

U.S. and OKC Metro Economic Outlook

Greater OKC Chapter of Credit Unions

August 17, 2017



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www.kansascityfed.org/oklahomacity

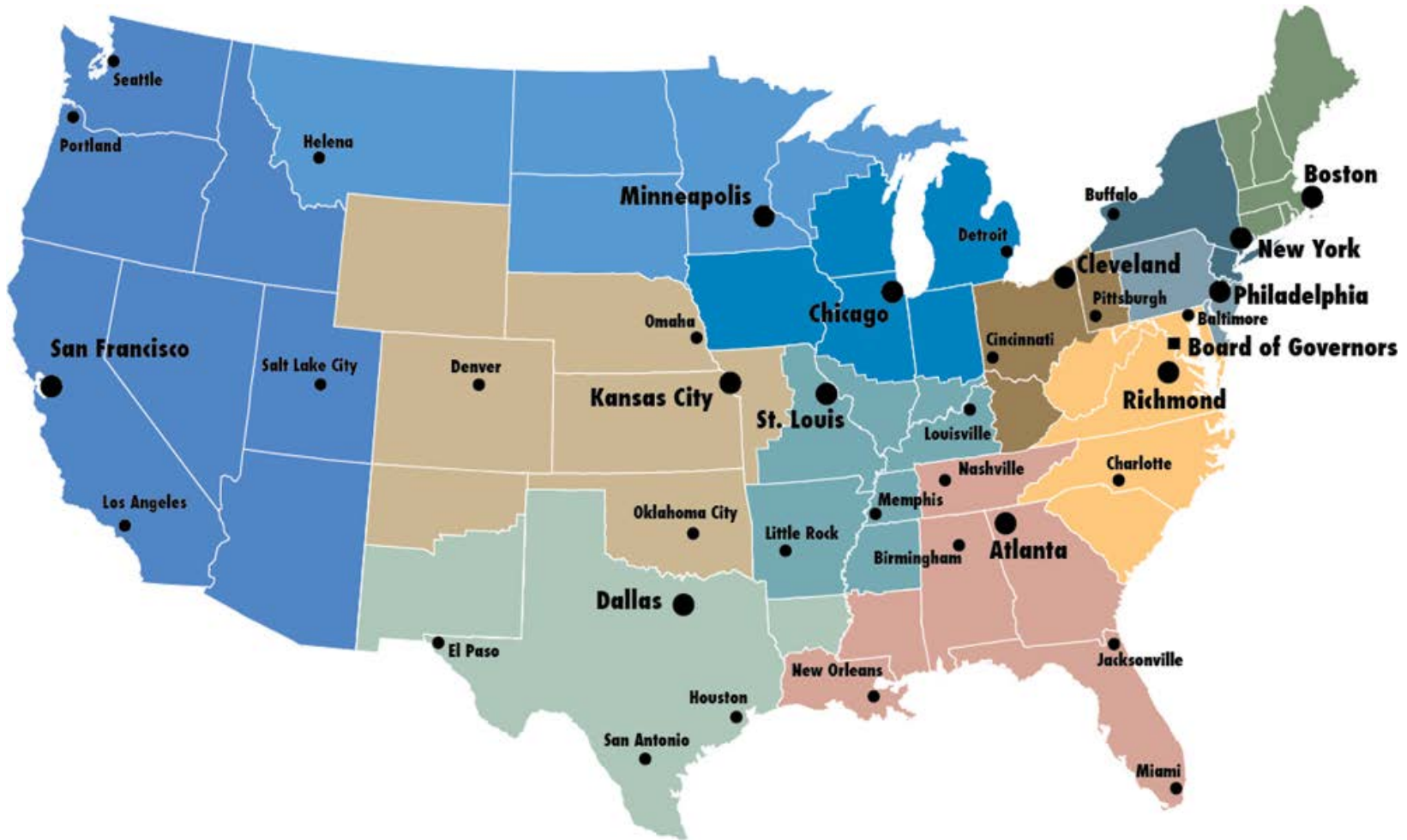
Structure and Functions of the Federal Reserve System

- **The “Fed” consists of three main entities:**
 - Board of Governors: 7 members appointed by U.S. President
 - Federal Reserve Banks: 12 total; semi-independent by design
 - Federal Open Market Committee: 19 members; 12 voting

- **As with most central banks, the Fed’s primary responsibilities fall within three general areas:**
 - Monetary policy – promote maximum employment and low inflation
 - Bank regulation – ensure soundness and fair lending of banks
 - Financial services – serve as bank for banks, bank for federal govt.



Federal Reserve Districts and Office Locations



The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- **Functions and purposes – 45 staff**

- **Connect the nation's central bank to Oklahoma communities, businesses, and banks**
- **Research on U.S. and Oklahoma economies, economic education and outreach**
- **Examinations of Oklahoma financial institutions (49 banks, 178 holding companies)**

- **2017 OKC Fed Branch Board of Directors**

- **Pete Delaney (chair)**, Chairman & CEO (retired), OGE Energy Corp., Oklahoma City
- **Clint Abernathy**, Owner, Abernathy Farms, Inc., Altus
- **Susan Chapman Plumb**, COO, Bank of Cherokee County, Tahlequah
- **Michael Coffman**, CEO (retired), Panhandle Oil & Gas, Inc., Oklahoma City
- **Chuck Hall**, Chairman & CEO, Exchange Bank & Trust, Perry
- **Tina Patel**, Co-Owner & CFO, Promise Hotels, Tulsa
- **Katrina Washington**, Owner/Broker, Stratos Realty, Oklahoma City

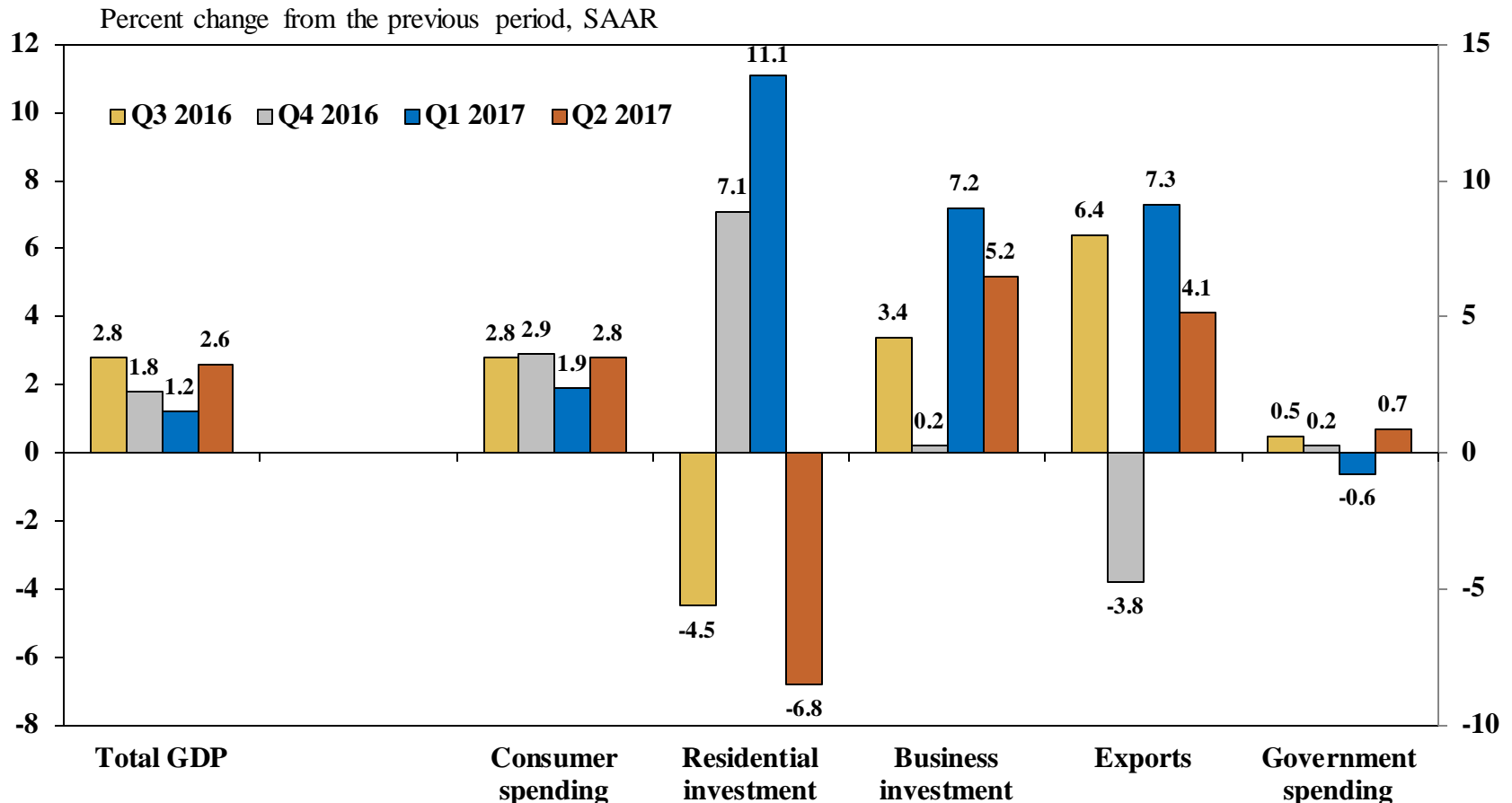
- **Oklahomans on Kansas City Fed head office Board**

- **Rose Washington (chair)**, Exec. Director, Tulsa Economic Development Corp., Tulsa
- **Doug Stussi**, EVP & CFO, Love's Travel Stops & Country Stores, Oklahoma City

The U.S. Economy and Monetary Policy

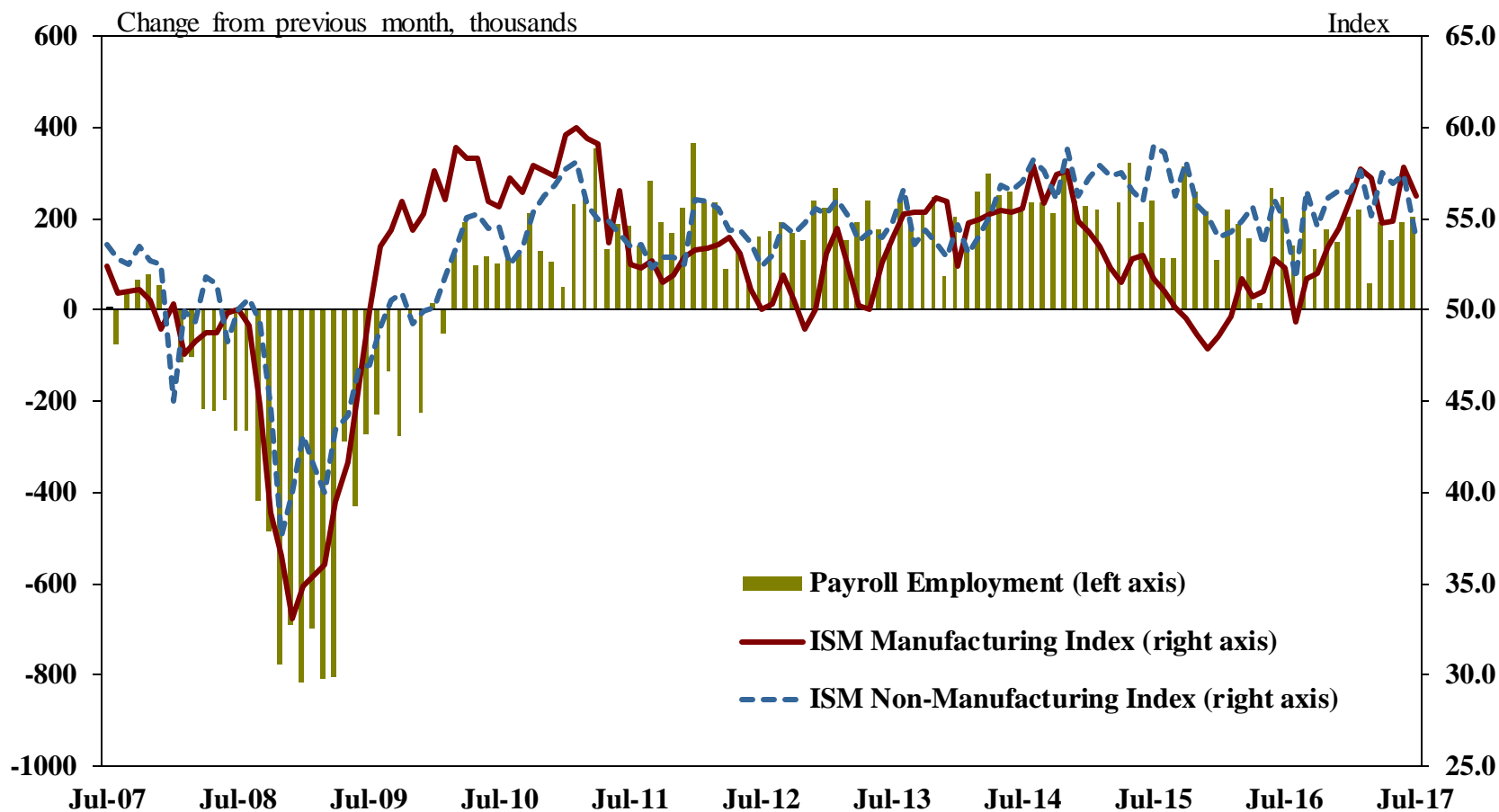
GDP growth rebounded in Q2 2017 due largely to a recovery in consumer spending growth

Growth in Components of Real GDP



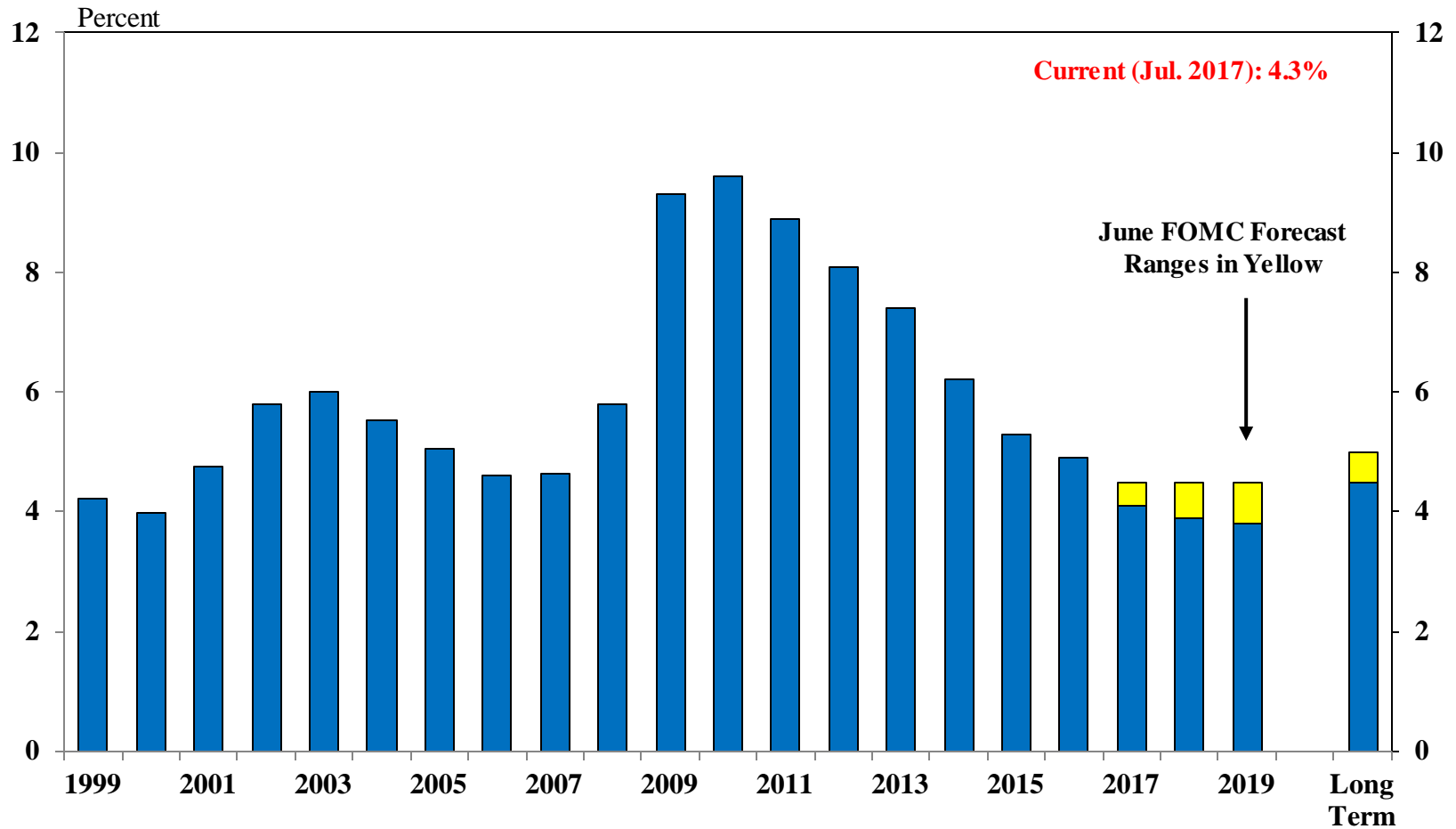
Most monthly data show U.S. economic growth has remained solid throughout 2017

U.S. Payroll Employment and Business Indexes



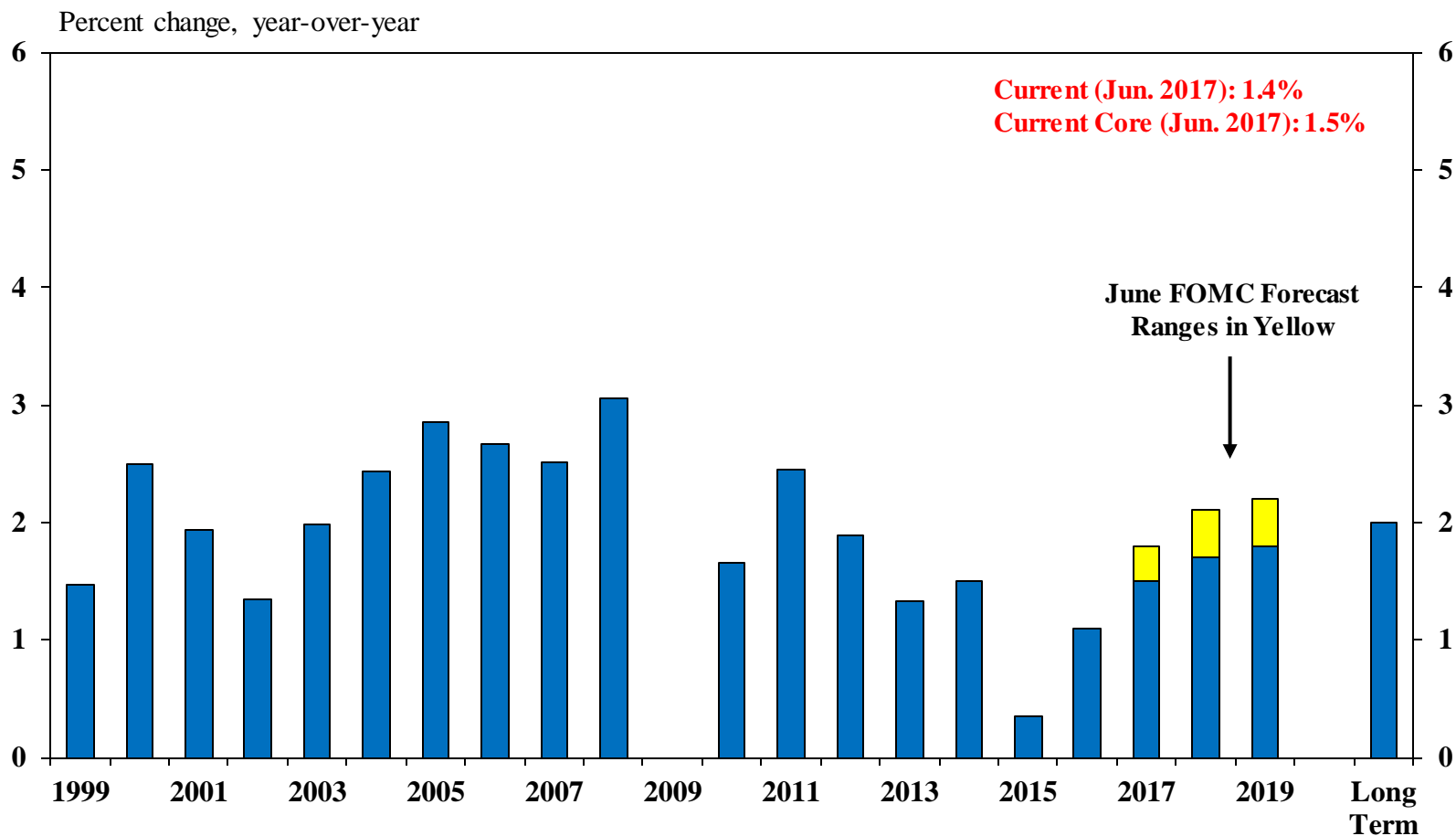
“Job gains have been solid...since the beginning of the year, and the unemployment rate has declined.”

Unemployment Rate Seasonally Adjusted



“Inflation...is expected to...stabilize around the Committee’s 2% objective over the medium term”

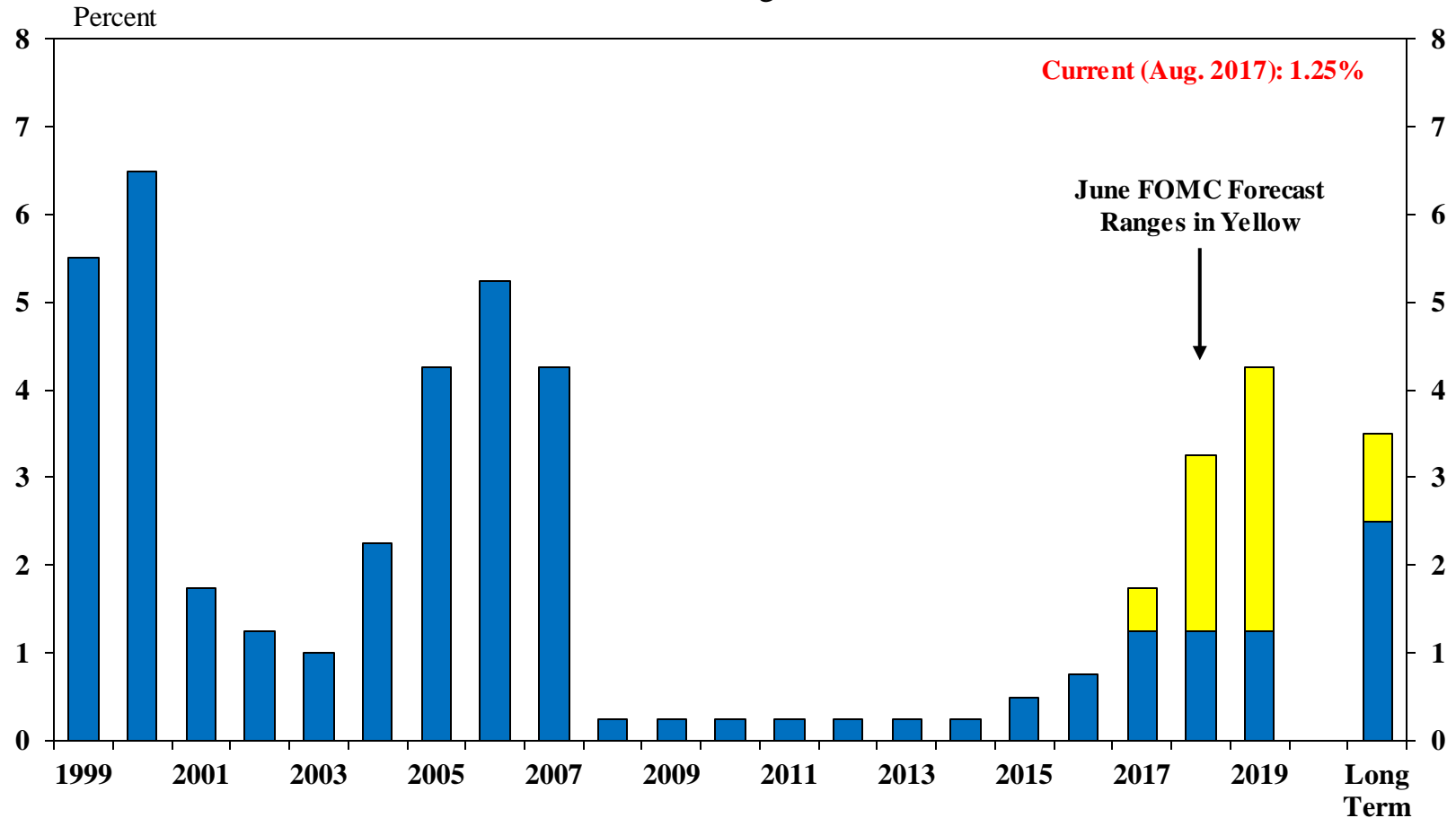
PCE Inflation Index



“The Committee expects...conditions will evolve in a manner that will warrant gradual [rate] increases”

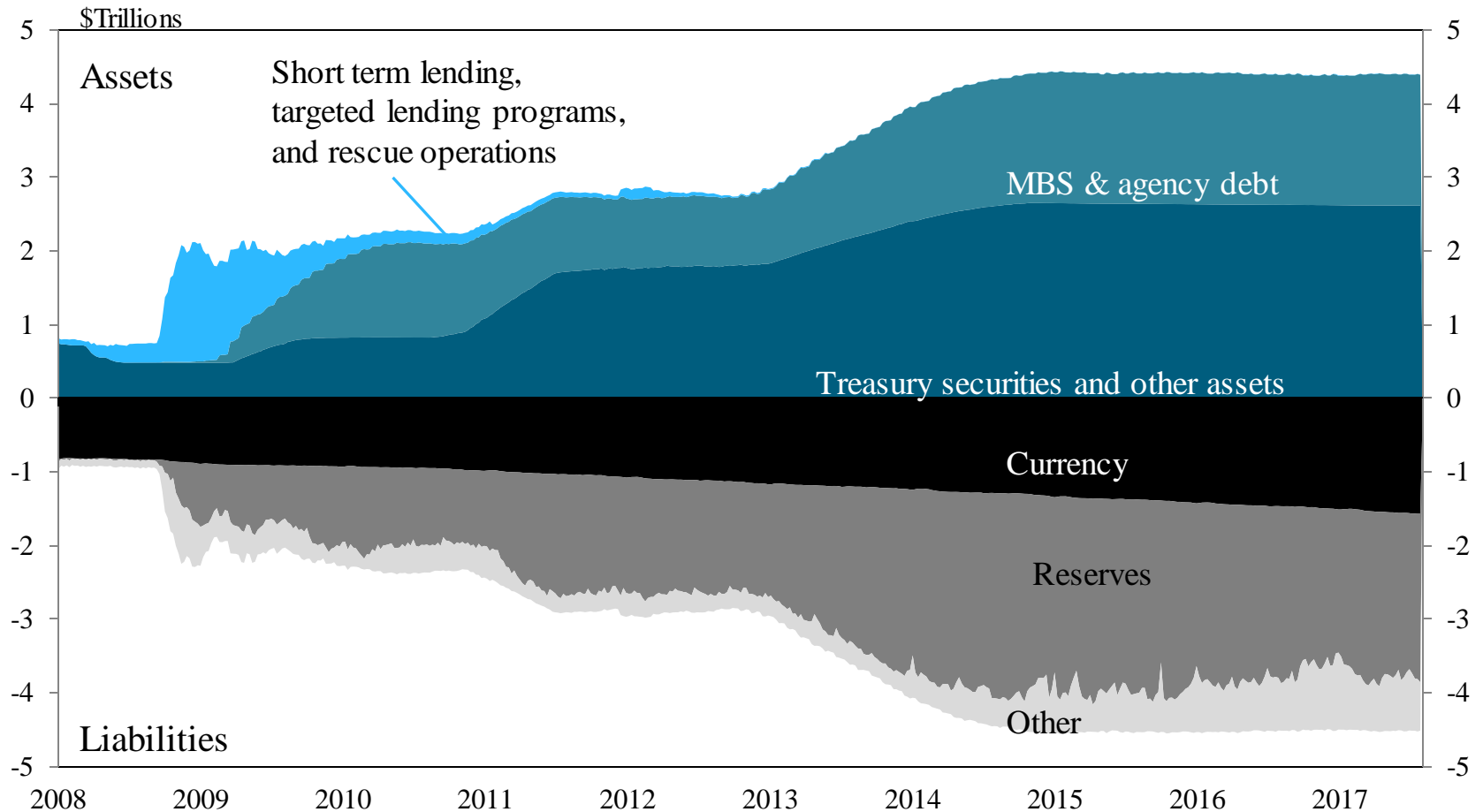
Federal Funds Rate

Year-end target



“The Committee expects to begin implementing its balance sheet normalization program relatively soon”

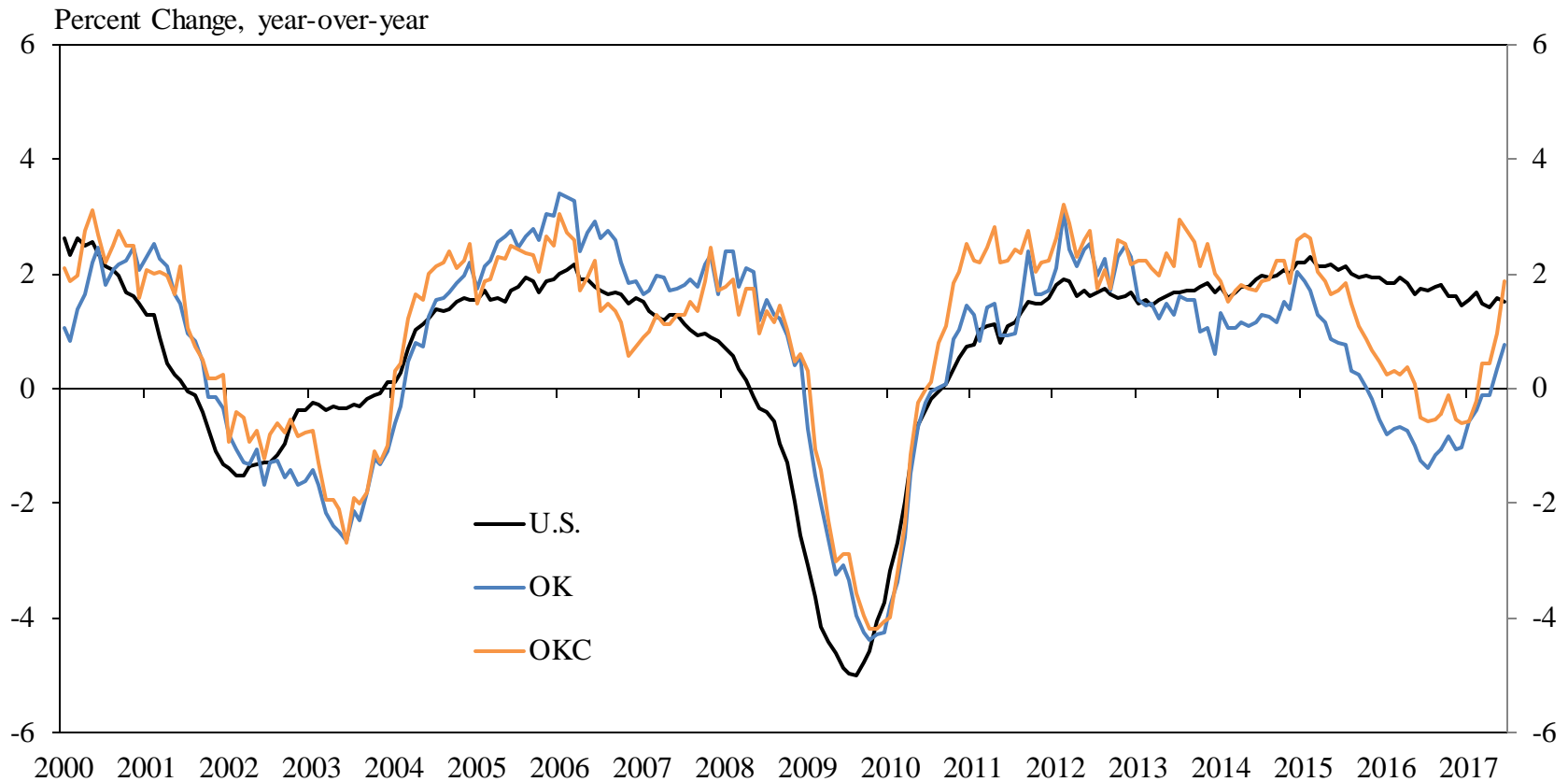
Federal Reserve Balance Sheet



The Economy in Oklahoma and the OKC Metro

After declining in 2015-16, employment in Oklahoma and the OKC metro is rising again

Employment Growth



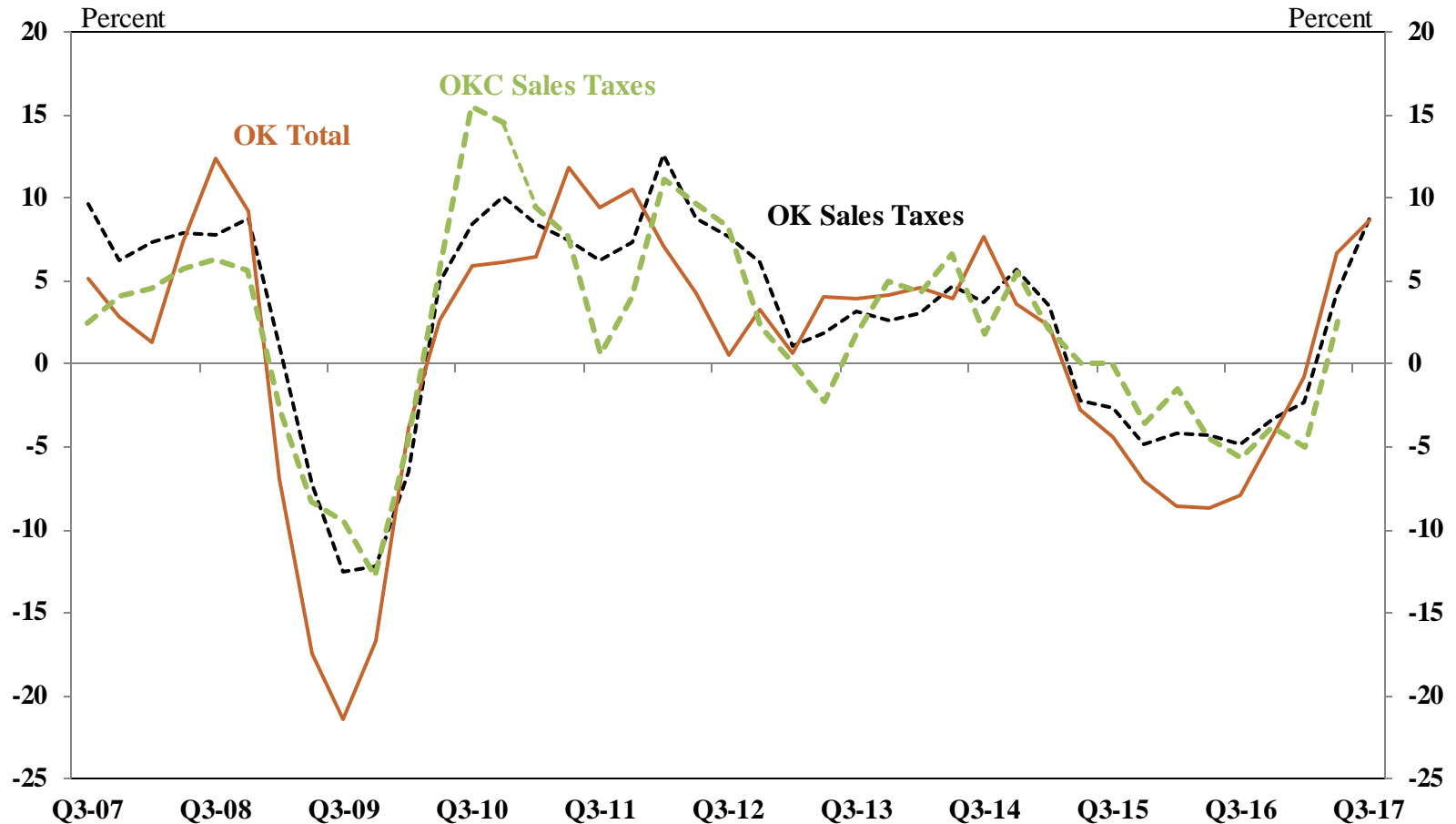
Note: Large Metro is OKC & Tulsa metros



Source: U.S. Bureau of Labor Statistics

State and city tax revenues have finally risen back above year-ago levels, after falling for 2 years

Tax Receipts
Through Q3-17*



Note: Q3-17 for OK and includes July only



Source: OK Tax Commission

Ag, energy, and federal government are key across the state, and all have had challenges

OK Personal Income Share by Industry, 2015

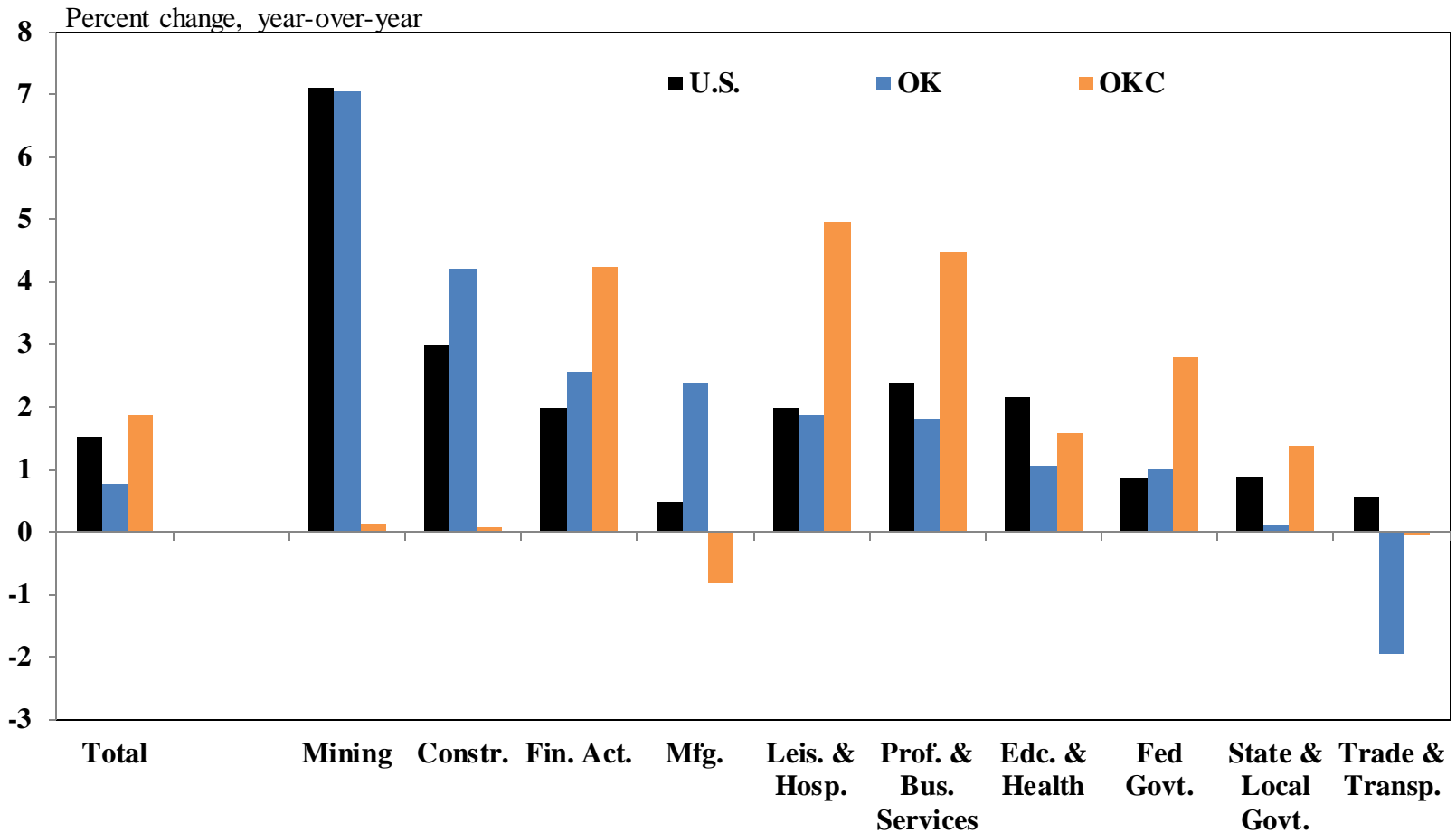
Industry	Percent of Total Income			Location Quotient	
	U.S.	OK	OKC	OK	OKC
Agriculture	0.8	1.7	0.0	2.1	0.0
Mining (primarily oil & gas)	1.6	11.8	10.5	7.5	6.6
Construction	6.1	6.6	5.1	1.1	0.8
Manufacturing	10.1	8.9	5.3	0.9	0.5
Trade, Transportation & Utilities	16.2	23.8	17.0	1.5	1.0
Information	3.5	1.6	1.8	0.5	0.5
Financial Activities	7.1	3.8	4.9	0.5	0.7
Professional & Business Services	20.3	7.5	8.7	0.4	0.4
Education & Health	13.3	11.2	13.5	0.8	1.0
Leisure & Hospitality	4.7	3.9	4.7	0.8	1.0
Federal Government	3.0	5.8	9.0	1.9	3.0
State & Local Government	13.2	13.4	9.7	1.0	0.7

Note – Industries in **red** are more than twice as large in the region as the the nation



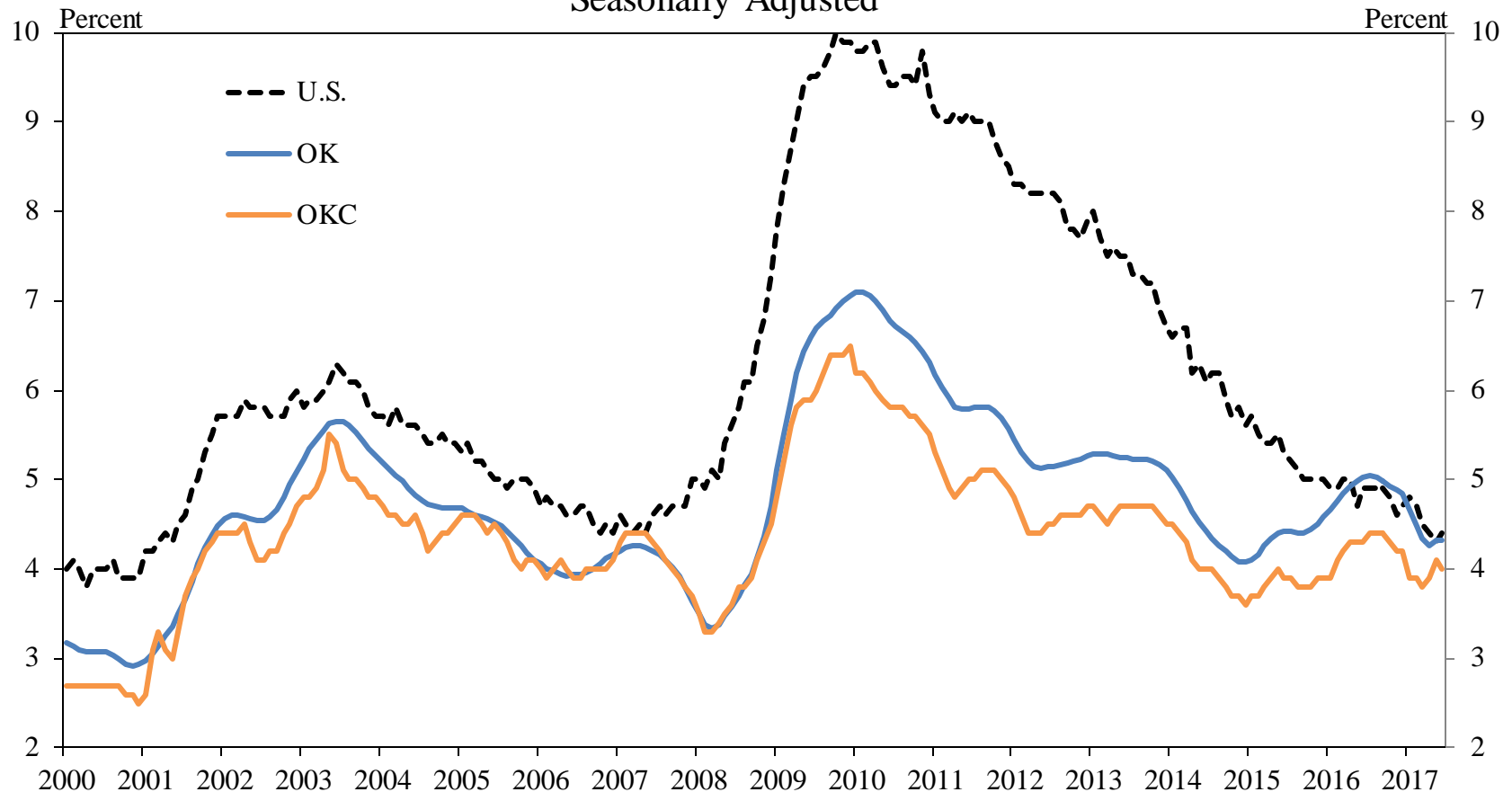
Jobs in most metro area industries are at or above year-ago levels, especially in services sectors

Job Growth by Industry
Jun-17



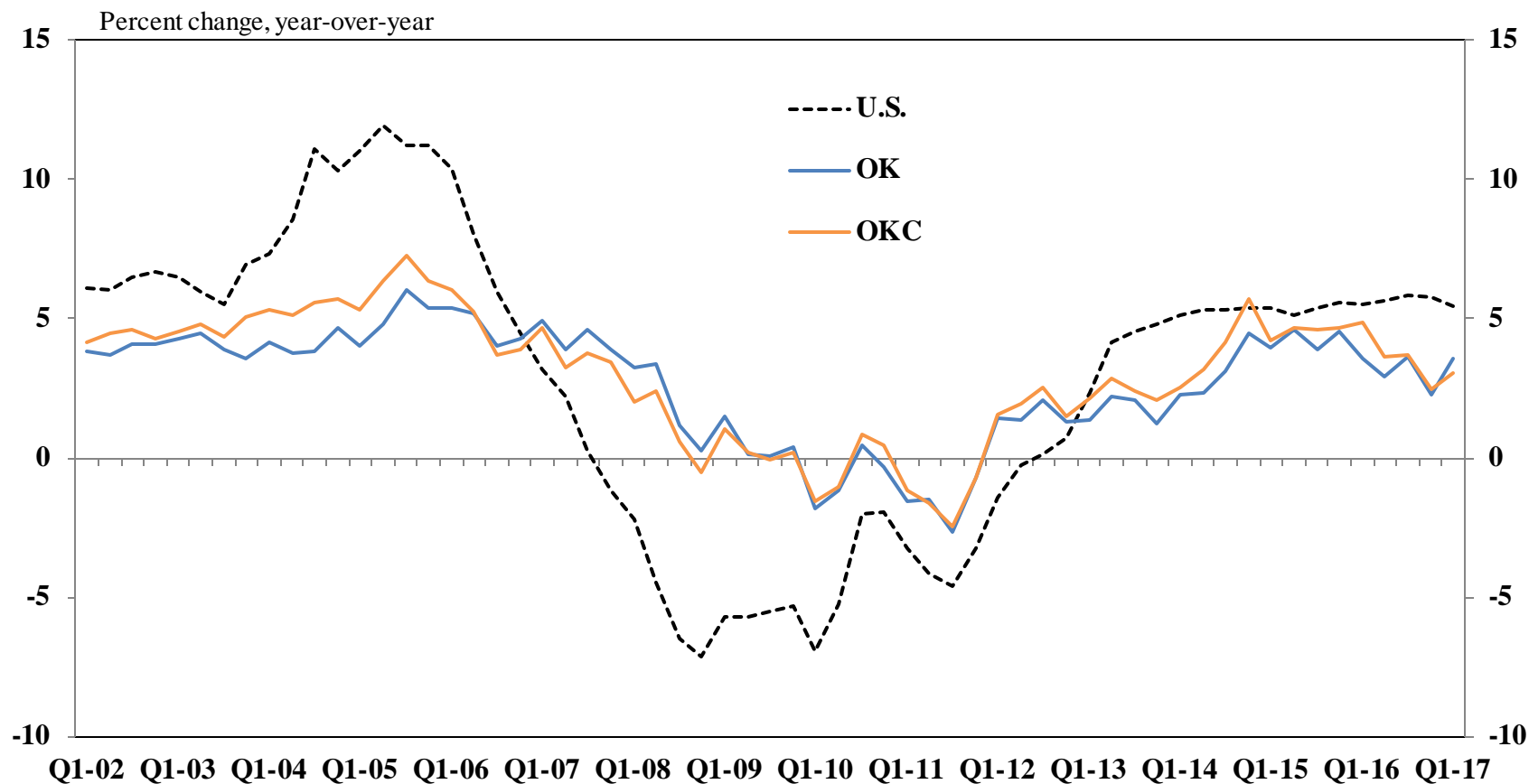
Metro unemployment has come back down after rising last year, and is below the national rate

Unemployment Rates Seasonally Adjusted



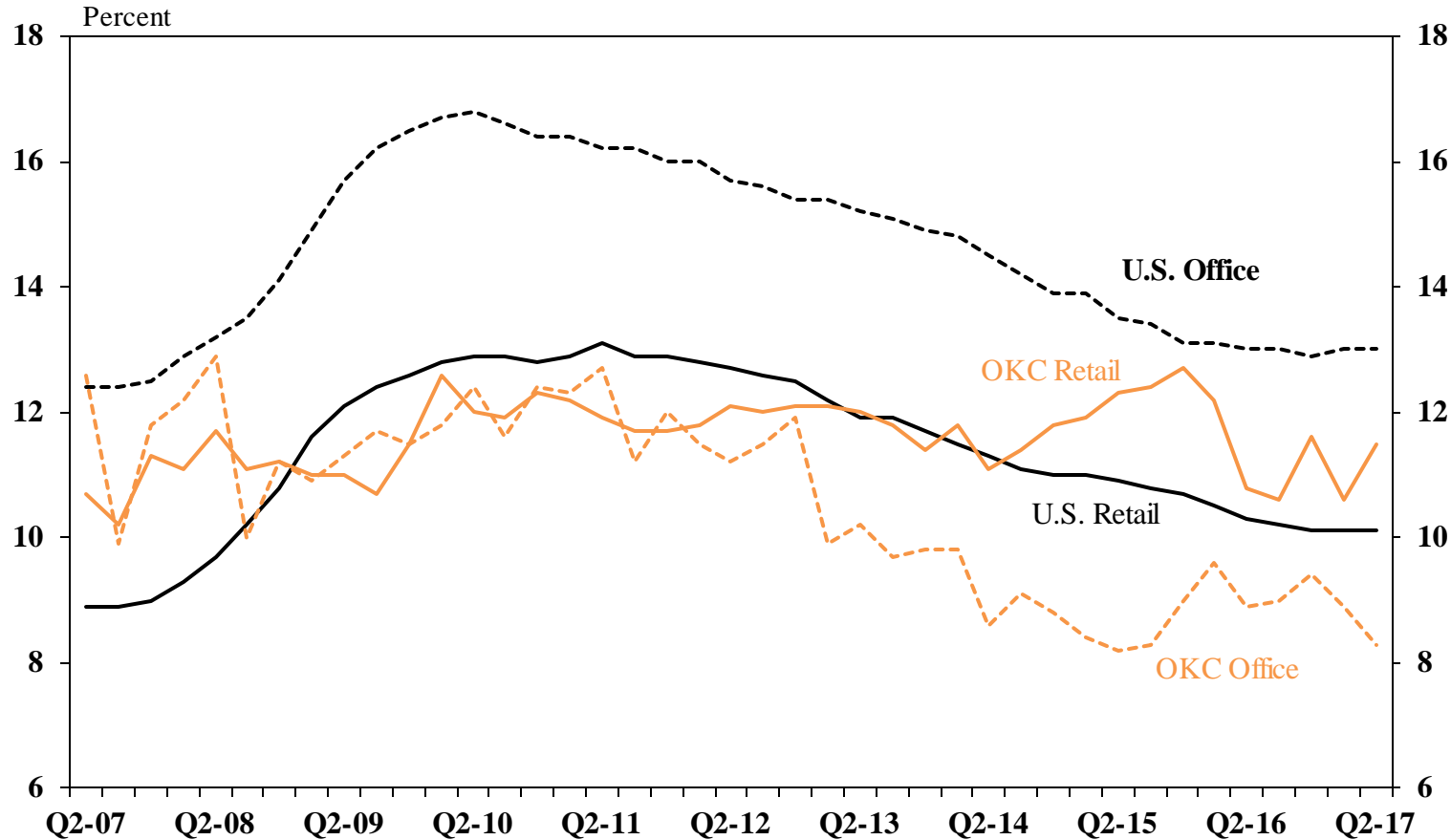
In housing, average home price growth across the state has slowed, but remains moderately positive

FHFA Home Price Index
Seasonally Adjusted



OKC office vacancies remain lower than in the U.S., while retail vacancies have improved slightly

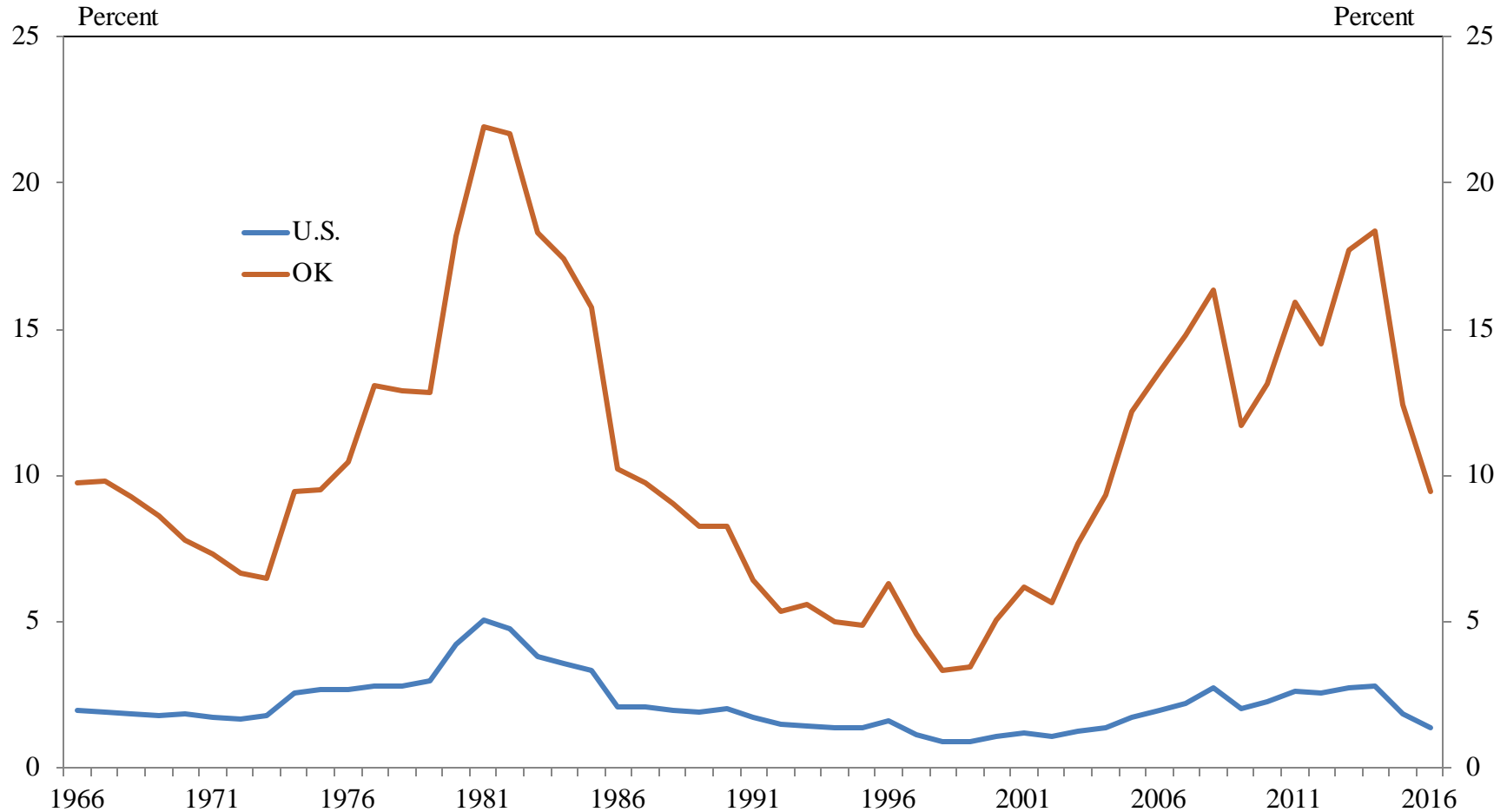
Metro Office & Retail Vacancy Rates



Source: CBRE

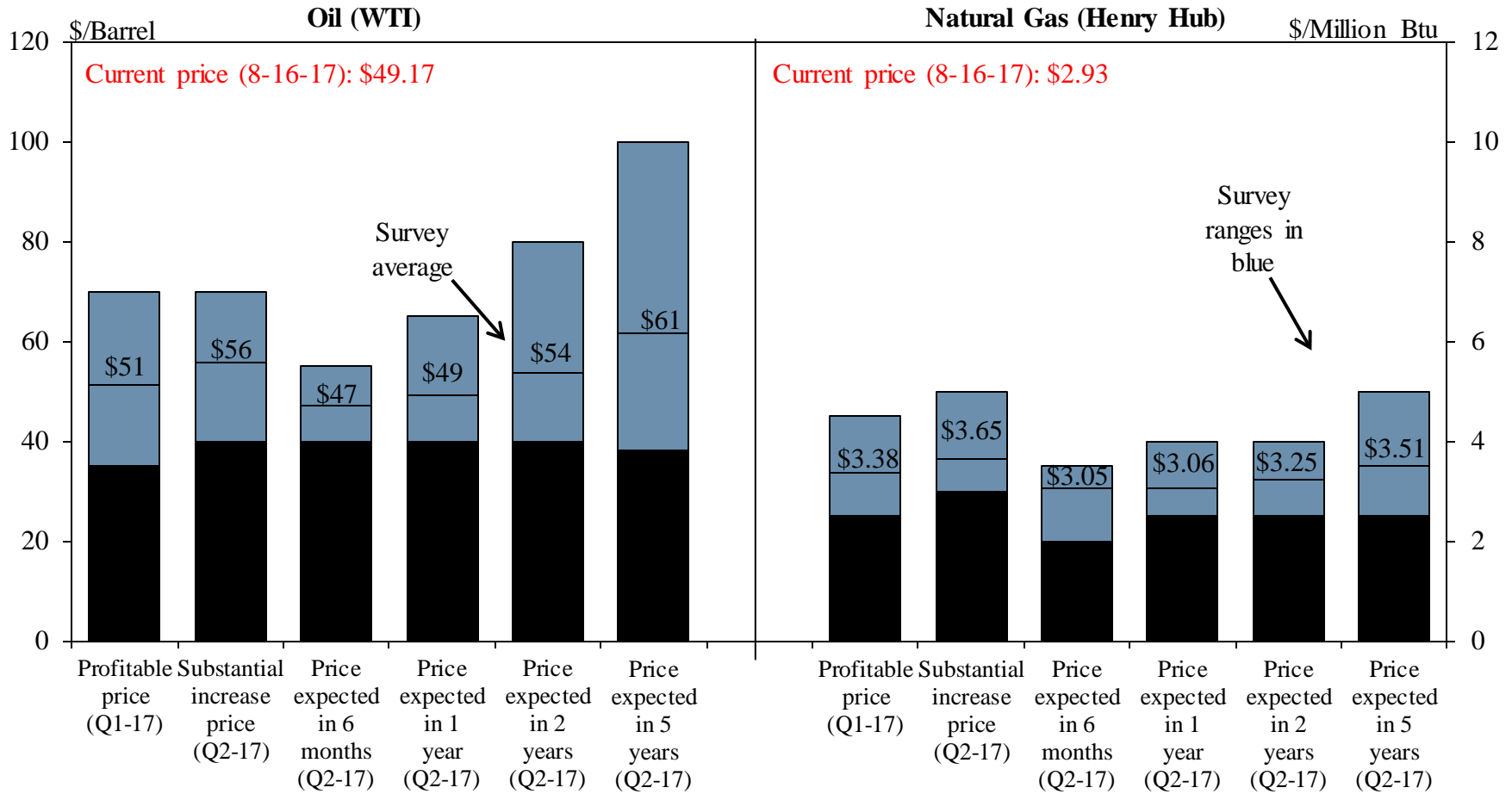
Oil and gas is still highly concentrated in the state, making the sector important for the state outlook

Mining Share of GDP



Energy prices are near but slightly below average profitable levels and are expected to stay there

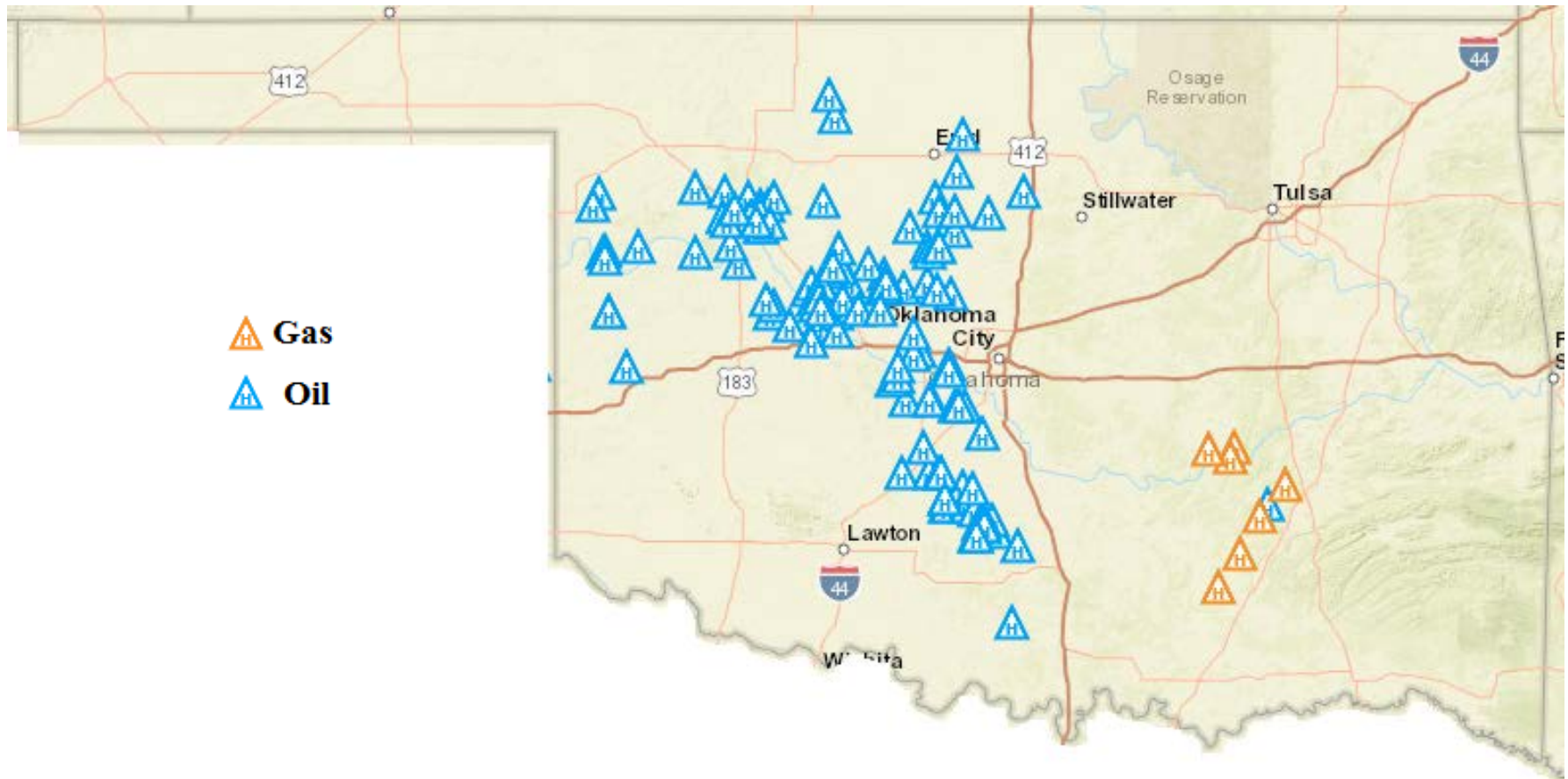
Kansas City Fed Energy Survey Special Questions



Still, considerable oil drilling is occurring in much of western OK, and gas drilling is picking up

Active Drilling Rigs

August 11, 2017



Source: Baker Hughes

Summary

- The U.S. economy continues to grow, and the Fed has been tightening monetary policy
- Oklahoma and OKC were hurt in 2015-16 by low oil prices and spillover to other sectors
- However, growth is picking up again, and OKC labor and real estate markets have held up well



Questions?

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