OKLAHOMA
Economic Indicators

October 2015

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ECONOMIC INDICATORS

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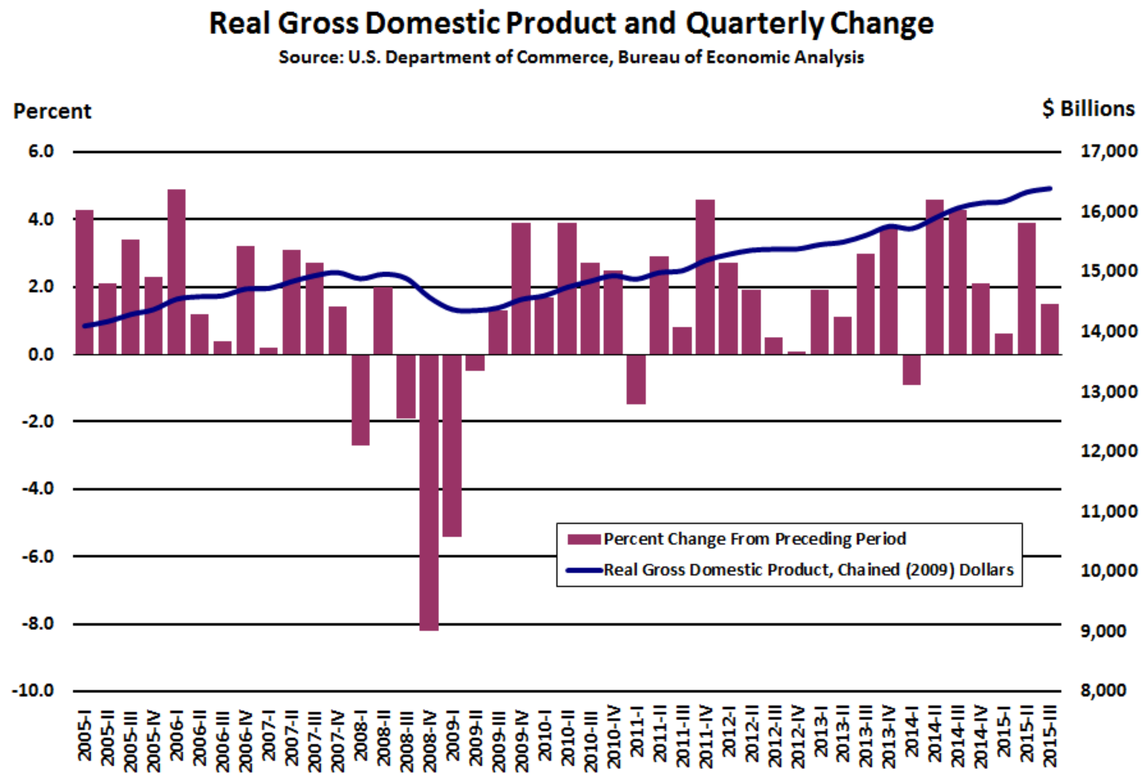


Definition & Importance

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

U.S. economic growth slowed sharply in the 3rd quarter, as solid consumer spending was offset by a pull back in business inventories. Real gross domestic product (GDP) increased at an annual rate of 1.5 percent in the 3rd quarter of 2015, according to the "advance" estimate released by the Bureau of Economic Analysis (BEA). In the 2nd quarter, real GDP increased 3.9 percent.

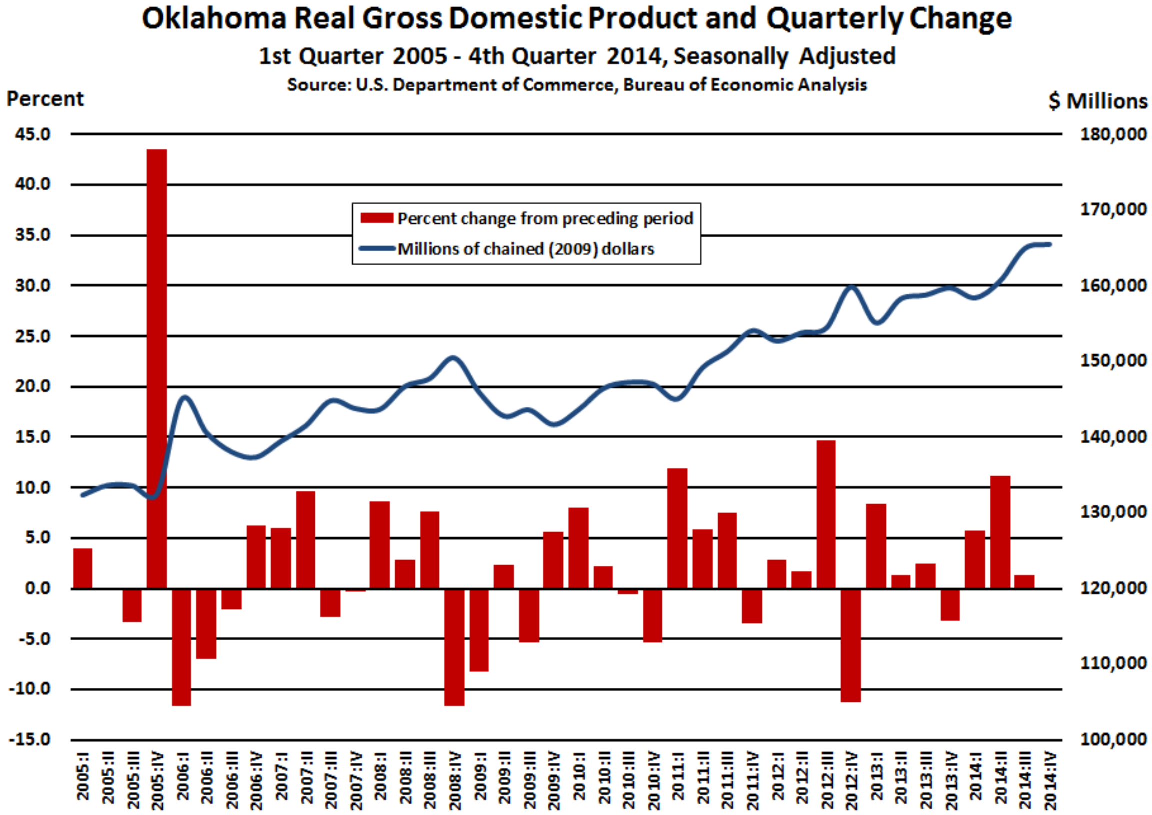
Consumer spending continues to be helped by cheap gasoline prices and improving housing and labor markets. Personal consumption expenditures slowed 4 tenths from the previous quarter to a 3.2 percent rate in the 3rd quarter. Sales of durable goods such as autos were especially strong rising 6.7 percent in the quarter. Spending on services increased 2.6 percent, notably on health care.

Businesses accumulated the smallest amount of inventory since the 1st quarter of 2014 reducing 3rd quarter growth by 1.4 percentage points. Business investment spending grew by a modest 2.1 percent in the 3rd quarter, just half the 2nd-quarter rate. However, spending on mining exploration, wells and shafts tumbled 46.9 percent after dropping 68 percent in the 2nd quarter. Investment on nonresidential structures contracted at a 4.0 percent rate.

Spending on residential construction eased somewhat in the 3rd quarter. Residential investment added just 0.2 percentage points to overall growth in the July through September period, the smallest contribution from home building and improvements in a year.

A wider trade deficit also held back growth in the 3rd quarter. Although export growth decelerated in the 3rd quarter it was offset by a slowdown in imports, leaving the impact from trade on GDP at almost growth neutral.

The pace of government spending slowed to 1.7 percent in the 3rd quarter, down from 2.6 percent in the 2nd quarter. Much of that increase came from state and local governments, where spending rose 2.6 percent. At the federal level, spending was almost flat, rising 0.2 percent, reflecting a 1.4 percent drop in federal defense spending offset by a 2.8 percent increase in nondefense federal spending.



Definition & Importance

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

Current Developments

U.S. real GDP by state increased 2.2 percent in 2014. Growth in real GDP accelerated in the 2nd and 3rd quarter of the year after declining at an annual rate of 2.4 percent in the 1st quarter. After climbing to a high of 5.5 percent in the 3rd quarter, growth in real GDP decelerated to 2.0 percent in the 4th quarter. Real GDP increased in all eight BEA regions. However, in the first quarter of 2014 GDP declined in five of the eight regions. The Plains region declined the most primarily due to a decline in agriculture, forestry, fishing, and hunting.

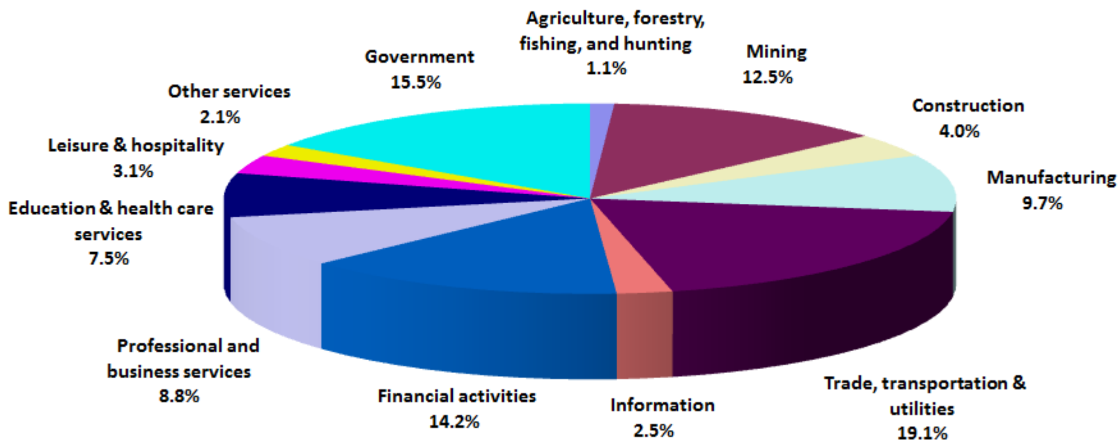
In 4th quarter 2014, Oklahoma's real GDP was $165.5 billion in constant 2009 dollars, up from $164.9 billion in the 3rd quarter. The state's 4th quarter real GDP increased by $1.19 billion, or 1.3 percent, ranking Oklahoma 29th among all other states and the District of Columbia. Mining was the largest contributor to Oklahoma's GDP growth in the 4th quarter, adding 2.30 percent while utilities provided the largest drag, subtracting 2.61 percent.

For all of 2014, Oklahoma's real GDP was at a level of $162.4 billion in constant 2009 dollars, growing at a rate of 2.8 percent from 2013 and placing Oklahoma as the tenth-highest annual GDP growth rate among all other states and the District of Columbia.

2014 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

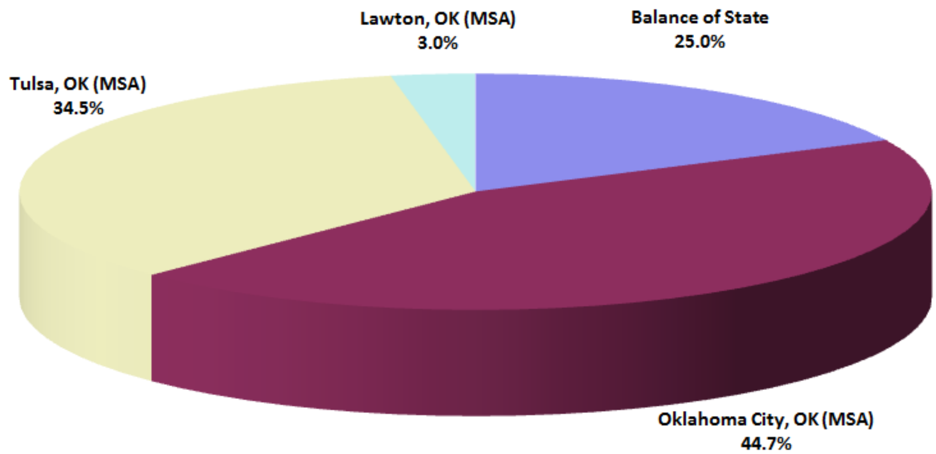
Oklahoma was among 48 states and the District of Columbia experiencing growth in real gross domestic product (GDP) in 2014, according to new statistics from the Bureau of Economic Analysis (BEA). U.S. real GDP grew 2.2 percent in 2014 after increasing 1.9 percent in 2013.

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

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

Metropolitan Area Contribution to State Real Gross Domestic Product 2014

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



Definition & Importance

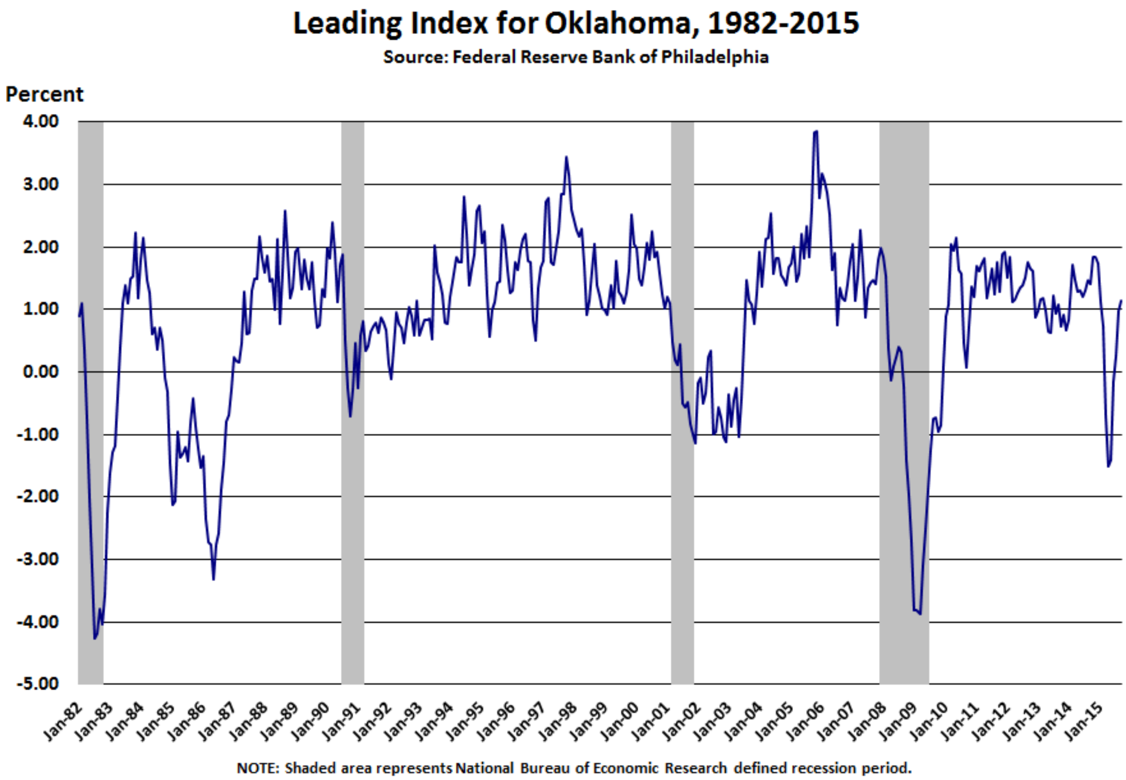
Metropolitan Statistical Areas (MSAs) are county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree of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

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

Current Developments

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

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



Definition & Importance

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

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

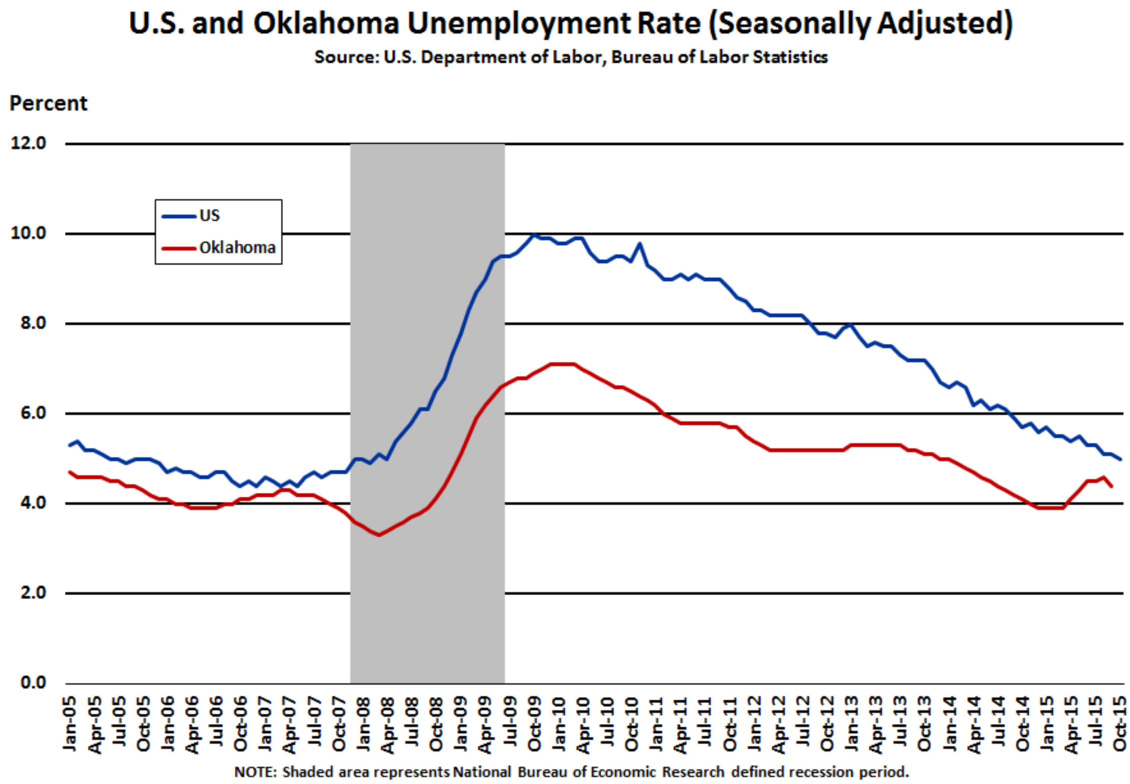
Current Developments

Declining oil and natural gas prices have weighed on Oklahoma’s economy since the beginning of 2015. Oklahoma’s leading index began falling at the end of 2014 and saw six consecutive months of decline, slipping into negative territory in March, April and May.

Oklahoma’s leading index continued to rise for the third consecutive month in September. Leading Index for Oklahoma climbed 1.14 percent in September following a 0.97 percent increase in August, according to the latest figures from the Federal Reserve Bank of Philadelphia.

During the first half of 2015, energy sector layoffs translated into elevated initial claims for unemployment insurance while home builders statewide pulled back on applications for residential construction. It appears that initial claims have finally stabilized and September residential permitting remained at a healthy level.

Nevertheless, it looks like the Oklahoma economy experienced a recession during the first half of 2015.



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.

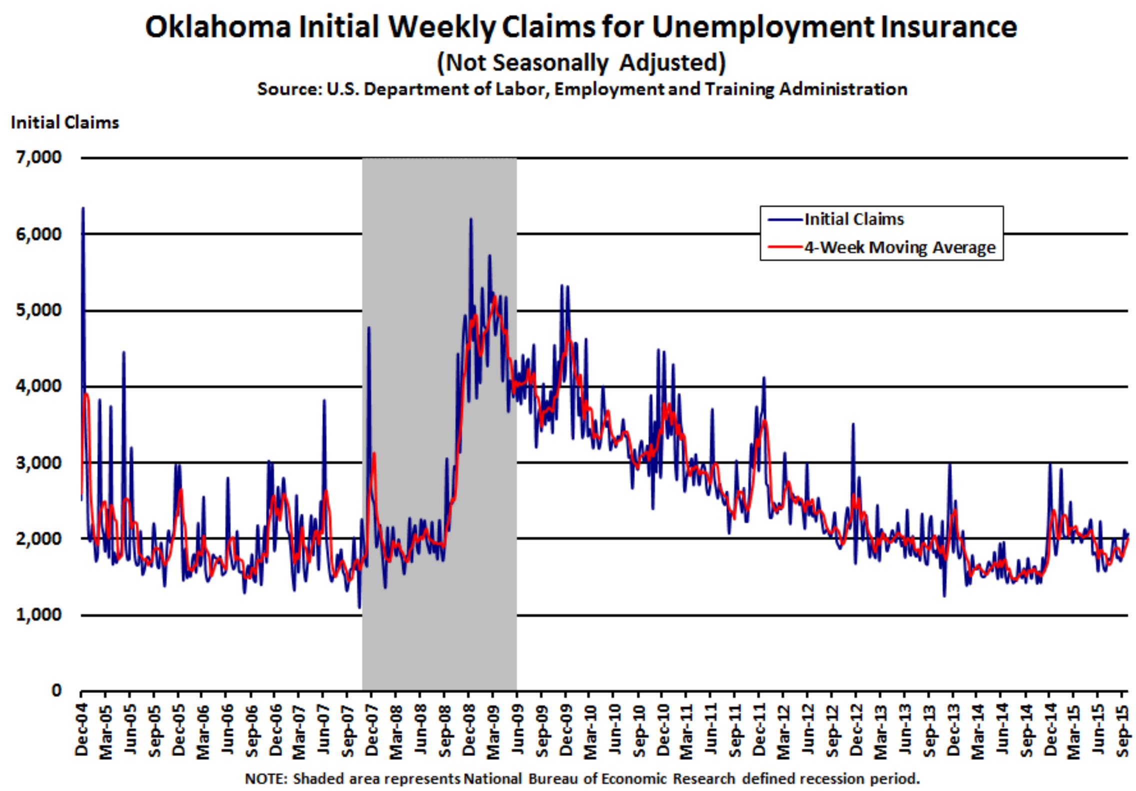
The unemployment rate is a lagging indicator of economic activity. During a recession many people leave the labor force entirely. As a result, the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more 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 dipped to a seven-year low in October on a strong burst of hiring. In October, the unemployment rate edged down a tenth of a percentage point to 5.0 percent, according to the Bureau of Labor Statistics (BLS). The civilian labor force participation rate was unchanged at 62.4 percent, (a 38-year low), in October, following a decline of 0.2 percentage point in September.

Oklahoma's seasonally adjusted unemployment rate decreased to 4.4 percent in September. Oklahoma's jobless rate was the 17th lowest unemployment rate among all states in September, tied with Kansas and Maine. Over the year, the state's seasonally adjusted unemployment rate was 0.2 percentage point more than the September 2014 rate of 4.2 percent.

Unemployment rates dropped in 72 of 77 Oklahoma counties over the month in September. McIntosh County had the highest county unemployment rate at 7.8 percent. Cimarron County again posted the lowest county unemployment rate in September at 2.1 percent.



Definition & Importance

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

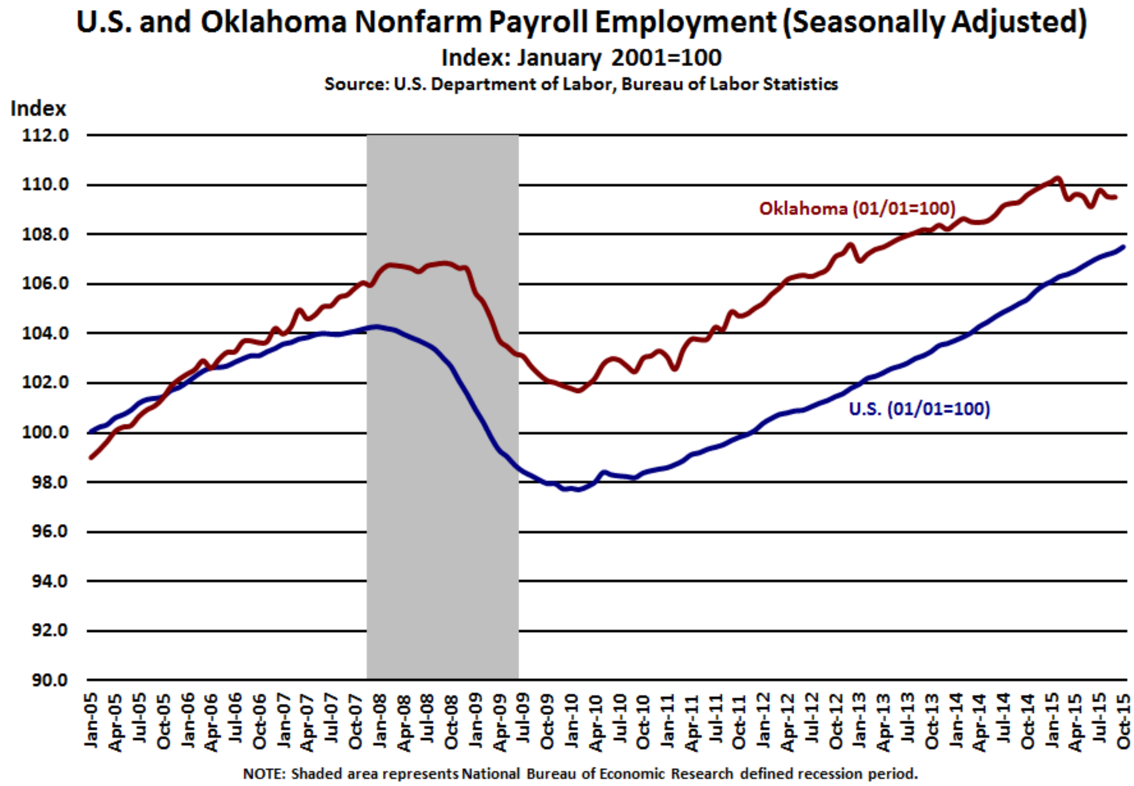
Initial claims are a leading indicator because they point to changes in labor market conditions. An increasing trend signals that layoffs are occurring. Conversely, a decreasing trend suggests an improving labor market. The four-week moving average of initial claims smooths out weekly volatility and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

Current Developments

The number of Americans filing new applications for jobless benefits rose slightly in the last week of October. In the week ending October 24, the advance figure for seasonally adjusted initial claims was 260,000, an increase of 1,000 from the previous week's unrevised level of 267,000, according to figures released by the U.S. Labor Department (DOL). The less volatile 4-week moving average fell 4,000 to 259,250—the lowest reading since December 1973.

More Oklahomans sought jobless benefits in the last week of October. For the file week ending October 17, initial claims for unemployment insurance benefits were at a level of 2,070, or 58 more claims than the previous week. For the same file week ending, the four-week moving average moved up to 2,009, or 90 more than the previous week. Continued claims rose 236 to a level of 21,022 for the same file week ending. Over the month, initial claims jumped 359 from 1,711 for the file week ending September 19.

Over the year, statewide initial jobless claims have increased 588 from 1,482 for the file week ended October 18, 2014, while the less volatile 4-week moving average was 447 more than the 1,482 for the same file week ending. Continued claims jumped by 6,407 over the year from 14,615 for the file week ended October 18, 2014.



Definition & Importance

Nonfarm payroll employment data is produced by the Current Employment Statistics (CES) program of the Bureau of Labor Statistics (BLS). The CES Survey is a monthly survey of approximately 140,000 nonfarm businesses and government agencies representing approximately 440,000 individual worksites. The CES program has provided estimates of employment, hours, and earnings data by industry for the nation as a whole, all States, and most major metropolitan areas since 1939. In order to account for the size disparity between of U.S. and Oklahoma employment levels, we have indexed the data with January 2001 as the start value.

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

Current Developments

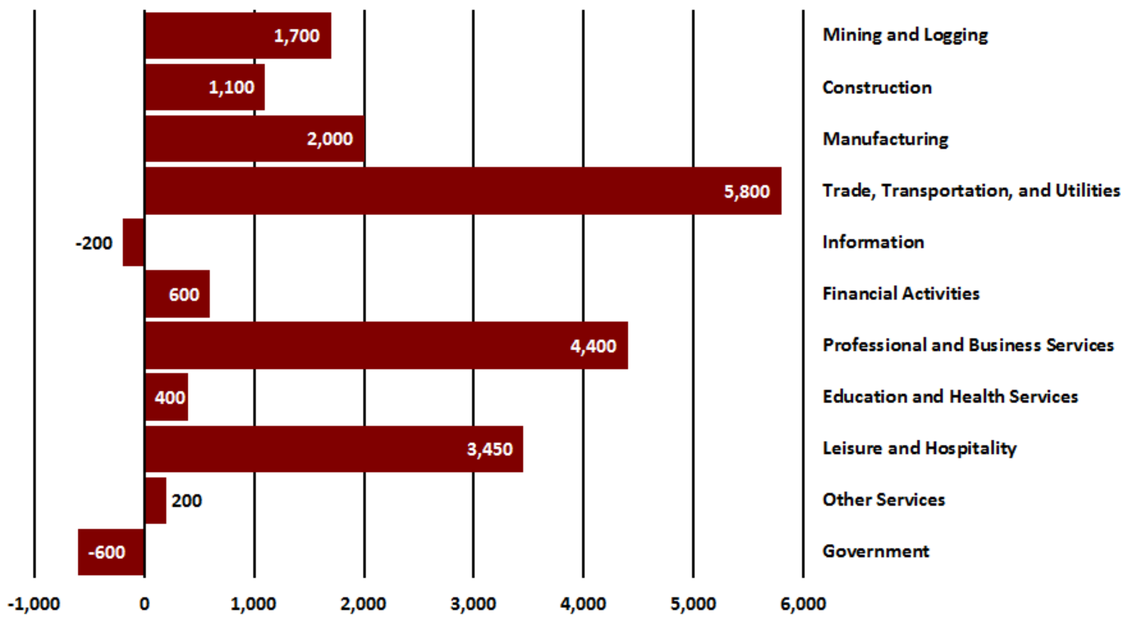
U.S. job growth surged in October after two straight months of weak job gains. Total nonfarm payroll employment increased by 271,000 in October, according to the Bureau of Labor Statistics (BLS). In October, job gains occurred in professional and business services (+78,000 jobs), health care (+45,000 jobs), retail trade (+44,000 jobs), food services and drinking places (+42,000 jobs), and construction (+31,000 jobs).

Oklahoma's seasonally adjusted nonfarm employment was essentially flat in September shedding 400 jobs (0.0 percent). Four of Oklahoma's 11 supersectors added jobs in September, as educational & health services (+3,300 jobs) posted the largest monthly gain followed by leisure & hospitality (+1,900 jobs). Mining & logging reported the largest over-the-month loss (-1,600 jobs). Over the year, statewide total nonfarm employment gained 3,000 jobs (+0.2 percent). Mining & logging (-11,000 jobs); manufacturing (-8,100 jobs); and government (-100 jobs) were the only statewide supersectors losing jobs over the year. Construction (+5,300 jobs) claimed the largest over-the-year job gain.

Oklahoma Employment Change by Industry, 2013-2014

Annual Averages (Not Seasonally Adjusted)

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



Definition & Importance

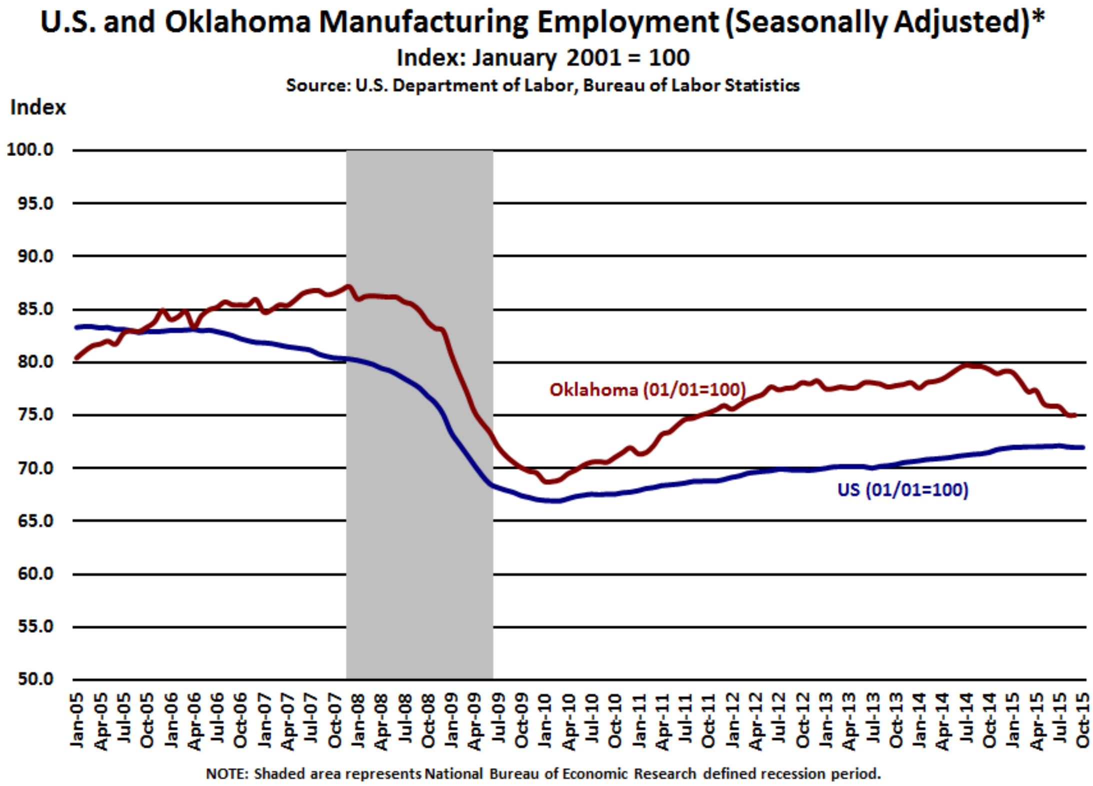
Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion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

Current Developments

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

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

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



Definition & Importance

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

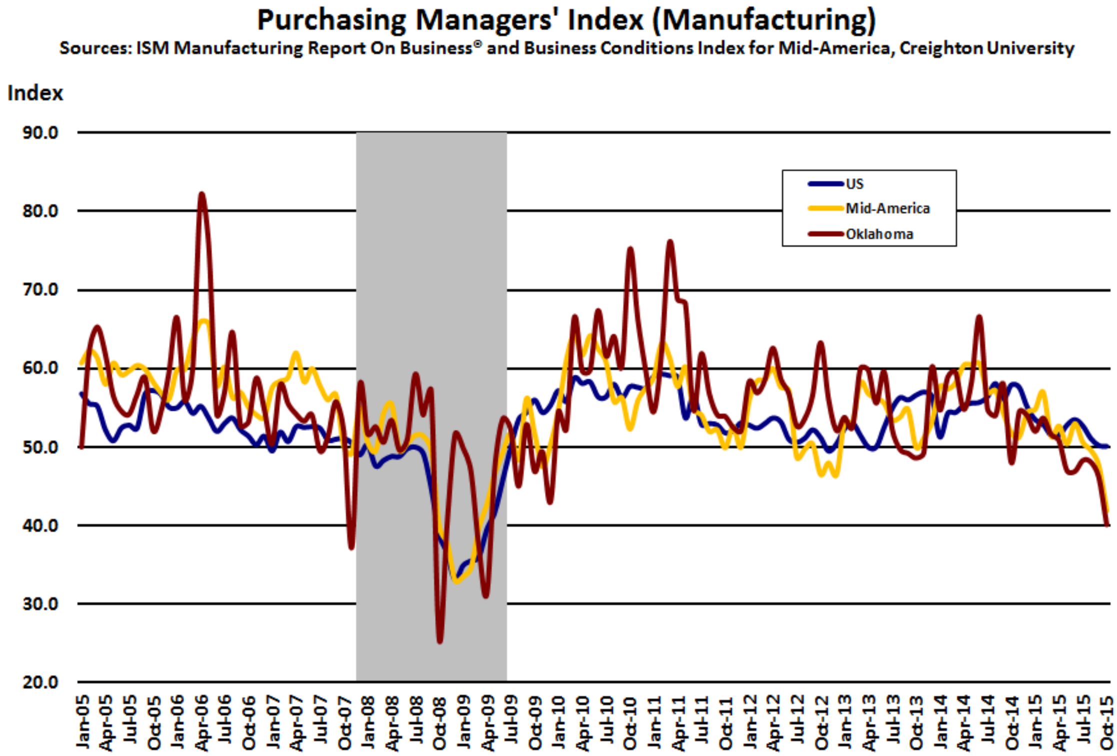
Current Developments

U.S. factory hiring was unchanged in October, and it has been essentially flat over the course of the past nine months as domestic manufacturers continue to struggle with a strong dollar and softening key international markets. In October, manufacturing employment showed no change over the month after dropping 9,000 jobs in September and 19,000 in August, according to the Bureau of Labor Statistics (BLS). The manufacturing workweek edged higher by 0.1 hour to 40.7 hours with factory overtime edging up by 0.1 hour to 3.3 hours.

Oklahoma manufacturing employment was basically flat in September, losing a non-seasonally adjusted 100 jobs (-0.1 percent). Job gains in non-durable goods manufacturing (+300) were offset by job losses in durable goods manufacturing (-400) in September.

Over the year, Oklahoma non-seasonally adjusted manufacturing employment has shed 8,100 jobs (-5.8 percent) with nearly all of the job losses coming from durable goods manufacturing.

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



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

Definition & Importance

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

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

Current Developments

U.S. factory activity grew at its slowest pace in over two years in October, bordering near contraction for the third straight month as manufacturers cut jobs and inventories. The October PMI® registered 50.1 percent, a decrease of 0.1 percentage point from the September reading of 50.2 percent, according to the latest Manufacturing ISM Report On Business®. It was the fourth straight monthly drop. Of the 18 manufacturing industries, only seven reported growth in October.

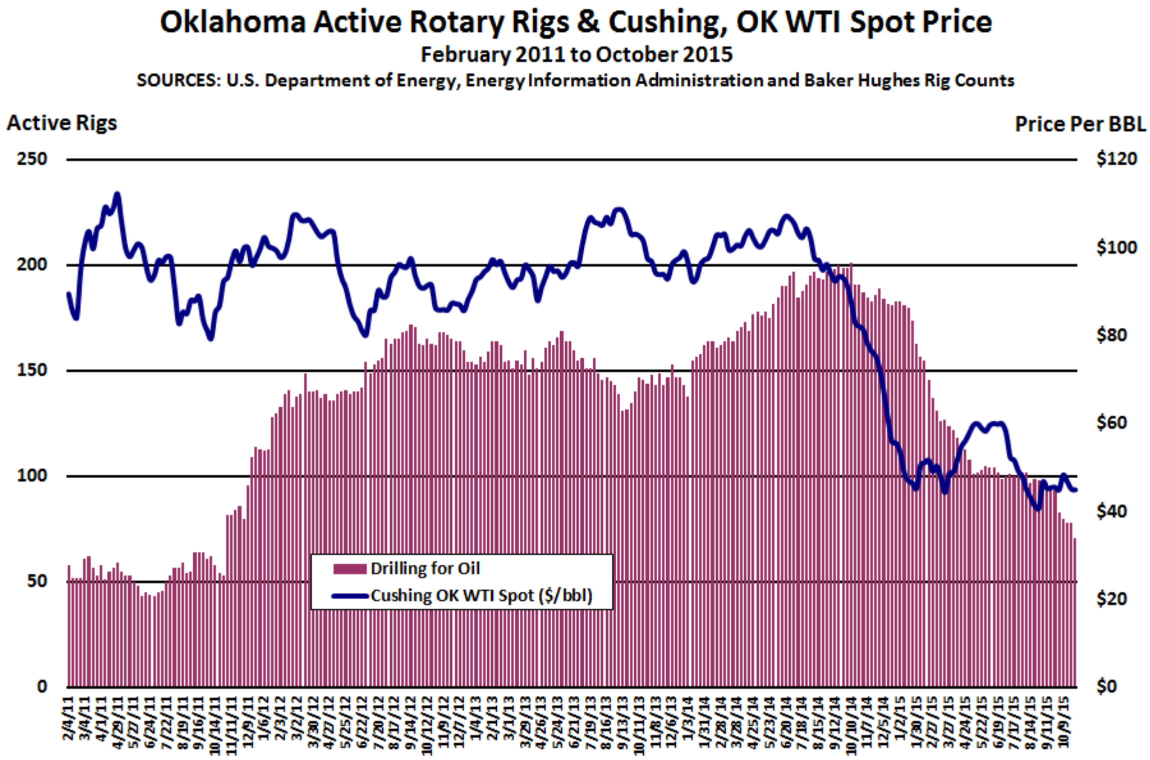
Backlog orders remain in deep contraction at 42.5 while employment, for the first time in six months, is also in contraction, down nearly 3 points to 47.6, meaning manufacturers cut jobs in October. New export orders, at 47.5, remain below 50 for the fifth straight month. On the positive side, new orders jumped nearly 2 points to a 52.9 reading while production rose for the first time since July.

The Mid-America Business Conditions Index for August, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, slumped for the month. The Business Conditions Index, which ranges between 0 and 100, declined to 41.9 from September's 47.7, according to the Creighton Economic Forecasting Group. The regional index, much like the national reading, is pointing to weak and potentially negative growth through the 4th quarter of 2015 for the overall economy.

"Manufacturing firms are over-represented in our survey. The strong U.S. dollar and global economic weakness are having a negative impact on manufacturers and businesses linked to manufacturing in the region. At the national level, prices at the wholesale level declined by 12.1 percent for farm products and by 25.5 percent for energy prices. This weakness has been showing up in our surveys over the last three months," said Ernie Goss, Ph.D., director of Creighton University's Economic Forecasting Group.

The October Business Conditions Index for Oklahoma slumped below growth neutral for a sixth straight month. The index from a monthly survey of supply managers in the state, dipped to a weak 40.1 from 46.2 in September. Components of the October survey of supply managers were new orders at 33.2, production or sales at 37.0, delivery lead time at 50.2, inventories at 42.0, and employment at 43.1.

"U.S. Bureau of Labor Statistics data show that over the last year, Oklahoma has lost 8,100, or 5.8 percent, of its manufacturing jobs. Our surveys of supply managers indicate these losses will continue into the first quarter of 2016 as lower energy prices weigh on Oklahoma's economy and manufacturing," said Goss.



Definition & Importance

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

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

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

Background

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

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

Current Developments

Oil and gas investment represented 1 percent of U.S. gross domestic product in 2014, according to a recent study by the U.S. Energy Information Administration (EIA). The sector's fixed assets totaled $1.5 trillion, approximately 3.8 percent of total U.S. private fixed assets, and the sector's 2014 investment spending of $158 billion represented approximately 5.7 percent of total U.S. private investment in fixed assets. During the high point of prices in 2012-14, when real U.S. oil prices averaged $94.20/bbl, oil and gas sector fixed asset investment totaled $458 billion, or 5.8 percent of U.S. private fixed asset investment over the three-year period.

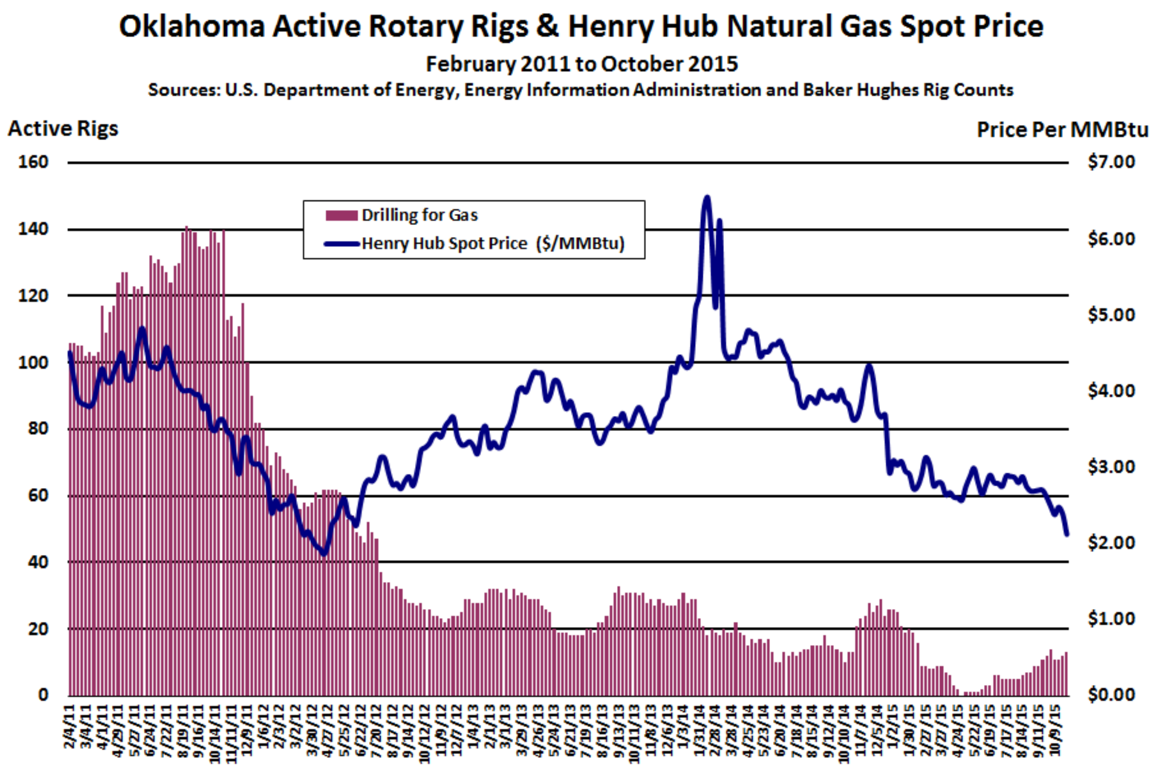
In Oklahoma, the mining sector represented approximately 12.5 percent of gross state product (or $20.3 billion) in 2014.

Oklahoma's crude production continues to fall in 2015, declining for the fifth consecutive month in August. Statewide crude production in August was at 10,081,000 barrels, 423,000 barrels, (or -4.0 percent), less than July's level of 10,504,000 barrels. However, for the first eight months of 2015, Oklahoma's crude production was 85,630,000 barrels, 1,097,000 barrels or 1.3 percent more than the 84,533,000 barrels produced during the first eight months of 2014.

Domestic crude oil prices remained in the mid-$40/barrel range in October. West Texas Intermediate (WTI-Cushing) spot prices began the month at $44.75/barrel and finished the month at $46.60/barrel. Since peak prices in June 2014, WTI-Cushing prices have nearly 60 percent.

Oklahoma's active rig count moved down to 84 for the week ending October 30 with 71 rigs being oil-directed. Over the year, Oklahoma's rig count was off 124 from 208 rigs operating October 31, 2014.

The overall count of rigs searching for oil and natural gas in the U.S. fell by 12 to 775 for the week ending October 30, according to data from oilfield service company Baker Hughes. Oil-directed rigs accounted for 74.6 percent of drilling activity while natural gas-directed accounted for 25.4 percent.



Definition & Importance

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

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

Background

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

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

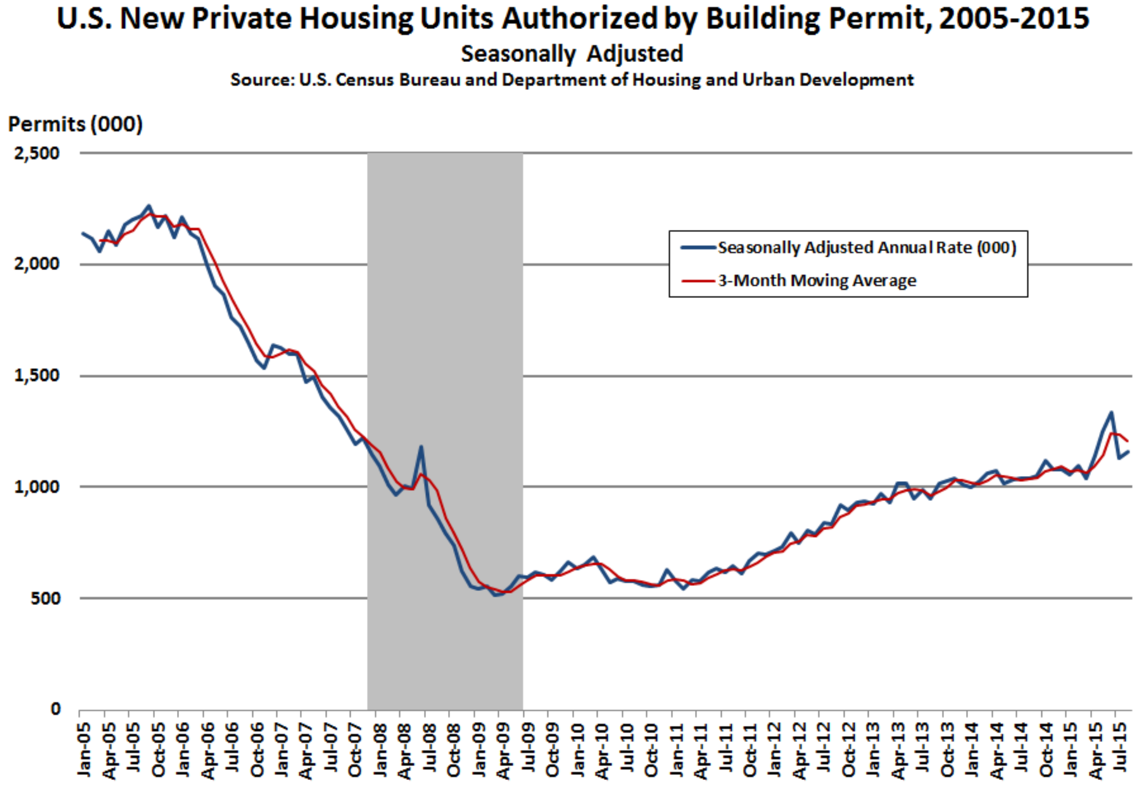
Current Developments

The U.S. Energy Information Administration (EIA) recently released an analysis of the Environmental Protection Agency's proposed Clean Power Plan rule showing it would result in major changes in the fuel mix used to generate electricity in the United States. Under the Base Policy case in EIA's analysis, the main compliance strategy to lower emissions rates as the proposed rule comes into effect is to increase natural gas-fired generation to displace and ultimately surpass coal-fired generation. Later, as more wind and solar capacity are added, renewable generation also surpasses coal-fired generation. Changes in the fuel mix play out in different ways across the country, reflecting regional variation in the economics of increases in natural gas generation and renewable capacity.

August natural gas gross withdrawals in Oklahoma were at a level of 213,900 MMcf, down slightly from July's production level of 214,786 MMcf (which was the second-highest level of production since 1991. For the first eight months of 2015, Oklahoma natural gas gross withdrawals totaled 1,674,012 MMcf compared to 1,513,701 MMcf for the first eight months of 2014, that's 160,311 MMcf, or 10.6 percent, more than 2014 year to date.

Natural gas prices continued to slide in October as the Henry Hub spot price began the month at $2.37 per million British thermal units (MMBtu) and finished the month at $1.98/MMBtu for a 16.5 percent decline over the month.

Oklahoma's natural gas-directed drilling rig count picked up a bit in October averaging about 12 active rigs, up from the September average of ten. Over the year, Oklahoma's natural gas-directed rotary rig count was down eight rigs from 21 reported the week ended October 31, 2014.



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

Definition & Importance

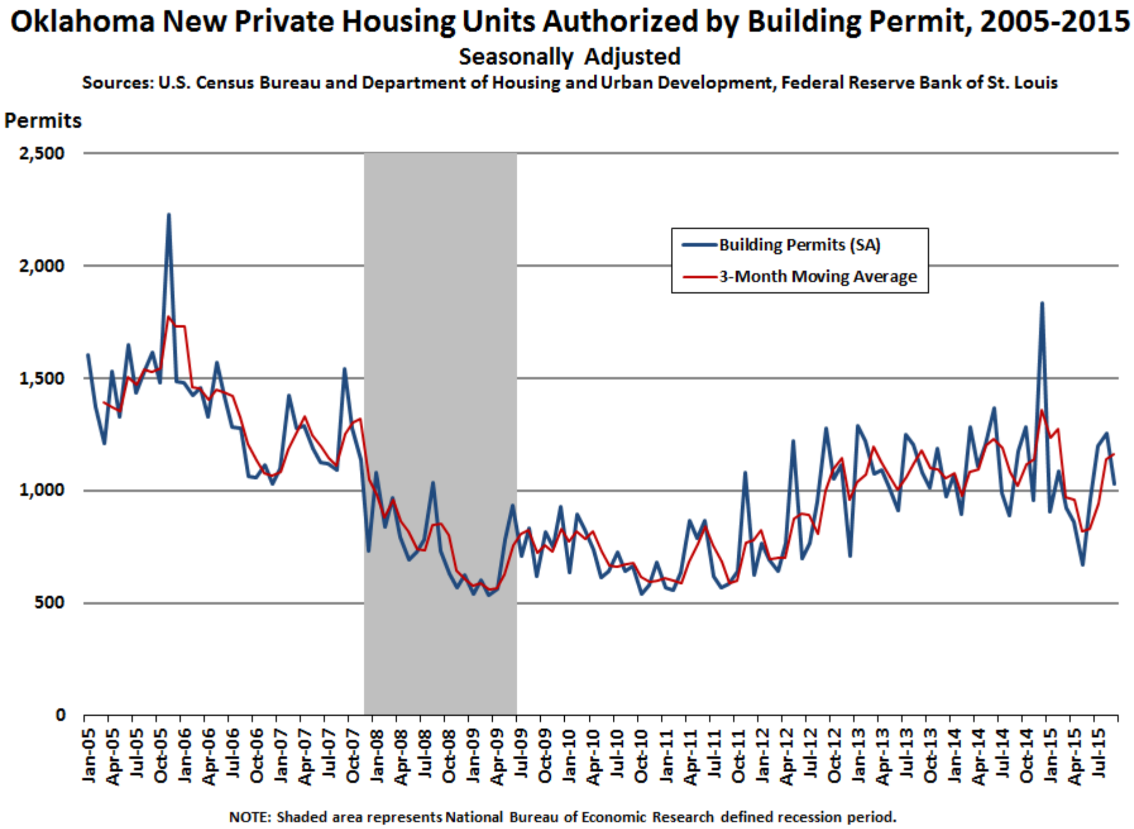
The U.S. Census Bureau and the Department of Housing and Urban Development jointly provide monthly national and regional data on the number of new housing units authorized by building permits; authorized, but not started; started; under construction; and completed. The data are for new, privately-owned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

While home construction represents a small portion of the housing market, it has an 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

U.S. home builders filed more construction permits in September, a sign that consumers are returning to the market. Privately-owned housing units authorized by building permits in August were at a seasonally adjusted annual rate of 1,170,000, 3.5 percent above the revised July rate of 1,130,000 and 12.5 percent above the August 2014 estimate of 1,040,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. Multifamily permits rose 4.7 percent to a rate of 471,000 while single-family permits increased 2.8 percent to 699,000. Regionally, the Midwest, South and West posted respective permit gains of 2.9 percent, 2.4 percent and 9.6 percent. The Northeast fell 4.4 percent.

The National Association of Home Builders/Wells Fargo builder sentiment index reached 62 in September. The last time the reading was higher was October 2005 at 68.



Definition & Importance

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

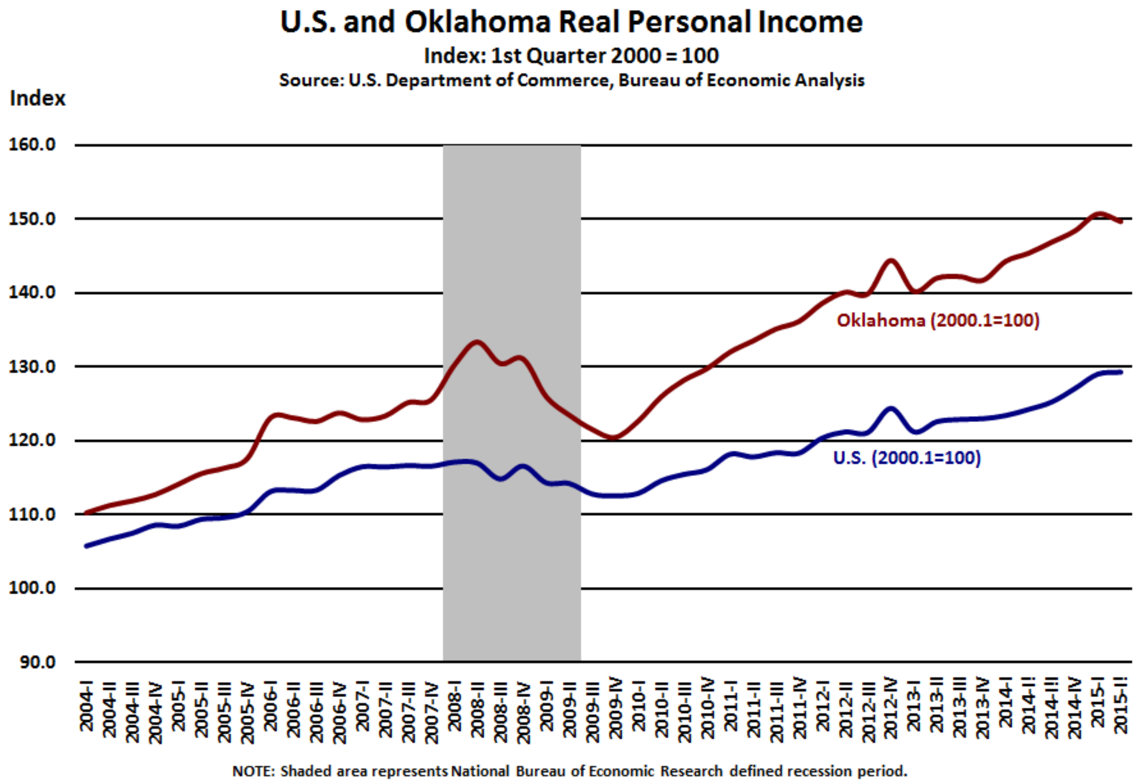
Current Developments

Oklahoma residential permitting activity eased in September as the more volatile apartment permitting slowed sharply. Total residential building permitting for September was at a seasonally-adjusted level of 1,029, or 18.2 percent below the August level of 1,258 and 12.8 percent below the August 2014 estimate of 1,180 units, according to figures from the Federal Reserve Bank of St. Louis.

Single-family permitting accounted for 82.1 percent of total residential permitting activity in September while multi-family permitting added 34.0 percent. Applications for single-family homes were at a non-seasonally adjusted level of 871, slightly below, (-0.6 percent), August’s level of 876 permits.

Over the year, total residential permitting was 151 permits, or 12.81 percent, less than September 2014. Single-family permits were 26 permits or 3.1 percent more than a year ago, while the more volatile multi-family permitting was 169, (or -51.1 percent), less than the September 2014 level of 331 permits.

Statewide residential permitting in 2015 continues to lag the previous year. Year to date, total unadjusted residential building permitting was at a level of 9,138 for the first nine months of 2015, compared to 10,343 during the same period in 2014—approximately 11.6 less than 2014.



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.

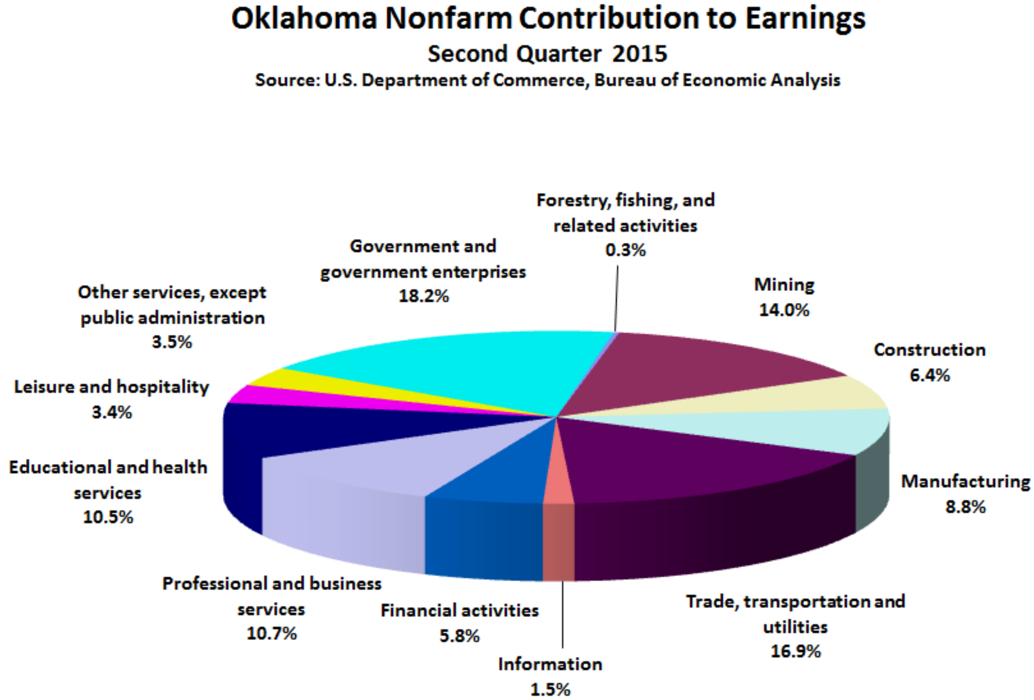
To show the vastly different levels of total personal income for the U.S. and Oklahoma on the same chart, these data have been converted to index numbers. This chart shows a comparison of Oklahoma and U.S. growth in real personal income with 1st quarter 2000 as the base year.

Current Developments

Personal income growth slowed in September to the smallest rate since March and wages & salaries were flat following two months of big gains. Personal income increased $18.6 billion, or 0.1 percent, and disposable personal income (DPI) increased $19.2 billion, or 0.1 percent, in September, according to the Bureau of Economic Analysis. Personal consumption expenditures (PCE) increased $15.6 billion, or 0.1 percent. In August, personal income increased $54.9 billion, or 0.4 percent, DPI increased $49.5 billion, or 0.4 percent, and PCE increased $44.2 billion, or 0.4 percent, based on revised estimates

Spending in September was pulled down by a 1.2 percent plunge in nondurable goods that likely reflects lower pump prices. Spending on durable goods, which includes autos, jumped 0.8 percent in September. Spending on services was up a solid 0.4 percent.

The personal saving rate—personal saving as a percentage of disposable personal income—edged up slightly to 4.8 percent in September, compared to 4.7 percent in August.



Definition & Importance

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

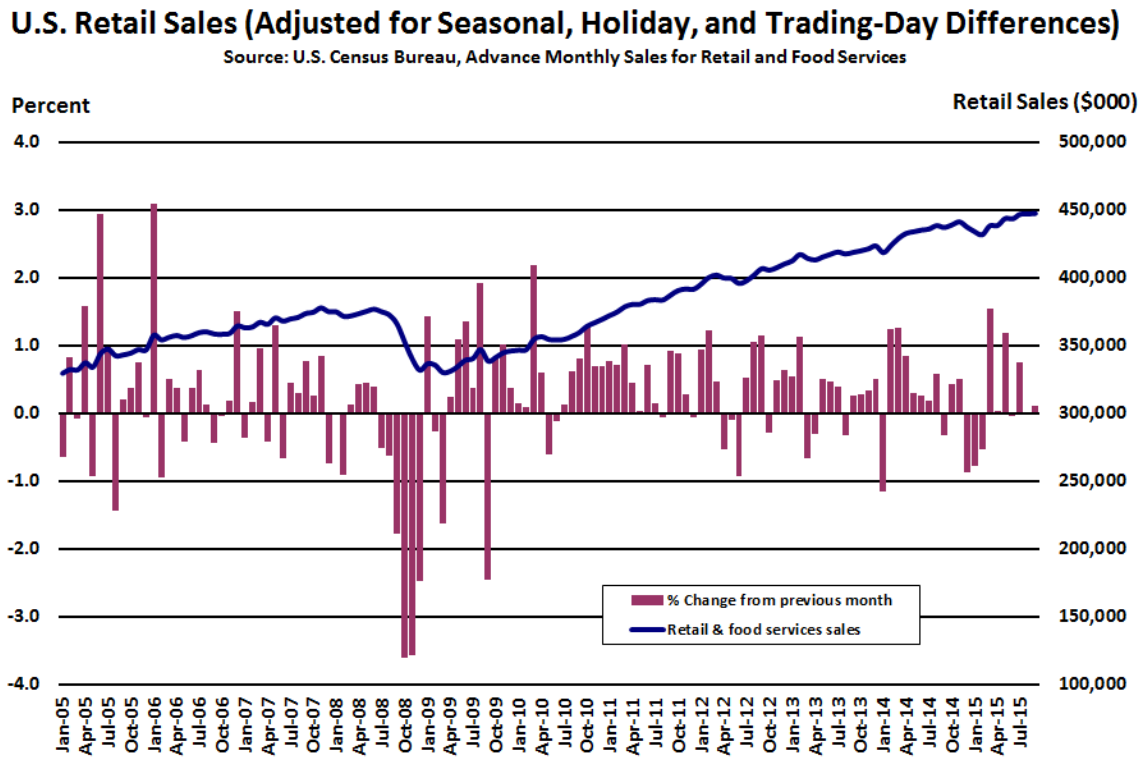
Current Developments

State personal income grew 0.9 percent on average in the 2nd quarter of 2015, after growing 0.8 percent in the 1st quarter, according to estimates by the U.S. Bureau of Economic Analysis BEA). Personal income grew in every state except Oklahoma in the 2nd quarter. In the 1st quarter, personal income grew in 34 states. Second-quarter personal income growth rates ranged from zero in Oklahoma to 1.5 percent in the state of Washington.

Job losses from the oil and gas industry finally caught up with the statewide economy as Oklahoma was the only state to record no growth in personal income in the 2nd quarter of 2015. Personal income growth was flat in the 2nd quarter, following a revised 0.8 percent pace in the 1st quarter, ranking the state 50th in the nation. Total state personal income was at a level of $ 173.3 billion in the 2nd quarter.

The drop in oil prices has hurt top oil-producing states, including Oklahoma, in the form of slower growth in personal income and employment. Earnings in mining (which includes oil and gas extraction) fell 4.9 percent in the 2nd quarter. Mining earnings also fell 4.5 percent in Wyoming, 4.1 percent in Louisiana, 5.5 percent in North Dakota, and 3.6 percent in Texas.

Oklahoma's earnings growth was negative in the 2nd quarter, declining $645.0 million for a growth rate of -0.5 percent. Mining was the largest detractor to earnings growth, subtracting 0.50 percentage point. Durable goods manufacturing subtracted another 0.10 percentage point. Construction was the largest contributor to 1st quarter earnings growth, adding 0.06 percentage point.



Definition & Importance

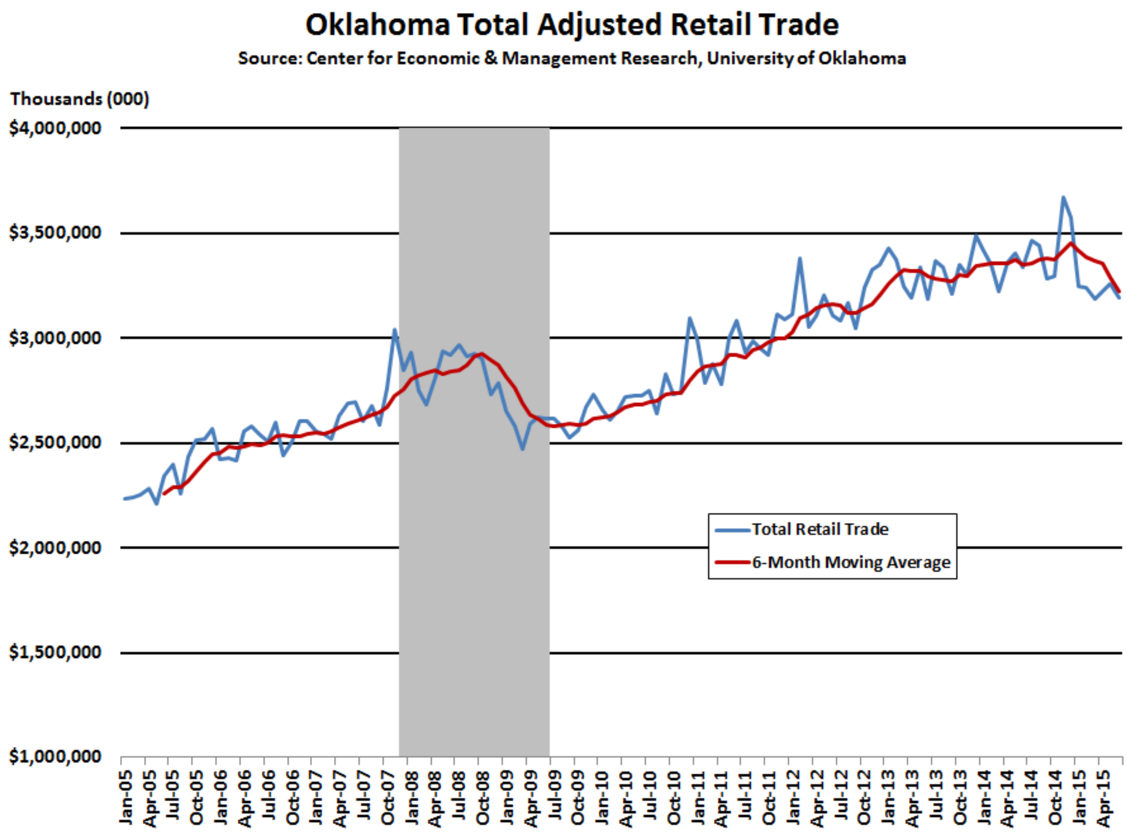
Retail sales measure the total receipts at stores that sell merchandise and related services to final consumers. Sales are by retail and food services stores. Data are collected from the Monthly Retail Trade Survey conducted by the U.S. Bureau of the Census. Essentially, retail sales cover the durables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

Current Developments

Retail sales edged up just slightly in September as low pump prices at gasoline stations are depressing total sales numbers and exaggerating overall weakness. Advance estimates of U.S. retail and food services sales September, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $447.7 billion, an increase of 0.1 percent from the previous month, and 2.4 percent above September 2014, according to the U.S. Census Bureau. Total retail sales for the 3rd quarter were up 2.3 percent from the same period a year ago while retail sales in July were revised from a 0.2 percent increase to unchanged.

Sales rose a 1.7 percent at car dealerships, for the third straight month. Restaurants, another component tied to discretionary spending, rose a very solid 0.9 percent for a second straight month. Lower pump prices dragged sales at gas stations down 3.2 percent. Excluding gasoline stations, retail sales rose a healthy 0.4 percent in September.

The less volatile "core" sales, which strip out automobiles, gasoline, building materials and food services decreased 0.1 percent from September, but increased 3.8 percent over the year. Clothing stores posted strong gains in September, up 0.9 percent. General merchandise sales were down 0.1 percent, and health & personal care stores sales were unchanged.



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 total adjusted retail trade fell in June with broad-based losses occurring in both durable and nondurable sales. Total adjusted retail sales for June were at a level of $3.19 billion, or 1.9 percent lower than the May level of $3.26 billion. For the first six months of 2015, total adjusted retail trade was at a level of $19.35 billion, or 3.7 percent lower than $20.09 billion for the first half of 2014.

Total durable goods sales fell 1.1 percent in June led by big declines in miscellaneous durable goods (2.2 percent) and auto accessories & repair (-1.9 percent). Other declining durable goods categories were furniture (-1.9 percent); electronics & music stores (-0.6 percent); lumber & hardware (-0.2 percent); and used merchandise (-0.8 percent).

Nondurable goods spending sank 2.2 percent in June led by a drop in estimated gasoline sales (-13.4 percent) due to lower pump prices. Other declining categories were miscellaneous non-durable goods sales (-1.3 percent); apparel (-0.7 percent); and general merchandise stores (-0.6 percent). Advancing for June were drugstore sales (1.2 percent); eating & drinking (0.5 percent); food (0.2 percent); and liquor (0.1 percent).