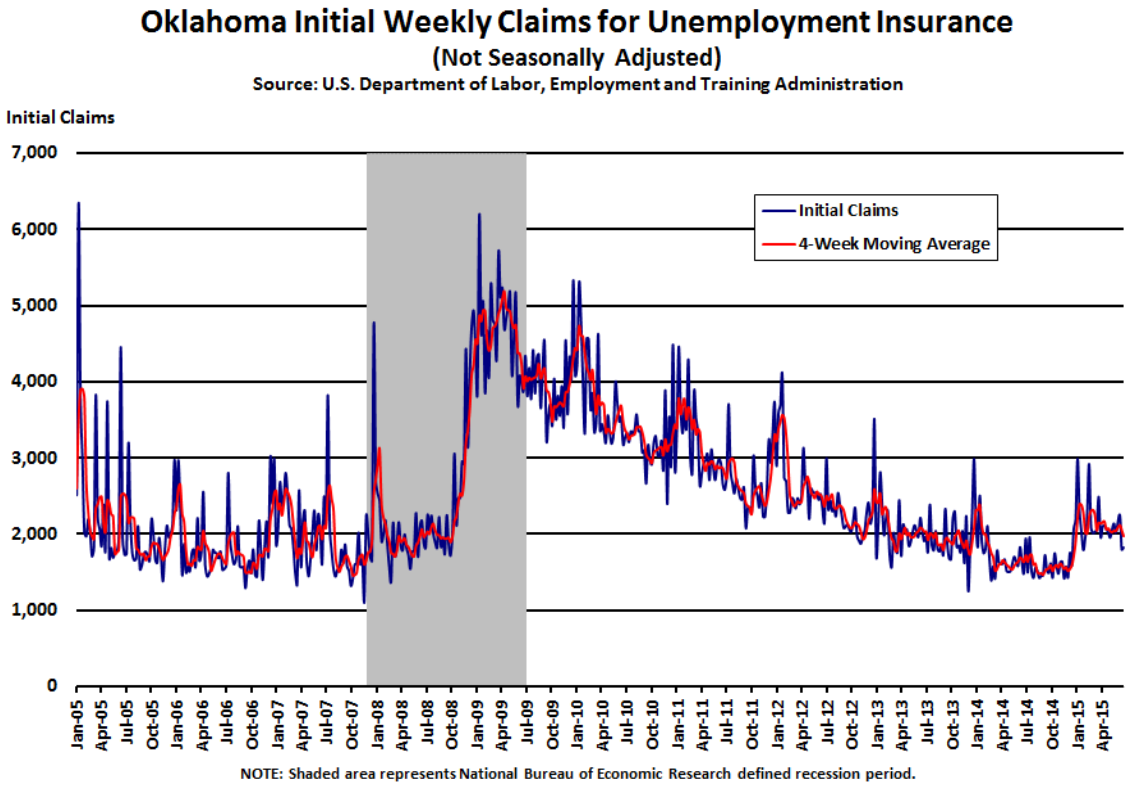
The unemployment rate is a lagging indicator of economic activity. During a recession many people leave the labor force entirely. As a result, the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more 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

U.S. unemployment fell to a seven-year low in June, but for the wrong reasons as more people stopped looking for work. The unemployment rate declined 0.2 percentage point to 5.3 percent in June, according to the Bureau of Labor Statistics (BLS). The labor-force participation rate also fell from 62.9 percent in May to 62.6 percent in June, the lowest since October 1977.

Oklahoma's seasonally adjusted unemployment rate rose two-tenths of a percentage point to 4.3 percent in May, tied with Colorado and Texas for the 13th lowest unemployment rate among all states.

Over the year, the state's seasonally adjusted unemployment rate dropped by 0.3 percentage points from 4.6 percent in May 2014. Rhode Island saw the largest drop in year-over-year change in jobless rates among states (-2.0 percentage points), while Louisiana once again had the largest over-the-year gain at 0.7 percentage points.



Definition & Importance

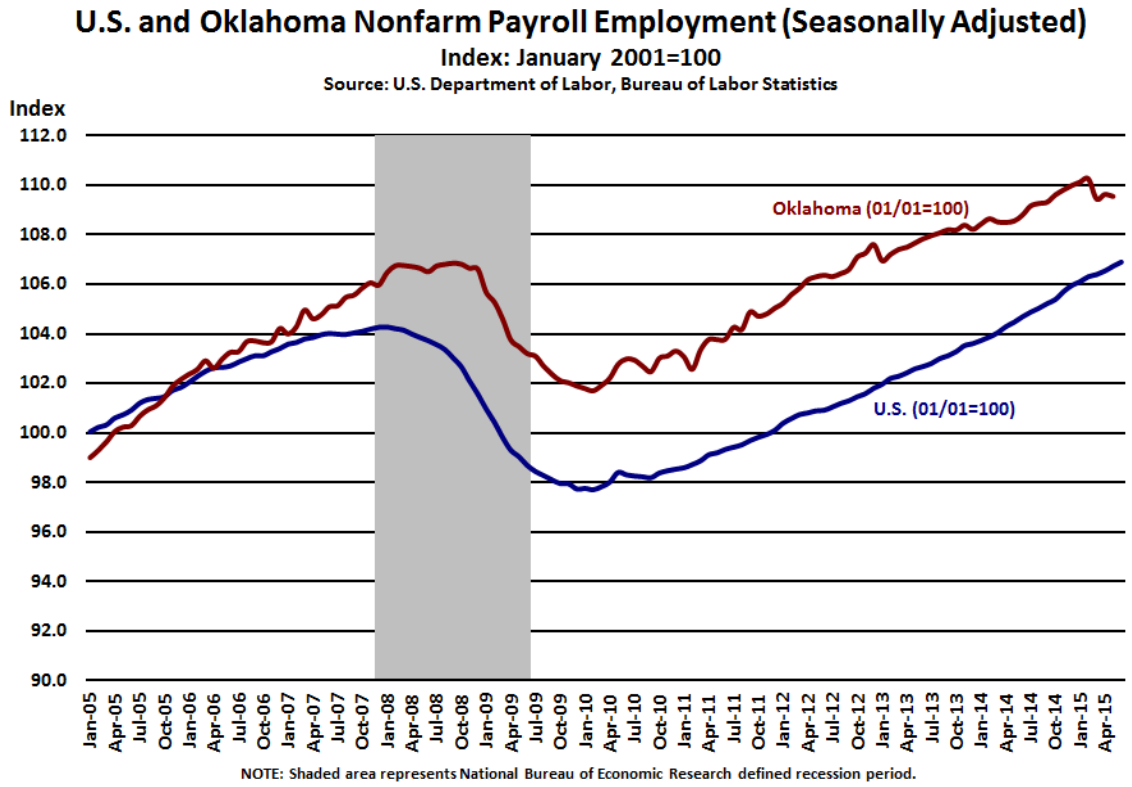
Initial unemployment claims are compiled weekly by the U.S. Department of Labor, Employment and Training Administration and show the number of individuals who filed for unemployment insurance benefits for the first time. This particular variable is useful because it gives a timely assessment of the overall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

In the last week of June, the number of people filing for U.S. unemployment benefits held below 300,000 for the 16th straight week. In the week ending June 27, the advance figure for seasonally adjusted initial claims was 281,000, an increase of 10,000 from the previous week's unrevised level of 271,000, according to the U.S. Labor Department (DOL). The less volatile 4-week moving average was 274,750, an increase of 1,000 from the previous week's unrevised average of 273,750.

Oklahoma initial jobless claims turned down again in June, suggesting the recent layoffs the in oil and gas industry are easing. For the file week ending June 20, initial jobless claims were at a level of 1,824 or 25 more claims than the previous week. For the same file week ending, the four-week moving average moved down to a level of 1,974 or 79 less claims than the previous week. Over the month, initial claims were 194 less than 2,018 on May 23. Over the year, statewide initial jobless claims have increased by 334 from 1,490 for the file week ended May 21, 2014, while the less volatile 4-week moving average rose by 341 from 1,633 for the same file week.



Definition & Importance

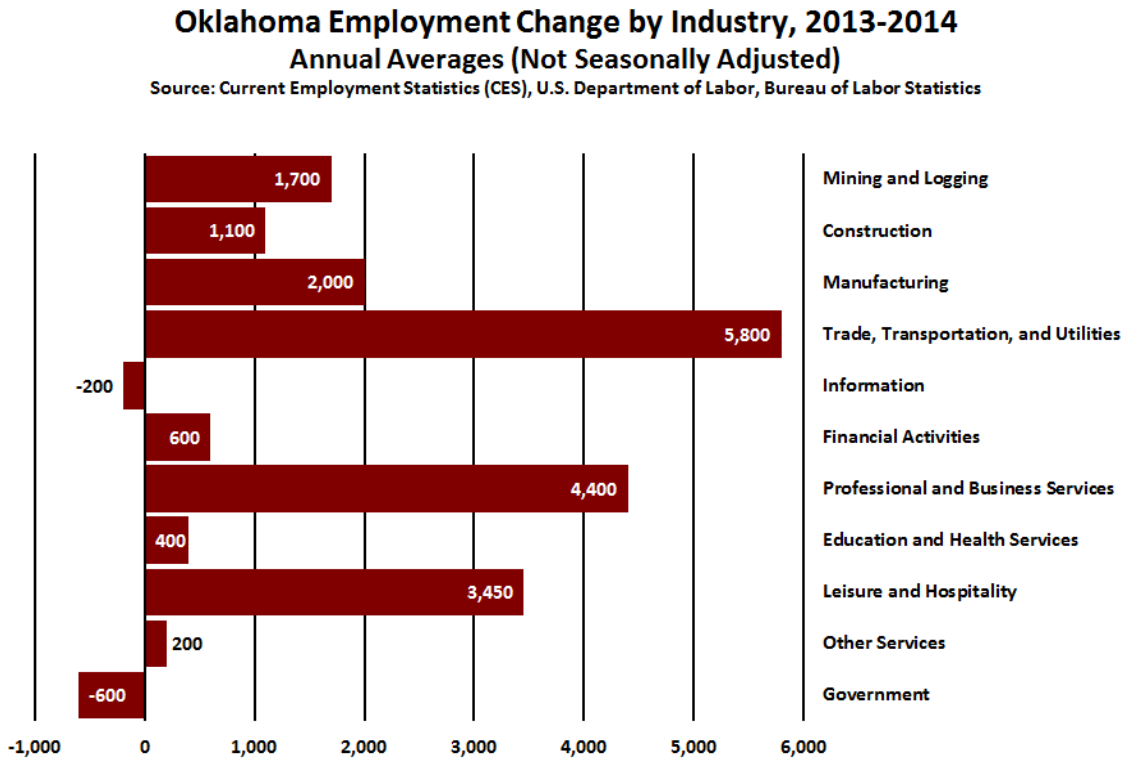
Nonfarm payroll employment data is produced by the Current Employment Statistics (CES) program of the Bureau of Labor Statistics (BLS). The CES Survey is a monthly survey of approximately 140,000 nonfarm businesses and government agencies representing approximately 440,000 individual worksites. The CES 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

Although employers hired at a solid pace in June, other labor market indicators painted a gloomier picture as more people stopped looking for work and wages were stagnant. Total nonfarm employment rose by 223,000 jobs in June, according to the Bureau of Labor Statistics (BLS). The prior two months' job gains were revised down by a total of 60,000—from 280,000 to 254,000 in May and from 221,000 to 187,000 in April. All the gains were in the private sector, with strong growth in health care (+ 40,000); retail trade (+33,000); financial activities (+20,000); and transportation & warehousing (+17,000). Average hourly earnings were flat in June

Oklahoma's seasonally adjusted nonfarm employment declined by 1,200 jobs (-0.1 percent) in May. Seven of Oklahoma's 11 supersectors posted job losses in May, with mining & logging (-1,300 jobs) posting the largest drop. Over the year, statewide total nonfarm employment gained 15,100 jobs (+0.9 percent) with nine out of 11 supersectors adding jobs. Mining & logging shed 5,400 jobs while manufacturing lost 5,100 jobs. Leisure & hospitality (+8,700 jobs) claimed the largest year-to-year job gain.



Definition & Importance

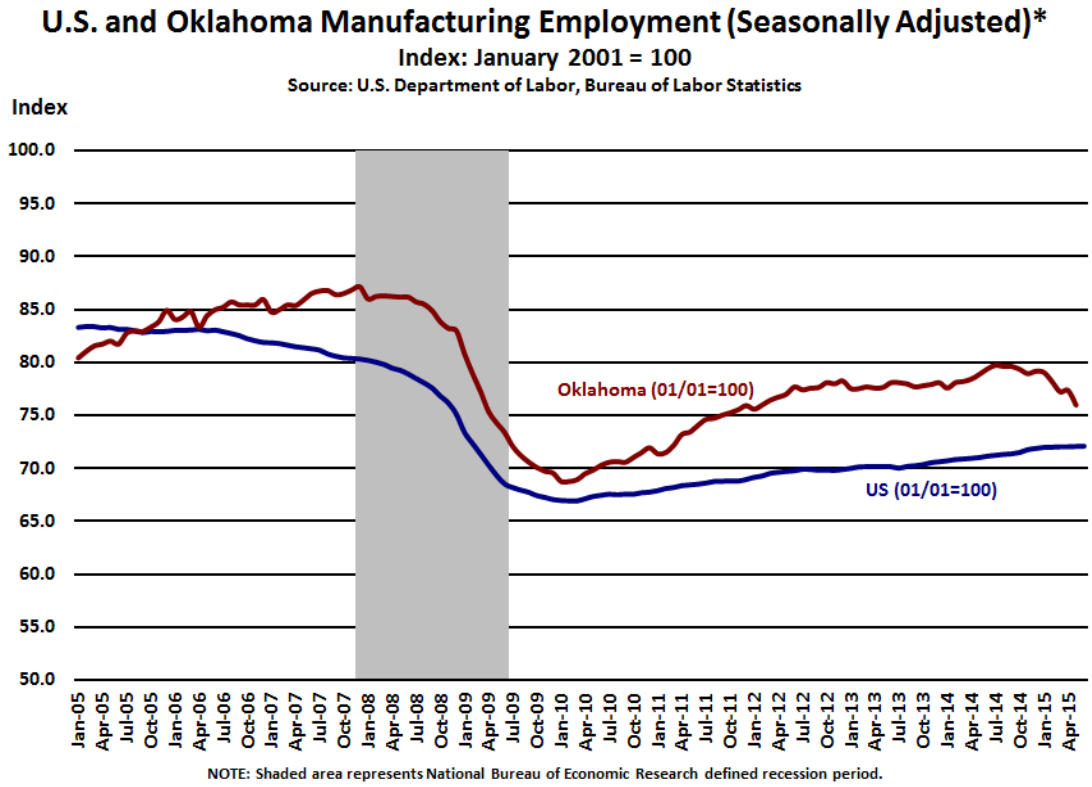
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion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

Current Developments

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

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

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



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.

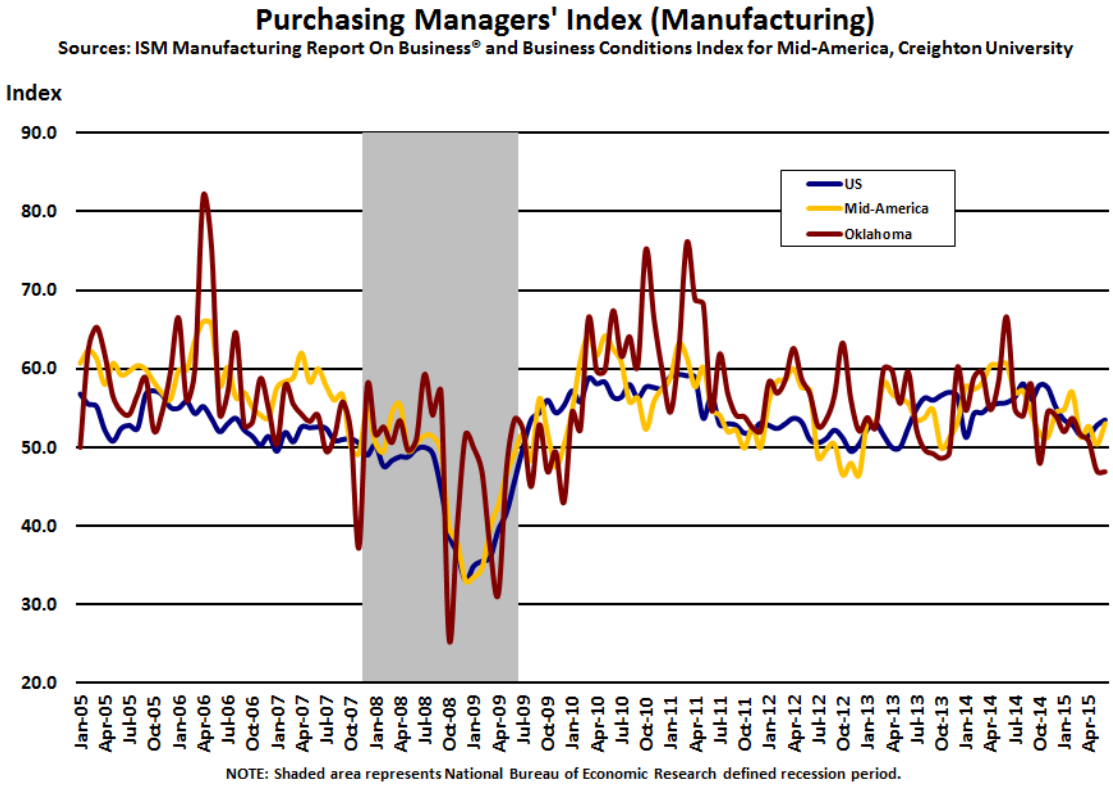
Current Developments

U.S. factory hiring continued a softer-than-desired pace for the first half of 2015, particularly over the past five months. Manufacturers added 4,000 net new workers in May, according to the Bureau of Labor Statistics (BLS). Manufacturing has added an average of just 6,167 workers per month in the first half of this year, a much slower rate of hiring than observed in the second half of 2014, which averaged 20,667 per month.

Oklahoma manufacturing employment slipped in May, shedding a non-seasonally adjusted 2,400 jobs (-1.8 percent). Durable goods manufacturing accounted for the majority of the job losses in May, led by fabricated metal products (-800) and machinery manufacturing (-800).

Over the year, Oklahoma manufacturing employment shed a non-seasonally adjusted 5,100 jobs (-3.7 percent) with most of the job losses coming from durable goods manufacturing.

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



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. manufacturers grew in June at the fastest rate since the start of 2015, boosted by hirings and new orders. The June PMI® registered 53.5 percent, an increase of 0.7 percentage point over the May reading of 52.8 percent, matching its highest level of this year, according to the latest Manufacturing ISM Report On Business®.

In June, the New Orders Index rose to a very solid 56.0 percent, an increase of 0.2 percentage points from the previous reading and the highest level since the first of the year. The Employment Index registered 55.5 percent, 3.8 percentage points above the May reading of 51.7 percent, reflecting growing employment levels from May at a faster rate. Production, registered 54 percent, 0.5 percentage point below the May reading of 54.5 percent. However, the gauge of new export orders dipped below breakeven 50 to 49.5, further evidence that the strong dollar continues to hurt manufacturers.

The Mid-America Business Conditions Index, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, climbed for June. The Business Conditions Index, which ranges between 0 and 100, rose to 53.0 from 50.4 in May, according to the Creighton Economic Forecasting Group. Indices over the past several months have pointed to positive, but slow economic growth over the next three to six months for the region.

“Much weaker business conditions for firms tied to energy are restraining the overall reading. Weaker conditions were particularly evident in Oklahoma and North Dakota, two energy-producing states. This weakness is spilling over into metal manufacturers throughout the region,” said Ernie Goss, Ph.D., director of Creighton University’s Economic Forecasting Group.

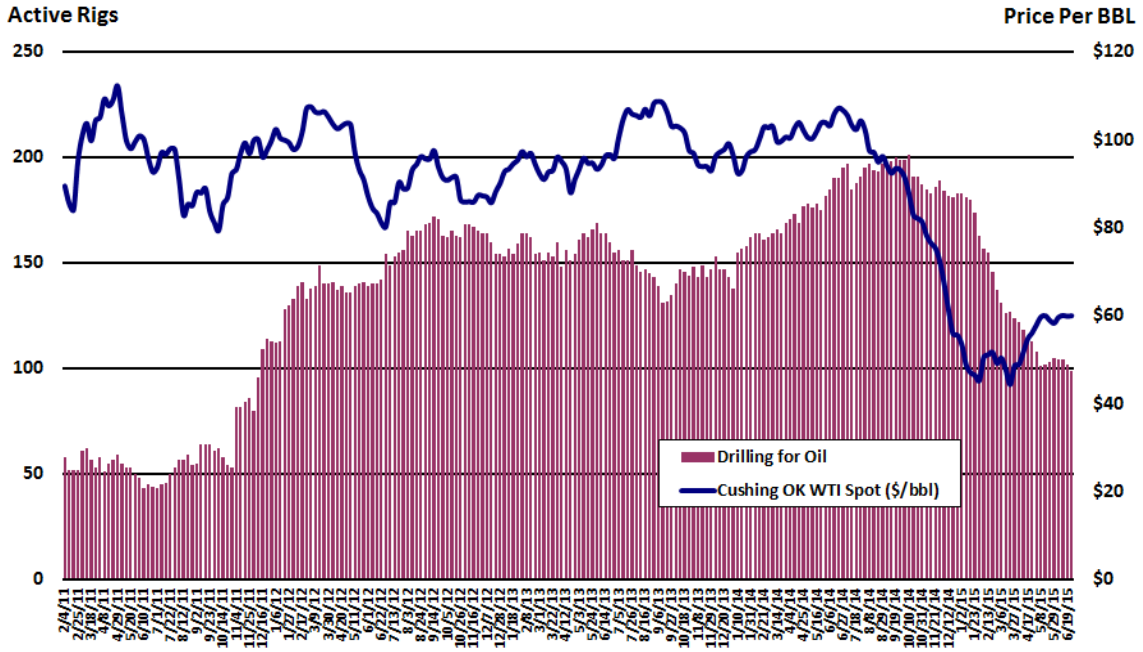
The Business Conditions Index for Oklahoma slumped below growth neutral for a second straight month, falling to 46.9 from 47.0 in May. Components of the June survey of supply managers were new orders at 48.2, production or sales at 48.3, delivery lead time at 46.6, inventories at 48.1, and employment at 45.0.

“The state is now experiencing the expected negative fallout from weaker economic conditions in the energy sector. Metal producers in the state linked to energy are also experiencing job losses and pullbacks in economic activity. Nondurable goods producers, such as food producers, are also detailing negative numbers for the last several months,” said Goss.

Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

February 2011 to June 2015

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 U.S. Energy Information Administration (EIA) recently noted that employment in oil and natural gas extraction and support activities in the United States reached nearly 538,000 in October 2014, but then it declined by about 35,000 jobs, or 6.5%, over the following six months, through April 2015, according to data from the U.S. Bureau of Labor Statistics (BLS).

In Oklahoma, mining employment peaked in November 2014 with 63,200 workers, according to figures from the BLS. Since then, statewide mining employment has dropped by 8,400 jobs (-13.3 percent) over the past six month period (November 2014 to May 2015).

The EIA also noted that in oil-rich North Dakota, the unemployment rate slightly increased from 2.8 percent in October 2014 to 3.1 percent in May 2015, and Nebraska has replaced North Dakota as the state with the lowest unemployment rate. Oklahoma's unemployment rate also increased slightly from 4.1 percent to 4.3 percent in that period. But in Texas, where many reported reductions in oil and natural gas jobs occurred, the unemployment rate actually decreased from 4.7 percent in October 2014 to 4.1 percent in May 2015, because of offsetting growth in other areas of its more diverse economy

The EIA estimates total U.S. crude oil production declined by 50,000 barrels per day (b/d) in May compared with April. Production is expected to generally continue falling through early 2016 before growth resumes. Projected U.S. crude oil production averages 9.5 million b/d in 2015 and 9.3 million b/d in 2016.

After soaring to its highest level in 29 years in March, Oklahoma's crude production declined in April. Statewide crude production was at 10,627,000 barrels, 957,000 barrels (-8.3 percent) less than the March level of 11,584,000 barrels. For 2014, Oklahoma's crude production was 127,730,000 barrels, 13,548,000 barrels or 11.9 percent more than the 114,182,000 barrels produced in 2013 and the highest annual crude production level since 1988.

West Texas Intermediate (WTI-Cushing) spot prices climbed to $61.36/barrel before settling at $58.34 /barrel by the end of the month. However, compared to a year ago WTI prices are down by almost half.

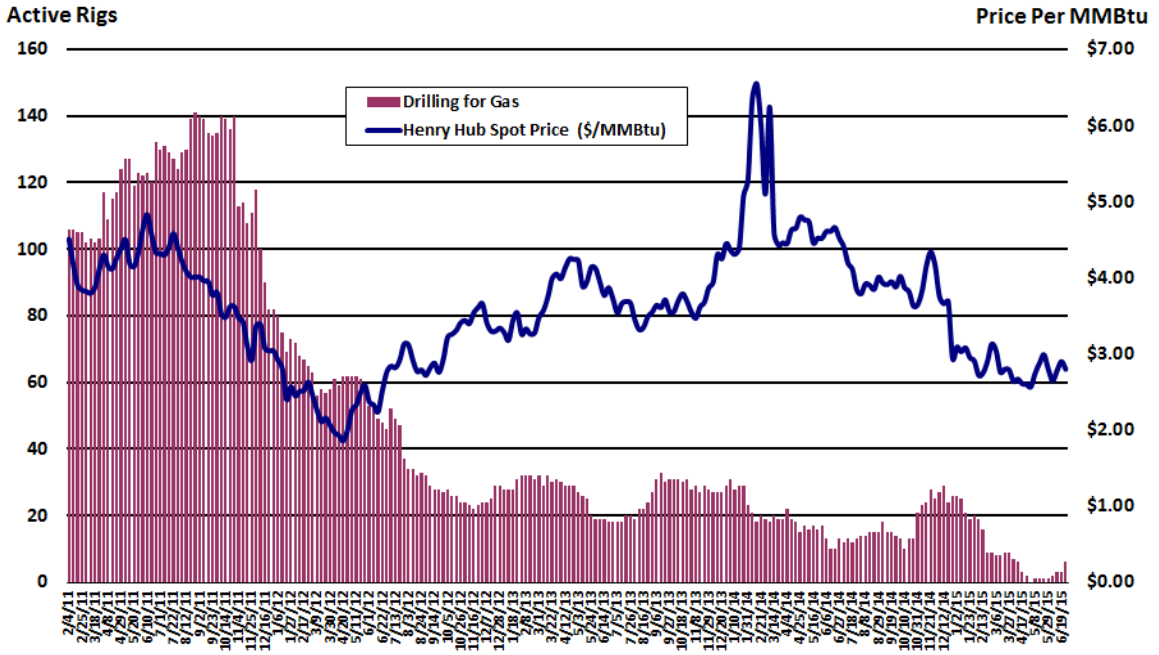
Oklahoma's weekly active rig count averaged 106 active rigs in June. That's one more rig than the May average of 105 but 96 rigs fewer than June 2014. For the week ending June 29, oil-directed rigs were at a level of 99, while natural gas-directed rigs were at a level of six.

The count of drilling rigs in the United States, as measured by Baker Hughes, totaled 859 for the week ending June 30, 54.1 percent below the same point a year ago and the lowest level in twelve years.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

February 2011 to June 2015

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.

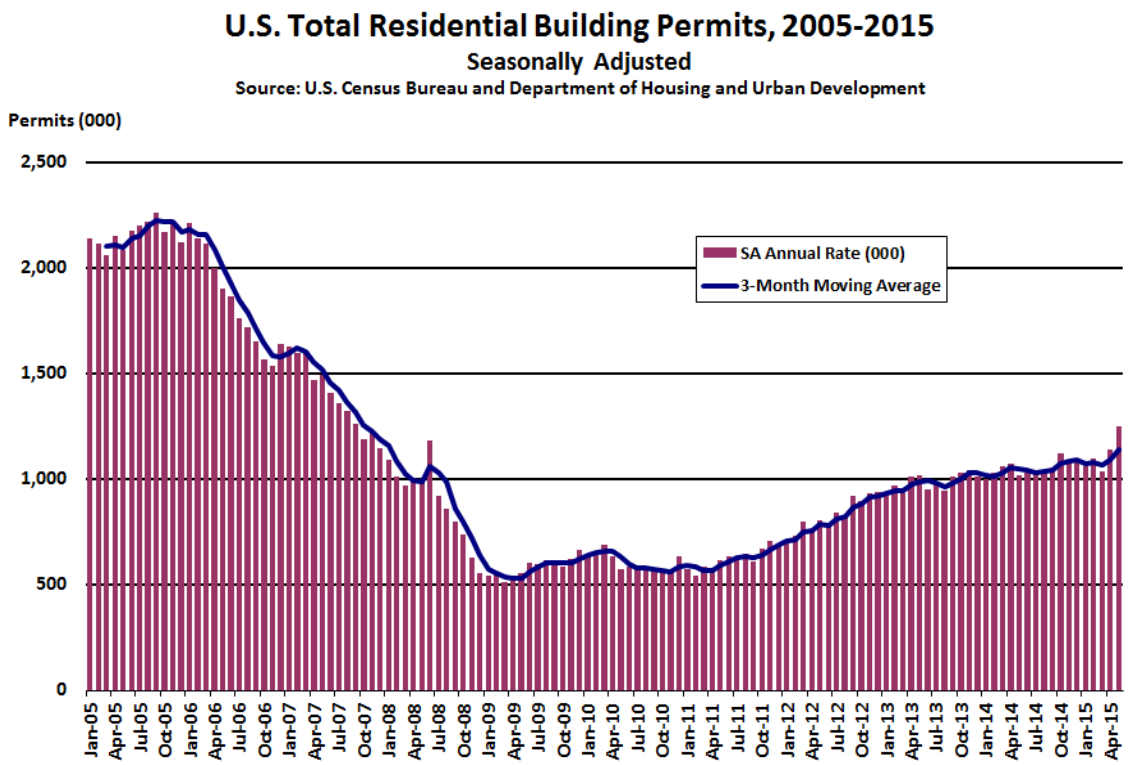
Current Developments

In the most recent *Short Term Energy Outlook* (STEO), the U.S. Energy Information Administration (EIA) noted that natural gas working inventories were 2,577 billion cubic feet (Bcf) on June 26, which was 35 percent higher than a year earlier and 1 percent higher than the previous five-year average (2010-14). Although injections have been strong most weeks, hot temperatures and high demand from the electric power sector contributed to lower-than-average injections during late June. Nevertheless, working inventories are on pace to end the injection season above the previous five-year average. EIA projects end-of-October stocks will be 3,919 Bcf, 121 Bcf (3.2%) more than the five-year average

After climbing to its highest level since record keeping began in 1991 in March, Oklahoma natural gas gross withdrawals fell to a level of 204,900 MMcf in April, or 2,242 MMcf (or 1.1 percent) less than March. For 2014, Oklahoma natural gas gross withdrawals totaled 2,310,114 MMcf compared to 2,144,000 MMcf for 2013, that's 166,114 MMcf, or 7.7 percent, more than the 2013 total.

Natural gas prices held steady in June, the Henry Hub natural gas spot price averaged $2.78/MMBtu in June, slipping 9 cents from the May average of $2.87/MMBtu.

Oklahoma's natural gas-directed rotary rig count jumped to six in the last week in June. Over the year, Oklahoma's natural gas-directed rig count was down seven rigs from 13 reported for the week ended June 27, 2014.



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.

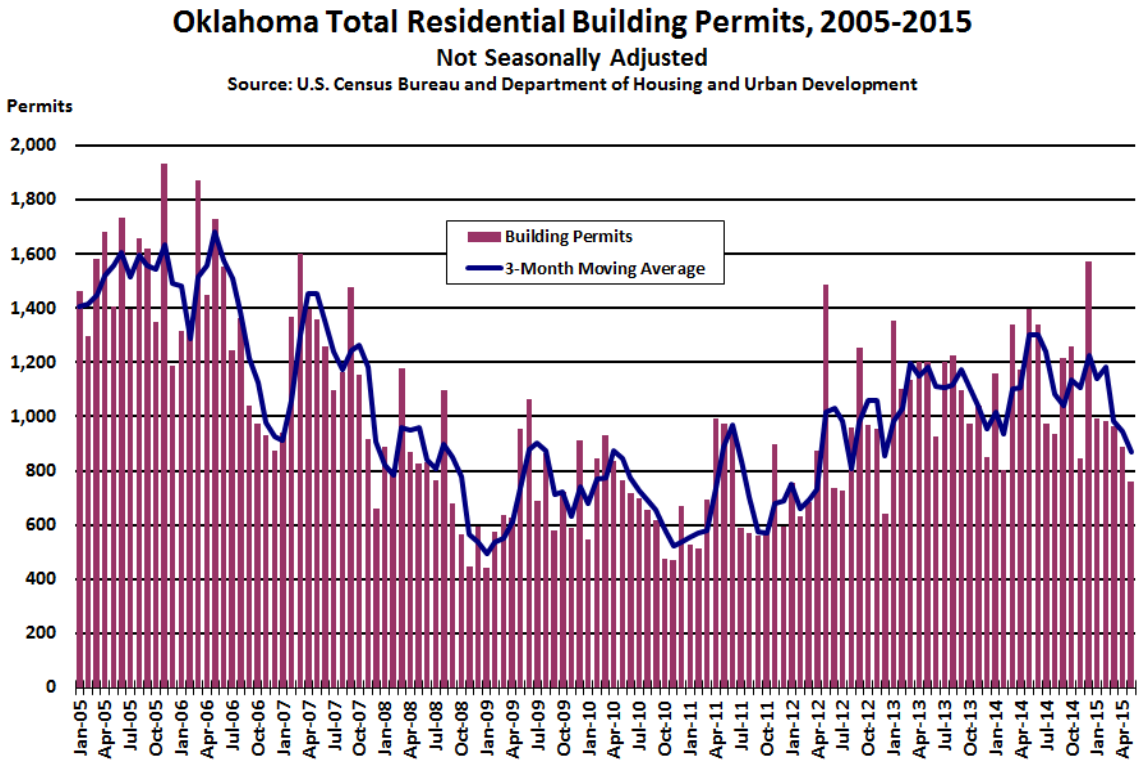
While home construction represents a small portion of the housing market, it has an outsize impact on the economy. Each home built creates an average of three jobs for a year and about $90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels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

Current Developments

U.S. permits for future home construction surged to a near eight-year high in May, pointing to solid strength for the housing sector. Privately-owned housing units authorized by building permits in May were at a seasonally adjusted annual rate of 1,275,000, or 11.8 percent above the revised April rate of 1,140,000 and 25.4 percent above the May 2014 estimate of 1,017,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

Privately-owned housing starts came in at a 1.036 million rate in May, down 11.1 percent from the record-breaking April rate, which was revised higher to 1.165 million—a remarkable 22.1 percent gain from March.

Meanwhile, it appears that U.S. homebuilders are feeling more confident about their sales prospects than they have since last fall. The National Association of Home Builders/Wells Fargo builder sentiment index climbed to 59 in June, up five points from 54 the May reading.

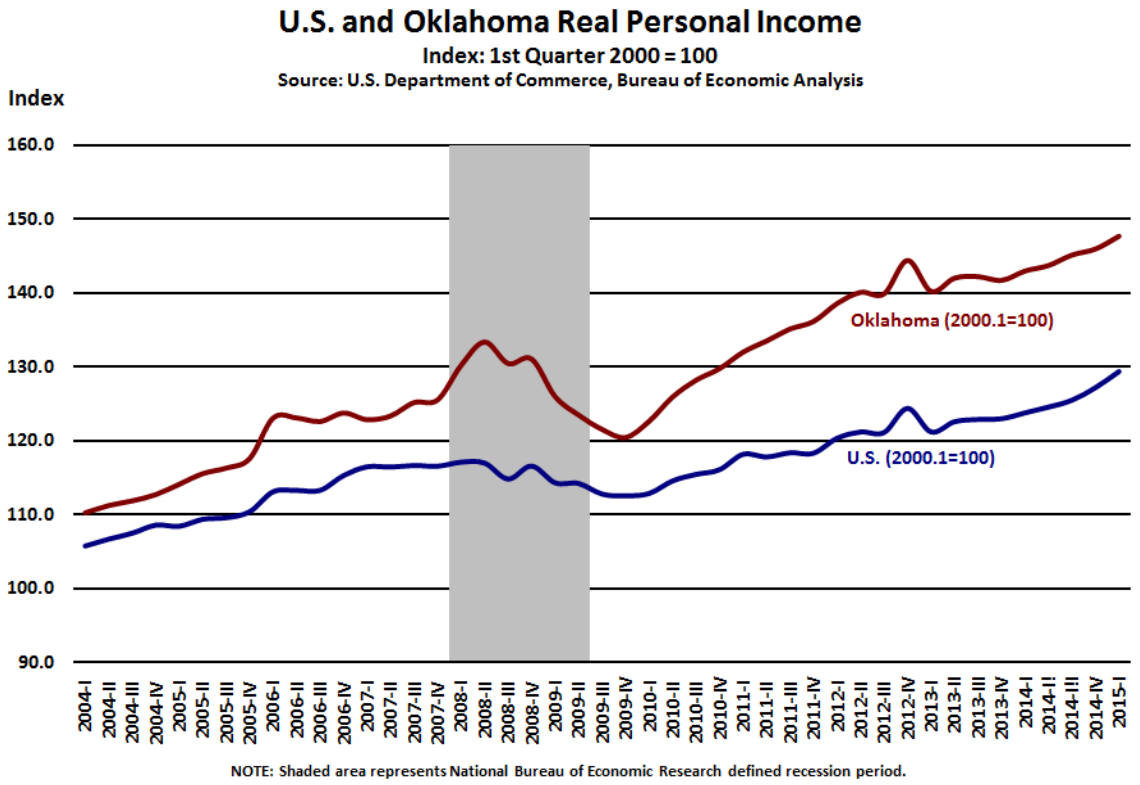


Residential permitting activity in Oklahoma fell for the fifth month in a row in May, to its lowest level in three years as weak apartment permitting activity once again pulled down the total. Total residential building permitting for May was at an unadjusted level of 760 units, 126 fewer units than April's level of 886, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development.

Single-family permitting accounted for 94.6 percent of total residential permitting activity in May while multi-family permitting added only 1.2 percent. Applications for single-family homes were at a non-seasonally adjusted level of 719, or 15.8 percent below April's level of 854 permits. Multi-family permitting fell 23 units to a non-seasonally adjusted level of nine permits.

Over the year, total residential permitting was off 637 permits, or 45.6 percent, less than May 2014. Single-family permits were down 256 permits, or 26.2 percent less than a year ago, while the more volatile multi-family permitting was 388 less than the May 2014 level of 397 permits.

It appears statewide residential permitting has gotten off to a slow start in 2015. Year to date, total unadjusted residential building permitting was at a level of 4,590 for the first five months of 2015, or 1,283 less than the same time period in 2014. Single-family permits were at a level of 4,084, or 397 fewer permits than 2014, while multi-family permits were 444, which is 1,284 permits less than the first five months of 2014.



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

Definition & Importance

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

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

Current Developments

U.S. consumer spending notched its largest gain in nearly six years in May, boosted by strong demand for automobiles and retail goods. Personal income increased $79.0 billion, or 0.5 percent, and disposable personal income (DPI) increased $65.5 billion, or 0.5 percent, in May, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) increased $105.9 billion, or 0.9 percent. In April, personal income increased $69.6 billion, or 0.5 percent, DPI increased $57.0 billion, or 0.4 percent, and PCE increased $8.5 billion, or 0.1 percent, based on revised estimates.

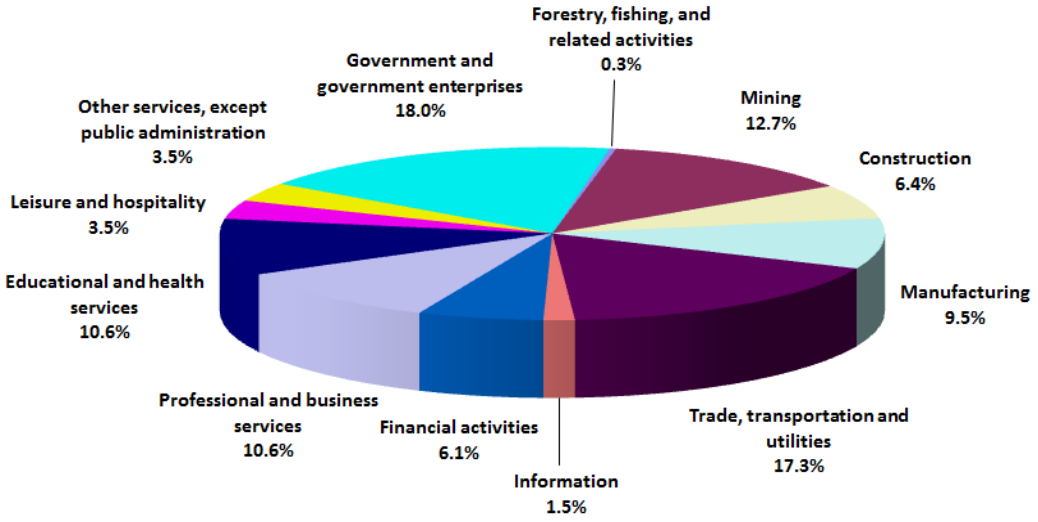
Personal income also increased a healthy 0.5 percent. Components of income were very solid with wages & salaries up 0.5 percent in May. Both proprietors' income and rental income show especially strong gains. Spending components showed special strength for durables, again tied especially to autos, and also strong gains for non-durables, here tied to higher pump prices. Spending on services once again shows an incremental gain.

The personal saving rate fell to 5.1 percent in May, down from 5.4 percent in April.

Oklahoma Nonfarm Contribution to Earnings

First Quarter 2015

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



Definition & Importance

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

Current Developments

State personal income grew 0.9 percent on average in the 1st quarter of 2015, after growing 1.1 percent in the 4th quarter of 2014, according to estimates released today by the U.S. Bureau of Economic Analysis (BEA). Personal income grew in 46 states and growth accelerated in 15 of those states. The fastest growth, 1.3 percent, was in Florida. Personal income fell in four states, with the largest decline, 1.2 percent, in Iowa. The national price index for personal consumption expenditures fell 0.5 percent in the 1st quarter, after falling 0.1 percent in the 4th quarter.

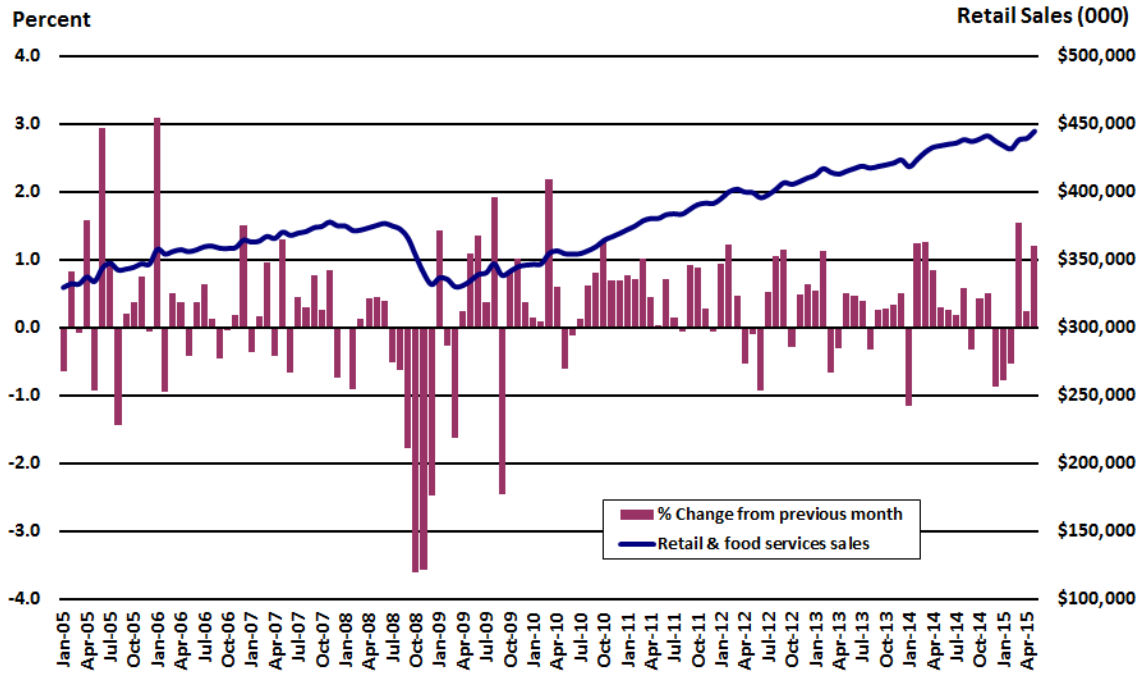
Oklahoma's personal income grew at a 0.4 percent pace in the 1st quarter of 2015, following a revised 0.3 percent rate in the 4th quarter, ranking the state 42nd among all other states and the District of Columbia. Total state personal income was at a level of $169.8 billion in the 1st quarter of 2015.

The drop in oil prices has hurt top oil-producing states, including Oklahoma, in the form of slower growth in personal income and employment. Earnings in mining (which includes oil and gas extraction) fell 3.5 percent in the 1st quarter, the first decline since the 3rd quarter of 2009, according to the BEA. Mining earnings fell 4.5 percent in Wyoming, 4.4 percent in Louisiana, 4.1 percent in North Dakota, 3.9 percent in Oklahoma, and 3.1 percent in Texas.

Oklahoma's earnings growth was essentially flat in the 1st quarter, growing only $11.0 million to a level of $120.3 million and a growth rate of 0.01 percent. Mining was the largest detractor to earnings growth, subtracting 0.36 percentage point. Farm earnings subtracted another 0.21 percentage point. Construction was the largest contributor to 1st quarter earnings growth, adding 0.12 percentage point.

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

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



Definition & Importance

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

Current Developments

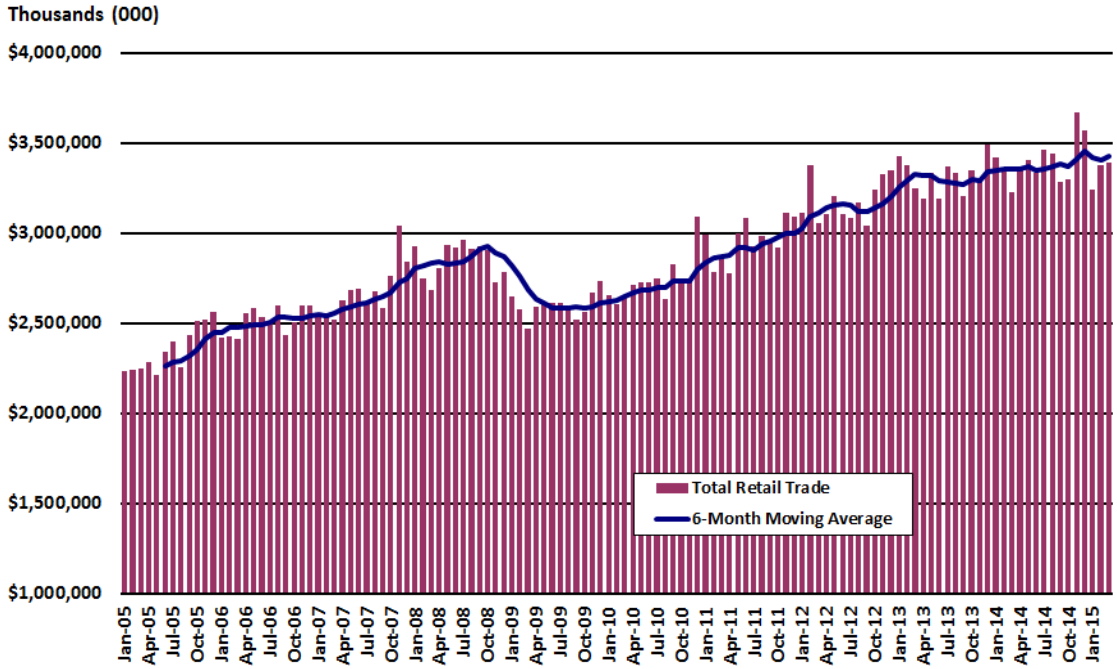
U.S. retail sales surged in May, lifted by purchases of automobiles and a range of other goods. Advance estimates of U.S. retail and food services sales for May, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $444.9 billion, an increase of 1.2 percent from the previous month, and 2.7 percent above May 2014, according to the U.S. Census Bureau. Total sales for the March 2015 through May 2015 period were up 2.1 percent from the same period a year ago. The March 2015 to April 2015 percent change was revised from virtually unchanged to +0.2 percent.

A leading component in May was motor vehicle sales which jumped 2.0 percent. Excluding autos, retail sales still rose a very strong 1.0 percent. Another component showing special strength was gasoline sales, (+3.7 percent), which got a boost from higher pump prices. Excluding spending on automobiles and gasoline, retail sales gained a very solid 0.7 percent in May.

The less volatile "core" sales, which strip out automobiles, gasoline, building materials and food services increased 0.7 percent last month after an upwardly revised 0.1 percent rise in April. There were gains in sales at clothing & accessories stores, (+1.5 percent) and online stores, (+1.4 percent). Department stores, which sank a steep 2.9 percent in April, rebounded with a 0.8 percent gain. The only component showing contraction in May was the usually solid health & personal care stores with a 0.3 percent decline.

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

Oklahoma retail trade edged up in March as pump prices have begun to climb recently. Total adjusted retail sales for March was at a level of $3.39 billion, up 0.5 percent from the February level of $3.38 billion. For the first three months of 2015, total adjusted retail trade was at a level of $10.02 billion, 0.2 percent higher than $9.99 billion for the first three months in 2014.

Total durable goods sales shrank 0.2 percent in March as big declines in in lumber & hardware (-4.4 percent); auto accessories & repair (-1.2 percent) pulled down the total. Advancing categories were electronics & music stores (3.8 percent); miscellaneous durable goods (3.4 percent); used merchandise (1.5 percent); and furniture (0.3 percent). Over the year, durable goods sales grew 9.0 percent.

Nondurable goods sales rose 0.8 percent in March with the largest monthly gain in apparel sales (+3.5 percent) followed by liquor store sales (+2.4 percent). Drugstore store sales followed growing 2.1 percent); and gasoline (1.7 percent). Over-the-month declines were seen in miscellaneous non-durables (-1.5 percent) and eating & drinking (-0.7 percent). Over the year, non-durable goods sales advanced 5.3 percent.