

U.S. and Oklahoma Economic Outlook

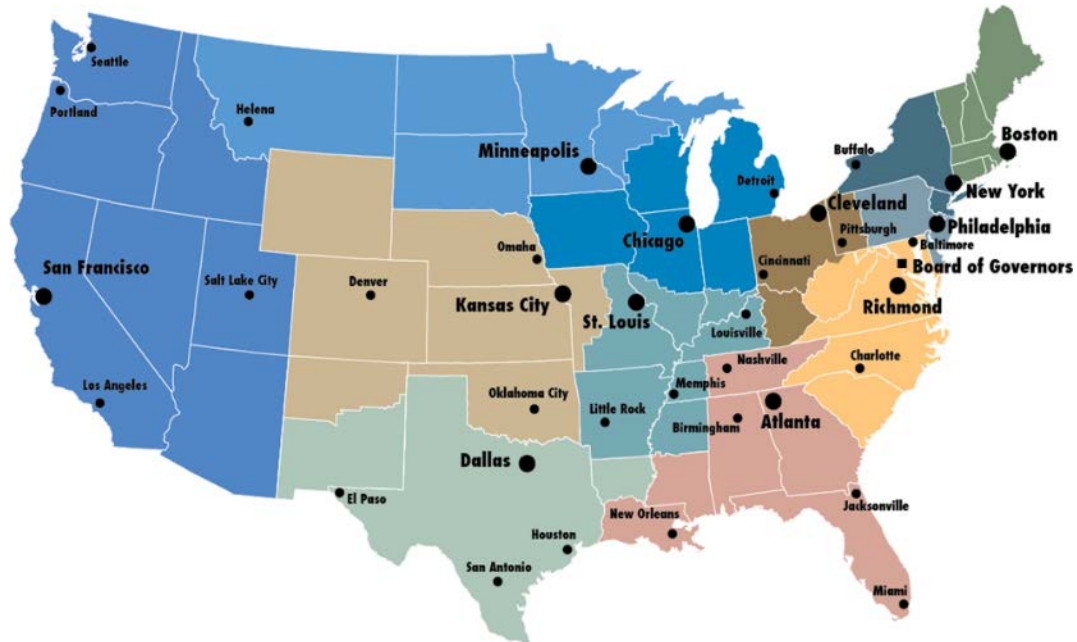
Oklahoma Ready Mix Concrete Association
February 7, 2019

Chad Wilkerson
Vice President and Oklahoma City Branch Executive

*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.



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



Federal Open Market Committee (FOMC)

Board of Governors

- Jerome H. Powell, Chairman
- Lael Brainard
- Michelle W. Bowman
- Richard H. Clarida
- Randal K. Quarles
- Open
- Open

Reserve Bank Presidents

- **John C. Williams**, New York, Vice Chairman
- **James Bullard**, St. Louis
- **Charles L. Evans**, Chicago
- **Esther L. George**, Kansas City
- **Eric Rosengren**, Boston
- **Patrick T. Harker**, Philadelphia
- **Robert S. Kaplan**, Dallas
- **Neel Kashkari**, Minneapolis
- **Loretta J. Mester**, Cleveland
- **Thomas I. Barkin**, Richmond
- **Raphael W. Bostic**, Atlanta
- **Mary C. Daly**, San Francisco

*Permanent voters in bold; 2019 rotating voters in red; 2020 rotating voters in blue



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
 - Examinations of Oklahoma financial institutions (~50 banks, ~175 holding cos.)
 - Economic and financial education outreach, including to low/moderate income
- **2019 OKC Fed Branch Board of Directors**
 - **Clint Abernathy (chair)**, Owner, Abernathy Farms, Inc., Altus
 - **Susan Chapman Plumb**, Board Chair & CEO, Bank of Cherokee County, Tahlequah
 - **Walt Duncan**, President, Duncan Oil Properties, Oklahoma City
 - **Tina Patel**, Co-Owner & CFO, Promise Hotels, Tulsa
 - **Chris Turner**, President & CFO, First State Bank, Oklahoma City
 - **Katrina Washington**, Owner/Broker, Stratos Realty, Oklahoma City
 - **Dana Weber**, Vice-Chair & CEO, Webco Industries, Sand Springs
- **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

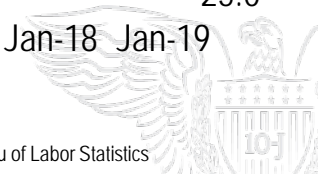
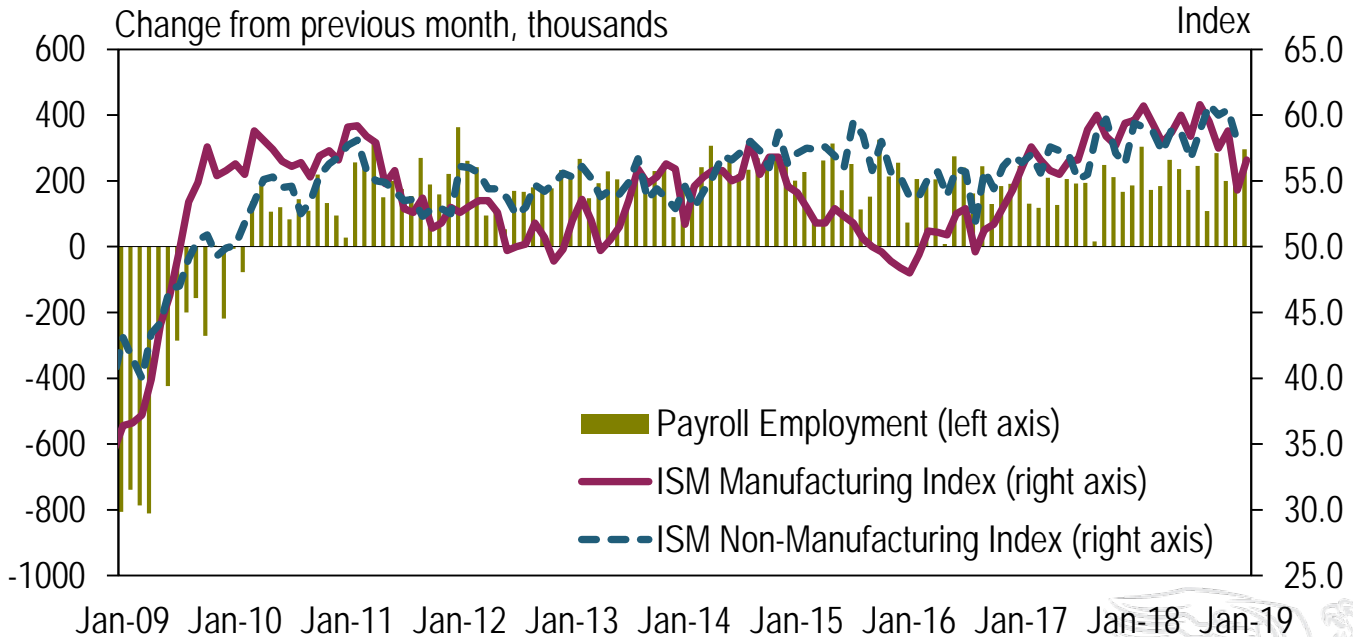


U.S. Economic Outlook



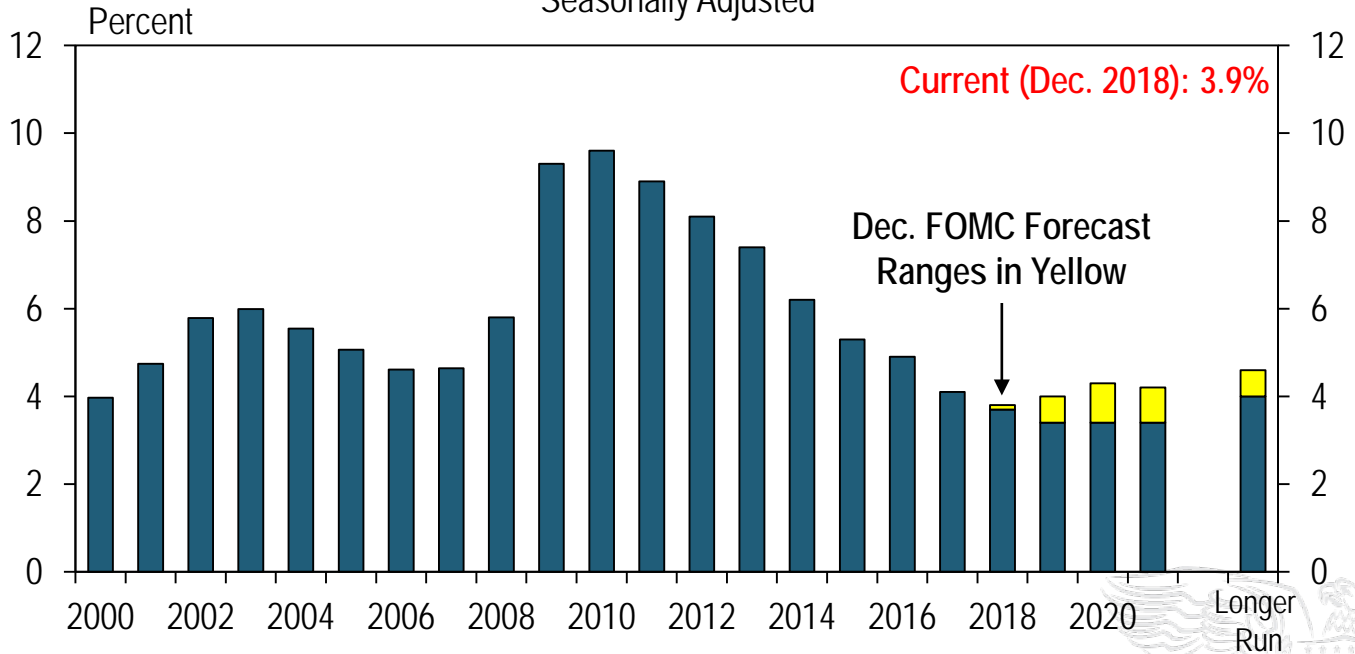
Monthly data on U.S. business activity shows growth continued in January despite the government shutdown

U.S. Payroll Employment and Business Indexes



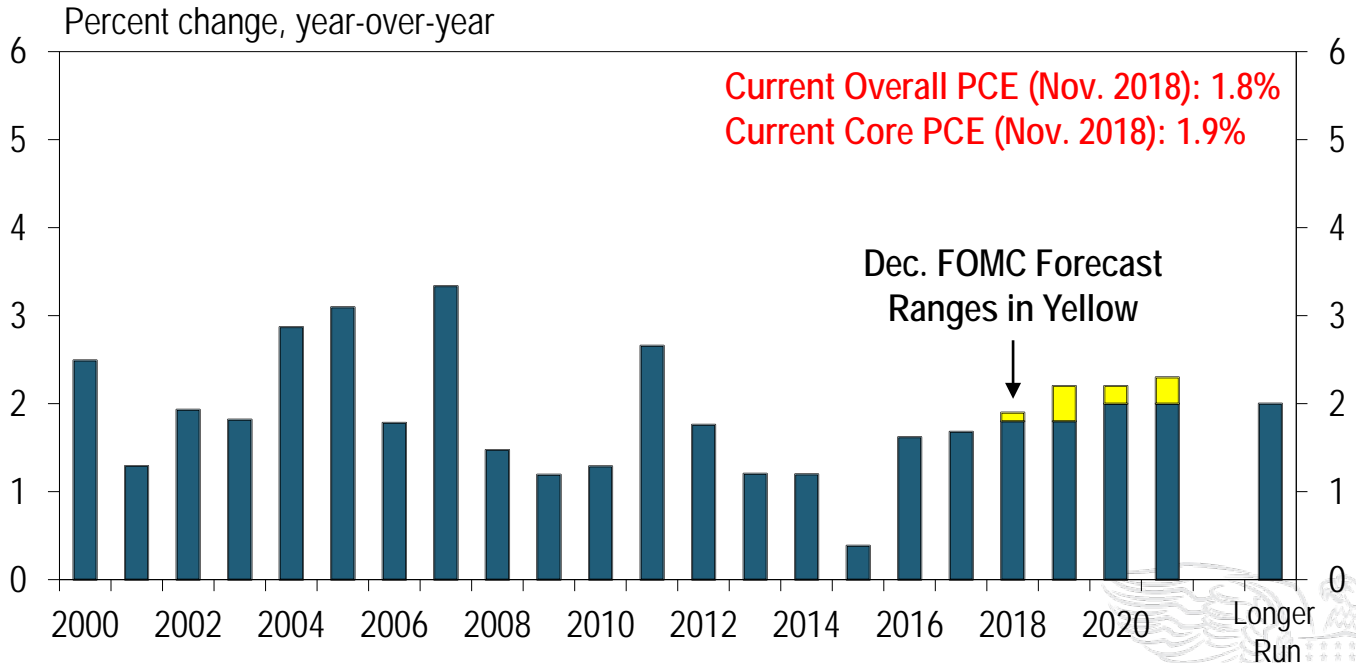
FOMC: "Job gains have been strong...in recent months, and the unemployment rate has remained low."

U.S. Unemployment Rate,
Seasonally Adjusted

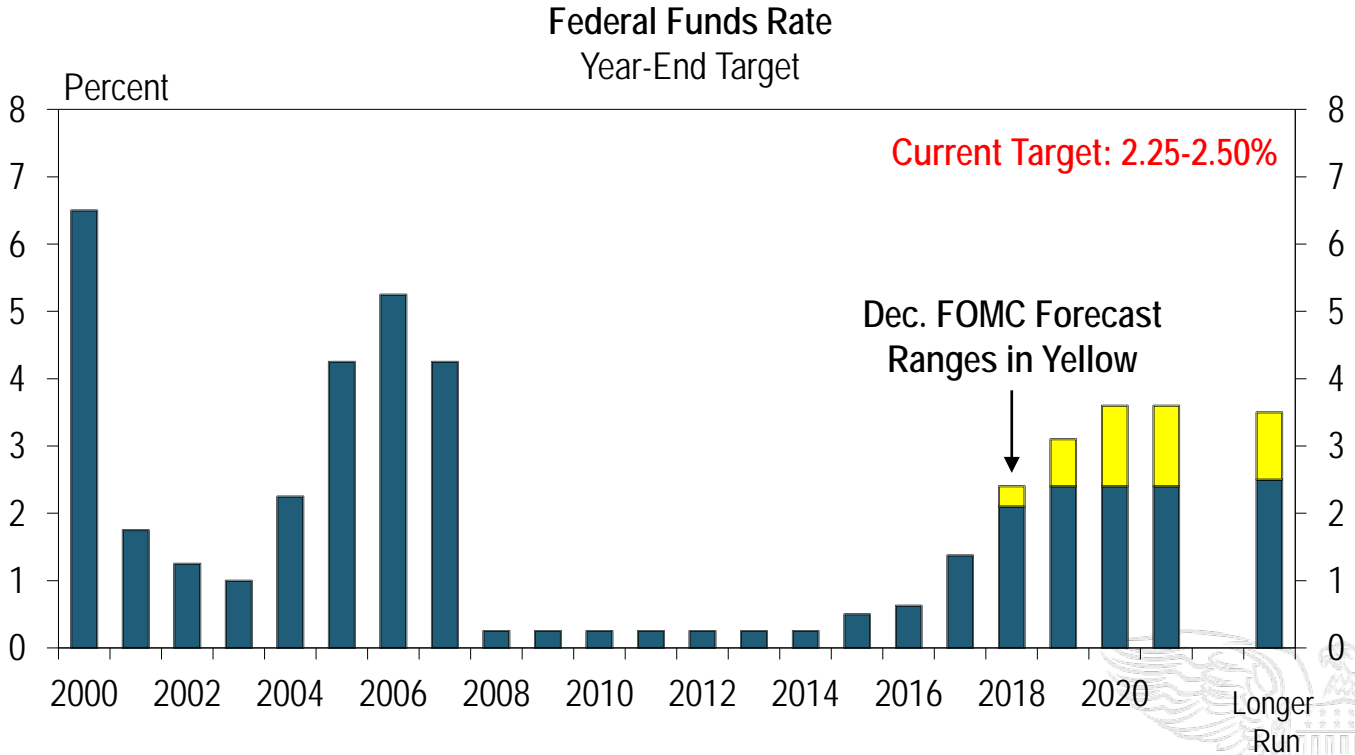


“On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2%.”

PCE Inflation Index

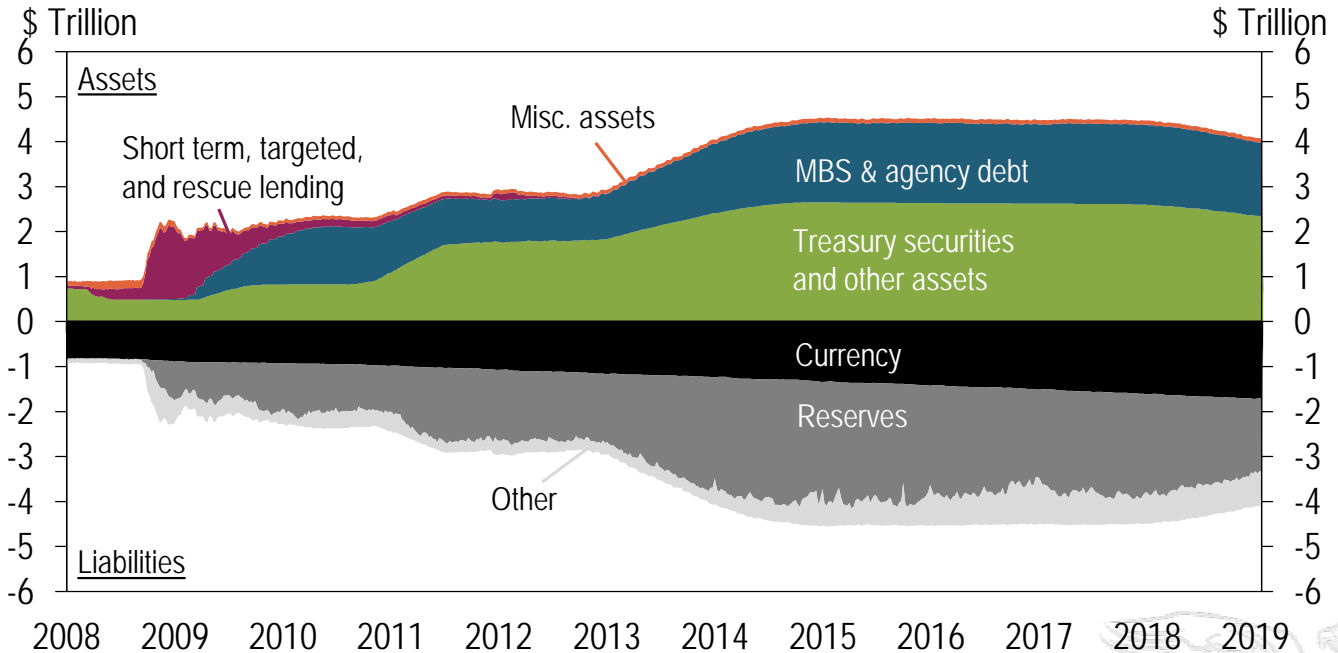


“The [FOMC] will be patient as it determines what future adjustments to the...federal funds rate may be appropriate”



“The [FOMC] is prepared to adjust any of the details for completing balance sheet normalization”

Federal Reserve Balance Sheet

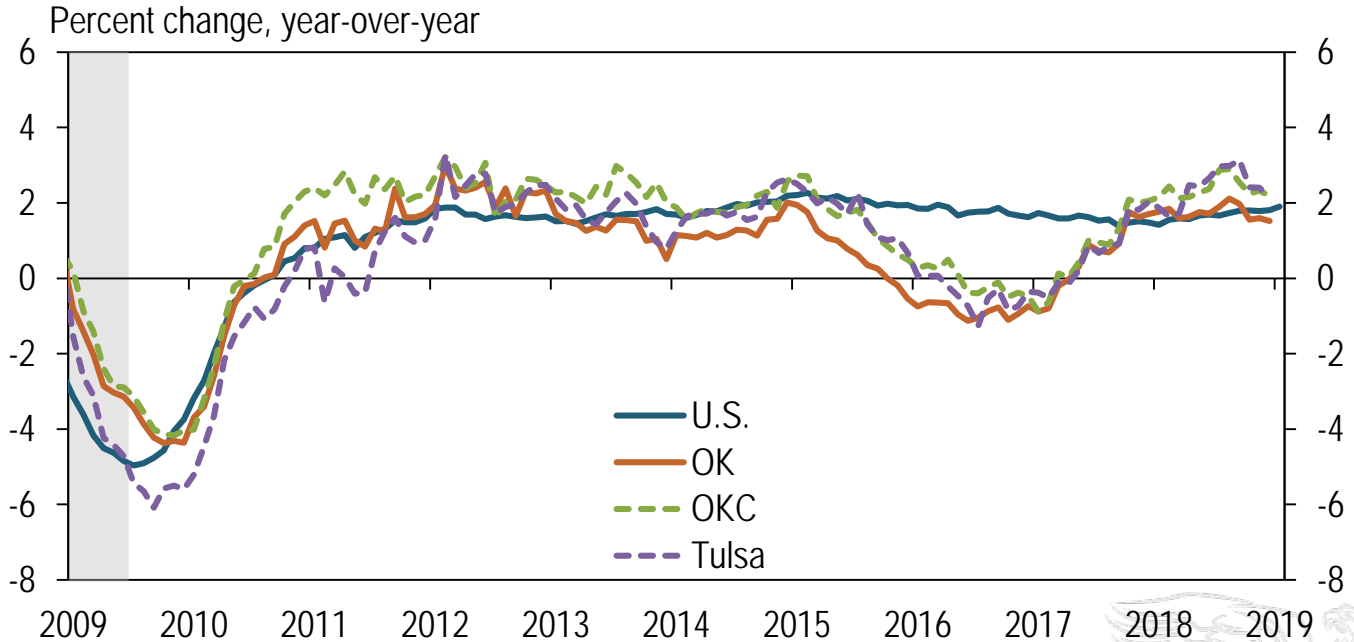


Oklahoma Economic Outlook



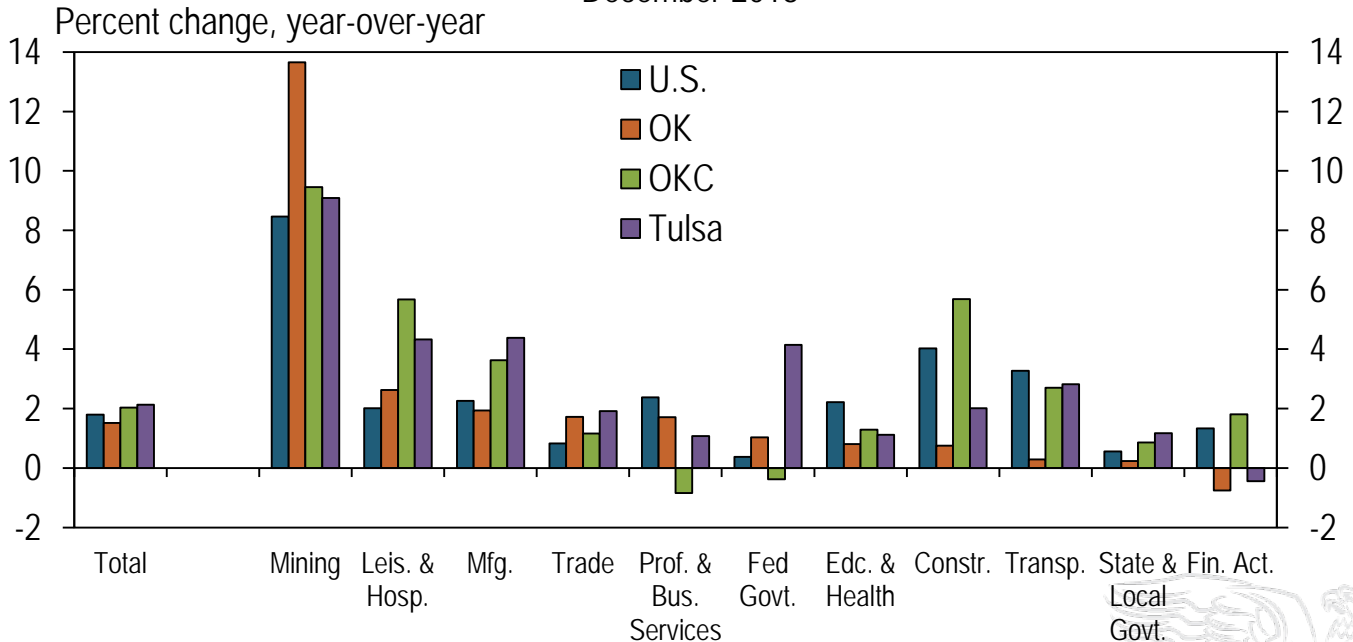
State job growth matched the nation in 2018 after falling below for several years, boosted by metro jobs

Nonfarm Payroll Employment Growth



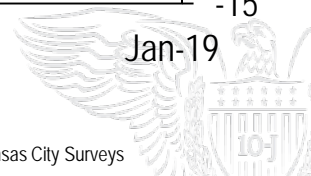
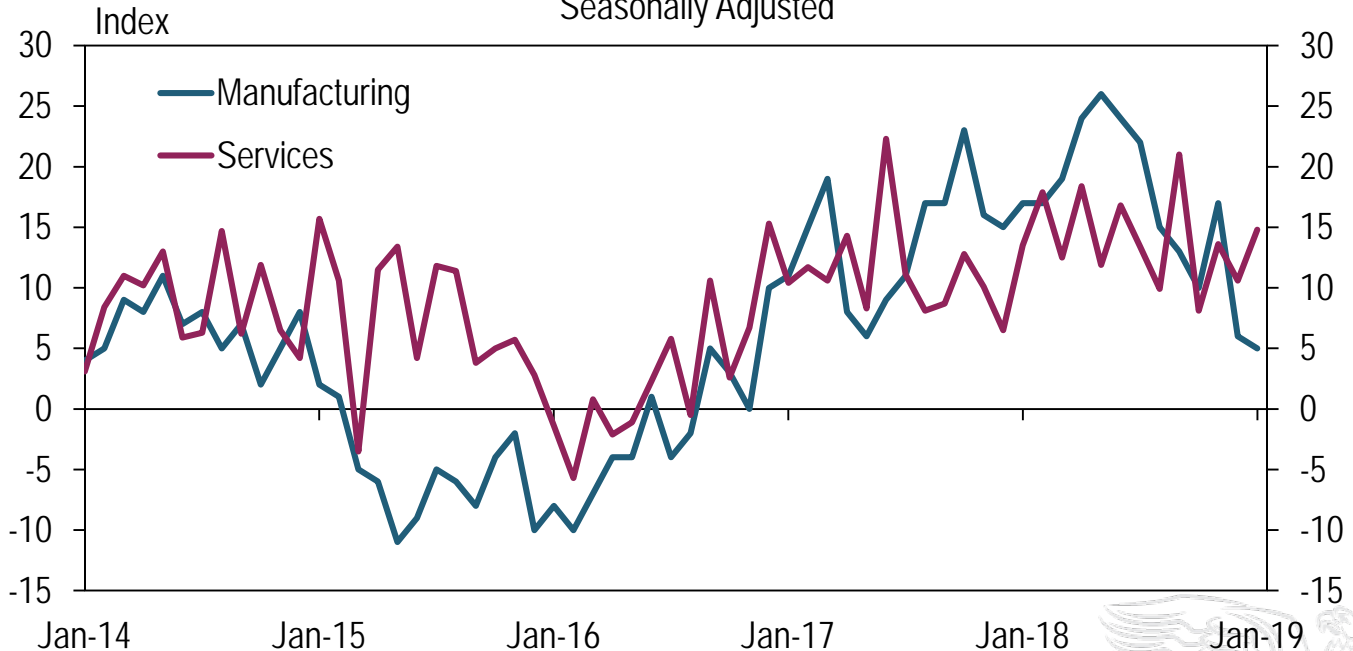
State and metro job gains in 2018 were led by mining (oil & gas), but nearly all sectors added jobs last year

Oklahoma Job Growth by Industry
December 2018



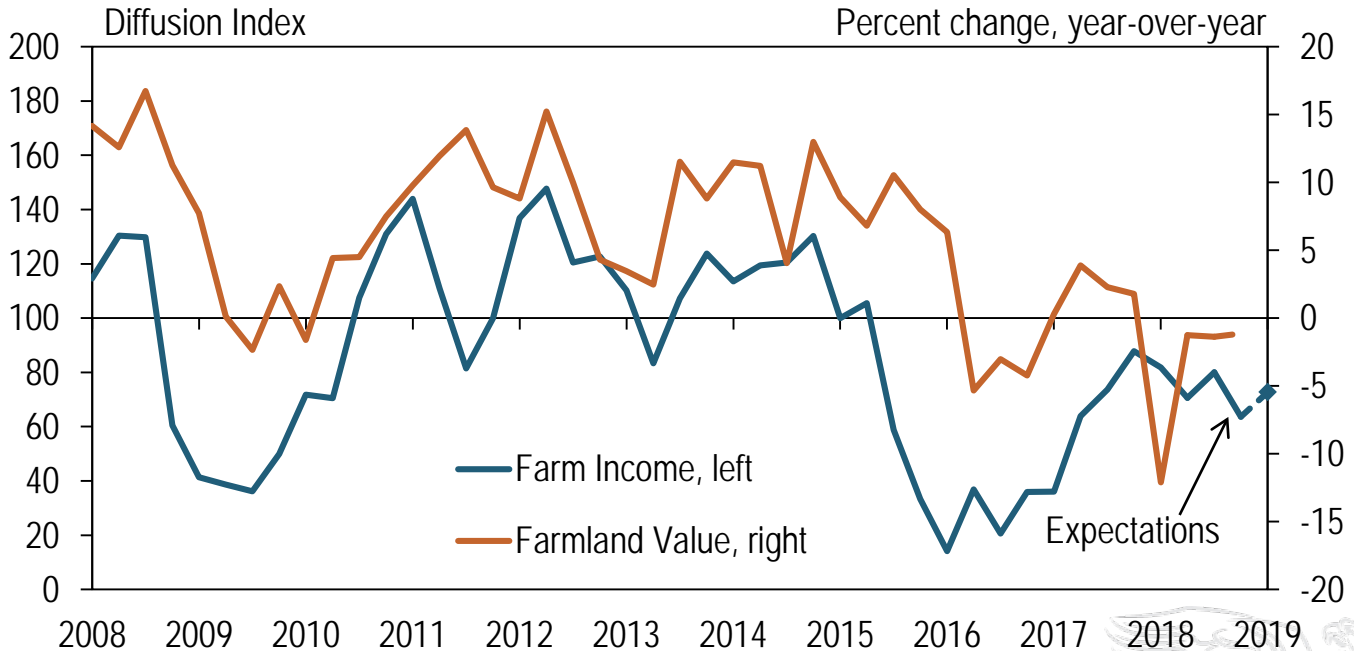
The pace of regional manufacturing expansion has eased, but services growth was healthy in January

Monthly Composite Indexes
Seasonally Adjusted



In agriculture, incomes continued to decline in 2018, but farmland values edged down only slightly

Oklahoma Farm Income and Farmland Values



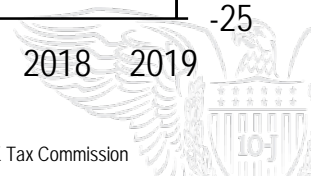
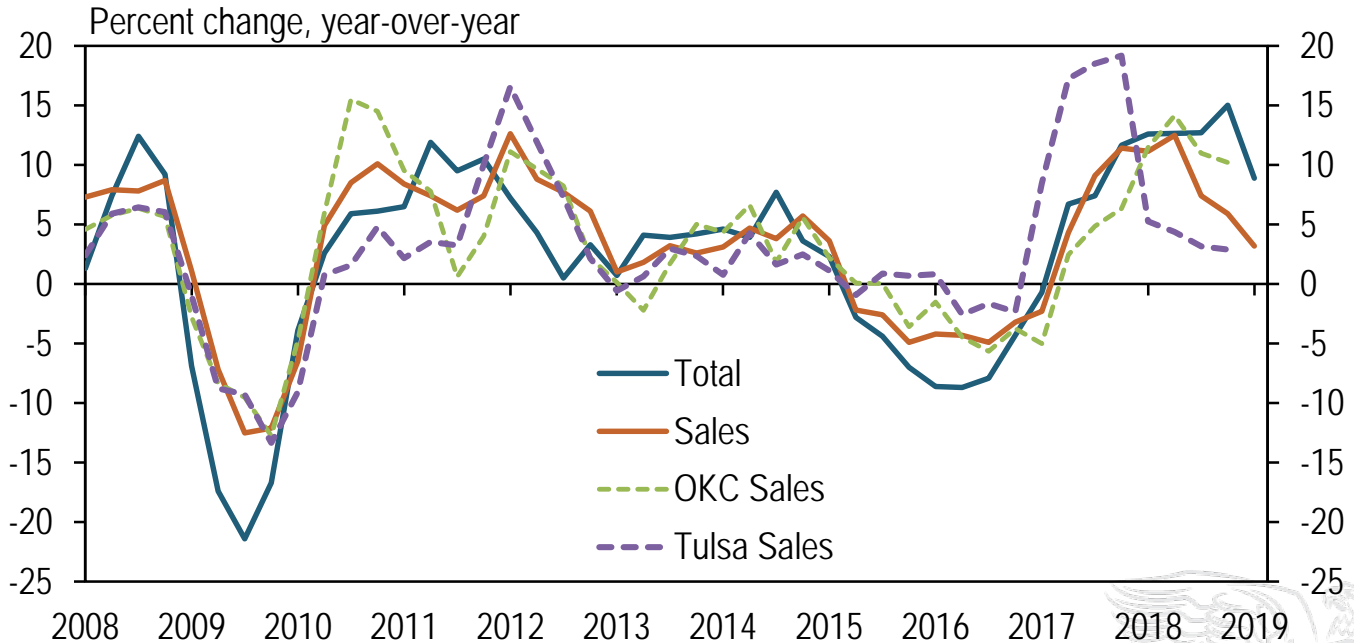
Note: State farmland values are annual.

Sources: FRBKC Ag Credit Survey, USDA.



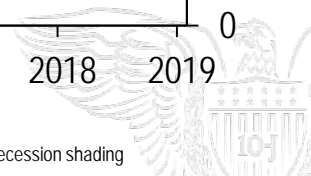
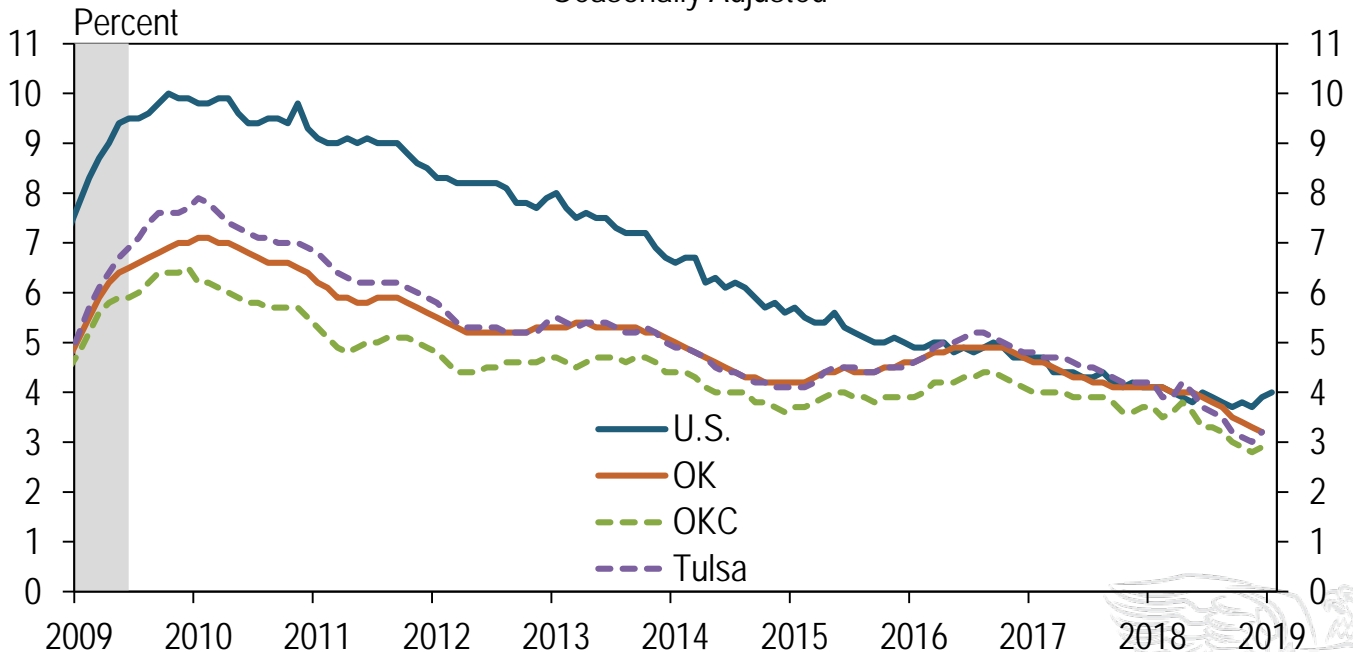
Tax revenues continue to grow solidly, following revenue declines and budget cuts in recent years

Oklahoma State Tax Revenues
Through January 2019



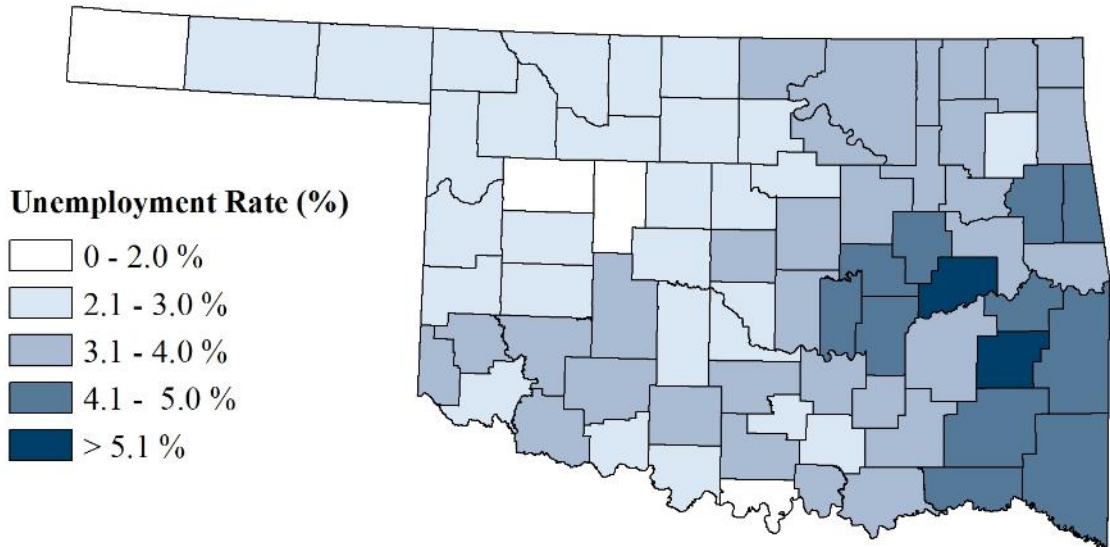
Unemployment has come down to exceptionally low levels in Oklahoma, including in both large metros

Unemployment Rates
Seasonally Adjusted



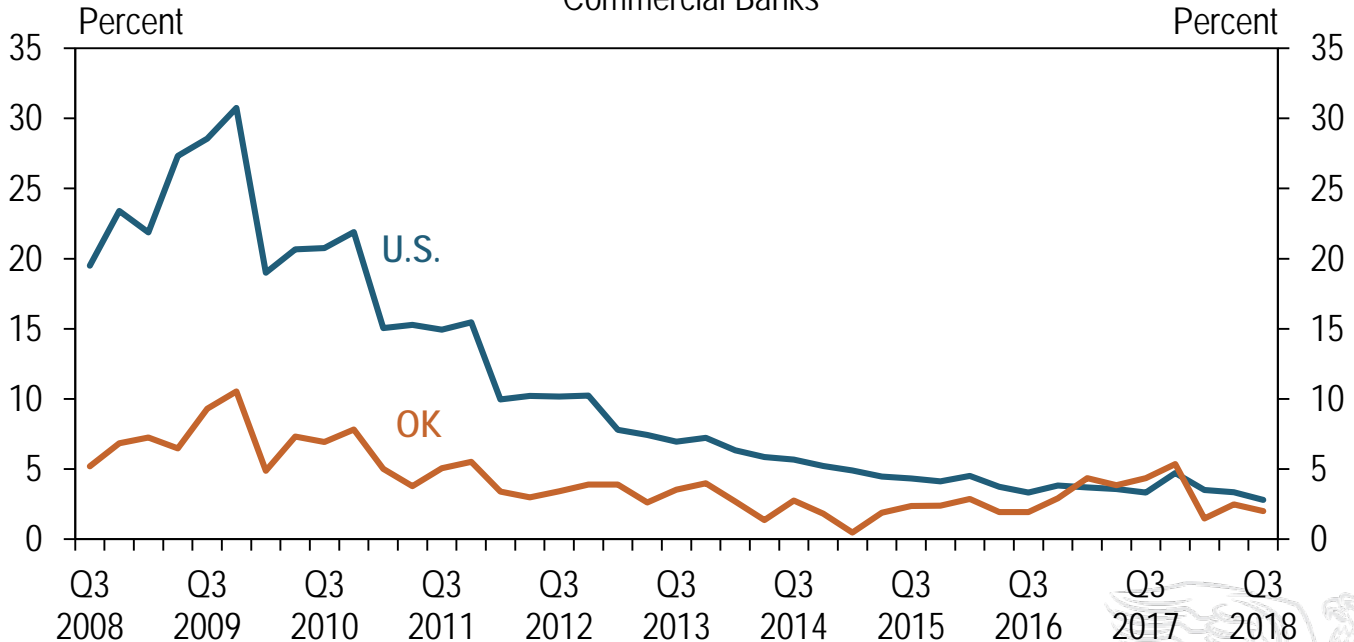
In December 2018, 75 of the 77 counties in Oklahoma had less than five percent unemployment

Oklahoma County Unemployment Rates
Seasonally Adjusted



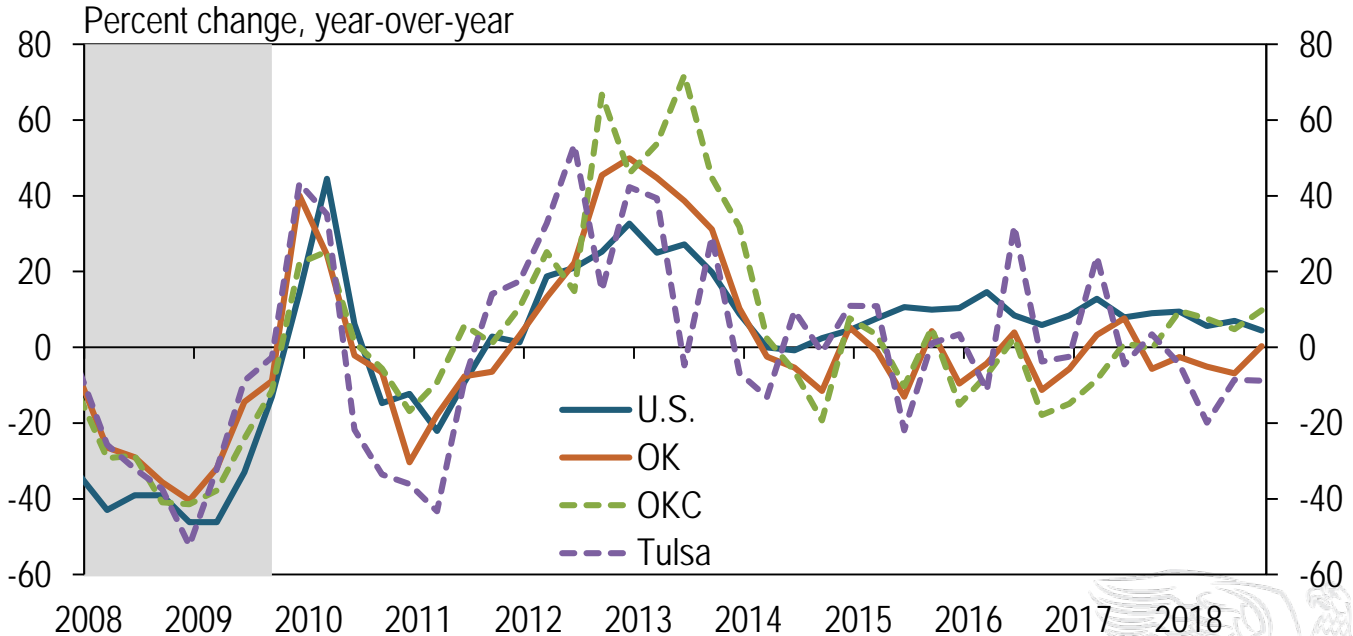
Banking conditions in Oklahoma also remain very good despite the 2015-16 economic slowdown

Share of Banks Not Making a Profit
Commercial Banks



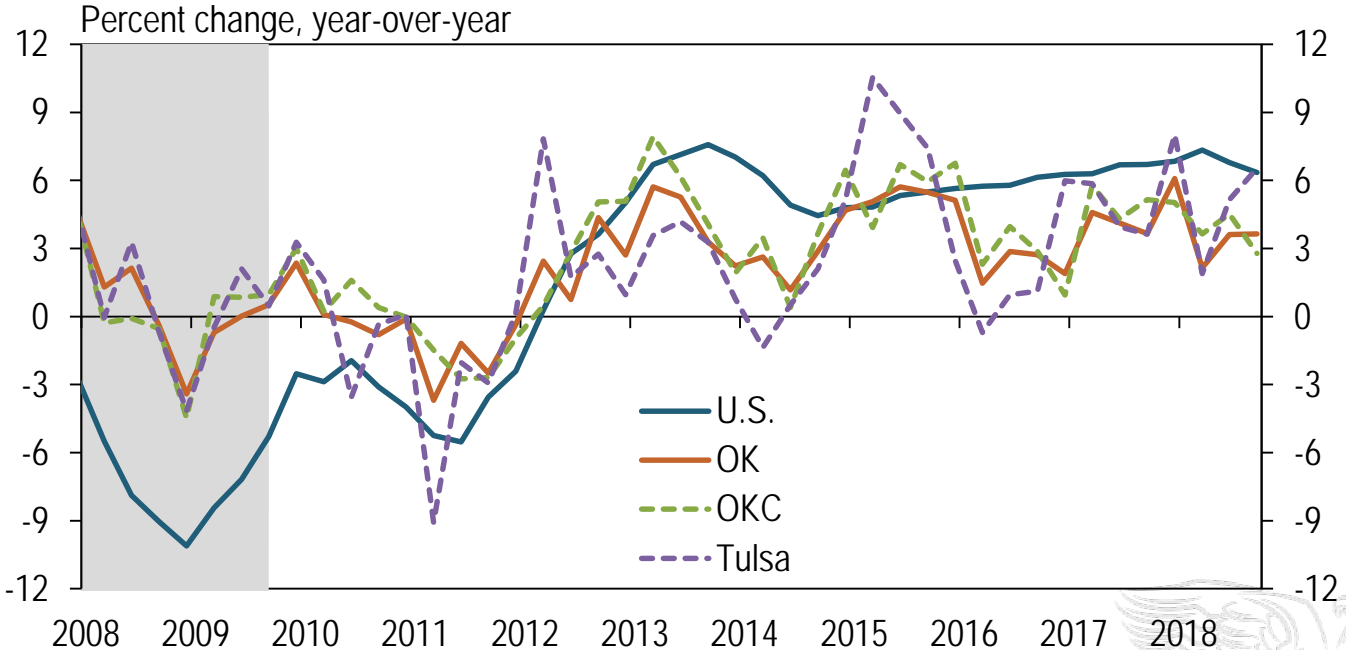
New housing permits remain sluggish in Oklahoma but finally grew moderately in the OKC metro in 2018

Single-Family Housing Permits
Seasonally Adjusted

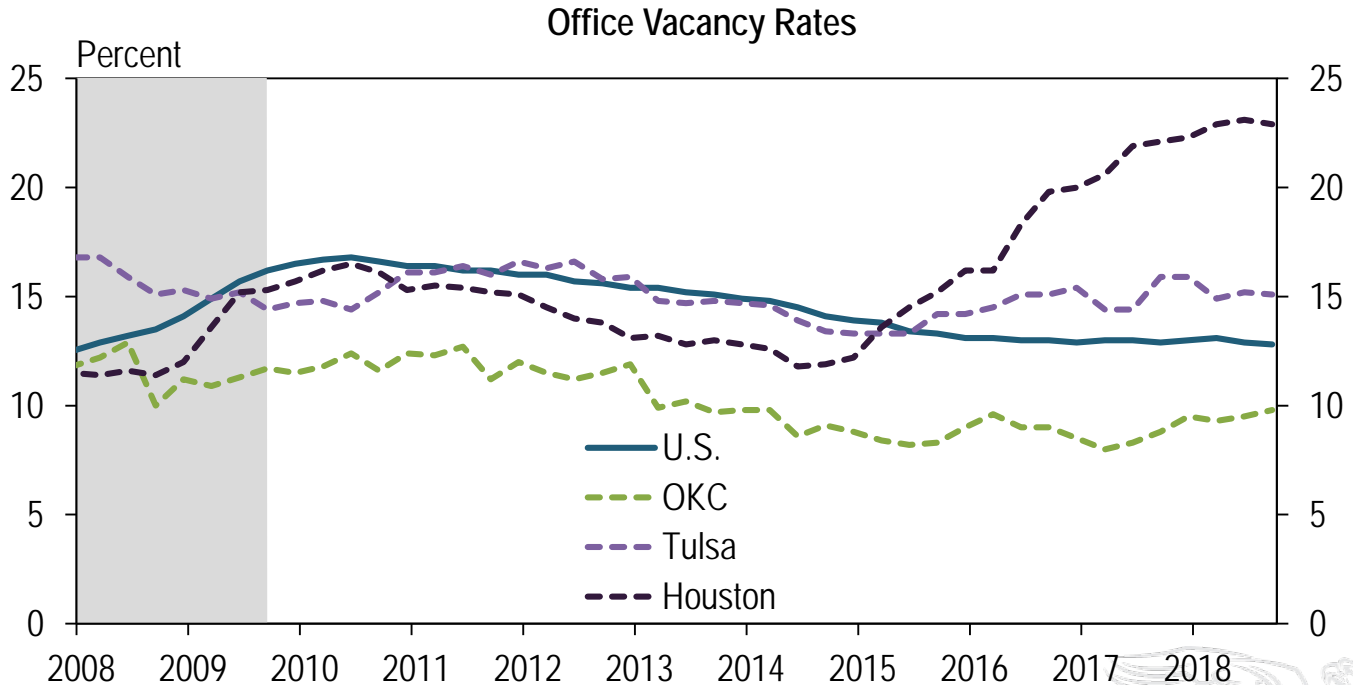


Home prices have continued to increase steadily in the state and metro, though less than in the nation

Home Prices: Purchase-Only Indexes
Seasonally Adjusted

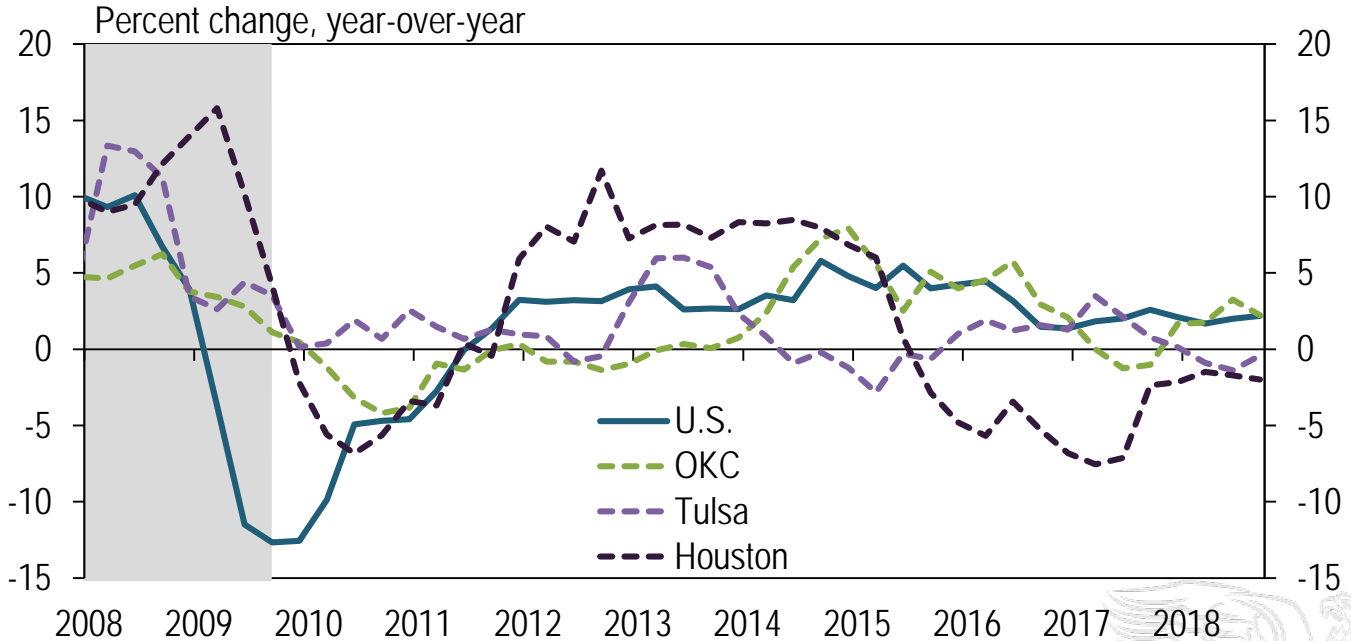


Office vacancy rates in OKC are up modestly but remain below the national average, unlike Houston



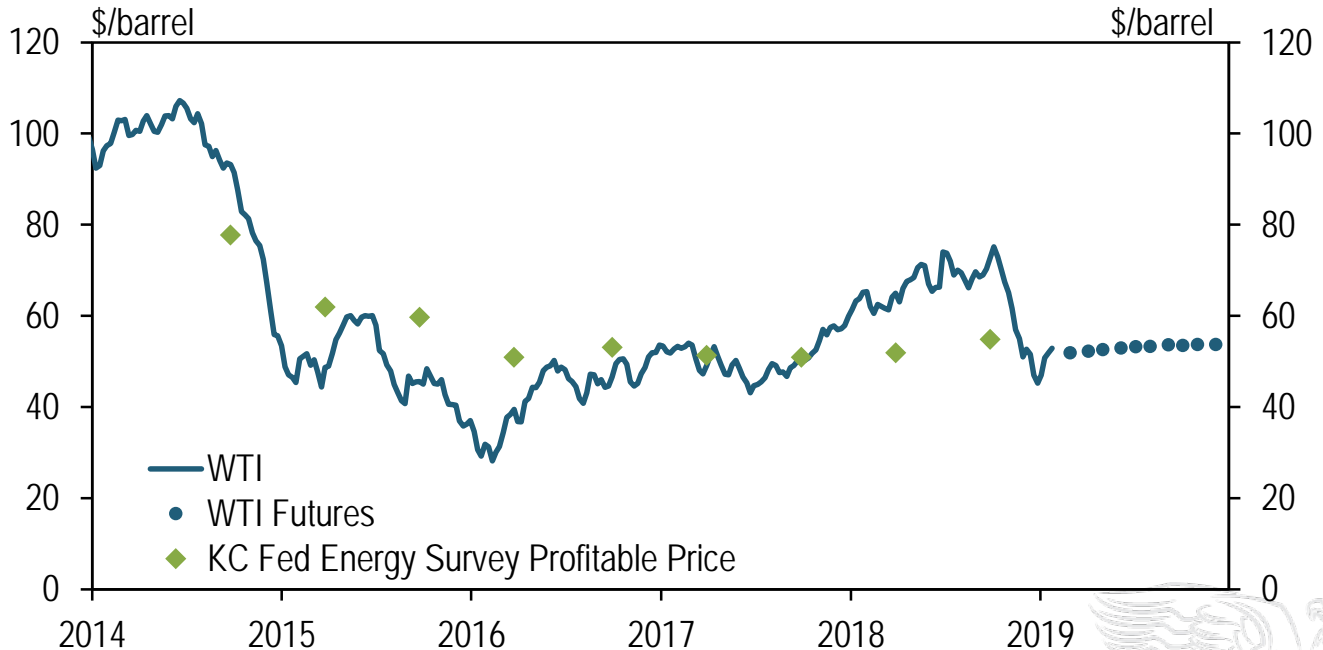
Office rental rates in OKC have also held up relatively well, despite dipping slightly in 2017

TW Rent Index



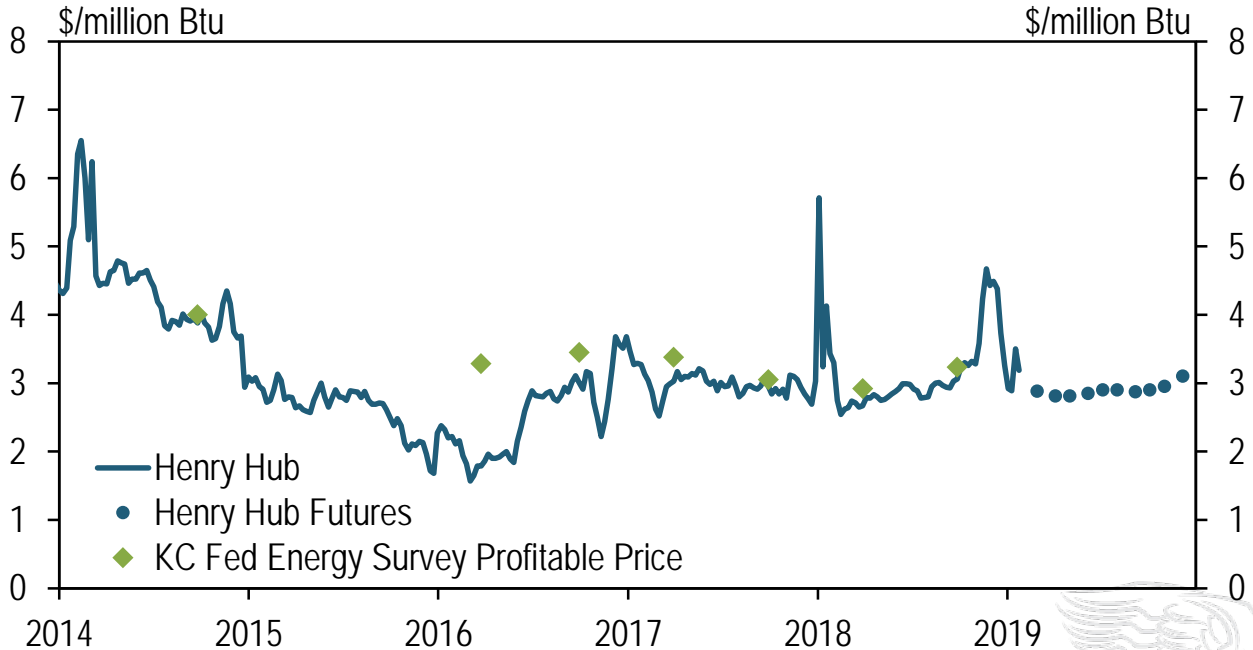
Oil prices have fallen considerably since October, but bounced back to around profitable levels in January

Oil Profitability and Prices



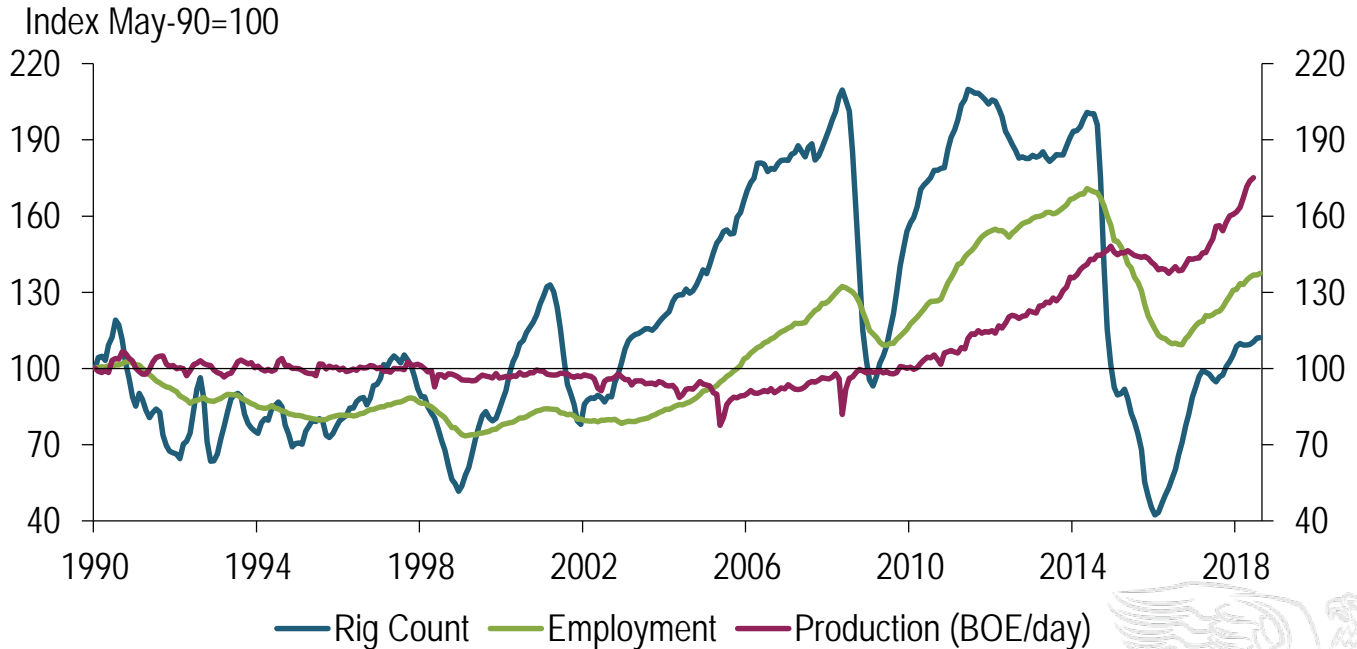
Despite a cold weather burst in late 2018 and again in January, natural gas price futures remain fairly low

Natural Gas Profitability and Prices



U.S. oil and gas production is at a record high, but with considerably fewer rigs and workers than in 2014

U.S. Oil & Gas Rig Count, Employment, and Production



Summary

- The U.S. economy continues to grow despite headwinds, and the Fed has been raising interest rates and reducing its balance sheet.
- The Oklahoma economy also continues to grow, and unemployment is very low across most of the state.
- Agriculture remains sluggish, and lower oil prices have created some concerns, but the outlook for the Oklahoma economy in 2019 still appears moderately positive.



Questions?

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