U.S. and Oklahoma Economic Outlook

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* The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or 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

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis
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

Current (Apr. 2017): 4.4%

March FOMC Forecast Ranges in Yellow

Sources: U.S. Bureau of Labor Statistics, FOMC
Broader measures of labor market conditions also show a return to normalcy.
FOMC: “Inflation…has been running close to the Committee’s 2 percent longer-run objective”

PCE Inflation Index

Percent change, year-over-year

Current (Mar. 2017): 1.8%
Current Core (Mar. 2017): 1.6%

March FOMC Forecast Ranges in Yellow

Sources: U.S. Bureau of Labor Statistics, FOMC
“The [FOMC] expects that economic conditions…will warrant …gradual increases in the federal funds rate”

Federal Funds Rate
Year-end target

Current (May 2017): 1.0%

March FOMC Forecast
Ranges in Yellow

Sources: Federal Reserve Board, FOMC
“[P]articipants agreed that reductions in the [Fed]'s securities holdings should be gradual and predictable”
Trends in the Oklahoma Economy
2016 was the largest divergence between U.S. and Oklahoma job growth since the 1980s

Payroll Employment Growth

Source: U.S. Bureau of Labor Statistics
But employment in the state has stabilized, with growth occurring in some areas in recent months.
Jobs in most industries are above year-ago levels, but lag in state/local government and consumer spending.

Job Growth by Industry
Apr-17

Percent change, year-over-year

Source: Bureau of Labor Statistics
Oil prices’ recent rise to $50/barrel has been followed by a near-doubling in the rig count.
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 markedly in recent months, with considerable optimism.
State tax revenues have finally risen back to year-ago levels, after falling for 2 years.
State unemployment ticked up last year but has since moved back below the national rate.
In housing, average home price growth across the state has slowed, but remains moderately positive.
Inventories of unsold homes remain quite low in the two large metros, despite job losses and oil prices.
Oklahoma homebuilding slowed once oil prices fell, likely keeping markets from getting oversupplied.
Office vacancy rates have risen slightly in the metro, but much less than in Houston.
And nearly all banks in Oklahoma remain profitable

Share of Banks Not Making a Profit
Commercial Banks

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

Source: U.S. Bureau of Economic Analysis
Energy prices are around average profitable levels but are only expected to increase modestly.
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 in most industries
Questions?

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


For more analysis on regional energy conditions, subscribe to our quarterly **Energy Survey**: [https://www.kansascityfed.org/research/indicatorsdata/energy](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](https://www.kansascityfed.org/research/indicatorsdata/mfg)