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

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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

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

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

Oklahoma Defining Industries
Average ANNUAL Job Growth, 1990-2006

3. Gambling
8. Call centers
9. Meat packing
5. Auto rental
2. Trade schools
6. Machinery mfg
4. Farming
1. Oil and gas
7. Rubber mfg
10. Military

Percent
-5 0 5 10 15 20 25

But together, they help explain Oklahoma’s differing performances

Job Growth from a Year Ago

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

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

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

Source: U.S. Bureau of Economic Analysis
Unlike the nation, the decline in housing activity has leveled off somewhat in Oklahoma.

Source: U.S. Census Bureau
Inventories of unsold homes have edged higher in OKC but are still much lower than in the nation.
And house prices statewide continue to hold up much better than in the nation.

Quality-Adjusted Home Prices

Percent change year-over-year

U.S.

OK

Source: OFHEO
House prices have been most affected in various coastal and Great Lakes metro areas.
Questions?