U.S. & Oklahoma Economic Outlook

Chickasha Rotary
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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 2\textsuperscript{nd} half of 2016 than in the 1\textsuperscript{st} half

Growth in Components of Real GDP

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis
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

Current (Dec. 2016): 4.7%

Dec. FOMC Forecast Ranges in Yellow

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 Committee expects…only gradual increases in the federal funds rate”

Federal Funds Rate
Year-end target

Current (Jan. 2017): 0.75%

Dec. FOMC Forecast
Ranges in Yellow

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

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.
The metro areas have held up better than non-metro parts of the state
Unemployment ticked up much of 2016 but has come down slightly in recent months.
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

Source: U.S. Bureau of Labor Statistics
Spillover has occurred from energy to other industries, but jobs in some industries are still up.

Job Growth by Industry
Dec-16

Source: Bureau of Labor Statistics
State and city sales tax receipts remain lower than a year ago but declines have been smaller lately.

Source: OK Tax Commission
Home price growth in Oklahoma has slowed, but remains moderately positive.
Office vacancy rates have risen slightly in the two metros, but much less than Houston.
And nearly all banks in Oklahoma remain profitable through mid-2016

Source: FDIC
One of the struggling regional industries—manufacturing—has improved considerably.
Oil prices’ recent rise to $50/barrel has boosted drilling, and OPEC’s action helps
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

Survey ranges in orange
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.
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?

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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](https://www.kansascityfed.org/research/indicatorsdata/mfg)

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