

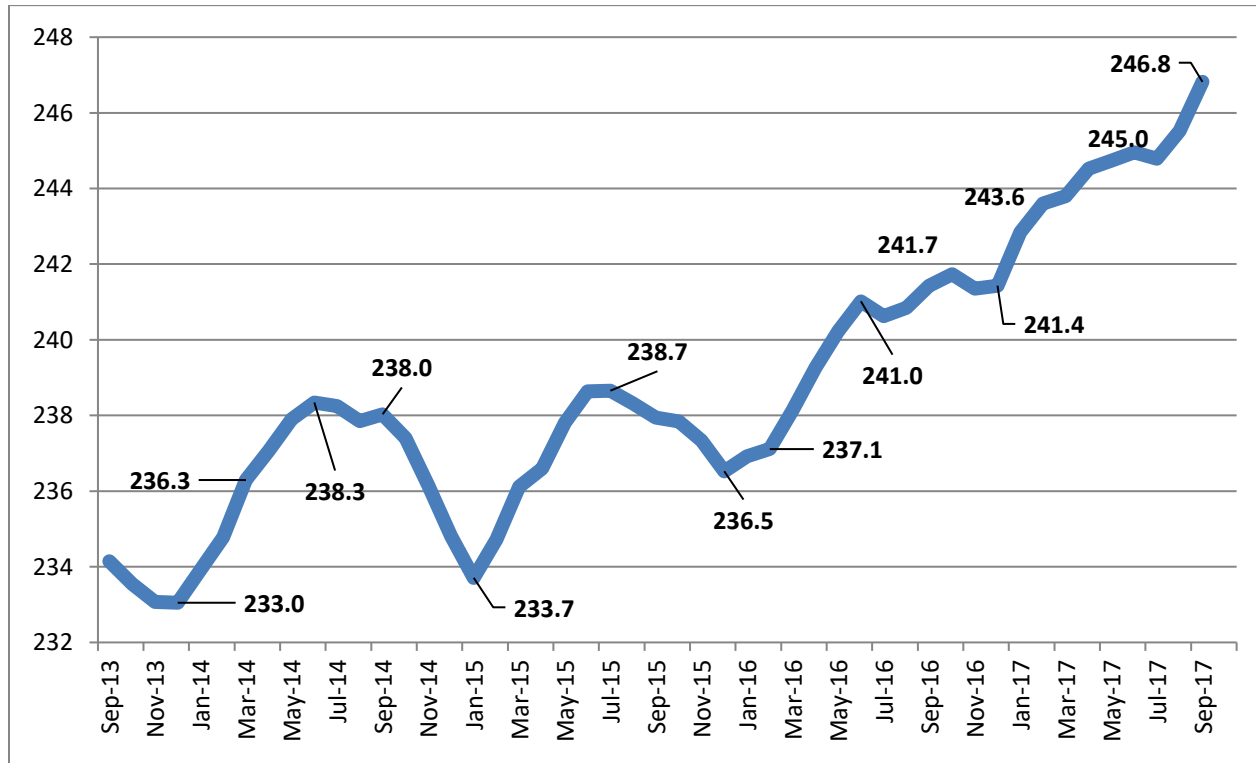
**Executive Summary**

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by American consumers for goods and services. The Consumer Price Index is measured by the U.S. Bureau of Labor and Statistics and reported monthly and is often used as a measure for cost of living and economic conditions. The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Each month, prices are collected in 87 urban areas across the country from about 4,000 housing units and approximately 26,000 retail establishments--department stores, supermarkets, hospitals, filling stations, and other types of stores and service establishments.

The 3<sup>rd</sup> Quarter average Consumer Price Index (US City Average) increased to 245.7. Monthly CPI has been trending upwards since November 2016 and quarterly CPI average has been trending upwards since the 4<sup>th</sup> Quarter of 2015, when the index was at 237.2. This year's 3<sup>rd</sup> quarter performed better than previous years. This indicates the economy's stable improvement.

The yearly levels keep trending upwards: with the 2016 annual average CPI rising to 240, compared to the 2015 average level of 237. This increase allowed the inflation rate to finally reach 2% in December 2016; 2% inflation has not been seen since July 2014.

**U.S. Consumer Price Index September 2013 – September 2017**



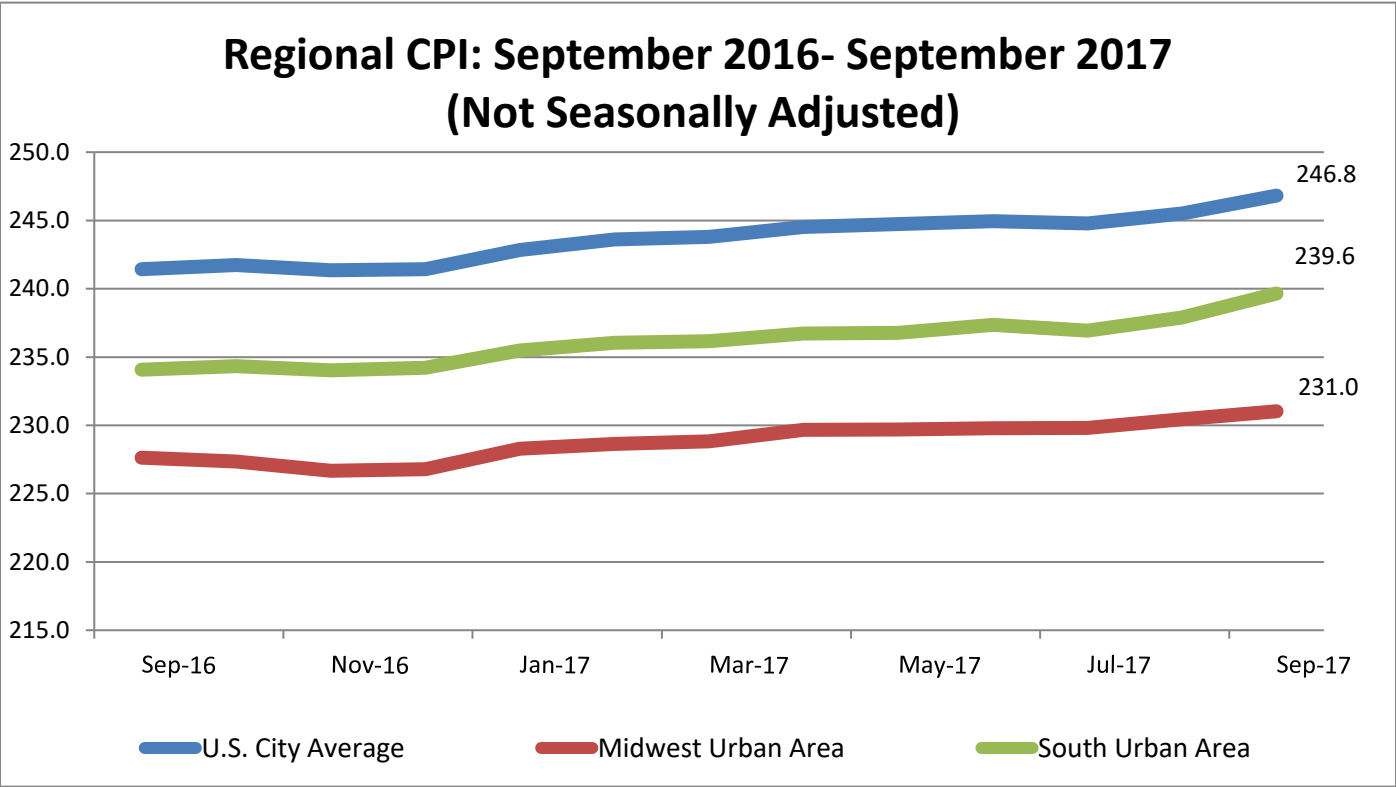
*U.S. City Average Not Seasonally Adjusted – Sep 2017 – 244.995*

### Regional Consumer Price Index

Oklahoma is the most northwestern state in the Southern region, as defined by the Bureau of Labor Statistics. Oklahoma shares many characteristics with the Midwest region, given that it is in such close proximity. The South region is comprised of: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The Midwest region is comprised of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

The Midwest and the South Urban Areas' CPI increased by 1.49% and 2.38% respectively over the 12-month period. While the national CPI increased 2.23%. Energy prices have experienced a minor increase, which is contributing to monthly CPI increases in the Midwest and the South Urban Areas this year.

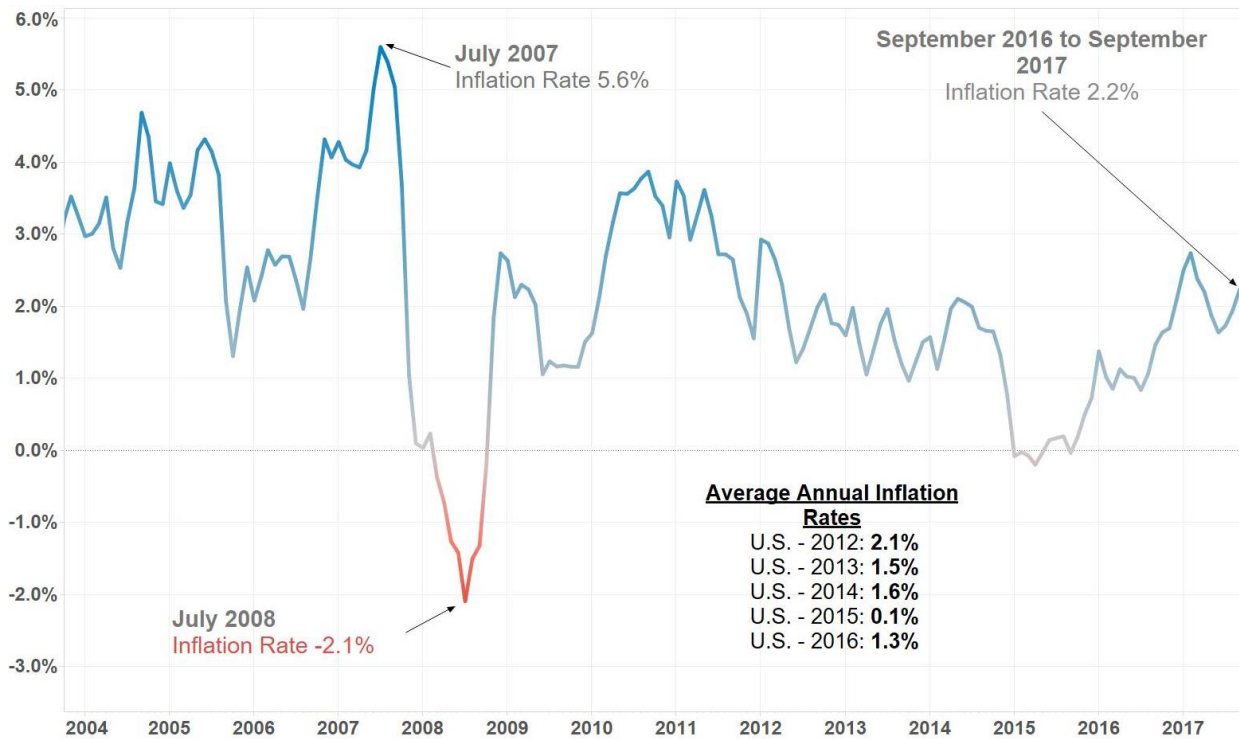
The graph below shows a 12 month moving average for the U.S., as well as the South and Midwest Regions.



12 Month Moving Average: **U.S.** – 243.8, **Midwest Urban Area** – 228.9, **South Urban Area** – 236.3

## Inflation Rate (Month over Month)

The inflation rate is a measure of the rise in the general price levels of goods and services over a period of time. The chief measure of price inflation is the percentage change in the Consumer Price Index.



**Observations:** Oil price reductions, caused by large oil supply expansions from the U.S. shale boom, led to considerable deflation between Q3 2014 and Q4 2015. The second quarter of 2015 was the first quarter to see a significant rebound in terms of aggregate price inflation (on a month over month basis). Fuel & energy commodities measured by Consumer Price Index (CPI) have been the impetus for the decline in prices domestically.

For most of 2016 inflation was over the 1% mark, except for March (when it dropped to 0.85%), and July (when it dropped to 0.83%). Inflation rate has reached the Federal Open Market Committee’s objective of 2%. Rising wages due to a tightening labor market have contributed to an uptick to 2% inflation rate. This is partially why the Federal Reserve voted to raise interest rate in December and then again in March.

The current inflation rate of 2.2% is back to the two percent mark after the second quarter slump. This means that the economy is back “on track” to reaching the three percent mark. This trend and the anticipated fourth quarter increase in consumer spending due to the Holidays means the Federal Reserve may consider raising the interest rates by the end of the year.

**Methodology:** The graph above illustrates month over month inflation levels using the U.S. City Average measure of the CPI. For example, the September 2017 inflation level of 2.233% was calculated by comparing CPI of the preceding September (2016) to the September 2017 figure.

Consumer Price Index - All Urban Consumers - Not Seasonally Adjusted- All Items

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Average YTD	Inflation Rate YOY
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3	188.9	2.7%
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3	3.4%
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	201.6	3.2%
2007	202.4	203.5	205.4	206.7	207.9	208.4	208.3	207.9	208.5	208.9	210.2	210.0	207.3	2.9%
2008	211.1	211.7	213.5	214.8	216.6	218.8	220.0	219.1	218.8	216.6	212.4	210.2	215.3	3.8%
2009	211.1	212.2	212.7	213.2	213.9	215.7	215.4	215.8	216.0	216.2	216.3	215.9	214.5	-0.4%
2010	216.7	216.7	217.6	218.0	218.2	218.0	218.0	218.3	218.4	218.7	218.8	219.2	218.1	1.6%
2011	220.2	221.3	223.5	224.9	226.0	225.7	225.9	226.5	226.9	226.4	226.2	225.7	224.9	3.2%
2012	226.7	227.7	229.4	230.1	229.8	229.5	229.1	230.4	231.4	231.3	230.2	229.6	229.6	2.1%
2013	230.3	232.2	232.8	232.5	232.9	233.5	233.6	233.9	234.1	233.5	233.1	233.0	233.0	1.5%
2014 U.S. City Average	233.9	234.8	236.3	237.1	237.9	238.3	238.3	237.9	238.0	237.4	236.2	234.8	236.7	1.6%
2014 Midwest Urban Area	222.2	223.5	225.5	226.2	226.6	227.6	227.0	226.6	226.9	225.8	224.4	222.8	225.4	1.5%
2014 South Urban Area	227.7	228.7	230.1	231.3	231.8	232.3	232.0	231.6	231.8	231.1	229.8	228.5	230.5	1.7%
2015 U.S. City Average	233.7	234.7	236.1	236.6	237.8	238.6	238.7	238.3	237.9	237.8	237.3	236.5	237.0	0.1%
2015 Midwest Urban Area	221.5	222.3	223.6	223.8	224.7	225.9	225.9	225.8	225.2	225.1	224.0	222.7	224.2	-0.5%
2015 South Urban Area	226.9	227.9	229.3	230.0	230.9	232.0	231.7	231.3	230.9	230.9	230.4	229.6	230.1	-0.2%
2016 U.S. City Average	236.9	237.1	238.1	239.3	240.2	241.0	240.6	240.9	241.4	241.7	241.4	241.4	240.0	1.3%
2016 Midwest Urban Area	223.3	223.2	224.6	225.6	226.5	227.8	226.8	227.1	227.6	227.4	226.7	226.8	226.1	0.8%
2016 South Urban Area	229.5	229.6	231.0	232.0	232.9	233.8	233.3	233.5	234.1	234.3	234.0	234.2	232.7	1.1%
2017 U.S. City Average	242.8	243.6	243.8	244.5	244.7	245.0	244.8	245.5	246.8					
2017 Midwest Urban Area	228.3	228.6	228.8	229.7	229.7	229.8	229.8	230.4	231.0					
2017 South Urban Area	235.5	236.1	236.2	236.7	236.8	237.3	236.9	237.9	239.6					

The table above, All Items Consumer Price Index for All Urban Consumers (CPI-U) is the Bureau of Labor Statistics' broadest and most comprehensive index. The base index year is 1982-1984 = 100. Source: U.S. Bureau of Labor Statistics, [www.bls.gov/data](http://www.bls.gov/data)