

# U.S. & Oklahoma Economic Outlook

**Sand Springs Chamber of Commerce  
February 6, 2017**



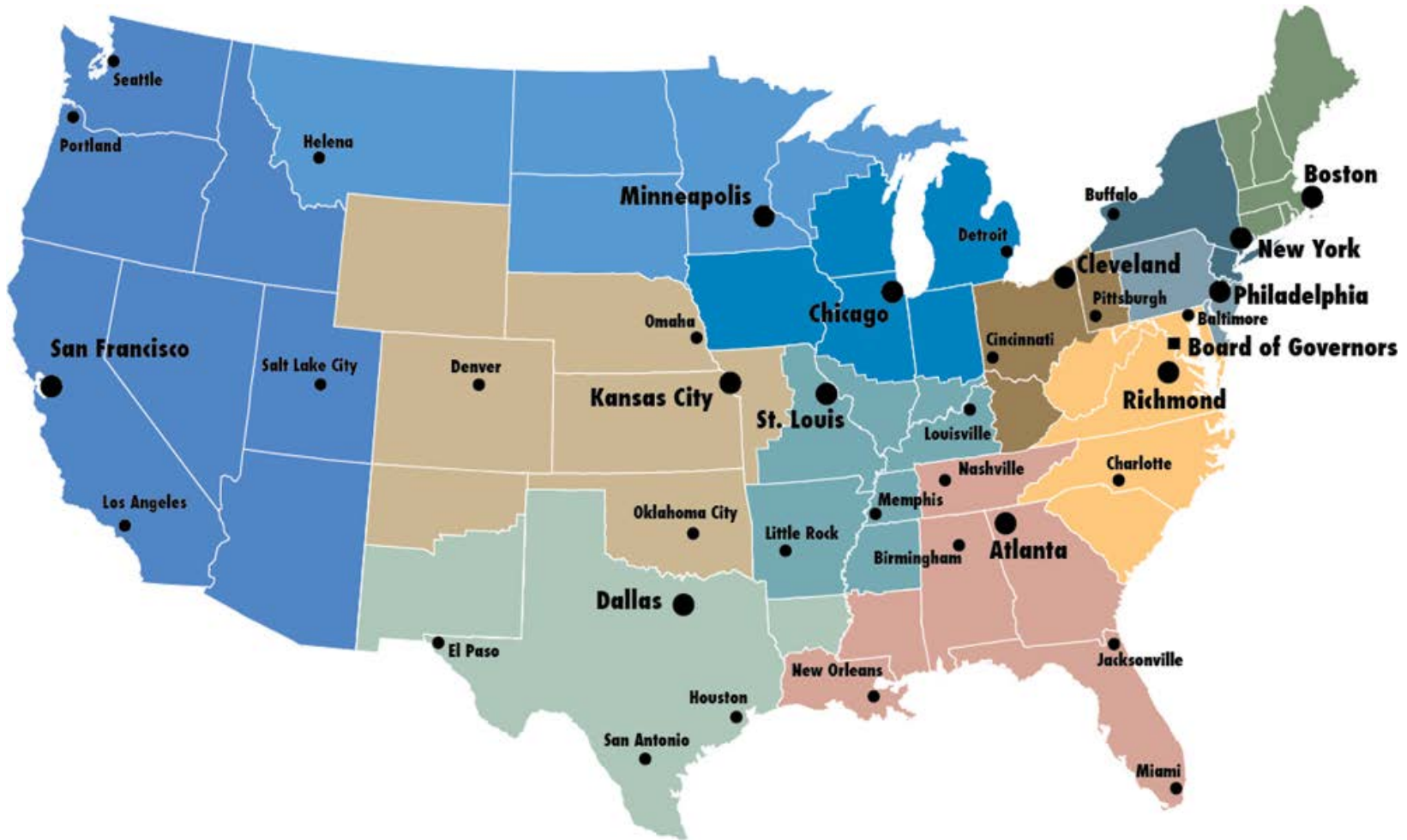
**Chad Wilkerson**  
**Oklahoma City Branch Executive and Economist**  
**Federal Reserve Bank of Kansas City**  
**[www.kansascityfed.org/oklahomacity](http://www.kansascityfed.org/oklahomacity)**

# 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 – 45 staff**

- **Research on U.S. and Oklahoma economies**
- **Economic, community, and financial education outreach**
- **Examinations of Oklahoma financial institutions**

- **2017 OKC Branch Board of Directors**

- **Pete Delaney (chair)**, Chairman & CEO (retired), OGE Energy Corp., OKC
- **Clint Abernathy**, Owner, Abernathy Farms, Inc., Altus
- **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
- **Susan Chapman Plumb**, COO, Bank of Cherokee County, Tahlequah
- **Katrina Washington**, Owner/Broker, Stratos Realty, Oklahoma City

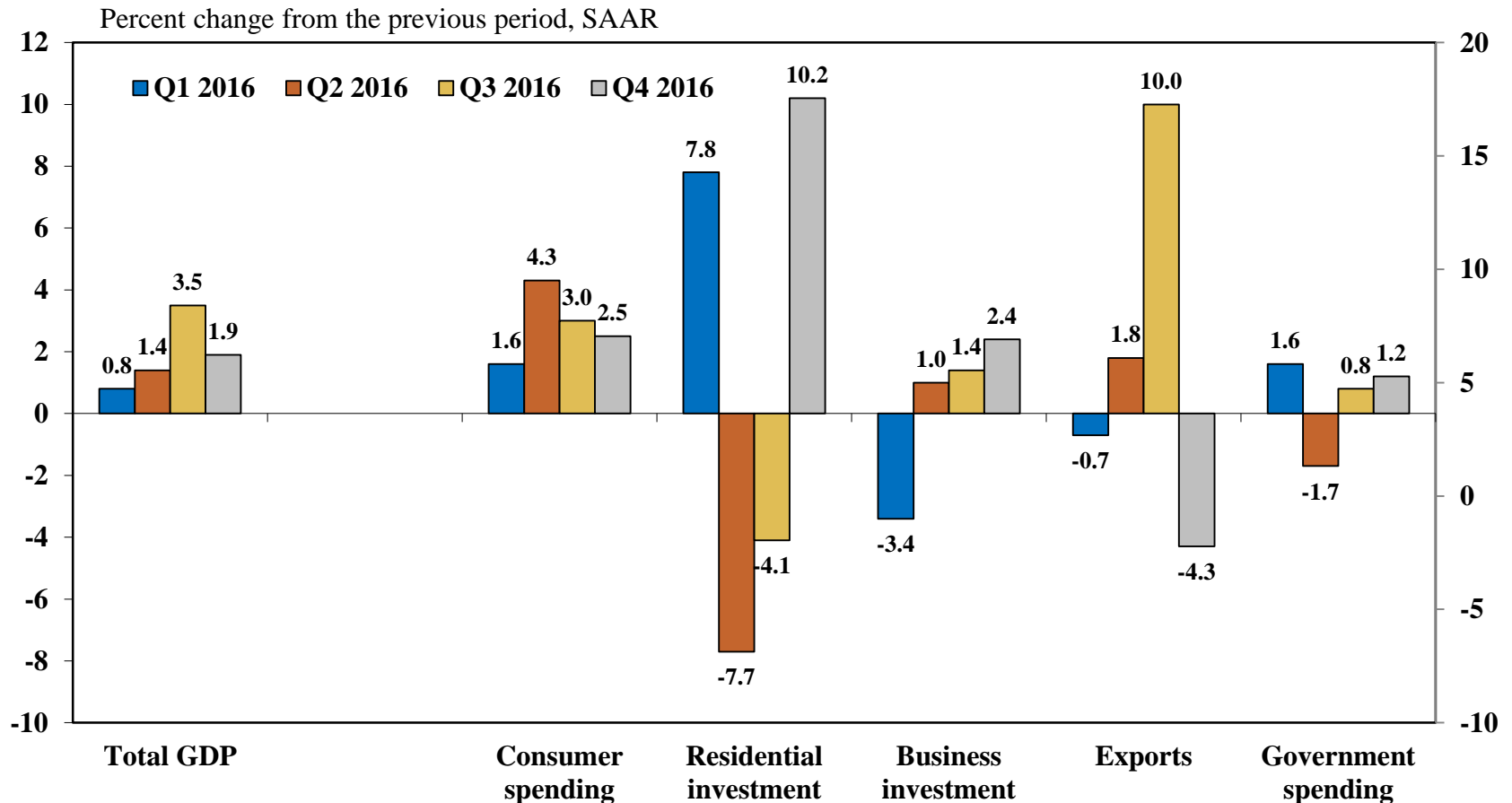
- **Oklahomans on Kansas City Fed head office Board**

- **Rose Washington (chair)**, Exec. Director, Tulsa Economic Development Corp.
- **Doug Stussi**, EVP & CFO, Love's Travel Stops & Country Stores, OKC

# **The U.S. Economy and Monetary Policy**

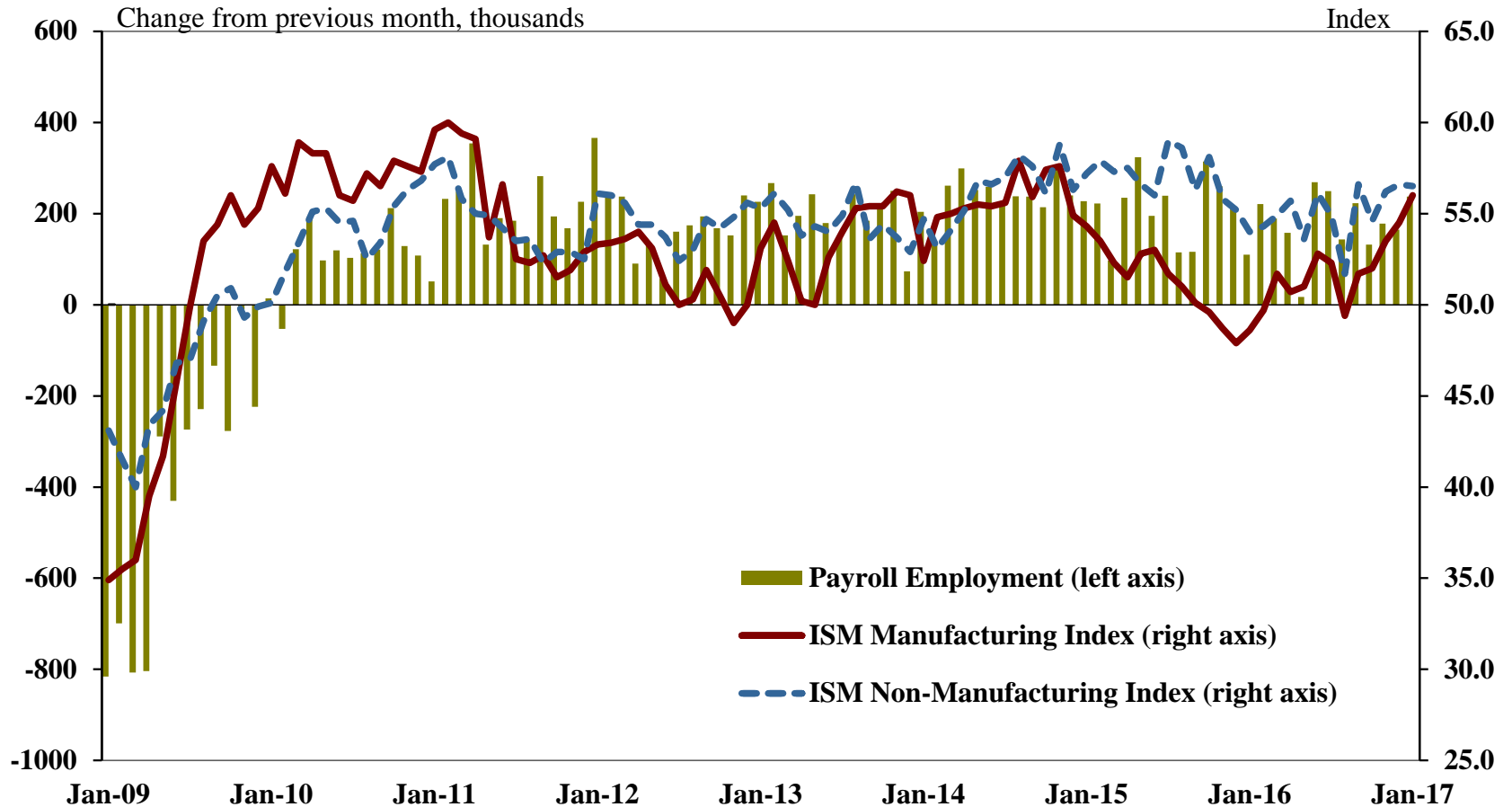
# GDP growth was stronger in the 2<sup>nd</sup> half of 2016 than in the 1<sup>st</sup> half

## Growth in Components of Real GDP



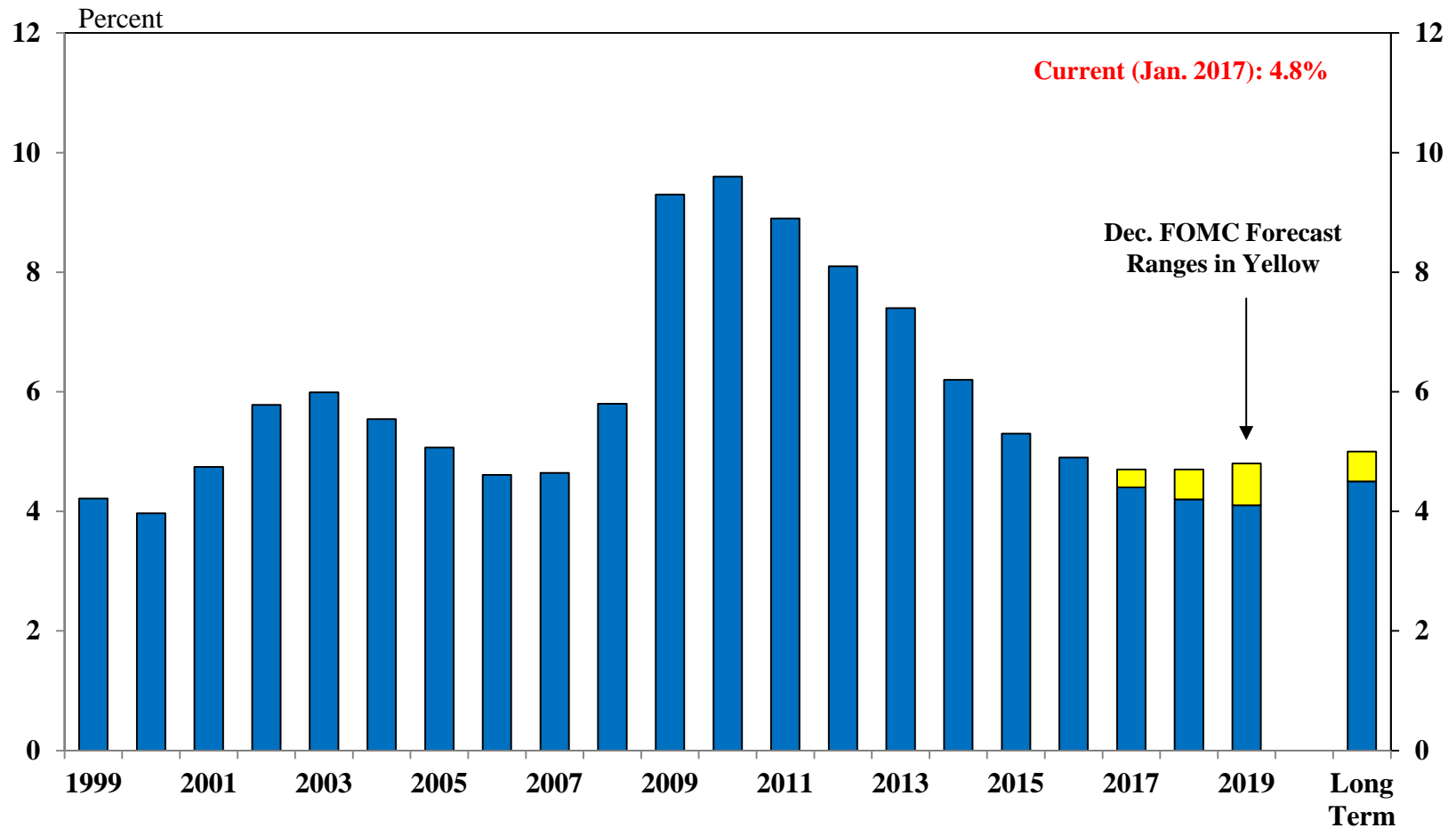
# 1<sup>st</sup> quarter 2017 data are just being released, and have so far been very solid

## U.S. Payroll Employment and Business Indexes



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

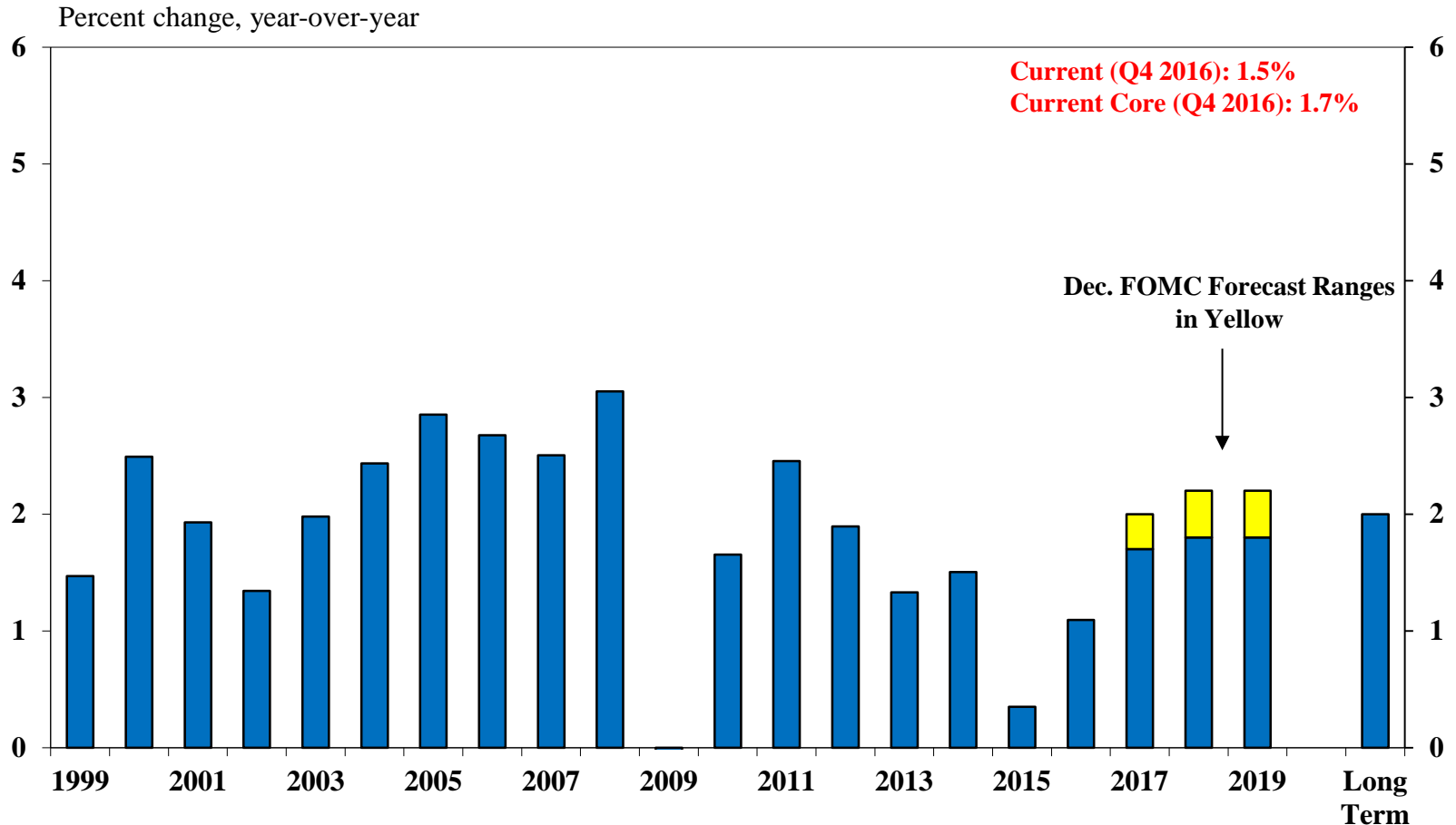
**Unemployment Rate**  
Seasonally Adjusted





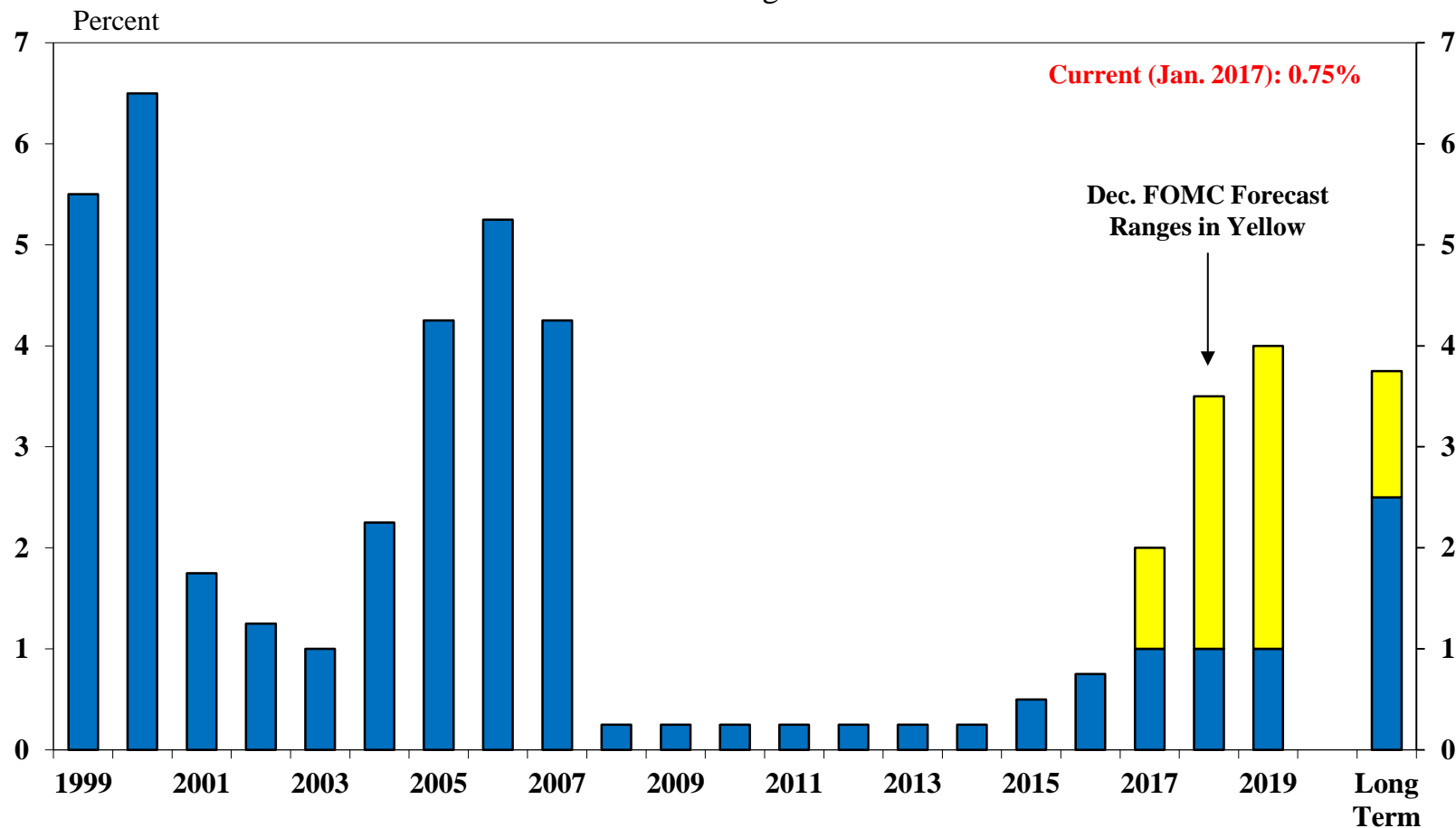
# Inflation has been low the past couple of years but has recently returned to near the long-term target

## PCE Inflation Index



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

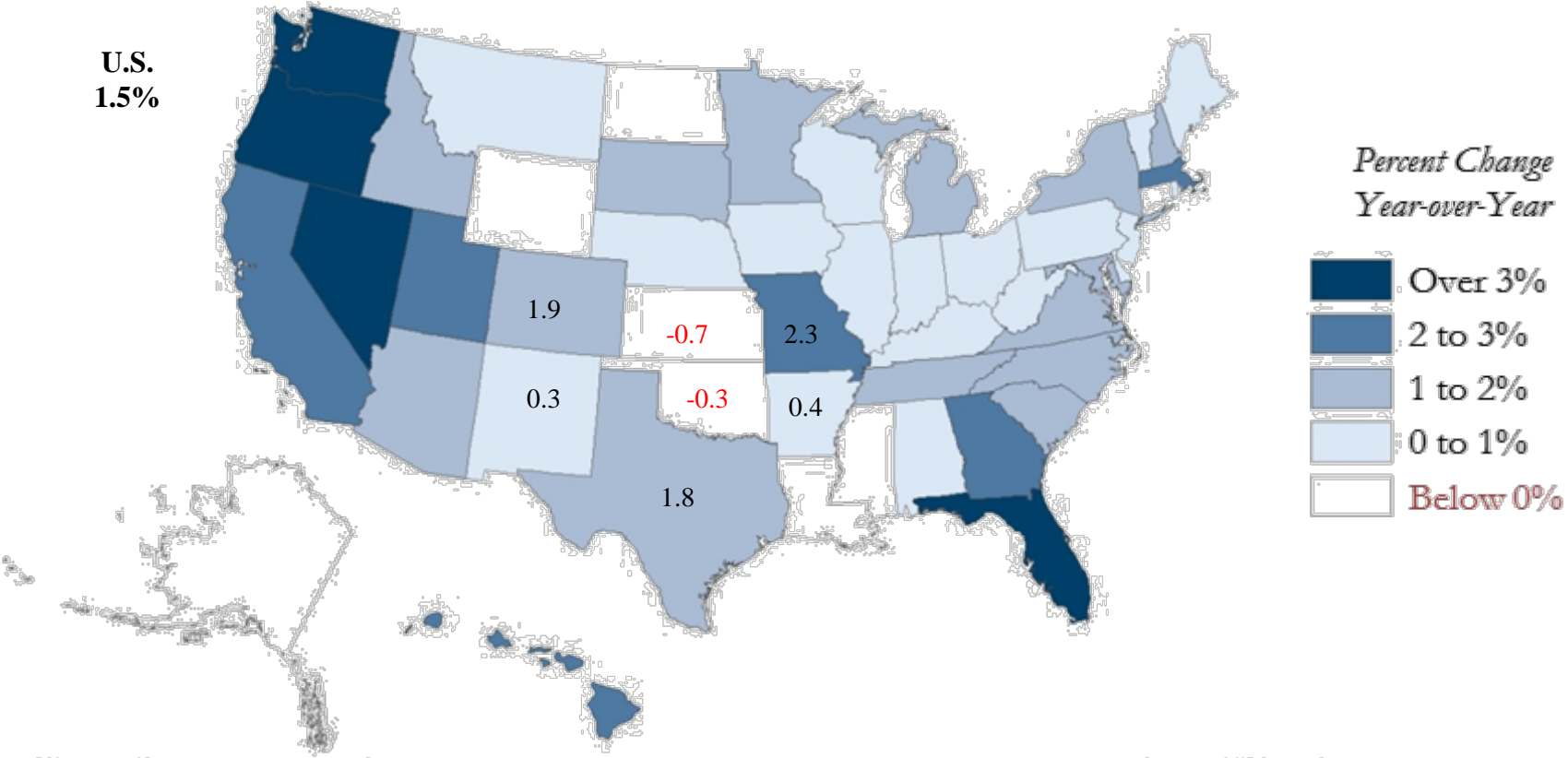
### Federal Funds Rate Year-end target



# **Trends in the Oklahoma Economy**

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

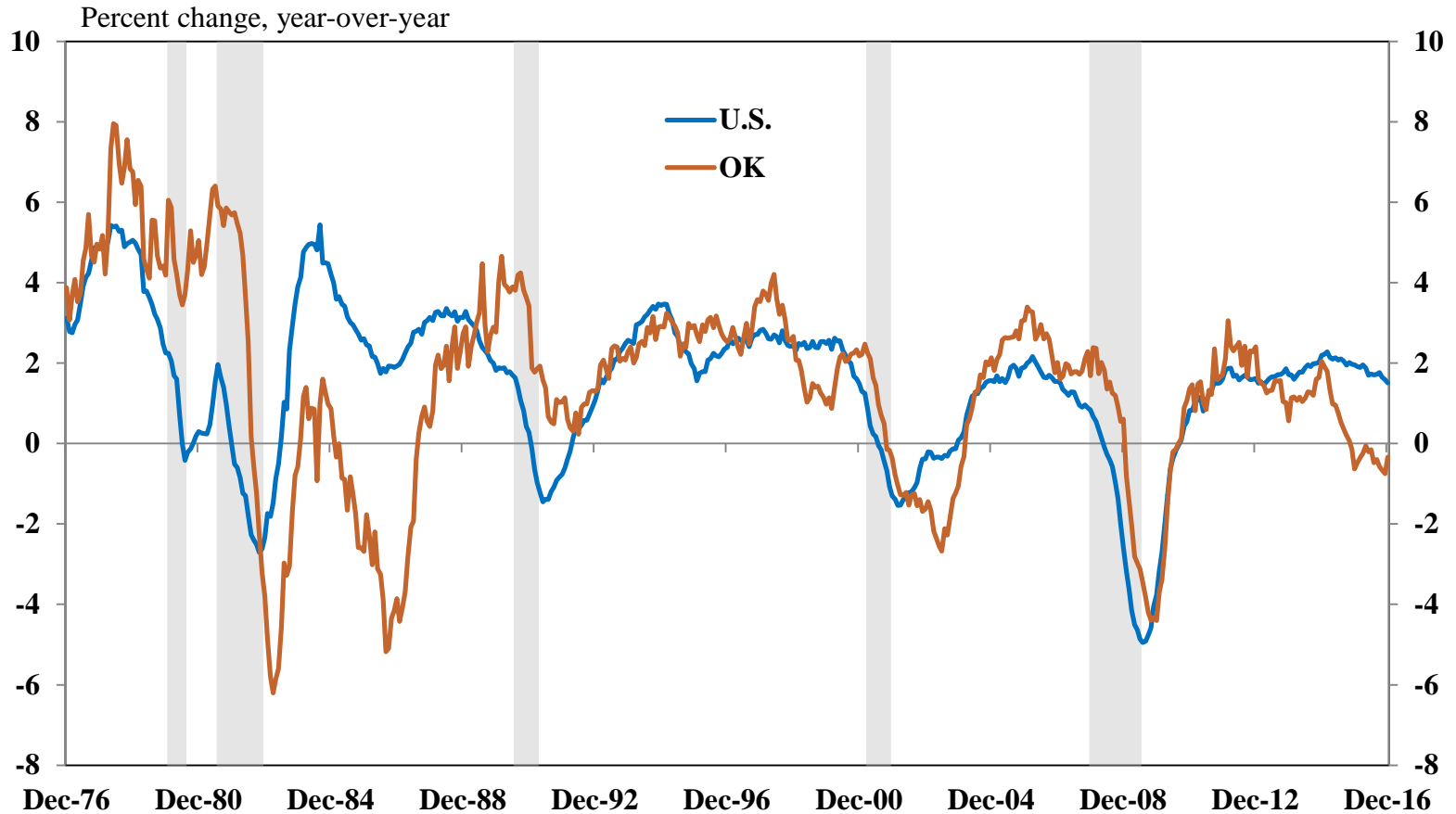
**Total Nonfarm Employment Growth**  
December 2016



Source: U.S. Bureau of Labor Statistics

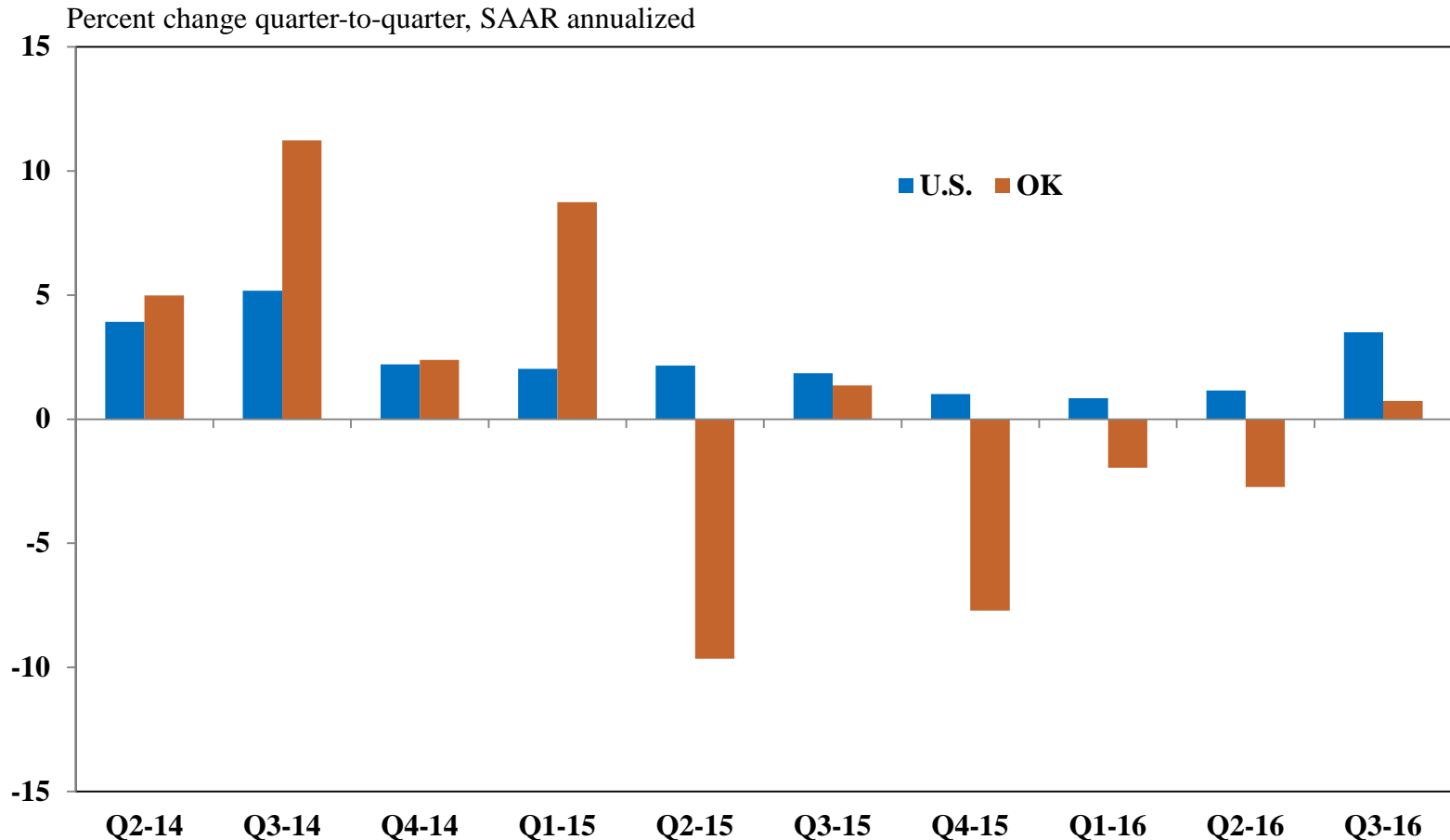
This is the largest divergence between Oklahoma and the U.S. since the '80s, but the drop is small

### Payroll Employment Growth



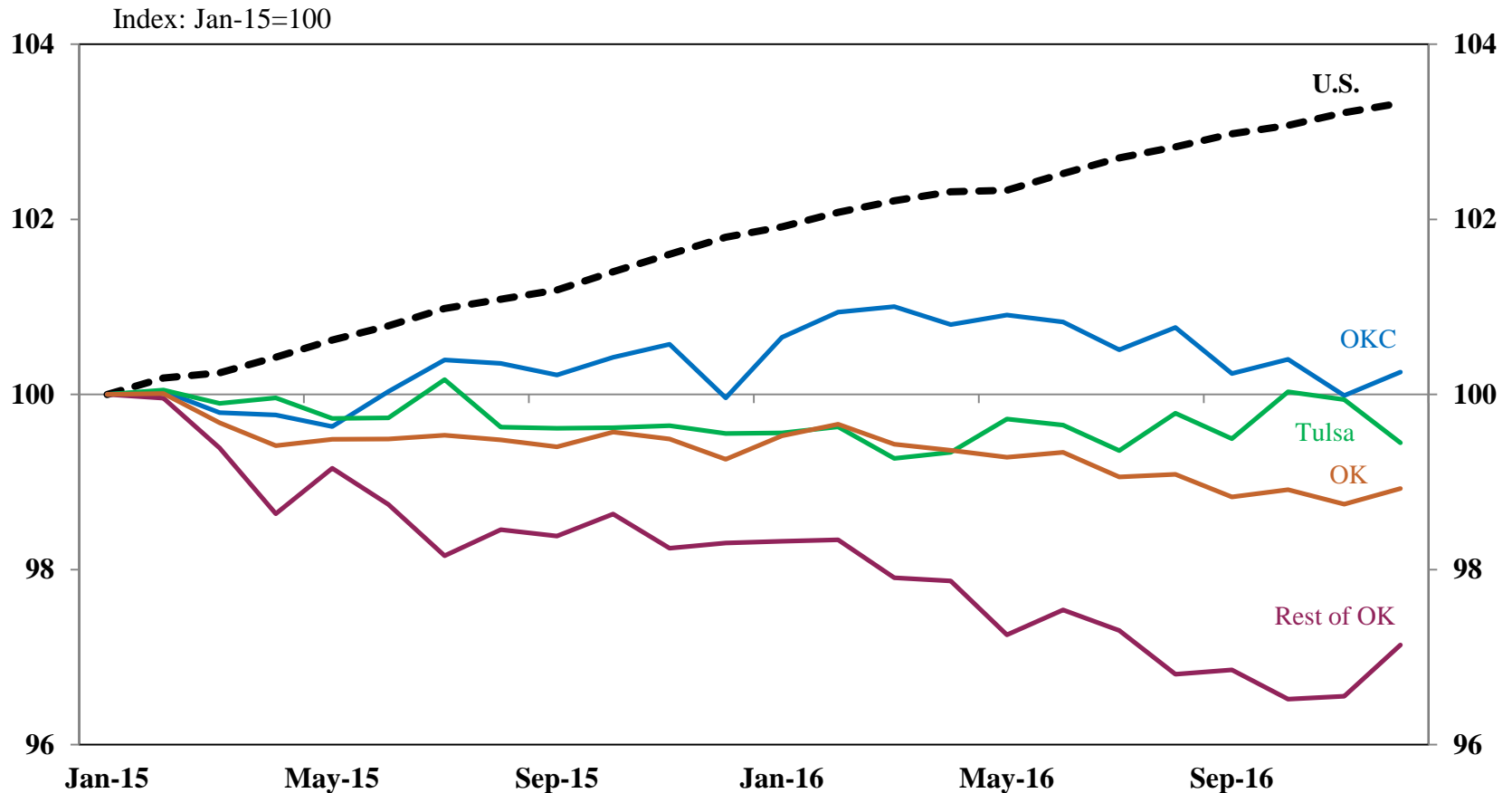
# After falling in 4 of 5 previous quarters, Oklahoma real GDP rose slightly in Q3 2016

## Real GDP Growth



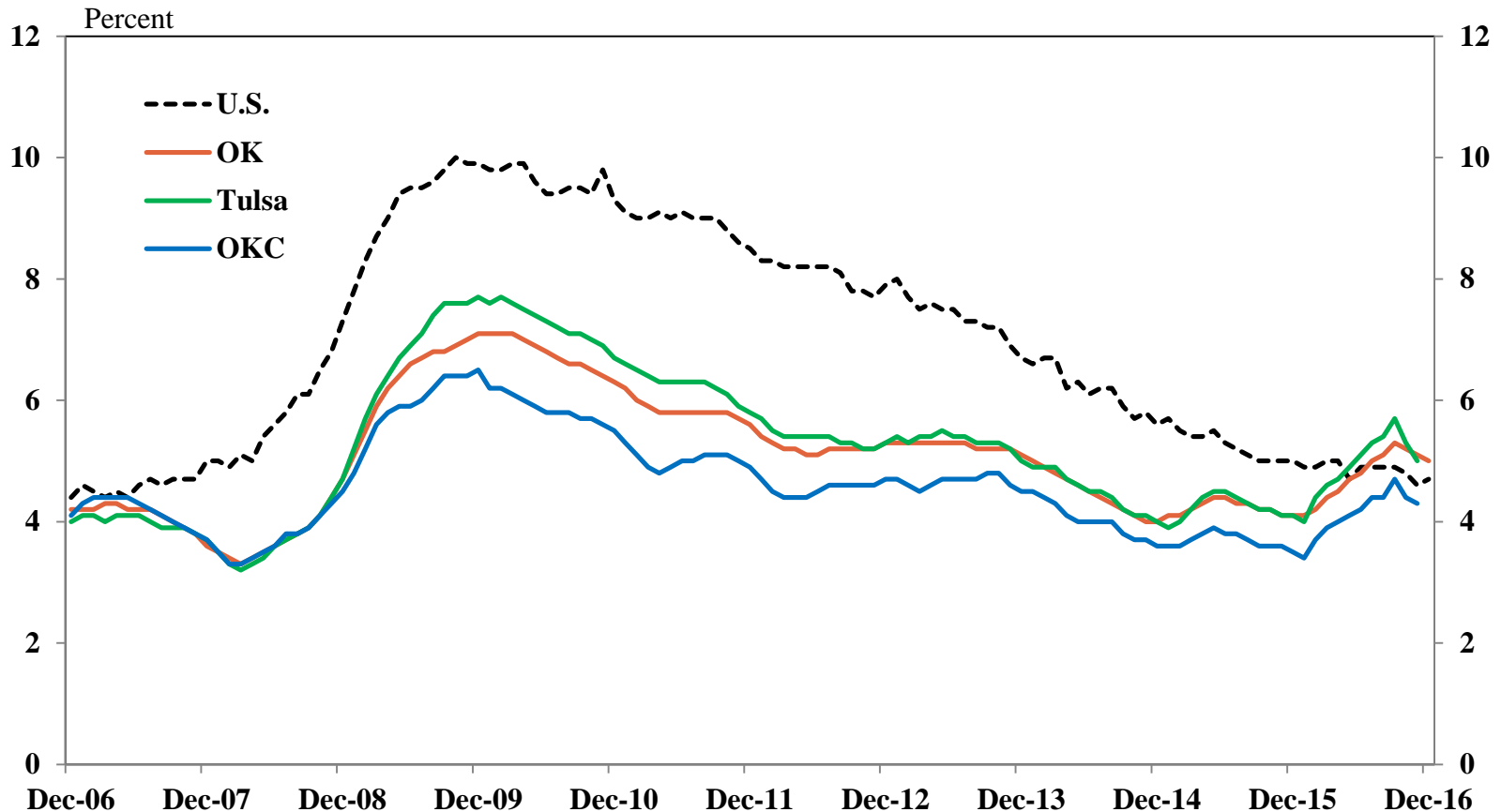
# The two large metro areas have generally held up better than other parts of the state

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

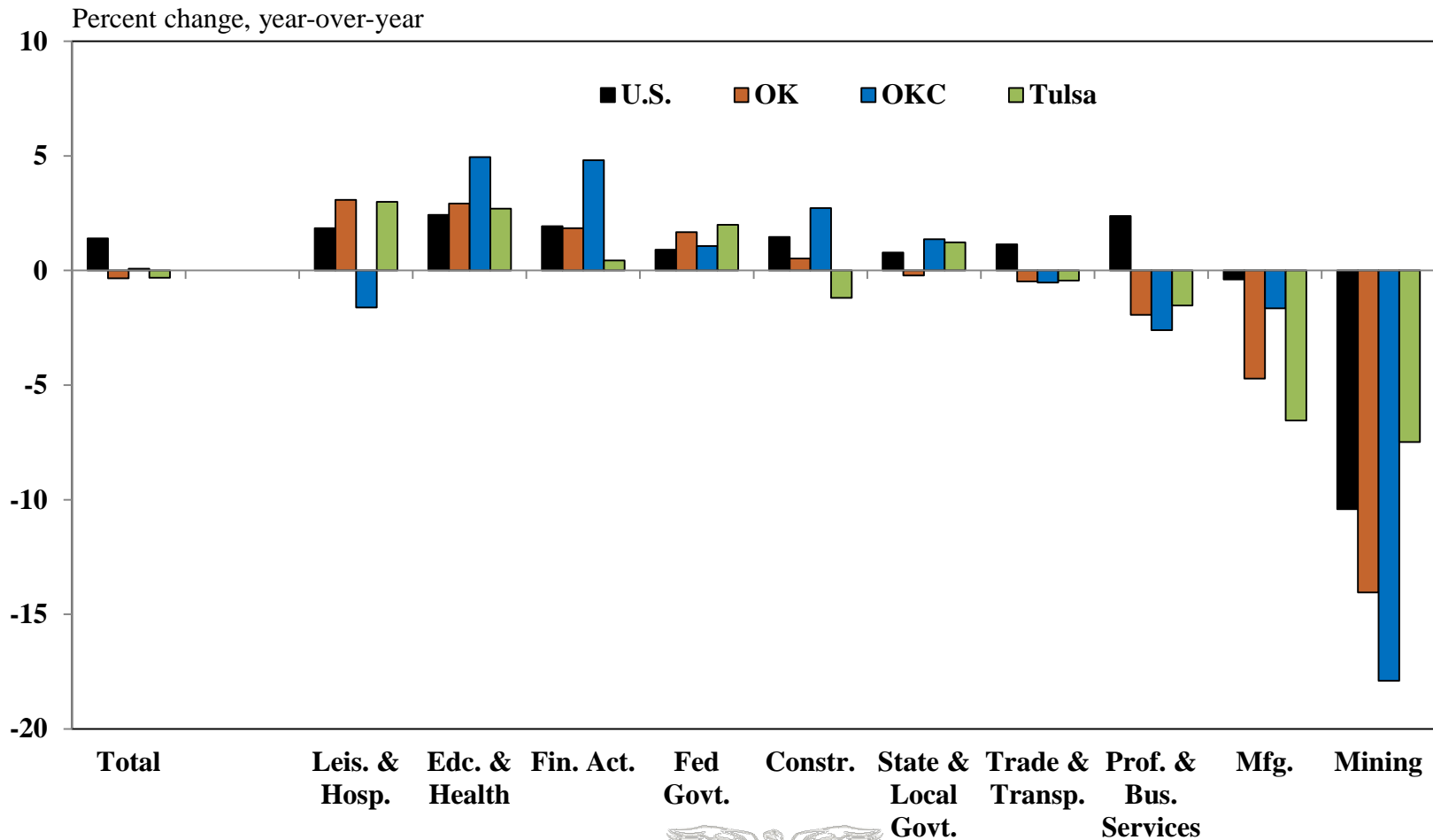




# Spillover has occurred from energy to other industries, but jobs in some industries are still up

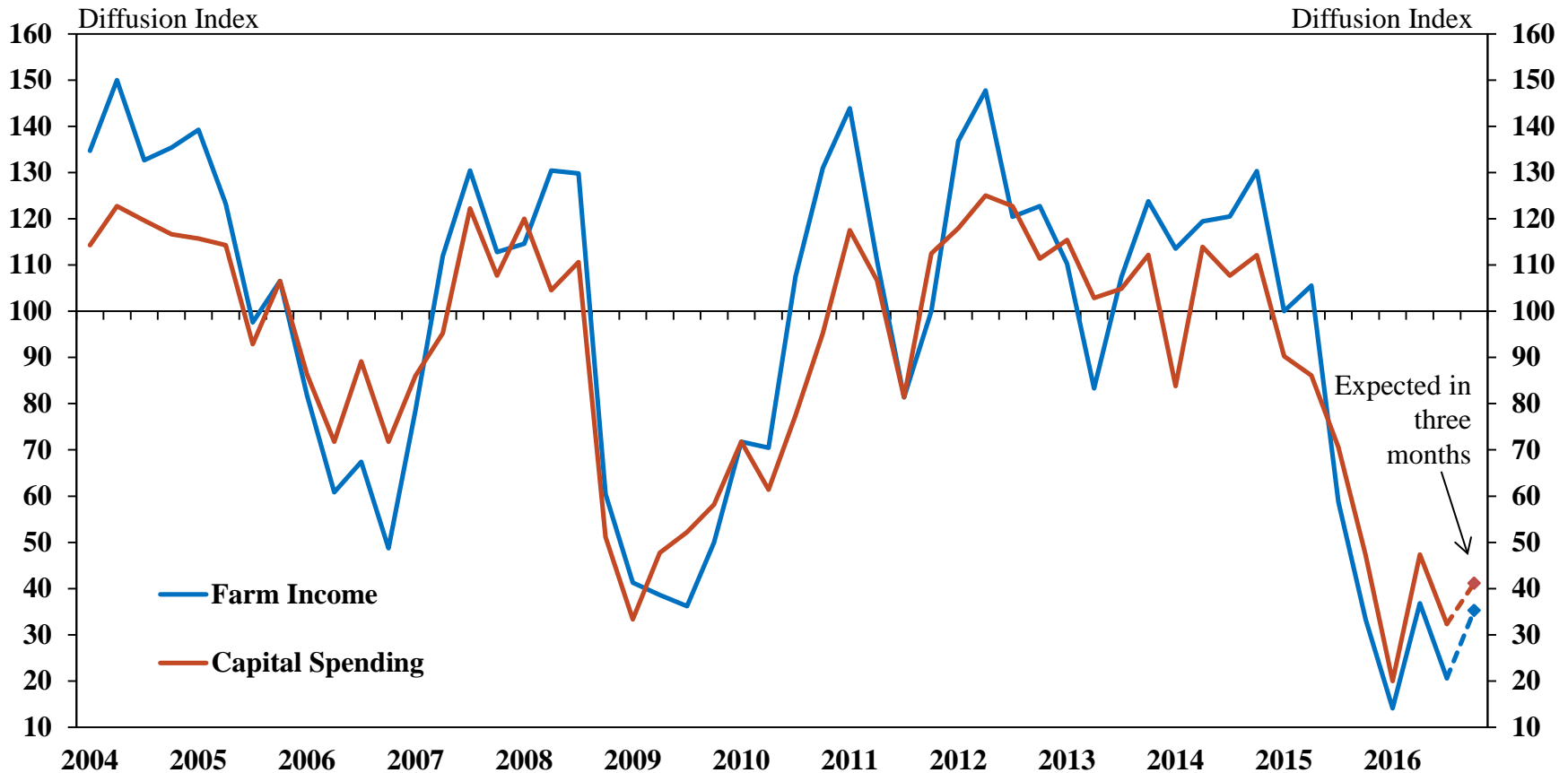
## Job Growth by Industry

Dec-16



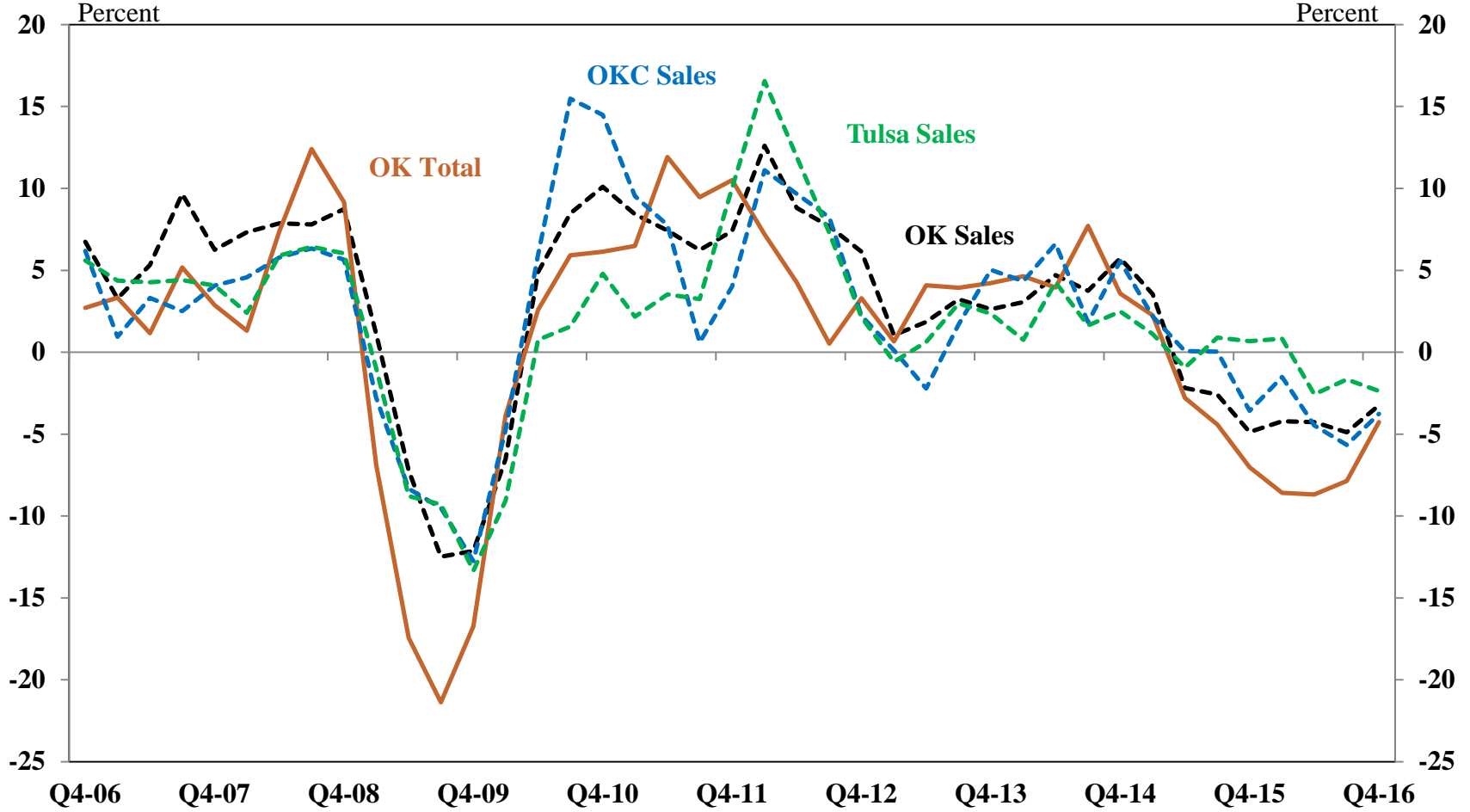
# Like the energy sector, agriculture in Oklahoma had a difficult 2016

## Oklahoma Farm Income and Capital Spending



# State and city sales tax receipts remain lower than a year ago but declines have been smaller lately

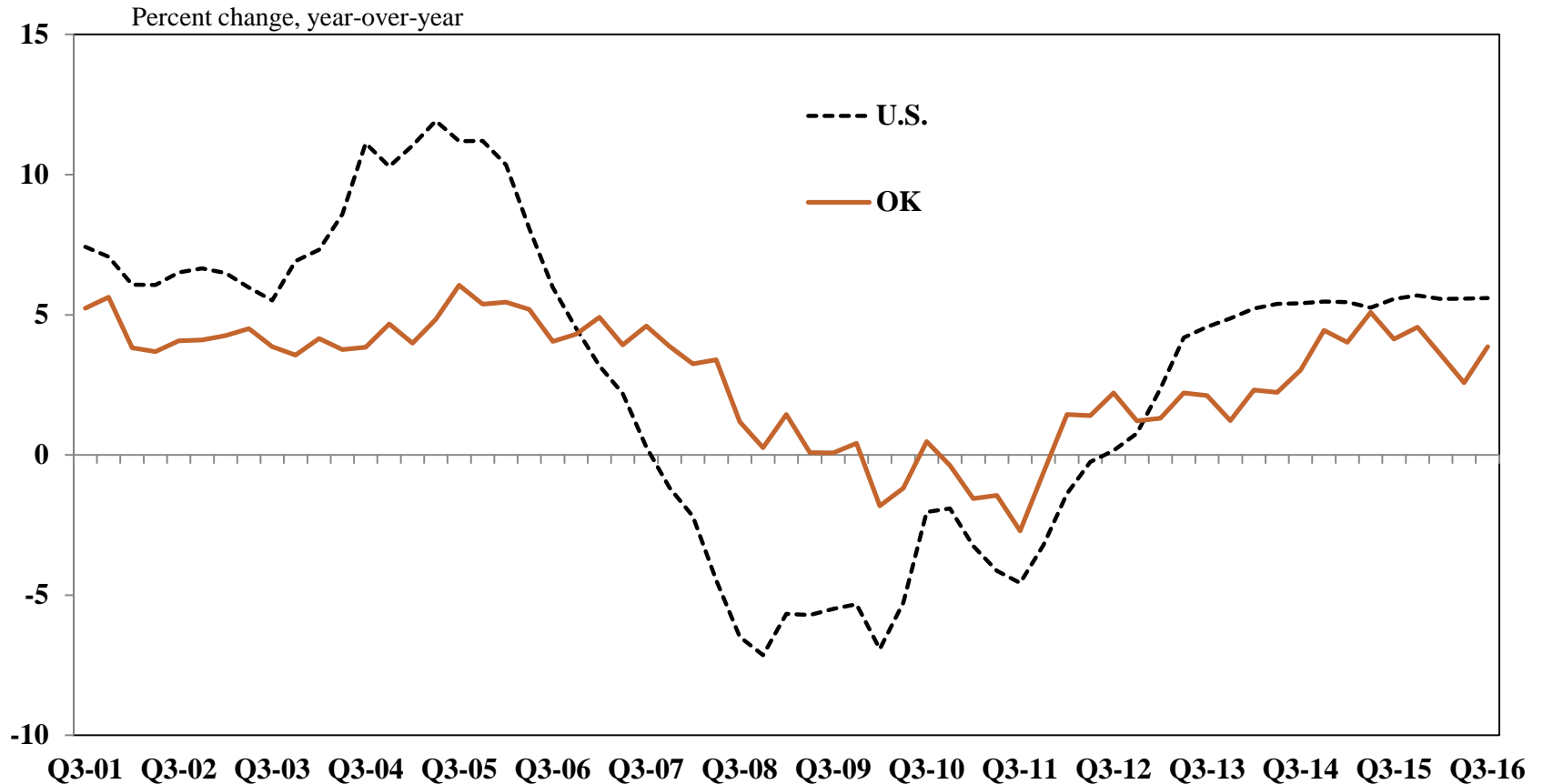
Tax Receipts  
Through Q4-16



Source: OK Tax Commission

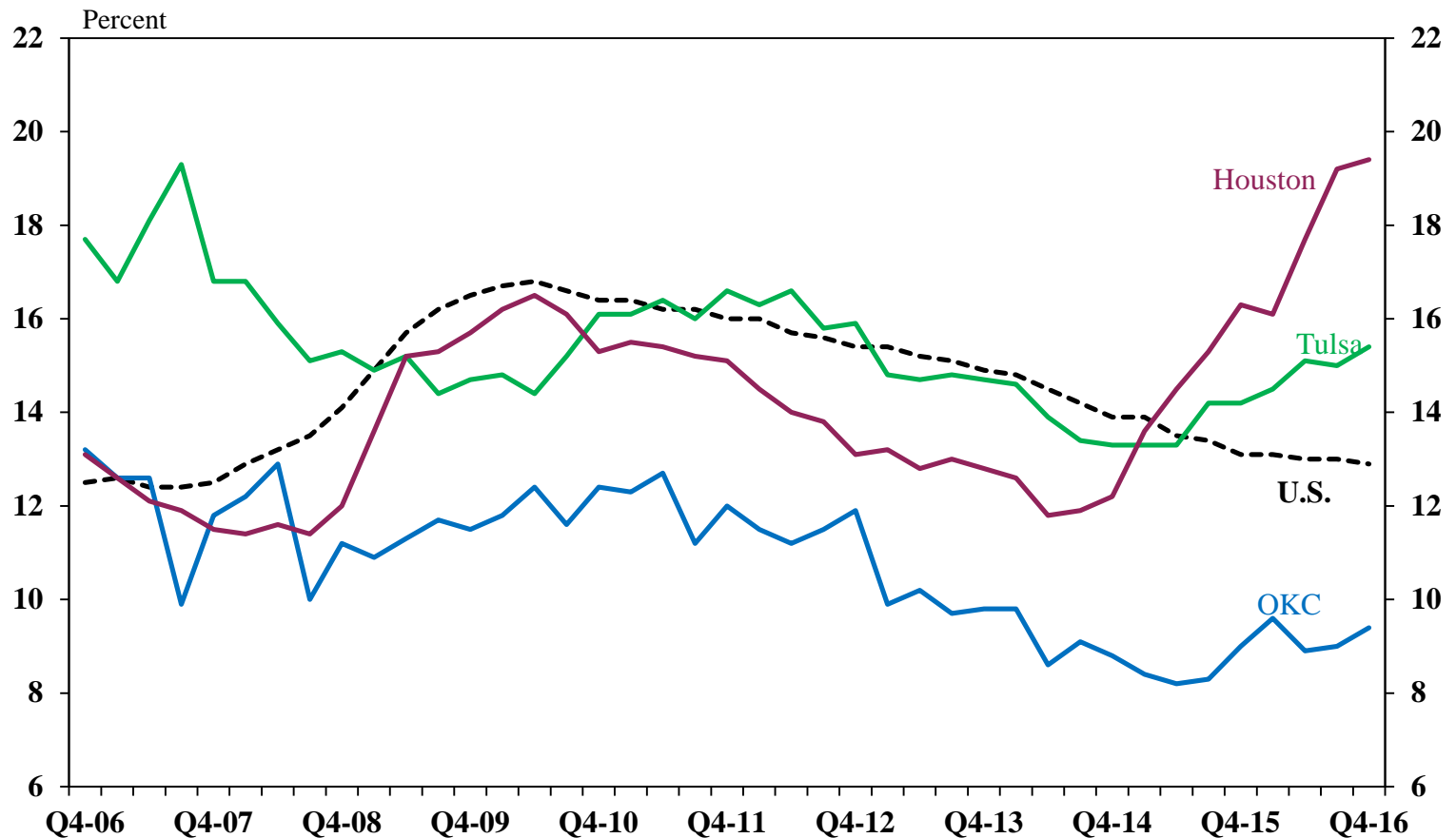
# Home price growth in Oklahoma has slowed, but remains moderately positive

**FHFA Home Price Index**  
Seasonally Adjusted



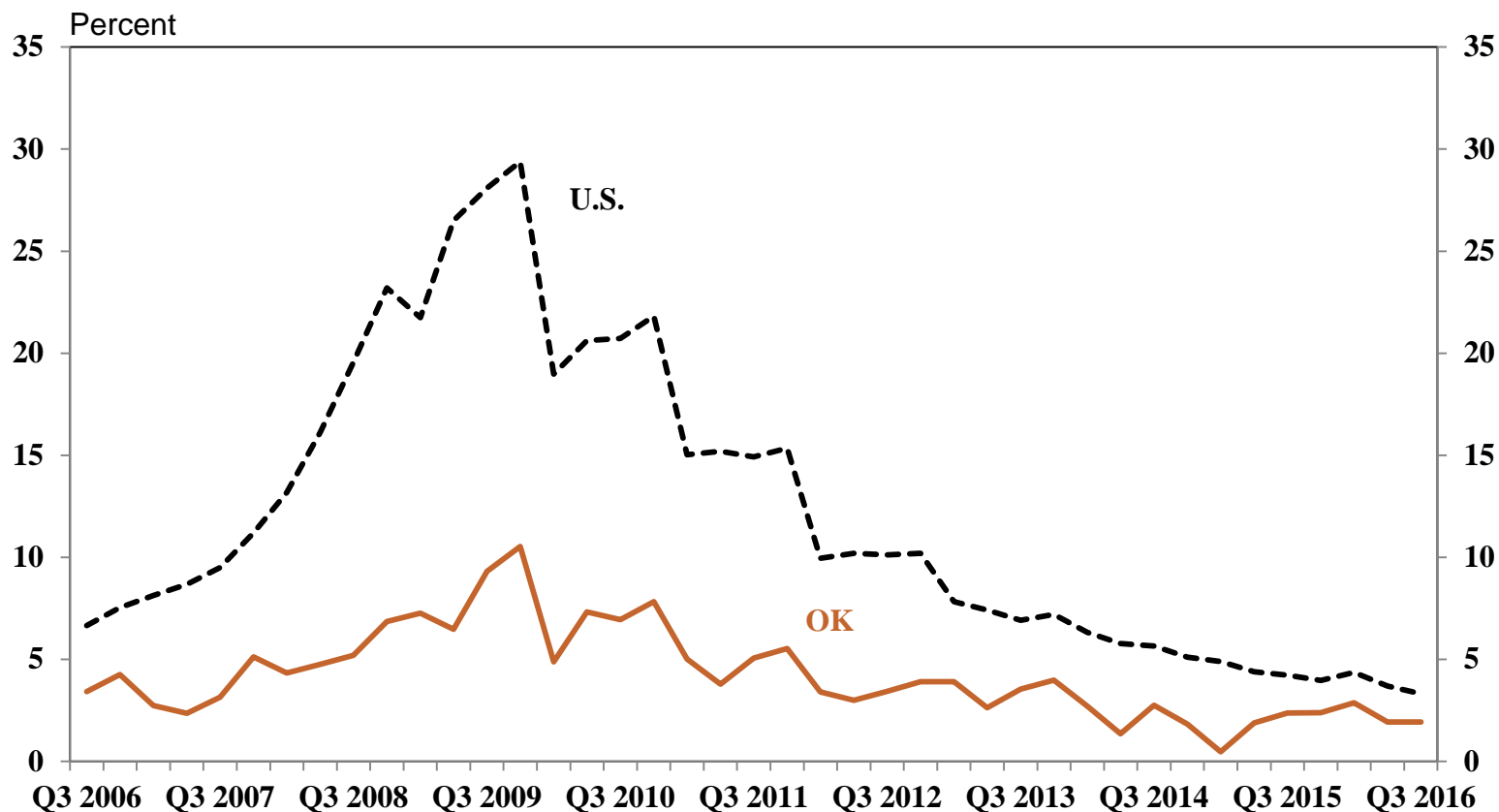
# Office vacancy rates have risen slightly in the two metros, but much less than Houston

## Metro Office Vacancy Rates



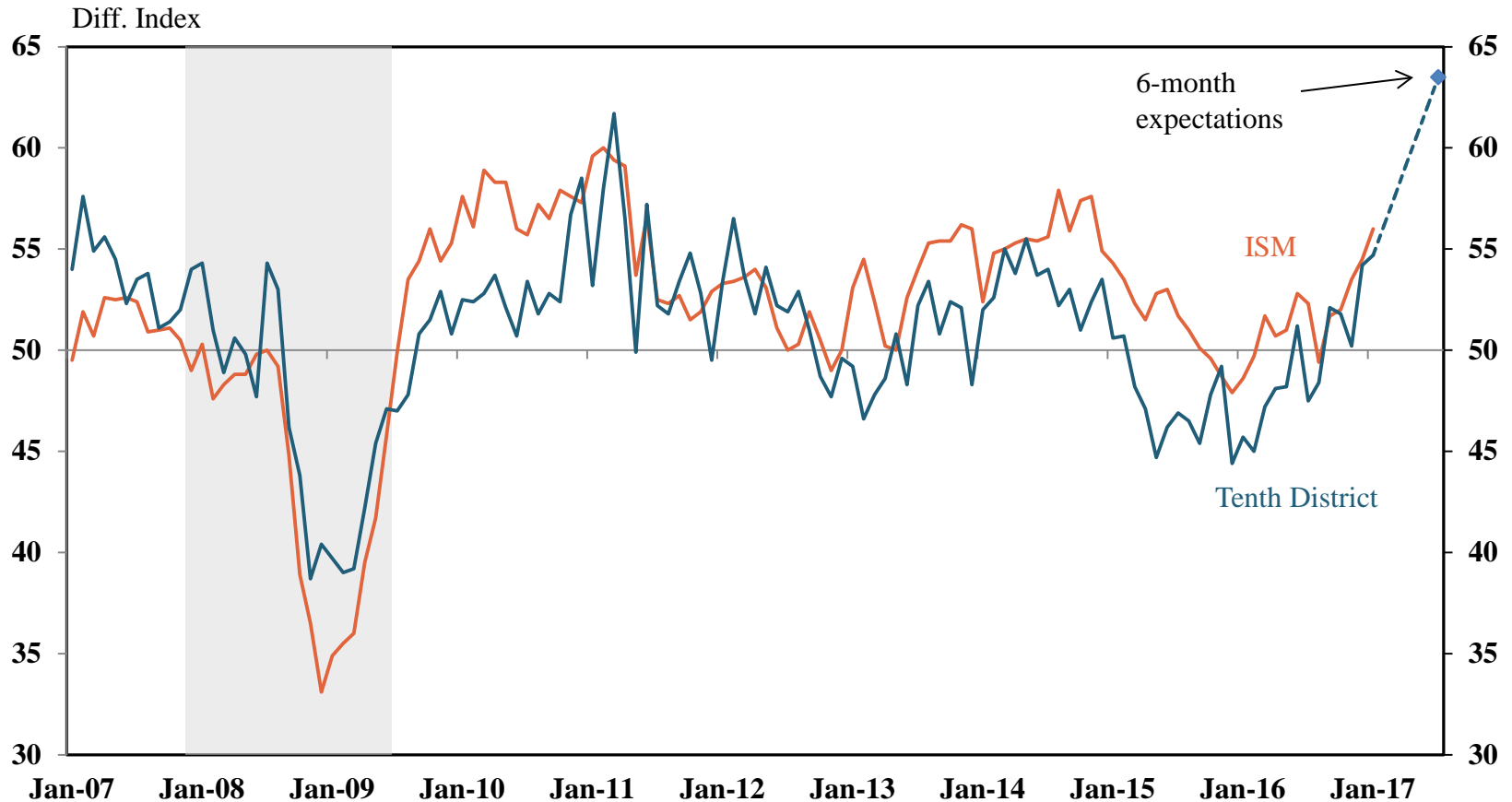
# And nearly all banks in Oklahoma remain profitable through mid-2016

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



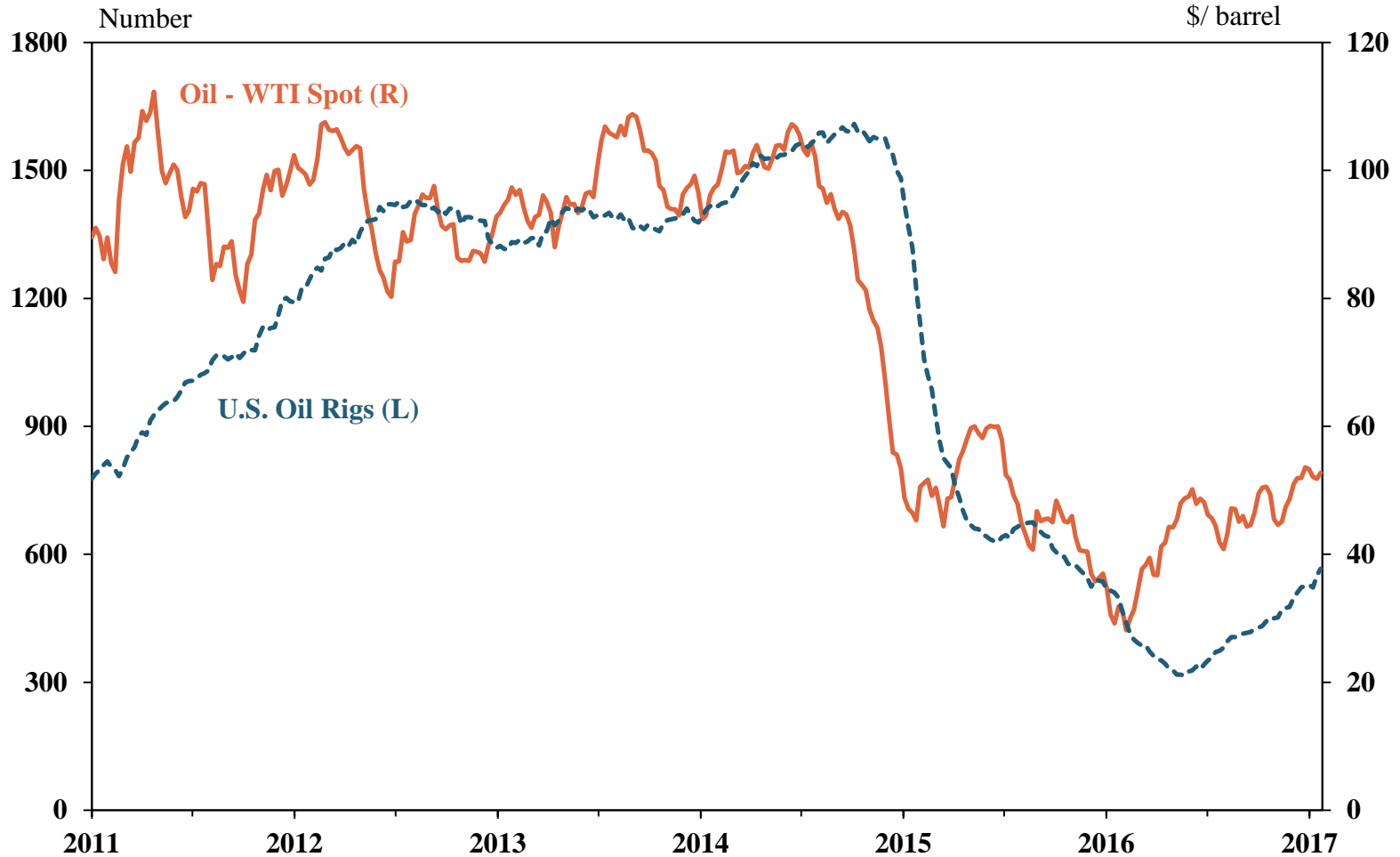
# One struggling industry—manufacturing—has improved lately, with considerable optimism

**Manufacturing Composite Indexes,  
Seasonally Adjusted**



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

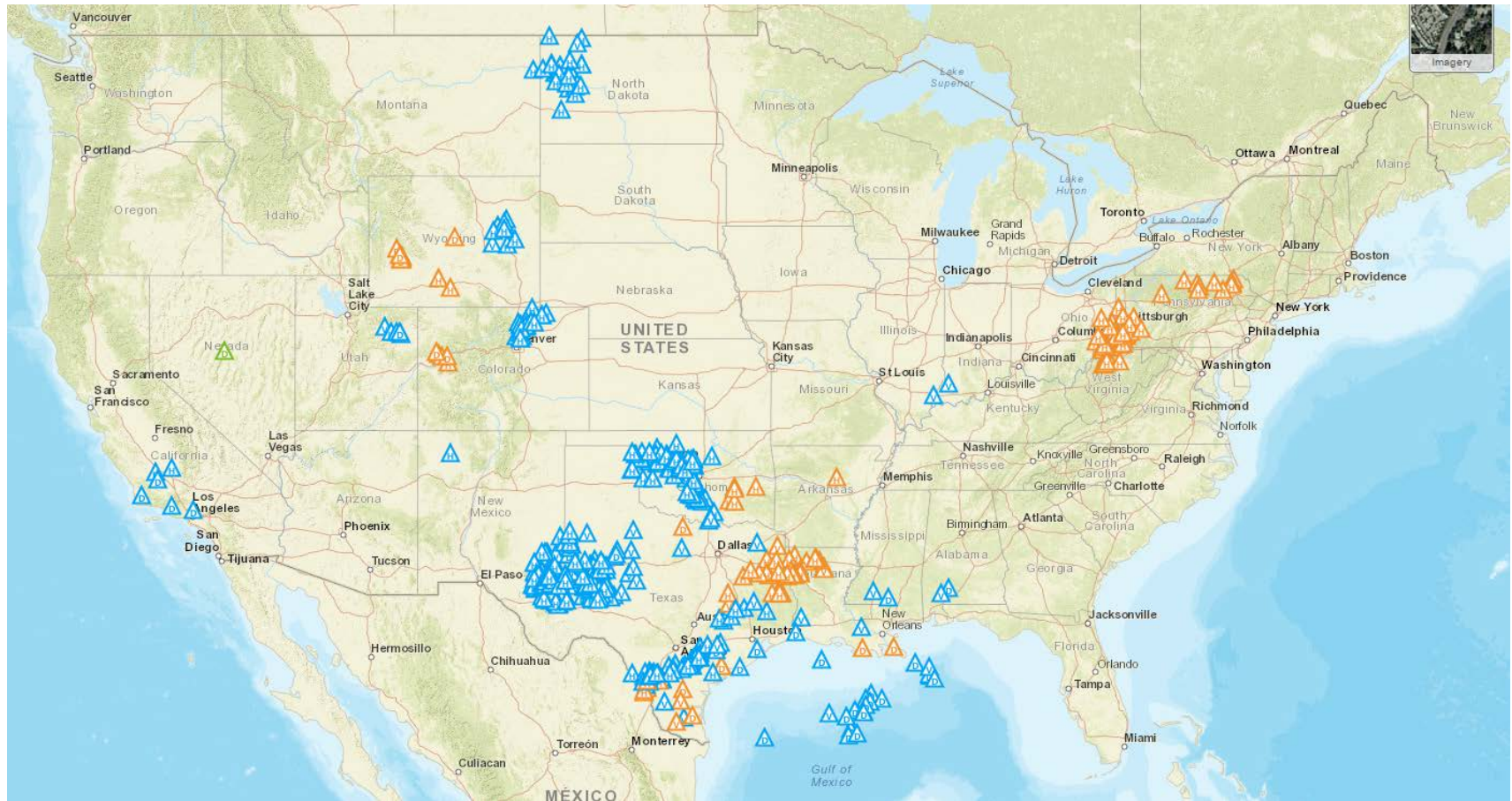
## Oil Spot Prices and Rig Counts





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

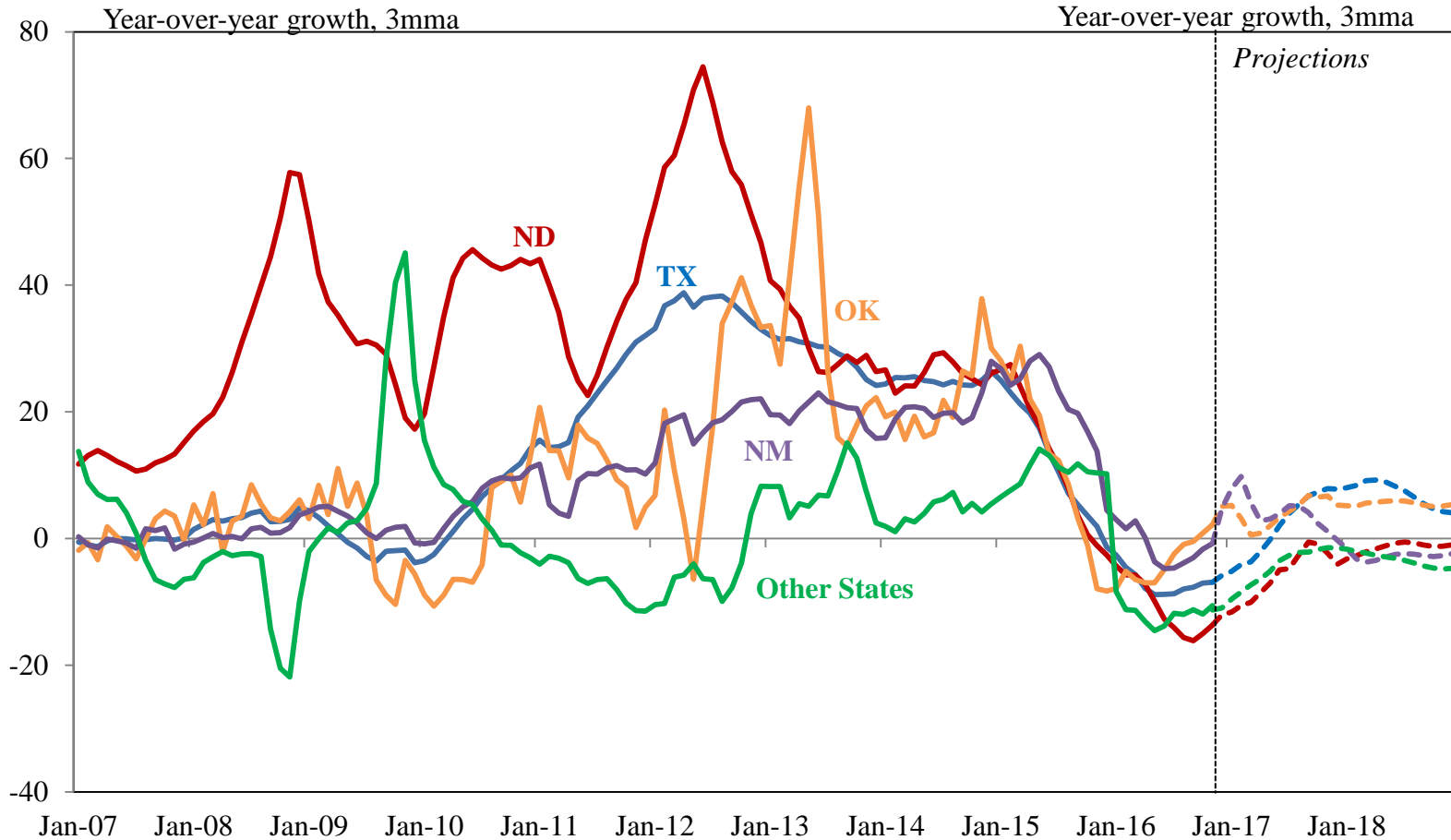
**Current Drilling Rig Locations,  
As-of February 3, 2017**



Source: Baker Hughes

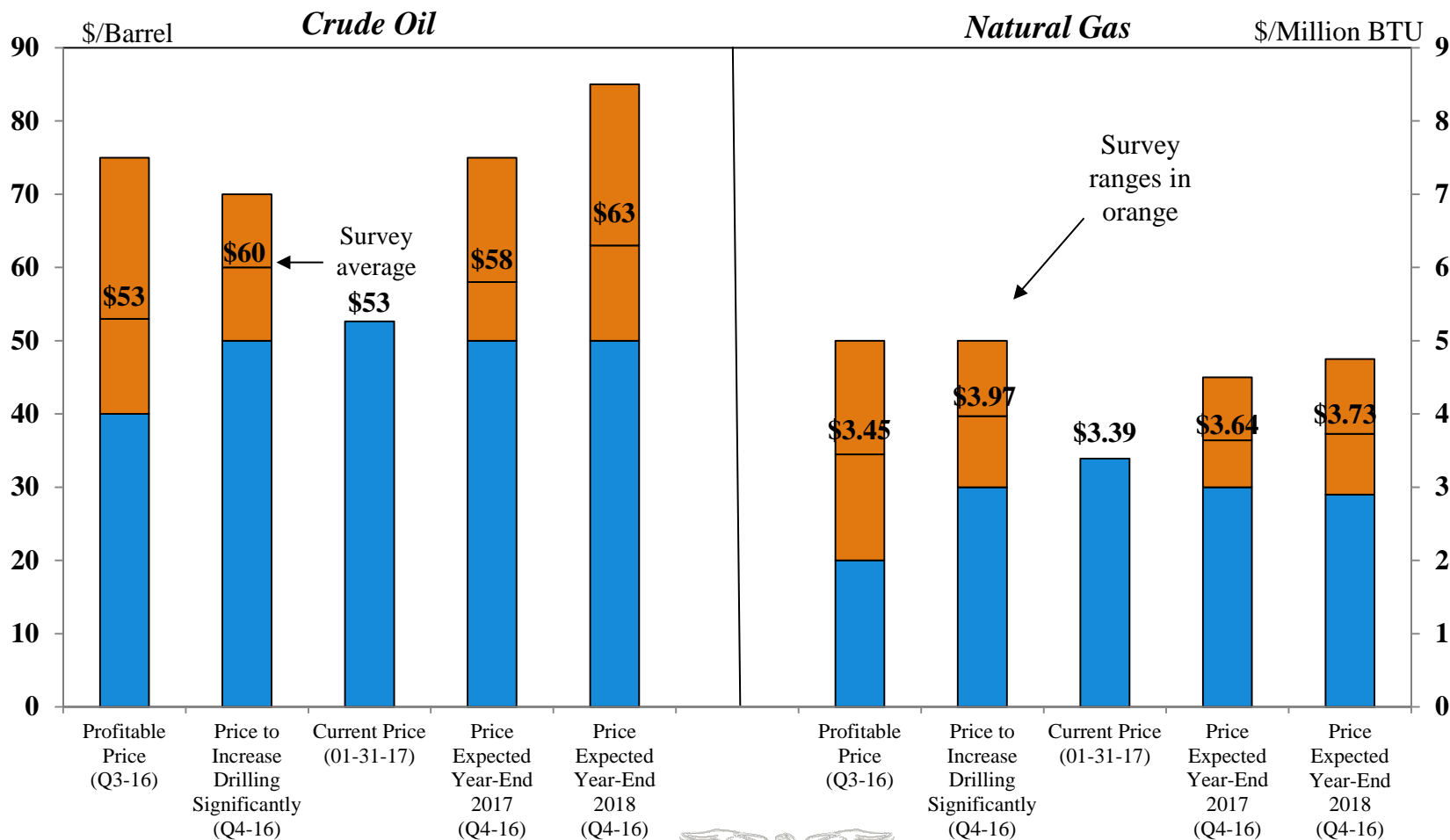
# Oil production is expected to rise slightly further in Oklahoma and Texas through 2018

## 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 2016



# 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:

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

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

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