

# U.S. & Oklahoma Economic Outlook

**Chartered Financial Analyst Society**

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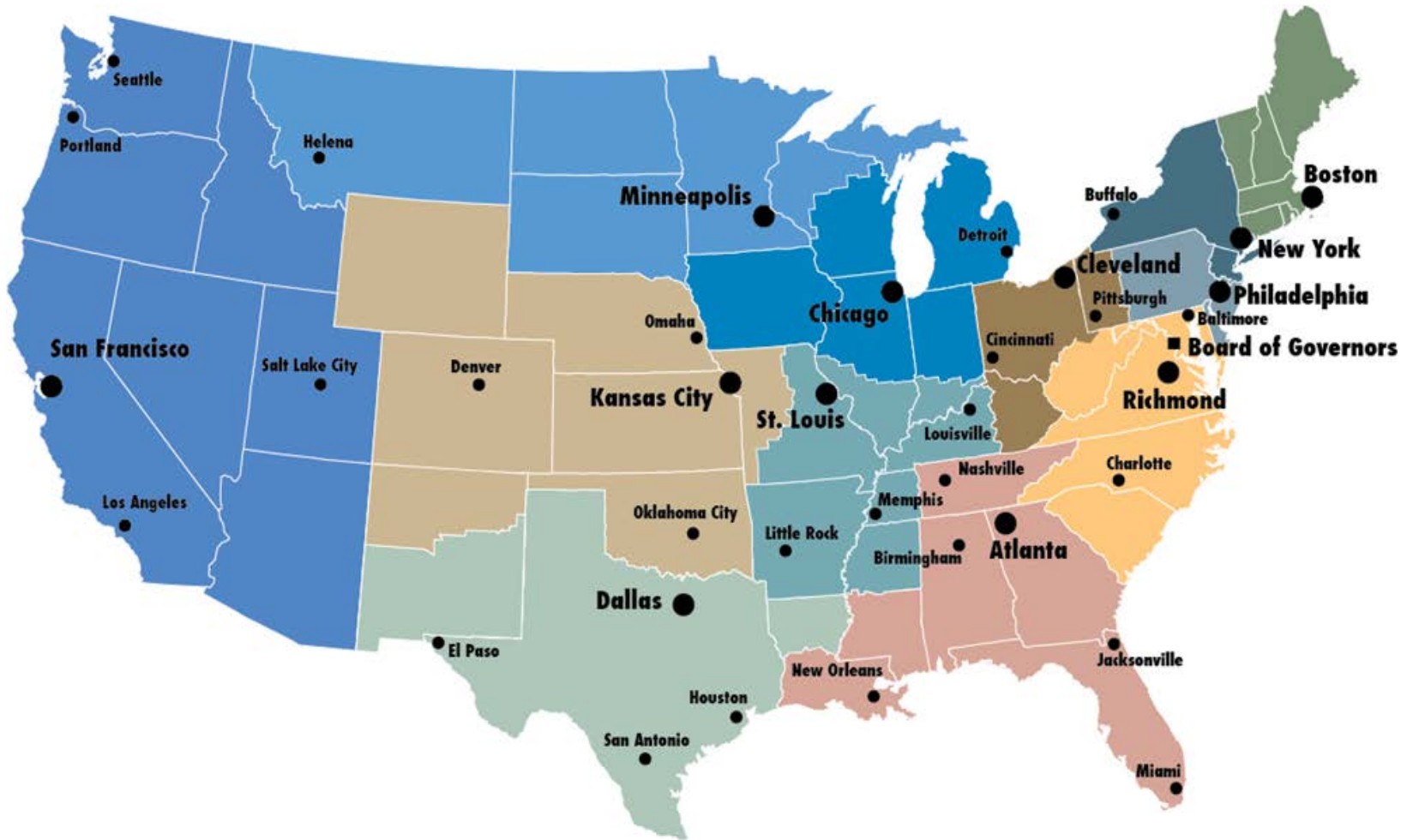
**[www.kansascityfed.org/oklahomacity](http://www.kansascityfed.org/oklahomacity)**

# 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 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

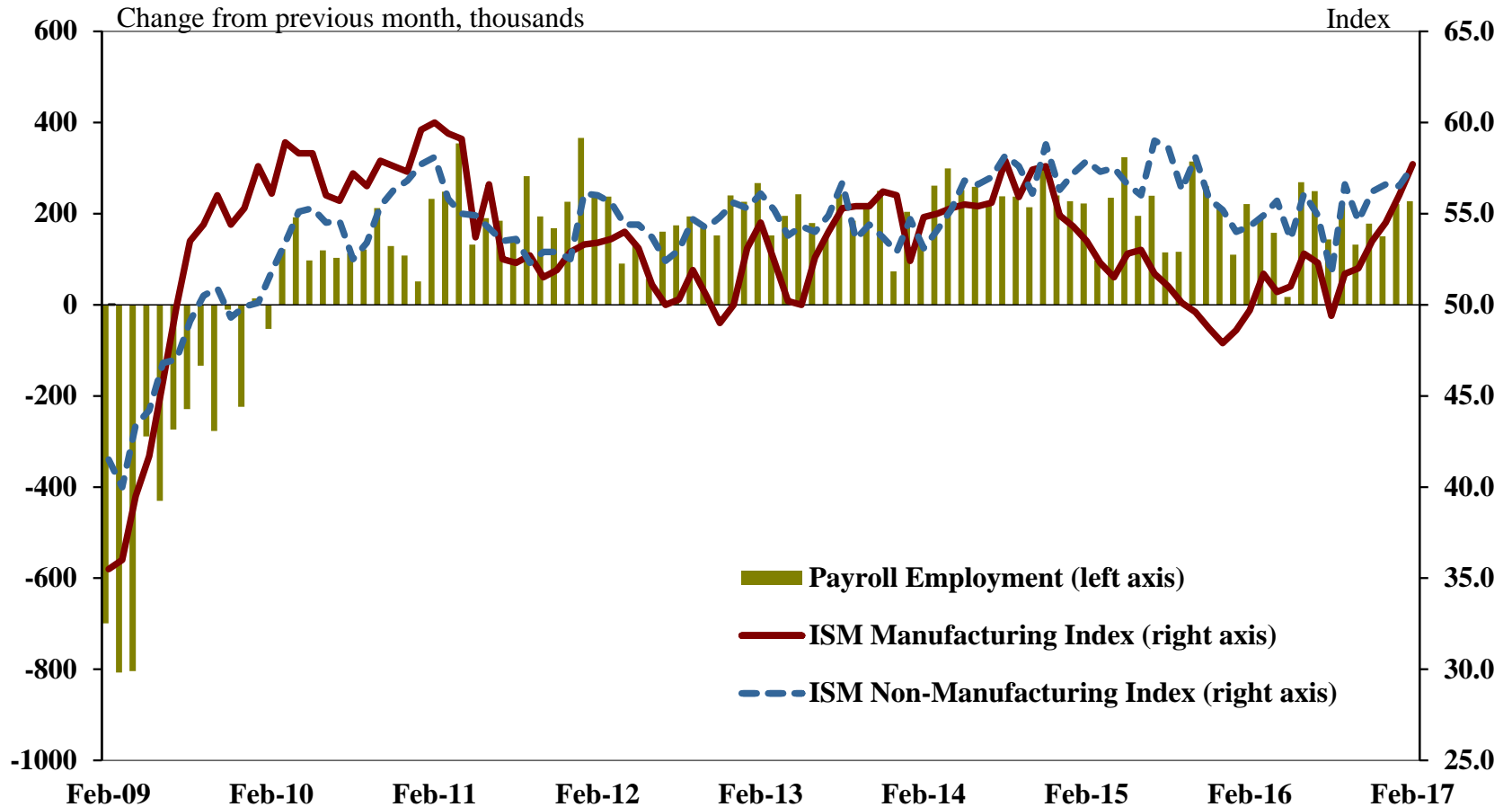
- **Oklahomans on Kansas City Fed head office Board**

- **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**

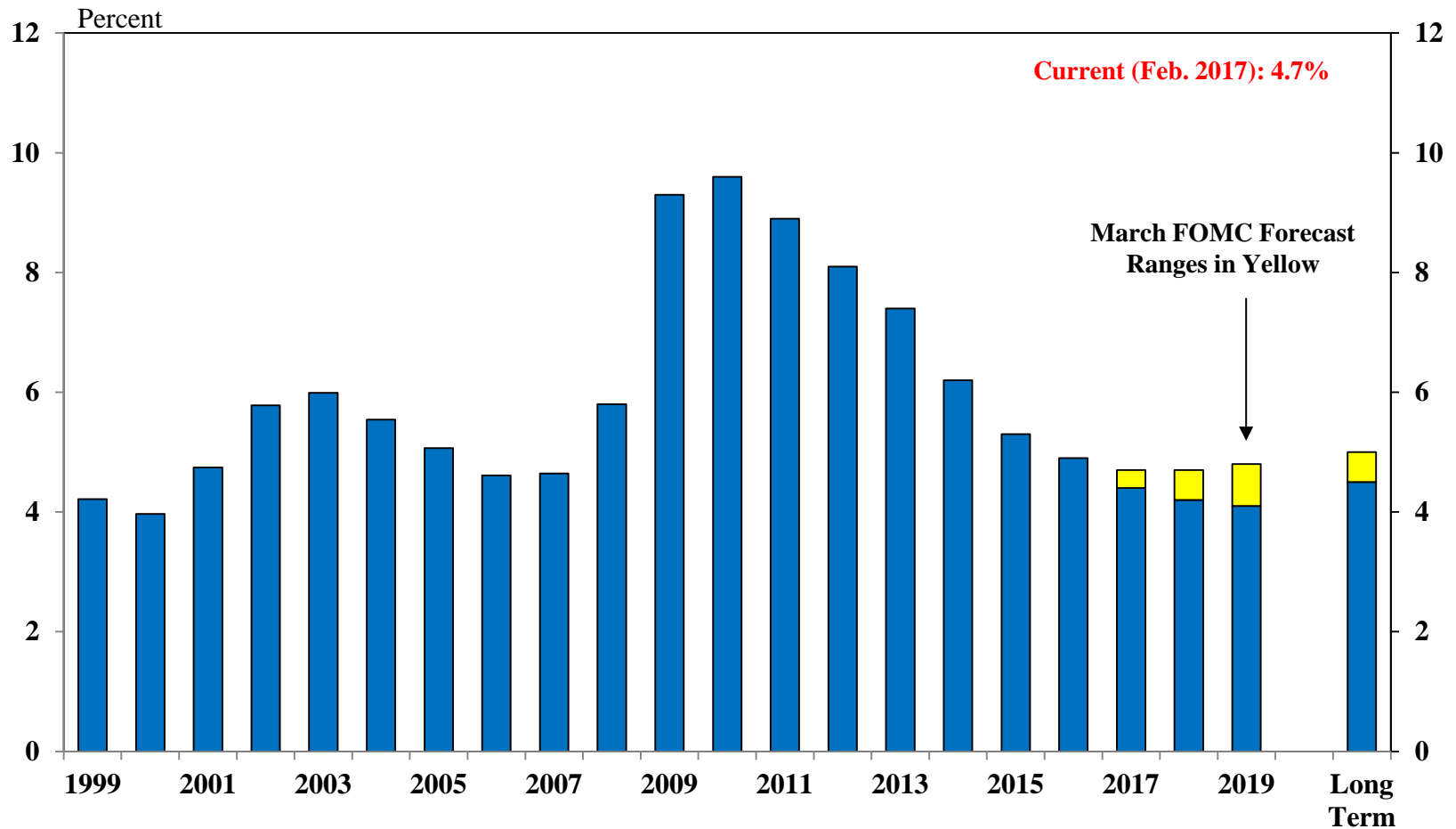
# U.S. economic growth has picked up in early 2017 after an up-and-down 2016

## U.S. Payroll Employment and Business Indexes



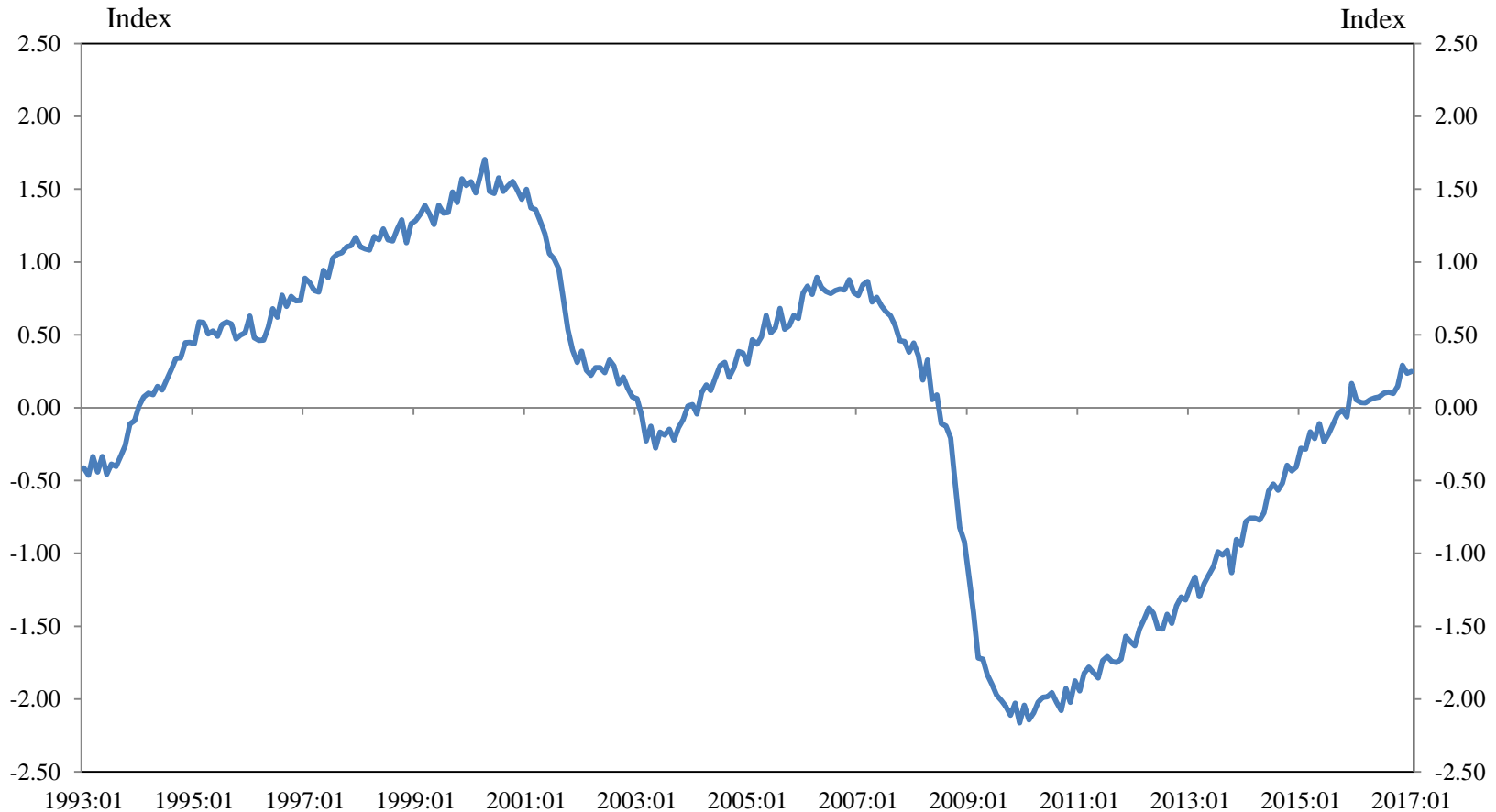
# U.S. unemployment has fallen to long-term average levels

**Unemployment Rate**  
Seasonally Adjusted



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

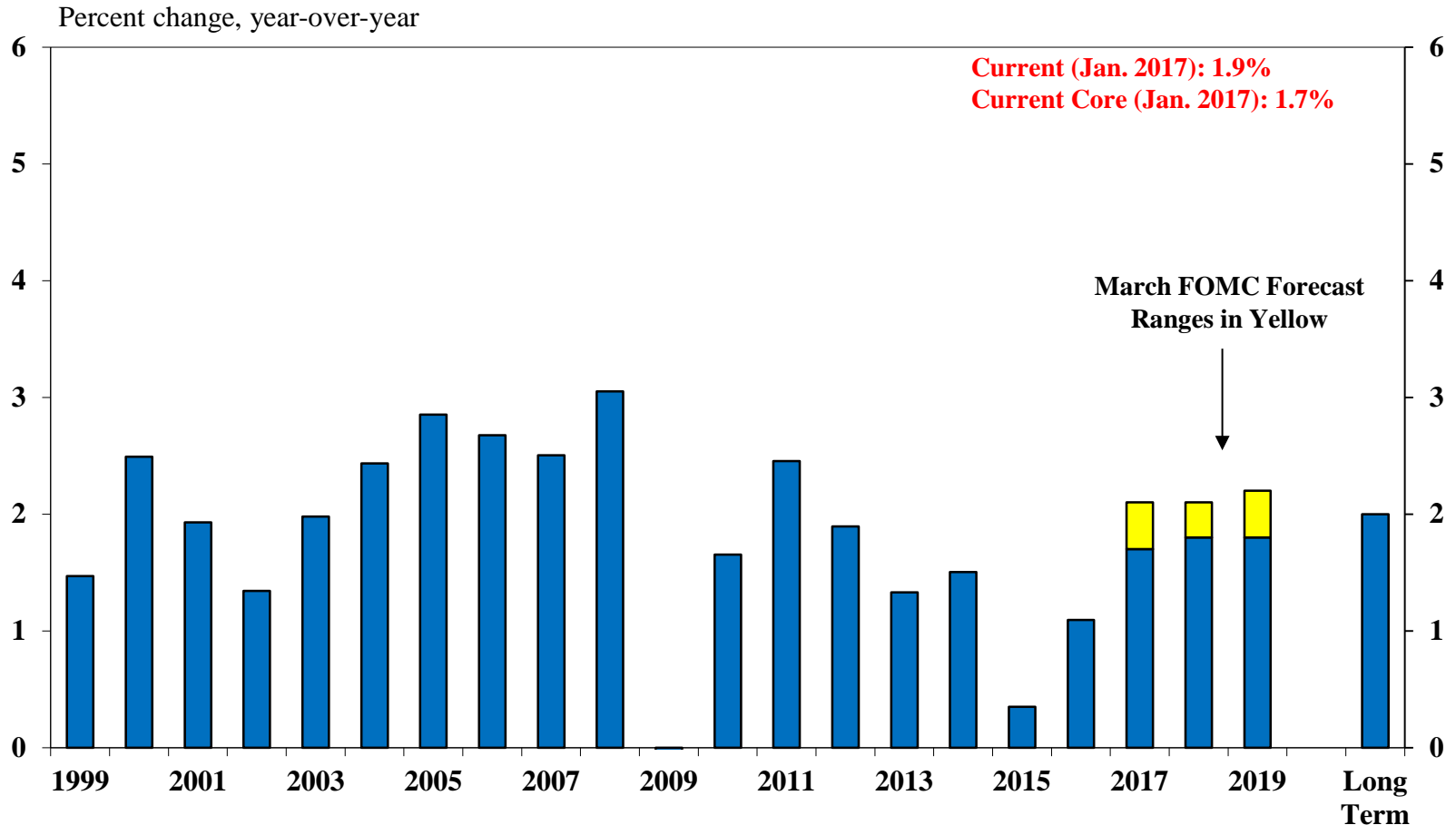
## U.S. Labor Market Conditions Index





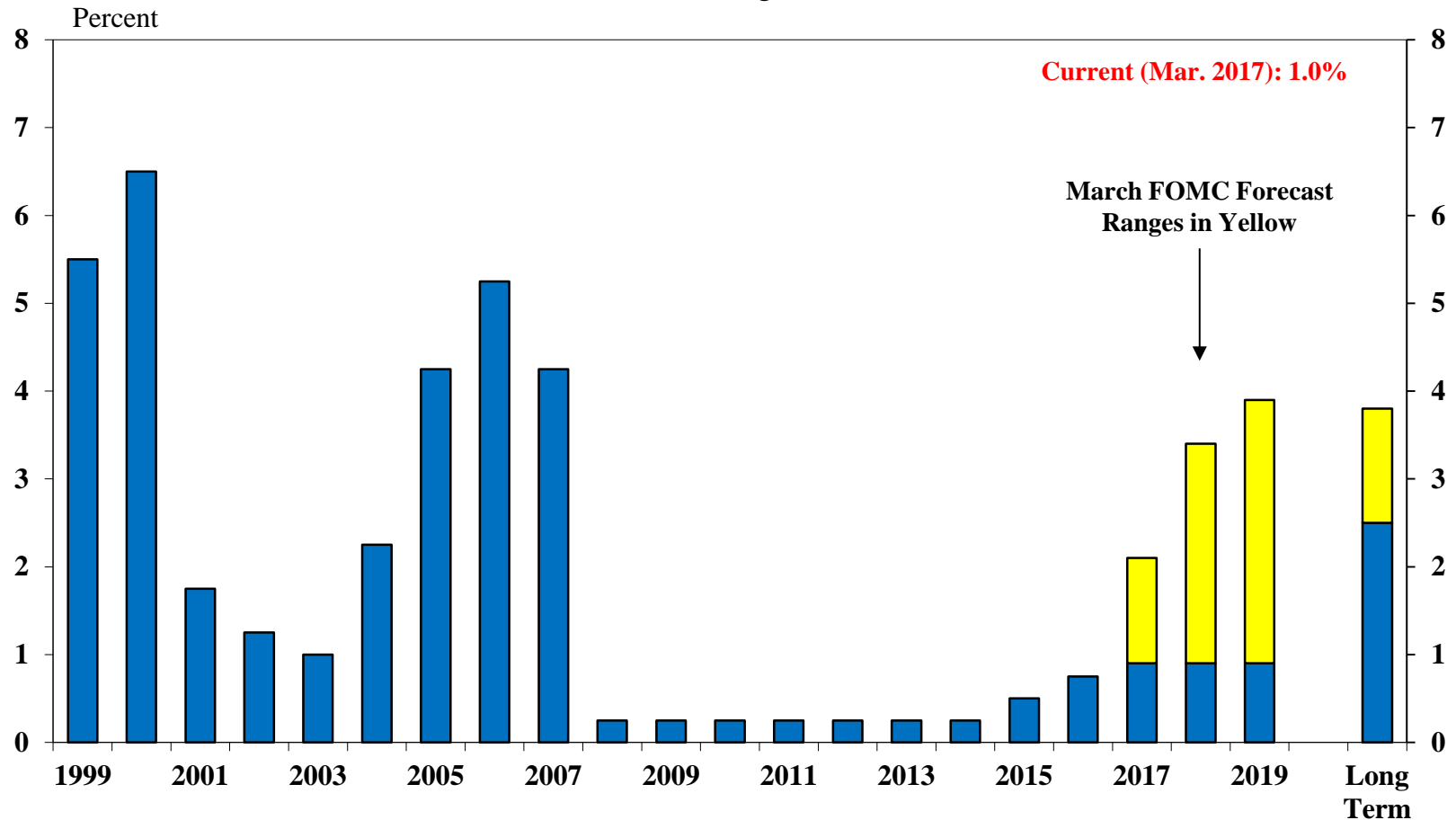
# Inflation has been low the past couple of years but has recently returned to near the long-term target

## PCE Inflation Index



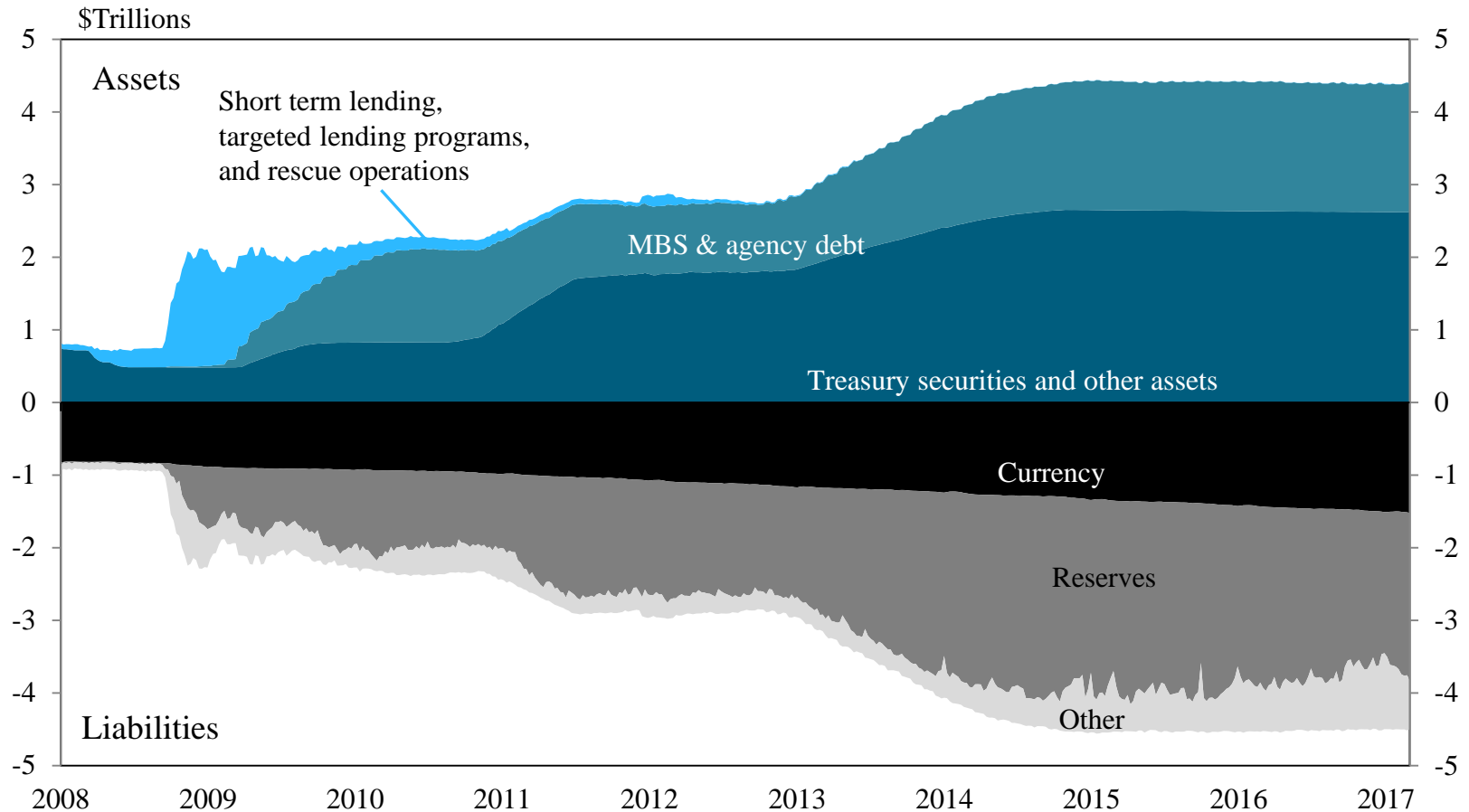
“The [Federal Open Market] Committee expects... only gradual increases in the federal funds rate”

### Federal Funds Rate Year-end target



# The Fed balance sheet remains high, with a mix of treasury and mortgage-backed securities

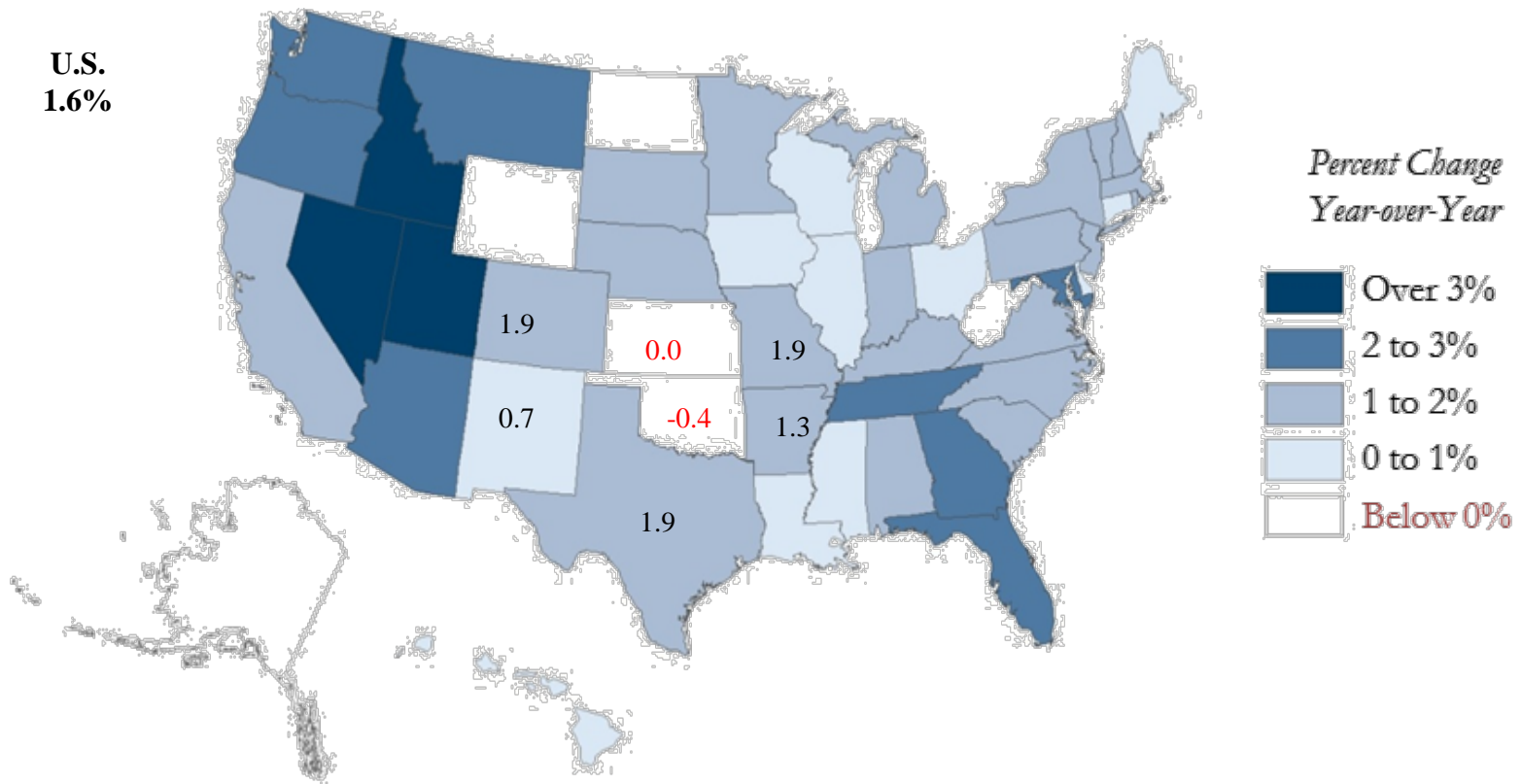
## Federal Reserve Balance Sheet



# **Trends in the Oklahoma Economy**

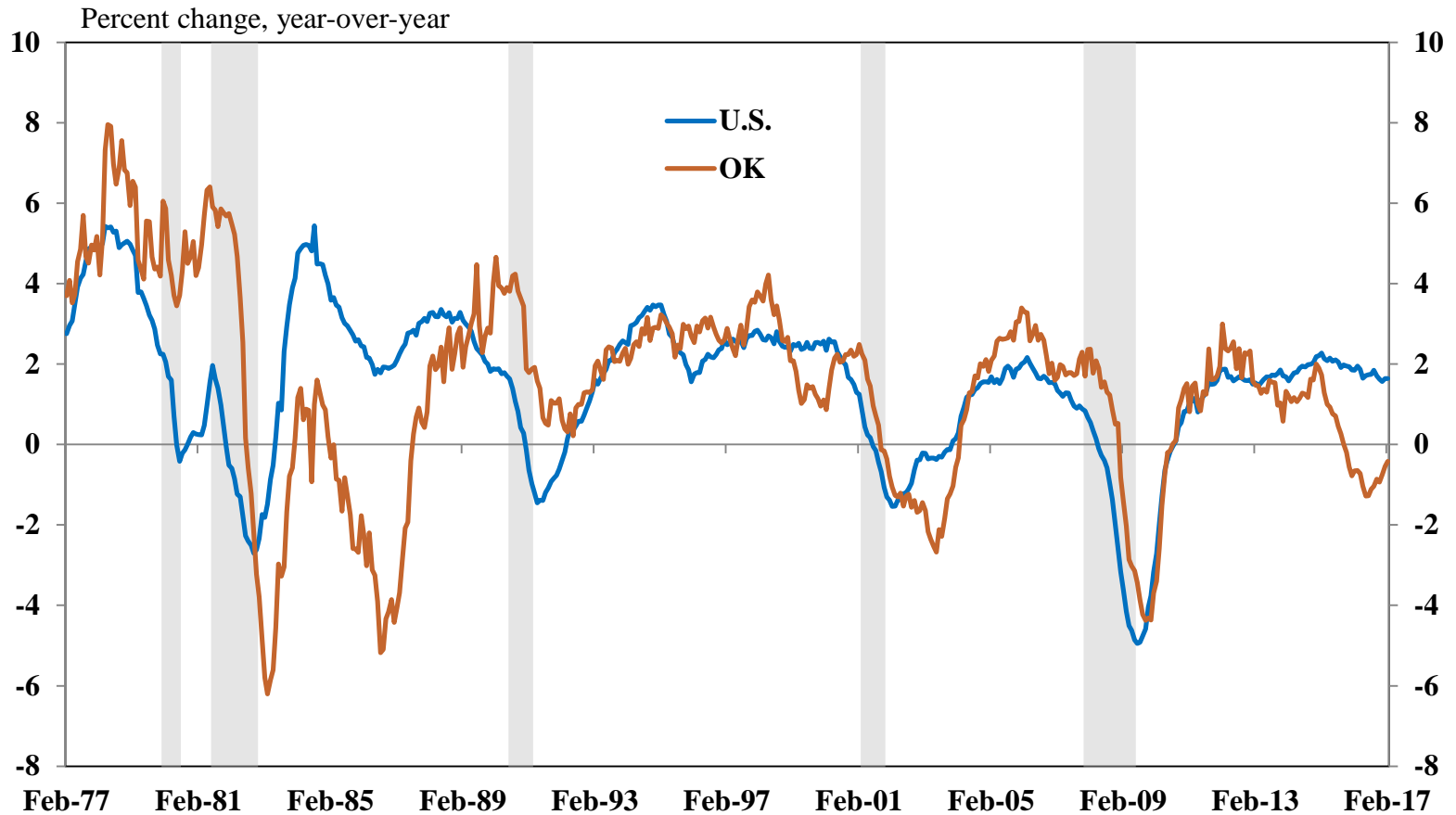
# Job growth across the U.S. varies widely, with Oklahoma employment still down from a year ago

**Total Nonfarm Employment Growth**  
February 2017



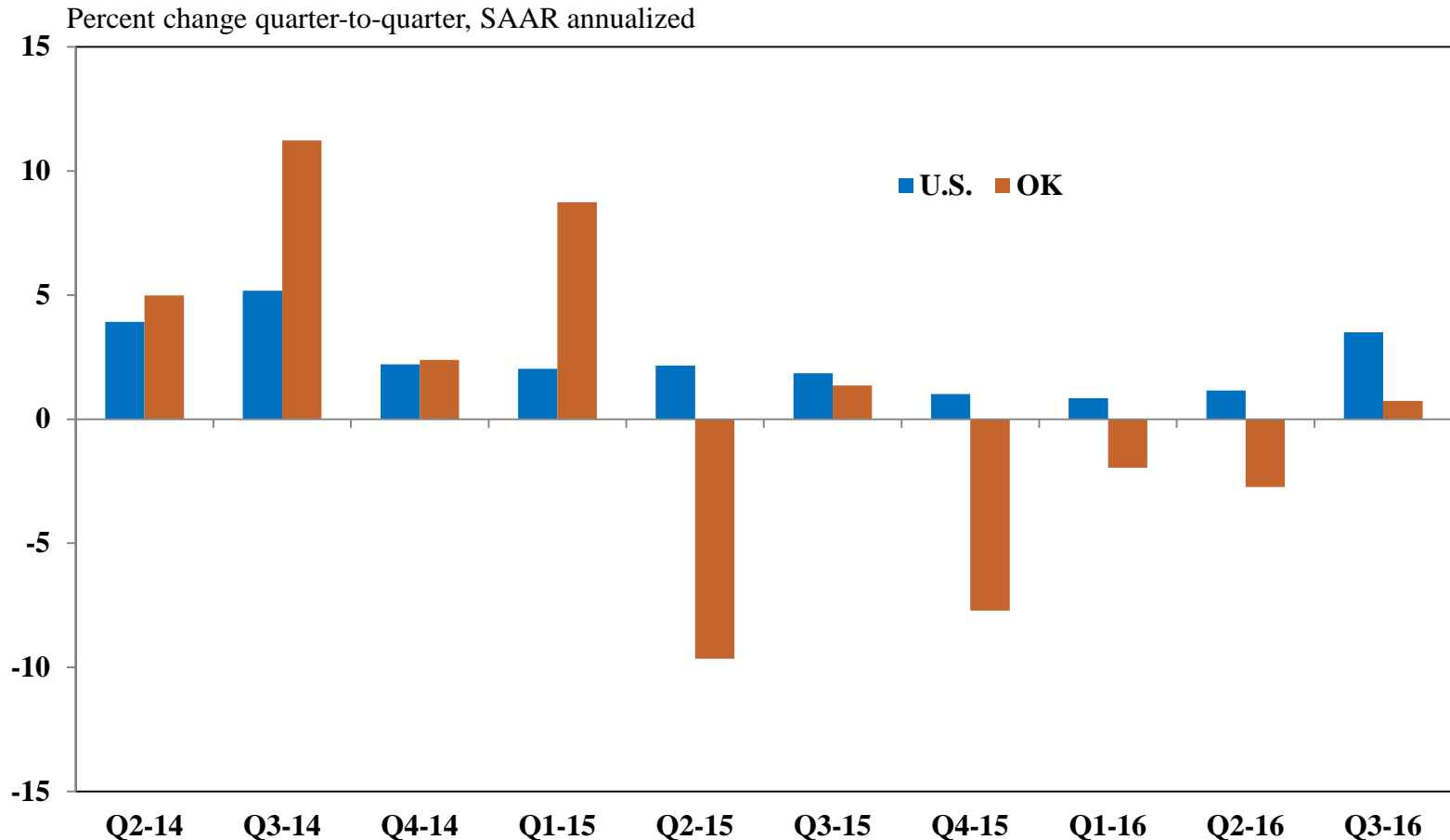
# 2016 was the largest divergence between U.S. and Oklahoma job growth since the 1980s

## Payroll Employment Growth



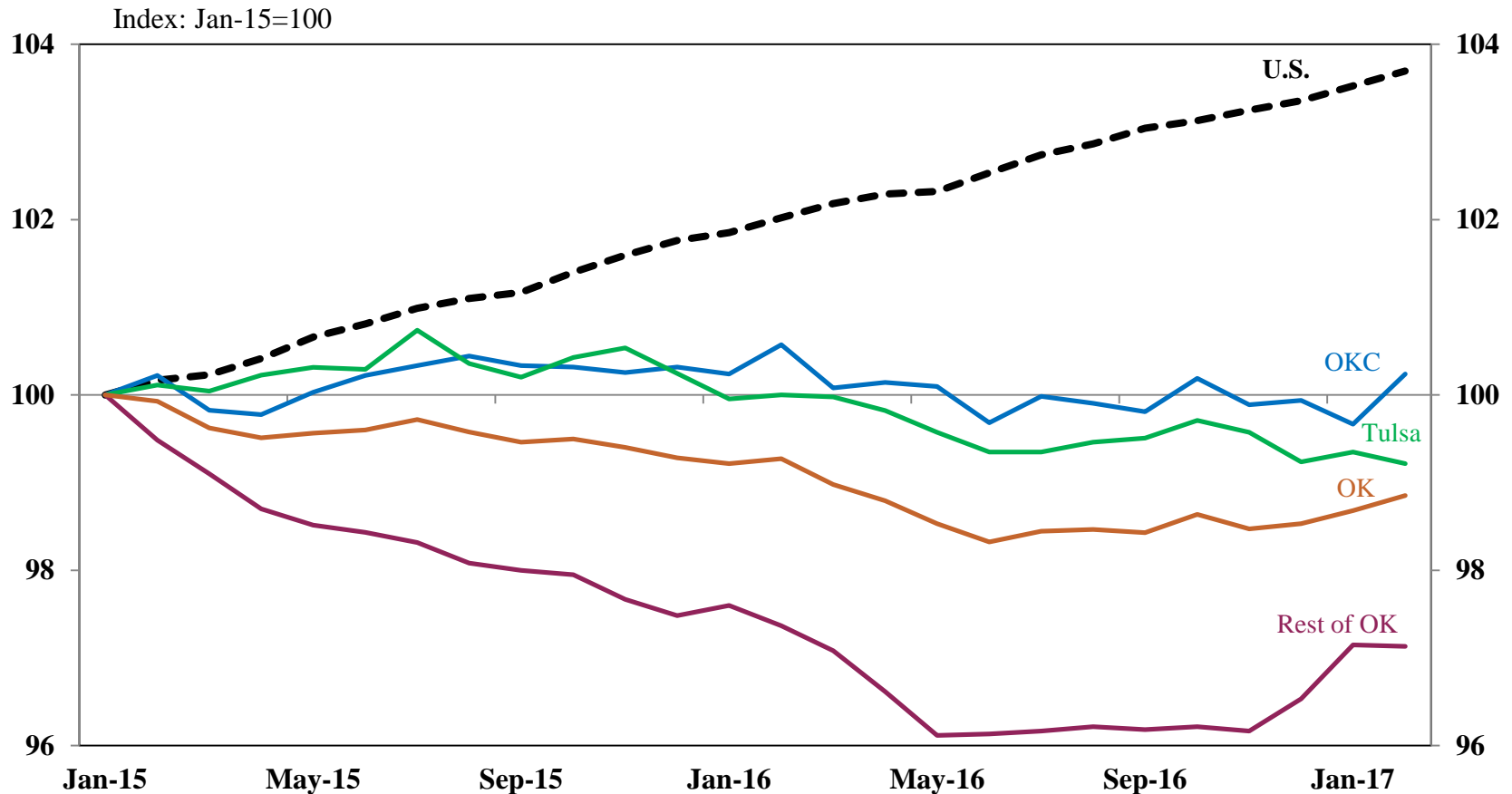
# Oklahoma's real GDP also fell 3 straight quarters starting in late 2015, but rose slightly in Q3 2016

## Real GDP Growth



# Employment in the state has also edged higher in recent months, especially in non-metro areas

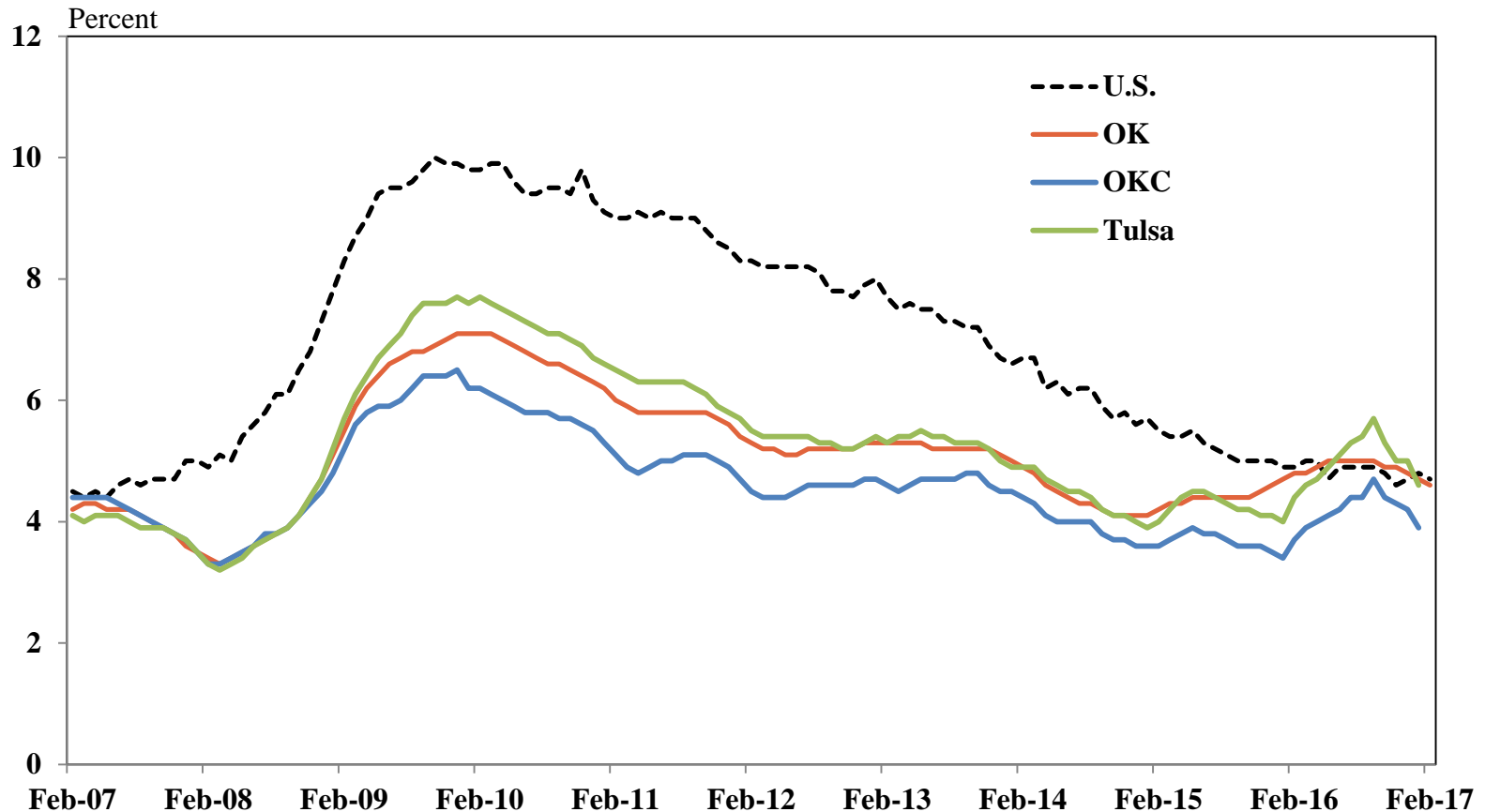
**Level of Payroll Employment**  
Through February 2017





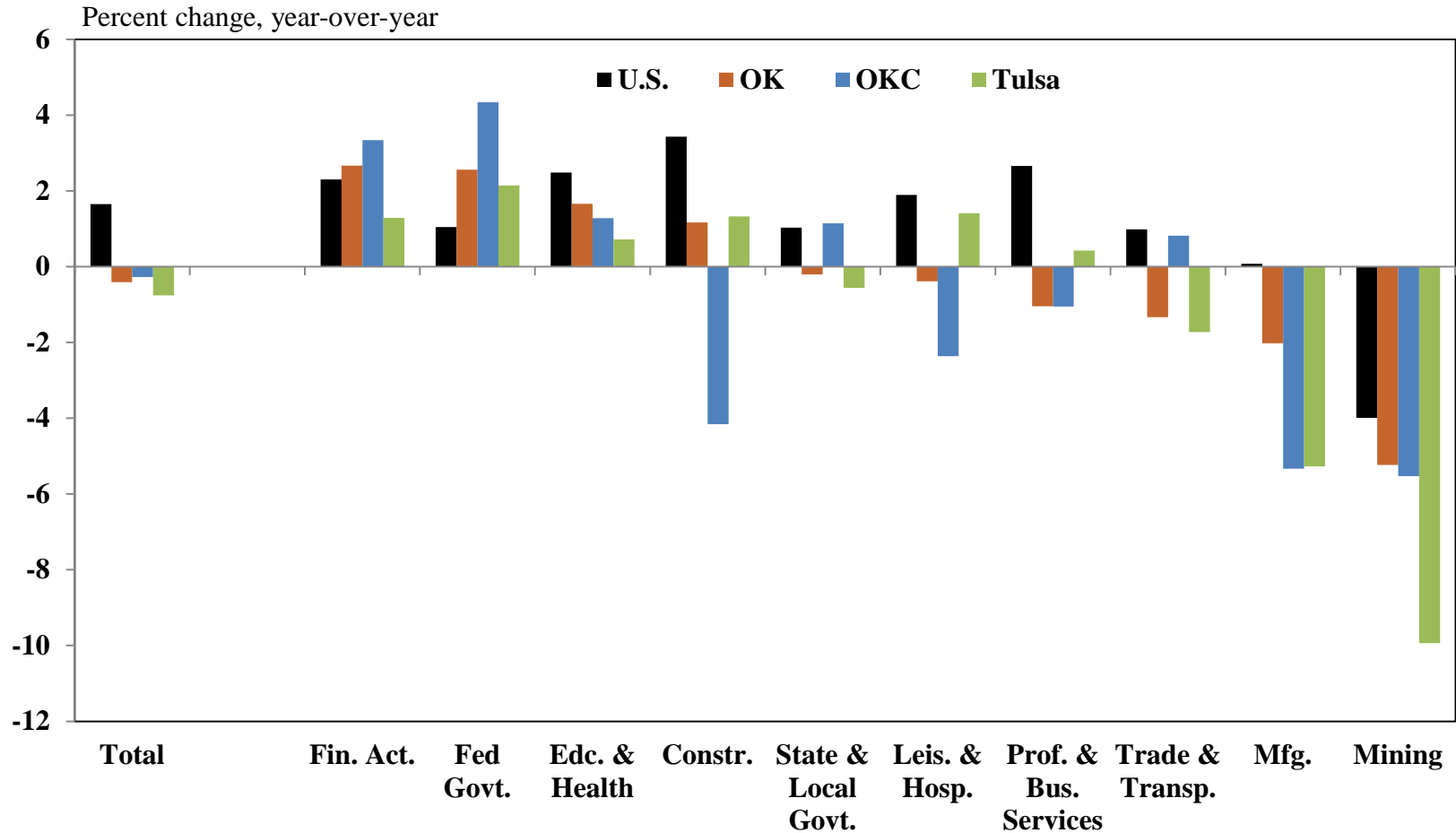
# Unemployment ticked up last year but has come down lately to below the national rate again

**Unemployment Rates**  
Seasonally Adjusted



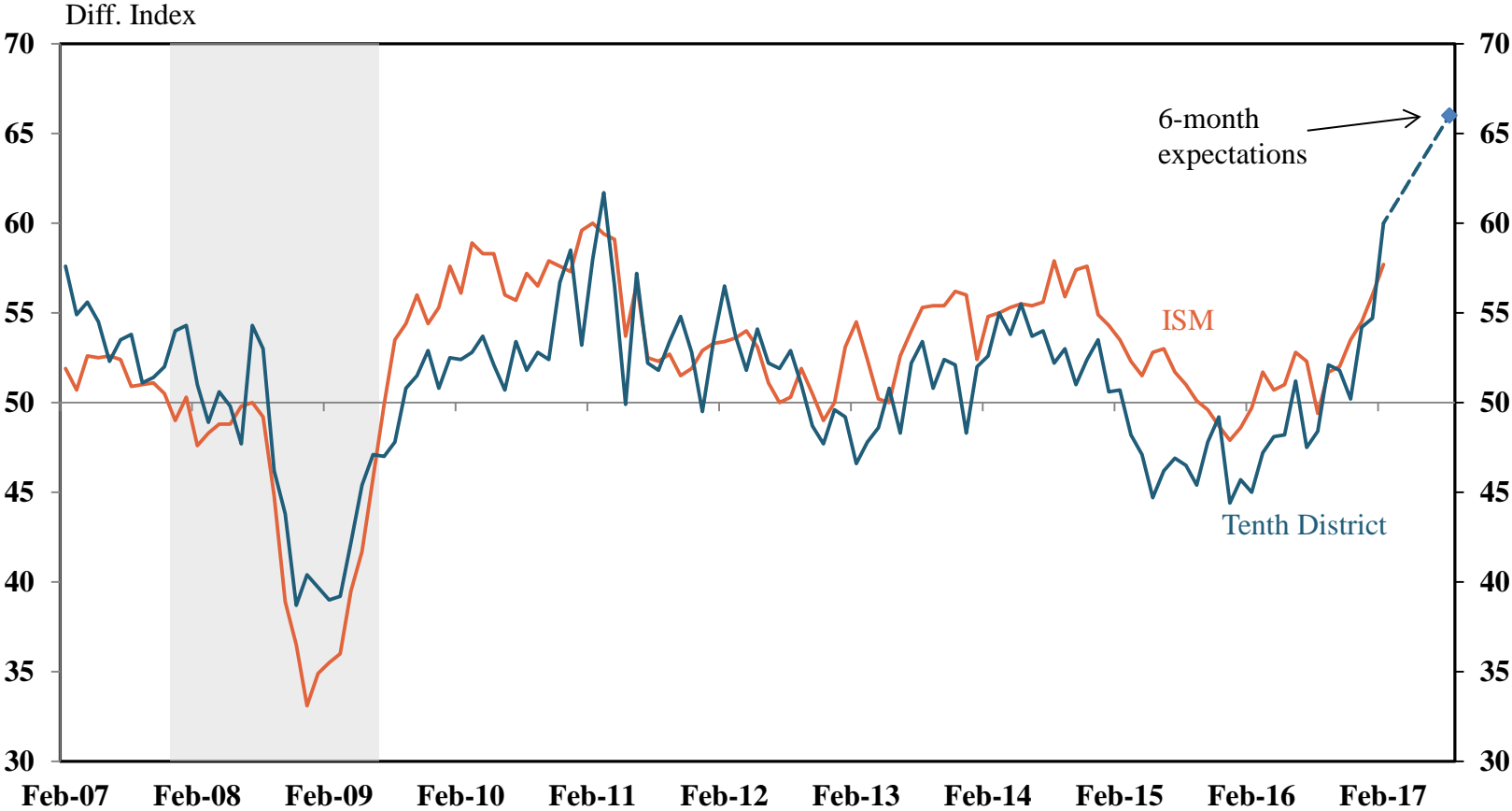
# Job growth is positive in several industries, but remains weak in energy and manufacturing

**Job Growth by Industry**  
Feb-17



# Overall factory activity in the region has improved lately, with considerable optimism

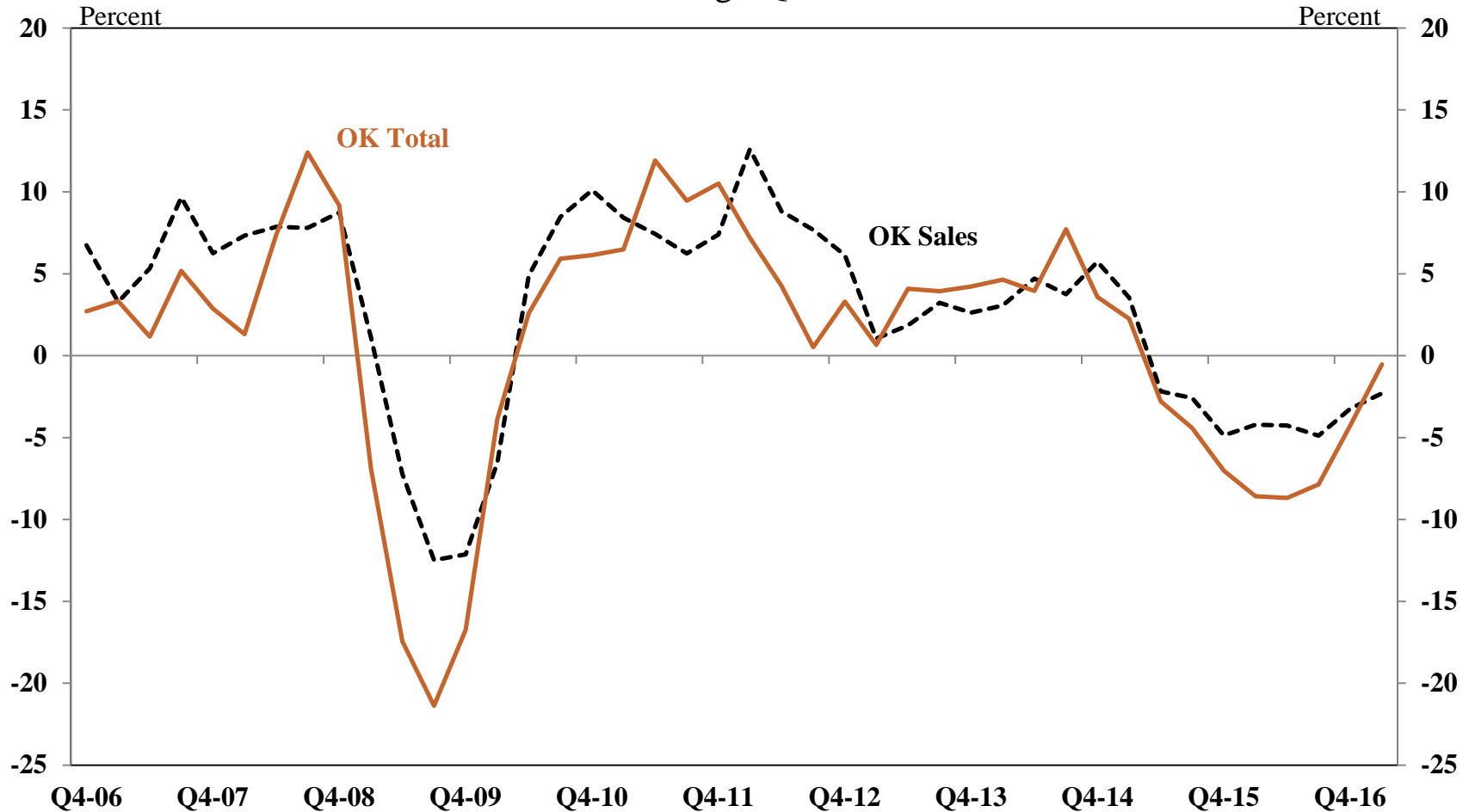
## Manufacturing Composite Indexes, Seasonally Adjusted



Source: ISM, FRBKC

# State tax revenues are finally showing signs of stabilization, after 2 years of declines

**Tax Receipts**  
Through Q1-17\*



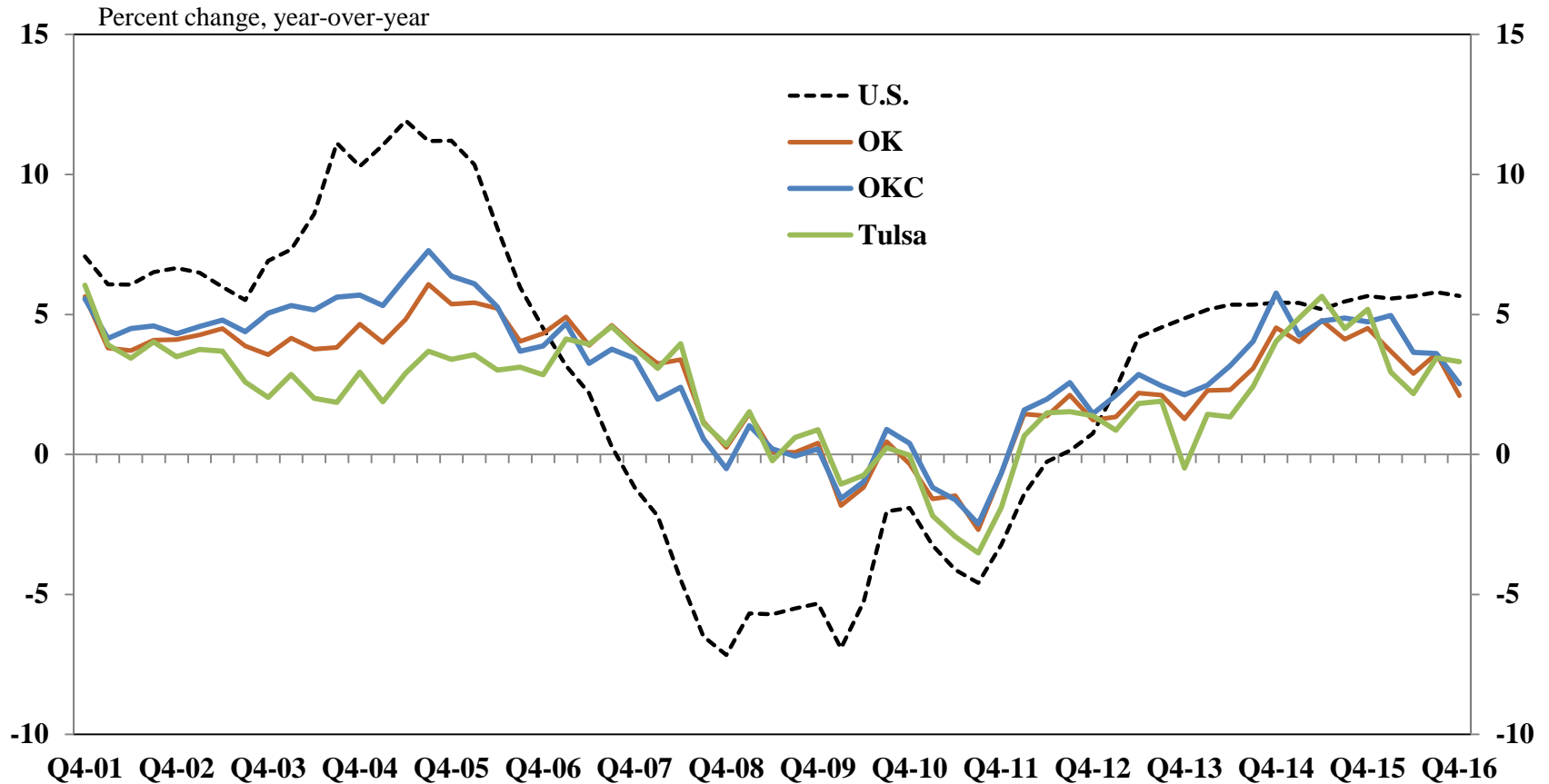
\*Q1-17 only includes part of March



Source: OK Tax Commission

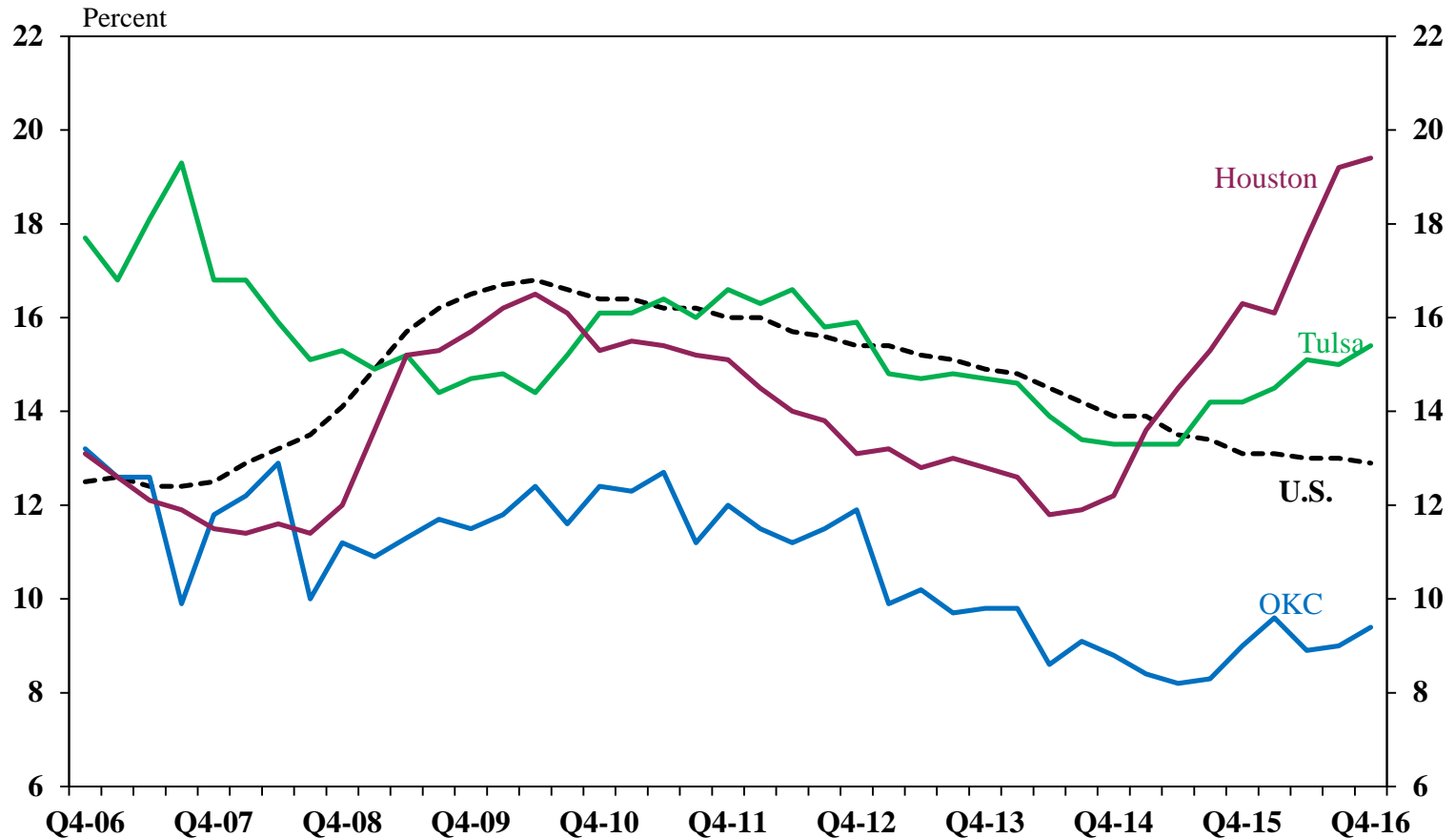
# Home price growth in Oklahoma has slowed, but remains moderately positive

**FHFA Home Price Index**  
Seasonally Adjusted



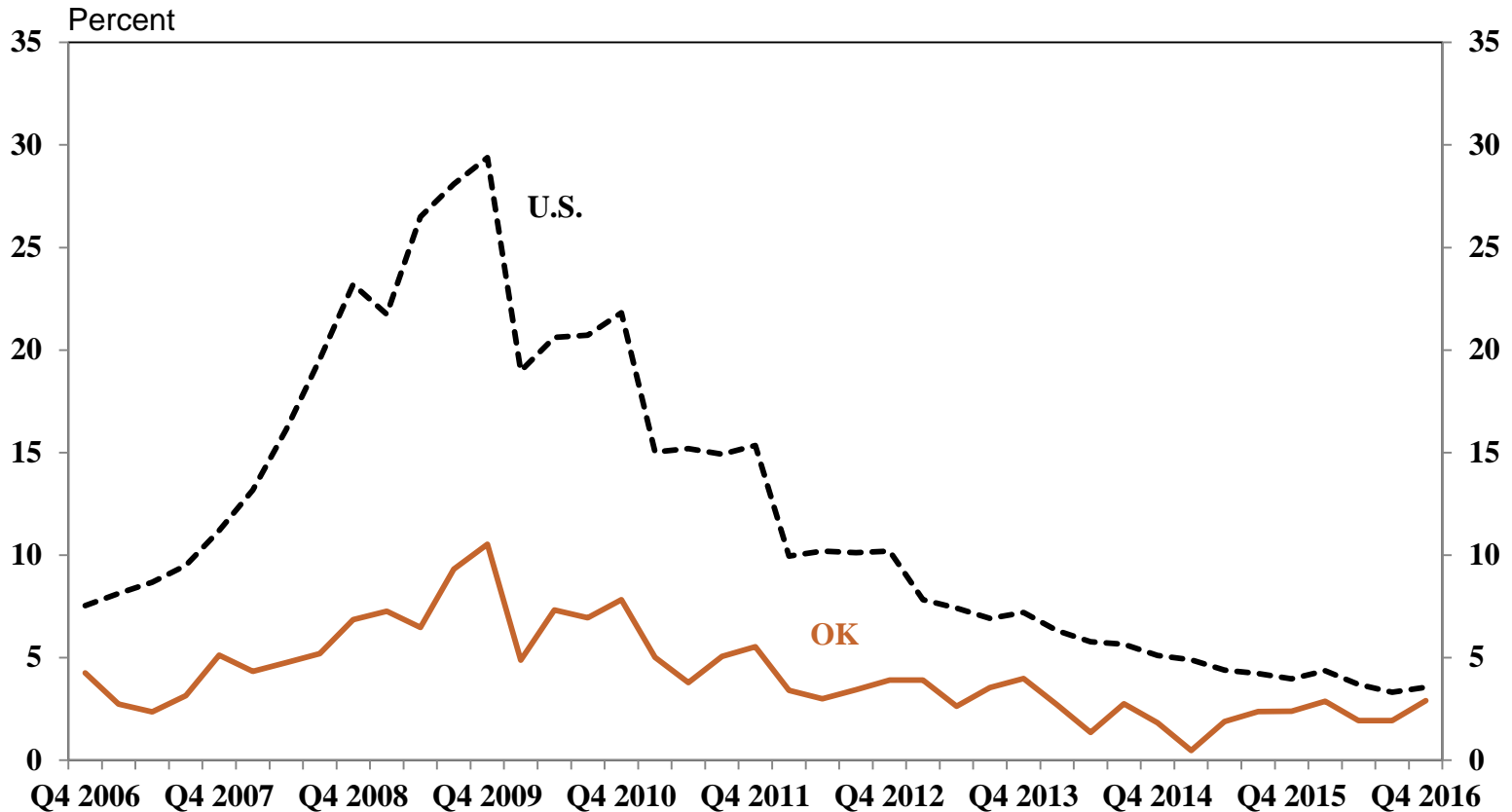
# Office vacancy rates have risen slightly in the two large metros, but much less than Houston

## Metro Office Vacancy Rates



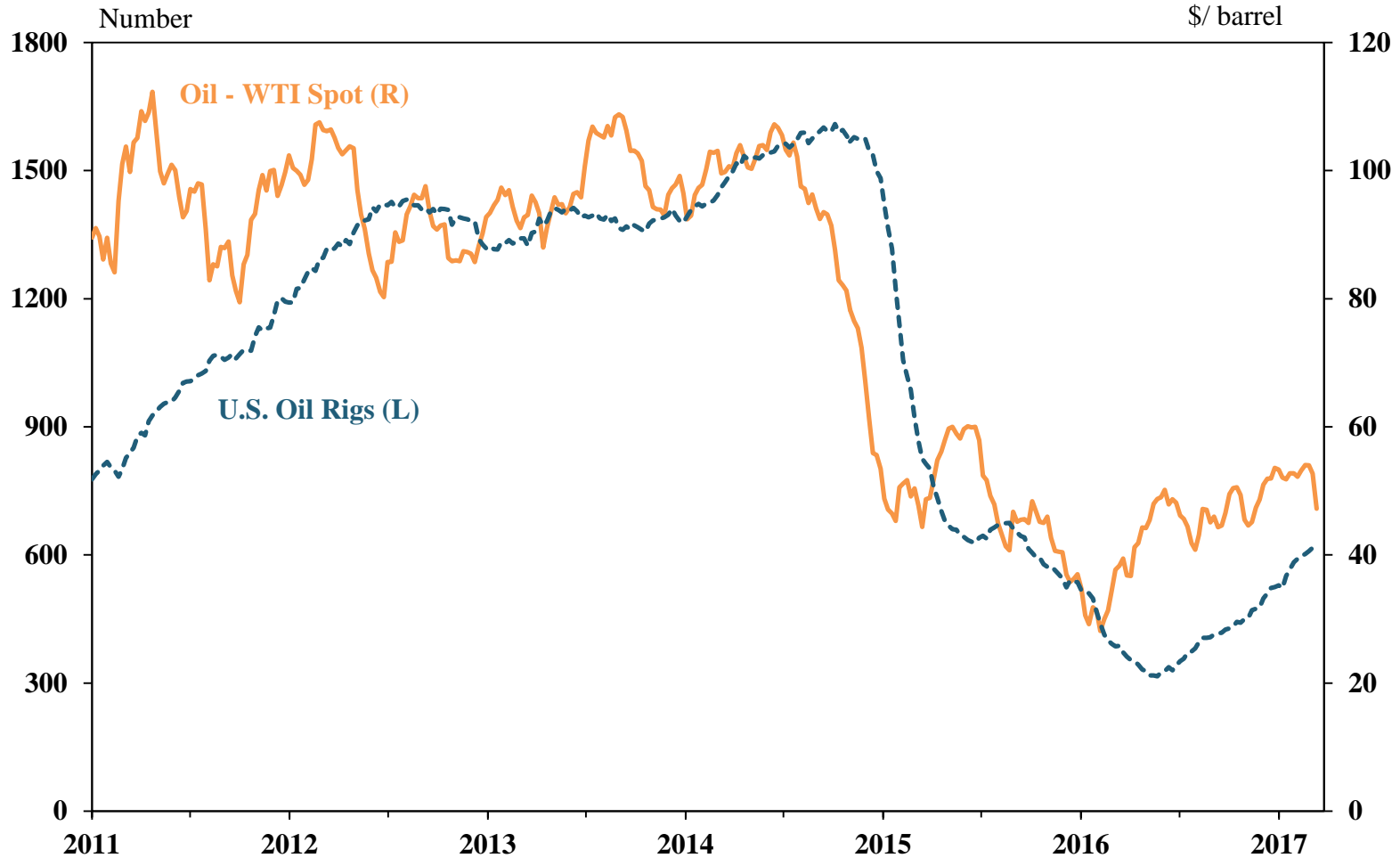
# And nearly all banks in Oklahoma remain profitable

**Share of Banks Not Making a Profit**  
Commercial Banks



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

## Oil Spot Prices and Rig Counts

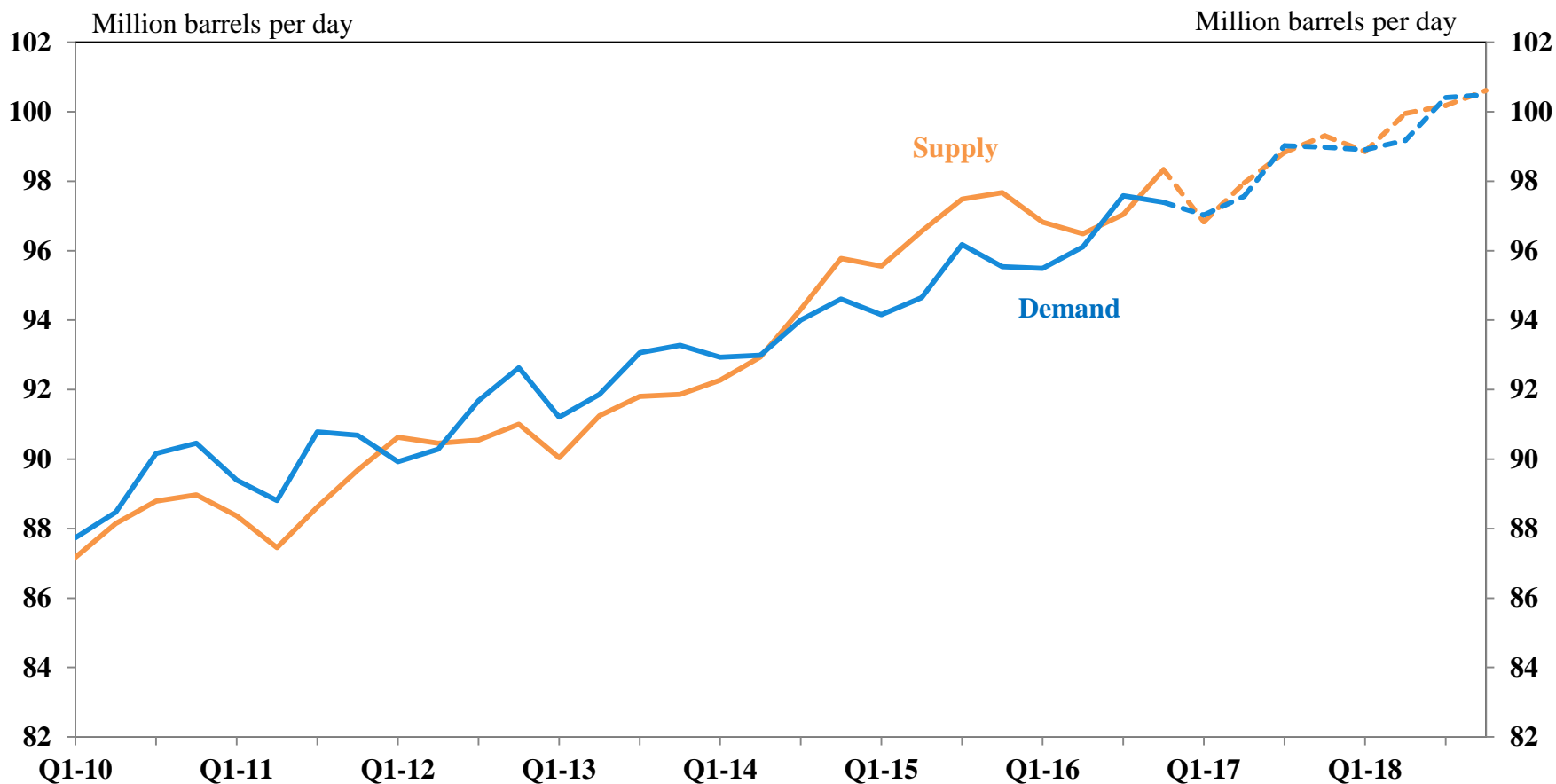




# World oil supply and demand are expected to come (and stay) in line this quarter

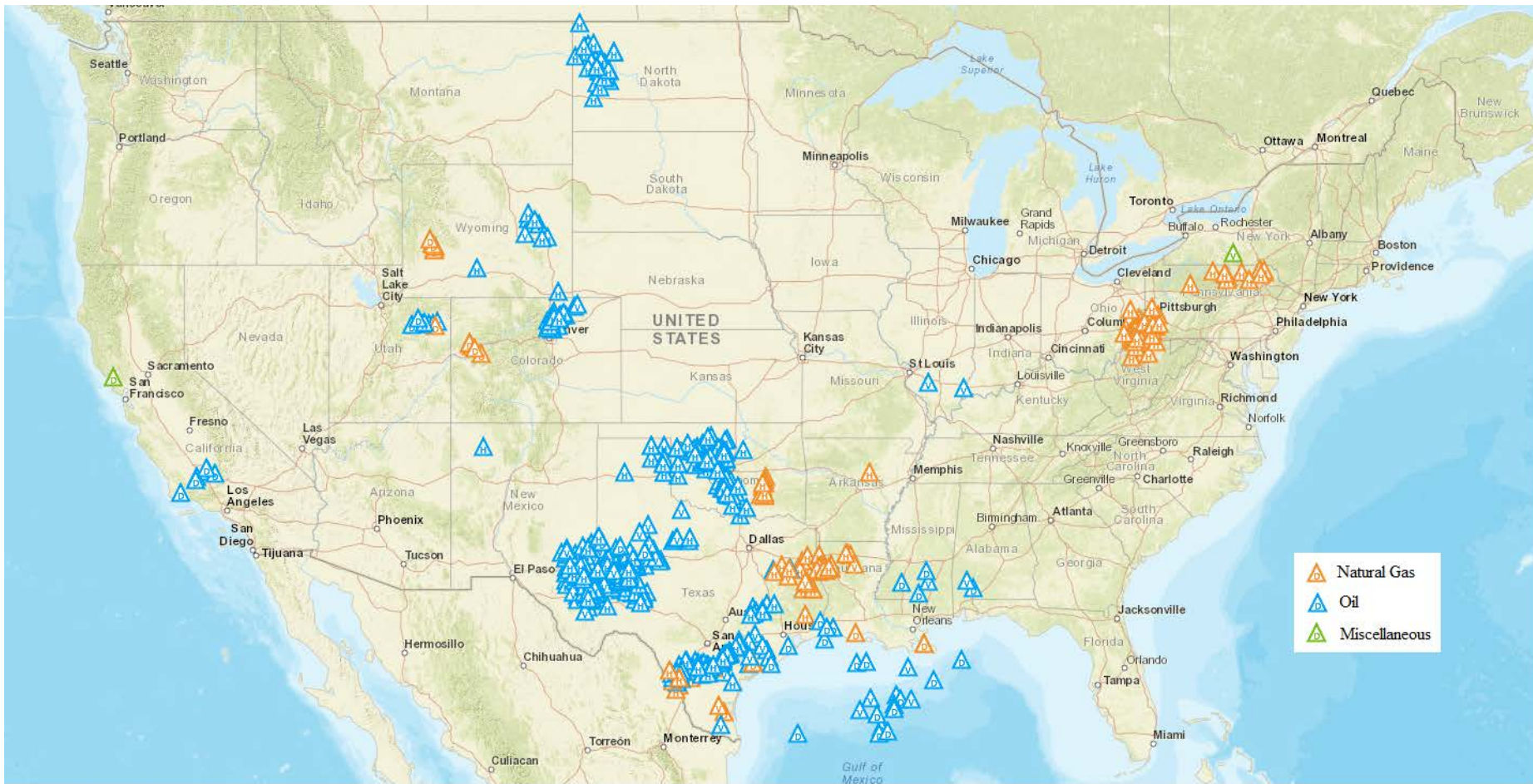
## Global Oil Supply and Demand

March 2017 Forecast



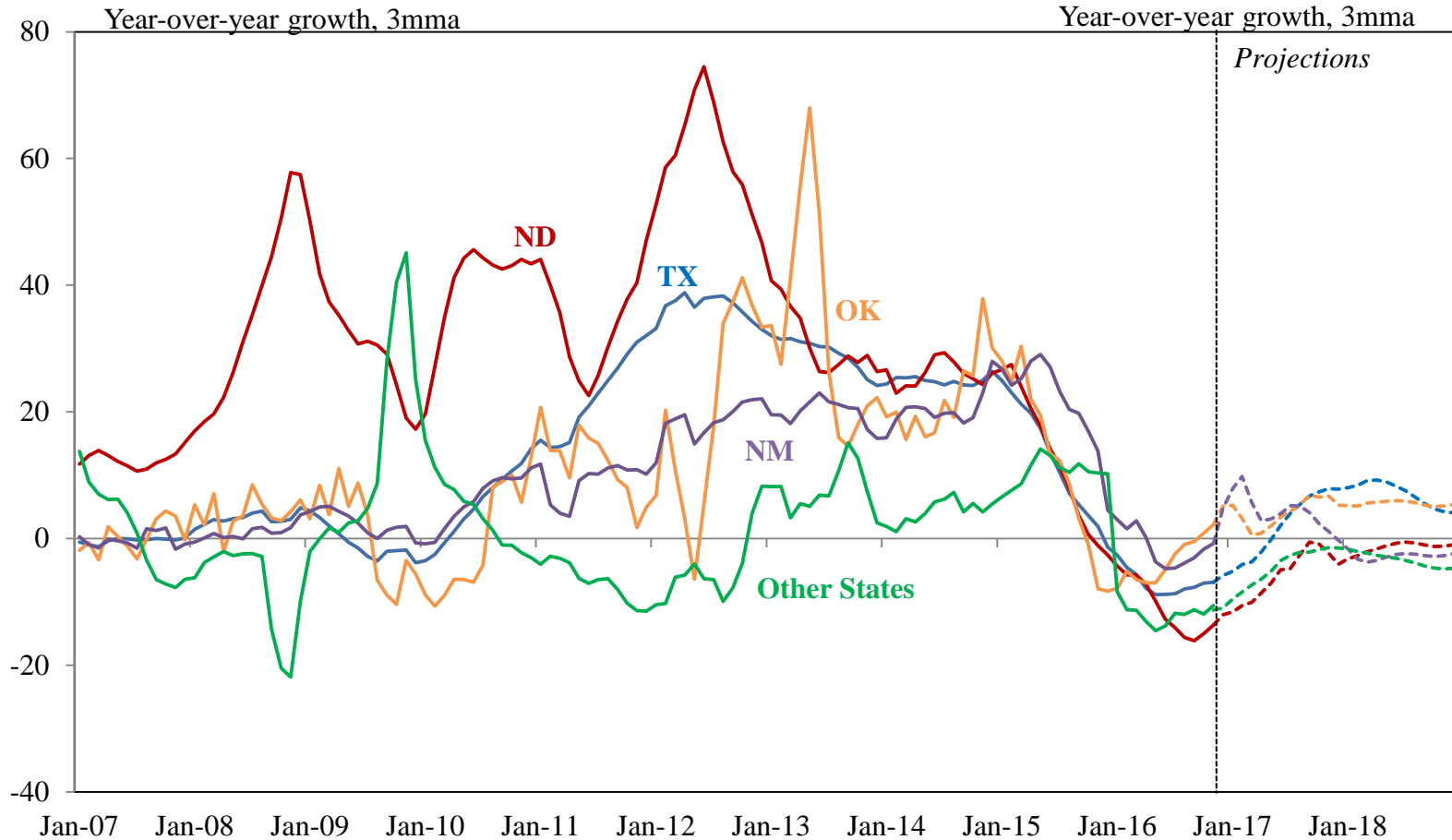
# The most active drilling areas now are in west Texas and northwest Oklahoma

**Current Drilling Rig Locations,  
As-of March 24, 2017**



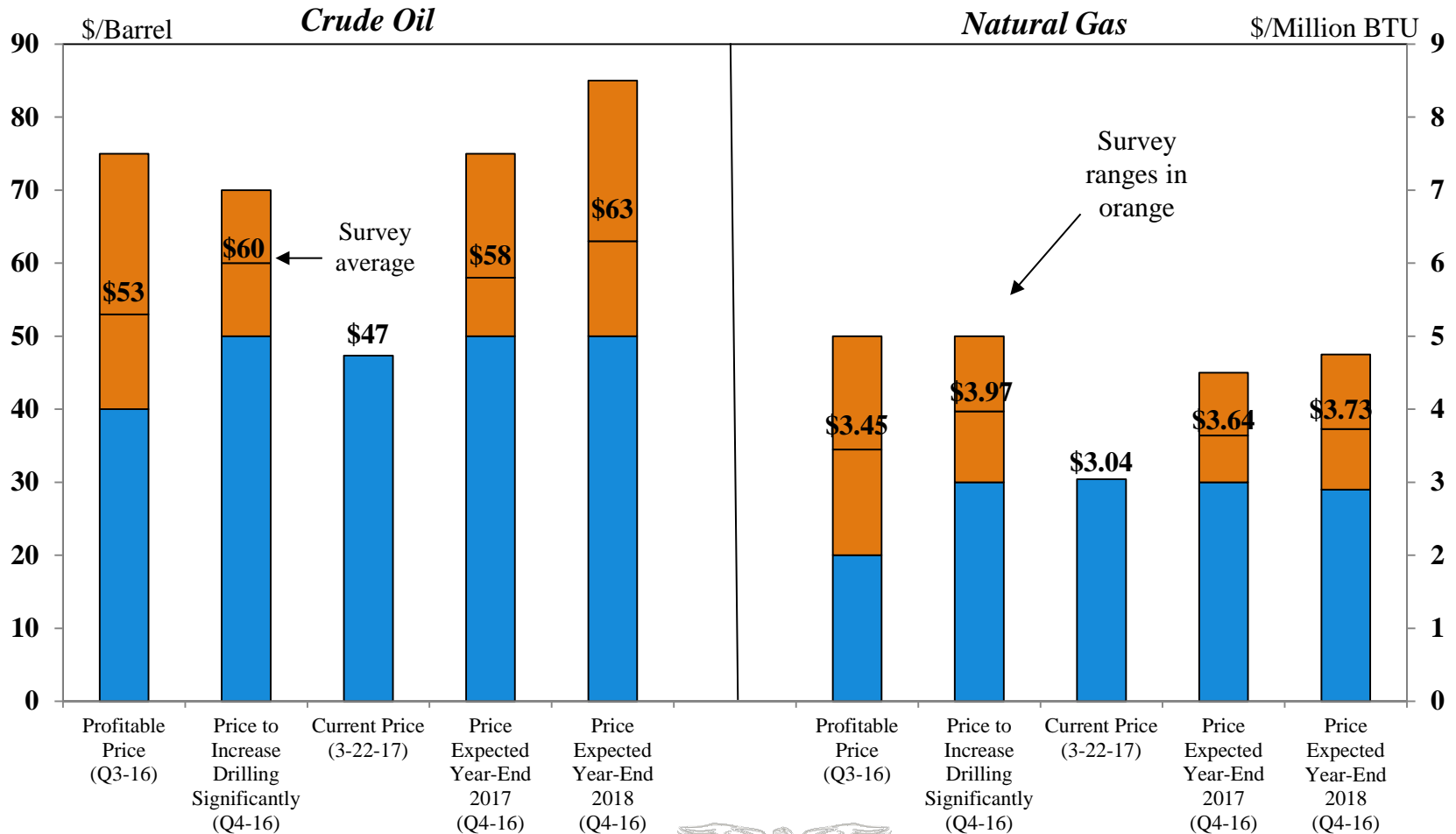
# And oil production in Oklahoma and Texas is expected to continue to grow through 2018

## Oil Production by State



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

## Kansas City Fed Energy Survey Special Questions



# Summary

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



# Questions?

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For more analysis on regional manufacturing conditions, subscribe to our monthly **Manufacturing Survey** at:

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For more analysis on regional energy conditions, subscribe to our quarterly **Energy Survey** at:

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