



OKLAHOMA Economic Indicators

September 2014

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SPECIAL REPORT: 2014 OESC Oklahoma Employer BENEFIT SURVEY

Introduction

The Oklahoma Employment Security Commission (OESC) works closely with businesses to provide valuable information regarding Oklahoma's current economy and job market. In keeping with this aspect of our mission, OESC's Economic Research & Analysis Division and Labor Market Information Unit conducted the *2014 OESC Oklahoma Employer Benefit Survey* in the spring of 2014.

A diverse variety of people and groups will find the results of *2014 OESC Oklahoma Employer Benefit Survey* interesting and useful. Employers can learn which benefits are typically offered by businesses, while workers can discover what benefits are offered at different companies and in different positions. Others who will find this survey beneficial include educators, career counselors, community development organizations, government officials, and public policy architects. With fewer than two dozen states collecting this kind of data, extensive statewide benefit surveys are in short supply.

Taking advantage of the unique and comprehensive list of state employers available through Oklahoma's Covered Employment and Wages (QCEW) database, researchers in the Labor Market Information Unit of the Economic Research and Analysis division conducted a statewide survey of employers from January 24 to April 15, 2014. The sample was stratified by major industry and firm size. Of the 3,910 employers randomly selected, 1,914 (49.0 percent) responded to the survey. Employers had the option of replying by mail, fax, e-mail, or telephone or completing the questionnaire online at our website. The four-page survey questionnaire contained 20 questions addressing items relating to the amount and types of paid leave provided, the proportional cost of medical/health/dental plans, types and amount of retirement extended, recent changes in health and retirement plans, extent of a variety of miscellaneous benefits available, and the proportional cost of employee benefits. Data from the respondents were weighted in order to estimate the number and percentage of Oklahoma employers offering each benefit to salaried, full-time hourly and part-time hourly employees. Responding firms employed a combined workforce of 249,736 persons, or 20.4 percent of the universe of Oklahoma employees.

The following are some of the highlights from the *2014 OESC Oklahoma Employer Benefit Survey*.

Firms That Offer Health, Paid Leave or Fringe Benefits

The survey found that 53,072 (63.6 percent) Oklahoma firms offered at least one of the following benefits: Health Benefits, Paid Leave or Fringe Benefits. The rate was lower for small firms, as 37,325 (57.4 percent) offered at least one of these three benefits. The Leisure & Hospitality industry had the lowest number of firms that offered at least one of the benefits with 2,539 (41.1 percent), and the Other Services industry provided the highest number of firms at 5,249 (85.6 percent).

Firms That Offer Paid Leave Benefits

Paid leave for employees was provided by 46,876 (56.2 percent) firms in Oklahoma. Natural Resources and Mining firms most often offered paid leave with 3,105 (77.7 percent) firms participating. The most frequent type of paid leave offered for most firm sizes and industries

was paid holidays, with paid vacation being the second most frequently offered. Salary employees were the most likely to receive paid leave. However, 5,817 (35.2 percent) small firms offered paid leave to their part-time employees.

Firms That Offer Health Benefits

The larger the firm size, the greater the likelihood of their offering health benefits. However, 1,348 (8.2 percent) small firms were able to offer health benefits to their part-time employees. The industry most likely to offer health benefits is Financial Activities, with 4,432 (57.2 percent) firms that offered health benefits. The industry least likely to offer health benefits is Leisure & Hospitality, as 1,428 (23.1 percent) of their firms provided health benefits.

Firms That Pay for a Portion of Employee's Health Benefit Costs

As one might anticipate, the larger the firm size, the more likely it is to pay a portion of employee Health Benefit Cost. Remarkably, 1,014 (29.1 percent) small firms reported that they pay a portion of the cost for part-time employees. Natural Resources and Mining was the industry most likely to pay a portion of plan cost, with 2,138 (53.5 percent) firms reporting this benefit. Leisure & Hospitality was the least likely to pay a portion of cost, as only 1,360 (22.0 percent) firms offered this benefit.

Firms That Discontinued Health Coverage

Only 3,750 (4.5 percent) of firms indicated that they have discontinued their Health Coverage. The smaller the firm, the more likely this is to have occurred, with 3,173 (4.9 percent) small firms no longer offering Health Coverage. However, most all of the firms that discontinued coverage (98.2 percent) had less than 50 employees. For all firm sizes, 2013 was the year most often reported as the year in which Health Coverage was discontinued. This was most likely to have occurred in the Information industry, where Health Coverage was dropped at 237 (21.8 percent) firms. Trade, Transportation, and Utilities was the least likely to do so, with only 0.4 percent of firms discontinued Health Coverage.

Firms That Offer Retirement Benefits and Cost

The larger the firm, the more likely it is to offer retirement benefits. Salary employees are the most likely to be offered Retirement, followed by full-time employees. Only 484 (2.9%) small firms offered retirement to their part-time employees. Information firms are most likely offer Retirement, with 616 (56.5%) firms providing the benefit. Leisure & Hospitality was the industry least likely to offer Retirement, with 739 (12.0%) firms providing the benefit. In reference to Retirement cost, a majority of all firm sizes and industries reported that their cost remained the same.

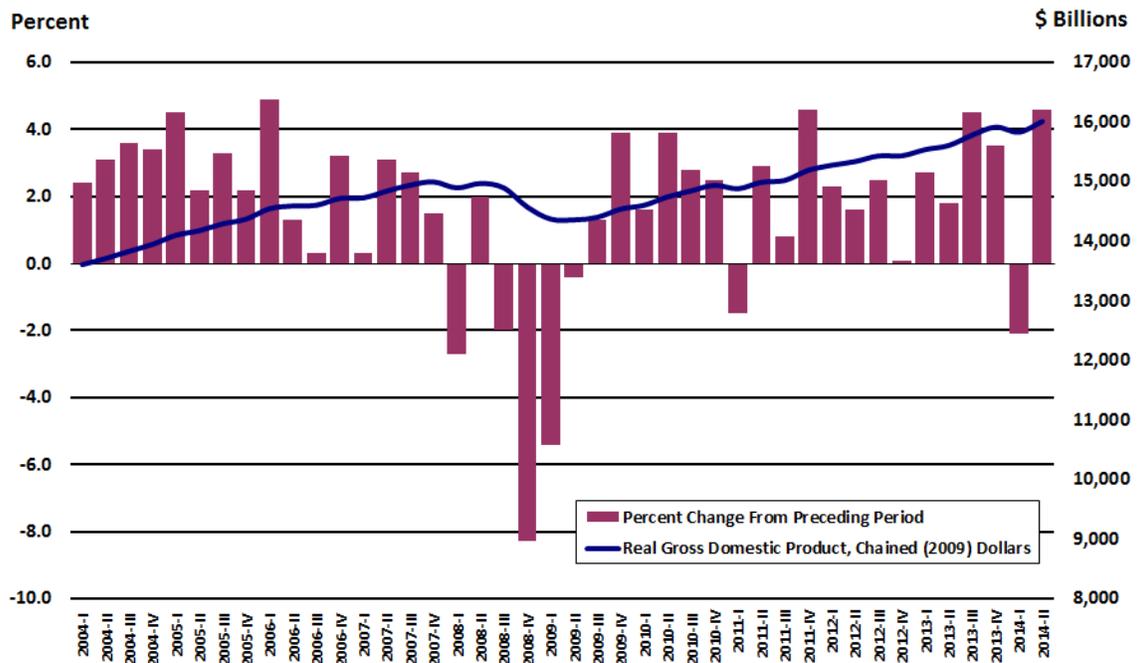
More Information

The data for the *2014 OESC Oklahoma Employer Benefit Survey* is divided by four firm sizes and nine major industries. The report is divided into nine chapters, one for each major industry. Provisions are made so the survey report can be downloaded by individual industry, by particular page in the report, or in its entirety.

For more information, please go to the 2014 Oklahoma Employer Benefit Survey web page at: http://www.oesc.state.ok.us/lmi/Survey/BS/2014_benefits_survey.htm

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

The U.S. economy grew at its fastest pace in 2-1/2 years in the 2nd quarter, boosted by an accelerating business sector and a modest pickup among consumers. Real gross domestic product (GDP) increased at an annual rate of 4.6 percent in the 2nd quarter of 2014, according to the "third" estimate released by the Bureau of Economic Analysis (BEA). Economic expansion in the 2nd quarter was broad-based, with consumers, businesses, the housing industry and state and local governments all combining to drive growth.

In the 2nd quarter, consumer spending, which accounts for more than two-thirds of U.S. economic activity, was unrevised at a 2.5 percent rate after a tepid 1.2 percent rate in the 1st quarter. Spending on durable goods such as autos was particularly strong, growing at a 14.1 percent rate, down slightly from the previously reported 14.3 percent rate. Nondurable goods outlays were unchanged at 2.2 percent. Spending on services advanced 0.9 percent. Overall, personal consumption expenditures (PCE) added 1.75 percentage points to the 2nd quarter change in in real GDP.

Business spending on equipment was raised to an 11.2 percent pace from a 10.7 percent rate. Businesses also invested more in nonresidential structures, such as gas drilling, as well as in research and development.

Businesses accumulated \$84.8 billion worth of inventory in the 2nd quarter, a bit more than the previously reported \$83.9 billion. The change in real private inventories added 1.42 percentage points to the 2nd-quarter change in real GDP after subtracting 1.16 percent in the 1st quarter.

Housing market-related spending was revised up for the April to June period. Real residential fixed investment increased 8.8 percent in the 2nd quarter, compared with an increase of 1.6 percent in the 1st quarter.

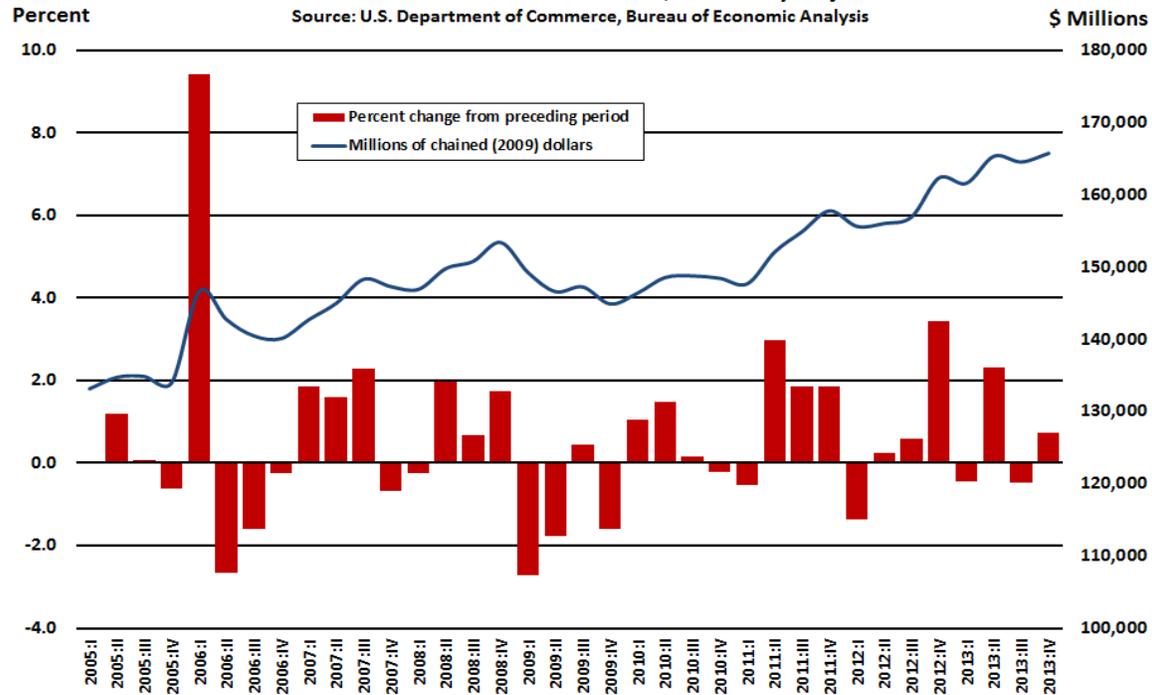
Although a higher trade deficit was a drag for a 2nd consecutive quarter, export growth was raised to an 11.1 percent pace, the fastest since the 4th quarter of 2010, from a 10.1 percent rate. Imports also grew a bit faster—11.3 percent compared to a prior estimate of 11 percent.

Growth in government spending in the 2nd quarter was less than first thought but positive as state and local government spending offset federal spending. Real federal government consumption expenditures and gross investment decreased 0.9 percent in the 2nd quarter. National defense spending increased at a 0.9 percent rate while nondefense spending decreased 3.8 percent. Real state and local government consumption expenditures and gross investment was revised upward to 3.4 percent instead of the previous 2.8 percent estimate.

Oklahoma Real Gross Domestic Product and Quarterly Change

1st Quarter 2005 - 4th Quarter 2013, Seasonally Adjusted

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



Definition & Importance

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

Current Developments

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

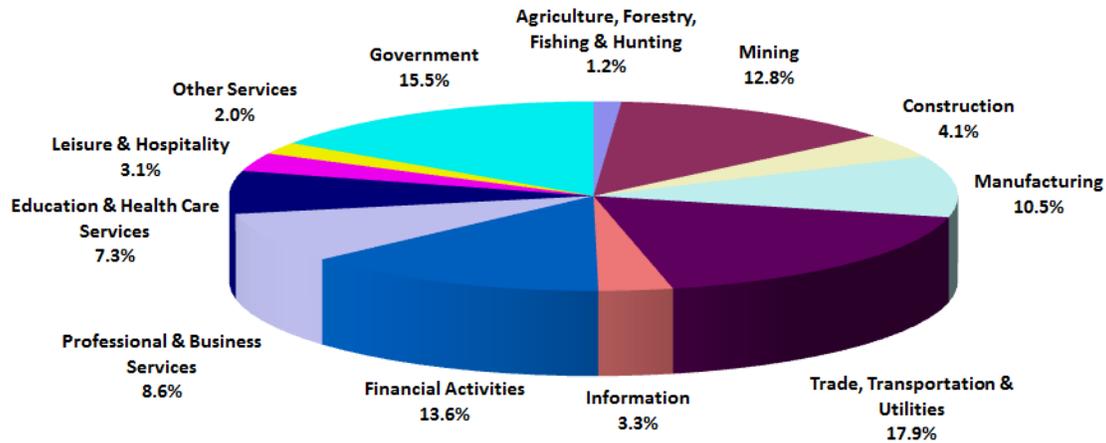
In 4th quarter 2013, Oklahoma's GDP was \$165.7 billion in constant 2009 dollars, up from \$164.5 billion in the 3rd quarter. The state's 4th quarter real GDP increased by \$1.19 billion, or 2.9 percent, ranking Oklahoma 29th among all other states and the District of Columbia.

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

Industry Share of Oklahoma's Economy, 4th Quarter 2013

(by percentage of Gross Domestic Product)

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



Fifteen Oklahoma industry sectors contributed to GDP growth in the 4th quarter of 2013, with six subtracting from growth. The mining sector, which includes the oil and gas industry, was by far the largest contributor to Oklahoma's GDP growth in the 4th quarter, adding 2.39 percentage points to overall GDP growth, followed by non-durable goods manufacturing which contributed 0.94 percentage points. Agriculture, forestry, fishing and hunting was the biggest drag to state GDP growth subtracting 1.95 percentage points.

Mining was the most predominant contributor to growth in Alaska, Colorado, New Mexico, North Dakota, Oklahoma, West Virginia, and Wyoming. Mining contributed 8.62 percentage points to growth in North Dakota, 6.85 percentage points to growth in Wyoming, 4.85 percentage points to growth in West Virginia, and 2.39 points to growth in Oklahoma.

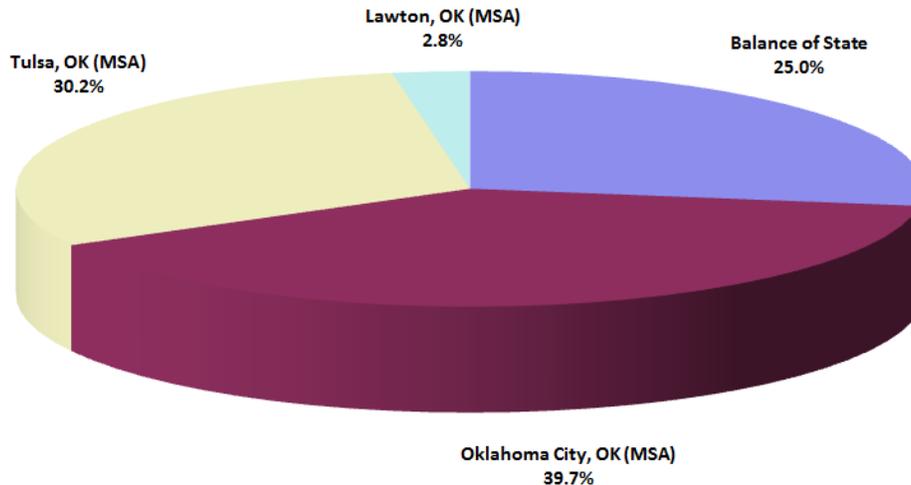
Nondurable-goods manufacturing was the largest contributor to U.S. real GDP by state growth in the 4th quarter of 2013. This industry increased 18.6 percent in the 4th quarter after moderate growth of 2.9 percent in the 3rd quarter. Nondurable-goods manufacturing was the leading contributor to growth in 31 states in the 4th quarter. In Oklahoma, non-durable goods manufacturing contributed 0.94 percent to real GDP growth in the 4th quarter of 2013 and was the second largest contributor to growth in that quarter.

The government sector declined 1.9 percent in the 4th quarter of 2013 and subtracted 0.24 percentage point from the growth in the nation. In Oklahoma, government subtracted 0.06 percentage point from growth in the 4th quarter.

Construction subtracted from growth in 47 states and the District of Columbia in the 4th quarter of 2013. This industry declined 5.9 percent and subtracted 0.22 percentage point from growth in the nation. In Oklahoma, construction subtracted 0.27 percentage point from real GDP in the 4th quarter.

Metropolitan Area Contribution to State Real Gross Domestic Product 2013

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



Definition & Importance

Metropolitan Statistical Areas (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.

GDP by metropolitan area is the sub-state counterpart of the Nation's gross domestic product (GDP), the BEA's featured and most comprehensive measure of U.S. economic activity. GDP by metropolitan area is derived as the sum of the GDP originating in all the industries in the metropolitan area. Nationally, metropolitan statistical areas represent approximately 90 percent of total GDP. In Oklahoma, the three MSAs of Oklahoma City, Tulsa and Lawton accounted for over 70 percent of total state GDP in 2013.

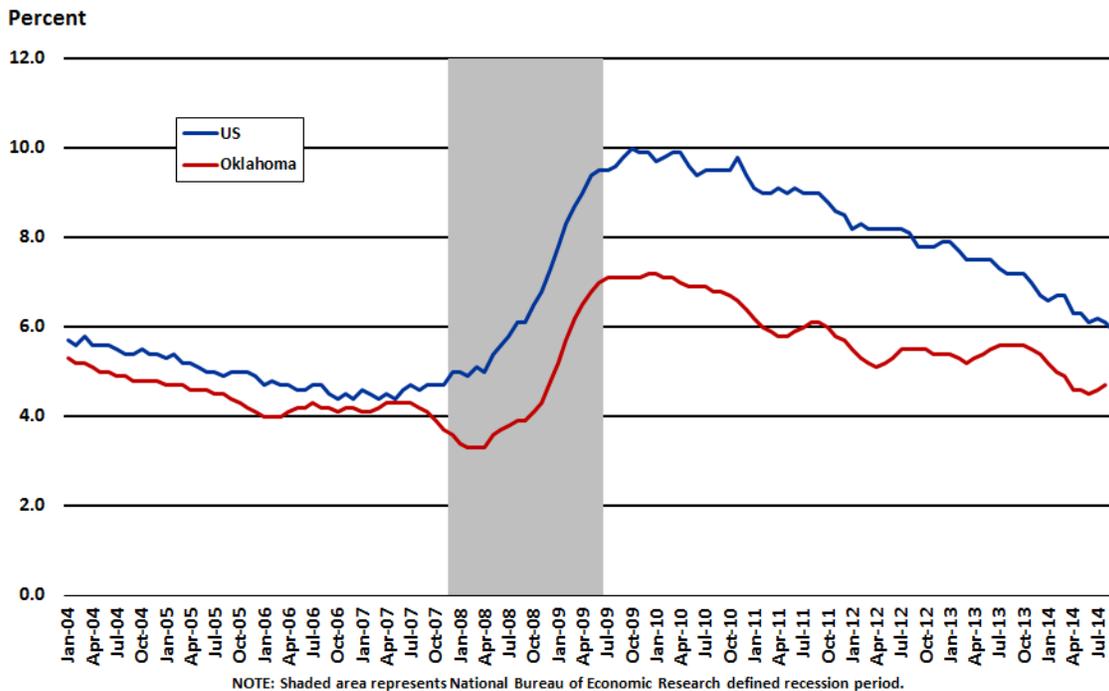
Current Developments

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

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

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

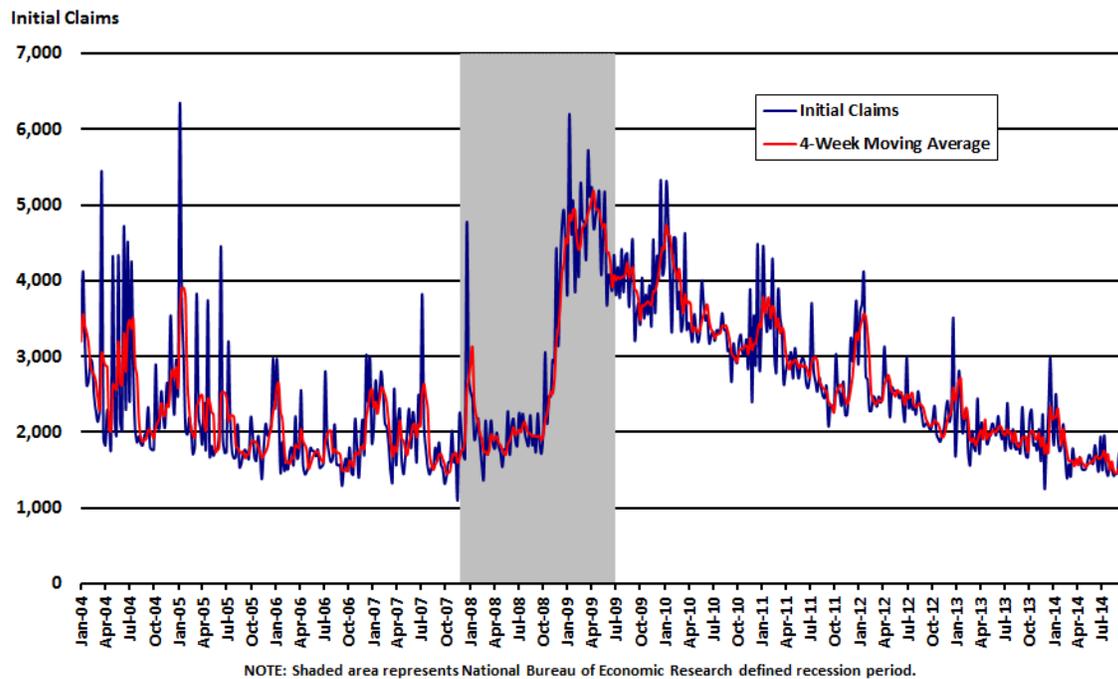
A surprisingly powerful surge in hiring pushed unemployment to a six-year low in September. In September, the unemployment rate declined by 0.2 percentage point to 5.9 percent, according to the Bureau of Labor Statistics (BLS). Over the year, the unemployment rate and the number of unemployed persons were down by 1.3 percentage points and 1.9 million, respectively.

Oklahoma's seasonally adjusted unemployment rate rose by one-tenth of a percentage point to 4.7 percent in August, tied with Idaho and Montana for the 11th-lowest jobless rate among all states. Over the year, Oklahoma's seasonally adjusted unemployment rate dropped by 0.9 percentage points.

Unemployment rates were down over the month in 57 of the state's 77 counties in August. Latimer County, once again, claimed Oklahoma's highest county unemployment rate of 8.1 percent while Beckham and Major Counties tied for the lowest jobless rate at 2.5 percent.

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 claims for U.S. unemployment benefits fell unexpectedly in the last week of September, pointing to an improvement underway in the job market. In the week ending September 27, the advance figure for seasonally adjusted initial claims was 287,000, a decrease of 8,000 from the previous week's revised level, according to figures released by the U.S. Labor Department (DOL). The previous week's level was revised up by 2,000 from 293,000 to 295,000. The less volatile 4-week moving average was 294,750, a decrease of 4,250 from the previous week's revised average.

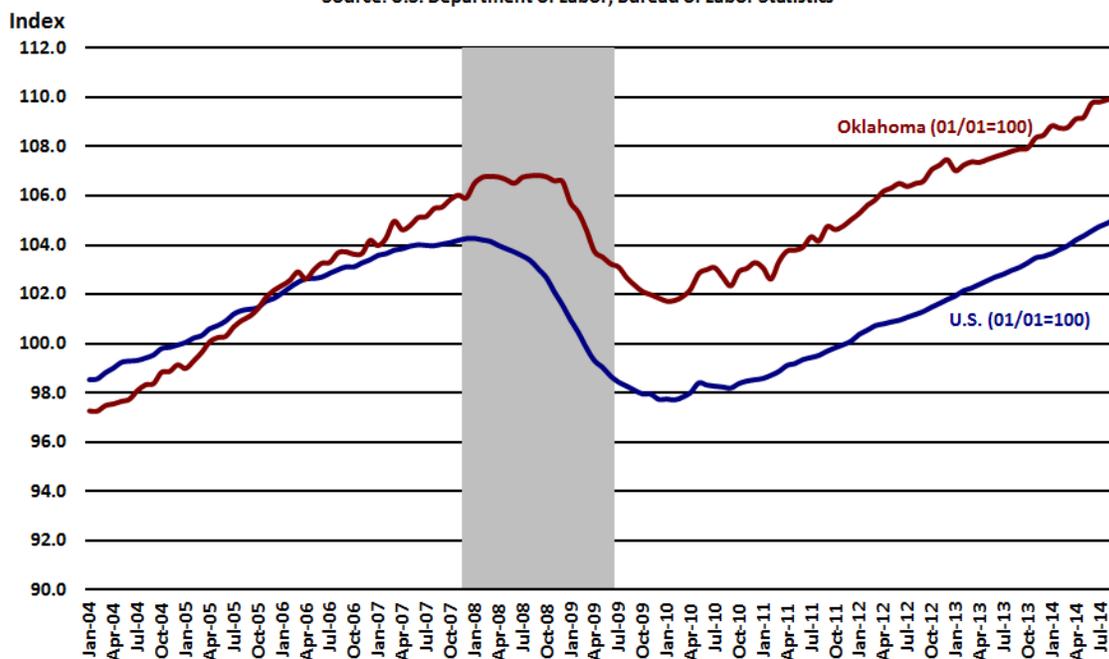
Statewide, there are fewer and fewer workers drawing unemployment benefits. For the file week ending September 20, initial jobless claims were at a level of 1,490, down 42 from the previous week. For the same file week ending, the four-week moving average was at 1,550 or 14 more than the previous week's level of 1,536.

Over the month, statewide initial claims edged up 38 from 1,452 to 1,490 while the less volatile 4-week moving average moved up 32 from 1,455 to 1,550.

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

Index: January 2001=100

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



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

Definition & Importance

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

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

Current Developments

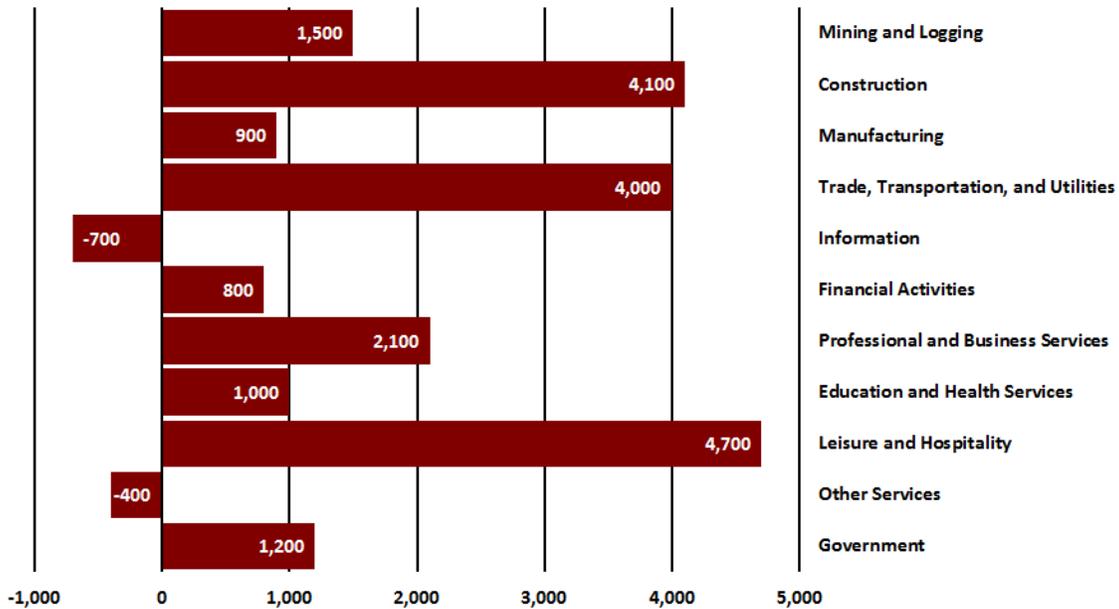
The U.S. job market bounced back in September, with growth in health care, food services, construction, and professional and business services. Total nonfarm payroll employment rose by 248,000 in September, according to the Bureau of Labor Statistics (BLS). The change in total nonfarm payroll employment for July was revised from 212,000 to 243,000, and the change for August was revised from 142,000 to 180,000.

Oklahoma's seasonally adjusted nonfarm employment grew by 1,500 jobs (+0.1 percent) in August. Four of Oklahoma's 11 supersectors drove job growth in August, with professional & business services (+1,900 jobs) and construction (+1,400 jobs) leading the way. Leisure & hospitality posted the largest over-the-month drop of 2,100 jobs.

Ten of Oklahoma's 11 supersectors saw over-the-year growth in August. Trade, transportation & utilities (+6,700 jobs) provided the largest year-to-year job gain.

Oklahoma Employment Change by Industry, 2012-2013 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 slowed a bit in 2013, adding 19,000 jobs for a 1.2 percent growth rate.

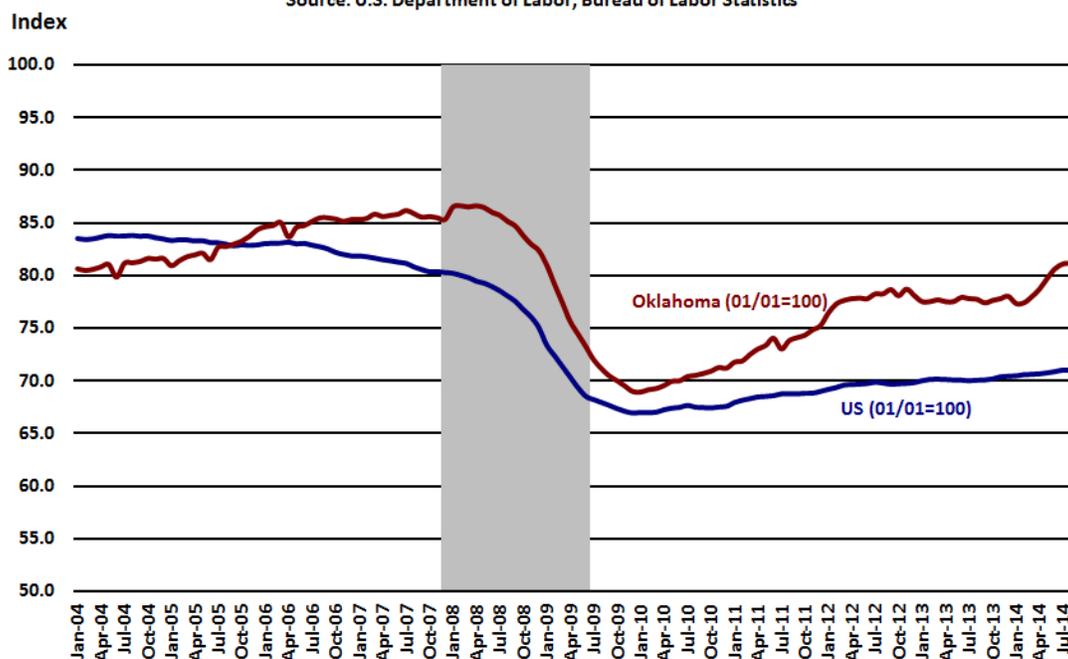
In 2013, nine out of Oklahoma's 11 statewide supersectors recorded job growth. Leisure & hospitality led all other supersectors adding 4,700 jobs with the bulk of hiring occurring in accommodations & food services. Construction employment added 4,100 jobs with almost all of the growth coming from heavy and civil engineering construction and specialty trade contractors. The broad trade, transportation & utilities group added 4,000 employees with most of the growth in wholesale trade. Professional and business services employment grew by 2,100 driven by job gains in administrative and support & waste management and remediation services and employment services. Mining & logging and manufacturing employment growth both slowed significantly from the previous year. Education & health services added 1,000 jobs with nearly all the job growth in ambulatory health care services.

Once again, over-the-year declines were seen in information (-700 jobs) and other services (-400 jobs).

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

Index: January 2001 = 100

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



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

Definition & Importance

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

Current Developments

U.S. factory employment was soft in September, with August's figure revised from being unchanged to being down by 4,000 employees. Manufacturers added 4,000 net new workers in September, according to the Bureau of Labor Statistics (BLS). Durable goods firms added 7,000 new employees, which was partially offset by nondurable goods businesses losing 3,000 workers.

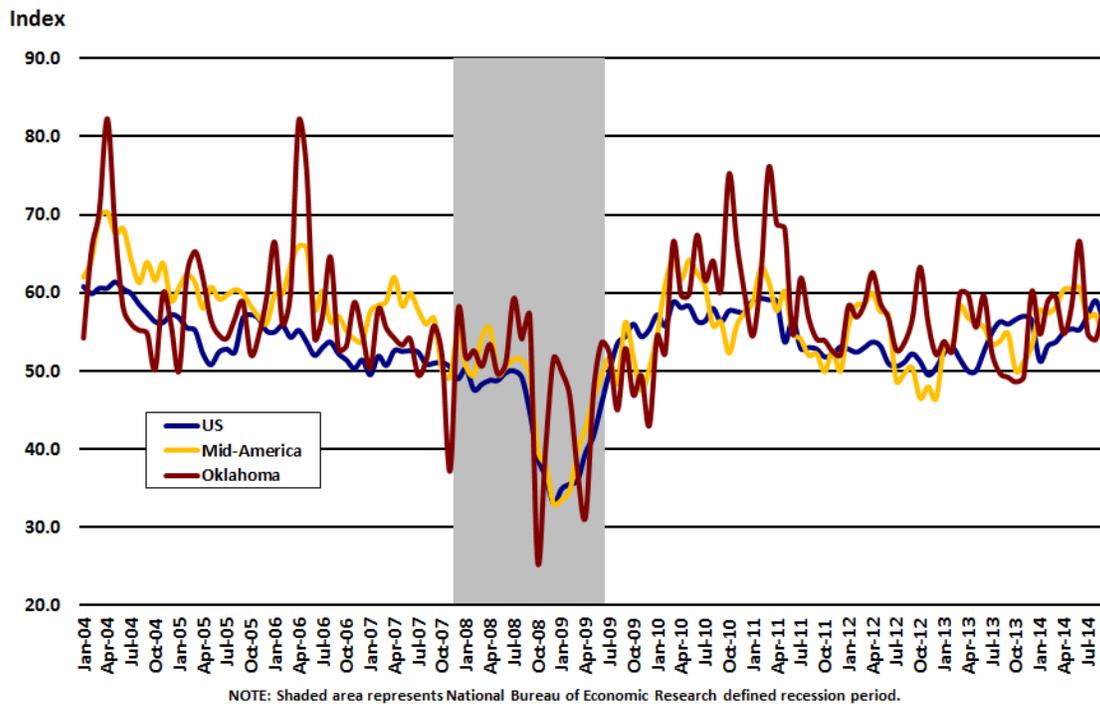
Oklahoma manufacturing employment grew by a non-seasonally adjusted 100 jobs (0.1 percent) in August, with durable goods manufacturing accounting for all of the job growth.

Over the year, Oklahoma manufacturers have added a non-seasonally adjusted 6,000 jobs for a 4.4 percent growth rate. Durable goods led the job gains, adding a non-seasonally adjusted 4,700 jobs (4.9 percent), while non-durable goods manufacturing added a non-seasonally adjusted 1,300 jobs (3.2 percent).

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

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. manufacturing expanded during September but the pace of growth at American factories slowed from August (which was the highest level since March 2011). The September PMI® registered 56.6 percent, a decrease of 2.4 percentage points from August's reading of 59 percent, indicating continued expansion in manufacturing, according to the latest Manufacturing ISM Report On Business®. Fifteen of 18 manufacturing industries reported growth in August.

The September ISM report showed that all of the report's sub-indexes components are still showing growth, although the pace has slowed from August. The employment gauge slipped to 54.6 from 58.1 in August. The new orders index dropped to 60.0 from 66.7. The gauge of prices paid rose to 59.5 from 58.0. The measure of production rose edged up to 64.6 percent.

The Mid-America Business Conditions Index for September, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, declined from August's healthy reading. The Business Conditions Index, which ranges between 0 and 100, fell to 54.3 from August's 57.2 reading, according to the Creighton Economic Forecasting Group. After rising to its highest level in more than three years in June, the overall reading has hovered in a range pointing to positive, but slower, growth for the overall regional economy over the next three to six months.

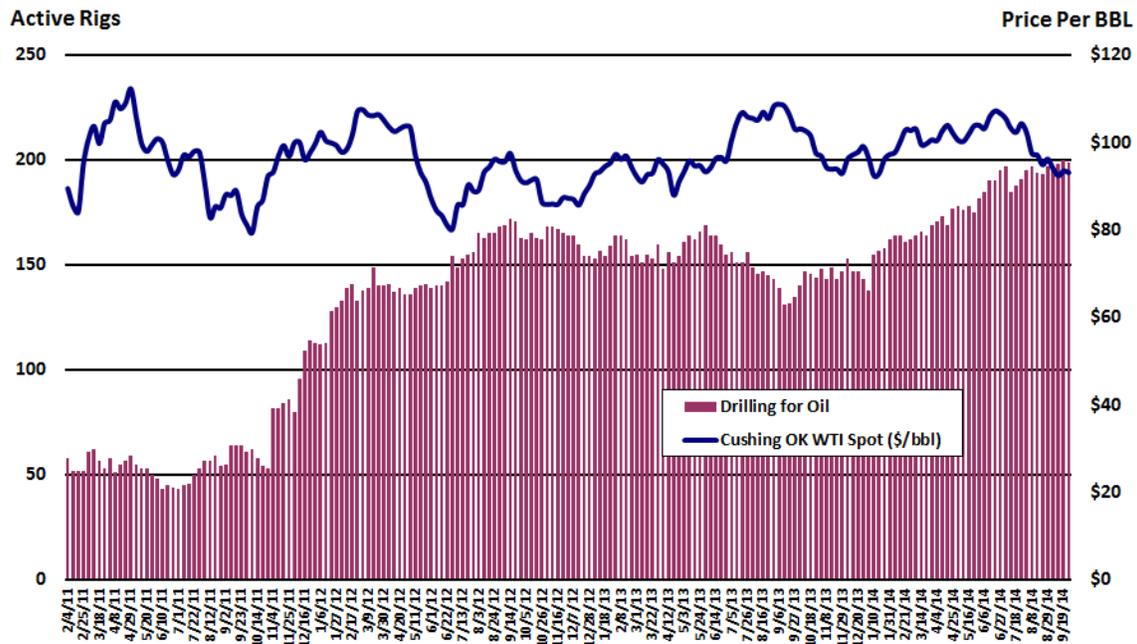
Oklahoma's leading economic indicator, or Business Condition Index, continues to point to expanding economic conditions in the months ahead. The index for September expanded to a solid 58.0 from August's 54.0. Components of the September survey of supply managers in the state were new orders at 65.2, production or sales at 53.2, delivery lead time at 48.5, inventories at 70.4, and employment at 52.7.

"Economic growth will remain positive for the second half of 2014 for the state based on our surveys over the last several months. Since the national recovery began in July 2009, the manufacturing sector in Oklahoma added almost 16,000 manufacturing jobs for a 12.6 percent job gain. Until August, the state's manufacturing sector had added jobs at a healthy pace for 2014," said Dr. Ernie Goss, director of Creighton University's Economic Forecasting Group.

Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

February 2011 to September 2014

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

In its most recent Short-Term Energy Outlook, the U.S. Energy Information Administration (EIA) noted that weakening global demand helped North Sea Brent crude oil spot prices fall to an average of \$97 per barrel (bbl) in September, the first month Brent prices have averaged below \$100/bbl in more than two years. The EIA projects that Brent crude oil prices will average \$98/bbl in 4th-quarter 2014 and \$102/bbl in 2015. The WTI discount to Brent, which averaged \$11/bbl in 2013, is expected to average \$7/bbl in both 2014 and 2015.

Total U.S. crude oil production averaged an estimated 8.7 million barrels per day (bbl/d) in September, the highest monthly production since July 1986, according to the EIA. Total crude oil production, which averaged 7.4 million bbl/d in 2013, is expected to average 9.5 million bbl/d in 2015.

In Oklahoma, crude production in July was at 10,973,000 barrels, the highest level of monthly crude production since January 1988. For the first seven months of 2014, Oklahoma crude production was 74,516,000 barrels, well ahead of 62,862,000 barrels for the same timeframe in 2013.

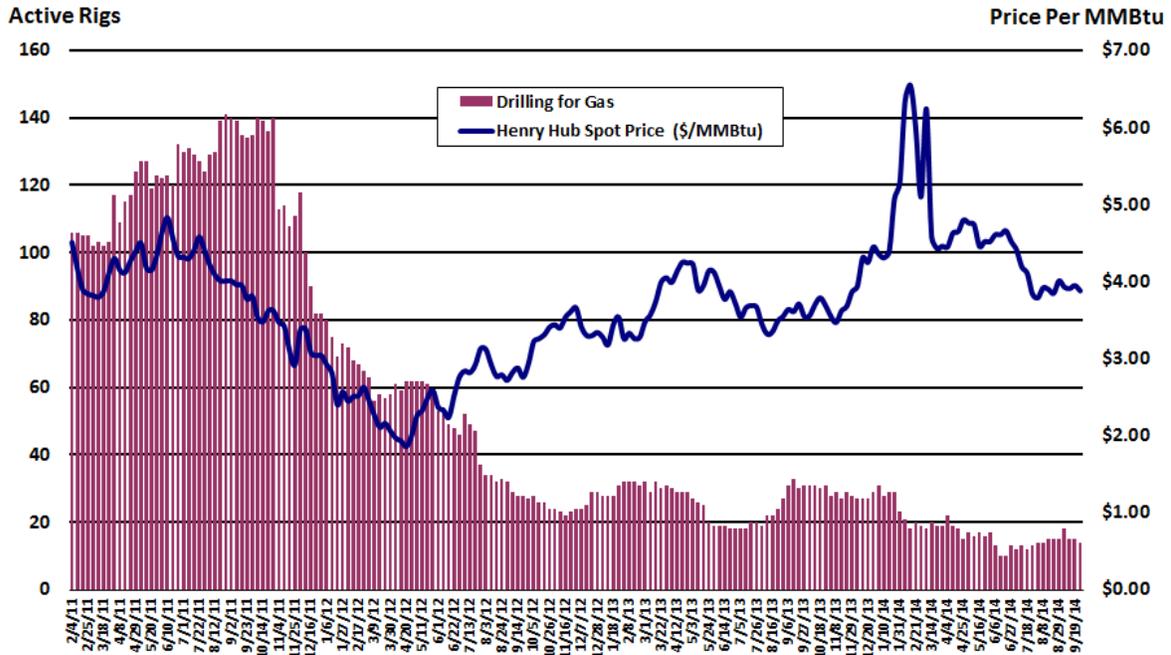
Lower demand and higher supply have driven oil prices to the lowest level since 2012. WTI-Cushing spot prices, which averaged \$105.79 in June, have fallen to an average of \$93.21 in September.

Oklahoma's average rotary rig count was at a level of 214 in September, four more than the August count of 210 rigs. Over the year, the active rotary rig count in Oklahoma was 48 more than 166 in September 2013. Oil-directed active rotary rigs advanced to a level of 199, (for the week ended September 26, 2014), representing approximately 93 percent of total rig activity in the state in September.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

February 2011 to September 2014

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



Definition & Importance

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

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

Background

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

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

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

Current Developments

In the most recent *Short-Term Energy Outlook*, the U.S. Energy Information Administration (EIA) noted that natural gas working inventories on September 26 totaled 3.10 trillion cubic feet (Tcf), or 0.37 Tcf (11 percent) below the level at the same time a year ago and 0.40 Tcf (11 percent) below the previous five-year average (2009-13). Projected natural gas working inventories are expected to reach 3.53 Tcf at the end of October, 0.28 Tcf below the level at the same time last year. Despite the lower stocks at the start of this winter's heating season, EIA expects the Henry Hub natural gas spot price to average \$4.00/million British thermal units (MMBtu) this winter compared with \$4.53/MMBtu last winter. This price forecast reflects both lower expected heating demand and significantly higher natural gas production this winter.

Oklahoma natural gas production was at a level of 197,222 MMcf in July, the highest level of production since record-keeping began in January 1991. Oklahoma natural gas production for 2013 was 2,143,989 MMcf, 6.0 percent more than the 2012 total of 2,023,461 MMcf, also its highest annual level since 1991.

Natural gas spot prices moved downward at most market locations in the first week of September. The Henry Hub spot price was at \$3.93/MMBtu for the week of September 5 and dropped to \$3.88/MMBtu by the week ending September 26.

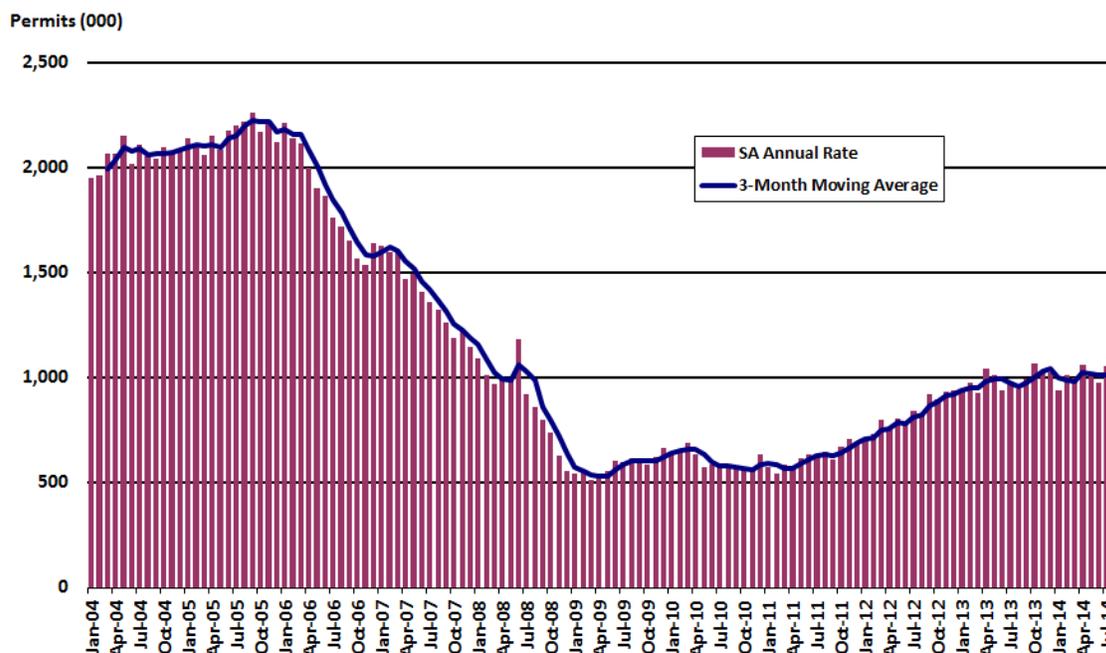
The Baker Hughes rotary rig count for natural gas in Oklahoma moved down in September. For the week ended September 26, the state natural gas-directed drilling rig count was at a level of 14 active rigs, or 7 percent of total statewide drilling activity. Over the year, Oklahoma's natural gas-directed rotary rig count was down 17 rigs from 31 rigs reported for the week ended September 27, 2013.

The total U.S. rig count for the week ending September 26 remained unchanged from the previous two weeks (ending September 12 and 19) at 1,931 units, according to data from Baker Hughes Inc. The natural gas rig count increased by 9 to 338 units while oil rigs declined by 9 to 1,592 units. Natural gas rigs are 38 units below year-ago levels, while oil rig counts are 230 units greater than their levels last year.

U.S. Total Residential Building Permits, 2004-2014

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 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

Although U.S. housing starts and permits fell in August, upward revisions to the previous month's data suggest an improving housing market. Privately-owned housing units authorized by building permits in August were at a seasonally adjusted annual rate of 998,000 or 5.6 percent below the revised July rate of 1,057,000, but 5.3 percent above the August 2013 estimate of 948,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

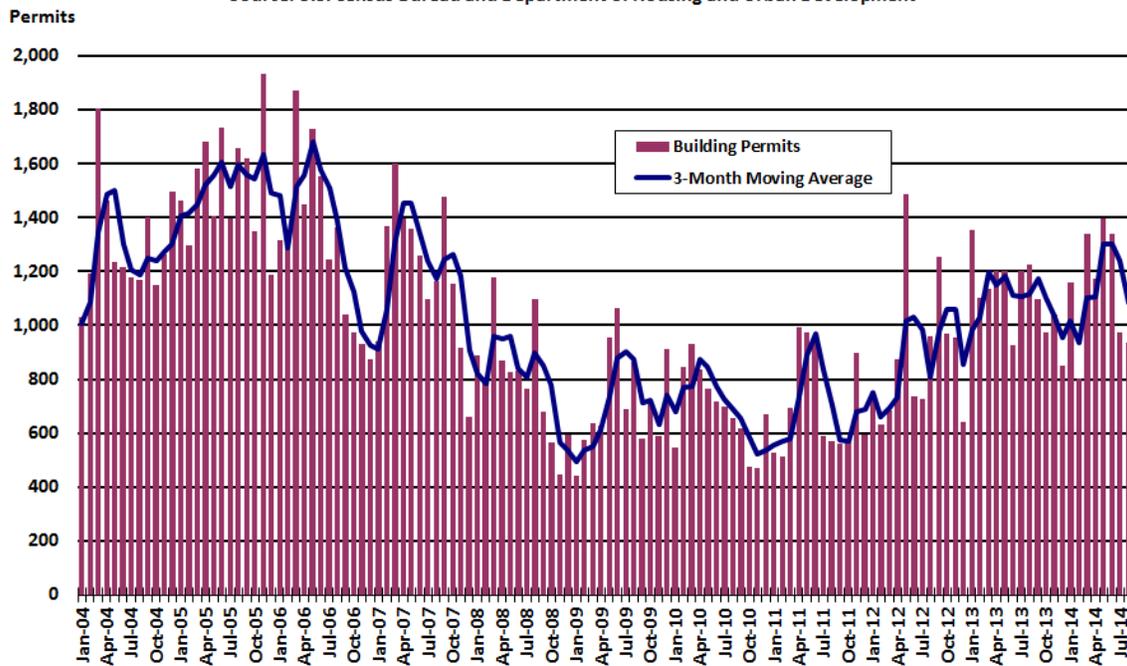
Permits for single-family homes fell 0.8 percent to a 626,000-unit pace in August, while permits for multi-family housing declined 12.7 percent to a 372,000-unit pace.

Over the past 12 months, apartment construction has surged 19.2 percent. Meanwhile, single-family starts have risen just 4.2 percent. The shift among builders to increased apartment building reflects the growing preference by consumers for rentals rather than homeownership.

Oklahoma Total Residential Building Permits, 2004-2014

Not Seasonally Adjusted

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



Residential permitting activity in Oklahoma was little changed in August and remained sluggish. Total residential building permitting for August was at an unadjusted level of 938 units, 3.9 percent lower than the previous month, according to figures from the U.S. Census Bureau and the Department of Housing and Urban Development.

Once again, applications for residential construction were dominated by the single-family component which accounted for almost all (93.6 percent) of total residential permitting activity in August while multi-family permitting added only 4.3 percent. Permits for single-family homes were at a non-seasonally adjusted level of 878, down slightly from July's level of 892 permits. Applications for apartments fell to a non-seasonally adjusted level of 40 permits, 30 fewer than July's level of 70 permits.

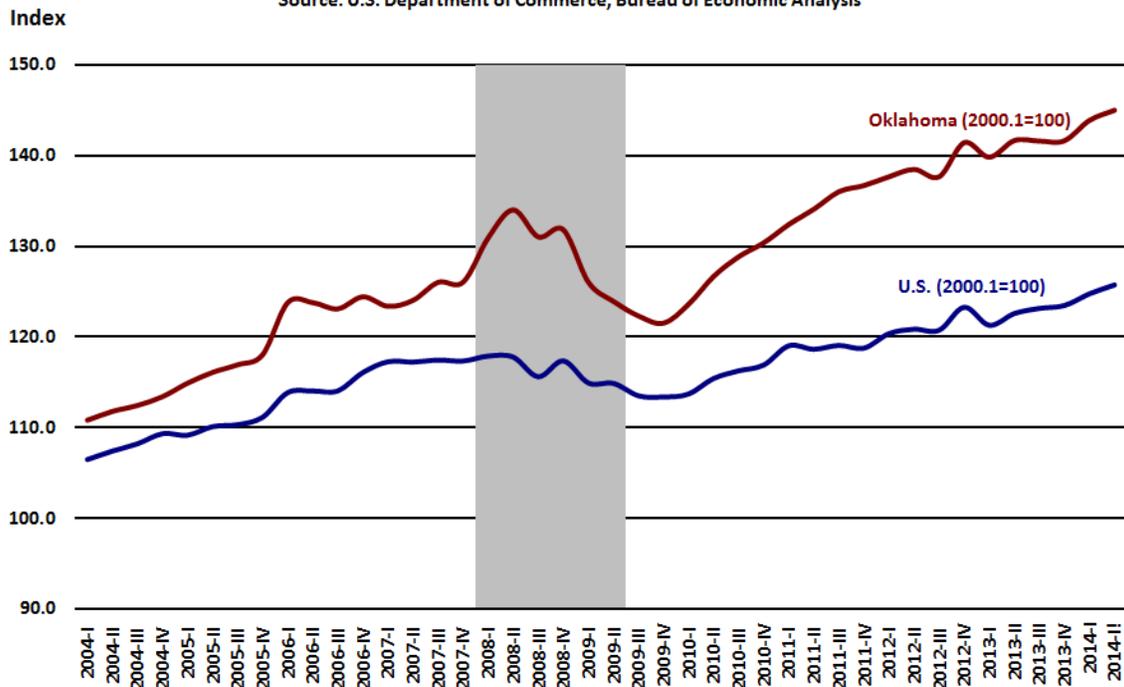
Over the year, total unadjusted residential permitting in August was an unadjusted 288 permits or 23.5 percent less than August 2013. Single-family permits were down 105 permits or 10.7 percent less than a year ago, while the more volatile multi-family component was 191 less than the August 2013 level of 231 permits.

For the first seven months of 2014, total unadjusted residential building permitting was at a level of 9,129 or 220 permits (2.4 percent) less than the same period a year ago.

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

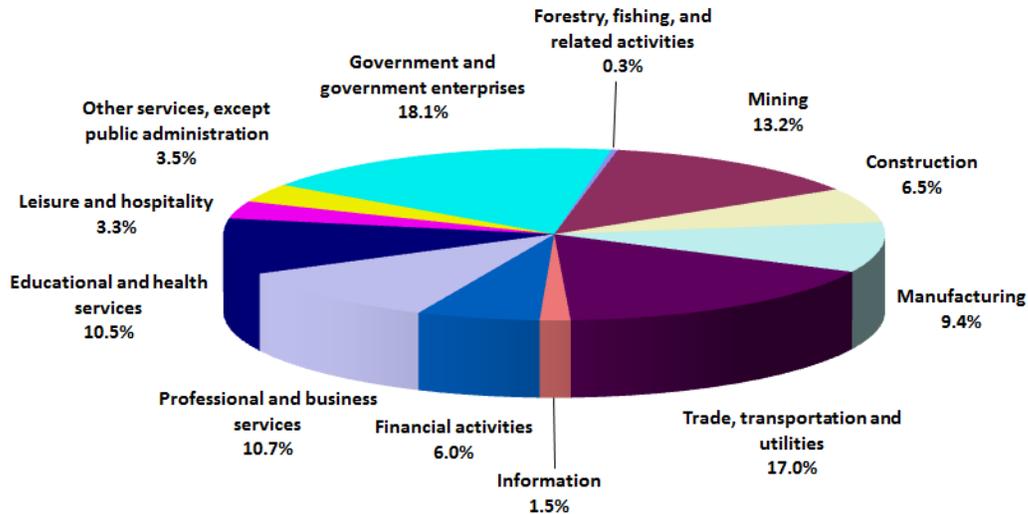
Americans boosted spending in August as employment gains revived household earnings growth. Personal income increased \$47.3 billion, or 0.3 percent, and disposable personal income (DPI) increased \$35.2 billion, or 0.3 percent, in August, according to the Bureau of Economic Analysis (BEA). Personal consumption expenditures (PCE) decreased \$13.6 billion, or 0.1 percent. In July, personal income increased \$35.9 billion, or 0.2 percent, DPI increased \$24.6 billion, or 0.2 percent, and PCE increased \$0.5 billion, or less than 0.1 percent, based on revised estimates.

Spending on durable goods, including automobiles, increased 1.9 percent after adjusting for inflation, the most in five months, following a 0.1 percent gain. Purchases of non-durable goods, which include gasoline and clothing, rose 0.3 percent.

Personal savings, (DPI less personal outlays), dipped slightly to 5.4 percent of after-tax income in August. That was down only slightly from a saving rate of 5.6 percent in July, which had been the highest monthly rate since December 2012.

Oklahoma Nonfarm Contribution to Earnings Second Quarter 2014

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 accelerated to 1.5 percent in the 2nd quarter of 2014 from 1.2 percent in the 1st quarter, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Personal income growth ranged from 2.7 percent in North Dakota and Nebraska to 1.1 percent in New York and Alaska, with growth accelerating in 36 states including Oklahoma.

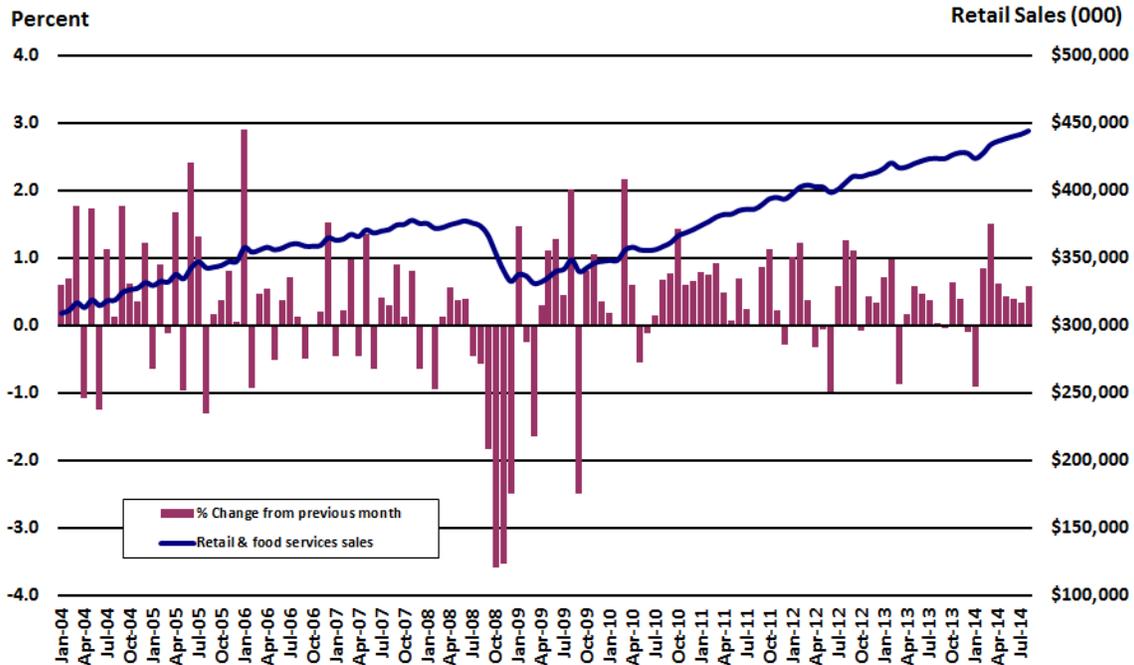
Personal income Oklahoma ranked 26th among all states and the District of Columbia growing at a seasonally adjusted rate of 1.5 percent (from the previous quarter) at a level of \$167.1 billion.

Overall, earnings grew \$149.0 billion in the 2nd quarter, slightly less than the \$156.2 growth in the 1st quarter. In Oklahoma, earnings grew \$1,594 billion or 1.5 percent.

Durable goods manufacturing contributed the most to nonfarm earnings growth in 15 states. Of these, Oklahoma had the largest percentage increase, 4.1 percent, while the U.S grew 2.0 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

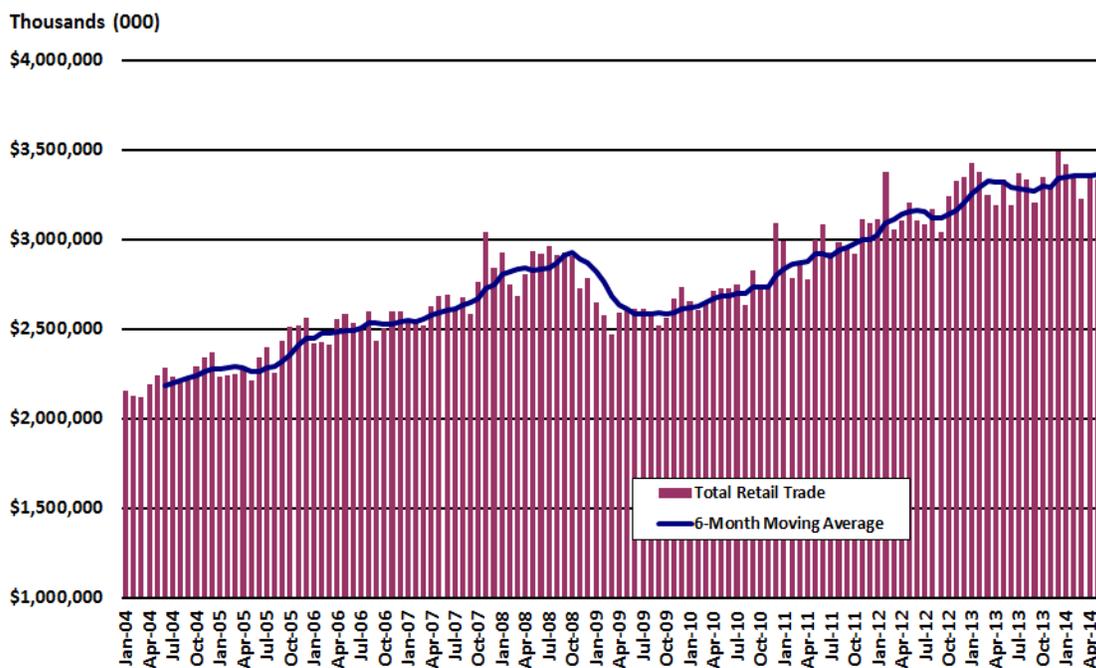
U.S. retail spending in August jumped by the most in four months as Americans bought automobiles and a wide range of other goods. Advance estimates of U.S. retail and food services sales for August, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$444.4 billion, an increase of 0.6 percent from the previous month, and 5.0 percent above August 2013, according to the U.S. Census Bureau. This follows an upwardly revised 0.3 percent gain in July (the previous estimate was zero). The advance in August was broad-based with 11 of 13 categories showing gains.

Motor vehicles accounted for roughly half of the August increase. Receipts at auto dealerships jumped 1.5 percent in August after advancing 0.6 percent the prior month. Sales at service stations fell 0.8 percent, reflecting declining gasoline prices. Excluding both autos and gasoline, sales were quite healthy, increasing 0.5 percent, following a rise of 0.3 percent in July.

The less volatile "core" sales, which strip out automobiles, gasoline, building materials and food services, and correspond most closely with the consumer spending component of gross domestic product, increased 0.4 percent in August. August's increase in core retail sales followed an upwardly revised 0.4 percent gain in July, which was previously reported as a 0.1 percent rise.

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 retail spending dipped in June as total adjusted retail sales was at a level of \$3.24 billion, down 3.0 percent from May but 1.5 percent greater than June 2013. Year to date, total adjusted retail trade was 0.8 percent more than the first half of 2013.

Durable goods sales were down 1.0 percent in June with declines in lumber & hardware (-1.8 percent), miscellaneous durable goods (-1.8 percent); furniture (-1.4 percent); used merchandise (-0.7 percent); and electronics & music store sales (-0.4 percent). The only durable goods category to see gains was auto accessories & repair (+0.6 percent).

Total nondurable goods sales fell 3.7 percent in June with the largest monthly loss in the volatile estimated gasoline sales (-17.6 percent). Spending on apparel also retreated in June (-0.9 percent), followed by general merchandise store sales (-0.8 percent), and food (-0.1 percent). Advancing in June were miscellaneous non-durables (+2.0 percent); eating & drinking (+0.8 percent), drugs (+0.6 percent); liquor (+0.4 percent). Over the year, non-durable goods sales were up 1.5 percent.