

The Fed and the Economy in Oklahoma

Stillwater Chamber of Commerce

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Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity



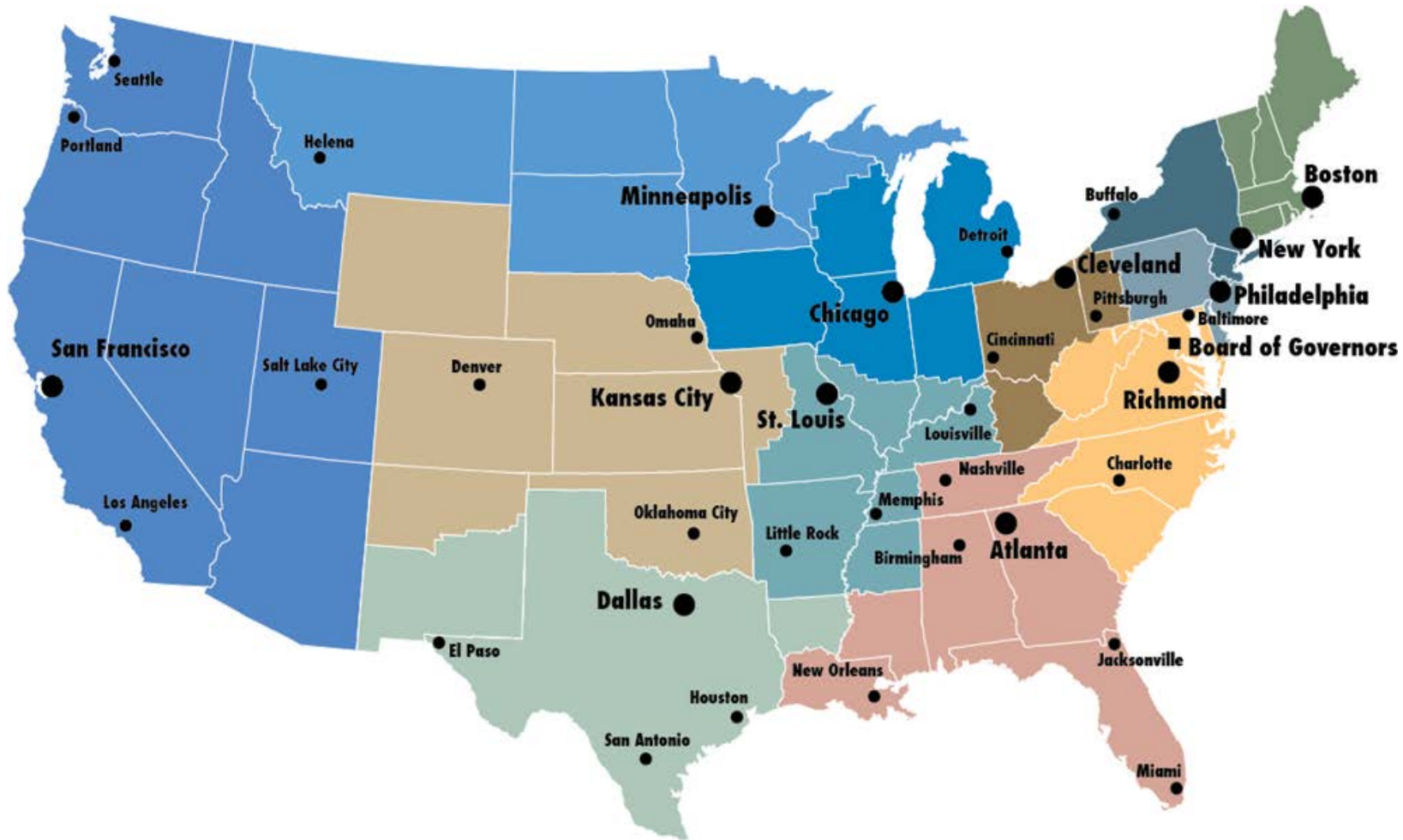
Structure and Functions of the Federal Reserve System

- **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 45 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

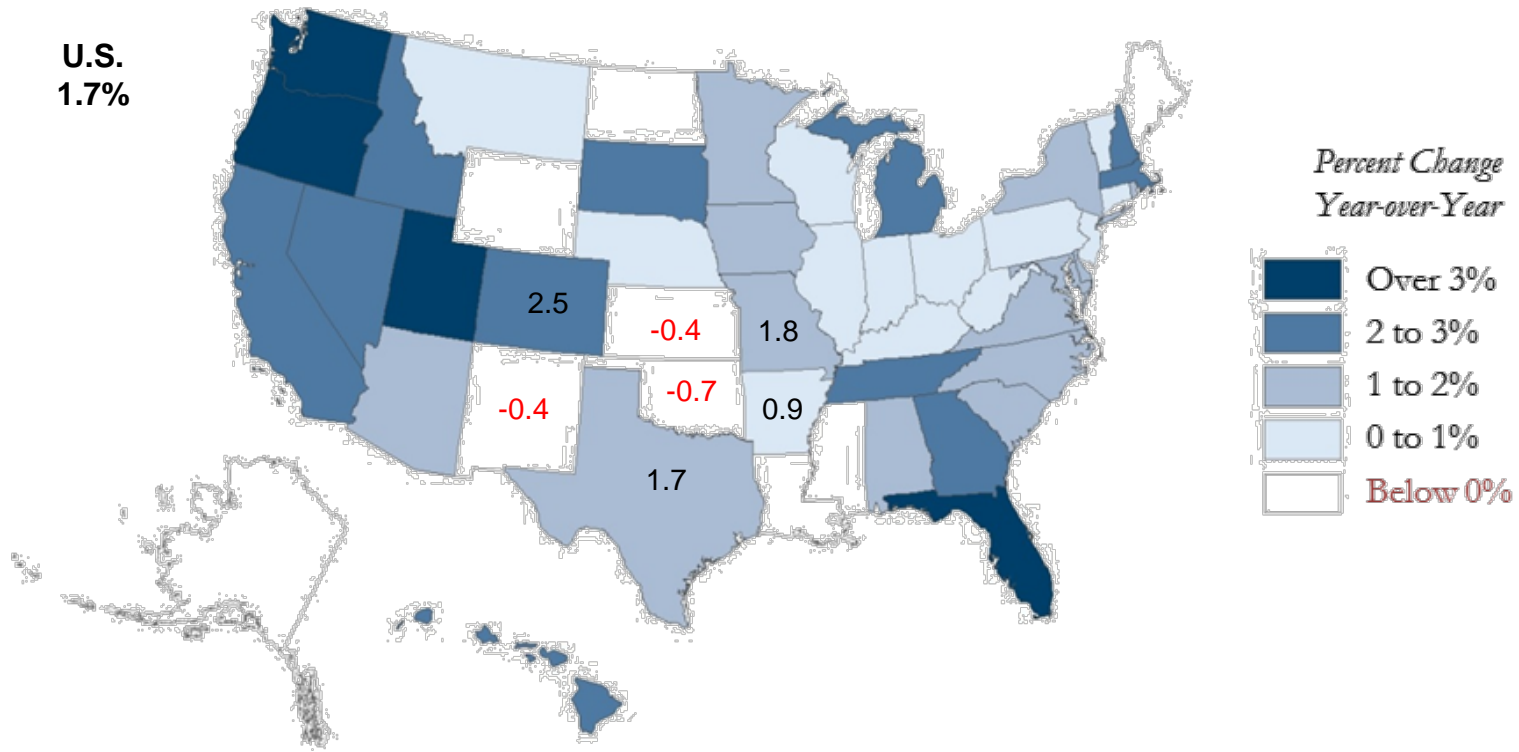


Trends in the Oklahoma and Payne County Economies



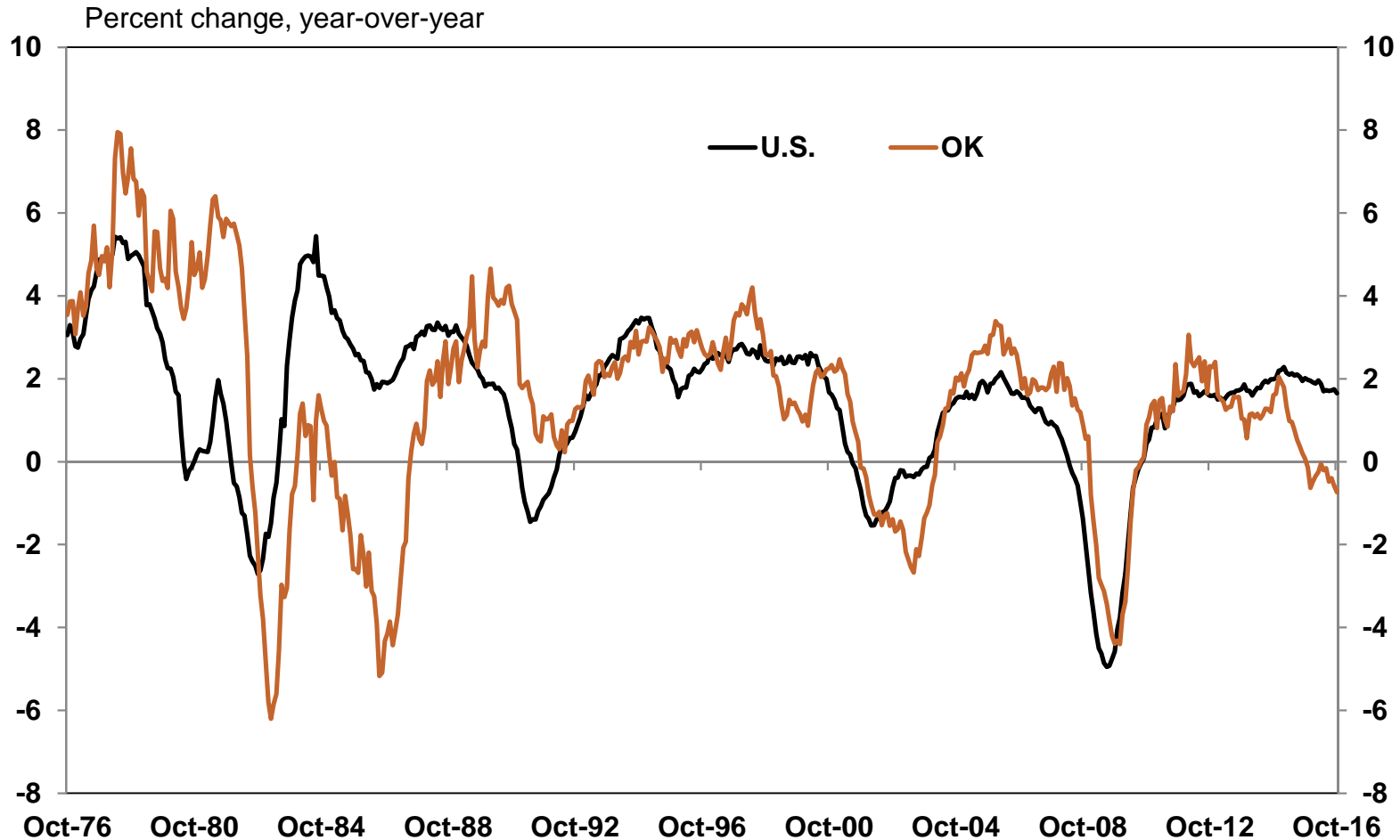
Job growth across the nation has diverged considerably, with Oklahoma in a jobs recession

Total Nonfarm Employment Growth October 2016



This is the largest divergence in Oklahoma and national job growth since the 1980s

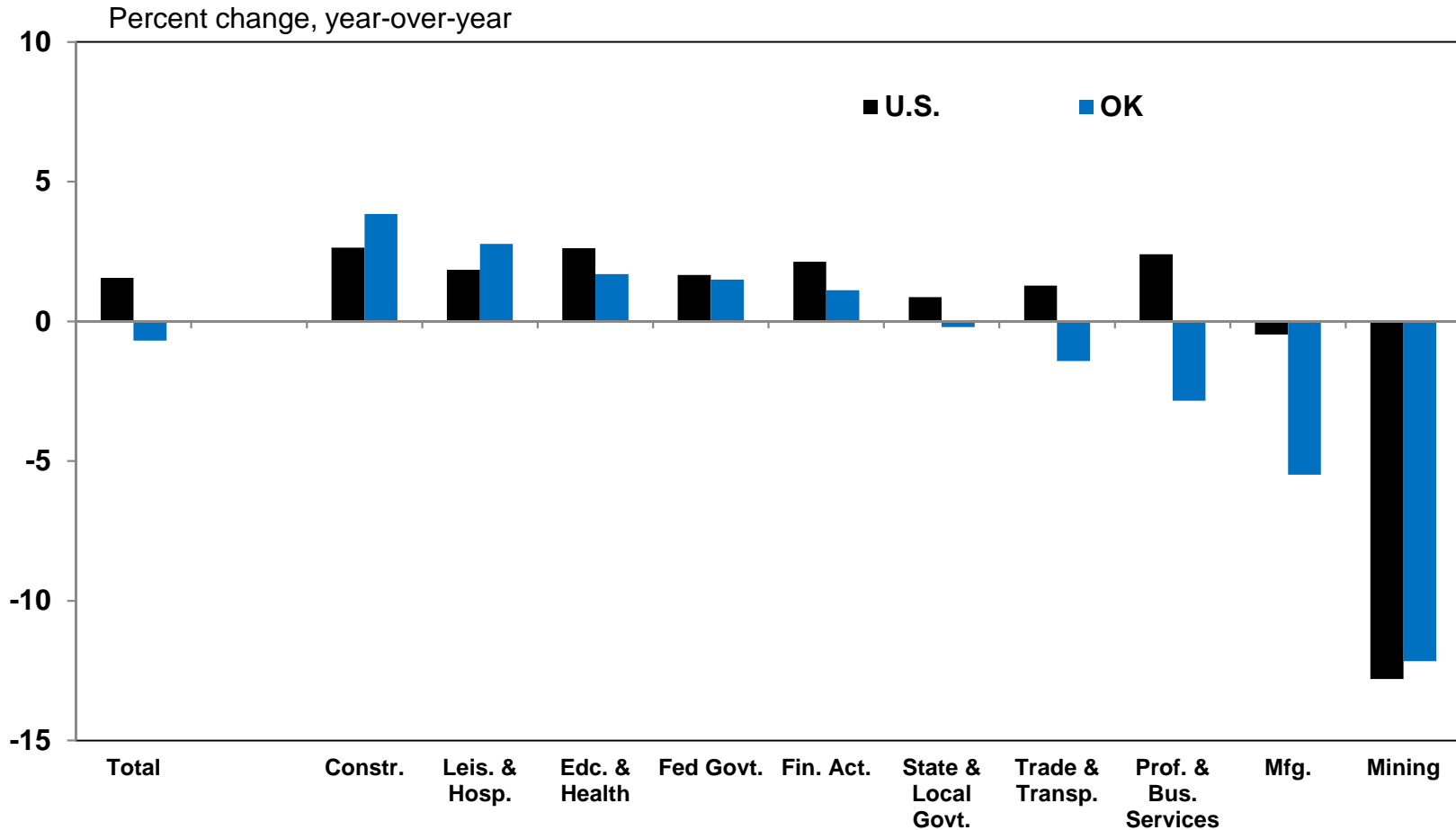
Payroll Employment Growth



Weakness in energy has spilled to several—but not all—other industries

Job Growth by Industry

Oct-16



Source: Bureau of Labor Statistics



Payne County is heavily reliant on state and local government, and energy

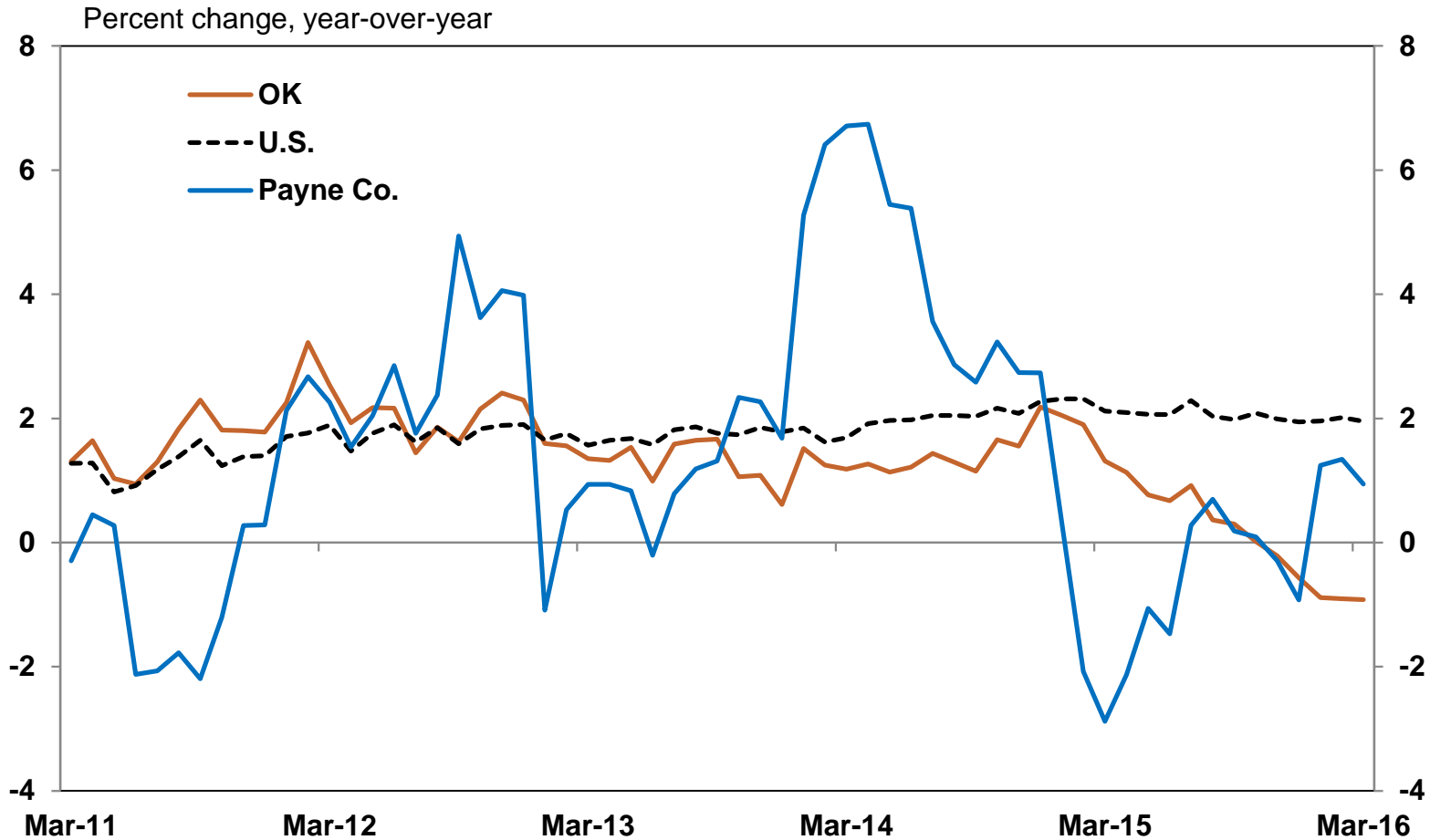
Personal Income Share by Industry 2015

Industry	U.S. Share of Total Income	Payne Co. Share of Total Income	Payne Co. LQ	OK LQ	U.S. YOY Growth
State & Local Government	12.6	42.7	3.4	1.0	3.4
Mining (incl. oil & gas)	1.5	4.1	2.7	7.3	-13.3
Leisure & Hospitality	4.5	5.0	1.1	0.8	6.7
Construction	5.8	5.9	1.0	1.1	8.5
Trade, Transportation & Utilities	15.5	13.4	0.9	1.4	5.2
Manufacturing	9.6	5.4	0.6	0.9	3.5
Financial Activities	9.1	4.8	0.5	0.6	6.0
Education & Health	12.7	6.2	0.5	0.8	5.4
Professional and Business Services	20.4	9.8	0.5	0.6	6.1
Federal Government	4.1	1.6	0.4	1.3	2.1
Information	3.4	0.9	0.3	0.4	4.5
Agriculture	0.8	0.1	0.2	2.1	-15.1



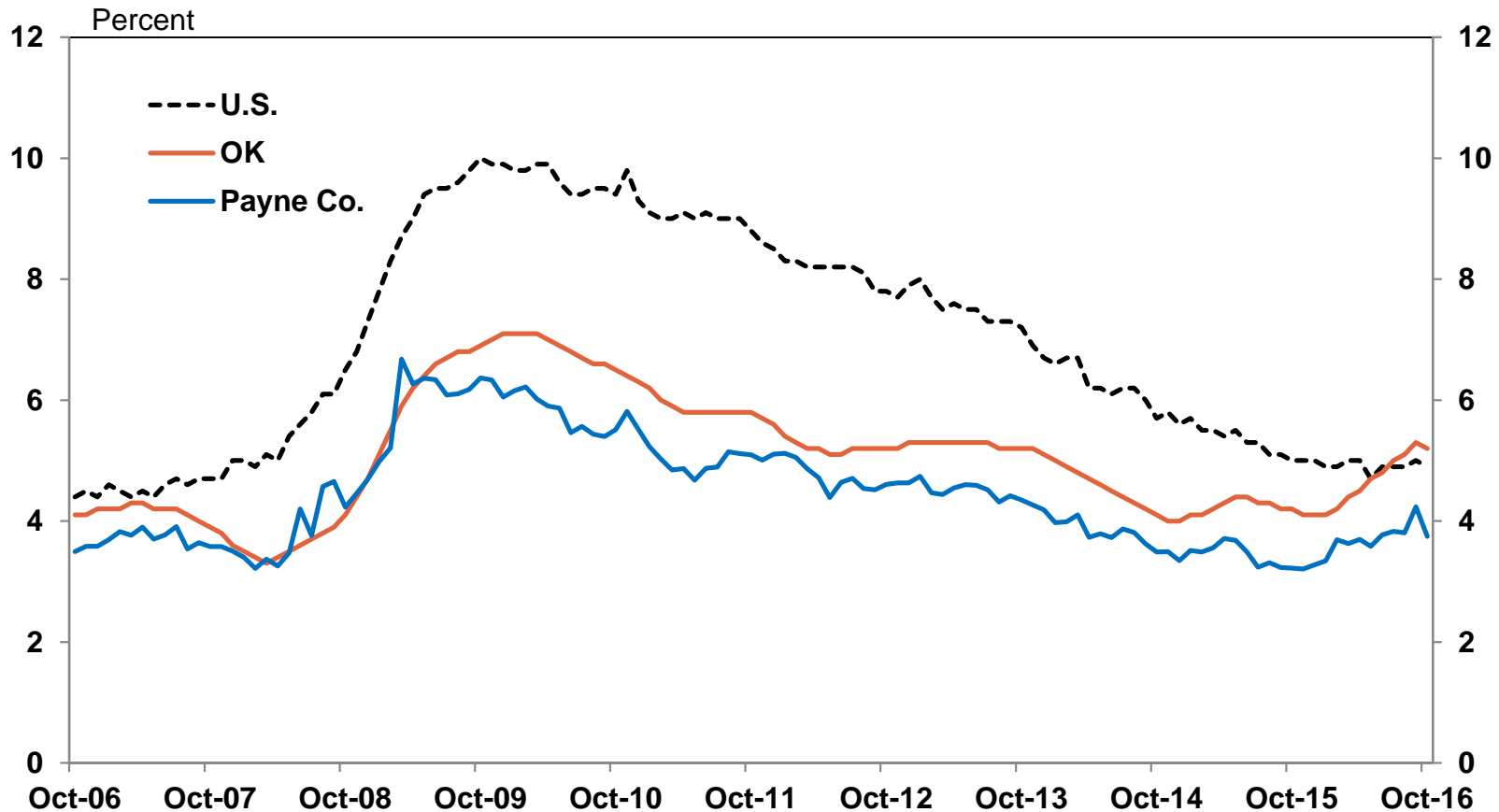
Payne Co. job growth has been volatile, but lately has been better than the state's

Level of Payroll Employment



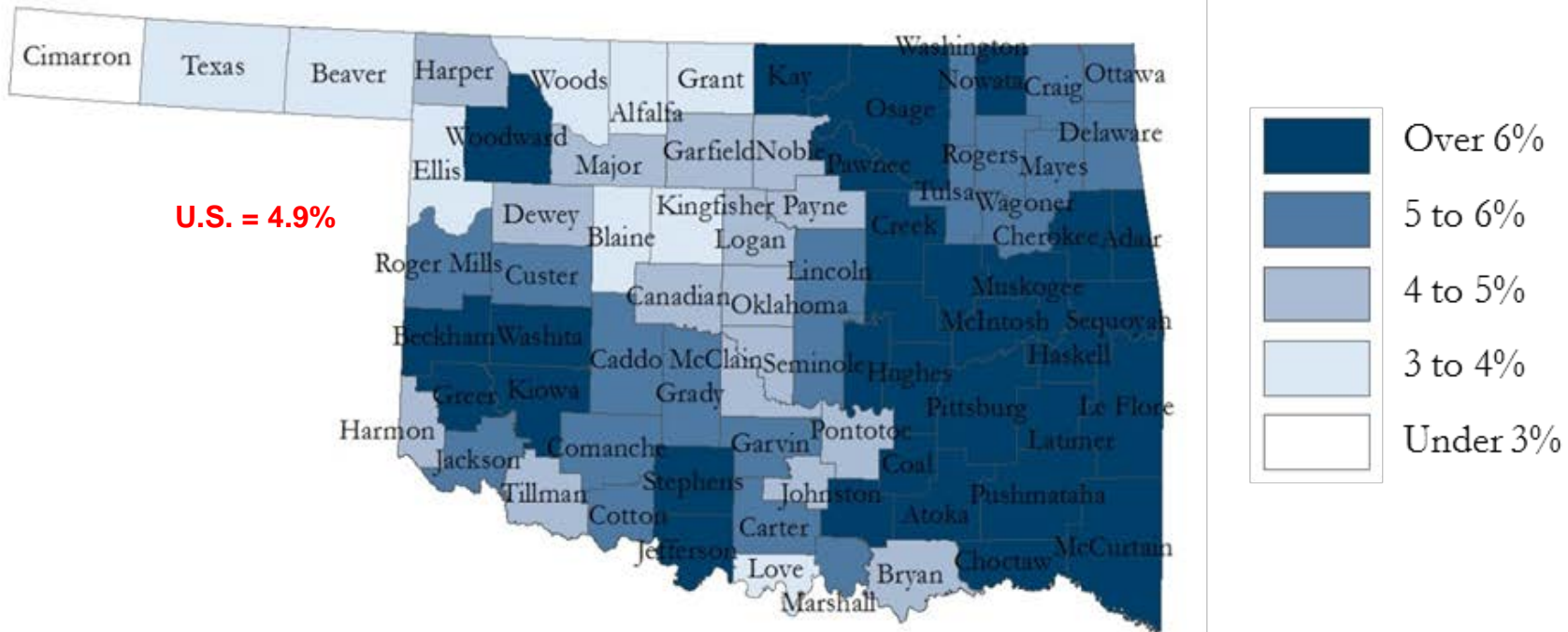
Unemployment in the area also remains quite a bit lower than the nation and state

Unemployment Rates
Seasonally Adjusted



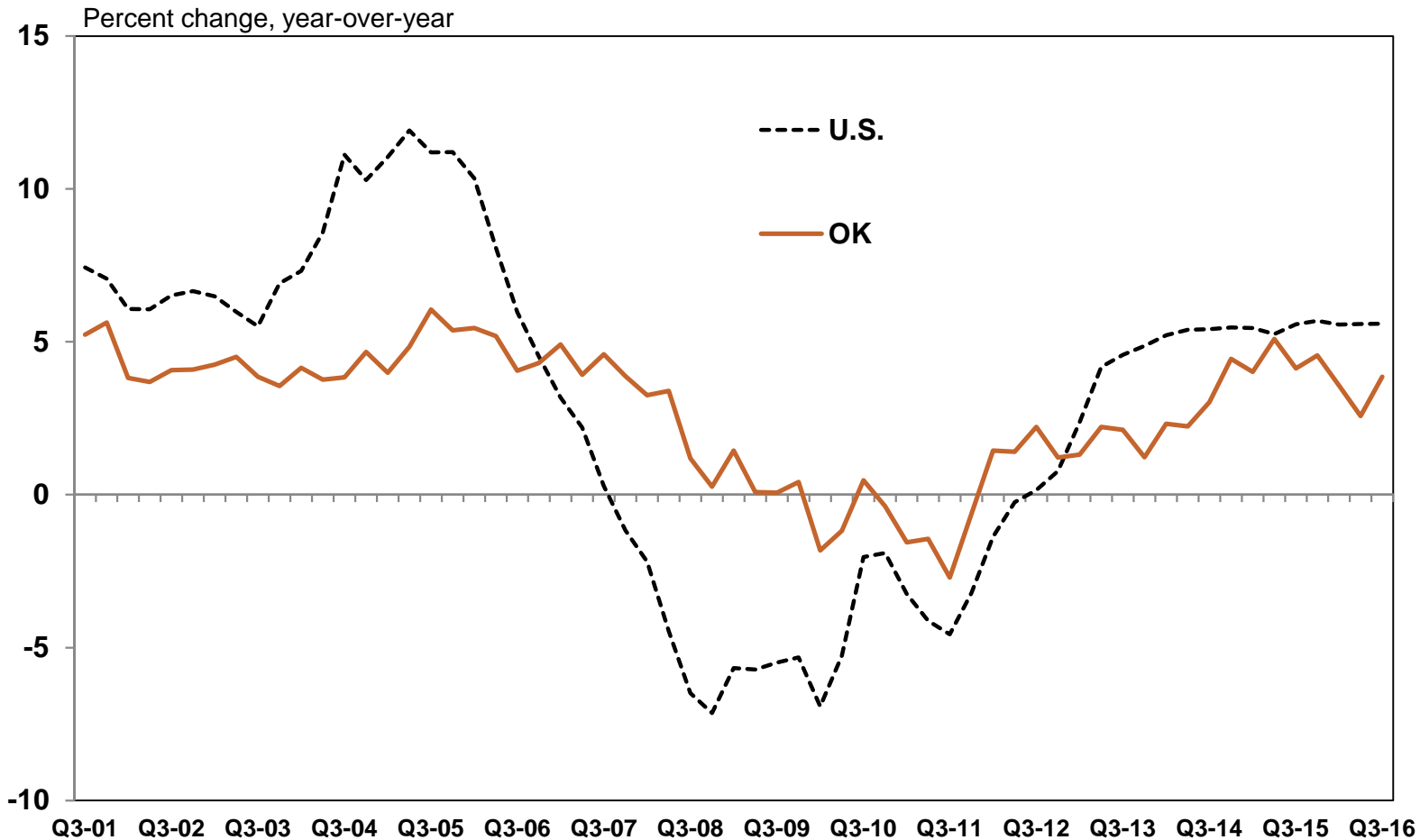
Higher unemployment in the state has been east of Payne Co., and in oil-heavy areas

September 2016 Unemployment Rates



Home price growth in Oklahoma has slowed, but remains moderately positive

FHFA Home Price Index
Seasonally Adjusted

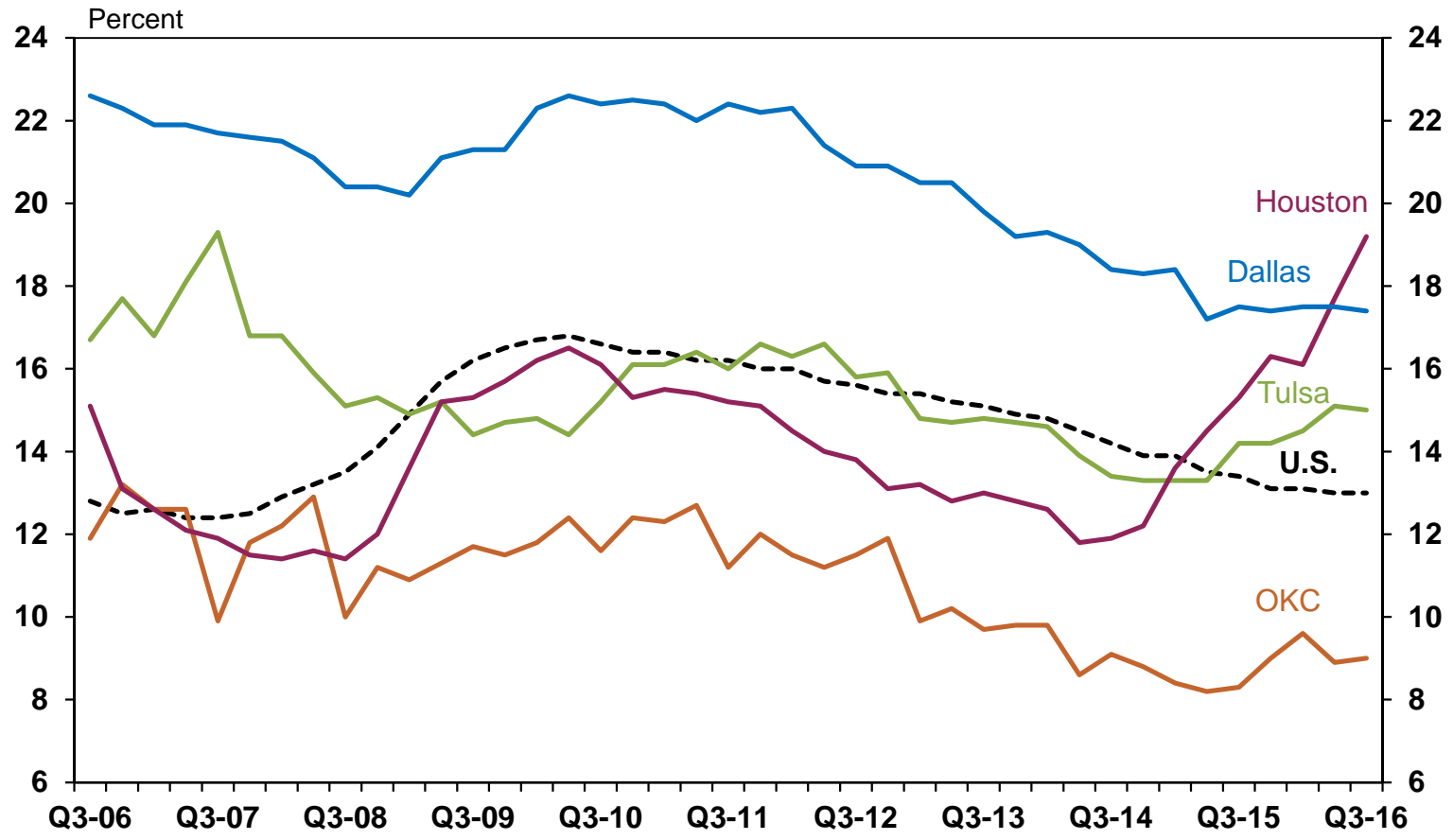


Source: FHFA



Office vacancy rates have risen slightly in the two metros, but much less than Houston

Metro Office Vacancy Rates

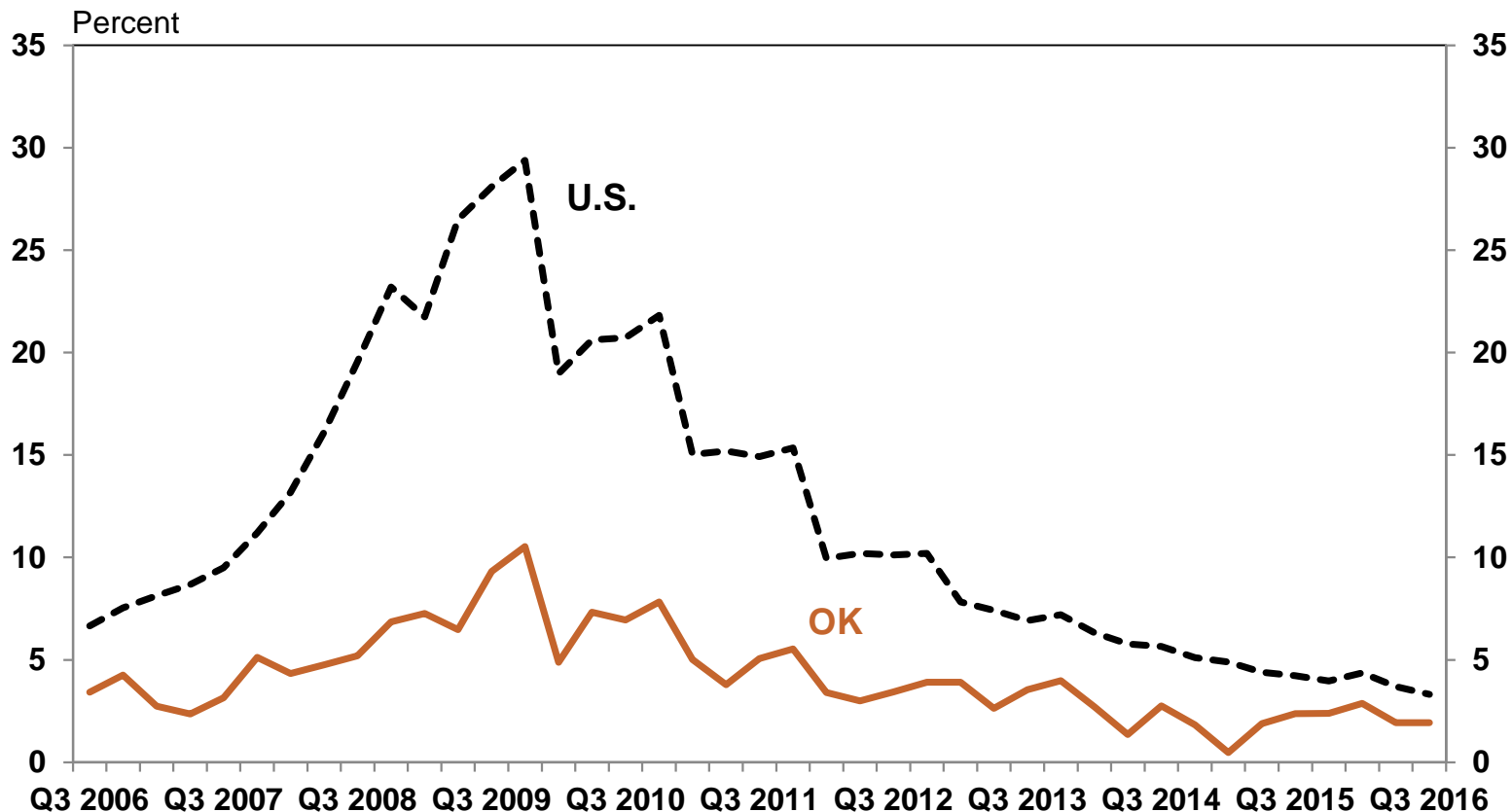


Source: CBRE



And nearly all banks in Oklahoma remain profitable through mid-2016

Share of Banks Not Making a Profit
Commercial Banks

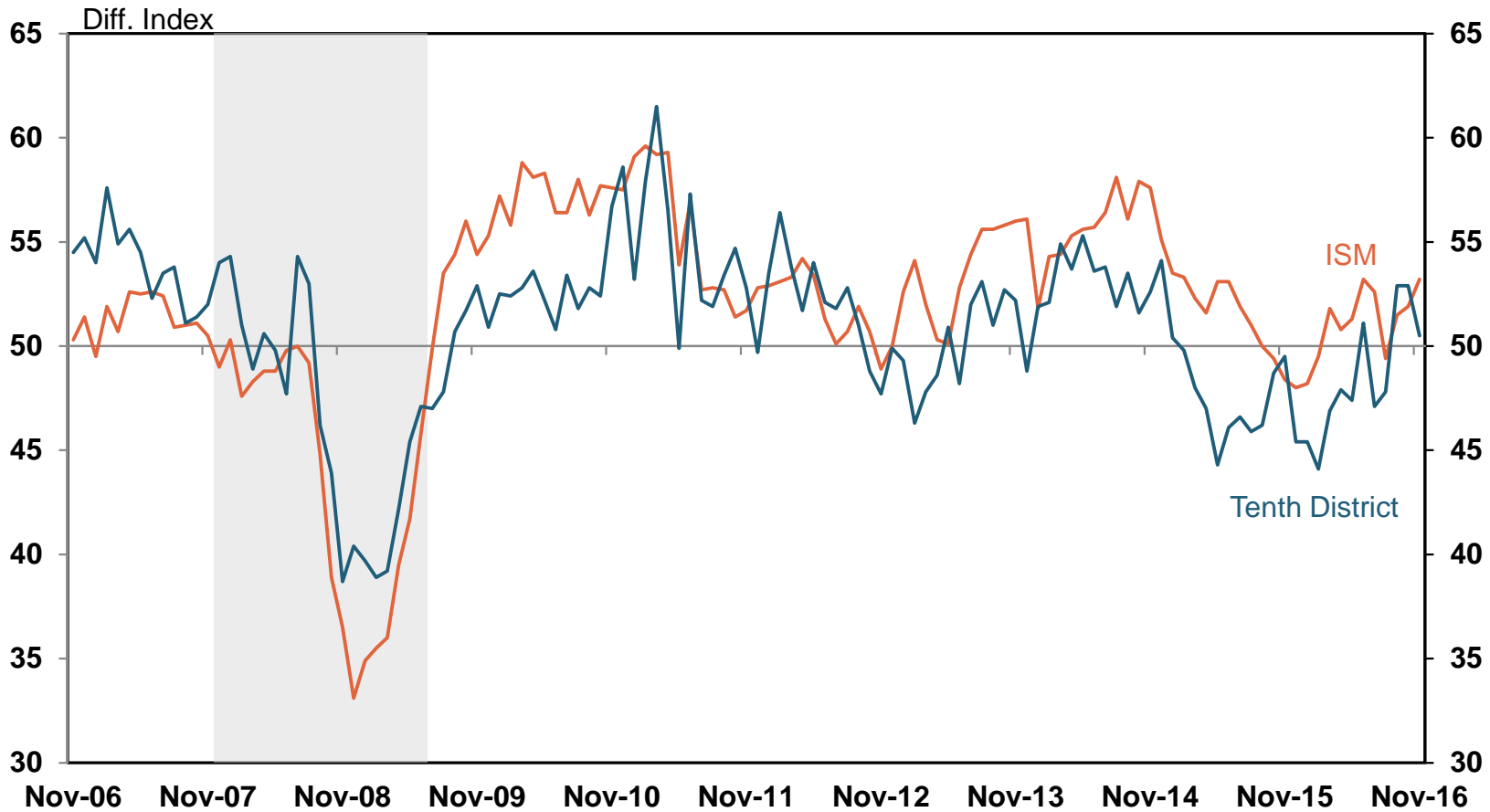


Source: FDIC



One of the struggling regional industries— manufacturing—has improved

Manufacturing Composite Indexes, Seasonally Adjusted

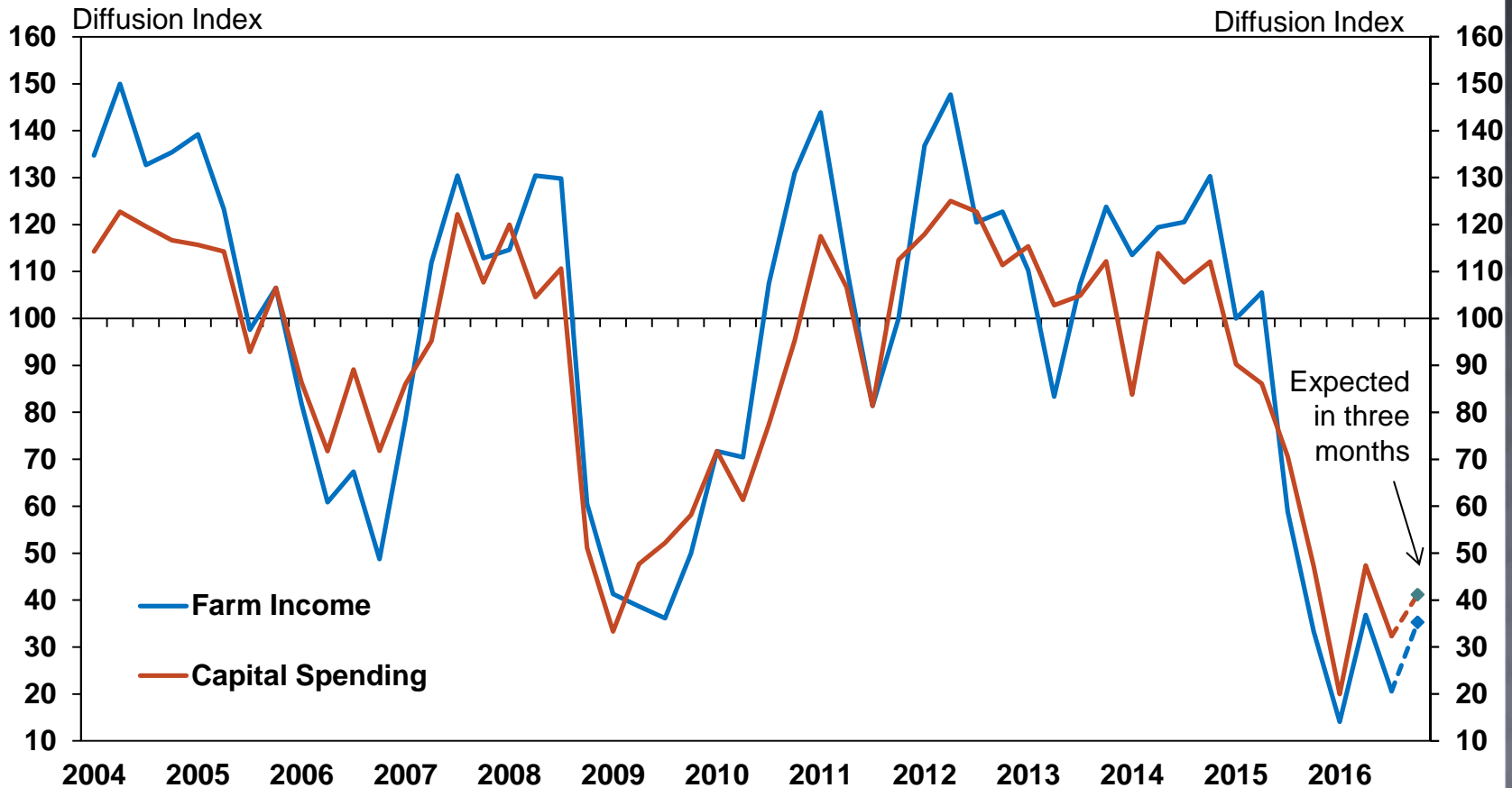


Source: ISM, FRBKC



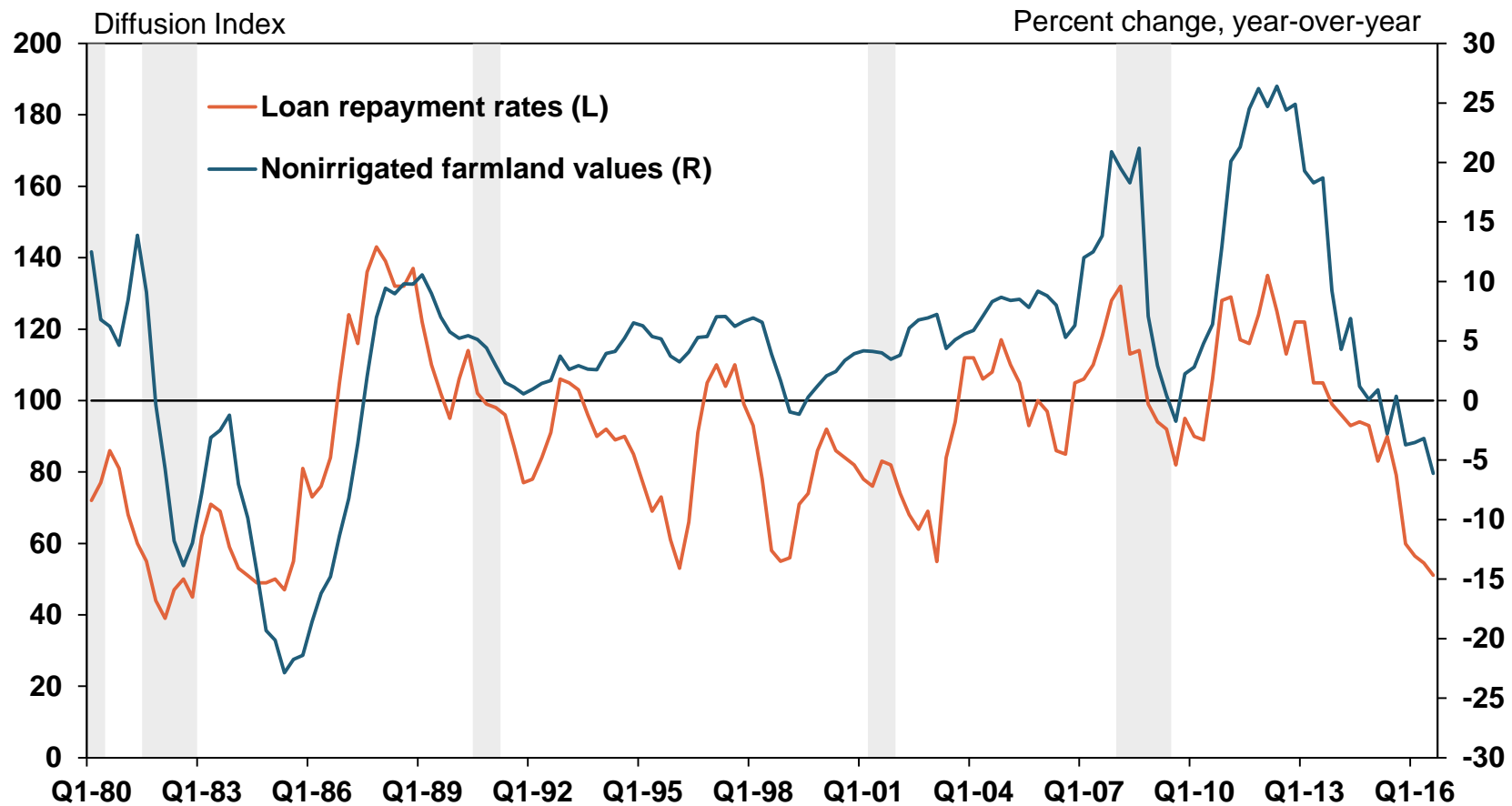
But the outlook for agriculture in Oklahoma remains very weak

Oklahoma Farm Income and Capital Spending



Ag loan repayment rates continue to drop, as do farmland values in the 10th Fed District

Tenth District Farm Loan Repayment Rates and Land Values

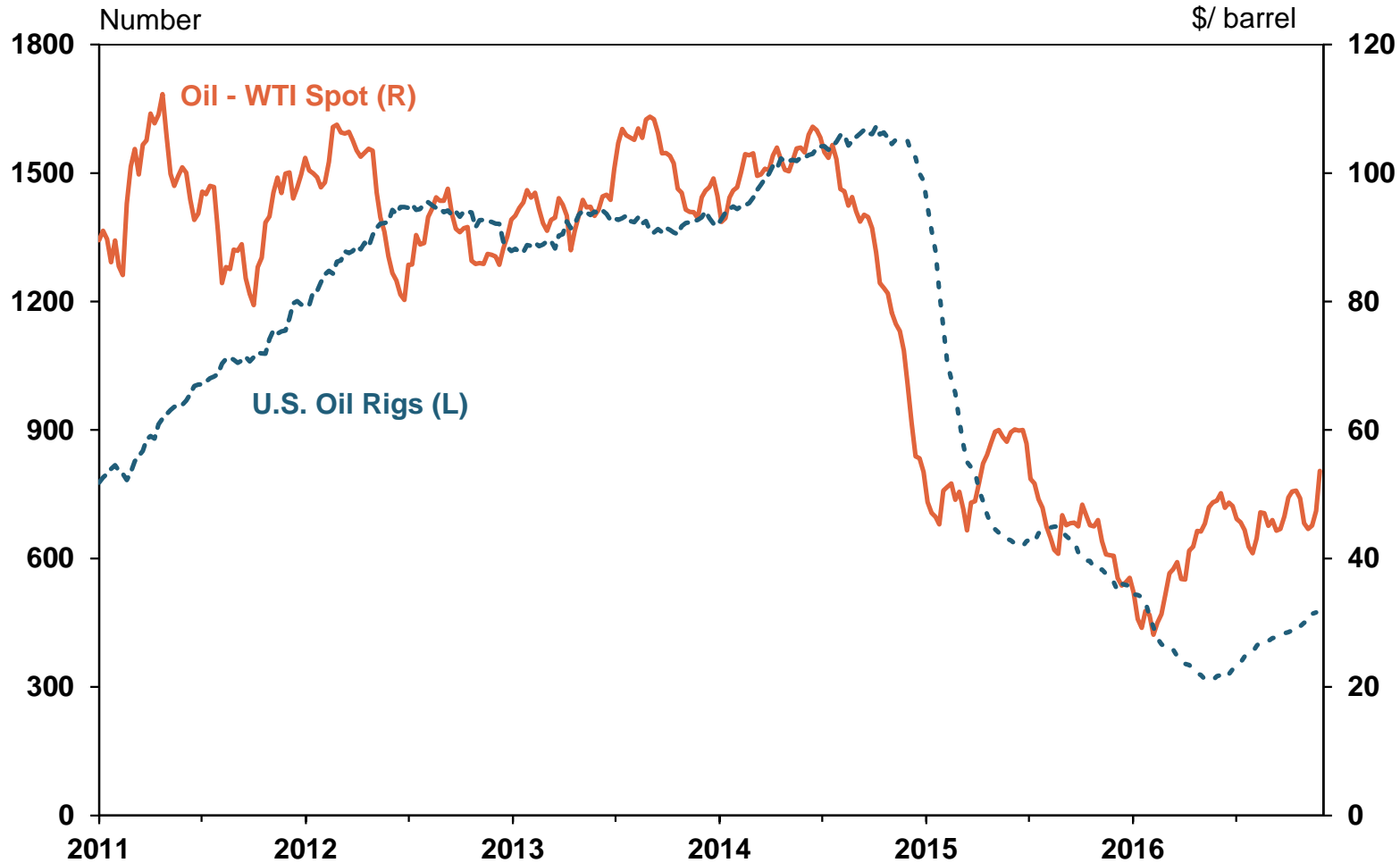


Source: FRBKC Agricultural Credit Survey



Oil prices' recent rise to \$50/barrel has boosted drilling, and OPEC's action helps

Oil Spot Prices and Rig Counts

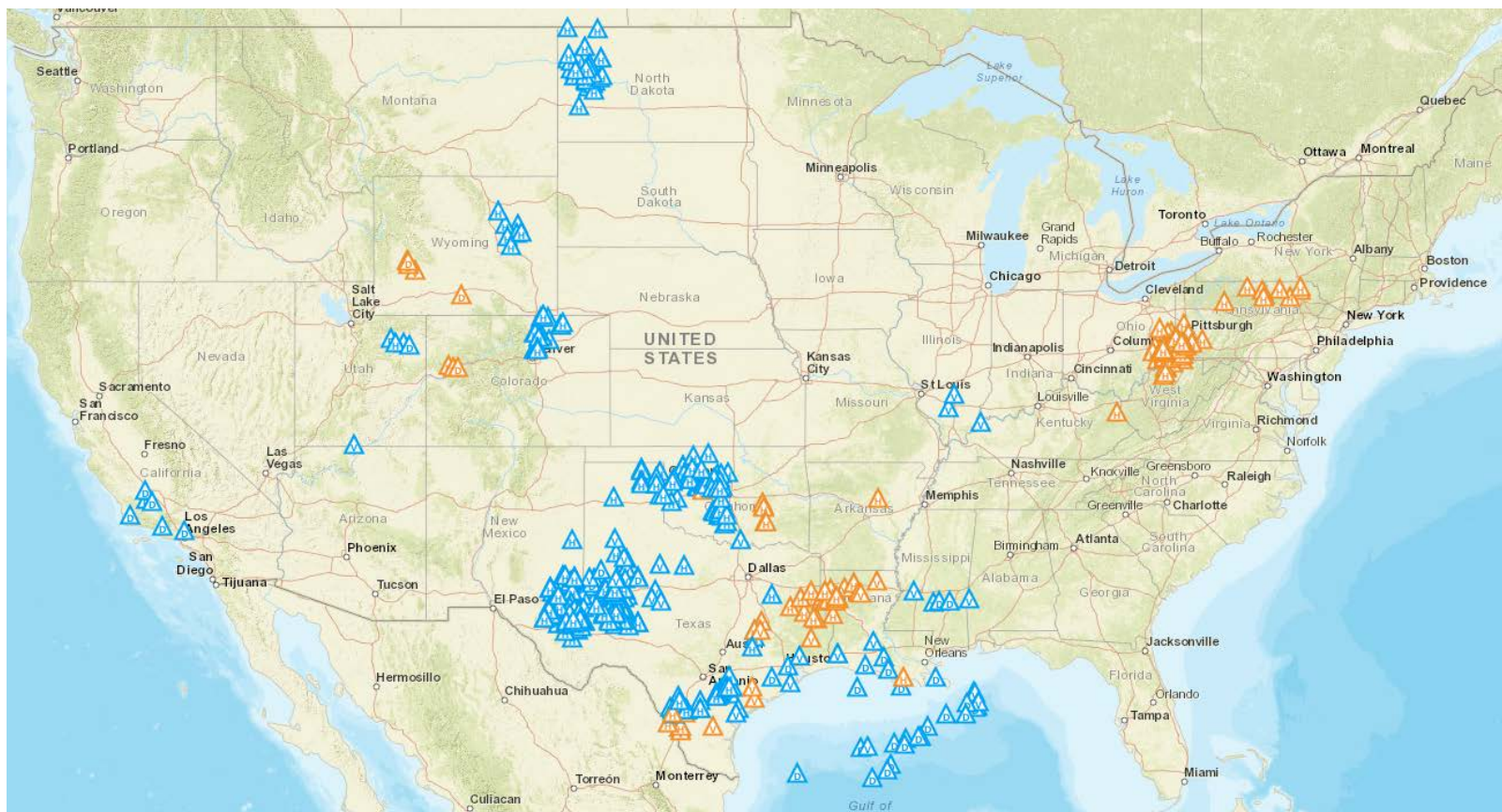


Source: EIA, Reuters



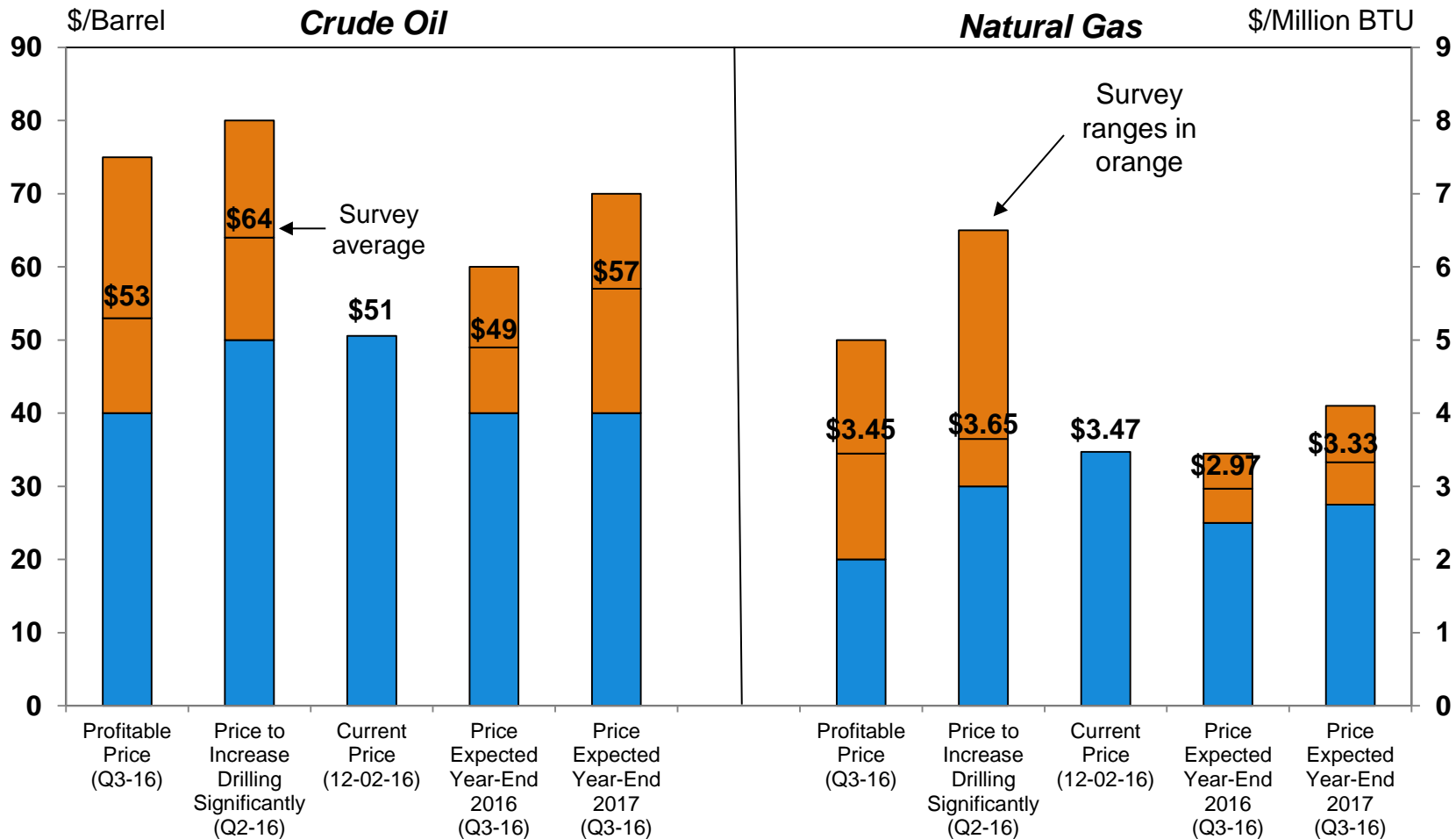
The most active areas now are in west Texas (Permian) and northwest Oklahoma (STACK)

**Current Drilling Rig Locations,
As-of November 30, 2016**



But firms say energy prices need to be a bit higher for a sizable increase in activity

Kansas City Fed Energy Survey Special Questions
2016



Source: FRBKC Energy Survey, Reuters



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 real estate, banking, and labor markets have held on fairly well, and there is some cautious optimism
- Payne County's economy has held on slightly better than the state, with lower unemployment and higher job growth



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:

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