



**WILLIAM S.**  
Spears School  
**OF BUSINESS**

# *The Oklahoma Economy*

## 2008 Oklahoma Economic Outlook



*Ponca City Micropolitan  
Area*

*Economic Performance Index*

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

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The 2008 Oklahoma Economic Outlook is  
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### Ponca City Micropolitan Area

#### Ongoing Local Expansion Continues Through 2008

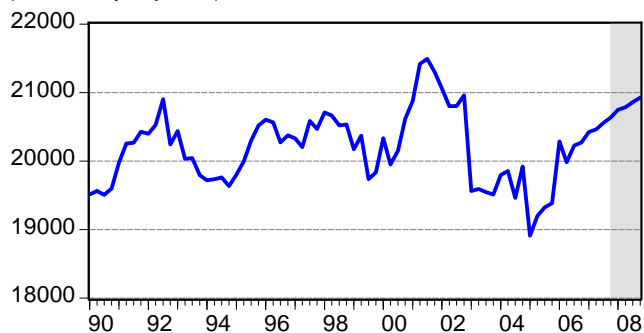
by Mark C. Snead<sup>†</sup>

#### Ponca City Forecast Summary

- The ongoing expansion in the Ponca City area economy is entering a fourth year. The expansion remains broad based with several major industry sectors adding jobs.
- Ponca City area payrolls are forecasted to expand 1.5% (300 jobs) in 2008, only slightly slower than the 1.6% gain expected for all of 2007.
- The region should continue to slightly outperform the state in job growth.
- The greatest job gains are expected in manufacturing and professional and business services
- The most visible sign of the expansion is the gain in local personal income relative to the state and nation. Kay County per capita income should reach 105% of the state and 92% of the U.S. in 2008, both post oil bust highs.

#### Ponca City Micropolitan Area Wage & Salary Employment

(Seasonally adjusted)



#### 2008 Ponca City Economic Outlook

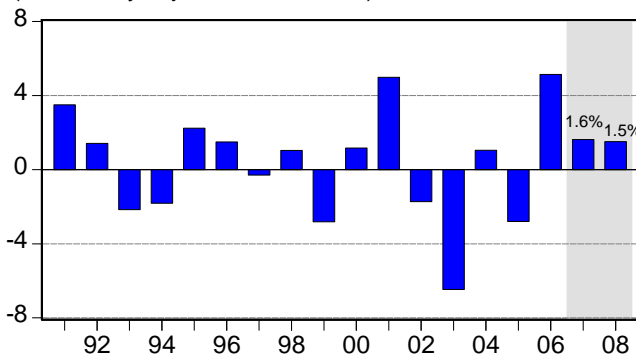
The Ponca City micropolitan area economy continues to show underlying strength and post steady job and income gains. The current expansion has been underway since the first quarter of 2005 and is expected to continue into 2008. The local workforce has expanded by nearly 1,800 jobs in the current cycle for a roughly 10% increase in the number of local wage and salary jobs. Total output of goods and services in the local economy has increased at a nearly 10% annual pace since 2004, making the region a \$2 billion economy in 2008.

**Mild Slowing Expected.** Our forecast suggests that Ponca City will continue to only loosely follow the trend of the state and nation in 2008 and is not expected to show major signs of slowing in sympathy with the broader economy next year. The concerns at the national level of a weak housing market and high energy prices are largely being ignored by the Ponca City region.

**2008 Job Growth.** The Ponca City region is on pace to slightly exceed our initial 2007 employment forecast of 1.2% growth. The region has cooled as expected from the impressive 5.1% job gain (1,000 jobs) posted in 2006 and is on pace to post 1.6% job growth (325 jobs) for all of 2007. Current hiring remains solid and is expected to slow only slightly to 1.5% next year as the region adds 300 new jobs.

#### Growth in Ponca City Wage & Salary Employment

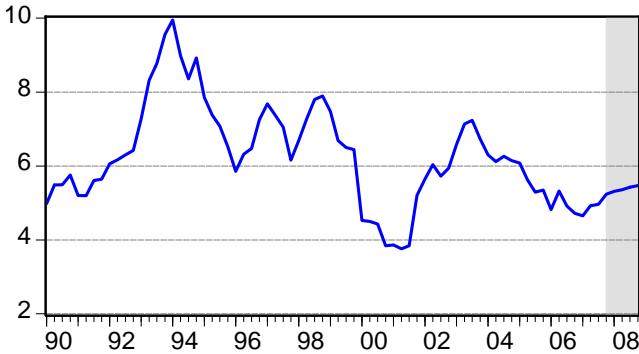
(Seasonally adjusted, annual rate)



However, economic activity is expected to slow marginally and the region will not be able to fully ignore the slowing expected at the state level next year. Some upward pressure in the local unemployment rate is already visible in the data through 2007. After bottoming around 4.75% in 2007, the local unemployment rate is expected to climb throughout 2008 to near 5.5% by year-end. As employment growth eases, wage and salary income growth is also expected to slow marginally from an expected 4.6% gain in 2007 to 3.0% in 2008.



**Ponca City Micropolitan Area Unemployment Rate**  
(Percent, seasonally adjusted)

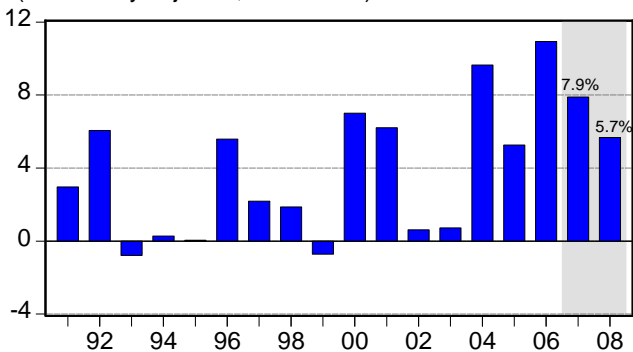


**Income Growth Shows Strength of Region.** The most important and visible sign of the ongoing economic expansion in Ponca City is the income growth in the region since 2004. Strong job growth has translated into rapidly rising average incomes in the area. Personal income growth averaged roughly 8.5% in the 2004 to 2007 period, with gains of 10.9% in 2006 and 7.9% for all of 2007. These growth rates are well above long-run levels and should slow slightly in 2008 to a more sustainable 5.7% income gain.

Most regions of the state that have enjoyed similar income gains in recent years have done so as a result of local oil and gas activity. But because the region has only a modest oil and gas presence beyond the ConocoPhillips facility, higher energy prices have likely acted as a constraint rather than as a stimulus on local income growth in the period.

Per capita incomes have also recovered considerable ground relative to the state and nation. Kay County should reach 105% and 92% of the state and national levels of per capita income, respectively, in 2008. The region fell to as low as 93% and 75% of state and national per capita income, respectively, as recently as the late 1990s.

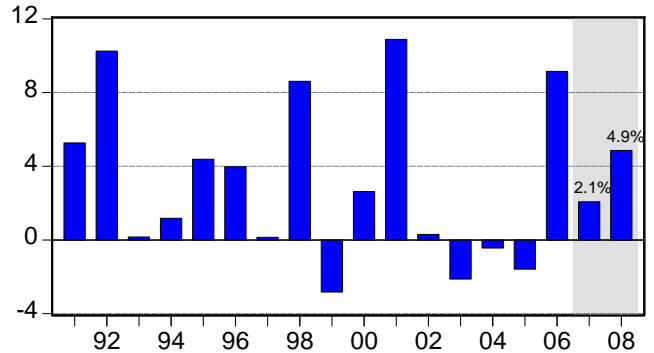
**Growth in Ponca City Personal Income**  
(Seasonally adjusted, annual rate)



**Retail Reflects Income Gains.** The income gains in the region have translated into gains in local taxable

retail sales. Taxable retail sales growth at both the city and county level exceeded 8.0% in 2006 before cooling along with the overall economy to 2.1% growth in 2007. We expect city retail sales to accelerate to 4.9% growth in 2008 but anticipate slightly slower growth of 3.6% at the county level next year.

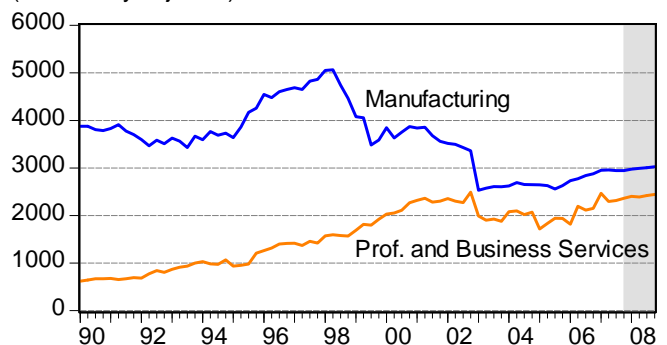
**Growth in Ponca City Taxable Retail Sales**  
(Seasonally adjusted, annual rate)



**Key Industry Sectors in 2008**

- Strength in the local manufacturing sector continues to generate large numbers of jobs. The sector expanded 5.0% in 2007 and is forecasted to expand 1.7% in 2008. The related transportation and warehousing sector also bounced in 2007 and increased hiring by 3.8% for all of 2007. Transportation and warehousing jobs are forecasted to expand 5.1% in 2008.

**Ponca City Manu. and Prof. & Bus Svcs. Employment**  
(Seasonally adjusted)



- Along with manufacturing, much of the local hiring gains are in professional and business services. Within this category, the professional, scientific, and technical services sub-sector continues to add jobs at an impressive pace, more than doubling since 2002. The sector is forecasted to extend these gains and expand 3.1% in 2008. Temporary employment (the Administrative, Support, and Waste Management sector) is also captured within professional and business services

and has added more than 400 jobs since 2005. Expect a slowing to 2.2% growth in 2008.

- The local construction sector is showing weakness similar to that seen at the national level. Local construction hiring is expected to decline by -9.8% for all of 2007 but is expected to show more relative strength next year and remain relatively flat in 2008.
- The Ponca City area is not benefitting from high energy prices to the same degree as many areas of the state. The local mining sector has added 350 jobs since 2005 but cooled considerably in late 2007. Oil and gas related hiring is slowing statewide and will not provide the same level of stimulus enjoyed since 2004. Local energy-related hiring is expected to be down slightly in 2007.
- Hiring strength in the arts, entertainment, and recreation sector continues to exceed expectations and likely reflects strong income growth in the region in recent years. Job growth in the sector should reach nearly 30% (110 jobs) for 2007 and should remain strong in 2008 and post 7.8% growth (40 jobs).
- Payrolls in the local health care sector surged in 2007 after very weak hiring in the prior three years. Local health service providers added 125 jobs (5.9% gain) for all of 2007; however this is believed to be a one-time spike in hiring as the sector is expected to add fewer than 20 net new jobs in 2008.

## Summary

We expect the ongoing expansion in the Ponca City area economy that began in early 2005 to extend through 2008, with a 1.5% increase (300 jobs) in wage and salary employment this year. The area will likely ignore much of the slowdown that is expected for the state and nation in 2008. Along with strong job gains, the forecast calls for continued gains in income relative to the state and nation and a bounce in retail trade in 2008. The Ponca City area is projected to add roughly 300 new wage and salary jobs next year with most of the hiring growth coming from manufacturing and professional and business services.

*Released January 20, 2008*

† *Mark C. Snead is a Research Economist and Director of the Center for Applied Economic Research in the Spears School of Business at Oklahoma State University-Stillwater.*

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

		Sector	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008f
		Total Wage & Salary Employment	20,608	20,028	20,262	21,272	20,904	19,553	19,759	19,205	20,191	20,519	20,831
			1.0%	-2.8%	1.2%	5.0%	-1.7%	-6.5%	1.1%	-2.8%	5.1%	1.6%	1.5%
Goods	Agriculture, Forestry, Fishing, and Hunting	10	13	16	58	11	65	170	113	8	13	22	
		-35.0%	35.8%	17.9%	264.7%	-81.3%	501.5%	162.4%	-33.7%	-93.3%	76.7%	66.2%	
	Mining	1,242	1,207	1,212	1,261	1,345	1,747	1,442	1,325	1,606	1,672	1,646	
		-12.8%	-2.9%	0.5%	4.0%	6.6%	29.9%	-17.5%	-8.1%	21.2%	4.1%	-1.6%	
	Construction	981	995	911	1,454	1,188	943	1,026	958	979	883	879	
	4.0%	1.4%	-8.5%	59.6%	-18.3%	-20.6%	8.9%	-6.6%	2.2%	-9.8%	-0.5%		
	Manufacturing	4,829	3,802	3,775	3,733	3,452	2,579	2,653	2,615	2,807	2,948	2,998	
		1.6%	-21.3%	-0.7%	-1.1%	-7.5%	-25.3%	2.9%	-1.4%	7.3%	5.0%	1.7%	
Private	Trade, Transportation, & Utilities	3,767	3,770	3,801	3,779	3,623	3,534	3,530	3,447	3,392	3,363	3,376	
		1.9%	0.1%	0.8%	-0.6%	-4.1%	-2.5%	-0.1%	-2.4%	-1.6%	-0.9%	0.4%	
	Wholesale Trade	427	399	415	434	402	344	368	499	543	548	548	
		0.5%	-6.7%	4.2%	4.4%	-7.3%	-14.5%	7.0%	35.6%	8.9%	0.9%	0.1%	
	Retail Trade	2,459	2,459	2,495	2,447	2,391	2,384	2,489	2,305	2,211	2,150	2,132	
		-1.5%	0.0%	1.5%	-1.9%	-2.3%	-0.3%	4.4%	-7.4%	-4.1%	-2.7%	-0.8%	
	Transportation & Warehousing	798	855	831	815	747	729	608	581	574	596	626	
		19.2%	7.1%	-2.8%	-1.9%	-8.3%	-2.4%	-16.6%	-4.5%	-1.2%	3.8%	5.1%	
	Utilities	83	58	60	83	82	76	65	63	64	69	69	
		-22.7%	-30.1%	3.2%	38.6%	-0.6%	-7.3%	-15.5%	-2.9%	2.5%	7.4%	0.4%	
	Information	360	397	380	387	489	455	422	405	351	384	398	
		8.4%	10.2%	-4.2%	1.7%	26.5%	-6.9%	-7.4%	-4.0%	-13.3%	9.6%	3.5%	
	Financial Activities	627	714	675	664	686	697	760	728	691	625	621	
		2.6%	13.8%	-5.4%	-1.7%	3.3%	1.7%	9.0%	-4.2%	-5.1%	-9.6%	-0.7%	
	Finance & Insurance	463	515	502	511	519	515	560	489	480	472	463	
		1.2%	11.2%	-2.4%	1.7%	1.5%	-0.7%	8.7%	-12.6%	-1.9%	-1.6%	-2.0%	
	Real Estate, Rental & Leasing	164	199	173	153	167	183	200	239	211	152	158	
		6.6%	21.4%	-13.1%	-11.3%	9.0%	9.1%	9.8%	19.2%	-11.6%	-27.8%	3.6%	
	Professional & Business Services	1,579	1,806	2,115	2,316	2,355	1,923	2,068	1,859	2,071	2,358	2,414	
		11.4%	14.4%	17.1%	9.5%	1.7%	-18.3%	7.5%	-10.1%	11.4%	13.9%	2.3%	
	Professional, Scientific, & Technical	263	311	465	392	392	523	624	640	738	782	807	
		5.3%	17.9%	49.7%	-15.8%	0.1%	33.4%	19.3%	2.7%	15.3%	5.9%	3.1%	
	Mgt. of Companies & Enterprises	152	113	71	152	137	152	229	120	99	99	98	
		-3.5%	-25.4%	-37.4%	115.0%	-10.2%	11.5%	50.2%	-47.5%	-17.7%	0.6%	-1.8%	
	Admin., Support, & Waste Mgt.	1,164	1,382	1,579	1,773	1,827	1,248	1,215	1,099	1,234	1,477	1,510	
		15.1%	18.8%	14.3%	12.2%	3.0%	-31.7%	-2.6%	-9.6%	12.4%	19.7%	2.2%	
	Education & Health Services	1,811	1,865	1,883	1,982	2,115	2,213	2,183	2,112	2,116	2,240	2,255	
	-5.3%	3.0%	1.0%	5.2%	6.7%	4.6%	-1.4%	-3.2%	0.2%	5.9%	0.7%		
Educational Services	12	18	20	33	23	28	40	42	40	40	42		
	31.2%	43.8%	13.7%	65.0%	-30.1%	19.2%	46.5%	2.9%	-4.8%	1.9%	3.4%		
Health Care & Social Assistance	1,799	1,848	1,863	1,948	2,092	2,185	2,142	2,071	2,076	2,200	2,214		
	-5.5%	2.7%	0.8%	4.6%	7.4%	4.4%	-2.0%	-3.3%	0.3%	5.9%	0.6%		
Leisure & Hospitality	1,641	1,647	1,663	1,696	1,610	1,593	1,637	1,626	1,869	1,959	2,013		
	-3.0%	0.4%	1.0%	2.0%	-5.1%	-1.0%	2.7%	-0.7%	15.0%	4.8%	2.8%		
Arts, Entertainment, & Recreation	212	205	199	222	230	255	287	307	379	492	530		
	9.1%	-3.0%	-3.0%	11.5%	3.6%	10.8%	12.7%	6.7%	23.5%	29.9%	7.8%		
Accommodation & Food Services	1,429	1,441	1,463	1,474	1,379	1,338	1,350	1,319	1,490	1,467	1,482		
	-4.5%	0.9%	1.5%	0.7%	-6.4%	-3.0%	0.8%	-2.3%	13.0%	-1.6%	1.1%		
Other Services	502	464	436	489	498	466	480	479	590	598	607		
	1.7%	-7.6%	-6.0%	12.1%	1.8%	-6.5%	3.0%	-0.1%	23.0%	1.4%	1.6%		
Government	2,961	3,072	3,089	3,425	3,528	3,321	3,374	3,536	3,685	3,501	3,591		
	3.3%	3.7%	0.6%	10.9%	3.0%	-5.9%	1.6%	4.8%	4.2%	-5.0%	2.6%		
Federal Government	191	189	204	157	155	152	151	154	155	148	150		
	-0.8%	-0.9%	7.7%	-23.0%	-1.4%	-1.9%	-0.5%	2.2%	0.1%	-4.0%	1.2%		
State Government	500	506	551	588	599	582	631	682	682	701	734		
	6.8%	1.2%	8.9%	6.7%	1.9%	-2.9%	8.4%	8.2%	-0.1%	2.8%	4.7%		
Local Government	2,270	2,376	2,334	2,680	2,774	2,587	2,592	2,700	2,848	2,652	2,707		
	3.0%	4.7%	-1.8%	14.8%	3.5%	-6.7%	0.2%	4.2%	5.5%	-6.9%	2.1%		
	Unclassified Industries	300	278	300	10	9	12	9	9	16	11	11	
		25.1%	-7.0%	7.8%	-96.8%	-7.7%	27.8%	-22.5%	-3.7%	83.5%	-28.5%	-5.2%	
		<sup>e</sup> Estimate <sup>f</sup> Forecast	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008f

**Ponca City Micropolitan Area / Kay County, Oklahoma**  
**Economic Indicators (Seasonally adjusted)**

Sector		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008f
Labor Force	Total Wage & Salary Employment - QCEW	20,608	20,028	20,262	21,272	20,904	19,553	19,759	19,205	20,191	20,519	20,831
		1.0%	-2.8%	1.2%	5.0%	-1.7%	-6.5%	1.1%	-2.8%	5.1%	1.6%	1.5%
	Total Employment - LAUS Survey	20,886	20,507	21,081	21,891	21,579	20,537	20,683	19,773	20,397	20,353	20,341
	0.3%	-1.8%	2.8%	3.8%	-1.4%	-4.8%	0.7%	-4.4%	3.2%	-0.2%	-0.1%	
	Unemployment Rate (%) - LAUS Survey	7.4	6.8	4.3	4.2	5.8	6.9	6.2	5.6	4.9	4.9	5.4
		4.9%	-8.6%	-36.2%	-3.6%	40.1%	18.5%	-10.3%	-9.9%	-11.5%	-0.1%	9.1%
Income	Wage & Salary Earnings (\$Mil)	508.2	490.3	523.7	605.7	605.5	565.6	588.4	580.6	660.9	691.7	712.4
		3.5%	-3.5%	6.8%	15.7%	0.0%	-6.6%	4.0%	-6.6%	13.8%	4.6%	3.0%
	Personal Income - Kay County (\$Mil)	1,030.9	1,023.5	1,095.2	1,163.2	1,170.5	1,178.9	1,292.5	1,360.5	1,509.4	1,628.5	1,720.9
		1.9%	-0.7%	7.0%	6.2%	0.6%	0.7%	9.6%	5.3%	10.9%	7.9%	5.7%
	Real Personal Income (Chain2000 \$Mil)	1,074.1	1,048.9	1,095.2	1,139.3	1,130.4	1,116.4	1,192.4	1,219.2	1,316.2	1,385.7	1,438.0
		1.0%	-2.3%	4.4%	4.0%	-0.8%	-1.2%	6.8%	2.2%	8.0%	5.3%	3.8%
	Per-Capita Personal Income (\$Thou)	21,338	21,163	22,841	24,485	24,565	24,956	27,669	29,452	32,567	35,071	37,097
		1.8%	-0.8%	7.9%	7.2%	0.3%	1.6%	10.9%	6.4%	10.6%	7.7%	5.8%
	Real Per-Capita Personal Income (\$Thou)	22,232	21,689	22,841	23,983	23,725	23,633	25,527	26,393	28,400	29,843	31,000
		0.9%	-2.4%	5.3%	5.0%	-1.1%	-0.4%	8.0%	3.4%	7.6%	5.1%	3.9%
	Ratio County/US Per Capita Income	79.5%	75.9%	76.6%	80.2%	79.9%	79.4%	83.8%	85.0%	89.0%	90.8%	92.3%
		-4.0%	-4.6%	1.0%	4.7%	-0.4%	-0.6%	5.5%	1.5%	4.7%	2.0%	1.7%
	Ratio County/OK Per Capita Income	98.0%	93.8%	93.6%	94.1%	95.0%	94.4%	97.4%	98.0%	100.5%	103.2%	105.2%
		-3.3%	-4.3%	-0.2%	0.6%	0.9%	-0.6%	3.1%	0.6%	2.6%	2.7%	2.0%
Output	Gross County Product - Kay County (\$Mil)	1,103.5	1,098.1	1,166.0	1,217.0	1,261.2	1,321.8	1,445.1	1,557.6	1,812.0	1,957.0	2,046.4
		-2.5%	-0.5%	6.2%	4.4%	3.6%	4.8%	9.3%	7.8%	16.3%	8.0%	4.6%
	Real Gross County Product (Chain2000 \$Mil)	1,175.2	1,146.1	1,166.0	1,184.2	1,206.2	1,206.7	1,265.1	1,297.0	1,439.7	1,543.7	1,625.2
		-2.3%	-2.5%	1.7%	1.6%	1.9%	0.0%	4.8%	2.5%	11.0%	7.2%	5.3%
Retail	Taxable Retail Sales - Kay County (\$Mil)	394.0	380.3	390.4	427.8	430.2	423.7	422.2	416.5	451.6	462.1	478.7
		6.5%	-3.5%	2.6%	9.6%	0.6%	-1.5%	-0.4%	-1.3%	8.4%	2.3%	3.6%
	Taxable Retail Sales - Ponca City (\$Mil)	311.6	302.8	310.7	344.6	345.6	338.3	336.8	331.5	361.8	369.3	387.3
	8.6%	-2.8%	2.6%	10.9%	0.3%	-2.1%	-0.4%	-1.6%	9.2%	2.1%	4.9%	
	Taxable Retail Sales - City/County Ratio	79.1%	79.6%	79.6%	80.5%	80.3%	79.8%	79.8%	79.6%	80.1%	79.9%	80.9%
		2.0%	0.7%	0.0%	1.2%	-0.3%	-0.6%	0.0%	-0.3%	0.7%	-0.2%	1.2%
Population	Population - Kay County	48,311	48,360	47,948	47,505	47,647	47,239	46,712	46,195	46,346	46,434	46,388
		0.0%	0.1%	-0.9%	-0.9%	0.3%	-0.9%	-1.1%	-1.1%	0.3%	0.2%	-0.1%
	Population - Ponca City	26,088	26,052	25,070	25,273	25,532	25,742	25,671	25,875	25,814	25,759	25,558
	-0.4%	-0.1%	-3.8%	0.8%	1.0%	0.8%	-0.3%	0.8%	-0.2%	-0.2%	-0.8%	
	Population - City/County Ratio	54.0%	53.9%	52.3%	53.2%	53.6%	54.5%	55.0%	56.0%	55.7%	55.5%	55.1%
		-0.4%	-0.2%	-2.9%	1.7%	0.7%	1.7%	0.8%	1.9%	-0.6%	-0.4%	-0.7%
Index	Economic Performance Index	89.3	85.7	100.0	119.4	109.9	93.4	94.8	96.0	113.9	121.9	126.6
		4.0%	-4.1%	16.7%	19.4%	-8.0%	-15.0%	1.6%	1.3%	18.6%	7.0%	3.9%
<sup>e</sup> Estimate <sup>f</sup> Forecast		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007e	2008f



# The Oklahoma Economy

## 2008 Economic Outlook

### 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.

