Overall economic growth in Oklahoma continued at a modest pace during the early fall months. Oklahoma payroll employment was up only 0.9 percent from last October (approximately 15,000 jobs), down from 1.6 percent growth this time last year. National payroll employment grew 1.7 percent from the previous year. The Oklahoma City metro area continued to lead job growth in the state, with employment almost 5 percent higher than before the recession and up 2.3 percent from a year ago (Chart 1). Tulsa has also added jobs at a solid rate and inched closer to its pre-recession level. Employment in nonmetro areas has fallen recently, mainly due to a slowdown in energy-related jobs. As of October, statewide job growth continued to be led by the leisure and hospitality industry, with jobs also added in professional, business, manufacturing and construction occupations. In contrast, jobs related to the energy sector slowed further and federal government jobs also shrank. (See the “Spotlight” section on Page 3 for more information about the energy sector.)

Even with the slowdown in employment growth, unemployment rates remained low throughout much of the state. Oklahoma currently has the nation’s 12th-lowest unemployment rate at 5.5 percent. (Map 1). Oklahoma City and Tulsa unemployment rates also remained below 6 percent.
The labor force continues to edge higher, likely indicating that workers are more encouraged about finding employment, as well as immigration into the state.

Regional manufacturing activity continued to grow through the late fall months, similar to the nation (Chart 2). Respondents to the Kansas City Fed manufacturing survey reported slightly higher expectations than in previous months, and employment conditions generally improved. Producers continued to comment about uncertainty related to fiscal issues, although several firms reported an uptick in hiring plans for skilled positions. Capital spending plans were relatively solid, and prices rose very modestly. Export orders fell slightly in November but were expected to pick up in the next six months. Factory conditions in Oklahoma continued to be slightly better than the region, particularly for manufacturing related to pipelines.

Housing activity has been a bright spot in Oklahoma, much like the nation. Despite higher mortgage rates, home permits for new construction continued to rise through late summer in Oklahoma (Chart 3). Construction activity has been somewhat elevated, however, due to tornado rebuilding projects in areas affected by the May 2013 storms. Existing home sales have continued at a solid pace through the early fall, resulting in low inventory levels across much of the state. In contrast, higher rates significantly pushed down home refinancing volumes for most lending institutions. State home prices are up moderately from a year ago, with overall growth still above U.S. levels even with the recent sharp improvements in some parts of the country.

Update provided by Megan Williams, associate economist and manager, at the Federal Reserve Bank of Kansas City, Oklahoma City Branch.
Spotlight On: **Measuring Oklahoma’s Energy Sector**

Oklahoma’s economy is highly dependent on the energy industry. Annually, Oklahoma produces more than 3 percent of the nation’s crude oil and close to 10 percent of the nation’s natural gas, and companies based in Oklahoma account for even more production in other states. Energy employment in Oklahoma peaked in July 2012, and has trended down since then even though national employment in oil and gas extraction has continued to increase (Chart 4). The causes for this trend are unclear. However, energy productivity, measured as barrels per worker, is increasing, and has risen considerably since summer 2012.

Traditionally, rig counts have served as a key indicator of oil and gas production. However this method is becoming less reliable as rig counts drop but production increases. This change can likely be attributed to improvements in rig and drilling methods, specifically the efficiency of horizontal rigs and pad drilling. For example, Oklahoma’s August crude oil production was 316,000 barrels per day, which is the lowest production since April 2013 but still 30 percent higher than the previous year (Chart 5). By contrast, oil rig counts for August were 12 percent lower than the year-ago level. In addition, natural gas production for August was 185 billion cubic feet, 8 percent higher than a year ago (Chart 6), while gas rig counts for August were 30 percent lower than last year. The increase in gas production can also be attributed to the increase in the amount of associated gas being produced during the oil extraction process. A better indicator of production may be well permits and well counts. Well permits increased in July by 15 percent despite a 4.3 percent decrease in oil rigs. Third quarter well counts in Oklahoma basins were higher than the second quarter even though rig counts in these basins were lower.
From 2002 to 2012, employment in the Oklahoma City metropolitan area grew by an average of 1.3 percent per year. During the same decade, employment in the United States increased by only about 0.3 percent annually.

In the nation, jobs requiring a college degree grew fairly solidly from 2002 to 2012—about 1 percent per year—and jobs requiring more advanced degrees grew about 2 percent per year (Chart 7). Jobs requiring an associate degree or vocational award also grew slightly faster than the overall rate of U.S. job growth. Meanwhile, jobs requiring a high school diploma or less were largely flat at the national level.

In the Oklahoma City metro, jobs requiring advanced degrees and those requiring associate degrees or vocational awards grew at a similar rate as the national average, so the different rate of job growth locally wasn’t for those types of jobs. Jobs requiring bachelor’s degrees grew somewhat faster than in the nation, so part of the metro’s faster overall job growth was due to that. But the largest source of the much stronger job growth in the metro area was for jobs requiring high school diplomas or less. Many of these jobs were in the area’s key energy industry, but also included jobs in the construction and leisure sectors, which held up better locally than in the nation during the Great Recession.