

U.S. and Oklahoma Economic Outlook



Oklahoma Bankers Association

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www.kansascityfed.org/oklahomacity



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- **Functions – approximately 40 staff**
 - Research on U.S. and Oklahoma economies
 - Economic, community, and financial education outreach
 - Examinations of Oklahoma financial institutions
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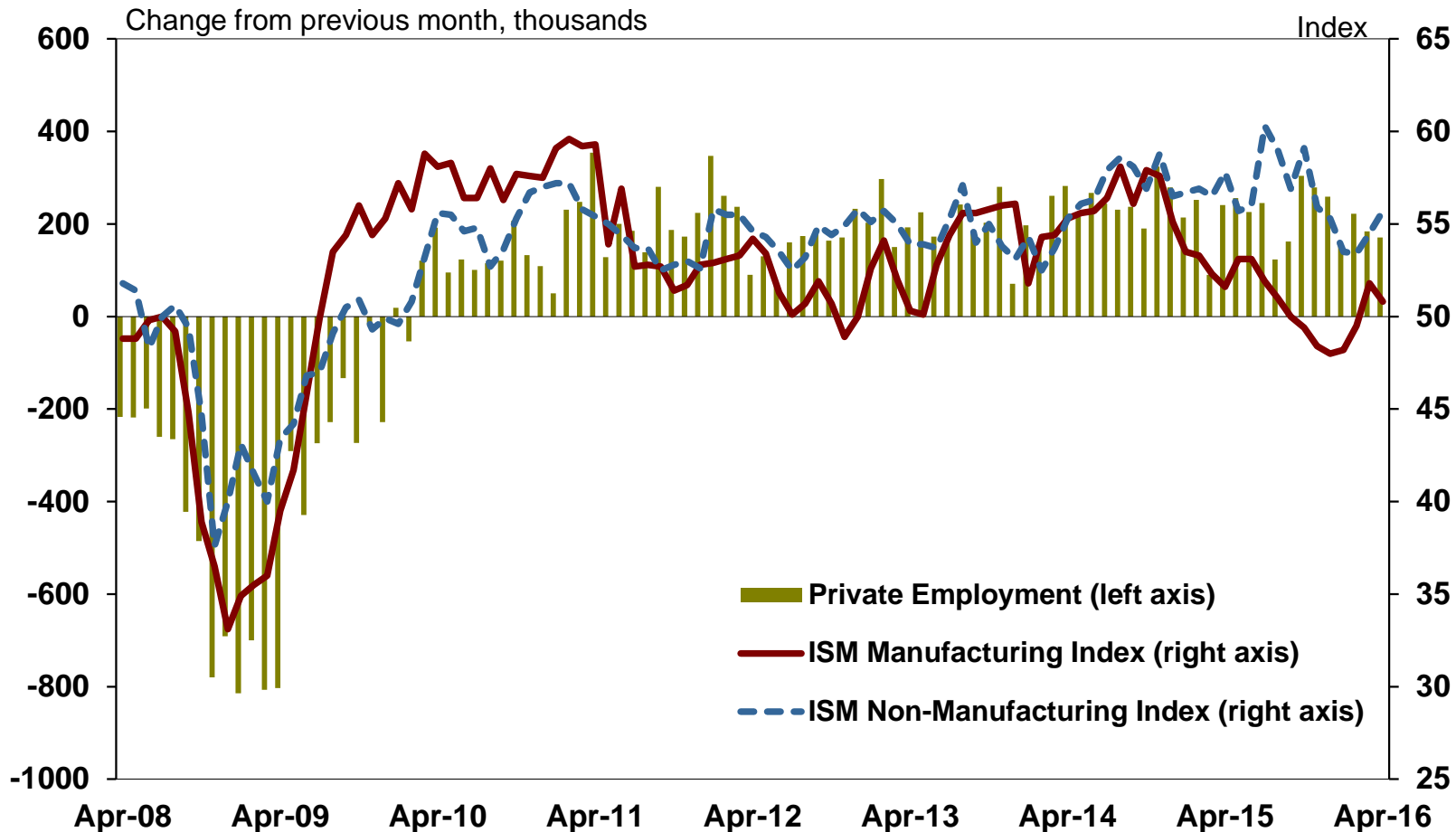


The U.S. Economy and Monetary Policy



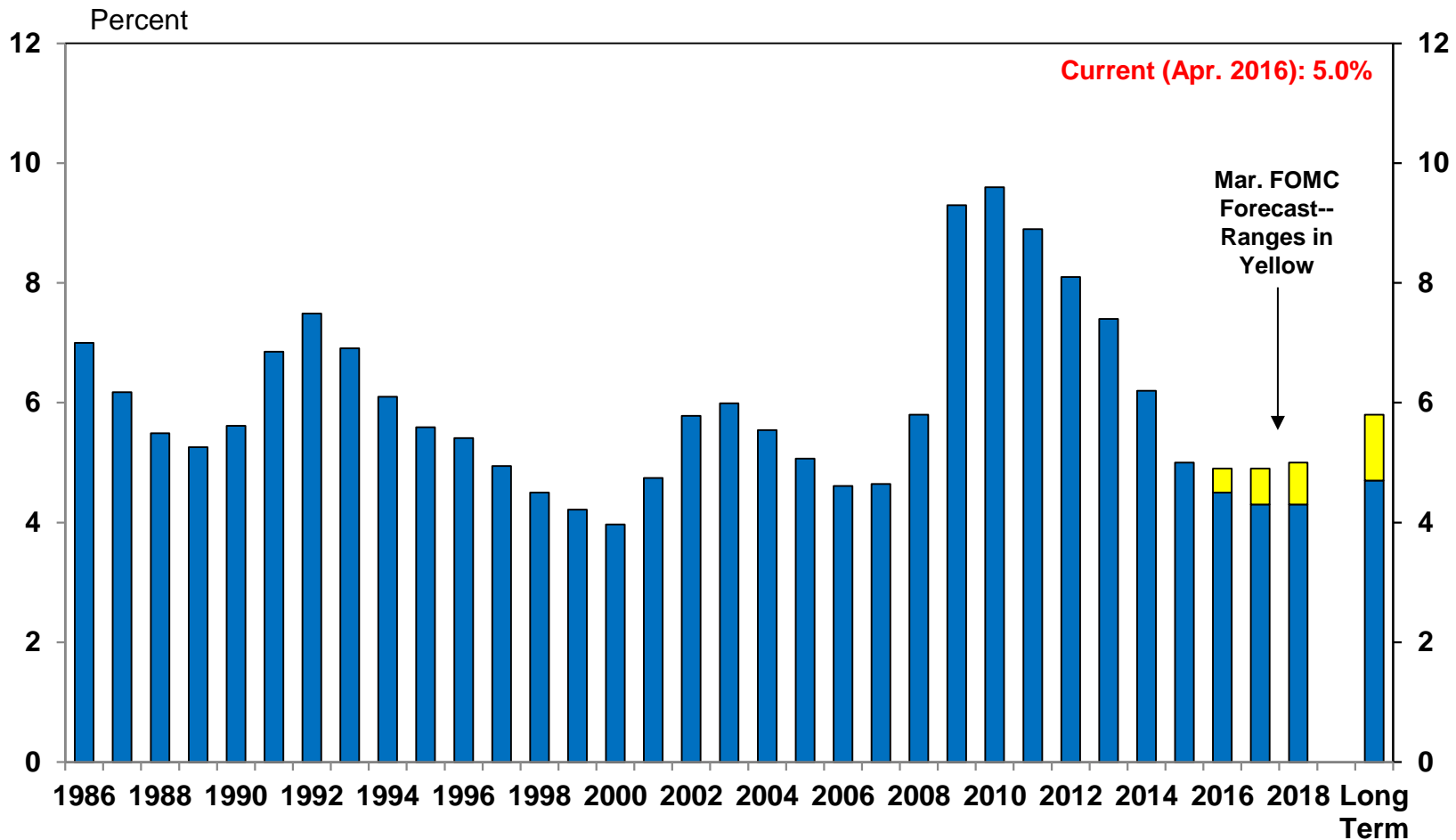
U.S. business activity has slowed slightly, but job growth remains solid

U.S. Private Payroll Employment and Business Indexes



U.S. unemployment is at long-term levels after falling considerably in recent years

Unemployment Rate
Seasonally Adjusted

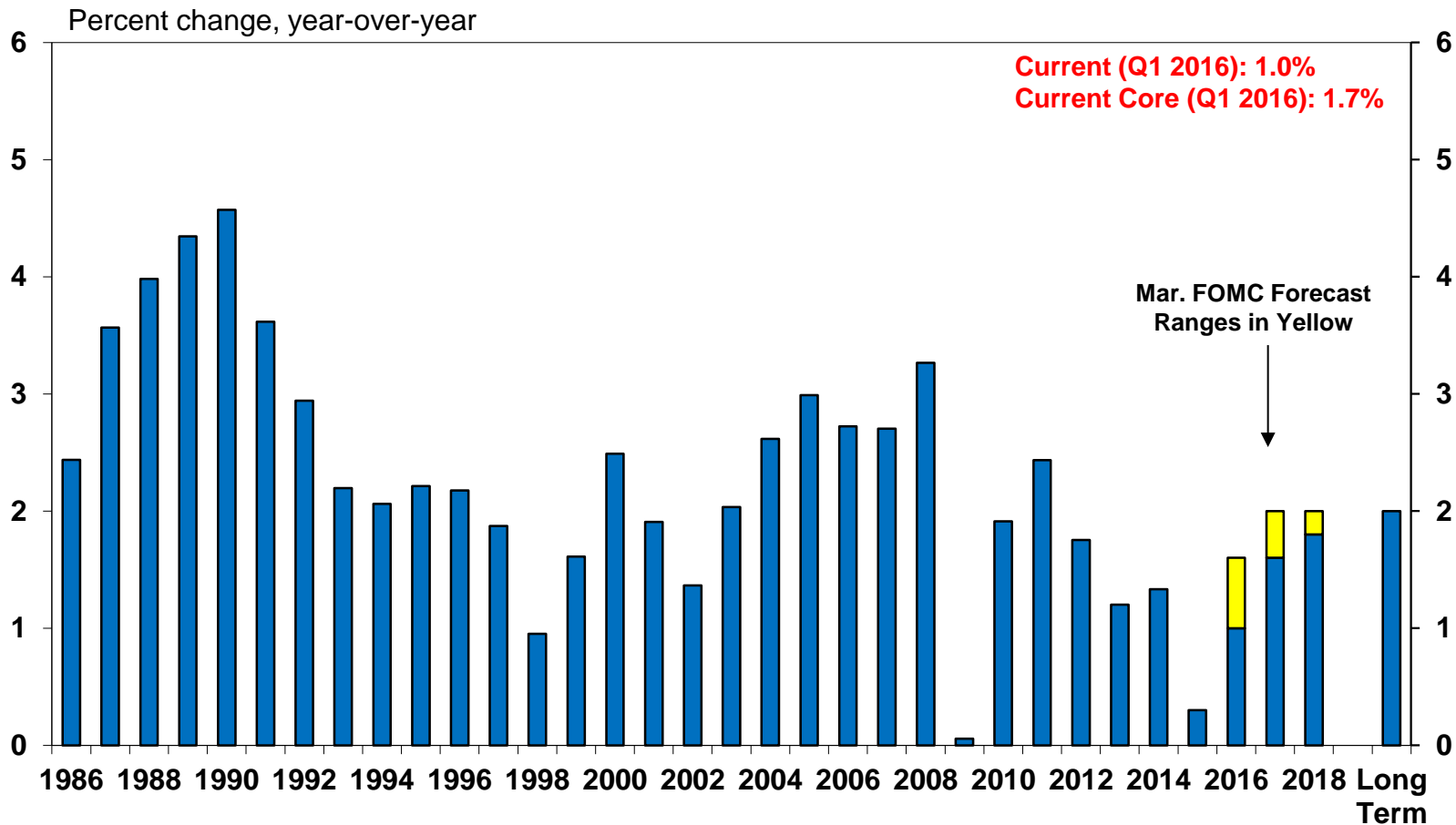


Sources: U.S. Bureau of Labor Statistics, FOMC



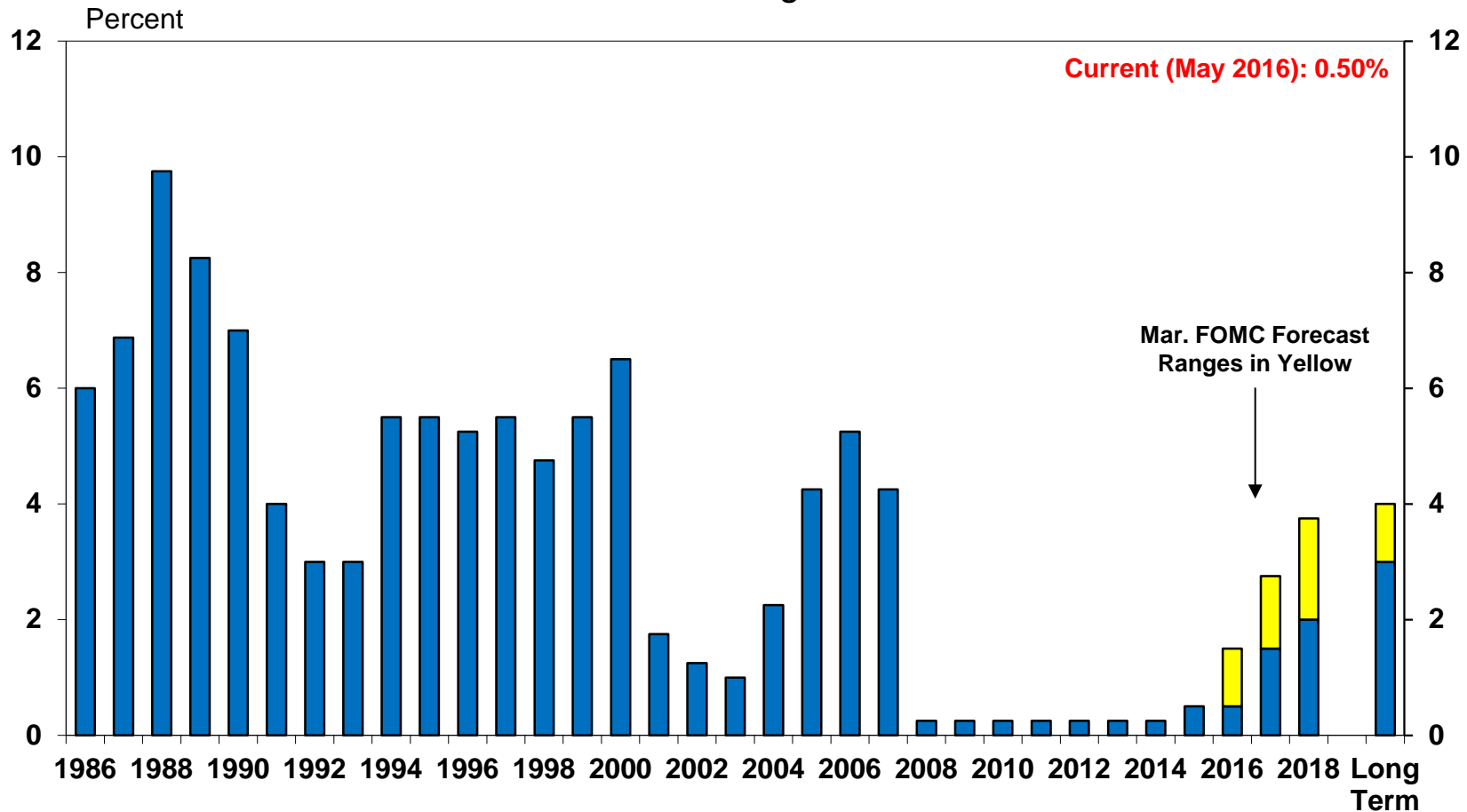
U.S. inflation is low but expected to return to close to target in 2016

PCE Inflation Index



FOMC participants expect moderate increases in rates heading forward

Federal Funds Rate
Year-end target

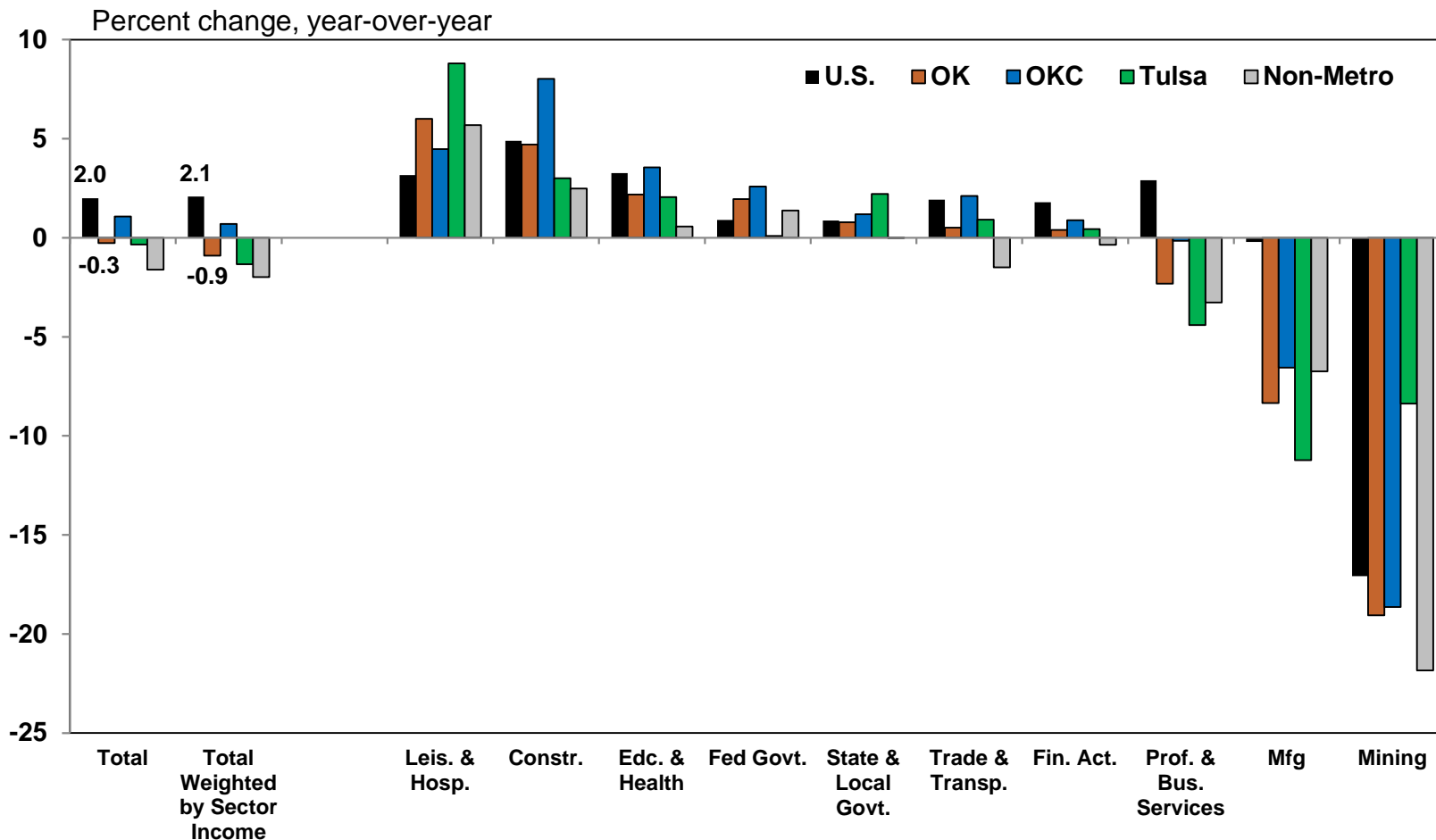


Trends in the Oklahoma Economy



Okla. employment has held up relatively well, but this includes a shift to lower-paying jobs

Job Growth by Industry
Mar-16

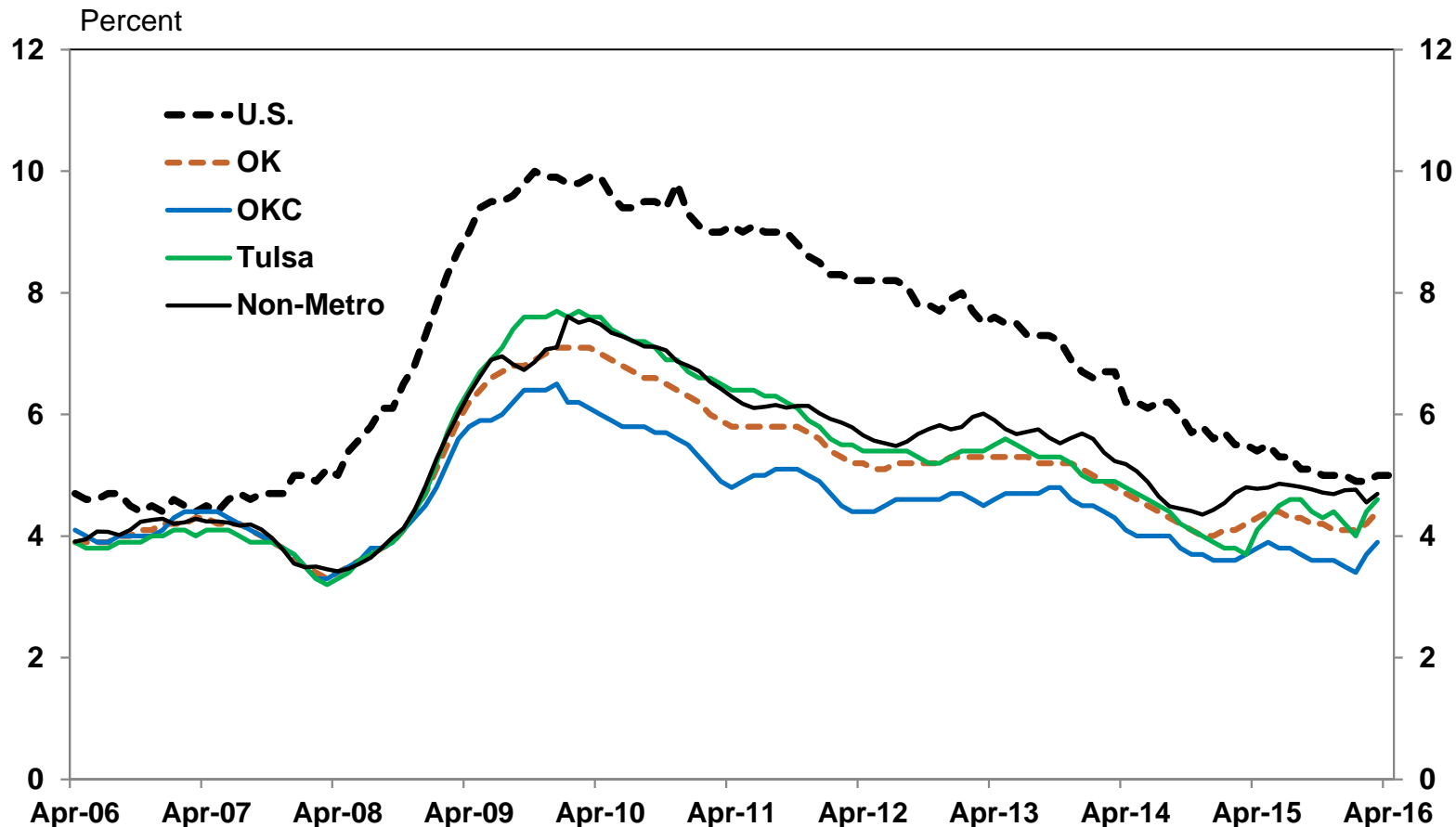


Source: Bureau of Labor Statistics



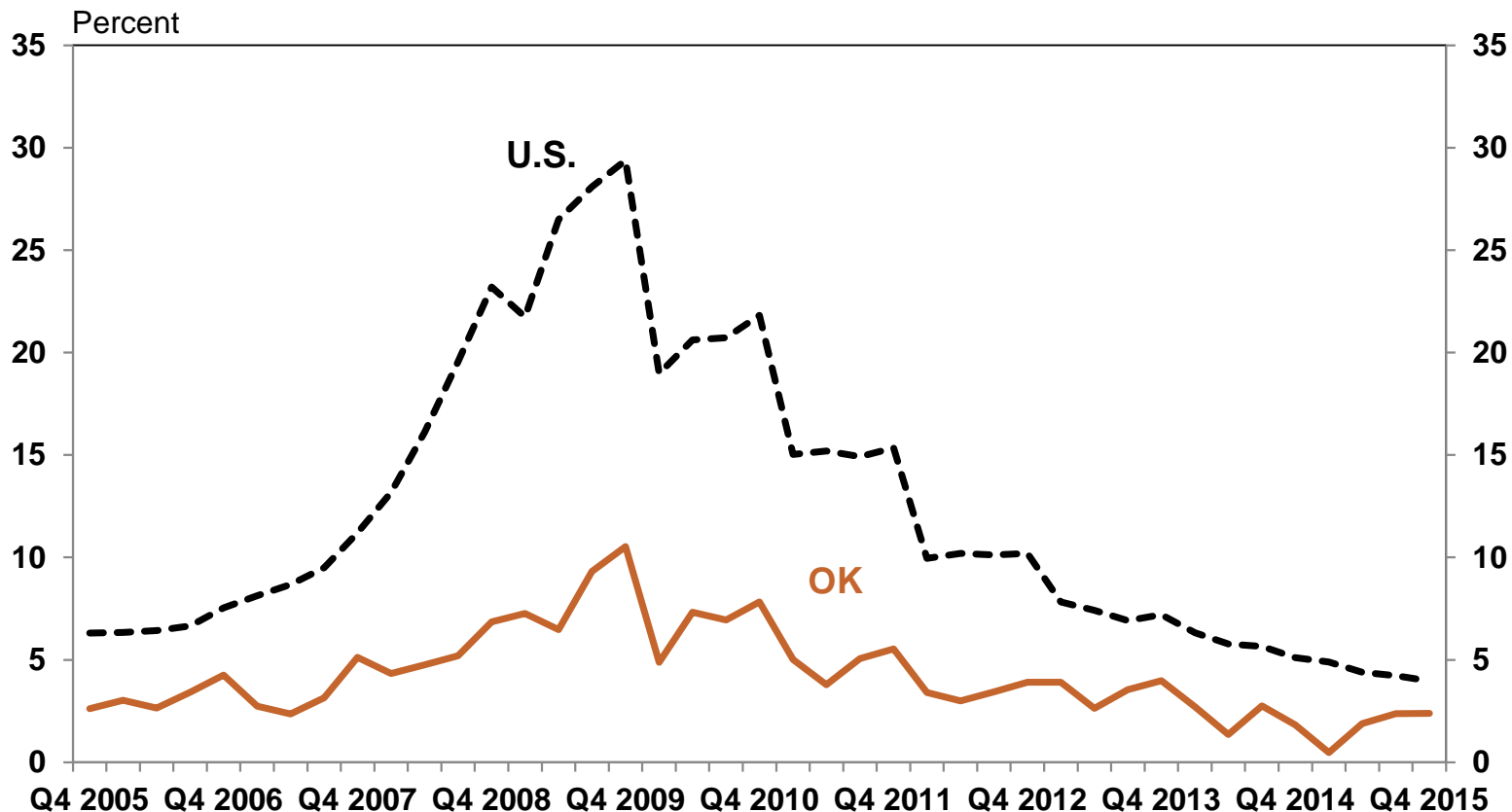
Still, with many workers finding jobs in other industries, unemployment remains low

Unemployment Rate Seasonally Adjusted



In related news, banking conditions in the state have remained good

Share of Banks Not Making a Profit Commercial Banks

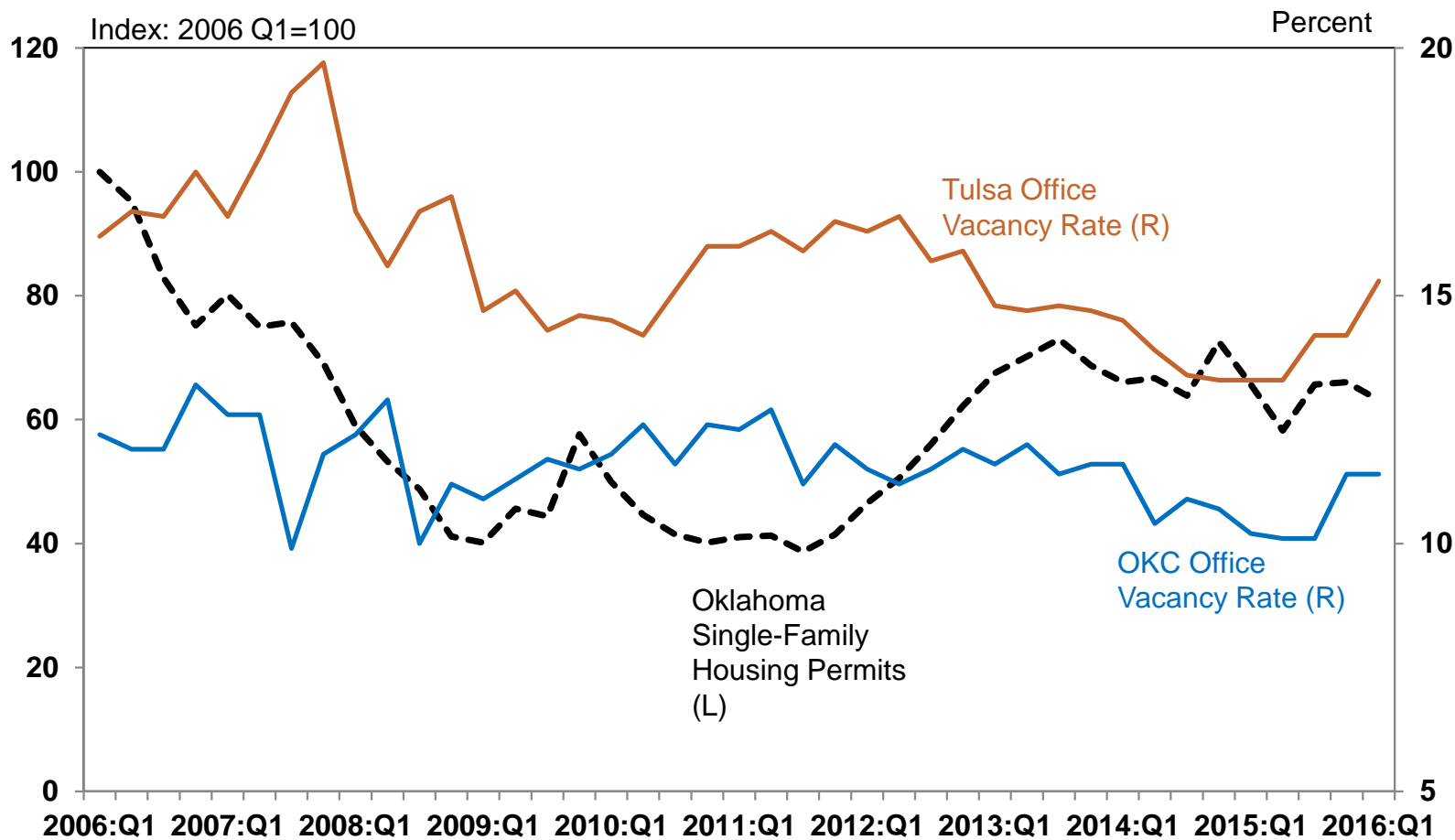


Source: FDIC



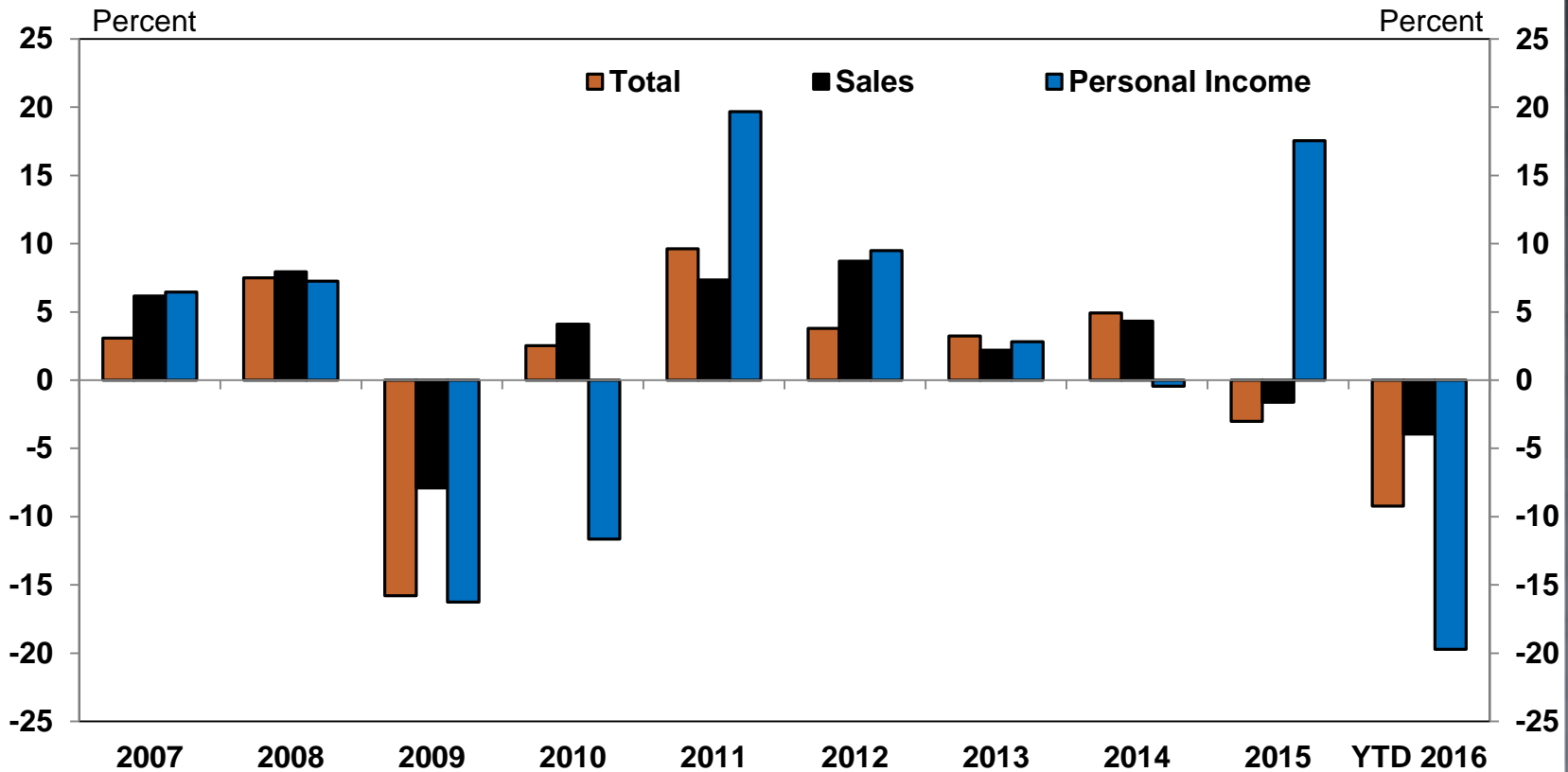
Real estate conditions have begun to soften somewhat, but from very strong levels

Office Vacancy Rates & Single-Family Permits



Declining tax receipts are creating difficulties for government budgets

State Tax Receipts, Oklahoma
Through April 2016



Source: OK Tax Commission



And energy and agriculture remain the most unique industries in Oklahoma

Oklahoma Personal Income Share by Industry

State - 2014, Metro/Non-Metro - 2012

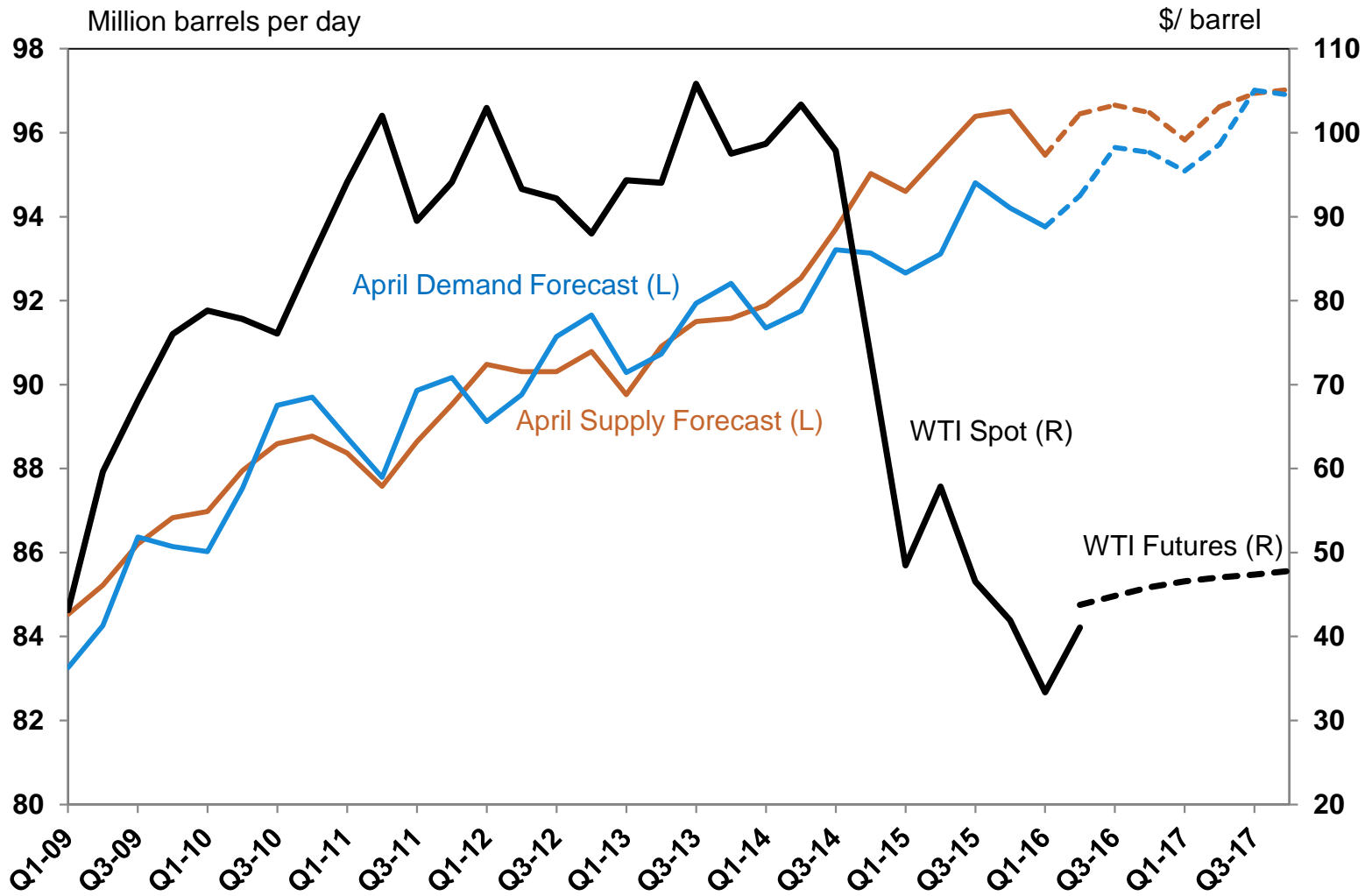
Industry	OK Location Quotient	OK % of Total Income	OKC Location Quotient	OKC % of Total Income	Tulsa Location Quotient	Tulsa % of Total Income	Non-Metro Location Quotient	Non-Metro % of Total Income
Mining	8.1	14.8	8.3	14.4	7.8	13.6	7.2	12.5
Farming	1.8	2.0	0.3	0.3	0.3	0.3	4.9	4.9
Federal Government	1.3	5.8	1.8	8.6	0.4	1.8	1.7	8.2
Construction	1.1	6.4	1.0	5.7	1.3	7.3	1.0	5.8
Trade, Transp. & Utilities	1.1	16.1	1.0	14.6	1.2	18.8	1.0	15.0
State & Local Government	1.0	13.0	0.9	12.1	0.6	7.7	1.4	19.6
Manufacturing	0.9	9.4	0.7	6.8	1.3	13.3	1.0	9.9
Education & Health	0.8	10.7	0.9	11.7	0.9	11.5	0.7	9.4
Leisure & Hospitality	0.8	3.5	0.9	4.1	0.7	3.0	0.7	3.0
Prof. & Business Services	0.6	10.8	0.7	12.6	0.8	13.1	0.4	6.7
Financial Activities	0.6	6.0	0.8	7.3	0.8	7.3	0.4	4.2
Information	0.5	1.6	0.5	1.8	0.7	2.3	0.3	0.9

Note - Location quotient is the division of local share by national share



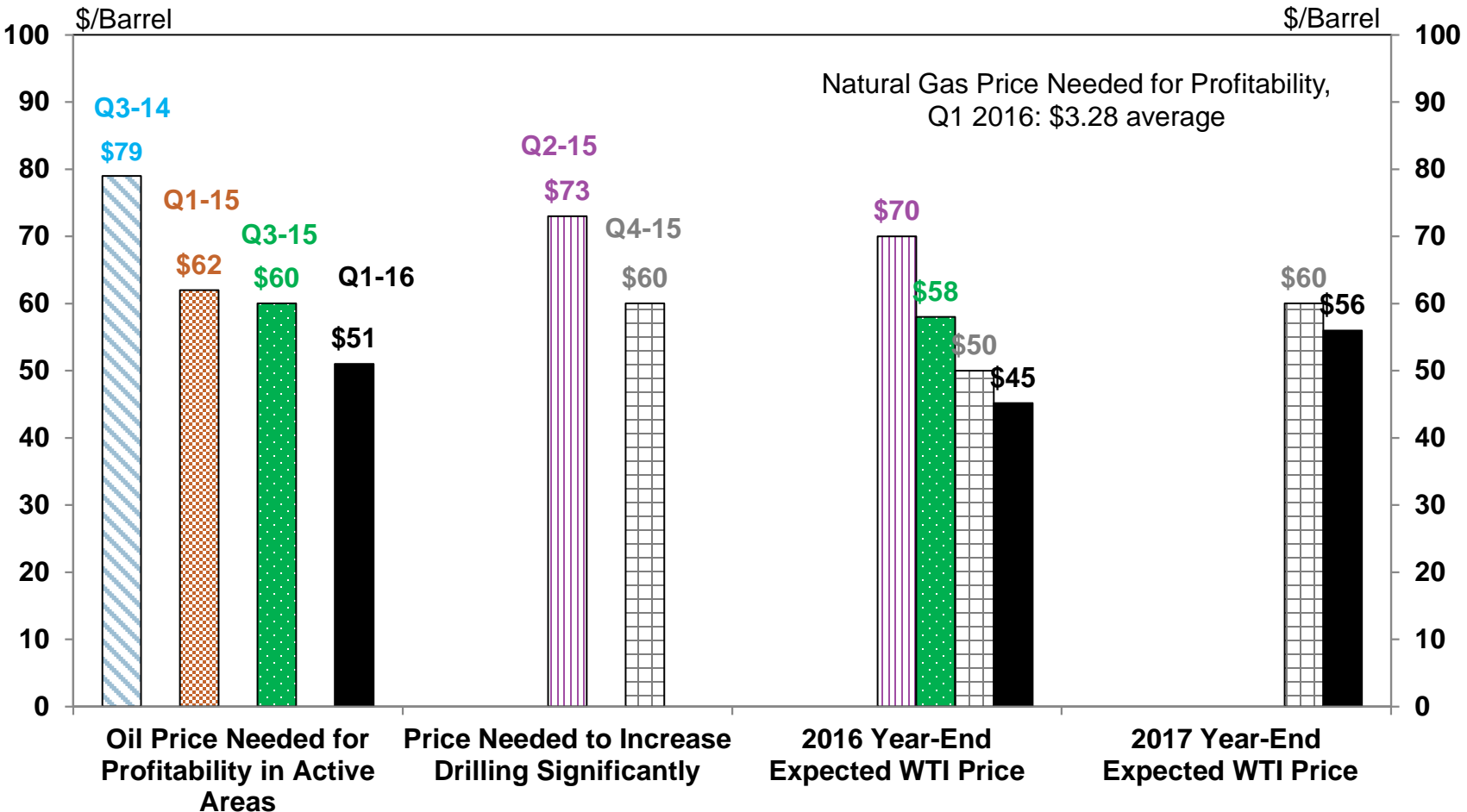
World oil supply and demand are expected to remain out of balance for some time

Global Oil Supply and Demand



Profitable prices for oil (and natural gas) remain above current prices

KC Fed Energy Survey Special Questions
Q3 2014 to Q1 2016

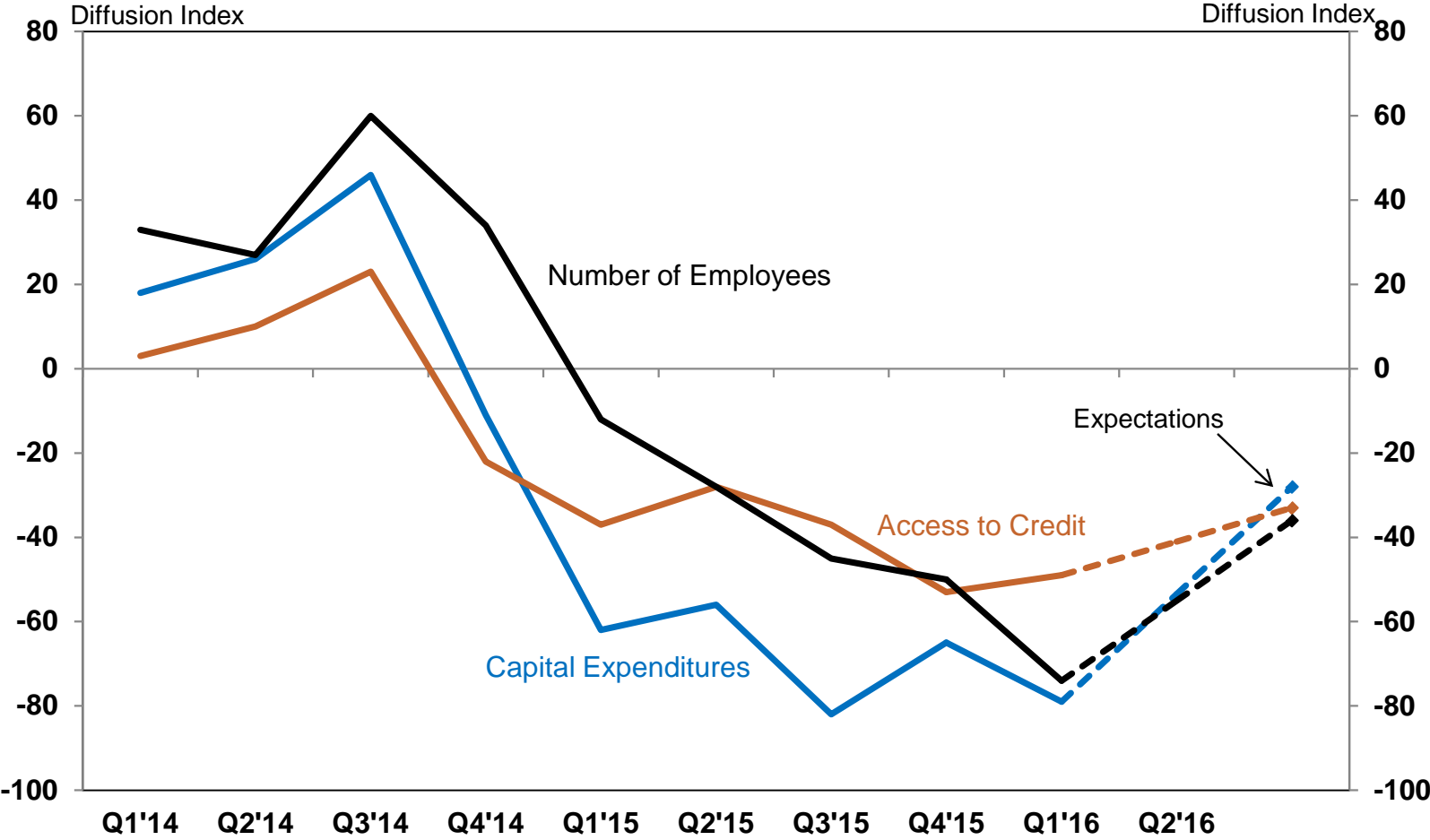


Source: FRBKC Energy Survey



The KC Fed's Q1 energy survey showed further energy declines, with more expected

Year-Over-Year Energy Survey Indexes

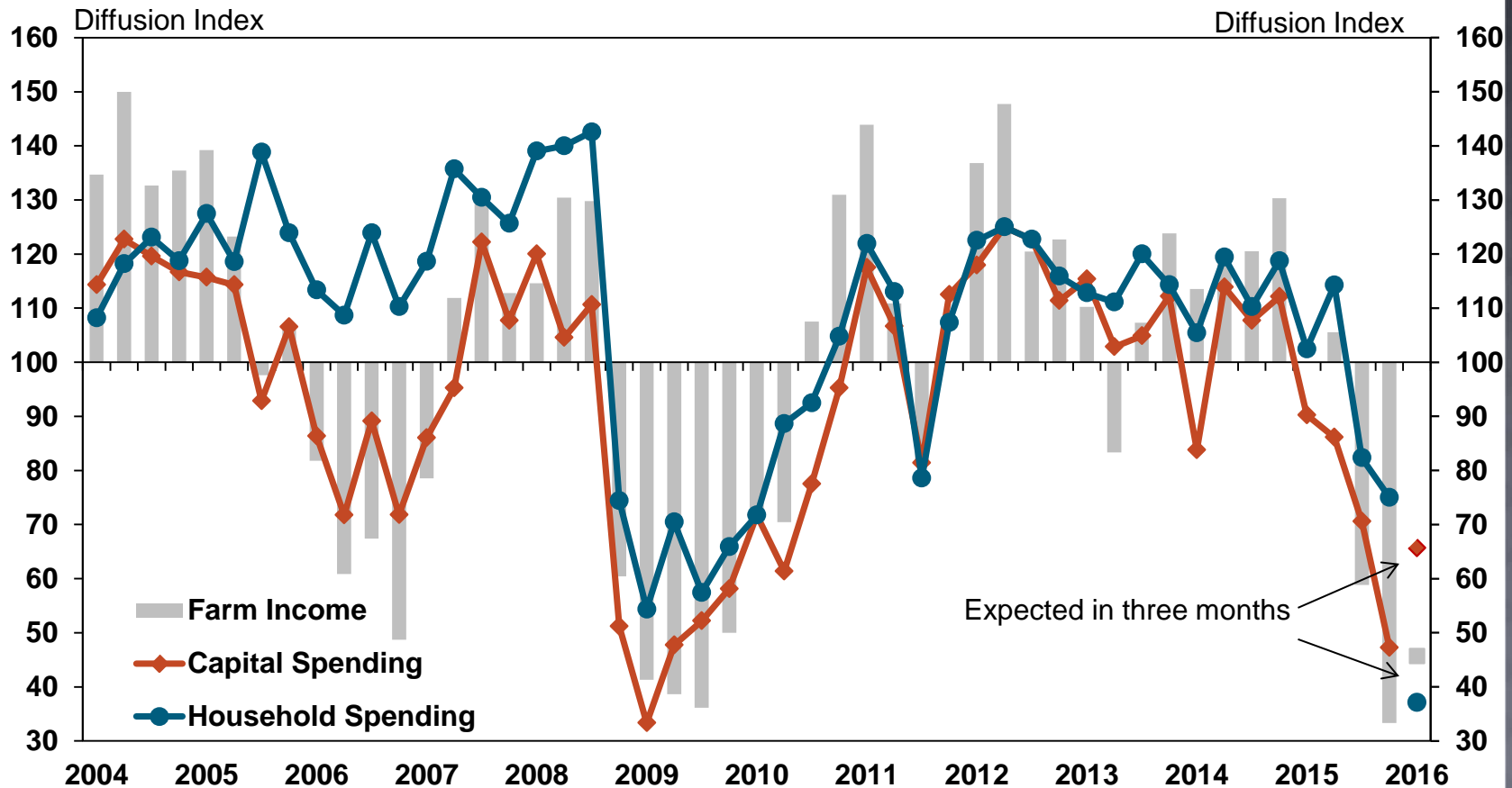


Source: FRBKC Energy Survey



Our ag credit survey also shows drops in Oklahoma farm income and spending

Oklahoma Farm Income



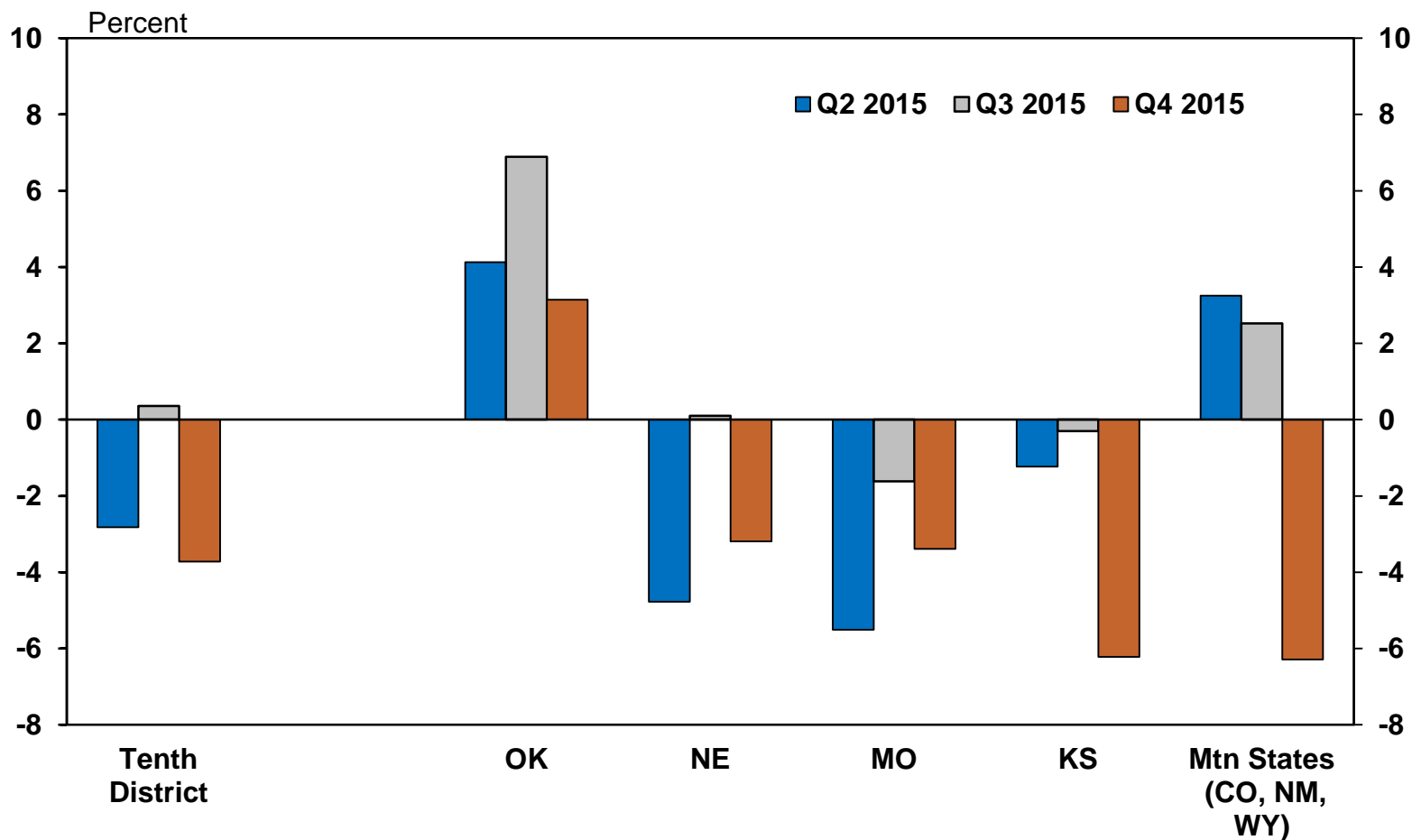
Source: Federal Reserve Bank of Kansas City, Survey of Ag Credit Conditions



Still, farmland values have held up in Oklahoma, unlike in the rest of our region

Tenth District Farmland Values

Percent Change, Year-over-year



Summary

- The U.S. economy continues to grow, and the Fed has begun to raise interest rates
- Oklahoma employment and tax revenues continue to suffer from the oil downturn
- But unemployment remains low, and there has been fairly limited spillover so far
- The latest KC Fed energy and agriculture surveys suggest more difficulties ahead

