U.S. & Oklahoma Economic Outlook*

Institute of Real Estate Management
February 15, 2017

Chad Wilkerson
Vice President, Economist, and Oklahoma City Branch Executive
Federal Reserve Bank of Kansas City
www.kansascityfed.org/oklahomacity

* 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.
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

Current (Jan. 2017): 4.8%

Sources: U.S. Bureau of Labor Statistics, FOMC
Inflation has been low the past couple of years but has recently returned to near the long-term target.

Sources: U.S. Bureau of Labor Statistics, FOMC
“The [Federal Open Market] Committee expects… only gradual increases in the federal funds rate”

Federal Funds Rate
Year-end target

Sources: Federal Reserve Board, FOMC
Trends in the Oklahoma Economy
Job growth across the U.S. diverged widely in 2016, with Oklahoma in a slight jobs recession.

Total Nonfarm Employment Growth
December 2016

Source: U.S. Bureau of Labor Statistics
2016 was the largest divergence between U.S. and Oklahoma job growth since the 1980s

Payroll Employment Growth

Percent change, year-over-year

Source: U.S. Bureau of Labor Statistics
Oklahoma’s real GDP also fell 3 straight quarters starting in late 2015, but rose slightly in Q3 2016.

Real GDP Growth

Source: U.S. Bureau of Economic Analysis
The two large metro areas have generally held up better than other parts of the state.
Unemployment ticked up much of 2016 but has come down slightly in recent months
Spillover has occurred from energy to other industries, but jobs in some industries are still up.
The main increases in joblessness were in oil and gas areas of far north, west, and south Oklahoma.
State and local tax revenues are finally showing signs of stabilization, after 2 years of declines

*Q1-17 only includes January data

Source: OK Tax Commission
Home price growth in Oklahoma has slowed, but remains moderately positive.

FHFA Home Price Index
Seasonally Adjusted

Percent change, year-over-year

U.S.
OK
OKC
Tulsa
But inventories of unsold homes remain quite low in the two large metros

Months Supply of Unsold Homes,
Seasonally Adjusted

Source: Residential Realtors’ Reports
Homebuilding has remained fairly stable over the past year, but is still well below levels of ten years ago.

**Single-Family Housing Permits,**  
Seasonally Adjusted, 3-month moving average

Source: U.S. Census Bureau
Office vacancy rates have risen slightly in the two large metros, but much less than Houston.
And nearly all banks in Oklahoma remain profitable.

Share of Banks Not Making a Profit
Commercial Banks

Source: FDIC
A recently struggling industry—manufacturing—has improved lately, with considerable optimism.

Manufacturing Composite Indexes,
Seasonally Adjusted

Source: ISM, FRBKC
Oil prices’ recent rise to $50/barrel has boosted drilling, and OPEC’s November action has helped

Oil Spot Prices and Rig Counts

Source: EIA, Reuters
World oil supply and demand are expected to come (and stay) in line this quarter.

Global Oil Supply and Demand
February 2017 Forecast

Source: EIA
The most active drilling areas now are in west Texas and northwest Oklahoma

Current Drilling Rig Locations,  
As-of February 3, 2017

Source: Baker Hughes
And oil production in Oklahoma and Texas is expected to continue to grow through 2018.
But firms say energy prices need to be a bit higher for a sizable increase in activity.

Kansas City Fed Energy Survey Special Questions

Source: FRBKC Energy Survey, Reuters
Summary

- The U.S. economy continues to grow, and the Fed raised interest rates in December 2015

- 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
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 manufacturing conditions, subscribe to our monthly Manufacturing Survey at:

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

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

https://www.kansascityfed.org/research/indicatorsdata/energy