

U.S. and Oklahoma Economic Update



Tahlequah Economic Forum
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www.kansascityfed.org/oklahomacity



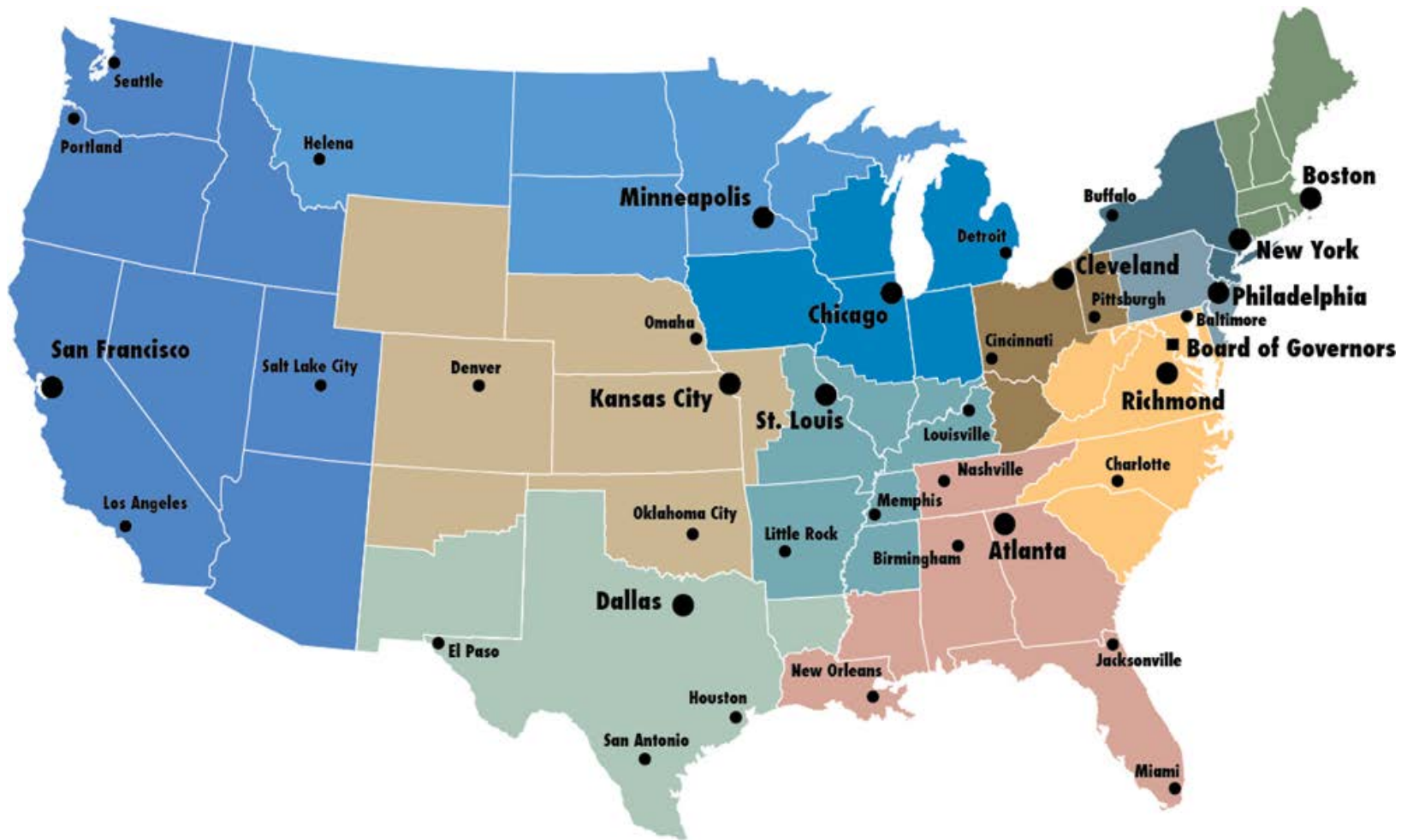
Structure and Functions of the Federal Reserve System

- **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 four general areas:**
 - Lender of last resort – provide liquidity in times of crisis
 - Monetary policy – promote full employment and low inflation
 - Bank regulation – ensure safety and soundness of banks
 - Financial services – 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 – approximately 40 staff**
 - Research on U.S. and Oklahoma economies
 - Economic, community, and financial education outreach
 - Examinations of Oklahoma financial institutions
- **2016 Branch Board of Directors**
 - **Pete Delaney (chair)**, Chairman & CEO (retired), OGE Energy Corp., OKC
 - **Clint Abernathy**, Owner, Abernathy Farms, Inc., Altus
 - **Michael Coffman**, CEO, Panhandle Oil & Gas, Inc., Oklahoma City
 - **Chuck Hall**, Chairman & CEO, Exchange Bank & Trust, Perry
 - **Jane Haskin**, President & CEO, First Bethany Bank & Trust, Bethany
 - **Tina Patel**, Co-Owner & CFO, Promise Hotels, Tulsa
 - **Doug Stussi**, EVP & CFO, Love's Travel Stops & Country Stores, OKC

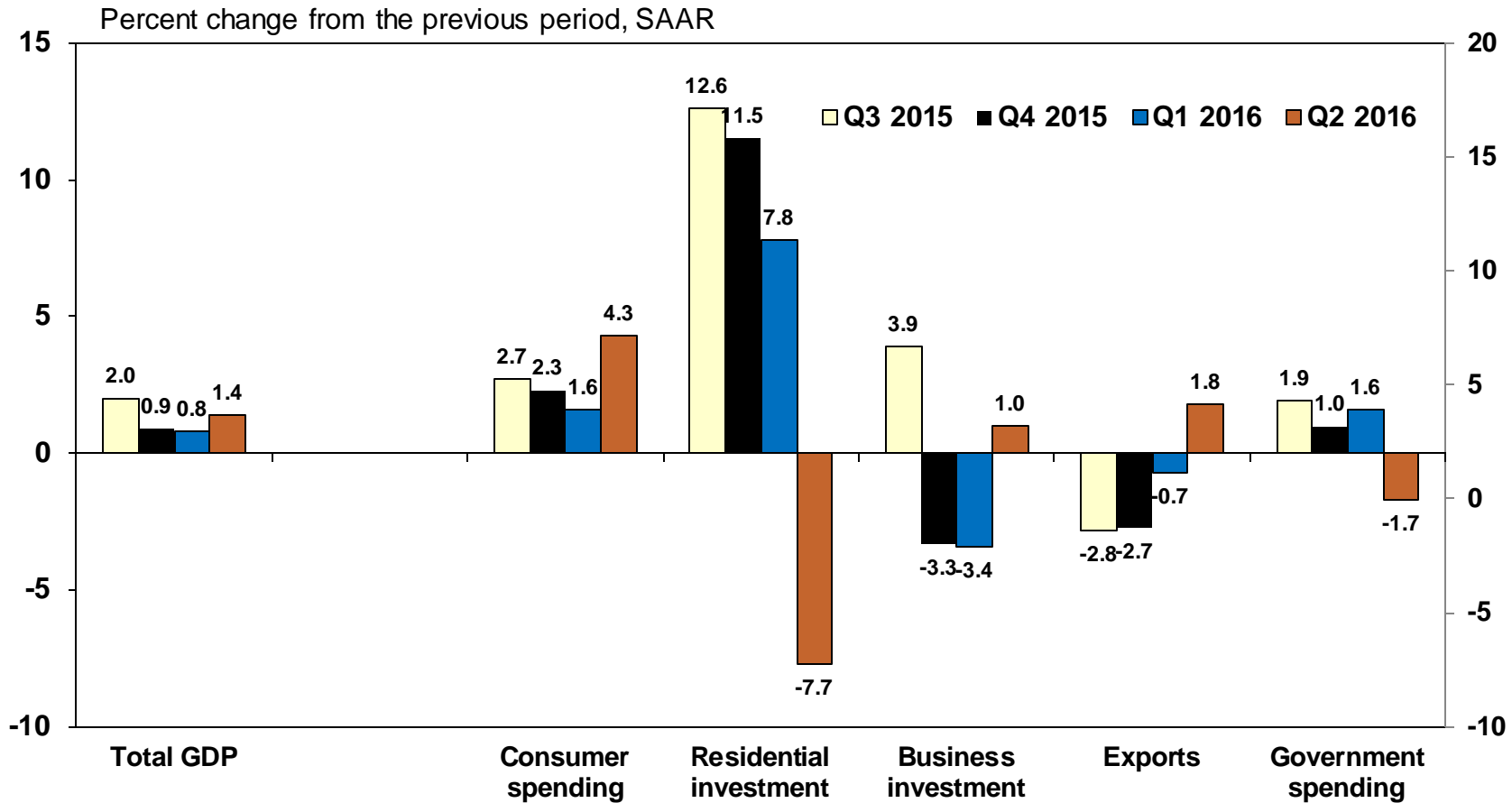


The U.S. Economy and Monetary Policy



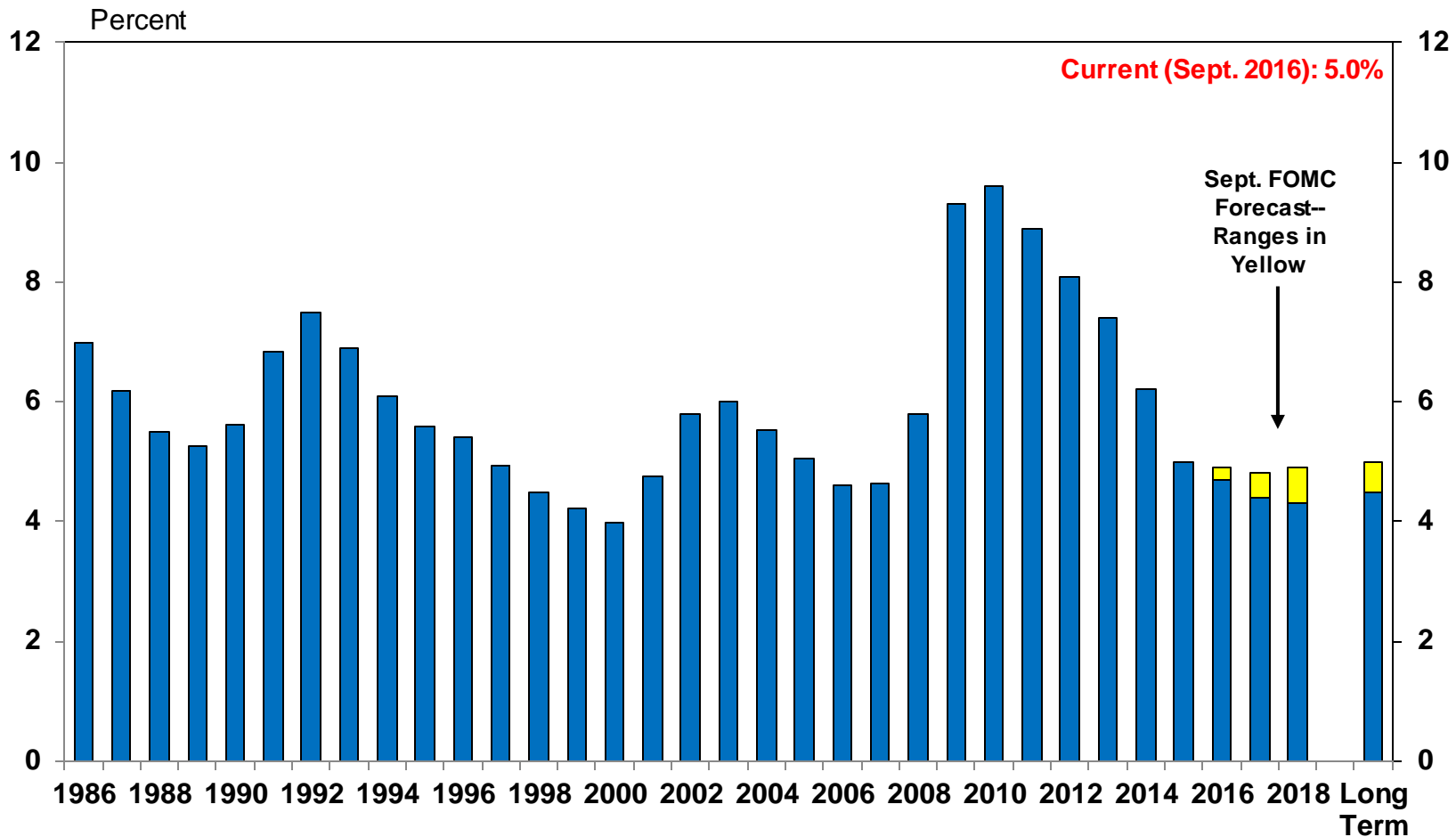
GDP growth has been modest the past 3 quarters, with investment the main drag

Growth in Components of Real GDP



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

Unemployment Rate
Seasonally Adjusted

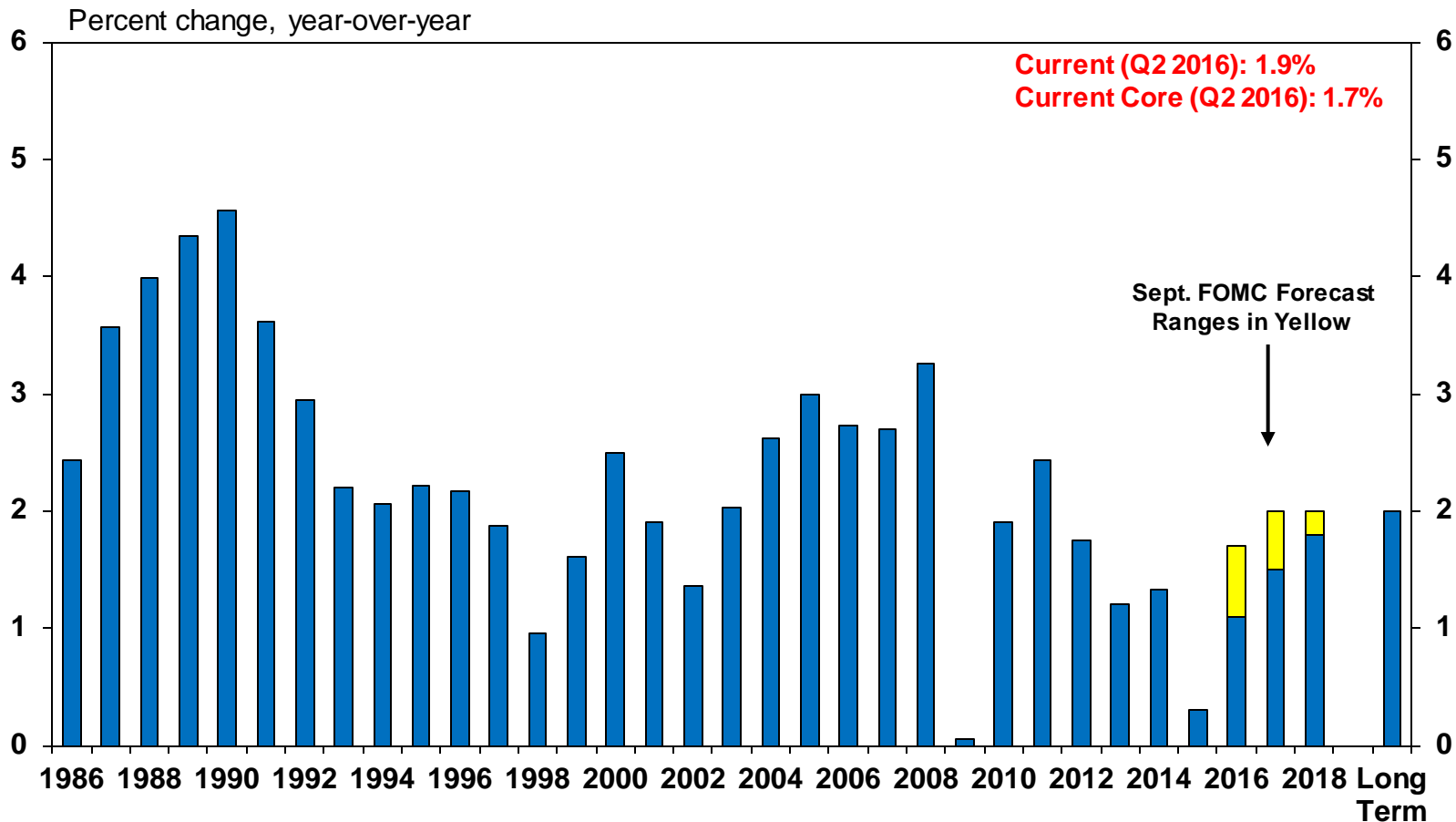


Sources: U.S. Bureau of Labor Statistics, FOMC

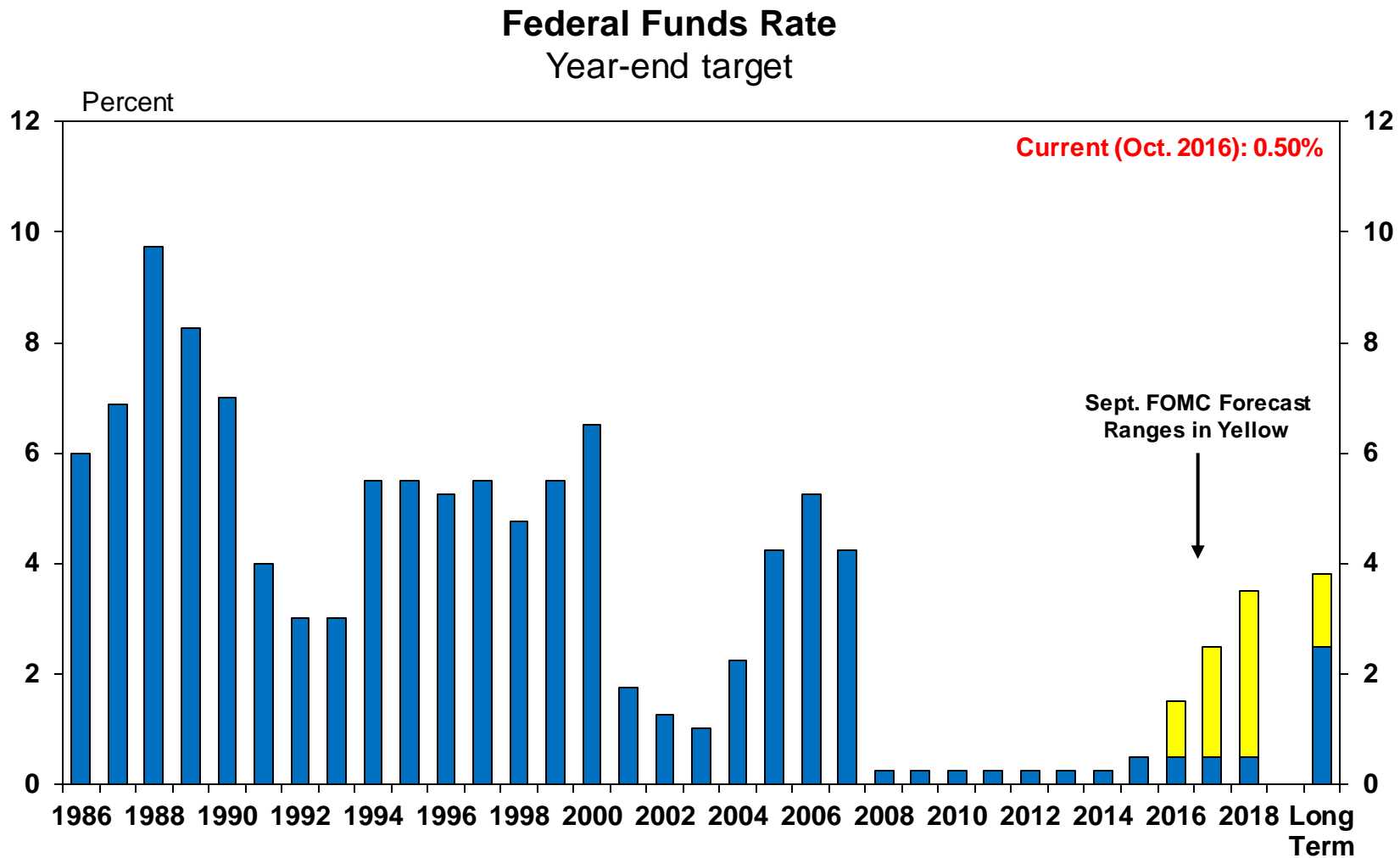


U.S. inflation is low but expected to return to close to target in 2016

PCE Inflation Index



FOMC participants expect moderate increases in interest rates heading forward



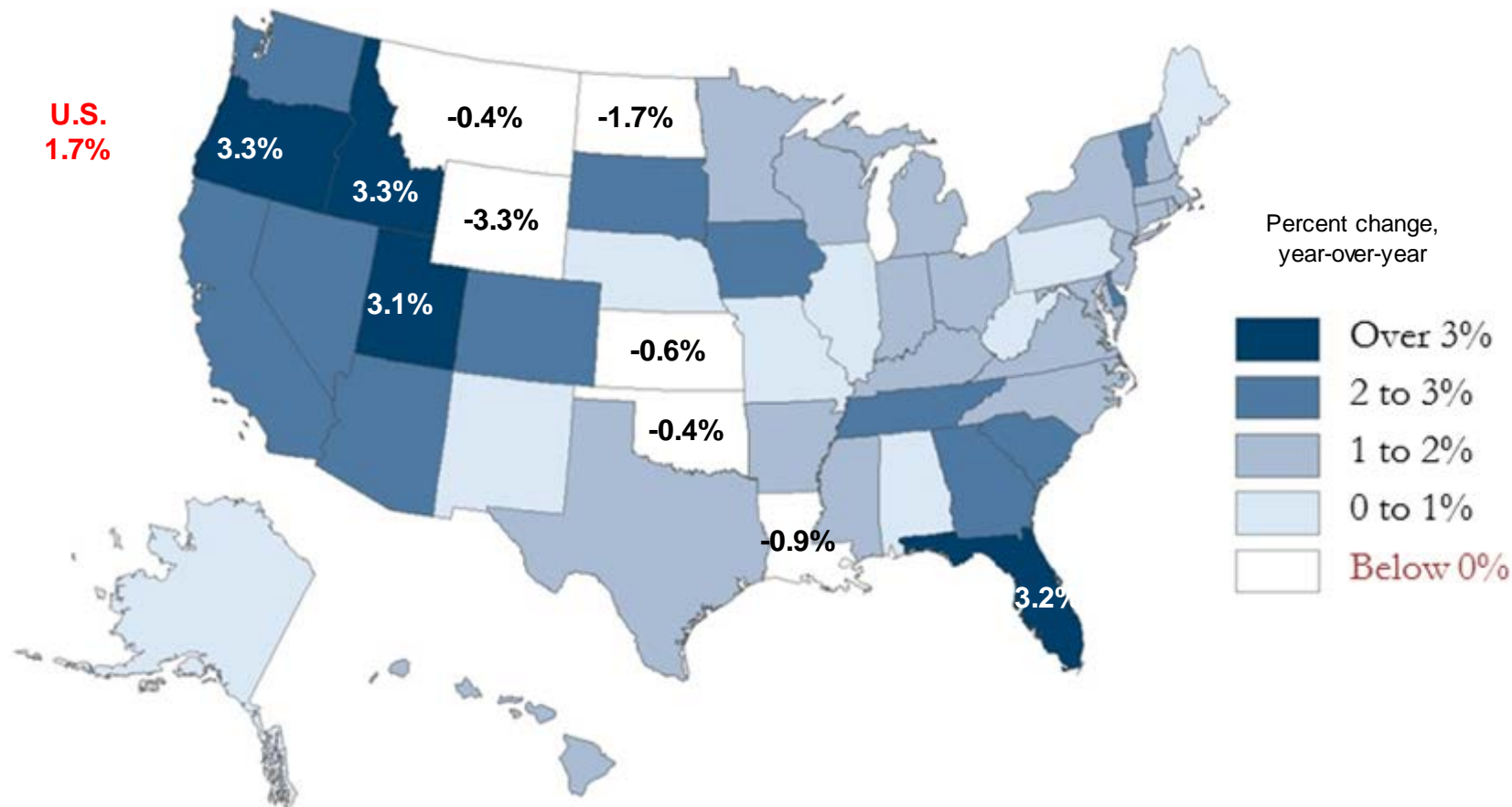
Trends in the Oklahoma Economy



Growth has diverged across the nation, with 6 states in or near recession, incl. Oklahoma

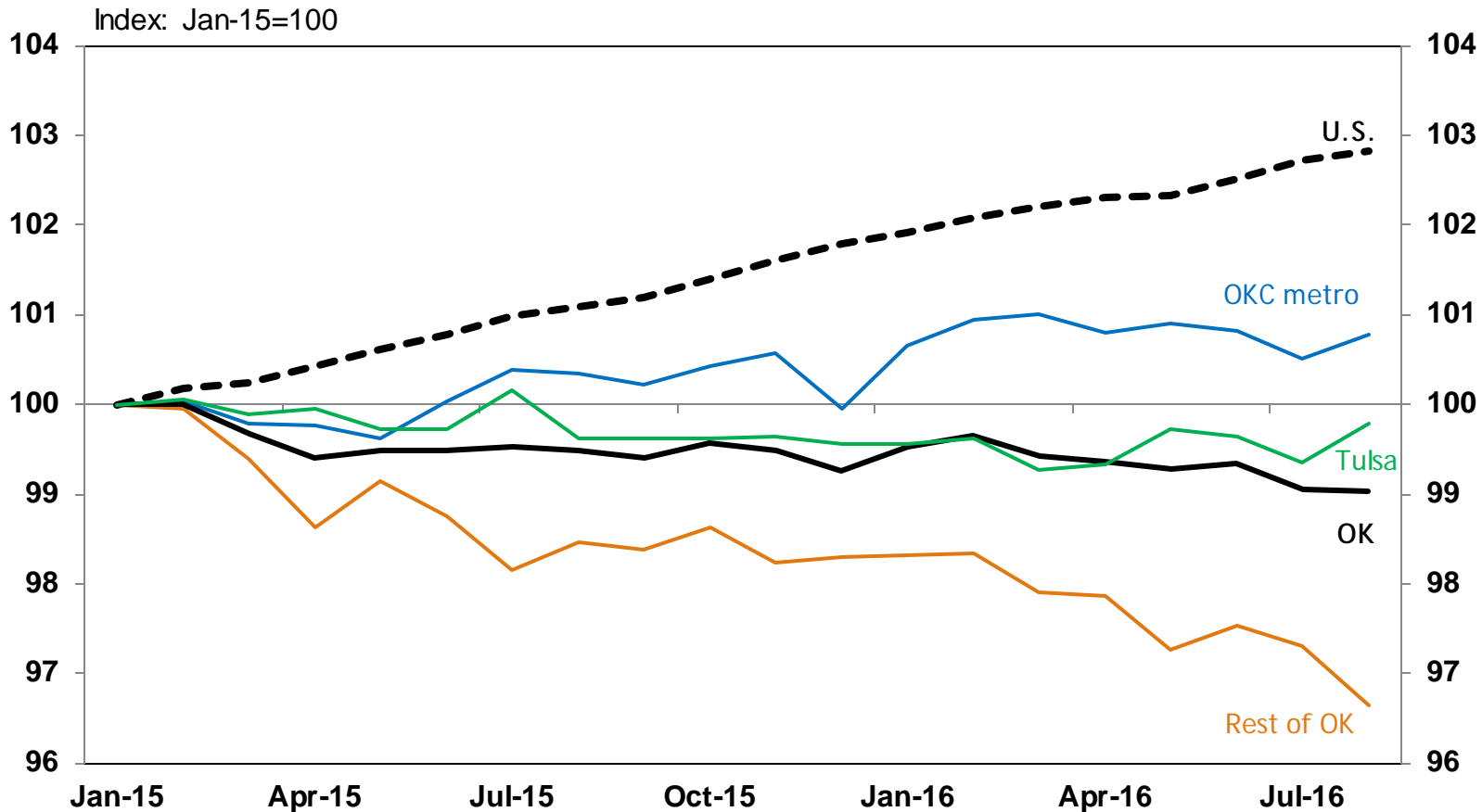
Total Nonfarm Employment Growth
August 2016

U.S.
1.7%



Employment growth has also diverged across OK but lags the nation throughout

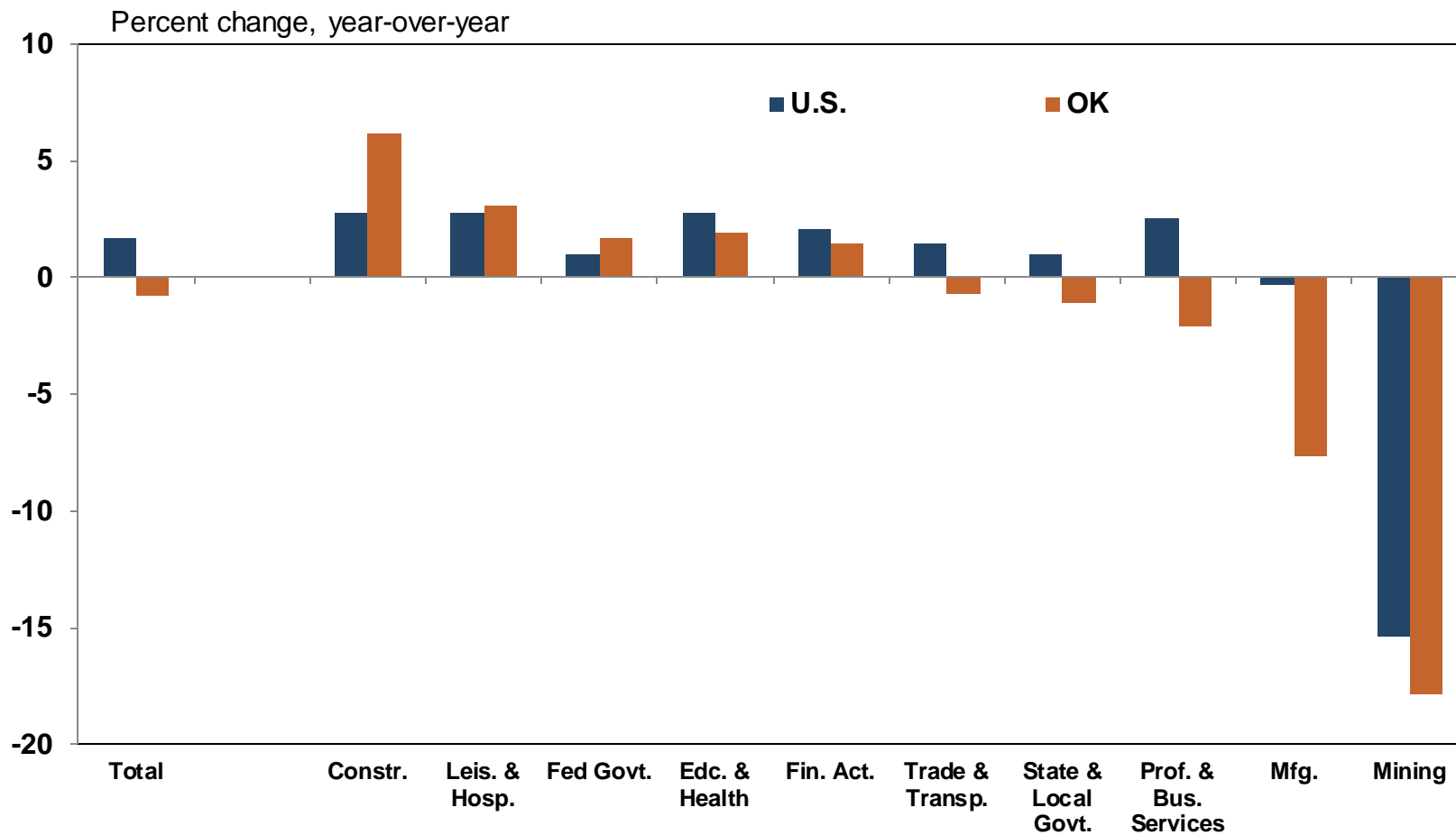
Level of Payroll Employment
Through August 2016



Higher-paying jobs have done worse than lower-paying jobs across Oklahoma lately

Job Growth by Industry

Aug-16

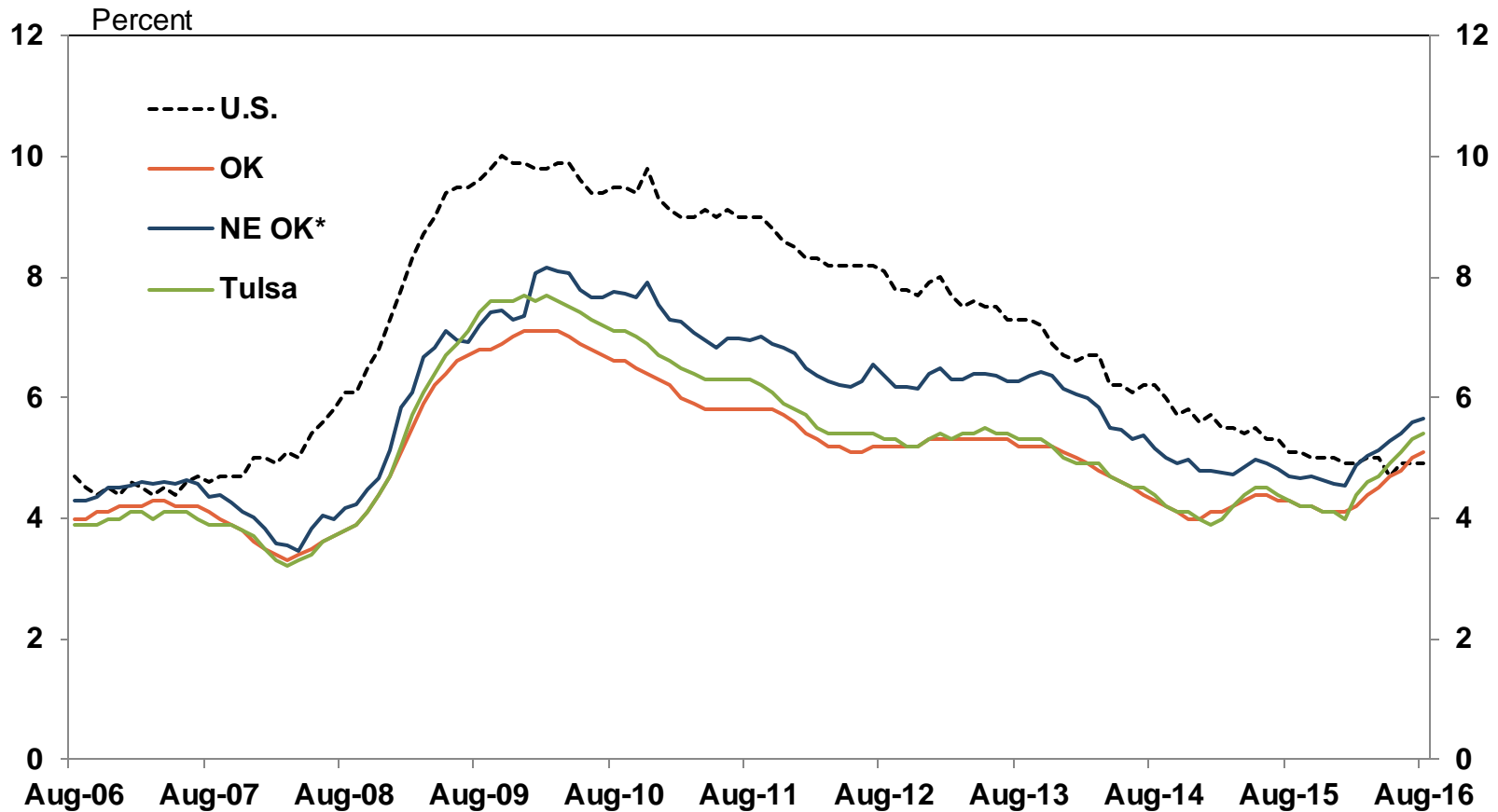


Source: Bureau of Labor Statistics



Unemployment has ticked up this year, but just to slightly above the national rate

Unemployment Rates
Seasonally Adjusted



*Includes the following counties: Adair, Cherokee, Craig, Delaware, McIntosh, Mayes, Muskogee, Nowata, Ottawa, Rogers, Sequoyah, Wagoner, Washington

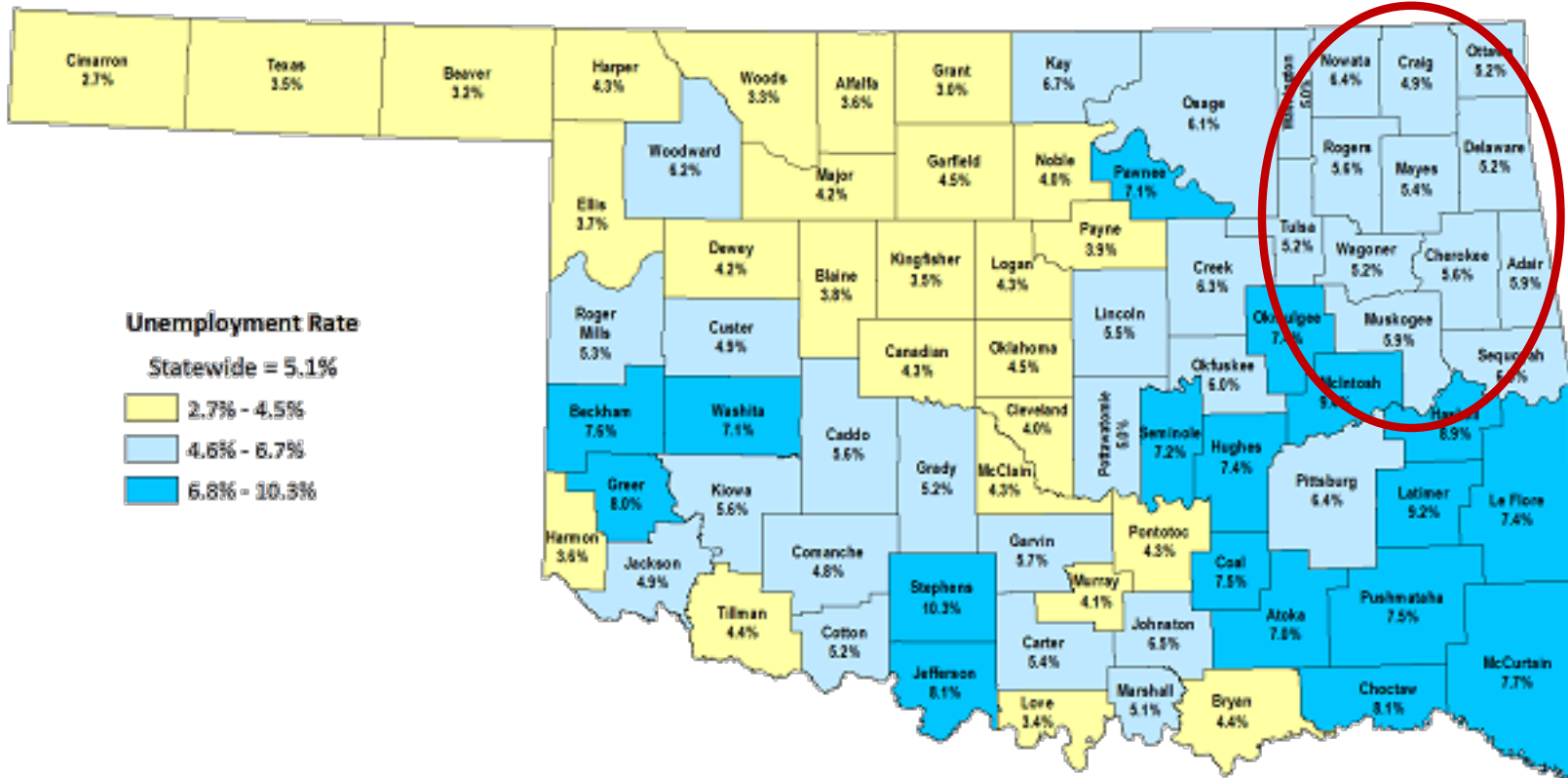
Source: U.S. Bureau of Labor Statistics



Unemployment is above the U.S. or OK in most of the counties in northeast Oklahoma

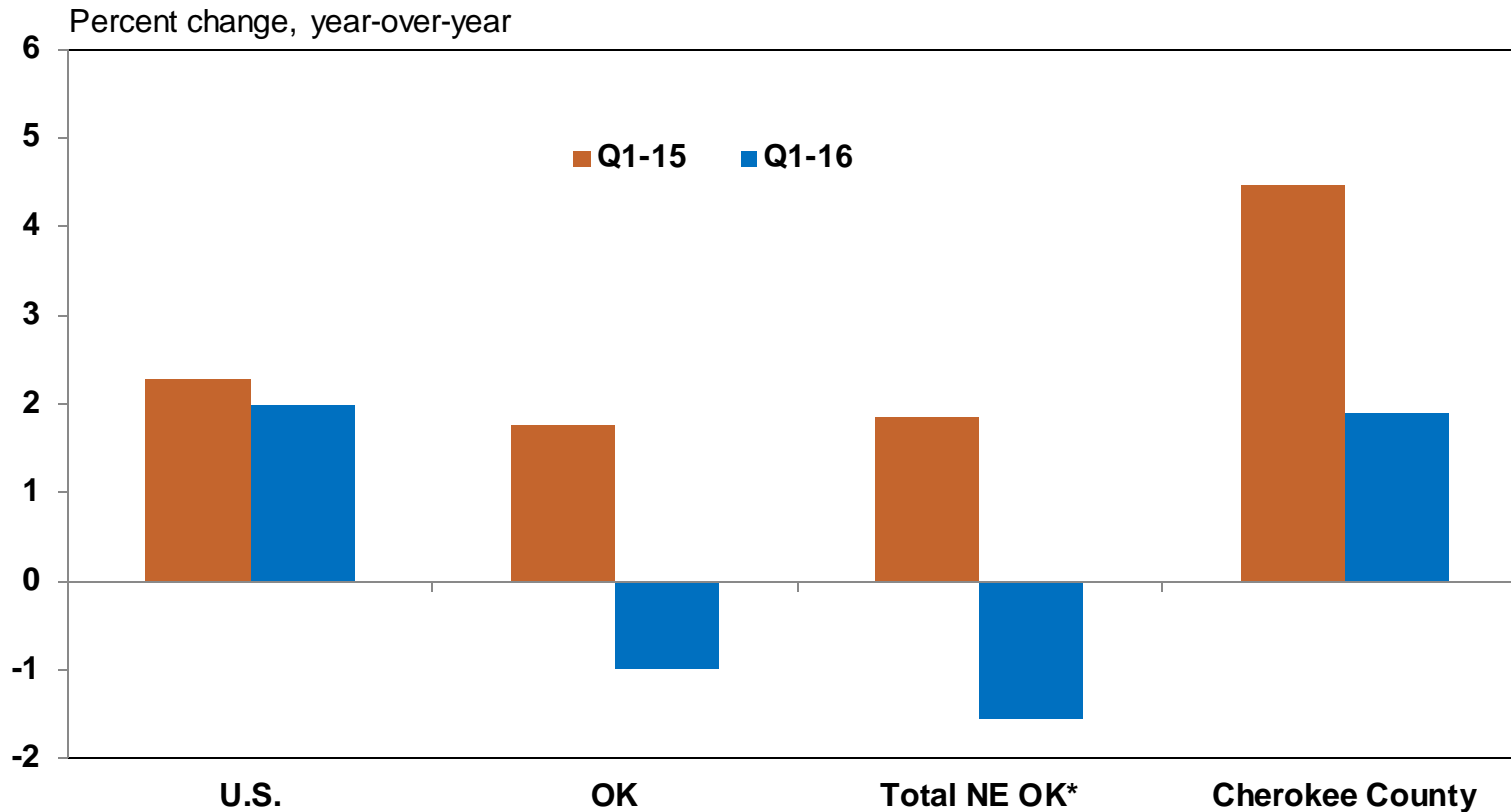
August 2016 Unemployment Rates

NE Oklahoma Counties



Employment in much of the area fell sharply in early 2016, after a solid 2015

Total Employment Growth



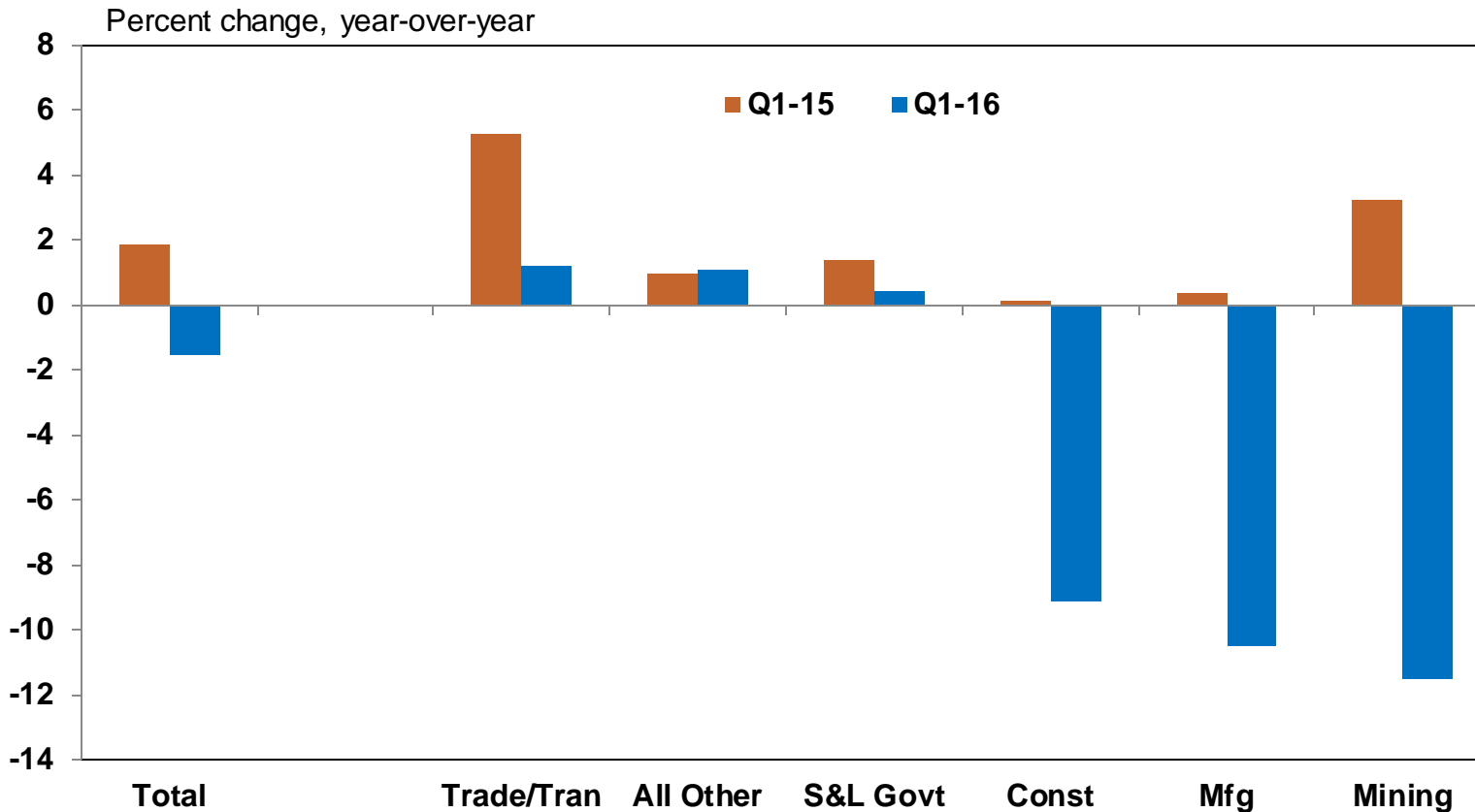
*Includes the following counties: Adair, Cherokee, Craig, Delaware, McIntosh, Mayes, Muskogee, Nowata, Ottawa, Rogers, Sequoyah, Wagoner, Washington

Source: U.S. Bureau of Labor Statistics



The regional jobs decline was driven by energy, but spread to other industries

Northeastern Oklahoma* Employment Growth by Industry



*Includes the following counties: Adair, Cherokee, Craig, Delaware, McIntosh, Mayes, Muskogee, Nowata, Ottawa, Rogers, Sequoyah, Wagoner, Washington



Energy and agriculture are key local drivers, along with tribal govt. and mfg.

Northeastern Oklahoma Personal Income Share by Industry 2014

Industry	Percent of Total Income		NE OK Location Quotient	OK Location Quotient
	NE OK	U.S.		
Energy	8.5	1.8	4.7	8.0
Agriculture	4.0	1.1	3.6	1.8
State & Local Government	22.9	13.2	1.7	1.0
Manufacturing	16.9	10.0	1.7	0.9
Construction	9.5	5.8	1.6	1.1
Federal Government	5.0	4.3	1.2	1.3
Trade, Transportation & Utilities	17.2	15.8	1.1	1.1
Leisure & Hospitality	3.1	4.5	0.7	0.8
Education & Health	5.6	13.1	0.4	0.8
Information	1.2	3.5	0.3	0.4
Financial Activities	2.9	9.5	0.3	0.6
Professional and Business Services	3.2	17.3	0.2	0.6

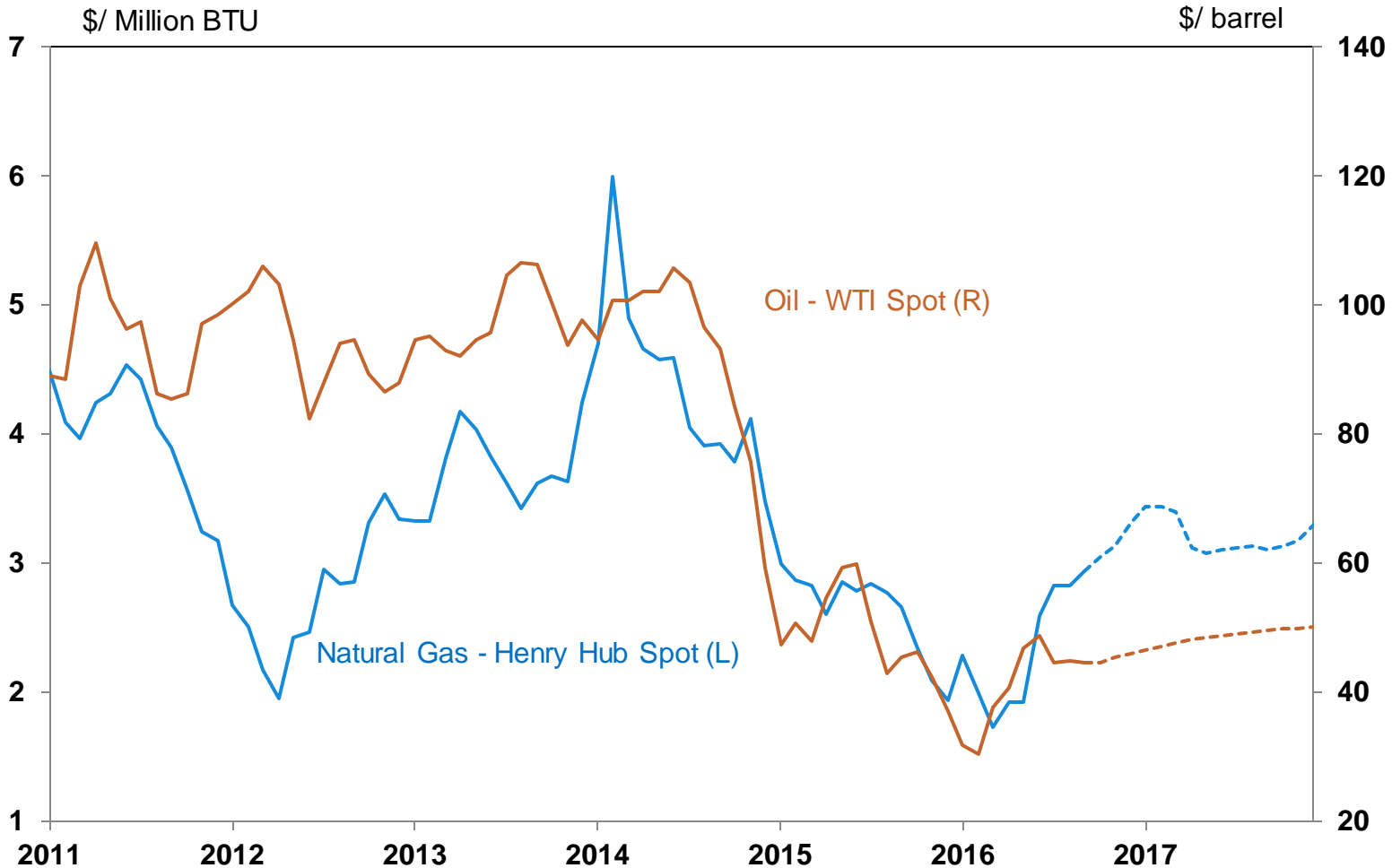
Note - Location quotient is the division of local share by national share

*Includes the following counties: Adair, Cherokee, Craig, Delaware, McIntosh, Mayes, Muskogee, Nowata, Ottawa, Rogers, Sequoyah, Wagoner, Washington



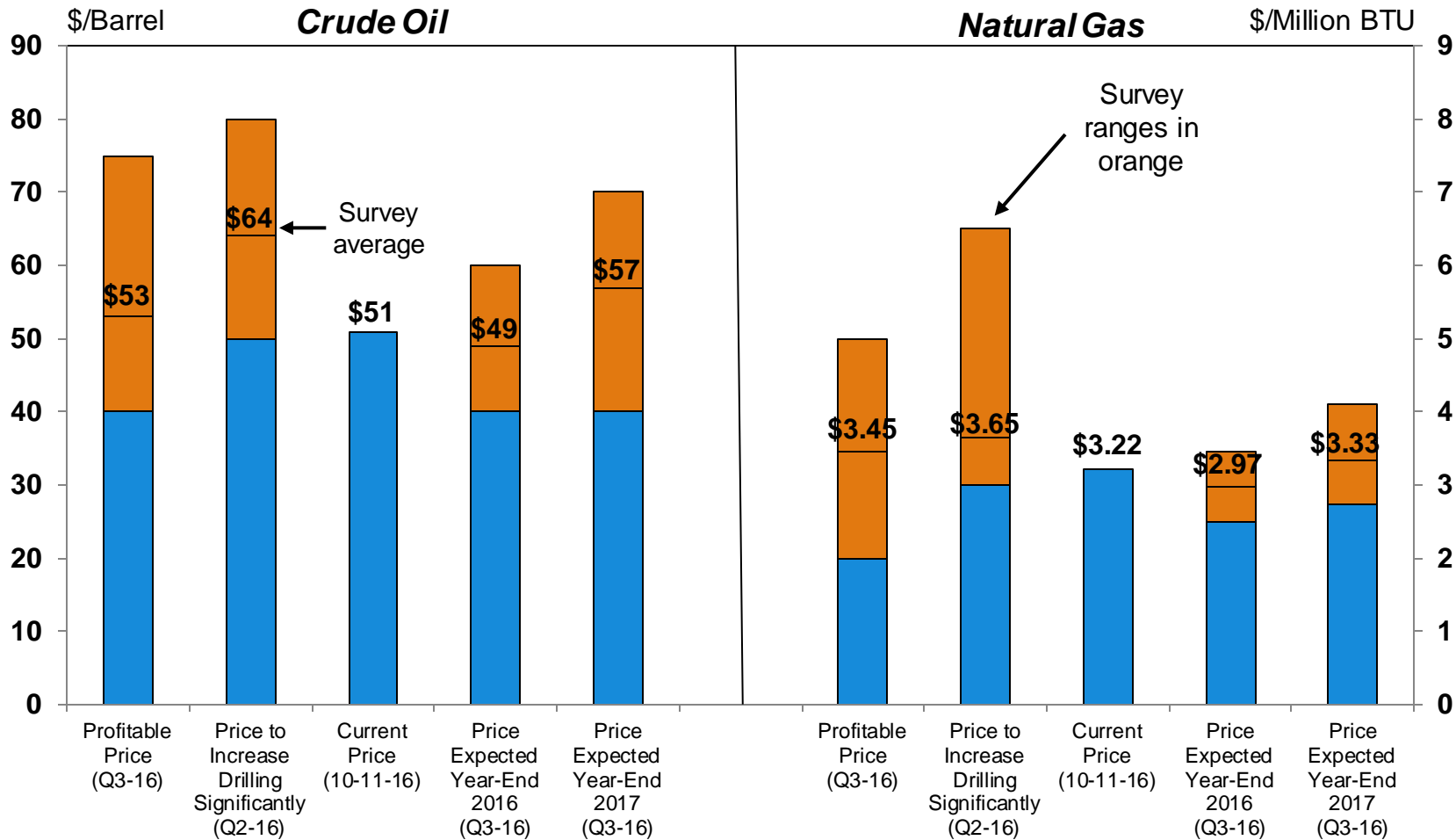
Oil prices are back to \$50/barrel, and natural gas prices have also improved a bit

Oil and Natural Gas Spot Prices



But firms say energy prices need to be higher for much increased activity to occur

Kansas City Fed Energy Survey Special Questions
2016

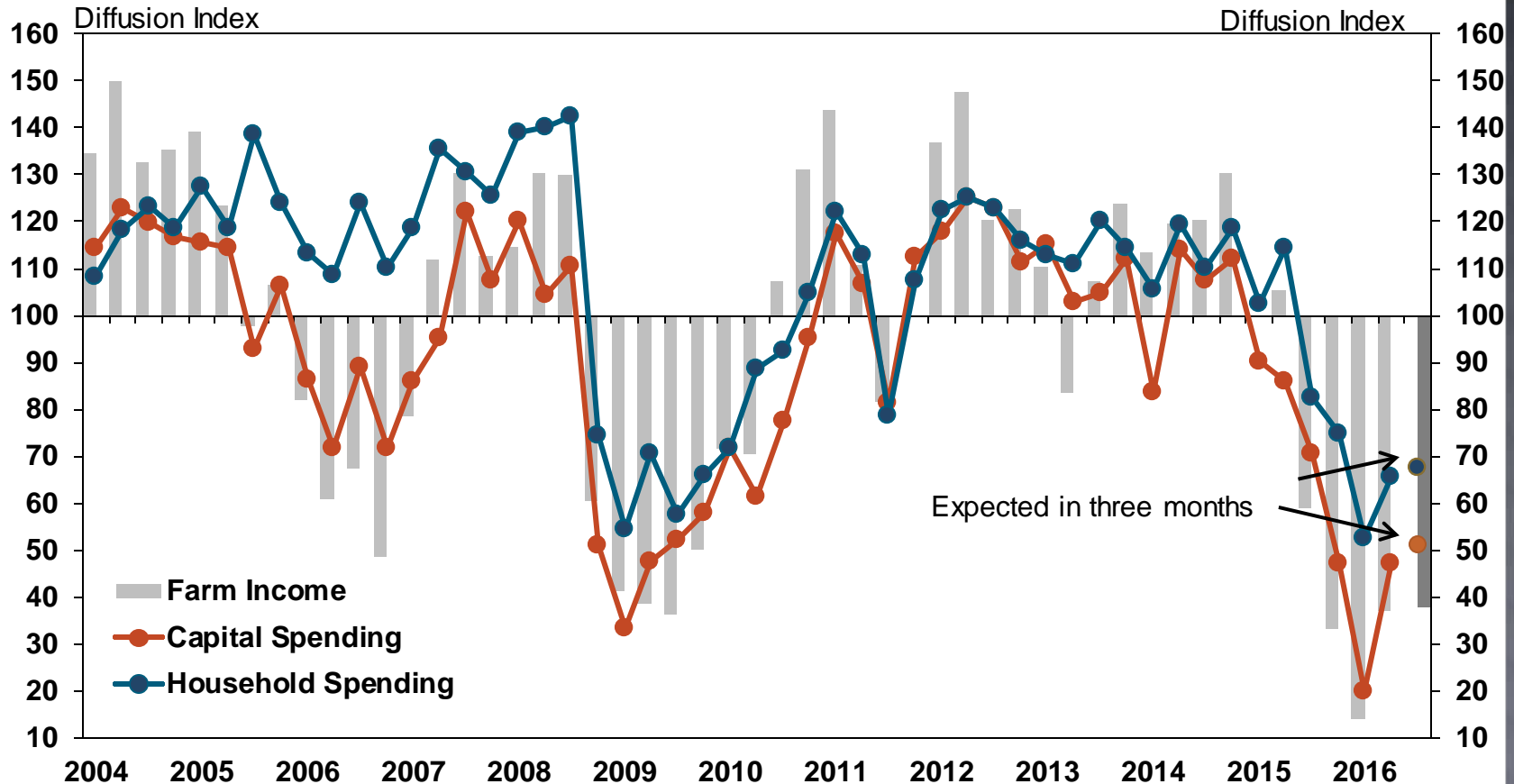


Source: FRBKC Energy Survey, Reuters



Oklahoma farm income and spending fell sharply in Q1 2016 but steadied a bit in Q2

Oklahoma Farm Income

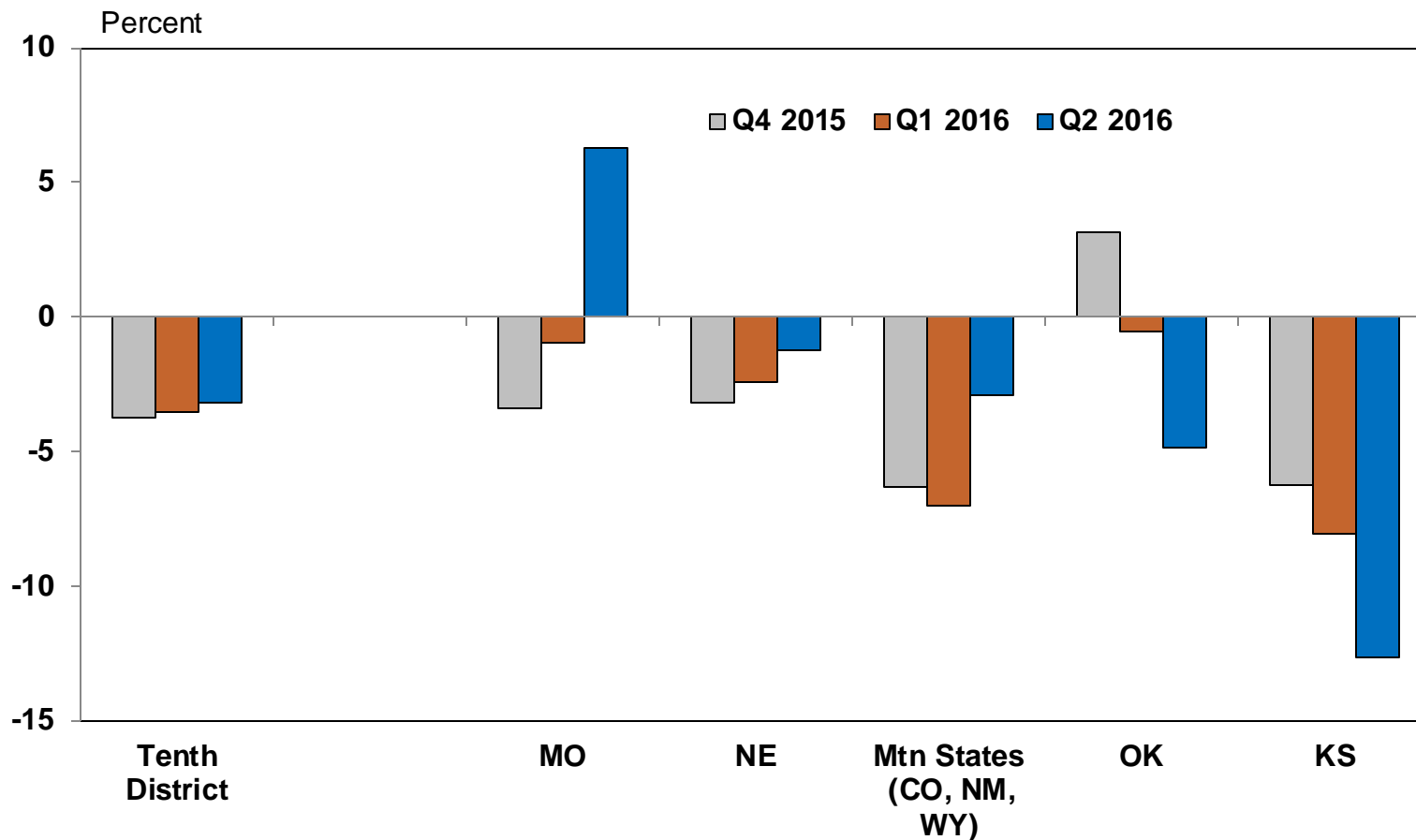


Source: Federal Reserve Bank of Kansas City, Survey of Ag Credit Conditions



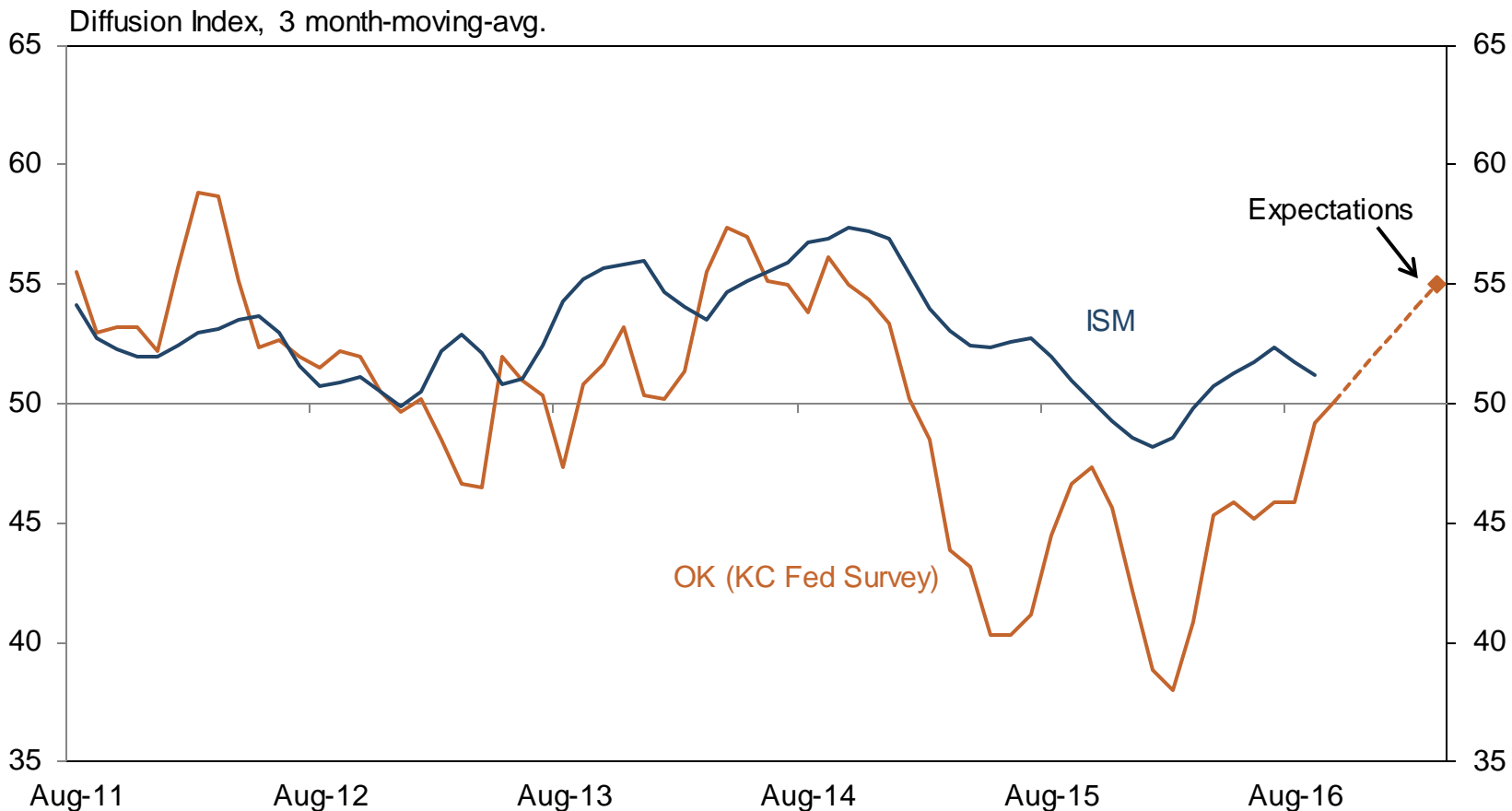
However, farmland values fell in Q2 after holding up better than the region last year

Tenth District Farmland Values
Percent Change, Year-over-year



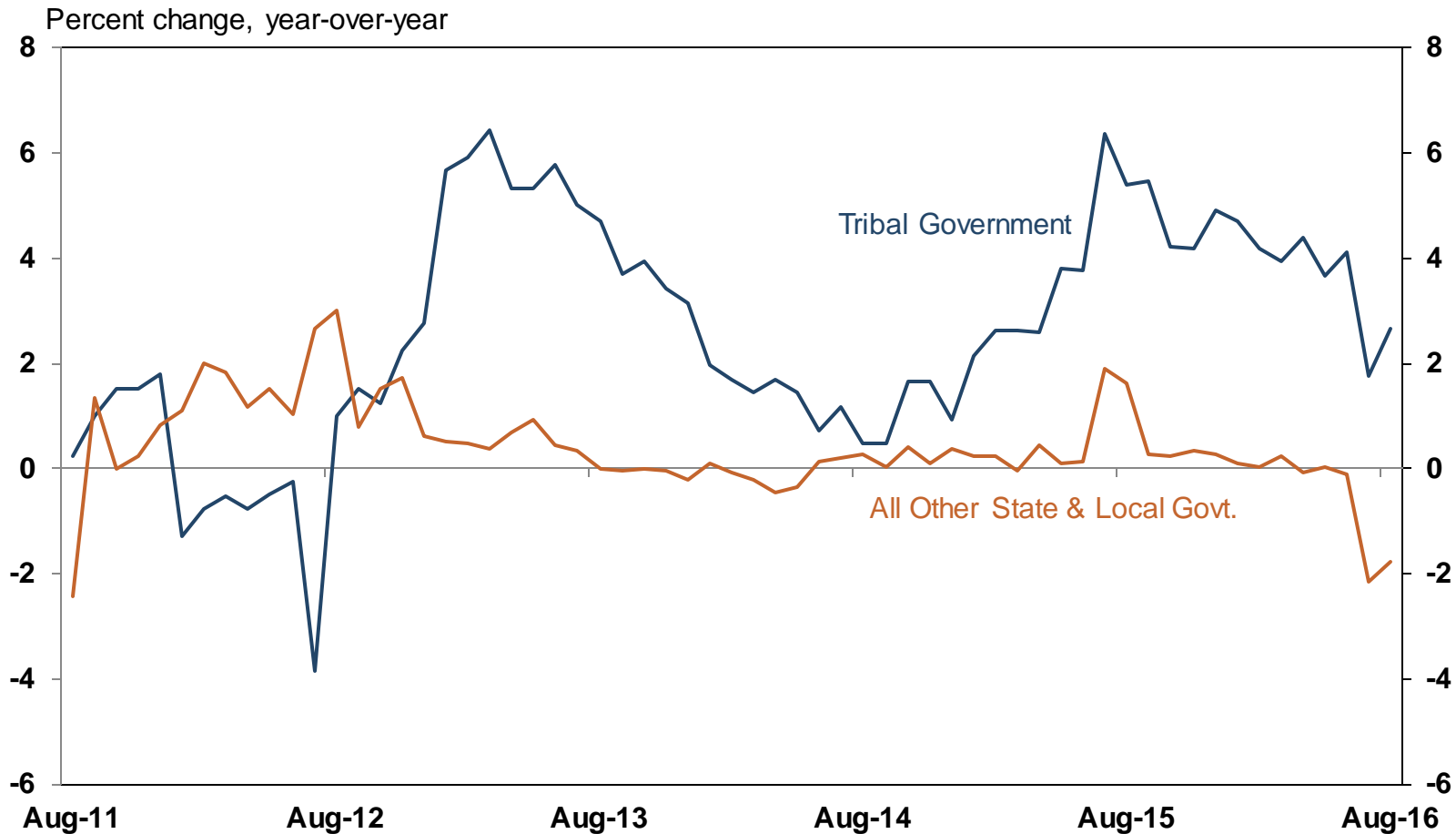
One recent sign of cautious optimism in the state comes from manufacturing

Manufacturing Survey Composite Indexes



Tribes have seen more solid employment growth than other types of local govt.

Oklahoma State and Local Government Employment Growth



Summary

- The U.S. economy continues to grow, and the Fed is discussing raising interest rates
- Oklahoma's economy has been hurt by low commodity prices, but unemployment remains relatively low
- Most key industries in NE Oklahoma show steadiness or signs of improvement



Questions?

For regular updates and analysis of the Oklahoma economy, subscribe to our quarterly **Oklahoma Economist** publication at:

www.kansascityfed.org/publications/research/oke/

For more analysis on regional manufacturing conditions, subscribe to our monthly **Manufacturing Survey** at:

<https://www.kansascityfed.org/research/indicatorsdata/mfg>

For more analysis on regional energy conditions, subscribe to our quarterly **Energy Survey** at:

<https://www.kansascityfed.org/research/indicatorsdata/energy>

