



OKLAHOMA Economic Indicators

October 2012

OKLAHOMA ECONOMIC INDICATORS

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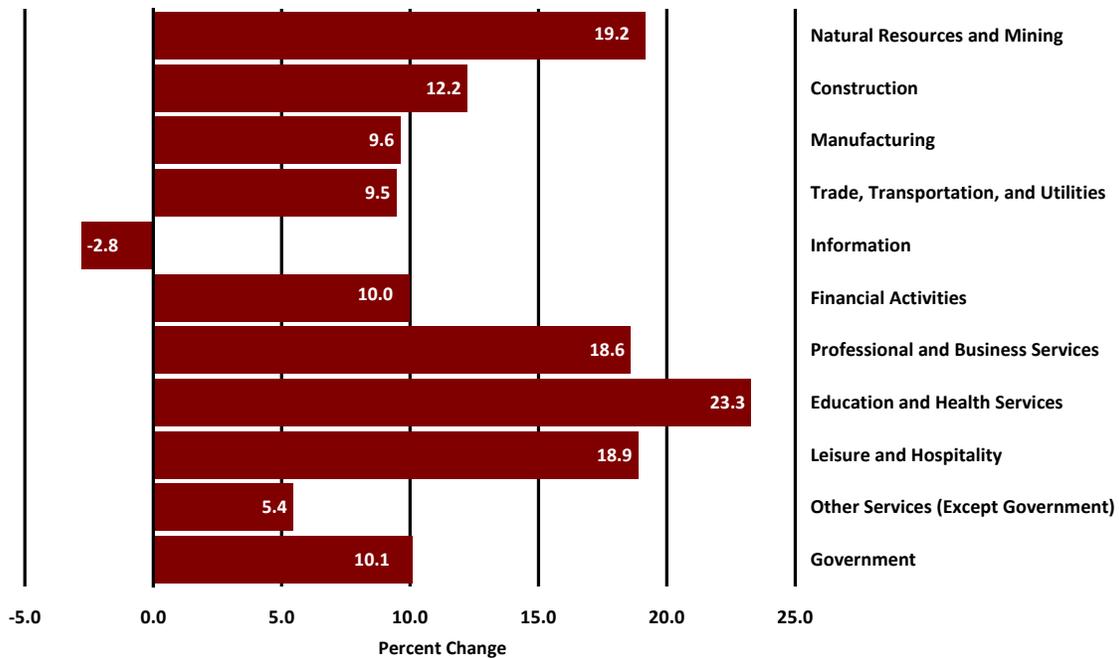
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SPECIAL REPORT: Oklahoma Industry and Occupational Projections: 2010 to 2020

Oklahoma Long-Term Industry Employment Projections, 2010-2020

Source: Employment Projections Program, Oklahoma Employment Security Commission, Research & Analysis Division



Introduction

Every other year, the Oklahoma Employment Security Commission produces long-term industry and occupational employment projections with the base year of the projections decade being an even-numbered year. The goal is not necessarily to predict the exact level of employment 10 years in the future, but rather to determine overall trends that can be used for career and policy planning. Employment projections help to facilitate career exploration by high school students and their teachers and parents, college students, career changers, and career development and guidance specialists. Employment projections are also widely used by policymakers and education and training officials to make decisions about education and training policy, funding, and program offerings. Additionally, other state agencies, researchers, and academics use the projections to understand trends in the economy and labor market.

Industry Projections

Our 2010 to 2020 industry employment forecast for Oklahoma predicts that total payroll employment will grow by 14.1 percent over the decade, adding 234,550 jobs to the state's economy (see Table 1). All but one of Oklahoma's major industry sectors are anticipated to grow in the coming years.

In the goods-producing industries, employment growth in natural resources & mining is expected to lead, adding 13,820 jobs with support activities for mining contributing over half of the job growth (+7,190 jobs). Employment growth in the manufacturing sector follows closely adding 11,810 jobs from 2010 to 2020 with machinery manufacturing and fabricated metal product manufacturing providing more than half (+6,600 jobs) of total growth. Construction employment is expected to return to a healthy growth rate of 12.2 percent, adding 8,250 jobs almost all of which are anticipated to be in the specialty trades contractors sector (+7,850 jobs).

Table 1.**Oklahoma Long-Term Industry Employment Projections, 2010-2020**

Sector	2010	2020	Change	% Change
Total Employment	1,662,220	1,896,770	234,550	14.1
Natural Resources and Mining	72,120	85,910	13,820	19.2
Construction	67,410	75,660	8,250	12.2
Manufacturing	122,830	134,650	11,810	9.6
Trade, Transportation, and Utilities	284,870	311,800	26,960	9.5
Information	24,980	24,300	-700	-2.8
Financial Activities	80,550	88,600	8,040	9.9
Professional and Business Services	170,400	202,090	31,700	18.6
Education and Health Services	354,610	437,180	82,580	23.3
Leisure and Hospitality	138,870	165,090	26,220	18.9
Other Services (Except Government)	62,590	66,010	3,410	5.5
Government	172,160	189,540	17,380	10.1

Source: Employment Projections Program, Oklahoma Employment Security Commission, Research & Analysis Division.

In the services-providing industries, employment in education & health services is forecast to provide the largest gains adding 82,580 jobs (23.3 percent) with health care & social assistance accounting for more than two-thirds of the growth and adding 60,780 jobs. Nearly two-thirds of the job growth in health care & social assistance is expected to be in the ambulatory health care services and hospitals sectors.

Professional & business services employment is expected to add 31,700 jobs (+18.6 percent) in the 2010-2020 timeframe. Nearly two-thirds of the job growth is led by gains in the administrative & support services sector which is projected to add 18,680 jobs (+20.8 percent). Professional, scientific & technical services is expected to contribute another 11,760 jobs (+18.8 percent).

The broad trade, transportation & utilities sector is forecast to add 26,960 jobs (9.5 percent) between 2010 and 2020 with about two-thirds of the employment growth in retail trade (+18,070 jobs). Wholesale trade is expected to add 6,430 jobs (11.6 percent) and transportation & warehousing employment growing by 1,670 jobs (or 3.4 percent). Utilities employment is forecast to grow by 7.0 percent adding 790 jobs.

Accommodation & food services employment is projected to increase by 23,670 jobs (+19.0 percent) from 2010 to 2020 with almost all the job gains in food services & drinking places (+21,820 jobs).

The financial activities supersector is forecast to add 8,040 jobs (+9.9 percent) between 2010 and 2020 with finance & insurance growing by 5,480 (+9.3 percent) and real estate and rental & leasing adding 2,560 jobs (+11.8 percent).

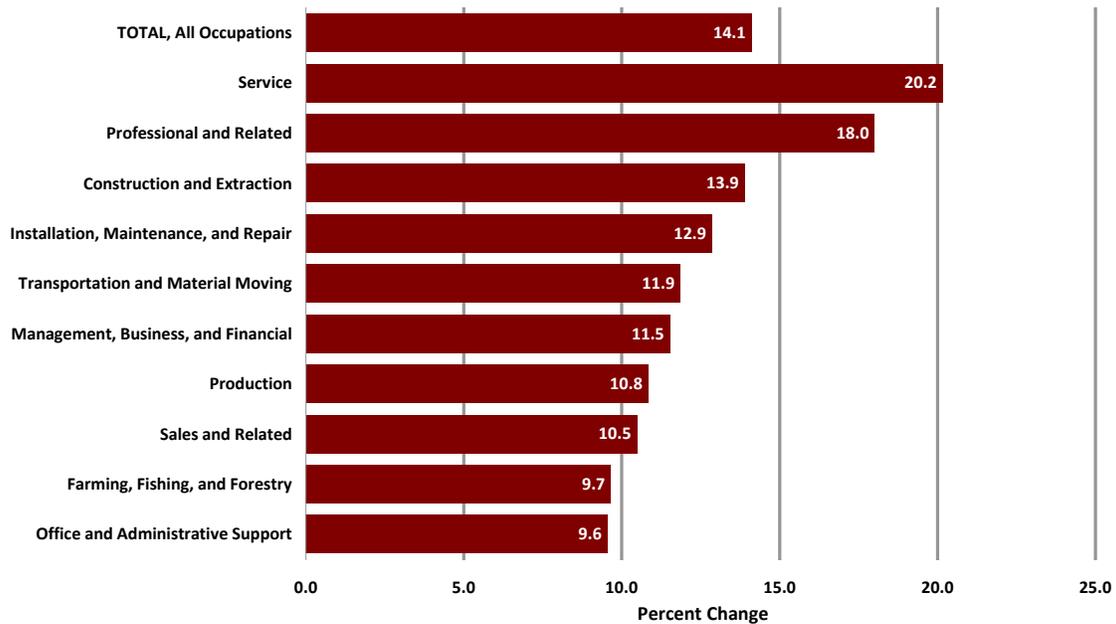
Other services (except government) is expected to add 3,410 for a 5.5 percent gain between 2010 and 2020. Information is the only supersector forecast to lose employment, shedding 700 jobs (-2.8 percent).

Government employment is projected to grow by 10.1 percent adding 17,380 jobs during the 2010-2020 period with nearly all the growth at the local government level which is expected to add 13,960 jobs (+15.2 percent).

Oklahoma Long-Term Occupational Employment Projections, 2010-2020

Major Occupational Groups

Source: Occupational Employment Statistics Program, Oklahoma Employment Security Commission, Research & Analysis Division



Occupational Projections

Turning to occupational projections, the base year, 2010, follows a severe downturn in both the U.S. and Oklahoma economies. Therefore, it is important to note that the estimated employment in 2010 was 87,910 lower than in 2008. Every major occupational group lost employment between 2008 and 2010 with the largest losses coming from office & administrative support (-18,500 jobs), production (-18,290 jobs), and transportation & material moving (-14,640). When analyzing the current projections data, looking at the employment levels in 2008 compared to those in 2010 and in 2020 gives a clearer picture of the employment situation.

In terms of absolute job gains, every major occupational group is expected to add jobs over the decade between 2010 and 2020. Office and administrative support occupations are expected to see the largest gain in employment adding 26,250 jobs. Food preparation & serving related occupations are projected to add 23,730 jobs followed by healthcare practitioners and technical occupations which should add 23,180 jobs over the decade.

Not surprisingly, the fastest growing occupations for the 2010 to 2020 period are in health and personal care. Healthcare support occupations are projected to grow at a rate of 29.7 percent, followed by personal care and service occupations growing at a 27.8 percent rate. Healthcare practitioners and technical occupations are forecast to grow 24.1 percent between 2010 and 2020.

The occupational groups with the most job openings due to growth and replacement needs remained similar to previous projections rounds. Office & administrative support occupations are projected to have 8,680 average annual openings followed by sales & related occupations which should have 7,230 annual openings. Food preparation & serving related occupations are expected to have 6,964 average annual openings between 2010 and 2020.

Oklahoma Occupational Employment Estimates & Projections by Major Group, 2010-2020

Occupational Division	2010	2020	Numeric Change	Percent Change	Average Annual Openings
					2010-2020
Total, All Occupations	1,662,220	1,896,770	234,550	14.11	63,280
Management, Business, and Financial Occupations ¹	171,710	191,500	19,790	11.53	5,620
Professional and Related Occupations ²	313,640	370,130	56,490	18.01	12,500
Service Occupations ³	317,120	381,050	63,930	20.16	14,800
Sales and Related Occupations	176,210	194,670	18,460	10.48	7,230
Office and Administrative Support Occupations	274,930	301,180	26,250	9.55	8,680
Farming, Fishing, and Forestry Occupations	21,120	23,160	2,040	9.66	840
Construction and Extraction Occupations	99,330	113,140	13,800	13.89	3,500
Installation, Maintenance, and Repair Occupations	75,390	85,080	9,700	12.86	2,740
Production Occupations	111,610	123,710	12,100	10.84	3,630
Transportation and Material Moving Occupations	101,170	113,170	12,000	11.86	3,750

Notes:

- 1) Major occupational groups 11-0000 through 13-0000 in the 2010 Standard Occupational Classification (SOC).
- 2) Major occupational groups 15-0000 through 29-0000 in the 2010 Standard Occupational Classification (SOC).
- 3) Major occupational groups 31-0000 through 39-0000 in the 2010 Standard Occupational Classification (SOC).

Source: Employment Projections Program, Oklahoma Employment Security Commission. Research & Analysis Division.

A few occupational groups are projected to have lower employment levels in 2020 than estimated in the 2008 round. Production occupations are forecast to have an employment level of 123,710 by 2020 compared to 129,900 employment level in 2008—a loss of 6,190 jobs. Farming, fishing, & forestry occupations projected employment level of 23,162 is 4,640 jobs less than estimated in 2008. Transportation & material moving occupations is expected to have an employment level of 113,168 in 2020 or 2,650 fewer jobs than the 2008 level of 115,814 workers. Finally, Computer and mathematical occupations is expected to have an employment level of 27,651 by 2020, slightly lower the 2008 estimate of 28,514 jobs.

More Information

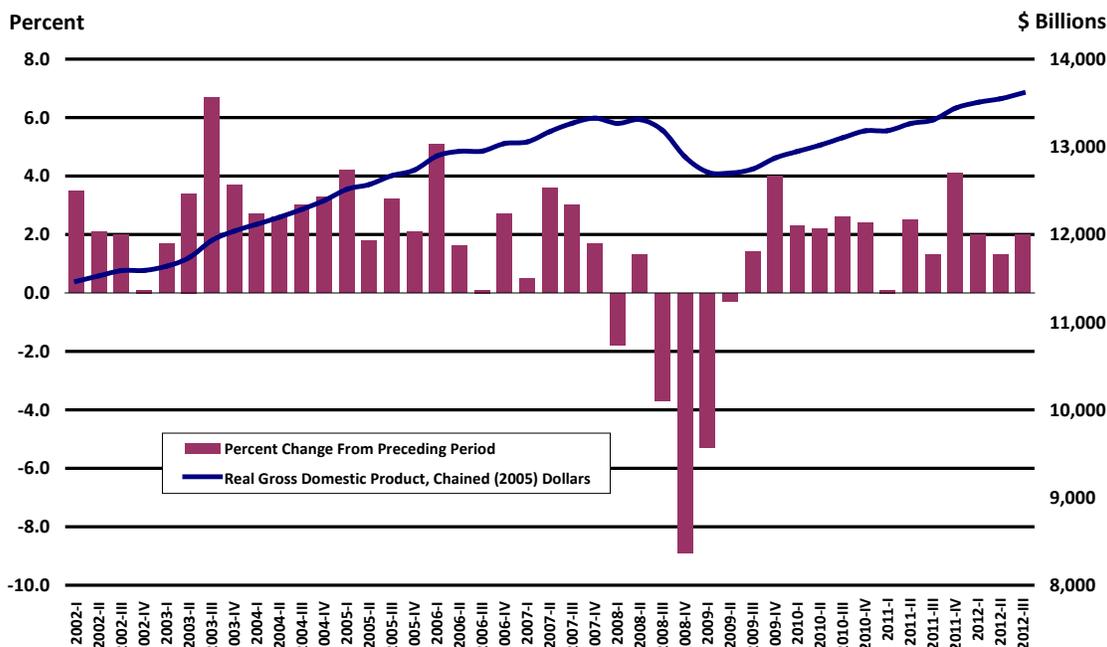
Detailed forecast tables are available at:

http://www.ok.gov/oesc_web/Services/Find_Labor_Market_Statistics/Projections

There you will find industry and occupational projections for the current 2010-2020 round as well as the 2011-2013 short-term industry and occupational projections along with past rounds of long-term and short-term projections.

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

U.S. economic growth picked up in the 3rd quarter as consumers spent more, federal government spending accelerated and the housing industry improved in the months leading up to November's presidential election. Real gross domestic product (GDP) increased at an annual rate of 2.0 percent in the 3rd quarter of 2012, according to the "advance" estimate released by the Bureau of Economic Analysis (BEA). Although the nation's GDP has expanded for 13 consecutive quarters, the pace has been sluggish at times. In the 2nd quarter, real GDP increased at only a 1.3 percent rate.

Consumer spending accounted for most of the increase in GDP. Real personal consumption expenditures increased 2.0 percent in the 3rd quarter, compared with an increase of 1.5 percent in the 2nd quarter. Durable goods spending increased 8.5 percent, while nondurable goods spending increased 2.4 percent. Services spending increased 0.8 percent.

Business spending on equipment and software was flat in the July-September quarter, the first quarter it didn't increase since the recession ended. Nonresidential fixed investment, which includes business spending on buildings and equipment, fell 1.3 percent, compared with a 3.6 percent gain in the 2nd quarter.

Residential investment provided another bright spot, growing for the sixth consecutive quarter as home sales picked up along with residential construction. Real residential fixed investment increased 14.4 percent in the 3rd quarter, compared with an 8.5 percent pace in the previous quarter.

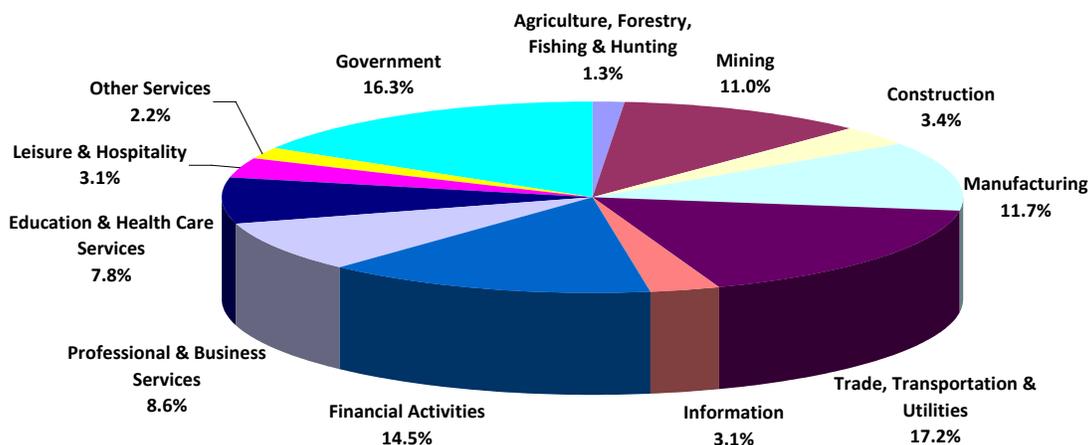
Growth was also held back by the first drop in exports in more than three years. Real exports of goods and services decreased 1.6 percent in the 3rd quarter, in contrast to an increase of 5.3 percent in the 2nd quarter. Real imports of goods and services decreased 0.2 percent.

Government spending contributed to growth for the first time in more than two years, led by outlays for defense. Real federal government consumption expenditures and gross investment increased 9.6 percent in the 3rd quarter. National defense spending increased 13.0 percent while nondefense spending increased 3.0 percent. Real state and local government consumption expenditures and gross investment decreased 0.1 percent in the 3rd quarter.

2011 Industry Share of Oklahoma's Economy

(by percentage of Gross Domestic Product)

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



Definition & Importance

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

Current Developments

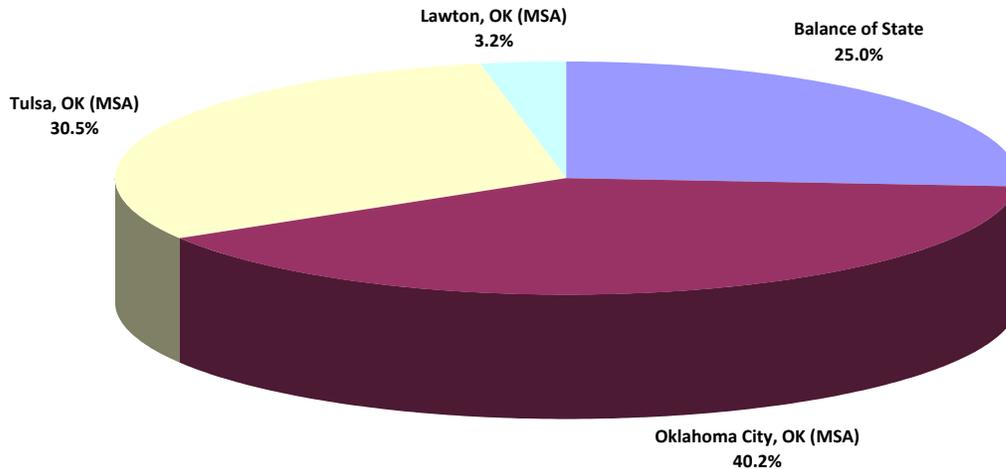
Oklahoma was among 43 states and the District of Columbia experiencing growth in real GDP in 2011, according to the advance estimate from the Bureau of Economic Analysis (BEA). Oklahoma's 2010 advance estimate was revised upward from 1.0 percent to 2.0 percent while the state's 2009 GDP was further revised downward reflecting depressed energy prices during that period.

Oklahoma registered a real GDP of \$134.2 billion in 2011, a 1.0 percent gain from the revised \$132.8 billion in 2010. 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 2011, although growth slowed in most regions. The Southwest region, which includes Oklahoma, grew the fastest at 2.7 percent, led by Texas with a 3.3 percent increase.

Durable-goods manufacturing was the leading contributor to real GDP growth in 26 states including Oklahoma, where it contributed 0.54 percentage points to overall growth. Other industries adding to 2011 GDP growth in Oklahoma were, wholesale trade (0.29 percent); health care & social assistance (0.26 percent); mining (0.24 percent); and professional, scientific & business services (0.20 percent). Subtracting from Oklahoma GDP growth were agriculture, forestry, fishing & hunting (-0.26 percent); utilities (-0.19 percent); real estate, rental & leasing (-0.17 percent); government (-0.13 percent); and nondurable goods manufacturing (-0.11 percent).

Metropolitan Area Contribution to State Real Gross Domestic Product 2010

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



Definition & Importance

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

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

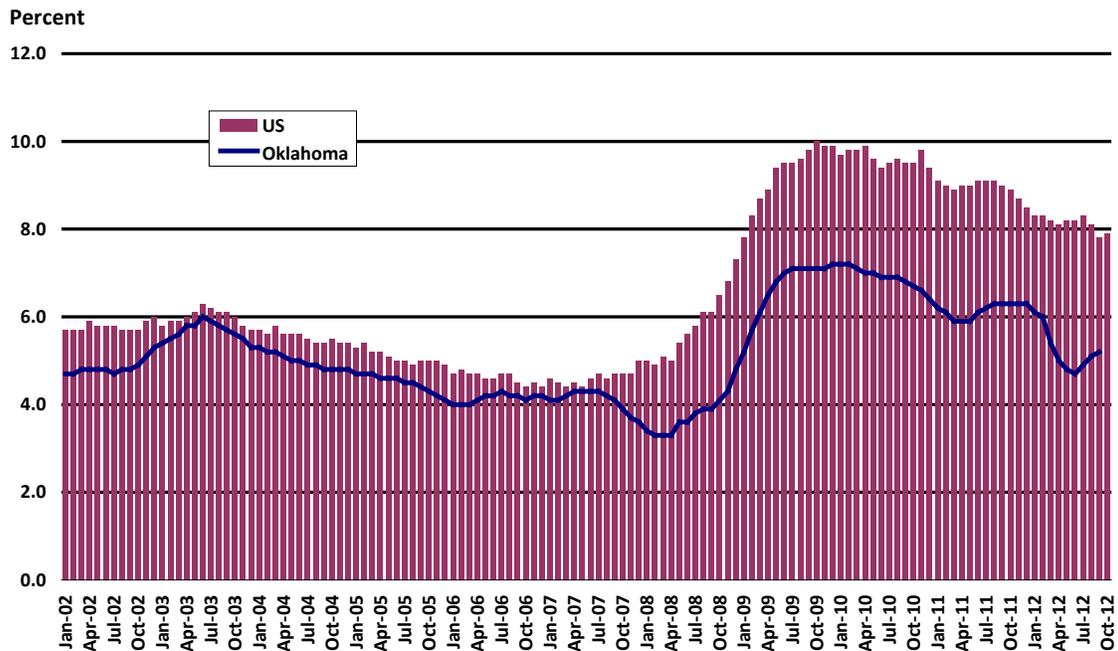
Current Developments

Real U.S. GDP by metropolitan area increased 2.5 percent in 2010 after declining 2.5 percent in 2009, according to the most current statistics from the U.S. Bureau of Economic Analysis (BEA). The economic growth was widespread as real GDP increased in 304 of 366 (83 percent) metropolitan areas, led by national growth in durable-goods manufacturing, trade, and financial activities.

In terms of growth in real GDP, Lawton MSA ranked 15th out of the 366 U.S. metropolitan areas growing by 6.9 percent to \$4.21 billion in 2010. Oklahoma City MSA ranked 205th growing by 1.7 percent to \$53.7 billion followed by Tulsa MSA ranked at 329th declining by -0.6 percent to \$40.7 billion.

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.

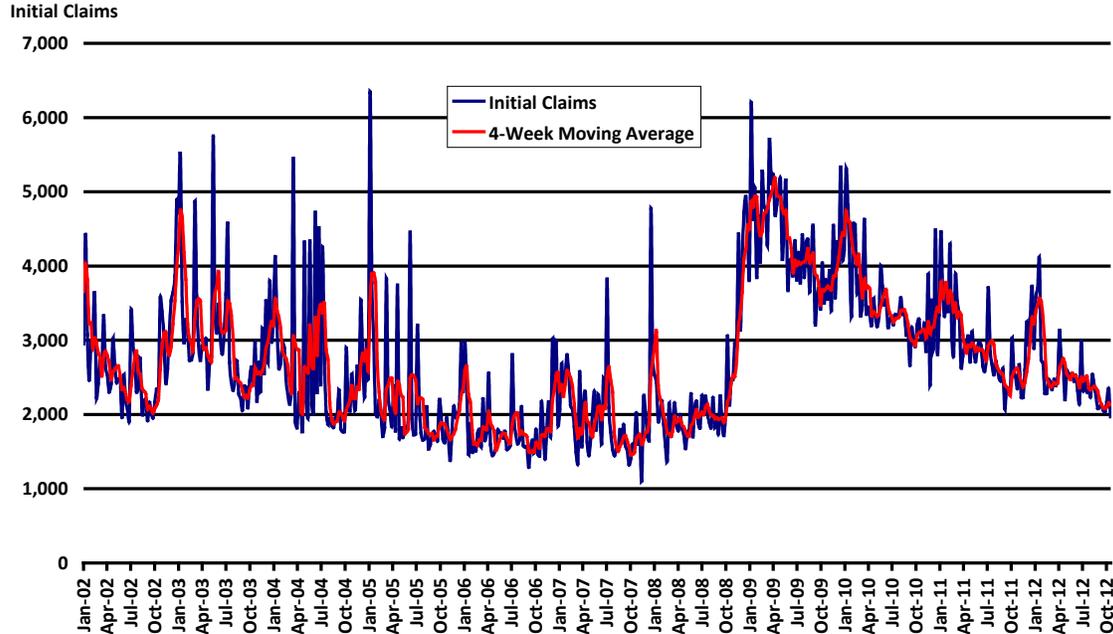
Current Developments

The U.S. unemployment rate edged higher in October, as strong job creation in the household survey was outweighed by even stronger labor-force growth. Both the unemployment rate (7.9 percent) and the number of unemployed persons (12.3 million) were essentially unchanged in October, following declines in September, according to the Bureau of Labor Statistics (BLS). The civilian labor force rose by 578,000 to 155.6 million in October, and the labor force participation rate edged up to 63.8 percent. Total employment rose by 410,000 over the month.

Oklahoma's seasonally adjusted unemployment rate inched up to 5.2 percent in September, following a 5.1 percent rise in August. Some of the recent increases in state unemployment rates can be attributed to a growing labor force including people resuming a search for work after being jobless for an extended period. The state's seasonally adjusted unemployment rate was down by 1.1 percentage points over the year.

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

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



Definition & Importance

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

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

Current Developments

The number of Americans filing new jobless claims fell in the last week of October, suggesting that the labor market's slow recovery was gaining traction. In the week ending October 27, the advance figure for seasonally adjusted initial claims was 363,000, a decrease of 9,000 from the previous week's revised figure of 372,000, according to the U.S. Department of Labor (DOL). The four-week moving average of applications for unemployment aid, a less volatile gauge, declined to 367,250. The average has been around that level for the past three months.

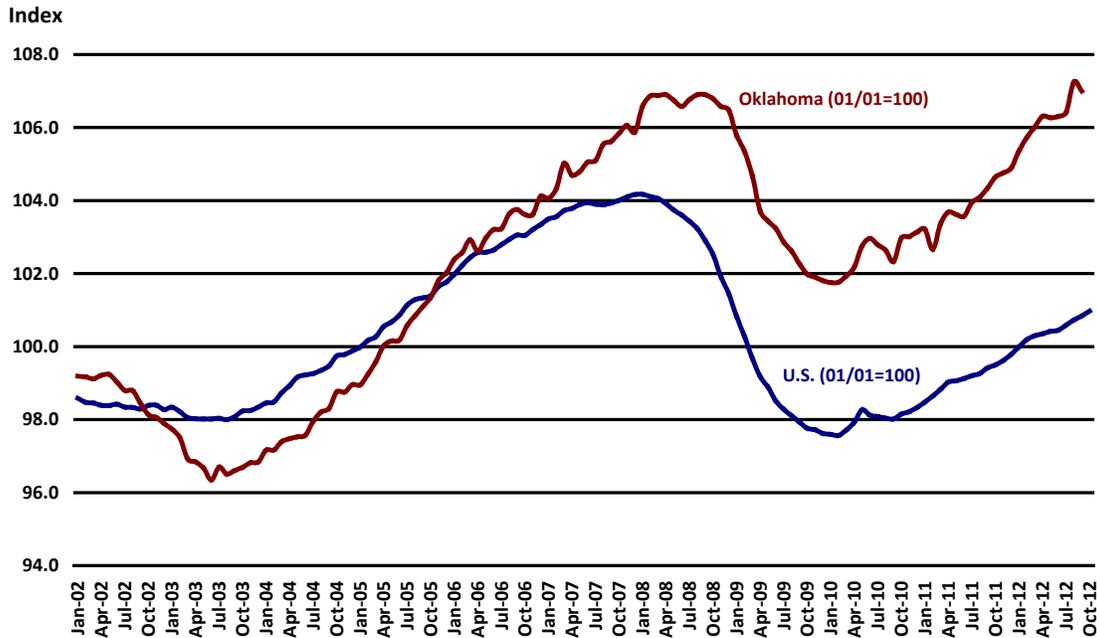
Oklahomans filing initial unemployment claims dropped in the third week of October, continuing on a long-term downward trend. Initial claims for unemployment were at 1,971 for the file week ending on October 13, a decrease of 374 from the previous week's 2,345. The initial claims four-week moving average edged down to 2,134 from 2,156—down 22 from the previous week.

Oklahoma continued jobless claims increased by 143 for the same file week ending. Continued claims for unemployment insurance rose to 21,541 from 21,398 in the week earlier.

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

Index: January 2001=100

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



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

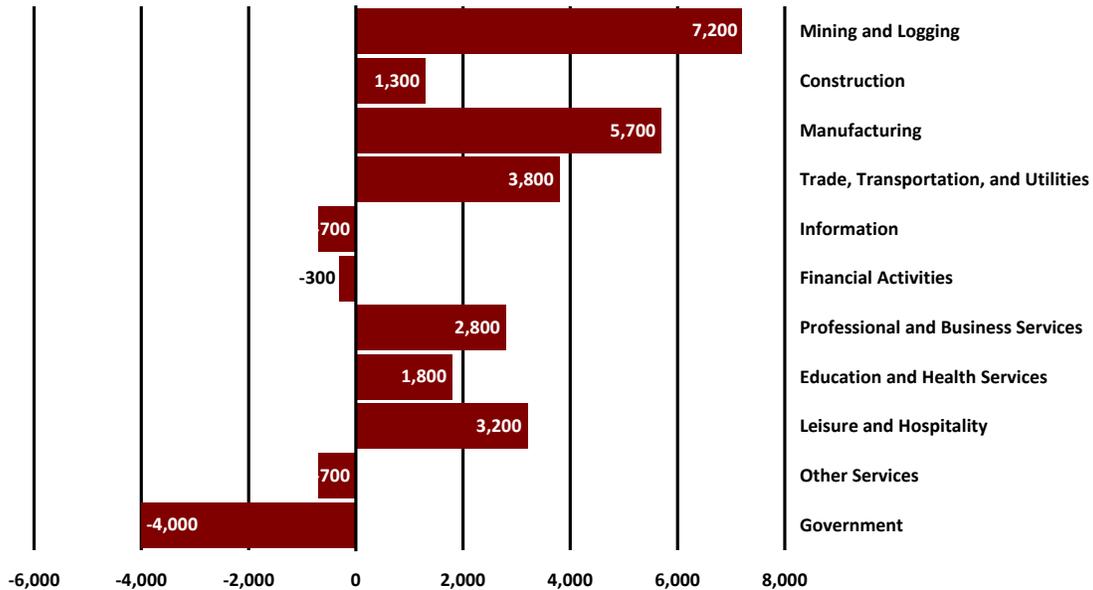
American employers added more workers than expected to payrolls in October and hiring was also stronger in August and September than first thought. Total nonfarm payroll employment increased by 171,000 in October, according to the Bureau of Labor Statistics (BLS). October employment gains were broad-based as employment rose in professional and business services (+51,000), health care (+31,000), and retail trade (+36,000). Employment growth has averaged 157,000 per month thus far in 2012, about the same as the average monthly gain of 153,000 in 2011.

Oklahoma's seasonally adjusted nonfarm employment shed 3,700 jobs (-0.2 percent) in September. In September, six of Oklahoma's 11 statewide supersectors gained jobs, led by trade, transportation & utilities, which added 2,300 jobs over the month. Construction (-800), professional & business services (-3,800), educational & health services (-1,600), and government (-1,500) all posted job losses in September.

Oklahoma Employment Change by Industry

2010 - 2011

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



Definition & Importance

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

Current Developments

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

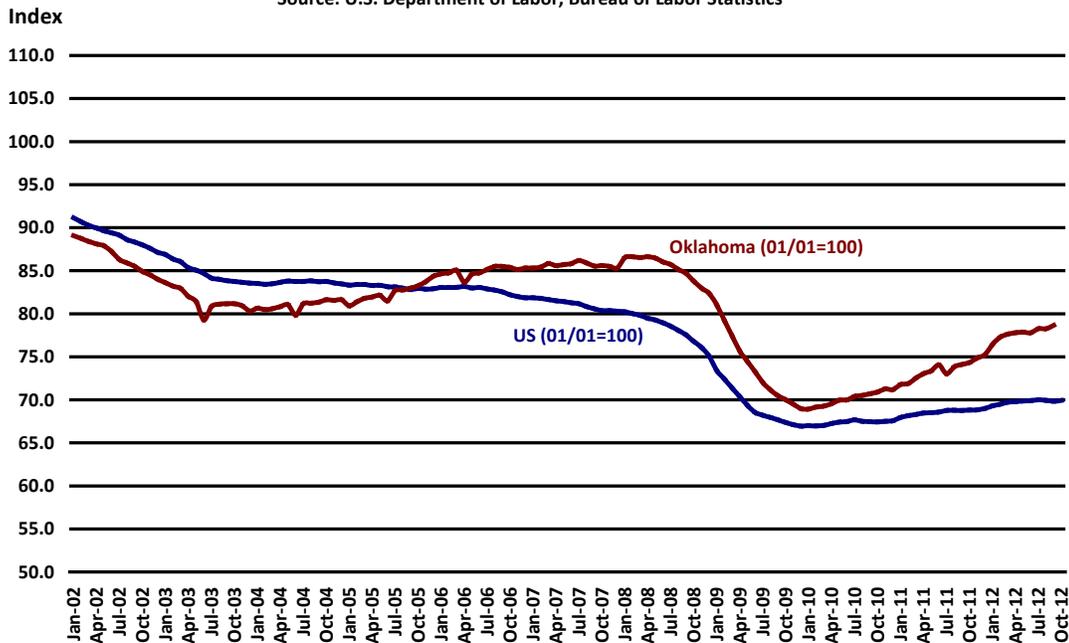
Job gains were registered in seven out of Oklahoma's 11 statewide supersectors. Mining & logging saw the largest employment increase adding 7,200 jobs with the bulk of hiring occurring in support activities for mining. Manufacturing followed with an addition of 5,700 jobs and almost all of the growth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

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

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

Index: January 2001 = 100

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



Definition & Importance

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

At one time, manufacturing made up 38 percent of the nation's employment. However, manufacturing employment in the United States has been declining since 1979, as productivity, technology gains, and the transfer of manufacturing to locations outside the United States have reduced the demand for traditional manufacturing employment. Furthermore, current shifts in the industry away from heavy sectors, such as automobiles and basic chemicals toward higher-tech products like computer chips are also accelerating manufacturing's long-term shrinkage.

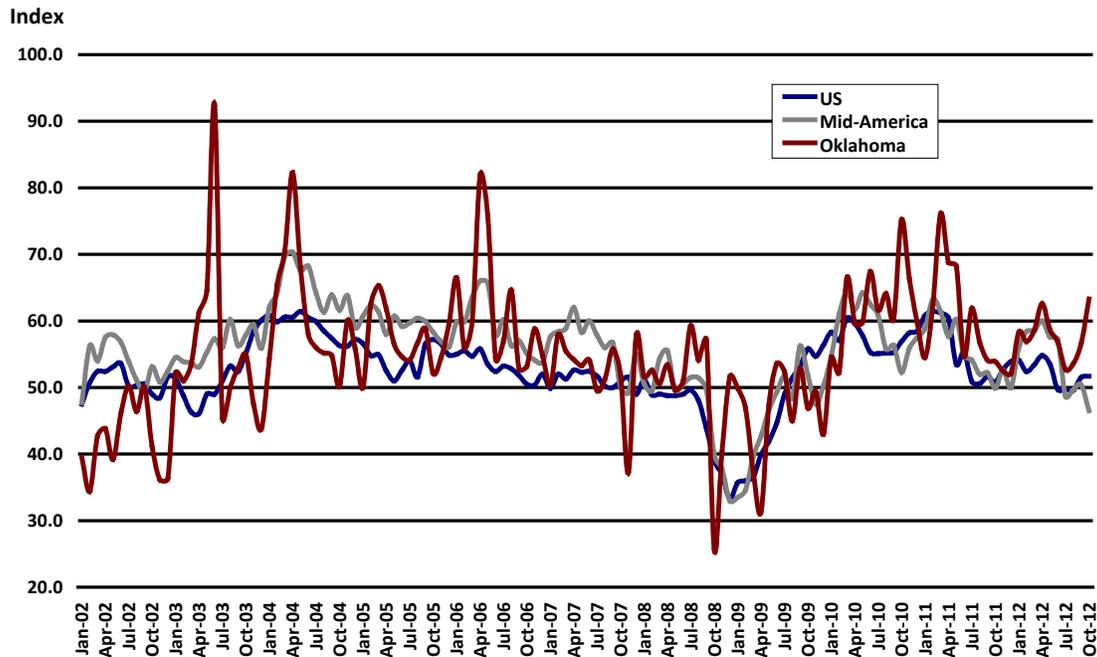
Current Developments

Manufacturing employment was little changed in October and, on net, has shown little change since April. Manufacturers added 13,000 jobs after shedding workers in the previous two months, according to the Bureau of Labor Statistics (BLS). September payrolls were revised to a gain of 148,000 from an initially reported 114,000, and August to 192,000 from 142,000. Looking at specific sectors, nondurable goods industries fared better than durables, up 8,300 versus 4,600 workers added in the month.

Oklahoma's manufacturing employment growth edged up in September adding 700 jobs (0.5 percent) over the month. All of October's manufacturing employment growth was in non-durable goods manufacturing. Over the year, manufacturing has added approximately 8,000 jobs (or 6.1 percent).

Purchasing Managers' Index (Manufacturing)

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



Definition & Importance

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

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

Current Developments

U.S. factory activity expanded for the second straight month in October, boosted by growth in new orders and production. The PMI™ registered 51.7 percent, an increase of 0.2 percentage point from September's reading of 51.5 percent, indicating growth in manufacturing at a slightly faster rate, according to the Institute for Supply Management (ISM). Eight of the 18 U.S. manufacturing industries surveyed by ISM reported growth in October.

Forward momentum may be picking up as the New Orders Index rose to 54.2 from 52.3 in September. Production also improved, moving into positive territory at 52.4 from 49.5 in September.

Weakness was in the Employment Index, down to 52.1 from 54.7; supplier deliveries, slipping to 49.6 from 50.3; inventories, edging down 50.0 from 50.5; and backlog orders, declining to 41.5 from 44.0. Orders continue to be held back by exports which fell further into negative territory to 48.0 from 48.5 in September.

Another economic slump may be developing in the Midwest and Plains states, according to a survey of supply managers. For the third time in the past four months, the monthly Mid-America Business Conditions Index, a leading economic indicator for a nine-state region, declined below growth neutral. The Business Conditions Index dropped to 46.5 in October from 50.4 in September, pointing to slightly negative growth for the region in the next three to six months, according to the Creighton Economic Forecasting Group.

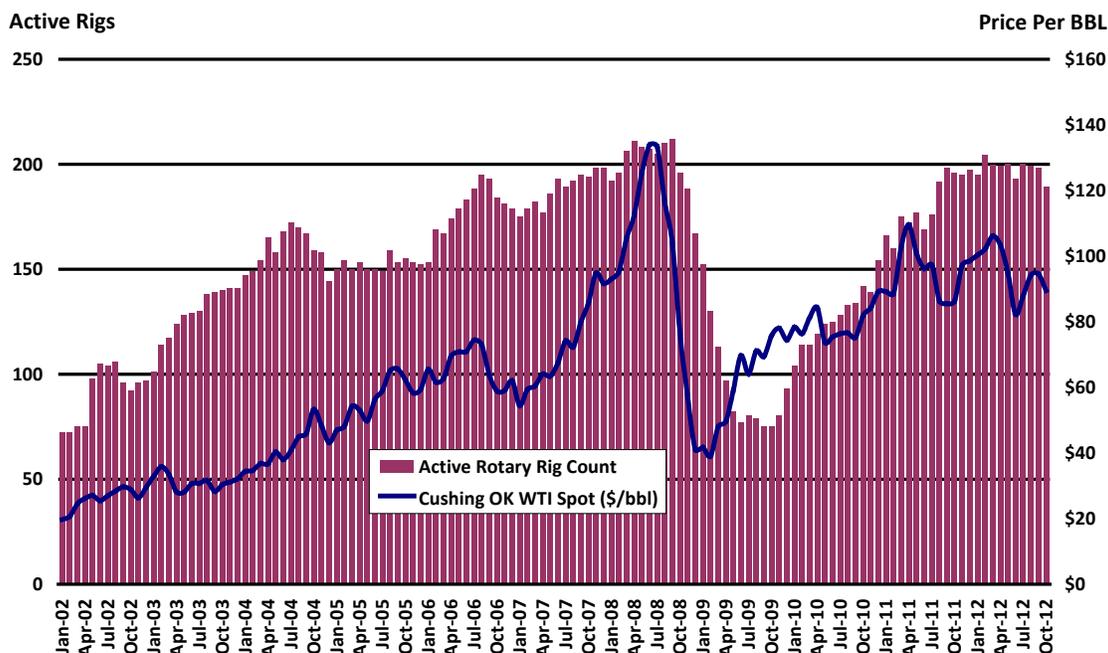
However, the October survey also noted that North Dakota and Oklahoma, two states with significant dependence on energy, will continue to expand at a positive pace while the rest of the region pulls back.

The Business Conditions Index for Oklahoma advanced for October. The leading economic indicator from the supply manager survey climbed to 63.3 from September's 56.6. Components of the October survey of supply managers in the state were new orders at 77.4, production or sales at 74.8, delivery lead time at 39.3, inventories at 71.0, and employment at 54.2.

"Even as Oklahoma's economy has expanded at a solid pace, we are tracking somewhat weaker, but positive, job growth. Companies in the state report shortages of skilled labor," said Ernie Goss, director of Creighton University's Economic Forecasting Group.

Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

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

On October 29th, Hurricane Sandy hit the U.S. Northeast, an area that is home to some of the United States' critical petroleum refining and transportation infrastructure and is a major consumer of petroleum products. Some of the most severe damage from the storm occurred in the New York and New Jersey areas, including the product trading hub in New York Harbor. The two refineries in the New York Harbor area, which have a combined capacity of roughly 300,000 barrels per day (bbl/d), remained out of operation as of November 2nd, according to the U.S. Energy Information Administration (EIA).

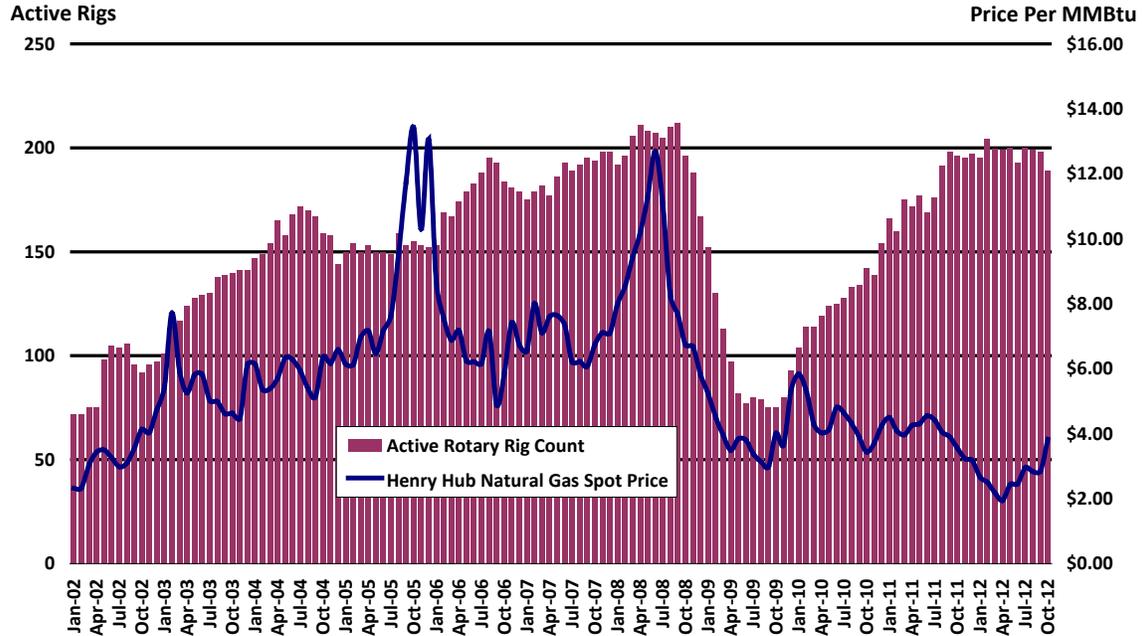
As of Sunday, November 4th, the EIA estimated that 27 percent of gasoline stations in the New York metropolitan area did not have gasoline available for sale. This is a sharp decrease from the estimated 67 percent on Friday, November 2nd. This number includes stations that reported no gasoline available and those EIA could not reach after numerous attempts, and consequently assume that the stations were closed.

Crude oil prices slumped in October as WTI-Cushing spot prices averaged \$89.49 per barrel, down \$5.02 from September's average of \$94.51 per barrel.

Oklahoma's rotary rig activity averaged 189 in September, down nine rigs from the previous month's count of 198 rigs. Over the year, Oklahoma's active rotary rig count was down by seven from September 2011.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

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 and service. During periods of strong economic growth, one would expect demand to be robust. If inventories are low, this will lead to increases in natural gas. If inventories are high and rising in a period of strong demand, prices may not need to increase at all, or as much. During a period of sluggish economic activity, demand for natural gas may not be as strong. If inventories are rising, this may push down oil prices.

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

Background

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

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

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

Current Developments

Natural gas working inventories ended September 2012 at an estimated 3.7 trillion cubic feet (Tcf), about 8 percent above the same time last year. The EIA expects the Henry Hub natural gas spot price, which averaged \$4.00 per million British thermal units (MMBtu) in 2011, to average \$2.71 per MMBtu in 2012 and \$3.35 per MMBtu in 2013.

The EIA also projects average household expenditures for heating oil and natural gas will increase by 19 percent and 15 percent, respectively, this winter (October 1 through March 31) compared with last winter

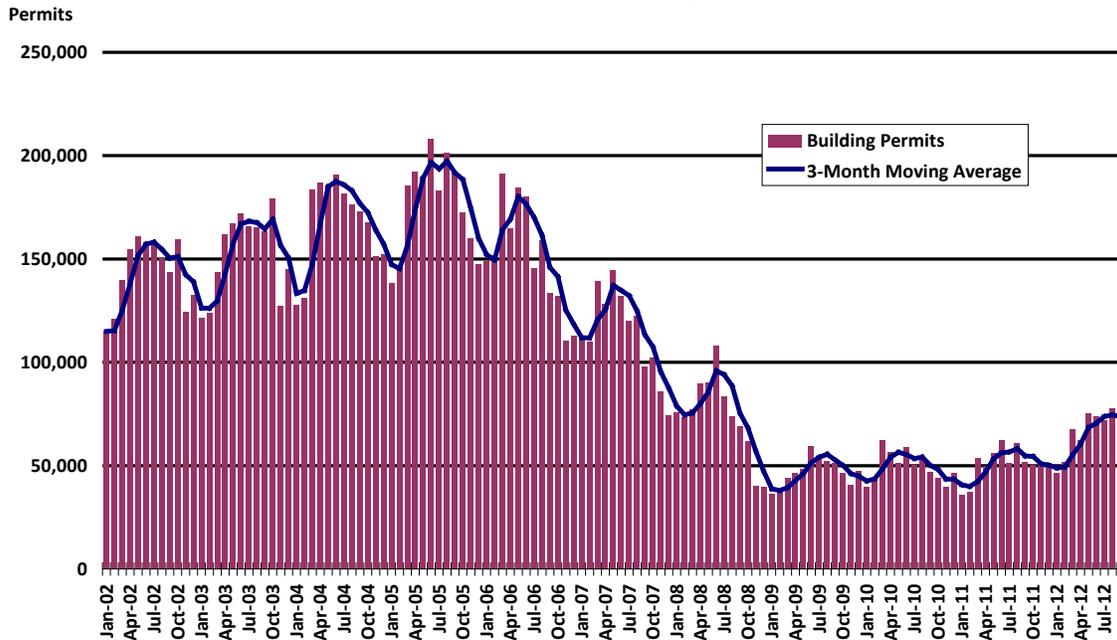
Natural gas prices rebounded sharply in October continuing the trend set in the previous month. Henry Hub prices averaged \$3.83 per million British thermal units (MMBtu) for October, up 98 cents per MMBtu from September's average of \$2.85 per MMBtu.

In Oklahoma, gas-directed rotary rig activity was at 24 (13 percent) for the week ending November 2nd, while oil-directed rigs were at 168 (88 percent).

U.S. Total Residential Building Permits, 2002-2012

Not Seasonally Adjusted

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



Definition & Importance

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

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

Current Developments

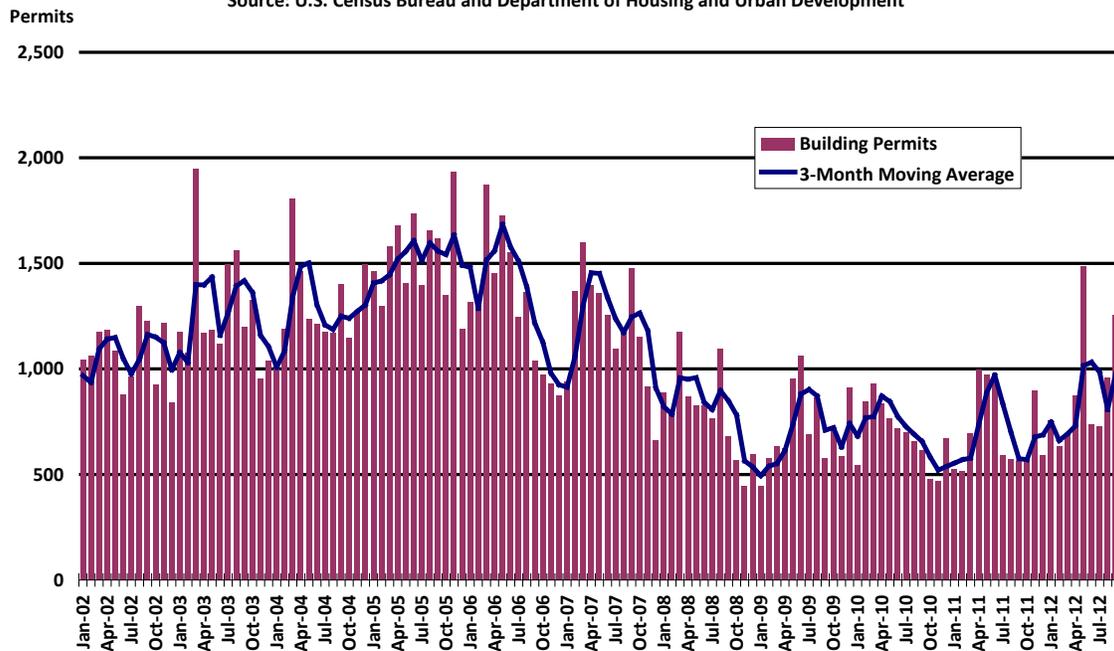
In September, the number of new building permits, an indication of future construction, rose to its highest level since July 2008. Privately-owned housing units authorized by building permits in September were at a seasonally adjusted annual rate of 894,000, which is 11.6 percent above the revised August rate of 801,000 and is 45.1 percent above the September 2011 estimate of 616,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

Residential construction also picked up momentum in September. Builders started work on new houses and apartments at a seasonally adjusted annual rate of 872,000 units, up 15 percent from August and 34.8 percent from September a year ago—also the highest level since July 2008.

Oklahoma Total Residential Building Permits, 2002-2012

Not Seasonally Adjusted

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



Oklahoma residential permitting gained momentum in September as multi-family permitting surged. Total unadjusted residential building permits were up 30.5 percent from the previous month, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development. September multi-family permitting activity accounted for 43.3 percent of all residential permitting activity with the highest level of permitting activity since May. Single-family permitting was 30.5 percent above August.

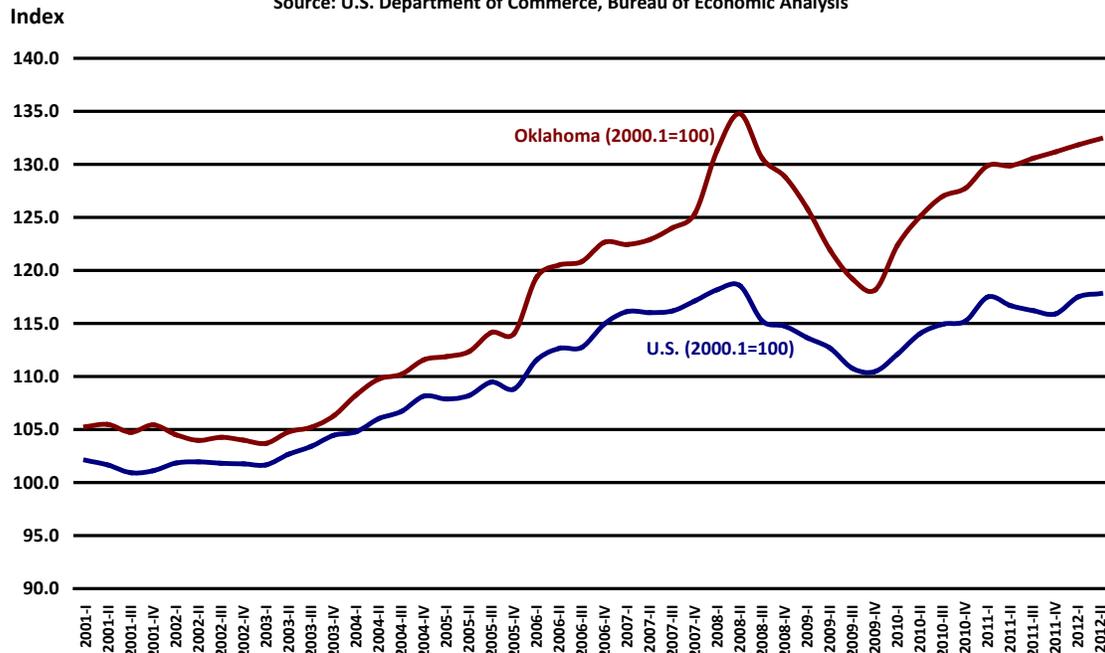
Over the year, total residential permitting was 123.0 percent above September 2011. Single-family permitting was up 43.3 percent while the more volatile multi-family component was up 722.7 percent.

Oklahoma's residential permitting activity in 2012 is on track to be the strongest year since 2007 and is easily outpacing 2011. Year to date, total residential permitting activity was 27.4 percent above the first nine months of 2011. Single-family permitting was 26.4 percent greater than 2011 while multi-family activity was 40.2 percent more.

U.S. and Oklahoma Real Personal Income

Index: 1st Quarter 2000 = 100

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



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

Americans increased their spending in September at twice the rate that their income grew, a sign of confidence in the economy. Personal income increased \$48.1 billion, or 0.4 percent, and disposable personal income (DPI) increased \$43.0 billion, or 0.4 percent, in September, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) increased \$87.9 billion, or 0.8 percent. In August, personal income increased \$17.8 billion, or 0.1 percent, DPI increased \$15.1 billion, or 0.1 percent, and PCE increased \$59.9 billion, or 0.5 percent, based on revised estimates.

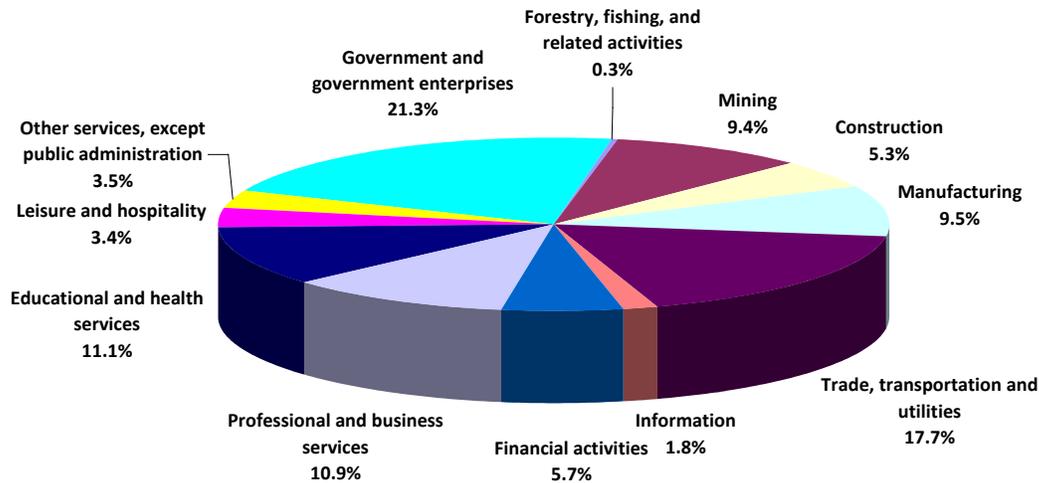
The good news is that auto sales lifted spending but the bad news is that so did higher gasoline prices. By components, durable goods spending jumped 1.5 percent after a 1.6 percent rise the prior month. Nondurable goods spending increased 1.7 percent, again on higher gasoline prices, equaling the August rate. Services improved to a 0.4 percent boost following a flat August.

However, after adjusting for inflation and taxes, income was flat in September following a 0.3 percent decline in August.

Oklahoma Nonfarm Industry Contribution to Earnings

Second Quarter 2012

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



Definition & Importance

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

Current Developments

State personal income growth slowed to 1.0 percent in the 2nd quarter of 2012, from 1.7 percent in the 1st quarter, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Growth slowed in 39 states plus the District of Columbia, accelerated in 10 states, and was unchanged in Nevada. Personal income growth ranged from 2.1 percent in North Dakota to 0.4 percent in New Mexico.

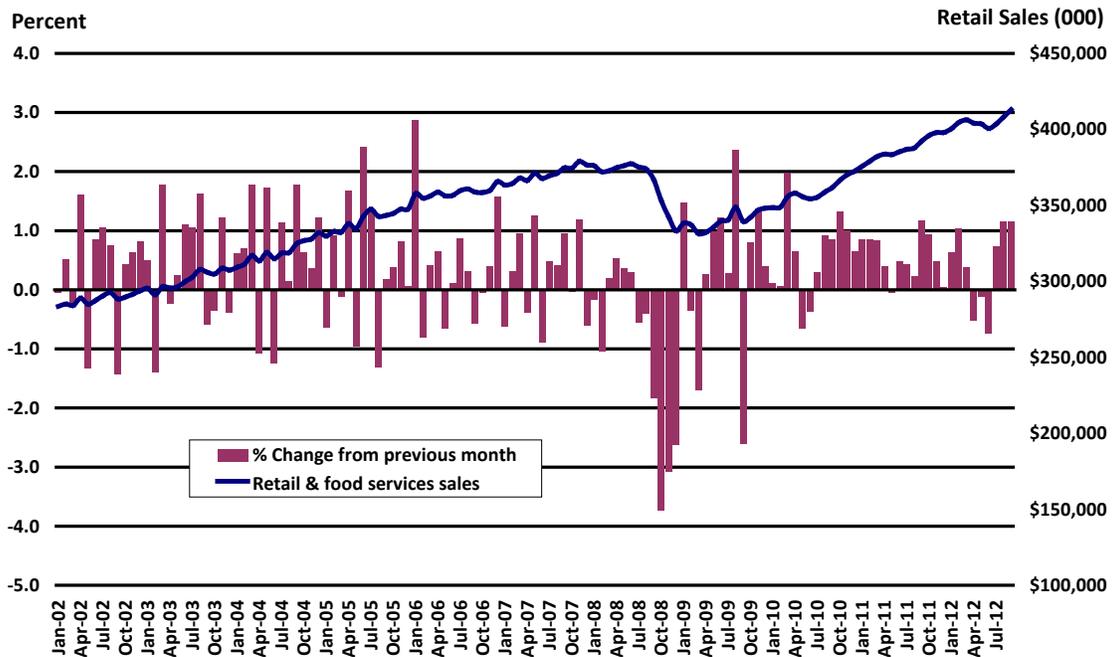
Oklahoma's personal income growth rate of 1.2 percent ranked seventh in the April through June period and above the national rate of 1.0 percent. In the previous quarter, Oklahoma's personal income grew at 0.8 percent. The BEA estimated Oklahoma's total personal income was \$148.2 billion in the 2nd quarter, compared to \$146.5 billion in the 1st quarter. In 2011, Oklahoma's personal income number was revised upward by \$1.5 billion, or 1.1 percent.

Earnings contributed 0.78 percent to Oklahoma's personal income growth in the 2nd quarter. Earnings increased in 19 of 24 Oklahoma industries with the largest percentage (-7.2 percent), and dollar decline (-\$88 million) in farm earnings. Declines in earnings were also seen in nondurable goods manufacturing (-1.6 percent); educational services (-0.7 percent); construction (-0.4 percent); and military (-0.4 percent).

Industries reporting earnings growth were led by forestry, fishing, and related activities growing by 4.5 percent. Significant earnings growth was also reported in wholesale trade (3.6 percent); real estate and rental and leasing (3.6 percent); management of companies and enterprises (2.6 percent); arts, entertainment, and recreation (2.4 percent); transportation and warehousing (2.2 percent); and professional, scientific, and technical services (2.2 percent).

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

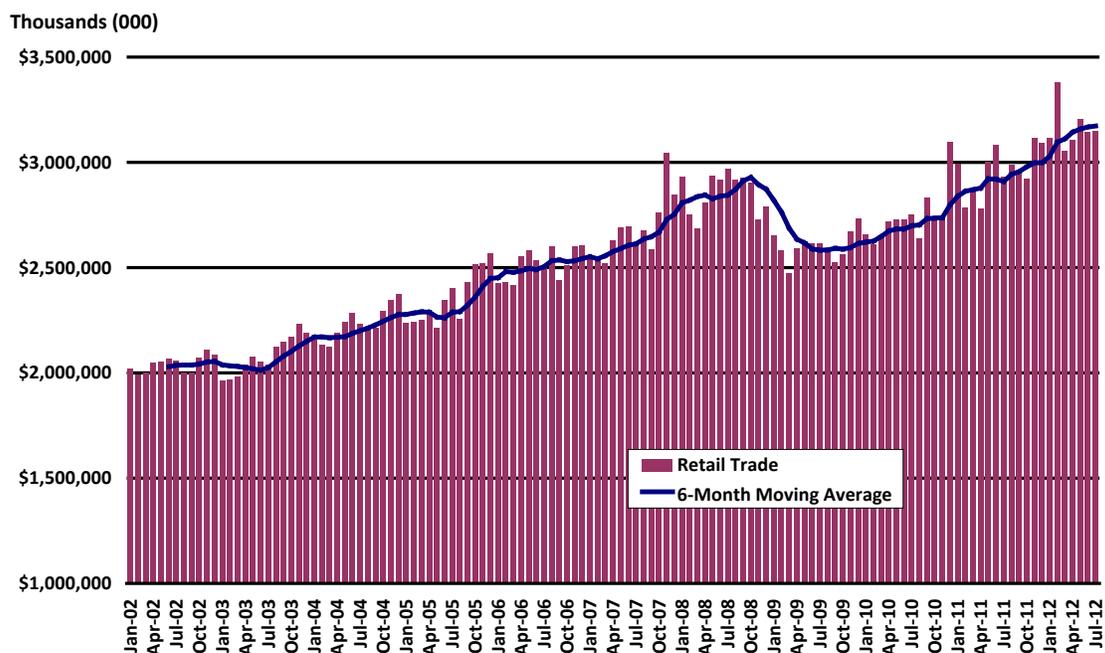
U.S. retail sales rose in September with broad-based gains that suggest household spending helped bolster economic growth last quarter. Advance estimates of U.S. retail and food services sales for September, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$412.9 billion, an increase of 1.1 percent from the previous month and 5.4 percent above September 2011, according to the U.S. Census Bureau. The July to August 2012 percent change was revised upward from 0.9 percent to 1.2 percent.

Twelve of 13 major categories showed gains in September, led by auto dealers, service stations and electronics stores. Sales climbed 1.3 percent at automobile dealers, after a 1.8 percent increase the prior month, today's report showed Filling-station sales advanced 2.5 percent. Excluding autos, gasoline and building materials, which are the figures used to calculate gross domestic product, sales climbed 0.9 percent, the best performance since July and following a 0.3 percent gain in August (originally up 0.1 percent).

Electronics dealers showed a 4.5 percent jump in sales, the biggest gain since October 2011. The introduction of the Apple Inc. iPhone 5 at the end of the month probably help spur demand. Non-store retailers, which include online merchants, may have also benefited, leading to a 1.8 percent gain in receipts. Spending increased 0.6 percent at clothing stores and 0.3 percent at general merchandise stores mostly driven by back-to-school demand.

Oklahoma Total Adjusted Retail Trade

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



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 monthly retail sales gains eased a bit in July but remained in positive territory. Total adjusted retail sales for July was at a level of \$3,148,487,989 or 0.2 percent above the previous month's sales figure of \$3,142,778,964 and 7.4 percent over July 2011.

Durable goods sales advanced 0.6 percent in July led by lumber & hardware (+2.9 percent), furniture (+1.2 percent), and auto accessories & repair (+0.6 percent). Declining sales were seen in electronics & music stores (-2.7 percent), miscellaneous durable goods (+1.7 percent), and used merchandise (-0.6 percent). Over the year, durable goods sales were 6.4 percent more than July 2011.

Total nondurable goods sales unchanged in July at a level of \$2,414,937,369 for a 0.1 percent increase over June. Miscellaneous non-durable sales were up 2.4 percent in July along with eating & drinking sales (1.8 percent), food sales (+0.9 percent), and drug sales (+0.1 percent). Declines in non-durable goods were in estimated gasoline sales (-1.9 percent), apparel sales (-0.7 percent), liquor sales (-0.5 percent), and general merchandise (-0.5 percent). Compared to July 2011, non-durable goods sales improved 6.4 percent.