



OKLAHOMA Economic Indicators

November 2016

OKLAHOMA ECONOMIC INDICATORS

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SPECIAL REPORT:

Oklahoma Restaurant Employment and All Industry Employment: A 10-year Trend Analysis Comparison

Introduction

The Economic Research and Analysis Division at the Oklahoma Employment Security Commission (OESC) recently completed a study of Oklahoma restaurant industry employment trends over a ten-year period from 2006 to 2016. In recent years, both state and national restaurant associations have noted employment increases in their industry. This general restaurant industry employment increase has also been observed by both workforce and commerce analysts and also by state restaurant establishment managers. The following analysis uses Quarterly Census of Employment and Wages (QCEW) data for Oklahoma to compare NAICS 7225 Restaurants and Other Eating Places and Total, All Industries employment over a 10-year period from 1st quarter 2006 to 4th quarter 2016. This analysis will also examine industry employment growth in different geographic regions of Oklahoma, including Metropolitan Statistical Areas (MSAs) as well as the non-MSA portion of the state. The results are summarized in a brief report.

This analysis attempts to answer two particular research questions. First, is restaurant industry employment in Oklahoma growing faster than total statewide employment? Second, if it is growing faster than total employment, where is it growing faster?

Statewide Trends: 2006-2015

Table 1, below, displays restaurant and total annual employment growth in Oklahoma from 2006 to 2015.

Table 1: Oklahoma Average Annual Employment: 2006 to 2015
Total, All Industries and Restaurants & Other Eating Places

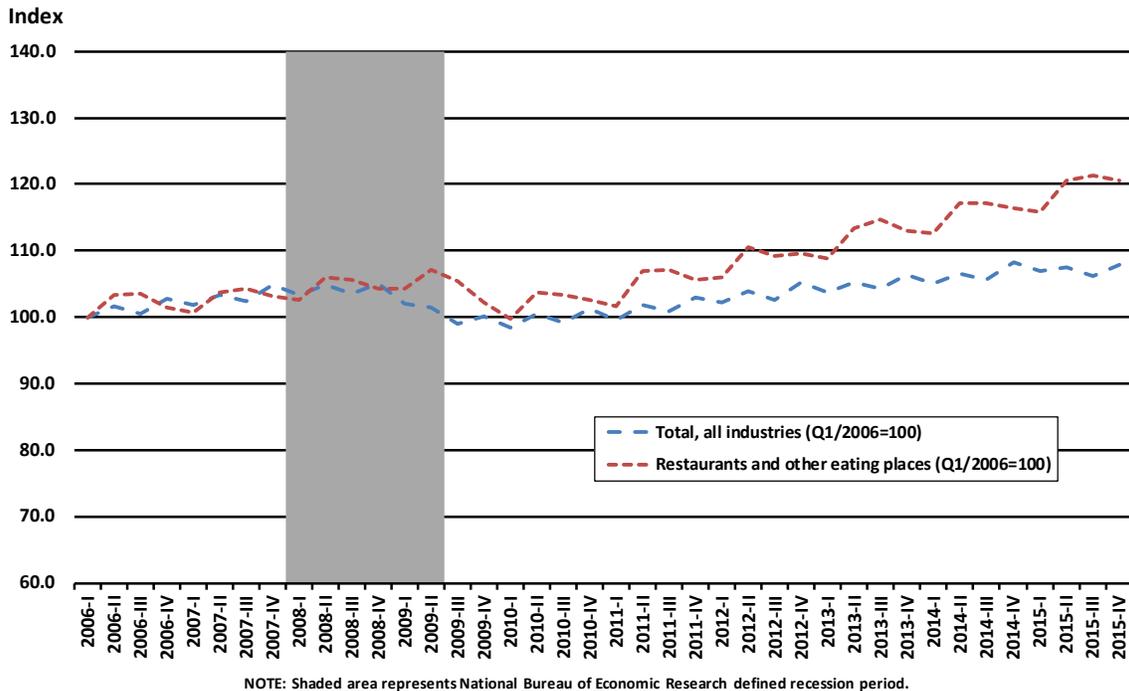
Year	Total, All Industries Average Annual* Employment	Change	Percent Change	Restaurants & Other Eating Places Average Annual* Employment	Change	Percent Change
2006	1,506,613			104,899		
2007	1,535,062	28,449	1.9	105,841	942	0.9
2008	1,550,632	15,570	1.0	107,522	1,681	1.6
2009	1,497,843	-52,789	-3.4	107,624	102	0.1
2010	1,485,532	-12,311	-0.8	105,156	-2,468	-2.3
2011	1,507,820	22,288	1.5	108,238	3,082	2.9
2012	1,540,169	32,349	2.1	111,809	3,571	3.3
2013	1,560,998	20,829	1.4	115,597	3,788	3.4
2014	1,582,687	21,689	1.4	119,048	3,451	3.0
2015	1,594,140	11,453	0.7	122,857	3,809	3.2
2006-2015 Employment Change		87,527	5.8		17,958	17.1

SOURCE: Quarterly Census of Employment & Wages (QCEW), U.S. Department of Labor, Bureau of Labor Statistics.
*12-month averages

Table 1 shows the 10-year restaurant employment growth at 17.1 percent compared to 5.8 percent for all industry employment. The restaurant employment growth over the ten-year period is over 11 percentage points larger than total employment growth in Oklahoma.

Chart 1, below, illustrates the same Oklahoma 10-year employment growth for restaurants and all industries by quarter, indexed to 1st quarter 2006. Chart 1 clearly shows that Oklahoma state restaurant employment is growing faster than total employment, initially diverging in the 4th quarter 2008 and especially so since the 3rd quarter 2010, ending with a better than a 9-point index gap in the 4th quarter of 2015.

Chart 1: Oklahoma Average Quarterly Employment: 2006 to 2015
Total, All Industries vs. Restaurants and Other Eating Places
 Index: Q1/2006 = 100



State Metropolitan Area Trends: 2006-2015

The second question is where, geographically, has Oklahoma restaurant industry growth occurred? The study analyzes and compares restaurant and overall employment growth in each of Oklahoma’s Metropolitan Statistical Areas (Lawton, Oklahoma City, Tulsa, and Enid).

State Non-Metropolitan Area Trends: 2006-2015

The study also looks at 10-year restaurant and all industry annual employment levels and growth for all Oklahoma Non-MSA counties.

Summary

Restaurant employment growth was faster than total employment growth in Oklahoma as well as in the metropolitan areas of Lawton MSA, Oklahoma City MSA, and Tulsa MSA and in Oklahoma Non-MSA counties. Although restaurant employment did not grow faster than total employment in the Enid MSA, we would add the following caveat to the any conclusions concerning Enid MSA employment growth rates. Although Enid MSA restaurant employment growth did not grow significantly faster than all industries employment in that metro area, it did grow faster (in the same MSA) than all industries employment in all the other five geographical

comparison areas. Implying that all industries employment grew faster in the Enid MSA than it did elsewhere and it almost matched that of restaurant employment growth in the Enid MSA.

Conclusion to Question 1: Yes, restaurant employment growth over the ten years, (2006 to 2015), was greater than the growth of all industries employment.

Conclusion to Question 2: Restaurant employment growth from 2006 to 2015 was greater than the growth of all industries employment in Oklahoma, and the geographical areas of Lawton MSA, Oklahoma City MSA, Tulsa MSA, and Oklahoma Non-MSA counties. Restaurant employment growth in Enid MSA almost matched that of all industries employment growth, due to the faster growth of the latter in that metropolitan area.

Other conclusions: Restaurant employment in Oklahoma, and the geographical areas of Lawton MSA, and Tulsa MSA grew faster than any other area. All industry employment in Oklahoma Non-MSA counties grew the slowest (3.0 percent) and in Tulsa MSA grew at the second slowest rate (4.0 percent over the 10-year interval).

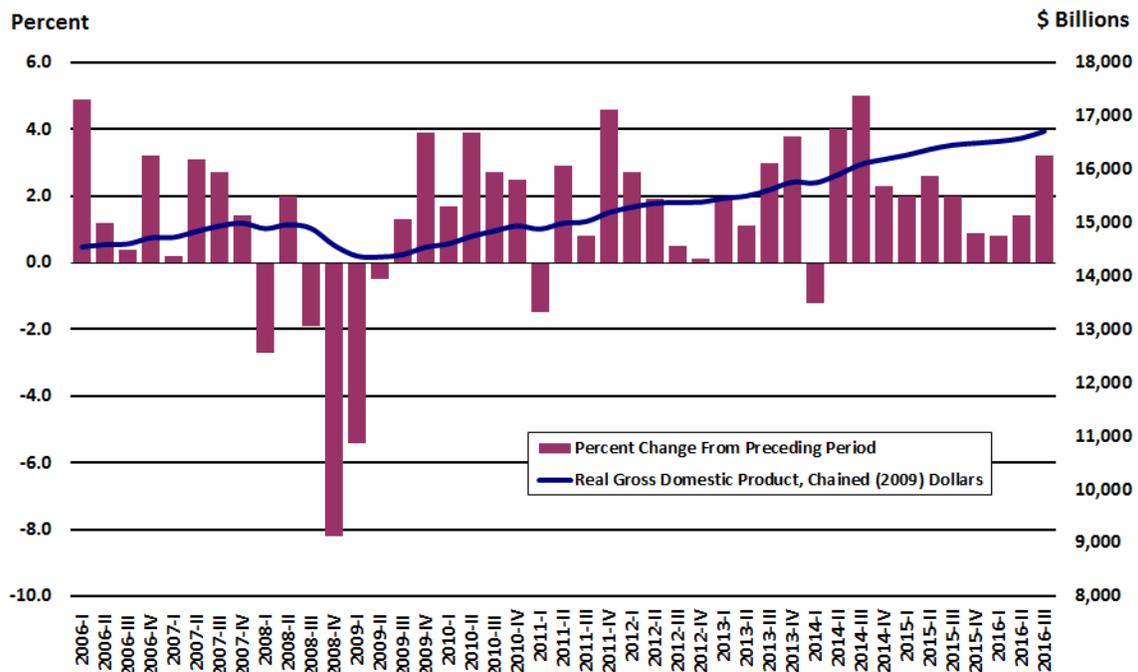
More Information

A copy of the full *Oklahoma Restaurant Employment and All Industry Employment: A 10-year Trend Analysis Comparison* report is available on the OESC website at:

https://www.ok.gov/oesc_web/documents/lmirestaurantreport2016.pdf

Real Gross Domestic Product and Quarterly Change

Source: U.S. Department of Commerce, Bureau of Economic Analysis



Definition & Importance

Gross Domestic Product (GDP)—the output of goods and services produced by labor and property located in the United States—is the broadest measure of economic activity. It is also the measure that is most indicative of whether the economy is in recession. In the post-World War II period, there has been no recession in which GDP did not decrease in at least two quarters, (the exceptions being during the recessions of 1960-61 and 2001).

The Bureau of Economic Analysis (BEA), U.S. Department of Commerce releases GDP data on a quarterly basis, usually during the fourth week of the month. Data are for the prior quarter, so data released in April are for the 1st quarter. Each quarter's data are revised in each of the following two months after the initial release.

Background

There are four major components to GDP:

1. *Personal consumption expenditures*: Individuals purchase durable goods (such as furniture and cars), nondurable goods (such as clothing and food) and services (such as banking, education and transportation).
2. *Investment*: Private housing purchases are classified as residential investment. Businesses invest in nonresidential structures, durable equipment and computer software. Inventories at all stages of production are counted as investment. Only inventory changes, not levels, are added to GDP.
3. *Net exports*: Equal the sum of exports less imports. Exports are the purchases by foreigners of goods and services produced in the United States. Imports represent domestic purchases of foreign-produced goods and services and are deducted from the calculation of GDP.
4. *Government*: Government purchases of goods and services are the compensation of government employees and purchases from businesses and abroad. Data show the portion attributed to consumption and investment. Government outlays for transfer payments or interest payments are not included in GDP.

The four major categories of GDP—personal consumption expenditures, investment, net exports and government—all reveal important information about the economy and should be monitored separately. This allows one to determine the strengths and weaknesses of the economy.

Current Developments

The U.S. economy grew at its fastest pace in two years in the 3rd quarter, boosted by strong consumer spending and a surge in exports. Real gross domestic product (GDP) increased at an annual rate of 3.2 percent in the 3rd quarter of 2016, according to the "second" estimate released by the Bureau of Economic Analysis (BEA). In the 2nd quarter, real GDP increased 1.4 percent.

Consumer spending, which accounts for more than two-thirds of U.S. economic activity, increased at a 2.8 percent rate in the 3rd quarter rather than the 2.1 percent pace first estimated. Spending on durable goods, such as automobiles, surged at a revised 11.6 percent rate while spending on nondurable goods, such as clothing, slipped -0.6 percent. Spending on services, such as utilities grew 2.5 percent in the 3rd quarter. Personal consumption expenditures (PCE) was the largest contributor to 3rd quarter GDP growth, adding 1.89 percentage points.

Business investment, which has been hurt by cutbacks in the energy industry, grew for a second consecutive quarter but barely. Nonresidential fixed investment growth was slashed to a 0.1 percent rate during the 3rd quarter, down from the 'advance' estimate of 1.2 percent. After revisions, business investment barely contributed (0.02 percent) to 3rd quarter growth.

Businesses also increased spending restocking inventories after running down stockpiles in the previous quarter, only not as much as previously thought. Businesses accumulated inventories at a \$7.6 billion rate in the 3rd quarter, almost half of the \$12.6 billion pace previously reported. The change in private inventories, a drag on output in the five previous quarters, contributed 0.49 percentage point to GDP growth rather than the 0.61 percentage point reported last month.

Spending on home building and improvements in the July-September quarter was less of a drag than initially estimated. Investment in residential construction fell at a 4.4 percent rate instead of the previously reported 6.2 percent pace. Residential fixed investment subtracted 0.17 percentage point from 2nd quarter GDP growth instead of the earlier reported -0.24 percentage point.

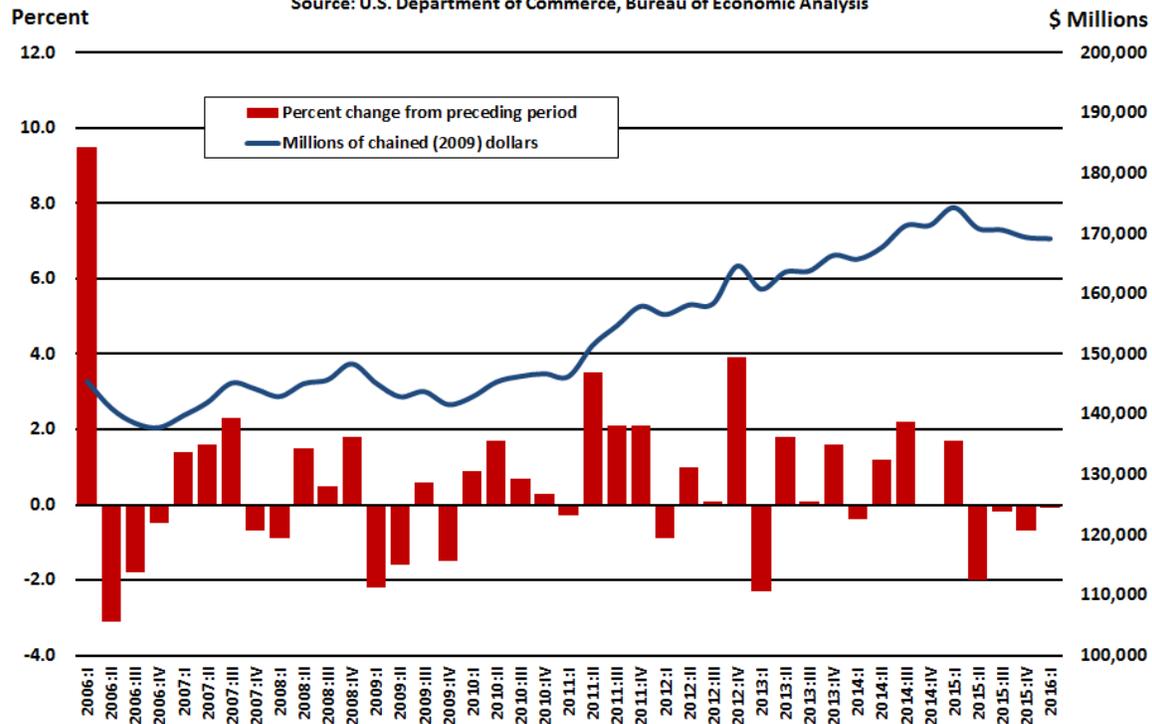
Exports, which add to GDP, increased at a 10.1 percent rate in the 3rd quarter, the best gain in nearly three years. Imports, which subtract from domestic output, increased at a 2.3 percent rate. A narrowing trade deficit trade contributed 0.87 percentage point to GDP growth instead of 0.83 percentage point reported previously.

Government spending increased slightly in the 3rd quarter, as federal spending offset declines at the state and local levels. Federal government expenditures advanced at an annualized 2.5 percent rate, boosted by a 2.1 percent rise in national defense spending and a 3.0 percent increase in non-defense spending. State and local government spending was revised further downward to -1.1 percent (from the previous -0.7 percent) in the 3rd quarter. Government consumption expenditures added 0.2 percent point to GDP growth in the 3rd quarter.

Oklahoma Real Gross Domestic Product and Quarterly Change

1st Quarter 2006 - 1st Quarter 2016, Seasonally Adjusted Annual Rates

Source: U.S. Department of Commerce, Bureau of Economic Analysis



Definition & Importance

The U.S. Bureau of Economic Analysis (BEA) recently released prototype statistics of quarterly gross domestic product (GDP) by state for 2005–2013. These new statistics provide a more complete picture of economic growth across states that can be used with other regional data to gain a better understanding of regional economies as they evolve from quarter to quarter. The new data provide a fuller description of the accelerations, decelerations, and turning points in economic growth at the state level, including key information about changes in the distribution of industrial infrastructure across states.

Current Developments

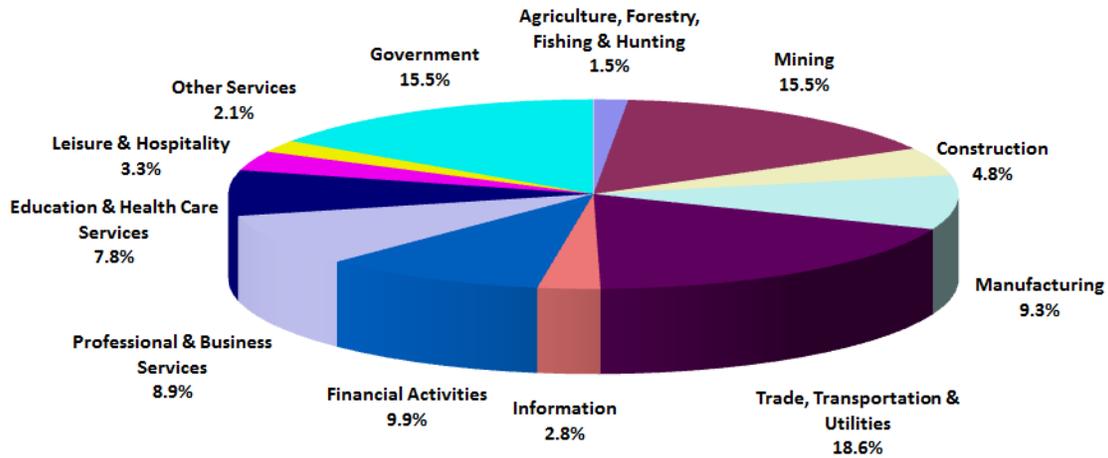
Growth of U.S. real GDP by state—a measure of nationwide growth calculated as the sum of GDP of all states and the District of Columbia—slowed to an annual rate of 1.2 percent in the 1st quarter of 2016 after increasing 1.7 percent in the preceding quarter. Real gross domestic product (GDP) increased in 37 states and the District of Columbia in the 1st quarter of 2016, according to the Bureau of Economic Analysis (BEA). Real GDP by state growth, at an annual rate ranged from 3.9 percent in Arkansas to -11.4 percent in North Dakota. Construction; health care and social assistance; and retail trade were the leading contributors to U.S. economic growth in the 1st quarter.

In the 1st quarter of 2016, Oklahoma’s real GDP contracted for the fourth consecutive quarter, slipping -0.5 percent and ranking the state 39th among all other states and the District of Columbia. Statewide GDP was at a level of \$176.8 billion (in constant 2009 dollars) in the 4th quarter, down \$2.48 billion from 3rd quarter’s level of \$179.3 billion.

It also appears that Oklahoma’s economy did not perform as well as previously thought. The state’s real GDP growth in 2nd quarter 2015 was slashed from -2.4 percent to -7.7 percent while 3rd quarter 2015 growth was revised downward from 1.0 percent to -0.6 percent.

Industry Share of Oklahoma's Economy, 1st Quarter 2016 (by percentage of Gross Domestic Product)

Source: U.S. Department of Commerce, Bureau of Economic Analysis



Based on overall U.S. real GDP growth by state, construction grew 9.0 percent in the 1st quarter of 2016—the eighth consecutive quarter of growth for this industry. Construction contributed to growth in 47 states and the District of Columbia including Oklahoma where it added 0.7 percentage point to the state’s real GDP growth.

Health care and social assistance grew 3.8 percent in the 1st quarter. This industry contributed to growth in every state and the District of Columbia. In Oklahoma, health care and social assistance added 0.21 percentage point to GDP growth.

Retail trade grew 4.8 percent in the 1st quarter. This industry contributed to growth in 47 states and the District of Columbia and added 0.22 percentage point to real GDP in Oklahoma.

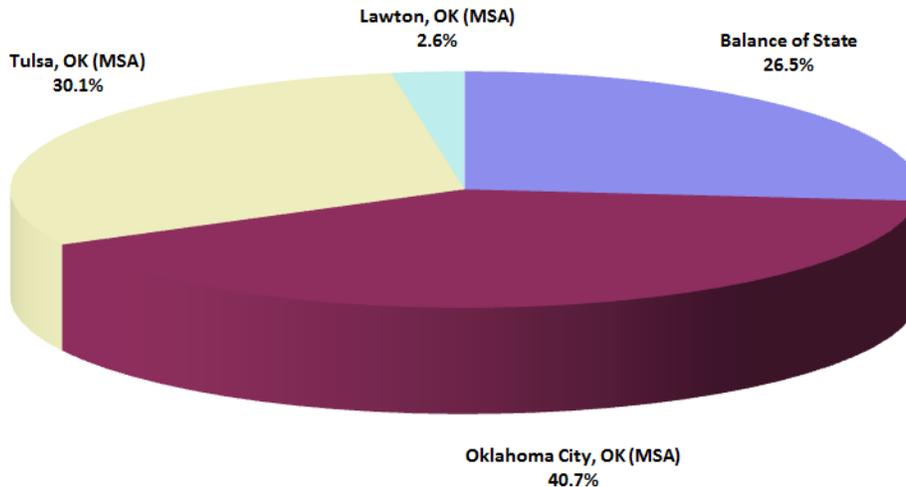
Although agriculture, forestry, fishing, and hunting was not a significant contributor to real GDP growth for the nation, it had an important impact on economic growth in several states including Oklahoma. This industry contributed 0.83 percentage points to real GDP growth in Oklahoma—the largest contributor to the state’s GDP growth in the 1st quarter.

Mining declined 11.1 percent for the nation in the 1st quarter. Mining subtracted 0.73 percentage point from real GDP growth in Oklahoma and was the largest drag on the state’s GDP growth in the 1st quarter

Transportation and warehousing declined 8.8 percent for the nation in the 1st quarter. This industry subtracted from real GDP growth in all states and the District of Columbia including Oklahoma where it subtracted 0.53 percentage point from real GDP growth.

Metropolitan Area Contribution to State Real Gross Domestic Product 2015

Source: U.S. Department of Commerce, Bureau of Economic Analysis



Definition & Importance

Metropolitan Statistical Areas (MSAs) are county-based definitions developed by the Office of Management and Budget for federal statistical purposes. A metropolitan area is defined as a geographic area consisting of a large population nucleus together with adjacent communities having a high degree of economic and social integration with the nucleus.

Nationally, metropolitan statistical areas represent approximately 90 percent of total GDP. In Oklahoma, the three MSAs of Oklahoma City, Tulsa and Lawton accounted for roughly 75 percent of total state GDP in 2010.

Current Developments

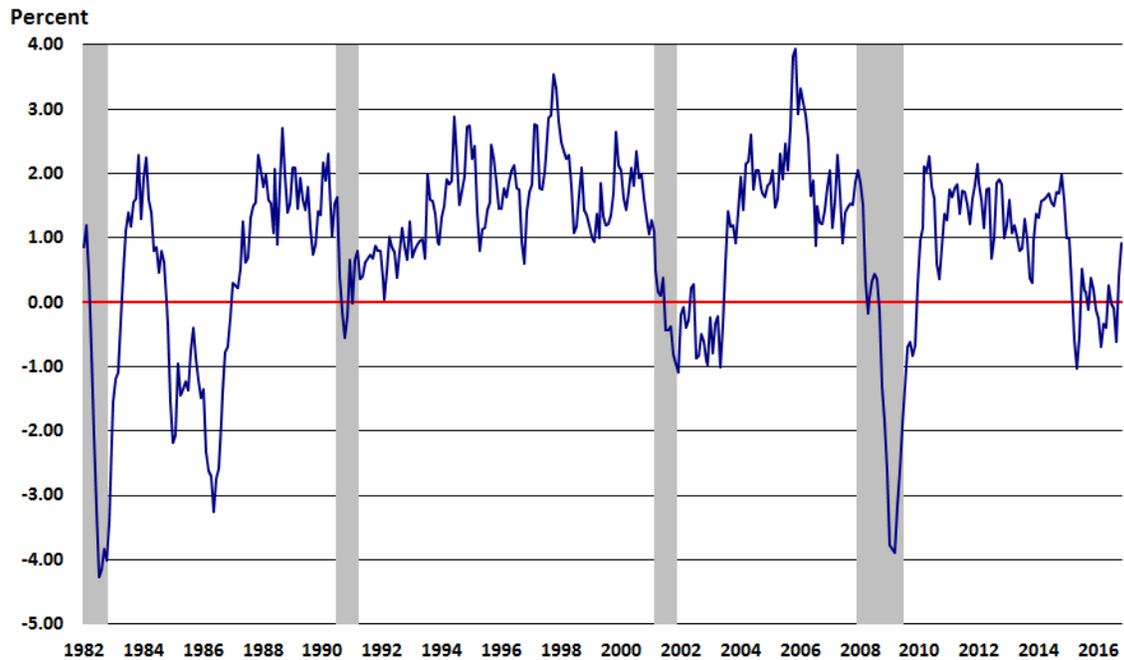
Real gross domestic product (GDP) increased in 292 metropolitan areas in 2015, led by growth in professional and business services; wholesale and retail trade; and finance, insurance, real estate, rental and leasing, according to the U.S. Bureau of Economic Analysis (BEA). Collectively, real GDP for U. S. metropolitan areas increased 2.5 percent in 2015 after increasing 2.3 percent in 2014.

Only one of three Oklahoma metropolitan areas outpaced the U.S. metropolitan area real GDP growth in 2015. Oklahoma City MSA's real GDP grew at a rate of 2.8 percent to \$69.7 billion and ranked 108th (out of 382 metro areas). Tulsa MSA grew at a 0.7 percent pace to \$51.6 billion and ranked 256th. Lawton MSA grew 0.6 percent to \$4.4 billion in 2015 and ranked 264th among U.S. metro areas.

Natural resources & mining drove Oklahoma City MSA's growth in 2015, adding 3.78 percentage points to real GDP. Trade (0.44 percentage point), non-durable goods manufacturing (0.36 percentage point), and construction (0.28 percentage point) helped contribute to Tulsa MSA's GDP growth. Professional and business services was the primary driver of Lawton MSA's growth, adding 1.00 percentage point).

Leading Index for Oklahoma, 1982-2016

Source: Federal Reserve Bank of Philadelphia (retrieved from FRED, Federal Reserve Bank of St. Louis)



NOTE: Shaded areas represent National Bureau of Economic Research defined recession periods.

Definition & Importance

The Federal Reserve Bank of Philadelphia produces leading indexes for each of the 50 states. The indexes are calculated monthly and are usually released a week after the release of the coincident indexes. The Bank issues a release each month describing the current and future economic situation of the 50 states with special coverage of the Third District: Pennsylvania, New Jersey, and Delaware.

The leading index for each state predicts the six-month growth rate of the state's coincident index. In addition to the coincident index, the models include other variables that lead the economy: state-level residential housing permits (1 to 4 units), state initial unemployment insurance claims, delivery times from the Institute for Supply Management (ISM) manufacturing survey, and the interest rate spread between the 10-year Treasury bond and the 3-month Treasury bill.

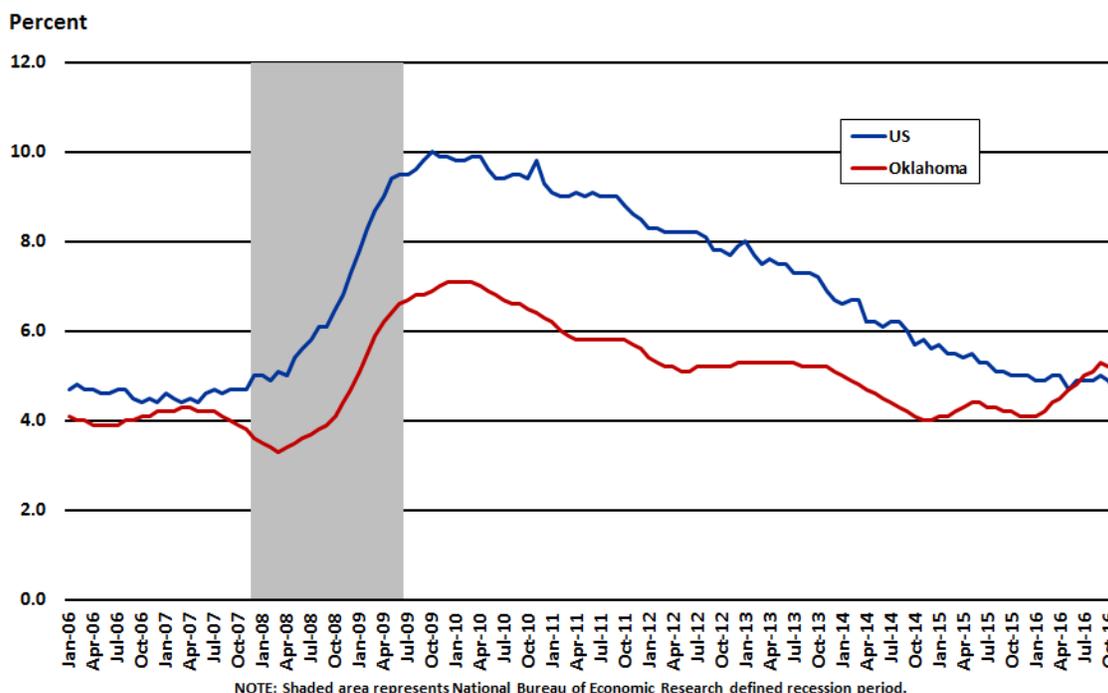
Current Developments

Oklahoma's leading index, a six-month forecast of the state's coincident index, moved into positive territory in October. The leading index climbed to 0.91 percent in October, the highest reading since January 2015. September's index level was revised upward to 0.41 (up from the previous -0.28 percent), according to the latest figures from the Federal Reserve Bank of Philadelphia.

Although Oklahoma's leading index has been in the negative range for eight of the past 11 months, the state's economy may be finally turning around. Initial claims for unemployment have been trending down although building permits remain low. Overall, Oklahoma's leading index for October suggests expansion in the state's economy into the 2nd quarter of 2017.

U.S. and Oklahoma Unemployment Rate (Seasonally Adjusted)

Source: U.S. Department of Labor, Bureau of Labor Statistics



Definition & Importance

The Bureau of Labor Statistics Local Area Unemployment Statistics (LAUS) program produces monthly estimates of total employment and unemployment from a national survey of 60,000 households. The unemployment rate measures the percentage of people who are without work and is calculated by dividing the estimated number of unemployed people by the civilian labor force. The result expresses unemployment as a percentage of the labor force.

The unemployment rate is a lagging indicator of economic activity. During a recession many people leave the labor force entirely. As a result, the jobless rate may not increase as much as expected. This means that the jobless rate may continue to increase in the early stages of recovery because more people are returning to the labor force as they believe they will be able to find work. The civilian unemployment rate tends towards greater stability than payroll employment on a monthly basis and reveals the degree to which labor resources are utilized in the economy.

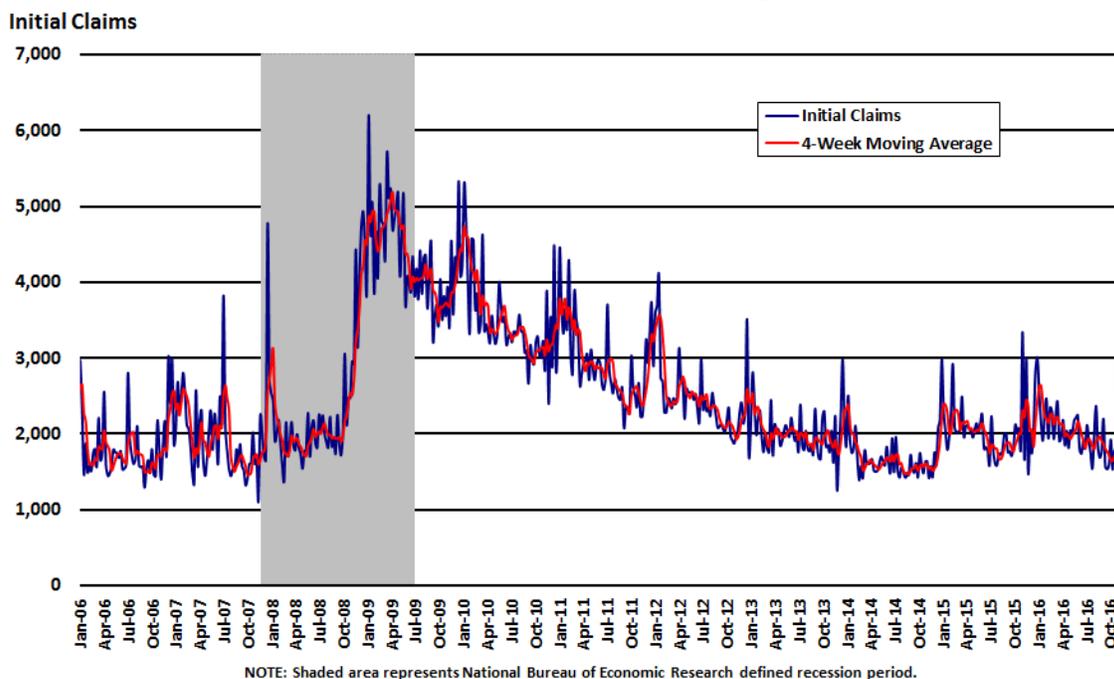
Current Developments

The U.S. unemployment rate fell sharply in November to the lowest reading since August 2007, mostly due to another dip in the labor force participation rate. The unemployment rate dropped to 4.6 percent in November, according to the Bureau of Labor Statistics (BLS). The labor force participation rate—the share of working-age Americans who are employed or looking for work—moved down to 62.7 percent in November, losing 0.1 percentage point from the previous month.

After nine consecutive months of rising unemployment rates, Oklahoma’s unemployment rate eased in October, declining a seasonally-adjusted 0.1 percentage point to 5.2 percent. Over the year, the state’s seasonally-adjusted unemployment rate was 1.0 percentage point more than 4.2 percent reported in October 2015. In October, Stephens County once again posted Oklahoma’s highest county unemployment rate at 9.6 percent followed by McIntosh County (9.4 percent) and Latimer County (9.0 percent). Cimarron County reported the lowest county unemployment rate at 2.6 percent.

Oklahoma Initial Weekly Claims for Unemployment Insurance (Not Seasonally Adjusted)

Source: U.S. Department of Labor, Employment and Training Administration



Definition & Importance

Initial unemployment claims are compiled weekly by the U.S. Department of Labor, Employment and Training Administration and show the number of individuals who filed for unemployment insurance benefits for the first time. This particular variable is useful because it gives a timely assessment of the overall economy.

Initial claims are a leading indicator because they point to changes in labor market conditions. An increasing trend signals that layoffs are occurring. Conversely, a decreasing trend suggests an improving labor market. The four-week moving average of initial claims smooths out weekly volatility and gives a better perspective on the underlying trend.

Current Developments

The number of Americans filing for unemployment benefits rose in the last week of November, climbing to the highest level in five months. In the week ending November 26, the advance figure for seasonally adjusted initial claims was 268,000, an increase of 17,000 from the previous week's unrevised level of 251,000, according to figures released by the U.S. Labor Department (DOL). The less volatile 4-week moving average was at a level of 251,500, an increase of 500 from the previous week's unrevised average of 251,000.

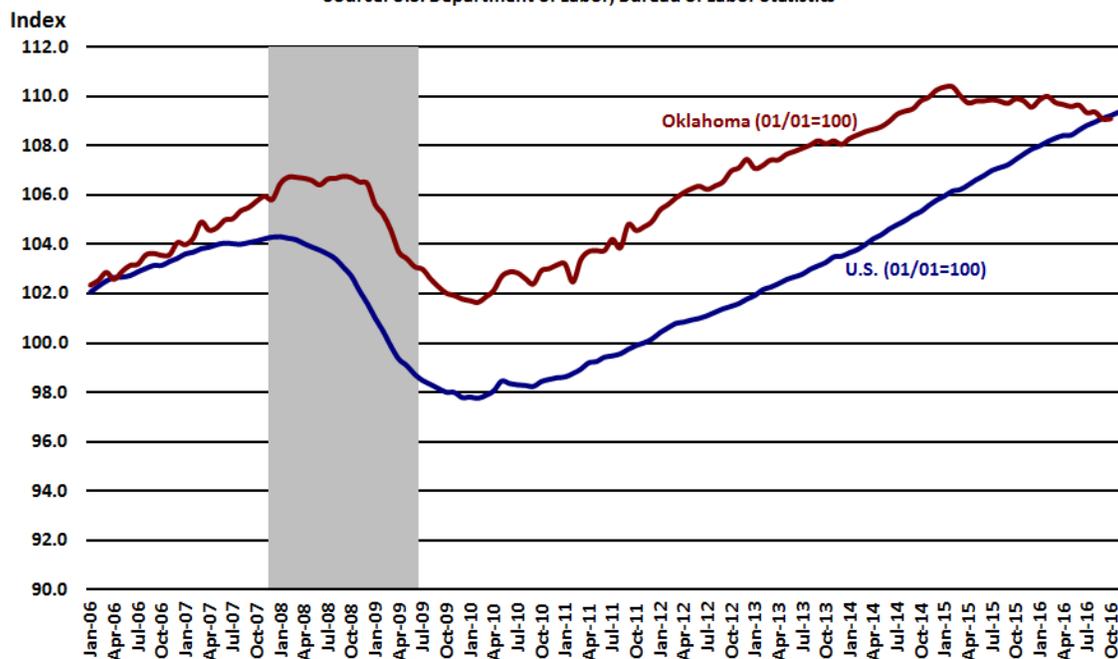
In November, Oklahoma's initial jobless claims trended down while continued claims moved upward. For the file week ending November 26, initial claims for unemployment insurance benefits were at a level of 1,530, down 1,471 from the previous week and down 89 over the month. For the same file week ending, the less volatile four-week moving average rose 22 to 2,234. For the same file week ending on November 26, continued claims jumped 666 to a level of 19,952 while the continued claims four-week moving average increased 174 to 19,638.

Over the year, statewide initial jobless claims were 34 less than the November 28, 2015 level of 1,496 while continued claims were 1,235 less than 21,187 for the same file week ending.

U.S. and Oklahoma Nonfarm Payroll Employment (Seasonally Adjusted)

Index: January 2001=100

Source: U.S. Department of Labor, Bureau of Labor Statistics



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

Definition & Importance

Nonfarm payroll employment data is produced by the Current Employment Statistics (CES) program of the Bureau of Labor Statistics (BLS). The CES Survey is a monthly survey of approximately 140,000 nonfarm businesses and government agencies representing approximately 440,000 individual worksites. The CES program has provided estimates of employment, hours, and earnings data by industry for the nation as a whole, all States, and most major metropolitan areas since 1939. In order to account for the size disparity between of U.S. and Oklahoma employment levels, we have indexed the data with January 2001 as the start value.

Payroll employment is one of the most current and reliable indicators of economic conditions and recessionary trends. Increases in nonfarm payrolls translate into earnings that workers will spend on goods and services in the economy. The greater the increases in employment, the faster the total economic growth.

Current Developments

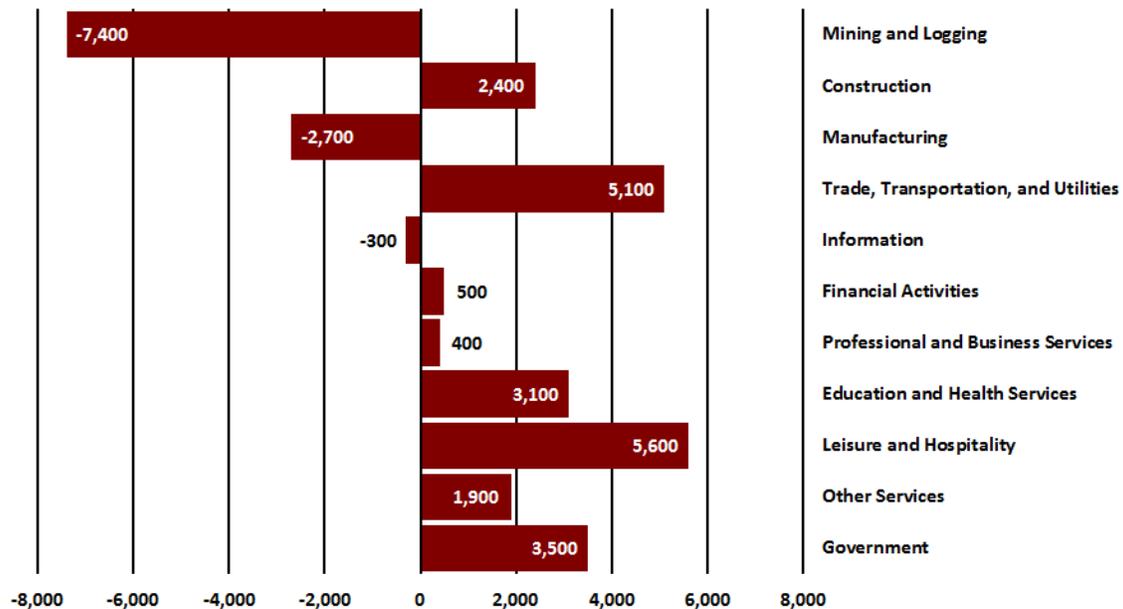
Payroll growth continued at a healthy pace in November as the U.S. economy added jobs for the 74th consecutive month. Total nonfarm payroll employment increased by 178,000 in November, according to the Bureau of Labor Statistics (BLS). A sharp downward revision to October's employment, from 161,000 to 142,000, was offset by a nearly as sharp upward revision to September, from 191,000 to 208,000.

Oklahoma nonfarm payrolls rose slightly in October to a seasonally-adjusted 100 jobs (0.0 percent). September's nonfarm employment was revised upward 1,700 to 1,655,900. Seven of Oklahoma's 11 supersectors added jobs over the month as leisure and hospitality (+1,300 jobs) posted the largest monthly job gain in October. Professional & business services (-1,800 jobs) reported the largest over-the-month losses followed by construction (-2,000 jobs).

Over the year, statewide total nonfarm employment lost 12,300 jobs (-0.7 percent) led by manufacturing (-7,300 jobs) and professional and business services (-7,100 jobs). Leisure & hospitality (+4,400 jobs) once again claimed the largest job gain over the year.

Oklahoma Employment Change by Industry, 2014-2015 Annual Averages (Not Seasonally Adjusted)

Source: Current Employment Statistics (CES), U.S. Department of Labor, Bureau of Labor Statistics



Definition & Importance

Employment growth by industry identifies the types of jobs being created in the state. Conversely, industries with a declining employment trend indicate those which are becoming less important in the state's economy. There may also be industries which behave more cyclically, growing during expansion and decreasing in times of economic slowdown or contraction. These changes are crucial in that they help to recognize the types of jobs being lost by individuals. Anticipating what will happen in recovery helps identify whether those jobs will return or what types of new jobs will be created. Consequently, key information for planning re-employment, retraining, and other workforce and economic development programs is contained within these data. For this analysis, we are using CES non-seasonally adjusted annual averages to compare year-over-year employment changes.

Current Developments

Oklahoma annual average employment growth slowed further in 2015, as mounting energy sector layoffs weighed on overall job growth. Total nonfarm employment added a non-seasonally adjusted 12,100 jobs for a 0.7 percent growth rate, (compared to 2014, when 21,300 jobs were added at a 1.3 percent growth rate).

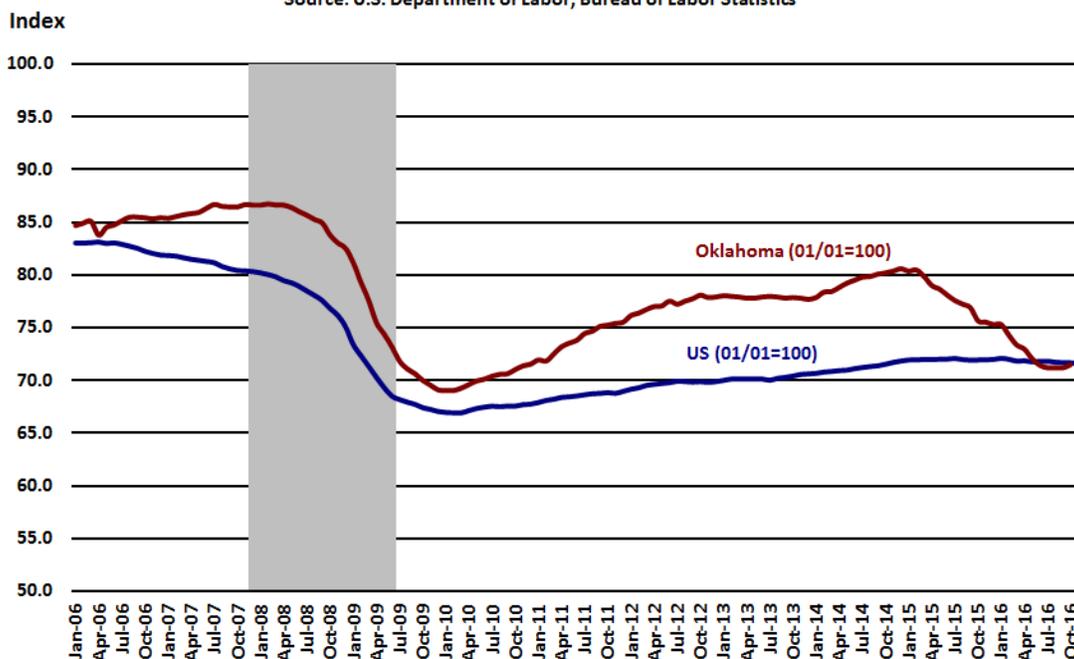
In 2015, eight out of Oklahoma's 11 statewide supersectors recorded job growth. Leisure & hospitality led all other supersectors adding 5,600 jobs with the greater part of hiring occurring in food services and drinking places. The broad trade, transportation & utilities sector added 5,100 jobs with the largest part of growth coming from retail trade. Government added 3,500 employees with most of the growth in local government. Construction added 2,400 jobs with nearly all the job growth in specialty trade contractors.

The largest annual average over-the-year job losses were seen in mining & logging which dropped a non-seasonally adjusted 7,400 jobs (-12.0 percent). Manufacturing employment lost 2,700 jobs mostly in durable goods manufacturing. Information shed 300 jobs in 2015.

U.S. and Oklahoma Manufacturing Employment (Seasonally Adjusted)

Index: January 2001 = 100

Source: U.S. Department of Labor, Bureau of Labor Statistics



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

Definition & Importance

Manufacturing employment data is also produced by the Bureau of Labor Statistics' Current Employment Statistics (CES) program. Manufacturing and production are still important parts of both the U.S. and Oklahoma economies. During the 2007-09 recession, employment in manufacturing declined sharply. Although manufacturing plunged in 2008 and early 2009 along with the rest of the economy, it is on the rebound today while other key economic sectors, such as construction, still suffer. In Oklahoma, manufacturing accounts for one of the largest shares of private output and employment in the state. In addition, many manufacturing jobs are among the highest paying jobs in the state. In order to account for the size disparity between the U.S. and Oklahoma employment levels, we have indexed the data with January 2001 as the starting value.

Current Developments

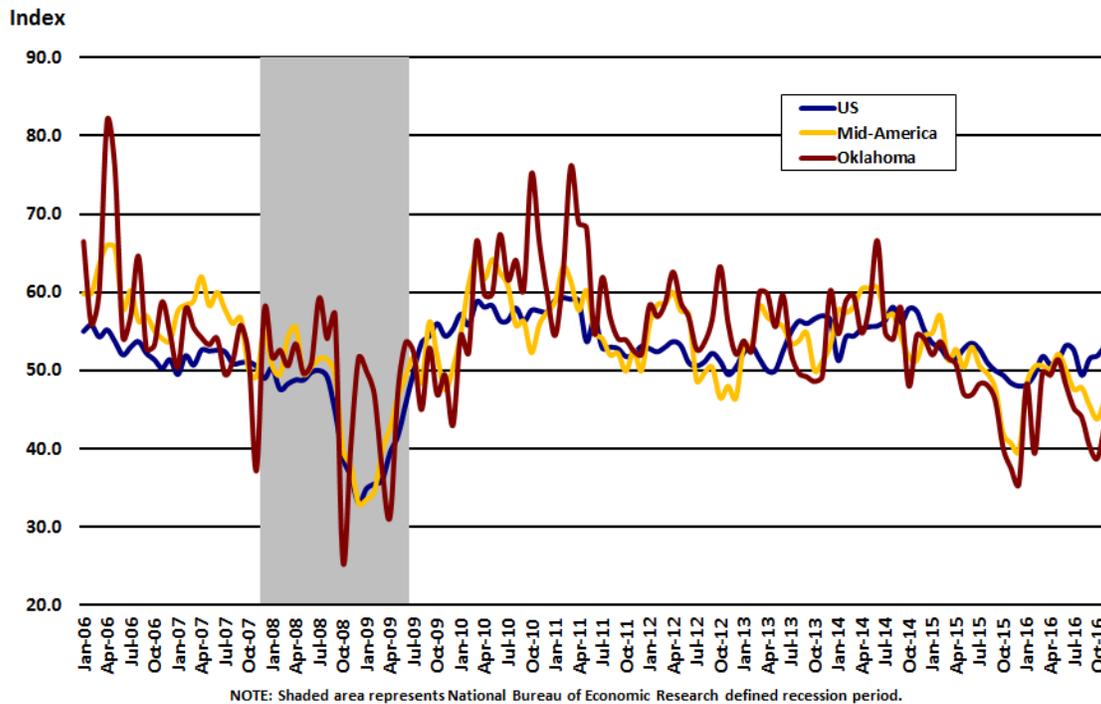
U.S. factory employment fell for the fifth straight month in November. Manufacturing employment lost 4,000 jobs in November, according to the Bureau of Labor Statistics (BLS). Durable goods manufacturing shed 6,000 jobs in November while non-durable goods manufacturing added 2,000 jobs. Over the year, the U.S. manufacturing sector has lost 54,000 jobs.

Statewide manufacturing employment added 500 jobs (0.4 percent) in October, to a seasonally-adjusted 125,600 jobs. Non-durable goods gained a non-seasonally adjusted 100 jobs (0.3 percent) in October while durable goods manufacturing shed 200 jobs.

Over the year, statewide manufacturing employment dropped a seasonally adjusted 7,300 jobs (-5.5 percent) with all of the job losses coming from durable goods manufacturing. Non-durable goods manufacturing employment added a non-seasonally adjusted 1,000 jobs (2.5 percent) but those gains were more than offset by a loss of 8,300 jobs in durable goods manufacturing.

Purchasing Managers' Index (Manufacturing)

Sources: ISM Manufacturing Report On Business® and Business Conditions Index for Mid-America, Creighton University



Definition & Importance

Economists consider the Institute for Supply Management's Purchasing Managers' Index (PMI™) a key economic indicator. The Institute for Supply Management (ISM) surveys more than 300 manufacturing firms on employment, production, new orders, supplier deliveries, and inventories. The ISM manufacturing index is constructed so that any level at 50 or above signifies growth in the manufacturing sector. A level above 43 or so, but below 50, indicates that the U.S. economy is still growing even though the manufacturing sector is contracting. Any level below 43 indicates that the economy is in recession.

For the region, since 1994, the Creighton Economic Forecasting Group at Creighton University has conducted a monthly survey of supply managers in nine states (including Arkansas, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Oklahoma and South Dakota), to produce leading economic indicators for the Mid-America economy using the same methodology as the national survey by the ISM.

Current Developments

In November, manufacturing sector activity expanded at the fastest pace since July 2015 and the overall economy grew for the 90th consecutive month. The November PMI® registered 53.2 percent, an increase of 1.3 percentage points from the October reading of 51.9 percent, according to the latest Manufacturing ISM Report On Business®. Manufacturing expanded in November, indicating growth in manufacturing for the third consecutive month, with nine of the 18 industries reporting an increase in new orders and nine of the 18 industries reporting growth in production.

A gauge of new orders improved 0.9 percentage point in November to 53.0 with export orders slightly down at 52.0. Production rose 1.4 points in November to 56.0 with supplier deliveries showing significant delays and perhaps demand-related congestion in the supply chain, up 3.5 points to 55.7. Employment slowed from 52.9 to 52.3 for the month but remained positive, with hiring expanding for only the third time this year.

For a fifth straight month, the Creighton University Mid-America Business Conditions Index, a leading economic indicator for a nine-state region stretching from North Dakota to Arkansas, was below growth neutral 50.0. The Business Conditions Index, which ranges between 0 and 100, rose in November but remained below growth neutral at 46.5, up from October's 43.8, according to the Creighton Economic Forecasting Group. Like the national survey of supply managers, the regional survey is indicating that the manufacturing sector continues to experience negative growth.

"Weakness among manufacturers linked to agriculture, energy and international markets continue to weigh on regional economic conditions. Due to the heavy dependence of the region on agriculture and energy, I expect the overall regional economy to continue to underperform the national economy. Despite the decline in manufacturing, the nonmanufacturing sector of the regional economy is expanding, albeit at a slow pace," said Ernie Goss, Ph.D., director of Creighton University's Economic Forecasting Group.

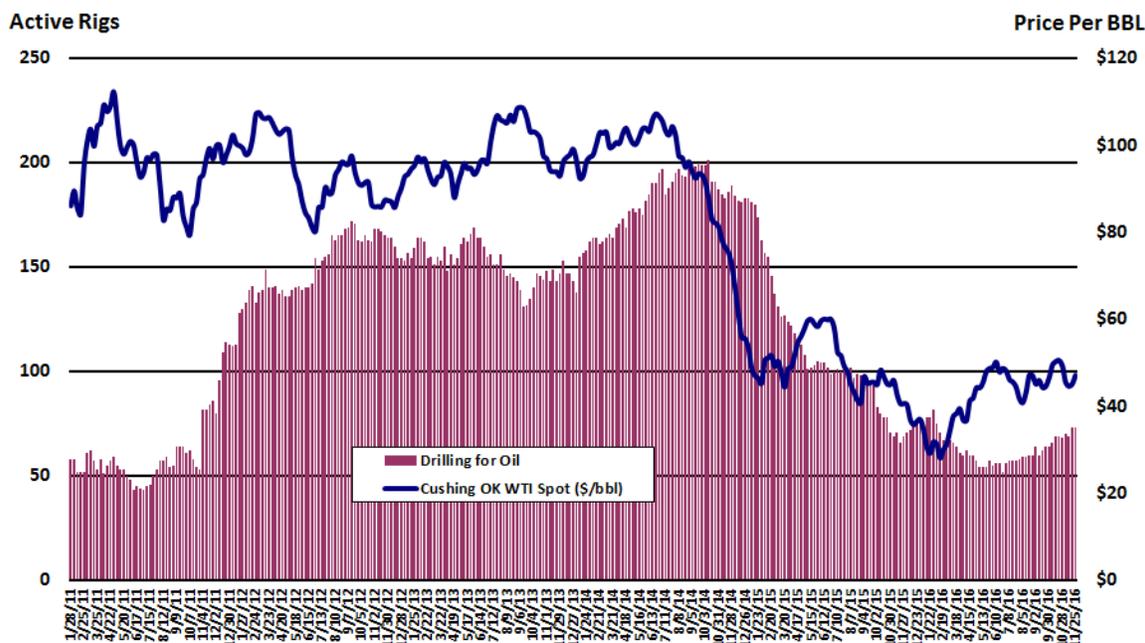
After moving above growth neutral for May, Oklahoma's Business Conditions Index has been below growth neutral 50.0 for six consecutive months. The November index sank to a regional low of 43.3 from 38.8 in October, also a regional low. Components of the overall November index from a survey of supply managers in the state were new orders at 44.8, production or sales at 46.6, delivery lead time at 48.9, inventories at 36.9, and employment at 36.9.

"Large losses for durable producers more than offset solid gains for non-durable goods manufacturers," observed Goss.

Oklahoma Active Rotary Rigs & Cushing, OK WTI Spot Price

January 2011 to November 2016

SOURCES: U.S. Department of Energy, Energy Information Administration and Baker Hughes Rig Counts



Definition & Importance

Crude oil is an important commodity in the global market. Prices fluctuate depending on supply and demand conditions in the world. Since oil is such an important part of the economy, it can also help determine the direction of inflation. In the U.S. consumer prices have moderated whenever oil prices have fallen, but have accelerated when oil prices have risen. The U.S. Energy Information Administration (EIA) provides weekly information on petroleum inventories in the U.S., whether produced here or abroad.

The Baker Hughes rig count is an important indicator for the energy industry and Oklahoma. When drilling rigs are active they consume products and services produced by the oil service industry. The active rig count acts as a leading indicator of demand for products used in drilling, completing, producing and processing hydrocarbons.

West Texas Intermediate (WTI-Cushing) is a light crude oil produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams and which is traded in the domestic spot market at Cushing, Oklahoma.

Background

Oklahoma produces a substantial amount of oil. Oklahoma ranked fifth in the nation in crude oil production in 2013, excluding federal offshore areas. Crude oil wells and gathering pipeline systems are concentrated in central Oklahoma. Two of the 100 largest oil fields in the United States are found in Oklahoma.

The city of Cushing, in central Oklahoma, is a major crude oil trading hub connecting Gulf Coast producers to Midwest refining markets. In addition to Oklahoma crude oil, the Cushing hub receives supply from several major pipelines that originate in Texas. Traditionally, the Cushing Hub has pushed Gulf Coast and Mid-Continent crude oil supply north to Midwest refining markets. However, production from those regions is in decline, and an underused crude oil pipeline system has been reversed to deliver rapidly expanding heavy crude oil supply produced in Alberta, Canada to Cushing, where it can access Gulf Coast refining markets. For this reason,

Cushing is the designated delivery point for the New York Mercantile Exchange (NYMEX) crude oil futures contracts. Crude oil supplies from Cushing that are not delivered to the Midwest are fed to Oklahoma's five refineries, which have a combined distillation capacity of over 500 thousand barrels per day—roughly 3 percent of the total U.S. refining capacity.

Current Developments

According to the Energy Information Administration's (EIA) December *Short-Term Energy Outlook* (STEO), both the West Texas Intermediate (WTI) and Brent crude oil 2017 price forecasts increased by about one dollar per barrel (b) from the November forecast, with prices expected to average \$51/b and \$52/b, respectively. The WTI price is forecast to average \$49/b in the first half of 2017 and end the year at \$54/b, while the Brent price is forecast to average \$50/b in the first-half of 2017 and end the year at \$55/b.

EIA's forecast reflects consideration of the Organization of the Petroleum Exporting Countries' (OPEC) November 30 announcement to reduce production. However, the EIA noted that the agreement only resulted in small changes to the STEO forecast. Notably, OPEC's agreed upon output levels for early 2017 were similar to EIA's November forecast, and already included some expectation of production constraint in 2017. EIA's assessment of the non-OPEC contribution to production cuts may change based on announcements made after the meeting set for early December. Finally, recent improvements in global economic data may result in upward demand adjustments. The EIA concluded that all of this points to inventory rebalancing changes that offer support to crude oil prices going forward.

Monthly statewide crude oil production levels have been gradually declining over the past year but still remain at historically high levels. Oklahoma's crude production for September was at a level of 12,439,000 barrels, or 806,000 barrels (6.1 percent) less than August's upwardly revised production level of 13,245,000 barrels (from an initial 12,960,000 barrel estimate). Oklahoma's crude production for the first nine months of 2016 was 116,293,000 barrels, or -4,244,000 (3.5 percent) less than the 120,537,000 barrels produced during the first nine months of 2015.

West Texas Intermediate (WTI-Cushing) spot prices started the month of November at \$46.66/barrel (b) and finished at \$49.41/b, gaining \$2.75/b for the month. Over the year, WTI-Cushing domestic crude prices were up \$8.98/b from \$40.43/barrel on November 30, 2015.

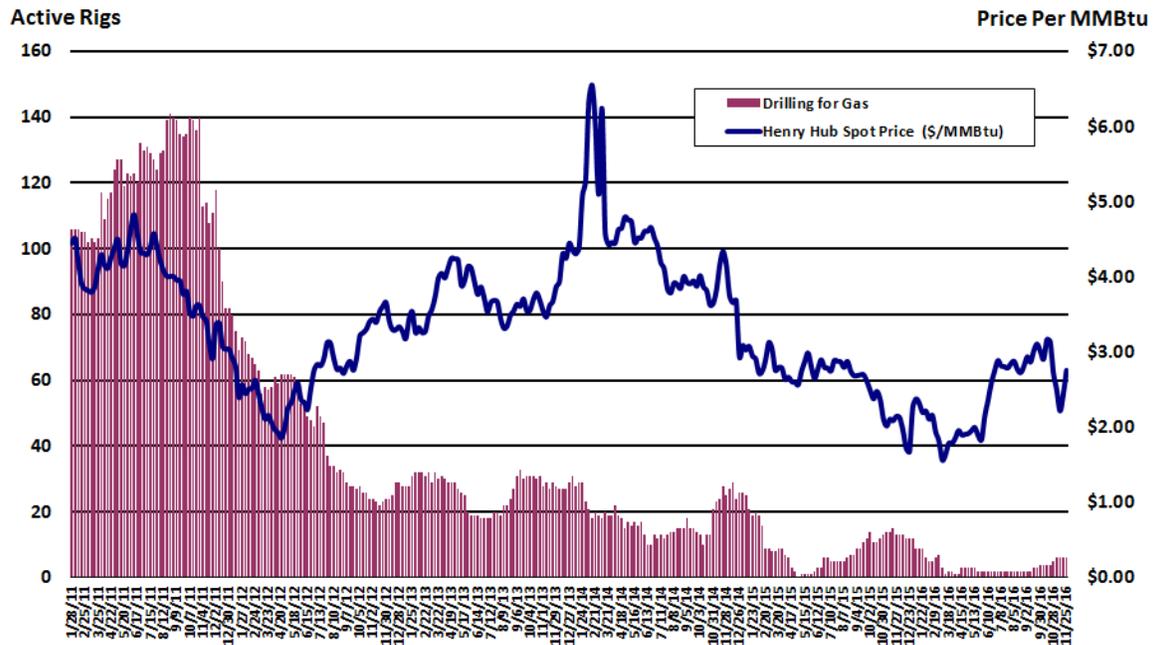
The number of rigs searching for oil and natural gas in the U.S. increased by five for the week ended Friday, November 23 to 593 active rigs. The U.S. rig count peaked at 4,530 in 1981 and reached an all-time low of 404 in May.

Oklahoma's rig count for the week ending November 23, 2016 held steady at 79, the same as the previous week, according to Baker Hughes' weekly rig count. Oil-directed rigs accounted for approximately 92 percent of total rig activity (73 active rigs). A year earlier, Oklahoma's rig count was 82.

Oklahoma Active Rotary Rigs & Henry Hub Natural Gas Spot Price

January 2011 to November 2016

Sources: U.S. Department of Energy, Energy Information Administration and Baker Hughes Rig Counts



Definition & Importance

The U.S. Energy Information Administration (EIA) provides weekly information on natural gas stocks in underground storage for the U.S., and three regions of the country. The level of inventories helps determine prices for natural gas products. Natural gas product prices are determined by supply and demand—like any other good or service. During periods of strong economic growth, one would expect demand to be robust. If inventories are low, this will lead to increases in natural gas prices. If inventories are high and rising in a period of strong demand, prices may not need to increase at all, or as much. However, during a period of sluggish economic activity, demand for natural gas may not be as strong. If inventories are rising, this may push down oil prices.

The Henry Hub in Erath, Louisiana is a key benchmark location for natural gas pricing throughout the United States. The Henry Hub is the largest centralized point for natural gas spot and futures trading in the United States. The New York Mercantile Exchange (NYMEX) uses the Henry Hub as the point of delivery for its natural gas futures contract. Henry Hub “spot gas” represents natural gas sales contracted for *next day* delivery and title transfer at the Henry Hub. The settlement prices at the Henry Hub are used as benchmarks for the entire North American natural gas market. Approximately 49 percent of U.S. wellhead production either occurs near the Henry Hub or passes close to the Henry Hub as it moves to downstream consumption markets.

Background

Oklahoma is one of the top natural gas producers in the United States with production typically accounting for almost one-tenth of the U.S. total. More than a dozen of the 100 largest natural gas fields in the country are found in Oklahoma and proven reserves of conventional natural gas have been increasing in recent years.

Most natural gas in Oklahoma is consumed by the electricity generation and industrial sectors. About three-fifths of Oklahoma households use natural gas as their primary energy source for

home heating. Nevertheless, only about one-third of Oklahoma's natural gas output is consumed within the state. The remaining supply is sent via pipeline to neighboring states, the majority to Kansas, including the natural gas trading hubs in Texas and Kansas.

Current Developments

According to the December 2016 *Short-Term Energy Outlook*, the U.S. Energy Information Administration (EIA) noted that natural gas marketed production is forecast to average 77.5 billion cubic feet per day (Bcf/d) in 2016, a 1.3 Bcf/d decline from the 2015 level, which would be the first annual production decline since 2005. In 2017, forecast natural gas production increases by an average of 2.5 Bcf/d from the 2016 level.

Natural gas production in Oklahoma declined again in September. Statewide natural gas gross production in August was at a level of 205,096 MMcf, a loss of 8,256 MMcf (-3.9 percent) from the revised August production level of 213,352 MMcf. For the first nine months of 2016, Oklahoma natural gas gross withdrawals were at a level of 1,876,325 MMcf, -4,711 MMcf (-0.3 percent) slightly less than 1,881,036 MMcf produced in the first nine months of 2015.

Unseasonably warm weather reduced U.S. heating demand for most of the month in November. Henry Hub spot prices began November at \$2.53/MMBtu and settling \$2.76/MMBtu at the month's end.

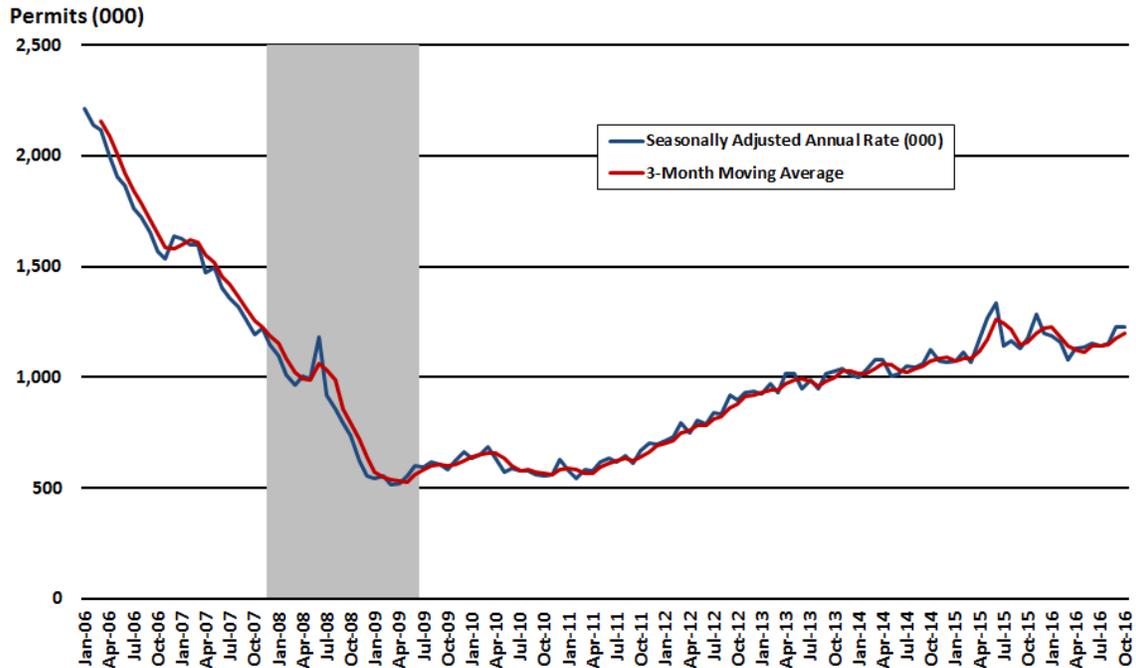
According to oil services company, Baker Hughes, for the week ending Friday, November 25, the U.S. natural gas rig count increased by 2 to 118.

Oklahoma's natural gas-directed drilling rig count held steady at a level of six active rigs in November. Over the year, the number of statewide rotary rigs exploring for natural gas was down six rigs from 13 reported for the week ended November 27, 2015.

U.S. New Private Housing Units Authorized by Building Permit, 2006-2016

Seasonally Adjusted

Source: U.S. Census Bureau and Department of Housing and Urban Development



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

Definition & Importance

The U.S. Census Bureau and the Department of Housing and Urban Development jointly provide monthly national and regional data on the number of new housing units authorized by building permits; authorized, but not started; started; under construction; and completed. The data are for new, privately-owned housing units (single and multifamily), excluding "HUD-code" manufactured homes. Because permits precede construction, they are considered a leading indicator for the residential construction industry and the overall economy. Most of the construction begins the same month the permit is issued. The remainder usually begins construction during the following three months; therefore we also use a three-month moving average.

While home construction represents a small portion of the housing market, it has an outside impact on the economy. Each home built creates an average of three jobs for a year and about \$90,000 in taxes, according to the National Association of Home Builders. Overall, homebuilding fell to its lowest levels in 50 years in 2009, when builders began work on just 554,000 homes.

Current Developments

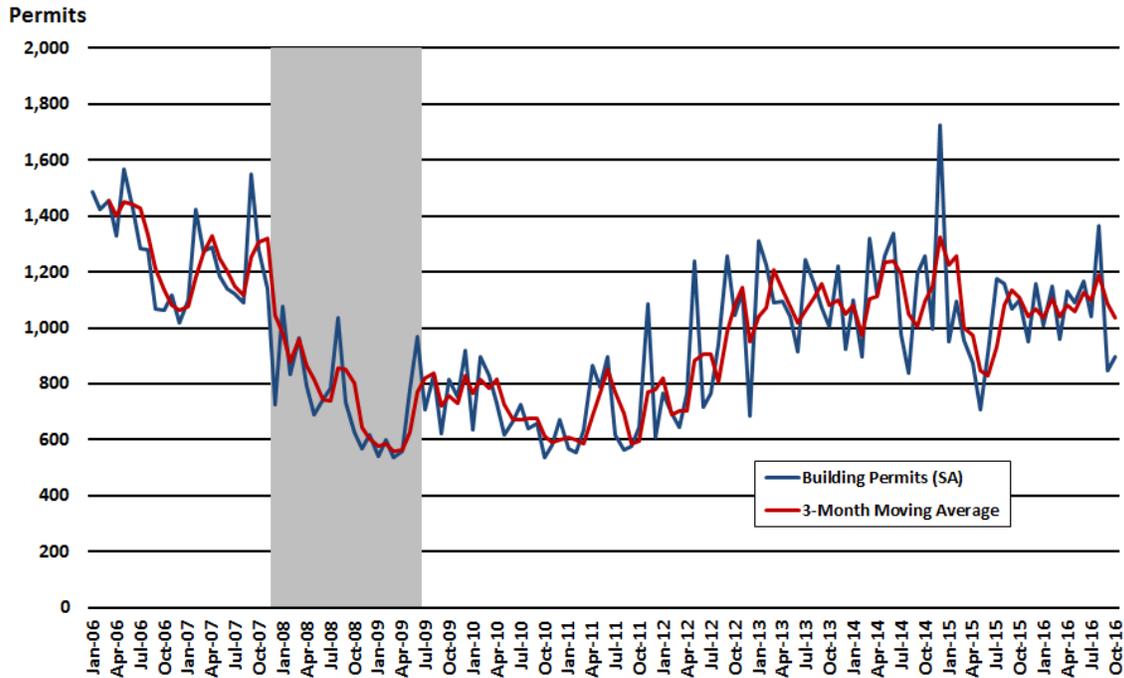
Permits for new residential construction rose in October while construction on new houses surged to the highest level in nearly nine years, suggesting that home builders will continue to ramp up construction to meet a steady increase in demand. Privately-owned housing units authorized by building permits in October were at a seasonally adjusted annual rate of 1,229,000, 0.3 percent above the revised September rate of 1,225,000 and 4.6 percent above the October 2015 estimate of 1,175,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development.

Permits for single-family homes, which account for approximately 60 percent of all residential permitting, rose 2.7 percent in October to a rate of 762,000. Multi-family permits offset some of that gain, dipping 3.3 percent.

Oklahoma New Private Housing Units Authorized by Building Permit, 2006-2016

Seasonally Adjusted

Sources: U.S. Census Bureau and Department of Housing and Urban Development, Federal Reserve Bank of St. Louis



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

Definition & Importance

The data services of the Federal Reserve Bank of St. Louis produces series that are seasonally adjusted including monthly state level data on the number of new housing units authorized by building permits. These adjustments are made using the X-12 Procedure of SAS to remove the seasonal component of the series so that non-seasonal trends can be analyzed. This procedure is based on the U.S. Bureau of the Census X-12-ARIMA Seasonal Adjustment Program.

Current Developments

Oklahoma homebuilders requested more applications for residential construction in October. Total residential building permitting for October was at a seasonally adjusted level of 898, or 6.0 percent less than September’s upwardly revised level of 847 and 18.3 percent (201 permits) less than the September 2015 estimate of 1,099 units, according to figures from the Federal Reserve Bank of St. Louis.

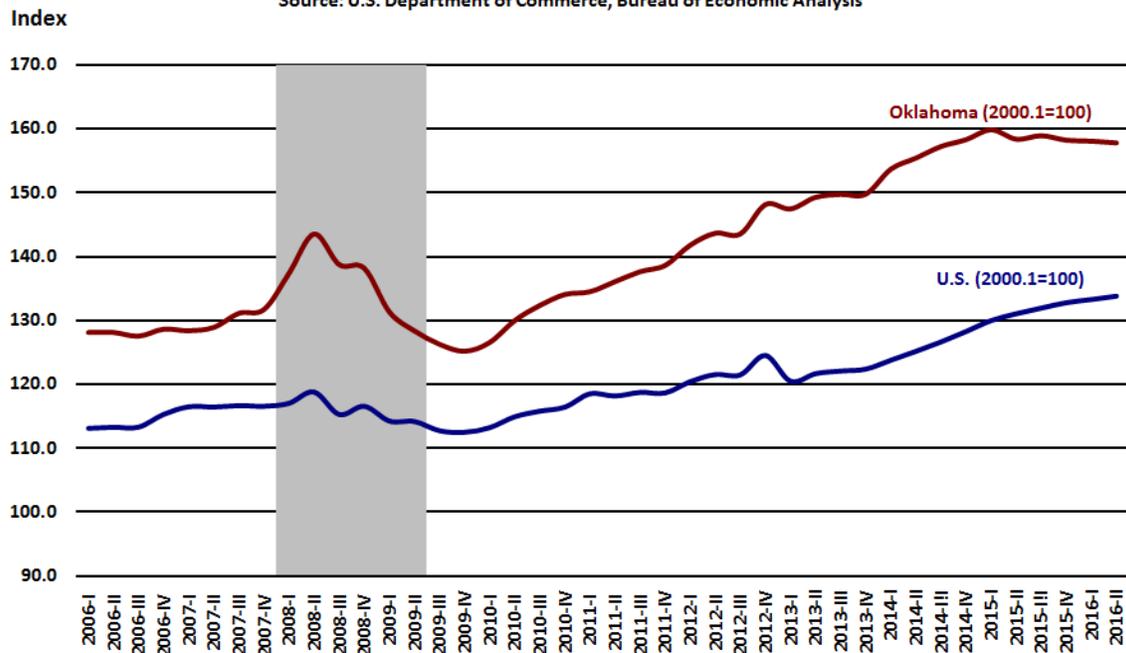
Single-family permitting accounted for a seasonally-adjusted 86.4 percent of total residential permitting activity in October while multi-family permitting accounted for 13.6 percent. Applications for single-family homes were at a non-seasonally adjusted level of 823, a 2.9 percent increase over September’s level of 800 permits. The more volatile multi-family permitting was at a non-seasonally adjusted level of 104 in October, up 67 units, from September.

Over the year, the number of single family permits was 8.2 percent less than the October 2015 non-seasonally adjusted level of 894 permits. Apartment permitting activity was 48.8 percent less than the October 2015 non-seasonally adjusted level of 227 permits.

U.S. and Oklahoma Real Personal Income

Index: 1st Quarter 2000 = 100

Source: U.S. Department of Commerce, Bureau of Economic Analysis



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

Definition & Importance

Personal income is a broad measure of economic activity and one for which relatively current data are available. Personal income includes earnings, property income such as dividends, interest, and rent and transfer payments, such as retirement, unemployment insurance, and various other benefit payments. It is a measure of income that is available for spending and is seen as an indicator of the economic well-being of the residents of a state. Earnings and wages make up the largest portion of personal income.

To show the vastly different levels of total personal income for the U.S. and Oklahoma on the same chart, these data have been converted to index numbers. This chart shows a comparison of Oklahoma and U.S. growth in real personal income with 1st quarter 2000 as the base year.

Current Developments

U.S. household spending continued to rise in October and personal income increased at the fastest pace in six months. Personal income increased \$98.6 billion (0.6 percent) in October according to estimates by the Bureau of Economic Analysis (BEA). Disposable personal income (DPI) increased \$86.5 billion (0.6 percent) and personal consumption expenditures (PCE) increased \$38.1 billion (0.3 percent). Real DPI increased 0.4 percent in October and Real PCE increased 0.1 percent.

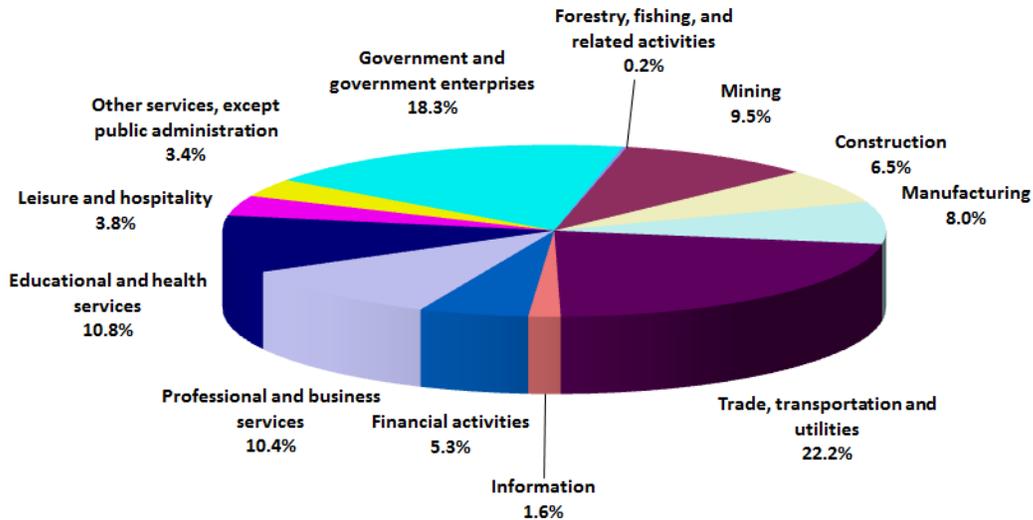
The PCE price index increased 0.2 percent over the month in October but 1.4 percent over the year, pushing closer to the Federal Reserve's 2.0 percent target inflation.

Consumer spending in October was led by a 1.0 percent increase in spending on autos and other durable goods. Spending on non-durable goods such as clothing also showed a solid increase of 0.8 percent in October. Household outlays on services, such as doctor's visits and utilities, dropped 0.3 percent in October.

With incomes rising faster than spending, the personal saving rate, personal saving as a percentage of disposable personal income, jumped to 6.0 percent in October, up from 5.7 percent in September.

Oklahoma Nonfarm Contribution to Earnings Second Quarter 2016

Source: U.S. Department of Commerce, Bureau of Economic Analysis



Definition & Importance

Quarterly estimates of state personal income are seasonally adjusted at annual rates by the Bureau of Economic Analysis (BEA). Quarterly personal income estimates are revised on a regular schedule to reflect more complete information than the data that were available when the estimates were initially prepared and to incorporate updated seasonal factors.

Current Developments

State personal income growth accelerated to 1.0 percent on average in the 2nd quarter of 2016 from 0.3 percent in the 1st quarter, according to estimates by the U.S. Bureau of Economic Analysis (BEA). Personal income grew in every state in the 2nd quarter with growth rates ranging from 0.4 percent in Alaska to 1.4 percent in Utah.

Oklahoma's personal income grew at a 0.5 percent rate, to a level of \$178.9 billion, ranking the state 48th among all states and the District of Columbia in the 2nd quarter of 2016.

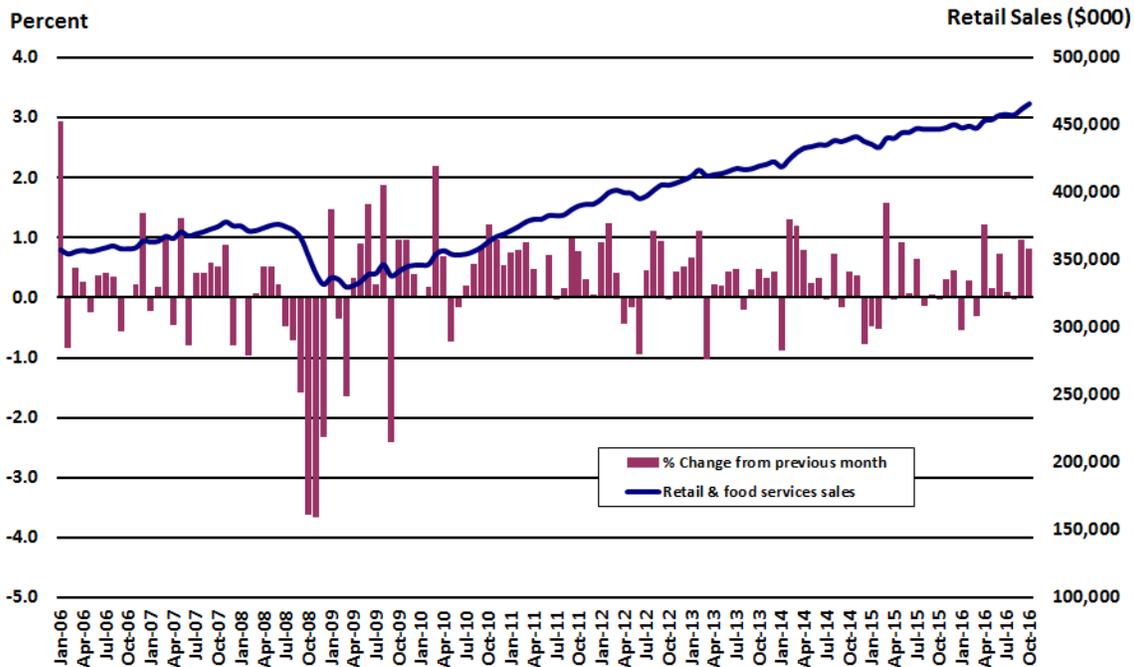
Overall, earnings increased 1.1 percent in the 2nd quarter of 2016 and was the leading contributor to growth in personal income in most states including Oklahoma where net earnings grew 0.4 percent and contributed 0.3 percentage point to personal income growth.

In Oklahoma, growth in construction earnings was the leading contributor to earnings growth in the 2nd quarter of 2016, adding 0.12 percentage point to personal income growth. Growth in transportation & warehousing earnings contributed 0.10 percentage point to personal income growth while health care and social assistance added 0.09 percentage point in the 2nd quarter of 2016.

Mining earnings fell 2.2 percent nationally in the 2nd quarter, the seventh consecutive quarterly decline, and was a leading contributor to below average earnings and personal income growth in four of the five slowest-growing states: Alaska, Wyoming, Oklahoma, and North Dakota. In Oklahoma, mining earnings declined 2.66 percent and subtracted 0.18 percentage point from 2nd quarter income growth. Since peaking in the 3rd quarter of 2014, mining earnings have declined 25.6 percent nationally and 26.5 percent in Oklahoma.

U.S. Retail Sales (Adjusted for Seasonal, Holiday, and Trading-Day Differences)

Source: U.S. Census Bureau, Advance Monthly Sales for Retail and Food Services



Definition & Importance

Retail sales measure the total receipts at stores that sell merchandise and related services to final consumers. Sales are by retail and food services stores. Data are collected from the Monthly Retail Trade Survey conducted by the U.S. Bureau of the Census. Essentially, retail sales cover the durables and nondurables portions of consumer spending. Consumer spending accounts for roughly two-thirds of the U.S. GDP and is therefore essential to Oklahoma's economy. Retail sales account for around one-half of consumer spending and economic recovery calls for consumption growth.

Current Developments

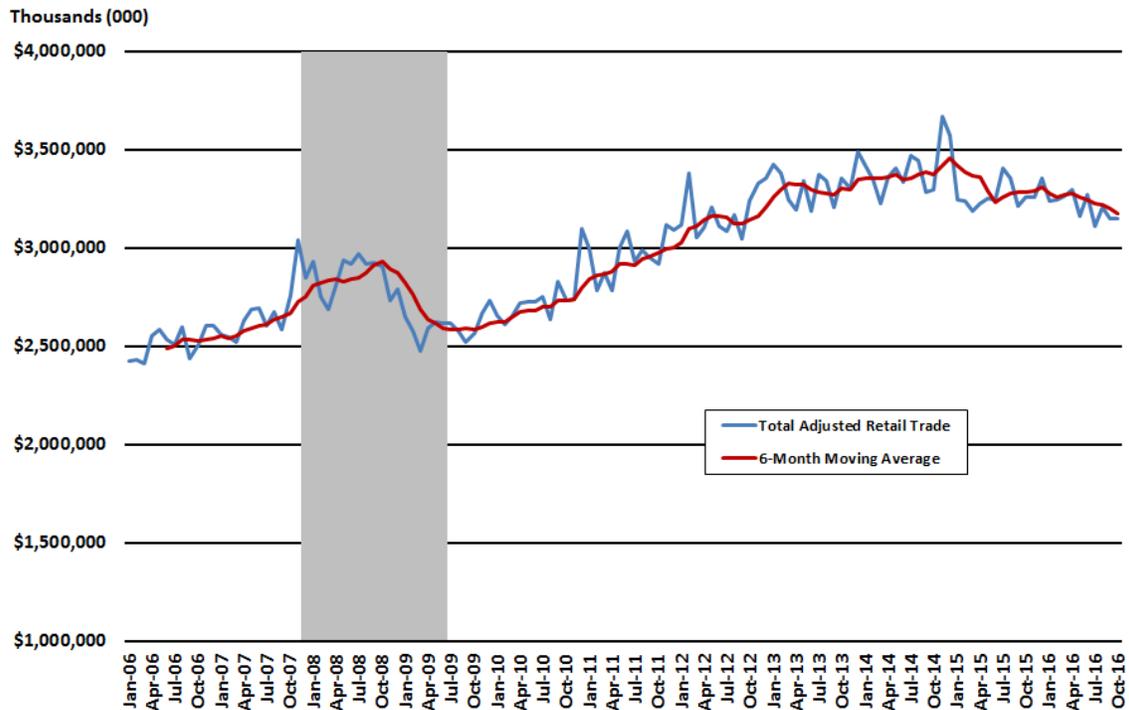
U.S. retail sales rose sharply in October as strong car sales once again provided much of the bounce. Advance estimates of U.S. retail and food services sales for October, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$465.9 billion, an increase of 0.8 percent from the previous month, and 4.3 percent above October 2015, according to the U.S. Census Bureau. Total sales for the August 2016 through October 2016 period were up 3.3 percent from the same period a year ago. The August 2016 to September 2016 percent change was revised from 0.6 percent to 1.0 percent.

Auto sales rose 1.1 percent in October after surging 1.9 percent in September. Rising pump prices drove up spending at service stations 2.2 percent in October. Excluding automobiles, sales gained 0.8 percent in October and excluding both autos and gasoline, sales were still up 0.6 percent.

The less volatile "core" sales used to calculate gross domestic product, which strips out automobiles, gasoline, building materials, and food services jumped 0.8 percent in October. Sales also increased 1.3 percent at sporting goods stores, 0.8 percent at health and personal care stores, 0.6 percent at clothing outlets, 0.4 percent at general merchandise stores. Non-store retail sales were up 1.5 percent, reflecting strength in e-commerce.

Oklahoma Total Adjusted Retail Trade, 2006-2016

Source: Center for Economic & Management Research (CEMR), University of Oklahoma



NOTE: Shaded area represents National Bureau of Economic Research defined recession period.

Definition & Importance

The Center for Economic and Management Research (CEMR) Price College of Business, at the University of Oklahoma produces the Oklahoma Monthly Retail Sales Series containing monthly estimates of retail sales for Oklahoma, the Oklahoma City, Tulsa and Lawton Metropolitan Statistical Areas and 48 selected cities in Oklahoma. The series is based on sales tax collection data provided by the Business Tax Division, Oklahoma Tax Commission (OTC). In order to take out monthly volatility, we have used a six-month moving average.

Current Developments

Oklahoma retail trade was off again in October as lower gasoline prices, once again, pulled down total sales. Total adjusted retail trade for October was at a level of \$3.09 billion, a 1.9 percent decline from September's level of \$3.15 billion. Over the year, total adjusted retail sales fell 5.2 percent.

Total durable goods sales dropped 0.1 percent in October led by declining categories of miscellaneous durable goods (-5.7 percent); computer, electronics & music store sales (-3.2 percent); and used merchandise (-2.3 percent). Durable goods categories with over-the-month gains included lumber, building materials & hardware (2.1 percent) and auto accessories & repair (1.5 percent); and furniture (0.1 percent).

Nondurable goods purchases plunged 2.6 percent in October, as estimated gasoline sales plummeted 12.6 percent from September. Other declining non-durable goods categories for the month were general merchandise stores (-1.5 percent); apparel (-3.7 percent); miscellaneous non-durables (-1.3 percent); drugstore sales (-3.2 percent); and liquor (-3.3 percent). Advancing non-durable categories were eating & drinking places (0.3 percent) and food (0.2 percent).