



**OKLAHOMA**  
State Treasurer

# Economic Outlook

May 2026

# Revenues See Tax Season High

## MAY VS. APRIL 2026



### Gross Production Tax

▲ \$20.1M or 22.3%



### Income Tax

▼ \$3.6M or 0.9%



### Sales & Use Tax

▲ \$26.1M or 4.6%



### Motor Vehicle Tax

▼ \$4.2M or 5.4%



### Other Tax Sources

▼ \$3.7M or 2.9%

“May’s data reflects resiliency in Oklahoma’s economy. Strong energy activity, improving manufacturing conditions, and a labor market that remains more favorable than the national average provide encouraging signs, even as inflation continues to challenge households and businesses.”

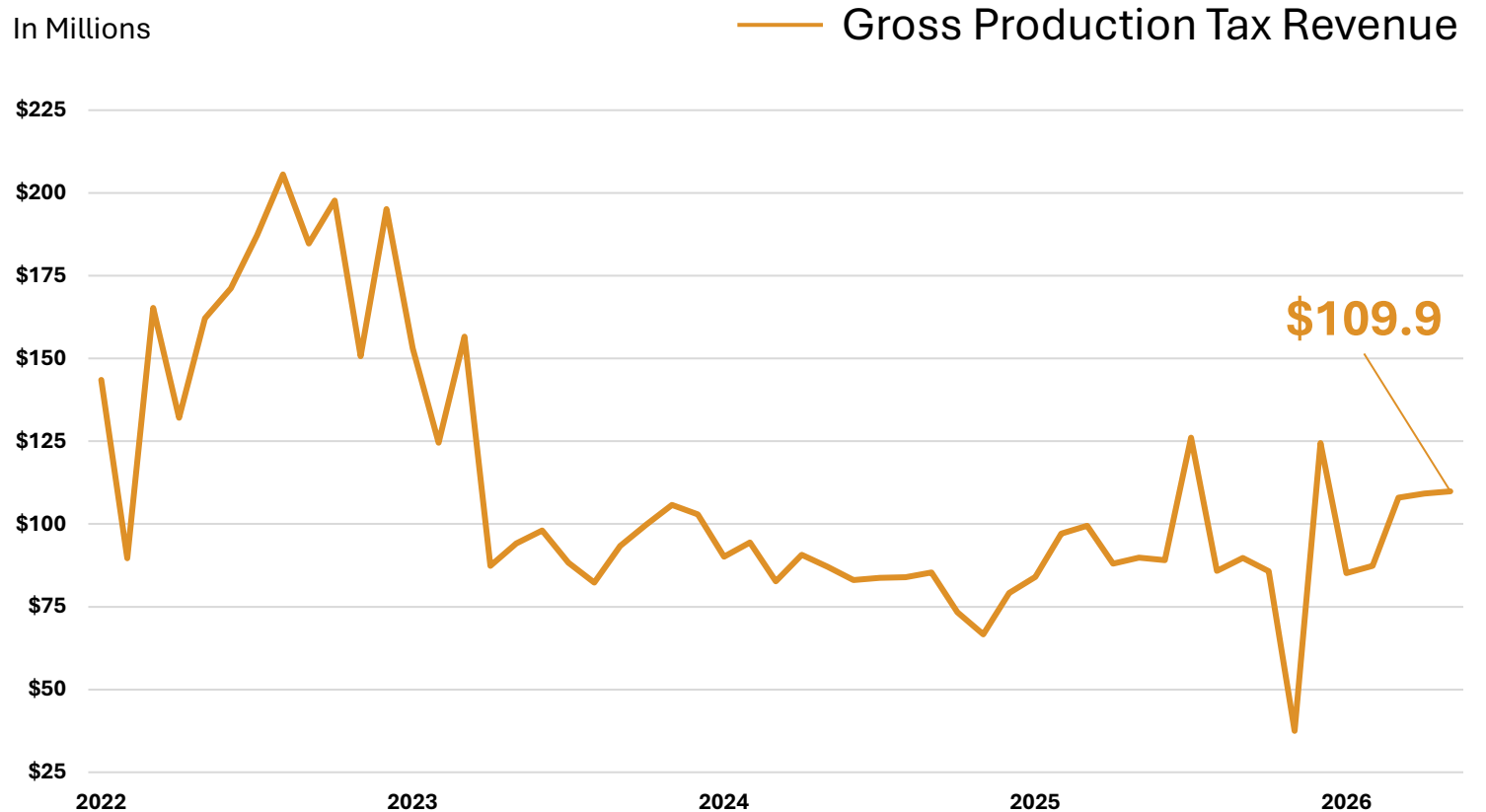
**STATE TREASURER**

Todd Russ



# Oil and natural gas revenues maintain strong momentum into summer

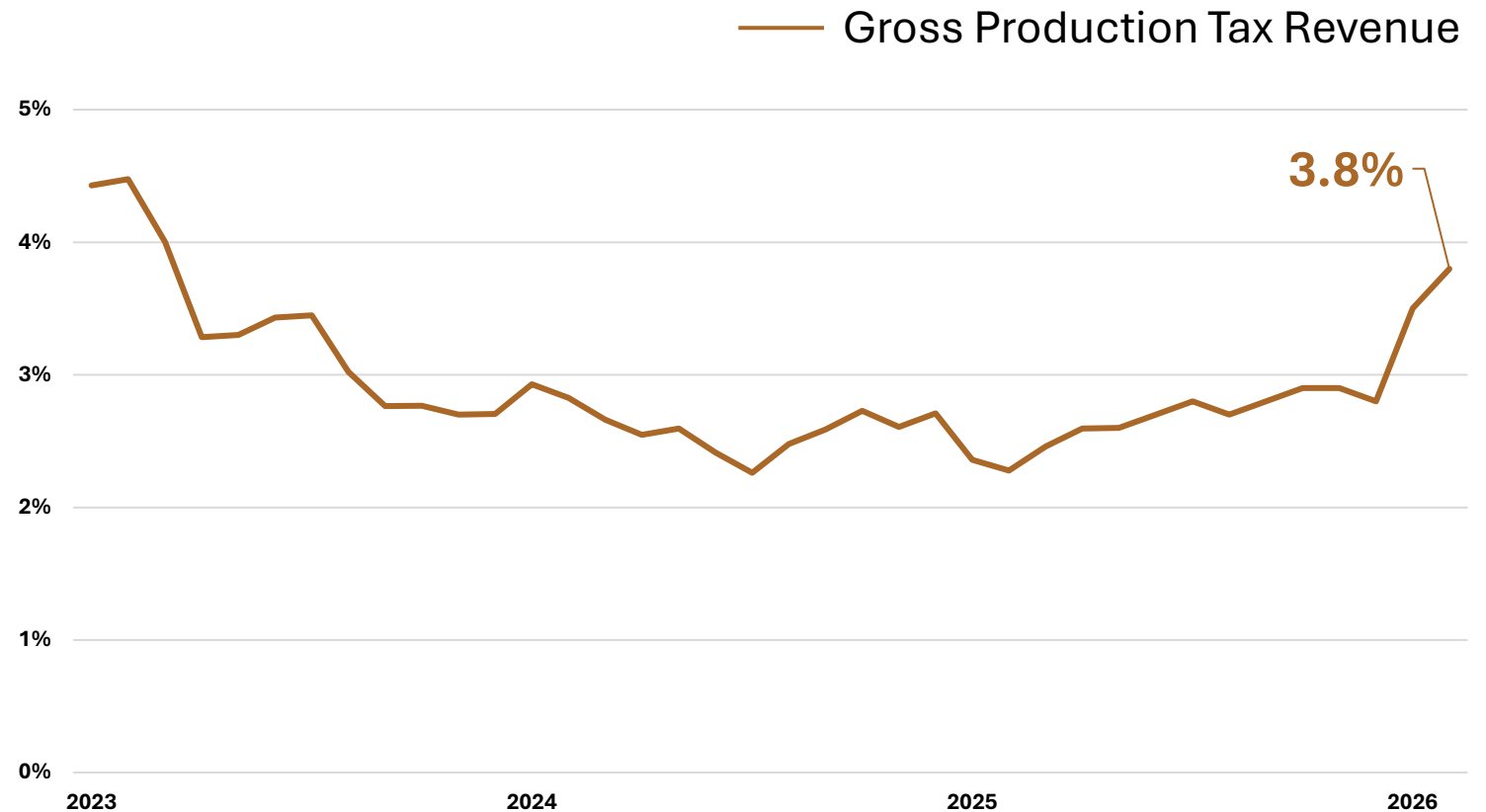
May continued the positive trend in Oklahoma's oil and natural gas sector, with Gross Production Tax revenue remaining at an **elevated level and showing meaningful improvement compared to last year**. The rolling 12-month trend also reflects stronger overall performance, supported by **steady production activity and improved market conditions**. While the energy sector remains cyclical, the continued strength in revenue provides stability for state resources and reinforces the industry's role in supporting Oklahoma's economy and energy-producing regions.



# Inflation rises further as upward momentum moderates

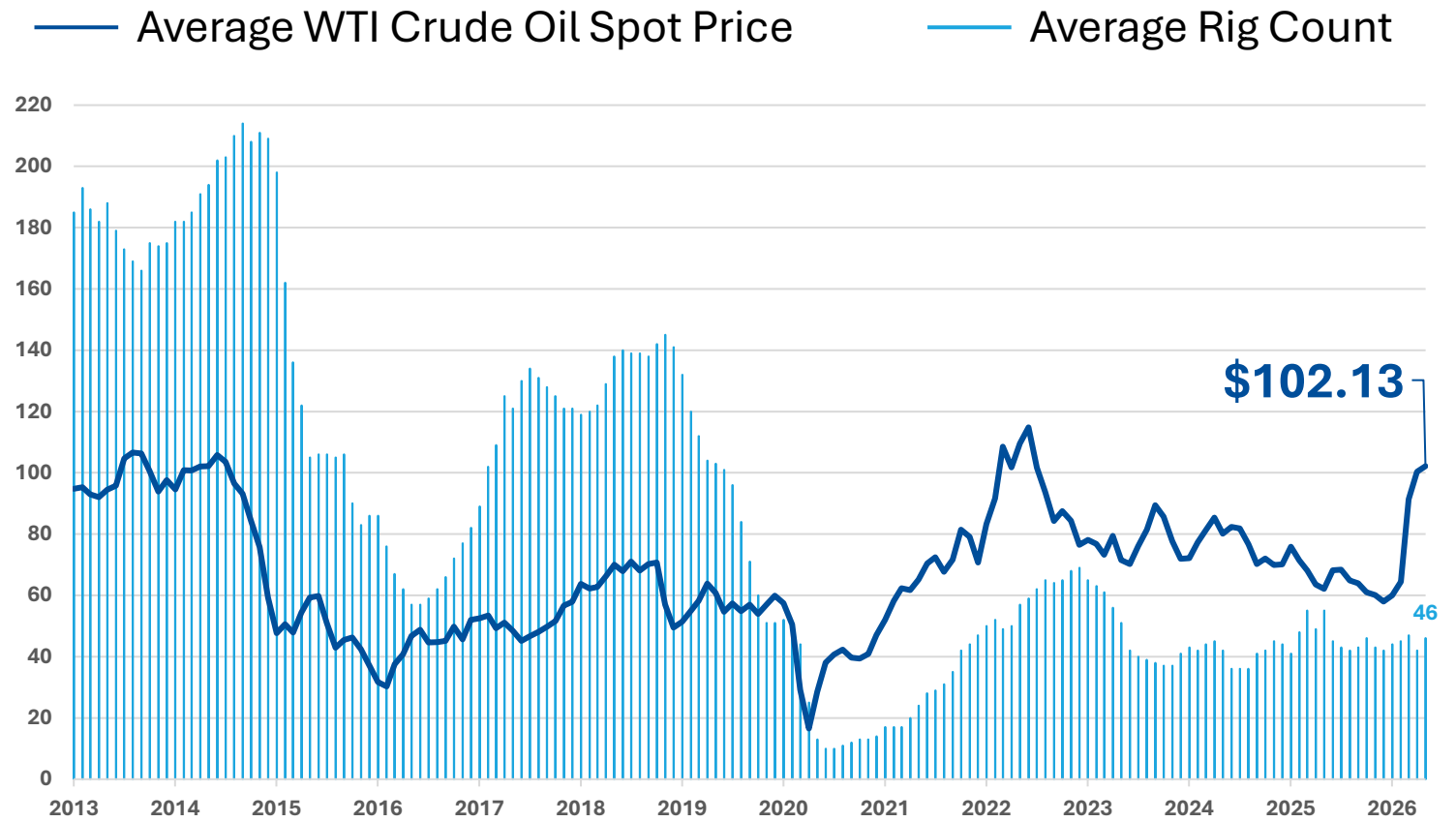
The Personal Consumption Expenditures (PCE) index increased 3.8% in April compared to one year ago, continuing the recent upward movement in inflation. The **acceleration from earlier readings suggests price pressures remain elevated** and could affect the Federal Reserve's approach to future interest rate decisions.

While inflation remains below the higher levels experienced in recent years, the **increase highlights the challenge of balancing economic growth with the need to maintain price stability.** Continued data will be important in determining whether this represents a temporary shift or a broader trend.



# Energy prices continue climb, boosting revenue outlook

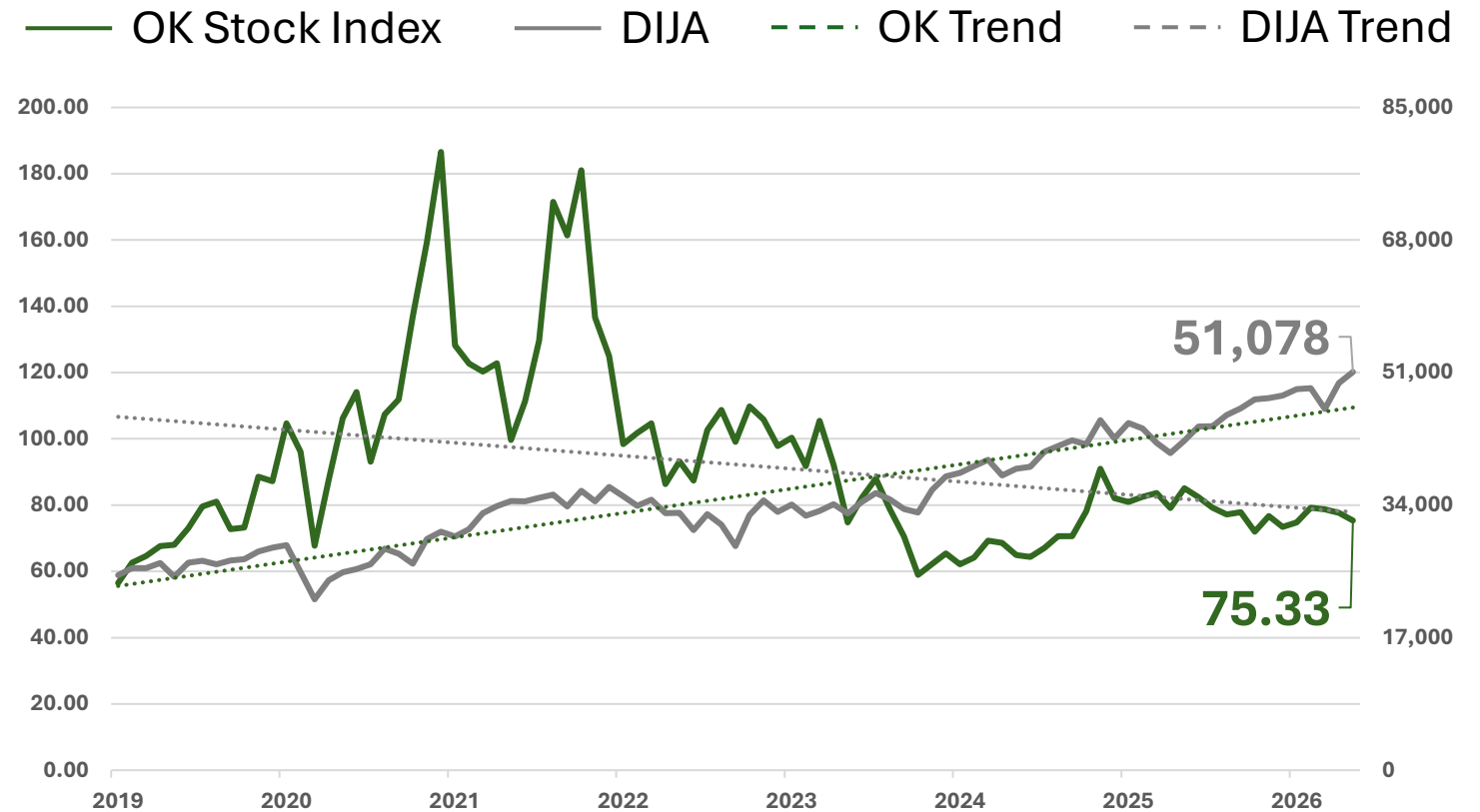
May extends the strong momentum that has characterized the energy sector throughout the spring. Oil prices remain above \$100 per barrel, **supporting producer revenues and encouraging additional drilling activity**. At the same time, higher fuel costs are becoming increasingly noticeable for consumers, with gasoline prices rising nearly \$1.70 per gallon since the beginning of the year. The combination of **higher prices and increased drilling activity points to continued strength in the energy sector** heading into the summer driving season. How long conditions persist will depend on global supply, demand, and geopolitical developments in the months ahead.



# National markets reach new highs while Oklahoma index faces pressure

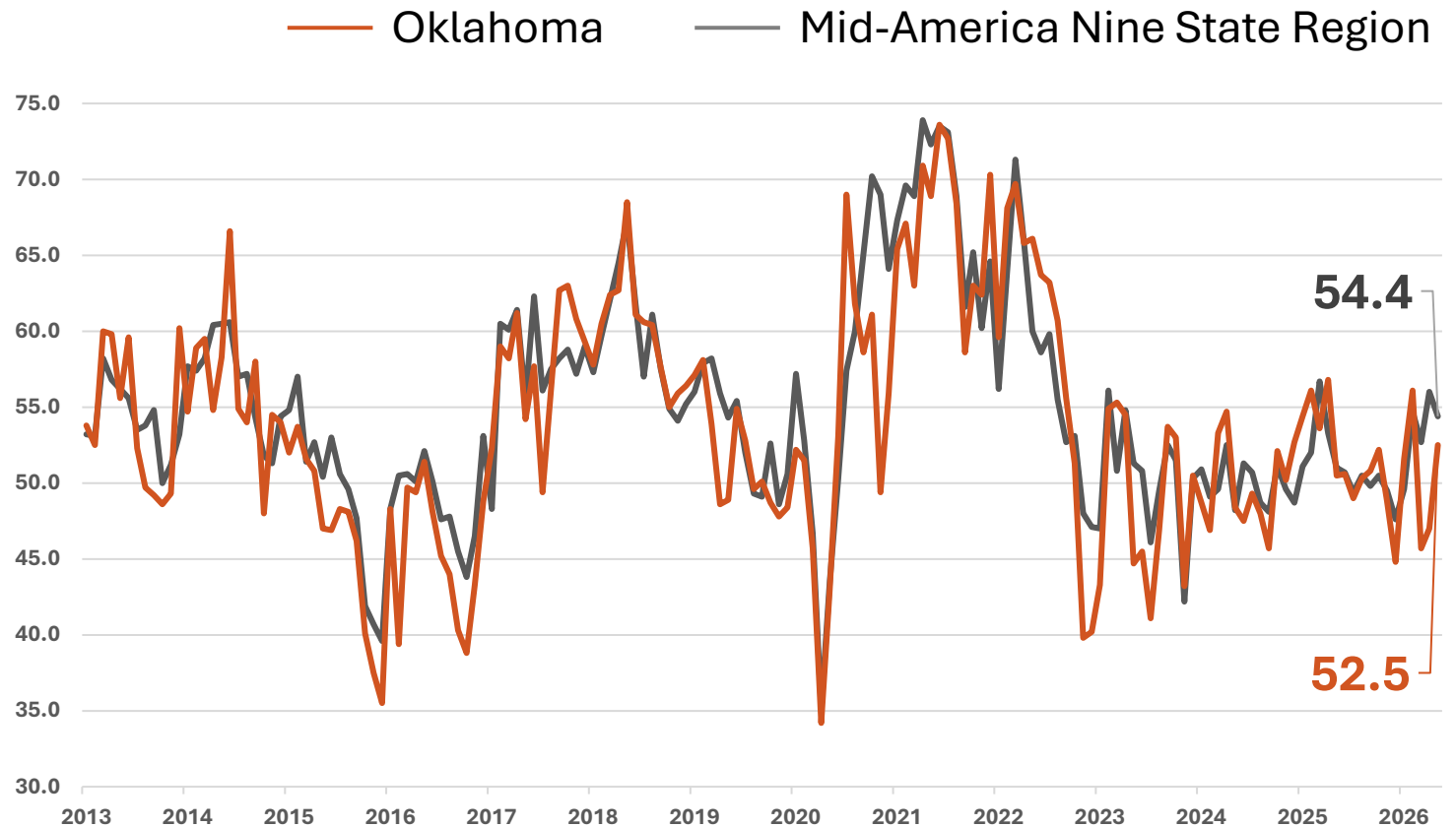
Nationally, markets continued their upward trend, with the **Dow reaching new highs as investors responded to strong earnings and continued optimism around economic growth.** Investor attention remains on inflation trends, interest-rate expectations, and Federal Reserve policy guidance.

Locally, the Oklahoma Stock Index moved lower, reflecting continued caution among regional investors. **Energy markets, commodity prices, and sector-specific pressures remain key factors shaping Oklahoma market performance** and whether the index can regain momentum moving forward.



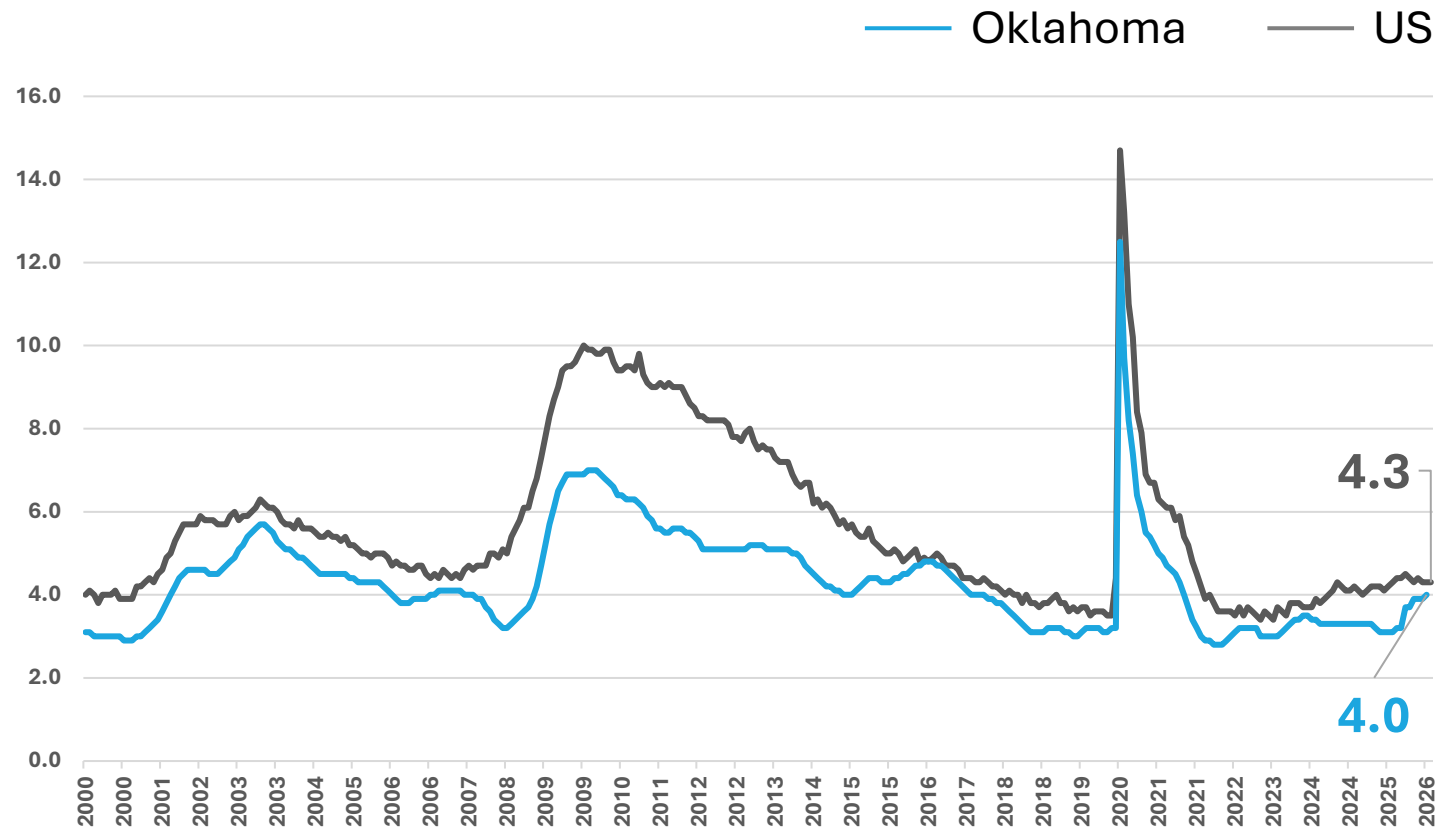
# Manufacturing activity returns to expansion in May

May's Business Conditions Index **moved back above growth neutral**, signaling renewed growth in Oklahoma's manufacturing sector after two months of contraction. **Stronger demand, increased production, and stable inventories** contributed to the improvement. However, continued weakness in employment and ongoing manufacturing job losses indicate that **firms remain cautious as they balance growth opportunities against broader economic uncertainty**. Longer delivery times also suggest that supply chain pressures remain a factor as activity picks up.



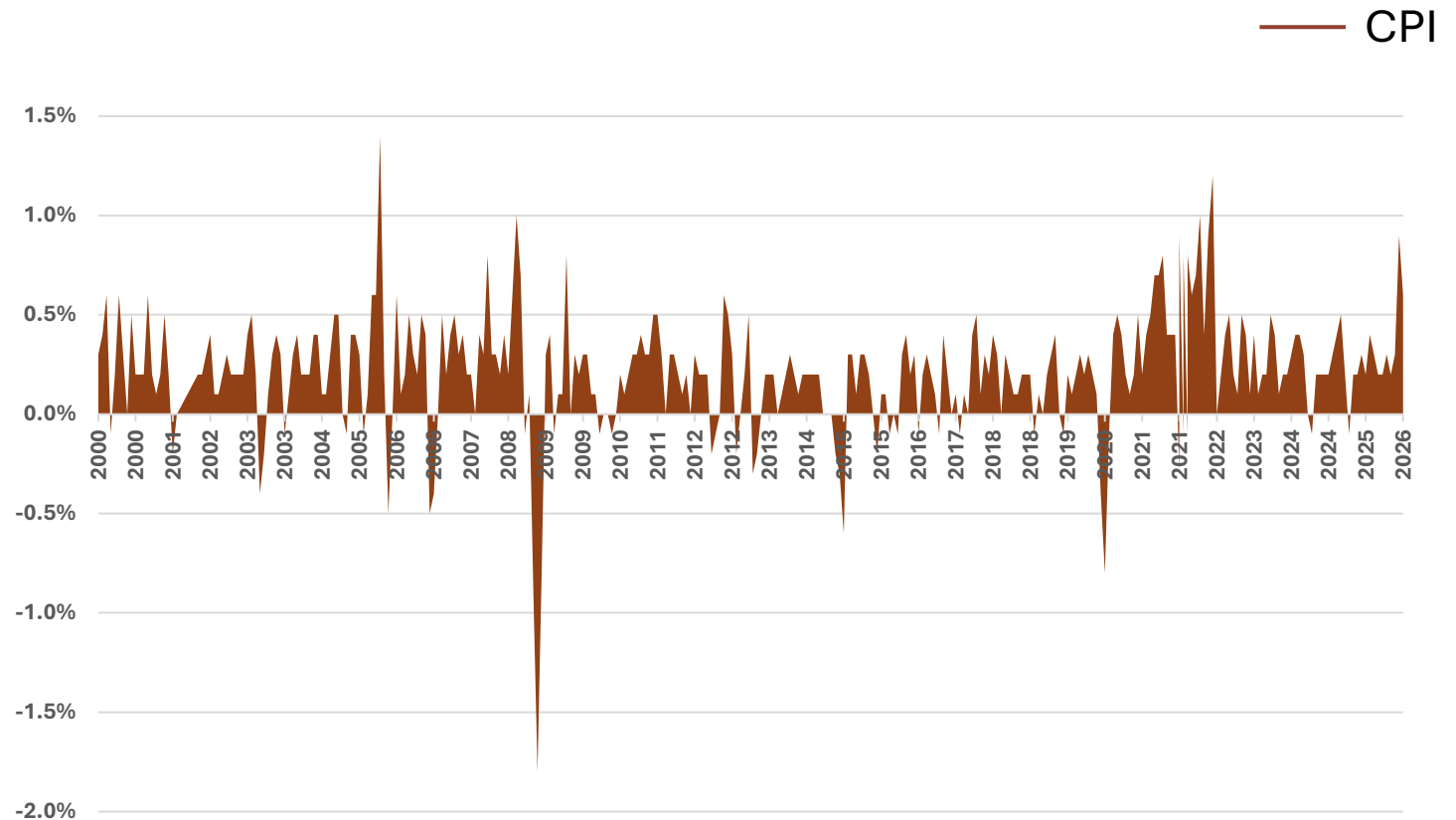
# Oklahoma labor market softens slightly as national rate holds steady

Oklahoma's labor market showed a modest softening in April, with unemployment edging up after a period of relative stability. The shift suggests **hiring may be cooling gradually as employers respond to broader economic conditions**, though the state remains within a historically moderate range that points to resilience rather than a sharp slowdown. Nationally, unemployment held steady for the third straight month, **reflecting a stable labor environment where demand is easing but not contracting**. Together, these trends indicate a labor market adjusting slowly and steadily rather than undergoing abrupt change.



# Inflation holds elevated as price pressures persist over 13 months

CPI hit 4.2% in May, an increase of 0.5%, marking the 14th consecutive monthly increase. Inflation remains broad-based, with **shelter, food, and energy continuing to drive higher costs for households**. While some categories showed more moderate movement, they were not enough to offset overall price gains. Core inflation remains elevated, signaling persistent underlying price pressures across the economy. The **sustained pace suggests inflation is still proving sticky** across key spending categories. Household budgets remain under continued pressure.



# Mortgage rates rise toward end of May after early stability

The average 30-year fixed-rate mortgage climbed through May, rising from mid-month stability to a higher level by month's end. Early May showed relatively little movement, but rates increased in the latter half of the month, pushing borrowing costs higher compared to April's end. The **uptick reflects renewed pressure from shifting inflation expectations and financial market uncertainty**, which continue to influence long-term borrowing costs. Following the Fed's rate cuts in September and October 2025, mortgage rates had generally eased, but recent **months show that progress remains uneven as markets reassess the pace of economic and policy adjustments in 2026.**

