OKLAHOMA Economic Indicators

March 2014

OKLAHOMA
ECONOMIC INDICATORS

Oklahoma Employment Security Commission
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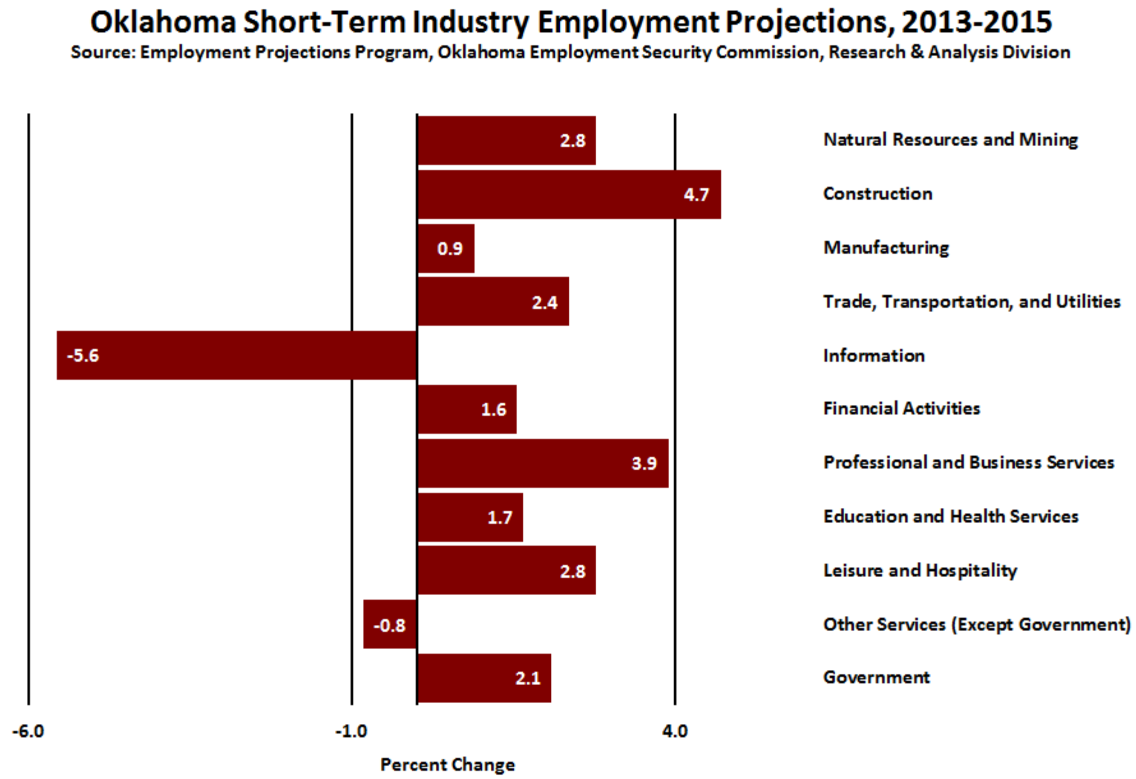
SPECIAL REPORT:
Oklahoma Short-Term Industry and Occupational Projections: 2013 to 2015



Introduction

Every year, the Oklahoma Employment Security Commission produces the state's short-term employment projections. These projections use historical and current industry employment and occupational survey data to project how employment will change over a two-year period. The short-term projection results reflect short-term business cycle activity, such as periods of recession or rapid growth. Consequently, the short-term employment projections are helpful for those looking for immediate employment, whether temporary, part-time or full-time.

The 2013-2015 short-term employment projections were based on Oklahoma historical data from the 1st quarter of 1996 through the 1st quarter of 2013. The primary data sources used were the Quarterly Census of Employment and Wages (QCEW) and the Occupational Employment Statistics (OES) survey.

Industry Projections

For our 2013 to 2015 short-term industry employment forecast for Oklahoma, we expect total payroll employment will grow 1.72 percent, adding 30,130 jobs to the state's economy (see Table 1). Nine out of 11 of Oklahoma's industry supersectors are anticipated to grow in the 2013-2015 forecast period.

In the goods-producing industries, construction is expected to lead employment growth, adding 3,330 jobs with heavy and civil engineering construction (+1,170) and specialty trade contractors (+1,580) contributing most of the job growth. Employment growth in mining follows closely adding 2,220 jobs from 2013 to 2015 with oil and gas extraction (+1,710 jobs) providing most of the growth. Manufacturing is expected to add 1,220 jobs, growing at 0.89 percent during the two-year period.

Table 1.
Oklahoma Short-Term Industry Employment Estimates & Projections, 2013-2015

Supersector	1st Qtr. 2013	1st Qtr. 2015	Change	% Change
Total Employment	**1,749,930**	**1,780,070**	**30,130**	**1.72**
Natural Resources and Mining	76,250	78,370	2,120	2.78
Construction	70,750	74,080	3,330	4.71
Manufacturing	136,340	137,550	1,220	0.89
Trade, Transportation, and Utilities	287,590	294,370	6,770	2.35
Information	21,650	20,450	-1,200	-5.56
Financial Activities	80,140	81,380	1,250	1.56
Professional and Business Services	176,880	183,770	6,900	3.90
Education and Health Services	396,750	403,300	6,550	1.65
Leisure and Hospitality	145,700	149,750	4,050	2.78
Other Services (Except Government)	58,910	58,440	-480	-0.81
Government	184,220	188,060	3,850	2.09

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

In the services-providing industries, employment in professional & business services is forecast to provide the largest gains adding 6,900 jobs (3.90 percent). Administrative & support and waste management & remediation services employment accounts for more than half of the job growth, adding 3,750 jobs. Professional, scientific & technical services is projected to add 2,860 jobs growing at a 4.25 percent rate.

The broad trade, transportation & utilities sector is forecast to add 6,770 jobs (2.35 percent) between 2013 and 2015 with about two-thirds of the employment growth in retail trade (+4,680 jobs). Wholesale trade is expected to add 1,920 jobs (3.15 percent). Utilities employment is forecast to grow 1.06 percent adding 120 jobs. Transportation & warehousing employment is expected to remain flat.

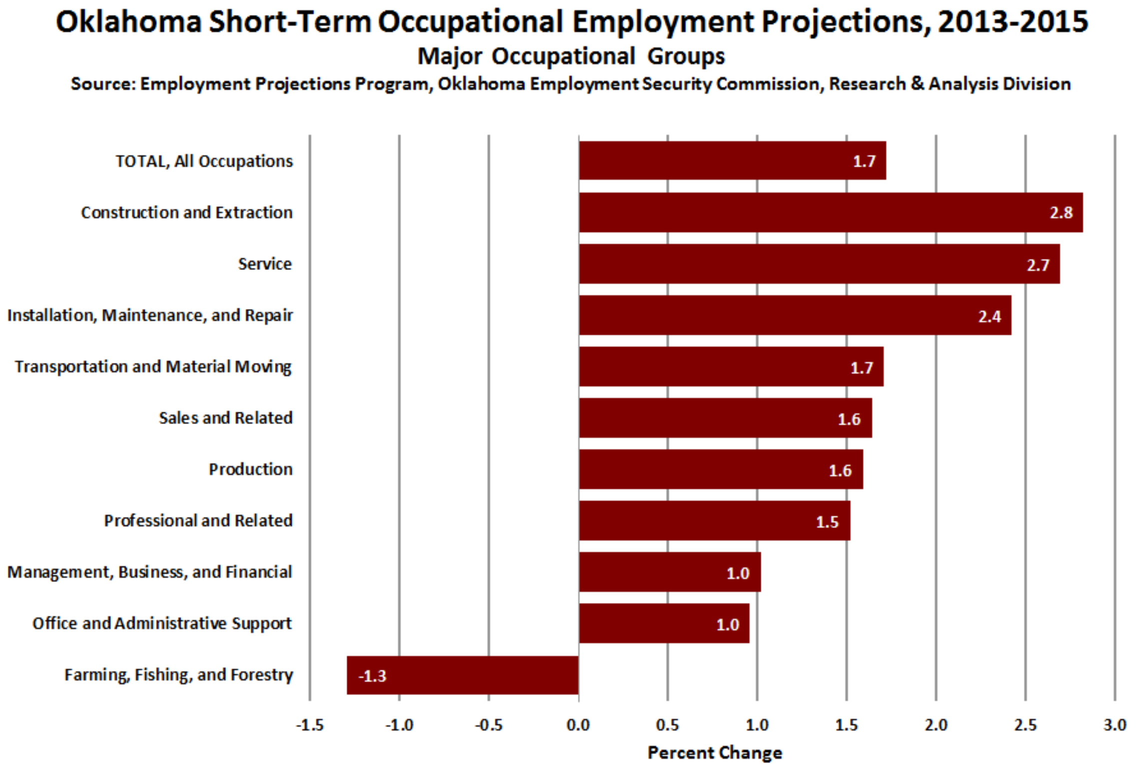
Education & health services employment is expected to add 6,550 jobs (+1.65 percent) from 2013 to 2015 with approximately two-thirds of the job gains in health care & social assistance (+4,760 jobs).

Leisure and hospitality employment is projected to increase by 4,050 jobs (+2.78 percent) from 2013 to 2015 with 87.7 percent of the job gains coming from food services & drinking places (+3.390 jobs).

The financial activities supersector is forecast to add 1,250 jobs (+1.56 percent) in the 2013-15 timeframe with finance & insurance growing by 960 (+1.66 percent) and real estate and rental & leasing adding 280 jobs (+1.30 percent).

Other services (except government) and information were the only supersectors forecast to lose employment, shedding 480 and 1,200 jobs respectively.

Government employment is projected to grow 2.09 percent adding 3,850 jobs during the 2013-2015 period with all the growth at the local government level which is expected to add 4,880 jobs (+4.84 percent). Federal and state government employment is forecast to decline.



Occupational Projections

Turning to occupational projections, all but one of the major broad occupational groups are expected to enjoy positive job growth in the 2013-2015 projection round. An estimated 116,310 total job openings are forecast for the 2013-2015 period or about 58,150 each year from 2013 to 2015. About 15,070 jobs are expected to be added each year during this 2-year period, plus an estimated 41,180 annual replacement job openings.

Service occupations are expected to see the largest gain in employment adding 4,560 jobs each year in the 2013-2015 period along with an estimated 14,720 average annual openings. Food preparation & serving related occupations are projected to add 1,830 jobs annually followed by protective service occupations which should add 820 jobs each year from 2013 to 2015.

Construction and extraction occupations are the fastest growing major occupational group for the 2013 to 2015 period, growing at a rate of 2.82 percent. Construction and extraction occupations are expected to add an estimated 1,410 new jobs each year during the two-year period in addition to another 3,280 average annual job openings.

The major occupational group with the most job openings due to growth and replacement needs was also service occupations with 14,720 average annual openings. Within the service occupations, food preparation & serving related occupations are projected to have 7,810 average annual openings followed by protective service occupations which should have 1,890 annual openings. Building and grounds cleaning and maintenance occupations are expected to have 1,790 average annual openings between 2013 and 2015.

The major occupational group with the largest number of workers was professional and related occupations with an estimated employment level of 343,850 in 2013. This major group is projected to add 5,230 new jobs in the two-year period (2,610 annually) with 9,620 average annual openings.

Table 2.
Oklahoma Short-Term Occupational Employment Estimates & Projections by Major Group, 2013-2015

Occupational Division	1st Qtr. 2013	1st Qtr. 2015	Numeric Change	Percent Change	Average Annual Openings 2013-15
Total, All Occupations	**1,749,930**	**1,780,070**	**30,130**	**1.72**	**58,150**
Management, Business, and Financial Occupations[1]	194,240	196,220	1,980	1.02	5,190
Professional and Related Occupations[2]	343,850	349,080	5,230	1.52	9,620
Service Occupations[3]	338,960	348,090	9,130	2.69	14,720
Sales and Related Occupations	175,050	177,920	2,870	1.64	7,290
Office and Administrative Support Occupations	281,870	284,580	2,710	0.96	7,720
Farming, Fishing, and Forestry Occupations	14,290	14,110	-180	-1.29	430
Construction and Extraction Occupations	99,640	102,450	2,810	2.82	3,280
Installation, Maintenance, and Repair Occupations	78,320	80,220	1,900	2.42	2,860
Production Occupations	115,060	116,900	1,840	1.59	3,620
Transportation and Material Moving Occupations	108,640	110,500	1,860	1.71	3,430

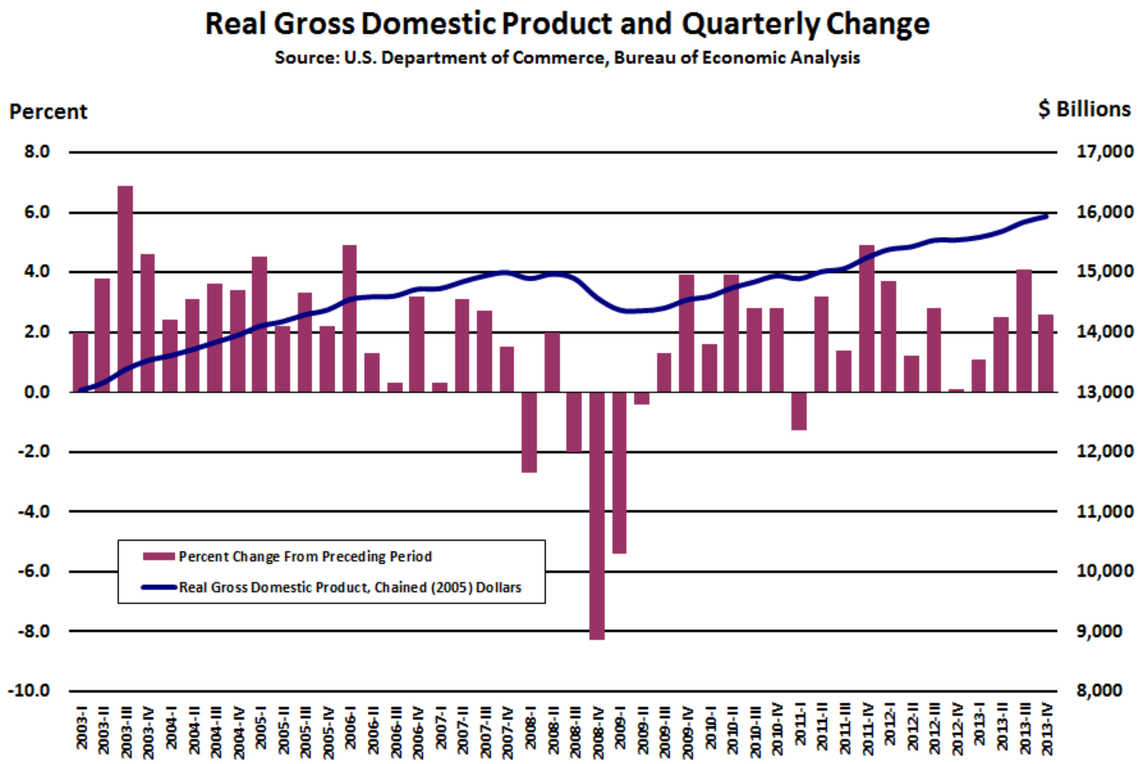
Notes:
1) Major occupational groups 11-0000 through 13-0000 in the 2010 Standard Occupational Classification (SOC).
2) Major occupational groups 15-0000 through 29-0000 in the 2010 Standard Occupational Classification (SOC).
3) Major occupational groups 31-0000 through 39-0000 in the 2010 Standard Occupational Classification (SOC).

Source: Employment Projections program, Oklahoma Employment Security Commission

Only one major occupational group is forecast to decline in employment in the 2013-2015 projection round. Farming, fishing, and forestry occupations are projected to shed 180 jobs (-1.29 percent) during the two-year period. However, we estimate that there will also be approximately 430 average annual openings in this occupational group each year during this 2-year period.

More Information
Detailed industry and occupational forecast tables are available at:
http://www.ok.gov/oesc_web/Services/Find_Labor_Market_Statistics/Projections/

There you will find industry and occupational projections for the 2013-2015 round as well as the 2010-2020 long-term industry and occupational projections along with past rounds of long-term and short-term projections.



Definition & Importance

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

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

Background

There are four major components to GDP:

1. *Personal consumption expenditures:* Individuals purchase durable goods (such as furniture and cars), nondurable goods (such as clothing and food) and services (such as banking, education and transportation).

2. *Investment:* Private housing purchases are classified as residential investment. Businesses invest in nonresidential structures, durable equipment and computer software. Inventories at all stages of production are counted as investment. Only inventory changes, not levels, are added to GDP.

3. *Net exports:* Equal the sum of exports less imports. Exports are the purchases by foreigners of goods and services produced in the United States. Imports represent domestic purchases of foreign-produced goods and services and are deducted from the calculation of GDP.

4. *Government:* Government purchases of goods and services are the compensation of government employees and purchases from businesses and abroad. Data show the portion attributed to consumption and investment. Government outlays for transfer payments or interest payments are not included in GDP.

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

Current Developments

U.S. economic growth in the October-December quarter ended up not quite as sluggish as previously thought, as consumer spending rose at the fastest pace in three years. Real gross domestic product increased at an annual rate of 2.6 percent in the 4th quarter of 2013, according to the "third" estimate released by the Bureau of Economic Analysis (BEA). In the 3rd quarter, real GDP increased 4.1 percent.

The revision reflected stronger consumer spending, which rose at an annual rate of 3.3 percent—its best quarterly pace since 2010. Durable goods purchases increased 2.8 percent, compared with a 7.9 percent increase in the 3rd quarter. Nondurable goods expenditures increased 2.9 percent, matching the 3rd quarter increase. Services spending increased 3.5 percent in the 4th quarter—the most since the spring of 2005, reflecting additional spending in such areas as health care.

Business investments on structures and equipment grew at a 5.7 percent annual rate, slower than previously estimated 7.3 percent pace but still up from a 4.8 percent increase in the 3rd quarter.

A decline in housing investment pulled down GDP growth in the 4th quarter. Real residential fixed investment fell by 7.9 percent, slightly less than the 8.7 percent drop previously estimated, its first decline in three years amid rising mortgage rates. Recent cold weather has further depressed home-building activity, although building permits, an indicator of future construction, rebounded in February.

Real exports, revised up to 9.5 percent growth from 9.4 percent, was another bright spot for the economy in the final months of last year. Real imports of goods and services, which are a subtraction in the calculation of GDP, increased 1.5 percent in the 4th quarter compared with an increase of 2.4 percent in the previous quarter.

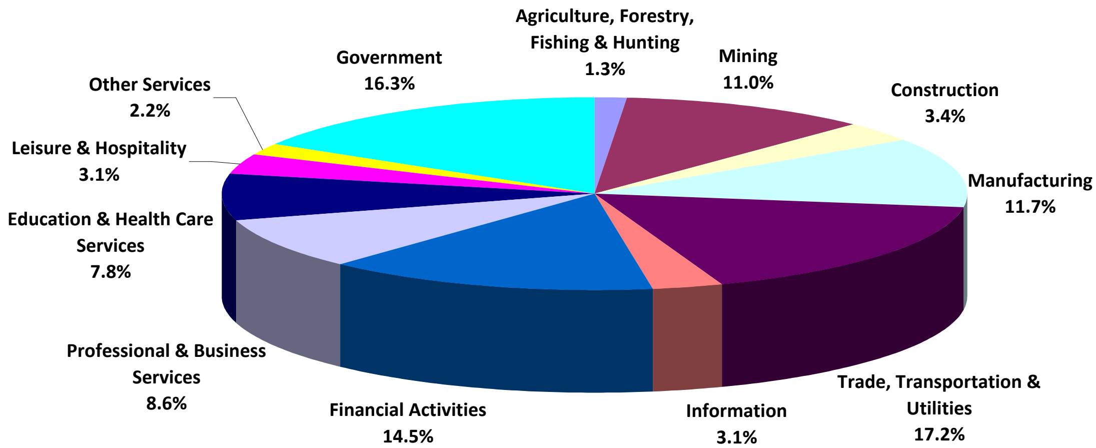
Government spending was another drag to GDP growth in the 4th quarter, subtracting 1.0 percentage points from growth. Spending by all levels of government fell by 5.2 percent in the 4th quarter, slightly less than the prior estimate. Federal government outlays plunged 12.8 percent, largely the result of a 16-day partial shutdown of the federal government in October. Real state and local government consumption expenditures and gross investment was unchanged in the 4th quarter, after increasing 1.7 percent in the 3rd quarter.

Real GDP increased 1.9 percent in 2013, weaker than the 2.8 percent increase in 2012. GDP growth was held back last year by a combination of higher federal taxes and government spending cuts enacted to combat spiraling budget deficits. In January, lawmakers reached a two-year budget deal that should provide some relief from recent downward pressures on spending in the year ahead.

2011 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.

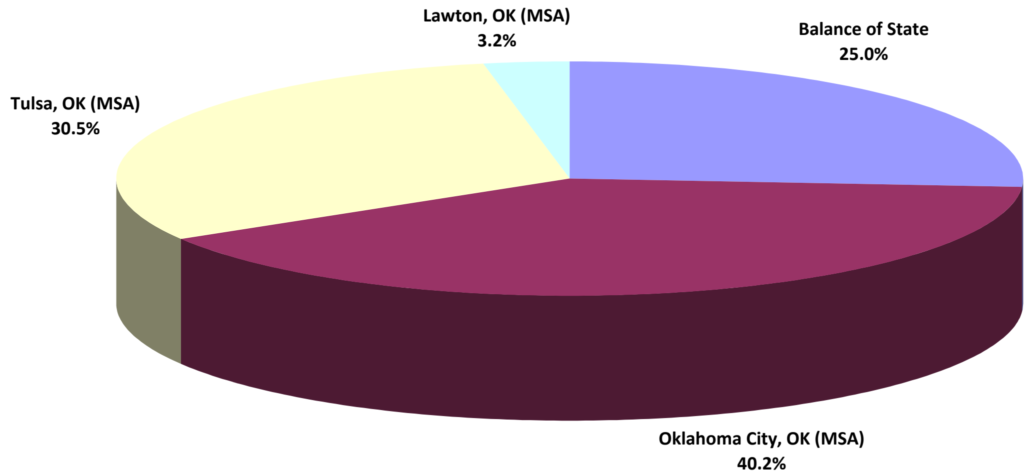
Current Developments

Oklahoma was among 43 states and the District of Columbia experiencing growth in real GDP in 2011, according to the advance estimate from the Bureau of Economic Analysis (BEA). Oklahoma's 2010 advance estimate was revised upward from 1.0 percent to 2.0 percent while the state's 2009 GDP was further revised downward reflecting depressed energy prices during that period.

Oklahoma registered a real GDP of $134.2 billion in 2011, a 1.0 percent gain from the revised $132.8 billion in 2010. U.S. real GDP by state grew 1.5 percent in 2011 after a 3.1 percent increase in 2010. Real GDP increased in all eight BEA regions in 2011, although growth slowed in most regions. The Southwest region, which includes Oklahoma, grew the fastest at 2.7 percent, led by Texas with a 3.3 percent increase.

Durable-goods manufacturing was the leading contributor to real GDP growth in 26 states including Oklahoma, where it contributed 0.54 percentage points to overall growth. Other industries adding to 2011 GDP growth in Oklahoma were, wholesale trade (0.29 percent); health care & social assistance (0.26 percent); mining (0.24 percent); and professional, scientific & business services (0.20 percent). Subtracting from Oklahoma GDP growth were agriculture, forestry, fishing & hunting (-0.26 percent); utilities (-0.19 percent); real estate, rental & leasing (-0.17 percent); government (-0.13 percent); and nondurable goods manufacturing (-0.11 percent).

Metropolitan Area Contribution to State Real Gross Domestic Product
2010
Source: U.S. Department of Commerce, Bureau of Economic Analysis



Definition & Importance

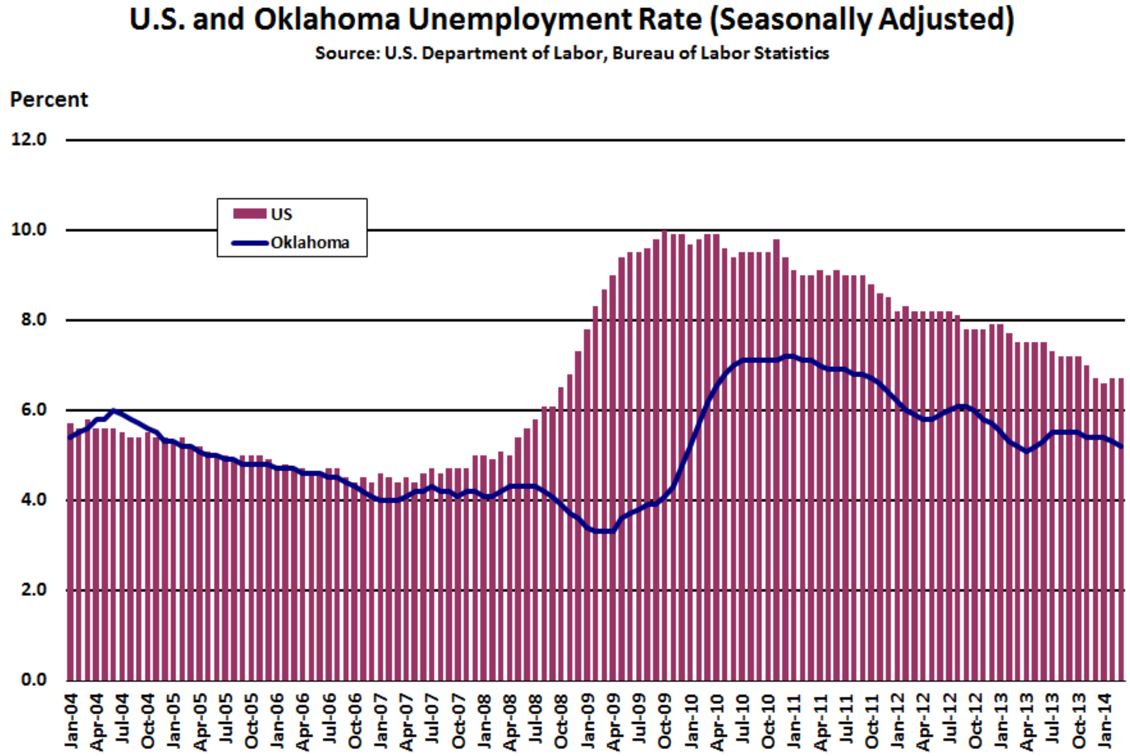
Metropolitan Statistical Areas (MSA) are the county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree 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 U.S. GDP by metropolitan area increased 2.5 percent in 2010 after declining 2.5 percent in 2009, according to the most current statistics from the U.S. Bureau of Economic Analysis (BEA). The economic growth was widespread as real GDP increased in 304 of 366 (83 percent) metropolitan areas, led by national growth in durable-goods manufacturing, trade, and financial activities.

In terms of growth in real GDP, Lawton MSA ranked 15th out of the 366 U.S. metropolitan areas growing by 6.9 percent to $4.21 billion in 2010. Oklahoma City MSA ranked 205th growing by 1.7 percent to $53.7 billion followed by Tulsa MSA ranked at 329th declining by -0.6 percent to $40.7 billion.



Definition & Importance

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

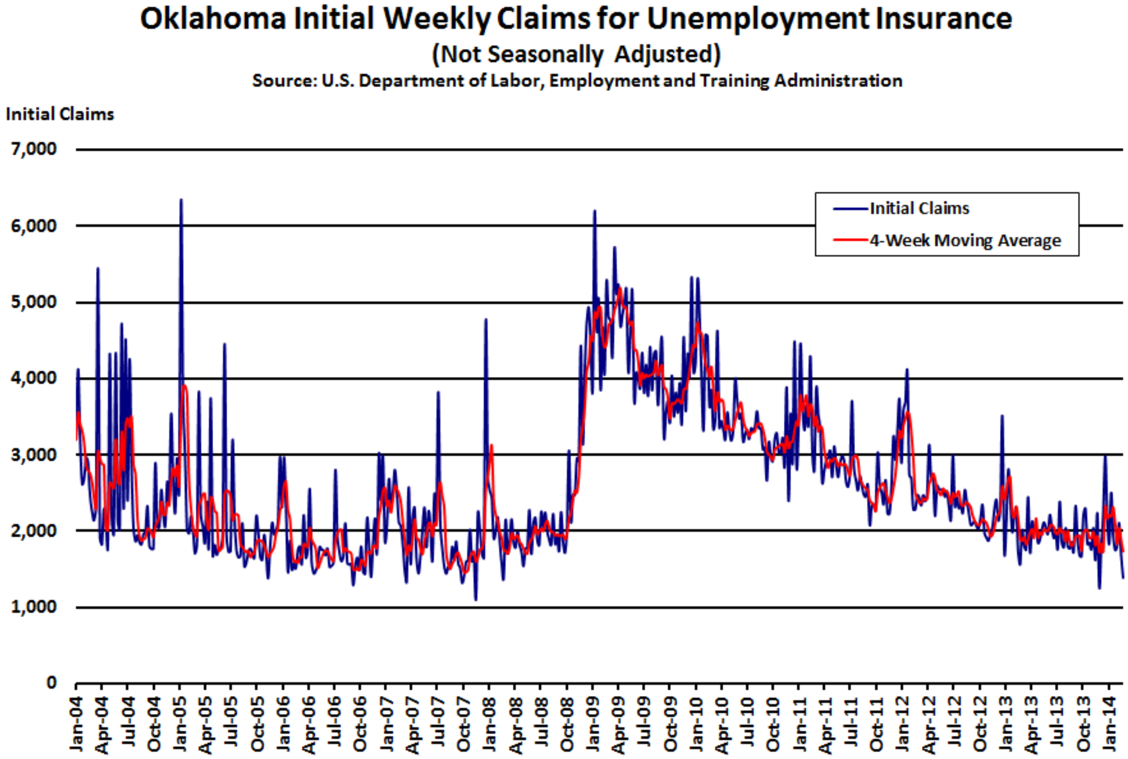
The unemployment rate is a lagging indicator of economic activity. During a recession, many people leave the labor force entirely, as a result the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more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

Current Developments

The unemployment rate held steady in March even though more people entered the labor force because many of the people who were out of the labor force in February but entered in March found jobs. The unemployment rate held at 6.7 percent in March, according to the Bureau of Labor Statistics (BLS). The labor force grew 503,000 in March after adding 264,000 the month before. The labor force participation rate stood at 63.2 percent in March up from 63.0 percent in January and February.

In February 2014, the statewide seasonally adjusted unemployment rate for Oklahoma decreased 0.2 percentage point to 5.0 percent.

Unemployment rates rose in 35 of the state's 77 counties in February. Latimer County claimed Oklahoma's highest rate of 9.2 percent while Dewey County recorded the month's lowest county unemployment rate of 2.5 percent.



Definition & Importance

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

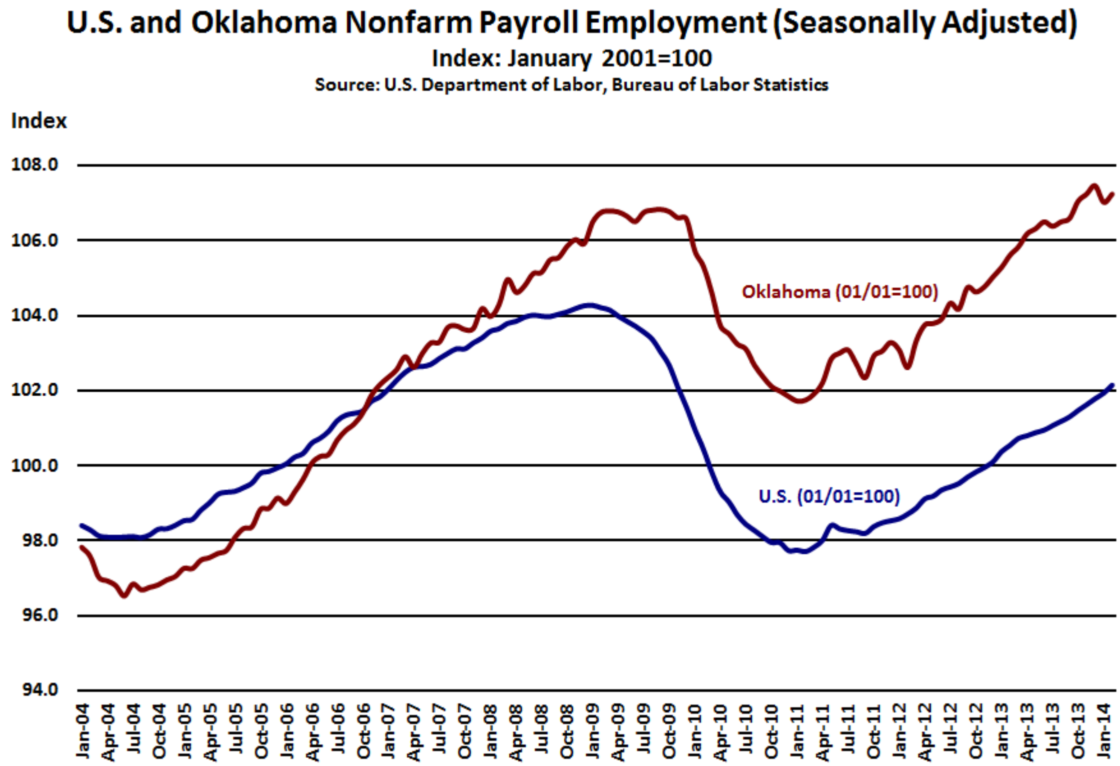
Initial claims are a leading indicator because they point to changes in labor market conditions. An increasing trend signals that layoffs are occurring. Conversely, a decreasing trend suggests an improving labor market. The four-week moving average of initial claims smoothes out weekly volatility and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

Current Developments

The number of Americans filing applications for unemployment benefits rose more than expected in the last week of March after reaching a six-month low. In the week ending March 29, the advance figure for seasonally adjusted initial claims was 326,000, an increase of 16,000 from the previous week's revised figure of 310,000, according to figures released by the U.S. Labor Department (DOL). The less volatile 4-week moving average was 319,500, an increase of 250 from the previous week's revised average of 319,250.

Oklahoma’s initial jobless claims continued to trend down in March as initial claims have finally returned to pre-recession levels. For the file week ending March 22, initial claims for unemployment insurance declined 153 from 1,783 the previous week to 1,630. For the same file week ending, the four-week moving average was down 65 from 1,619 to 1,555.

Over the month, statewide initial claims have risen 240 from 1,390 to 1,630 while the less volatile 4-week moving average has dropped by 182 from 1,737 to 1,555.



Definition & Importance

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

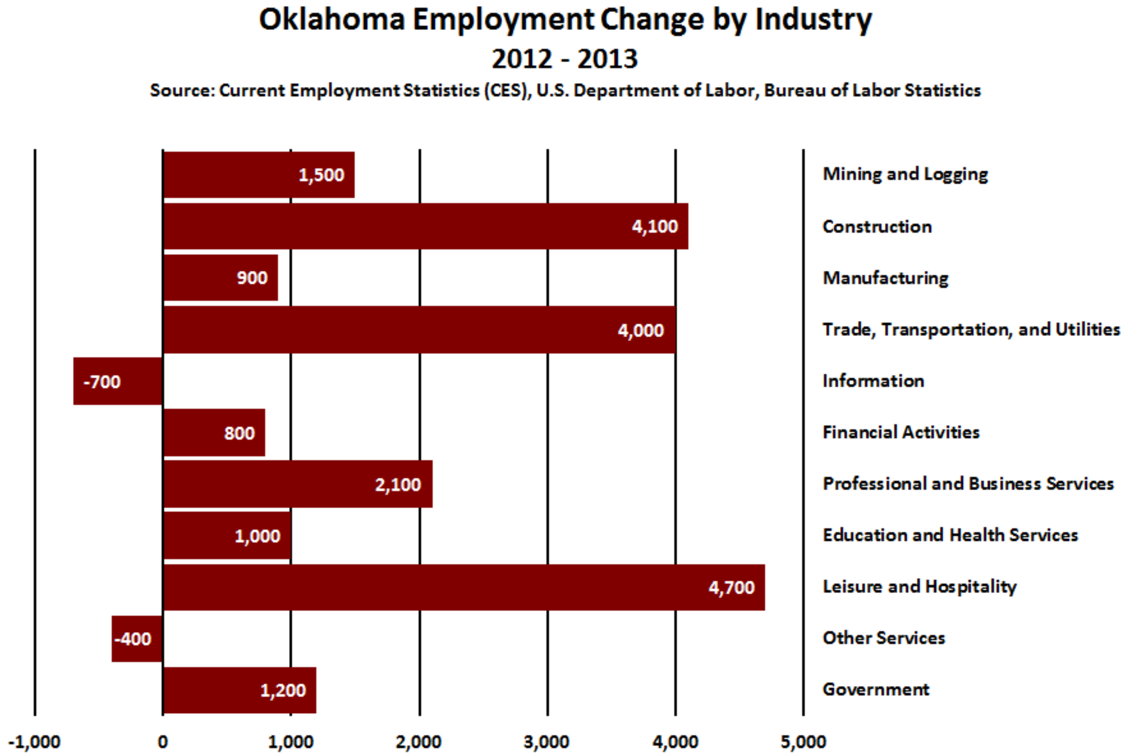
Payroll employment is one of the most current and reliable indicators of economic conditions and recessionary trends. Increases in nonfarm payrolls translate into earnings that workers will spend on goods and services in the economy. The greater the increases in employment, the faster the total economic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

Current Developments

U.S. employers finally added enough jobs in March to replace the 8.8 million positions lost during the Great Recession and tepid five-year recovery. Total nonfarm payroll employment rose by a seasonally-adjusted 192,000 in March, according to the Bureau of Labor Statistics (BLS). In March, employment grew in professional and business services (+57,000), in health care (+19,000), and in mining and logging (+7,000).

Statewide seasonally adjusted nonfarm employment contracted by 4,100 jobs (-0.2 percent) in February 2014. Four of Oklahoma's nine reported supersectors posted job gains in February, led by government (+2,400) with most of the gains in local government. Professional & business services (-2,400) contributed the largest monthly job loss.

Eight of nine supersectors expanded over the year. Leisure & hospitality (+7,800) recorded the largest year-to-year gain, driven by accommodation & food services. Government (-1,000) was the source of the February's sole annual job loss.



Definition & Importance

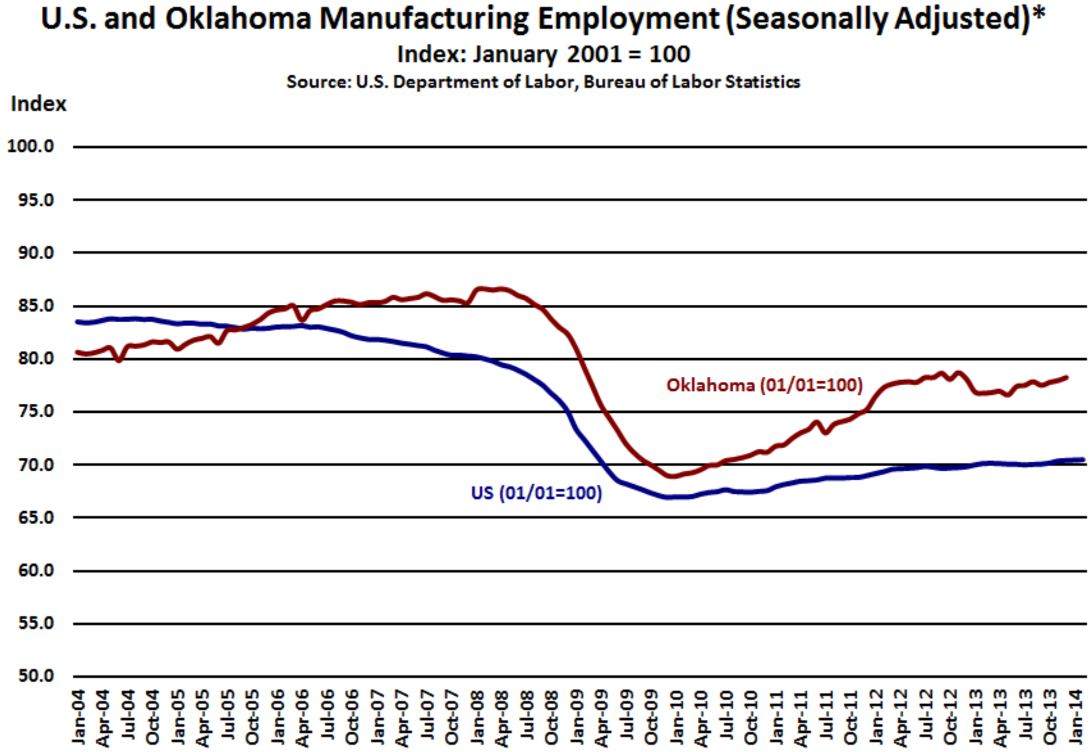
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion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

Current Developments

Nonfarm employment growth slowed a bit in 2013, adding 19,000 jobs for a 1.2 percent growth rate.

In 2013, nine out of Oklahoma's 11 statewide supersectors recorded job growth. Leisure & hospitality led all other supersectors adding 4,700 jobs with the bulk of hiring occurring in accommodations & food services. Construction employment added 4,100 jobs with almost all of the growth coming from heavy and civil engineering construction and specialty trade contractors. The broad trade, transportation & utilities group added 4,000 employees with most of the growth in wholesale trade. Professional and business services employment grew by 2,100 driven by job gains in administrative and support & waste management and remediation services and employment services. Mining & logging and manufacturing employment growth both slowed significantly from the previous year. Education & health services added 1,000 jobs with nearly all the job growth in ambulatory health care services.

Once again, over-the-year declines were seen in information (-700) and other services (-400).



Definition & Importance

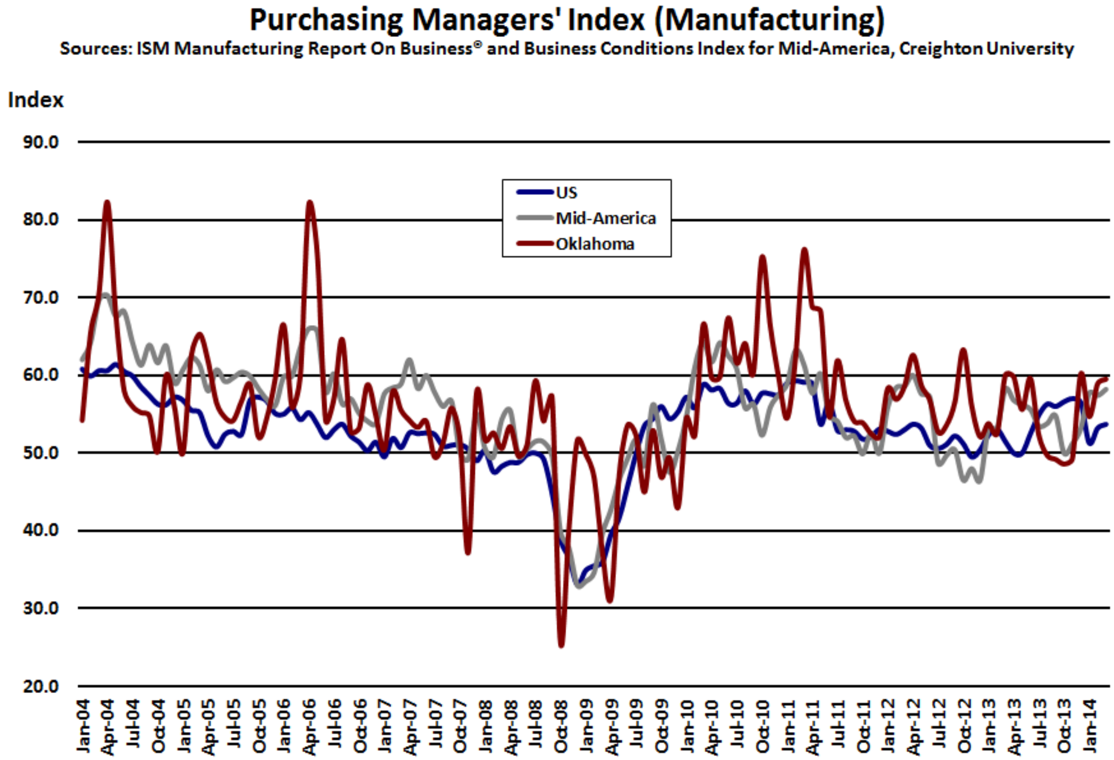
Manufacturing employment data is also produced by the Bureau of Labor Statistics' Current Employment Statistics (CES) program. Manufacturing and production are still important parts of both the U.S. and Oklahoma economies. During the 2007-09 recession, employment in manufacturing declined sharply. Although 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.

At one time, manufacturing made up 38 percent of the nation's employment. However, manufacturing employment in the United States has been declining since 1979, as productivity, technology gains, and the transfer of manufacturing to locations outside the United States have reduced the demand for traditional manufacturing employment. Furthermore, current shifts in the industry away from heavy sectors, such as automobiles and basic chemicals toward higher-tech products like computer chips are also accelerating manufacturing's long-term shrinkage.

Current Developments

Manufacturing employment dropped by 1,000 in March, its first monthly decline in eight months, according to the Bureau of Labor Statistics (BLS). In March, durable goods firms added 8,000 employees on net, with nondurable goods entities losing 9,000 workers. Miscellaneous durable goods (+3,000), machinery (+2,500), nonmetallic mineral products (+2,100), and transportation equipment (+1,800) were examples of sectors with increased hiring for the month. Notably, motor vehicle employment was unchanged.

Manufacturing employment in Oklahoma slipped in February shedding a non-seasonally adjusted 200 jobs (-0.1 percent). Job losses occurred both in durable goods and non-durable goods manufacturing. Over the year, Oklahoma manufacturing employment has shed a non-seasonally adjusted 500 jobs for a -0.4 percent growth rate. Durable goods manufacturing employment accounted for almost all the losses.



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

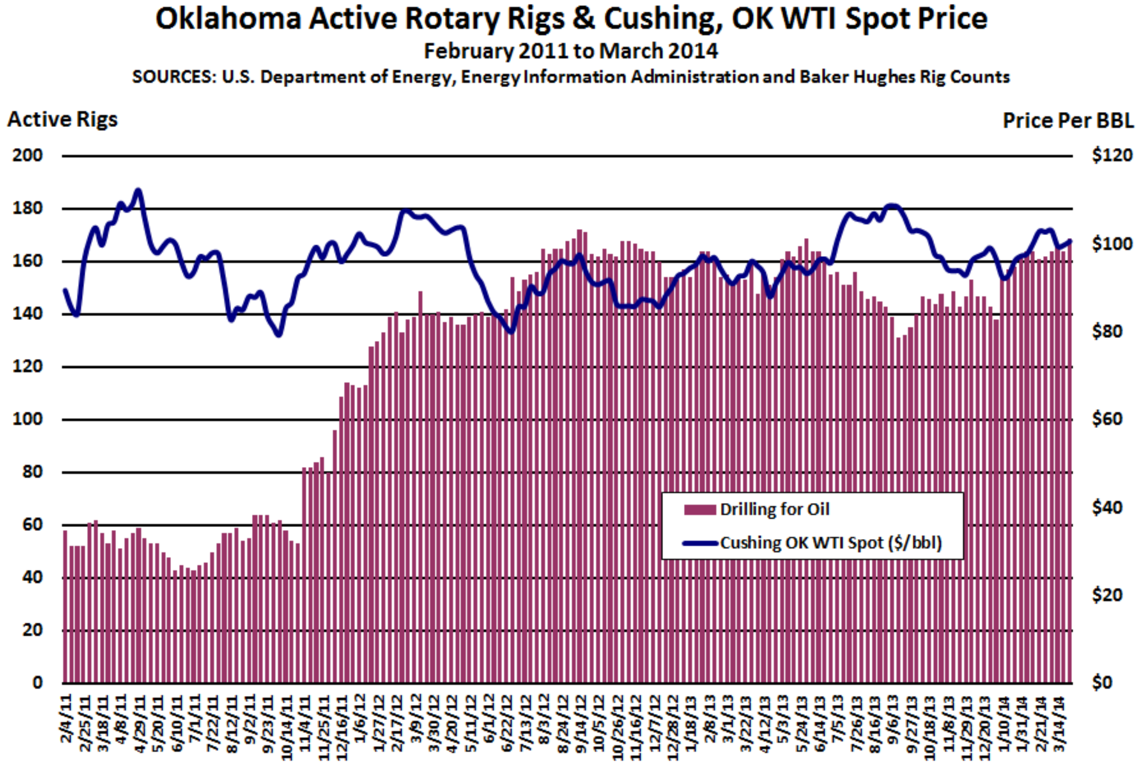
U.S. manufacturing activity snapped back in March as factory output recovered from disruptions caused by severe winter weather. The March PMI® registered 53.7 percent, an increase of 0.5 percentage point from February's reading of 53.2 percent, indicating expansion in manufacturing for the 10th consecutive month, according to the latest Manufacturing ISM *Report On Business*®. March's jump supports the view that manufacturing is growing at a steady but modest pace after cold winter weather caused a sharp slowdown in the first two months of the year.

The Production Index registered 55.9 percent, a substantial increase of 7.7 percentage points compared to February's reading of 48.2 percent, its lowest level in nearly five years. Employment grew for the nineth consecutive month, but at a lower rate by 1.2 percentage points, registering 51.1 percent compared to February's reading of 52.3 percent.

The Mid-America Business Conditions Index, a leading economic indicator for the nine-state region, increased. The Business Conditions Index, which ranges between 0 and 100, climbed to 58.2 in March from 57.4 in February, according to the Creighton Economic Forecasting Group. Despite the negative impact of extreme cold weather during the 1st quarter, supply managers reported healthy business activity for the first three months of 2014.

After slipping below growth neutral in the 3rd quarter of 2013, Oklahoma's Business Conditions Index continues to point toward growth for the first half of 2014. The overall index, a leading economic indicator, advanced to 59.5 in March from February's 58.9 reading. Components of the March survey of supply managers were new orders at 69.6, production or sales at 59.4, delivery lead time at 52.4, inventories at 56.4, and employment at 60.0.

"Food processors in Oklahoma are experiencing pullbacks in economic activity. Firms linked to vehicle manufacturers are benefiting from expansions among U.S. automobile production. Expansions among firms tied to energy are also pushing state growth higher," 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

Crude oil inventories at Cushing, Oklahoma, the primary crude oil storage location in the United States, decreased 13 million barrels (32 percent) over the past two months, according to the U.S. Energy Information Administration (EIA). On March 21, Cushing inventories were less than 29 million barrels, more than 20 million barrels lower than a year ago and the lowest level since early 2012.

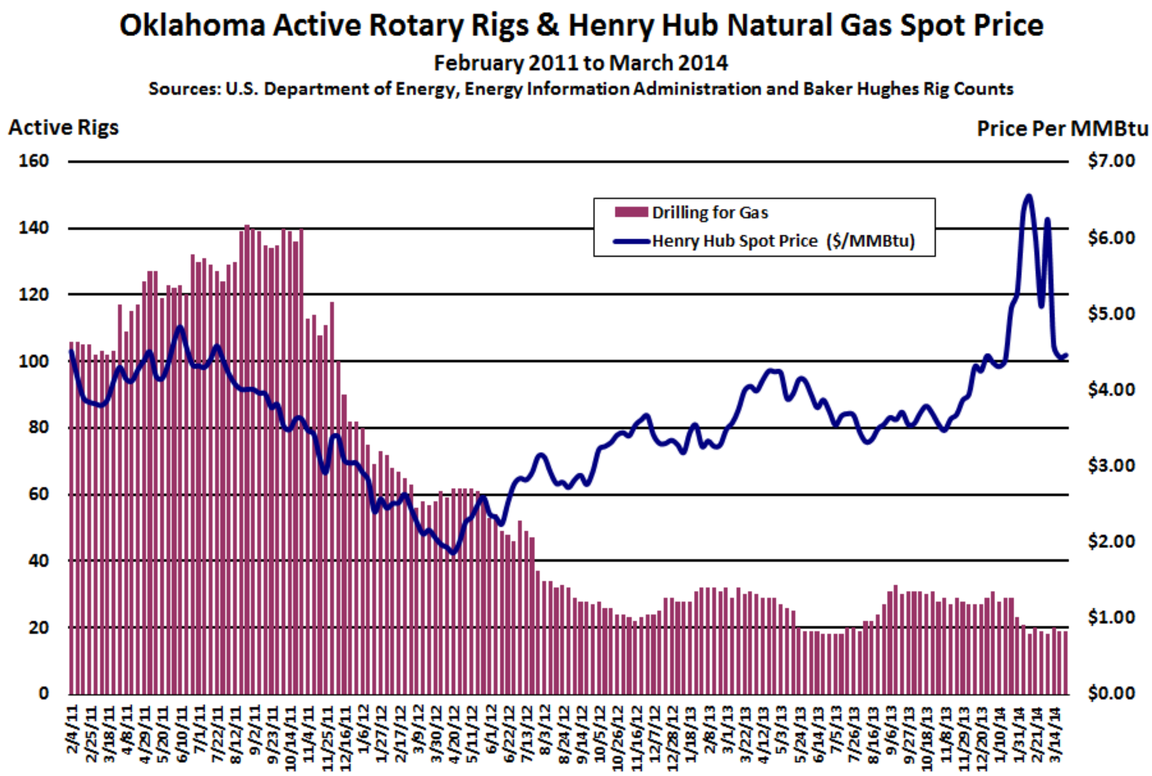
According to the EIA, the recent drawdown of stocks at Cushing resulted from three factors: 1) the startup of TransCanada's Cushing Marketlink pipeline, which is now moving crude oil from Cushing to the U.S. Gulf Coast; 2) sustained high crude oil runs at refineries which are partially supplied from Cushing; and 3) expanded pipeline infrastructure and railroad shipments that have made it possible for crude oil to bypass Cushing storage and move directly to refining centers in PADDs 1 (East Coast), 3 (Gulf Coast), and 5 (West Coast).

State crude oil production, at 10,326,000 barrels, ranked Oklahoma 5th among all states in January and was the highest monthly production level since January 1990. Crude production in January was 864,000 barrels more than December's level of 9,462,000 barrels.

Total U.S. crude oil production averaged 7.5 million barrels per day (bbl/d) in 2013, 967,000 bbl/d (15 percent) higher than 2012 and the highest level of U.S. production since 1989. For all of 2013, Oklahoma crude oil production was 111,369 barrels, that's the highest level of state crude production since 1990.

WTI-Cushing began the month at $105.34 per barrel and finished the month slightly lower at $101.57per barrel. Over the year, WTI-Cushing average monthly spot prices were 8.5 percent higher than the March 2013 average price of $92.94 per barrel.

Oklahoma's overall rotary rig activity saw gains in March, averaging 185 compared to February's average of 182. Over the year, March's active rotary rig count in Oklahoma was just one rigs less than 186 in March 2013. Oil-directed active rotary rigs advanced to a level of 169, (for the week ended March 28, 2014), representing approximately 90 percent of total rig activity in the state in March.



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 and 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. If inventories are high and rising in a period of strong demand, prices may not need to increase at all, or as much. 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

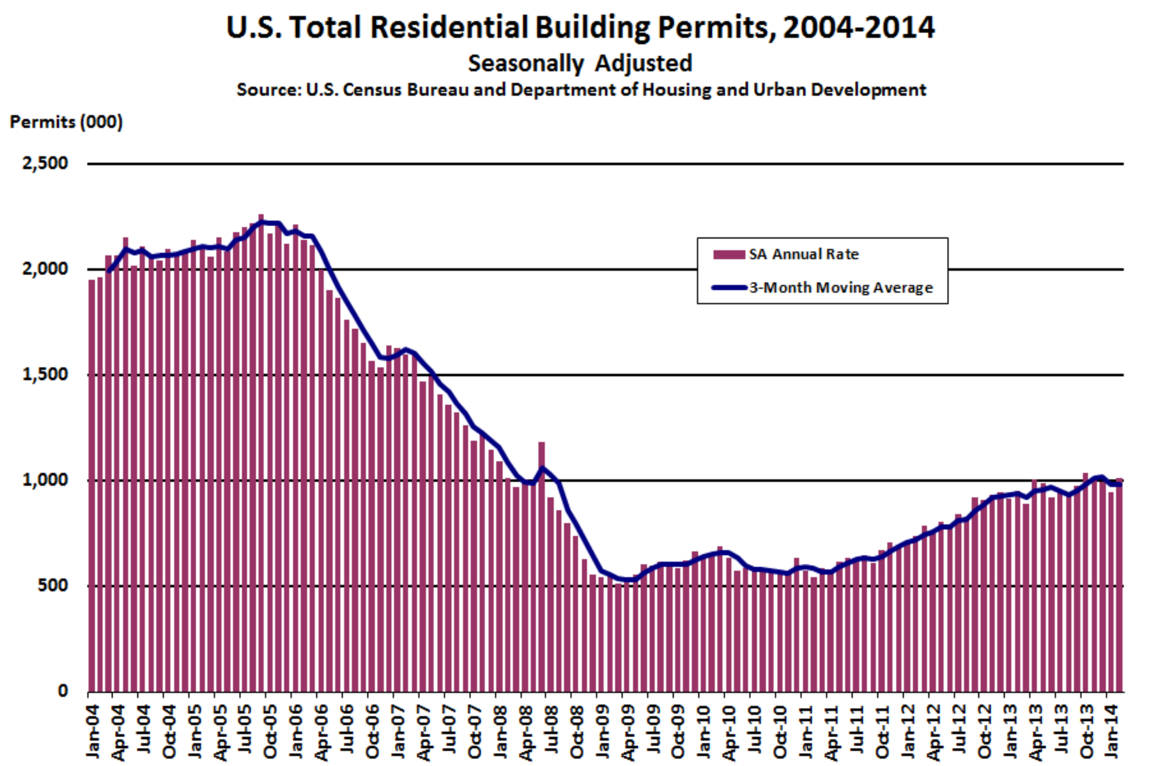
Natural gas working inventories on March 28, 2014, were 0.82 trillion cubic feet (Tcf), 0.88Tcf (52%) below the level at the same time a year ago and 0.99Tcf (55%) below the five-year average (2009-13), according to the U.S. Energy Information Administration (EIA).

Oklahoma natural gas production was at a level of 183,024 MMcf in January, 589 MMcf (0.3 percent) more than December 2013. Oklahoma natural gas production for 2013 was 2,143,989 MMcf, 6.0 percent more than the 2012 total of 2,023,461 MMcf, and its highest annual level since 1991.

Henry Hub natural gas spot prices have been volatile over the past few months, increasing from $3.95 per million British thermal units (MMBtu) on January 10 to a high of $8.15/MMBtu on February 10, before falling back to $4.61/MMBtu on February 27, and then bouncing back up to $7.98/MMBtu on March 4. The Henry Hub natural gas spot price settled at $4.48/MMBtu on March 31.

According to data reported by Baker Hughes, Oklahoma's natural gas rotary rig count remained low in March. For the week ended March 28, the state natural gas-directed drilling rig count was held steady at 19, accounting for only 10 percent of total drilling activity. Over the year, Oklahoma's natural gas-directed rotary rig count was down by 12 rigs from 31 rigs reported for the week ended March 29, 2013.

The U.S. natural gas rotary rig count totaled 318 as of March 28, representing a decline of 8 rigs from the previous week and a decline of 71 rigs from the same time last year, according to data from Baker Hughes Inc.



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 next three months, therefore we also use a three-month moving average.

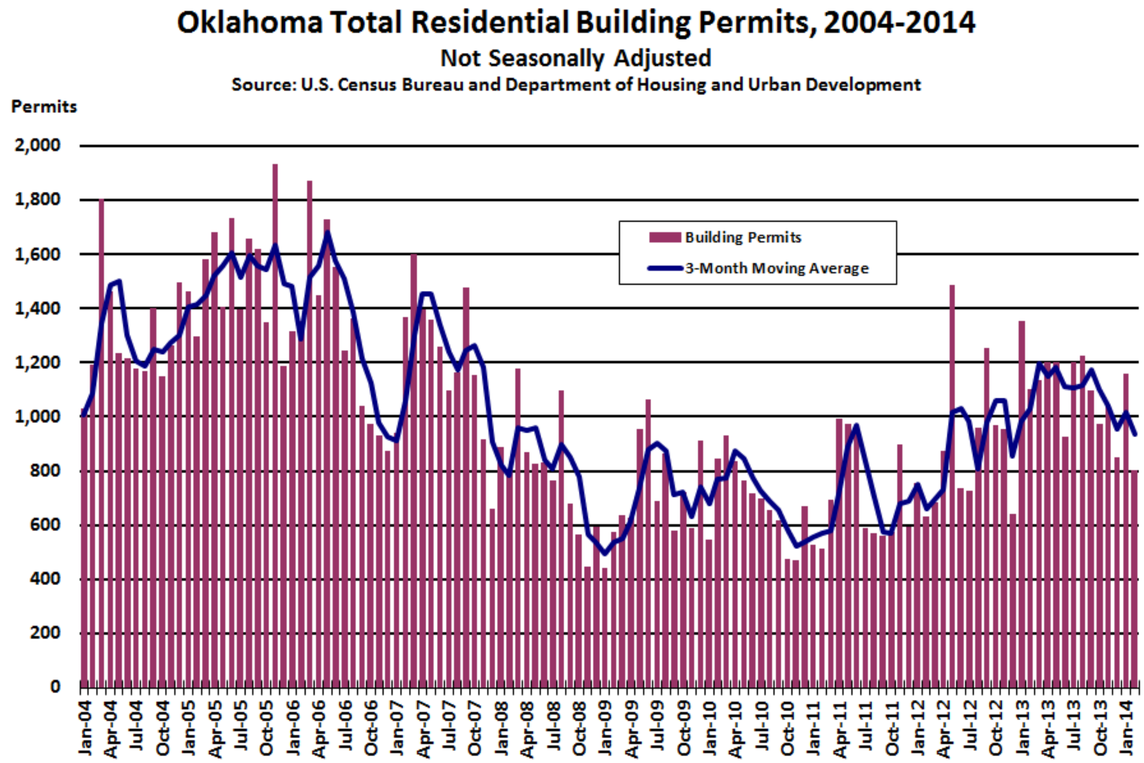
While home construction represents a small portion of the housing market, it has an outsize impact on the economy. Each home built creates an average of three jobs for a year and about $90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels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

Current Developments

Applications for building permits rebounded in February, reflecting a surge in permits for apartment-building construction. Privately-owned housing units authorized by building permits in February were at a seasonally adjusted annual rate of 1,018,000, 7.7 percent above the revised January rate of 945,000 and 6.9 percent above the February 2013 estimate of 952,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

The increase in overall permits was largely from a 24.3 percent spike in multifamily units which saw the highest level in almost six years. Single-family home-building permits dropped for a third straight month to the lowest level in a year.

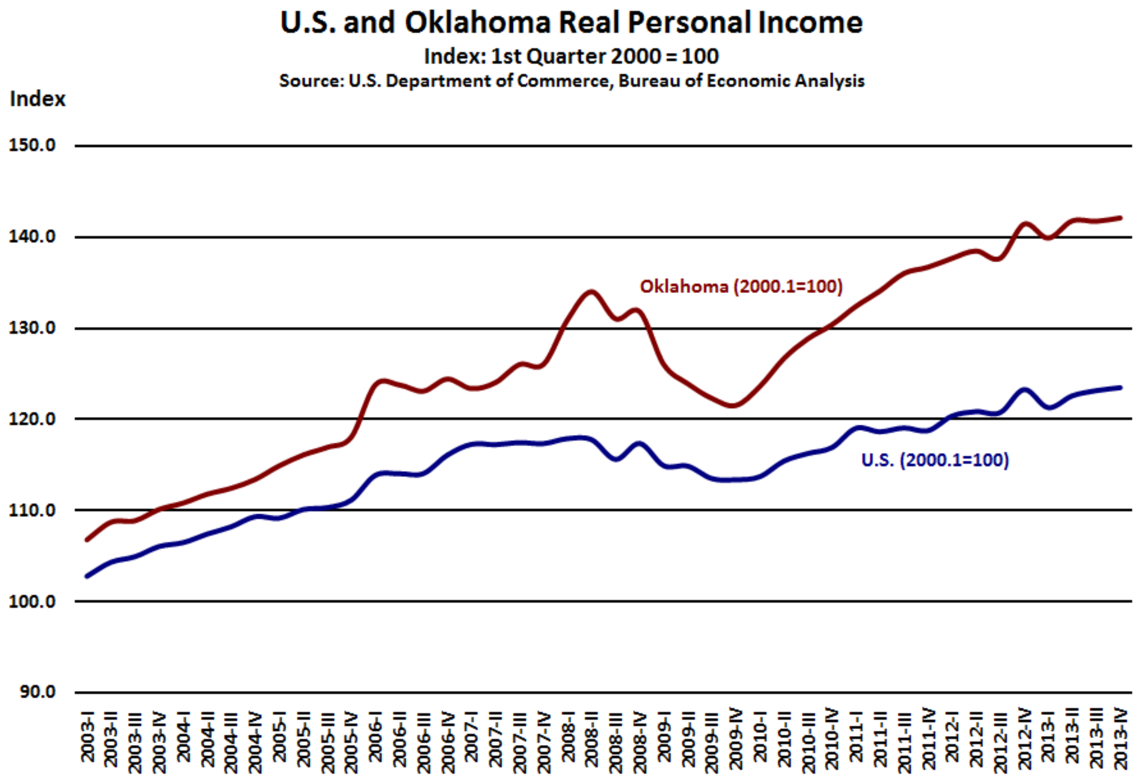
Confidence among U.S. homebuilders rose less than expected in March, with more builders reporting bad conditions than good. The National Association of Home Builders/Wells Fargo index of builder sentiment climbed to 47 March from 46 in February. Readings below 50 mean more survey respondents signaled poor market conditions.



Oklahoma residential permitting activity slumped in February to the lowest level in over a year. Total residential building permitting for February was at an unadjusted level of 803 units, a 30.7 percent drop from 1,159 units in December, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development.

Single-family permitting accounted for nearly 93 percent of residential permitting activity in February while multi-family permitting contributed only 1.4 percent and was at its lowest level since October 2010. Over the year, total unadjusted residential permitting was down 27.1 percent from February 2013.

Part of the reason for the surge in residential building permits in Oklahoma in 2013 was due to rebuilding after the deadly May 20 tornado that devastated communities in central Oklahoma. Officials in Moore, Oklahoma say the city has issued a record 681 single-family building permits during 2013—440 more permits than were issued during 2012. The Federal Emergency Management Agency (FEMA) estimated that 1,300 homes were destroyed by the EF5 tornado that also killed two dozen people. Additionally, in the May 28 through June 2 severe storms, more than 538 homes and businesses were impacted in Canadian and Oklahoma counties alone, including 52 destroyed, 193 with major damage, and 159 with minor damage. Oklahoma Insurance Department officials estimate up to $2 billion in damage may have occurred in the affected areas.



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.

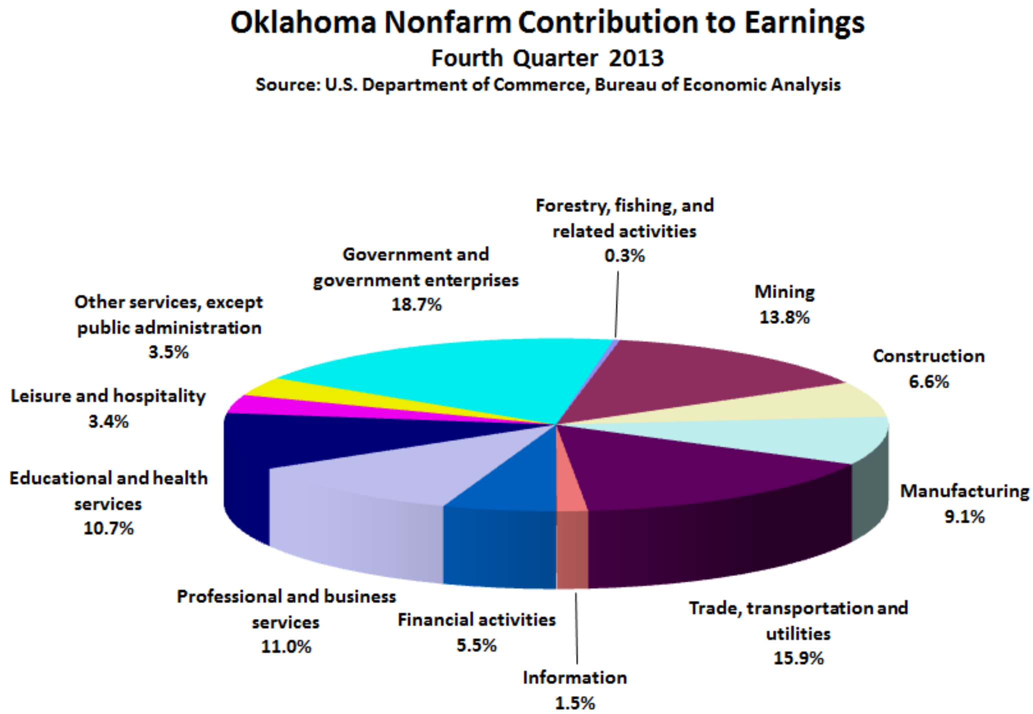
Current Developments

Personal income and spending growth were moderate in February while inflation remained nearly nonexistent. Personal income increased $47.7 billion, or 0.3 percent, and disposable personal income (DPI) increased $42.3 billion, or 0.3 percent, in February, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) increased $30.8 billion, or 0.3 percent. In January, personal income increased $41.3 billion, or 0.3 percent, DPI increased $40.3 billion, or 0.3 percent, and PCE increased $20.0 billion, or 0.2 percent, based on revised estimates.

Spending on durable goods fell in February for the third straight month, dipping to 0.2 percent. Nondurable goods spending made a partial rebound of 0.3 percent after a drop of 0.9 percent in January. Services slowed to 0.2 percent from a jump of 0.5 percent in January. The large gain in January was led by signups for the Affordable Care Act.

Inflation, as gauged by the core PCE price index, increased 0.1 percent in February, and it's up just 1.1 percent over the past 12 months. The core rate excludes food and energy.

The personal savings rate edged up to a four-month high of 4.3 percent from 4.2 percent in January.



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.

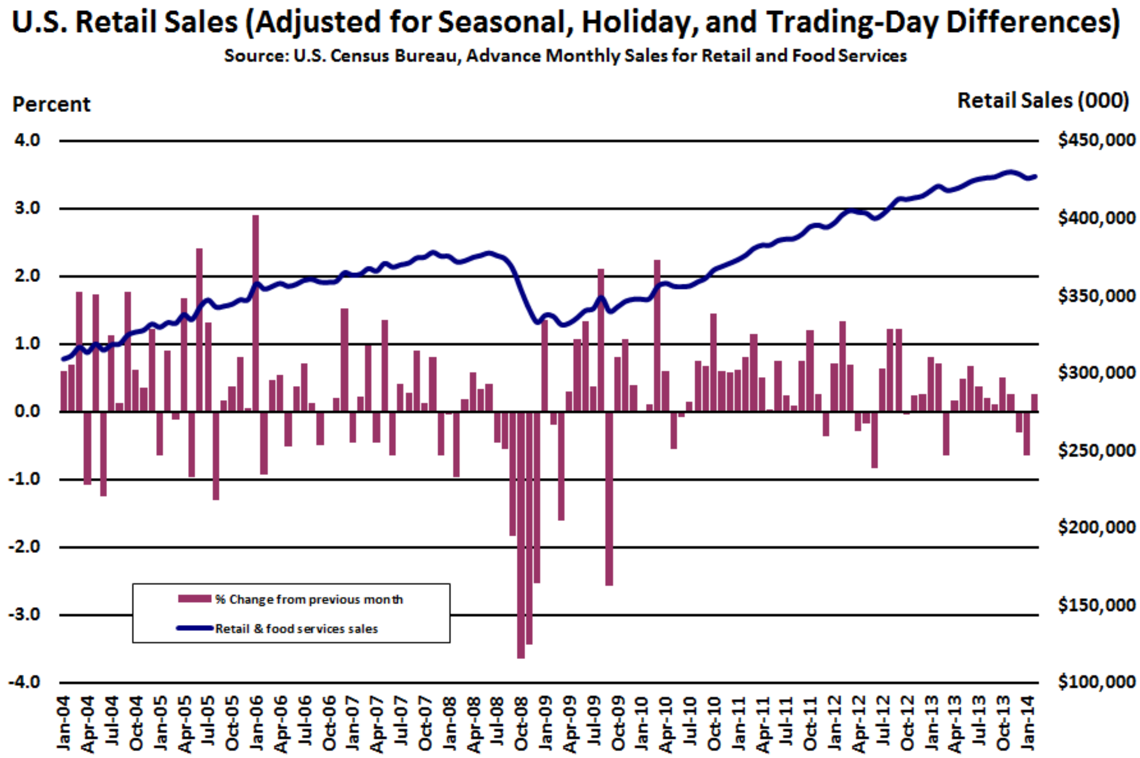
Current Developments

Average state personal income growth slowed to 2.6 percent in 2013 from 4.2 percent in 2012, according to estimates released by the U.S. Bureau of Economic Analysis (BEA). State personal income growth ranged from 1.5 percent in West Virginia to 7.6 percent in North Dakota, with every state growing more slowly in 2013 than in 2012. Inflation, as measured by the national price index for personal consumption expenditures, slowed to 1.1 percent in 2013 from 1.8 percent in 2012.

According to the BEA, slower personal income growth reflected the effects of several special factors including the expiration at the beginning of 2013 of the "payroll tax holiday" (a temporary two-percentage point reduction in the personal contribution rate for social security) and the acceleration of the receipt of income, especially personal dividends and salary bonuses, into 2012 in anticipation of changes in individual income tax rates for 2013. The expiration of the payroll tax holiday increased contributions for government social insurance, a subtraction in the calculation of personal income.

Oklahoma's 3.3 percent growth rate in personal income easily topped the national average and ranked the state 7th among all other states in 2013. Earnings in the state rose to $160.1 billion (+3.3 percent) in 2013 from nearly $155 billion in 2012. Construction earnings grew by $954 million, adding 0.62 percent to total earnings followed by mining which grew by $698 million and added 0.45 percent.

In the 4th quarter, personal income in the state grew 0.5 percent to $161.8 billion, 26th highest in the nation.



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

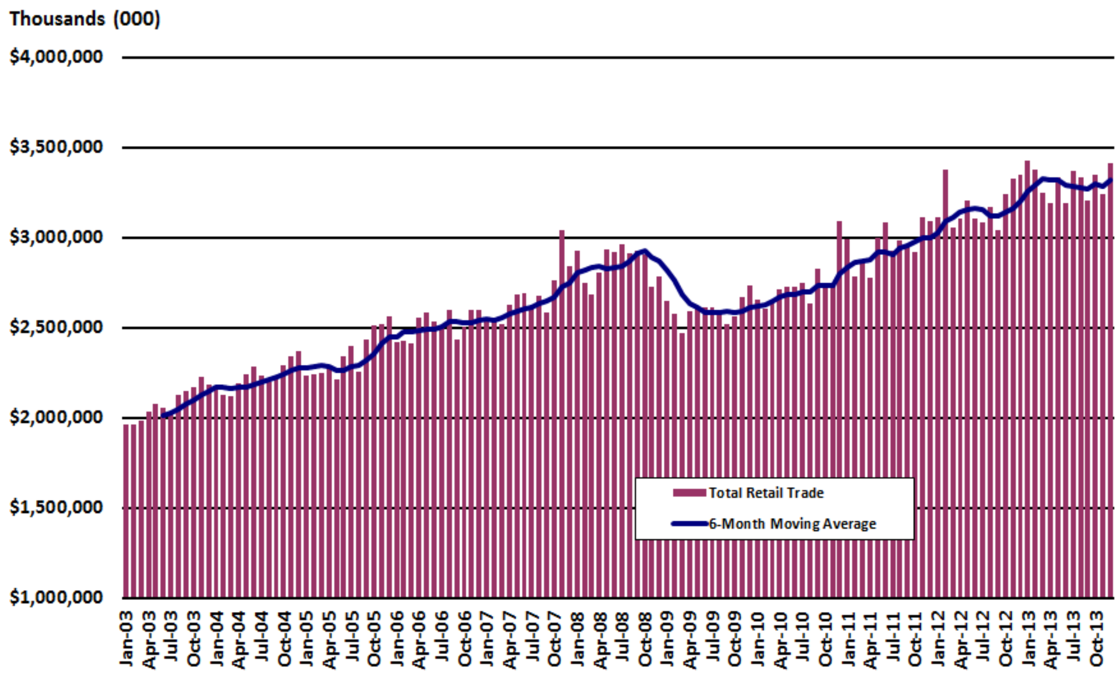
Retail sales in the U.S. rose for the first time in three months in February, after being slowed by unusually cold weather in recent months. Advance estimates of U.S. retail and food services sales for February, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $427.2 billion, an increase of 0.3 percent from the previous month, and 1.5 percent above February 2013, according to the U.S. Census Bureau. Retail spending had fallen 0.6 percent in January, revised down from the 0.4 percent decline initially reported. Spending also fell 0.3 percent in December.

Motor vehicle sales added lift, increasing 0.3 percent, following a 2.2 percent drop in January. Excluding motor vehicles, sales gained 0.3 percent after falling 0.3 percent in January. Gasoline sales were up only a marginal 0.1 percent after a 1.0 percent jump the month before. Excluding volatile spending on autos and gasoline, retail sales increased 0.3 percent after declining 0.5 percent in January.

The less volatile "core" retail sales, excluding automobile and gasoline sales rose by a seasonally adjusted 0.3 percent in February. In the core, strength in February was in sporting goods, hobby, book & music stores; nonstore retailers; health & personal care; furniture & home furnishings; and building materials & garden equipment. A notable decline was only seen in miscellaneous store, although a few categories showed marginal decreases.

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

Holiday shopping pushed Oklahoma retail trade to a strong finish in December. Total adjusted retail sales for December 2013 were at a level of $3.42 billion—a 5.5 percent gain from November and 2.0 percent greater than December 2012. For 2013, total adjusted retail trade, at $39.7 billion, was 3.9 percent greater than 2012.

Durable goods sales increased 1.4 percent in December with all durable goods categories advancing. The largest increase was seen in miscellaneous durable goods (+2.5 percent); followed by lumber & hardware (+1.8 percent), and electronics & music store sales (+1.5 percent).

Total nondurable goods sales surged 7.0 percent in December with the largest monthly gain in the volatile estimated gasoline sales (+35.0 percent). Liquor sales were also strong in December (+1.7 percent); apparel sales (+1.4 percent); and general merchandise sales (+1.2 percent). Declining sales were seen in drugs (-0.3 percent); eating & drinking (-0.2 percent), and miscellaneous non-durables (-0.2 percent). Over the year, non-durable goods sales advanced 1.0 percent.