OKLAHOMA
Economic Indicators

May 2015

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ECONOMIC INDICATORS

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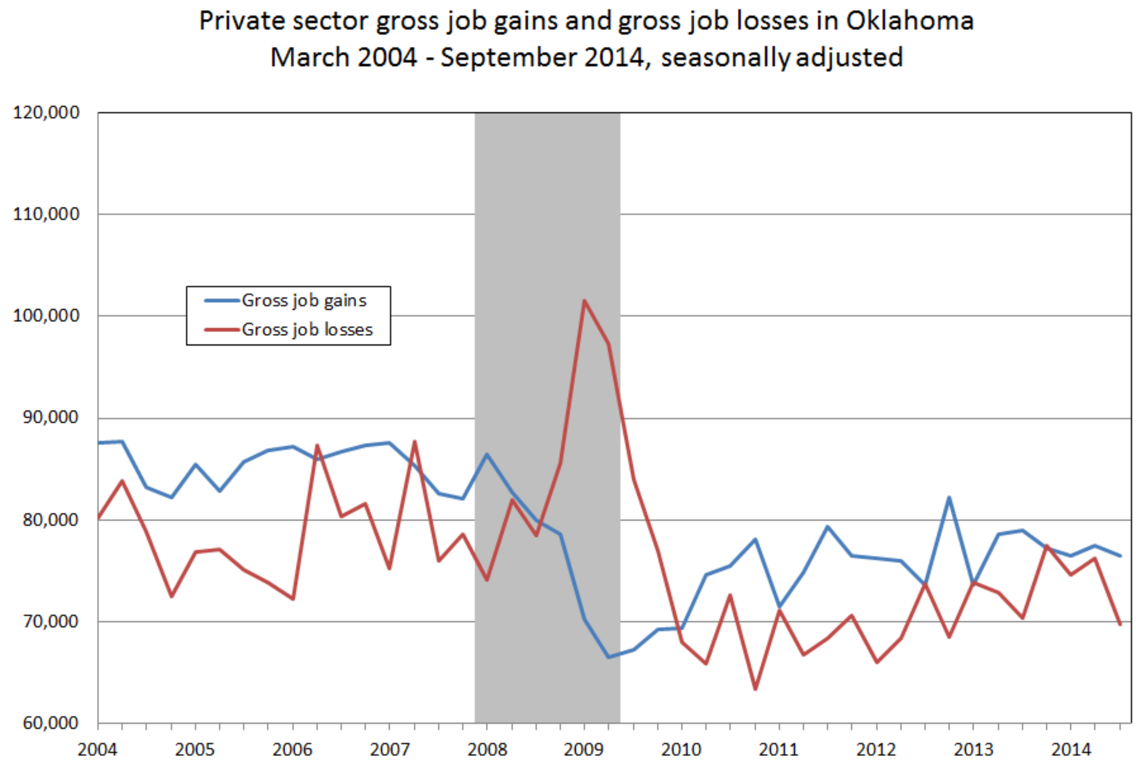
Gross Job Gains and Gross Job Losses: 3rd Quarter 2014

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

Chart 1

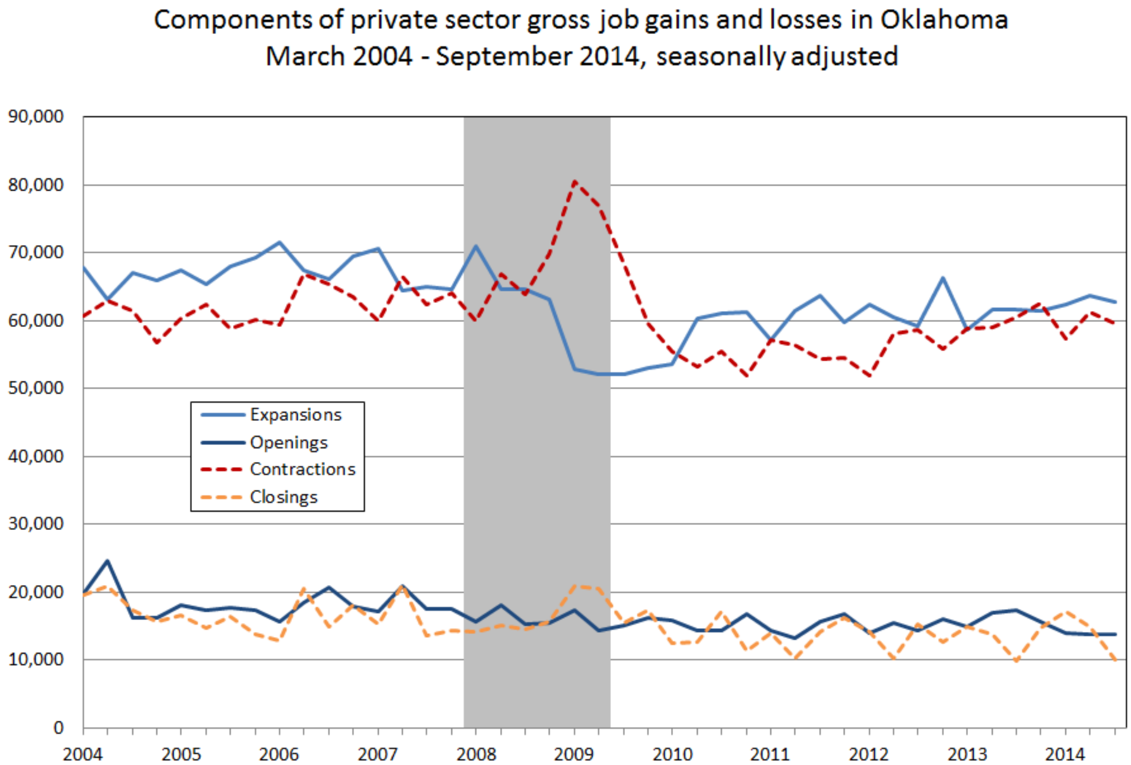


Source: U.S. Bureau of Labor Statistics
Note: Shaded area represents NBER defined recession period.

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

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

Chart 2



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

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

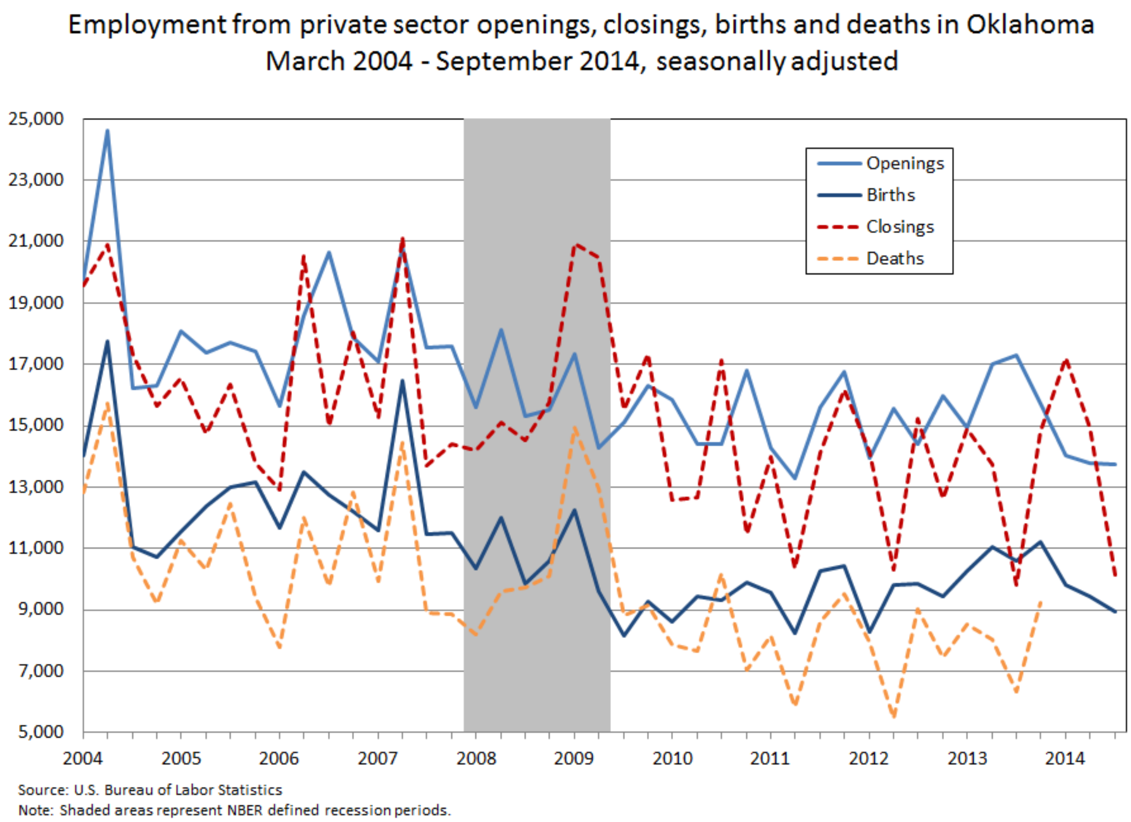
Contracting establishments in Oklahoma lost 59,560 jobs in the 3rd quarter of 2014. This number represents 1,756 fewer jobs lost from the previous quarter. Expanding establishments gained 62,772 jobs, a decrease of 886 jobs compared to the 2nd quarter of 2014.

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

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

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

Chart 3



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

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

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

Chart 4

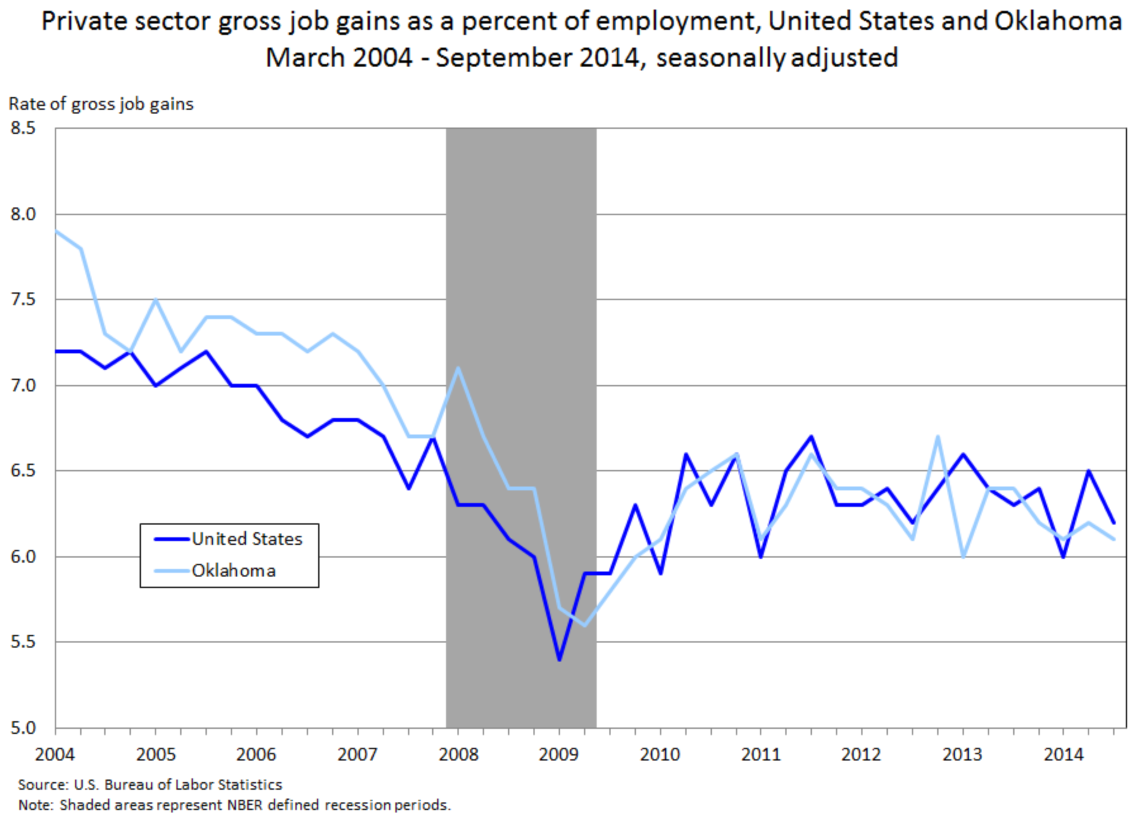
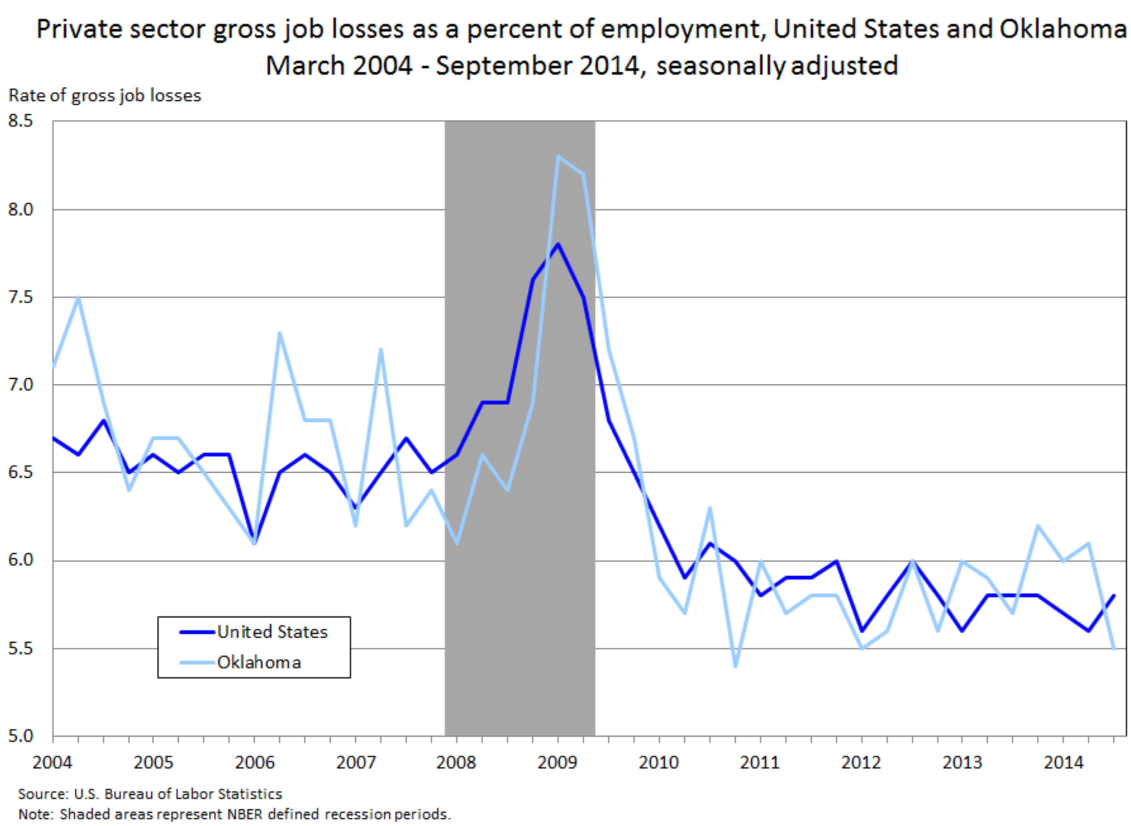


Chart 5



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

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

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

Chart 6

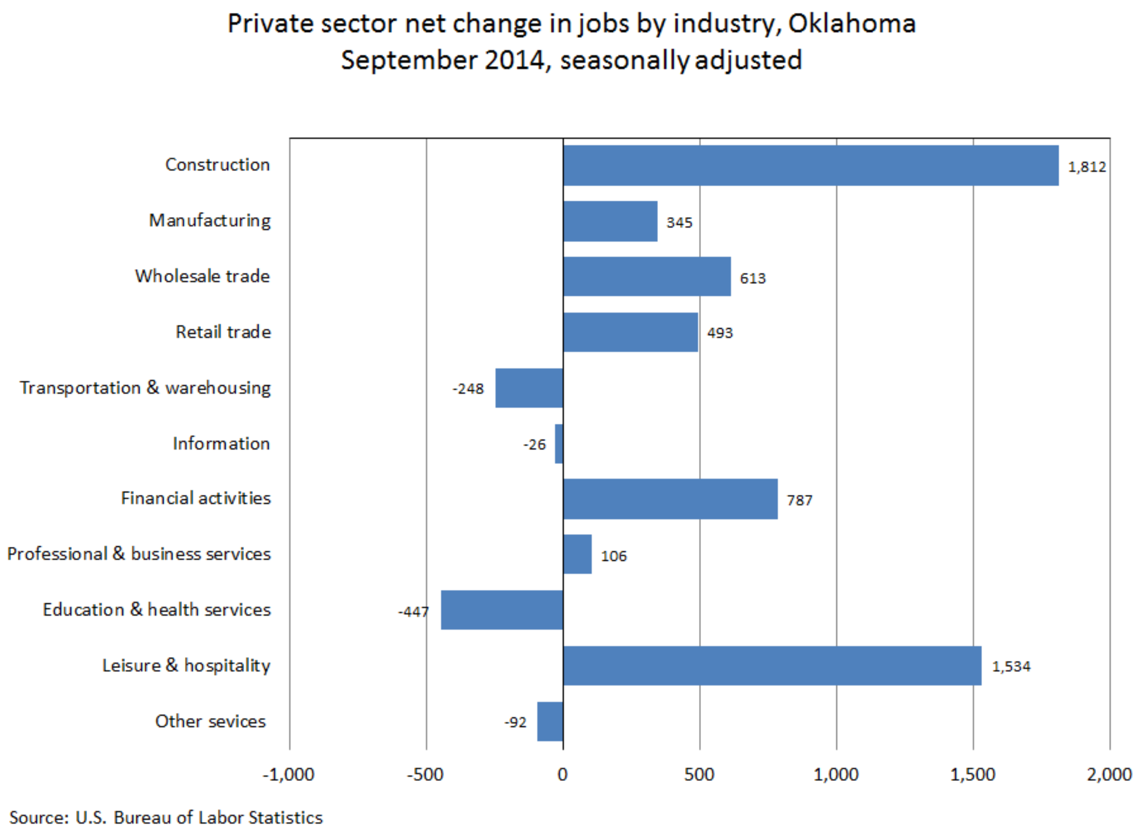


Table 1. Oklahoma: Three-month private sector gross job gains and losses, seasonally adjusted					
Category	Sep 2013	Dec 2013	Mar 2014	Jun 2014	Sep 2014
	Levels				
Gross job gains..	**78,989**	**77,204**	**76,411**	**77,458**	**76,496**
Expanding establishments	61,708	61,498	62,366	63,658	62,772
Opening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

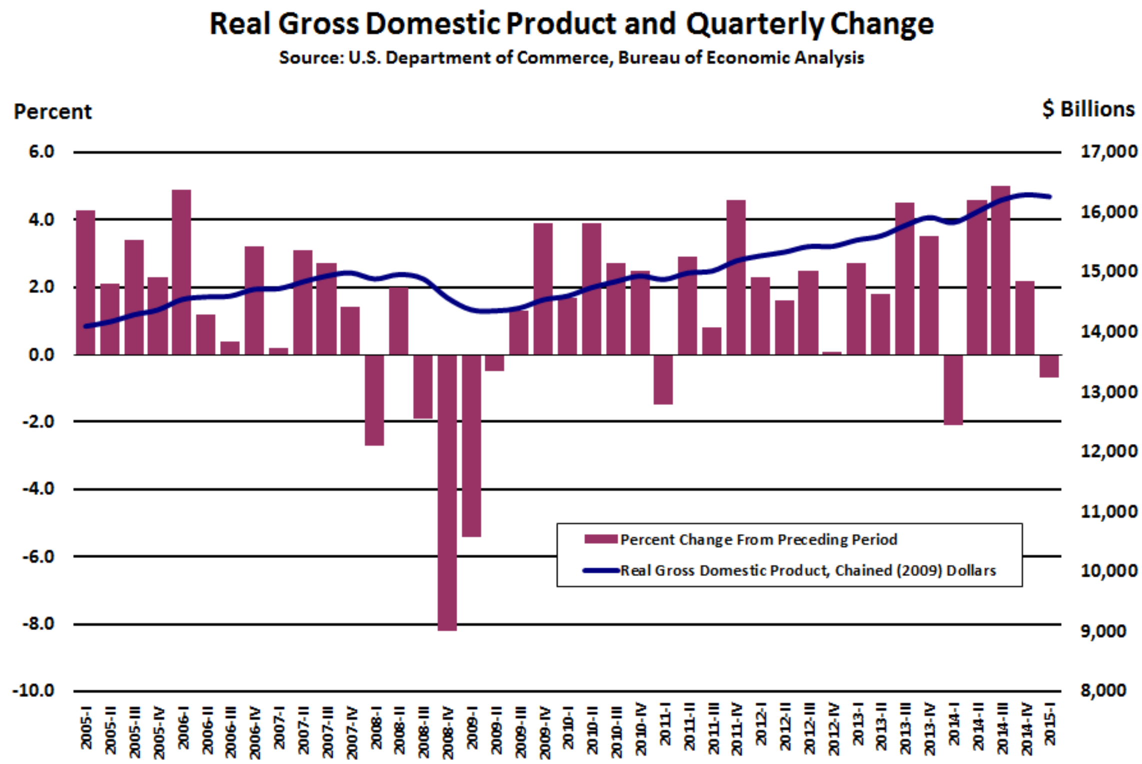
Source: U.S Bureau of Labor Statistics

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

More Information

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

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



Definition & Importance

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

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

Background

There are four major components to GDP:

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

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

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

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

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

Current Developments

The U.S. economy contracted in the first three months of this year, as harsh winter weather and a widening trade deficit took more of a toll than initially thought. Real gross domestic product (GDP) decreased at an annual rate of 0.7 percent in the 1st quarter of 2015, according to the "second" estimate released by the Bureau of Economic Analysis (BEA). In the 4th quarter, real GDP increased 2.2 percent.

Weakness in 1st quarter consumer spending was blamed on unusually severe winter weather in February. Real personal consumption expenditures was revised down by one-tenth of a percentage point to a 1.8 percent rate. Durable goods expenditures were unchanged at 1.1 percent. Non-durable goods spending was revised upward to 0.1 percent instead of declining 0.3 percent as first thought. Spending on services was also revised down to 2.5 percent, instead of a 2.8 percent pace previously reported.

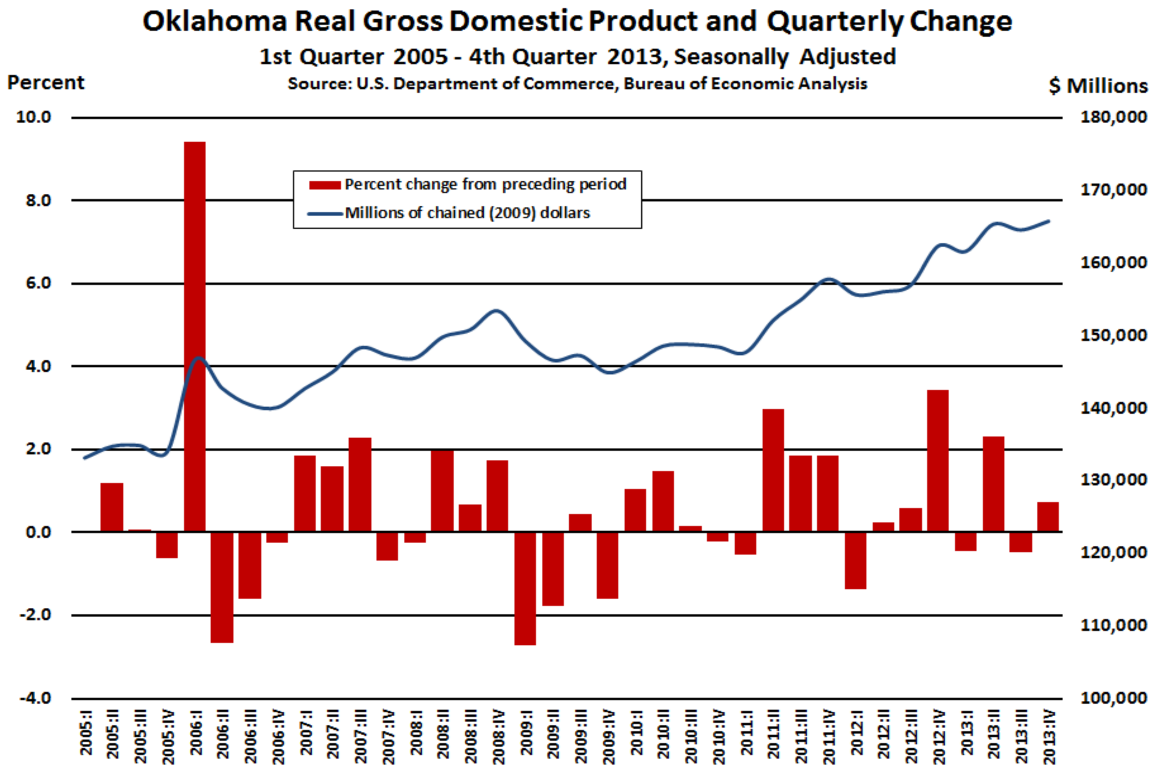
Business investment spending on equipment and structures was revised upward to -2.8 percent from the 3.4 percent annual rate first reported. Business investment, notably in mining exploration, shafts, and wells plunged at a 48.6 percent pace in the 1st quarter, the largest drop since the 2nd quarter of 2009.

The value of business inventory accumulated in the 1st quarter was revised down to an increase of $95 billion from the $110.3 billion increase reported last month. That meant inventories contributed only 0.33 percentage point to 1st quarter GDP instead of the previously reported 0.74 percentage point.

An upward revision in housing construction last quarter offset some of the weakness in GDP growth. Real residential fixed investment increased 5.0 percent, instead of the first reported 1.3 percent rate, adding 0.16 percentage point to 1st quarter GDP growth.

Trade was hurt both by the strong dollar and the West Coast ports labor dispute, which crimped exports through the quarter and then unleashed a flood of imports in March after it was resolved. The wider trade gap subtracted 1.9 percentage points from growth, with 1.03 percentage point of the loss coming from a big drop in exports.

Government spending also weighed on real GDP growth in the 1st quarter. Real federal government consumption expenditures and gross investment was revised down two-tenths of a percentage point to 0.1 percent. National defense spending was revised upward to 1.0 percent while nondefense spending was revised up a tenth of a percentage point to 2.0 percent. Real state and local government consumption expenditures and gross investment decreased 1.8 percent, instead of 1.5 percent. Government consumption expenditures and gross investment deducted 0.2 percentage point from GDP growth in the 1st quarter.



Definition & Importance

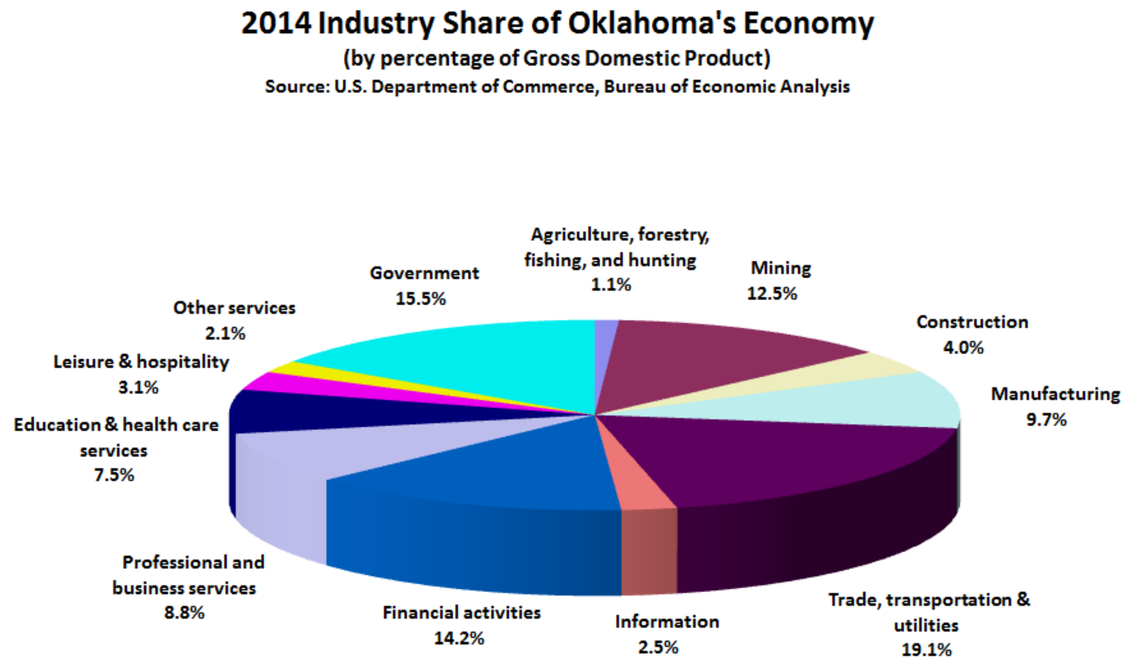
The U.S. Bureau of Economic Analysis (BEA) recently released prototype statistics of quarterly gross domestic product (GDP) by state for 2005–2013. These new statistics provide a more complete picture of economic growth across states that can be used with other regional data to gain a better understanding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

Current Developments

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

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

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



Definition & Importance

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

Current Developments

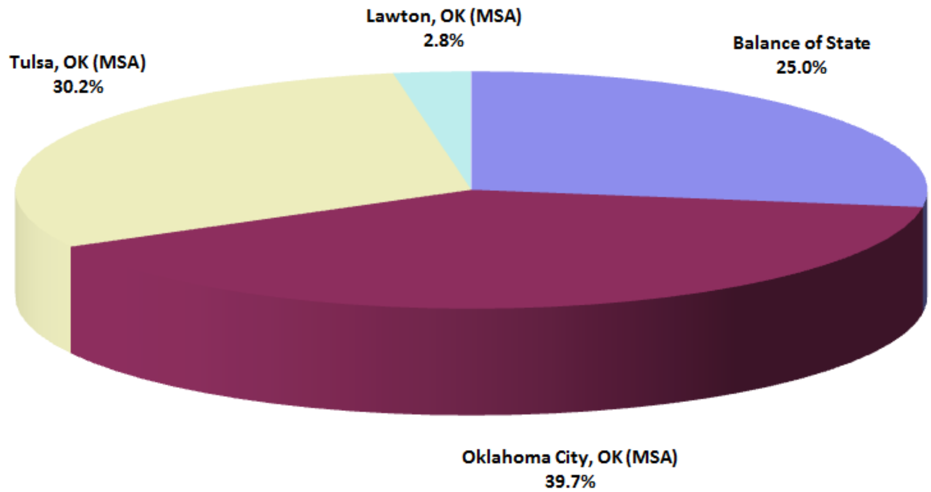
Oklahoma was among 48 states and the District of Columbia experiencing growth in real gross domestic product (GDP) in 2014, according to new statistics from the Bureau of Economic Analysis (BEA). U.S. real GDP grew 2.2 percent in 2014 after increasing 1.9 percent in 2013.

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

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

Metropolitan Area Contribution to State Real Gross Domestic Product 2013

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



Definition & Importance

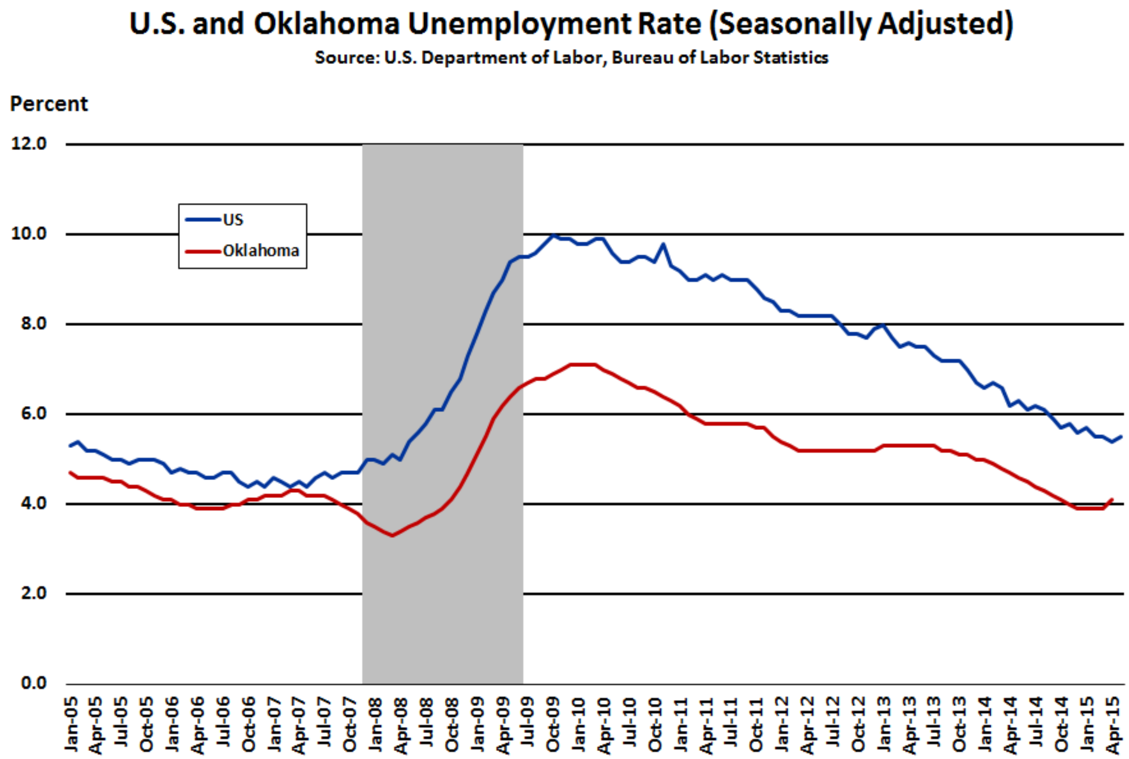
Metropolitan Statistical Areas (MSA) are the county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree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

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

Current Developments

Real GDP increased in 292 of the nation's 381 metropolitan areas in 2013, led by widespread growth in finance, insurance, real estate, rental, and leasing, nondurable-goods manufacturing and professional and business services, according to the U.S. Bureau of Economic Analysis (BEA). Natural resources and mining also spurred strong growth in several metropolitan areas. Collectively, real GDP for U.S. metropolitan areas increased 1.7 percent in 2013 after increasing 2.6 percent in 2012.

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



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

Definition & Importance

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

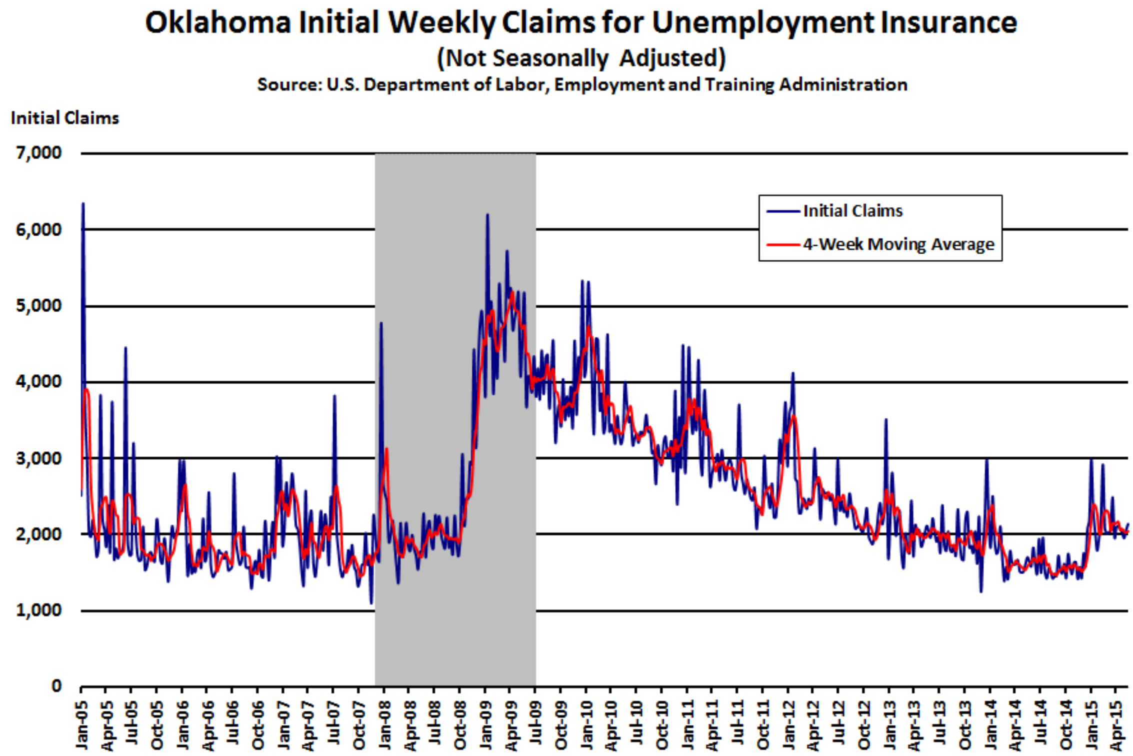
The unemployment rate is a lagging indicator of economic activity. During a recession many people leave the labor force entirely. As a result, the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more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

Current Developments

The U.S. unemployment rate rose in May, but the increase was mostly due to more Americans entering the labor force looking for work. The unemployment rate was 5.5 percent in May, according to the Bureau of Labor Statistics (BLS). The labor force participation rate, the share of working-age Americans who are employed or looking for a job, rose 0.1 percentage point to 62.9 percent.

Oklahoma's seasonally adjusted unemployment rate rose by two-tenths of a percentage point to 4.1 percent in April, tied with Hawaii and Wyoming for the 11th lowest unemployment rate among all states.

Over the year, the state's seasonally adjusted unemployment rate dropped by 0.6 percentage points from 4.7 percent in April 2014. Michigan saw the largest drop in year-over-year change in jobless rates among states (-2.1 percentage points), while Louisiana once again had the largest over-the-year gain at 0.9 percentage points.



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

Definition & Importance

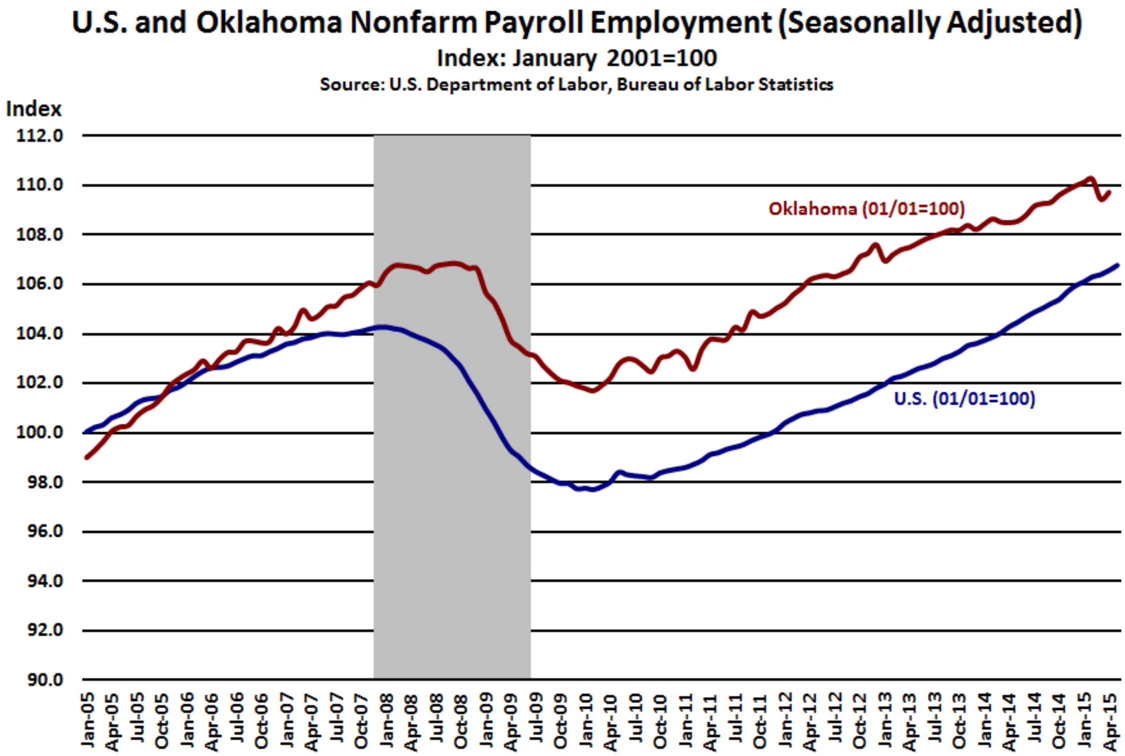
Initial unemployment claims are compiled weekly by the U.S. Department of Labor, Employment and Training Administration and show the number of individuals who filed for unemployment insurance benefits for the first time. This particular variable is useful because it gives a timely assessment of the overall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

Fewer Americans filed for unemployment aid in the last week of May, marking the 13th straight week that claims have been below the 300,000 threshold typically associated with a strengthening labor market. In the week ending May 30, the advance figure for seasonally adjusted initial claims was 276,000, a decrease of 8,000 from the previous week's revised level, according to figures released by the U.S. Labor Department (DOL). The less volatile 4-week moving average rose to 274,750, an increase of 2,750 from the previous week's revised average.

Oklahoma initial jobless claims turned down in May, suggesting a slowdown of the recent layoffs the in oil and gas industry. For the file week ending May 23, initial jobless claims were at a level of 2,018, or 121 less claims than the previous week. For the same file week ending, the four-week moving average inched downward to 2,192, one less claim from the previous week. Over the month, initial claims were six fewer than 2,024 on April 25. Over the year, statewide initial jobless claims have increased by 375 from 1,643 for the file week ended May 24, 2014, while the less volatile 4-week moving average rose by 425 from 1,619 for the same file week.



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

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.

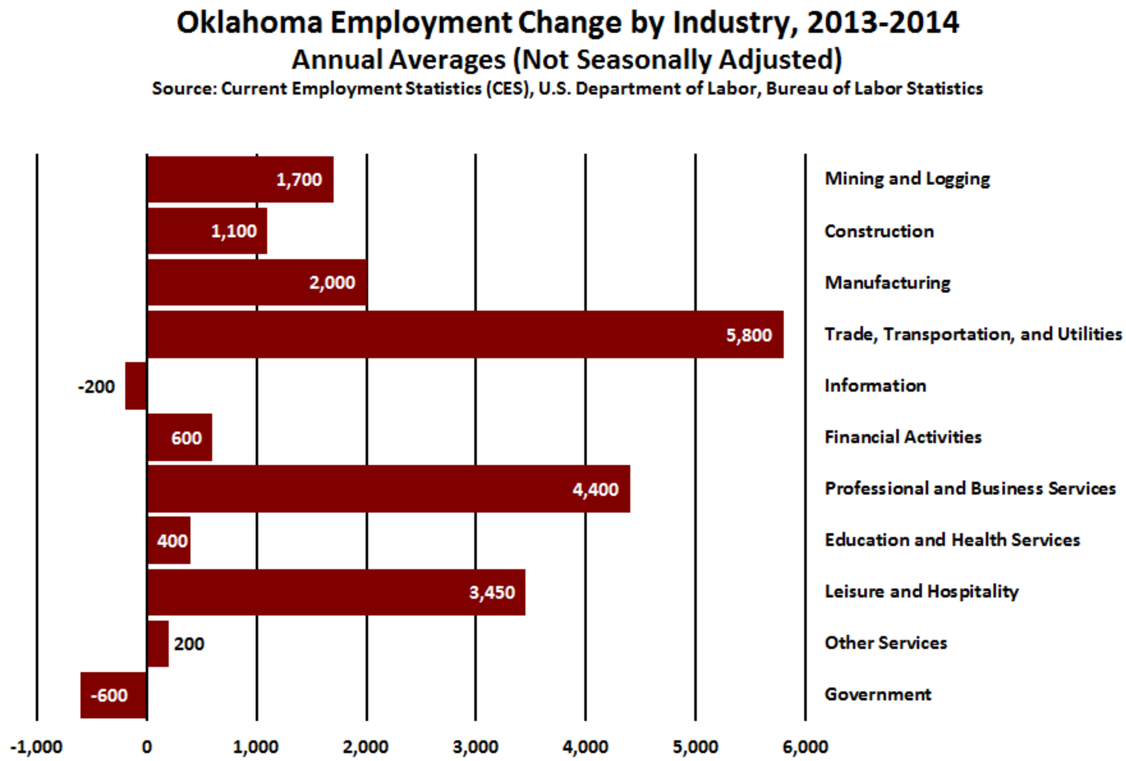
Payroll employment is one of the most current and reliable indicators of economic conditions and recessionary trends. Increases in nonfarm payrolls translate into earnings that workers will spend on goods and services in the economy. The greater the increases in employment, the faster the total economic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

Current Developments

U.S. employers hired at a robust pace in May, as most industries added workers after a slowdown in hiring earlier in the year. Total nonfarm employment rose by 280,000 in May, according to the Bureau of Labor Statistics (BLS). In May, employment increased in professional and business services (+63,000 jobs), leisure & hospitality (+57,000 jobs), health care (+47,000 jobs), retail (+31,000 jobs), and construction (+17,000 jobs). March's employment gains were revised sharply downward to 85,000 from 126,000. Mining was a dark spot in May, contracting by 17,000, and bringing the decline to 68,000 for all of 2015.

Oklahoma's seasonally adjusted nonfarm employment gained 4,200 jobs (+0.3 percent) in April. Seven of Oklahoma's 11 supersectors posted job gains in April, led by leisure & hospitality (+4,900 jobs).

Over the year, Oklahoma total nonfarm employment gained 18,600 jobs (+1.1 percent) with eight out of 11 supersectors adding jobs. Trade, transportation & utilities (+6,300 jobs) posted the largest over-the-year gain.



Definition & Importance

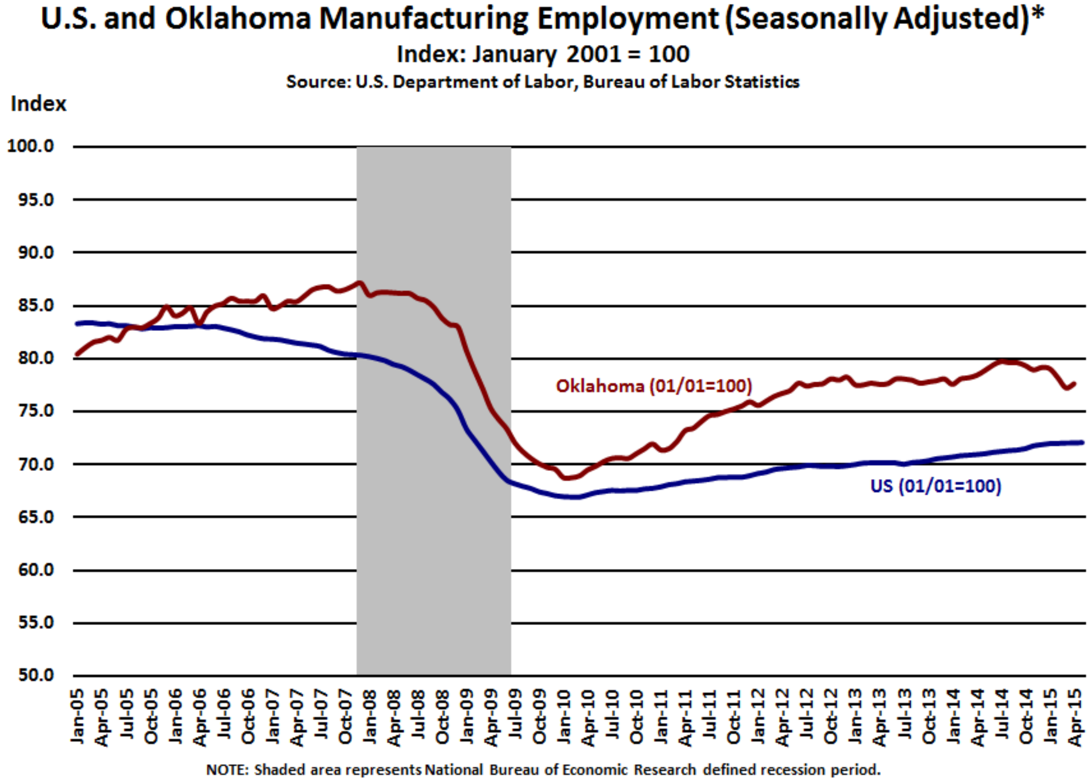
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion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

Current Developments

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

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

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



Definition & Importance

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

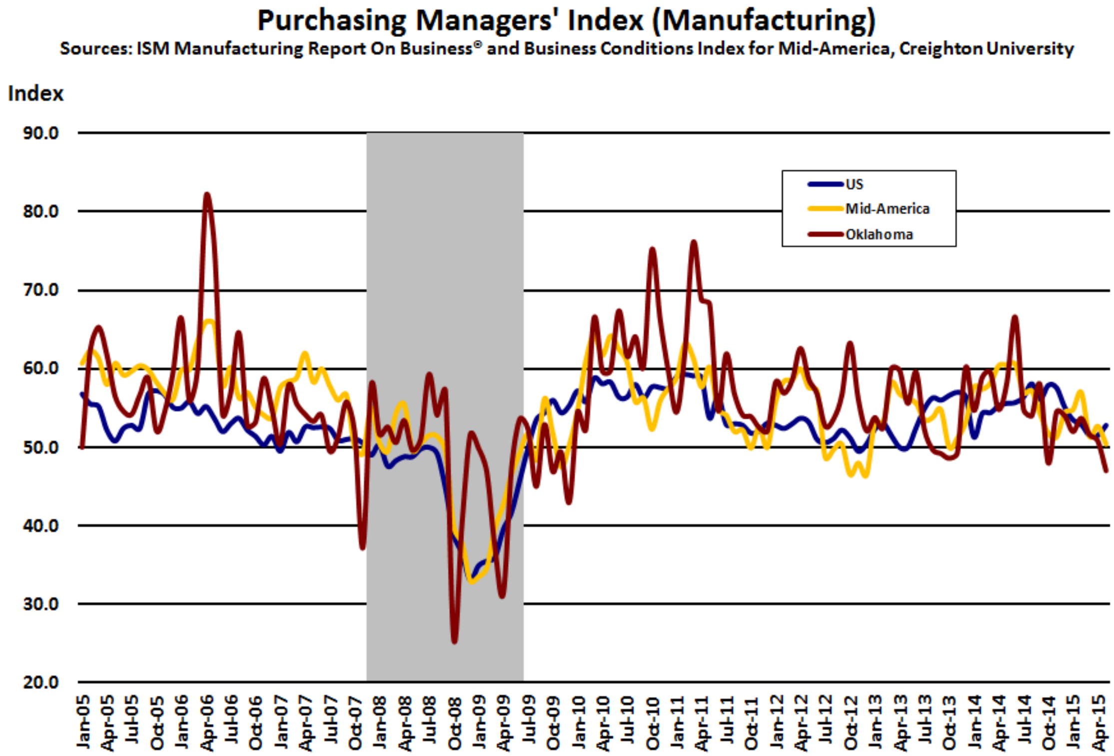
Current Developments

U.S. factory hiring continued at a slower pace in May, mainly due to economic headwinds caused by a strong dollar, lower crude prices, and the West Coast ports slowdown. Manufacturers added 7,000 net new workers in May, according to the Bureau of Labor Statistics (BLS). Over the past four months, the sector has added an average of only 4,250 workers per month compared to 26,000 per month over the prior four months (October to January).

After three consecutive months of job losses, Oklahoma manufacturing employment rebounded in April, adding a non-seasonally adjusted 700 jobs (0.5 percent). Non-durable goods manufacturing accounted for the majority of the job gains in April.

Over the year, Oklahoma manufacturing employment shed a non-seasonally adjusted 1,400 jobs (-1.0 percent) with most of the job losses coming from durable goods manufacturing.

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



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

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

The pace of U.S. factory activity rose in May for the first time in six months, driven by new orders and hiring. The May PMI® registered 52.8 percent, an increase of 1.3 percentage points over the April reading of 51.5 percent, indicating growth in manufacturing for the 29th consecutive month, according to the latest Manufacturing ISM Report On Business®. The index had dropped in the prior five months.

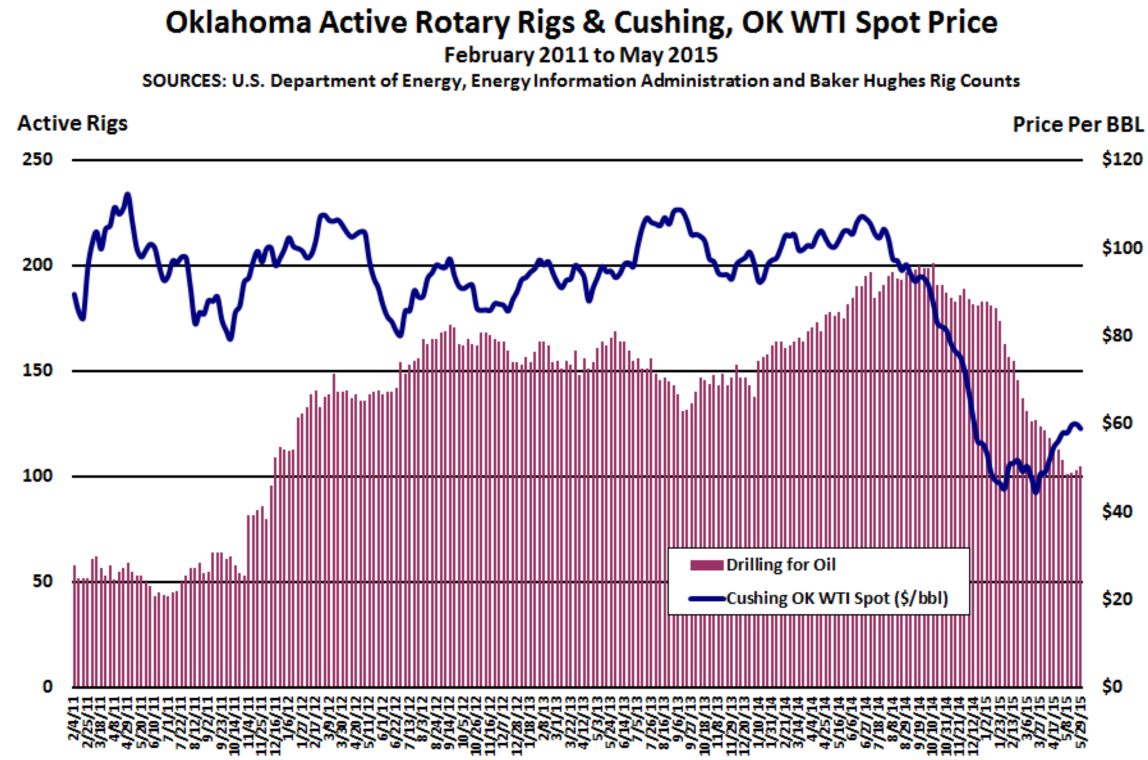
In May, the New Orders Index rose to 55.8 percent, an increase of 2.3 percentage points from the previous reading and the highest level since December. The Employment Index registered 51.7 percent, 3.4 percentage points above the April reading, reflecting growing employment levels from April. Production, registered 54.5 percent, or 1.5 percentage points below the April reading of 56 percent. However, increases in new orders suggest greater production in the coming months.

The Mid-America Business Conditions Index for May, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, fell from April's reading. The Business Conditions Index, which ranges between 0 and 100, slumped to 50.4 from April's 52.7 reading, according to the Creighton Economic Forecasting Group. The regional index is pointing to positive but slow economic growth over the next three to six months for the region.

"Firms linked to energy and agriculture are experiencing pullbacks in economic activity. Job growth in Oklahoma and North Dakota, two energy-producing states, has moved into negative territory," said Ernie Goss, Ph.D., director of Creighton University's Economic Forecasting Group.

The Business Conditions Index for Oklahoma slumped below growth neutral in May, falling to 47.0 from 50.8 in April. Components of the May survey of supply managers were new orders at 47.5, production or sales at 49.2, delivery lead time at 48.2, inventories at 44.9, and employment at 45.0.

"Energy firms and manufacturing firms linked to energy have begun to pullback. According to our surveys, this will spill over into the broader Oklahoma economy in the months ahead," said Goss.



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

In the May *Short-Term Energy Outlook* (STEO), the U.S. Energy Information Administration (EIA) projects Brent crude prices for the 2nd quarter of 2015 will average $63/barrel, $8/barrel higher than last month's forecast.

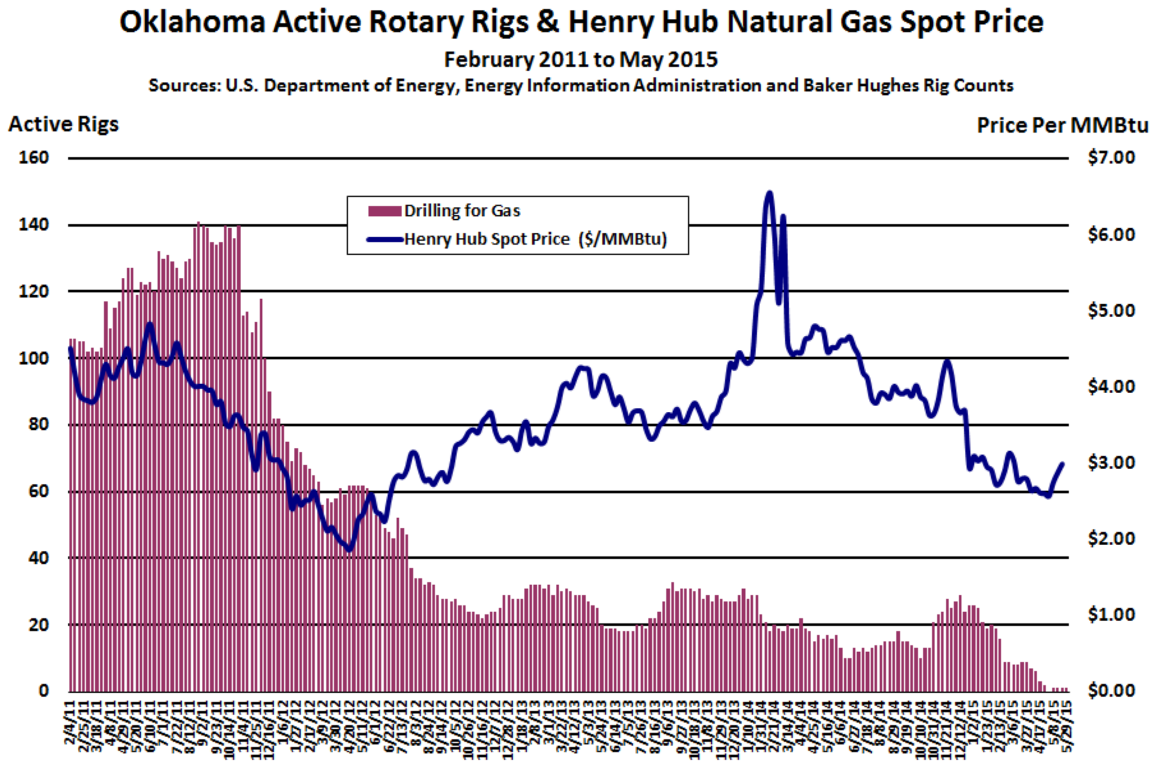
The higher forecast reflects actual prices in April that were above EIA's prior STEO forecast. Several factors contributed to higher crude oil prices in April, including indications of stronger global oil demand growth, expectations for declining U.S. tight oil production in the coming months, and the growing risk of unplanned supply outages in the Middle East and North Africa. The EIA noted that these developments, along with other factors, more than outweighed the effects of rising global oil inventories during April. Brent prices are now forecast to remain near the $63/barrel level for the rest of this year.

After dropping in February, Oklahoma's crude production soared to its highest level in 29 years in March. Statewide crude production in March was at 11,504,000 barrels, 1,791,000 barrels (or 18.4 percent) more than February's level of 9,713,000 barrels. For 2014, Oklahoma's crude production was 127,730,000 barrels, 13,548,000 barrels or 11.9 percent more than the 114,182,000 barrels produced in 2013 and the highest annual crude production level since 1988.

Oil prices rose to above $60/barrel for the first time in six months in May. West Texas Intermediate (WTI-Cushing) spot prices climbed to $60.93/barrel before settling at $57.29/barrel by the end of the month. However, compared to a year ago WTI prices are down by almost half.

After falling to its lowest level in five years in May, Oklahoma's weekly active rig count added two rigs in the last week of May bringing the total number to 106 active rigs. Of that, 105 rigs were oil-directed.

U.S. drilling activity fell to its lowest level in six years in May. The total U.S. rig count dropped to 875 rigs in the last week of May, according to data from oilfield service company Baker Hughes. Oil-directed rigs accounted for 73.8 percent of drilling activity while natural gas-directed accounted for 25.7 percent.



Definition & Importance

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

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

Background

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

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

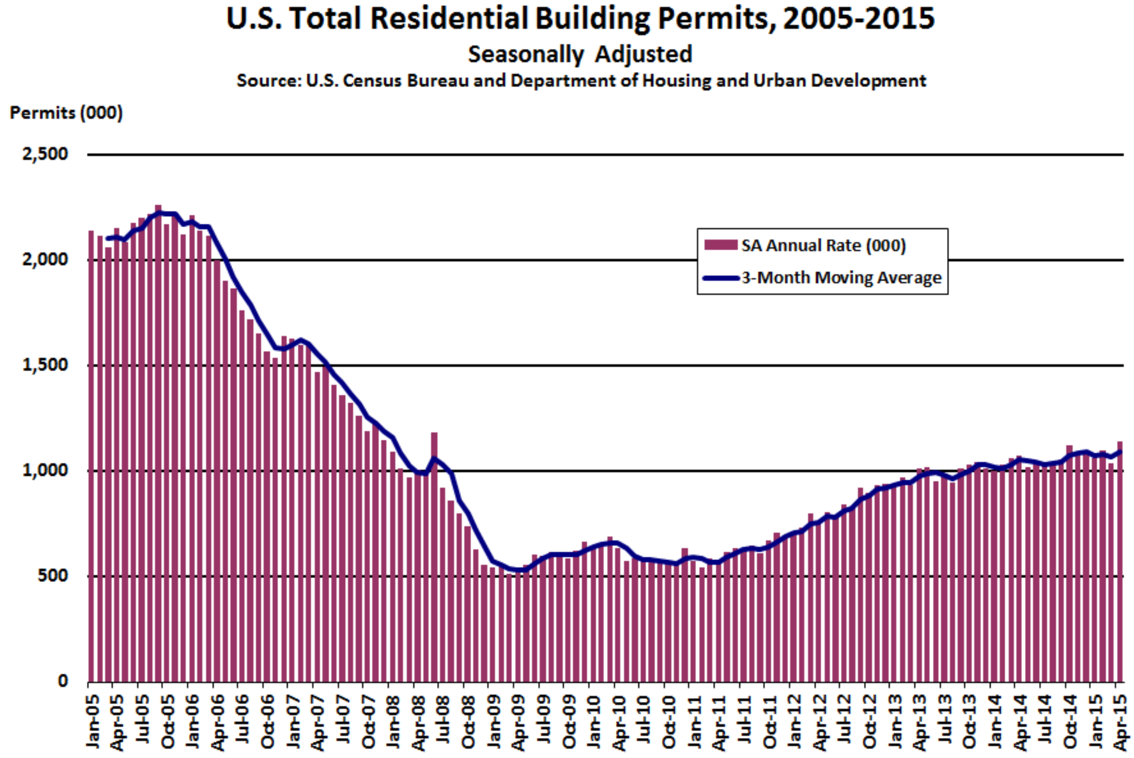
Current Developments

In the most recent *Short Term Energy Outlook* (STEO), the U.S. Energy Information Administration (EIA) noted that natural gas production and inventories remain abundant, keeping prices at relatively low levels in 2015. Preliminary data indicate recent production has surpassed the December record. Storage injections were strong in April, and EIA expects working inventories in storage will end October at 3,890 Bcf, just above the five-year (2010-14) average. EIA's Henry Hub natural gas price forecast averages $2.93/million British thermal units (MMBtu) in 2015 and $3.32/MMBtu in 2016, 14c/MMBtu and 13c/MMBtu, respectively, lower than in last month's STEO.

In March, natural gas production in Oklahoma climbed to the highest level since record keeping began in 1991. March natural gas gross withdrawals were at a level of 207,080 MMcf, or 24,156 MMcf (or 13.2 percent) more than February. For 2014, Oklahoma natural gas gross withdrawals totaled 2,310,114 MMcf compared to 2,144,000 MMcf for 2013, that’s 166,114 MMcf, or 7.7 percent, more than the 2013 total.

Natural gas prices fell throughout April, before rising slightly in early May. The Henry Hub natural gas spot price averaged $2.87/MMBtu in May, gaining 26 cents from the April average of $2.61/MMBtu.

After reaching a level of zero for the week ending May 1, Oklahoma’s natural gas-directed drilling rig count added a rig in May. Over the year, Oklahoma’s natural gas-directed rotary rig count was down 16 rigs reported for the week ended May 30, 2014.



Definition & Importance

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

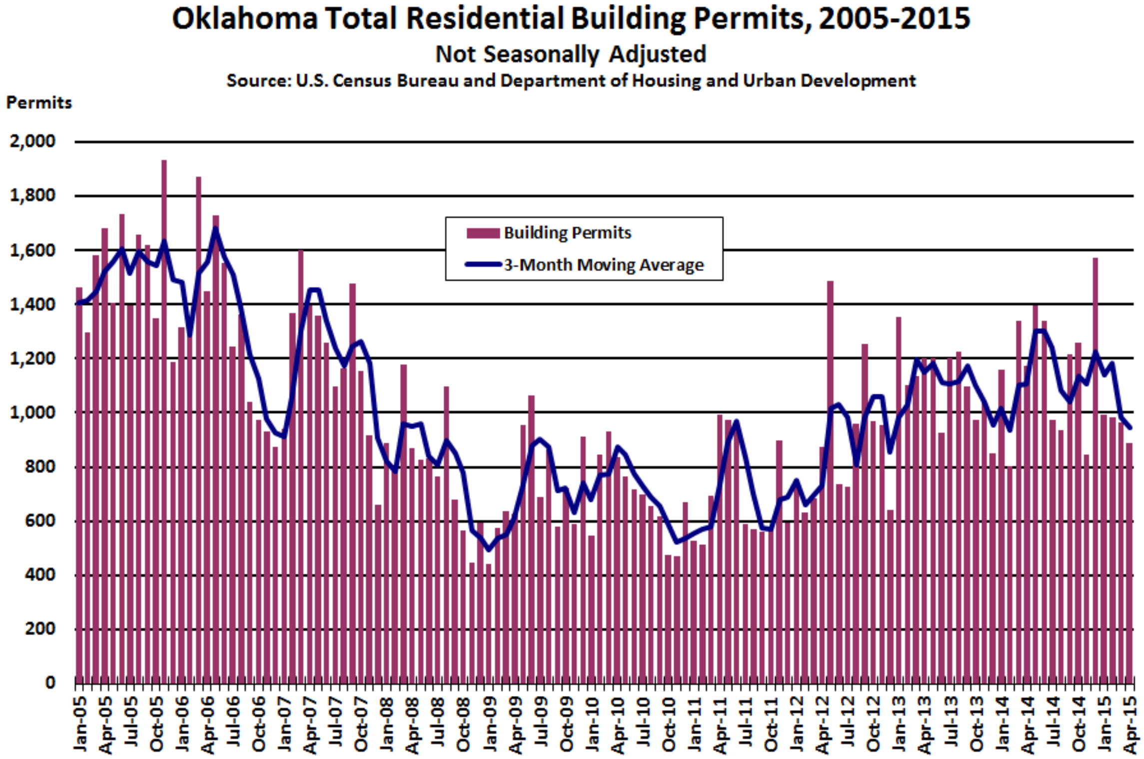
While home construction represents a small portion of the housing market, it has an outsize impact on the economy. Each home built creates an average of three jobs for a year and about $90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels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

Current Developments

The home building market picked up in April as builders broke ground on homes at the fastest pace in more than seven years and building permits soared. Privately-owned housing units authorized by building permits in April were at a seasonally adjusted annual rate of 1,143,000, or 10.1 percent above the revised March rate of 1,038,000 and 6.4 percent above the April 2014 estimate of 1,074,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

Single-family authorizations in April were at a rate of 666,000, or 3.7 percent above the revised March figure of 642,000. Authorizations of apartments in April were at a rate of 444,000, or 20.0 percent above March's revised number of 370,000.

The National Association of Home Builders/Wells Fargo builder sentiment index slipped to 54 in May, down two points from 56 in April.

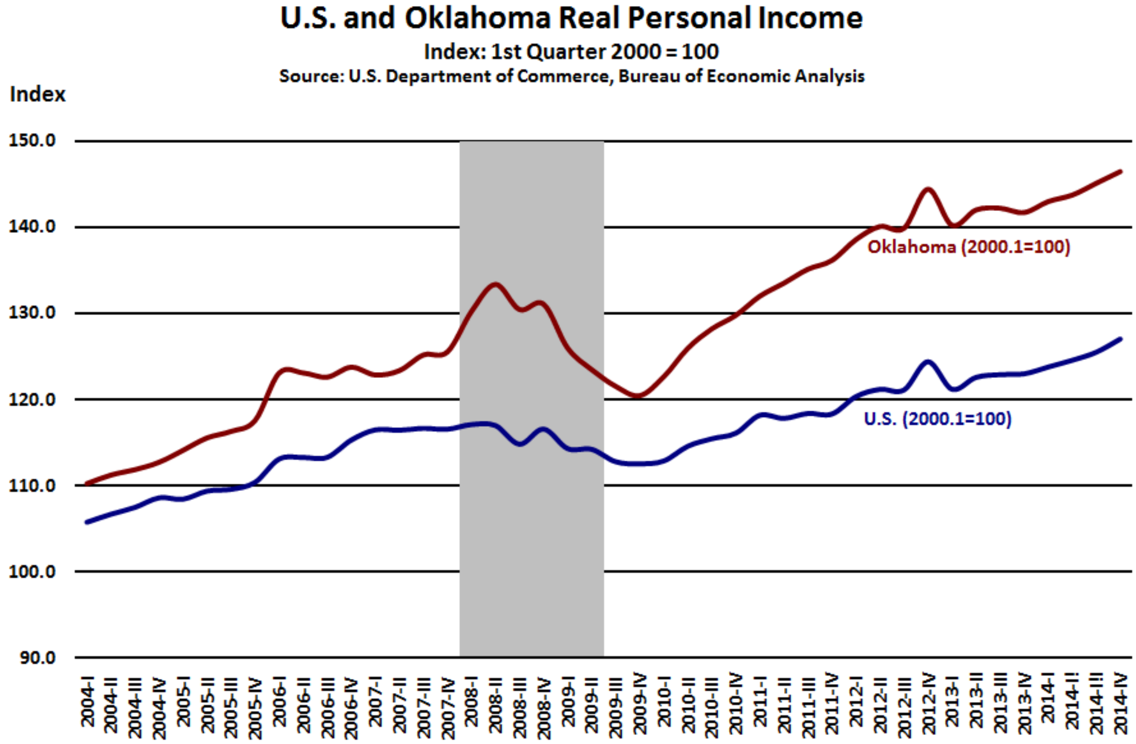


Residential permitting activity in Oklahoma fell to its lowest level in five months in April, as flat apartment permitting once again pulled down total permits. Total residential building permitting for April was at an unadjusted level of 886 units, 79 fewer units than March's level of 965, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development.

Single-family permitting accounted for 96.4 percent of total residential permitting activity in April while multi-family permitting added only 3.6 percent. Applications for single-family homes were at a non-seasonally adjusted level of 854, or 7.9 percent below March's level of 927 permits. Multi-family permitting remained unchanged from the previous month at a non-seasonally adjusted level of 32 permits.

Over the year, total residential permitting was off 287 permits, or 21.4 percent, less than April 2014. Single-family permits were down 115 permits, or 11.9 percent less than a year ago, while the more volatile multi-family permitting was 162 less than the April 2014 level of 194 permits.

It looks like statewide residential permitting has gotten off to a slow start in 2015. Year to date, total unadjusted residential building permitting was at a level of 3,830 for the first four months of 2015, or 636 less than the same time period in 2014. Single-family permits were at a level of 3,365, or 142 fewer permits than 2014, while multi-family permits were 435, which is 479 permits less than the first four months of 2014.



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

Definition & Importance

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

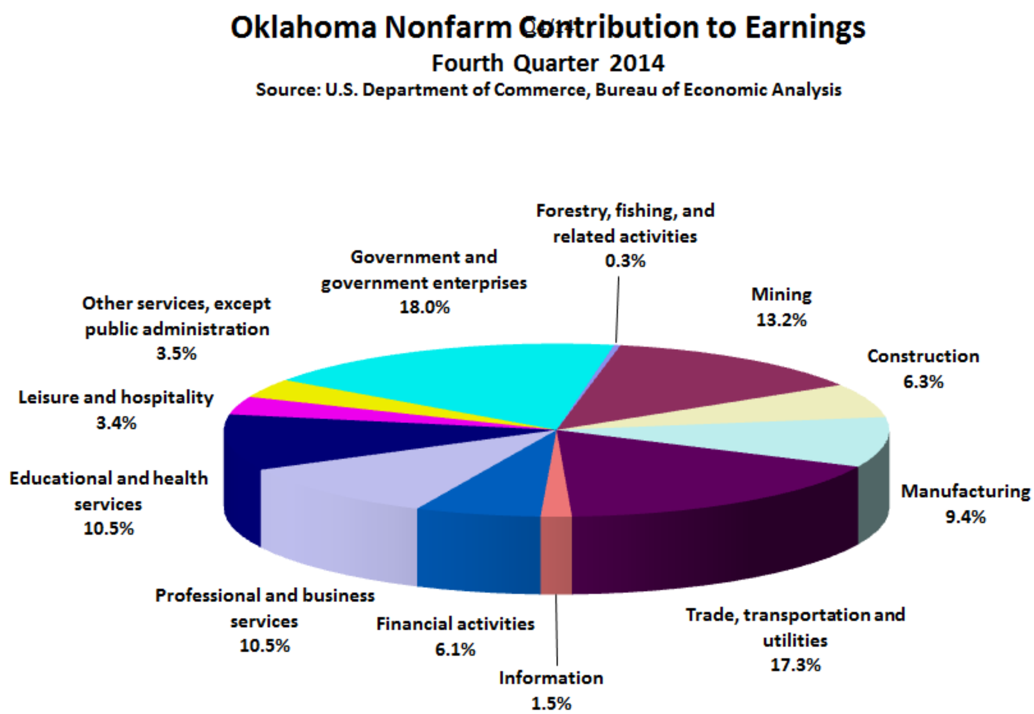
To show the vastly different levels of total personal income for the U.S. and Oklahoma on the same chart, these data have been converted to index numbers. This chart shows a comparison of Oklahoma and U.S. growth in real personal income with 1st quarter 2000 as the base year.

Current Developments

It appears that U.S. consumers chose to save their income in April rather than spend it. Personal income increased $59.4 billion, or 0.4 percent, and disposable personal income (DPI) increased $48.8 billion, or 0.4 percent, in April, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) decreased $2.6 billion, or less than 0.1 percent. In March, personal income increased $4.0 billion, or less than 0.1 percent, DPI increased $0.5 billion, or less than 0.1 percent, and PCE increased $65.6 billion, or 0.5 percent, based on revised estimates.

Durable goods purchases, including automobiles, fell 0.8 percent in April, after climbing 2.1 percent in the previous month. Spending on non-durable goods, which includes gasoline, dropped 0.1 percent in April after a 0.4 increase in March. Services spending rose 0.1 percent after adjusting for inflation.

With income outpacing consumer spending, the personal saving rate jumped to 5.6 percent in April, up from 5.2 percent in March and the second-highest savings rate since December 2012.



Definition & Importance

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

Current Developments

State personal income grew 1.0 percent on average in the 4th quarter of 2014, the same average growth rate as in the 3rd quarter, according to estimates by the U.S. Bureau of Economic Analysis (BEA). The acceleration in personal income growth in Florida, Texas, and 30 other states was offset by a slowdown in 15 states, including California and New York. Growth rates ranged from 0.6 percent in Louisiana to 1.5 percent in Texas. The national price index for personal consumption expenditures fell 0.1 percent in the 4th quarter after rising 0.3 percent in the 3rd quarter.

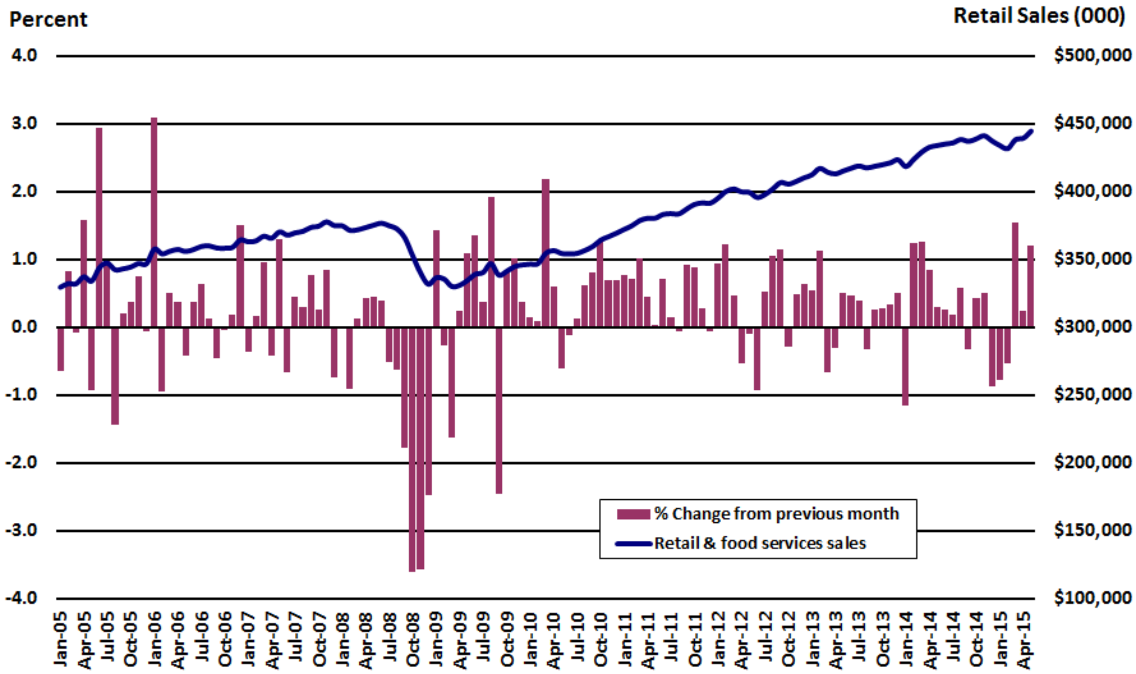
Oklahoma’s personal income growth slowed in the 4th quarter to 0.7 percent, following a 1.2 percent pace in the previous quarter, and ranking 48th in the nation. Total state personal income was at a level of $169.7 billion in the 4th quarter of 2014. Earnings grew $874.0 million in the 4th quarter to a level of $121.0 million for a growth rate of 0.7 percent.

The slowdown in Oklahoma’s 4th state personal income can be partly attributed to the utilities sector which dropped $470.1 million or 18 percent due to large bonuses paid in the 3rd quarter. Forestry, fishing, and related activities and farm earnings combined to contribute more than 10 percent to 4th quarter earnings.

Oklahoma’s total personal income growth accelerated to 3.8 percent in 2014, from 2.0 percent in 2013, and ranked 27th among all states for income growth, according to the BEA. Total personal income was at a level of $167.3 billion for 2014. Oklahoma per capita personal income was $43,138 in 2014, based on an estimated 3.88 million residents.

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

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



Definition & Importance

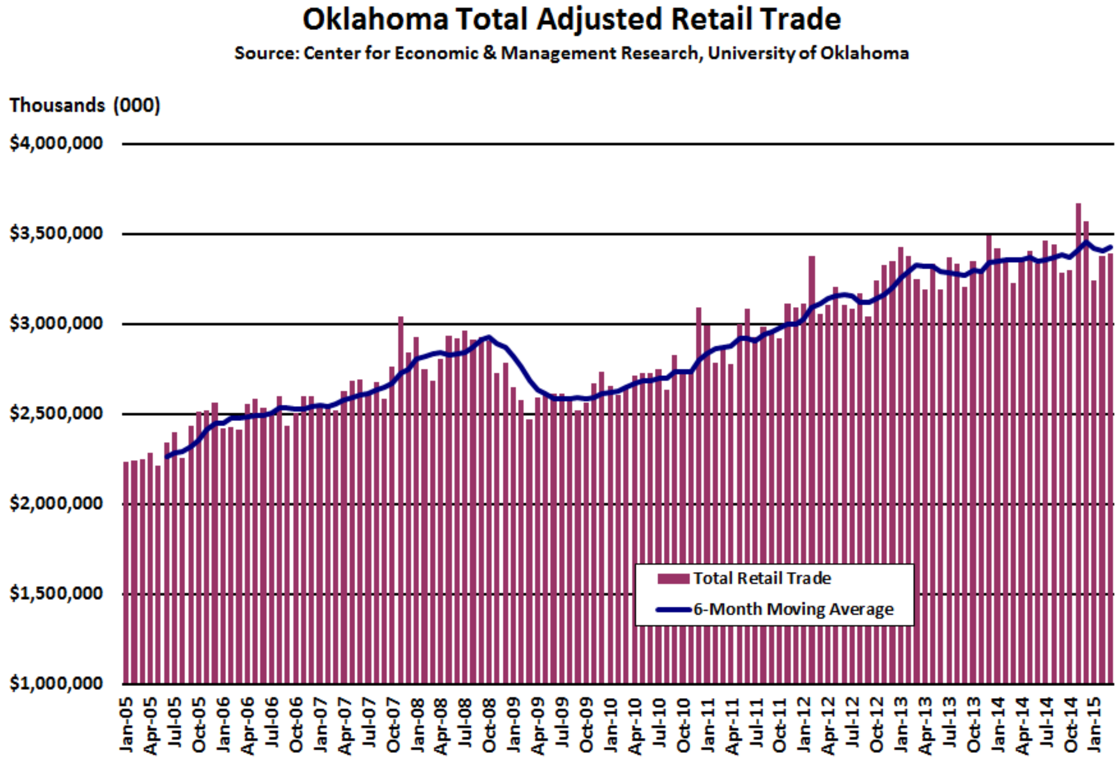
Retail sales measure the total receipts at stores that sell merchandise and related services to final consumers. Sales are by retail and food services stores. Data are collected from the Monthly Retail Trade Survey conducted by the U.S. Bureau of the Census. Essentially, retail sales cover the durables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

Current Developments

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

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

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



Definition & Importance

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

Current Developments

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

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

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