

U.S. and Oklahoma Economic Update



Oklahoma Employees Credit Union
September 16, 2016

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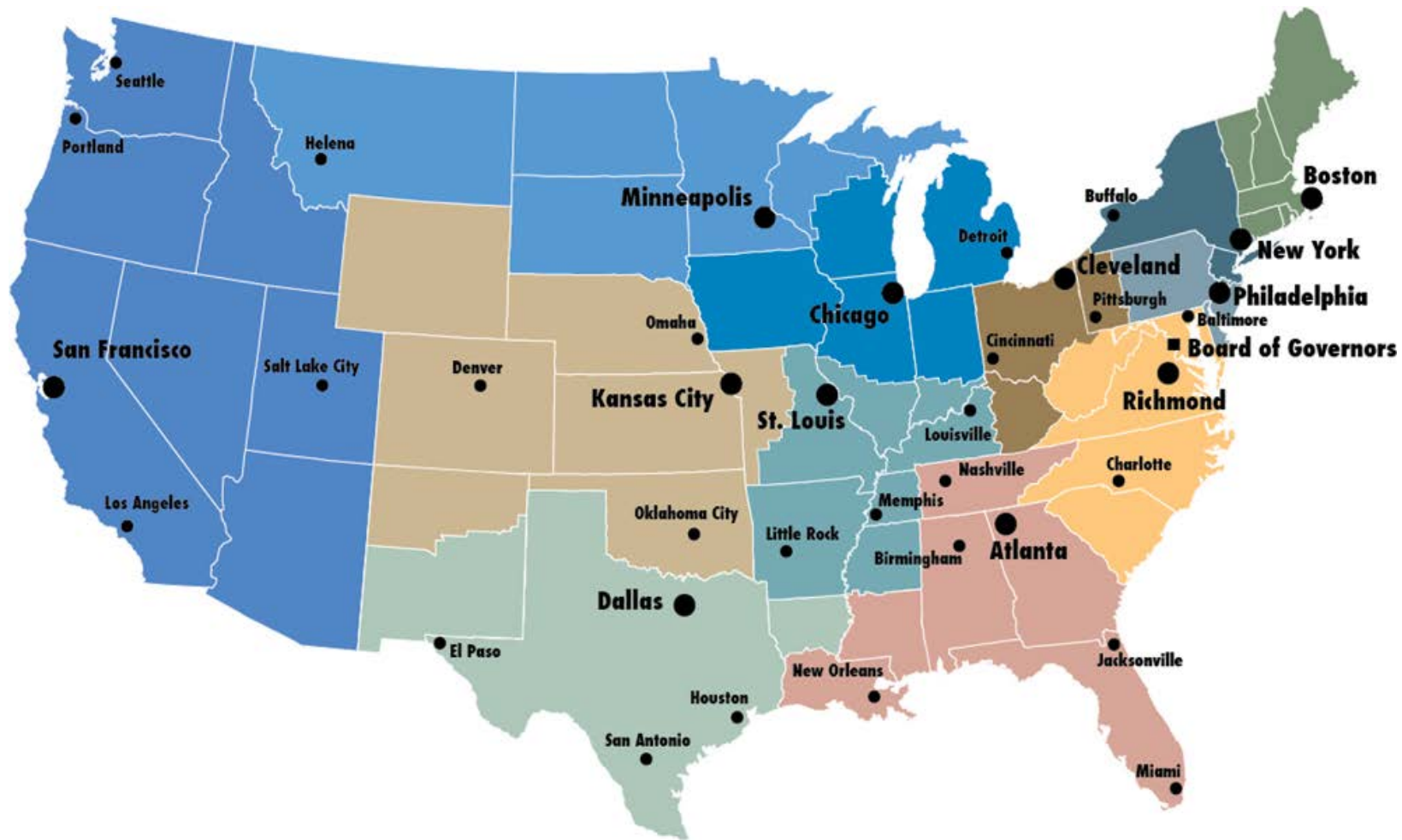


Structure and Functions of the Federal Reserve System

- **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
- **As with most central banks, the Fed’s primary responsibilities fall within four general areas:**
 - Lender of last resort – provide liquidity in times of crisis
 - Monetary policy – promote full employment and low inflation
 - Bank regulation – ensure safety and soundness of banks
 - Financial services – bank for banks, bank for federal govt.



Federal Reserve Districts and Office Locations



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

- **Functions – approximately 40 staff**
 - Research on U.S. and Oklahoma economies
 - Economic, community, and financial education outreach
 - Examinations of Oklahoma financial institutions
- **2016 Branch Board of Directors**
 - **Pete Delaney (chair)**, Chairman & CEO (retired), OGE Energy Corp., OKC
 - **Clint Abernathy**, Owner, Abernathy Farms, Inc., Altus
 - **Michael Coffman**, CEO, Panhandle Oil & Gas, Inc., Oklahoma City
 - **Chuck Hall**, Chairman & CEO, Exchange Bank & Trust, Perry
 - **Jane Haskin**, President & CEO, First Bethany Bank & Trust, Bethany
 - **Tina Patel**, Co-Owner & CFO, Promise Hotels, Tulsa
 - **Doug Stussi**, EVP & CFO, Love's Travel Stops & Country Stores, OKC

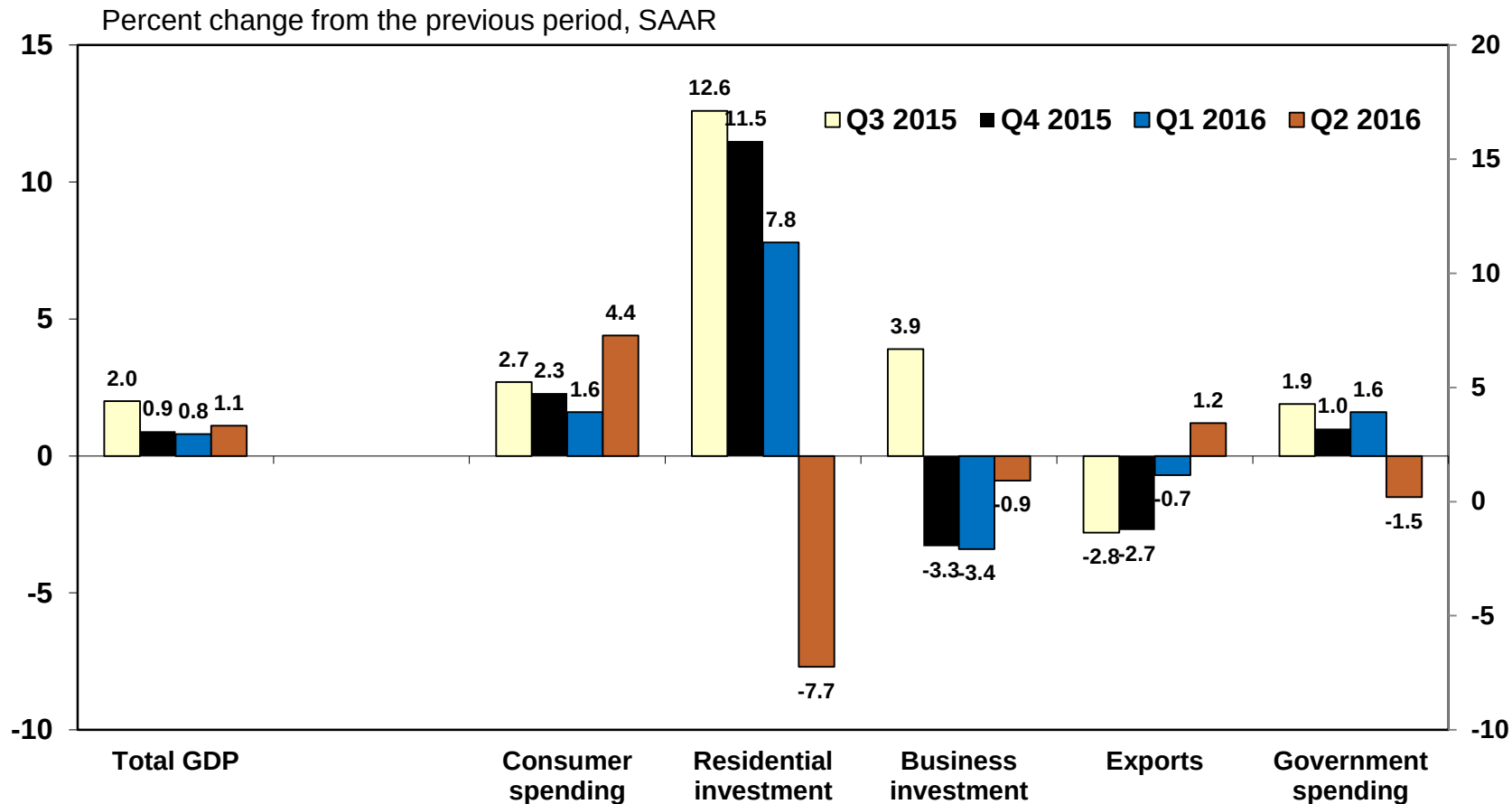


Trends in the U.S. & Oklahoma Economy



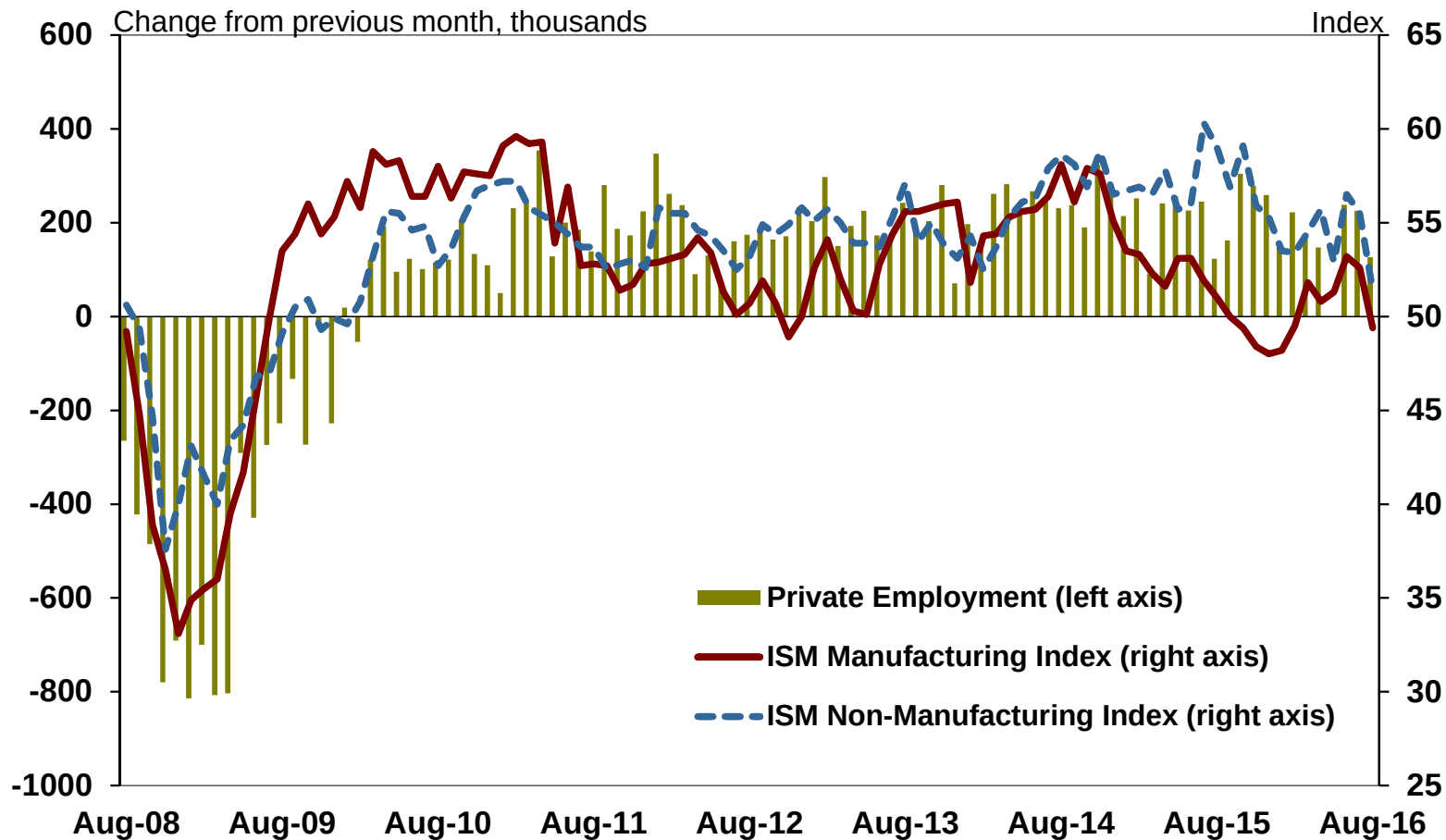
GDP has been steady in 2016, with heavy variation across components

Growth in Components of Real GDP



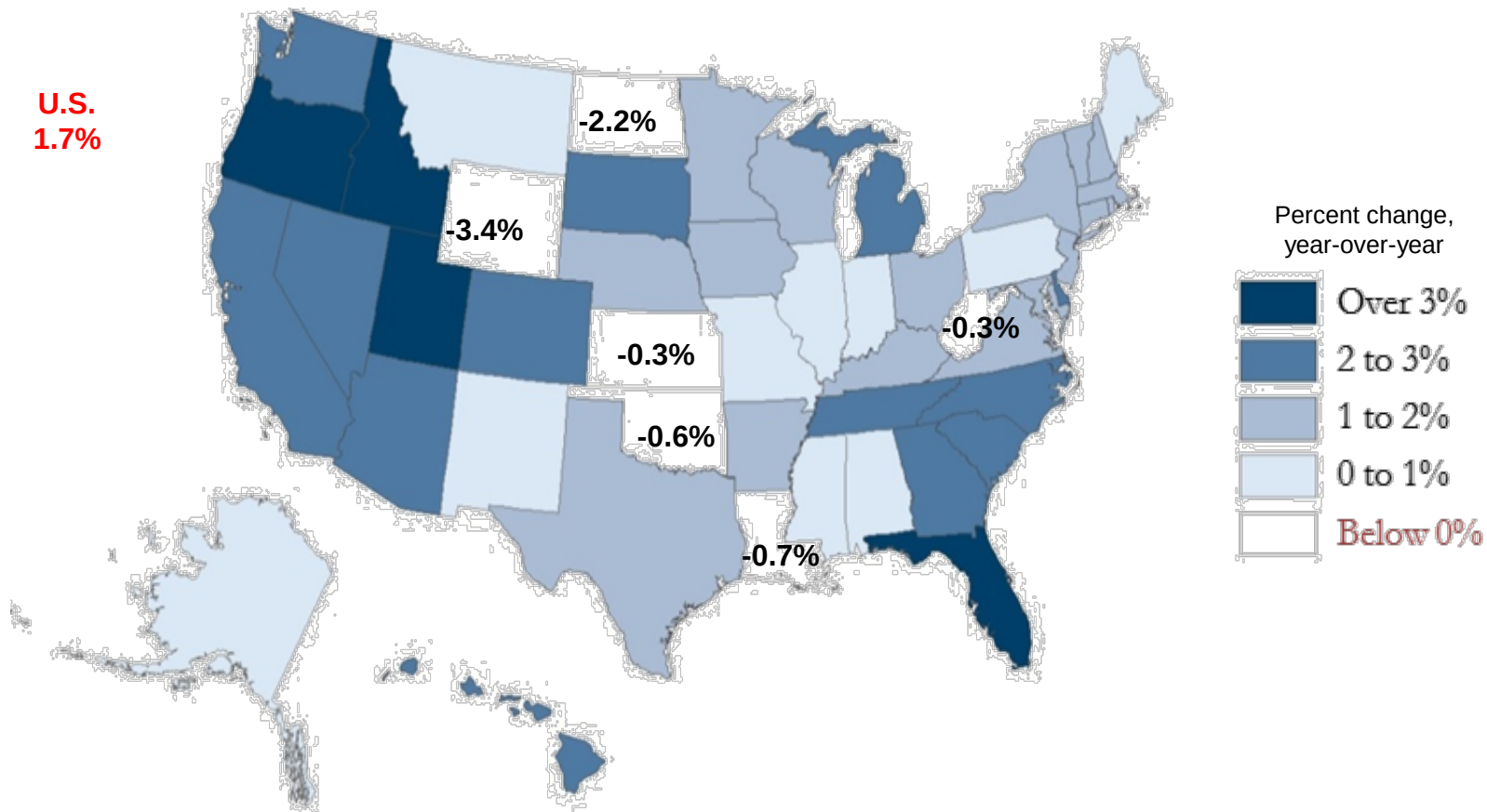
U.S. economic activity slowed somewhat in mid-2016 but still generally solid

U.S. Private Payroll Employment and Business Indexes



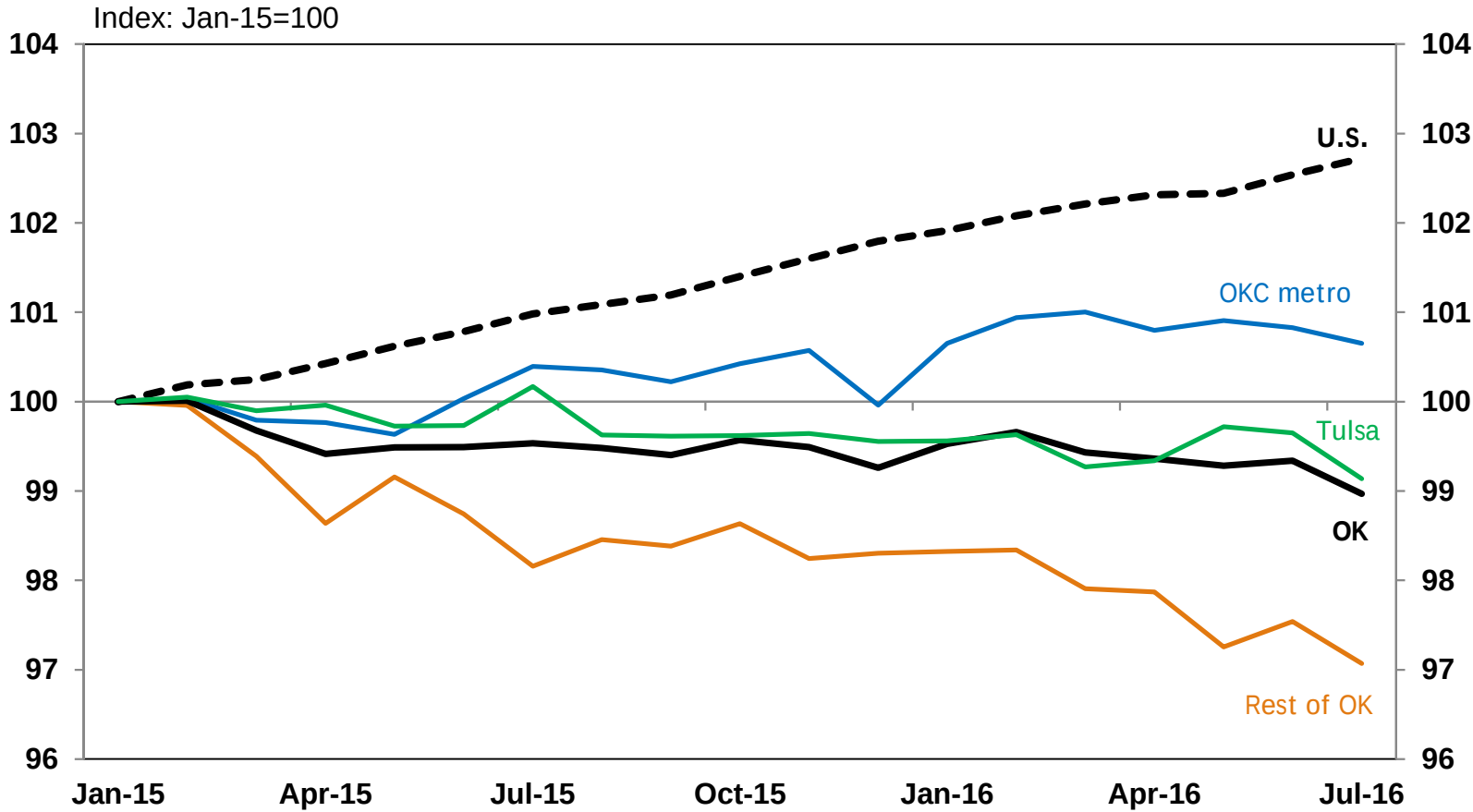
Recent employment trends have diverged across the country, with energy areas hit hard

Total Nonfarm Employment Growth
July 2016



OKC metro employment has edged down in recent months but is better than rest of state

Level of Payroll Employment
Through July 2016



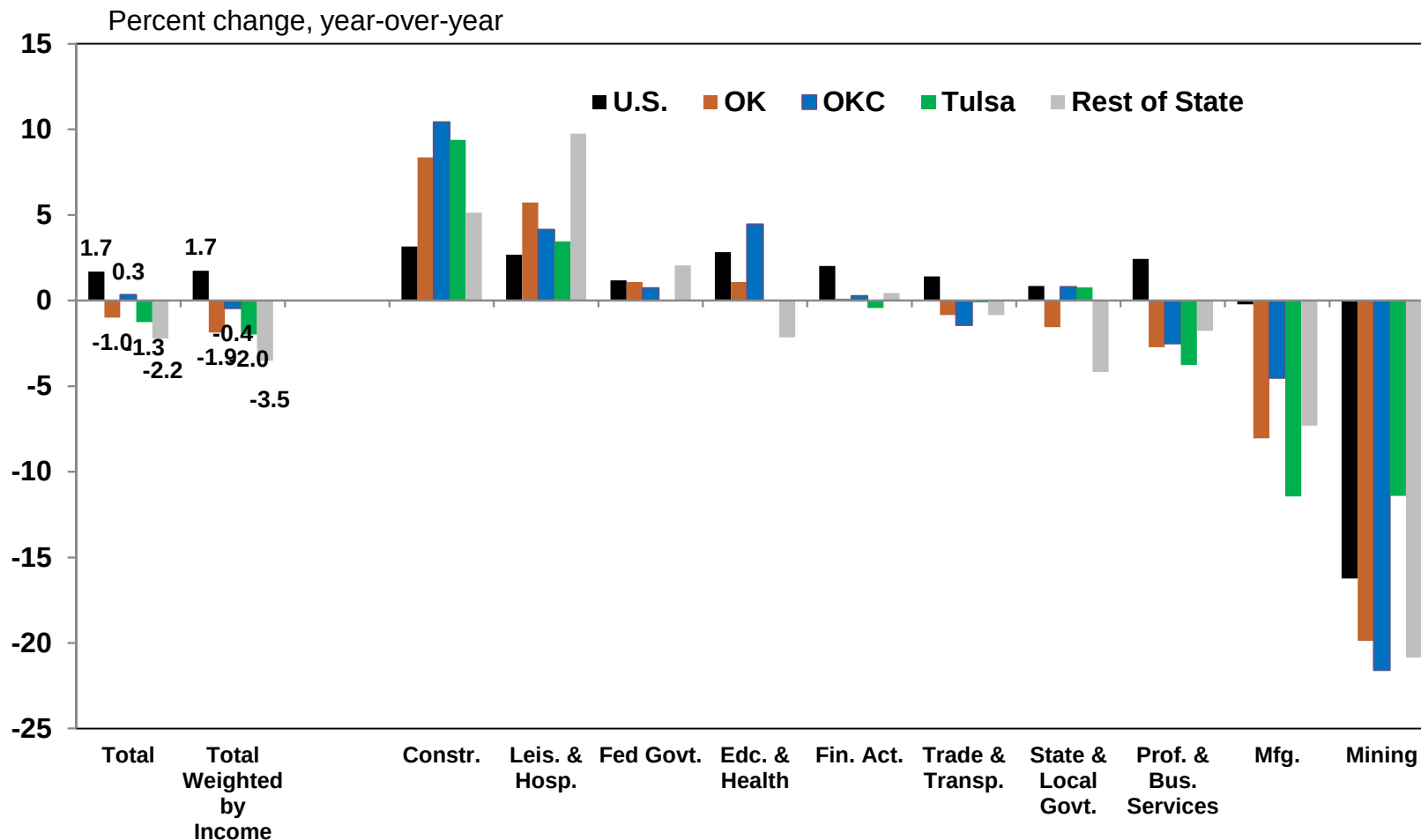
Source: U.S. Bureau of Labor Statistics



Higher-paying jobs have done worse than lower-paying jobs across Oklahoma lately

Job Growth by Industry

Jul-16

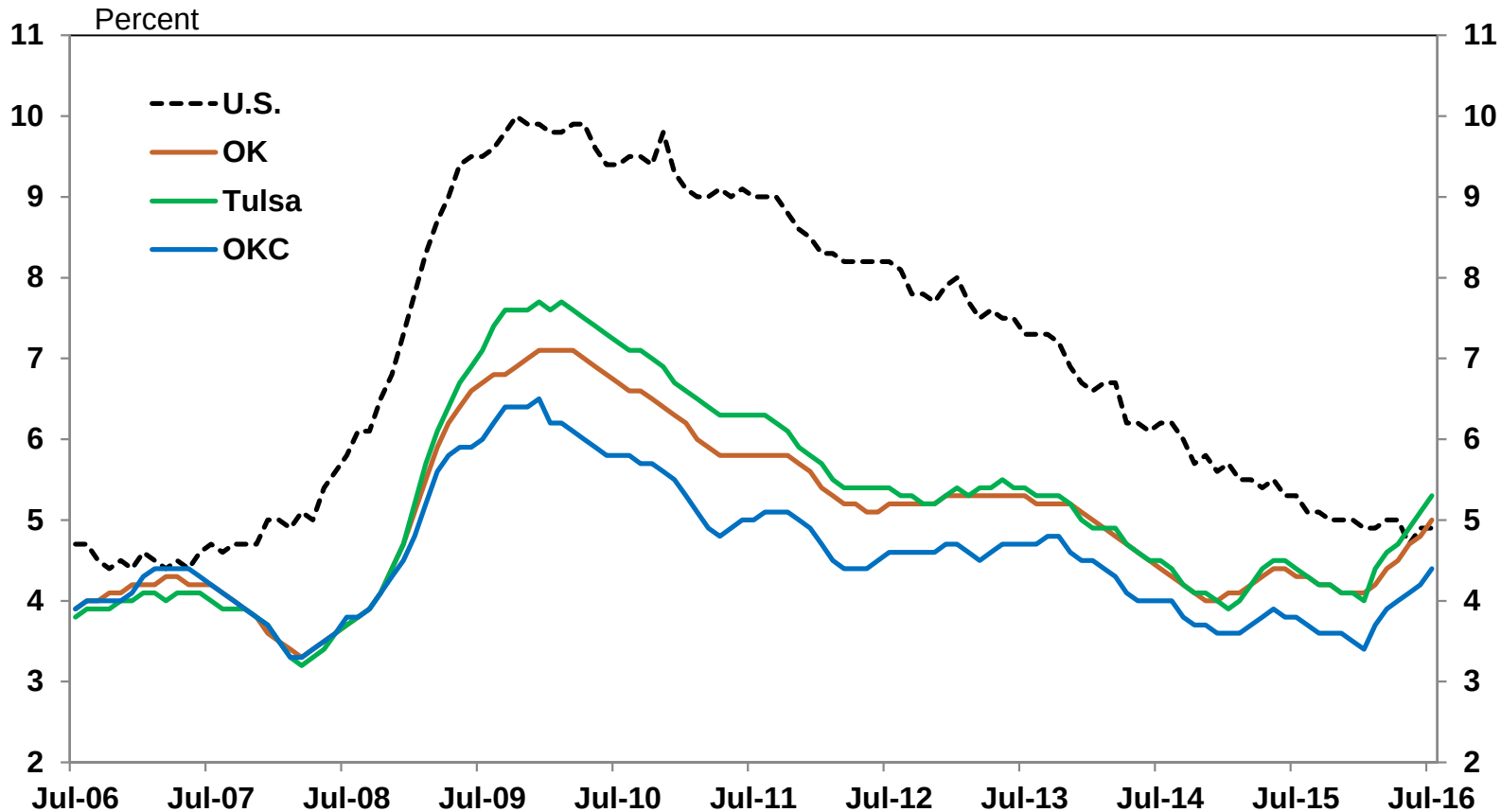


Source: Bureau of Labor Statistics



Unemployment across the state has ticked up in 2016, but just to the national rate

Unemployment Rates
Seasonally Adjusted

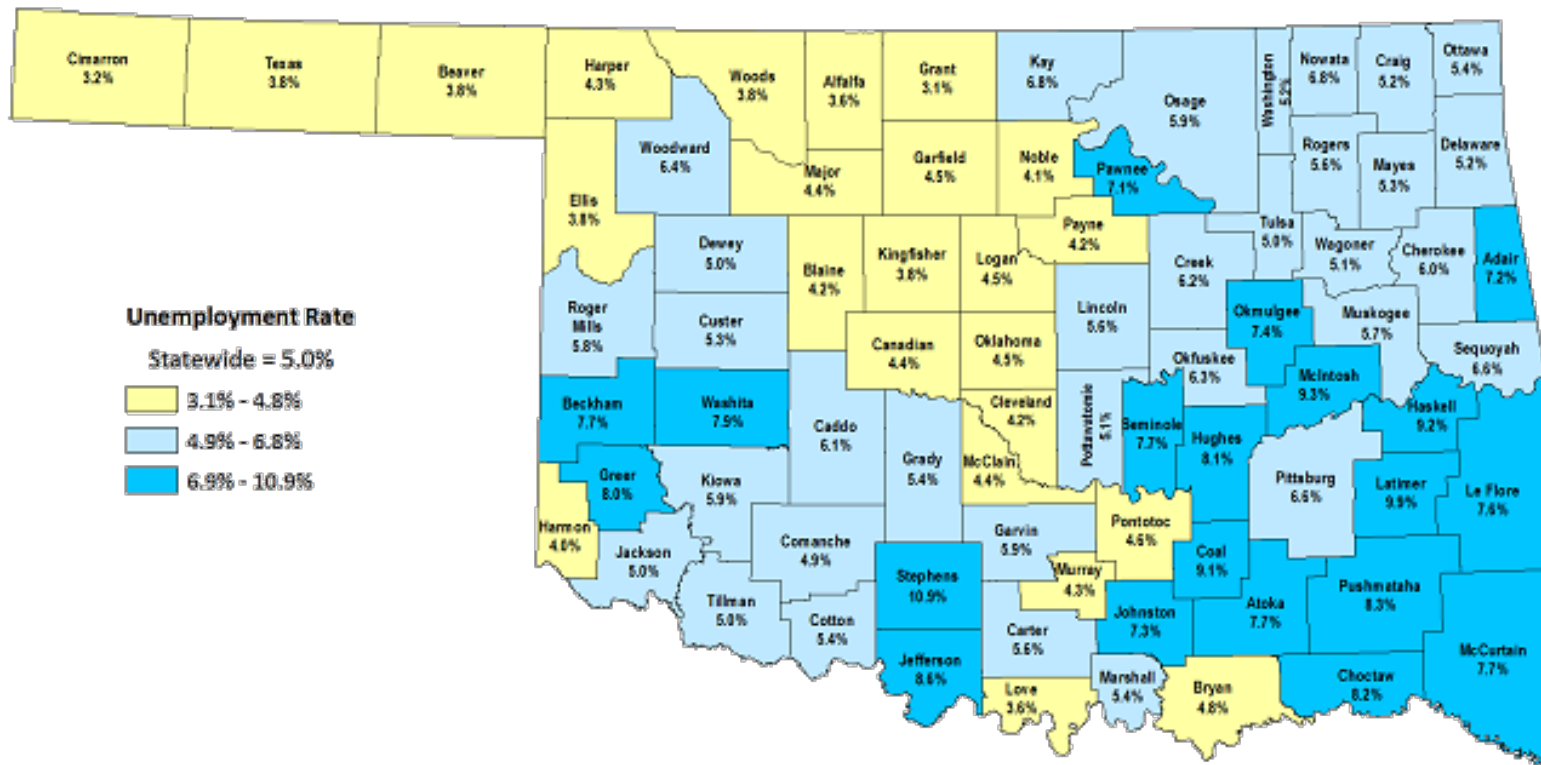


Source: U.S. Bureau of Labor Statistics



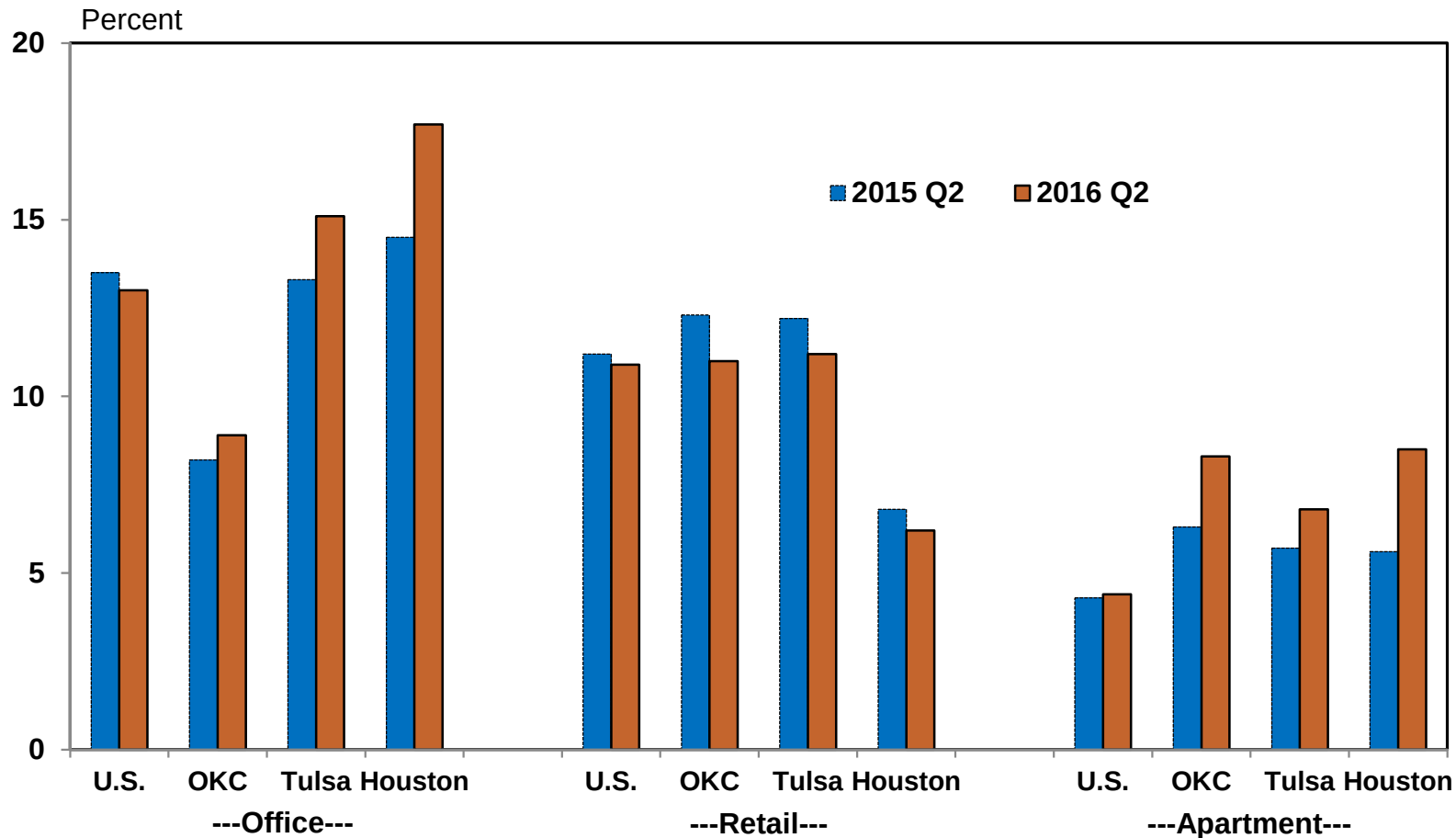
Unemployment in most counties remains at or below 5 percent

July 2016 Unemployment Rates



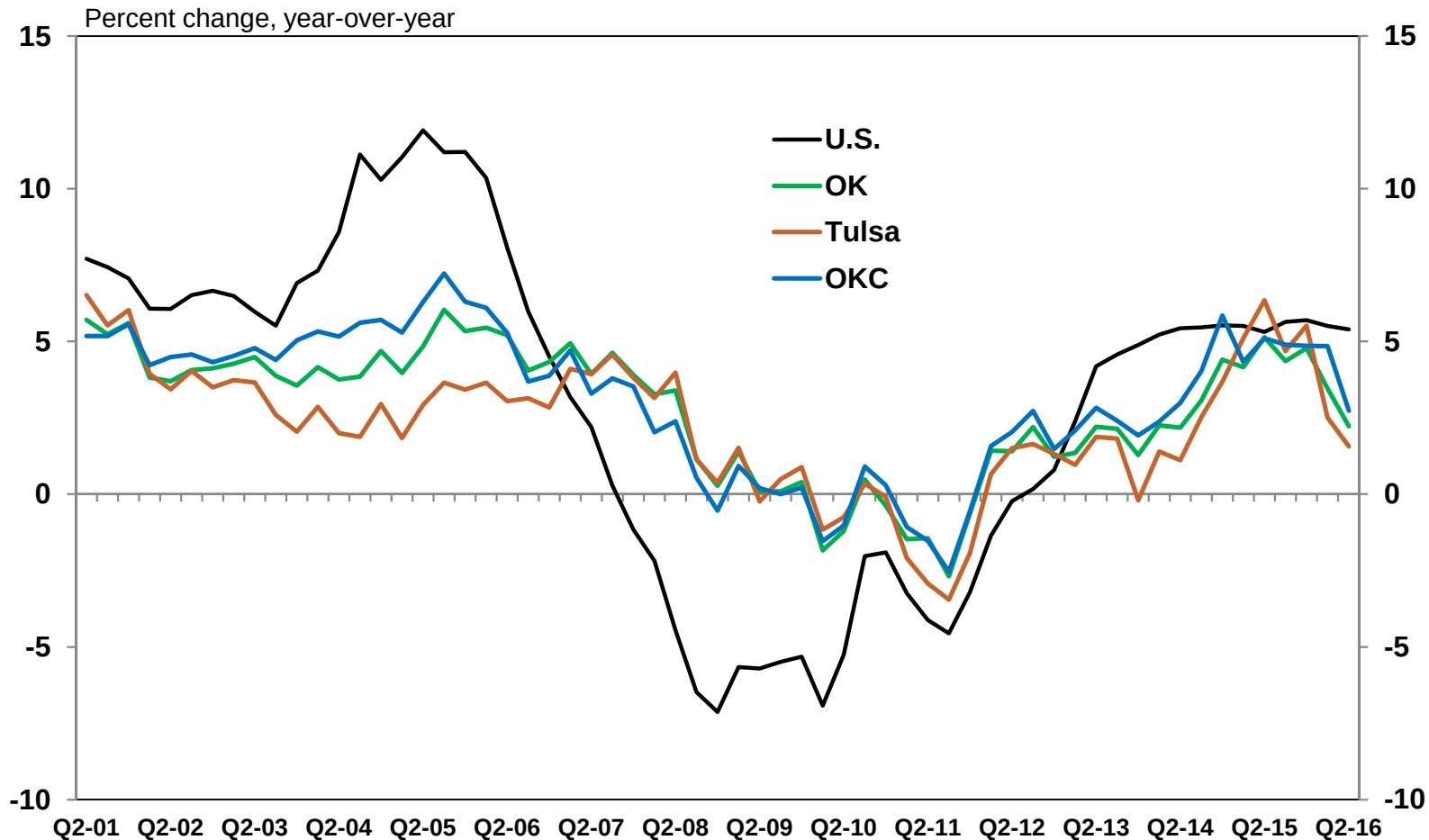
Office and apartment vacancies have risen over the last year, while retail has improved

Commercial Real Estate Vacancy Rates



Home prices have generally grown solidly throughout the state the past few years

FHFA Home Price Index
Seasonally Adjusted

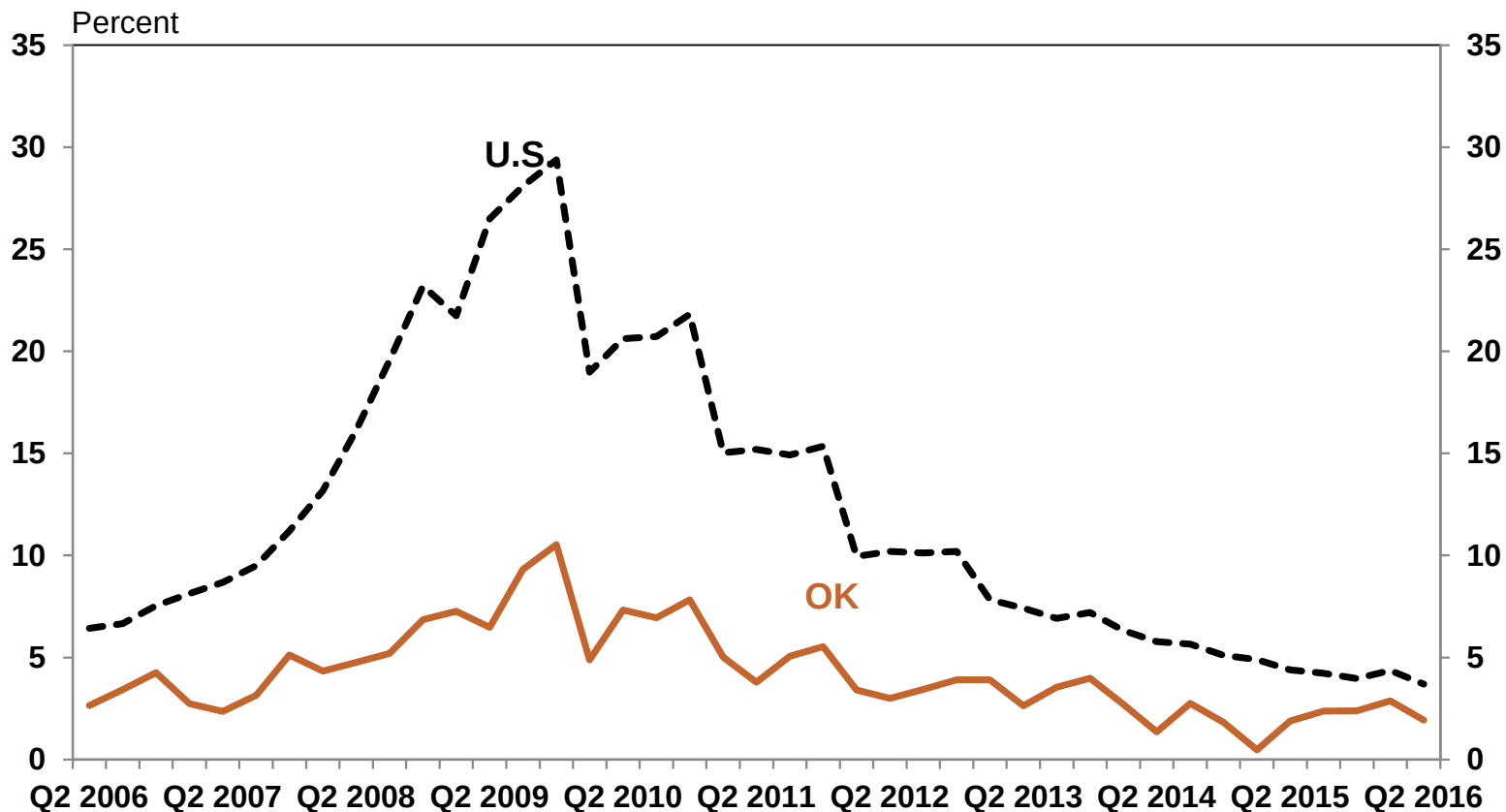


Source: FHFA



The number of unprofitable banks has risen in OK, but it still remains very low

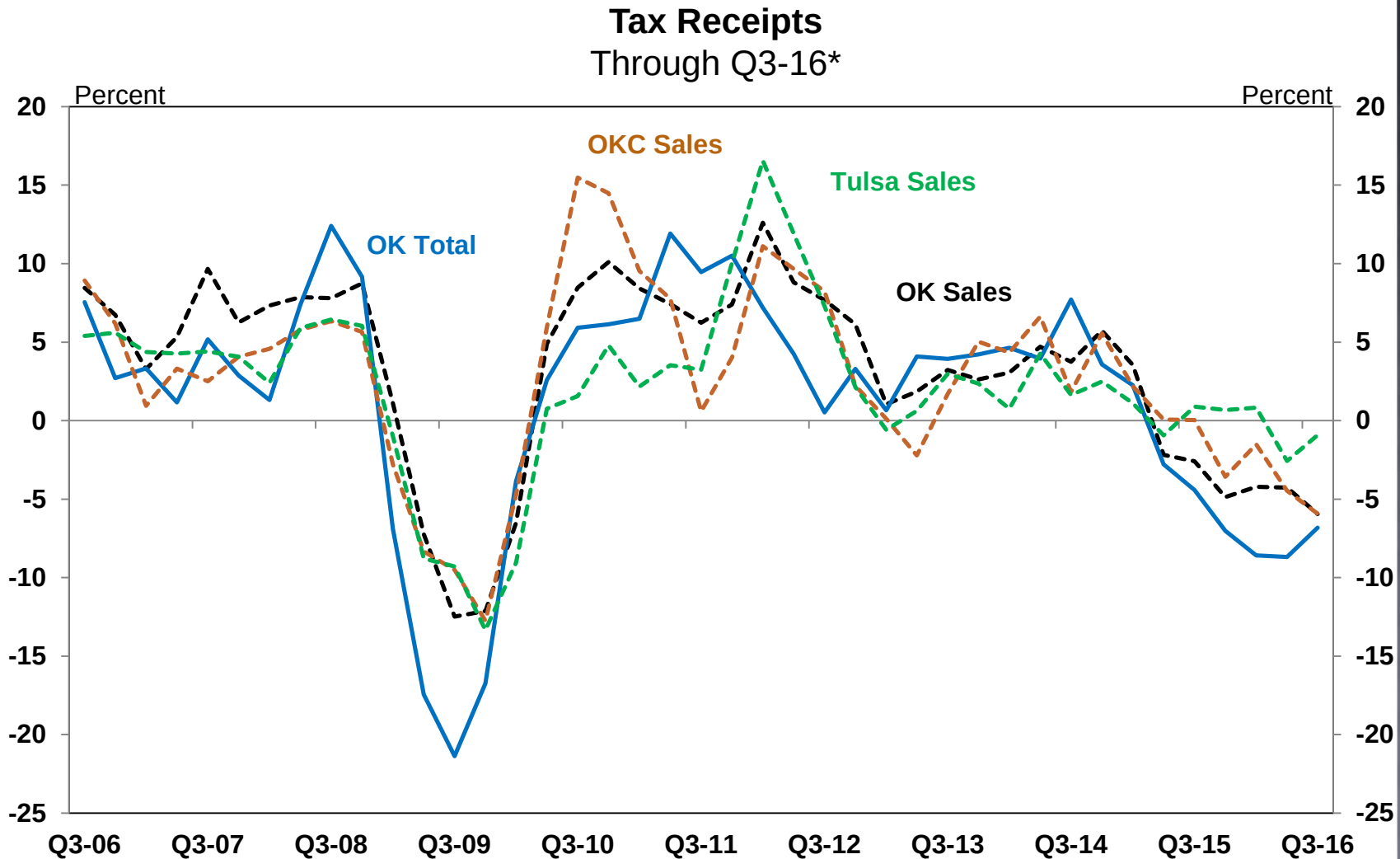
Share of Banks Not Making a Profit
Commercial Banks



Source: FDIC



But tax revenues are down, especially at the state level, pressuring some organizations



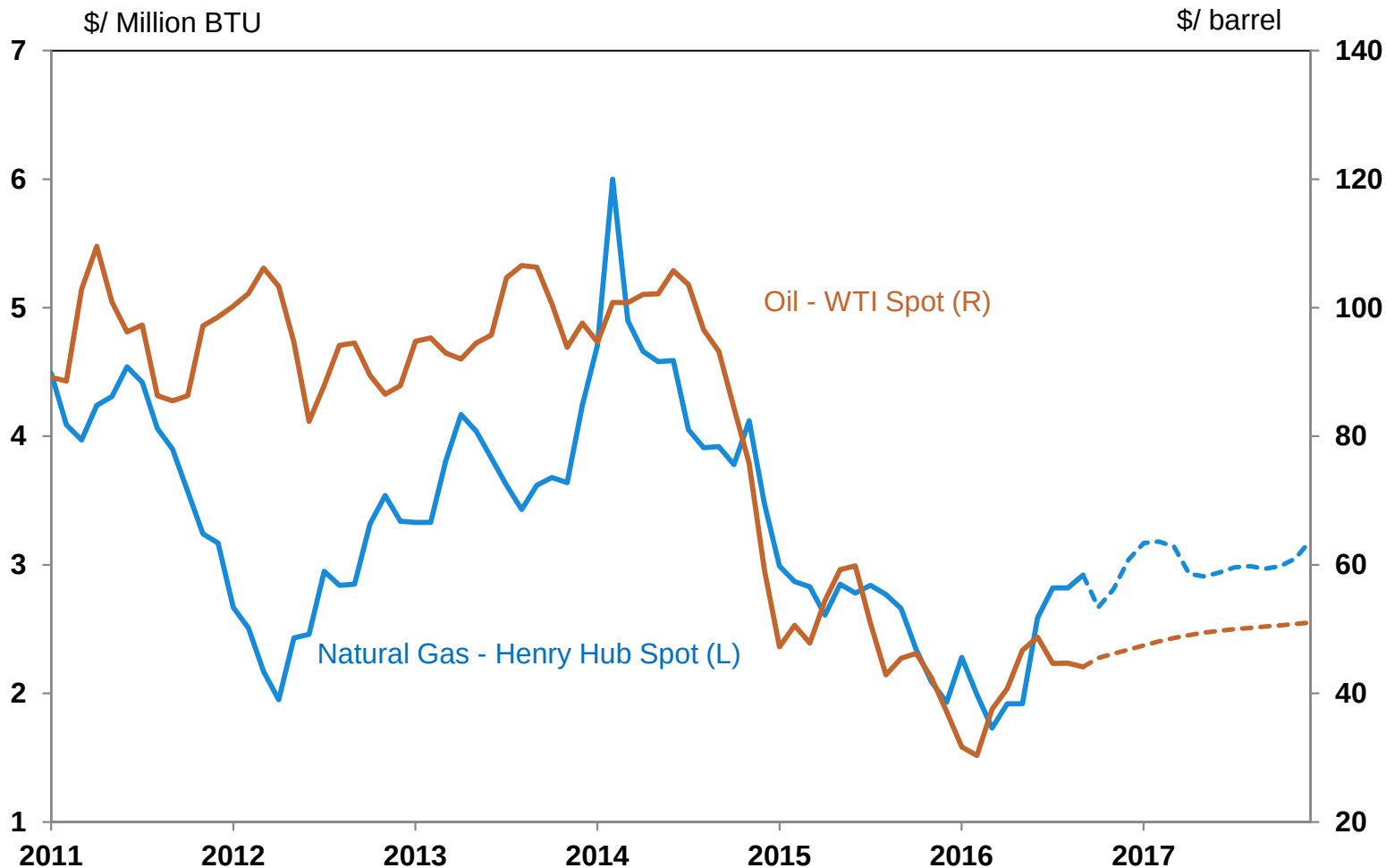
*Q3-16 through August 2016

Source: OK Tax Commission



Oil prices have eased again after rising in Q2, while natural gas prices have improved a bit

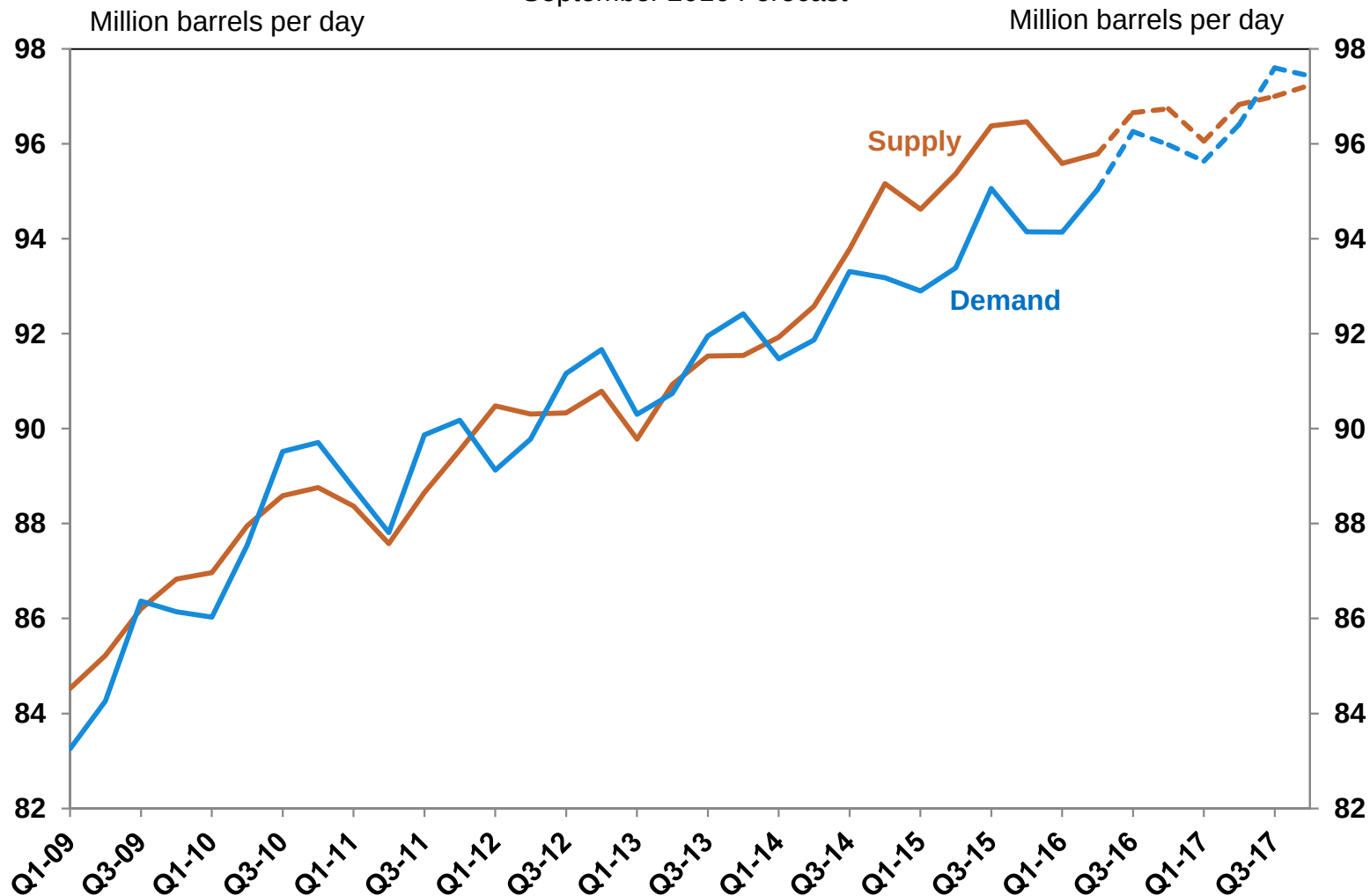
Oil and Natural Gas Spot Prices



World oil supply and demand are expected to remain out of balance a while longer

Global Oil Supply and Demand

September 2016 Forecast

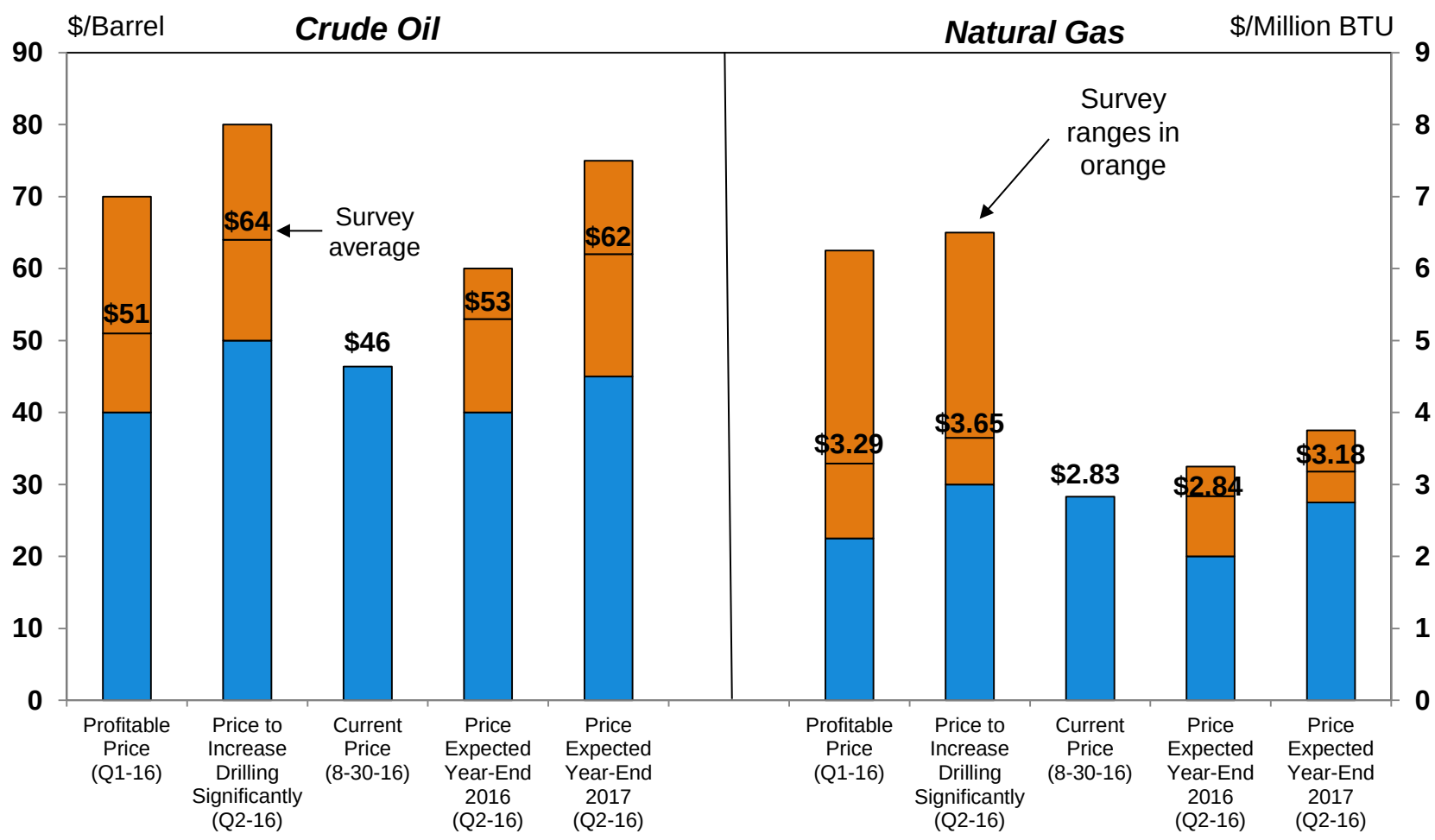


Source: EIA



According to firms, energy prices need to be higher for much increased activity to occur

Kansas City Fed Energy Survey Special Questions
2016

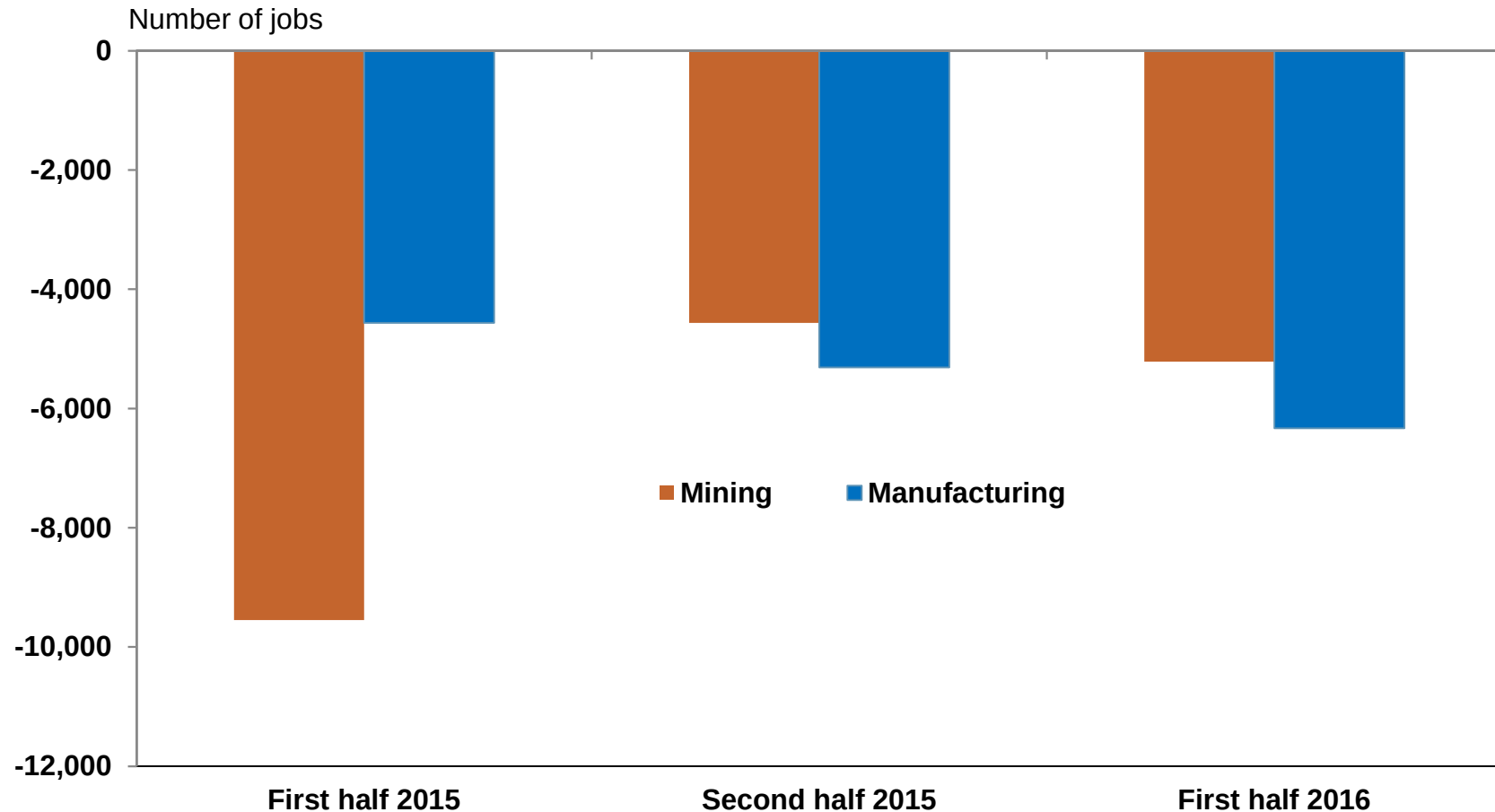


Source: FRBKC Energy Survey, Reuters



However, since mid-2015, Oklahoma's mfg. sector has lost more jobs than in energy

Oklahoma Employment Change

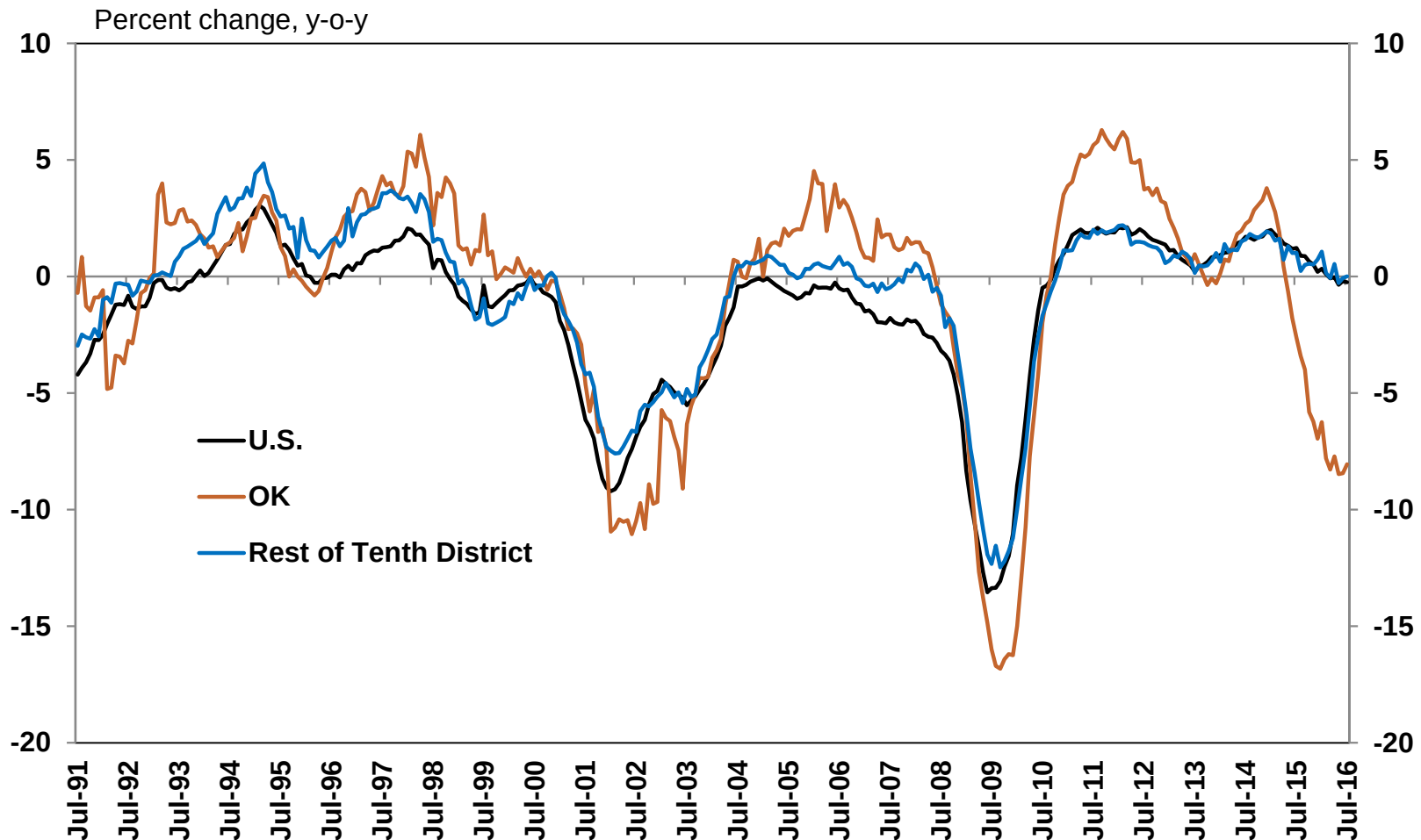


Source: Bureau of Labor Statistics



OK has lost many more factory jobs than the nation, and similar to past recessions

Total Manufacturing Employment

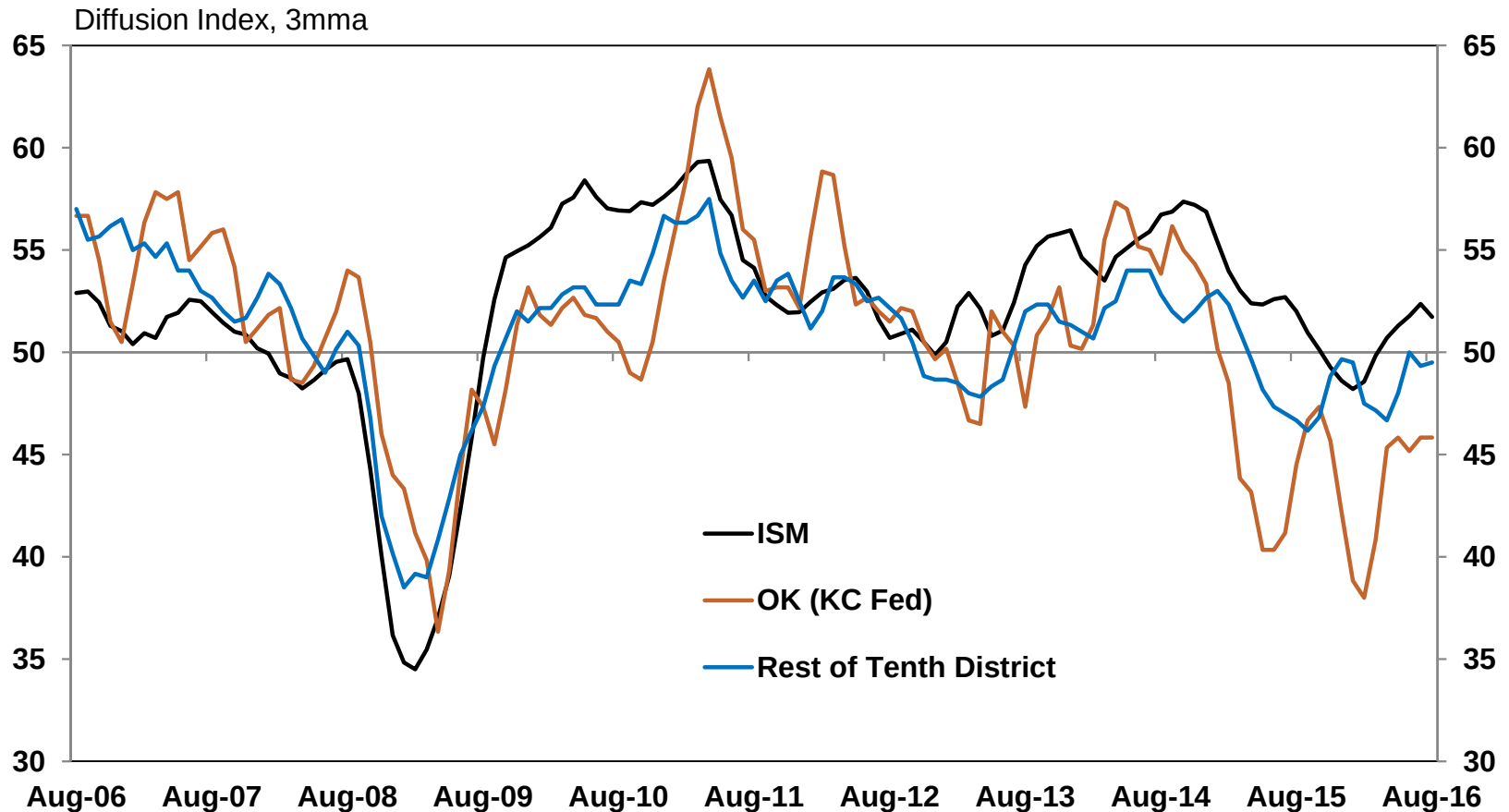


Source: Bureau of Labor Statistics



Survey indexes of factory activity also show OK manufacturing continuing to contract

Manufacturing Composite Indexes

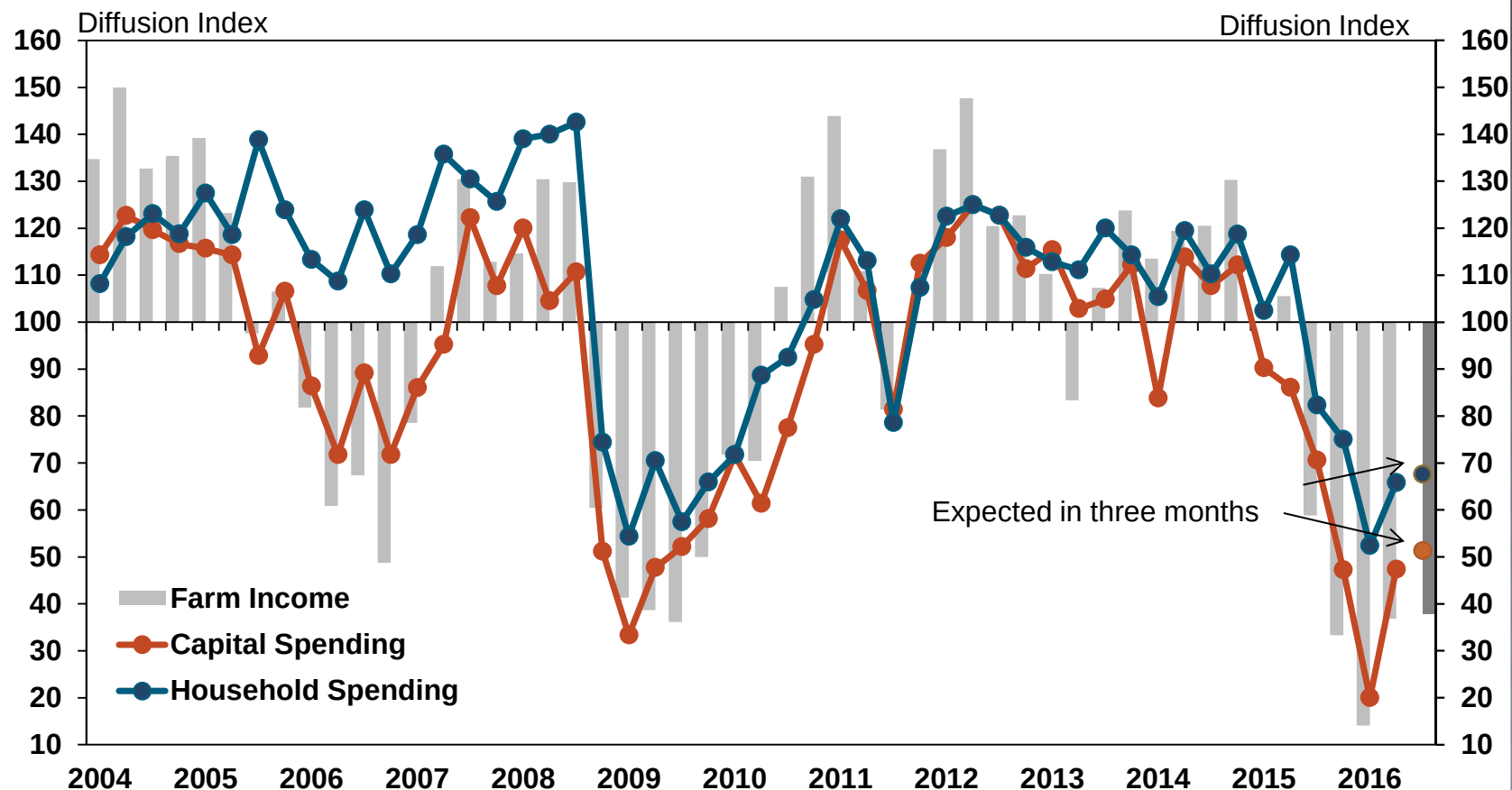


Source: ISM, FRBKC Manufacturing Survey



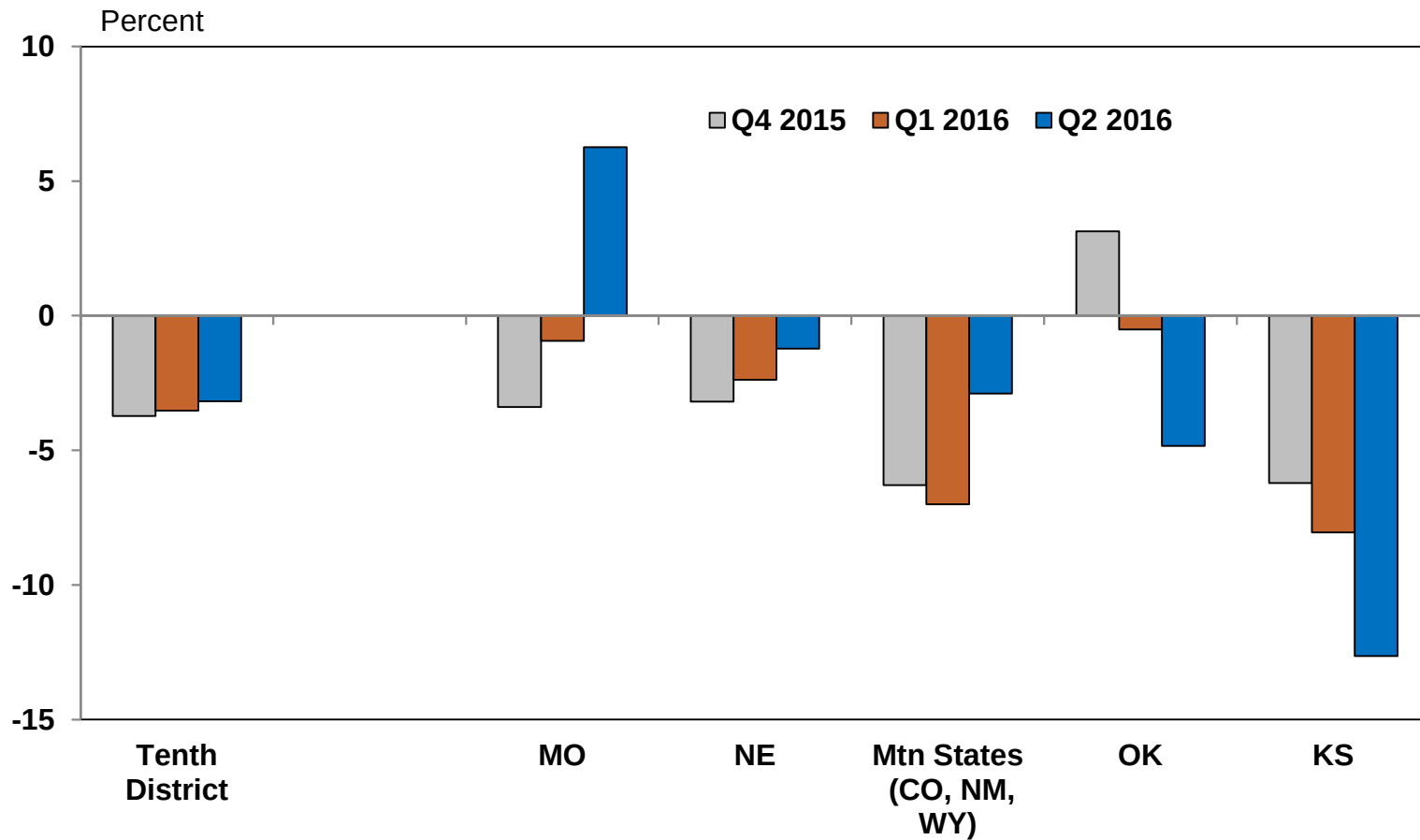
Oklahoma farm income and spending have dropped dramatically over the past year

Oklahoma Farm Income



And farmland values have fallen in the most recent quarter, following mostly steady values

Tenth District Farmland Values
Percent Change, Year-over-year



Summary

- The U.S. economy continues to grow, and the Fed has begun to raise interest rates
- Oklahoma's economy has been hurt by low commodity prices, as well as spillover to some other related industries
- However, real estate has held on relatively well and unemployment is still fairly low



Questions?

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Oklahoma economy, subscribe to our quarterly
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