

U.S. and Regional Economic Update

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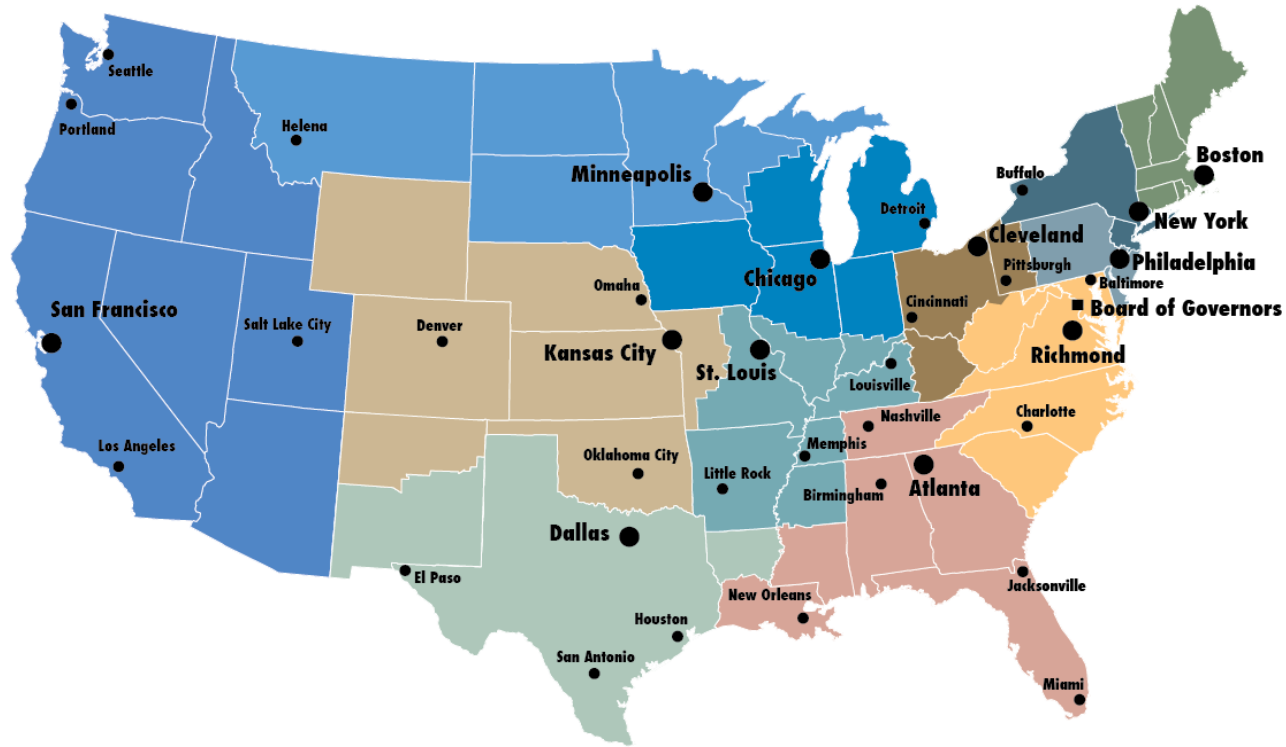


Key Takeaways

- The U.S. economy continues to grow, but the rate of growth varies widely across states
- Areas concentrated in energy activity have slowed, and agricultural conditions are weak
- Real estate activity and values have held up relatively well despite weak energy and ag
- The rebound in oil prices has produced some breathing room, but concerns remain



Federal Reserve Districts and Office Locations

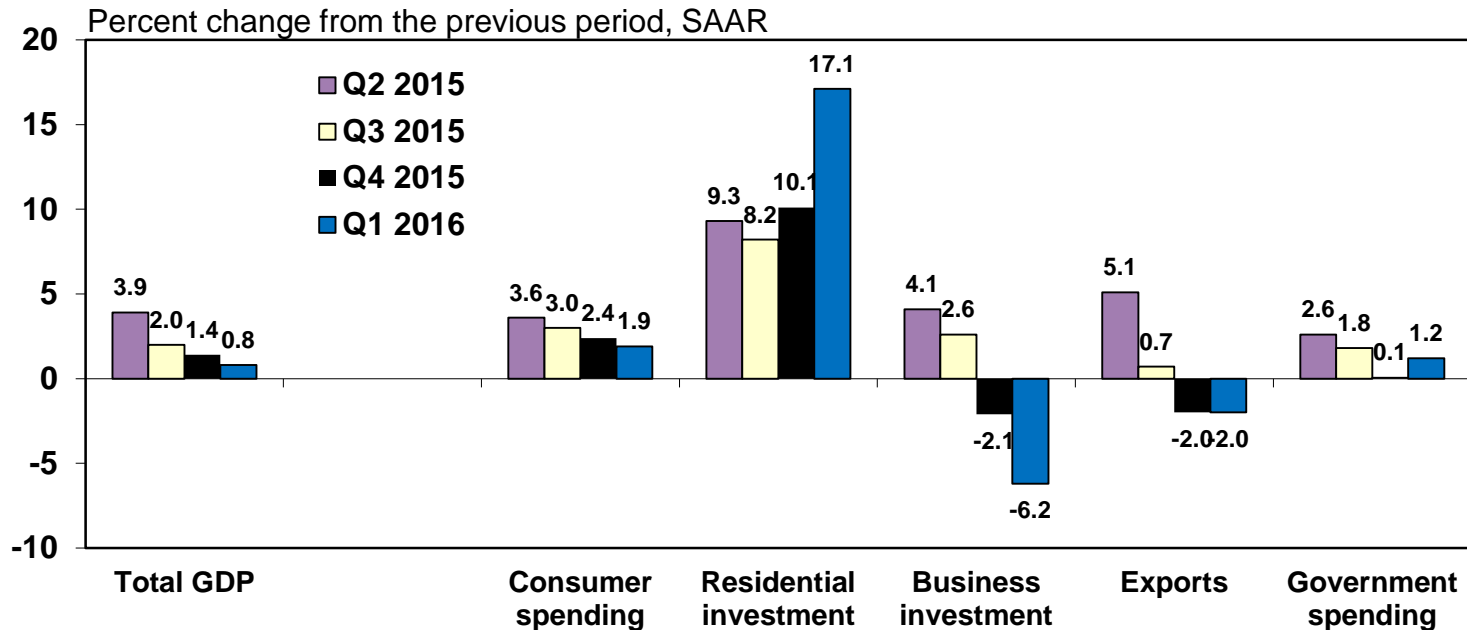


The U.S. Economy and Monetary Policy



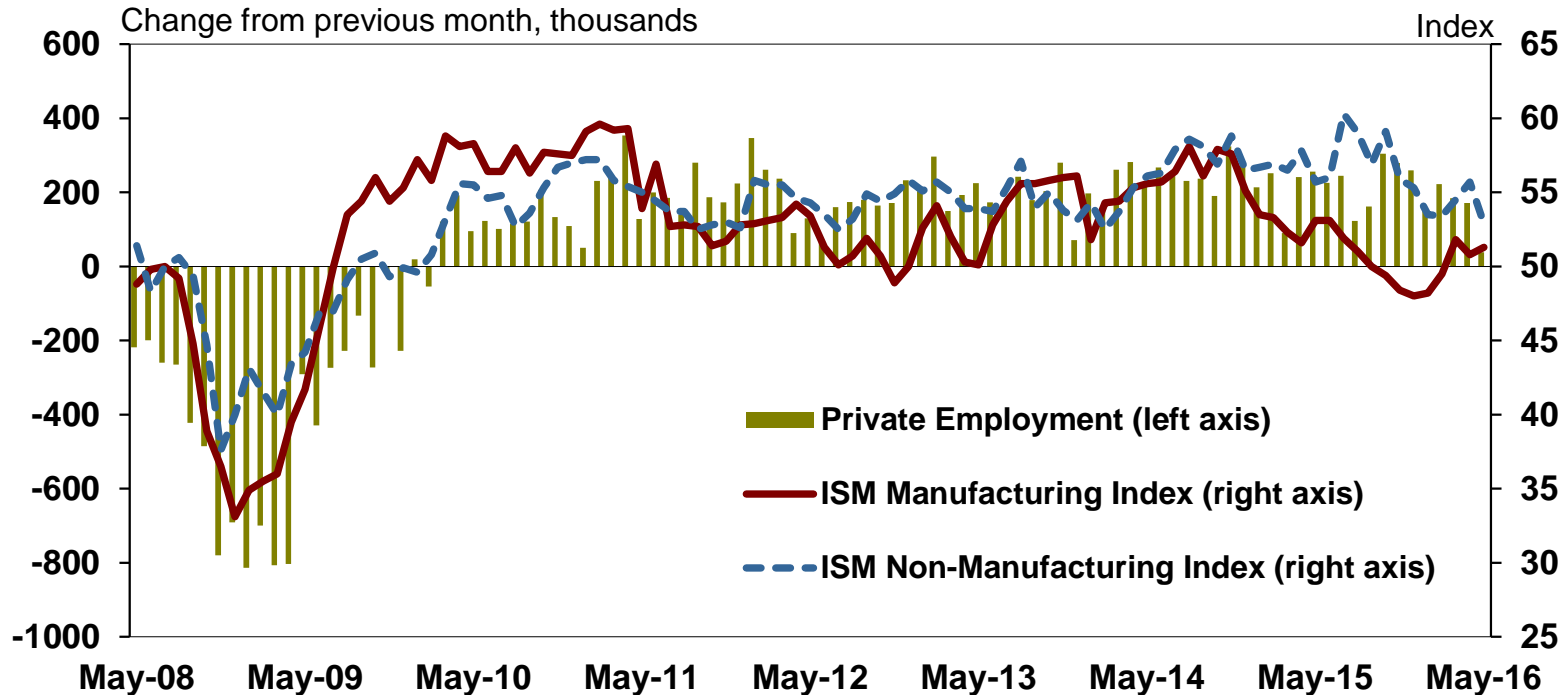
GDP slowed somewhat in Q4, due to business investments and exports

Growth in Components of Real GDP



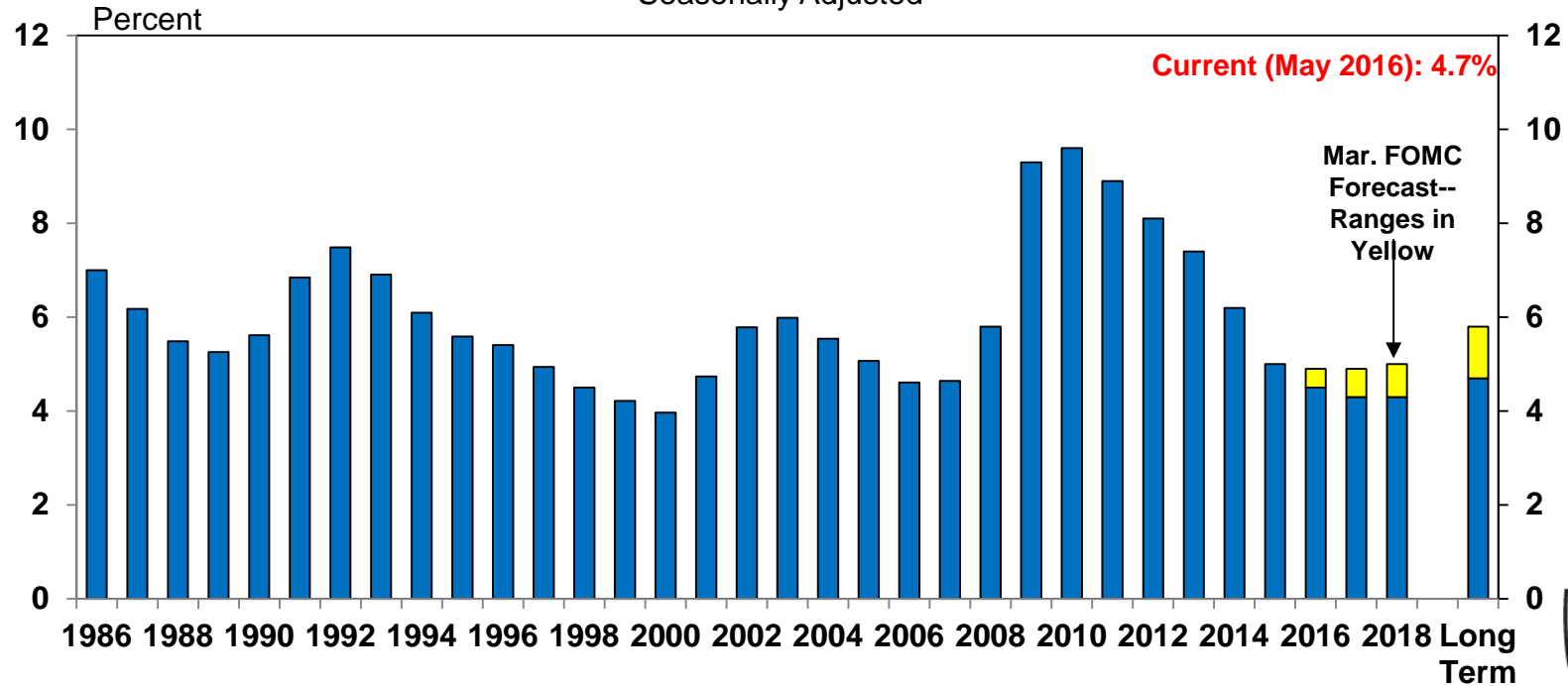
U.S. business activity has slowed slightly, but job growth remains solid

U.S. Private Payroll Employment and Business Indexes



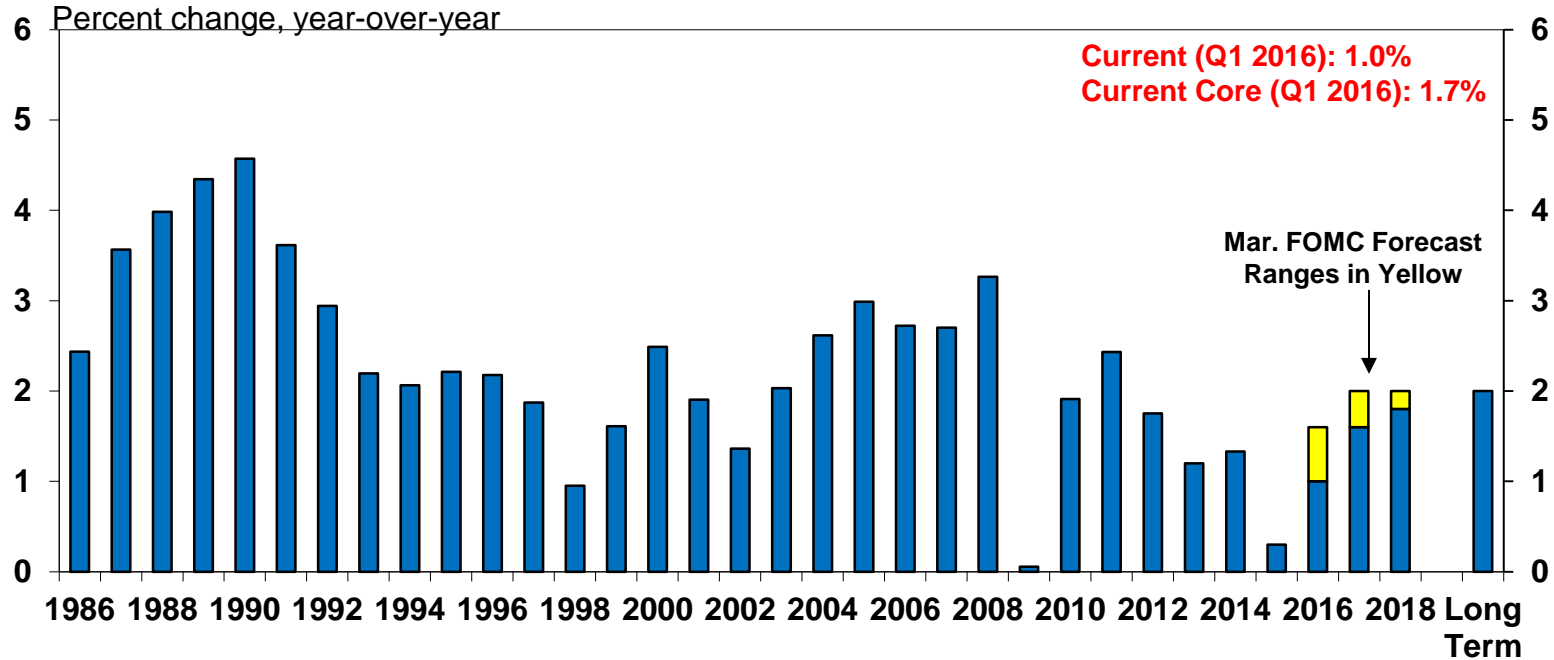
U.S. unemployment is at long-term levels after falling considerably in recent years

Unemployment Rate Seasonally Adjusted



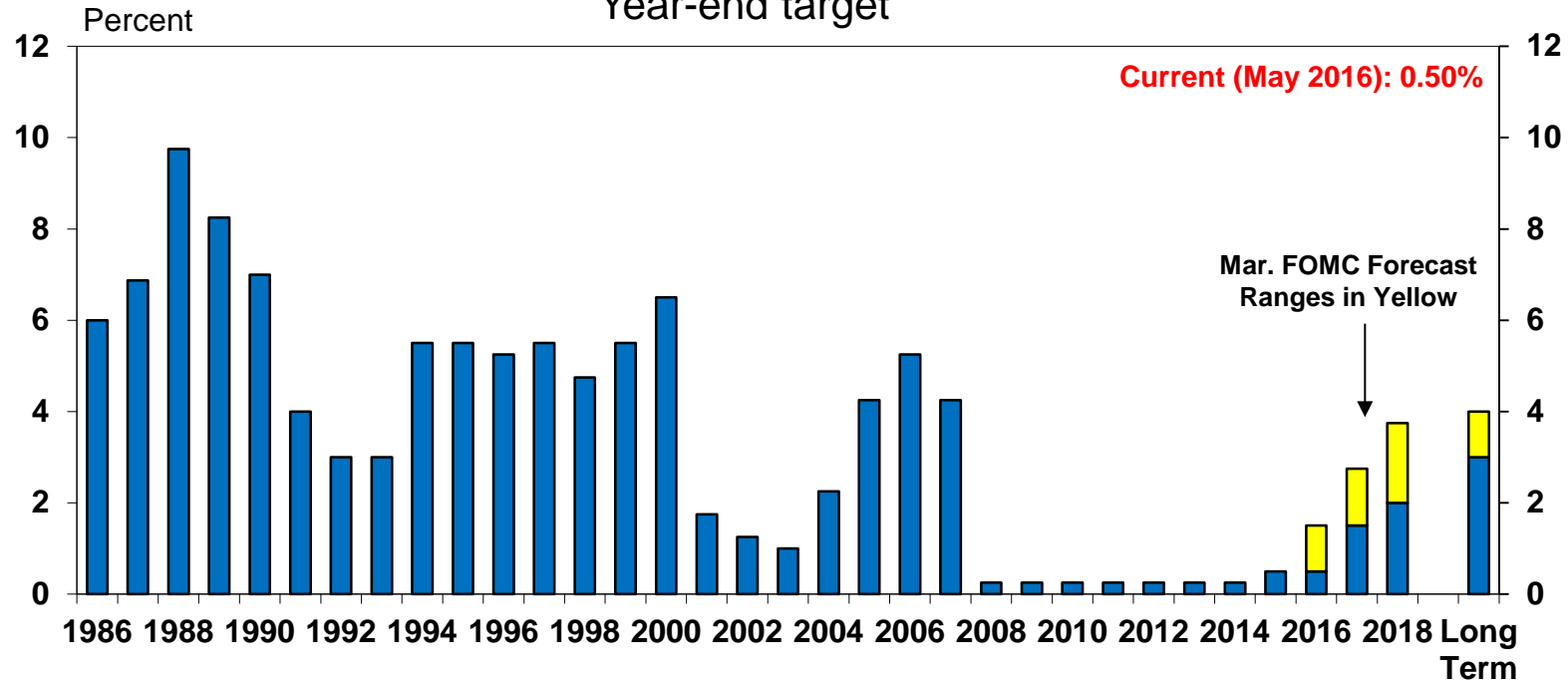
U.S. inflation is low but expected to return to close to target in 2016

PCE Inflation Index



FOMC participants expect moderate increases in rates heading forward

Federal Funds Rate Year-end target

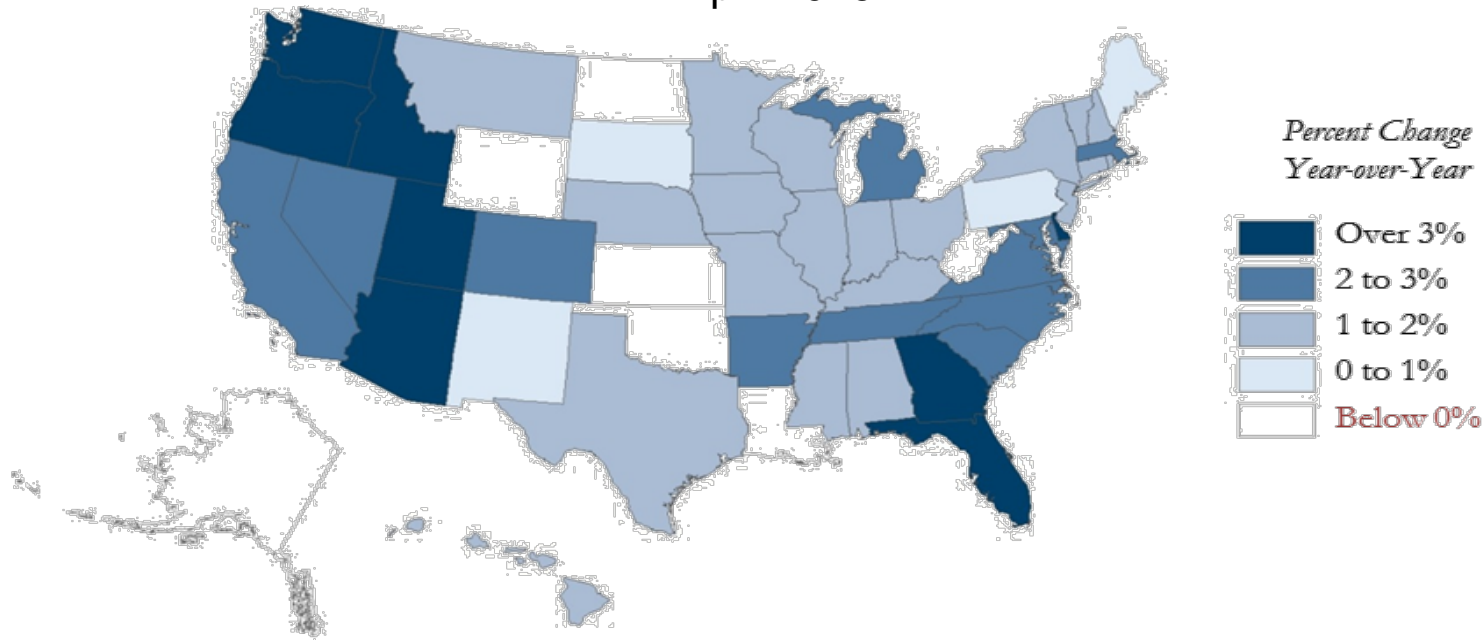


Regional Economic Conditions



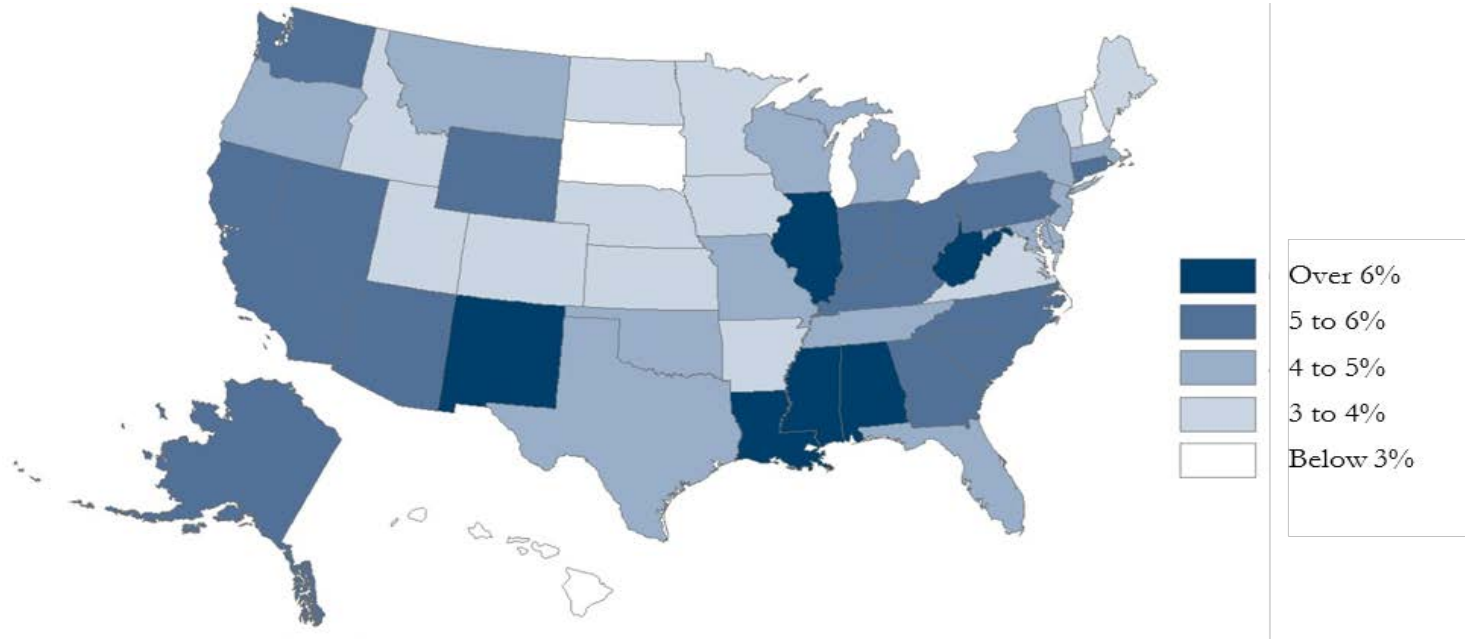
Employment growth has been weakest in energy states and strongest on the coasts

Total Nonfarm Employment Growth April 2016



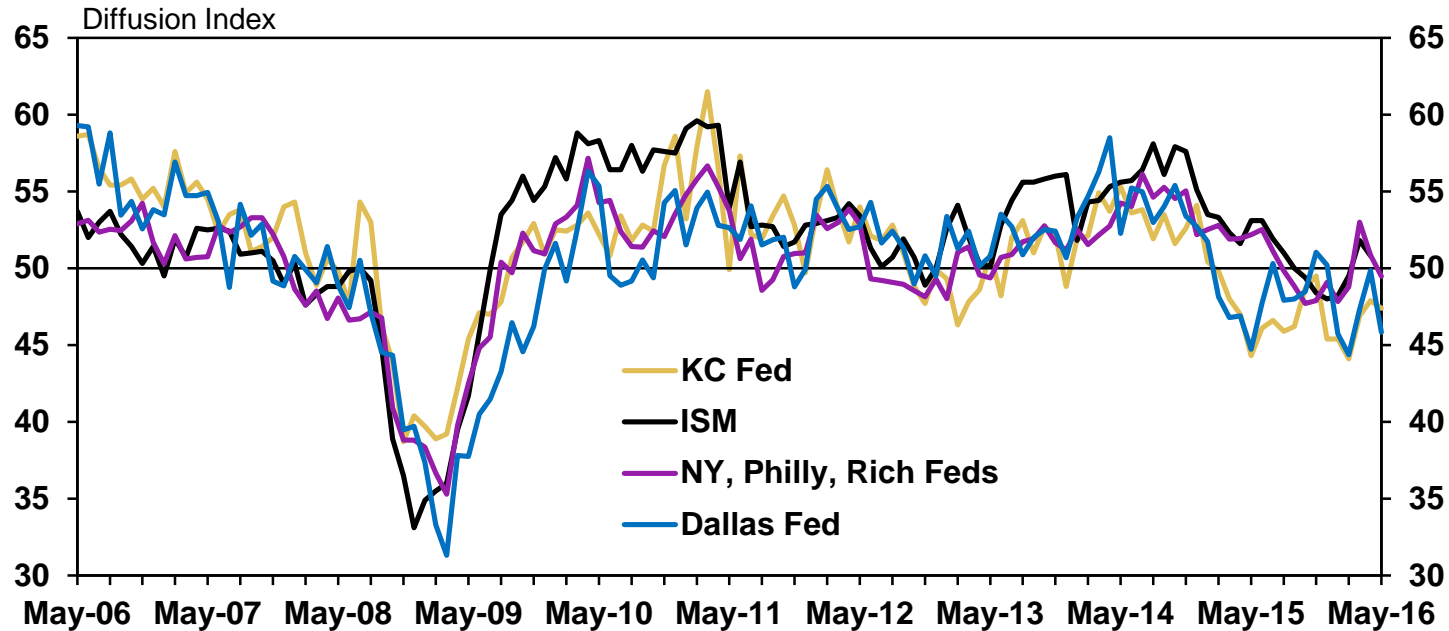
Still, unemployment has remained fairly low in the Midwest and energy states

Unemployment Rates
April 2016



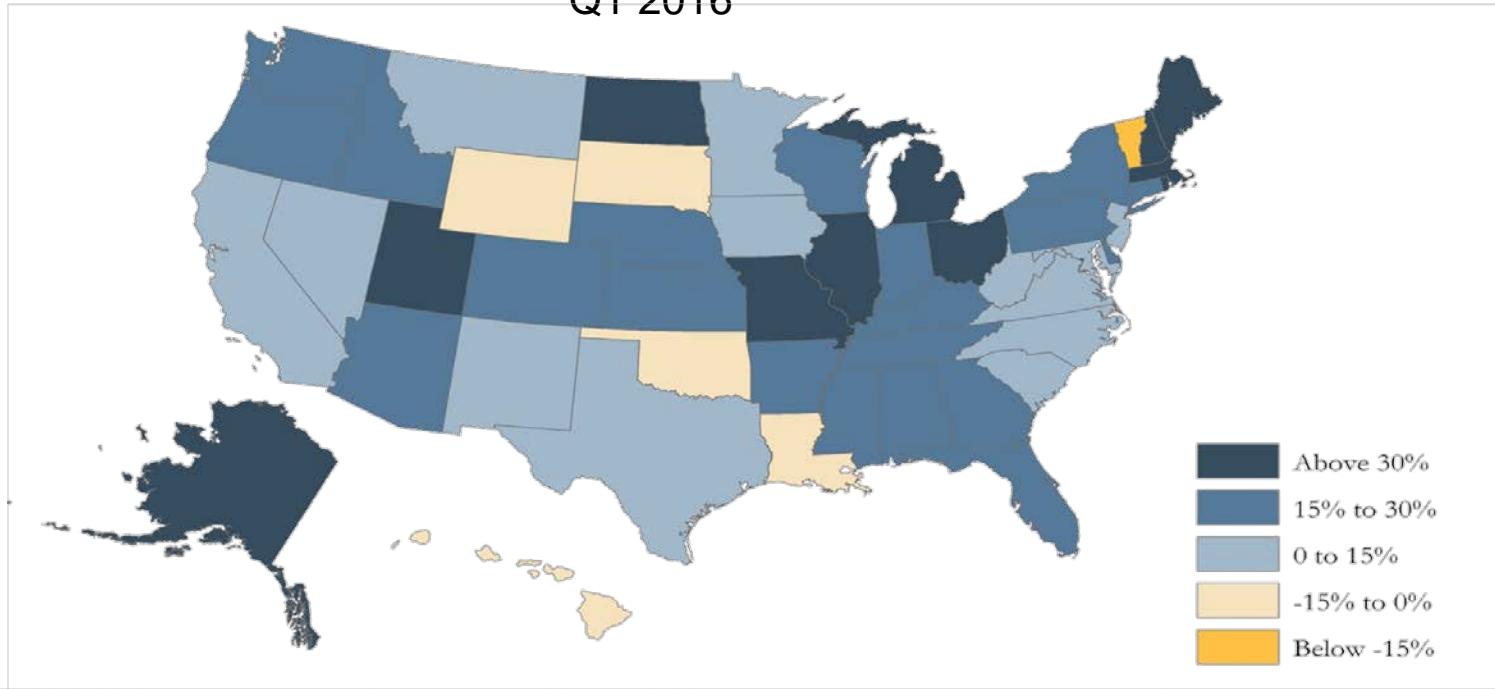
Manufacturing has fallen more in energy regions than elsewhere in the country

Manufacturing Survey Composite Indexes



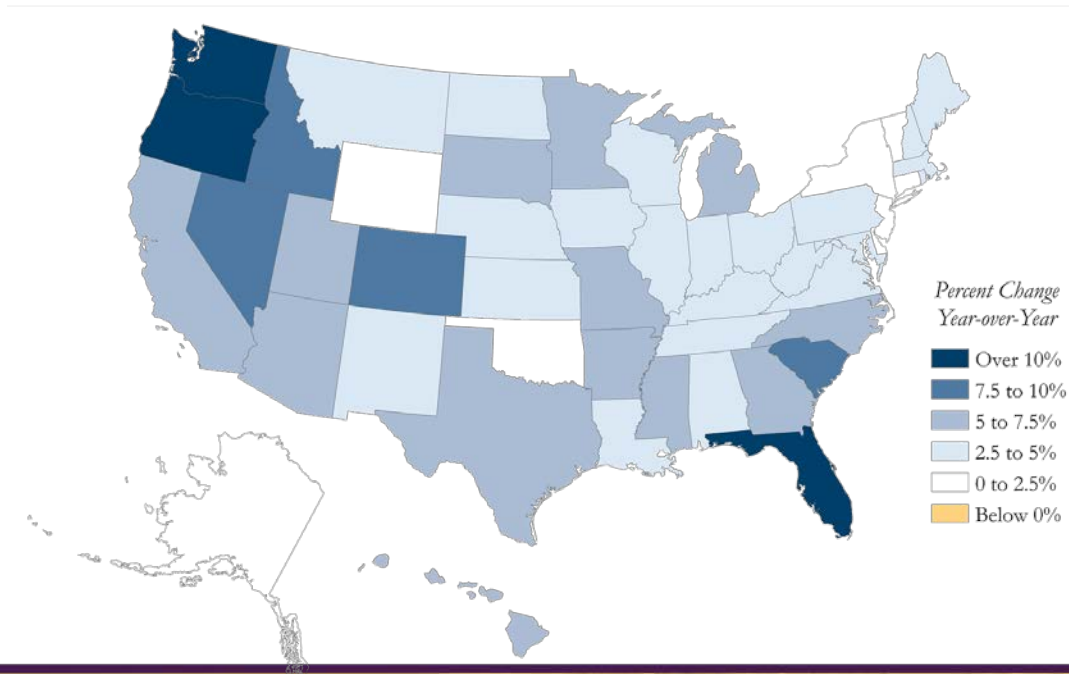
Home construction has dropped in several energy states

Single-Family Housing Permits Q1 2016



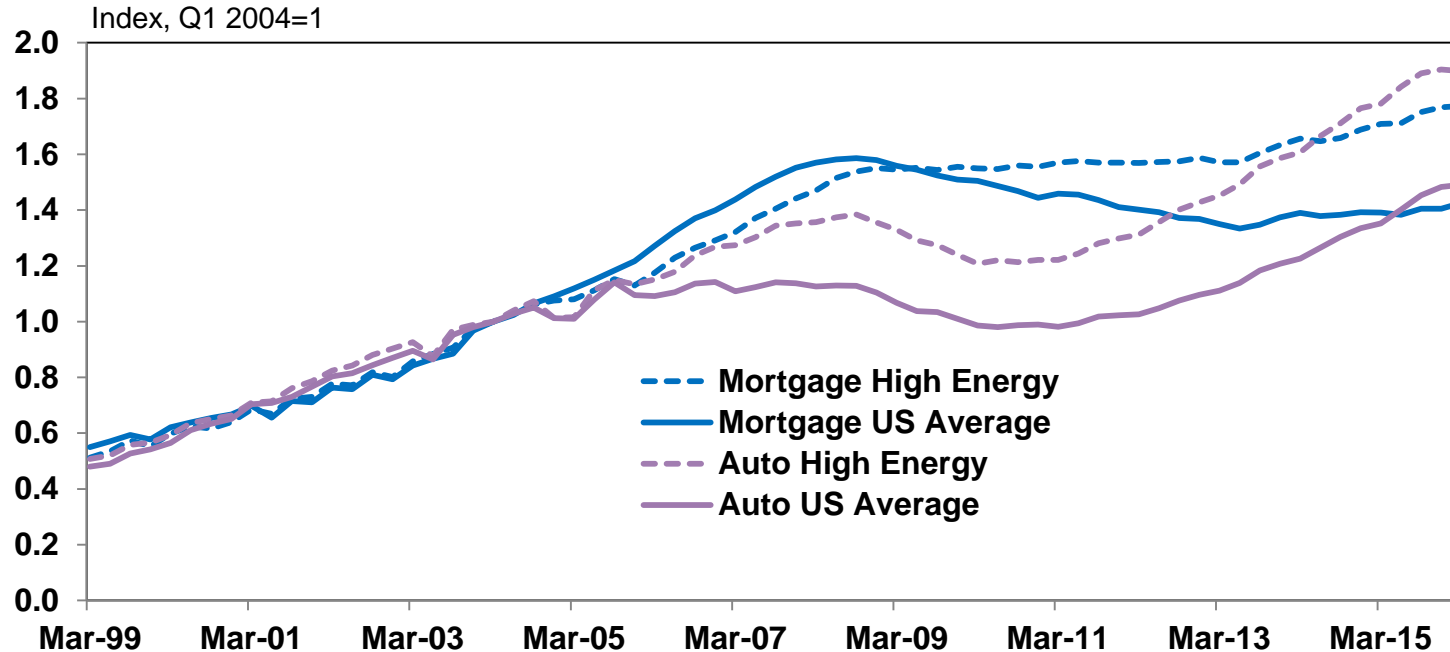
But home prices have continued to grow throughout the country

FHFA Purchase-Only Home Price Index Q1 2016



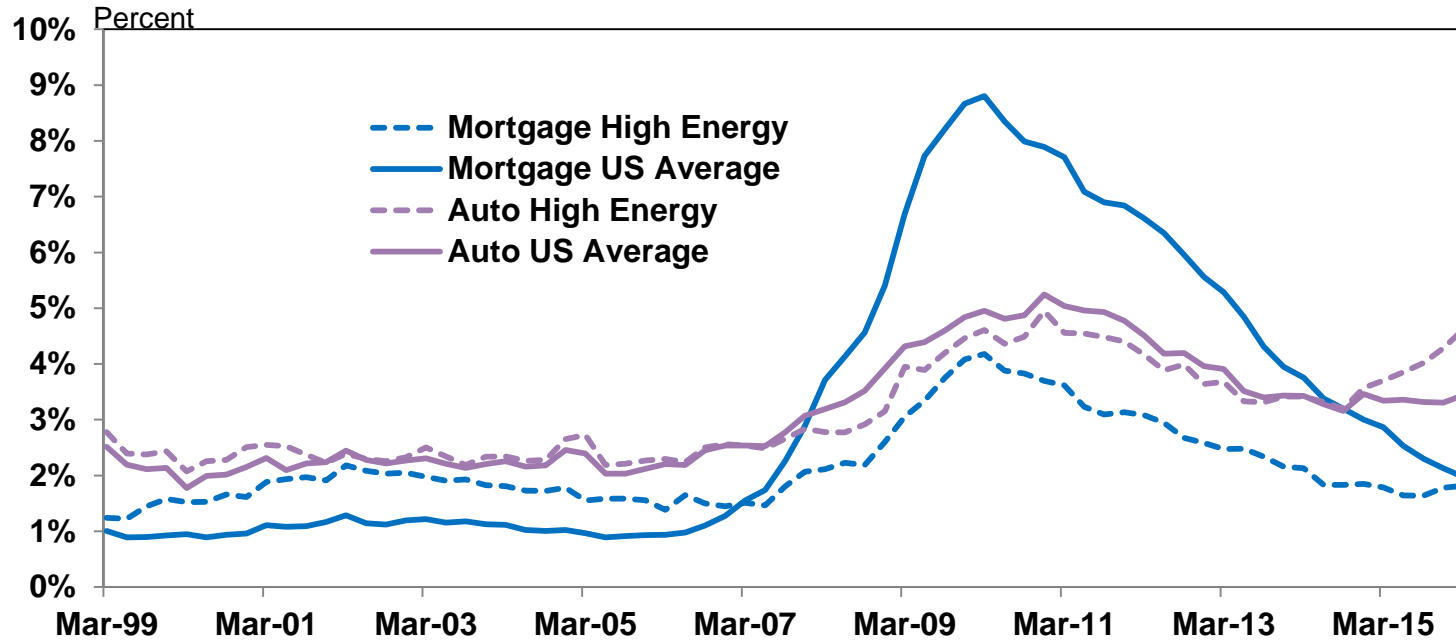
Loan balances have increased in energy states versus the rest of the nation

Loan Balances



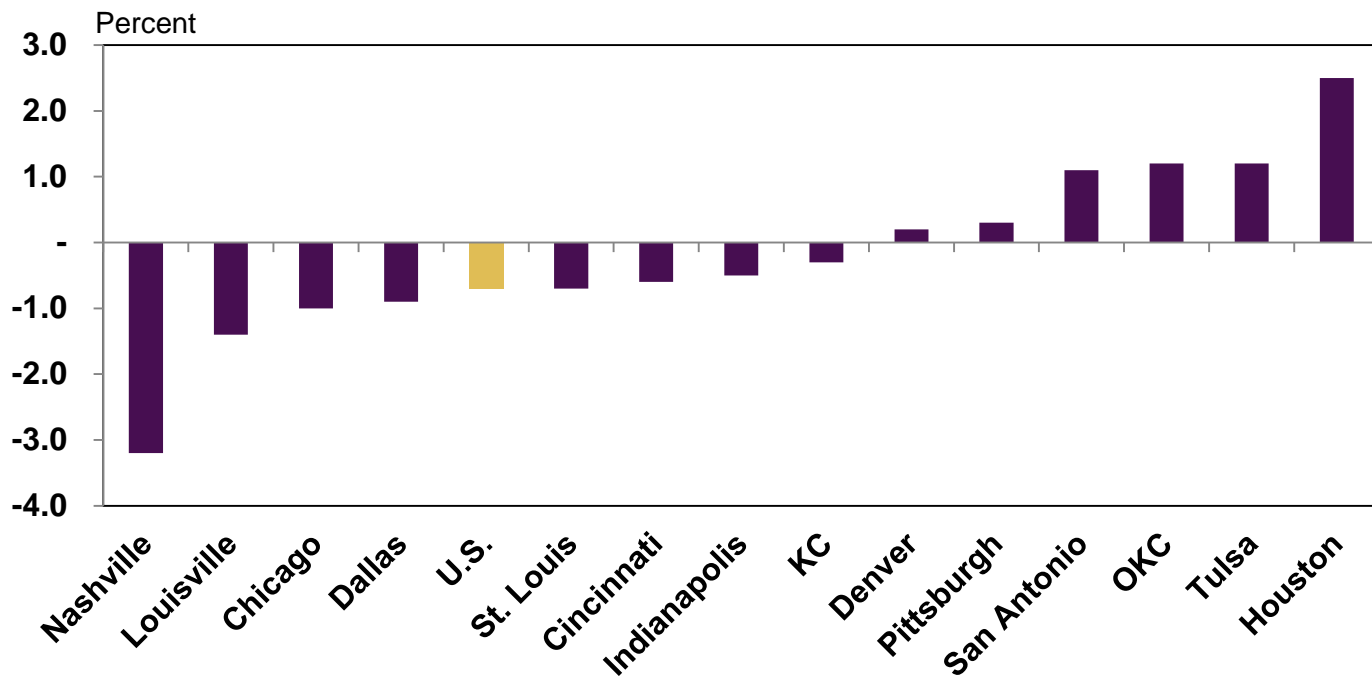
But, to date, delinquencies in energy states have only risen markedly for autos

90+ Day Loan Delinquencies



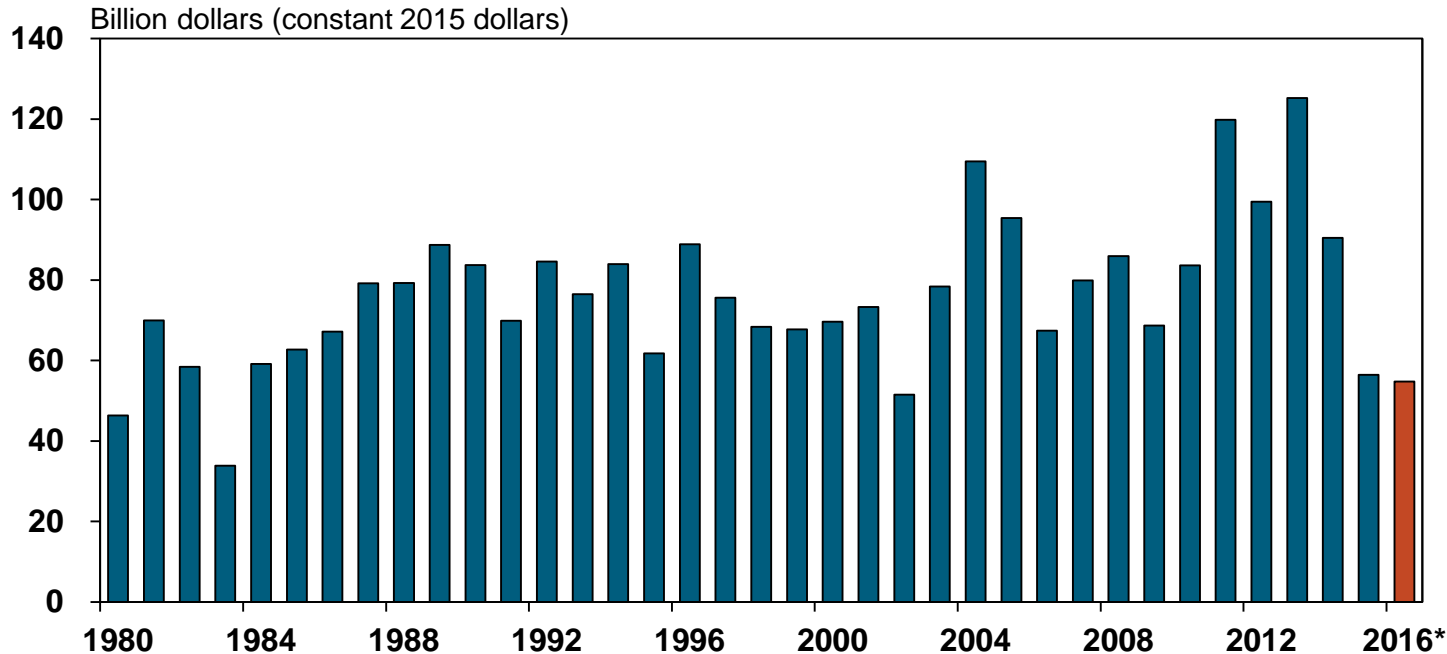
Office vacancy rates have edged higher in energy cities across BKD's region

Change in Office Vacancy Rates
Q1-15 to Q1-16



U.S. farm income fell sharply last year and is expected to be down again this year

U.S. Real Net Farm Income



Source: USDA

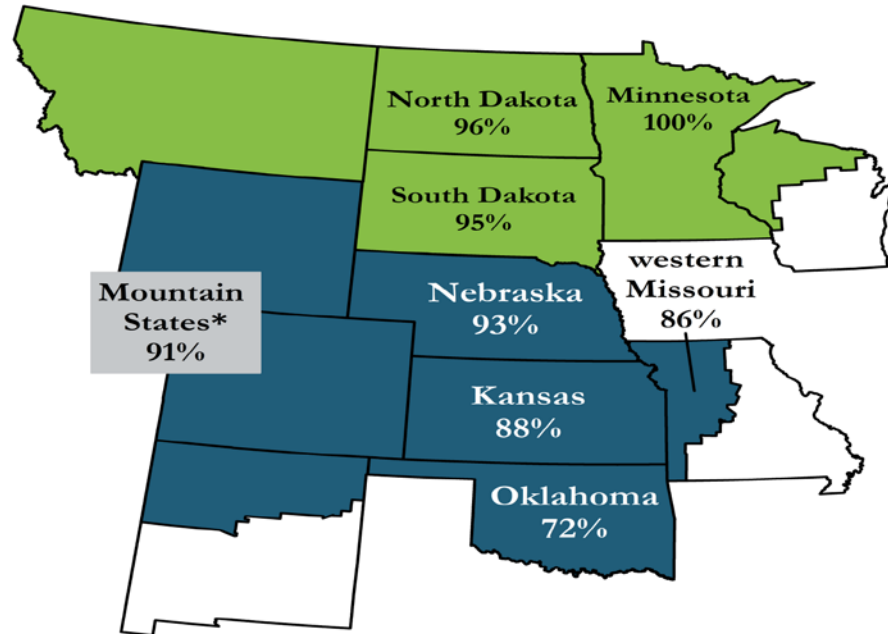
* Forecast for 2016.



The majority of Plains states contacts have reported a decrease in farm income

Percent of Bankers Reporting a Decrease in Farm Income

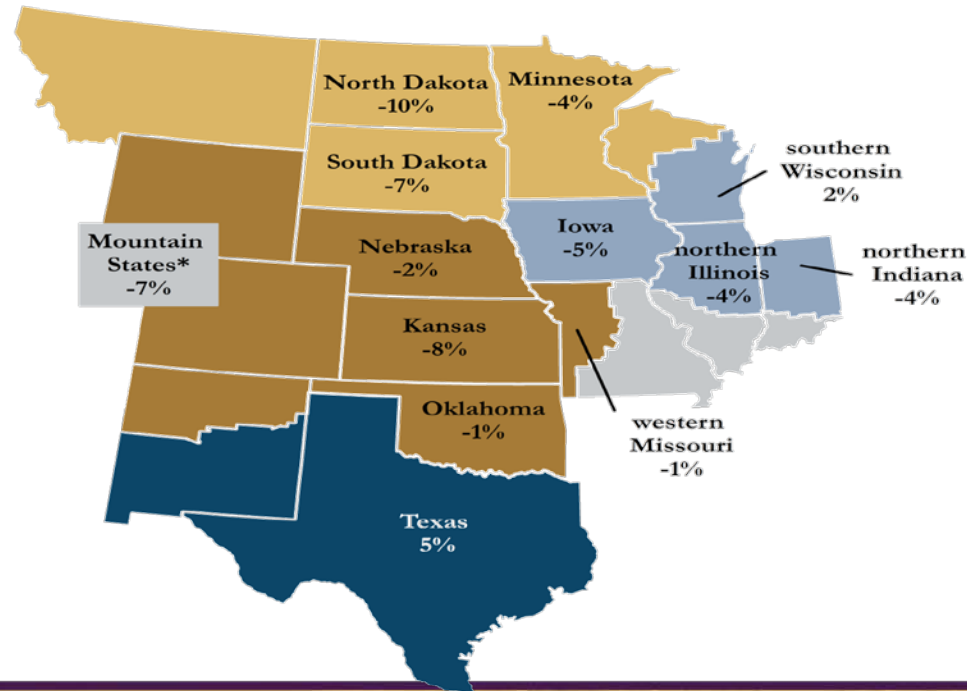
Q1 2016, year-over-year



Still, farmland values have held up relatively well across the middle U.S.

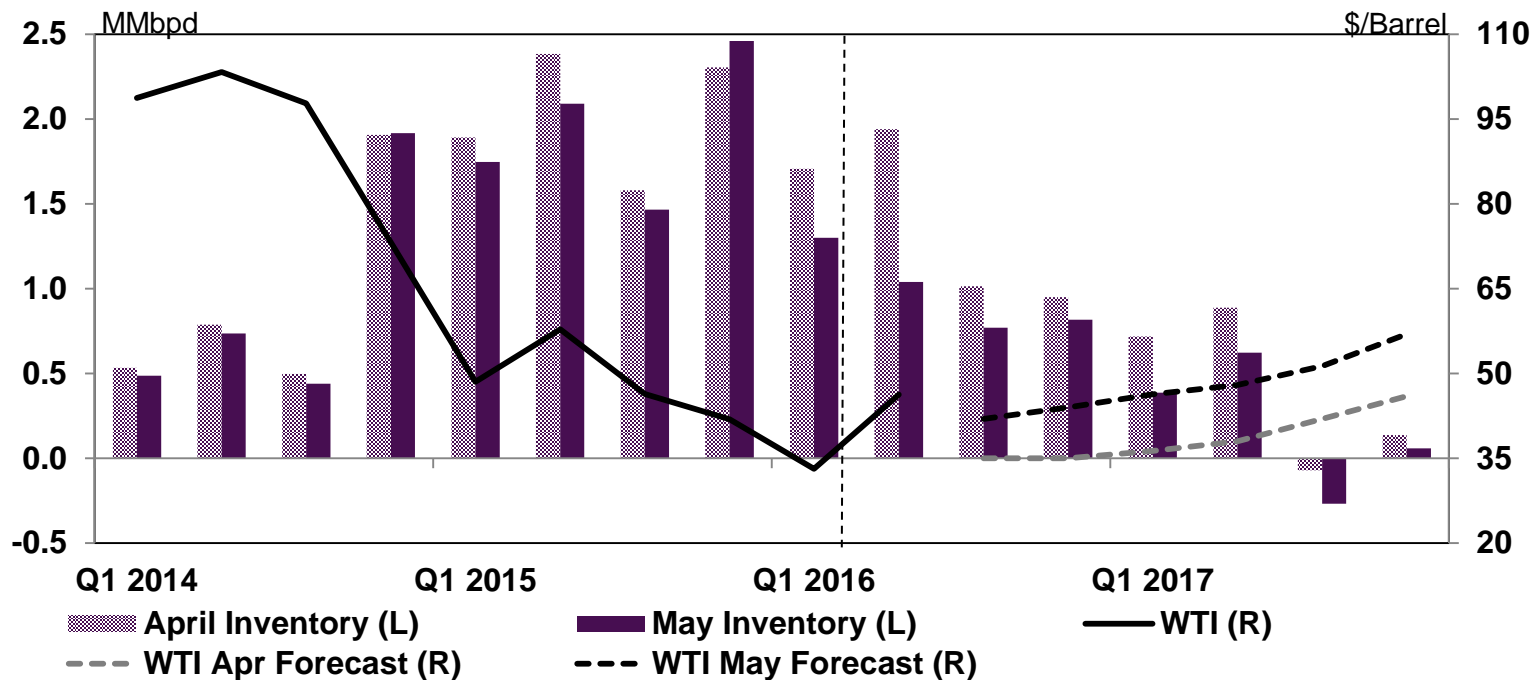
Non-Irrigated Farmland Values

2016 Q1, % change, y/y



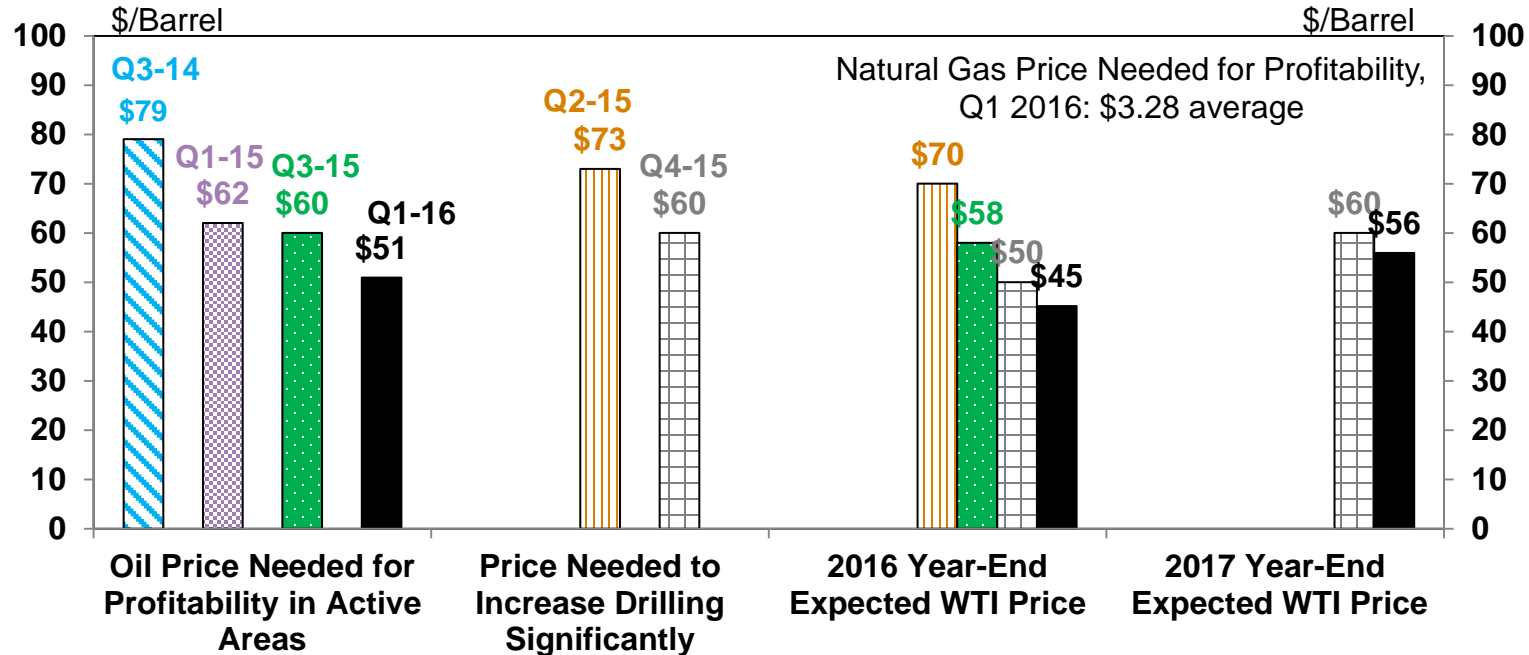
Oil prices have rebounded somewhat, but inventories are expected to remain elevated

Global Supply vs. Demand



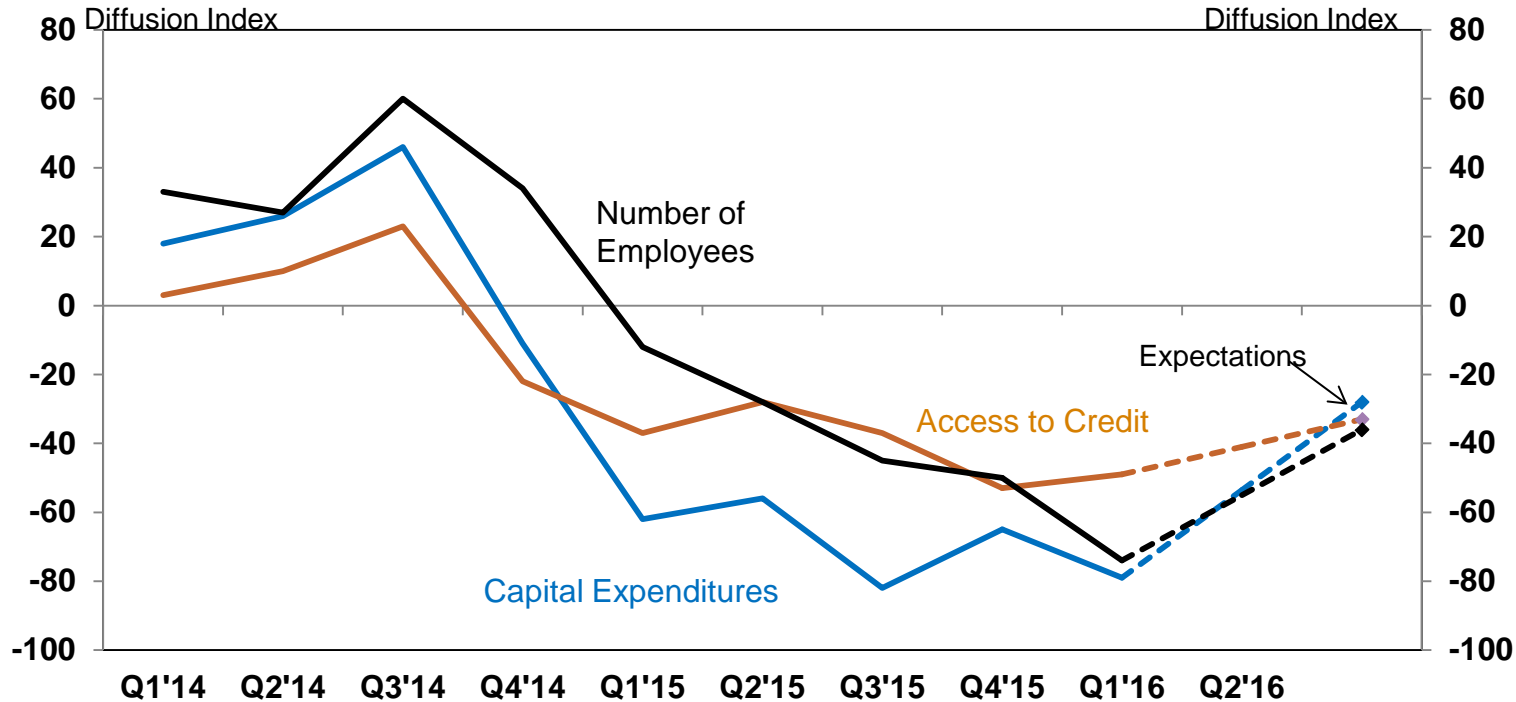
Oil prices are nearing profitable levels, according to firms in the Tenth District

KC Fed Energy Survey Special Questions Q3 2014 to Q1 2016



The KC Fed's Q1 energy survey showed energy sector declines were expected to slow

Year-Over-Year Energy Survey Indexes



Review Key Takeaways

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Questions and Links

For more information about the Oklahoma City Branch of the Federal Reserve Bank of Kansas City, visit our website at:

<http://www.kansascityfed.org/oklahomacity/>

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