

The Stakes are High! Oklahoma's Defining Industries and the Future of State Job Growth



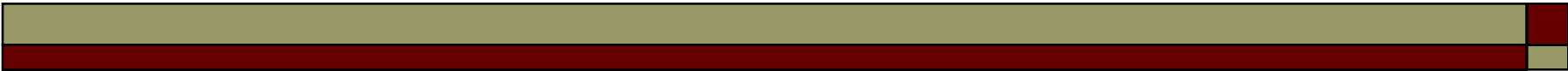
OIL WELLS OF OKLAHOMA



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The industrial structures of state economies have evolved over time

- During the 20th Century, most states' industrial structures—including Oklahoma's—shifted to becoming much more services-oriented
- Most states also came to look more like the nation, reducing regional variations in growth
- However, most states also maintain fairly unique industrial structures – Oklahoma ranks 5th in terms of being *dissimilar* to the nation

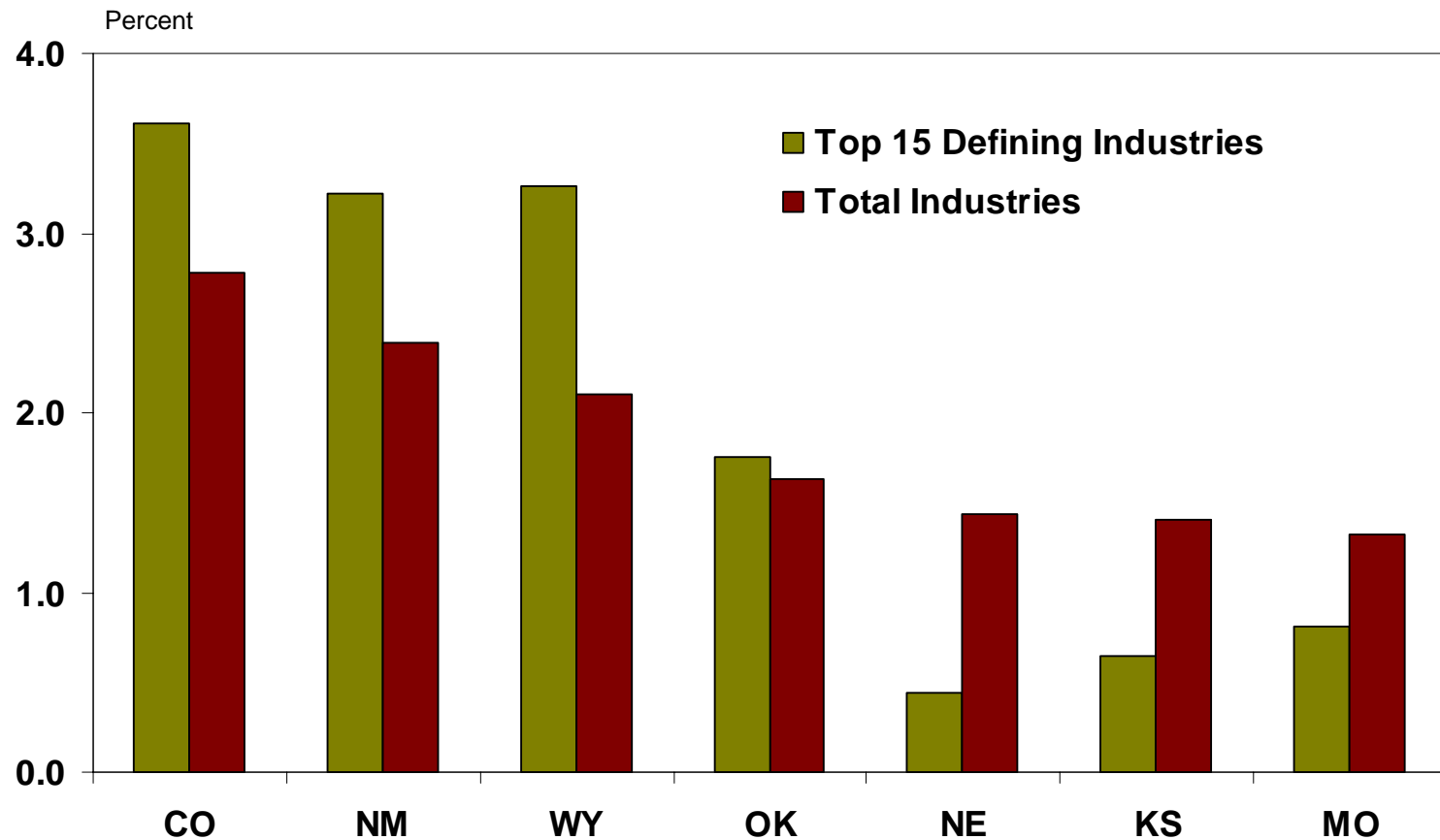


What are defining industries?

- Those that are heavily concentrated in a state relative to the nation
- A common measure is location quotient (LQ), or the ratio of an industry's share of state jobs to its share of U.S. jobs
- The higher its LQ, the more defining an industry is

Why are defining industries important?

Average Annual State Job Growth, 1990-2006
Tenth Federal Reserve District States

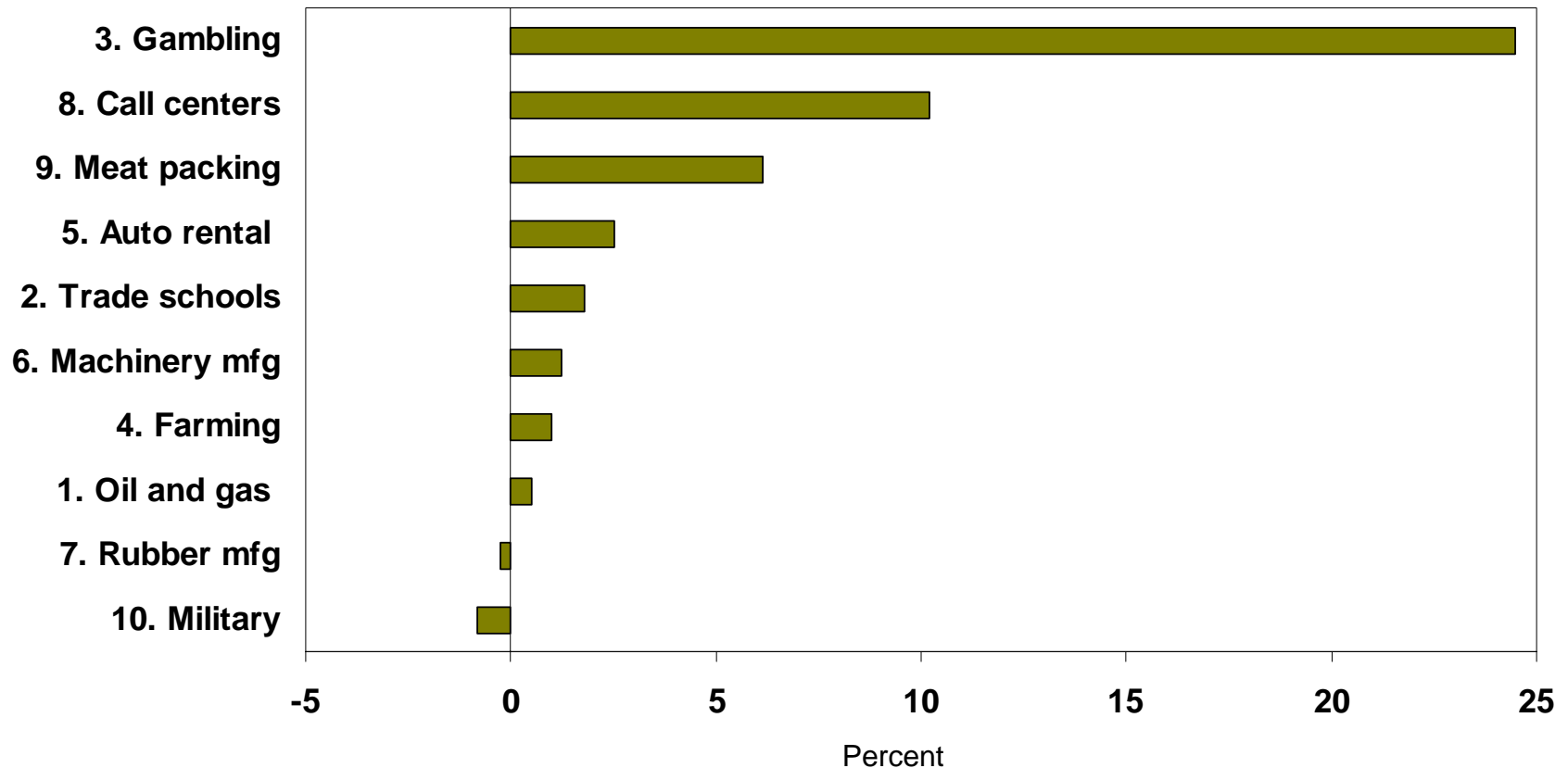


The Ten Industries that Most Define Oklahoma

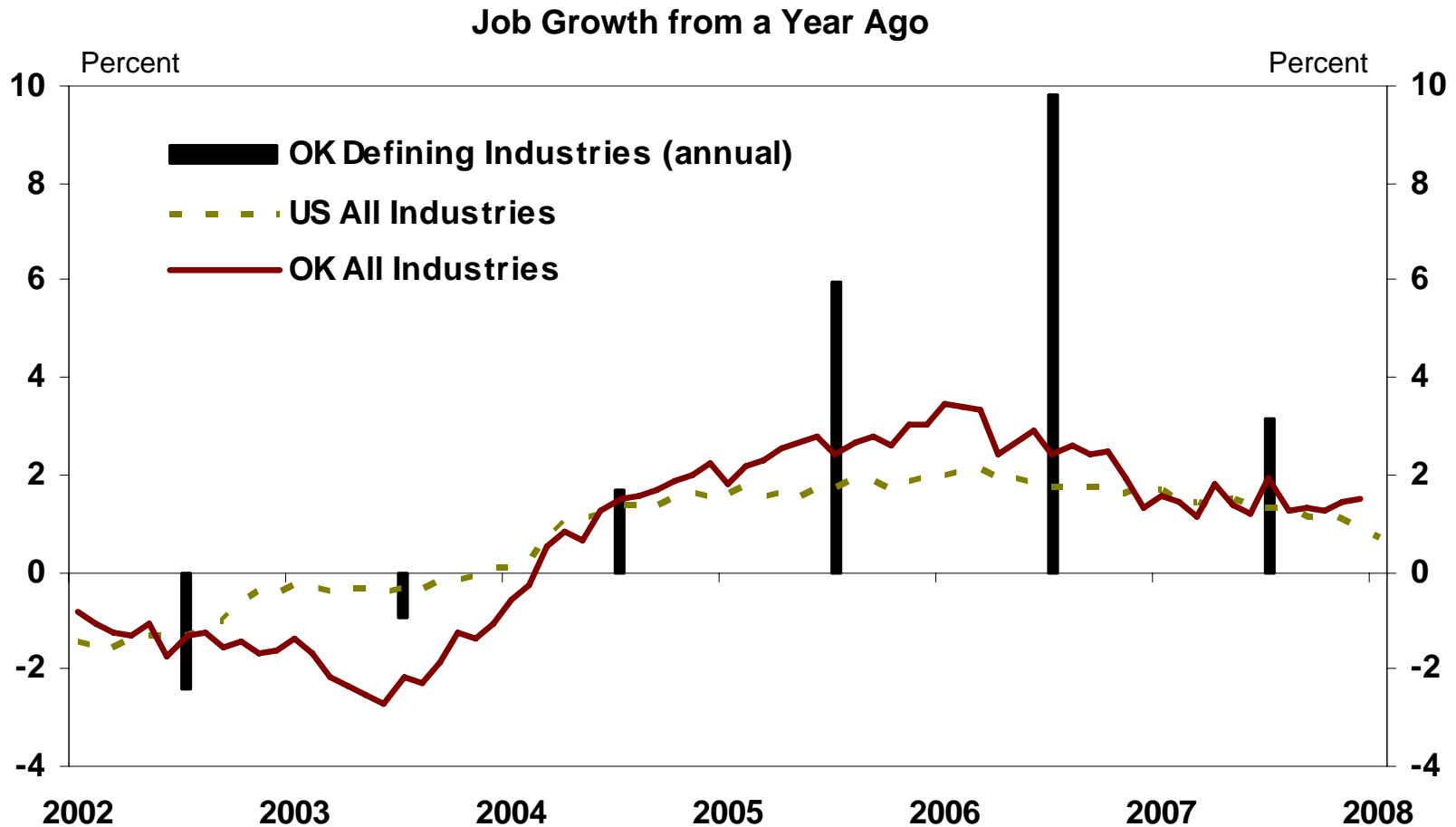
Rank	Industry	LQ 2005	LQ 1990	Avg. Pay 2005
1	Oil & gas	8.2	8.5	\$66,972
2	Trade schools	4.5	4.0	\$33,924
3	<i>Gambling</i>	3.4	1.0	\$21,335
4	Farming	3.3	2.7	\$5,559
5	Auto rental	2.9	2.3	\$43,266
6	Machinery mfg	2.7	2.1	\$45,275
7	Rubber mfg	2.5	2.9	\$52,368
8	<i>Call centers</i>	2.0	0.8	\$25,838
9	<i>Meat packing</i>	1.9	0.9	\$27,596
10	Military	1.9	2.6	\$54,701

Growth in the state's defining industries has varied widely since 1990

Oklahoma Defining Industries
Average ANNUAL Job Growth, 1990-2006



But together, they help explain Oklahoma's differing performances





The near-term outlook for most of the state's defining industries is good

- Oil prices are high and futures prices for both oil and gas remain elevated
- Manufacturers generally report solid orders and capital spending and hiring plans, and farm incomes and prices are generally solid
- Casinos and call centers continue to open, and state military operations will benefit from the latest round of BRAC realignments

The longer-term outlook is more mixed

- Job gains in agriculture and manufacturing are expected to be restrained by technology and trade
- The longer-term outlook for trade schools and auto rental companies is generally positive, while jobs in oil and gas and the military will depend on energy prices and U.S. defense activity
- Future prospects for the state's new and rapidly-growing defining industries—gambling, call centers, and meat packing—are somewhat mixed

New defining industries have emerged in other nearby states in recent decades

Industry	State(s)	Average Pay
Software publishers	CO	\$91,973
Computer design	CO	\$80,491
Data processing	MO	\$59,772
Machinery rental	WY	\$54,392
Office services	KS	\$48,123
Biotech laboratories	KS, NM	\$47,822 (KS)
Wireless telecom	NM	\$36,491
Freight trucking	NE	\$35,496
Gambling	MO, NM	\$27,829 (MO)
Internet shopping	NE	\$24,270

Note: These industries each have location quotients of at least 1.7 and an annual growth rate of 4 percent or higher from 1990-2005

Some of these may offer opportunities for both metro and nonmetro Oklahoma

- Several well-paying, high-growth industries could locate in Oklahoma metros—and some are starting to
 - Examples include biotech labs (OUHSC), wireless telecoms (Vyvx), data processing, computer design
- Likewise, several emerging industries could locate in less densely-populated areas—such as Pryor, OK
 - Examples include data processing (Google), office services, biotech labs, internet shopping houses
- Constraints include: availability of trained workers and the amenities often desired by skilled workers

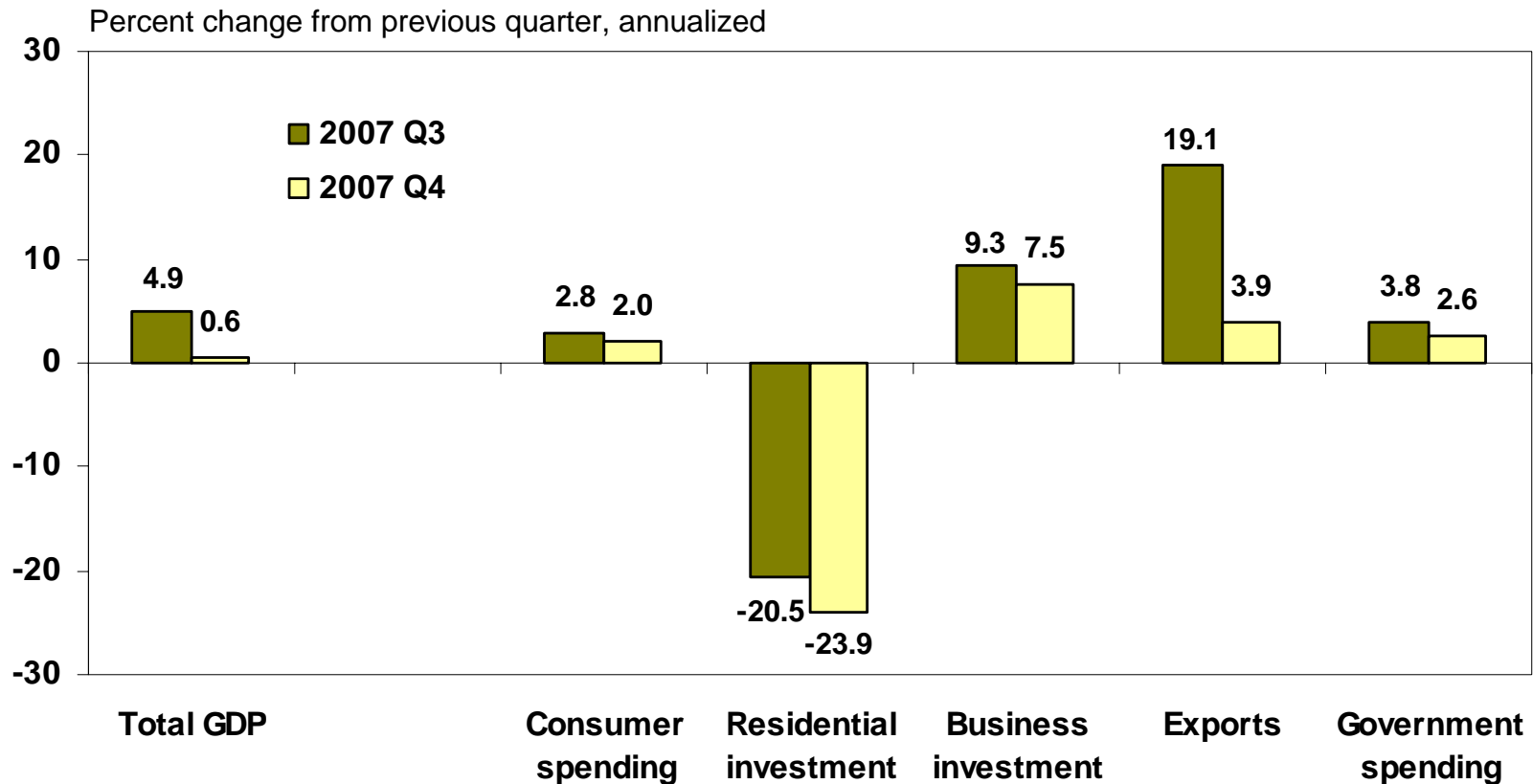


Summary of Oklahoma's Defining Industries

- Oklahoma's defining industries have driven the state's growth in recent years—generally in a good direction
- While long-term outlooks for these industries are somewhat mixed, short-term outlooks are generally good, and new opportunities exist
- Could a NON-defining industry derail everything?

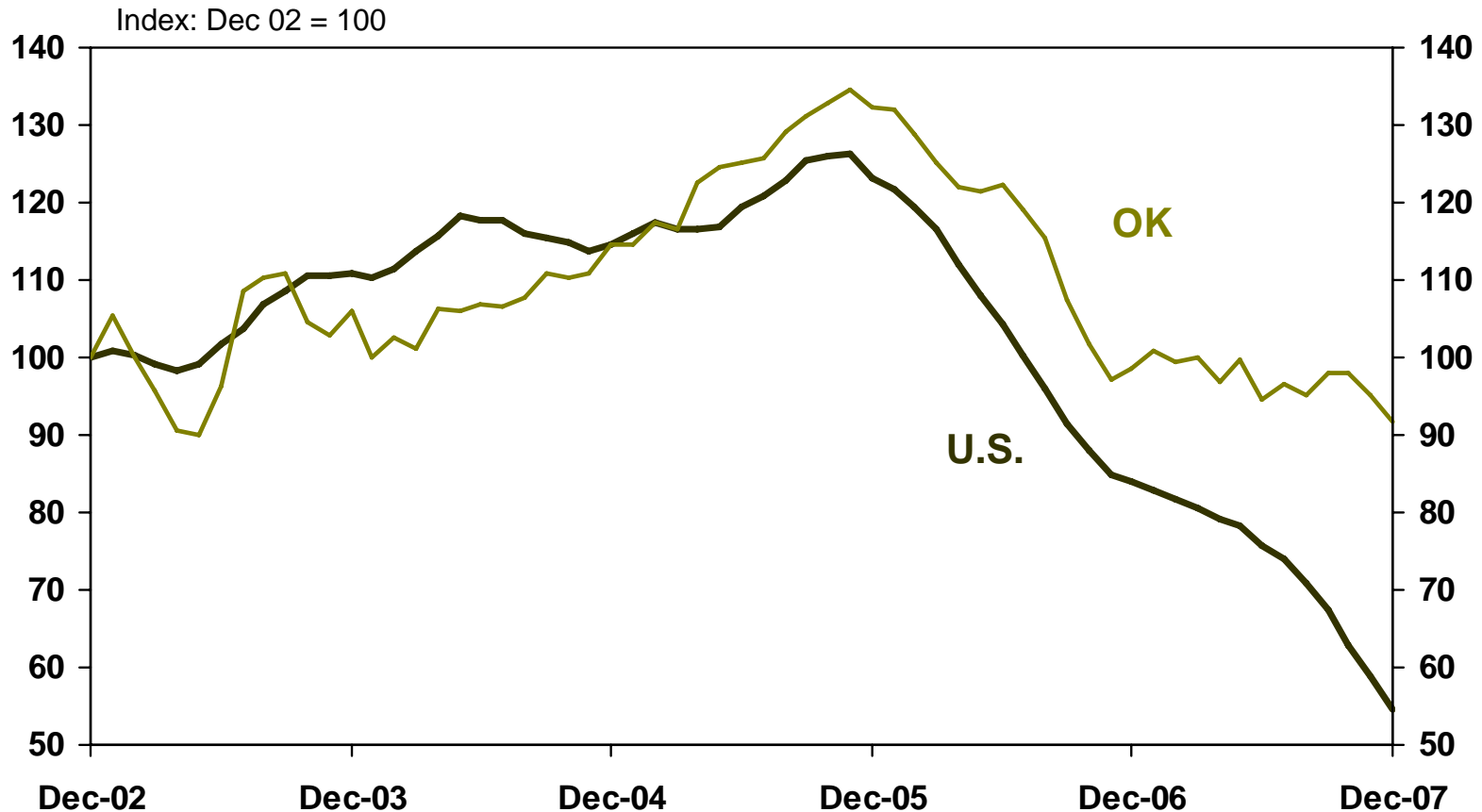
While U.S. economic growth slowed across the board in Q4, housing remains the main drag

Growth in Components of U.S. Gross Domestic Product



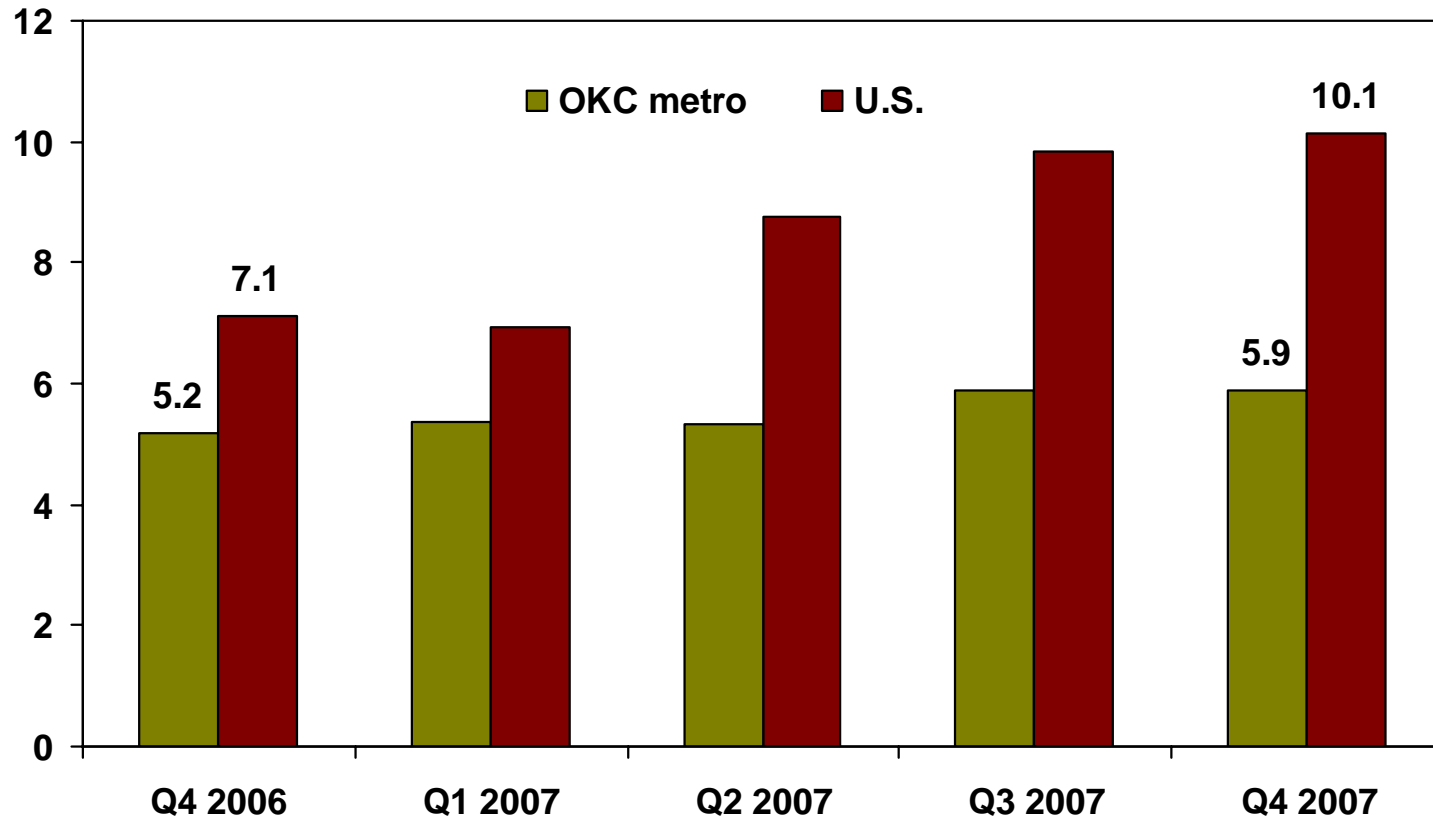
Unlike the nation, the decline in housing activity has leveled off somewhat in Oklahoma

Single-Family Housing Permits

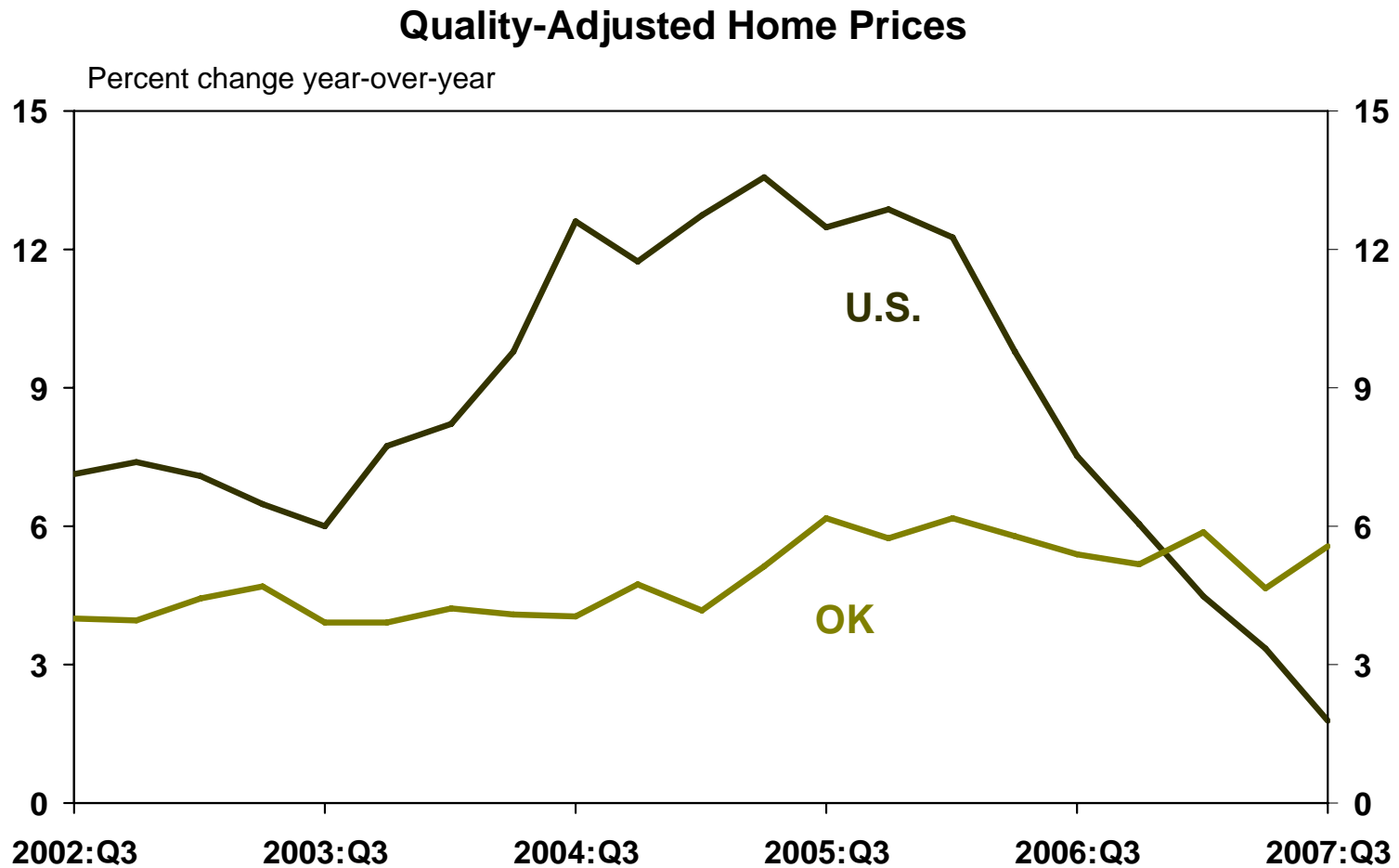


Inventories of unsold homes have edged higher in OKC but are still much lower than in the nation

Months Supply of Unsold Homes
Seasonally adjusted

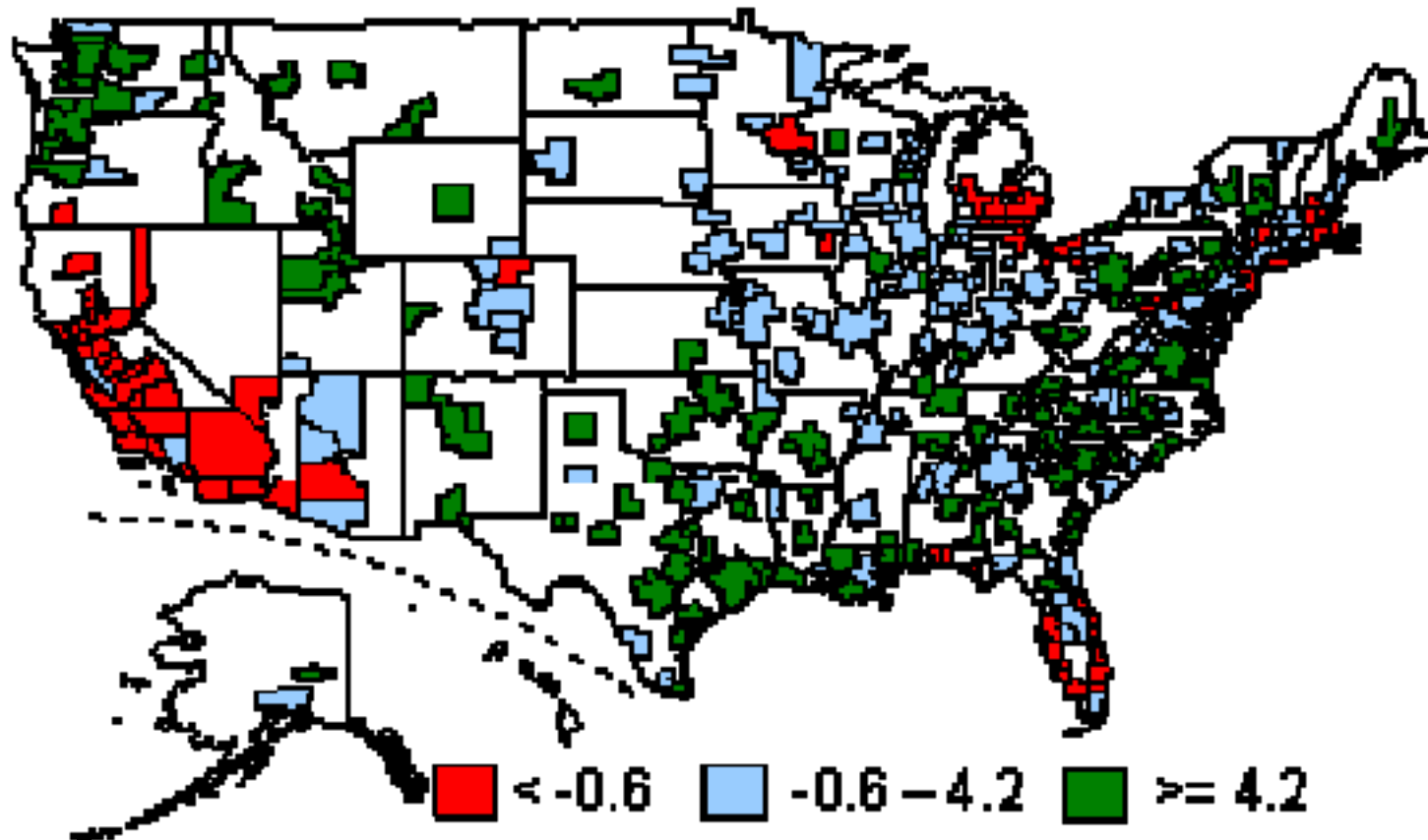


And house prices statewide continue to hold up much better than in the nation



House prices have been most affected in various coastal and Great Lakes metro areas

OFHEO Home Price Index, 2007 Q3



U.S. = 1.8



Questions?