

# THE *Oklahoma* ECONOMIST

ECONOMIC INFORMATION *for* THE SOONER STATE



1ST QUARTER 2012

FEDERAL RESERVE BANK of KANSAS CITY

## *Update on Oklahoma's Economy*

Economic growth in Oklahoma continued to outperform the nation in late 2011. Oklahoma payroll employment was up 2.7 percent from a year ago in December, or more than 41,000 total jobs. This compares to only 1.3 percent in the nation. The state continues to move closer to pre-recession employment levels, while the nation still remains more than 4 percent below levels posted in January 2008 (Chart 1). Manufacturing posted the highest growth in actual Oklahoma jobs in December—adding nearly 11,000 jobs from a year ago—while energy was a close second with more than 6,000 jobs added since last year. Other industries also recorded solid job growth, particularly construction and professional services. The only industry that continued to post job losses from a year ago was information, which is consistent with ongoing national trends.

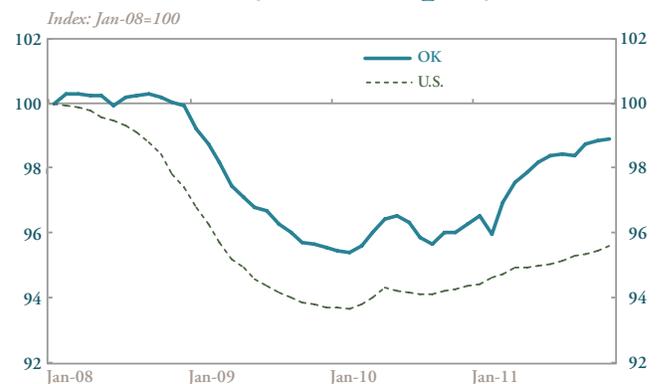
Oklahoma's unemployment rate was unchanged in December, measuring 6.1 percent for the third straight month (Chart 2). Although the state's unemployment rate has been higher the past few months than in the summer, this is mostly due to an increase in labor force participation, which is a likely sign of improving employment prospects for the state, as more people are confident in finding a job. In addition, the state is much closer to its pre-recession unemployment rate than the nation, where the unemployment rate is still quite elevated even with improvements in recent months. Across the state,



*Oklahoma's economy has clearly been outperforming the nation recently, but how does the state's growth compare to other states in our region?*

BRANCH EXECUTIVE AND ECONOMIST CHAD WILKERSON ANSWERS THIS TIMELY QUESTION ABOUT OKLAHOMA'S ECONOMY ON PAGE 4.

### Chart 1 Level of Payroll Employment



Source: U.S. Bureau of Labor Statistics



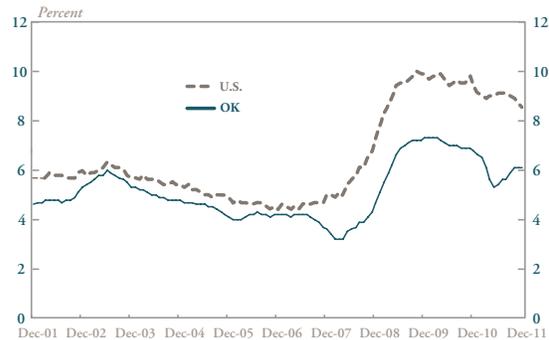
Tulsa's unemployment rate of 6.7 percent continues to be slightly higher than Oklahoma City and non-metro areas due primarily to its concentration in the manufacturing industry, which lost more jobs during the recession. Oklahoma City's unemployment rate in December was 5.7 percent—fairly close to full employment—and non-metro areas of the state also posted generally low unemployment figures.

Growth in recent manufacturing activity in the region rebounded in January, and most respondents to the Kansas City Fed's monthly Manufacturing Survey reported solid expectations heading forward. The Tenth District's composite factory index increased to seven in January after easing somewhat in December (Chart 3). Production and shipments indexes jumped to their highest levels since June, and a greater number of firms hired workers than in previous months. Expectations for future growth remained solid, although the pace of growth slowed for some indexes. Price pressures rose markedly in January, with a greater number of firms passing through materials prices. Oklahoma manufacturing activity increased considerably, driven largely by the heavy concentration of energy-related manufacturing in the state, which has outperformed other industries recently and accounts for some of the difference between the District and U.S. manufacturing conditions.

Activity in the state's important energy industry continued at a robust pace in recent months. The total state rig count through mid-February was 192, just short of the peak reached in September 2008 (Chart 4). Natural gas drilling has fallen sharply in Oklahoma, but oil drilling has replaced the reduction so far. Oil prices have remained at high levels with a continued positive outlook, while natural gas prices continued to post record lows due to mild winter weather and large inventories. Employment in the energy industry has grown considerably throughout the year, more than 12 percent since January. *Update provided by Associate Economist Megan Williams at the Federal Reserve Bank of Kansas City, Oklahoma City Branch.*

## Chart 2 Unemployment Rates

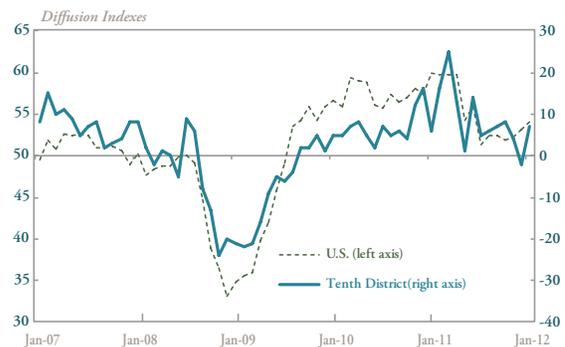
SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

## Chart 3 Manufacturing Composite Indexes

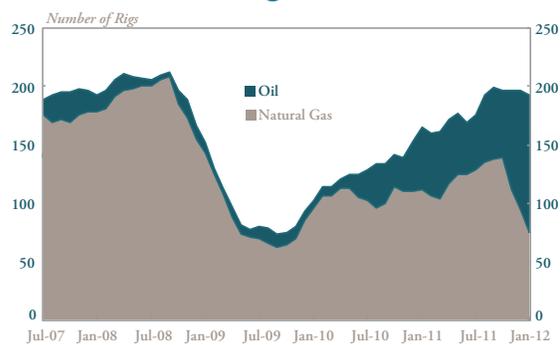
MONTH-OVER-MONTH



Note: Any value over zero indicates expansion for the District, any value over 50 indicates expansion for the U.S.

Source: Institute of Supply Management, FRBKC Manufacturing Survey

## Chart 4 Oklahoma Rig Count



Source: Baker Hughes



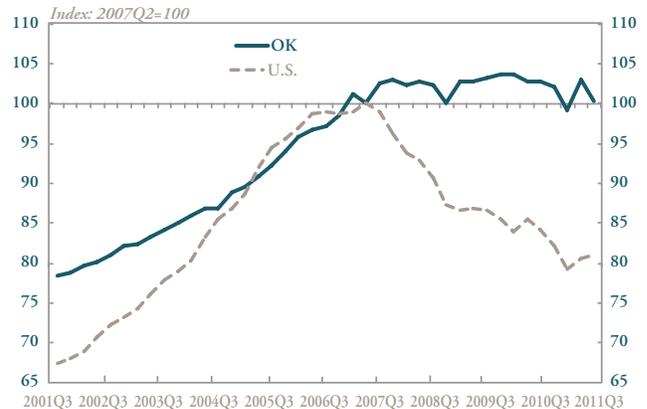
## Spotlight On... OKLAHOMA HOUSING CONDITIONS

The housing industry continues to post only moderate growth in Oklahoma, but conditions remain in much better shape than in the nation. During the national housing “bubble” from approximately 2000 to 2005, home prices soared across the nation but remained generally contained in Oklahoma. As a result, Oklahoma was in a much better place when the bubble burst. Even so, housing activity was still hit hard in the state, with a sharp decrease in sales and construction and a leveling off in home prices.

Home price growth has remained mostly stable in Oklahoma during the past five years (Chart 5). This is in contrast to the nation where prices have fallen considerably and remain suppressed well below their pre-recession peak. The result has been a “catching up” of median home prices in the state. In fact, the median home price in Oklahoma City has gone from the lowest among large District cities to similar or slightly higher than several nearby cities (Chart 6). The median home price in Tulsa has also moved closer to other District cities, and is nearly equal to Kansas City, which not long ago had the highest median home price in the region outside of the Rocky Mountains. However, even with relatively healthy home prices, Oklahoma construction activity has dropped considerably and still remains at its lowest levels in over a decade. Single—family home permits peaked

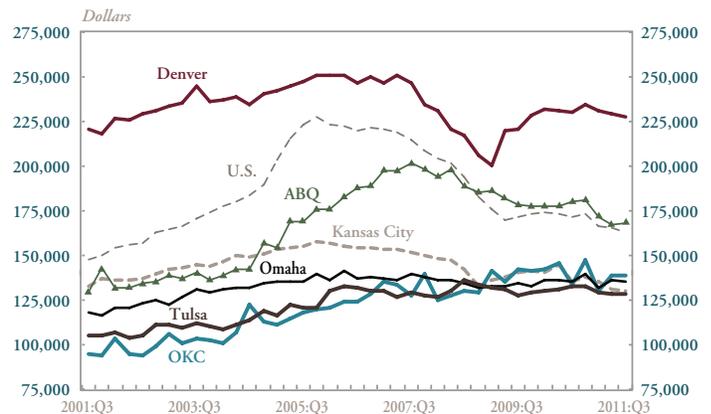
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### Chart 5 Home Price Index



Source: FHFA

### Chart 6 Median Home Prices in U.S. & Tenth District Cities



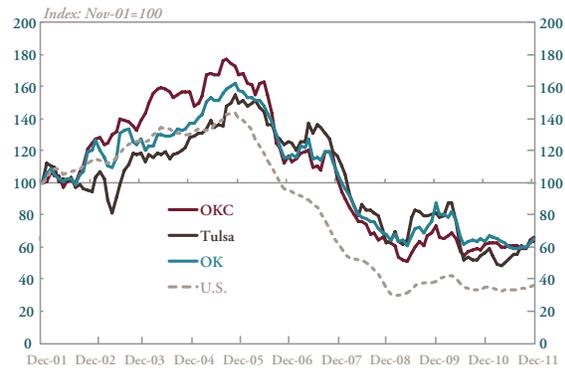
Source: NAR



*Continued from page 3*

in mid- to- late 2005, at the height of the housing boom, and have since plunged dramatically in both Oklahoma and the nation (Chart 7). As a result of the stagnant construction activity, inventories have fallen in most areas and the national construction decline appears to have leveled off somewhat. Based on the most recent data, Oklahoma construction activity may be rebounding slightly, including in both Oklahoma City and Tulsa, and remains much higher than in the nation.

**Chart 7**  
**Single-Family Housing Permits**  
SEASONALLY ADJUSTED, 3-MONTH MOVING AVERAGE



Source: U.S. Census Bureau

## Ask an Economist

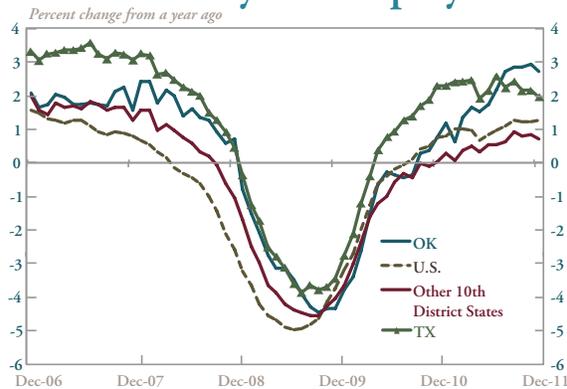
*Chad Wilkerson, Oklahoma City Branch executive and economist, answers a question from a recent public speech.*

*Oklahoma's economy has clearly been outperforming the nation recently, but how does the state's growth compare to other states in our region?*

Oklahoma's employment growth has indeed been outpacing the nation for most of the past year, following a shorter overall recession. Two other natural areas for comparison are: the six other states in the Tenth District (Colorado, Kansas, Missouri, Nebraska, New Mexico and Wyoming), which generally lie to the north and west of Oklahoma; and the populous state of Texas to the south.

Compared to the other Tenth District states as a whole, Oklahoma has been growing faster since mid- to late 2010 (Chart 8). This followed similar growth during the early recovery period of late 2009 and early 2010, and faster growth in Oklahoma just prior to and during the early stages of the recent recession. Indeed, Oklahoma's job growth has outpaced all six other Tenth District states over the past year, and only Nebraska and

**Chart 8**  
**Nonfarm Payroll Employment**  
Percent change from a year ago



Source: U.S. Census Bureau

Wyoming—two other largely commodity-dependent states—have had similar performance since the U.S. recession began.

Compared to Texas, Oklahoma's employment growth was also faster in the latter part of 2011, although Texas outperformed Oklahoma from late 2009 to early 2011 and also in the years leading up to the recent recession. But Oklahoma's overall job growth has more closely resembled that of Texas rather than most other Tenth District states in recent years, likely due to both states' heavy reliance on the energy sector, which boomed prior to the recent recession as well as in 2011.