



OKLAHOMA State Treasurer



June Economic Report

Oklahoma Gross Receipts to the Treasury continue to taper off as energy prices decline.

The 12-month total in May of \$17.48 billion is \$146 million less than the high-water mark set in March of \$17.64 billion and is slightly less than last month's total of \$17.49 billion.

When comparing May 2022 to May 2023, the total receipts decreased \$15.6 million, or 1.2 percent. The comparison of the two months shows a drop in oil and gas production tax revenue of \$68 million, or 41.9 percent.

Lower energy prices are clearly impacting the bottom line. However, there are other sources of revenue that remain positive at this time.

Other Indicators

The U.S. jobless rate remained low at 3.4 percent in April, down by 0.1 of a per-

centage point from the prior month. Oklahoma's unemployment rate dipped below 3.0 percent, settling at 2.9 percent for April.

As measured by the Consumer Price Index, the U.S. Bureau of Labor Statistics reports the annual inflation rate ended April at 4.9 percent. The food index continued to remain high at 7.7 percent over the last year, but the energy component of the index decreased by 5.1 percent.

Regional trends indicate some economic uncertainty. For May, the Creighton University Mid-America Business Conditions Index for the nine-state region decreased to 51.3 from 54.8 the previous month. The Oklahoma component of the index contracted from 54.5 to 44.7 in May, falling below growth neutral.



OKLAHOMA State Treasurer



June Economic Report

May collections

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

- Total monthly gross collections are \$1.28 billion, down by \$15.6 million, or 1.2 percent.
- Gross income tax collections, a combination of individual and corporate income taxes, generated \$391.1 million, an increase of \$34.1 million, or 9.6 percent.

- Combined sales and use tax collections – including remittances on behalf of cities and counties – total \$577.4 million, an increase of \$11.8 million, or 2.1 percent.
- Motor vehicle taxes produced \$84.9 million, an increase of \$9.7 million, or 12.9 percent.
- Other collections composed of some 60 different sources produced \$136.9 million, a decrease of \$3.2 million, or 2.3 percent.
- Gross production taxes on oil and natural gas total \$94.1 million, a decrease of \$68.0 million, or 41.9 percent.

Twelve-month collections

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

- Gross revenue totals \$17.48 billion. That is \$995.6 million, or 6.0 percent, above collections from the previous 12 months.
- Gross income taxes generated \$6.0 billion, an increase of \$58.9 million, or 1.0 percent.
- Combined sales and use taxes produced \$7.0 billion, an increase of \$483.4 million, or 7.4 percent.
- Motor vehicle collections total \$885.8 million, up by \$3.9 million, or 0.4 percent.
- Other sources generated \$1.7 billion, down by \$20.1 million, or 1.2 percent.
- Oil and gas gross production tax collections are \$1.91 billion, an increase of \$469.5 million, or 32.6 percent.

About Gross Receipts to the Treasury

The monthly Gross Receipts to the Treasury report, Developed by the State Treasurer's Office,



OKLAHOMA

State Treasurer



June Economic Report

provides a timely and broad view of the state's economy.

It is released in conjunction with the General Revenue Fund report from the Office of Man-

agement 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 in rebates and refunds.

Economic Indicators

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. For the fourth month in a row, the Index remained above 50 in May for the region with a reading of 51.3, indicating moderate economic expansion over the next three to six months. The Index ranges between 0 and 100 with 50 being the point of growth neutrality.

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. The goal for all businesses is to allocate their resources in the most cost effective way as they make strategic decisions.

Oklahoma received an index score of 44.7 in May, dipping below 50 for the first time since January. As for the components of the overall index, only new orders came in above growth neutral at 51.7. All the other components fell below 50, with production or sales at 49.2, delivery lead time at 39.3, inventories at 46.0 and employment at 37.1.

An encouraging development in May was Oklahoma's manufacturing employment results. Accord-

ing to the U.S. Bureau of Labor Statistics, manufacturing jobs increased by 2.9% over the past 12 months, with the sector's hourly wages growing by 5.0% over the same time period.



OKLAHOMA State Treasurer



June Economic Report

While there are many important factors, the number of rigs drilling for oil and gas tend 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, has a major effect on drilling activity for the six to twelve months that follow.

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 in the state dropped from 50 in February 2020 and remained under 20 through March 2021.

May's average WTI Crude Oil Price of \$71.58 and the average drilling rig count in Oklahoma of 51 have somewhat stabilized. This is in the aftermath of oil topping \$100 per barrel in early 2022 for the first time since 2014 and the number of rigs in the state reaching 69 in late 2022, the most since 2019.

The Oklahoma Companies Stock Index reflects the weighted-average price of publicly traded companies

based in Oklahoma. The chart above shows the Index's performance through May 2023.

In the United States, major stock market gains have been mainly limited to big technology companies. For example, they have contributed the most to the S&P 500 returns year-to-date, as investors consider their strong earnings growth and outlook to benefit from AI's increased deployment into society.

Widespread financial concerns were ignited by the collapse of First Republic Bank, Signature Bank and Silicon Valley Bank, but Oklahoma banks typically have more traditional and diversified deposits. The bank failures were increasingly viewed as isolated situations, causing further concerns to dwindle by month's end.

In May, a large part of the national focus was on the debt ceiling debate, along with interest rate discussions at the Federal Reserve and the impact of inflation on household budgets.