Great Plains General Business Index

©2001 Southwestern Oklahoma State University

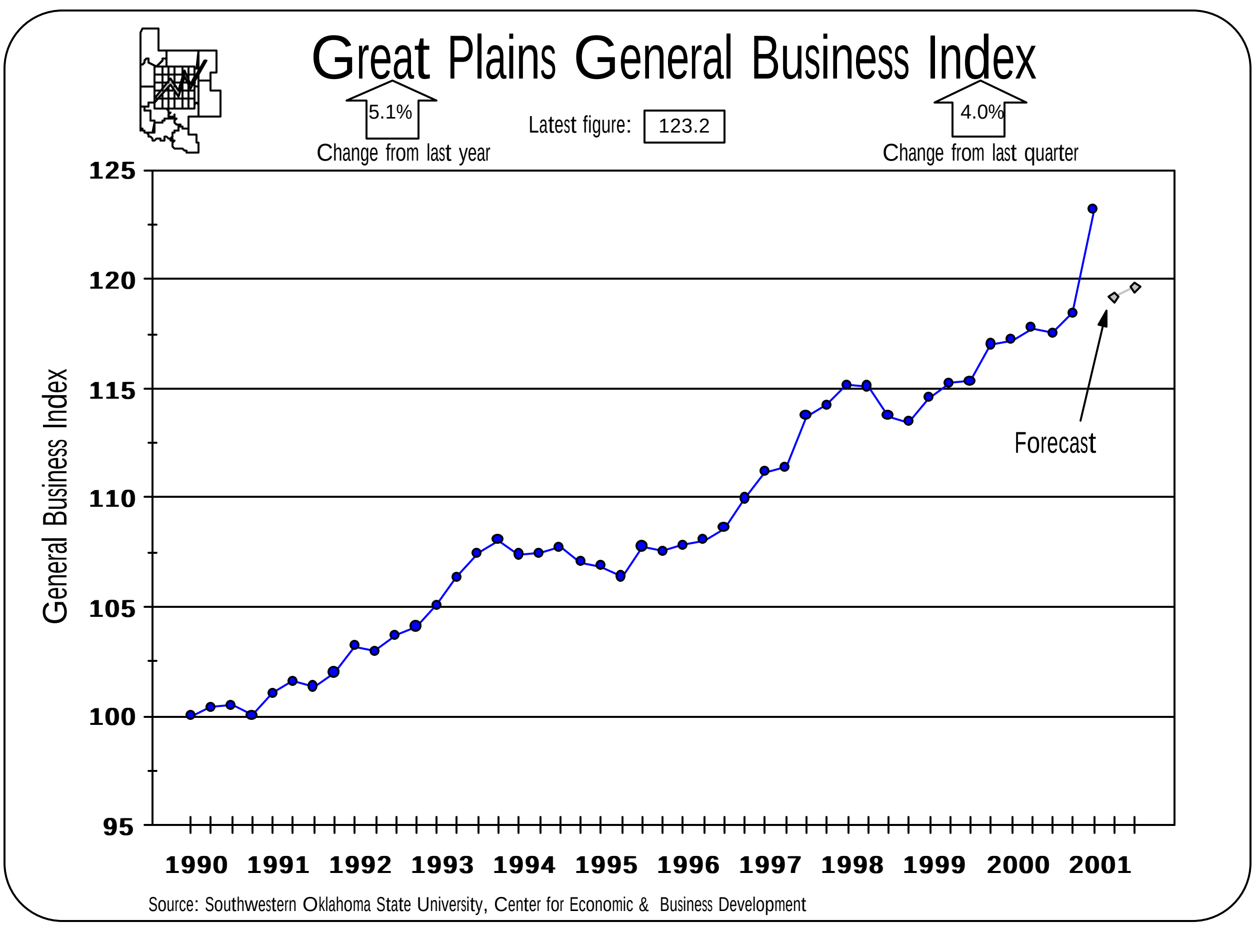
Center for Economic & Business Development

First Quarter 2001

Stephen Nelson has joined us at the Center for Economic and Business Development and will help us with the ***Great Plains General Business Index*** now and in the future. We look forward to some of the changes in this publication that will be possible from his presence, and we welcome him to the Center for Economic & Business Development.

As is readily evident from the ***Great Plains General Business Index*** graph below, the regional economy performed exceptionally well between 4th Quarter 2000 and 1st Quarter 2001. In our last publication, we forecasted a 0.2% quarterly decline between 4th Quarter 2000 and 1st Quarter 2001, but actual performance in the regional economy well exceeded the forecasted performance with a 4.0% quarterly gain. This exceptional performance should be viewed as a one-time event due to an unusual convergence of events. Each of the variables that is used to calculate the index showed improvement from the previous quarter, but two variables in particular combined to produce the tremendous increase in the regional economy's index. Those two variables were natural gas prices and seasonally-adjusted taxable sales.

Until 2nd Quarter 2000, natural gas prices never exceeded $3.00/mcf. By 1st Quarter 2001, natural gas prices increased to $6.45/mcf which represented a 166.2% increase over 1st Quarter 2000 prices and a 32.0% increase over 4th Quarter 2000 prices. A Supply-Demand imbalance caused natural gas prices to peak in 1st Quarter 2001 and this significantly contributed to the spike in the Great Plains General Business Index. As mentioned earlier, this should be viewed as a one-time event and it is not expected to continue in the future.



As will be seen in the Taxable sales section, regional taxable sales increased, in absolute terms, by 3.7% between 4th Quarter 2000 and 1st Quarter 2001. A quarterly increase between the fourth and first quarters of the year is unusual since taxable sales are usually highest in the fourth quarter of the year, due to the holiday season, and lowest in the first quarter of the year. The percentage change in unadjusted taxable sales may not seem exceptional, but because the data is de-seasonalized before using it in the index models, the percentage change of the seasonally-adjusted taxable sales data actually turned out to be 14.4% between 4th Quarter 2000 and 1st Quarter 2001. The rare occurrence of higher taxable sales in the first quarter compared to the fourth quarter contributed to the exceptional gain in the ***Great Plains General Business Index***.

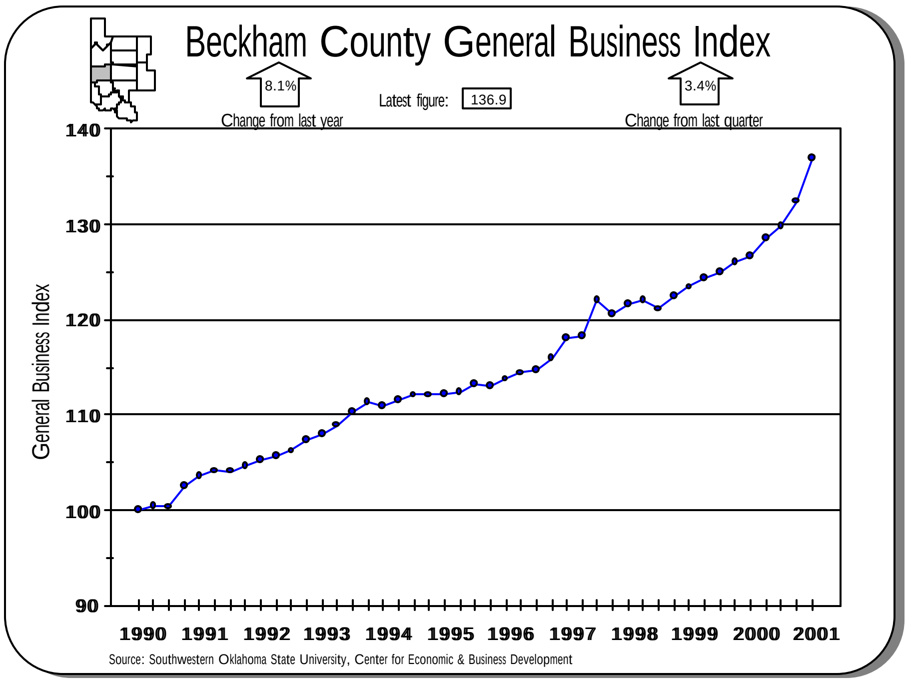
Since the most recent quarterly performance of the ***Great Plains General Business Index*** was caused by events that are not expected to continue into the future, we expect the performance of the regional economy to return to normal. Using statistical regression, our forecast is that the regional economy will suffer a 3.2% quarterly decrease between 1st Qtr 2001 and 2nd Qtr 2001.

– ***JRC*** –

County Indices

by: Jon Chiappe

Beckham County



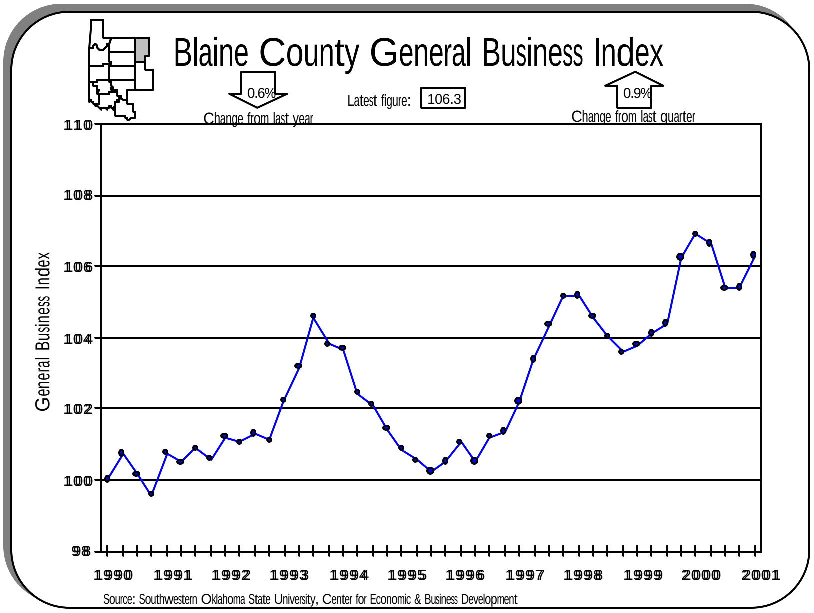
As will be the case with many regional counties, Beckham county's General Business Index managed a sizable quarterly gain between 4th Qtr 2000 and 1st Qtr 2001. The 3.4% quarterly gain was the largest increase for Beckham county for the graphed time period, and this quarterly increase allowed the county's index to continue an uninterrupted streak of quarterly increases since 3rd Quarter 1998.

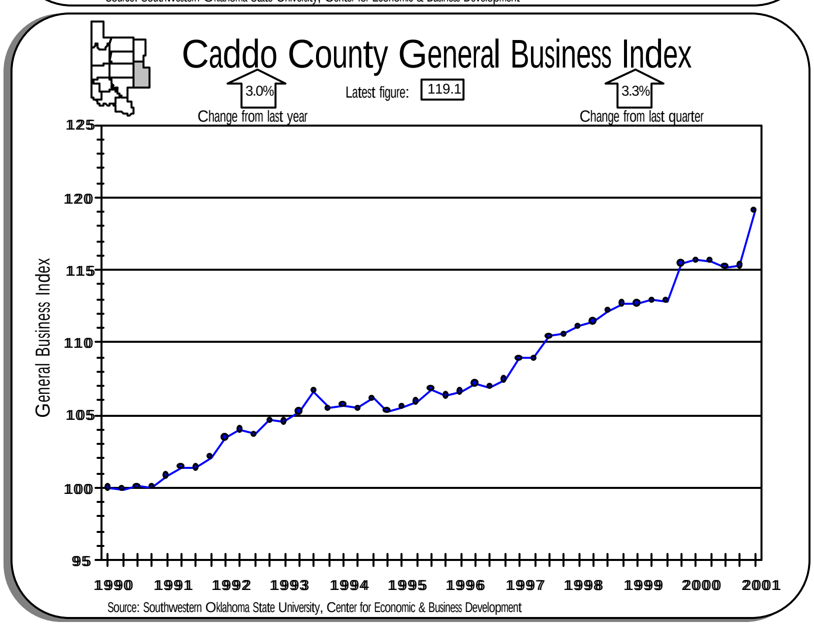
Several factors combined to produce the sizeable gain in the county's index. Falling interest rates, the aforementioned effects of natural gas prices, higher beef cattle prices, and higher seasonally-adjusted taxable sales, earnings and employment each contributed to the county's performance between 4th Quarter 2000 and 1st Quarter 2001. From the previous quarter, seasonally-adjusted earnings rose 2.7%, seasonally-adjusted non-ag employment rose 1.6% and seasonally-adjusted taxable sales rose 21.7%.

With an 8.1% gain from 1st Quarter 2001, Beckham county's index posted the greatest yearly increase of all thirteen counties in southwest and west central Oklahoma. Higher seasonally-adjusted earnings (up 14.0%), higher natural gas prices (166.2%) and higher seasonally-adjusted taxable sales (up 30.0%) each contributed to the impressive yearly performance of Beckham County's index.

Blaine County

Blaine county's General Business Index managed a 0.9% quarterly increase but suffered a 0.6% yearly loss. In addition to the effects of natural gas prices, lower interest rates as well as higher seasonally-adjusted earnings and taxable sales contributed to the quarterly gain in the county's index. Exhibiting a dampening effect upon the county's index, seasonally-





adjusted non-agricultural employment decreased 0.8%.

From 4th Quarter 2000, taxable sales suffered a 4.6% (or $305,000) loss in Blaine county. However when adjusted for seasonality, taxable sales managed a 3.5% quarterly gain in Blaine county. As previously mentioned, much of the data used to compute the indices is deseasonalized in order to produce more meaningful results.

From 1st Quarter 2000, lower seasonally-adjusted non-ag employment (down 8.7%) and lower seasonally-adjusted taxable sales (down 33.7%) combined to produce the 0.6% yearly decrease in the county's index.

Caddo County

After five quarters of relatively languid performance, Caddo county's General Business Index posted a strong 3.3% quarterly gain between 4th Qtr 2000 and 1st Qtr 2001. Not only was the quarterly increase the largest increase in Caddo county's index for the graphed time period, but the quarterly growth also placed the county's index value at its highest point.

In addition to the positive effects that the higher natural gas prices had upon the county's index, higher seasonally-adjusted taxable sales also positively affected the index' performance. From the previous quarter, unadjusted real taxable sales increased 9.2% (or $3.185 million). The quarterly percentage change for taxable sales was even more impressive once the data had been adjusted for the recurring seasonal effects. The seasonally-adjusted taxable sales increase equaled 19.0%, and it was this increase that contributed to the impressive quarterly increase in the county's index.

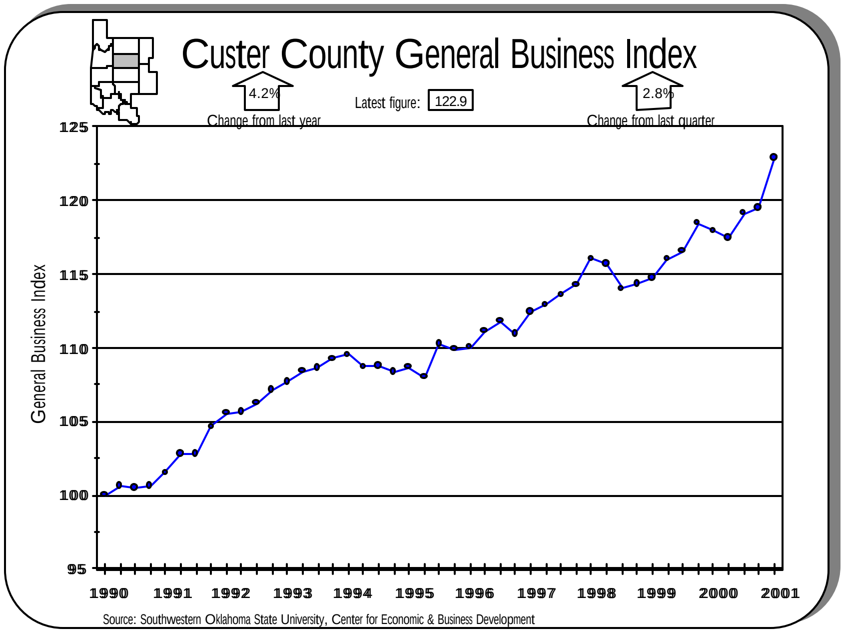
Higher beef cattle prices, lower interest rates and higher seasonally-adjusted earnings (up 7.4%) also positively impacted the performance of the county's index from the previous quarter. Of all of the variables used to compute Caddo county index, only seasonally-adjusted non-ag employment had a negative impact upon the index by falling 1.2% from the previous quarter.

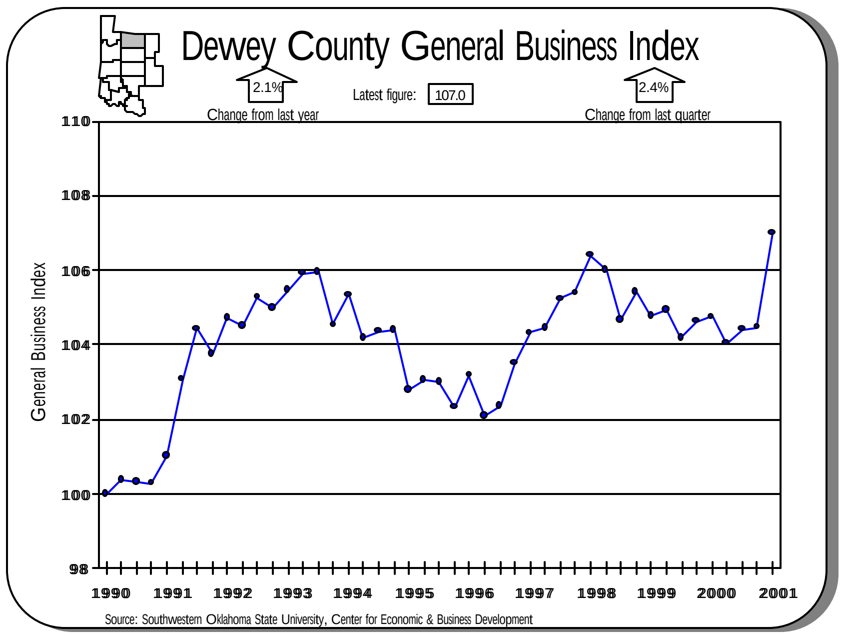
Custer County

As was the case with Beckham and Caddo counties, Custer county's General Business Index posted its largest quarterly increase between 4th Qtr 2000 and 1st Qtr 2001. Also similar to those two counties, the 2.8% quarterly gain placed the county's index at its highest point in the graphed time period.

The same variables that had a positive impact upon Caddo county's index also had a positive impact upon Custer county's index. Also similar to Caddo county, lower seasonally-adjusted non-ag employment, which decreased 1.9%, muted the quarterly growth in the county's index. Unadjusted real taxable sales increased 2.8% (or by $933,000) between 4th Qtr 2000 and 1st Qtr 2001, but the 15.3% quarterly increase in the county's seasonally-adjusted taxable sales that contributed significantly to the county's quarterly growth.

Higher seasonally-adjusted earnings and taxable sales combined to produce the 4.2% yearly gain in Custer county's index. Between 1st Qtr 2000 and 1st Qtr 2001, seasonally-adjusted earnings increased 8.8% while seasonally-adjusted taxable sales increased 14.0% in Custer county.





Dewey County

Dewey county's General Business Index surged 2.4% between 4th Qtr 2000 and 1st Qtr 2001 to its highest point in the graphed time period. This quarterly gain represented the third consecutive quarterly gain for Dewey county, and, similar to several regional counties, also represented the county's largest quarterly increase for the tracked time period.

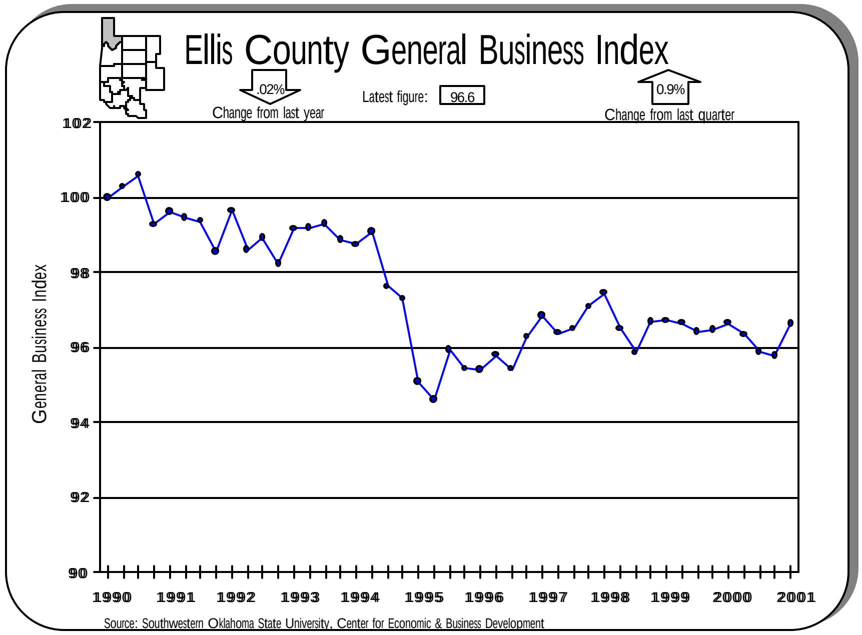
To account for this quarterly increase, both higher seasonally-adjusted taxable sales and higher natural gas prices contributed the most to the county's performance. The effect that natural gas prices has upon a county's index will not change for any of the county's in which this variable is present, but as for unadjusted real taxable sales, it rocketed upwards 30.1% between 4th Qtr 2000 and 1st Qtr 2001 in Dewey county. This percentage gain in unadjusted real taxable sales was the greatest increase of all thirteen counties in southwest & west central Oklahoma. When the taxable sales data series is adjusted for seasonality, a slightly higher percentage (33.1%) results.

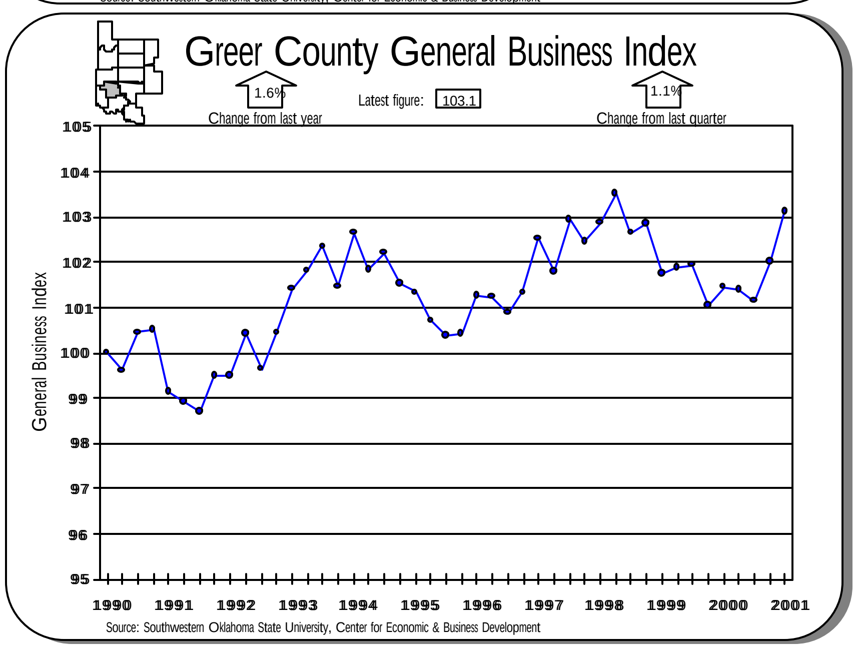
Lower interest rates, higher beef cattle prices and higher seasonally-adjusted earnings (up 3.4%) also had positive influences upon Dewey county's index between 4th Qtr 2000 and 1st Qtr 2001. Similar to the three of the previous counties, lower seasonally-adjusted employment (down 0.5%) dampened the growth of the county's index from the previous quarter.

Ellis County

After three consecutive declining quarters, Ellis County's General Business Index rebounded with a 0.9% quarterly increase and returned to the level it stood at in 1st Qtr 2000. The quarterly increase was not the greatest quarterly gain in Ellis county's index in the graphed time period, but it was the largest increase since 3rd Qtr 1995 when the county's index posted a 1.4% gain over 2nd Qtr 1995 - which was the lowest point hit by Ellis county's index.

Lower interest rates, higher beef cattle prices, higher natural gas prices and higher seasonally-adjusted earnings (up 4.5%) all had positive impacts upon Ellis county's index in 1st Qtr 2001. And similar to other counties, lower seasonally-adjusted non-agricultural employment (down 0.5%) had a dampening effect on the county's index. But unlike several of the counties already covered, seasonally-adjusted taxable sales had a negative impact upon the county's index since it fell 2.4% between 4th Qtr 2000 and 1st Qtr 2001. Unadjusted taxable sales exhibited more normal behavior in Ellis county than other regional counties since it decreased (down 8.1% or $181,000) between the fourth and first quarters of the year. The decrease was slightly bigger than expected and this placed downward pressure on the county's index. However, the lower seasonally-adjusted taxable sales was not enough to prevent the county's economy from growing over the two most recent quarters.

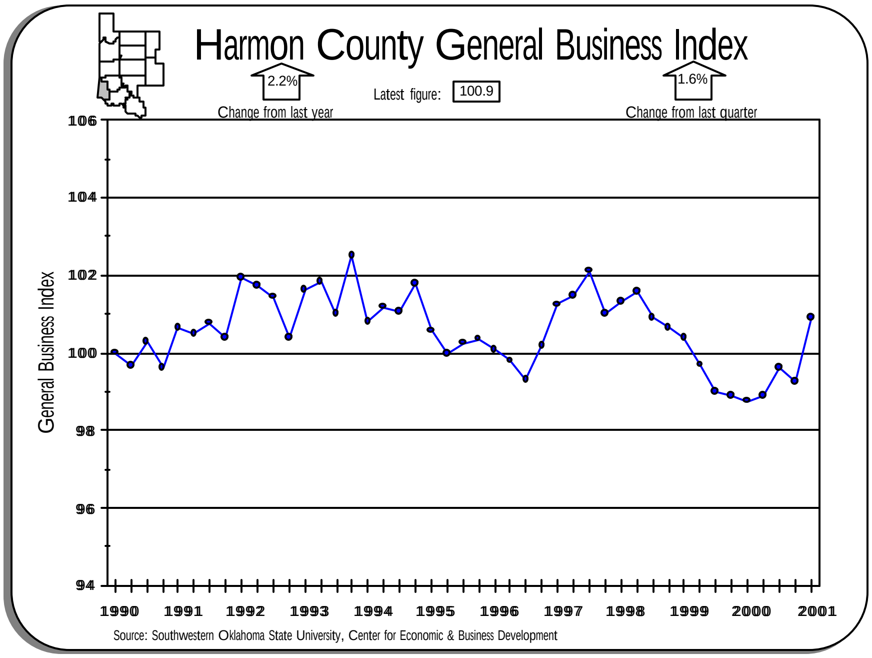




Greer County

The 1.1% quarterly gain achieved by Greer county's General Business Index propelled it to its second-highest point in the time period. The most recent quarter's level is second only to the point achieved by Greer county's index in 2nd Qtr 1998. Additionally for Greer county's index, the quarterly gain between 4th Qtr 2000 and 1st Qtr 2001 was the fourth greatest percentage gain in the whole time period. Percentage gains in 1st Qtr 1999 (1.2%), 1st Qtr 1997 (1.2%) and 3rd Qtr 1997 (1.1%) slightly surpassed the most recent quarterly gain in Greer County.

Natural gas prices is not a variable included in the computation of Greer county's index because oil & gas activity is not as prevalent in Greer county as it is in some the other counties in southwest and west central Oklahoma. Cotton prices replaces natural gas prices as a variable in Greer county's index, and cotton prices (down 23.6%) as well as seasonally-adjusted non-agricultural employment (down 0.6%) had negative impacts upon the quarterly performance of Greer county's index. The remaining four variables in Greer county's index each had positive impacts upon the quarterly performance of the county's index and produced the 1.1% growth between 4^{th} Qtr 2000 and 1^{st} Qtr 2001. Lower interest rates, higher beef cattle prices, higher seasonally-adjusted earnings (up 4.0%) and higher seasonally-adjusted taxable sales (up 5.5%) each had positive impacts upon the county's index to produce the quarterly growth.

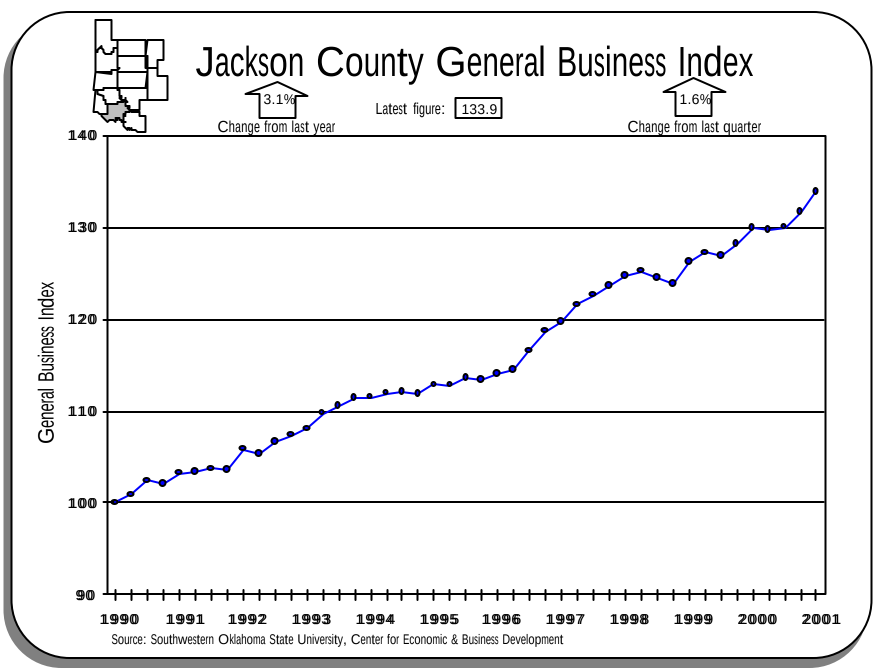


Harmon County

After languishing below the '100' index value for seven consecutive quarters, a 1.6% growth in Harmon County's General Business Index propelled it over the '100' index value for the first time since 1^{st} Qtr 1999. This quarterly growth in Harmon county represents the largest percentage growth in the county's index for the whole time period.

Similar to Greer county, lower cotton prices and lower seasonally-adjusted employment (down 2.4%) placed downward pressure upon the county's index between 4^{th} Qtr 2000 and 1^{st} Qtr 2001. But these two variables were overwhelmed by lower interest rates, higher beef cattle prices, higher seasonally-adjusted earnings (up 20.0%) and higher seasonally-adjusted taxable sales (up 16.6%) to produce the quarterly gain in the county's index. And as with Greer county, natural gas prices are not included in Harmon county's index computation because there is not as much oil and gas activity in the county when compared to other counties in the region.

From 1^{st} Qtr 2000, Harmon County's General Business Index increased 2.2%. Harmon county's index reached its lowest point in the whole time period in 1^{st} Qtr 2000, but it has grown since then with the help of higher earnings (up 23.4%), taxable sales (up 16.8%) and employment (up 0.4%).



Jackson County

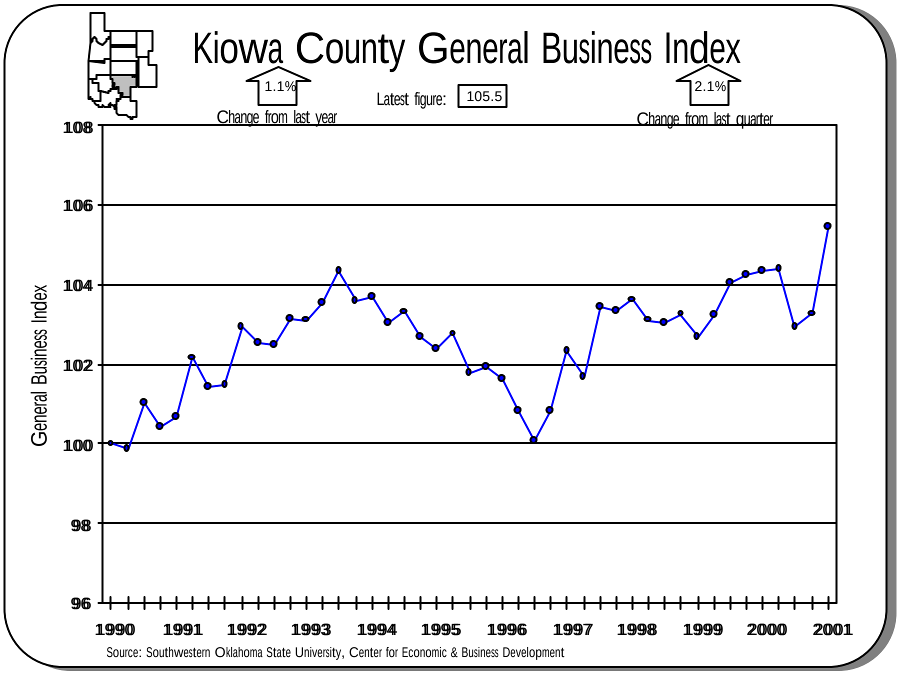
Jackson County's General Business Index posted a 1.6% quarterly gain from 4^{th} Qtr 2000, and posted a 3.1% yearly gain from 1^{st} Qtr 2000. In what has become a regular occurrence, Jackson county's index has reached a new high.

Both higher seasonally-adjusted employment (up 2.2%) and higher seasonally-adjusted earnings (up 7.3%) contributed significantly to the quarterly growth in Jackson county's index. Unadjusted taxable sales decreased 5.2% (or $1.676 million) between 4th Qtr 2000 and 1st Qtr 2001. Adjusted for seasonality , Jackson county's taxable sales managed an 8.8% quarterly gain. However, because the taxable sales data series shows a high degree of correlation with both seasonally-adjusted earnings and seasonally-adjusted employment, the taxable sales dats series is not included as a component in Jackson county's index. Also, similar to Greer and Harmon counties, natural gas prices is not included in the county's index because there is very little oil & gas activity in Jackson county. Cotton prices replaces natural gas prices in Jackson county's index, and for the most recent quarter, cotton prices have placed downward pressure upon the index.

Kiowa County

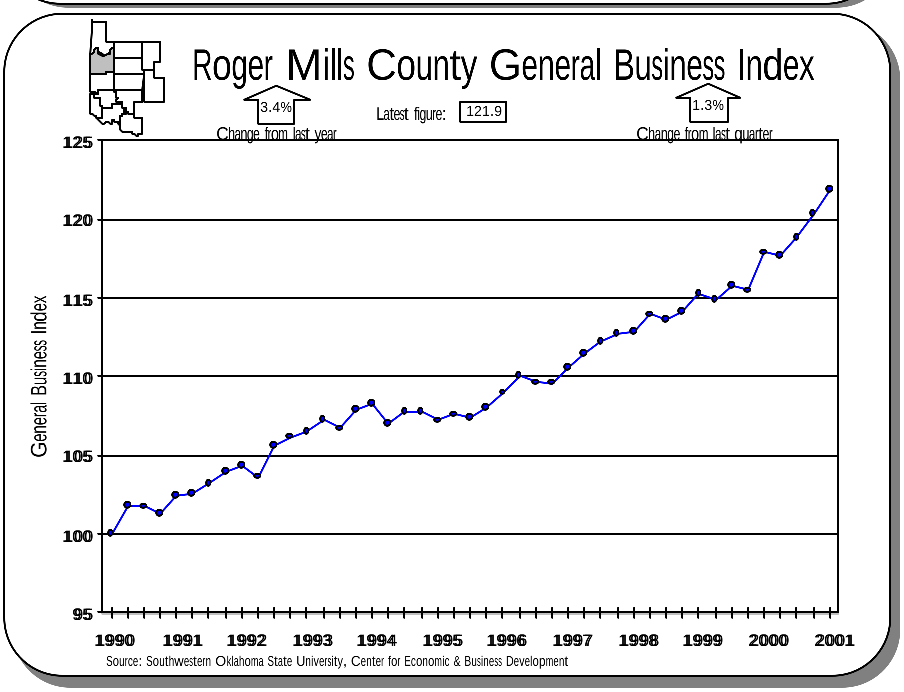
With the help of lower interest rates, higher beef cattle prices, higher seasonally-adjusted earnings (up 5.3%), higher seasonally-adjusted employment (up 0.7%), and higher seasonally-adjusted taxable sales (up 12.2%), Kiowa county's General Business Index posted its strongest quarterly increase in the whole time period. The 2.1% gain between 4th Qtr 2000 and 1st Qtr 2001 also permitted Kiowa county to reach its highest point for the whole time period. Cotton prices (down 23.6%) was the only variable that placed downward pressure on Kiowa county's index in the most recent quarter.

From 1st Qtr 2000, Kiowa County's General Business Index posted a 1.1% gain. Much of this yearly gain can be explained by a 14.8% increase in Kiowa county's seasonally-adjusted taxable sales. Lower interest rates also contributed to the yearly gain in the county's index, but lower seasonally-adjusted earnings (down 2.5%) and lower seasonally-adjusted employment (down 2.5%) muted the effects that taxable sales and interest rates had upon the county's index from 1st Qtr 2000.



Roger Mills County

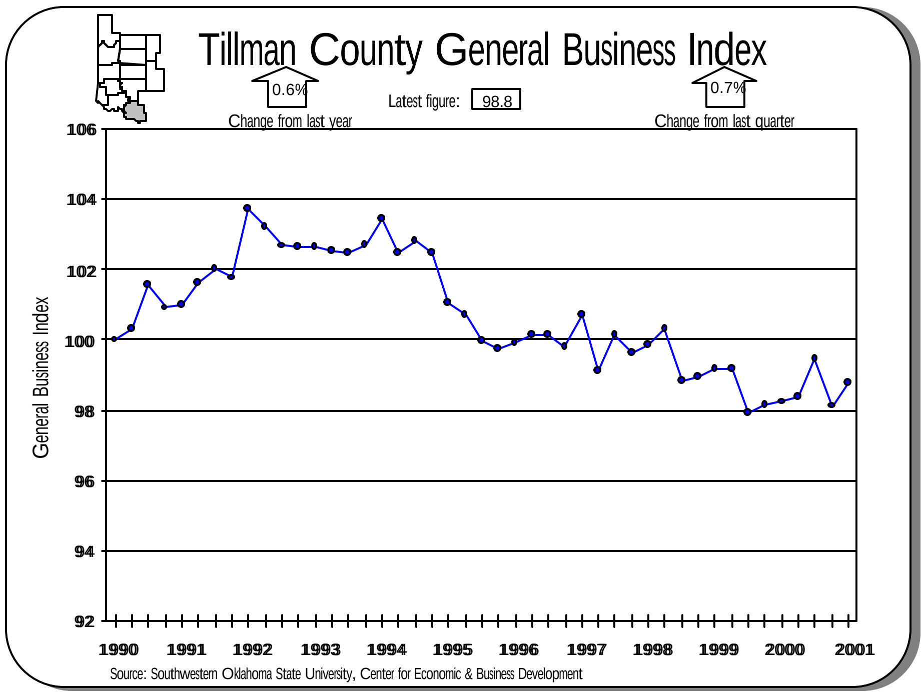
Roger Mills County's General Business Index posted a relatively strong 1.3% quarterly gain between 4th Qtr 2000 and 1st Qtr 2001.



Similar to several other regional counties, the quarterly increase placed the county' index at its highest point for the whole time period.

Despite lower seasonally-adjusted taxable sales (down 4.0%) and lower seasonally-adjusted non-agricultural employment (down 3.7%), Roger Mills county still managed the quarterly increase between 4th Qtr 2000 and 1st Qtr 2001. Lower interest rates, higher beef cattle prices, higher seasonally-adjusted earnings (up 5.4%), and especially higher natural gas prices counteracted the two variables that had negative impacts upon the index and produced the respectable quarterly gain in Roger Mills county's index.

Higher natural gas prices, a seasonally-adjusted earnings (up 7.3%), seasonally-adjusted taxable sales (up 9.7%) and seasonally-adjusted employment (up 1.8%) combined to produce the strong yearly gain in Roger Mills county's index. Between 1st Qtr 2000 and 1st Qtr 2001, Roger Mills county posted a 3.4% increase in its index.



Tillman County

After suffering a 1.4% loss between 3rd Qtr 2000 and 4th Qtr 2000, Tillman county's General Business Index rebounded slightly with a 0.7% quarterly gain between 4th Qtr 2000 and 1st Qtr 2001. Tillman county's index also posted a 0.6% increase between 1st Qtr 2000 and 1st Qtr 2001.

As with a few of the other regional counties in the Great Plains region, natural gas prices is not included as a variable in the calculation of Tillman county's index. There isn't any Mining sector employment in Tillman county, and because of the lack of oil & gas activity, natural gas prices is not a variable for Tillman county. Also similar to some of the regional counties, cotton prices replaces natural gas prices as a variable in the county's model. Lower cotton prices (down 23.6%) and lower seasonally-adjusted employment (down 4.7%) placed downward pressure on Tillman county's index. But lower interest rates, higher beef cattle prices, higher seasonally-adjusted earnings (up 9.5%) and higher seasonally-adjusted taxable sales (up 12.2%) overwhelmed the negatively impacting variables and produced the quarterly gain in the county's index.

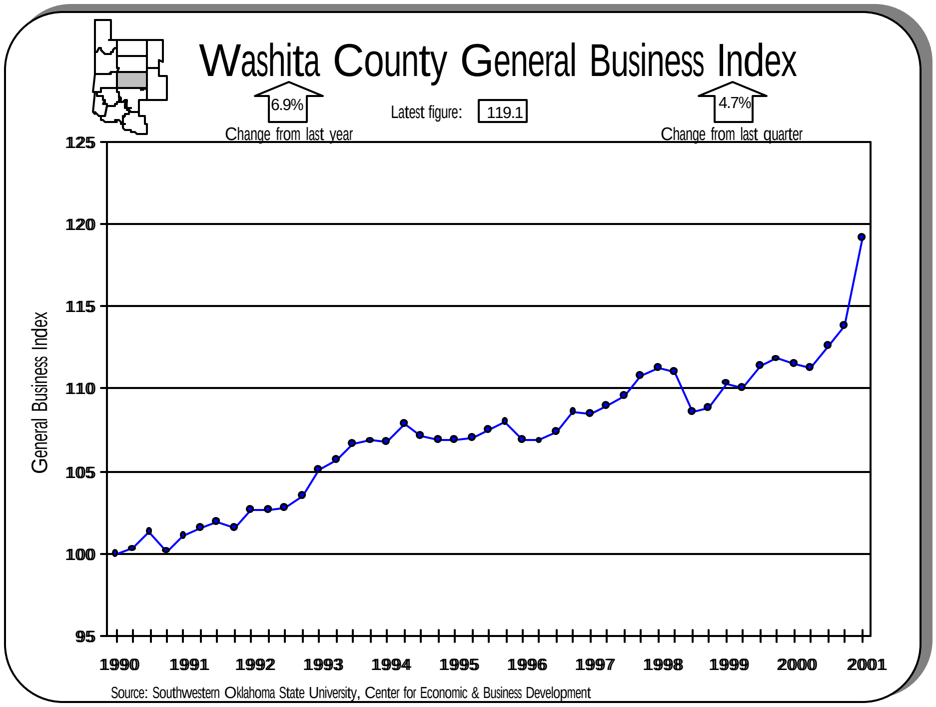
Washita County

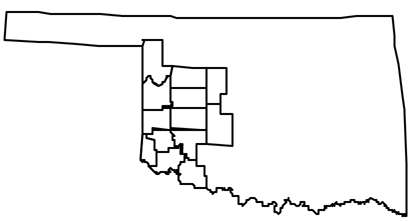
Of all thirteen counties in southwest & west central Oklahoma, Washita county posted the strongest quarterly percentage gain between 4th Qtr 2000 and 1st Qtr 2001. The very strong 4.7% quarterly gain rocketed Washita County's General Business Index to its highest point in the time period. Additionally, similar to several other regional counties, the most recent quarterly gain in Washita county was its largest gain for the whole time period.

Every variable used to compute Washita county's index contributed to the strong quarterly performance. Lower interest rates, higher beef cattle prices, higher seasonally-adjusted earnings (up 7.0%), and higher seasonally-adjusted employment (up 7.2%) each contributed to the county's strong quarterly performance. By far, however, the greatest impacts upon

Washita county's index were higher natural gas prices and higher seasonally-adjusted taxable sales (up 23.1%).

In addition to the strong quarterly gain, Washita County's General Business Index posted a very strong yearly gain. The 6.9% increase between 1st Qtr 2000 and 1st Qtr 2001 was the second largest yearly increase among the thirteen counties in the Great Plains region.





County Summary

All thirteen counties in southwest & west central Oklahoma posted quarterly gains in their respective General Business Indices between 4th Qtr 2000 and 1st Qtr 2001, and this exceptional performance produced a very strong 4.0% quarterly gain in the regional economy. Seven of the thirteen regional counties and the regional economy as a whole posted their largest quarterly gains in the whole time period in 1st Qtr 2001. Those seven counties that performed better in 1st Qtr 2001 than in any previous quarter in the past ten years were Beckham, Caddo, Custer, Dewey, Harmon, Kiowa, and Washita counties.

Between 1st Qtr 2000 and 1st Qtr 2001, eleven of the thirteen regional counties posted yearly increases in the respective indices, and this collective performance helped the regional economy to post a strong 5.1% yearly increase. Only Blaine and Ellis counties suffered yearly declines in their respective indices between 1st Qtr 2000 and 1st Qtr 2001. Of the remaining eleven counties, Beckham (8.0%) and Washita (6.9%) counties posted the strongest yearly gains in their indices.

Regional Employment

by: Stephen Nelson

Total Labor and Total Employment for 2nd Qtr 2001 both increased from the previous quarter and they were both up from one year ago. Total Labor experienced a modest increase of 0.2% from last year, while realizing a more robust increase of 1.2% from the previous quarter. On the other hand Total Employment saw a smaller increase of 0.1% from the 2nd Qtr 2000 to the 2nd Qtr 2001, while gaining 1.5% from the previous quarter.

Total Labor, which is the total number of eligible workers, came in at 73,500 for our thirteen county region in 2nd Qtr 2001. Total Employment for our region rose to 71,407 from a low of 70,333 in the 1st Qtr 2001.

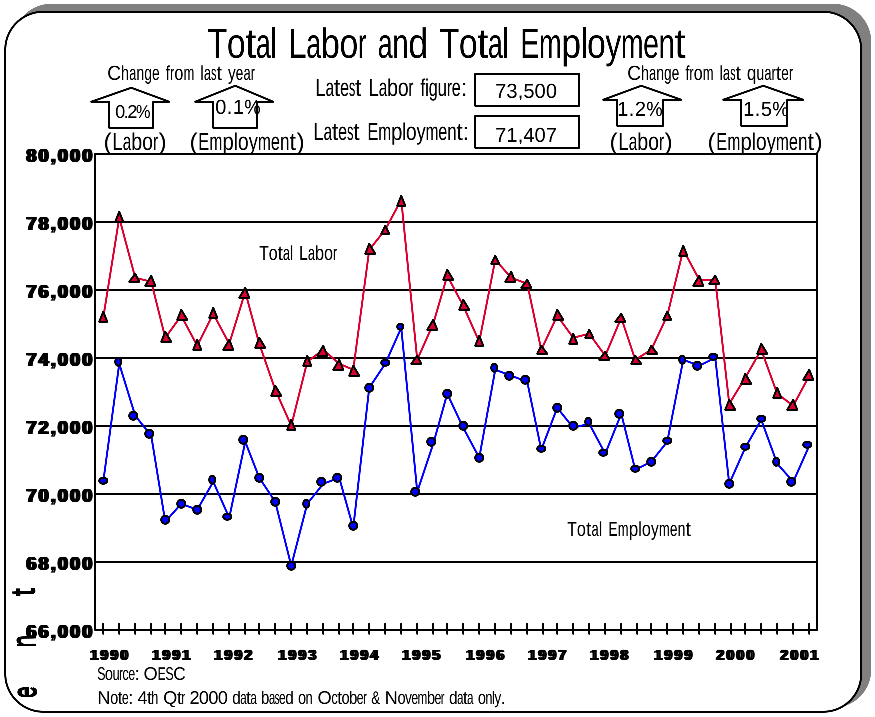
Our region's unemployment rate equaled 2.85% for the 2nd Qtr of 2001. This rate translates to 2093 unemployed workers in our 14 counties. This represents a decrease from the 3.15% unemployment rate recorded for the 1st Qtr 2001.

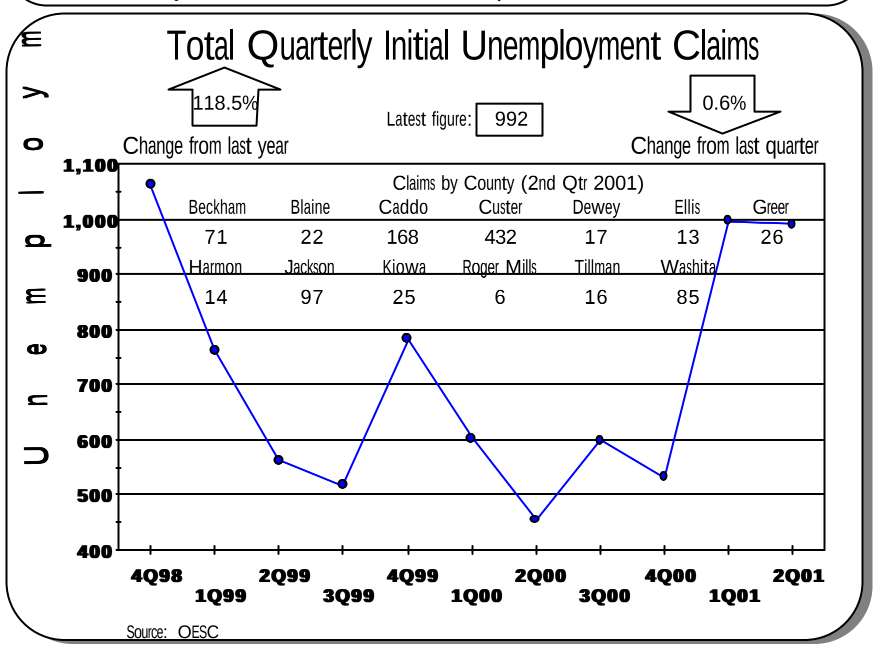
Moving on, total quarterly initial unemployment claims continue to maintain high levels from last year with the latest figure standing at 992. Overall there was a 118.5% increase from the 2nd Qtr 2000 to the 2nd Qtr 2001. As one would expect the initial unemployment claims dropped slightly in the 2nd Qtr with a 0.6% decline.

Looking at the individual counties we see that Custer county had the largest change from the previous quarter with an increase of 243 claims for a total of 432. This represents 43.55% of the total quarterly initial unemployment claims for our thirteen county region. Washita, Dewey, and Ellis counties also had slight increases in their total claims from 1st Qtr 2001.

The remaining nine counties were able to counteract the increase in claims in Custer county. Leading the way was Blaine

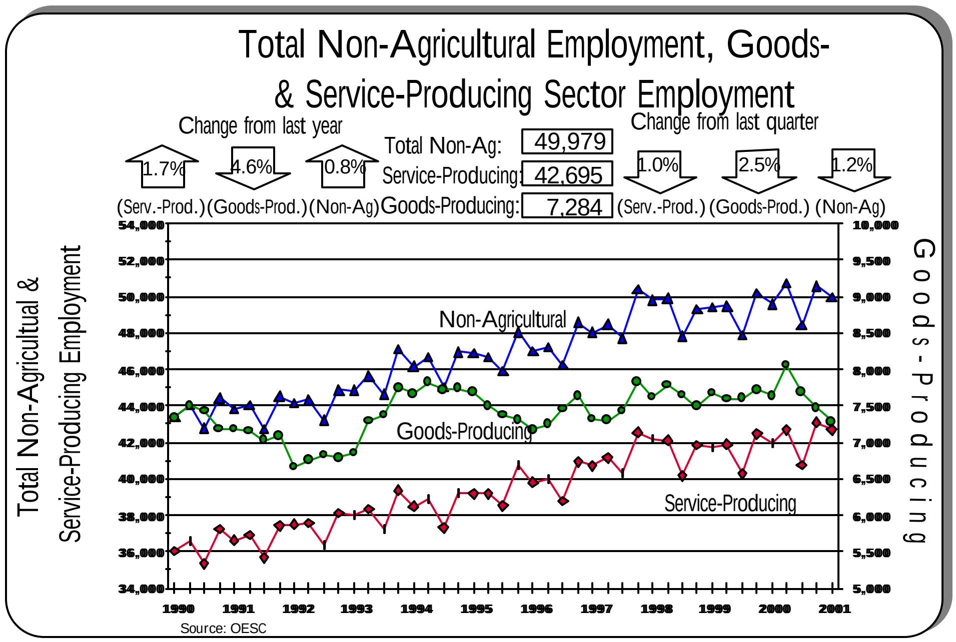
Unemployment





county, which saw a decline of 103 claims between 1st Qtr 2001 and 2nd Qtr 2001. Next on the list of counties that had initial unemployment claims fall was Kiowa county with 49 less claims in the 1st Qtr 2001. Beckham, Caddo, Greer, Harmon, Jackson, Roger Mills, and Tillman counties all had modest declines for the quarter.

Moving on to the regions Total Non-Agriculture Employment, Goods- and Service-Producing Sectors Employment we see that all of them dropped slightly in the 1st Qtr 2001. Non-Agriculturial employment fell slightly or 1.2% after rebounding the previous quarter. The service-producing sector was also down from a record high in the previous quarter with a decline of 1% in the 1st Qtr 2001. Meanwhile the regional goods producing sector declined 2.5%, falling for the third straight quarter, to reach 7,284. This is the sectors lowest level of workers employed since the 2nd Qtr 1996 when there were 7,248. This decline is due in large part to the fact that the manufacturing employment sector, a component of the goods-producing sector, has fallen drastically.



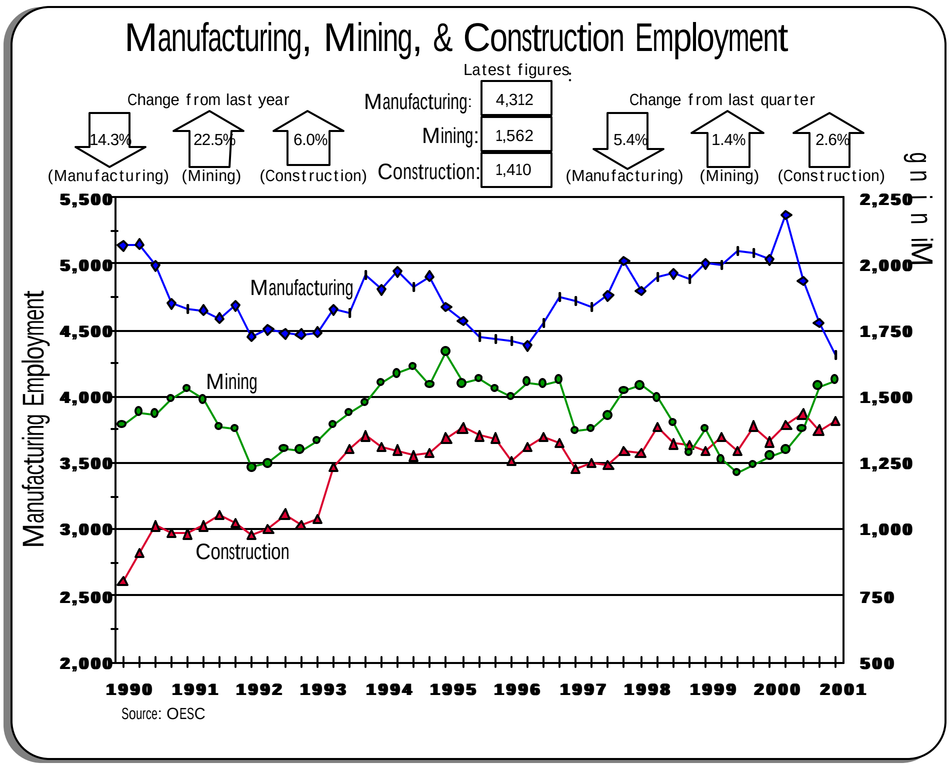
Total Non-Agricultural Employment, while down slightly at 49,979, is still higher by 0.8% compared to what it was a year ago. Goods-producing sector employment is as previously mentioned down, but perhaps more significant is the fact that it has fallen 4.6% or 350 employed from 1st Qtr 2000. Service-producing sector employment has seen a yearly increase equaling 1.7% or 727 workers to reach a total of 42,695 employed.

Next, we are analyzing our region's Manufacturing, Mining, and Construction employment for the 1st Qtr of 2001. Looking at the graph, we see that Mining and Construction are both increased and had excellent starts to the year 2001. Manufacturing in our region on the other hand continues to decline and faced another rough quarter to begin 2001.

Looking more closely at manufacturing sector employment we see that it has dropped 5.4% or 245 workers employed in the 1st Qtr 2001. This decrease is due in large part to a decline of 219 jobs in Caddo county, which was one out of seven counties that saw their manufacturing sector employment decline for the 1st Qtr 2001. The other six counties that experienced declines were Blaine(-19), Dewey(-9), Greer(-3), Kiowa(-30), Tillman(-28), and Washita(-14). The remaining six counties that had minor increases for the quarter were Beckham(15), Custer(23), Ellis(1), Harmon(5), Jackson(32), and Roger Mills(1). These increases, which totaled 77 jobs, did not come close to offsetting the combined losses totaling 322. The regions manufacturing sector also lost ground when compared to the 1st Qtr 2000, with a decrease of 14.3%. Decline has been the theme for the manufacturing sector for the last three quarters. This decline from the high in 2nd Qtr 2000 to the 1st Qtr 2001 represents the largest decline over any period of time covered by **Great Plains General Business Index** for region's manufacturing sector employment. This decline has put manufacturing Employment at 4,312, which is its lowest level since 1990.

Moving on to the mining sector employment, we see that the sector has reached its highest level of employment since 4th Qtr 1996 with 1,562 employed. This amounts to a modest 1.4% increase from the previous quarter. Compared to one year ago or the 1st Qtr 2000 we see a healthy gain of 22.5% or 287 more workers employed. Looking at the mining sector on a county by county basis there were eight counties that had slight increases or remained the same. Beckham county had the largest increase with 43 more workers employed in the mining sector in the 1st Qtr 2001. The other counties with increases or no gain were Blain(15), Ellis(8), Greer(1), Jackson(0), Kiowa(2), Tillman(0), and Washita(5). Caddo county and Dewey county were hit the hardest with 28 and 15 less mining workers employed respectively. The remaining counties that had minor decreases were Custer(-4), Harmon(-2), and Roger Mils(-2).

The last of series of data we have for this graph is construction sector employment, which also had increases to start off the year 2001. The construction sector saw employment increase by 2.6% or 36 workers. Compared to one year ago in the 1st Qtr 2000 we see that the construction sector also had increased gains of 6% or 80 workers.



Leading the way in this sector was Washita county, which saw the number of its workers employed in construction shoot up by 108 or 127%. Caddo county also had a significant gain for the quarter with an increase of 51. Custer(2), Jackson(1), and Roger Mills(0) counties all had little or no gain in the sector. The other eight counties in our region experienced declines for the 1st Qtr 2001. The hardest hit was Tillman county with a decline of 57 workers employed in the construction sector. They were followed by Beckham and Dewey counties, which had respective declines of 30 and 20. Blaine(-2), Ellis(-7), Greer(-2), Harmon(-1), and Kiowa(-8) counties all had relatively minor declines in their construction sector employment for the opening quarter of 2001.

Next, we begin to look at the five service sectors starting with Government and Trade employment, which are going in opposite directions. Government sector employment in our region rose in the 1st Qtr 2001, while trade sector employment declined in the same quarter. It should be noted that Government employment has reached a new high and stayed above the 17,000 mark for the second straight quarter for the time period covered by the **Great Plains General Business Index**. This is also the second largest increase from a fourth to first quarter behind only the increase between the 4th Qtr 1991 to the 1st Qtr 1992

Government sector employment has reached 17,397, up 1.5% from the 4th Qtr 2000 where there were 17,144 workers employed in government positions. Looking, at the same time period one year ago we see that government employment has risen 2.8%. The quarterly increase can be attributed to the 361 jobs added to government in Caddo county alone. There were five other counties that had increases in government employment, which were Beckham(9), Dewey(1), Greer(36), Tillman(1) and Washita(9) counties. However these counties only had a total combined increase of 56 government workers for the 1st Qtr 2001. Without Caddo county's 14.5% increase the seven counties that decreased would have easily caused an overall decline in the first quarter's regional government employment. The largest decline was experienced in Kiowa county, which saw their government employment fall by 86 jobs or 7.7%.

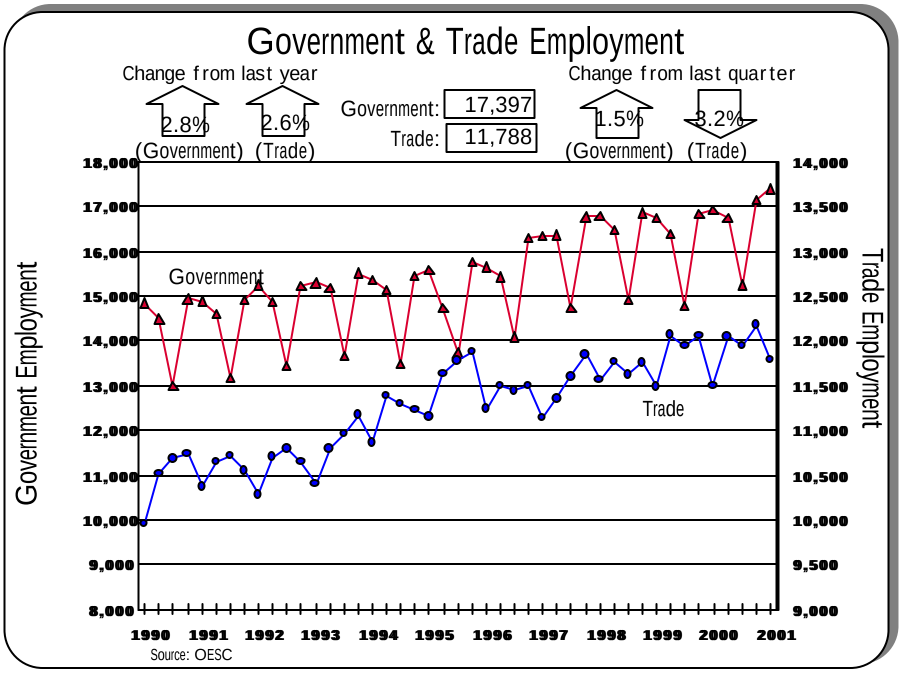
On the other hand, the trade sector employment fell by 387 jobs or 3.2% to end below the 12,000 level in the 1st Qtr of 2001. At their present level of employment with 11,788 employed the trade sector is still above where they were in the

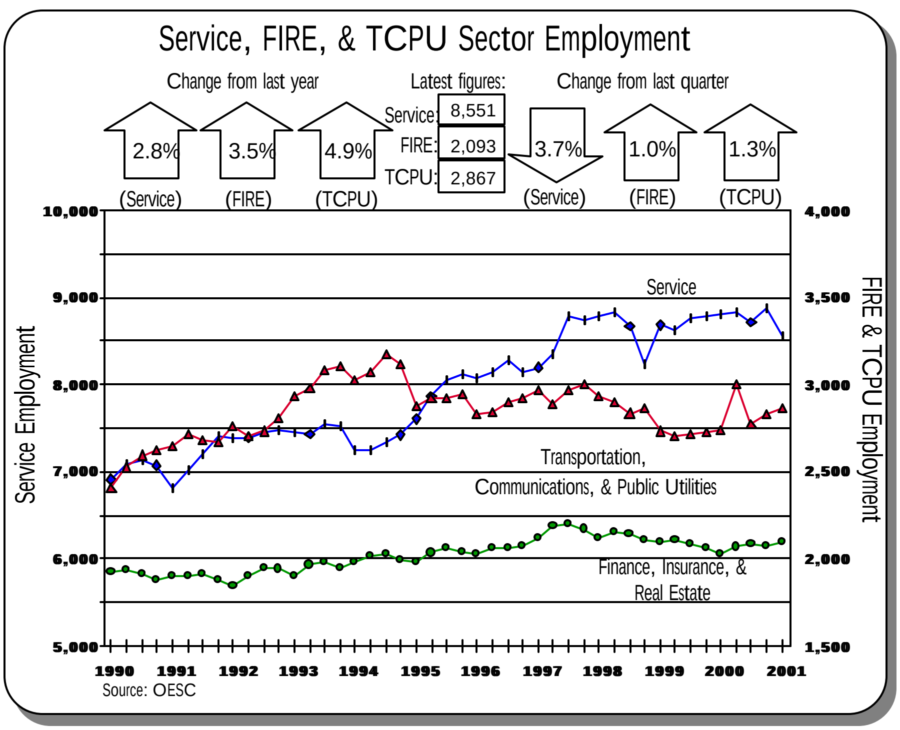
1st Qtr 2000 by 2.6%. This represents an overall yearly increase of 295 workers employed by the trade sector. The big movers among the thirteen regional counties were Blaine, Caddo, and Custer. Custer county's trade sector was the hardest hit with a decline of 176 jobs to start out the year. Further back was Caddo county, which experienced a decrease of 85 trade jobs. They were followed closely by Blaine county, which had a quarterly decrease of 79 trade jobs. The only three counties to have increases were Washita county with 23, Beckham county with 20, and Dewey county with 10. The remaining counties all had minor job loses in the trade sector.

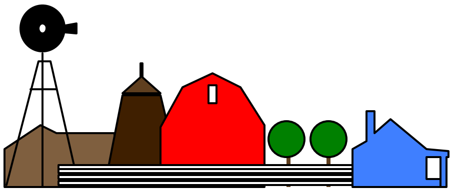
Moving on to the Service, FIRE, and TCPU sector employment levels we see that service has decreased, while the others have managed modest growth. Looking more closely at the graph we see that the service sector has dropped 3.7% to fall to its lowest level since the 4th Qtr 1998. Caddo and Custer counties were the counties that contributed the most to the decline with decreases of 243 and 102 respectively. Overall, eight of the thirteen counties saw their service sector employment decline in the 1st Qtr 2001.

Looking at the FIRE or the Finance, Insurance, and Real Estate sector we see that this sector had a slight increase of 1.0% to end the quarter with 2,093 employed in our region. The sector has grown steadily for the past year with an increase of 3.5% from the 1st Qtr 2000. All the counties FIRE employment remained fairly level except for Caddo county with a 24 job decrease and Jackson county with a 40 job increase.

Finally the TCPU sector; which is a combination of transportation, communication, and public utilities had a 1.3% increase for the quarter and a 4.9% increase from one year ago. All the counties experienced minor fluctuations of their total TCPU employment except a large decline in Jackson(-48) and increases in Dewey(35), and Beckham(27) counties.



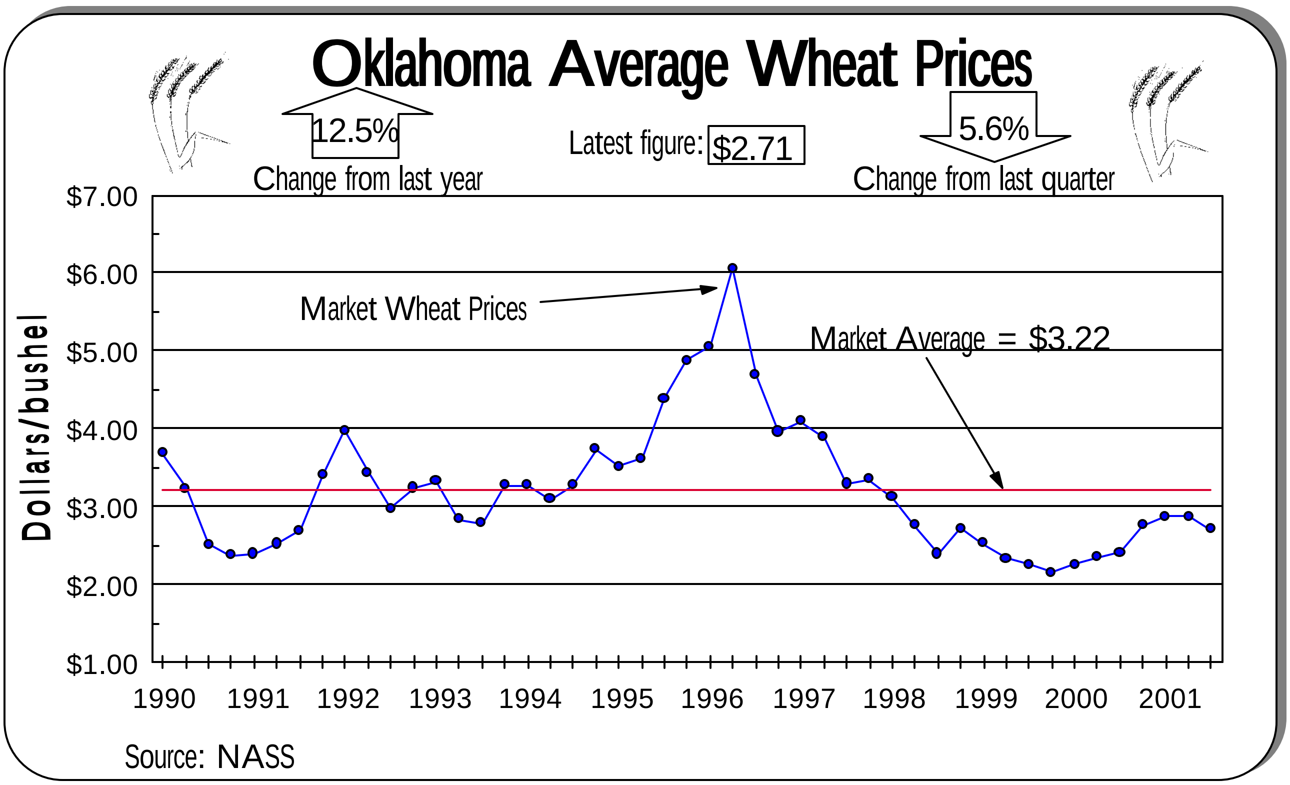




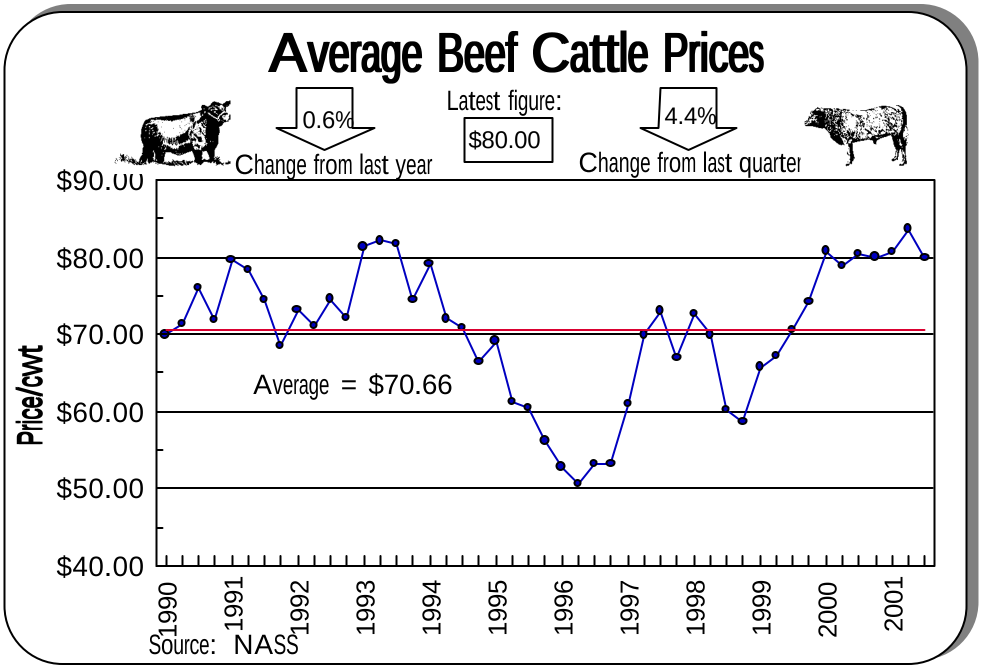
Agriculture

by: Marvin Hankins

Oklahoma average quarterly wheat prices for 2nd Qtr 2001 remained unchanged from the previous quarter and 52 cents/bu. above a year ago for the same period. Wheat prices for the 2nd Qtr 2001 appeared to be leveling out well below the eleven year average of $3.23/bu. More recent accounts indicated that December wheat futures, on the Chicago Board, closed above the $2.95 level for the first time since late July due to less than ideal precipitation (Julianne Johnston, "Commentary: Wheat Rallies on Crop Concerns," AgWeb, 10/30/2001). Louise Gartner, analyst with Spectrum Commodities, stated that "producers should be aware that markets do tend to top out in late October/early November, and thus selling cash against this strong resistance level and strong basis would be a prudent thing to do. But, they should also consider buying calls to replace those sales if wheat gives us a retracement"(Agriculture Online, October 29, 2001).



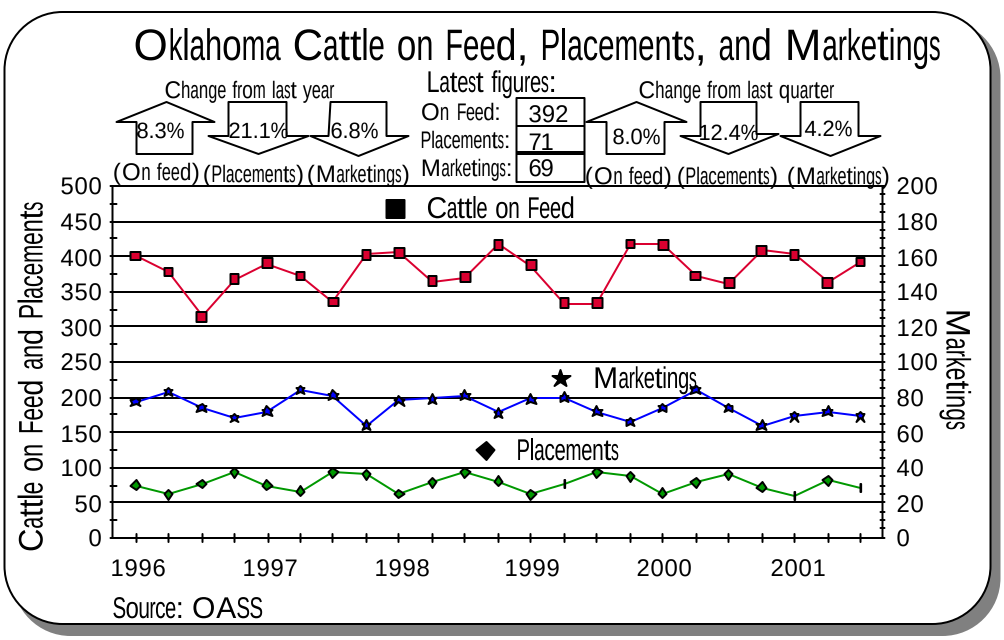
Average quarterly beef cattle prices for 2nd Qtr 2001 were $83.70/cwt, $3.00/cwt higher than 1st Qtr 2001 and $4.33/cwt higher from a year ago. Beef prices for 2nd Qtr 2001 were $13.24/cwt higher than the eleven year average of $70.46. Recent developments were bringing downward pressure on cattle prices. Bob Price (Beef Today: "Market Thoughts", Oct. 11, 2001) indicated that " a third of the beef cows in North America are in areas that are officially declared drought areas. Not only has the



drought reduced grazing for the late summer and fall, but it also has cut into hay production. Hay supplies will be tight–and high priced–in a lot of the cattle areas this winter."

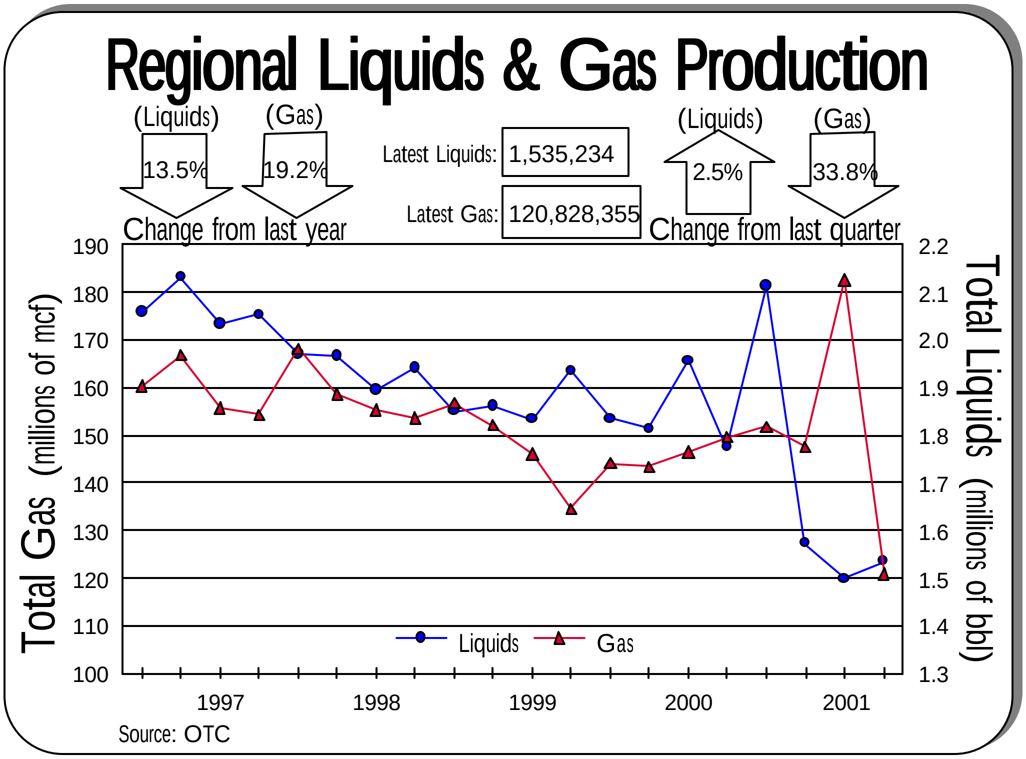
Average quarterly placements were 71,000 head, down 12.4 percent from the 2nd Qtr 2001 and 21 percent below last year. Marketings were 69,000 head, 4.2 percent lower than the previous quarter and 6.9 percent less than a year ago. Cattle on feed rose 8 percent over 2nd Qtr 2001, and was 8.3 percent above a year ago.

The events of September 11th has impacted the cattle market, which was evidenced by weakening consumer demand. According to Bob Price, (Beef Today: "The Cattle Market Going Into The Spring of 2002," November/December 2001), "The economic picture should also be looking rosier by the second quarter of 2002. The Federal Reserve System and Congress have injected a staggering amount of liquidity into the economy, both by monetary and fiscal stimulus. The result of this should be evident in increasing economic activity and meat demand by next spring." Price also suggested that "sound risk management programs" should be implemented to offset market volatility.



Energy

by: Jon Chiappe



Data for regional oil & gas production is the most recent information available from the Oklahoma Tax Commission (OTC). With each new month, the OTC releases not only a new month's data, but also revises data that has previously been released. Sometimes this revision causes great fluctuation in the production data series from one quarter's ***Great Plains General Business Index*** to the following quarter's issue. With a major revision from the OTC, this type of fluctuation occurred between 4th Qtr 2000 and 1st Qtr 2001 in the regional gas production data series. Last quarter, data from the Oklahoma Tax Commission indicated that regional gas production fell 17.5% between 4th Qtr 2000 and 1st Qtr 2001. However, the revised OTC data reveals that regional gas production increased 23.7% over those same two quarters. While the revision in the regional gas data series reversed the production numbers for natural gas, regional liquids production still showed a quarterly decrease between 4th Qtr 2000 and 1st Qtr 2001.

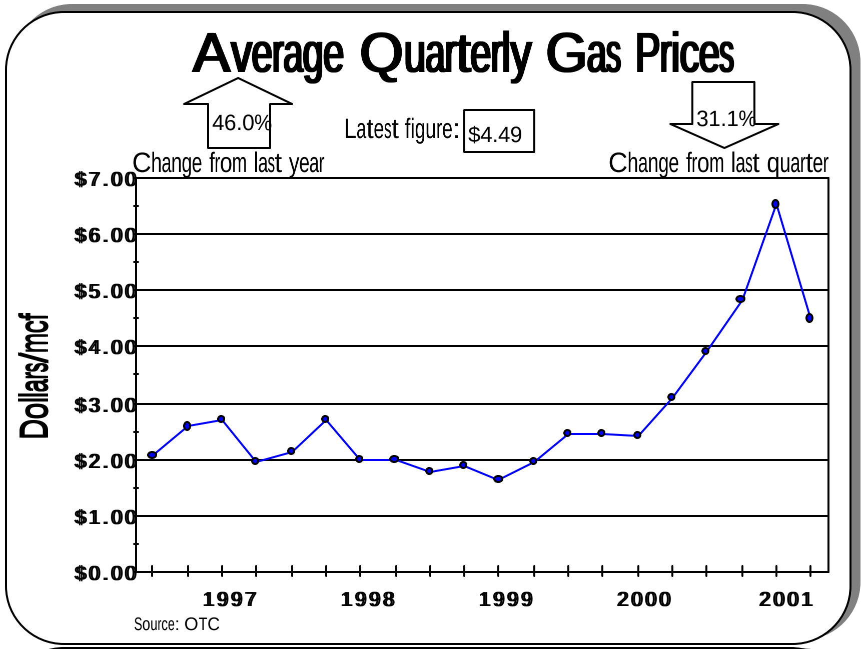
More recent production data indicates that regional liquids production rebounded slightly from the previous two declining quarters with a 2.5% (or 36,941 bbls) gain between 1st Qtr 2001 and 2nd Qtr 2001. Even with these higher production numbers in 2nd Qtr 2001, Total Liquids Production in the Great Plains region was the second lowest quarterly production for the graphed time period.

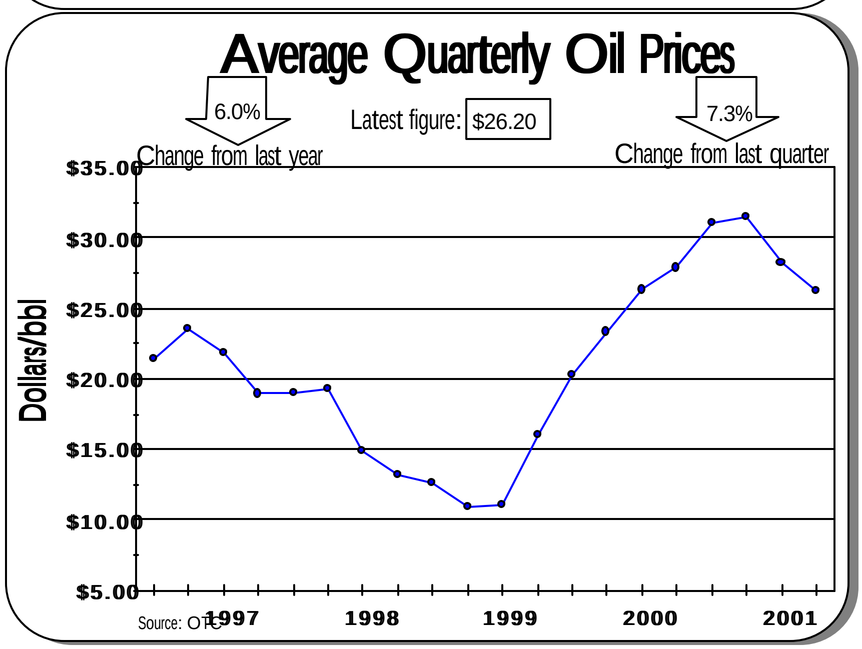
Regional natural gas production suffered a 33.8% (or 31,719,497 mcf) decrease between 1st Qtr 2001and 2nd Qtr 2001, but given the major revision in this data series from the previous quarter, there may be a similar revision when more current data is released by the Oklahoma Tax Commission.

Moving to energy prices, both the average quarterly gas prices and the average quarterly oil prices regularly reported in the ***Great Plains General Business Index*** are the prices received by producers in the thirteen counties in southwest & west central Oklahoma. We receive this data from the Oklahoma Tax Commission and graph it in the charts on the next page. While these prices are specific to western Oklahoma, they are influenced by world events.

Average quarterly gas prices fell from its time-period high with a 31.1% (or $2.03/mcf) decline between 1st Qtr 2001 and 2nd Qtr 2001. This represents the first time that natural gas prices have fallen since 1st Qtr 2000 when average quarterly gas prices fell a modest 1.6% (or 4¢/mcf).

After peaking in 4th Qtr 2000, average quarterly oil prices fell for the second consecutive quarter in 2nd Qtr 2001. The 7.3% (or $2.05/bbl) quarterly decline places average quarterly oil prices at about the same level as was experienced in 1st Qtr 2000. Compared to 2nd Qtr 2000, average quarterly oil prices received at the well-head in the Great Plains region have fallen 6.0% (or $1.67/bbl). Even with falling oil prices, 2nd Qtr 2001 oil prices remained markedly higher than the average quarterly oil prices for any quarter before 1st Qtr 2000.



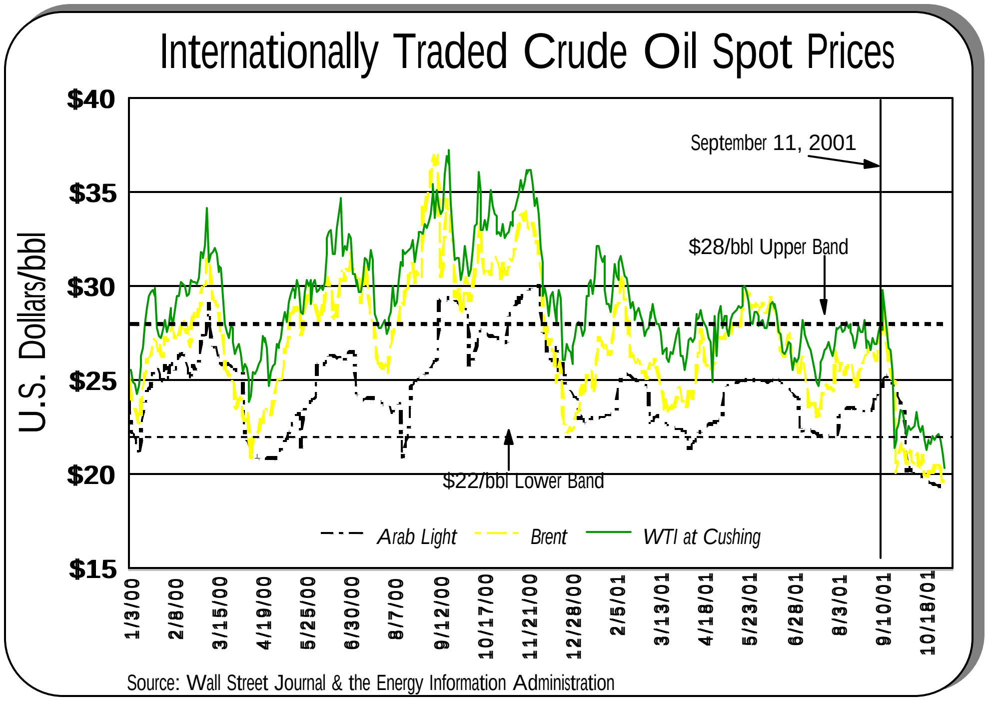


Before the September 11 terrorist attacks, DRI-WEFA, a private company that provides comprehensive economic coverage for countries, regions & industries, forecasted that the "short-term outlook for oil markets is one of relative price stability." The *Oil & Gas Journal* reported "OPEC's most recent production cut sent a signal to markets that is expected to buoy its targeted market oil price close to $25/bbl through January" (*Oil & Gas Journal, September 3, 2001, page 5*). However since the terrorist attacks, demand for oil & gas has fallen considerably, which contributed to a $4/bbl fall in crude oil prices in a single day of trading. (*Ibid*.) The price drop occurred September 24, 2001 and was the largest single-day price decline since January, 1991 (Energy Information Administration, *OPEC*, October 4, 2001). DRI-WEFA anticipates OPEC to favor lower oil prices over the next few months, and bases their expectations for OPEC to favor lower prices on the following reasons:

- *"a desire to help avert a global economic collapse",*
- *"a need for revenues" (for OPEC countries),*
- *"a preference to preserve market share", and*
- *post September 11 quota politics.*

(*DRI-WEFA Forecasts Further Short-Term Reductions in Oil Prices*, DRI-WEFA, Inc., October 30, 2001, www.dri-wefa.com)

The chart on the following page entitled "Internationally Traded Crude Oil Spot Prices" graphs the prices of three different types of crude oil varieties from January 1, 2000 to November 1, 2001. Arab Light refers to crude oil produced in Saudi Arabia. Brent crude oil is pumped from the North Sea while WTI refers to West Texas Intermediate crude oil. Generally, the highest spot price paid for crude oil is for WTI, but there have been occasions when Brent oil receives a higher price. The lowest spot price is usually paid for Arab Light crude oil, because it has a higher sulphur content. Both WTI and Brent crude oils are classified as light, sweet crudes, which means that the oils have very low sulphur content. The lighter & sweeter a crude oil is, the higher the price paid for it. And for this reason, WTI usually trades at a premium over the Brent and other crude oil varieties. (Energy Information Administration, *OPEC*, October 4, 2001, www.eia.doe.gov)



OPEC adopted a price band mechanism during its March 2000 meetings. Under this price band mechanism, the eleven OPEC nations (Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, & Venezuela) would try to produce only enough crude oil to keep a basket of seven crude oils within a $22/bbl to $28/bbl range. (Energy Information Administration, *OPEC*, October 4, 2001, www.eia.doe.gov) The basket of seven crude oils includes Algerian Saharan Blend, Indonesian Minas, Nigerian Bonny Light, Saudi Arabian Arab Light, Dubai Fateh, Venezuelan Tia Juana Light, & Mexican Isthmus. (Wall Street Journal, "OPEC is Set to Cut Production by One Million Barrels a Day", November 5, 2001, www.wsj.com)

Sustained prices above the $28/bbl band for 20 consecutive trading days are supposed to trigger *pro rata* production increases of 500,000 bbl/day from the OPEC countries. At the other end, sustained prices below $22/bbl for 10 consecutive trading days are supposed to trigger pro rata production cuts of 500,000 bbl/day among the OPEC nations. By implementing the price band mechanism, OPEC had partly intended to impose stability in oil prices and to prevent prices from plummeting to the low 1998 levels. (Energy Information Administration, *OPEC*, October 4, 2001, www.eia.doe.gov) The upper and lower price bands are also graphed on the chart, and Arab Light, one of the varieties contained in the basket of seven crude oils, has traded within the range for most of the time period from January, 2001, when the price band mechanism was ratified by OPEC.

The day before the terrorist attacks, September 10, 2001, spot prices for Arab Light, Brent, and WTI were $24.50/bbl, $27.41/bbl, and $27.63/bbl respectively. After the terrorist attacks, the next full trading day for crude oil was September 14, 2001. And on that day, crude oil prices rose for each of the three varieties with Arab Light rising to $25.09/bbl, Brent rising to $29.01/bbl, and WTI rising to $29.78/bbl.

Both Brent and WTI crude prices reached a peak on September 14, 2001 and have generally fallen since that date. The last time Brent crude oil prices were higher than on September 14, 2001 was June 11, 2001 when spot Brent prices were $29.55/bbl. Likewise, the last time WTI prices were as high as those prices witnessed on September 14 occurred on May 21, 2001 when WTI spot prices reached $29.98/bbl. Spot prices for Arab Light crude oil reached a peak of $25.20/bbl one week after the terrorist attacks (on September 18, 2001). The spot Arab Light prices of September 18, 2001 were the highest they had been since February 15, 2001 when spot prices reached $25.22/bbl.

Between September 14, 2001 and November 1, 2001, spot Arab Light prices have risen for only three of the thirty-five trading days. By November 1, 2001, Arab Light spot prices had fallen to $19.24/bbl, which was 21.5% (or $5.26/bbl) lower than September 10th spot prices and 23.3% (or $5.85/bbl) lower than September 14th spot prices. The largest single day price drop for Arab Light occurred October 3, 2001 when spot prices fell from $23.47/bbl to $19.93/bbl - a 15.1% decrease. Also of importance for this crude oil variety, it has traded below the $22/bbl lower band established by OPEC since October 3, 2001 - much longer than the ten consecutive trading day frame set by OPEC to lower production.

Spot Brent crude oil prices have risen thirteen of the thirty-five trading days between September 14 and November 1, 2001. However, even though Brent prices have risen on more occasions than Arab Light, they still have fallen to $19.49/bbl by November 1, 2001. Compared to September 10th prices, spot Brent crude oil prices have fallen 28.9% (or $7.92/bbl) and have fallen 32.8% (or $9.52/bbl) compared to September 14th prices. The largest single day price drop for Brent crude oil prices occurred September 25, 2001 when spot Brent crude prices plummeted 20.0% (or $5.01/bbl).

Similar to spot Brent prices, spot WTI crude oil prices have experienced only thirteen price gains in the thirty-five trading days between September 14 and November 1, 2001. By November 1, 2001, spot WTI prices had fallen to $20.38/bbl, which was 26.2% (or $7.25/bbl) lower than September 10th spot prices and 31.6% (or $9.40/bbl) lower than September 14th prices. The largest single day price decrease came earlier for WTI crude oil than for the other two varieties of crude oil. On September 24, 2001, spot WTI prices fell 15.8% (or $4.03/bbl).

To explain the price movements of crude oil since September 11, 2001, the Oil & Gas Journal quoted several experts as stating that short-term uncertainty contributed to the price spikes shortly after oil market trading resumed on September 14, 2001. Raymond Ory Jr., working for Baker & O'Brien consulting firm, was quoted as saying "anytime you have a significant event with a dangerous impact, tantamount to the Persian Gulf crisis or any number of events in the past, it always generates market concerns that trigger a precipitous price increase." Marshall Adkins, an analyst with Raymond James & Associates, echoed the sentiment stating "the knee-jerk reaction will drive the price up for the short-term. The long-term impact depends on who did it." (*OGJ Newsletter*, Oil & Gas Journal, September 17, 2001, page 5)

Regarding the sustained price decreases since the price peaks in the middle of September, both the Oil & Gas Journal and the Energy Information Administration offer three explanations to account for the price decreases. From the Energy Information Administration's *Short-Term Energy Outlook*, those explanations are:

1. *OPEC reassured world markets that it would ensure plentiful supplies of crude oil to meet world demand at a time when there were concerns that oil supplies would be disrupted.*
2. *Worldwide jet fuel demand fell by about 10% outside the United States and by as much as twice that within the United States.*
3. *Economic estimates indicate that the U.S., viewed as the engine for global economic growth, may be in the midst of a recession. A recession would further lower demand for petroleum products and also cause energy prices to fall.*

(Energy Information Administration, *Short-Term Energy Outlook*, October 2001, pages 1-8).

Each of these three points explaining the oil price fall have been mentioned by the Oil & Gas Journal as well. Regarding the first point, the Oil & Gas Journal reported in its first issue after the terrorist attacks that:

> *"While world oil markets are volatile for now, in the wake of last weeks terrorist attacks..., OPEC can be expected to supply added liquidity to the market immediately."* (*OGJ NewsLetter*, Oil & Gas Journal, September 17, 2001, page 5.)

On October 22, 2001, Marilyn Radler, economics editor for the Oil & Gas Journal, reemphasized the first point and alluded to the third point made by the Energy Information Administration by writing:

> *"'On the demand side, everything has changed.' With these words, IEA (International Energy Agency) sums up the state of the oil market in the aftermath of the Sept. 11 terrorist attacks while noting that, on the supply side, very little has changed, as OPEC immediately pledged to keep the market adequately supplied."* (*OGJ NewsLetter*, Oil & Gas Journal, October 22, 2001, page 5.)

More directly referring to a recession, she writes that:

> *"With the U.S. economy most likely in a contraction already, IEA expects OECD(Organization for Economic Cooperation & Development) oil demand to shrink by 1.1% in the third quarter and by 2% in the fourth."* (*OGJ NewsLetter*, Oil & Gas Journal, October 22, 2001, page 5.)

Lower demand and stable/constant supply of oil would contribute to the falling oil prices evident after the September 14, 2001.

As for the impact of jet fuel demand on oil markets and prices, the Oil & Gas Journal wrote soon after the attacks that:

> *"The suspension of all civilian air traffic has reduced U.S. demand for oil by 1.8 million bbls/day, or almost 10% of its total (demand for oil), said Adam Siemenski, global energy strategist for Deutsche Banc Alex Brown."* (*OGJ Newsletter*, Oil & Gas Journal, September 17, 2001, page 20.)

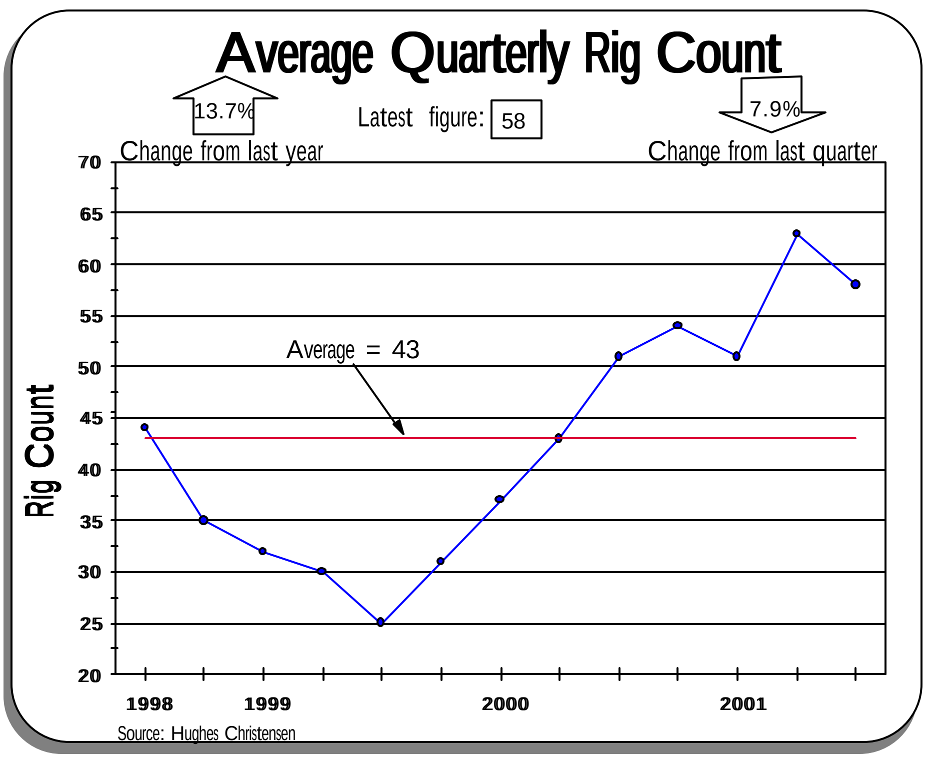
Also illustrating jet fuels' importance in oil markets, the Oil & Gas Journal later writes that:

> *"Lower air traffic alone is predicted to reduce OECD oil demand by 175,000 bbls/day this year and by 220,000 bbls/day next year."* (*OGJ NewsLetter*, Oil & Gas Journal, October 22, 2001, page 5.)

Finally, addressing the effects that the an economic slowdown has upon oil markets, the Oil & Gas Journal writes that:

> *"Longer term, demand concerns hinge on an exacerbation of the current global economic slowdown driven by a loss of consumer confidence. Every 1% loss in expected global GDP growth takes about 400,000 bbls/day away from expected oil demand growth."* (*OGJ Newsletter*, Oil & Gas Journal, September 17, 2001, page 20.)

Moving from the effects of the terrorist attacks upon the energy sector to rig counts, the average quarterly rig count in southwest & west central Oklahoma posted a sizeable gain (12 rigs) between the first and second quarters of 2001. The increase between 1st Qtr 2001 and 2nd Qtr 2001 was the greatest absolute gain of active rotary rigs in southwest Oklahoma in the tracked time period. Furthermore, this same gain also placed the total average quarterly rig count at 63 active rotary rigs in 2nd Qtr 2001. A portion of this gain was lost between the second and third quarters of the year with five fewer active rotary rigs in 3rd Qtr 2001 when compared to 2nd Qtr 2001.



Nationally, the average number of active rotary rigs stood at 1,308 rigs in 2nd Qtr 2001but fell to 1,227 rigs by 3rd Qtr 2001. With this information, it can be calculated that southwest & west central Oklahoma accounted for approximately 4.7%-4.8% of the total active rotary rigs in the United States in the two most recent quarters.

Financial

by: Jon Chiappe

Total Assets held by financial institutions in the Great Plains region increased 1.8% (or $24.631 million) from the end of the 4th Qtr 2000 to the end of the 1st Qtr 2001. An even greater gain was attained from the end of 1st Qtr 2000 with Total Assets increasing 5.1% (or 68.715 million) from the previous year. For the state of Oklahoma, Total Assets increased 1.3% (or by $86.405 million) from the previous quarter and increased 7.8% (or by $486.215 million) from the previous year. Nationally, Total Assets held by FDIC-Insured Commercial Banks increased 1.1% (or by $71.734 billion) between 4th Qtr 2000 and 1st Qtr 2001, which means that Total Assets increased at a faster quarterly rate in the Great Plains region when compared to the nation. Between 1st Qtr 2000 and 1st Qtr 2001, Total Assets increased 8.0% (or $465.294 billion) among all of the FDIC-Insured Commercial Banks in the United States. (*The FDIC Quarterly Banking Profile*, FDIC, First Quarter, 2001.)

Financial Condition of Commercial Banks in the Great Plains Region

(dollar figures are in thousands)

	Mar 2001	Dec 2000	% Change1	Mar 2000	% Change1
Total Assets	1,412,815	1,388,184	1.77	1,344,100	5.11
Total Deposits	1,208,690	1,183,320	2.14	1,159,987	4.20
Demand Deposits	137,263	142,669	-3.79	136,651	0.45
Time Deposits	1,071,426	1,040,651	2.96	1,023,336	4.70
Total Loans	772,323	756,408	2.10	706,807	9.27
Commercial & Industrial	137,199	140,602	-2.42	119,954	14.38
Real Estate	315,955	315,828	0.04	295,703	6.85
Individual	100,565	100,637	-0.07	94,216	6.74
Agricultural Production	211,128	192,395	9.74	190,516	10.82
Financial Ratios					
Loan-to-Deposit	63.90	63.92	-0.04	60.93	4.87
Securities/Total Assets	32.30	34.48	-6.32	36.91	-12.49
Capital Adequacy (Leverage)					
Core Capital/Assets	11.08	11.11	-0.27	11.30	-1.95
Asset Quality					
Nonperforming Loans/Gross Loans	1.87	1.61	16.15	1.76	6.25
Earnings Profitability					
Return on Average Assets	1.47	1.36	8.09	1.52	-3.29
Liquidity					
Liquid Assets/Liabilities	18.30	16.65	9.91	15.34	19.30

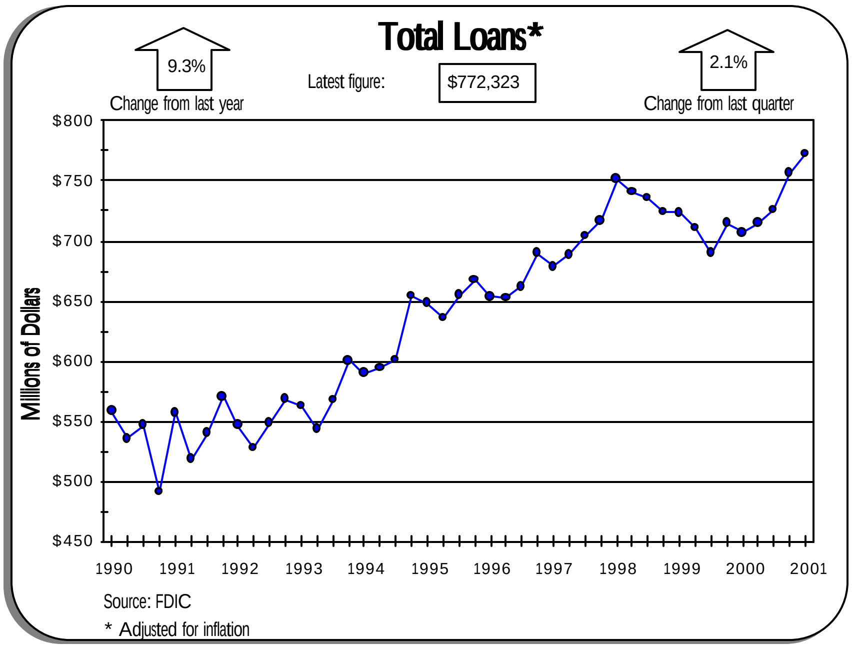
(1) Compared to Current Quarter

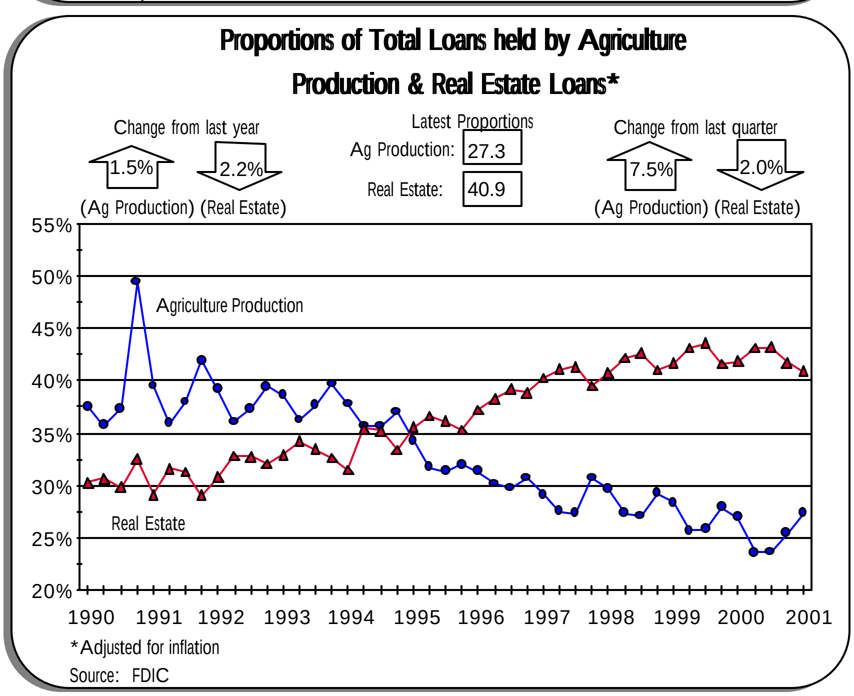
* Adjusted for Inflation (82-84 = 100)

Source: FDIC Call Reports

Total Deposits increased 2.1% (or by $25.370 million) between 4th Qtr 2000 and 1st Qtr 2001 among the financial institutions in the Great Plains region. All of this quarterly increase in Total Deposits was a result of a 3.0% (or $30.775 million) increase in Time Deposits since Demand Deposits decreased 3.8% (or by $5.405 million) over the same time period. While Demand Deposits experienced similar quarterly decreases among financial institutions in the state and nation, Total Deposits managed to increase for both the state and nation as a result of a quarterly gain in Time Deposits. (*The FDIC Quarterly Banking Profile*, FDIC, First Quarter, 2001.)

For the state of Oklahoma, a 1.5% (or $210.852 million) quarterly increase in Time deposits caused a 0.4% (or $169.665 million) gain in Total Deposits despite a 7.4% (or $41.187 million) decrease in Demand Deposits. Similarly for the United States, Total Deposits increased slightly (0.2% or by $6.780 billion) due to a quarterly gain in Time Deposits (1.2% or $40.715 billion) despite a quarterly loss (-4.5% or $33.935 billion) in Demand Deposits.



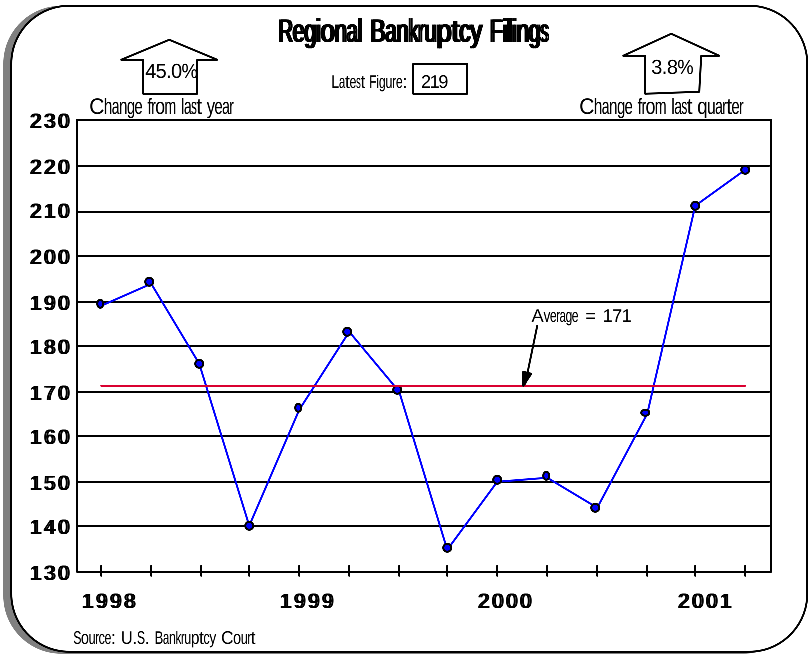


Helped mainly by higher Agricultural Production Loans, Total Loans held by banks in the Great Plains region increased for the fourth consecutive quarter and reached its highest level in 1st Qtr 2001. The 9.7% (or $18.733 million) quarterly increase in Agricultural Production Loans produced a 2.1% (or $15.915 million) quarterly increase in Total Loans. Real Estate loans increased very slightly (by $127,000) from the previous quarter, but did not contribute significantly to the quarterly change in Total Loans. A combined quarterly decrease in Individual and Commercial & Industrial loans totaling $3.475 million dampened the effects that Agricultural Production loans had upon Total Loans.

Statewide, financial institutions managed to increase Total Loans 0.3% (or $11.919 million) between 4th Qtr 2000 and 1st Qtr 2001. All of this gain can be traced to Real Estate loans which increased 1.8% (or $31.980 million) from the previous quarter. Each of the three other loan categories decreased from the previous quarter by a combined $20.061million. Considering the magnitudes of the monetary amounts, the changes in Total Loans within the region was more significant that the changes in Total Loans for the state.

The proportion of Total Loans held by Agricultural Production loans managed its third consecutive quarterly increase after hitting its lowest proportionate share in 2nd Qtr 2000. Ag Production loans increased its share of Total Loans by 7.5% from the previous quarter and accounted for 27.3% of Total Loans in 1st Qtr 2001. The quarterly and yearly gains in Ag Production's proportion may be coming at the expense of Real Estate's proportion of Total Loans, which fell 2.0% from 4th Qtr 2000 and fell 2.2% from 1st Qtr 2001.

Addressing a few of the financial ratios contained within the first table in this section, Asset Quality deteriorated among the banks reporting in the Great Plains region, but Earning Profitability and Liquidity improved from the previous quarter. Nonperforming Loans made up a greater share of Gross Loans in 1st Qtr 2001 when compared to 4th Qtr 2000 and this caused Asset Quality to deteriorate. However, an 8.1% increase in the Return on Average Assets improved Earnings Profitability, while Liquidity improved with a 9.9% increase in the proportion of Liquid Assets to Liabilities.



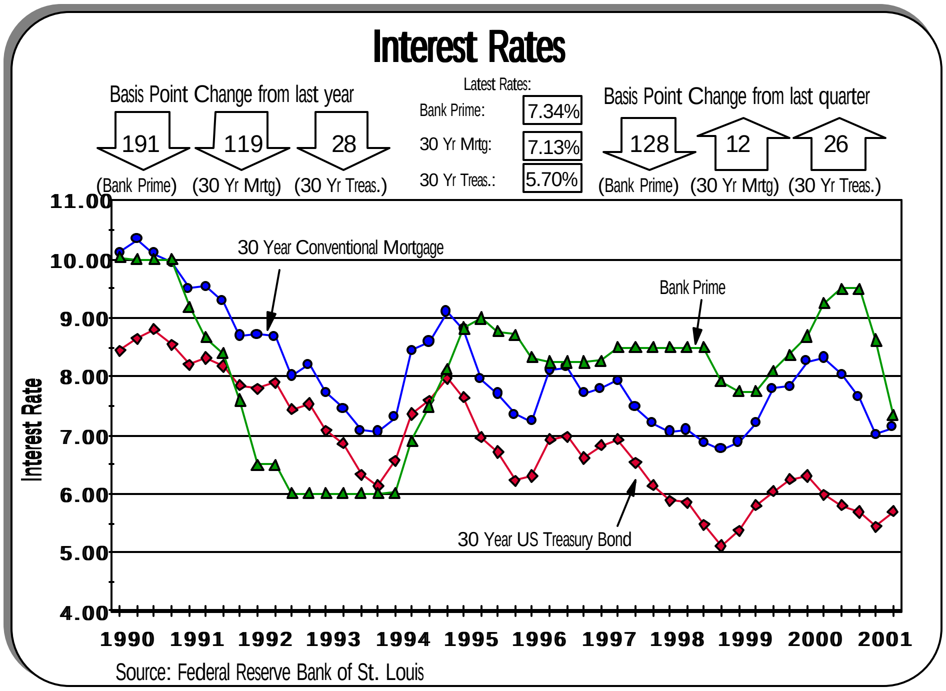
The deterioration in Asset Quality among banks is reflected as well in the increase in total bankruptcy filings which rocketed 27.1% higher in 1st Qtr 2001 when compared to 4th Qtr 2000. Total bankruptcy filings increased from 211 filings in 1st Qtr 2001 to 219 filings in 2nd Qtr 2001. The 3.8% quarterly increase resulted in the most quarterly bankruptcy filings for the thirteen counties in southwest & west central Oklahoma in the tracked time period. Additionally, this represents the third consecutive quarterly increase for regional bankruptcy filings, and the most recent quarterly gain places total bankruptcy filings 48 filings above the average bankruptcy filings for the whole time period. With the large number of filings in 2nd Qtr 2001, the average for the whole time period increased from 167 filings last quarter to 171 filings in this quarter.

From 2nd Qtr 2000 to 2nd Qtr 2001, total bankruptcy filings shot up 45.0%. Most of this yearly increase occurred last quarter when bankruptcy filings increased 27.1% between 4th Qtr 2000 and 1st Qtr 2001.

On April 18th , May 15th and June 27th, the Federal Reserve System (more specifically the Federal Open Market Committee) cut the federal funds rate a total of 125 basis points with the April and May cuts equaling 50 basis points each and the June cut equaling 25 basis points. The Federal Reserve System also cut the discount rate from an average of 5.11% in 1st Qtr 2001 to 3.83% in 2nd Qtr 2001. Despite the discount rate cut and despite the FOMC cutting the federal funds rate from an average of 5.59% in 1st Qtr 2001 to an average of 4.33% in 2nd Qtr 2001, both the 30-year mortgage rate and 30-year U.S. Treasury bond rate increased slightly over the same two quarters. The 30-year mortgage rate increased by 12 basis points between the first and second quarters of the year while the 30-year U.S. Treasury bond rate increased 26 basis points. The bank prime interest rate, a shorter term rate, was more heavily influenced by the falling federal funds and discount rates. Between 1st Qtr 2001 and 2nd Qtr 2001, the bank prime rate fell by 128 basis points from an average of 8.62% to an average of 7.34%.

Each of the three graphed interest rates were lower in 2nd Qtr 2001 when compared to 2nd Qtr 2000. Of the three, the bank prime rate experienced the greatest decrease falling 191 basis points from the previous year. The 30-year mortgage rate also decreased substantially from the previous year falling by 119 basis points. The 30-year U.S. Treasury bond rate fell from 5.98% in 2nd Qtr 2000 to 5.70% in 2nd Qtr 2001.

As can be seen from the graph, the spread between the bank prime rate and the two longer term interest rates decreased substantially between the first two quarters of the year. The spread between the bank prime rate and the 30-year mortgage



rate decreased from 161 basis points in 1st Qtr 2001 to 21 basis points in 2nd Qtr 2001. Likewise between the bank prime rate and the 30-year mortgage rate, the spread decreased from 318 basis points to 164 basis points in the first two quarters of the year. The bank prime rate is threatening to fall below the 30-year mortgage interest rate for the first time since 4th Qtr 1994 when the bank prime rate was 8.13% and the 30-year mortgage rate stood at 9.10%.

Regarding the response of the Federal Reserve System to the September 11, 2001 terrorist attacks, Christopher Neely reported six specific actions taken by the Fed to maintain confidence in the financial system. Those actions were:

1. The Fed's New York Trading Desk injected liquidity in the market through repurchase agreements. The Fed held $61 billion of securities acquired under repos on September 12 compared to an average holding of $27 billion the previous ten Wednesdays.
2. The Fed lent a substantial amount of money directly to banks through the discount window. On September 12th, there were $45 billion in discount loans outstanding compared to an average of $59 million the previous ten Wednesdays.
3. The Fed urged banks to restructure loans for borrowers with temporary liquidity problems.
4. The Fed significantly extended the check "float" for almost $23 billion on September 12 due to the transportation difficulties after the terrorist attacks.
5. The Fed worked with foreign central banks to meet liquidity needs in foreign currencies.
6. The FOMC reduced the federal funds interest rate by 50 basis points on September 17 in an effort to boost confidence in the New York Stock Exchange.

(Christopher Neely, *September 11, 2001*, Monetary Trends, St. Louis Federal Reserve Bank, November, 2001.)

Regarding the effects that the terrorist attacks might have on the banking system, Barron Putnam, President and Financial Economist for Lace Financial Corporation, stated:

> *"We do not expect any major problems for the U.S. banking system, which is financially strong with high capital levels and strong earnings, but recently has had increasing asset quality problems due to our economic slowdown. The Federal Reserve System has taken precautionary steps–putting reserves into the system and providing cash to banks that have had large deposit withdrawals–to prevent a liquidity crisis. There is not likely to be any major transaction problems at U.S. banks…"*
>
> *"Our main concern is of the already-declining consumer confidence slumping precipitously, bringing the U.S. into a recession. A recession will increase nonperforming loans at the banks, which will increase the number of bank failures. A U.S. recession will further slow the U.S. exports from world economies to the U.S. and it is likely we will see a worldwide recession…"*

(Barron Putnam, "*The Events of September 11, 2001: The Likely Effect on World Banking Systems*", September 13, 2001, Lace Financial Corporation, www.lacefincl.com.)

Taxable Sales

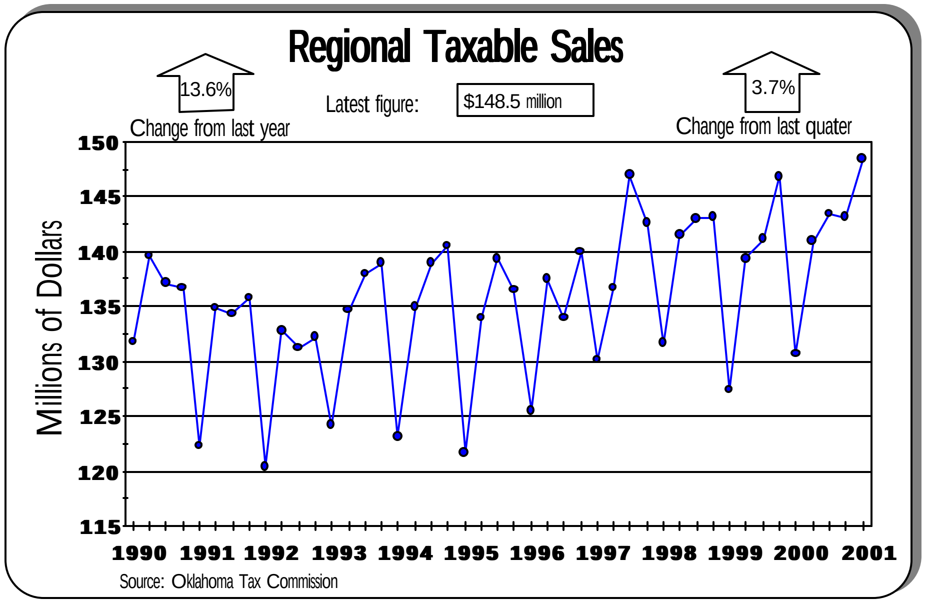
by: Stephen Nelson

Taxable sales in the thirteen county region covered by the ***Great Plains General Business Index*** for the first quarter of 2001 was up by 3.7% (or $5.323 million) from the fourth quarter of 2000. This represents the first time that taxable sales have increased from the fourth quarter to the first quarter during the time period that the ***Great Plains General Business Index*** covers. Taxable sales in the region also reached a new high of $148.452 million in 1st Qtr 2001.

Looking at the individual counties in our region we see that only three of the thirteen counties saw reduced sales from 4th Qtr 2000 to 1st Qtr 2001. The counties of Blaine, Ellis, and Jackson realized quarterly taxable sales decreases of 4.65% (or $305,000), 8.08%(or $181,000), and 5.15%(or $1.676 million) respectively. The remaining ten counties all saw increases in their quarterly taxable sales.

Looking at the percentages the highest increases were experienced in Dewey, Washita, and Roger Mills counties with increases of 30.14%, 20.23%, and 11.17% respectively. The greatest absolute quarterly increases were experienced in Beckham, Caddo, and Washita counties with increases of $2.169 million, $1.566 million, and $948,000 respectively.

Further examination of the data from fourteen cities in western Oklahoma revealed that several industry areas experienced significant sales increases from 4th Qtr 2000 to 1st Qtr 2001. The second largest percentage and largest absolute increase was in the Electric, Gas, and Sanitary Services sector, SIC 49, which had a percentage increase of 40.24%. In absolute terms this represents a $3.32 million increase from 4th Qtr 2000. General Merchandise Stores, SIC 53, had an absolute quarterly



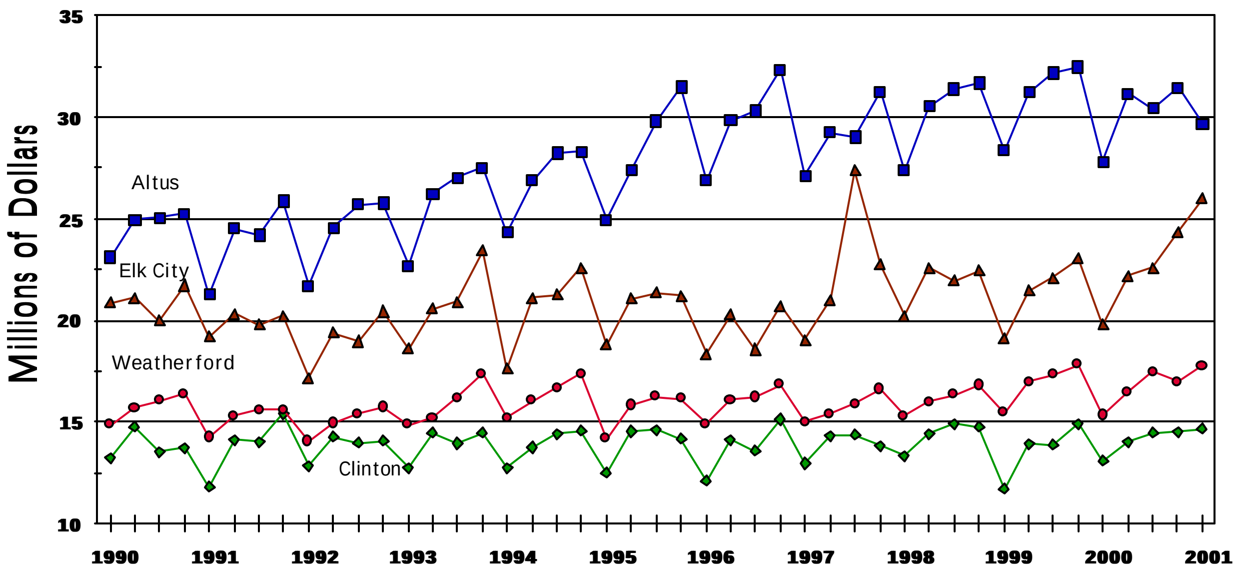
Comparative Sales Subject to Sales Tax

(millions of dollars)

	1st Qtr 2001	4th Qtr 2000	% Change**	1st Qtr 2000	% Change**
Beckham	30.836	28.668	7.56%	23.657	30.35%
Blaine	6.256	6.561	-4.65%	6.573	-4.82%
Caddo	18.656	17.090	9.17%	17.236	8.24%
Custer	34.068	33.135	2.82%	29.878	14.02%
Dewey	3.106	2.387	30.14%	2.371	31.00%
Ellis	2.061	2.242	-8.08%	1.905	8.19%
Greer	2.945	2.817	4.54%	2.756	6.86%
Harmon	1.669	1.549	7.73%	1.429	16.79%
Jackson	30.854	32.530	-5.15%	28.973	6.49%
Kiowa	5.988	5.601	6.91%	5.217	14.78%
Roger Mills	1.844	1.659	11.17%	1.681	9.70%
Tillman	4.540	4.207	7.91%	4.233	7.25%
Washita	5.630	4.683	20.23%	4.728	19.08%
Great Plains	**148.452**	**143.129**	**3.719%**	**130.637**	**13.64%**

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

Taxable Sales For Selected Cities*



City	1Q2001	4Q2000	% Chg **	1Q2000	% Chg **	1Q 1999	% Chg **
Altus	29.675	31.470	-5.70	27.841	6.59	28.363	4.63
Clinton	14.657	14.536	0.83	13.103	11.86	11.704	25.23
Elk City	26.005	24.349	6.80	19.808	31.29	19.078	36.31
Weatherford	17.740	16.966	4.56	15.351	15.56	15.446	14.85

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

increase of $1.892 million, which represents a percentage increase of 7.81%. Another industry that had a significant absolute quarterly increase was the Miscellaneous Retail sector, SIC 59, which includes Drug Stores, Proprietary Stores, Liquor Stores, and Fuel Dealers. In the fourteen cities data the Miscellaneous Retail sector had an absolute quarterly increase of $755,722 or 16.31%.

Another item of significance is that twelve of the thirteen counties had taxable sales increases when compared to 1st Qtr 2000. Overall the regions taxable sales increased 13.64% or by $5.323 million from one year ago.

Beckham County had the largest absolute growth with an increase of $7.18 million from 1st Qtr 2000. Beckham was followed by Custer, Jackson, and Caddo counties with respective absolute yearly increases of $4.19 million, $1.881 million, and $1.42 million.

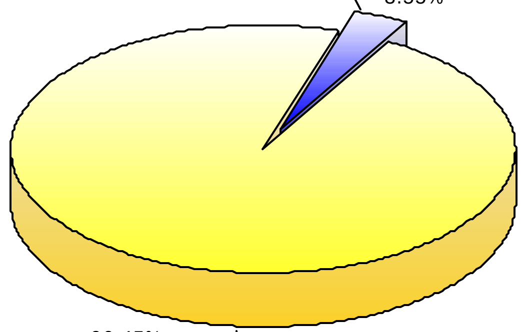
Moving on to the four largest cities in the ***Great Plains General Business Index*** region Elk City led the way with an increase in taxable sales of 6.8% or $1.656 million. Weatherford came next with a 4.56% or $774,000 increase followed by Clinton that had an increase of 0.83% or $121,000. Altus had a decrease in taxable sales of 5.7% or $1.79 million and more than netted out Elk City's gain.

On a positive note all four of the cities continued to experience yearly gains from 1st Qtr 2000 to 1st Qtr 2001. Elk City (31.29% yearly gain), Weatherford (15.56% yearly gain), and Clinton (11.86% yearly gain) all had double-digit yearly percentage gains. Altus (6.59% yearly gain) maintained its yearly growth trend despite the seasonal decrease.

Regional Focus on the Automotive Sales Sector

This is just the third quarter for the regional focus section of the ***Great Plains General Business Index*** and we hope that you have found it both informative and useful. The past two quarters we have covered Food Store (SIC 54 – Grocery & Convenience stores) sales and Restaurant (SIC 58 – Eating & Drinking Places) sales. For 1st Qtr 2001 we will be analyzing automotive sales, which is classified under SIC 55 (Automotive Dealers & Service Stations). It is important to note before we start the analysis that this SIC category includes Gasoline Service Stations and Auto & Home Supply Stores in addition to New and Used Car Dealers.

Proportion of Sales to Total Sales in 14 Regional Cities



Automotive sales accounted for 3.55% ($4.009 million) of the fourteen regional cities total taxable sales in 1st Qtr 2001 as seen in the associated pie chart. This compares to a 4.1% ($4.347 million) share of the fourteen regional cities total taxable sales in 4th Qtr 2000. This drop in taxable automotive sales represents a 13.8% decrease from its share of total taxable sales in the last quarter of 2000.

Automotive Dealer & Service Station (SIC 55)

Sales Subject to Sales Tax

(in dollars)

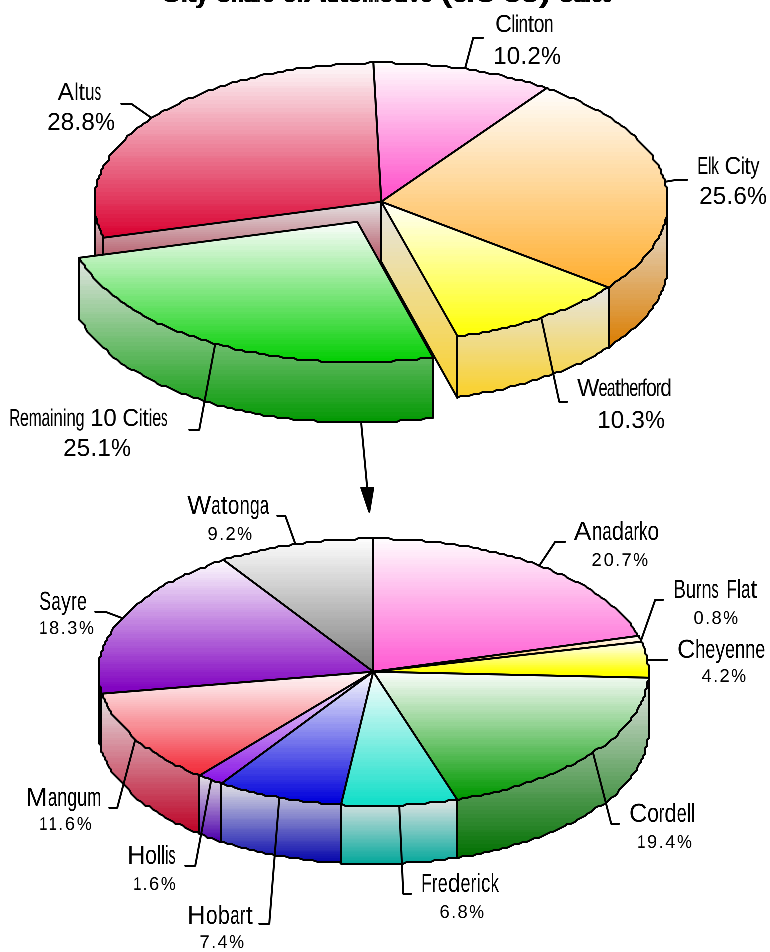
	1st Qtr 2001	4th Qtr 2000	Quarterly % Change**	1st Qtr 2000	Yearly % Change**	Proportion of Total Sales
Altus	$1,153,377	$1,314,718	*-12.27%*	$1,318,357	*-12.51%*	28.77%
Anadarko	$208,280	$204,466	*1.87%*	$213,314	*-2.36%*	5.19%
Burns Flat	$8,168	$3,223	*153.45%*	$3,114	*162.29%*	0.20%
Cheyenne	$41,933	$41,238	*1.68%*	$42,016	*-0.20%*	1.05%
Clinton	$410,791	$477,364	*-13.95%*	$431,240	*-4.74%*	10.25%
Cordell	$195,732	$181,962	*7.57%*	$168,031	*16.49%*	4.88%
Elk City	$1,025,613	$1,066,605	*-3.84%*	$1,014,574	*1.09%*	25.58%
Frederick	$68,738	$92,286	*-25.52%*	$81,278	*-15.43%*	1.71%
Hobart	$74,861	$87,583	*-14.53%*	$93,465	*-19.90%*	1.87%
Hollis	$15,905	$13,938	*14.12%*	$18,310	*-13.13%*	0.40%
Mangum	$116,495	$145,857	*-20.13%*	$140,719	*-17.21%*	2.91%
Sayre	$184,075	$191,420	*-3.84%*	$268,509	*-31.45%*	4.59%
Watonga	$92,937	$100,407	*-7.44%*	$92,100	*0.91%*	2.32%
Weatherford	$412,605	$426,514	*-3.26%*	$457,494	*-9.81%*	10.29%
14 City Total	**$4,009,509**	**$4,347,583**	***-7.78%***	**$4,342,522**	***-7.67%***	**3.55%**

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

Looking at 1st Qtr 2000 in which there were $4.342 million dollars in sales and comparing that to the $4.009 million for 1st Qtr 2001 we see that taxable automotive sales for our fourteen regional cities decreased by 7.7% (or $338,073). It is not unusual to experience a loss such as this given the seasonal factors that effect automotive sales.

Moving on to the individual cities we see that every city except for Anadarko, Burns Flat, Cheyenne, Cordell, and Hollis

City Share of Automotive (SIC 55) Sales



Remaining 10 Cities' Share of Automotive Sales

saw declining taxable automotive sales from 4th Qtr 2000 to 1st Qtr 2001. These five cities combined for an increase of $25,191 in their automotive taxable sales from 4th Qtr 2000 to 1st Qtr 2001.

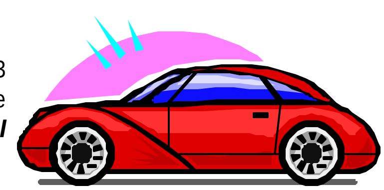
This relatively small increase could not negate the combined losses of $363,265 realized in the remaining nine cities during the same period. The three cities of Altus, Clinton, and Elk City accounted for 74% of this decline. Altus realized a real loss of $161,342, which was the largest from 4th Qtr 2000 to 1st Qtr 2001. Clinton was next with a real quarterly decrease in taxable automotive sales of $66,573. The third largest decline among the fourteen regional cities was in Elk City, which saw a decrease of $40,993. The remaining six cities combined for the other 26% of the quarterly decline.

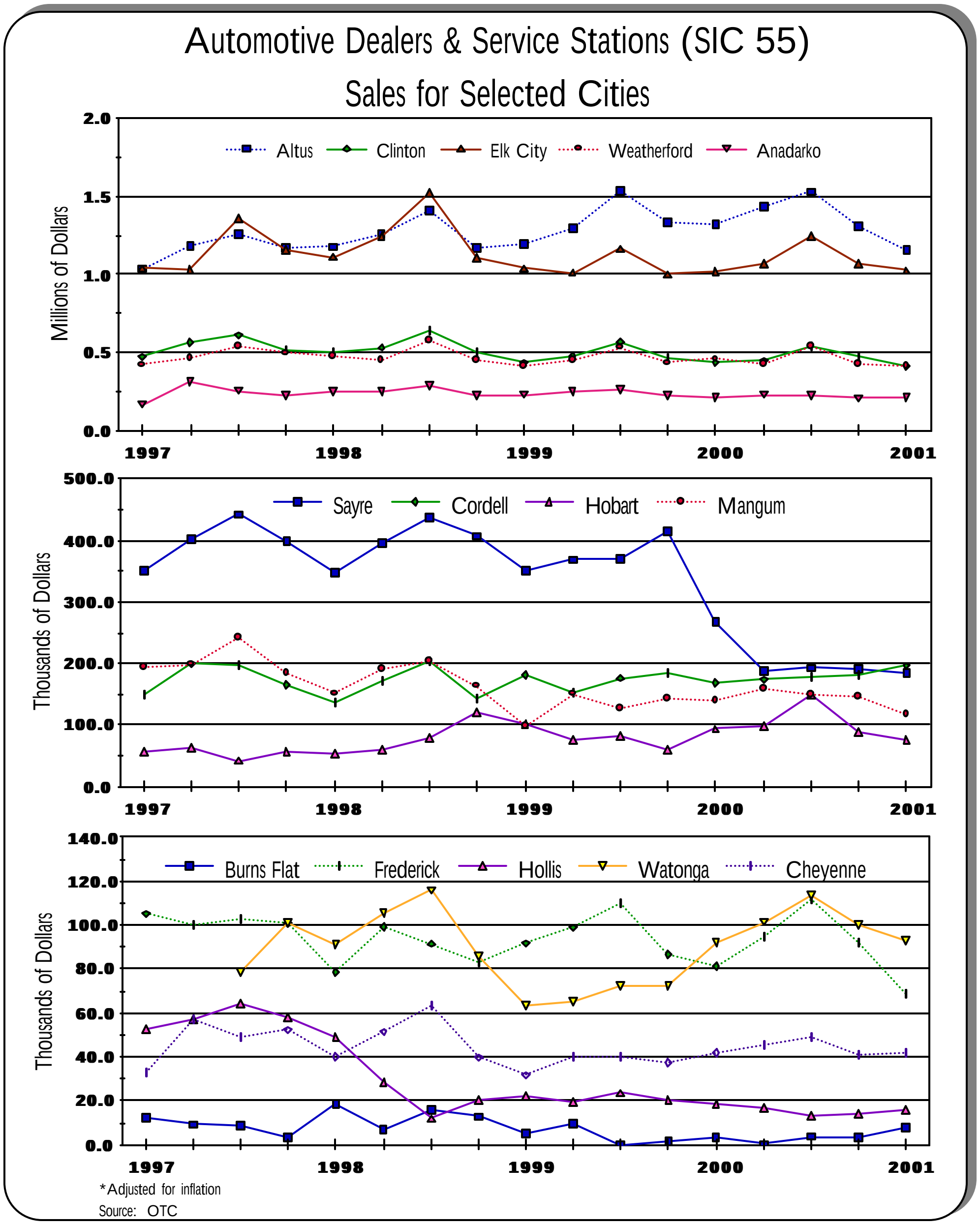
During the 1st Qtr 2001 the ratio of taxable automotive sales to total taxable sales varied from city to city. In Cordell taxable automotive sales accounted for 7.2% of the total taxable sales, which was the high for the region. Taxable automotive sales in Hollis accounted for only 1.1% of the total taxable sales.

It is no surprise that the four largest cities in our region: Altus, Elk City, Clinton, and Weatherford make up 74.88% of total taxable sales in the automotive sector. Altus and Elk City hold over fifty percent of the total taxable automotive sales alone with 28.77% and 25.58% respectively.

Our ten smaller regional cities account for the remaining 25.12% of total taxable automotive sales. As you can see in the pie chart above, Anadarko (20.68%), Cordell (19.43%), and Sayre (18.28%) have a majority of the remaining sales. In order to calculate the actual percentage of sales you would multiply the percentage stated by 25.12%. For example Cordell's stated percentage is 19.43% and if you multiply 0.1943 by 0.2558 you would get Cordell's real percentage of 4.9%.

Automotive sales employment totaled 1192, which amounts to 1.6% of the 70,333 people employed in the region. Of those employed in the region, 918 or 77% were employed in the fourteen regional cities that are listed in the ***Great Plains General Business Index***.



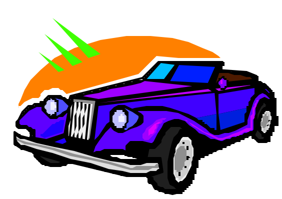


The three graphs to your right, show the taxable automotive sales for the selected fourteen regional cities from 1^{st} Qtr 1997 to 1^{st} Qtr 2001. In the first graph we see that the four largest cities all saw declines in their taxable automotive sales from 4^{th} Qtr 2000 to 1^{st} Qtr 2001. Of the five cities represented Altus realized the largest real decline with a drop of $161,342 or 12.27%. Clinton, who saw its sales slow down by 13.95%, experienced the largest percentage decline.

In our next graph we are looking at Sayre's, Cordell's, Hobart's, and Mangum's taxable automotive sales. From this we can see that Cordell had a quarterly gain, while Hobart, Mangum, and Sayre had quarterly losses. Cordell lead the way with a real gain of $13,769 or 7.57%. Mangum saw the largest drop with a quarterly loss of $29,362 or 20.13%.

Finally, in the last graph of the series, we look at the remaining cities of Burns Flat, Frederick, Hollis, Cheyenne, and Watonga. Burns Flat more than doubled its sales between the 4^{th} Qtr of 2000 and the 1^{st} Qtr of 2001 with $4,945 or 153.45% increase. Frederick saw its taxable automotive sales decrease the most from the last quarter of 2000 to the opening quarter of 2001 with a decline of $23,548 or 25.52%.

In conclusion, results were overall poor in the Automotive Dealers and Service Station sector in the opening quarter of 2001. As a whole over the time period our data covers the sector has seen cities gain and lose sales, but in aggregate since 1997 total taxable automotive sales have dropped. This slump amounts to $74,246 or 1.81%, but this is based on incomplete data because we do not have data for Watonga in 1997. A better comparison might be to look at 1^{st} Qtr 1998 and 1^{st} Qtr 2001, where automotive sales plummeted 10.5%. Looking closer we see that in the 1^{st} Qtr 2001 taxable automotive sales were at their lowest level since 1^{st} Qtr 1997.



Conclusions

by: Jon Chiappe

The regional economy and all thirteen county economies posted quarterly increases in their respective General Business Indices. Also of note, both the regional economy and eight of the thirteen county economies reached new highs in their respective county indices in 1st Qtr 2001. Those eight counties that hit new highs in 1st Qtr 2001 were Beckham, Caddo, Custer, Dewey, Jackson, Kiowa, Roger Mills and Washita counties. Also an indication of the exceptional performance of many of the regional counties, seven of the thirteen regional counties and the regional economy as a whole posted their largest quarterly gains in the whole time period in 1st Qtr 2001. Those seven counties that performed better in 1st Qtr 2001 than in any previous quarter in the past ten years were Beckham, Caddo, Custer, Dewey, Harmon, Kiowa, and Washita counties.

For many of the counties in southwest & west central Oklahoma, two factors in particular contributed heavily towards their impressive quarterly performance. As explained in the beginning, one of those two factors was unnaturally high natural gas prices caused by a supply-demand imbalance in natural gas markets. The other major contributing factor was the fact that taxable sales increased in absolute terms between the fourth and first quarters of the year. Because taxable sales data is de-seasonalized before it is used in any of the index models, the percentage changes had an even greater effect upon the performance of the county indices in 1st Qtr 2001.

Total non-agricultural employment in the Great Plains region suffered a 1.2% quarterly decrease. Both service-producing and goods-producing employment levels also experienced quarterly losses between 4th Qtr 2000 and 1st Qtr 2001 and contributed to the quarterly total non-ag employment decrease.

Beef cattle prices decreased 4.4% between 2nd Qtr 2001 and 3rd Qtr 2001 but remained $9.34/cwt higher than the average for the entire time period. Regarding the impact of beef cattle prices upon the Great Plains General Business Index, an increase of 67¢/cwt between 4th Qtr 2000 and 1st Qtr 2001 contributed to the remarkable performance of the regional economy.

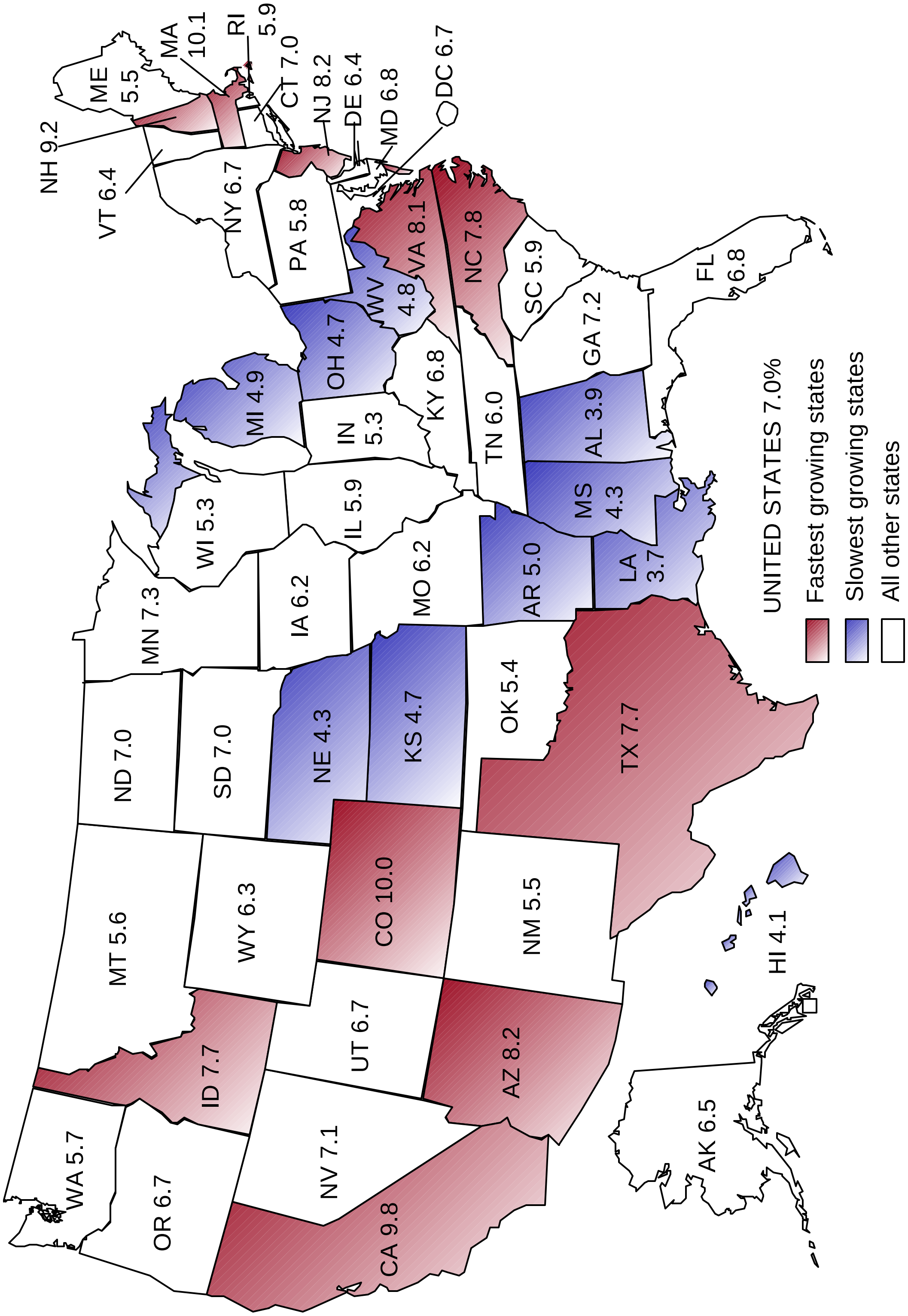
Regional real taxable sales increased 3.7% between 4th Qtr 2000 and 1st Qtr 2001 and reached a new high for the region. As mentioned earlier, this represents the first time that real taxable sales have increased from the fourth-to-first quarters of the year. This fact also substantially impacted the performance of the regional and county economies in southwest and west central Oklahoma.

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

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

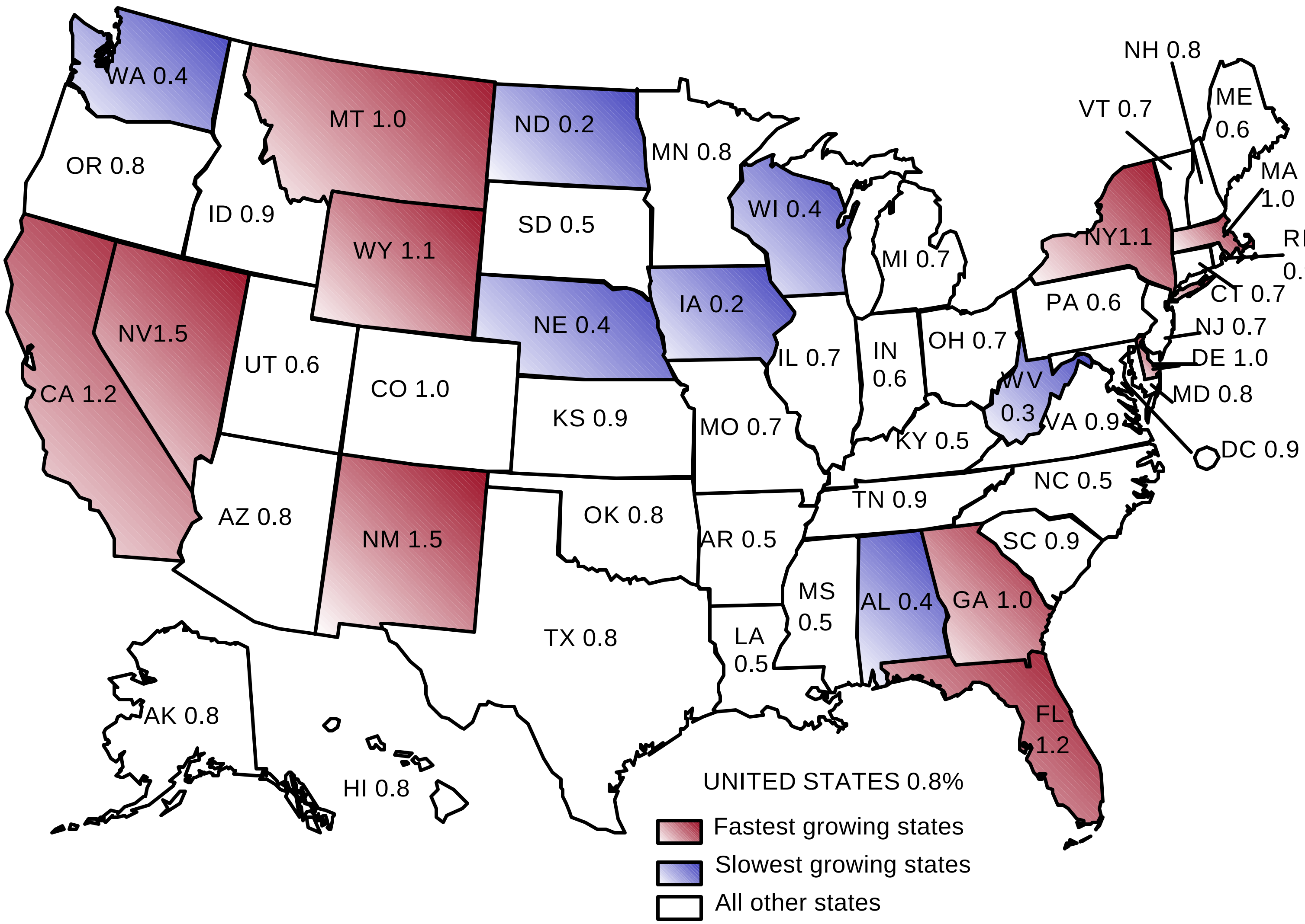
*The **Great Plains General Business Index** is on the Internet at:*
www.swosu.edu/depts/bdc/indx.htm

Personal Income: Percent Change, 1999-2000



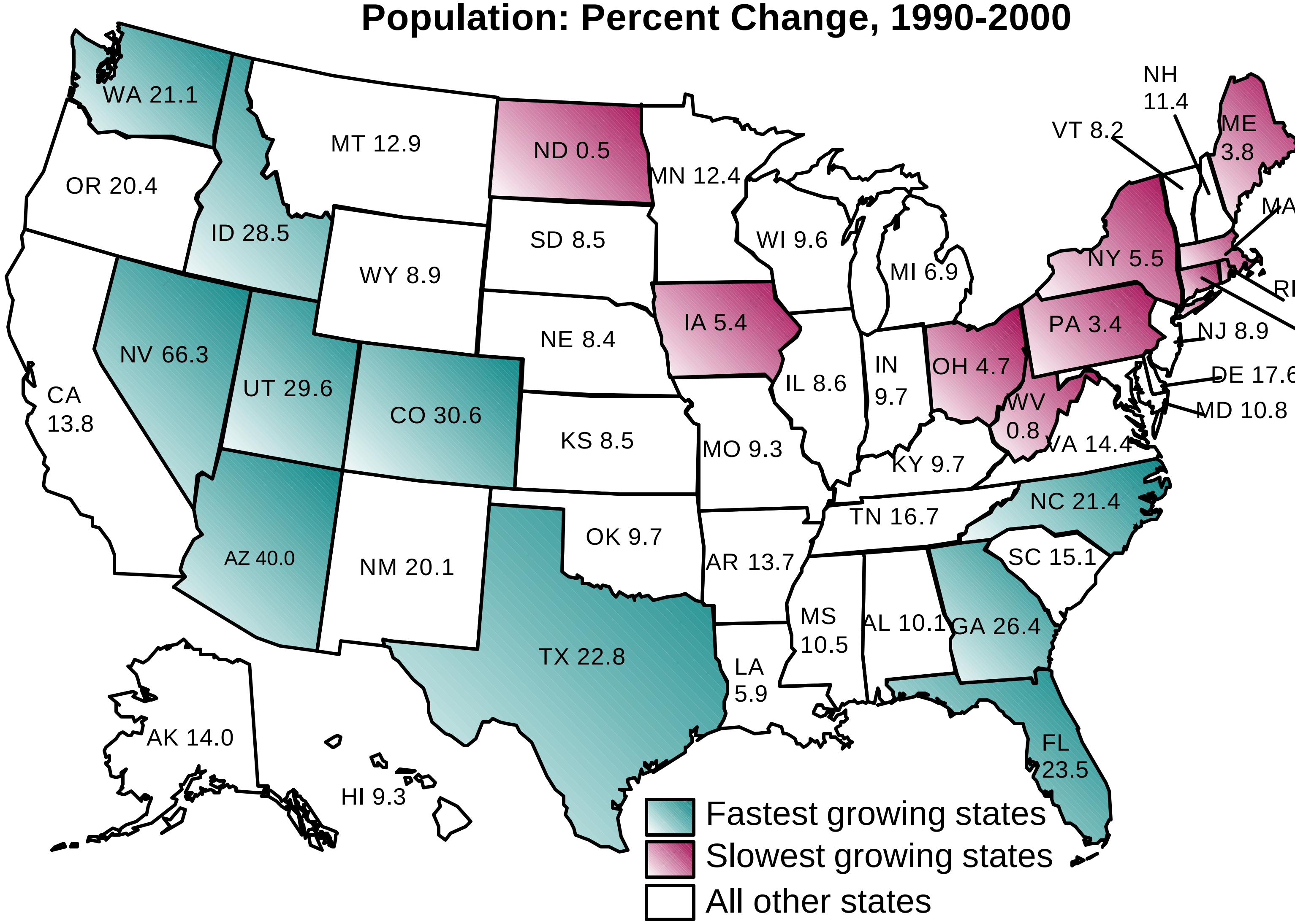
Source: U.S. Bureau of Economic Analysis

Personal Income: Percent Change 1st Qtr 2001 to 2nd Qtr 2001



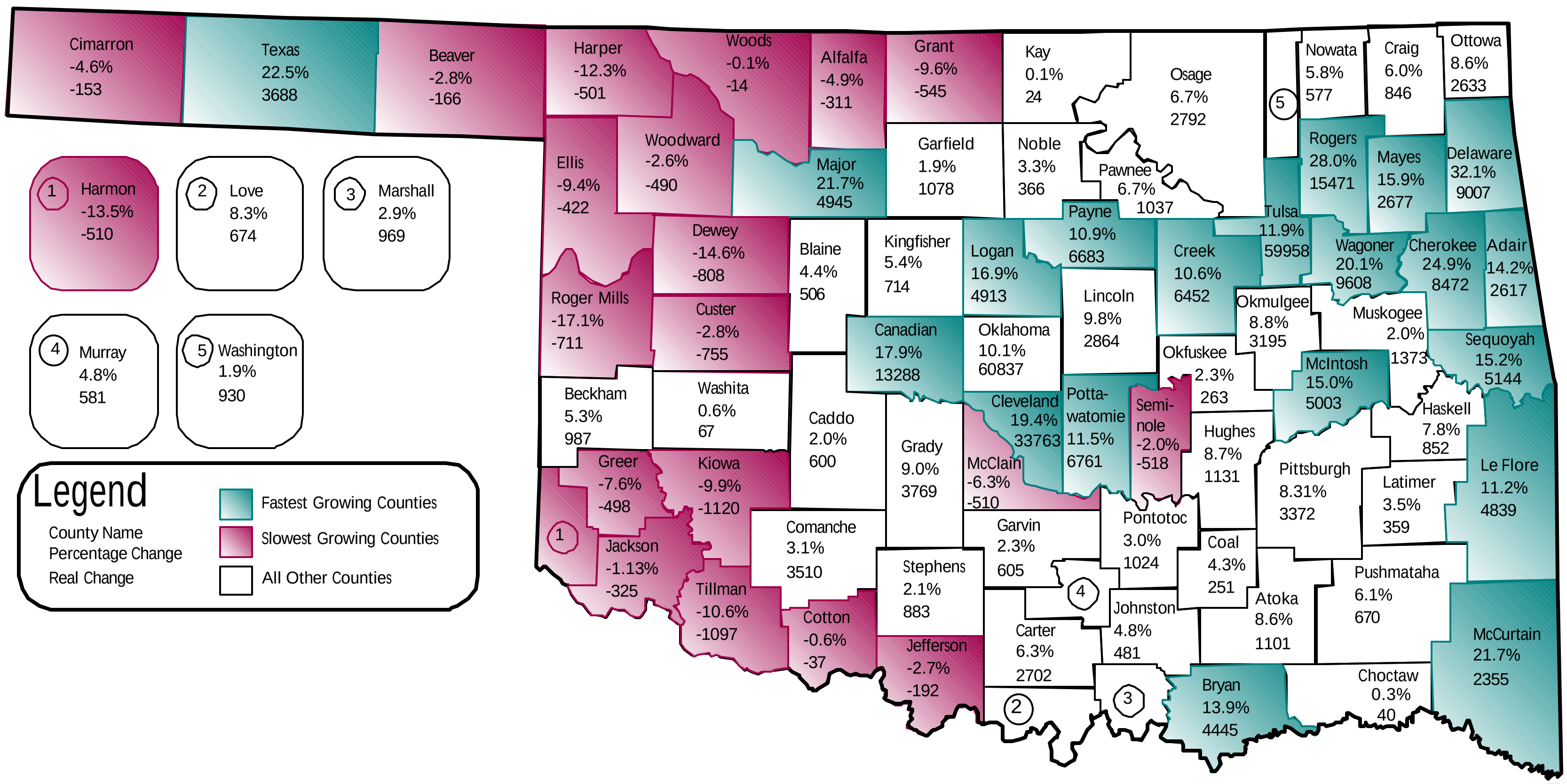
Source: U.S. Bureau of Economic Analysis

Population: Percent Change, 1990-2000



Source: U.S. Census Bureau

Population Growth in Oklahoma by County 1990-2000



Source: Oklahoma Department of Commerce, US Census Bureau