

Silver linings in sight

Economist: Tulsa will catch up to OKC in 2011 recovery

By [Kirby Lee Davis](#)

Kirby Lee Davis is the Tulsa Bureau Chief for The Journal Record. Contact him at 918-295-4982
Posted: 09:52 PM Thursday, December 2, 2010



Oklahoma State University economist Russell Evans speaks at the Tulsa Metro Chamber Economic Outlook Conference on Thursday. (Photo by Rip Stell)

TULSA – Oklahoma’s economy should visibly pick up in 2011, with a resurgent Tulsa closing the gap behind Oklahoma City, Oklahoma State University economist Russell Evans said Thursday.

“I really think by the end of 2012 we’re a year ahead of schedule,” he told a Tulsa Metro Chamber Economic Outlook Conference breakfast audience at the Tulsa Renaissance Hotel and Convention Center. “It looks to be a legitimately solid year in Tulsa, growing at half the rate of the boom years.”

The director of the OSU Spears School of Business Center of Applied Economic Research said he understood the disbelief such optimism could spur among those still shaken by the nation’s most devastating recession since the Great Depression. Having spent a lot of time this holiday season with his older daughter, Evans noted similarities in how people regard economists and 6-year-olds.

“Just like 6-year-olds, every once in a while they say something that really kind of surprises you,” he said. “And also just like 6-year-olds, you’re not really sure how seriously you’re supposed to take them.”

But Evans stood by his guns Thursday, projecting Sooner State recovery would keep pace with the nation.

“This year had signs of recovery but didn’t feel like recovery,” he said. “2010 actually had a fairly modest recovery, but I think it went largely unnoticed.”

While Oklahoma lost 80,000 jobs to the recession, Evans said its unemployment rate remains well below national standards. He expects second-quarter data to demonstrate statewide wage growth over 2009 marks.

Housing stocks improved in both Oklahoma City and Tulsa, Evans noted. Aided in some part by stimulus spending, he said Oklahoma City recorded stronger improvement in sales tax collections and job growth than Tulsa, although the economist expects Oklahoma’s second-largest market to retake some lost ground in jobs growth next year.

“The recovery will gain momentum in 2011,” he said. “2011 will actually feel like recovery.”

Not everyone shared his optimism.

While Tulsa’s health care sector will enjoy heightened demand in 2011, University of Oklahoma-Tulsa President Gerard Clancy attributed that to insufficient infrastructure. That should contribute to rising costs, as will continued resolution of Washington’s cloudy reform efforts.

“We forecast that 100,000 newly insured individuals will be coming into the health care system in the next few years,” he said, noting a capacity area where Oklahoma already ranks near the bottom nationally. That could lead to what he called a “free-for-all” in access to care.

Flat to moderate growth was predicted for Tulsa’s 19,000-worker aviation sector by Peter Laszcz, managing director of component repair and overhaul for American Airlines, employer of 6,000 in the Tulsa area. While business aviation should remain stilted under recessionary pressures, he foresaw potential improvement in airline activity and defense spending, a factor that should also benefit Oklahoma City.

Area aircraft production remains dependent on the Boeing Dreamliner, although Laszcz noted potential gains from Boeing’s efforts to win a new tanker contract. He said industry movement to switch out older aircraft also should provide Tulsa contractors slow to moderate growth.

Signs of rising national demand promise opportunity for the state’s tourism and hospitality sectors, said Michael Frimel, general manager of Tulsa’s Ambassador Hotel and an executive vice president of the Coury Collection, operator of Oklahoma City’s Colcord Hotel. But Frimel

cautioned that these trends in business travel and average day rates remain below pre-recession levels.

Frimel charted data showing Tulsa trailing competing markets in both occupancy and ADR. While that provides the city a midrange opportunity banner – a key factor for continued value-conscious shoppers – Frimel said Tulsa needs to boost its \$70.55 average day rate, down from \$72.19 a year ago and from the \$76.77 averaged in comparative markets.

“We need to increase that ADR to make our business seem a little better,” he said Thursday.

Evans shared his own areas of concern for 2011 – a rig count that could be higher, continued declines in manufacturing employment, another fearful budget year confronting the Oklahoma Legislature. With in-migration raising Oklahoma’s labor force, he expects unemployment rates to inch higher through the first half of next year.

But potential silver linings also hung around most of these clouds, with sliding manufacturing employment a reflection of mechanized productivity gains, and several state revenue sources demonstrating increases.

“We will see tax collections surprise on the upside, but nowhere near enough to avoid some significant cuts and belt-tightening that we have to see at the state level,” he said.

Evans also anticipates a potential boost to inland drilling resulting from offshore moratoriums.

While Evans unveiled detailed employment projections for Tulsa Thursday, he provided only general 2011 observations on Oklahoma City and the state. That data will be unveiled in Tuesday’s 2011 Oklahoma Economic Outlook Conference at Oklahoma City’s Metro Technology Center Springlake Campus.

Evans noted that continued state budget woes should help Tulsa close its performance gap with Oklahoma City in 2011, while stable commodity prices and returning oil and gas activity should insulate the state’s rural sector.

“Oklahoma should feel healthy again by late 2012,” he said. “All in all, it’s a pleasure delivering good news.”

OSU 2011 outlook highlights for metro Tulsa

Nominal personal income: up 5.8 percent to \$39.9 billion.

Nominal gross metro product: up 6.4 percent to \$50.36 billion.

Nominal manufacturing output: down 0.6 percent to \$5.46 billion.

Per-capita personal income: up 4.2 percent to \$41,679.

Non-farm wage and salary employment: up 2.8 percent to 420,990.

- Natural resources and mining: down 0.1 percent to 7,220.
- Construction: up 3.4 percent to 20,710.
- Manufacturing: down 0.7 percent to 43,570.
- Retail trade: down 0.9 percent to 45,140.
- Information: down 0.7 percent to 8,430.
- Financial activities: up 1.4 percent to 24,040.
- Health care: up 1.9 percent to 54,700.
- Educational services: up 4.2 percent to 7,020.
- Leisure and hospitality: down 0.8 percent to 35,420.
- State and local government: up 2.3 percent to 51,730.
- Federal government: down 2.1 percent to 4,920.