

# U.S. & Oklahoma Economic Outlook

**Evening at the Fed  
January 12, 2017**



**Chad Wilkerson**

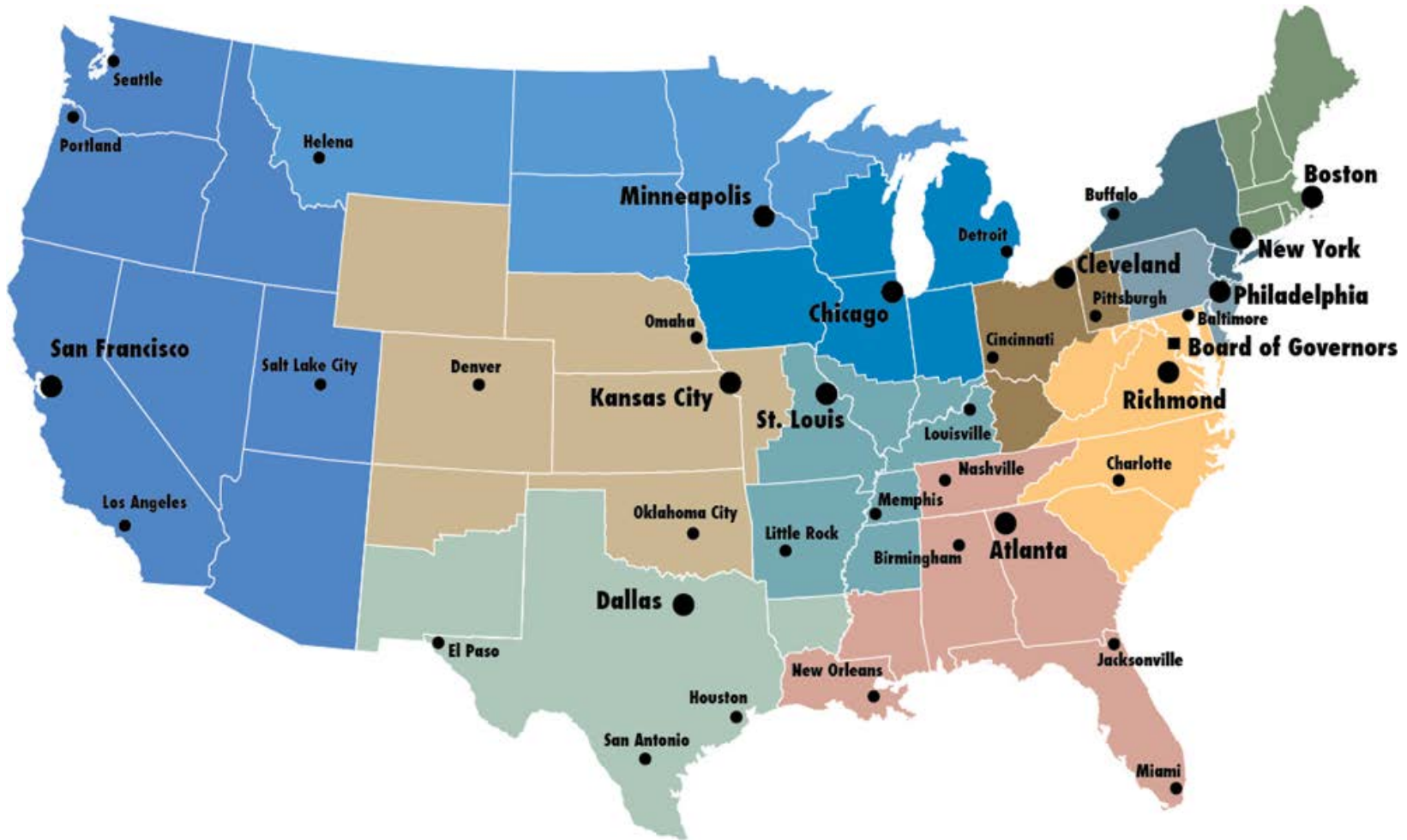
**Vice President, Economist, & Oklahoma City Branch Executive  
Federal Reserve Bank of Kansas City  
[www.kansascityfed.org/oklahomacity](http://www.kansascityfed.org/oklahomacity)**

# 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

- **2017 Branch Board of Directors**

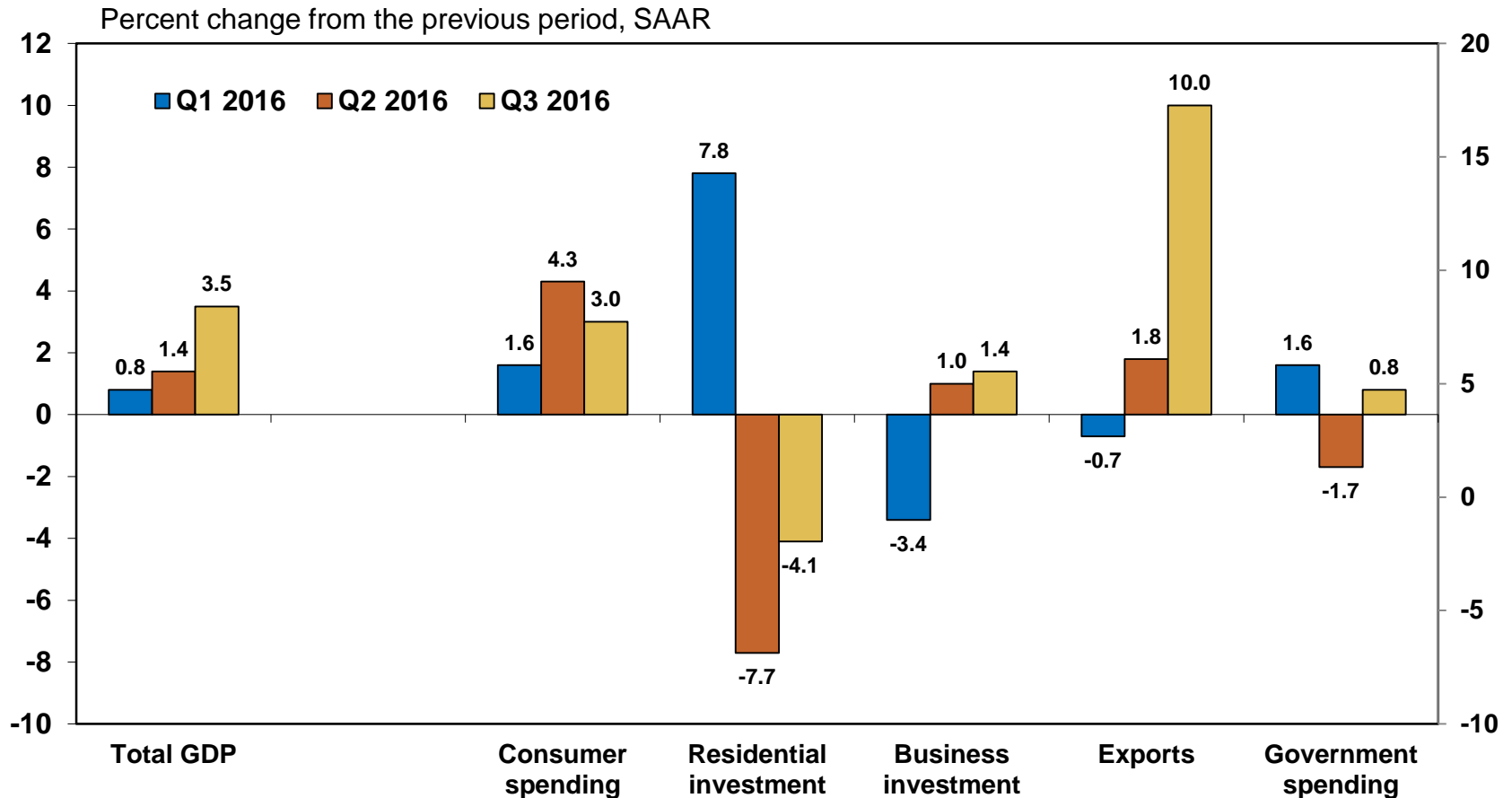
- **Pete Delaney (chair)**, Chairman & CEO (retired), OGE Energy Corp., OKC
- **Clint Abernathy**, Owner, Abernathy Farms, Inc., Altus
- **Michael Coffman**, CEO, Panhandle Oil & Gas, Inc., Oklahoma City
- **Chuck Hall**, Chairman & CEO, Exchange Bank & Trust, Perry
- **Tina Patel**, Co-Owner & CFO, Promise Hotels, Tulsa
- **Susan Chapman Plumb**, COO, Bank of Cherokee County, Tahlequah
- **Katrina Washington**, Owner/Broker, Stratos Realty, OKC



# **The U.S. Economy and Monetary Policy**

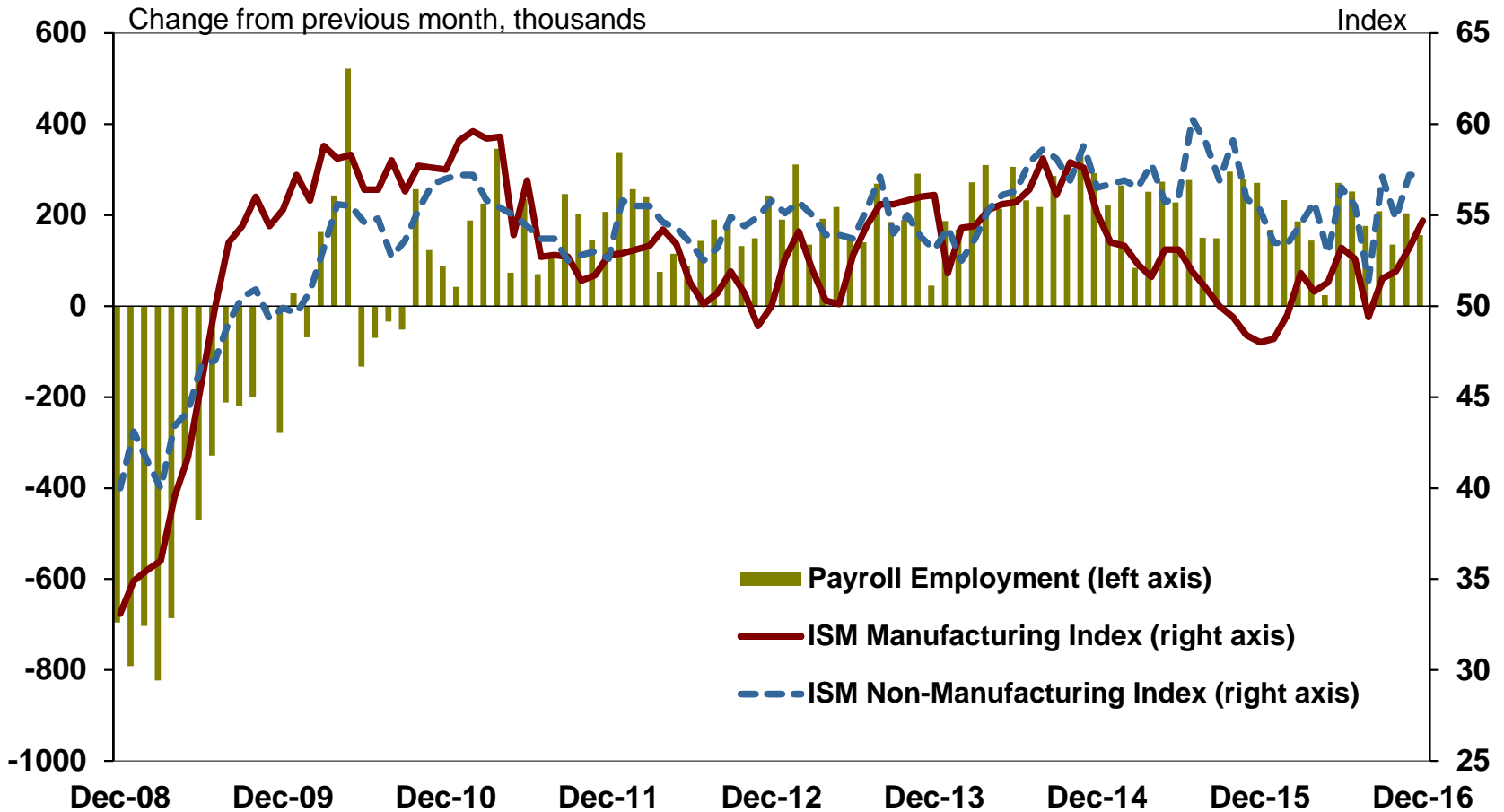
# GDP growth picked up in the 3<sup>rd</sup> quarter after sluggish growth in previous quarters

## Growth in Components of Real GDP



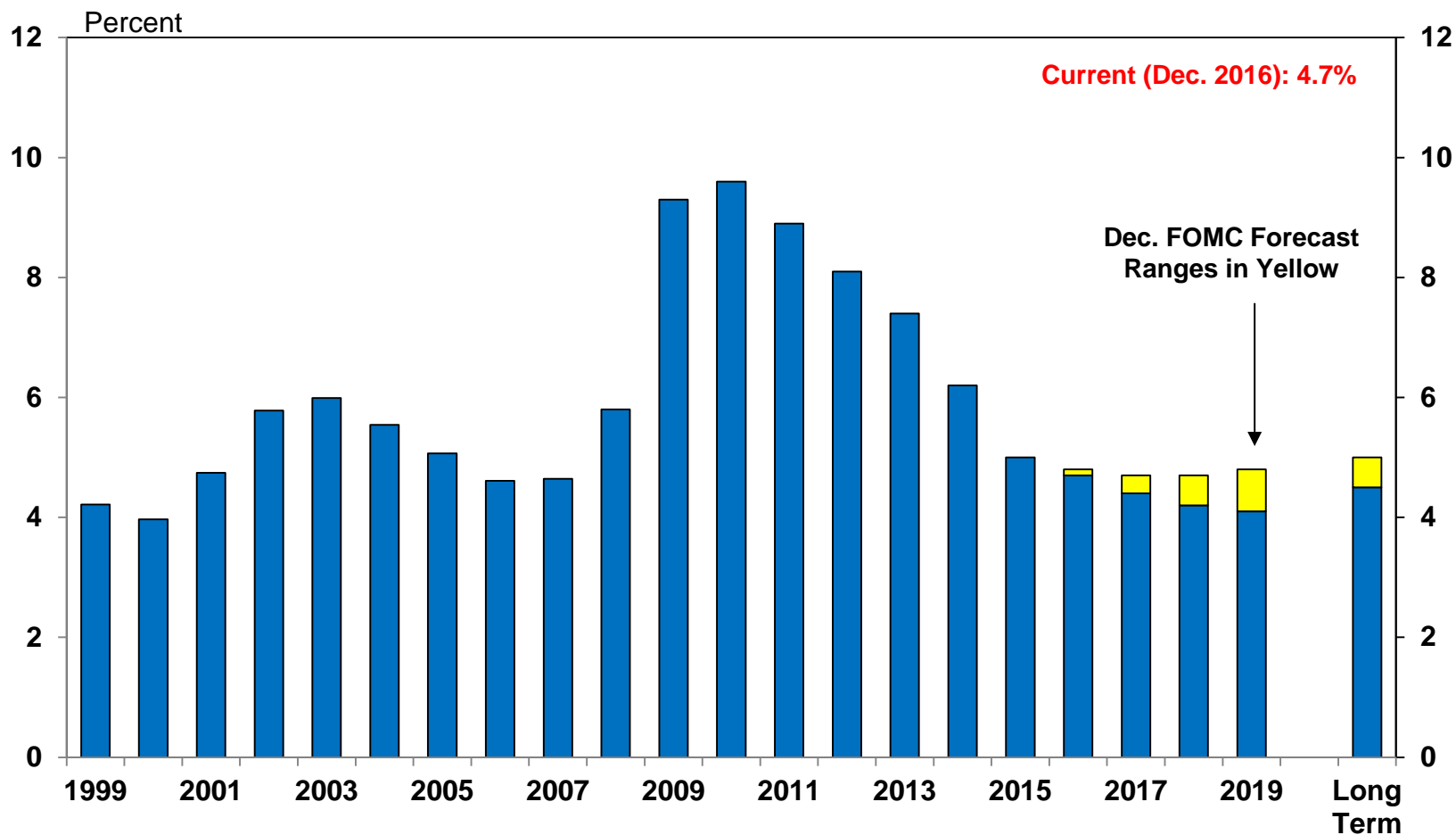
# Fourth quarter data has so far shown continued solid U.S. economic expansion

## U.S. Payroll Employment and Business Indexes



# “The [FOMC] indicated that...the labor market has continued to strengthen”

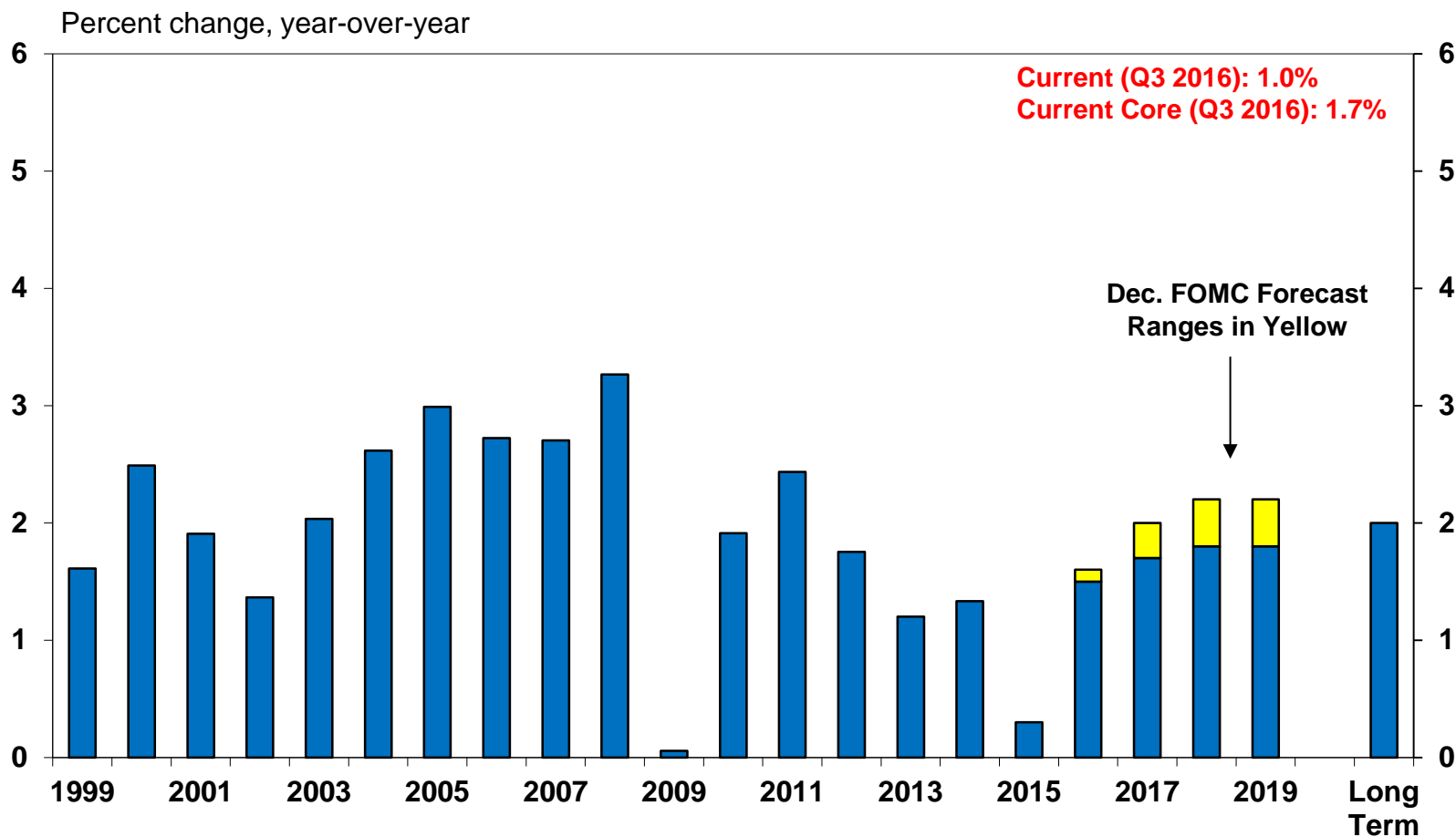
## Unemployment Rate Seasonally Adjusted





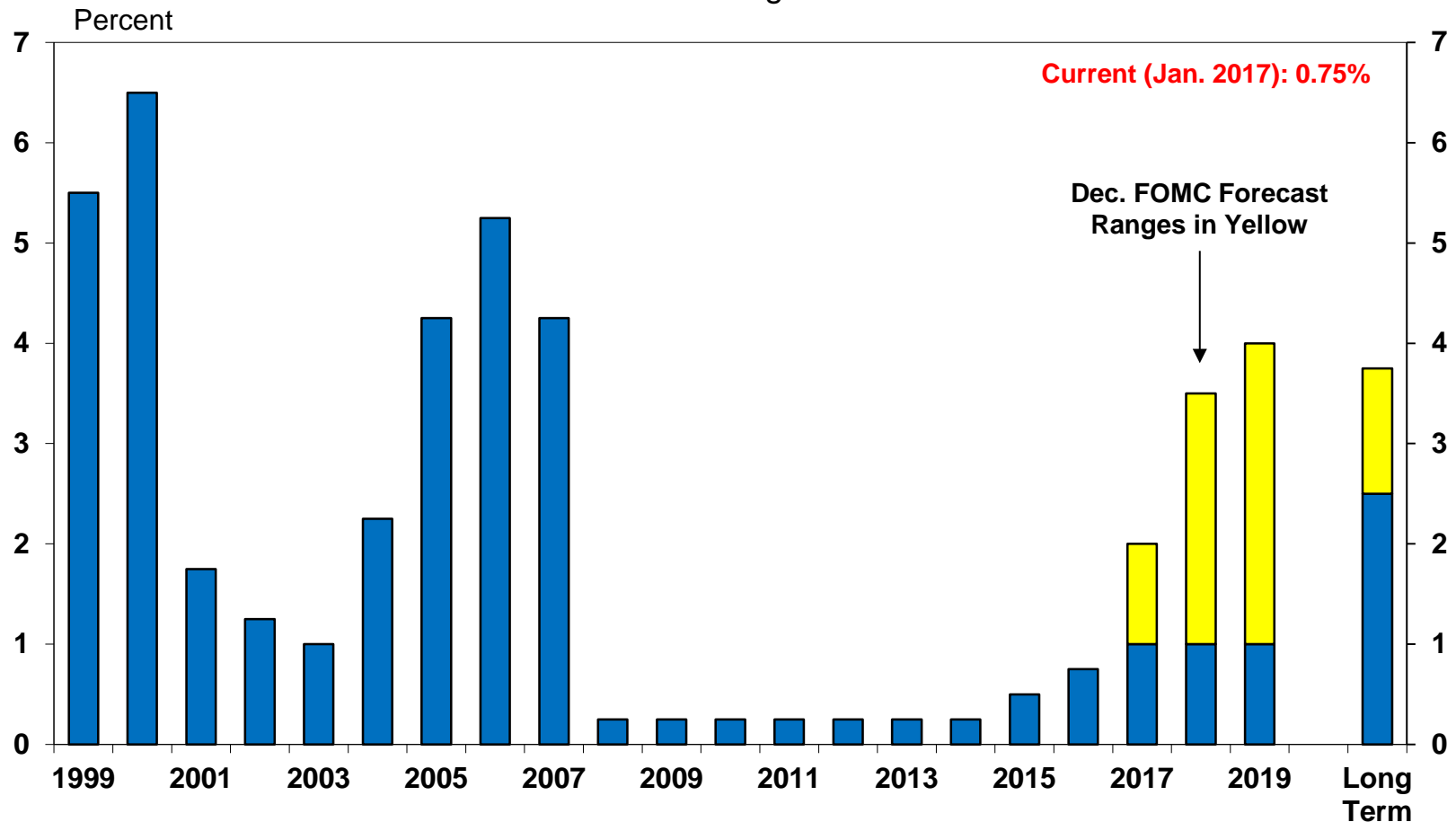
# “Inflation has increased...but is still below the Committee’s 2 percent longer-run objective”

## PCE Inflation Index



# “The Committee expects...only gradual increases in the federal funds rate”

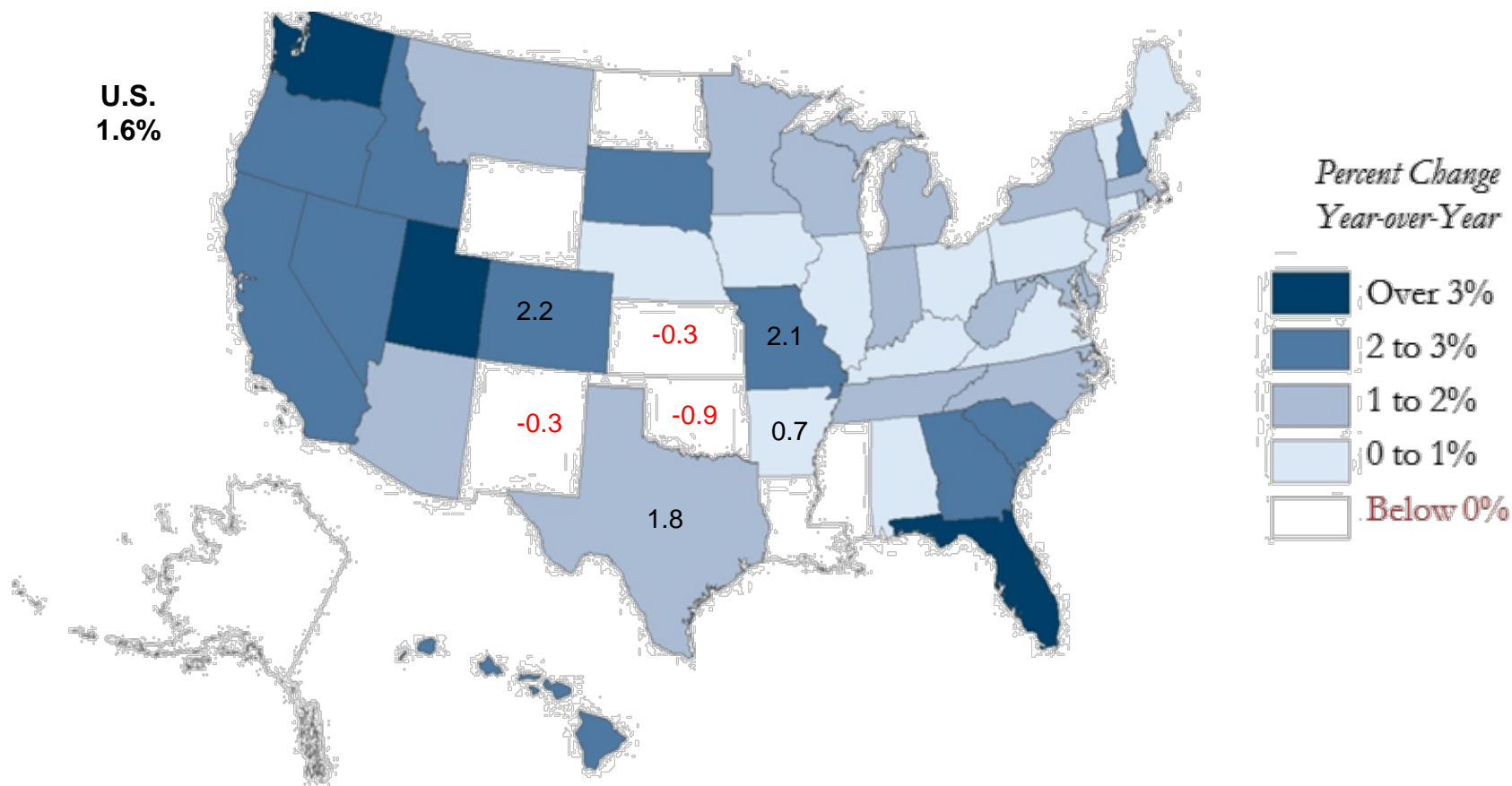
## Federal Funds Rate Year-end target



# **Trends in the Oklahoma Economy**

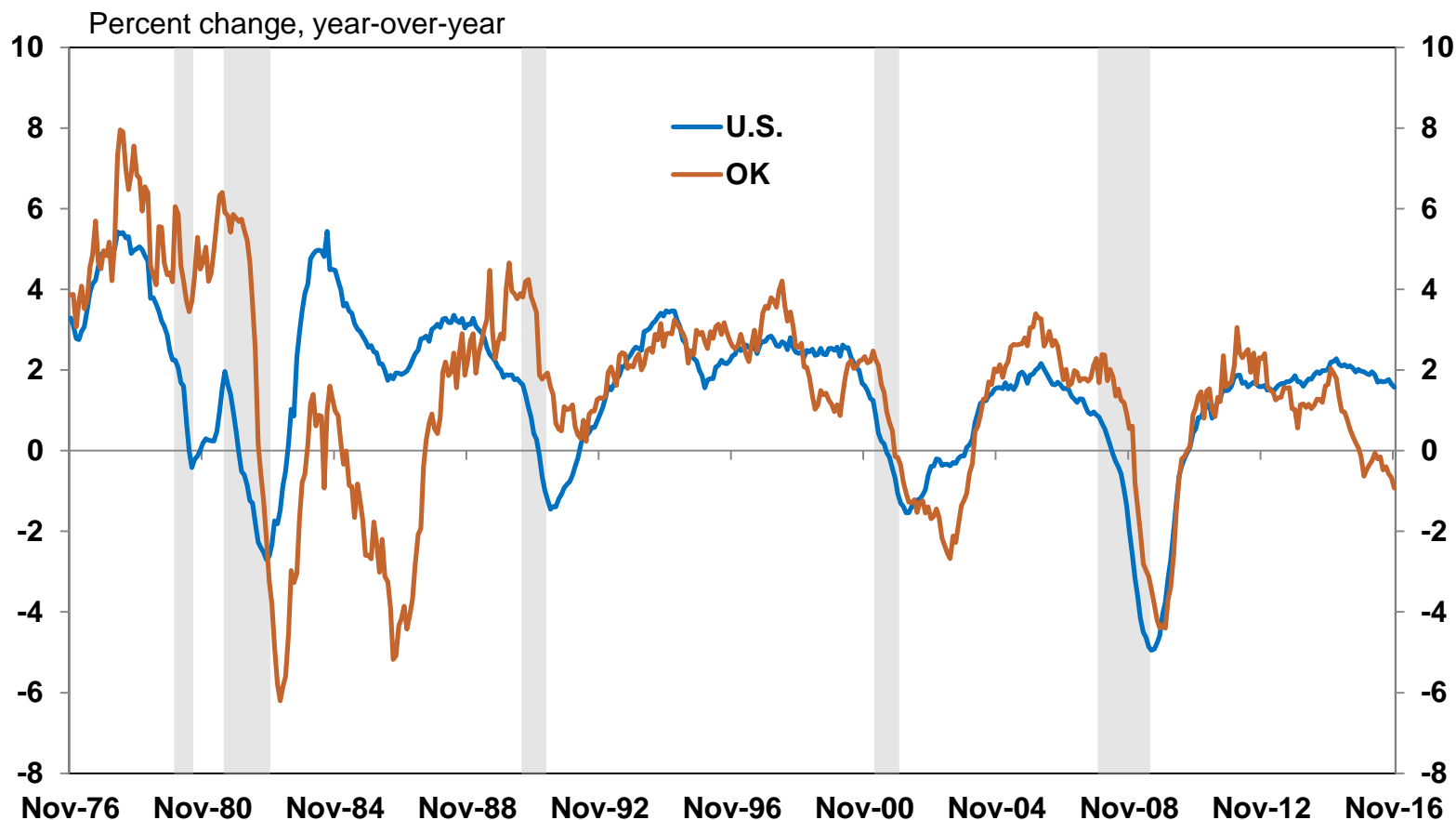
# Job growth across the U.S. has diverged, with Oklahoma in a jobs recession

**Total Nonfarm Employment Growth**  
November 2016



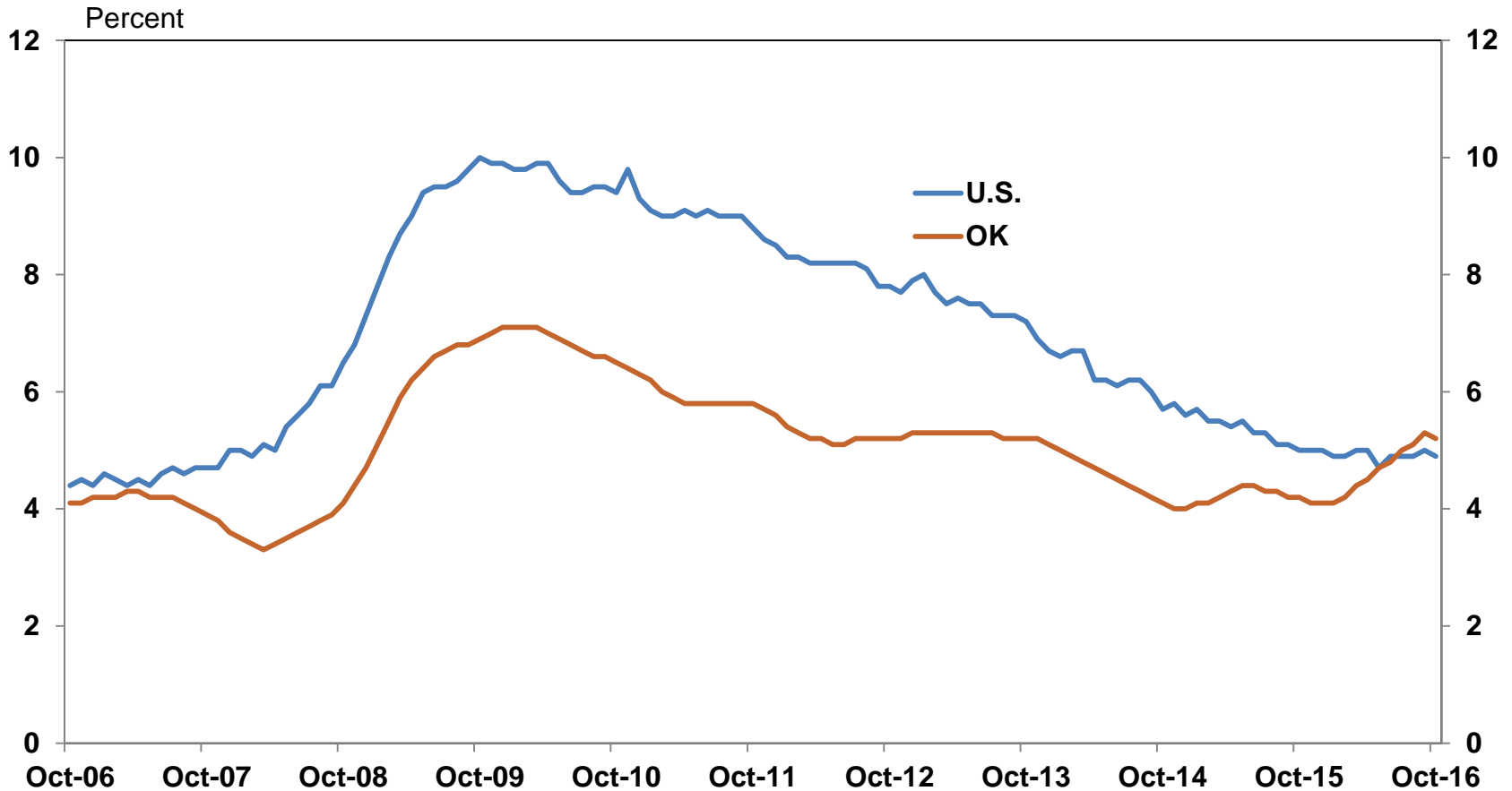
# This is the largest divergence in Oklahoma and national job growth since the 1980s

## Payroll Employment Growth



# However, while the state unemployment rate has risen, it still remains relatively low

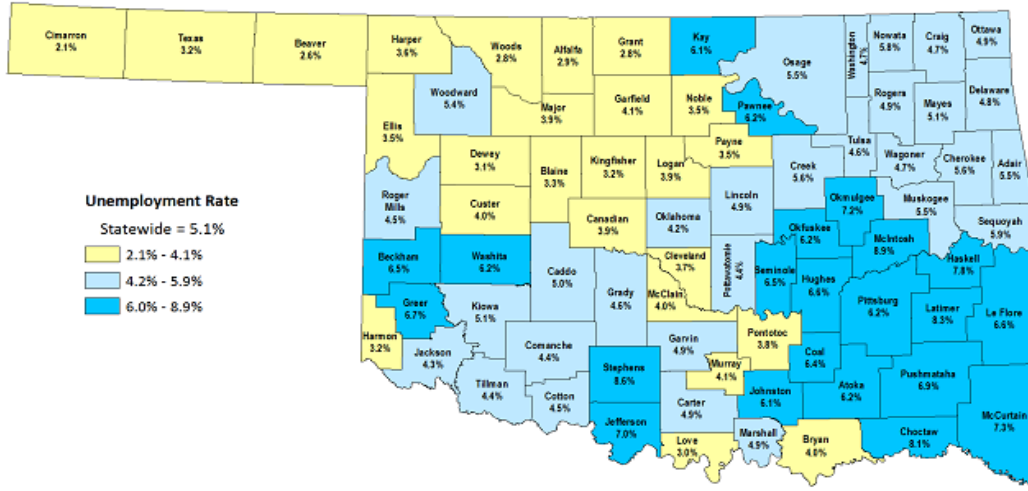
## Unemployment Rate



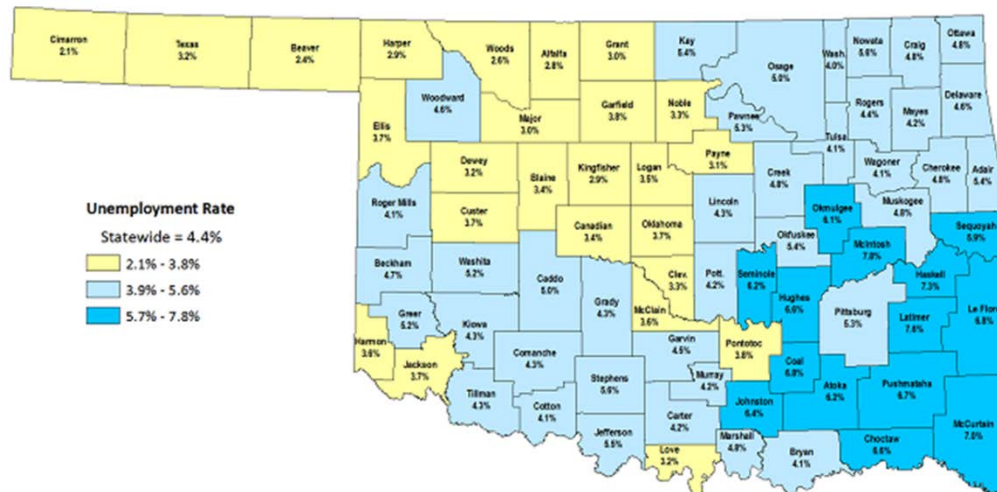
# The increase in joblessness has been largely in oil and gas areas of the state

## County Unemployment Rates

November 2016



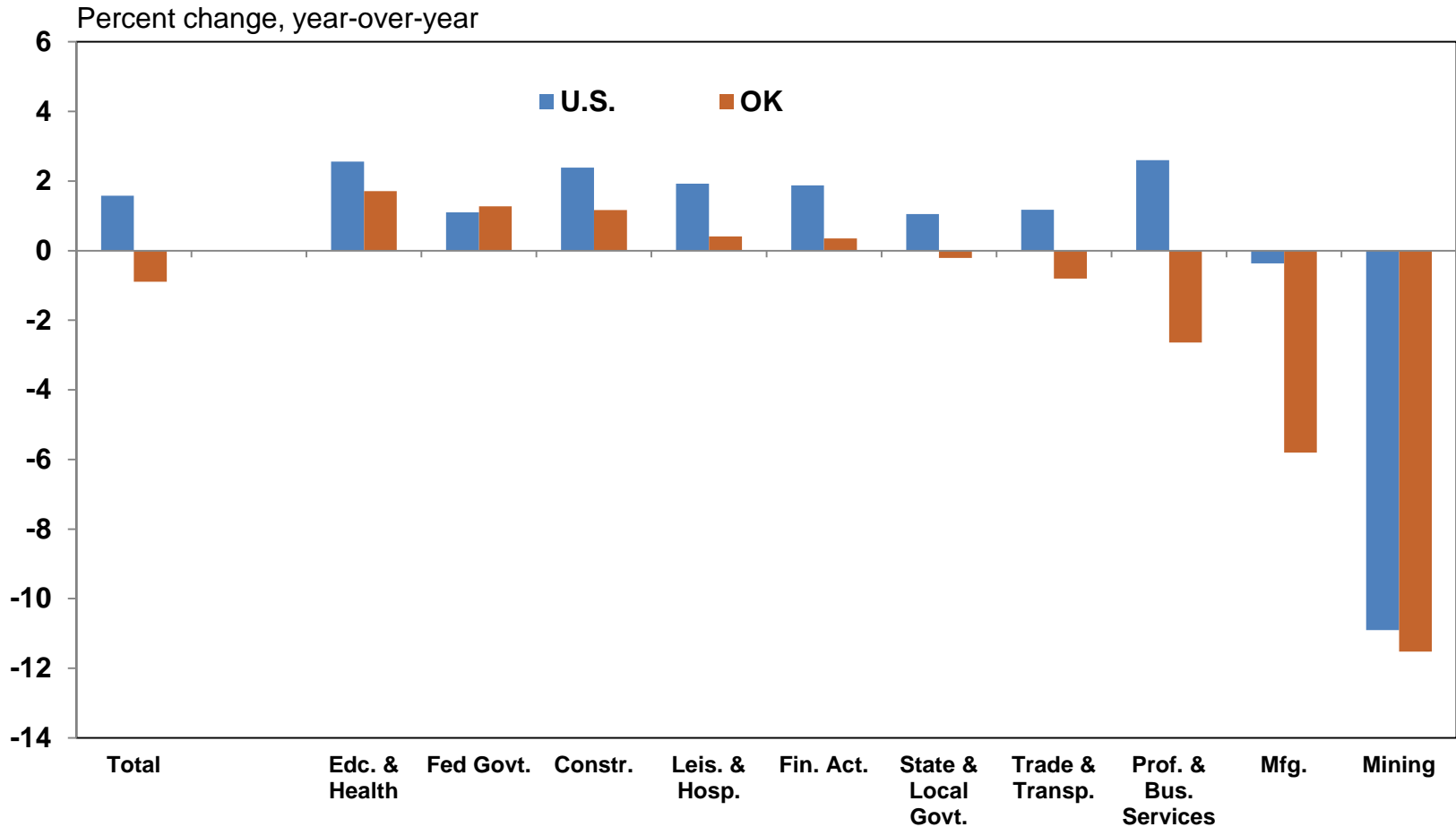
September 2015



# Spillover has occurred from energy, but there are still several industries growing

## Job Growth by Industry

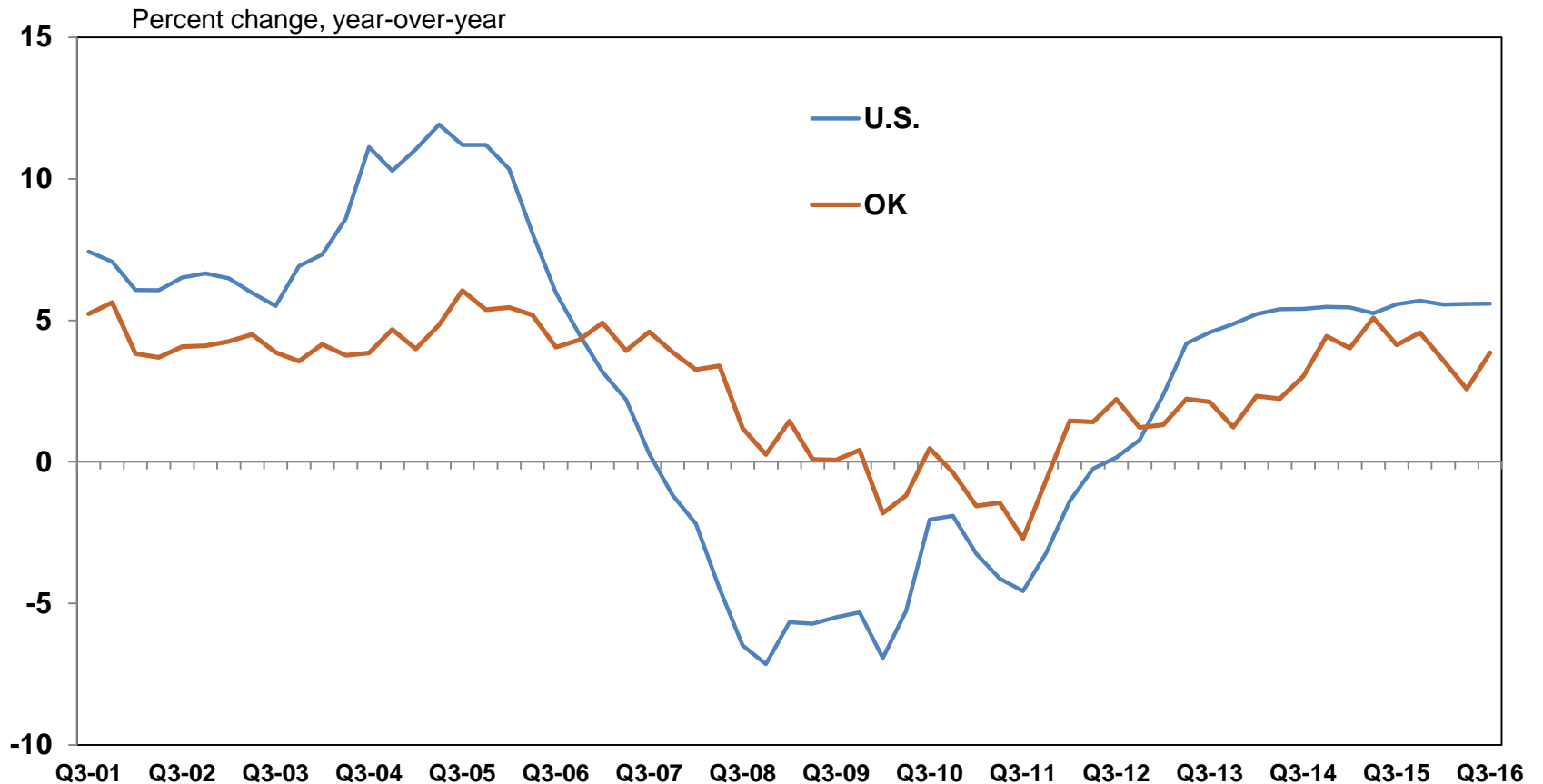
Nov-16





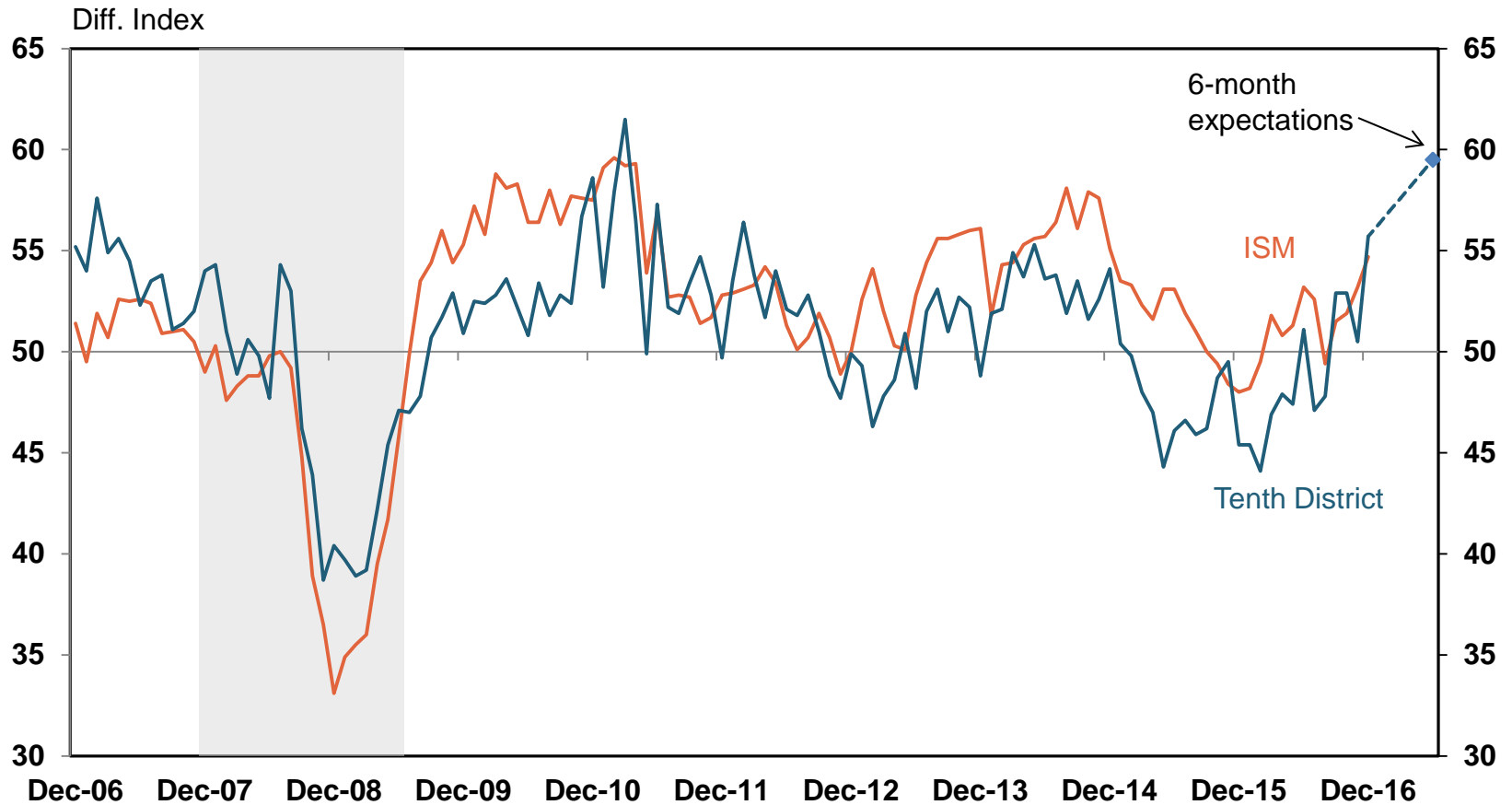
# Home price growth in Oklahoma has slowed, but remains moderately positive

**FHFA Home Price Index**  
Seasonally Adjusted



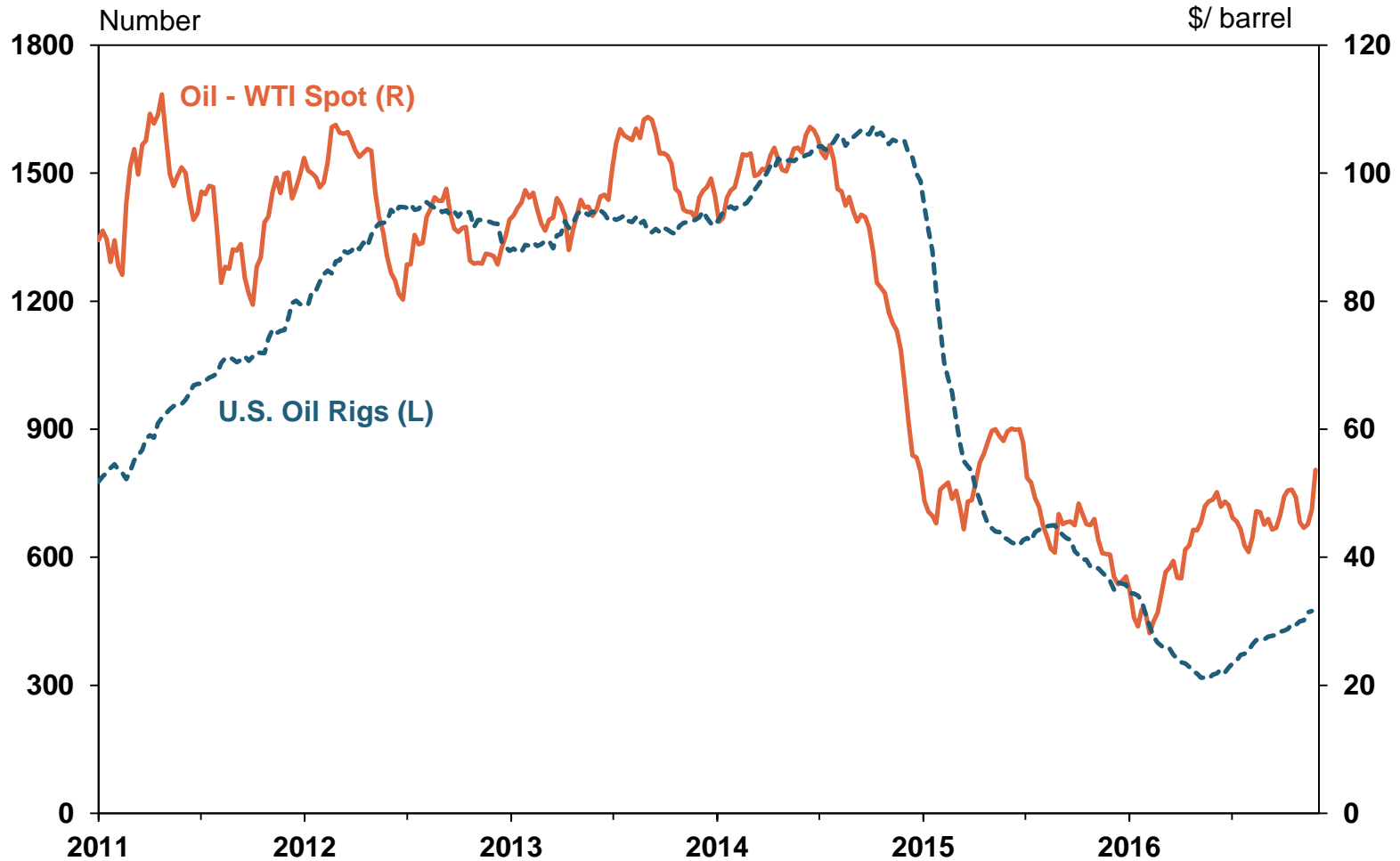
# One of the struggling regional industries— manufacturing—has improved considerably

## Manufacturing Composite Indexes, Seasonally Adjusted



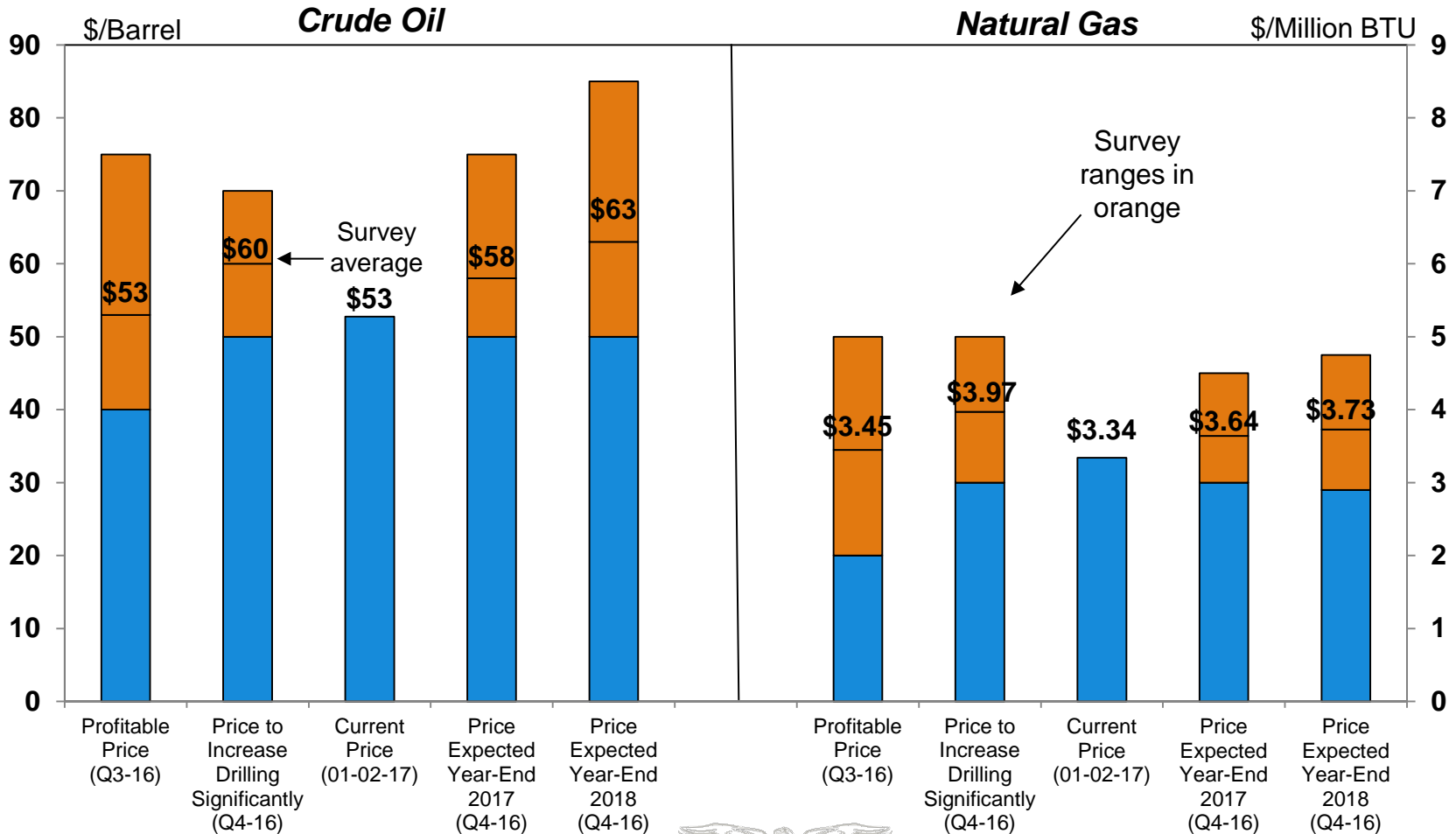
# Oil prices' recent rise to \$50/barrel has boosted drilling, and OPEC's action helps

## Oil Spot Prices and Rig Counts



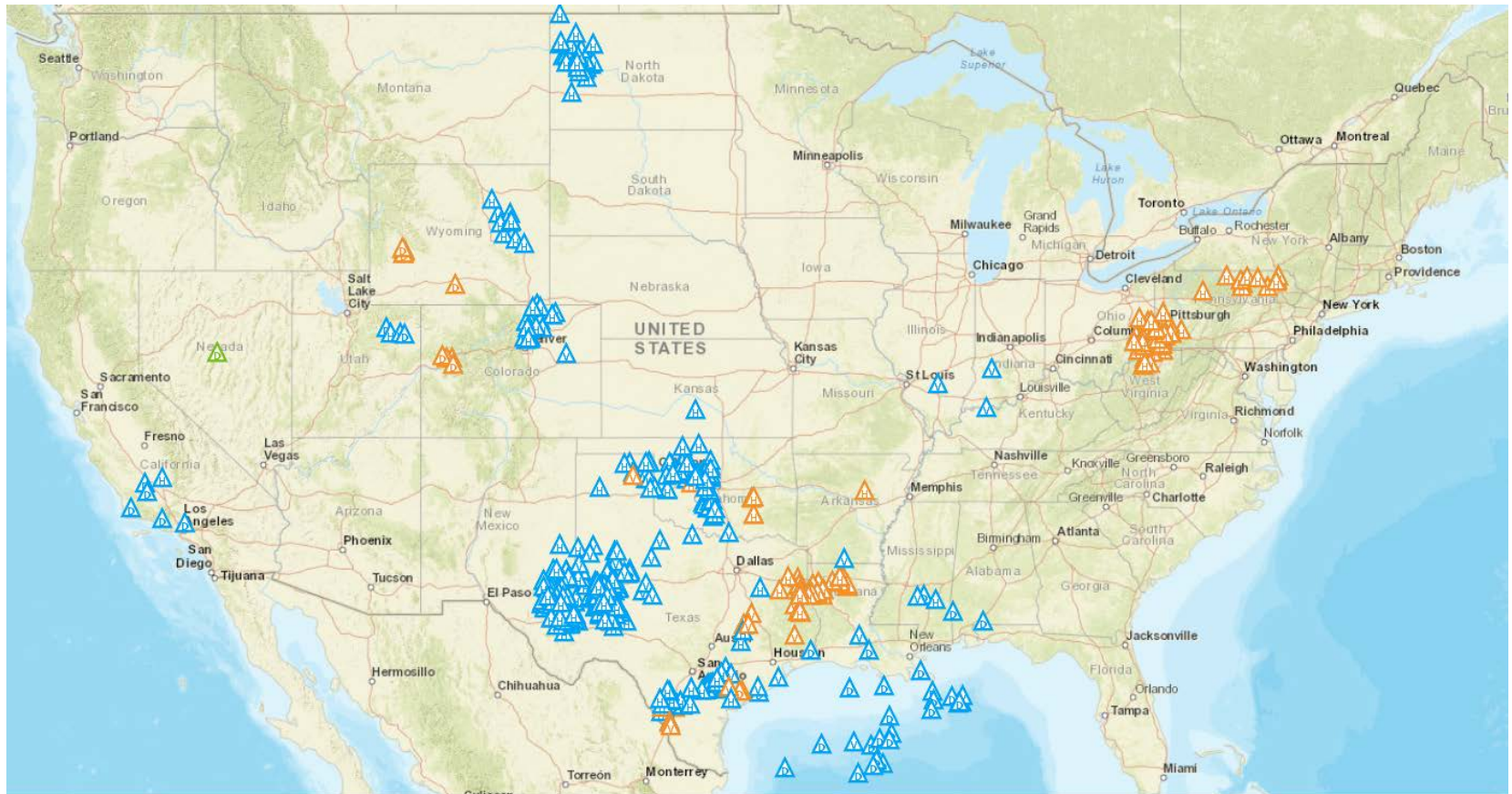
# However, firms say energy prices need to be a bit higher for a sizable increase in activity

Kansas City Fed Energy Survey Special Questions  
2016



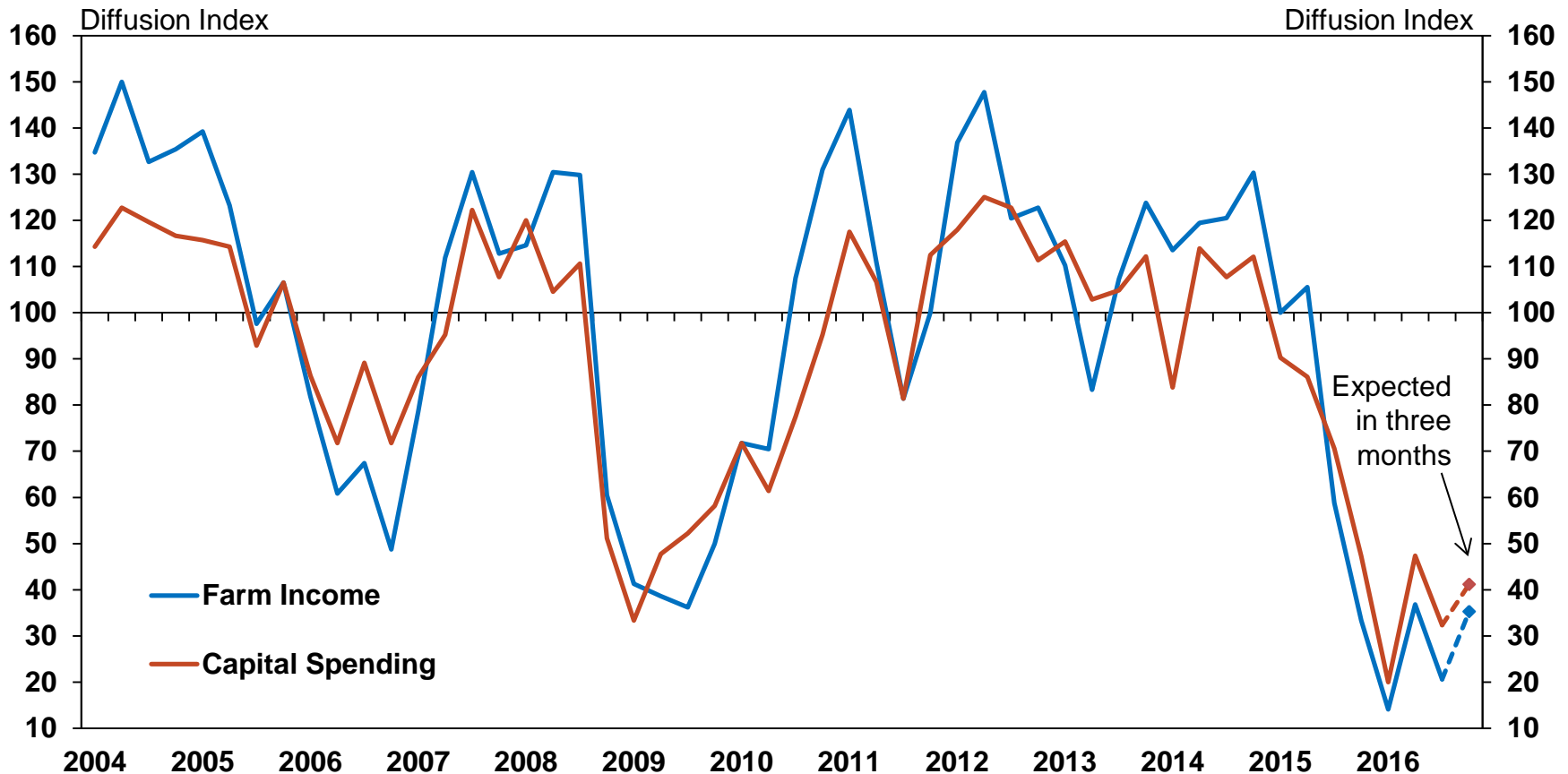
# The most active areas now are in west Texas (Permian) and northwest Oklahoma (STACK)

**Current Drilling Rig Locations,**  
As-of December 16, 2016



# In contrast to energy, the outlook for agriculture in Oklahoma remains weak

## Oklahoma Farm Income and Capital Spending



# Summary

- The U.S. economy continues to grow, and the Fed has raised interest rates slightly
- Oklahoma's economy has been hurt by low commodity prices, as well as spillover to some other related industries
- However, conditions in real estate, banking, and labor markets have held on fairly well, and there is some cautious optimism



# Questions?

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

[www.kansascityfed.org/publications/research/oke/](http://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>

