

U.S. and Oklahoma Economic Outlook

Oklahoma Credit Union Executive Society

May 31, 2017



Chad Wilkerson

Oklahoma City Branch Executive & Economist

Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity

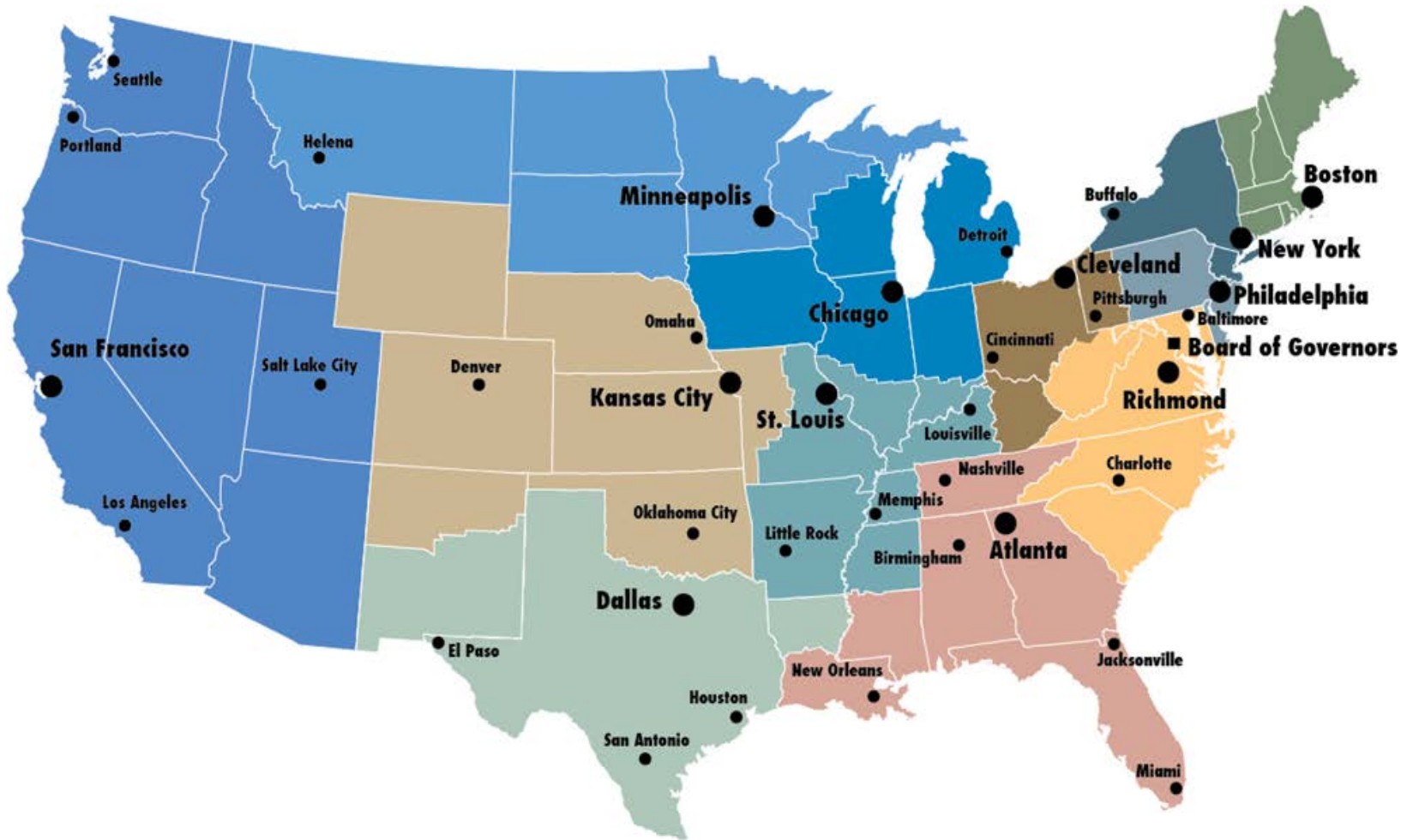
Structure and Functions of the Federal Reserve System

- **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

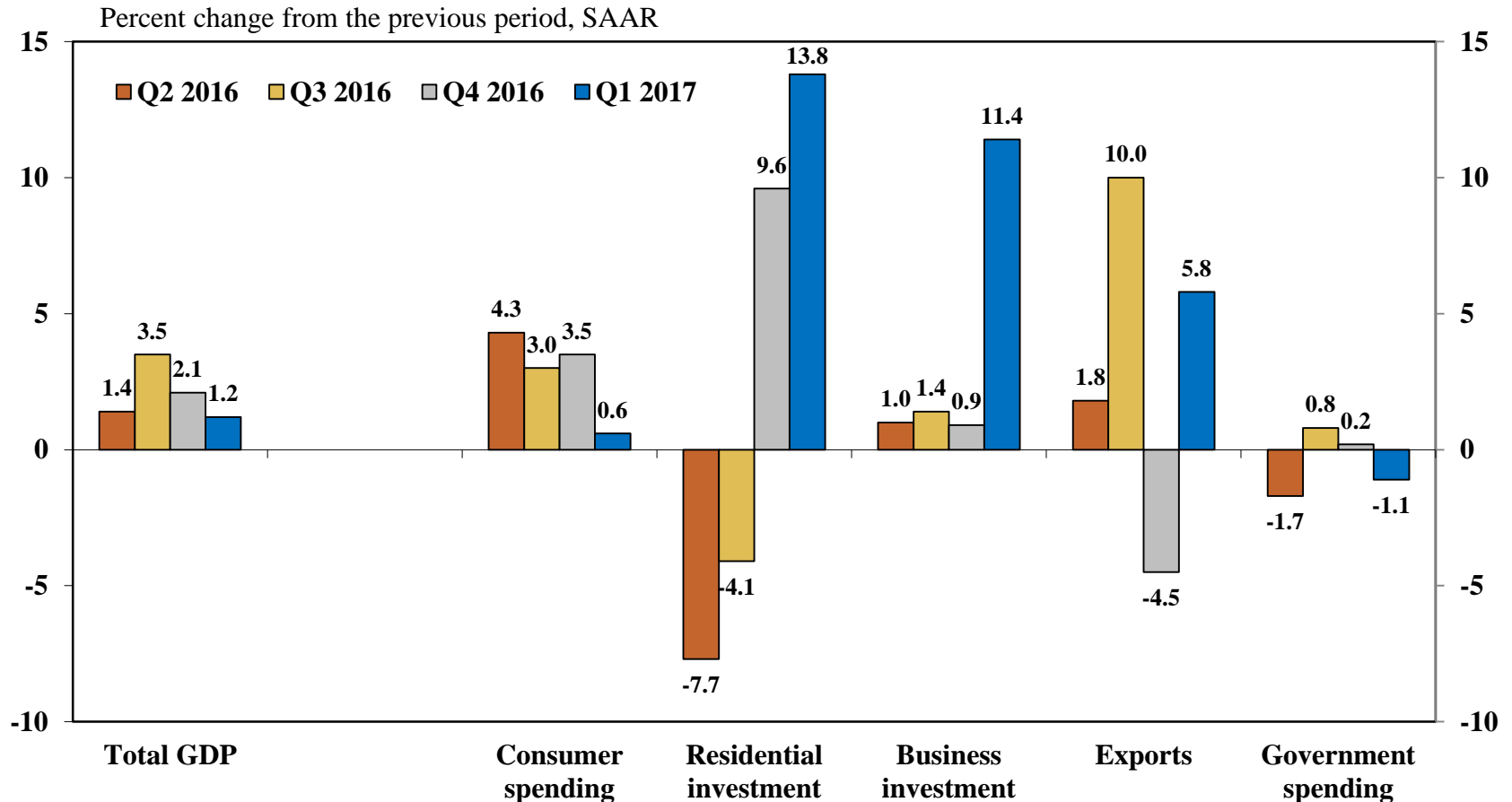
- **Oklahomans on Kansas City Fed head office Board**

- **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

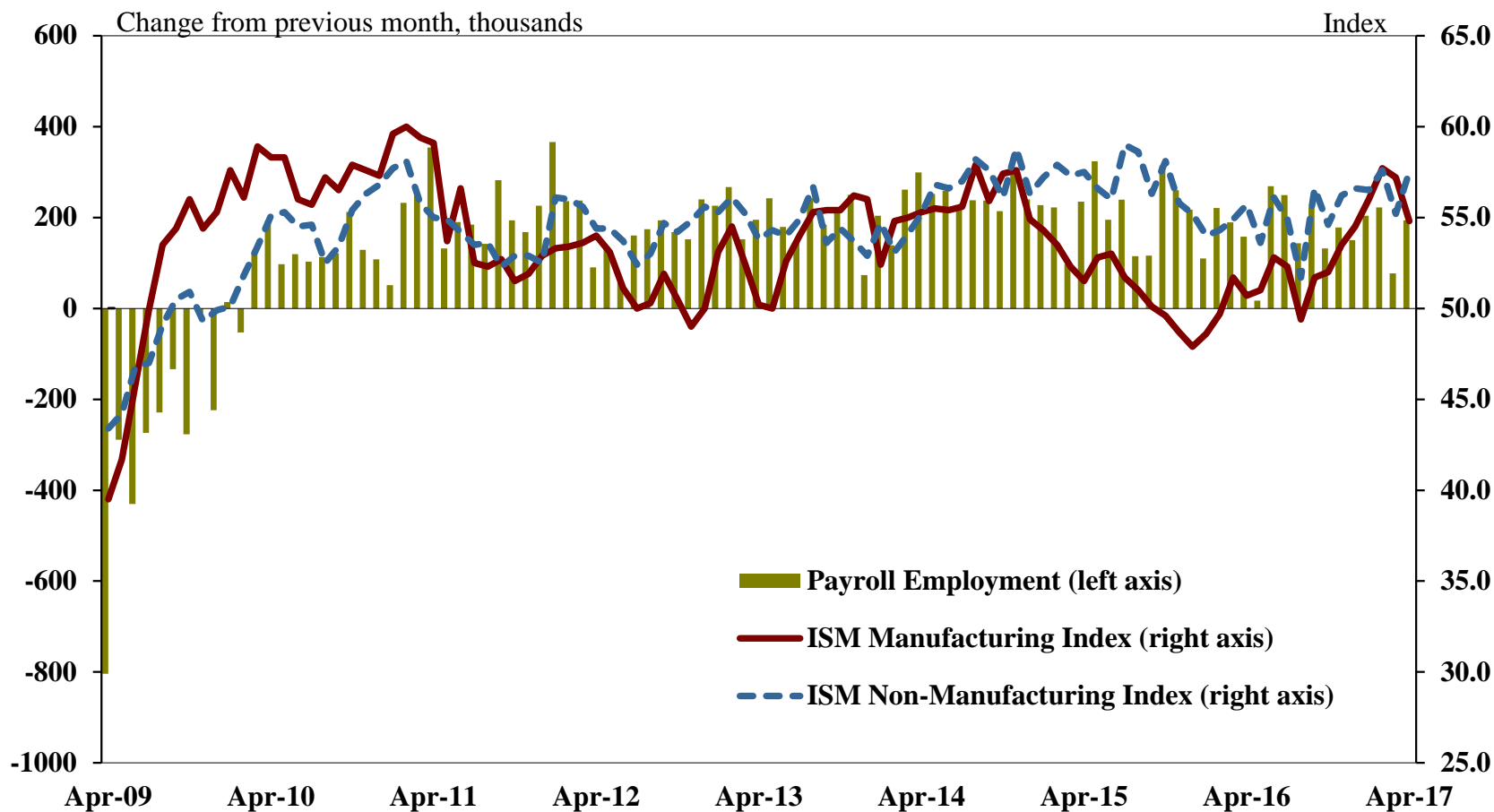
GDP growth slowed in the first quarter of 2017 due in part to a slowdown in consumer spending

Growth in Components of Real GDP



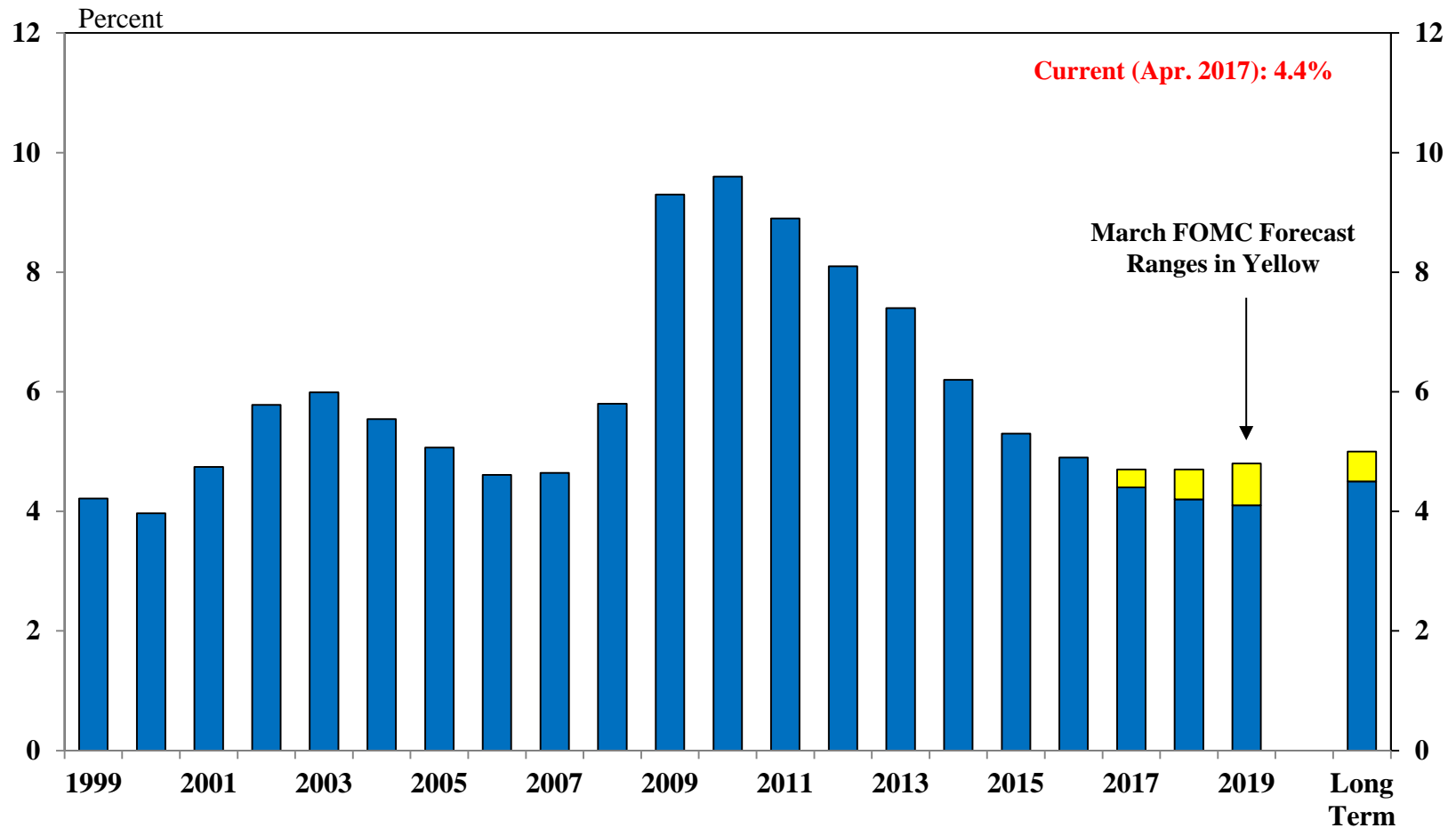
Most monthly data show U.S. economic growth remained solid in the first 4 months of the year

U.S. Payroll Employment and Business Indexes



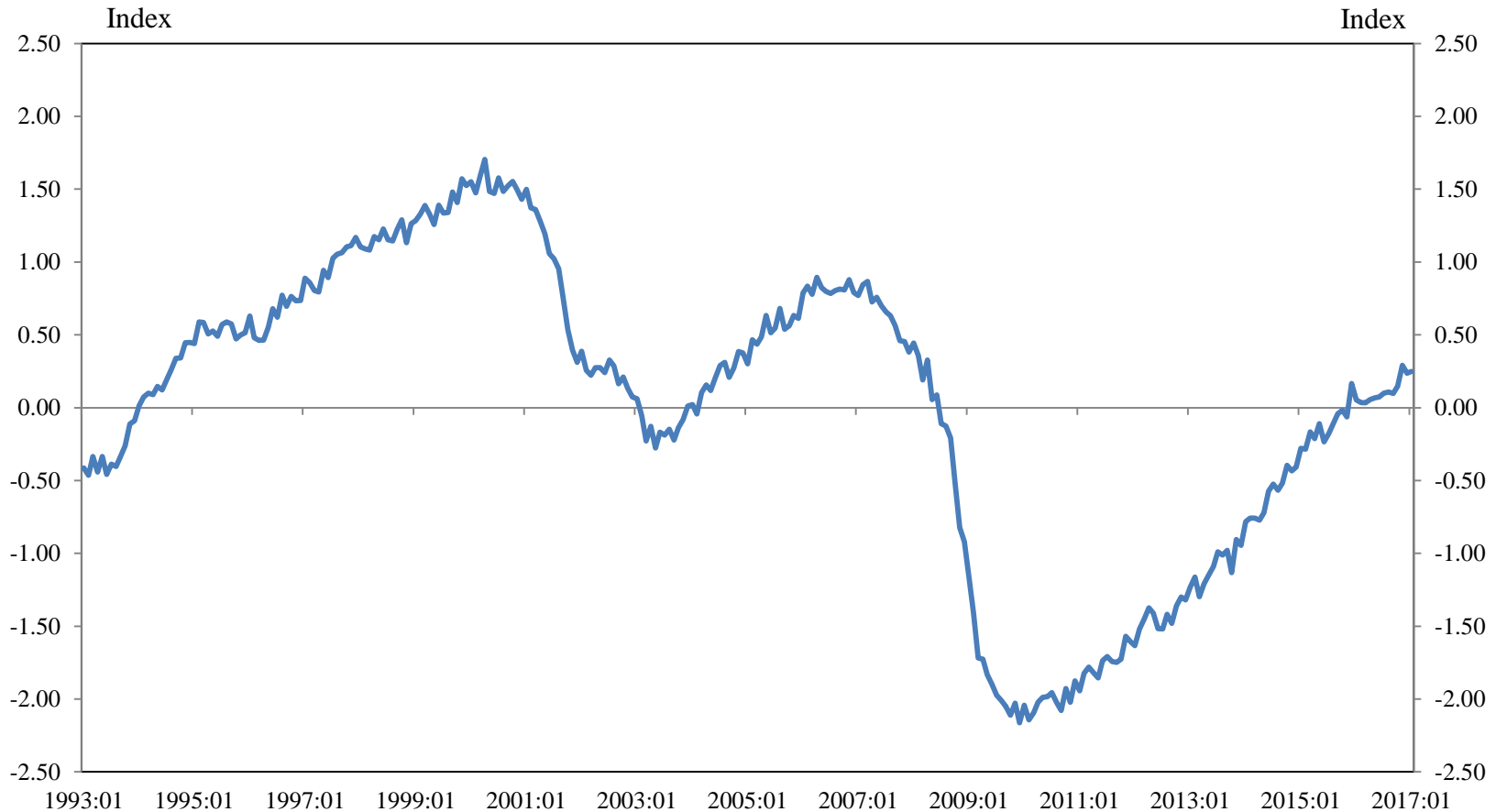
U.S. unemployment has fallen to long-term average levels

Unemployment Rate
Seasonally Adjusted



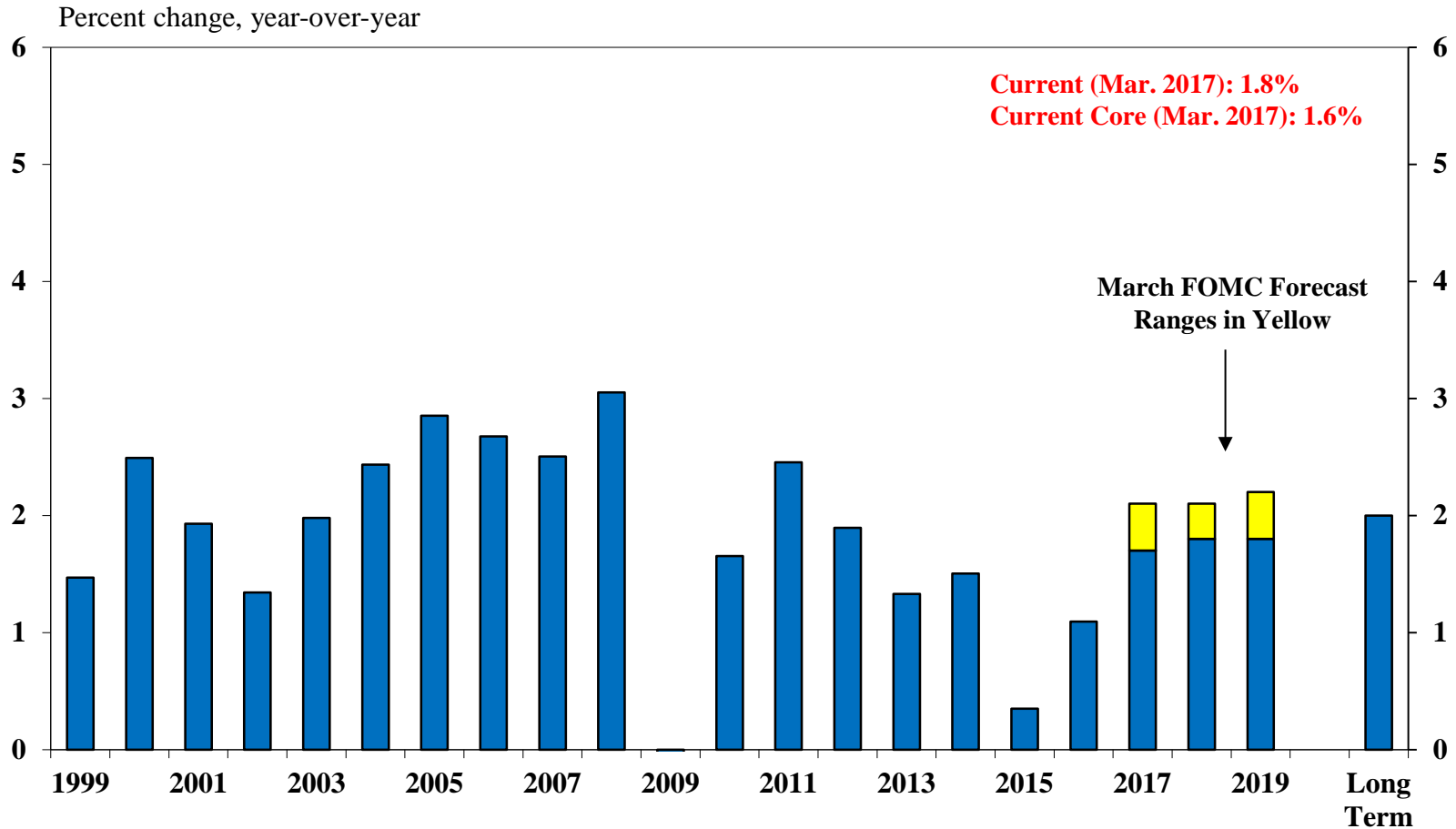
Broader measures of labor market conditions also show a return to normalcy

U.S. Labor Market Conditions Index



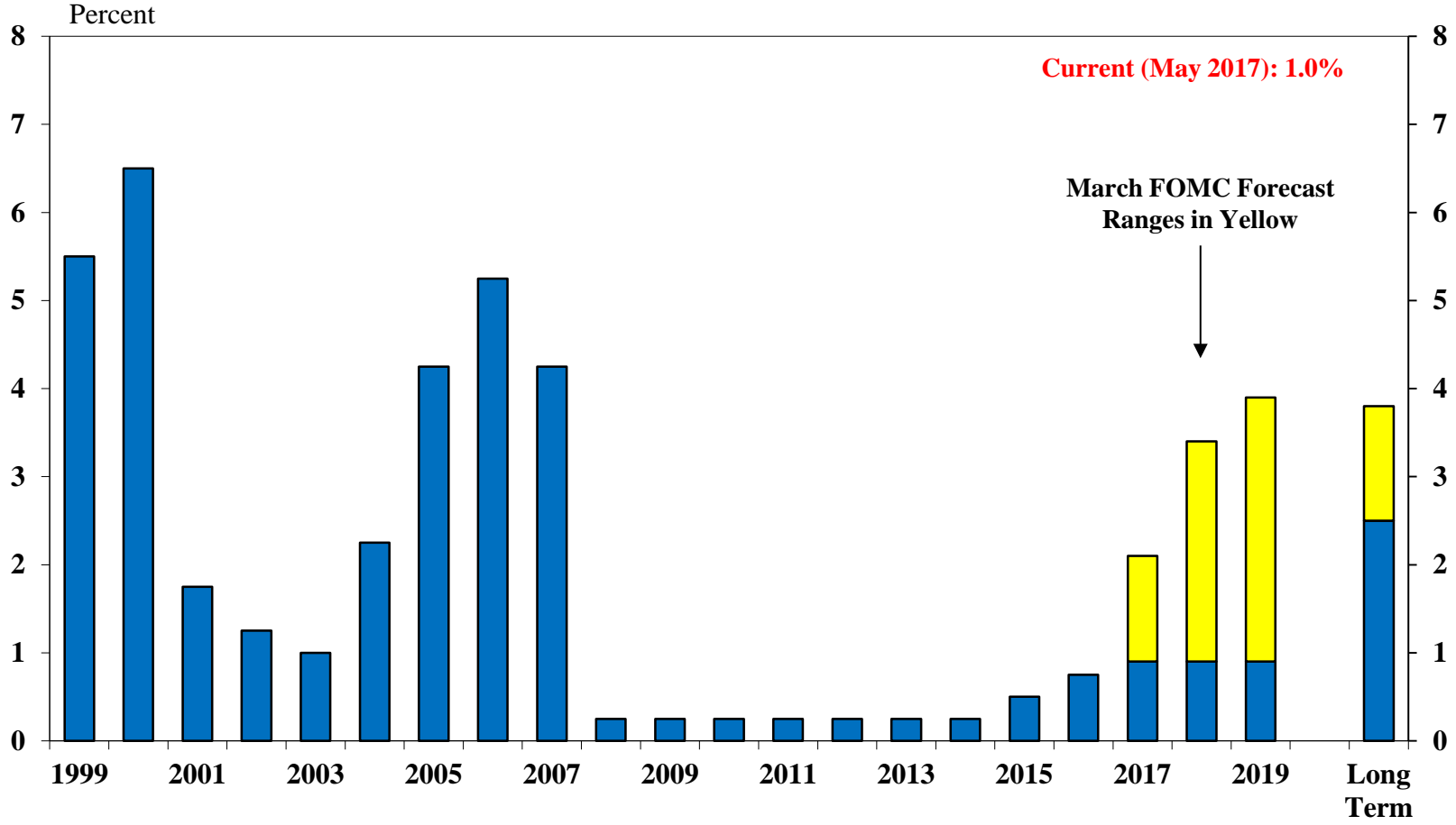
FOMC: “Inflation...has been running close to the Committee’s 2 percent longer-run objective”

PCE Inflation Index



“The [FOMC] expects that economic conditions...will warrant ...gradual increases in the federal funds rate”

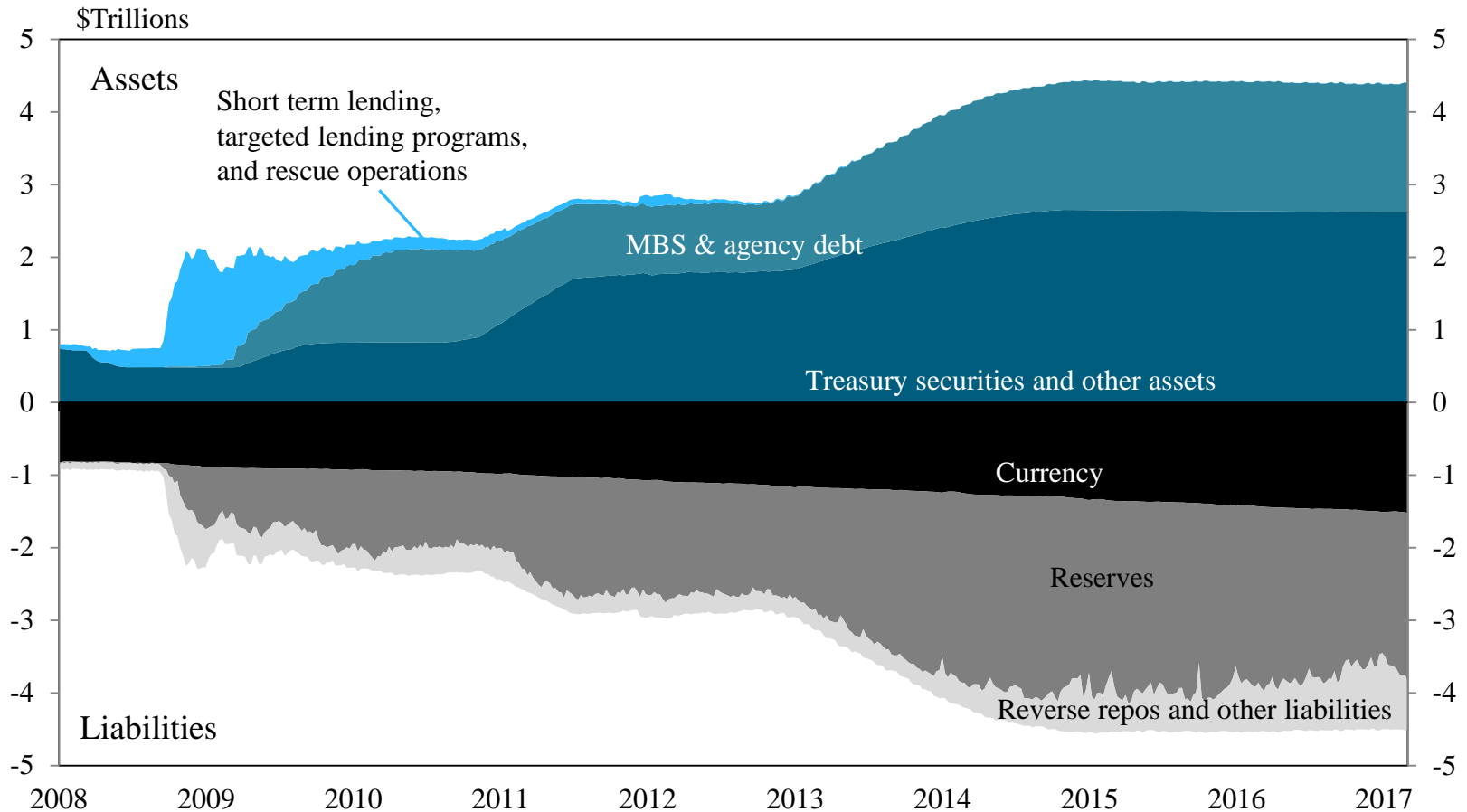
Federal Funds Rate Year-end target



Sources: Federal Reserve Board, FOMC

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

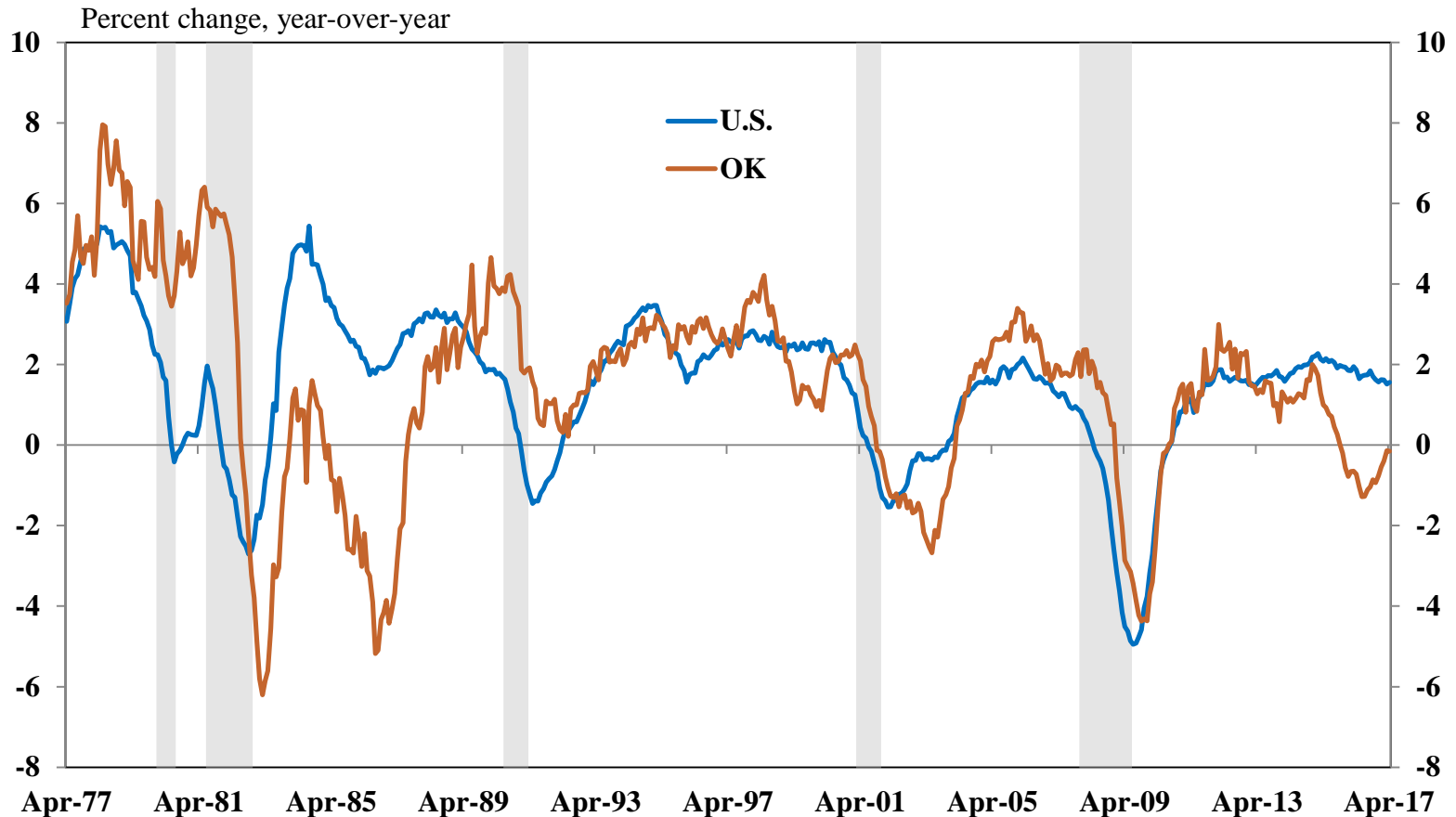
Federal Reserve Balance Sheet



Trends in the Oklahoma Economy

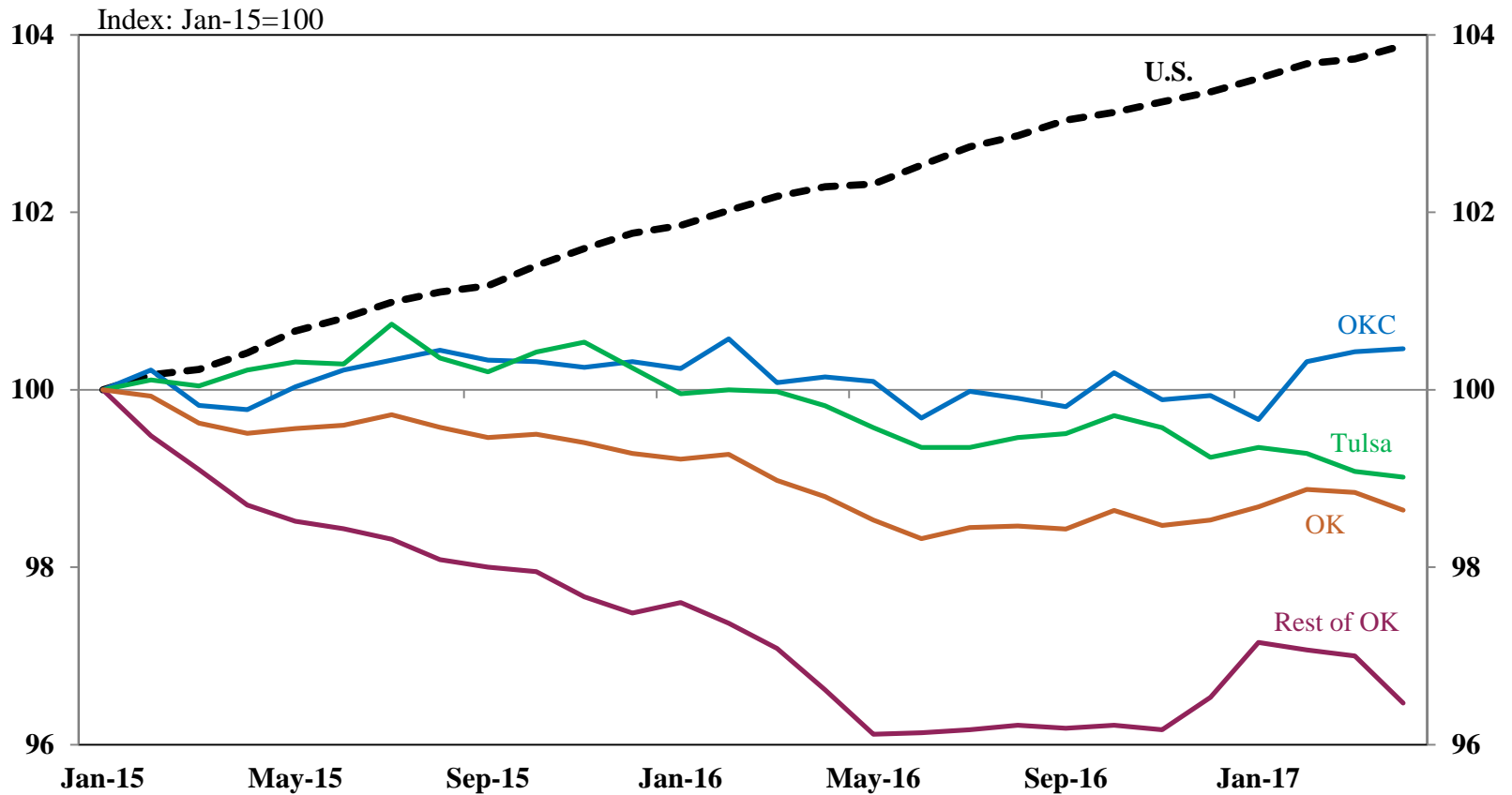
2016 was the largest divergence between U.S. and Oklahoma job growth since the 1980s

Payroll Employment Growth



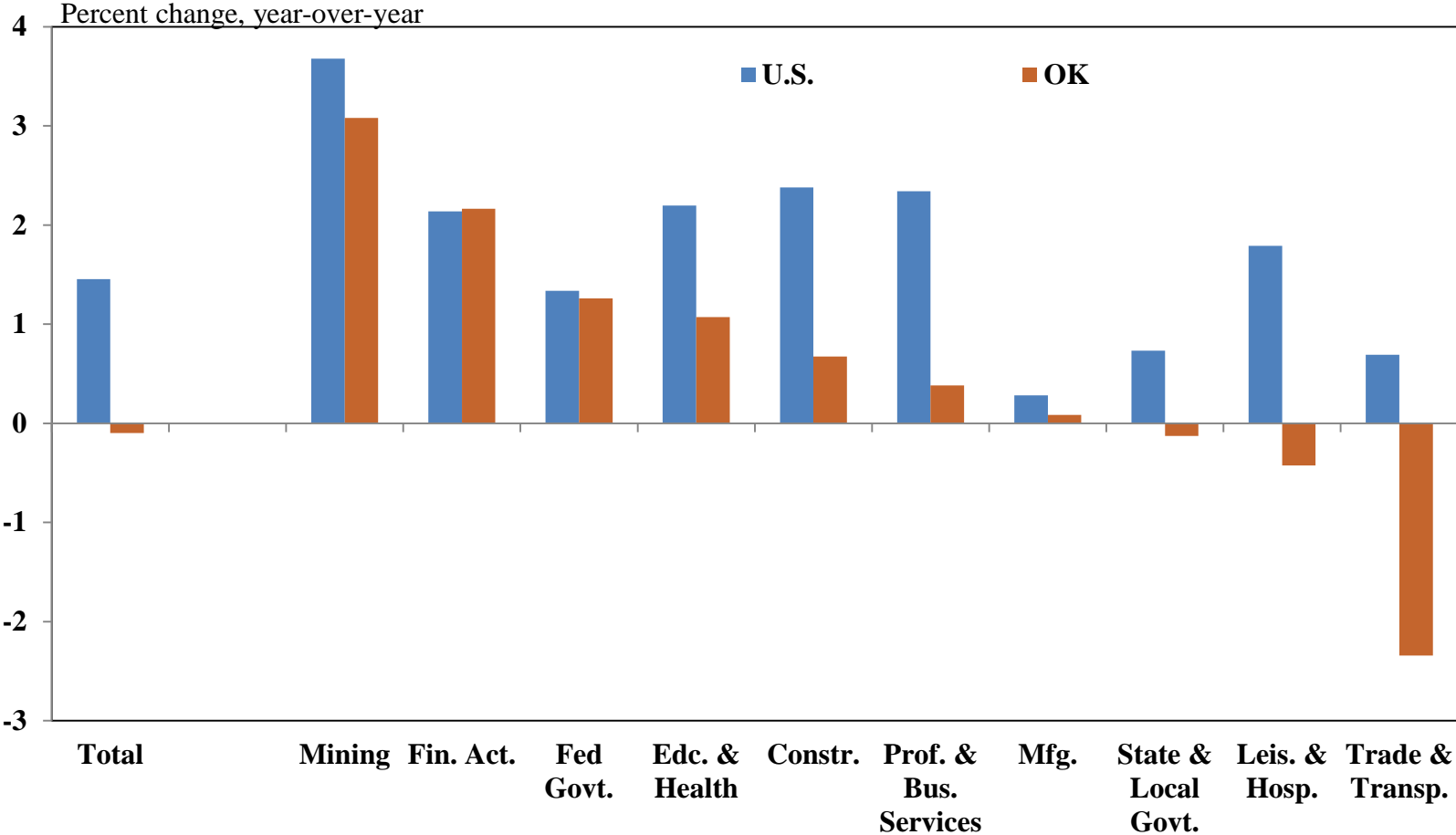
But employment in the state has stabilized, with growth occurring in some areas in recent months

Level of Payroll Employment Through April 2017



Jobs in most industries are above year-ago levels, but lag in state/local government and consumer spending

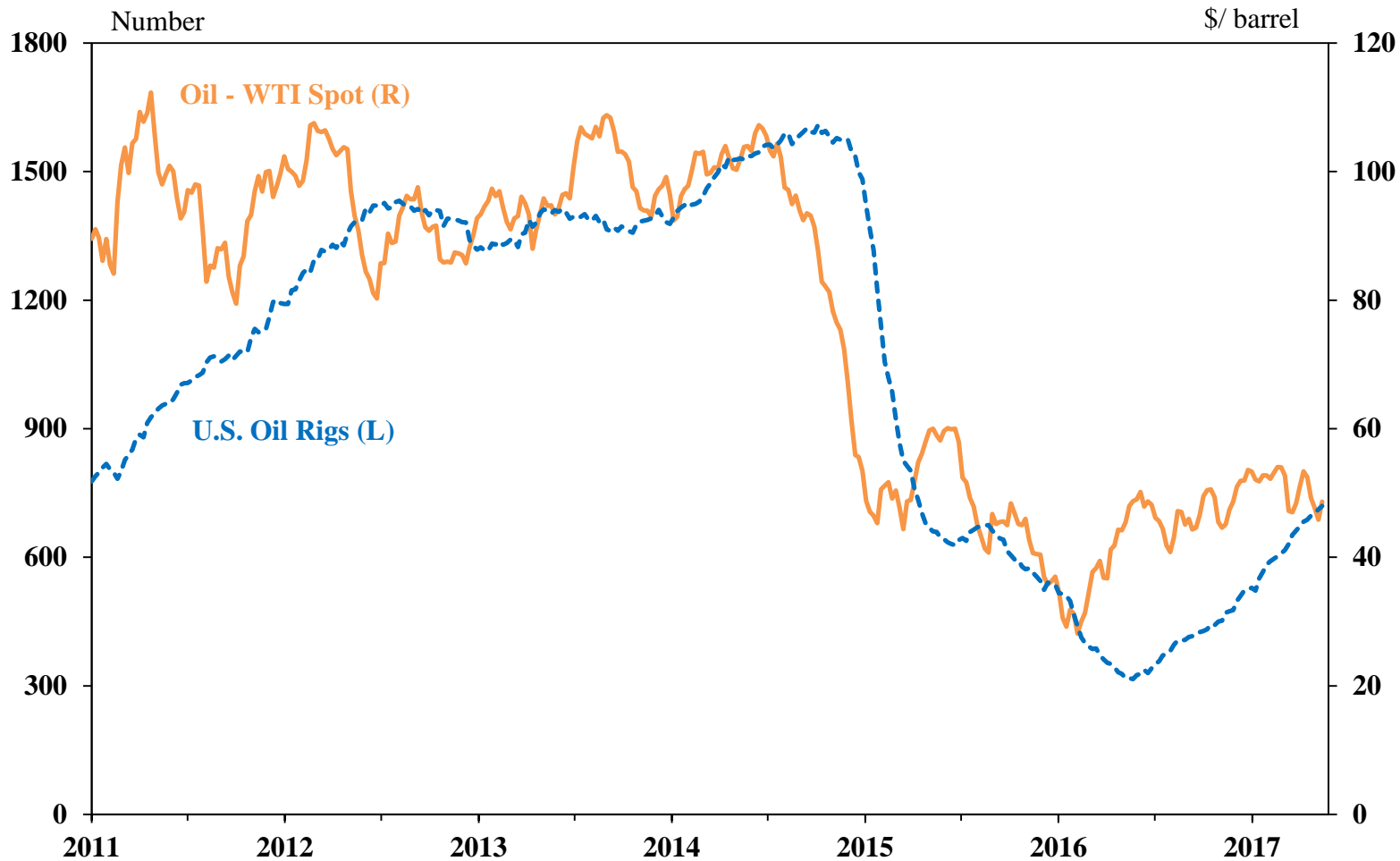
Job Growth by Industry
Apr-17



Source: Bureau of Labor Statistics

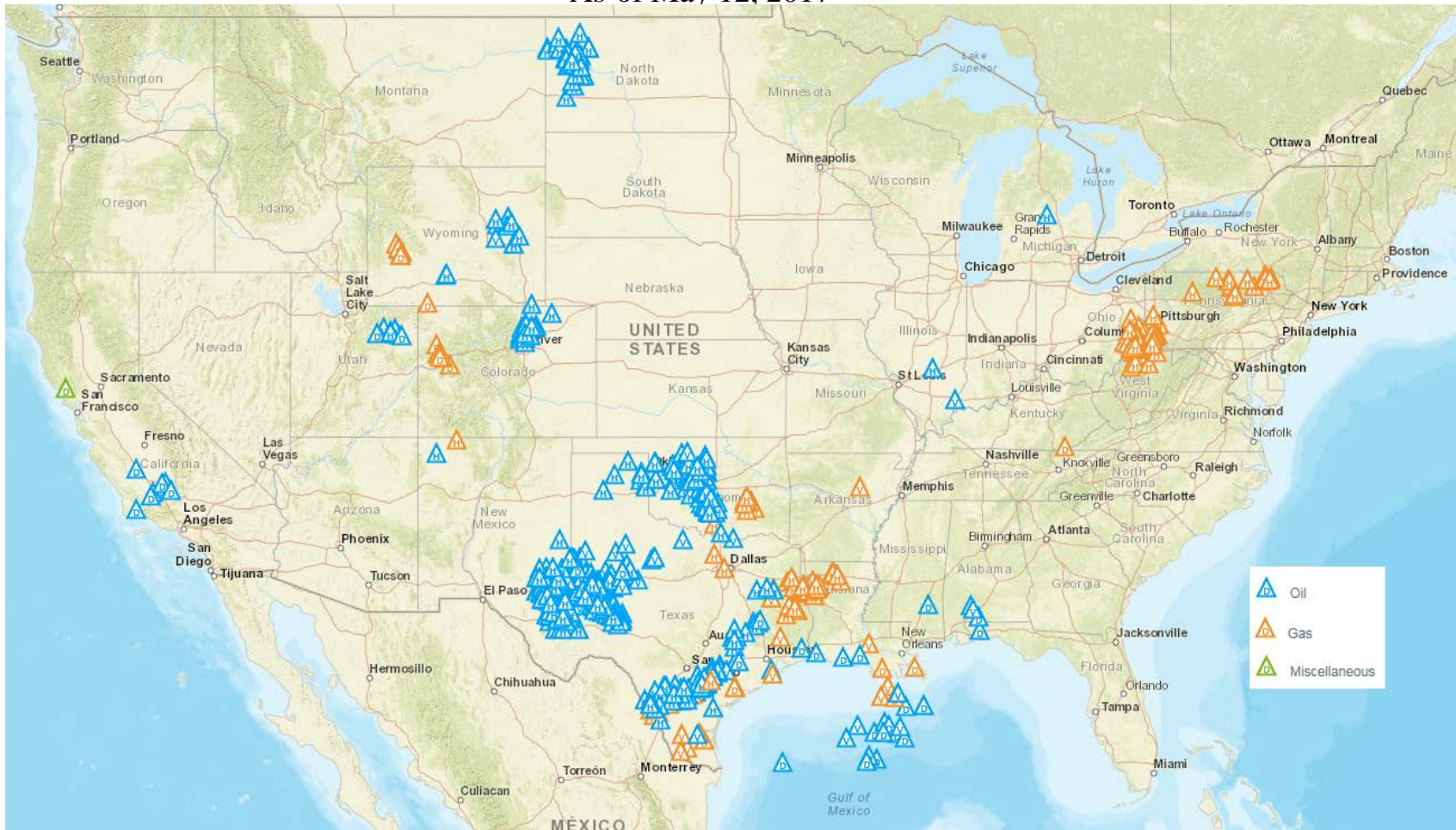
Oil prices' recent rise to \$50/barrel has been followed by a near-doubling in the rig count

Oil Spot Prices and Rig Counts



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

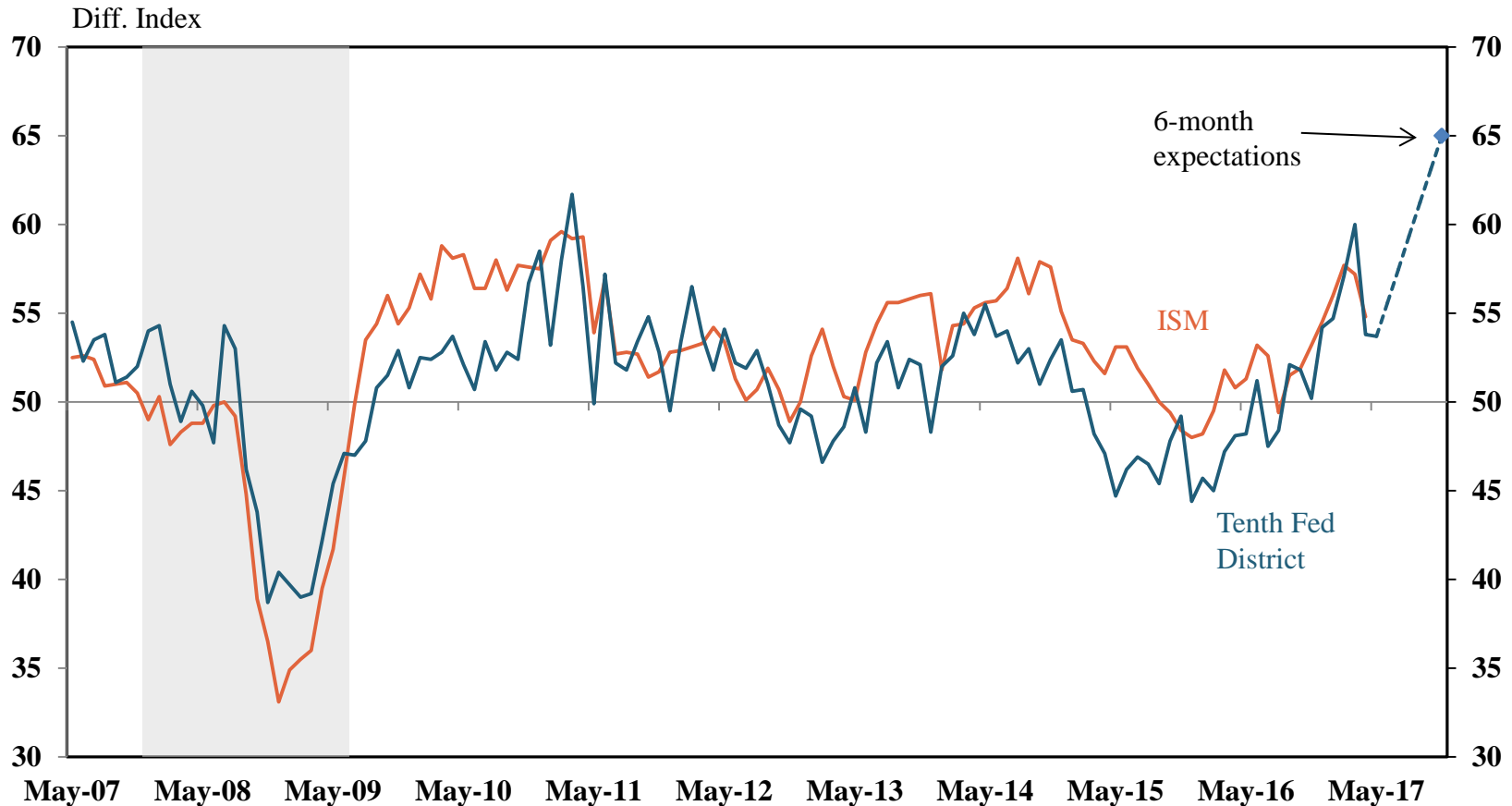
Current Drilling Rig Locations,
As-of May 12, 2017



Source: Baker Hughes

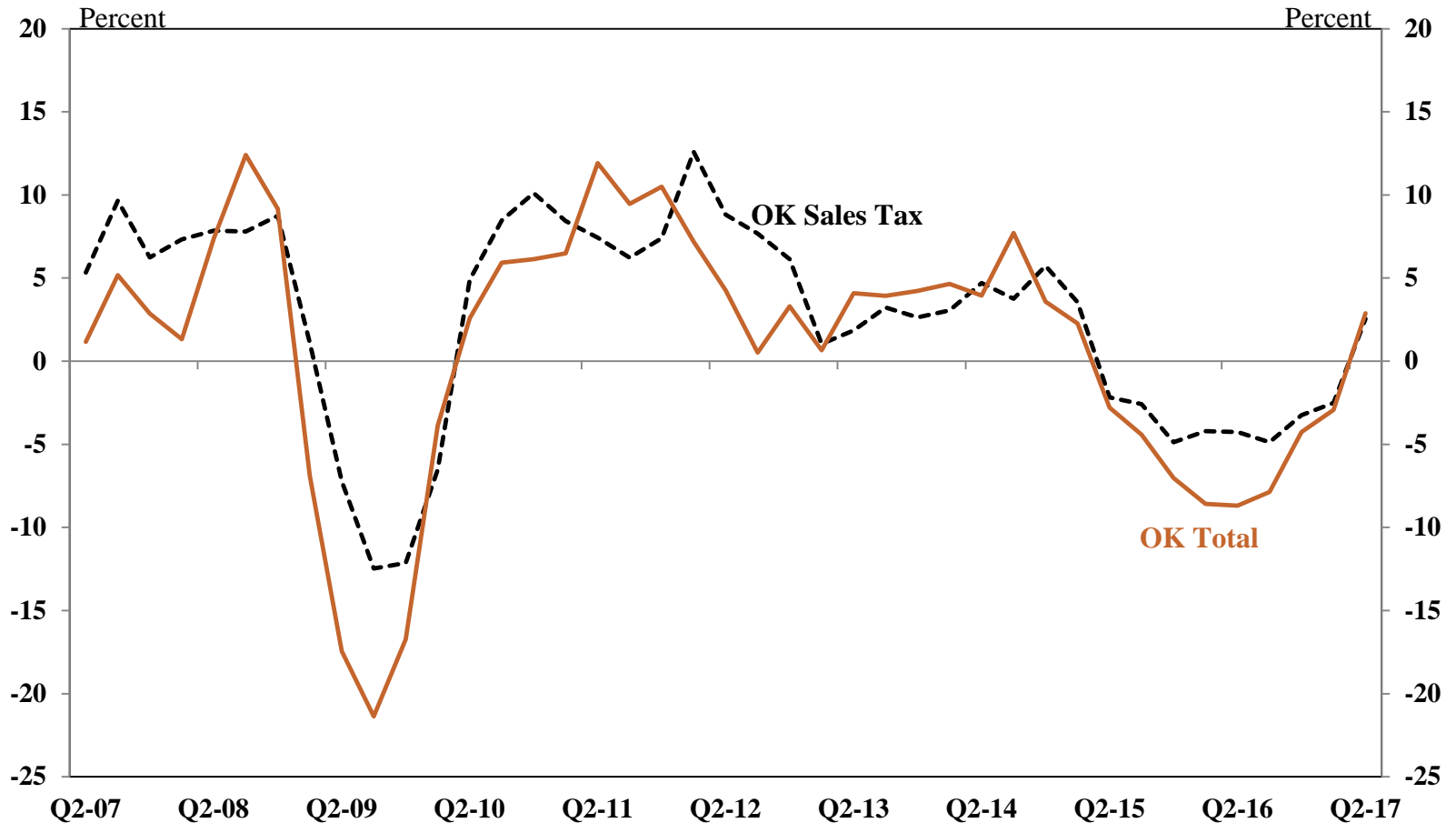
Regional factory activity has improved considerably in recent months, with optimism high

Manufacturing Composite Indexes, Seasonally Adjusted



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

Tax Receipts
Through Q2-17*



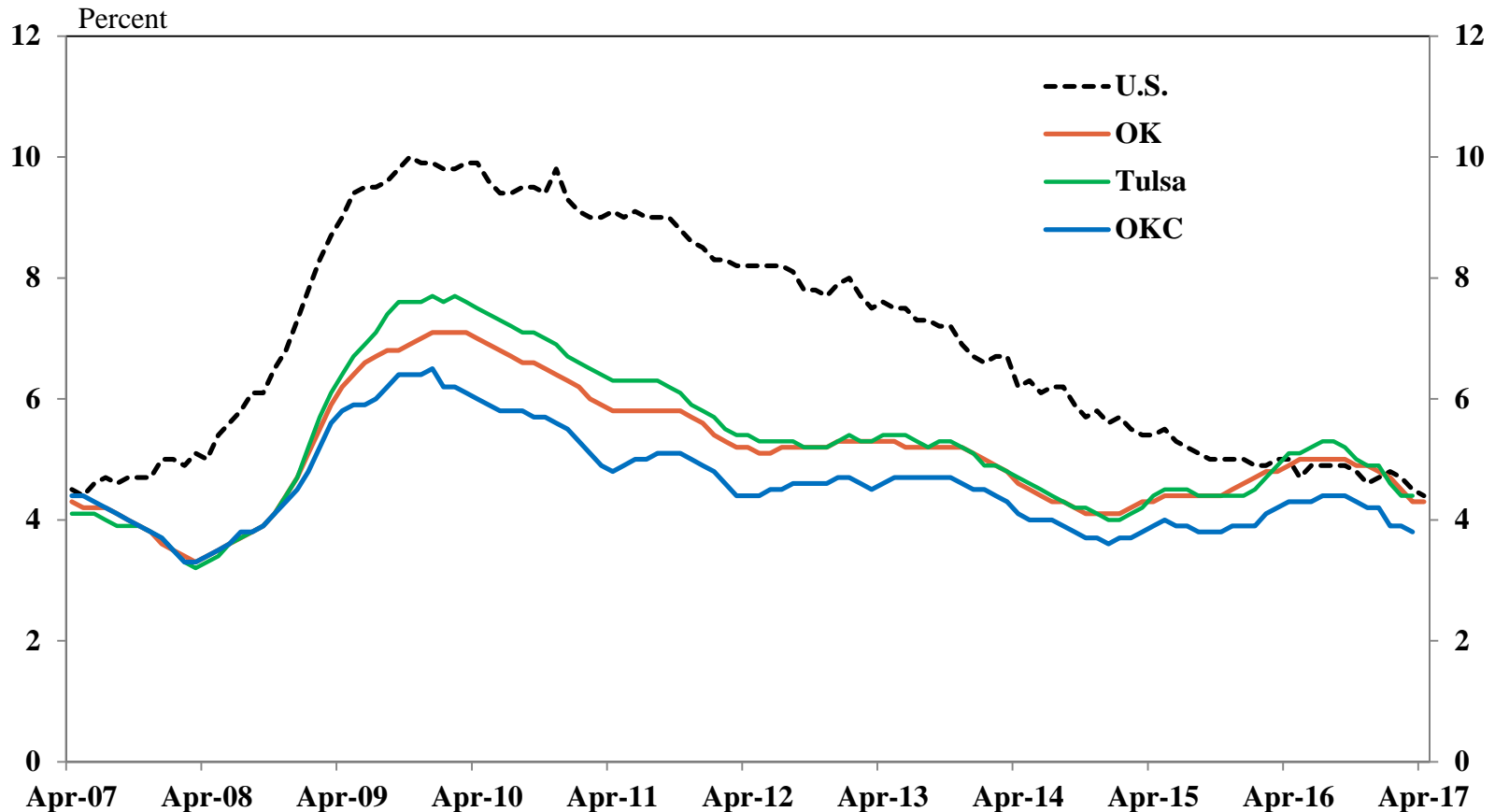
Note: Q2-17 includes only April



Source: OK Tax Commission

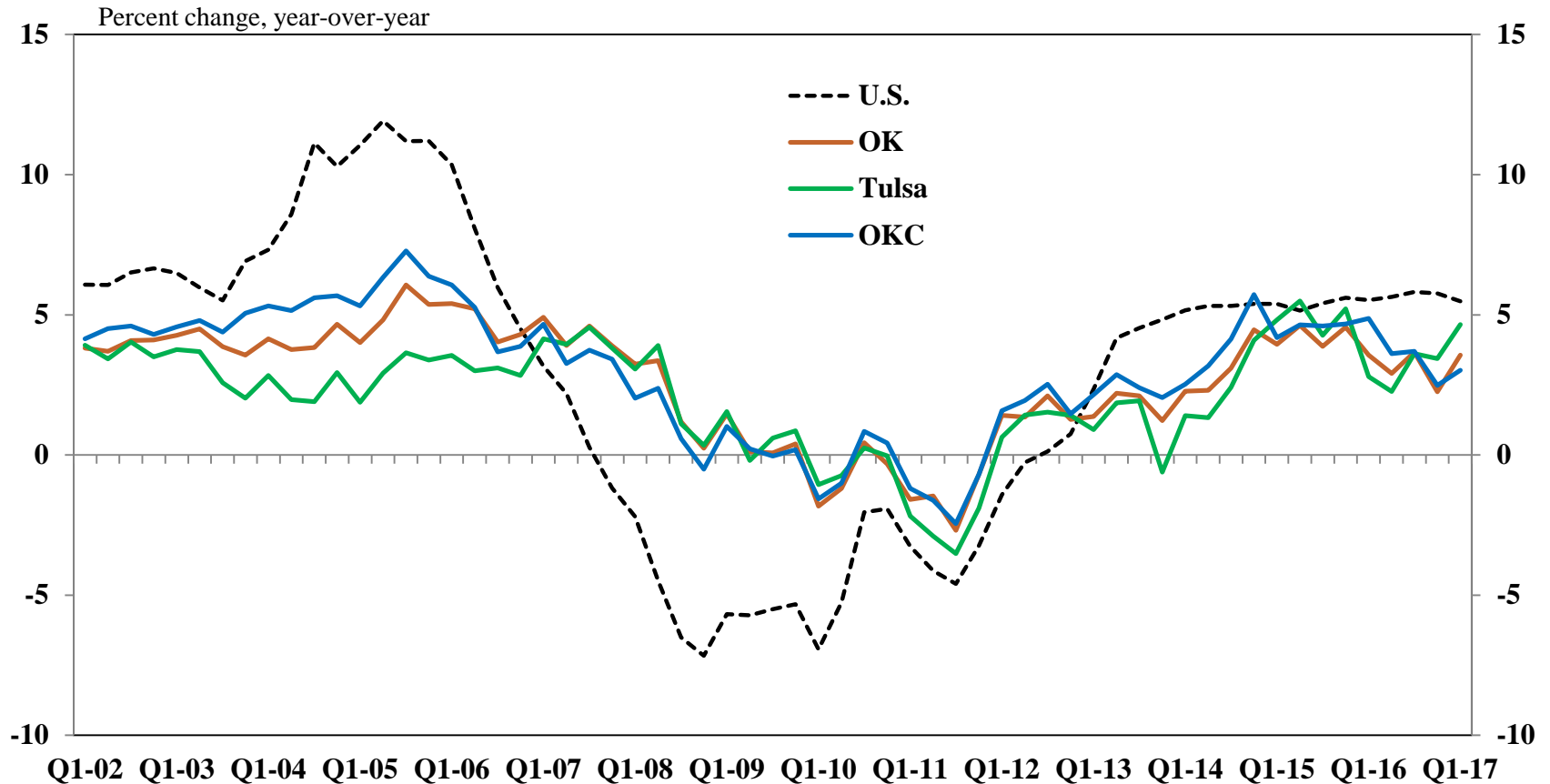
State unemployment ticked up last year but has since moved back below the national rate

Unemployment Rates
Seasonally Adjusted



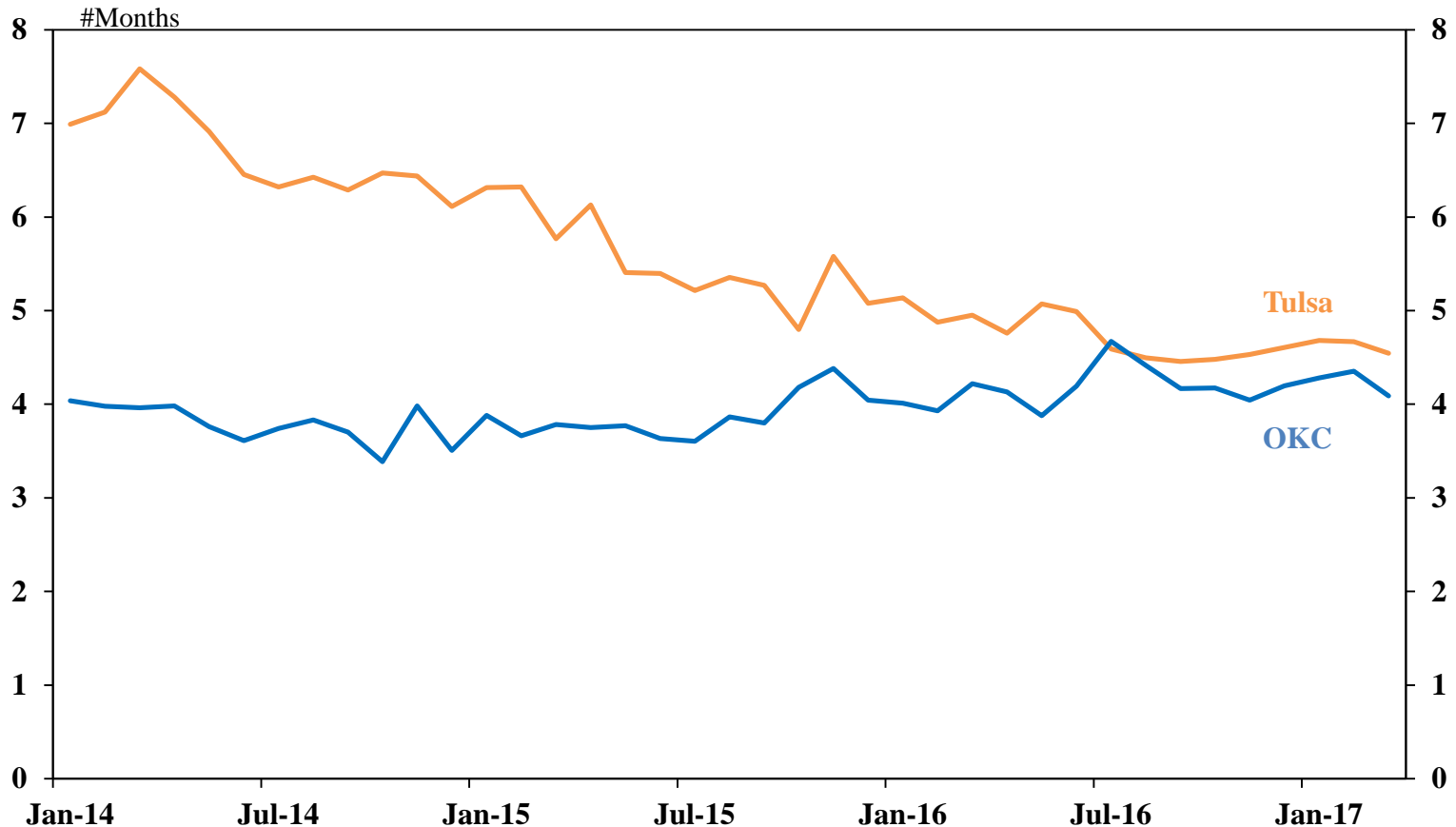
In housing, average home price growth across the state has slowed, but remains moderately positive

FHFA Home Price Index
Seasonally Adjusted



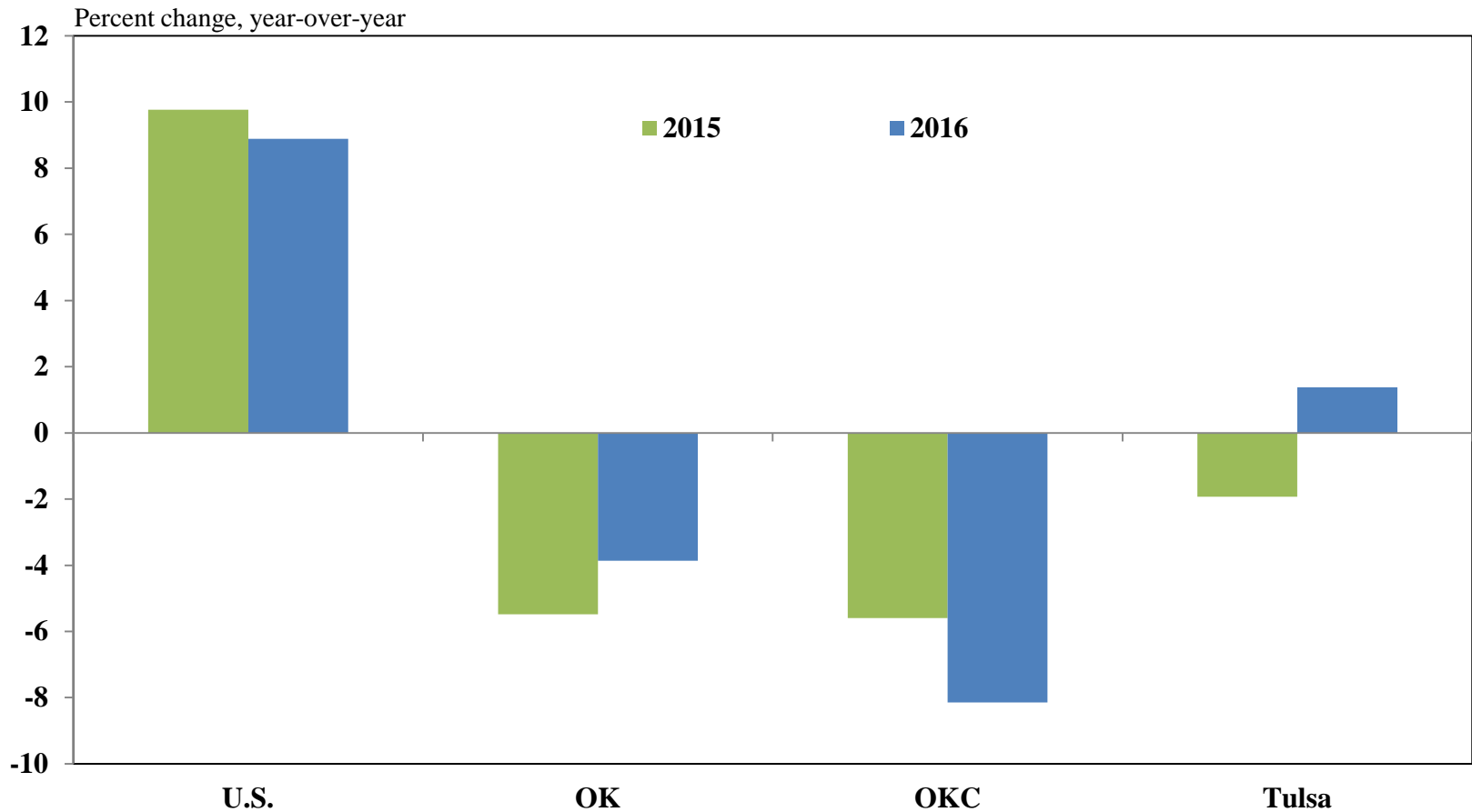
Inventories of unsold homes remain quite low in the two large metros, despite job losses and oil prices

**Months Supply of Unsold Homes,
Seasonally Adjusted**



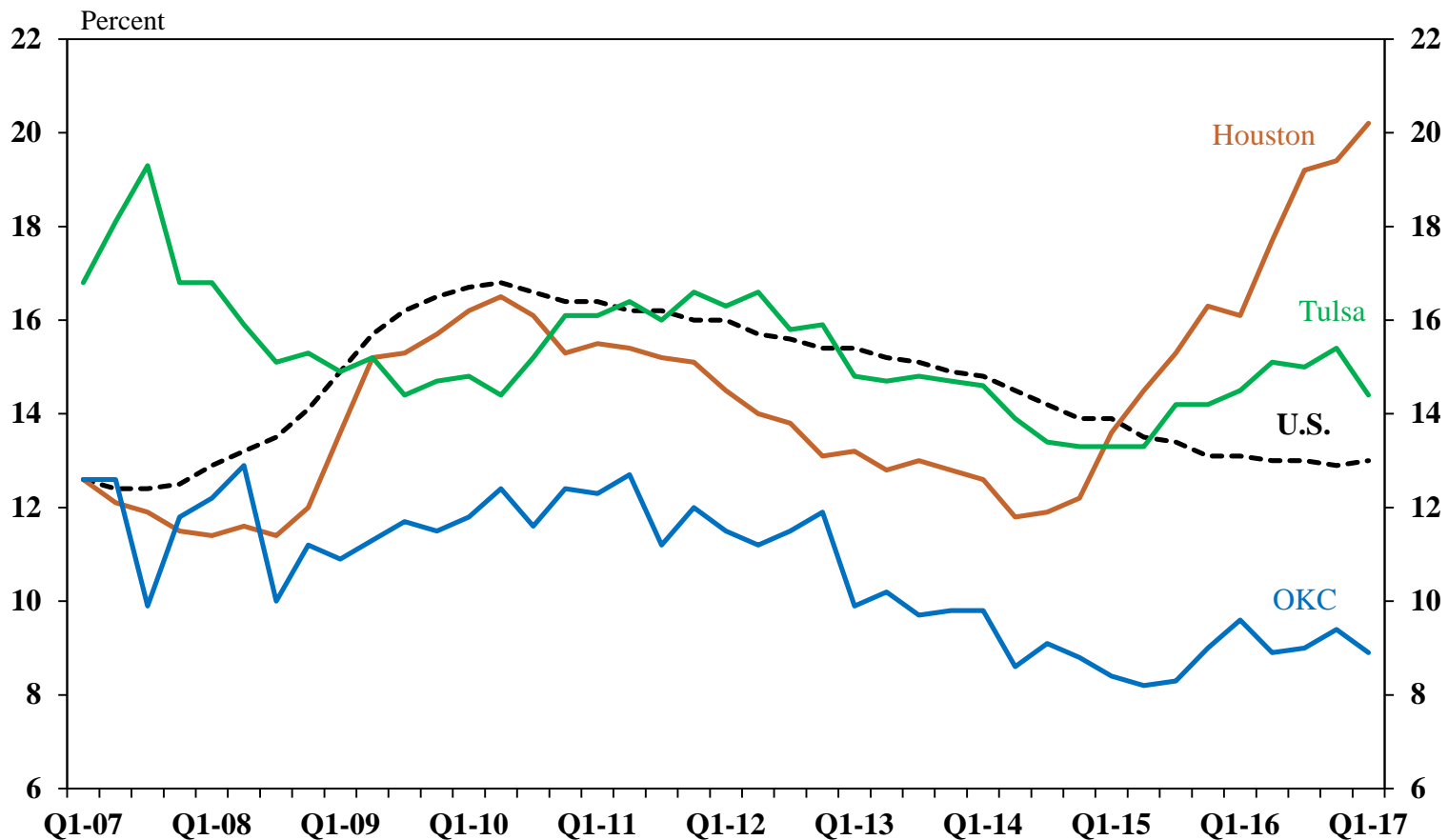
Oklahoma homebuilding slowed once oil prices fell, likely keeping markets from getting oversupplied

Single-Family Housing Permits



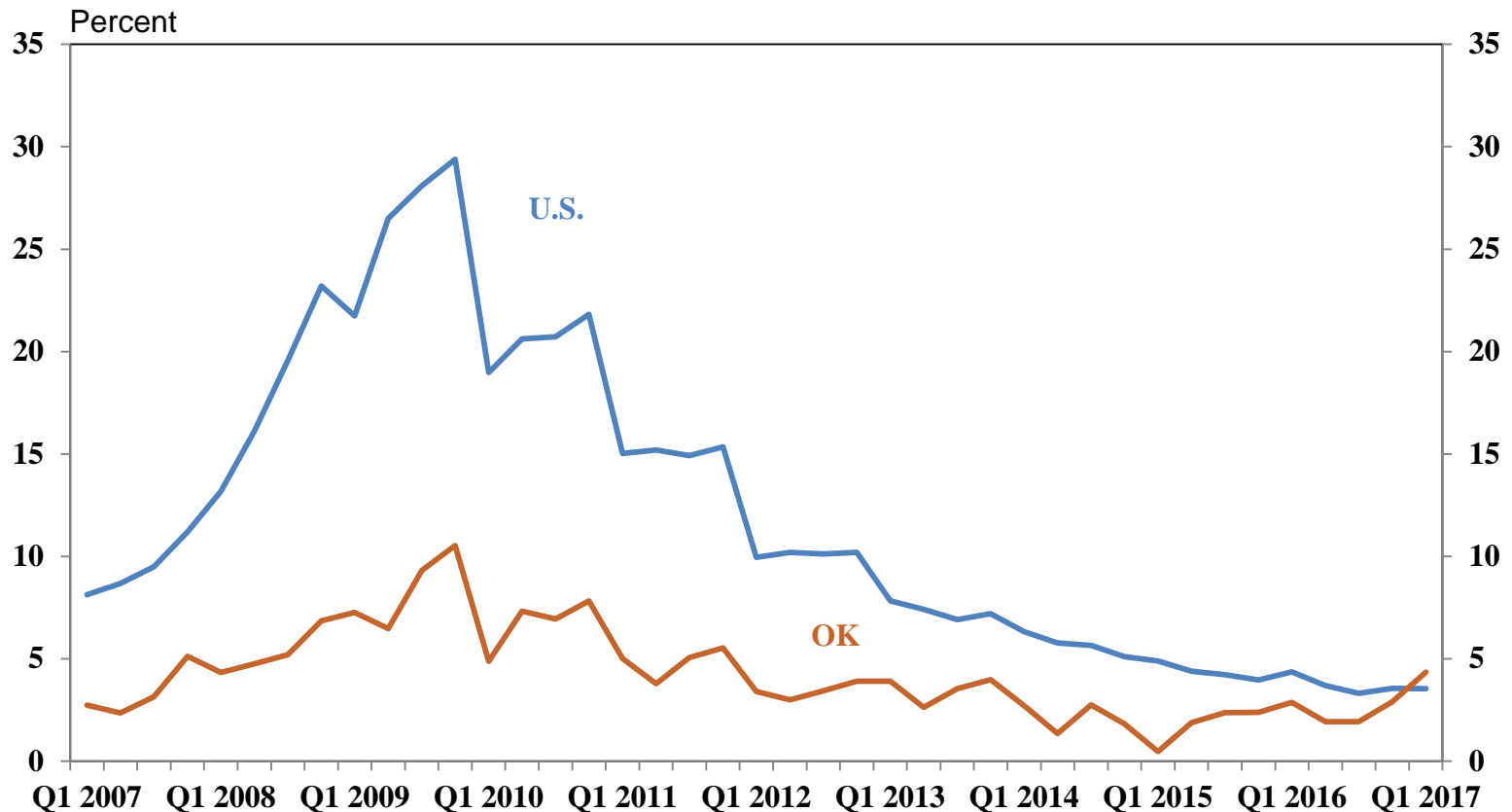
Office vacancy rates have risen slightly in Oklahoma's metros, but much less than in Houston

Metro Office Vacancy Rates



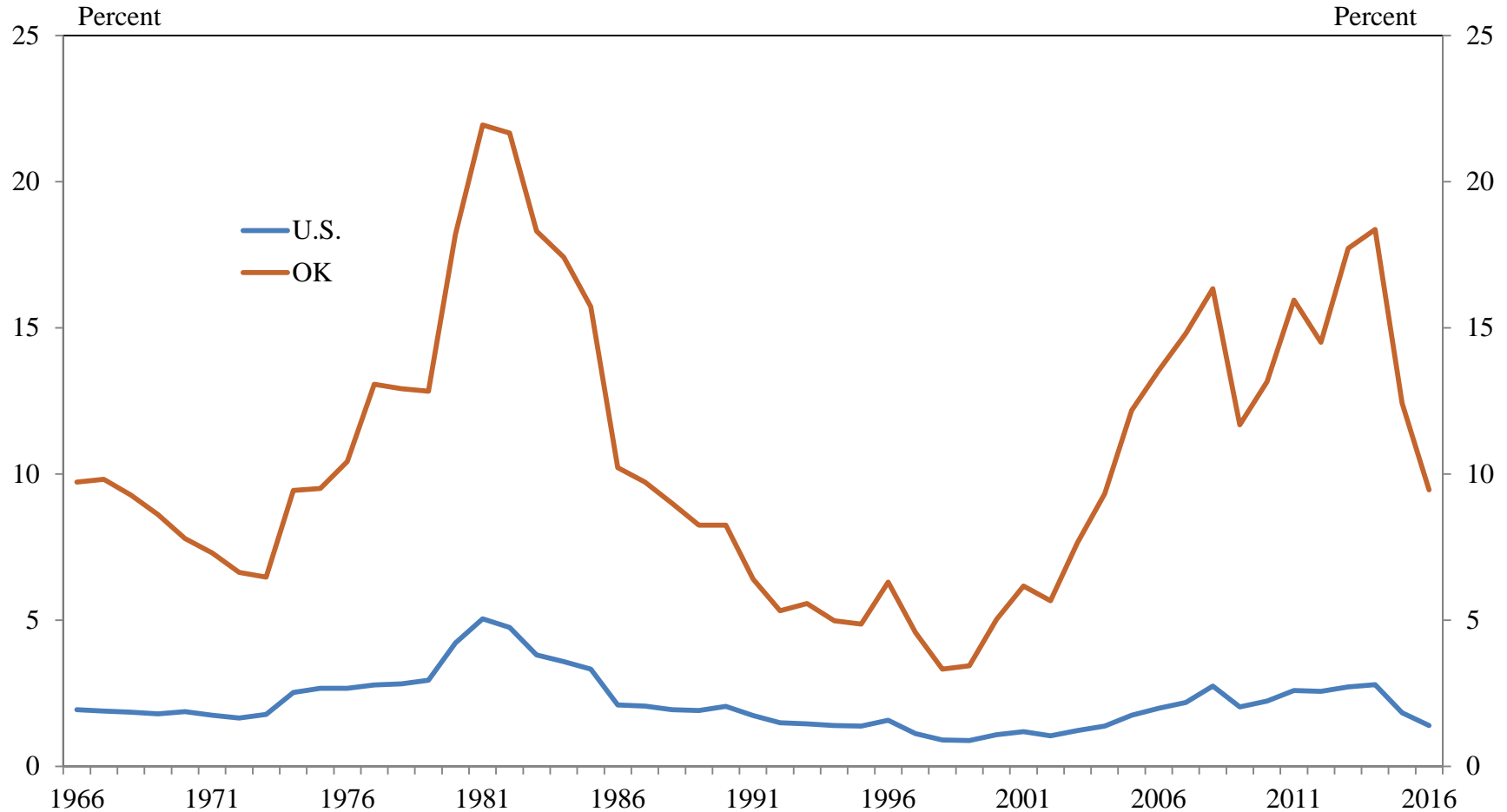
Banking conditions remain quite strong overall in the state despite recent economic weakness

Share of Banks Not Making a Profit
Commercial Banks



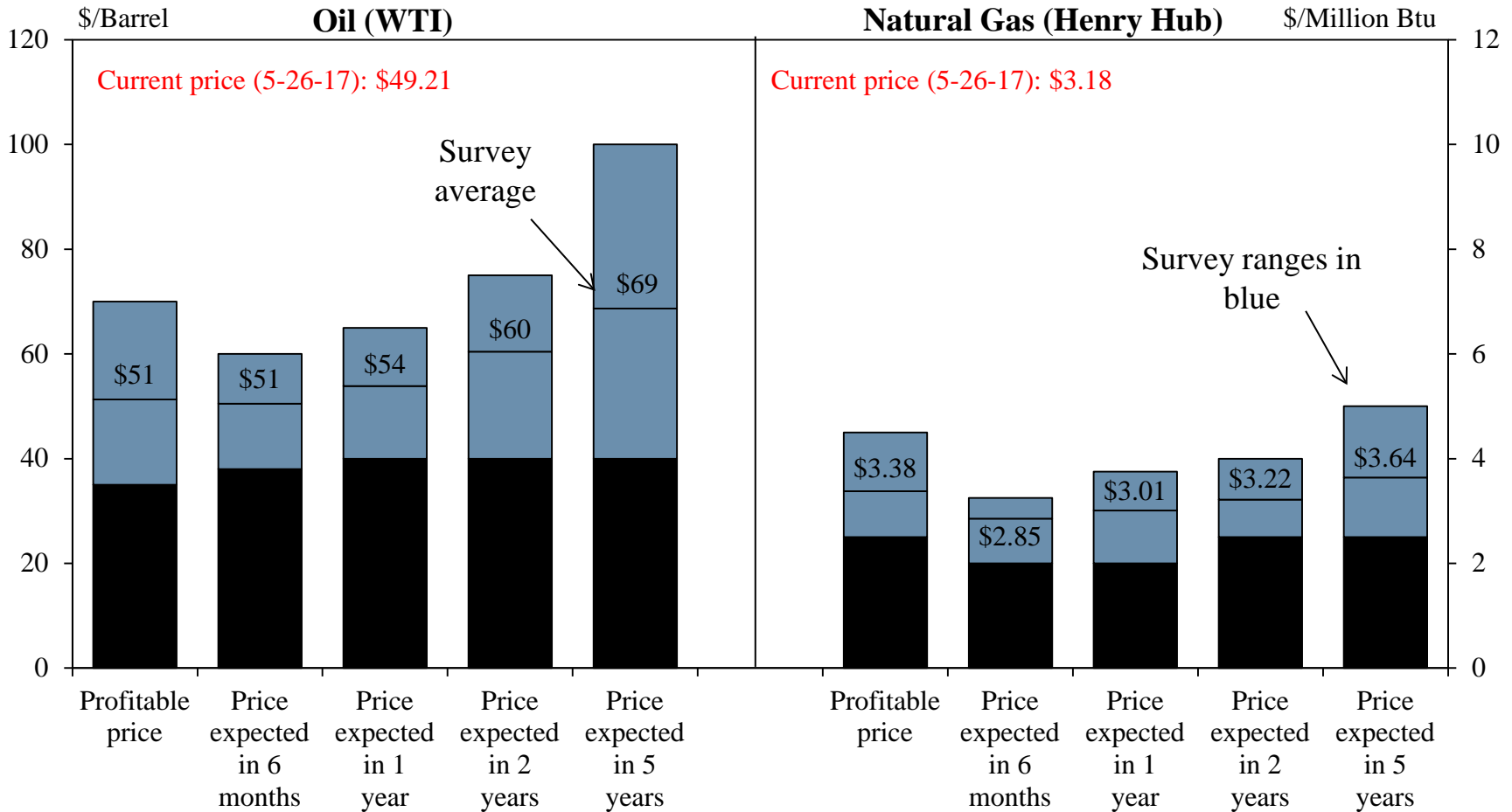
Oil and gas is still highly concentrated in the state, making the sector important for the state outlook

Mining Share of GDP



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

Kansas City Fed Energy Survey Special Questions



Summary

- The U.S. economy continues to grow, and the Fed has raised interest rates
- The Oklahoma economy has been hurt by low commodity prices and spillover to other industries
- But conditions in state labor and real estate markets have held on fairly well, and some growth and optimism has returned



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**: <https://www.kansascityfed.org/research/indicatorsdata/energy>

For more analysis on factory conditions, subscribe to our **Manufacturing Survey**: <https://www.kansascityfed.org/research/indicatorsdata/mfg>

