

2001

Second Quarter

2001

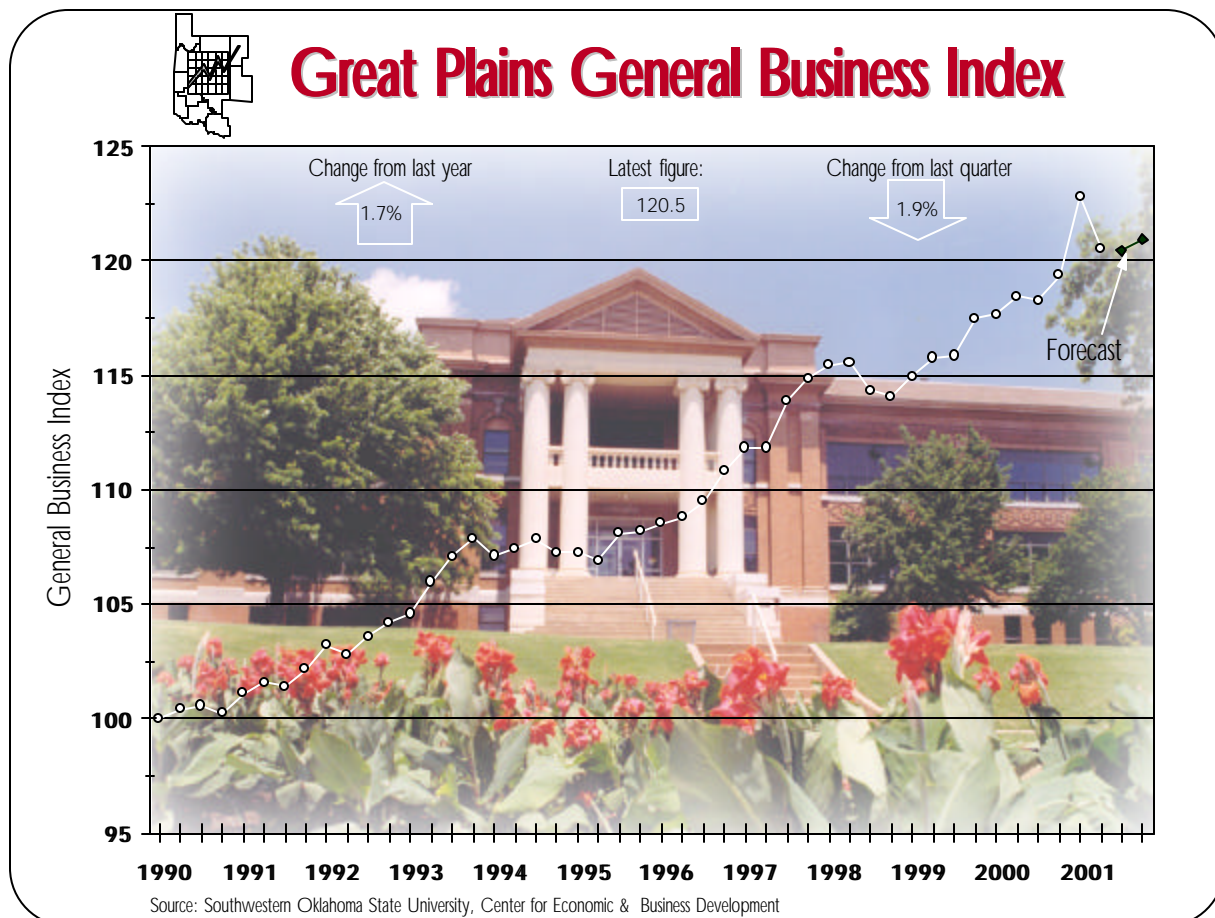
Great Plains General Business Index

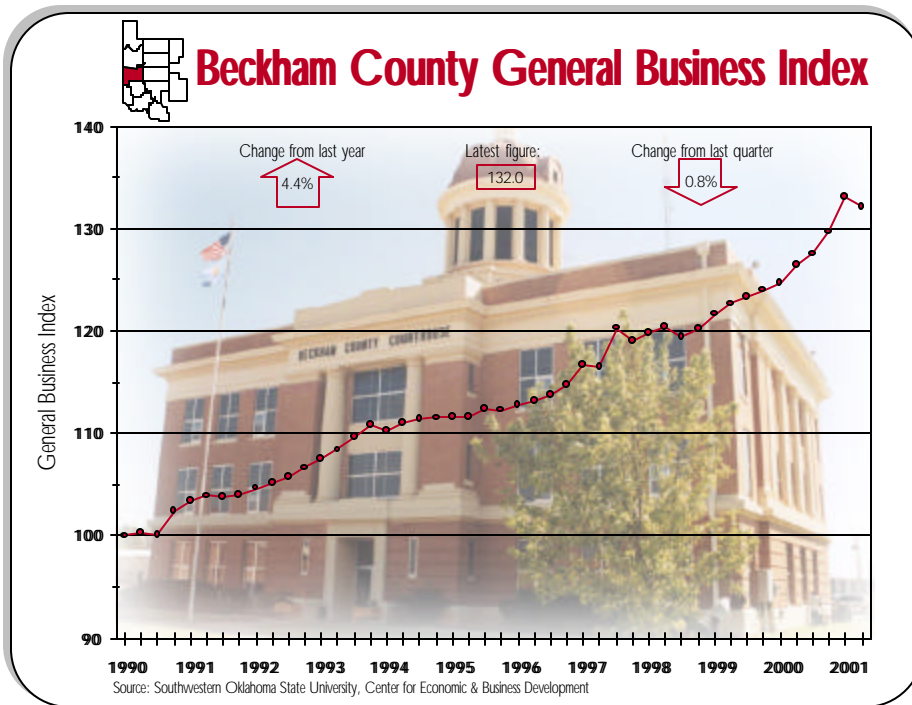
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Center for Economic & Business Development

Beginning with this quarter, we will include photographs of sites unique to the thirteen counties in southwest & west central Oklahoma in the *Great Plains General Business Index*. The photograph included with the regional index graph below pictures the Old Science Building on the campus of Southwestern Oklahoma State University. As will be seen in the coming pages, each of the thirteen county courthouses is pictured with its corresponding county index. There are many beautiful and unique sites in western Oklahoma, and, as we build a photo library, we will include different photos in future issues of the *Great Plains General Business Index*.

After rocketing upwards and posting its largest single quarterly gain in the previous quarter, the *Great Plains General Business Index* returned to earth with its largest quarterly decline between 1st Qtr 2001 and 2nd Qtr 2001. In accounting for this quarterly performance, natural gas prices and taxable sales returned to more typical levels/performance after soaring between 4th Qtr 2000 and 1st Qtr 2001. In our previous issue, we forecasted a 3.2% quarterly decline between 1st Qtr 2001 and 2nd Qtr 2001. However, actual performance over the two most recent quarters was not as bleak since the regional economy only suffered a 1.9% quarterly loss.

Using statistical regression, our forecast is that the regional economy will neither grow nor decline, that is experience 0.0% growth, between 2nd Qtr 2001 and 3rd Qtr 2001. - JRC -





County Indices

by: Jon Chiappe

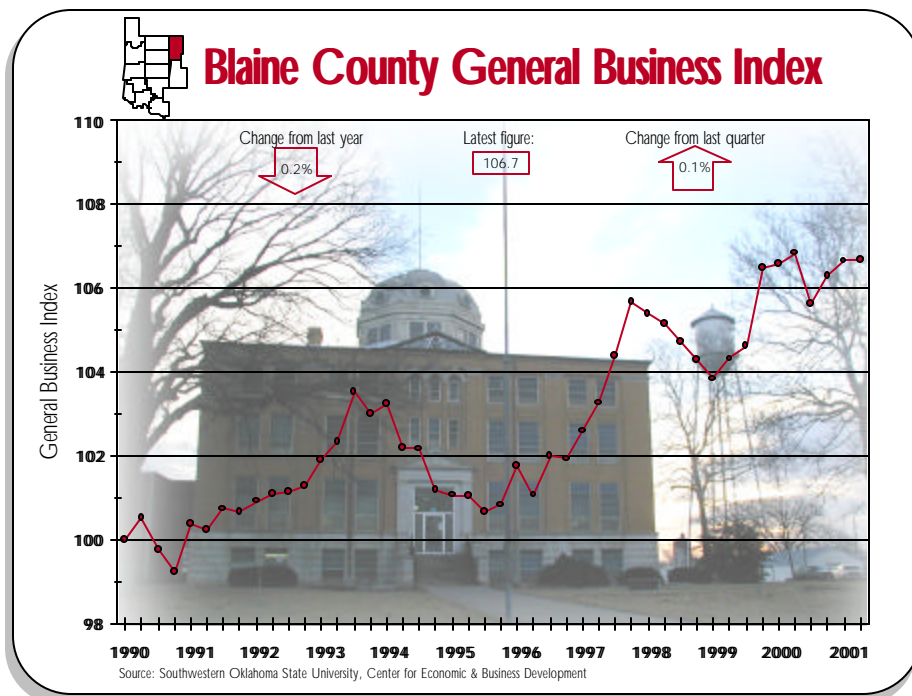
Beckham County

Beckham county's General Business Index experienced a slight quarterly drop between 1st Qtr 2001 and 2nd Qtr 2001. Three of the county's variables caused the 0.8% quarterly slide that backed the county's index off of its highest point in the graphed time period. Lower seasonally-adjusted taxable sales (down 9.7%), lower seasonally-adjusted earnings (down 5.5%), and lower natural gas prices (down 37.6%) combined to produce the quarterly decrease in the county's index between 1st Qtr

2001 and 2nd Qtr 2001. However, higher seasonally-adjusted employment (up 0.9%), higher beef cattle prices (up 3.7%) and lower interest rates combined to dampen the quarterly effects of the other three variables upon the county's index.

The quarterly decline did not prevent Beckham county's index from posting a respectable 4.4% yearly gain between 2nd Qtr 2000 and 2nd Qtr 2001. This yearly percentage growth in Beckham county's index was the second-highest yearly percentage growth of all thirteen counties in southwest & west central Oklahoma - second only to Washita county, which posted a 5.4% yearly gain.

Each of the variables used to compute Beckham county's index contributed to the exceptional yearly performance. Strong growth in the county's seasonally-adjusted taxable sales (up 16.2%) led the way for the county's yearly growth. Higher commodity prices, lower interest rates and employment growth (up 3.5%) also contributed.



Blaine County

Aided by higher beef cattle prices, lower interest rates and higher seasonally-adjusted earnings (up 0.9%), Blaine county's General Business Index eked out a 0.1% quarterly growth rate between 1st Qtr

2001 and 2nd Qtr 2001. This quarterly growth rate may seem paltry, but Blaine county was one of only five regional counties that managed quarterly growth over the two most recent quarters. Of those five counties, none managed a quarterly growth rate above 0.5%.

Lower seasonally-adjusted taxable sales (down 5.4%) was the primary culprit for muting the county's quarterly growth. Although seasonally-adjusted non-agricultural employment decreased (down 0.4%) from 1st Qtr 2001, it only had a slight effect upon the county's index.

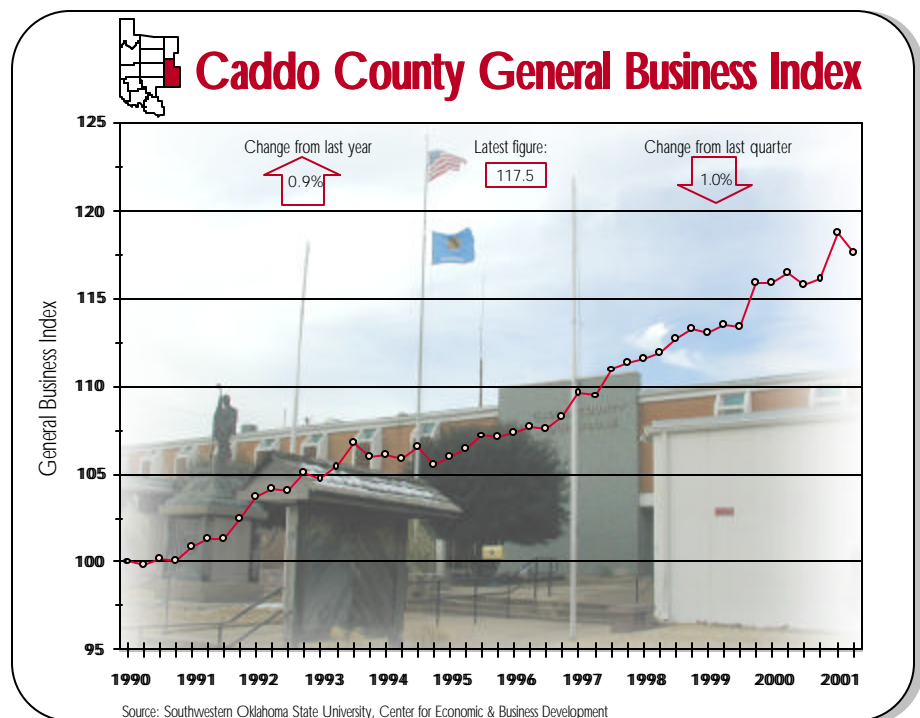
With a 0.2% yearly dip, Blaine county was unable to duplicate its relatively solid quarterly performance. While Blaine county was one of only five regional counties that managed quarterly growth, it was also one of only two counties that experienced a yearly deterioration in its index. Kiowa county was the only other regional county to suffer a decline its index between 2nd Qtr 2000 and 2nd Qtr 2001. Lower seasonally-adjusted employment (down 7.3%) and taxable sales (down 9.5%) overwhelmed higher earnings, higher commodity prices, and lower interest rates to produce the yearly slide in the county's index.

Caddo County

Caddo county's General Business Index suffered its largest quarterly percentage decrease between 1st Qtr 2001 and 2nd Qtr 2001. Each of the three major county specific variables contributed to the 1.0% quarterly skid. Over the two most recent quarters, seasonally-adjusted earnings fell 2.8%, seasonally-adjusted employment fell 0.6%, and seasonally-adjusted taxable sales plunged 12.0%. While each of these three variables combined to produce a large quarterly decrease, Caddo county's General Business Index remains at its second-highest point in the graphed time period.

Despite lower seasonally-adjusted earnings (down 4.1%) and lower employment (down

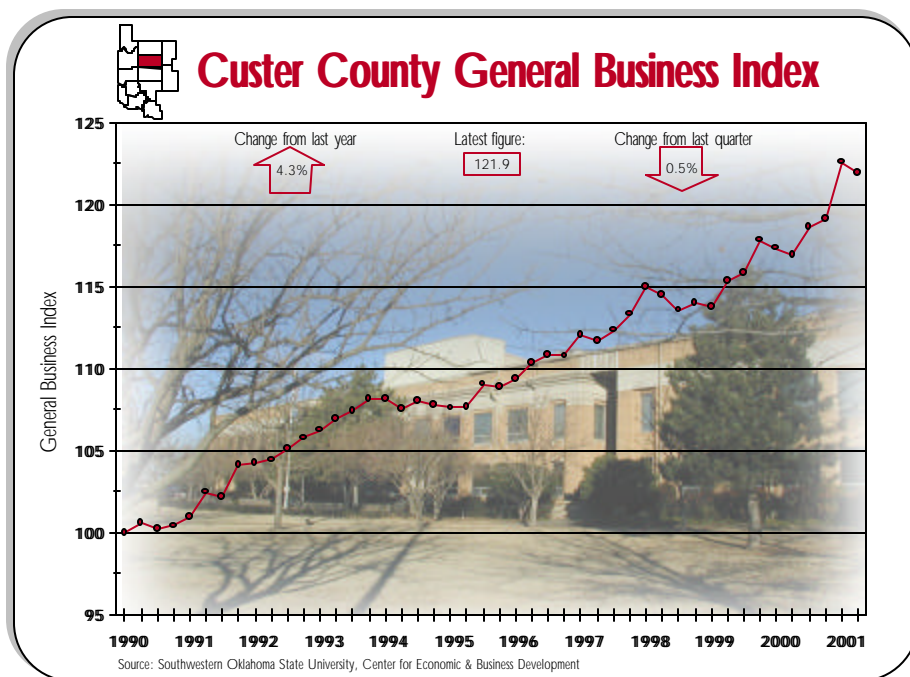
4.7%), Caddo county still managed to post a decent 0.9% yearly gain in its index. Lower interest rates and higher commodity prices combined with higher seasonally-adjusted taxable sales (up 5.7%) to produce the yearly gain in the county's index.



Custer County

Similar to Beckham county's performance, Custer county suffered a moderate quarterly skid but still managed a considerable yearly gain in its General Business Index. Between 1st Qtr 2001 and 2nd Qtr 2001, Custer county's index suffered a 0.5% decline. Although lower seasonally-adjusted earnings (down 2.6%) played a part in the quarterly skid, lower seasonally-adjusted taxable sales (down 5.8%) exerted more influence upon the county's quarterly performance.

Between 2nd Qtr 2000 and 2nd Qtr 2001, Custer county's index posted the third-largest percentage gain of all thirteen counties in the Great Plains region. The 4.3% yearly index growth was made possible by improvements in each of the variables used to compute the county's index. In addition to lower interest rates and higher commodity prices, gains in



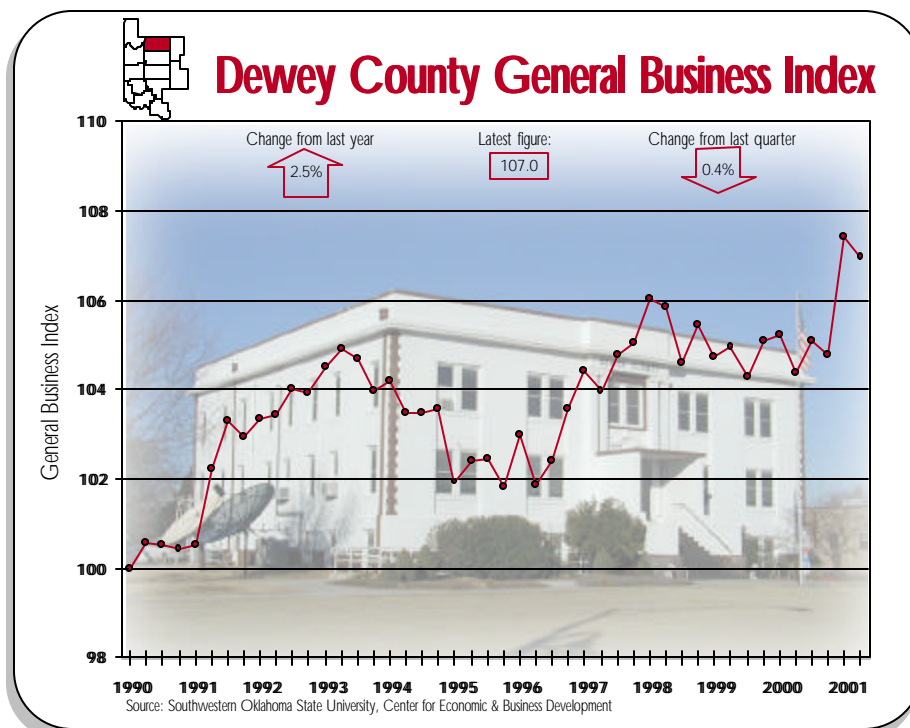
the county's seasonally-adjusted earnings (up 2.8%), taxable sales (up 9.5%), and employment (up 0.6%) contributed to the county's remarkable performance from the previous year.

Dewey County

After rocketing to its highest point in the graphed time period last quarter, Dewey county's General Business Index suffered a slight quarterly setback. The 0.4% quarterly decline was not a large enough loss to keep Dewey county's index from sitting at its second-highest point in 2nd Qtr 2001. Lower energy commodity prices and lower seasonally-adjusted taxable sales (down 15.7%) accounted for most of

the loss between 1st Qtr 2001 and 2nd Qtr 2001. Quarterly gains in the county's seasonally-adjusted earnings (up 1.4%) and employment (up 1.8%) prevented the county's index from sustaining a greater quarterly decline.

Between 2nd Qtr 2000 and 2nd Qtr 2001, Dewey county's index achieved a relatively strong 2.5% yearly growth rate. In addition to higher commodity prices and lower interest rates, higher seasonally-adjusted taxable sales (up 3.2%) and employment (up 12.0%) spurred the county's yearly growth. With a 1.9% yearly drop, seasonally-adjusted earnings was the only variable to dampen the yearly growth of Dewey county's General Business Index.



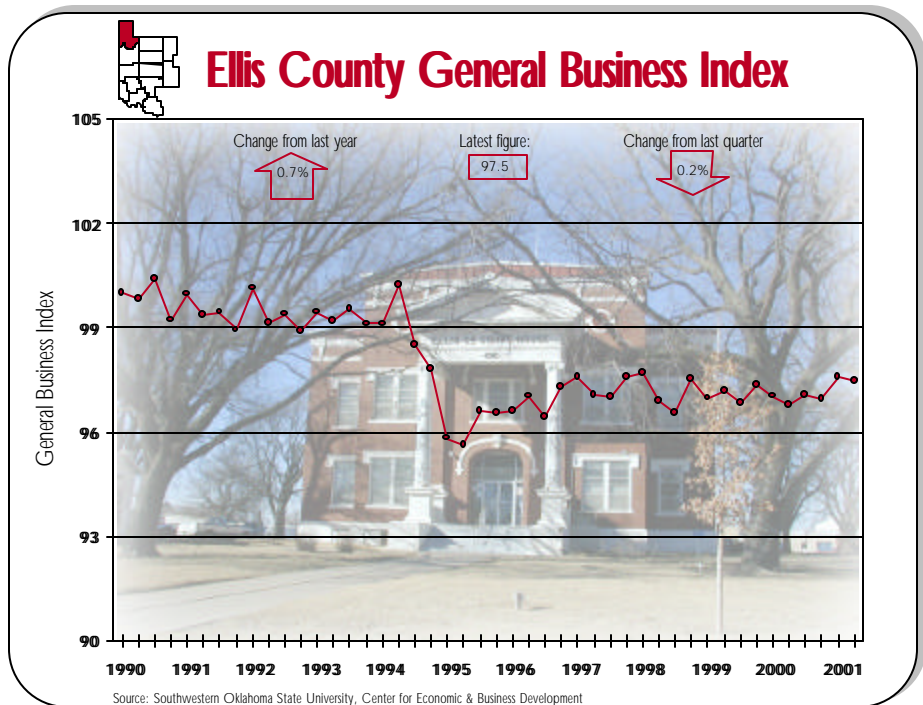
Ellis County

Although Ellis county's General Business Index suffered a minor quarterly loss between 1st Qtr 2001 and 2nd Qtr 2001, the county's index has remained very stable since 3rd Qtr 1995. Since that quarter, Ellis county's index has not experienced a quarterly percentage fluctuation of greater than 1.0%.

The 0.2% quarterly dip in Ellis county's index was caused primarily by lower seasonally-adjusted earnings (down 4.2%) and lower seasonally-adjusted taxable sales (down 8.3%). Higher beef cattle prices and

higher seasonally-adjusted employment (up 3.3%) softened the effects that the other two variables had upon the county's index.

The 0.7% yearly gain posted by Ellis county's index was the largest yearly percentage gain achieved by Ellis county since 1st Qtr 1997 when the county's index managed a 1.0% yearly gain over 1st Qtr 1996. As with many of the other regional counties, higher commodity prices and lower interest rates contributed to the county's yearly growth. Also playing a part in Ellis county's yearly gain was a 1.9% increase in the county's seasonally-adjusted taxable sales.

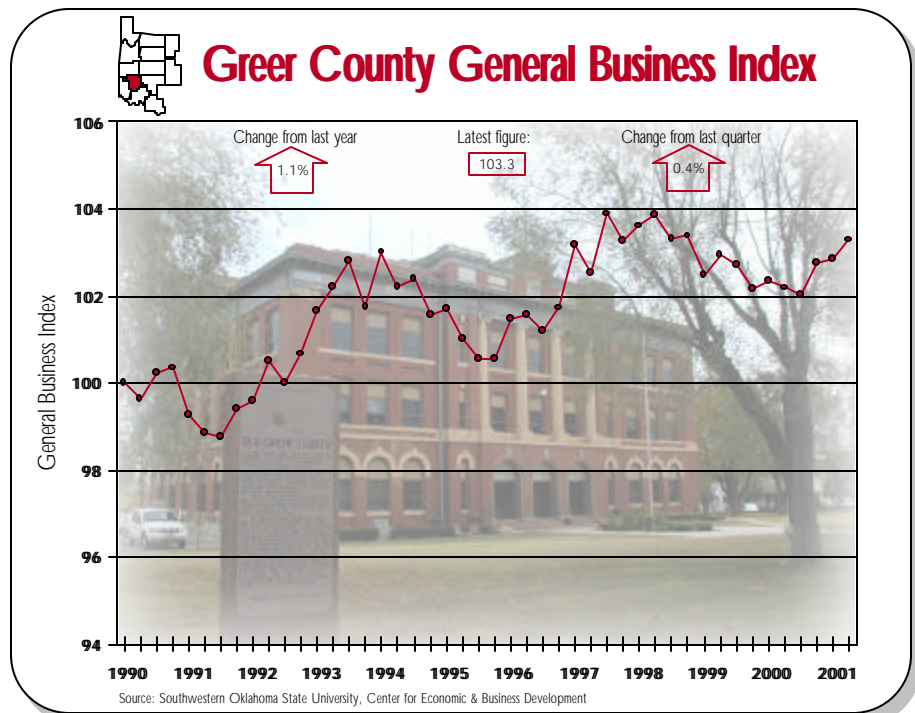


Greer County

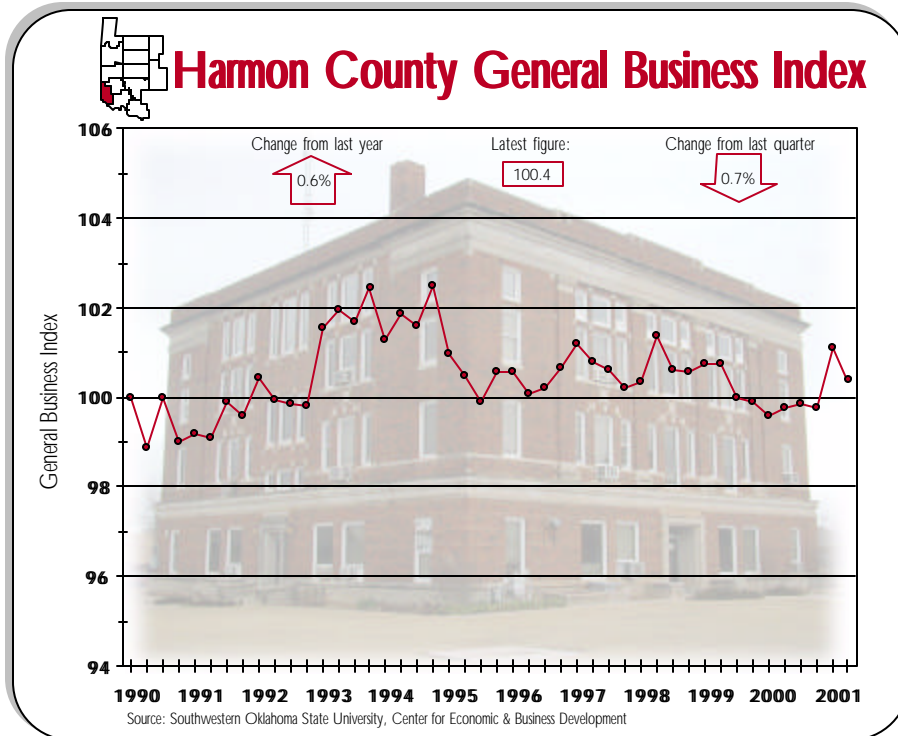
Greer county's General Business Index posted its third consecutive quarterly increase between 1st Qtr 2001 and 2nd Qtr 2001. This represents the longest period of sustained growth in Greer county since 3^d Qtr 1993 when the county managed four consecutive growing quarters. Since 3^d Qtr 2000, Greer county's index has increased 1.3%, and the most recent growth period comes after the county sustained an extended period of general quarterly decline from 3^d Qtr 1997 until 3rd Qtr 2000.

A 0.6% quarterly growth in Greer county's seasonally-adjusted earnings combined with both higher beef cattle prices and lower interest rates to produce the quarterly gain in the county's index. Greer county's seasonally-adjusted employment did not change from the previous quarter and thus had neither a positive nor a negative impact upon the index' quarterly performance. However, seasonally-adjusted taxable sales did experience a quarterly loss (down 5.1%) and muted the county's quarterly growth.

From 2nd Qtr 2000, Greer county's General Business Index posted a 1.1% gain, which represents the largest yearly percentage increase in the county's index since 2nd Qtr

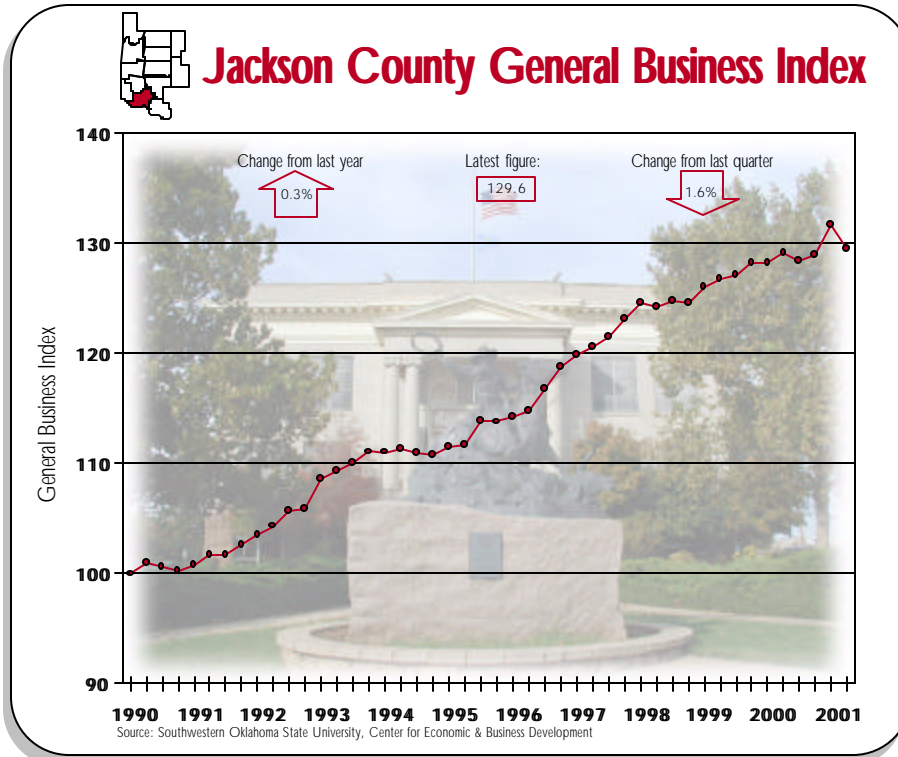


1998 when the county posted a 1.3% gain compared to 2nd Qtr 1997. All of the county's variables contributed to the yearly growth except for the county's seasonally-adjusted employment variable, which experienced a 3.8% yearly decline. Between 2nd Qtr 2000 and 2nd Qtr 2001, Greer county's seasonally-adjusted earnings increased 1.7% and the county's seasonally-adjusted taxable sales increased 0.2%.



Harmon County

After hovering below the '100' index value for six consecutive quarters, Harmon county's General Business Index surged above the '100' index value in 1st Qtr 2001. The 0.7% quarterly decline experienced by Harmon county's General Business Index between 1st Qtr 2001 and 2nd Qtr 2001 was not a large enough decline to return the county's index value below the '100' index value. Quarterly decreases in the county's seasonally-adjusted earnings (down 0.9%) and seasonally-adjusted taxable sales (down 13.5%) combined to produce the quarterly decline in the county's index. A modest 2.0% quarterly gain in the county's seasonally-adjusted employment lessened the negative impact that the other two variables had upon the county's index.



Between 2nd Qtr 2000 and 2nd Qtr 2001, Harmon county's General Business Index posted a 0.6% yearly gain. Higher commodity prices, lower interest rates and higher seasonally-adjusted earnings and taxable sales produced the yearly gain.

Jackson County

A 1.6% quarterly slide between 1st Qtr 2001 and 2nd Qtr 2001 cooled the blazing pace of Jackson county's General Business Index. Markedly lower seasonally-adjusted earnings (down 10.3%), taxable sales (down 14.8%), and employment (down 1.1%) brought about the quarterly slide in Jackson

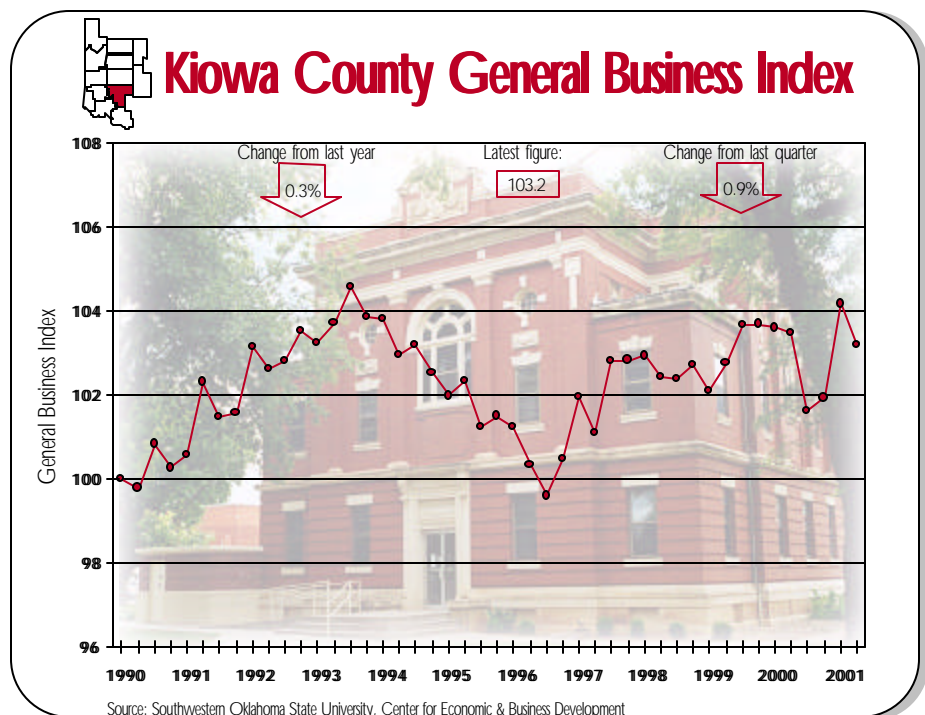
county's index. This quarterly loss represents the largest quarterly percentage decrease in Jackson county's index in the graphed time period. Also of note, this quarterly percentage decrease in Jackson county's index was the largest percentage decrease experienced by any of the counties in the Great Plains region between 1st Qtr 2001 and 2nd Qtr 2001.

While seasonally-adjusted taxable sales suffered a 14.8% quarterly loss in Jackson county, taxable sales unadjusted for the recurring seasonal effects only decreased 5.8% between 1st Qtr 2001 and 2nd Qtr 2001. During the course of a normal year, taxable sales in Jackson county are 10.6% higher in the second quarter of the year than they are in the first quarter of the year. Because these seasonal effects are removed from the county-specific variables before they are used in the index model, the percentage decrease in seasonally-adjusted taxable sales over the two most recent quarters was greater than the actual decrease.

The most recent quarterly decline nearly negated the yearly movement in Jackson county's index. Despite the 1.6% quarterly loss, Jackson county's index still managed to post a 0.3% yearly gain.

Kiowa County

Kiowa county's General Business Index suffered a 0.9% quarterly loss between 1st Qtr 2001 and 2nd Qtr 2001. This percentage decrease was the second largest percentage decrease over the two most recent quarters in southwest & west central Oklahoma. Each of the three county specific variables used to compute Kiowa county's index contributed to the quarterly decline. From the previous quarter, seasonally-adjusted earnings fell 2.6%, seasonally-adjusted employment fell 2.9%, and seasonally-adjusted taxable sales fell 6.1%. Higher quarterly beef cattle prices and lower interest rates prevented the county's index from falling further.

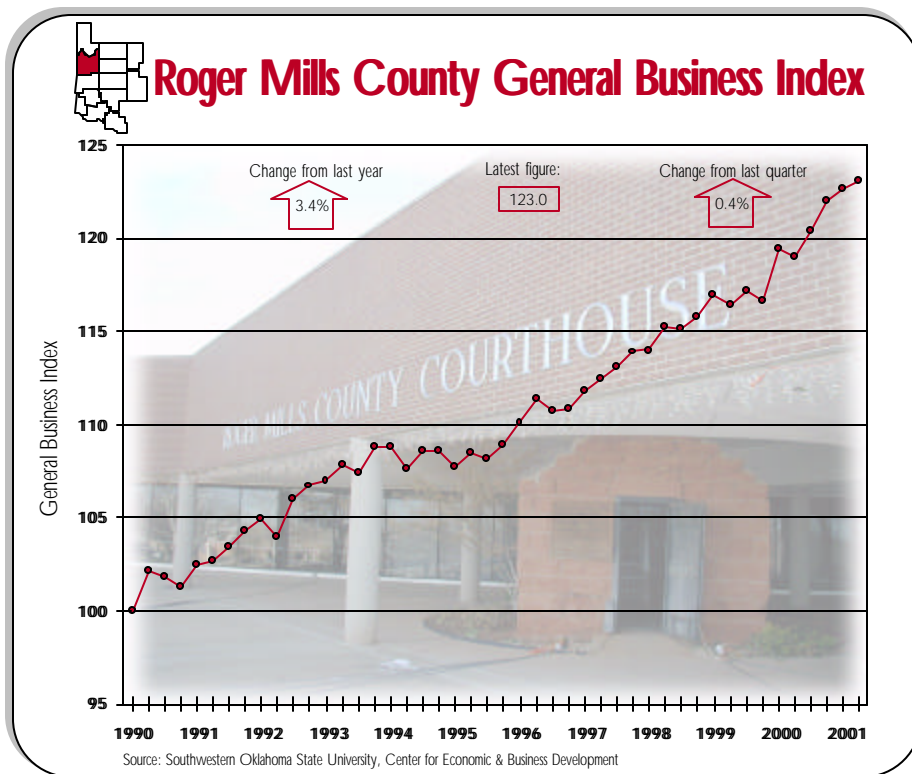


As previously mentioned, Kiowa county's General Business Index was one of only two county indices that suffered a yearly drop between 2nd Qtr 2000 and 2nd Qtr 2001 - Blaine county suffered the only other yearly decline. From the previous year, Kiowa county's index fell 0.3% with the county's seasonally-adjusted earnings (down 4.3%) and employment (down 5.4%) accounting for the yearly decrease. A yearly increase in Kiowa county's seasonally-adjusted taxable sales (up 3.6%) prevented the county's index from sliding further.

Roger Mills County

Roger Mills county's General Business Index posted a 0.4% quarterly gain between 1st Qtr 2001 and 2nd Qtr 2001. This quarterly increase represented the fourth consecutive quarterly increase in Roger Mills county's index and also represents the longest sustained increase since 2nd Qtr 1998 when Roger Mills county strung together seven consecutive quarterly increases.

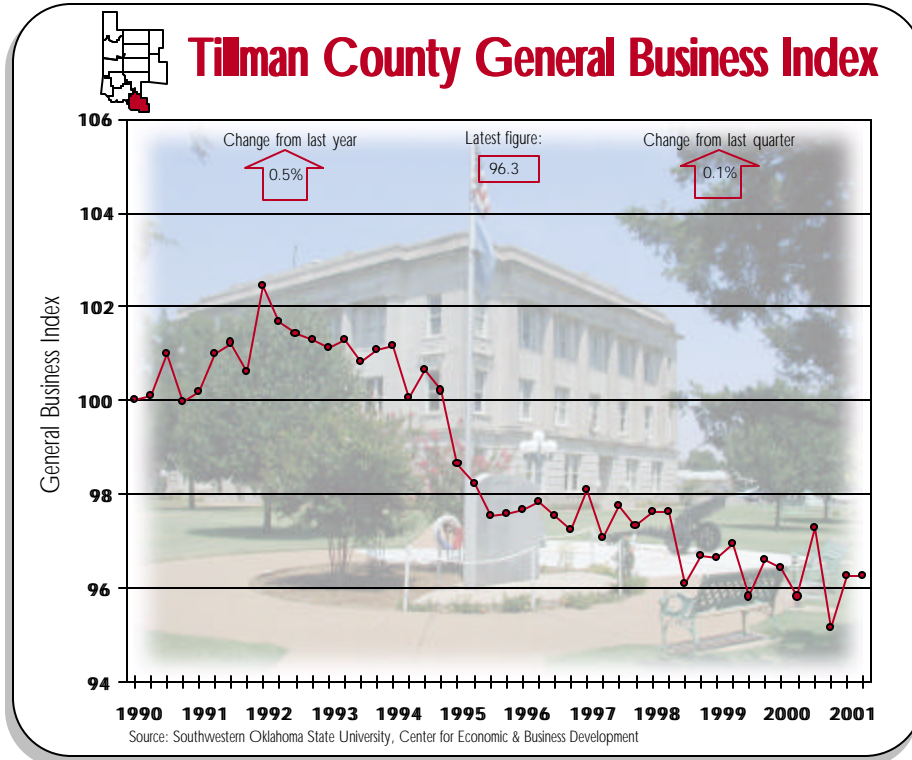
The single largest contributing factor to the quarterly increase in the county's index was a 43.6% gain in seasonally-adjusted taxable sales. A 4.9% quarterly gain in the county's seasonally-adjusted employment variable also had a positive



impact, but a 2.4% quarterly decline in the county's seasonally-adjusted earnings variable had a negative impact upon the quarterly performance of Roger Mills county's index.

Between 2nd Qtr 2000 and 2nd Qtr 2001, Roger Mills county's General Business Index posted a respectable 3.6% yearly gain. Each of the variables used to compute the county's index had a positive impact upon the yearly performance of Roger Mills county's index. Similar to the quarterly performance, seasonally-adjusted taxable sales (up 20.0%) had the greatest impact upon the yearly performance of the county's index.

Tillman County



Tillman county's General Business Index posted a slight 0.1% quarterly gain between 1st Qtr 2001 and 2nd Qtr 2001. This quarterly increase represents the first time that the county's index managed to post consecutive gaining quarters since 2nd Qtr 1996. On a more positive note, Tillman county was one of only five regional counties that posted a quarterly increase between 1st Qtr 2001 and 2nd Qtr 2001. Contributing to this quarterly gain were higher beef cattle prices, lower interest rates and a 2.5% growth in the county's seasonally-adjusted employment figures. The county's quarterly performance was hindered by lower seasonally-adjusted taxable sales (down 11.2%) and slightly lower seasonally-adjusted earnings (down 0.6%). Compared to 2nd Qtr 2000, Tillman county's General

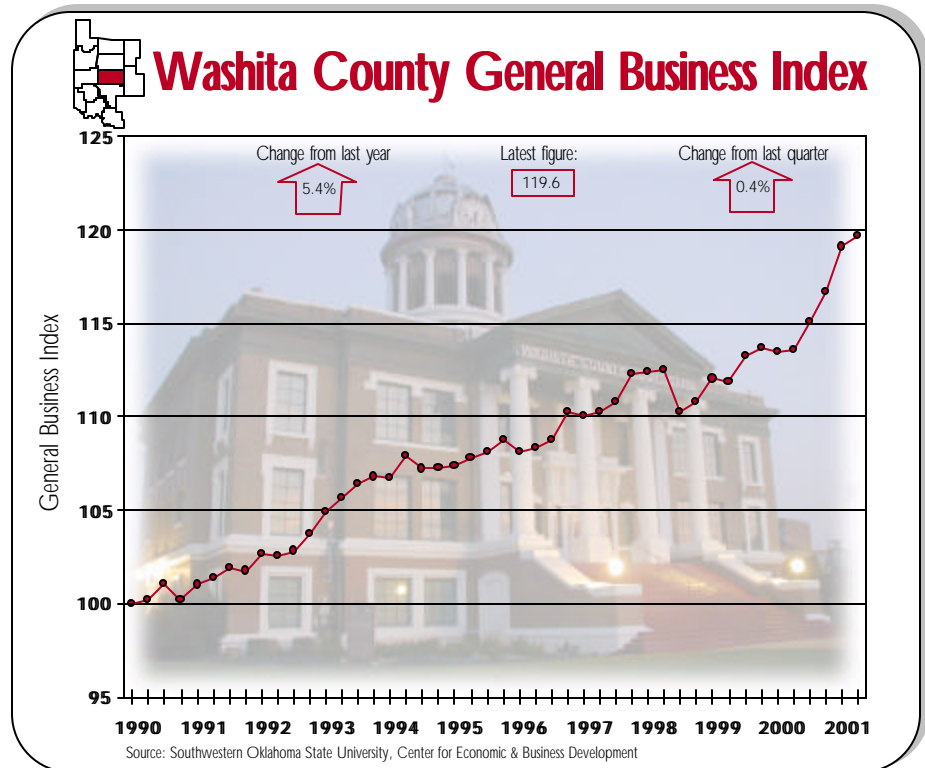
Business Index grew 0.5%. Tillman county was one of only four regional counties that posted both quarterly and yearly increases in its index. Contributing to the yearly gain in the county's index were higher beef cattle prices, lower interest rates, and a 2.1% increase in the county's seasonally-adjusted earnings.

Washita County

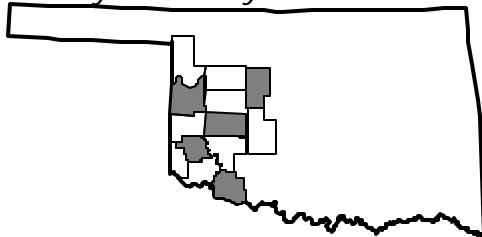
With a 0.4% quarterly increase, Washita county's General Business Index has strung together five consecutive gaining quarters. In addition to higher seasonally-adjusted earnings (up 1.4%), higher seasonally-adjusted employment (up 2.0%) contributed to the county's quarterly performance.

The 5.4% yearly gain in Washita county's index represents the largest yearly percentage increase experienced by any of the regional counties between 1st Qtr 2001 and 2nd Qtr 2001. Additionally, this yearly percentage gain represents the greatest yearly percentage gain for Washita county in the graphed time period. Similar to Beckham and Custer counties, each of the variables used to compute Washita county's index contributed to the county's tremendous yearly performance.

Higher commodity prices and lower interest rates provided the backbone while the three county specific variables provided the muscle for the yearly growth. From the previous year, seasonally-adjusted earnings increased 2.7%, seasonally-adjusted employment increased 11.7%, and seasonally-adjusted taxable sales increased 8.8%.



County Summary



Only five of the thirteen regional counties in southwest & west central Oklahoma managed to post quarterly increases in their respective county indices; however, none of the five counties managed quarterly gains of greater than 0.5% between 1st Qtr 2001 and 2nd Qtr 2001. The five counties that posted quarterly gains were Blaine, Greer, Roger Mills, Tillman and Washita counties. The gains posted by these five were not enough to enable the regional economy to also post a quarterly increase. In fact, the quarterly decrease suffered by the regional economy was the

greatest quarterly decrease for the regional economy since 1990.

Both the region as a whole and eleven of the thirteen regional counties posted gains in their respective indices between 2nd Qtr 2000 and 2nd Qtr 2001. Of those eleven counties, the greatest percentage gains were achieved in Washita, Beckham and Custer counties.



Regional Employment

by: Stephen Nelson

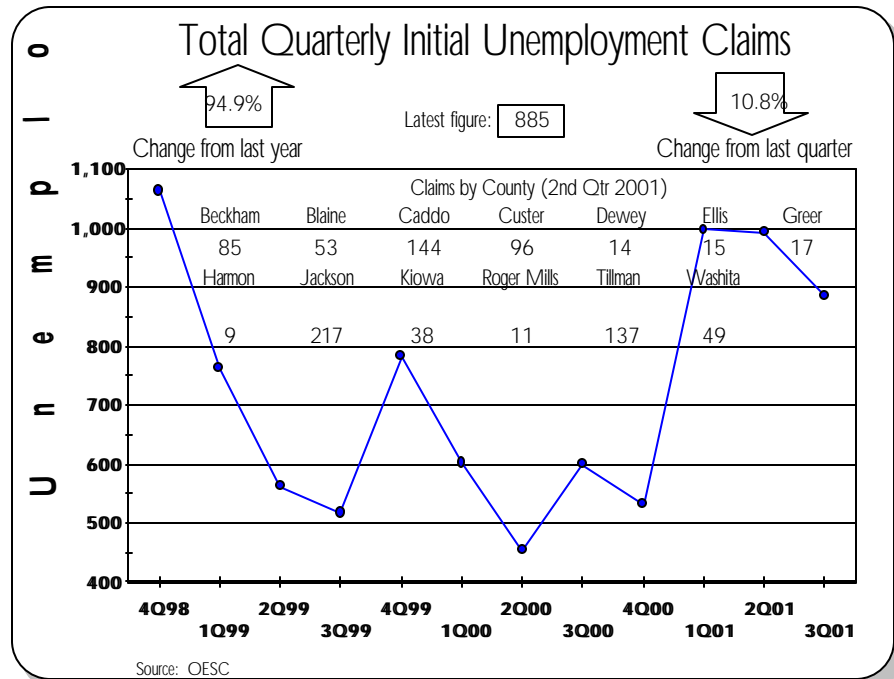
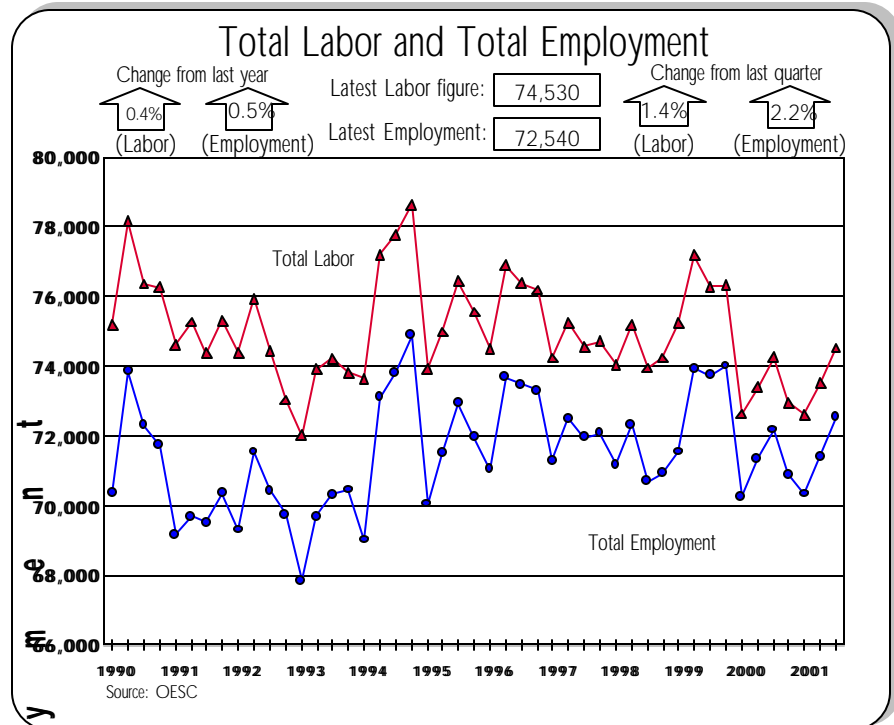


Total Employment and Total Labor both continue to rebound in the 3rd Qtr 2001 with Total Employment rising 2.2% and Total Labor increasing 1.4%. Total Employment realized modest gains over its position one year ago by increasing 0.5%. Similarly, Total Labor saw a marginal increase of 0.4% between the 3rd Qtr 2000 and 3rd Qtr 2001.

Actual figures for Total Employment and Total Labor equaled 72,540 for the former and 74,530 for the latter. The difference between the two equals Total Unemployment, which equaled 1,990 laborers in 3rd Qtr 2001. This calculates out to a 2.7% unemployment rate in 3rd Qtr 2001, which is down from the regions previous unemployment rate of 2.8% in 2nd Qtr 2001. This is the second quarter in a row that the unemployment rate has dropped.

Moving on, Total Quarterly Initial Unemployment Claims for the region experienced a sharp decline, falling 10.8% from 2nd Qtr 2001. Initial Unemployment Claims stood at 885 in 3rd Qtr 2001, having declined by 107 claims from the 2nd Qtr 2001 level of 992. The 2nd Qtr 2001 number of Initial Unemployment Claims is still much higher (by 94.9%) than what it was the previous year in 2nd Qtr 2000 when it was at 600 claims.

Looking at the individual counties we see that Caddo county had the largest number of claims with 144. This actually represents a small decrease in initial claims from 2nd Qtr 2001 when Caddo county had 168 claims. Jackson and Tillman

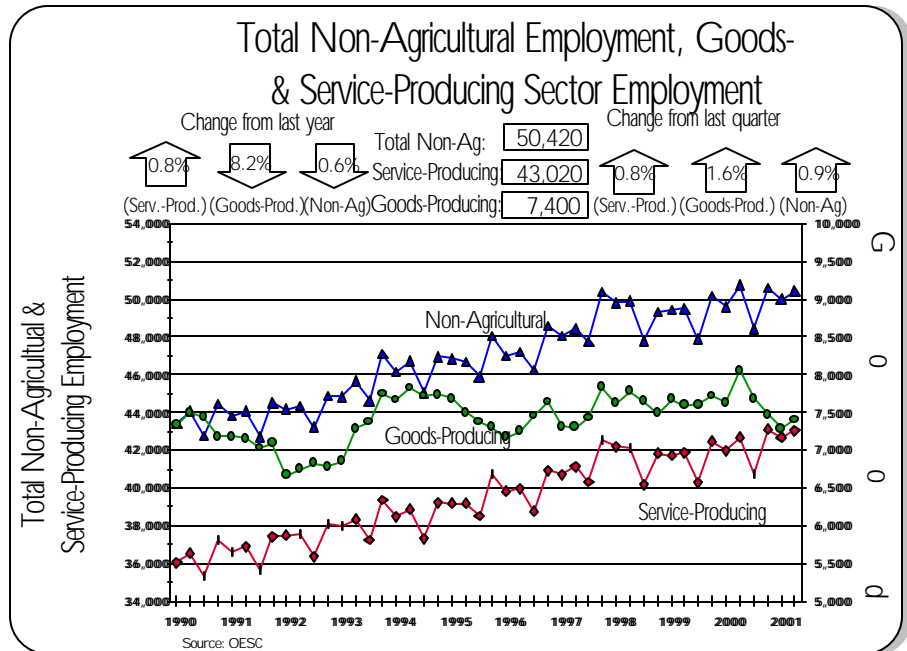


counties initial unemployment claims had sharp increases in 3rd Qtr 2001 increasing by 120 and 121 claims respectively. Custer county saw its initial claims drop from 432 to 96 claims a decline of 336 claims. Overall six out of the thirteen regional counties saw an increase in their initial unemployment claims, while the remaining seven counties saw decreases in claims.

Total Non-Agricultural Employment for the region's thirteen counties rose slightly to crest the 50,000 mark. This 0.9% increase represents only the fifth time during the period that the Great Plains General Business Index covers that Total Non-Agricultural Employment has risen above 50,000 employed. Despite this Total Non-Agricultural Employment is still down from previous years third quarter total by 0.6%.

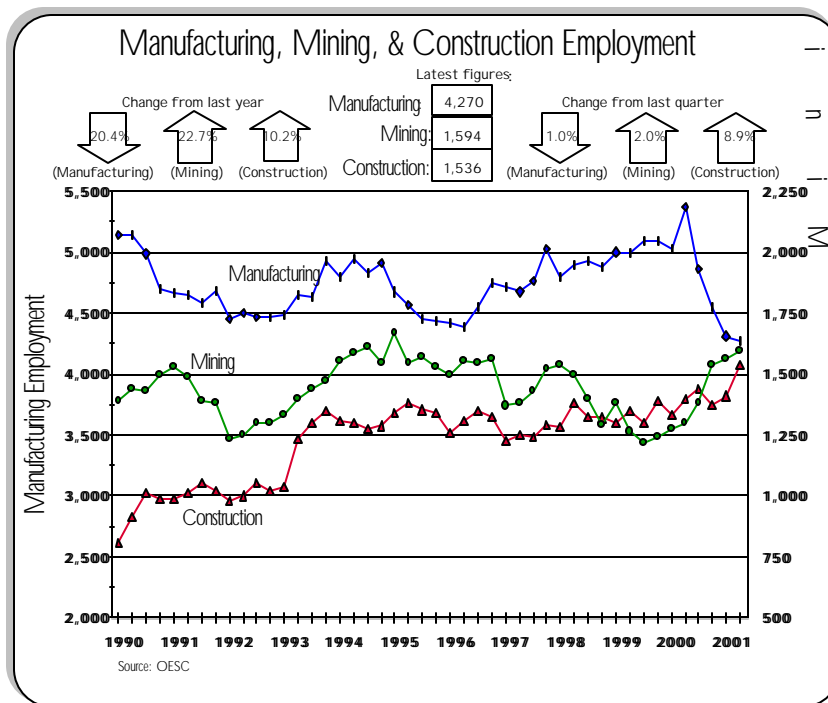
Next is Service-Producing employment, which is up 0.8% on the quarter for a total of 43,020 laborers employed. This is just eighty-four laborers short of the 43,104 mark set in 4th Qtr 2000, an all time high for the time period covered by the Great Plains General Business Index. Service-Producing employment is also up by 0.8% when compared to the 2nd Qtr 2000.

Finally, we see that Goods-Producing employment is up by 1.6% in 2nd Qtr 2001 rebounding slightly from declining in the three previous quarters. Unfortunately Goods-Producing sector employment is still down significantly when compared to the past years third quarter by 8.2%. Hopefully the sector's employment will break back above the 7,500 mark from its current level of 7,400 in the 2nd Qtr 2001.



In our next graph we cover Manufacturing, Mining, and Construction employment for the region's thirteen counties. Manufacturing employment still continues to drop, although during the 2nd Qtr 2001 its decline slowed to only 1%. Employment in this sector is still down 20.4% from 2nd Qtr 2000 and is at a new record low for the time period covered by the Index having declined for the last four quarters. Looking at how the individual counties fared in 2nd Qtr 2001 we see that most had minimal or no gain, while Blaine and Kiowa counties lost 28 and 41 manufacturing jobs respectively. Over the course of the last four quarters three regional counties have lost over two-hundred and fifty manufacturing jobs each, while one other county has lost over one hundred. The three counties with the largest losses were Blaine with 287, Caddo with 254, and Custer with 255 manufacturing jobs lost. Jackson county has lost 134 manufacturing jobs since 2nd Qtr 2000.

Moving on, Mining Sector employment continued to grow during the 2nd Qtr 2001 achieving a 2.0% growth rate. This is the seventh straight quarter that the mining sector employment in our region has grown. Mining Sector employment is currently at 1,594 laborers employed and is at its highest level since the 1st Qtr 1995. Individually most of the counties had very little change in the mining sector employment during 2nd Qtr 2001 except for Beckham, Custer, and Roger Mills county. Beckham and Custer counties both gained mining jobs with 21 and 23 more jobs respectively. Roger Mills county lost 13 mining jobs. On the year Beckham, Blaine, Custer, and Washita county have all had significant increases or decreases in their mining sector employment. Beckham county saw its mining sector employment gradually increase by 162 over the course of the last year. Meanwhile Blaine, Custer and Washita county had increases of 35, 59, and 23 jobs respectively. It should be noted that as Oil and Gas prices continue to fall increasing pressure will be placed on this sectors employment and it is likely that growth will slow or cease in the coming quarters.



Construction sector employment broke above the 1,500 mark for the first time and is at its highest level during the time period covered by the Great Plains General Business Index. By reaching 1,536 laborers employed the construction sector has realized a 8.6% increase over 1st Qtr 2001 and a 10.2% increase over the 2nd Qtr 2000 employment levels. On a county basis construction employment saw significant growth in the following five counties: Beckham with 22 new jobs, Caddo with 35 new jobs, Custer with 32 new jobs, Jackson with 13 new jobs, and Kiowa with 10 new jobs. Over the past four quarters Caddo, Custer, and Washita counties saw 75, 57, 116 new jobs respectively in the construction sector. On the other side spectrum during the same period Jackson, Kiowa, and Tillman counties realized declines in their construction sector employment with 28, 19, 27 lost jobs respectively.

Looking at the Government and Trade Employment graph we see that Government employment for the region declined, while Trade employment for the region increased. Government Employment fell by 1.2% in 2nd Qtr 2001, but remained above the 17,000 job level for the third straight quarter at 17,181 employed. On the year government employment has grown by 2.7% in our regions thirteen counties.

Government employment among the individual counties including Caddo, Custer, Dewey, and Washita counties fell significantly with decreases of 150, 94, 27, and 53 jobs respectively or did not change. Kiowa county was the only county that had a significant increase in the 2nd Qtr 2001 with 102 new government jobs. Over the last four quarters Caddo and Kiowa counties have had the greatest growth with 317 new jobs and 134 new jobs respectively. Custer county has seen the largest decrease in government sector employment over the last four quarters with 40 less government employees.

Moving on to Trade employment in our region, we see that it has jumped back above the 12,000 mark to 12,142 in the 2nd Qtr 2001. This represents 3.0% growth from 1st Qtr 2001 to 2nd Qtr 2001 for the regions trade sector and is only the second highest level of employment achieved during the time period covered.

Individually each of the thirteen regional counties trade sectors employment levels were all up except for Dewey, Ellis, Harmon, and Roger Mills county. These four counties either declined slightly or experienced no change in their trade sector employment levels. The remaining nine counties all had double digit increases in their trade sector employment. Some of the largest increases were experienced in Blaine county with 48 more laborers employed, Caddo county with 80 more laborers employed, and Jackson county with 49 more laborers employed.

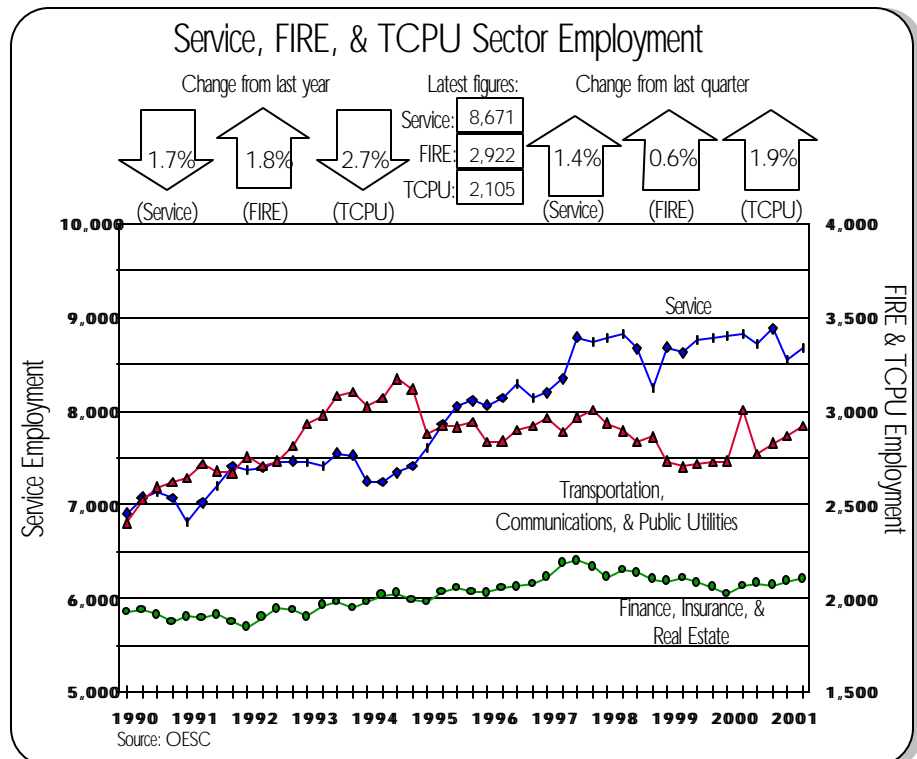
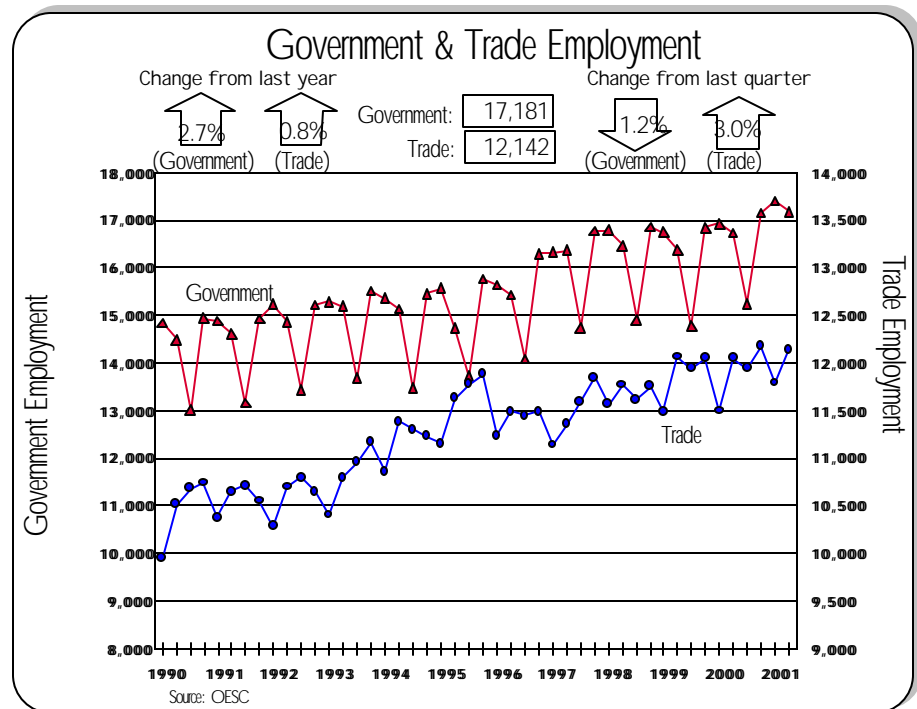
Over the past year eight of the thirteen counties has seen declining trade sector employment these are Blaine (-47), Caddo (-14), Custer (-40), Dewey (-17), Ellis (-25), Greer (-8), Kiowa (-28), and Tillman (-3) county. Jackson county lead those counties that increased with 96 more laborers employed followed by Beckham county with 88 more employed, Washita county with 69 more employed, Roger Mills county with 22 more employed, and Harmon county with 4 more employed.

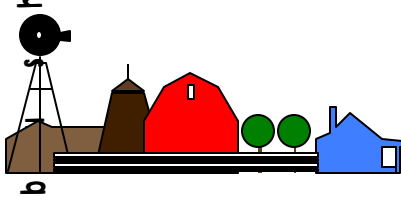
Finally, we will be looking at our regions Service, FIRE, and TCPU sector employment levels for the 2nd Qtr 2001. Starting with the Services we see that the sectors employment in the thirteen regional counties has increased by 1.4% from 2nd Qtr 2001 to 1st Qtr 2001 to reach 8,671 employed. This represents a 1.7% decrease from 2nd Qtr 2000.

FIRE, or Finance, Insurance, and Real Estate, sector employment we see that there has been a marginal 0.6% increase in the 2nd Qtr 2001. The 2,105 laborers employed in the FIRE sector represent a 1.8% increase since 2nd 2000.

In our final data series, we see that TCPU or Transportation, Communications, and Public Utilities sector employment increased for the third quarter in a row with a 1.9% growth rate for 2nd Qtr 2001. This increase brought the employment up to 2,922 and represents a 2.7% decrease from 2nd Qtr 2000's employment levels.

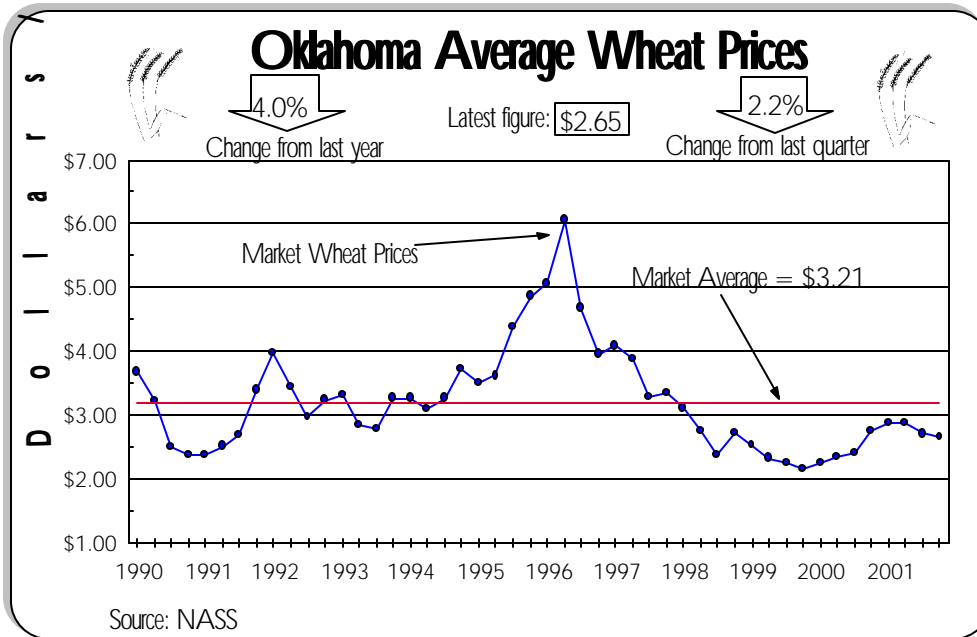
In conclusion, employment in the region continues to rebound as the labor force grows in the 2nd Qtr 2001. Because of this the unemployment rate for the region has continued to drop.





Agriculture

by: Jon Chiappe and Stephen Nelson



In 4th Qtr 2001, Oklahoma average quarterly wheat prices fell six cents from \$2.71/bu in 3rd Qtr 2001 to \$2.65/bu in 4th Qtr 2001. The most recent quarterly price decrease translates into a 2.2% fall. Between 4th Qtr 2000 and 4th Qtr 2001, average quarterly wheat prices fell 11¢/bu (or 4.0%).

In the previous issue of the *Great Plains General Business Index*, we reported the average price for the

whole time period to be \$3.22/bu. With wheat prices remaining low, the average for the whole time period dropped by one penny to \$3.21/bu. This means that 4th Qtr 2001 wheat prices remain 56¢/bu lower than the average market price for the whole time period. The last quarter in which average quarterly wheat prices were higher than the average for the whole time period occurred in 4th Qtr 1997 when average quarterly wheat prices equaled \$3.35/bu.

Regarding the wheat crop, Arlan Suderman reported in mid-January that "this week's U.S. Department of Agriculture crop progress and condition report showed slight improvement in the winter wheat crop, reflecting recent rainfall in some areas. However, the crop ratings are still tied for the lowest ratings of the past 15 years that the U.S. Department of Agriculture has kept such records" (Arlan Suderman, "Winter Wheat Enters Dormancy in Poor Condition", Oklahoma Farmer-Stockman Online, www.oklahomafarmerstockman.com, January 23, 2001). Also noted by Suderman is that wheat prices are more likely to be affected by increased demand than a poor outlook for the upcoming wheat crop.

At the end of December, the wheat crop in Kansas was reported to be similarly drought-stressed. The Kansas Association of Wheat Growers reported that "dry conditions continue to persist in many areas of the state. Wheat remains drought-stressed in these dry areas with poorly developed root systems." The Kansas Association of Wheat Growers goes on to report the condition of the current crop with 35% of the Kansas crop as in good condition and only 7% in excellent condition. ("Soil Moisture Problems Dominate at End of the Year", Kansas Agricultural Statistics Service, www.wheatonline.com, December 31, 2001.)

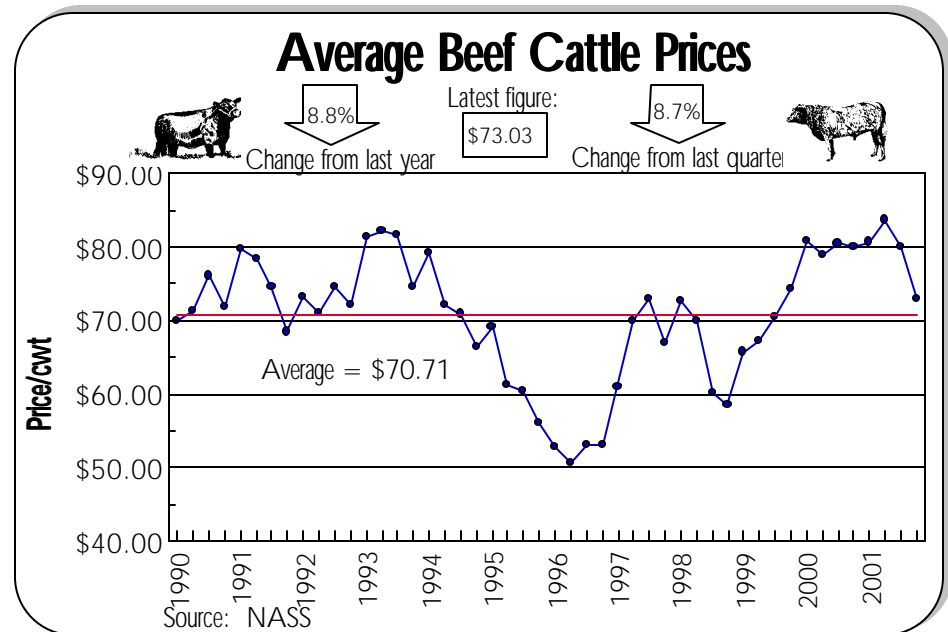
Despite these poor wheat conditions in Oklahoma and Kansas, the International Grain Council projected

boosts in world wheat stocks. The International Grain Council places world wheat production at 578 MMT, which is less than the 584 MMT production from one year ago, but 4 MMT higher than their November estimate. ("IGC raises world wheat/coarse grain stocks", Julianne Johnston, www.agweb.com, January 24, 2002.)

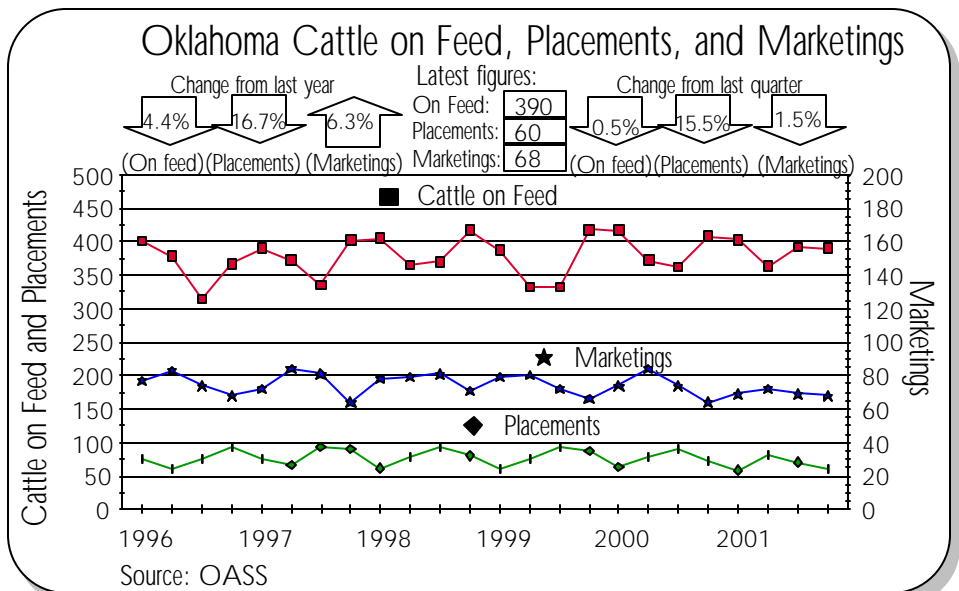
Moving to livestock, average quarterly beef cattle prices have fallen for two consecutive quarters after reaching a high of \$83.70/cwt in 2nd Qtr 2001.

Although beef cattle prices have sustained two consecutive quarters of falling prices, they remain \$2.32/cwt above the average price for the whole time period.

Between the two most recent quarters, beef cattle prices have fallen from \$80.00/cwt in 3rd Qtr 2001 to \$73.03/cwt in 4th Qtr 2001. This quarterly price decline represents an 8.7% (or \$6.97/cwt) quarterly decline. Compared to 4th Qtr 2000, beef cattle prices fell \$7.00/cwt (or 8.8%). As can be seen from the accompanying graph, the last time that average quarterly beef cattle prices were lower than 4th Qtr 2001 occurred in 3rd Qtr 1999 when beef cattle prices were \$70.59/cwt.



Average quarterly placements were 60,000 head, down 15.5% from the 3rd Qtr 2001. This represents a 16.7% decrease from 4th Qtr 2000 to 4th Qtr 2001. Marketings were 68,000 head, down 1.5% from the previous quarter, while up 6.3% from the previous year. Cattle on feed totaled 390,000 head in 4th Qtr 2001, which was down slightly from 3rd Qtr 2001.





by: Jon Chiappe

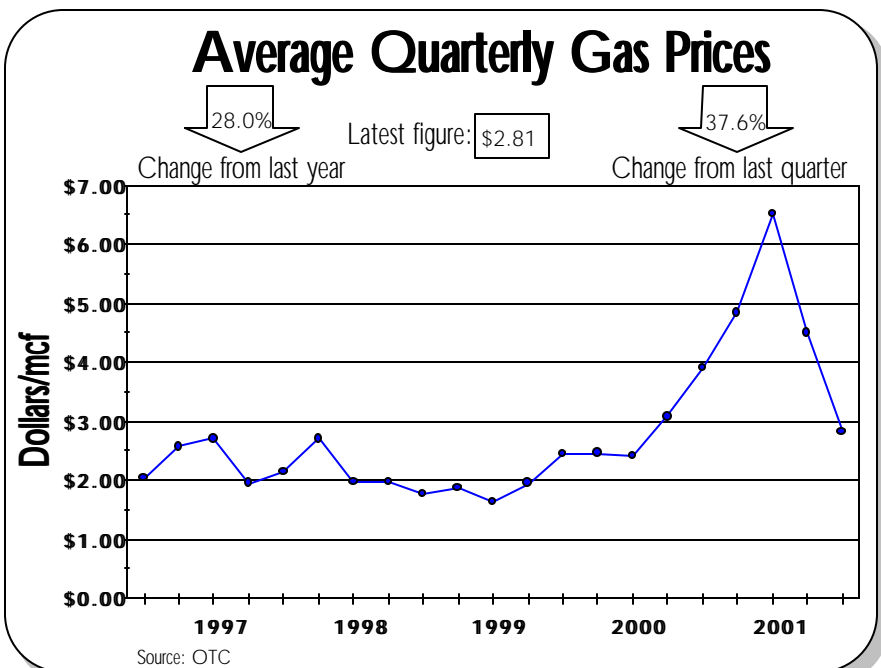
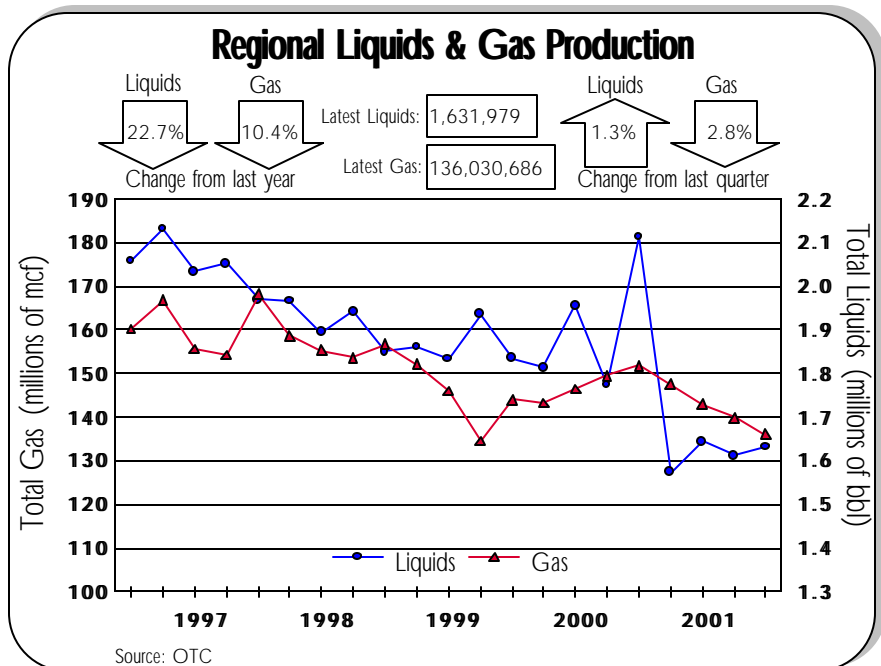
The most recent oil & gas production data from the Oklahoma Tax Commission indicates that regional liquids production increased from the previous quarter while regional gas production decreased from the previous quarter.

Regional liquids production has remained relatively stable since 4th Qtr 2000 when regional production plummeted 25.5% (over 500,000 bbls) from 3rd Qtr 2000. Between 2nd Qtr 2001 and 3rd Qtr 2001, regional liquids production increased 1.3% (or by 20,148 bbls). Regional liquids production fell 22.7% (or by 480,812 bbls) from 3rd Qtr 2000.

Regional gas production decreased 2.8% (or 3,888,550 mcf) between 2nd Qtr 2001 and 3rd Qtr 2001. The Oklahoma Tax Commission revised gas production data again, and the 33.8% production decrease reported in last quarter's *Great Plains General Business Index* has turned out to be only a 2.1% production decrease between 1st Qtr 2001 and 2nd Qtr 2001.

Moving to energy prices, both the average quarterly gas prices and the average quarterly oil prices regularly reported in the *Great Plains General Business Index* are the prices received by producers in the thirteen counties in southwest & west central Oklahoma. With production data, we receive the price information from the Oklahoma Tax Commission and graph it for inclusion in the *Great Plains General Business Index*. While these prices are specific to western Oklahoma, they are influenced by market supply & demand as well as by world events.

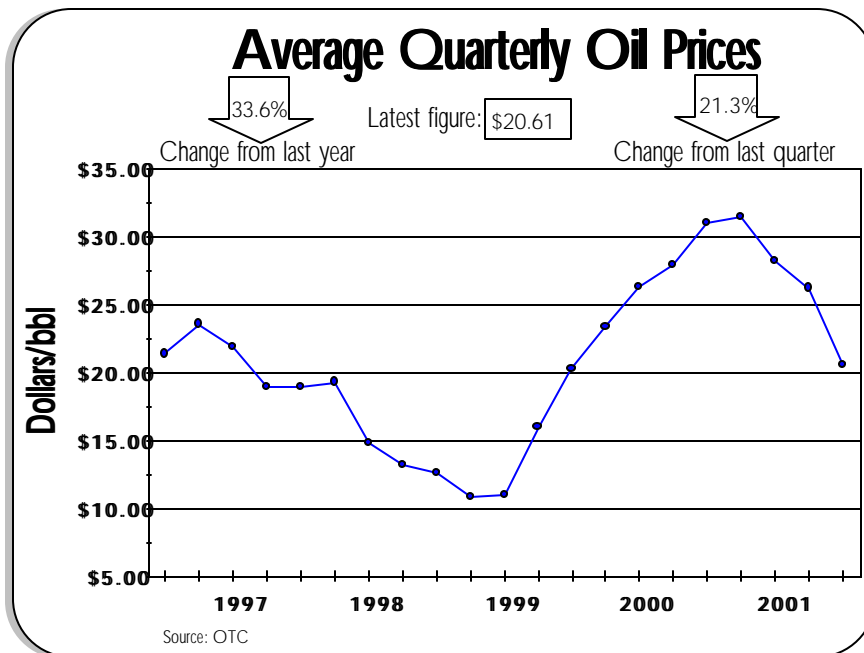
Average quarterly gas prices experienced its second consecutive quarterly decline and fell below \$3.00/mcf for the first time since 1st Qtr 2000. While the 37.6% quarterly decrease is the greatest percentage quarterly decrease in the graphed time period, it is not the greatest absolute quarterly



decrease. Between 2nd Qtr 2001 and 3rd Qtr 2001, average quarterly natural gas prices fell \$1.70/mcf. The greatest absolute quarterly decrease occurred between 1st Qtr 2001 and 2nd Qtr 2001 when natural gas prices fell \$2.00/mcf (or 30.7%). While the quarterly price decrease was sizeable, the most recent average quarterly gas prices remain slightly higher than the average quarterly gas prices reported from 3rd Qtr 1996 to 1st Qtr 2001.

The Energy Information Administration credits relatively warm winter weather at the end of 2001 and an economic slowdown as contributing to the falling natural gas prices. Natural gas demand was 19.1% lower among gas-intensive industrial producers, excluding utilities, in 2001 when compared with 2000. According to the EIA, manufacturing production was 4.5% lower in 2001 than in 2000. Prompted by warmer winter weather, weaker residential demand, which fell 5.0% between 2000 and 2001, for natural gas also contributed to the falling natural gas prices. (*Short-Term Energy Outlook*, Energy Information Administration, January, 2002.)

The *Oil & Gas Journal* also cites warmer winter weather as contributing to the falling natural gas prices. In the December 17, 2001 *Oil & Gas Journal*, the publication reported that "since the beginning of the heating season, November 1, the U.S. has seen temperatures 26% higher than normal and 32% higher than last year." The journal goes on to state that "lagging seasonal demand has prompted unusually late injections into storage" and that working gas in storage was at 95% of capacity. (*Newsletter, Oil & Gas Journal*, December 24, 2001, page 5.)



While average quarterly gas prices reached its peak in 1st Qtr 2001, average quarterly oil prices reached its peak one quarter earlier, in 4th Qtr 2000, and have decreased in each of the three quarters since then. From its high in 4th Qtr 2000, average quarterly oil prices have fallen \$10.83/bbl (or 34.4%). Over half of the oil price decrease from 4th Qtr 2000 occurred between 2nd Qtr 2001 and 3rd Qtr 2001 when average quarterly oil prices fell \$5.59/bbl (or 21.3%). What is more, this quarterly decrease represents the largest absolute quarterly decrease in the graphed time period.

It has been two years since average quarterly oil prices have been as low

as those prices reported in 3rd Qtr 2001. In 3rd Qtr 1999, average quarterly oil prices stood at \$20.27/bbl, which is only slightly lower than the \$20.61/bbl prices reported for 3rd Qtr 2001. As can be seen from the graph, 2nd Qtr 1999 was the last quarter in which average oil prices were below \$20/bbl. As this is being written, the spot prices for major crude oil varieties are trading below \$20/bbl which may portend further reductions in average quarterly oil prices for the Great Plains region. On January 16, 2002, spot prices for *Saudi Arabian Light* (fob) were \$18.29/bbl, spot prices for *North Sea Brent* stood at \$18.55/bbl, and spot prices for *West Texas Intermediate* (fob) were \$18.88/bbl. (Source: Energy Information Administration, U.S. Department of Energy, <http://www.eia.doe.gov/emeu/international/crude1.html>)

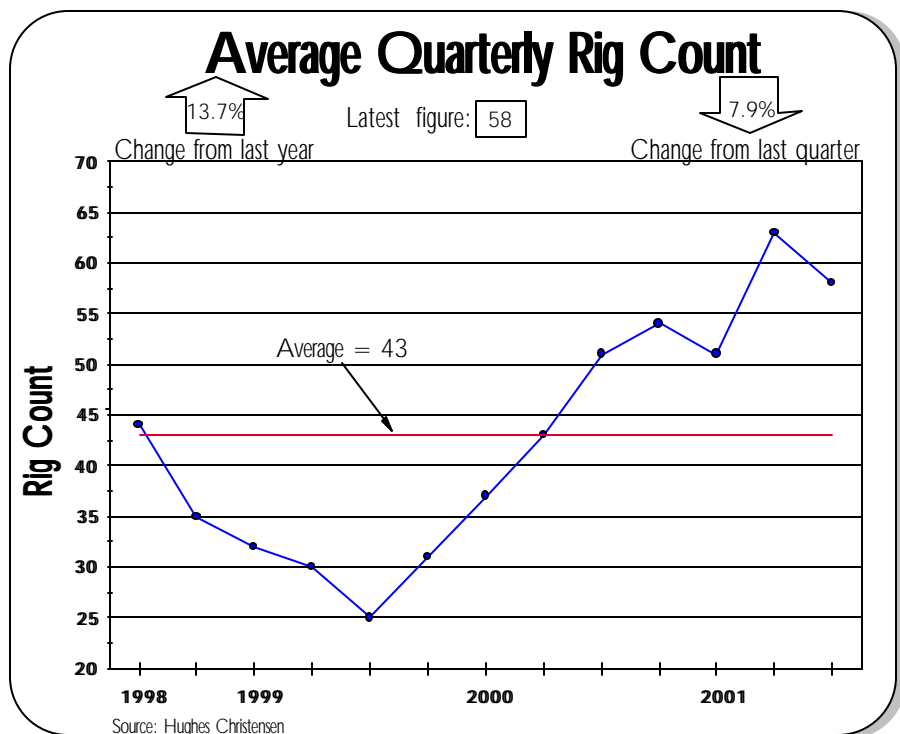
As we reported in the Regional Employment section, Mining sector employment, which refers primarily to Oil & Gas employment, has fared relatively well up until 2nd Qtr 2001. However, if energy prices remain at this level or continue to drop, regional Mining sector employment may react negatively to the price changes in the coming quarters. In 2nd Qtr 1999, when average quarterly oil prices were below \$20/bbl and average quarterly gas prices were below \$2.00/mcf, regional Mining sector employment stood at 1,263 jobs. In 2nd Qtr 2001, the most recent quarter for which there is information, regional Mining employment stood at 1,594 jobs.

In an effort to boost oil prices, OPEC reached an agreement with non-OPEC nations to reduce oil production by nearly 2 million bbls/day beginning January 1, 2002. Of this production cut, OPEC nations will reduce their quotas by a combined 1.5 million bbls/day over the first six months in 2002. Other non-OPEC nations, including Angola, Mexico, Norway, Oman and Russia, have agreed to production cuts totaling 462,500 bbls/day over the next six months. OPEC nations favored the production cuts, but only agreed to them after receiving production cut commitments from the non-OPEC nations. (*Short-Term Energy Outlook*, Energy Information Administration, January, 2002.)

On three occasions during 2001, OPEC cut its production quotas by 3.5 million bbls/day. But during the same time, non-OPEC nations, led by Russia, increased its production by 500,000 bbls/day. With OPEC slashing its production and non-OPEC nations increasing production during the year, OPEC lost market share to non-OPEC nations and was unwilling to further cut its production quotas on January 1, 2002 unless non-OPEC producers also pledged to cut production as well. (*Newsletter, Oil & Gas Journal*, December 24, 2001, page 5.)

The Energy Information Administration expects that these production cuts, as well as renewed strength in the world's industrialized countries, will raise oil prices gradually during 2002. The EIA expects the West Texas Intermediate price to increase to the \$25-26/bbl range by the end of 2002. (*Short-Term Energy Outlook*, Energy Information Administration, January, 2002.)

Average quarterly rig count peaked at 63 rotary rigs in 2nd Qtr 2001, but the number of active rigs may have begun responding to lower oil & gas prices in 3rd Qtr 2001. Between those two quarters, average quarterly rig count fell by five active rigs (-7.9%). Even with this quarterly decrease, the number of active rotary rigs stood at its second-highest level in the graphed time period. Compared to 3rd Qtr 2000, the average quarterly rig count in the thirteen counties in southwest & west central Oklahoma increased by seven active rigs (13.7%). Additionally, the most recent quarterly rig count is fifteen rotary rigs above the average rig count for the entire time period.



In the state of Oklahoma, the average quarterly rig count decreased from 149 rotary rigs in 2nd Qtr 2001 to 145 active rotary rigs in 3rd Qtr 2001. In 3rd Qtr 2001, the thirteen counties in southwest & west central Oklahoma accounted for 40.0% of the active rotary rigs in the state. Nationally, the average quarterly rig count continued to increase between the second and third quarters. The national active rig count equaled 1237 rotary rigs in 2nd Qtr 2001 and increased to 1241 rotary rigs in 3rd Qtr 2001.



Financial

by: Jon Chiappe

In this quarter's publication, information specific to the 57 banks in the thirteen counties in southwest & west central Oklahoma will be compared with the same information from the 33 banks in twelve counties in southeastern Oklahoma. The twelve counties in southeastern Oklahoma are primarily rural counties similar to the rural counties in southwest & west central Oklahoma. Those twelve southeastern Oklahoma counties are: Atoka, Bryan, Choctaw, Coal, Haskell, Hughes, Latimer, Le Flore, McCurtain, McIntosh, Pittsburg, and Pushmataha counties. The largest cities in southeastern Oklahoma are McAlester (2000 population 17,783), Durant (2000 population 13,549), and Poteau (2000 population 7,939). Population figures are reported by the U.S. Census Bureau and the Oklahoma Department of Commerce.

Financial Condition of Commercial Banks in the Great Plains Region

(dollar figures are in thousands)

	Jun 2001	Mar 2001	% Change ¹	June 2000	% Change ¹
Total Assets	1,441,772	1,412,815	2.05	1,364,741	5.64
Total Deposits	1,226,996	1,208,690	1.51	1,171,173	4.77
Demand Deposits	144,557	137,263	5.31	142,076	1.75
Time Deposits	1,082,439	1,071,426	1.03	1,029,096	5.18
Total Loans	771,026	772,323	-0.17	714,811	7.86
Commercial & Industrial	140,068	137,199	2.09	131,703	6.35
Real Estate	327,763	315,955	3.74	308,349	6.30
Individual	102,882	100,565	2.30	99,999	2.88
Agricultural Production	193,444	211,128	-8.38	168,678	14.68
Financial Ratios					
Loan-to-Deposit	62.84	63.90	-1.66	61.03	2.96
Securities/Total Assets	31.76	32.30	-1.67	36.50	-12.99
Capital Adequacy (Leverage)					
Core Capital/Assets	11.01	11.08	-0.63	11.23	-1.96
Asset Quality					
Nonperforming Loans/Gross Loans	2.02	1.87	8.02	1.70	18.82
Earnings Profitability					
Return on Average Assets	1.4	1.47	-4.76	1.57	-10.83
Liquidity					
Liquid Assets/Liabilities	19.07	18.30	4.21	16.17	17.93

(1) Compared to Current Quarter

* Adjusted for Inflation (82-84 = 100)

Source: FDIC Call Reports

Total Assets held by financial institutions in the Great Plains region increased 2.0% (or by \$28.957 million) from the end of 1st Qtr 2001 to the end of 2nd Qtr 2001. Between 2nd Qtr 2000 and 2nd Qtr 2001, Total Assets increased 5.6% (or \$77.031 million) among the financial institutions in the Great Plains region. Among the financial institutions in southeastern Oklahoma, Total Assets managed a 1.0% (or \$18.287 million) quarterly gain and an 8.7% (or \$143.541 million) yearly gain.

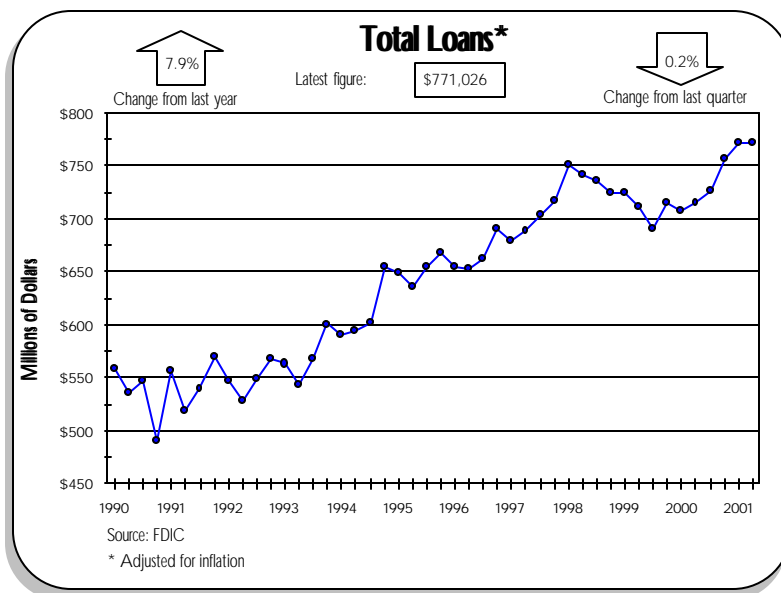
For the state of Oklahoma, Total Assets increased 0.7% (or \$29.294 million) from the previous quarter and increased 6.2% (or \$223.533 million) from the previous year. Nationally, Total Assets held by FDIC-Insured Commercial Banks increased by similar percentages to those reported in the state of Oklahoma. The quarterly increase was 0.7% (or \$44.841 billion) and the yearly increase was 6.3% (or \$376.690 billion) among all the FDIC-Insured Commercial Banks in the nation. (*The FDIC Quarterly Banking Profile*, FDIC, Second Quarter, 2001.)

Quarterly gains in both Demand and Time Deposits caused Total Deposits to increase 1.5% (or \$18.306 million) in the Great Plains region from 1st Qtr 2001. Similarly, yearly gains in each of the Total Deposit components caused Total Deposits to increase 4.8% (or \$55.823 million) from 2nd Qtr 2000. As one of the components of Total Deposits, Demand Deposits posted a 5.3% quarterly gain and a 1.8% yearly gain. As the other component of Total Deposits, Time Deposits posted a 1.0% quarterly and a 5.2% yearly gain.

In a quarterly comparison with the financial institutions in southeastern Oklahoma, Total Deposits increased by a greater absolute amount and a greater percentage in the Great Plains region than in southeastern Oklahoma. Between the end of 1st Qtr 2001 and the end of 2nd Qtr 2001, Total Deposits managed only a 0.3% gain (\$4.656 million) in southeast Oklahoma compared to a 1.5% quarterly gain in southwest & west central Oklahoma. However, when compared to the previous year, the financial institutions in southeast Oklahoma managed greater gains in Total Deposits than the financial institutions in southwest & west central Oklahoma. From 2nd Qtr 2000, Total Deposits increased 7.6% (or by \$109.533 million) in southeast Oklahoma compared to a 4.8% yearly gain in the Great Plains region.

As a whole, financial institutions in Oklahoma managed a 0.9% (or \$63.364 million) quarterly gain and managed a 6.8% (or \$289.299 million) yearly gain in Total Deposits. Among all the FDIC-Insured Commercial Banks in the United States, Total Deposits increased 1.4% (or \$58.263 billion) between the end of 1st Qtr 2001 and the end of 2nd Qtr 2001. Between 2nd Qtr 2000 and 2nd Qtr 2001, Total Deposits increased 6.3% (\$376.690 billion) in the nation. (*The FDIC Quarterly Banking Profile*, FDIC, Second Quarter, 2001.)

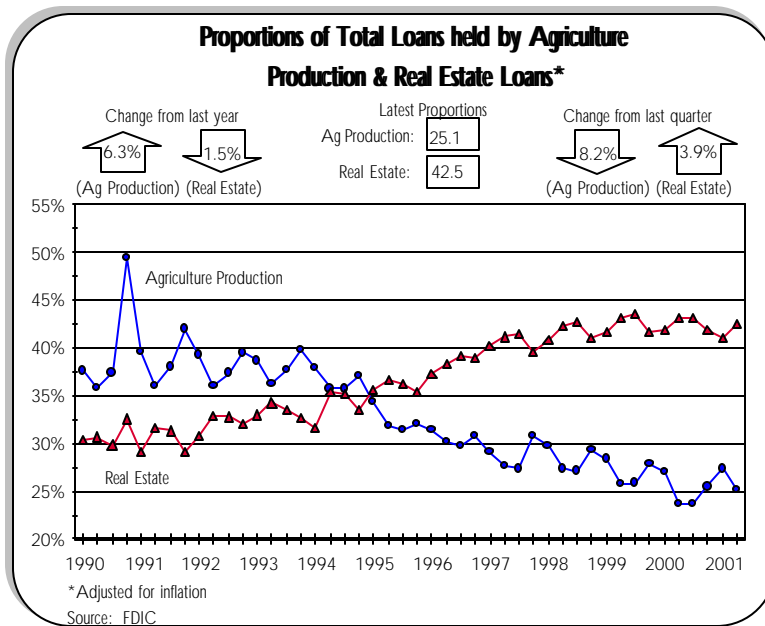
Three of the four components of Total Loans managed quarterly increases, but a sizeable decrease in Agricultural Production loans (down 8.4% or \$17.684 million) negated the quarterly gains of the other three components to produce a 0.2% (or \$1.297 million) quarterly decline in Total Loans in southwest & west central Oklahoma. This quarterly decline in Total Loans represents the first time that Total Loans has decreased in the Great Plains region since 1st Qtr 2000. Even with this quarterly decrease, Total Loans remained at its second-highest point for the whole time period.



Total Loans managed a 7.9% yearly increase (\$59.215 million) between 2nd Qtr 2000 and 2nd Qtr 2001 in the Great Plains region. Each of the four loan components contributed to the yearly gain with Agricultural Production (14.7% or \$24.766 million) and Real Estate (6.3% or \$19.414 million) loans contributing the most to the yearly increase. Combined, those two components accounted for 74.6% of the yearly increase in Total Loans.

Whereas there was a quarterly decrease in Total Loans in southwest & west central Oklahoma, the financial institutions in southeast Oklahoma experienced a quarterly increase (1.9% or \$19.288 million) in Total Loans. Each of the four components contributed to the quarterly increase in

southeast Oklahoma, but Real Estate Loans (up 2.5% or \$13.658 million) loans accounted for the greatest share of the increase. From the end of 2nd Qtr 2000, Total Loans increased 11.1% (or by \$102.548 million) in southeast Oklahoma



with the Commercial & Industrial Loans component (up 24.2% or \$42.129 million) accounting for a significant share of the yearly increase.

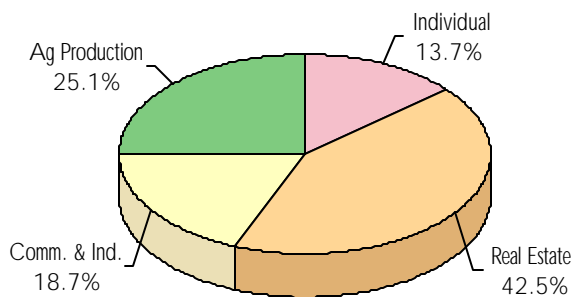
Between 3rd Qtr 2000 and 1st Qtr 2001, the proportions of Total Loans held by Real Estate and Agricultural Production loans have been on convergent paths. The proportion of Total Loans held by the Real Estate component decreased from 43.2% in 3rd Qtr 2000 to 40.9% in 1st Qtr 2001. The Agricultural Production proportions increased from 23.7% to 27.3% over the same time period. The two components of Total Loans resumed divergent paths between 1st Qtr 2001 and 2nd Qtr 2001 with the Real Estate proportion increasing to 42.5% and the Agricultural Production proportion decreasing to 25.1% of Total Loans in 2nd Qtr 2001.

The two pie charts below compare the proportions of Total Loans held by banks in

southwest Oklahoma to the same proportions in southeast Oklahoma. As can be readily observed, Agricultural Production loans account for a much more sizeable share of Total Loans in southwest Oklahoma (25.1%) than in southeast Oklahoma (5.7%). Explanation for this difference may be provided by the Federal Reserve Bank of Kansas City. In *Financial Industry Perspectives* published by the Federal Reserve Bank of Kansas City, nine of the thirteen counties in southwest Oklahoma were identified by the as being "Farm-Dependent" counties whereas none of the twelve counties in southeast Oklahoma were designated as "Farm-Dependent" counties. ("2001 Survey of Commercial Banks in the Tenth District", *Financial Industry Perspectives*, Federal Reserve Bank of Kansas City, December, 2001, page 2.)

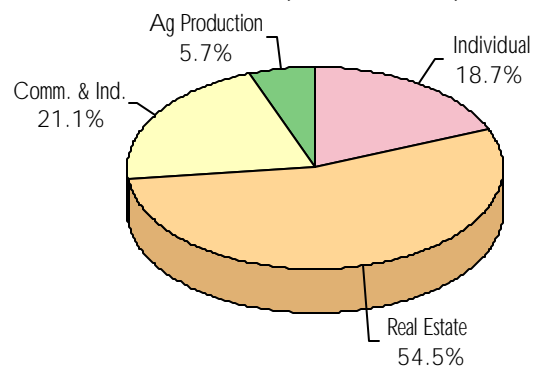
Other than Agricultural Production loans accounting for a much greater share of Total Loans in southwest Oklahoma than in southeast Oklahoma, the other noticeable difference would be the differences in Real Estate Loans. In southeast Oklahoma, Real Estate loans account for more than half (54.5%) of Total Loans. In southwest Oklahoma, Real Estate loans still account for the greatest proportion of Total Loans (42.5%), but it is not as great a proportion as observed in southeast Oklahoma.

Proportions of Total Loans held by Banks in
Southwest Oklahoma (2nd Qtr 2001)



Source: FDIC

Proportions of Total Loans held by Banks in
Southeast Oklahoma (2nd Qtr 2001)



Comparing some of the financial ratios reported for the banks in southwest Oklahoma with those ratios reported for the banks in southeast Oklahoma, the loan-to deposit ratio was higher among the banks in southeast Oklahoma (66.4%) than in southwest Oklahoma (62.8%) for 2nd Qtr 2001. Additionally, while the loan-to deposit ratio decreased (-1.6%) from the previous quarter in southwest Oklahoma, it increased (1.7%) among the banks in southeast Oklahoma. This indicates that, as a whole, the banks in southeast Oklahoma are lending more of the funds deposited at their institutions than the banks in southwest Oklahoma.

Asset Quality, as measured by dividing nonperforming loans by gross loans, was slightly better among the financial institutions in southeast Oklahoma (1.4%) than in southwest Oklahoma (2.0%). For this measure of Asset Quality, it is preferable to have a lower ratio. From 1st Qtr 2001, Asset Quality deteriorated slightly in southwest Oklahoma since the ratio increased 8.0% from 1st Qtr 2001. Among the financial institutions in southeast Oklahoma, Asset Quality improved from the previous quarter since it decreased 10.8%.

Earnings Profitability, as measured by the return on average assets, deteriorated slightly among the financial institutions in southwest Oklahoma between 1st Qtr 2001 and 2nd Qtr 2001. Between those two quarters, earnings profitability fell from 1.47% to 1.40% in southwest Oklahoma. In southeast Oklahoma, Earnings Profitability improved over the same two quarters from 1.58% to 1.69%.

Between 1st Qtr 2001 and 2nd Qtr 2001, Liquidity improved 4.2% among the financial institutions in southwest Oklahoma. The ratio of Liquid Assets to Liabilities improved to 19.1% in 2nd Qtr 2001 for the institutions in southwest Oklahoma. In southeast Oklahoma, the Liquidity ratio fell from 20.7% in 1st Qtr 2001 to 19.6% in 2nd Qtr 2001.

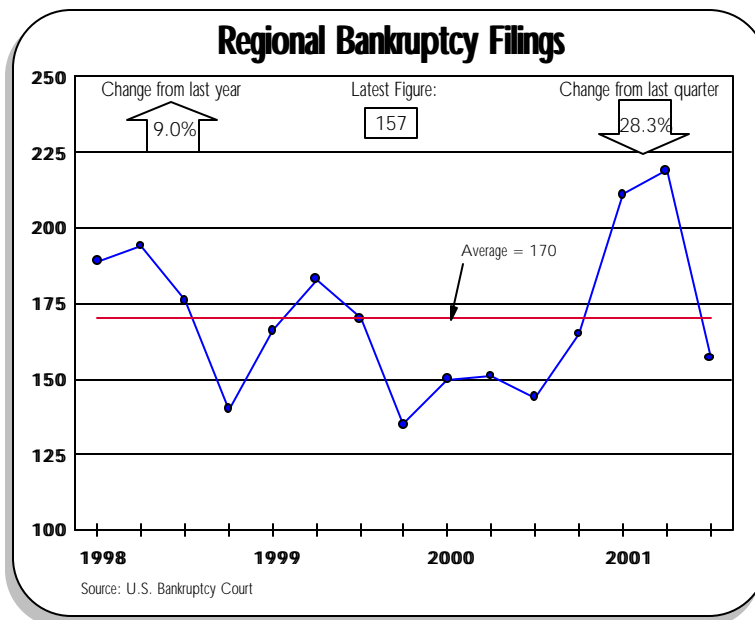
Ending the discussion of bank financial ratios, and moving to regional bankruptcy filings, initial bankruptcy filings have fallen in the Great Plains region between every second and third quarters of the year since 1998. What is more, the decrease in initial bankruptcy filings between 2nd Qtr 2001 and 3rd Qtr 2001 represents not only the greatest percentage decrease but also the greatest absolute decrease for any quarter since 1st Qtr 1998. The 28.3% quarterly decrease in initial

bankruptcy filings translates into 62 fewer initial filings in 3rd Qtr 2001 than in 2nd Qtr 2001. This quarterly decrease also backed initial bankruptcy filings off the highest level of initial filings for the whole time period, 219 initial filings in 2nd Qtr 2001, and the decrease also placed the most recent quarterly filings below the average for the whole time period. However, even with the substantial quarterly decrease, initial bankruptcy filings remained thirteen filings higher (or 9.0%) when compared to 3rd Qtr 2000.

Moving to interest rates, in the 2001 calendar year, The Federal Open Market Committee (FOMC) reduced the federal funds rate eleven times a total of 425 basis points. These eleven reductions were not only the most interest rate changes in any year since 1990, but also these combined reductions were the greatest basis point changes over the course of any year since 1990. The only other year in which the FOMC reduced the federal funds rate a similar

number of times occurred in 1991 when the FOMC reduced the federal funds rate ten times by a total of 275 basis points. The FOMC uses changes in the federal funds rate as one tool to implement monetary policy for the nation, and changes in this interest rate affect other interest rates as well.

In 4th Qtr 2001, the Federal Open Market Committee reduced the federal funds rate on three occasions a total of 125 basis points. The FOMC reduced the federal funds rate by 50 basis points each on October 2 and November 6, and on December 11 the FOMC reduced the federal funds rate by an additional 25 basis points.

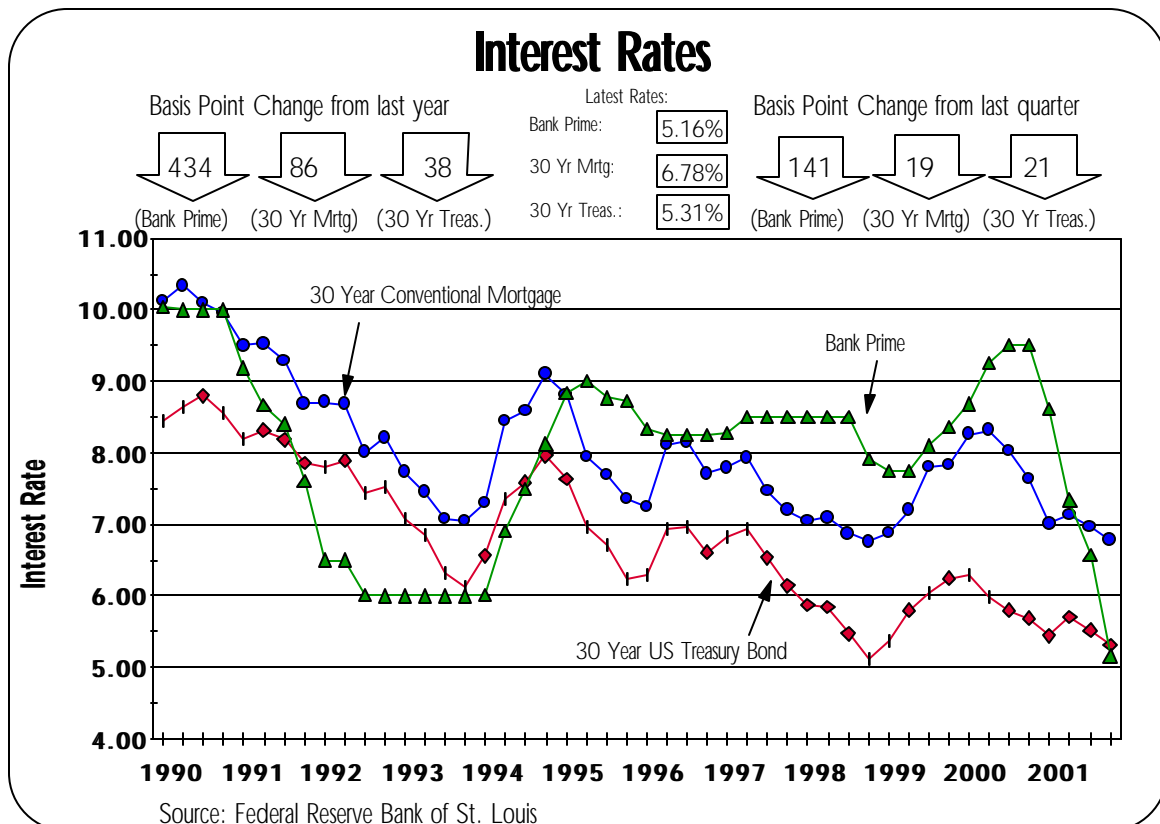


Each of the three interest rates tracked in the accompanying graph experienced both quarterly and yearly reductions. As can be seen from the graph, the most drastic reductions were experienced by the bank prime interest rate, which fell 141 basis points from the previous quarter and fell 434 basis points from the previous year. These interest rate decreases placed the Bank Prime rate at its lowest level for the whole time period. The previous low points for the Bank Prime rate occurred between 4th 1992 and 4th Qtr 1993 when the Bank Prime rate equaled 6.0%.

The quarterly interest rate decrease between 2nd Qtr 2001 and 3rd Qtr 2001 placed the bank prime rate below the 30-Year Conventional Mortgage rate for the first time since 4th Qtr 1994 when the Bank Prime rate stood at 8.13% and the 30-Year Mortgage rate stood at 9.1%. A further Bank Prime rate reduction between 3rd Qtr 2001 and 4th Qtr 2001 placed the Bank Prime rate below the 30-Year US Treasury Bond rate for the first time since 3rd Qtr 1994 when the Bank Prime rate stood at 7.5% and the 30-Year US Treasury Bond rate equaled 7.59%.

Usually the Bank Prime rate is higher than the other two interest rates because there is more risk associated with it than either the 30-Year Mortgage rate or the 30-Year US Treasury Bond rate. Mortgage lending is secured by real property while US Treasury Bonds are backed by the full faith and credit of the United States government. Borrowers at the Bank Prime rate are the most creditworthy of normal bank customers, but there is still more risk associated with them. During economic slowdowns, there is a lower demand for money and this causes interest rates to fall - especially short-term interest rates like the federal funds rate and the Bank Prime interest rate.

Regarding the other two interest rates graphed below, the quarterly decrease for the 30-Year Mortgage rate equaled 19 basis points while quarterly decrease for the 30-Year Treasury Bond rate equaled 21 basis points. From 4th Qtr 2000, the mortgage rate fell 86 basis points while the Treasury Bond rate fell 38 basis points. The 4th Qtr 2001 spread between the 30-Year Mortgage interest rate and the 30-Year Treasury Bond rate equaled 147 basis points, which remained relatively stable from 3rd Qtr 2001 when the spread equaled 149 basis points.





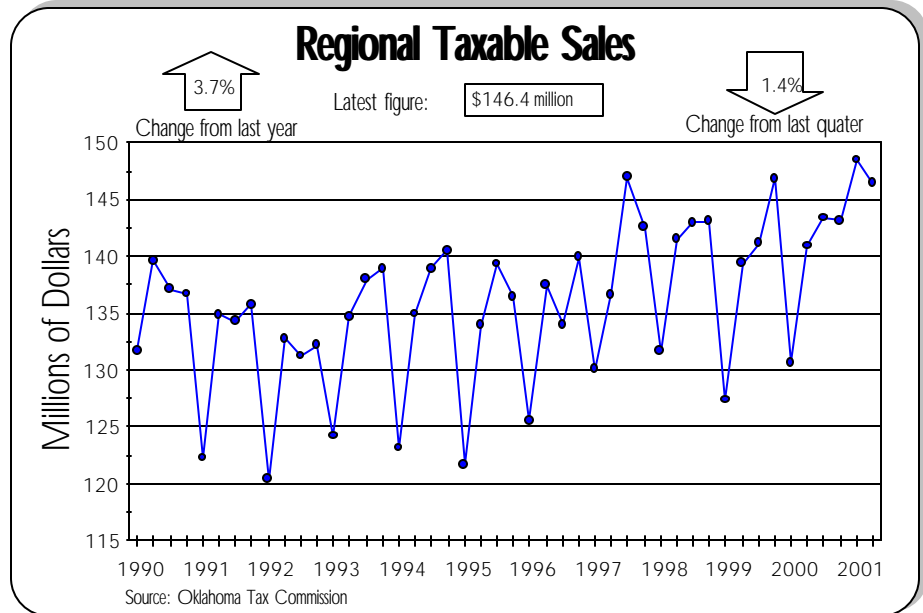
Taxable Sales

by Stephen Nelson



Taxable Sales for the 2nd Qtr 2001 were down by 1.4% from the previous quarter. The 2nd Qtr 2001 is the only second quarter of any year to experience a decline during the time period that the *Great Plains General Business Index* covers. This unusual decline of \$2.01 million can be explained by the high gains our region posted in taxable sales in the 1st Qtr 2001. Despite the quarterly decline, taxable sales is up 3.9% or \$5.530 million from 2nd Qtr 2000. It looks as if this drop is simply a correction for the gains made by the Electric, Gas Utilities, and Sanitary Services sector in the 1st Qtr 2001. Taxable sales for this sector dropped by 28.4% in the fourteen selected cities in our region.

Individually, the thirteen counties covered in the *Great Plains General Business Index* experienced taxable sales results for the 2nd Qtr 2001 ranging from an increase of 40.4% in Roger Mills county to a decline of 11% in Dewey county. There were only three other counties that saw increases in their taxable sales besides Roger Mills county; which were Greer county with an increase of 4.7%, Custer county with an increase of 2.6%, and Blaine county with an increase of 2.1%. The remaining counties all saw their taxable sales decline in 2nd Qtr 2001, with the next largest drop behind Dewey county being Harmon county with a decline of 7.6%, followed by Tillman county with a decrease of 7.1%.



Comparative Sales Subject to Sales Tax

(millions of dollars)

	2nd Qtr 2001	1st Qtr 2001	% Change**	2nd Qtr 2000	% Change**
Beckham	\$30.654	\$30.836	-0.59%	\$26.371	16.24%
Blaine	\$6.388	\$6.256	2.12%	\$7.060	-9.52%
Caddo	\$17.836	\$18.656	-4.40%	\$16.875	5.69%
Custer	\$34.953	\$34.068	2.60%	\$31.912	9.53%
Dewey	\$2.764	\$3.106	-11.00%	\$2.469	11.98%
Ellis	\$2.011	\$2.061	-2.40%	\$1.973	1.91%
Greer	\$3.084	\$2.945	4.73%	\$3.078	0.20%
Harmon	\$1.542	\$1.669	-7.61%	\$1.533	0.57%
Jackson	\$29.074	\$30.854	-5.77%	\$32.423	-10.33%
Kiowa	\$5.939	\$5.988	-0.82%	\$5.735	3.55%
Roger Mills	\$2.590	\$1.844	40.45%	\$2.158	20.00%
Tillman	\$4.219	\$4.540	-7.07%	\$4.374	-3.55%
Washita	\$5.389	\$5.630	-4.28%	\$4.955	8.76%
Great Plains	\$146.442	\$148.452	-1.35%	\$140.917	3.92%

*Adjusted for inflation
 ** Compared to the current quarter
 Source: OTC/CEMR

Looking at taxable sales during the same quarter from the previous year one would see that ten out of the thirteen counties increased taxable sales. Of the three declining counties Jackson county had the largest percentage decline with a 10.3%

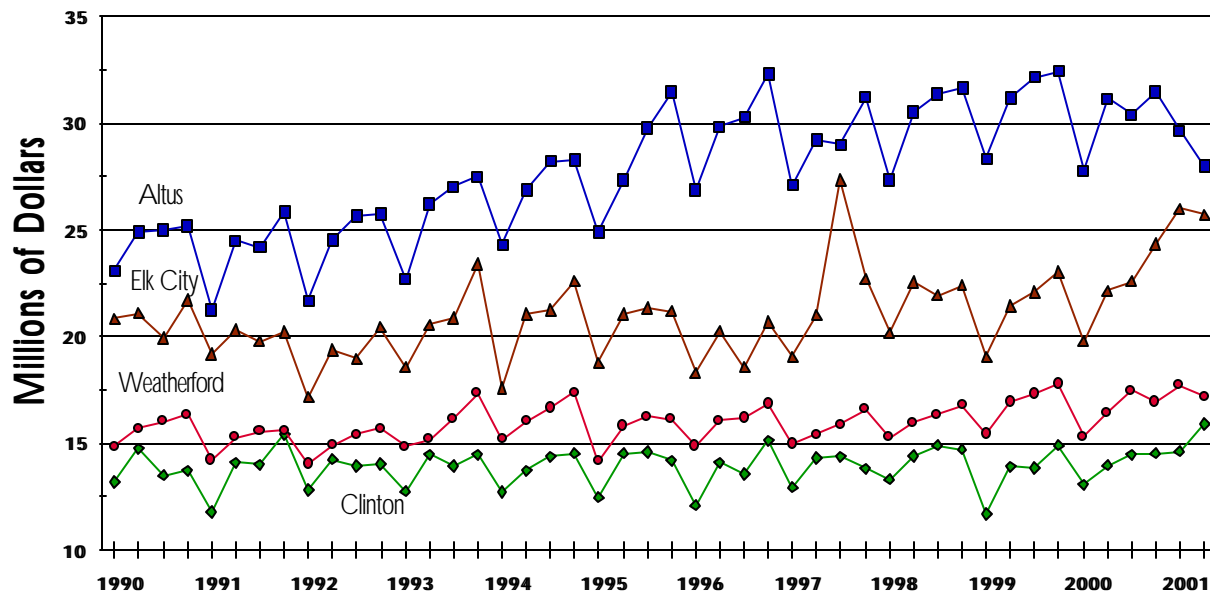
drop, Jackson county also had the greatest real decline with a \$3.350 million loss in taxable sales. Leading the way in percentage growth was Roger Mills county with a 20.0% jump in taxable sales. In terms of real taxable sales Beckham county had the largest increase from 2nd Qtr 2000 to 2nd Qtr 2001 with an increase of \$4.280 million in taxable sales.

Analysis of the taxable sales in the fourteen selected cities broken down by two digit standard industry code revealed, as previously stated, that the Electric, Gas, and Sanitary Services sector (SIC 49) experienced the largest real decline with a loss of \$3.29 million and the second largest percentage loss for the quarter. The largest percentage loss in 2nd Qtr 2001 was in the Motion Picture sector, which posted a 31.16% loss in taxable sales.

Comparing the data from the four largest cities in our region we see that Altus, Weatherford, and Elk City all experienced drops in their taxable sales. Altus experienced the greatest decline with a loss of 5.56% or \$1.65 million. Clinton was the only large city to gain taxable sales in 2nd Qtr 2001 with an increase of 8.67% or \$1.272 million. All the cities fared well when compared to the results of the previous two years except for Altus, which is down 10.1% and 10.22% when compared to 2nd Qtr 2000 and 2nd Qtr 1999 respectively.

In conclusion the regions taxable sales are down for the 2nd Qtr 2001, but the region is still growing when looking at the long term picture.

Taxable Sales For Selected Cities*



City	2001	1Q01	% Chg*	2000	% Chg*	2Q99	% Chg*
Altus	\$28.025	\$29.675	-5.56%	\$31.172	-10.10%	\$31.217	-10.22%
Clinton	\$15.929	\$14.657	8.67%	\$13.999	13.79%	\$13.922	14.42%
Elk City	\$25.725	\$26.005	-1.08%	\$22.185	15.96%	\$21.446	19.95%
Weatherford	\$17.205	\$17.740	-3.01%	\$16.466	4.49%	\$16.970	1.39%

*Adjusted for inflation

** Compared to the current quarter

Source: OTC/CEMR

Regional Focus on the General Merchandise Stores Sector



This quarter for the regional focus section of the *Great Plains General Business Index* we will be looking at the General Merchandise Stores sector (SIC 53). This sector as of the 2nd Qtr 2001 represents the largest percentage of total taxable sales in the fourteen regionally selected cities. The General Merchandise Stores sector includes Department stores, Variety stores, and Miscellaneous General Merchandise stores and represents 28.3% of taxable sales in the fourteen selected cities in our region.

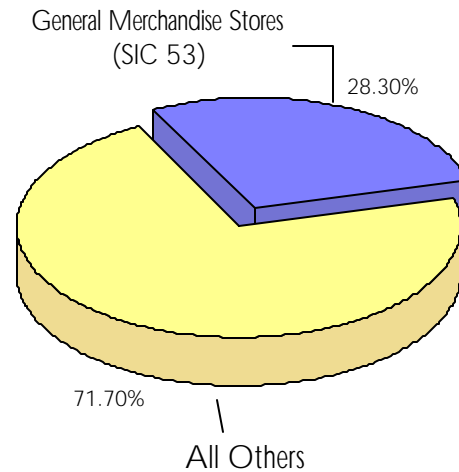
This represents a 1.7% increase in the General Merchandise sectors share of total taxable sales from 1st Qtr 2001, when the sector accounted for 26.6% of the total taxable sales for the fourteen selected regional cities. This represents a 6.4% gain from the previous quarters share of total taxable sales.

Moving on, from the 1st Qtr 2001 to the 2nd Qtr 2001 total taxable sales increased from \$30.061 million to \$34.114 million for a gain of \$4.053 million. This gain amounts to a 11.9% increase in the selected regional cities total taxable sales over the previous quarter. This increase is not unusual given the seasonality of the sector's sales. When compared to the total taxable sales in 2nd Qtr of 2000 we see that total taxable sales in 1st Qtr 2001 increased 17.7% or \$5.123 million.

Performance in the General Merchandise Stores sector varied among the individual cities with half of the fourteen seeing gains, while the other

seven experienced declines in their General Merchandise taxable sales for 2nd Qtr 2001. The seven cities that experienced increases in their taxable sales for this sector combined for increases of \$4,422,607, while the remaining seven cities had declines in their sector taxable sales of \$369,562. Altus accounted for 29.4% of the gain followed closely by Elk City with 24.6%, and Anadarko who had 20.5% of the \$4.4 million in gains for taxable sales. On the down side the city of Clinton made up 70.6% of the declining taxable sales in the General Merchandise Store sector. Despite the varied results from

Proportion of Sales to Total Sales in 14 Regional Cities



General Merchandise Store (SIC 53) Sales Subject to Sales Tax

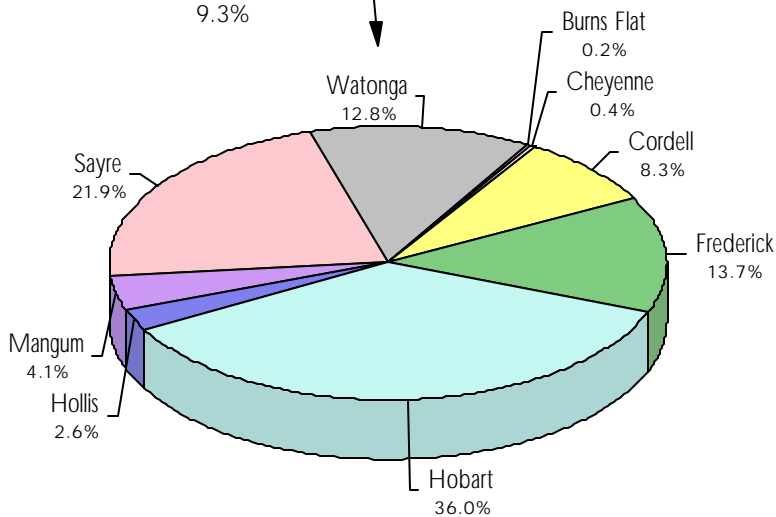
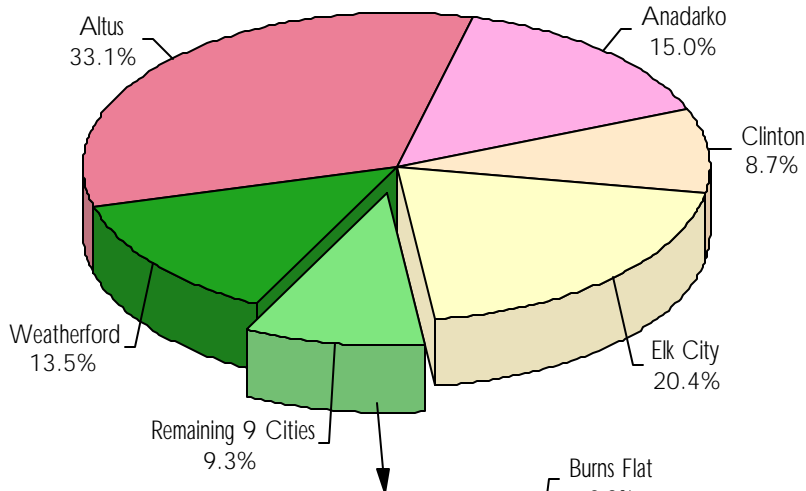
	2nd Qtr 2001	1st Qtr 2000	(in dollars) Quarterly % Change**	2nd Qtr 2000	Yearly % Change**	Proportion of Total Sales
Altus	\$11,285,786	\$9,983,904	11.54%	\$10,038,996	12.42%	38.08%
Anadarko	\$5,122,726	\$4,215,626	17.71%	\$4,056,142	26.30%	50.06%
Burns Flat	\$5,028	\$5,179	-3.00%	\$209,857	-97.60%	0.73%
Cheyenne	\$11,672	\$12,216	-4.66%	\$11,366	2.70%	0.74%
Clinton	\$2,982,936	\$3,243,771	-8.74%	\$2,782,544	7.20%	20.30%
Cordell	\$264,382	\$233,753	11.58%	\$201,392	31.28%	8.97%
Elk City	\$6,953,489	\$5,864,316	15.66%	\$5,702,526	21.94%	27.55%
Frederick	\$436,523	\$470,790	-7.85%	\$409,175	6.68%	13.71%
Hobart	\$1,146,006	\$982,618	14.26%	\$1,038,311	10.37%	29.58%
Hollis	\$81,389	\$127,316	-56.43%	\$94,829	-14.17%	5.31%
Mangum	\$129,517	\$155,088	-19.74%	\$96,586	34.10%	5.85%
Sayre	\$697,063	\$193,325	72.27%	\$161,169	332.50%	17.35%
Watonga	\$408,347	\$410,614	-0.56%	\$248,103	64.59%	11.49%
Weatherford	\$4,589,354	\$4,162,657	9.30%	\$3,940,214	16.47%	26.89%
14 City Total	\$34,114,219	\$30,061,173	11.88%	\$28,991,209	17.67%	28.32%

Adjusted for inflation

** Compared to the current quarter

Source: OTC

City Share of General Merchandise Store (SIC 53) Sales



Remaining 9 Cities' Share of General Merchandise Store Sales

the individual cities, in aggregate, the 2nd Qtr 2001 was a good one for the fourteen selected cities in the *Great Plains General Business Index* region.

Looking at the pie chart to your left you will see that the five cities of Altus, Anadarko, Clinton, Elk City, and Weatherford had a 90.7 percent share of the total taxable sales for the General Merchandise Stores sector in the fourteen selected regional cities for 2nd Qtr 2001. Altus lead the way with a 33.1 share, while Elk City was the next largest city with a 20.4 share of the General Merchandise Stores sector taxable sales.

The remaining nine cities only accounted for 9.3% of the total taxable sales in the fourteen selected regional cities for the sector. In the lower left pie chart you can see the remaining nine cities and what percentage of the 9.3% they represented.

Hobart led the way with a 36.0% share of the remaining 9.3% of the sector taxable sales followed by Sayre with a 21.9% share. Frederick and Watonga round out the those with double digit shares of the remaining 9.3% of taxable sales for the sector. In order to calculate the actual percentage of sales you would multiply the percentage stated by 9.3%. In Hobart's case you would multiply 36% times 9.3% to get its original

3.4%.

Within each of the fourteen selected regional cities General Merchandise Stores taxable sales ranged from a high of 50.1% in Anadarko to a low of 0.7% in both Burns Flat and Cheyenne. As stated earlier the total share of taxable sales in the General Merchandise Stores sector for the selected cities was 28.3% in 2nd Qtr 2001.

General Merchandise Stores sector employment accounted for 1,523 workers out of a total 71,407 employed workers. This represents 2.1% share of total employment for the sector in the region. Among those employed in the region 1,463 workers were employed in the fourteen selected regional cities. This means that 96% of those employed in this sector within the region were employed in the selected regional cities.

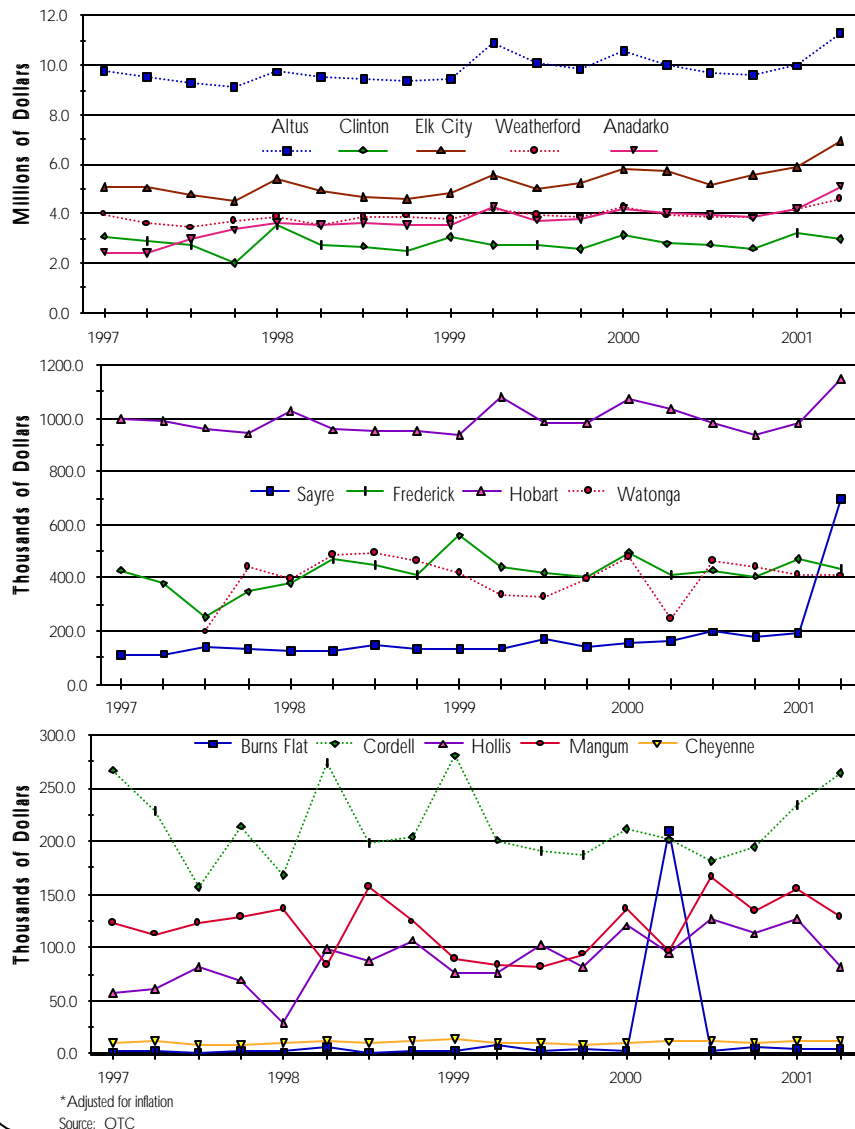
The three graphs starting on the next page show the historical data for taxable sales in the sector dealing with SIC 53 for each of the selected cities since the 1st Qtr 1997 to 2nd Qtr 2001.

In the first graph we see the data series for Altus, Elk City, Anadarko, Weatherford, and Clinton. Altus collected \$11.285 million in taxable sales from the General Merchandise Stores in the 2nd Qtr 2001. This is the most taxable sales collected in this sector by any of the selected cities since 1st Qtr 1997. Both Elk City and Weatherford have had three straight quarters of growth in this sector.

In the next graph the sector's taxable sales are covered for Hobart, Sayre, Frederick, and Watonga. Both Hobart and Sayre experienced increases, while Frederick and Watonga both had losses in their sectors taxable sales. This is also Watonga's third straight declining quarter for taxable sales in this sector.

Finally, in the third graph we cover Cordell, Mangum, Hollis, Cheyenne, and Burns Flat. Cordell was the only city out of the five in this graph that experienced a gain in the General Merchandise Stores taxable sales for the 2nd Qtr 2001. Also in the graph you can see that Cordell's taxable sales in this sector have grown for three quarters in a row.

General Merchandise Store (SIC 53) Sales for Selected Cities



Conclusions

by: Jon Chiappe

The regional economy and eleven of the thirteen county economies experienced quarterly declines in their respective General Business Indices between 1st Qtr 2001 and 2nd Qtr 2001. There were two significant factors that affected many of these indices. Natural gas prices and taxable sales.

As we reported in the previous issue of the Great Plains General Business Index, natural gas prices soared between 4th Qtr 2000 and 1st Qtr 2001. Much of the price spike was caused by a supply-demand imbalance. As the market moved to correct the imbalance, natural gas prices returned to normal levels in 2nd Qtr 2001, and this downward price movement placed downward pressure on many of the county indices as well as the regional index.

Taxable sales also affected many of the county economies as well as the regional economy. Again, as we reported last quarter, taxable sales increased in absolute terms by 3.7% between 4th Qtr 2000 and 1st Qtr 2001. A quarterly increase between the fourth and first quarters of the year is unusual since taxable sales are usually highest in the fourth quarter of the year, due to the holiday season, and lowest in the first quarter of the year. The percentage change in unadjusted taxable sales may not seem exceptional, but because the data is de-seasonalized before using it in the index models, the percentage change of the seasonally-adjusted taxable sales data actually turned out to be 14.4% between 4th Quarter 2000 and 1st Quarter 2001. The rare occurrence of higher taxable sales in the first quarter compared to the fourth quarter contributed to the exceptional gain in the indices between 4th Qtr 2000 and 1st Qtr 2001. Likewise, taxable sales usually increase between the first and second quarters of the year. However, regional taxable sales returned to normal levels in 2nd Qtr 2001 and actually decreased 1.4% in absolute terms between the two most recent quarters. The seasonal adjustment placed further downward pressure on the regional and several county indices between 1st Qtr 2001 and 2nd Qtr 2001.

Total non-agricultural employment increased 0.9% from the previous quarter with six of the eight non-ag sectors contributing to the higher quarterly non-ag employment. Between 1st Qtr 2001 and 2nd Qtr 2001, the only non-ag sectors to suffer quarterly employment losses were the region's Manufacturing (down 1.0%) and Government (down 1.2%) sectors. Unfortunately, the region's Manufacturing sector has suffered four consecutive quarters of declining employment. Between 2nd Qtr 2000 and 2nd Qtr 2001, the region's Manufacturing sector lost 1,095 jobs - a 20.4% decrease.

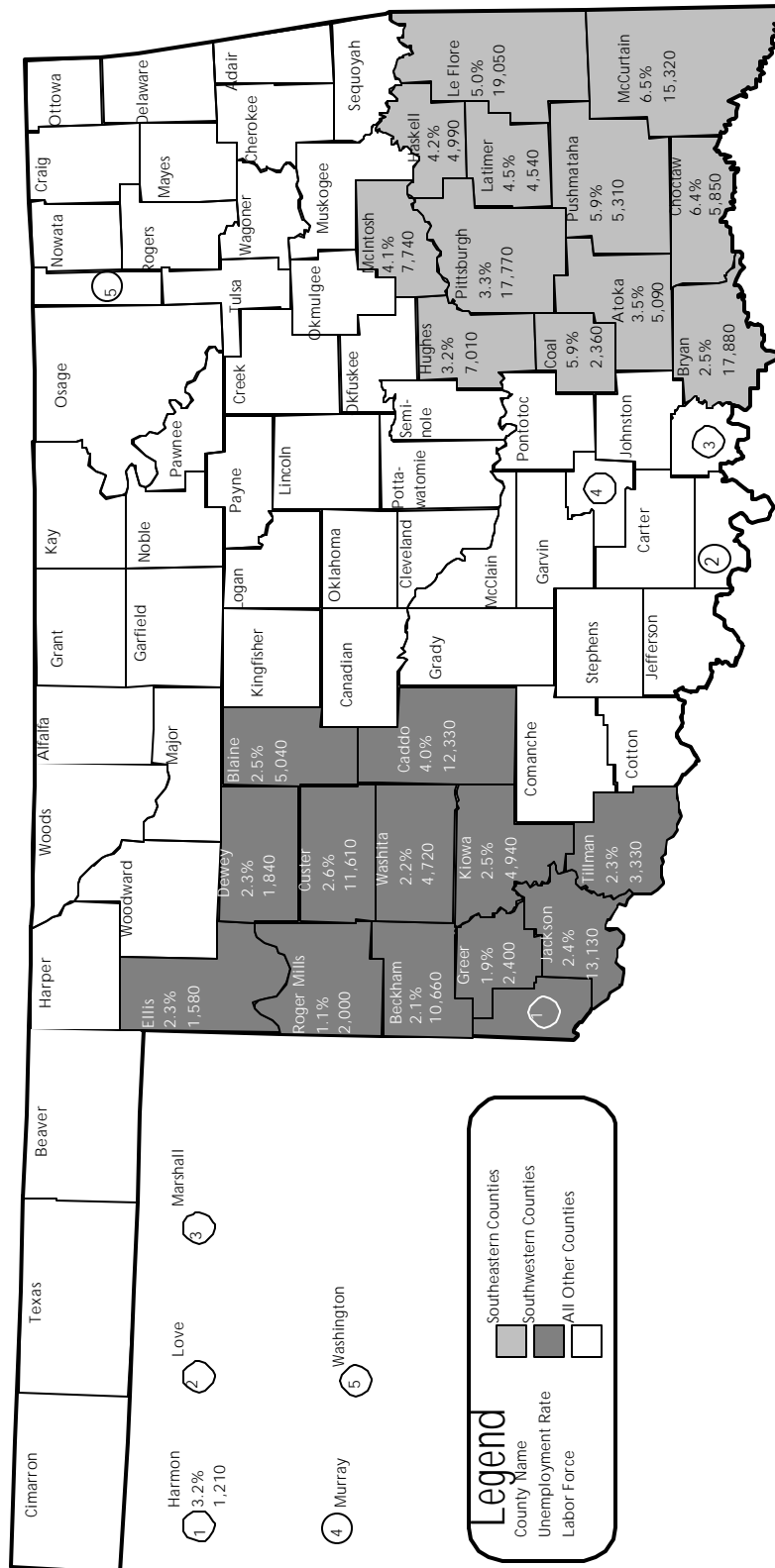
Beef cattle prices decreased 8.7%, or \$6.97/cwt, between 3rd Qtr 2001 and 4th Qtr 2001; however, the most recent quarterly prices remain \$2.32/cwt higher than the average for the entire time period. Regarding the impact that beef cattle prices had upon the *Great Plains General Business Index*, beef cattle prices reached a new high in 2nd Qtr 2001 (\$83.70/cwt). This quarterly price gain between 1st Qtr 2001 and 2nd Qtr 2001 had a positive impact upon the regional economy.

Questions regarding the **Great Plains General Business Index** may be directed to either Dr. Marvin Hankins (at 580-774-3750 or hankinm@swosu.edu) or Jon Chiappe (at 580-774-3095 or chiappj@swosu.edu).

We appreciate Lisa Rockett and Leia Wallace for their work and help with the **Great Plains General Business Index**.

The **Great Plains General Business Index** is on the Internet at:
www.swosu.edu/depts/bdc/indx.htm

Regional Employment Comparison September 2001



Source: OESC