OKLAHOMA
Economic Indicators

May 2013

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ECONOMIC INDICATORS

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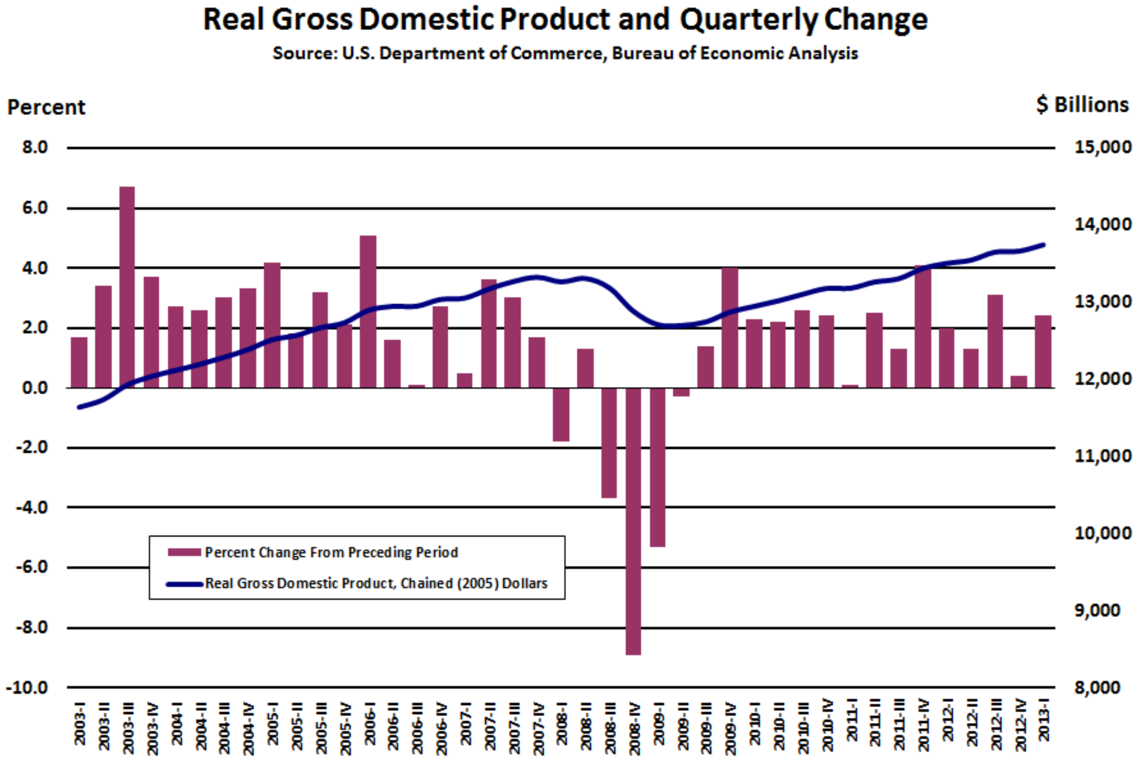


Definition & Importance

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

A drop in government spending dragged more on the U.S. economy than initially thought in the 1st quarter, but the private sector appears to be picking up the slack. Real gross domestic product increased at an annual rate of 2.4 percent in the 1st quarter of 2013, according to the "second" estimate released by the Bureau of Economic Analysis (BEA). The slightly slower pace largely reflects less inventory accumulation over the winter. In the 4th quarter, real GDP increased 0.4 percent.

Consumer spending remained relatively resilient despite the federal sequestration that began in March. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, rose at a 3.4 percent annual rate. That's the fastest spending growth in more than two years and even stronger than the 3.2 percent rate estimated last month.

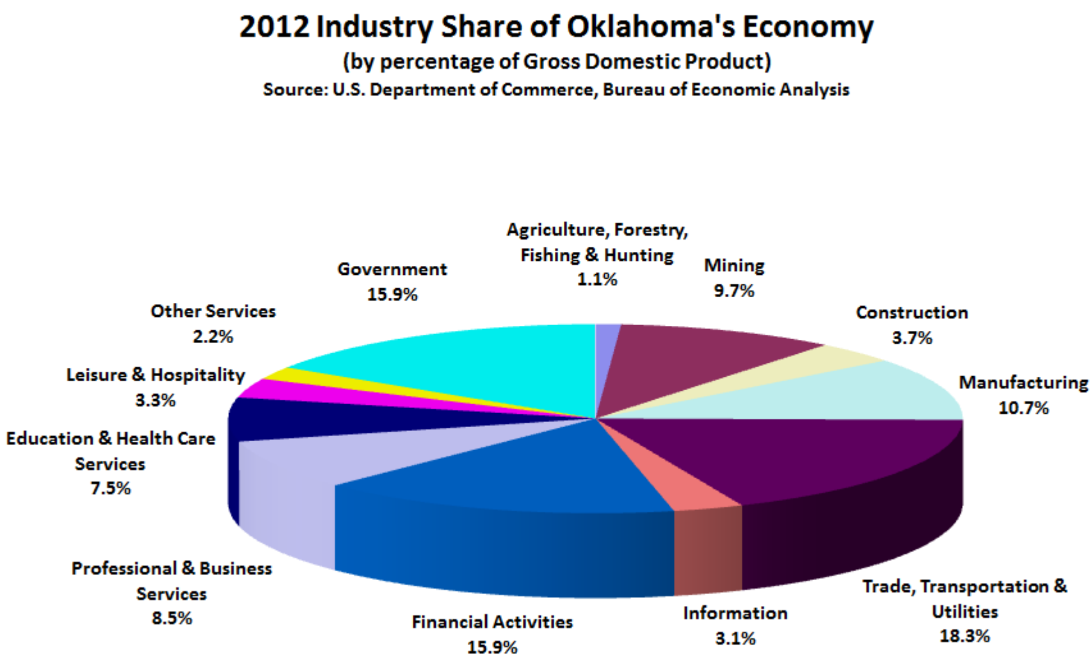
Business inventories grew in the 1st quarter but at a slightly slower pace than first estimated. Real private business inventories grew by $38.3 billion last quarter, less than the $50.3 billion reported a month ago. The change in real private inventories added 0.63 percentage point to the 1st-quarter change in real GDP, (rather than 1.03 percentage points previously estimated).

The housing recovery continued to add to growth during the first three months of the year. Home construction, one of the economy's top performers, grew at an annual rate of 12.1 percent in the first quarter, its third consecutive quarter of double-digit growth.

Real exports of goods and services increased 0.8 percent in the 1st quarter, in contrast to a decrease of 2.8 percent in the 4th quarter. Real imports of goods and services increased 1.9 percent, in contrast to a decrease of 4.2 percent in the previous quarter.

The weakest area of the economy continues to be government spending, which fell for the 10th time in the last 11 quarters. That's largely because of the spending cuts known as the "sequester," which went into effect March 1. Government spending tumbled at a 4.9 percent annual rate, which was faster than the 4.1 percent rate initially estimated. Real state and local government consumption expenditures and gross investment decreased 2.4 percent, compared with a decrease of 1.5 percent.

In 2012, durable-goods manufacturing, finance and insurance and wholesale trade were the leading contributors to U.S. economic growth, according to advance statistics on the breakout of real gross domestic product (GDP) by industry from the BEA. Overall, 19 of 22 industry groups contributed to the 2.2 percent increase in real GDP in 2012. In 2011, the GDP advanced at a 1.8 percent rate.



Definition & Importance

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

Current Developments

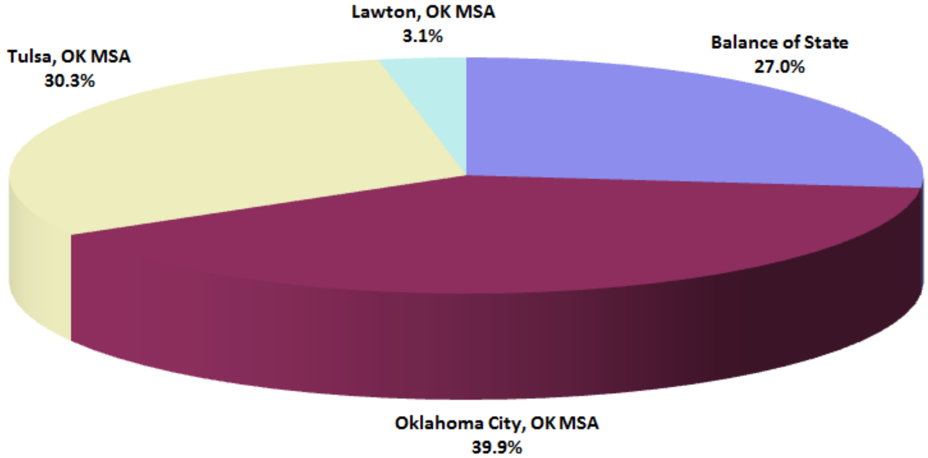
Oklahoma, along with 48 states and the District of Columbia, saw growth in real GDP in 2012, according to the advance estimate from the Bureau of Economic Analysis (BEA). Oklahoma's 2011 advance estimate was revised upward from 1.0 percent to 1.9 percent. Oklahoma's real GDP growth rate of 2.1 percent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

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

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

Metropolitan Area Contribution to State Real Gross Domestic Product 2011

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



Definition & Importance

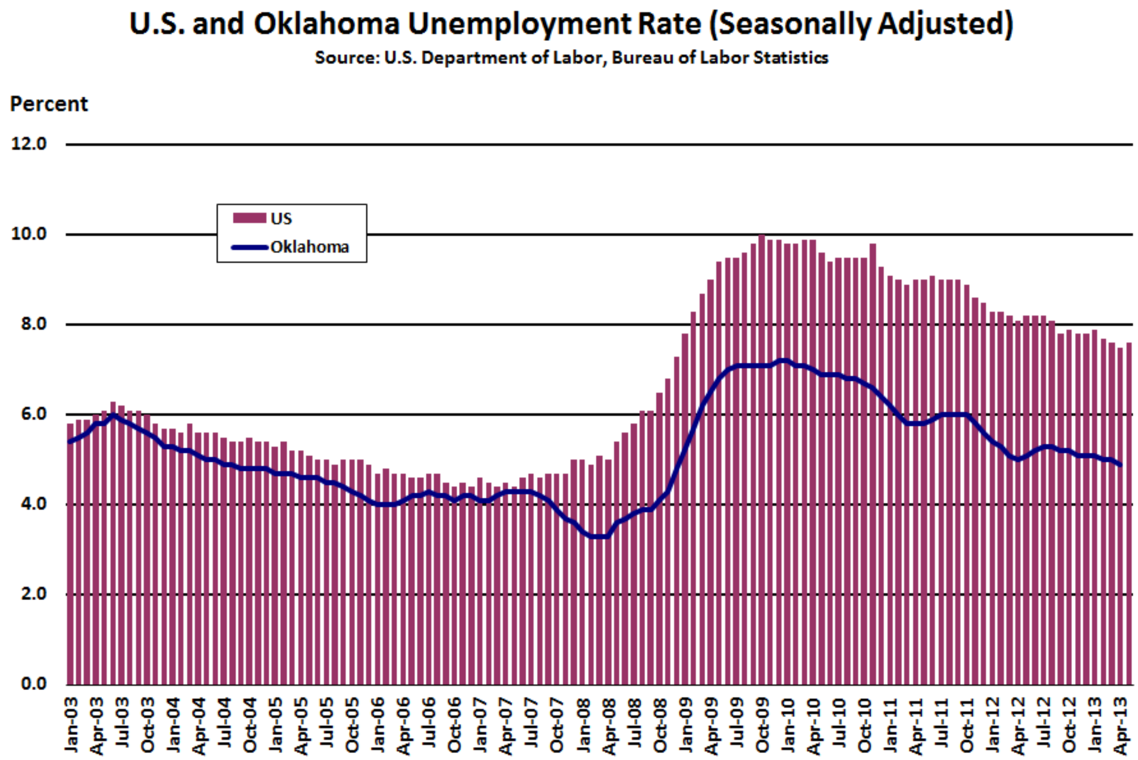
Metropolitan Statistical Areas (MSA) are the county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree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

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

Current Developments

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

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



Definition & Importance

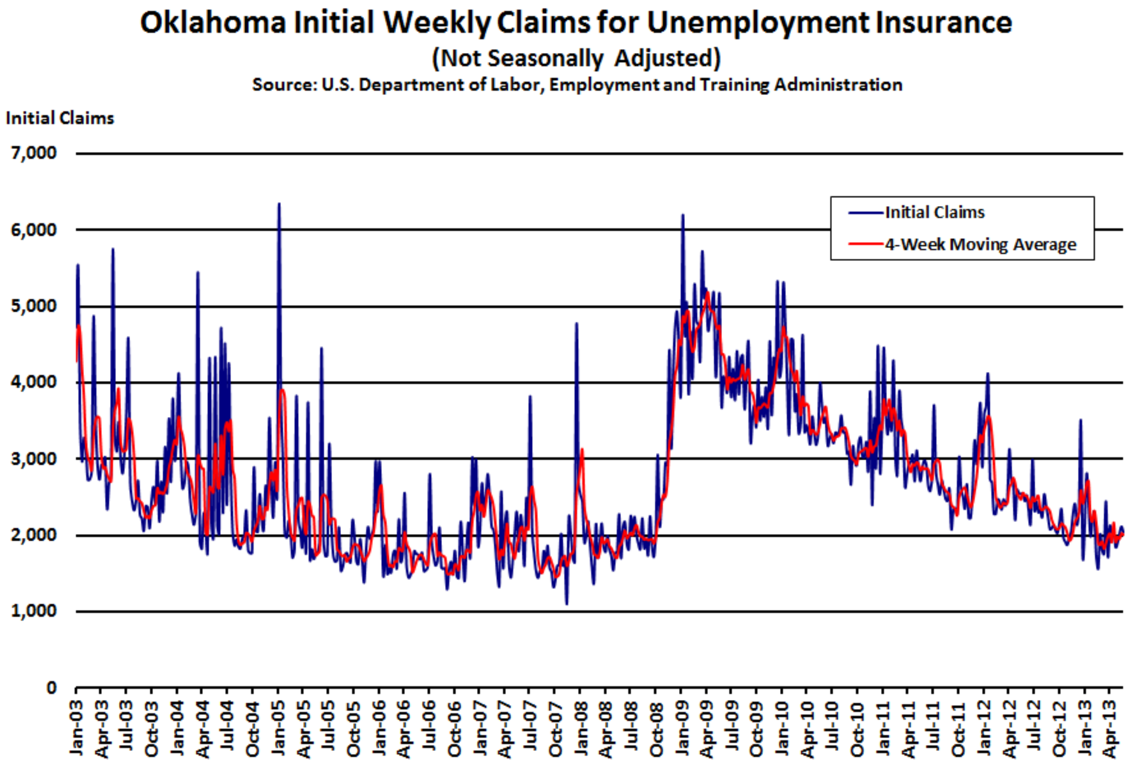
The Bureau of Labor Statistics Local Area Unemployment Statistics (LAUS) program produces monthly estimates of total employment and unemployment from a national survey of 60,000 households. The unemployment rate measures the percentage of people who are without work and is calculated by dividing the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

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

Current Developments

The U.S. rate rose in May because more people began looking for work—a healthy sign. The unemployment rate rose to 7.6 percent from 7.5 percent in April, according to the Bureau of Labor Statistics (BLS). The civilian labor force grew by 420,000 over the month, and the labor force participation rate, which measures those employed as well as those looking for work as a portion of the population, edged up one-tenth of a percentage point to 63.4 percent from a 34-year low of 63.3 percent in April.

The statewide seasonally adjusted unemployment rate decreased by one-tenth of a percentage point to 4.9 percent in April—the 8th lowest jobless rate in the nation. Since For the year, the state's seasonally adjusted unemployment rate was down one-tenth of a percentage point from 5.0 percent in April 2012.



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.

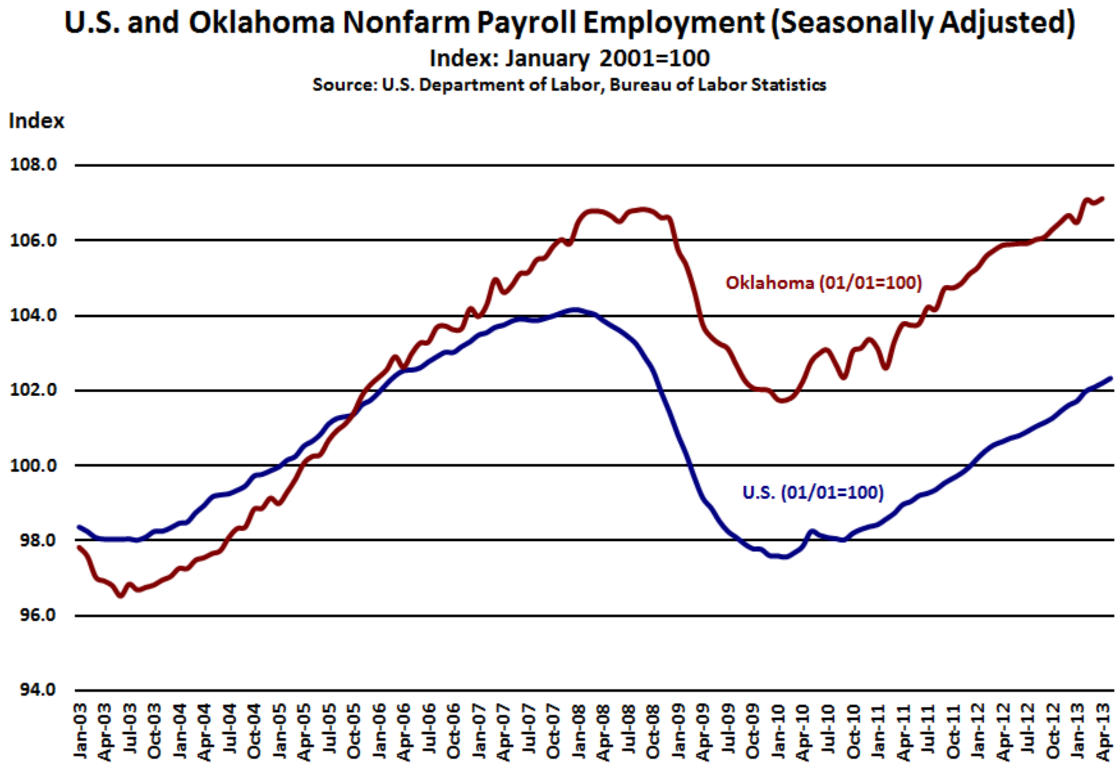
Current Developments

First-time jobless claims unexpectedly rose to in the last week of May, but the four-week average remained in the range of moderate labor market growth. In the week ending May 25, the advance figure for seasonally adjusted initial claims was 354,000, an increase of 10,000 from the previous week's revised figure of 344,000, according to the U.S. Department of Labor (DOL). The less volatile four-week moving average was 347,250, an increase of 6,750 from the previous week's revised average of 340,500.

With state governments closed for the holiday, they had less time to report their claims figures to the Labor Department. Because of the short week, claims data were estimated for five states, (Hawaii, Minnesota, Oregon, Virginia and Wyoming), the Labor Department said.

Initial jobless claims in Oklahoma remained steady in May and continue on a long-term downward trend. Initial claims for unemployment were at 2,043 for the file week ending May 25, a decrease of 73 from the previous week’s 2,116 initial claims. The initial claims four-week moving average edged down to 2,008 from 2,025 the previous week.

Oklahoma continued jobless claims essentially unchanged during the same file week ending.



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

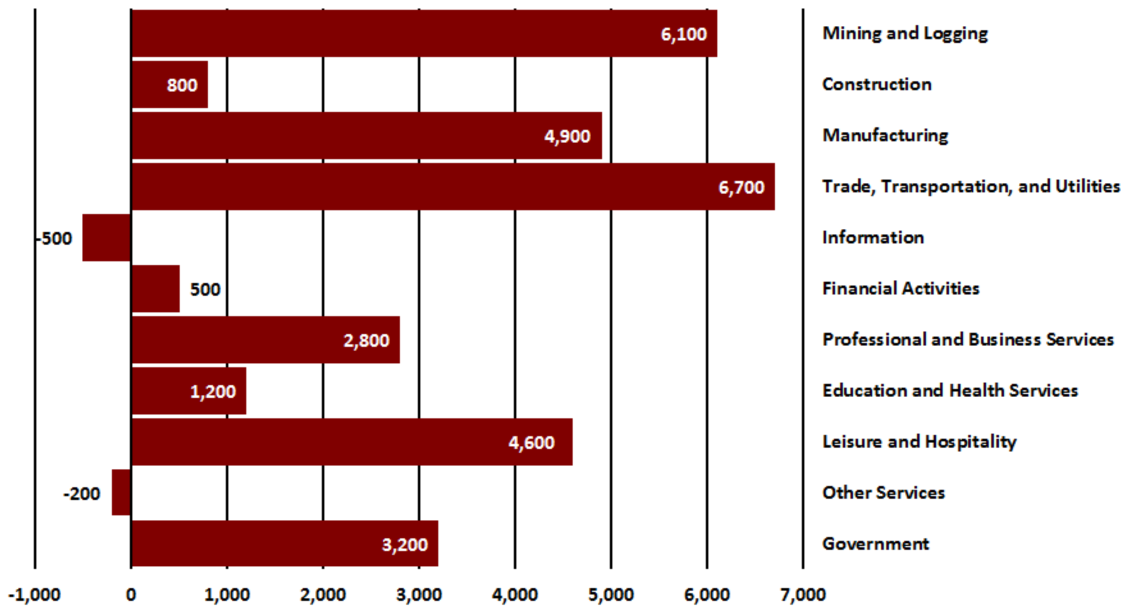
In May, the U.S. economy continued to add jobs a steady pace that shows strength in the face of tax increases and government spending cuts. Total nonfarm payroll employment increased by 175,000 in May, according to the Bureau of Labor Statistics (BLS). Employment increased in professional and business services (+57,000 jobs), food services and drinking places (+38,000 jobs), and retail trade (+28,000 jobs). Over the prior 12 months, employment growth averaged 172,000 per month.

Oklahoma's seasonally adjusted nonfarm employment rose by 1,800 jobs (+0.1 percent) in April**.** Of the six supersectors that added jobs over the month, professional & business services (+1,300 jobs) experienced the largest gain. Leisure & hospitality provided the largest monthly job loss (-2,000 jobs), driven largely by the accommodation & food services sector.

Oklahoma Employment Change by Industry

2011 - 2012

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



Definition & Importance

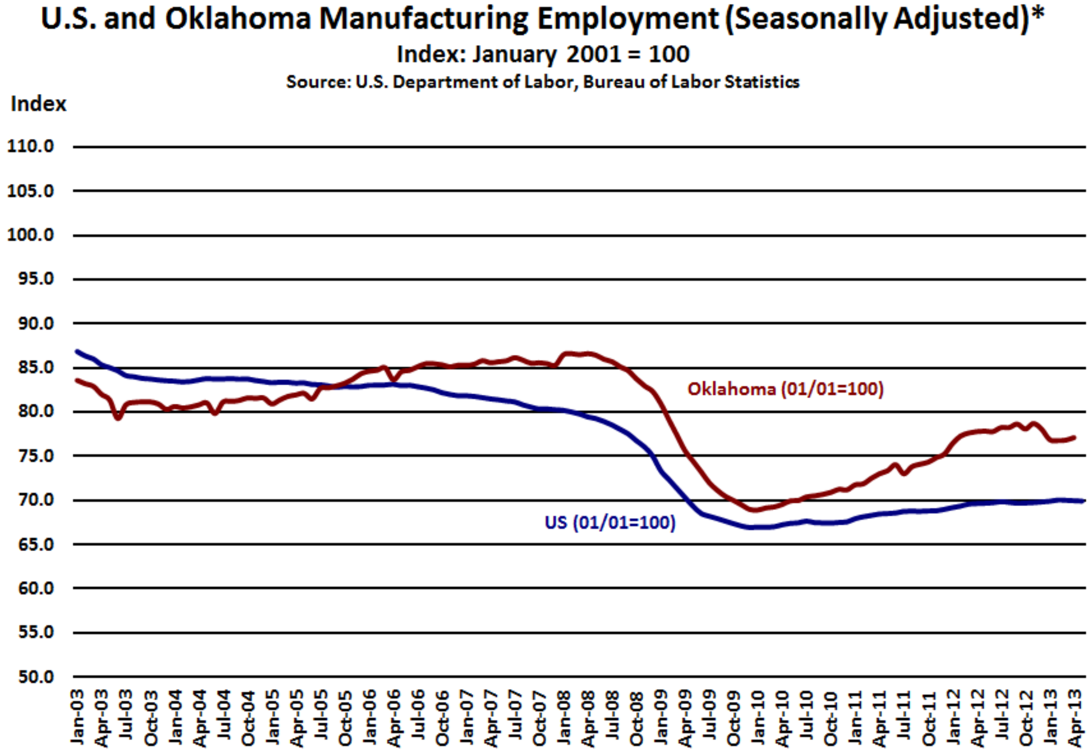
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion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

Current Developments

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

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

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



Definition & Importance

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

Current Developments

Manufacturing employment fell by 8,000 workers in May according to the Bureau of Labor Statistics (BLS). With the latest revisions to the data, this was the third consecutive month of declining employment in manufacturing, a sign of just how weak activity has become in recent months. The decline in manufacturing employment occurred in both durable (-2,000) and nondurable goods industries (-6,000). Areas of strength included motor vehicles (+2,400), wood products (+1,300), computer and peripheral equipment (+1,100), and chemicals (+900).

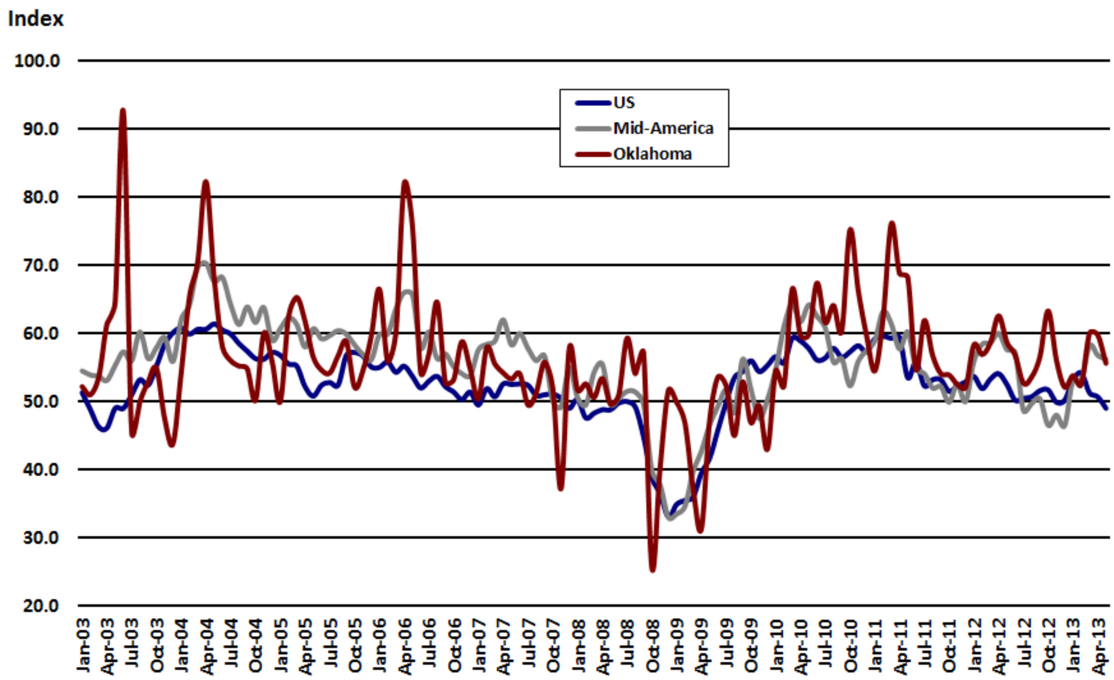
Oklahoma manufacturing employment grew in April adding a non-seasonally adjusted 500 jobs (0.4 percent). Durable goods manufacturing employment was essentially unchanged in April with non-durable goods manufacturing accounting for almost all of the job losses

Over the year, Oklahoma manufacturing employment has added 1,300 jobs for a 1.0 percent growth rate. Machinery (+1,200) and fabricated metal product manufacturing (+700) and led the job growth.

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

Purchasing Managers' Index (Manufacturing)

Sources: ISM Manufacturing Report On Business® and Business Conditions Index for Mid-America, Creighton University



Definition & Importance

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

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

Current Developments

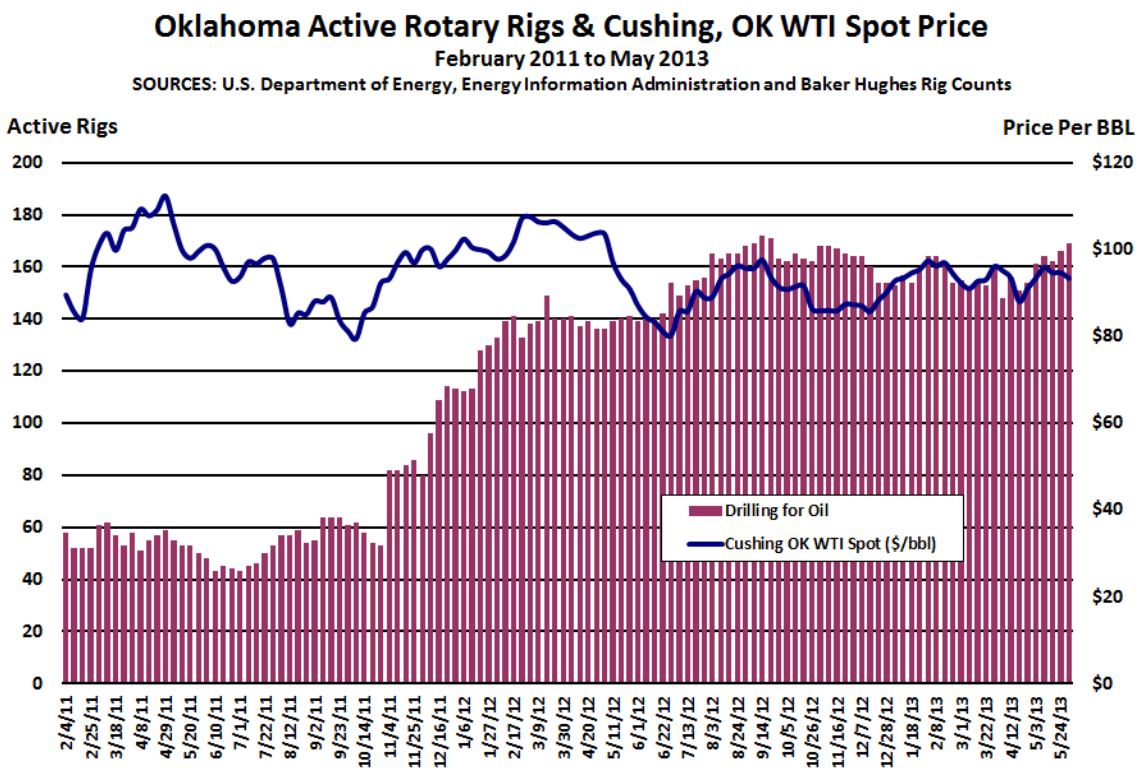
Factory activity slipped slightly into contraction in May, after being in expansion territory for five months in a row. The PMI™ registered 49 percent, a decrease of 1.7 percentage points from April's reading of 50.7 percent, indicating contraction in manufacturing for the first time since November 2012 and only the second time since July 2009, according to the latest Manufacturing ISM Report On Business®.

A gauge of new orders fell to 48.8, the lowest level in nearly a year. Production dropped to its lowest point since May 2009, and employment, at 50.1, was once again flat for a second month. Delivery times shortened, inventories edged lower as did prices—all consistent with slowing conditions.

The monthly Mid-America Business Conditions Index, a leading economic indicator for a nine-state region, dipped slightly for the month. The Business Conditions Index, which ranges between 0 and 100, declined to a solid 56.2 from April's 56.8, according to the Creighton Economic Forecasting Group. The index continues to point to positive, but somewhat slower economic growth for the region in the next three to six months.

Oklahoma's Business Conditions Index slumped to a still solid 55.6 from April's 59.8 reading. Components of the May survey of supply managers in the state were new orders at 53.3, production or sales at 56.7, delivery lead time at 41.6, inventories at 71.0, and employment at 55.4.

"As a result of very healthy growth among Oklahoma manufactures, the average hourly wage rate rose by 6.2 percent over the past year, or well above both the U.S. and regional averages. Growth continues to be much stronger among durable goods producers than nondurable goods manufacturers such as food processors," 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.

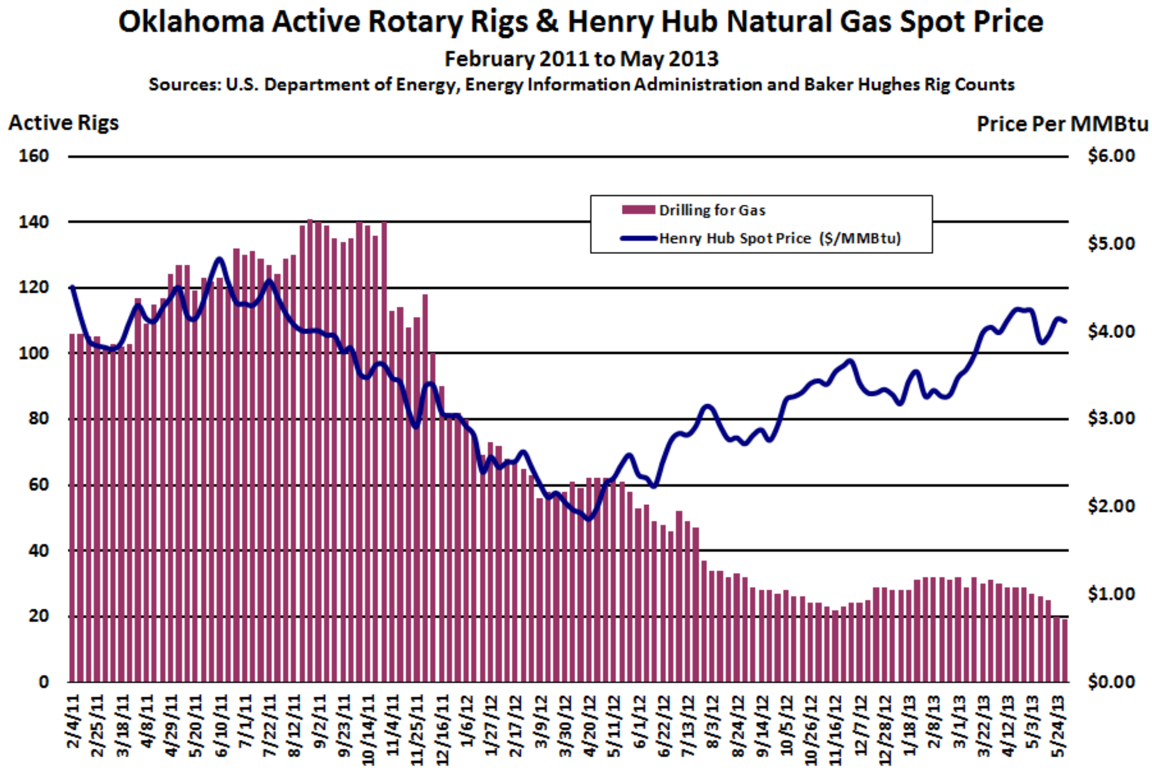
Current Developments

The Brent-WTI spread, the difference between the spot prices of Brent and West Texas Intermediate (WTI) crude oils, has narrowed considerably over the past several months. After increasing to $119 per barrel in early February 2013, the Brent crude oil spot price fell to a low of $97 per barrel in mid-April 2013 and then recovered to $105 per barrel on May 3, according to the U.S. Energy Information Administration (EIA). The EIA expects that the Brent crude oil spot price will average $104 per barrel over the second half of 2013 and $101 per barrel in 2014. The projected discount of WTI crude oil to Brent, which increased to a monthly average of more than $20 per barrel in February 2013, fell to below $9 per barrel in April. The EIA expects the discount to increase in the near term and average $13 per barrel in 2013 and $9 per barrel in 2014.

Falling crude oil prices contributed to a decline in the U.S. regular gasoline retail price from a year-to-date high of $3.78 per gallon on February 25 to $3.52 per gallon on April 29. The EIA expects the regular gasoline price will average $3.53 per gallon over the summer (April through September).

WTI-Cushing spot prices averaged $94.51 per barrel for the month of May; the price was $2.49 higher than April's average of $92.02 per barrel. Compared to last year, the current price is 14 cents lower than the May 2012 average of $94.65 per barrel.

Oklahoma's overall rotary rig activity for May averaged 188, up six rigs from April. Over the year, Oklahoma's active rotary rig count in May fell by 12 rigs. Oil-directed active rotary rigs rose to a level of 169 for the week ended May 31, 2013, accounting for approximately 90 percent of total rig activity in the state.



Definition & Importance

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

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

Background

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

Most natural gas in Oklahoma is consumed by the electricity generation and industrial sectors. About three-fifths of Oklahoma households use natural gas as their primary energy source for home heating. Nevertheless, only about one-third of Oklahoma's natural gas output is consumed within the state. The remaining supply is sent via pipeline to neighboring states, the majority to Kansas, including the natural gas trading hubs in Texas and Kansas.

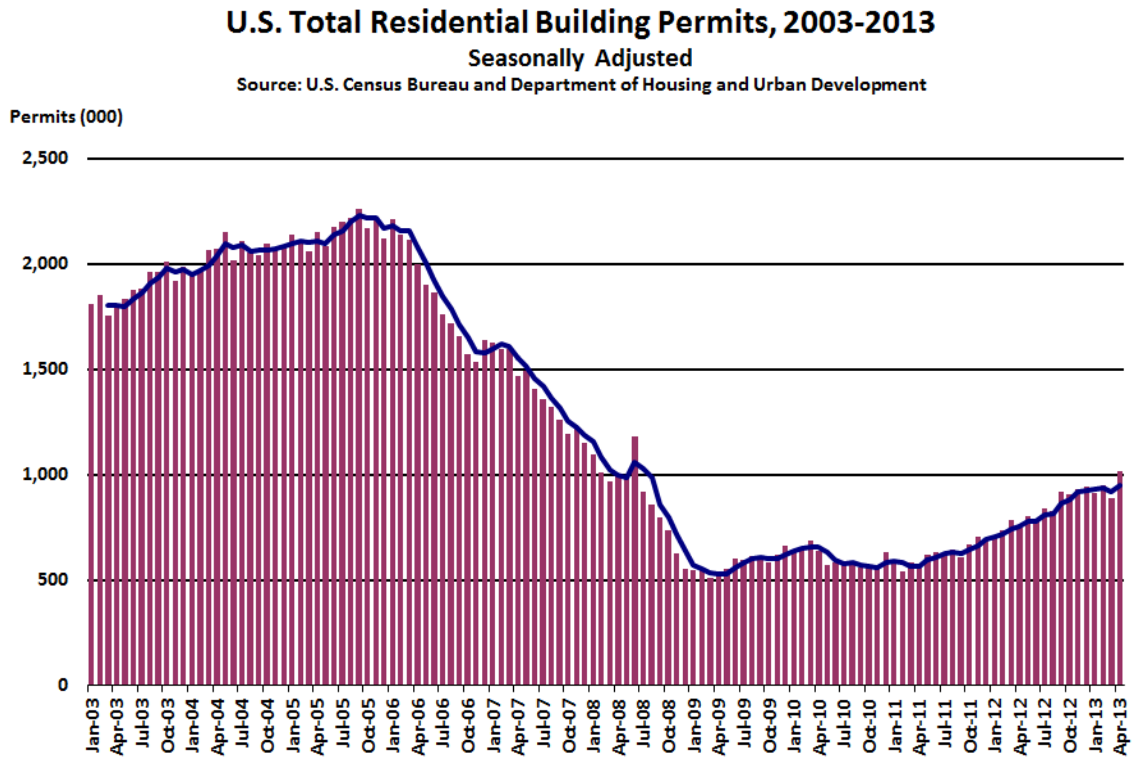
Current Developments

The return of temperatures this past winter (November 2012 through March 2013) to levels close to average levels over the last 10 years marked a return to a more balanced U.S. natural gas market after the abnormally low demand associated with the extremely warm winter of 2011-12.

The Henry Hub spot price began the month on May at $4.31 per MMBtu and declined to $4.00 per MMBtu on May 31 amid cooler than normal temperatures for most of the country. Most other major trading hubs also saw prices decline by 10 to 20 cents per MMBtu, according to the EIA.

The Baker Hughes U.S. natural gas rotary rig count totaled 354 units as of Friday, May 31, the same total as the preceding two weeks. The average oil rig count rose by 8 units to 1,410, following two weeks of declines.

According to data reported by Baker Hughes, Oklahoma's natural gas rotary rig count continued to fall in May. For the week ended May 24, 2013, the state natural gas-directed drilling rig count stood at 19 or only 10 percent of total drilling activity. Over the year, Oklahoma's natural gas-directed rotary rig count has dropped by 39 from 58 rigs (for the week ended May 25, 2012).



Definition & Importance

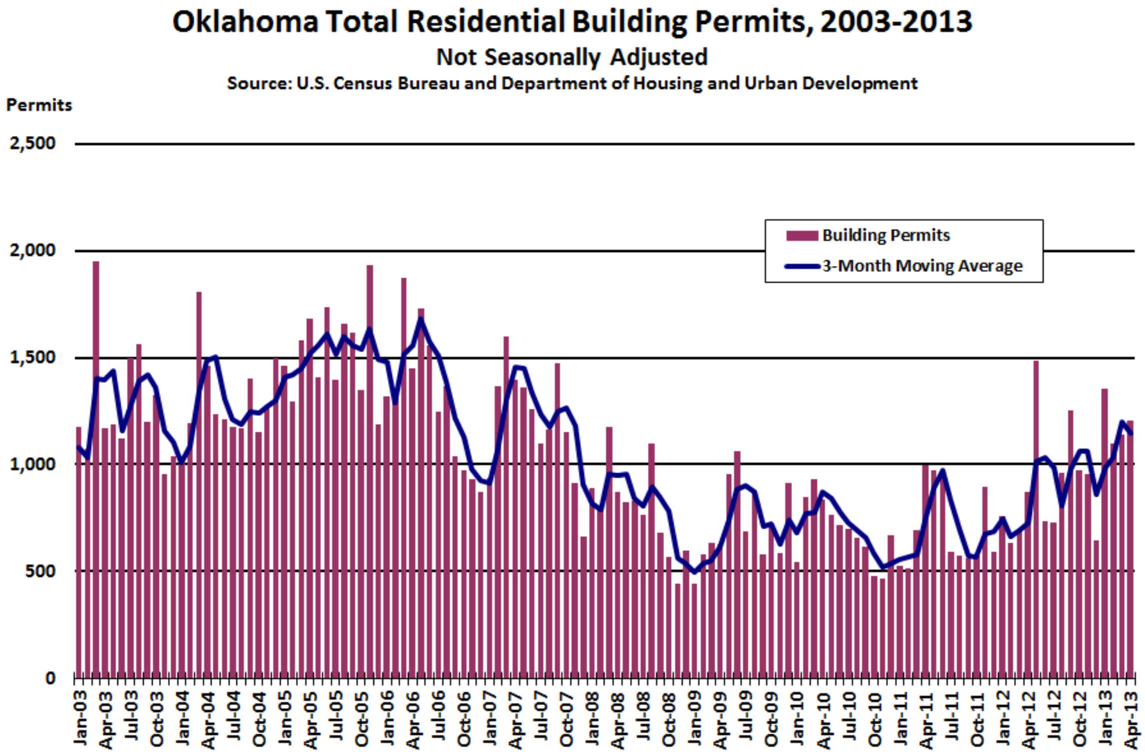
The U.S. Census Bureau and the Department of Housing and Urban Development jointly provide monthly national and regional data on the number of new housing units authorized by building permits; authorized, but not started; started; under construction; and completed. The data are for new, privately-owned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

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

Current Developments

Although U.S. home builders broke ground on fewer homes in April, applications for new construction reached a five-year peak, suggesting that the housing recovery will be sustained. Privately-owned housing units authorized by building permits in April were at a seasonally adjusted annual rate of 1,017,000, 14.3 percent above the revised March rate of 890,000 and 35.8 percent above the April 2012 estimate of 749,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

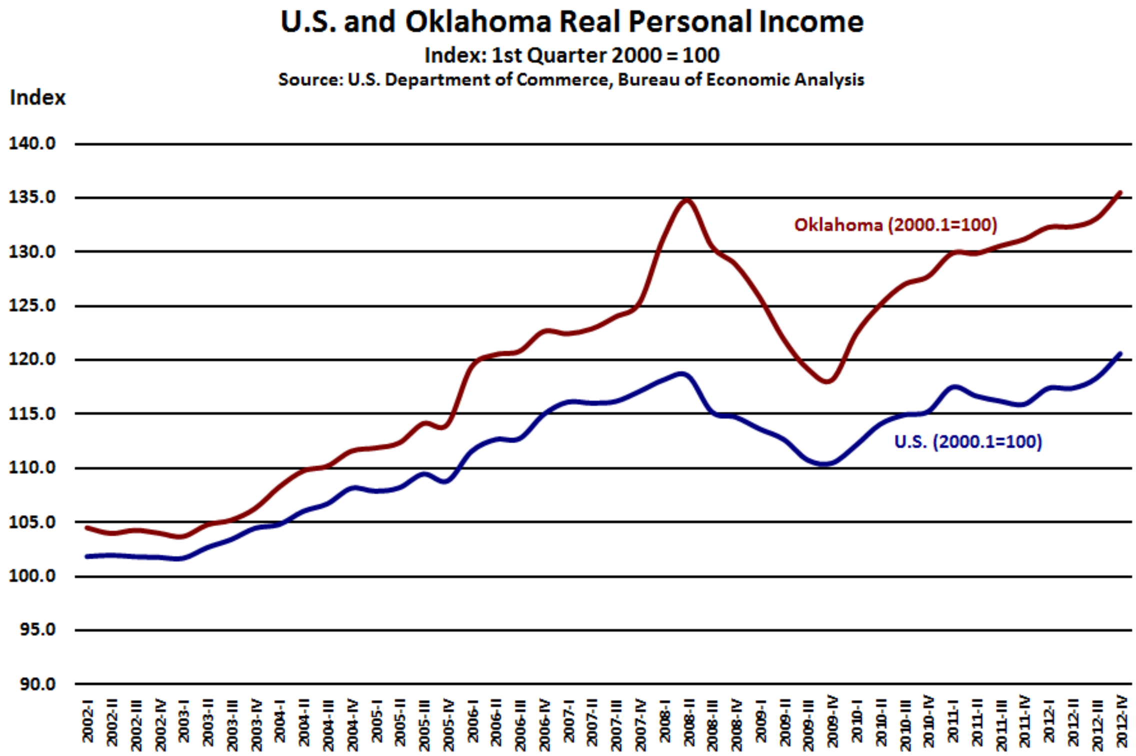
Home builders and the subcontractors they depend on are struggling to hire fast enough to meet rising demand for new homes. The National Association of Home Builders says nearly half its members who responded to a survey in March said a scarcity of labor has led to delays in completing work. Fifteen percent have had to turn down some projects.



Residential building permit activity continued to heat up in April as Oklahoma homebuilders requested the most applications for new construction since January. Total unadjusted residential building permits for April rose 5.9 percent from March, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development. Single-family permitting activity accounted for nearly all of the residential permitting activity in in April.

Over the year, total unadjusted residential permitting was 38.1 percent higher than April 2012. Single-family permitting was up 44.5 percent while the more volatile multi-family component was down 85.1 percent from April 2012.

Year-to-date, Oklahoma residential permitting activity in 2013 is 62.7 percent greater than the first four months of 2012.



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 in the U.S. unexpectedly declined in April for the first time in almost a year as incomes stagnated. Personal income decreased $5.6 billion, or less than 0.1 percent, and disposable personal income (DPI) decreased $16.1 billion, or 0.1 percent, in April, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) decreased $20.5 billion, or 0.2 percent. In March, personal income increased $36.2 billion, or 0.3 percent, DPI increased $25.4 billion, or 0.2 percent, and PCE increased $14.2 billion, or 0.1 percent, based on revised estimates.

Wages rose slightly. Private wages & salaries increased to $1.6 billion in April, compared with an increase of $16.3 billion in March. The February and January levels of private wages and salaries were reduced by $15.0 billion (at an annual rate), reflecting the impact of accelerated bonuses in anticipation of changes to individual income tax rates.

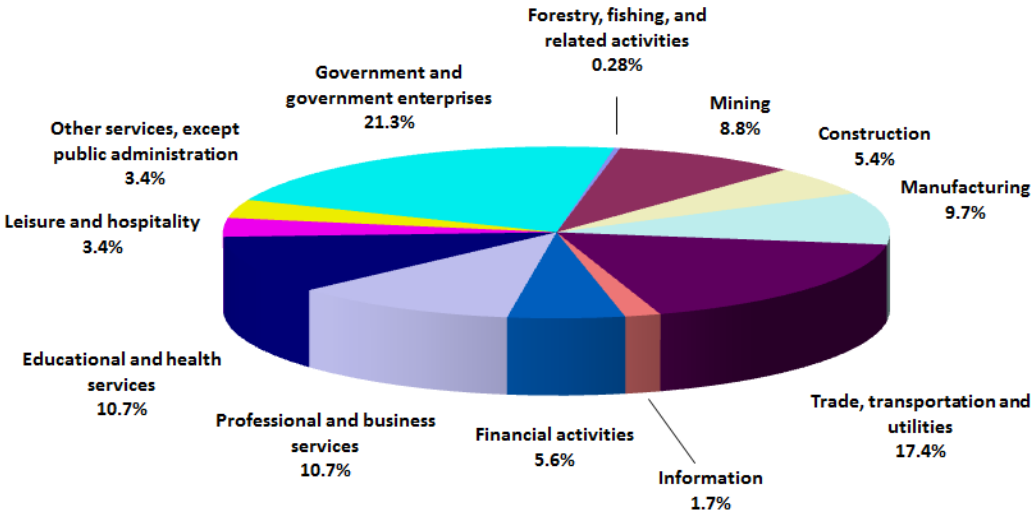
The personal saving rate, (personal saving as a percentage of DPI), remained at 2.5 percent in April and near a five-year low.

Inflation, as gauged by the core PCE price index, increased less than 0.1 percent in April—the lowest level since March 2011 and just a notch above an all-time low.

Oklahoma Nonfarm Industry Contribution to Earnings

Fourth Quarter 2012

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.

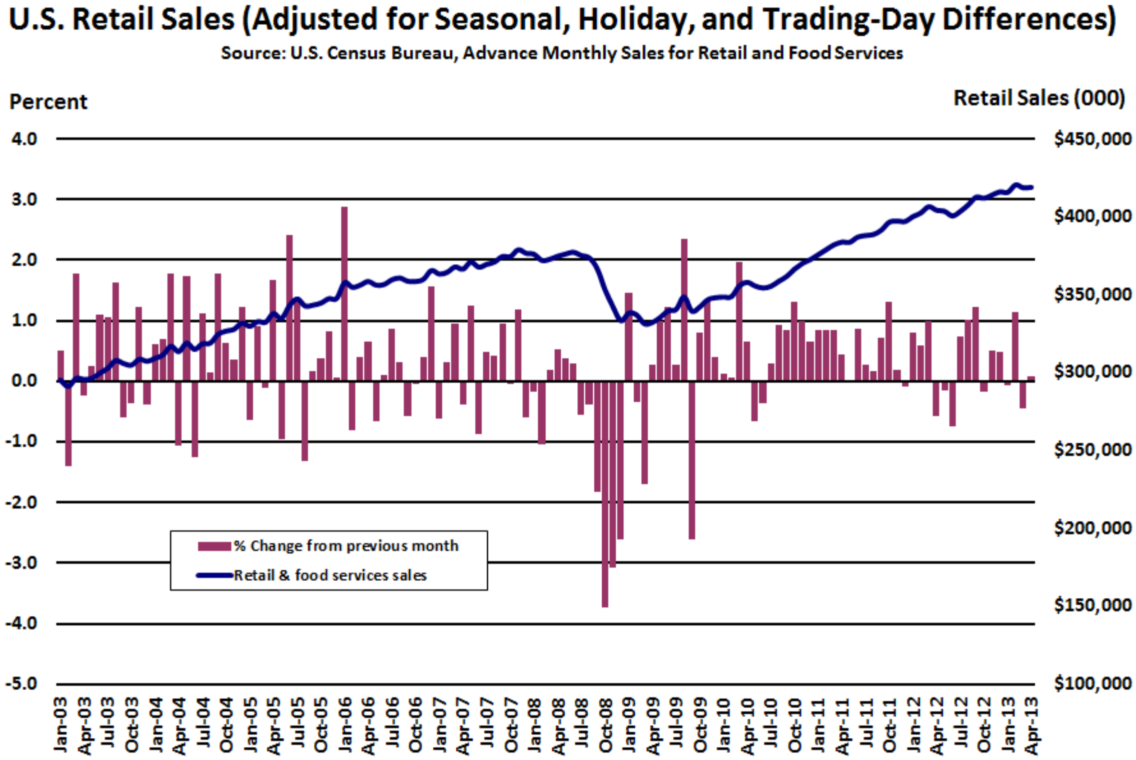
Current Developments

The economic health of 44 U.S. states improved in the 4th quarter, the most in any period since 2006, as almost all benefited from growing employment and personal income. In the 4th quarter of 2012, average state personal income growth accelerated to 1.9 percent from 0.6 percent in the third quarter, the fastest pace since the 1st quarter of 2011, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Growth in the 4th quarter ranged from 1.3 percent in West Virginia to 4.8 percent in South Dakota. The inflation rate was 0.4 percent in the fourth quarter of 2012, the same as in the third quarter.

Oklahoma's 4th quarter personal income climbed 1.8 percent to $151.4 billion from $148.7 billion in the 3rd quarter, and ranked 28th out of all the states. Dividends, interest, and rent contributed 1.0 percentage points to 4th quarter personal income while earnings contributed 0.7 percentage points.

In Oklahoma, farm earnings contributed 0.13 percentage points ($107 million) to personal income while wholesale trade added 0.10 percentage points ($147 million). Finance & insurance earnings added 0.09 percentage points ($132 million) and administrative & waste management services added another 0.08 percentage points ($115 million). Construction earnings added 0.07 percentage points ($109 million) as did state & local government ($106 million).

Subtracting from Oklahoma 4th quarter earnings were mining, deduction 0.11 percentage points (-$161 million) and other services (except public administration) subtracting 0.03 percentage points (-$44 million).



Definition & Importance

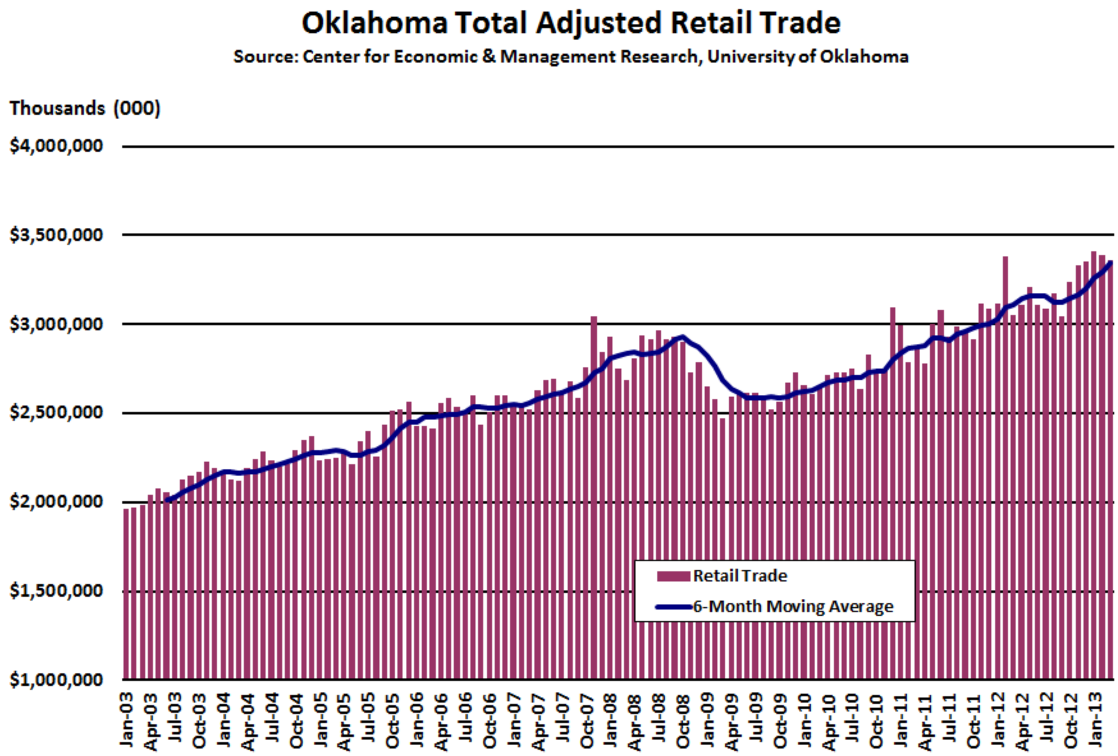
Retail sales measure the total receipts at stores that sell merchandise and related services to final consumers. Sales are by retail and food services stores. Data are collected from the Monthly Retail Trade Survey conducted by the U.S. Bureau of the Census. Essentially, retail sales cover the durables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

Current Developments

Retail sales rose unexpectedly in April, as strong car sales and spending on building supplies helped make up for weakness in other sectors. Advance estimates of U.S. retail and food services sales for April, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $419.0 billion, an increase of 0.1 percent from the previous month, and 3.7 percent above April 2012, according to the U.S. Census Bureau. Total sales for the February through April 2013 period were up 3.7 percent from the same period a year ago. The February to March 2013 percent change was revised down from -0.4 percent to -0.5 percent.

Excluding receipts from service stations, where cheaper gasoline prices depressed the dollar value of sales, retail purchases climbed by the most in four months,. Excluding both the automobiles and gasoline components, retail sales gained a strong 0.6 percent, following no change in March (originally down 0.1 percent).

Core strength in April retail sales was in building materials & garden equipment (+1.5 percent); nonstore retailers (+1.4 percent); clothing (+1.2 percent); general merchandise (+1.0 percent); and food services & drinking places (+0.8 percent). There may be some seasonality issues but discretionary spending appears to be picking up. While there are signs of soft spots in the recovery (specifically manufacturing), the consumer sector may be gaining some momentum.



Definition & Importance

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

Current Developments

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

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

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