OKLAHOMA
Economic Indicators

May 2012

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ECONOMIC INDICATORS

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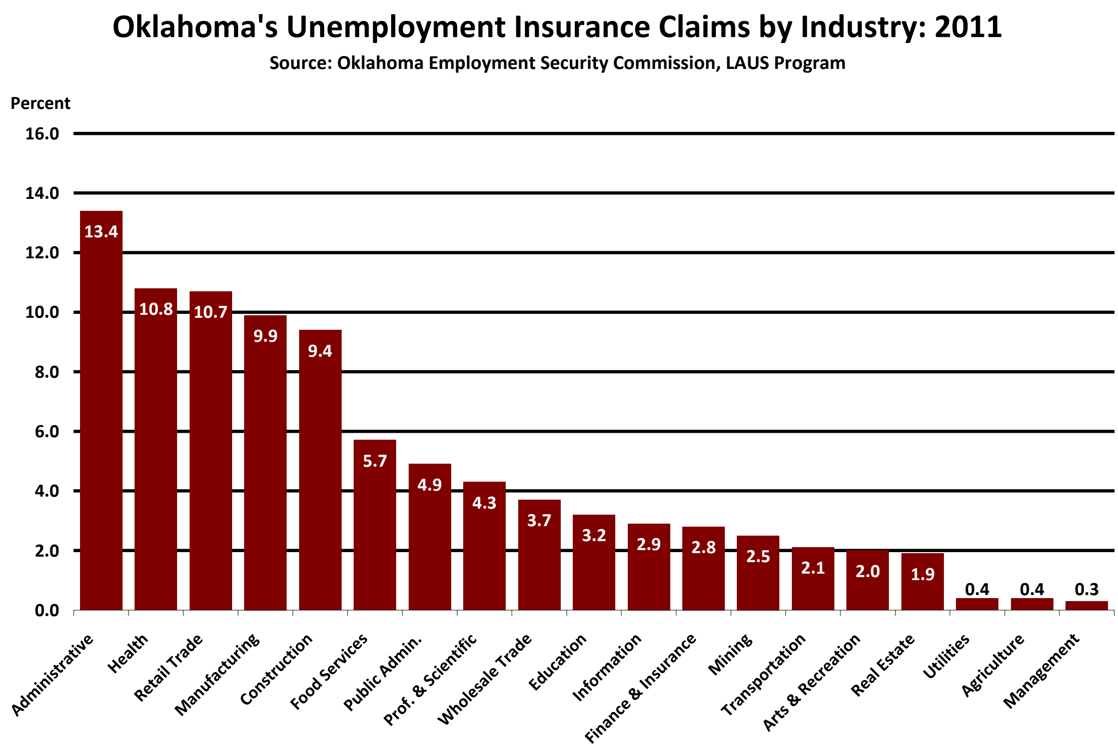
Oklahoma Unemployment Insurance Program Claimant Characteristics: 2011

Analyzing the characteristics of claimants to Oklahoma's unemployment insurance (UI) program is useful for determining trends in the general labor market. The data below is compiled from the 2011 annual average of continued claims (claims paid following an initial claim).

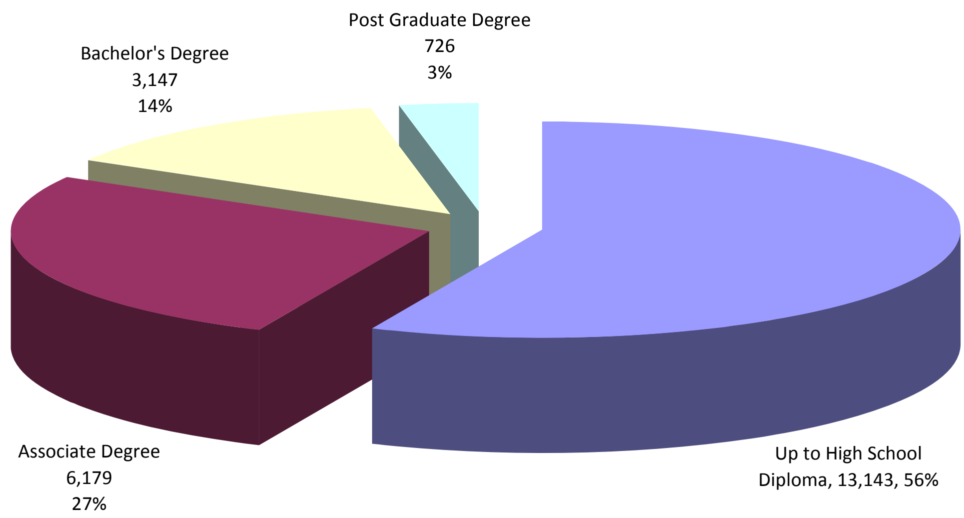


UI Claims by Industry

As the chart above indicates, the administrative sector had on average the most jobless claims in 2011, followed by the health care sector and the retail trade sector. The manufacturing and construction sectors rounded out the top five industries. These industry sectors are also some of the largest sectors in Oklahoma and reflect a proportional number of claims. Two industry sectors that had relatively lower numbers of claims compared to their overall size were education and public administration.

Oklahoma's Continued Claims by Educational Attainment: 2011

Source: Oklahoma Employment Security Commission, LAUS Program and U.S. Department of Labor, Bureau of Labor Statistics

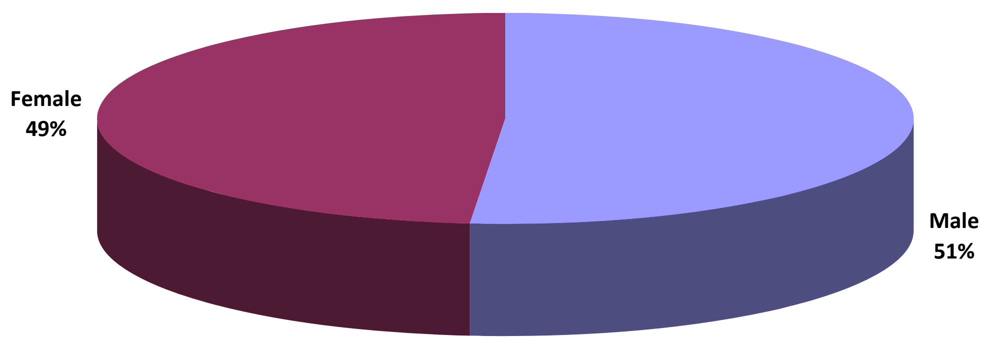


UI Claims by Educational Attainment

The above chart displays the monthly average level of educational attainment for UI claimants during the year 2011. Among all UI claimants, 56 percent acquired a high school diploma or less. Conversely those earning a bachelors degree accounted for only 14 percent of claims filed. These numbers, though, are not controlled for population. The Bureau of Labor Statistic's *2010 Geographic Profile of Employment and Unemployment* does estimate unemployment rates by educational attainment that are controlled for population. The estimated unemployment rate for those with less than a high school diploma is 12 percent versus 3.1 percent for those with a college degree. Combining these numbers bolsters the argument that those with higher levels of educational attainment are better able to weather economic downturns.

Oklahoma's Unemployment Insurance Claims by Gender: 2011

Source: Oklahoma Employment Security Commission, LAUS Program

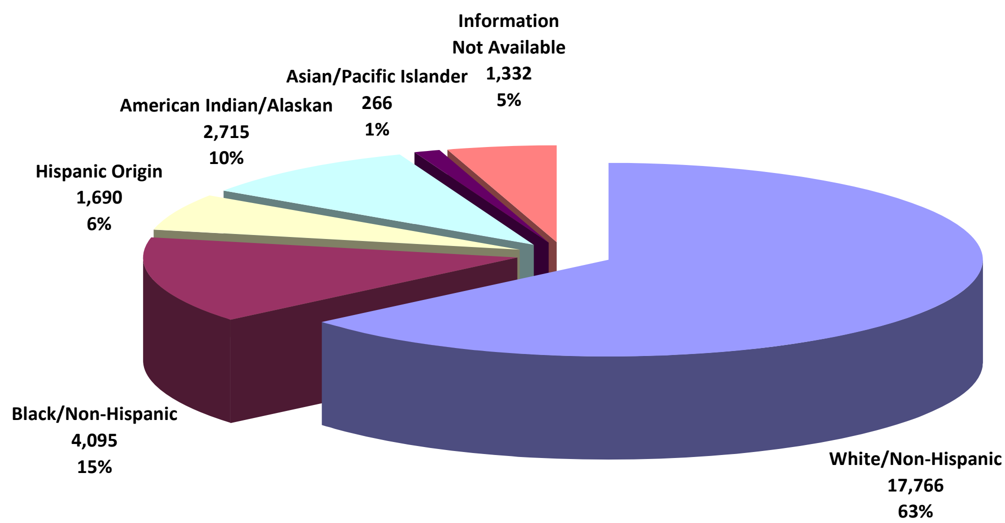


UI Claims by Gender

In Oklahoma males make up 54.3 percent of the labor force but were only responsible for 51.3 percent of UI claims. Females make up 45.7 percent of the labor force but, at 48.7 percent, were responsible for a disproportionally higher number of UI claims.

Oklahoma's Unemployment Insurance Claims by Race/Ethnicity: 2011

Source: Oklahoma Employment Security Commission, LAUS Program and U.S. Department of Commerce, Bureau of Census

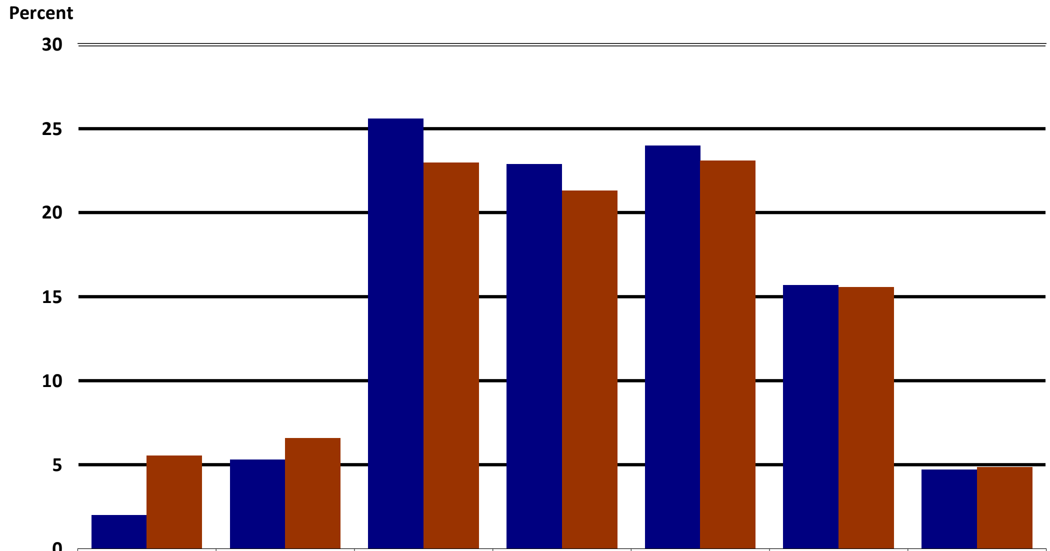


UI Claims by Race/Ethnicity

The above chart displays average monthly UI claims by race/ethnicity for 2011. The percent of claims that were filed by Asian/Pacific Islander, American Indian/Alaskan Native, and Hispanic Origin groups were proportional to their percent of the total population. The White/Non-Hispanic group, though, comprise 72.2 percent of the total population, but only filed 63 percent of the UI claims. Conversely, the Black/Non-Hispanic group comprise only 7.4 percent of the total population, but filed 15 percent of UI claims. This indicates that the Black/Non-Hispanic group is filing a disproportionally higher number of UI claims than the White/Non-Hispanic group, while the remainder of the race/ethnicity groups are filing claims proportional to their total population.

Oklahoma's Unemployment Insurance Claims by Age vs All Workers: 2011

Source: Oklahoma Employment Security Commission, LAUS Program and Bureau of Census, Local Employment Dynamics Program



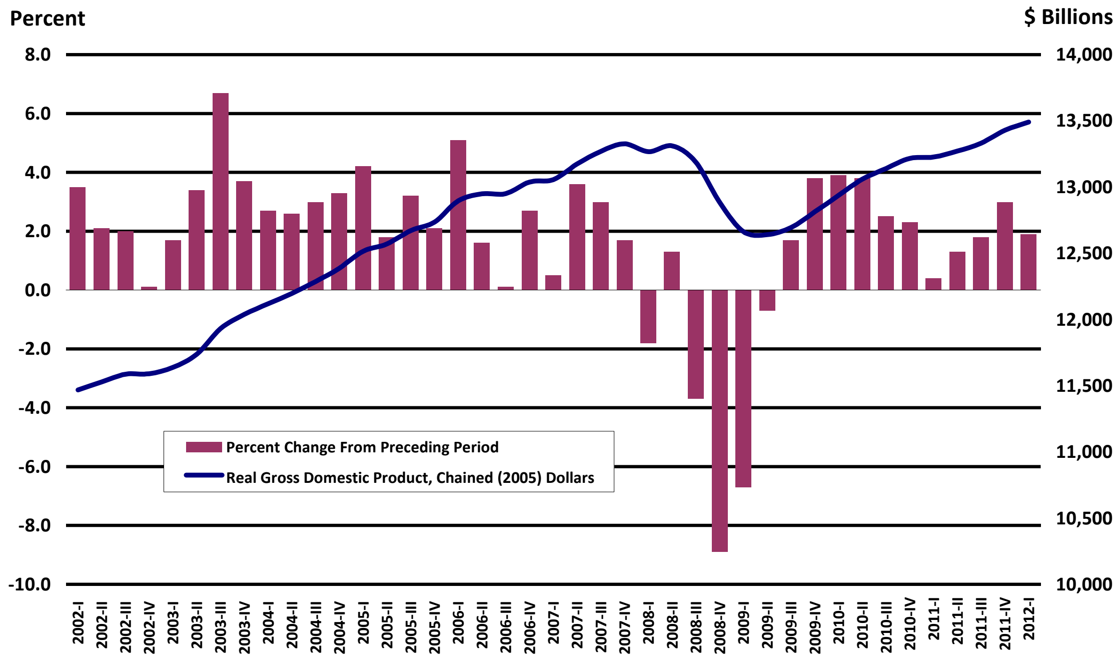
	19-21	22-24	25-34	35-44	45-54	55-64	65+
UI Claimants	2.00	5.30	25.60	22.90	24.00	15.70	4.70
All Workers	5.55	6.59	22.99	21.32	23.11	15.58	4.86

UI Claims by Age

The above chart displays the age distribution of all workers as well as the age distribution of UI claimants. The 25-34 year age group had a disproportionately higher number of claims than most other age groups. The 19-21 year age group would appear to have faired the best, but this number can be deceiving. In order to qualify for Oklahoma's UI program, an applicant must have earned a certain level of base period wages. This requirement may have a greater impact on the ability for the 19-21 age group to qualify for UI benefits than other age groups based on their earnings and industry employment.

Real Gross Domestic Product and Quarterly Change

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



Definition & Importance

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

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

Background

There are four major components to GDP:

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

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

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

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

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

Current Developments

The nation's economy grew at a slower pace than previously thought in the first three months of this year, reflecting smaller gains in inventories and larger government cutbacks. Real gross domestic product increased at an annual rate of 1.9 percent in the 1st quarter of 2012, according to the "second" estimate released by the Bureau of Economic Analysis (BEA). In the previous “advance” estimate, the increase in real GDP was 2.2 percent. In the final three months of 2011, the economy grew at a 3.0 percent rate.

The downward revision in 1st quarter GDP was due to lower estimates for personal consumption expenditures (PCEs) in durable goods and services, inventory investment, and government purchases along with a higher estimate for imports (which are a subtraction in the calculation of GDP). Partially offsetting the downward revisions were higher estimates for nondurable goods PCEs, nonresidential fixed investment, residential investment, and exports.

Real PCEs grew 2.7 percent in the 1st quarter, compared with an increase of 2.1 percent in the 4th quarter. Durable goods spending increasing by 14.3 percent and nondurable goods 2.3 percent. Services PCEs grew by 1.0 percent in the 1st quarter, compared with an increase of 0.4 percent in the 4th quarter.

Gross private domestic investment added 0.8 percent to 1st quarter GDP. Real nonresidential fixed investment increased 1.9 percent in the 1st quarter, compared with an increase of 5.2 percent in the 4th quarter. Real residential fixed investment increased 19.4 percent, compared with an increase of 11.6 percent in 1st quarter. Inventory investment slowed, primarily reflecting downturns in manufacturing and in wholesale trade industries. Less restocking means companies ordered fewer goods, which decreases factory production and weighs on growth.

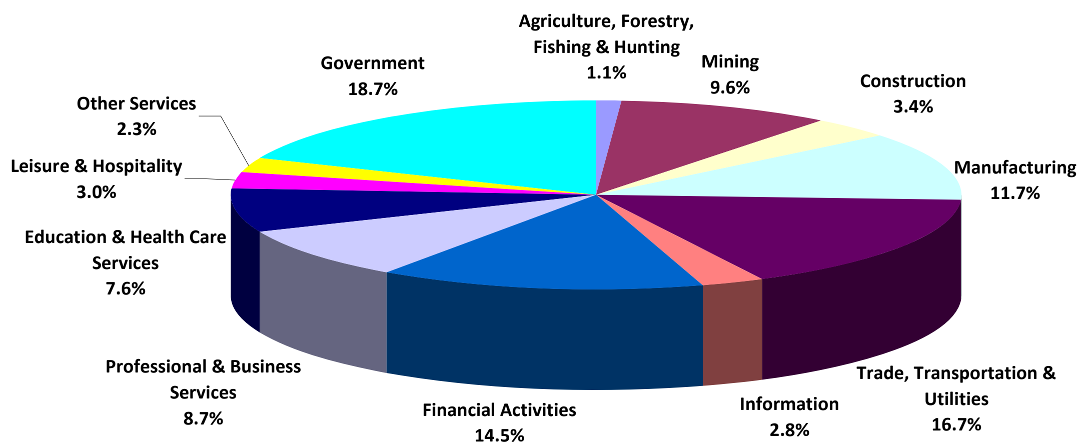
Net exports were negative in the 1st quarter and subtracted 0.08 percent from GDP. Real exports of goods and services increased to a revised 7.2 percent while real imports of goods and services, (a subtraction from GDP), increased to a revised 6.1 percent. A rising trade deficit slows growth because the country is spending more on foreign-made products than it is taking in from sales of U.S.-made goods.

Government spending continues to be a drag on GDP. Real federal government consumption expenditures and gross investment decreased 5.9 percent in the 1st quarter, compared with a decrease of 6.9 percent in 4th quarter 2011. Real state and local government consumption expenditures and gross investment decreased 2.5 percent, compared with a decrease of 2.2 percent in the previous quarter. Overall, government expenditures and gross investment subtracted 0.78 percent from 1st quarter GDP.

2010 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

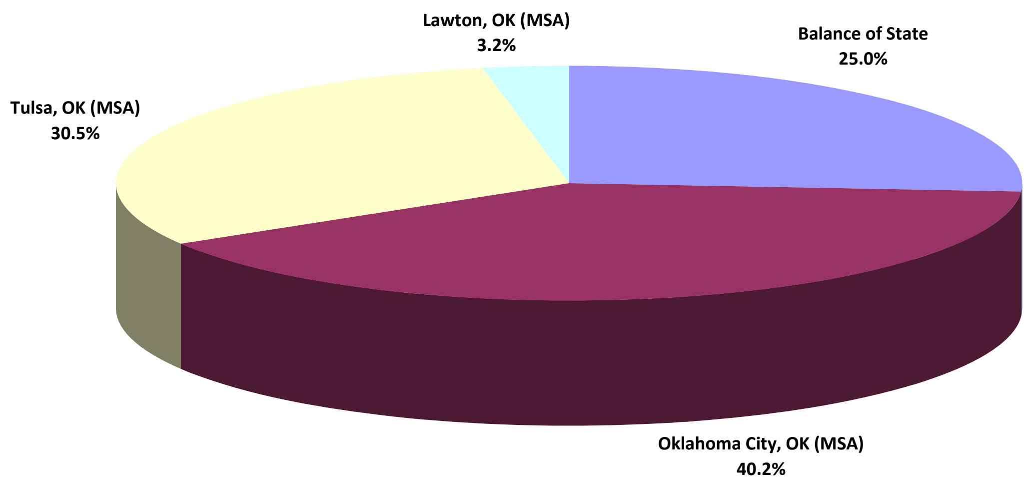
According to the advance estimate from the Bureau of Economic Analysis (BEA), Oklahoma was among 48 states and the District of Columbia experiencing growth in real GDP in 2010. However, Oklahoma's 2009 advance estimate was significantly revised downward primarily due to updated prices for natural gas.

The BEA's advance estimate for 2009 state GDP showed Oklahoma's real GDP had grown by 6.6 percent, leading the nation. The largest contributor to real GDP growth was mining, accounting for 7.23 percentage points of the total growth in real GDP. However, based on updated information, mining actually declined by 0.99 percent in 2009. That adjustment caused the state's GDP to fall to -1.0 percent, ranking Oklahoma 15th in GDP growth among states in 2009.

Oklahoma registered a real GDP of $133.5 billion in 2010, a 1.0 percent gain from the revised $132.1 billion in 2009; U.S. real GDP grew at 2.6 percent during the same period. Retail trade contributed to real GDP growth in every state in 2010 and was the leading contributor in Oklahoma, accounting for 0.42 percent of total growth. Durable goods manufacturing was the second-largest contributor to real GDP growth in Oklahoma accounting for 0.40 percentage point of the total growth. Government (0.25 percent) was the state's third-largest real GDP contributor with state and local government accounting for nearly 70 percent of total government real GDP.

Metropolitan Area Contribution to State Real Gross Domestic Product 2010

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



Definition & Importance

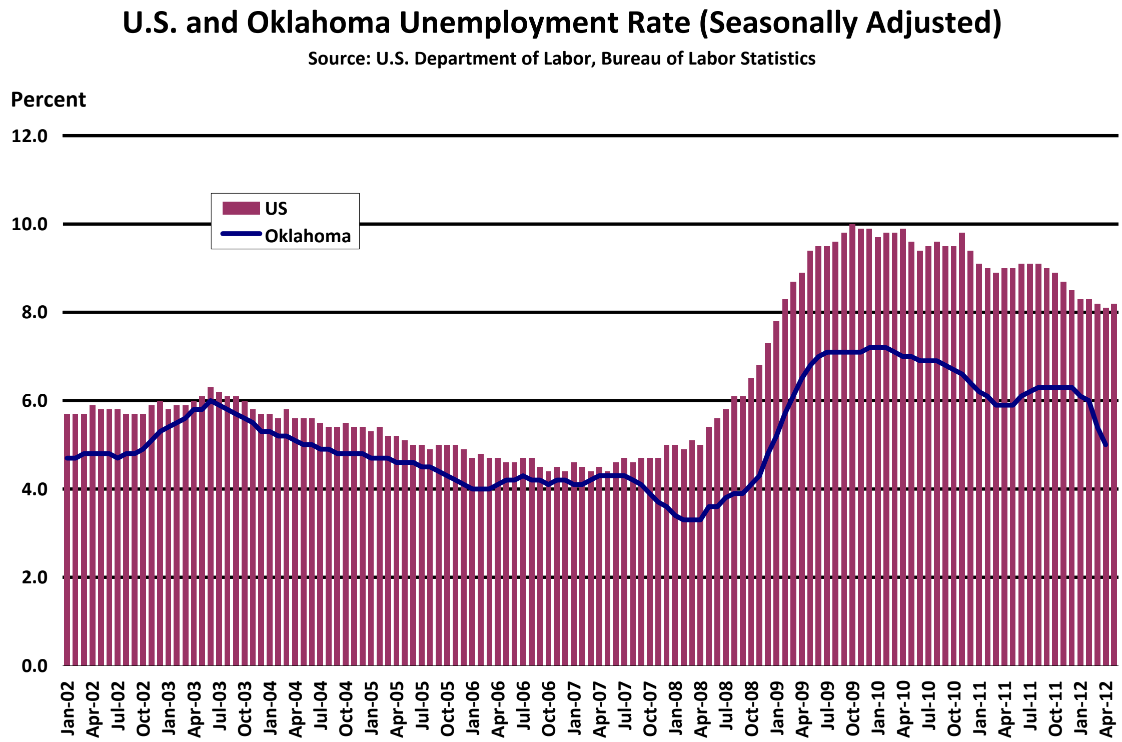
Metropolitan Statistical Areas (MSA) are the county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree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

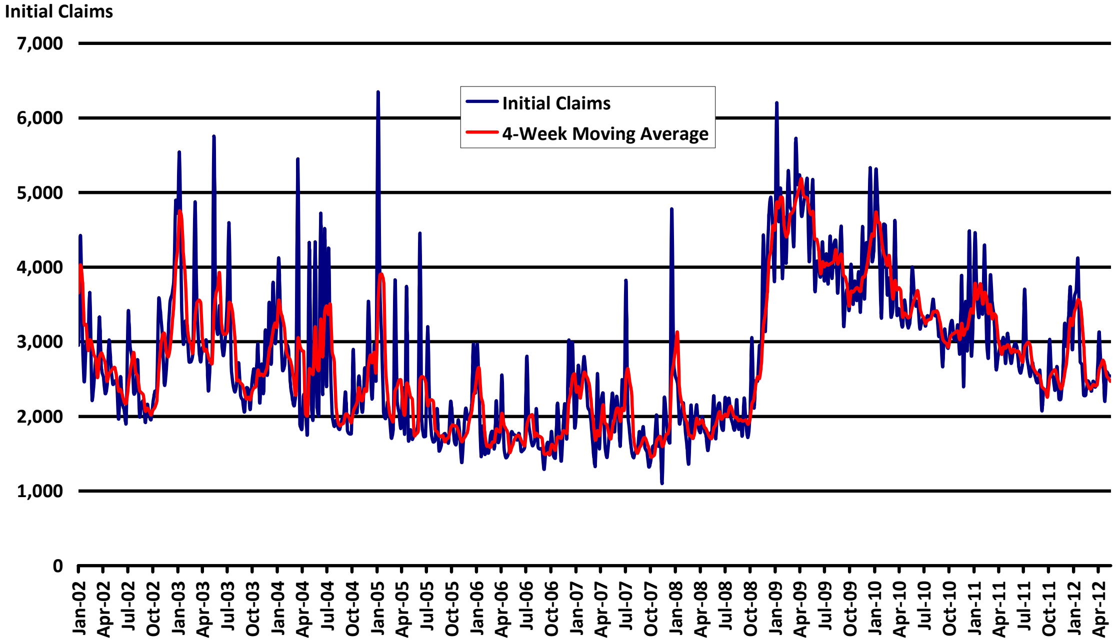
The nation's jobless rate rose in May as 642,000 Americans surged into the labor force. The unemployment rate rose to 8.2 percent from 8.1 percent in April, the first increase in 11 months, according to the Bureau of Labor Statistics (BLS). Unemployment has exceeded 8 percent since February 2009, the longest such stretch since monthly records began in 1948.

Oklahoma's seasonally adjusted unemployment rate fell further in April to 5.0 percent from 5.4 percent in March. In April, the unemployment declined in all but one of Oklahoma's 77 counties, with LeFlore County seeing the only increase. LeFlore County also had the highest unemployment rate in April at 8.5 percent. Ellis County and Roger Mills County were tied for the lowest county jobless rate in April at 1.8 percent.

Oklahoma Initial Weekly Claims for Unemployment Insurance

(Not Seasonally Adjusted)

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



Definition & Importance

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

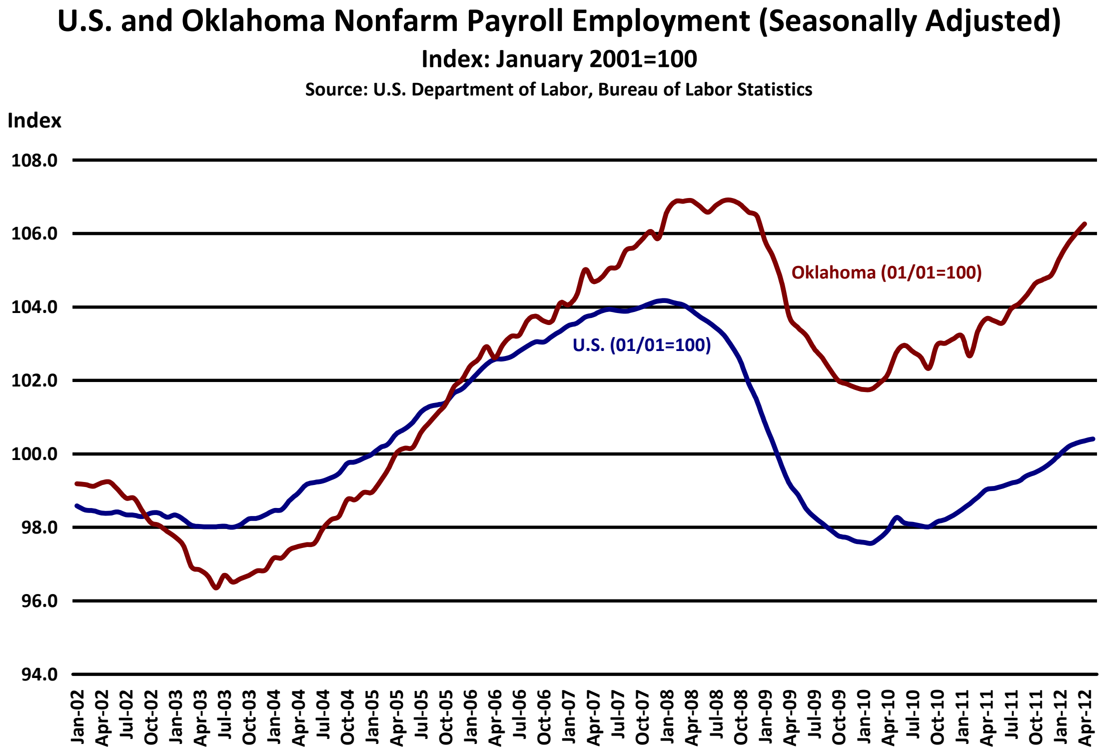
Initial claims are a leading indicator because they point to changes in labor market conditions. An increasing trend signals that layoffs are occurring. Conversely, a decreasing trend suggests an improving labor market. The four-week moving average of initial claims smoothes out weekly volatility and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

Current Developments

The number of Americans seeking unemployment benefits rose in the last week of May to a five-week high, suggesting that the job market remains sluggish. In the week ending May 26, the advance figure for seasonally adjusted initial claims was 383,000, an increase of 10,000 from the previous week's revised figure of 373,000, according to the U.S. Department of Labor (DOL). The less volatile 4-week moving average was 374,500, an increase of 3,750 from the previous week's revised average of 370,750.

Oklahoma's unadjusted initial claims for unemployment has been edging down in May. For the file week ending May 19, initial claims were at 2,542, down 9 the previous week's level of 2,551. For the same file week ending, the four-week moving average was 2,471, down 40 from the previous week's 2,511.

Continued claims for unemployment also moved downward in May. For the file week ending May 19, continued claims were at 22,109, down 268 from the previous 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.

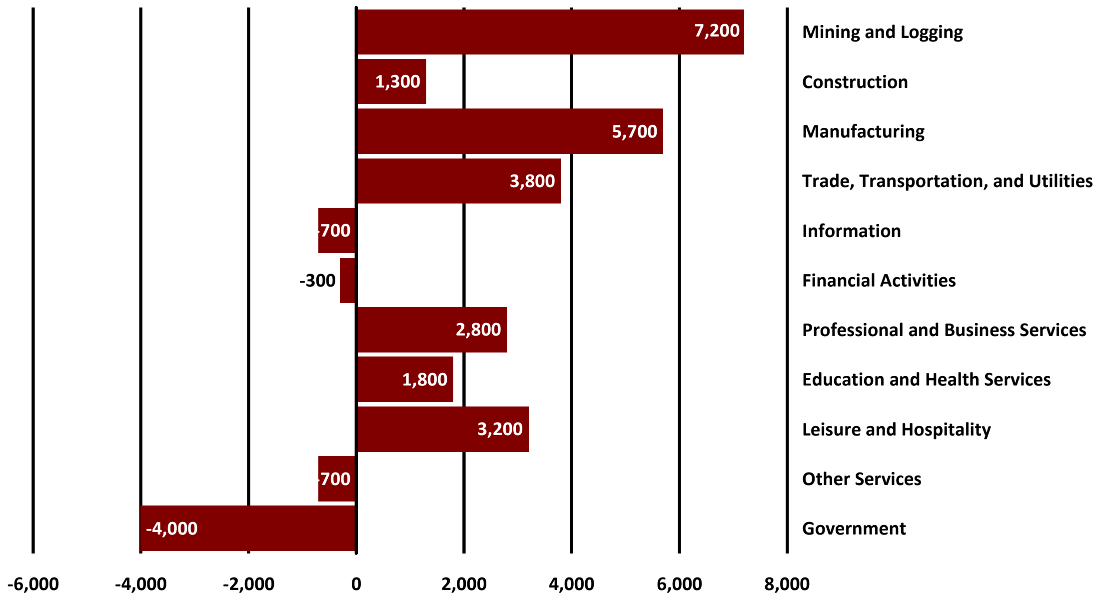
Current Developments

U.S. employers hired the fewest number of workers in a year in May as payroll gains were disappointingly weak for a third consecutive month. Total nonfarm payroll employment changed little in May (+69,000), following a similar change in April (+77,000), according to the Bureau of Labor Statistics (BLS). In comparison, the average monthly gain was 226,000 in the first quarter of the year. Private service-providing industry employment rose 97,000, following an 83,000 increase in April while the public sector continued to shrink with a 13,000 drop in government employment.

Statewide employment continued to grow at a healthy pace in April. Seasonally adjusted nonfarm employment increased by 3,700 jobs (+0.2 percent) in April. Oklahoma added jobs in six of its 11 statewide supersectors, led by a 5,100-job gain in trade, transportation & utilities. Educational & health services dropped 2,500 jobs over the month led by losses in health care & social assistance. Eight statewide supersectors added jobs over the year, with trade, transportation & utilities claiming the largest annual gain adding 11,000 jobs.

Oklahoma Employment Change by Industry
2010 - 2011

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

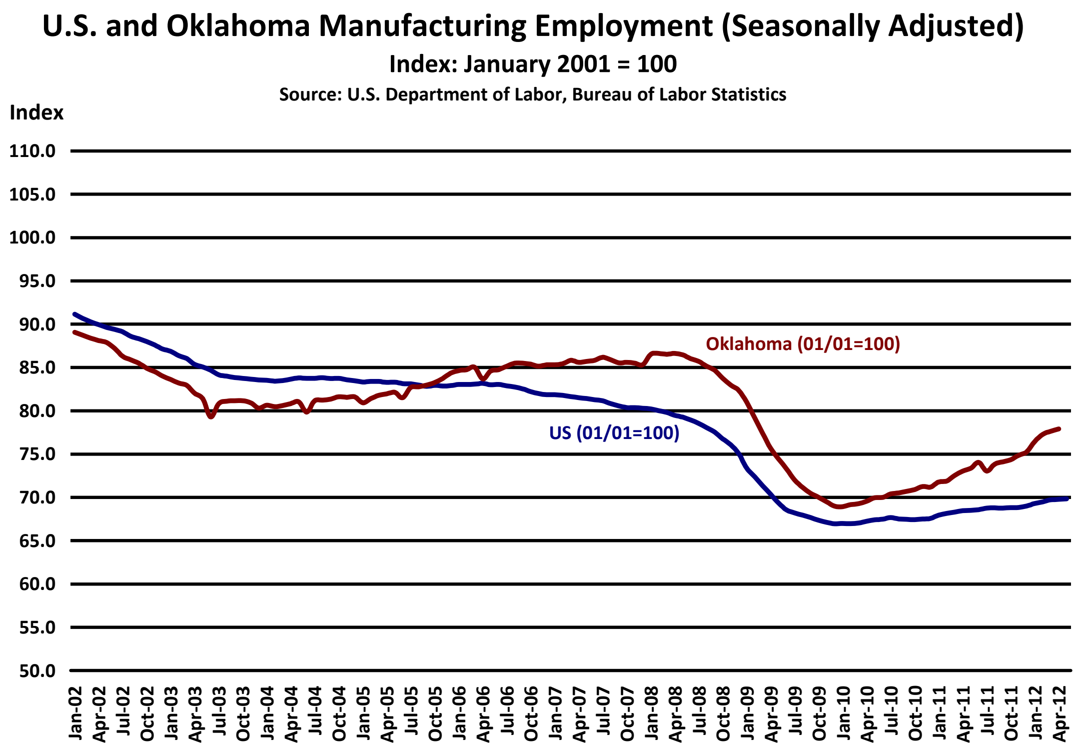


Definition & Importance
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing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

Current Developments
After back-to-back years of job losses, nonfarm employment in Oklahoma turned around in 2011. Nonfarm employment grew at a healthy 1.3 percent growth rate in 2011, adding approximately 20,000 jobs.

Job gains were registered in seven out of Oklahoma's 11 statewide supersectors. Mining & logging saw the largest employment increase adding 7,200 jobs with the bulk of hiring occurring in support activities for mining. Manufacturing followed with an addition of 5,700 jobs and almost all of the growth coming from durable goods manufacturing. The broad trade, transportation & utilities group added 3,800 employees with most of the growth in wholesale trade. Leisure & hospitality added 3,200 jobs with nearly all of the job gains being in accommodation and food services. Professional and business services employment grew by 2,800 driven by job gains in administrative and support & waste management and remediation services and employment services. Education & health services added 1,800 jobs with nearly all the job growth in ambulatory health care services.

By far, the largest job losses were seen in government which shed approximately 4,000 jobs with almost all of the losses coming from local government.



Definition & Importance

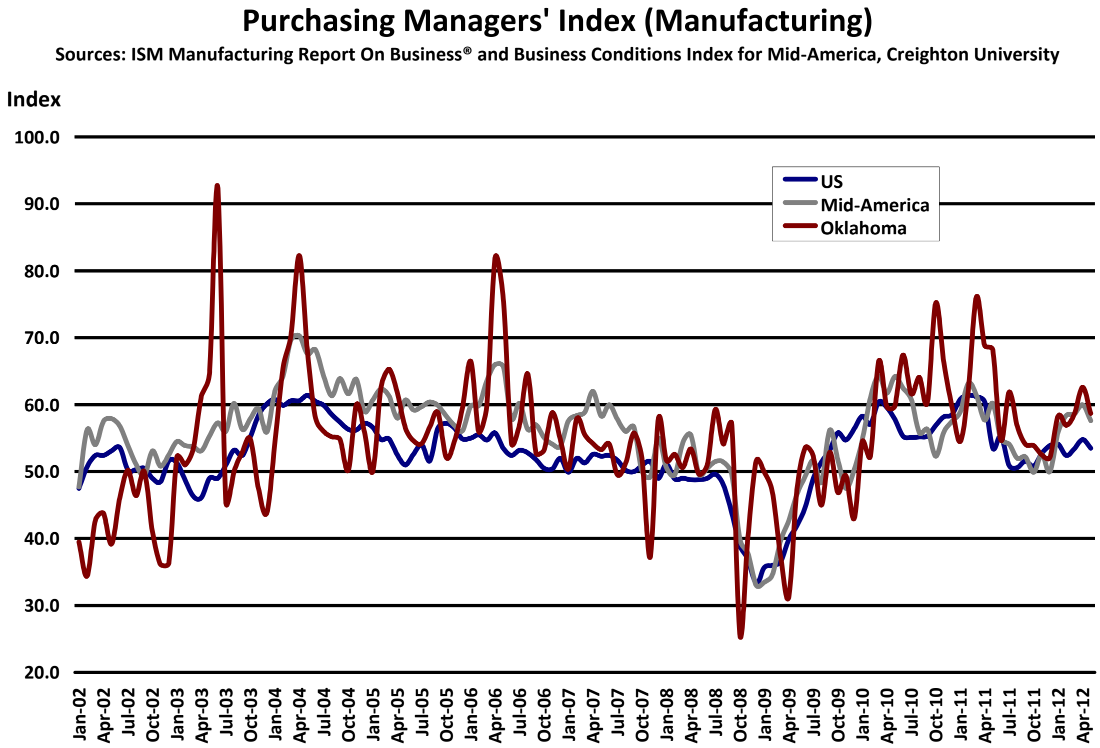
Manufacturing employment data is also produced by the Bureau of Labor Statistics' Current Employment Statistics (CES) program. Manufacturing and production are still important parts of both the U.S. and Oklahoma economies. During the 2007-09 recession, employment in manufacturing declined sharply. Although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

U'S. manufacturing employment continued to trend up in May adding 12,000 jobs, according to the Bureau of Labor Statistics (BLS). Job gains averaged 41,000 per month in the 1st quarter of this year. In May, employment rose in fabricated metal products (+6,000) and in primary metals (+4,000). Since its most recent low in January 2010, manufacturing employment has increased by 495,000.

Statewide manufacturing employment continued expanding in April adding 500 jobs (+0.4 percent). All of April's manufacturing job gains were in durable goods as non-durable goods manufacturing shed 600 jobs.



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 grew more slowly in May, hampered by weaker hiring and declining production. The PMI registered 53.5 percent, a modest decrease of 1.3 percentage points from April's reading of 54.8 percent and indicating expansion in the manufacturing sector, according to the Institute for Supply Management (ISM). However, a measure of new orders rose to a 13-month high, suggesting factory activity will pick up in June.

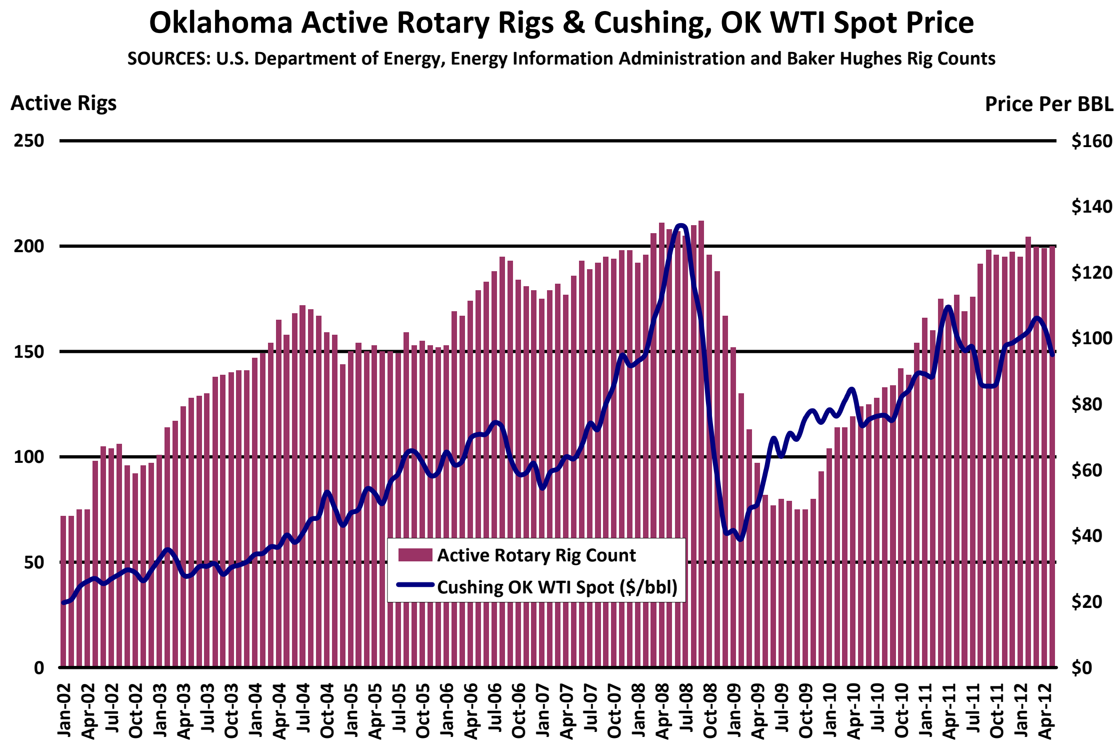
A measure of employment in the ISM's survey slipped to 56.9 from April's level of 57.3. But it showed that factories are still hiring at a solid pace. Industries reporting growth in May employment included clothing and leather, metals and mineral products. A gauge of new orders in the ISM survey rose to 60.1, the highest reading since April 2011, suggesting faster production in the coming months.

Manufacturing has been a key source of economic growth since the recession ended in June 2009. The sector has expanded for 34 straight months, according to the ISM's index.

The Mid-America region's leading economic indicator fell in May to a still healthy level of 57.6 from April's 60.0, according to the Creighton Economic Forecasting Group. The prices-paid index, an inflation gauge fell to 59.9 from 67.8 in April, its lowest level since recession ended in June 2009.

When asked about the impact of European economic problems on their firm, approximately 22 percent of the region's supply managers surveyed reported negative fallout from Europe's problems.

The Business Conditions Index for Oklahoma slumped to a still healthy 58.7 from April's 62.6. Components of the leading economic indicator for May were new orders at 58.0, production or sales at 54.1, delivery lead time at 67.3, inventories at 53.1, and employment at 60.9. "Durable goods manufacturers in the state, especially those tied to energy and international markets, are growing at a very healthy pace," noted Dr. Ernie Goss, director of Creighton'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.

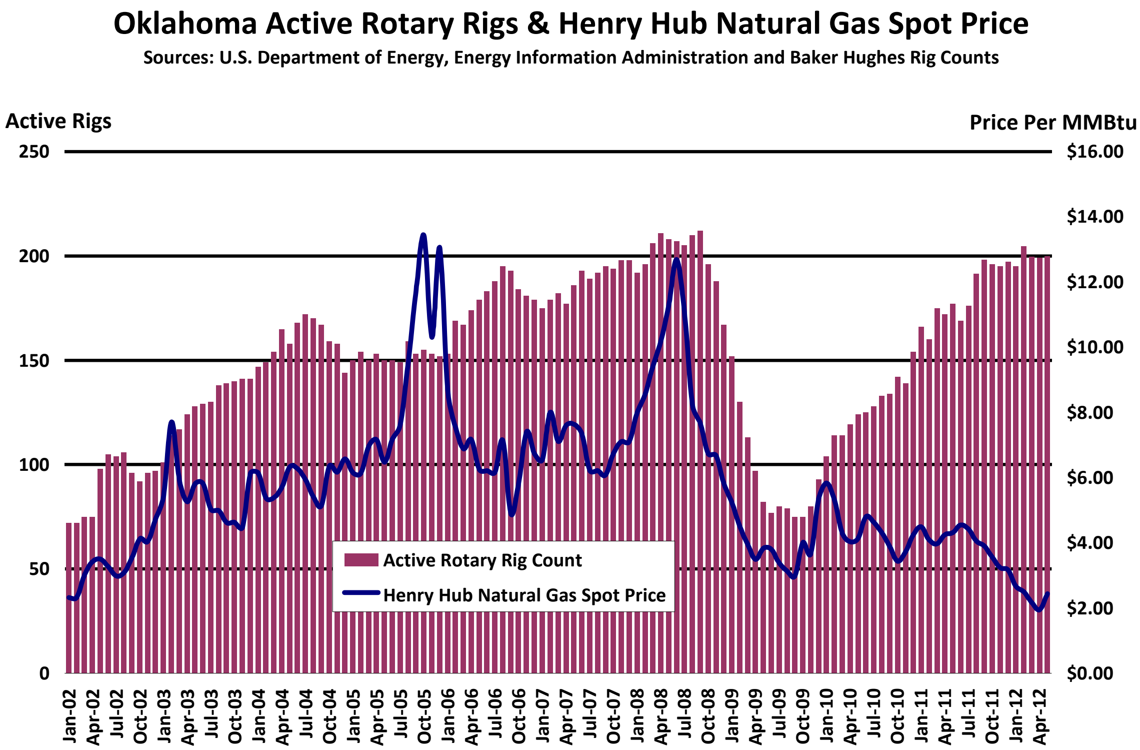
Current Developments

Crude oil inventories at the Cushing, Oklahoma storage hub reached a record 45.1 million barrels on May 11 after rising 16.9 million barrels since January 13, a marked contrast to the relatively flat level of inventories over January through April in recent years, according to the U.S. Energy Information Administration (EIA). The increases have come ahead of the Seaway pipeline reversal and are largely the result of growing U.S. inland production and increasing imports from Canada.

The drop in crude oil prices has also helped to drive down gasoline prices by lowering refiner's acquisition costs. Gasoline prices have declined more than 27 cents per gallon over the last eight weeks while prices have decreased in all regions of the Nation for the second consecutive week, according to the EIA. The Gulf Coast saw the biggest decrease, almost seven cents, to reach $3.42 per gallon. The East Coast price dropped more than six cents to $3.57 per gallon, and the Midwest price, (where Oklahoma is located), dropped three and a half cents to $3.59 per gallon. The Rocky Mountain region and the West Coast dropped more than a penny to $3.74 per gallon and $4.23 per gallon, respectively.

Crude oil prices plunged 17.3 percent in May to seven-month lows below $88 a barrel by month's end. Cushing, Oklahoma West Texas Intermediate (WTI) spot prices averaged $95.04 per barrel, down $8.28 (-8.0 percent) from the April average of $103.32 per barrel. Over the year, WTI spot price has fallen $5.86 (-5.8 percent) from the current price.

Oklahoma's rotary rig activity was little changed in April, edging up one rig to 200. Over the year, Oklahoma's active rotary rig count has grown by 25 rigs.



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.

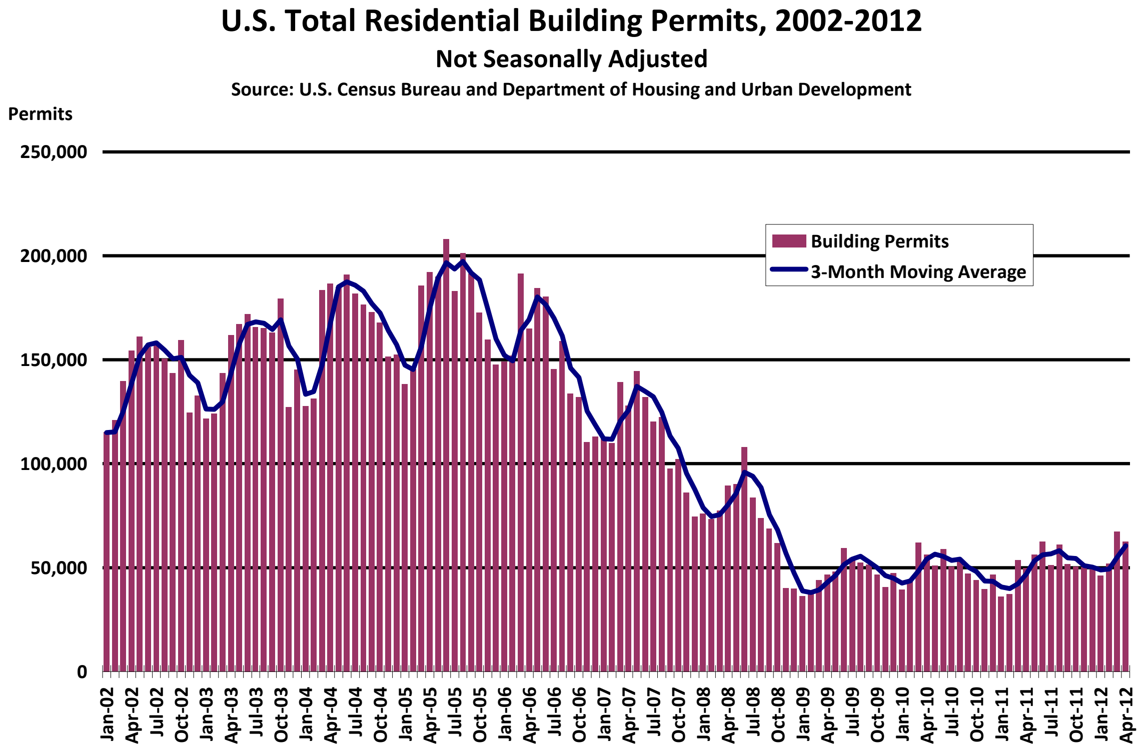
Current Developments

Active natural gas rotary rigs currently total 594, according to the latest weekly data released by Baker Hughes Incorporated. According to Baker Hughes data, natural gas-directed horizontal rigs have driven the decline in total natural gas rigs over the past several months. Horizontal-directed natural gas rig counts have fallen to 411, from levels in the low-600s a year ago.

Declines have occurred in key areas of dry shale gas production, particularly in Louisiana, where the Haynesville Shale is located, according to the U.S. Energy Information Administration (EIA). The number of horizontal natural gas rigs drilling in Louisiana has fallen from 110 at the beginning of 2011 to 30 last week, according to Baker Hughes data. Over the same time period, directional and vertical natural gas rig counts have remained relatively unchanged, and totaled 26 and 19, respectively, as of May 25. Other states that have seen significant declines in natural gas rigs include Texas and Oklahoma.

The Henry Hub natural gas spot price climbed back above the $2 per million British thermal units (MMBtu) level in May averaging $2.44 per MMBtu, an improvement of $0.49 per MMBtu from April's decade-year low average of $1.95 per MMBtu.

In Oklahoma, gas-directed rotary rig activity was at 53 (27.6 percent) for the week ending June 1 while oil-directed rigs were at 139 (72.4 percent).



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.

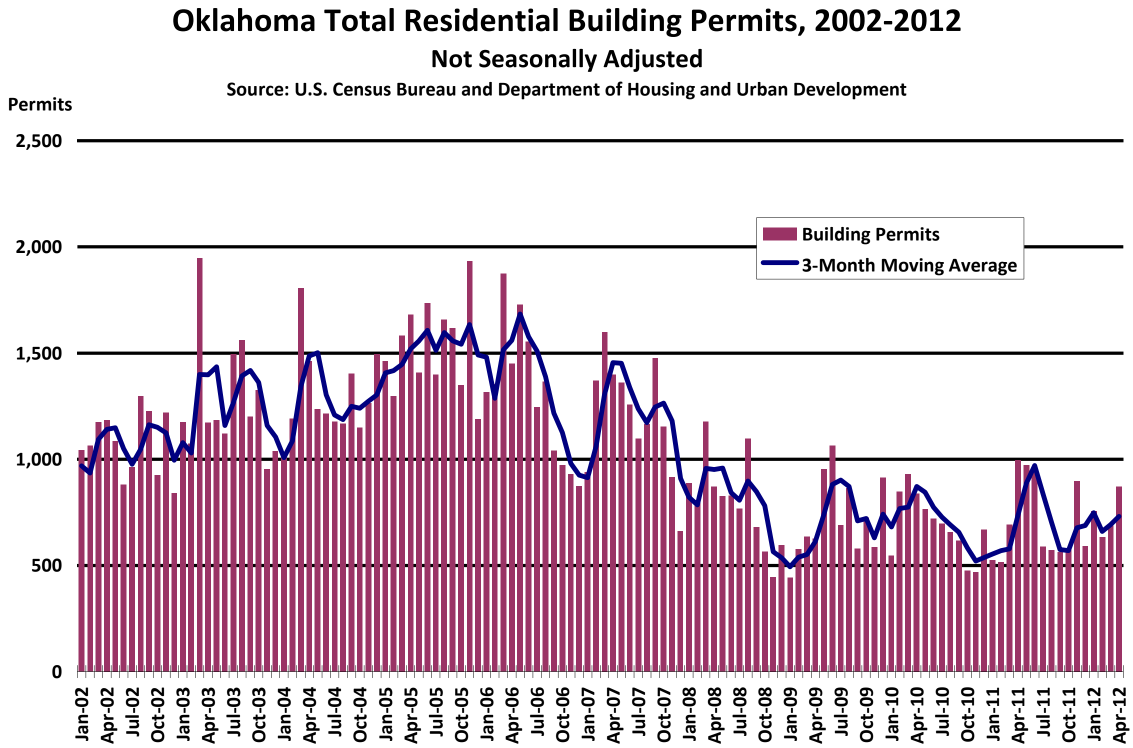
While home construction represents a small portion of the housing market, it has an outsize impact on the economy. Each home built creates an average of three jobs for a year and about $90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels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

Current Developments

Building permits, a gauge of future construction, fell in April from March's 3 1/2 year high. Privately-owned housing units authorized by building permits in April were at a seasonally adjusted annual rate of 715,000 or 7.0 percent below the revised March rate of 769,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. That is also 23.7 percent above the revised April 2011 estimate of 578,000.

Much of the slowdown in April permitting was due to a 23 percent drop in multi-family permitting. Permits for single-family homes rose almost 2 percent in April.

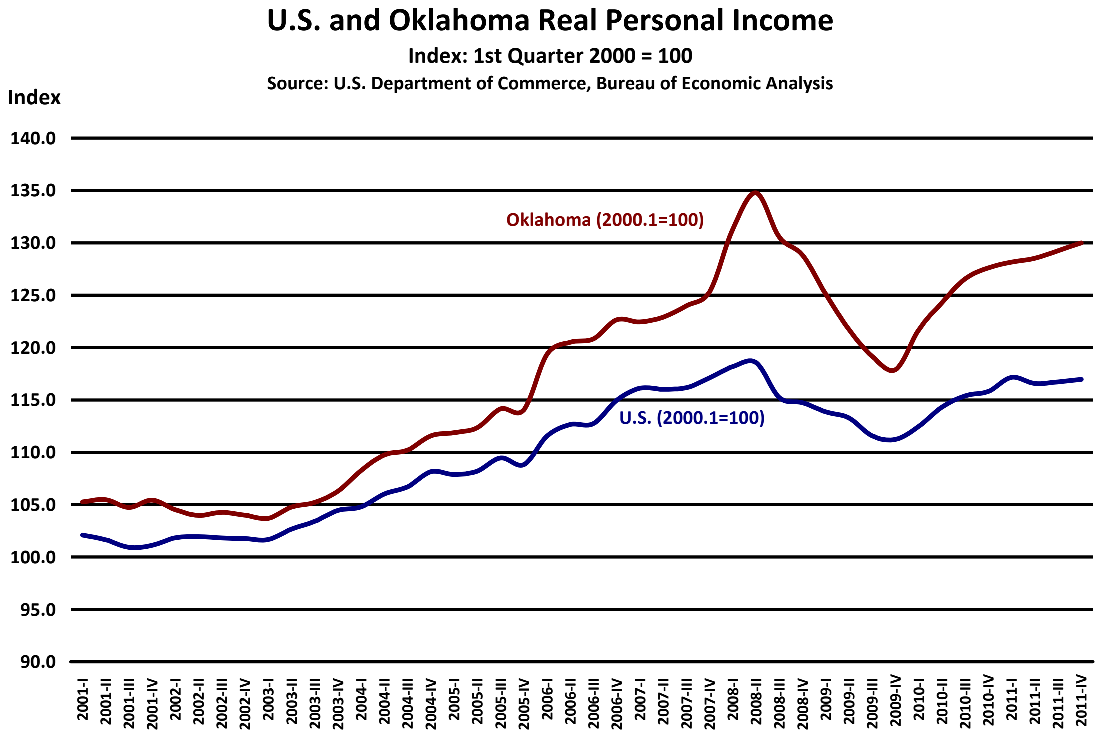
Even with the recent gains, the rate of construction and the level of permits requested remain roughly half the pace considered healthy. But the increase, along with rising builder confidence and stronger job growth, is a hopeful sign that the home market may finally be starting to recover nearly five years after the housing bubble burst.



Oklahoma residential permitting activity surged in April as statewide homebuilders requested the most single family permits in two years. Total unadjusted residential building permits were up 27.1 percent over March, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development. Almost all, (94.0 percent), of April's residential permitting activity was for single-family units which was up a 29.7 percent from March. Multi-family permitting edged down 5.6 percent from March.

Compared to March 2011, total residential permitting was down 12.4 percent. Single-family permitting was 28.5 percent above April 2011. The more volatile multi-family component was down 87.0 percent from very strong statewide apartment permitting activity during the spring of 2011.

Residential permitting is generally off to a faster start in 2012. Year to date, 2012 total residential permitting activity was 8.0 percent above the first four months of 2011. Single-family permitting was 18.0 percent more than the first four months 2011 while multi-family activity was 42.6 percent less during that time 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

Consumer spending edged up modestly in April as gasoline prices dipped but personal income growth was the slowest in five months. Personal income increased $31.7 billion, or 0.2 percent, and disposable personal income (DPI) increased $22.0 billion, or 0.2 percent, in April, according to the Bureau of Economic Analysis (BEA). The April gain was just half the 0.4 percent March rise.

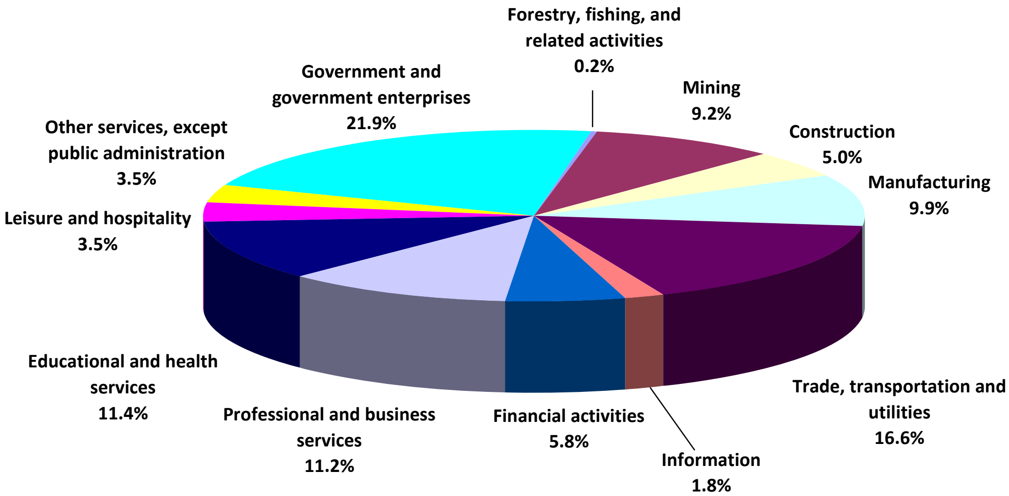
Consumer spending picked up the pace in April. Personal consumption expenditures (PCE) increased $31.8 billion, or 0.3 percent following a revised 0.2 percent gain in March. By components, durable goods spending jumped 0.6 percent while nondurables declined 0.2 percent and services gained 0.4 percent.

For the January-March quarter, consumer spending rose at an annual rate of 2.7 percent, the strongest performance since the last quarter of 2010. But there is concern because Americans are receiving little or no pay raises. After-tax income (DPI) adjusted for inflation rose at an annual rate of just 0.4 percent in the first three months of this year and that followed an even smaller 0.2 percent increase in the final three months of 2011.

Oklahoma Nonfarm Industry Contribution to Earnings

Fourth Quarter 2011

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

More than two-thirds of U.S. state economies strengthened during the last three months of 2011, the widest advance in more than year, confirming the spread of a recovery fueled by manufacturing and energy production. State personal income rose an average 5.1 percent in 2011 after rising 3.7 percent in 2010, according to estimates by the Bureau of Economic Analysis (BEA). State personal income growth ranged from 3.4 percent in Maine to 8.1 percent in North Dakota.

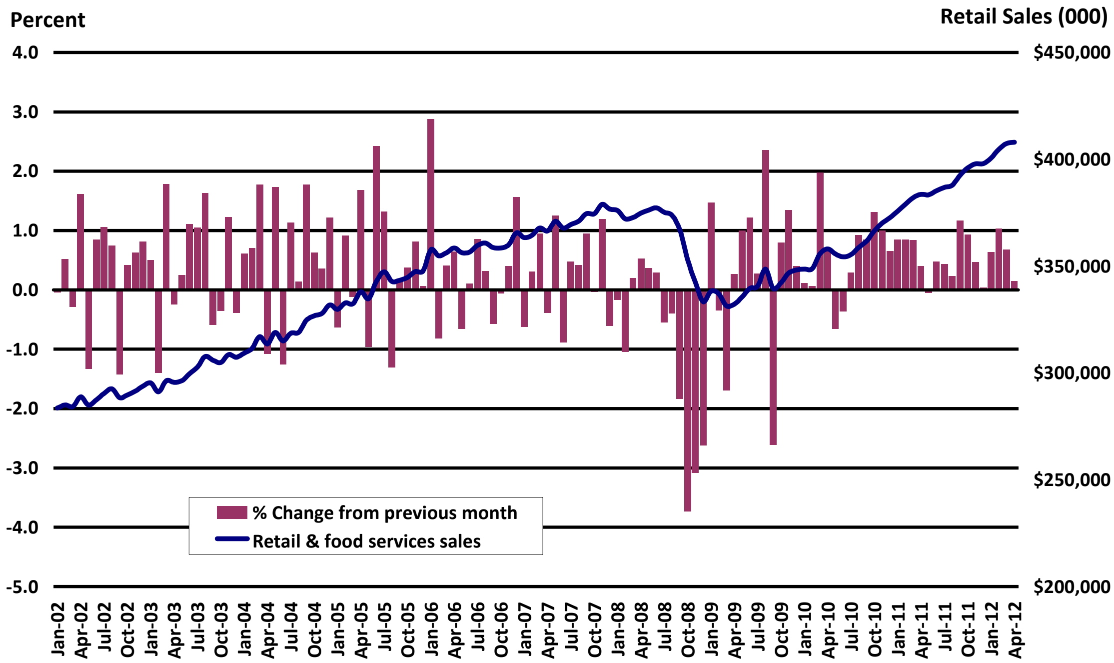
Earnings, which grew an average 4.4 percent in 2011, recovered their pre-recession levels and reached new peaks in 45 states. However, earnings in Arizona, Florida, Michigan, Nevada, and Oklahoma are still below peaks reached in 2007 or 2008.

Private nonfarm earnings accounted for almost all of the growth in personal income in the 4th quarter in most states. Mining earnings grew 9.0 percent, faster than every other industry, and accounted for the bulk of the growth in the six fastest growing states: North Dakota, Wyoming, Oklahoma, Texas, Louisiana, and West Virginia.

For 2011, Oklahoma's total personal income growth rate of 6.2 percent ranked it 4th in the nation with North Dakota (8.1 percent), Iowa (6.8 percent), and Texas (6.6 percent) topping the list. The state's per capita personal income grew 5.3 percent to $37,277 in 2011 from $35,389 the previous year, ranking Oklahoma 3rd in the nation for growth. Earnings accounted for 4.29 percentage points to Oklahoma's personal income growth in 2011 led by the mining sector contributing about 1.78 percent points to earnings growth followed by trade, transportation and utilities, (0.64); manufacturing (.50); and health and social assistance (0.38).

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.

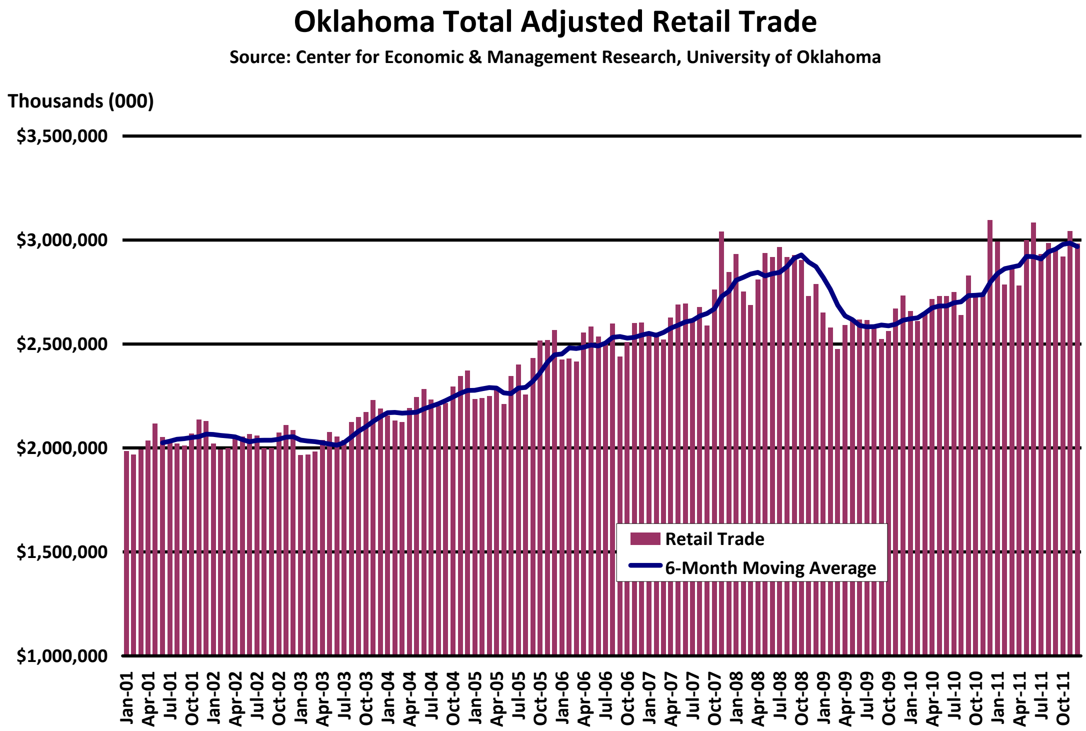
Current Developments

Retail sales rose in April at the slowest pace of the year as Americans eased spending. Advance estimates of U.S. retail and food services sales for April reached $408.0 billion, an increase of 0.1 percent from the previous month and 6.4 percent above April 2011, according to the U.S. Census Bureau. The 0.1 percent gain followed a 0.7 percent increase in March.

Part of the slowdown in retail sales for April may reflect seasonal events that pulled purchases into the previous month. The average temperature in March was the warmest on record in the U.S., and Easter fell on April 8 compared with April 24 the year before.

Purchases excluding cars, building materials and service stations—the category used to calculate gross domestic product— increased 0.4 percent after a 0.5 percent increase in the previous month. Sales climbed 0.5 percent at automobile dealers, after a 0.2 percent increase the prior month.

Over the year, retail sales in April posted a 6.4 percent gain, compared to 6.6 percent in March. Excluding motor vehicles, sales were up 5.9 percent on a year-on-year basis, compared to 6.4 percent the prior month.



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

It appears that many Oklahomans did their holiday shopping a month earlier in 2011, taking advantage of store discounts. Total adjusted retail sales for December was at a level of $2,982,932,393 which was almost 2 percent below November's sales figure of $3,042,473,790 and 3.6 percent below December 2010. For the year, Oklahoma total adjusted retail sales was at $35,330,382,990, that is 7.3 percent above the 2010 sales level of $32,885,394,745.

By category, December durable goods sales were 1.3 percent above November's sales. All durable goods categories posted sales gains, miscellaneous durable goods (+3.1 percent), auto accessories & repair (+1.6 percent), electronics & music stores (+0.8 percent), furniture (+0.6 percent), lumber & hardware (+0.5), and used merchandise (+0.4 percent).

December nondurable goods sales were off 2.9 percent from November with the largest drop in gasoline sales (-14.7 percent). Apparel sales were up 2.1 percent in December along with liquor (+1.8 percent), general merchandise (+1.1 percent), miscellaneous non-durables (+0.7 percent), food (+0.7 percent), and eating & drinking (+0.4 percent).