# OKLAHOMA
# Economic Indicators

**November 2013**

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# ECONOMIC INDICATORS

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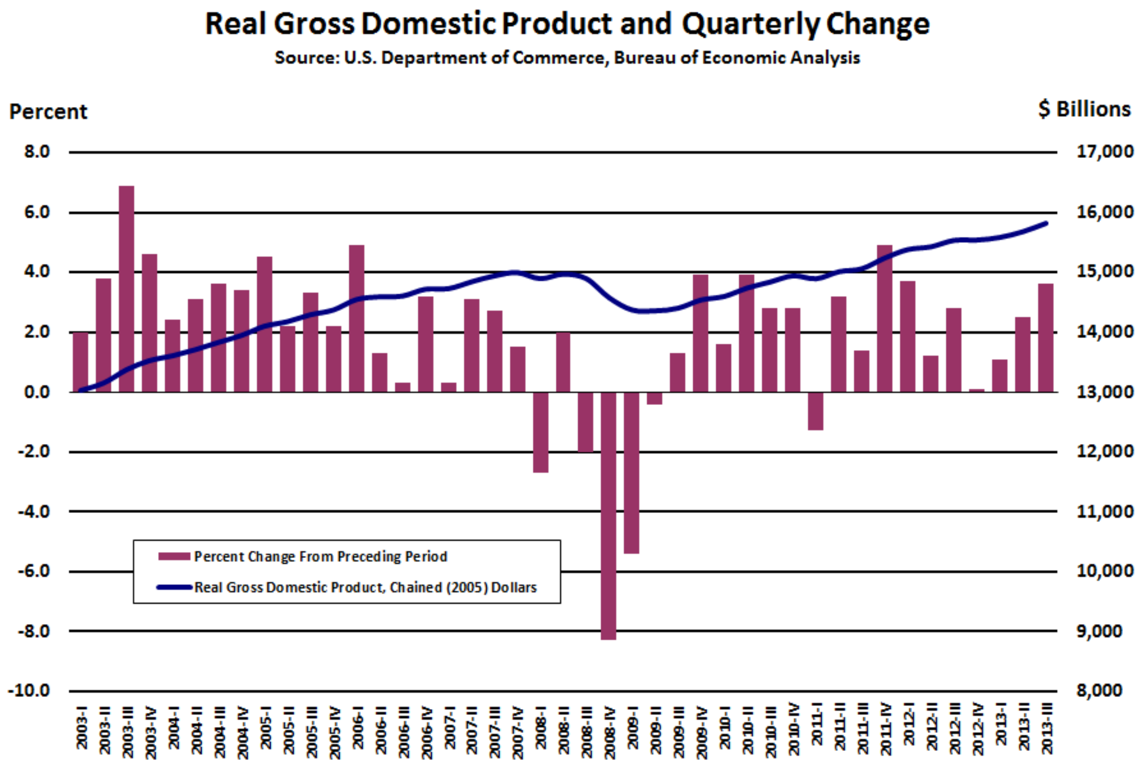



**Definition & Importance**

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

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

**Background**

There are four major components to GDP:

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

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

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

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

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

**Current Developments**

The U.S. economy grew at the fastest pace since early 2012 but almost the entire 3rd-quarter revision was due to a big jump in business inventories. Real gross domestic product increased at an annual rate of 3.6 percent in the 3rd quarter of 2013, according to the "second" estimate released by the Bureau of Economic Analysis (BEA). In the 2nd quarter, real GDP increased 2.5 percent.

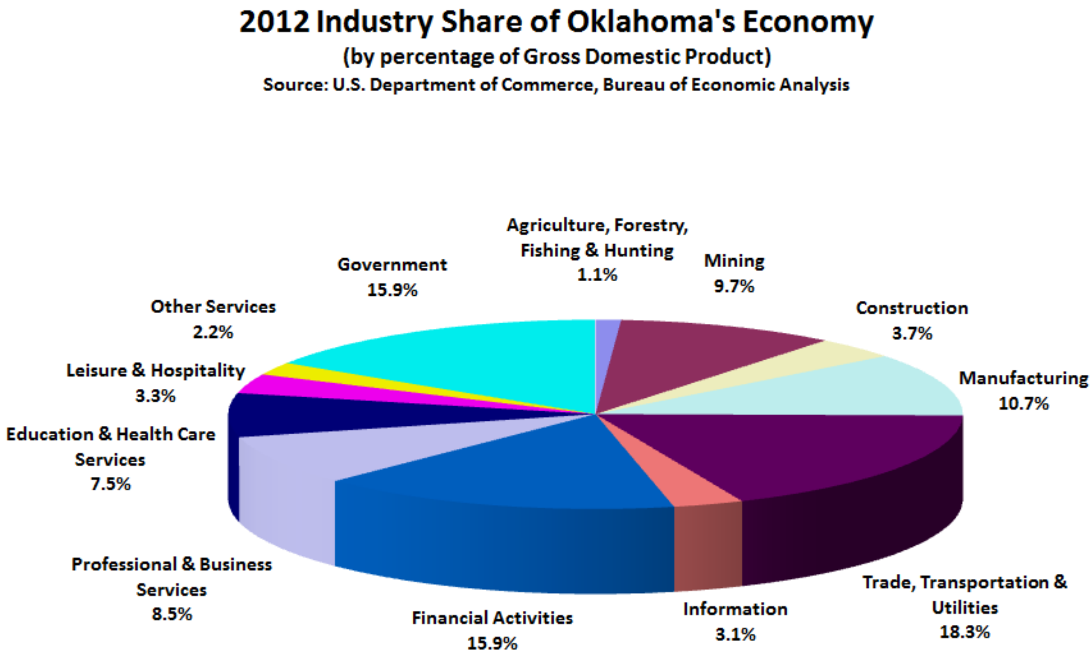
Consumer spending was the weakest in nearly four years. Overall spending declined to a revised 1.4 percent annual rate, down from the 2nd quarter's 1.8 percent and the slowest since the final quarter of 2009. Spending activity in the 3rd quarter was held back by flat spending on services. However, consumers spent on goods at the fastest rate since early 2012.

Strong business inventory accumulation contributed 1.68 percent points to GDP growth, twice the contribution reported last month in the first estimate. Excluding inventories, the economy grew at a 1.9 percent rate in the 3rd quarter, down from 2.1 percent in the spring. Real nonresidential fixed investment was revised upward to 3.5 percent, (up from the first estimate of 1.6 percent), compared with an increase of 4.7 percent in the previous quarter.

Spending on housing construction remained strong in the 3rd quarter. Real residential fixed investment increased 13.0 percent, compared with an increase of 14.2 percent in the previous quarter.

Exports were less than first estimated, and imports were higher, reducing gross domestic product growth. Real exports of goods and services increased 3.7 percent in the 3rd quarter, compared with an increase of 8.0 percent in the 2nd quarter. Real imports of goods and services increased 2.7 percent in the 3rd quarter, compared with a 6.9 percent pace in the 2nd quarter.

Government spending edged up at a slight 0.4 percent annual rate in the 3rd quarter. The biggest spending increase in state and local government spending since 2009 offset another decline in federal expenditures. Real federal government consumption expenditures and gross investment decreased 1.4 percent while national defense spending decreased 0.3 percent. Real state and local government consumption expenditures and gross investment increased 1.7 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**

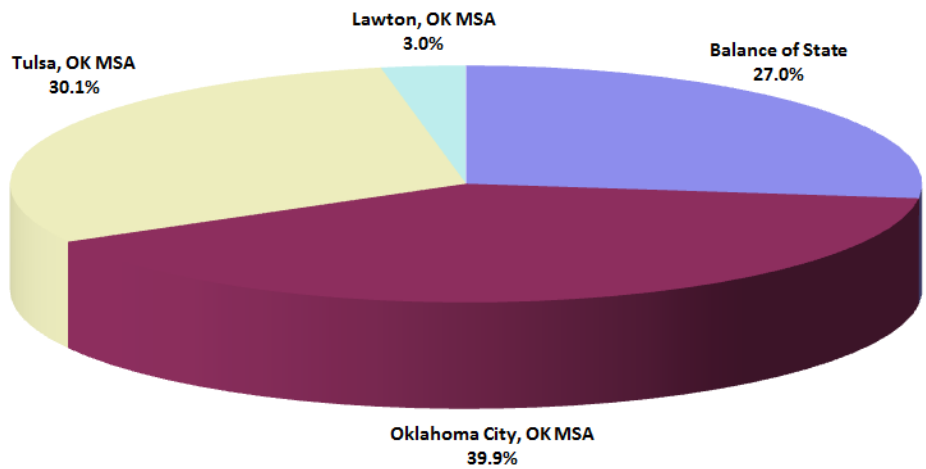
Oklahoma, along with 48 states and the District of Columbia, saw growth in real GDP in 2012, according to the advance estimate from the Bureau of Economic Analysis (BEA). Oklahoma's 2011 advance estimate was revised upward from 1.0 percent to 1.9 percent. Oklahoma's real GDP growth rate of 2.1 percent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

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

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

## Metropolitan Area Contribution to State Real Gross Domestic Product 2012

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




**Definition & Importance**

Metropolitan Statistical Areas (MSAs) 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.

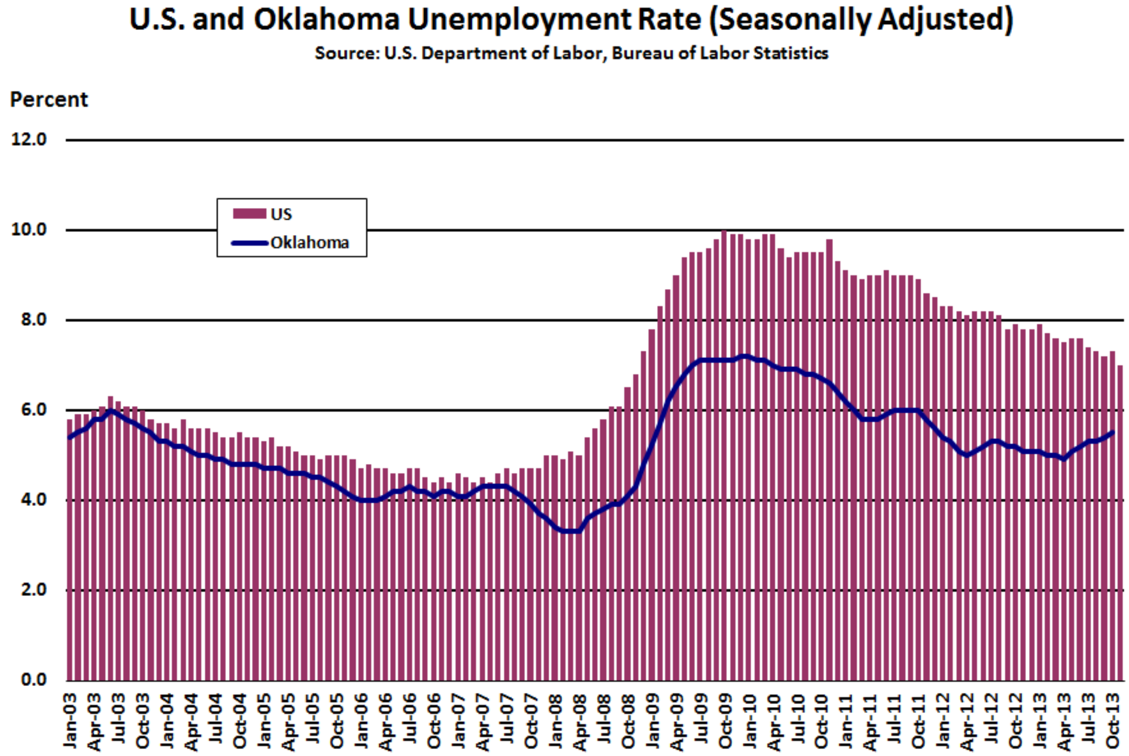
Nationally, metropolitan statistical areas represent approximately 90 percent of total GDP. In Oklahoma, the three MSAs of Oklahoma City, Tulsa and Lawton accounted for roughly 73 percent of total state GDP in 2012.

**Current Developments**

Real GDP increased in 305 of the nation's 381 metropolitan areas in 2012, led by growth in durable-goods manufacturing, trade, and financial activities, according to the U.S. Bureau of Economic Analysis (BEA). Real GDP in metropolitan areas increased 2.5 percent in 2012 after increasing 1.7 percent in 2011, according to BEA revised estimates.

In terms of growth in real GDP, two of the three Oklahoma metropolitan areas grew in 2012. Oklahoma City MSA grew by 2.2 percent to $55.2 billion and ranked 152nd (out of 381 metro areas). Tulsa MSA grew at a rate of 0.3 percent to $41.7 billion and ranked at 294th. Lawton MSA was the only state MSA to register negative growth in2012, declining 2.0 percent to $4.2 billion in 2012 and ranked 370th out of 381 U.S. metro areas.

Financial activities (+0.67 percent) and leisure & hospitality (+0.22 percent) were the largest contributors to GDP growth in Oklahoma City MSA in 2012. Durable-goods manufacturing (+1.12 percent) led GDP growth in the Tulsa MSA but was offset by declines in other sectors including financial activities (-0.27 percent), and professional & business services (-0.22 percent). GDP growth in the Lawton MSA was hampered by declines in financial activities (-1.17 percent), construction (-0.18 percent), leisure & hospitality (-0.16 percent), and government (-0.10 percent).




**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.

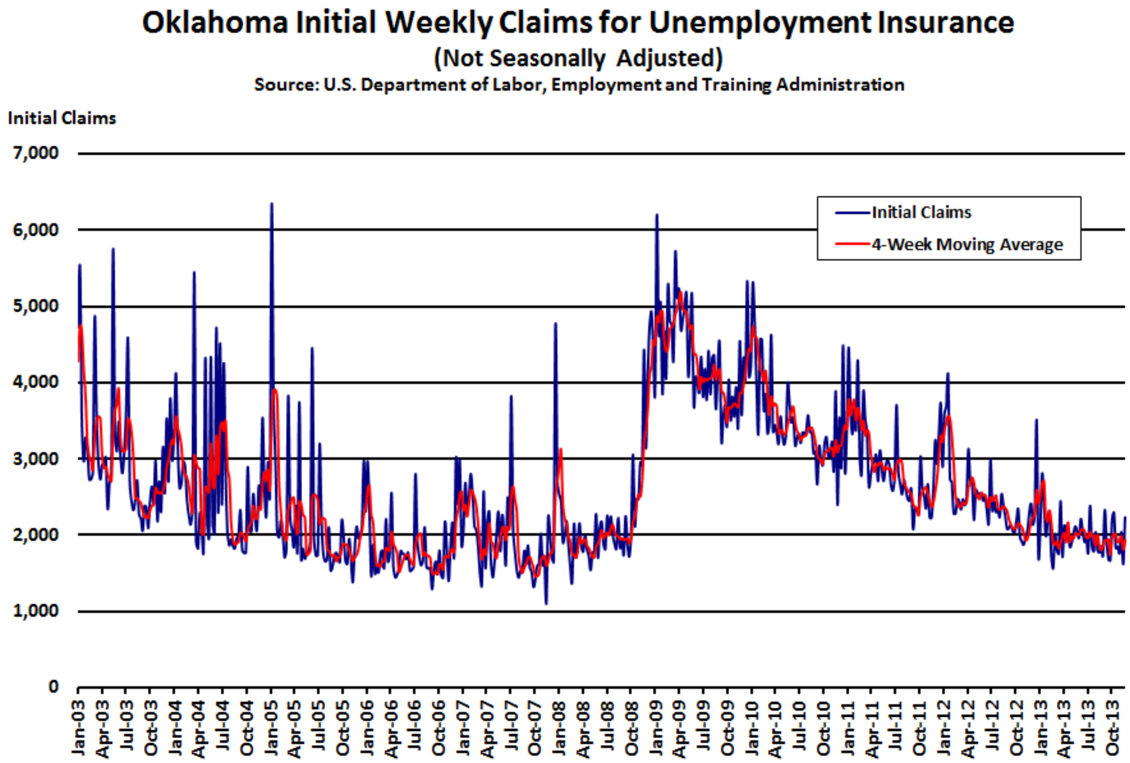
The unemployment rate is a lagging indicator of economic activity. During a recession many people leave the labor force entirely. As a result, the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more 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**

A fourth straight month of solid hiring cut the U.S. unemployment rate in November to a five-year low. The unemployment rate fell from 7.3 percent to 7.0 percent in November, according to the Bureau of Labor Statistics (BLS). Among the unemployed, the number who reported being on temporary layoff decreased by 377,000 in November, largely reflecting the return to work of federal employees who were furloughed in October due to the partial government shutdown.

Oklahoma's seasonally adjusted unemployment rate rose to 5.5 percent in October. The higher unemployment numbers were at least partially driven by the 16-day government shutdown in October, when many furloughed workers were counted as unemployed. For the year, the state's seasonally adjusted unemployment rate was up from the 5.2 percent recorded in October 2012

Most of Oklahoma's 77 counties reported unemployment rate increases in October. The five counties that didn't record higher unemployment rates in October remained unchanged over the month.




**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.

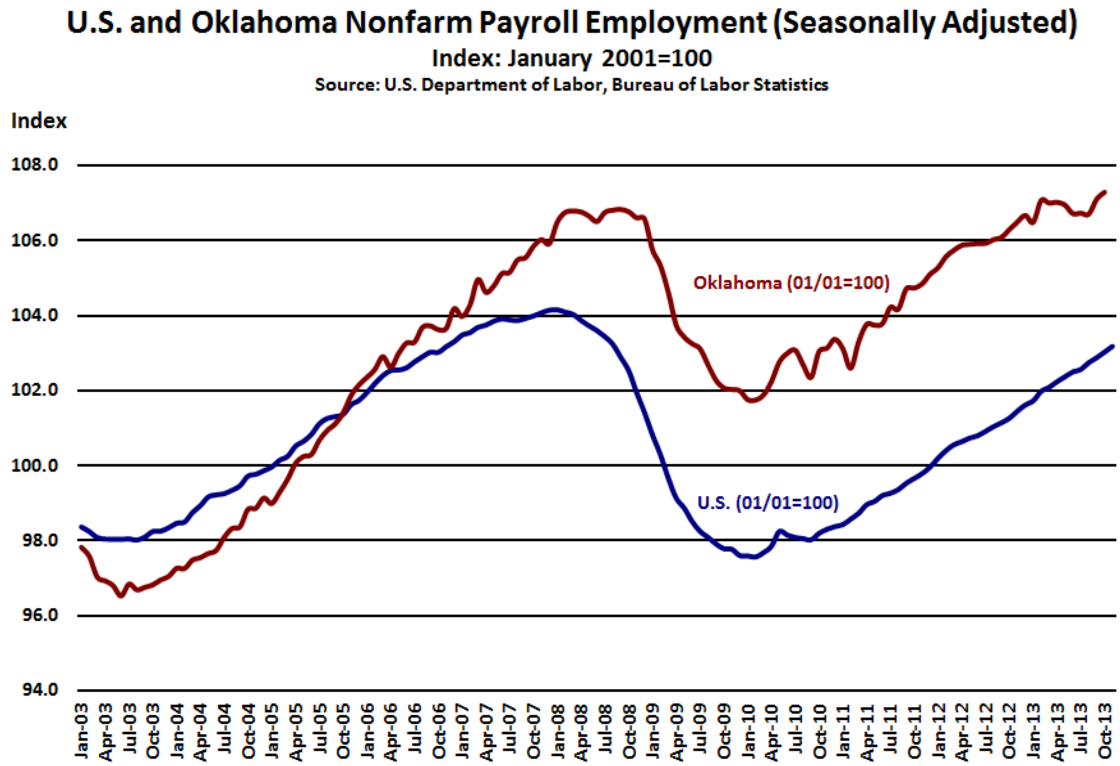
Initial claims are a leading indicator because they point to changes in labor market conditions. An increasing trend signals that layoffs are occurring. Conversely, a decreasing trend suggests an improving labor market. The four-week moving average of initial claims smoothes out weekly volatility and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

**Current Developments**

Applications for U.S. unemployment benefits unexpectedly fell to a two-month low in the last week of November. In the week ending November 30, the advance figure for seasonally adjusted initial claims was 298,000 a decrease of 23,000 from the previous week's revised figure of 321,000, according to the U.S. Department of Labor. The four-week average of claims, a less-volatile measure than the weekly figure, fell to 322,250 from 333,000.

The furlough of about 800,000 federal workers on Oct. 1 caused claims to spike to 373,000 early last month before slowly coming down. Claims had averaged about 330,000 in late summer, the best levels since the Great Recession.

Oklahoma initial jobless claims spiked up a bit at the end of November. Initial claims for unemployment jumped to 2,234 for the file week ending November 23, up 613 from the previous week’s 1,621 jobless claims and up 382 from a month ago. However, the less volatile four-week moving average was up 124 to 1,937 from 1,813 the previous week and up just 26 from last month.




**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**

Hiring continued at a solid pace in November, proving the U.S. job market is more robust than many thought. Total nonfarm payroll employment increased by 203,000 in November, according to the Bureau of Labor Statistics (BLS). The prior two months were revised up by a total of 60,000. Job growth has averaged 195,000 per month over the prior 12 months. Payroll growth in November was broad-based with strong gains in transportation & warehousing (+31,000), health care (+28.000), and manufacturing (+27,000).

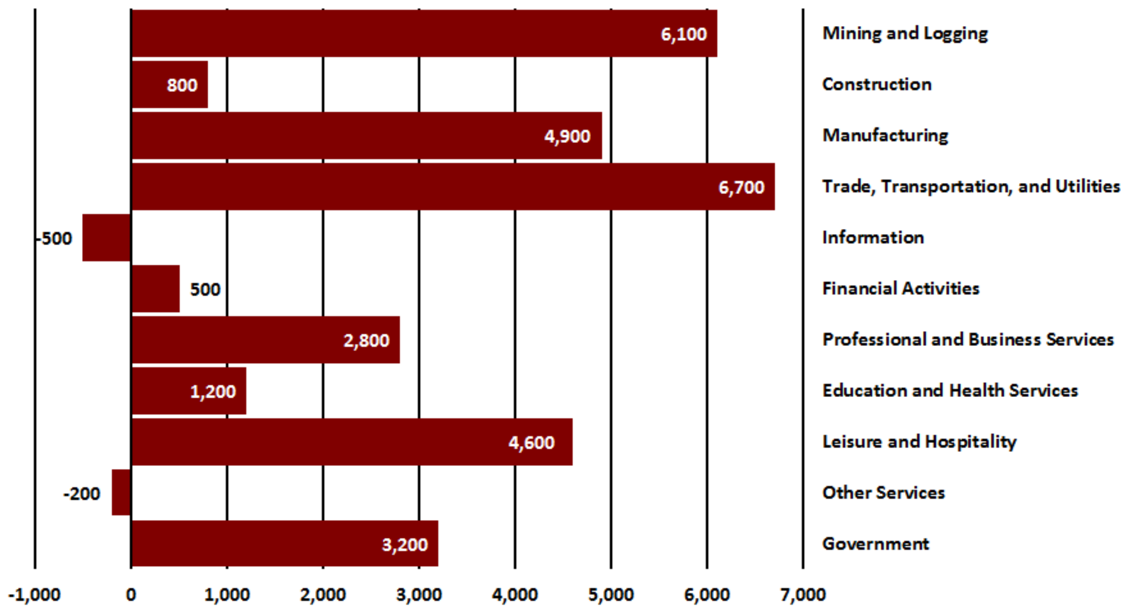
Oklahoma's seasonally adjusted nonfarm employment expanded by 2,900 jobs (+0.2 percent) in October. Monthly growth in construction (+2,100 jobs) and professional & business services (+1,500 jobs) helped overcome losses in other supersectors.

Over the year, state nonfarm employment grew by 15,100 jobs (+0.9 percent). Professional & business services (+5,600 jobs) and leisure & hospitality (+5,300 jobs) provided the largest over-the-year gains in October.

## Oklahoma Employment Change by Industry

### 2011 - 2012

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




**Definition & Importance**

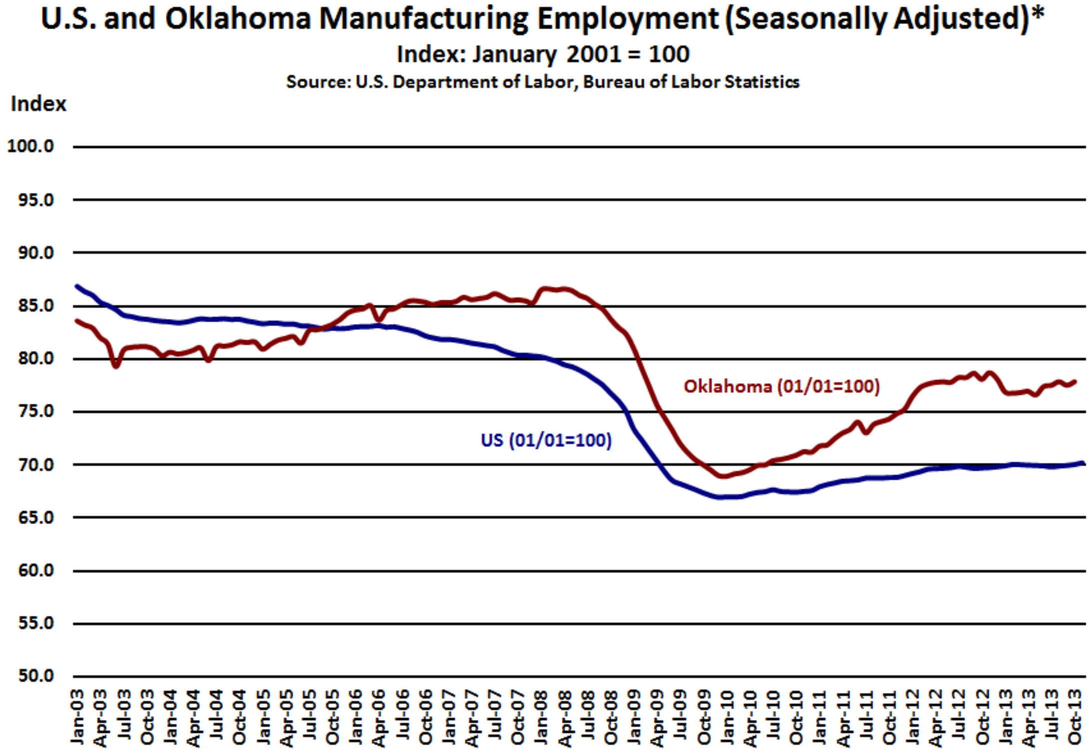
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion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

**Current Developments**

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

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

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




**Definition & Importance**

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

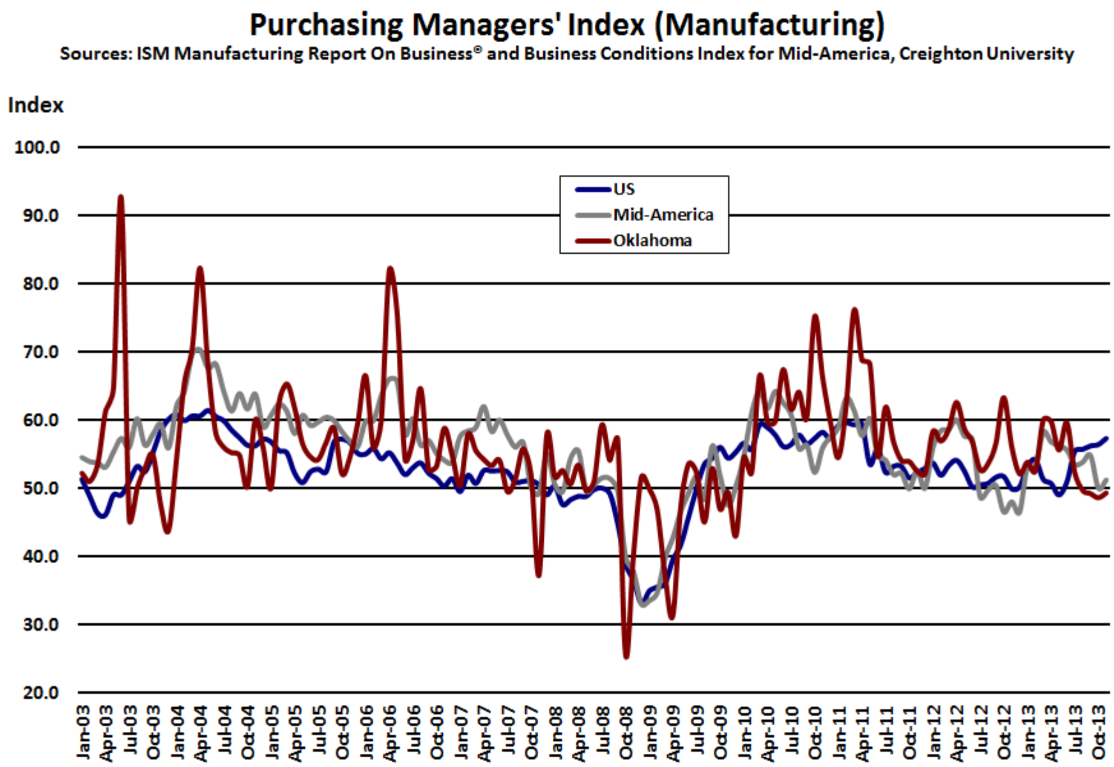
**Current Developments**

U.S. factory employment saw its largest monthly gain since March 2012, consistent with the recent pickup in new orders and production. Manufacturers added 27,000 net new workers in November, according to the Bureau of Labor Statistics (BLS). The largest job gains occurred in food manufacturing (+8,000) and in motor vehicles and parts (+7,000).

Manufacturing job growth in Oklahoma increased in October to a non-seasonally adjusted 600 jobs (0.4 percent). Non-durable goods manufacturing employment accounted for most of the job gains in November.

Over the year, Oklahoma manufacturing employment has added a non-seasonally adjusted 2,200 jobs for a 1.6 percent growth rate. Durable goods manufacturing employment added 2,000 jobs (2.1 percent) while non-durable goods added 200 jobs (0.5 percent).

**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.*




**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**

Manufacturing in the U.S. surprisingly accelerated in November at the fastest pace in 2 ½ years, a sign that factories will be a source of strength for the economy heading into the coming year. The PMI™ rose to 57.3 percent, the highest since April 2011, from 56.4 percent in September, according to the latest Manufacturing ISM Report On Business®. Six straight gains in the ISM index represent the longest stretch since the first 10 months of 2009, when the economy was emerging from recession.

American manufacturers have also been benefiting from the housing recovery, which has boosted demand for everything from heavy equipment to appliances.

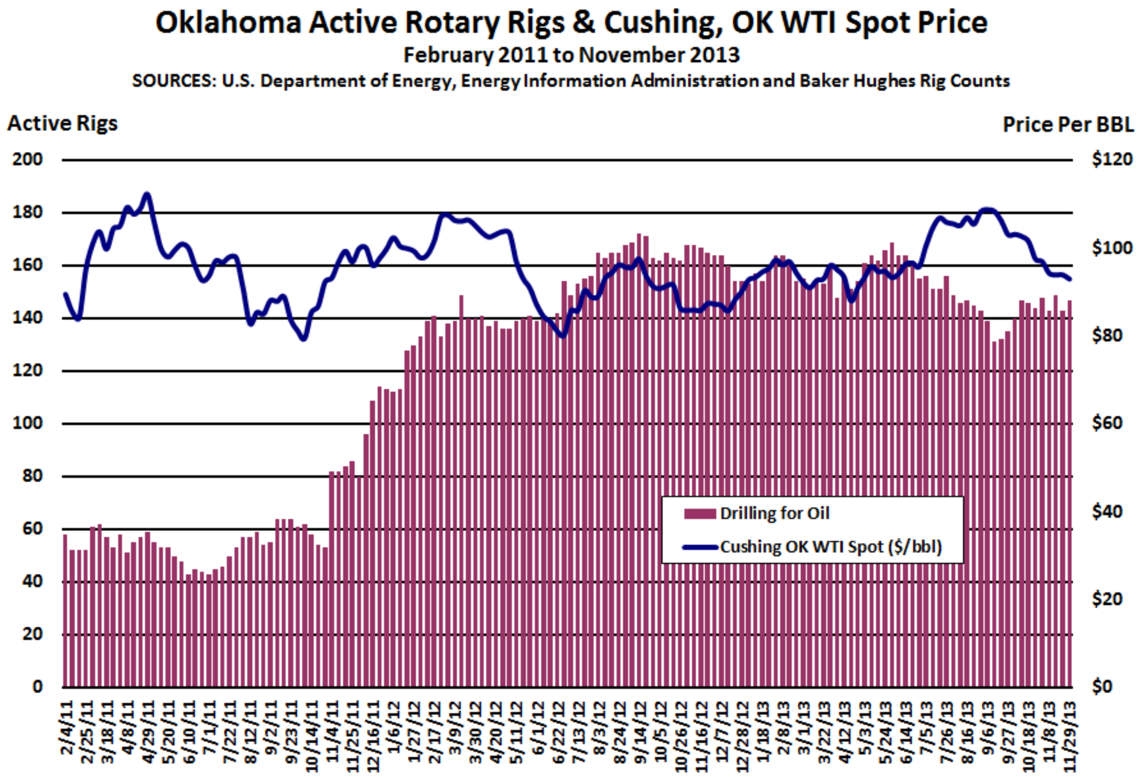
New orders and export demand rose in November to the highest levels since April 2011. Order backlogs also increased, indicating production gains will follow as inventories at factories eased.

The resolution of the 16-day federal government shutdown in October has made business leaders more optimistic in the nine-state Mid-America region, but only modest economic gains are expected in the near future. The Business Conditions Index, which ranges between 0 and 100, climbed to a 51.2 reading from October's growth neutral 50.0, according to the Creighton Economic Forecasting Group.

The region's heavy manufacturers reported solid increases in new export orders in November while the region's employment index rebounded to 51.2 in November from October's 48.2.

The Business Conditions Index for Oklahoma was up but remained below growth neutral for November to 49.3, up from October's 48.6 reading. Components of the November survey of supply managers in the state were new orders at 50.8, production or sales at 48.0, delivery lead time at 48.8, inventories at 49.4, and employment at 49.3.

"Manufacturing firms tied to the state's energy sector experienced pullbacks in economic activity for the month. Construction activity also slowed for November," said Dr. Ernie Goss, director of Creighton University's Economic Forecasting Group.




**Definition & Importance**

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

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

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

**Background**

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

The city of Cushing, in central Oklahoma, is a major crude oil trading hub connecting Gulf Coast producers to Midwest refining markets. In addition to Oklahoma crude oil, the Cushing hub receives supply from several major pipelines that originate in Texas. Traditionally, the Cushing Hub has pushed Gulf Coast and Mid-Continent crude oil supply north to Midwest refining markets. However, production from those regions is in decline, and an underused crude oil pipeline system has been reversed to deliver rapidly expanding heavy crude oil supply produced in Alberta, Canada to Cushing, where it can access Gulf Coast refining markets. For this reason, Cushing is the designated delivery point for the New York Mercantile Exchange (NYMEX) crude oil futures contracts. Crude oil supplies from Cushing that are not delivered to the Midwest are fed to Oklahoma's five refineries, which have a combined distillation capacity of over 500 thousand barrels per day—roughly 3 percent of the total U.S. refining capacity.

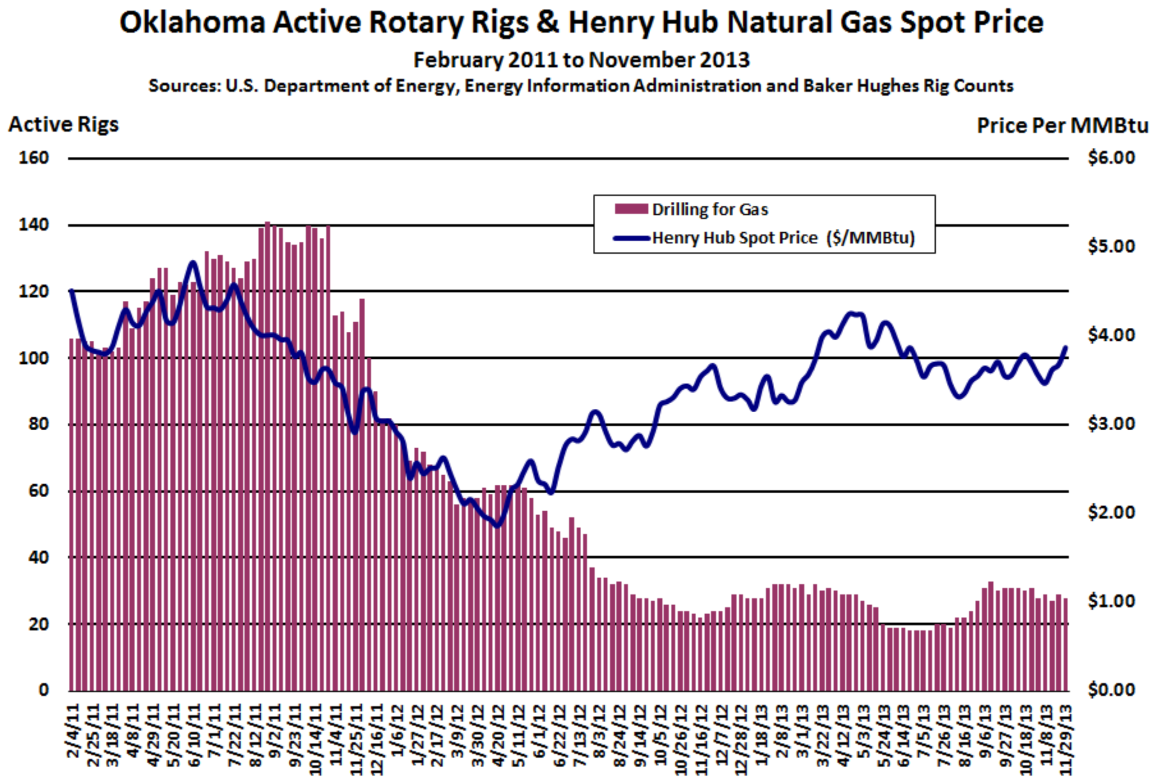
**Current Developments**

According to the most recent Short-Term Energy Outlook, the U.S. Energy Information Administration (EIA) expects West Texas Intermediate (WTI) crude oil prices will average $95 per barrel during 2014. Estimated U.S. crude oil production averaged 8.0 million barrels per day (bbl/d) in November, the highest monthly level since November 1988. EIA expects U.S. crude oil production will average 7.5 million bbl/d in 2013 and 8.5 million bbl/d in 2014.

State crude oil production, at 9,810,000 barrels, ranked Oklahoma 5th among all states in August 2013.

WTI-Cushing spot prices have been falling since August and that trend continued in November. After starting the month at $94.56 per barrel, WTI-Cushing spot prices dropped to a seven-month low of $92.55 by the end of November. The monthly average WTI-Cushing spot price for November was $93.86. That's $6.68 less than the October average of $100.54 per barrel but $7.33 more than the November 2012 average price of $86.53.

Oklahoma's overall rotary rig activity gained ground in October, climbing five rigs from October's 175, for a monthly average of 180. Over the year, November's active rotary rig count in Oklahoma was 10 rigs less than 190 in November 2012. Oil-directed active rotary rigs grew to a level of 147, (for the week ended November 29, 2013), and accounting for approximately 84 percent of total rig activity in the state.




## Definition & Importance

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

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

## Background

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

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

**Current Developments**

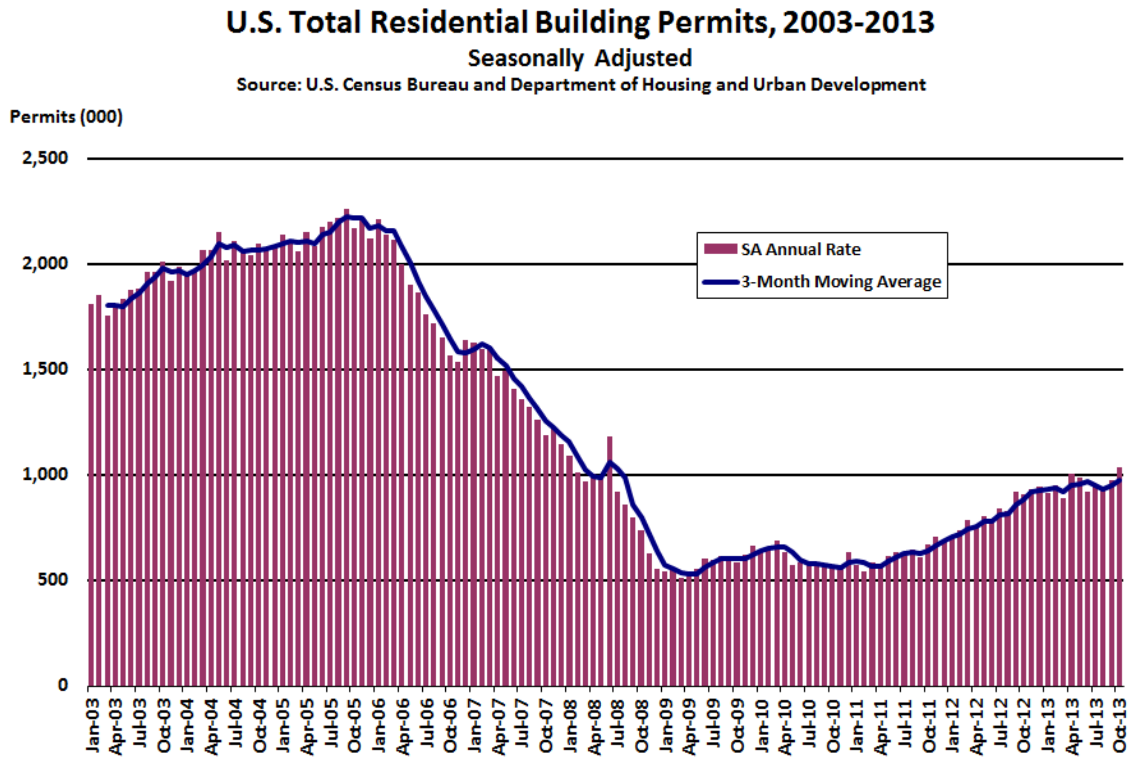
U.S. natural gas working inventories ended November at an estimated 3.61 trillion cubic feet (Tcf), 0.19 Tcf below the level at the same time a year ago and 0.11 Tcf below the previous five-year average (2008-12). EIA expects that the Henry Hub natural gas spot price, which averaged $2.75 per million British thermal units (MMBtu) in 2012, will average $3.69 per MMBtu in 2013 and $3.78 per MMBtu in 2014.

In 2011, Oklahoma natural gas marketed production ranked 4th among all states at 1,888,870 million cubic feet (million cu ft), according to the EIA.

The Henry Hub natural gas spot price rose in November starting the month at $3.45 per MMBtu and ending at $3.87 per MMBtu for a monthly average of $3.64. That was 4 cents less than the October average of $3.68 per MMBtu.

According to data reported by Baker Hughes, Oklahoma's natural gas rotary rig count declined a bit in November. For the week ended November 29, the state natural gas-directed drilling rig count stood at 28 and accounted for about 16 percent of total drilling activity. Over the year, Oklahoma's natural gas-directed rotary rig count was up by 4 from 24 rigs reported for the week ended November 30, 2012.

The U.S. natural gas rotary rig count, as reported by Baker Hughes Incorporated on November 30, decreased by 4 to 424 active units. Meanwhile, oil-directed rigs fell by 2 to 1,386 units.




**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.

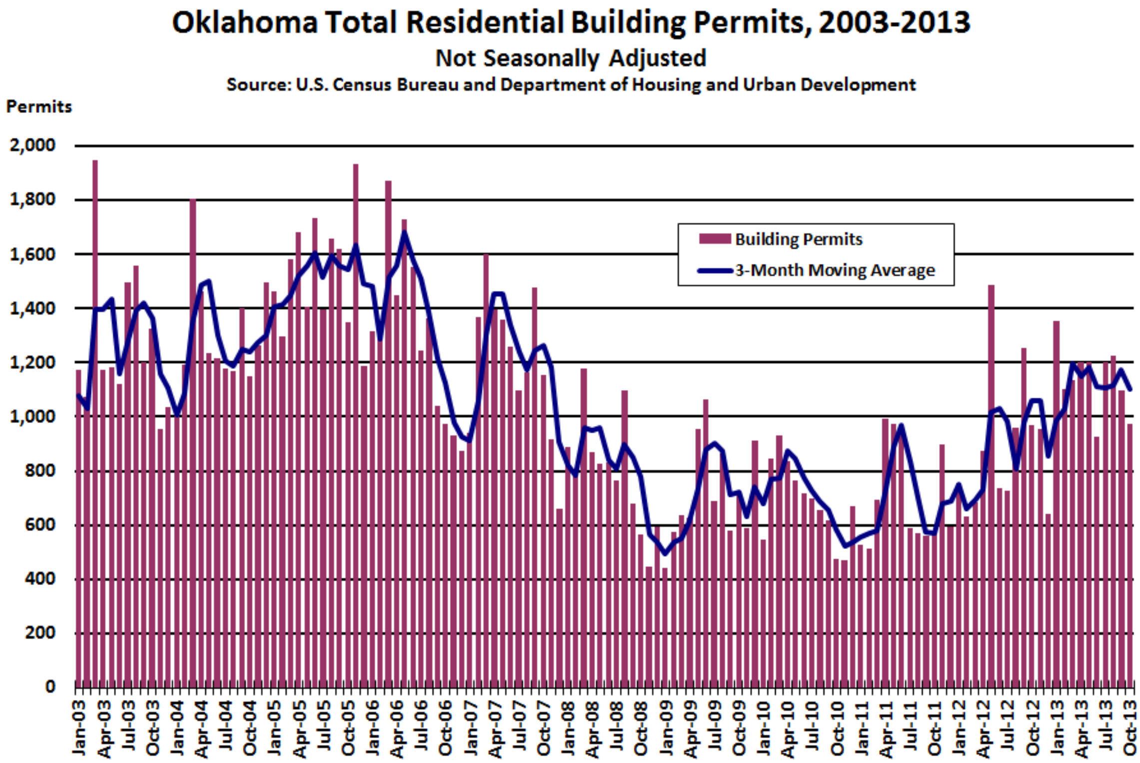
While home construction represents a small portion of the housing market, it has an outsize impact on the economy. Each home built creates an average of three jobs for a year and about $90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels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

**Current Developments**

Permits for future U.S. home construction in October grew at the fastest since June 2008, just before the peak of the financial crisis. Privately-owned housing units authorized by building permits in October jumped 6.2 percent to a seasonally adjusted annual rate of 1,034,000, and 13.9 percent above the October 2012 estimate of 908,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. Permits increased 5.2 percent in September.

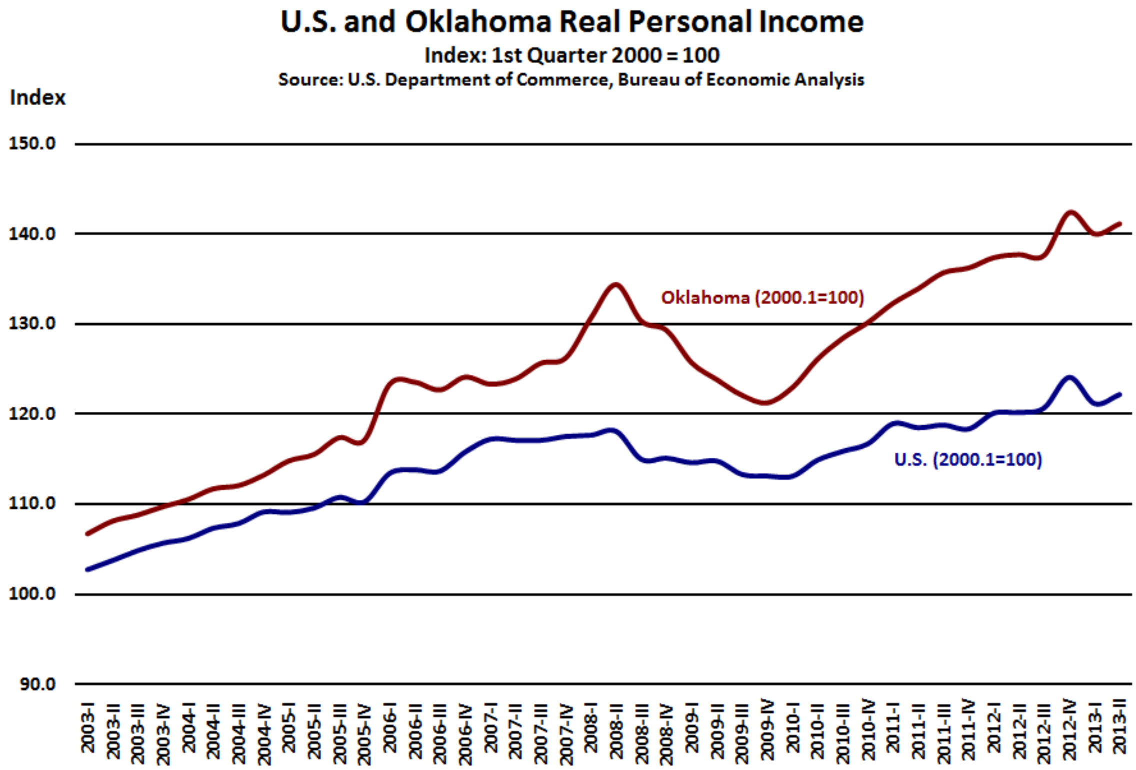
The partial shutdown of the federal government delayed the publishing of the September and October permits reports.

Nearly all of October's increase in permitting was for apartments, which tends to be volatile. Multi-family permits rose 15.3 percent to a rate of 414,000. Permits for single-family homes rose 0.8 percent to a rate of 620,000.




Oklahoma residential permitting activity slowed in October but still remained at a healthy pace. Total unadjusted residential building permits for September was off 11.1 percent from September, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development. Single-family permitting accounted for nearly all of residential permitting activity in October. Over the year, total unadjusted residential permitting was down 12.4 percent from September 2012.

Year-to-date, Oklahoma residential permitting activity in 2013 was 25.7 percent greater than the first 10 months of 2012. The 2013 pace in residential permitting is also the highest level of residential permitting in Oklahoma in the past five years.




**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.

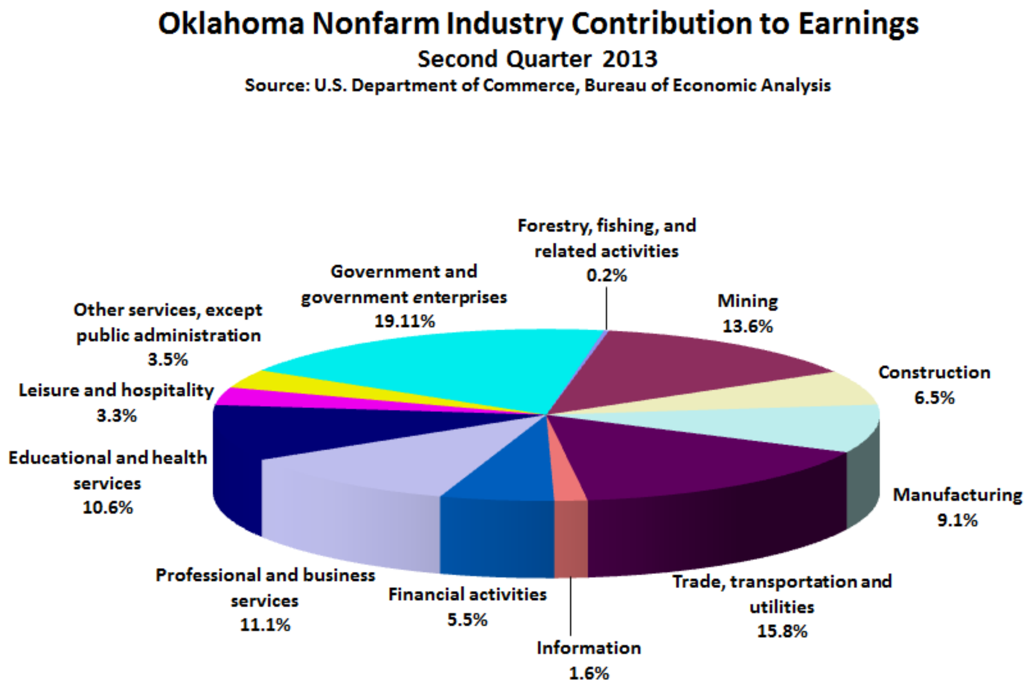
To show the vastly different levels of total personal income for the U.S. and Oklahoma on the same chart, these data have been converted to index numbers. This chart shows a comparison of Oklahoma and U.S. growth in real personal income with 1st quarter 2000 as the base year.

**Current Developments**

U.S. consumers spent more in October even though their wages and salaries barely increased. Personal income decreased $10.8 billion, or 0.1 percent, and disposable personal income (DPI) decreased $23.6 billion, or 0.2 percent, in October, according to the Bureau of Economic Analysis, according to the Bureau of Economic Analysis (BEA). Wages and salaries rose a slight 0.1 percent after a much stronger 1 percent rise in September. Personal consumption expenditures (PCE) increased $32.7 billion, or 0.3 percent.

The rise in spending reflected gains in purchases of durable manufactured goods such as autos and gains in spending on non-durable goods such as clothing and services such as rent and utilities.

The personal saving rate dipped to 4.8 percent of after-tax income in October, down from 5.2 percent in September, reflecting the difference between spending and income.




**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.

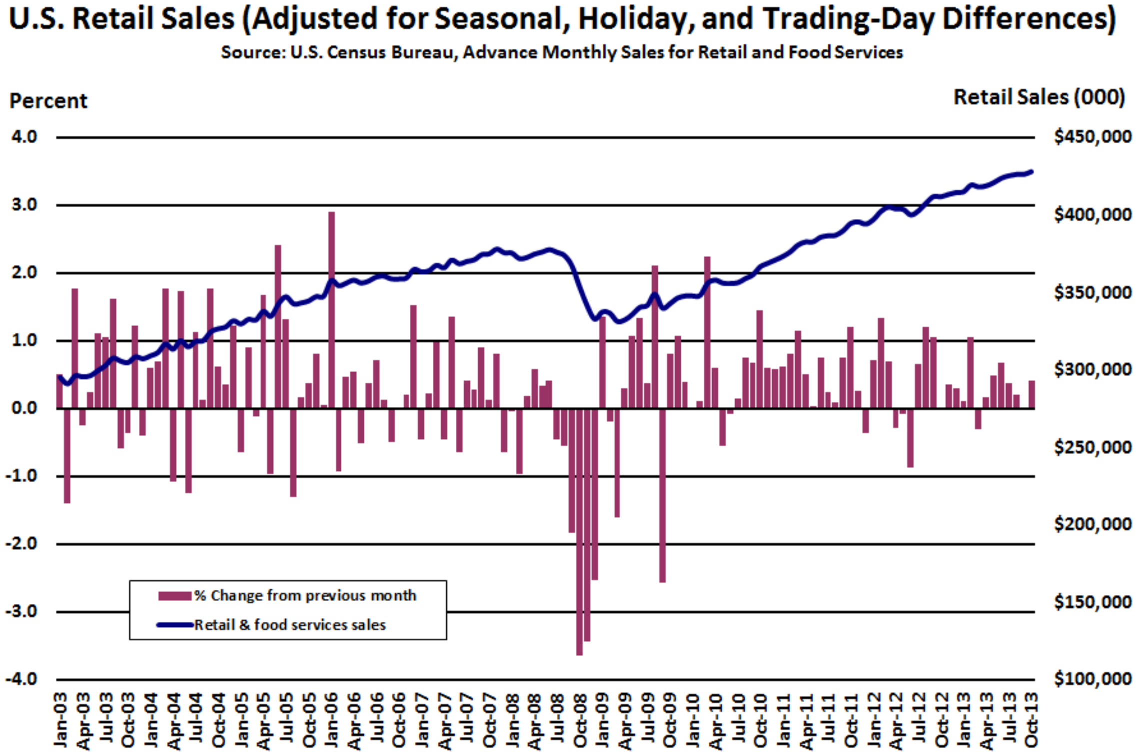
**Current Developments**

State personal incomes grew 1.0 percent on average in the 2nd quarter of 2013 after falling 1.3 percent in the 1st quarter, according to the most recent estimates by the U.S. Bureau of Economic Analysis (BEA). Personal income growth ranged from 1.5 percent in Florida and Arizona to -0.7 percent in Nebraska.

The BEA also noted that 1st-quarter declines in state personal income mainly reflected the effects of special factors, such as the expiration of the "payroll tax holiday" and the acceleration of bonuses and personal dividends to the 4rth quarter of 2012 in anticipation of changes in individual tax rates. 2nd-quarter growth completely offset the 1st-quarter personal income decline in 20 states and the District of Columbia.

After dipping in the 1st quarter for the first time in 11 consecutive quarters of growth, personal income in Oklahoma grew at a seasonally adjusted 0.9 percent pace in the 2nd quarter of 2013. Oklahoma's personal income totaled $159.6 billion in the 2nd quarter, up from $158.1 billion in the 1st quarter. That ranked Oklahoma 26th (out of 50 states) for income growth in the 2nd quarter, slightly below the national average of 1.0 percent.

Private nonfarm earnings for the nation grew 1.0 percent in the 2nd quarter, matching the average for the last four years. In Oklahoma, private nonfarm earnings growth was above the national average at 1.2 percent with construction and mining making the largest contributions to growth in the 2nd quarter.




**Definition & Importance**

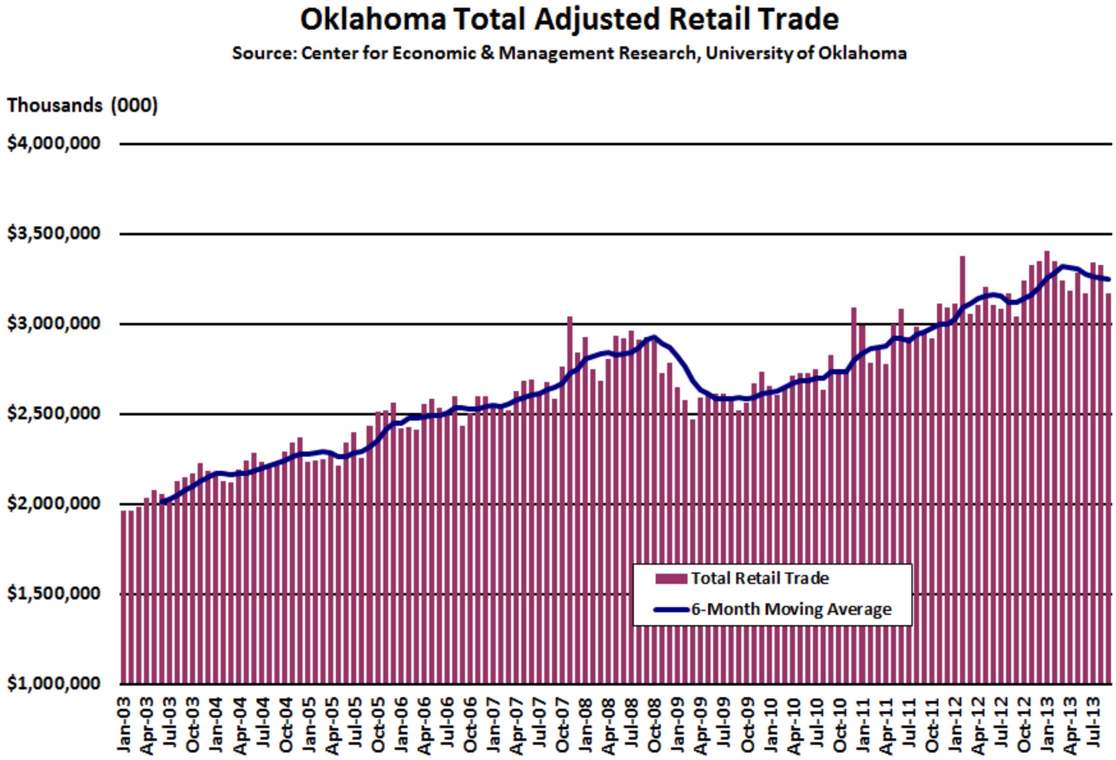
Retail sales measure the total receipts at stores that sell merchandise and related services to final consumers. Sales are by retail and food services stores. Data are collected from the Monthly Retail Trade Survey conducted by the U.S. Bureau of the Census. Essentially, retail sales cover the durables 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 rose at the fastest pace in four months in October as consumers spent more on autos, clothing and furniture. Advance estimates of U.S. retail and food services sales for October, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $428.1 billion, an increase of 0.4 percent from the previous month, and 3.9 percent above October 2012, according to the U.S. Census Bureau. Total sales for the August through October 2013 period were up 3.9 percent from the same period a year ago. The August to September 2013 percent change was revised from -0.1 percent to virtually unchanged.

In October, auto sales jumped 1.3 percent as companies offered new models and falling gasoline prices helped boost demand for sports-utility vehicles and pickup trucks. A 0.6 percent decline in spending at gas stations marked the biggest drop since April.

The less volatile "core" retail sales, excluding autos, gas and building supplies rose an even stronger 0.5 percent in October, up from a 0.3 percent gain in September. Within the core, strength was seen in electronics & appliance stores (+1.4 percent); sporting goods, hobby, etc. (+1.4 percent); clothing (+1.4 percent); furniture & home furnishings (+1.0 percent); and food services & drinking places (+1.0 percent). Declines were seen in building materials & garden equipment (-1.9 percent); and miscellaneous store retailers (-0.1 percent).




**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 slumped in September largely on falling gasoline prices. Total adjusted retail sales for September 2013 were at a level of $3.17 billion—a 4.7 percent decline from August but 4.2 percent greater than September 2012. For the first nine months of 2013, total adjusted retail trade was 4.3 percent more that the same period in 2012.

Durable goods sales edged up 0.3 percent in September with the largest increase seen in lumber & hardware (+4.1 percent); followed by auto accessories & repair (+2.6 percent). Falling sales were seen in miscellaneous durable goods (-7.3 percent); electronics & music stores (-4.7 percent); and used merchandise (-2.3 percent); and furniture (-0.2 percent). Over the year, durable goods sales were 15.3 percent more than September 2012.

Total nondurable goods sales fell 6.4 percent in September with the largest monthly decline in estimated gasoline sales (-25.9 percent). Average statewide gasoline prices dropped from $3.52 per gallon at the beginning of August to $3.19 by the end of September for a 10.3 percent decline. Eating & drinking sales were also strong in July (-3.7 percent). Declining sales were seen in apparel (-1.9 percent); food (-1.4 percent); liquor (-1.0 percent): general merchandise (-0.9 percent); and drugs (-0.2 percent). Over the year, non-durable goods sales advanced 6.6 percent.