The U.S. and Oklahoma Economic Outlook

Evening at the Fed
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* 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
U.S. GDP growth remained solid in Q4, with strong consumer and business spending

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 strong into 2018

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

Unemployment Rate
Seasonally Adjusted

Current (Jan. 2018): 4.1%

Dec. FOMC Forecast Ranges in Yellow

Sources: U.S. Bureau of Labor Statistics, FOMC
U.S. inflation remains slightly below 2 percent, but is expected to return to long-term levels.

PCE Inflation Index

Percent change, year-over-year

Current (Dec. 2017): 1.7%
Current Core (Dec. 2017): 1.5%

Dec. FOMC Forecast Ranges in Yellow

Sources: U.S. Bureau of Labor Statistics, FOMC
The Fed has been raising the overnight federal funds rate, and forecasts for this to continue.

Federal Funds Rate
Year-end target

Current (Feb. 2018): 1.50%

Dec. FOMC Forecast
Ranges in Yellow

Sources: Federal Reserve Board, FOMC
The Fed has also begun to reduce its balance sheet, which grew considerably after the crisis.

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.
For jobs, 2015-16 was the largest divergence between U.S. & OK since the ‘80s, but the gap has closed.
In 2017, energy and related industries have mostly led the way in state job growth.

Oklahoma Job Growth by Industry
Dec-17

Source: Bureau of Labor Statistics
State tax revenues also improved following two tough years that remain challenges for the Legislature.

Oklahoma State Tax Revenues
Q1-18 through January

Source: OK Tax Commission
Oklahoma unemployment is also back down to near 4 percent after rising to 5 percent in 2016.

Source: U.S. Bureau of Labor Statistics
Unemployment is well below 5 percent in most of the state, except in the southeast and a few other areas.
Banking conditions in Oklahoma also remain very good despite the 2015-16 economic slowdown.
Regional factory activity has continued to improve in recent months, with optimism high.
The Oklahoma agriculture sector has shown some signs of stabilizing, with expectations improving.

Source: FRBKC Agricultural Credit Survey
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.
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

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

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