

U.S. & Oklahoma Economic Outlook*

Institute of Real Estate Management

February 15, 2017



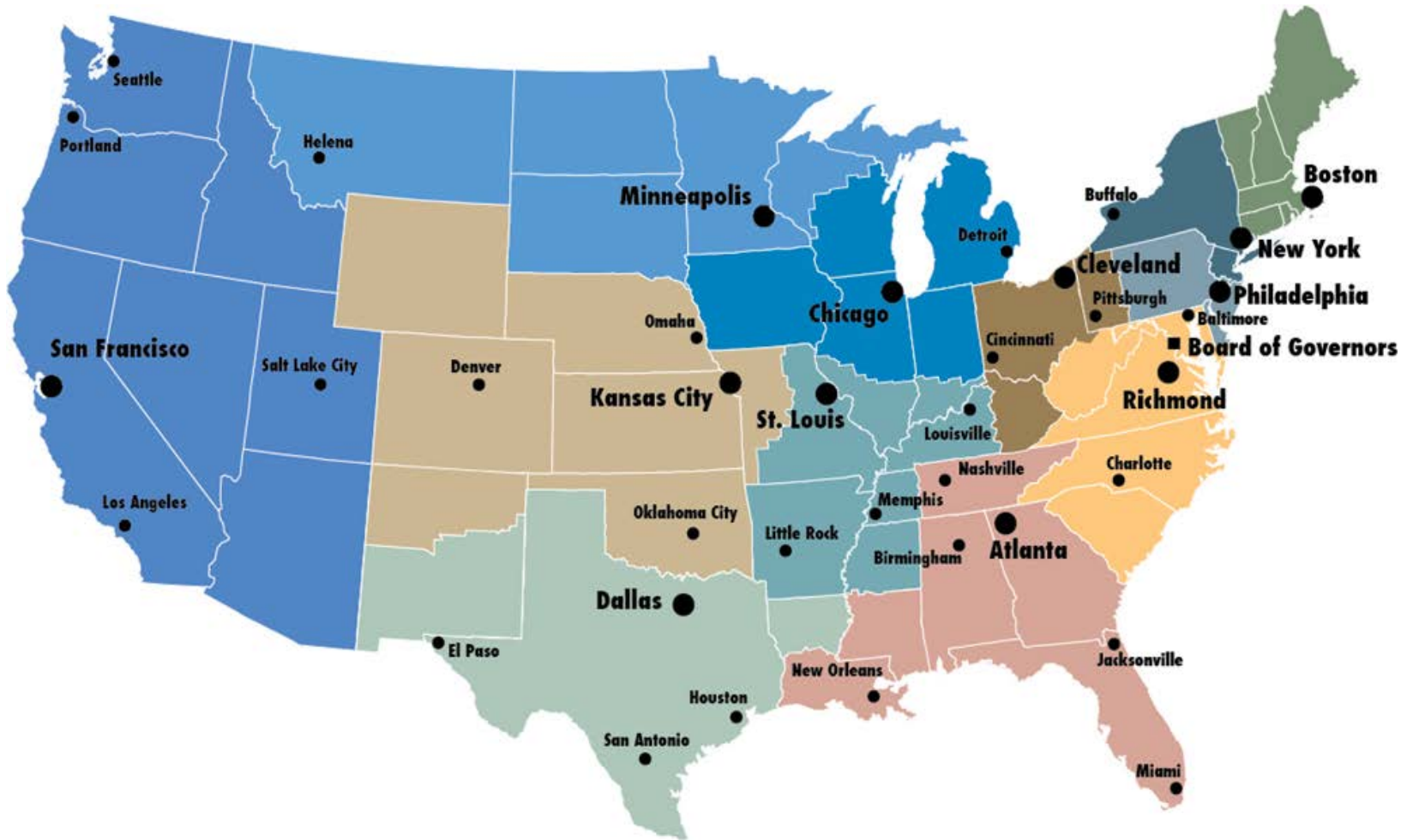
Chad Wilkerson

Vice President, Economist, and Oklahoma City Branch Executive

Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity

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

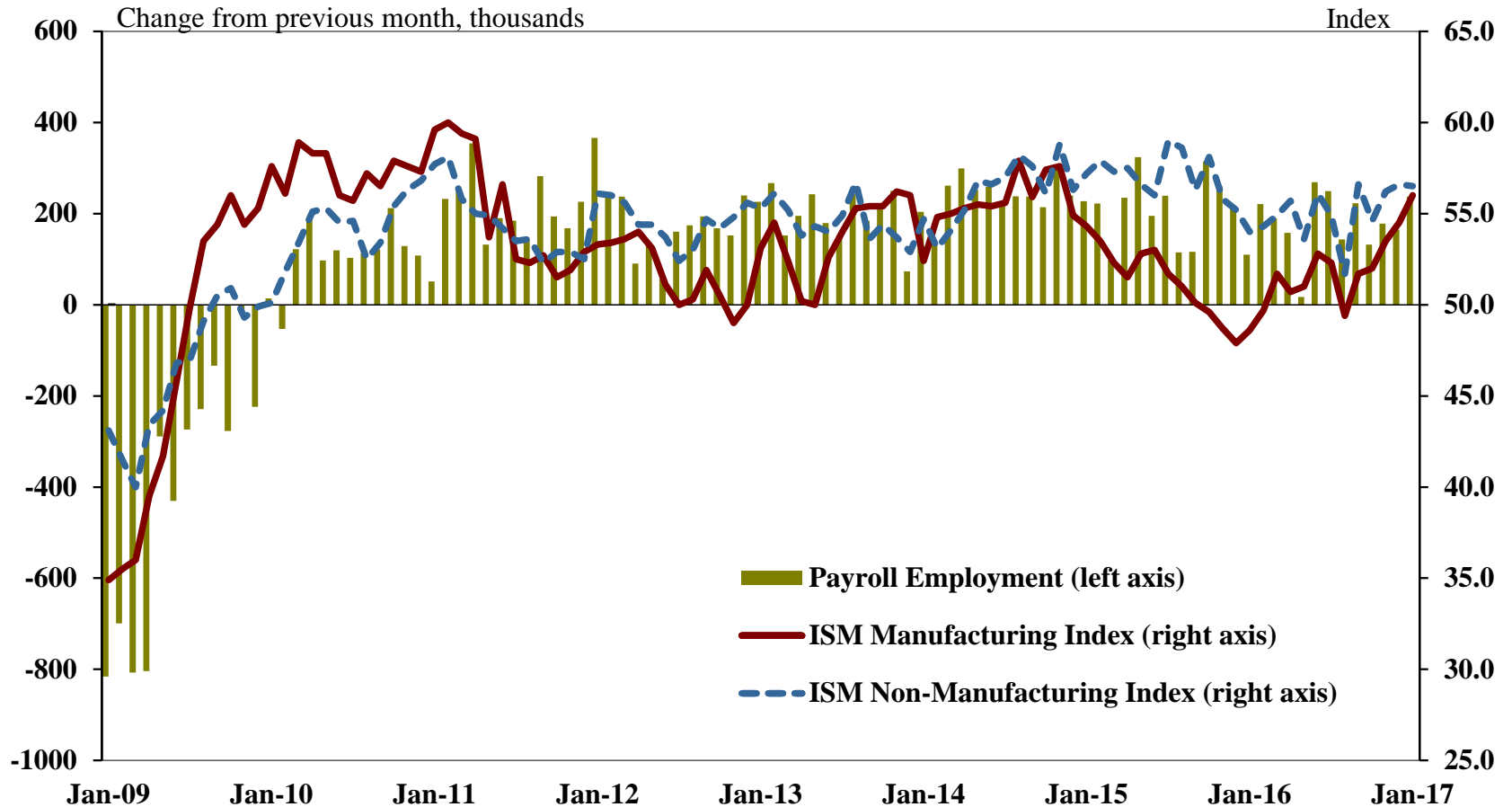
- **Oklahomans on Kansas City Fed head office Board**

- **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

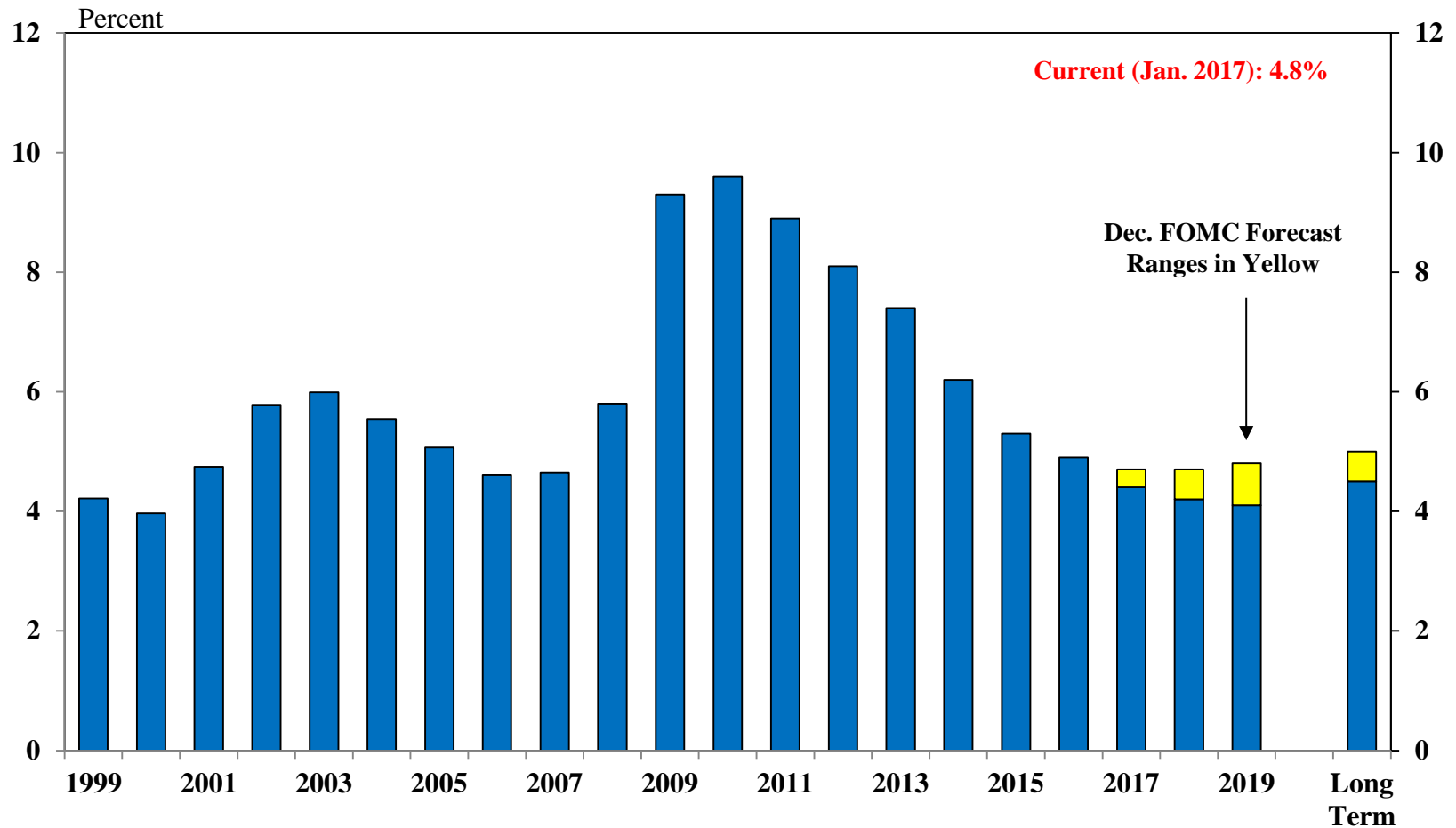
U.S. economic growth has picked up in early 2017 after an up-and-down 2016

U.S. Payroll Employment and Business Indexes



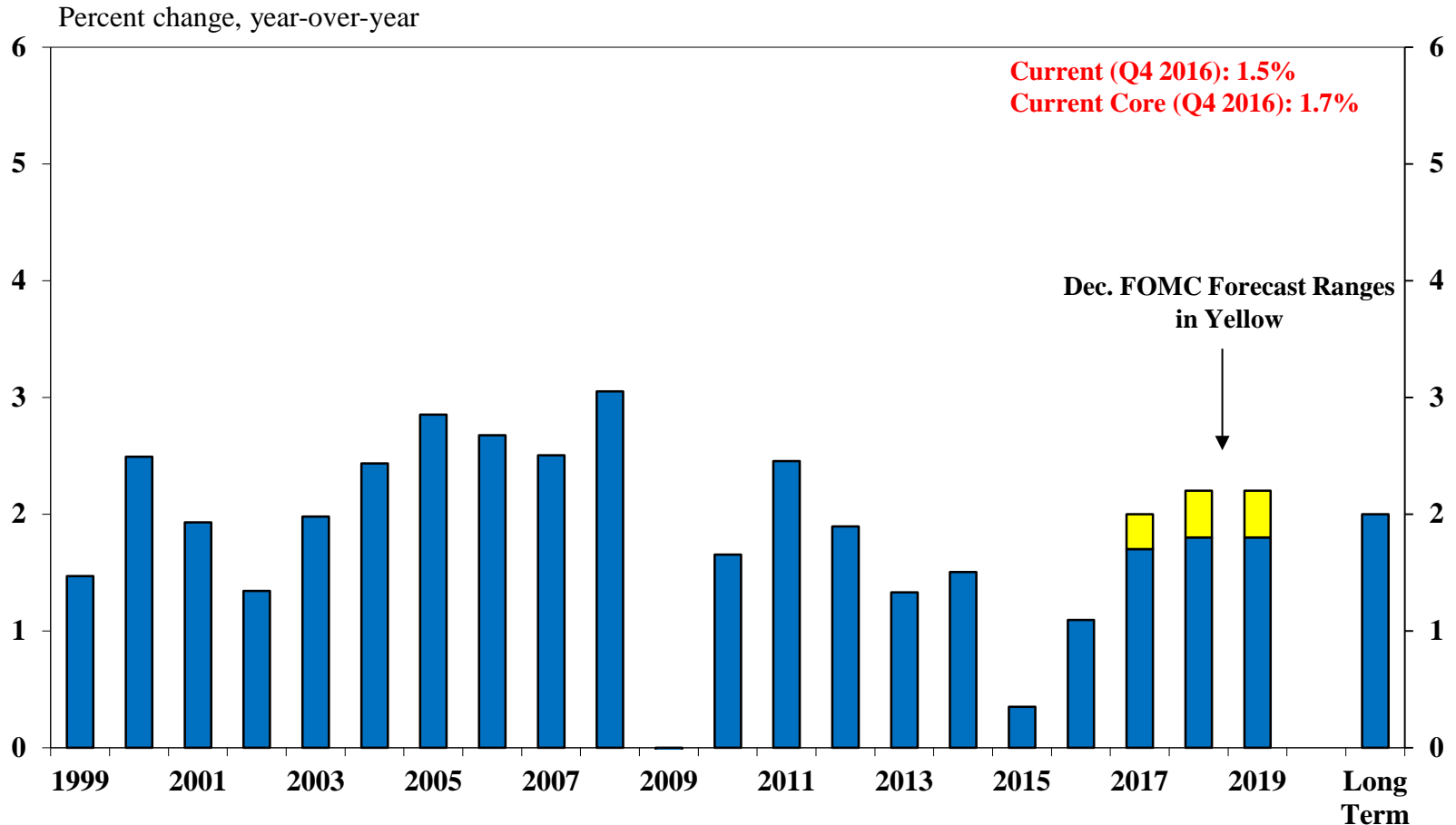
U.S. unemployment has fallen to long-term average levels

Unemployment Rate
Seasonally Adjusted



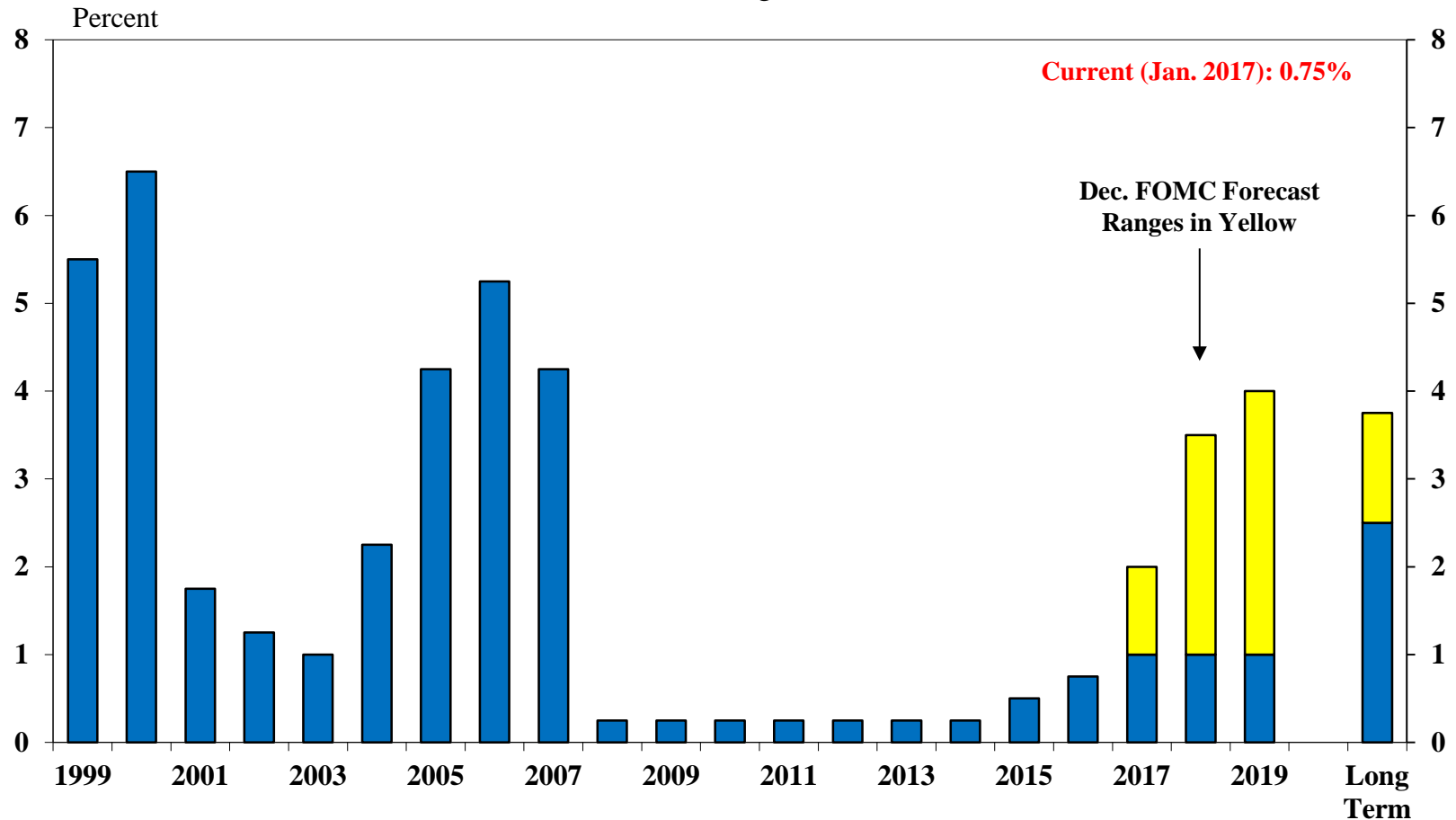
Inflation has been low the past couple of years but has recently returned to near the long-term target

PCE Inflation Index



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

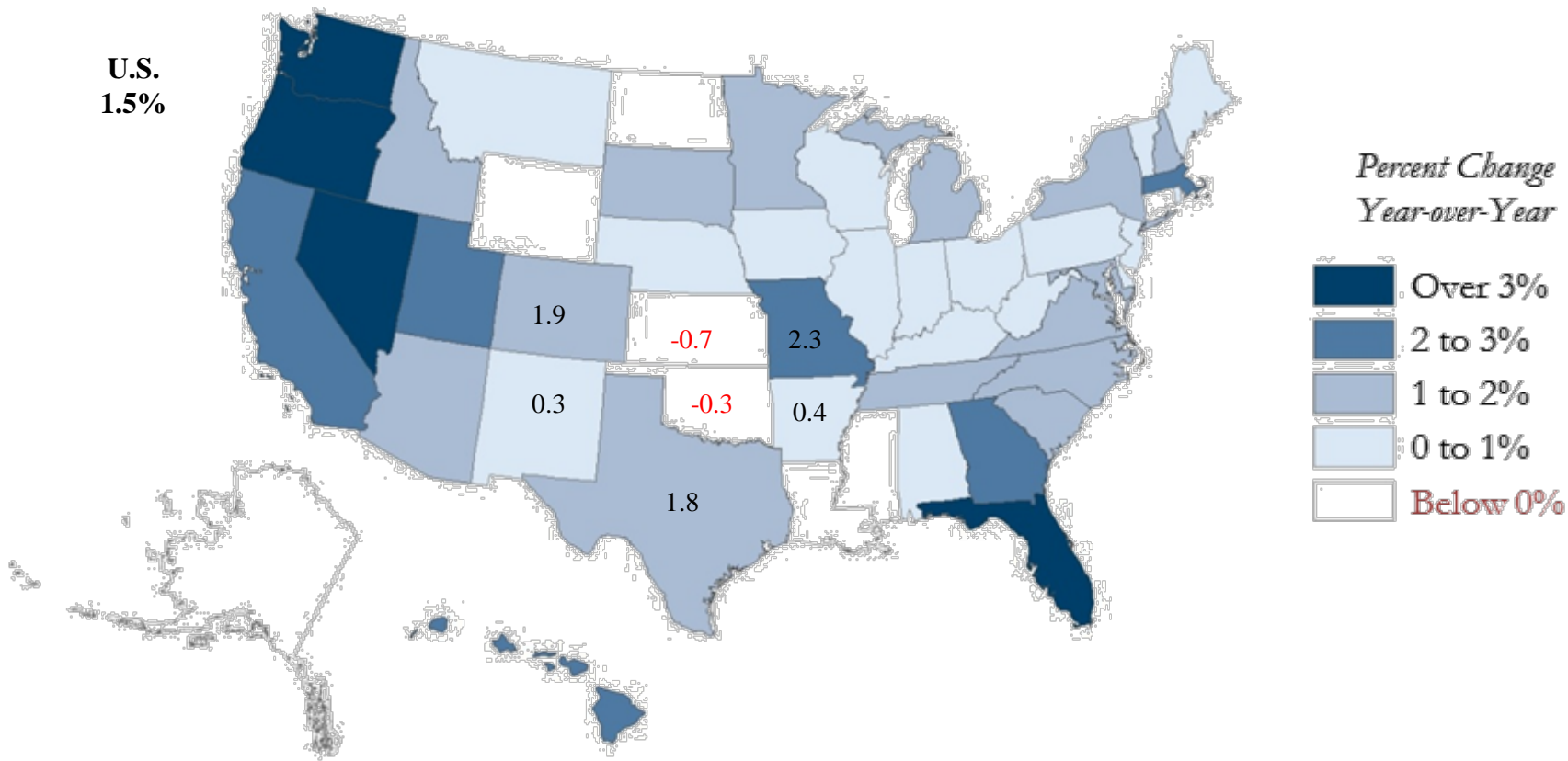
Federal Funds Rate Year-end target



Trends in the Oklahoma Economy

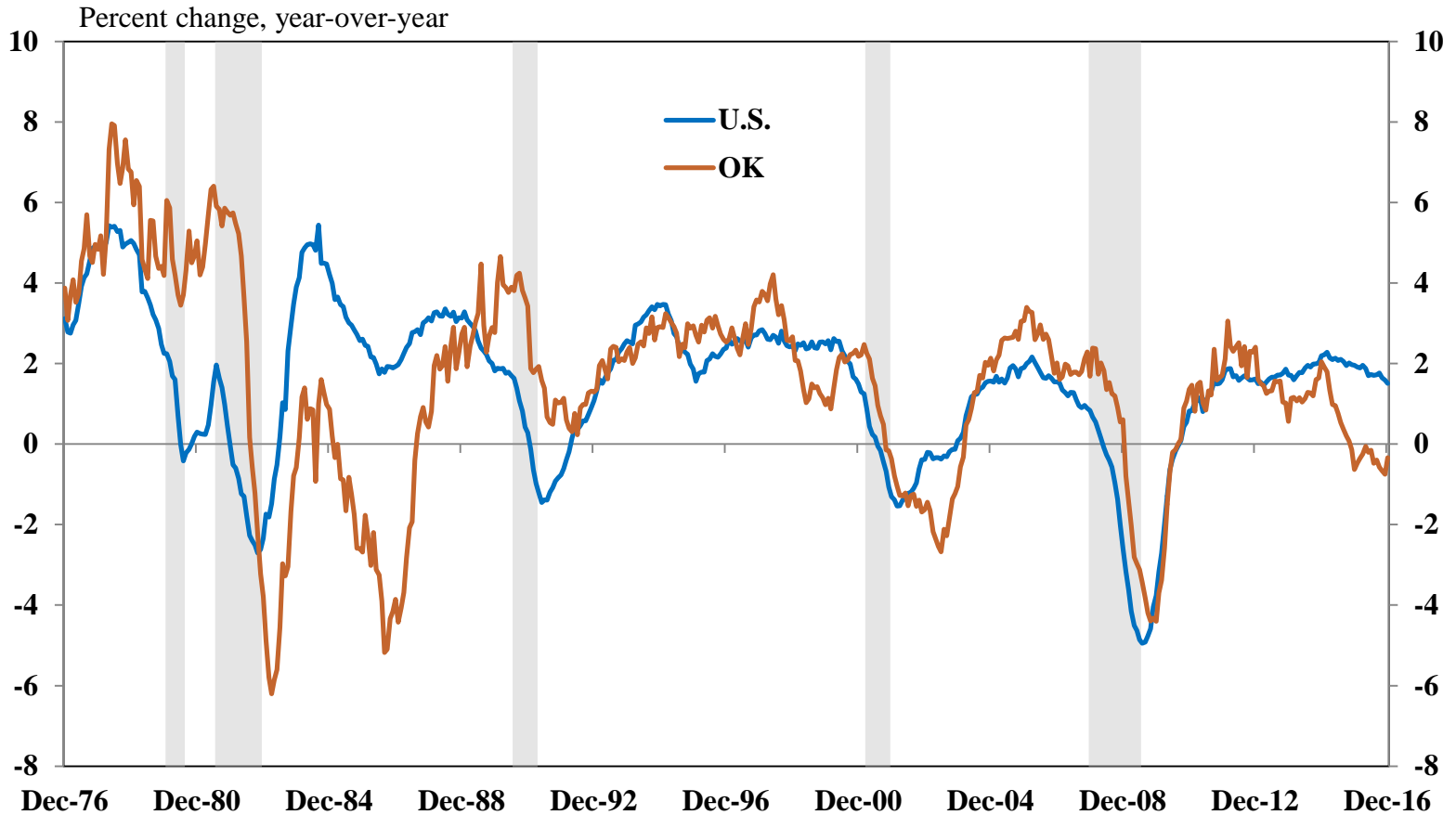
Job growth across the U.S. diverged widely in 2016, with Oklahoma in a slight jobs recession

Total Nonfarm Employment Growth
December 2016



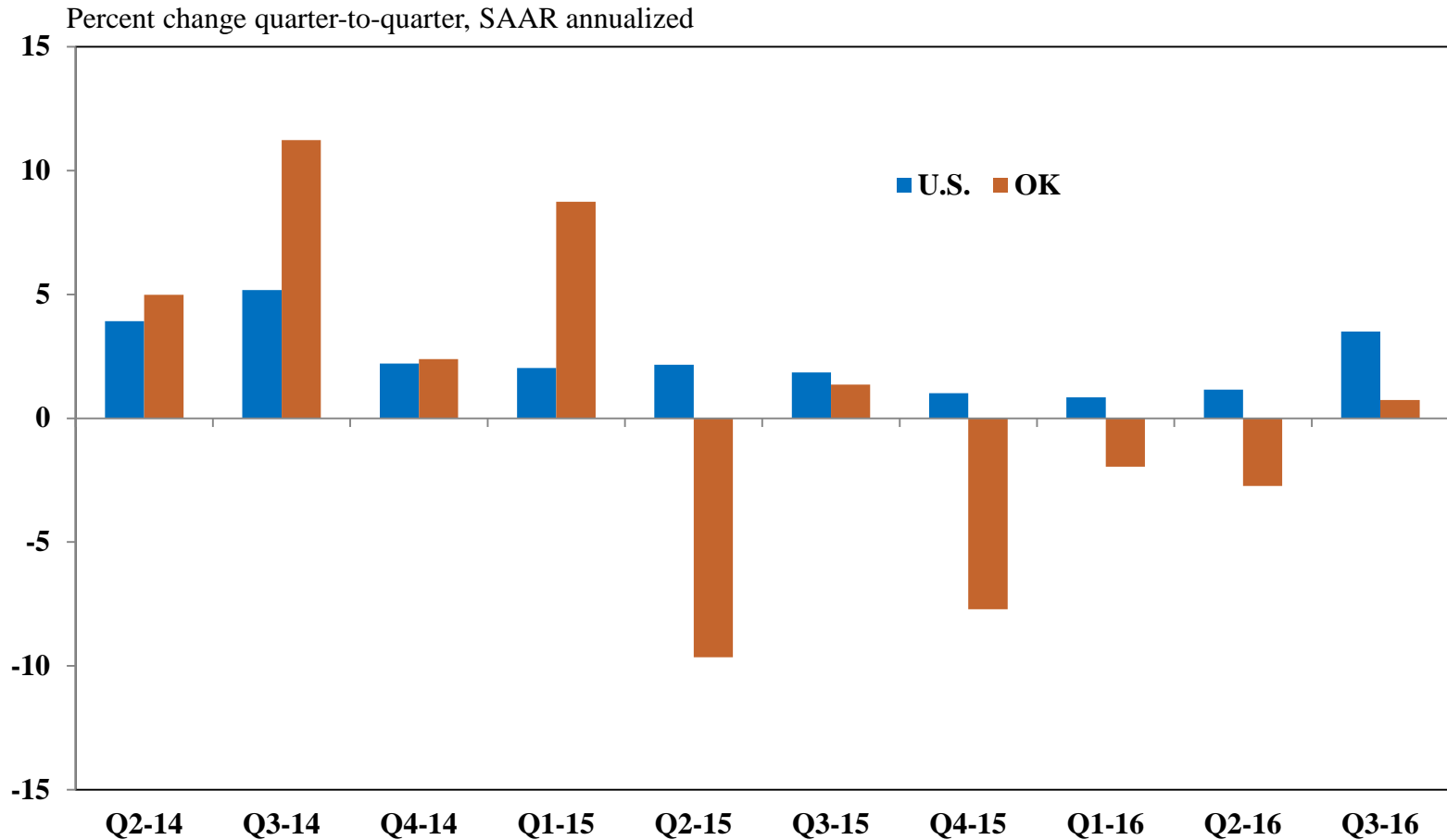
2016 was the largest divergence between U.S. and Oklahoma job growth since the 1980s

Payroll Employment Growth



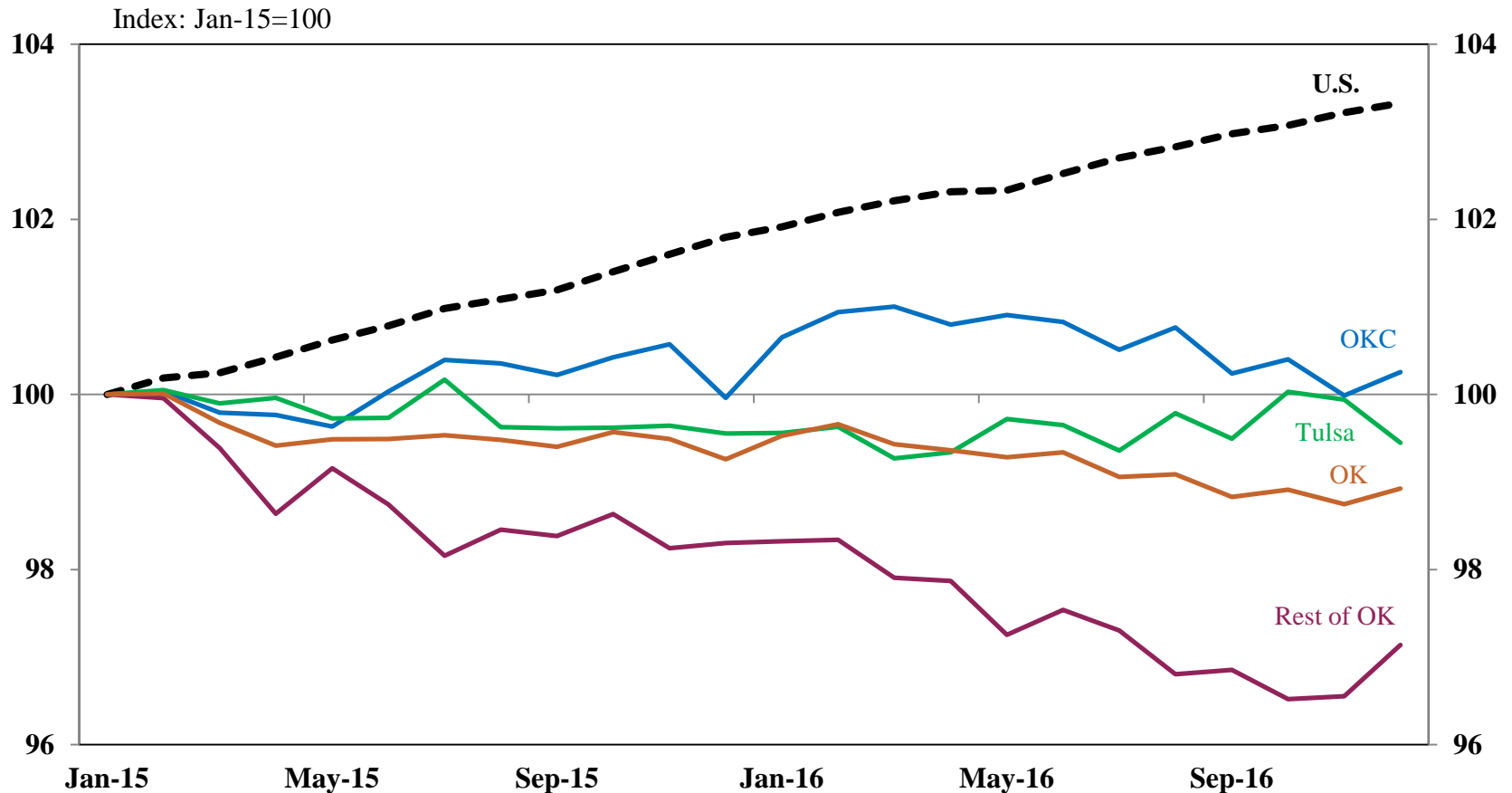
Oklahoma's real GDP also fell 3 straight quarters starting in late 2015, but rose slightly in Q3 2016

Real GDP Growth



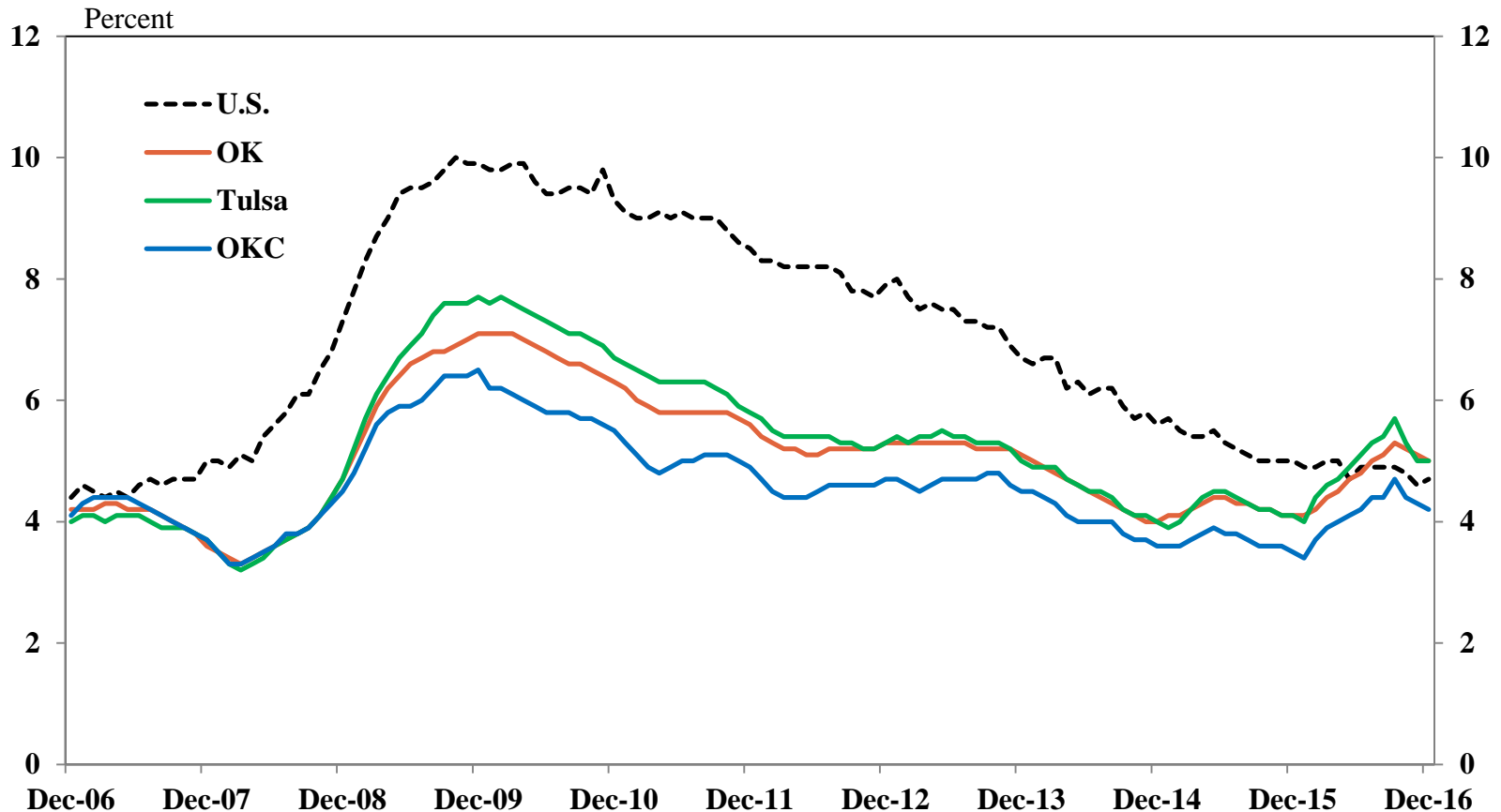
The two large metro areas have generally held up better than other parts of the state

Level of Payroll Employment
Through December 2016



Unemployment ticked up much of 2016 but has come down slightly in recent months

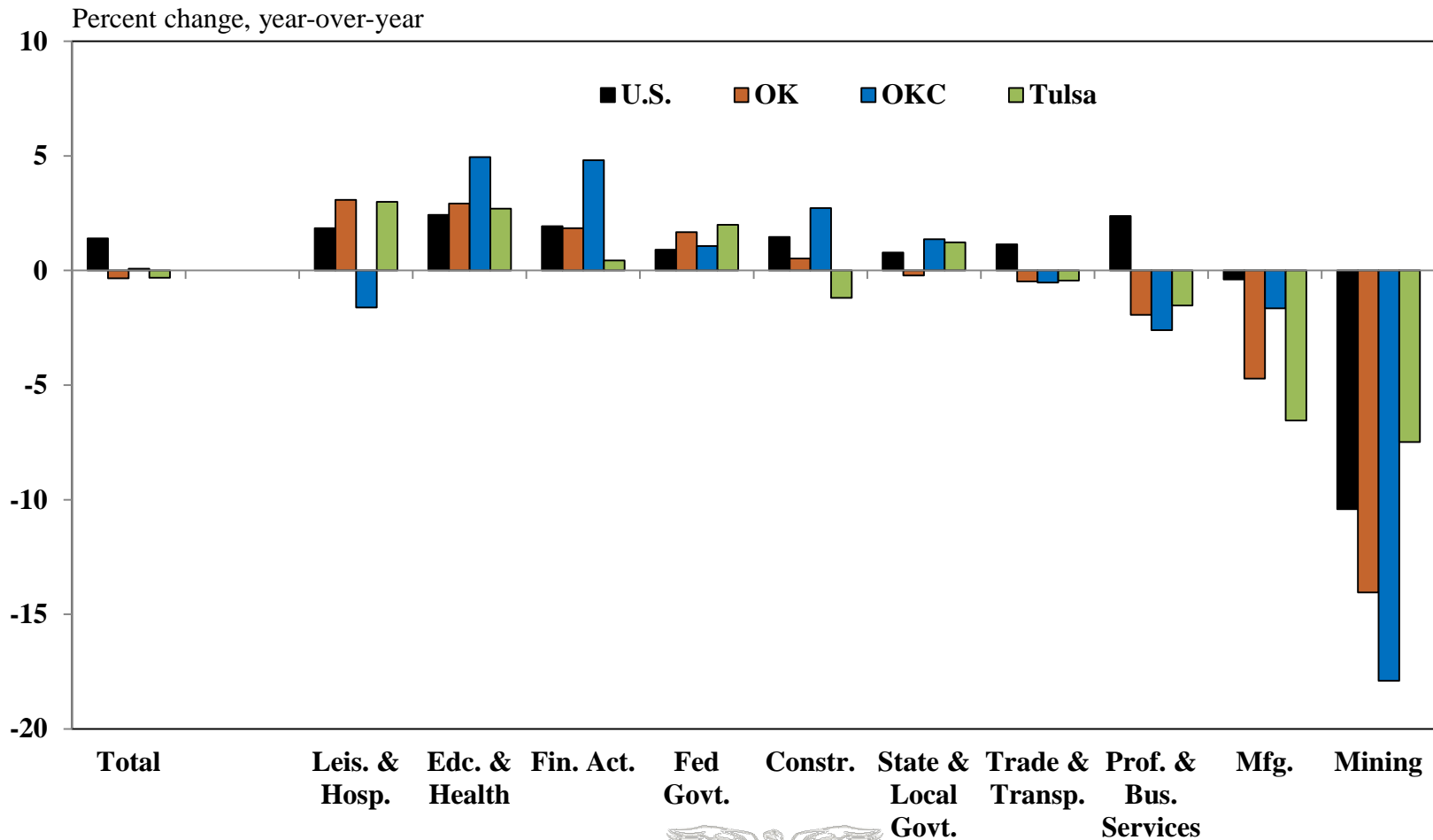
Unemployment Rates
Seasonally Adjusted



Spillover has occurred from energy to other industries, but jobs in some industries are still up

Job Growth by Industry

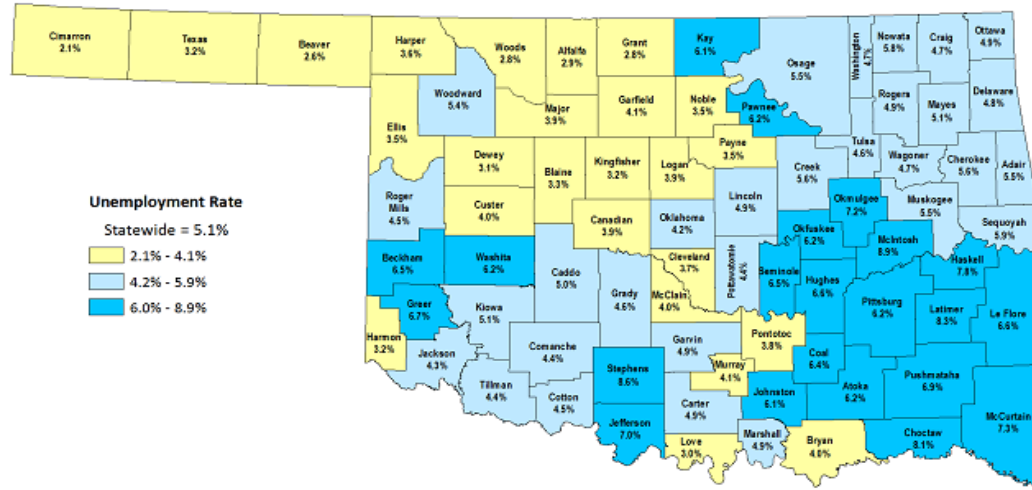
Dec-16



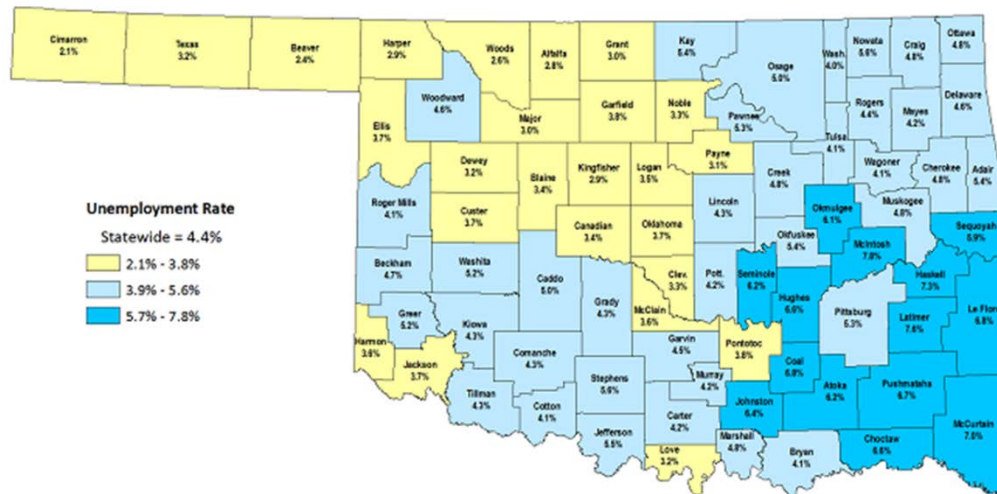
The main increases in joblessness were in oil and gas areas of far north, west, and south Oklahoma

County Unemployment Rates

November 2016

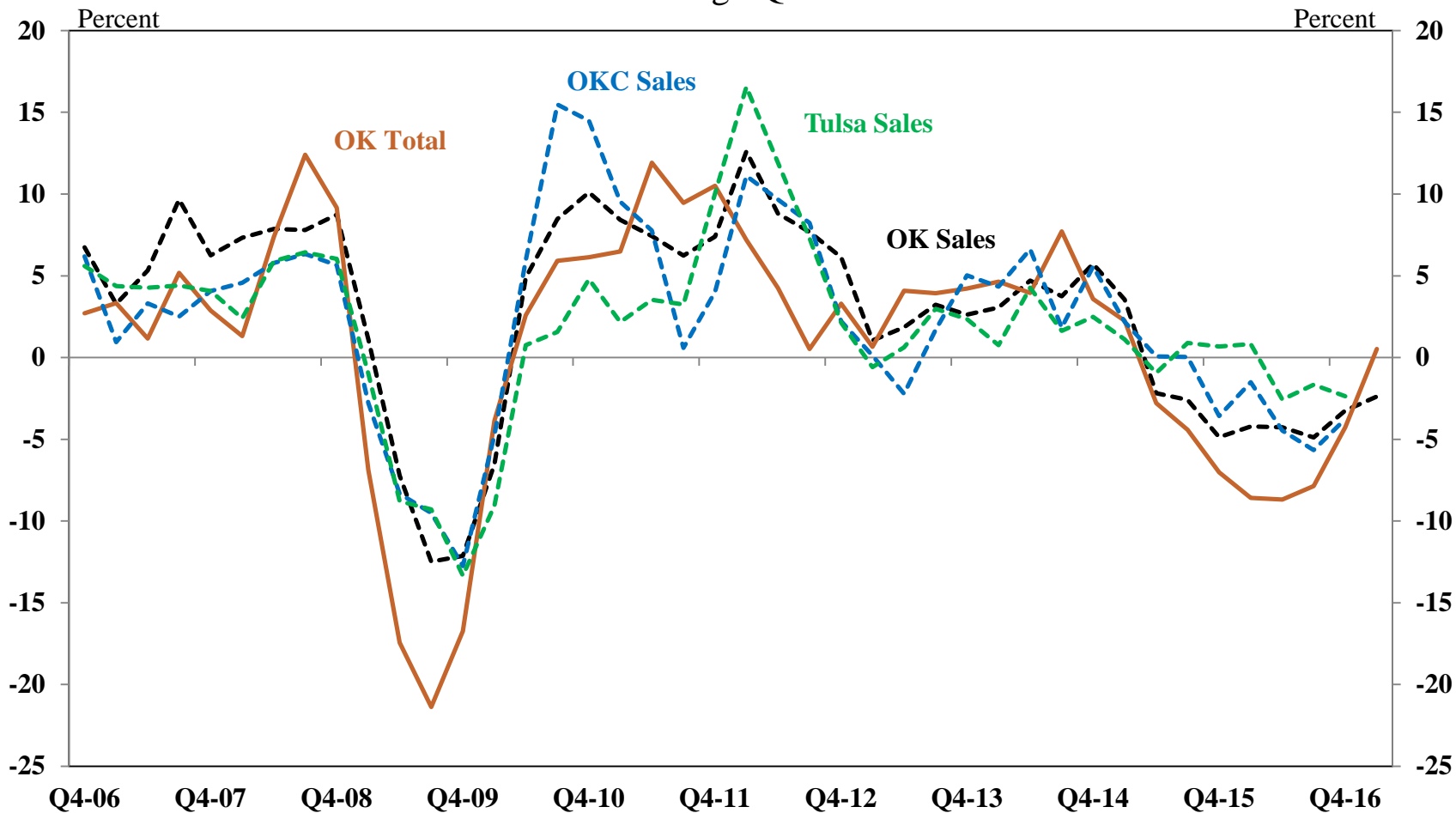


September 2015



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

Tax Receipts
Through Q1-17*

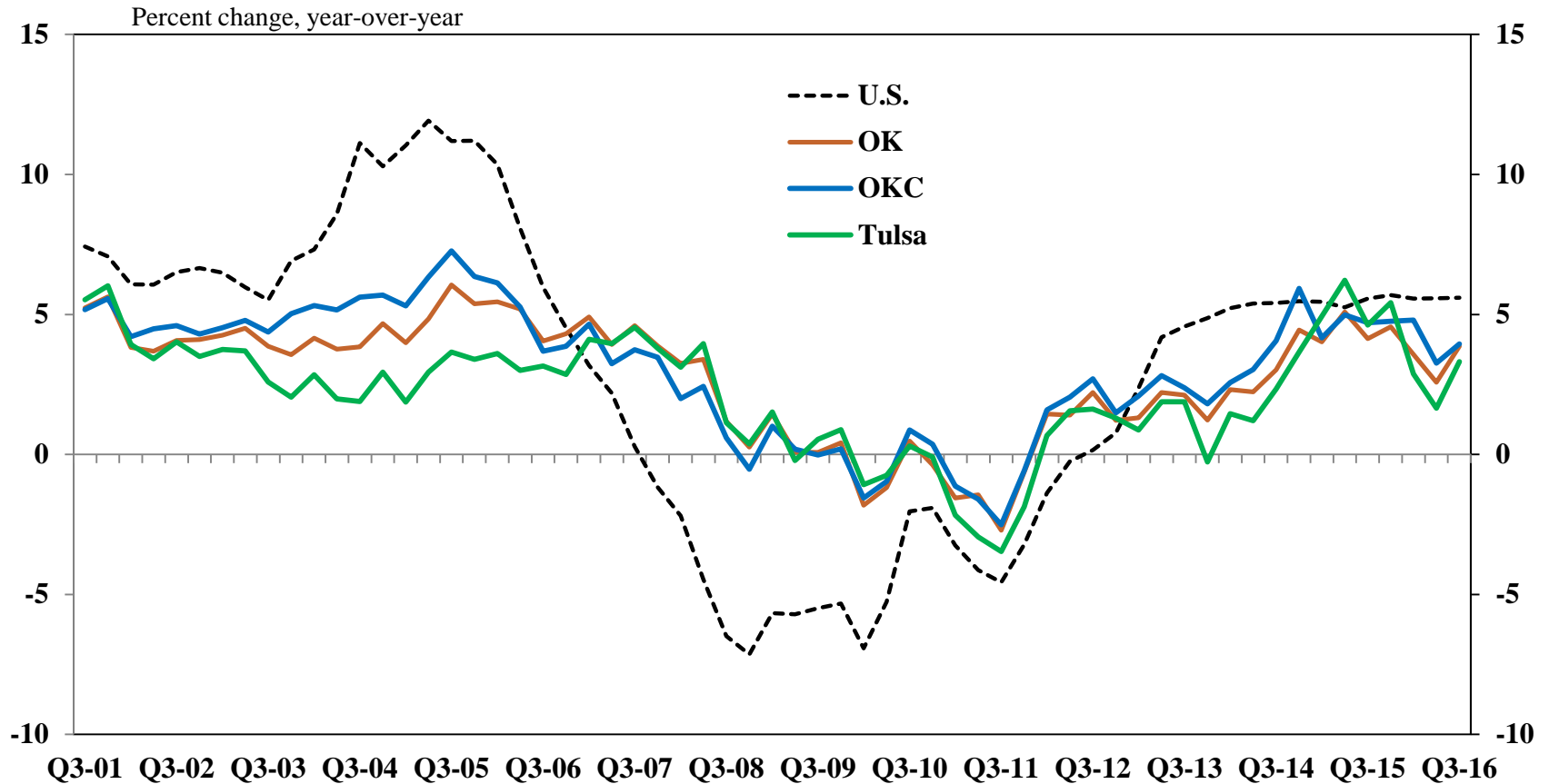


*Q1-17 only includes January data



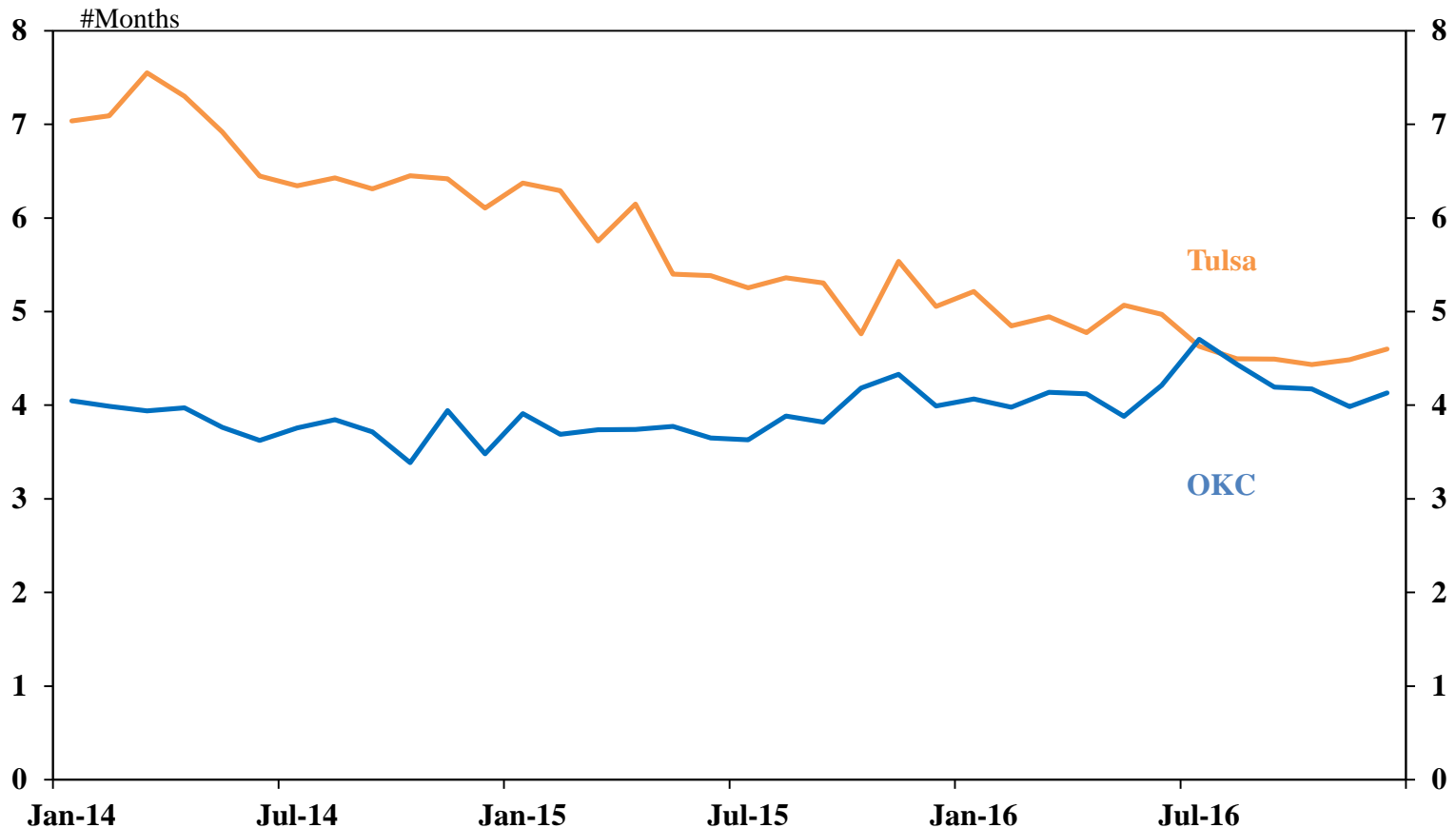
Home price growth in Oklahoma has slowed, but remains moderately positive

FHFA Home Price Index
Seasonally Adjusted



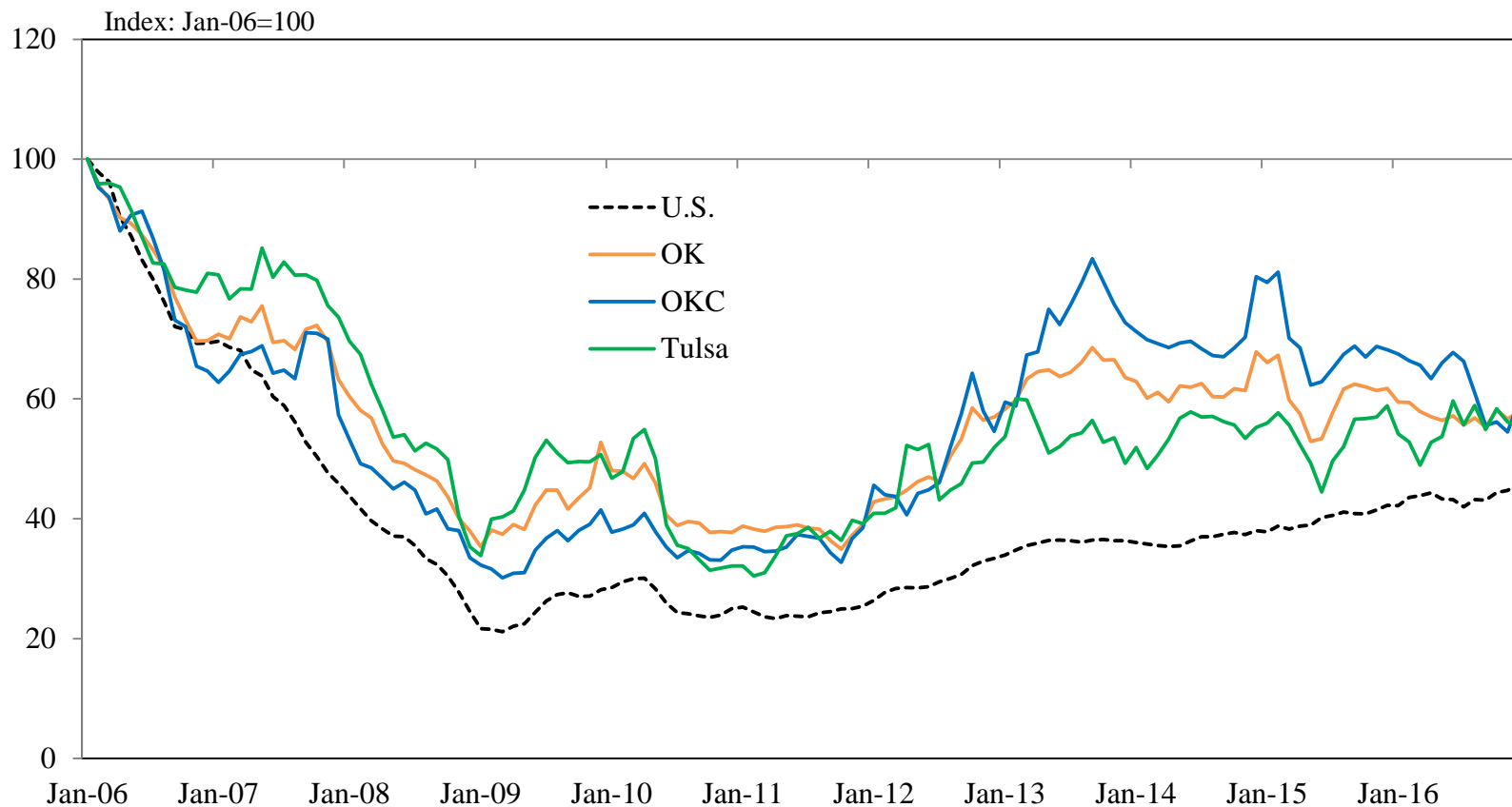
But inventories of unsold homes remain quite low in the two large metros

Months Supply of Unsold Homes,
Seasonally Adjusted



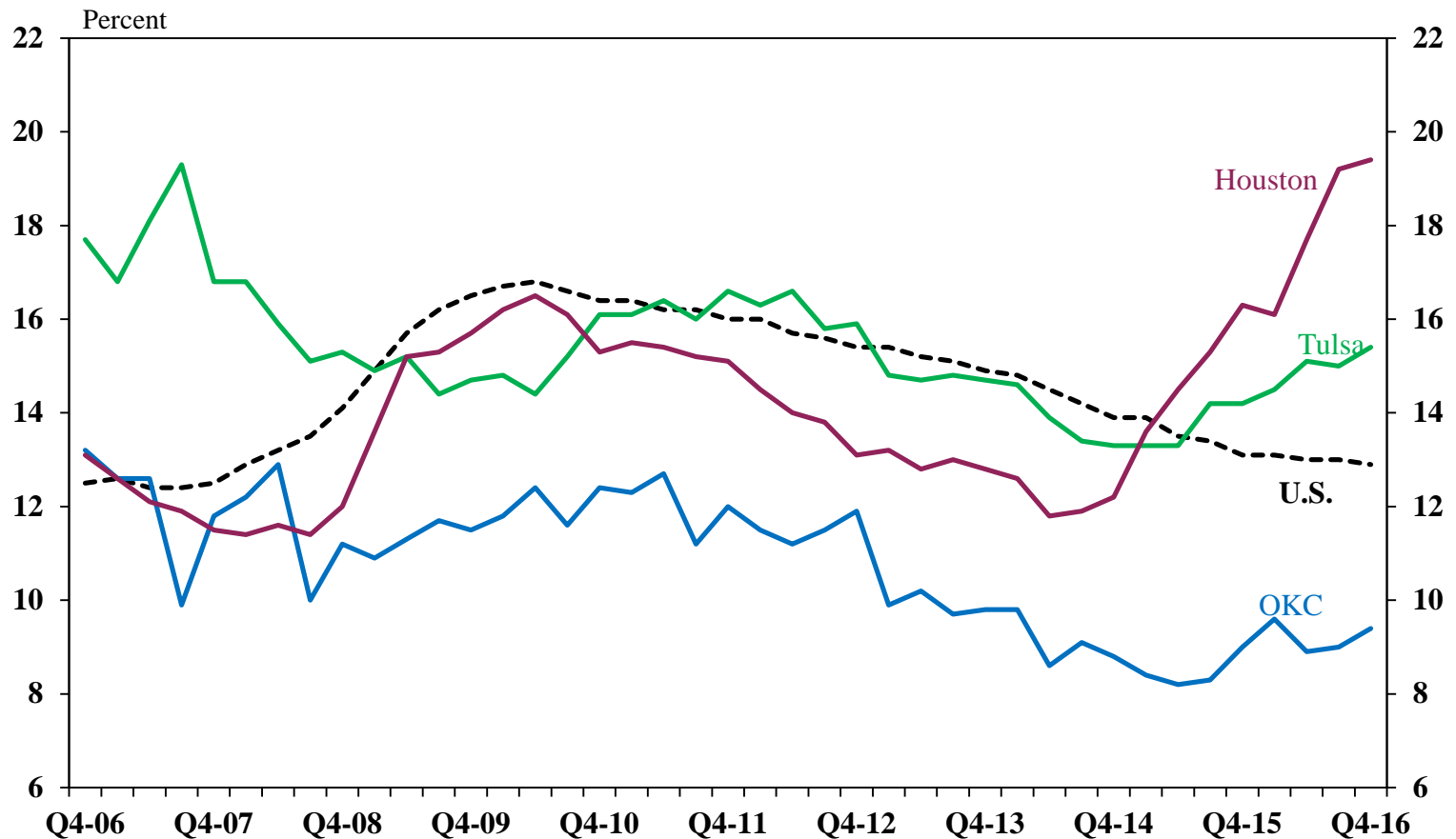
Homebuilding has remained fairly stable over the past year, but is still well below levels of ten years ago

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



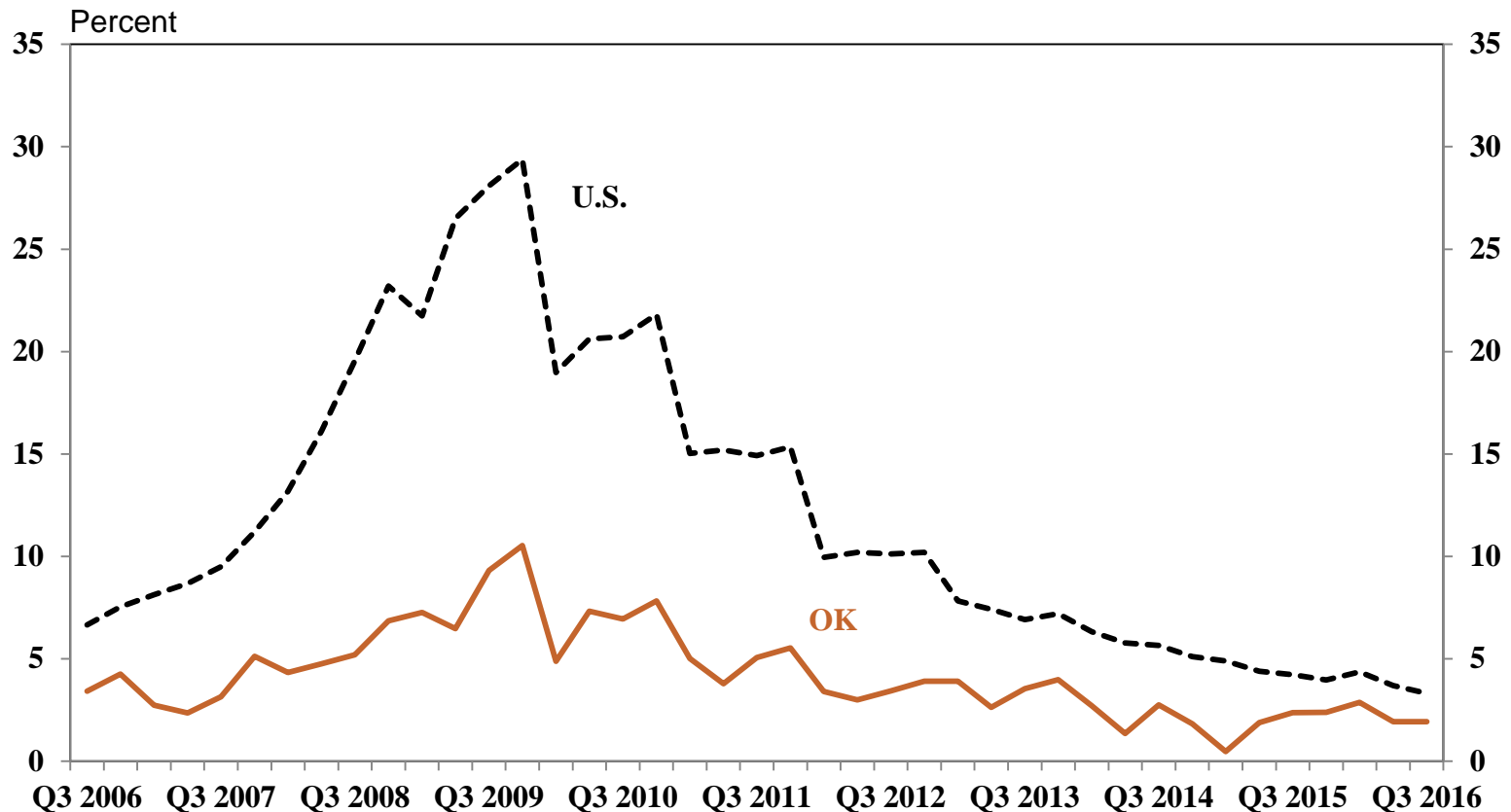
Office vacancy rates have risen slightly in the two large metros, but much less than Houston

Metro Office Vacancy Rates



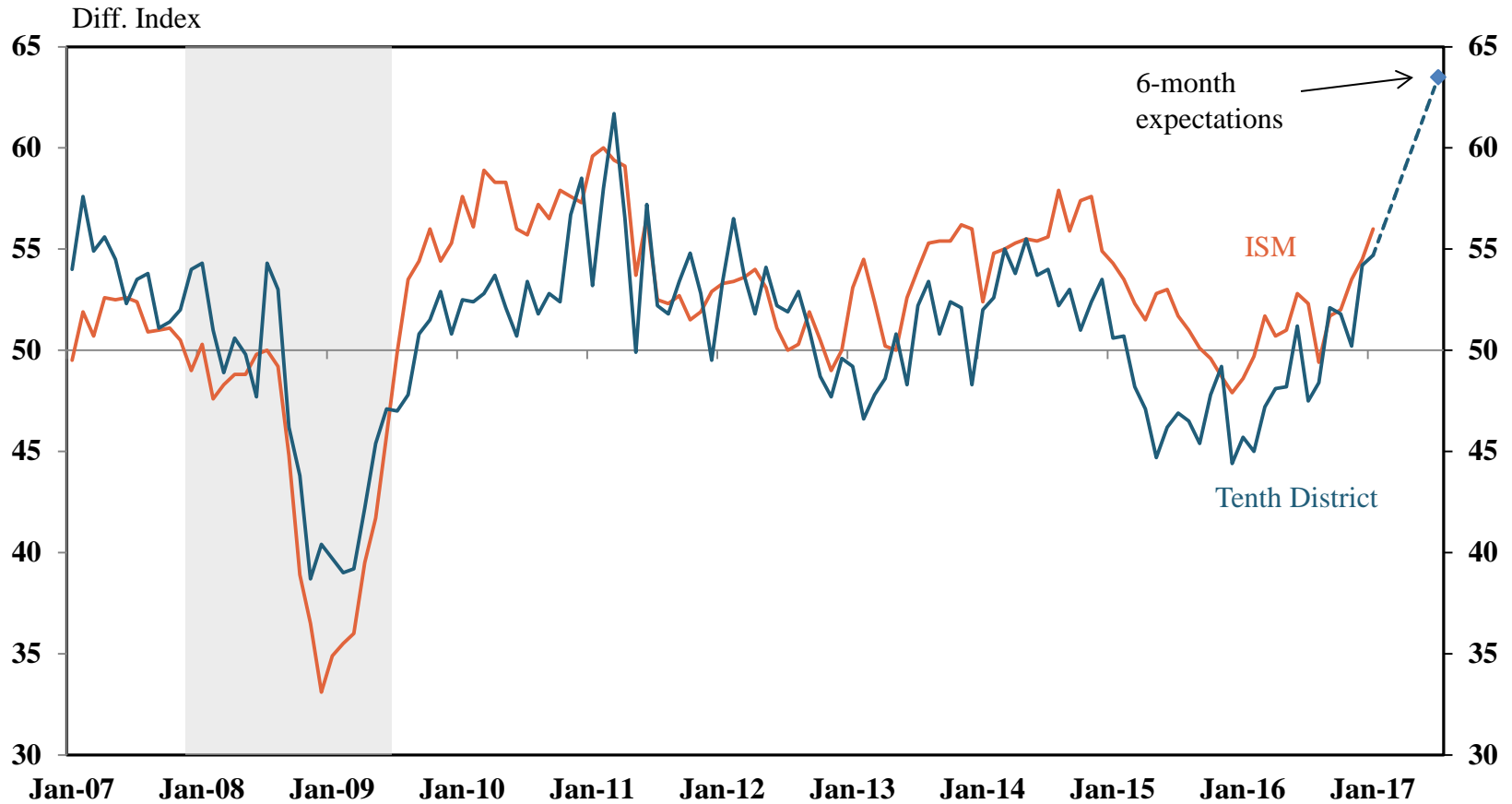
And nearly all banks in Oklahoma remain profitable

Share of Banks Not Making a Profit
Commercial Banks



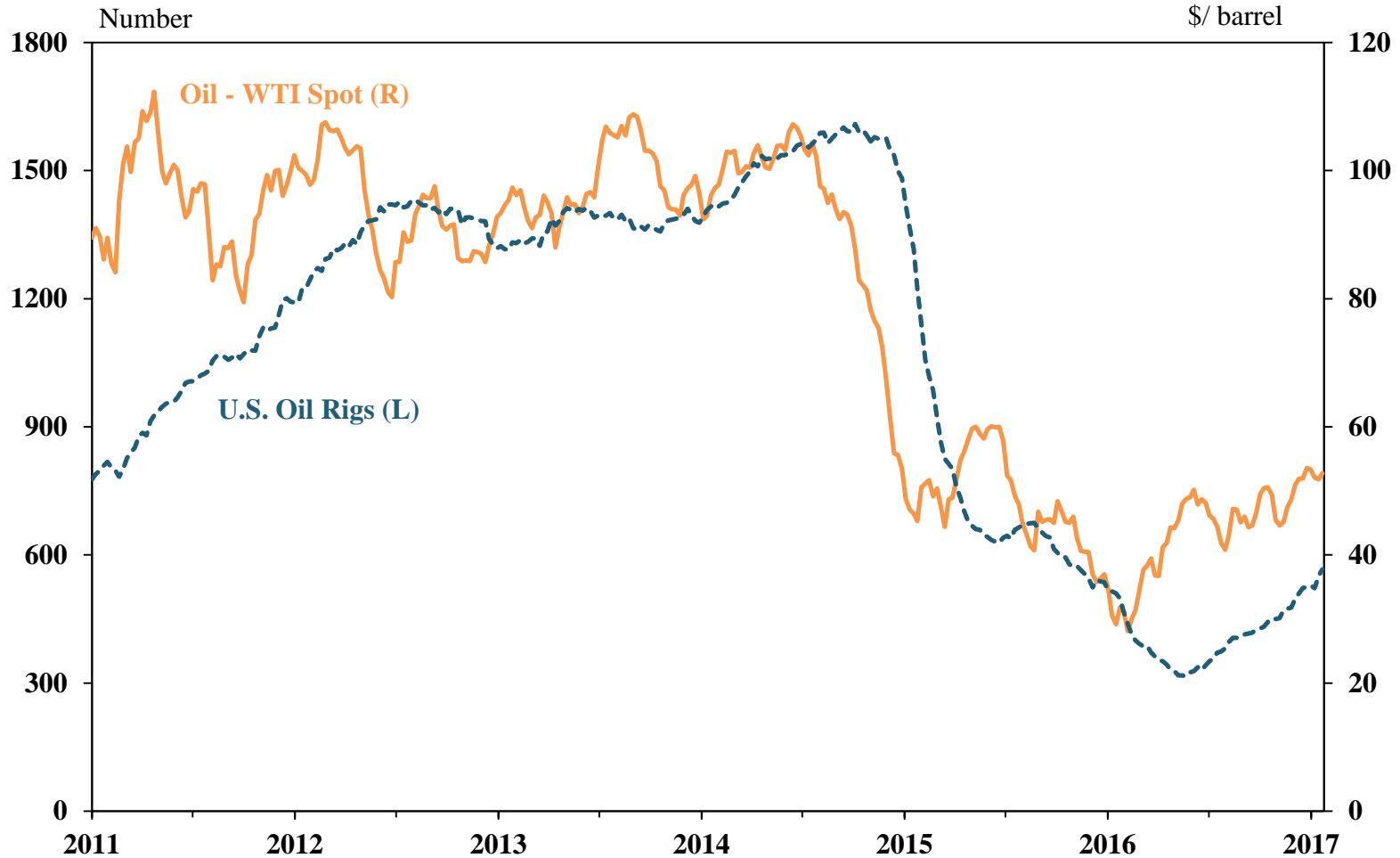
A recently struggling industry—manufacturing—has improved lately, with considerable optimism

**Manufacturing Composite Indexes,
Seasonally Adjusted**



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

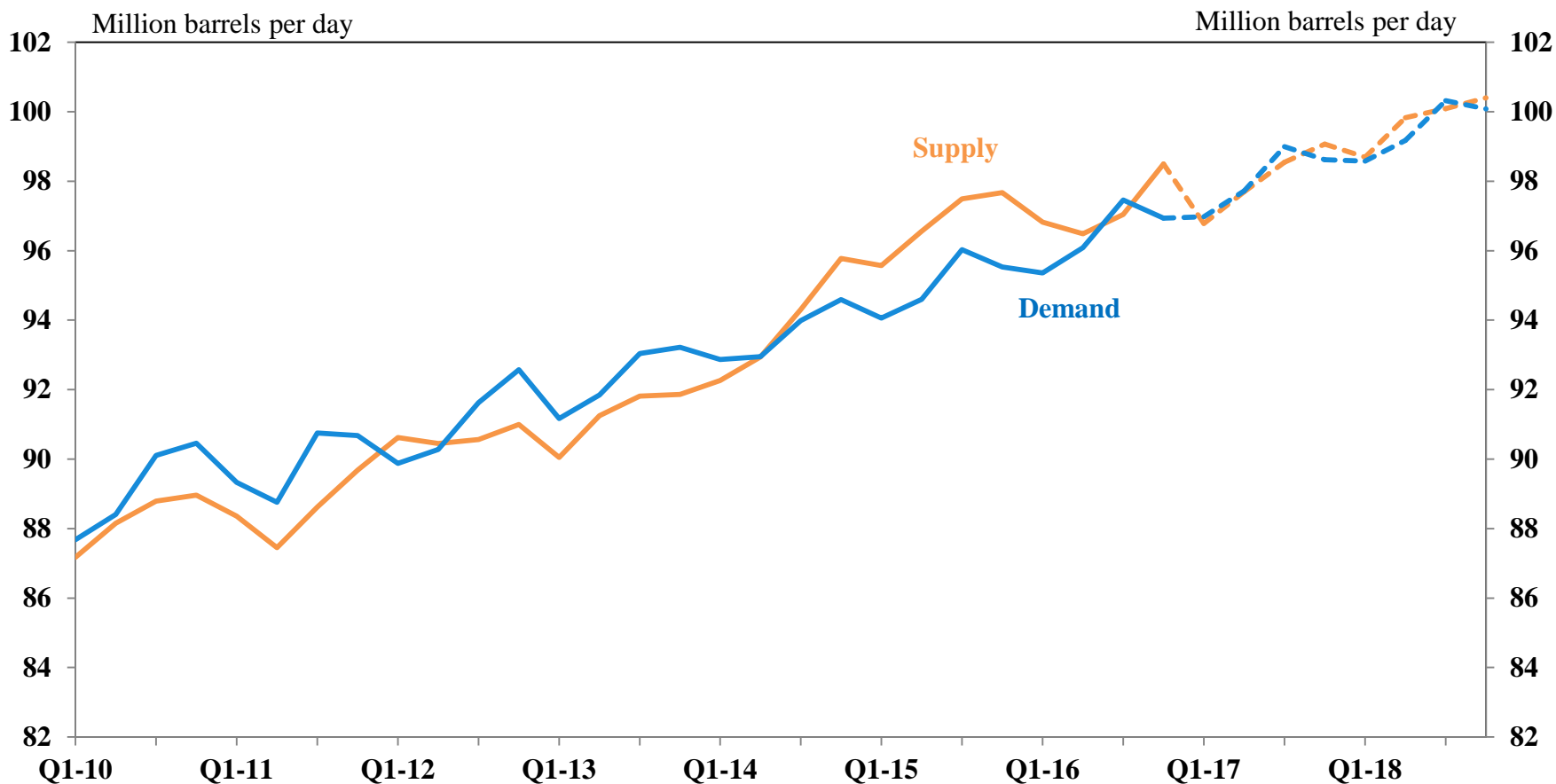
Oil Spot Prices and Rig Counts



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

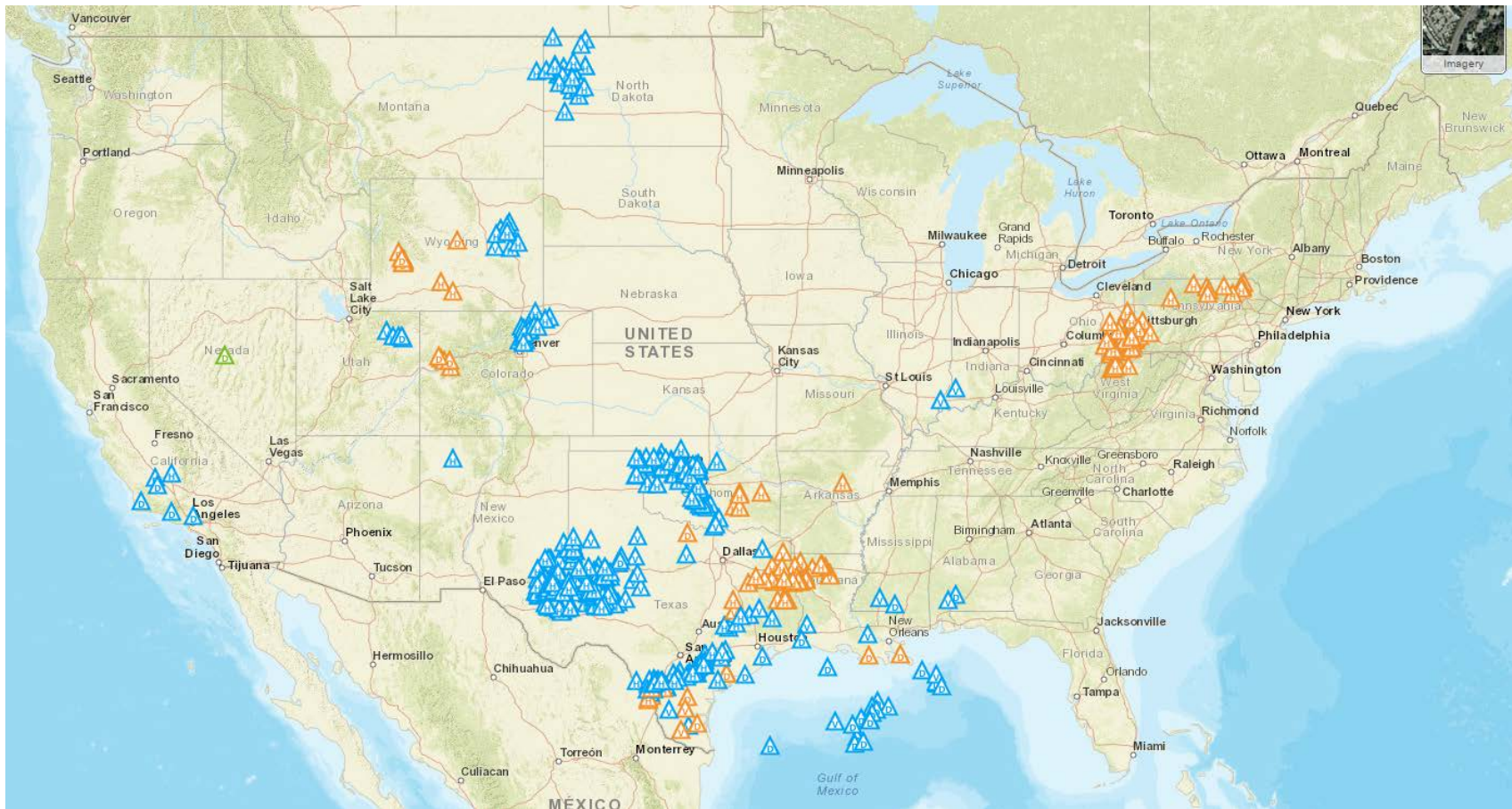
Global Oil Supply and Demand

February 2017 Forecast



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

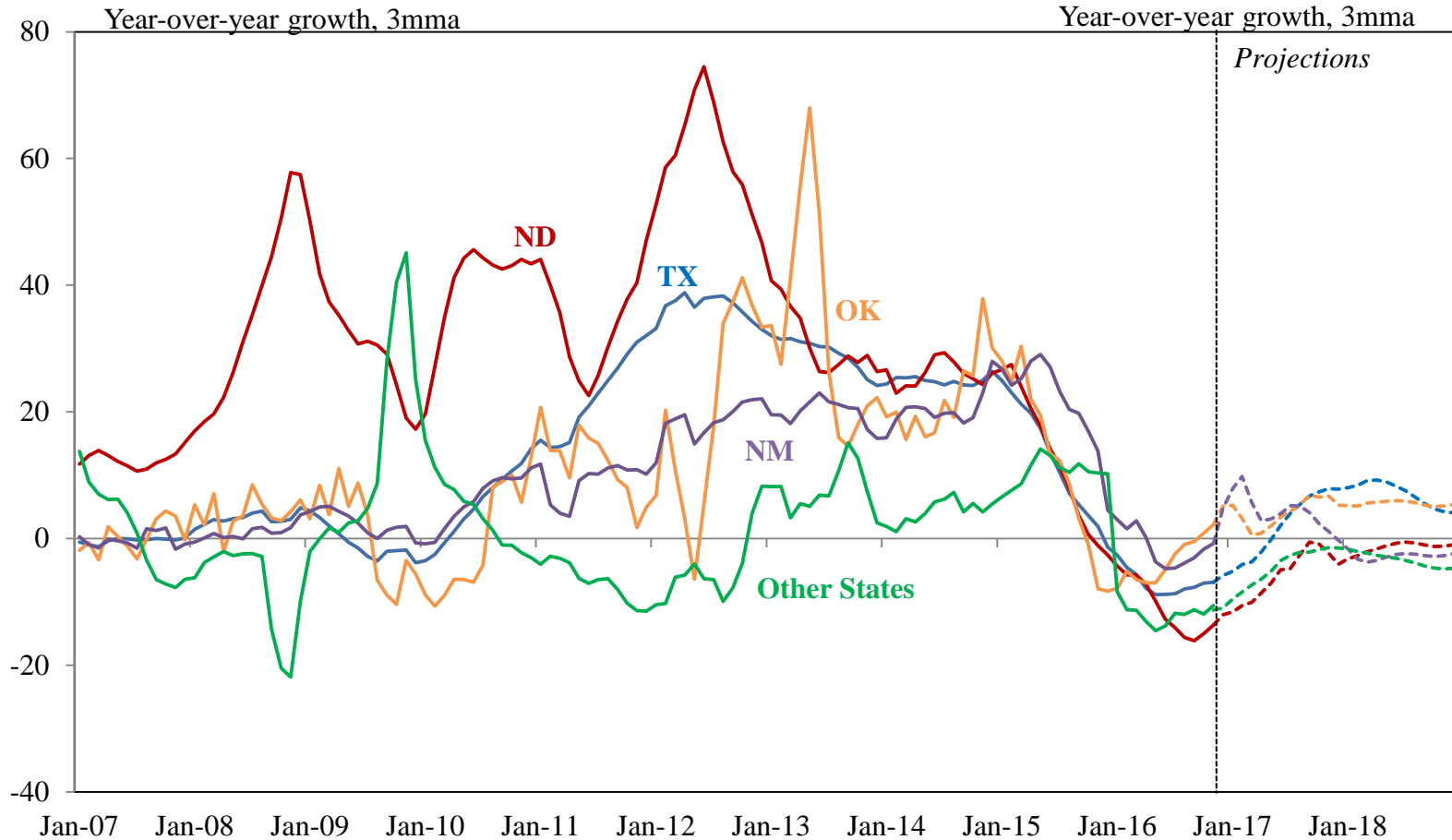
Current Drilling Rig Locations,
As-of February 3, 2017



Source: Baker Hughes

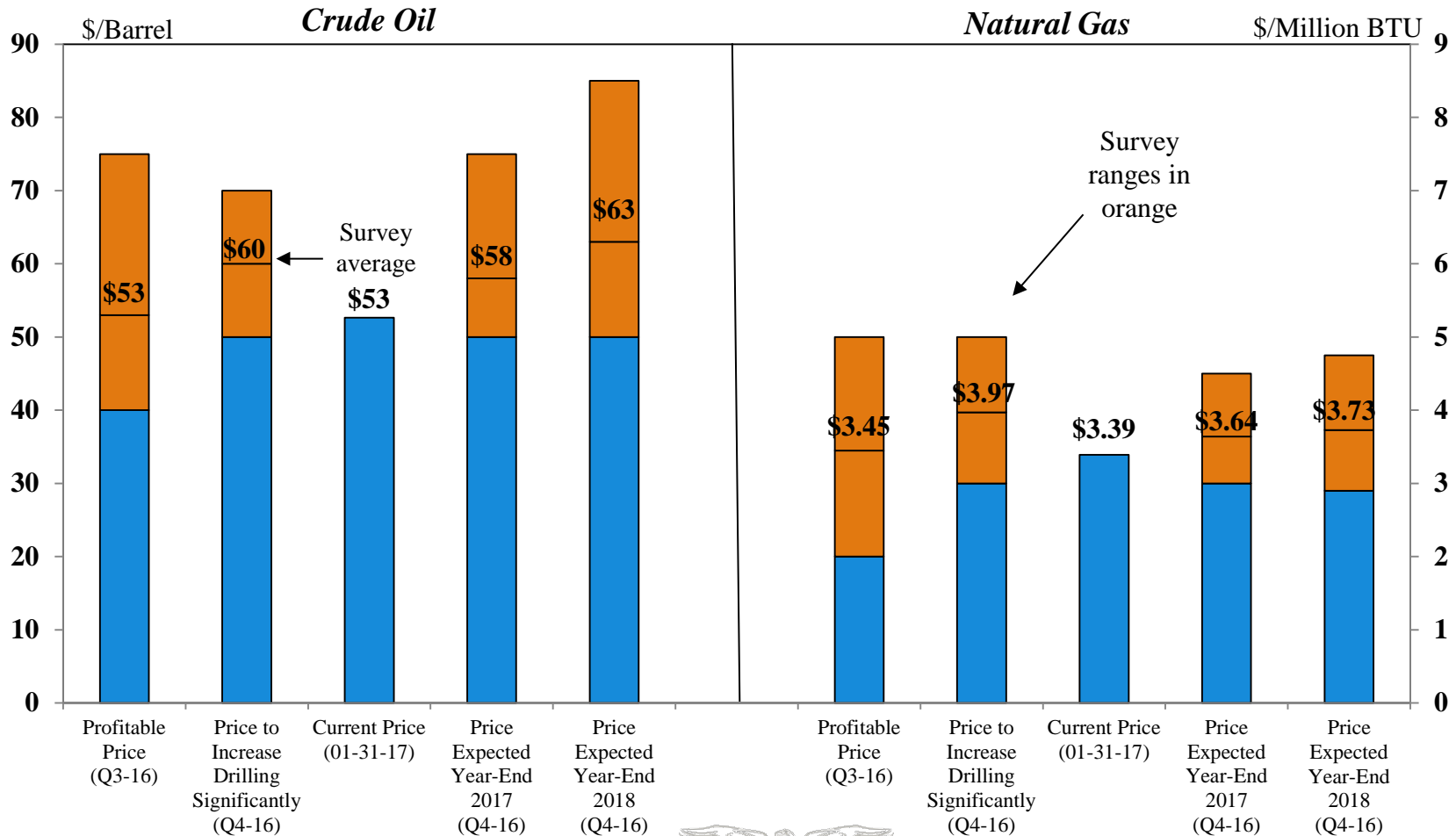
And oil production in Oklahoma and Texas is expected to continue to grow through 2018

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 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



Questions?

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

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