U.S. and Ponca City Area Economic Update

Ponca City Economic Forum
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Federal Reserve Bank of Kansas City
www.kansascityfed.org/oklhhomacity

* The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or 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

**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

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis
Monthly data on business activity and employment show U.S. growth remained solid through Q3 2017.
FOMC: “Job gains have remained solid in recent months, and the unemployment rate has stayed low.”

Unemployment Rate
Seasonally Adjusted

Current (Aug. 2017): 4.4%

Sept. FOMC Forecast
Ranges in Yellow

Sources: U.S. Bureau of Labor Statistics, FOMC
Broader labor market measures beyond job gains and the unemployment rate also show continued improvement.
FOMC: “Inflation…is expected to…stabilize around the Committee’s 2% objective over the medium term”

Current (Aug. 2017): 1.4%
Current Core (Aug. 2017): 1.3%

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

Federal Funds Rate
Year-end target

Sources: Federal Reserve Board, FOMC
FOMC: “In October, the Committee will initiate the balance sheet normalization program”

Source: Federal Reserve Board
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
So far in 2017, goods-producing industries have mostly led the way in state job growth.

Oklahoma Job Growth by Industry
Aug-17

Percent change, year-over-year

Source: Bureau of Labor Statistics
Banking conditions also remain solid overall in the state despite recent economic weakness.
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

Sources: OK Tax Commission, KS Dept. of Revenue
The key industries around Ponca City, relative to the U.S., are mostly goods-producing industries

### Personal Income Share by Industry, 2015

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

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).*

Source: U.S. Bureau of Economic Analysis
With strains in those industries in 2015-16, local unemployment rose somewhat but has since fallen.

*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).

Source: U.S. Bureau of Labor Statistics
The number of oil rigs in Oklahoma rose strongly in the first half of 2017 but has since tapered off.

Source: EIA, Baker Hughes, FRBKC Energy Survey
The agriculture sector in the state generally remains weak, though less so than last year.

![Tenth District Farm Income](image)

Source: FRBKC Agricultural Credit Survey
OK farmland values have fallen moderately in recent quarters, but less than in some states.

<table>
<thead>
<tr>
<th>Tenth District Farmland Values</th>
<th>Percent Change, Year-over-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2016</td>
<td>0.0%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>-4.0%</td>
</tr>
</tbody>
</table>

Source: FRBKC Agricultural Credit Survey
Regional factory activity has improved considerably in recent months, with optimism high.

Manufacturing Composite Indexes,
Seasonally Adjusted

Source: ISM, FRBKC
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?

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