

The Fed and the Economy in Oklahoma City

Downtown Rotary Club

April 18, 2017



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www.kansascityfed.org/oklahomacity

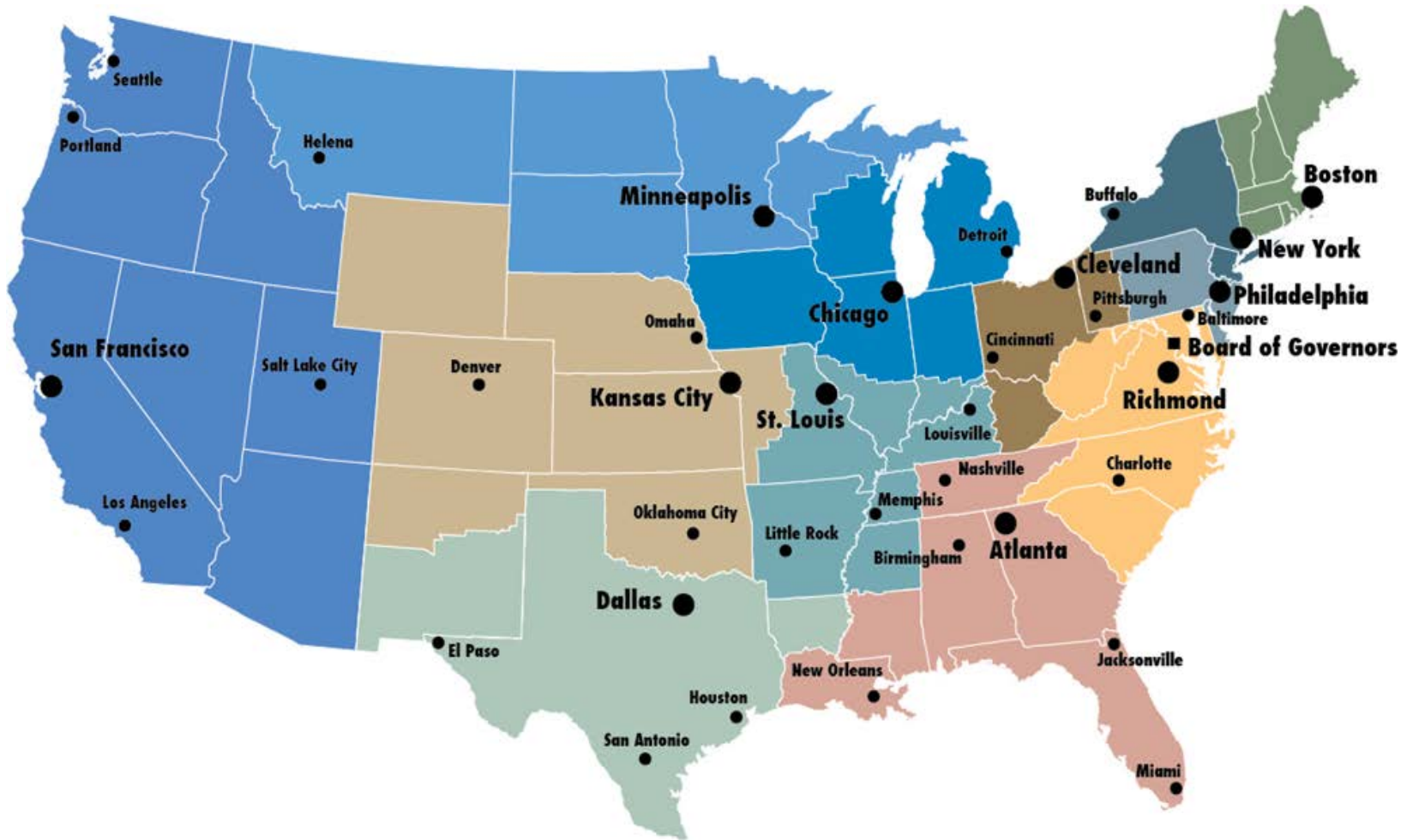
Structure and Functions of the Federal Reserve System

- **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 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 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

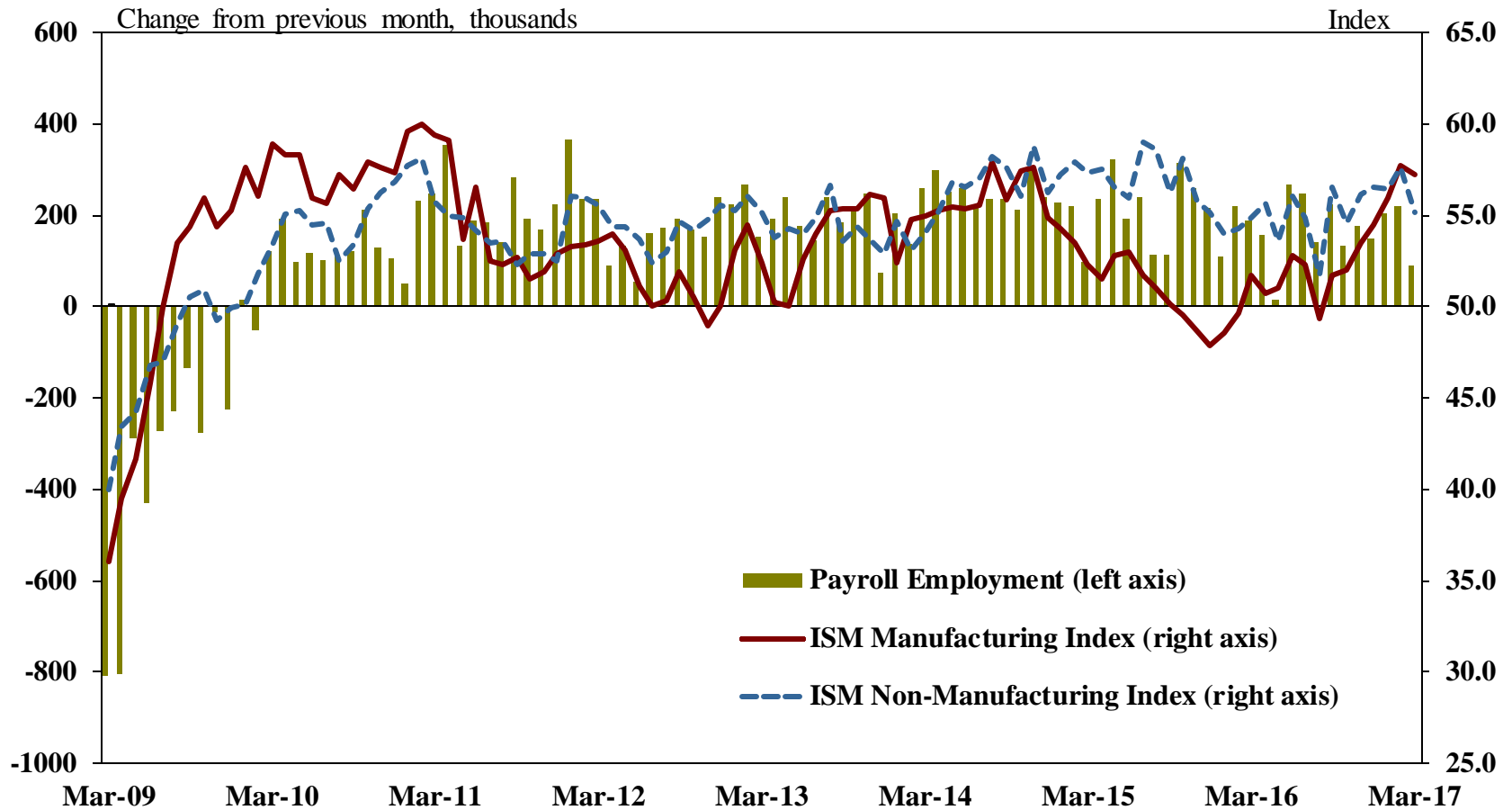
- **Oklahomans on Kansas City Fed head office Board**

- **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

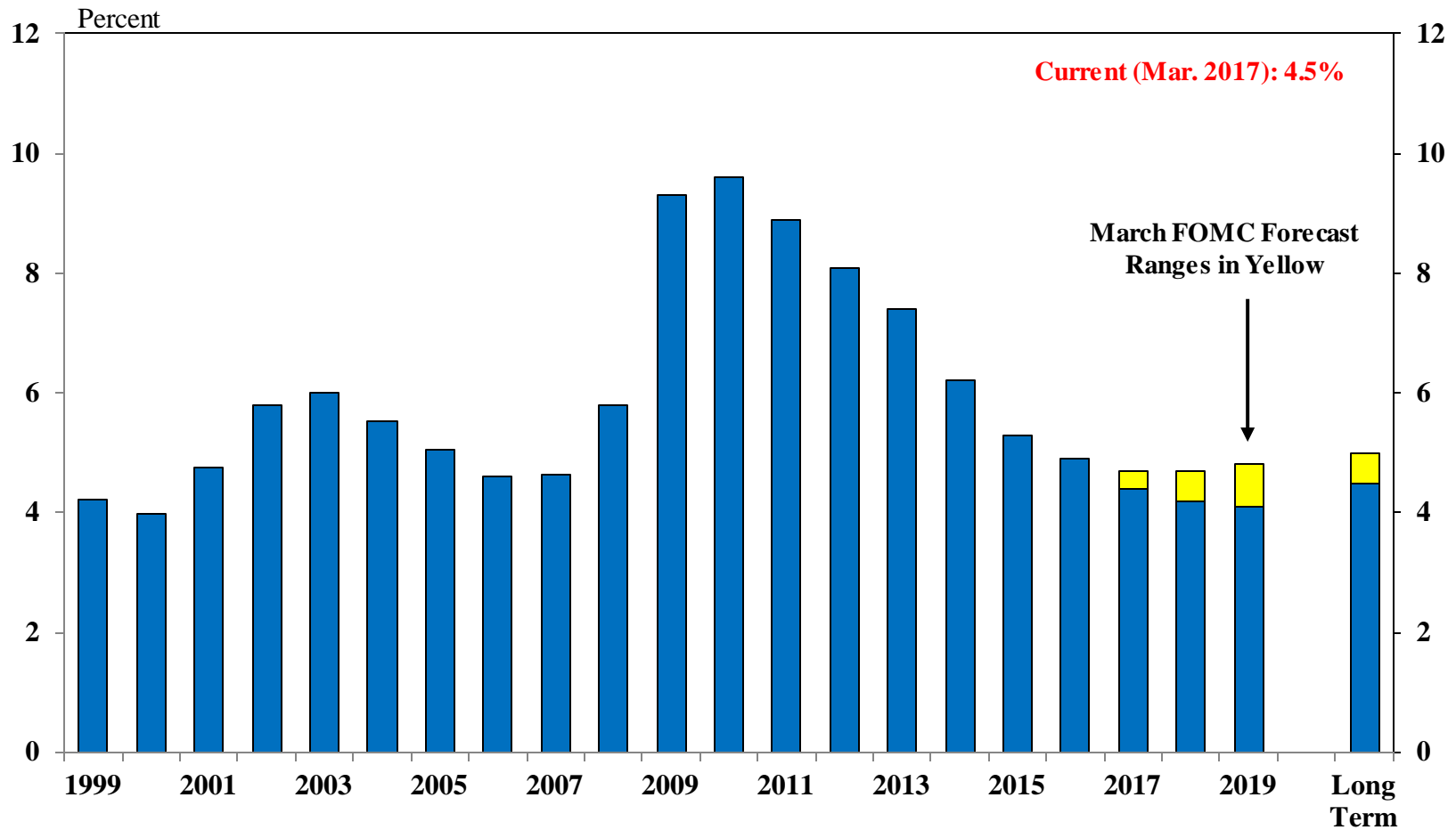
The U.S. economy picked up in early 2017 after an up-and-down 2016, but was weaker in March

U.S. Payroll Employment and Business Indexes



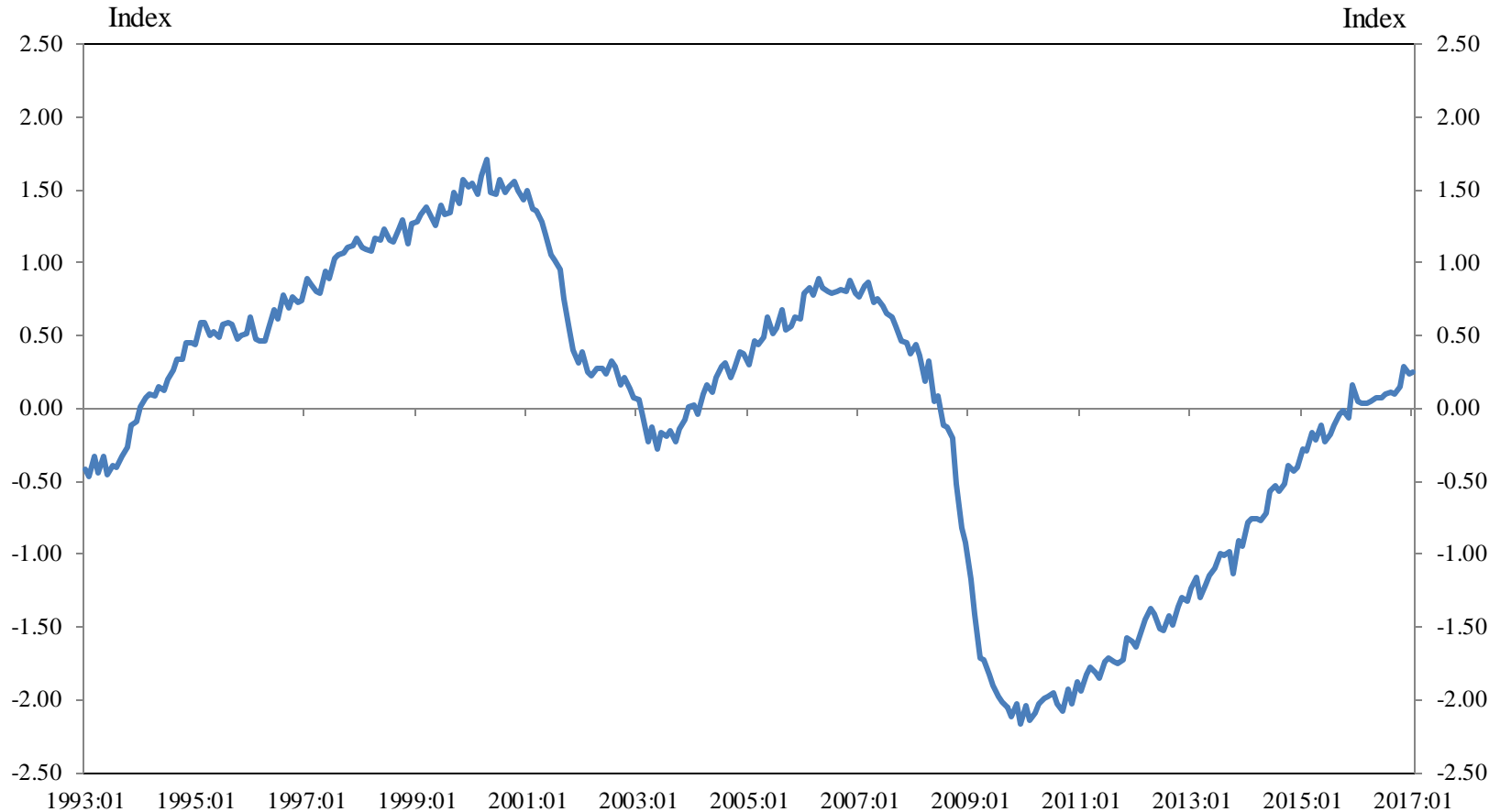
U.S. unemployment has fallen to long-term average levels

Unemployment Rate
Seasonally Adjusted



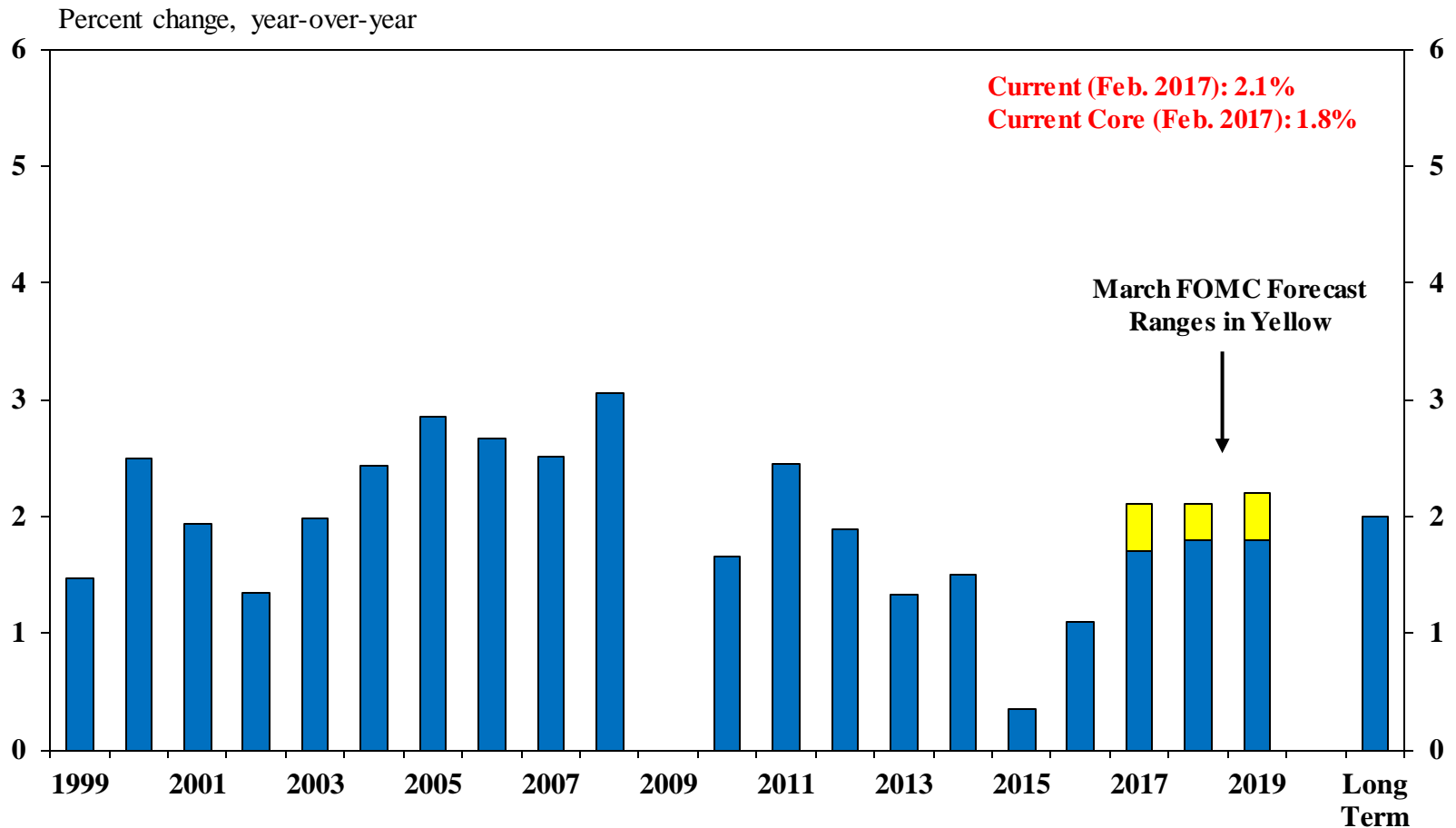
Broader measures of labor market conditions also show a return to normalcy

U.S. Labor Market Conditions Index

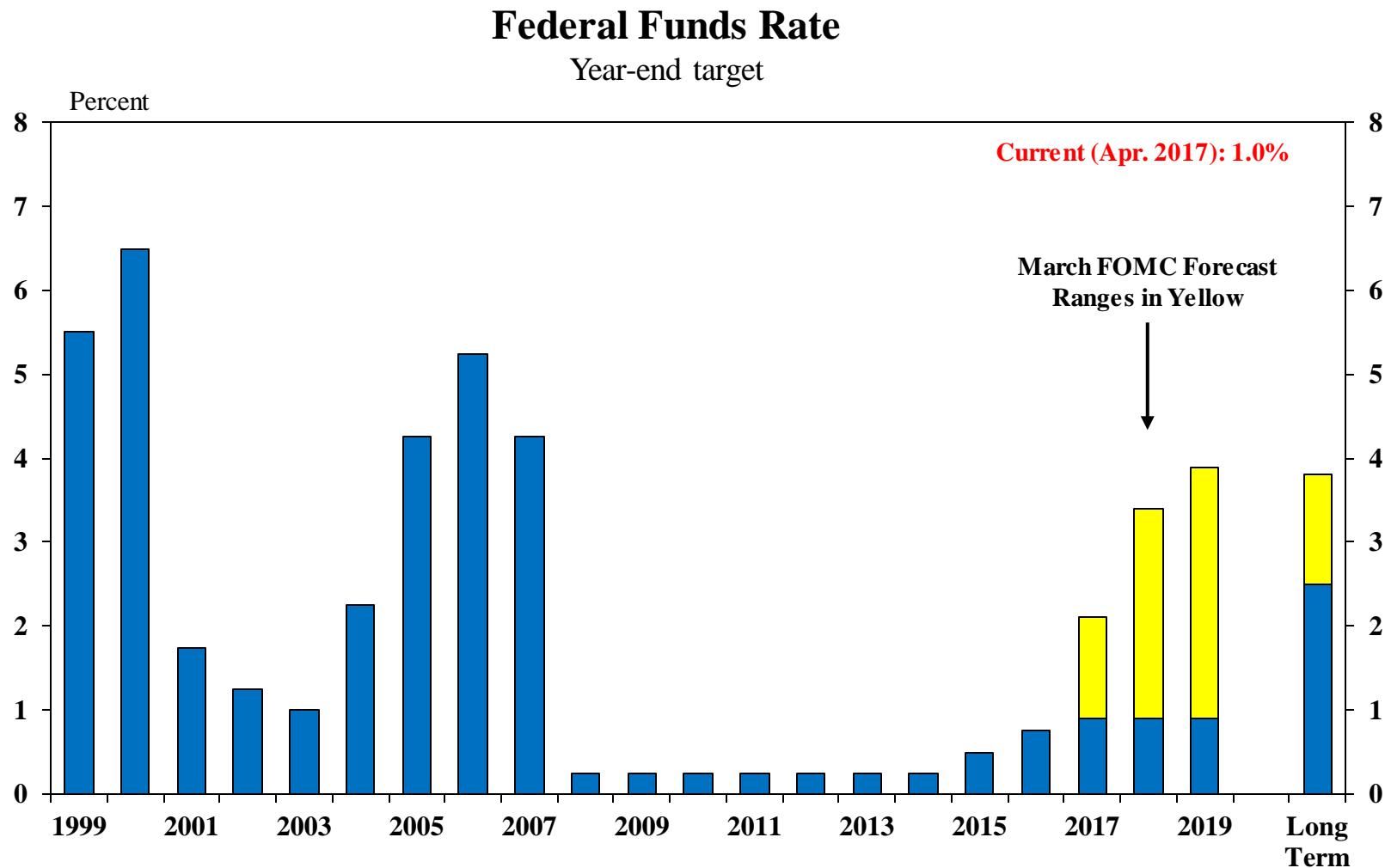


Inflation has been low the past couple of years but has recently returned to the long-term target

PCE Inflation Index

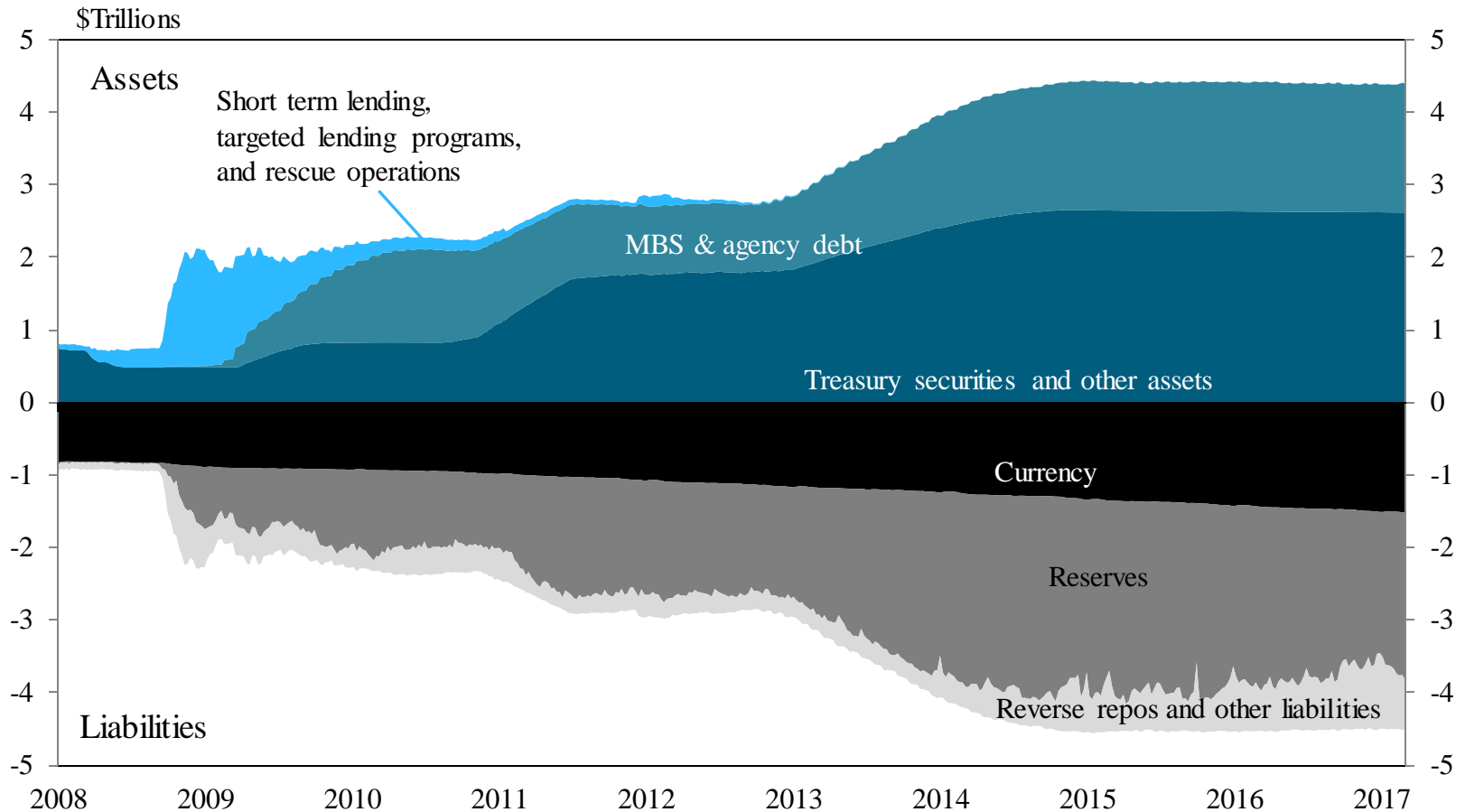


“The [Federal Open Market] Committee expects... gradual increases in the federal funds rate”



“[P]articipants agreed that reductions in the [Fed]'s securities holdings should be gradual and predictable”

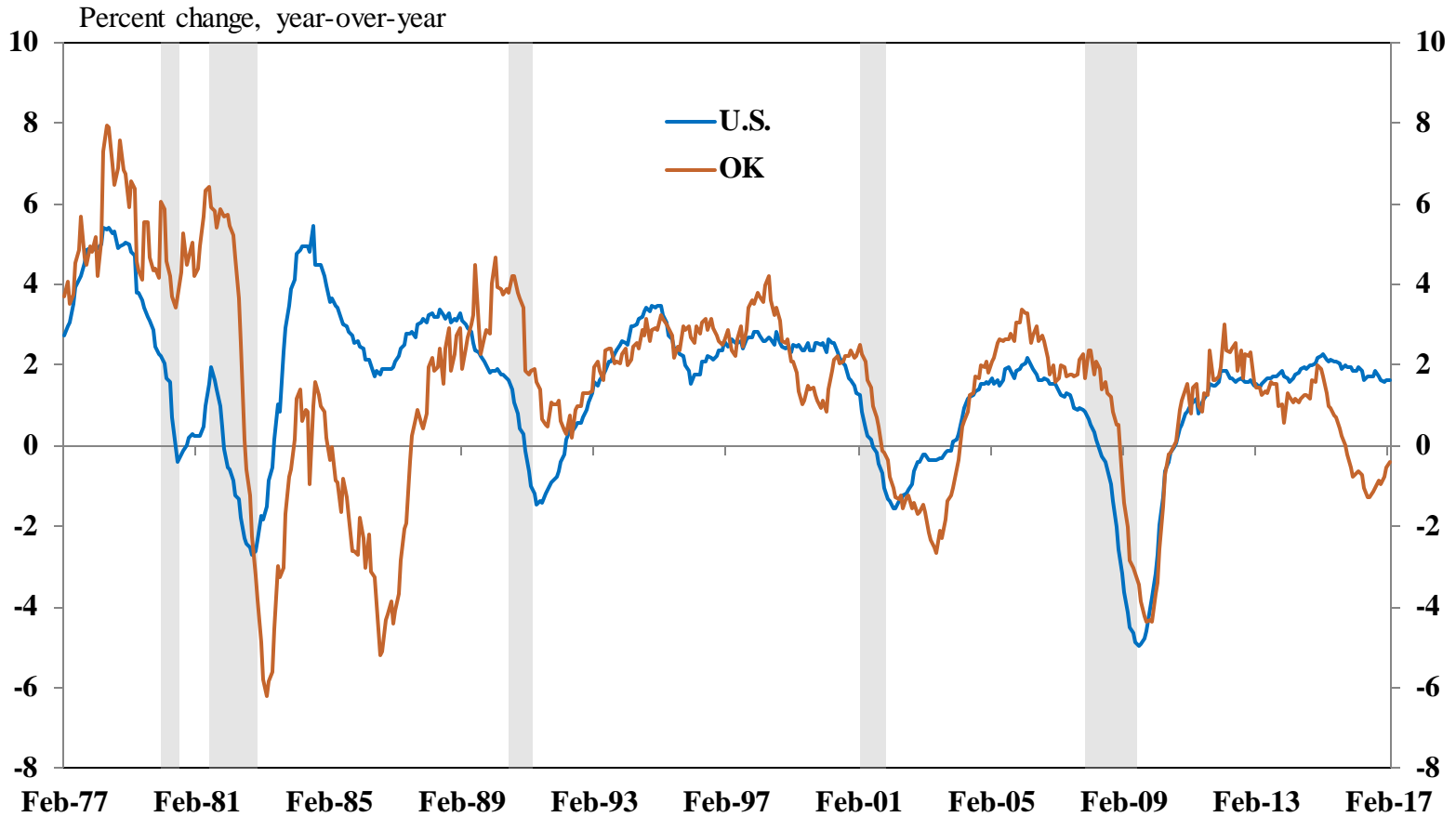
Federal Reserve Balance Sheet



Trends in the Oklahoma & OKC Metro Economies

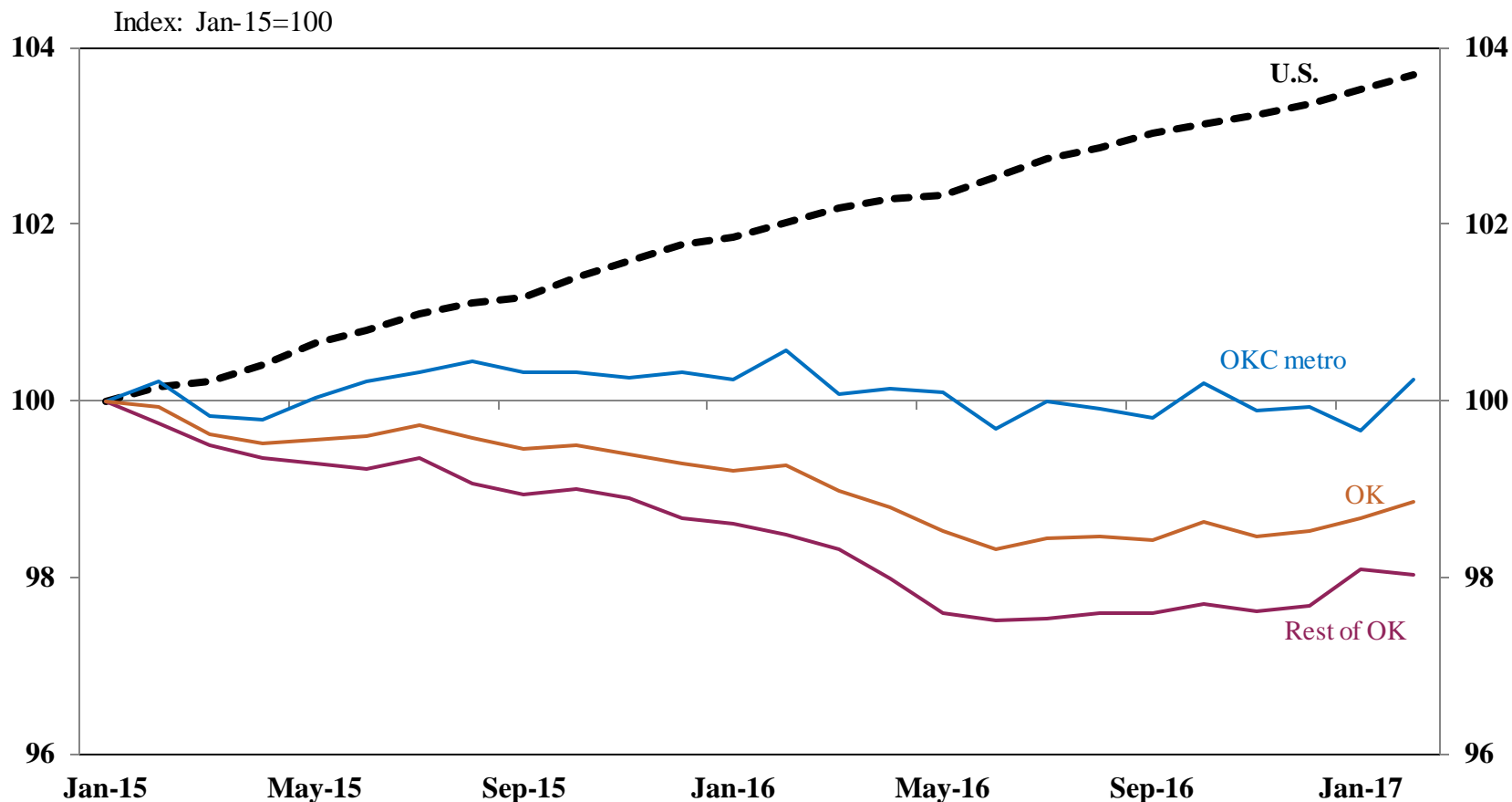
2016 was the largest divergence between U.S. and Oklahoma job growth since the 1980s

Payroll Employment Growth



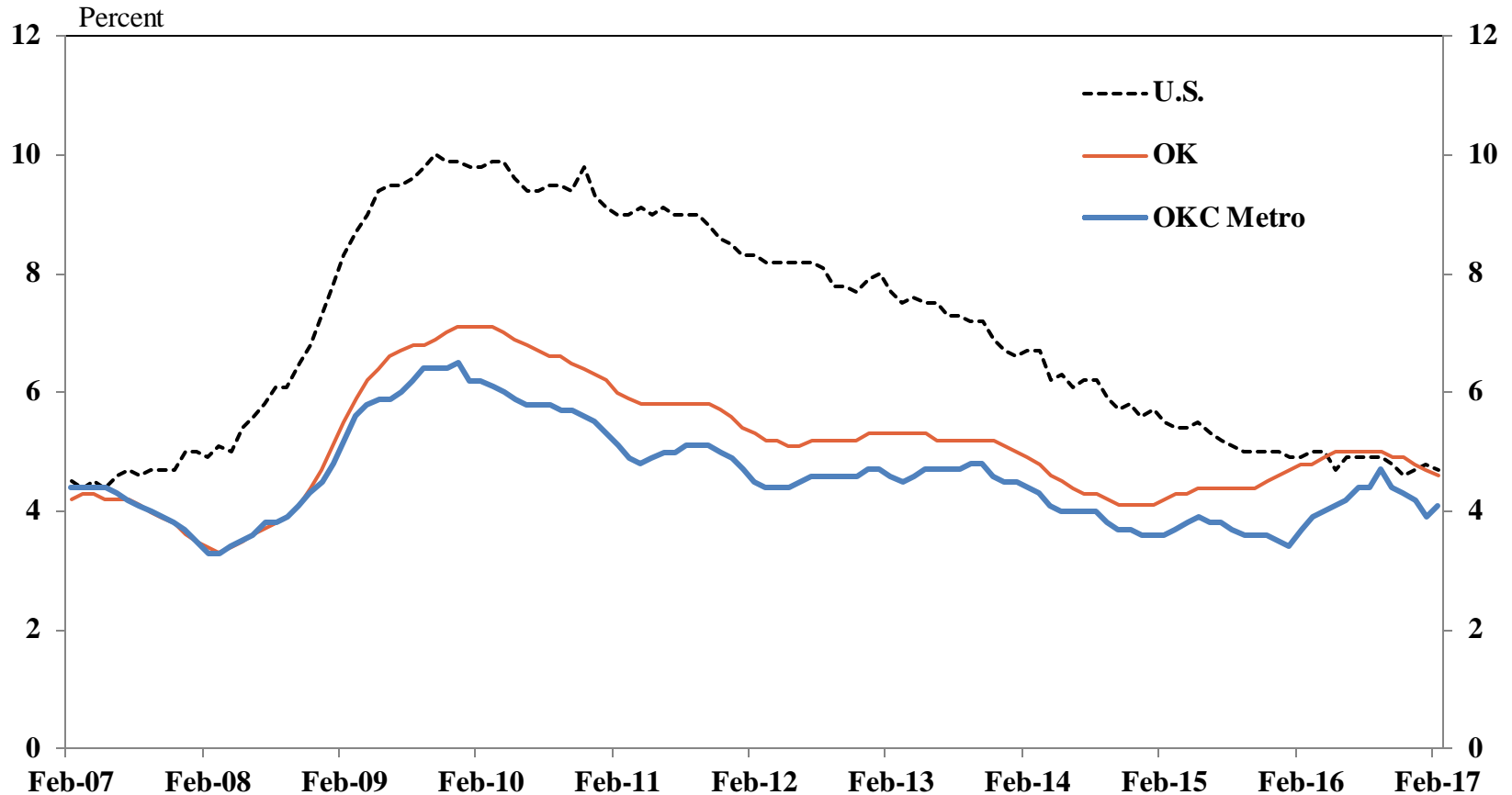
OKC metro jobs have been largely flat, but better than the rest of the state, and rose in February

Level of Payroll Employment
Through February 2017



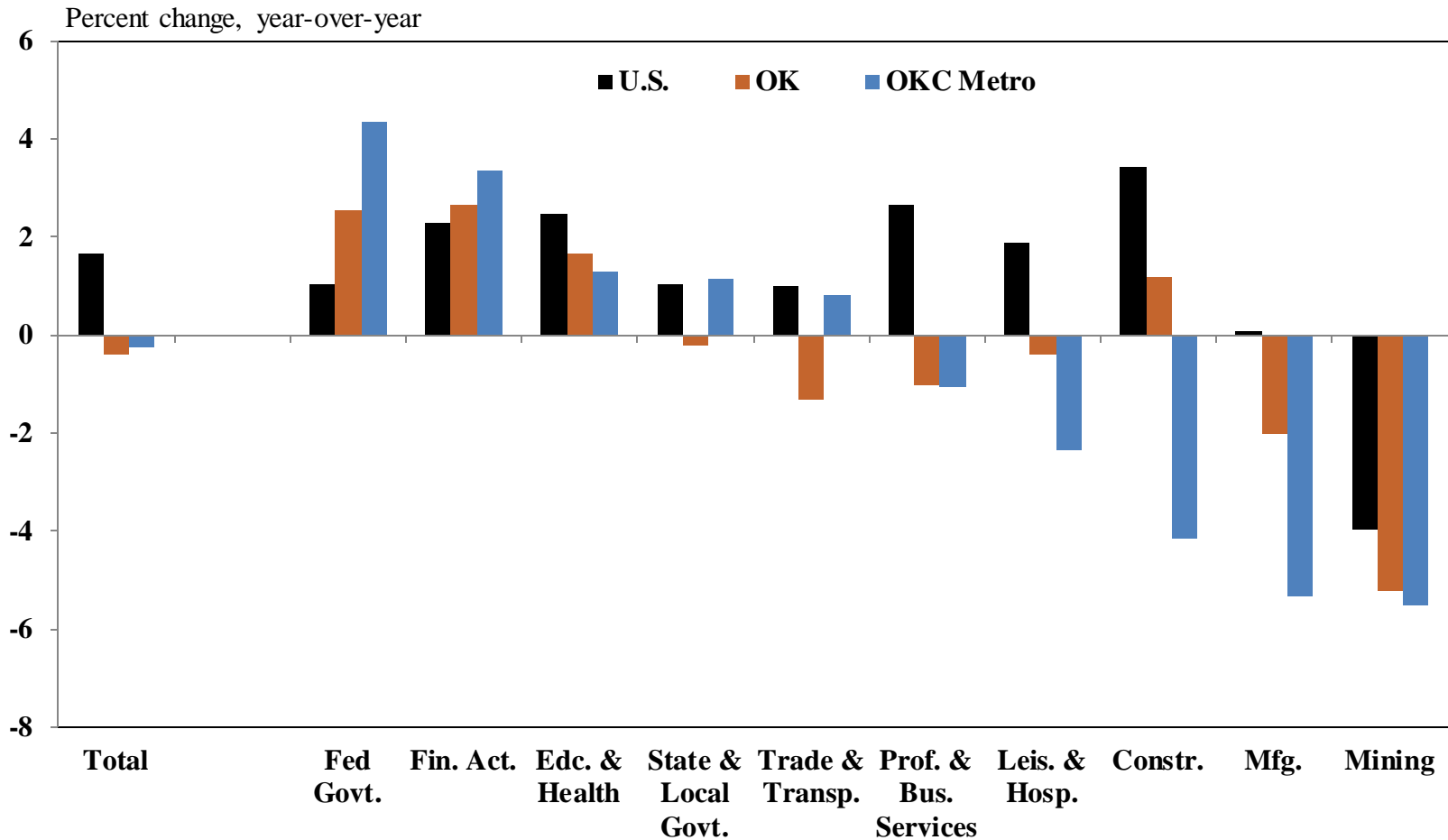
Local unemployment ticked up last year but has stayed below the national rate, and is down lately

Unemployment Rates
Seasonally Adjusted



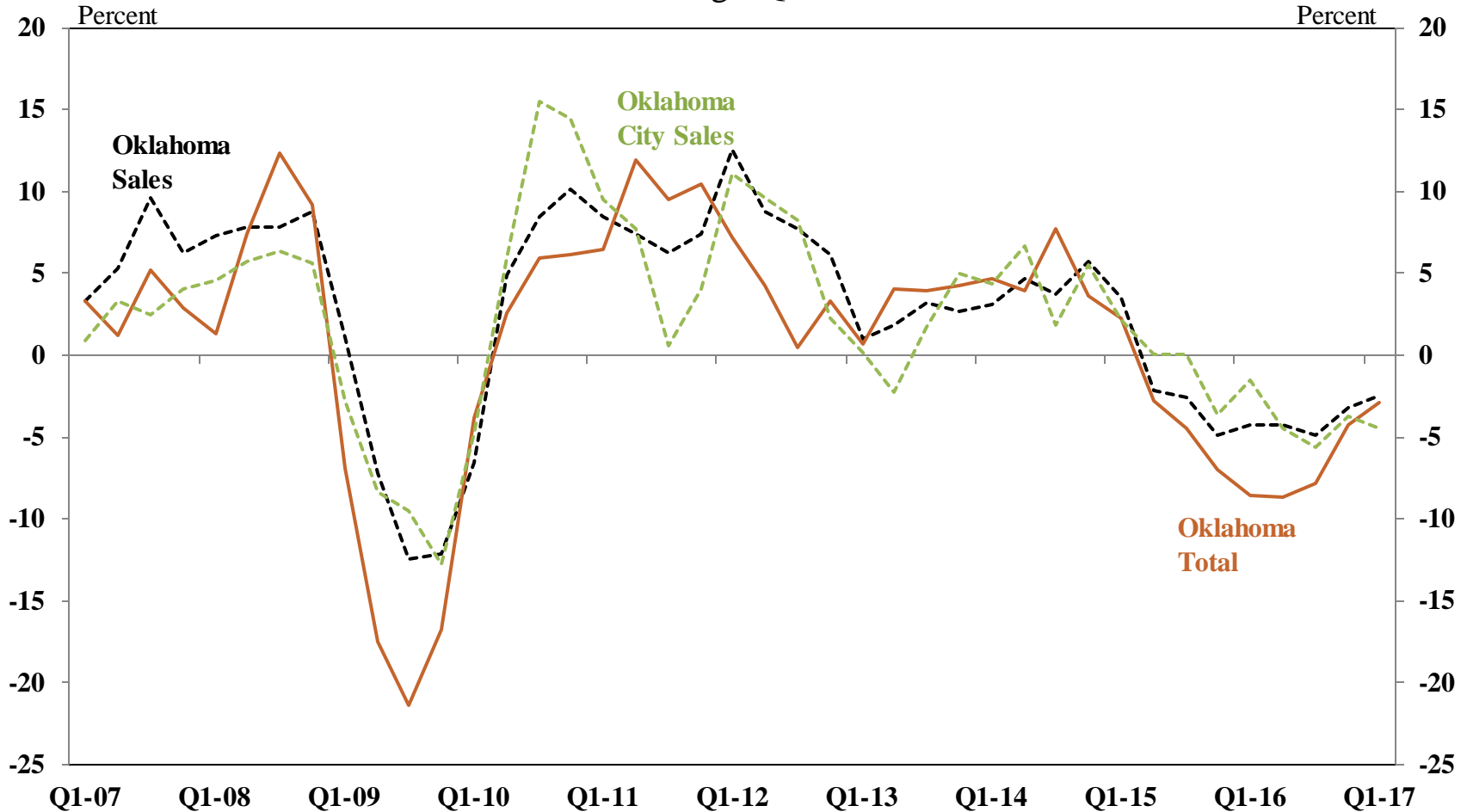
Local job growth has varied widely by industry, with energy job losses spreading to other industries

Job Growth by Industry
Feb-17



State and local tax revenues continue to drift down in early 2017, though less so than in 2016

Tax Receipts
Through Q1-17*

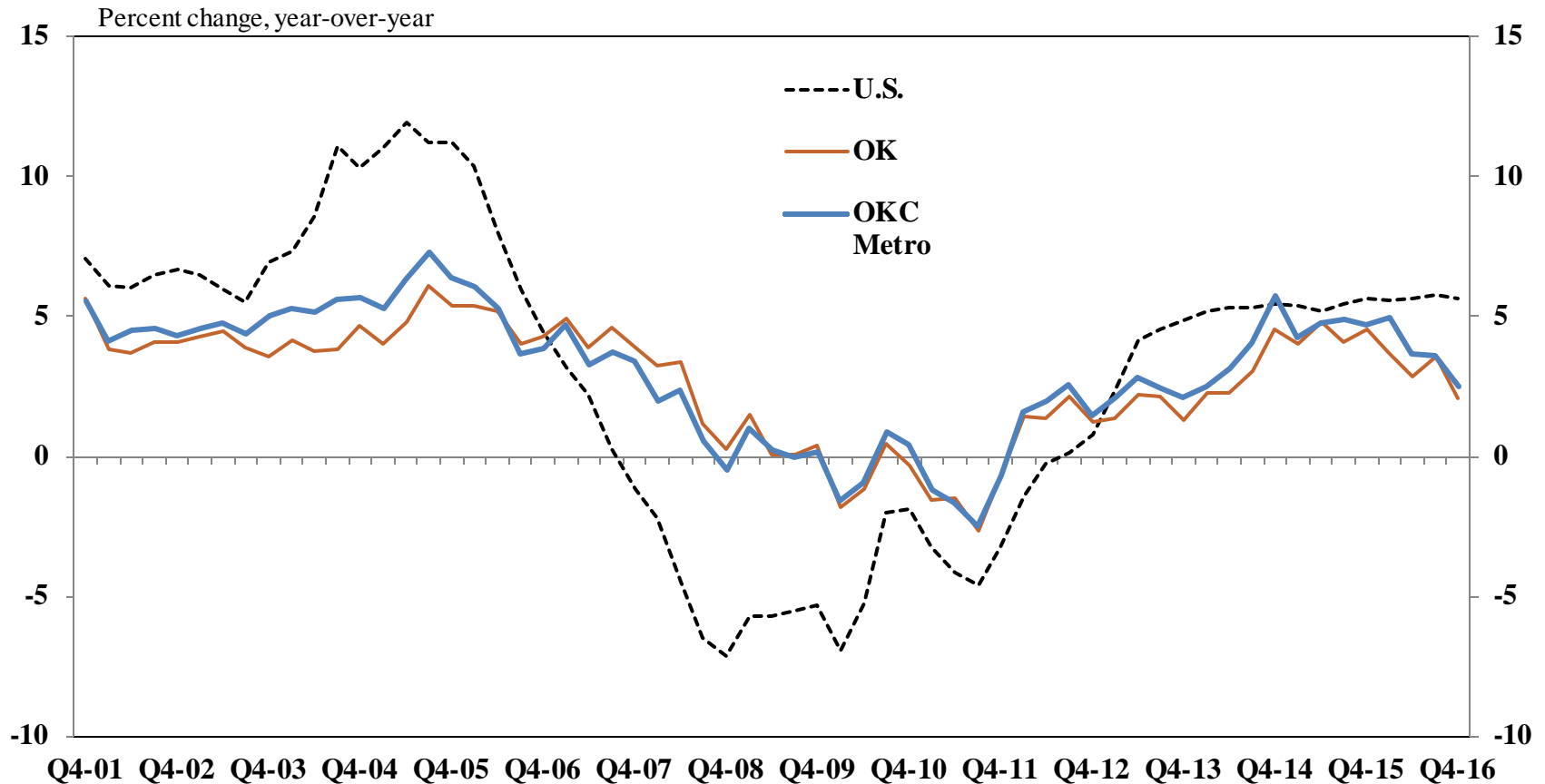


*Q1-17 through February for OKC



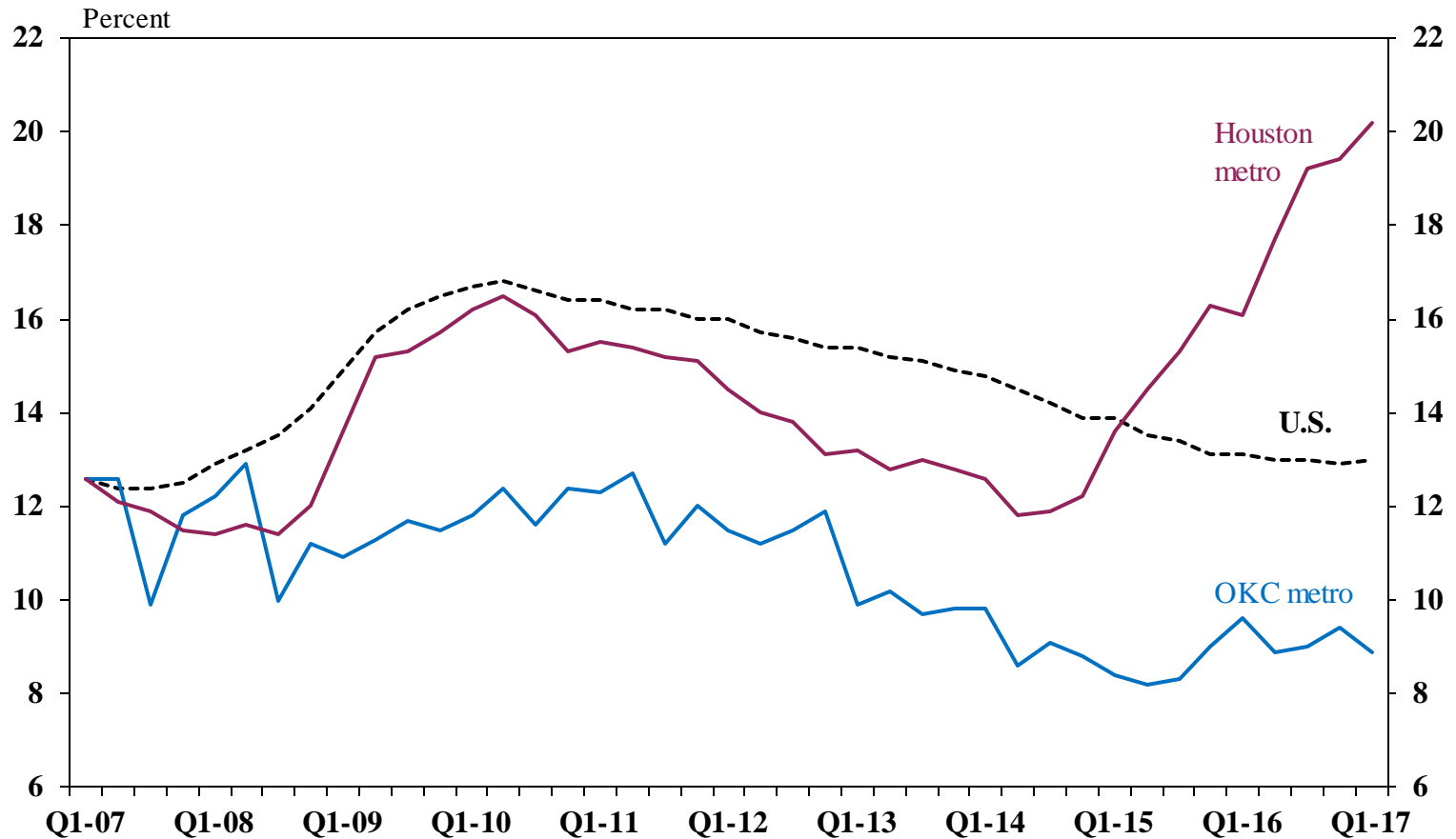
Home price growth in the metro area has slowed, but remains moderately positive

FHFA Home Price Index
Seasonally Adjusted



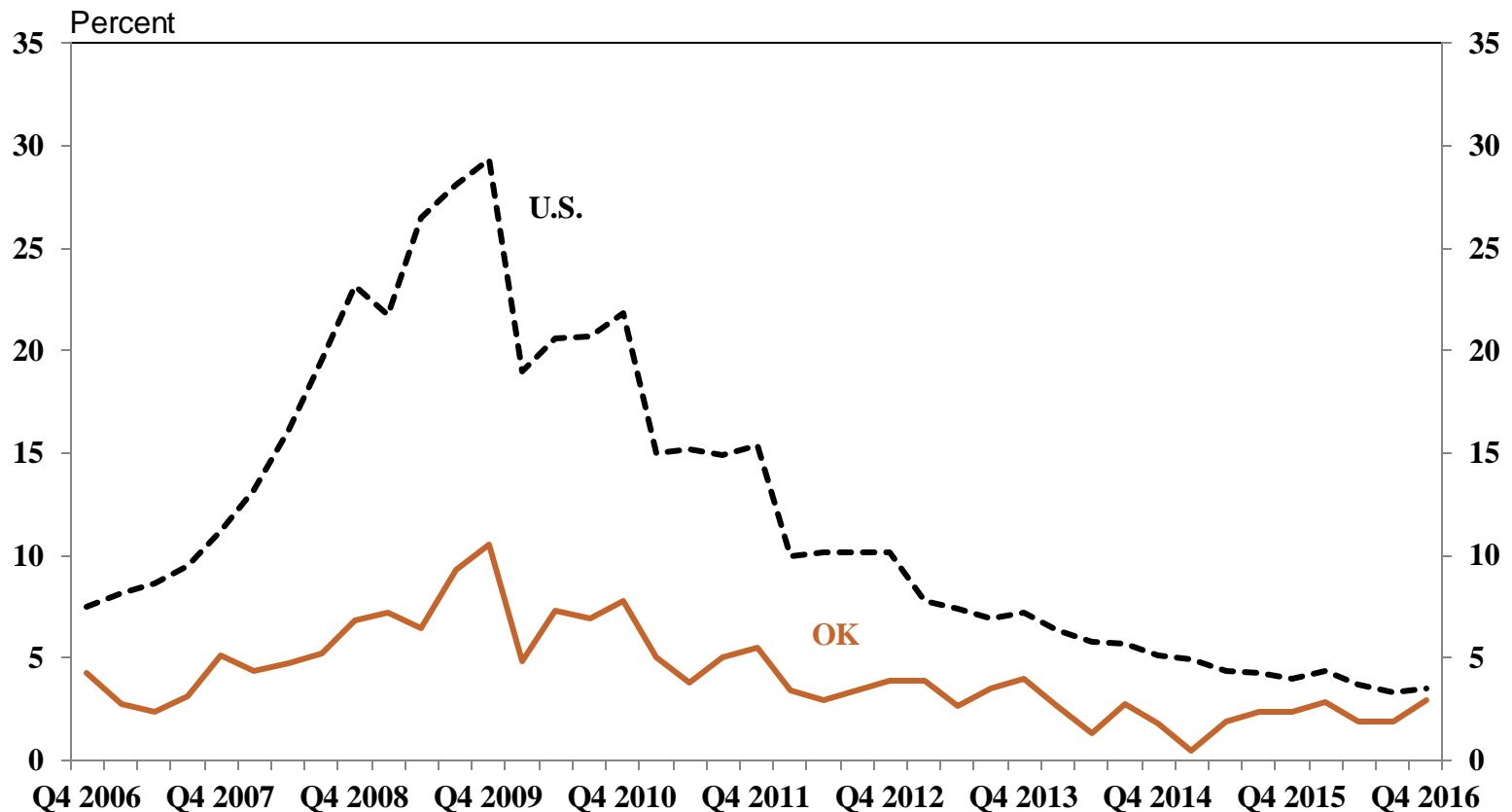
Office vacancy rates have risen slightly in the metro area, but much less than in Houston

Metro Office Vacancy Rates



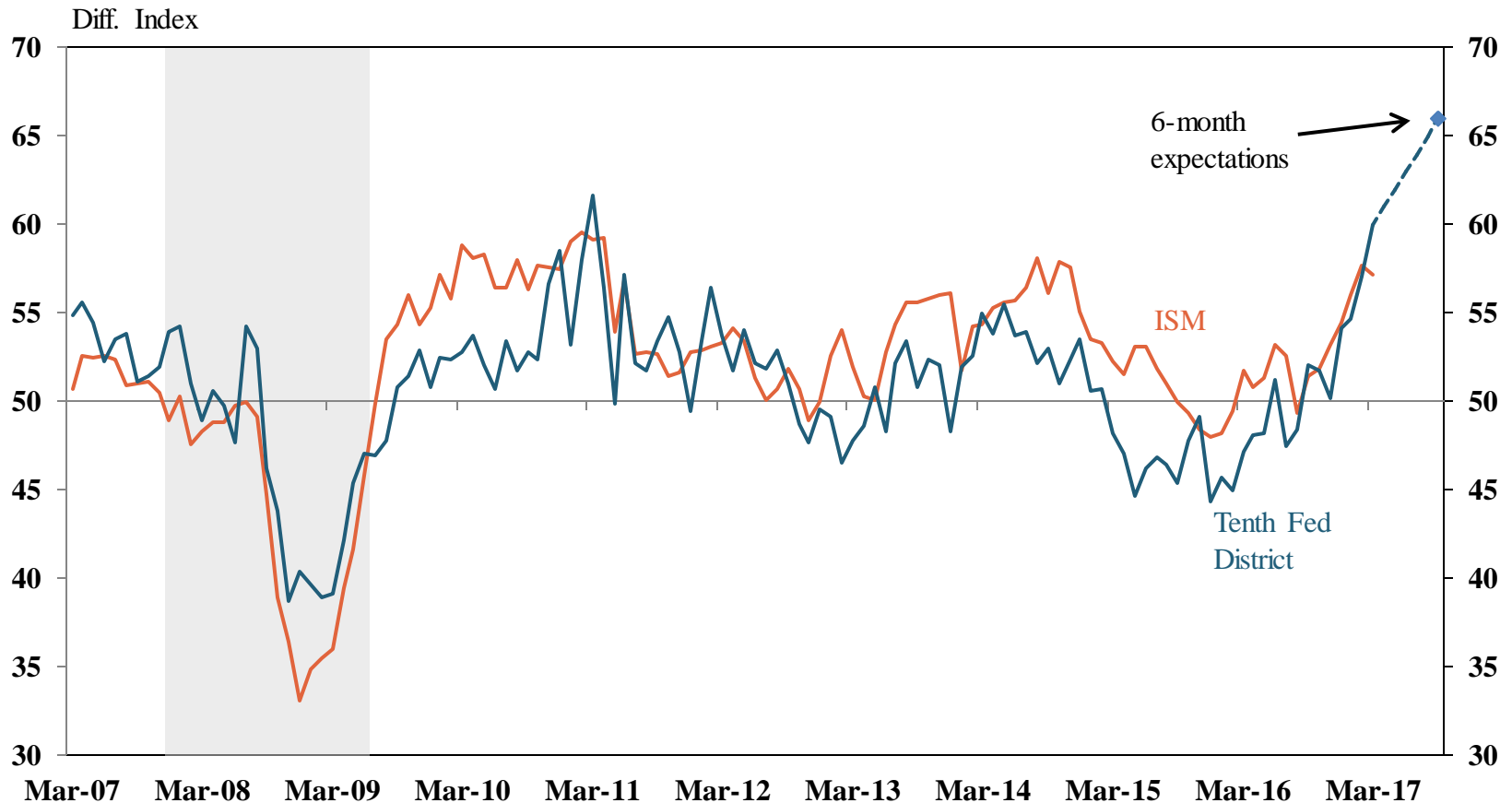
And nearly all banks in Oklahoma remain profitable

Share of Banks Not Making a Profit
Commercial Banks



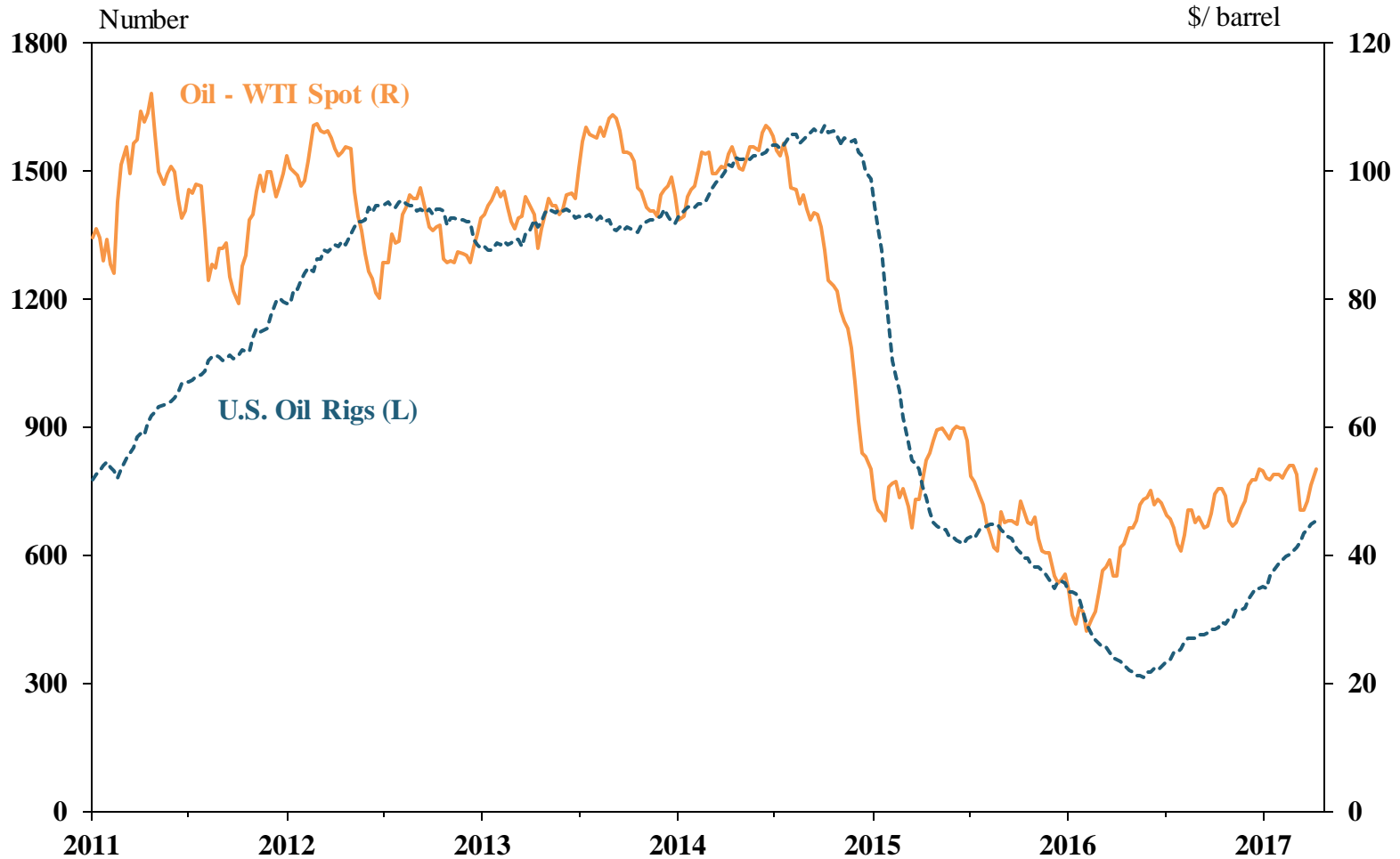
Regional factory activity has improved markedly in recent months, with considerable optimism

Manufacturing Composite Indexes, Seasonally Adjusted



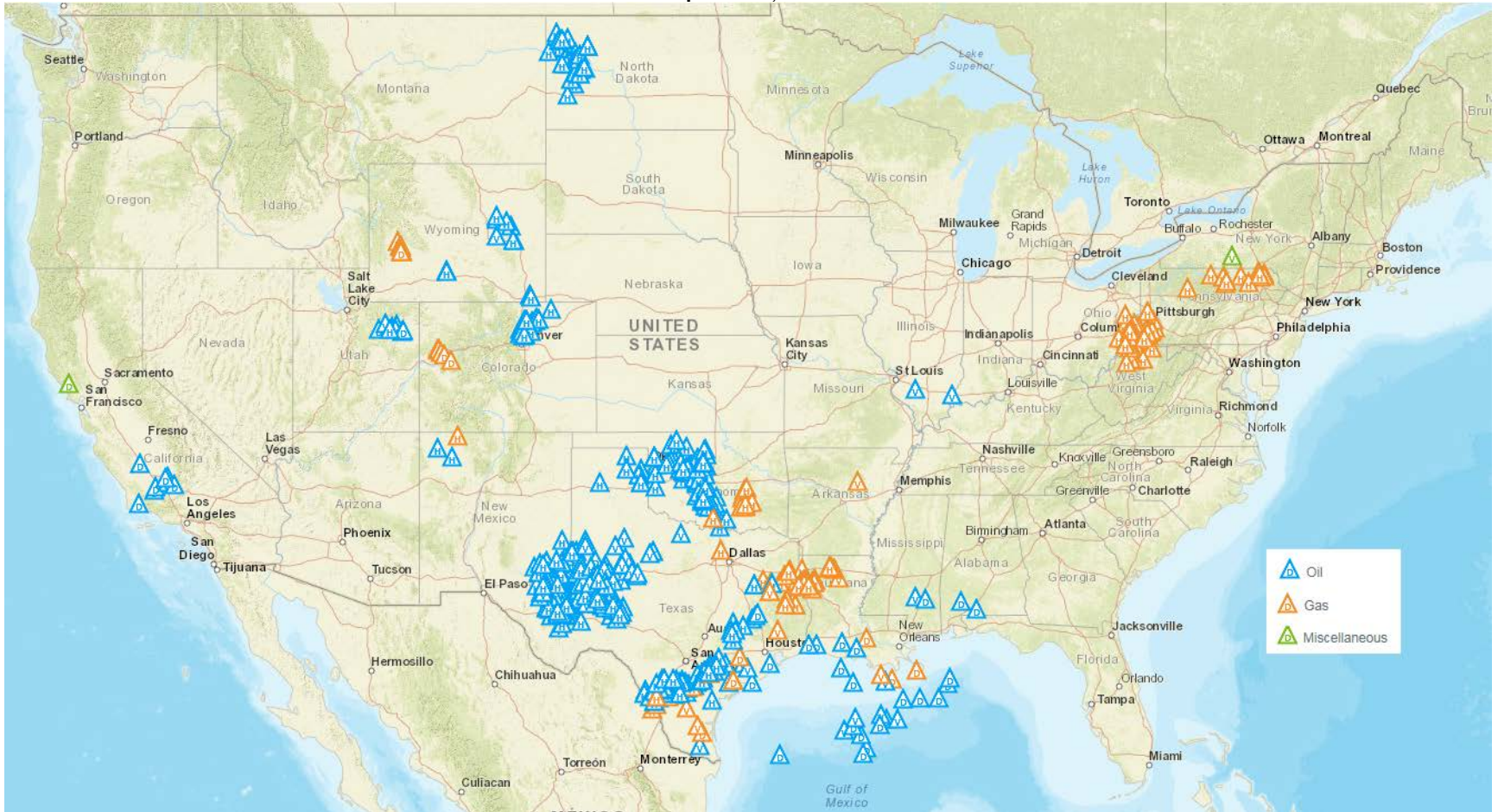
Oil prices' recent rise to \$50/barrel has been followed by a near-doubling in the rig count

Oil Spot Prices and Rig Counts



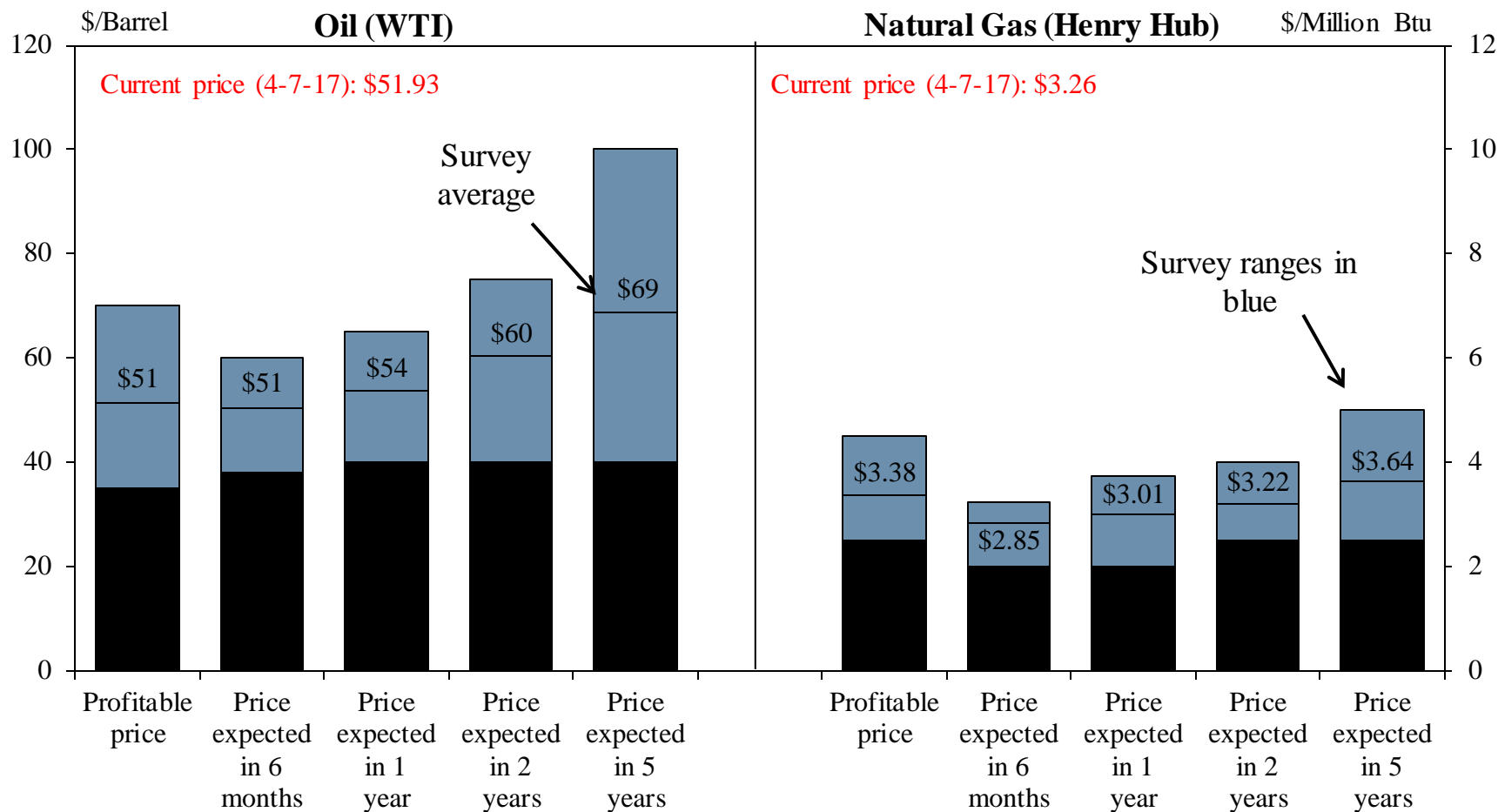
The most active drilling areas now are in west Texas and central Oklahoma

**Current Drilling Rig Locations,
As-of April 14, 2017**



Energy prices are around average profitable levels but are only expected to increase modestly

Kansas City Fed Energy Survey Special Questions



Summary

- The U.S. economy continues to grow, and the Fed has raised interest rates at 2 recent meetings
- The OKC metro economy has been hurt by low commodity prices, as well as spillover to related industries, but less so than the state
- Conditions in local labor markets, real estate, and banking have held on fairly well, and some growth and optimism has returned



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 energy conditions, subscribe to our quarterly **Energy Survey** at:

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

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

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