

# THE *Oklahoma* ECONOMIST

ECONOMIC INFORMATION *for* THE SOONER STATE



4TH QUARTER 2011

FEDERAL RESERVE BANK of KANSAS CITY

## *Update on Oklahoma's Economy*

Economic activity in Oklahoma continued its strong pace of growth in fall 2011, outperforming the nation in most areas. Oklahoma payroll employment was up 3.0 percent from a year ago, or more than 46,000 total jobs (Chart 1). The strong recent job growth numbers pushed state employment nearly back to pre-recession levels. (For more on where Oklahoma employment stands relative to pre-recession levels, see the “Ask An Economist” section.) Energy, manufacturing and construction continued to lead all Oklahoma industries in job growth, adding more than 20,000 employees combined from a year ago. The leisure and hospitality and professional services sectors also posted solid growth—approximately 5 percent year-over year—and state and local government job growth through the past year was positive for the first time since early 2010. The only industry that continued to post job losses was information, which is consistent with ongoing national trends.

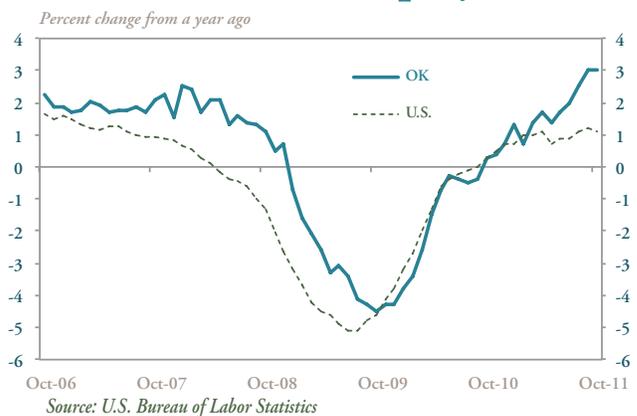
Oklahoma's unemployment rate remained fairly low, measuring 6.1 percent in October (Map 1). Although the state's unemployment rate has risen the past few months, this was mostly due to an increase in labor force participation, which is a likely sign of improving employment conditions. Oklahoma continued to rank in the lowest unemployment quartile nationally, with most of the states in this group having lower populations than Oklahoma. Across the nation,



*Is economic activity in Oklahoma back above pre-recession levels?*

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

### Chart 1 Total Nonfarm Employment





the highest unemployment rates continued to be in states hit hardest by the housing bust and in the manufacturing belt of the upper Midwest. By contrast, many Plains states concentrated in energy and agriculture continue to post relatively low jobless rates.

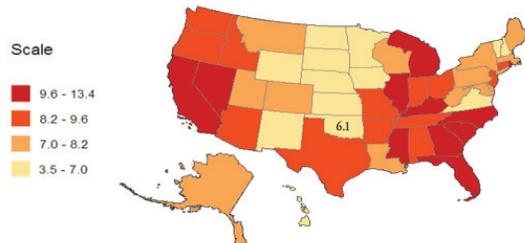
Growth in recent manufacturing activity in the region slowed somewhat in November, although most respondents to the Kansas City Fed's monthly manufacturing survey reported expanding conditions and still expected favorable activity heading forward. The Tenth District's composite factory index eased slightly to four in November after posting relatively solid numbers the past few months (Chart 2). Production and shipments indexes both fell somewhat, and the employment index also decreased after a solid reading in October. Expectations were basically unchanged and remained mostly positive, suggesting producers are still relatively confident in growth fundamentals. Price pressures continued their downward trend, although price expectations for future months edged higher. Oklahoma manufacturing activity picked up slightly, 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.

The state's important energy industry continued its robust expansion. The total state rig count through mid-November was up to 197, just short of the peak reached in September 2008 of 208 (Chart 3). Oil rigs have expanded especially rapidly, while natural gas drilling has eased slightly in recent months. Oil prices have edged up in recent weeks with a continued positive outlook, while natural gas prices have remained generally stable at low levels. Employment in the energy industry has grown considerably throughout the year, up nearly 9 percent since January.

*Update provided by Associate Economist Megan Williams at the Federal Reserve Bank of Kansas City, Oklahoma City Branch.*

## Map 1 Unemployment Rates by State

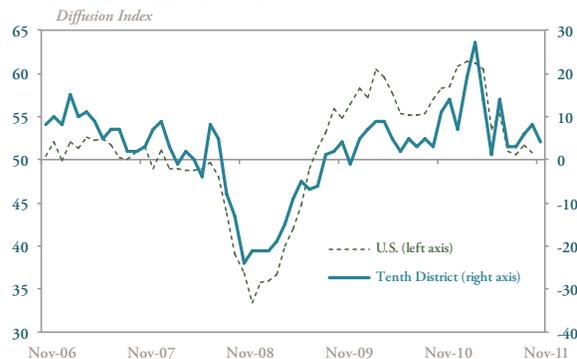
OCTOBER 2011, SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

## Chart 2 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.

Sources: Institute of Supply Management, FRBKC Manufacturing Survey

## Chart 3 Total Drilling Rigs

SEASONALLY ADJUSTED



Source: Baker Hughes



## Spotlight On... ENID, OKLA.

Located in Northwestern Oklahoma, the town of Enid and surrounding Garfield County have weathered the recent recession fairly well, and are actually far into the recovery stage. The most recent data show that employment in the Enid micropolitan area has increased during the past two years, and at rates faster than in much of the state (Chart 4). In terms of unemployment rates, Enid posted a very low 3.9 percent in September 2011, below levels often considered to represent full employment and well below the state and national averages. This puts Garfield County among the lowest county unemployment rates across Oklahoma (Map 2).

As in the country as a whole, the majority of employment in Enid is in the local government, education, health and transportation/utilities industries (Chart 5). Although the professional and business services industry is slightly less concentrated in Garfield County than in the nation, it is still relatively high for an area of its size. This is mainly due to the

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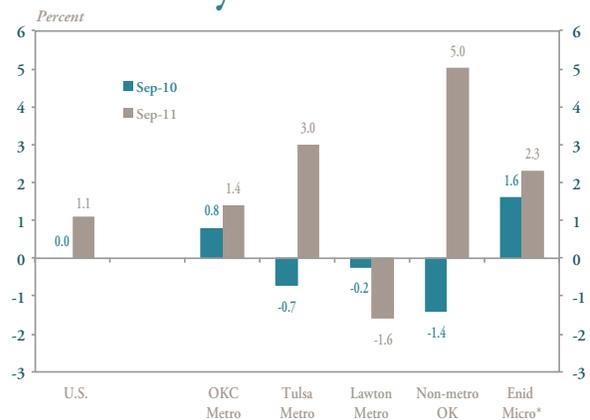
### Chart 5 Garfield County and U.S. Employment Share by Industry

MARCH 2011

Industry	% Total Employment Garfield County	% Total Employment U.S.
Trade, Transportation, & Utilities	20.5	19.0
Education & Health Services	15.2	14.8
Government—State & Local	13.7	14.8
Professional & Business Services	11.9	13.3
Manufacturing	11.4	9.0
Leisure & Hospitality	8.9	10.1
Natural Resources & Mining	4.9	1.3
Financial Activities	4.4	5.8
Construction	3.6	4.0
Government—Federal	2.0	2.2
Information	1.1	2.1

Source: U.S. Bureau of Labor Statistics

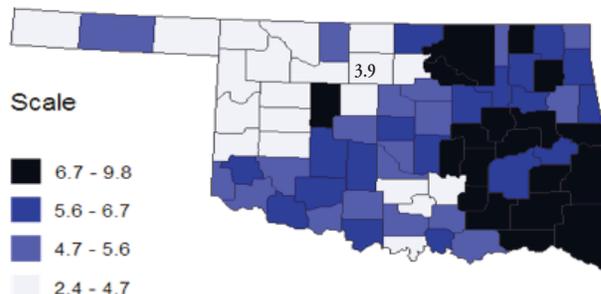
### Chart 4 Employment Growth, Year-over-year



\*Data for this area from LAUS rather than CES  
Source: U.S. Bureau of Labor Statistics

### Map 2 Oklahoma County Unemployment Rates

SEPTEMBER 2011



Source: U.S. Bureau of Labor Statistics



*Continued from page 3*

presence of corporate or division headquarters for several large companies. Natural resources and mining activity is much more concentrated in the area than in the nation, and the manufacturing industry also has a much larger presence than the nation as a whole. The recent strong performance of these two important local industries has provided a key boost to the area's economy. Enid is also the home of Vance Air Force Base, which

houses approximately 1,300 active duty military members and 1,400 civilian employees and serves as a training facility for Air Force, Navy and Marine Corps pilots. While the recent or impending losses of several key corporate headquarters—including Advance Foods and Continental Resources—will have an impact on Enid jobs and incomes, the area's low unemployment rate should help it maintain a solid, vibrant local economy as these transitions occur.

## Ask an Economist

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

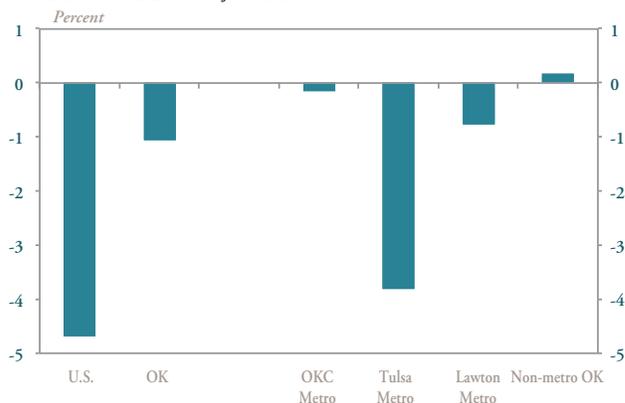
### *Is economic activity in Oklahoma back above pre-recession levels?*

Looking just at employment numbers, the answer is no—but we're getting close. I like to focus primarily on employment since I think jobs are often viewed as the most important indicator by the public, as well as because half of the Fed's dual mandate from Congress is to promote maximum employment (the other half is to promote stable prices).

Despite very strong job growth over the past year, total payroll employment in Oklahoma remains about 1 percent lower than when the recent U.S. recession began (Chart 6). To be sure, the jobs gap is much less in Oklahoma than in the nation, which still has nearly 5 percent fewer jobs than four years ago. Moreover, the gap varies across the state. For example, employment in the Oklahoma City metro area has returned to almost exactly its January 2008 level, and employment in the state's non-metro areas has actually risen slightly above pre-recession levels. By contrast, jobs are still down somewhat in the

## Chart 6 Change in Employment Since January 2008

SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Lawton metro area, and the Tulsa metro area still has nearly 4 percent fewer jobs than in January 2008, almost as big of a gap as in the nation. Tulsa was hit much harder by the recession than most of the rest of the state, driven primarily by sizable job losses in its large manufacturing sector.

Looking at some other measures of Oklahoma economic conditions, the answer is mixed. For example, real state GDP in 2010 was already 0.2 percent higher than at its 2008 peak, while real personal income in Oklahoma was still slightly below pre-recession levels in Q2 2011.