

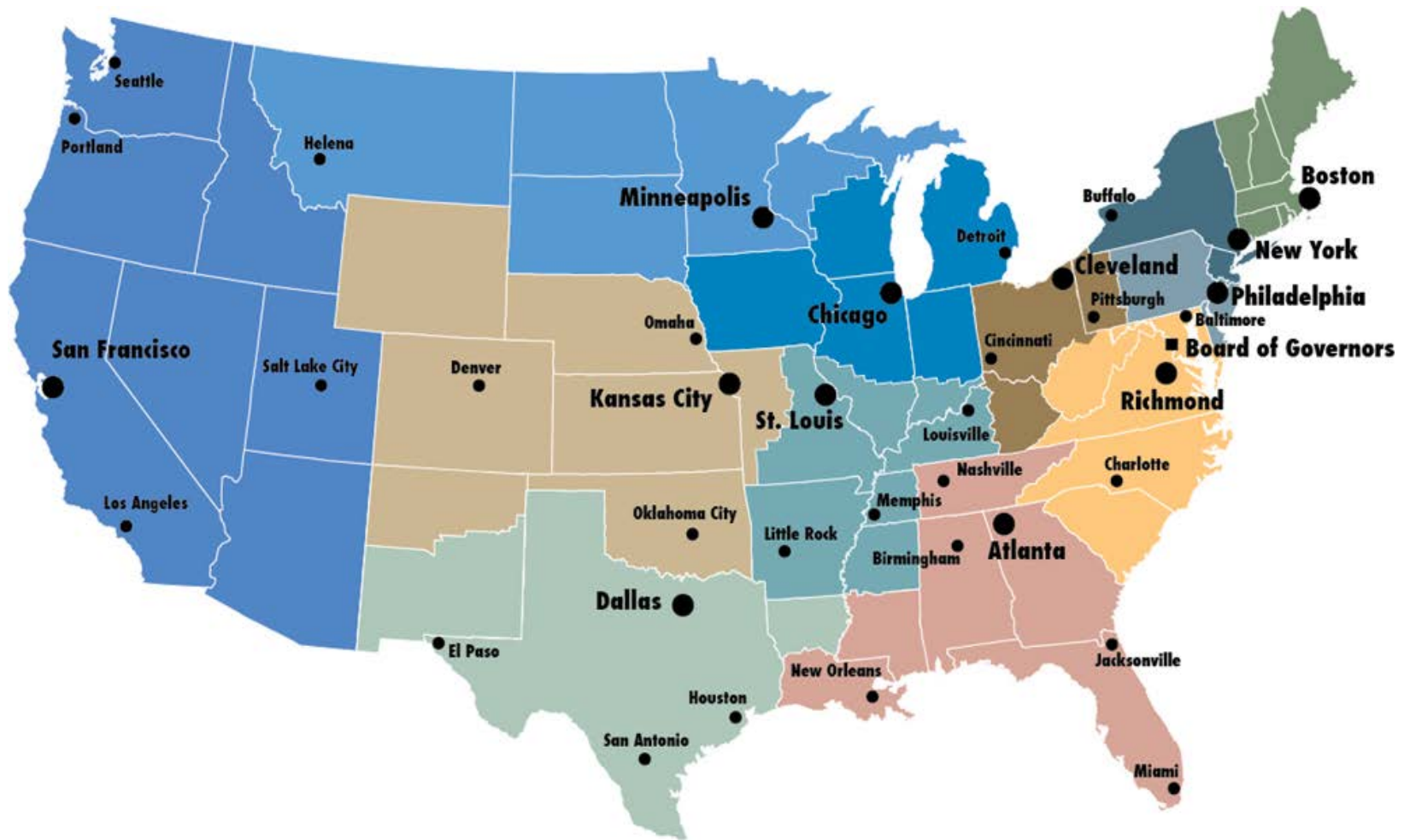
# **U.S. and Ponca City Area Economic Update**

**Ponca City Economic Forum  
October 4, 2017**



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**Federal Reserve Bank of Kansas City**  
**[www.kansascityfed.org/oklahomacity](http://www.kansascityfed.org/oklahomacity)**

# Structure & Functions of the Federal Reserve



## 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

## Primary responsibility areas:

- Monetary policy
- Bank regulation
- Financial services

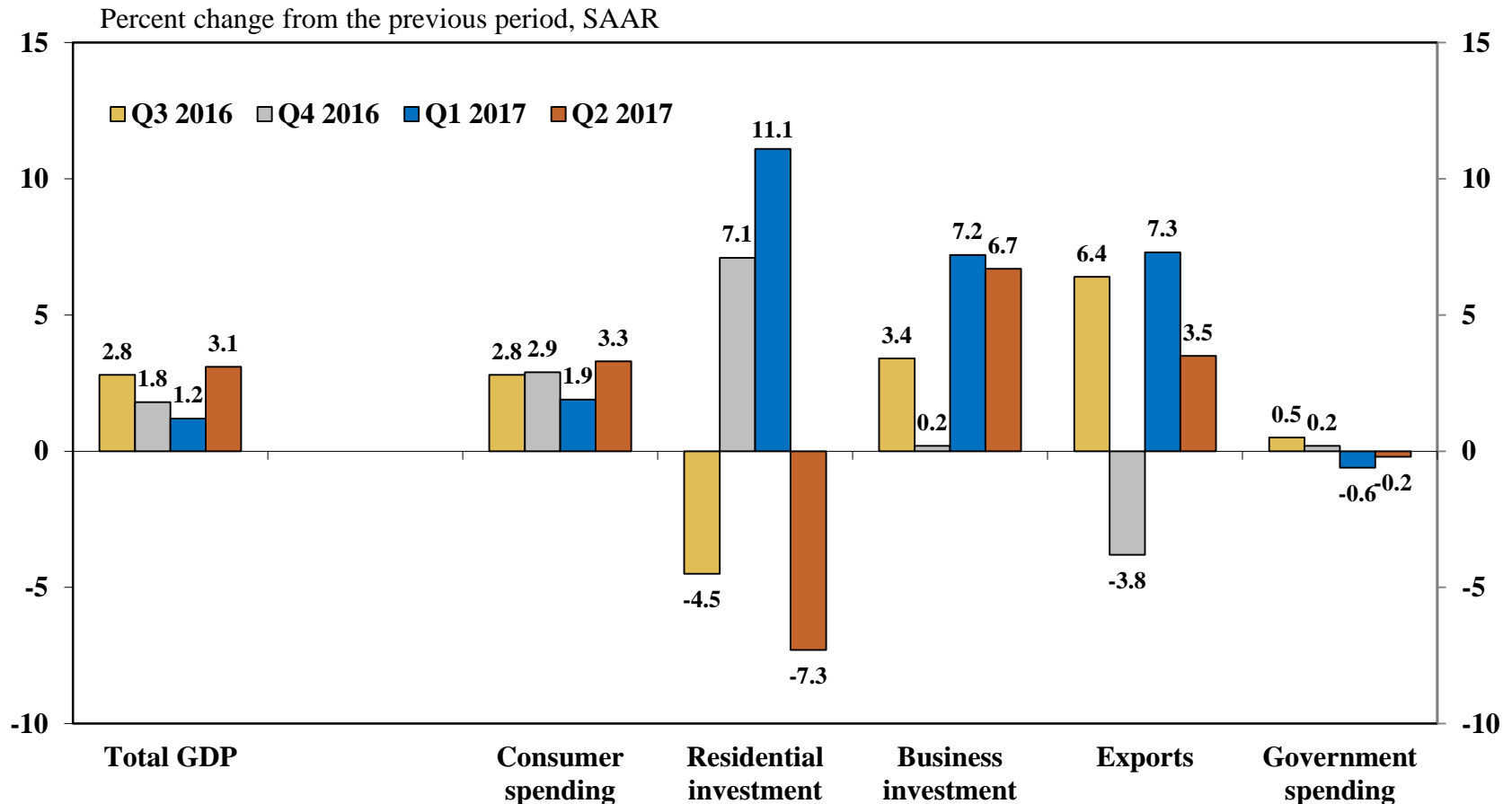
# **The Oklahoma City Branch of the Federal Reserve Bank of Kansas City**

- **Functions and purposes – 45 staff**
  - Research on U.S. and Oklahoma economies; energy and manufacturing sectors
  - Economic and financial education outreach, including to low/moderate income
  - Examinations of Oklahoma financial institutions (~50 banks, ~175 holding cos.)
- **2017 OKC Fed Branch Board of Directors**
  - **Pete Delaney (chair)**, Chairman/CEO (retired), OGE Energy Corp., OKC
  - **Clint Abernathy**, Owner, Abernathy Farms, Inc., Altus
  - **Susan Chapman Plumb**, COO, Bank of Cherokee County, Tahlequah
  - **Michael Coffman**, CEO (retired), Panhandle Oil & Gas, Inc., OKC
  - **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 Econ. Dev. Corp., Tulsa
  - **Doug Stussi**, EVP & CFO, Love's Travel Stops & Country Stores, OKC

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

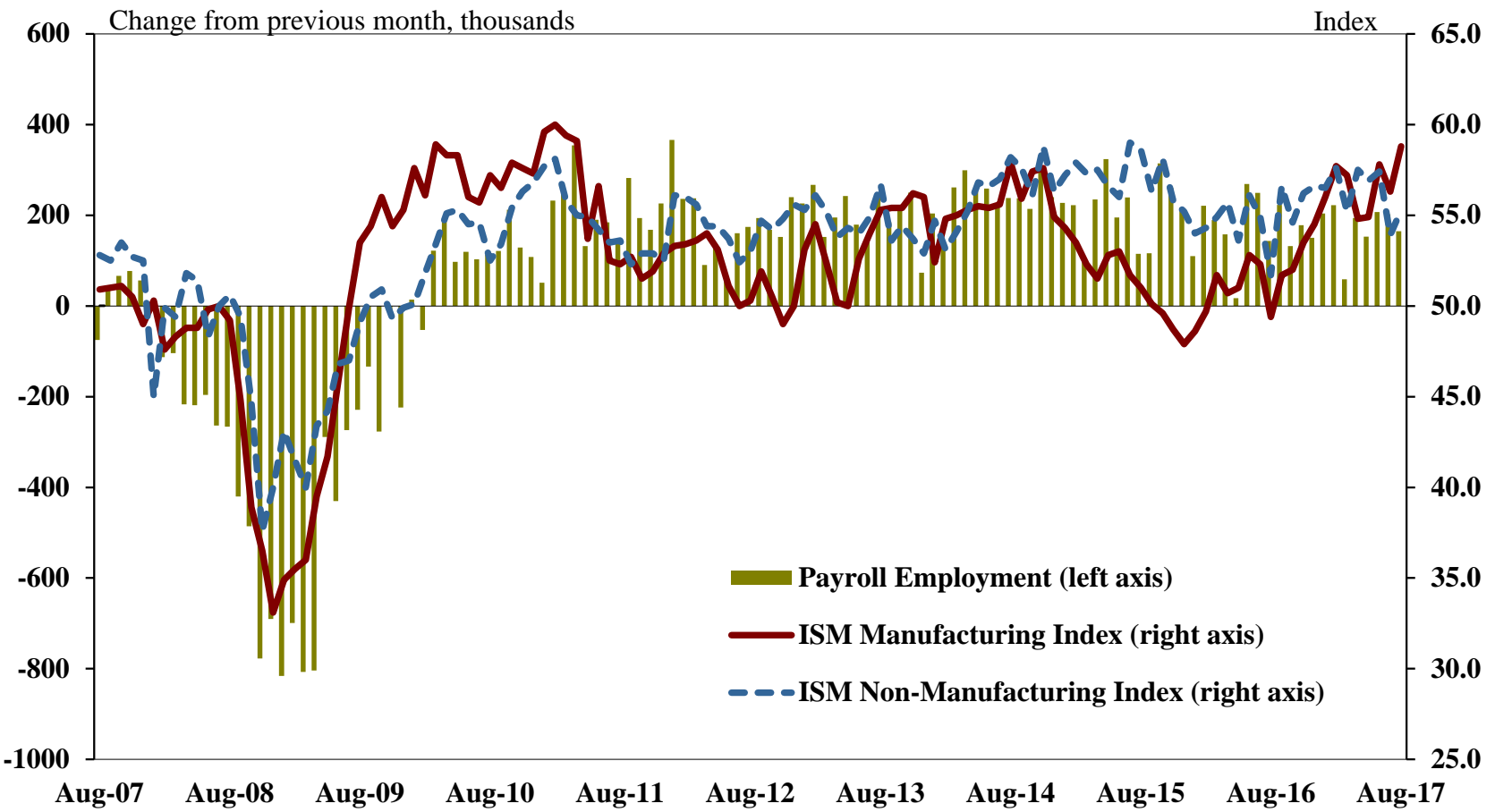
# U.S. GDP growth rebounded in Q2 2017 due largely to a recovery in consumer spending growth

## Growth in Components of Real GDP



# Monthly data on business activity and employment show U.S. growth remained solid through Q3 2017

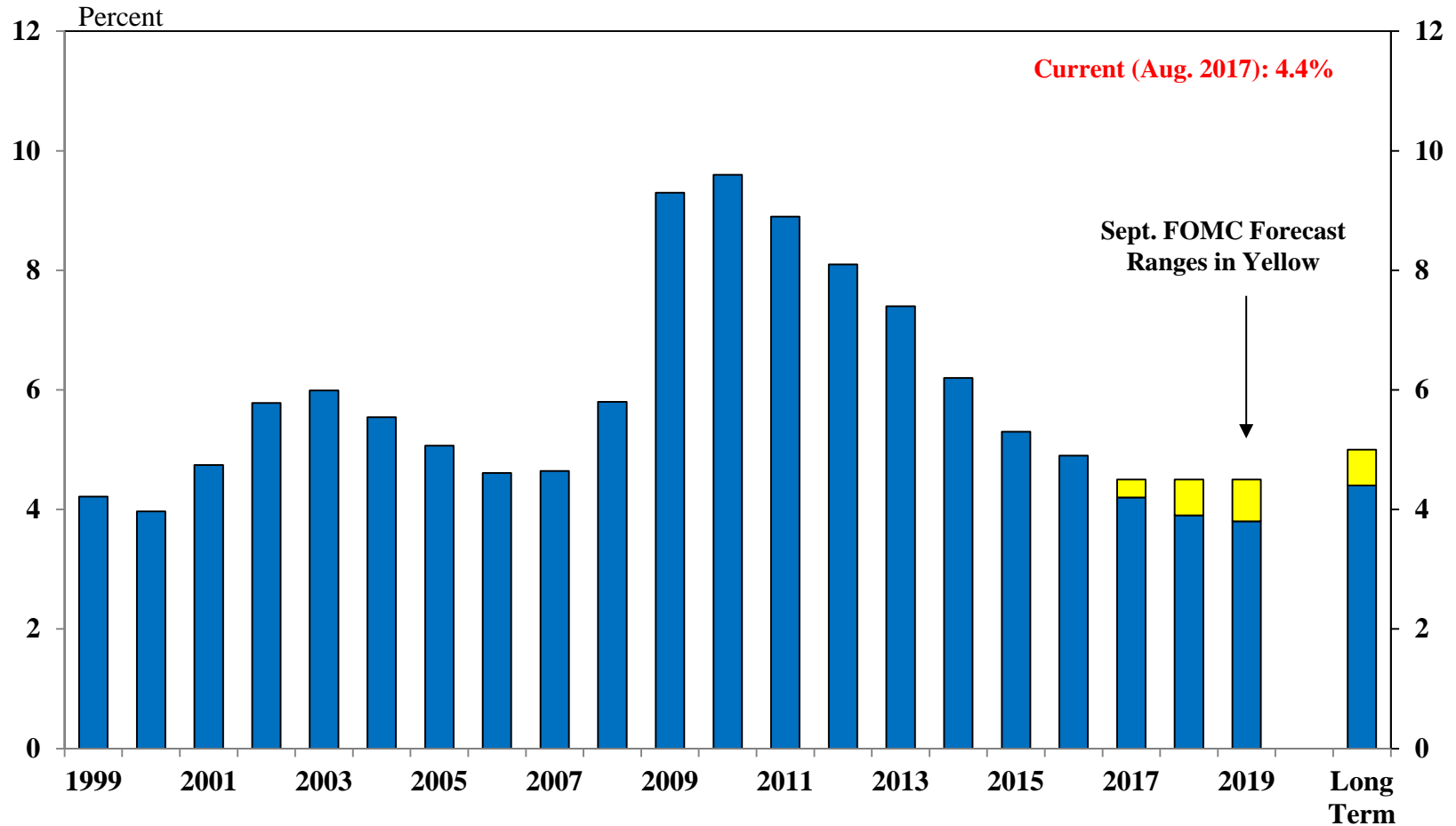
## U.S. Payroll Employment and Business Indexes



Source: Institute for Supply Management, Bureau of Labor Statistics

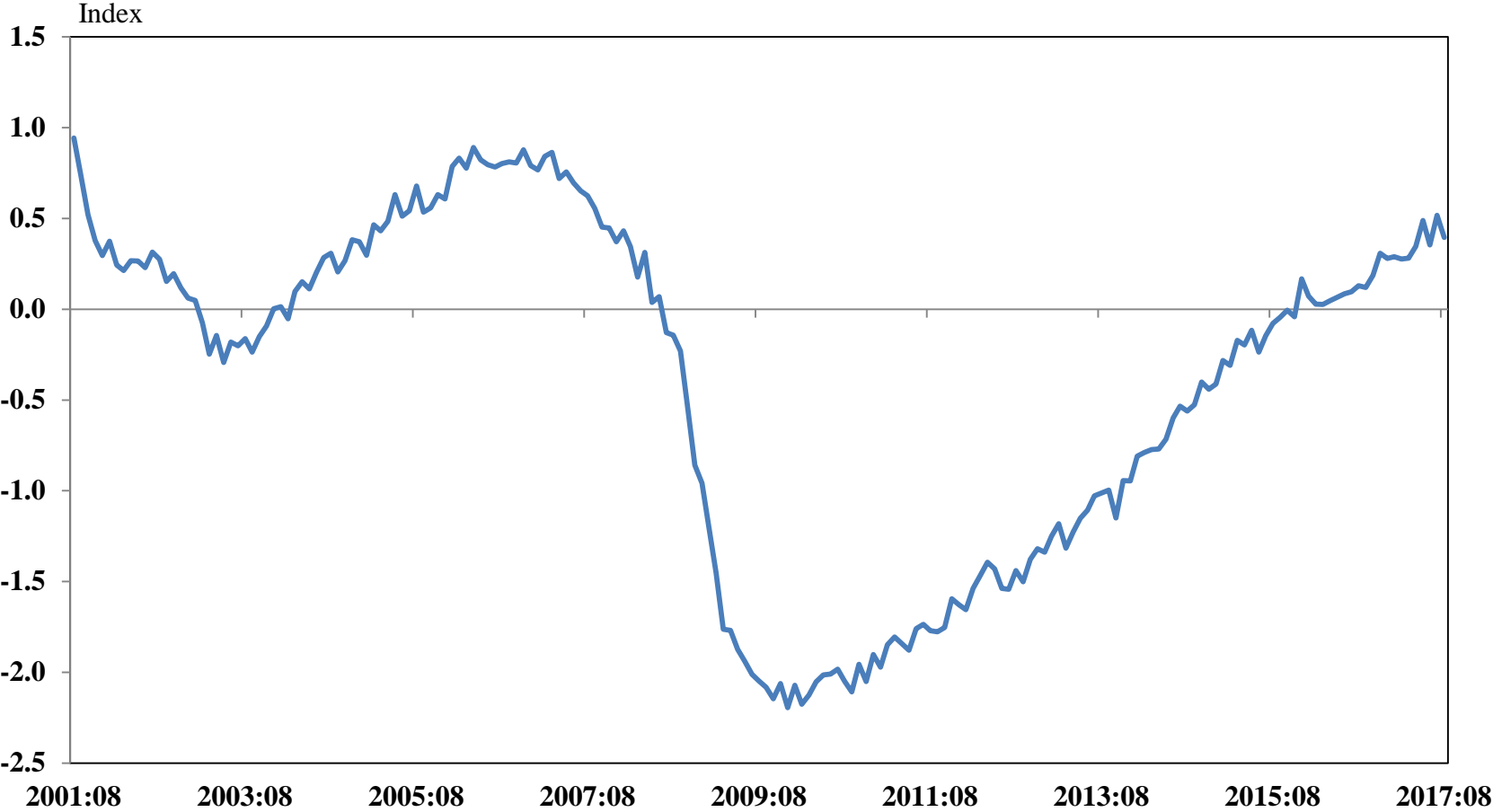
# FOMC: “Job gains have remained solid in recent months, and the unemployment rate has stayed low.”

**Unemployment Rate**  
Seasonally Adjusted



# Broader labor market measures beyond job gains and the unemployment rate also show continued improvement

**Kansas City Fed U.S. Labor Market Conditions Index (LMCI)**

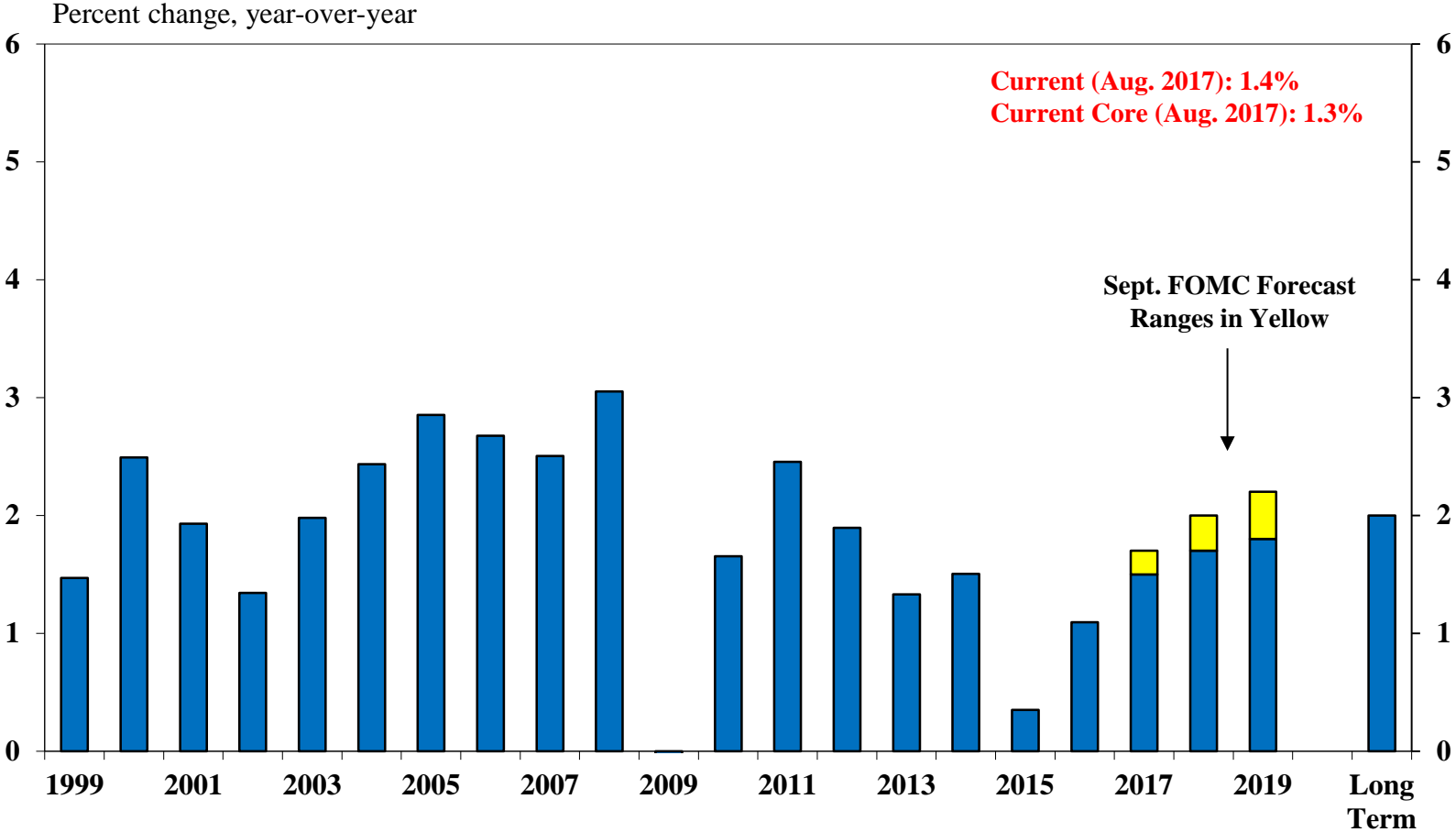


Source: FRBKC



# FOMC: “Inflation...is expected to...stabilize around the Committee’s 2% objective over the medium term”

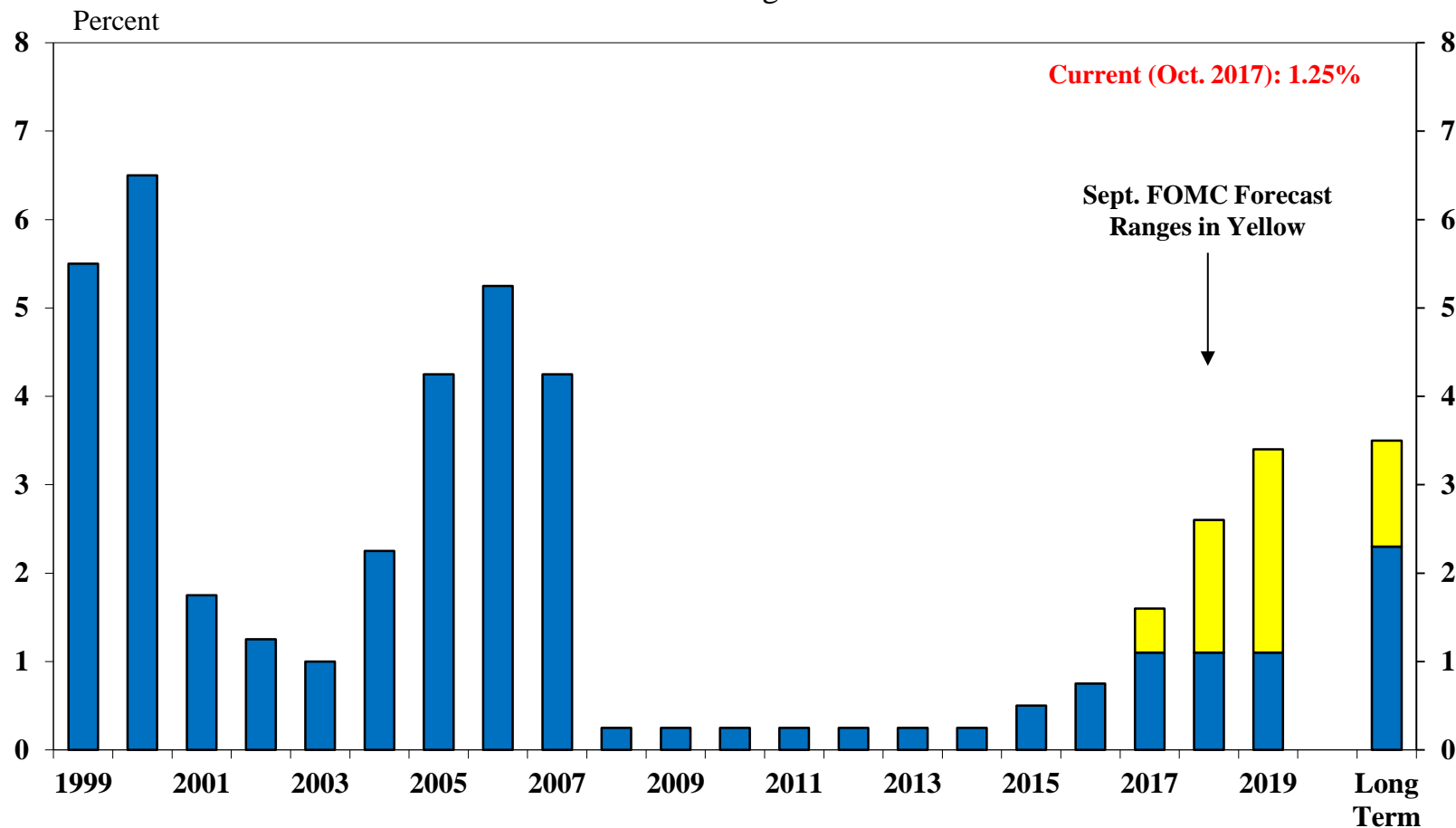
## PCE Inflation Index



Sources: U.S. Bureau of Labor Statistics, FOMC

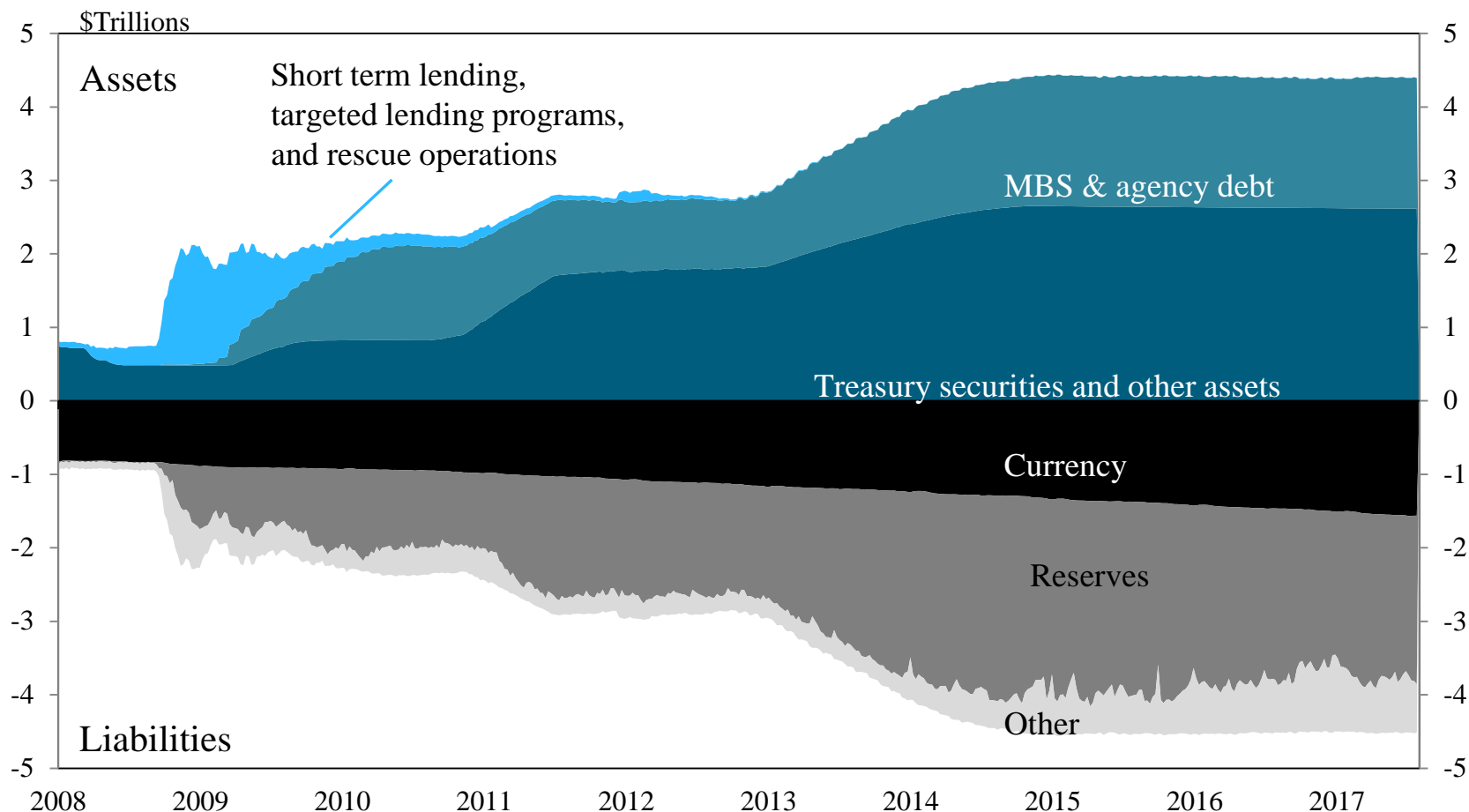
FOMC: “The Committee expects...conditions will evolve in a manner that will warrant gradual [rate] increases”

### Federal Funds Rate Year-end target



# FOMC: “In October, the Committee will initiate the balance sheet normalization program”

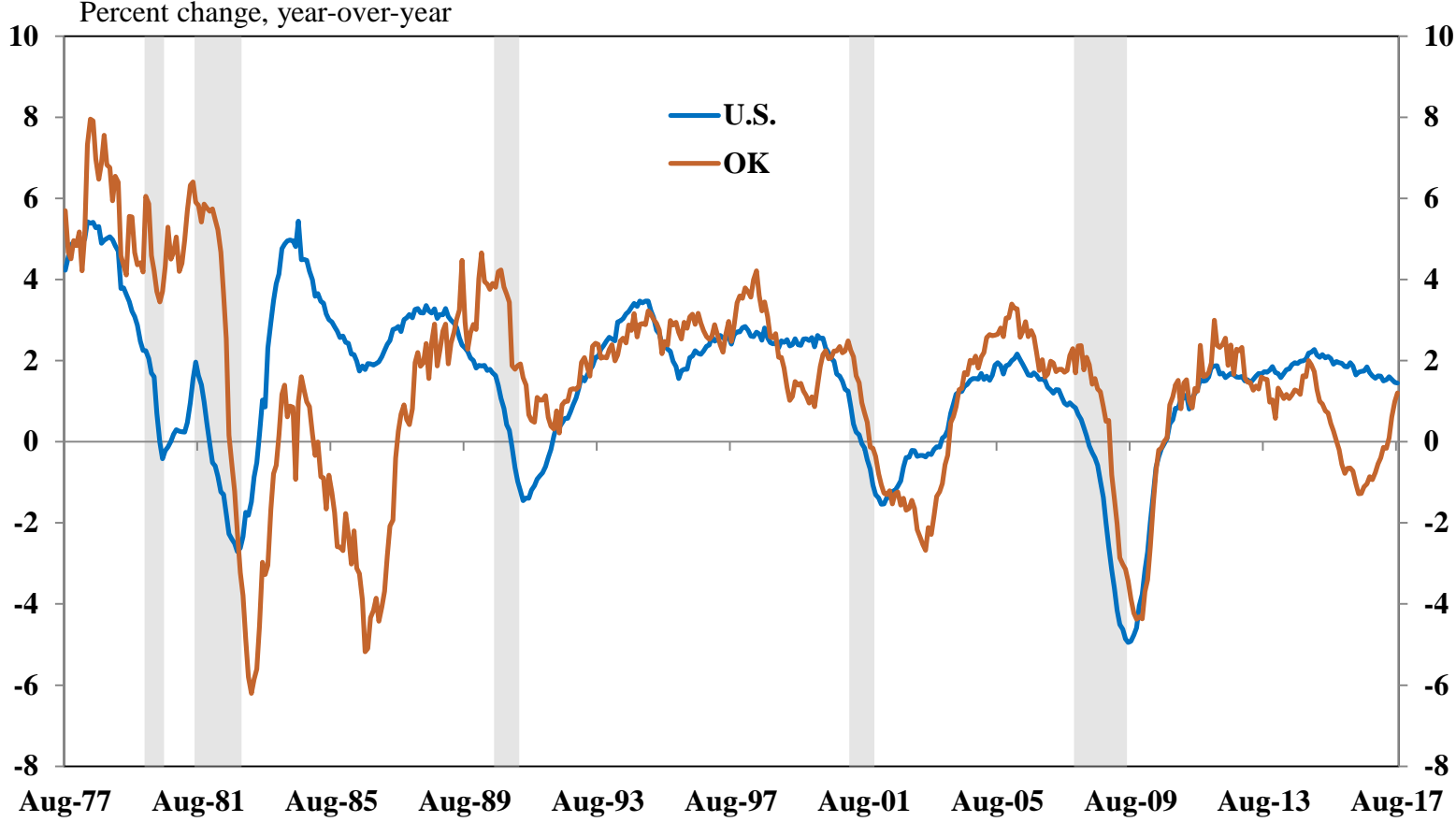
## Federal Reserve Balance Sheet



# **Trends in the Oklahoma & Ponca City Area Economies**

# 2015-16 was the largest divergence between U.S. & OK job growth since the '80s, but gap is closing

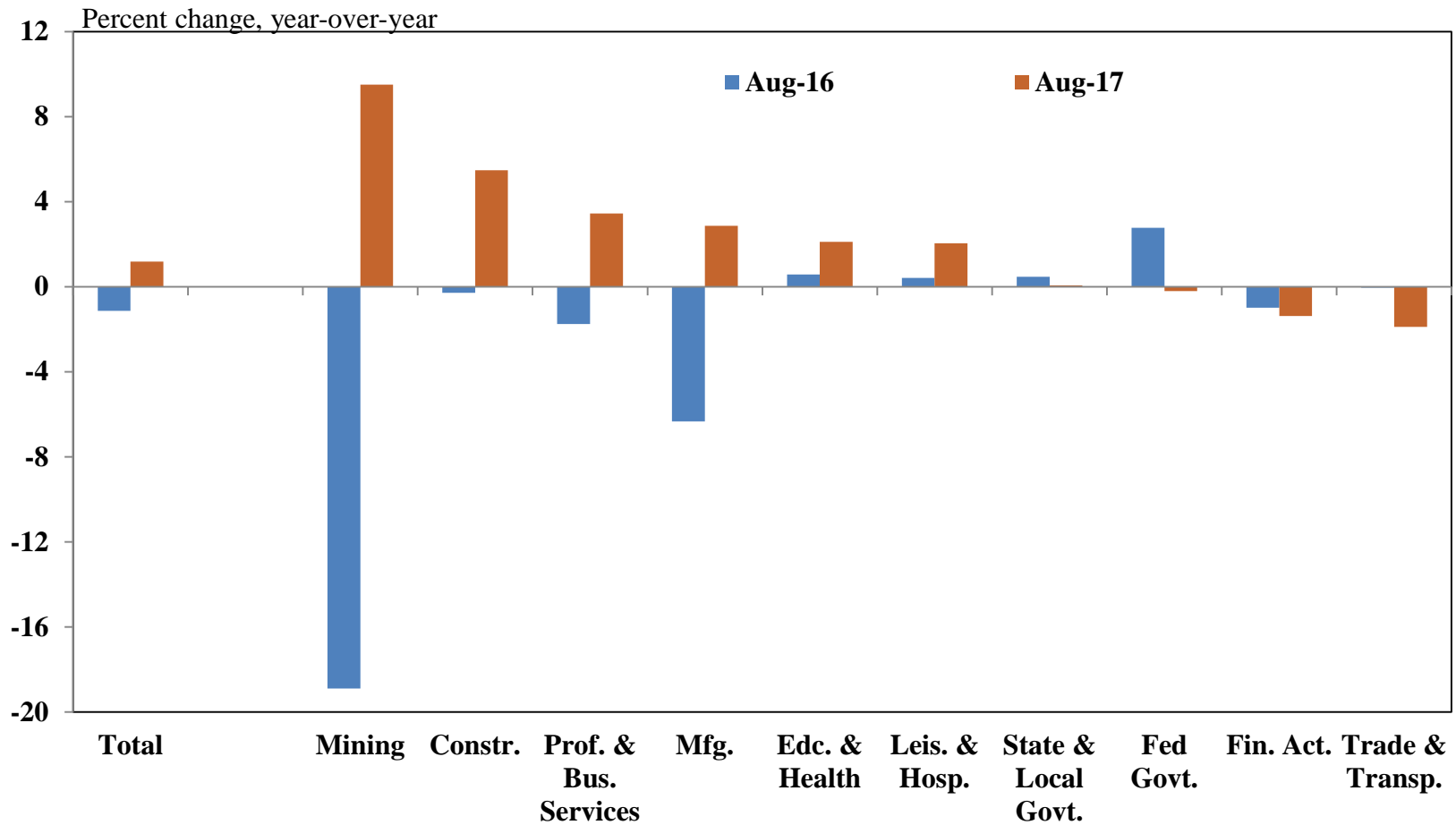
## Payroll Employment Growth



Source: U.S. Bureau of Labor Statistics

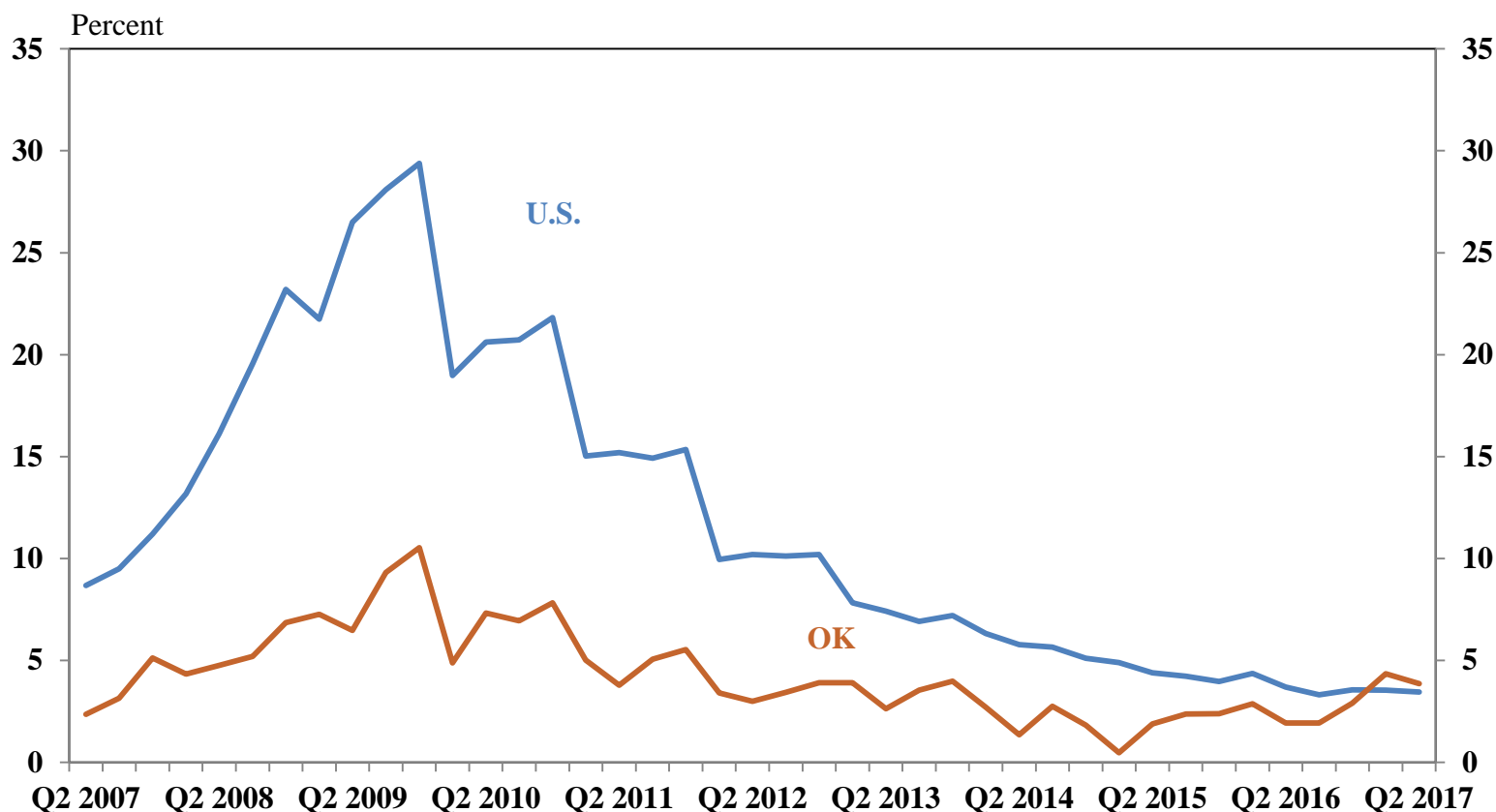
# So far in 2017, goods-producing industries have mostly led the way in state job growth

**Oklahoma Job Growth by Industry**  
Aug-17



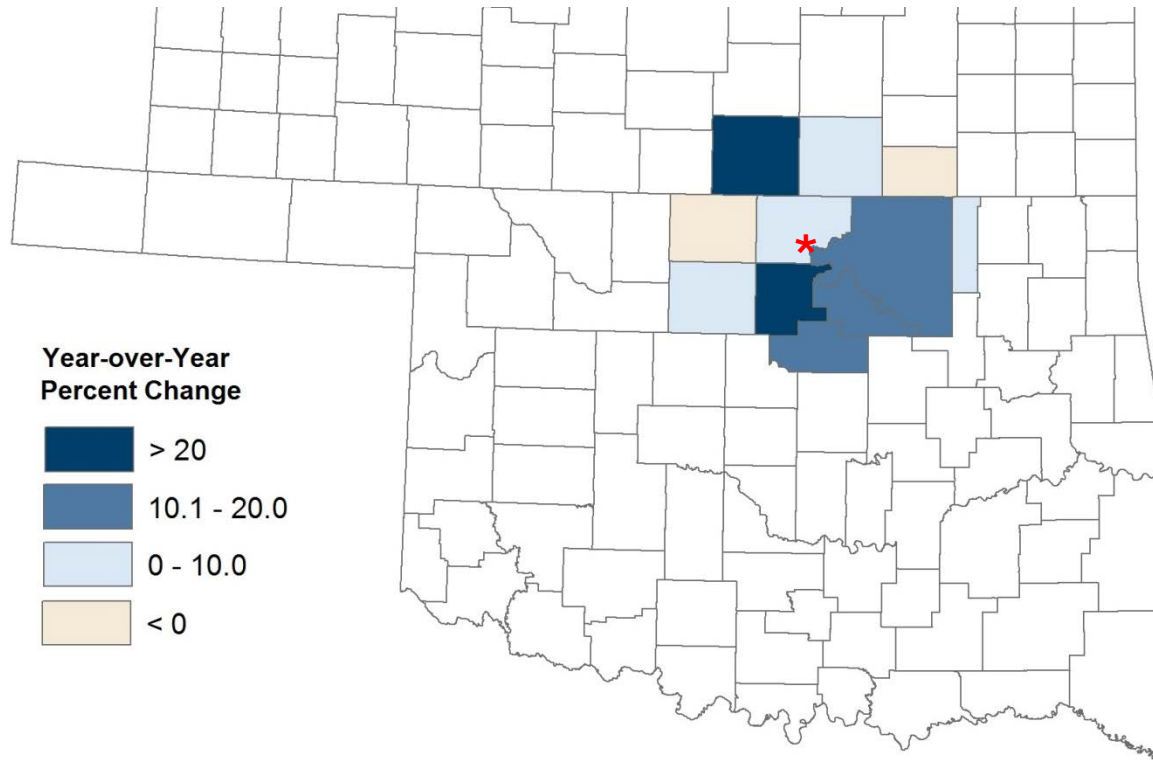
# Banking conditions also remain solid overall in the state despite recent economic weakness

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



# Most of the 11-county area around Ponca City has seen an increase in sales taxes this year

**County Sales Tax, Year-over-year percent change,  
Aug-17**





# The key industries around Ponca City, relative to the U.S., are mostly goods-producing industries

## Personal Income Share by Industry, 2015

Industry	Percent of Total Income			Kay Co. LQ	11-County Area LQ	OK LQ
	Kay County	11-County Area	U.S.			
Mining	5.7	13.3	1.6	3.6	8.4	7.2
Agriculture	1.6	2.3	0.8	1.9	2.8	2.0
Construction	10.2	6.6	6.1	1.7	1.1	1.0
State & Local Government	21.7	20.4	13.2	1.6	1.5	1.0
Manufacturing	15.8	11.6	10.1	1.6	1.1	0.9
Trade, Transportation & Utilities	19.3	20.8	16.2	1.2	1.3	1.4
Education & Health	12.5	7.4	13.3	0.9	0.6	0.8
Leisure & Hospitality	3.9	3.2	4.7	0.8	0.7	0.8
Information	2.5	1.0	3.5	0.7	0.3	0.4
Federal Government	1.6	3.3	3.0	0.5	1.1	1.3
Financial Activities	3.2	3.0	7.1	0.4	0.4	0.5
Professional and Business Services	2.0	7.3	20.3	0.1	0.4	0.6

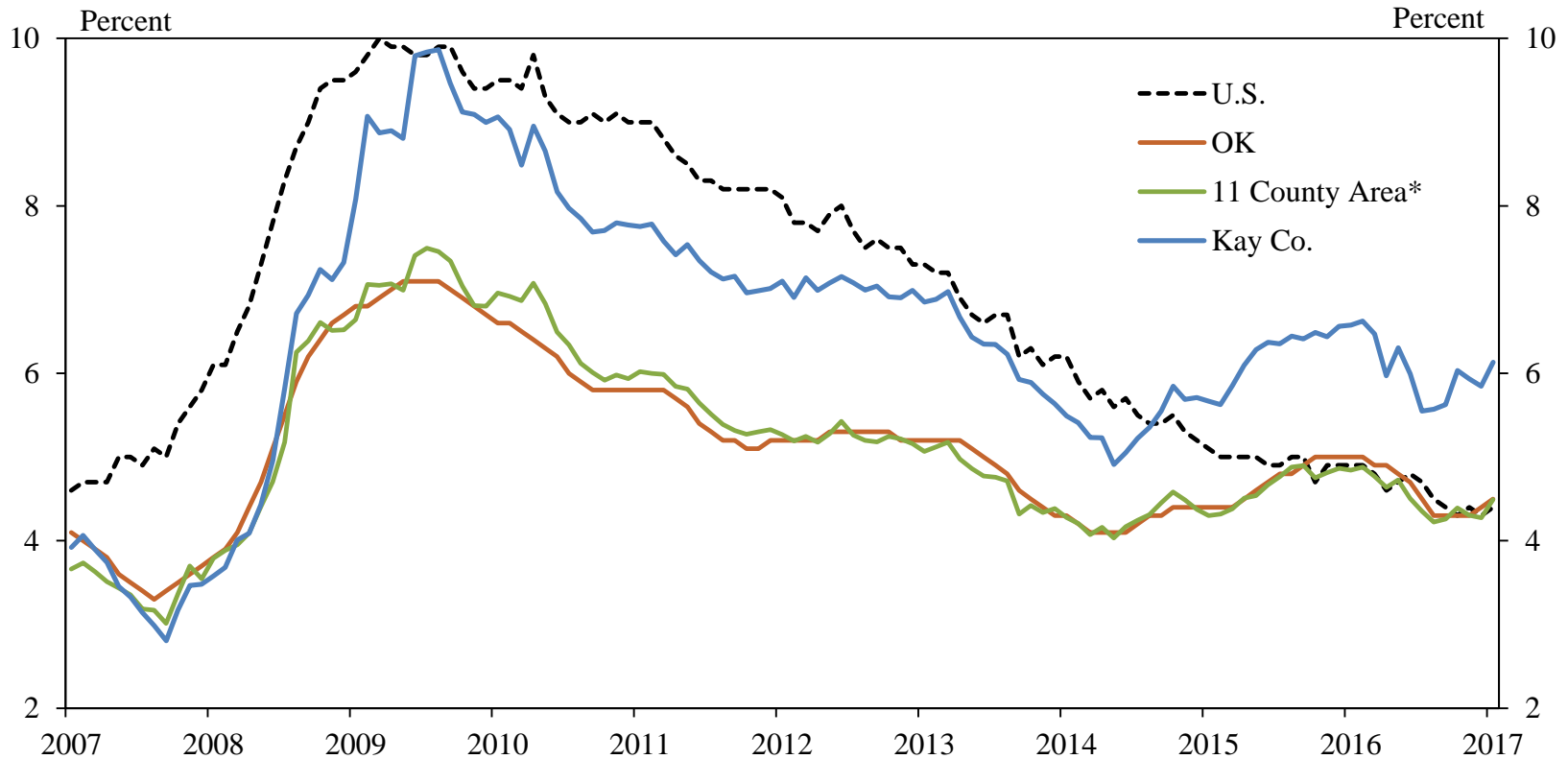
Note - Location quotient is the division of local share by national share

\*Northern OK includes the following counties from OK and KS: Garfield, Grant, Kay, Noble, Osage, Pawnee, Payne, Washington, Chautauqua (KS), Cowley (KS), and Sumner (KS).



# With strains in those industries in 2015-16, local unemployment rose somewhat but has since fallen

**Unemployment rates**  
Seasonally Adjusted

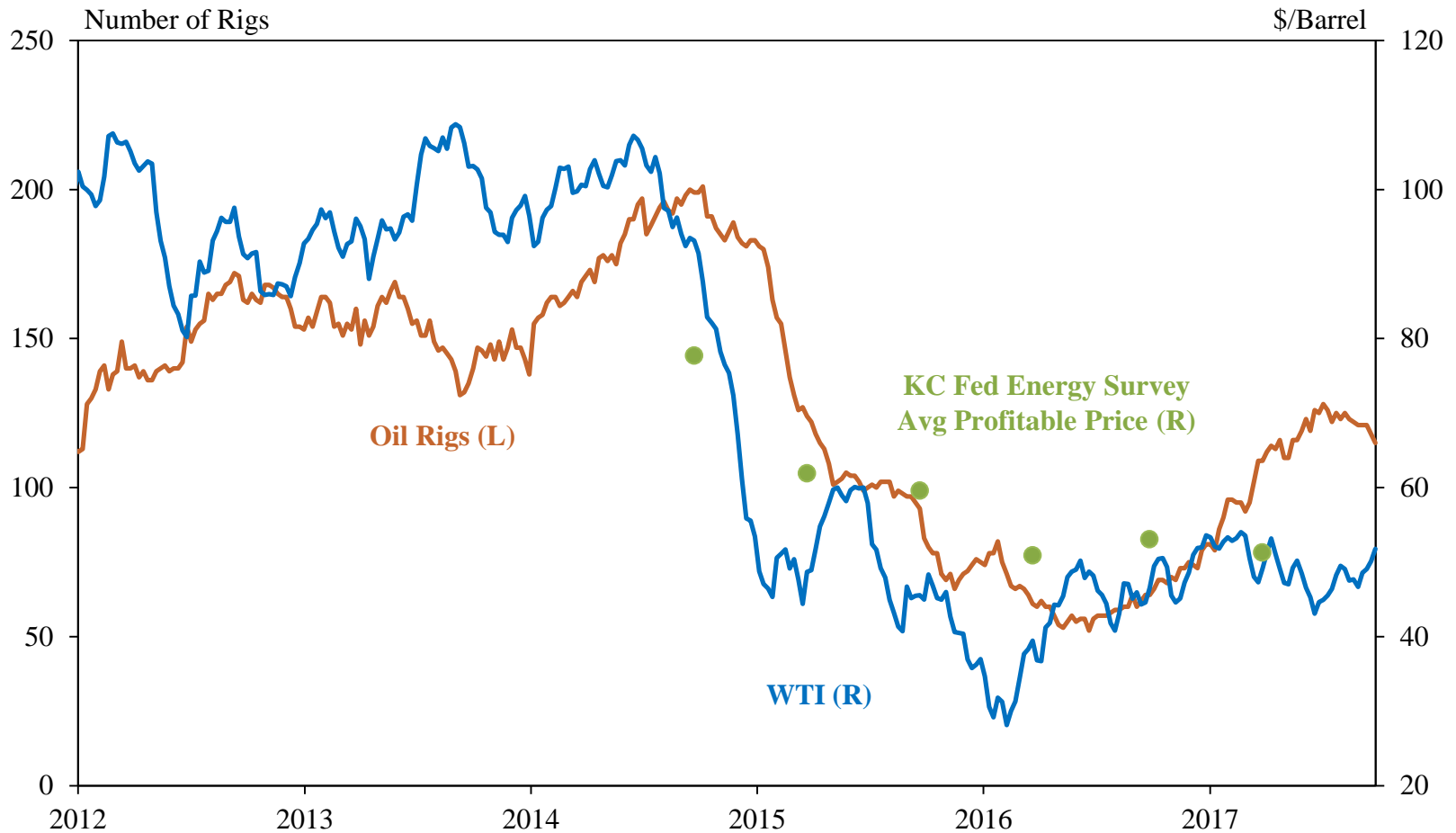


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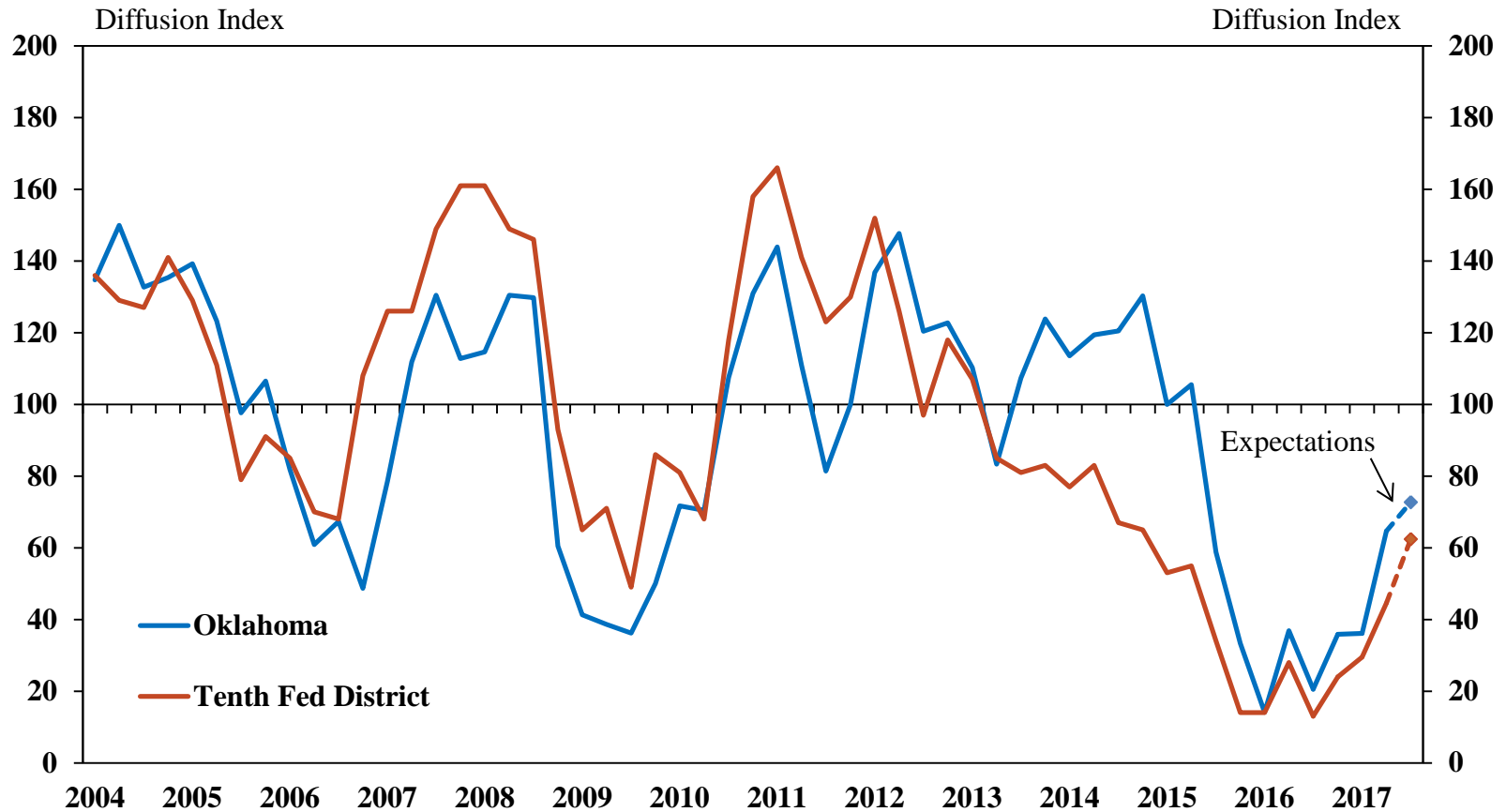
# The number of oil rigs in Oklahoma rose strongly in the first half of 2017 but has since tapered off

## WTI Spot Price vs. Oklahoma Rig Count



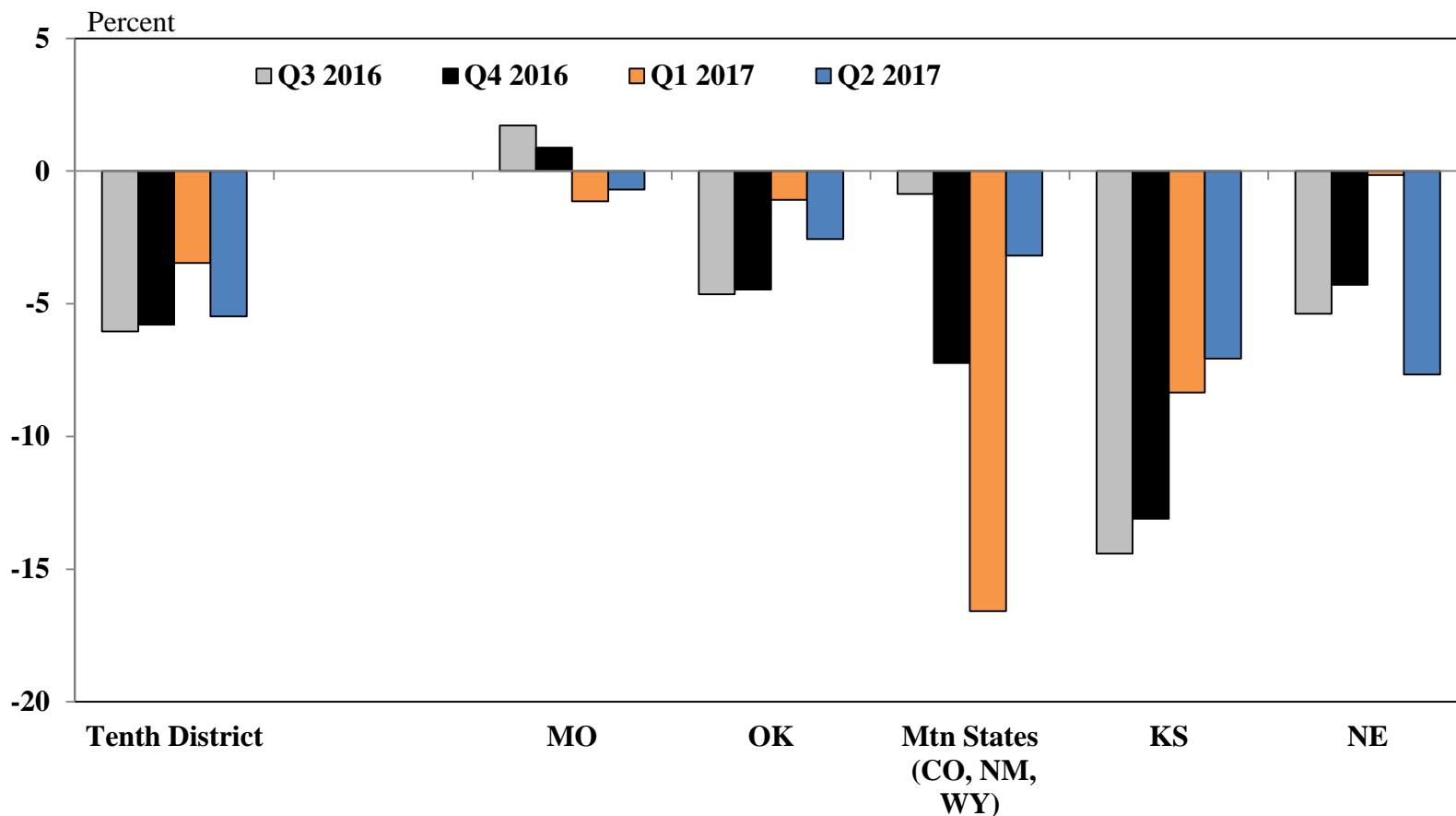
# The agriculture sector in the state generally remains weak, though less so than last year

## Tenth District Farm Income



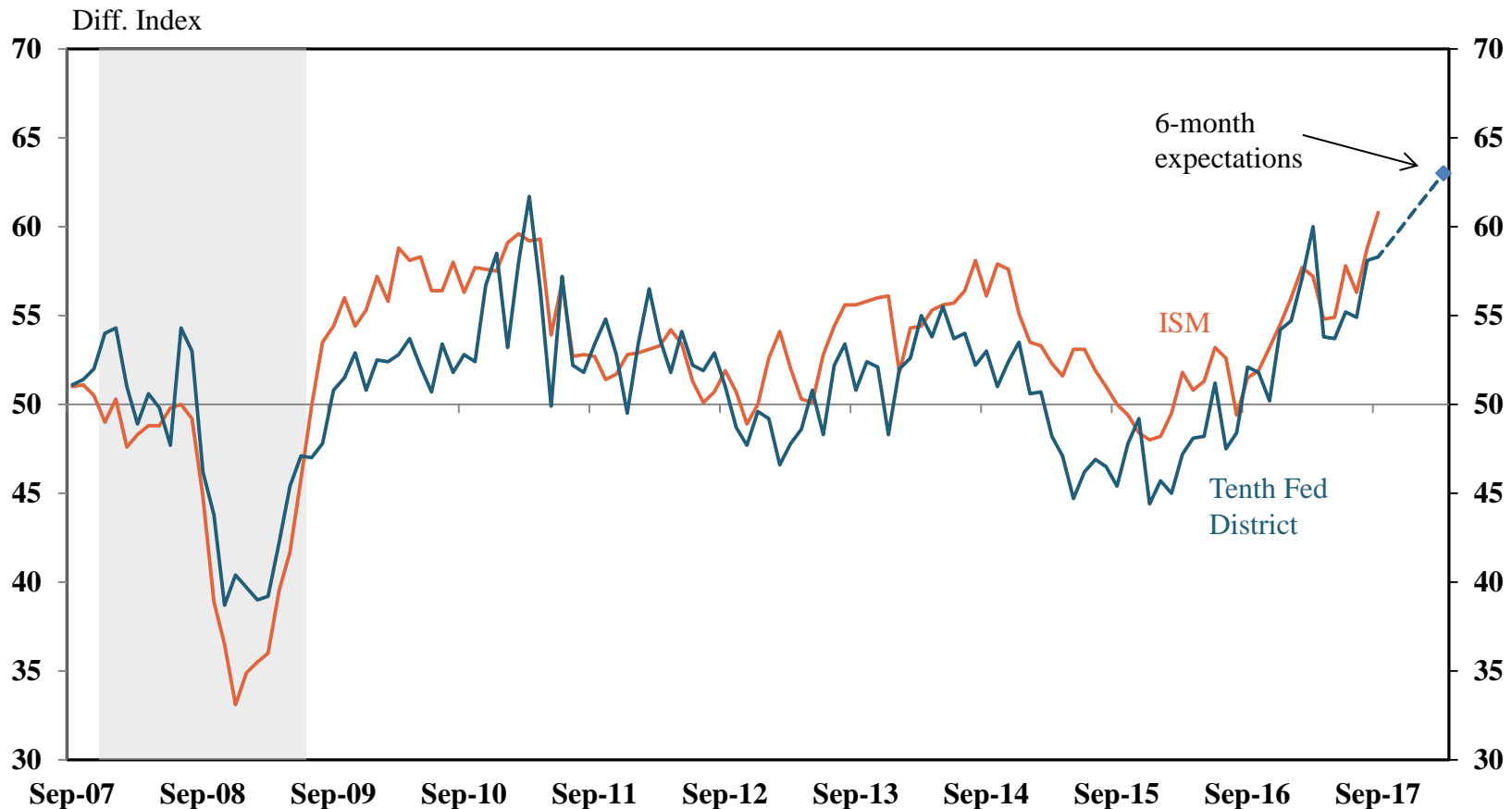
# OK farmland values have fallen moderately in recent quarters, but less than in some states

**Tenth District Farmland Values**  
Percent Change, Year-over-year



# Regional factory activity has improved considerably in recent months, with optimism high

## Manufacturing Composite Indexes, Seasonally Adjusted



# Summary

- The U.S. economy continues to grow, the Fed has raised interest rates and will begin to reduce its balance sheet.
- The Oklahoma economy has been hurt by low commodity prices, but has stabilized in 2017.
- In the Ponca City region, unemployment has come down after rising in 2015-16, as key local industries have done better in 2017.



# Questions?

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

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