

U.S. and Southeast Oklahoma Economic Outlook

Hugo Economic Forum

August 10, 2017



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www.kansascityfed.org/oklahomacity

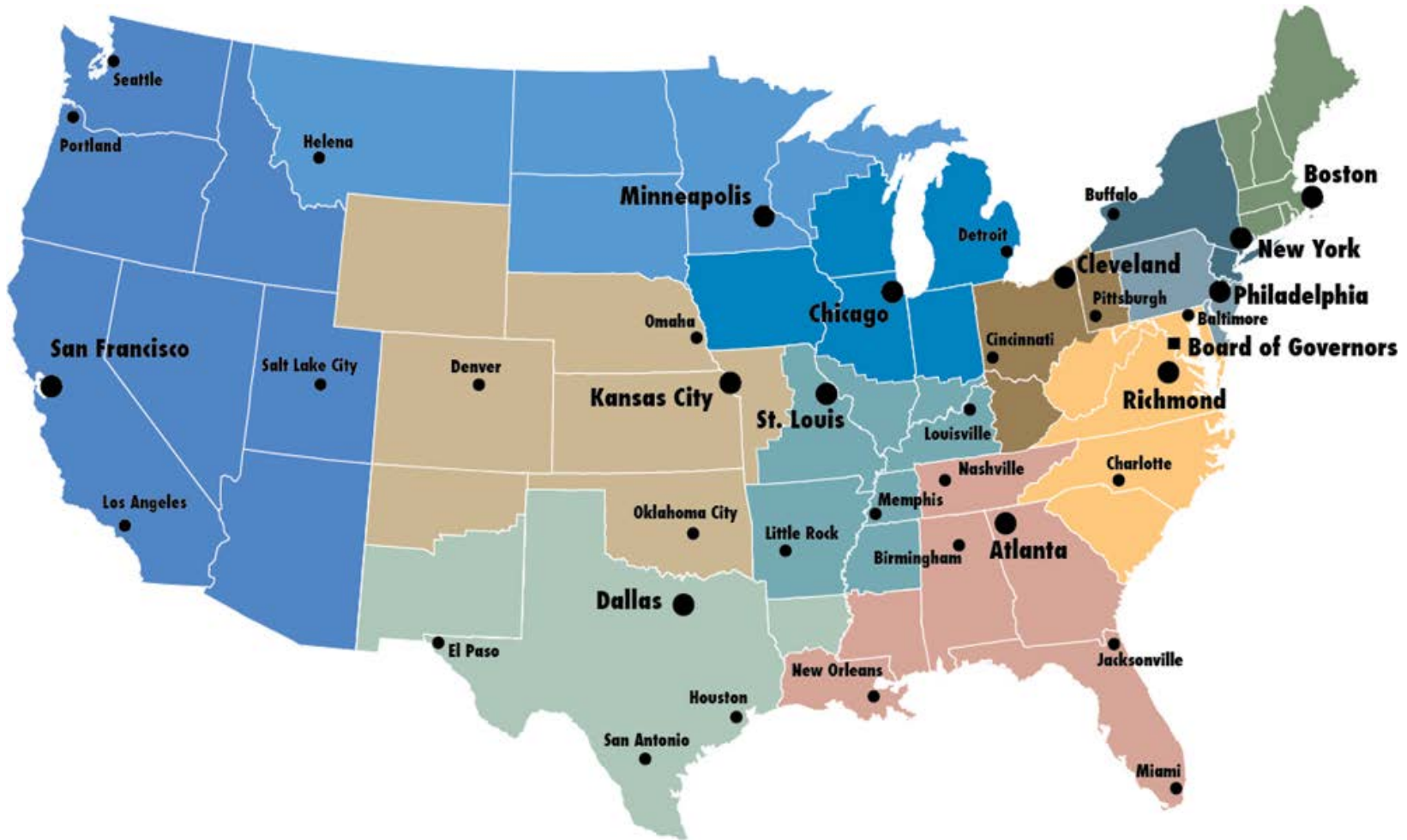
Structure and Functions of the Federal Reserve System

- **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

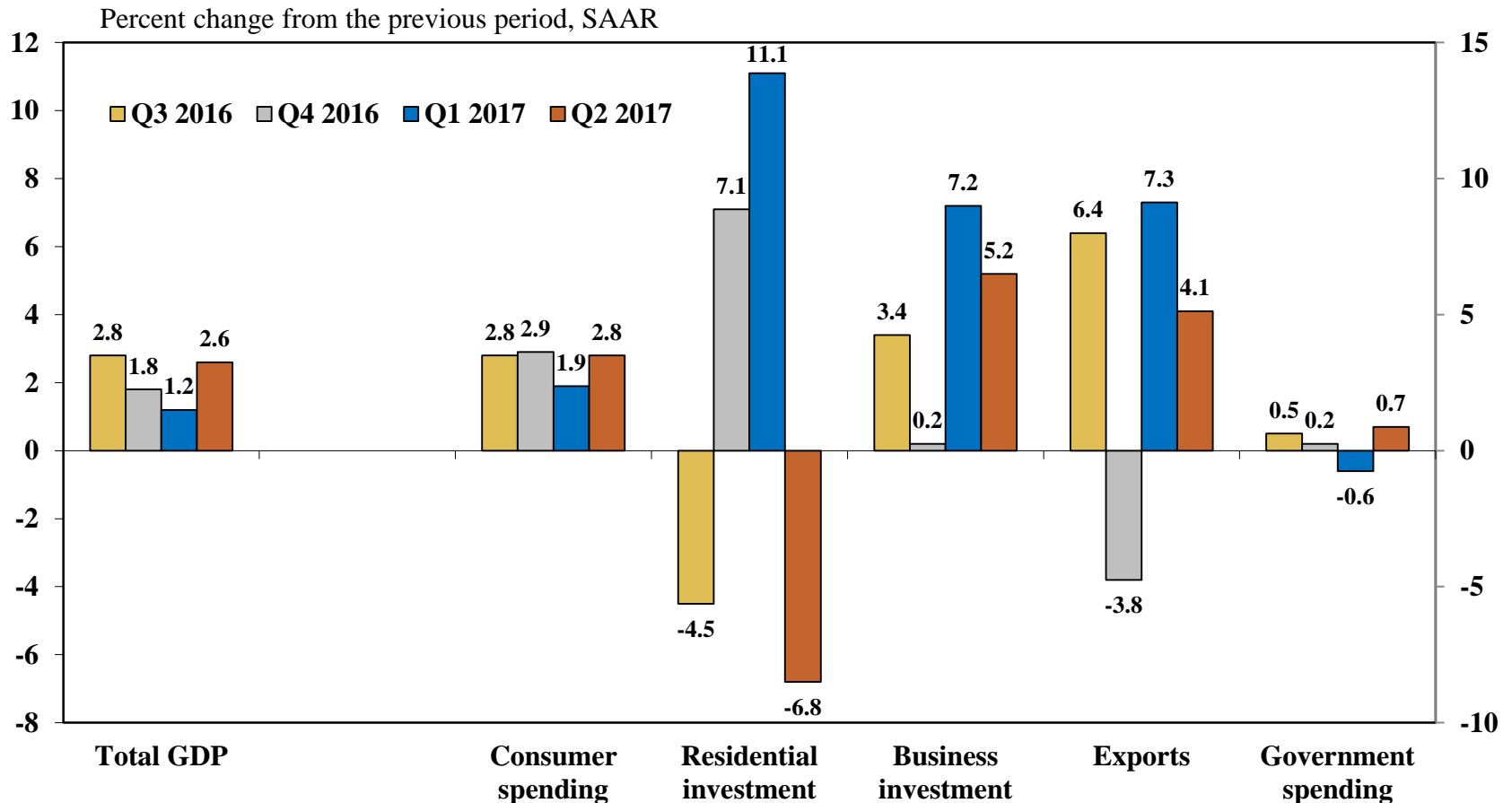
- **Oklahomans on Kansas City Fed head office Board**

- **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

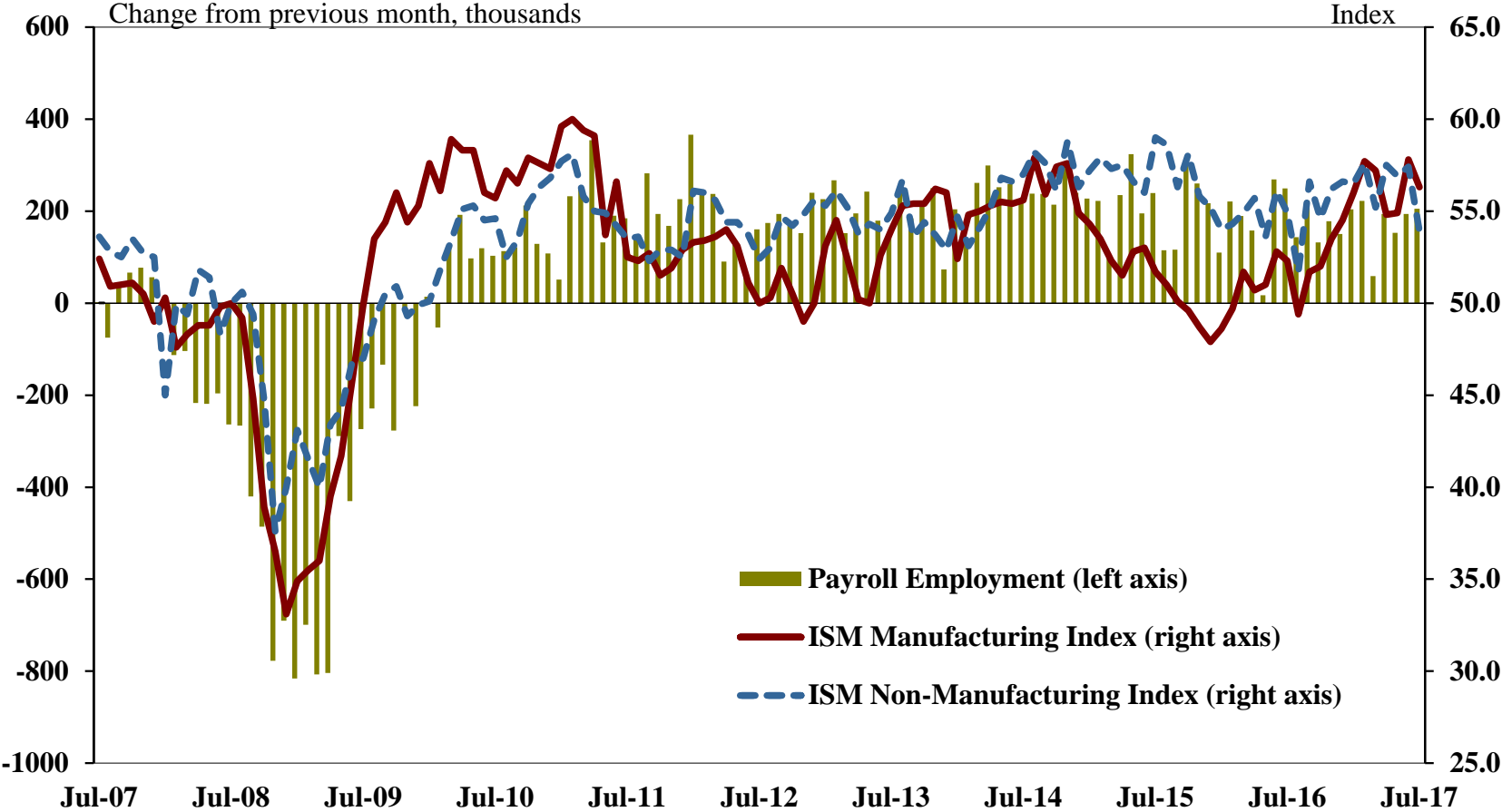
GDP growth slowed in the first quarter of 2017 due in part to a slowdown in consumer spending

Growth in Components of Real GDP



Most monthly data show U.S. economic growth remained solid in the first 4 months of the year

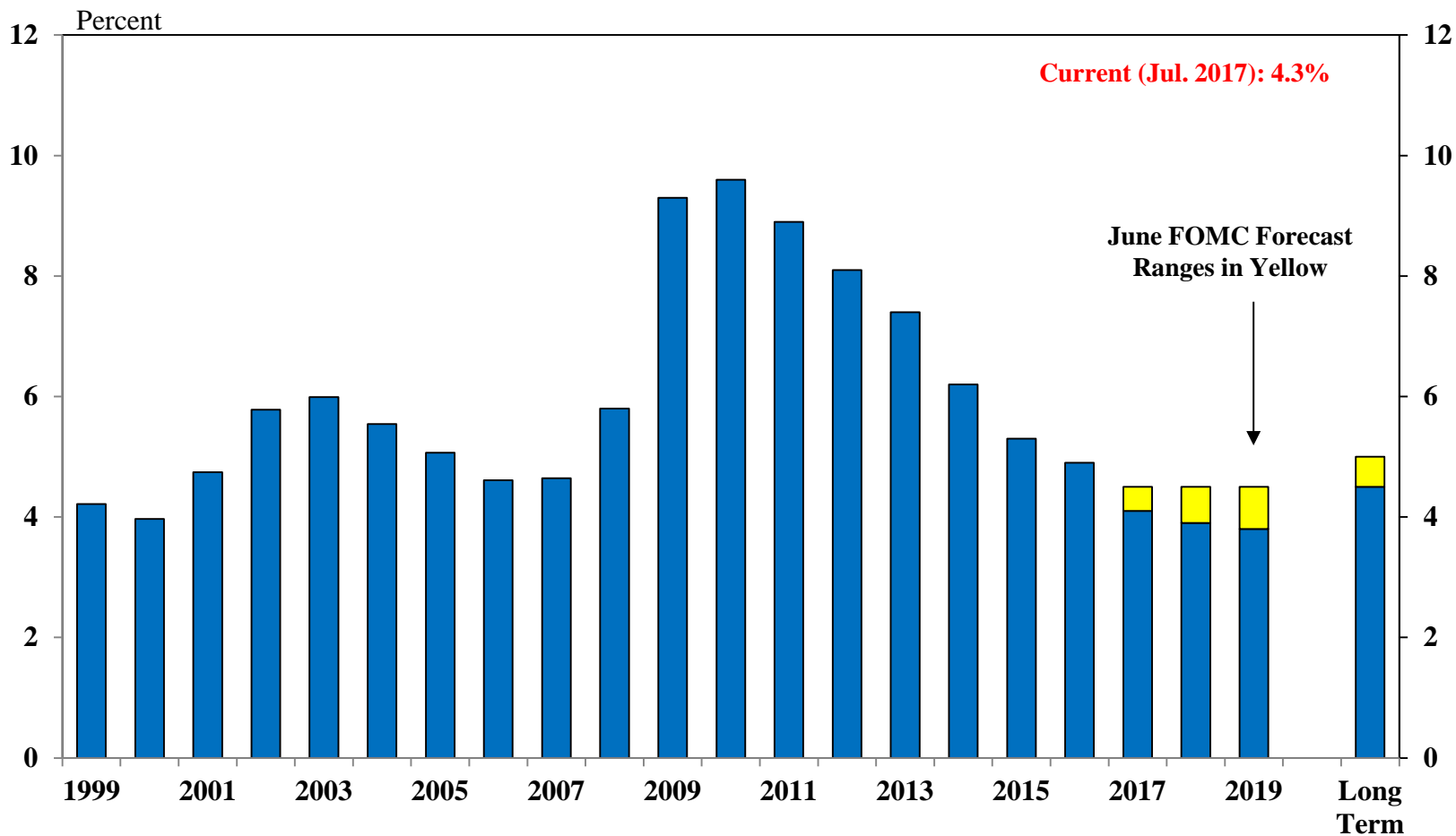
U.S. Payroll Employment and Business Indexes



Source: Institute for Supply Management, Bureau of Labor Statistics

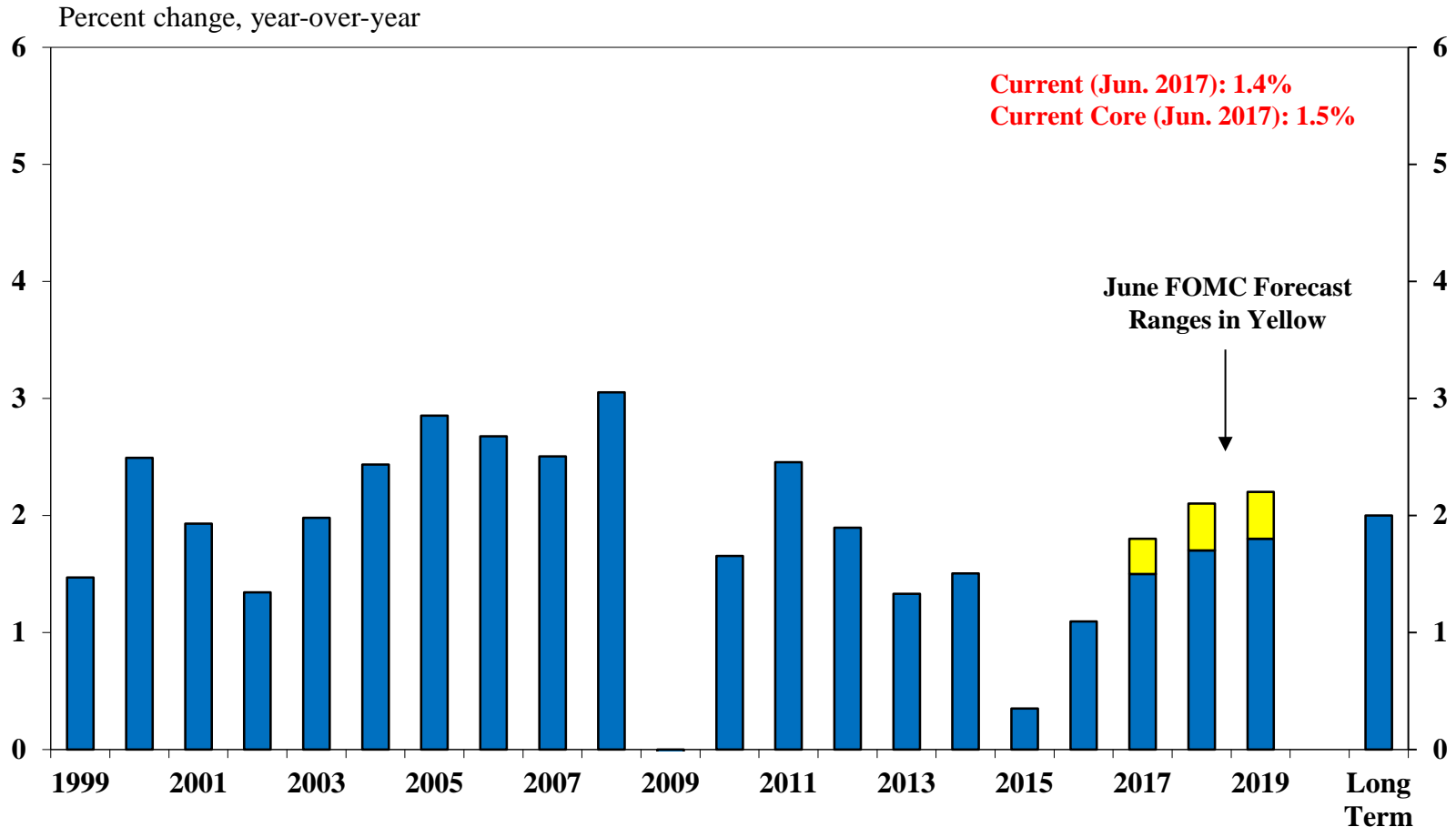
“Job gains have been solid...since the beginning of the year, and the unemployment rate has declined.”

Unemployment Rate Seasonally Adjusted



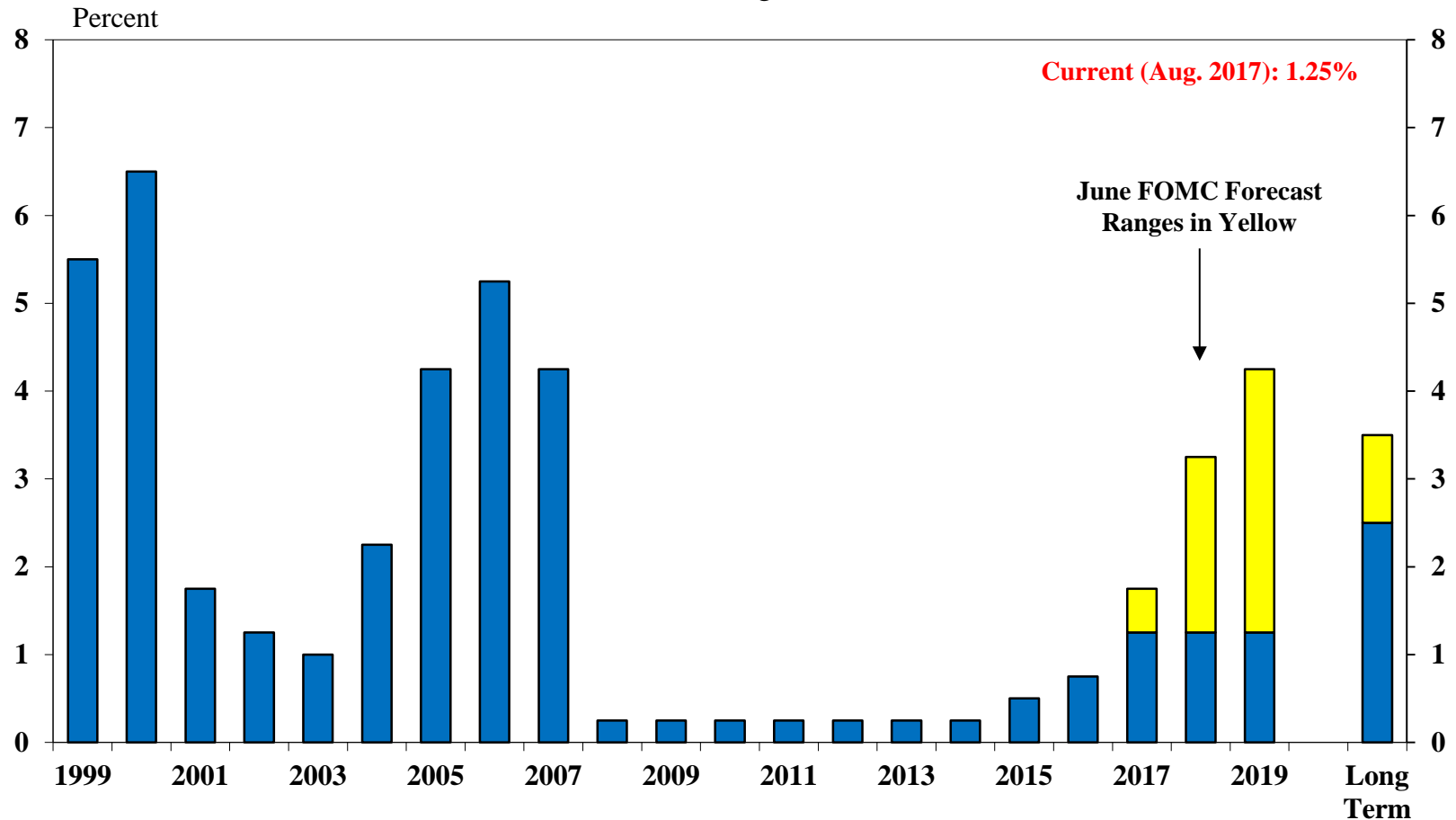
“Inflation...is expected to...stabilize around the Committee’s 2% objective over the medium term”

PCE Inflation Index



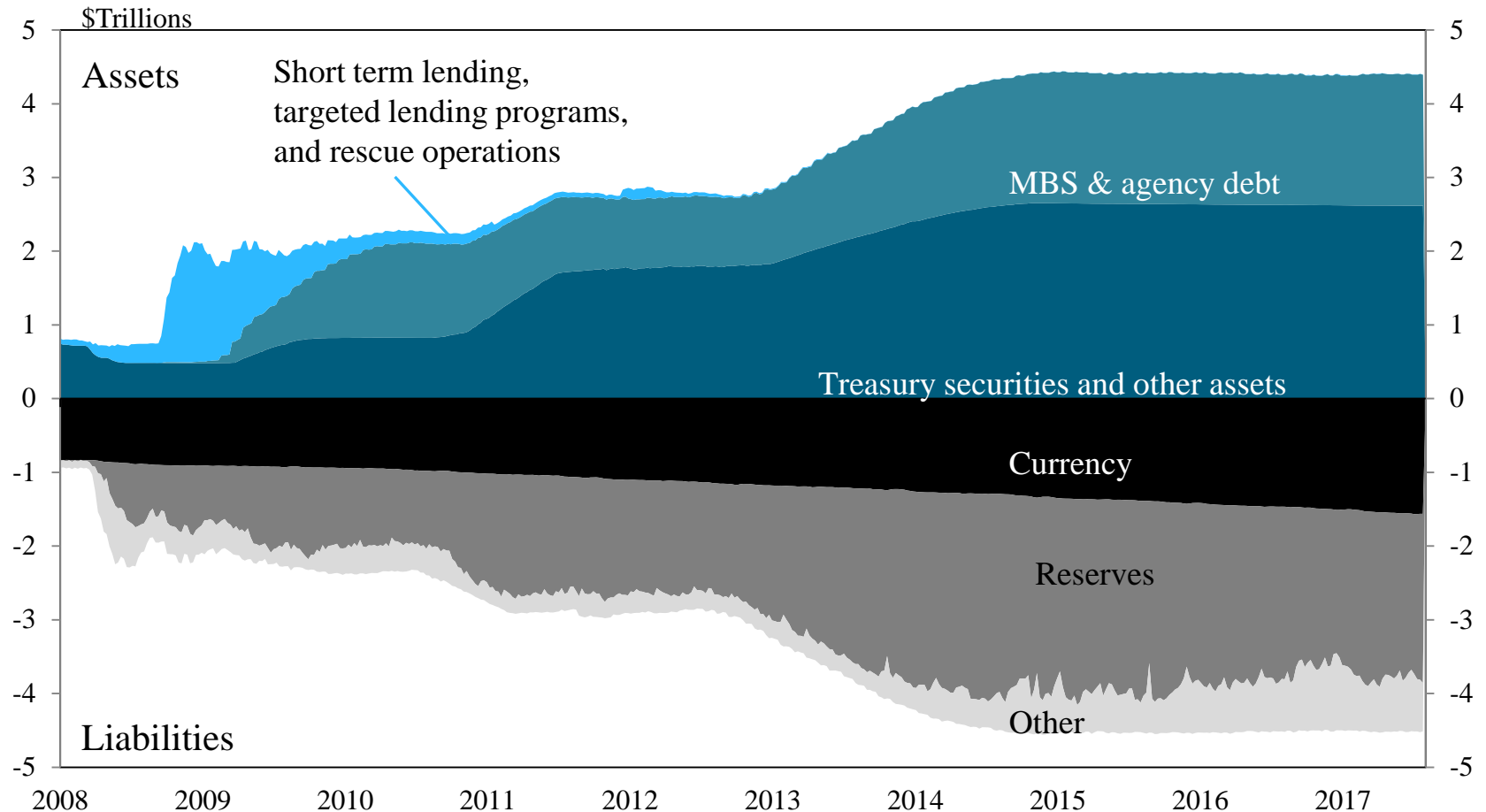
“The Committee expects...conditions will evolve in a manner that will warrant gradual [rate] increases”

Federal Funds Rate Year-end target



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

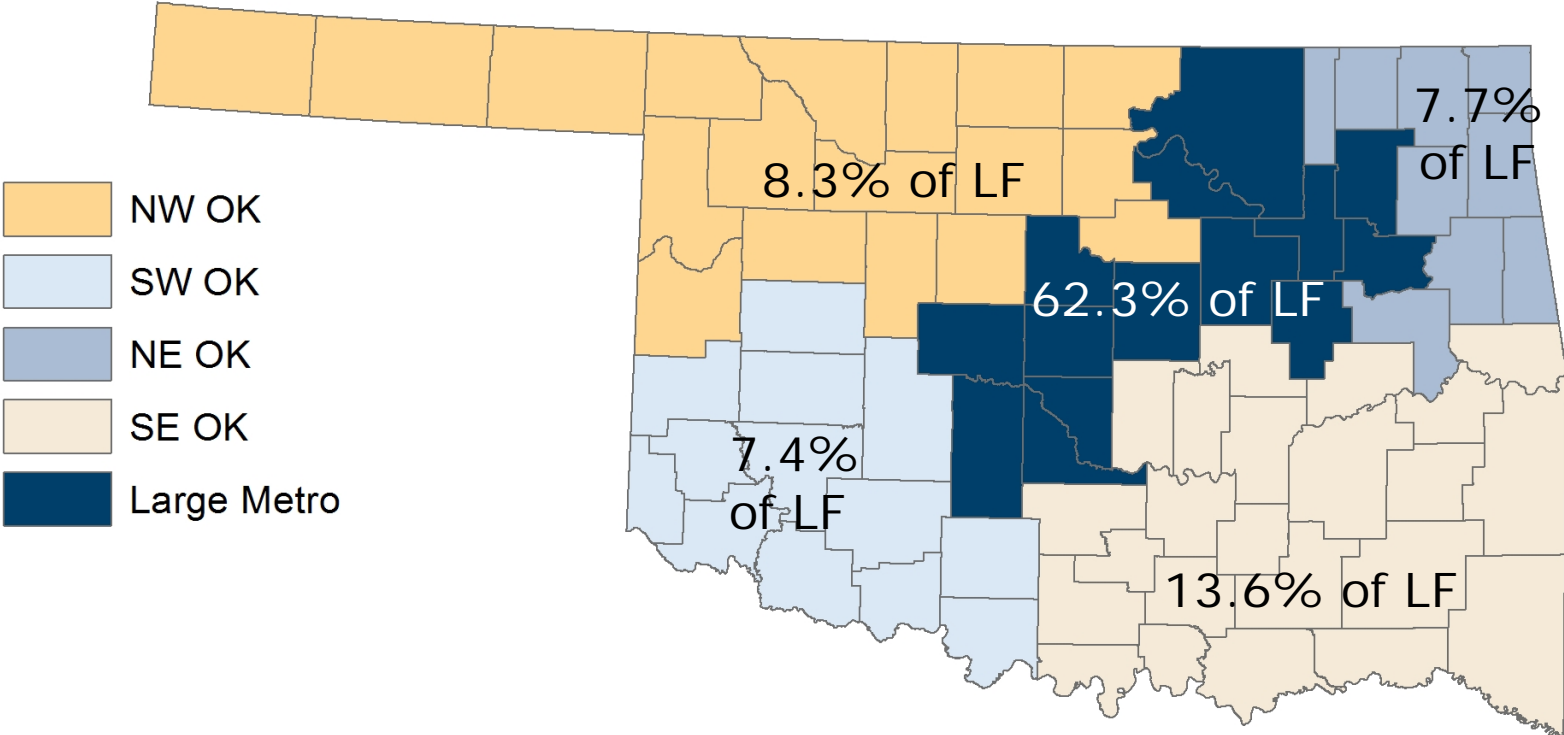
Federal Reserve Balance Sheet



The Southeast Oklahoma Economy

Southeast Oklahoma (from I-35 to AR, and from I-40 to TX) has 14% of the state's labor force

Oklahoma Labor Force by Region



The region's most important industries relative to the nation are agriculture, energy, and government

OK Personal Income Share by Industry, 2015

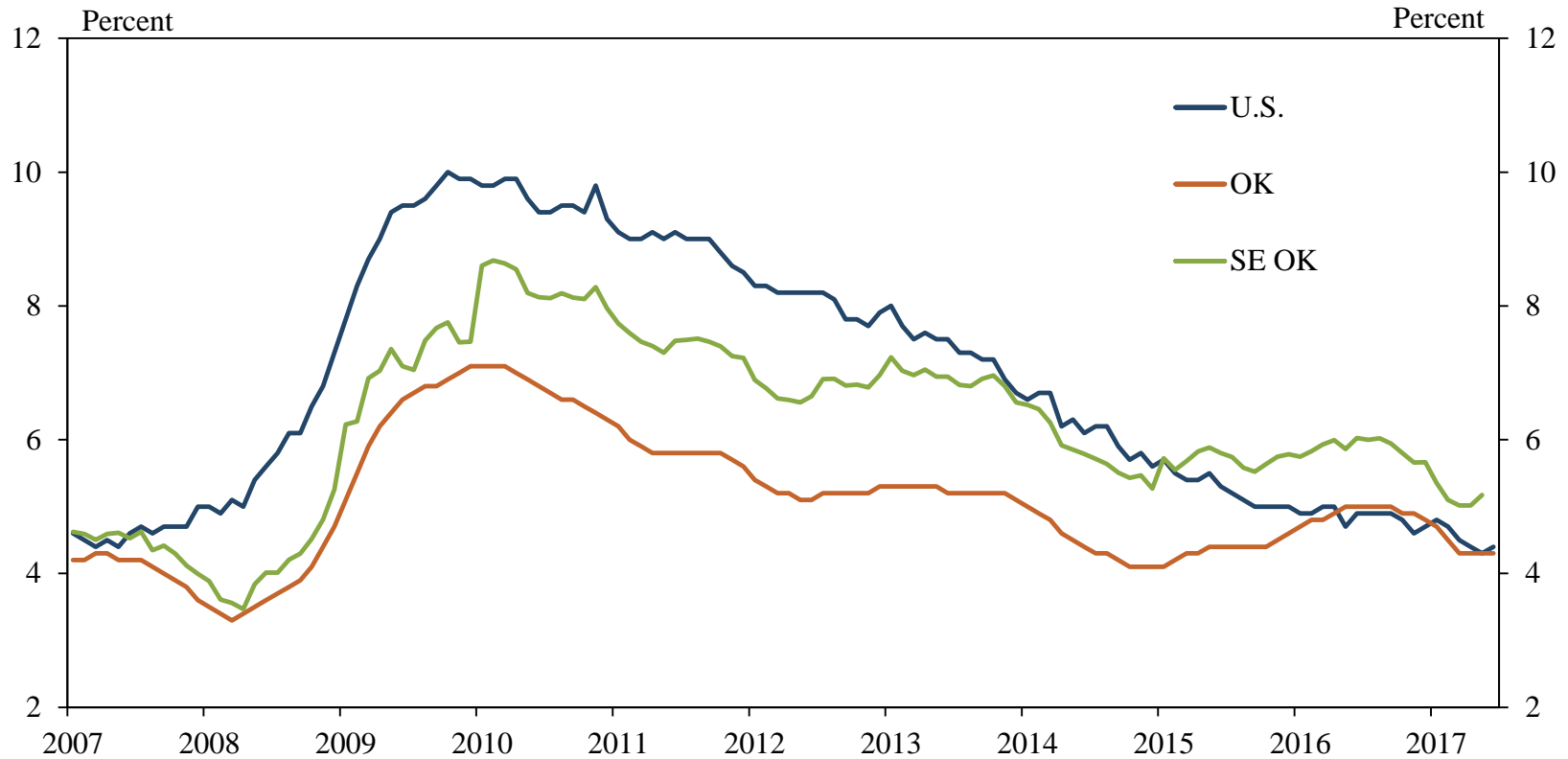
Industry	Percent of Total Income			Location Quotient	
	US	OK	SE OK	OK LQ	SE OK LQ
Agriculture	0.8	1.7	6.7	2.1	8.1
Mining	1.6	11.8	5.7	7.5	3.6
State & Local Government	13.2	13.4	30.7	1.0	2.3
Federal Government	3.0	5.8	4.9	1.9	1.6
Construction	6.1	6.6	6.8	1.1	1.1
Trade, Transportation & Utilities	16.2	23.8	15.4	1.5	1.0
Manufacturing	10.1	8.9	9.4	0.9	0.9
Education & Health	13.3	11.2	10.7	0.8	0.8
Leisure & Hospitality	4.7	3.9	3.0	0.8	0.6
Financial Activities	7.1	3.8	2.6	0.5	0.4
Information	3.5	1.6	1.0	0.5	0.3
Prof. & Business Services	20.3	7.5	3.2	0.4	0.2

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



With strains in ag, energy, and government in 2015-16, unemployment moved up to 6% but has since fallen

Unemployment rates
Seasonally Adjusted, Jun-17



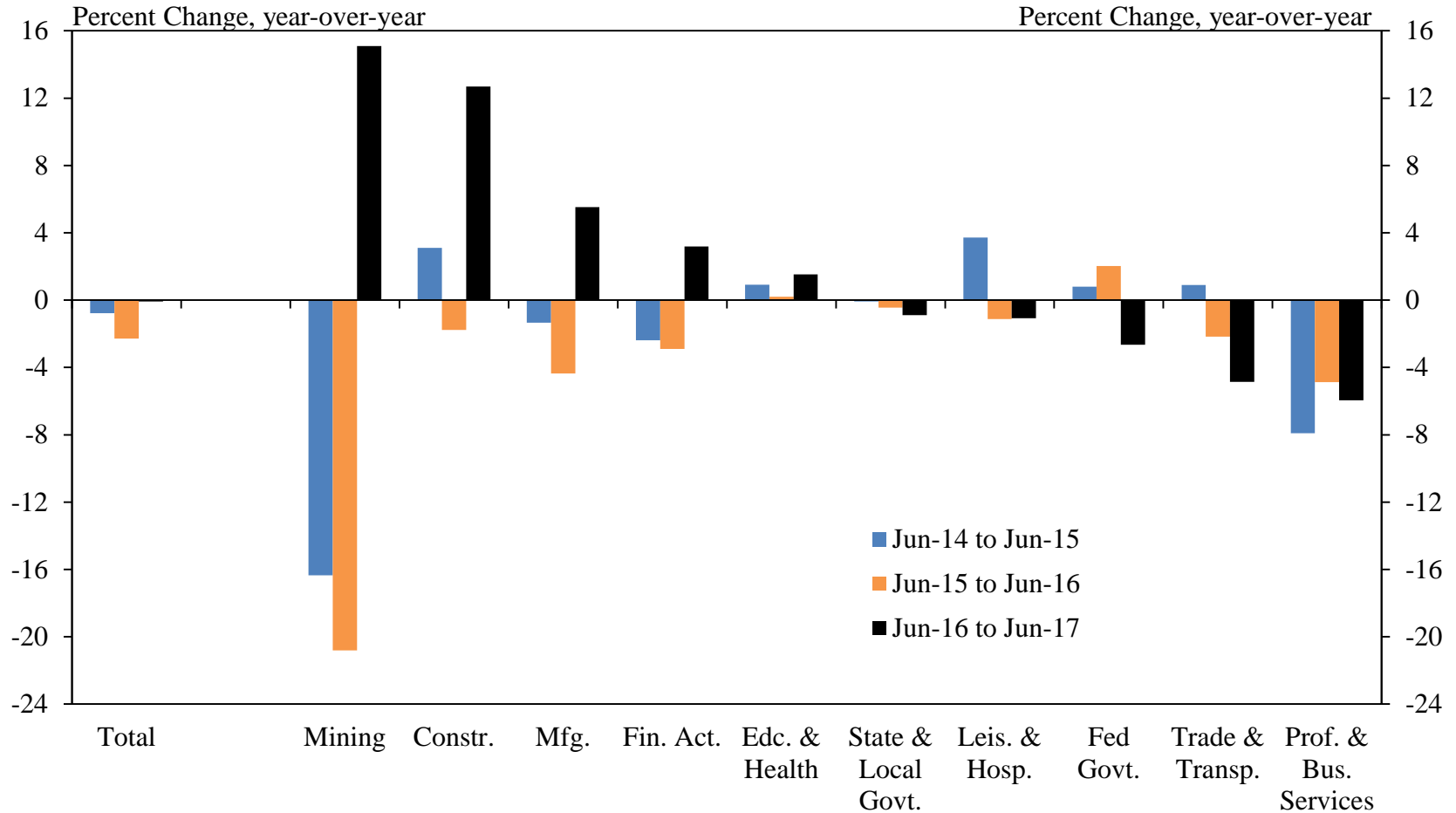
Note: SE OK unemployment rate through May-17



Rural energy jobs have recovered some over the past year but government jobs are down

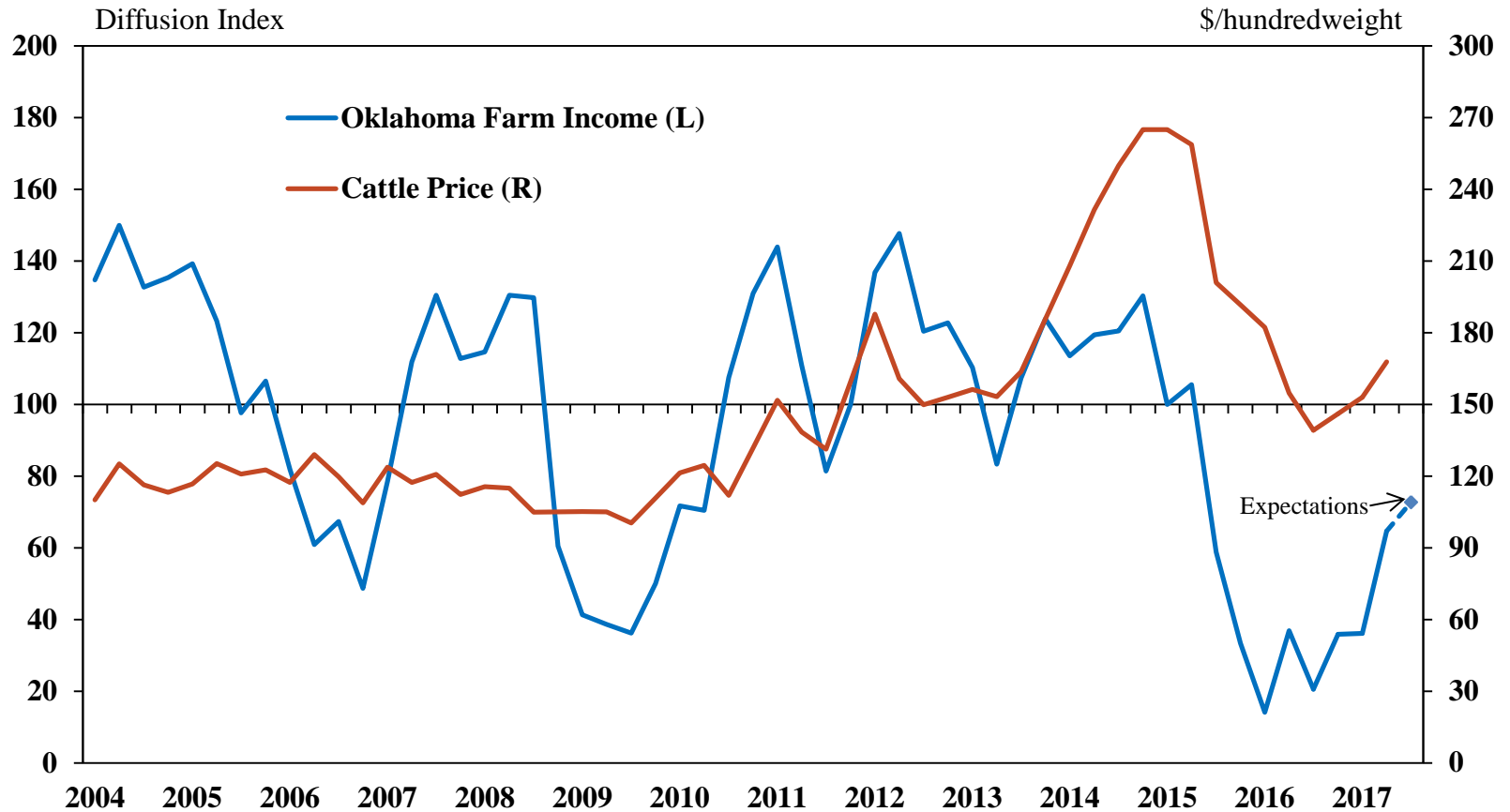
Oklahoma Employment Growth by Industry

Excluding OKC and Tulsa MSAs



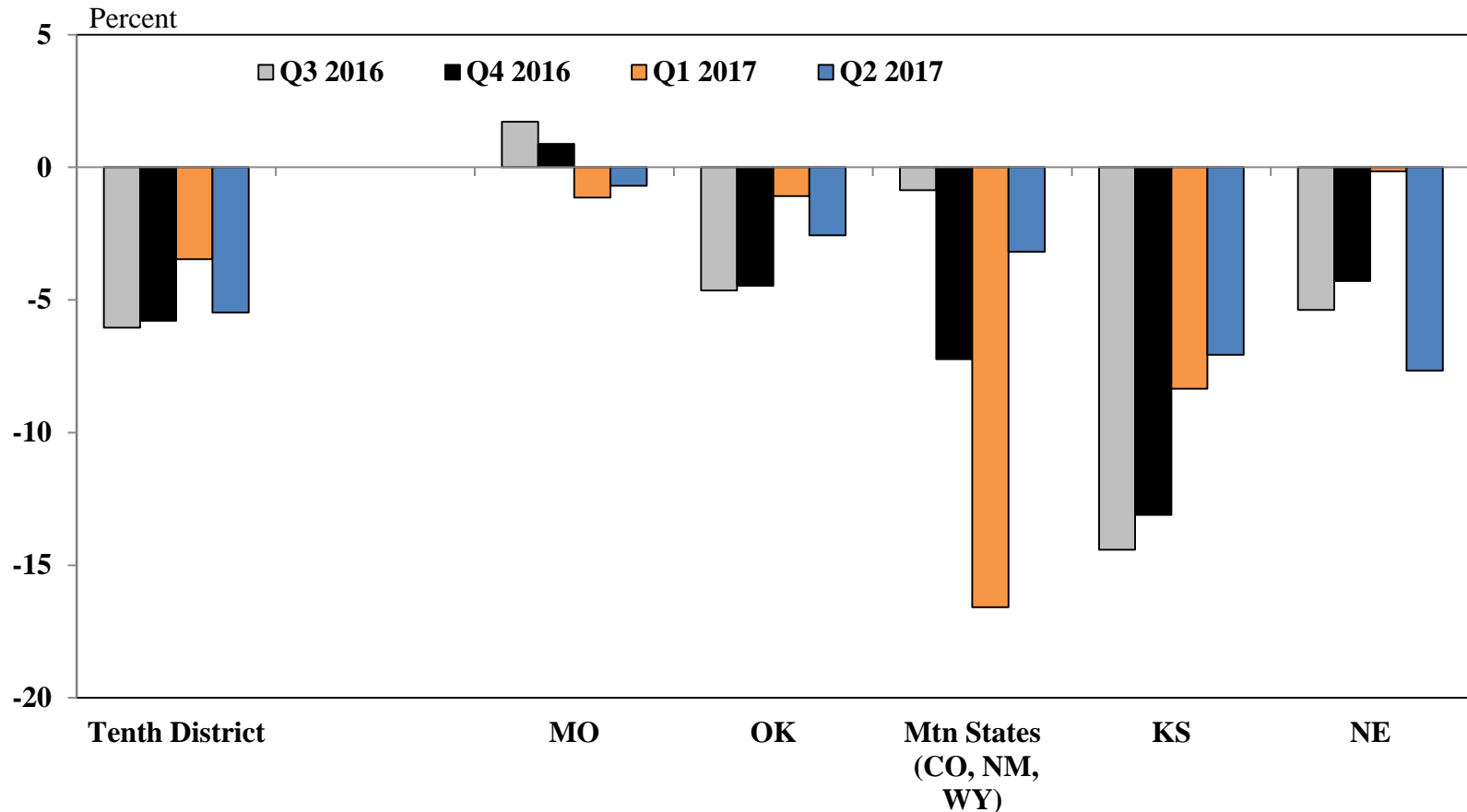
The agriculture sector in the state generally remains weak, though less so than last year

Oklahoma Farm Income and Cattle Prices



OK farmland values have fallen moderately in recent quarters, but less than in some states

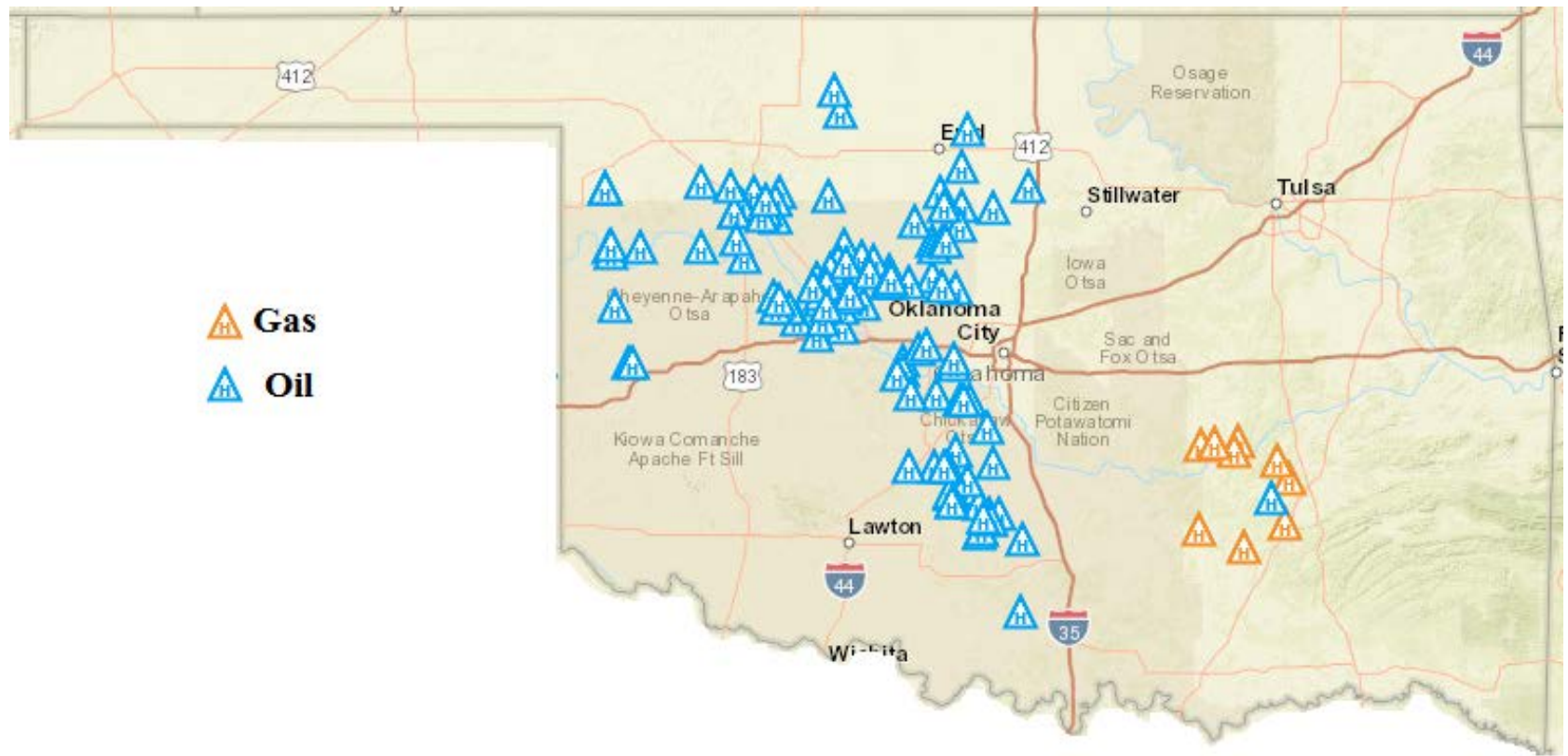
Tenth District Farmland Values
Percent Change, Year-over-year



Natural gas drilling has picked up modestly in 2017 after essentially stopping in 2015 and 2016

Active Drilling Rigs

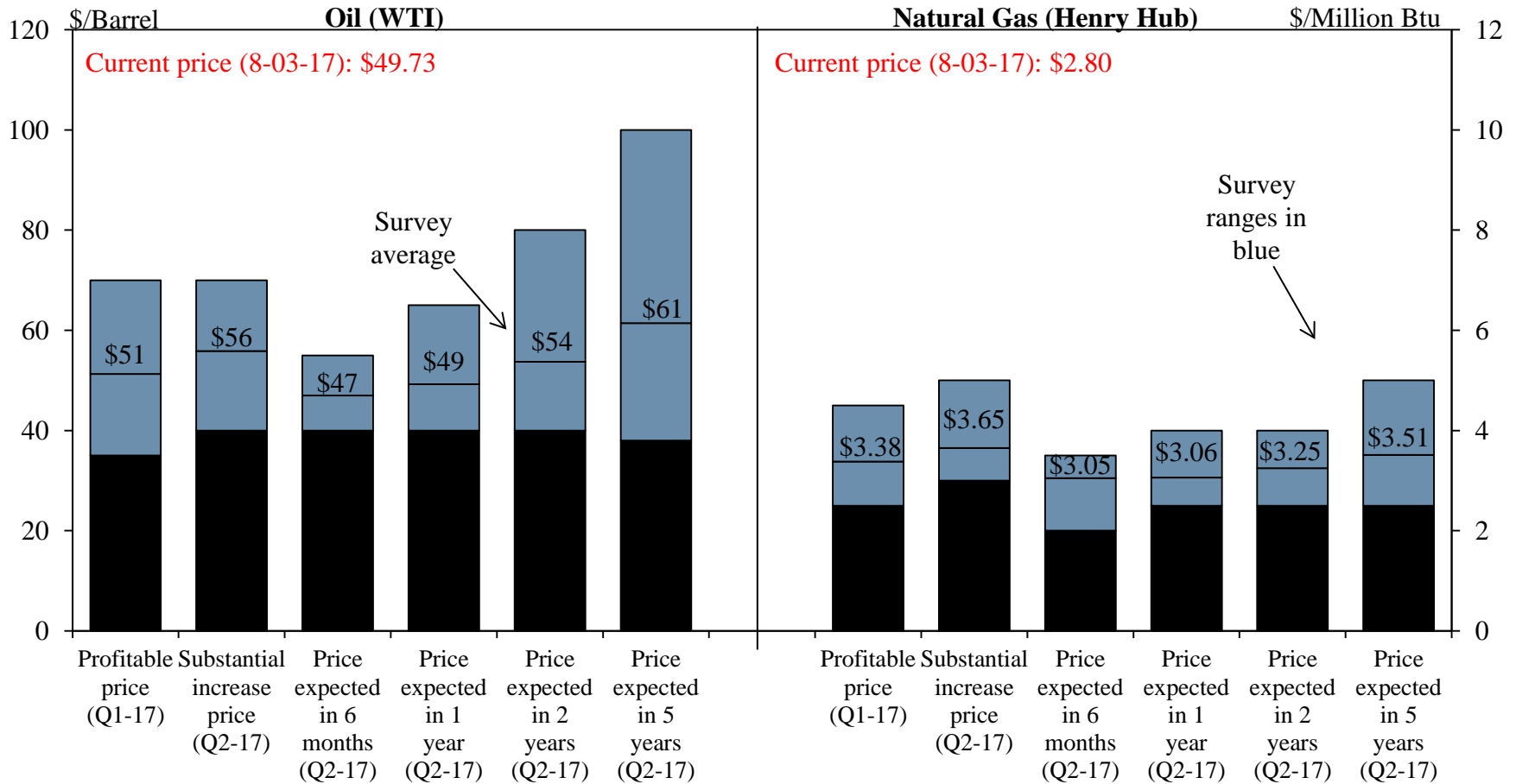
August 4, 2017



Source: Baker Hughes

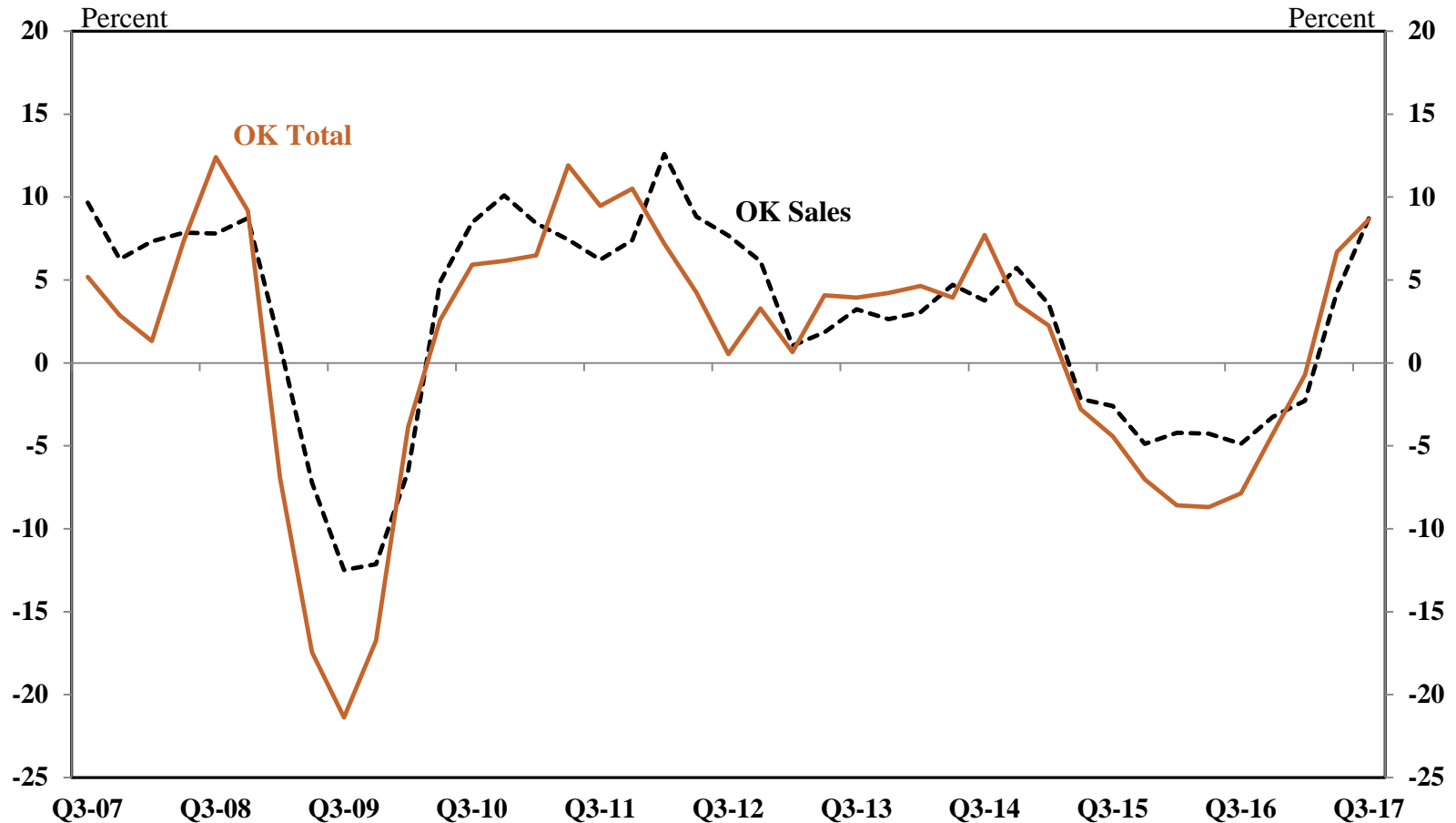
Energy prices are slightly below levels needed for a substantial increase in drilling

Kansas City Fed Energy Survey Special Questions



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

Tax Receipts
Through Q3-17*



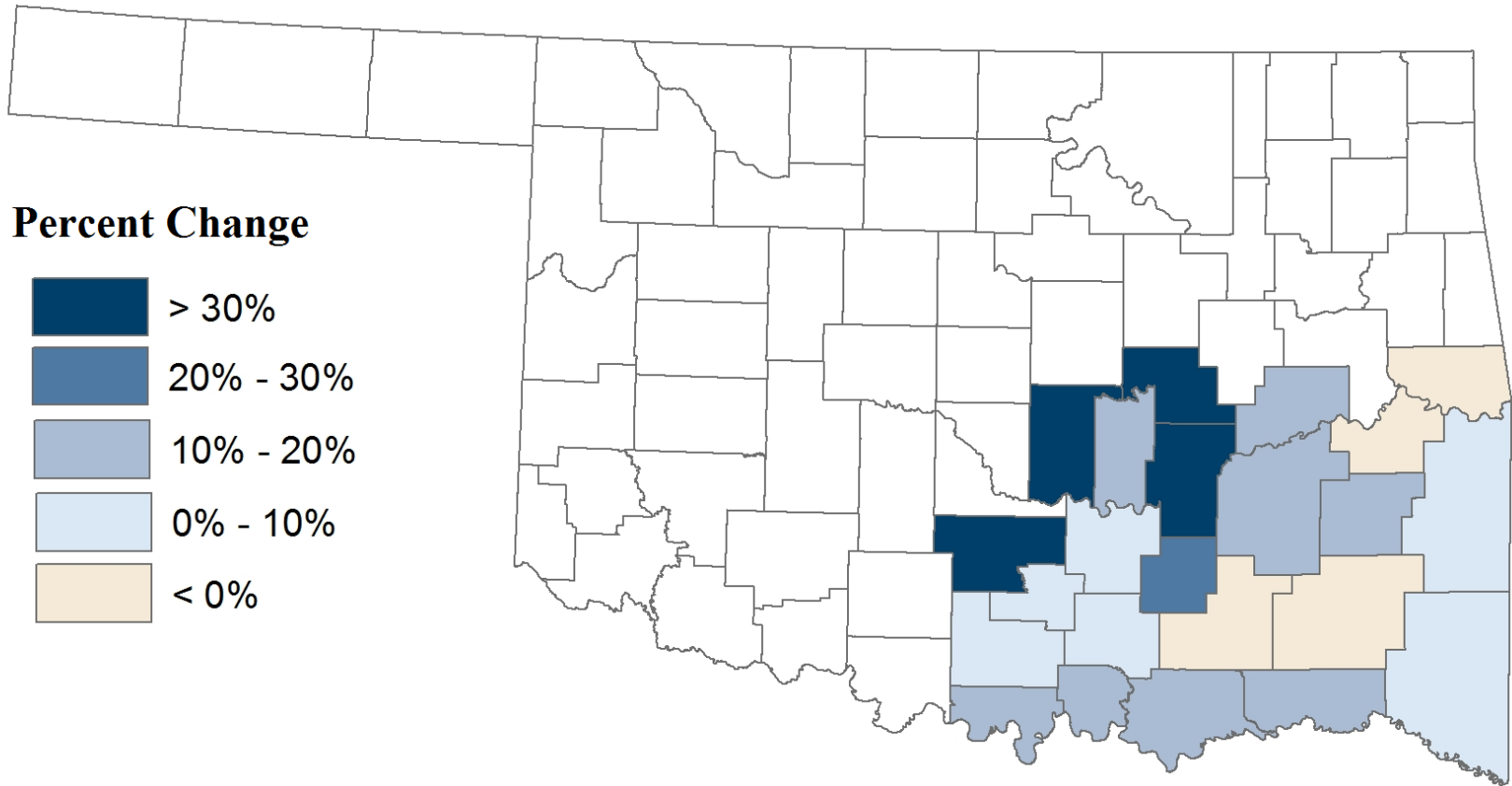
Note: Q3-17 includes July only



Source: OK Tax Commission

And sales tax revenues are also up in most counties in Southeast Oklahoma this year

County Sales Taxes
June 2017, Year-over-year



Summary

- The U.S. economy continues to grow, and the Fed has raised interest rates
- Southeast Oklahoma was hurt in 2015-16 by low commodity prices and spillover to other industries
- But in 2017, unemployment has come down and sales tax revenues have risen in the region



Questions?

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