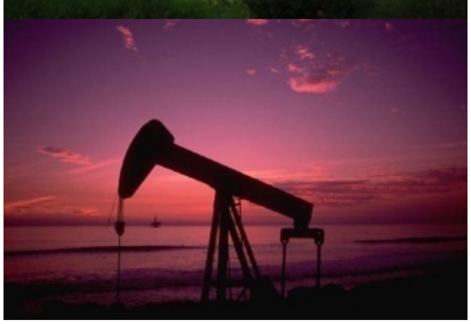
2009 Greater Oklahoma City Economic Forecast

GREATER OKLAHOMA CITY CHAMBER



Oklahoma City Metro Positioned to Weather the National Slowdown

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Overview

The Oklahoma City Metro Area will continue to benefit from momentum gains well into 2009

The 2009 Greater Oklahoma City Economic Forecast provides a comprehensive analysis of the metro economy. It details historic trend analysis, a snapshot of the current situation, as well as a forecast for the upcoming year.

To gain a better understanding of the recent economic momentum enjoyed by the Greater Oklahoma City area, it is important to examine regional comparisons between Oklahoma City, San Antonio, Nashville, Albuquerque, Kansas City, and Omaha. Over the past 5 years, Oklahoma City ranks first or second among these select cities in terms of growth in wages, number of firms, and GMP.

Some key economic highlights associated with Oklahoma City's momentum include:

- achieved its highest per capita income in twenty-three years (relative to the nation)
- retail sales gains of 5 to 7 percent expected through the end of 2009
- the lowest unemployment rate of any large metro in the nation (over 1 million population)

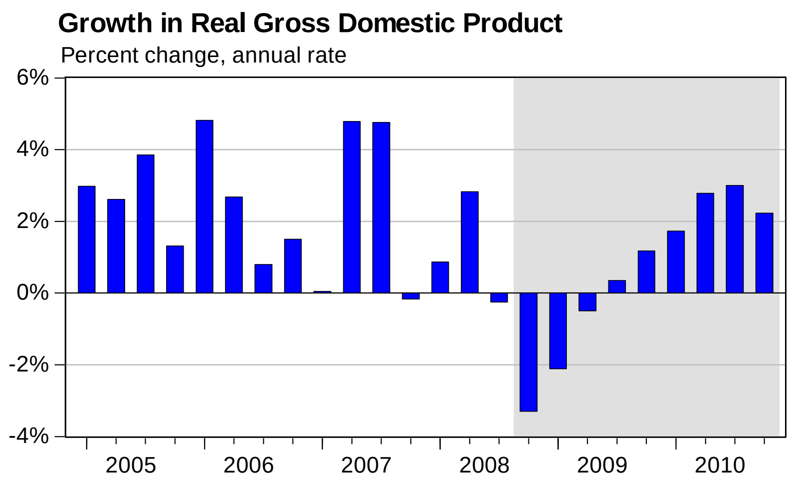
Although the overall rate of job growth continues to slow along with the nation, the ongoing expansion in Oklahoma City remains broad-based as most major industry sectors added jobs last year. This expansion is strengthened by the Greater Oklahoma City Partnership's economic development efforts targeting the specific industry clusters of Aerospace, Logistics and Distribution, Manufacturing, and Bioscience. Renewable energy will also be pursued as part of a new strategy. Continued efforts will be made in working with Tinker Air Force Base and the community to fully maximize opportunities that exist for the new Tinker Aerospace Complex (TAC/former General Motors facility).

Most experts suggest that economic unrest in the U.S. will persist over the next two years. Third quarter 2010 seems to be, from an economic development perspective, the anticipated point of improvement. There is a general consensus that 2009 will be an especially challenging year for economic development projects throughout the nation. However, Oklahoma City is well positioned to continue to benefit from gains made over the past several years. The following year, 2010, would more likely be considered the risk year for Oklahoma City's economy if oil and natural gas prices do not rebound to expected levels. While the region's economy is now balanced across many sectors, energy remains an important component.

Because of the weakening national economy, specific emphasis is being placed on local retention and expansion efforts, as well as consolidations. In data obtained from the Edward Lowe Foundation, the importance of small business and entrepreneurship to the local economy of Oklahoma City is highlighted. Of the more than 50,000 stand-alone or headquartered businesses in the Oklahoma City MSA, 87% have fewer than ten employees. These numbers support the unique opportunity for growing existing small businesses and nurturing entrepreneurship, while still benefiting from larger strategic relocation efforts from companies outside the region. Employers will continue to enjoy a talented workforce that draws from a population of over 1.3 million in the ten-county region.

National Output

The slowdown in the national economy deepened considerably in the fourth quarter of 2008

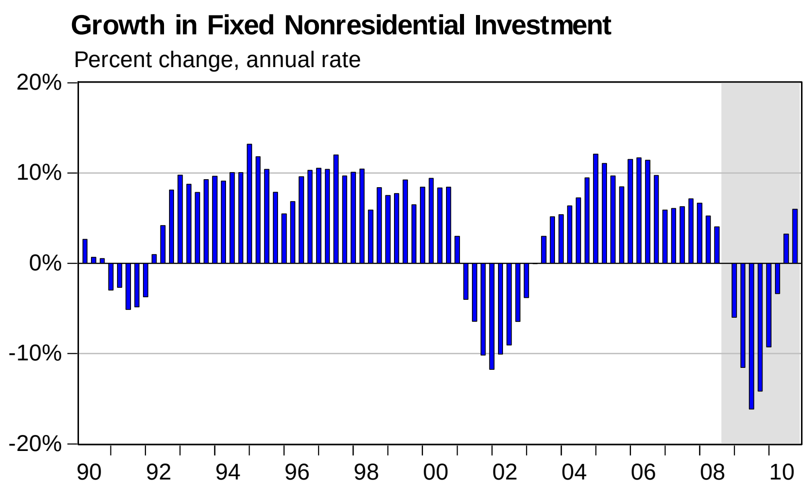


Source: IHS Global Insight

The national economy slowed significantly in the fourth quarter of 2008, contracting at an annual rate of 3.8 percent as the business and household sectors began to deleverage in the new financial environment. Growth in real GDP is expected to fall significantly in the first and second quarters of 2009 and remain weak through the end of 2009. Recovery-like growth rates are not expected until the second quarter of 2010. Real GDP growth is expected to total only 1.3 percent for all of 2008 before declining by an estimated -1.0 percent in 2009.

Business Investment

Contraction in business investment is expected to be much deeper than the prior two recessions

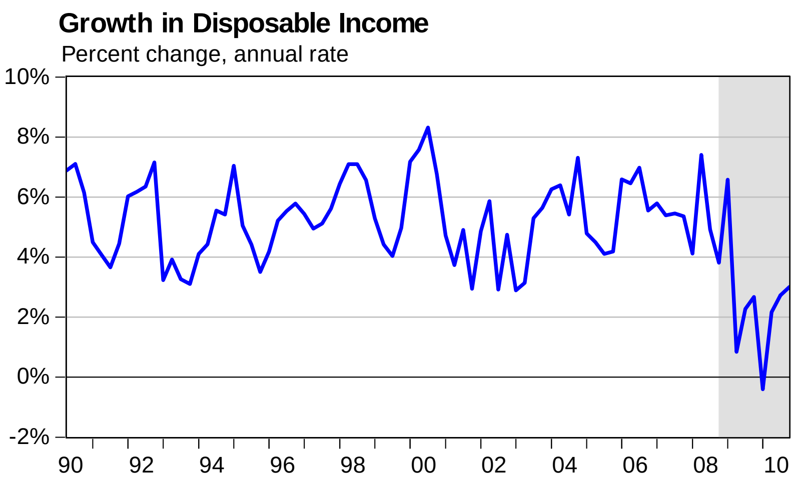


Source: IHS Global Insight

The business investment component of gross domestic product collapsed in the fourth quarter of 2008 and is expected to remain weak well into 2010. Constraints on liquidity and the national recession have combined to put business on the defensive and postpone or scale back investment plans. The slowdown in investment in this cycle is expected to be comparatively worse than the past two recessions. Investment is expected to expand only 3.9 percent for all of 2008 before posting declines of -12.0 percent in 2009 and -1.1 percent in 2010. Forecasts call for a return to a new trend growth rate of 5-7 percent by the end of 2010.

Consumer Spending

Disposable income is expected to show much more weakness than in the prior two recessions

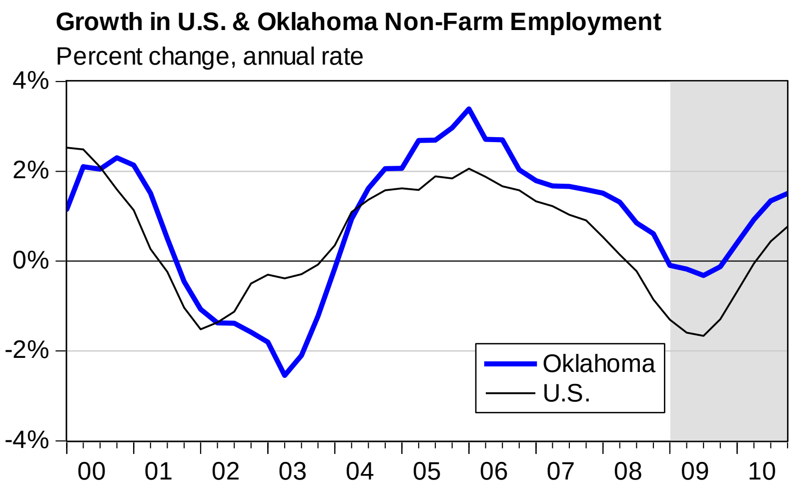


Source: IHS Global Insight

The current recession is impacting households to a much greater degree than in the prior two recessions. Growth in disposable income is expected to fall to near zero by the end of 2009 as weak wage growth combined with declining employment produce very weak consumer spending conditions. Household income growth has trended around 5 percent going into the national recession but will slow to only 3.1 percent growth for all of 2009 and 1.9 percent in 2010. A rebound in income gains back to trend growth rates is not expected until well into 2010. Retail sales are expected to follow a similar trend with a 4.2 percent decline in 2009.

Labor Market – U.S. and Oklahoma

Oklahoma continued to add jobs into early 2009 and far outpace the nation



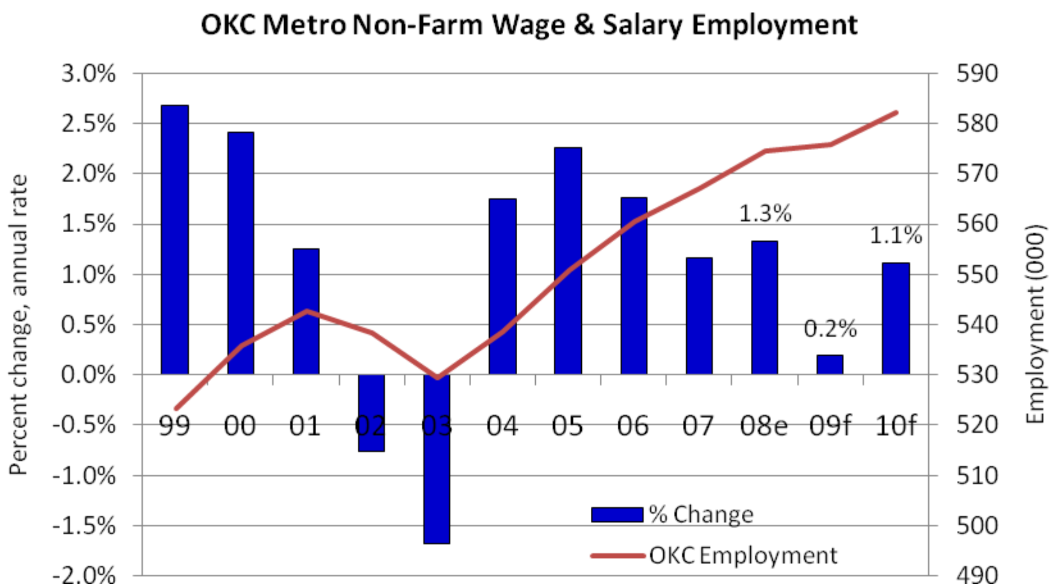
Source: Bureau of Labor Statistics

Buoyed by energy and a stable housing market, the state continues to far outperform the national economy which has lost more than 3.5 million jobs since January 2008. Although state job growth has been slowing in lock-step with the nation since early 2006, Oklahoma is currently adding jobs at a 1.0 percent rate based on the trailing twelve months of data through January. The state further managed to add jobs in the fourth quarter of 2008 as most other states lost jobs in large numbers. Through December 2008, Oklahoma has the ninth lowest unemployment rate among the states at 4.9 percent. The state remains roughly one year behind the nation in the current cycle.

We expect the recent softening in energy prices and the deepening of the national downturn to finally impact Oklahoma in 2009. Small job losses are expected statewide in 2009 before returning to moderate job growth in 2010. National job growth is expected to total -0.1 percent for all of 2008 before dropping to -1.5 percent in 2009. An anemic labor market recovery is expected in 2010 with job growth of only 0.1 percent nationally.

OKC Metro Employment

OKC job growth remained strong through the end of 2008 as the area continues to lead the state in job formation



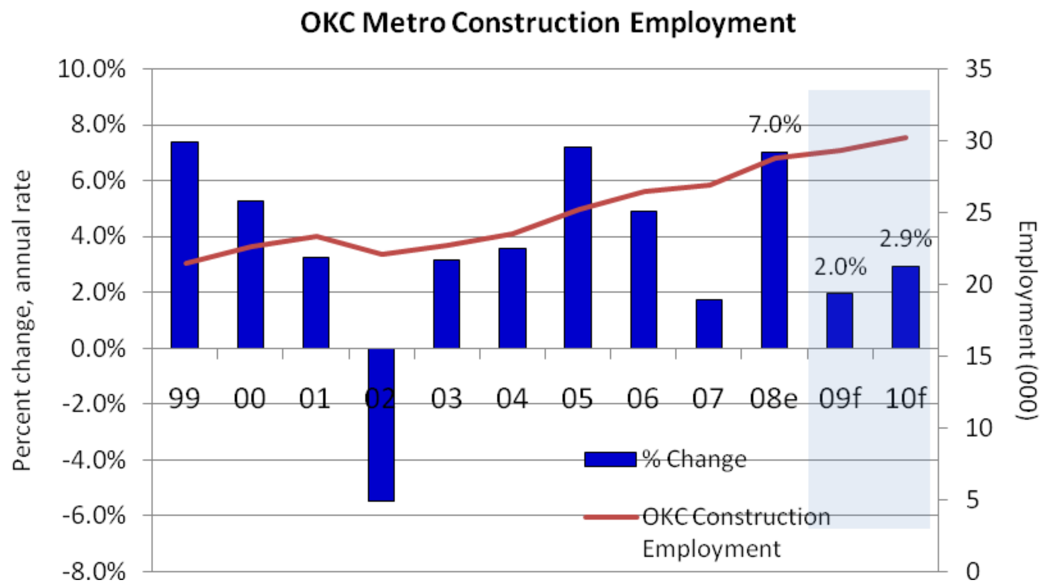
Source: Bureau of Labor Statistics, OSU Center for Applied Economic Research

Oklahoma City continued to add jobs through the end of 2008 and has ignored much of the early stages of the national recession. Oklahoma City posted 1.3 percent job growth (7,500 jobs) for all of 2008, slightly outpacing the state (1.1 percent) and well above the nation (-0.1 percent). Although the overall rate of job growth continues to slow along with the nation, the ongoing economic expansion in Oklahoma City remains broad-based as most major industry sectors add jobs.

The expansion is forecasted to slow significantly in 2009 under pressure from the national recession and lower energy prices. The metro area workforce is expected to expand only slightly in 2009 by 0.2 percent (1,100 jobs) before rebounding to an expected 1.1 percent gain (6,400 jobs) in 2010. The metro area unemployment rate reflects the slowdown underway and has increased slightly from 4.2 percent twelve months ago to 4.6 percent in the latest data. Nevertheless, Oklahoma City has the lowest reported unemployment rate among the 49 largest metropolitan areas with population of 1 million of more. The metro jobless rate is expected to rise to an average of 4.9 percent through 2009.

Housing and Construction

Strong local economic conditions will buoy the Oklahoma City housing and construction sectors



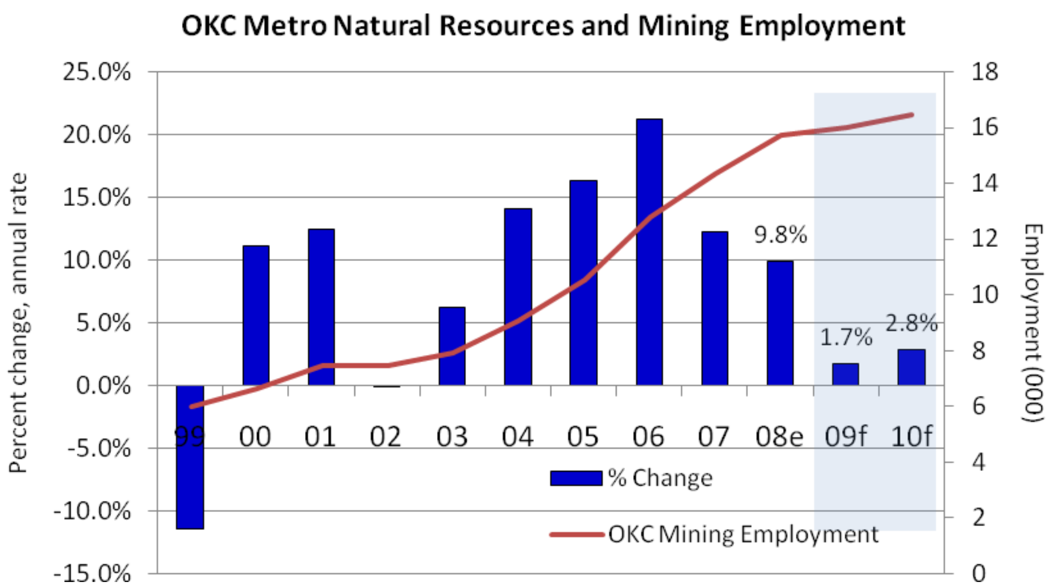
Source: OFHEO, Global Insight, OSU Center for Applied Economic Research

The national housing market continues to struggle to find a bottom in both activity and prices. Based on OFHEO housing price data, home prices nationally are down 10.7 percent since the April 2007 peak. Both new home sales and single family housing permits continued a steep decline through December 2008 and are both at roughly half the level from the prior year.

Housing price gains in the Oklahoma City area remain solid but have slowed considerably, posting a reported 2.1% gain for the four quarters through September as measured by the OFHEO housing price index. This ranks Oklahoma City 44th among the 381 metro areas tracked in the survey. Strong income growth combined with relatively fewer sub-prime, jumbo, and variable rate mortgages relative to the nation will allow the state and Oklahoma City to remain somewhat insulated from the national housing and construction woes. Housing price gains in the metro area should remain above 5 percent in 2009. Metro area construction employment increased 7.0 percent for all of 2008 and is forecasted to increase by 2.0 percent in 2009.

Energy

Lower energy prices will eliminate most of the energy boost in Oklahoma City in 2009

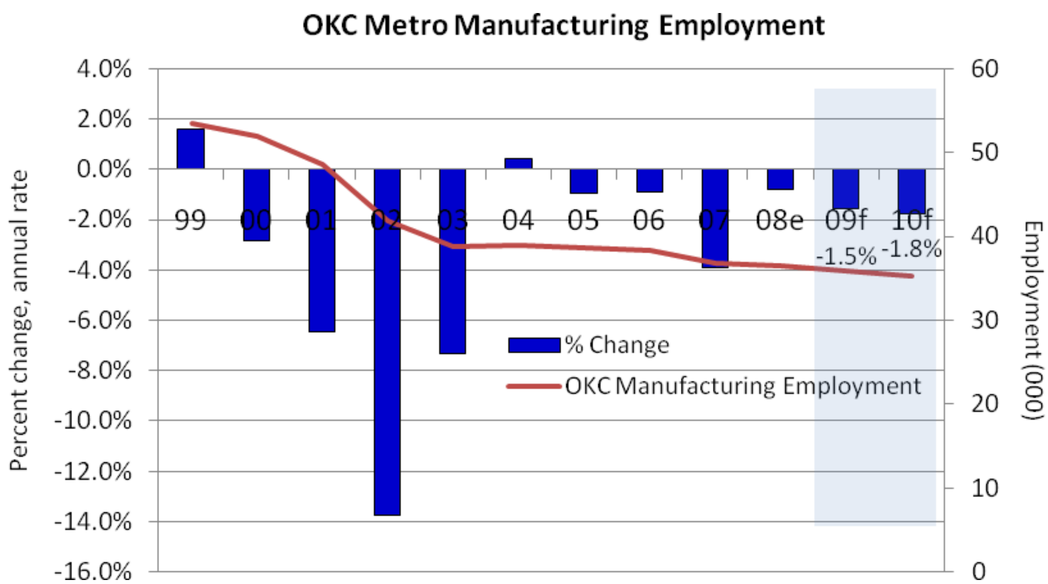


Source: Bureau of Labor Statistics, OSU Center for Applied Economic Research

The energy sector has provided an important boost to employment and income growth in the Oklahoma City area economy since 2004. The energy-related workforce in Oklahoma City has doubled in the current energy cycle and now numbers 16,000 workers. Low energy prices nevertheless remain a serious risk factor for Oklahoma City in 2009 and 2010. Tight credit conditions coupled with falling oil and natural gas prices have forced local energy firms to scale back investment and hiring plans. The double digit job growth rates produced by the sector are expected to soften considerably in 2009 under the weight of lower energy prices. The nearly 10 percent job growth enjoyed in 2008 is expected to slow to only 1.7 percent in 2009 and 2.8 percent in 2010.

Manufacturing

Manufacturing remains the weakest segment of the Oklahoma City area economy

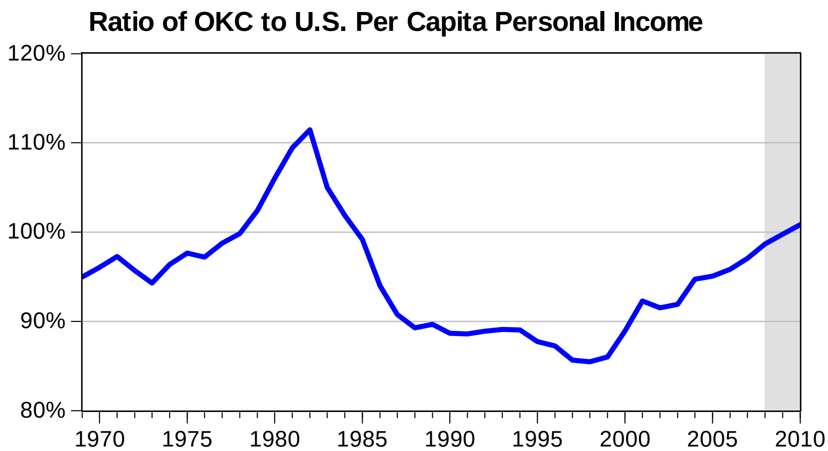


Source: Bureau of Labor Statistics, OSU Center for Applied Economic Research

Manufacturing in the Oklahoma City area economy has been persistently weak since 2000. The metro area has shed more than 15,000 manufacturing jobs and has not shared in the rebound in statewide manufacturing hiring that began in 2005. Other areas of the state are enjoying manufacturing job gains as a result of increased demand for oil and gas-related products and refining activities, neither of which is highly concentrated in Oklahoma City. Local manufacturing firms are expected to continue to shed jobs in both 2009 and 2010 in response to reduced domestic and international demand for manufactured goods.

Income Gains

Oklahoma City per capita personal income should reach par with the U.S. in 2009, the region's best performance since the oil bust



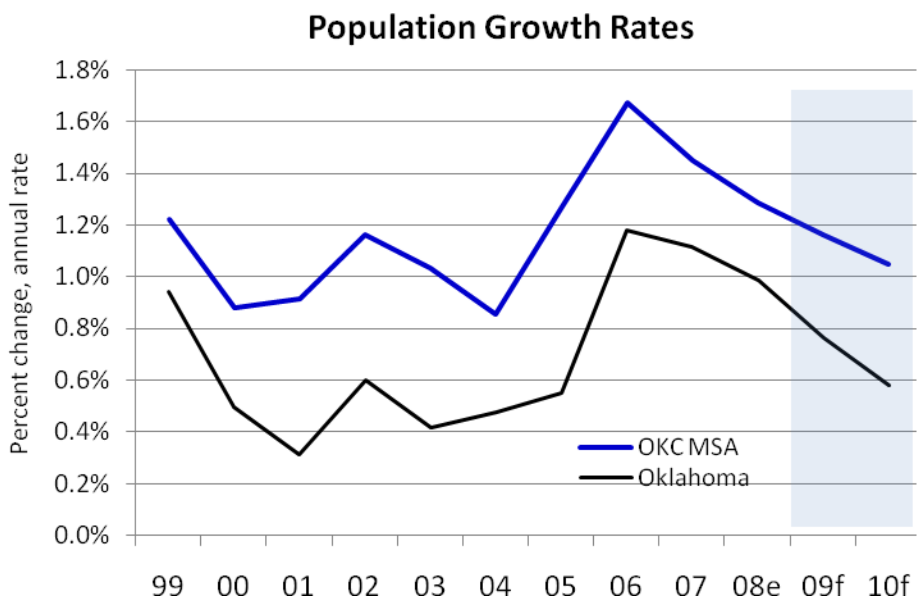
Source: Bureau of Economic Analysis

The strong performance of the Oklahoma City metro area economy continues to produce important income gains relative to the nation. Income on a per capita basis in the metro area is expected to equal the U.S. level in 2009, the best relative performance since the oil bust and well above the 85 percent ratio at the recent bottom in 1998.

Growth in metro area personal income slowed to an estimated 6.4 percent in 2008 as the regional economy cooled. Expect metro income growth to ease further to 3.6 percent in 2009 but remain well above national growth rates. Oklahoma County is ranked 9th among the 335 largest counties through the 2nd quarter of 2008 with 6.0 percent growth in wage and salary income. Oklahoma City's per capita income is estimated to reach $40,200 in 2009, roughly 8.0 percent above state average income of $37,363.

Population Gains

The strong performance of the Oklahoma City area economy continues to drive migration into the region

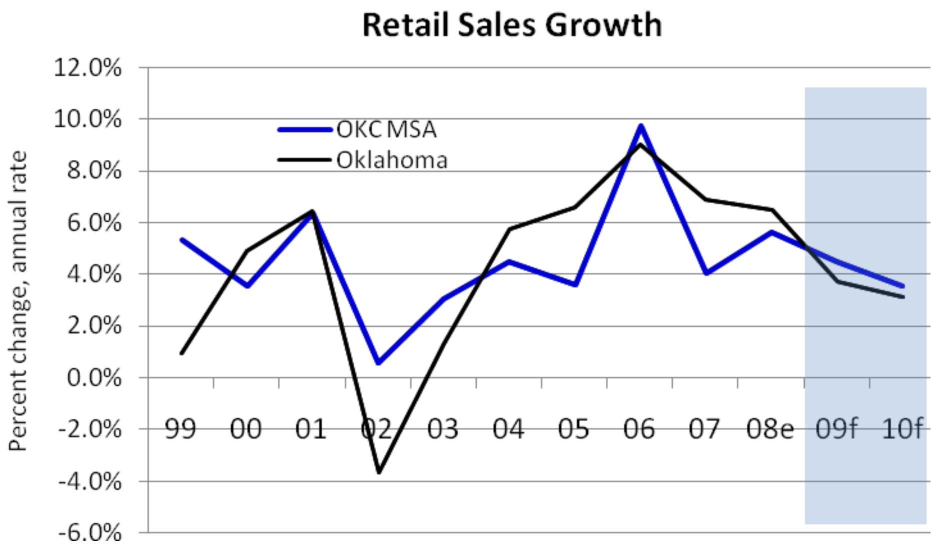


Source: U.S. Census Bureau, OSU Center for Applied Economic Research

Strong job growth relative to the U.S. has kept state population gains at or above the 1.0 percent mark since 2006. Oklahoma City metro area population has expanded at an even faster rate, with a gap above the state of approximately 0.3 percent to 0.5 percent. Oklahoma City area population growth peaked in 2006 at 1.7 percent, slowing along with economic conditions to an estimated 1.3 percent in 2008. Expect metro population growth to ease further to 1.2 percent in 2009, but to exceed national population growth of 0.9 percent annually.

Retail Follows Income

State income gains continue to propel strong retail activity in the metro region

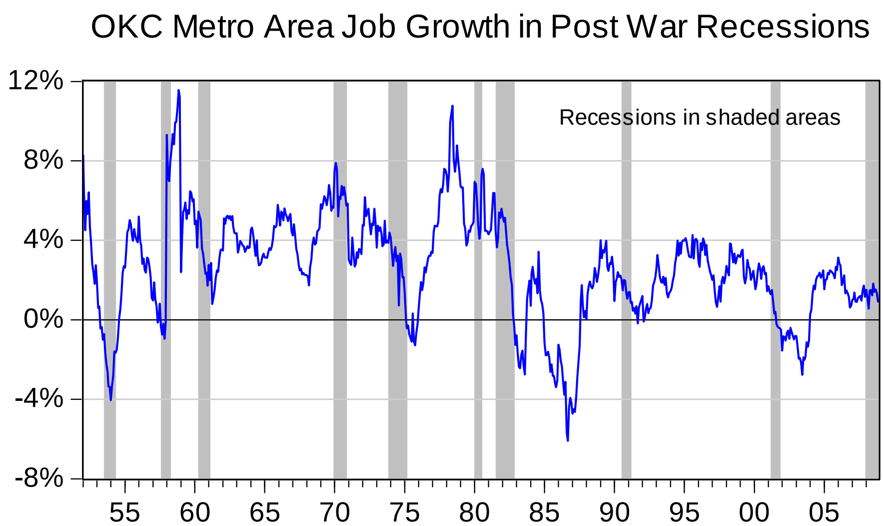


Source: Oklahoma Tax Commission, OSU Center for Applied Economic Research

The Oklahoma City metro area continues to produce retail sales gains in the 5 to 7 percent range through the end of 2009. Current gains, however, are well off the peak of 10 percent growth enjoyed in 2006. The retail gains are fully supported by growth in personal income and reflect the overall health of the Oklahoma City area economy. Growth in Oklahoma City retail sales is expected to cool to 5.6 percent for all of 2008 before slowing marginally to a 4.5 percent gain in 2009. The weakness expected in income growth through 2010 will limit retail sales growth to a 3.5 percent gain in 2010.

OKC's Performance in Post War Recessions

Oklahoma City has performed well in energy driven recessions, including the current slowdown

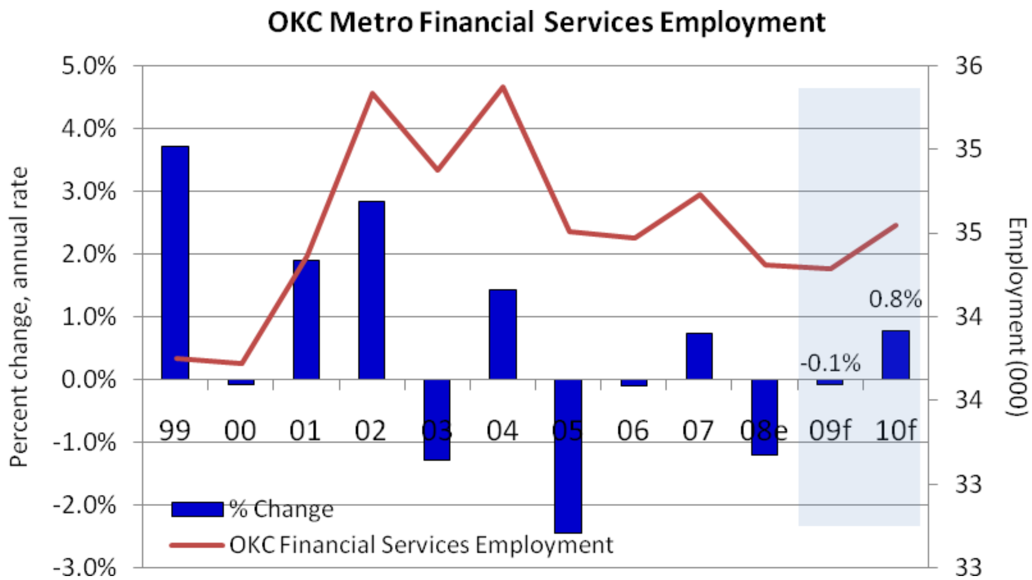


Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Oklahoma City is among the best performing areas of the country at this stage in the current national recession. This is in large part due to a substantial energy boost during the mini-oil boom underway since 2003. Annual metro job growth was reported at 1.0 percent at the end of 2008 while the national economy was shedding jobs at a near record pace. Oklahoma City has enjoyed a similar performance in post war recessions that were in large part energy induced. The energy-driven recessions of 1974-75, 1980, 1981-82, and 1991 were largely ignored as the region far outperformed the nation in job growth. Oklahoma City also performed well in the non-energy recessions of 1958 and 1960-61, but performed very poorly in the 1953-54 and 2001 non-energy recessions. The oil bust followed well after the 1981-82 national recession, lasting through 1987.

Financial Services and Real Estate

Hiring by Oklahoma City's financial services and real estate firms continue to reflect the national slowdown in the sector

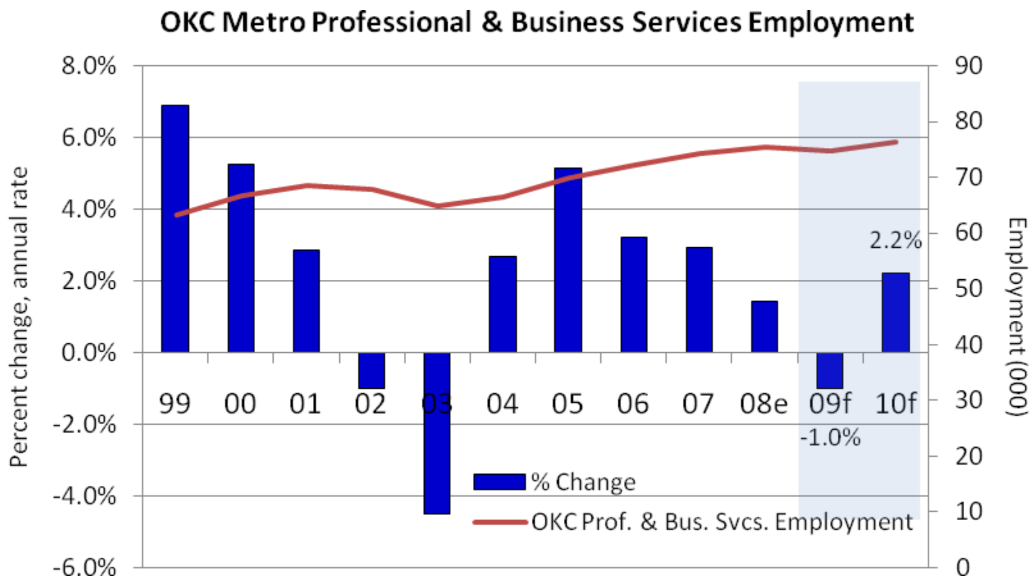


Source: Bureau of Labor Statistics, OSU Center for Applied Economic Research

Metro area financial services firms continue to benefit from a relatively healthy local housing sector and have managed to avoid the fallout from the housing collapse that has plagued financial services and real estate firms across much of the country. The finance and insurance segment of the industry continues to hire, however Oklahoma City area real estate firms have eliminated more than 1,000 jobs since 2006. Expect small job losses in the sector again in 2009 before rebounding to only modest growth in 2010. The long run hiring trend in the sector remains weak and is being driven largely by productivity and automation gains.

Professional and Business Services

Job growth in the professional and business services sector will reflect the overall slowing of the metro area economy in 2009



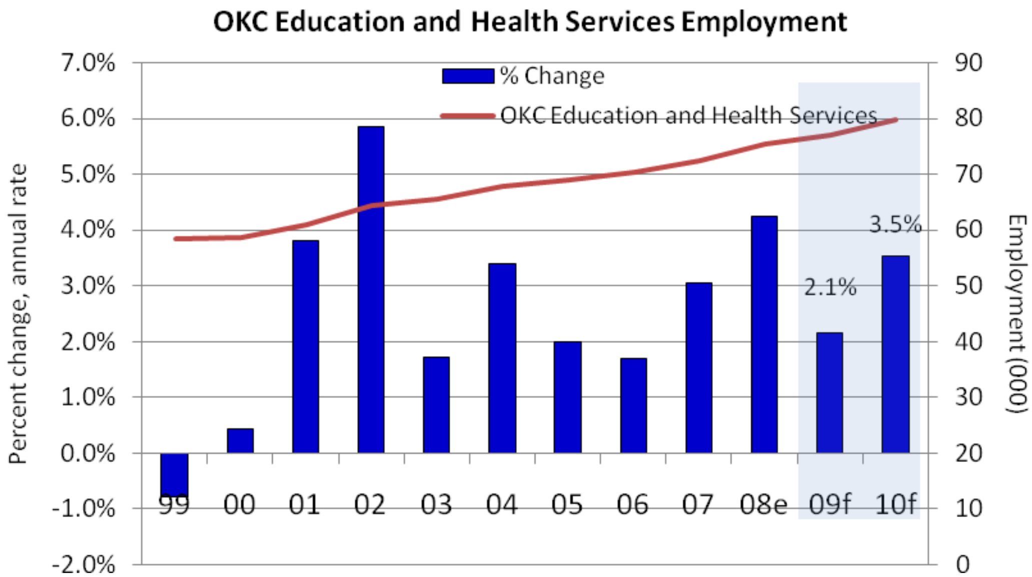
Source: Bureau of Labor Statistics, OSU Center for Applied Economic Research

Professional and business services employment has been an important source of metro job growth since 2003, adding more than 10,000 jobs to the Oklahoma City area economy in the period. The sector has slowed along with the overall metro economy to 1.4 percent growth for all of 2008 and is expected to shed jobs overall at a 1.0 percent growth in 2009.

Temporary employment, which is the largest component of the broader sector, is highly economically cyclical and accounts for most of the weakness in the sector. The strong growth enjoyed in the key high-wage professional, scientific, and technical services segment reflects the overall quality of job growth in the metro area in recent years. Growth in the sector slowed in 2008 to 0.8 percent but is expected to continue to add jobs in 2009.

Education and Health Services

Education and health services remain among the most recession resistant industry sectors



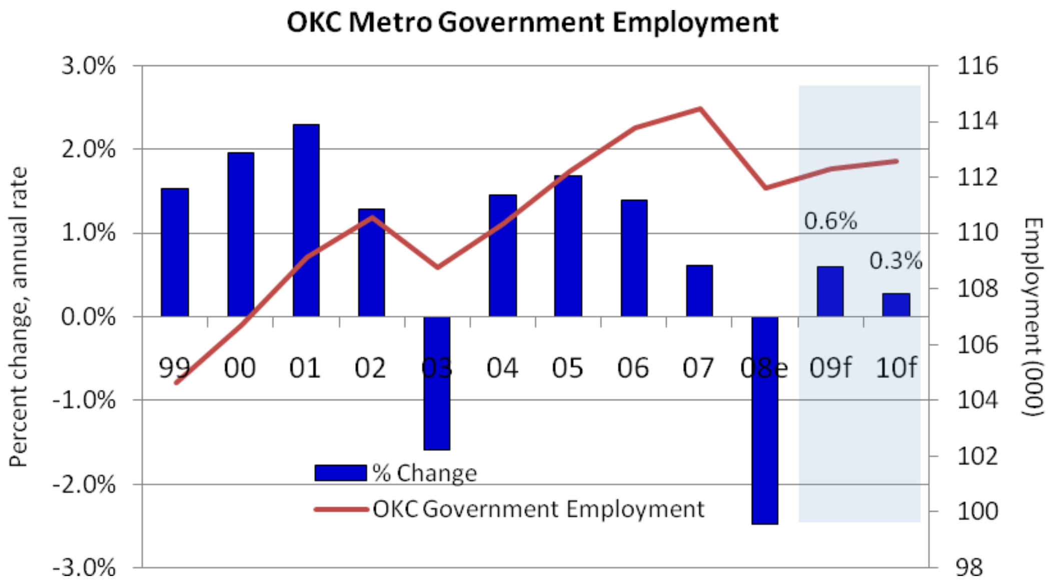
Source: Bureau of Labor Statistics, OSU Center for Applied Economic Research

Both education services and health services are historically among the best performing industries during downturns and the sectors are expected to continue this trend in the current economic cycle. These industries now employ nearly 1 in 7 metro area workers as they picked up hiring momentum in 2008 posting a 4.3 percent gain. The sector is expected to add nearly 1,500 jobs (2.1 percent gain) during 2009 as the rest of the metro area economy cools, and is forecasted to add an additional 2,700 jobs (3.5 percent gain) in 2010. These job gains represent nearly all of the expected net job growth in the metro area in 2009 and nearly 40 percent of the total jobs created in the metro area in 2010.

Hiring in the private education sector in Oklahoma City continues to expand at a rapid pace to meet the needs of workers and firms in the region. The industry has doubled in size the past decade and now employs more than 8,000 workers in the metro area. The private education sector expanded hiring by 5.7 percent in 2007 and 4.3 percent in 2008, and is expected to grow at more than 5.0 percent annual pace in both 2009 and 2010 as workers seek additional training in the current slowdown.

Government

Government hiring fell sharply in OKC in 2008 and should provide only modest job growth in 2009



Source: Bureau of Labor Statistics, OSU Center for Applied Economic Research

More than 110,000 federal, state, and local government jobs are based in the Oklahoma City metro area. State and local government employees comprise three of four government sector jobs in the metro area, with local governments employing slightly more workers than state government. Government payrolls are now roughly equal in size to the trade, transportation, and utilities sector with each representing nearly 1 in 5 area jobs.

Public sector hiring has not been a strong source of metro hiring since the last recession, having added only 2,800 jobs since 2003. Federal government hiring has been weak for the past decade and is acting as a constraint on total job growth in the metro area. Nearly 2 of 3 federal jobs statewide are currently based in Oklahoma City. State and local government hiring has mirrored overall hiring in the metro area, expanding at nearly the same rate as the overall workforce on an annual basis. State and local government payrolls posted a -3.0 percent decline in 2008 and are expected to show only 0.7 percent growth in 2009 despite an expected increase in the demand for public services as the metro economy slows.

Greater Oklahoma City Employment Forecast Summary

(Thousands, percent change at annual rate)

Sector	2001	2002	2003	2004	2005	2006	2007	2008e	2009f	2010f
Total	**542.45**	**538.31**	**529.28**	**538.55**	**550.71**	**560.42**	**566.94**	**574.49**	**575.60**	**582.01**
	1.2%	-0.8%	-1.7%	1.8%	2.3%	1.8%	1.2%	1.3%	0.2%	1.1%
Natural Resources & Mining	**7.47**	**7.47**	**7.93**	**9.05**	**10.53**	**12.76**	**14.33**	**15.74**	**16.00**	**16.45**
	12.4%	-0.1%	6.3%	14.1%	16.3%	21.2%	12.3%	9.8%	1.7%	2.8%
Construction	**23.28**	**22.00**	**22.69**	**23.51**	**25.19**	**26.43**	**26.89**	**28.77**	**29.34**	**30.20**
	3.3%	-5.5%	3.1%	3.6%	7.2%	4.9%	1.7%	7.0%	2.0%	2.9%
Manufacturing	**48.57**	**41.89**	**38.82**	**38.99**	**38.62**	**38.28**	**36.79**	**36.51**	**35.95**	**35.30**
	-6.4%	-13.7%	-7.3%	0.4%	-0.9%	-0.9%	-3.9%	-0.8%	-1.5%	-1.8%
Trade, Transportation, & Utilities	**100.71**	**99.11**	**96.97**	**96.81**	**98.99**	**100.30**	**102.05**	**103.67**	**102.60**	**103.19**
	-1.2%	-1.6%	-2.2%	-0.2%	2.2%	1.3%	1.7%	1.6%	-1.0%	0.6%
Information	**14.45**	**14.03**	**13.46**	**13.62**	**13.38**	**13.18**	**12.44**	**12.24**	**11.98**	**11.81**
	3.8%	-2.9%	-4.1%	1.2%	-1.7%	-1.5%	-5.6%	-1.6%	-2.1%	-1.4%
Financial Activities	**34.36**	**35.33**	**34.88**	**35.37**	**34.50**	**34.47**	**34.73**	**34.31**	**34.28**	**34.55**
	1.9%	2.8%	-1.3%	1.4%	-2.5%	-0.1%	0.7%	-1.2%	-0.1%	0.8%
Professional & Business Services	**68.53**	**67.85**	**64.79**	**66.52**	**69.94**	**72.19**	**74.30**	**75.35**	**74.58**	**76.24**
	2.9%	-1.0%	-4.5%	2.7%	5.2%	3.2%	2.9%	1.4%	-1.0%	2.2%
Education & Health Services	**60.81**	**64.37**	**65.48**	**67.69**	**69.05**	**70.23**	**72.37**	**75.45**	**77.07**	**79.79**
	3.8%	5.9%	1.7%	3.4%	2.0%	1.7%	3.1%	4.3%	2.1%	3.5%
Leisure & Hospitality	**50.88**	**51.74**	**52.01**	**53.44**	**55.10**	**55.83**	**55.74**	**57.63**	**58.19**	**58.48**
	3.6%	1.7%	0.5%	2.8%	3.1%	1.3%	-0.2%	3.4%	1.0%	0.5%
Other Services	**24.23**	**23.96**	**23.48**	**23.21**	**23.19**	**23.00**	**22.87**	**23.22**	**23.31**	**23.41**
	0.7%	-1.1%	-2.0%	-1.1%	-0.1%	-0.8%	-0.6%	1.5%	0.4%	0.4%
Total Government	**109.13**	**110.53**	**108.76**	**110.34**	**112.20**	**113.75**	**114.45**	**111.61**	**112.28**	**112.59**
	2.3%	1.3%	-1.6%	1.4%	1.7%	1.4%	0.6%	-2.5%	0.6%	0.3%

Source: Bureau of Labor Statistics, OSU Center for Applied Economic Research. [e]Estimate [f]Forecast

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