Oklahoma continued to outpace the nation in economic growth during the early fall months. Payroll employment was up 2.7 percent in October from a year ago, or more than 42,000 total jobs. This compares with 1.4 percent job growth in the nation at large over the same period. Oklahoma is now above pre-recession employment levels, unlike the nation, which still has nearly 3 percent fewer jobs than in January 2008 (Chart 1). Manufacturing led Oklahoma’s job growth, rising 5.1 percent, by nearly 7,000 jobs, from last year’s level. Trade, transportation and utility firms also posted solid job gains. Energy employment has declined slightly in recent months, but still remains above year-ago levels. Construction employment continued to decline from a year ago although at a slightly lower rate, and jobs were also lost in education, health services, information and federal government sectors. Employment in most other Oklahoma industries grew at a generally solid rate.

Oklahoma’s unemployment rate was 5.3 percent in October, continuing the trend of slight increases over the past few months due to an uptick in the labor force. This rate ranks in the bottom quartile nationally (Map 1). Across the state, Tulsa’s unemployment rate has edged slightly higher to 5.5 percent, mostly as a result of a slowdown in job growth for professional services and leisure and hospitality.
occupations. Oklahoma City’s unemployment rate remains low at 4.7 percent, which is near levels considered to be full employment. The job market remains especially tight in western and northwestern Oklahoma, mainly due to high levels of energy activity.

Regional manufacturing activity declined for the second straight month in November and remained slightly below the pace of national manufacturing activity (Chart 2). Respondents to the Kansas City Fed’s monthly manufacturing survey reported lower orders and shipments, with many expressing concern about the upcoming fiscal cliff. They also indicated subdued optimism heading forward, although only slightly more producers expected expansion than contraction. Price indexes moderated somewhat as demand softened. A few contacts commented on delayed deliveries and reduced orders from the East Coast as a result of Hurricane Sandy.

According to the survey, Oklahoma manufacturing activity overall (based on a range of production data) also declined—although at the same time, survey responses suggested upward movement in employment. Oklahoma contacts were considerably more optimistic on the business outlook than the District as a whole. (See the “Spotlight” on the next page for more information on Oklahoma manufacturing.)

Although activity in the energy industry has recently slowed a bit, levels still remain solid and the outlook is generally positive. The total state oil rig count through November was 189, which is down slightly from the summer months (Chart 3). Oil drilling remained strong, and the decline in natural gas rigs has slowed somewhat. Oil prices have remained at profitable levels, while natural gas prices still remain below the level that most producers cite as profitable. Natural gas prices are predicted to remain relatively low, but modest increases are forecasted for the coming year.

_update provided by Megan Williams, associate economist, at the Federal Reserve Bank of Kansas City, Oklahoma City Branch._
Manufacturing has long been an important industry in Oklahoma. In fact, as of 2011, manufacturing jobs make up approximately 8.3 percent of total employment in Oklahoma (Map 2). This percentage is not too much lower than the heavy manufacturing regions and is higher than in some areas across the country. Though overall manufacturing employment in the state has declined by almost 12 percent from 1990 to 2011, recent job gains in manufacturing have accounted for more than 20 percent of total employment growth in Oklahoma. And although Oklahoma lost more factory jobs during the recent recession, Oklahoma manufacturing employment growth has greatly outpaced the United States since the recovery began. As of October 2012, Oklahoma has added 3,000 factory jobs this year but is still nearly 14,000 jobs away from the pre-recession level in January 2008.

Oklahoma is highly concentrated in machinery, petroleum products and fabricated metal manufacturing, accounting for a larger share of total manufacturing than the nation (Table 1). Most of these industries are related to the production of oil and gas equipment and, in some cases, agricultural equipment. These categories also make up the primary manufacturing export industries in the state, most of which are sent to Canada, Western Europe and Latin America. In addition, transportation equipment manufacturing accounts for a large portion of the state’s factory activity, although at a slightly lower share than the nation. This reflects the state’s large presence in aircraft manufacturing and maintenance, mostly in the Tulsa area. Oklahoma has little concentration in furniture, wood, printing and tobacco products manufacturing. The outlook for future manufacturing jobs is mostly positive. In the latest Kansas City Fed Manufacturing Survey, Oklahoma’s future factory employment index remained at fairly solid levels, slightly higher than the District overall.
Unemployment rates in nearly all of Oklahoma are below the national average. Indeed, only four counties in the far southeast corner of the state had rates above the national rate of 7.8 percent, according to the latest available county employment data (September 2012) (Map 3). However, unemployment rates in most of northwest and south central Oklahoma are extremely low—at around half the national rate or even less. Six Oklahoma counties had unemployment rates of less than 3 percent.

A number of long-term factors likely contribute to these differences in unemployment rates. In particular, out-migration rates could differ across parts of the state, with people in some areas more willing to move to other areas to take jobs. Labor force participation rates likely also vary across the state.

However, the largest reason for such sizable differences in unemployment rates likely has to do with the type and location of energy activity occurring in the state. In particular, as domestic energy drilling has shifted from natural gas to oil over the past year, a similar shift has occurred in the location of rigs in Oklahoma. In November 2012, most energy drilling in the state was for oil in or around those counties with especially low unemployment rates (Map 4).