

U.S. and Ardmore Area Economic Update

Ardmore Economic Forum

March 29, 2018

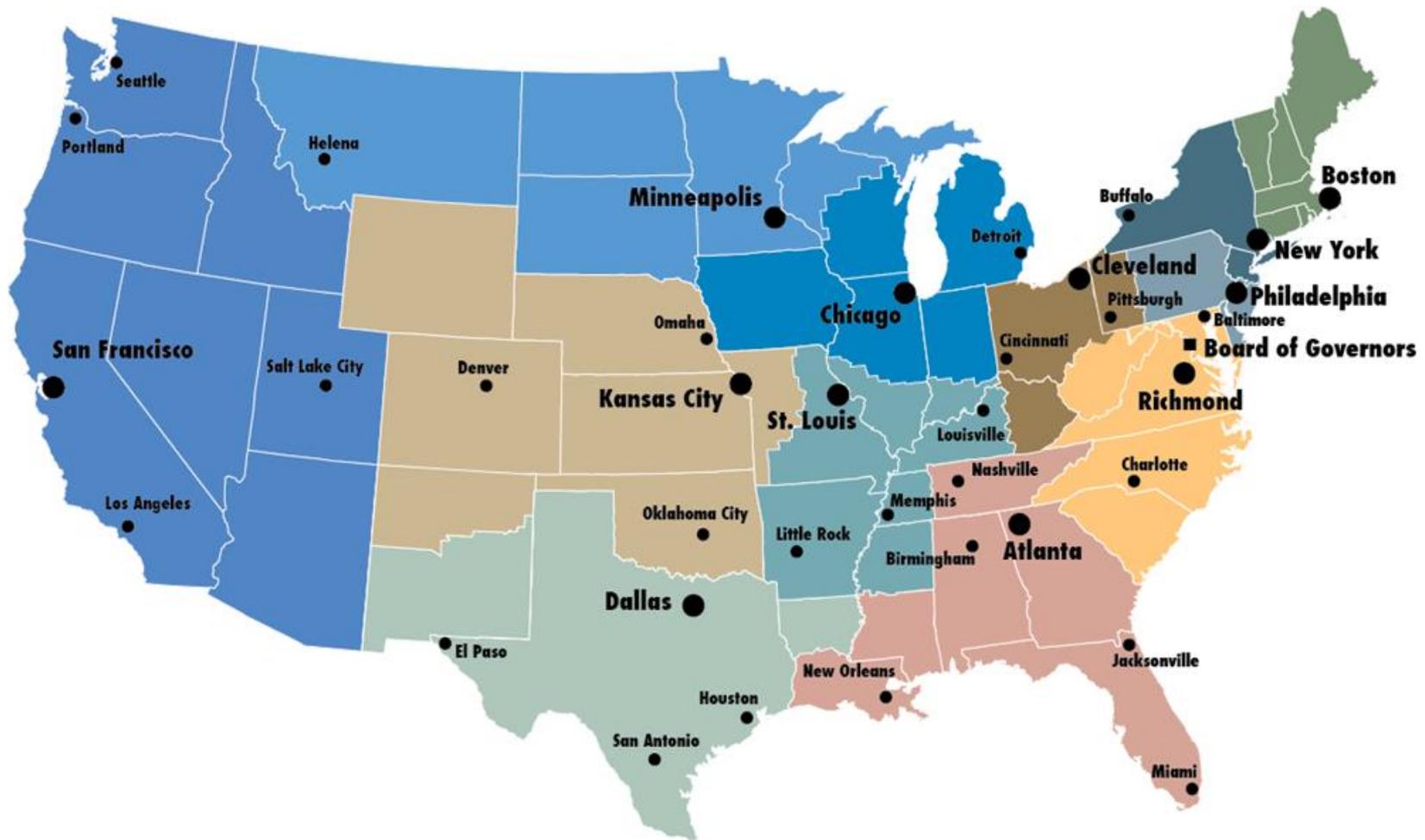
Chad Wilkerson

Oklahoma City Branch Executive and Economist

*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

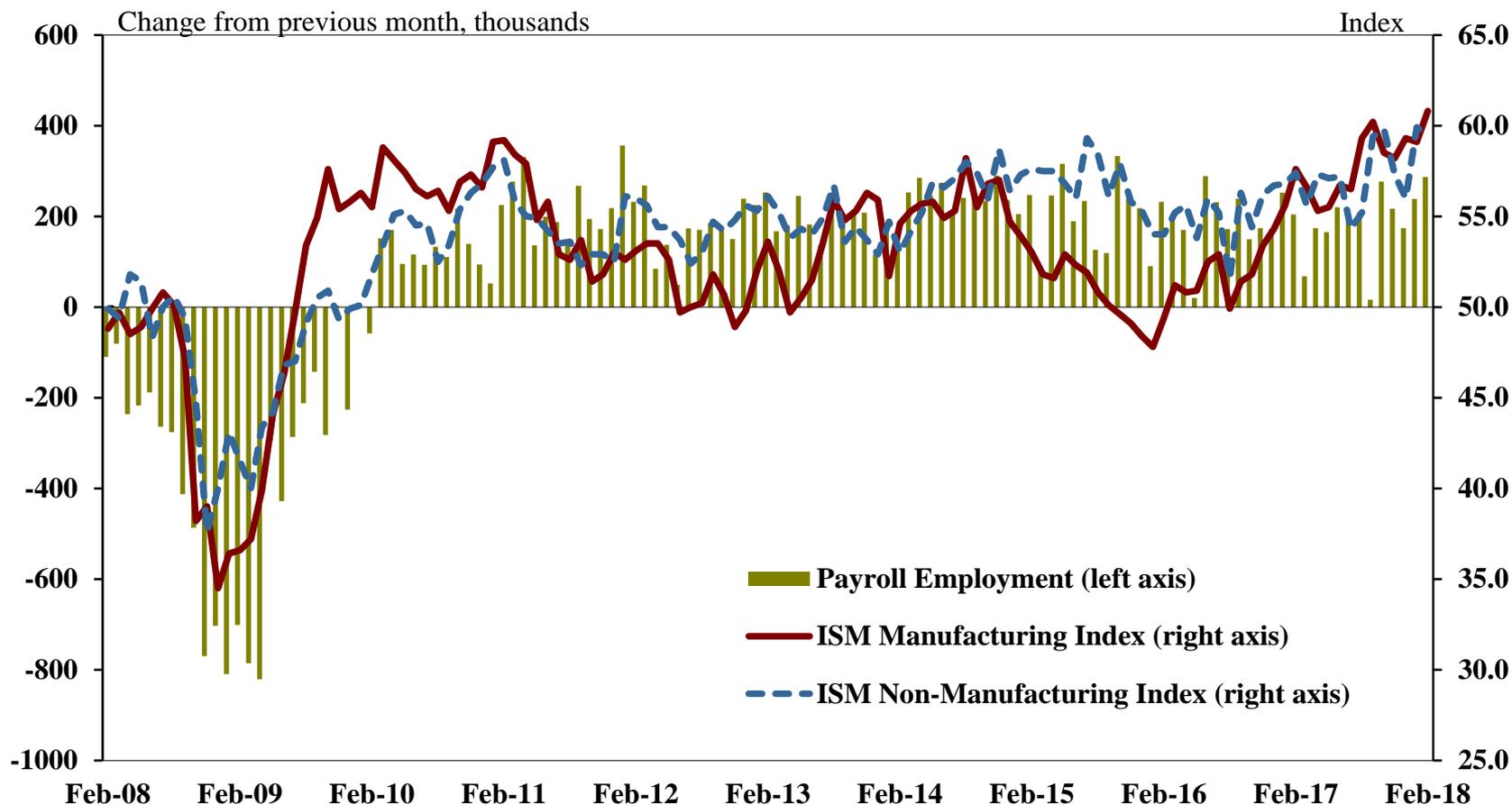
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- **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.)
- **2018 OKC Fed Branch Board of Directors**
 - **Clint Abernathy (chair)**, Owner, Abernathy Farms, Inc., Altus
 - **Susan Chapman Plumb**, COO, Bank of Cherokee County, Tahlequah
 - **Michael Coffman**, CEO (retired), Panhandle Oil & Gas, Inc., 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

The U.S. Economy and Monetary Policy

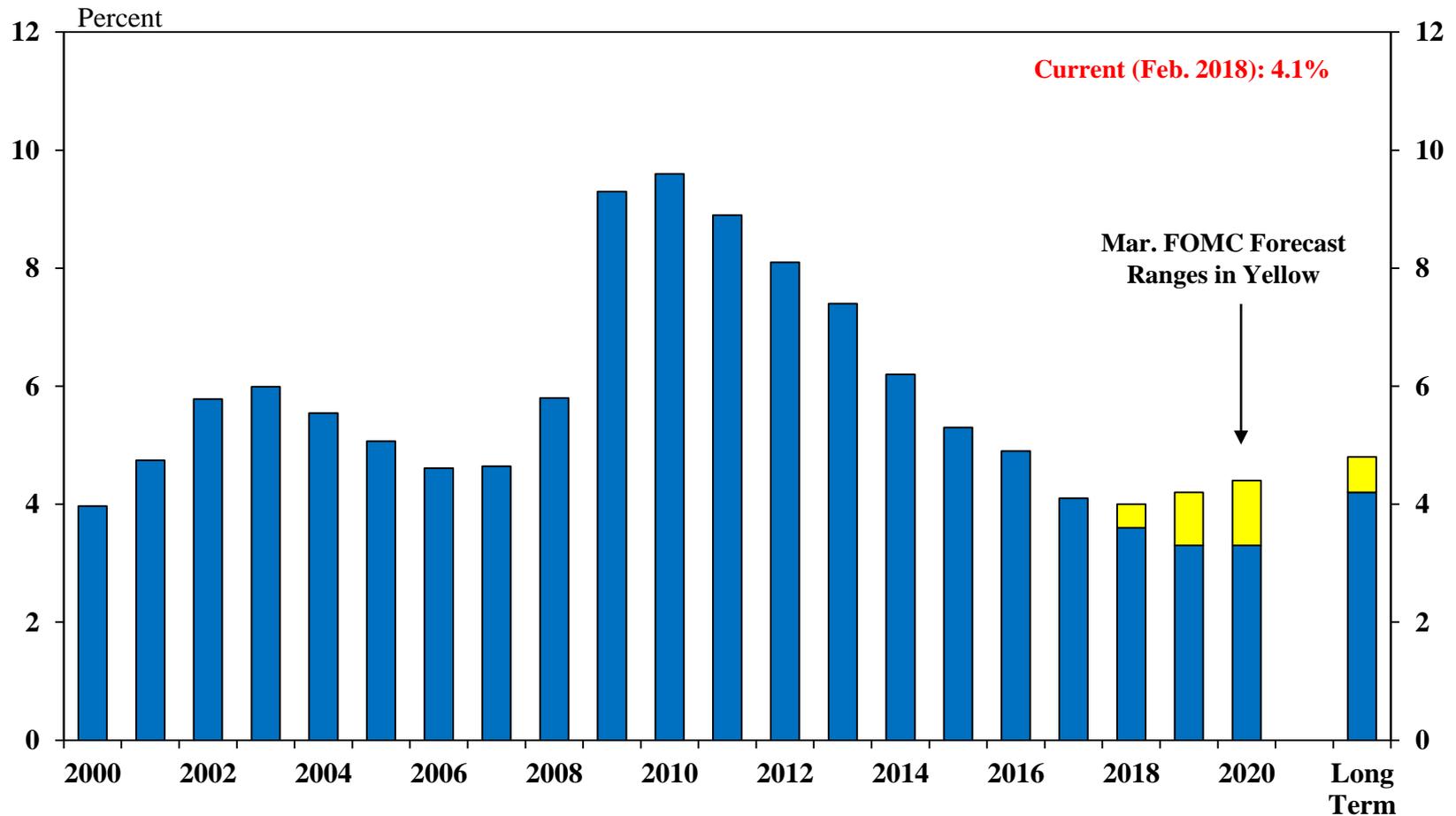
Monthly data on U.S. business activity and employment show growth remains strong into 2018

U.S. Payroll Employment and Business Indexes



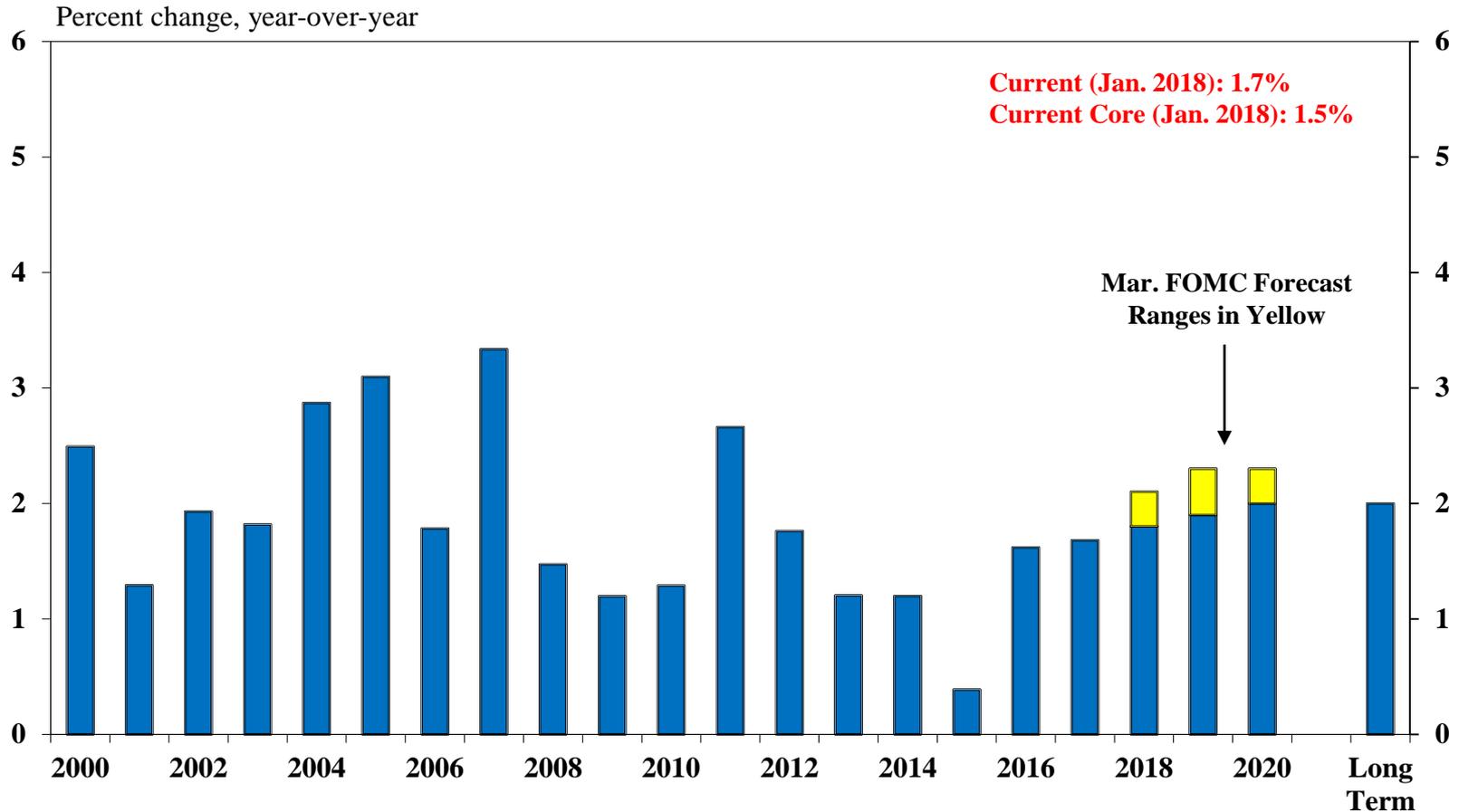
“The Committee expects that, with further...adjustments...
in...policy...labor market conditions will remain strong”

Unemployment Rate Seasonally Adjusted



“Inflation on a 12-month basis is expected to move up in coming months and stabilize around the Committee’s 2 percent objective.”

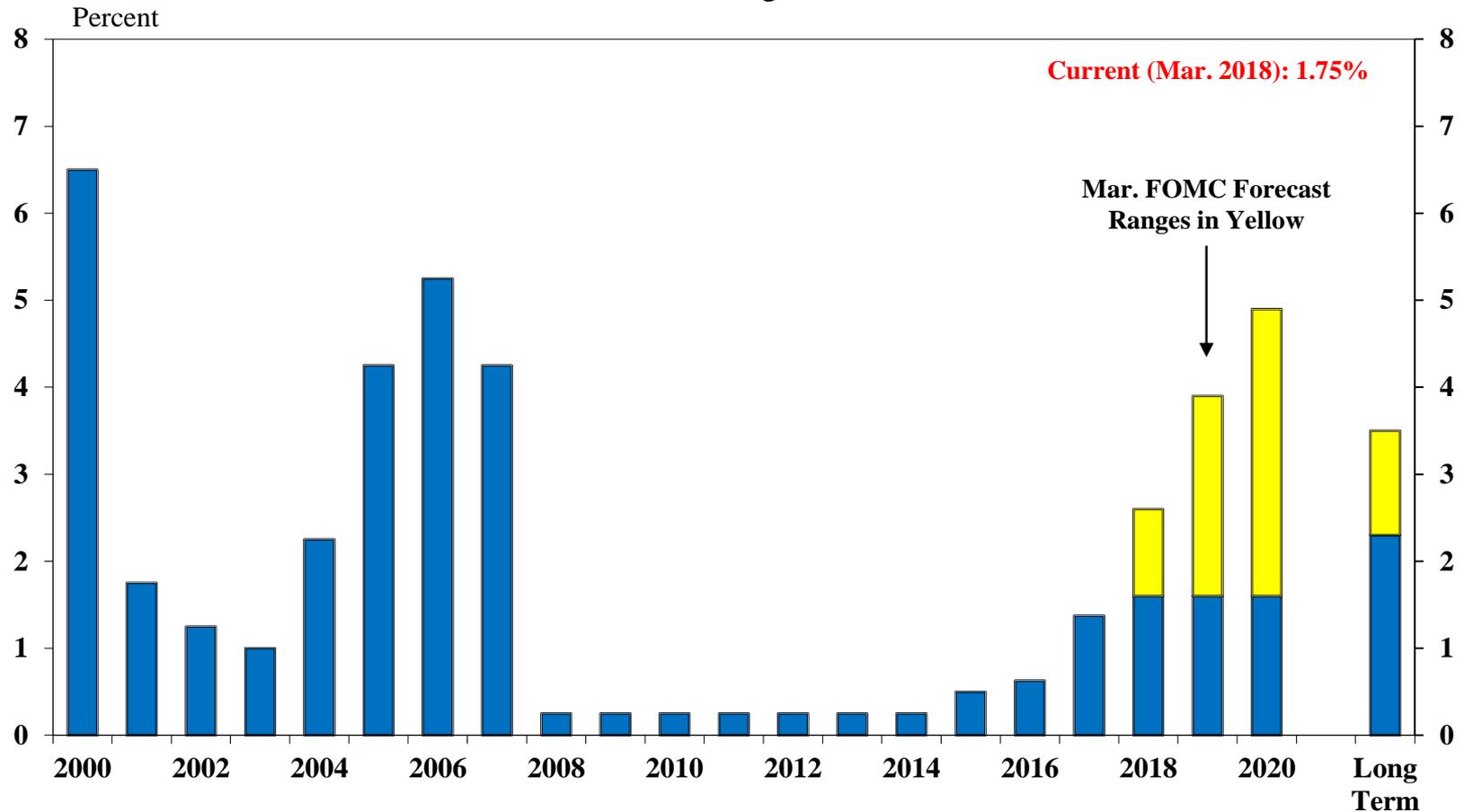
PCE Inflation Index



“The Committee expects that economic conditions...will warrant further gradual increases in the federal funds rate.”

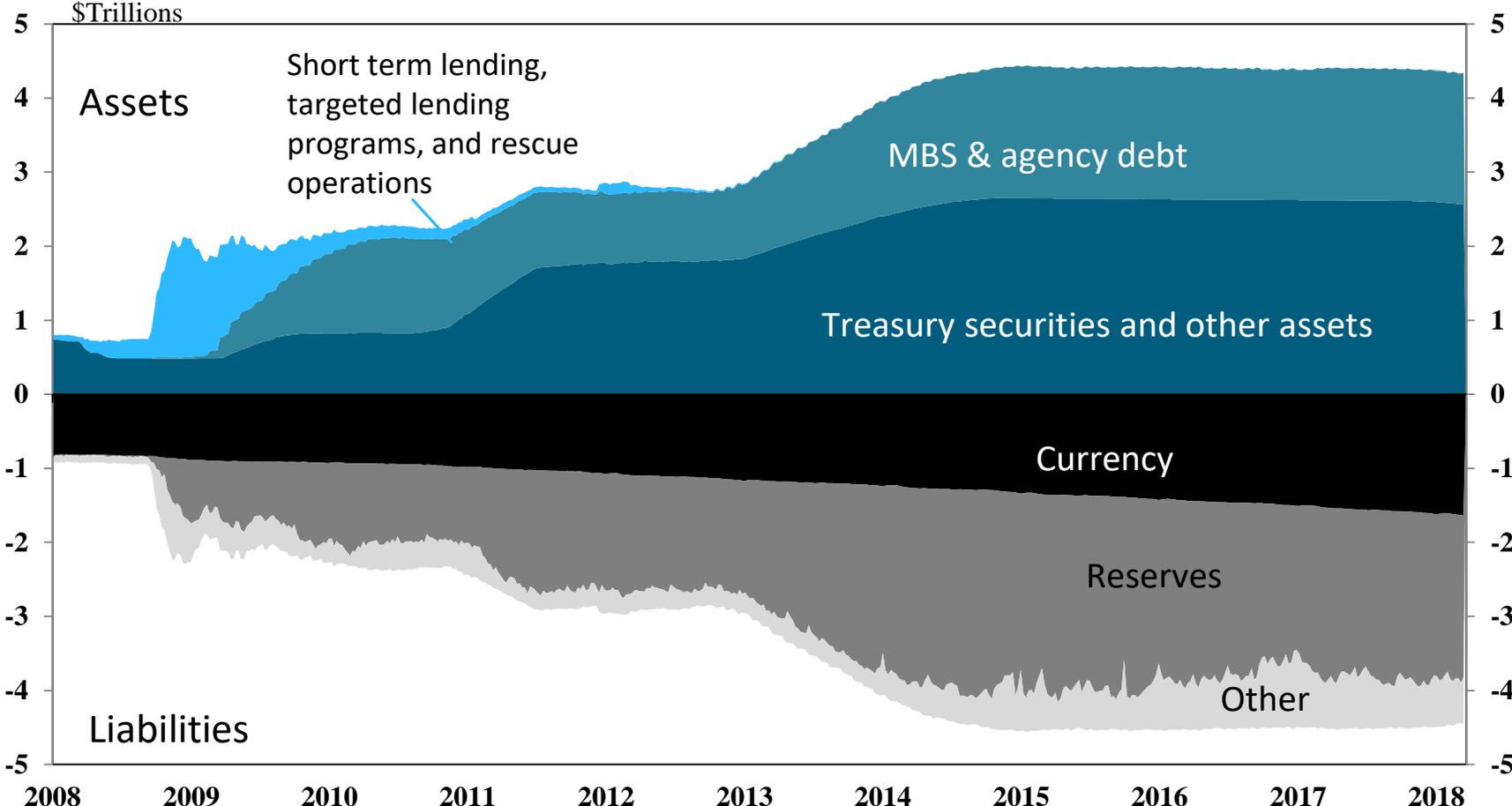
Federal Funds Rate

Year-end target



The Fed has also begun to reduce its balance sheet, which grew considerably after the crisis

Federal Reserve Balance Sheet

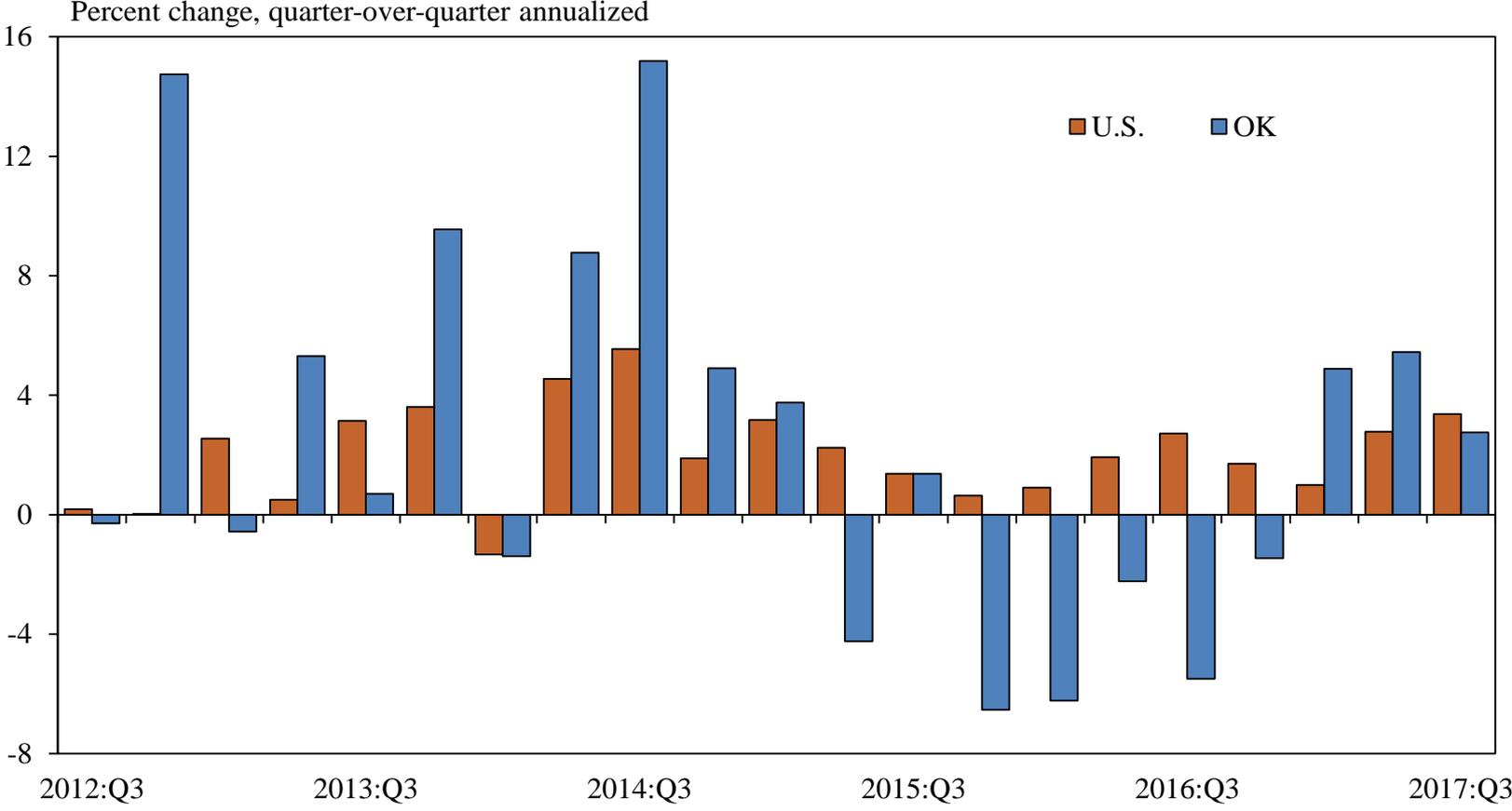


Source: Federal Reserve Board

Trends in the Oklahoma & Ardmore Area Economies

OK GDP has recovered from its downturn of 2015-16, and by mid-2017 was keeping pace with the nation

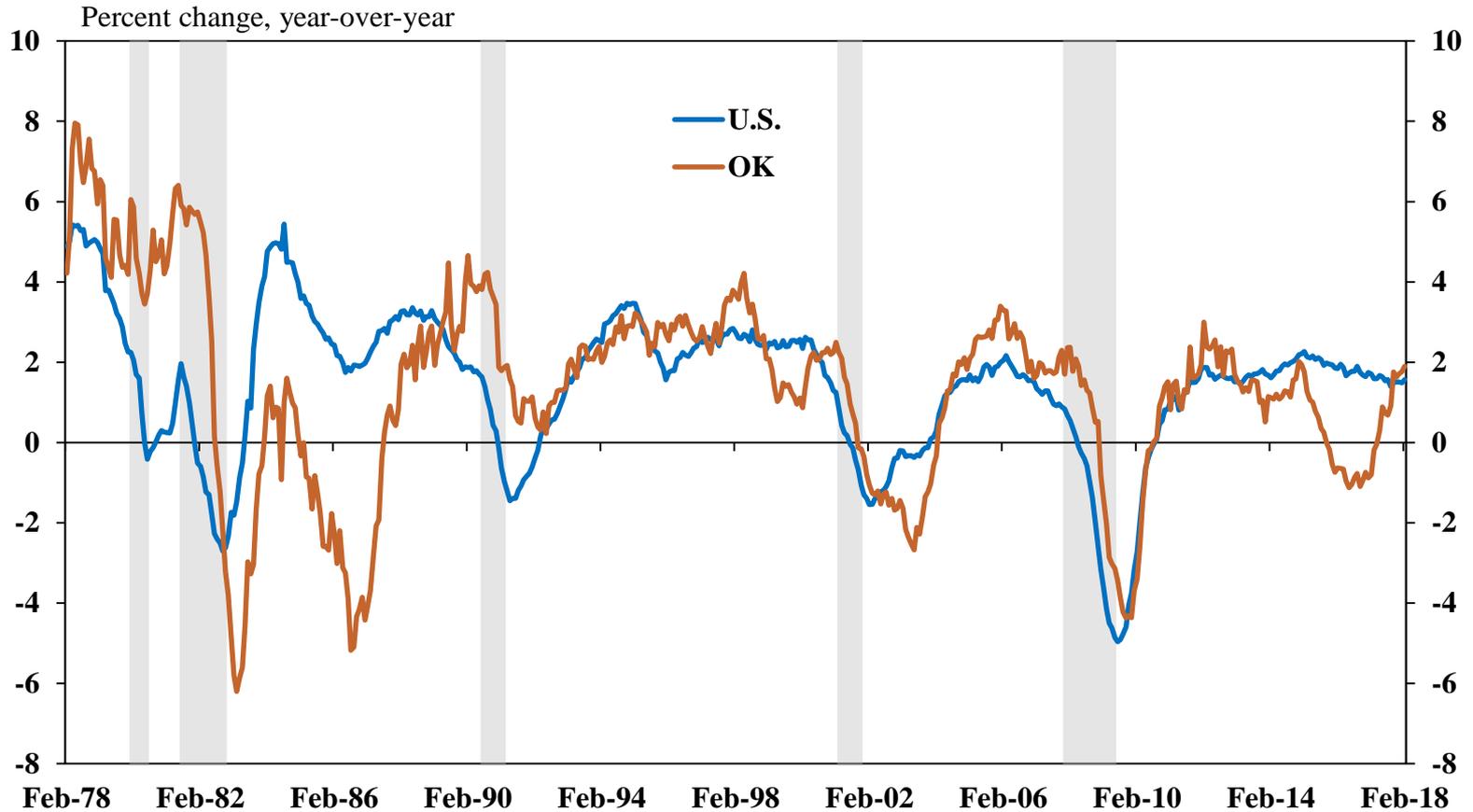
Real Gross Domestic Product



Source: U.S. Bureau of Economic Analysis

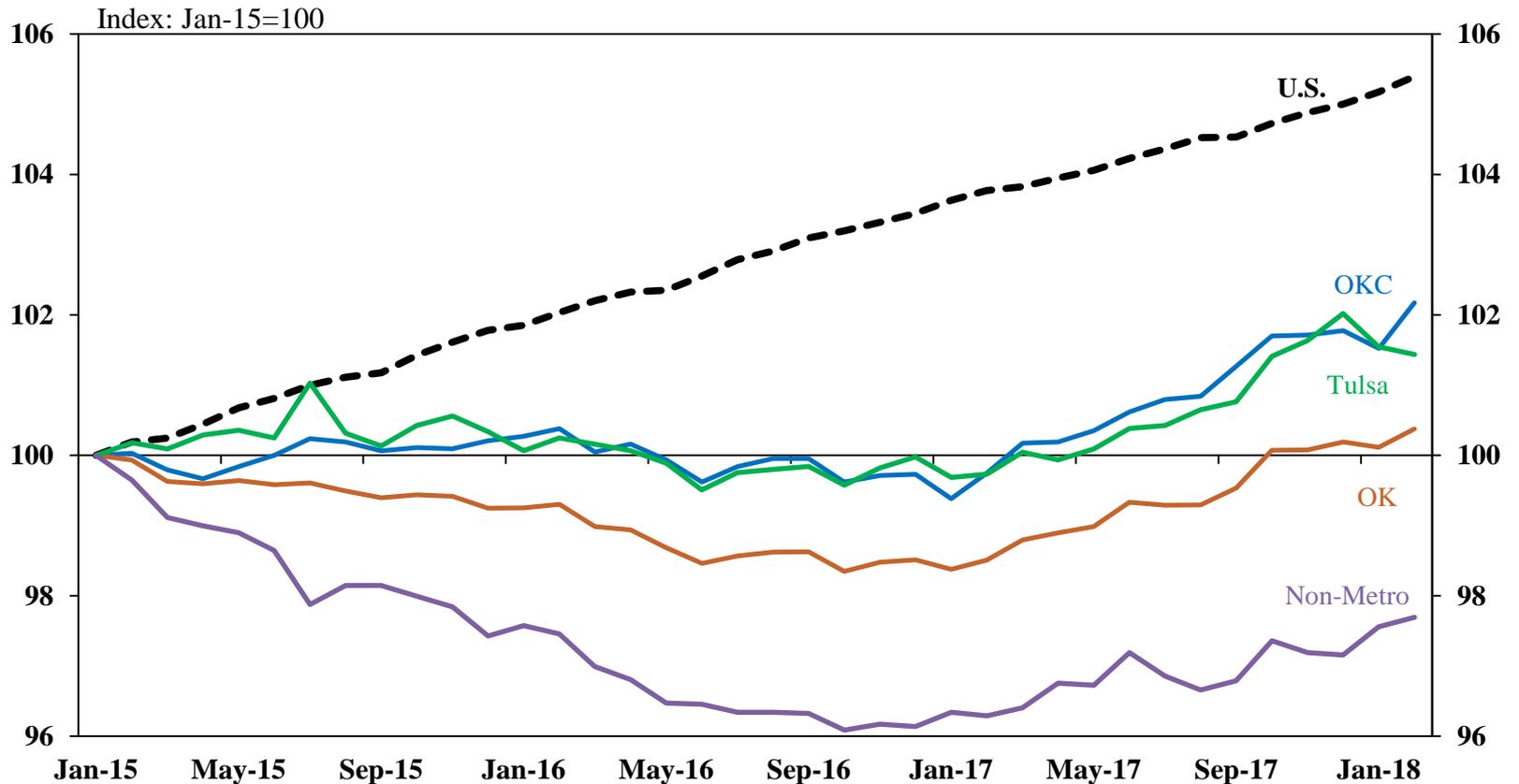
For jobs, 2015-16 was the largest divergence between U.S. & OK since the '80s, but the gap has closed

Payroll Employment Growth



Employment has picked up in both up in metro and non-metro areas of the state since last year

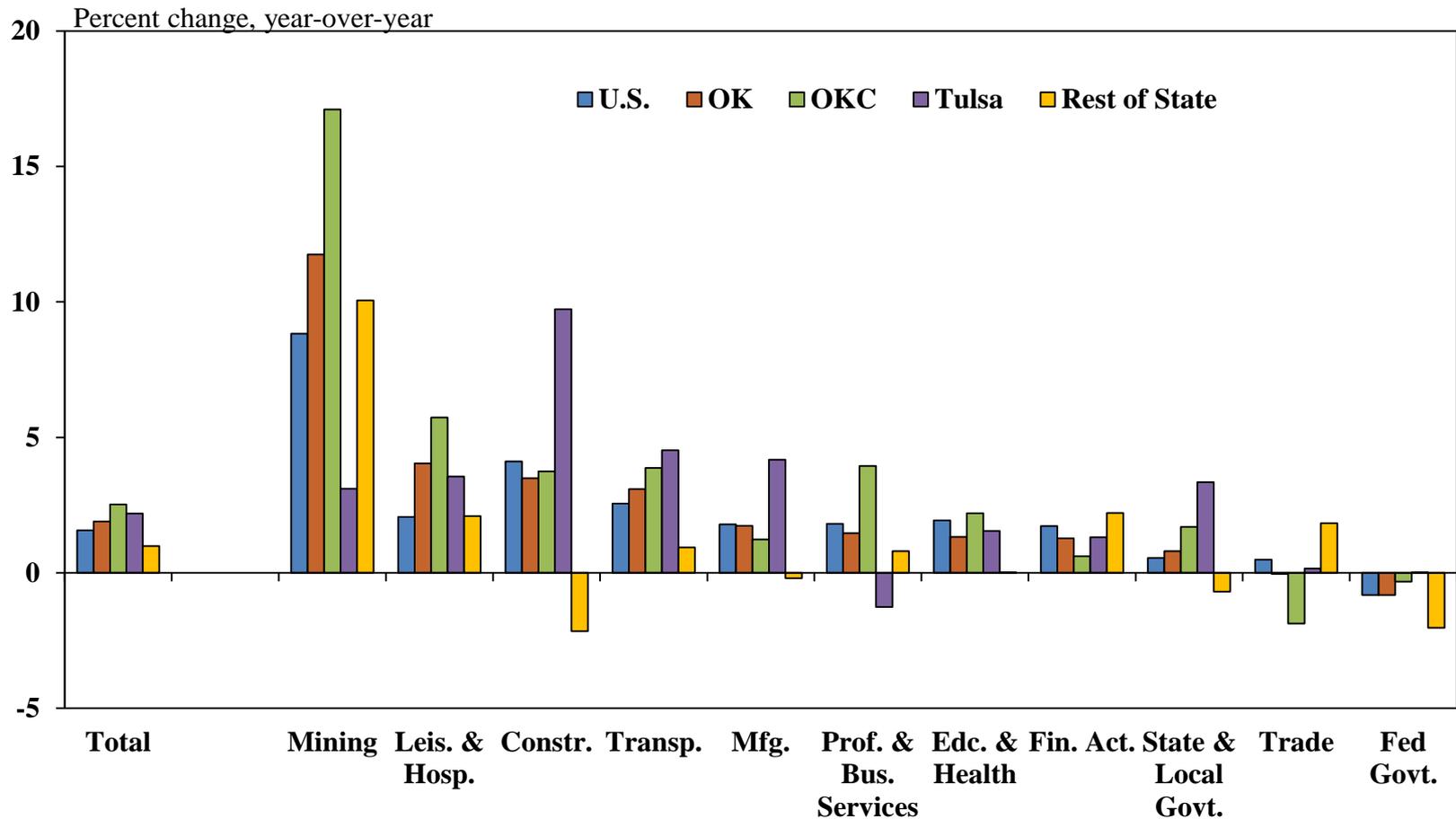
Level of Payroll Employment
Through February 2018



Job gains in non-metro areas have been led by growth in the mining sector, primarily oil and gas

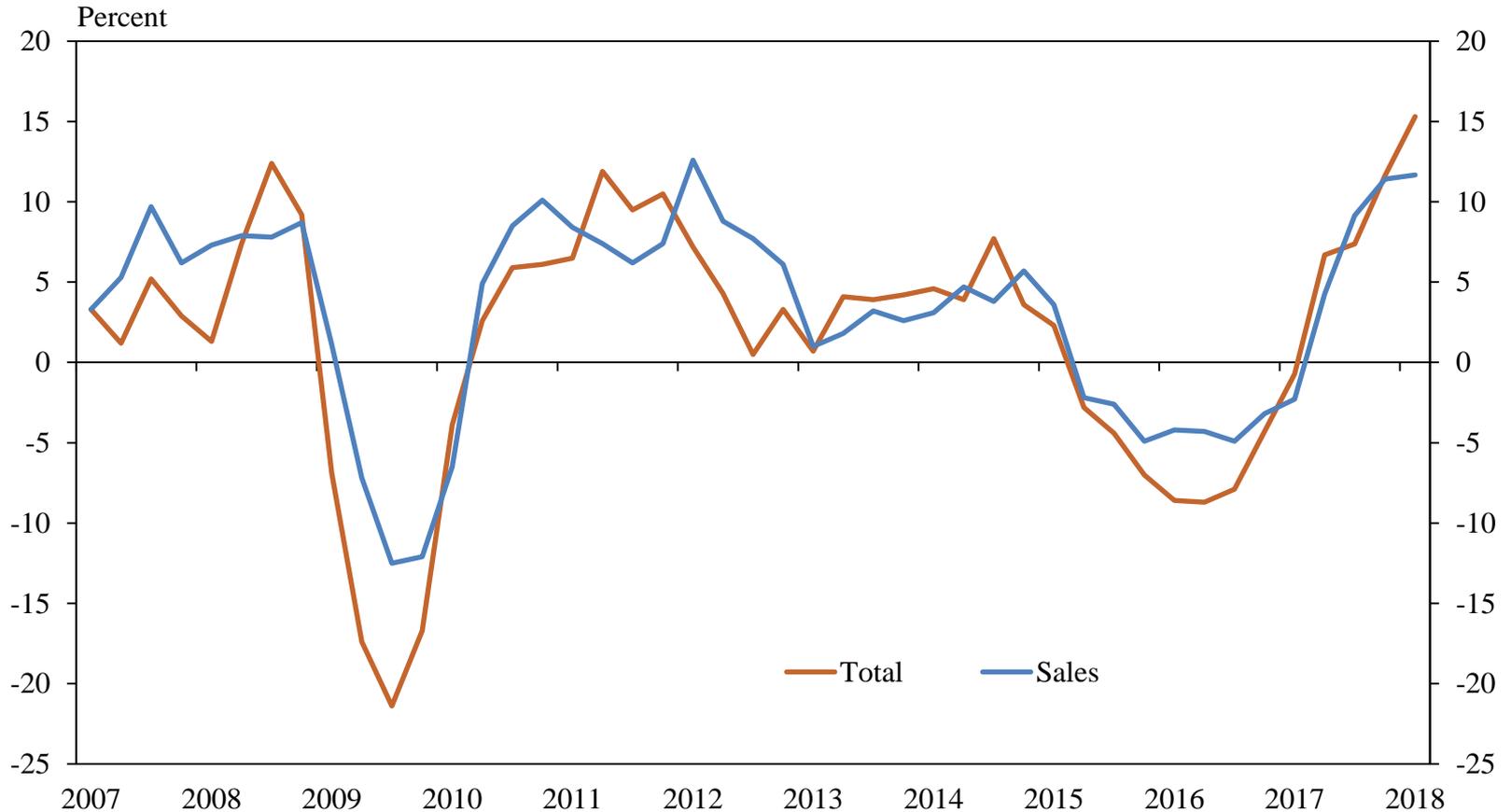
Oklahoma Job Growth by Industry

Feb-18



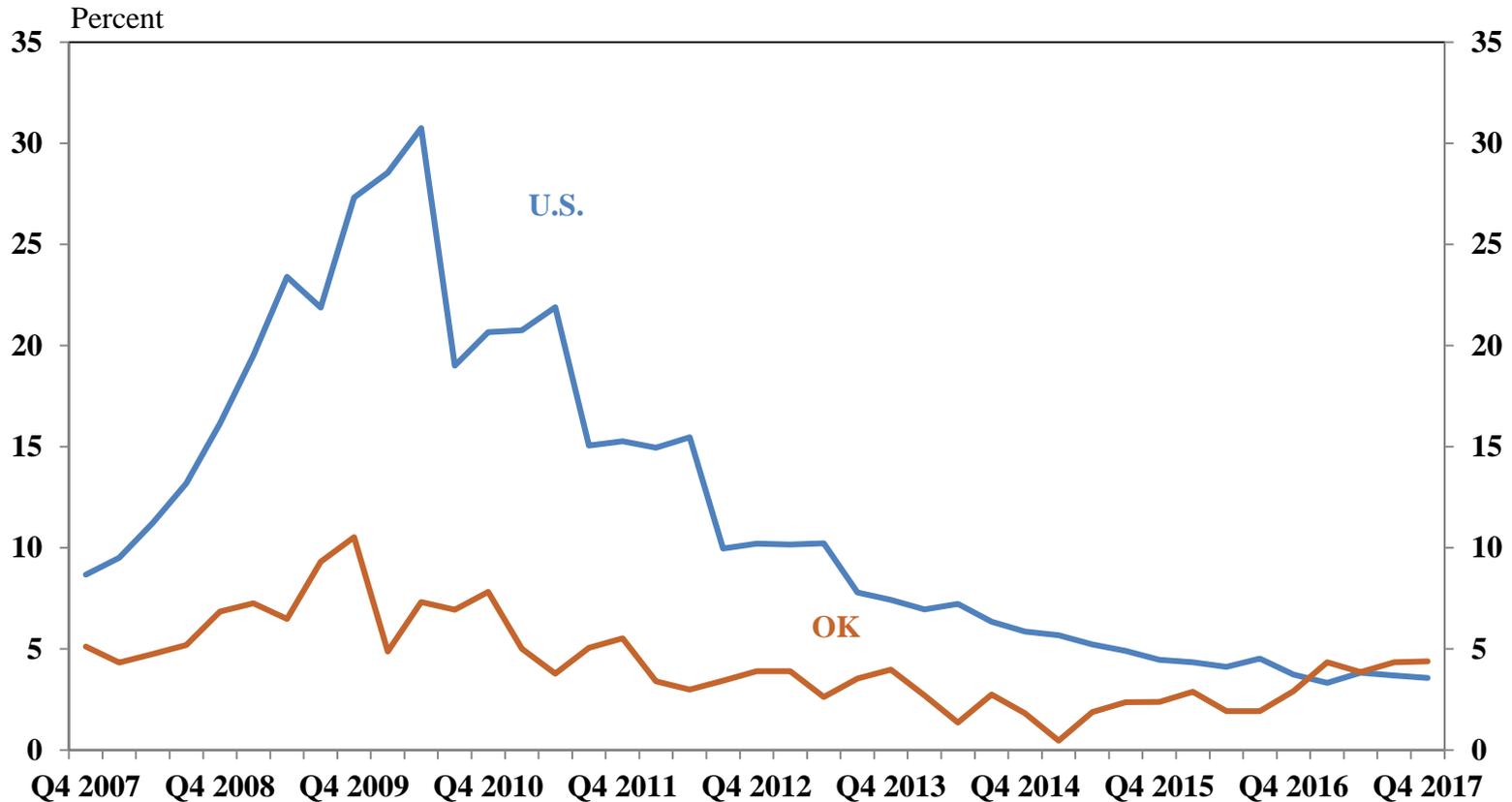
State tax revenues also improved following two tough years that remain challenges for the Legislature

Oklahoma State Tax Revenues
Q1-18 through February



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

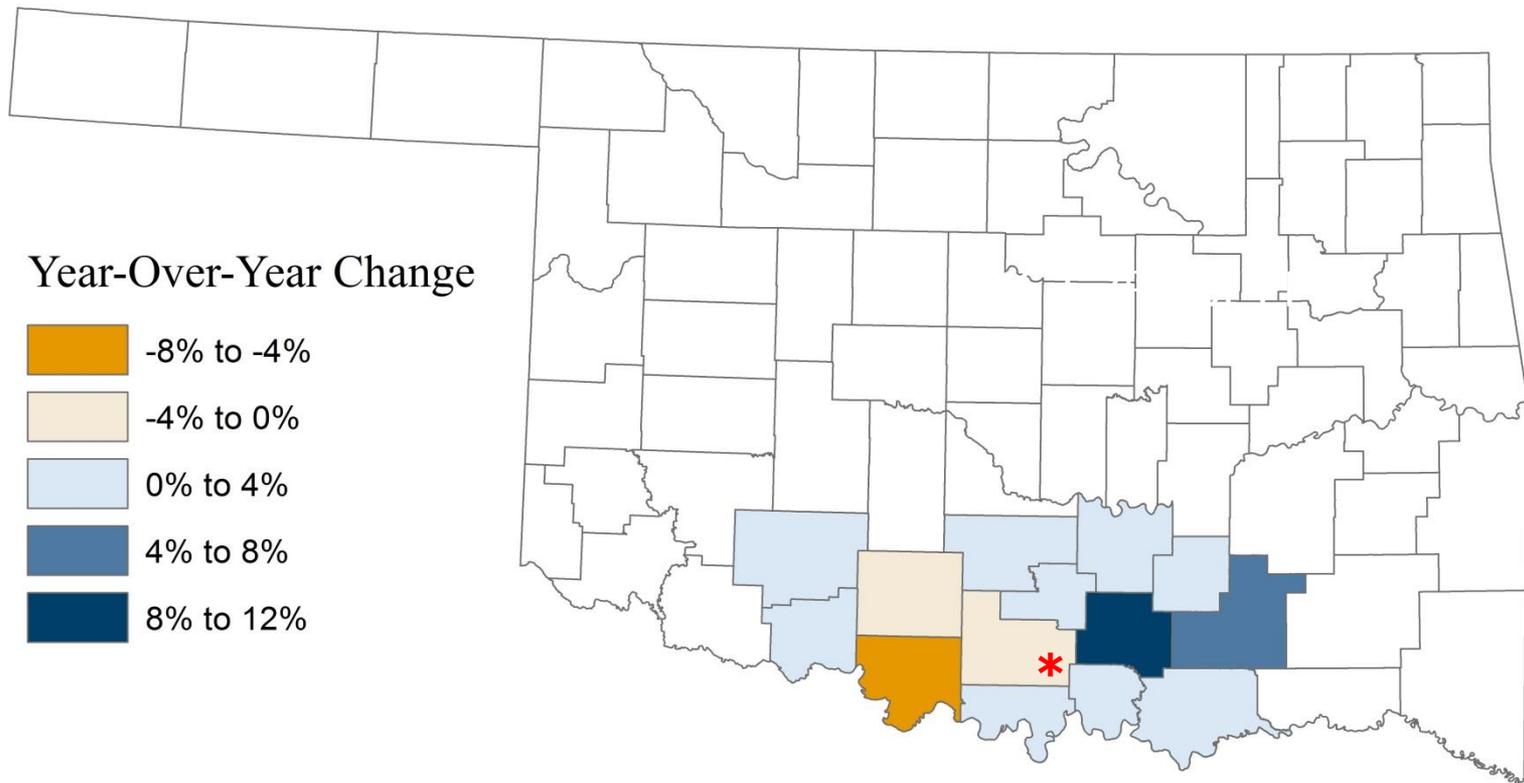
Share of Banks Not Making a Profit
Commercial Banks



Most of southern Oklahoma saw an increase in employment in 2017

Employment Growth

December 2017



The key industries around Ardmore, relative to the U.S., include goods production and government

Personal Income Share by Industry, 2015

Industry	Percent of Total Income				Location Quotient		
	U.S.	OK	Carter County	14-County Area	OK	Carter County	14-County Area
Federal Government	4.1	5.5	0.9	13.4	1.4	0.2	3.3
Mining	1.5	9.2	12.4	3.8	6.2	8.3	2.6
State & Local Government	12.6	12.9	11.3	20.5	1.0	0.9	1.6
Agriculture	0.8	1.6	0.3	1.3	2.0	0.3	1.6
Manufacturing	9.6	8.5	17.9	10.7	0.9	1.9	1.1
Construction	5.8	6.1	7.3	5.2	1.1	1.3	0.9
Trade	11.0	10.0	10.8	8.2	0.9	1.0	0.7
Financial Activities	6.6	3.5	2.5	2.4	0.5	0.4	0.4
Transportation & Utilities	4.3	10.9	8.4	N/A	2.5	1.9	N/A
Education & Health	12.6	10.7	12.3	N/A	0.8	1.0	N/A
Leisure & Hospitality	4.5	3.6	N/A	N/A	0.8	N/A	N/A
Professional & Business Services	22.6	14.0	9.5	N/A	0.6	0.4	N/A

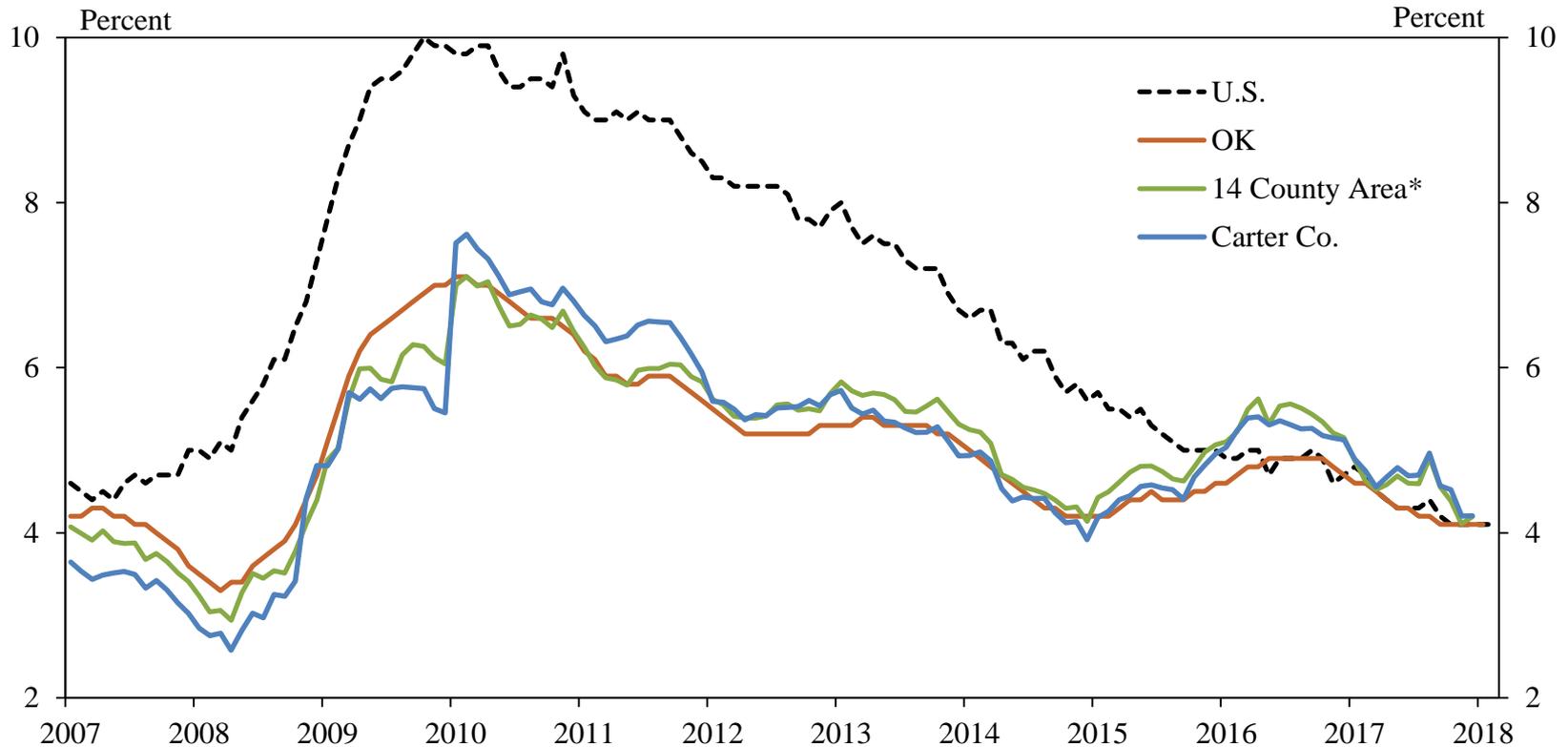
Note - Location quotient is the division of local share by national share

*14-County Area includes the following counties: Atoka, Bryan, Carter, Coal, Comanche, Cotton, Garvin, Jefferson, Johnston, Love, Marshall, Murray, Pontotoc, and Stephens.



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

Unemployment rates
Seasonally Adjusted

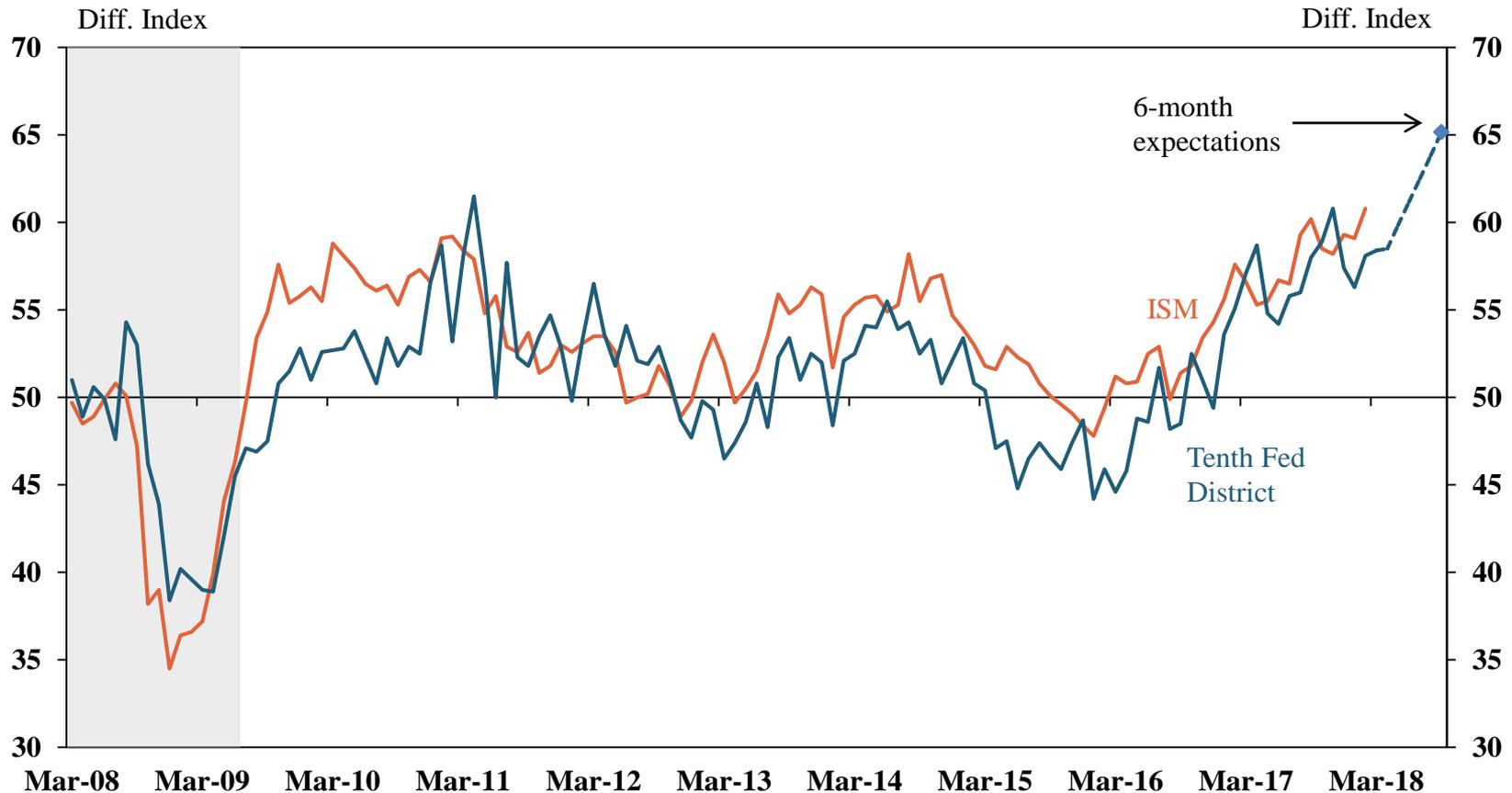


*14-County Area includes the following counties: Atoka, Bryan, Carter, Coal, Comanche, Cotton, Garvin, Jefferson, Johnston, Love, Marshall, Murray, Pontotoc, and Stephens.



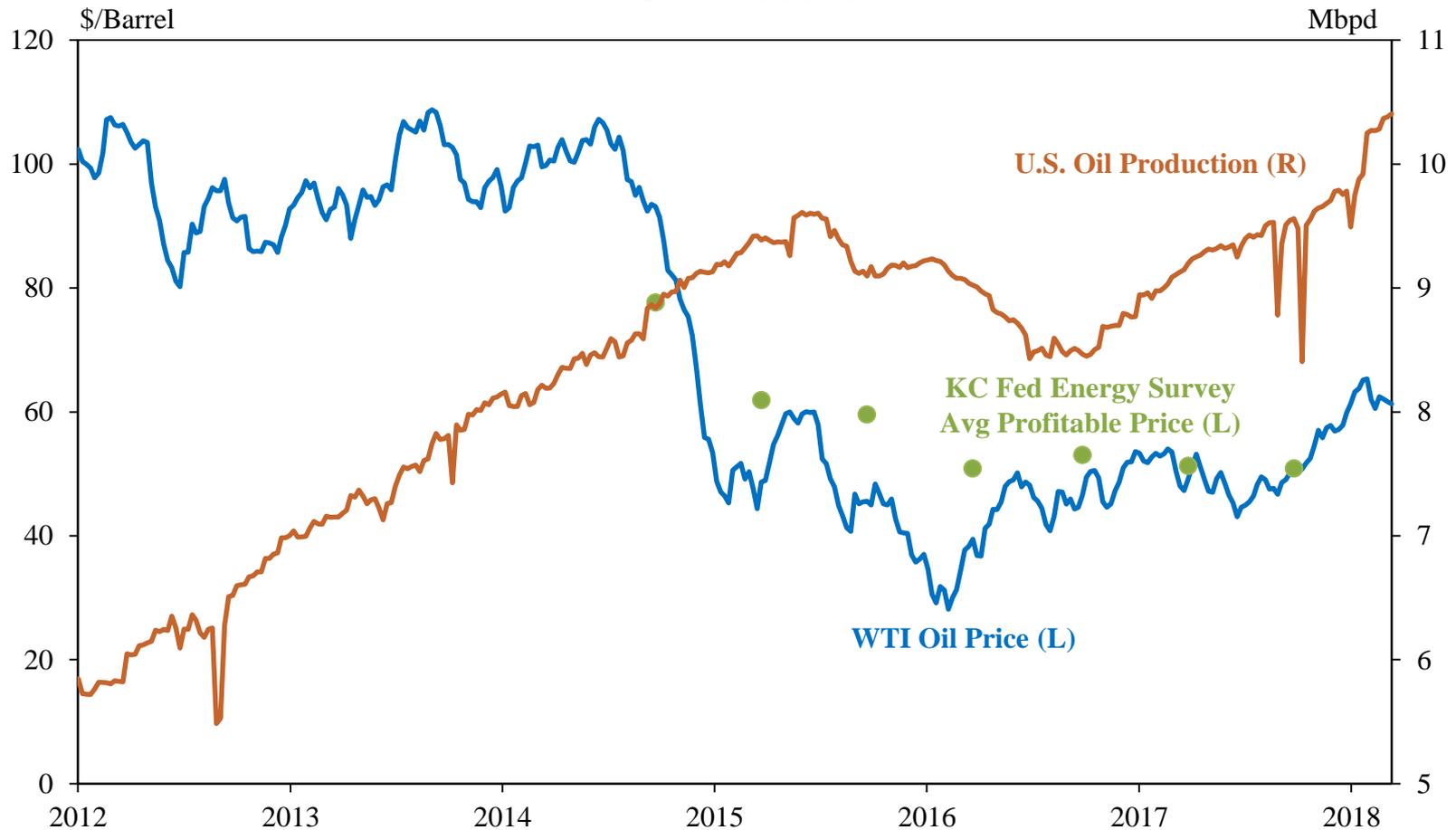
Regional factory activity has continued to improve in recent months, with optimism high

Manufacturing Composite Indexes, Seasonally Adjusted



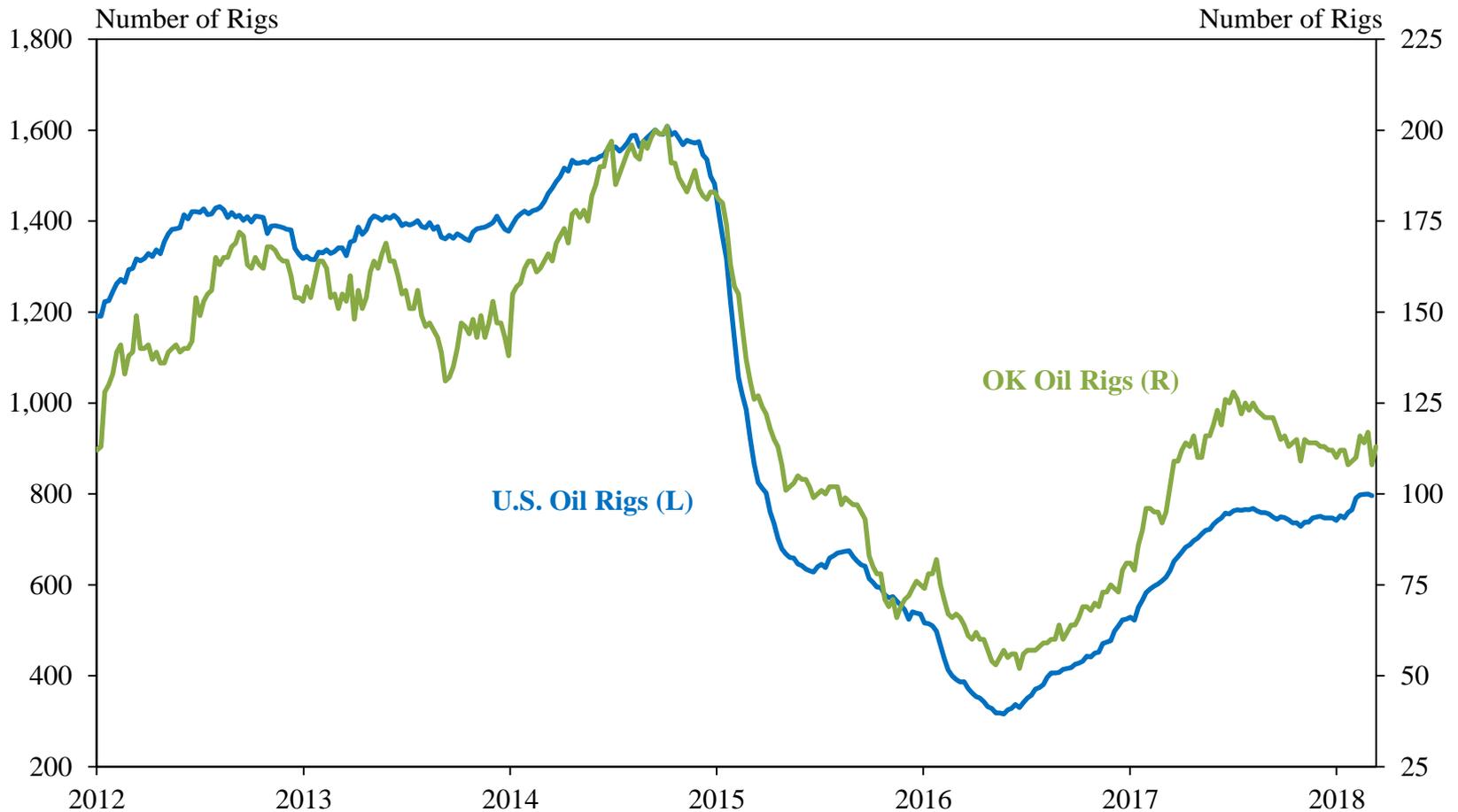
Oil prices returned to profitable levels in 2017 for most firms, helping to boost activity

WTI Spot Price vs. Energy Survey Profitable Price vs. Oil Production



Rig counts have increased since the downturn and remain at favorable levels

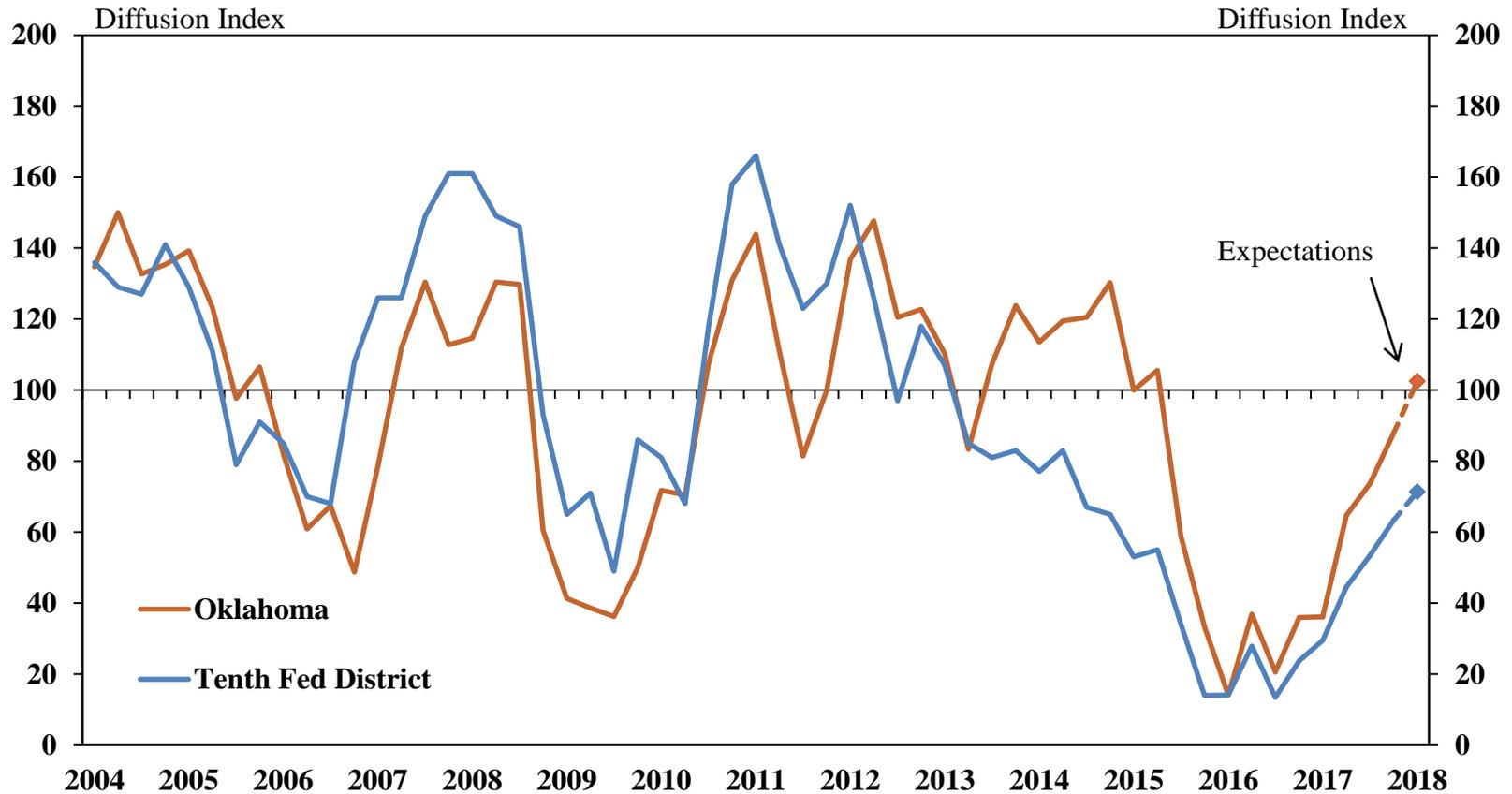
Weekly Oil Rig Counts



Source: Baker Hughes

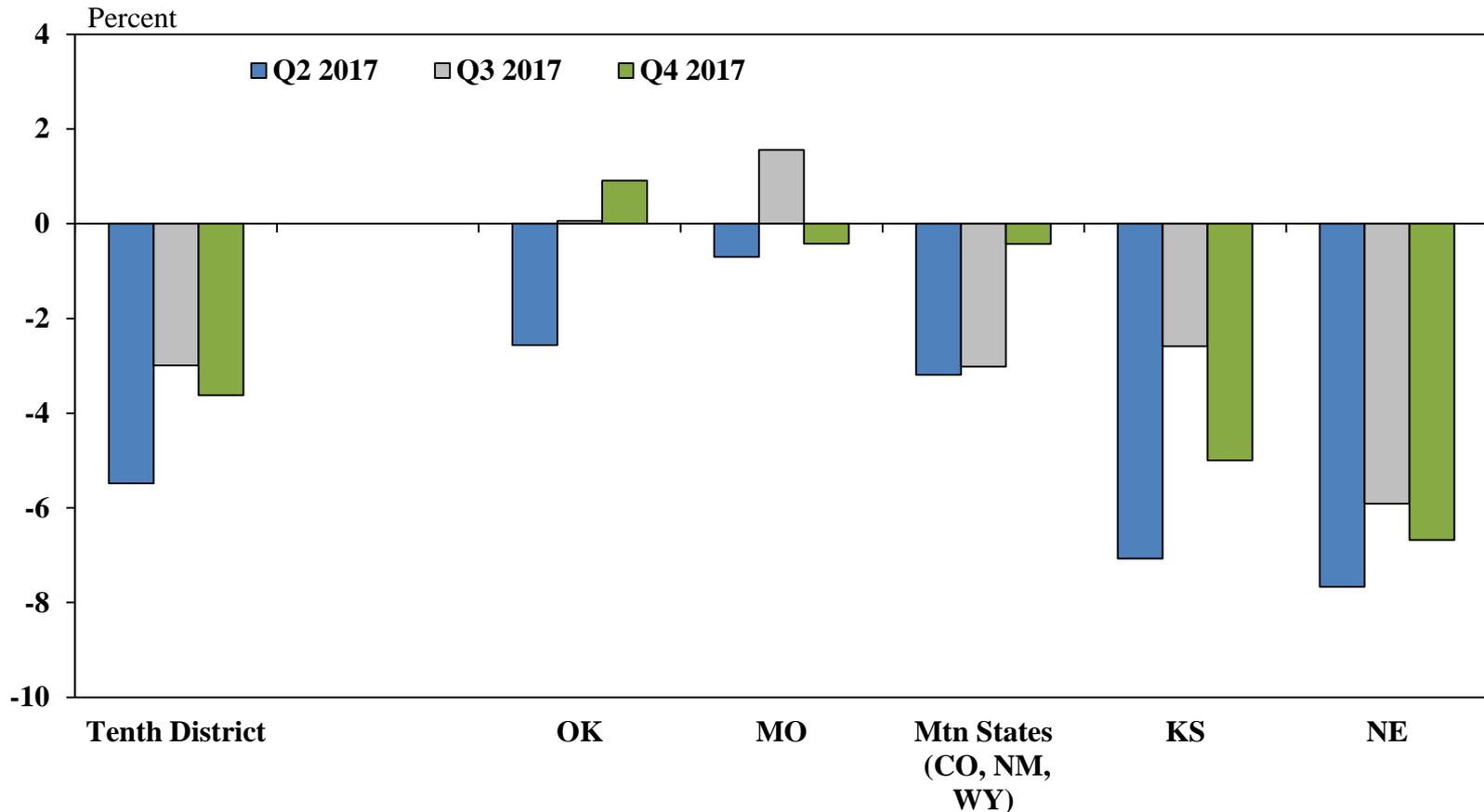
The Oklahoma agriculture sector has shown some signs of stabilizing, with expectations improving

Farm Income Indexes



OK farmland values improved in Q4, and are more favorable than other parts of the Tenth District

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



Summary

- The U.S. economy continues to grow, and the Fed has raised interest rates and begun to shrink its balance sheet.
- The Oklahoma economy has been hurt by low commodity prices, but improved in 2017-18.
- In the Ardmore region, unemployment has come down after rising in 2015-16, as key local industries have done better the past year.



Questions?

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

www.kansascityfed.org/publications/research/oke/

For updates on regional **energy, agriculture, and manufacturing** activity, subscribe to our periodic surveys:

<https://www.kansascityfed.org/research/indicatorsdata/energy>

<https://www.kansascityfed.org/research/indicatorsdata/agcreditsurvey>

<https://www.kansascityfed.org/research/indicatorsdata/mfg>

