

U.S. and Oklahoma Economic Outlook

Oklahoma City Chapter of CPAs
October 18, 2018

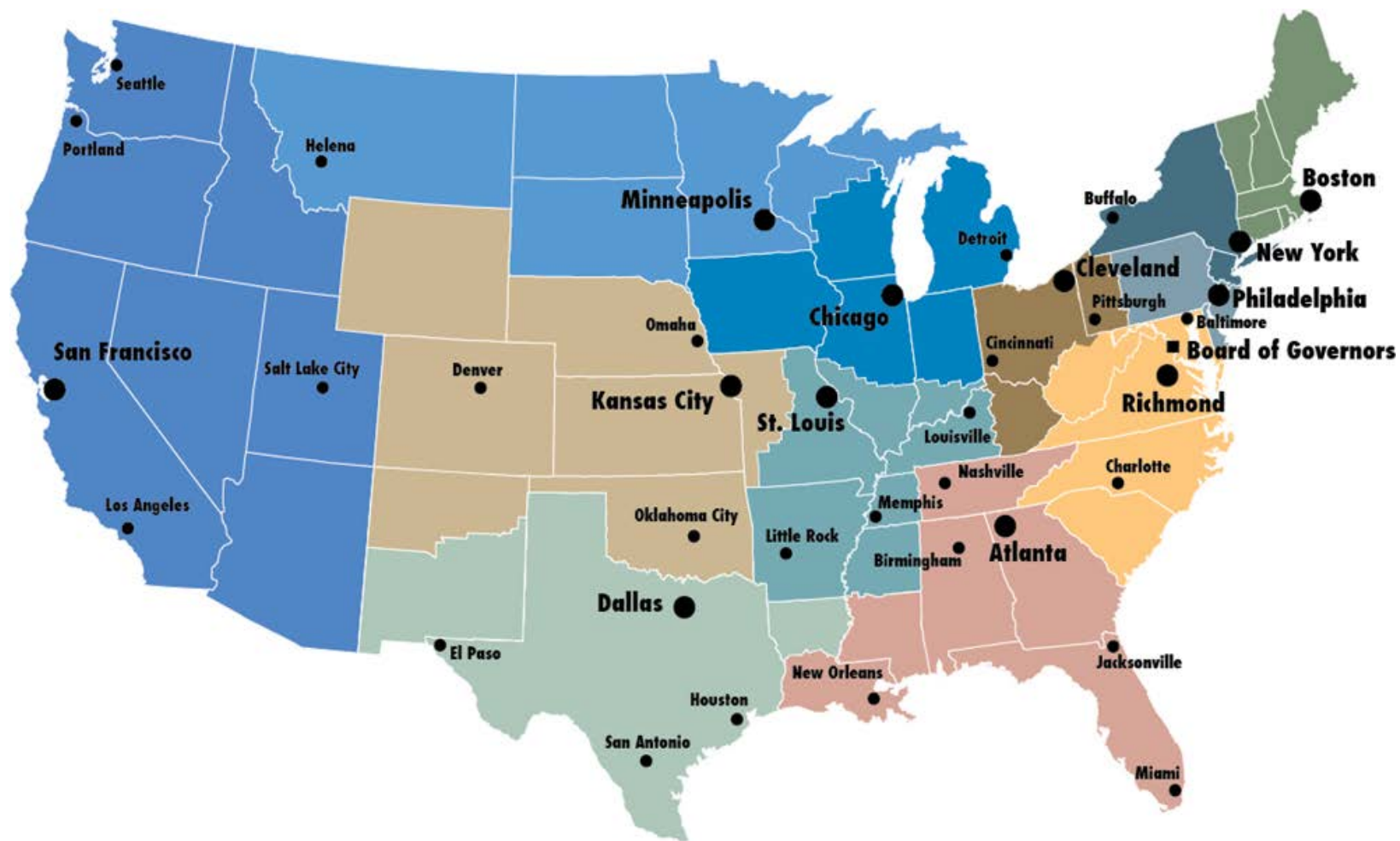
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Oklahoma City Branch Executive and Economist

*The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



Structure & Functions of the Federal Reserve



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

Primary responsibility areas:

- Monetary policy
- Bank regulation
- Financial services

Federal Open Market Committee (FOMC)

Board of Governors

- **Jerome H. Powell**, Chairman
- **Lael Brainard**
- **Richard H. Clarida**
- **Randal K. Quarles**
- **Open**
- **Open**
- **Open**

Reserve Bank Presidents

- **John C. Williams**, New York, Vice Chairman
- **Thomas I. Barkin**, Richmond
- **Raphael W. Bostic**, Atlanta
- **Mary C. Daly**, San Francisco
- **Loretta J. Mester**, Cleveland
- **James Bullard**, St. Louis
- **Charles L. Evans**, Chicago
- **Esther L. George**, Kansas City
- **Eric Rosengren**, Boston
- **Patrick T. Harker**, Philadelphia
- **Robert S. Kaplan**, Dallas
- **Neel Kashkari**, Minneapolis

*Permanent voters in bold; 2018 rotating voters in red; 2019 rotating voters in blue



The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

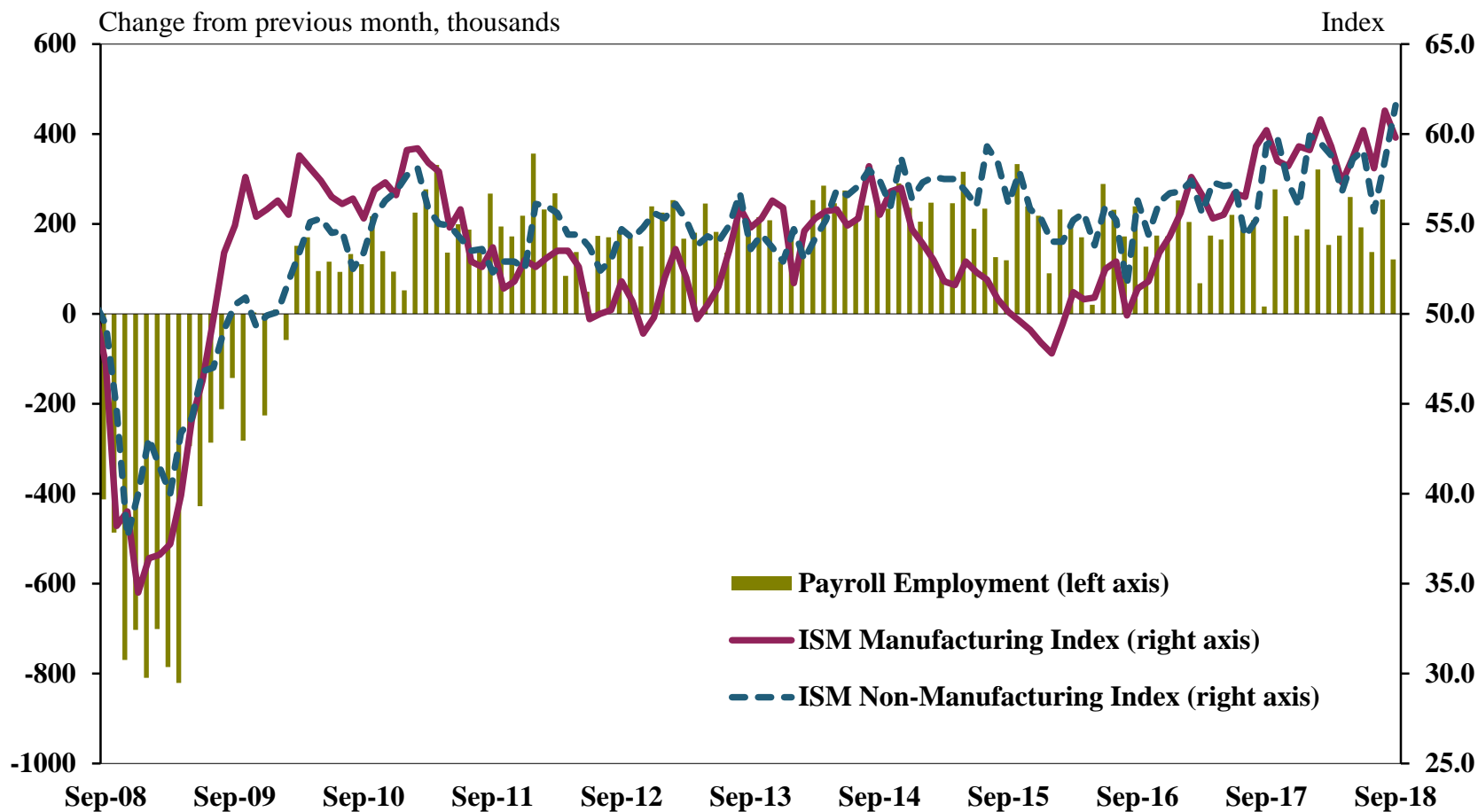
- **Functions and purposes ~ 45 staff**
 - Research on U.S. and Oklahoma economies; energy and manufacturing sectors
 - Economic and financial education outreach, including to low/moderate income
 - Examinations of Oklahoma financial institutions (~50 banks, ~175 holding cos.)
- **2018 OKC Fed Branch Board of Directors**
 - **Clint Abernathy (chair)**, Owner, Abernathy Farms, Inc., Altus
 - **Susan Chapman Plumb**, Board Chair & CEO, Bank of Cherokee County, Tahlequah
 - **Michael Coffman**, CEO (retired), Panhandle Oil & Gas, Inc., Oklahoma City
 - **Tina Patel**, Co-Owner & CFO, Promise Hotels, Tulsa
 - **Chris Turner**, President & CFO, First State Bank, Oklahoma City
 - **Katrina Washington**, Owner/Broker, Stratos Realty, Oklahoma City
 - **Dana Weber**, Vice-Chair & CEO, Webco Industries, Sand Springs
- **Oklahomans on Kansas City Fed head office Board**
 - **Rose Washington (chair)**, Exec. Director, Tulsa Econ. Dev. Corp., Tulsa
 - **Doug Stussi**, EVP & CFO, Love's Travel Stops & Country Stores, OKC

U.S. Economic Outlook



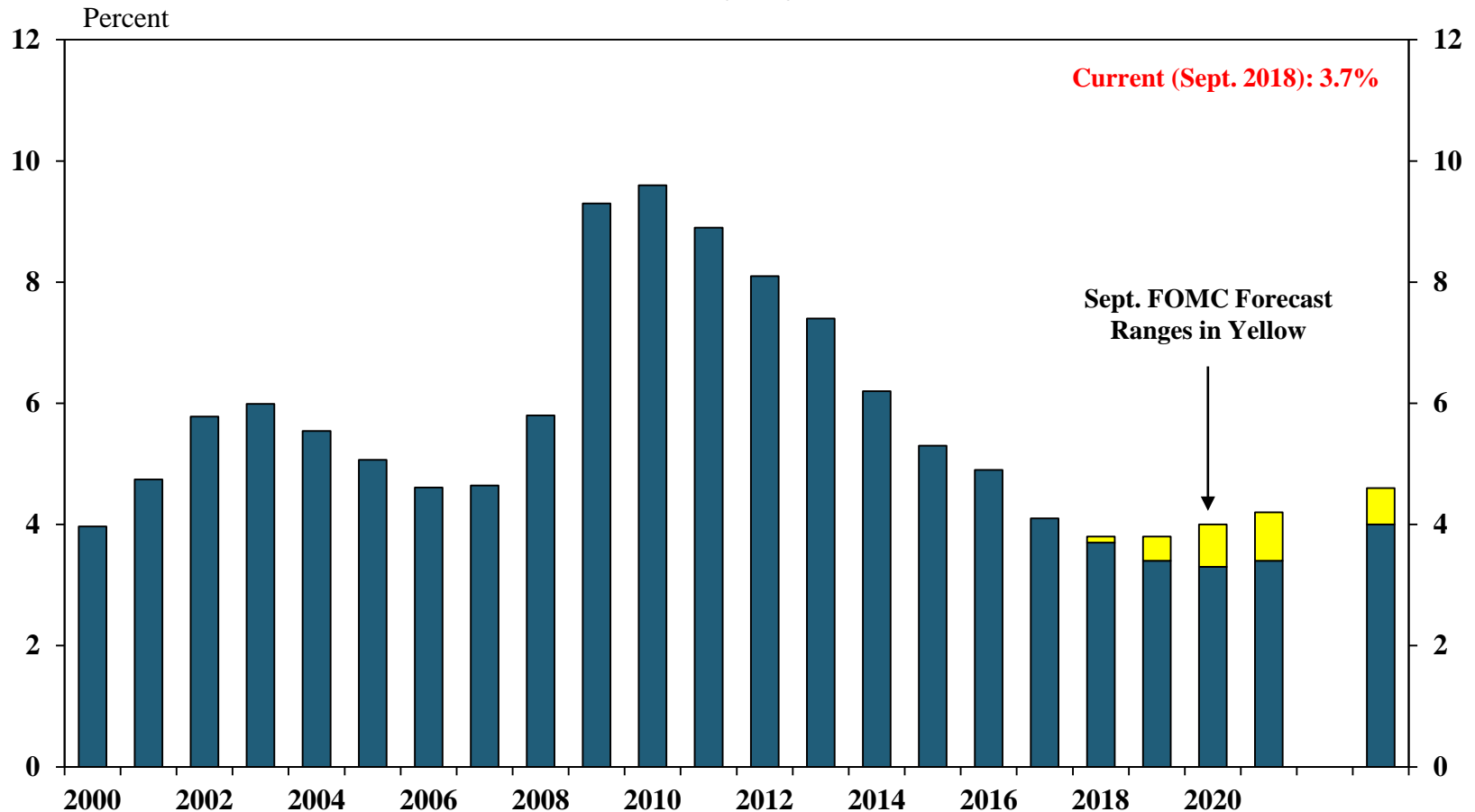
Monthly data on U.S. business activity show economic growth remains strong through Q3 2018

U.S. Payroll Employment and Business Indexes



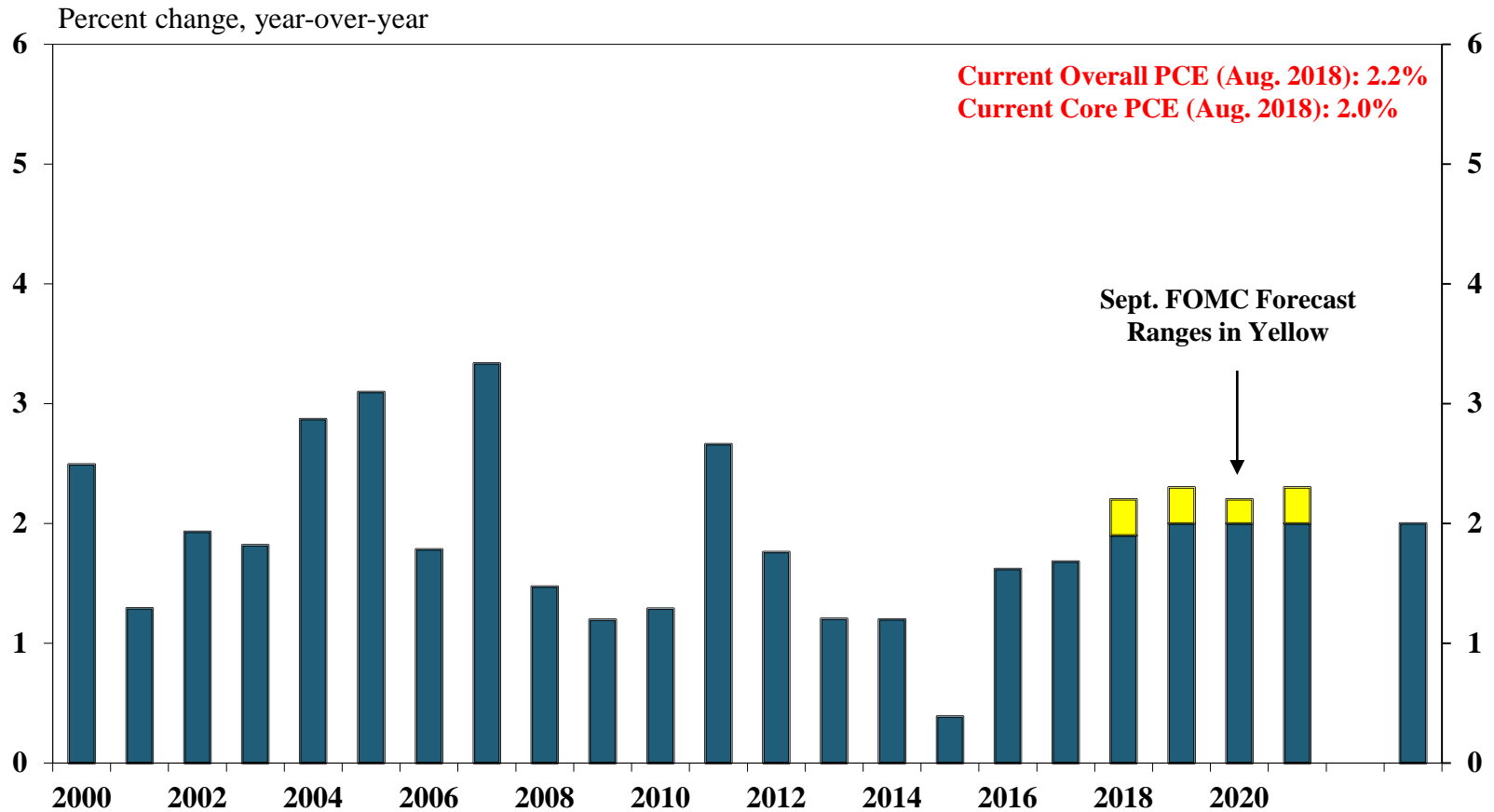
“Job gains have been strong, on average, in recent months,
and the unemployment rate has stayed low.”

Unemployment Rate Seasonally Adjusted



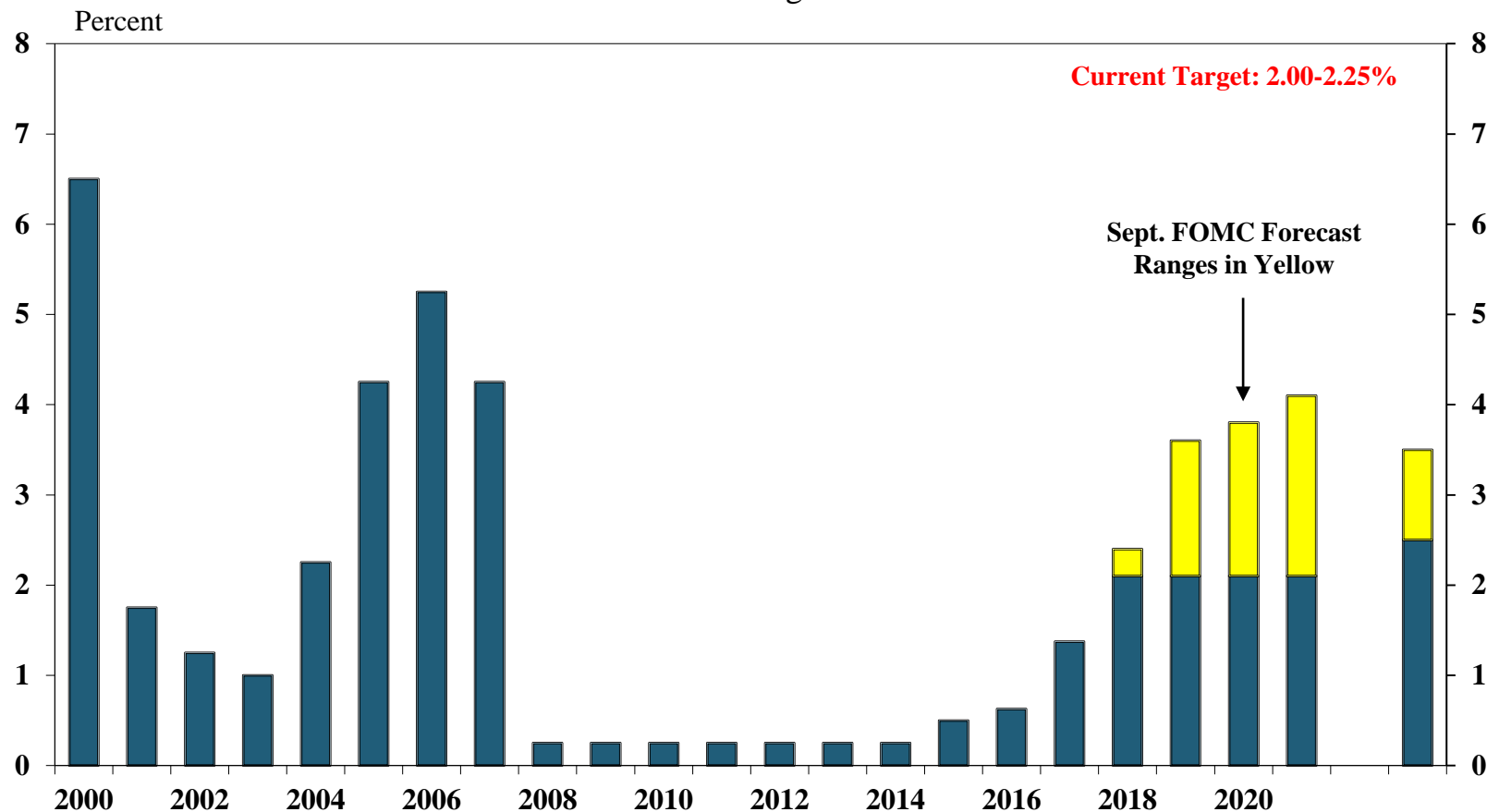
“On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2 percent.”

PCE Inflation Index



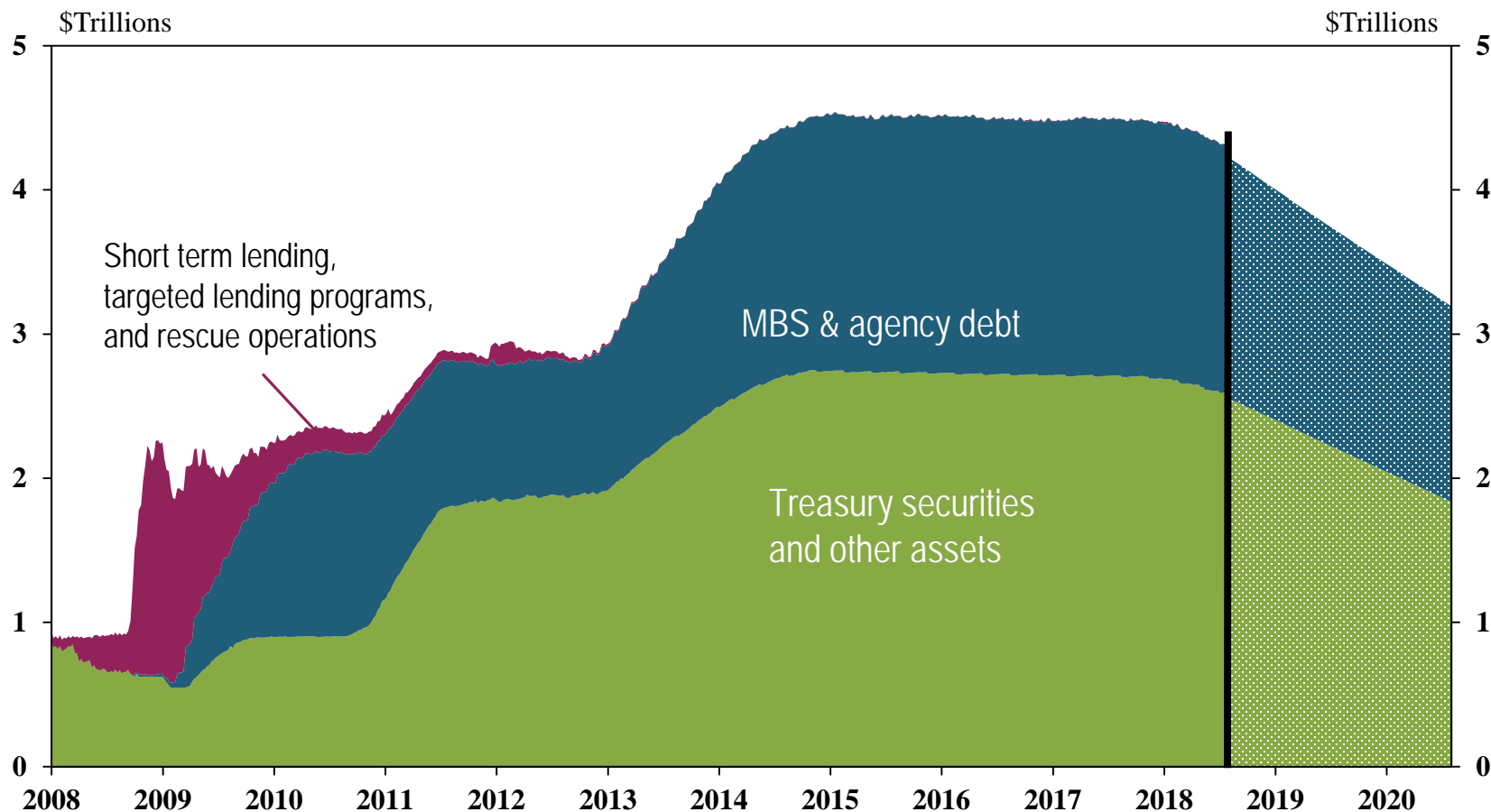
“The [FOMC] expects that further gradual increases...for the federal funds rate will be consistent with sustained expansion...”

Federal Funds Rate Year-End Target



The Fed has also begun to reduce its balance sheet

Federal Reserve Balance Sheet

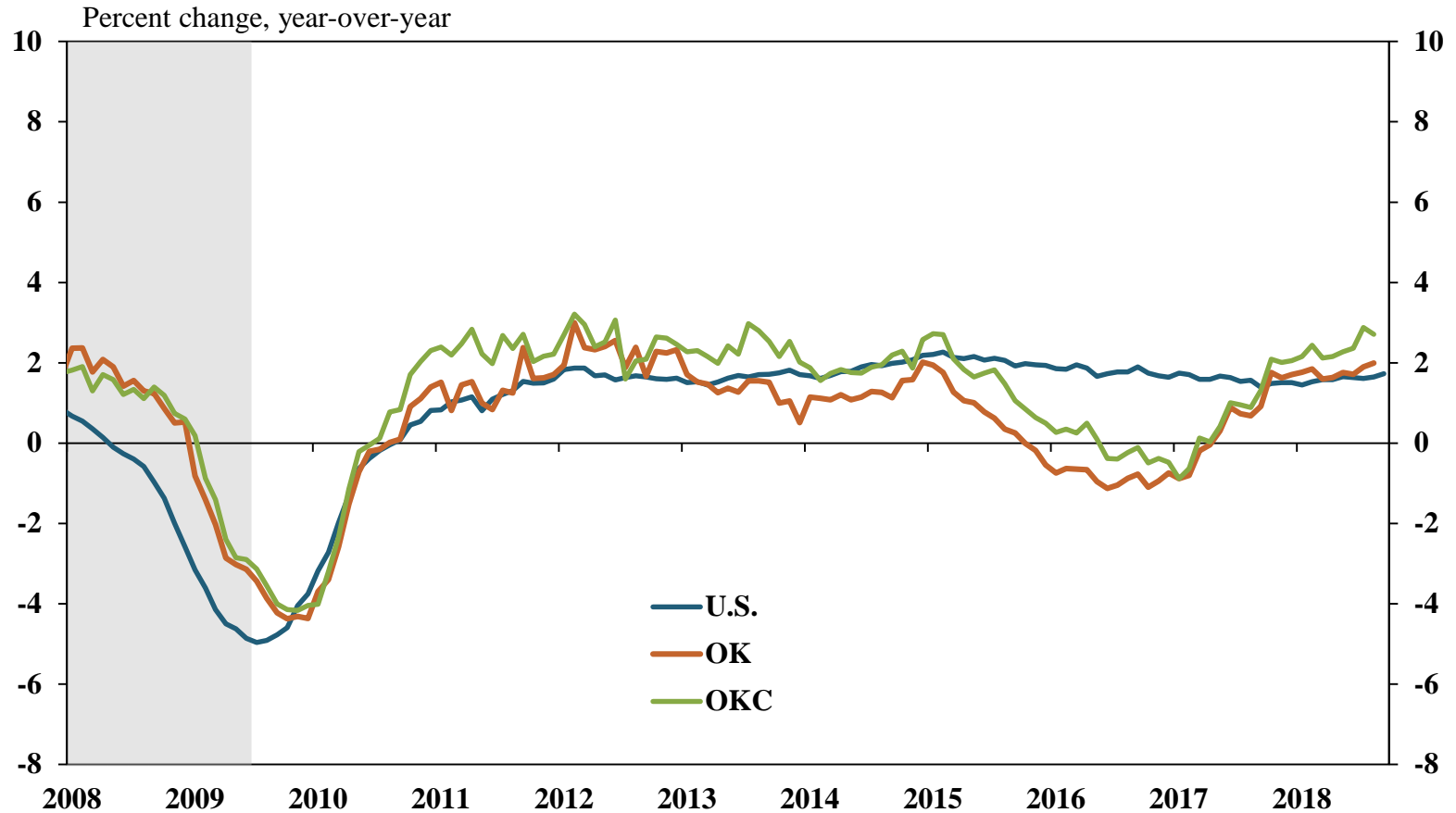


Oklahoma and OKC Metro Economic Outlook



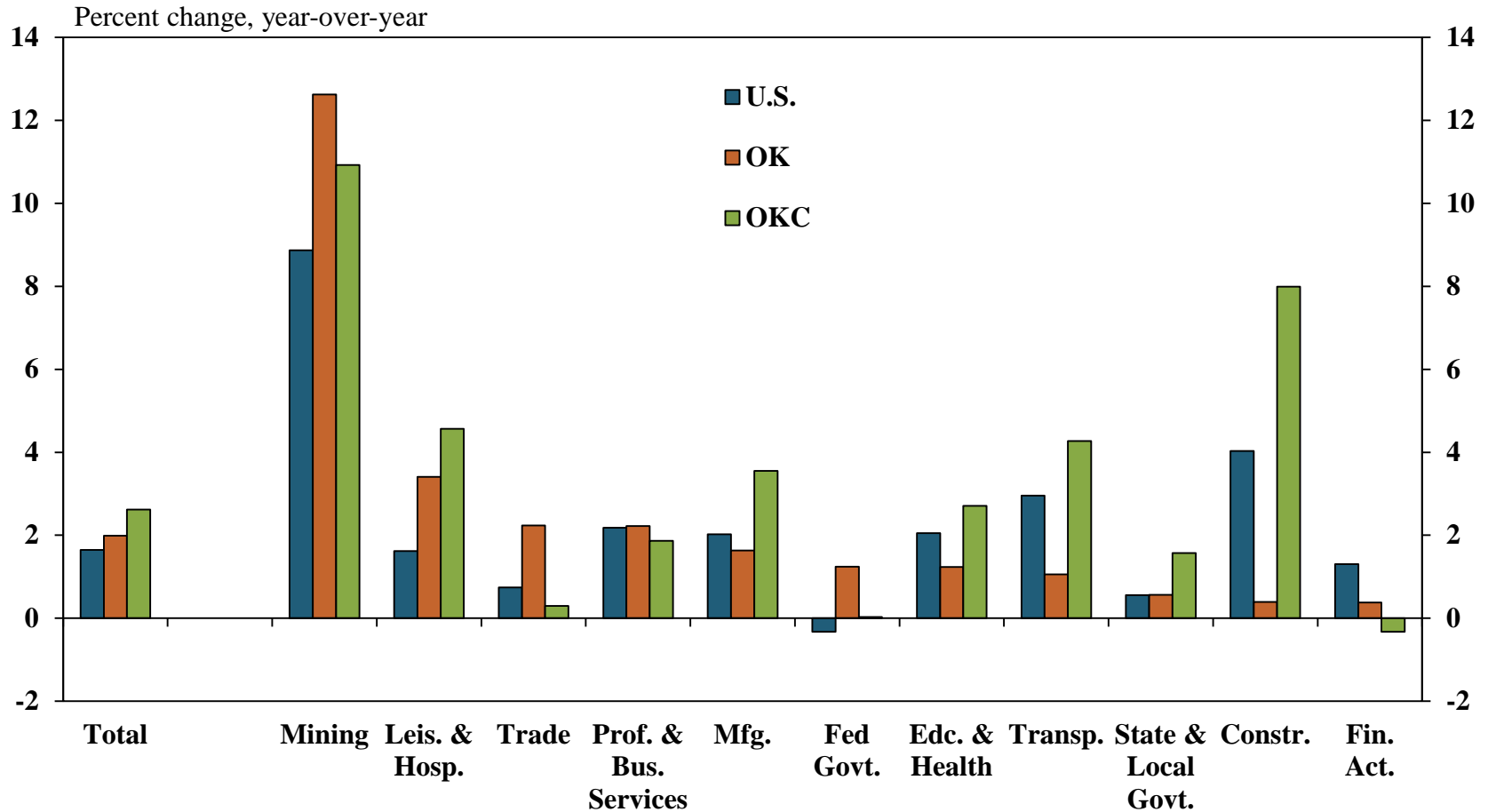
Metro job growth has outpaced the nation in 2018, and the state has also caught up after lagging in 2015-16

Nonfarm Payroll Employment Growth



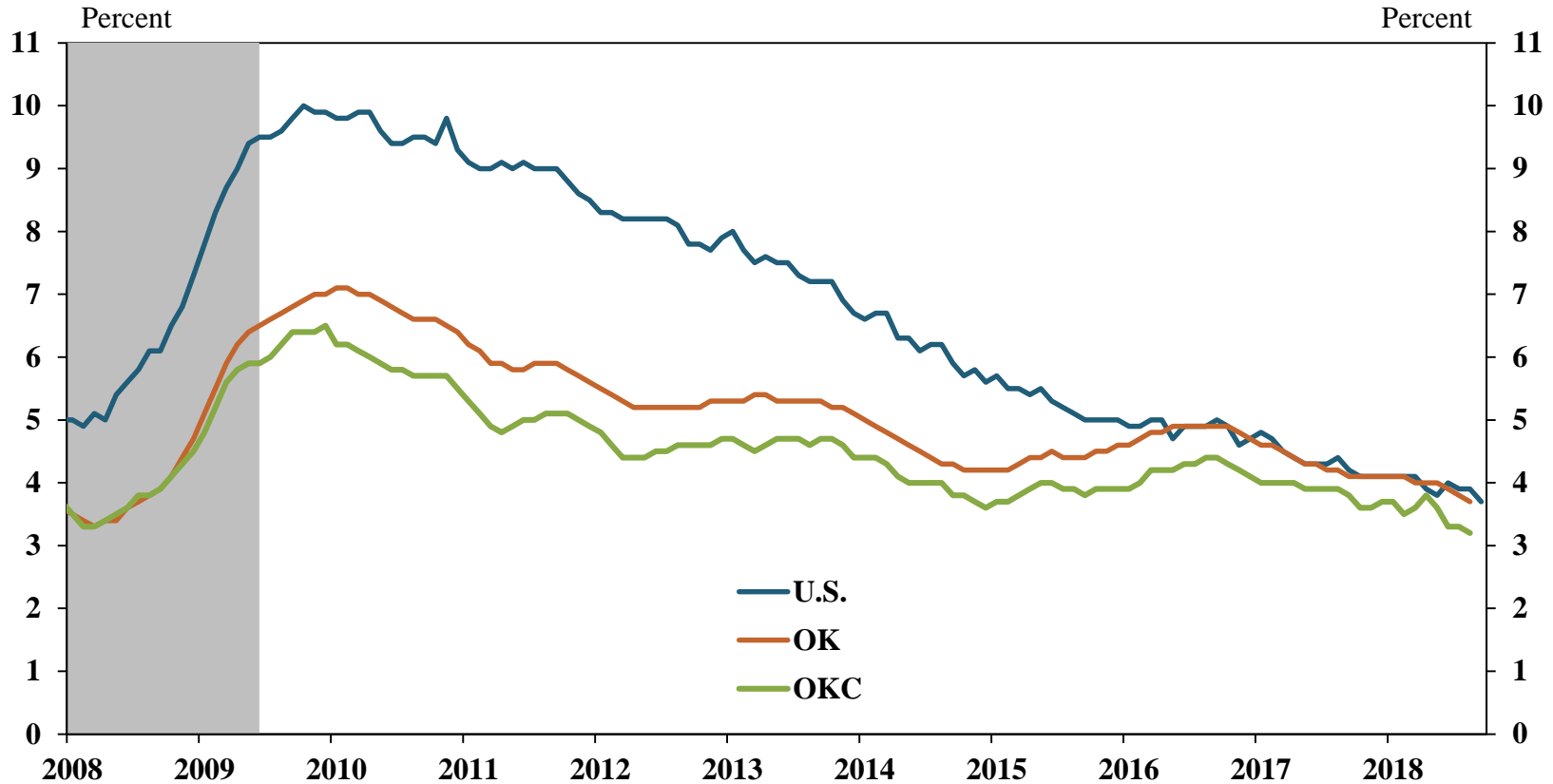
State and metro job gains this year have been led by mining (oil & gas), but most sectors have added jobs

Oklahoma Job Growth by Industry
August 2018



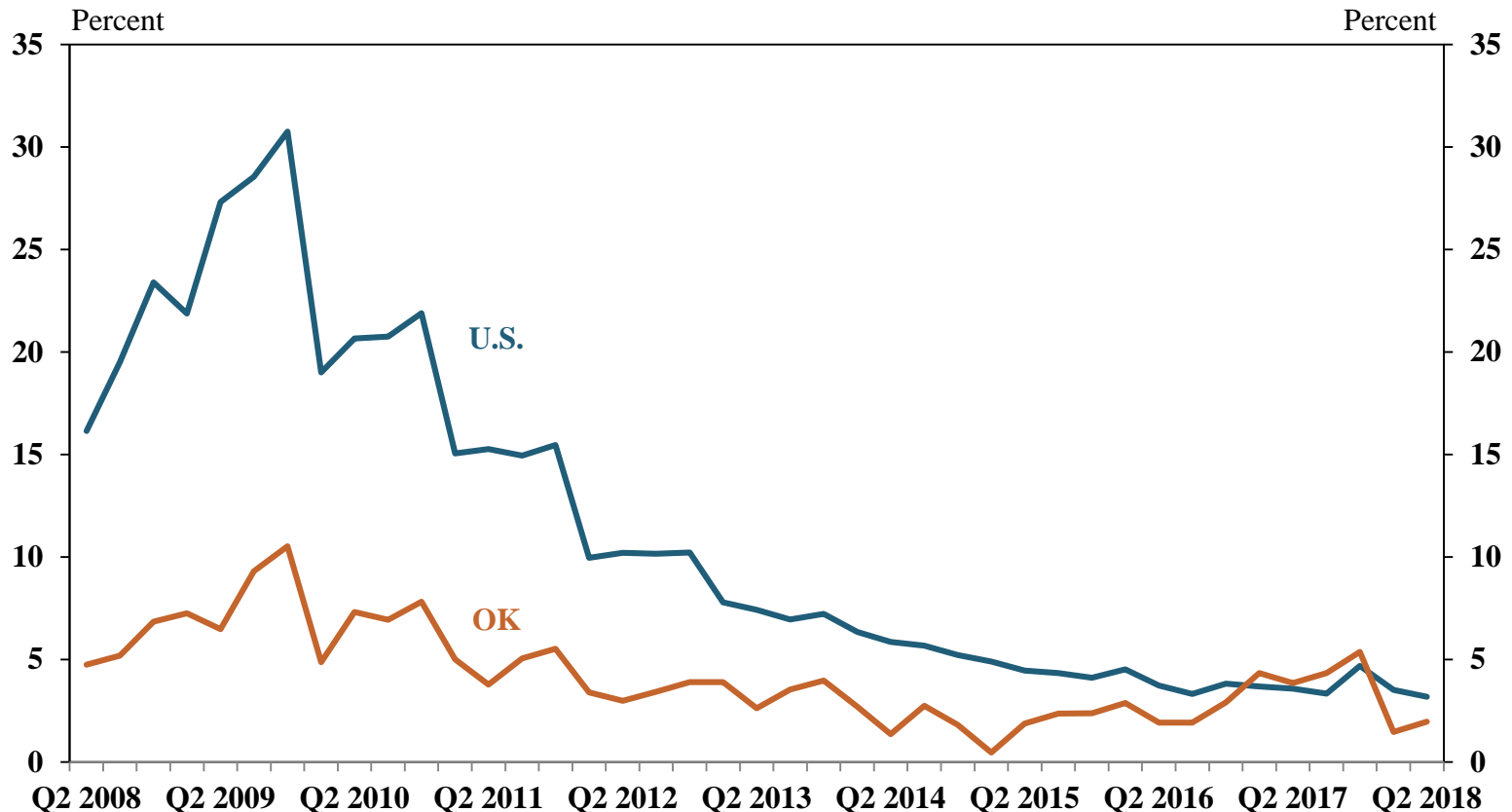
Unemployment has come down in both the state and the metro, to exceptionally low levels

Unemployment rates
Seasonally Adjusted



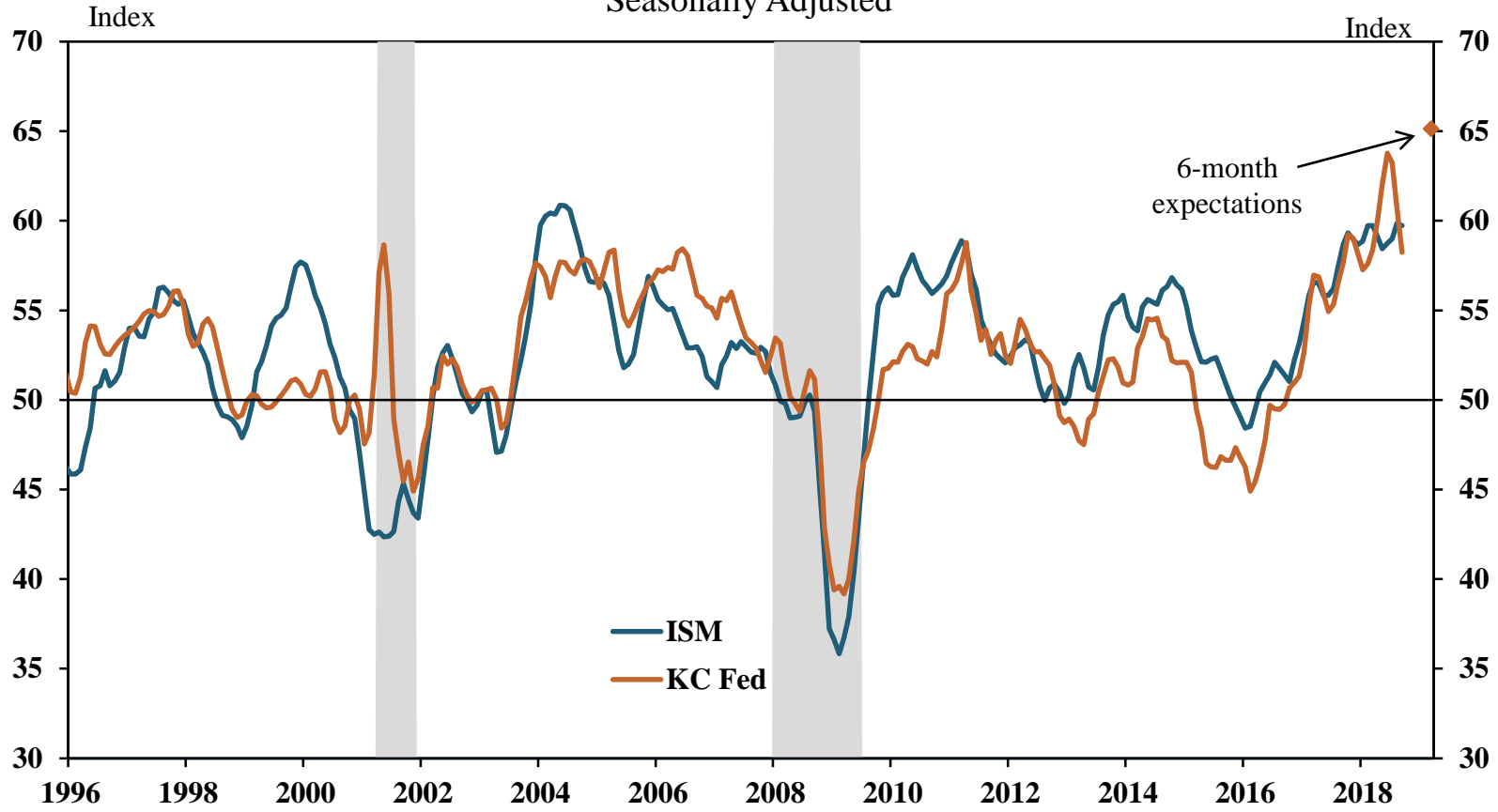
Banking conditions in Oklahoma also remain very good despite the 2015-16 economic slowdown

Share of Banks Not Making a Profit
Commercial Banks



Regional factory growth remains strong despite tariffs, but recently has slowed slightly from a record pace

Monthly Manufacturing Composite Indexes Seasonally Adjusted



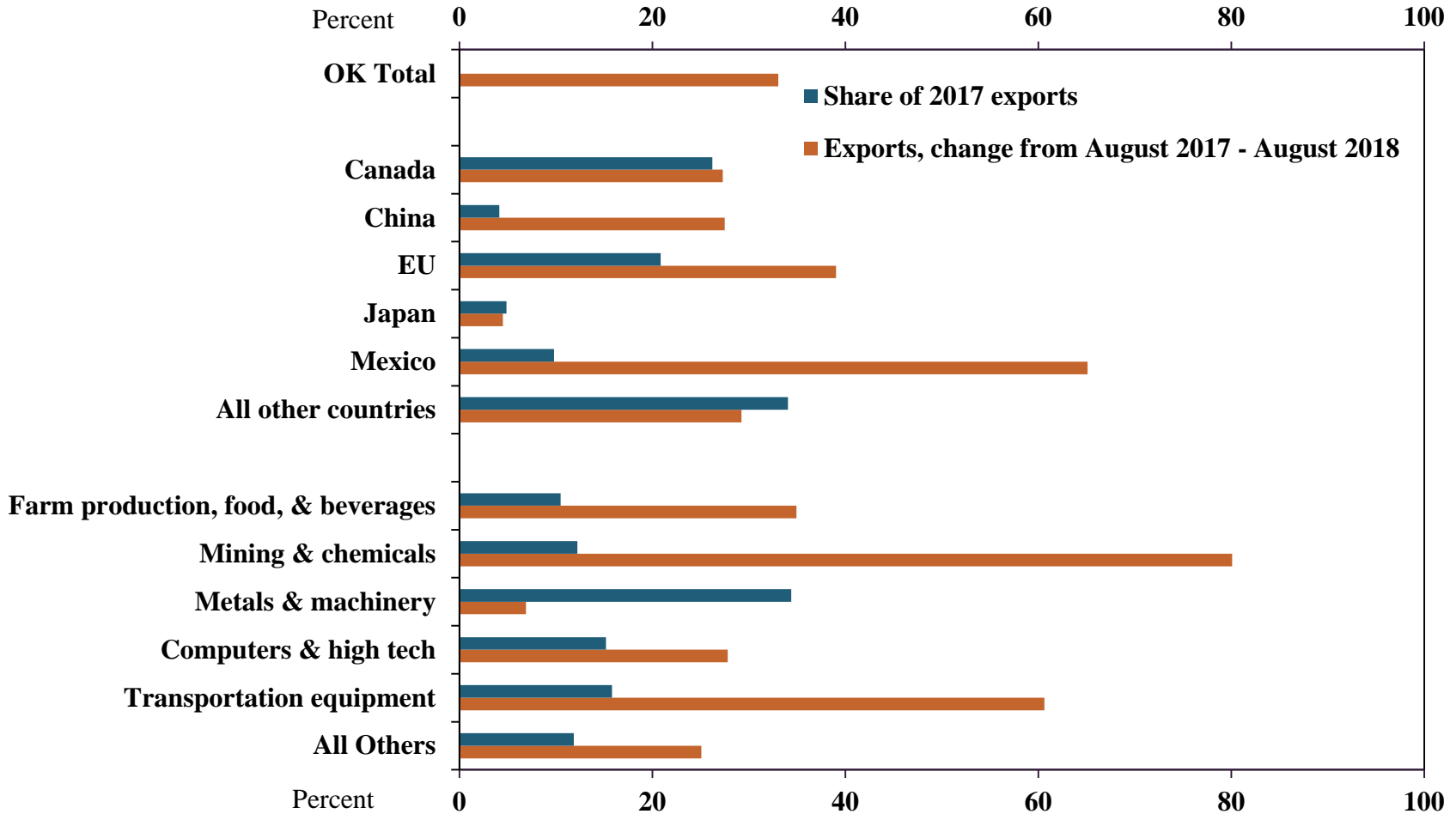
Note: Indexes are shown as three-month moving averages



Sources: Federal Reserve Bank of Kansas City, Institute for Supply Management, NBER recession shading

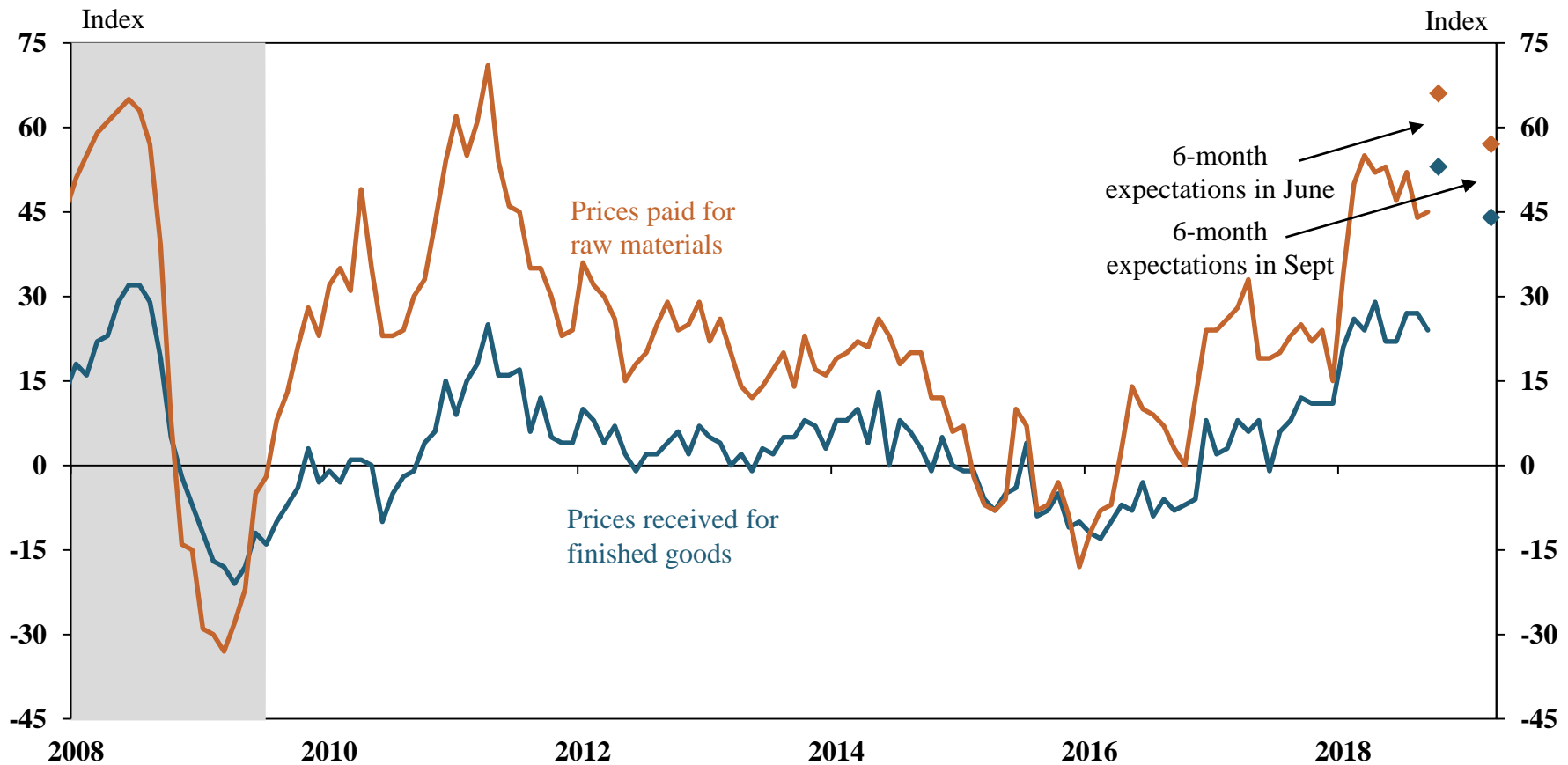
Oklahoma goods exports have increased in all industries and with all major trade partners in 2018

Oklahoma's Goods Exports and Export Growth



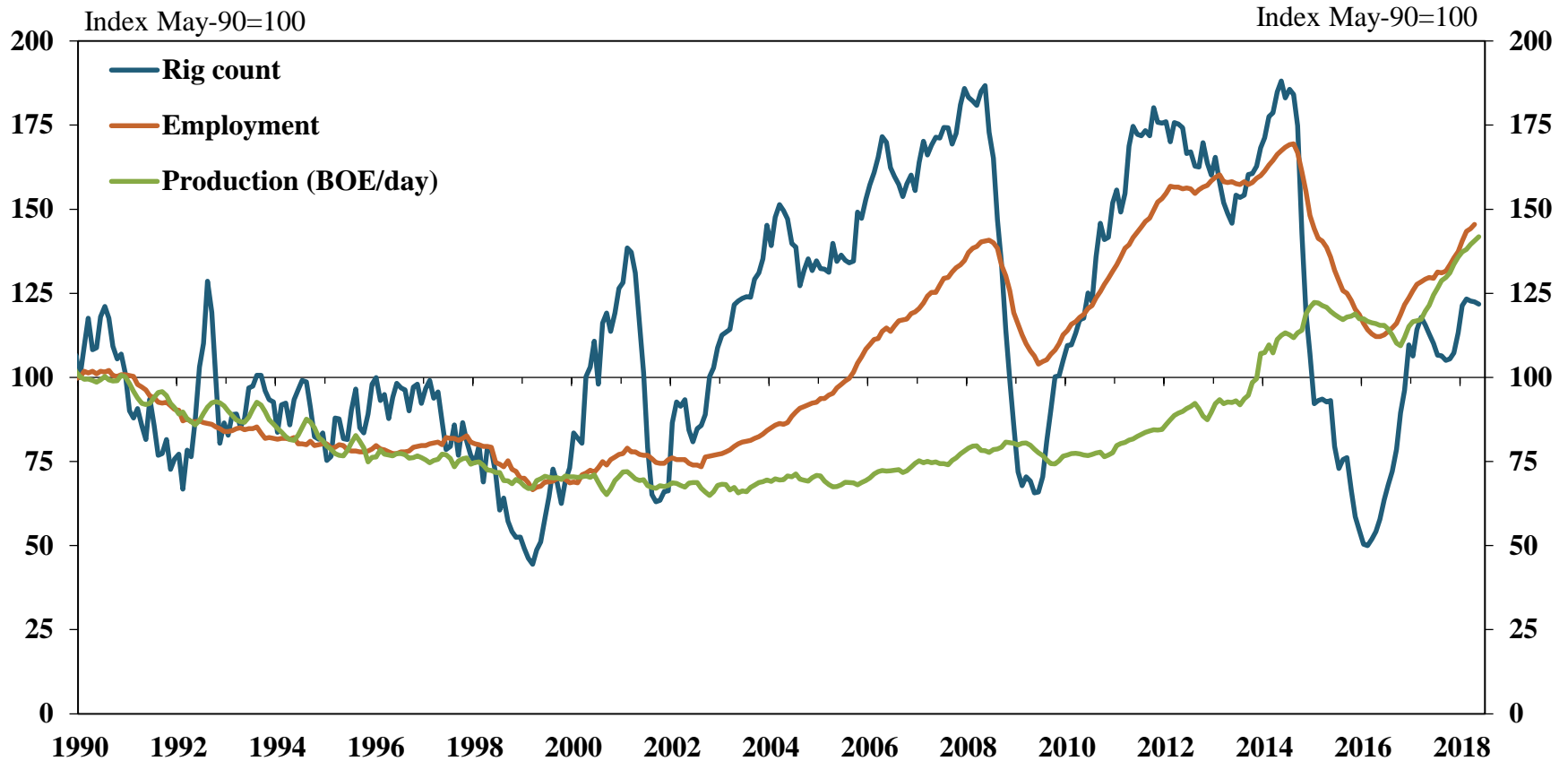
Materials prices have risen with the tariffs, though, with some firms able to pass increases through

Manufacturing Price Indexes
2008 - present



Oil and gas production is at a record high, but with considerably fewer rigs and workers than in 2014

Oklahoma Oil & Gas Rig Count, Employment, and Production



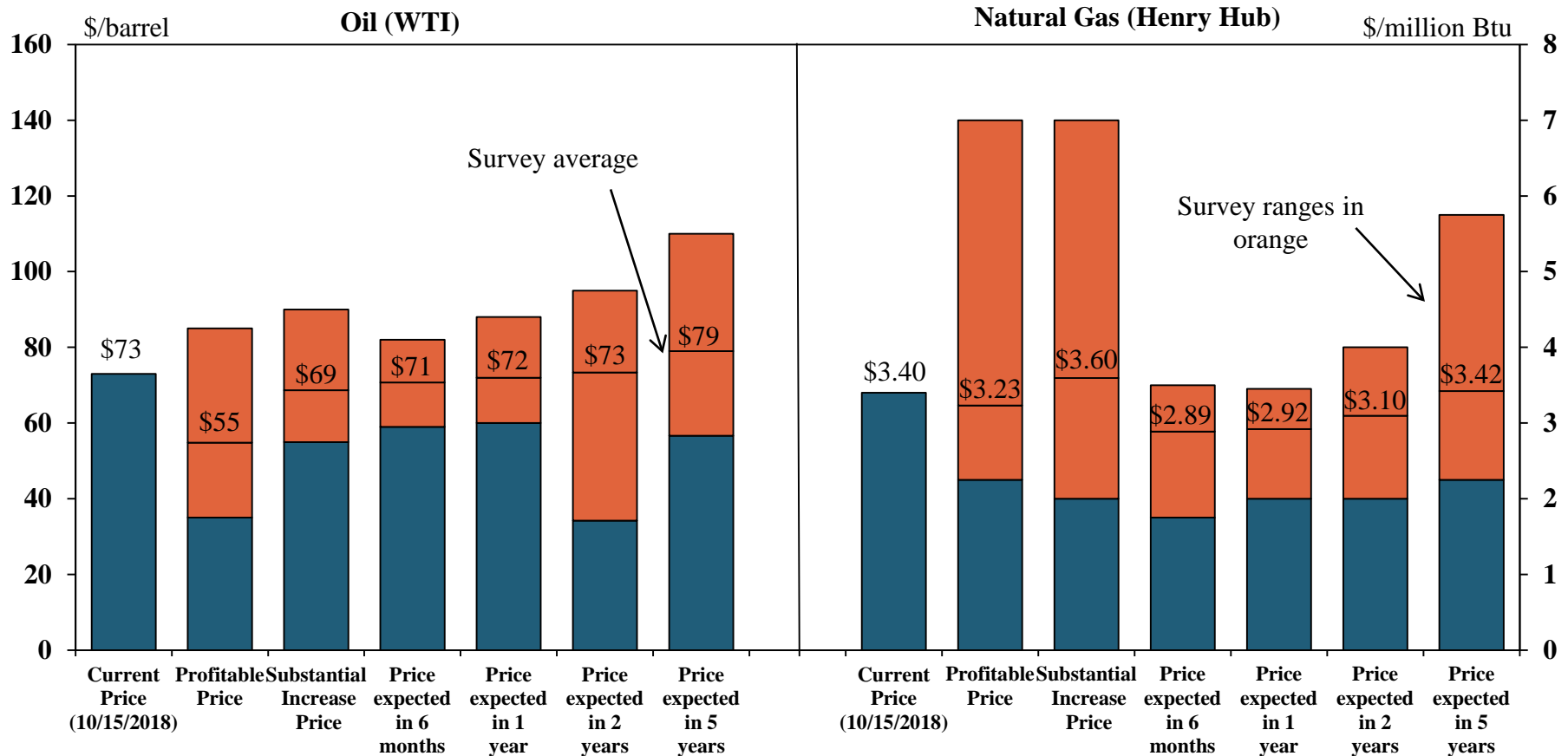
Note: Employment is for total mining and logging, which in Oklahoma is almost completely oil and gas related. Production is shown as a 3-month moving average.



Source: Baker Hughes, EIA/Haver Analytics

Most firms can profitably drill for oil in the areas they are active, and natural gas prices work for some firms

Energy Survey Oil & Gas Prices



Summary

- The U.S. economy continues to grow despite headwinds, and the Fed has been raising rates.
- The state and local economies were hurt by low commodity prices, but now are growing solidly.
- Energy and manufacturing activity have been strong, despite tariffs and trade concerns.



Questions?

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