

U.S. & Oklahoma Economic Outlook

Chickasha Rotary

February 2, 2017



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www.kansascityfed.org/oklahomacity

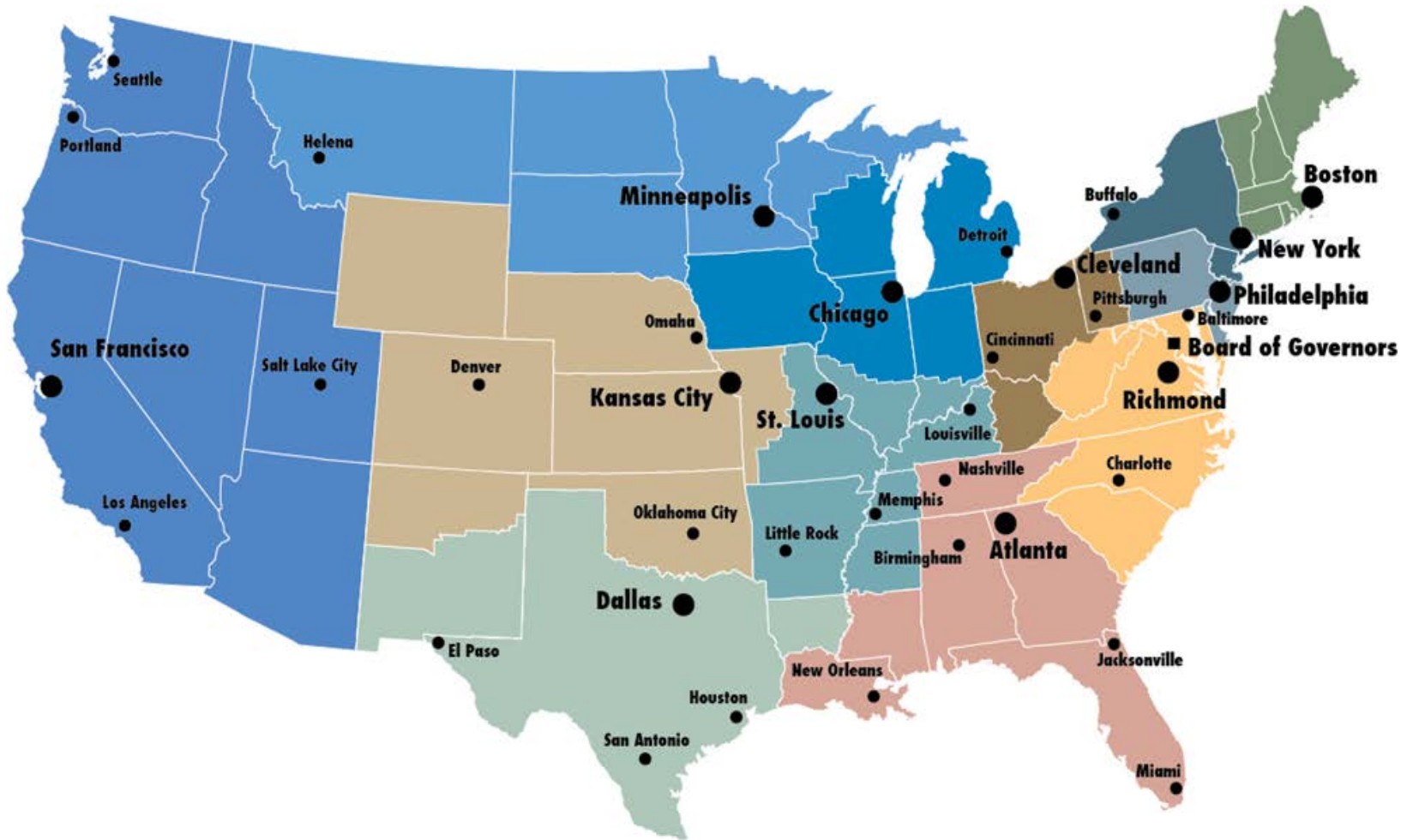
Structure and Functions of the Federal Reserve System

- **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

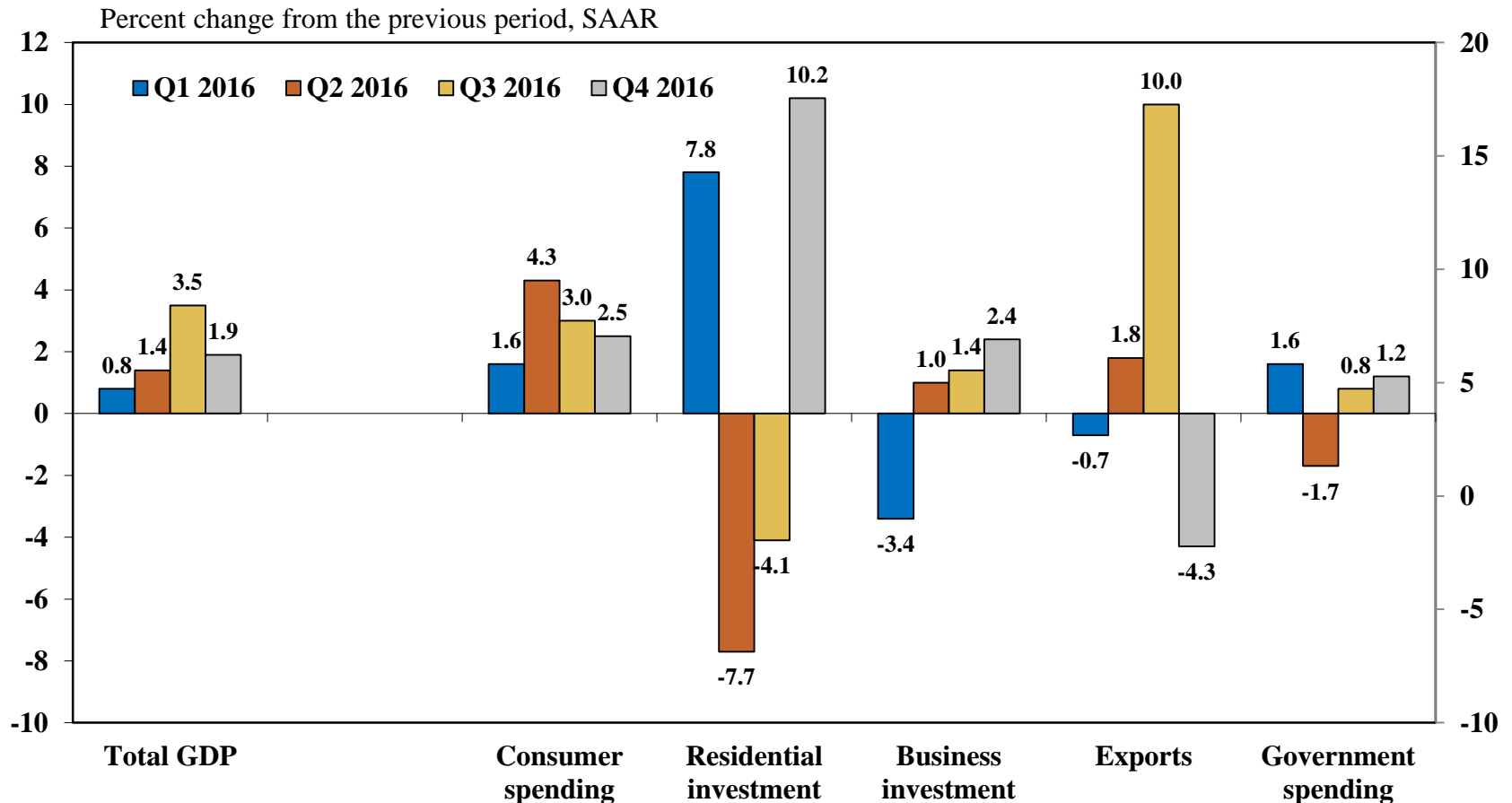
- **Functions – approximately 45 staff**
 - **Research on U.S. and Oklahoma economies**
 - **Economic, community, and financial education outreach**
 - **Examinations of Oklahoma financial institutions**
- **2017 Branch Board of Directors**
 - **Pete Delaney (chair)**, Chairman & CEO (retired), OGE Energy Corp., OKC
 - **Clint Abernathy**, Owner, Abernathy Farms, Inc., Altus
 - **Michael Coffman**, CEO, 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, OKC



The U.S. Economy and Monetary Policy

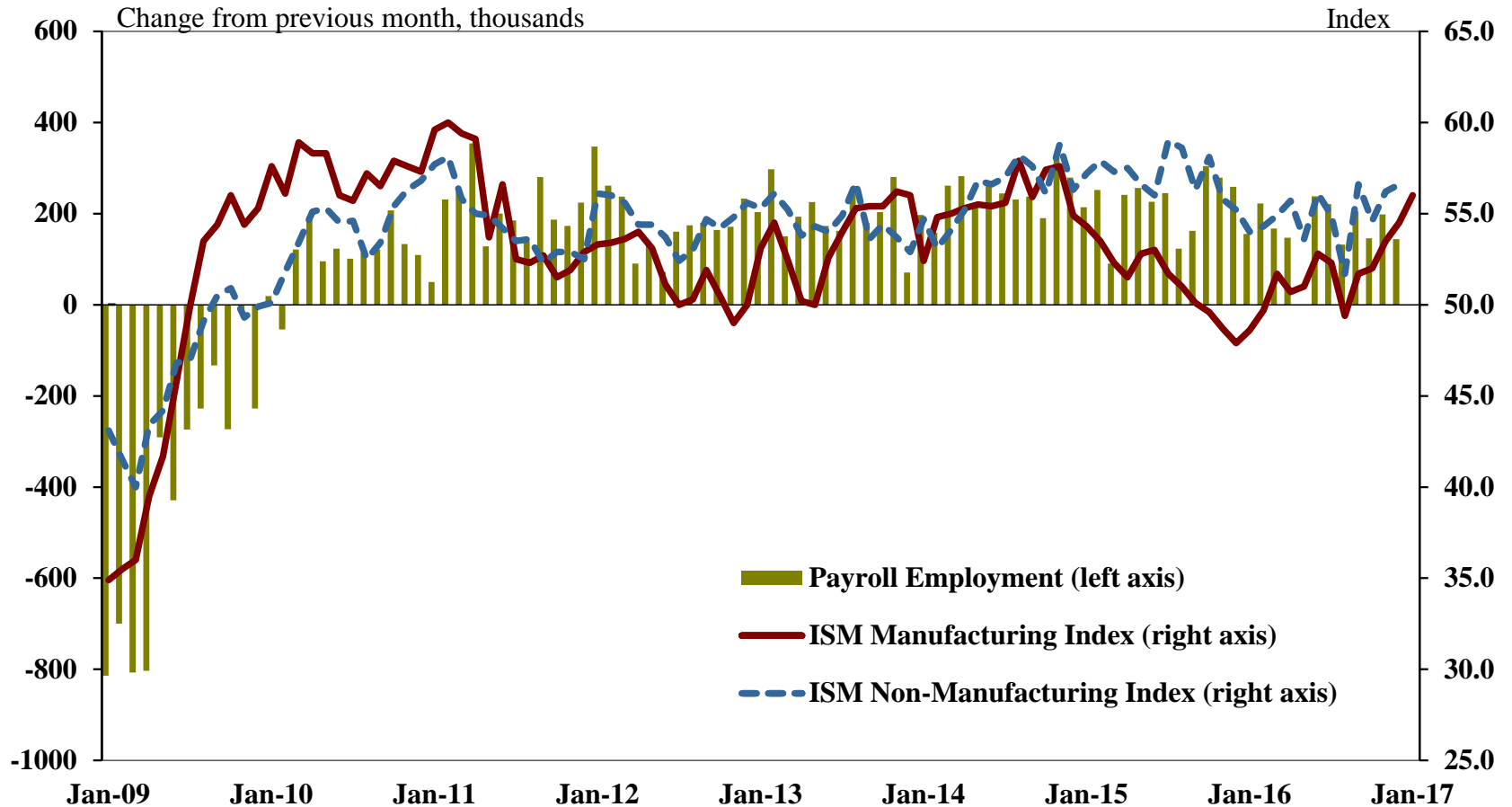
GDP growth was stronger in the 2nd half of 2016 than in the 1st half

Growth in Components of Real GDP



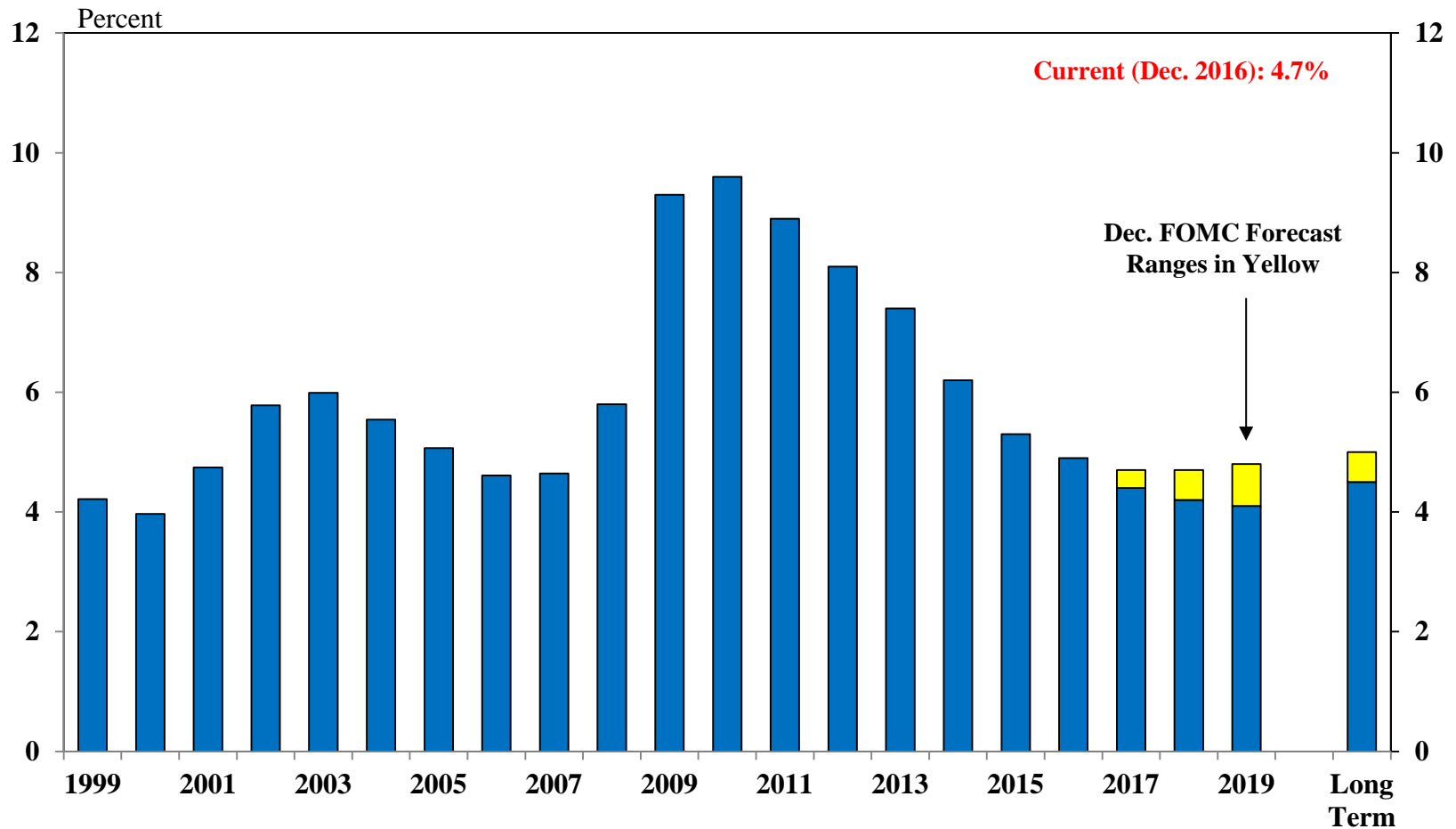
1st quarter 2017 data are just being released, and suggest continued expansion

U.S. Payroll Employment and Business Indexes



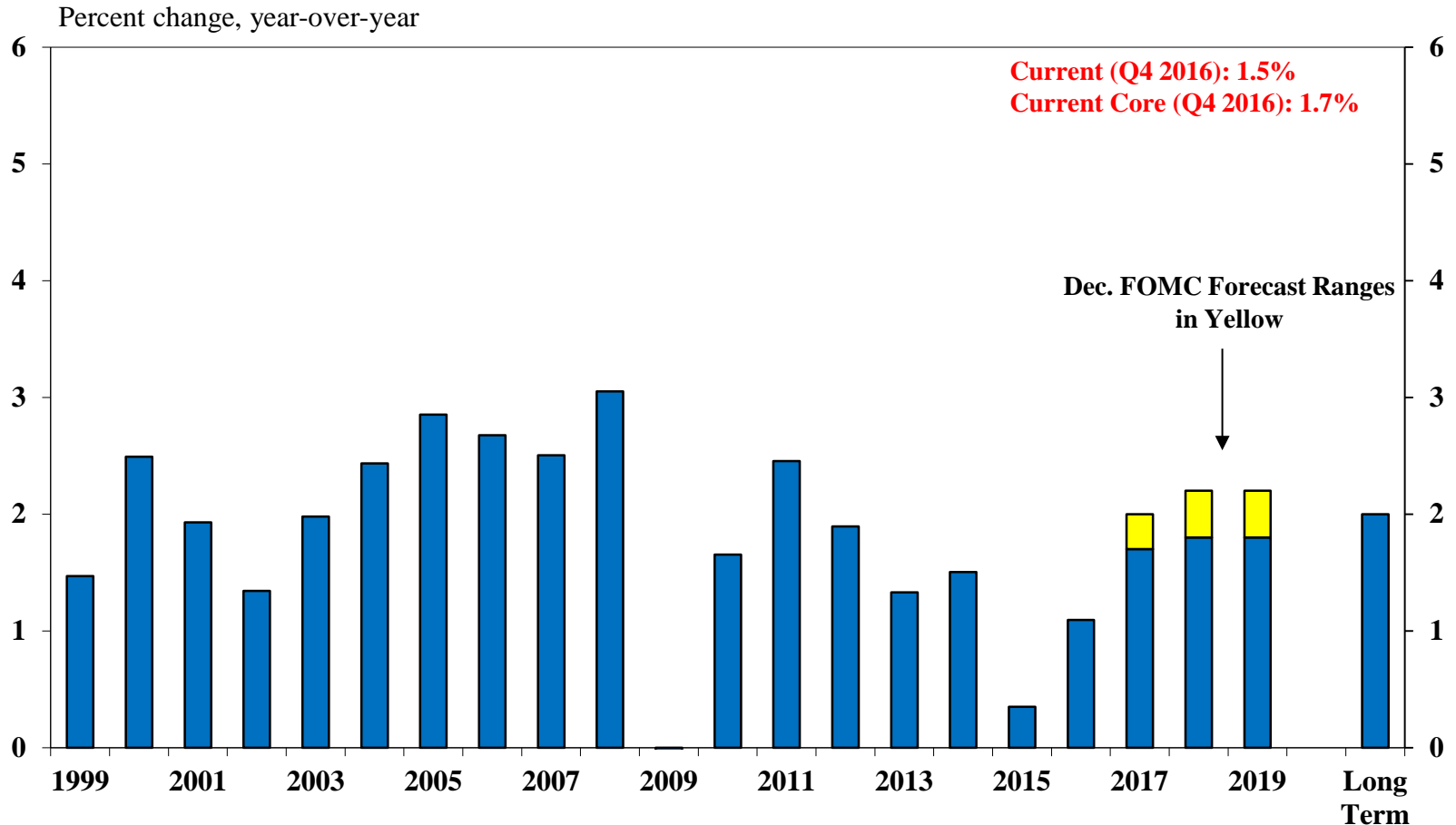
Unemployment has fallen to long-term average levels

Unemployment Rate
Seasonally Adjusted



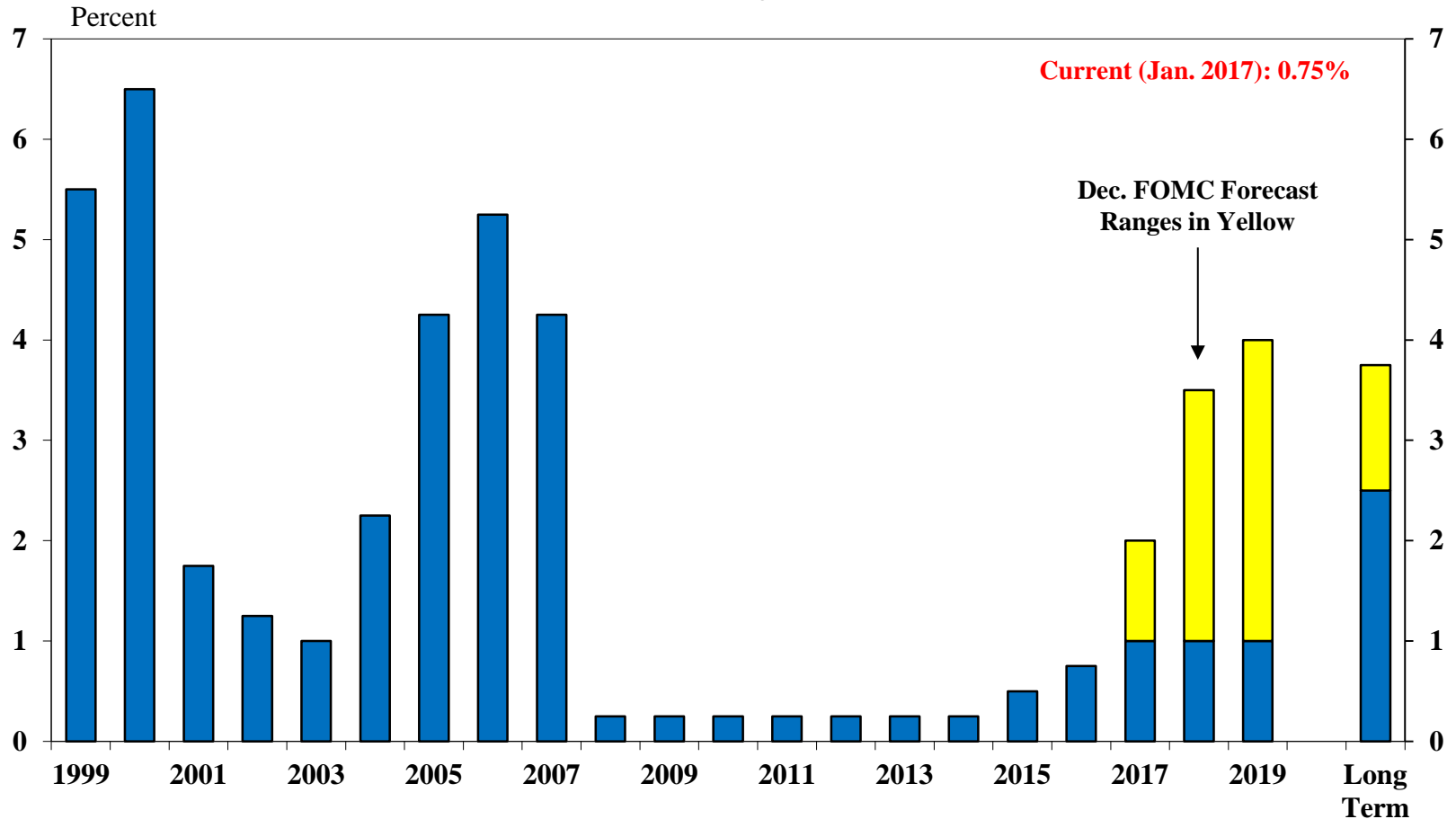
Inflation has been low the past couple of years but has recently returned to near the long-term target

PCE Inflation Index



“The Committee expects...only gradual increases in the federal funds rate”

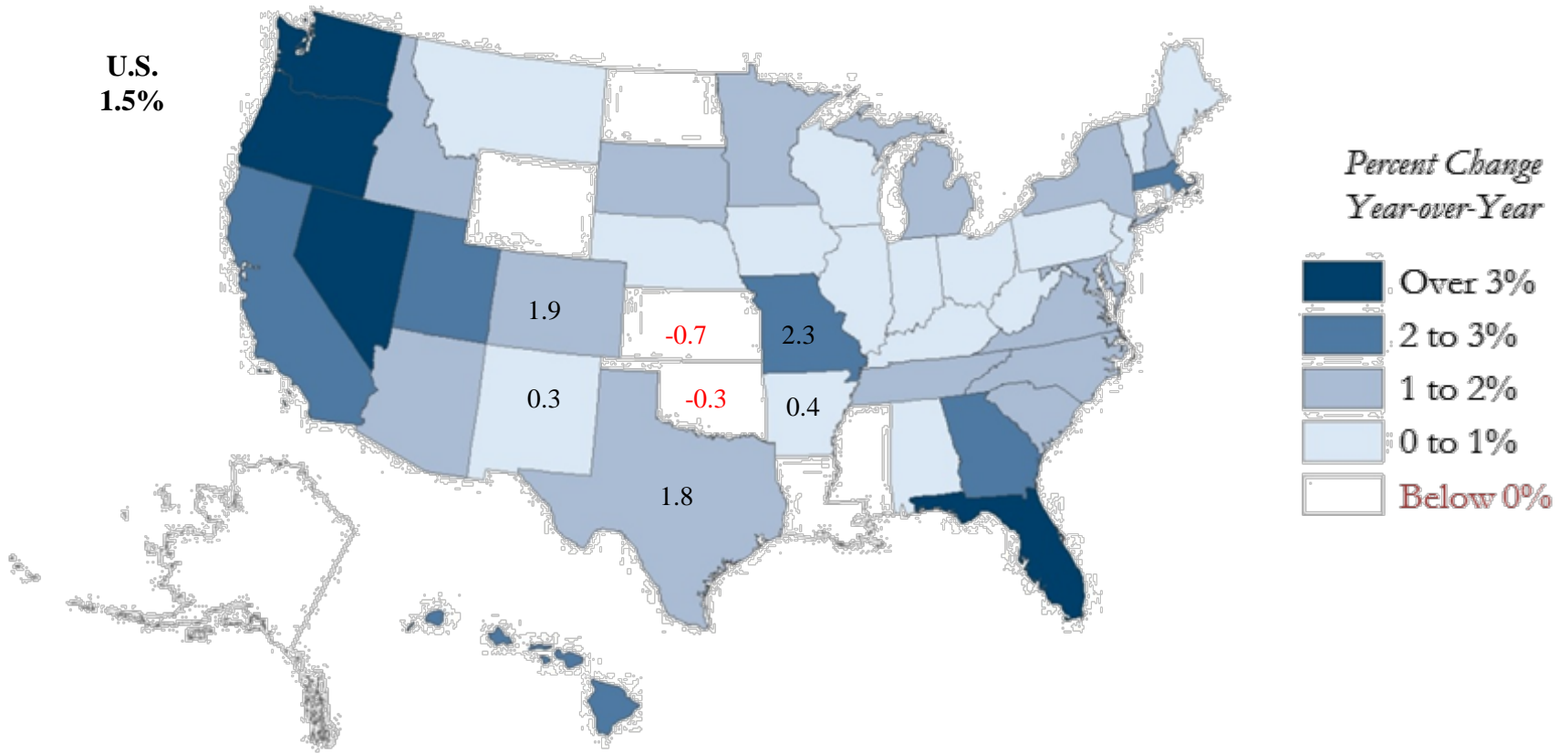
Federal Funds Rate Year-end target



Trends in the Oklahoma Economy

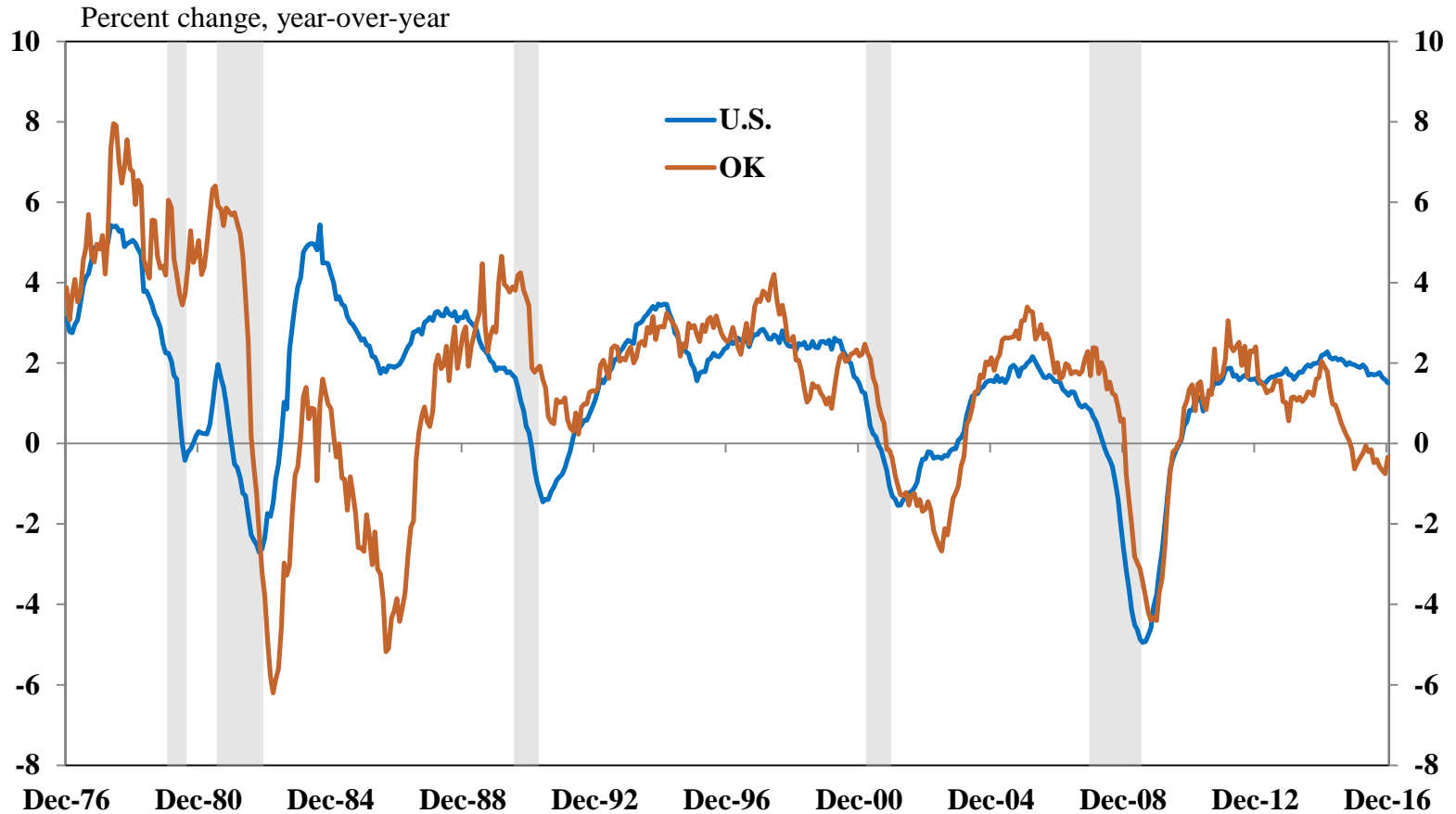
Job growth in the U.S. has diverged, with Oklahoma in a slight jobs recession

Total Nonfarm Employment Growth
December 2016



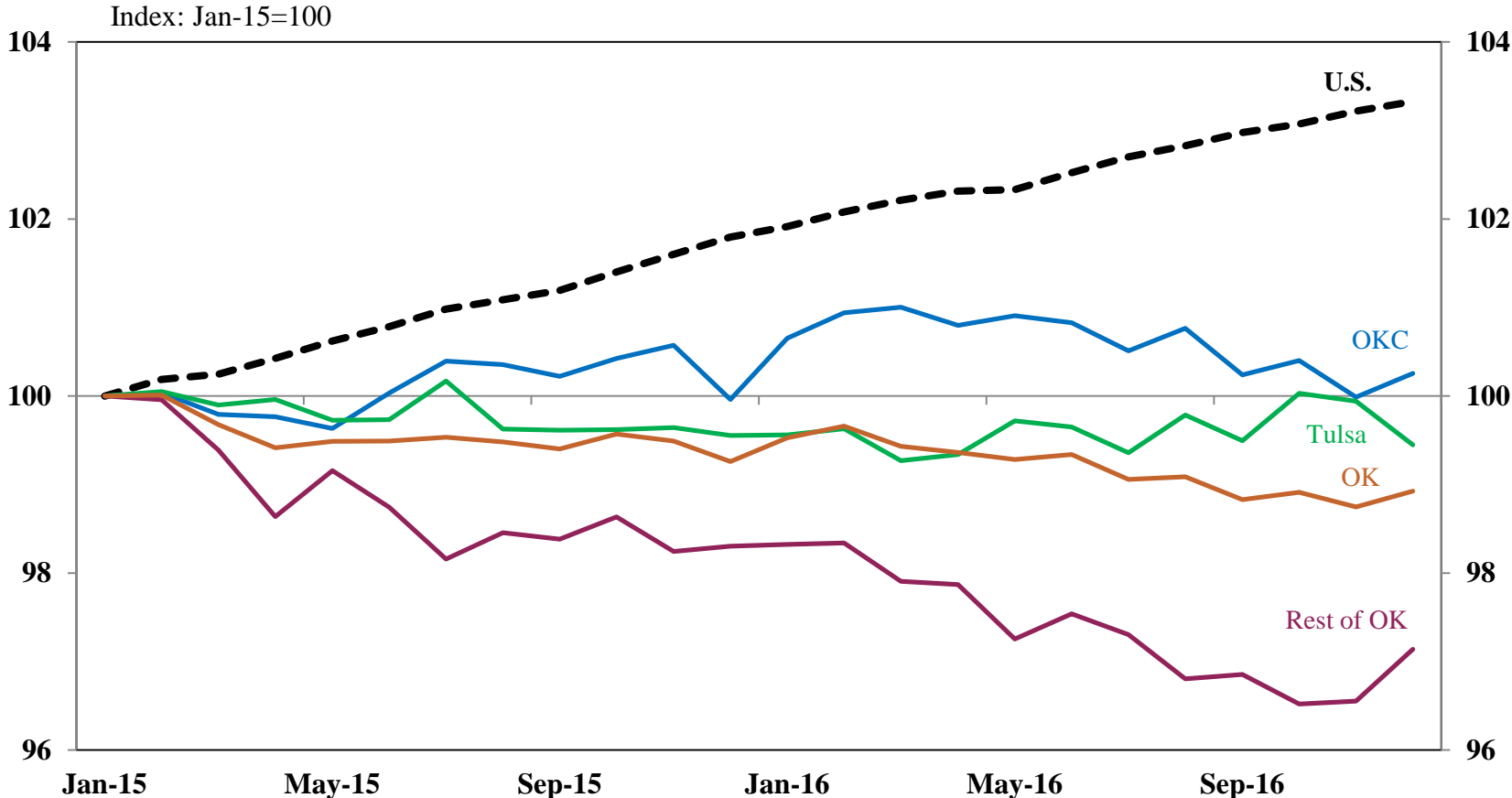
This is the largest divergence between Oklahoma and the U.S. since the '80s, but the drop is small

Payroll Employment Growth



The metro areas have held up better than non-metro parts of the state

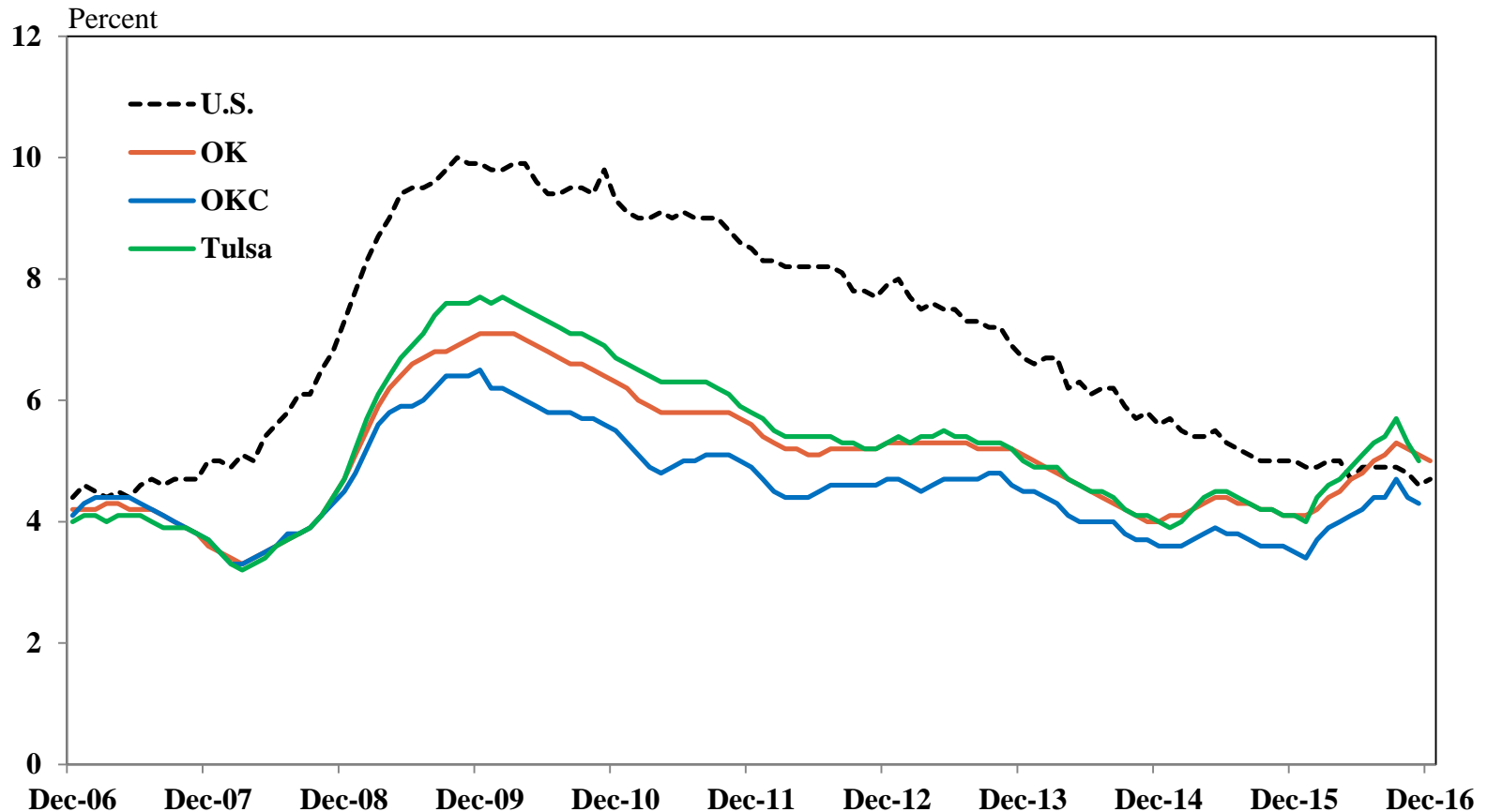
Level of Payroll Employment
Through December 2016



Source: U.S. Bureau of Labor Statistics

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

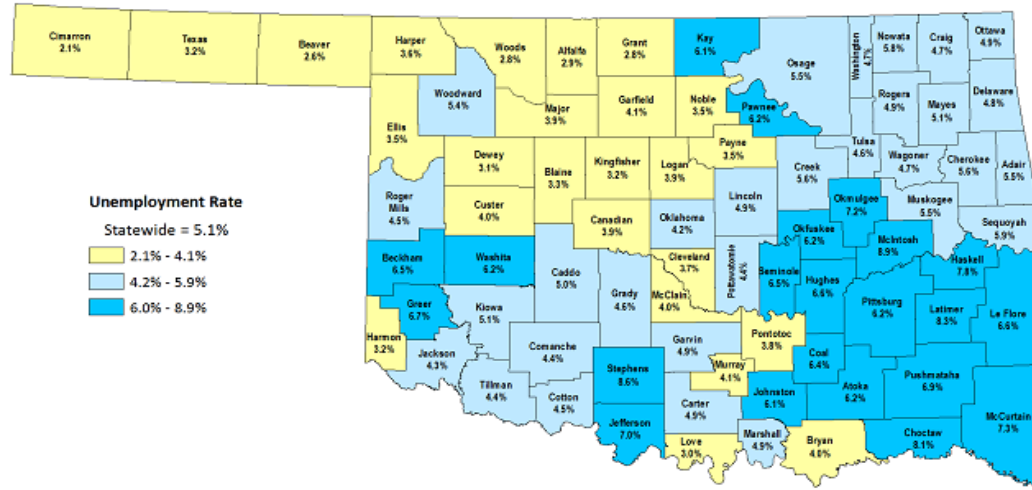
Unemployment Rates
Seasonally Adjusted



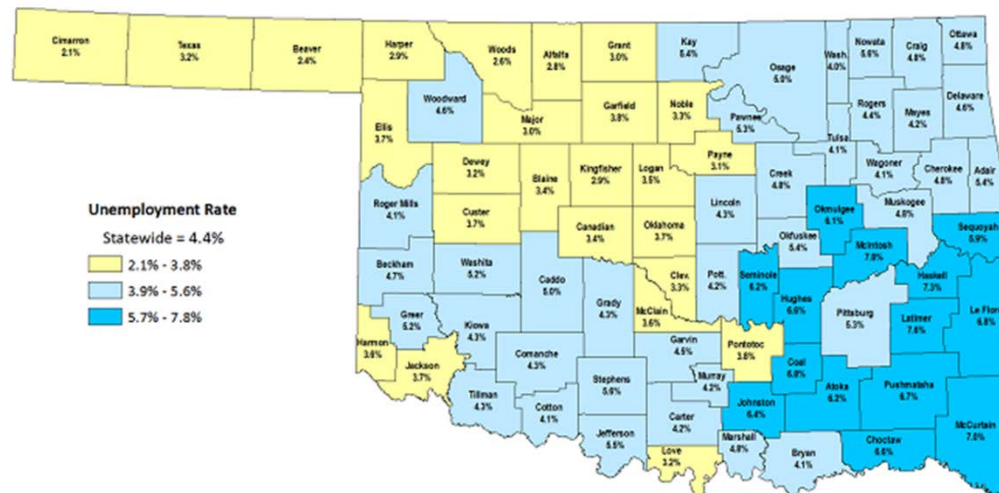
The increase in joblessness was largely in oil and gas areas but Grady County has held up well

County Unemployment Rates

November 2016



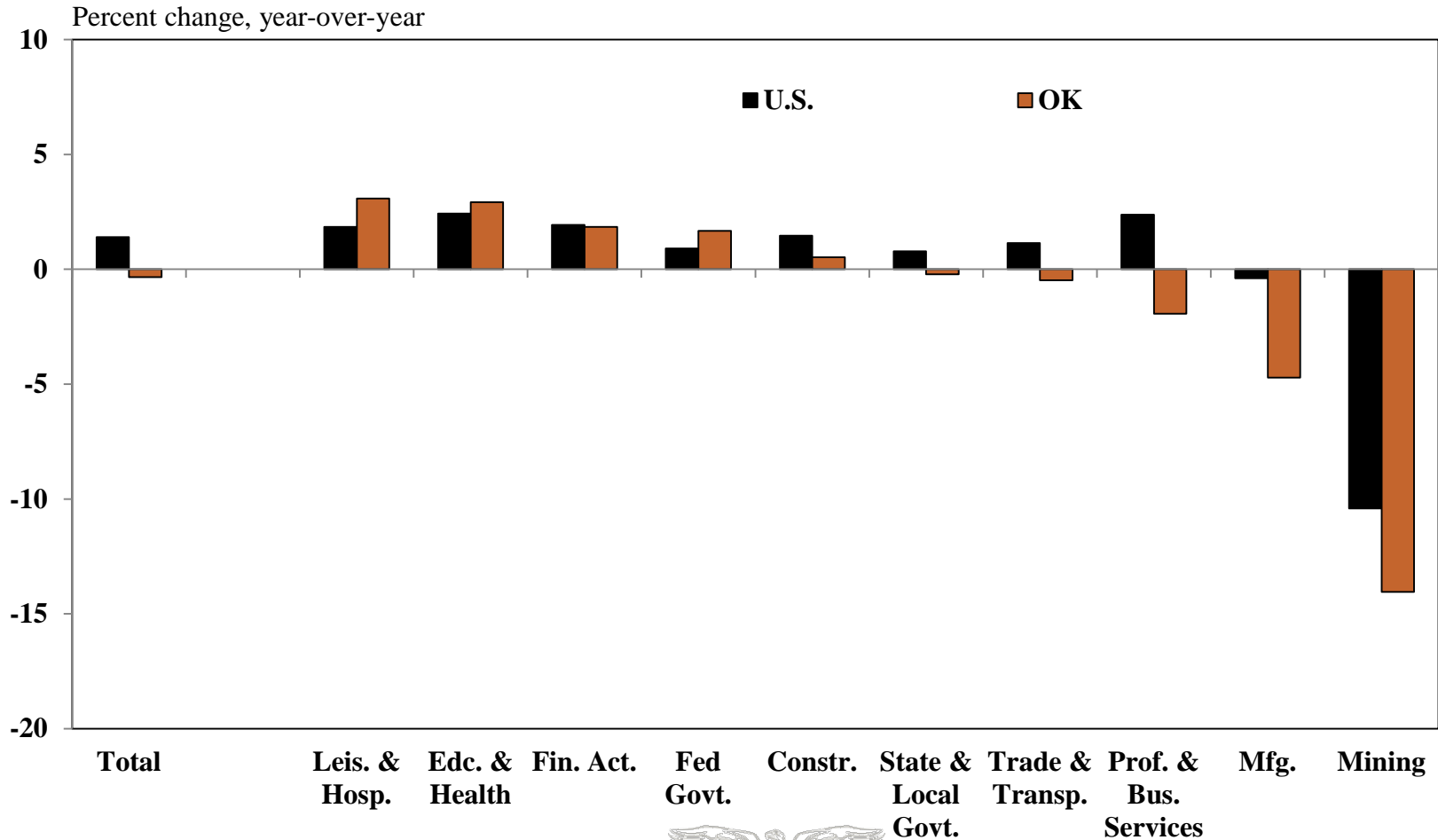
September 2015



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

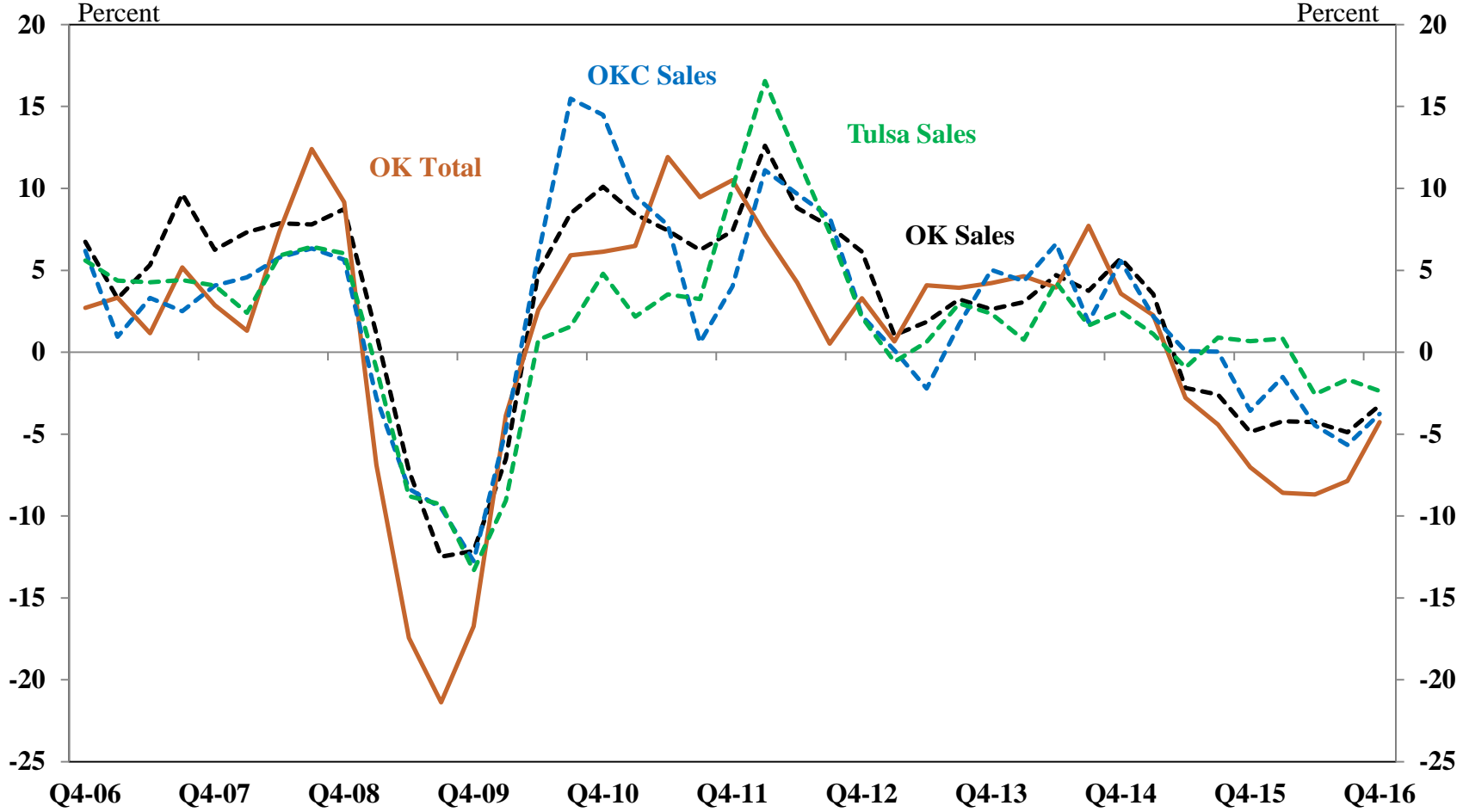
Job Growth by Industry

Dec-16



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

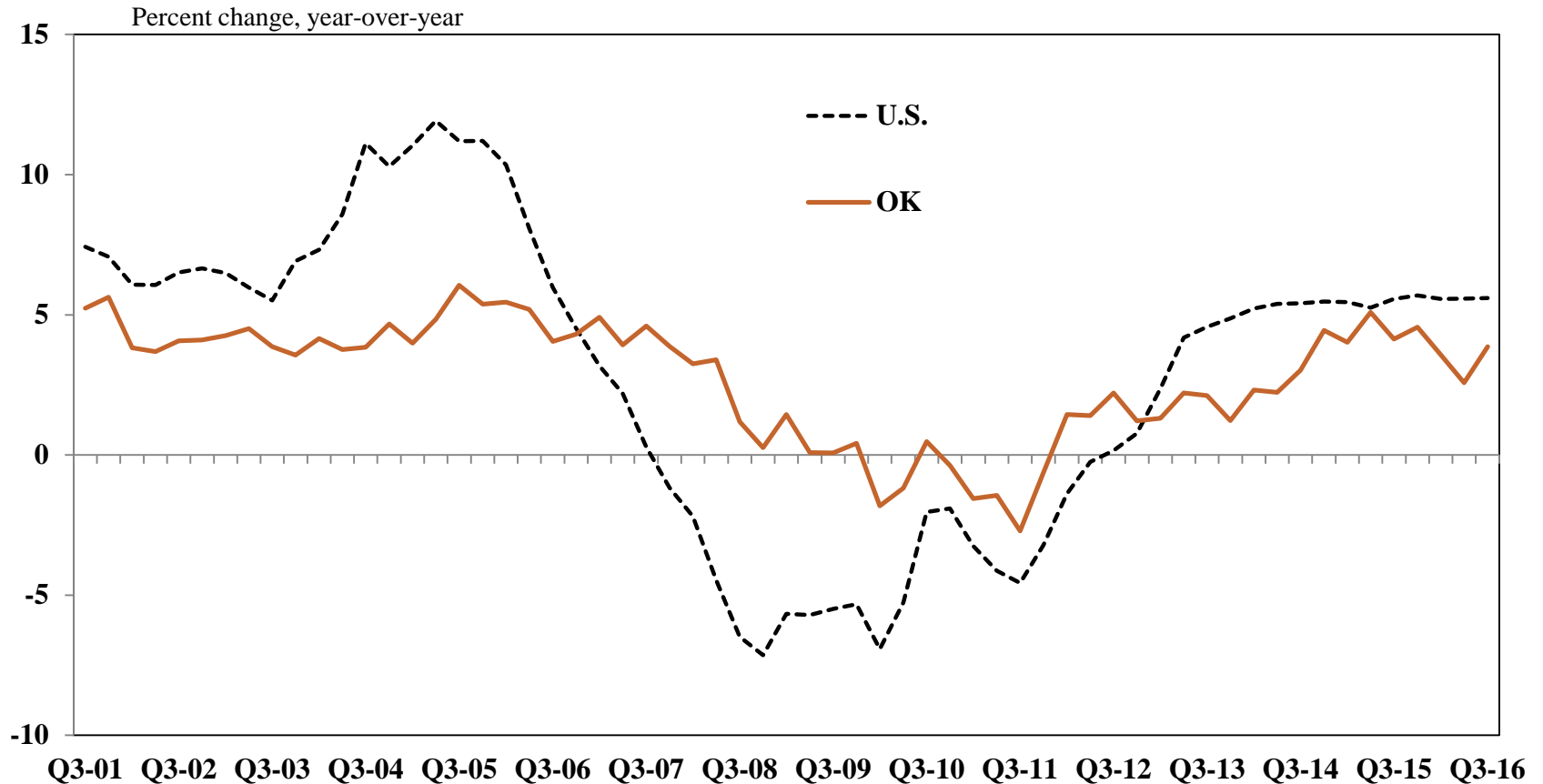
Tax Receipts
Through Q4-16



Source: OK Tax Commission

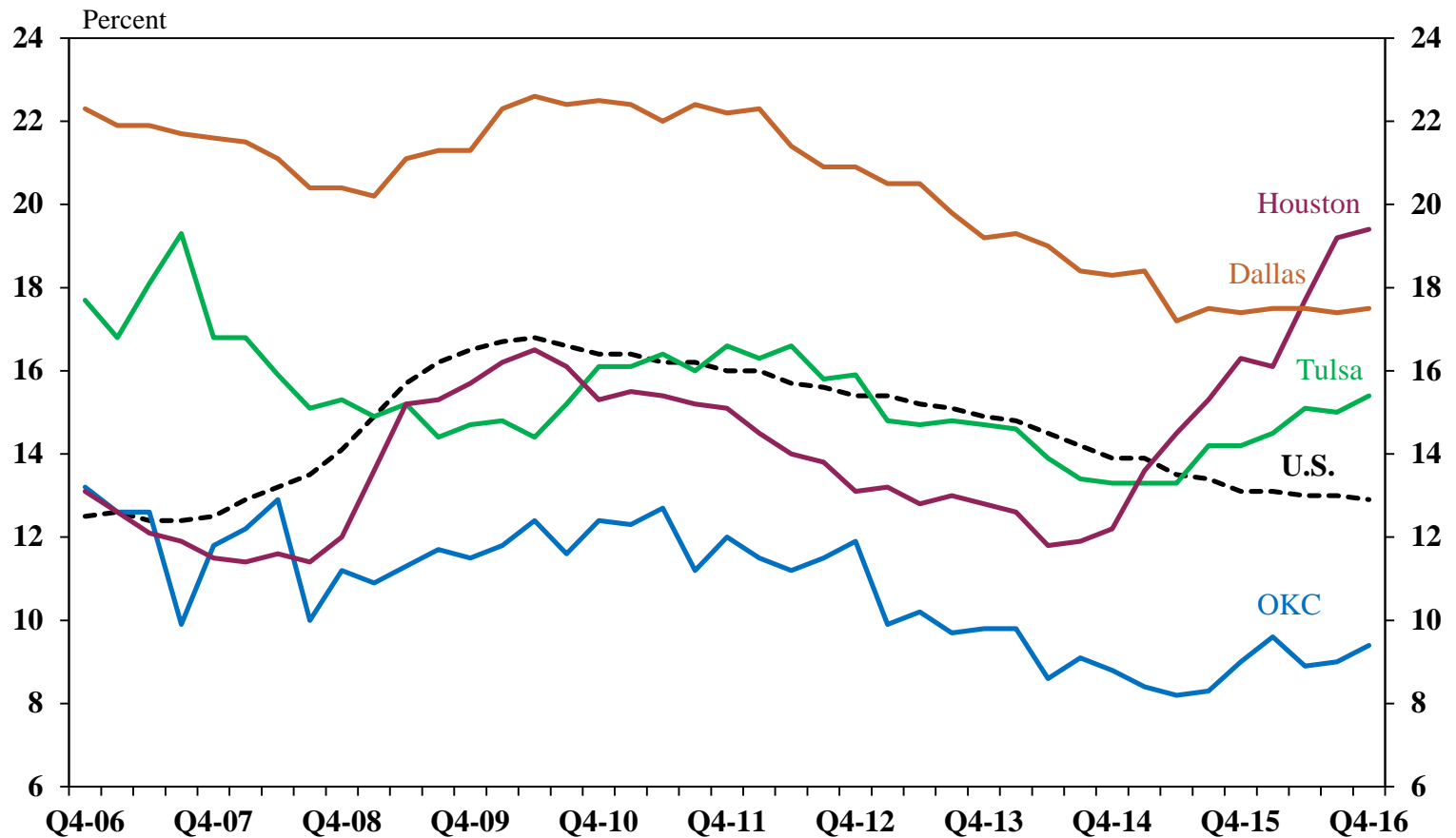
Home price growth in Oklahoma has slowed, but remains moderately positive

FHFA Home Price Index
Seasonally Adjusted



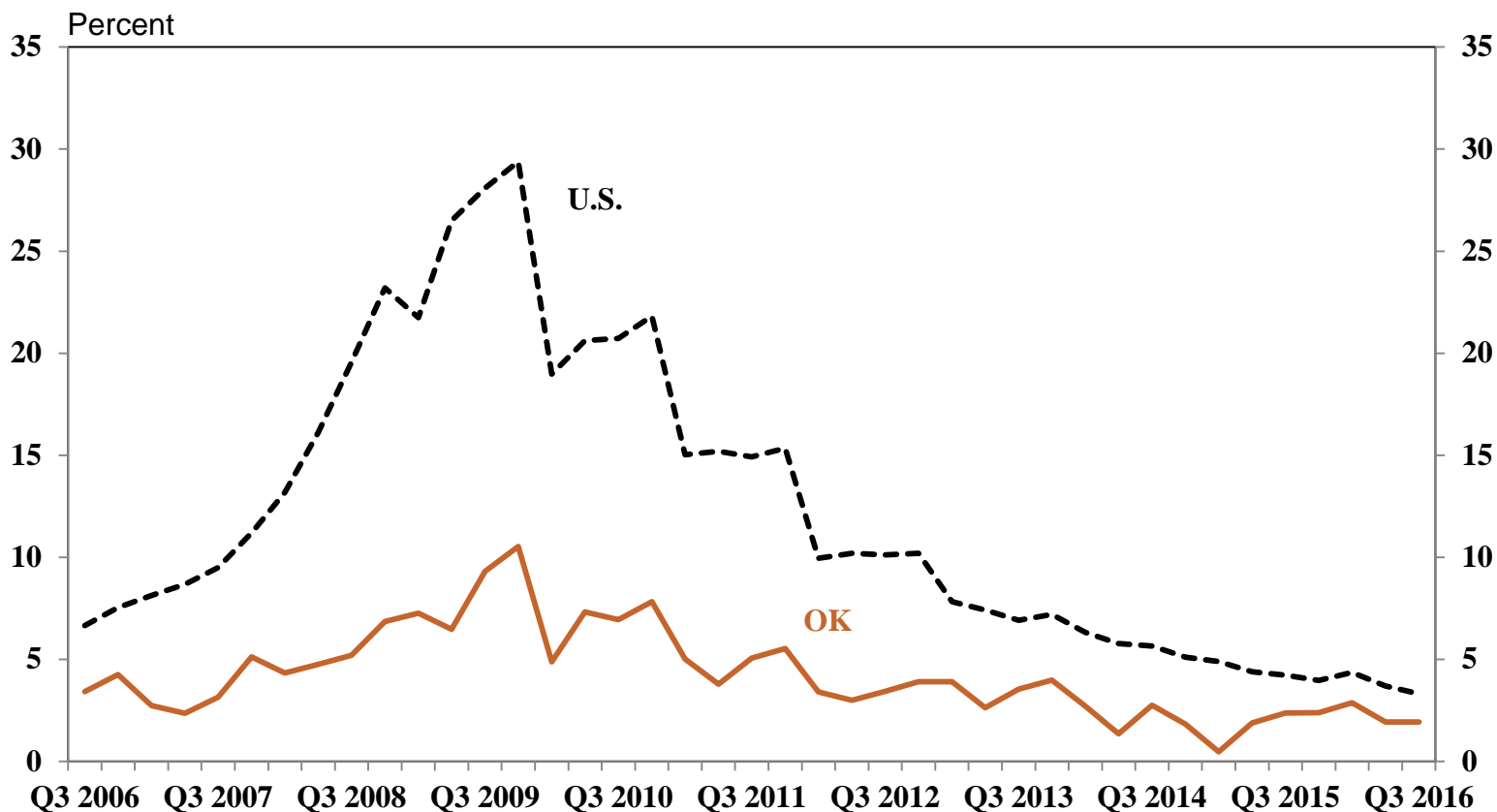
Office vacancy rates have risen slightly in the two metros, but much less than Houston

Metro Office Vacancy Rates



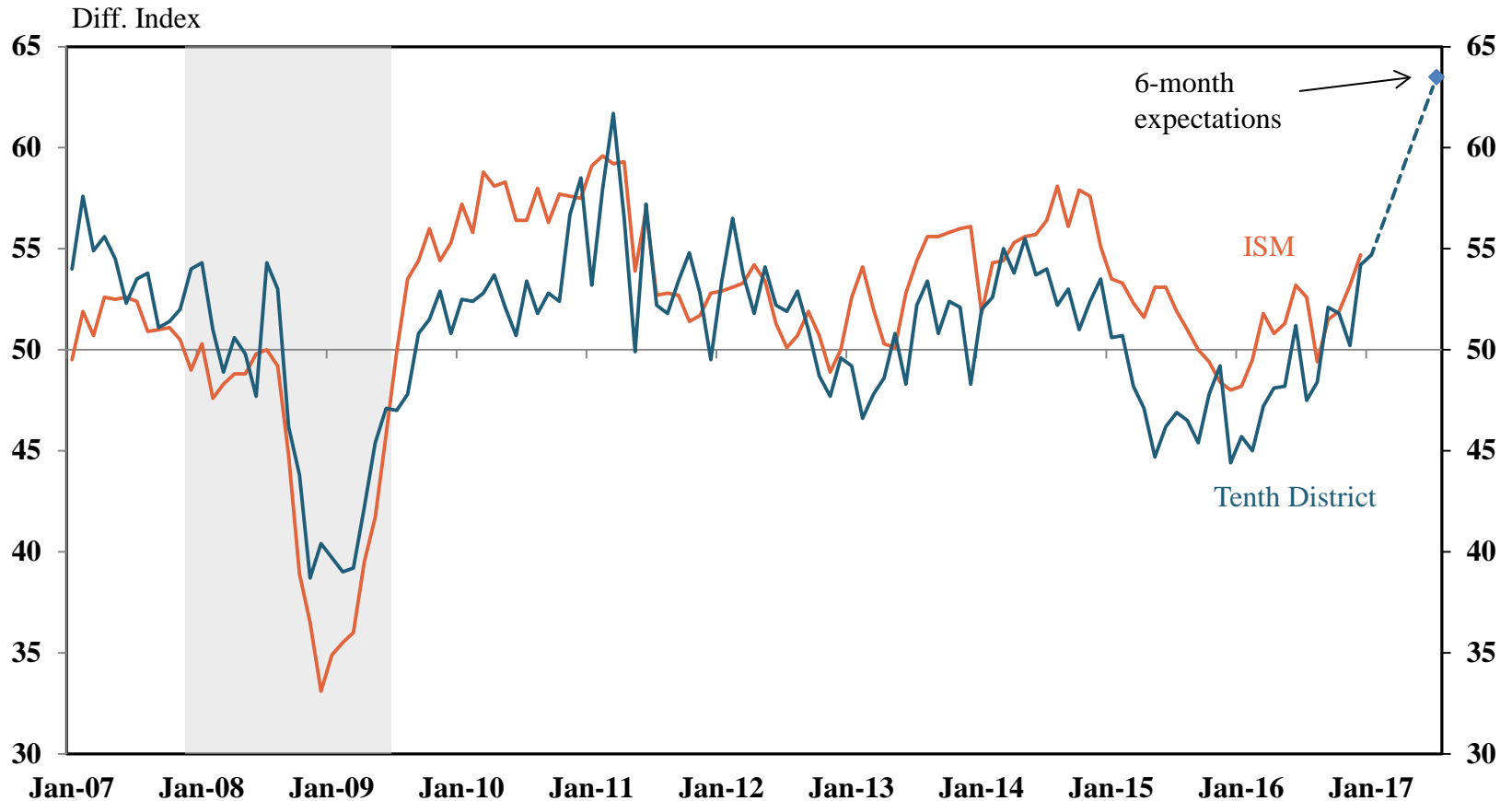
And nearly all banks in Oklahoma remain profitable through mid-2016

Share of Banks Not Making a Profit
Commercial Banks



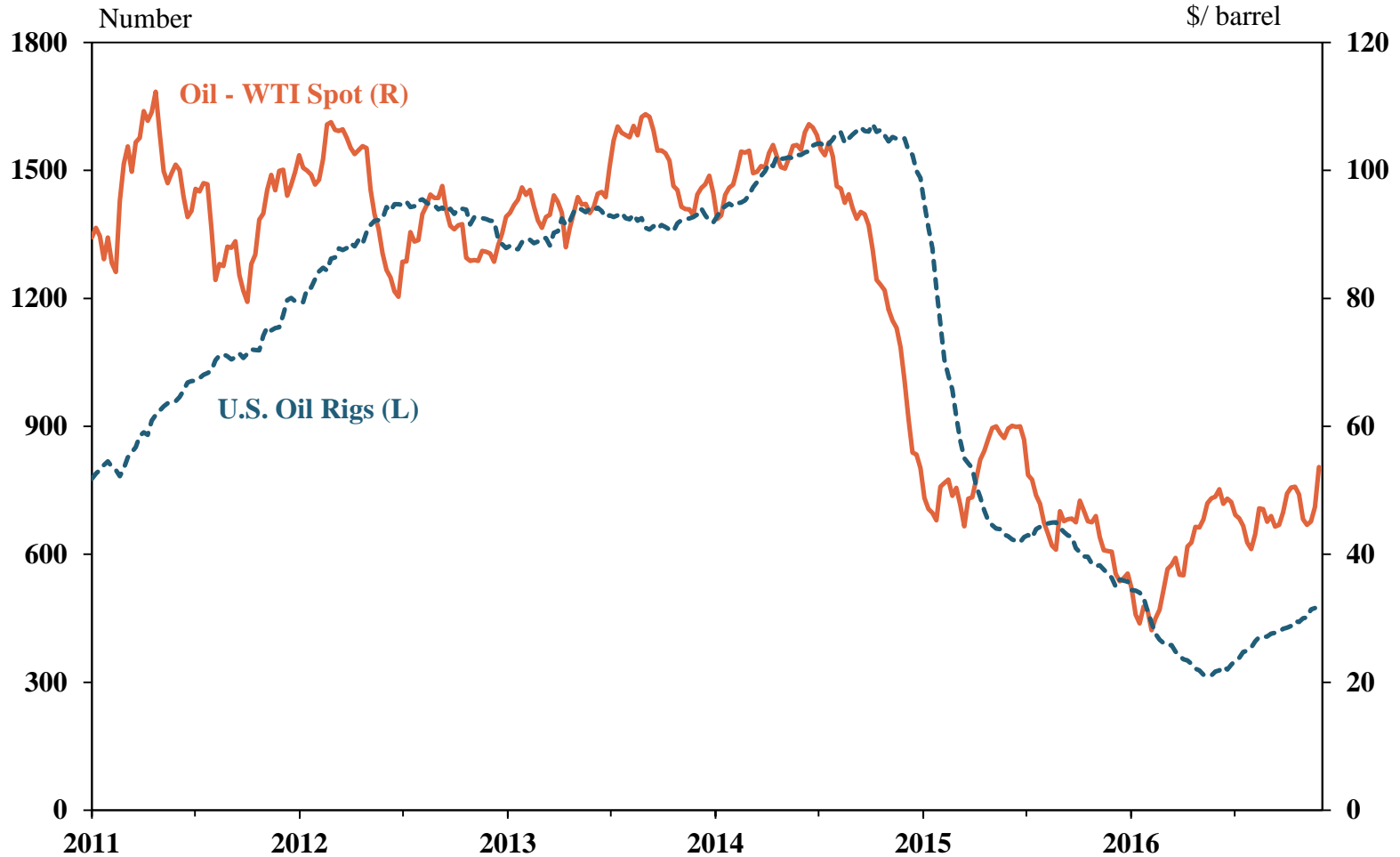
One of the struggling regional industries— manufacturing—has improved considerably

Manufacturing Composite Indexes, Seasonally Adjusted



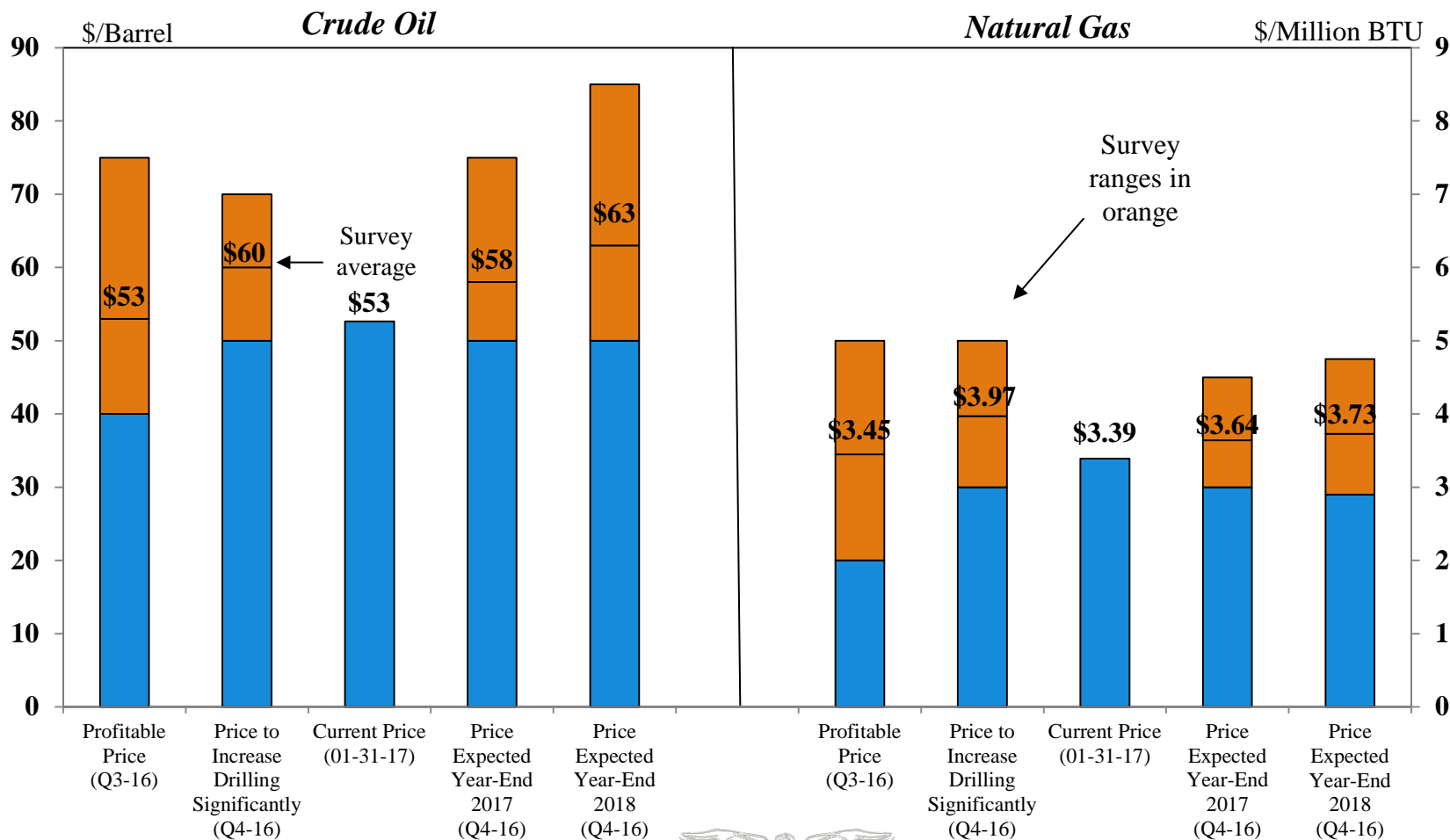
Oil prices' recent rise to \$50/barrel has boosted drilling, and OPEC's action helps

Oil Spot Prices and Rig Counts



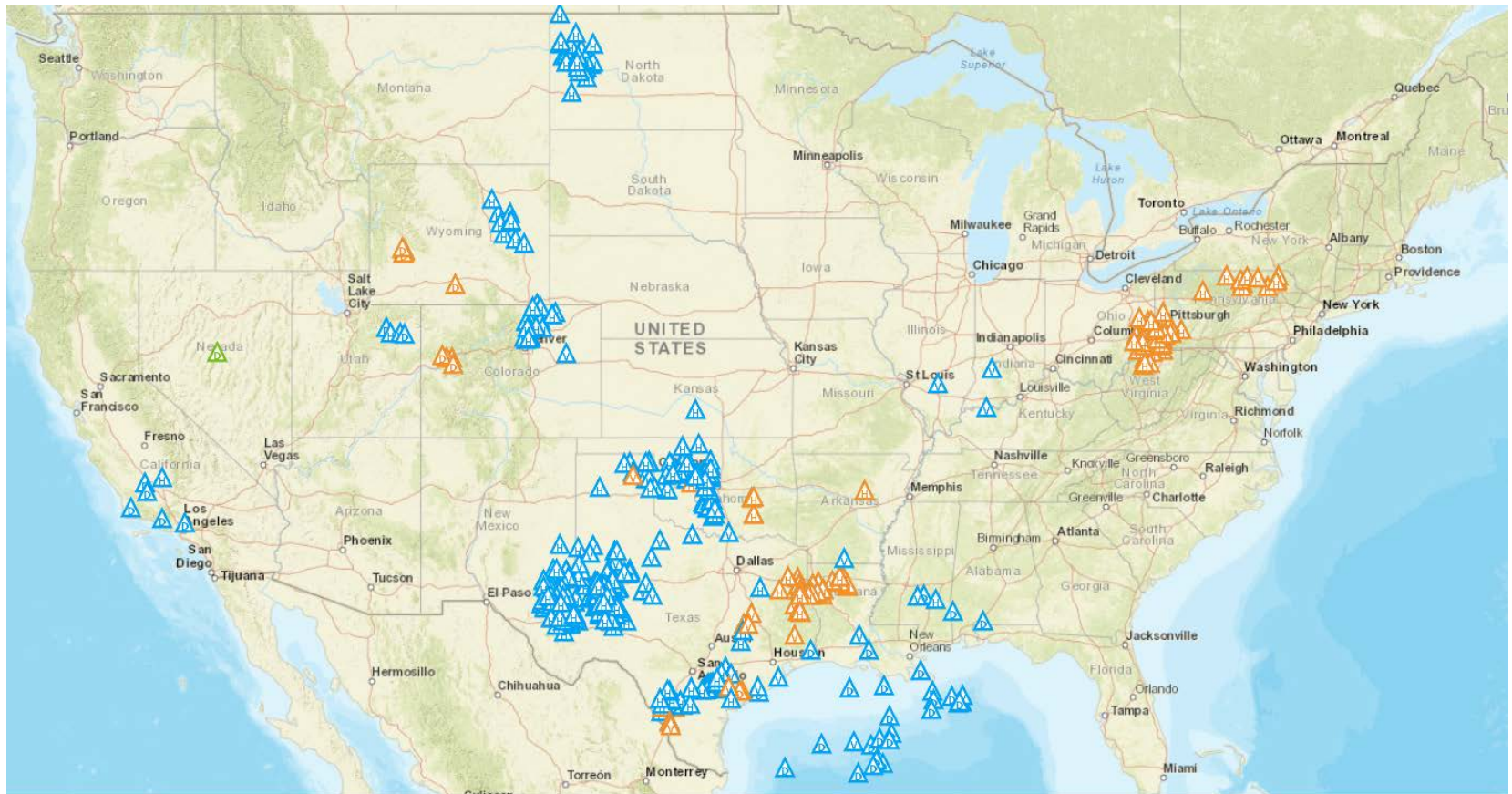
But firms say energy prices need to be a bit higher for a sizable increase in activity

Kansas City Fed Energy Survey Special Questions 2016



The most active areas now are in west Texas and northwest Oklahoma, but some in Grady Co. too

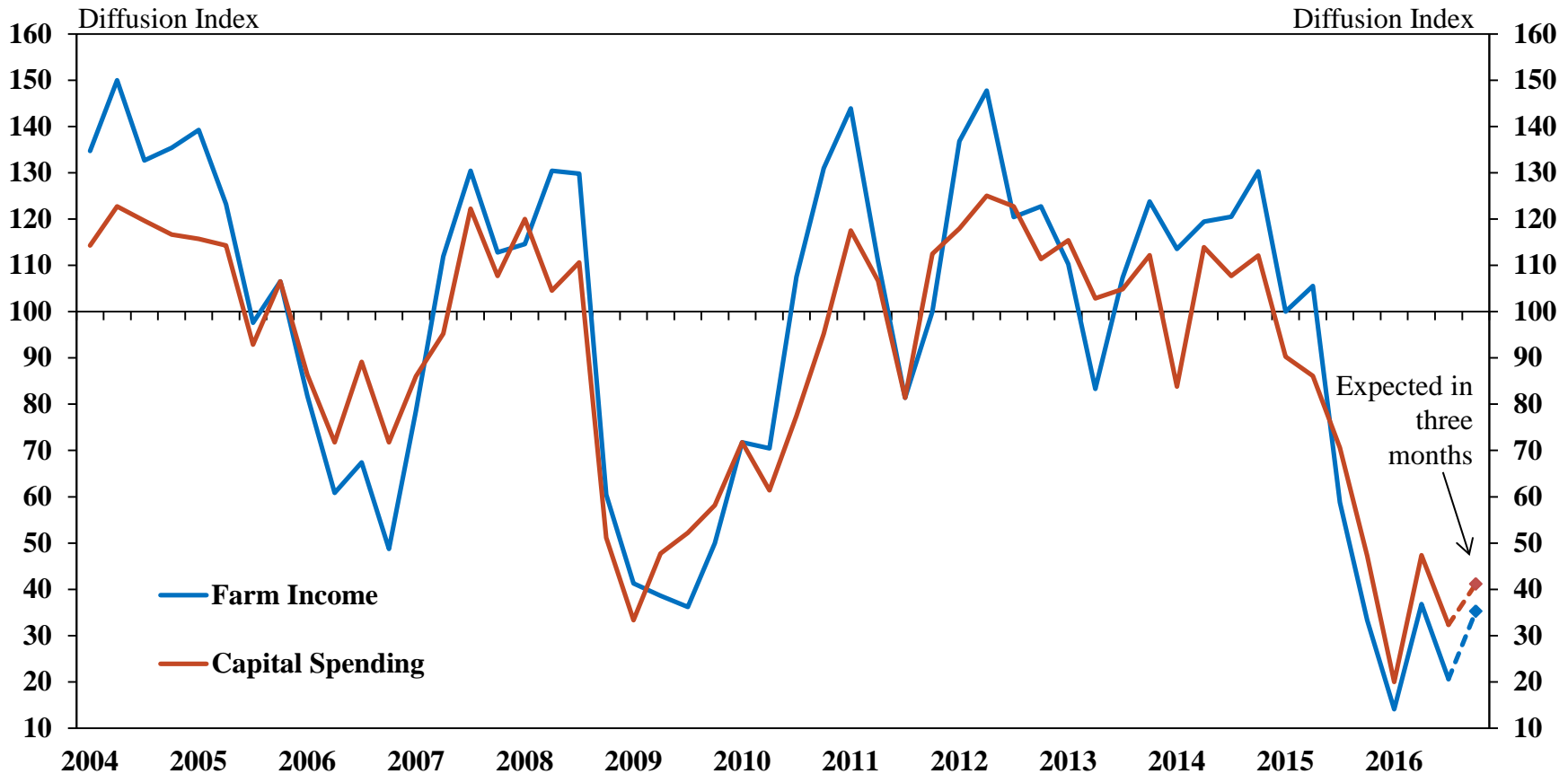
Current Drilling Rig Locations,
As-of December 16, 2016



Source: Baker Hughes

In contrast to energy, the outlook for agriculture in Oklahoma remains weak

Oklahoma Farm Income and Capital Spending



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 some other related industries
- However, conditions in real estate, banking, and labor markets have held on fairly well, and there is some cautious optimism



Questions?

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

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<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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