

1st Quarter 2018 Consumer Price Index Report

May 2018

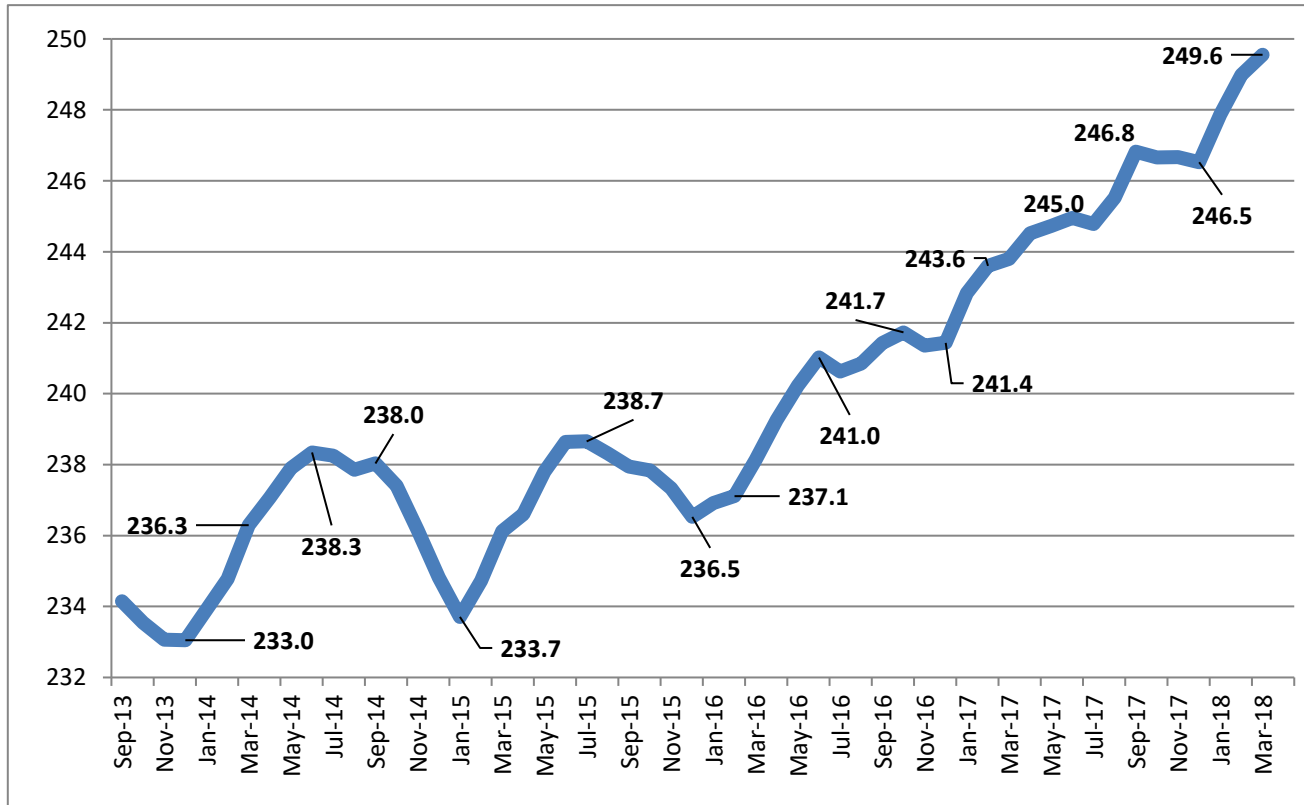
Executive Summary

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 1st Quarter average Consumer Price Index (US City Average) increased to 248.8. Monthly CPI has been trending upwards since November 2016 and quarterly CPI average has been trending upwards since the 4th Quarter of 2015, when the index was at 237.2. This year's 1st quarter performed relatively similar to previous years. This is typically an indicator of a stable economy.

The yearly levels keep trending upwards: with the 2017 annual average CPI rising to 245, compared to the 2016 average level of 240. This increase allowed the inflation rate to remain above the 2% level for most of the year; this inflation level has not been experienced since 2011.

U.S. Consumer Price Index September 2013 – March 2018



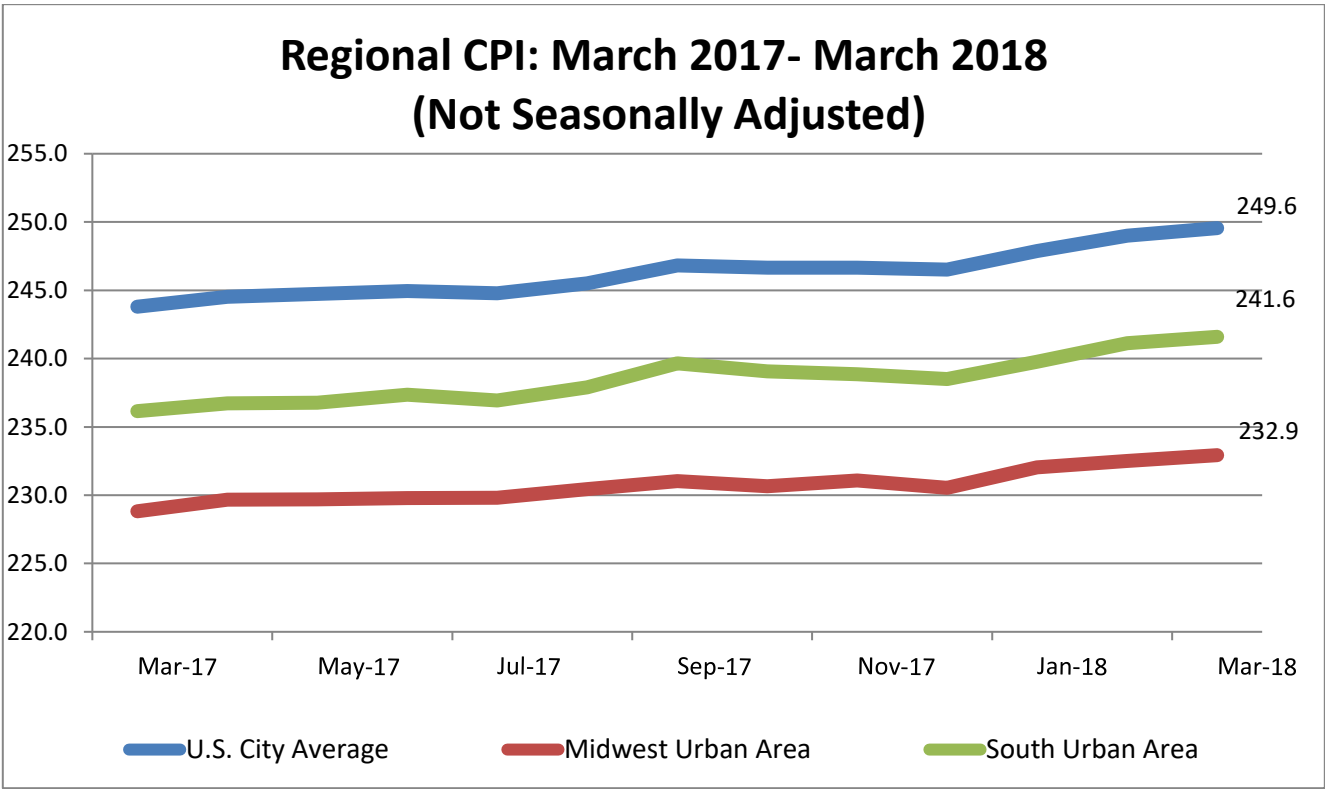
U.S. City Average *Not Seasonally Adjusted* – Mar 2018 – 249.554

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 1.79% and 2.30% respectively over the 12-month period. While the national CPI increased 2.36%. Energy prices have experienced a minor increase, which is contributing to monthly CPI increases in the Midwest and the South Urban Areas this year.

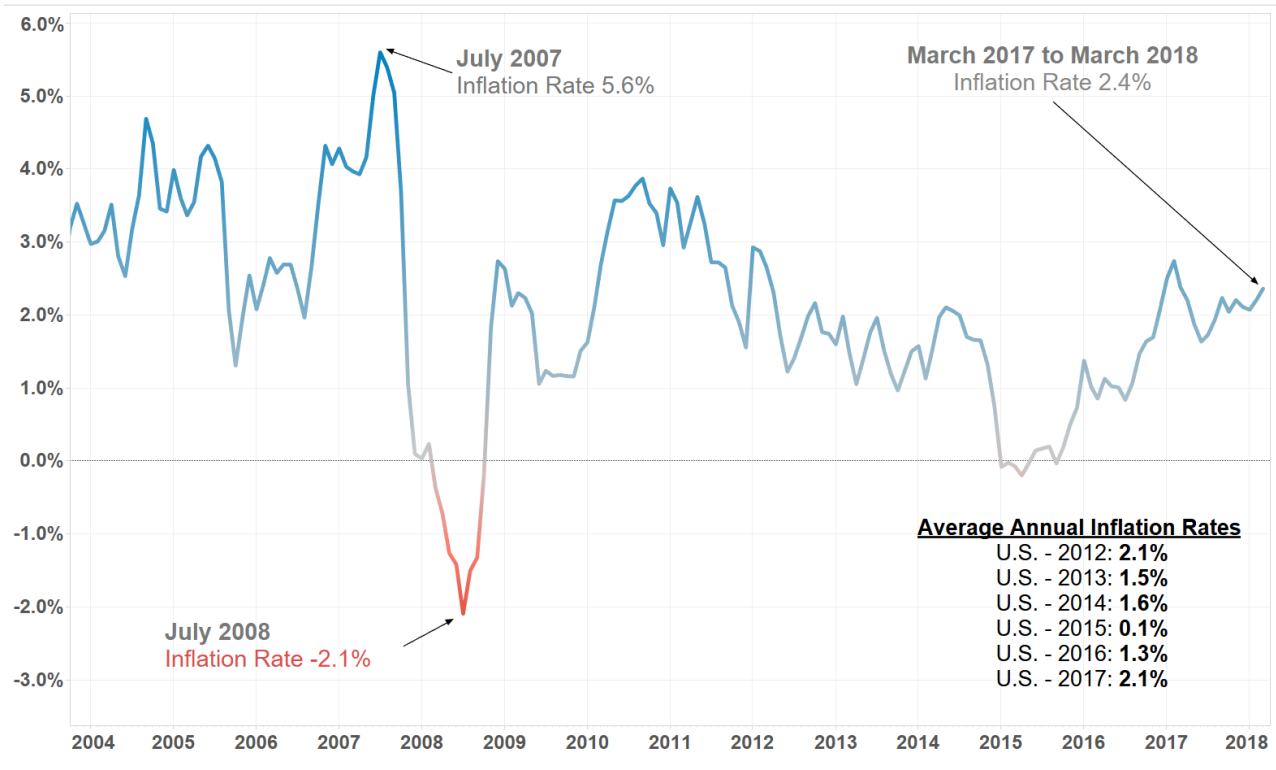
The graph below shows a 12 month moving average for the U.S., as well as the South and Midwest Regions.



12 Month Moving Average: **U.S.** – 246.5, **Midwest Urban Area** – 230.9, **South Urban Area** – 238.7

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:

Unlike 2015, 2016 did not experience any deflation. However, the Federal Open Market Committee target rate of two percent was reached only once in 2016 – in December. Gasoline, grocery, vehicle parts and truck parts were the major drivers of the inflation increases in 2016.

Increase in gasoline prices led to a record high (highest in 5 years) inflation in Q1 2017. In Q2 and Q3 of 2017, the monthly inflation rate experienced a decline and fell back below the 2 percent mark. However, the 1st and 4th quarter performed significantly better, making it possible to reach the targeted two percent the annual inflation rate. Gas prices, healthcare costs and apparel were the biggest drivers of the inflation rate in 2017.

Inflation was over the 2% mark, for most months in 2017, except for May, June, July, August (when it fluctuated between 1.633% and 1.939%). This is partially why the Federal Reserve voted to raise interest rates in December 2017 and again in March 2018.

The current inflation rate of 2.4% is holding steadily above the two percent mark, although this year's first quarter was off to a slightly slower start. The average inflation rate for the Q1 2018 is 2.214%, while the average inflation rate in Q1 2017 was 2.540%. This may signal a slower rise of inflation, compared to the previous year.

Methodology: The graph above illustrates month over month inflation levels using the U.S. City Average measure of the CPI. For example, the March 2018 inflation level of 2.36% was calculated by comparing the CPI of the preceding March (2017) to the March 2018 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	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%
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	246.7	246.7	246.5	245.1	2.1%
2017 Midwest Urban Area	228.3	228.6	228.8	229.7	229.7	229.8	229.8	230.4	231.0	230.7	231.1	230.5	229.9	1.7%
2017 South Urban Area	235.5	236.1	236.2	236.7	236.8	237.3	236.9	237.9	239.6	239.1	238.9	238.5	237.5	2.0%
2018 U.S. City Average	247.9	249.0	249.6											
2018 Midwest Urban Area	232.0	232.5	232.9											
2018 South Urban Area	239.8	241.1	241.6											

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