

Economic Update

Chad Wilkerson

Vice President and Branch Executive

Oklahoma City Branch



²⁰¹¹
Regulatory Update
— SEMINAR —

Federal Reserve Bank of Kansas City



The U.S. Economic Outlook

- Pace of Recovery and Growth Outlook
- Price Indexes and Inflation Outlook
- Government Debt Projections

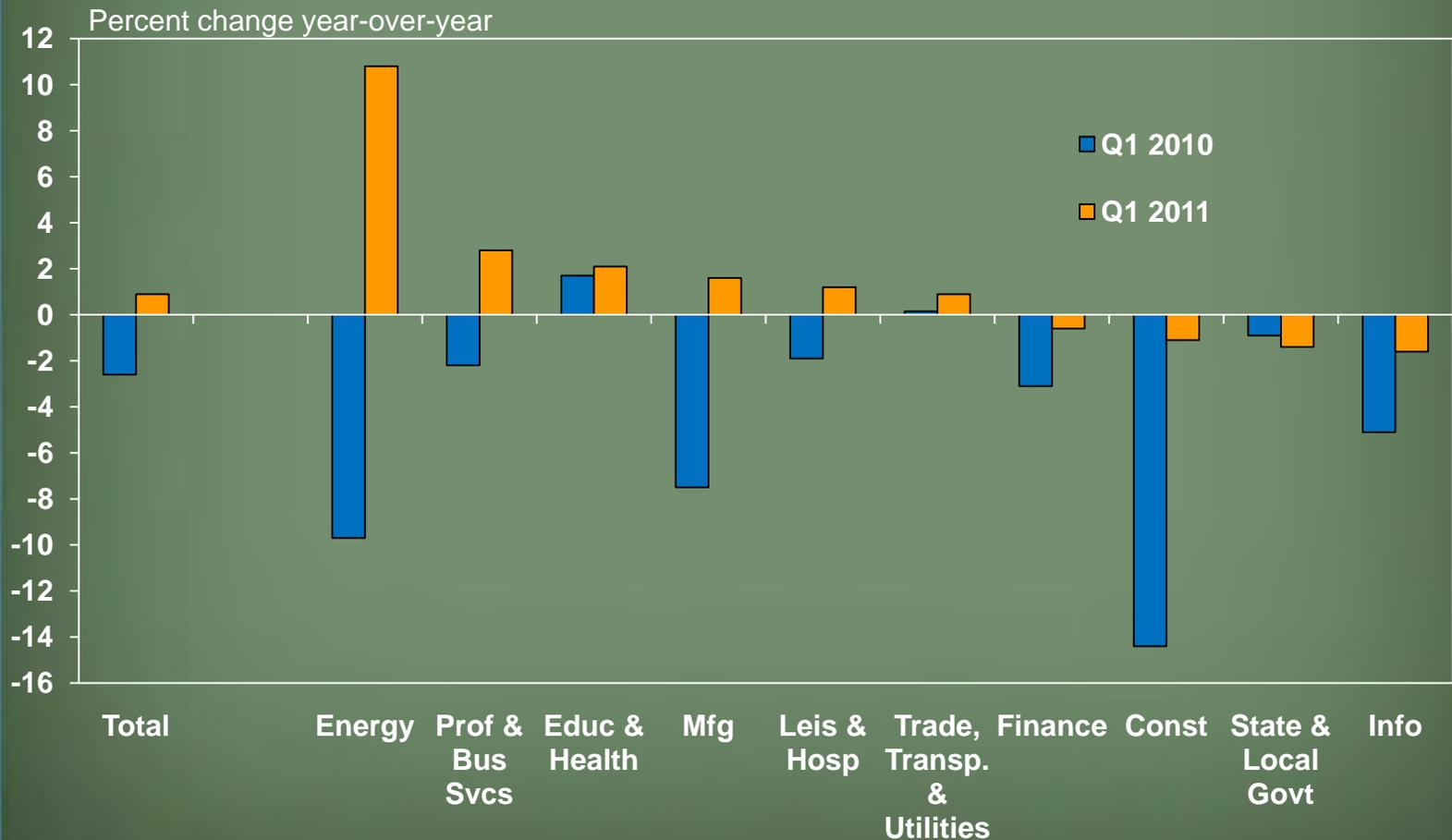
U.S. Economic Activity has Picked up in 2011, but Job Growth Remains Moderate

U.S. Private Payroll Employment and Business Indexes



Employment in Many Industries has Rebounded Considerably from a Year ago

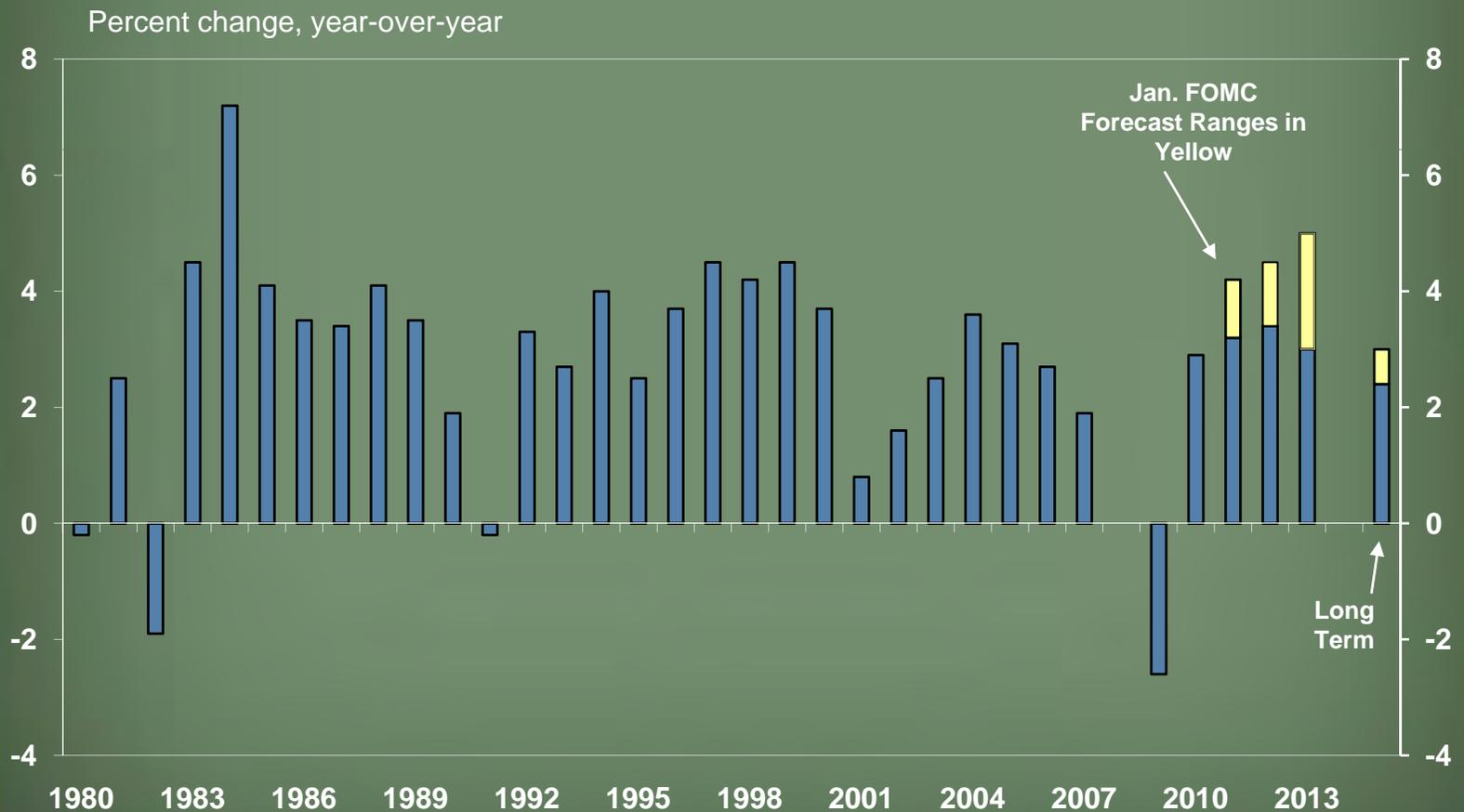
U. S. Employment Growth



Source: Bureau of Labor Statistics

Fed Policymakers Expect Continued Moderate U.S. GDP Recovery

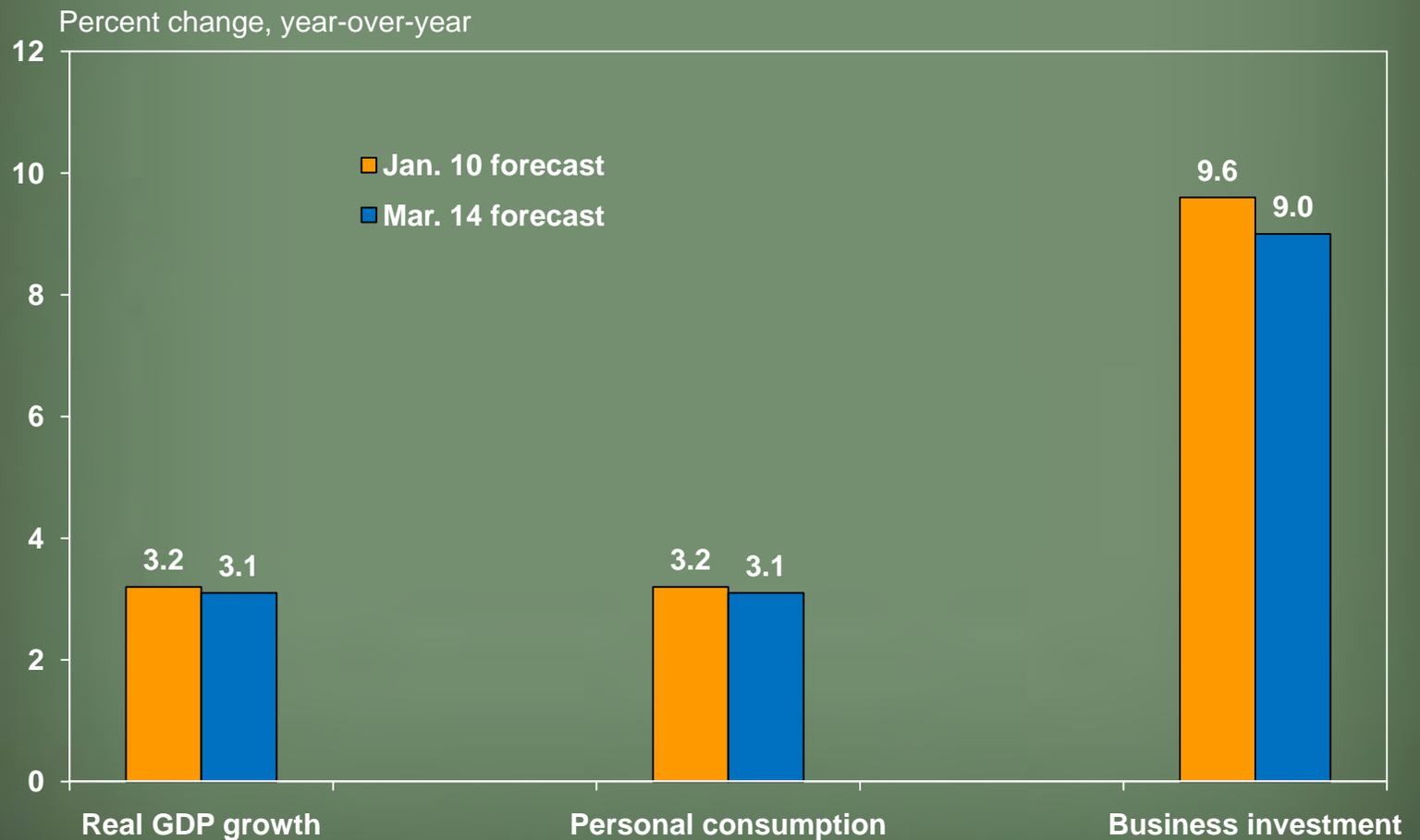
Real Gross Domestic Product



2011 REGULATORY UPDATE SEMINARS
FEDERAL RESERVE BANK OF KANSAS CITY

Growth Forecasts Fell only Slightly in March, Following International Events

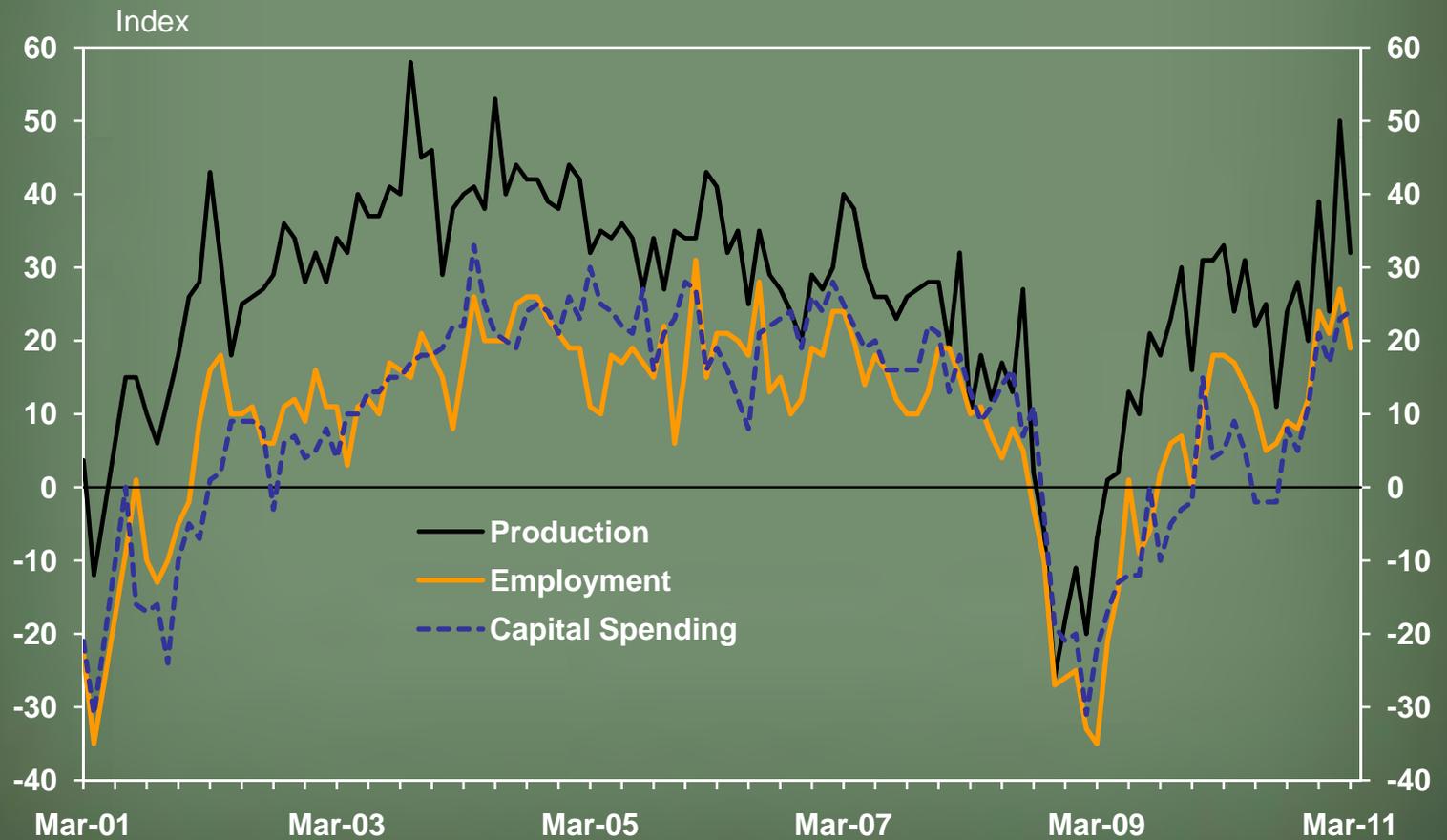
January and March 2011 Economic Forecasts



Source: Consensus Economics, Inc.

Factory Expectations Moderated a bit in March, but Remain Quite Solid

Tenth District Manufacturing Expectations Six months ahead



Source: FRBKC

Both Overall And Core Inflation Have Risen with Higher Oil Prices

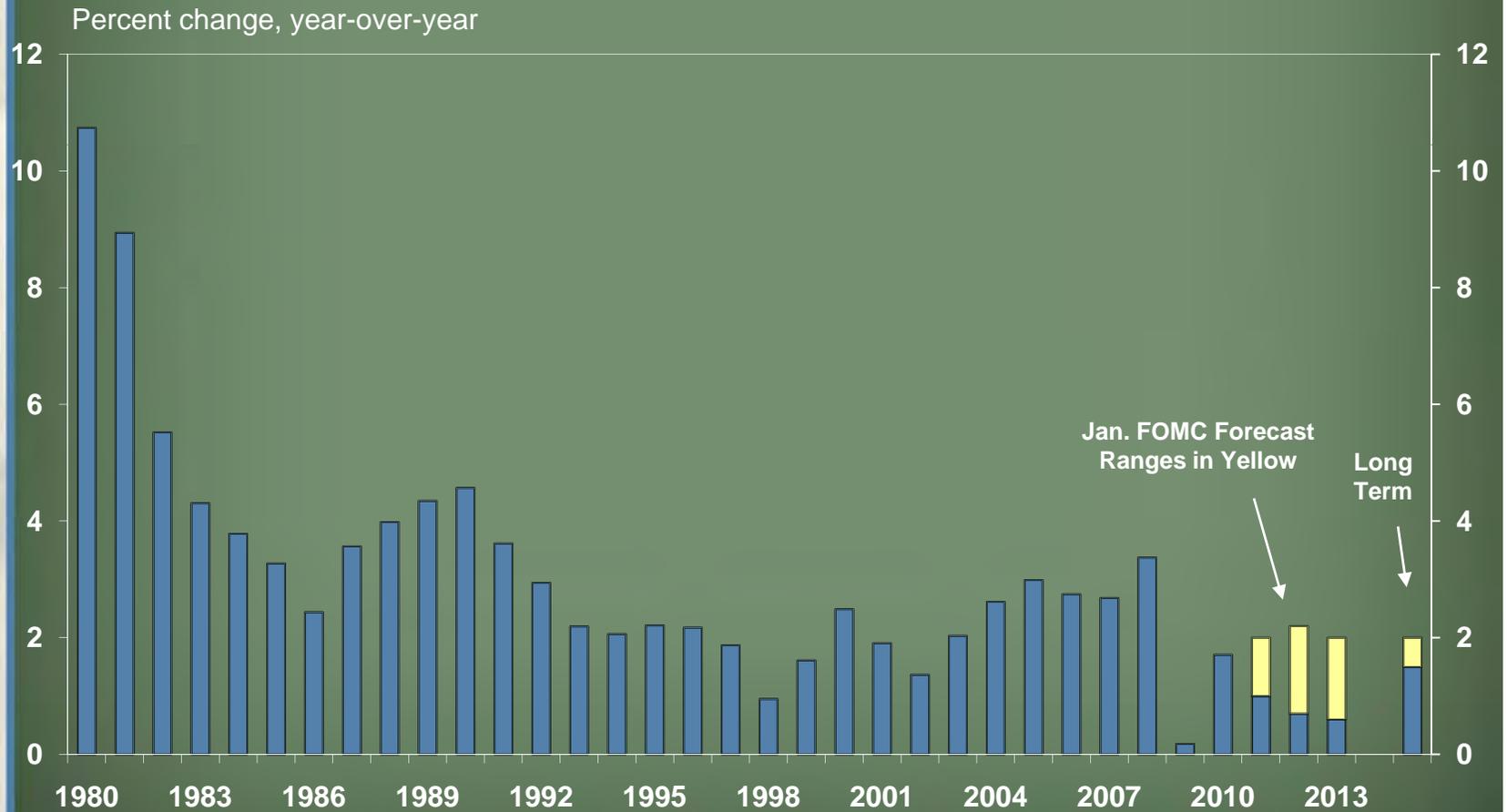
Consumer Price Index



Source: U.S. Bureau of Labor Statistics

The FOMC Expects Inflation to Stay in Check in the Near Term

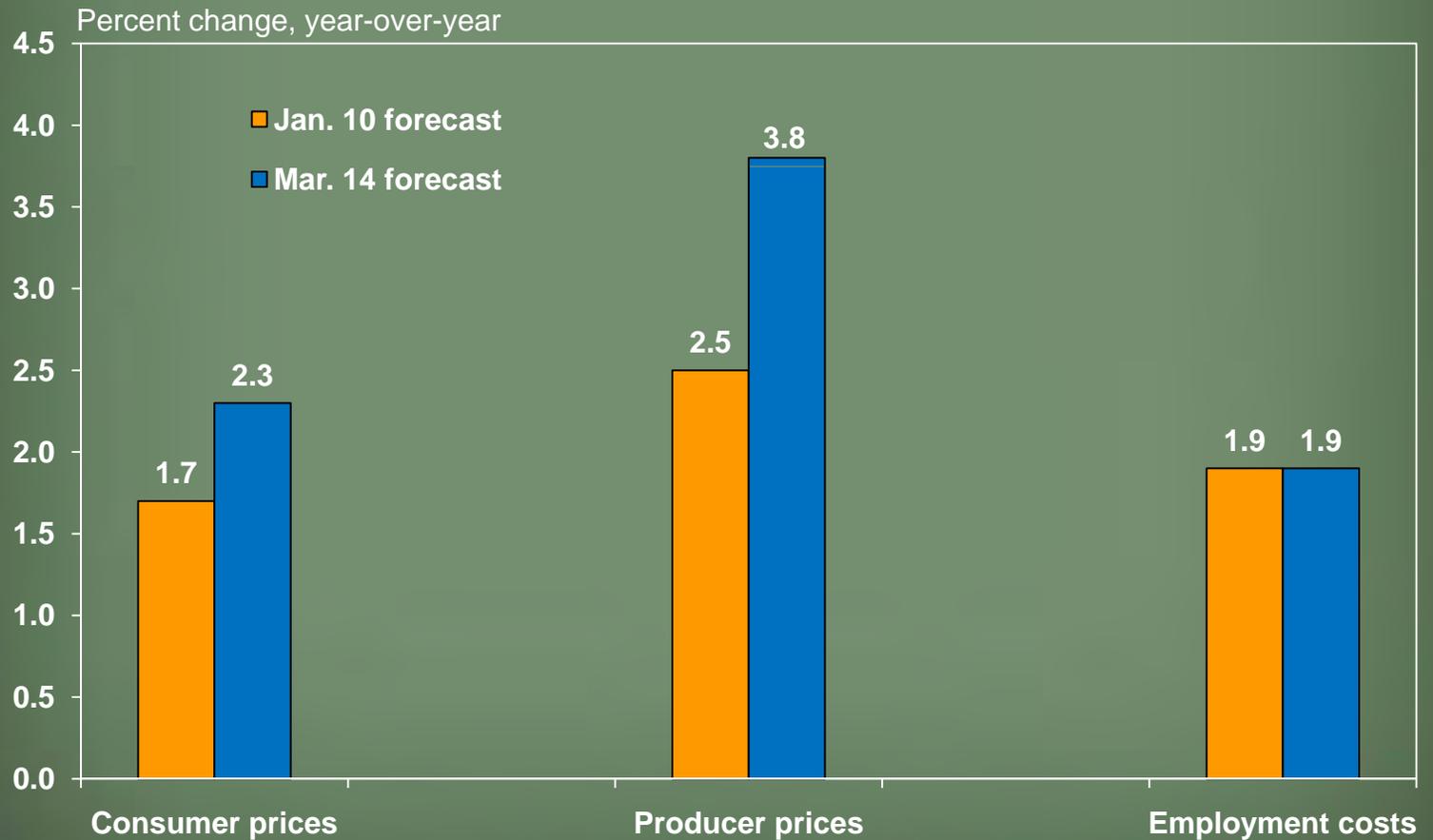
PCE Inflation Index



Source: U.S. Bureau of Economic Analysis, FOMC

Inflation Forecasts are Quite a bit Higher than in January

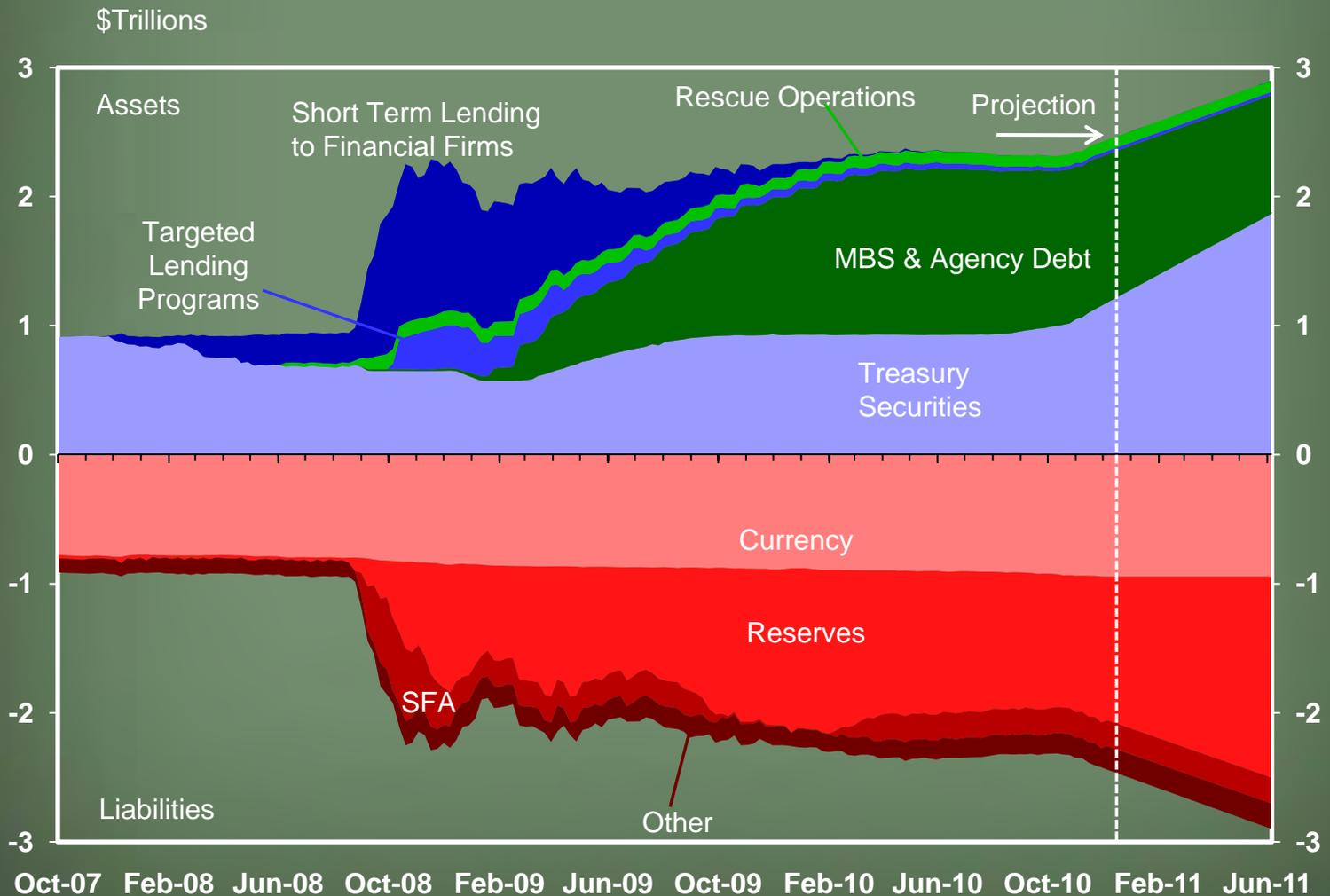
Inflation Forecasts



Source: Consensus Economics, Inc.

The Fed's Balance Sheet is Expanding Further, Following Recent FOMC Decisions

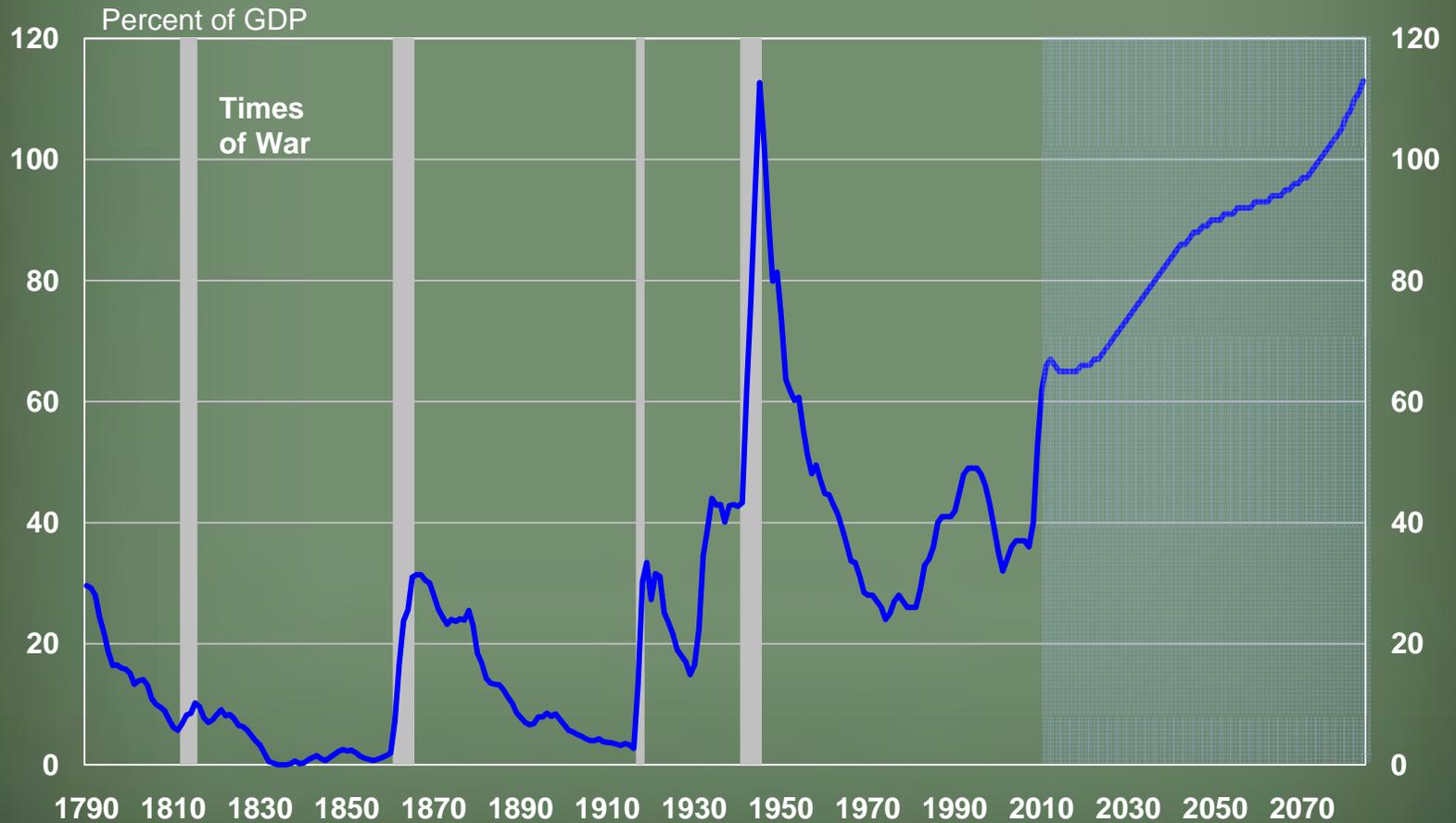
Federal Reserve Balance Sheet



Source: Federal Reserve Board

Federal Government Debt is on an Unsustainable Path

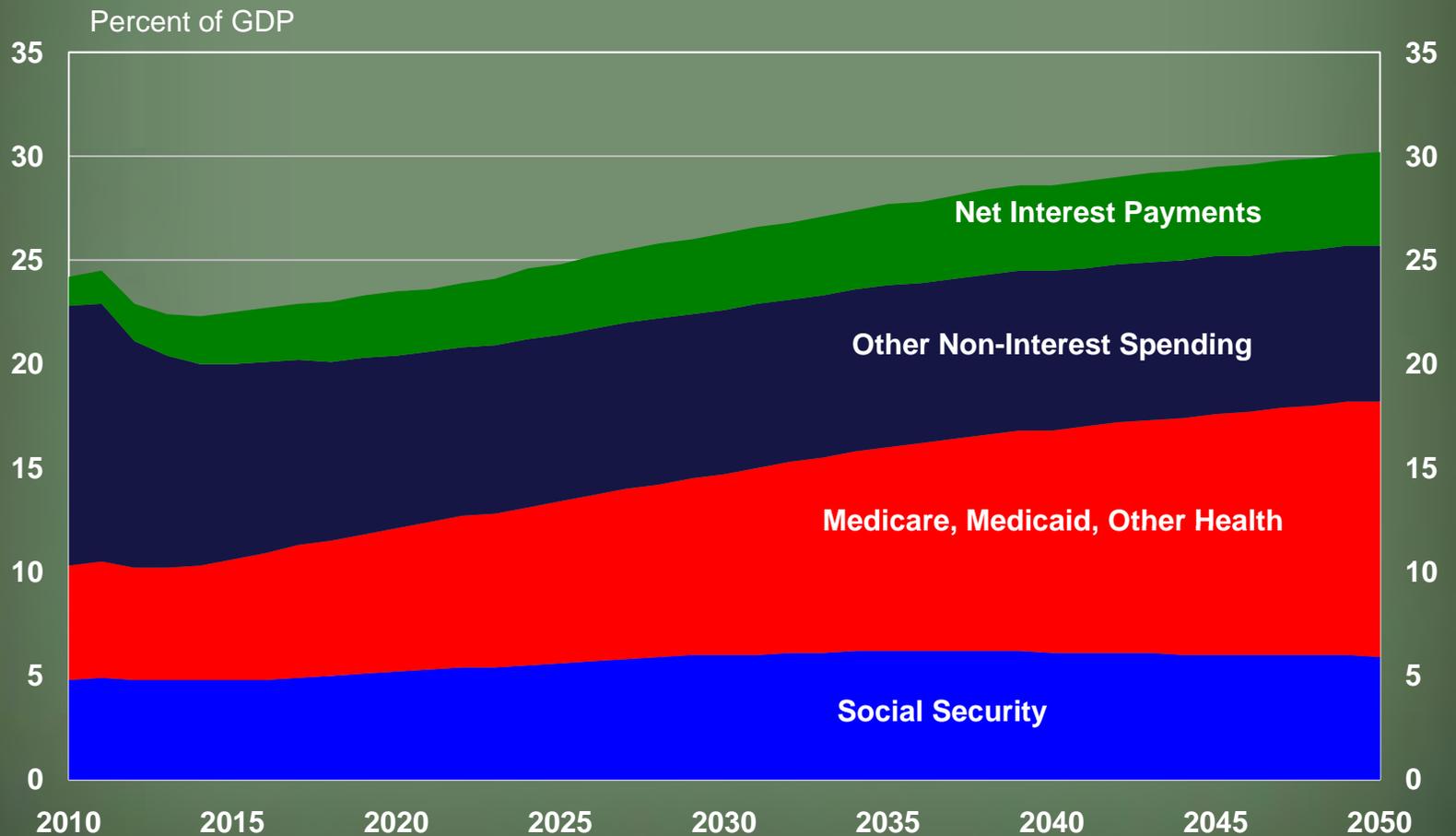
CBO Public Debt Projections: 1790-2084



2011 REGULATORY UPDATE SEMINARS
FEDERAL RESERVE BANK OF KANSAS CITY

Most of the Projected Growth in debt is Related to Health Care Costs

Components of Federal Government Spending (CBO Baseline)



Source: CBO Long Term Budget Outlook June 2010

The Oklahoma Economic Outlook

- Recession and recovery pattern
- Variation in growth by geography
- Variation in growth by industry

Oklahoma's Recession and Recovery Path is the Historical Pattern—late in, Similar out

Payroll Employment



Source: U.S. Bureau of Labor Statistics

But there were Differences Across the State: Tulsa Hit Harder but now as Similar Growth

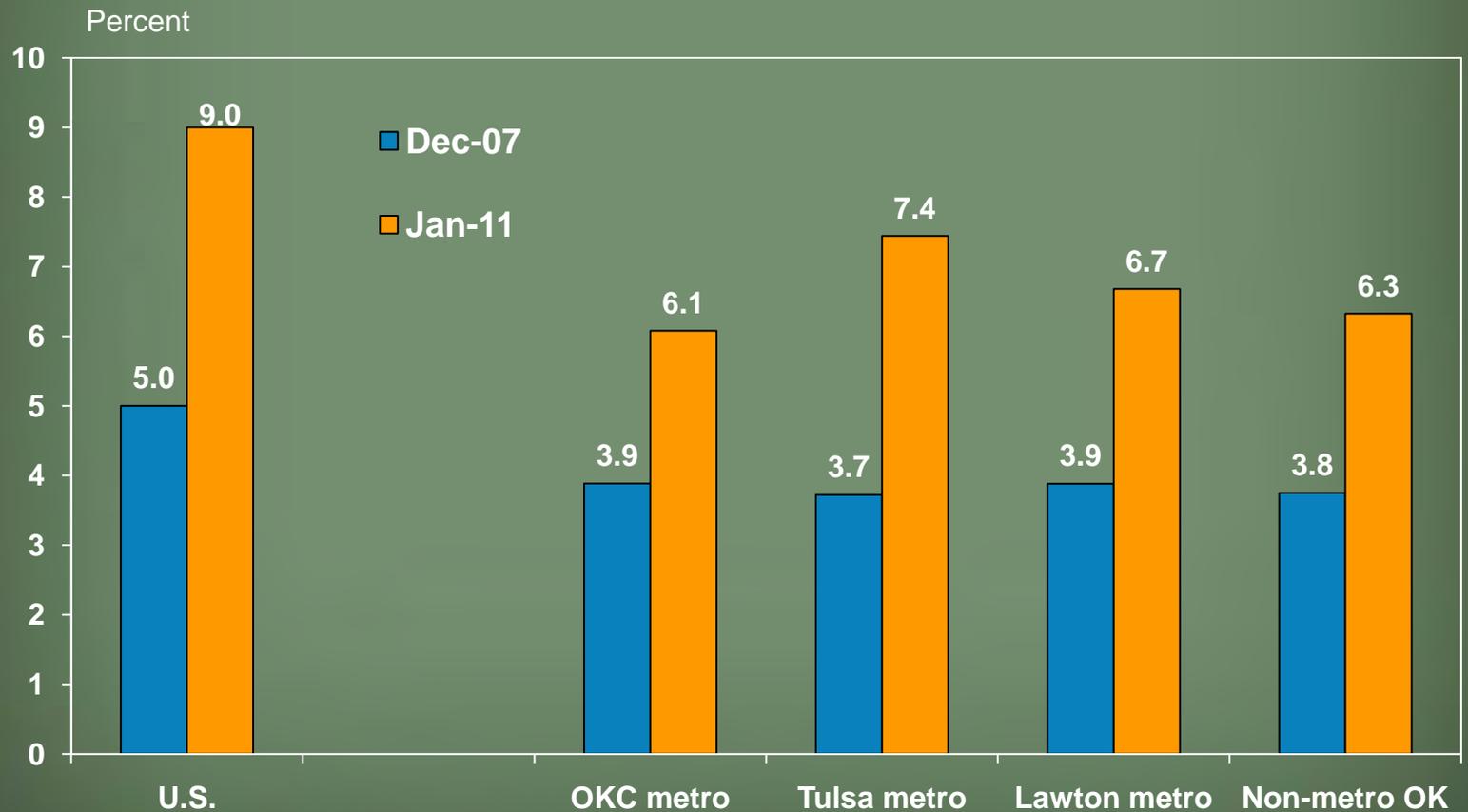
Payroll Employment



Source: U.S. Bureau of Labor Statistics

Unemployment Remains Higher in Tulsa than in the Rest of the State, but Below the U.S.

Unemployment Rate Seasonally Adjusted*

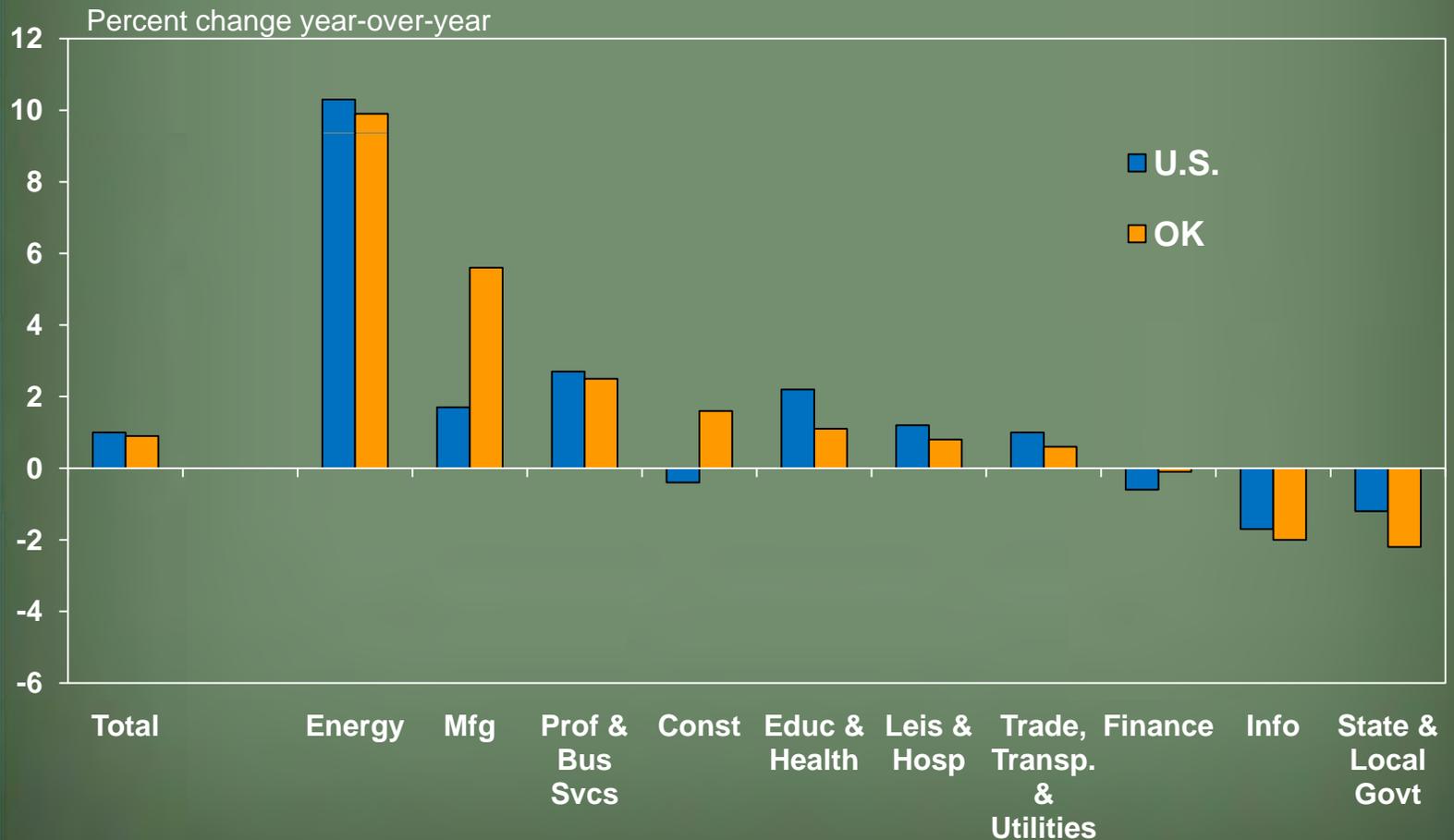


* Estimated by FRBKC

Source: U.S. Bureau of Labor Statistics

Most Oklahoma Sectors are now Adding Jobs, Some at Fairly Rapid Rates

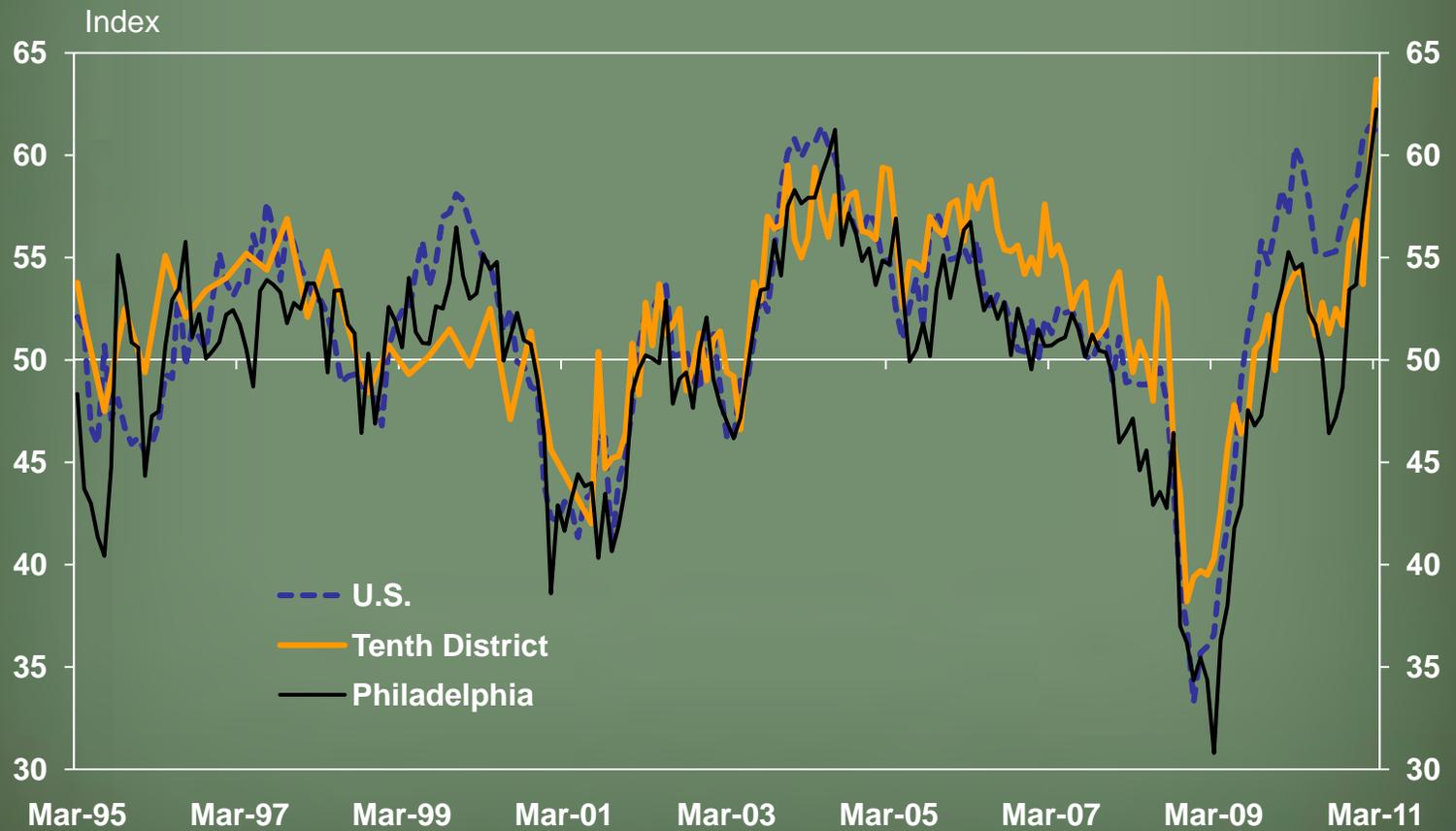
Employment Growth February 2011



Source: Bureau of Labor Statistics

The KC Fed's Manufacturing Survey Hit an all-time (16-year) High in March

Manufacturing Composite Index
Month-over-month



Source: KCFRB Manufacturing Survey

Agricultural Conditions in the State have Improved After Bottoming in 2009

Oklahoma Agricultural Conditions



Source: KCFRB Ag Credit Survey

Housing Activity is Unlikely to Grow Quickly Given Elevated Unsold Home Inventories

Months Supply of Unsold Homes Seasonally Adjusted



* Combination of existing and new home inventories

Source: NAR, Local realtors associations

Summary

- The U.S. Economy is Recovering and Expected to Continue to Grow Solidly, With Inflation Modest in the Short Run
- Oklahoma's Economy is also Recovering Solidly and Remains in much Better Shape than the Nation