U.S. and Oklahoma Economic Outlook

Poteau Economic Forum
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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
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  • Susan Chapman Plumb, Board Chair & CEO, Bank of Cherokee County, Tahlequah
  • Michael Coffman, CEO (retired), Panhandle Oil & Gas, Inc., Oklahoma City
  • Tina Patel, Co-Owner & CFO, Promise Hotels, Tulsa
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• 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 2018 growth remains strong

U.S. Payroll Employment and Business Indexes

“The labor market has continued to strengthen...job gains have been strong and the unemployment rate has declined.”
“On a 12-month basis, both overall inflation and inflation for items other than food and energy have moved close to 2 percent.”
“The [FOMC] expects that further gradual increases…for the federal funds rate will be consistent with sustained expansion...”

Federal Funds Rate
Year-end target

- Current Target: 1.75-2.00%
- Jun. FOMC Forecast
- Ranges in Yellow

Sources: Federal Reserve Board, FOMC
The Fed has also begun to reduce its balance sheet.
Trends in the Oklahoma & Poteau Area Economies
Oklahoma GDP dropped considerably in 2016, after oil prices fell, but began to rebound in 2017.
In early 2018, state job growth has matched the nation after lagging in 2015-16 the most since the 1980s.
State job gains the past year have been led by mining (oil & gas), but all private sectors have added workers.

Oklahoma Job Growth by Industry
May-18

Source: Bureau of Labor Statistics
Tax revenues are also growing strongly, after several years that remain challenges for the Legislature.

Oklahoma State Tax Revenues
Q2-18 through June

Source: OK Tax Commission
Banking conditions in Oklahoma also remain very good despite the 2015-16 economic slowdown.
Unemployment is low across most of the state but remains somewhat higher in southeast OK.

May 2017 Unemployment Rates

Source: U.S. Bureau of Labor Statistics
Joblessness around Poteau has come down to about where it was before the Great Recession

**Unemployment rates**
Seasonally Adjusted

*11 County Area includes the following counties: Adair, Cherokee, Haskell, Latimer, Le Flore, McCurtain, McIntosh, Muskogee, Pittsburg, Pushmataha, and Sequoyah

Source: U.S. Bureau of Labor Statistics
Eastern Oklahoma saw an increase in jobs the past year, except in Le Flore and Latimer counties.

Employment Growth
May 2017 – May 2018

Year-Over-Year Change
- Less than 0%
- 0% to 5%
- 5.1% to 10%
- More than 10%

Source: U.S. Bureau of Labor Statistics
## Key industries in Eastern Oklahoma

### Personal Income Share by Industry, 2016

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent of Total Income</th>
<th>Location Quotient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.</td>
<td>OK</td>
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<tr>
<td>Agriculture</td>
<td>0.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Mining</td>
<td>1.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Federal Government</td>
<td>4.0</td>
<td>5.9</td>
</tr>
<tr>
<td>State &amp; Local Government</td>
<td>12.6</td>
<td>13.8</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>4.4</td>
<td>10.7</td>
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<tr>
<td>Construction</td>
<td>6.0</td>
<td>6.4</td>
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<tr>
<td>Manufacturing</td>
<td>9.4</td>
<td>8.2</td>
</tr>
<tr>
<td>Trade</td>
<td>10.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>4.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>6.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Education &amp; Health</td>
<td>12.9</td>
<td>11.5</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>22.8</td>
<td>14.4</td>
</tr>
</tbody>
</table>

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

*11 County Area includes the following counties: Adair, Cherokee, Haskell, Latimer, Le Flore, McCurtain, McIntosh, Muskogee, Pittsburg, Pushmataha, and Sequoyah*

Source: U.S. Bureau of Economic Analysis
The Oklahoma agriculture sector has shown some signs of stabilizing, with expectations up slightly.
Oil and gas production is at a record high, but with considerably fewer rigs and workers than in the past.

Note: Employment is for total mining and logging, which in Oklahoma is almost completely oil and gas related. Production is shown as a 3-month moving average.
Most firms can profitably drill for oil in the areas they are active, and natural gas prices work for some firms.
Summary

- The U.S. economy continues to grow despite headwinds, and the Fed has been raising rates.

- The state and local economies were hurt by low commodity prices, but now are growing solidly.

- Strong productivity growth in the oil and gas sector could potentially limit future job growth.
Questions?

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