

# The Oklahoma Economy

## 2006 Economic Outlook

### Ponca City Micropolitan Area / Kay County, OK

by Mark C. Snead

#### Forecast Summary\*

- Strength in the state economy has aided the Ponca City area in fully absorbing job losses from both the recent national recession and the ConocoPhillips merger.
- 2006 is expected to be a rebound year in the local economy, with local payrolls forecasted to expand 1.4% (280 new jobs).
- The local manufacturing sector is expected to remain strong and continue its current expansion into next year.
- The area unemployment rate should remain below 6.0% in 2006.
- Growth in the labor market in 2006 should limit any decline in the local population.

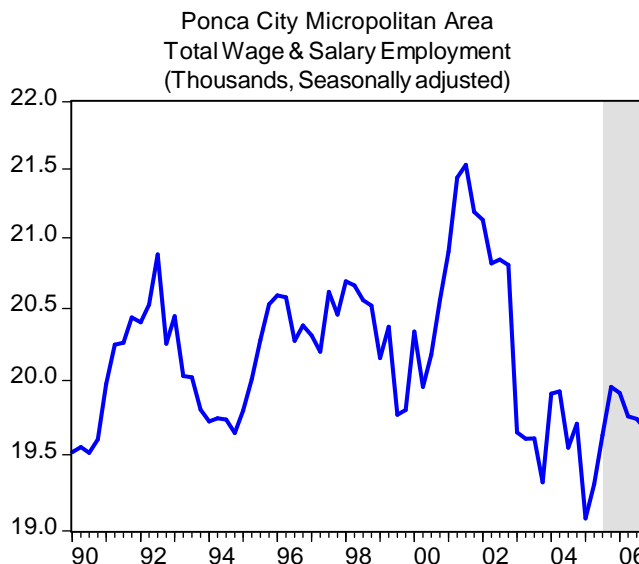
#### A Local Economy in Transition

The Ponca City Micropolitan area continues to work to reestablish firm footing after making significant short-run adjustments in response to the recent national recession and the subsequent ConocoPhillips merger. The area economy has experienced a series of local economic shocks the past two decades, but continues to show a remarkable underlying ability to resume growth following the full absorption of a shock. The current cycle is no exception as the region is expected to rebound and post job growth in 2006.

The Ponca City economy continues to benefit from a strong growth statewide, a recovering manufacturing sector, and continued low interest rates. The local recovery began in early 2004, closely following the timing of the recovery at the state level. However recent revisions to the historical job data suggest that the region is likely to shed 275 jobs in 2005 before bouncing back to growth in 2006. Despite jobs losses at local companies, the local labor force currently totals nearly 20,000 workers, the overall average in the period since 1990.

#### 2006 Employment Forecast

The Ponca City area workforce expanded 1.2% (230 jobs) in 2004, far outpacing the 0.8% job gain at the state level in the period. Our forecast calls for local payrolls to decline 1.4% for all of 2005 and then rebound to 1.4% growth (280 jobs) next year, slightly exceeding the 1.2% growth rate expected for the state in the period



#### Income Growth

Income growth mirrors the fluctuations in the employment numbers since early 2004, as wage and salary income growth reached 4.0% in 2004 and is expected to decline 1.5% in 2005 before rebounding to 8.4% growth in 2006. Per capita personal income in the Ponca City/Kay County region is forecasted to increase 4.2% to \$27,128 in 2005, and rise 2.7% to \$27,874 in 2006. Currently, local per capita income is approximately 92% of the state level and 78% of the national level, ranking the region 16<sup>th</sup> among the state's 77 counties and 4<sup>th</sup> among the state's 17 newly defined Micropolitan Statistical Areas.

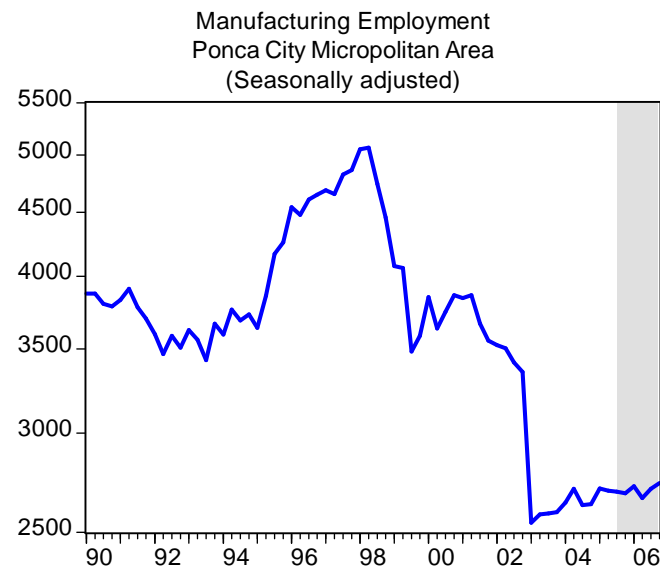
#### Key Industry Sectors

The interest rate-sensitive sectors of the local economy continue to benefit from a low interest rate environment and are expected to continue contributing to

job growth. Hiring in the finance, insurance, and real estate sector expanded 9.0% (60 jobs) in 2004; the sector is expected to expand 2.4% for all of 2005 and 3.5% in 2006. Employment in construction likewise rebounded in 2004 and is forecasted to expand 2.5% in 2005 before slowing next year to 1.3% growth in response to an expected slight upward move in long-term mortgage rates.

The local manufacturing sector continues to post job gains and outpace the state manufacturing sector. The rebound began in midyear 2003, well ahead of the state and most other counties, posting a 2.9% year-over-year job gain for 2004. The forecast calls for continued growth in manufacturing jobs with a gain of 1.7% expected in 2005, before easing to 0.4% job growth in 2006. The state's manufacturing sector did not reach bottom until the first quarter of 2004, and has recovered at a slower rate than the Kay County region.

Competitive pressure from low cost foreign producers continues to limit the growth potential for the state's manufacturing sector, despite the 25% decline in the value of the dollar since 2002. Because of the large relative size of the Ponca City area manufacturing sector, which currently accounts for approximately 13.8% of total wage and salary employment, the growth rate in the local area's total labor force in upcoming quarters will depend in large part upon the health of the manufacturing sector. The manufacturing-related Transportation and Warehousing sector is also expected to add jobs in 2005 and 2006.



Hiring is expected to resume at all levels of government in 2005 and 2006 after an extended period when tight fiscal conditions acted as a constraint on government spending. Aiding local government hiring is an expected rebound in taxable retail sales to approximately 3.0% annual growth for all of 2005 and 2006 in Ponca City and Kay County, following three years

of relatively flat taxable sales. Ponca City continues to serve as the retail hub of the region and will continue to capture 80% of total county retail sales.

### Other Industry Trends in 2006

- The mining (oil and gas) sector is expected to recover and add a small number of jobs in 2006 after digesting recent layoffs.
- Hiring strength in the arts, entertainment, and recreation sector is expected to continue in 2006 after enjoying double-digit growth rates the past two years.
- Payrolls in the local health care sector have reflected recent economic conditions and are expected to rebound next year from small job losses in 2004 and 2005.

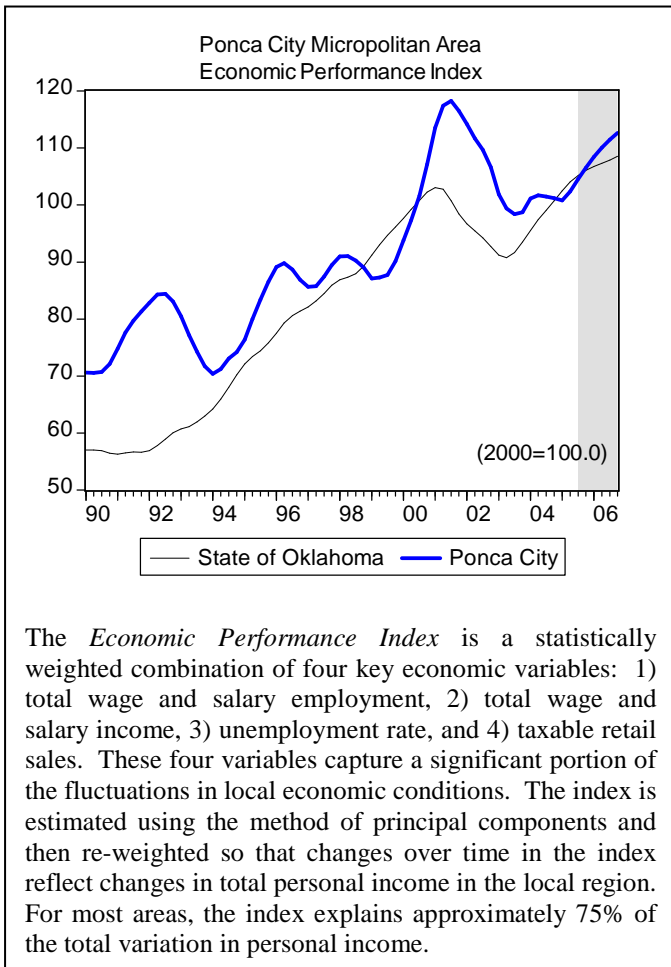
### Population Trends and Labor Force

The population trend for both Ponca City and Kay County remains slightly down, and is not expected to reverse course in the short-run as long as slack in the existing labor force is adequate to meet the demand for new workers. Since 1990, most of the fluctuations in the local workforce have been reflected in the volatile local unemployment rate rather than the movement of net new workers in and out of the area.

The capacity to add the number of jobs predicted in the forecast is a result of the above-state average 6% unemployment rate in the region. However, local manufacturers continue to announce plans to expand their local workforce and are reporting difficulty in attracting adequate numbers of trained workers. If the workforce continues to expand beyond 2006 and tightness in the local labor market intensifies, net new workers will eventually have to be attracted from outside the region, which would likely begin the process of reversing the population trend.

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\* Global Insight, Inc., Waltham, MA provides forecasts of national and international economic conditions that serve as inputs into the *Oklahoma State Econometric Model*, developed and maintained by the Center for Applied Economic Research in the Spears School of Business at Oklahoma State University. The *Model* is in its 26th year of development and provides information on the probable performance of the Oklahoma economy in the upcoming year.



**Ponca City Micropolitan Area / Kay County, Oklahoma**  
**Wage & Salary Employment**  
 QCEW Survey, Seasonally adjusted



Sector		1999	2000	2001	2002	2003	2004	2005e	2006f	
<b>Total Wage &amp; Salary Employment</b>		<b>20,024</b>	<b>20,257</b>	<b>21,264</b>	<b>20,900</b>	<b>19,546</b>	<b>19,774</b>	<b>19,493</b>	<b>19,772</b>	
		-2.8%	1.2%	5.0%	-1.7%	-6.5%	1.2%	-1.4%	1.4%	
Private	Goods	<b>Agriculture, Forestry, Fishing, and Hunting</b>	<b>12</b>	<b>15</b>	<b>41</b>	<b>11</b>	<b>43</b>	<b>155</b>	<b>92</b>	<b>91</b>
			66.7%	21.5%	172.5%	-74.4%	311.0%	259.9%	-41.0%	-1.2%
		<b>Mining</b>	<b>1,207</b>	<b>1,213</b>	<b>1,279</b>	<b>1,345</b>	<b>1,765</b>	<b>1,484</b>	<b>1,312</b>	<b>1,342</b>
			-3.0%	0.5%	5.4%	5.2%	31.2%	-15.9%	-11.6%	2.3%
	<b>Construction</b>	<b>995</b>	<b>911</b>	<b>1,453</b>	<b>1,187</b>	<b>944</b>	<b>1,005</b>	<b>1,031</b>	<b>1,044</b>	
		1.5%	-8.5%	59.5%	-18.3%	-20.5%	6.5%	2.5%	1.3%	
	<b>Manufacturing</b>	<b>3,802</b>	<b>3,774</b>	<b>3,733</b>	<b>3,450</b>	<b>2,578</b>	<b>2,652</b>	<b>2,697</b>	<b>2,707</b>	
		-21.3%	-0.7%	-1.1%	-7.6%	-25.3%	2.9%	1.7%	0.4%	
	Services	<b>Wholesale Trade</b>	<b>385</b>	<b>397</b>	<b>434</b>	<b>402</b>	<b>343</b>	<b>370</b>	<b>464</b>	<b>455</b>
			-4.8%	3.3%	9.1%	-7.3%	-14.7%	8.0%	25.1%	-1.9%
		<b>Retail Trade</b>	<b>2,459</b>	<b>2,495</b>	<b>2,447</b>	<b>2,391</b>	<b>2,385</b>	<b>2,581</b>	<b>2,491</b>	<b>2,521</b>
			0.0%	1.5%	-1.9%	-2.3%	-0.3%	8.2%	-3.5%	1.2%
		<b>Transportation &amp; Warehousing</b>	<b>855</b>	<b>831</b>	<b>816</b>	<b>748</b>	<b>730</b>	<b>549</b>	<b>572</b>	<b>589</b>
			7.1%	-2.7%	-1.9%	-8.3%	-2.4%	-24.8%	4.3%	3.0%
		<b>Utilities</b>	<b>72</b>	<b>78</b>	<b>83</b>	<b>82</b>	<b>77</b>	<b>64</b>	<b>62</b>	<b>60</b>
			-31.9%	8.0%	6.4%	-0.7%	-6.7%	-15.9%	-4.1%	-3.3%
		<b>Information</b>	<b>397</b>	<b>380</b>	<b>387</b>	<b>489</b>	<b>458</b>	<b>422</b>	<b>415</b>	<b>432</b>
			10.1%	-4.1%	1.7%	26.5%	-6.3%	-8.0%	-1.6%	4.2%
		<b>Finance &amp; Insurance</b>	<b>515</b>	<b>502</b>	<b>511</b>	<b>518</b>	<b>515</b>	<b>560</b>	<b>547</b>	<b>572</b>
			11.2%	-2.4%	1.7%	1.5%	-0.7%	8.8%	-2.2%	4.5%
<b>Real Estate, Rental &amp; Leasing</b>		<b>199</b>	<b>173</b>	<b>153</b>	<b>167</b>	<b>183</b>	<b>200</b>	<b>231</b>	<b>234</b>	
		21.4%	-13.1%	-11.4%	9.1%	9.1%	9.5%	15.5%	1.1%	
<b>Professional, Scientific, &amp; Technical</b>		<b>266</b>	<b>398</b>	<b>392</b>	<b>393</b>	<b>523</b>	<b>627</b>	<b>617</b>	<b>647</b>	
		22.5%	49.2%	-1.3%	0.2%	33.1%	19.8%	-1.7%	4.9%	
<b>Mgt. of Companies &amp; Enterprises</b>	<b>159</b>	<b>139</b>	<b>152</b>	<b>136</b>	<b>152</b>	<b>228</b>	<b>153</b>	<b>151</b>		
	-19.7%	-12.4%	9.5%	-10.2%	11.6%	50.0%	-32.8%	-1.5%		
<b>Admin., Support, &amp; Waste Mgt.</b>	<b>1,383</b>	<b>1,580</b>	<b>1,774</b>	<b>1,829</b>	<b>1,249</b>	<b>1,202</b>	<b>1,041</b>	<b>1,076</b>		
	18.8%	14.3%	12.3%	3.0%	-31.7%	-3.8%	-13.4%	3.3%		
<b>Educational Services</b>	<b>19</b>	<b>22</b>	<b>33</b>	<b>25</b>	<b>30</b>	<b>41</b>	<b>43</b>	<b>48</b>		
	46.2%	16.9%	52.3%	-23.9%	19.1%	34.7%	6.7%	10.2%		
<b>Health Care &amp; Social Assistance</b>	<b>1,847</b>	<b>1,862</b>	<b>1,949</b>	<b>2,090</b>	<b>2,173</b>	<b>2,142</b>	<b>2,103</b>	<b>2,137</b>		
	2.7%	0.8%	4.7%	7.3%	3.9%	-1.4%	-1.8%	1.6%		
<b>Arts, Entertainment, &amp; Recreation</b>	<b>206</b>	<b>199</b>	<b>222</b>	<b>231</b>	<b>255</b>	<b>288</b>	<b>325</b>	<b>339</b>		
	-3.0%	-3.1%	11.5%	3.8%	10.7%	12.9%	12.6%	4.4%		
<b>Accommodation &amp; Food Services</b>	<b>1,441</b>	<b>1,463</b>	<b>1,474</b>	<b>1,379</b>	<b>1,340</b>	<b>1,345</b>	<b>1,288</b>	<b>1,311</b>		
	0.9%	1.5%	0.7%	-6.4%	-2.8%	0.4%	-4.2%	1.8%		
<b>Other Services</b>	<b>464</b>	<b>436</b>	<b>489</b>	<b>498</b>	<b>467</b>	<b>475</b>	<b>465</b>	<b>462</b>		
	-7.6%	-5.9%	12.1%	1.7%	-6.2%	1.6%	-2.0%	-0.7%		
Government	<b>Federal Government</b>	<b>190</b>	<b>204</b>	<b>157</b>	<b>155</b>	<b>152</b>	<b>151</b>	<b>161</b>	<b>166</b>	
		-0.8%	7.7%	-23.0%	-1.4%	-1.9%	-0.7%	6.3%	3.2%	
	<b>State Government</b>	<b>506</b>	<b>551</b>	<b>588</b>	<b>599</b>	<b>582</b>	<b>632</b>	<b>671</b>	<b>683</b>	
	1.2%	8.9%	6.7%	2.0%	-2.8%	8.4%	6.3%	1.8%		
<b>Local Government</b>	<b>2,376</b>	<b>2,334</b>	<b>2,680</b>	<b>2,773</b>	<b>2,585</b>	<b>2,589</b>	<b>2,688</b>	<b>2,696</b>		
	4.7%	-1.8%	14.8%	3.5%	-6.8%	0.1%	3.8%	0.3%		
<b>Unclassified Industries</b>		<b>279</b>	<b>300</b>	<b>10</b>	<b>9</b>	<b>12</b>	<b>9</b>	<b>6</b>	<b>10</b>	
		-7.0%	7.7%	-96.8%	-10.3%	31.4%	-21.7%	-30.6%	53.6%	
<sup>e</sup> Estimate <sup>f</sup> Forecast		<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005e</b>	<b>2006f</b>	

**Ponca City Micropolitan Area / Kay County, Oklahoma**  
**Economic Indicators**



Seasonally adjusted

Sector		1999	2000	2001	2002	2003	2004	2005e	2006f
Labor Force	Total Wage & Salary Employment	20,024 -2.8%	20,257 1.2%	21,264 5.0%	20,900 -1.7%	19,546 -6.5%	19,774 1.2%	19,493 -1.4%	19,772 1.4%
	Total Employment - LAUS Survey	20,509 -1.8%	21,055 2.7%	21,893 4.0%	21,706 -0.9%	20,748 -4.4%	21,061 1.5%	20,836 -1.1%	20,753 -0.4%
	Unemployment Rate - LAUS Survey (%)	6.8 -8.6%	4.3 -36.1%	4.2 -4.0%	5.8 38.6%	6.8 18.9%	6.0 -11.8%	5.8 -4.7%	5.9 1.8%
Income	Wage & Salary Earnings (\$Mil)	490.4 -3.5%	523.5 6.8%	605.3 15.6%	604.4 -0.2%	565.0 -6.5%	587.4 4.0%	578.8 -1.5%	627.6 8.4%
	Personal Income - Kay County (\$Mil)	1,023.5 -0.7%	1,095.2 7.0%	1,163.2 6.2%	1,172.5 0.8%	1,187.3 1.3%	1,217.5 2.5%	1,266.0 4.0%	1,301.5 2.8%
	Real Personal Income (Chain2000 \$Mil)	1,048.9 -2.3%	1,095.2 4.4%	1,139.3 4.0%	1,132.4 -0.6%	1,125.2 -0.6%	1,124.8 0.0%	1,137.6 1.1%	1,142.4 0.4%
	Per-Capita Personal Income (\$Thou)	21.163 -0.8%	22.844 7.9%	24.484 7.2%	24.603 0.5%	25.126 2.1%	26.037 3.6%	27.128 4.2%	27.874 2.7%
	Real Per-Capita Personal Income (\$Thou)	21.689 -2.4%	22.844 5.3%	23.982 5.0%	23.762 -0.9%	23.812 0.2%	24.054 1.0%	24.376 1.3%	24.466 0.4%
	Ratio County/US Per Capita Income	75.9% -4.6%	76.6% 1.0%	80.2% 4.6%	79.9% -0.3%	79.9% -0.1%	78.8% -1.3%	78.4% -0.5%	76.3% -2.7%
	Ratio County/OK Per Capita Income	93.8% -4.3%	93.6% -0.2%	94.1% 0.6%	95.2% 1.1%	94.6% -0.6%	93.6% -1.1%	92.0% -1.7%	90.2% -2.0%
Output	Gross County Product - Kay County (\$Mil)	1,102.1 -2.2%	1,157.0 5.0%	1,269.8 9.8%	1,298.4 2.2%	1,307.4 0.7%	1,378.3 5.4%	1,402.8 1.8%	1,465.2 4.4%
	Real Gross County Product (Chain2000 \$Mil)	1,145.5 -4.1%	1,157.0 1.0%	1,237.7 7.0%	1,250.0 1.0%	1,211.6 -3.1%	1,240.0 2.3%	1,223.8 -1.3%	1,244.1 1.7%
Retail	Taxable Retail Sales - Kay County (\$Mil)	380.3 -3.5%	390.4 2.6%	427.8 9.6%	430.1 0.5%	423.7 -1.5%	422.0 -0.4%	433.4 2.7%	447.8 3.3%
	Taxable Retail Sales - Ponca City (\$Mil)	302.8 -2.8%	310.7 2.6%	344.6 10.9%	345.6 0.3%	338.3 -2.1%	336.7 -0.5%	347.2 3.1%	359.6 3.6%
	Taxable Retail Sales - City/County Ratio	79.6% 0.7%	79.6% 0.0%	80.6% 1.2%	80.3% -0.3%	79.8% -0.6%	79.8% -0.1%	80.1% 0.4%	80.3% 0.3%
Population	Population - Kay County	48,360 0.1%	47,943 -0.9%	47,507 -0.9%	47,657 0.3%	47,254 -0.8%	46,761 -1.0%	46,669 -0.2%	46,694 0.1%
	Population - Ponca City	26,052 -0.1%	25,849 -0.8%	25,648 -0.8%	25,726 0.3%	25,499 -0.9%	25,224 -1.1%	25,099 -0.5%	25,045 -0.2%
	Population - City/County Ratio	53.9% -0.2%	53.9% 0.1%	54.0% 0.1%	54.0% 0.0%	54.0% 0.0%	53.9% 0.0%	53.8% -0.3%	53.6% -0.3%
Index	Economic Performance Index	88.1 -2.5%	100.0 13.6%	116.5 16.5%	110.5 -5.1%	99.6 -9.9%	101.4 1.8%	103.6 2.2%	110.6 6.8%
°Estimate †Forecast		1999	2000	2001	2002	2003	2004	2005e	2006f