



OKLAHOMA Economic Indicators

May 2016

OKLAHOMA ECONOMIC INDICATORS

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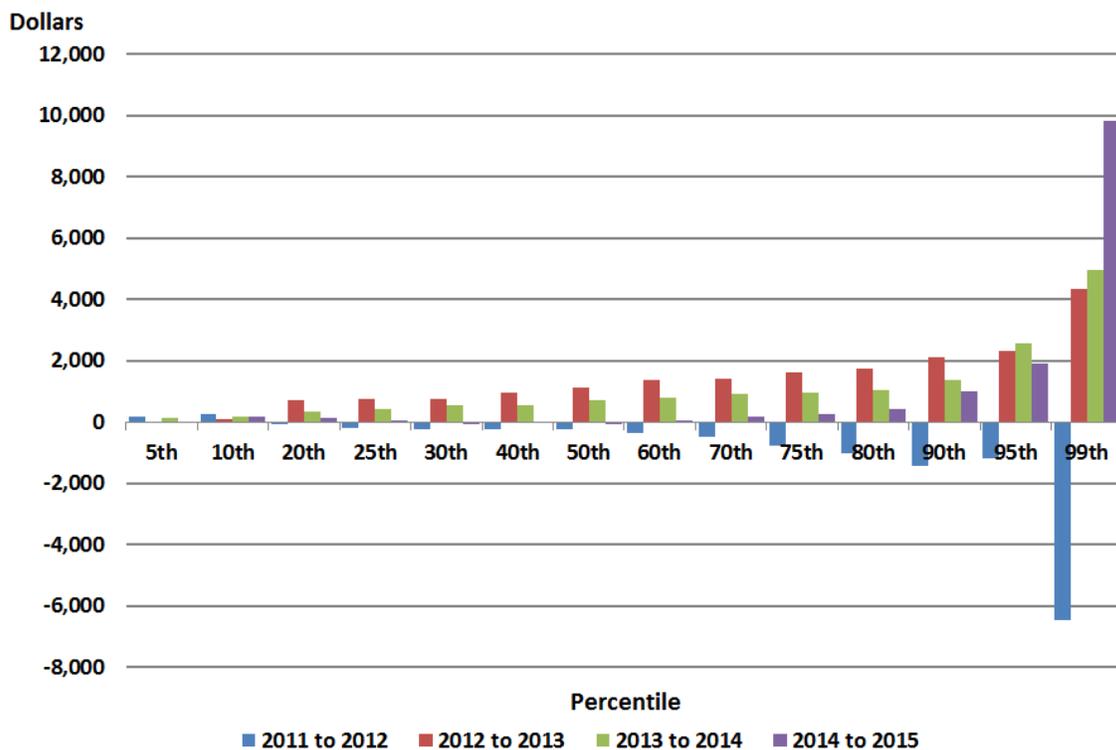
SPECIAL REPORT:

OKLAHOMA MINING JOB QUARTERLY EARNINGS PERCENTILE CHANGES: 2005-2015

The U.S. Energy Information Administration (EIA) ranks Oklahoma 5th-highest of all states in energy production, mostly due to our oil and gas production. Therefore, an analysis of the percentile earnings changes in Oklahoma’s mining industry provides an important indicator of economic and business trends as well as job growth for the state. This special report highlights earnings percentile occurring in 1-year changes, 3-year changes and 10-year changes in the key years 2005 to 2015.

The 1-year analyses of mining job earnings dollar changes from 2011 to 2015 reveal an uneven percentile change from year to year. From 2011 to 2012, earnings decreased at all percentiles, with the exception of the 5th and 10th percentiles. From 2012 to 2013, earnings increased for all but the 5th percentile, with progressively larger dollar amount increases by percentile. From 2013 to 2014, earnings increased at all percentiles, with progressively larger dollar amount increases by percentile. From 2014 to 2015 earnings changes were mixed, with earnings decreases occurring at the bottom (5th) and middle (30th-50th) percentiles, while earnings increased at higher percentiles. Chart 1, below illustrates these changes.

Chart 1. Mining Job Quarterly Earnings Percentile Dollar Change Per Year: 2011 to 2015



Note¹: Earnings are second quarter job totals, excluding Federal jobs.

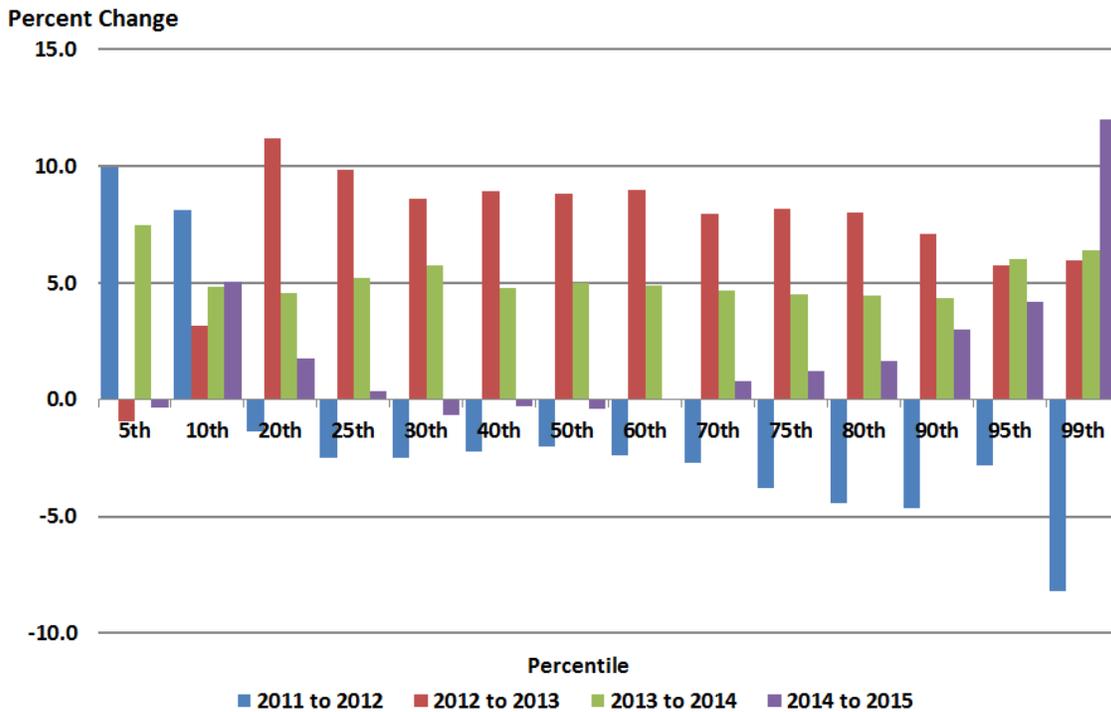
Note²: Cases where earnings are less than \$300 removed.

Note³: The unit of analysis is a job

Mining job quarterly earnings percentile percent changes for each of the 1-year periods in the same five years were similar to the dollar amount change—with the exception of 2012 to 2013, during which the largest percent changes occurred in the 20th through the 90th percentiles.

These changes are shown in Chart 2, below, job earnings slowed. Percentage earnings growth for most percentile levels was slower in the 2012 to 2015 period than it was in the preceding three years. This might be due to layoffs in the energy sector occurring in the first half of 2015.

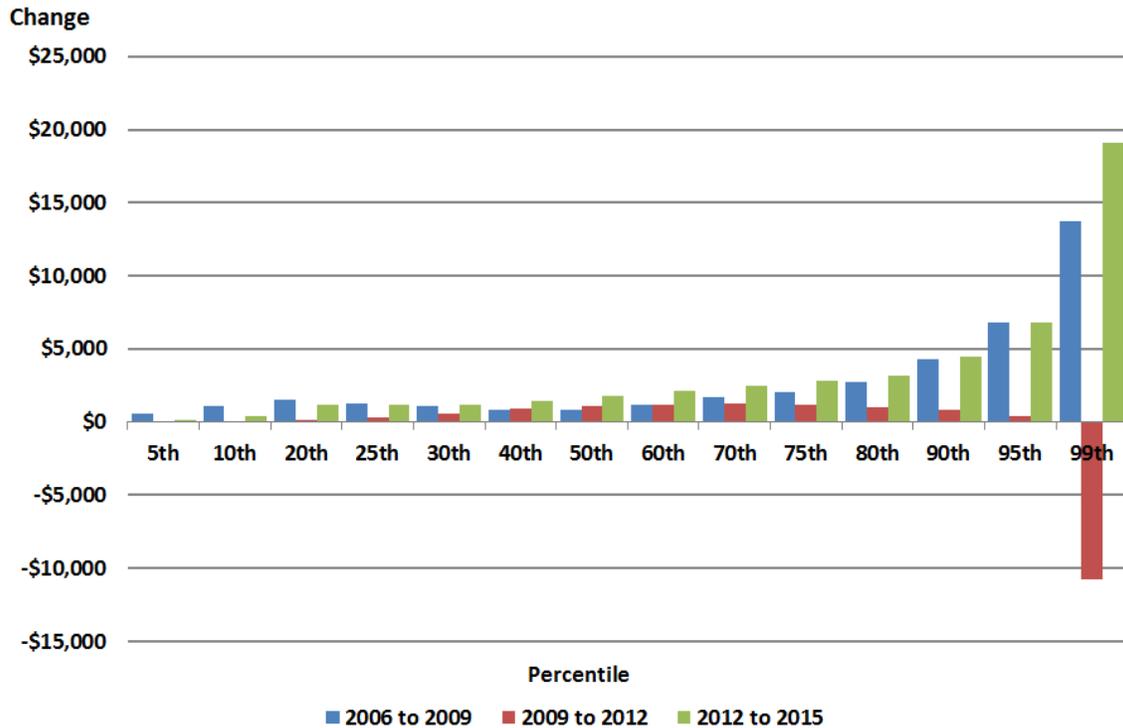
Chart 2. Mining Job Quarterly Earnings Percentile Percent Change Per Year: 2011 to 2015



Note¹: Earnings are second quarter job totals, excluding Federal jobs.
 Note²: Cases where earnings are less than \$300 removed.
 Note³: The unit of analysis is a job.

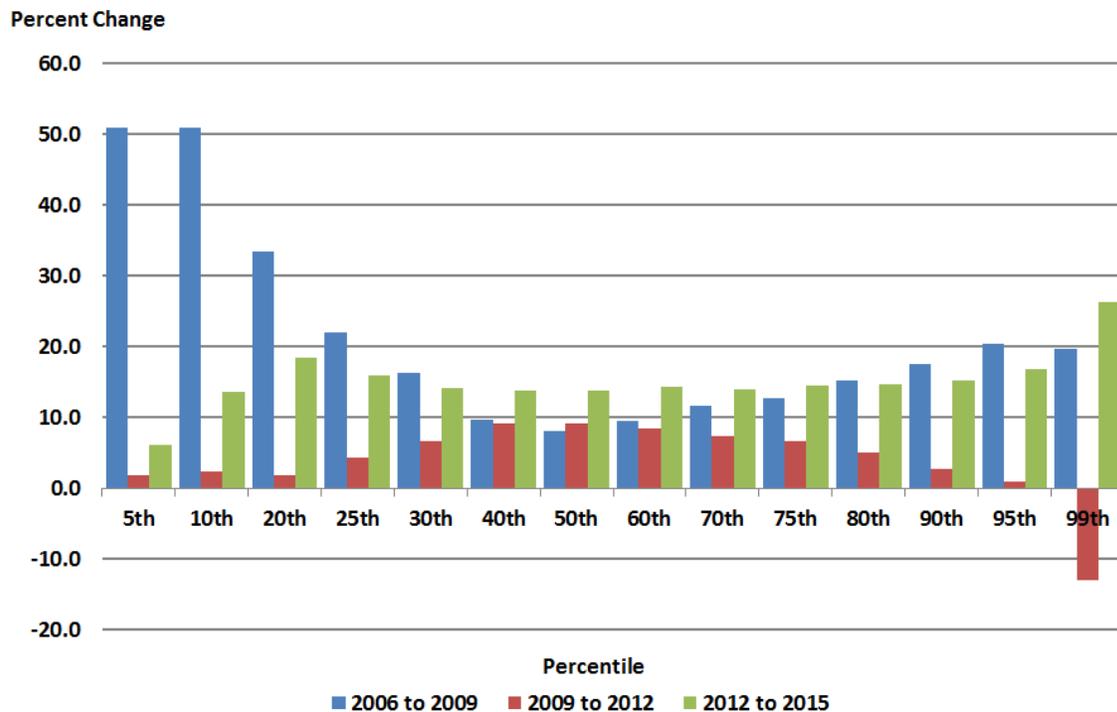
The 3-year analyses of mining job earnings percentile dollar amount changes from 2006 to 2009 indicated the higher percentiles had the largest dollar amount changes, while the lower percentiles had the largest percent changes. From 2009 to 2012, the middle percentiles levels had both the largest dollar amount changes and percent changes. In the most recent 3-year period—2012 to 2015—mining dollar amount earnings increased steadily by percentile. These 3-year dollar amount changes are shown in Chart 3, (on the next page).

**Chart 3. Mining Job Quarterly Earnings Percentile Dollar Change, 3-Year Intervals:
2006 to 2015**



The 3-year analyses of mining job earnings percentile percent changes were largest at the highest levels (90th and 95th percentiles) as well as some lower levels (20th and 25th percentiles). These are displayed in Chart 4, below.

**Chart 4. Mining Job Quarterly Earnings Percentile Percent Change, 3-Year Intervals:
2006 to 2015**



One way of comparing quarterly job earnings and earnings changes is by placing quarterly earnings dollar amounts and percent changes for the four individual years of the 3-year intervals side-by-side in a table.

Table 8. Mining: Job Quarterly Earnings Dollar Amounts by Percentile: 2006, 2009, 2012 & 2015

Percentile	2006	2009	2012	2015	2006-09 % Change	2009-12 % Change	2012-15 % Change
5th	1,100	1,660	1,691	1,794	50.8	1.9	6.1
10th	2,100	3,170	3,244	3,688	51.0	2.3	13.7
20th	4,608	6,150	6,261	7,409	33.5	1.8	18.3
25th	5,928	7,235	7,543	8,748	22.0	4.3	16.0
30th	6,999	8,132	8,677	9,900	16.2	6.7	14.1
40th	8,952	9,821	10,718	12,200	9.7	9.1	13.8
50th	10,818	11,686	12,749	14,511	8.0	9.1	13.8
60th	12,639	13,845	15,000	17,160	9.5	8.3	14.4
70th	14,877	16,606	17,837	20,326	11.6	7.4	14.0
75th	16,286	18,364	19,581	22,414	12.8	6.6	14.5
80th	18,017	20,763	21,797	25,008	15.2	5.0	14.7
90th	24,512	28,790	29,584	34,080	17.5	2.8	15.2
95th	33,120	39,900	40,279	47,060	20.5	0.9	16.8
99th	69,779	83,509	72,731	91,840	19.7	-12.9	26.3
Total Jobs	46,148	45,957	67,480	59,204	-0.4	46.8	-12.3

Note¹: Earnings are second quarter job totals, excluding Federal jobs.

Note²: Cases where earnings are less than \$300 removed.

Note³: The unit of analysis is a job.

Table 8 shows quarterly earnings dollar amounts in for each of these years, alongside the percent change in earnings between these years. The higher percentile levels increased the most between each of these years, with earnings decreasing at the 99th percentile only in 2012.

Chart 6. Mining Job Quarterly Earnings Percentile Dollar Change: 2005 to 2015

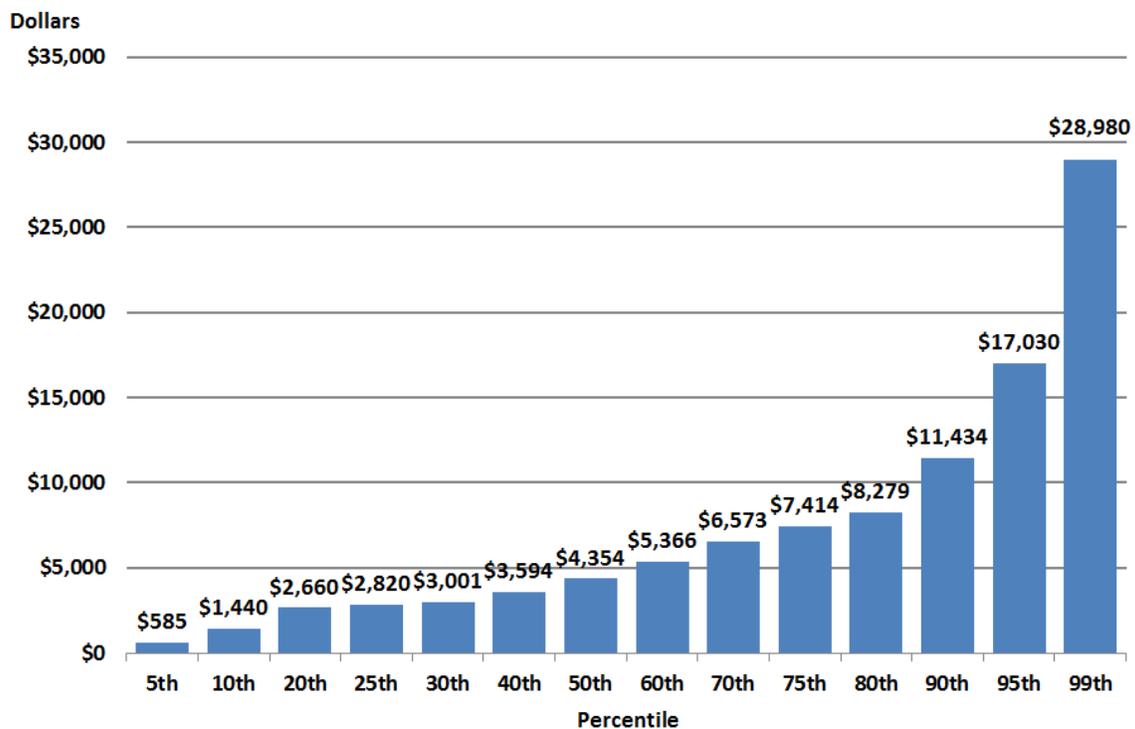
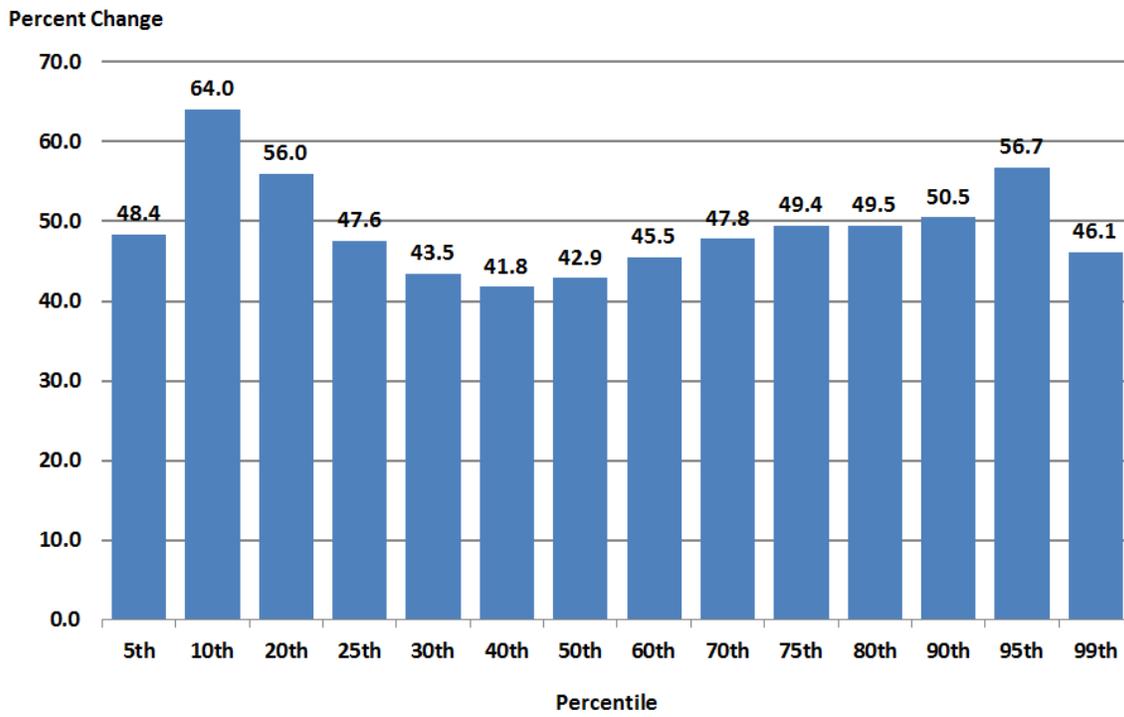


Chart 6, (on the previous page),and Chart 7, below, display the mining job earnings percentile dollar amount and percent change 2005 to 2015.

Chart 7. Mining Job Quarterly Earnings Percentile Percent Change: 2005 to 2015



An important finding in the examination of the 10-year period from 2005 to 2015 is that the dollar earnings amounts increased steadily as the percentile levels increased, with higher percentiles experiencing larger dollar amount increases in earnings. The largest difference in changes in dollar amount earnings between adjacent percentiles occurred between the 95th and 99th percentiles. Interestingly, the largest percent changes in earnings occurred at both lower and higher percentile levels: the largest and third-largest percent increases in earnings were at the 10th and 20th percentiles respectively, while the second- and fourth-largest percent increases in earnings were at the 90th and 95th percentiles.

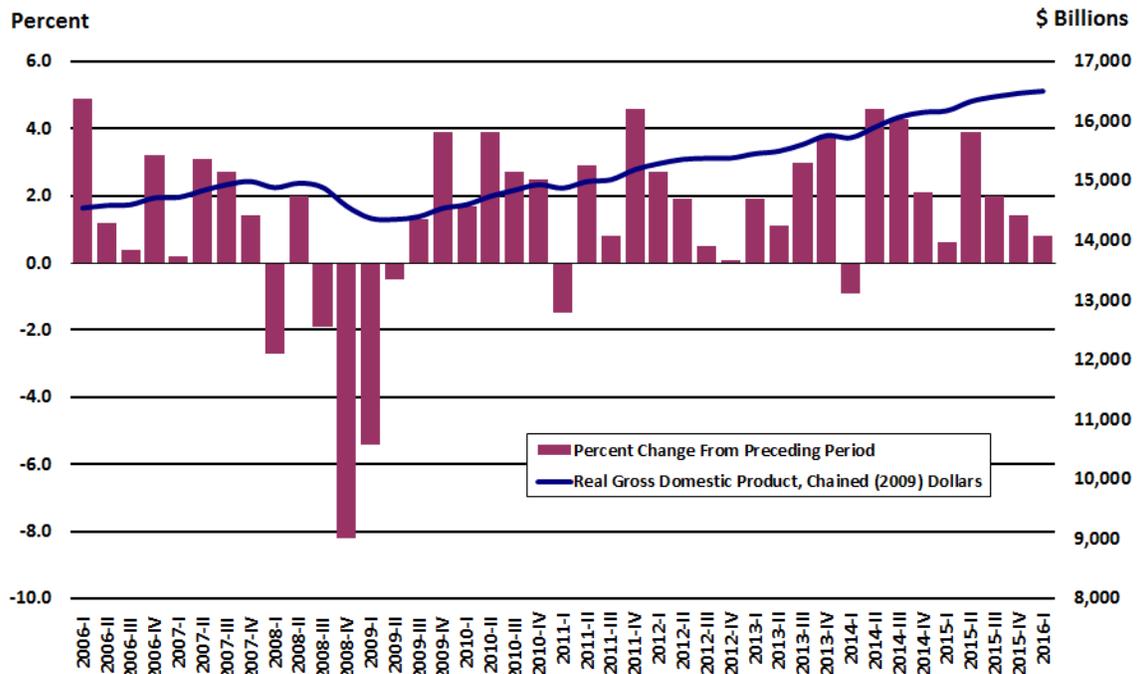
More Information

A copy of the full Oklahoma Mining Job Quarterly Earnings Percentile report is available on the OESC website at:

https://www.ok.gov/oesc_web/documents/lmiminingreport2015.pdf

Real Gross Domestic Product and Quarterly Change

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



Definition & Importance

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

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

Background

There are four major components to GDP:

1. *Personal consumption expenditures*: Individuals purchase durable goods (such as furniture and cars), nondurable goods (such as clothing and food) and services (such as banking, education and transportation).
2. *Investment*: Private housing purchases are classified as residential investment. Businesses invest in nonresidential structures, durable equipment and computer software. Inventories at all stages of production are counted as investment. Only inventory changes, not levels, are added to GDP.
3. *Net exports*: Equal the sum of exports less imports. Exports are the purchases by foreigners of goods and services produced in the United States. Imports represent domestic purchases of foreign-produced goods and services and are deducted from the calculation of GDP.
4. *Government*: Government purchases of goods and services are the compensation of government employees and purchases from businesses and abroad. Data show the portion attributed to consumption and investment. Government outlays for transfer payments or interest payments are not included in GDP.

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

Current Developments

It appears that the slowdown in 1st quarter U.S. economic growth wasn't quite as bad as initially thought thanks to a bigger boost from housing and less drag from business investment and trade. Real gross domestic product (GDP) increased at an annual rate of 0.8 percent in the 1st quarter of 2016, according to the "second" estimate released by the Bureau of Economic Analysis (BEA). In the 4th quarter, real GDP increased 1.4 percent.

Consumer spending, which accounts for more than two-thirds of U.S. economic activity, advanced at the slowest pace in a year. Personal consumption expenditures increased at a 1.9 percent rate, a deceleration from the 4th quarter's 2.4 percent rate. Spending on services rose 2.6 percent, offsetting a 1.2 percent decline in durable goods which were hit by weak vehicle sales. Personal consumption expenditures added a revised 1.29 percentage points to 1st quarter GDP growth.

Business investment spending, which has been hit especially hard by the mining and energy sectors, remained weak in the 1st quarter. Investment in equipment tumbled at an 8.6 percent rate, the steepest decline since the 2nd quarter of 2009. Spending on nonresidential structures fell at an -8.9 percent rate in the 1st quarter, better than the -10.7 percent drop first reported. Gross private fixed investment subtracted -0.25 percentage point from 1st quarter GDP growth instead of the previously estimated -0.27 percentage point.

Businesses did not slow their restocking their shelves as much as previously estimated. In the 1st quarter, businesses accumulated \$73.5 billion worth of inventory, up from \$60.9 billion first reported. The revised inventory build shaved -0.20 percentage point from 1st quarter GDP growth, instead of -0.33 percentage point.

Investment in residential construction grew at its fastest pace in more than three years. Residential fixed investment, a measurement for building and remodeling, grew at a torrid 17.1 percent rate, adding a revised 0.56 percentage point to 1st quarter growth.

It also appears that the trade deficit did not widen as much as previously estimated. Exports fell at a -2.0 percent annual rate, instead of the -2.6 percent rate previously estimated, while imports declined -0.2 percent in the 1st quarter rather than gaining 0.2 percent. Trade subtracted a revised -0.21 percentage point from 1st quarter GDP growth instead of the previously reported 0.34 percentage point.

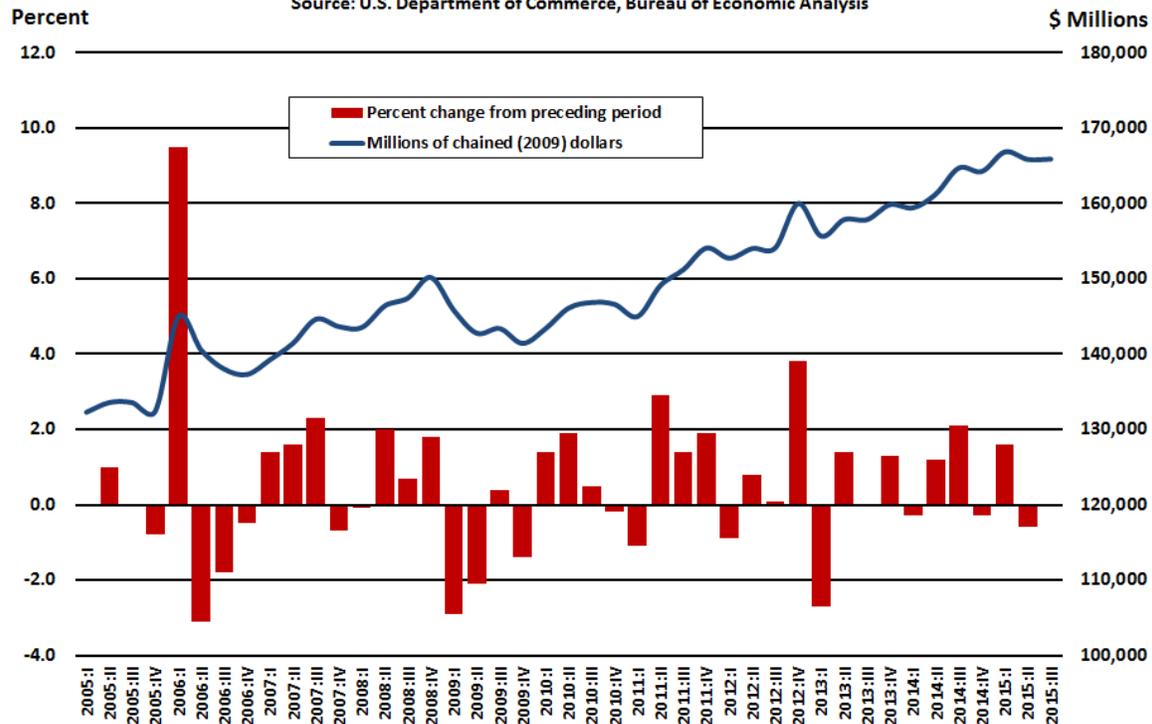
Government purchases made a modest contribution to GDP growth in the 1st quarter. Federal government expenditures were down 1.6 percent from the preceding quarter, held back by a 3.6 percent decline in national defense spending. Federal non-defense spending was revised up to 1.6 percent from the "advance" estimate of 1.5 percent. Meanwhile, state and local government spending rose 2.9 percent in the 1st quarter. Government consumption expenditures added 0.20 percentage points to 1st quarter GDP growth.

The current U.S. economic expansion will mark its seventh year in June, making it the fourth longest recovery since World War II.

Oklahoma Real Gross Domestic Product and Quarterly Change

1st Quarter 2005 - 3rd Quarter 2015, Seasonally Adjusted Annual Rates

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



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

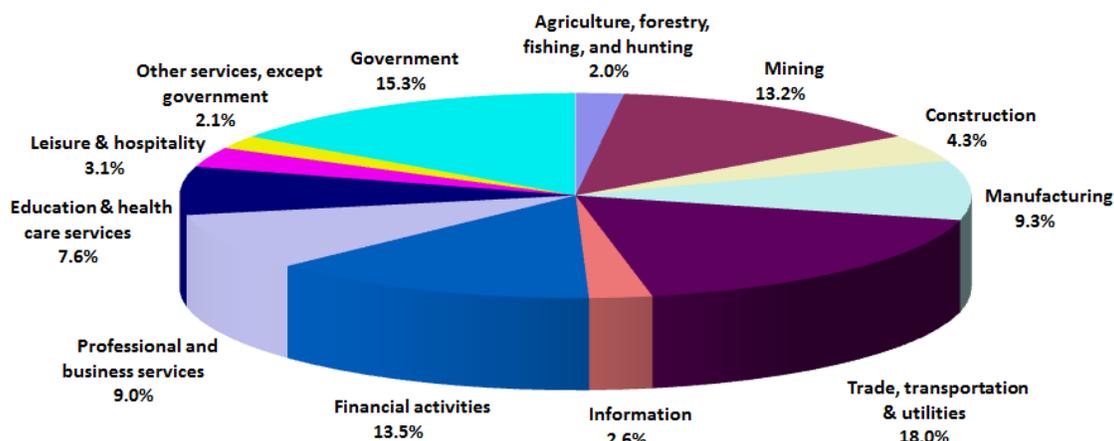
Real gross domestic product (GDP) increased in 47 states and the District of Columbia in the 3rd quarter of 2015. Overall, U.S. real GDP by state growth slowed to an annual rate of 1.9 percent in the 3rd quarter of 2015 after increasing 3.8 percent in the 2nd quarter, according to the Bureau of Economic Analysis (BEA). Retail trade, health care and social assistance, and agriculture, forestry, fishing, and hunting were the leading contributors to real U.S. economic growth in the 3rd quarter.

Ongoing reduced commodity prices that caused Oklahoma’s real GDP to contract in the 2nd quarter of 2015 continued to weigh on GDP growth in the 3rd quarter. Statewide GDP was at a level of \$165.9 billion in constant 2009 dollars in the 3rd quarter, barely growing from \$165.8 billion in the 2nd quarter. Oklahoma’s real GDP grew at a 0.1 percent pace in the 3rd quarter, ranking the state 47th among all other states and the District of Columbia.

Industry Share of Oklahoma's Economy, 3rd Quarter 2015

(by percentage of Gross Domestic Product)

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



Based on overall U.S. real GDP growth by state, agriculture, forestry, fishing, and hunting grew 37.5 percent in the 3rd quarter of 2015. This industry contributed 0.36 percentage point to real GDP growth for the nation and was the largest contributor to real GDP growth in Oklahoma growing 12.8 percent and adding 1.01 percentage points in the 3rd quarter.

Retail trade grew 7.1 percent in the 3rd quarter of 2015 and contributed 0.41 percentage point to U.S. real GDP growth. Retail trade contributed to growth in 49 states including Oklahoma where it grew at 1.3 percent and added 0.34 percentage point to the state's real GDP growth.

Health care and social assistance grew 5.5 percent in the 3rd quarter of 2015. This industry contributed 0.39 percentage point to U.S. real GDP growth and contributed to growth in 49 states including Oklahoma where it grew 0.9 percent and contributed 0.26 percentage point to 3rd quarter growth.

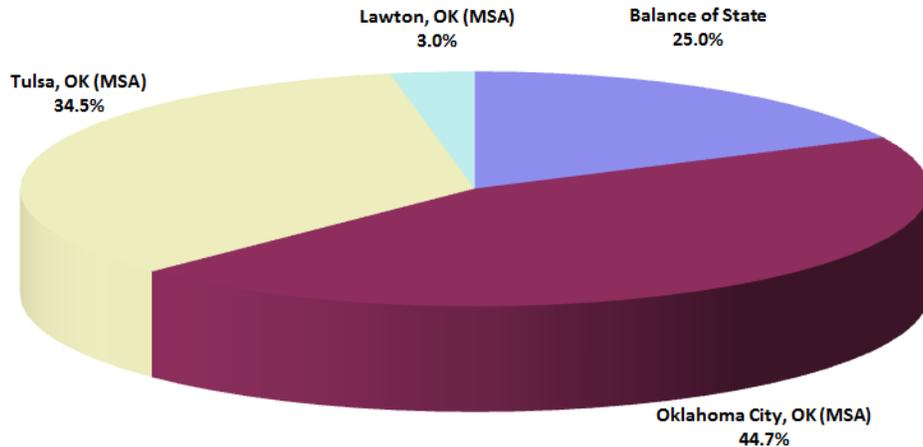
Other industries contributing to Oklahoma's real GDP growth in the 3rd quarter of 2015 were construction (0.60 percentage point); professional, scientific, and technical services (0.25 percentage point); educational services (0.08 percentage point); administrative and waste management services (0.07 percentage point); and management of companies and enterprises (0.03 percentage point).

Mining declined 8.3 percent for the nation in the 3rd quarter of 2015. This industry slowed growth in most mining states and subtracted more than a percentage point from real GDP growth in North Dakota, West Virginia, Oklahoma, and Wyoming. In Oklahoma, mining shaved 1.57 percent from overall GDP in the 3rd quarter.

Other industries subtracting from Oklahoma's real GDP growth in the 3rd quarter of 2015 were durable goods manufacturing (-0.33 percentage point); real estate and rental and leasing (-0.18 percentage point); government (-0.12 percentage point); utilities and transportation & warehousing (-0.08 percentage points); and accommodation and food services (-0.07 percentage point).

Metropolitan Area Contribution to State Real Gross Domestic Product 2014

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



Definition & Importance

Metropolitan Statistical Areas (MSAs) are 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.

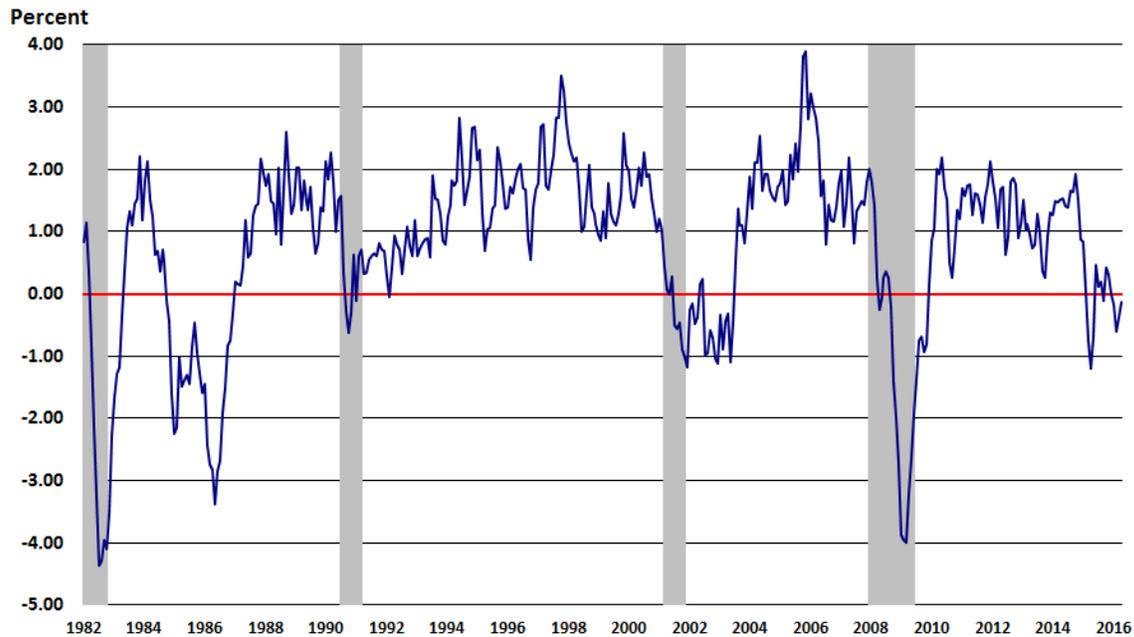
Current Developments

Real GDP increased in 282 of the nation's 381 metropolitan areas in 2014, led by growth in several industry groups: professional and business services, wholesale and retail trade, and the group of finance, insurance, real estate, rental, and leasing, according to the U.S. Bureau of Economic Analysis (BEA). Natural resources and mining remained a strong contributor to growth in several metropolitan areas. Collectively, real GDP for U. S. metropolitan areas increased 2.3 percent in 2014 after increasing 1.9 percent in 2013.

Two of three Oklahoma metropolitan areas outpaced the U.S. metropolitan area real GDP growth in 2014. Tulsa MSA's real GDP grew at a rate of 3.7 percent to \$49.5 billion and ranked 51st (out of 381 metro areas). Oklahoma City MSA grew by 2.6 percent to \$64.5 billion and ranked 99th. Lawton MSA contracted 1.5 percent to \$4.4 billion in 2014 and ranked 344th among U.S. metro areas.

Leading Index for Oklahoma, 1982-2016

Source: Federal Reserve Bank of Philadelphia



NOTE: Shaded areas represent National Bureau of Economic Research defined recession periods.

Definition & Importance

The Federal Reserve Bank of Philadelphia produces leading indexes for each of the 50 states. The indexes are calculated monthly and are usually released a week after the release of the coincident indexes. The Bank issues a release each month describing the current and future economic situation of the 50 states with special coverage of the Third District: Pennsylvania, New Jersey, and Delaware.

The leading index for each state predicts the six-month growth rate of the state's coincident index. In addition to the coincident index, the models include other variables that lead the economy: state-level residential housing permits (1 to 4 units), state initial unemployment insurance claims, delivery times from the Institute for Supply Management (ISM) manufacturing survey, and the interest rate spread between the 10-year Treasury bond and the 3-month Treasury bill.

Current Developments

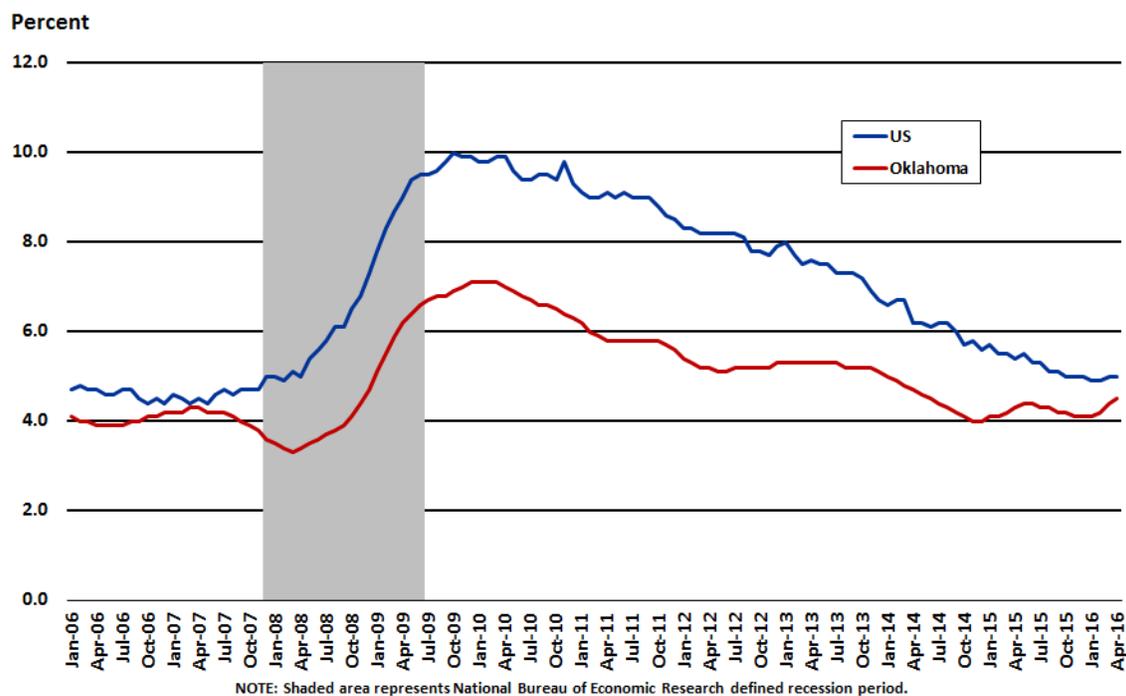
Prolonged declining commodity prices continue to depress Oklahoma's economy in the first quarter as oil prices sunk to 13-year lows. Oklahoma's leading index began falling at the end of 2014 and saw six consecutive months of decline, slipping into negative territory in March, April and May of 2015.

During the first half of 2015, energy sector layoffs translated into elevated initial claims for unemployment insurance while home builders statewide pulled back on applications for residential construction. After rebounding mid-year, initial claims have begun to climb again and residential permitting activity is slowing.

The state's leading index has registered four consecutive months of negative readings in 2016. The Leading Index for Oklahoma moved up to -0.13 percent in April 2016 following a -0.37 percent reading in March; -0.60 in February and -0.17 in January, according to the latest figures from the Federal Reserve Bank of Philadelphia.

U.S. and Oklahoma Unemployment Rate (Seasonally Adjusted)

Source: U.S. Department of Labor, Bureau of Labor Statistics



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.

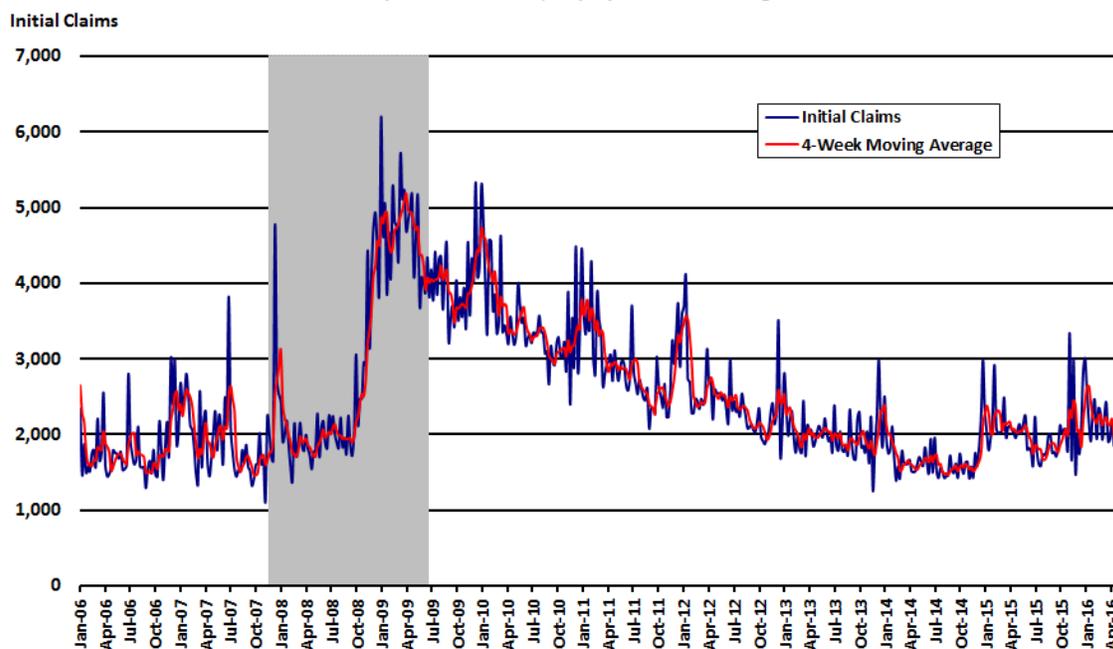
Current Developments

The U.S. unemployment rate fell in May to its lowest level since November 2007, as more Americans stopped looking for work and weren't counted as unemployed. In May, the unemployment rate declined by 0.3 percentage point to 4.7 percent, 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 work—dropped to 62.6 percent in May, the lowest level in more than forty years.

Oklahoma's seasonally-adjusted unemployment rate moved up for the third consecutive month in April to 4.5 percent, a gain of 0.1 percentage point from the previous month. Oklahoma's unemployment rate was the 23rd lowest jobless rate, (tied with Oregon), among all states in April. Over the year, the state's seasonally-adjusted unemployment rate was 0.2 percentage point more than 4.3 percent reported in April 2015.

Oklahoma Initial Weekly Claims for Unemployment Insurance (Not Seasonally Adjusted)

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



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 smooths out weekly volatility and gives a better perspective on the underlying trend.

Current Developments

Fewer Americans filed for jobless benefits in the last week of May, for a third consecutive weekly drop. In the week ending May 28, the advance figure for seasonally adjusted initial claims was 267,000, a decrease of 1,000 from the previous week's unrevised level of 268,000, according to figures released by the U.S. Labor Department (DOL). The less volatile 4-week moving average was at a level of 276,750, a decrease of 1,750 from the previous week's unrevised average of 278,500.

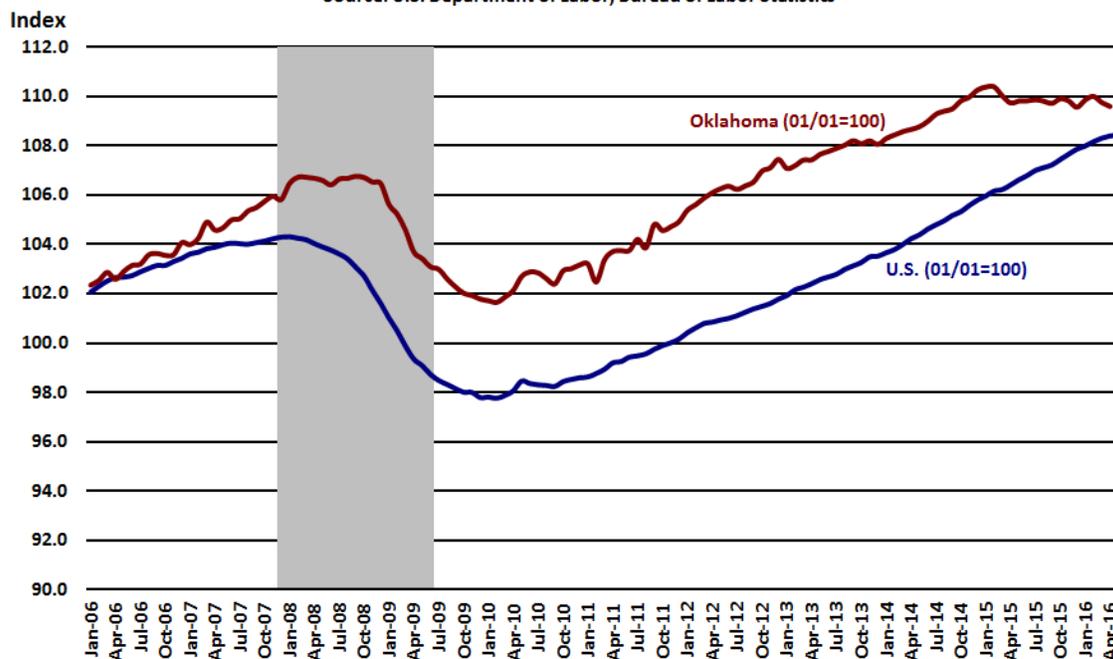
More Oklahomans filed initial claims for unemployment insurance benefits in May, reflecting ongoing energy sector layoffs. For the file week ending May 21, initial claims for unemployment insurance benefits were at a level of 2,175, up 170 from the previous week. For the same file week ending, the less volatile four-week moving average moved up 34 to 2,010. For the same file week ending on May 21, continued claims declined 73 to a level of 23,686 while the continued claims four-week moving average increased 56 to 23,668.

Over the year, statewide initial jobless increased 157 from the May 23, 2015 level of 2,028 while continued claims climbed 1,305 from 22,381 for the same file week ending.

U.S. and Oklahoma Nonfarm Payroll Employment (Seasonally Adjusted)

Index: January 2001=100

Source: U.S. Department of Labor, Bureau of Labor Statistics



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

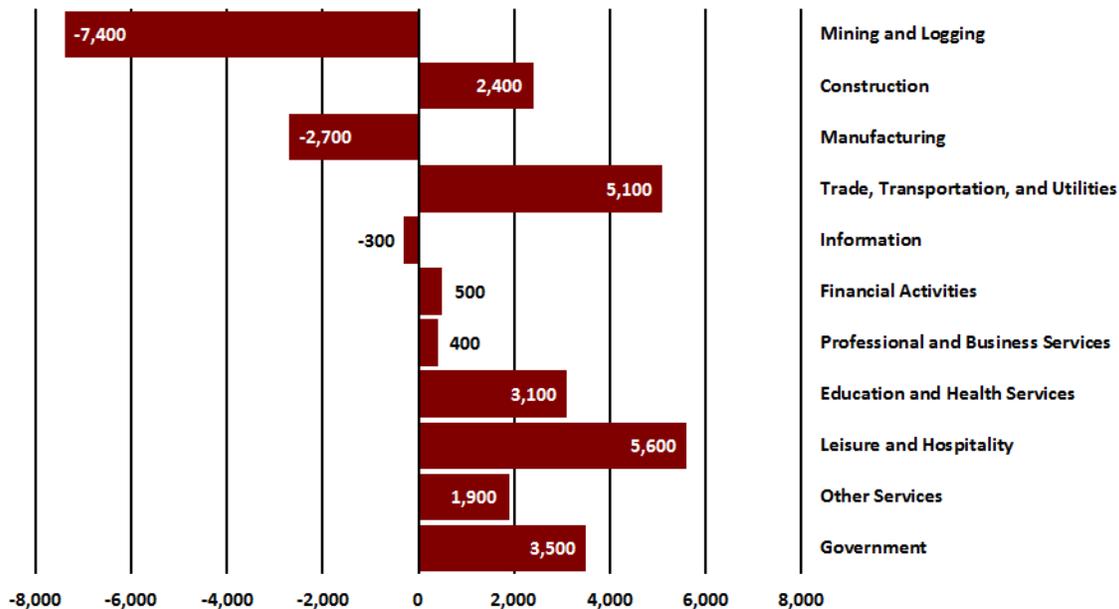
Employment barely grew in May as the U.S. economy created the fewest number of jobs in more than five years. Total nonfarm payroll employment increased by 38,000 in April, according to the Bureau of Labor Statistics (BLS). Nonfarm payroll employment gains for March and April were also revised lower, with job gains now just 123,000 in April, down from an initial estimate of 160,000. March was downgraded to 186,000 from 208,000.

Oklahoma nonfarm employment dropped by a seasonally-adjusted 2,400 jobs (-0.1 percent) in April. March's payroll losses were revised lower to -3,800 from a previously reported -5,800. Three of Oklahoma's 11 supersectors added jobs over the month as professional & business services and leisure & hospitality each posted job gains of 1,500 in April. Mining & logging reported the largest over-the-month loss (-2,200 jobs).

Over the year, statewide total nonfarm employment lost 2,100 jobs (-0.1 percent) led by mining & logging (-11,700 jobs) and manufacturing (-10,600 jobs). Leisure & hospitality (+10,700 jobs) also claimed the largest job gain over the year.

Oklahoma Employment Change by Industry, 2014-2015 Annual Averages (Not Seasonally Adjusted)

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

Oklahoma annual average employment growth slowed further in 2015, as mounting energy sector layoffs weighed on overall job growth. Total nonfarm employment added a non-seasonally adjusted 12,100 jobs for a 0.7 percent growth rate, (compared to 2014, when 21,300 jobs were added at a 1.3 percent growth rate).

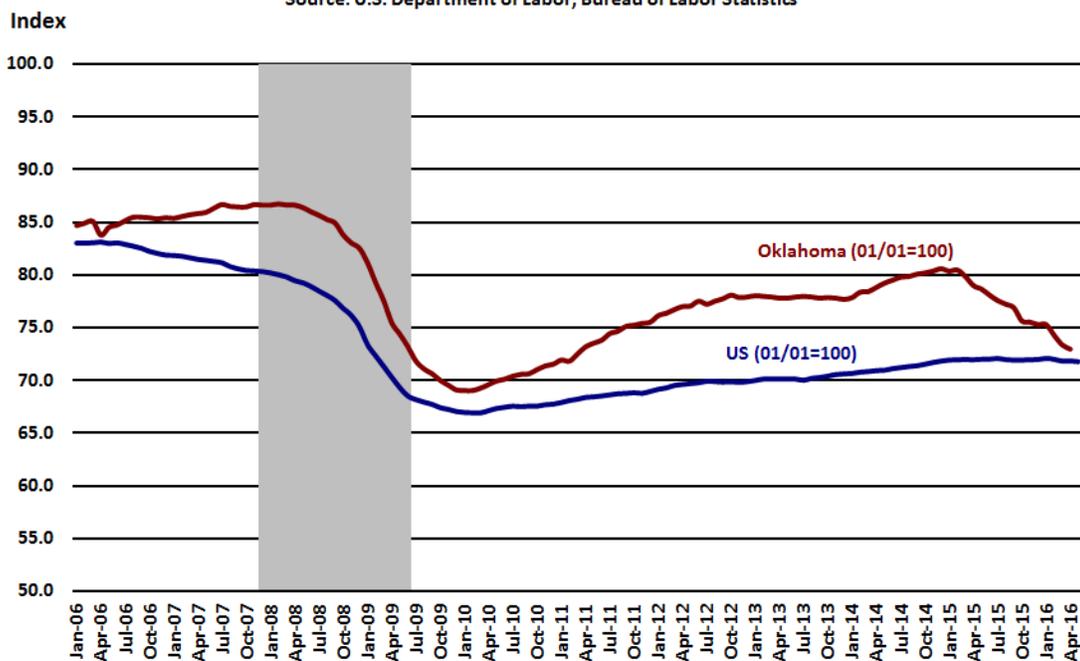
In 2015, eight out of Oklahoma's 11 statewide supersectors recorded job growth. Leisure & hospitality led all other supersectors adding 5,600 jobs with the greater part of hiring occurring in food services and drinking places. The broad trade, transportation & utilities sector added 5,100 jobs with the largest part of growth coming from retail trade. Government added 3,500 employees with most of the growth in local government. Construction added 2,400 jobs with nearly all the job growth in specialty trade contractors.

The largest annual average over-the-year job losses were seen in mining & logging which dropped a non-seasonally adjusted 7,400 jobs (-12.0 percent). Manufacturing employment lost 2,700 jobs mostly in durable goods manufacturing. Information shed 300 jobs in 2015.

U.S. and Oklahoma Manufacturing Employment (Seasonally Adjusted)

Index: January 2001 = 100

Source: U.S. Department of Labor, Bureau of Labor Statistics



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

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

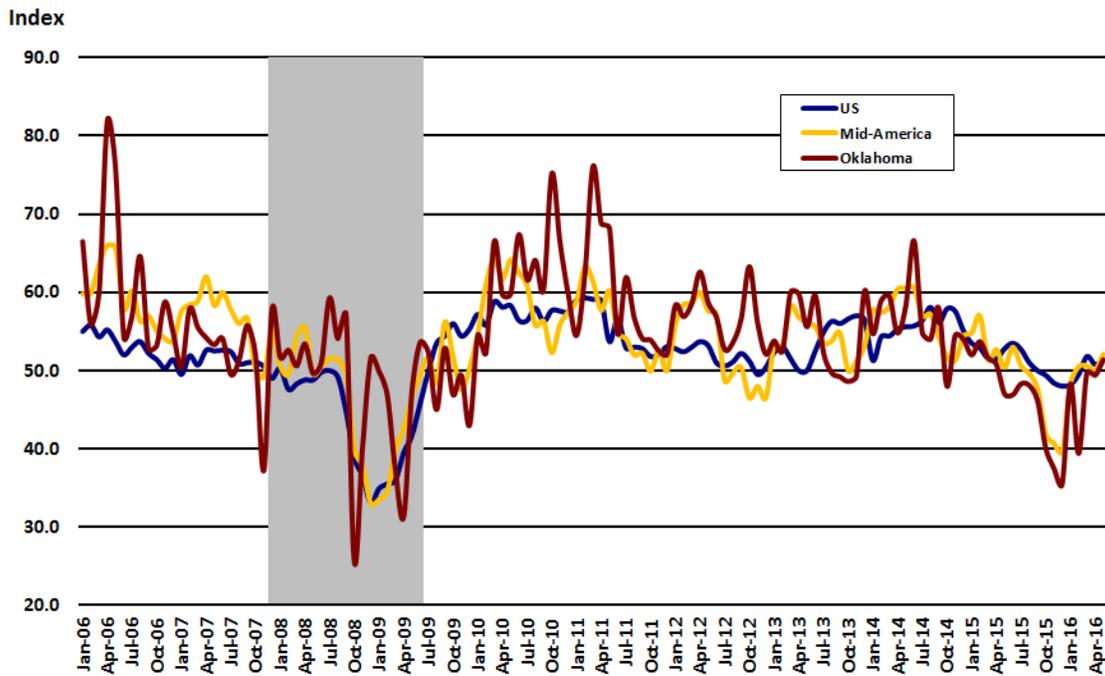
U.S. manufacturers cut payrolls in May. Manufacturing employment fell by 10,000 jobs in May, according to the Bureau of Labor Statistics (BLS). Employment in durable goods manufacturing declined by 18,000 in May, with job losses of 7,000 in machinery and 3,000 in furniture and related products. Nondurable goods manufacturing added 8,000 jobs.

Oklahoma factory employment declined for a third consecutive month in April shedding a seasonally-adjusted 700 jobs (-0.5 percent). Non-durable goods manufacturing lost a non-seasonally adjusted 400 jobs (-1.0 percent) while durable goods employment fell by 300 jobs (-0.3 percent).

Over the year, statewide manufacturing employment dropped a seasonally-adjusted 10,600 jobs (-7.6 percent) with nearly all of the job losses coming from durable goods manufacturing. Machinery manufacturing lost a non-seasonally adjusted 4,900 jobs over the year while fabricated metal product manufacturing fell by 4,200 jobs. Non-durable goods manufacturing employment lost a seasonally-adjusted 800 jobs (-2.0 percent).

Purchasing Managers' Index (Manufacturing)

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



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

U.S. factory activity continued to expand for the third straight month in May, although growth in new orders continued to be sluggish. The May PMI® registered 51.3 percent, an increase of 0.5 percentage point from the April reading of 50.8 percent, according to the latest Manufacturing ISM Report On Business®. Manufacturing registered growth in May for the third consecutive month, as 14 of 18 industries reported an increase in new orders in May (down from 15 in April), and 12 of 18 industries reported an increase in production in May (down from 15 in April).

ISM's Delivery Index jumped 5 points to 54.1 in May, reflecting delays that are often tied to strong demand causing congestion in the supply chain. A measure of new orders was down 0.1 to 55.7, well above 50 and pointing to solid rates of general activity in the coming months. Export orders remained above 50, unchanged at 52.5 and the highest they've been since November 2014. Production slowed but remains above 50, down 1.6 points to 52.6.

For a fourth straight month, the Creighton University Mid-America Business Conditions Index, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, remained above growth neutral. The May Business Conditions Index, which ranges between 0 and 100, rose to 52.1, up from April's 50.1 and March's 50.6, according to the Creighton Economic Forecasting Group. Over the past several months, the regional index, much like the national reading, has indicated the manufacturing sector is experiencing anemic, but stabilizing, business conditions.

"One of the keys to the level of economic growth in the months ahead will be the interest rate position of the Federal Reserve. If the Federal Reserve telegraphs more aggressive rate hikes in the months ahead at its June meetings, the U.S. dollar is very likely to strengthen thus slowing regional manufacturing," said Ernie Goss, Ph.D., director of Creighton University's Economic Forecasting Group.

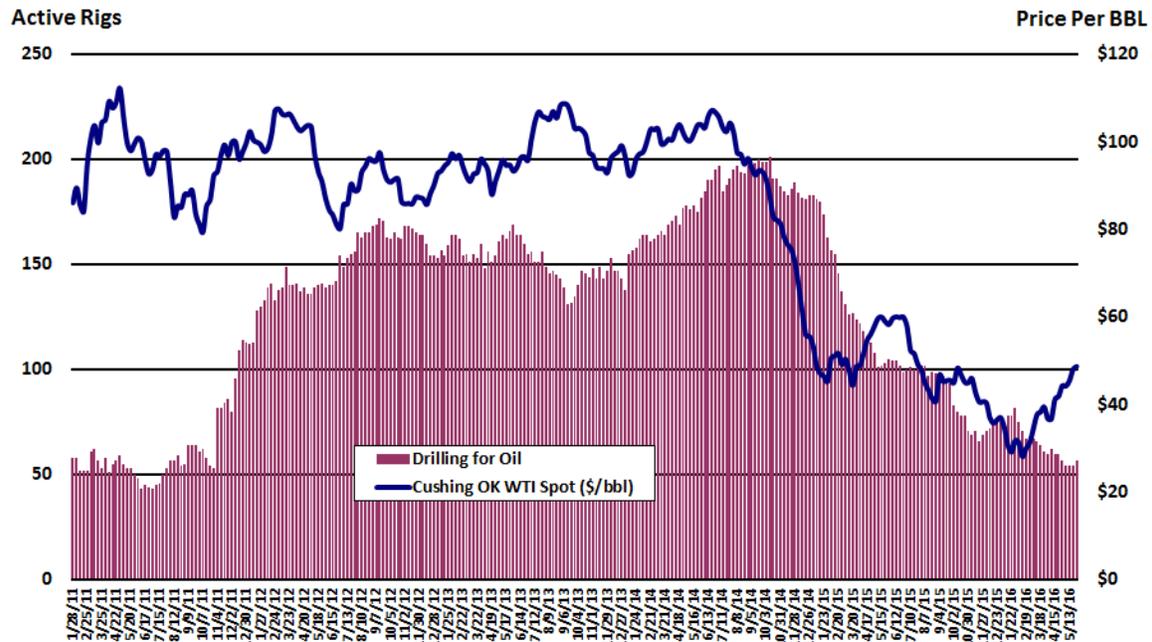
After 12 straight months with an overall index below growth neutral, Oklahoma's Business Conditions Index rebounded for May to 51.4. The index from a monthly survey of supply managers climbed to 51.4 from 49.4 in April. Components of the May survey of supply managers were new orders at 49.8, production or sales at 52.0, delivery lead time at 51.3, inventories at 52.9, and employment at 51.1.

"In 2015, Oklahoma ranked seventh in the nine-state region with exports per manufacturing worker of \$38,000. Additionally, a 24.0 percent decline in exports over the past two years contributed to the state's recent slower economic growth," reported Goss.

Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

January 2011 to May 2016

SOURCES: U.S. Department of Energy, Energy Information Administration and Baker Hughes Rig Counts



Definition & Importance

Crude oil is an important commodity in the global market. Prices fluctuate depending on supply and demand conditions in the world. Since oil is such an important part of the economy, it can also help determine the direction of inflation. In the U.S. consumer prices have moderated whenever oil prices have fallen, but have accelerated when oil prices have risen. The U.S. Energy Information Administration (EIA) provides weekly information on petroleum inventories in the U.S., whether produced here or abroad.

The Baker Hughes rig count is an important indicator for the energy industry and Oklahoma. When drilling rigs are active they consume products and services produced by the oil service industry. The active rig count acts as a leading indicator of demand for products used in drilling, completing, producing and processing hydrocarbons.

West Texas Intermediate (WTI-Cushing) is a light crude oil produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams and which is traded in the domestic spot market at Cushing, Oklahoma.

Background

Oklahoma produces a substantial amount of oil, with annual production typically accounting for more than 3 percent of total U.S. production in recent years. Crude oil wells and gathering pipeline systems are concentrated in central Oklahoma. Two of the 100 largest oil fields in the United States are found in Oklahoma.

The city of Cushing, in central Oklahoma, is a major crude oil trading hub connecting Gulf Coast producers to Midwest refining markets. In addition to Oklahoma crude oil, the Cushing hub receives supply from several major pipelines that originate in Texas. Traditionally, the Cushing Hub has pushed Gulf Coast and Mid-Continent crude oil supply north to Midwest refining markets. However, production from those regions is in decline, and an underused crude oil pipeline system has been reversed to deliver rapidly expanding heavy crude oil supply produced in Alberta, Canada to Cushing, where it can access Gulf Coast refining markets. For this reason,

Cushing is the designated delivery point for the New York Mercantile Exchange (NYMEX) crude oil futures contracts. Crude oil supplies from Cushing that are not delivered to the Midwest are fed to Oklahoma's five refineries, which have a combined distillation capacity of over 500 thousand barrels per day—roughly 3 percent of the total U.S. refining capacity.

Current Developments

Improving economic data, growing supply disruptions, and falling U.S. crude oil production and rig counts have contributed to crude oil price, according to the U.S. Energy Information Administration (EIA). In the May 2016 *Short-Term Energy Outlook*, the EIA noted that North Sea Brent crude oil prices averaged \$42/barrel in April, a \$3/barrel increase from March.

The EIA also forecast Brent crude oil prices to average \$41/barrel in 2016 and \$51/barrel in 2017, \$6/barrel and \$10/barrel higher than forecast in last month's *Short-Term Energy Outlook*, respectively. West Texas Intermediate (WTI) crude oil prices are forecast to average slightly less than Brent in 2016 and to be the same as Brent in 2017. However, the current values of futures and options contracts suggest high uncertainty in the price outlook.

Monthly statewide crude oil production levels have been gradually declining over the past year but still remain at historically high levels. Oklahoma's crude production in March was at a level of 12,630,000 barrels, or 789,000 barrels (6.7 percent) more than February's production level of 11,841,000 barrels. Oklahoma's crude production for the first three months of 2016 was - 3,911,000 barrels or 9.5 percent less than the 41,275,000 barrels produced during the same period in 2015.

After falling as low as \$26.19/barrel in February, West Texas Intermediate (WTI-Cushing) spot prices have recovered steadily since, closing at \$48.72/barrel for the week ending May 27. Over the year, WTI-Cushing domestic crude prices were down -\$9.60/barrel, (-16.9 percent).

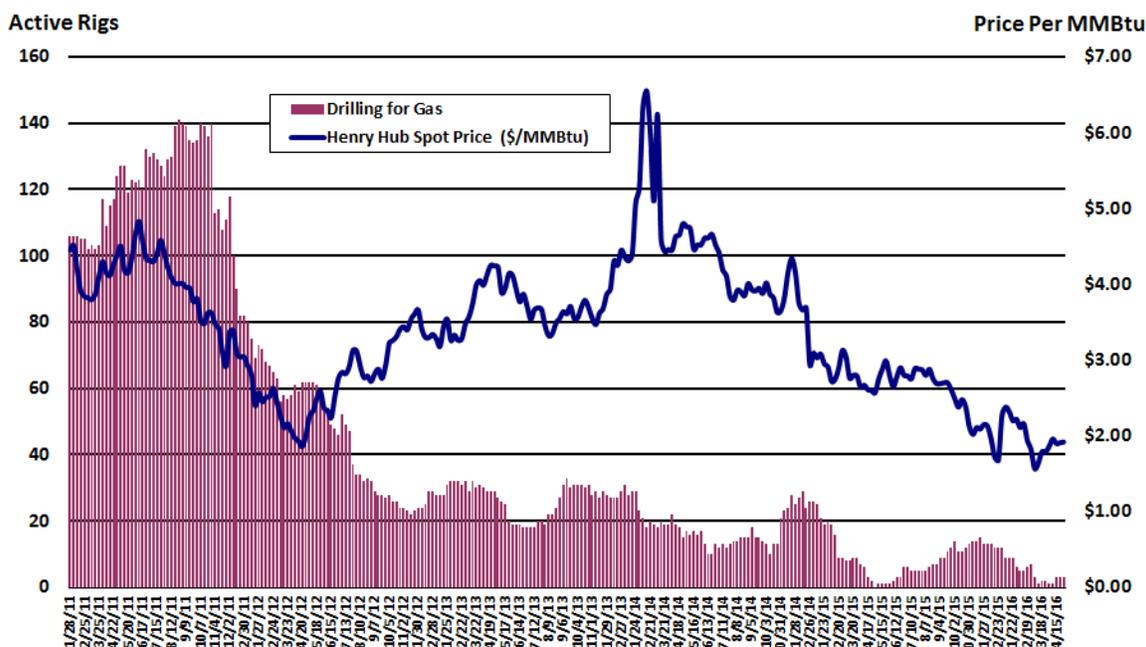
The U.S. rig count for the week ending May 27 was 404, holding steady from the previous week, according to oil field services company Baker Hughes. The U.S. rig count peaked at 4,530 in 1981 and bottomed at 488 in 1999.

Oklahoma drillers laid down more rigs in May as prolonged low commodity prices continue to weigh on the industry. Baker Hughes reported 59 active rigs in Oklahoma for the week ending May 27, pushing statewide drilling activity to the lowest level in almost 17 years. Oil-directed rigs accounted for approximately 97 percent of total rig activity (57 active rigs). Over the year, Oklahoma's rig count was down 47 from the 106 rigs operating May 29, 2015.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

January 2011 to April 2016

Sources: U.S. Department of Energy, Energy Information Administration and Baker Hughes Rig Counts



Definition & Importance

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

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

Background

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

Most natural gas in Oklahoma is consumed by the electricity generation and industrial sectors. About three-fifths of Oklahoma households use natural gas as their primary energy source for home heating. Nevertheless, only about one-third of Oklahoma’s natural gas output is

consumed within the state. The remaining supply is sent via pipeline to neighboring states, the majority to Kansas, including the natural gas trading hubs in Texas and Kansas.

Current Developments

Marketed natural gas production was 80.1 billion cubic feet per day (Bcf/d) in February 2016, according to the latest *Natural Gas Monthly* data from the U.S. Energy Information Administration (EIA), which is the second-highest production level on record and an increase of 1.4 percent from January. However, preliminary data since February, including EIA's *Drilling Productivity Report*, indicate production growth may be slowing because of reduced drilling activity in response to low natural gas prices.

Natural gas production in Oklahoma doesn't seem to be slowing any time soon. Oklahoma natural gas gross production in March was at a level of 212,608 MMcf, an increase of 13,030 MMcf (6.5 percent) from the February production level of 199,578 MMcf. For the first three months of 2016, Oklahoma natural gas gross withdrawals were at a level of 626,186 MMcf, 16,561 MMcf (2.7 percent) more than 609,625 MMcf produced in the same period last year.

Domestic natural gas prices lost ground in May. After beginning the month at \$1.91/MMBtu, Henry Hub spot prices climbed to \$2.01/MMBtu before settling at \$1.77/MMBtu at month's end, a loss of 14¢ per MMBtu over the month.

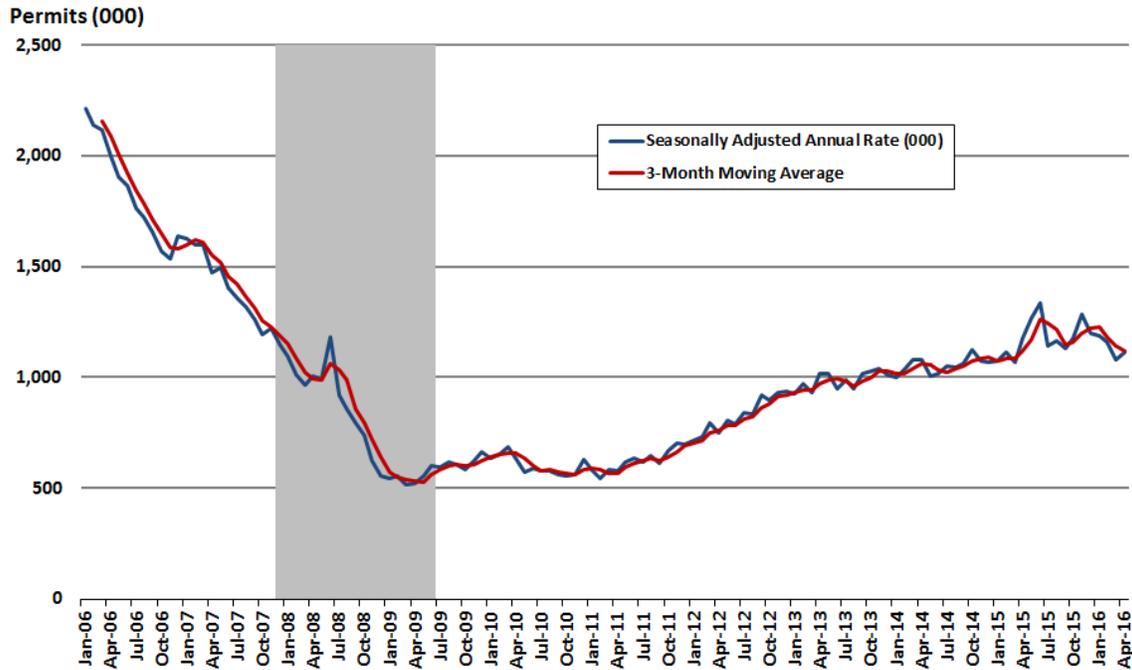
In the U.S. there were 87 active natural gas-directed rigs as of May 27, 2016, according to oil services company Baker Hughes Inc. This represents a decline of two units from the previous week and a loss of 138 rigs over the year.

Oklahoma's natural gas-directed drilling rig count finished the month at a level of 2 active rigs, down from 3 active rigs in the previous month. Over the year, the number of rotary rigs searching for natural gas was up 1 rig from 2 reported for the week ended May 29, 2015.

U.S. New Private Housing Units Authorized by Building Permit, 2006-2016

Seasonally Adjusted

Source: U.S. Census Bureau and Department of Housing and Urban Development



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

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 outside impact on the economy. Each home built creates an average of three jobs for a year and about \$90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels in 50 years in 2009, when builders began work on just 554,000 homes.

Current Developments

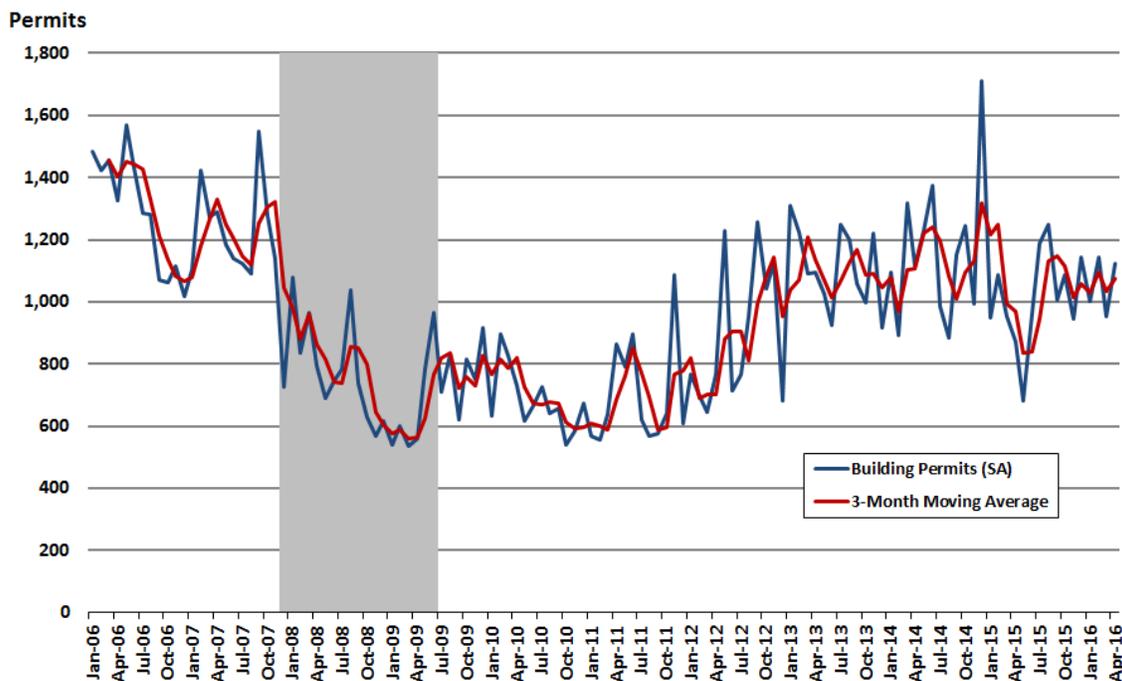
U.S. housing starts and permits picked up at a moderate pace in April. Privately-owned housing units authorized by building permits in April were at a seasonally adjusted annual rate of 1,116,000, or 3.6 percent above the revised March rate of 1,077,000, but is 5.3 percent below the April 2015 estimate of 1,178,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. Permits for the construction of single-family homes increased 1.5 percent in April, while multifamily building permits advanced 8.0 percent.

The National Association of Home Builders/Wells Fargo builder sentiment index remained positive at 58 in May, but its lowest level since May 2015. Readings above 50 indicate more builders view sales conditions as good rather than poor.

Oklahoma New Private Housing Units Authorized by Building Permit, 2006-2016

Seasonally Adjusted

Sources: U.S. Census Bureau and Department of Housing and Urban Development, Federal Reserve Bank of St. Louis



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

Definition & Importance

The data services of the Federal Reserve Bank of St. Louis produces series that are seasonally adjusted including monthly state level data on the number of new housing units authorized by building permits. These adjustments are made using the X-12 Procedure of SAS to remove the seasonal component of the series so that non-seasonal trends can be analyzed. This procedure is based on the U.S. Bureau of the Census X-12-ARIMA Seasonal Adjustment Program.

Current Developments

More Oklahoma homebuilders requested permits in April as apartment permitting picked up steam. Total residential building permitting for April was at a seasonally adjusted level of 1,125, which is 171 or 17.9 percent more than March's level of 954 and 58 and 28.7 percent above the April 2015 estimate of 874 units, according to figures from the Federal Reserve Bank of St. Louis.

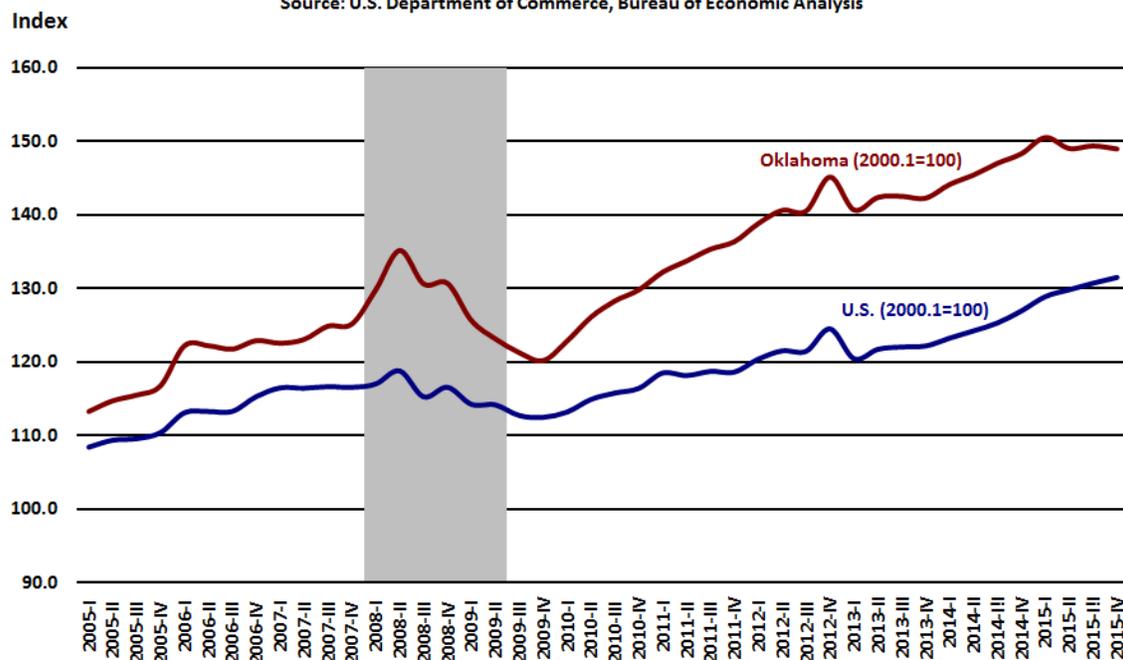
Single-family permitting accounted for approximately 74.8 percent of total residential permitting activity in April while multi-family permitting accounted for 23.0 percent. Applications for single-family homes were at a non-seasonally adjusted level of 842, down 9.6 percent from March's level of 931 permits. The more volatile multi-family permitting was at a level of 259 in April after being almost flat in March.

Over the year, residential permitting was 28.7 percent above the April 2015 seasonally adjusted level of 874 permits. Single-family permits were 1.4 percent below the April 2015 non-seasonally adjusted level of 854 permits. Multi-family permitting was 227 permits more than last year's non-seasonally adjusted level of 32 permits.

U.S. and Oklahoma Real Personal Income

Index: 1st Quarter 2000 = 100

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



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

Definition & Importance

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

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

Current Developments

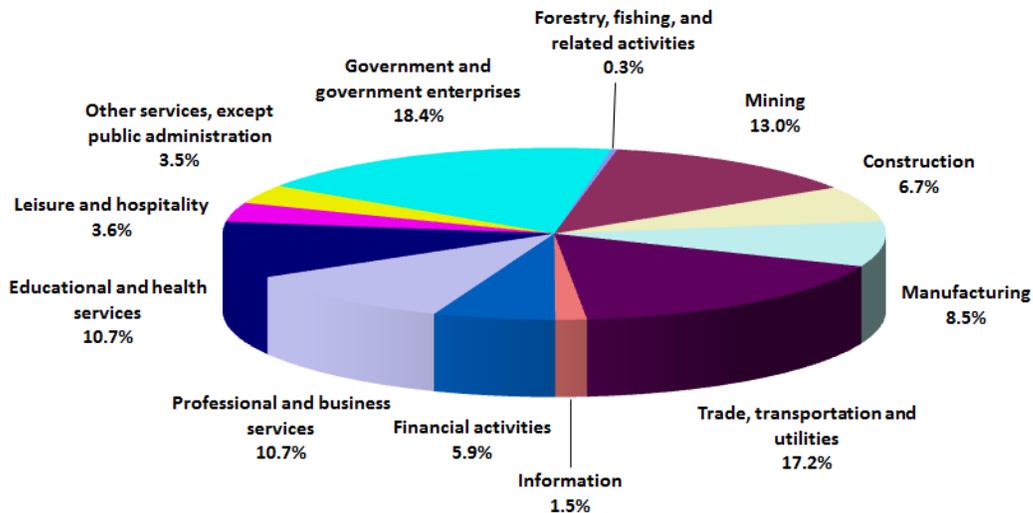
U.S. consumer spending notched its biggest increase in more than six years in April and incomes posted another solid gain. Personal income increased \$69.8 billion, or 0.4 percent, and disposable personal income (DPI) increased \$63.5 billion, or 0.5 percent, in April, according to the Bureau of Economic Analysis. Personal consumption expenditures (PCE) increased \$119.2 billion, or 1.0 percent. In March, personal income increased \$56.7 billion, or 0.4 percent, DPI increased \$49.6 billion, or 0.4 percent, and PCE increased \$3.7 billion, or less than 0.1 percent, based on revised estimates.

Auto sales boosted durable goods spending by 2.3 percent in April while spending on non-durable goods rose 1.4 percent, reflecting higher pump prices. Spending on services rose a very solid 0.6 percent in April.

With spending outpacing income, the personal saving rate slipped to 5.4 percent in April, down from 5.9 percent in March.

Oklahoma Nonfarm Contribution to Earnings Fourth Quarter 2015

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



Definition & Importance

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

Current Developments

State personal income grew on average 4.4 percent in 2015, the same rate as in 2014, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Growth of state personal income—the sum of net earnings by place of residence, property income, and personal current transfer receipts—ranged from -0.2 percent in North Dakota to 6.3 percent in California.

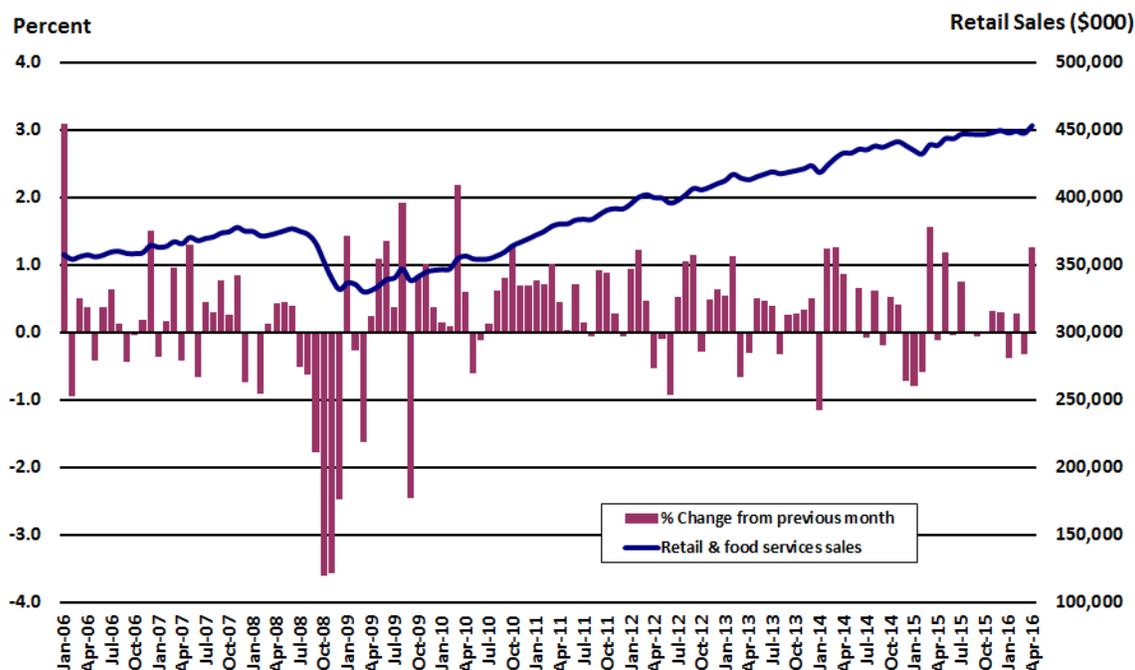
Oklahoma's personal income grew at a 2.3 percent rate, to a level of \$173.2 billion, ranking the state 44th among all states and the District of Columbia in 2015.

Net earnings grew 4.2 percent on average in 2015, down from 4.6 percent in 2014, according to the BEA. Earnings grew in 21 of the 24 industries for which BEA prepares estimates, with professional and business services, healthcare, and construction contributing the most to overall income growth in 2015. Construction earnings increased for the fifth consecutive year and are now higher than its previous peak before the Great Recession. Earnings in mining and farming, however, fell due to declines in global prices for energy and agricultural commodities.

In Oklahoma, net earnings grew at a 1.6 percent pace in 2015, contributing 1.1 percentage points to the percent change in personal income. Earnings grew in 17 of 24 industries with construction (0.28 percentage points), healthcare (0.28 percentage points, and state & local government (0.23 percentage points), contributing the most to overall income growth in 2015. Subtracting from net earnings growth in 2015 were mining (-0.31 percentage points); durable goods manufacturing (-0.16 percentage points), utilities (-0.15 percentage points), wholesale trade (-0.10 percentage points) farm (-0.06 percentage points), and military (-0.05 percentage points).

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 in April recorded its biggest increase in a year as consumers stepped up purchases of automobiles along with a wide range of other goods. 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 \$453.4 billion, an increase of 1.3 percent from the previous month, and 3.0 percent above April 2015, according to the U.S. Census Bureau. Total sales for the February 2016 through April 2016 period were up 2.8 percent from the same period a year ago. The February 2016 to March 2016 percent change was revised upward from down 0.4 percent to down 0.3 percent.

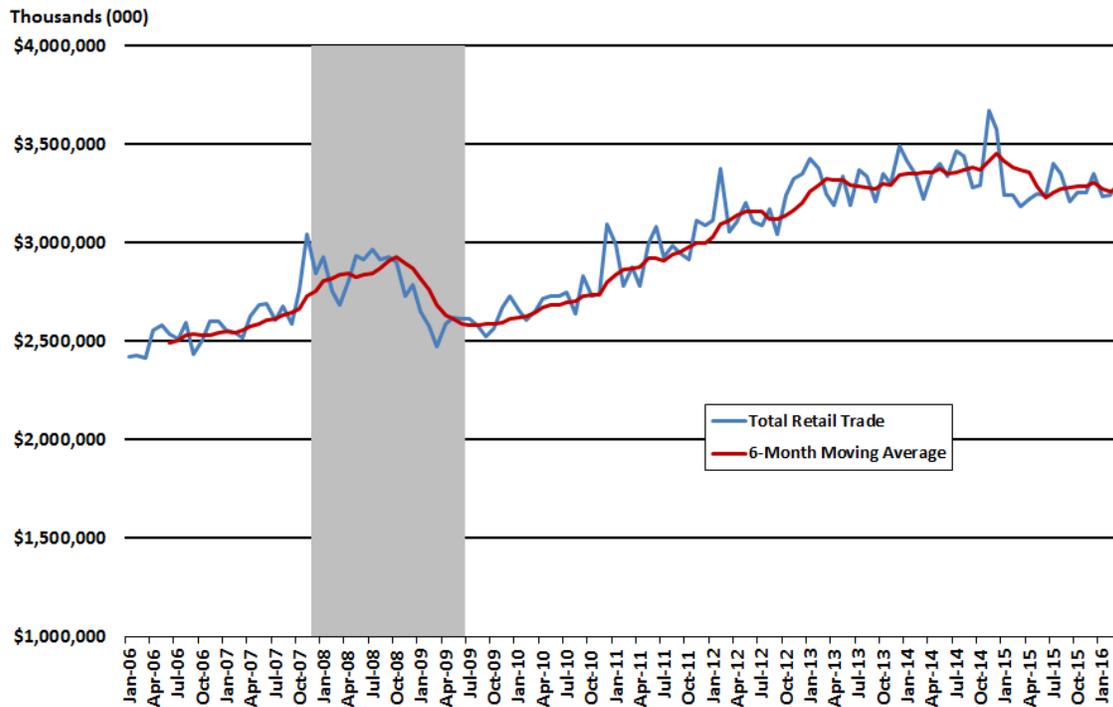
Automobile sales rose 3.2 percent in April, the largest increase since March 2015, after slumping 3.2 percent in March. Receipts at service stations increased 2.2 percent, reflecting recent increases in gasoline prices. Excluding automobiles and gasoline, retail sales rose 0.6 percent over the month and 4.4 percent over the year.

Sales at clothing stores jumped 1.0 percent in April along with nonstore retailers (2.1 percent), restaurants (0.3 percent), and sporting goods and hobby stores (0.2 percent).

The less volatile "core" sales, which strip out automobiles, gasoline, building materials and food services shot up 0.9 percent in April after an upwardly revised 0.2 percent gain in the previous month.

Oklahoma Total Adjusted Retail Trade, 2006-2016

Source: Center for Economic & Management Research, University of Oklahoma



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

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 consumers upped their spending in March as rising pump prices helped to spike estimated gasoline sales. Total adjusted retail sales for March were at a level of \$3.29 billion, a 1.7 percent gain from the February level of \$3.24 billion.

Total durable goods sales slumped -0.9 percent in March led by declining sales at lumber & hardware stores (-4.0 percent) and furniture store sales (-2.5 percent) likely reflecting the slowdown in statewide home building activity. Auto accessories & repair receipts were also down in March at -2.9 percent. Durable goods categories with over-the-month gains included electronics & music stores (1.9 percent); miscellaneous durable goods (3.5 percent); and used merchandise (0.7 percent).

Oklahomans spent more on gasoline in March as statewide prices climbed from \$1.47 per gallon to 1.83 per gallon from February 24 to March 30 (as reported by GasBuddy.com)—a nearly 25 percent increase. Nondurable goods spending increased 2.7 percent in March led by a big jump in estimated gasoline sales (20.3 percent). Other advancing non-durable goods categories were general merchandise stores (1.5 percent); apparel (2.7 percent); drugstore store sales (2.4 percent); liquor (1.4 percent). Declining categories in March were eating & drinking (-1.4 percent); food (-0.8 percent) and miscellaneous non-durables (-0.1 percent).