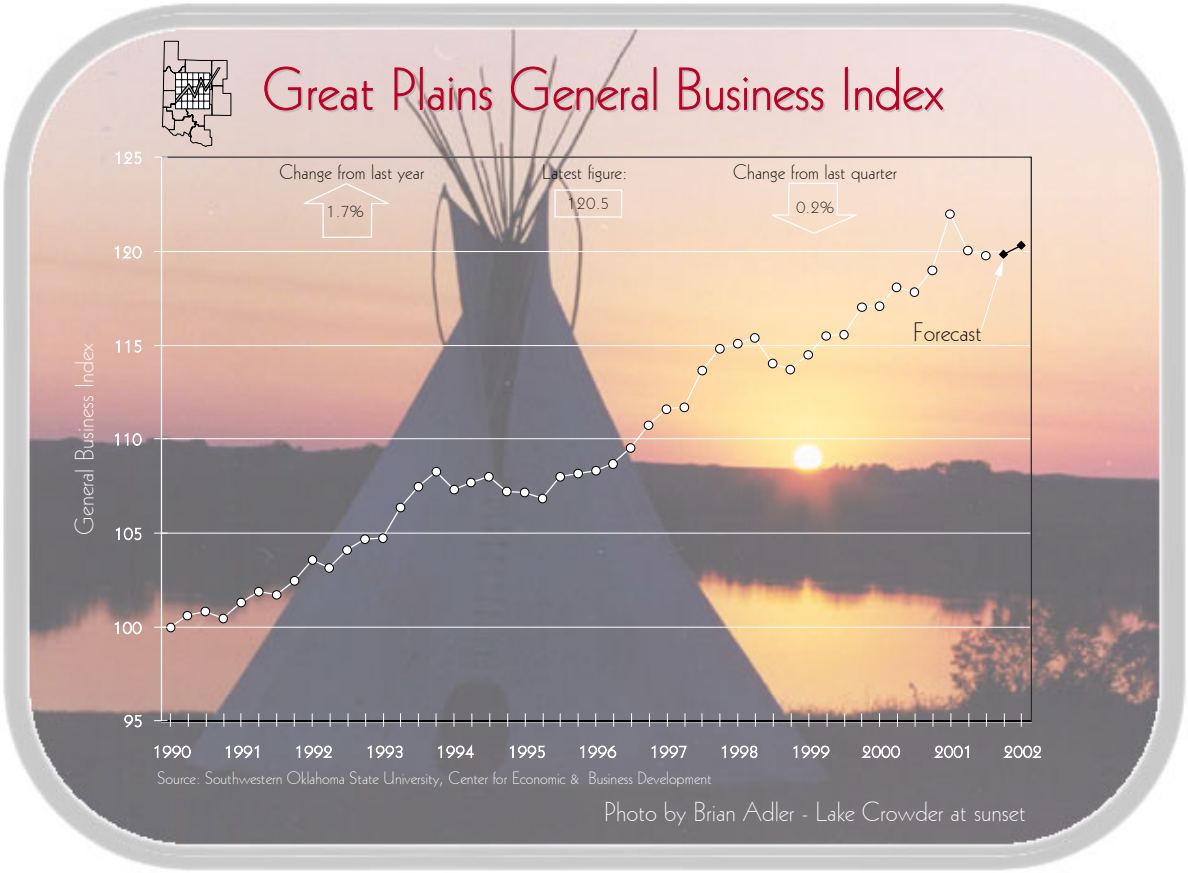
In order to make our publication more valuable to our readers, we included a survey with almost half of the Great Plains General Business Index issues in our last mailing. We used responses from the survey to make revisions to our publication, and we greatly appreciate everyone who filled out and returned a survey. If you did not receive a survey and would like to make a suggestion, please contact us and we will gladly listen.

The biggest revision made in the Great Plains General Business Index involves the Financial section. An assessment tool with the acronym "CAMELS" has been added to the Financial section, and we hope that its inclusion will present valuable, aggregated information for our readers. Another suggestion from a returned survey indicated the preference that building permit information be tracked in our publication, and when we obtain a reliable information source, we will begin reporting this information in future issues of the *Great Plains General Business Index*.

One concern mentioned in a few surveys requested more current information be reported. We report the most current information available to the public in our publication given the information we report is on a county or city level. National, State, and MSA (Metropolitan Statistical Area) information is oftentimes available very quickly, however, there is a longer lag for rural counties and cities. If it were possible, reporting even more current information is the revision we would most like to make in our publication.

Turning to the regional economy, the Great Plains General Business Index suffered a 0.2% quarterly decline between 2nd Qtr 2001 and 3rd Qtr 2001. In our previous issue, we forecasted 0.0% growth between 2nd Qtr 2001 and 3rd Qtr 2001. Using statistical regression, our forecast for the regional economy is that is will post a slight 0.5% gain between 3rd Qtr 2001 and 4th Qtr 2001. – *JRC* –

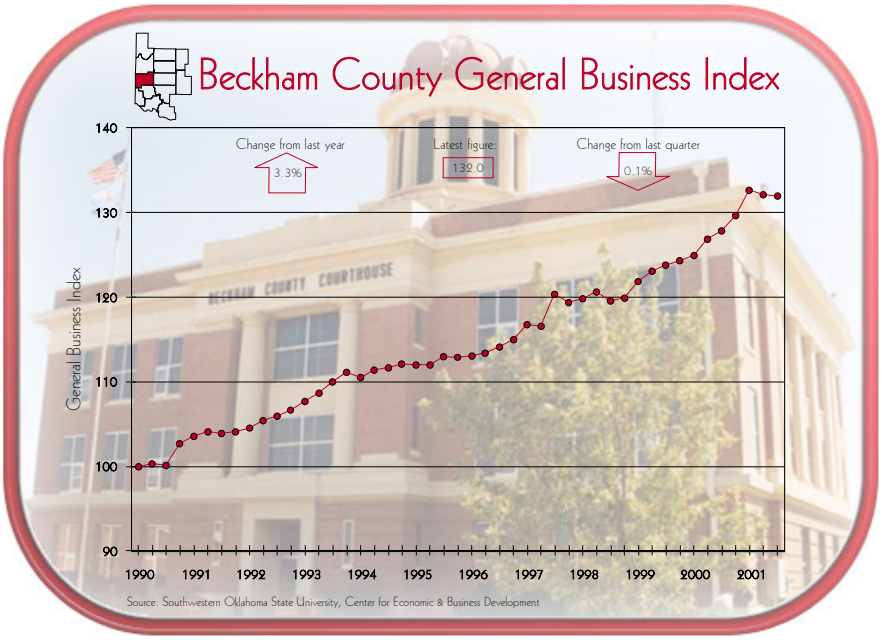


by: Jon Chiappe

Beckham County

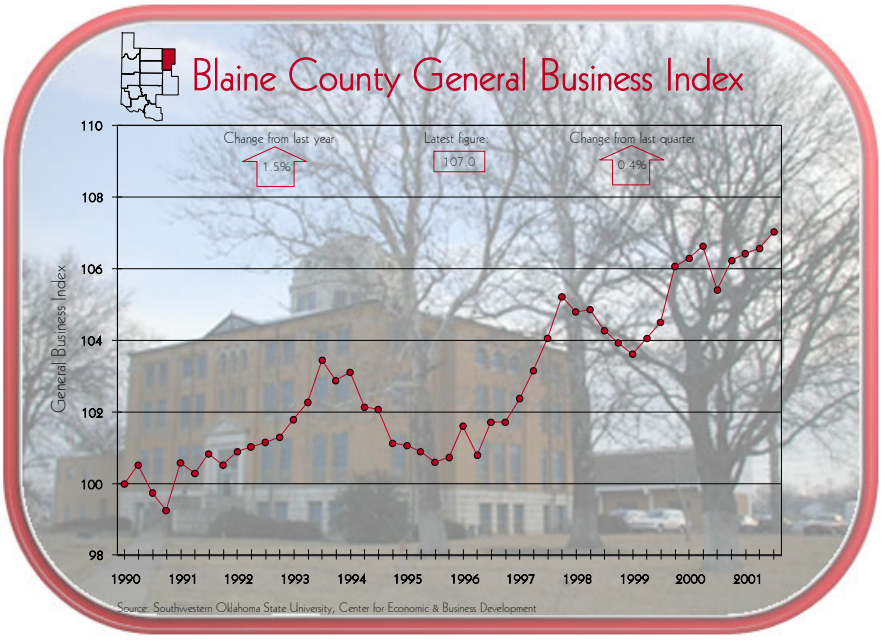
Beckham county's General Business Index has observably cooled since 1st Qtr 2001 when natural gas prices peaked in the nation and the region. After ten consecutive quarterly gains leading up to 1st Qtr 2001, the county's index has leveled off and has experienced slight quarterly declines since then.

Beckham county's index decreased slightly (0.1%) between 2nd Qtr 2001 and 3rd Qtr 2001 due in part to lower energy commodity prices. As of 3rd Qtr 2001, the most recent data available from the Oklahoma Employment Security Commission, the county's Mining sector employment has yet to suffer from the lower energy commodity prices. However, this is expected to change.



Even though the county's index has leveled off recently, it still managed to post the second-highest yearly percentage gain among the thirteen counties in southwest Oklahoma. From 3rd Qtr 2000, Beckham county's index recorded a 3.3% yearly gain. Contributing to this yearly gain was a 2.8% (190 jobs) increase in Beckham county's non-agricultural employment and a 9.8% (or $2.880 million) increase in the county's real taxable sales. A slight yearly decrease (down 1.5%) in the county's earnings had a dampening effect upon the county's yearly growth.

Blaine County



Blaine county's General Business Index not only achieved its highest point in 3rd Qtr 2001, but also managed its fourth consecutive quarterly gain. The county's previous high occurred in 2nd Qtr 2000 after the county's index posted five consecutive quarterly gains from 1st Qtr 1999. In fact, except for the lone quarterly decrease between 2nd Qtr 2000 and 3rd Qtr 2000, Blaine county's index has managed a prolonged growth since 1st Qtr 1999.

Lower Interest rates, higher seasonally-adjusted taxable sales (up 2.7%), and higher seasonally-adjusted earnings (up 1.8%) contributed to the 0.4% quarterly gain achieved by Blaine county's index.

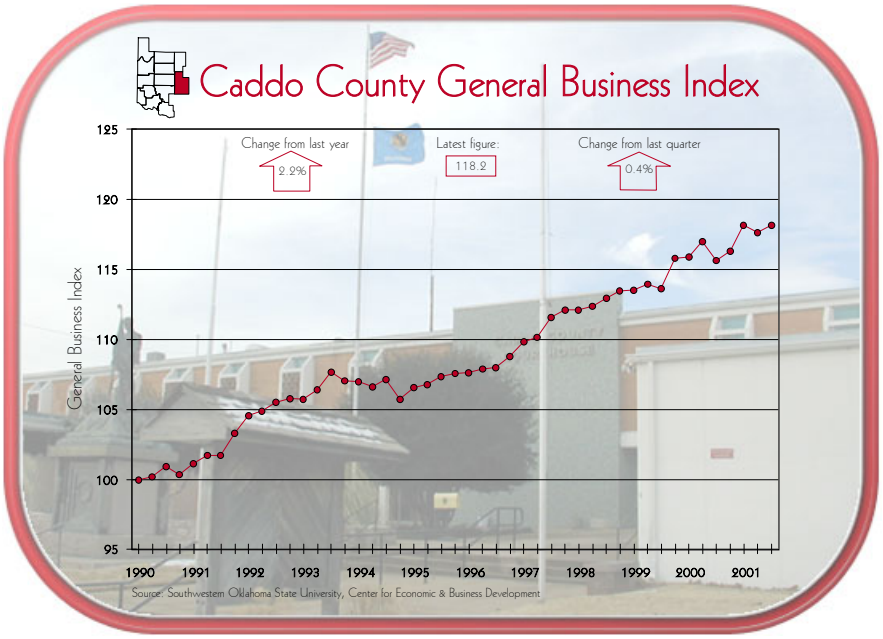
Between 3rd Qtr 2000 and 3rd Qtr 2001, Blaine county's index posted a 1.5% yearly gain. Much of this yearly gain was due to a 7.4% increase in the county's seasonally-adjusted earnings. While seasonally-adjusted taxable sales remained little changed from the previous year and ultimately had little effect upon the county's yearly growth, a 5.6% decline in the county's non-agricultural

employment muffled the yearly movement in the county's index.

Caddo County

Caddo county's General Business Index posted a 0.4% quarterly and a 2.2% yearly gain. Accounting for the quarterly gain between 2nd Qtr 2001 and 3rd Qtr 2001 were higher seasonally-adjusted non-agricultural employment (up 3.0%) and lower interest rates. Lower seasonally-adjusted earnings (down 4.6%) and lower seasonally-adjusted taxable sales (down 1.5%) muted the positive effects that interest rates and employment had upon the county's index.

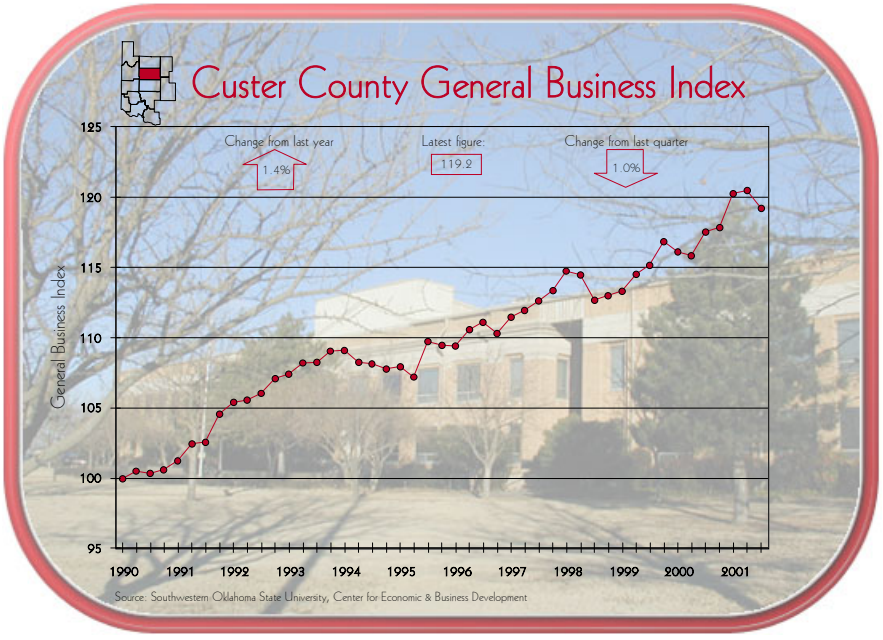
Non-agricultural employment gains (up 3.6% or 241 jobs) contributed to the yearly gain in Caddo county's index between 3rd Qtr 2000 and 3rd Qtr 2001. And, most of the yearly increase in the county's total non-ag employment can be traced to the county's Government sector since it posted a large 31.1% (or 617 jobs) gain from the previous year. Furthermore, much of the Government sector employment gain from the previous year can be traced to more federal government employment (SIC 9411) and also local government employment attributed to the public schools in the county. Usually, public school employment exhibits a seasonal pattern by decreasing substantially in the third quarter of the year and remaining high for the rest of the year. However, this seasonal pattern did not play itself out in Caddo county in 3rd Qtr 2001, and this accounts for a portion of the yearly increase in Government sector employment.



Custer County

Since 1st Qtr 1990, Custer county's index has posted 33 gaining quarters and only experienced 13 declining quarters. After posting four of those thirty-three gaining quarters leading up to 2nd Qtr 2001, Custer county's General Business Index suffered its first quarterly decline in 3rd Qtr 2001. The quarterly decline backed the county's index off its highest point in the graphed time period and can be accounted for by lower seasonally-adjusted employment, which declined 2.6%, and lower seasonally-adjusted taxable sales, which fell 5.8%. Lower interest rates and higher seasonally-adjusted earnings (a 1.4% gain) prevented the county's index from falling further.

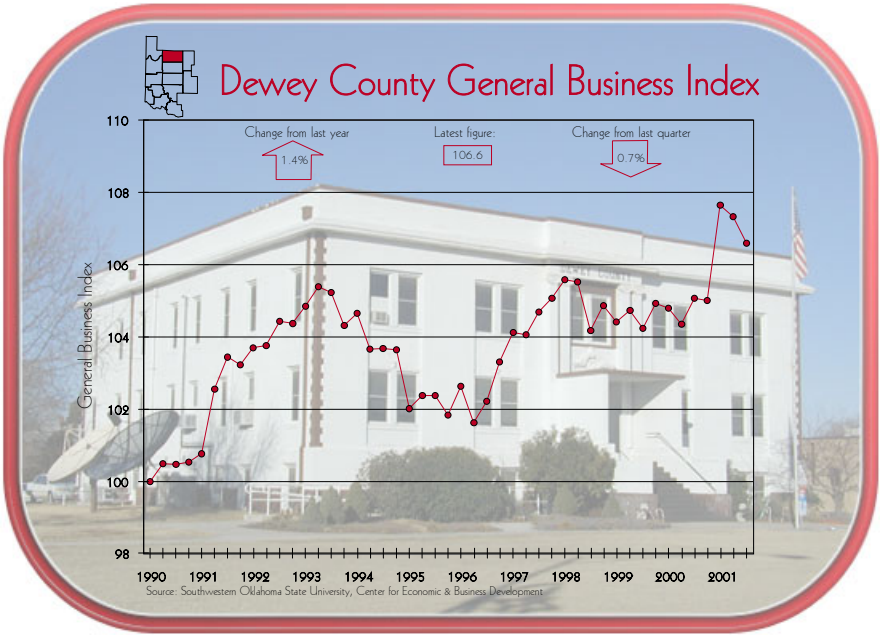
Due in part to higher seasonally-adjusted earnings (up 3.0%), Custer county's index posted a 1.4%



gain between 3rd Qtr 2000 and 3rd Qtr 2001. Lower seasonally-adjusted taxable sales (down 1.2%) had a dampening effect upon the county's yearly growth.

Dewey County

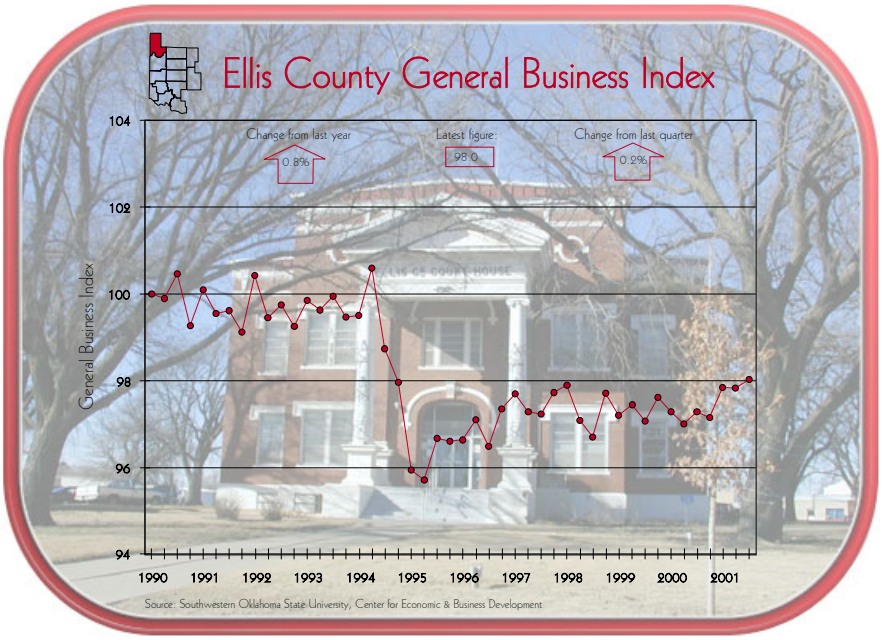
After skyrocketing with its highest quarterly gain in 1st Qtr 2001, Dewey county's General Business Index experienced its second consecutive quarterly loss. Between 2nd Qtr 2001 and 3rd Qtr 2001, Dewey county's index declined 0.7%. However, the quarterly declines did not prevent the county from posting a 1.4% yearly gain.



Lower energy and agricultural commodity prices combined with lower seasonally-adjusted earnings (down 9.3%) and lower seasonally-adjusted taxable sales (down 4.2%) to produce the 0.7% quarterly decline in Dewey county's General Business Index.

Higher seasonally-adjusted non-agricultural employment contributed the most to the county's yearly growth. Between 3rd Qtr 2000 and 3rd Qtr 2001, Dewey county's non-agricultural employment grew 6.9% (or 44 jobs) with most of the yearly employment gains attributable to the county's Mining (23 jobs) and TCPU (Transportation, Communications, & Public Utilities - 46 jobs) sectors.

Ellis County



Ellis county's General Business Index inched upwards 0.2% between 2nd Qtr 2001 and 3rd Qtr 2001. The quarterly gain allowed the county to reach its highest point since 3rd Qtr 1994 when the county's index began a nosedive that was attributable to markedly lower employment, earnings, and taxable sales. As can be seen from Ellis county's graph, the county's index bottomed out in 2nd Qtr 1995 and has managed slight growth since then - albeit inconsistently.

Unfortunately for Ellis county, its index has not been able to string more than two consecutive quarterly gains together in the whole time period since 1st Qtr 1990. In fact, the last time that the county managed to post two consecutive quarterly gains occurred between 3rd Qtr 1996 and 1st Qtr 1997. Additionally, in the forty-six quarters since 1st Qtr 1990, Ellis county's index has suffered slightly more declining quarters (24) than advancing quarters (22).

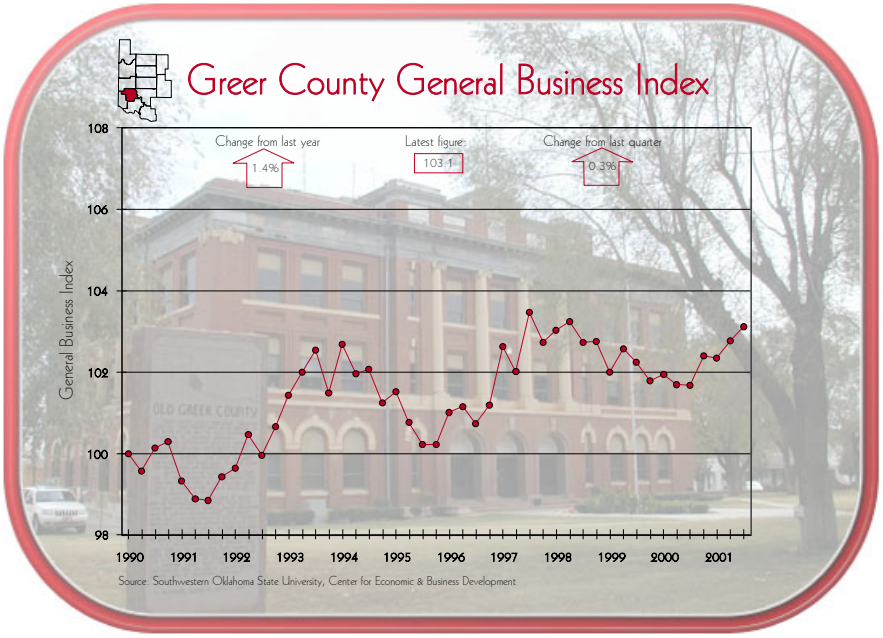
Greer County

Greer county's General Business Index posted both a quarterly (0.3%) and a yearly (1.4%) gain in 3rd Qtr 2001. The 0.3% quarterly gain not only placed Greer county's index at its third-highest point for the whole time period, but also its highest point since 2nd Qtr 1998.

Greer county's seasonally-adjusted earnings posted a 6.4% quarterly gain, and, along with lower interest rates, the growth in this county-specific variable overwhelmed the negative effects that the county's other two county specific variables had upon its index. Seasonally-adjusted taxable sales experienced a 7.5% quarterly decline while Greer county's seasonally-adjusted employment experienced a 2.5% quarterly decline.

Unadjusted for seasonal effects, Greer county's non-agricultural employment fell 2.8% (or by 45 jobs) between 2nd Qtr 2001 and 3rd Qtr 2001, and most of the employment loss can be traced to the county's Government sector, which fell 3.7% (or 34 jobs).

Greer county's seasonally-adjusted earnings posted a 3.3% gain between 3rd Qtr 2000 and 3rd Qtr 2001. This yearly earnings growth contributed to the yearly growth in the county's index.

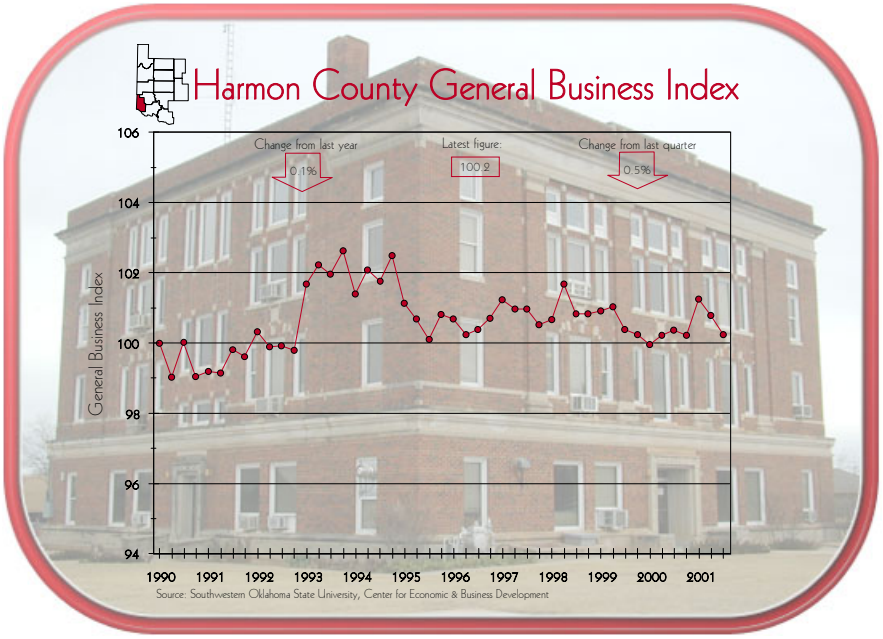


Harmon County

The 1.0% quarterly gain posted by Harmon county's General Business Index between 4th Qtr 2000 and 1st Qtr 2001 has been completely erased by two consecutive quarterly declines since then. Between 2nd Qtr 2001 and 3rd Qtr 2001, Harmon county's index experienced a 0.5% quarterly decline, which returned the county's index to its 4th Qtr 2000 level.

A 0.4% quarterly gain in Harmon county's seasonally-adjusted earnings was not enough to keep the county's index from decreasing since both seasonally-adjusted taxable sales and employment experienced quarterly declines. Seasonally-adjusted taxable sales suffered a 9.6% quarterly loss, and seasonally-adjusted employment suffered a 2.5% quarterly loss from 2nd Qtr 2001.

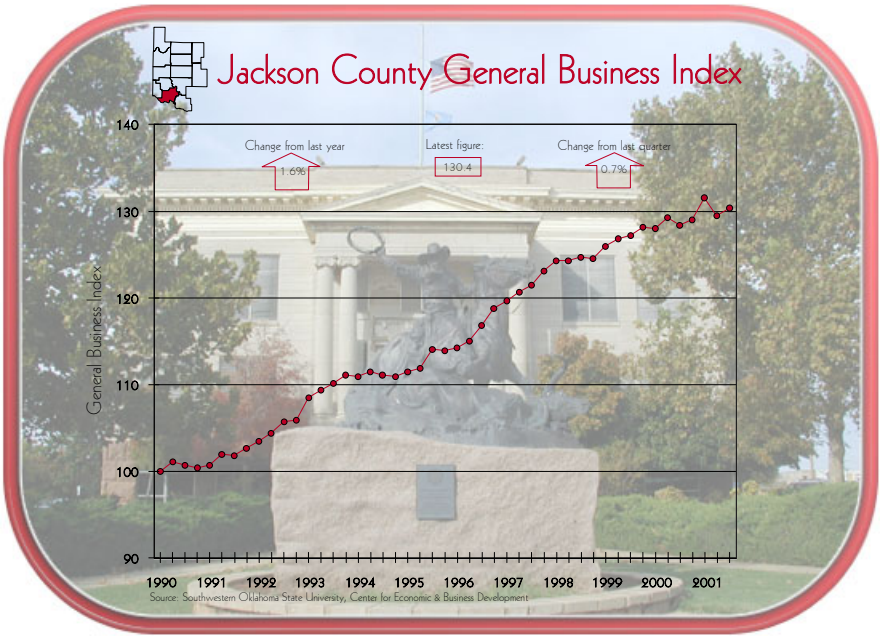
Between 3rd Qtr 2000 and 3rd Qtr 2001, Harmon county's index decreased 0.1%. For the year-ending 3rd Qtr 2001, the county's three county-specific variables exhibited similar patterns as was observed from the quarter-ending 3rd Qtr 2001. The county-s seasonally-adjusted earnings posted a 4.3% yearly gain, but yearly losses in the county's



seasonally-adjusted taxable sales and employment produced the yearly decline in Harmon county's index. From 3rd Qtr 2000, the county's seasonally-adjusted taxable sales fell 2.5%, while the county's employment fell 6.2%.

Jackson County

After suffering its largest quarterly loss last quarter, Jackson county's General Business Index regained some of its lost territory by posting a 0.7% quarterly gain between 2nd Qtr 2001 and 3rd Qtr 2001. Additionally, the most recent quarterly gain permitted the county's index to achieve its second-highest point in the graphed time period.



Each of its county-specific variables displayed characteristics opposite of those observed in Harmon county. From the previous quarter, Jackson county's seasonally-adjusted earnings suffered a loss (down 1.1%), but its seasonally-adjusted taxable sales (up 0.4%) and seasonally-adjusted employment (up 0.3%) posted gains. Lower interest rates and higher taxable sales and employment figures overcame lower commodity prices and lower earnings to produce the 0.7% quarterly gain.

Between 3rd Qtr 2000 and 3rd Qtr 2001, Jackson county's index posted a 1.6% gain. Unadjusted for seasonality, Jackson county's non-agricultural employment increased by 179 jobs (or 1.8%). Substantial employment losses occurred in two of the county's goods-producing sectors, but these were more than offset by employment gains in three of Jackson county's service-producing sectors. Goods-producing employment losses totaled 250 jobs (or 18.7%) from the county's Construction (58 jobs or 23.4%) and Manufacturing (192 jobs or 17.6%) sectors. The county's service-producing employment gains totaled 441 jobs (or 5.8%) from the county's Service (254 jobs or 19.1%), Trade (125 jobs or 5.0%), and Government (62 jobs or 1.6%) sectors.

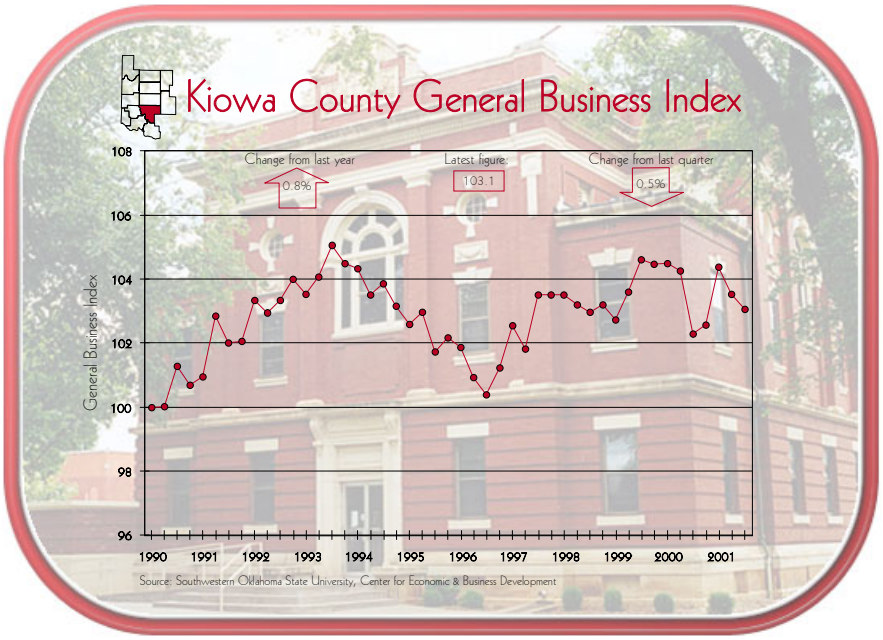
Kiowa County

After suffering a quarterly loss in the previous quarter, Kiowa county's General Business Index suffered a 0.5% quarterly loss between 2nd Qtr 2001 and 3rd Qtr 2001. In spite of these two recent quarterly losses, Kiowa county's General Business Index still managed to post a 0.8% yearly gain between 3rd Qtr 2000 and 3rd Qtr 2001.

Accounting for the quarterly decrease in Kiowa county's index were lower commodity prices, lower seasonally-adjusted taxable sales, and lower seasonally-adjusted non-agricultural employment. From the previous quarter, Kiowa county's seasonally-adjusted taxable sales fell 15.4%, and the county's seasonally-adjusted non-agricultural employment decreased 1.0%. Of the variables used to compute Kiowa county's index, only lower interest rates and higher seasonally-adjusted earnings had positive influences upon the county's index.

From 1st Qtr 1990 to 3rd Qtr 2001, which is the most recent quarter for which data is available, Kiowa county's non-agricultural employment increased by 438 jobs (or 18.3%, and most of these employment gains can be traced to Kiowa county's Service and Government sectors. Government sector employment increased 32.9% (or by 258 jobs), and Service sector employment increased

58.7% (or by 225 jobs) since 1st Qtr 1990. If the county's taxable sales data had similar solid performance over the same time period, then Kiowa county's index would have fared much better since 1st Qtr 1990. However, most of the positive effects that the county's employment data has upon the county's index is negated by the poor performance of the county's taxable sales data. Since 1st Qtr 1990, Kiowa county's seasonally-adjusted taxable sales has fallen 23.8%.

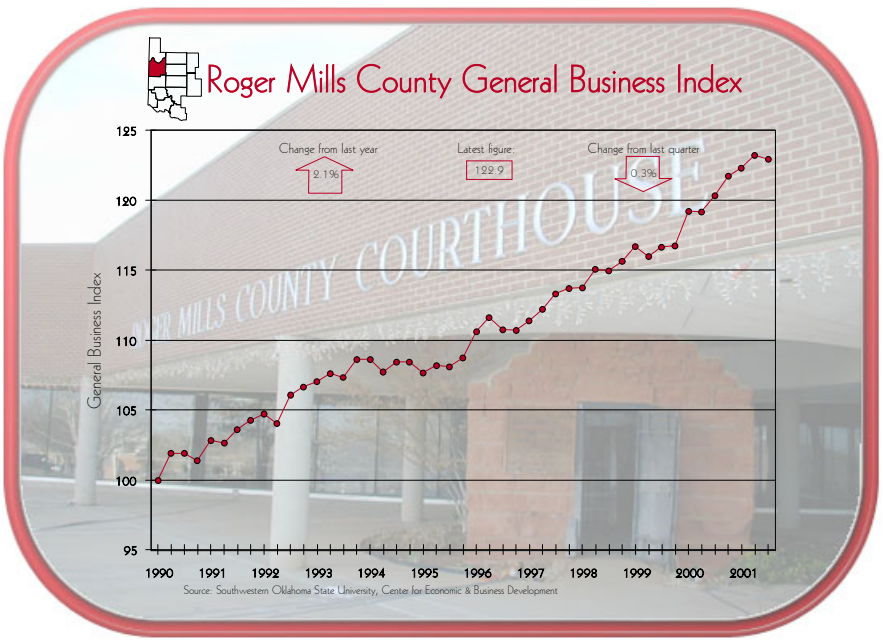


Roger Mills County

After posting four consecutive gaining quarters leading up to 2nd Qtr 2001, Roger Mills county's General Business Index suffered a 0.3% quarterly decline in 3rd Qtr 2001. There has been only one occasion since 1st Qtr 1990 in which Roger Mills county's index did not rebound in the quarter immediately following a declining quarter. That occurred in 4th Qtr 1996 when the county's index suffered its only consecutive quarterly declines.

Contributing to the quarterly decline between 2nd Qtr 2001 and 3rd Qtr 2001 were lower commodity prices, lower seasonally-adjusted taxable sales (down 17.6%) and lower seasonally-adjusted employment (down 1.2%). The county's seasonally-adjusted earnings increased 0.1% from the previous quarter, but this had little effect upon the county's index.

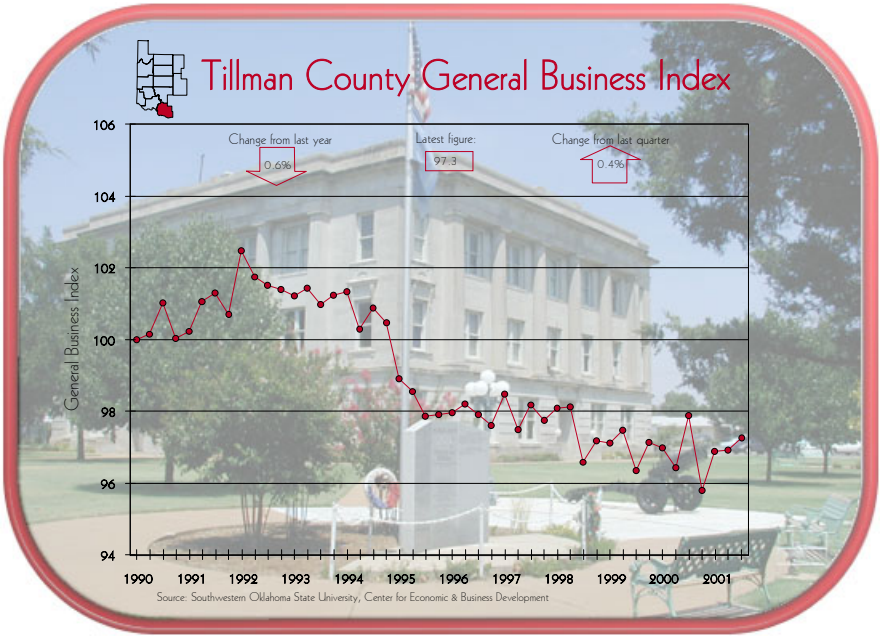
With the help of lower interest rates, higher seasonally-adjusted earnings (up 0.8%), and higher seasonally-adjusted taxable sales (up 9.9%), Roger Mills county's index managed a 2.1% yearly gain from 3rd Qtr 2000. A 2.2% yearly decline in the county's non-agricultural employment muted the county's yearly gain.

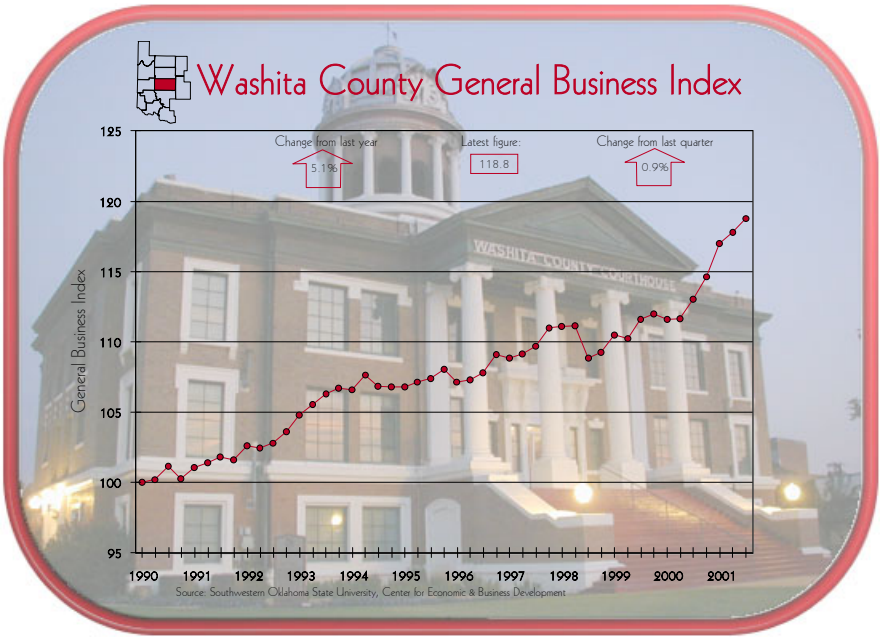


Tillman County

For the first time since 3rd Qtr 1996, Tillman county's General Business Index posted three consecutive quarterly gains. The county's index accomplished this feat on two other occasions - once between 4th Qtr 1990 and 3rd Qtr 1991 and once between 3rd Qtr 1995 and 2nd Qtr 1996. Since 1st Qtr 1990, Tillman county's index has not managed growth in four consecutive quarters, but hopefully that will change in the next quarter.

The three consecutive quarterly increases were not enough to prevent Tillman county's index from suffering a 0.6% decrease from 3rd Qtr 2000. Lower commodity prices combined with declines in each of the county-specific variables to produce the yearly decline in





the county's index. Seasonally-adjusted employment fell 6.1%, seasonally-adjusted taxable sales fell 10.8%, and seasonally-adjusted earnings fell 2.3% from the previous year.

Between 1st Qtr 1990 and 3rd Qtr 2001, Tillman county's non-agricultural employment has fallen 17.1% (or by 409 jobs). These employment losses are partly responsible for the downward slope in the county's index over the whole time period. Most of the county's non-ag employment losses can be traced to the county's Manufacturing (down 248 jobs or 41.2%) and Trade (down 169 jobs or 32.4%) sectors.

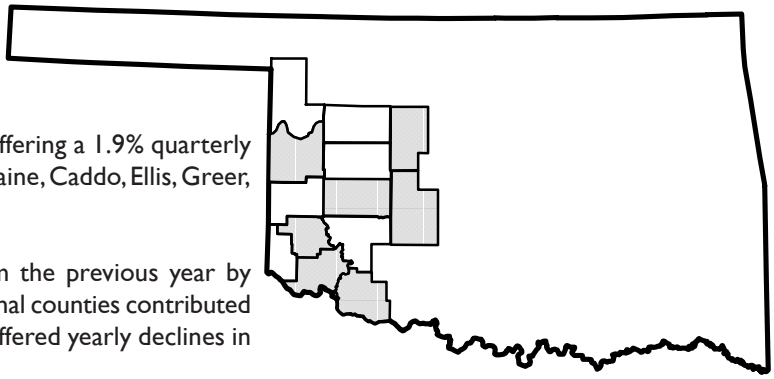
Washita County

With a 0.9% increase from the previous quarter, Washita county's General Business Index has strung together six consecutive gaining quarters. This string of six consecutive quarterly gains currently represents the longest string of consecutive quarterly gains among the thirteen counties in southwest & west central Oklahoma. Also of note regarding Washita county's performance, the 5.1% yearly gain in the county's index represents the largest yearly percentage increase among all the county indices tracked in the *Great Plains General Business Index.*

Lower interest rates and slightly higher seasonally-adjusted taxable sales (up 0.4%) benefitted the county's index, but most of the index' quarterly gain is attributable to a 5.8% quarterly gain in Washita county's seasonally-adjusted earnings. Washita county's seasonally-adjusted non-agricultural employment did suffer a 0.6% quarterly decline, but it only had a minor dampening effect upon the county's index.

Along with lower interest rates, each of the county-specific variables contributed to the impressive yearly gain in Washita county's index. Washita county's seasonally-adjusted earnings managed a 3.6% yearly increase, while the county's seasonally-adjusted non-ag employment posted an 11.0% gain and the county's seasonally-adjusted taxable sales posted a 5.5% yearly gain.

County Summary

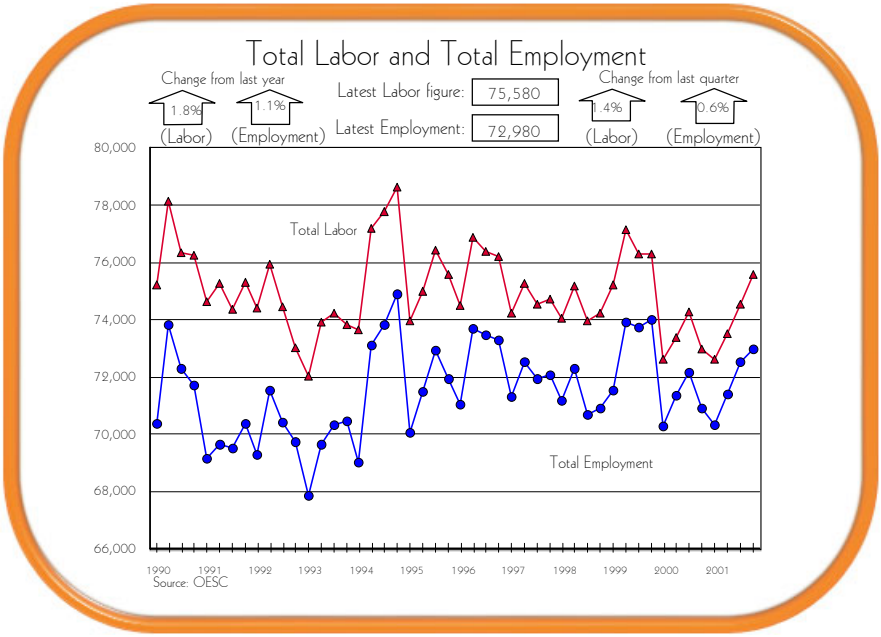


Seven of the thirteen counties in the Great Plains region posted quarterly gains in their respective indices. However, even with more than half the counties posting quarterly increases, this did not prevent the regional economy from suffering a 1.9% quarterly decline. The seven counties managing quarterly gains were Blaine, Caddo, Ellis, Greer, Jackson, Tillman and Washita counties.

The Great Plains General Business Index fared better from the previous year by posting a 1.7% gain from 3rd Qtr 2000. An amazing eleven regional counties contributed to the yearly increase. Only Harmon and Tillman counties suffered yearly declines in their respective county indices.

by: Stephen Nelson

Our regions employment outlook continued to improve over the 3rd Qtr of 2001, but displayed signs of being affected by the weakening national economy during that time period. Overall, Total Labor and Total Employment for the region that includes thirteen regional counties in southwest & west central Oklahoma both increased from the previous quarter.



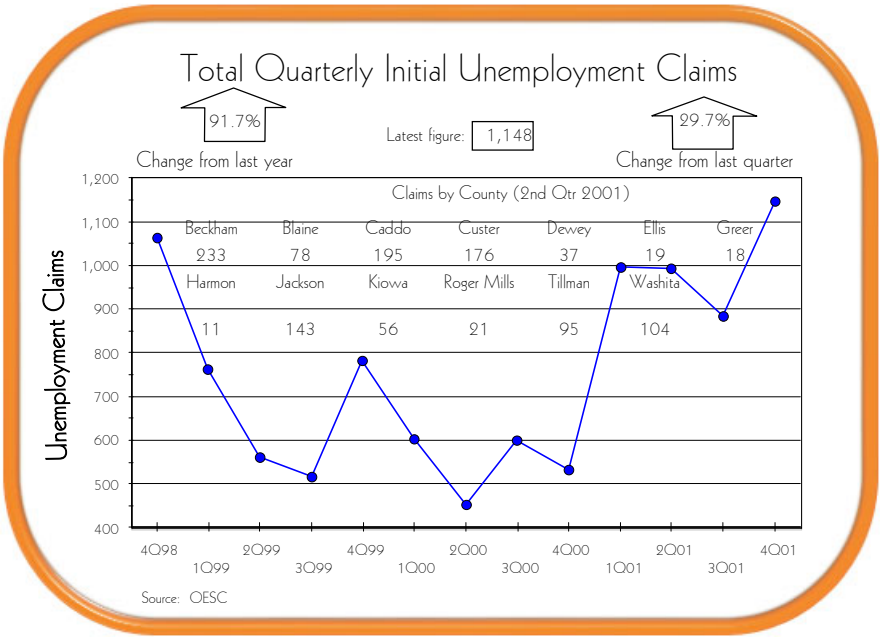
It should be noted that in the graph labeled Total Labor and Total Employment that the 4th Qtr 2001 results in both data series are averages from employment data for October and November. These two months represent the latest data published by the Oklahoma Employment Security Commission. All other graphs in the Employment section use complete quarterly data for their most current quarter.

Moving on to Total Labor, which stands at 75,580 workers, increased 1.4% or by 1,058 from the 3rd Qtr to the 4th Qtr 2001. This is the third straight quarter that Total Labor for our region has increased by one percent or more. Compared to the same quarter from last year, Total Labor increased 1.8% or by 1,360 workers. This continued growth bodes well for our regional economy if Total Employment can keep up with Total Labor.

Unfortunately, Total Employment's growth slowed slightly in the 4th Qtr 2001 failing to match the growth experienced by Total Labor. The latest figure for Total Employment shows that 72,980 out of 75,580 workers were employed in the 4th Qtr 2001. This represents a 0.6% increase or 438 more workers employed in our region.

Looking at the years 2000 and 2001 you would see that Total Employment in 4th Qtr 2001 had 803 more workers employed than in 4th Qtr 2000. This shows that 2001 was a good year for employment, but the meager 0.6% quarterly increase signals that Total Employment for the region could level out in 2002. If this happens and Total Labor continues its growth we will see increased unemployment, which based on the unemployment rate has already started.

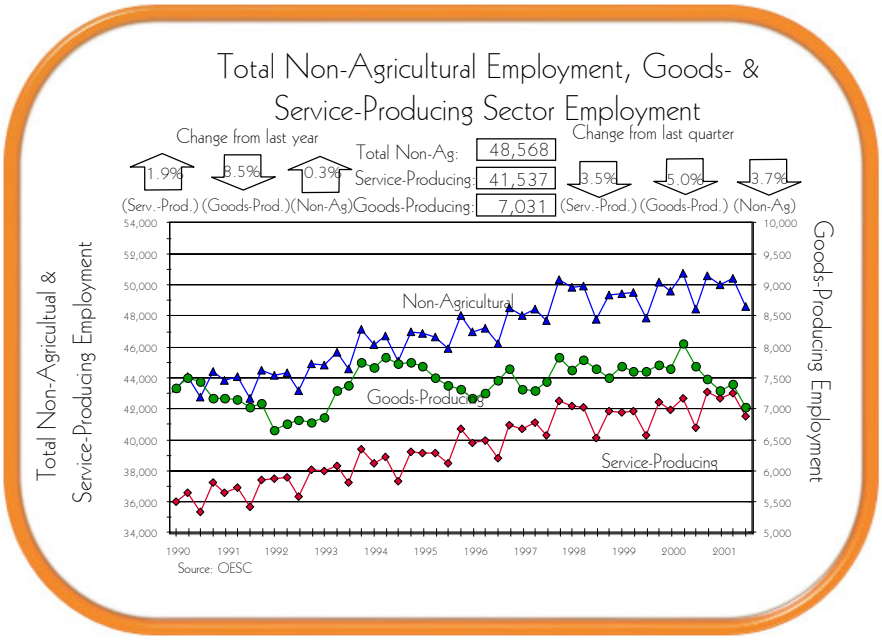
Our region's unemployment rate jumped from 2.7% in the 3rd Qtr 2001 to 3.4% in the 4th Qtr 2001. This matches what has happened at the national and state level with unemployment rates increasing at both levels in the 4th Qtr 2001. It is possible that we will see regional unemployment rates peak and start to fall in the 1st Qtr 2002.



Total Quarterly Initial Unemployment Claims rose sharply with the corresponding increase in the unemployment rate in the 4th Qtr 2001. Initial Unemployment Claims stood at 1,148 for the quarter up from 885 claims from 3rd Qtr 2001. This represents a 29.7% increase, but pales in comparison to the 91.7% increase in Initial Unemployment Claims from 4th Qtr 2000 to 4th Qtr 2001. Initial Unemployment Claims for the region have reached their highest levels in the time period covered by the graph.

Total Non-Agricultural employment for the Great Plains region fell 3.7% from 2nd Qtr 2001 to 3rd Qtr 2001 to reach its current level of 48,568 workers employed. This decline is not unusual as there has been a drop in Total Non-Agricultural employment every third quarter since 1990. More significant is the fact that the sectors employment as of the third quarter in 2001 only rose 0.3% from the same quarter in 2000.

Not surprisingly, the two sectors that make up Total Non-Agricultural employment, the Goods and the Service producing sectors, both fell considerably in the third quarter. Goods-Producing sector employment for our region ended 3rd Qtr 2001 with 7,301 workers employed, having fallen 5.0% from the previous quarter. Despite this loss, 3rd Qtr 2001 Goods-Producing sector employment was still higher than 3rd Qtr 2000, if only by 0.3%. Time has been rough on the Goods Producing sector employment as it recently reached a high in 1st Qtr 2000 only to fall four out of the next five quarters to reach its lowest level since 1st Qtr 1993.



Meanwhile the Service-Producing sectors employment dropped by 3.5% in the 3rd Qtr 2001, but this is in line with expectations given that the Service-Producing sectors employment normally drops in the third quarter of every year. Total Service-Producing sector employment stands at 41,537 workers employed in 3rd Qtr 2001, which is a 1.9% increase from 3rd Qtr 2000. This is encouraging since it shows long-term growth despite the quarterly loss.

At the county level, there were seven regional counties that experienced declines or no change in their service-producing sector employment for the 3rd Qtr 2001. These seven counties that declined were Caddo (-31), Custer (-80), Dewey (-1), Ellis (0), Harmon (-6), Kiowa (-28), and Roger Mills (-7). The remaining six counties that experienced increases in their service producing sector employment for the 3rd Qtr 2001 were Beckham (24), Blaine (3), Greer (4), Jackson (223), Tillman (21), and Washita (3).

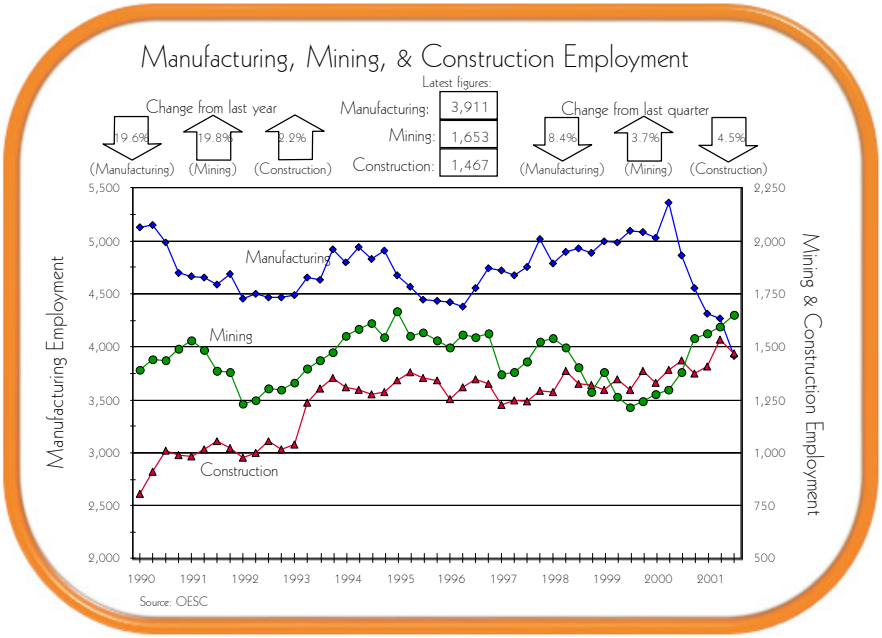
Moving on to Manufacturing, Mining, and Construction employment we see that mining employment was the only one to post employment gains in the 3rd Qtr 2001. Manufacturing employment, which has been hurting in recent quarters, was hit hard with a 8.4% loss in 3rd Qtr 2001. There were 3,911 workers employed by regional manufacturers in the 3rd Qtr 2001, this represents a 19.6% decline from the previous year. Things are looking bleak for manufacturing employment in our region, as this is the fifth straight quarter of decline. Since posting a gain of 6.7% in 2nd Qtr 2000 to reach a high of 5,365 workers employed, manufacturing employment has fallen by 27% from that figure.

Manufacturing employment declined, or did not change, in nine out of the thirteen regional counties. The counties that had declining manufacturing employment were Beckham (-41), Blaine (-6), Custer (-76), Greer (0), Harmon (0), Jackson (-168), Roger Mills (0), Tillman (-81), and Washita (-6) counties. The remaining four counties that had minimal manufacturing employment gains in 3rd Qtr 2001

were Caddo county (14), Dewey county (4), Ellis county (1), and Kiowa county (2). These gains could not offset the huge losses incurred by the other counties resulting in a net loss of 358 jobs for the region in the 3rd Qtr 2001.

Mining employment on the other hand continues to grow, rising 3.7% in the 3rd Qtr 2001 to reach 1,653 workers employed. This represents a 3.7% increase from the previous quarter and a 19.8% increase from 3rd Qtr 2000. With this increase mining employment has seen an increase in eight straight quarters. As stated in last quarter's *Great Plains General Business Index* it is likely that will see growth taper off or perhaps even a decline in mining employment given the continued low prices for oil and gas.

On a county-by-county basis we see that Beckham County lead the way in mining employment employing 22 more workers in the mining sector. Seven other regional counties joined Beckham County by having increases in their mining sector employment for the 3rd Qtr 2001. The counties that had increases were Blaine (11), Caddo (10), Custer (4), Dewey (8), Ellis (4), Roger Mills (1), and Washita (3). The counties that had declining or no change in their mining sector employment were Greer (-3), Harmon (0), Jackson (0), Kiowa (-2), and Tillman (0).



Construction had a slow 3rd Qtr 2001 with a 4.5% decrease in employment to fall to 1,467 workers employed. Despite this decline construction has still grown 2.2% from 3rd Qtr 2000 to 3rd Qtr 2001. Construction was hurt the most in Jackson, Custer, and Caddo counties with declines of forty-eight, thirty, and eighteen jobs respectively in 3rd Qtr 2001. Only four counties out of thirteen had increases in their construction employment. These four counties, Dewey, Harmon, Kiowa, and Washita had increases of six, two, fifteen, and twenty jobs respectively. These gains could only the reduce the region's construction employment decline in 3rd Qtr 2001 to sixty-nine jobs lost.

Next we will be looking at government and trade sector employment for 3rd Qtr 2001. While employment for both sectors fell for the quarter, the government sectors decline was expected due to the seasonal nature of the sector.

Looking more closely at the government sectors employment we see that there are currently 15,858 regional workers employed by government. This represents a 7.7% decline from last quarter, but more importantly a 4.0% gain from 3rd Qtr 2000. With this yearly gain the region's government sector employment is showing signs of growth.

At the county level the seasonal nature of the Government sector is in evidence as all thirteen counties had declines in their quarterly employment. There were five counties that lost more than one hundred government jobs. These counties that experienced large declines were Custer (-382), Jackson (-234), Blaine (-140), Washita (-117), and Caddo (-106).

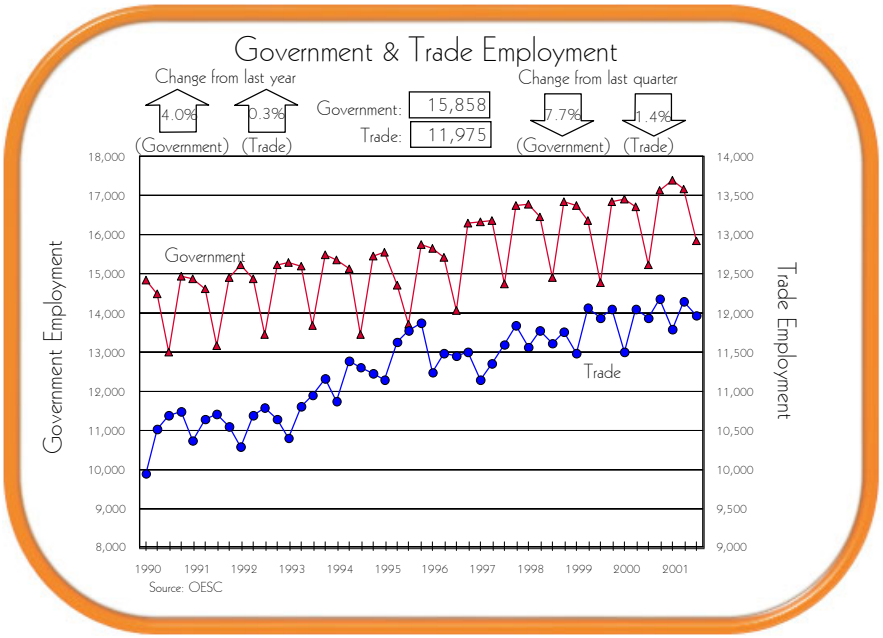
Changing directions we see that trade employment has dropped just below the 12,000 mark with 11,975 workers employed in 3rd Qtr 2001. This represents a decline of 1.4% from 2nd Qtr 2001 and minute yearly gain of 0.3%. Nine of the thirteen counties combined for a 195 loss in jobs for the trade sector. This loss in trade sector employment was lessened slightly by the 28 job increase in the remaining counties.

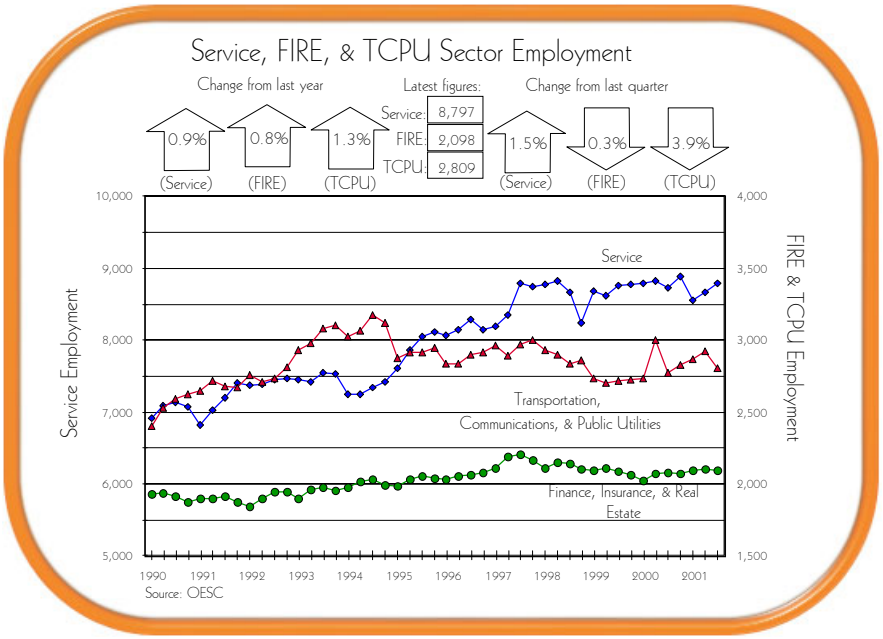
Next we have the Service, FIRE, and TCPU sector employment graph, which shows that the FIRE and TCPU sectors employment declining and the Service sector's employment increasing. The service sector employed 8,797 workers in the region and saw 1.5% increase from 2nd Qtr 2001 to 3rd Qtr 2001. Service sector employment also increased by 0.9% when compared to service sector employment in 3rd Qtr 2000. This is the service sector's second quarter to increase as it continues to hover between 8,500 and 9,000 workers employed.

In the Service sector there were six counties Caddo (-31), Custer (-80), Dewey (-1), Harmon (-6), Kiowa (-28), and Roger Mills (-7) that combined for a loss of 153 sector jobs. These losses were offset by the gains in Beckham (24), Blaine (3), Greer (4), Jackson (223), Tillman (21), and Washita (3) counties to give the region a 126 job increase in the Service sector.

Looking at the FIRE or the Finance, Insurance, and Realty sector employment we see very little change. FIRE Sector employment fell 0.3% during the 3rd Qtr 2001 and has increased by 0.8% over the past year. As you can see employment in the FIRE sector is fairly consistent over time. There was minimal movement in the FIRE sector for the regions individual counties, but the biggest movers were Jackson (-21) county and Tillman (11) county.

TCPU or the Transportation, Communications, and Public Utilities sector employment stands at 2,809, which is a 3.9% decline from 2nd Qtr 2001. Despite this loss the TCPU sector employment still managed a yearly gain of 1.3%. Of note in the individual counties is the fact that Beckham County lost 105 jobs in this sector during the 3rd Qtr 2001.



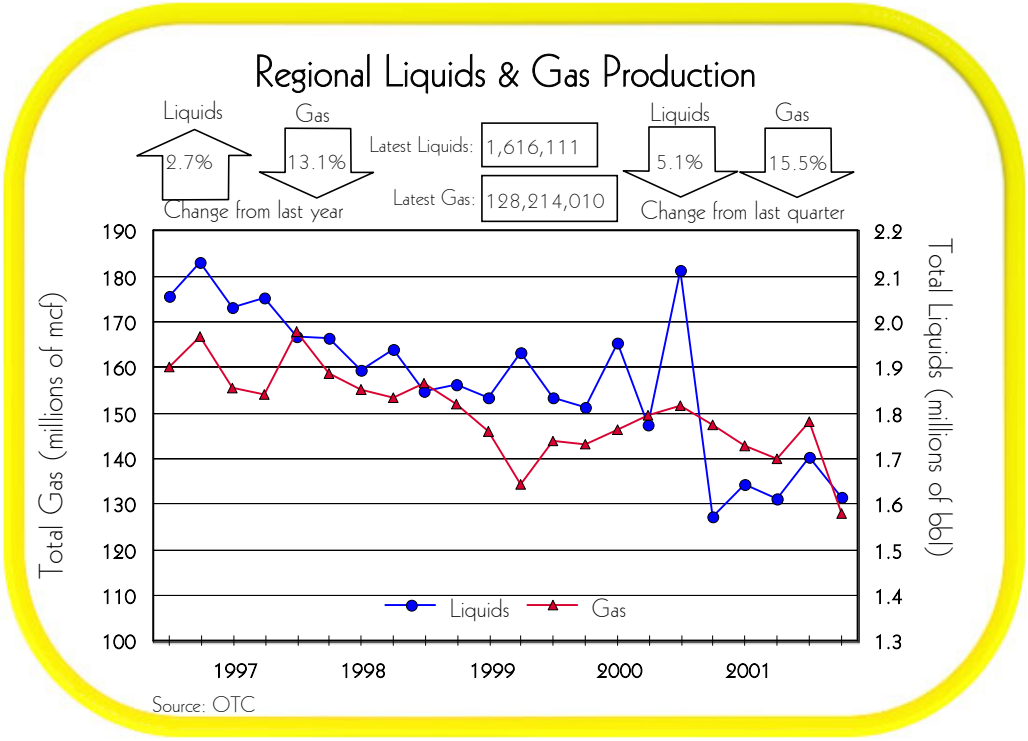


by: Stephen Nelson

Regional Liquid and Gas Production both slumped in the 4th Qtr 2001 after turning in a strong third quarter in 2001. The increase in regional gas production in the 3rd Qtr 2001 had been reported as a decline until the Oklahoma Tax Commission recently revised their production data. It should be noted that the OTC often revises production data several months after it is initially released.

Regional Liquid production dropped 5.1% in 4th Qtr 2001 to 1,616,111 bbls from 1,702,482 bbls in the 3rd Qtr 2001. This decline in part can be attributed to a dip in domestic petroleum demand during 2001.

The Energy Information Administration (EIA) states in their March Short-Term Energy Outlook that domestic petroleum demand fell 0.5% for the year. This decline in demand is the first since 1991, when the U.S. economy suffered a recession. This most recent decline can be jointly attributed, in part, to a similar recession and, in small part, to the events of September 11th. (*Short-Term Energy Outlook*, Energy Information Administration, March, 2002.)



Regionally, liquid production was actually up by 2.7% in 4th Qtr 2001 over the previous year's fourth quarter. Even though regional production fell sharply for the quarter, regional liquid production could continue to decline over the next two quarters.

The EIA is forecasting that demand for petroleum is going to recover starting sometime after the 2nd Qtr 2002. During the first half of 2002, it is expected that there could be further deterioration in demand amounting to as much as 340,000 bbls per day. Sometime after the 2nd Qtr 2002 demand is projected to recover and reach levels that require 460,000 bbls per day more than last year at the same time. This recovery is projected assuming that there is an accelerated economic recovery and the weather returns to a normal pattern. (*Short-Term Energy Outlook*, Energy Information Administration, March, 2002.)

The Oil & Gas Journal wrote in its March 18th issue that "with an expected resurgence of both the US economy and energy demand in the second half of this year,'I think the oil industry is going to be in good shape,' said Marianne S. Kah, chief economist at Conoco Inc., Houston." (*General Interest*, Oil & Gas Journal, March 18, 2002, page 40.)

Regional Gas production plummeted 15.5% to 128,214,010 mcf during the 4th Qtr 2001. This decline increased from a more agreeable 5.8% decline to the current figure when the OTC released revised figures during this quarter. The drop in gas production can be

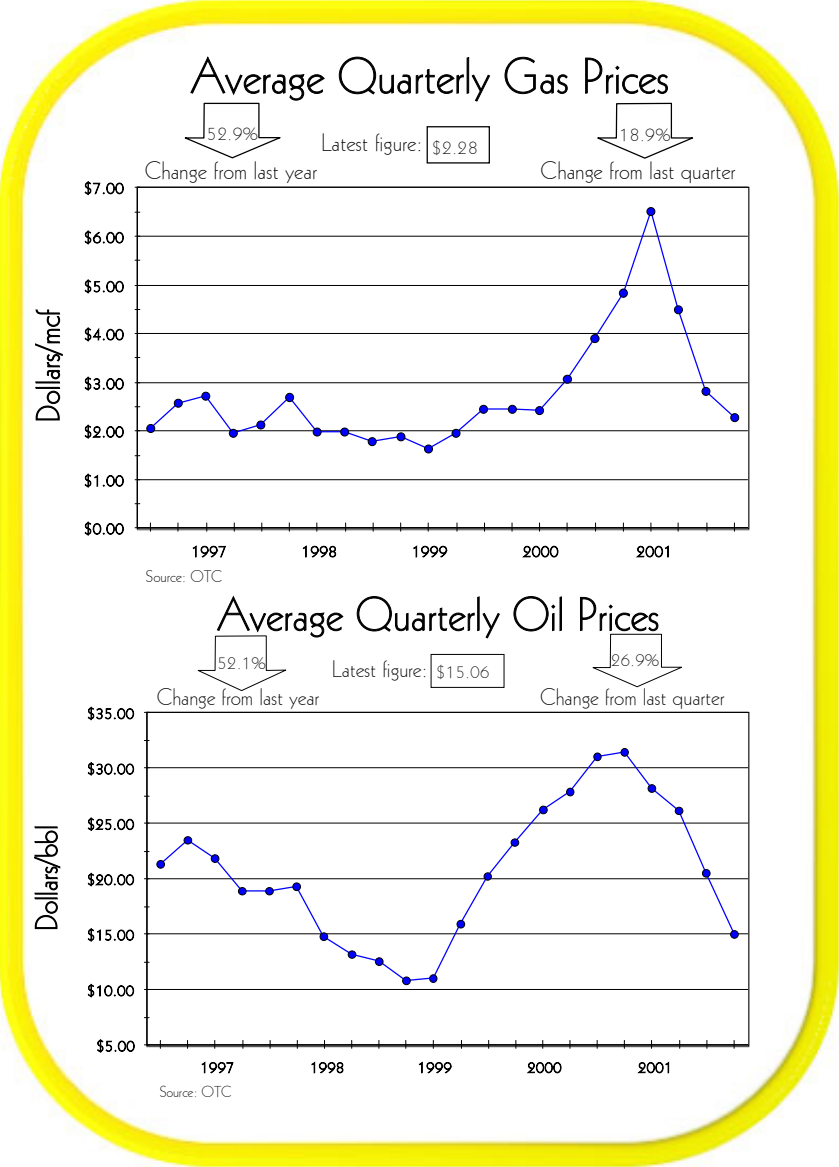
attributed to a lack of demand caused by unusually warm weather and the fact that gas reserves have built up over this time period for the same reason.

The weather this winter has made the winter of 2001/2002 the warmest winter in 70 years with regard to heating degree-days. EIA estimates show that the heating degree-days are 11% lower than the normal range for this time period and 18% less than what last winter. For this reason, we have seen lower heating fuel demand and increased fuel stocks coming out of this mild winter. (*Short-Term Energy Outlook*, Energy Information Administration, March, 2002.)

Compared to a year ago, regional gas production fell 13.1% and has even fallen below 2nd Qtr 1999 production levels when production was well below 140 million mcf. We should see this figure continue to drop along with the average quarterly price of gas.

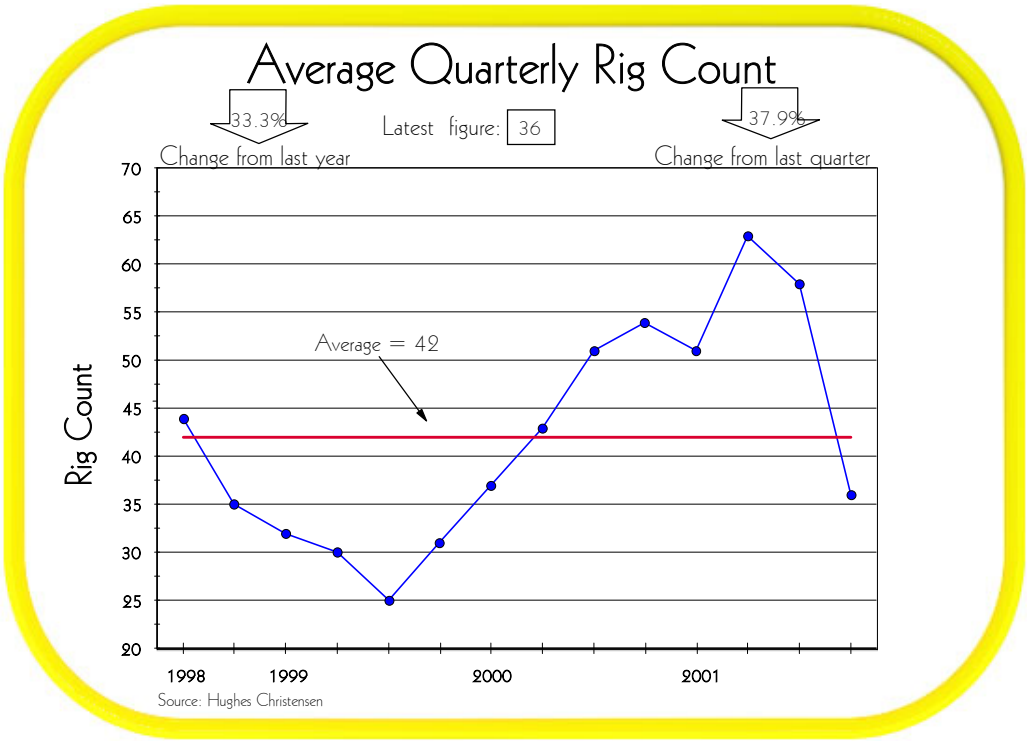
Moving from production to prices, average quarterly gas prices continue to drop after reaching a high of over $6 dollars in 1st Qtr 2001. The average quarterly gas price for the region is $2.28 per mcf down from the $2.81 per mcf price seen in 3rd Qtr 2001. This represents a 18.9% drop from the previous quarter and 52.9% decline from the previous years 4th Qtr 2000.

A spate of cold weather that occurred in late February and early March has seen increased withdrawals of natural gas from storage. The national natural gas surplus has dropped from 1,021 bcf to 897 bcf in past weeks. This combined with an increasing decline in production could be a key factor in gas prices coming back to the $3/mcf range. (*OGJ Newsletter*, Oil & Gas Journal, March 18, 2002, page 5.)



Regional average quarterly oil prices continued to fall, making this the fourth straight quarter that the price of oil has dropped. The oil prices barely stayed above the $15/bbl mark in the 4th Qtr 2001 as they dropped 26.9% from the 3rd Qtr 2001. This is the lowest level for regional oil prices since the 1st Qtr 1999. Spot prices for the major oil indices as of March 22, 2002 were increasing. This could be an indication that a leveling or increase in regional oil prices could occur during the first part of 2002.

Saudi Arabian Light (fob) has increased from the $18.29/bbl price reported on January 16th to $21.09/bbl as of March 22nd. Spot prices for *North Sea Brent* (fob) and *West Texas Intermediate* (fob) went from being $18.55/bbl to $24.87/bbl for the former and $18.88/bbl to $25.20/bbl for the latter during the same time period. (Source: Energy Information Administration, U.S. Department of Energy, http://www.eia.doe.gov/emeu/international/crude1.html)

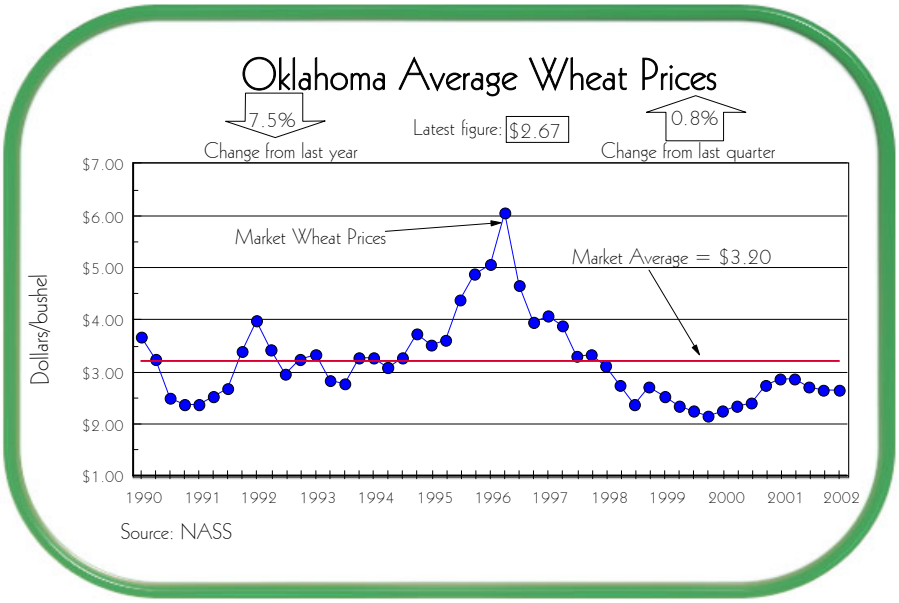


Average quarterly rig counts for the region, as provided by Hughes Christensen, show a rapid drop off in the amount of activity. In fact, the decline that occurred during the 4th Qtr 2001 was the largest single decline during the time the graph covers. The regional rig count dropped 37.9% from 58 active rigs to only 36 active rigs for the quarter, while over a year's time the rig count fell 33.3%. The current number of active rigs is six active rigs below the regional average rig count for the time period of 42.

This corresponds to falling rig counts on the national and world level, which according to Baker Hughes, Inc. U.S. rig counts are at 769 active rigs as of March 8th, 2002 down from 1,158 active rigs at the same time in 2001. Internationally, rig counts have also fallen from their 2001 levels with active rigs worldwide standing at 2,015 as of January 2002. This is down from the January 2001 levels of 2,374 active rigs. (*Statistics*, Oil & Gas Journal, March 18, 2002, page 97-98.)

by: Stephen Nelson

Oklahoma average wheat prices remained relatively level in the opening quarter of 2002 increasing by 0.8% or by two cents to reach $2.67/bu. This is not earth shattering given that this $2.67/bu price is down 7.5% from the same time last year.



Average wheat prices have remained within the $2.50/bu to $3.00/bu range for the last year and a half and perhaps more significantly below the $3.00/bu range since 1998. As it stands right now Oklahoma average wheat prices are still 53¢/bu lower the market average for the graphed time period.

There has been talk of a small rally in wheat prices this spring as wheat stocks have consistently shrunk with the continued low prices. In the Oklahoma Farmer-Stockman's Market Outlook, Arlan Suderman states that, "A runaway bull market is not expected in 2002, but shrinking wheat stocks support higher prices." (Arlan Suderman, "Market Outlook: Tighter stocks support prices", Oklahoma Farmer-Stockman, March 2002.)

According to the Economic Research Service of the United States Department of Agriculture, the reason for the reduction in wheat stocks is the fact that, "While forecasted world wheat production is down less than 1 percent from the previous year, production is 12

Wheat in the Great Plains Region

	2000				2001 - Estimated			
	Planted Acres	Harvested Acres	Yield/Acre in Bushels	Production in Bushels	Planted Acres	Harvested Acres	Yield/Acre in Bushels	Production in Bushels
Beckham	85,000	50,000	30.0	1,500,000	80,000	40,000	25.0	1,000,000
Blaine	180,000	130,000	34.0	4,420,000	180,000	110,000	25.0	2,750,000
Caddo	215,000	125,000	34.5	4,310,000	210,000	120,000	33.8	4.050,000
Custer	235,000	180,000	34.5	6,210,000	185,000	135,000	31.0	4,180,000
Dewey	100,000	70,000	33.0	2,310,000	105,000	70,000	31.4	2,200,000
Ellis	80,000	45,000	25.8	1,160,000	70,000	40,000	27.5	1,100,000
Greer	110,000	75,000	28.5	2,140,000	95,000	75,000	28.0	2,100,000
Harmon	70,000	25,000	30.0	750,000	60,000	23,000	29.8	685,000
Jackson	190,000	140,000	36.0	5,040,000	180,000	120,000	29.5	3,540,000
Kiowa	290,000	210,000	33.5	7,030,000	245,000	180,000	31.7	5,700,000
Roger Mills	80,000	40,000	29.0	1,160,000	70,000	35,000	29.1	1,020,000
Tillman	195,000	140,000	32.5	4,550,000	100,000	55,000	28.5	1,570,000
Washita	220,000	155,000	33.5	5,200,000	200,000	140,000	30.0	4,200,000
Regional Total	**2,050,000**	**1,385,000**	**31.9**	**45,780,000**	**1,780,000**	**1,143,000**	**29.3**	**34,095,000**

Source: OASS & NASS

million tons less than projected consumption, causing the drop in stocks." (Wheat Outlook, Economic Research Service, United States Department of Agriculture, http://www.ers.usda.gov/publications/so/view.asp?f=field/whs-bb/, February 12th, 2002.)

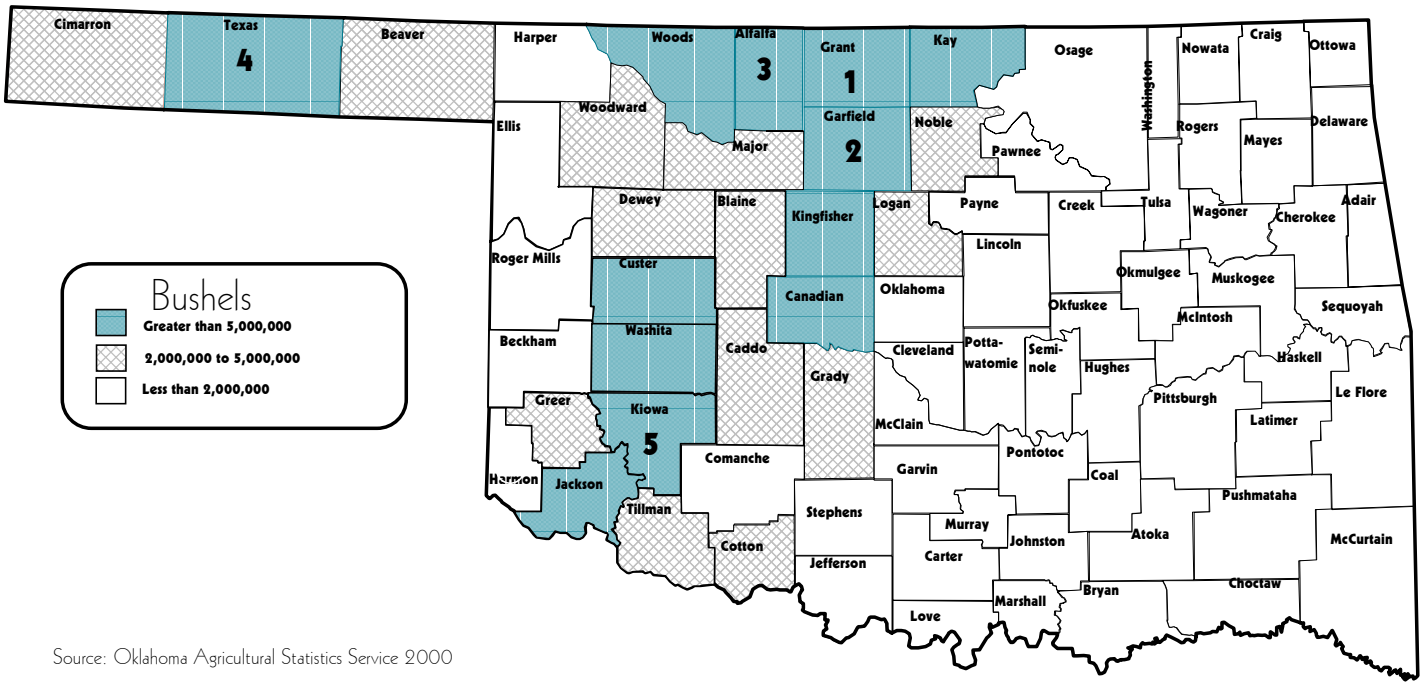
Regional production has fallen, looking at the table Wheat in the Great Plains Region we can see that the number wheat acres planted and harvested for the region has dropped 15.2% and 21.2% respectively in the 2001 estimates. Yields also fell from 31.9 bushels per acre to 29.3 bushels per acre a decline of 8.9%. This all translates to a large drop in production in 2001 amounting to 11,685,000 bushels less than what it was in 2000.

The map labeled All Wheat Production shows the statewide breakdown of wheat production in Oklahoma. Four out of the thirteen counties in our region are among the top twelve wheat-producing counties in the state. Custer, Washita, and Jackson counties all produced over 5 million bushels of wheat in 2000. Kiowa county broke into the top five wheat producing counties in Oklahoma, ranking at number five in wheat production with 7,030,000 bushels produced in 2000. Unfortunately, looking at the previous table one can see the hard times wheat producers are having as production in Kiowa county has been estimated to have fallen by over a million bushels.

Regionally, the wheat crop is being hurt by the lack of precipitation over most of our region's thirteen counties. According to the Drought Severity Index put out by the Climate Prediction Center of the National Oceanic and Atmospheric Administration most of our region is under moderate drought conditions. (Climate Prediction Center, National Oceanic and Atmospheric Administration, http://www.cpc.ncep.noaa.gov/products/analysis_monitoring/regional_monitoring/palmer.gif, March 23, 2002.)

Livestock average beef cattle prices rose 6.3% from the 4th Qtr 2001 to reach $78.83/cwt in the 1st Qtr 2002. This price is $7.89/cwt higher than the graphed time period average price of $70.94/cwt. Despite this the current price was down 2.4% from the same time period a year ago.

All Wheat Production, Oklahoma, 2000



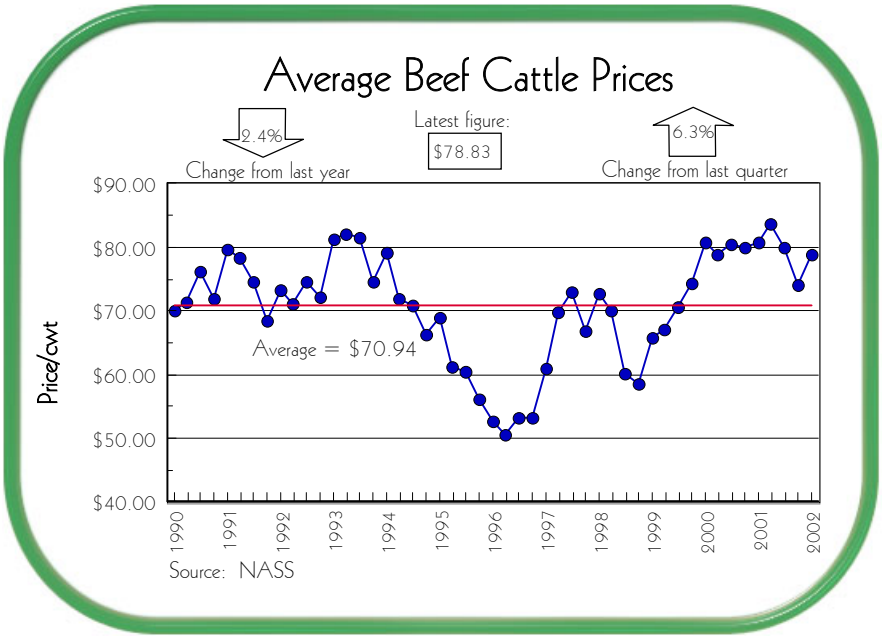
Source: Oklahoma Agricultural Statistics Service 2000

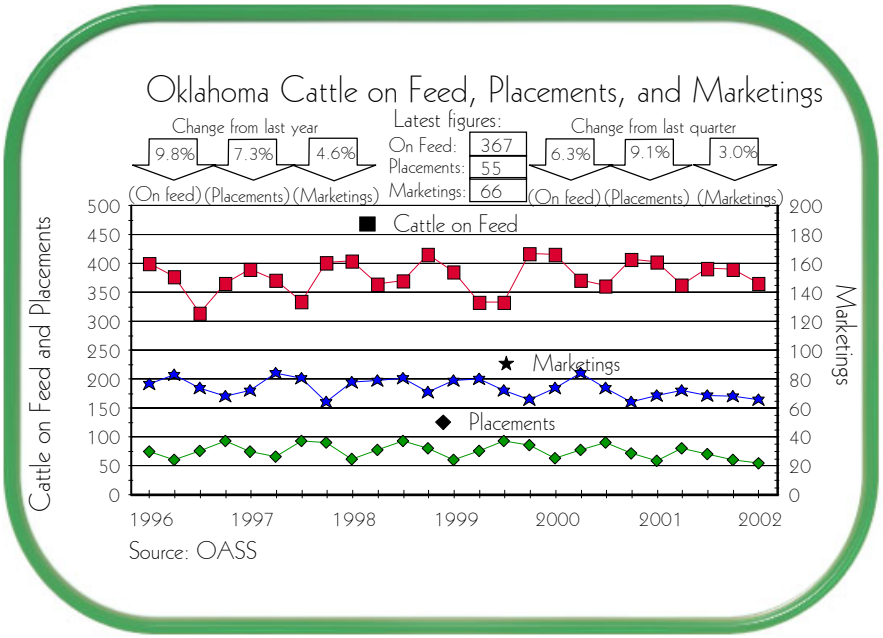
According to the Oklahoma Agriculture Statistics Service, cattle on feed, placements, and marketings are all down in 1st Qtr 2002. This is the second straight quarter that all three of these measures have fallen.

Oklahoma cattle on feed dropped 6.3% or 23,000 head for the quarter to 367,000 head of cattle. This translates to a 9.8% drop from the same quarter in the previous year.

55,000 head of cattle were placed on feed in the 1st Qtr of 2002. This figure equals a 9.1% drop or a decline of 5,000 head for the quarter and a 7.3% decline for the same quarter last year.

Marketings of Oklahoma cattle were down 3.0% to reach 66,000 head of cattle according to the OASS. This represents a 4.6% decline over a year's period. This is representative of regional situation as all the numbers overall have dropped in this first quarter.





Progress is being made on the new Farm Bill in Washington according to the National Association of Wheat Growers "contentious issues remain, a tentative agreement was reached by the conferees on March 19th on overall Farm Bill budget funding." With this agreement in place it may be possible for the Senate and House to reach a consensus and have the farm bill ready to be passed in time for the 2002 wheat crop. (National Association of Wheat Growers, "Farm Bill Conference Makes Progress", http://www.wheatworld.org/html/news.cfm?ID=63, March 29th 2002.)

Confirming this the lead negotiators of the House/Senate Farm Bill issued a joint statement on March 29th stating that, "Farm Bill negotiators today struck agreement on the needed framework to speed negotiations for early April completion of the House-Senate Conference Report. This framework allows for incorporating the many policy initiatives within the overall $73.5 billion agreed-upon ten-year farm bill budget. Members of Congress on the Conference Committee expect to be positioned to make the final farm bill decisions in public meetings of the Conference the week of April 9." (House Ag Committee, Joint Statement on Farm Bill Progress, http://agriculture.house.gov/press/pr020319.html.)

by: Jon Chiappe

As briefly mentioned at the beginning of this issue of the *Great Plains General Business Index*, major revisions have been made to the Financial section. We have done this in order to make the information contained herein more valuable to our readers and the banking/financial sector in southwest Oklahoma. As with the rest of the data reported in the *Great Plains General Business Index*, the information in this section is the most recent available.

Some of the same information presented in previous issues will continue to be presented, but the major revision will be the inclusion of a comprehensive assessment tool called CAMELS for the banking sector in southwest Oklahoma. With this information, bankers and the bank board of directors can compare their own individual bank's ratios, trends and overall performance against the same information for peer institutions in our region. *It is important to note that all of the information presented in the CAMELS assessment will be for the aggregate of all banks in southwest Oklahoma and not for any bank in particular.* Additionally, while bank regulators may assign CAMELS ratings for individual banks during the assessment process, we will not assign ratings for any of the CAMELS components or the overall assessment tool. The CAMELS assessment will be discussed in more detail shortly.

Before the CAMELS assessment, general information regarding the commercial banks will be presented - much of this information was reported in previous issues of our publication and will be maintained in an updated format in future issues.

Financial Condition of Commercial Banks in the Great Plains Region

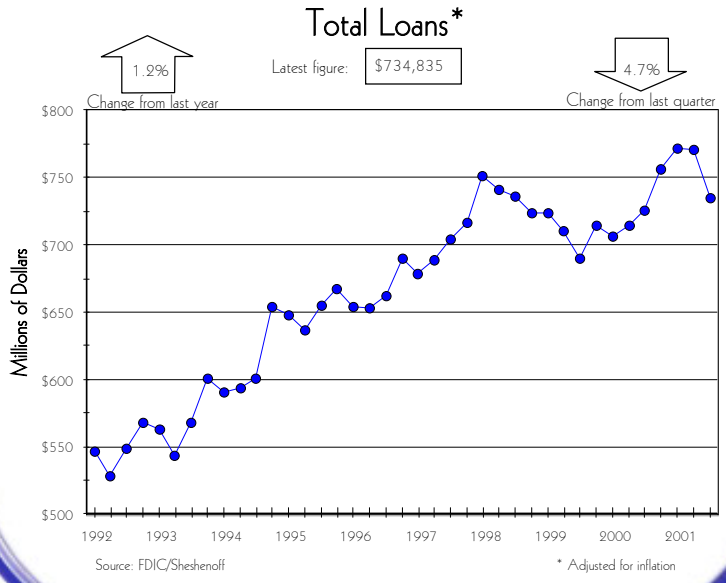
(dollar figures are in thousands)

	Sept. 2001	June 2001	% Change[1]	Sept. 2000	% Change[1]
Total Assets	1,383,455	1,441,772	-4.0%	1,364,101	1.4%
Total Deposits	1,164,539	1,226,996	-5.1%	1,168,697	-0.4%
Demand Deposits	*134,890*	*144,557*	*-6.7%*	*138,024*	*-2.3%*
Time Deposits	*1,029,649*	*1,082,439*	*-4.9%*	*1,030,673*	*-0.1%*
Total Loans	734,835	771,026	-4.7%	725,872	1.2%
Commercial & Industrial	*144,993*	*140,068*	*3.5%*	*132,316*	*9.6%*
Real Estate	*309,400*	*327,763*	*-5.6%*	*313,370*	*-1.3%*
Individual	*99,991*	*102,882*	*-2.8%*	*101,692*	*-1.7%*
Agricultural Production	*173,608*	*193,444*	*-10.2%*	*171,803*	*1.0%*
Loan-to Deposit Ratio	63.1	63.9	-1.3%	62.1	1.6%

(1) Compared to Current Quarter

* Inflation Adjusted (82-84 = 100)

Source: FDIC Call Reports



Total Assets held by financial institutions in the Great Plains region decreased 4.0% from the end of the previous quarter, but increased 1.4% from the previous year. The quarterly percentage decrease translates into a $58.317 million absolute decline in Total Assets, while the yearly percentage increase translates into a $19.354 million absolute gain.

With Demand Deposits and Time Deposits suffering combined quarterly losses totaling $62.457 million, Total Deposits experienced a 5.1% quarterly decline. While Demand Deposits suffered a greater quarterly percentage loss (down 6.7% or $9.667 million), Time Deposits suffered a greater quarterly absolute loss (down 4.9% or $52.790 million).

As can be seen from the Total Loans graph, Total Loans experienced its greatest absolute loss since 1992 from the previous quarter. The $36.191 million quarterly decrease was largely caused by a $19.836 million decrease in Ag Production loans and an $18.363 million decrease in Real Estate loans. Of the four components of Total Loans that are tracked in the Great Plains General Business Index, only Commercial & Industrial Loans (up $4.925 million or 3.5%) managed a quarterly increase.

CAMELS Analysis

CAMELS is the acronym given to an assessment tool created and used by federal and state bank regulatory agencies to uniformly assess the financial soundness of financial institutions and to identify those insured institutions that require special attention from the regulatory agencies.

CAMELS is also referred to as the Uniform Financial Institutions Rating System (UFIRS), and the original assessment tool was created in 1979 as a result of the passage of the *Financial Institutions Regulatory & Interest Rate Control Act of 1978* (*FIRA*). *FIRA* established a formal interagency government body called the Federal Financial Institutions Examination Council (FFIEC), which was "empowered to prescribe uniform principles, standards and report forms for federal examination of financial institutions ... and to make recommendations to promote uniformity in the supervision of financial institutions." (http://www.ffiec.gov). The council is composed of representatives from the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS).

The original assessment tool created in 1979 was called CAMEL, but in 1996-7 the Council revised it and added an additional component to create CAMELS. The six components of CAMELS are: 1) Capital adequacy, 2) Asset quality, 3) the capability of the bank's Management, 4) Earnings strength, 5) the adequacy of Liquidity, and 6) Sensitivity to market risk. (Feldman & Schmidt, fedgazette, *"What are CAMELS and Who Should Know?"*, Federal Reserve Bank of Minneapolis, January, 1999.)

For regulatory purposes, each component of the assessment tool is given a score ranging from 1 to 5 with 1 indicating sound practices, policies and performance and 5 indicating unsafe policies, practices or performance. After each component is scored, the financial institution will receive a composite CAMELS rating ranging from 1 to 5 as well. Financial institutions with ratings of 4 & 5 will receive special supervisory attention from bank regulators. *Again it is important to note that, in our publication, all of the information presented in the CAMELS assessment will be for the aggregate of all banks in southwest Oklahoma and not for any bank in particular. Additionally, we will neither score the components nor the composite CAMELS information for the banks in southwest Oklahoma.*

Capital Adequacy

CAMELS

Bank capital is similar to the capital in many other businesses - it is the amount invested in the financial institution from shareholders and the appreciation in that investment from successful operations. There are several components of bank capital, but the primary component is common stock. The Capital Adequacy measure in the CAMELS assessment tool attempts to measure the ability that the bank has to weather economic downturns and sustain losses. Financial institutions with more capital not only have a better ability to sustain economic downturns, but also afford creditors comfort that the banks' debts will be repaid. Thus, the more capital that a bank has, the less likely it is to fail. Forrest Myers, Economist at the Federal Reserve Bank of Kansas City, states that "since capital represents the shareholders' investment from successful operations, it is also the shareholders' 'stake put at risk', lessening incentives for taking unwarranted or uncompensated chances in operating the bank." (Forrest Myers, "Basics for Bank Directors", Federal Reserve Bank of Kansas City, December, 2001, page 21.)

CAMELS Analysis - Capital Adequacy Table

(dollar figures are in thousands)

	Sept. 2001	June 2001	% Change1	Sept. 2000	% Change1
Total Capital (Tier 1 + Tier 2)	$158,689	$164,862	-3.7%	$162,591	-2.4%
Core Capital (Tier 1)	*$149,898*	*$155,489*	*-3.6%*	*$154,182*	*-2.8%*
Supplementary Capital (Tier 2)	*$8,791*	*$9,373*	*-6.2%*	*$8,409*	*4.5%*
Net Risk-Weighted Assets	$830,093	$864,948	-4.0%	$811,866	2.2%
RWA: 0%	*$124,059*	*$132,039*	*-6.0%*	*$143,997*	*-13.8%*
RWA: 20%	*$447,388*	*$455,102*	*-1.7%*	*$440,365*	*1.6%*
RWA: 50%	*$158,939*	*$182,439*	*-12.9%*	*$148,309*	*7.2%*
RWA: 100%	*$663,244*	*$684,958*	*-3.2%*	*$658,710*	*0.7%*
Capital Adequacy Ratios					
Risk-Adjusted Capital Ratio (Total Capital/Net RWA)	19.1	19.1	0.3%	20.0	-4.5%
Tier 1 Risk-Based Ratio (Core Capital/Net RWA)	18.1	18.0	0.5%	19.0	-4.9%
Leverage Ratio (Core Capital/Adj. Total Assets)	10.9	11.0	-0.6%	11.4	-3.8%
Dividends Declared/Net Income	69.4	71.5	-2.9%	53.4	30.1%

(1) Compared to Current Quarter

* Inflation Adjusted (82-84 = 100)

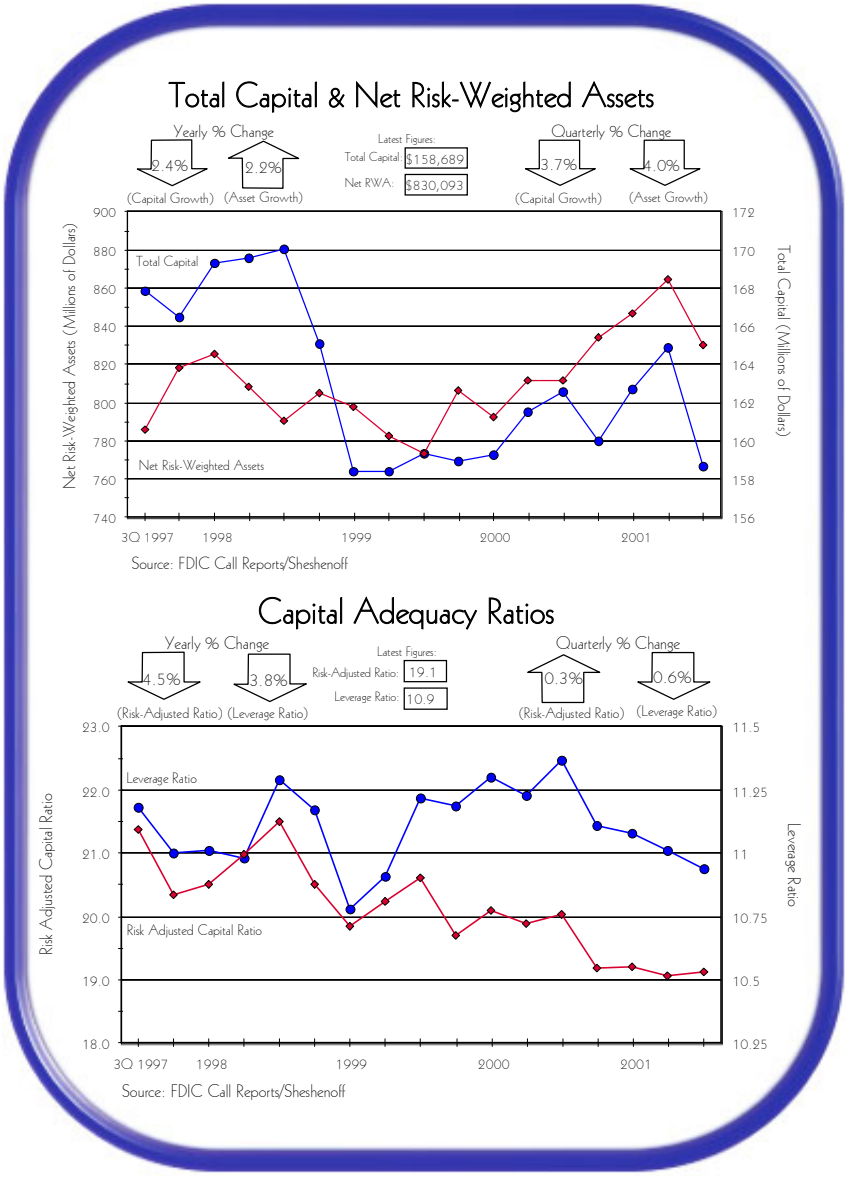
Source: FDIC Call Reports/Sheshenoff

Financial ratios are used as one tool during a CAMELS

assessment. For the Capital Adequacy component, the financial ratios are largely dependent upon capital and asset statistics, and this information is presented in the accompanying table. Although the capital and asset numbers themselves convey information, more information is garnered from trends, percentage changes, and ratio & data comparisons with peer institutions and budgeted figures. To be more valuable to the financial institutions in southwest & west central Oklahoma, we will graphically portray trend information as well for some of the statistics presented in the accompanying table. Additionally, since all the information has been aggregated, bankers and bank board of directors will be able to make comparisons with peer institutions in southwest & west central Oklahoma.

Core Capital, defined as the sum of common stock, preferred stock, undivided profits and surplus, fell 3.6% from the previous quarter and fell 2.8% from the previous year. Supplementary Capital consists of allowances for loan losses, hybrid capital instruments, and subordinated debt, and fell 6.2% from the previous quarter but rose 4.5% from the previous year. The sum of Core Capital and Supplementary Capital equals Total Capital, and as can be seen from the table, Core Capital accounts for the greatest share (94.5% in 3rd Qtr 2001) of Total Capital in the Great Plains region.

Between the end of 2 Qtr 2001 and the end of 3rd Qtr 2001, Total Capital fell 3.7% (or by $6.173 million) among all the banks in southwest & west central Oklahoma. The quarterly drop in Total Capital among the banks in the Great Plains region places Total Capital at its second-lowest level in the graphed time period. The lowest level of Total Capital invested in the regional banks occurred in 1st Qtr 1999.



Net Risk-Weighted Assets refers to a measure used by bank regulators in the denominator of several financial ratios. Each of four asset categories is assigned a weight depending upon the amount of risk associated with it. Assets held by the bank that have little or no risk are given low weights. For example, Cash has very little risk and is given a 0% weight - this means that Cash Assets held by the financial institution do not count towards the Net Risk-Weighted Assets figure. Balances held at other domestic banks are also less risky assets and have been assigned a 20% weight by bank regulators. Among the aggregate of the financial institutions in southwest Oklahoma, twenty percent of the $447.388 million held by the regional banks counts toward the Risk-Weighted Assets figure - this equals $89.478 million in the most recent quarter. For the higher risk assets, residential loans secured by a first lien is one example of an asset assigned a 50% weight, and private corporation loans is assigned a 100% weight. For the most risky asset category, every dollar loaned to a private corporation fully counts toward the Net Risk-Weighted asset category. The sum of the four asset categories multiplied by their respective weights equals the Net Risk-Weighted Asset measure.

Among the financial institutions in southwest Oklahoma, Net Risk-Weighted Assets fell 4.0% (or $34.855 million) between the end of 2nd Qtr 2001 and the end of 3rd Qtr 2001. Given the weighted

nature of the measure, much of the quarterly drop can be traced to a 3.2% (or $21.714 million) quarterly decline in the *RWA: 100%* category. The quarterly decline in Net Risk-Weighted Assets displaced the measure from its highest point in 2nd Qtr 2001.

A comparison of the percentage growth rates in Total Capital and Net-Risk Weighted Assets is one statistical tool used by bank regulators to help determine the capital adequacy of a bank. By comparing the two growth rates, bank regulators attempt to answer whether the bank's asset growth is "outstripping the bank's ability to maintain adequate capital." (Forrest Myers, "Basics for Bank Directors", Federal Reserve Bank of Kansas City, December, 2001, page 34.) The aggregate Total Capital quarterly growth rate equaled -3.7%, while the aggregate Net RWA quarterly growth rate equaled -4.0% among the banks in southwest Oklahoma. Since the Net RWA measure experienced a greater percentage decrease than Total Capital, the capital adequacy position for the regional banks improved slightly over the two most recent quarters.

Three other capital adequacy tools used by bank regulators are comparisons of the Leverage, Risk-Adjusted Capital, and Tier 1 Risk-Based ratios to zones established by bank regulators and the FFIEC. The FFIEC established five capital adequacy zones. They are: 1) well capitalized, 2) adequately capitalized, 3) undercapitalized, 4) significantly undercapitalized, and 5) critically undercapitalized. In order to be classified as well capitalized, a bank meet each of the following three criteria: 1) have a Risk-Adjusted Capital Ratio $10%, 2) have a Tier 1 Risk-Based Ratio $ 6%, and 3) have a Leverage ratio $ 5%.

With a Risk-Adjusted Capital Ratio equal to 19.1%, a Tier 1 Risk-Based Ratio equal to 18.1%, and a Leverage Ratio equal to 10.9%, the aggregate of all regional banks in southwest Oklahoma may be classified as well capitalized in the most recent quarter.

CAMELS Analysis - Asset Quality Table

	Sept. 2001	June 2001	% Change(1)	Sept. 2000	% Change(1)
Nonperforming Loans/Gross Loans	2.1	2.0	5.9%	1.9	11.9%
Nonper. Real Estate Loans Ratio	*1.9*	*1.9*	*-0.9%*	*1.6*	*13.2%*
Nonper. Consumer Loan Ratio	*0.9*	*0.7*	*22.5%*	*0.7*	*23.0%*
Nonper. Commercial Loan Ratio	*2.8*	*2.6*	*9.5%*	*2.6*	*10.2%*
Nonper. Ag Loan Ratio	*1.6*	*1.3*	*19.8%*	*5.2*	*-69.2%*
Nonper. Loans/Loan Loss Reserve	*154.2*	*142.6*	*8.1%*	*120.6*	*27.8%*
Nonper. Assets/Core Capital	*11.8*	*11.2*	*5.3%*	*10.3*	*14.5%*
Loan Loss Reserve/Total Loans	*1.4*	*1.4*	*-0.3%*	*1.6*	*-12.5%*

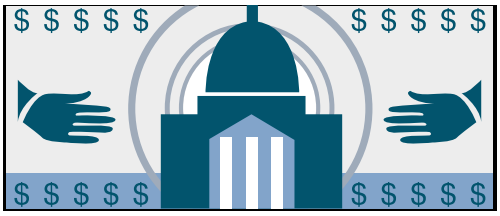
(1) Compared to Current Quarter

Source: FDIC Call Reports/Sheshenoff

CAMELS Asset Quality

Forrest Myers, economist at the FRB of Kansas City, states that "asset quality refers to the amount of risk or 'probable' loss in a bank's assets and the strength of management processes to control risk. Where these losses are judged to be small and management processes are strong, asset quality is considered good. Where losses appear large and management processes are weak, asset quality is considered poor." (Forrest Myers, "Basics for Bank Directors", Federal Reserve Bank of Kansas City, December, 2001, page 35.)

Forrest Myers goes on to explain that banks can suffer Asset Quality deterioration in many ways including borrower bankruptcies, declining value of real estate holdings, interest rate changes that depreciate the value of its securities holdings, etc. However, since loans account for the largest share of a typical bank's assets, loan losses cause the greatest concern when rating a bank's Asset Quality.



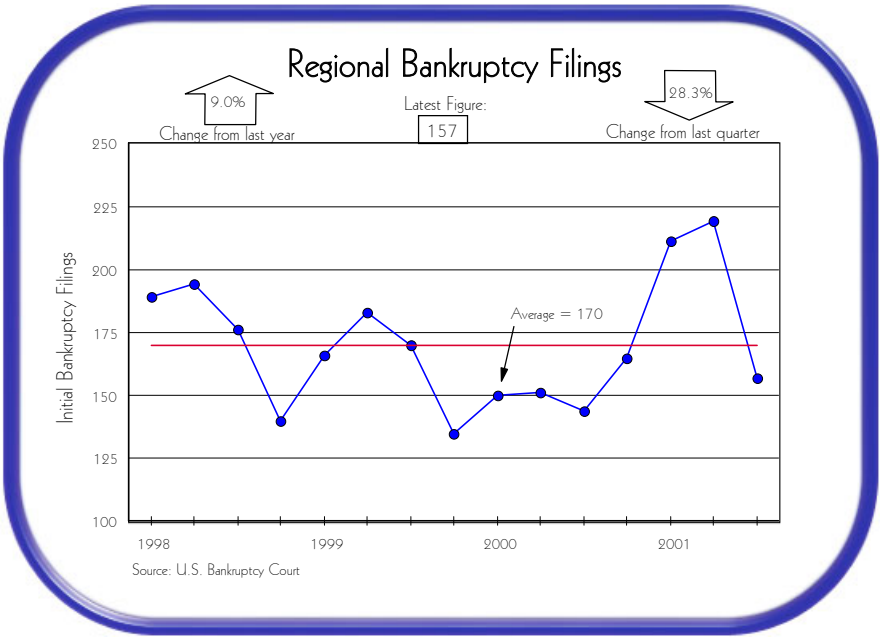
Bank regulatory agencies rate Asset Quality not only by analyzing the bank's financial ratios, but also by reviewing the bank's lending practices. Lending practices that cause concern and may deteriorate a bank's Asset Quality rating include lax lending policies, excessive loans to insiders, credit concentrations in a few industries, etc. (Forrest Myers, "Basics for Bank Directors", Federal Reserve Bank of Kansas City, December, 2001, page 35.) Since information regarding lending practices is not readily available, and since they cannot be easily aggregated or objectively judged, we will not include a lending practices review in this section. Rather, we will concentrate upon Asset Quality financial ratios, percentage changes and trends to review the CAMELS' Asset Quality component for the regional banks in southwest Oklahoma.

For the aggregate of all banks in southwest Oklahoma, Asset Quality, as measured by the Nonperforming Loans/Gross Loans ratio, deteriorated slightly by rising 5.9% from the previous quarter and 11.9% from the previous year. As can be seen from the accompanying table, a greater proportion of commercial loans are classified as nonperforming than any of the other loan categories. At the other end of the spectrum, consumer loans are the least likely to be classified as nonperforming among the regional banks.

From the end of 2nd Qtr 2001, Asset Quality deteriorated among each loan category except real estate loans. The proportion of consumer loans that can be classified as nonperforming rose 22.5% over the two most recent quarters while the same proportion increased 19.8% for ag loans and 9.5% for commercial loans. The proportion of real estate loans classified as nonperforming remained little changed from the previous quarter.

Compared to the previous year, the proportion of ag loans that may be classified as nonperforming plummeted 69.2%. Countering these advantageous effects were increases in each of the three remaining loan categories classified as nonperforming.

Unfortunately, the amount of nonperforming loans has been growing relative to the loan loss reserves held by the banks in southwest Oklahoma. By this measure, Asset Quality has deteriorated both from the previous quarter and the previous year.



As can be seen from the Asset Quality Ratios graph, the Nonperforming Loan/Gross Loan ratio has risen for three consecutive quarters. From 4th Qtr 2000, this nonperforming loan ratio has risen 32.9% to its second-highest level in the graphed time period. Also from the graph, the average proportion of Loan Loss Reserve to Total Loans among the banks in southwest Oklahoma was 1.4% at the end of 3rd Qtr 2001, which remained little changed from the previous quarter. This proportion has fallen from 1.9% from its highest point in 2nd Qtr 1999.

Boding well for Asset Quality in the future, regional bankruptcy filings have fallen for the first time since 3rd Qtr 2000. The 157 initial bankruptcy filings in 3rd Qtr 2001 were 62 fewer than the 219 initial filings recorded in 2nd Qtr 2001. This 28.3% quarterly drop backed initial bankruptcy filings off of its highest point in the graphed time period.

CAMELS Management

The Management component of the CAMELS assessment attempts to ensure that the bank is operated in a safe and sound manner. Forrest Myers states that "it includes the quality and character of individuals that guide and supervise the bank, encompassing their: knowledge, experience, and technical expertise; leadership, organizational, and administrative skills; ability to plan and adapt to changing circumstances; and honesty and integrity." (Forrest Myers, "Basics for Bank Directors", Federal Reserve Bank of Kansas City, December, 2001, page 47.)

CAMELS Analysis - Management Table

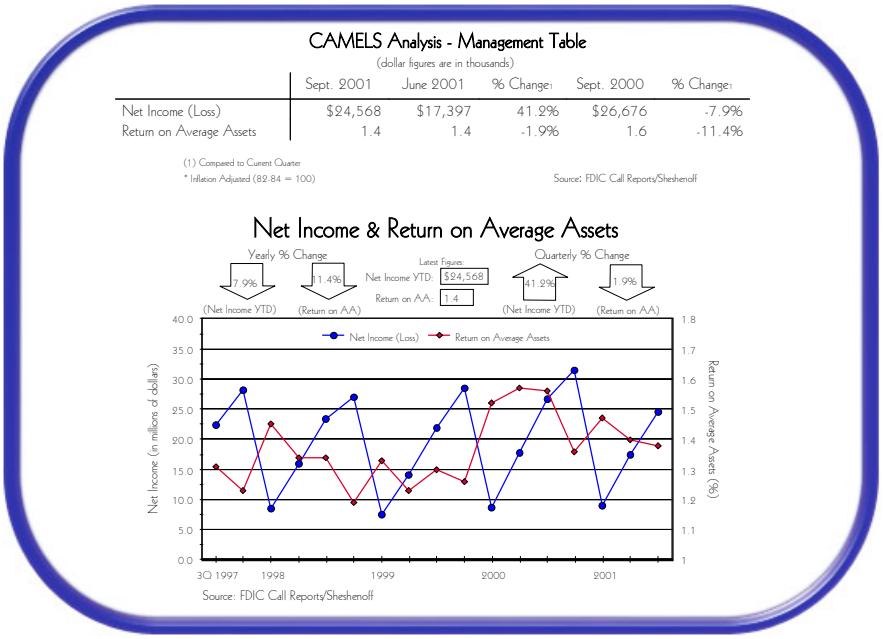
(dollar figures are in thousands)

	Sept. 2001	June 2001	% Change(1)	Sept. 2000	% Change(1)
Net Income (Loss)	$24,568	$17,397	41.2%	$26,676	-7.9%
Return on Average Assets	1.4	1.4	-1.9%	1.6	-11.4%

(1) Compared to Current Quarter

* Inflation Adjusted (82-84 = 100)

Source: FDIC Call Reports/Sheshenoff



There are several sources of information that can be used in an extensive evaluation of the bank's management. Sources of information listed as important in the Basics for Bank Directors publication from the Kansas City FRB include financial statements, internal audits, external audits, and supervisory examination reports. As would be expected, much of this information is not readily available or is otherwise difficult to consolidate for the aggregate of all banks in southwest Oklahoma. However, as an indicator for the CAMELS' Management component, we will use the "bottom line" on income statements, net income (loss), and the return on average assets. These two measures relate profitability, which may further serve as a basic indication for the Management component.

The Net Income series reported in the accompanying table and graphed in the related chart is a "Year-to-Date" (YTD) figure. This means that, during the course of the year, net income is added to the previous quarter's results. Likewise, net losses are subtracted from the previous quarter's results. The start of a new year repeats the process.

As can be seen in the table, the YTD Net Income stood at $24.568 million for the aggregate of all banks in southwest Oklahoma at the end of 3rd Qtr 2001. To calculate net income for the quarter, subtract the previous quarter's figure from the present quarter's figure. Between the end of 2nd Qtr 2001 and the end of 3rd Qtr 2001, the regional banks in southwest Oklahoma reported a Net Income of $7.171 million. The YTD Net Income figure at the end of 3rd Qtr 2001 was 7.9% lower than the YTD Net Income figure for 3rd Qtr 2000.

Return on Average Assets, defined as Net Income divided by Average Assets, stood at 1.4% in 3rd Qtr 2001, which remained little changed from the previous quarter. The Return on Average Assets experienced a yearly 11.4% decrease from its second-highest point of 1.6% achieved in 3rd Qtr 2000.

CAMELS

Earnings Strength

Earnings Strength is measured by "the composition, level, trend, and stability of bank profits." With a strong source and level of earnings, financial institutions have "sufficient profits to support operations, provide for asset growth, and build capital." Conversely, poor earnings may not permit the financial institution the ability to adequately serve the community's credit needs and makes it more difficult for the institution to absorb losses and build capital for future growth. (Forrest Myers, "Basics for Bank Directors", Federal Reserve Bank of Kansas City, December, 2001, page 55.)

As opposed to the previous CAMELS' component, financial ratios and statistics are the primary source used to gauge a financial institution's Earnings Strength. Both Net Income and Return on Average Assets are two financial measures used to gauge Earnings Strength, but since this data was reported in the previous CAMELS' component, other financial ratios will be reported in this section.

As can be seen from the accompanying table and graph, as a proportion of Average Assets, Interest Income experienced a 2.0% quarterly decline and a 5.5% yearly decline. Similar quarterly (-4.0%) and yearly (-3.3%) declines may be observed in the proportion of Interest Expense to Average Assets. The Net Interest Margin, which is the difference between Interest Income and Interest Expense, remained stable from the previous quarter, but a larger yearly decline in Interest Income compared to Interest Expense caused the Net Interest Margin to decline from 4.2% of Average Assets in 3rd Qtr 2000 to 3.9% of Average Assets in 3rd Qtr 2001.

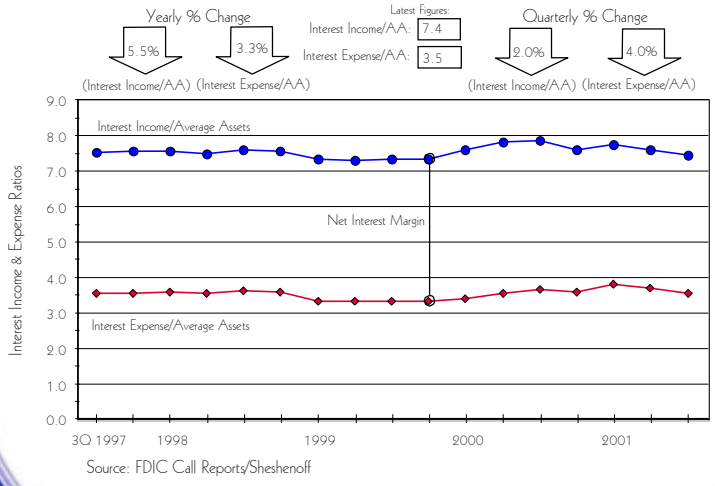
CAMELS Analysis - Earnings Strength Table

	Sept. 2001	June 2001	% Change(1)	Sept. 2000	% Change(1)
Interest Income/AA	7.4	7.6	-2.0%	7.9	-5.5%
Interest Expense/AA	3.5	3.7	-4.0%	3.7	-3.3%
Net Interest Margin/AA	3.9	3.9	-0.2%	4.2	-7.4%
Tot Noninterest Income/AA	0.9	0.9	-0.7%	0.9	-0.3%
Provision for Loan Losses/AA	0.2	0.2	18.9%	0.1	88.4%
Operating Profit/AA	1.5	1.5	-3.9%	1.8	-18.2%
Yield on Loans	*9.4*	*9.5*	*-1.7%*	*10.0*	*-6.1%*
Yield on Leases	*9.3*	*10.0*	*-7.3%*	*4.4*	*113.7%*
Yield on Securities	*6.0*	*6.1*	*-1.4%*	*6.1*	*-1.2%*
Cost of Funds	*4.6*	*4.7*	*-4.0%*	*4.7*	*-2.9%*
Cost of Funds - Fed Funds Rate	*3.5*	*4.3*	*-19.2%*	*6.5*	*-46.4%*
Cost of Deposits	*4.6*	*4.8*	*-4.0%*	*4.7*	*-2.1%*
Cost of Borrowings	*4.5*	*4.7*	*-3.4%*	*5.8*	*-23.0%*
Efficiency Ratio	62.5	62.3	0.3%	60.4	3.5%

(1) Compared to Current Quarter

Source: FDIC Call Reports/Sheshenoff

Interest Income & Expense Ratios



Source: FDIC Call Reports/Sheshenoff

The Yields for Loans and Securities decreased slightly from the previous quarter among the financial institutions in southwest Oklahoma. The Yield on Leases experienced a greater quarterly percentage decrease (down 7.3%), but was substantially higher when compared to the previous year.

Each of the Cost of Funds from various sources decreased both from the previous quarter and the previous year. The overall cost of funds among the financial institutions in southwest Oklahoma decreased 4.0% from the previous quarter and 2.9% from the previous year. Of the three Cost of Funds components reported in the Earnings Strength table, the Cost of Funds - Federal Funds Rate decreased the most both from the previous quarter (down 19.2%) and the previous year (down 46.4%). The federal funds rate is the interest rate at which depository institutions lend balance at the Federal Reserve to other depository institutions overnight.

The Efficiency Ratio measures the relationship between a financial institution's income and expenses. Increases in the Efficiency Ratio indicate that more of the financial institution's income is being dedicated to cover its expenses. Therefore, it is preferable for

the financial institution to have lower Efficiency Ratios than higher Efficiency Ratios. The ratio is a means of evaluating both the overhead structure and the profitability of a financial institution.

Among the aggregate of the financial institutions in southwest Oklahoma, the Efficiency Ratio increased 0.3% from the previous quarter and 3.5% from the previous year. As can be seen from the Efficiency Ratio graph, the ratio has exhibited a general upward trend from 3rd Qtr 1997.

CAMELS Liquidity

Again quoting Forrest Myers, "liquidity refers to the ability of a bank to quickly raise cash at a reasonable cost. Banks must have adequate liquidity in order to serve their customers and to operate efficiently. Those with adequate liquidity are able to pay creditors, meet unforseen deposit runoffs, satisfy periodic changes in loan demand, and fund growth without making costly balance sheet adjustments. Banks with poor liquidity may not be able to meet these funding demand and in extreme cases may be closed. (Forrest Myers, "Basics for Bank Directors", Federal Reserve Bank of Kansas City, December, 2001, page 63.)

Similar to the previous CAMELS' component, financial ratios provide the main source for evaluating a financial institutions' current liquidity position. However, liquidity can change rapidly in changing economic conditions. Therefore, planning for future liquidity needs is an important function performed by the financial institutions.

The accompanying table provides a sample of some of the financial ratios available to analyze the liquidity position of financial institutions. The Liquidity Ratio relates the dollar amount of cash and marketable securities divided by the current liabilities of a financial institution. As can be seen, the Liquidity Ratio for the aggregated banks in southwest Oklahoma deteriorated slightly from the previous quarter by falling 0.7%. The Liquidity Ratio has fallen from over 40.0 in 3rd Qtr 1997 to 32.7 in 3rd Qtr 2001.

CAMELS Analysis - Liquidity Table

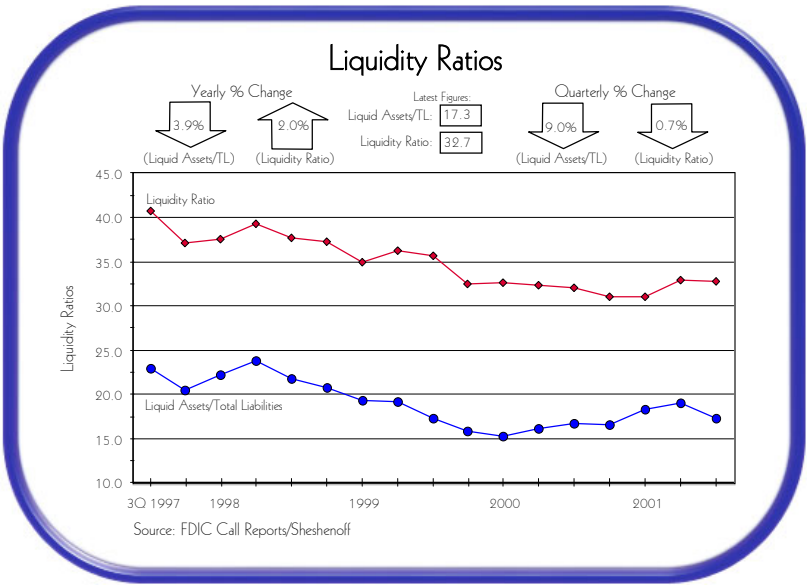
	Sept. 2001	June 2001	% Change[1]	Sept. 2000	% Change[1]
Liquid Assets/Total Liabilities	17.3	19.1	-9.0%	16.7	3.9%
Liquid Assets-Large Liabilities/TA	*-2.2*	*0.2*	*-1252.5%*	*-1.5*	*49.6%*
Liquid Assets/Purchased Funds	*87.5*	*101.1*	*-13.5%*	*91.0*	*-3.9%*
Liquid Assets/Short Term Liabilities	*60.2*	*65.3*	*-7.7%*	*56.2*	*7.1%*
Liquid Assets/Total Assets	*15.3*	*16.9*	*-9.2%*	*14.8*	*3.5%*
Liquidity Ratio	32.7	33.0	-0.7%	32.1	2.0%
Large Liability Dependence Ratio	2.9	-0.2	-1263.6%	1.9	55.4%
Total Loans/Total Deposits	63.1	64.0	-1.4%	62.1	1.6%
$100,000+ Time Deposits/TA	14.2	14.1	0.8%	14.1	1.0%
Brokered Deposits/TA	0.1	0.1	-4.2%	0.1	-9.1%
Pledged Securities/Total Securities	39.7	39.6	0.5%	39.8	0.0%

(1) Compared to Current Quarter
Source: FDIC Call Reports/Sheshenoff

Liquidity, as measured by Total Loans/Total Deposits improved slightly by falling from 64.0 in 2nd Qtr 2001 to 63.1 in 3rd Qtr 2001. The higher this ratio is, then the more of a financial institutions deposits are being loaned out as funds. There is a liquidity/earnings trade-off associated with this ratio since higher values also mean that the financial institution may be sacrificing liquidity for earnings. Conversely, lower values indicate that earnings may suffer at the expense of improved liquidity.

The Pledged Securities/Total Securities ratio

relates the percentage of total securities that have been pledged for security. Higher ratios connote less liquidity since there are fewer securities available for sale. This ratio has remained relatively stable over the past year, falling slightly from 39.8 in 3rd Qtr 2000 to 39.7 in 3rd Qtr 2001.



CAMEL

Sensitivity to Market Risk

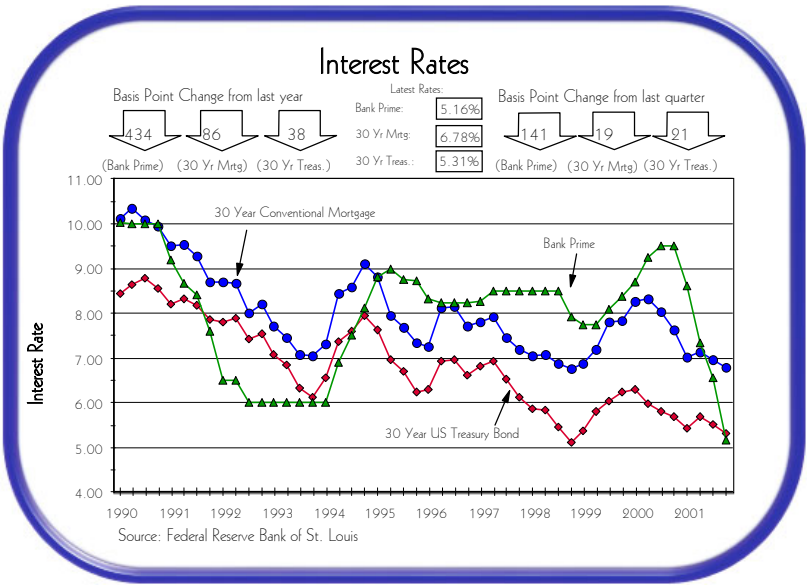
Regarding the final CAMELS' component, F. Myers writes "Sensitivity to Market Risk refers to the risk that a financial institution's earnings or capital position will be affected by changes in market rates or prices, such as interest rates, equity prices, commodity prices, or foreign exchange rates ... For most institutions, however, the primary source of market risk stems from interest rate changes and their effects on bank earnings and capital." (Forrest Myers, "Basics for Bank Directors", Federal Reserve Bank of Kansas City, December, 2001, page 75.)

The interest rates tracked in previous issues of the Great Plains General Business Index will continue to be tracked and reported in this section of the CAMELS assessment.

As can be seen from the graph, each of the three tracked interest rates experienced quarterly and yearly decreases. Of the three rates, the Bank Prime interest rate experienced both the largest quarterly decrease (down 141 basis points) between 3rd Qtr 2001 and 4th Qtr 2001 and the largest yearly decrease (down 434 basis points) between 4th Qtr 2000 and 4th Qtr 2001.

Also of importance, the Bank Prime interest rate fell below the 30-Year Treasury Bond rate for the first time since 3rd Qtr 1994. To explain this occurrence, demand for funds lent at the Bank Prime rate may have fallen substantially with the economic slowdown in the national economy at that time period. In order to stimulate demand for these funds available to be borrowed at the Bank Prime interest rate, banks would have to offer a lower interest rate.

In an effort to stimulate the economy, the Federal Reserve Board (specifically the Federal Open Market Committee) cut the federal funds interest rates on three occasions during 4th Qtr 2001. On October 2, 2001, the FOMC cut the fed funds rate 50 basis points, on November 6, 2001, the FOMC cut the rate an additional 50 basis points, and finally on December 11, 2001 the FOMC cut the fed funds rate an additional 25 basis points. The total decrease in the federal funds rate totaled 125 basis points during 4th Qtr 2001, and the total federal funds rate decrease for the whole year equaled 475 basis points. The magnitude of the interest rate movements appears similar between the federal funds rate and the Bank Prime interest rate. As already noted, the federal funds rate experienced a 125 basis point quarterly decline and a 475 basis point yearly decline while the Bank Prime rate experienced a 141 basis point quarterly decline and a 464 basis point yearly decline.



by: Jon Chiappe

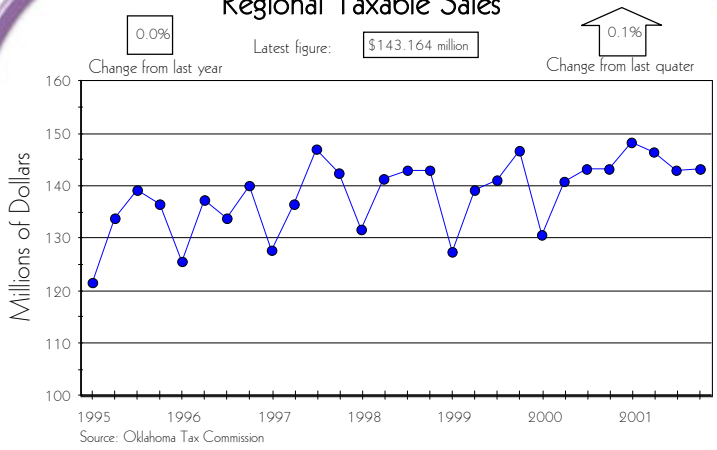
In order to provide more timely information to our readers, we are reporting 4th Qtr 2001 taxable sales data, which skips ahead from the 2nd Qtr 2001 data reported in the previous issue of the *Great Plains General Business Index*. This is the most recent data reported and available from the Oklahoma Tax Commission.

Despite the holiday season in the fourth quarter, quarterly regional taxable sales performance proved to be relatively anemic between 3rd Qtr 2001 and 4th Qtr 2001. Over the two most recent quarters, real taxable sales managed only a 0.1% (or $159,000) quarterly growth rate. Additionally, taxable sales remained little changed from the previous year with a 0.0% (or $35,000) yearly change in the Great Plains region. Although quarterly taxable sales performance was anemic over the two most recent quarters, the 0.1% quarterly gain did end two consecutive declining quarters for the regional economy.

Quarterly taxable sales performance in southwest & west central Oklahoma was not an aberration within the state since the Oklahoma Tax Commission reported that retail trade for the whole state decreased 0.8% between 3rd Qtr 2001 and 4th Qtr 2001. When compared to the state's quarterly performance, the Great Plains region actually performed well. As for the nation, the U.S. Department of Commerce reported that retail sales increased 9.5% between 3rd Qtr 2001 and 4th Qtr 2001.

Dividing regional taxable sales data into its county components, eight of the thirteen regional counties suffered quarterly taxable sales losses totaling $2.793 million. However, the quarterly gains totaling $2.952 million from the remaining five regional counties were enough to offset the quarterly losses prevented the region from suffering a quarterly taxable sales decline.

Regional Taxable Sales



Source: Oklahoma Tax Commission

Comparative Sales Subject to Sales Tax

(millions of dollars)

	4th Qtr 2001	3rd Qtr 2001	% Change**	4th Qtr 2000	% Change**
Beckham	$30.090	$29.804	1.0%	$28.668	5.0%
Blaine	$6.380	$6.618	-3.6%	$6.561	-2.8%
Caddo	$17.269	$17.729	-2.6%	$17.090	1.1%
Custer	$32.419	$33.318	-2.7%	$33.135	-2.2%
Dewey	$2.559	$2.501	2.3%	$2.387	7.2%
Ellis	$1.938	$2.119	-8.5%	$2.242	-13.6%
Greer	$2.562	$2.788	-8.1%	$2.817	-9.1%
Harmon	$1.623	$1.513	7.3%	$1.549	4.7%
Jackson	$32.201	$29.992	7.4%	$32.530	-1.0%
Kiowa	$5.395	$5.106	5.7%	$5.601	-3.7%
Roger Mills	$1.545	$1.929	-19.9%	$1.659	-6.9%
Tillman	$3.999	$4.127	-3.1%	$4.207	-5.0%
Washita	$5.184	$5.461	-5.1%	$4.683	10.7%
Great Plains	**$143.164**	**$143.005**	**0.1%**	**$143.129**	**0.0%**

*Adjusted for inflation
** Compared to the current quarter

Source: OTC/CEMR

Of the five counties posting quarterly taxable sales increases between 3rd Qtr 2001 and 4th Qtr 2001, Jackson county accounted for the lion's share (74.8%) of the quarterly gain. After the $2.209 million absolute gain posted by Jackson county, the $289,000 gain posted by Kiowa county was the next highest absolute gain posted by a county in the Great Plains region. In percentage terms, Jackson county (7.4%) and Harmon county (7.3%) performed the best over the two most recent quarters.

Regarding the eight counties that suffered quarterly taxable sales losses fro 3rd Qtr 2001, Custer (down $899,000) and Caddo (down $490,000) counties experienced the greatest absolute losses while Roger Mills (down 19.9%) and Ellis (down 8.5%) counties experienced the greatest percentage declines.

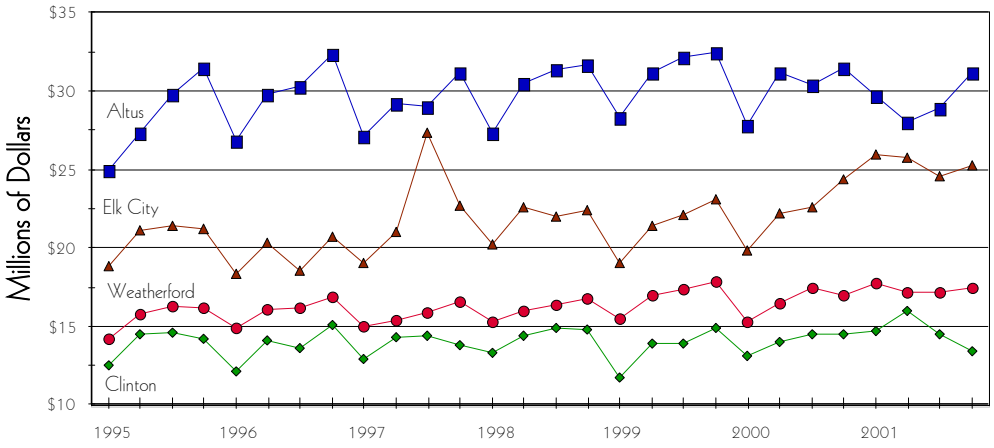
Between 4th Qtr 2000 and 4th Qtr 2001, the $2.348 million increase posted by five regional counties (Beckham, Caddo, Dewey, Harmon, and Washita counties) was almost entirely negated by a $2.313 million decrease experienced in the remaining eight regional counties. Beckham county ($1.422 million) posted the greatest absolute yearly increase while Washita county (up 10.7%) posted the greatest yearly percentage increase.

Taxable sales in three of the four major cities in southwest Oklahoma posted quarterly gains between 3rd Qtr 2001 and 4th Qtr 2001. Altus managed the both greatest absolute ($ 2.338 million) and percentage (8.1%) quarterly gains of the regional cities, which more than accounted for all of Jackson county's quarterly taxable sales gain. Both Elk City (up $658,000 or 2.7%) and Weatherford (up $334,000 or 1.9%) also posted quarterly gains over the two most recent quarters. Of the four largest cities in southwest Oklahoma, only Clinton suffered a quarterly taxable sales loss (down $1.151 million or 7.9%) from 3rd Qtr 2001.

Of note, the quarterly taxable sales gain in Elk City propelled the city's taxable sales results to its highest fourth quarter results in the graphed time period. Unfortunately on the other end of the spectrum, Clinton suffered its lowest fourth quarter taxable sales level in the graphed time period.

From the previous year, both Elk City (up $891,000 or 3.7%) and Weatherford (up $543,000 or 3.2%) managed yearly taxable sales gains, while Altus (down $239,000 or 0.8%) and Clinton (down $1.167 million or 8.0%) suffered yearly taxable sales losses.

Taxable Sales For Selected Cities*



City	4Q01	3Q01	% Chg*	4Q00	% Chg*	4Q99	% Chg*
Altus	$31.231	$28.893	8.1%	$31.470	-0.8%	$32.467	-3.8%
Clinton	$13.369	$14.520	-7.9%	$14.536	-8.0%	$14.923	-10.4%
Elk City	$25.240	$24.582	2.7%	$24.349	3.7%	$23.050	9.5%
Weatherford	$17.509	$17.175	1.9%	$16.966	3.2%	$17.822	-1.8%

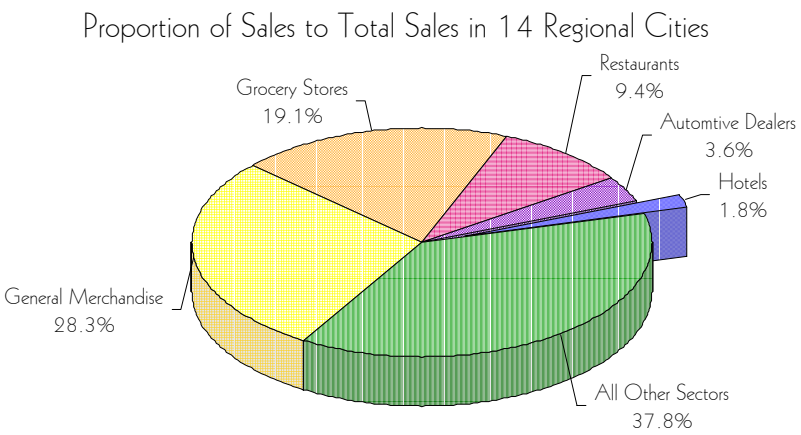
*Adjusted for inflation

** Compared to the current quarter

Source: OTC/CEMR

Regional Focus on the Hotel/Motel sector (SIC 70)

In previous issues of the *Great Plains General Business Index*, we have tracked taxable sales for Grocery Stores, Restaurants, Automotive Dealers, and General Merchandise Stores. This quarter, we will focus on an sector very important to hospitality - Hotels & Motels (SIC 70).



As can be seen from the accompanying pie chart, Hotels & Motels account for 1.8% of total sales tax receipts, which is the lowest proportion of any sector that we have previously tracked. However, even though Hotels & Motels account for a smaller proportion of total sales than other sectors we have previously tracked, their presence is very important to the regional economy. Growth in tourism and spending by tourists is only one way that an economy can grow, and the presence of Hotels & Motels within a city/region serves as an asset for the community/region to promote tourism. Tourism helps not only the Hotels & Motels within a community, but many other retail segments as well. Restaurants and convenience stores also benefit from tourist spending as well.

Of the fourteen cities in southwest Oklahoma tracked in this regional focus section, the proportion of Hotel/Motel taxable sales receipts to total taxable sales receipts is greater than or equal to 1.0% in six regional cities. As can be seen from the accompanying table, those six cities are Altus (1.0%), Cheyenne (7.4%), Clinton (3.0%), Elk City (4.1%), Watonga (1.6%), and Weatherford (1.4%). There are varied explanations for these cities higher proportions, but most of these cities are larger or are near tourist locations.

Altus (2000 population 21,447), Clinton (2000 population 8,833), Elk City (2000 population 10,510), and Weatherford (2000 population 9,859) have the largest populations of the fourteen regional cities, and Clinton, Elk City, and Weatherford further benefit by being located on the well-traveled I-40 corridor. Regarding the other two cities that have higher proportions, Cheyenne benefits from several tourist attractions including the Black Kettle National Grassland, the Black Kettle Museum, and the Washita Battlefield National Historic Site. Watonga's proximity to Roman Nose State Park and Lodge benefits that city.

Comparing the relative sales tax receipts among the fourteen regional cities, Elk City alone accounts for nearly half of the Hotel/

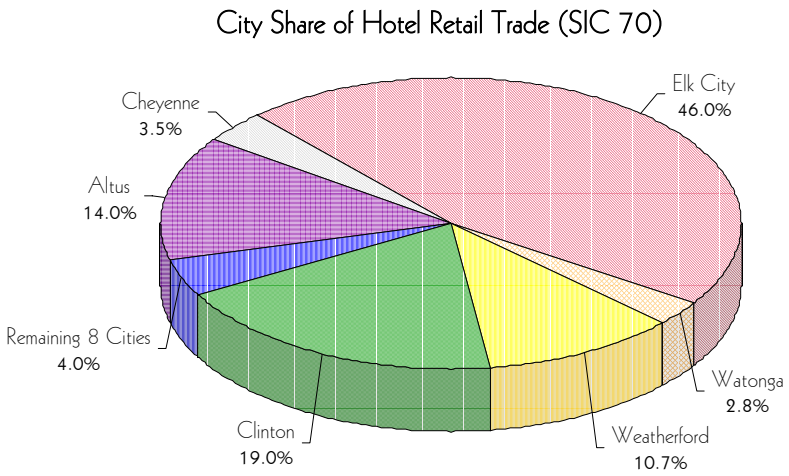
Hotels (SIC 70) Sales Subject to Sales Tax

(in dollars)

	4th Qtr 2001	3rd Qtr 2000	Quarterly % Change**	4th Qtr 2000	Yearly % Change**	Proportion of Total Sales
Altus	$283,849	$382,142	-25.7%	$350,659	-19.1%	1.0%
Anadarko	$10,659	$99,554	-89.3%	$26,180	-59.3%	0.1%
Burns Flat	$0	$0	-	$0	-	0.0%
Cheyenne	$69,889	$45,256	54.4%	$83,942	-16.7%	7.4%
Clinton	$384,986	$416,091	-7.5%	$285,468	34.9%	3.0%
Cordell	$3,840	$7,906	-51.4%	$6,363	-39.7%	0.1%
Elk City	$930,818	$926,611	0.5%	$628,088	48.2%	4.1%
Frederick	$24,517	$33,847	-27.6%	$27,939	-12.2%	0.8%
Hobart	$20,027	$32,871	-39.1%	$19,791	1.2%	0.6%
Hollis	$2,617	$2,857	-8.4%	$2,658	-1.5%	0.2%
Mangum	$1,744	$2,978	-41.5%	$14,851	-88.3%	0.1%
Sayre	$17,561	$14,072	24.8%	$9,501	84.8%	0.5%
Watonga	$56,033	$63,463	-11.7%	$46,119	21.5%	1.6%
Weatherford	$217,447	$366,225	-40.6%	$275,019	-20.9%	1.4%
14 City Total	**$2,023,985**	**$2,393,875**	**-15.5%**	**$1,776,578**	**13.9%**	**1.8%**

Adjusted for inflation
** Compared to the current quarter

Source: OTC



Motel sales tax receipts. For 4th Qtr 2001, Elk City accounted for 46.0% of sales tax receipts in the Great Plains region. Elk City's size and location contribute to the city's ability to generate sales tax receipts derived from the Hotel/Motel sector. For travelers driving long distances across the country along Interstate 40, Elk City is far enough from Oklahoma City and Amarillo to stop for the night. Undoubtedly, the interstate's presence benefits Clinton and Weatherford as well, but not to the extent as it does for Elk City because both Clinton and Weatherford are closer to the Oklahoma City metro area.

Other cities accounting for sizeable proportions of the total sales tax receipts in southwest Oklahoma are Clinton (19.0%), Altus (14.0%), and Weatherford (10.7%). The four largest regional cities account for 89.7% of Hotel/Motel Sales tax receipts in the region.

As can be seen from the graph below, Hotel/Motel taxable sales receipts usually follow a seasonal patten in southwest Oklahoma with taxable sales growing between the first and third quarters of a year and subsequently falling between the third quarter and the first quarter of the following year.

by: Jon Chiappe

The regional economy and six of the thirteen regional counties experienced quarterly declines in their respective General Business Indices between 2nd Qtr 2001 and 3rd Qtr 2001. Of the six counties suffering a quarterly index declines, Custer county suffered the greatest percentage decrease at 1.0%. Likewise, of the seven counties posting quarterly index gains, Washita county managed the greatest percentage gain at 0.9%.

Regional non-agricultural employment suffered a 3.7% (or 1,844 jobs) quarterly decline between 2nd Qtr 2001 and 3rd Qtr 2001. Although this may appear troubling, much of this quarterly employment loss is a seasonal loss and not a long-term problem for the regional economy.

Between every second and third quarters of a year, Government sector employment will decrease. Similarly, between every third and fourth quarters of the year, Government sector employment will increase. This employment movement is attributable to the seasonal nature of local public school employment, which decreases when school is let out for Summer vacation and subsequently increases at when a new school year begins. Since seasonality occurs during the course of a year and is a regular, recurring component that can be calculated, its effects upon our indices are removed before the index calculation.

Between 2nd Qtr 2001 and 3rd Qtr 2001, Government sector employment suffered a 7.7% (or 1,321 jobs) quarterly decline. As previously explained, most of this quarterly movement is traceable to the seasonal nature of local public schools.

Accounting for the rest of the quarterly employment decline were employment losses in the region's Manufacturing (down 8.4% or 357 jobs), Trade (down 1.4% or 166 jobs), TCPU (down 3.8% or 112 jobs), and Construction (down 4.6% or 70 jobs) sectors.

Oklahoma average wheat prices increased for the first time in four quarters between 4th Qtr 2001 and 1st Qtr 2002. Average wheat prices posted a 2¢/bu increase, but remained 53¢/bu lower than the average price for the entire time period. Between 4th Qtr 2001 and 1st Qtr 2002, beef cattle prices increased $7.89/cwt. This price increase occurred after two consecutive quarters of declining prices leading up to 1st Qtr 2002.

Regional taxable sales increased slightly (0.1% or $159,000) between 2nd Qtr 2001 and 3rd Qtr 2001, but remained little changed (up 0.0% or $35,000) between 3rd Qtr 2000 and 3rd Qtr 2001.

*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@swosi.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/bdc