

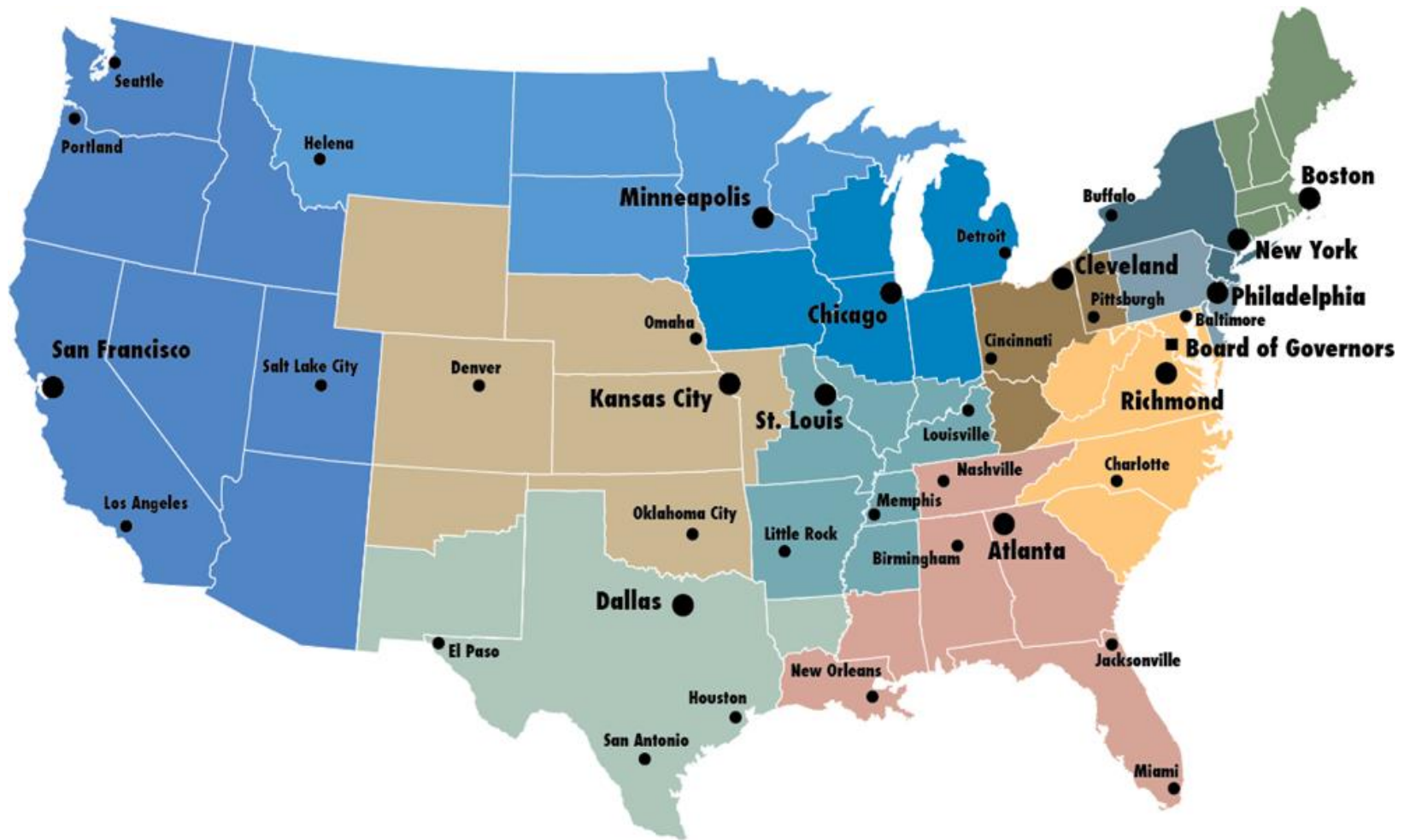
# **The U.S. and Oklahoma Economic Outlook**

**Evening at the Fed  
March 1, 2018**



**Chad Wilkerson**  
**Oklahoma City Branch Executive and Economist**  
**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

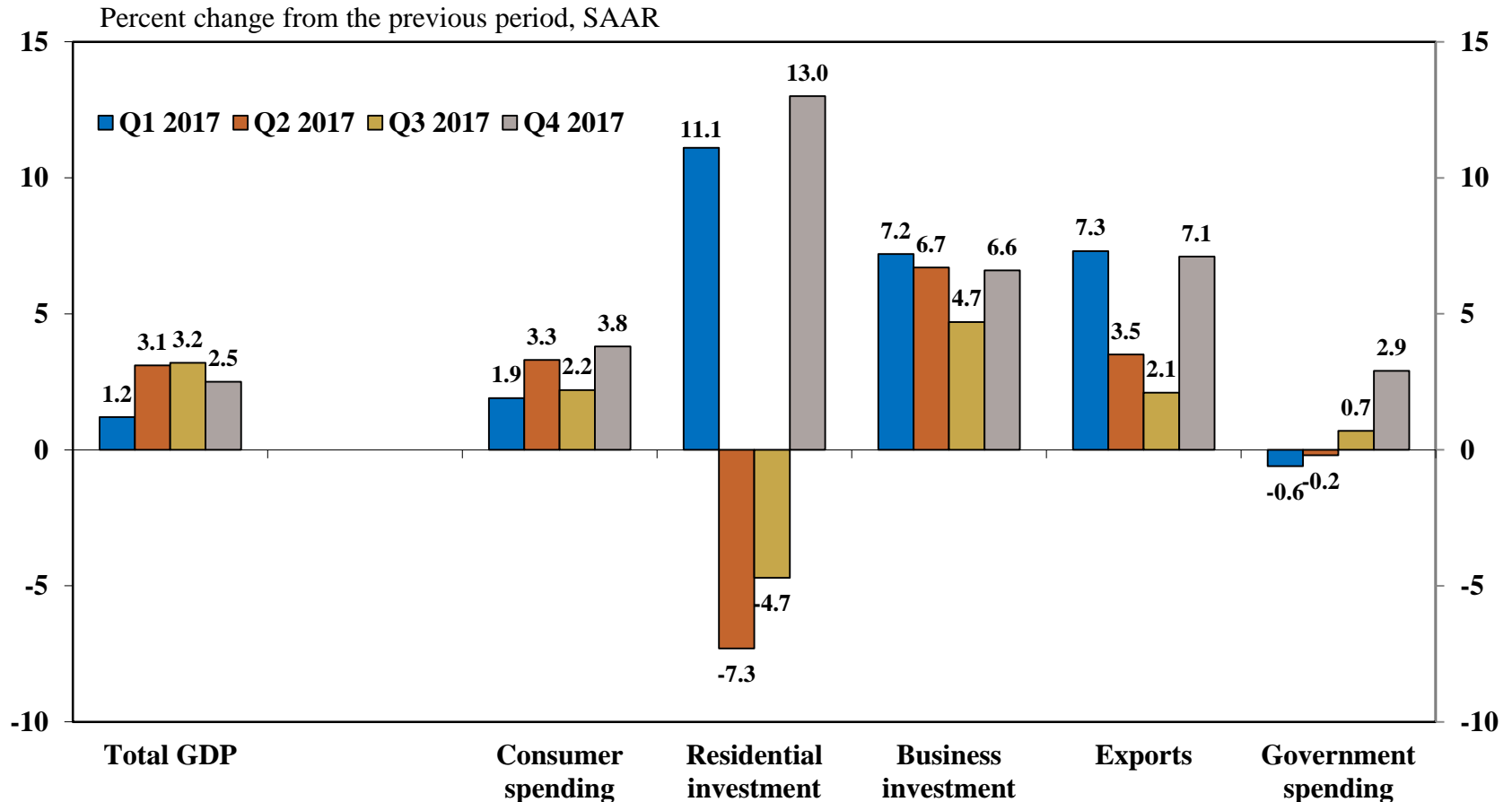
# **The Oklahoma City Branch of the Federal Reserve Bank of Kansas City**

- **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.)
- **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**

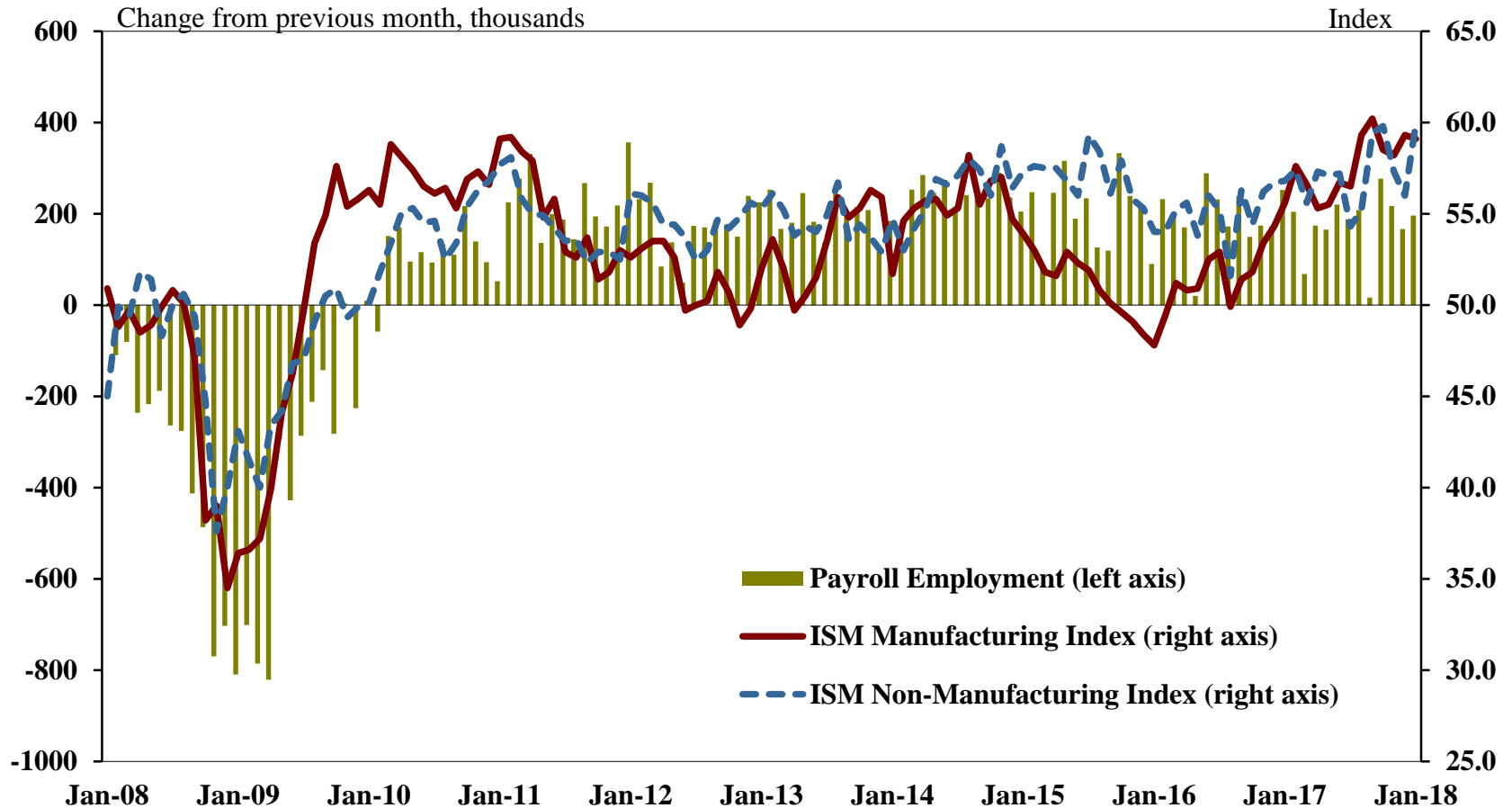
# U.S. GDP growth remained solid in Q4, with strong consumer and business spending

## Growth in Components of Real GDP



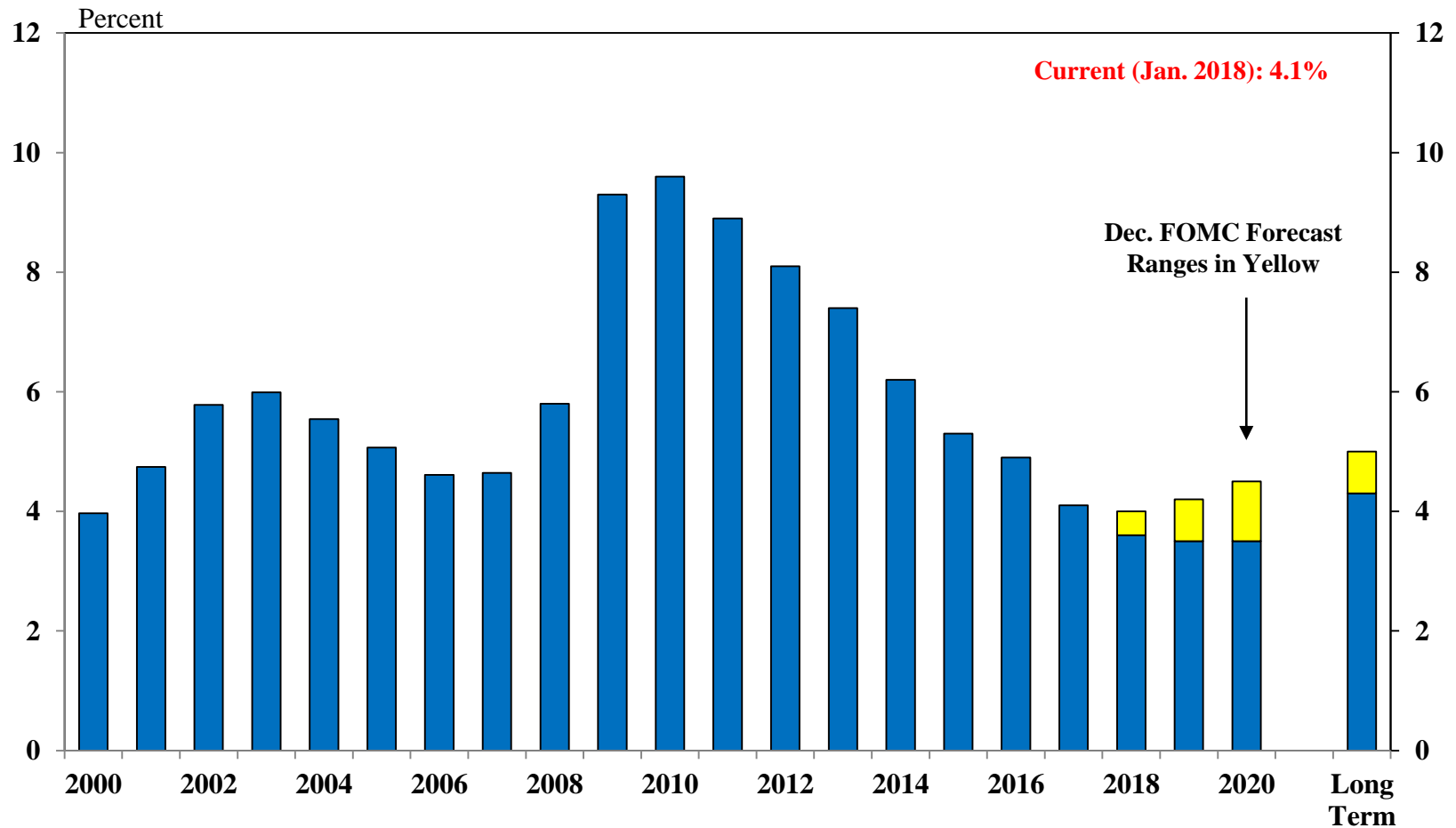
# Monthly data on business activity and employment show U.S. growth remained strong into 2018

## U.S. Payroll Employment and Business Indexes



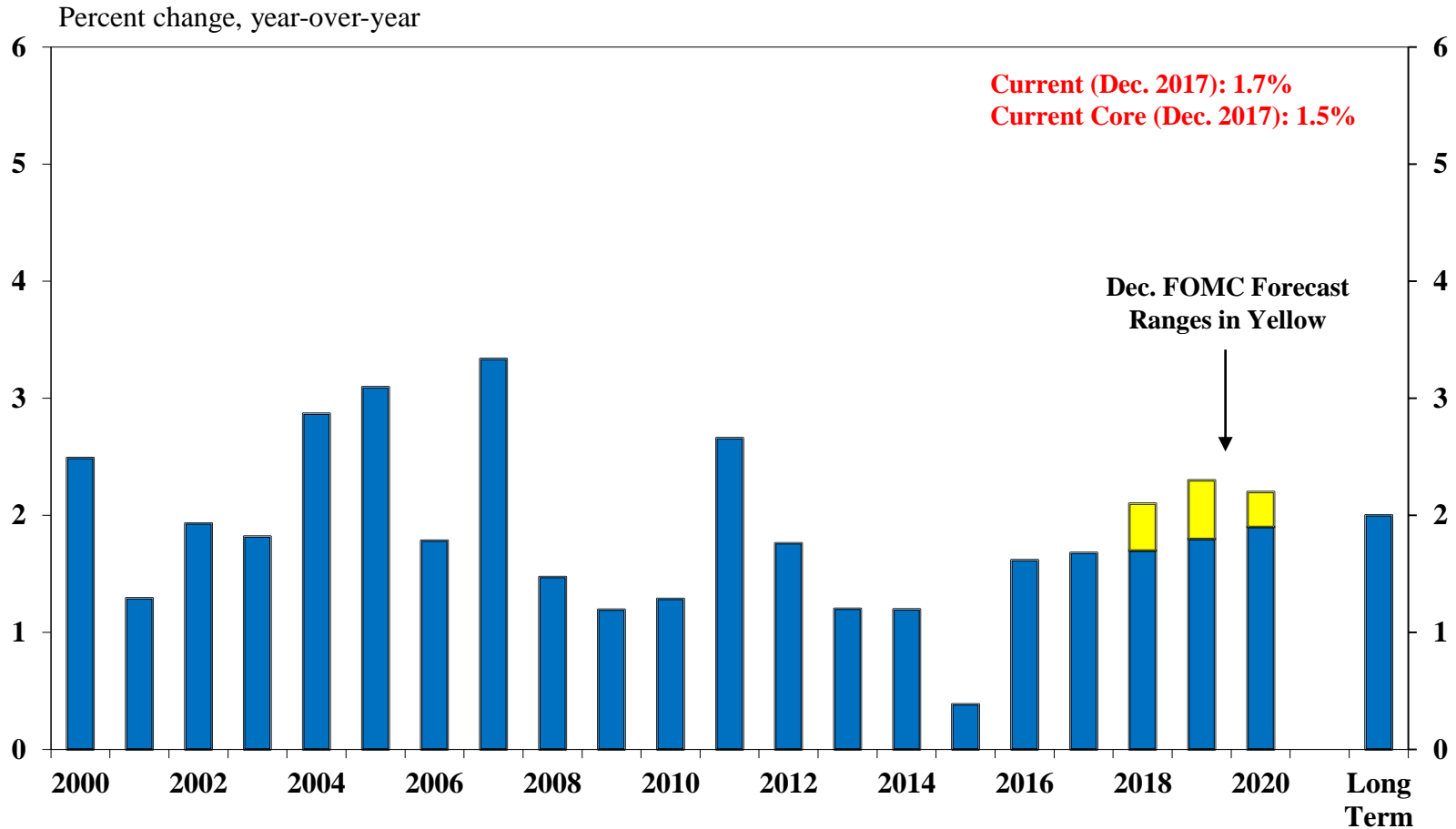
# U.S. unemployment is back down to, or even below, its long-term level

**Unemployment Rate**  
Seasonally Adjusted



# U.S. inflation remains slightly below 2 percent, but is expected to return to long-term levels

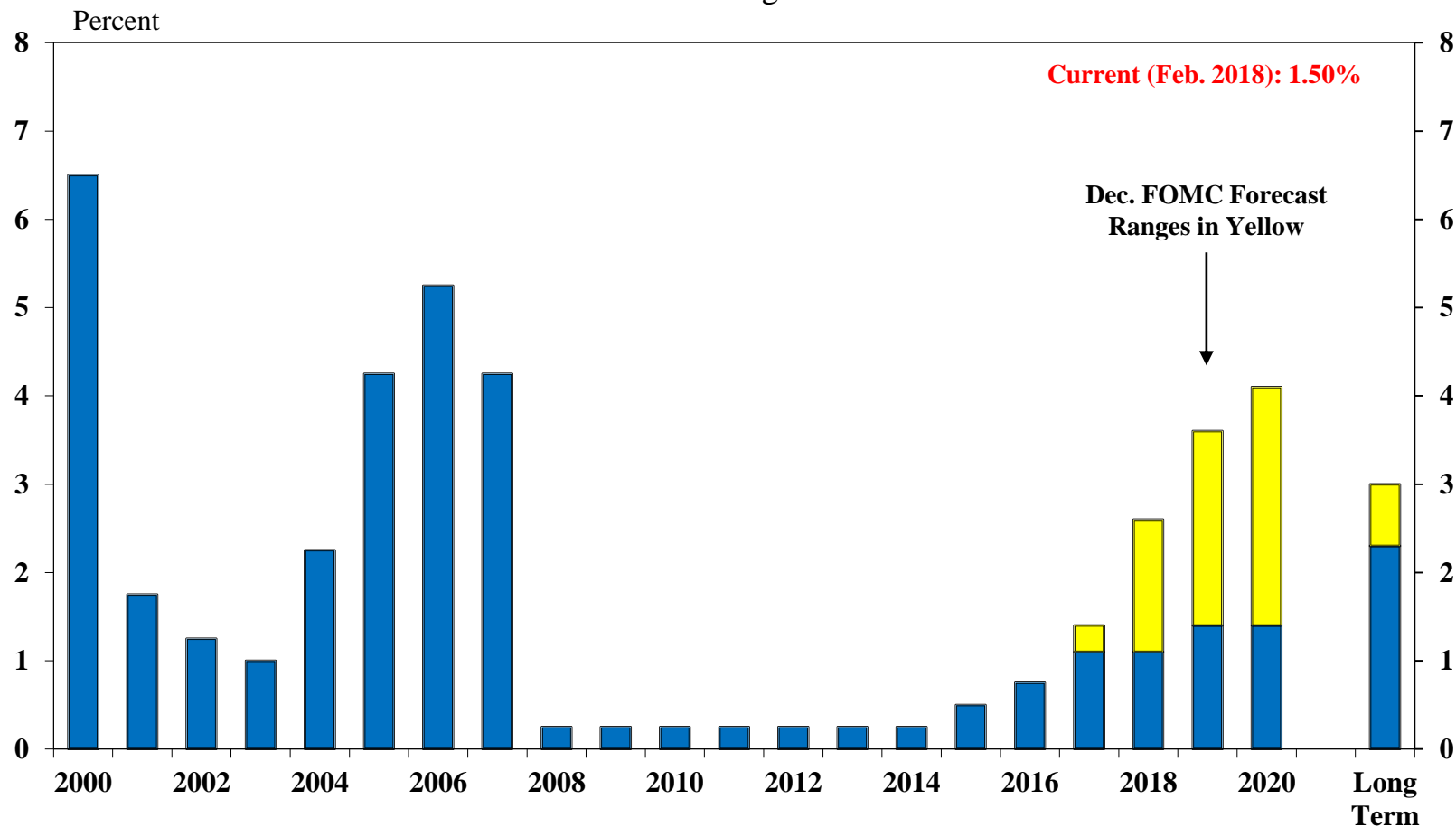
## PCE Inflation Index





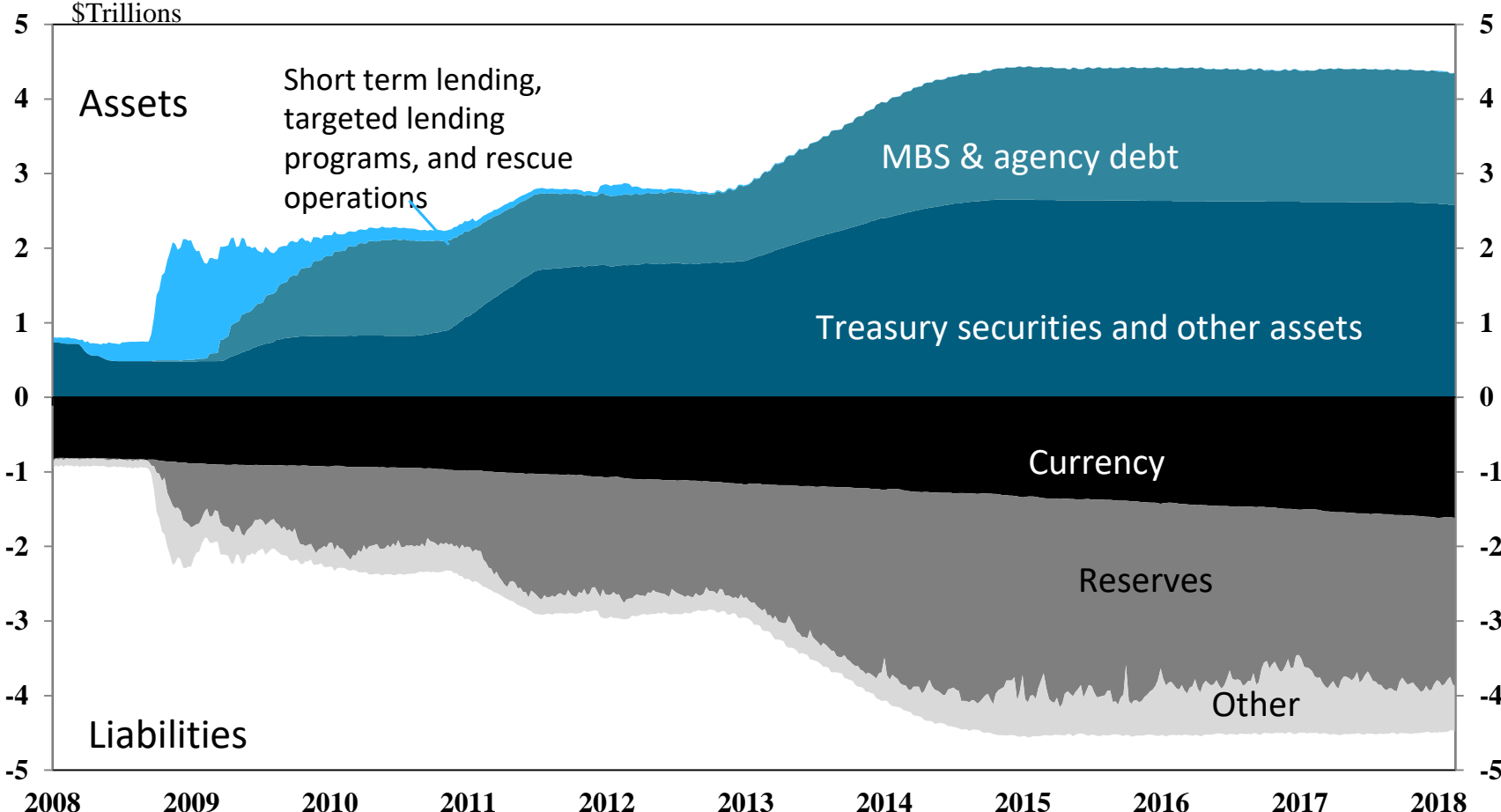
# The Fed has been raising the overnight federal funds rate, and forecasts for this to continue

**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

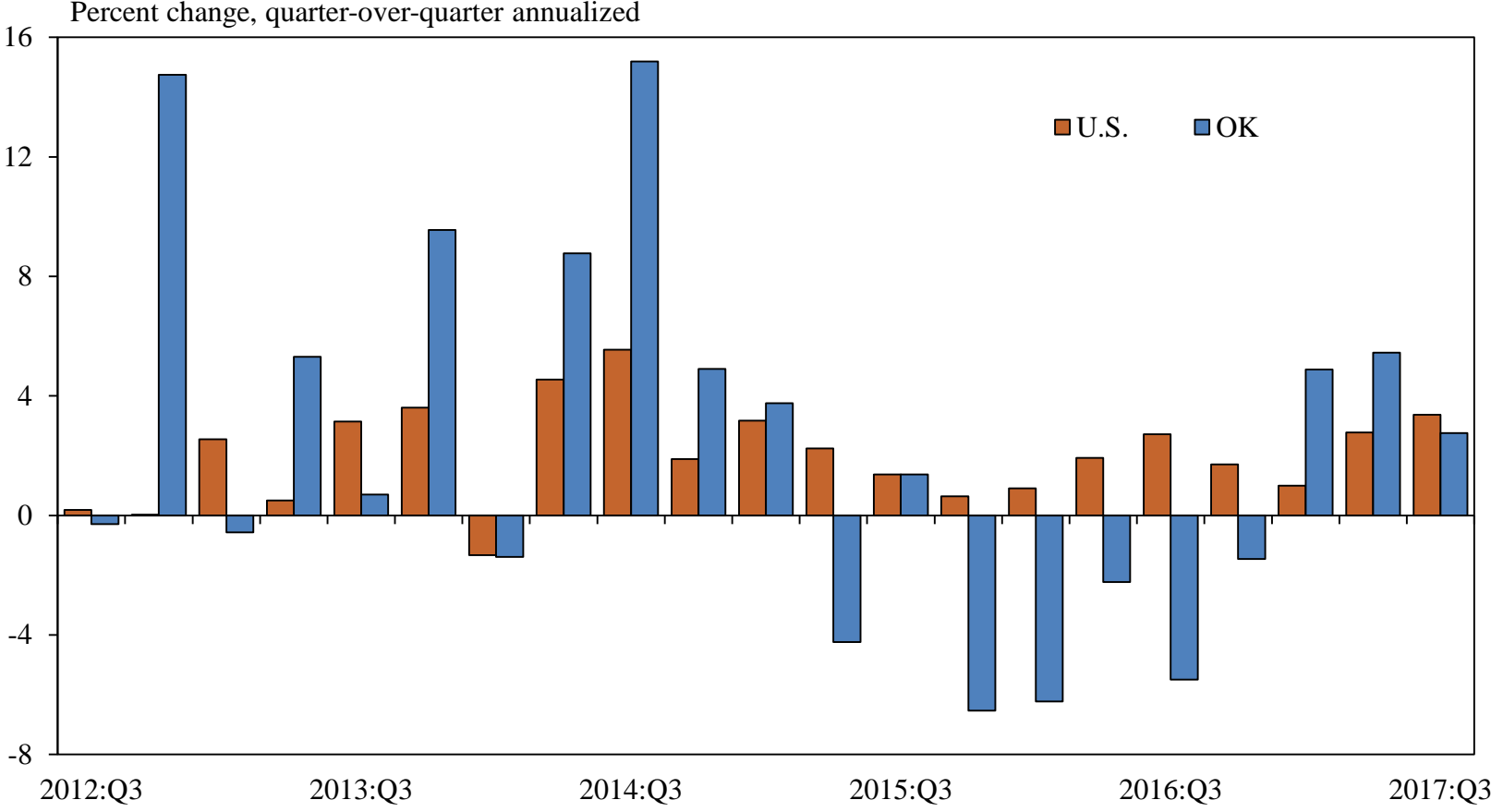


Source: Federal Reserve Board

# **Economic Trends in Oklahoma**

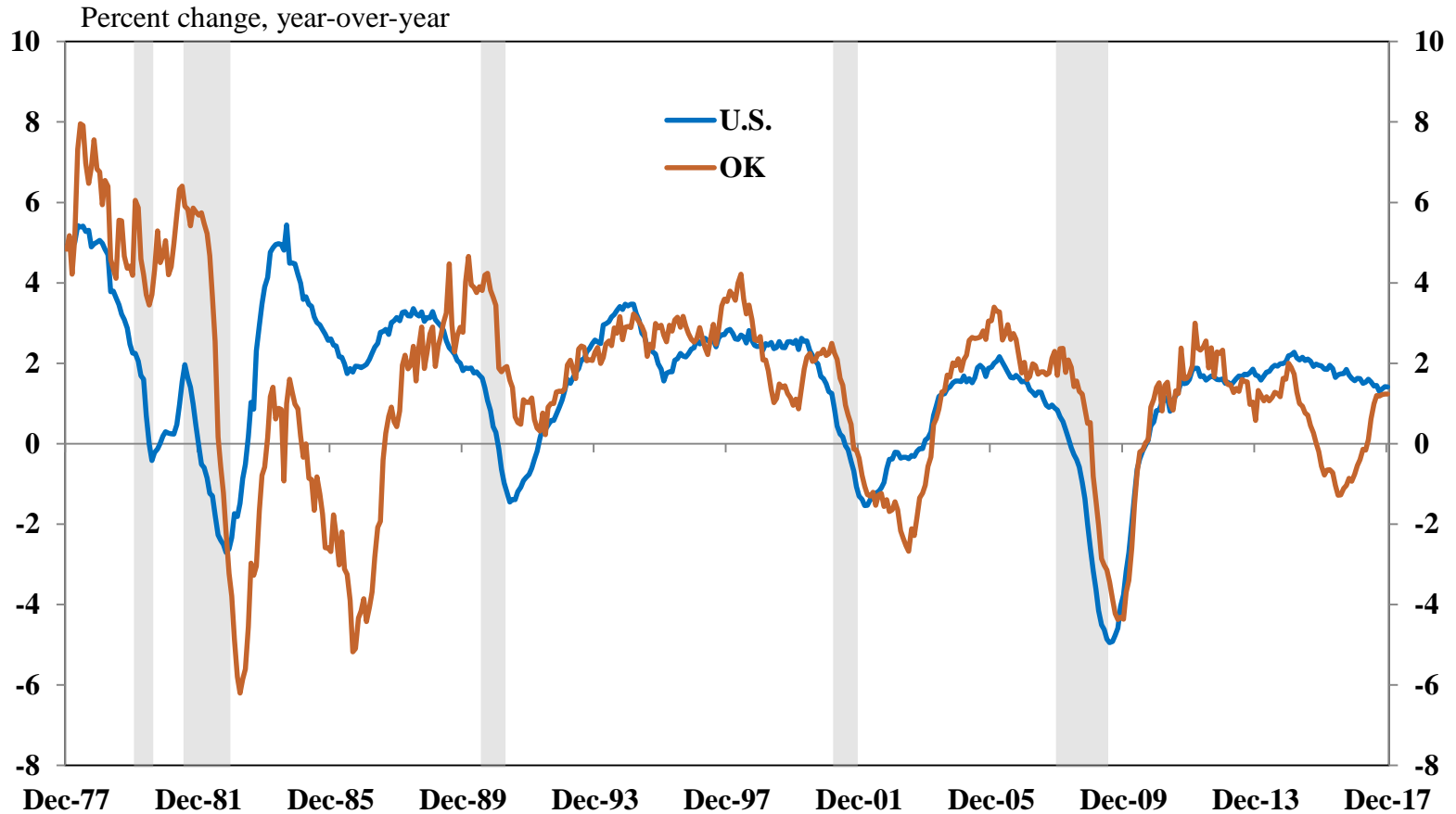
# OK GDP has recovered from its downturn of 2015-16, and as of Q3 2017 was keeping pace with the nation

## Real Gross Domestic Product



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

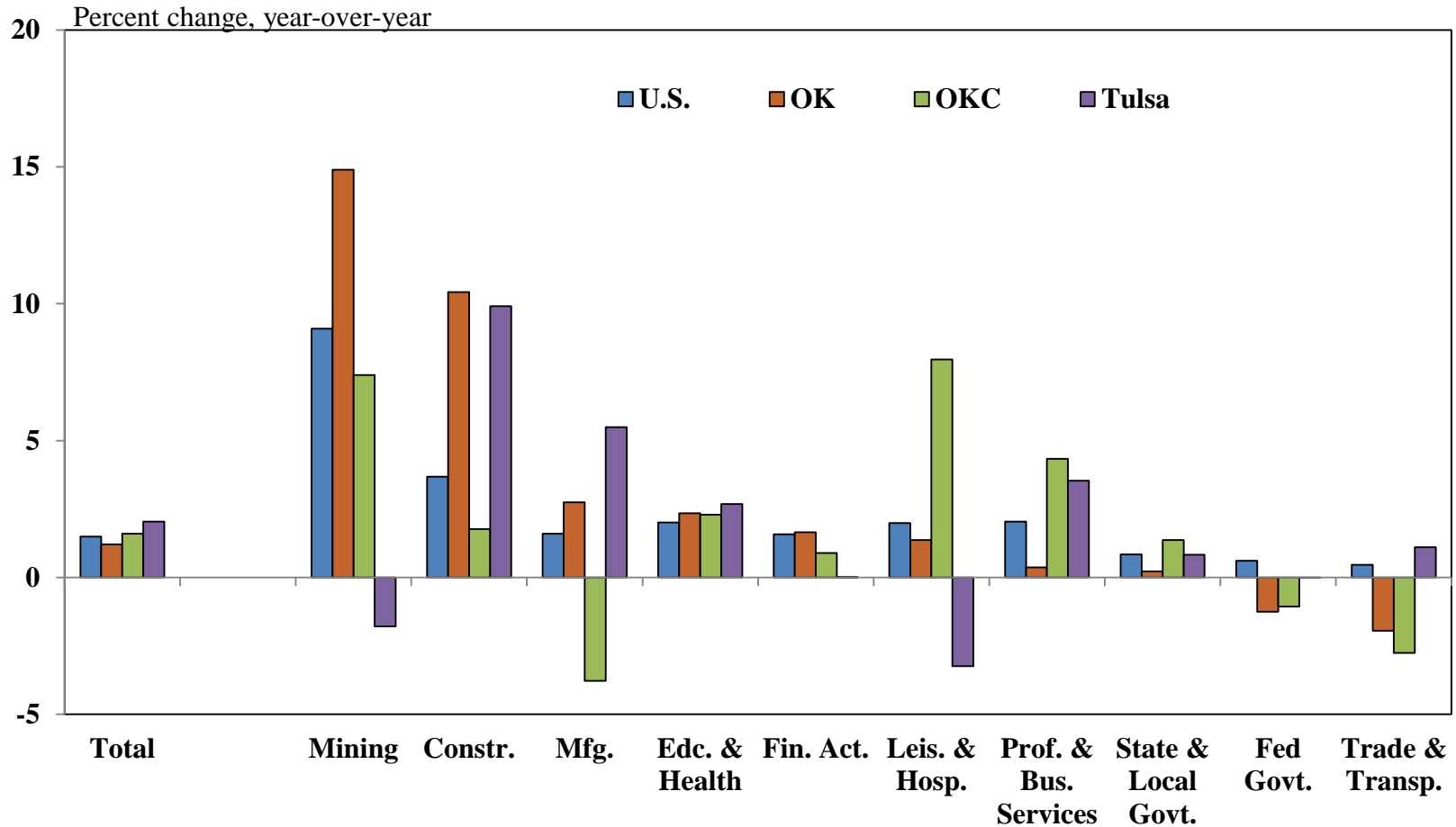
## Payroll Employment Growth



# In 2017, energy and related industries have mostly led the way in state job growth

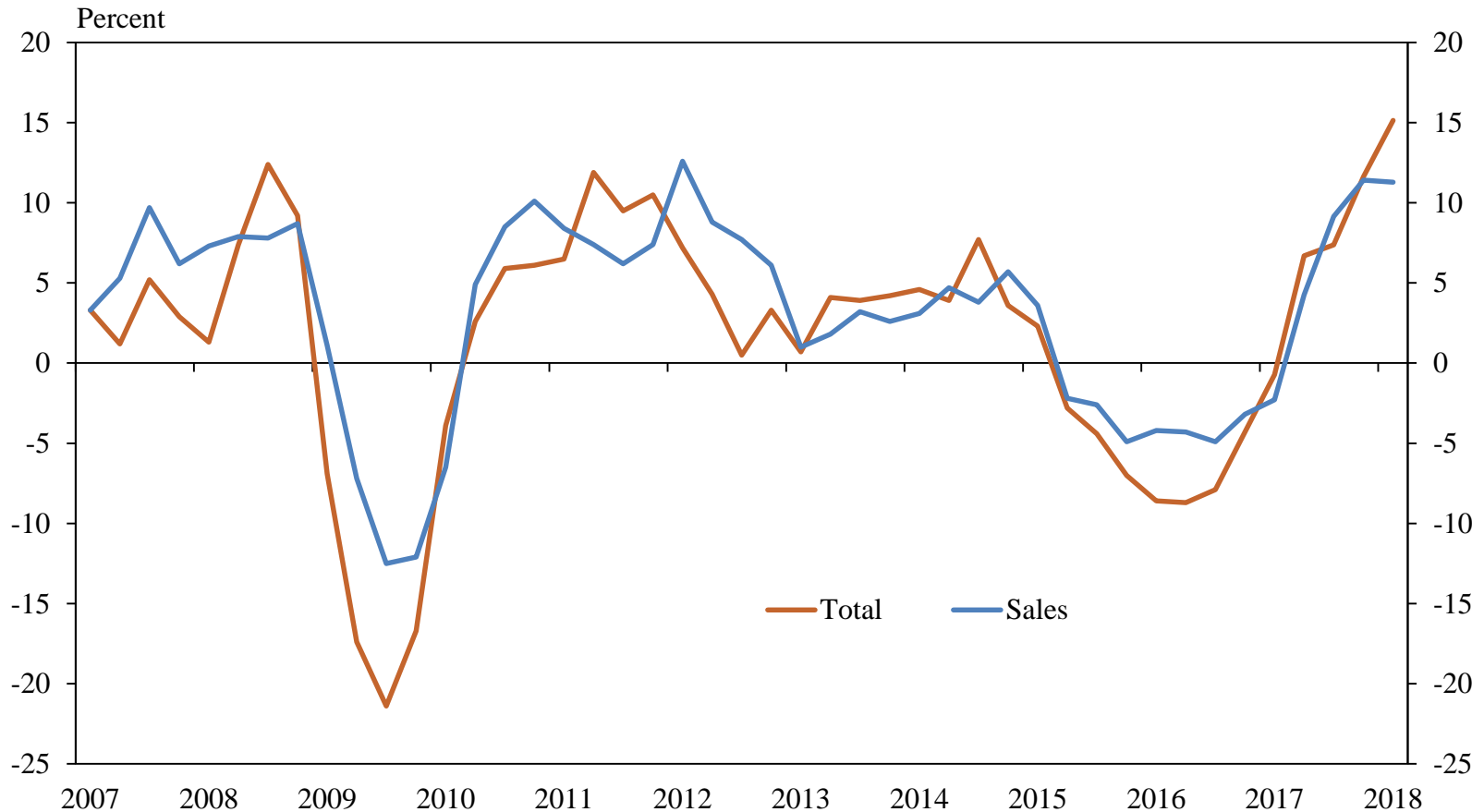
## Oklahoma Job Growth by Industry

Dec-17



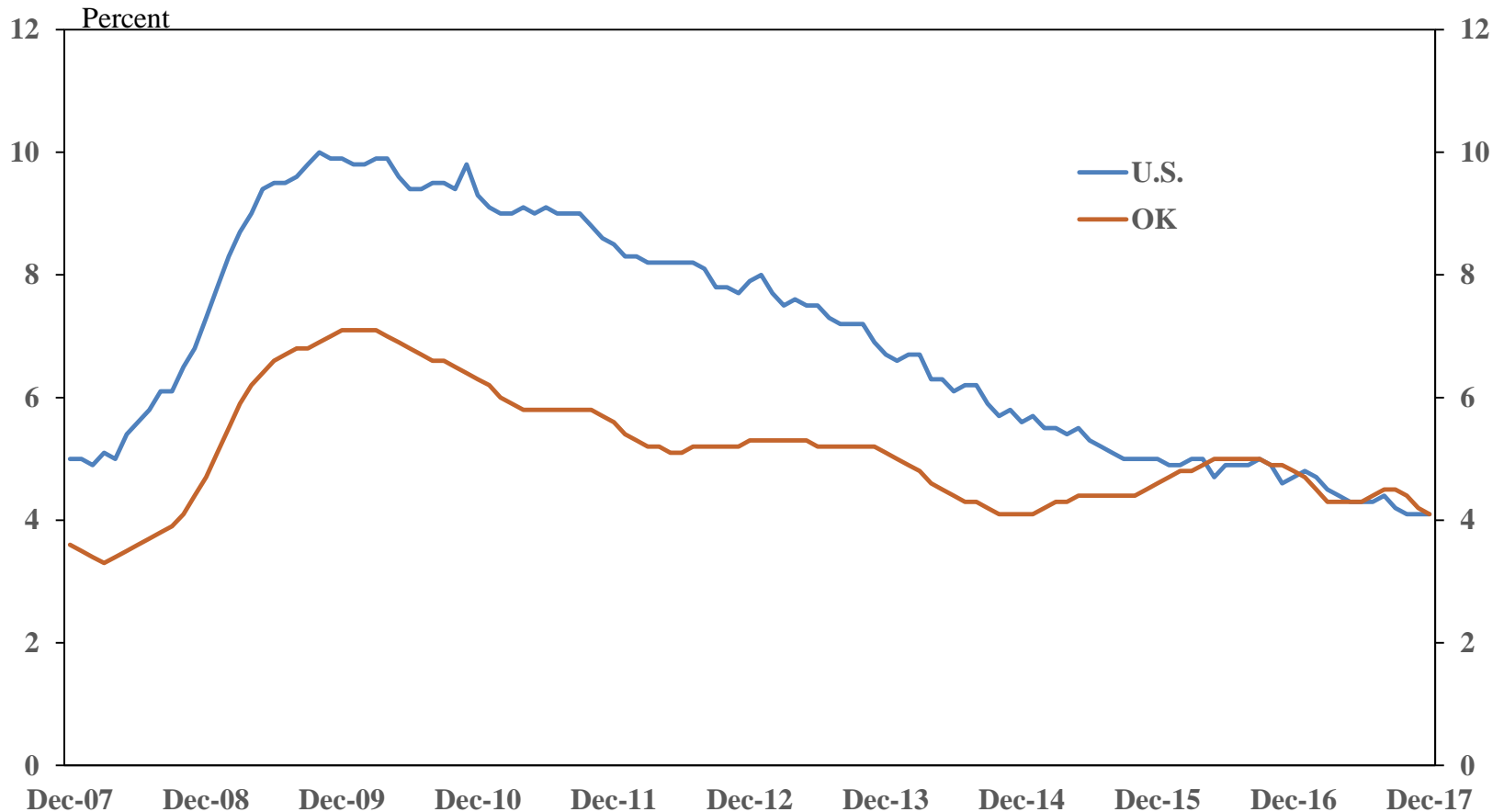
# State tax revenues also improved following two tough years that remain challenges for the Legislature

**Oklahoma State Tax Revenues**  
Q1-18 through January



# Oklahoma unemployment is also back down to near 4 percent after rising to 5 percent in 2016

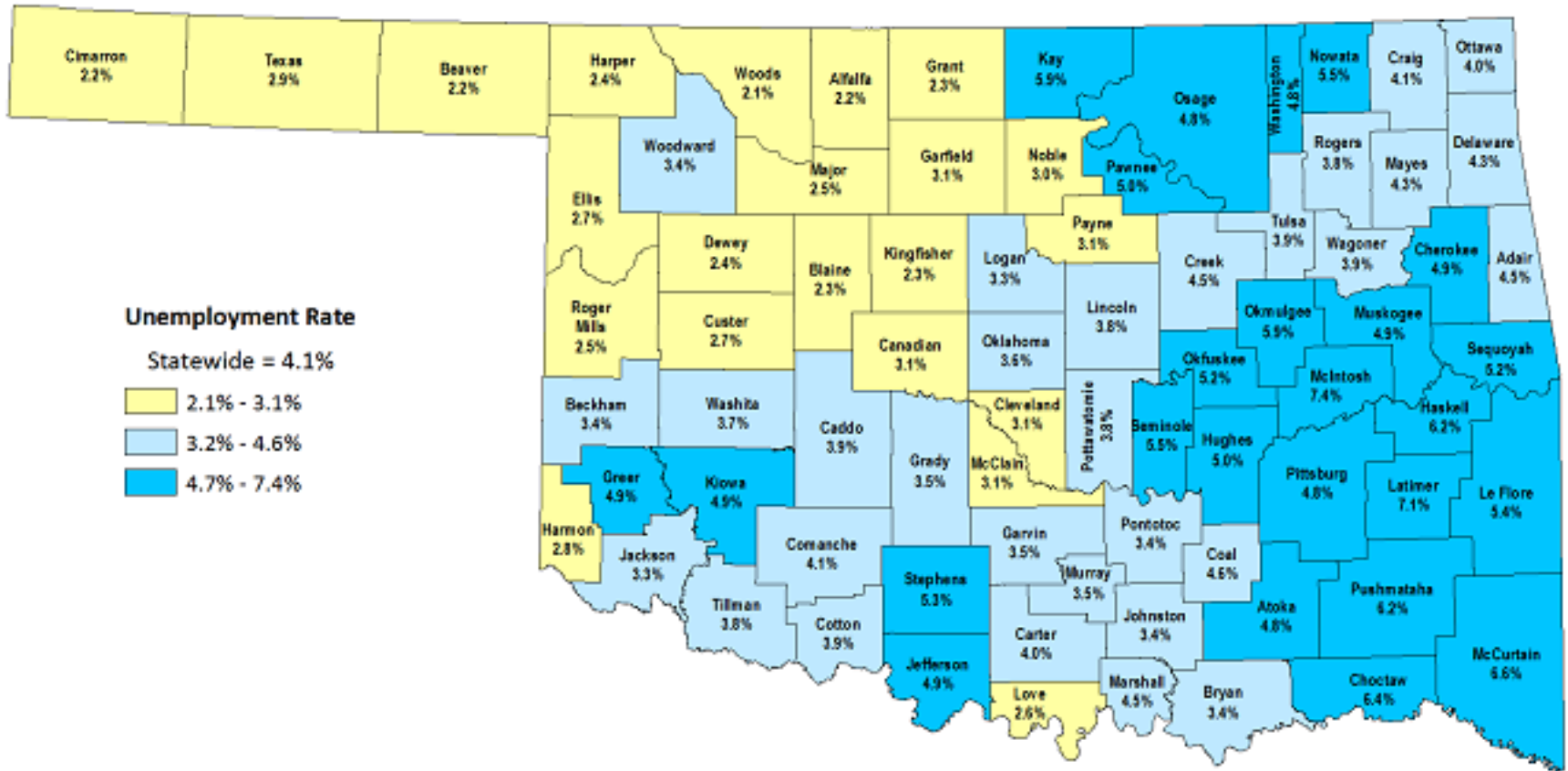
**Unemployment Rates**  
Seasonally Adjusted





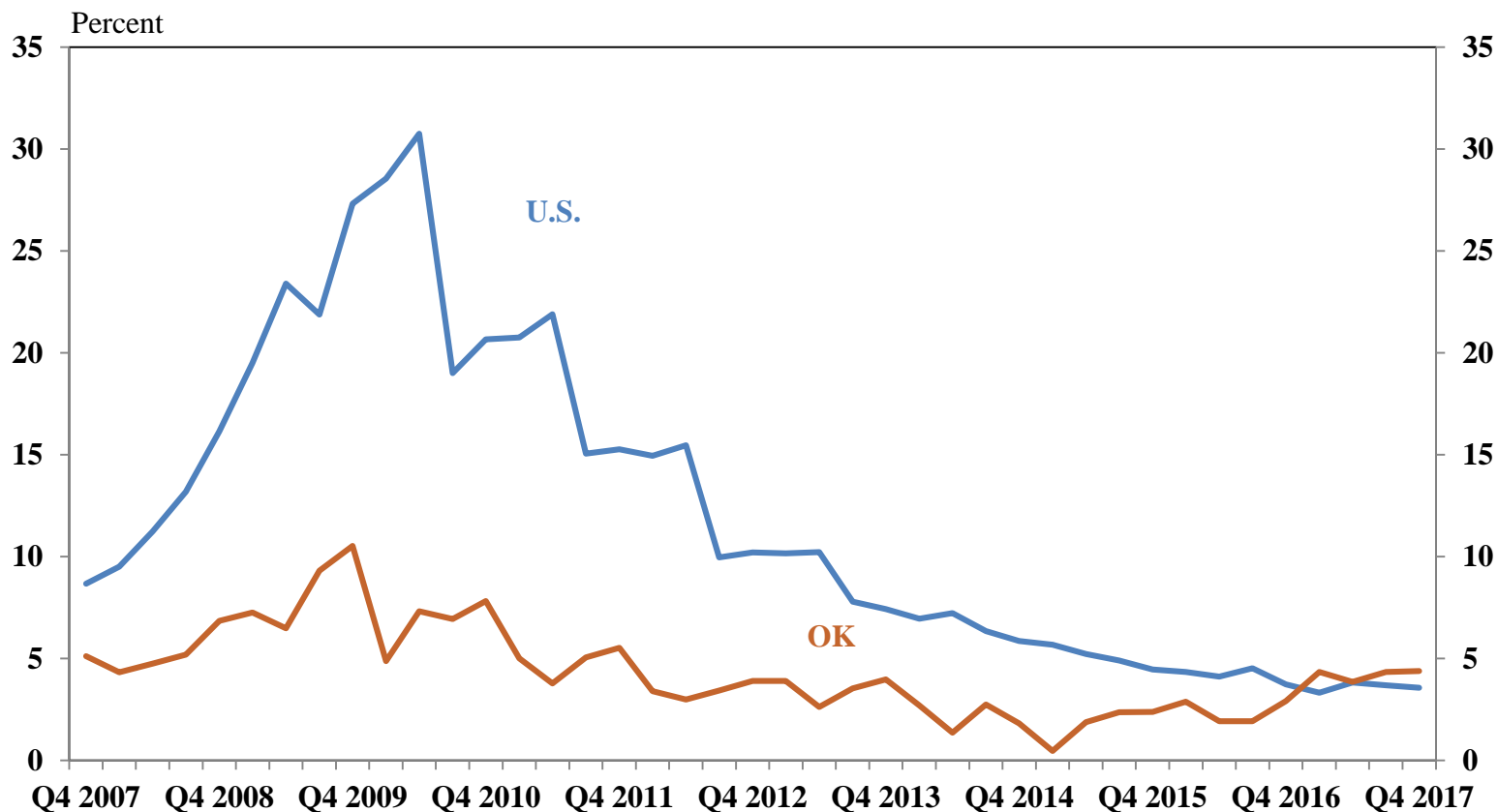
# Unemployment is well below 5 percent in most of the state, except in the southeast and a few other areas

## County Unemployment Rates



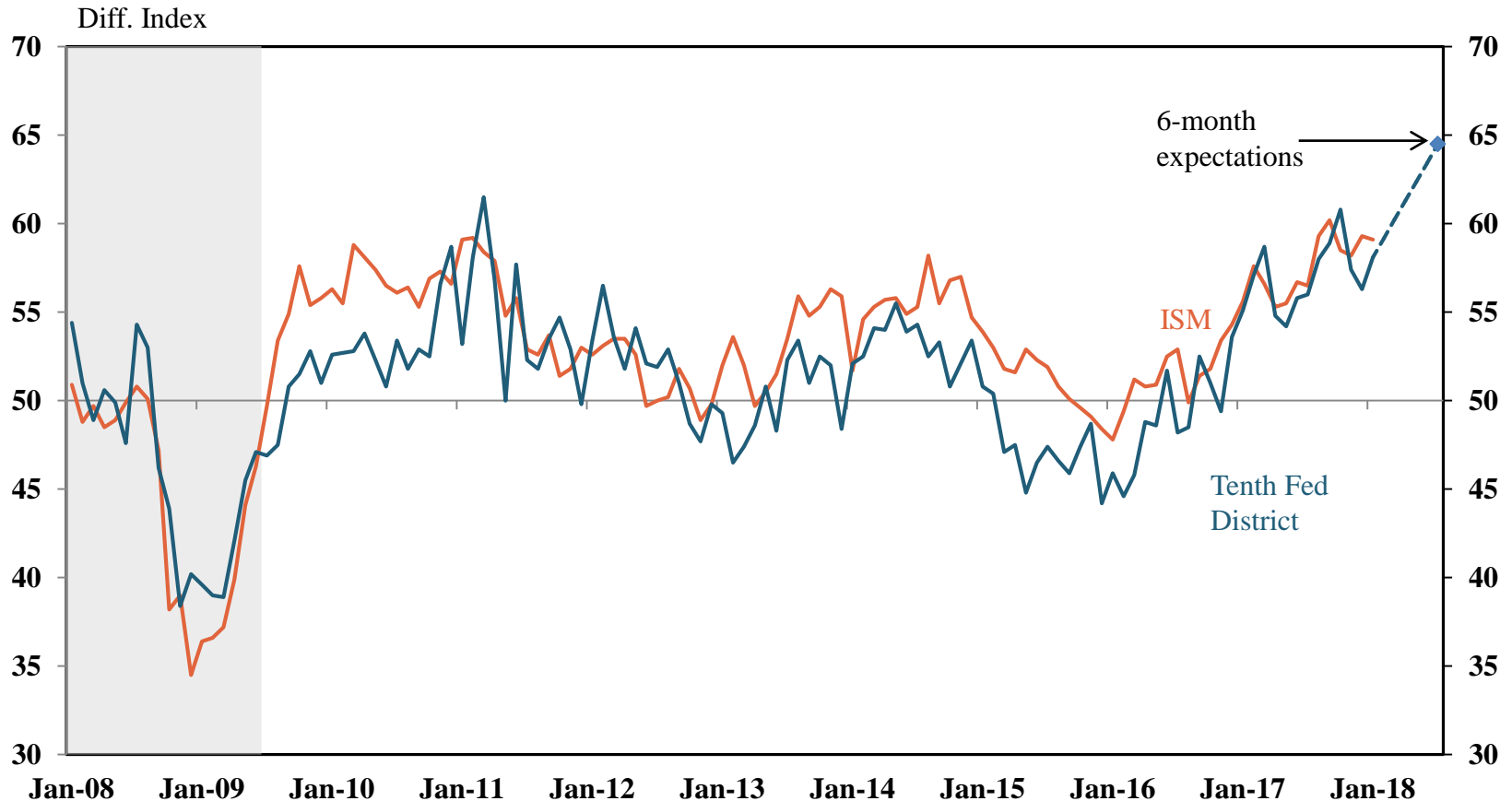
# Banking conditions in Oklahoma also remain very good despite the 2015-16 economic slowdown

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



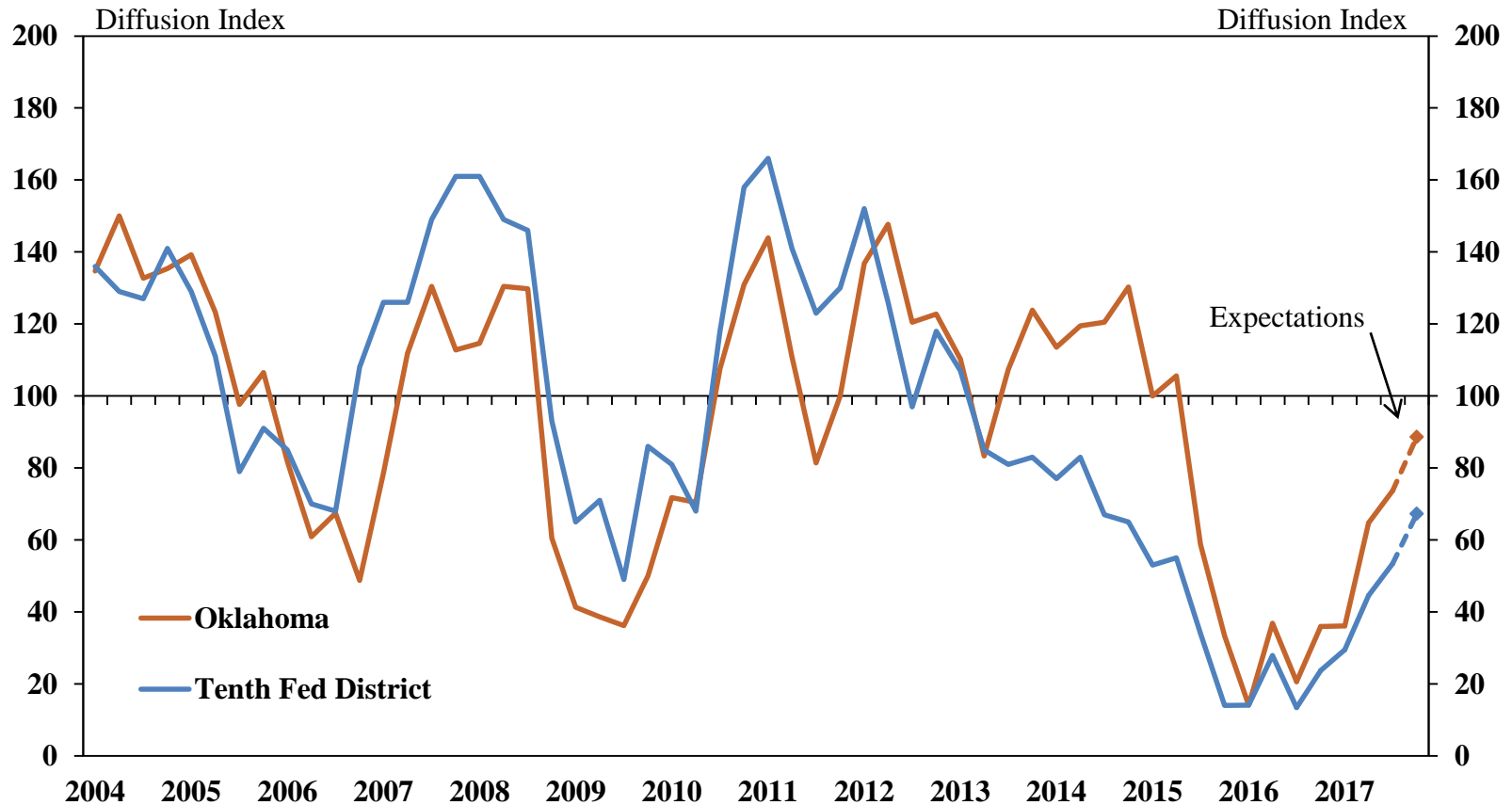
# Regional factory activity has continued to improve in recent months, with optimism high

## Manufacturing Composite Indexes, Seasonally Adjusted



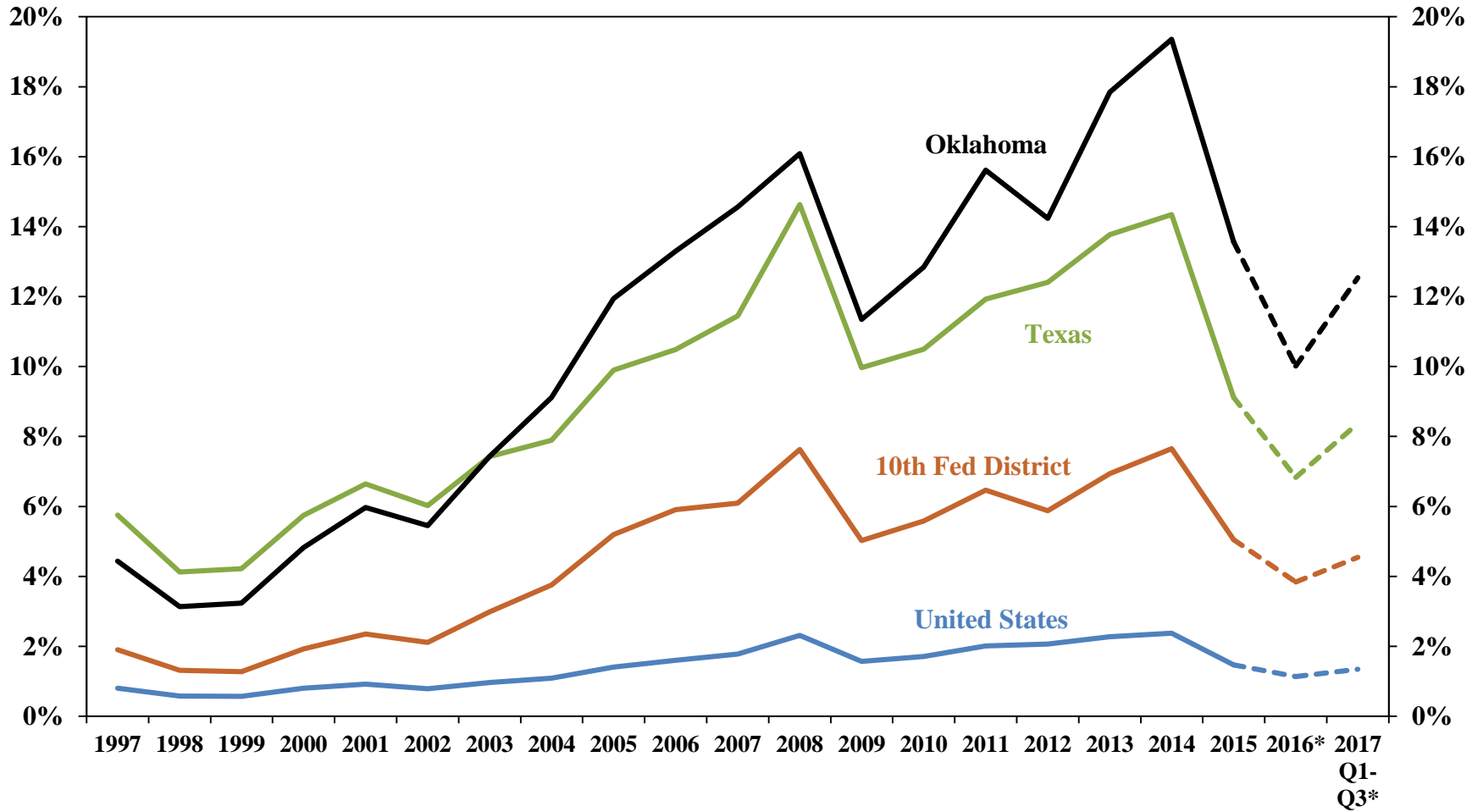
# The Oklahoma agriculture sector has shown some signs of stabilizing, with expectations improving

## Farm Income Indexes



# The oil and gas sector remains especially sizable in the state, even after dropping in recent years

**Oil and Gas Sector Share of GDP\***  
1997-2017



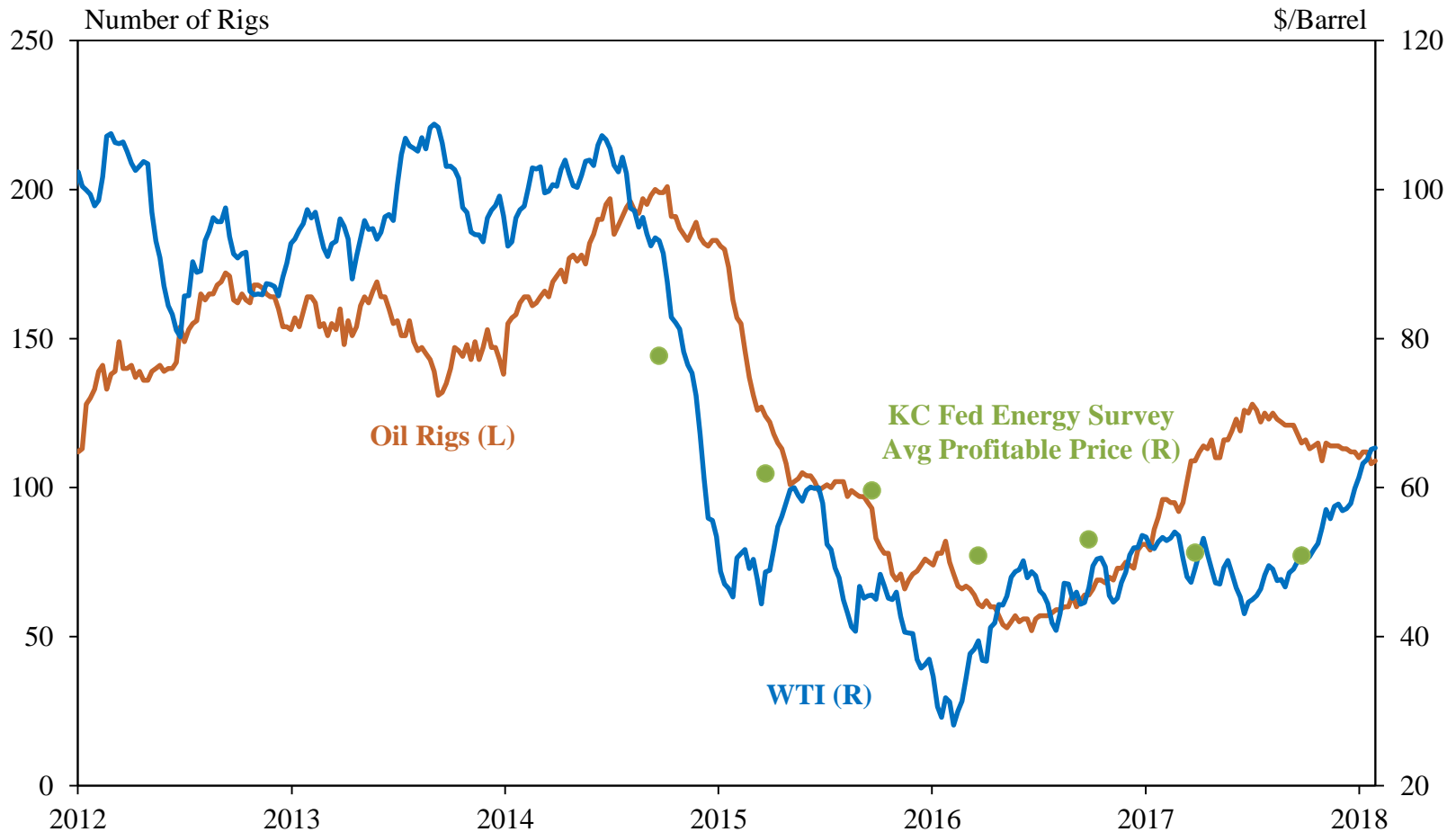
\*Oil & Gas Sector = NAICS 211 + NAICS 213;  
2016-17 estimates based on size of overall Mining sector



Source: U.S. Bureau of Economic Analysis; author's calculations

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

## WTI Spot Price vs. Oklahoma Rig Count



# Summary

- The U.S. economy continues to grow and the Fed has been tightening monetary policy
- Oklahoma was hurt by low commodity prices in 2015-16, but has improved lately
- Stronger energy activity and some stabilization in ag have been key reasons for the rebound



# Questions?

For regular analysis of the Oklahoma economy, please visit the resources available on the OKC Fed branch web page:

[www.kansascityfed.org/oklahomacity](http://www.kansascityfed.org/oklahomacity)

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>

