
2013

Owasso Economic Outlook

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REGIONTRACK
Regional Economic Forecasting and Analysis

unlike much of the rest of the country...



...Oklahoma has been a great place to do business

Positives:

- Tremendous momentum prior to recession
- Energy boost
- Minor housing correction
- Limited drag from state/local govt. spending cuts
- Strong manufacturing presence
- Healthy banks
- Favorable economic development climate
- Steady in-migration

But Owasso is not a typical Oklahoma town...

Key Differences:

1. Population-driven growth

5.2% avg annual population gain from 1999-2009

8.8% avg annual pvt. job growth from 1999-2009

2. Heavy out-commuting suburb

75%+ living in Owasso work outside Owasso

75%+ working in Owasso live outside Owasso

3. Little oil and gas presence

4. High concentration of service-sector jobs

... and was hit hard in the recent recession

Differences:

1. 8%+ total private sector job loss
2. Construction and manufacturing employment both down roughly 25%
3. Retail sales contraction
4. Jobless rate near 7%, labor force decline of 3-4%
5. Population growth slowed to less than 1% in 2010 and 2011

... and a much different cycle than the state

Differences:

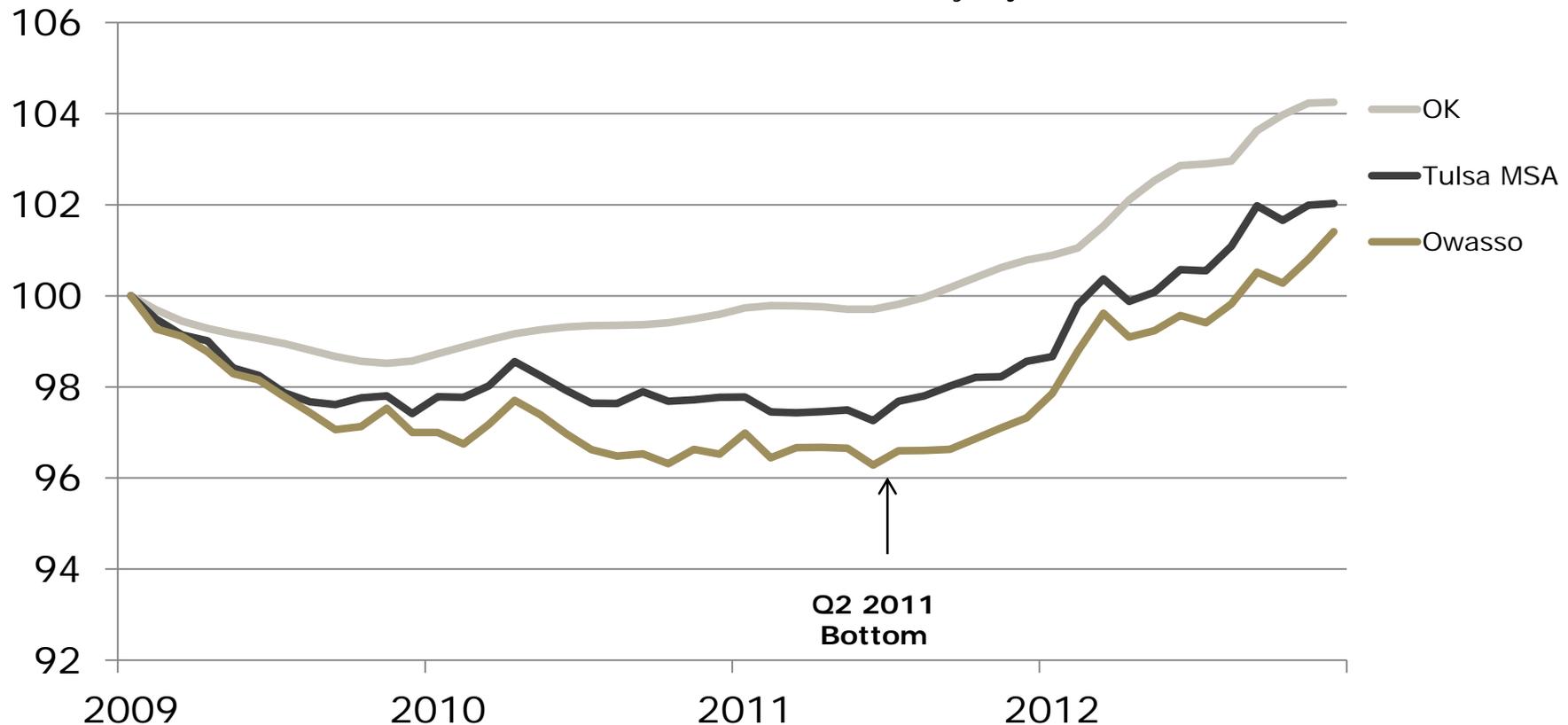
1. Followed the Tulsa cycle closely (as did much of NE OK)
2. Slowed early along with Tulsa but did not tip into recession immediately
3. A second slowing extended into early 2011
4. Along with Tulsa, Owasso is at least 4 quarters behind the state in the recovery
5. Nearly two full years of recovery completed

Resumption in job growth in early 2011

slightly outpacing the state since the recovery began

Index of Total Employment (LAUS)

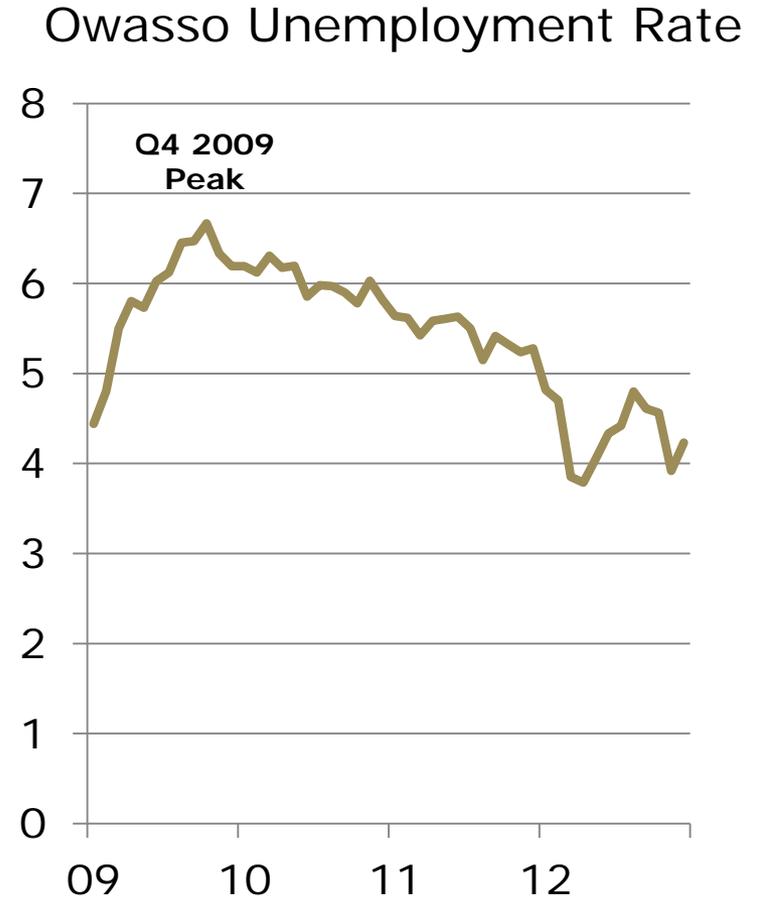
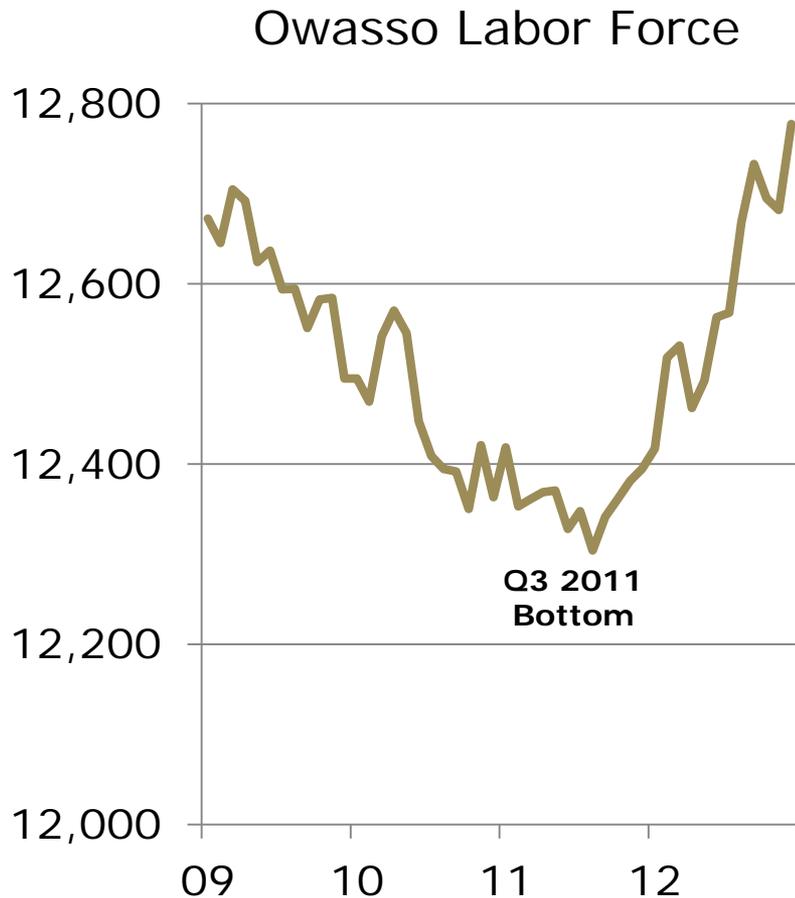
Index: Jan-2009=100.0, seasonally adjusted



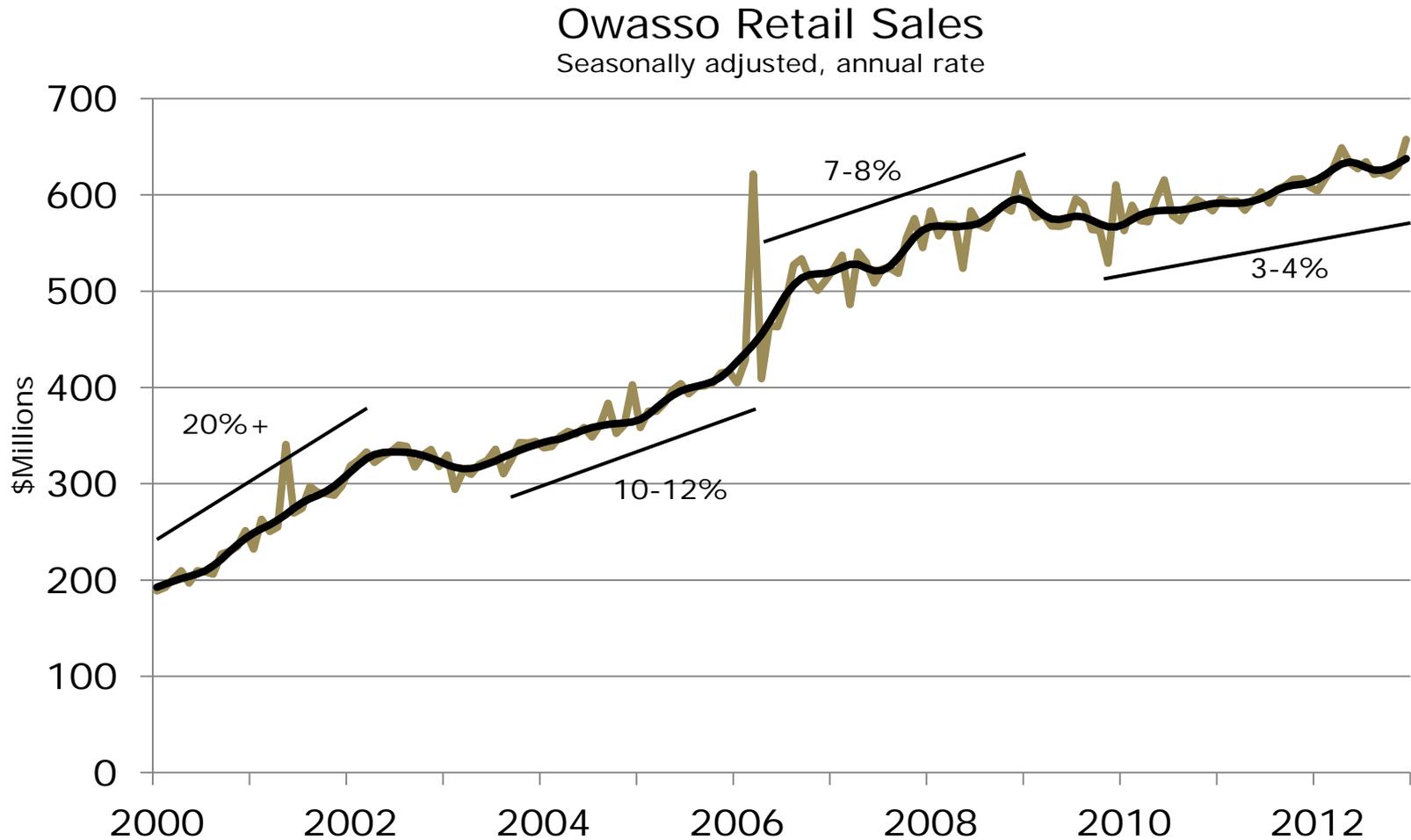
Source: Bureau of Labor Statistics, Local Area Unemployment Survey (LAUS)

Steady rebound in labor force and jobless rate

reflects local residents, not local workers



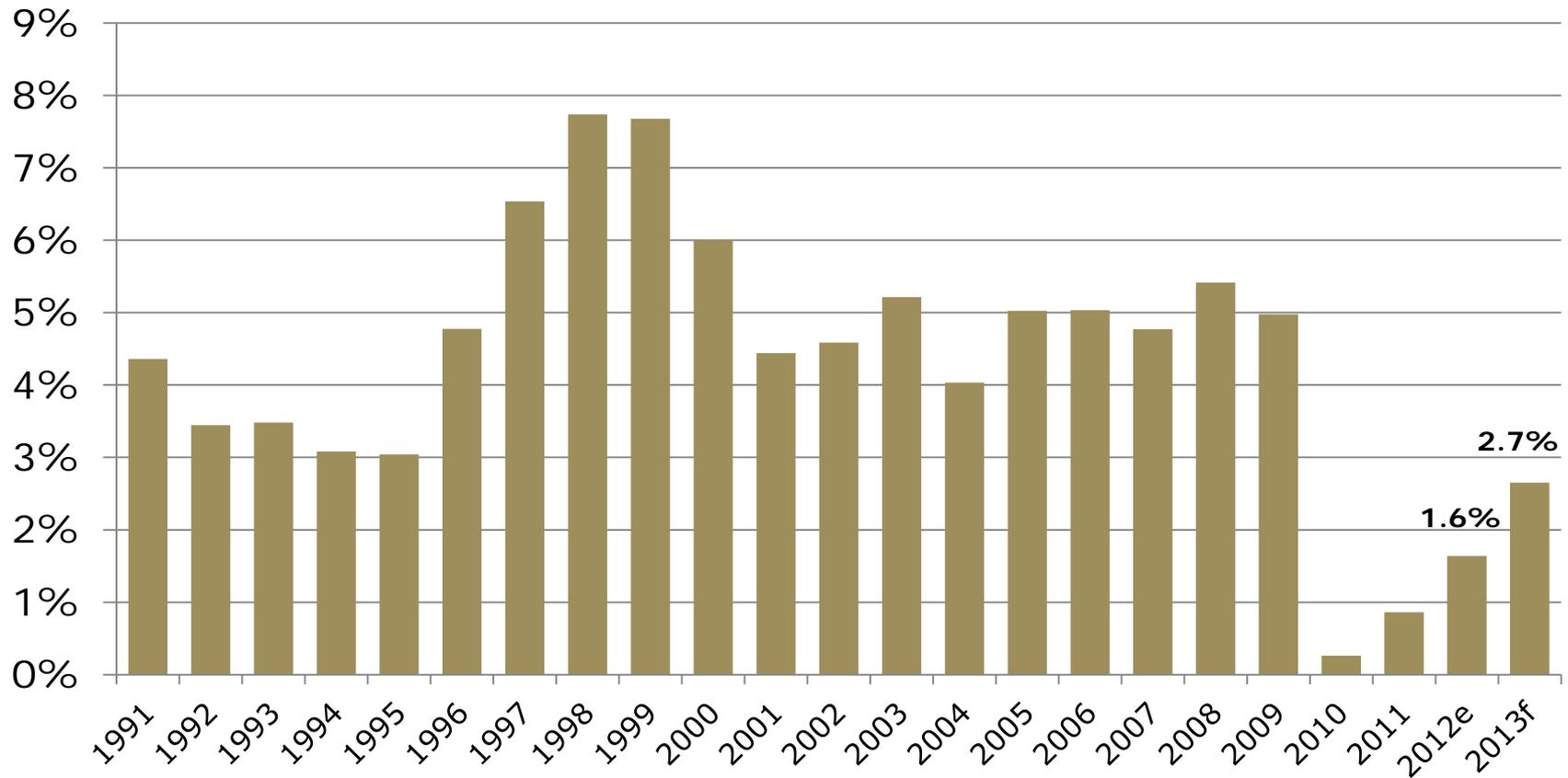
Modest local income and spending rebound below historical trend growth for the region



Substantial slowing in population growth

the cause of (or caused by) the cycle?

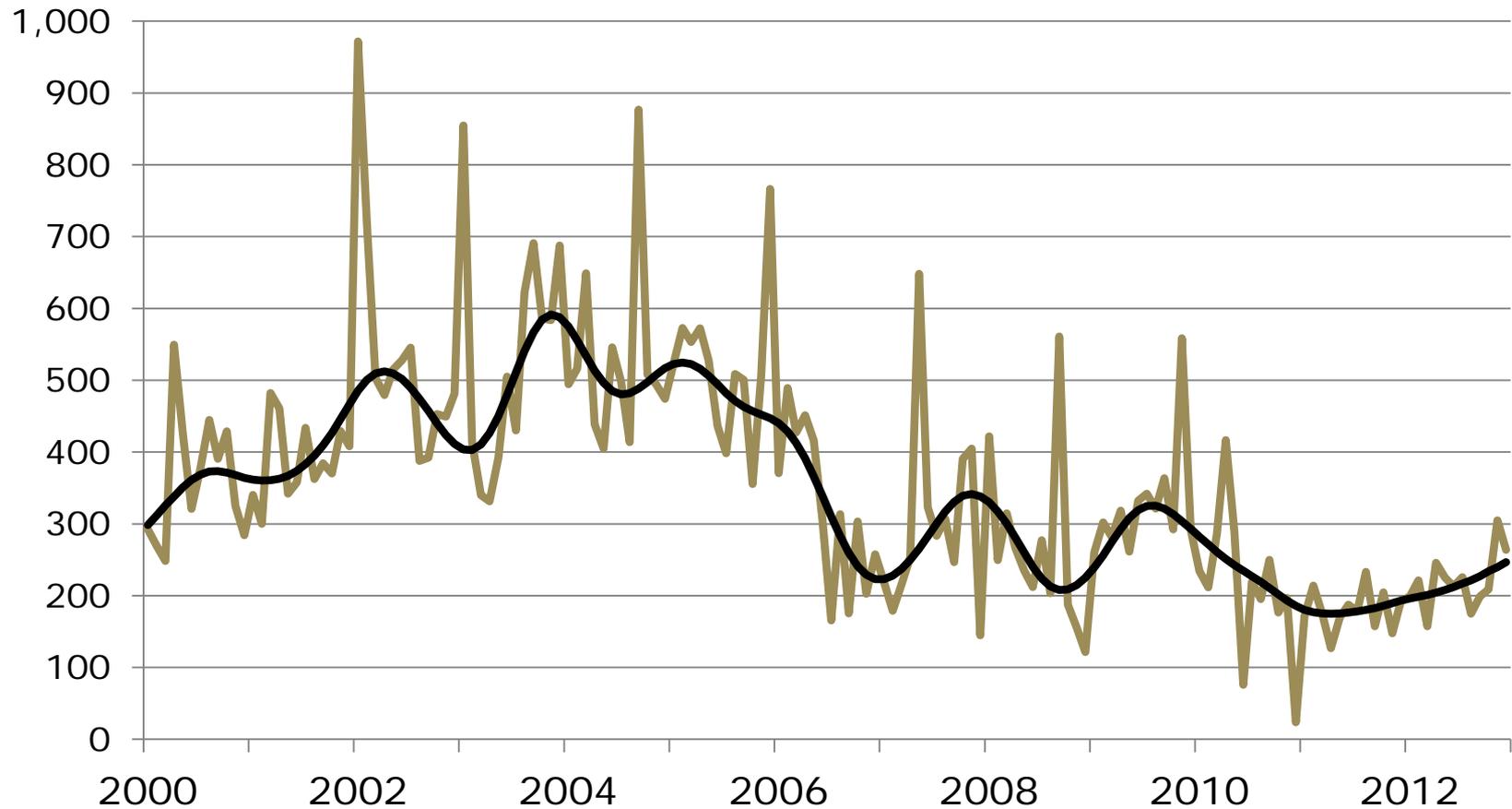
Owasso Population Growth



Housing rebound underway since early 2011

moving in step with population trend

Owasso Single-Family Building Permits
Units at an annual rate



Relevant growth factors going forward for “local residents”

1. Local residents doing better than local workers
2. High share of professional occupations
3. Major industry shifts during recession
4. Income shift toward higher income households, far fewer lower income households

Significant industry shifts during recession

among local residents

<u>INDUSTRY</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>% Chg 07-11</u>
Civilian employed population 16 years+	13,062	13,741	14,274	14,716	14,591	11.7%
Ag., forestry, fishing/hunting, and mining	115	177	207	187	171	48.7%
Construction	648	519	725	757	591	-8.8%
Manufacturing	1,708	1,804	1,862	1,949	2,038	19.3%
Wholesale trade	484	426	659	691	697	44.0%
Retail trade	1,539	1,654	1,756	1,513	1,466	-4.7%
Transport. & warehousing, and utilities	1,443	1,563	1,507	1,247	987	-31.6%
Information	573	611	608	719	769	34.2%
Finance and insurance, & real estate	925	1,315	1,028	943	760	-17.8%
Prof., scien. and tech. admin & waste mgt.	1,161	1,286	1,354	1,251	1,322	13.9%
Educational and health care	2,656	2,592	2,455	2,904	2,905	9.4%
Arts, enter., and rec., and accom., and food	871	809	893	976	1,009	15.8%
Other services, except public administration	747	766	843	1,098	1,316	76.2%
Public administration	192	219	377	481	560	191.7%

Source: American Community Survey, 2007-2011, 3-year sample

High Share of Mgt. & Professional Occupations

among local residents

<u>OCCUPATION</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Civilian employed population 16 years+	13,062	13,741	14,274	14,716	14,591
Management, professional, and related occupations	5,018	5,241	5,425	5,042	5,372
Service occupations	1,870	2,298	2,206	2,481	2,191
Sales and office occupations	3,375	3,506	4,059	4,091	3,931
Construction, extraction, maintenance and repair occupations	1,118	932	1,159	1,661	1,611
Production, transportation, and material moving occupations	1,681	1,764	1,425	1,441	1,486

Source: American Community Survey, 2007-2011, 3-year sample

Some shift toward higher income residents

steep drop in lowest income households

<u>Households by Income and Benefits</u> (2007 dollars)	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Less than \$10,000	6.6%	2.6%	1.9%	1.8%	2.3%
\$10,000 to \$14,999	4.7%	5.1%	3.9%	3.0%	2.2%
\$15,000 to \$24,999	7.5%	9.3%	7.8%	8.0%	8.8%
\$25,000 to \$34,999	7.7%	6.0%	8.9%	8.5%	9.7%
\$35,000 to \$49,999	11.5%	14.0%	13.7%	14.5%	12.2%
\$50,000 to \$74,999	26.6%	22.5%	23.4%	23.8%	22.5%
\$75,000 to \$99,999	16.2%	18.7%	17.7%	18.7%	19.9%
\$100,000 to \$149,999	13.9%	14.9%	16.8%	15.1%	16.3%
\$150,000 to \$199,999	3.1%	3.7%	3.5%	4.2%	3.6%
\$200,000 or more	2.3%	3.3%	2.5%	2.5%	2.5%
Total households	100.0%	100.0%	100.0%	100.0%	100.0%
HHs Below \$75,000	6,167	5,694	5,939	5,942	5,840
HHs Above \$75,000	3,395	3,887	4,039	4,047	4,283
HHs Below \$75,000	64.5%	59.4%	59.5%	59.5%	57.7%
HHs Above \$75,000	35.5%	40.6%	40.5%	40.5%	42.3%

External risks to the local expansion are numerous

Key concerns:

1. U.S. energy and manufacturing cycles are slowing
2. Residential real estate remains a problem (financial side)
3. Shock from Europe possible (Greece is back in play)
4. Federal budget impasse
5. Deleveraging

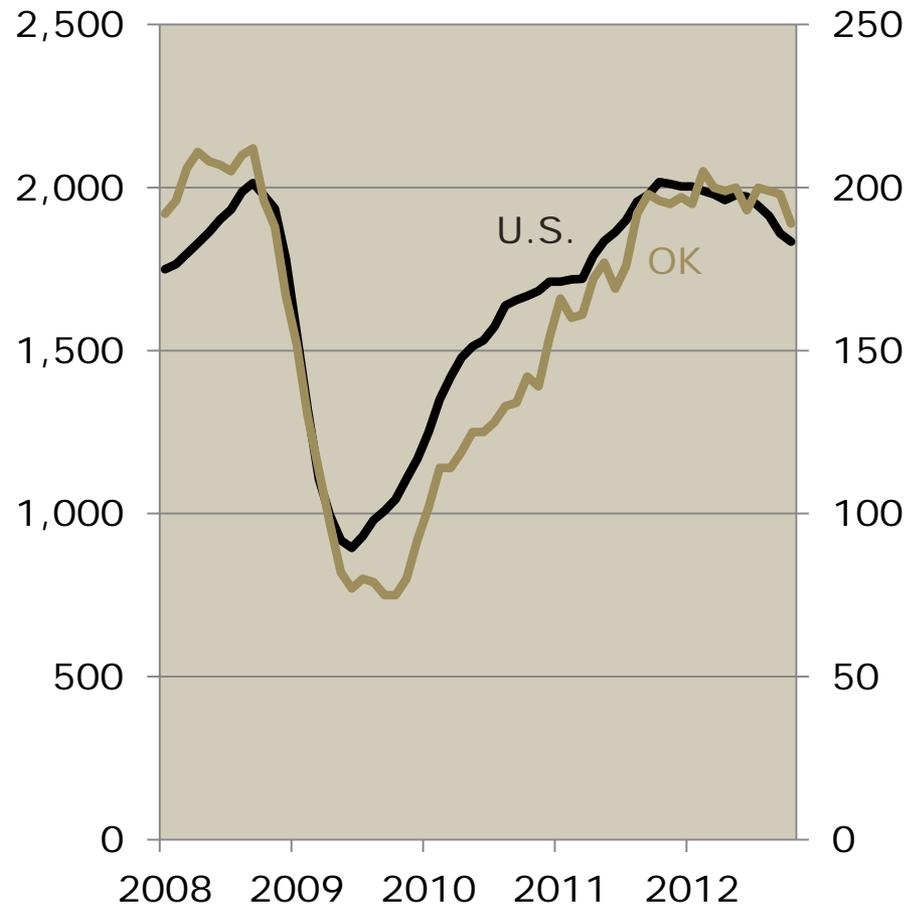
Energy and manufacturing slowing

State and Tulsa are highly dependent upon both sectors

OK Mining and Manufacturing
Employment
Thousands



U.S. & OK Rig Counts
Baker-Hughes Rig Counts, NSA

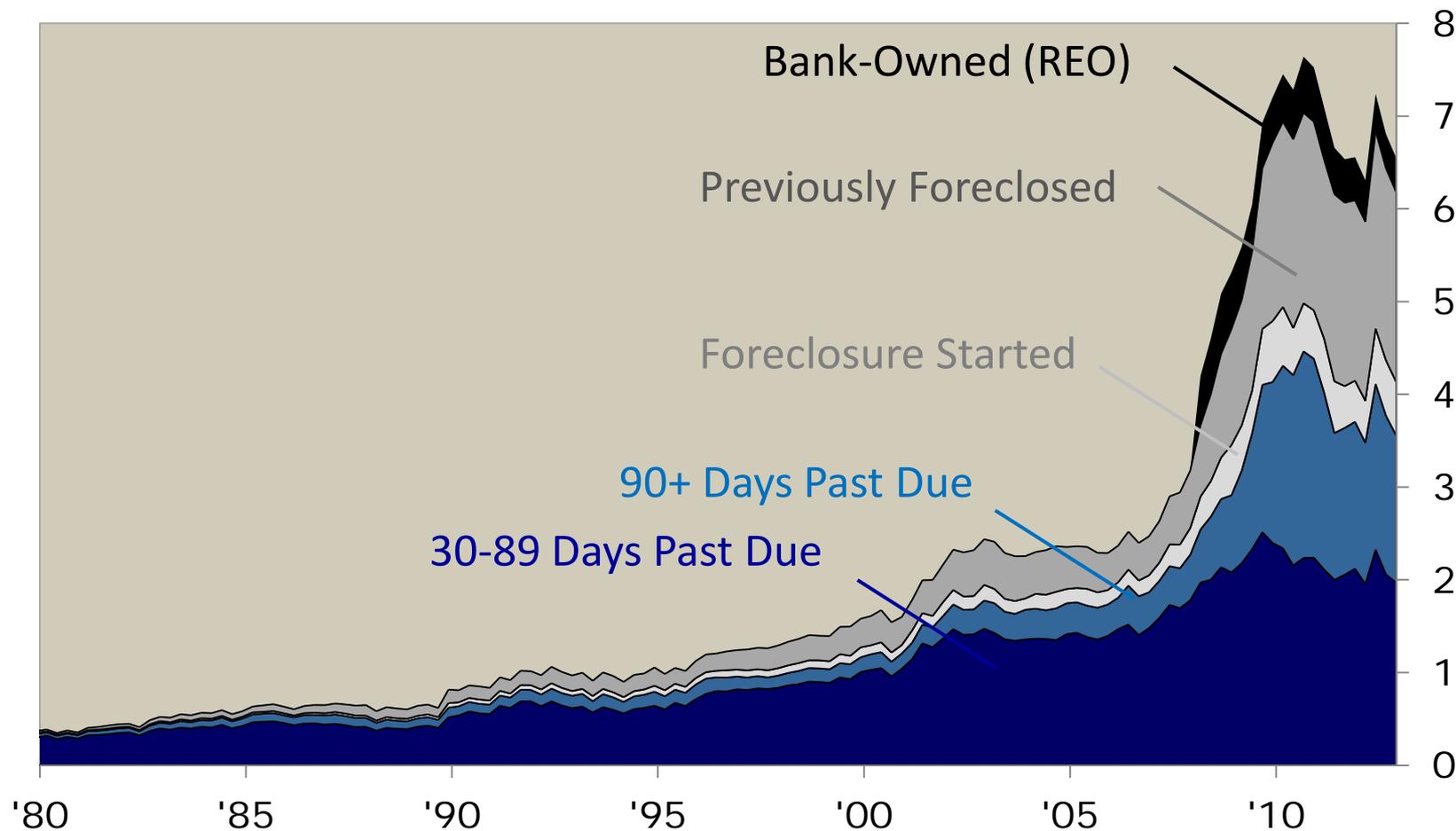


Delinquency and foreclosure pipeline remains full

no easy policy level to pull, but peak behind us

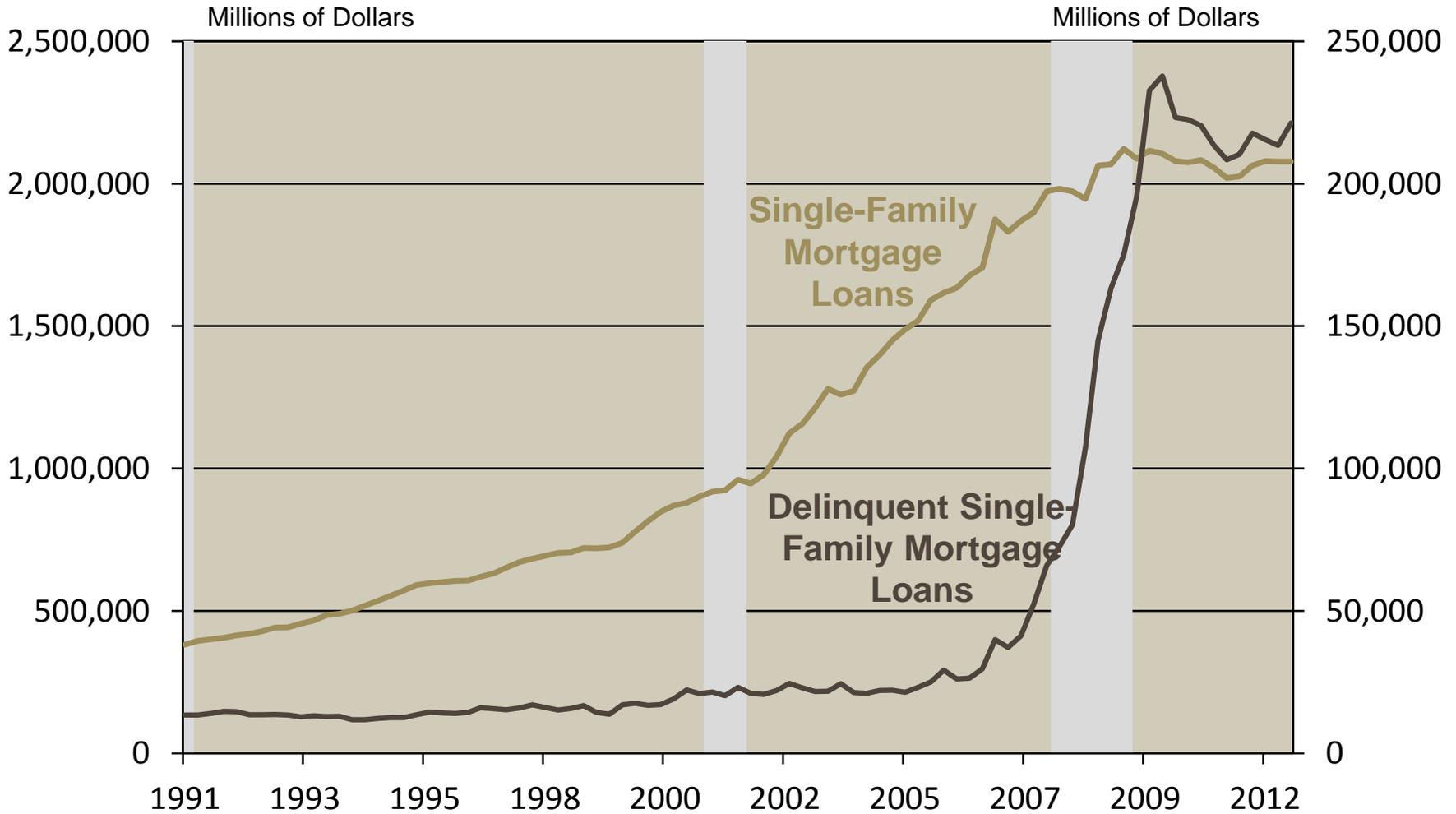
Delinquent Mortgages and Foreclosures

Millions of Housing Units



Mortgage lending remains constrained

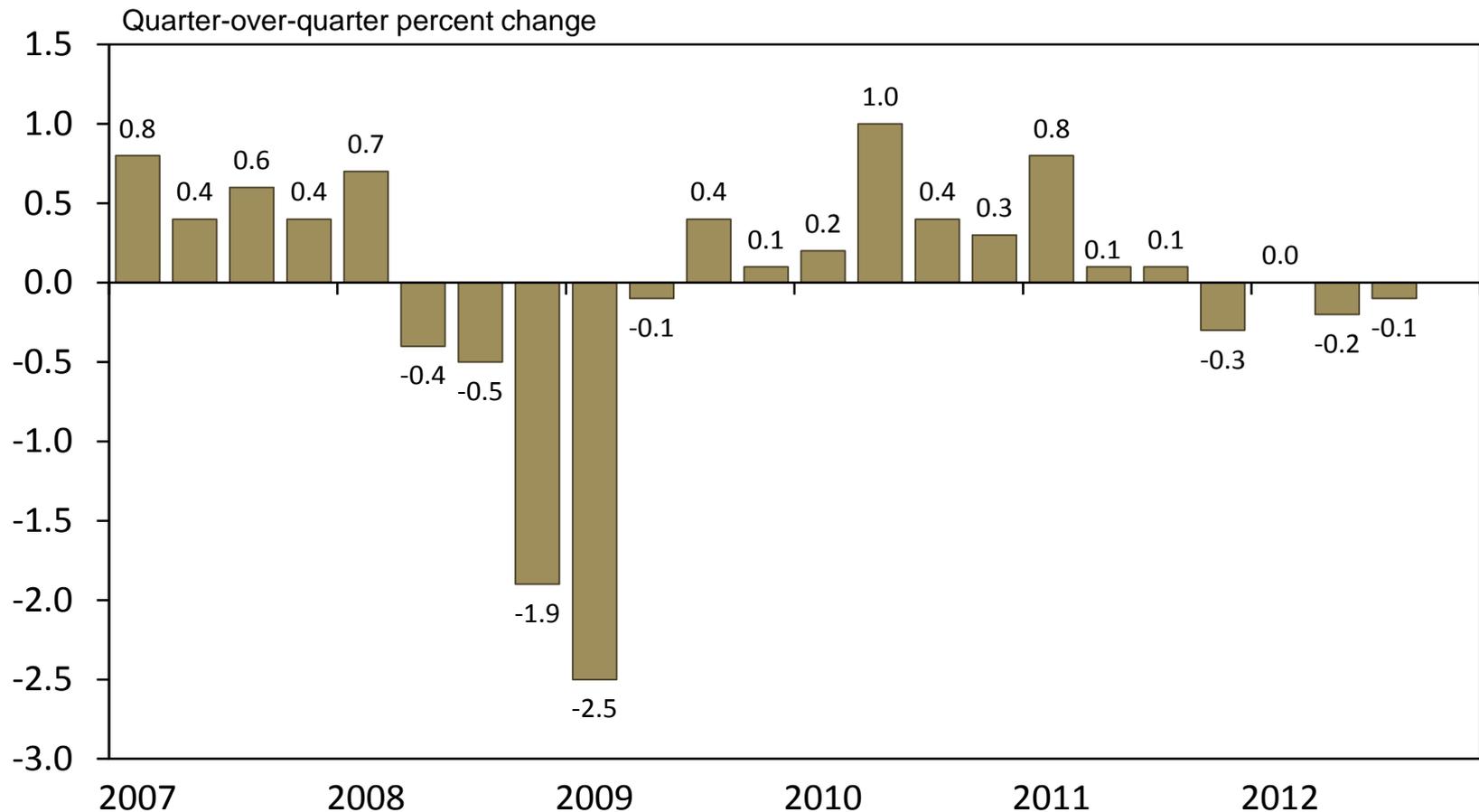
mortgage portfolios still flat, delinquency rates elevated



European fiscal crisis will drag into 2013

resumption of growth is a real possibility by year-end

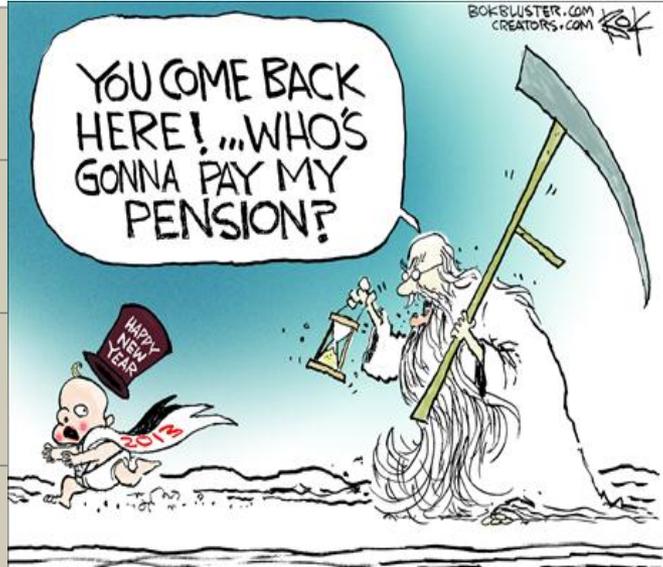
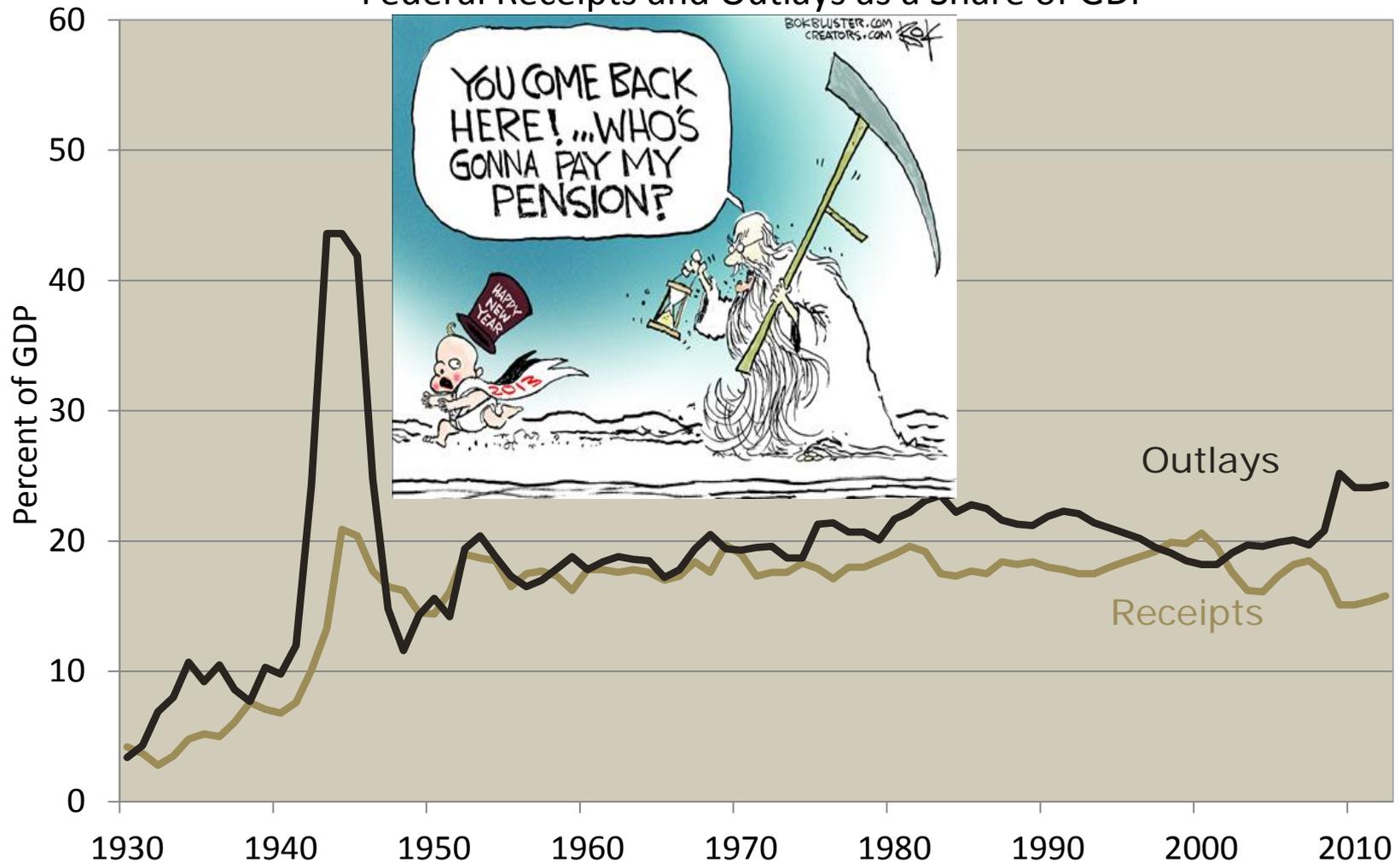
Euro Area GDP Growth Remains Negative



U.S. Fiscal Cliff is Really Fiscal Mt. Everest

this will be a really *long* ascent

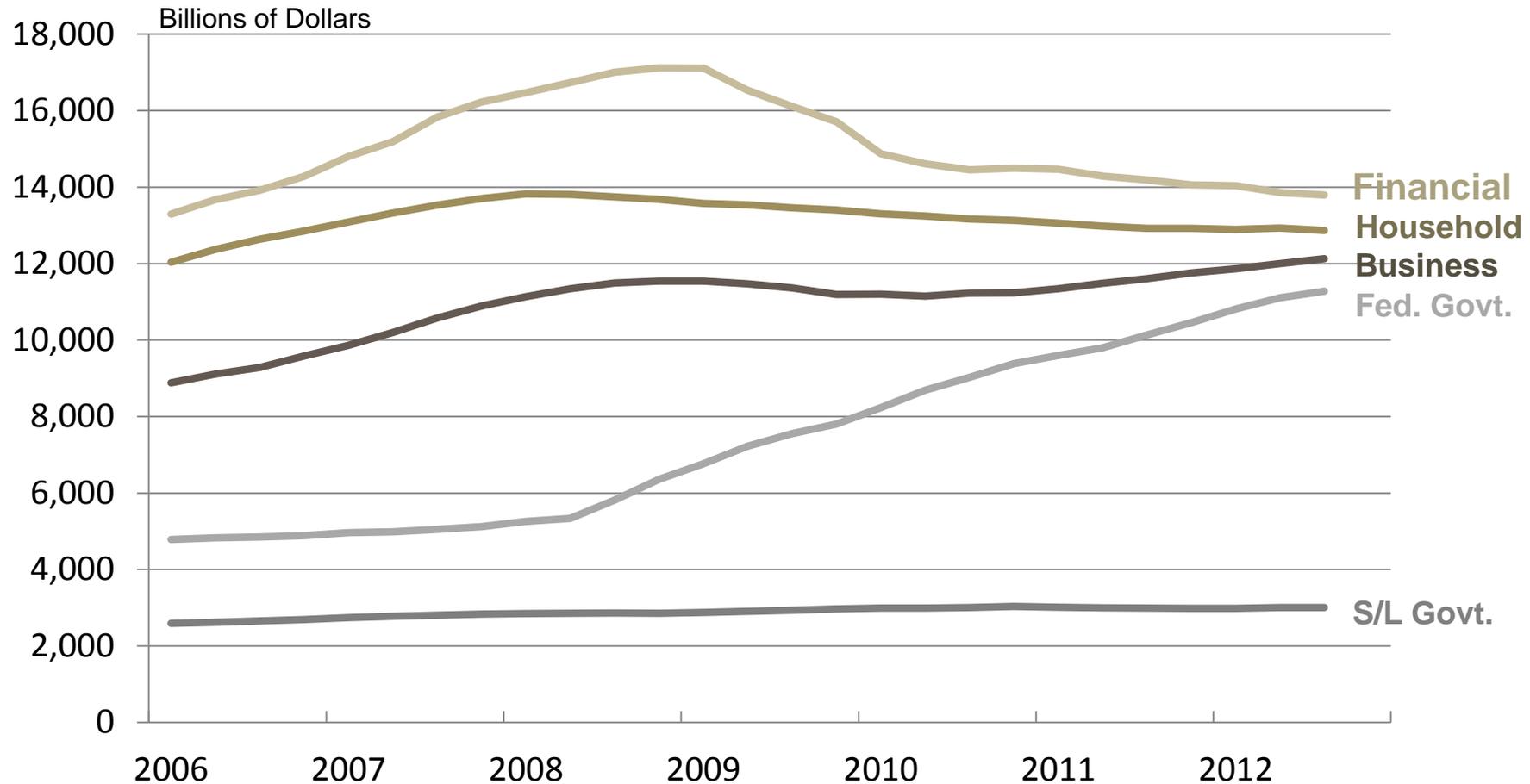
Federal Receipts and Outlays as a Share of GDP



Deleveraging is a slow painful process

public sector borrowing has more than offset private sector deleveraging

Credit Market Debt Outstanding by Sector

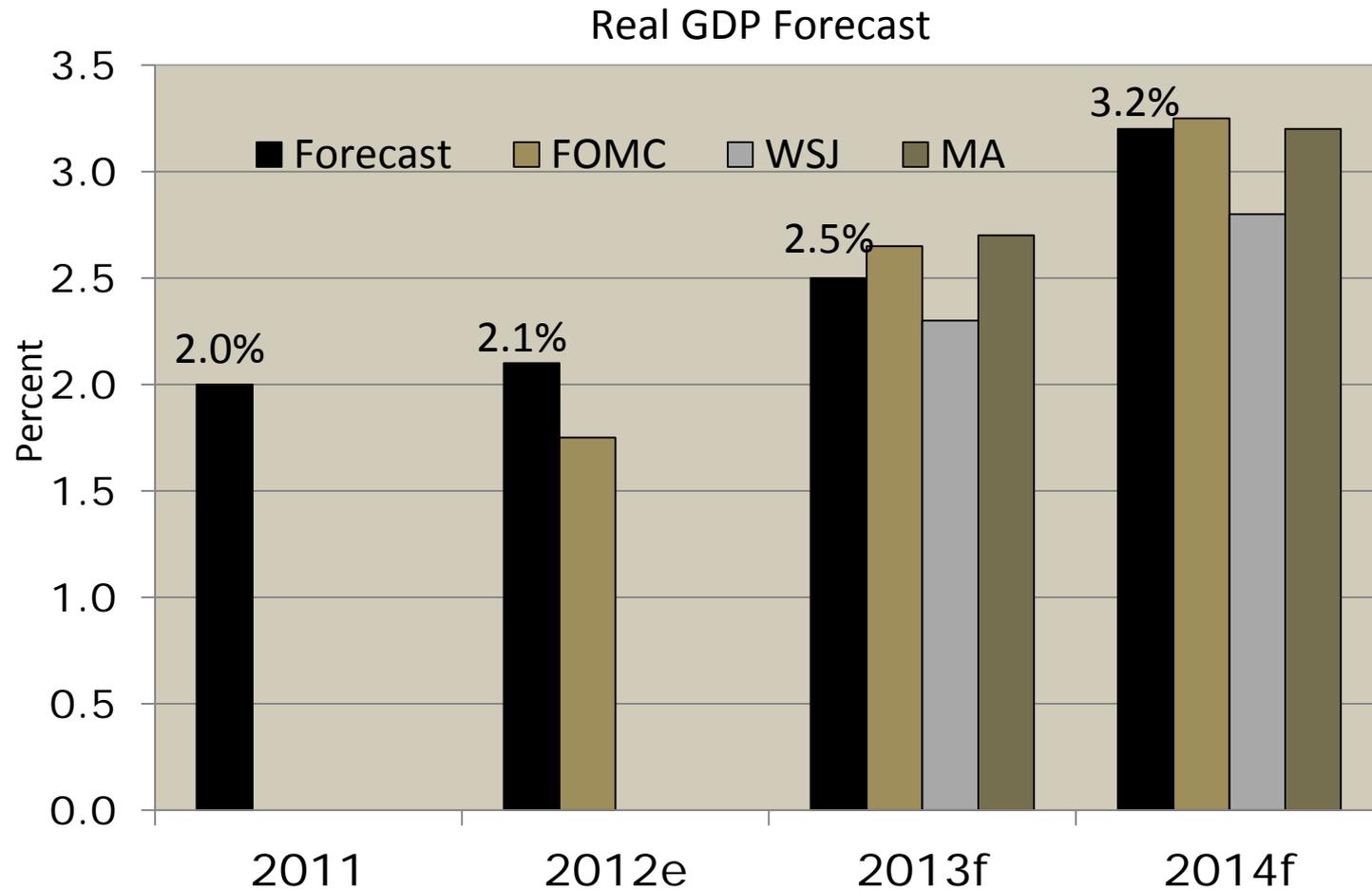


Other factors suggest acceleration is likely

Sources of fuel:

1. Federal Reserve remains highly accommodative
2. Reduced Federal policy uncertainty - key questions answered in 2013 (Dodd-Frank, health care)
3. Soft energy prices
4. High cash balances – households and corporate sector
5. Rebound in household net worth

2013 U.S. forecast point estimates



FOMC= Federal Open Market Committee; WSJ = Wall Street Journal Consensus Forecast Panel; MA = Macroeconomic Advisers

2013 Owasso Outlook:

A slightly faster version of 2012

Owasso will outperform the Tulsa MSA and state in job growth

Private wage/salary job growth: 2011: 1.4% (150 jobs)
2012: 2.9% (300 jobs)
2013: 3.4% (350 jobs)

Most jobs created in manufacturing, trade, transportation, health care, and leisure/hospitality. Construction and professional business services make limited progress.

Unemployment rate should move below 4% (already nearing floor)

Retail sales gain modest: 4.4% in 2013 (big-box coming)

Population growth bounces to 2.7% in 2013

Stronger Tulsa continues to favor out-commuting workers

2013

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