Economic growth in Oklahoma was modest in late 2013 and early 2014. Payroll employment for the state was up 1.2 percent, or about 19,000 jobs, year-over-year in December (Chart 1). National payroll employment growth was slightly higher, at a rate of 1.7 percent. During the fourth quarter of 2013, Oklahoma metro areas saw higher year-over-year payroll employment growth rates than the state and nation. The Oklahoma City metro added more than 6,000 jobs while Tulsa added close to 5,000 jobs in the last three months of 2013. In nonmetro areas, employment increased slightly during the last quarter of 2013, but still remained well below year-ago levels. Professional and business services posted the highest growth in December—adding 8,500 jobs from a year ago—with leisure and hospitality coming in second with 4,000 jobs added since last year. Other industries with solid job growth included manufacturing, trade, transportation and utilities, while energy continued to post job losses.

Oklahoma’s unemployment rate in December was 5.4 percent, 14th lowest in the nation (Map 1). Although Oklahoma’s rank fell two spots from October, the unemployment rate actually decreased from 5.5 percent. Unemployment rates for Oklahoma City and Tulsa are in ranges similar to a year ago and the labor force in both metro areas is larger. Of the state’s 77 counties, 64 had higher
unemployment rates in December. The increase in more than 50 counties is mostly attributable to decreased employment.

Regional manufacturing activity recovered in February while national activity dropped but remained positive (Chart 2). The Tenth District’s seasonally adjusted, month-over-month composite index for February was 4; similar to January and up from a -3 in December. February production increased rapidly after a decline in December and a modest increase in January, with solid expectations for future production. Many respondents to the Kansas City Fed manufacturing survey, including several in Oklahoma, saw a slowdown of activity in December due to winter weather. Early 2014 activity was also affected by the weather but to a lesser degree. Oklahoma manufacturing activity increased in February, largely due to durable goods manufacturing, including energy-related products.

Energy activity in the state rebounded during the winter. Although the state’s total rig count in February was 178, 8 percent lower than one year ago, state production of crude oil and natural gas is expected to remain above year-ago levels as it did through 2013. Improved rig efficiency is likely the reason for the higher production. The number of well permits has remained similar to, if not higher, than year-ago levels despite the decrease in rigs (Chart 3). Energy employment increased in the fourth quarter, reversing the declining trend observed in the first three quarters of 2013, but year-over-year employment levels remain lower. Spot prices for crude oil have remained stable while spot prices for natural gas and natural gas liquids have benefited from winter storms.

Update provided by Megan Williams, associate economist and manager, and Elena Ojeda, research associate, at the Federal Reserve Bank of Kansas City, Oklahoma City Branch.
Gross domestic product (GDP) serves as a measure of overall economic conditions and is usually the first measure used to gauge the strength and growth of an economy. GDP can be defined as the value of all final goods and services produced in a specified time period. It is calculated as the sum of its four key components: consumer spending, government spending, investment and net exports (total exports minus total imports). The U.S. Bureau of Economic Analysis provides quarterly GDP data for the nation and annual GDP data by state and metro area. In 2012, Oklahoma posted a real GDP growth of 2.1 percent, 23rd largest in the nation but trailing the nation’s growth of 2.5 (Chart 4). The Oklahoma City metro area outperformed the Tulsa metro in 2012, recording growth of 2.2 percent while the Tulsa metro area only had growth of 0.3 percent.

Statewide, the trade, transportation and utilities industries were the largest contributors to Oklahoma’s economy in 2012 followed by financial activities and government (Chart 5). In the Oklahoma City metro, financial activities were the largest contributors to the local economy with an 18 percent share, followed by government and professional and business services. Similarly, financial activities account for 17 percent of the Tulsa metro’s economy followed by professional and business services and manufacturing. This high concentration in manufacturing is likely one reason for the sluggish growth in Tulsa compared to Oklahoma City, as that industry has recovered more slowly from the recent recession (Chart 6). Meanwhile, the state and Oklahoma City metro have remained above pre-recession levels since 2011. The Oklahoma City metro economy was only marginally affected in 2009 and has recorded strong growth that is well above the nation.
Cushing, Okla.—located about midway between Oklahoma City and Tulsa—is the oil hub of the central United States, where the price of the benchmark West Texas Intermediate crude oil is determined. U.S. crude oil production has surged since 2010 and is expected to rise another 25 percent by 2016, making the country the largest oil producer in the world. Virtually all of this increase is occurring in the middle part of the country, much of it in places that did not formerly have much production—such as North Dakota and some previously untapped areas of Texas, Oklahoma and Wyoming (Chart 7). Because existing oil pipelines were not constructed to serve these new “plays,” supply bottlenecks have emerged, especially at Cushing, as more oil arrives from the north and west than can be moved south to Gulf Coast refineries. This oversupply has reduced central U.S. crude prices relative to world prices and increased the use of alternate modes of oil transport, especially rail (Chart 8). To date, the effect on central U.S. gasoline prices has been minimal, at best, as gasoline prices have more closely followed prices of world oil, which most coastal refineries in the U.S. were set up to receive. Many areas of the central U.S. have benefited from a boom in pipeline construction and greater transportation activity, although both have created environmental concerns and resulted in higher regulatory scrutiny.