



OKLAHOMA

State Treasurer



July

Economic Report

Lower oil and gas collections for July 2023 pushed Gross Receipts to the state Treasury down.

When comparing this July to last July, the totals reveal a drop of \$61.1 million or 4.4 percent. The monthly comparison also shows the Gross Production Tax revenue fell from \$187.2 million to \$88.3 million, a decline of \$98.9 million or 52.8 percent.

While the downward trend from the March record annual high revenue of \$17.64 billion continues, the 12-month total of \$17.38 billion is still \$758.07 million or 4.6 percent higher than the previous year's total ending in July.

Other Indicators

The U.S. jobless rate dropped to 3.6 percent in June, down by 0.1 percent from the prior month. Oklahoma's unemployment rate fell another 0.1 percent from the month before, settling at 2.7 percent for June.

As measured by the Consumer Price Index, the U.S. Bureau of Labor Statistics reports the annual inflation rate stayed on a downward trajectory, dropping to 3.0 percent in June. The energy component of the index showed another decline over the year, but the food index remained higher than the overall inflation rate, ending June at a rate of 5.7 percent.

Regional trends continue to indicate some uncertainty. In July, the Mid-America Business Conditions Index for the nine-state region decreased to 46.1 from 50.8 in June, dropping to its lowest level since 2020. Oklahoma's index stayed below growth neutral, falling from 45.1 to 41.1.

July collections

July 2023 collections compared to gross receipts from July 2022 show:

- Total monthly gross collections are \$1.32 billion, down by \$61.1 million, or 4.4 percent.
- Gross income tax collections, a combination of individual and corporate income taxes, generated \$392.6 million, an increase of \$20.5 million, or 5.5 percent.
- Combined sales and use tax collections – including remittances on behalf of cities and counties – total \$614.1 million, an increase of \$23.9 million, or 4.1 percent.
- Gross production taxes on oil and natural gas total \$88.3 million, a decrease of \$98.9 million, or 52.8 percent.



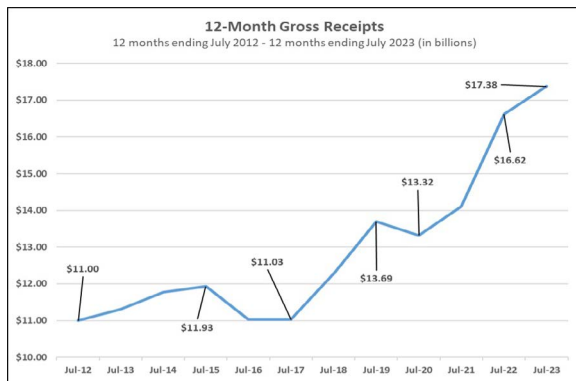
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- Motor vehicle taxes produced \$74.9 million, a decrease of \$2.3 million, or 3.0 percent.
- Other collections composed of some 60 different sources produced \$147.0 million, a decrease of \$4.4 million, or 2.9 percent.



- Gross income taxes generated \$6.04 billion, an increase of \$241.3 million, or 4.2 percent.
- Combined sales and use taxes produced \$7.1 billion, an increase of \$436.6 million, or 6.6 percent.
- Oil and gas gross production tax collections are \$1.74 billion, an increase of \$101.4 million, or 6.2 percent.
- Motor vehicle collections total \$879.7 million, up by \$6.6 million, or 0.8 percent.
- Other sources generated \$1.65 billion, down by \$27.9 million, or 1.7 percent.

About Gross Receipts to the Treasury

The monthly Gross Receipts to the Treasury report, developed by the State Treasurer's Office, provides a timely and broad view of the state's economy.

It is re-

Twelve-month collections

Combined gross receipts for the past 12 months compared to the prior year show:

PRELIMINARY (In \$ millions)	PREVIOUS MONTH COMPARISON		Variance from prior month	
	Jun-23	July-23	\$	%
Total Income Tax	558.6	392.6	(166.0)	-29.7%
Individual	413.2	364.4	(48.8)	-11.8%
Corporate	145.4	28.2	(117.2)	-80.6%
Sales & Use Tax (1)	605.8	614.1	8.3	1.4%
Sales Tax	512.3	521.0	8.8	1.7%
Use Tax	93.5	93.0	(0.5)	-0.6%
Gross Production	98.0	88.3	(9.7)	-9.9%
Motor Vehicle	77.3	74.9	(2.4)	-3.1%
Other Sources (2)	134.4	147.0	12.6	9.4%
TOTAL REVENUE	1,474.1	1,316.9	(157.2)	-10.7%

- Gross revenue totals \$17.38 billion. That is \$758.1 million, or 4.6 percent, above collections from the previous 12 months.

leased in conjunction with the General Revenue Fund report from the Office of Management and Enterprise Services, which provides information to state agencies for budgetary planning purposes.

The General Revenue Fund, the state's main operating account, receives less than half of the state's gross receipts with the remainder apportioned to other state funds, remitted directly to cities and counties, and paid



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in rebates and refunds.

The graph shows the monthly receipts from the Gross Production Tax (GPT) for the past two years. The GPT is a severance tax imposed on the extraction of oil and natural gas in Oklahoma.

In early 2014, the West Texas Intermediate (WTI) Crude Oil Price eclipsed \$100 per barrel, which preceded the rig count in Oklahoma jumping past 200 in the latter months of that year. Conversely, when the price of WTI plummeted to below \$25 per barrel in the beginning stages of the coronavirus pandemic in 2020, the number of rigs dropped from 50 in February 2020 and remained under 20 through March 2021.

July's average WTI Crude Oil Price was up over \$5 from the prior month, settling at \$76.07. Nevertheless, the average drilling rig count in Oklahoma of 40 continues the downward trend line for the year. The data for July follows in the aftermath of oil topping \$100 per barrel in early 2022 for the first time since 2014, leading to the number of rigs in the state reaching 69 in December 2022, the most since 2019.

The revenue received from the GPT fluctuates widely because of the volatile nature of commodity prices and production levels. In response, the Revenue Stabilization Fund was created by the Legislature in 2016. This fund receives deposits from the GPT when they are above the five-year rolling average. The savings can then be used to offset future budget shortfalls.

The GPT is an important source of state funding. Over the last twelve months, GPT collections have been \$1.74 billion.

While there are many important factors, the number of rigs drilling for oil and gas tends to correlate with commodity prices over time – a higher sales price encourages more drilling activity. Hitting benchmark oil prices, such as over \$100 or below \$25 per barrel, usually has a major effect on drilling activity for the next six to twelve months.

The Oklahoma Stock Index tracks the performance of Oklahoma based companies that trade on the New York Stock Exchange (NYSE) or NASDAQ. The Index is weighted by market capitalization and uses the closing stock prices from the last trading day each month.



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The Dow Jones Industrial Average, more commonly referred to as the Dow, is a stock market index. It's one of the oldest and most frequently followed indexes. The Dow tracks 30 major blue chip companies that trade on the NYSE or NASDAQ as a way to monitor the direction and performance of the equities market in the United States.

The index for Oklahoma remained below 50 for the third straight month, coming in at 41.1 for July. Every single component of the state's index recorded a score below growth neutral, with new orders at 42.6, production or sales at 38.6, delivery lead time at 45.3, inventories at 35.4 and employment at 43.4.

The unemployment rate is the percentage of the labor force who are actively pursuing employment but currently do not have a job. As shown in the above graph, Oklahoma has maintained an unemployment rate below the national average.

The nine states making up Creighton University's Mid-America Business Conditions Index stretch from Oklahoma and Arkansas in the south to North Dakota and Minnesota in the north. At 46.1 for the region, the Index dropped significantly in July, to its lowest level since the pandemic-induced downturn in 2020. The Index ranges between 0 and 100 with 50 being the point of growth neutrality. As a result, the regional July reading is forecasting an economic contraction over the next three to six months.

The Business Conditions Index is based on the methodology of the Institute of Supply Management, which seeks to identify and analyze the key resources necessary for organizations to operate as they make strategic business decisions.

Unemployment is one of the most significant factors economists, business executives and political leaders use to measure the health of the economy. As a general rule, a high unemployment rate depicts a contracting economy. Meanwhile, a low unemployment rate signals an expanding economy, as companies hire more workers to meet rising consumer demand of products and services.