

U.S. and Oklahoma Economic Outlook

Broken Arrow Rotary

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Chad Wilkerson

Oklahoma City Branch Executive & Economist

Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity

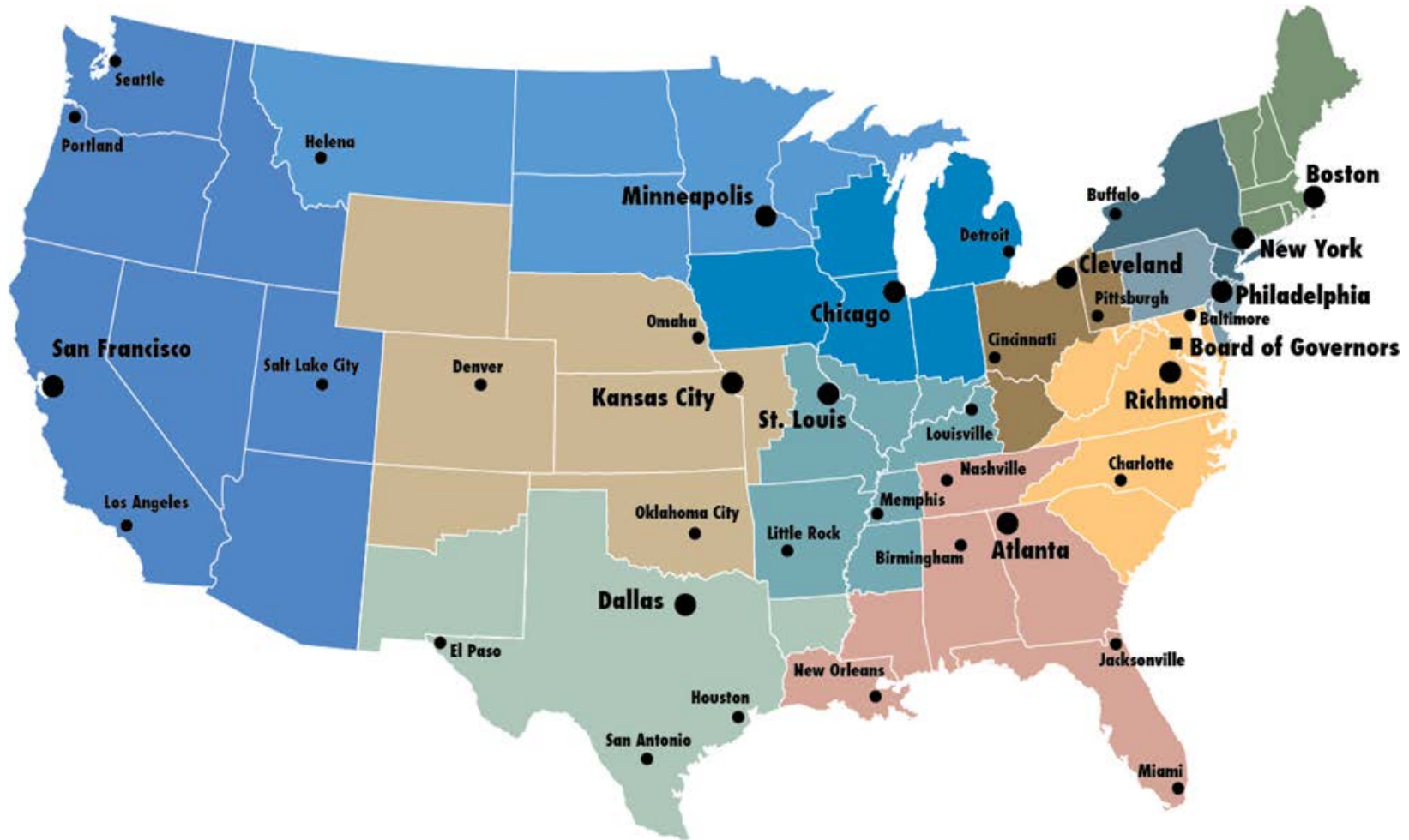
Structure and Functions of the Federal Reserve System

- **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

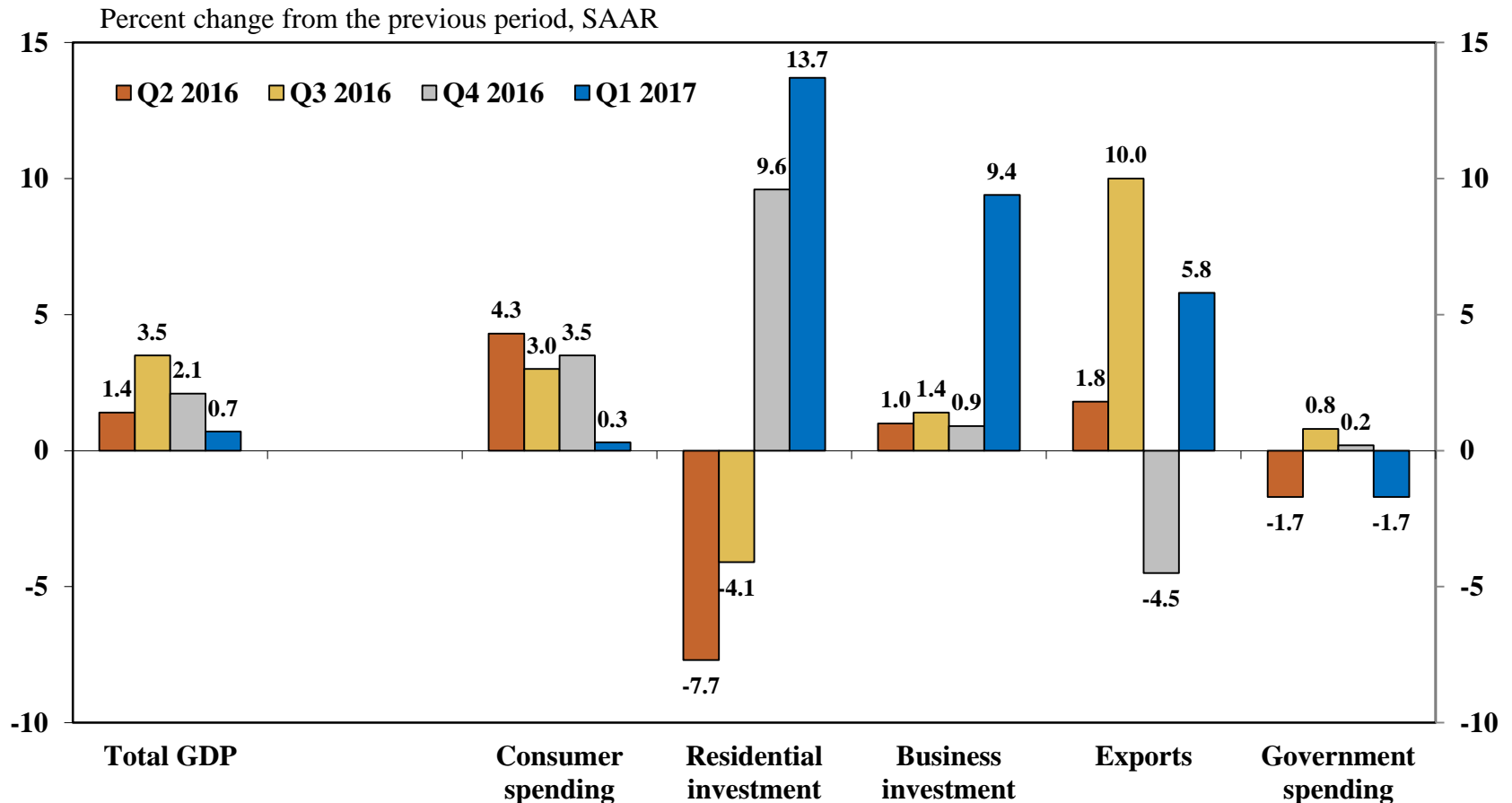
- **Oklahomans on Kansas City Fed head office Board**

- **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

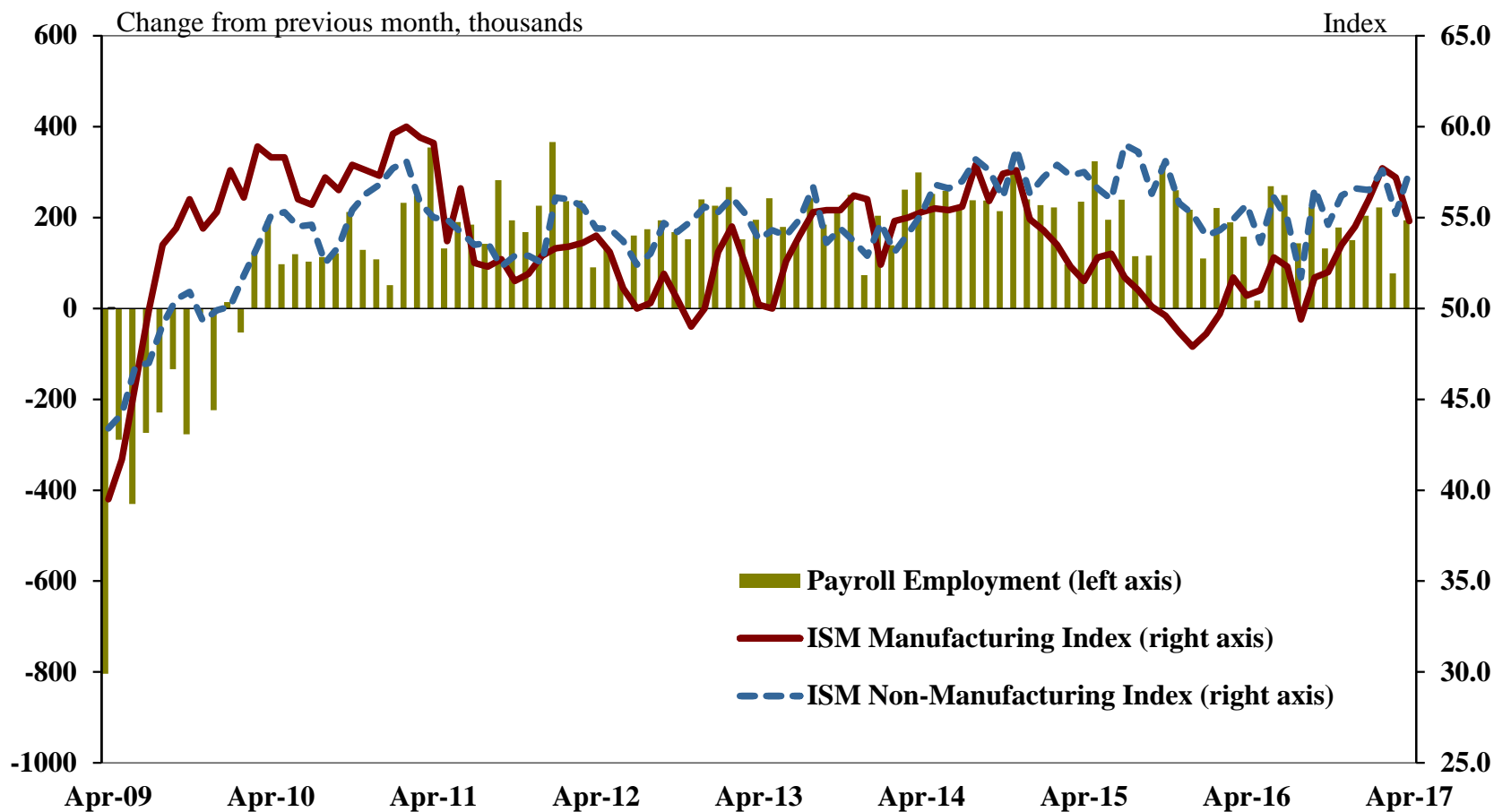
GDP growth slowed in the first quarter of 2017 due in part to a slowdown in consumer spending

Growth in Components of Real GDP



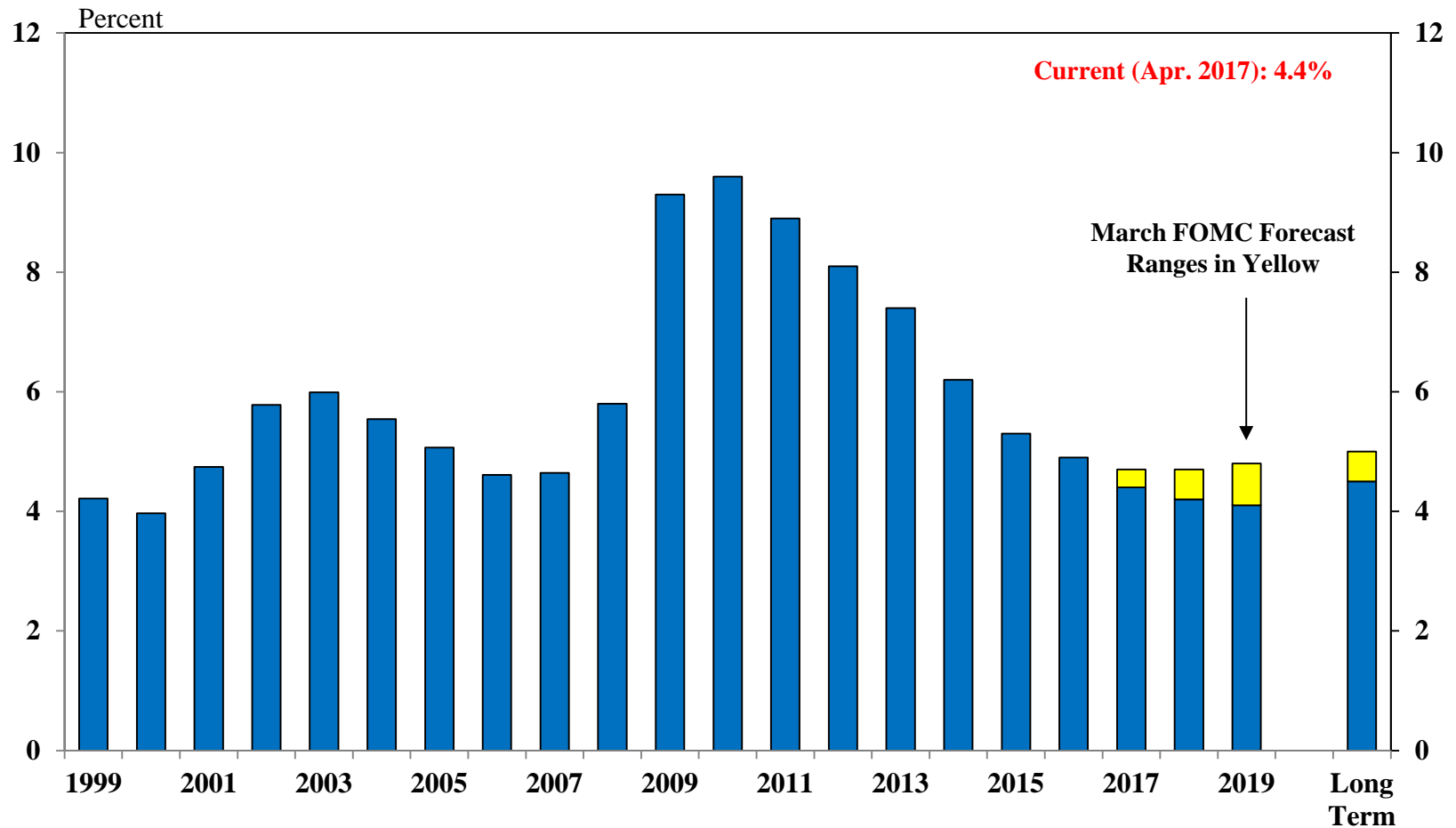
Most monthly data show U.S. economic growth remained solid in the first 4 months of the year

U.S. Payroll Employment and Business Indexes



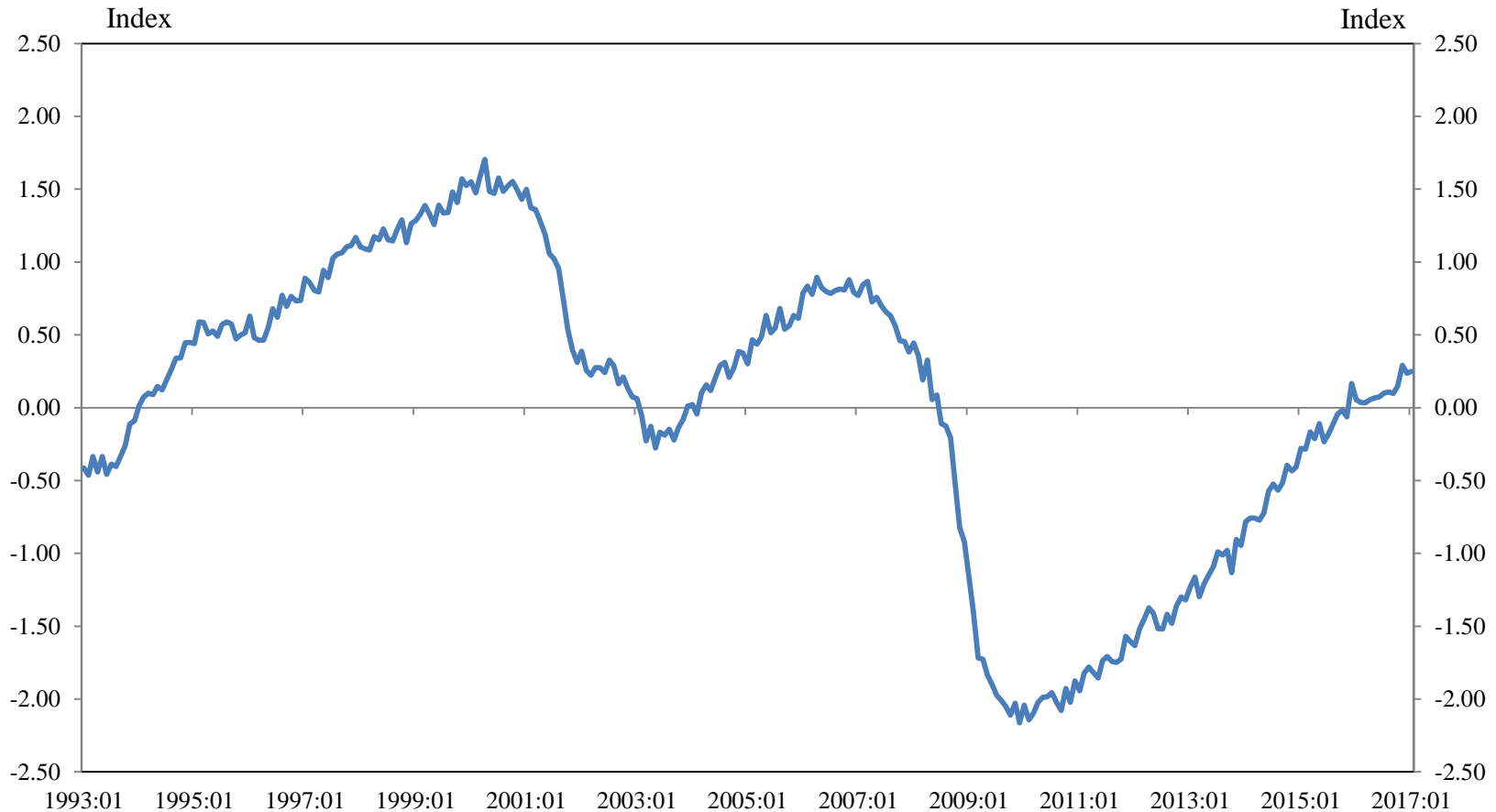
U.S. unemployment has fallen to long-term average levels

Unemployment Rate
Seasonally Adjusted



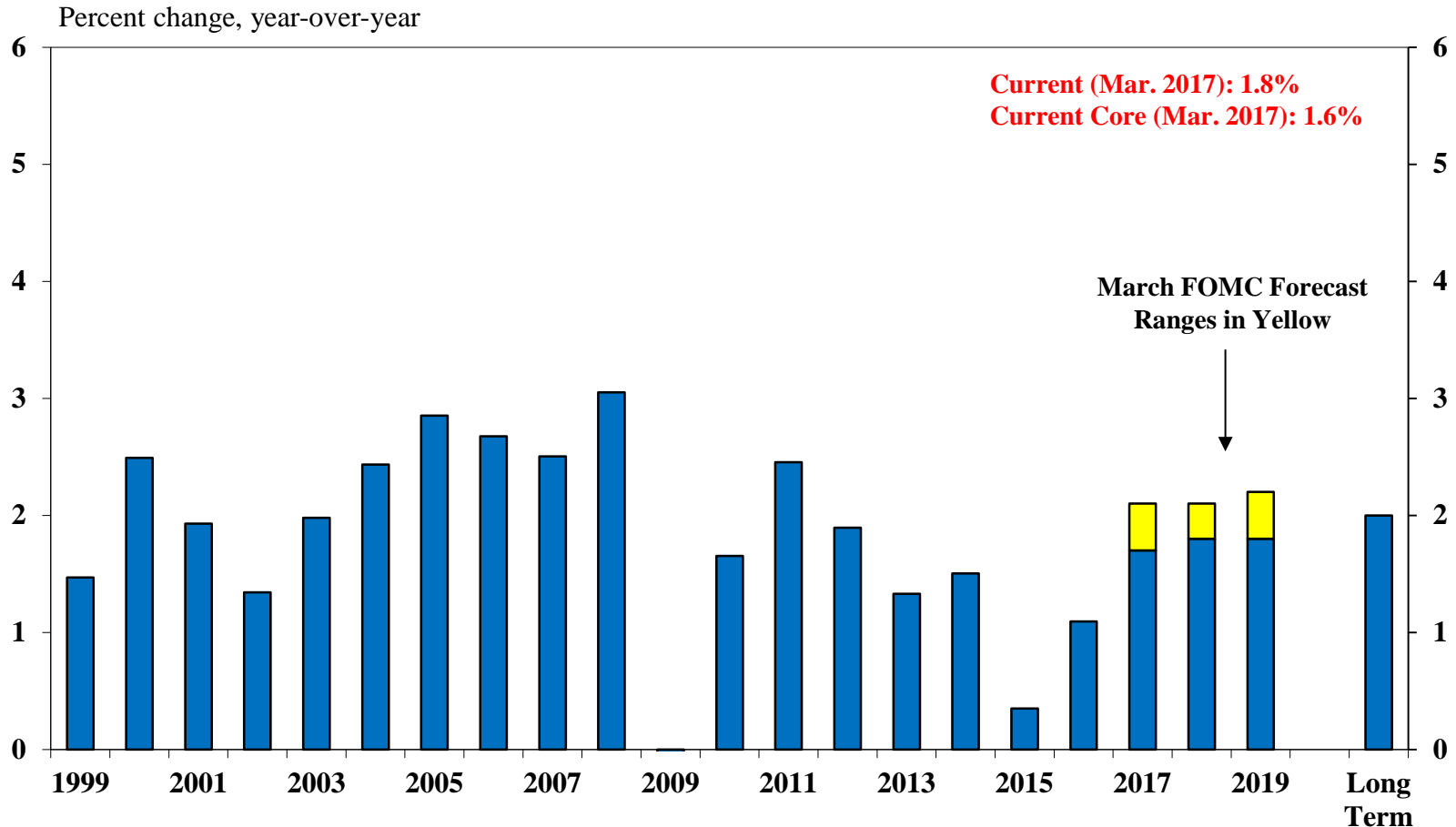
Broader measures of labor market conditions also show a return to normalcy

U.S. Labor Market Conditions Index



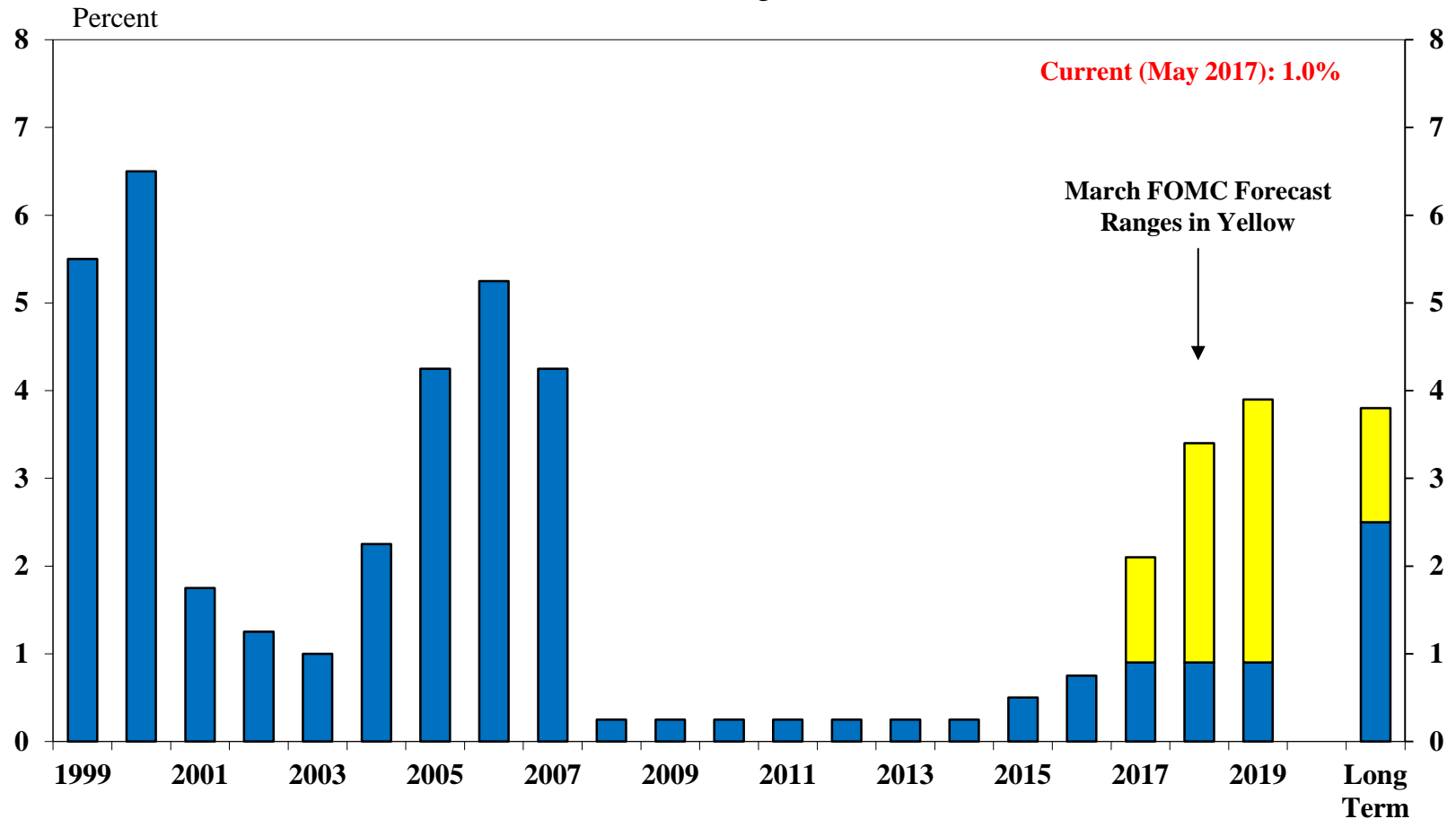
FOMC: “Inflation...has been running close to the Committee’s 2 percent longer-run objective”

PCE Inflation Index



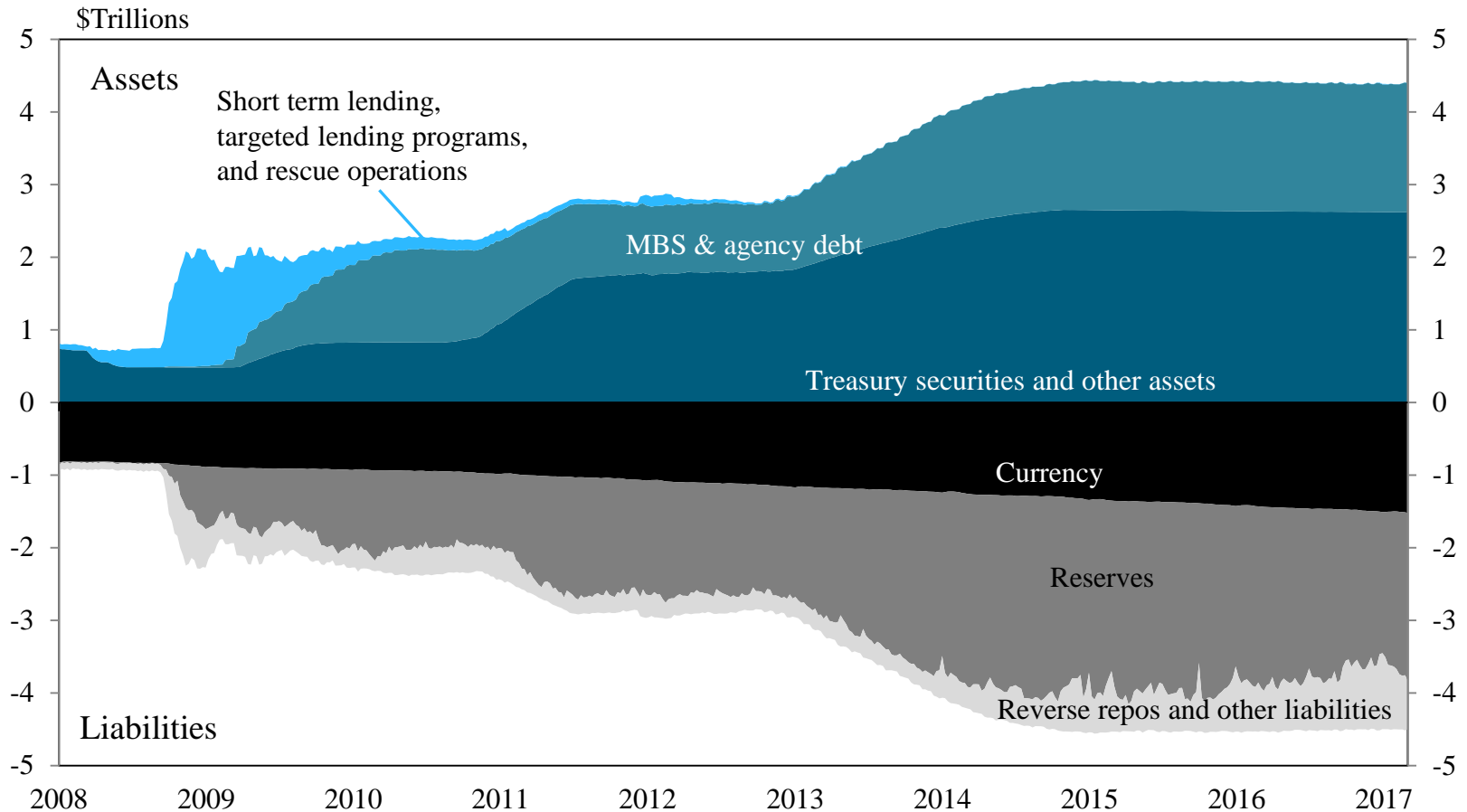
“The [FOMC] expects that economic conditions...will warrant ...gradual increases in the federal funds rate”

Federal Funds Rate Year-end target



“[P]articipants agreed that reductions in the [Fed]'s securities holdings should be gradual and predictable”

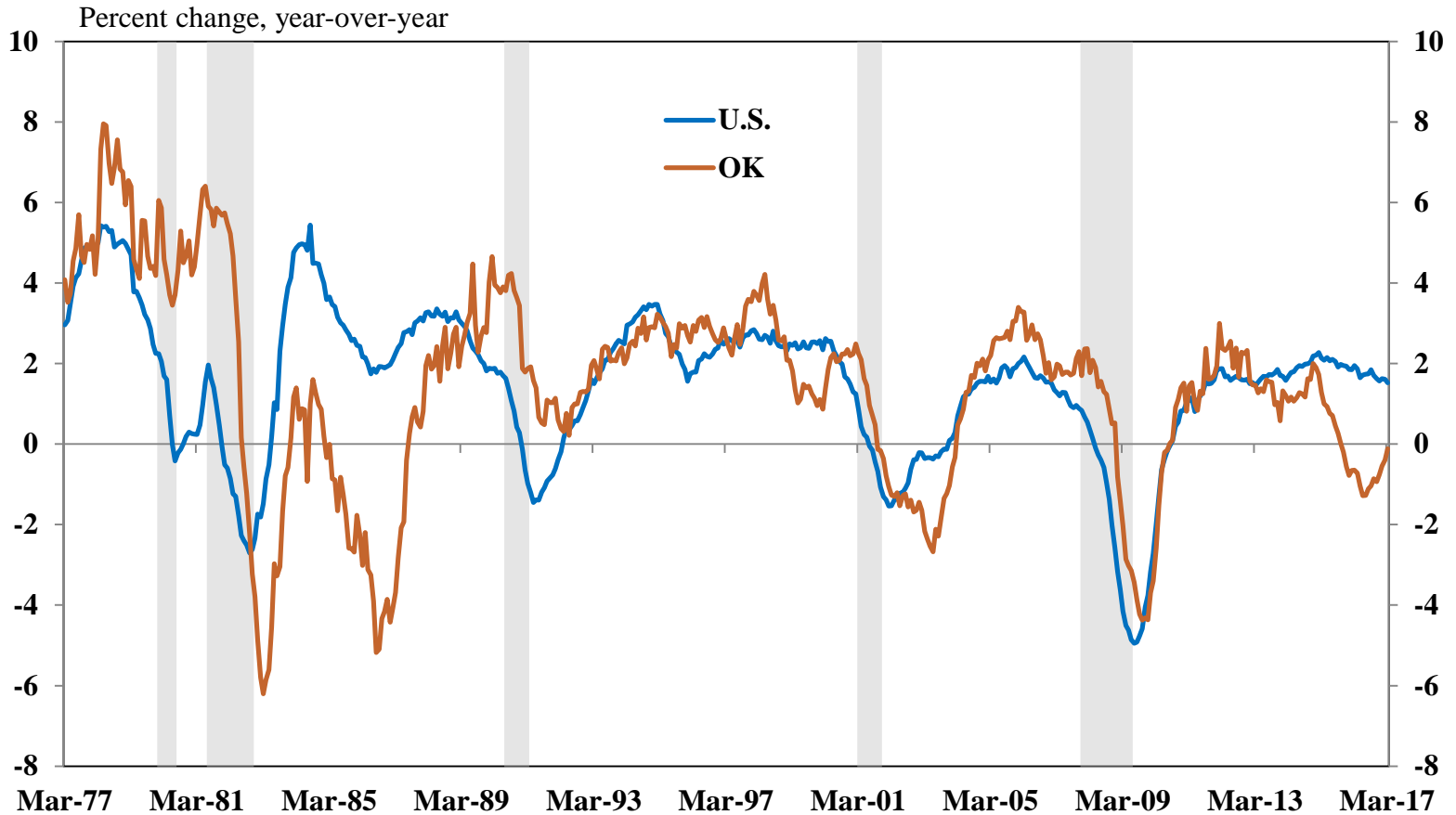
Federal Reserve Balance Sheet



Trends in the Oklahoma Economy

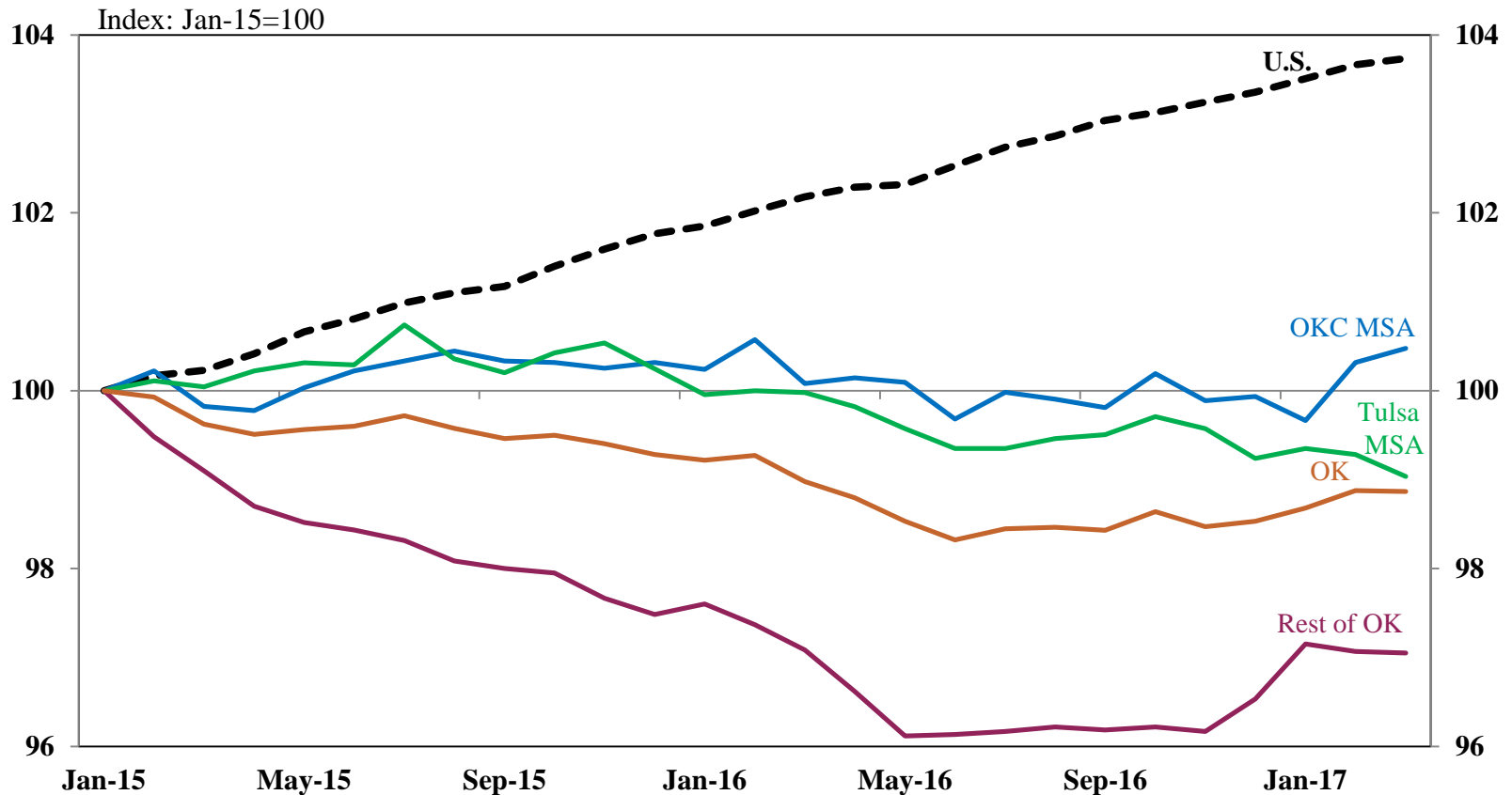
2016 was the largest divergence between U.S. and Oklahoma job growth since the 1980s

Payroll Employment Growth



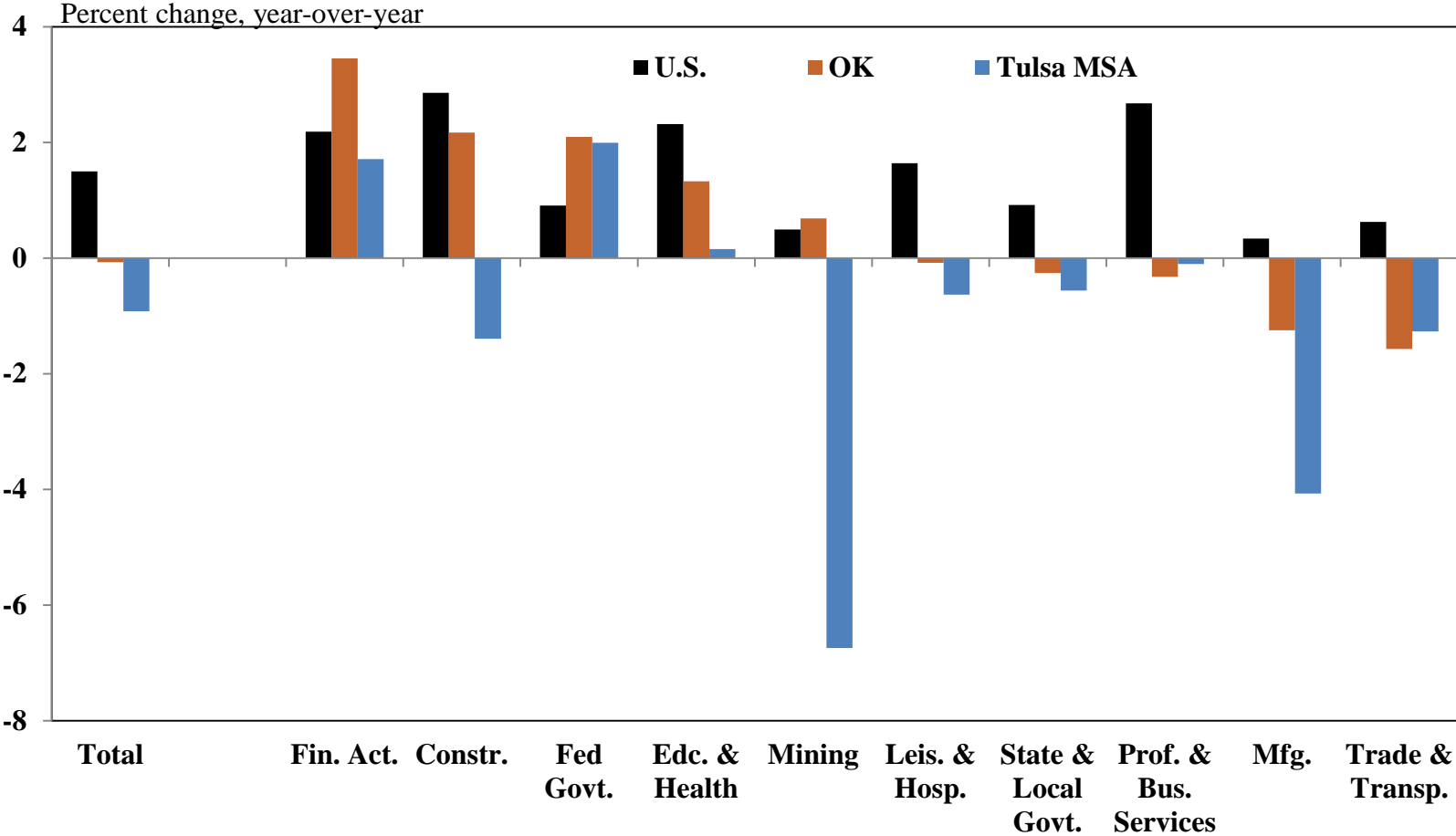
But employment in the state has edged higher in recent months, especially rural and OKC

Level of Payroll Employment
Through March 2017



State job growth is now positive in several industries, while Tulsa area energy and factory jobs lag

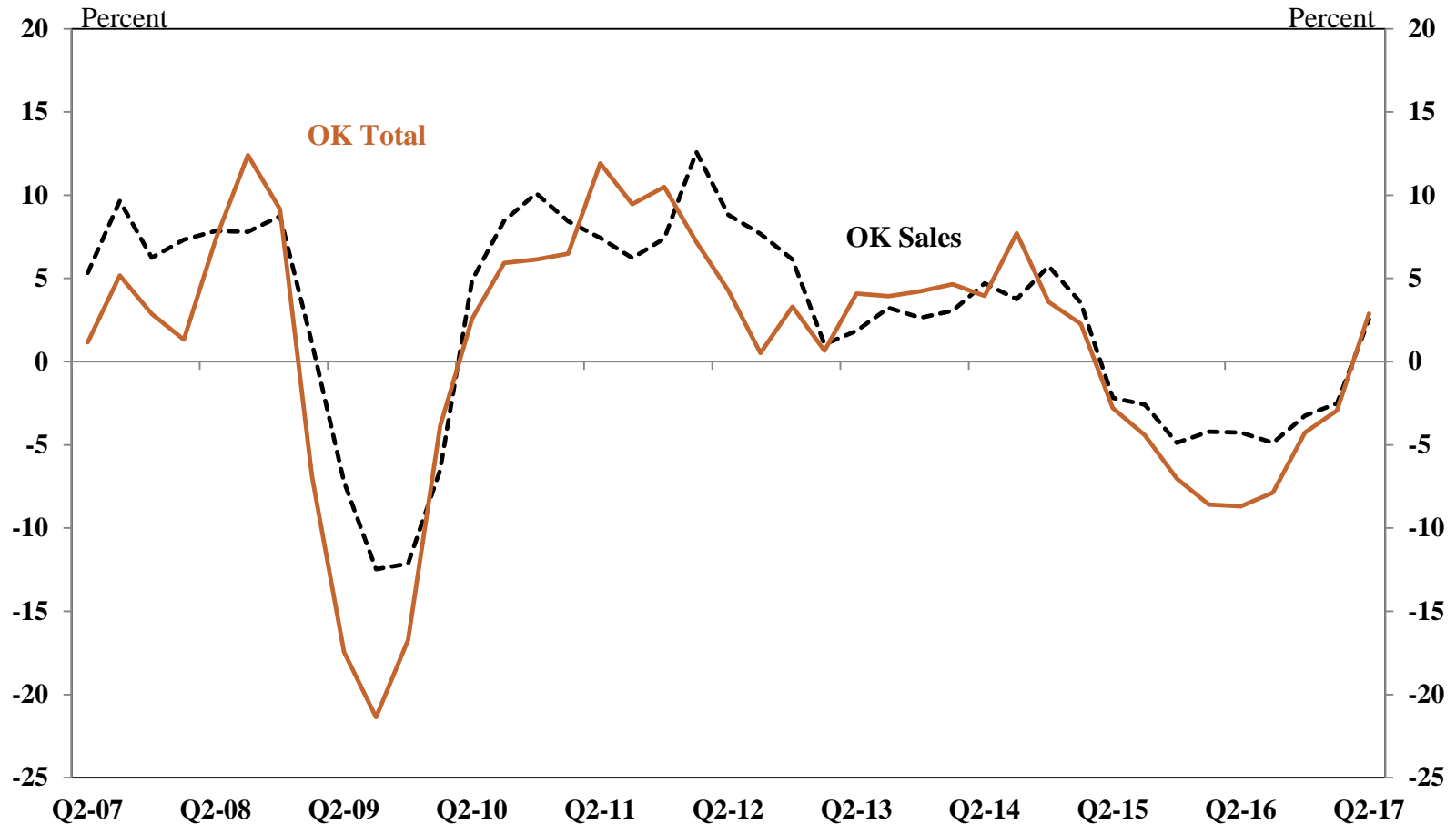
Job Growth by Industry
Mar-17



Source: Bureau of Labor Statistics

State tax revenues have finally risen back to year-ago levels, after falling for 2 years

Tax Receipts
Through Q2-17*



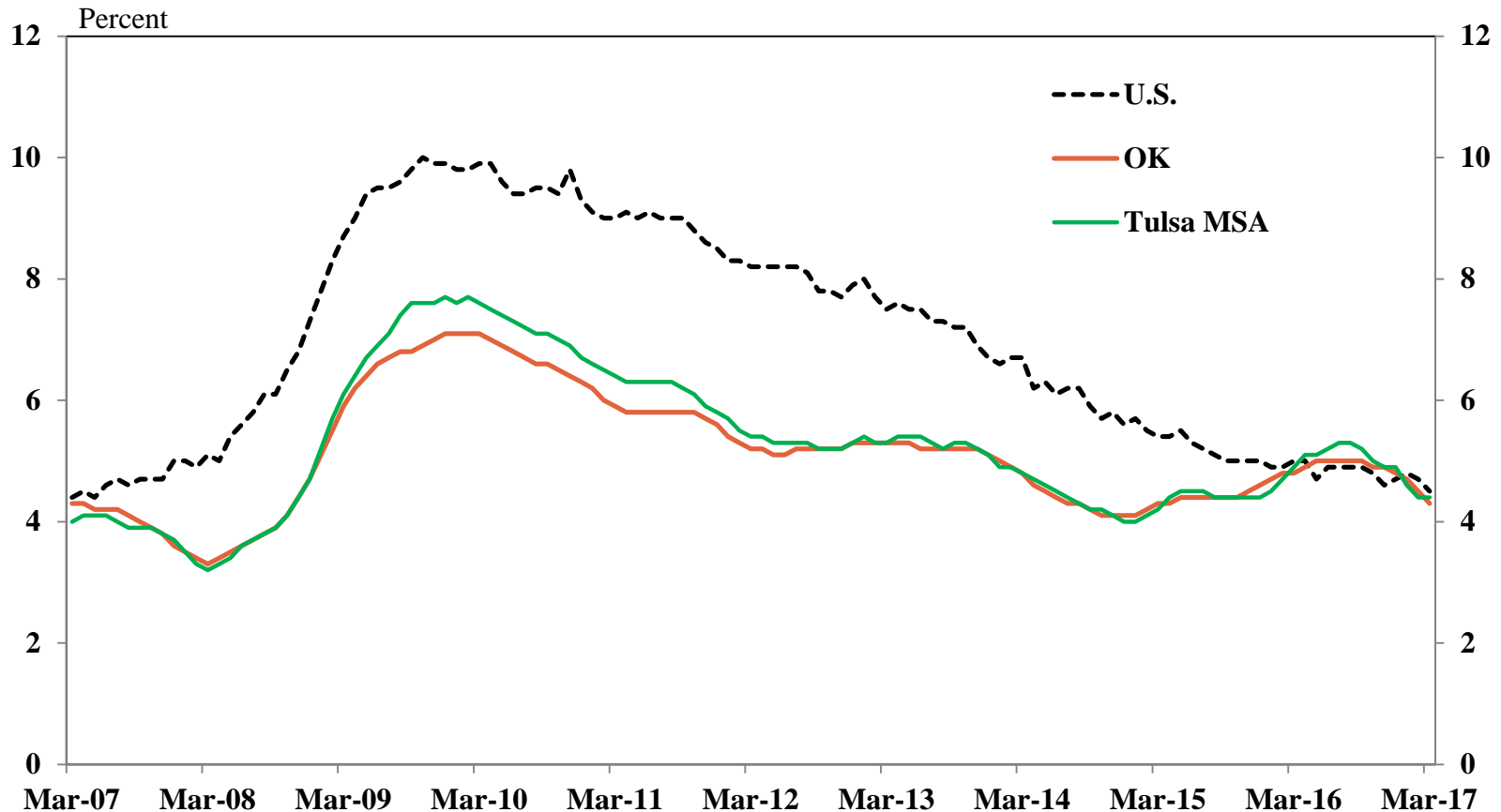
Note: Q2-17 includes only April



Source: OK Tax Commission

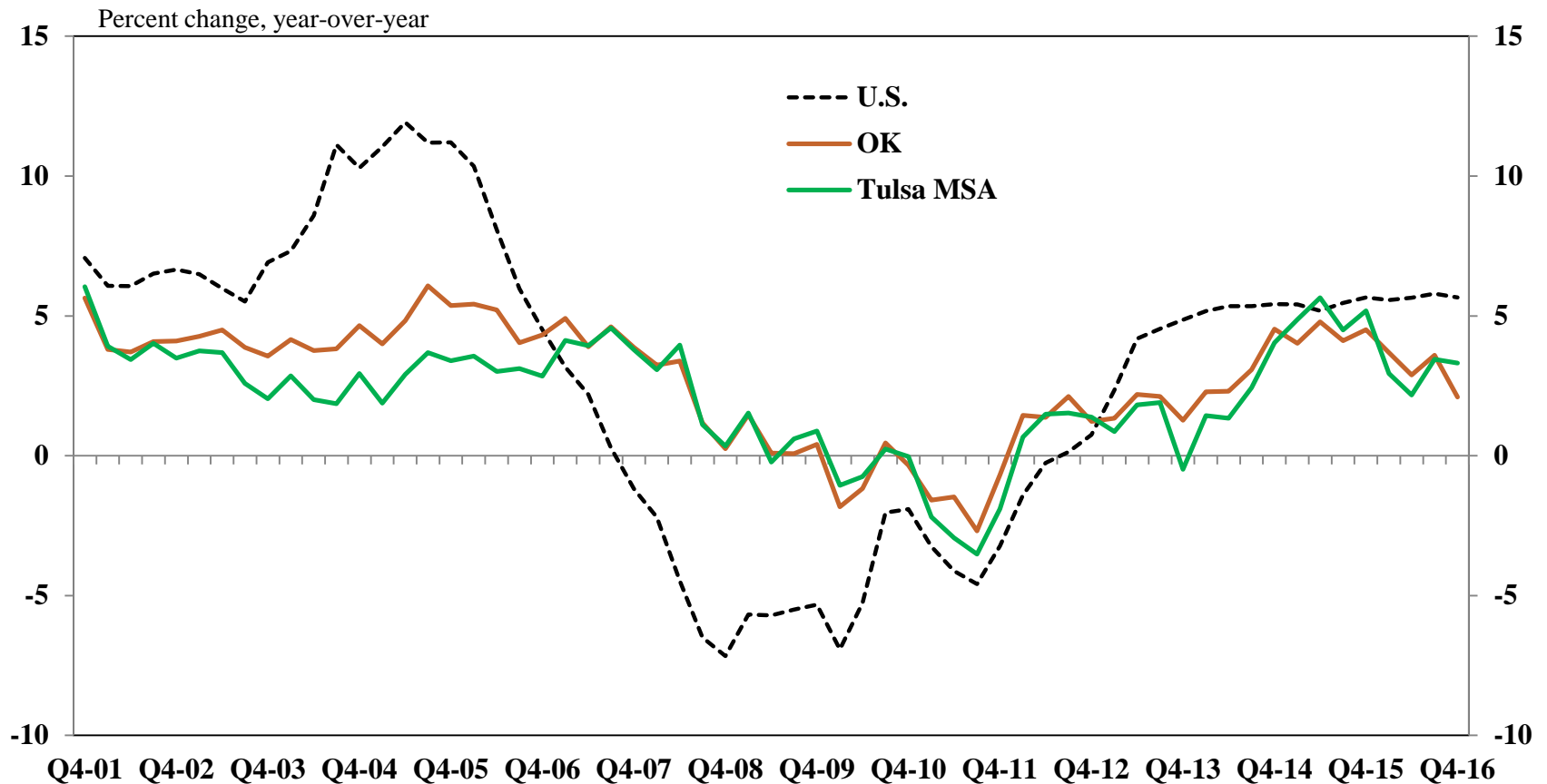
Local unemployment ticked up last year but has since moved back below the national rate

Unemployment Rates
Seasonally Adjusted



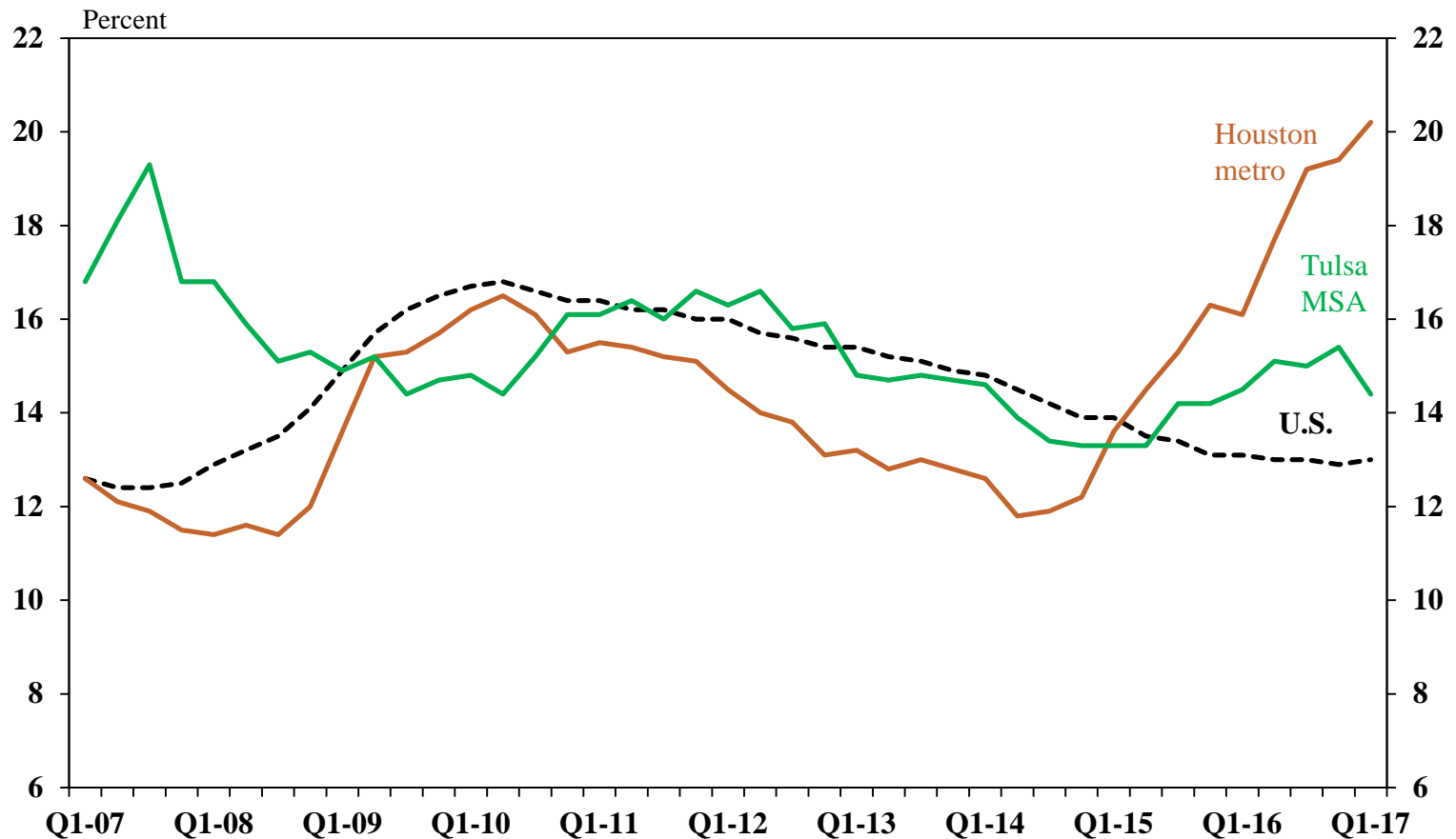
Home price growth in the metro area has slowed, but remains moderately positive

FHFA Home Price Index
Seasonally Adjusted



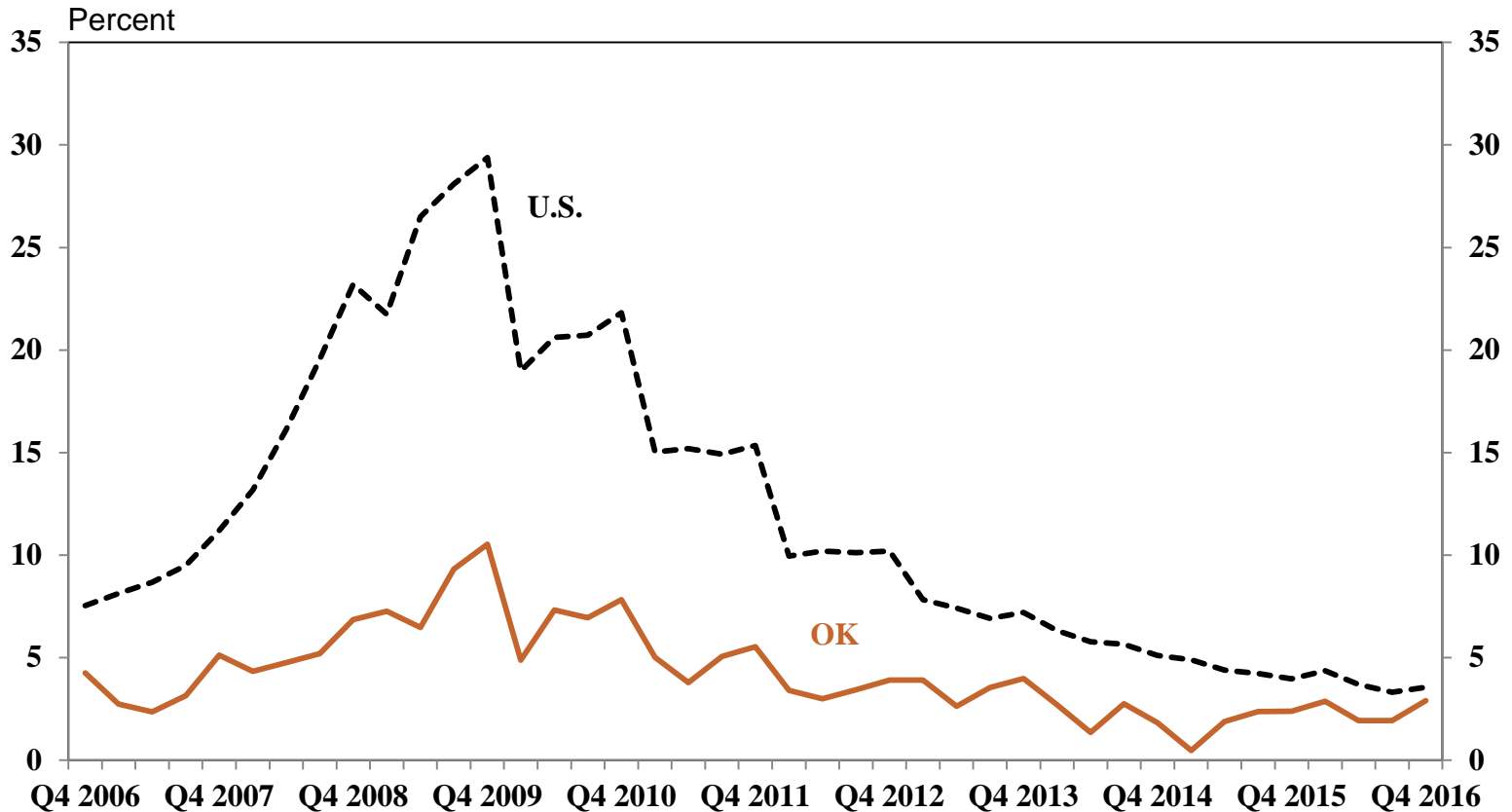
Office vacancy rates have risen slightly in the metro, but much less than in Houston

Metro Office Vacancy Rates



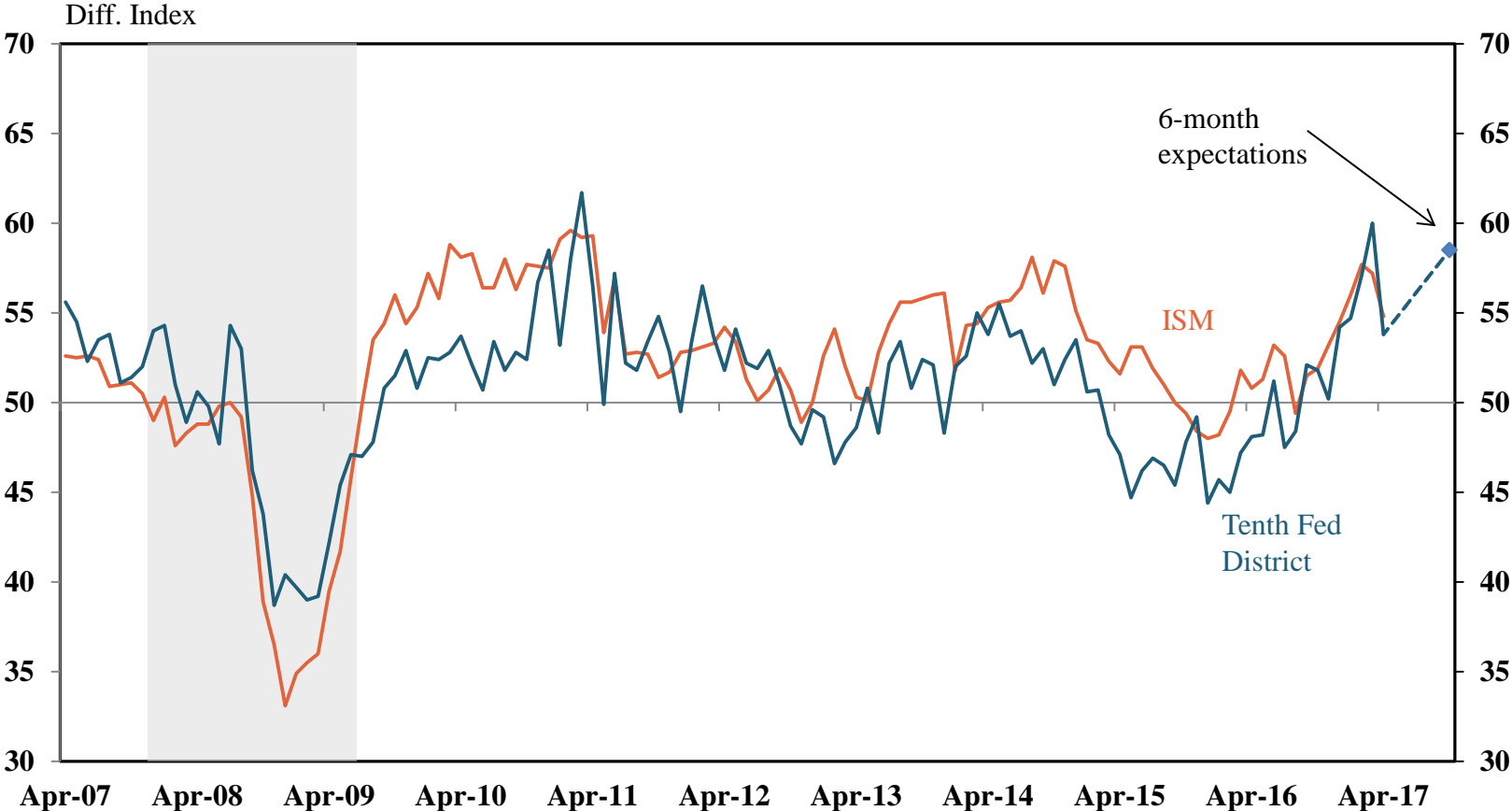
And nearly all banks in Oklahoma remain profitable

Share of Banks Not Making a Profit
Commercial Banks



Regional factory activity has improved markedly in recent months, with considerable optimism

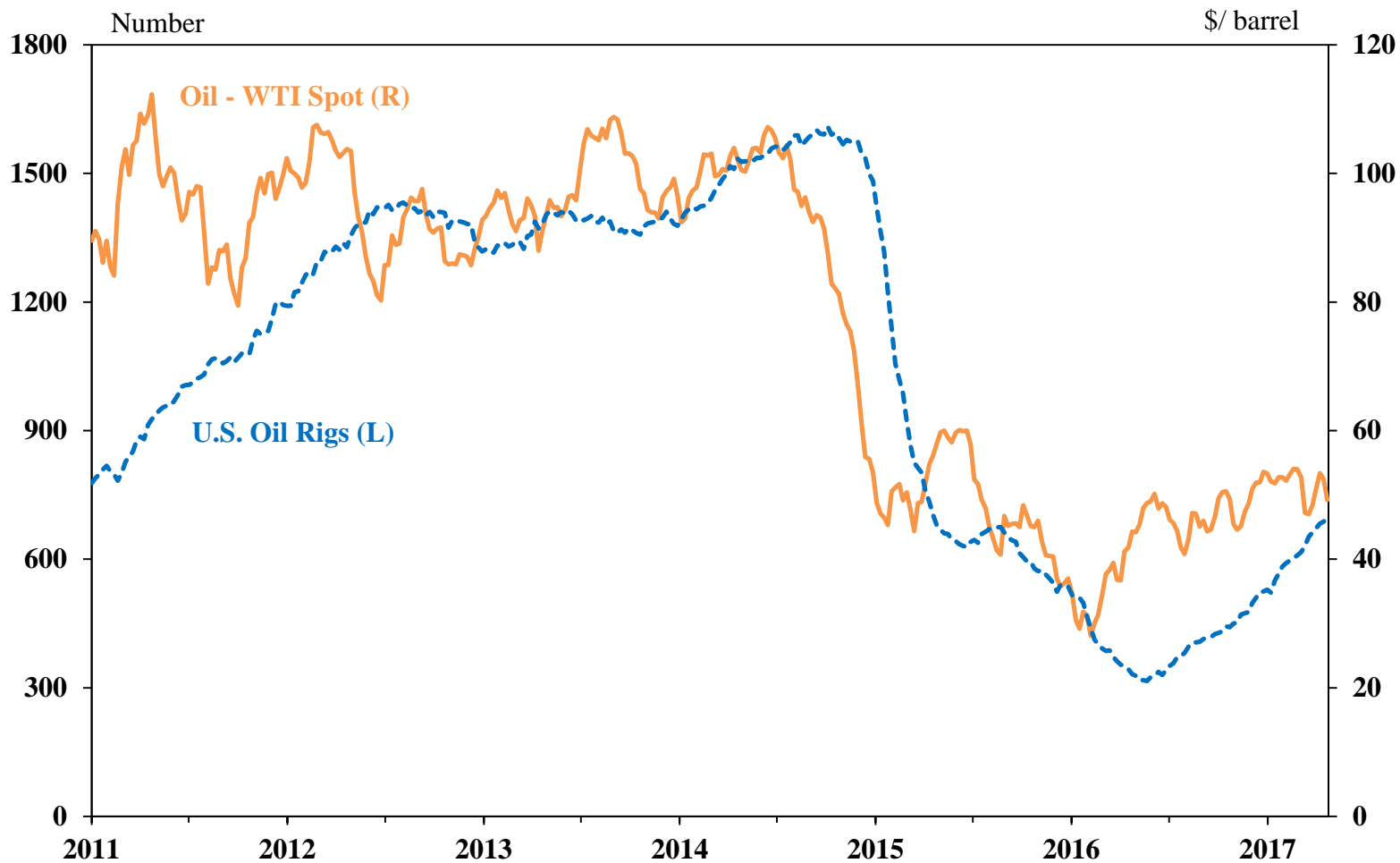
Manufacturing Composite Indexes, Seasonally Adjusted



Source: ISM, FRBKC

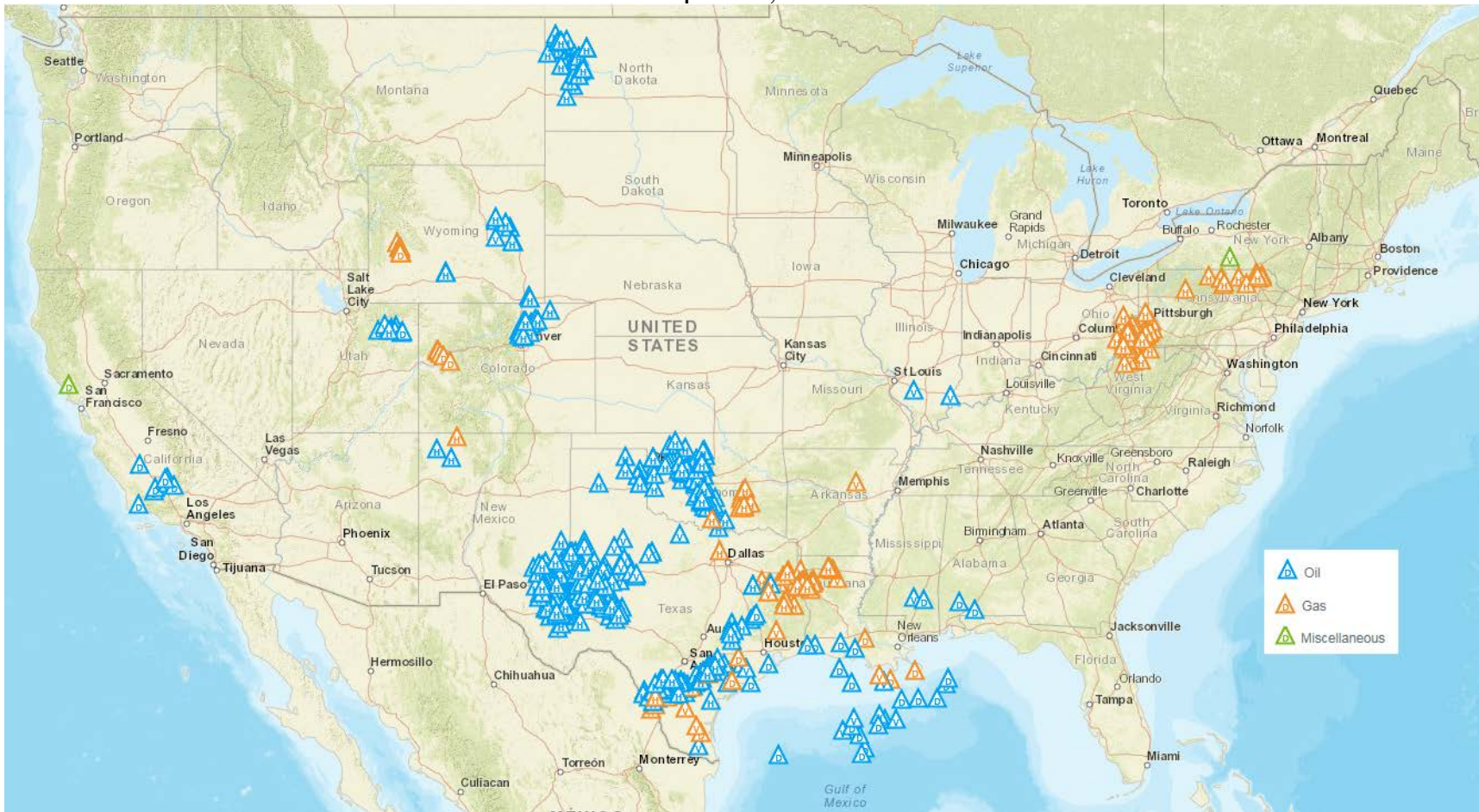
Oil prices' recent rise to \$50/barrel has been followed by a near-doubling in the rig count

Oil Spot Prices and Rig Counts



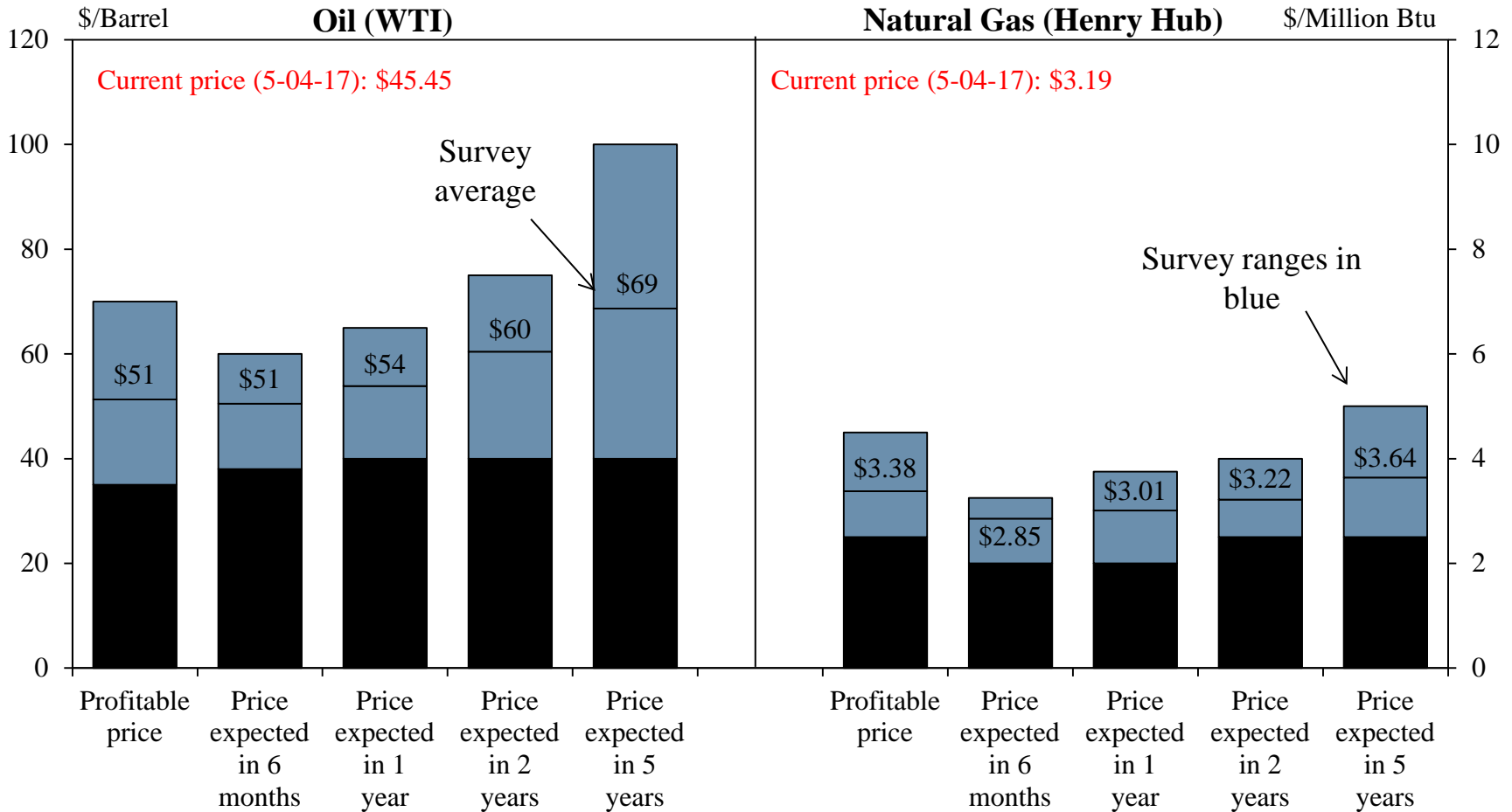
The most active drilling areas now are in west Texas and central Oklahoma

Current Drilling Rig Locations,
As-of April 14, 2017



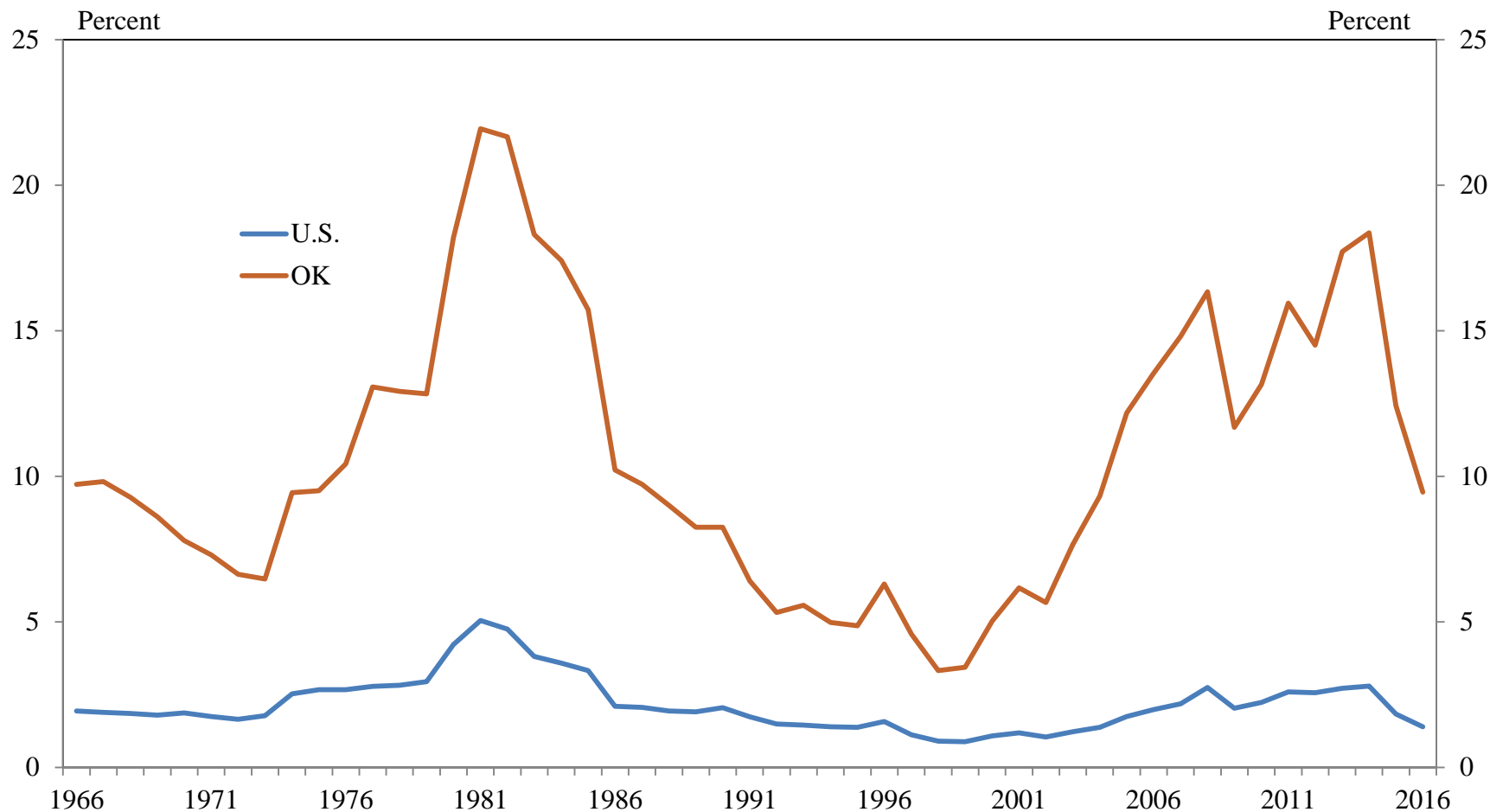
Energy prices are around average profitable levels but are only expected to increase modestly

Kansas City Fed Energy Survey Special Questions



Energy is still a large share of Oklahoma GDP, even after dropping since 2014, and is set to grow

Mining Share of GDP



Summary

- The U.S. economy continues to grow, and the Fed has raised interest rates at 2 recent meetings
- The Oklahoma and Tulsa area economies have been hurt by low commodity prices and spillover to commodity-related industries
- But conditions in local labor markets, real estate, and banking have held on fairly well, and some growth and optimism has returned



Questions?

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

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

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

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