

The U.S. and Oklahoma Economic Outlook

Weatherford Economic Development Foundation

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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.



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

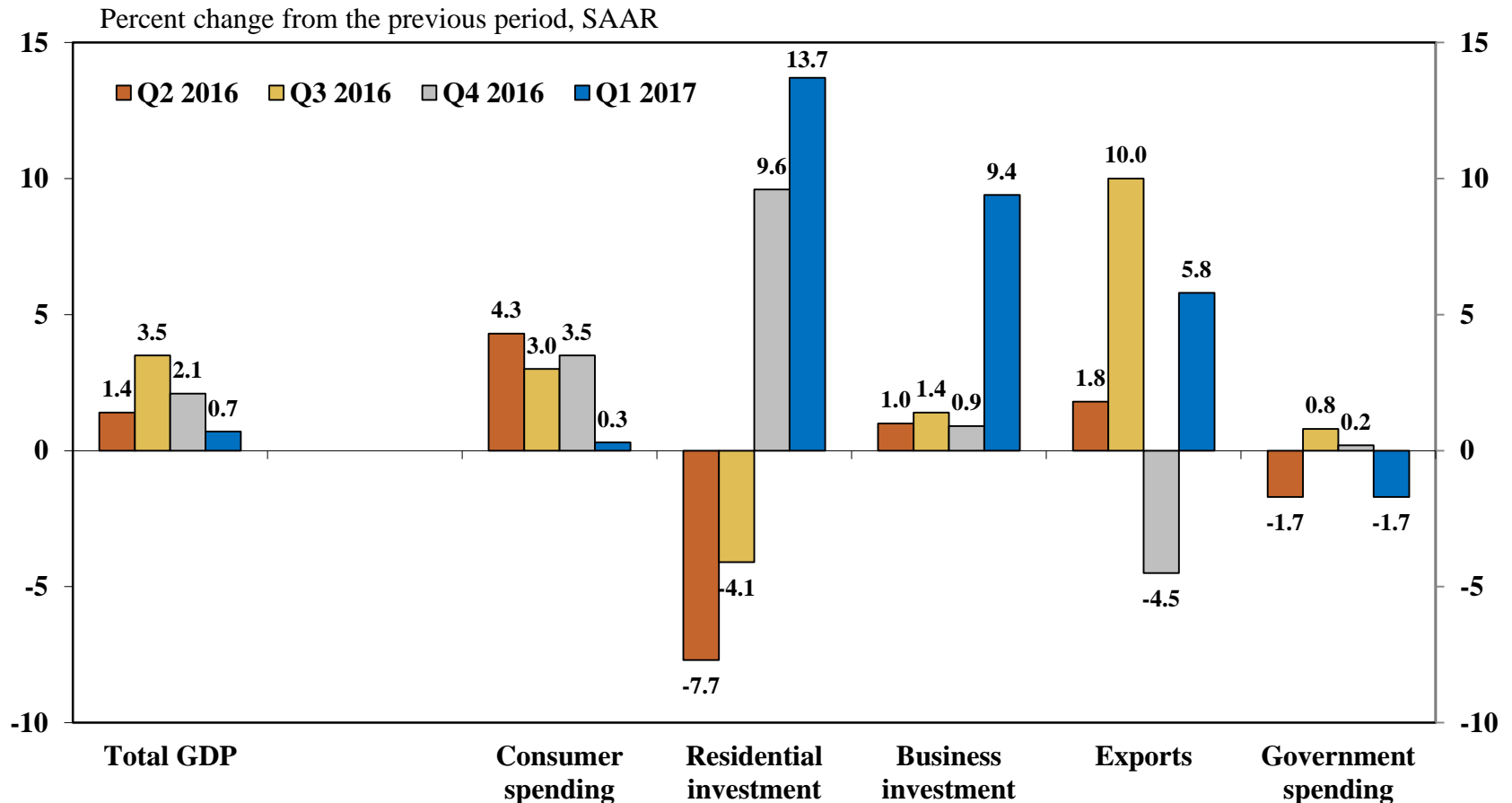
- **Oklahomans on Kansas City Fed head office Board**

- **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

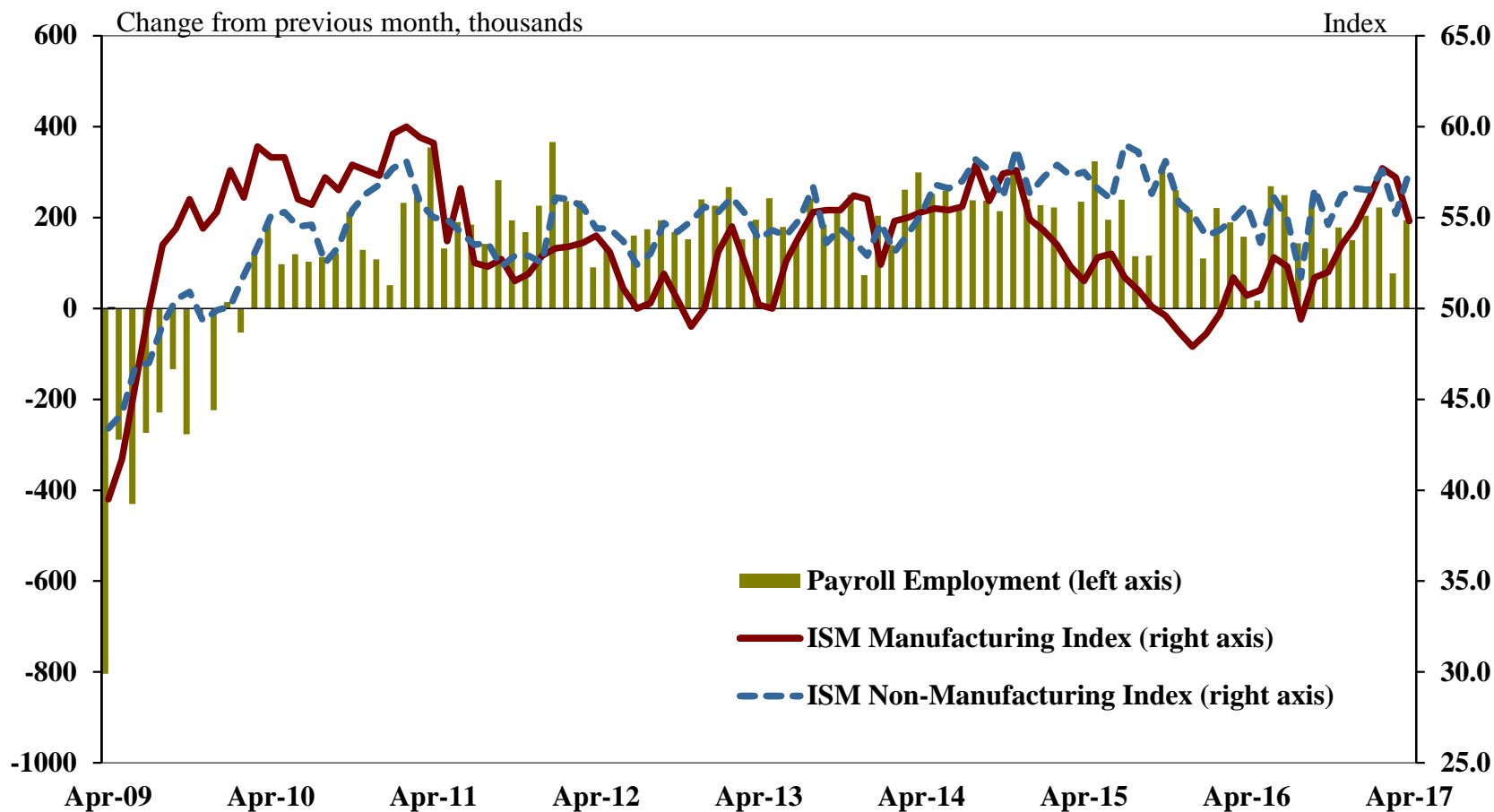
GDP growth slowed in the first quarter of 2017 due in part to a slowdown in consumer spending

Growth in Components of Real GDP



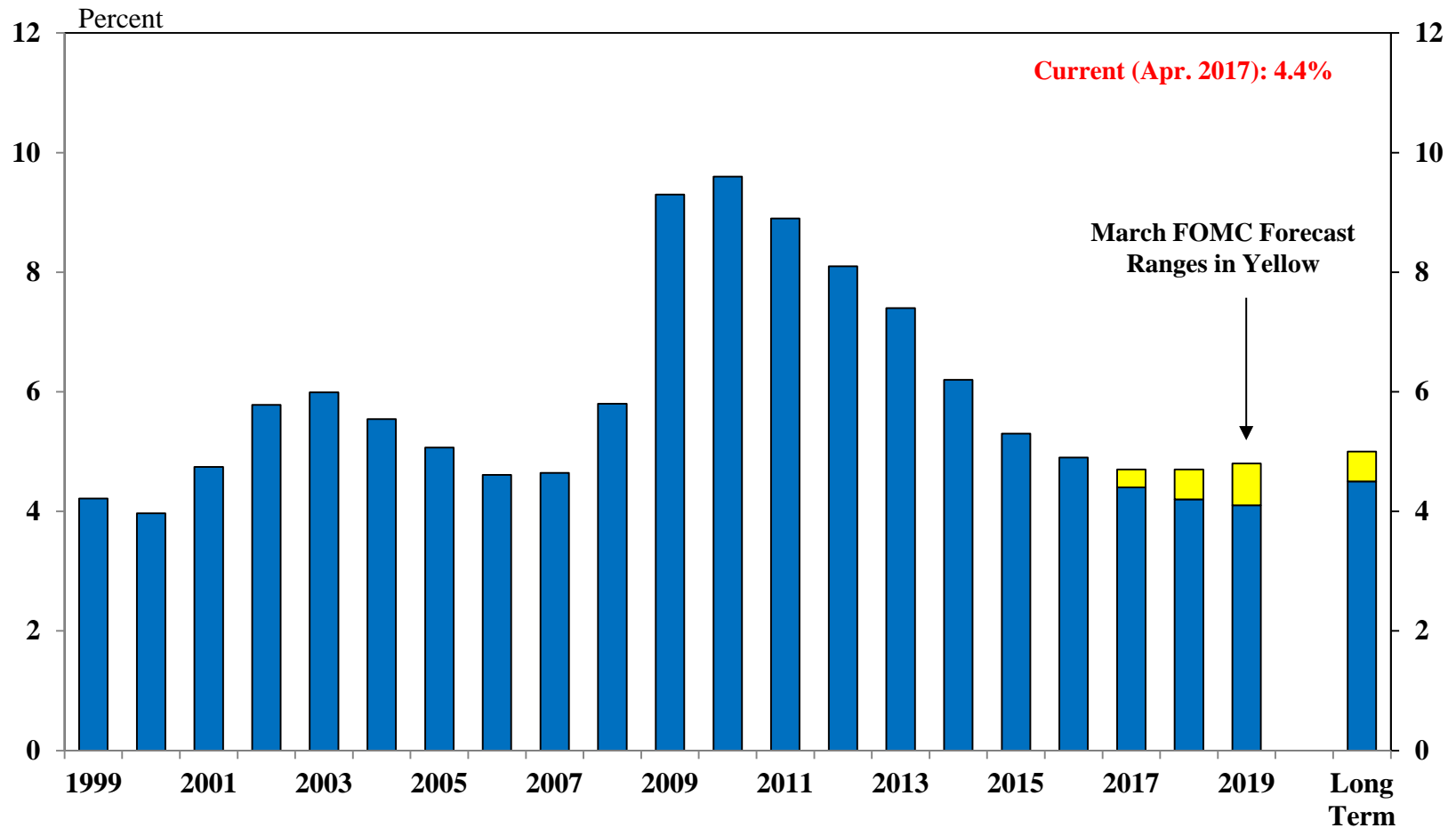
Most monthly data show U.S. economic growth remained solid in the first 4 months of the year

U.S. Payroll Employment and Business Indexes



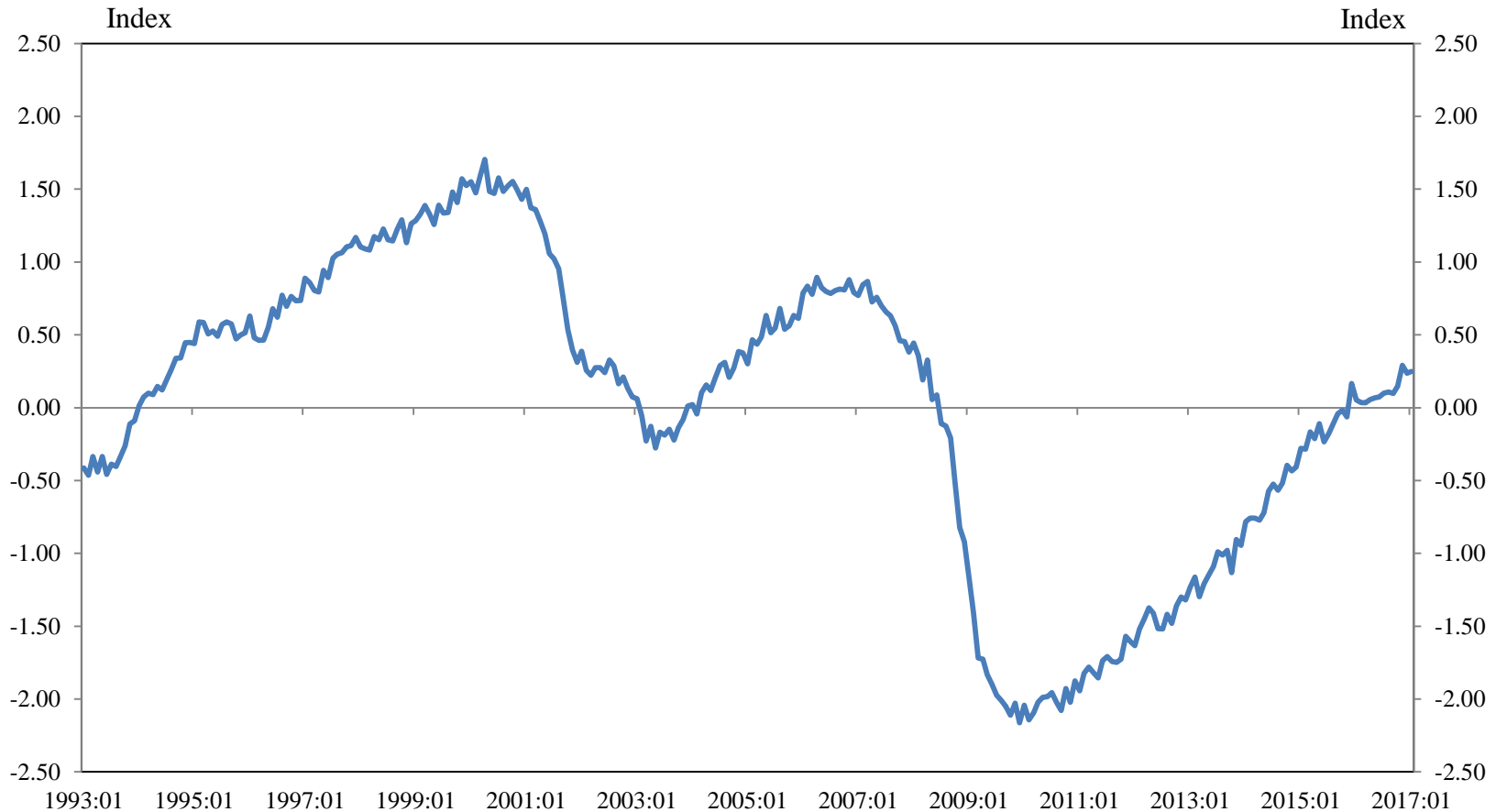
U.S. unemployment has fallen to long-term average levels

Unemployment Rate
Seasonally Adjusted



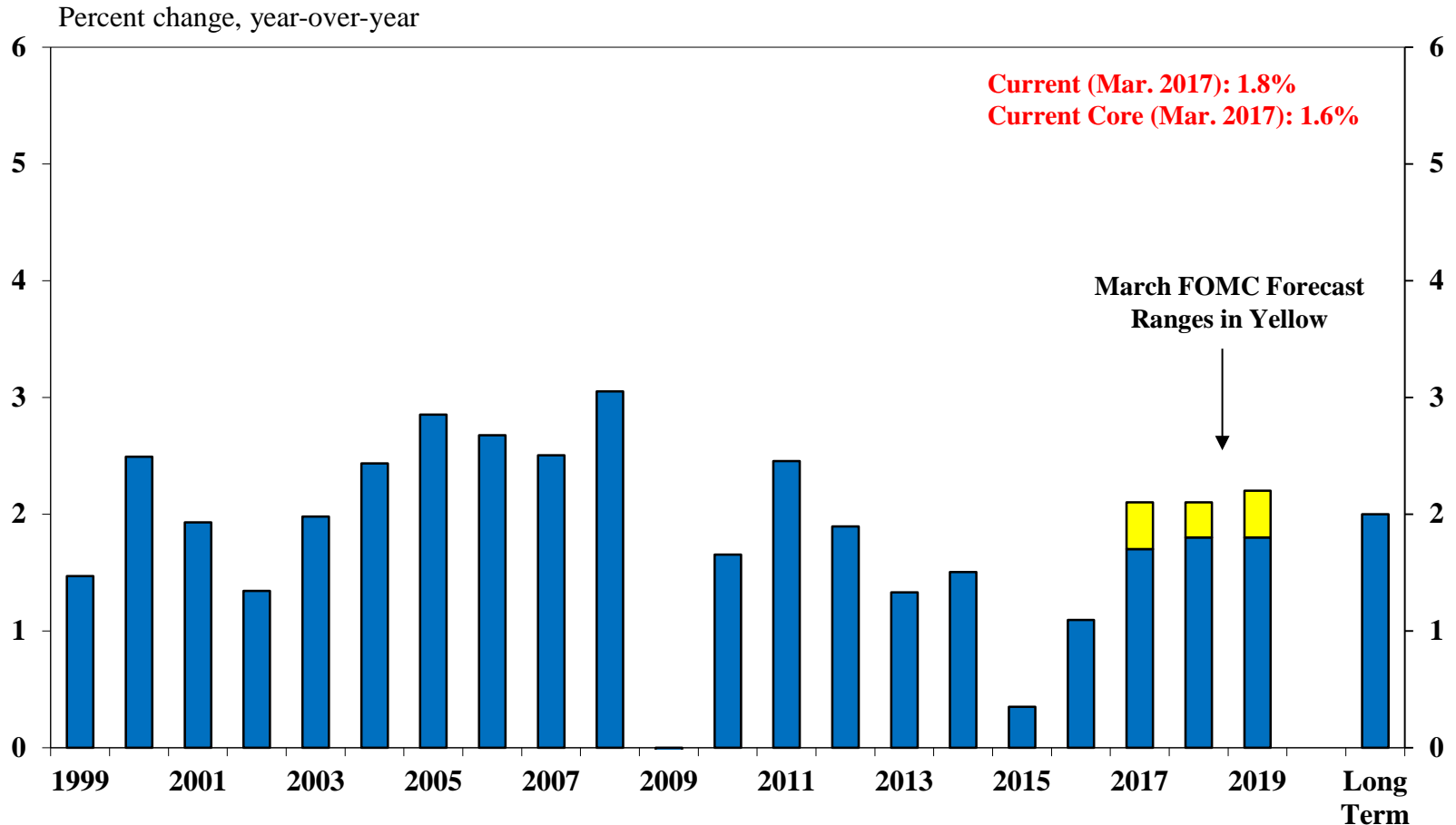
Broader measures of labor market conditions also show a return to normalcy

U.S. Labor Market Conditions Index



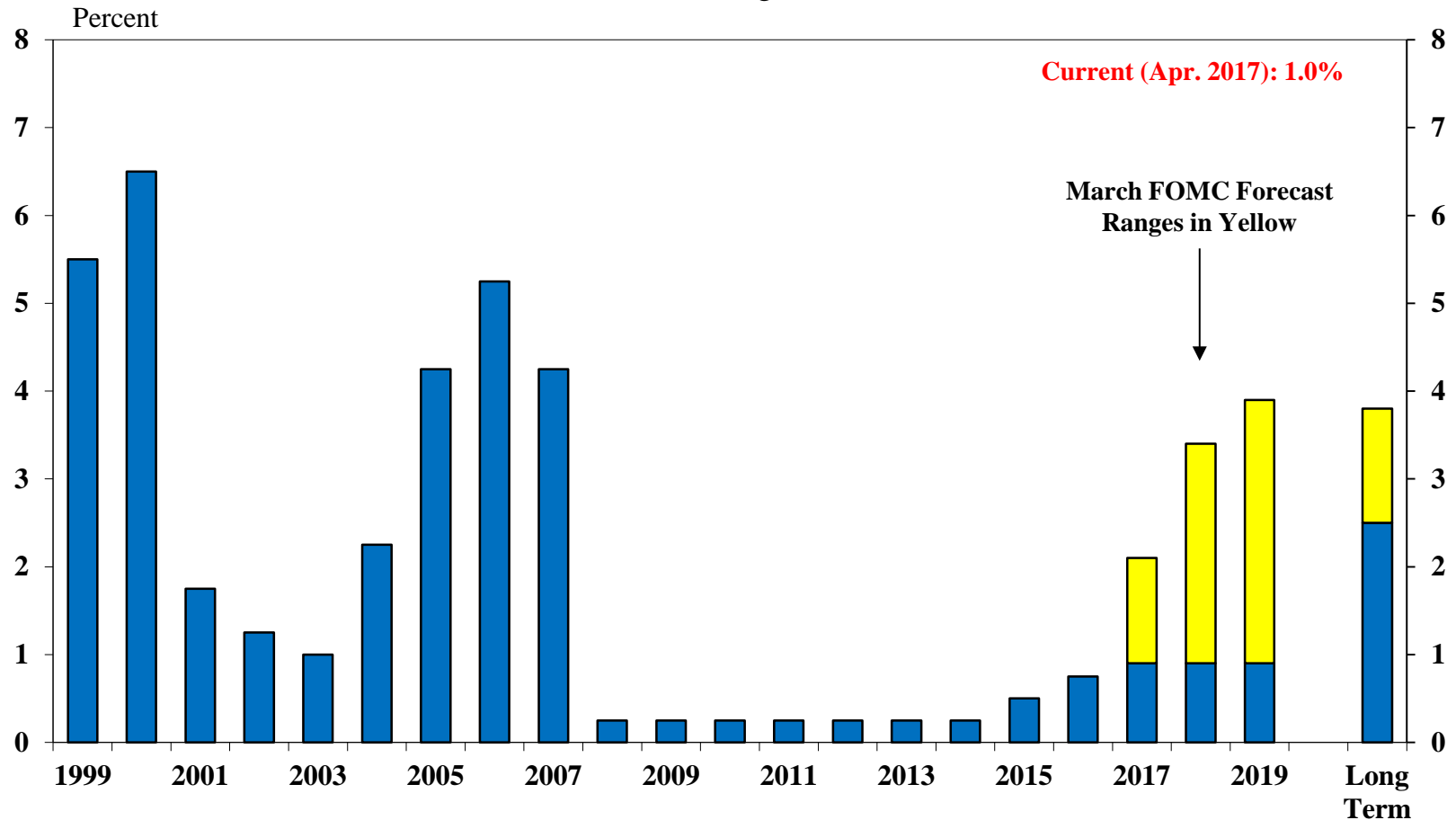
Inflation has been low the past couple of years but has recently returned to the long-term target

PCE Inflation Index



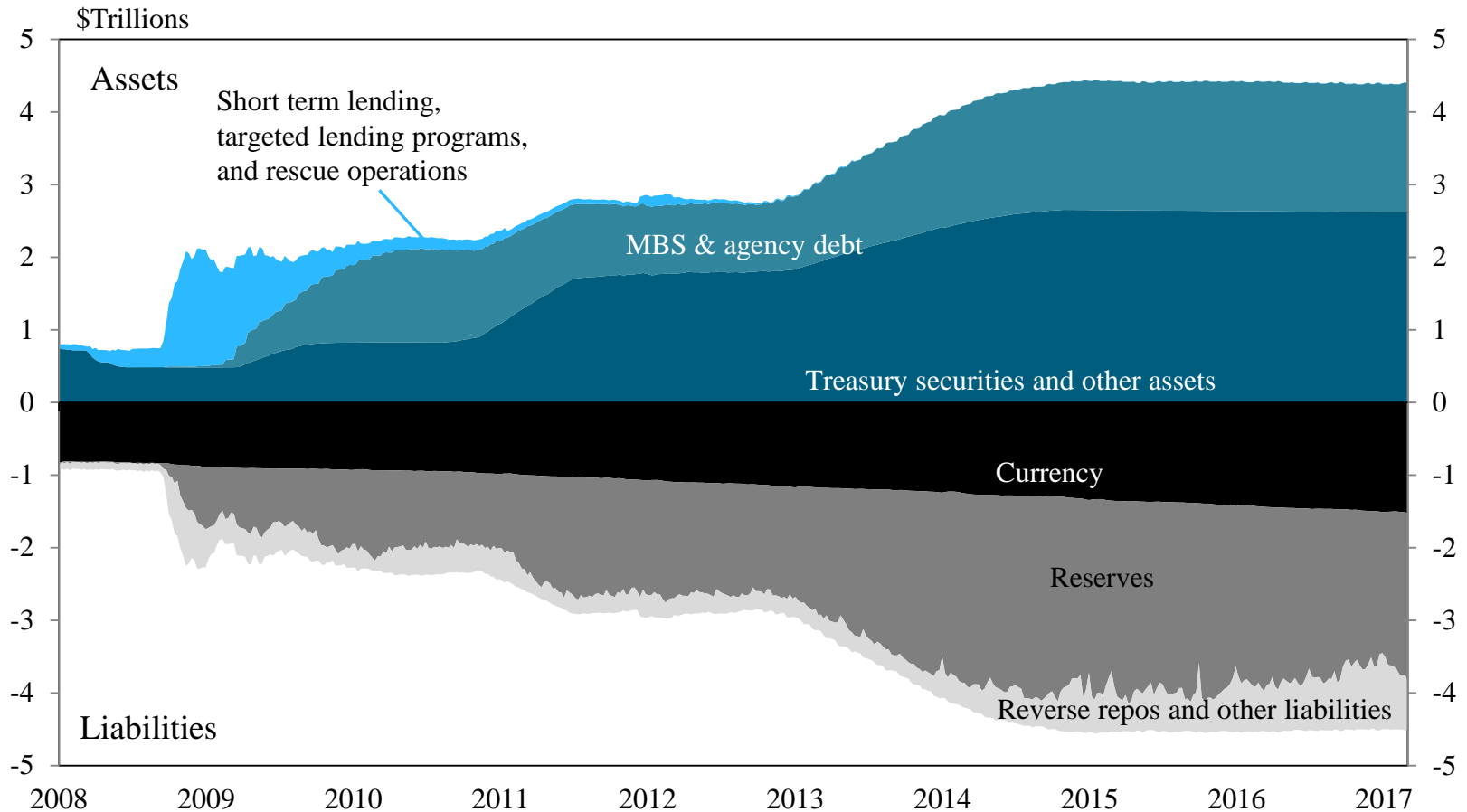
“The [Federal Open Market] Committee expects... gradual increases in the federal funds rate”

Federal Funds Rate
Year-end target



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

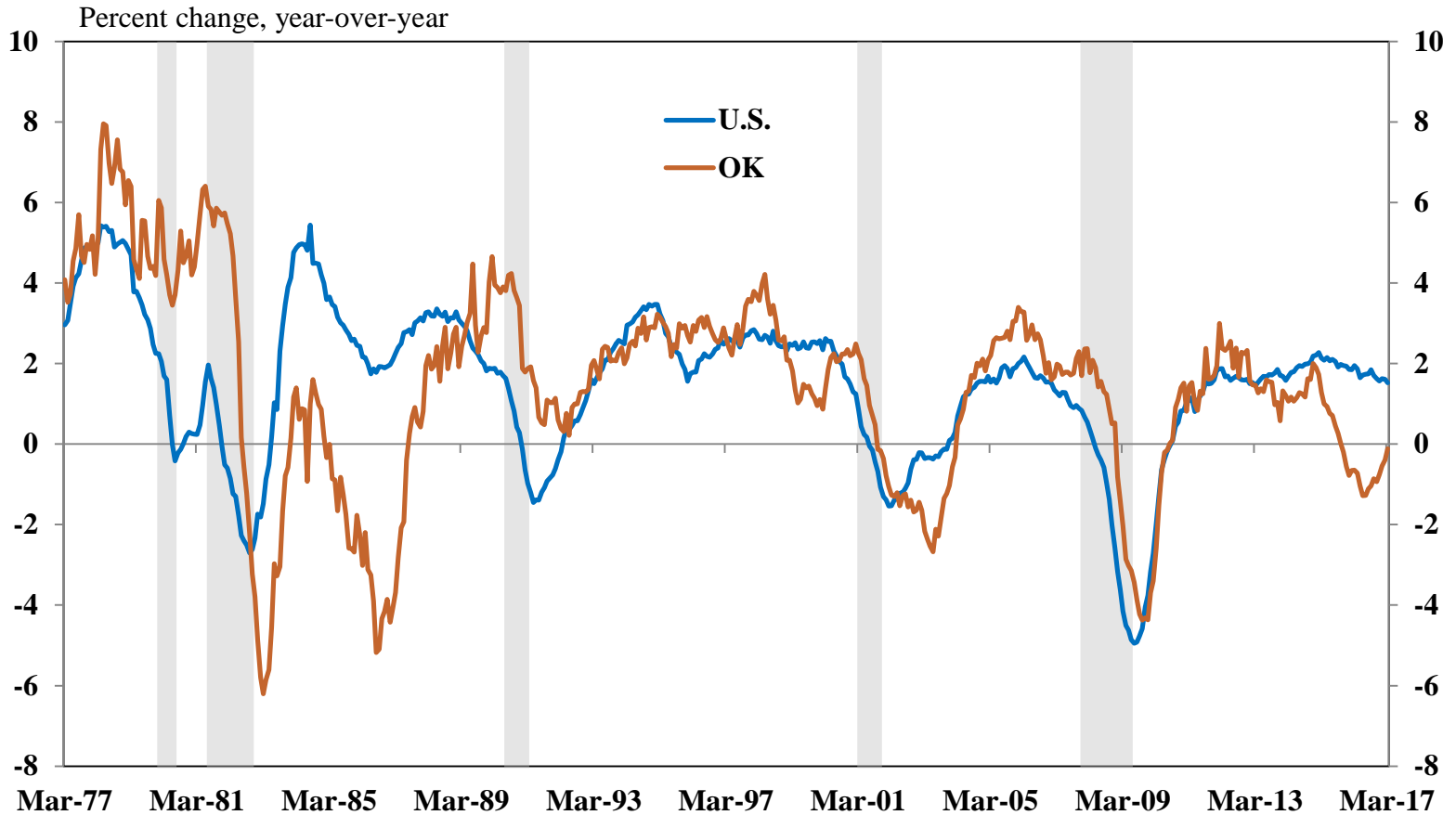
Federal Reserve Balance Sheet



Trends in the Oklahoma Economy

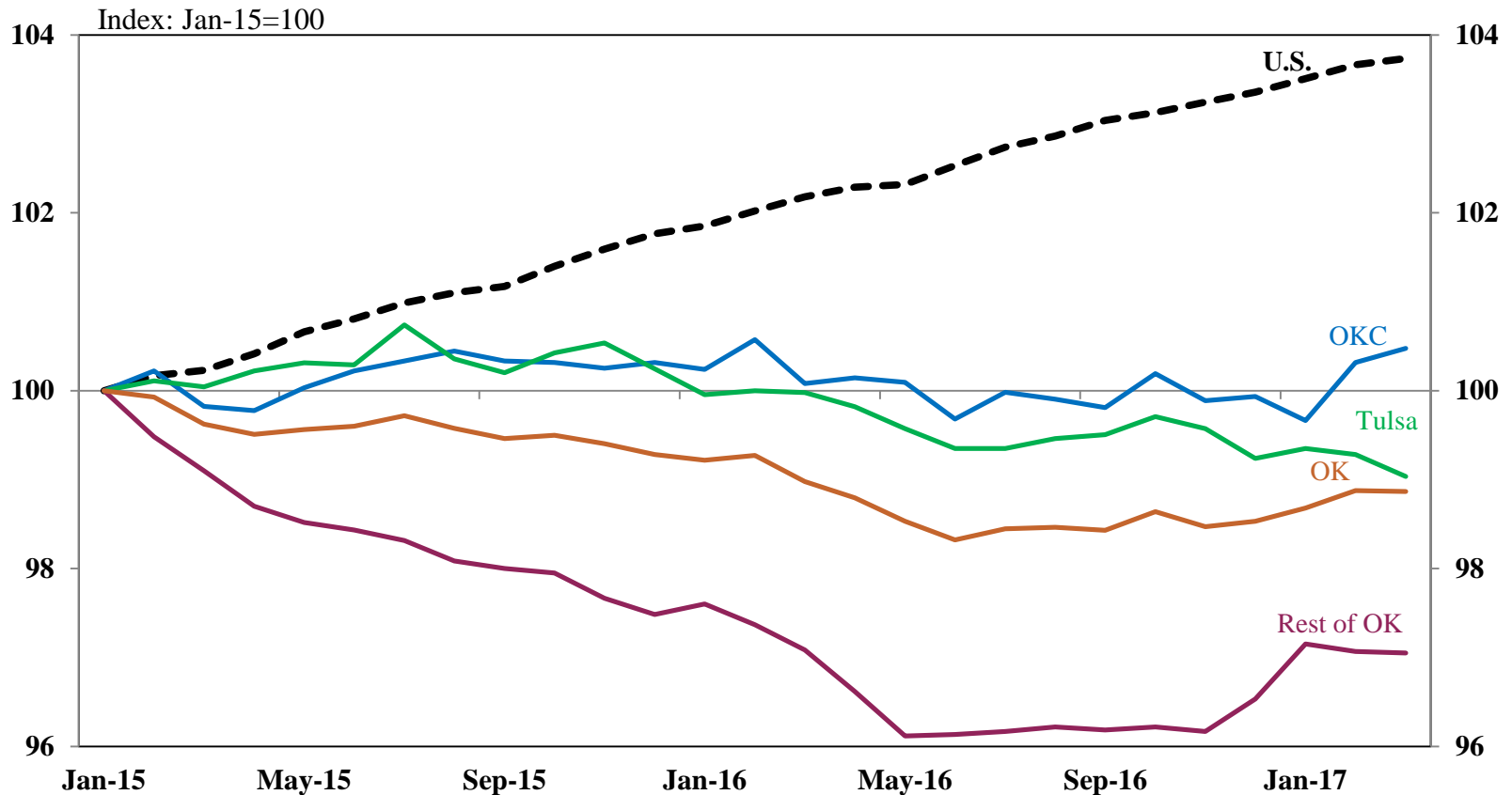
2016 was the largest divergence between U.S. and Oklahoma job growth since the 1980s

Payroll Employment Growth



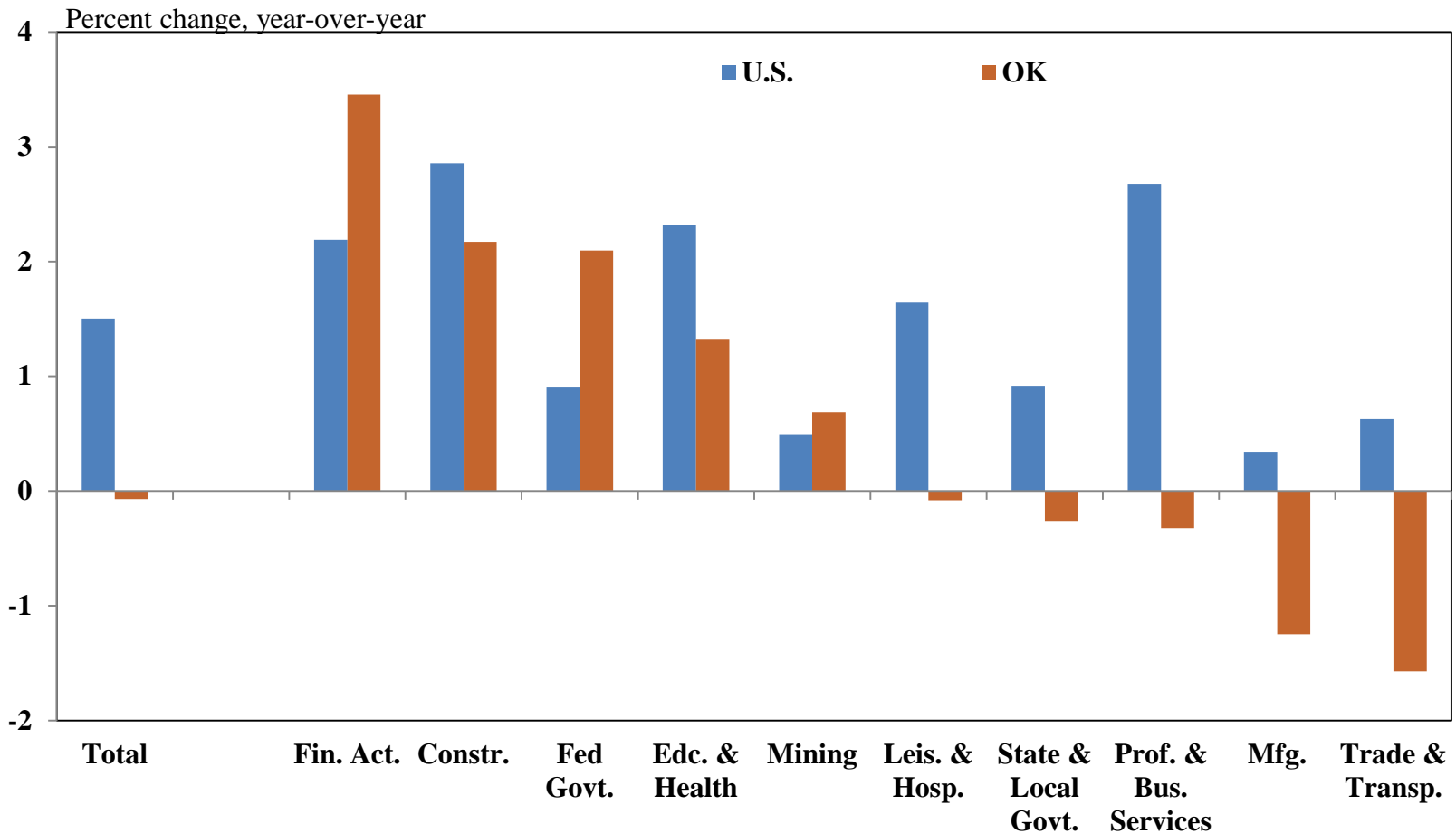
But employment in the state has edged higher in recent months, especially rural and OKC

Level of Payroll Employment
Through March 2017



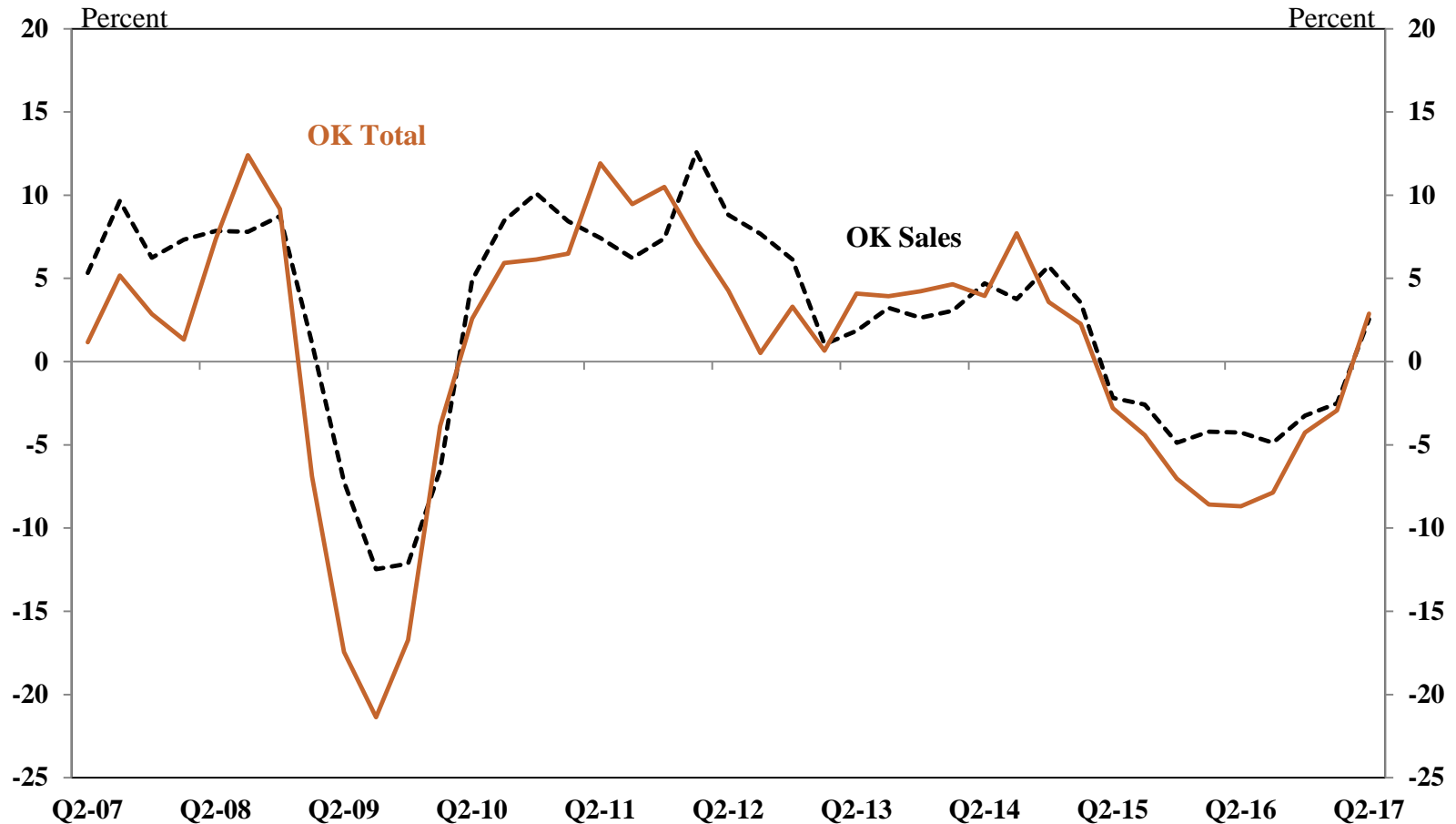
State job growth is positive in several industries, including energy for the first time in 2 years

Job Growth by Industry
Mar-17



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

Tax Receipts
Through Q2-17*



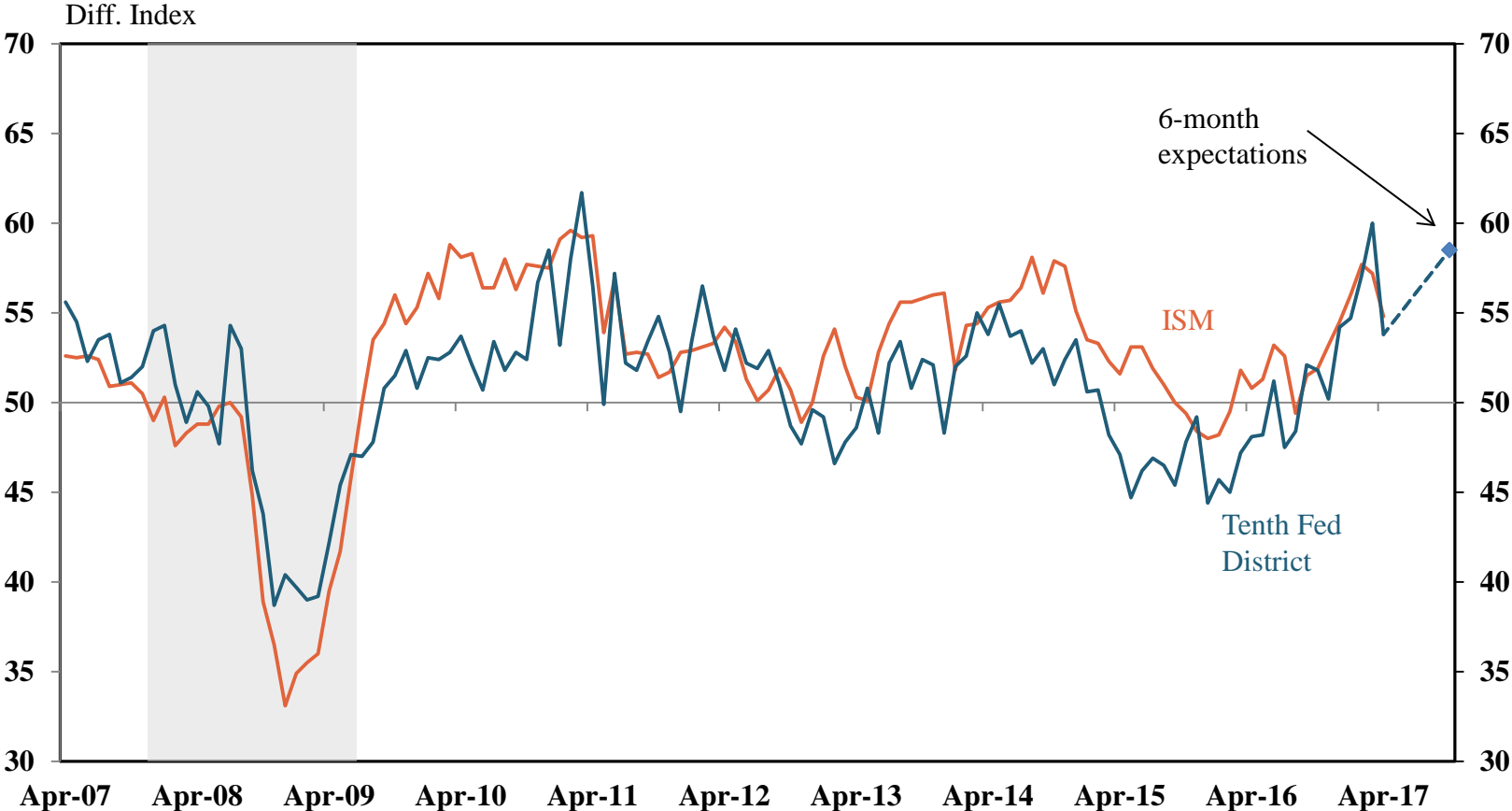
Note: Q2-17 includes only April



Source: OK Tax Commission

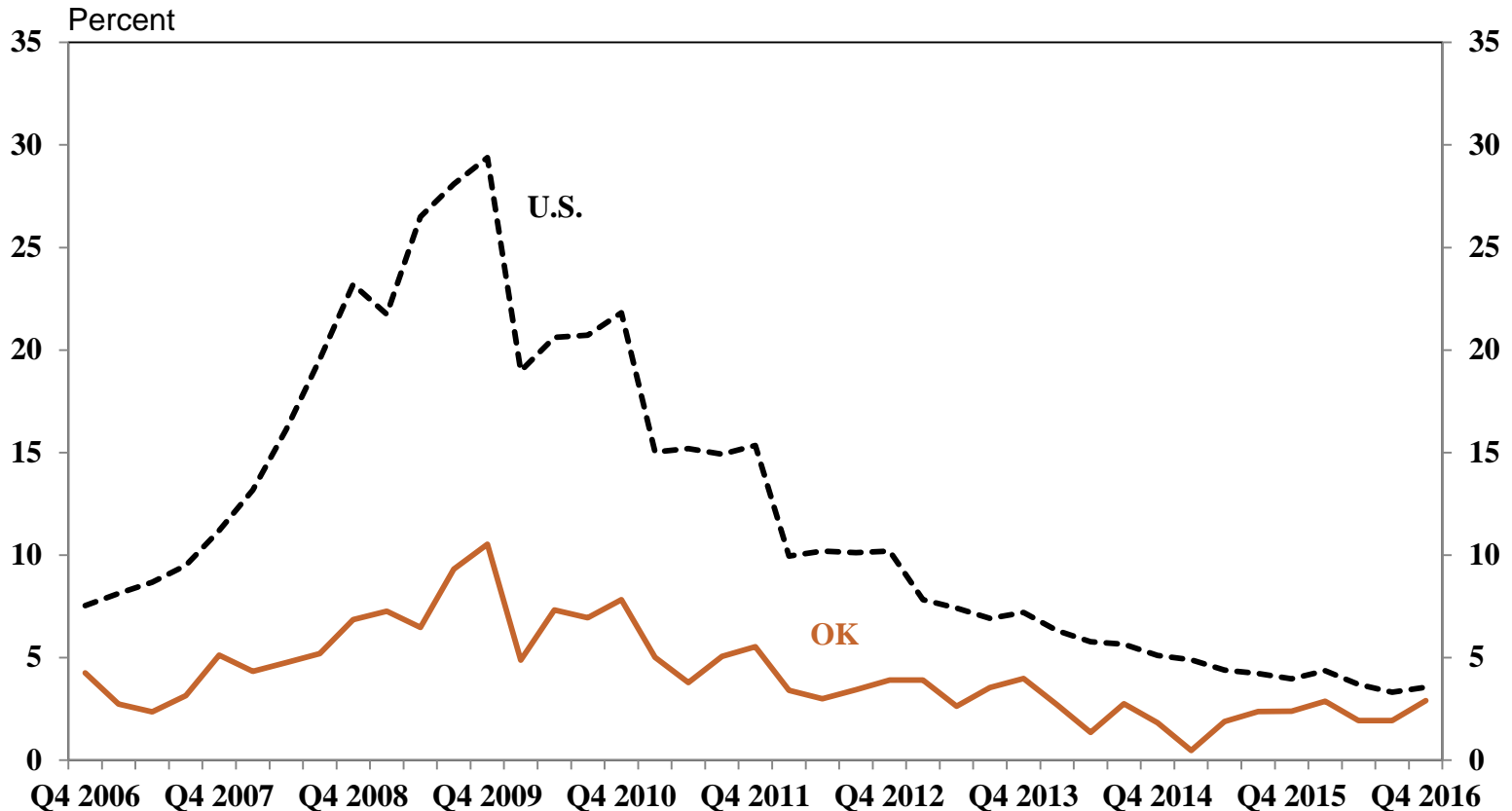
Regional factory activity has improved markedly in recent months, with considerable optimism

Manufacturing Composite Indexes, Seasonally Adjusted



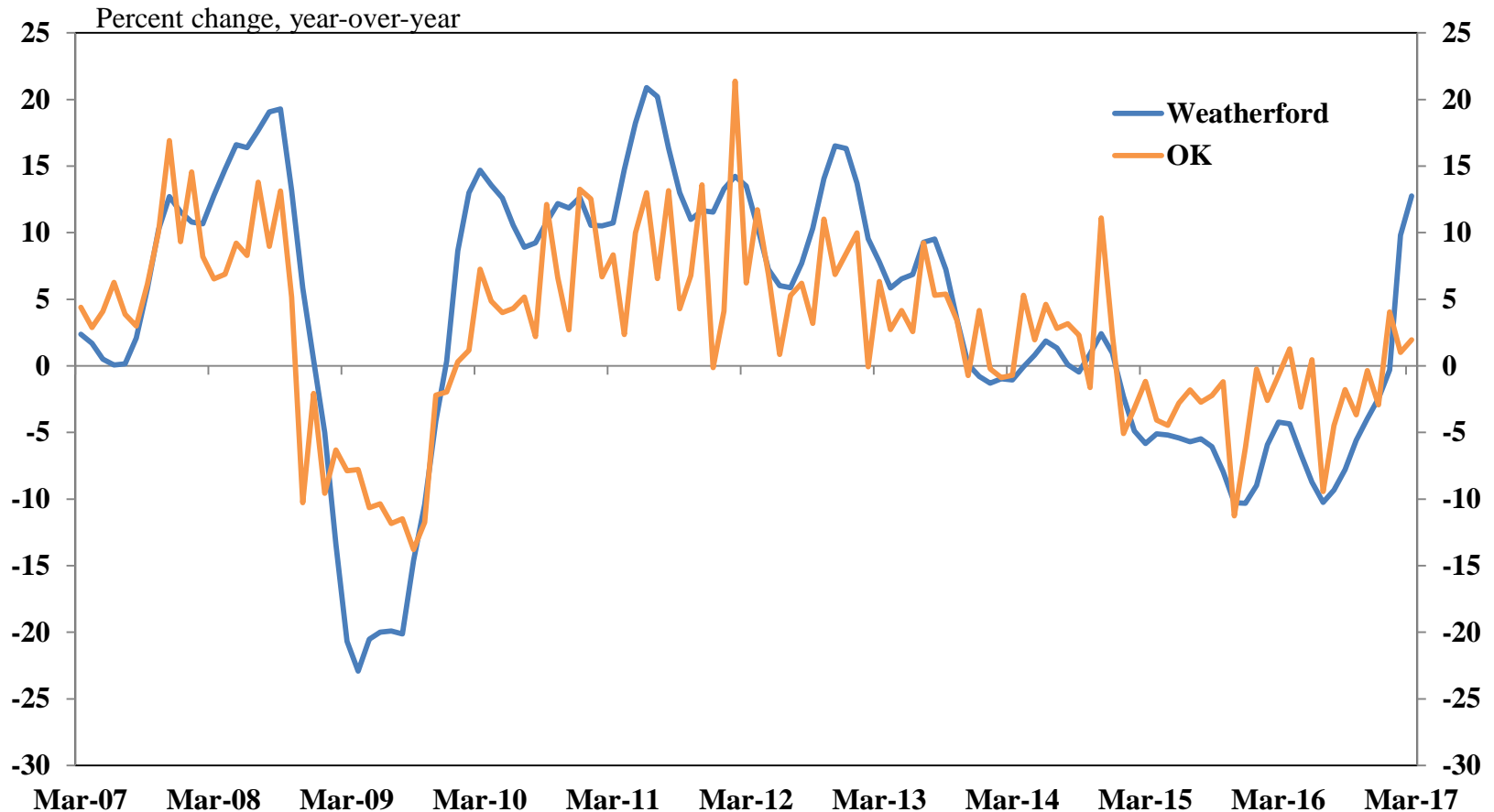
And nearly all banks in Oklahoma remain profitable

Share of Banks Not Making a Profit Commercial Banks



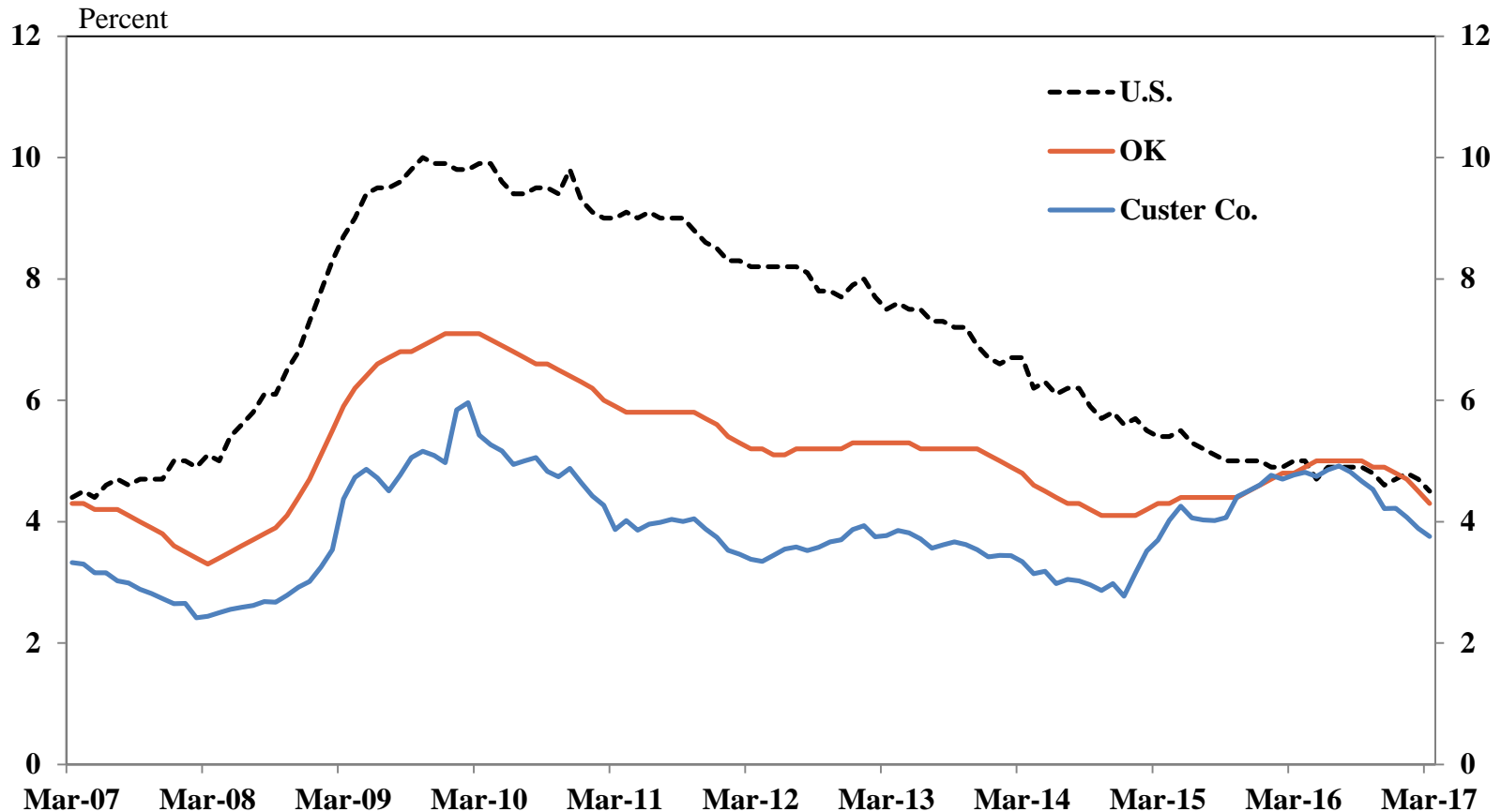
In Weatherford, retail sales have rebounded especially strongly in recent months

Total Retail Sales



Local unemployment rose in 2015-16 but has stayed below the national rate, and is down lately

Unemployment Rates
Seasonally Adjusted



Relative to the nation, energy and agriculture are the two key industries for the Weatherford area

Custer County Personal Income Share by Industry 2015

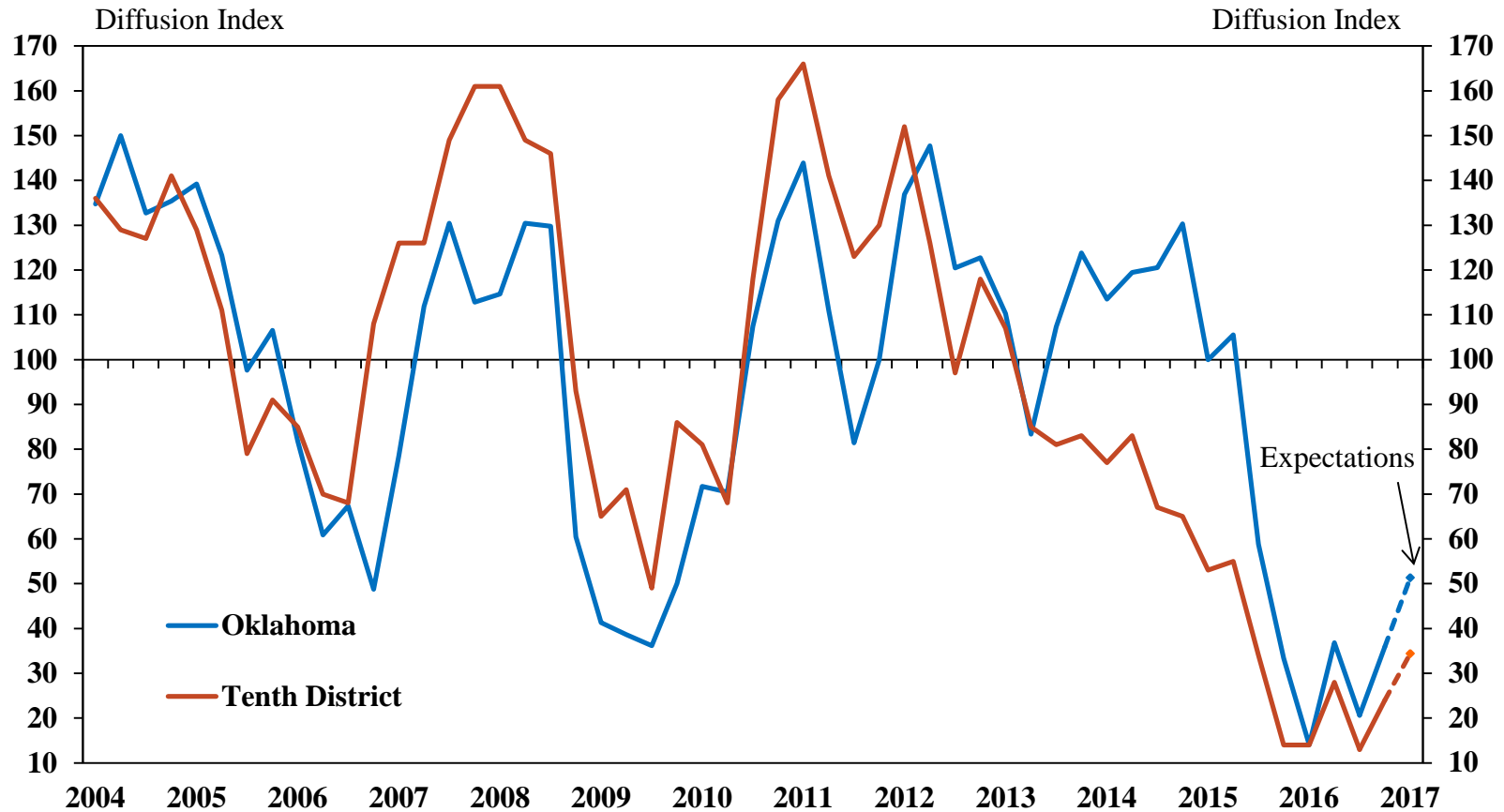
Industry	Percent of Total Income		Custer Co. LQ	OK Location Quotient
	Custer County	U.S.		
Mining	13.8	1.6	8.7	7.2
Agriculture	3.6	0.8	4.4	2.0
Trade, Transportation & Utilities	25.2	16.2	1.6	1.4
State & Local Government	16.7	13.2	1.3	1.0
Leisure & Hospitality	5.2	4.7	1.1	0.8
Construction	6.4	6.1	1.0	1.0
Manufacturing	7.6	10.1	0.8	0.9
Federal Government	2.2	3.0	0.7	1.3
Financial Activities	3.6	7.1	0.5	0.5
Education & Health*	6.0	13.3	0.4	0.8
Professional and Business Services	8.5	20.3	0.4	0.6
Information	1.2	3.5	0.3	0.4

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

*Education is not disclosed

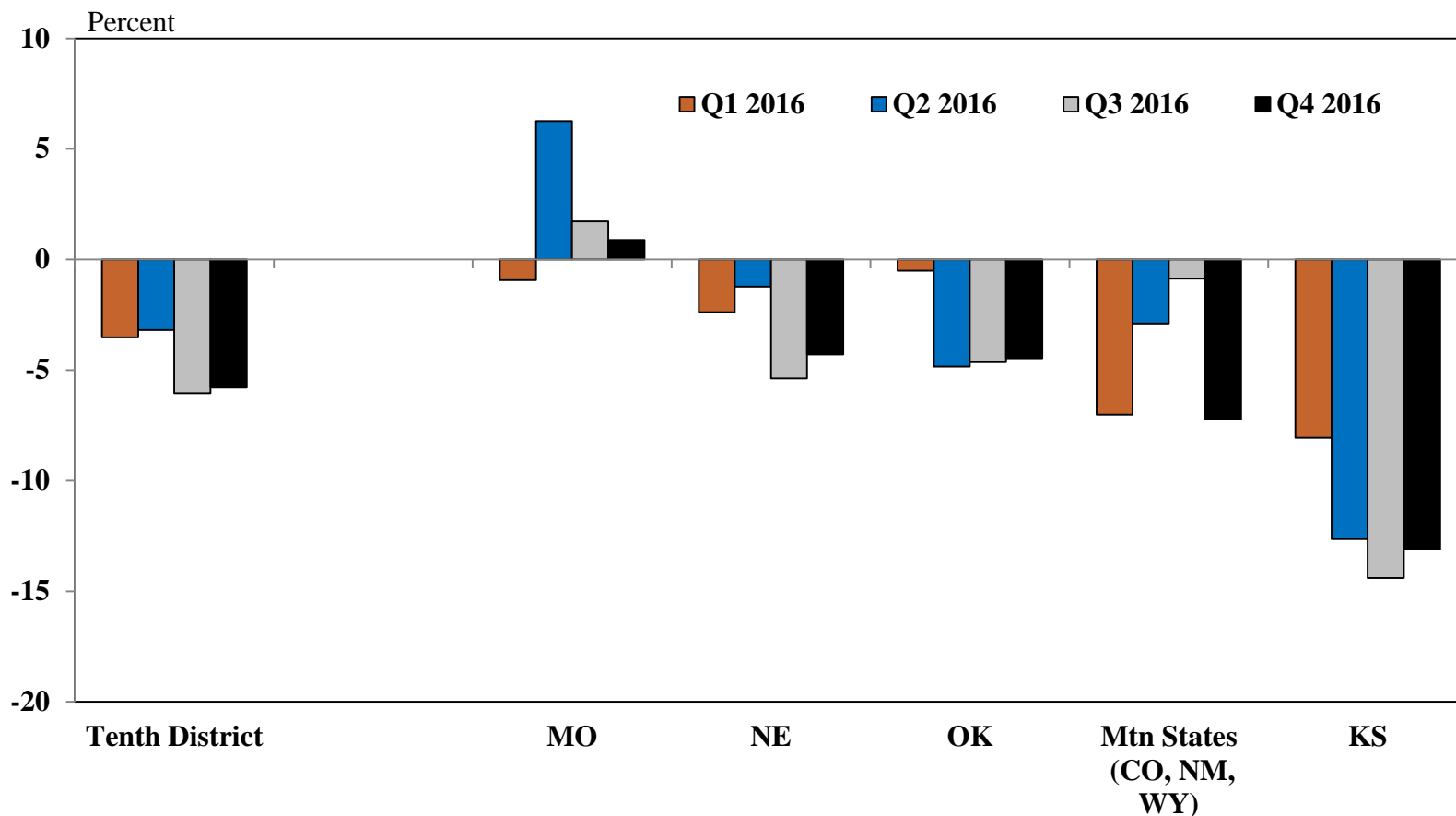
The agriculture sector in the state generally remains weak, though, with low prices

Oklahoma Farm Income and Capital Spending



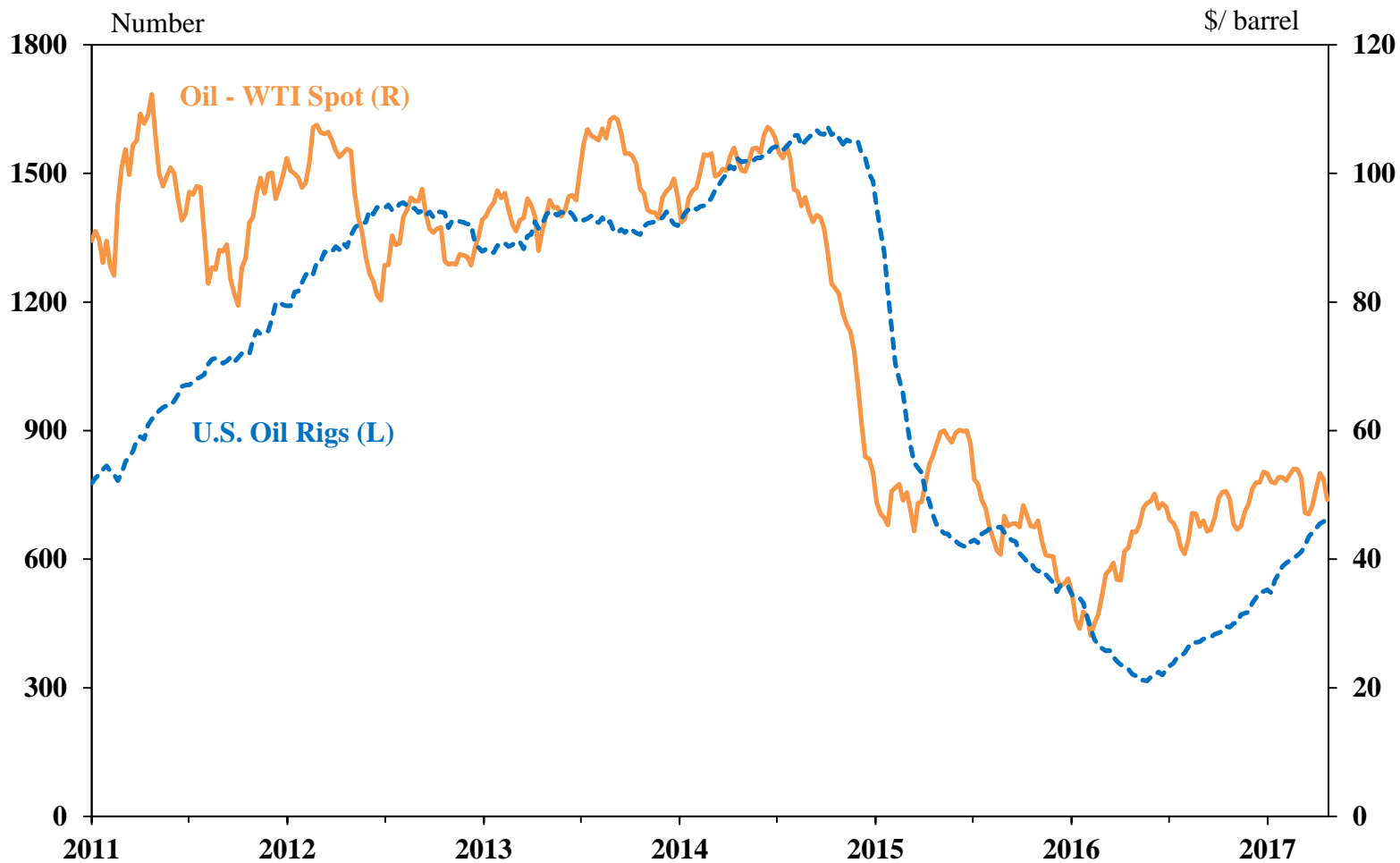
OK farmland values have fallen moderately in recent quarters, but less than in some states

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



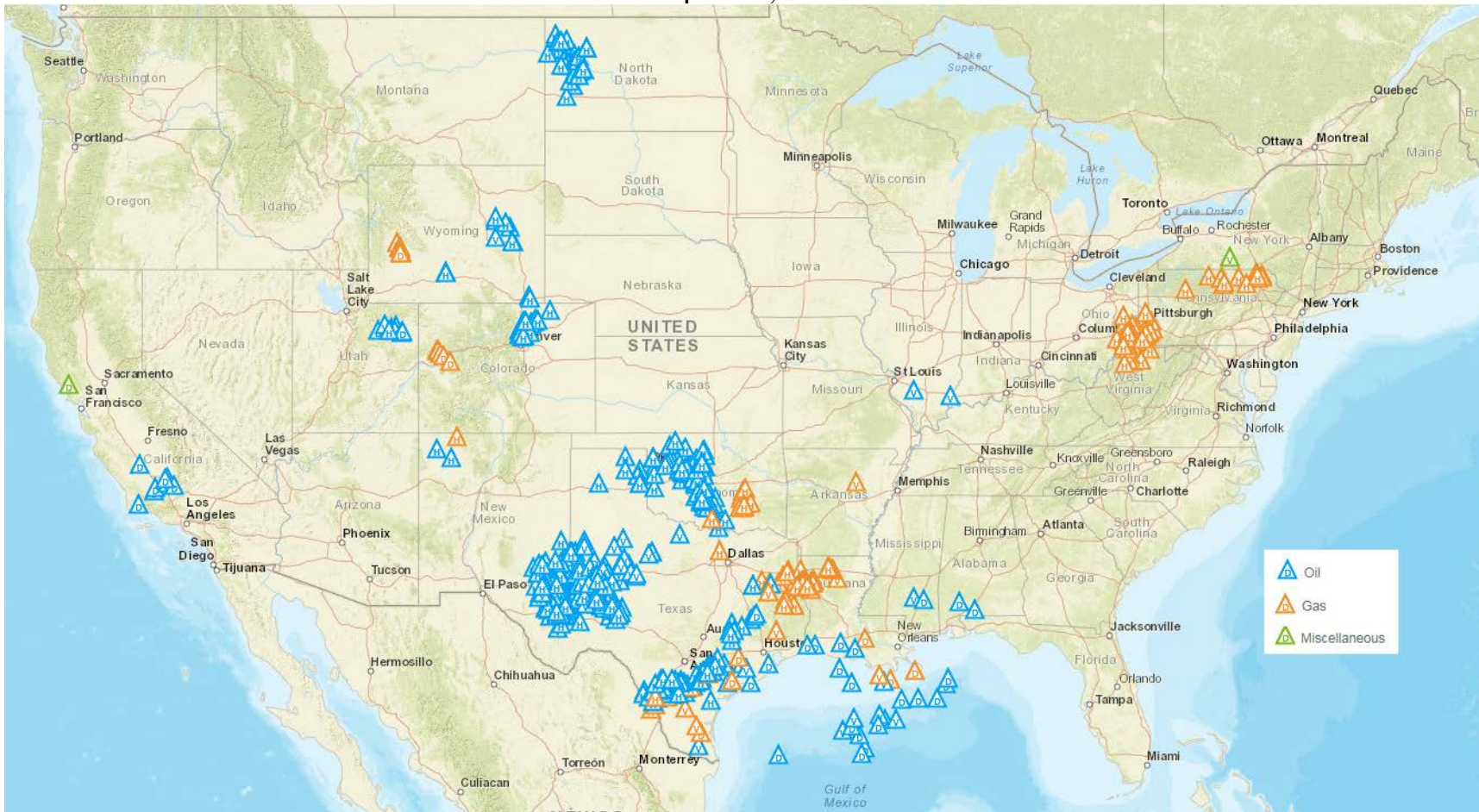
Oil prices' recent rise to \$50/barrel has been followed by a near-doubling in the rig count

Oil Spot Prices and Rig Counts



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

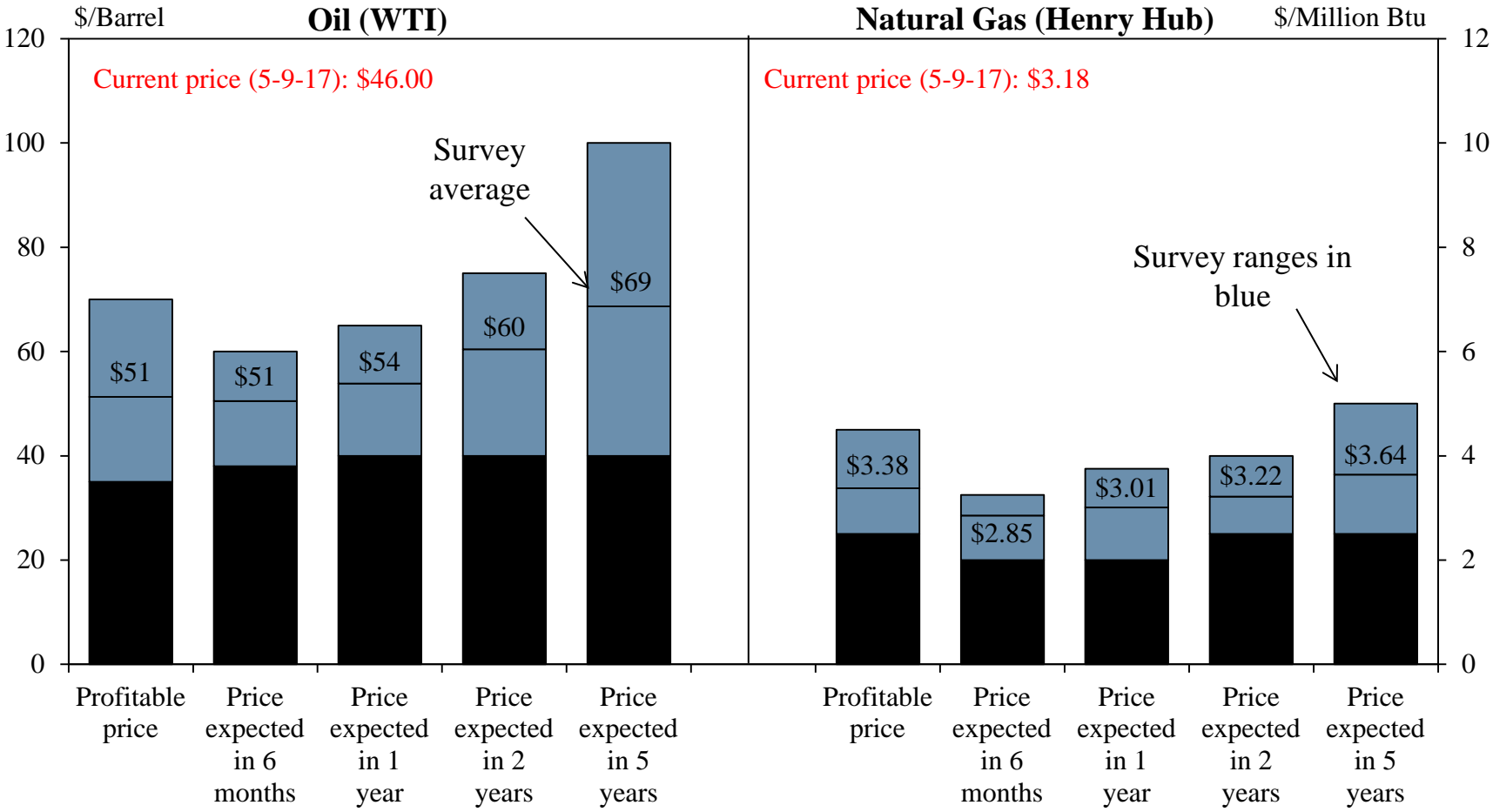
**Current Drilling Rig Locations,
As-of April 14, 2017**



Source: Baker Hughes

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

Kansas City Fed Energy Survey Special Questions



Source: FRBKC Energy Survey, Reuters

Summary

- The U.S. economy continues to grow, and the Fed has raised interest rates at 2 recent meetings
- The Oklahoma economy has been hurt by low commodity prices and spillover to other sectors
- However, labor market and banking conditions have held on fairly well, and some growth and optimism has returned—outside of agriculture



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:

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

For more analysis on regional agricultural conditions, subscribe to our quarterly **Agricultural Credit Survey** at:

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

