

# Tulsa Energy Industry Economic Impact: Summary of Key Findings

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Oklahoma's resilient economic recovery stands in contrast to the perpetually disappointing national economic conditions. Much has been said of the role of the energy industry in the state's recovery with the talk often centered on Oklahoma City. Often missing from the conversation is a discussion of Tulsa's position as an energy industry leader, as well as the energy sector's still dominant role in Tulsa's economic profile and future economic development.

This report shows the Tulsa economy to be much more diversified and private sector-dependent than the state as a whole, and thus more significantly impacted by national conditions. Still, despite the impact of the recent recession, Tulsa remains the state's leading economy on many per capita measures.

The energy industry is defined here as a collection of exploration and production-related sectors and their upstream, midstream and downstream complementary sectors. The broad energy sector as defined and studied here is significantly responsible for Tulsa's continuing economic growth. The Tulsa regional energy industry is defined and characterized by employment and output levels in the Tulsa economy and the resulting economic impacts estimated. Among the key findings are the following.

- The Tulsa MSA energy industry (as defined in the body of the report) is estimated to consist of 56,023 jobs, with over half of those in primary business support and related manufacturing professions.

- Through the spillover, or multiplier process, it is estimated that the energy industry in Tulsa contributes to regional economic activity in general by supporting 189,103 jobs, \$12.77 billion in labor income, and \$31.02 billion in local value added.
- The multipliers associated with the custom definition of the energy industry reflect substantial local linkages between industries. The existing linkages are residual effects of Tulsa's history as a major energy center and suggest the potential for significant economic returns to the city from further development of this existing energy complex.
- In selected city-to-city comparisons, Tulsa remains the state's highest performing economy as indicated in the bullets below:
  - In 2010, Tulsa gross metro product – a measure of the market value of final goods and services produced or the value added by local activity – was an estimated \$44.8 billion dollars.
  - Per capita private industry GDP – a measure of local value added per private sector job – stood at \$43,243. By comparison, this represents a \$574 (1.3%) gap above the value added per private sector job in Oklahoma City, although the gap has narrowed from its 2008 peak of \$2,953.
  - In 2011, per capita personal income was \$2,234 (5.6%) higher in Tulsa than in Oklahoma City, down from its 2008 peak of \$3,182.
  - In the fall of 2012, average weekly earnings of a Tulsa private sector job was \$836.50 – over \$74 (9.7%) higher than that of a private sector job in Oklahoma City. The private sector weekly earnings gap was down from its peak of \$137.68 before the impacts of the recession were manifest.

## *Conclusion*

Several interesting trends emerge from the previous economic discussion. The first is anecdotal evidence that the Tulsa economy is more reliant on national economic activity. The pre-recession expansion highlighted and exaggerated Tulsa's economic strengths. Tulsa's per capita private industry GDP, per capita personal income, and private sector weekly earnings all peaked at levels significantly higher than the corresponding metrics of the Oklahoma City economy. As the nation progresses through the persistently disappointing economic recovery, the impacts of improving national conditions on Tulsa's economy are only recently appearing. Gaps in per capita personal income and weekly earnings are widening again, with per capita private industry GDP expected to do likewise as updated data is released. The major question is one of timing and magnitude: when will national conditions improve markedly and as they do, what will be the magnitude of the economic response in Tulsa?

The second trend is sustained strength in the Tulsa economy. Tulsa continues to support jobs with higher levels of value added to local production than any other metro area in the state. This reality is supported by the finding that Tulsa continues to enjoy higher levels of per capita personal income and higher average weekly earnings of private sector jobs than any other area of the state. Tulsa's economic strengths are the residual effects of its history as an energy center.

The current economic strength in Tulsa reflects its energy history. The economic contributions of today's energy industry indicate that the economic linkages developed over decades as an energy center remain intact. Together, these findings suggest an opportunity for Tulsa to develop around its core strength as an energy city, keeping local much of the spillover economic activity, and maximizing local job and wealth creation. Tulsa's best days as a center of energy-related economic activity may well lie ahead.