# 2011 ECONOMIC OUTLOOK: NATIONAL CONDITIONS AND LOCAL FORECASTS

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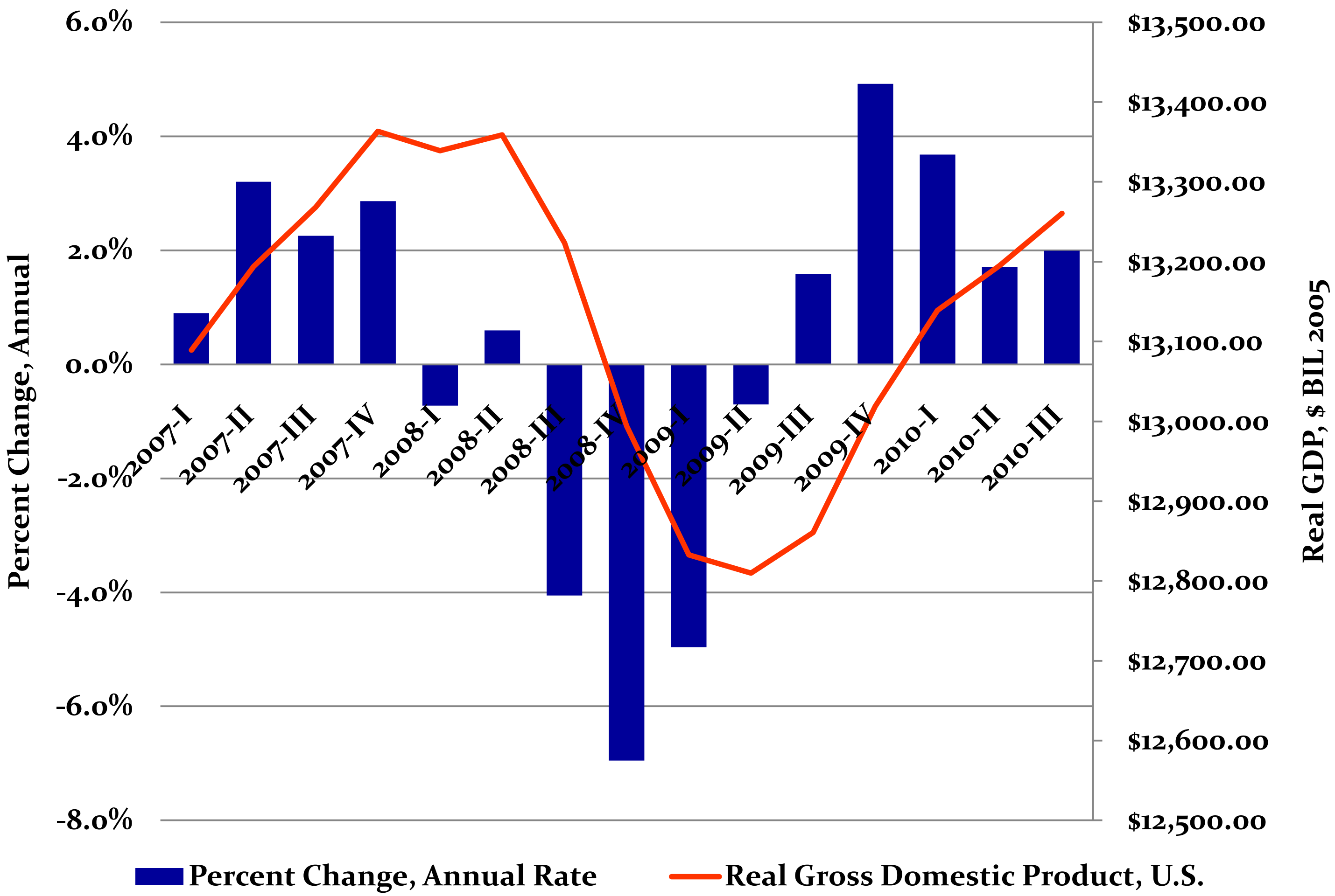
*December 8, 2010*

# U.S. Conditions - Overview

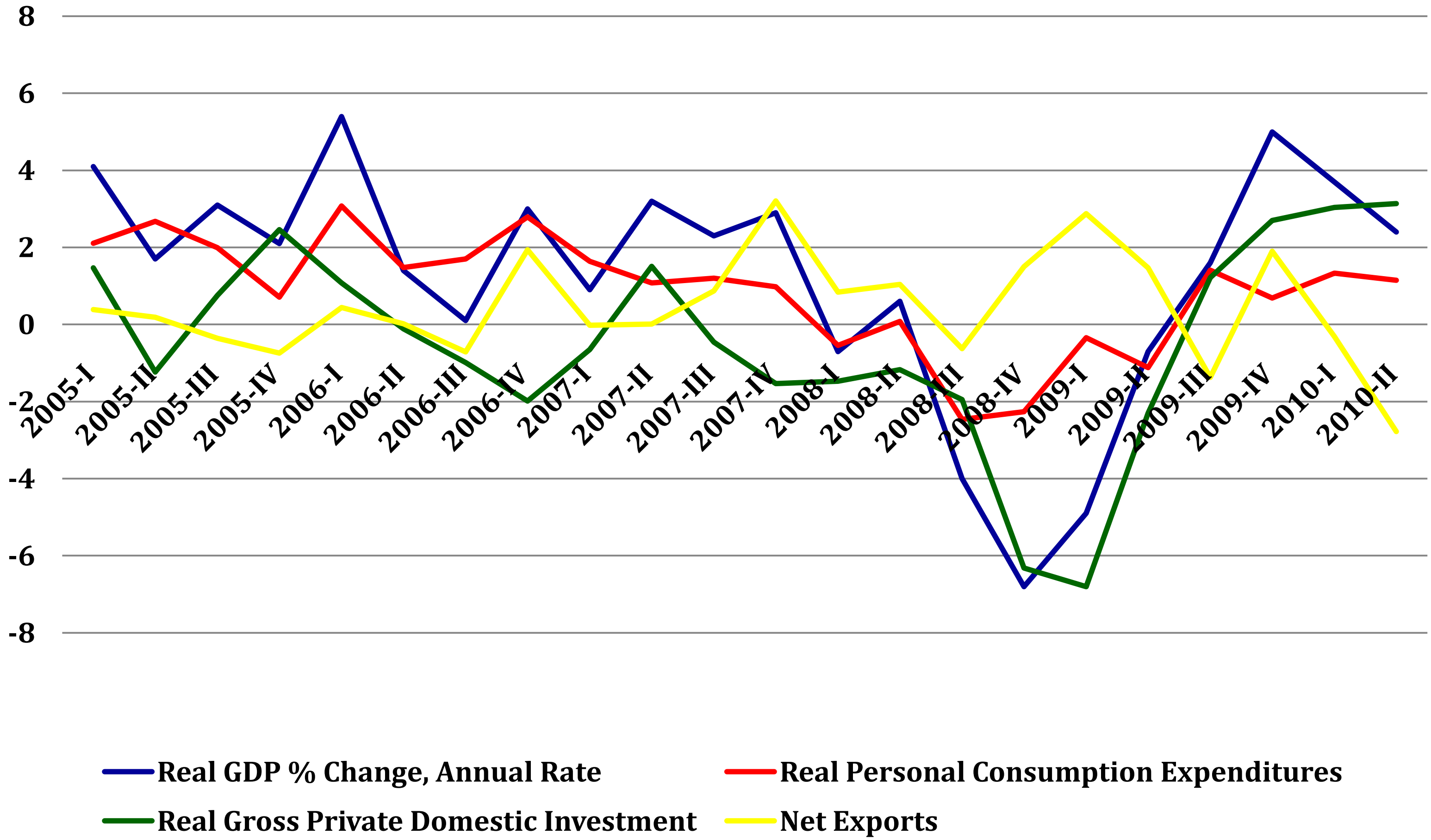
- Recovery losing momentum – U.S. GDP growth struggles to reach 2.5% in 2010 and 2011
- Prices stable in the short run – short run deflationary pressures and long run inflationary pressures complicate monetary policy
- Only modest job gains in 2010 and into 2011; unemployment rates persist at high levels

# U.S. Real GDP

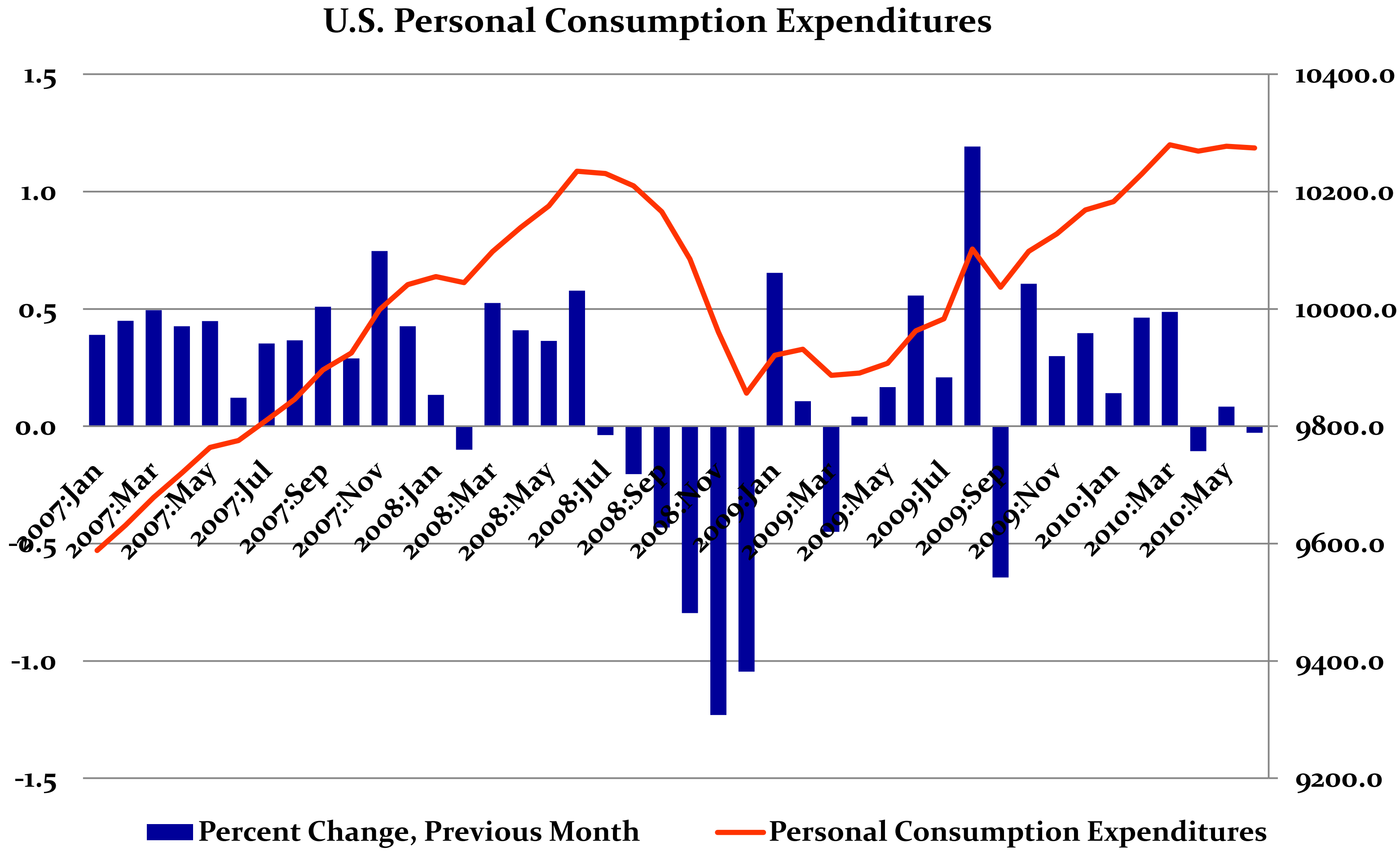

6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%
-6.0%
-8.0%
Percent Change, Annual
2007-I
2007-II
2007-III
2007-IV
2008-I
2008-II
2008-III
2008-IV
2009-I
2009-II
2009-III
2009-IV
2010-I
2010-II
2010-III
$13,500.00
$13,400.00
$13,300.00
$13,200.00
$13,100.00
$13,000.00
$12,900.00
$12,800.00
$12,700.00
$12,600.00
$12,500.00
Real GDP, $ BIL 2005
Percent Change, Annual Rate
Real Gross Domestic Product, U.S.

# U.S. Real GDP

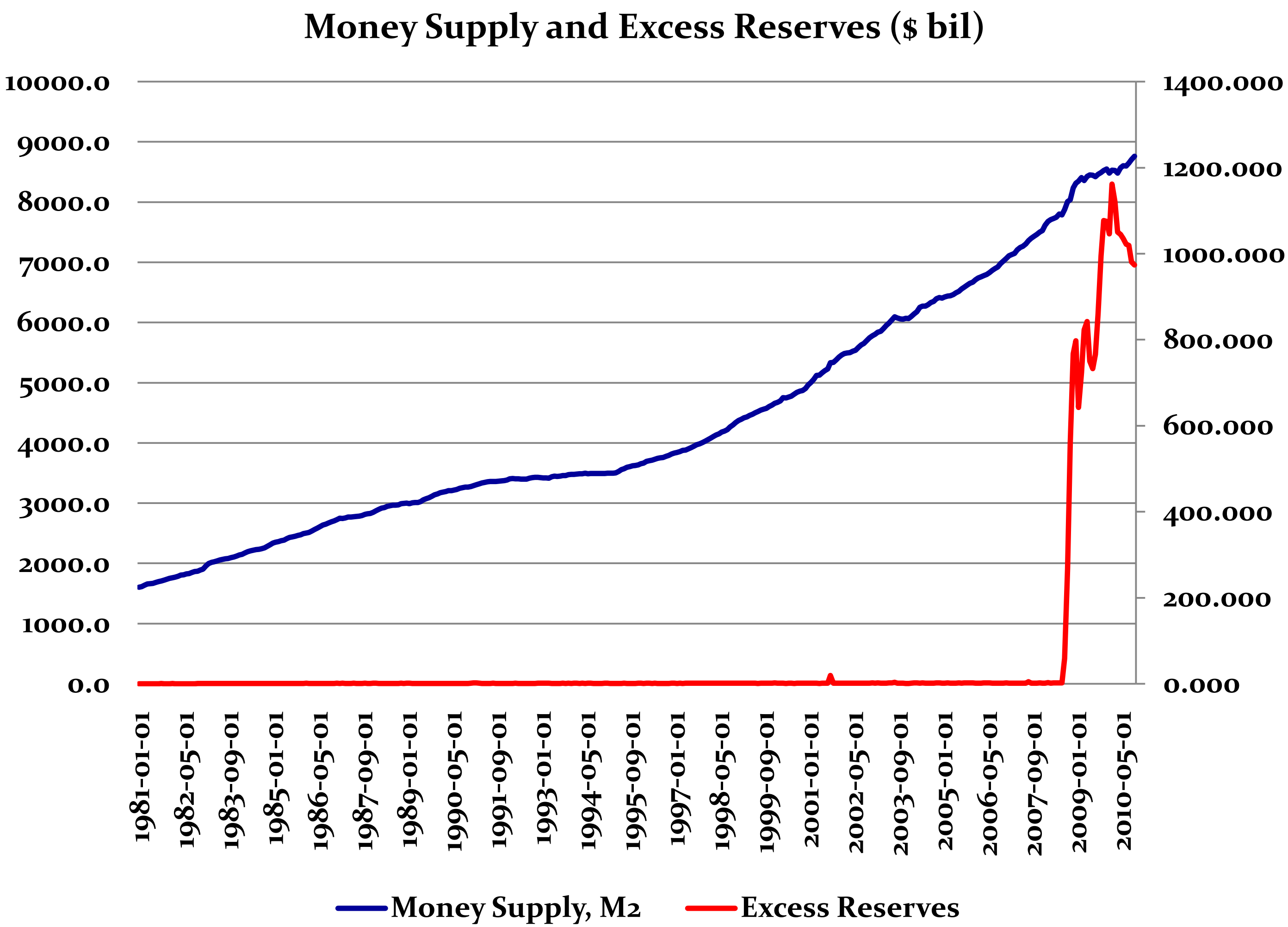
## Contribution to Percent Change in Real GDP



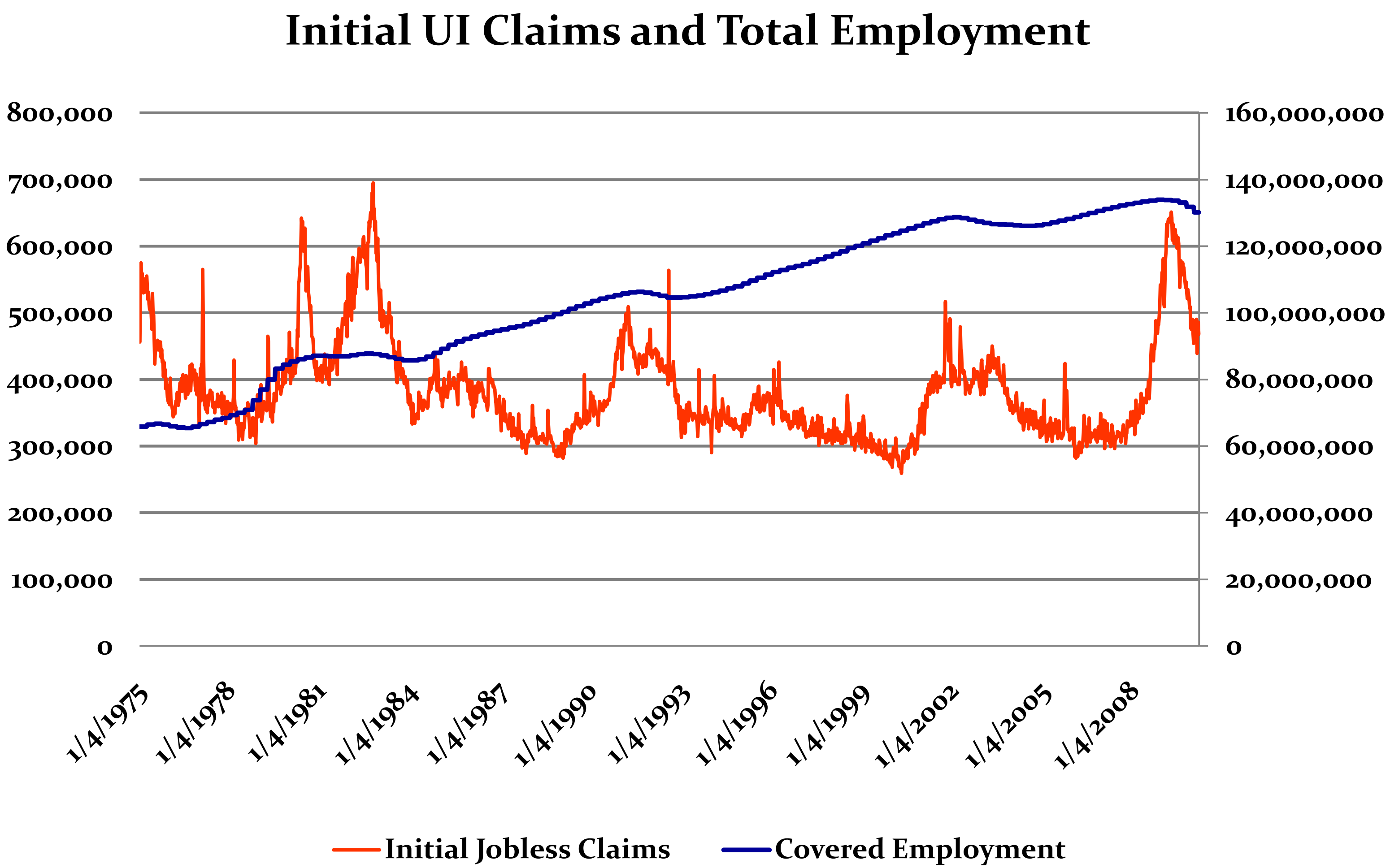
# U.S. Personal Consumption



# Excess Reserves



# Jobless Claims



# Oklahoma Conditions: 2009-2010

- Oklahoma loses 80,000 jobs in recession; one-time monies allow Oklahoma City to weather recession ahead of Tulsa, but rainy day fund is tapped and additional federal dollars unlikely

- Unemployment rates remain elevated by Oklahoma standards, but well below national rates; modest job gains in 2010 with OKC recovering ahead of Tulsa

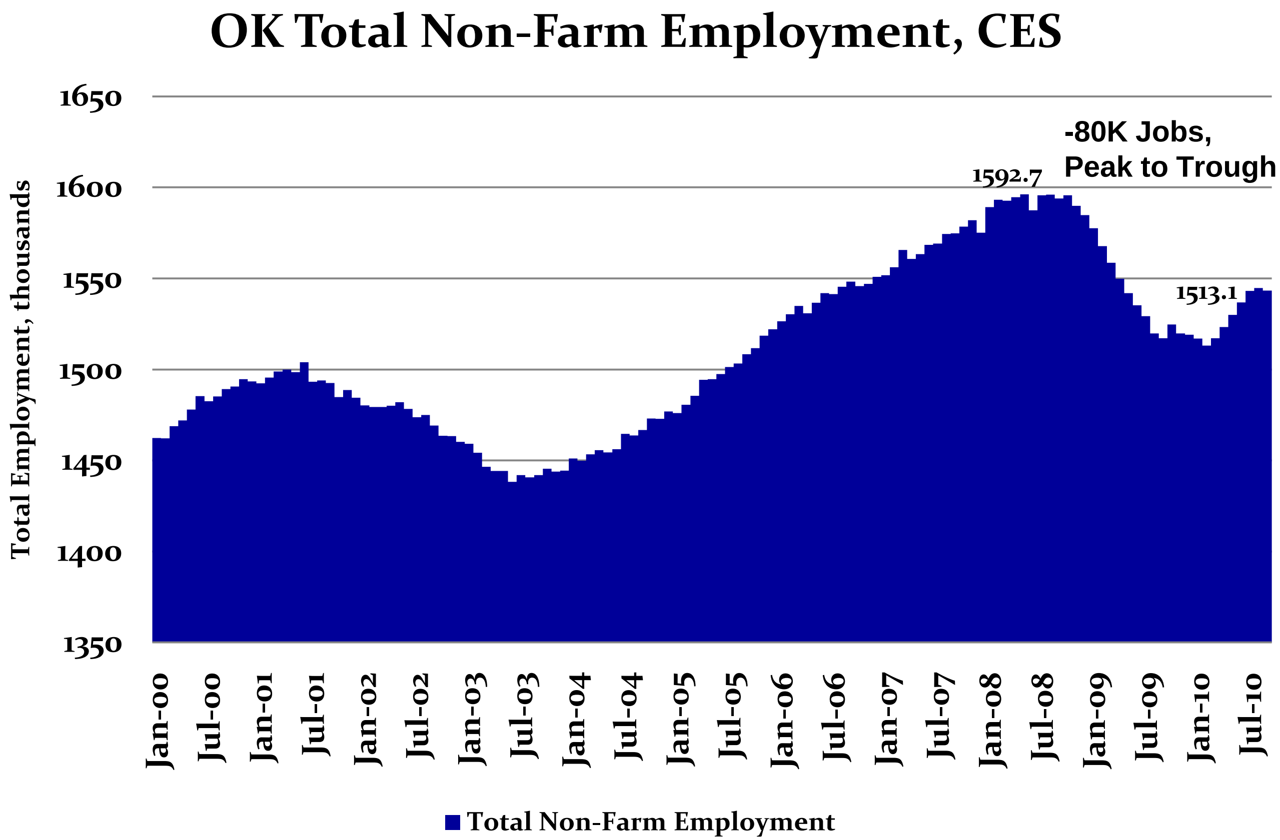
- Oil/Gas activity plummets in 2009, recovers modestly in 2010; employment in the industry follows similar patterns; manufacturing returns to its trend contraction; residential and commercial construction stall (with a few notable exceptions)

- Commodity prices, transfers sustain rural regions; rural areas return focus to economic development strategies

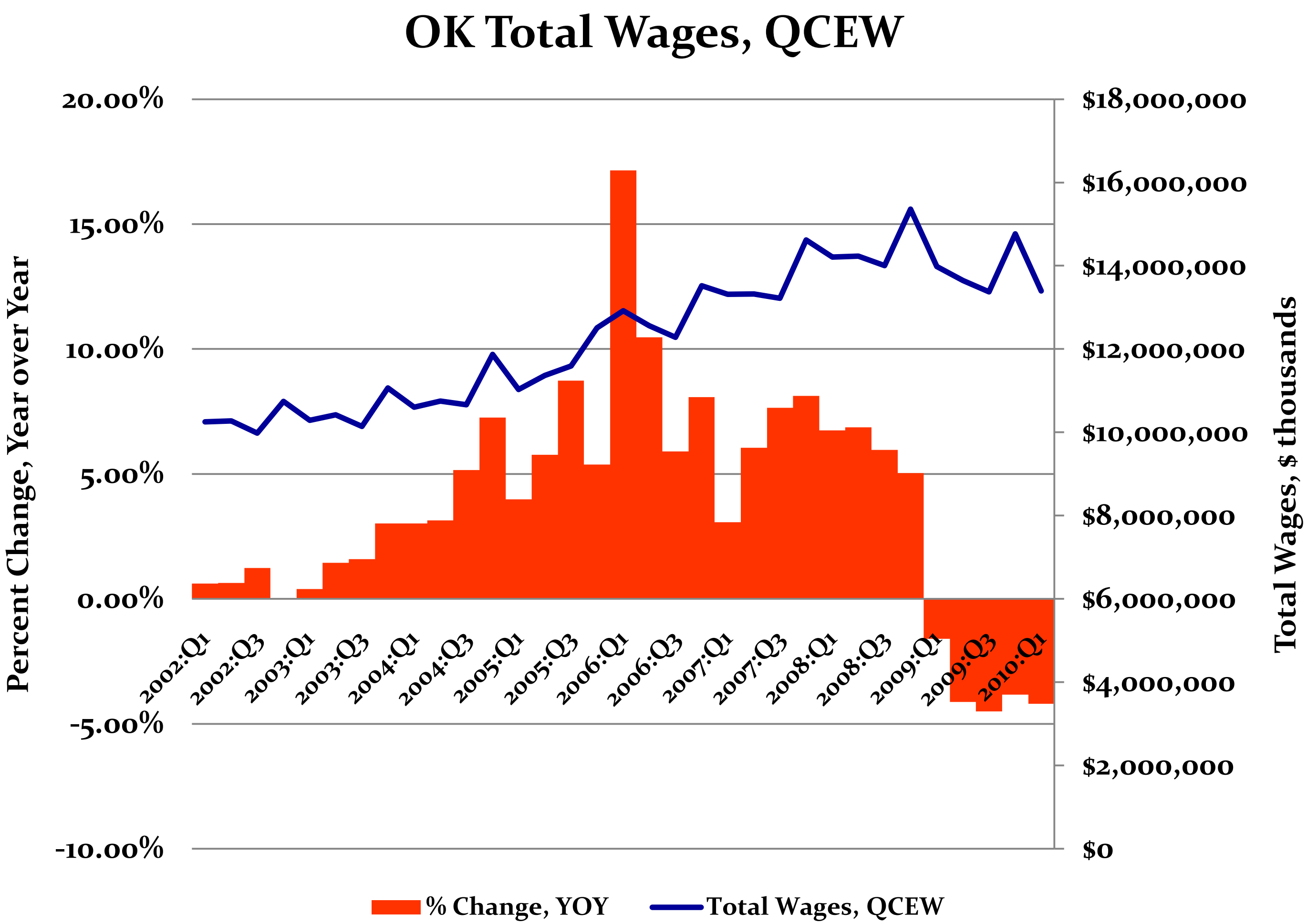
# Oklahoma Conditions: 2011-2012

- Recovery gains momentum in 2011 and carries into 2012; 2011 will feel like recovery
- Tulsa closes the recovery gap on Oklahoma City, as OKC deals with tight government budgets
- Oil/Gas activity pick up modestly in 2011 and 2012; hiring continues as investment dollars look for projects
- Labor force increases keep unemployment rates elevated before falling in the latter half of 2011 and into 2012

# Oklahoma Employment



# Oklahoma Wages



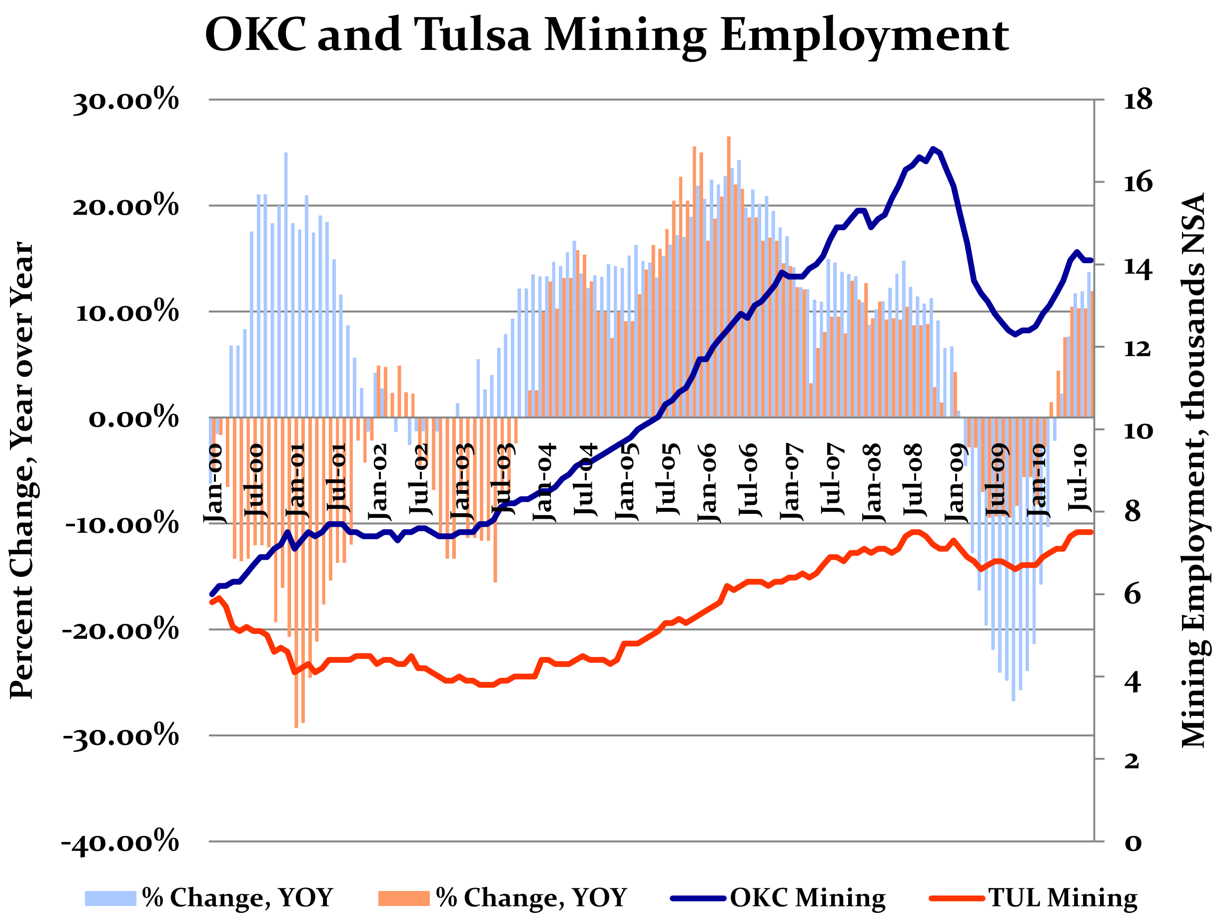
# Oklahoma: Hardest Hit Industries

- Mining – collapse of oil/natural gas prices combined with regulatory uncertainty stall activity; modest optimism as hiring and exploration resume

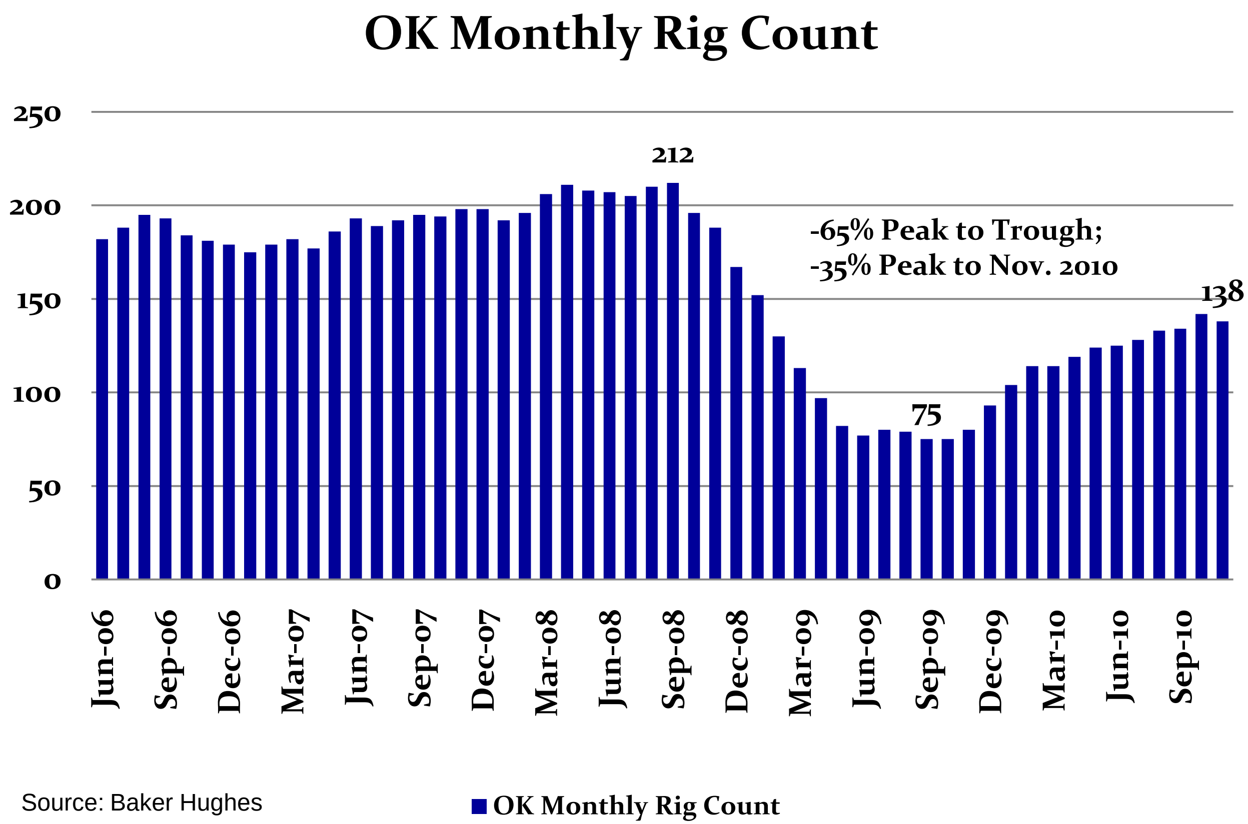
- Construction – modest home construction ‘bubbles’ in OKC and Tulsa prior to recession; residential and commercial inventory still considerable

- Manufacturing – activity stalls, jobs lost as firms upgrade equipment and rely on increased productivity; both OKC and Tulsa revert to declining employment trends

# Oklahoma Mining Employment



# Oklahoma Rig Counts




Source: Baker Hughes

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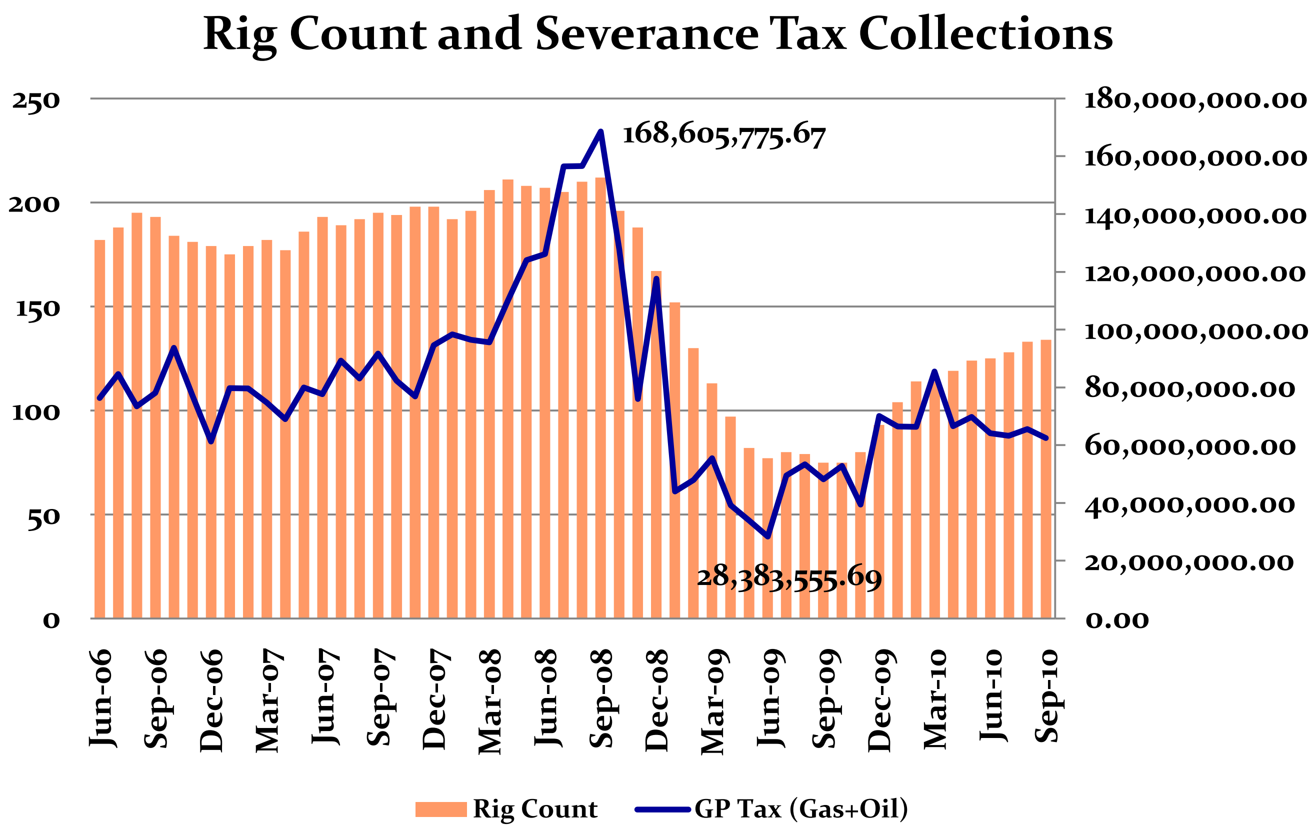
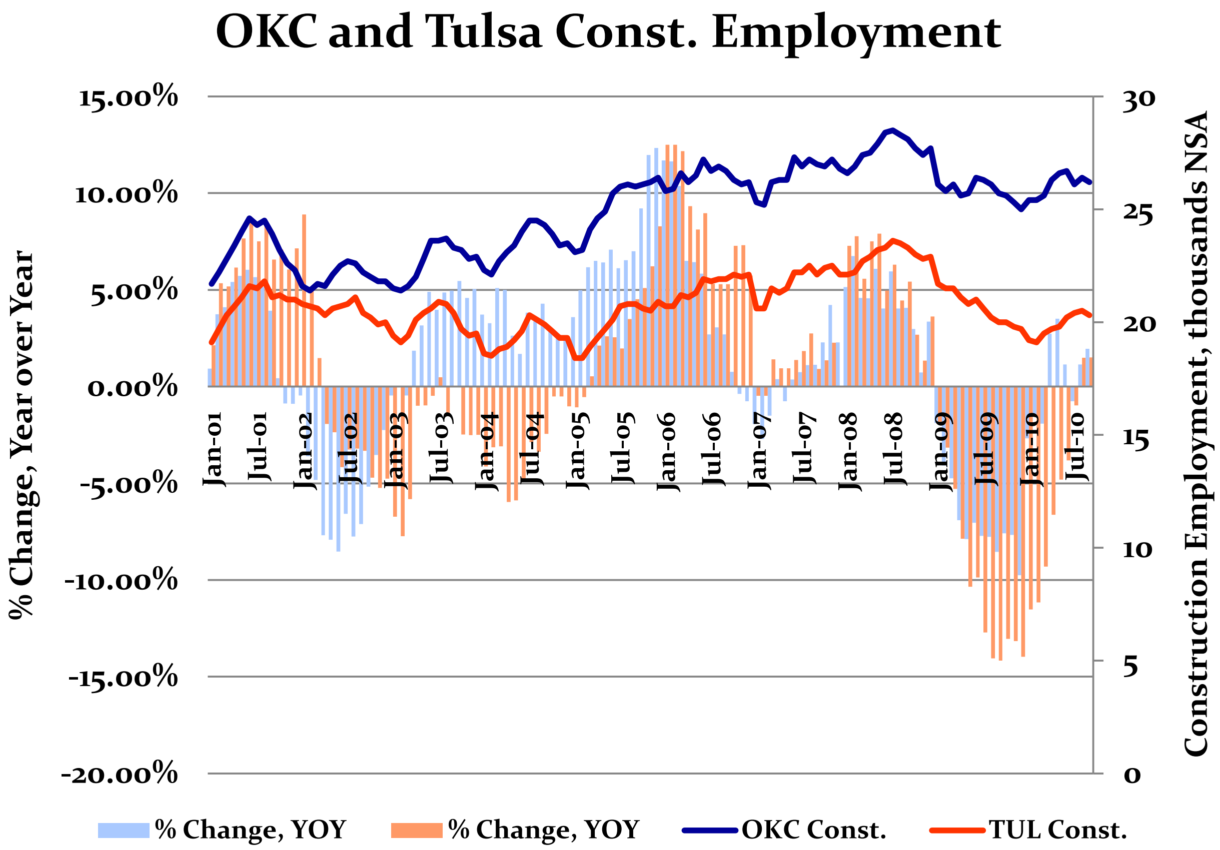
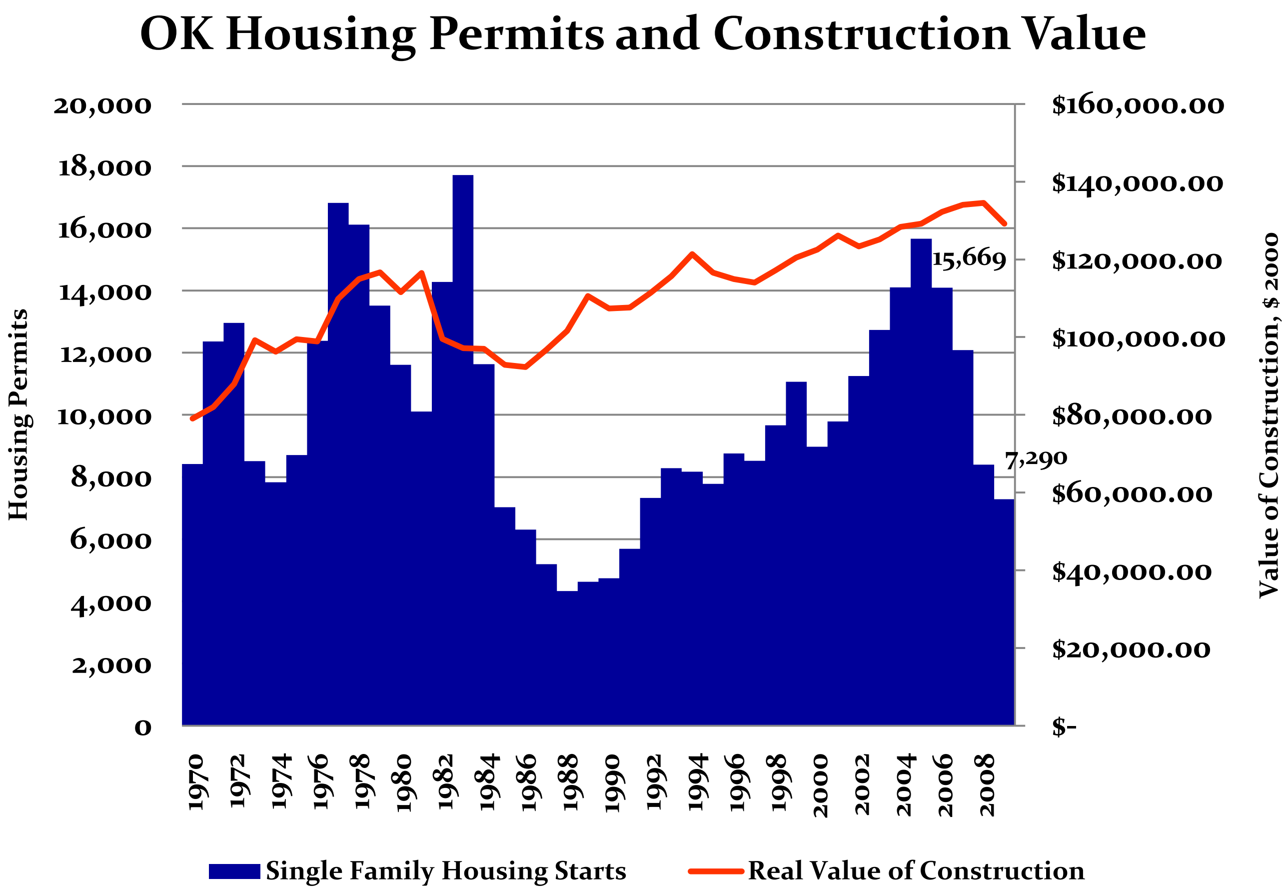
# Oklahoma Rig Count and Severance Tax



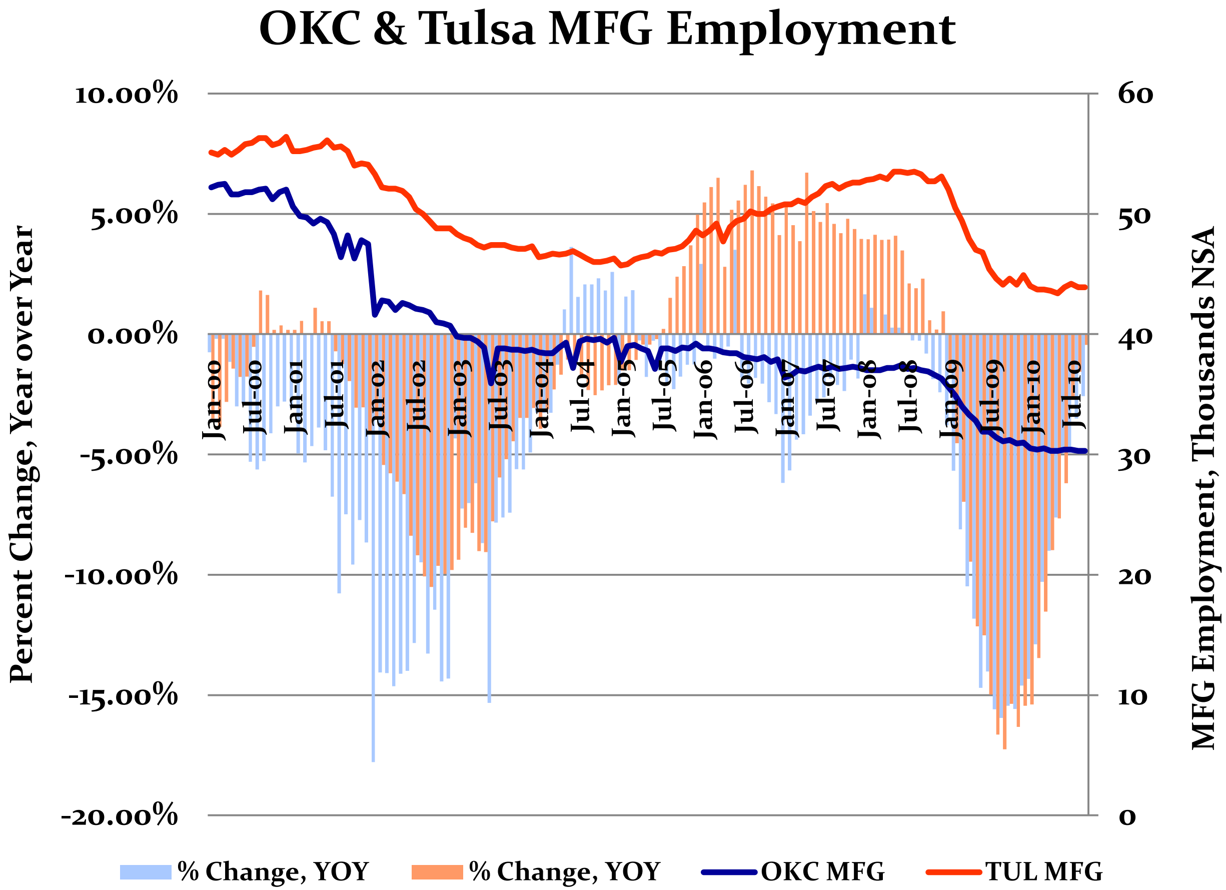
# Oklahoma Construction Employment



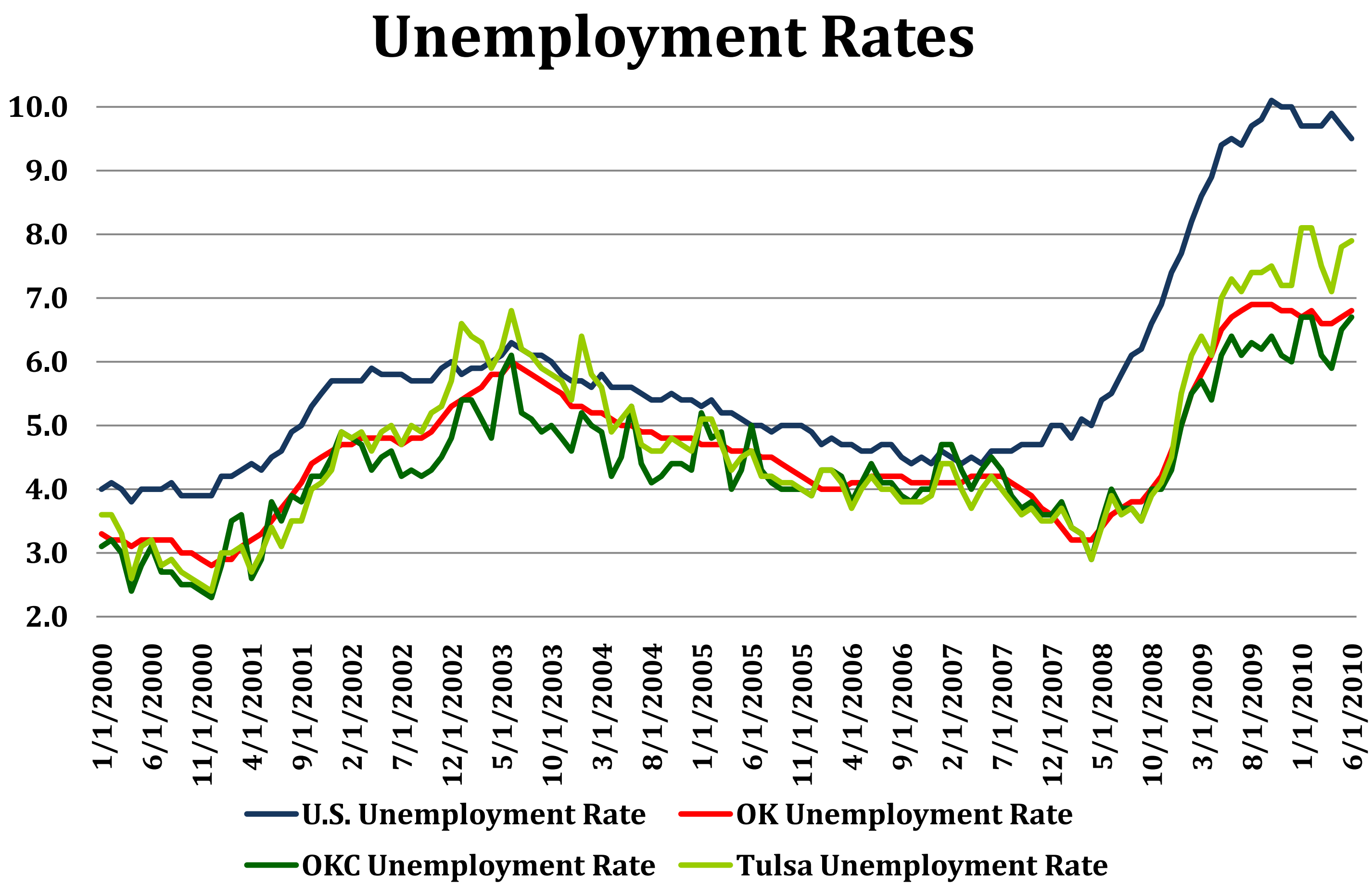
# Oklahoma Housing Permits and Value



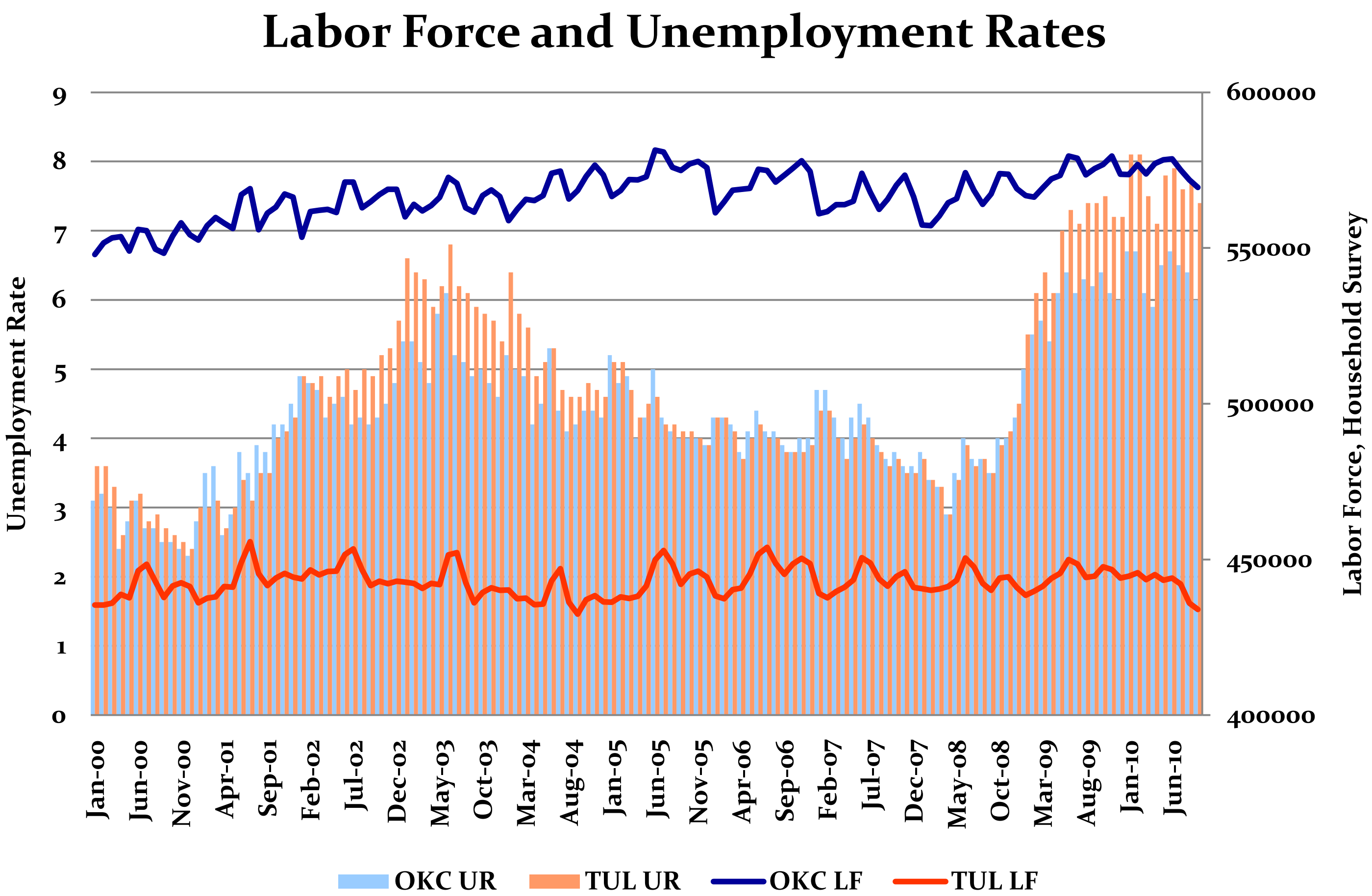
# Oklahoma Manufacturing Employment



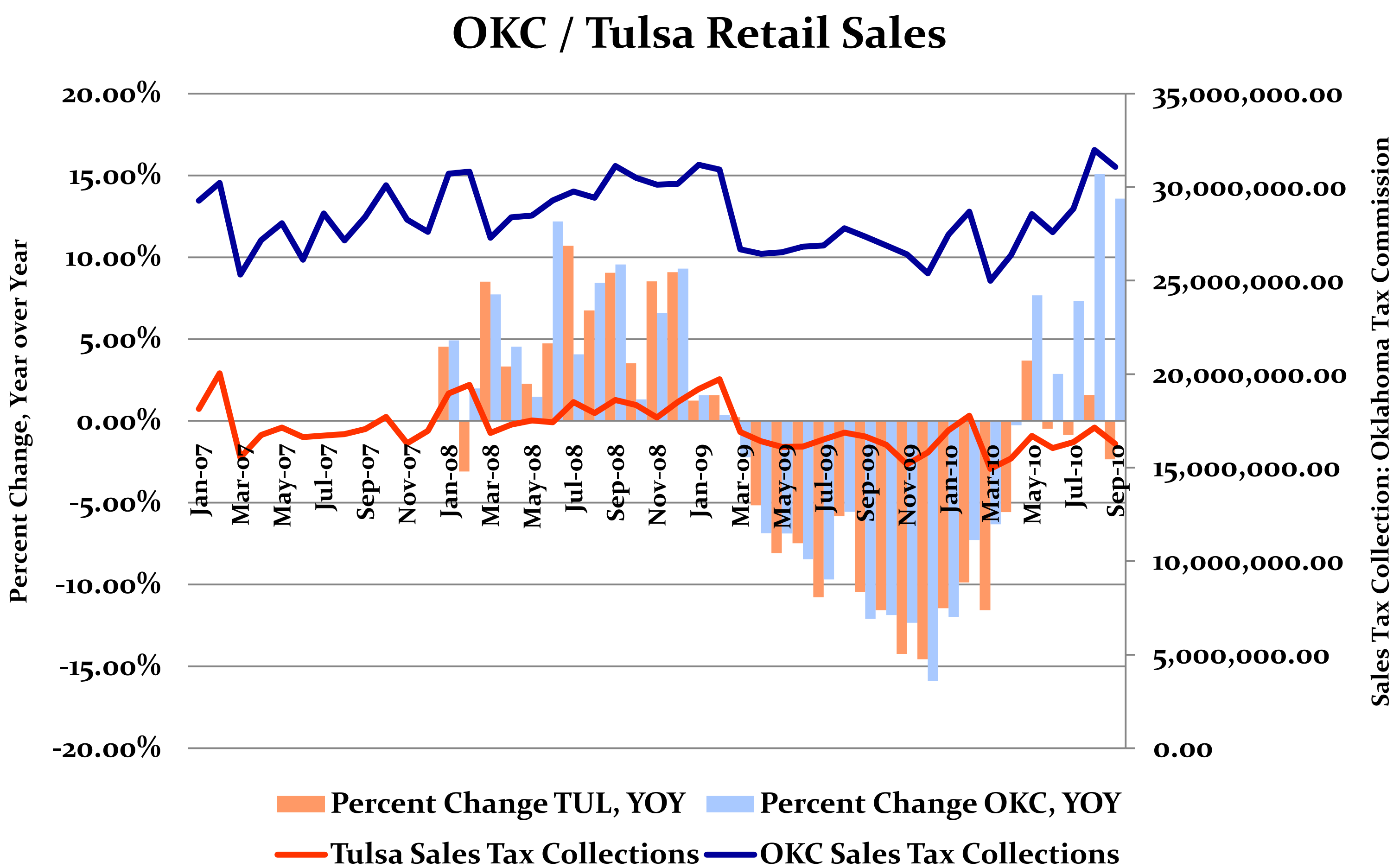
# US and Oklahoma Unemployment Rates



# OKC and Tulsa Unemployment Rates



# Oklahoma Retail Sales



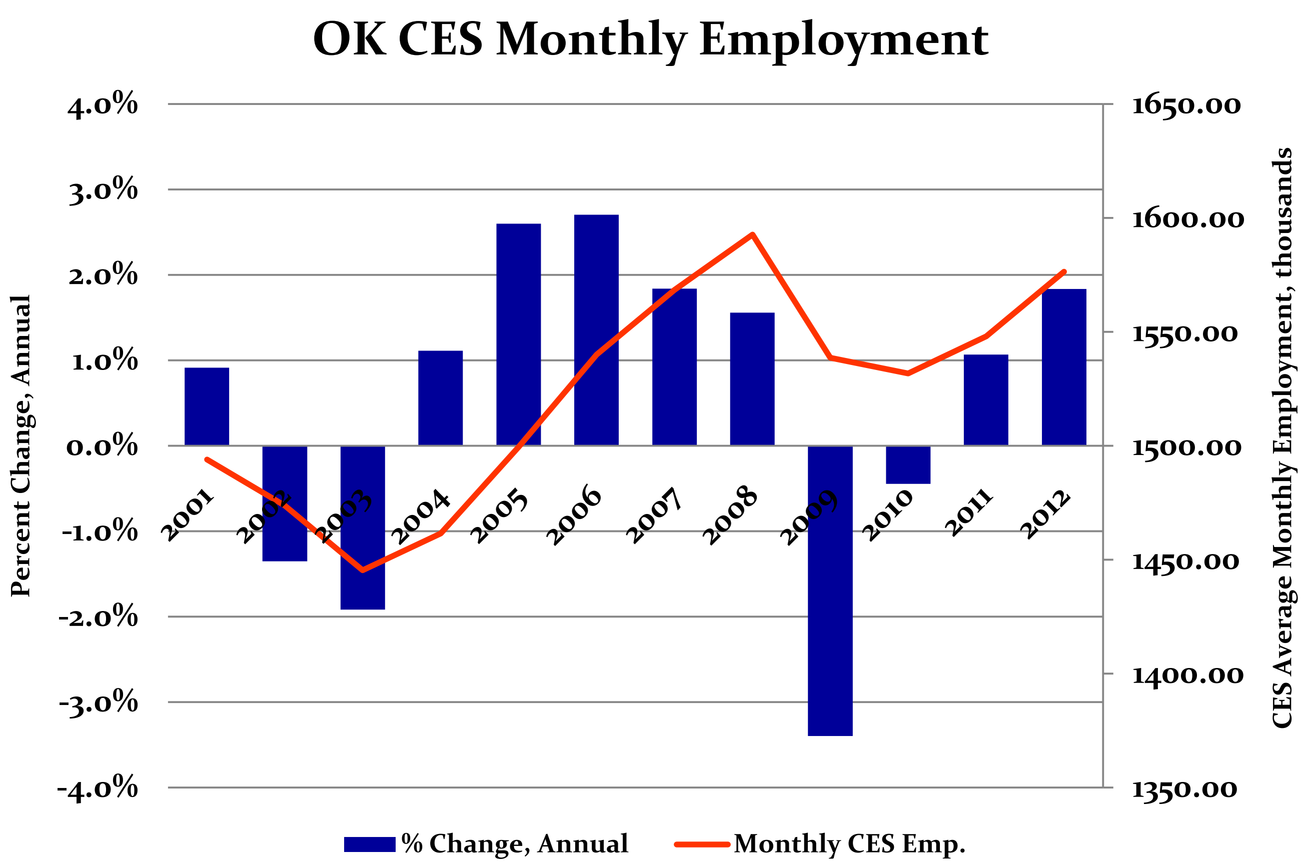
# US Outlook

- Recovery holds; no double dip; US Real GDP grows at 2.3% in 2011 before approaching 3% in 2012
- Unemployment rates remain elevated; hiring accelerates in the second half of 2011
- Prices stable in the short run

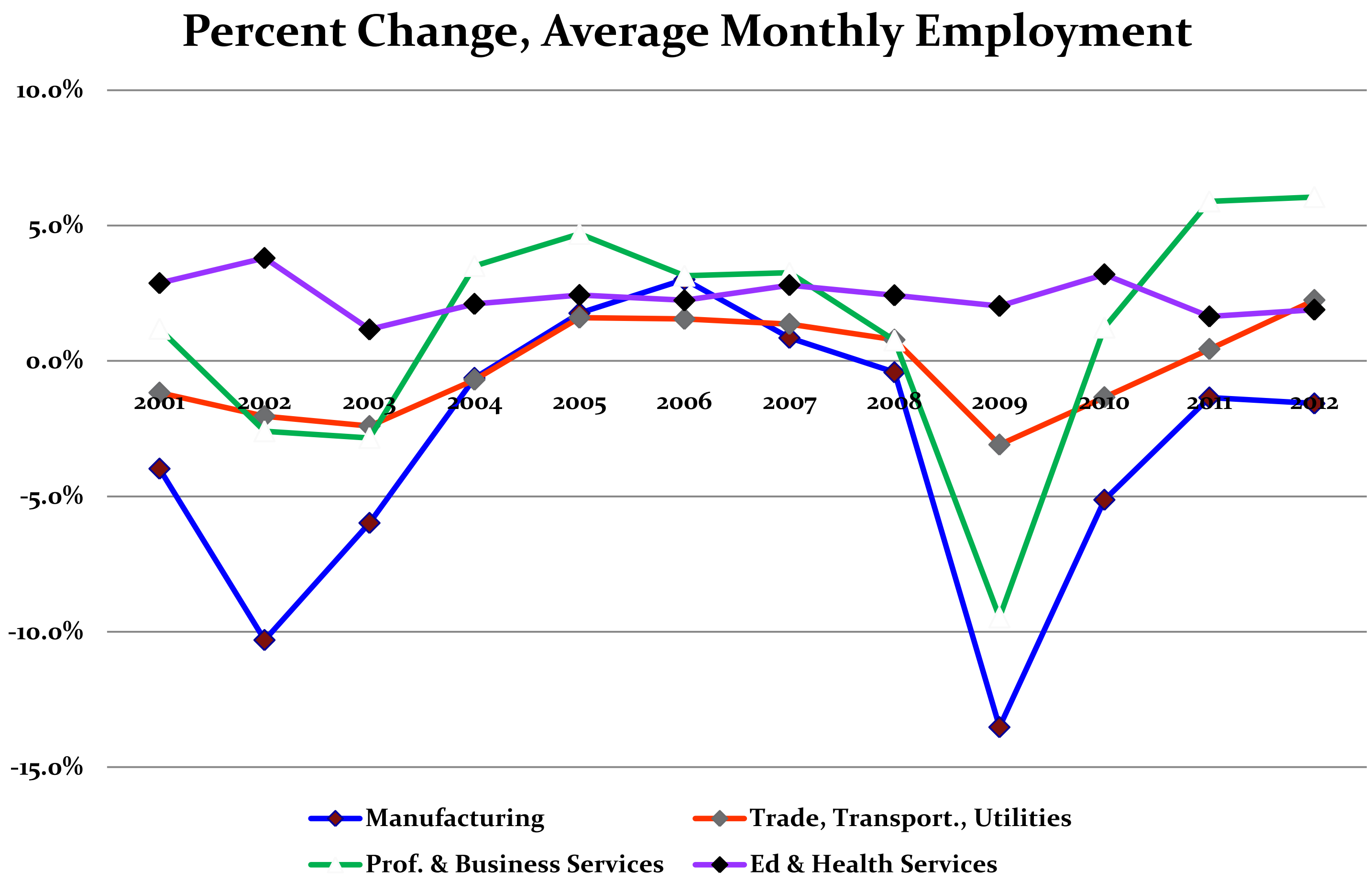
# Oklahoma Forecast

- 2011 feels like recovery; employment and income gains accompanied by firming budgets
- Data point towards Tulsa closing the gap on OKC, but OKC continues to strengthen
- Good news will outweigh bad news; Oil/Gas activity could surprise
- Public sector job loss offset by private sector job gains; Oklahoma feels healthy again by late 2012

# Oklahoma Payroll Employment



# Oklahoma Employment Projections



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# Oklahoma Key Indicators

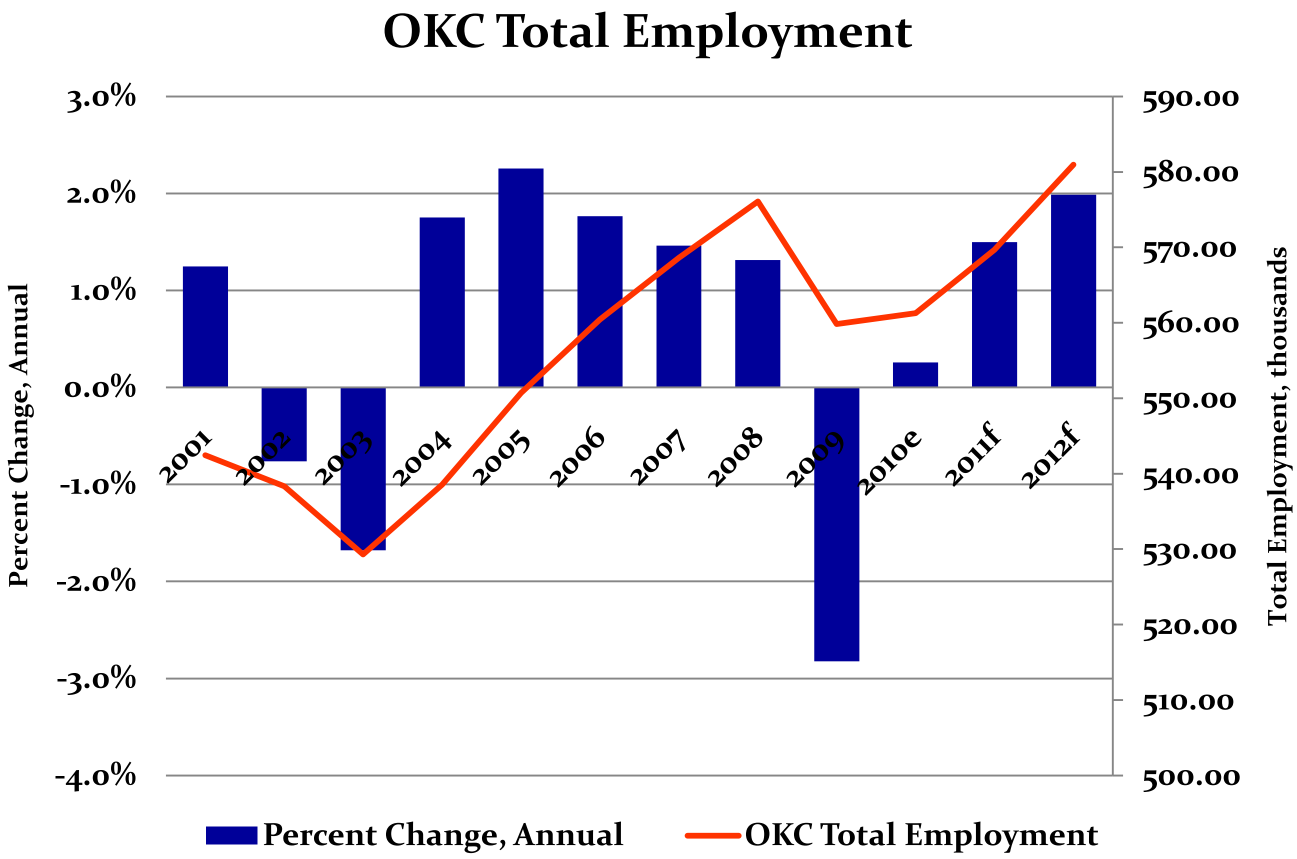
Oklahoma Economic Indicators, SA

| | Sector | 2006 | 2007 | 2008 | 2009 | 2010e | 2011f | 2012f |
|---|---|---|---|---|---|---|---|---|
| Labor Force | CES Non-Farm W&S Employment (Thou) | 1,540.0 | 1,568.3 | 1,592.7 | 1,538.6 | 1,531.7 | 1,548.0 | 1,576.4 |
| | | 2.7% | 1.8% | 1.6% | -3.4% | -0.4% | 1.1% | 1.8% |
| | LAUS Total Employment | 1,654,259 | 1,673,352 | 1,686,996 | 1,659,627 | 1,653,675 | 1,663,008 | 1,682,683 |
| | | 1.6% | 1.2% | 0.8% | -1.6% | -0.4% | 0.6% | 1.2% |
| | Civilian Labor Force LAUS | 1,725,266 | 1,743,781 | 1,751,072 | 1,773,170 | 1,771,760 | 1,780,172 | 1,792,413 |
| | | 1.2% | 1.1% | 0.4% | 1.3% | -0.1% | 0.5% | 0.7% |
| | Unemployment Rate LAUS (%) | 4.1 | 4.0 | 3.7 | 6.4 | 6.7 | 6.6 | 6.1 |
| | | -8.7% | -1.9% | -9.4% | 75.0% | 4.1% | -1.2% | -7.0% |
| Output | Nominal Gross State Product ($Mil) | 131,904.0 | 139,422.0 | 151,406.0 | 153,778.0 | 160,388.1 | 167,354.4 | 175,080.6 |
| | | 9.3% | 5.7% | 8.6% | 1.6% | 4.3% | 4.3% | 4.6% |
| | Nominal Manufacturing Output ($Mil) | 14,367.0 | 14,750.0 | 15,746.0 | 13,615.4 | 13,371.7 | 13,135.4 | 12,811.2 |
| | | 14.6% | 2.7% | 6.8% | -13.5% | -1.8% | -1.8% | -2.5% |
| Income | Nominal Personal Income ($Mil) | 118,747.0 | 123,888.8 | 131,070.3 | 129,605.8 | 133,888.0 | 138,963.8 | 144,875.4 |
| | | 10.3% | 4.3% | 5.8% | -1.1% | 3.3% | 3.8% | 4.3% |
| | Per Capita Personal Income ($Thou) | 33.221 | 34.296 | 35.968 | 35.152 | 35.840 | 36.770 | 37.938 |
| | | 9.0% | 3.2% | 4.9% | -2.3% | 2.0% | 2.6% | 3.2% |
| | Taxable Retail Sales ($Mil) | 39,251 | 41,501 | 44,714 | 40,847 | 42,271 | 44,265 | 45,795 |
| | | 9.1% | 5.7% | 7.7% | -8.6% | 3.5% | 4.7% | 3.5% |
| | OK Individual Income Tax ($Mil) | 2,871.9 | 2,821.7 | 2,871.3 | 2,344.2 | 2,275.1 | 2,388.6 | 2,549.3 |
| | | 7.2% | -1.7% | 1.8% | -18.4% | -2.9% | 5.0% | 6.7% |
| Fin. | OFHEO OK Housing Price Index | 192.20 | 200.96 | 206.69 | 208.91 | 208.29 | 210.13 | 206.42 |
| | | 5.0% | 4.6% | 2.9% | 1.1% | -0.3% | 0.9% | -1.8% |
| | [e]Estimate [f]Forecast | 2006 | 2007 | 2008 | 2009 | 2010e | 2011f | 2012f |

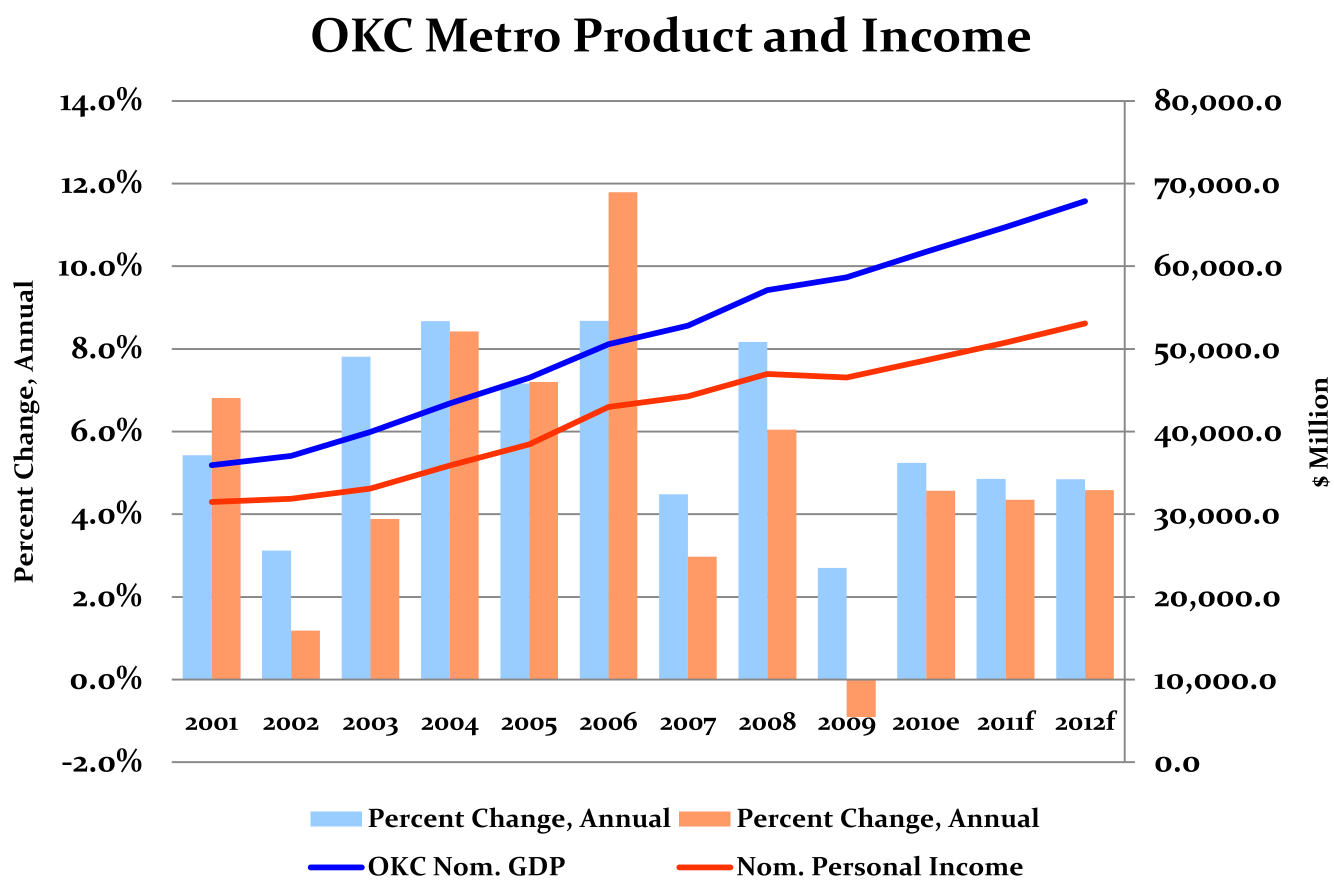
# Disclaimer

*All forecast values for OKC are preliminary; existing values subject to change with the release of the full OKC forecast scheduled for January 28, 2011.*

# Oklahoma City Employment



# Oklahoma City Production and Income

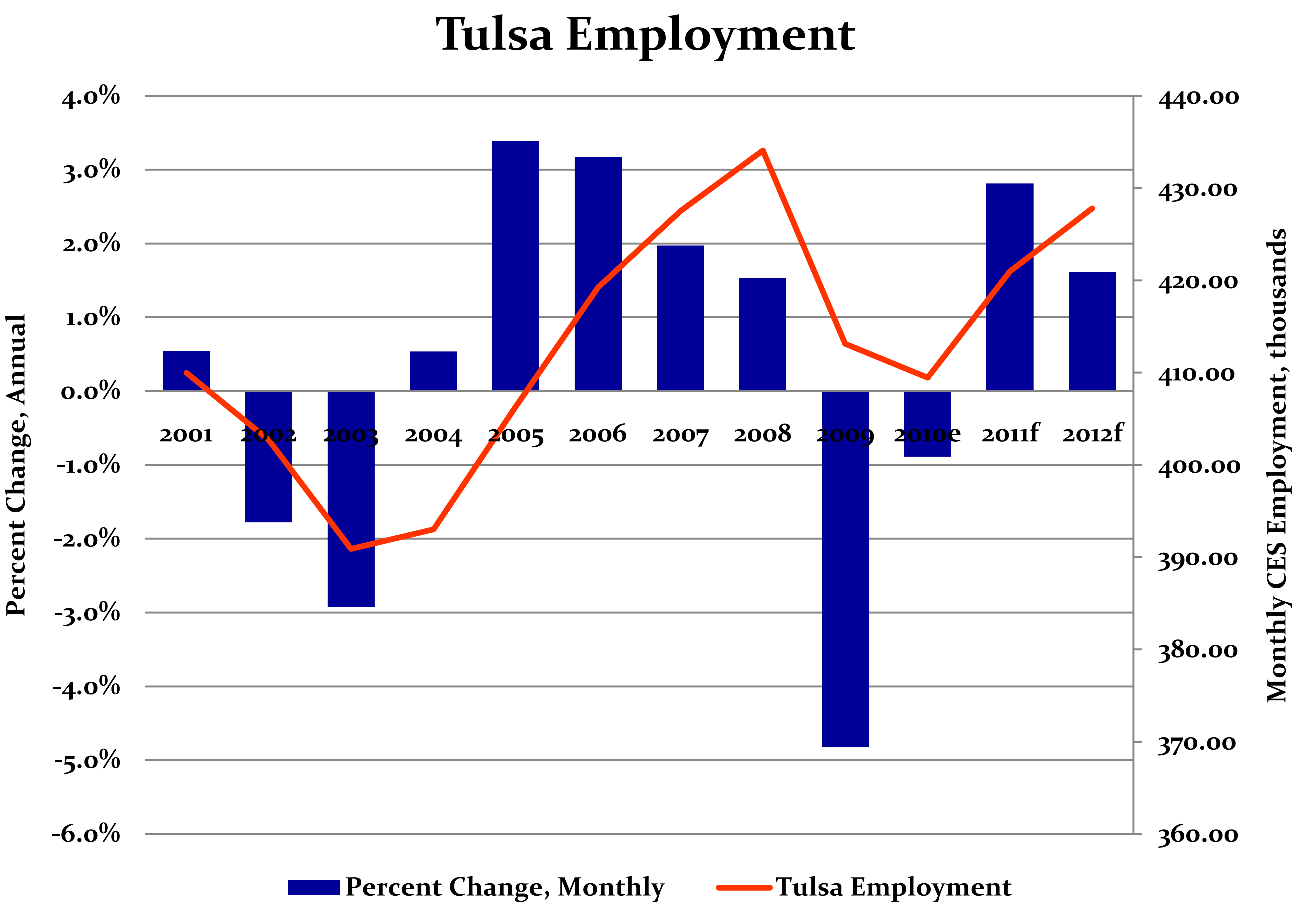


# Oklahoma City Key Indicators

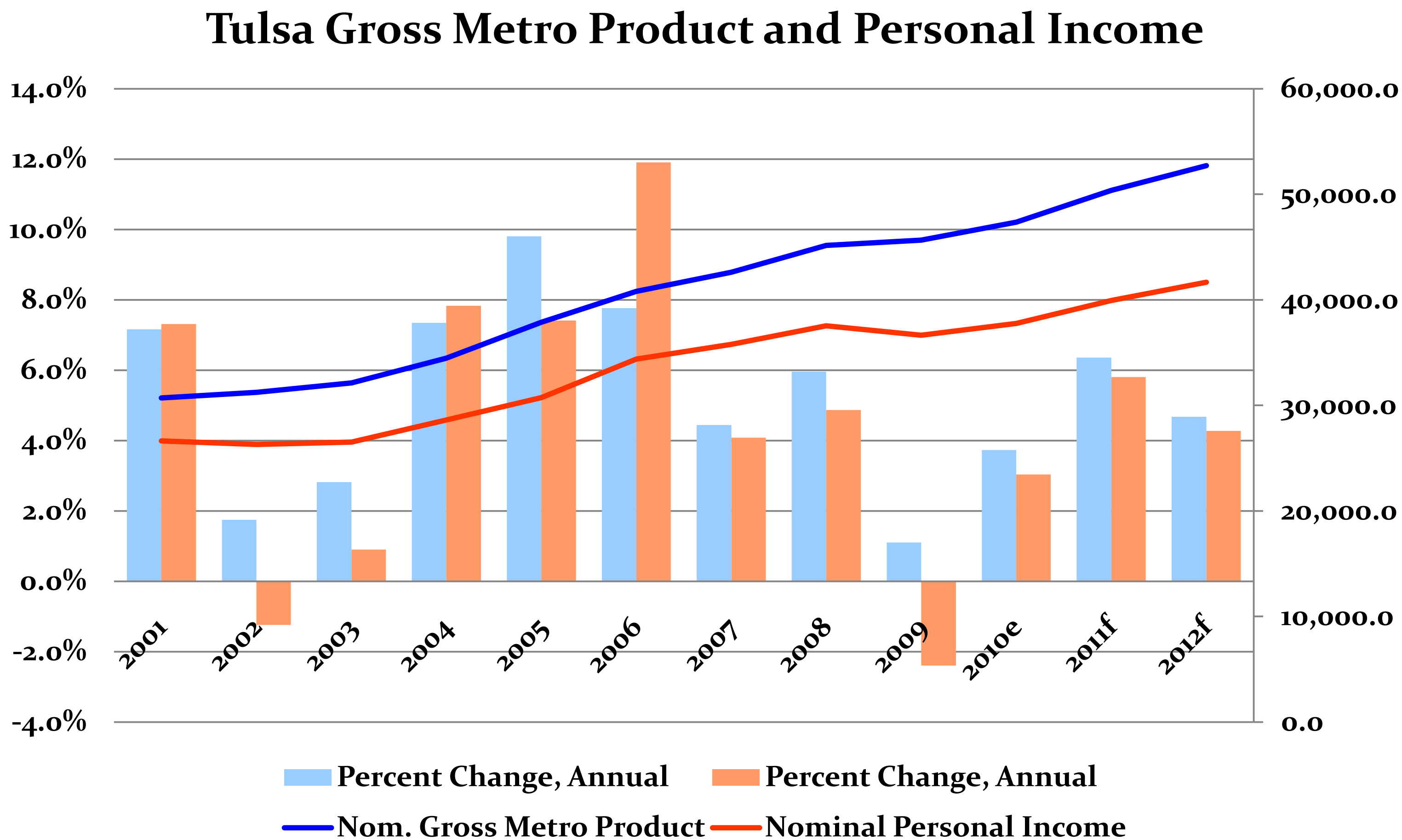
## Oklahoma City Area Economic Indicators, SA

| Sector | 2006 | 2007 | 2008 | 2009 | 2010e | 2011f | 2012f |
|---|---|---|---|---|---|---|---|
| Non-Farm W&S Employment (Thou) | 560.42 | 568.61 | 576.08 | 559.82 | 561.26 | 569.67 | 580.98 |
| | 1.8% | 1.5% | 1.3% | -2.8% | 0.3% | 1.5% | 2.0% |
| QCEW Wage & Salary Employment | 549,618 | 556,231 | 558,652 | 542,238 | 540,183 | 547,581 | 557,463 |
| | 2.4% | 1.2% | 0.4% | -2.9% | -0.4% | 1.4% | 1.8% |
| Nominal Personal Income ($Mil) | 42,997.2 | 44,274.3 | 46,951.2 | 46,524.6 | 48,650.9 | 50,768.0 | 53,094.9 |
| | 11.8% | 3.0% | 6.0% | -0.9% | 4.6% | 4.4% | 4.6% |
| Nominal Gross Metro Product ($Mil) | 50,551.0 | 52,818.0 | 57,131.0 | 58,673.0 | 61,747.5 | 64,744.5 | 67,883.8 |
| | 8.7% | 4.5% | 8.2% | 2.7% | 5.2% | 4.9% | 4.8% |
| Nominal Manufacturing Output ($Mil) | 4,210.0 | 4,041.0 | 4,298.0 | 3,852.1 | 3,778.3 | 3,740.5 | 3,682.8 |
| | 13.0% | -4.0% | 6.4% | -10.4% | -1.9% | -1.0% | -1.5% |
| Per-Capita Personal Income ($Thou) | 36.602 | 37.166 | 38.882 | 37.909 | 39.026 | 40.136 | 41.402 |
| | 9.9% | 1.5% | 4.6% | -2.5% | 2.9% | 2.8% | 3.2% |
| OKC MSA Population (Thou) | 1,174.74 | 1,191.24 | 1,207.52 | 1,227.28 | 1,246.63 | 1,264.90 | 1,282.43 |
| | 1.7% | 1.4% | 1.4% | 1.6% | 1.6% | 1.5% | 1.4% |
| Labor Force - HH Survey (Thou) | 571,278 | 566,290 | 566,345 | 573,781 | 577,777 | 580,553 | 584,248 |
| | -0.6% | -0.9% | 0.0% | 1.3% | 0.7% | 0.5% | 0.6% |
| Employment - HH Survey (Thou) | 547,940 | 543,005 | 545,574 | 539,758 | 541,139 | 543,080 | 548,777 |
| | -0.3% | -0.9% | 0.5% | -1.1% | 0.3% | 0.4% | 1.0% |
| Unemployment Rate - HH Survey (%) | 4.1 | 4.1 | 3.7 | 5.9 | 6.3 | 6.5 | 6.1 |
| | -6.7% | 0.7% | -10.8% | 61.7% | 6.9% | 1.8% | -5.9% |
| OFHEO OKC MSA Housing Price Index | 166.87 | 173.49 | 176.63 | 177.93 | 177.97 | 178.58 | 174.46 |
| | 4.9% | 4.0% | 1.8% | 0.7% | 0.0% | 0.3% | -2.3% |
| [e]Estimate [f]Forecast | 2006 | 2007 | 2008 | 2009 | 2010e | 2011f | 2012f |

# Tulsa Employment



# Tulsa Production and Income



# Tulsa Key Indicators

## Tulsa Area Economic Indicators

| Sector | 2006 | 2007 | 2008 | 2009 | 2010e | 2011f | 2012f |
|---|---|---|---|---|---|---|---|
| Non-Farm W&S Employment (Thou) | 419.25 | 427.52 | 434.09 | 413.14 | 409.47 | 420.99 | 427.81 |
| | 3.2% | 2.0% | 1.5% | -4.8% | -0.9% | 2.8% | 1.6% |
| QCEW Wage & Salary Employment | 408,569 | 416,046 | 421,349 | 401,505 | 394,893 | 405,318 | 411,099 |
| | 3.2% | 1.8% | 1.3% | -4.7% | -1.6% | 2.6% | 1.4% |
| Nominal Personal Income ($Mil) | 34,392.5 | 35,796.4 | 37,540.2 | 36,641.8 | 37,754.5 | 39,947.1 | 41,656.0 |
| | 11.9% | 4.1% | 4.9% | -2.4% | 3.0% | 5.8% | 4.3% |
| Nominal Gross Metro Product ($Mil) | 40,806.0 | 42,617.0 | 45,157.0 | 45,654.0 | 47,356.7 | 50,367.7 | 52,722.9 |
| | 7.8% | 4.4% | 6.0% | 1.1% | 3.7% | 6.4% | 4.7% |
| Nominal Manufacturing Output ($Mil) | 5,466.0 | 5,842.0 | 6,325.0 | 5,594.7 | 5,493.9 | 5,460.7 | 5,394.5 |
| | 22.5% | 6.9% | 8.3% | -11.5% | -1.8% | -0.6% | -1.2% |
| Per-Capita Personal Income ($Thou) | 38.529 | 39.524 | 40.981 | 39.442 | 40.014 | 41.679 | 42.850 |
| | 10.5% | 2.6% | 3.7% | -3.8% | 1.5% | 4.2% | 2.8% |
| Tulsa MSA Population (Thou) | 892.64 | 905.68 | 916.04 | 929.02 | 943.53 | 958.44 | 972.14 |
| | 1.2% | 1.5% | 1.1% | 1.4% | 1.6% | 1.6% | 1.4% |
| Labor Force - HH Survey (Thou) | 445,721 | 443,078 | 442,994 | 444,581 | 443,804 | 444,410 | 446,765 |
| | 0.5% | -0.6% | 0.0% | 0.4% | -0.2% | 0.1% | 0.5% |
| Employment - HH Survey (Thou) | 427,936 | 425,744 | 426,813 | 414,135 | 410,587 | 411,390 | 415,521 |
| | 1.0% | -0.5% | 0.3% | -3.0% | -0.9% | 0.2% | 1.0% |
| Unemployment Rate - HH Survey (%) | 4.0 | 3.9 | 3.7 | 6.8 | 7.5 | 7.4 | 7.0 |
| | -9.1% | -1.9% | -6.6% | 87.4% | 9.3% | -0.7% | -5.9% |
| OFHEO Tulsa MSA Housing Price Index | 157.98 | 164.81 | 169.81 | 172.06 | 172.24 | 175.01 | 174.14 |
| | 3.4% | 4.3% | 3.0% | 1.3% | 0.1% | 1.6% | -0.5% |
| [e]Estimate [f]Forecast | 2006 | 2007 | 2008 | 2009 | 2010e | 2011f | 2012f |

# Concluding Comments

- US recovery holds; Oklahoma recovers roughly at the pace of the nation – 2011 is a year of genuine recovery
- Tulsa should close the performance gap on OKC after OKC races ahead in recovery; Tulsa looking to gain momentum where OKC looks to maintain momentum
- Rural areas relatively insulated; stable commodity prices and a return to oil/gas activity should help many communities
- Budgets strained at the Capitol through FY 2012; FY 2013 budgets will seem pain-free by comparison (only by comparison!)