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Spears School
OF BUSINESS

The Oklahoma Economy

2009 Oklahoma Economic Outlook



*Oklahoma City
Metropolitan Area
Outlook*

Economic Performance Index

Center for Applied Economic Research
Spears School of Business
Oklahoma State University

Released 1/9/2009

The 2009 Oklahoma Economic Outlook is
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Oklahoma City Metropolitan Area

National Conditions Begin to Restrict OKC Area Growth in 2009

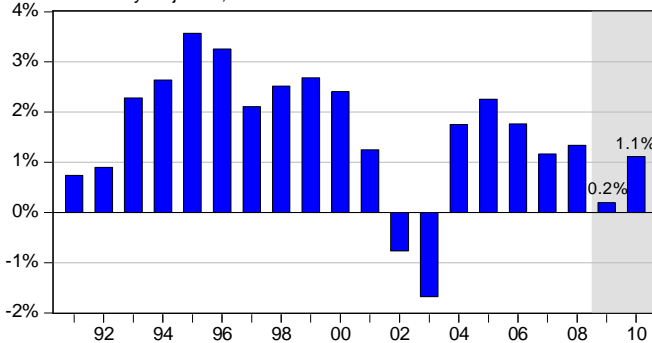
by Mark C. Snead†

Oklahoma City MSA Forecast Summary

- The OKC area economy has momentum going into the national recession and continues to outpace the nation on most economic measures. The metro area is expected to post a 1.3% job gain for all of 2008 vs. 1.1% for the state and -0.1% for the nation.
- However, weaker than expected national economic conditions and falling energy prices are finally placing visible strains on the Oklahoma City area economy.
- Local energy firms continue to retrench in response to the sharp downward correction in energy prices and will all but eliminate any energy boost in 2009.
- Job growth in the metro area is expected to downshift further in 2009 along with the state and nation. The OKC area is expected to slow to a 0.2% job gain (1,100 jobs) in 2009 before a soft rebound to a 1.1% gain (6,400 jobs) in 2010.
- Hiring weakness is expected next year in most major industry sectors relative to 2008.
- The metro area jobless rate will likely push above 5% in 2009.
- The national housing crisis is also beginning to weigh on metro housing price increases, though annual housing price gains should remain above 3% through 2009.

Growth in OKC Metro Non-Farm Employment

Seasonally Adjusted, Annual Rate



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Current Economic Conditions

Weak national economic conditions are increasingly weighing on economic activity in the Oklahoma City metro area. Most importantly, seized-up credit markets have brought business lending as we know it to a halt and are having a sweeping impact on economic activity nationally. And, in Oklahoma, the strong buffer provided by strength in the local energy and housing sectors the past few years is now only providing a modest boost at best in the regional economy.

The Oklahoma City area economy has slowed along with the nation but nevertheless continues to add jobs at a rate well above the nation and in step with overall state numbers. Job growth in the 12 months through November is 1.0%, roughly equal to the state's job gain of 1.1% in the same period. For comparison, Tulsa metro area job numbers suggest relatively greater hiring weakness with a -0.1% job decline reported the past 12 months. The rural regions of the state continue to outperform the metro regions in job growth.

For all of 2008, job growth in the metro area is expected to total 1.3%, slightly above the revised 1.2% rate for 2007 but well below the 1.8% gain in 2006 and the 2.3% gain in 2005. Metro job growth in 2008 will likely match the 1.1% gain projected for the state but far exceed the -0.1% job loss expected for the nation. OKC area job growth is also now well below the core long-run annual growth rate for the region of around 1.8%.

Expansion Showing Signs of Weakness. The expansion underway in the metro area since late 2003 is showing clear signs of a broad cyclical slowdown. Hiring weakness in nondurable manufacturing, real estate, and the arts, entertainment, and recreation sectors reflect the same set of weak conditions that first surfaced during the early stages of the current national economic slowdown. Even most industry sectors that are still adding jobs have experienced a marked slowdown in the rate of growth. Retail sales growth remains in the normal range but has been buoyed by business purchases rather than household activity. These conditions leave the Oklahoma City metro area



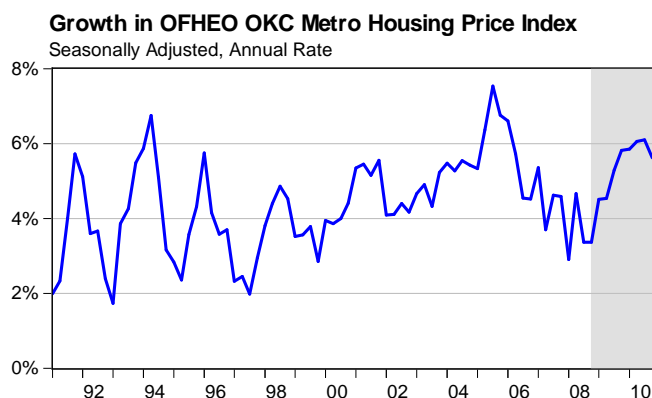
and the state about one year behind the nation in the current slowdown.

Risk Factors: Tight Credit and Low Energy Prices.

The risk for the Oklahoma City area remains that the current economic slowdown could accelerate and extend through 2009 and weigh on the job market well into 2010. Fortunately, the metro area has a tremendous amount of momentum going into the current recession and has the potential to add jobs in 2009 as long as the current national recession doesn't last too long. The federal response has been swift and significant but the lags between government action and economic recovery can be uncomfortably long. These actions have not yet restored either lending activity or business confidence and will make robust economic growth at the national, state, and local levels all but impossible until they do.

Low energy prices remain a serious risk for Oklahoma City in 2009. Tight credit conditions coupled with falling oil and natural gas prices have forced local energy firms to scale back investment and hiring plans. Energy firms report 2009 as a year for consolidation while preparing for more attractive market conditions in 2010. The retreat in energy prices will dampen growth in the metro area energy industry and contribute to downward pressure on overall metro job growth rates next year. The large energy-induced gains in employment and income enjoyed in recent years will not provide a stimulus to the metro area economy in 2009.

Housing Price Gains Ease. While the housing market in the metro area continues to perform well relative to the nation, the nation's housing woes continue to creep closer to home. Housing price gains in the Oklahoma City area remain solid but have slowed considerably, posting a reported 2.1% gain for the four quarters ended in September as measured by the OFHEO housing price index. This ranks Oklahoma City 44th among the 381 metro areas tracked in the survey. The

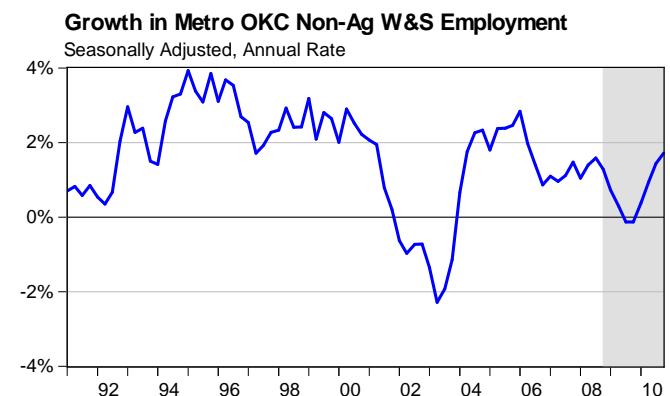


Tulsa MSA posted a 2.4% gain in the same period, ranking 36th nationally. Overall, Oklahoma ranked 6th among the states with a 2.75% gain, with energy states dominating the top of the rankings.

At this point in the slowdown, the easing in housing price gains and foreclosure rates reflects only a typical economic slowdown, not the type of fundamentally weak conditions present throughout much of the country. RealtyTrac® foreclosure estimates through November indicate that the state continues to avoid much of the housing finance quagmire, ranking only 33rd out of 50 states when measured by number of foreclosures per household. Most of the foreclosures statewide are highly concentrated in the Oklahoma City and Tulsa areas. However, foreclosures are also down more than 14% statewide from November of 2007. Metro financial institutions will certainly experience losses in the current cycle but should bear little resemblance to the state's oil and real estate bust of the early 1980s.

Highlights of the '09 Outlook

Our base forecast reflects a backdrop of continued weak national economic conditions and weakness in energy prices and calls for job growth in the Oklahoma City metro area to downshift sharply in 2009. The region is still expected to add a small number of jobs driven largely by the current momentum in the local and state economies. Year-over-year job growth is forecasted to decline from 1.3% in 2008 to 0.2% (1,100 jobs) in 2009 before a soft rebound to 1.1% growth (6,400 jobs) in 2010. Small job losses are expected in the first three quarters of 2009 with strong growth resuming only in early 2010.



Hiring will not be able to keep up with new entrants into the labor force and will put upward pressure on the metro jobless rate. The metro area unemployment rate has already bounced from a low near 3.0% in mid-year 2008 to above 4.0% currently and we expect it to continue to rise above 5% in 2009.

Industry Job Growth. Nearly all major industry sectors are showing some weakness in late 2008 data and should weaken further next year. (See employment by industry data tables)

- Hiring in the energy sector is expected to nearly come to a halt in 2009 after posting double digit gains the past five years.
- Construction hiring is showing cyclical weakness and should produce only small job gains next year.
- Further declines in manufacturing hiring next year are expected to be driven by both weakness in purchases from energy firms and the overall cyclical slowdown in the regional economy.
- The financial sector is expected to provide little or no net hiring in 2009 as the sector adjusts to slowing lending activity and a cooling housing market.
- The highly cyclical temporary employment sector will experience significant reductions in hiring as the broad economy slows.
- The health care sector remains nearly recession-proof and will undoubtedly serve as a strong source of hiring for dislocated workers in 2009.
- The retail trade, wholesale trade, and transportation sectors are expected to post significant job losses as the household sector scales back purchases.
- State and local government eliminated large numbers of jobs in 2008 but should post modest growth in 2009 as additional demand for public services is driven by slowing economic activity.
- The leisure and hospitality sectors will slow sharply next year but should post modest job gains as the economy adds a small number of new jobs.

Pessimistic Case. Because it remains a real possibility that the national economy may weaken further and that energy prices could fall significantly below current levels, we evaluate the potential impact on the Oklahoma City area economy using a more pessimistic scenario for both national economic activity and energy prices. The alternative scenario assumes:

1. U.S. GDP growth remains negative through the 4th quarter of 2009;
2. U.S. job losses extend through the 2nd quarter of 2010;
3. Oil averages \$41/barrel in 2009 and \$57 in 2010;
4. Natural gas continues to average \$5.50/million BTUs in 2009 and \$6.75 in 2010;

Selected Oklahoma City Metro Area Indicators			
Pessimistic Scenario			
Indicator	2008e	2009f	2010f
Non-Farm Employment (Thou)	574.41	572.85	576.62
(% Change)	1.3%	-0.3%	0.7%
Personal Income (\$Mil)	47,423.8	48,594.6	49,545.7
	6.3%	2.5%	2.0%
Per Capita Personal Income (\$)	39,248	39,756	40,115
	5.0%	1.3%	0.9%
Ratio OKC/US Per Capita Personal	98.7%	99.8%	101.0%
	1.7%	1.1%	1.3%
OKC Population (Thou)	1,208.32	1,222.33	1,235.10
	1.3%	1.2%	1.0%
Unemployment Rate	3.7%	4.9%	5.5%
	-14.9%	32.6%	12.3%
Taxable Retail Sales (\$Mil)	16,433.7	17,162.9	17,721.8
	5.6%	4.4%	3.3%

5. The U.S. unemployment rate increases from 6.5% to 9.3% by 2010.

Under this pessimistic scenario Oklahoma City metro economic conditions are forecasted to downshift considerably. The oil and gas boost is eliminated and begins to act as a constraint on economic activity. Metro job growth declines to -0.3% (1,600 jobs lost) in 2009 before rebounding to only 0.7% growth in 2010. These numbers continue to compare favorably, however, to national job growth under these conditions of -2.1% and -0.9%, respectively, in 2009 and 2010.

Forecast Summary. In short, Oklahoma City will not be immune to the national slowdown and is expected to experience a sharp reduction in job growth from 1.3% in 2008 to 0.2% in 2009 before resuming a soft recovery of only 1.1% job growth in 2010. Retreating energy prices will nearly eliminate any energy boost enjoyed by the region in recent years. Although hiring in most industry sectors is expected to be weaker than 2008, the metro area will nevertheless far outperform the nation on most economic measures in 2009. Pessimistic assumptions for the national economy and energy prices produce a -0.3% job loss in 2009 and only 0.7% growth in 2010.

Released January 9, 2009

Oklahoma City MSA Non-Farm Wage & Salary Employment

Seasonally adjusted, in Thousands

Sector		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008e	2009f	2010f
Total		523.16	535.77	542.45	538.31	529.28	538.55	550.71	560.42	566.94	574.49	575.60	582.01
		2.7%	2.4%	1.2%	-0.8%	-1.7%	1.8%	2.3%	1.8%	1.2%	1.3%	0.2%	1.1%
GOODS	Natural Resources & Mining	5.98	6.65	7.47	7.47	7.93	9.05	10.53	12.76	14.33	15.74	16.00	16.45
		-11.5%	11.1%	12.4%	-0.1%	6.3%	14.1%	16.3%	21.2%	12.3%	9.8%	1.7%	2.8%
	Construction	21.42	22.55	23.28	22.00	22.69	23.51	25.19	26.43	26.89	28.77	29.34	30.20
		7.4%	5.3%	3.3%	-5.5%	3.1%	3.6%	7.2%	4.9%	1.7%	7.0%	2.0%	2.9%
	Manufacturing	53.44	51.91	48.57	41.89	38.82	38.99	38.62	38.28	36.79	36.51	35.95	35.30
		1.6%	-2.9%	-6.4%	-13.7%	-7.3%	0.4%	-0.9%	-0.9%	-3.9%	-0.8%	-1.5%	-1.8%
	Non-Durable Goods	14.43	13.97	12.72	12.02	11.28	11.48	11.64	11.27	9.61	9.21	8.67	8.32
		-0.6%	-3.2%	-8.9%	-5.6%	-6.1%	1.8%	1.4%	-3.2%	-14.7%	-4.2%	-5.9%	-4.0%
	Durable Goods	39.02	37.95	35.85	29.88	27.54	27.51	26.98	27.01	27.18	27.29	27.28	26.98
		2.5%	-2.7%	-5.5%	-16.7%	-7.8%	-0.1%	-1.9%	0.1%	0.6%	0.4%	0.0%	-1.1%
PRIVATE	Trade, Transportation, & Utilities	100.06	101.96	100.71	99.11	96.97	96.81	98.99	100.30	102.05	103.67	102.60	103.19
		1.6%	1.9%	-1.2%	-1.6%	-2.2%	-0.2%	2.2%	1.3%	1.7%	1.6%	-1.0%	0.6%
	Wholesale Trade	22.02	22.06	21.72	21.42	21.03	20.99	21.71	22.73	23.27	23.62	23.20	23.23
		1.6%	0.1%	-1.5%	-1.4%	-1.8%	-0.2%	3.4%	4.7%	2.3%	1.5%	-1.8%	0.1%
	Retail Trade	60.67	62.61	61.65	61.50	60.62	60.39	61.42	61.55	61.96	62.98	62.90	63.54
		3.4%	3.2%	-1.5%	-0.2%	-1.4%	-0.4%	1.7%	0.2%	0.7%	1.6%	-0.1%	1.0%
	Transportation, Warehousing, & Utilities	17.36	17.29	17.34	16.20	15.32	15.43	15.87	16.02	16.82	17.02	16.50	16.42
		-3.9%	-0.4%	0.3%	-6.6%	-5.4%	0.8%	2.8%	0.9%	5.0%	1.2%	-3.0%	-0.5%
	Information	11.75	13.92	14.45	14.03	13.46	13.62	13.38	13.18	12.44	12.24	11.98	11.81
		5.4%	18.4%	3.8%	-2.9%	-4.1%	1.2%	-1.7%	-1.5%	-5.6%	-1.6%	-2.1%	-1.4%
	Financial Activities	33.75	33.72	34.36	35.33	34.88	35.37	34.50	34.47	34.73	34.31	34.28	34.55
		3.7%	-0.1%	1.9%	2.8%	-1.3%	1.4%	-2.5%	-0.1%	0.7%	-1.2%	-0.1%	0.8%
	Finance & Insurance	22.98	22.95	23.56	24.29	24.19	24.22	23.24	23.07	23.53	23.96	23.96	24.16
		4.5%	-0.1%	2.7%	3.1%	-0.4%	0.1%	-4.0%	-0.8%	2.0%	1.8%	0.0%	0.8%
	Real Estate, Rental & Leasing	10.77	10.77	10.80	11.04	10.69	11.15	11.26	11.40	11.20	10.33	10.32	10.39
		2.1%	0.0%	0.3%	2.2%	-3.1%	4.3%	1.0%	1.3%	-1.8%	-7.8%	-0.1%	0.7%
	Professional & Business Services	63.31	66.62	68.53	67.85	64.79	66.52	69.94	72.19	74.30	75.35	74.58	76.24
		6.9%	5.2%	2.9%	-1.0%	-4.5%	2.7%	5.2%	3.2%	2.9%	1.4%	-1.0%	2.2%
	Professional, Scientific, & Technical	19.97	21.43	23.21	23.79	24.67	24.75	25.39	26.65	27.22	27.44	28.19	28.60
		6.4%	7.3%	8.3%	2.5%	3.7%	0.3%	2.6%	5.0%	2.1%	0.8%	2.8%	1.4%
Mgt. of Companies & Enterprises	4.98	5.07	5.26	5.17	4.51	4.76	4.81	5.07	5.74	6.06	6.02	5.97	
	-3.2%	1.8%	3.8%	-1.7%	-12.9%	5.6%	1.1%	5.5%	13.1%	5.5%	-0.6%	-0.9%	
Admin., Support, & Waste Mgt.	38.37	40.13	40.07	38.89	35.61	36.99	39.73	40.47	41.34	41.90	40.37	41.68	
	8.6%	4.6%	-0.2%	-2.9%	-8.4%	3.9%	7.4%	1.9%	2.2%	1.3%	-3.6%	3.2%	
Education & Health Services	58.33	58.57	60.81	64.37	65.48	67.69	69.05	70.23	72.37	75.45	77.07	79.79	
	-0.8%	0.4%	3.8%	5.9%	1.7%	3.4%	2.0%	1.7%	3.1%	4.3%	2.1%	3.5%	
Educational Services	4.49	4.72	5.00	5.39	6.52	7.27	7.64	7.46	7.88	8.22	8.77	9.71	
	6.6%	5.0%	6.0%	7.9%	20.9%	11.5%	5.1%	-2.4%	5.7%	4.3%	6.7%	10.7%	
Health Care & Social Assistance	53.84	53.86	55.82	58.98	58.95	60.42	61.41	62.77	64.49	67.22	68.30	70.08	
	-1.4%	0.0%	3.6%	5.7%	-0.1%	2.5%	1.6%	2.2%	2.7%	4.2%	1.6%	2.6%	
Leisure & Hospitality	46.87	49.12	50.88	51.74	52.01	53.44	55.10	55.83	55.74	57.63	58.19	58.48	
	4.1%	4.8%	3.6%	1.7%	0.5%	2.8%	3.1%	1.3%	-0.2%	3.4%	1.0%	0.5%	
Arts, Entertain., Recreation & Accomod.	9.99	10.21	10.67	10.76	10.32	10.59	10.81	11.37	11.61	10.77	10.24	10.15	
	5.5%	2.2%	4.5%	0.8%	-4.1%	2.6%	2.1%	5.1%	2.2%	-7.3%	-4.9%	-0.9%	
Food Services & Drinking Places	36.88	38.91	40.21	40.99	41.69	42.84	44.28	44.46	44.13	46.90	47.95	48.33	
	3.7%	5.5%	3.3%	1.9%	1.7%	2.8%	3.4%	0.4%	-0.8%	6.3%	2.2%	0.8%	
Other Services	23.63	24.07	24.23	23.96	23.48	23.21	23.19	23.00	22.87	23.22	23.31	23.41	
	7.4%	1.9%	0.7%	-1.1%	-2.0%	-1.1%	-0.1%	-0.8%	-0.6%	1.5%	0.4%	0.4%	
GOVERNMENT	Total Government	104.63	106.68	109.13	110.53	108.76	110.34	112.20	113.75	114.45	111.61	112.28	112.59
		1.5%	2.0%	2.3%	1.3%	-1.6%	1.4%	1.7%	1.4%	0.6%	-2.5%	0.6%	0.3%
	Federal Government	25.97	27.17	27.08	27.15	26.86	26.93	26.56	26.42	26.46	26.21	26.26	26.57
		1.8%	4.6%	-0.3%	0.2%	-1.0%	0.3%	-1.4%	-0.5%	0.1%	-0.9%	0.2%	1.2%
State & Local Government	78.66	79.50	82.05	83.38	81.90	83.41	85.64	87.33	88.00	85.40	86.03	86.02	
	1.4%	1.1%	3.2%	1.6%	-1.8%	1.8%	2.7%	2.0%	0.8%	-3.0%	0.7%	0.0%	

*Estimate †Forecast

Oklahoma City MSA Economic Indicators

Seasonally adjusted

Sector	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008e	2009f	2010f
Non-Farm W&S Employment (Thou)	523.16 2.7%	535.77 2.4%	542.45 1.2%	538.31 -0.8%	529.28 -1.7%	538.55 1.8%	550.71 2.3%	560.42 1.8%	566.94 1.2%	574.49 1.3%	575.60 0.2%	582.01 1.1%
QCEW Wage & Salary Employment	515,202 3.0%	526,206 2.1%	530,846 0.9%	524,008 -1.3%	515,878 -1.6%	524,533 1.7%	536,899 2.4%	549,634 2.4%	556,248 1.2%	566,889 1.9%	568,764 0.3%	575,107 1.1%
Nominal Personal Income (\$Mil)	26,103.7 5.8%	29,092.1 11.4%	31,209.0 7.3%	31,544.9 1.1%	32,696.9 3.7%	35,735.4 9.3%	37,970.0 6.3%	41,277.7 8.7%	44,595.2 8.0%	47,436.2 6.4%	49,153.6 3.6%	50,995.1 3.7%
Real Personal Income (Chain2000 \$Mil)	26,752.5 4.1%	29,092.2 8.7%	30,568.9 5.1%	30,465.9 -0.3%	30,964.0 1.6%	32,968.8 6.5%	34,029.0 3.2%	35,995.4 5.8%	37,902.0 5.3%	38,976.7 2.8%	40,430.7 3.7%	41,177.7 1.8%
Nominal Gross Metro Product (\$Mil)	28,006.8 6.1%	30,971.5 10.6%	32,651.8 5.4%	33,990.8 4.1%	36,529.1 7.5%	39,798.5 9.0%	43,494.3 9.3%	48,006.1 10.4%	51,243.0 6.7%	54,378.2 6.1%	55,802.3 2.6%	57,773.3 3.5%
Real Gross Metro Product (Chain2000 \$Mil)	29,232.8 3.9%	30,971.5 5.9%	31,774.0 2.6%	32,508.7 2.3%	33,308.4 2.5%	34,687.5 4.1%	35,453.0 2.2%	37,701.5 6.3%	40,028.1 6.2%	41,749.2 4.3%	42,567.1 2.0%	44,099.8 3.6%
Nominal Manufacturing Output (\$Mil)	3,190.3 3.6%	3,818.4 19.7%	3,638.1 -4.7%	3,542.3 -2.6%	3,769.8 6.4%	4,112.7 9.1%	4,395.1 6.9%	4,805.8 9.3%	4,848.2 0.9%	5,070.6 4.6%	5,046.5 -0.5%	5,087.2 0.8%
Real Manufacturing Output (\$Mil)	3,130.0 4.5%	3,818.4 22.0%	3,627.4 -5.0%	3,578.0 -1.4%	3,814.2 6.6%	4,190.7 9.9%	4,296.9 2.5%	4,539.1 5.6%	4,636.4 2.1%	4,827.6 4.1%	4,925.8 2.0%	5,088.9 3.3%
Per-Capita Personal Income (\$Thou)	23.985 4.5%	26.498 10.5%	28.168 6.3%	28.145 -0.1%	28.875 2.6%	31.291 8.4%	32.830 4.9%	35.102 6.9%	37.381 6.5%	39.253 5.0%	40.188 2.4%	41.226 2.6%
Real Per-Cap Personal Income (\$Thou)	24.581 2.8%	26.498 7.8%	27.591 4.1%	27.182 -1.5%	27.344 0.6%	28.868 5.6%	29.422 1.9%	30.610 4.0%	31.771 3.8%	32.253 1.5%	33.056 2.5%	33.290 0.7%
Ratio OKC/US Per Capita Income	86.0% 0.6%	88.9% 3.4%	92.3% 3.8%	91.5% -0.8%	91.9% 0.4%	94.7% 3.1%	95.1% 0.3%	95.8% 0.8%	97.1% 1.3%	98.7% 1.7%	99.8% 1.1%	100.8% 1.1%
Taxable Retail Sales (\$Mil)	11,038.1 5.3%	11,430.4 3.6%	12,157.9 6.4%	12,225.4 0.6%	12,598.8 3.1%	13,162.9 4.5%	13,633.2 3.6%	14,960.0 9.7%	15,559.8 4.0%	16,433.7 5.6%	17,145.9 4.3%	17,766.3 3.6%
OKC MSA Population (Thou)	1,088.35 1.2%	1,097.90 0.9%	1,107.94 0.9%	1,120.80 1.2%	1,132.37 1.0%	1,142.04 0.9%	1,156.58 1.3%	1,175.94 1.7%	1,192.99 1.5%	1,208.47 1.3%	1,223.10 1.2%	1,236.96 1.1%
Labor Force - HH Survey (Thou)	553,479 1.3%	552,666 -0.1%	561,185 1.5%	564,638 0.6%	565,433 0.1%	569,872 0.8%	574,008 0.7%	569,072 -0.9%	571,124 0.4%	563,452 -1.3%	567,660 0.7%	569,975 0.4%
Employment - HH Survey (Thou)	538,402 2.2%	537,563 -0.2%	540,960 0.6%	539,265 -0.3%	536,137 -0.6%	543,850 1.4%	548,948 0.9%	545,712 -0.6%	546,450 0.1%	542,717 -0.7%	541,138 -0.3%	541,714 0.1%
Unemployed - HH Survey (Thou)	15,077 -23.6%	15,103 0.2%	20,224 33.9%	25,373 25.5%	29,296 15.5%	26,023 -11.2%	25,060 -3.7%	23,360 -6.8%	24,674 5.6%	20,735 -16.0%	26,522 27.9%	28,261 6.6%
Unemployment Rate - HH Survey (%)	2.7 -24.5%	2.7 0.3%	3.6 31.8%	4.5 24.7%	5.2 15.3%	4.6 -11.9%	4.4 -4.4%	4.1 -6.0%	4.3 5.2%	3.7 -14.9%	4.7 27.0%	5.0 6.1%
OFHEO OKC MSA Housing Price Index	118.37 3.4%	123.17 4.1%	129.80 5.4%	135.25 4.2%	141.71 4.8%	149.41 5.4%	159.14 6.5%	167.63 5.3%	175.28 4.6%	181.55 3.6%	190.71 5.0%	201.99 5.9%
Wage & Salary Earnings QCEW (\$Mil)	13,772.4 5.9%	14,889.8 8.1%	15,353.6 3.1%	15,649.9 1.9%	16,149.1 3.2%	16,954.3 5.0%	17,791.4 4.9%	19,704.9 10.8%	20,652.6 4.8%	21,926.1 6.2%	22,723.4 3.6%	23,737.0 4.5%
*Estimate †Forecast	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008e	2009f	2010f



Economic Performance Index

The Center for Applied Economic Research developed the *Economic Performance Index* as a visual tool for better understanding the relative performance and economic cycles across the various regions of the state. The index details the total economic activity in a region over a long time frame and captures the depth and duration of economic upturns and downturns.

The index is a statistically weighted combination of four key economic indicators: 1) total wage and salary employment, 2) total wage and salary income, 3) unemployment rate, and 4) taxable retail sales. These four variables capture a significant portion of the fluctuations in local economic conditions and allow a direct comparison of economic activity across regions as measured by the set of variables in the index.

The index is estimated using the method of principal components and then re-weighted so that changes in the index over time reflect changes in total personal income in a local region. For most areas, the index explains approximately 75% or more of the total variation in personal income. The index is computed on a quarterly basis and is benchmarked to equal 100.0 on average in 2000.

