

# U.S. and Oklahoma Economic Outlook

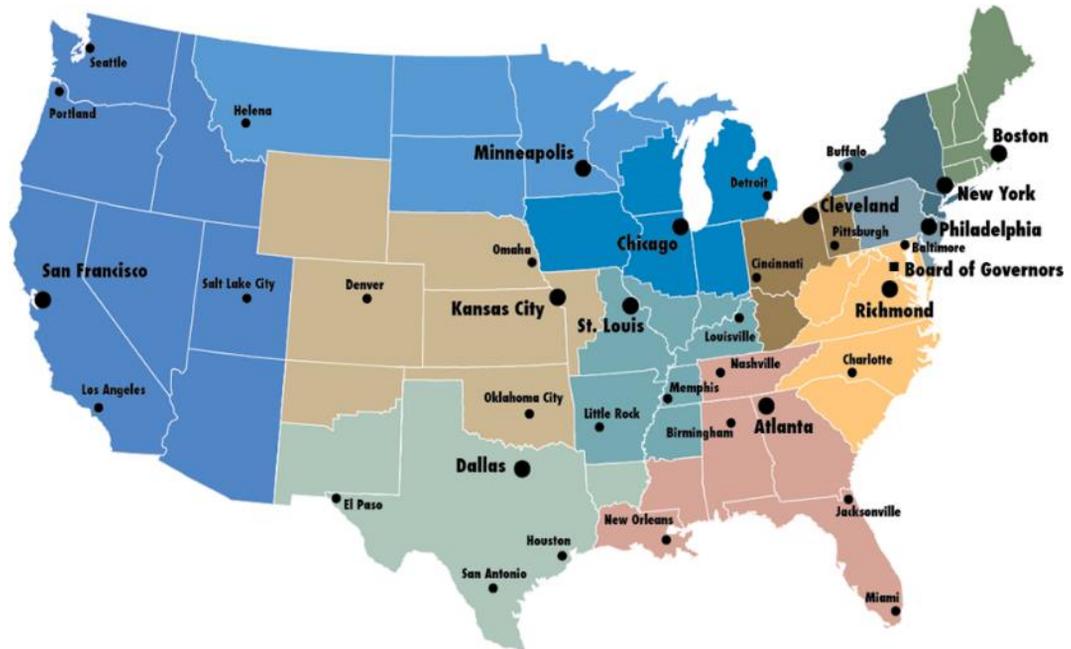
*Bixby Chamber of Commerce  
February 25, 2020*

**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



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

- **2020 Is Our Centennial!** **OKC BRANCH 100** 
- **Functions and purposes ~ 50 staff**
  - Research on U.S. and Oklahoma economies; energy sector and business survey focus
  - Examinations of Oklahoma financial institutions (~45 banks, ~175 holding cos.)
  - Community development programming for low and moderate income groups, workforce focus
  - Economic education and public outreach programming
- **2020 OKC Fed Branch Board of Directors**
  - **Tina Patel (chair)**, Co-Owner & CFO, Promise Hotels, Tulsa
  - **Walt Duncan**, President, Duncan Oil Properties, Oklahoma City
  - **Susan Plumb**, Chair & CEO, Bank of Cherokee County, Tahlequah
  - **Brady Sidwell**, Principal, Sidwell Strategies, Enid
  - **Chris Turner**, President & CFO, First State Bank, Oklahoma City
  - **Katrina Washington**, Owner/Broker, Stratos Realty, Oklahoma City
  - **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



# The Federal Reserve's Role in Monetary Policy

- **Dual Mandate from U.S. Congress:**

- 1) Maximum employment
- 2) Price stability

- **Federal Open Market Committee (FOMC):**

## Board of Governors

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



## Reserve Bank Presidents

- **John C. Williams**, New York, Vice Chairman
- **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
- **Charles L. Evans**, Chicago
- **James Bullard**, St. Louis
- **Esther L. George**, Kansas City
- **Eric Rosengren**, Boston



\*Permanent voters in bold; 2020 rotating voters in red; 2021 rotating voters in blue

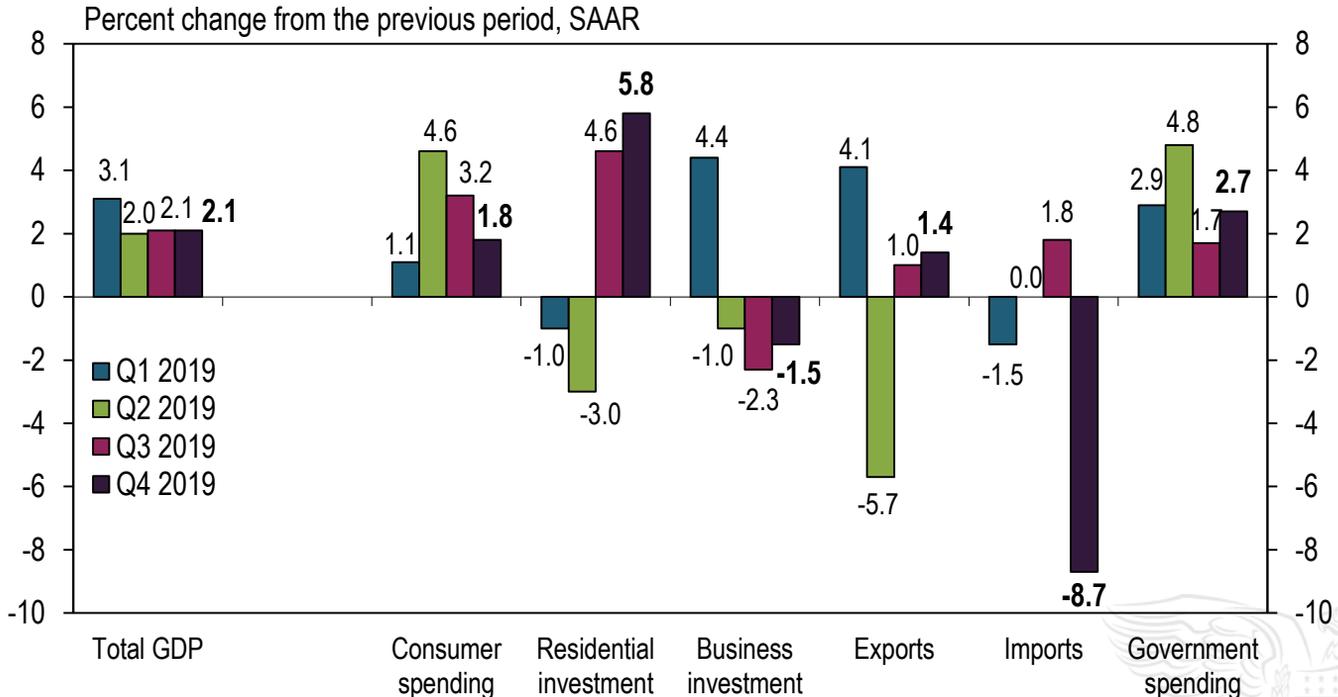


# U.S. Economic Outlook and Monetary Policy



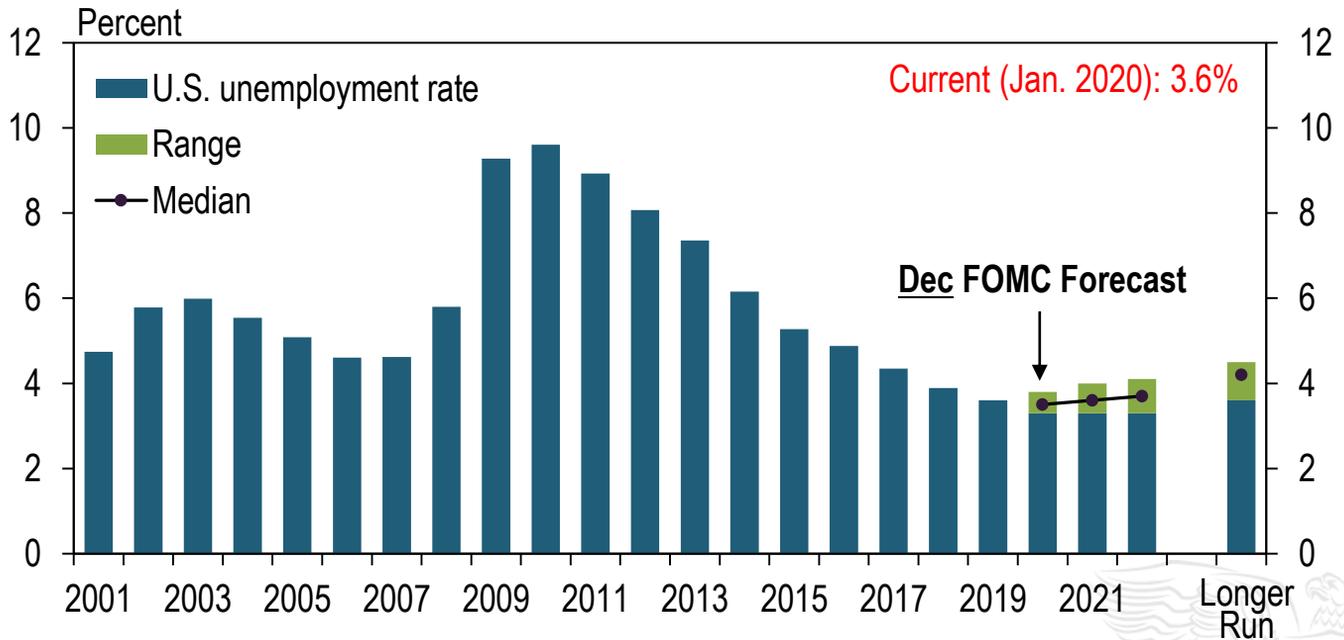
# Jan. FOMC: “Economic activity has been rising at a moderate rate...household...rising...business...weak”

## Percent Change in Components of Real GDP



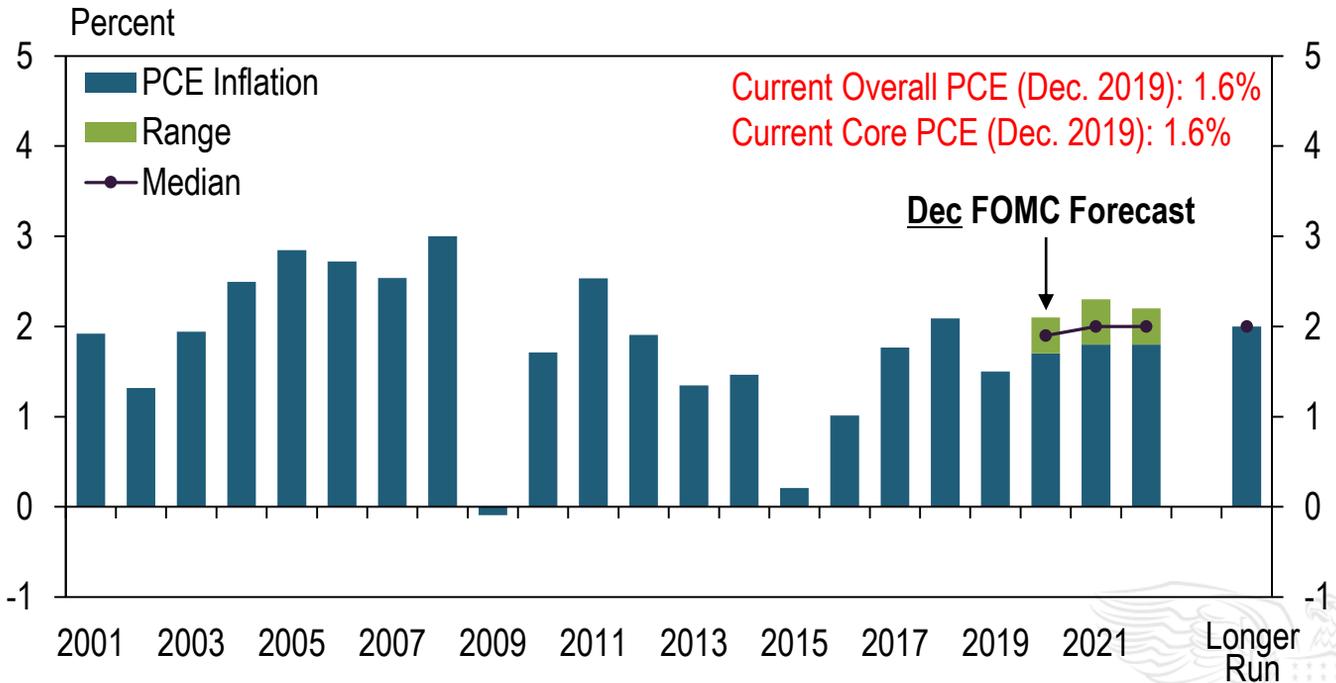
# Jan. FOMC: “Job gains have been solid...and the unemployment rate has remained low.”

U.S. Unemployment Rate



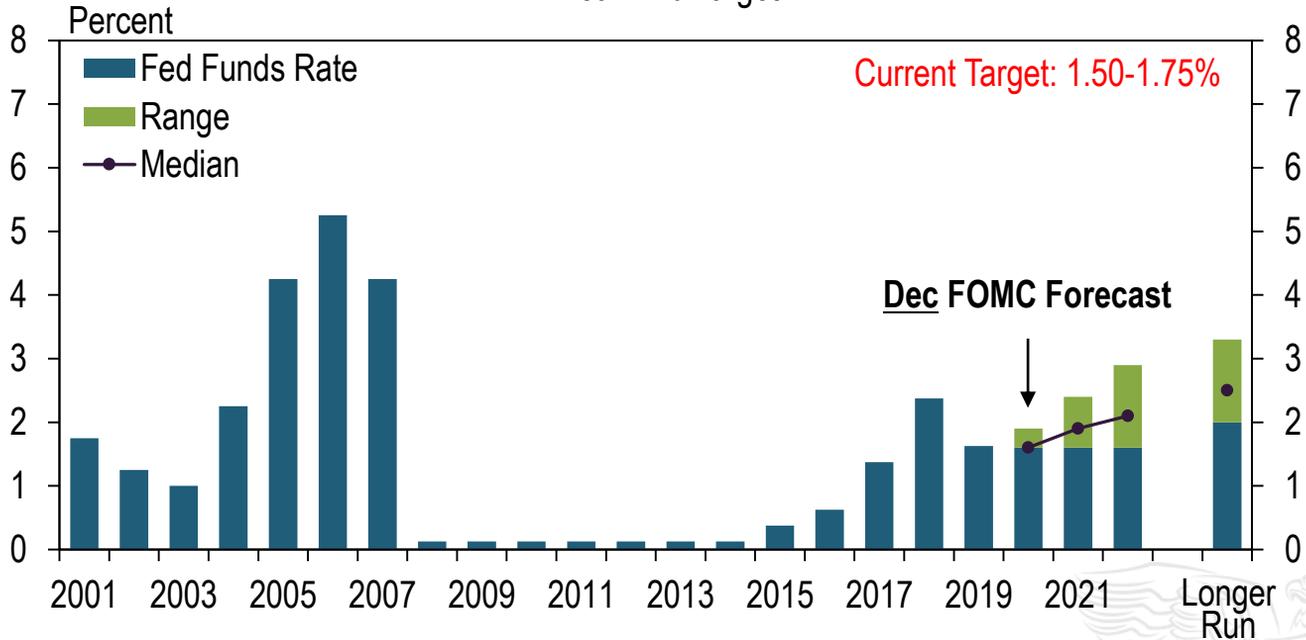
# Jan. FOMC: “Overall inflation and inflation for items other than food and energy are running below 2%.”

PCE Inflation Index



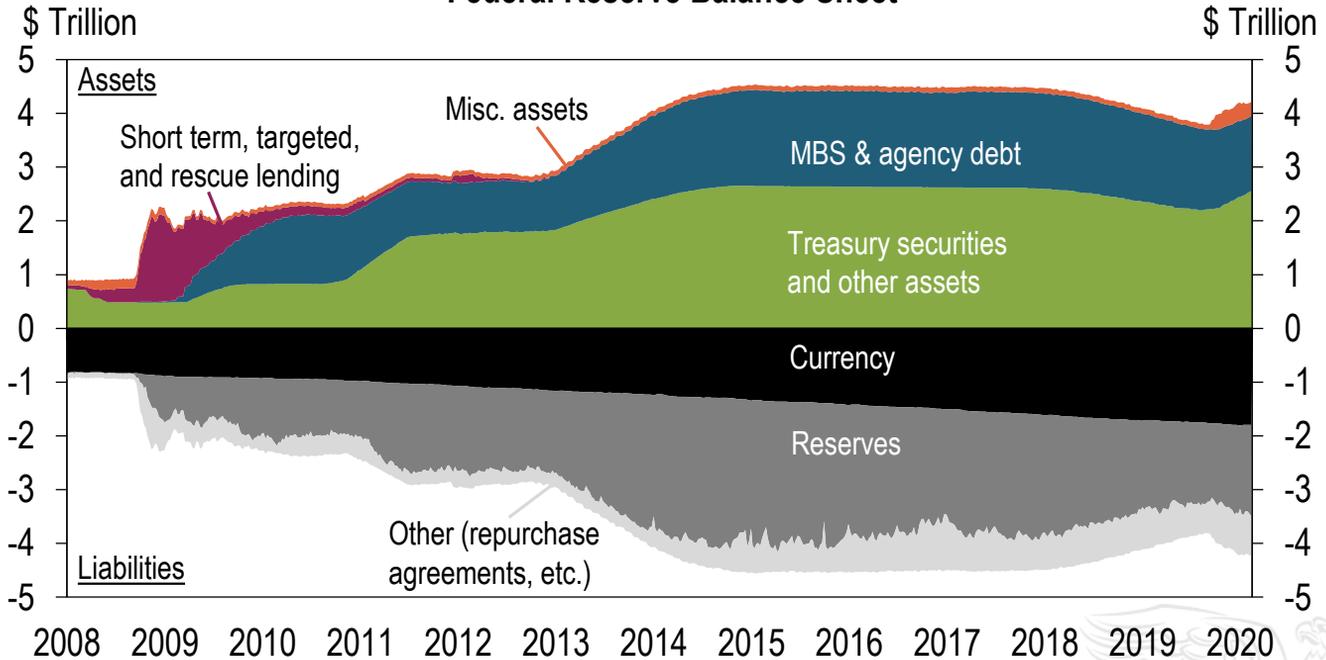
# Jan. FOMC: “the [FOMC] decided to maintain the...rate... will continue to monitor...incoming information.”

Federal Funds Rate  
Year-End Target



**“In light of...increases in...liabilities, the [FOMC] directs the Desk...to maintain...ample reserve balances.”**

**Federal Reserve Balance Sheet**

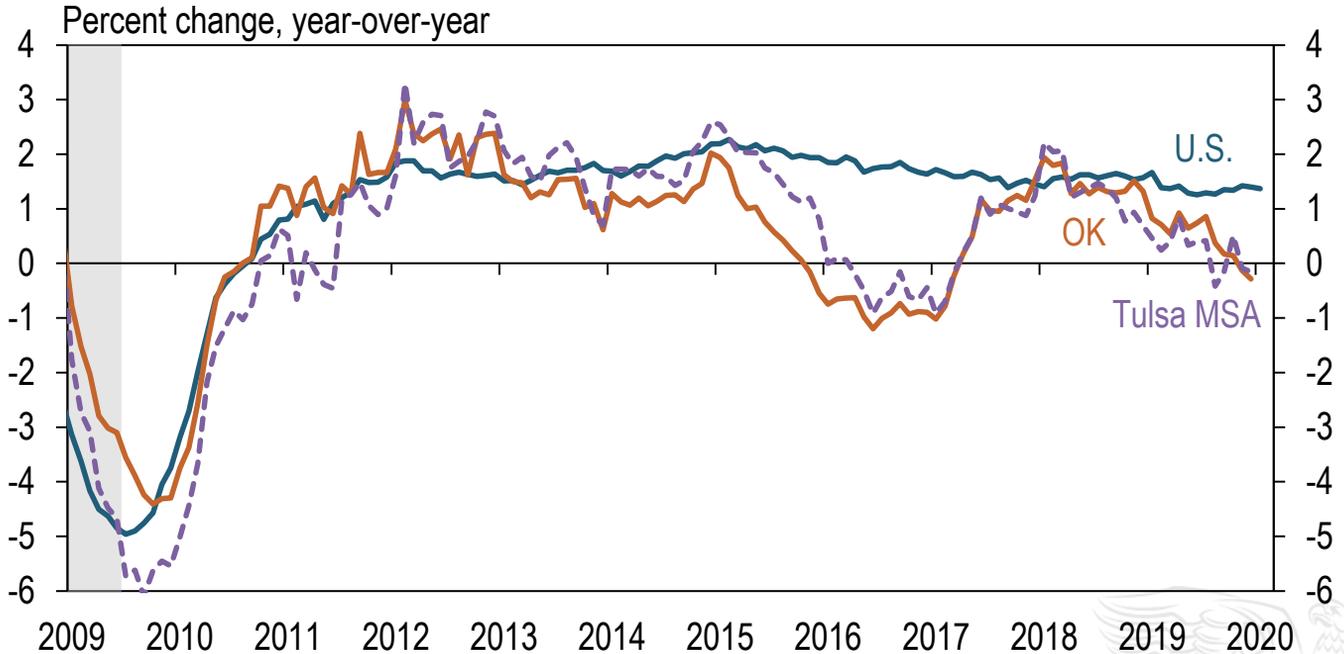


# Oklahoma Economic Outlook

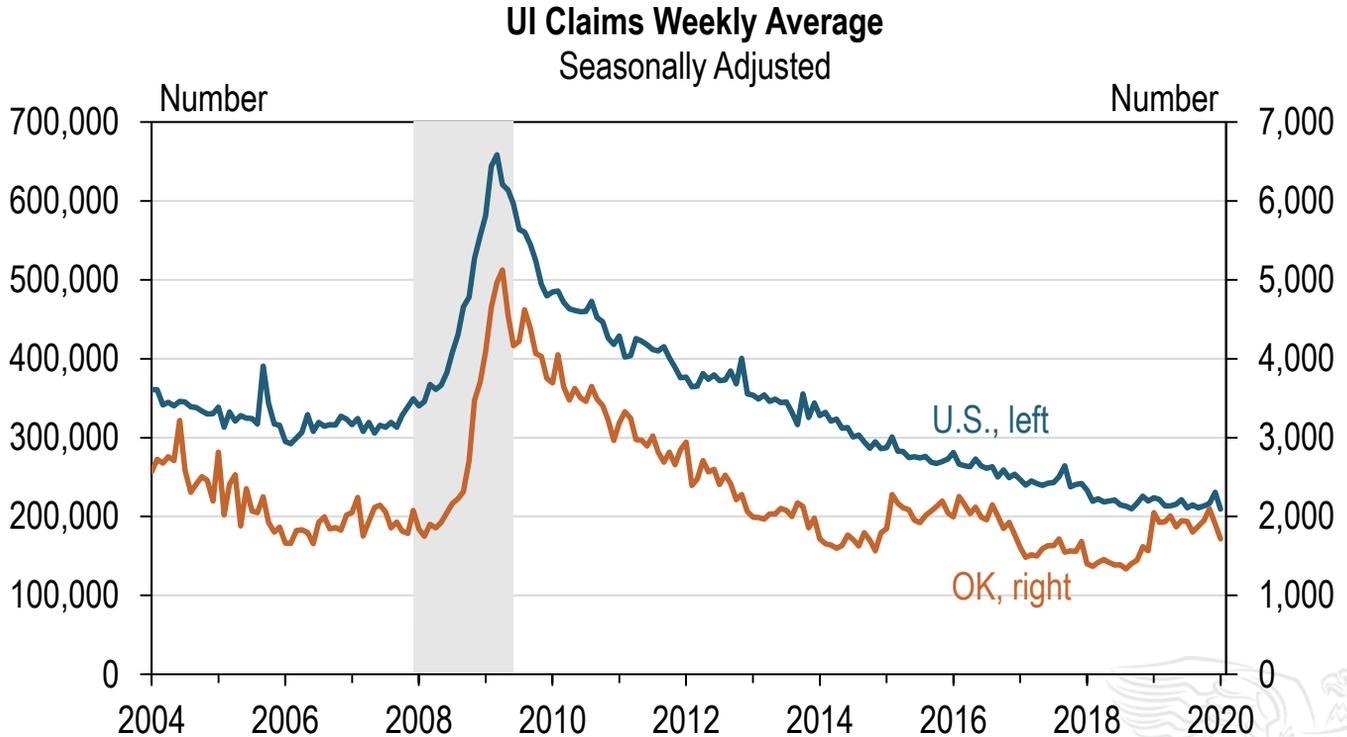


# The pace of Oklahoma job growth slowed steadily in 2019, and was negative in November and December

## Nonfarm Payroll Employment Growth

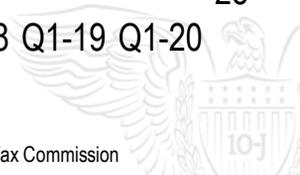
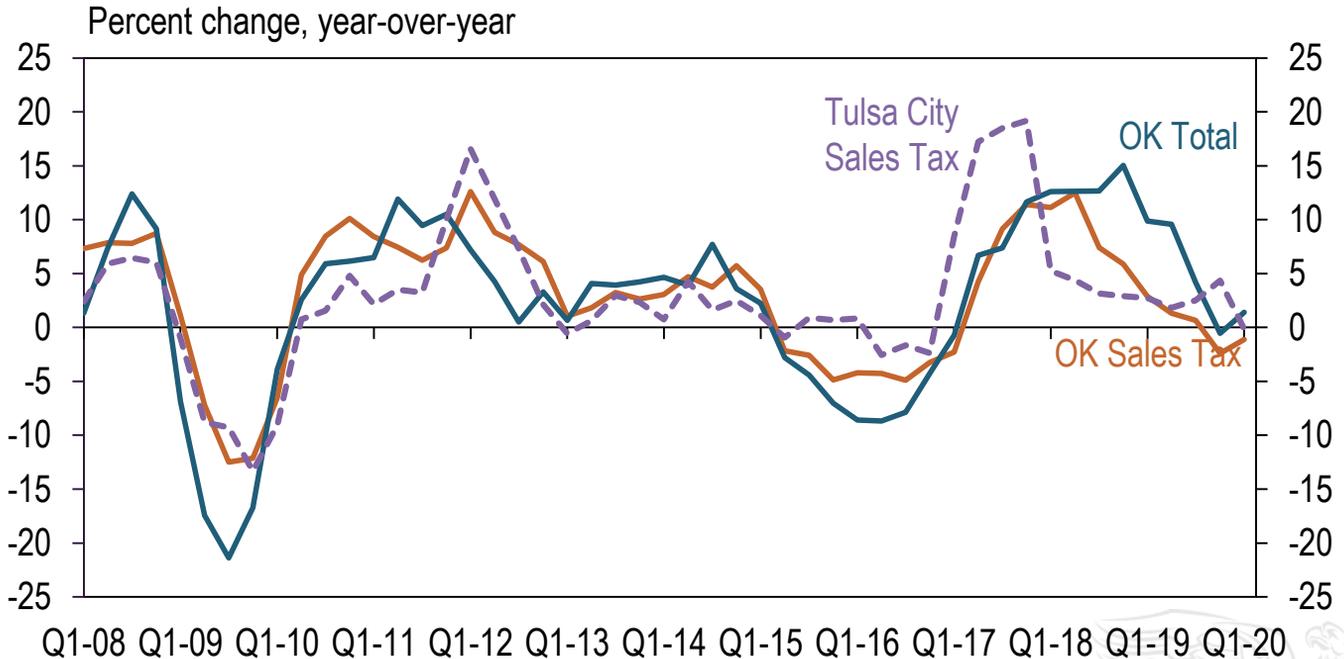


# Weekly initial jobless claims in the state ran near 2015-16 levels in 2019, but improved slightly in January 2020



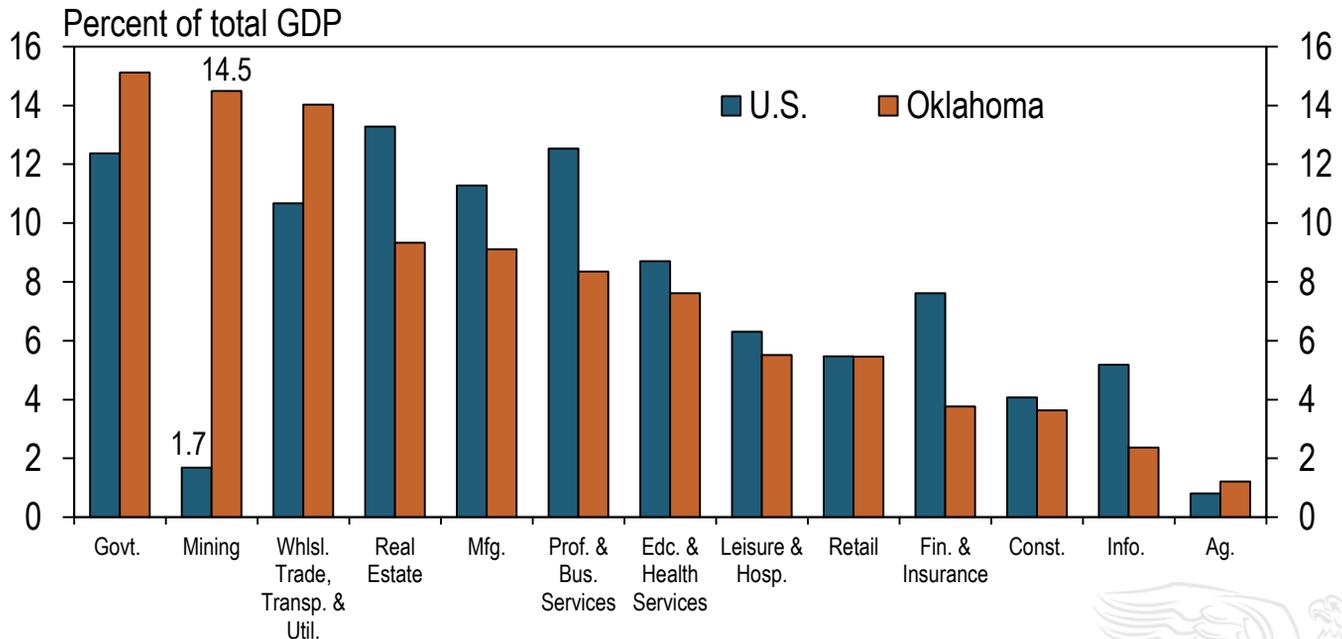
# Total state tax receipts also rose slightly in January, but sales tax revenues are still below year-ago levels

## Oklahoma Tax Revenues



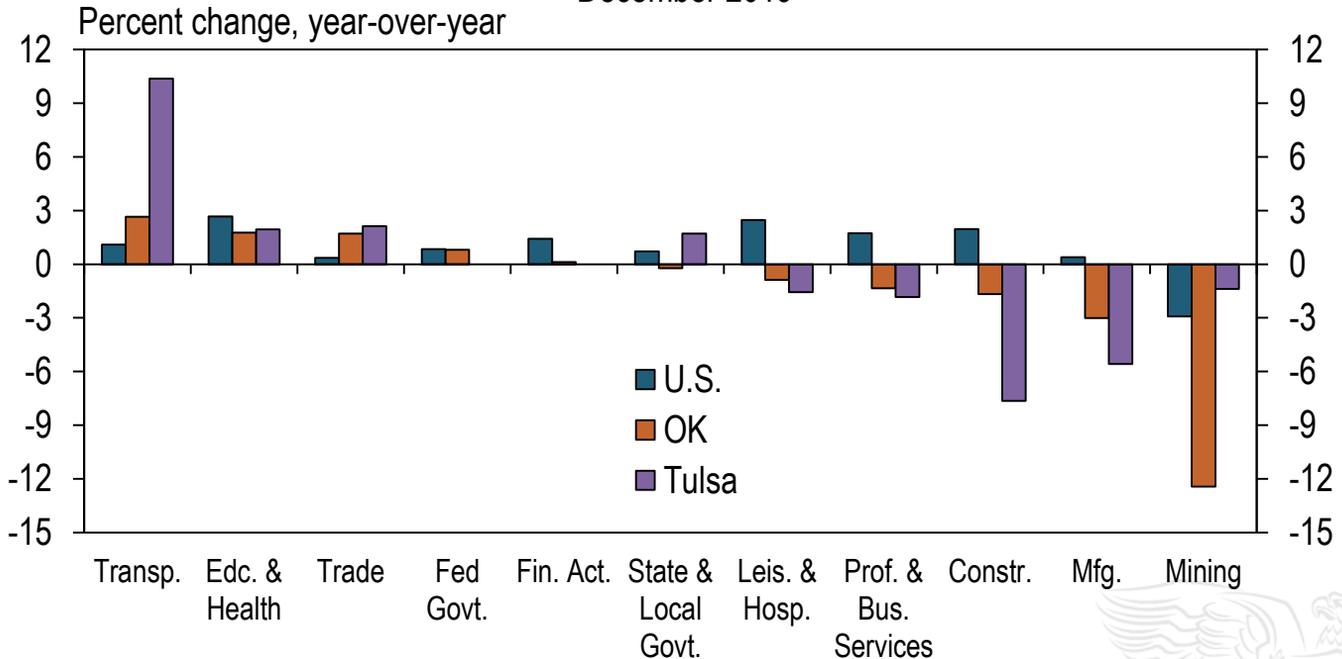
# Oklahoma's main difference from the nation in terms of industrial structure is its very sizable energy sector

Industry Share of GDP, 2018



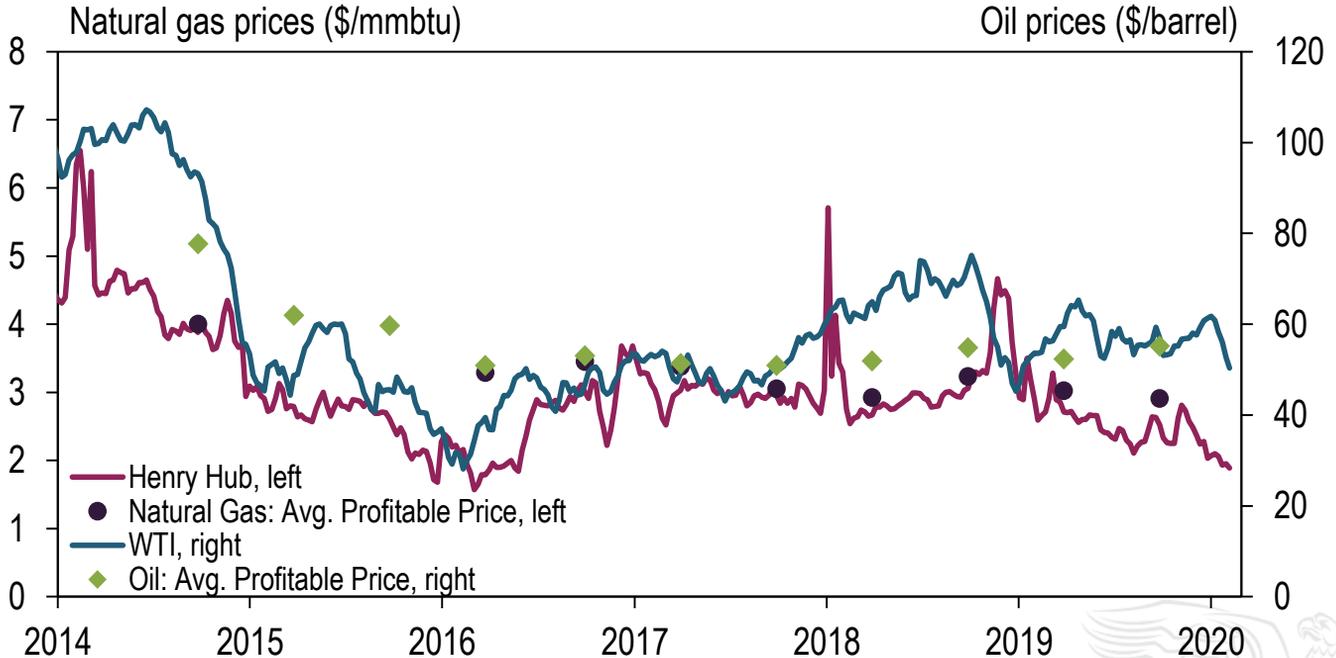
# The slower state job growth in 2019 has been driven mainly by job losses in energy and related sectors

Job Growth by Industry  
December 2019



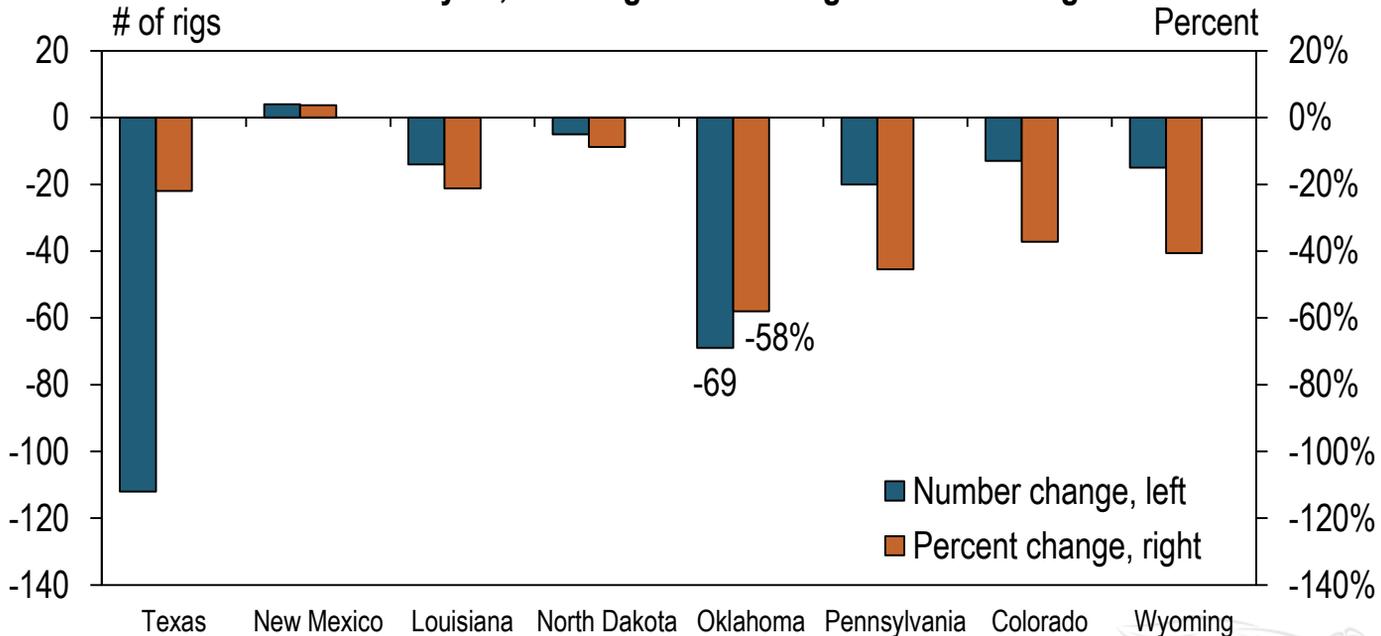
# Marginally profitable oil prices since spring, plus low natural gas prices, have contributed to slower activity

## Oil & Natural Gas Profitability and Prices



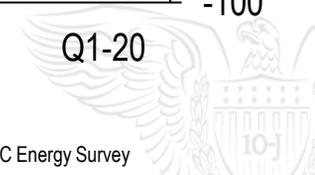
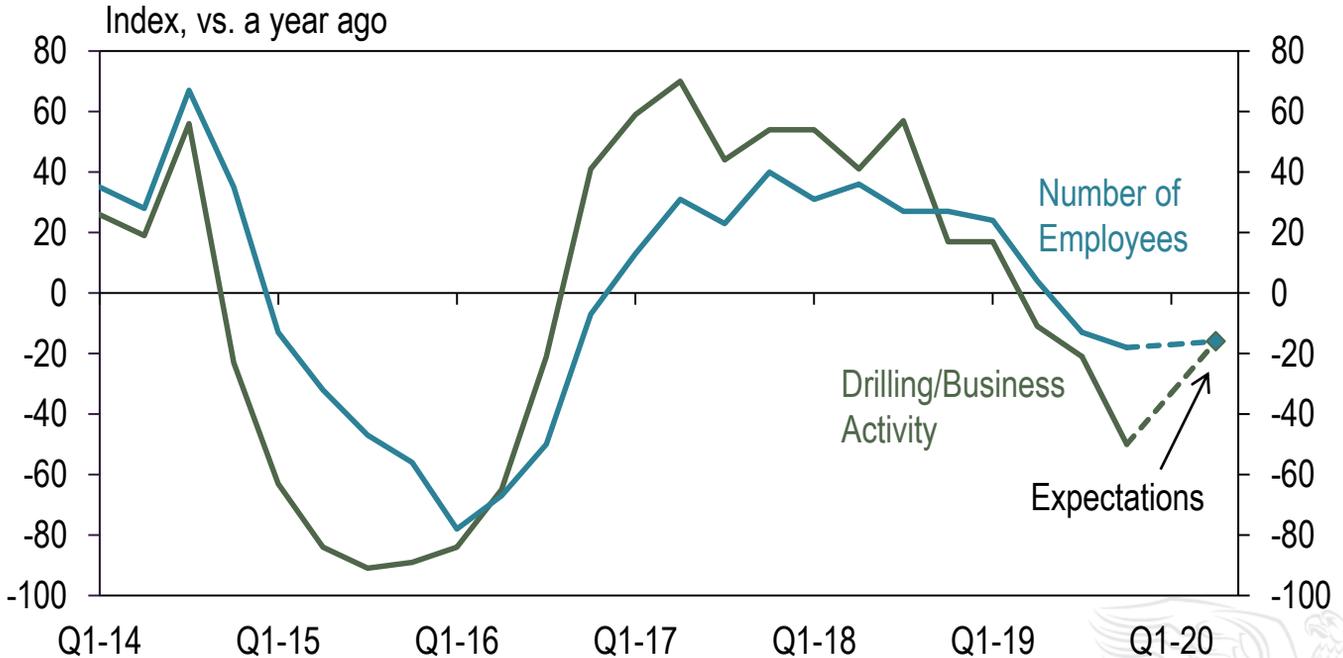
# Oklahoma's percentage drop in rigs has been the largest among the top 8 oil- and gas-producing states

February 14, 2020 Rig Count Change from a Year Ago



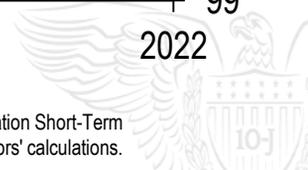
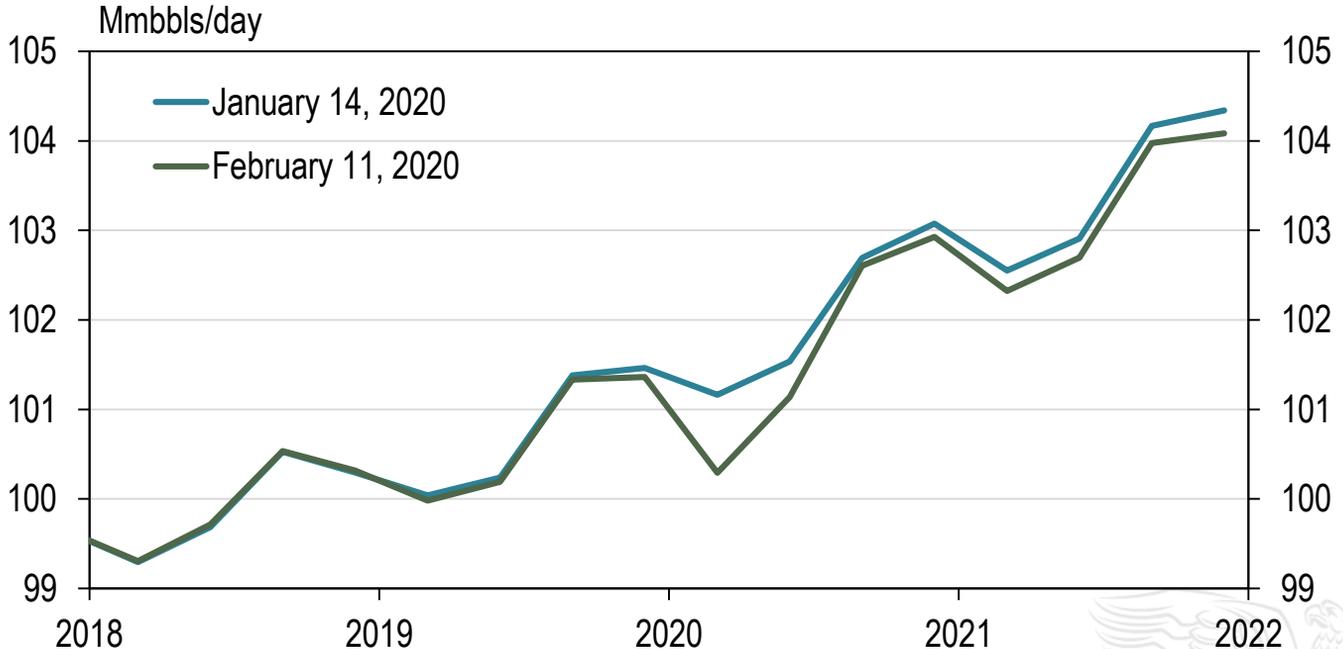
# In late December, regional energy firms expected drilling activity to drop further, with continued job cuts

Kansas City Fed Energy Indexes



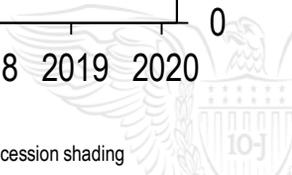
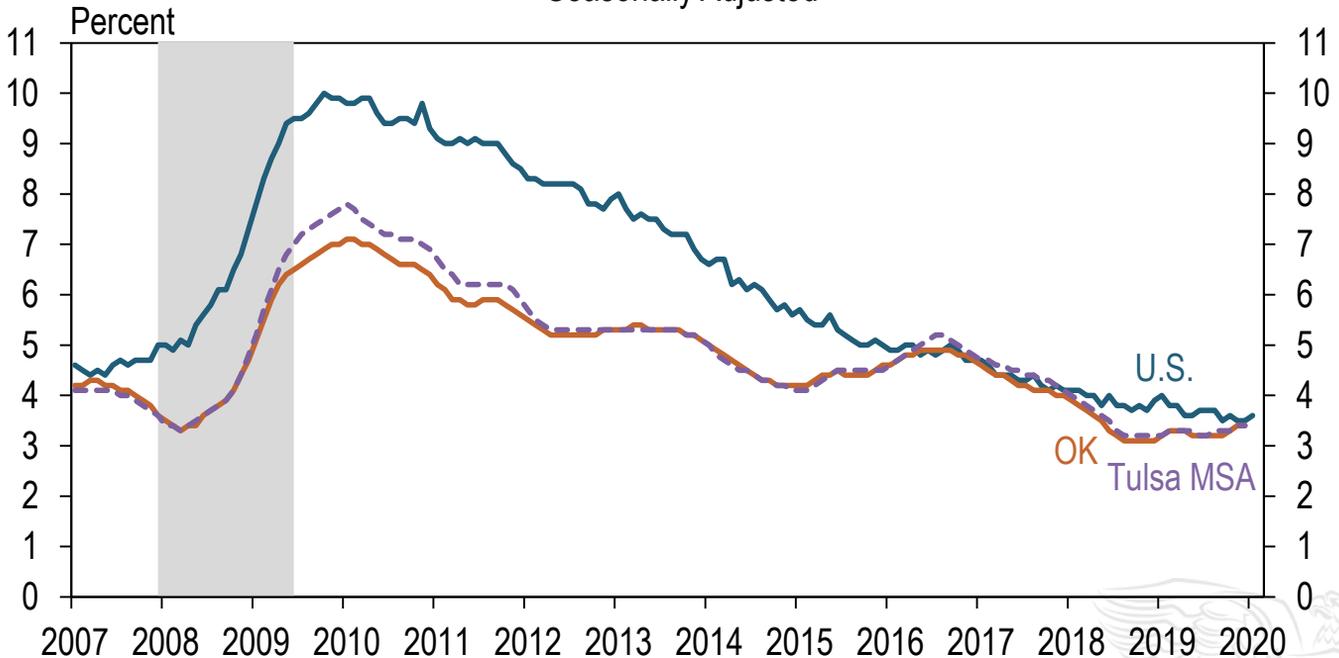
# Since then, forecasts for world oil demand have weakened, following the coronavirus outbreak

## World Petroleum Demand Forecasts



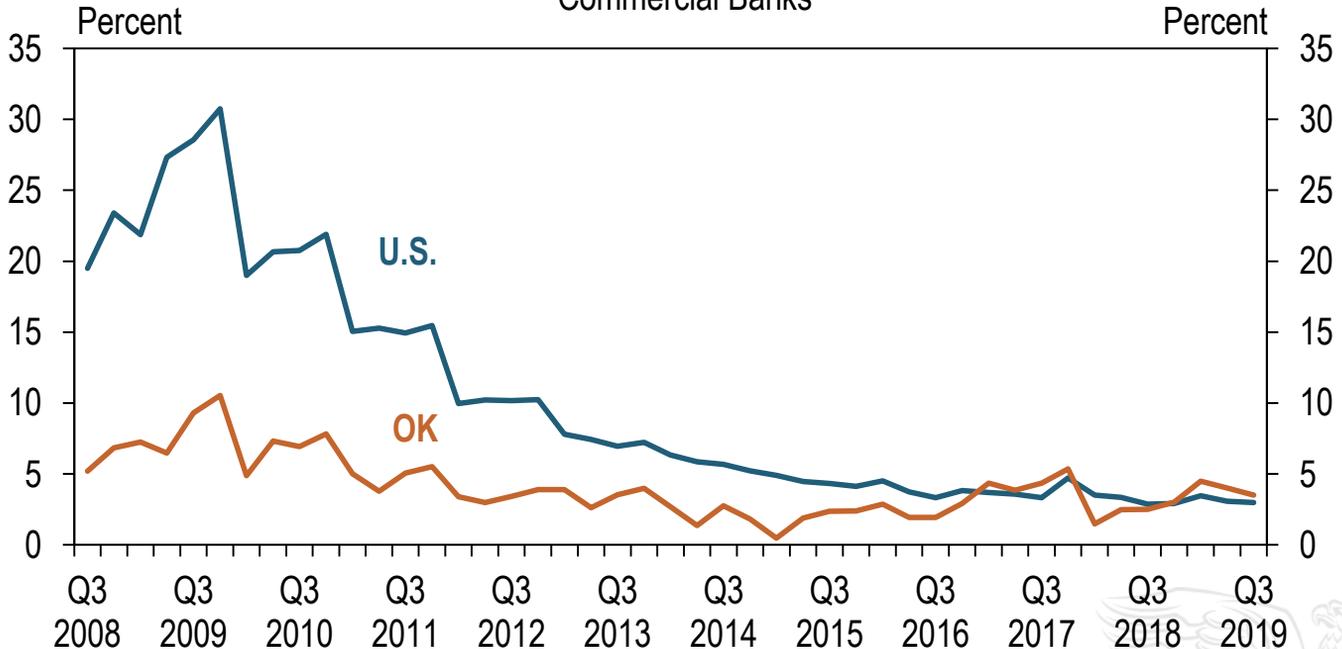
# Despite slower job growth and elevated UI claims, unemployment in Oklahoma remains low

Unemployment Rates  
Seasonally Adjusted



# Banking conditions in Oklahoma also remain very good, similar to in the nation

Share of Banks Not Making a Profit  
Commercial Banks



# Summary

- The national economy continues to grow, with low unemployment, but business investment has slowed
- Oklahoma's economy slowed in 2019 and by the end of the year no longer appeared to be growing overall, as weak energy activity spread to some other sectors
- Still, unemployment remains low and banking conditions are good, which should help the state if further economic deterioration occurs



# Questions?

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