U.S. and Oklahoma Economic Outlook

Association for Financial Professionals
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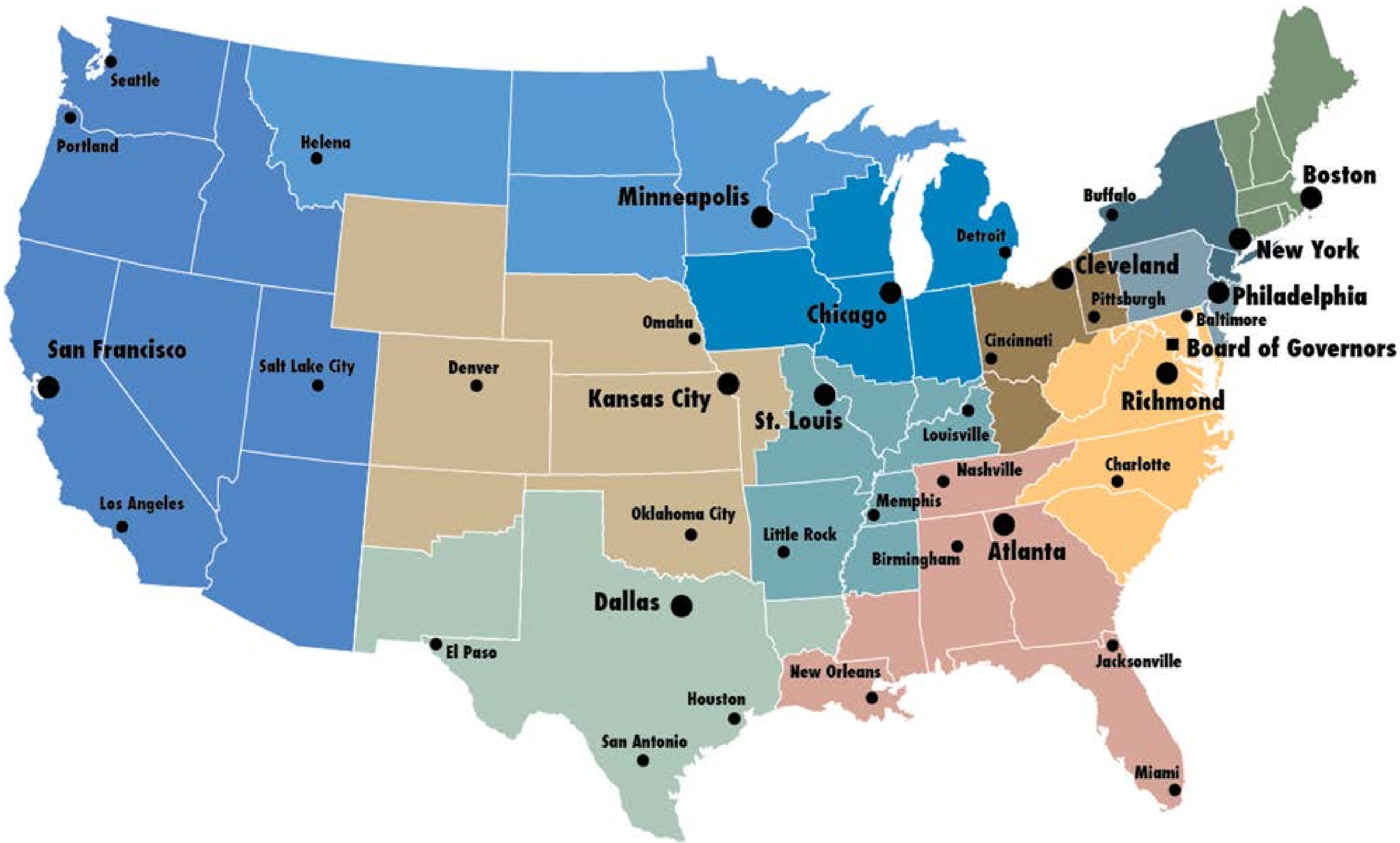
Structure and Functions of the Federal Reserve System

- **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

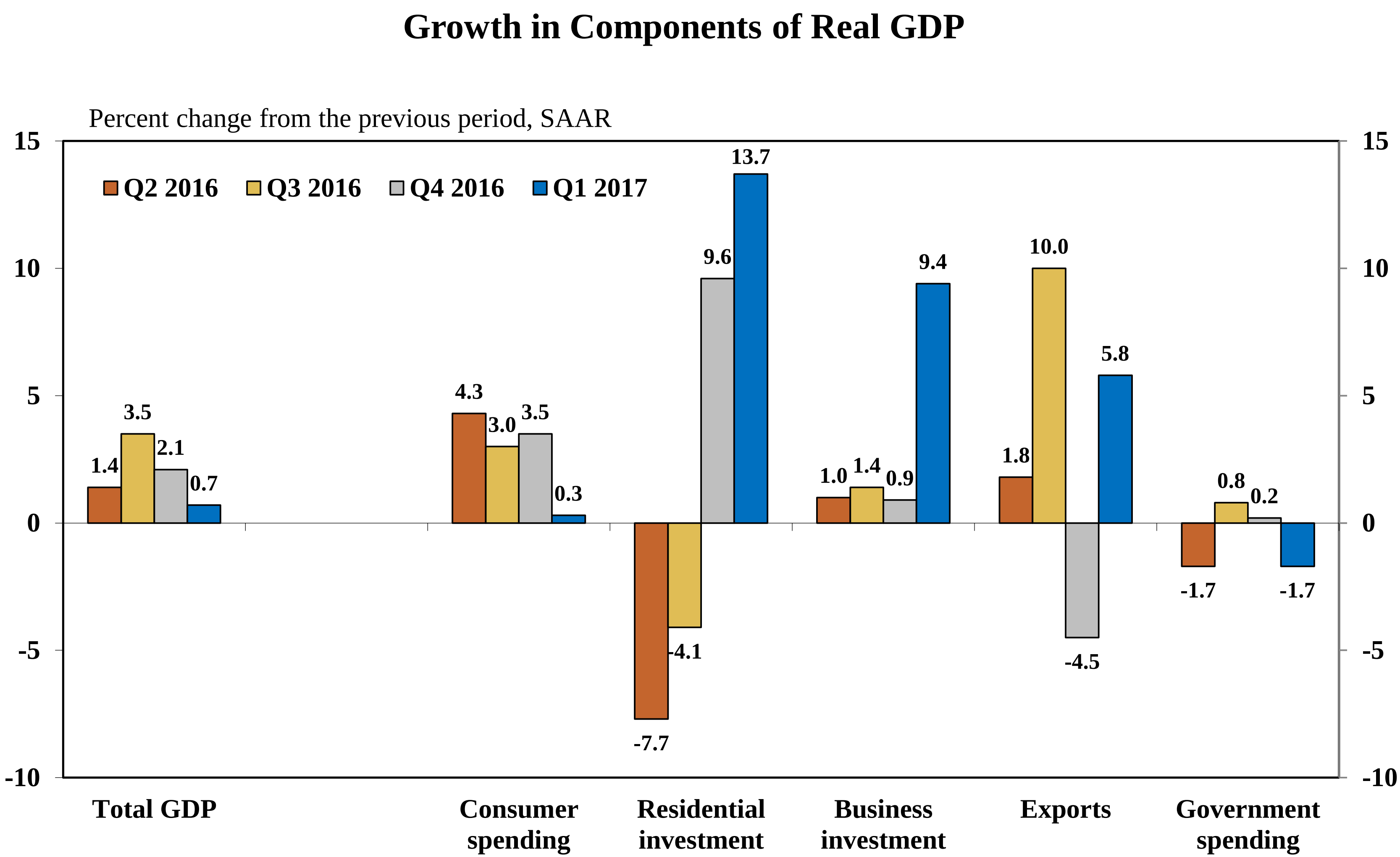
- **Functions and purposes – 45 staff**
  - **Connect the nation's central bank to Oklahoma communities, businesses, and banks**
  - **Research on U.S. and Oklahoma economies, economic education and outreach**
  - **Examinations of Oklahoma financial institutions** (49 banks, 178 holding companies)

- **2017 OKC Fed Branch Board of Directors**
  - **Pete Delaney (chair)**, Chairman & CEO (retired), OGE Energy Corp., Oklahoma City
  - **Clint Abernathy**, Owner, Abernathy Farms, Inc., Altus
  - **Susan Chapman Plumb**, COO, Bank of Cherokee County, Tahlequah
  - **Michael Coffman**, CEO (retired), Panhandle Oil & Gas, Inc., Oklahoma City
  - **Chuck Hall,** Chairman & CEO, Exchange Bank & Trust, Perry
  - **Tina Patel**, Co-Owner & CFO, Promise Hotels, Tulsa
  - **Katrina Washington,** Owner/Broker, Stratos Realty, Oklahoma City

- **Oklahomans on Kansas City Fed head office Board**
  - **Rose Washington (chair)**, Exec. Director, Tulsa Economic Development Corp., Tulsa
  - **Doug Stussi**, EVP & CFO, Love's Travel Stops & Country Stores, Oklahoma City

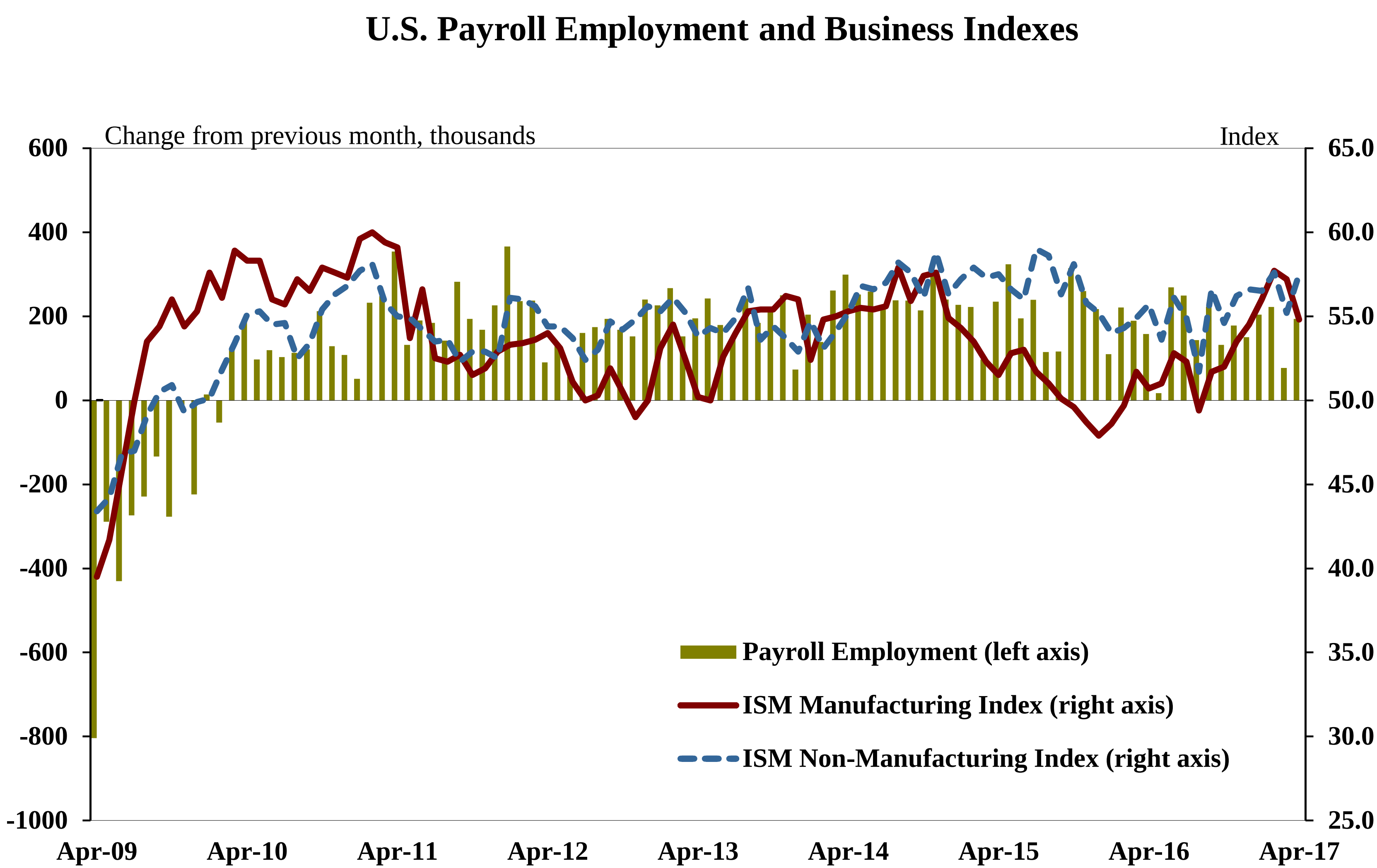
The U.S. Economy and Monetary Policy

GDP growth slowed in the first quarter of 2017 due in part to a slowdown in consumer spending



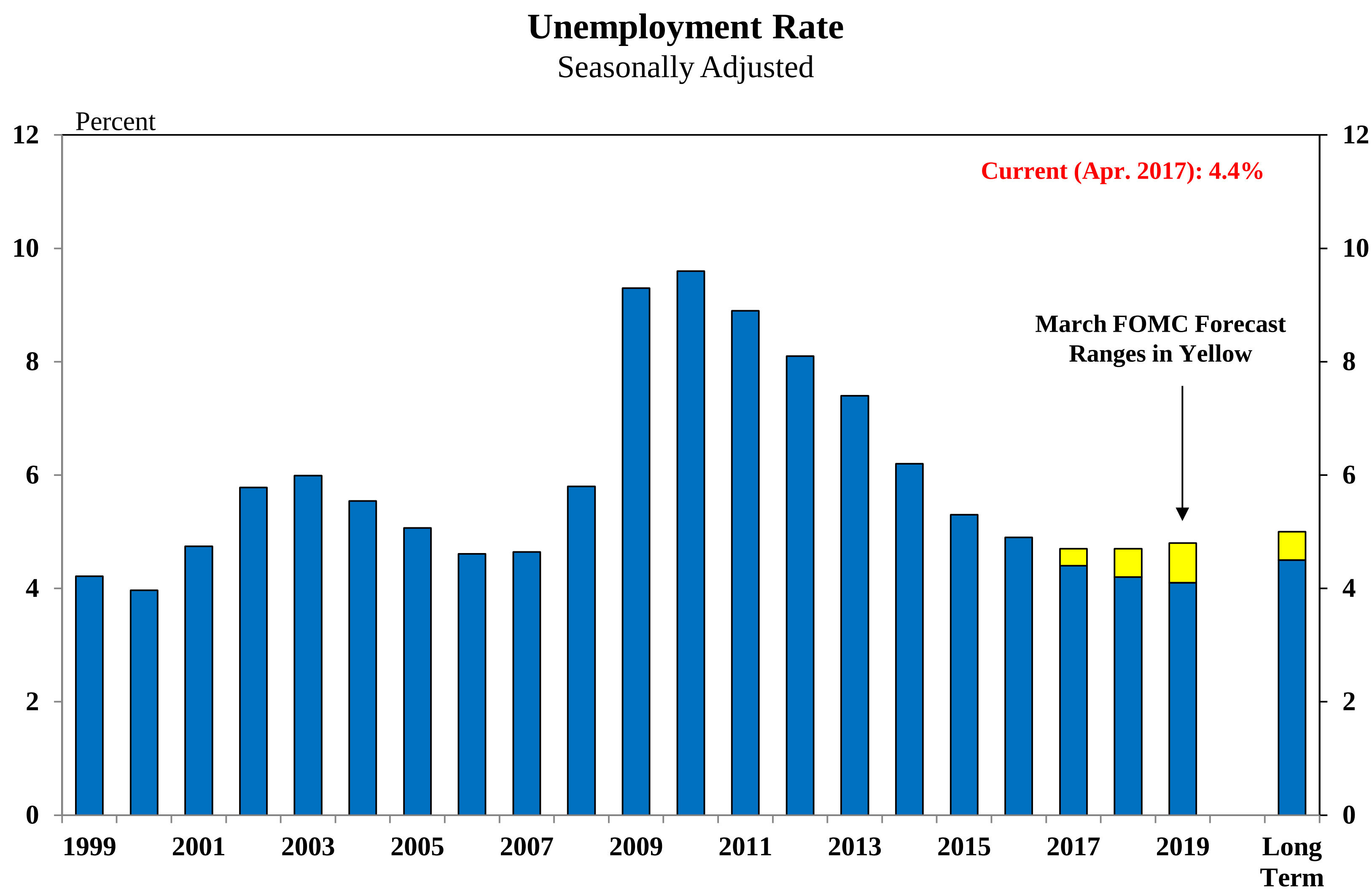
Source: U.S. Bureau of Economic Analysis

Most monthly data show U.S. economic growth remained solid in the first 4 months of the year



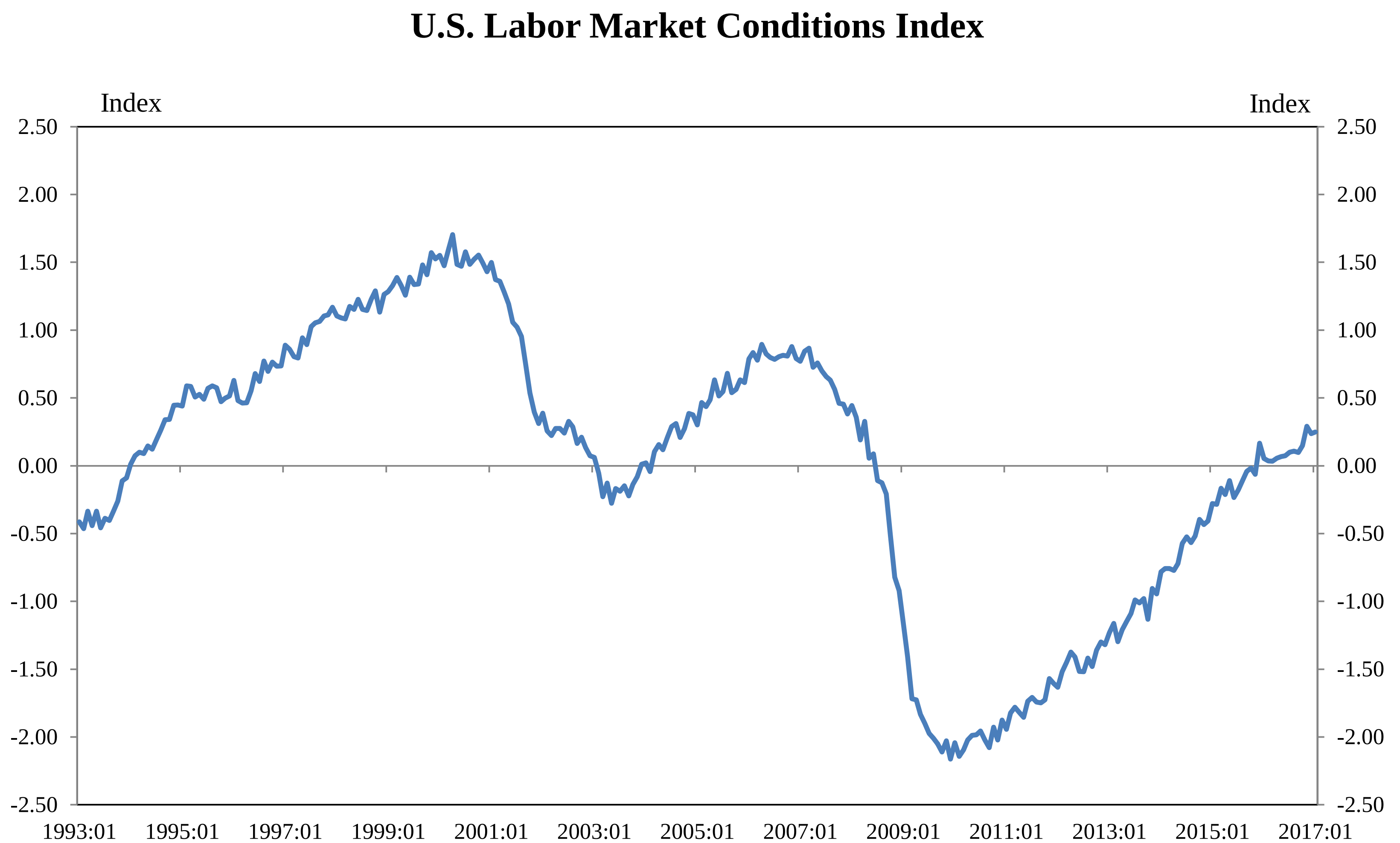
Source: Institute for Supply Management, Bureau of Labor Statistics

U.S. unemployment has fallen to long-term average levels



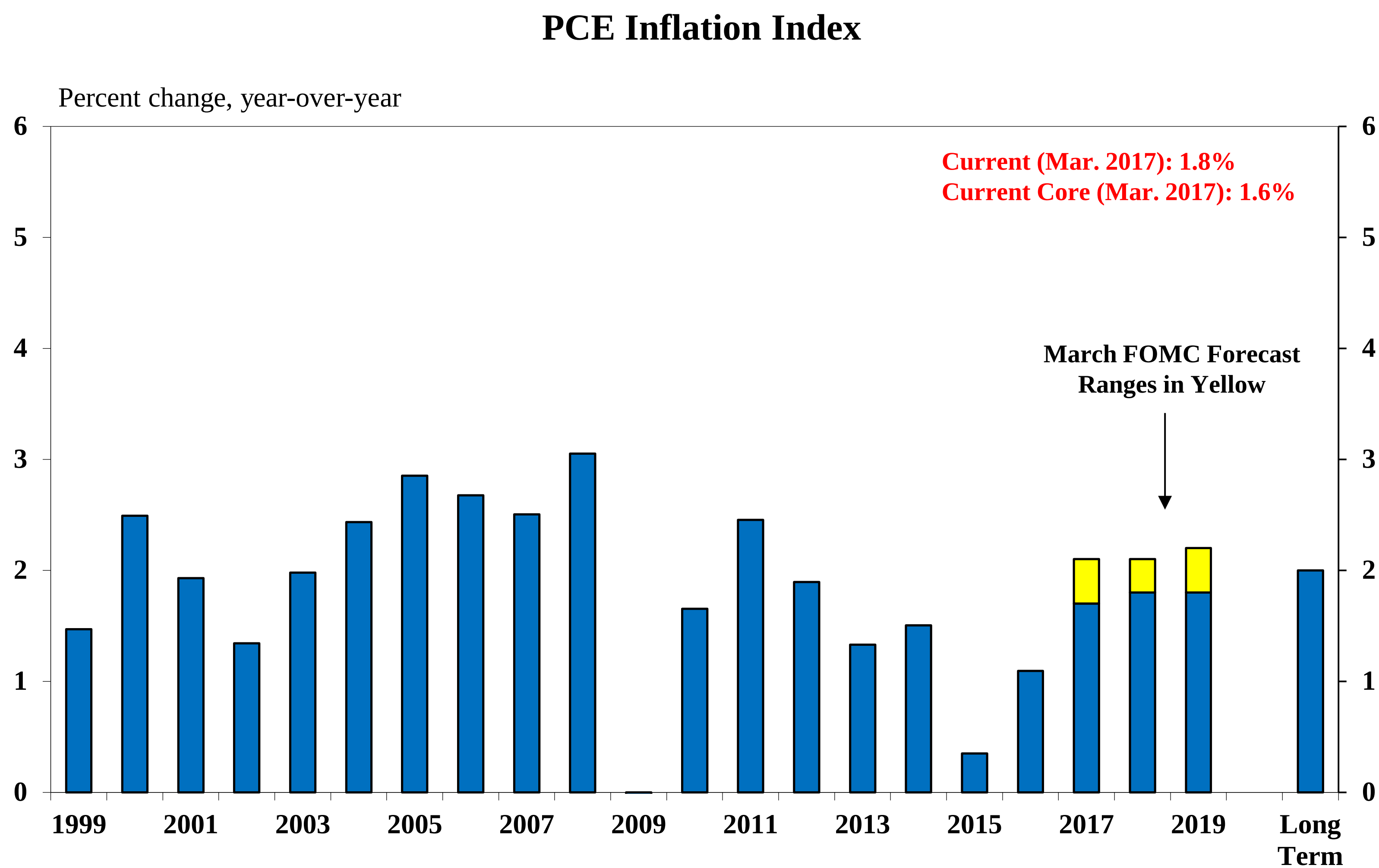
Sources: U.S. Bureau of Labor Statistics, FOMC

Broader measures of labor market conditions also show a return to normalcy



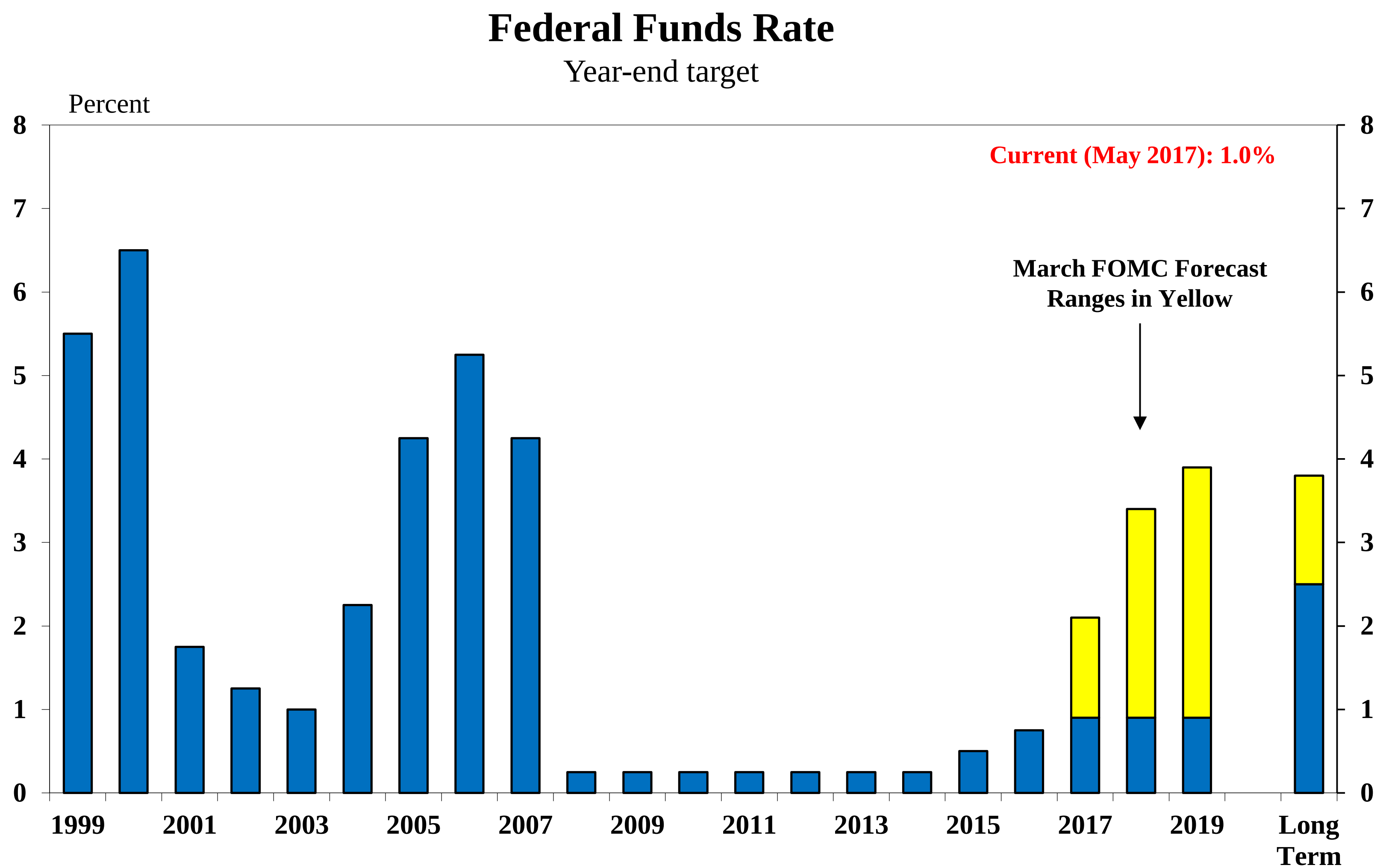
Source: FRBKC

FOMC: "Inflation…has been running close to the Committee's 2 percent longer-run objective"



Sources: U.S. Bureau of Labor Statistics, FOMC

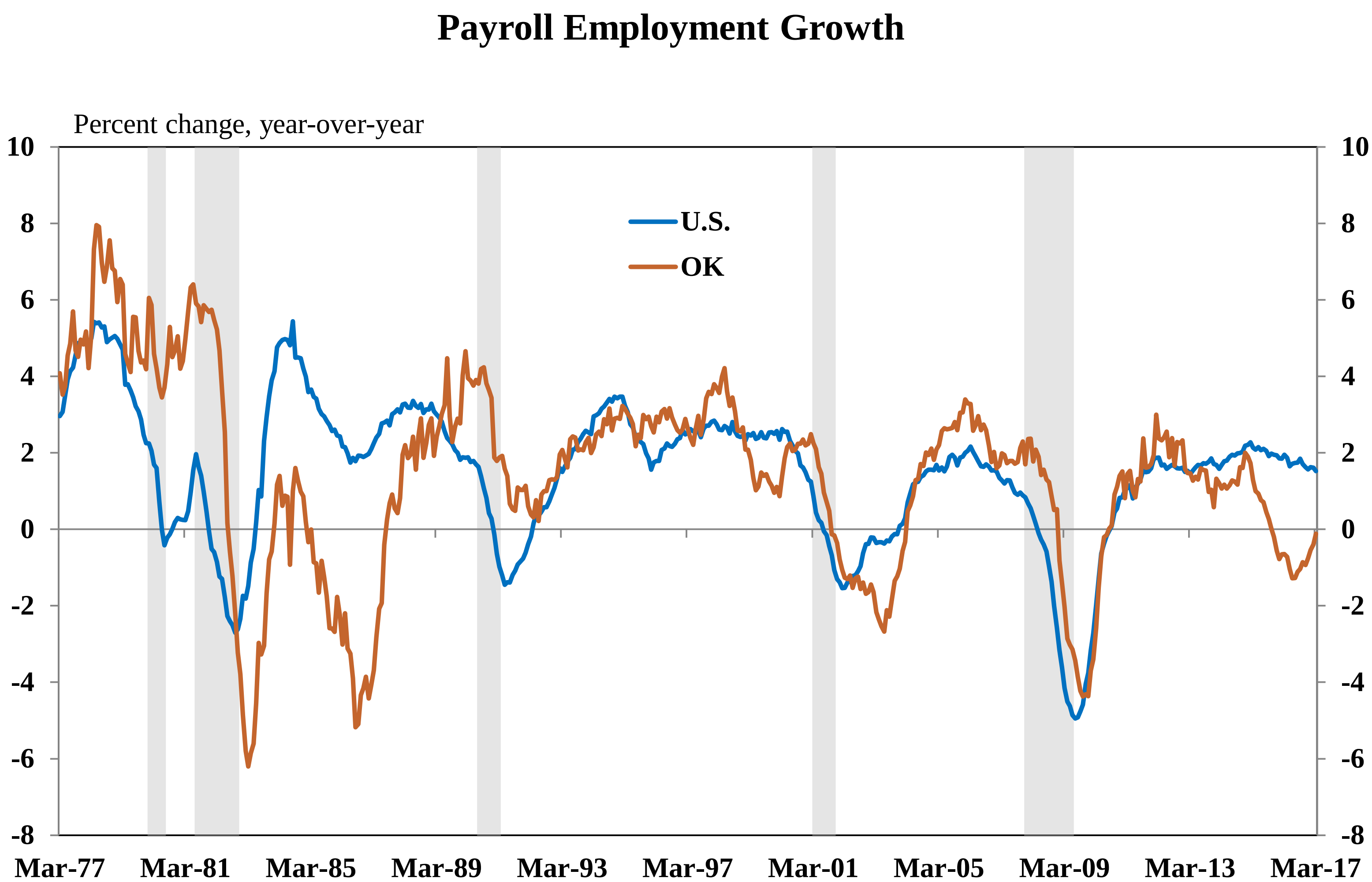
“The [FOMC] expects that economic conditions…will warrant …gradual increases in the federal funds rate”



Sources: Federal Reserve Board, FOMC

Trends in the Oklahoma Economy

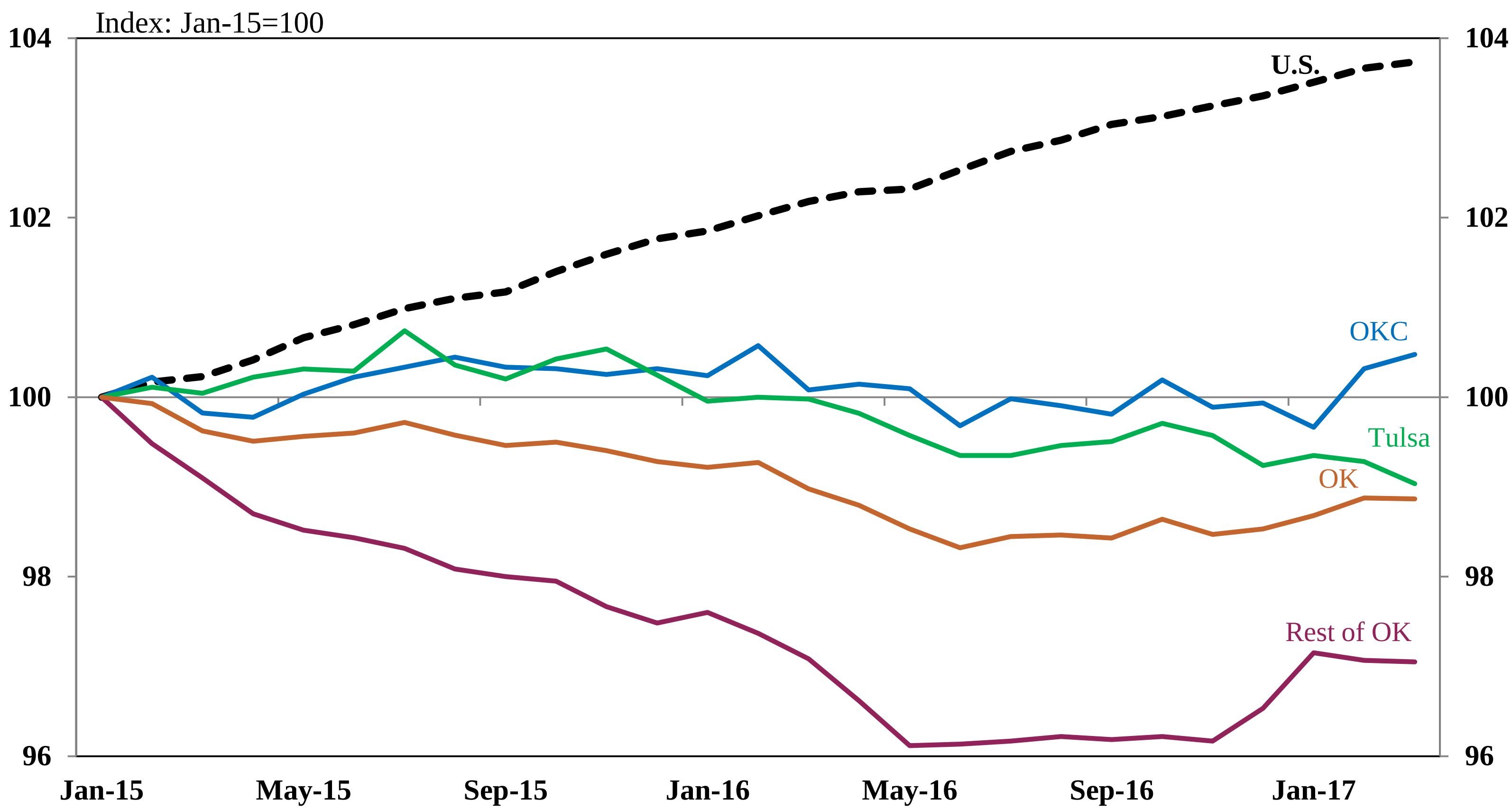
2016 was the largest divergence between U.S. and Oklahoma job growth since the 1980s



Source: U.S. Bureau of Labor Statistics

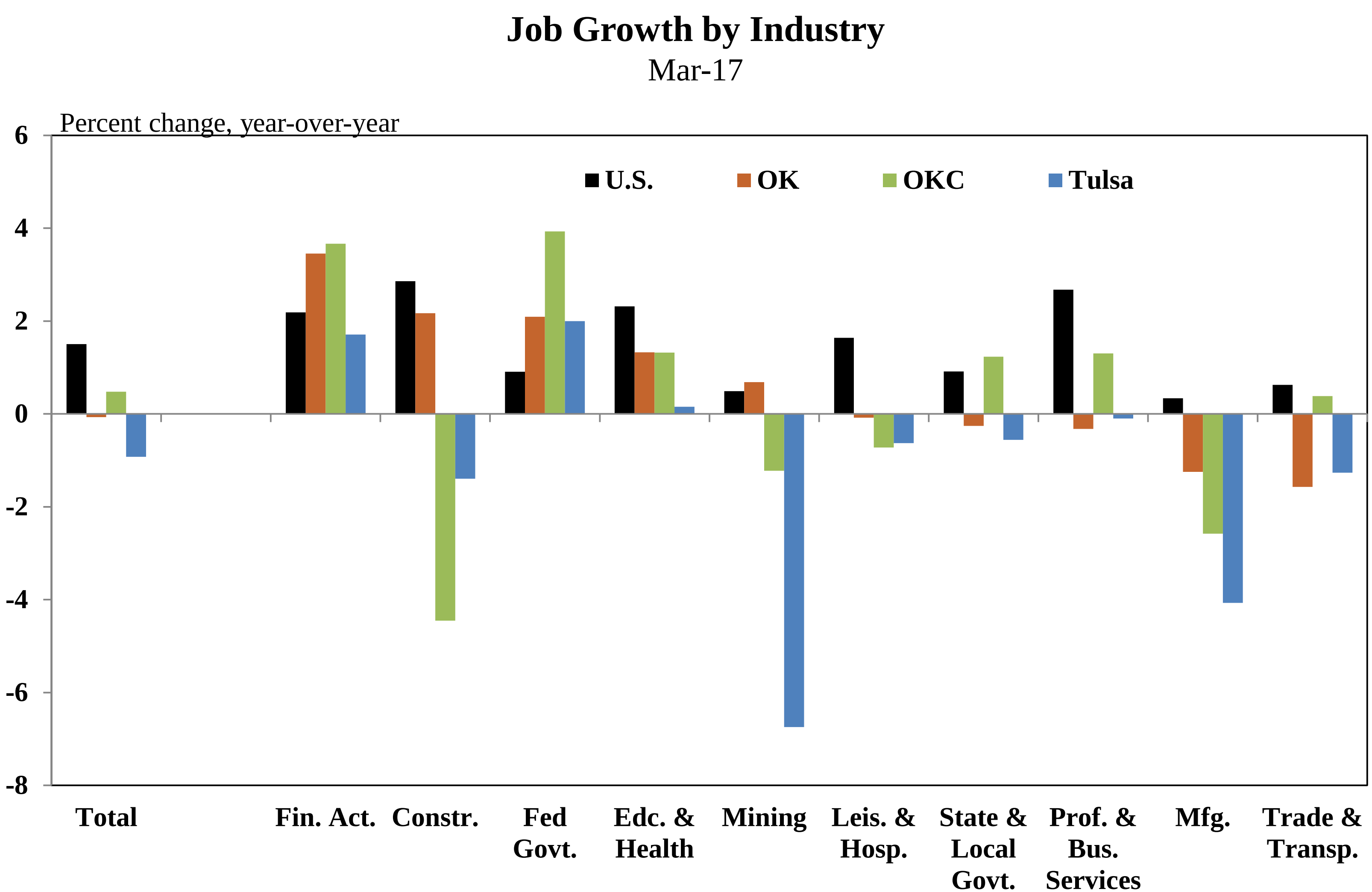
But employment in the state has edged higher in recent months, especially rural and OKC metro

Level of Payroll Employment
Through March 2017



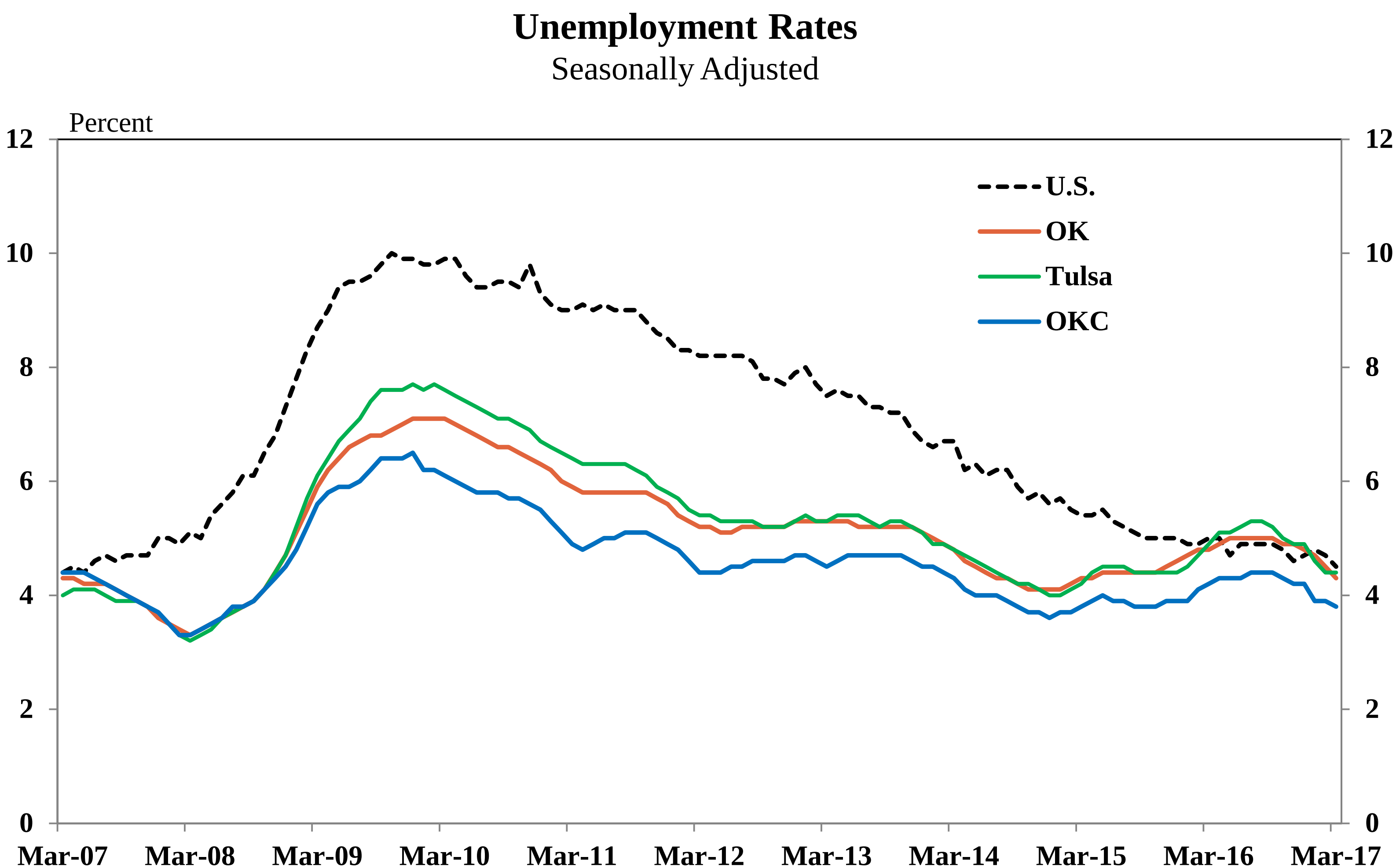
Source: U.S. Bureau of Labor Statistics

State job growth is now positive in several industries, though manufacturing and trade/transportation still lag



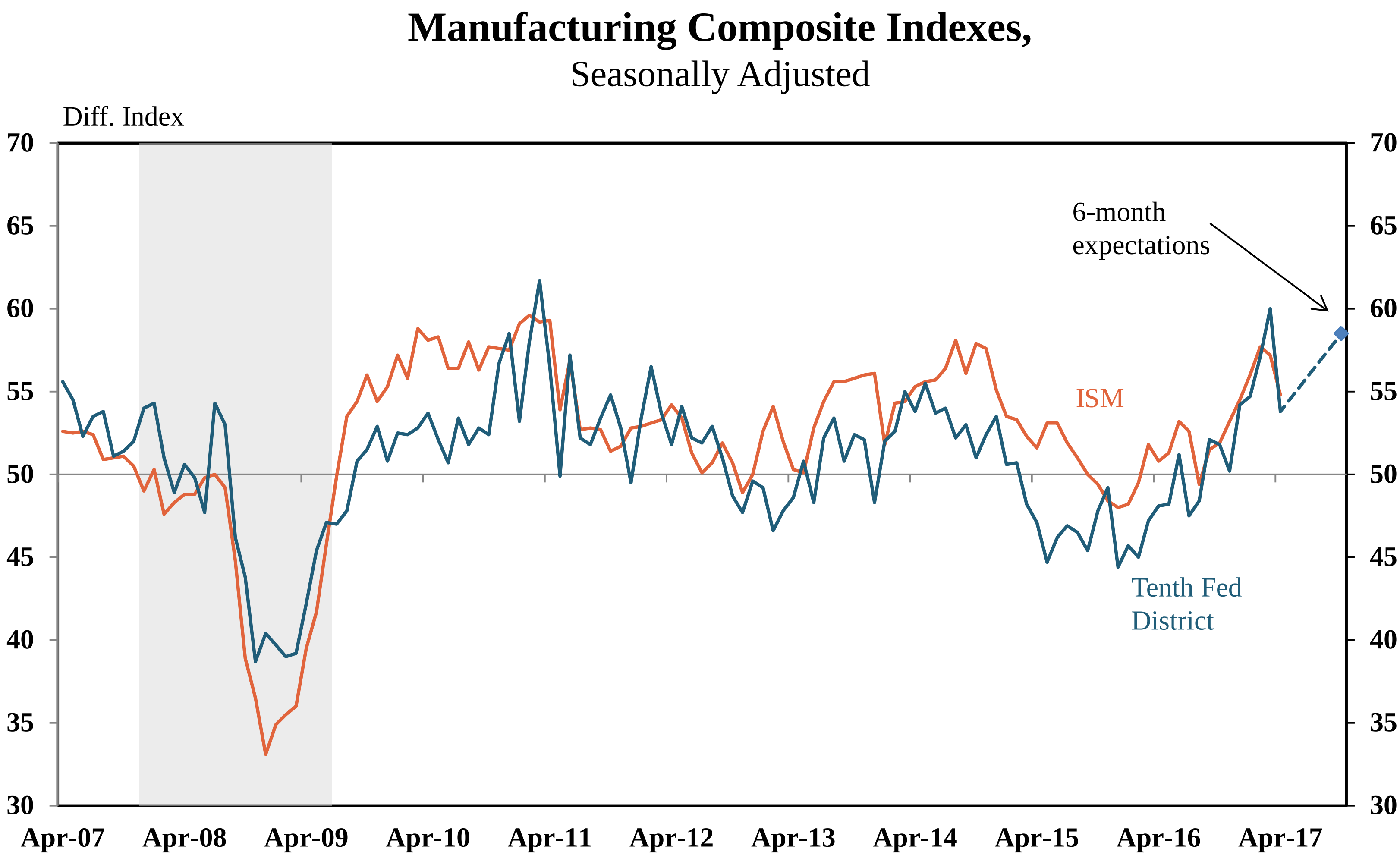
Source: Bureau of Labor Statistics

Local unemployment ticked up last year but has since moved back below the national rate



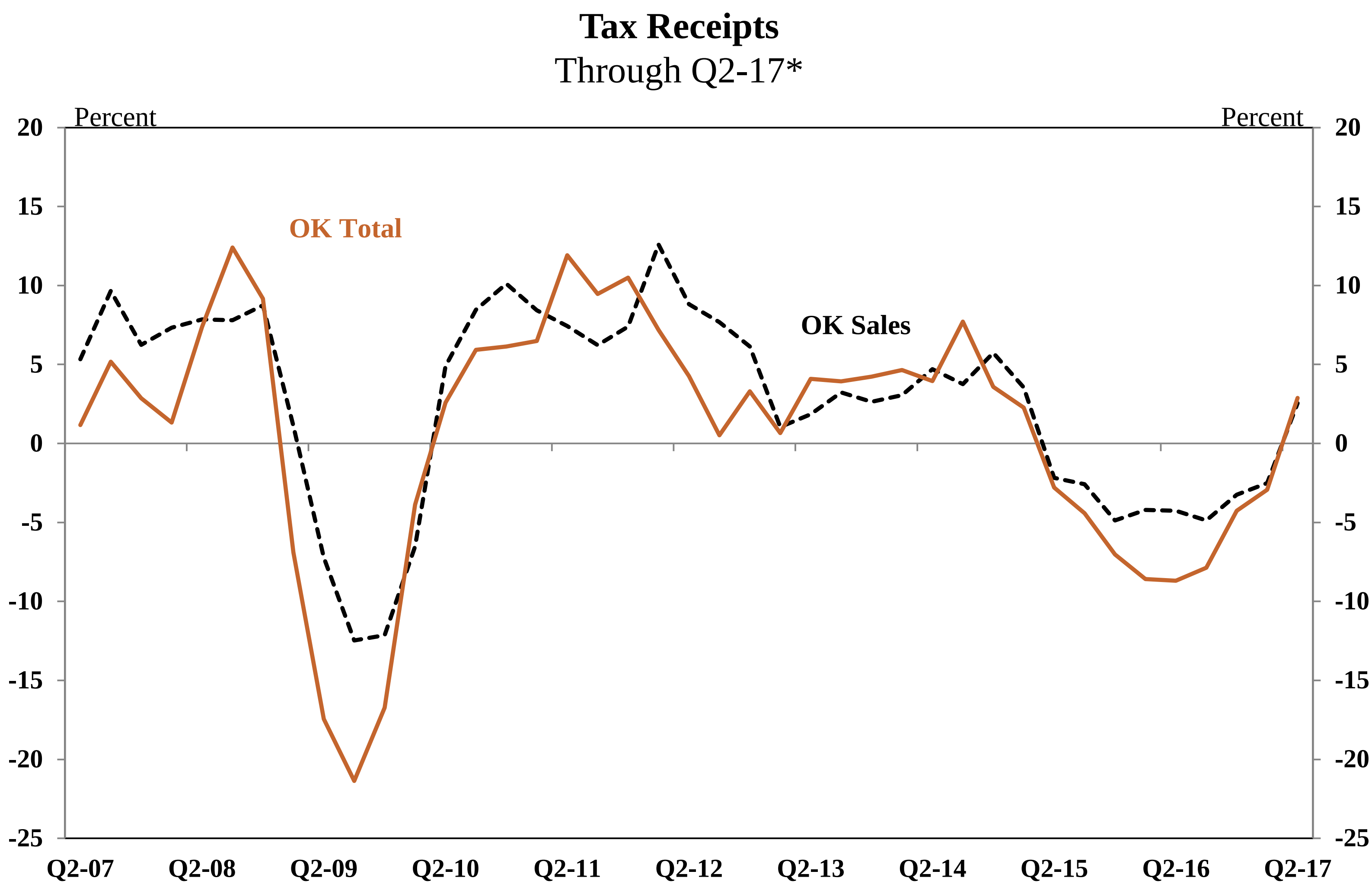
Source: U.S. Bureau of Labor Statistics

Regional factory activity has improved markedly in recent months, with considerable optimism



Source: ISM, FRBKC

State tax revenues have finally risen back to year-ago levels, after falling for 2 years

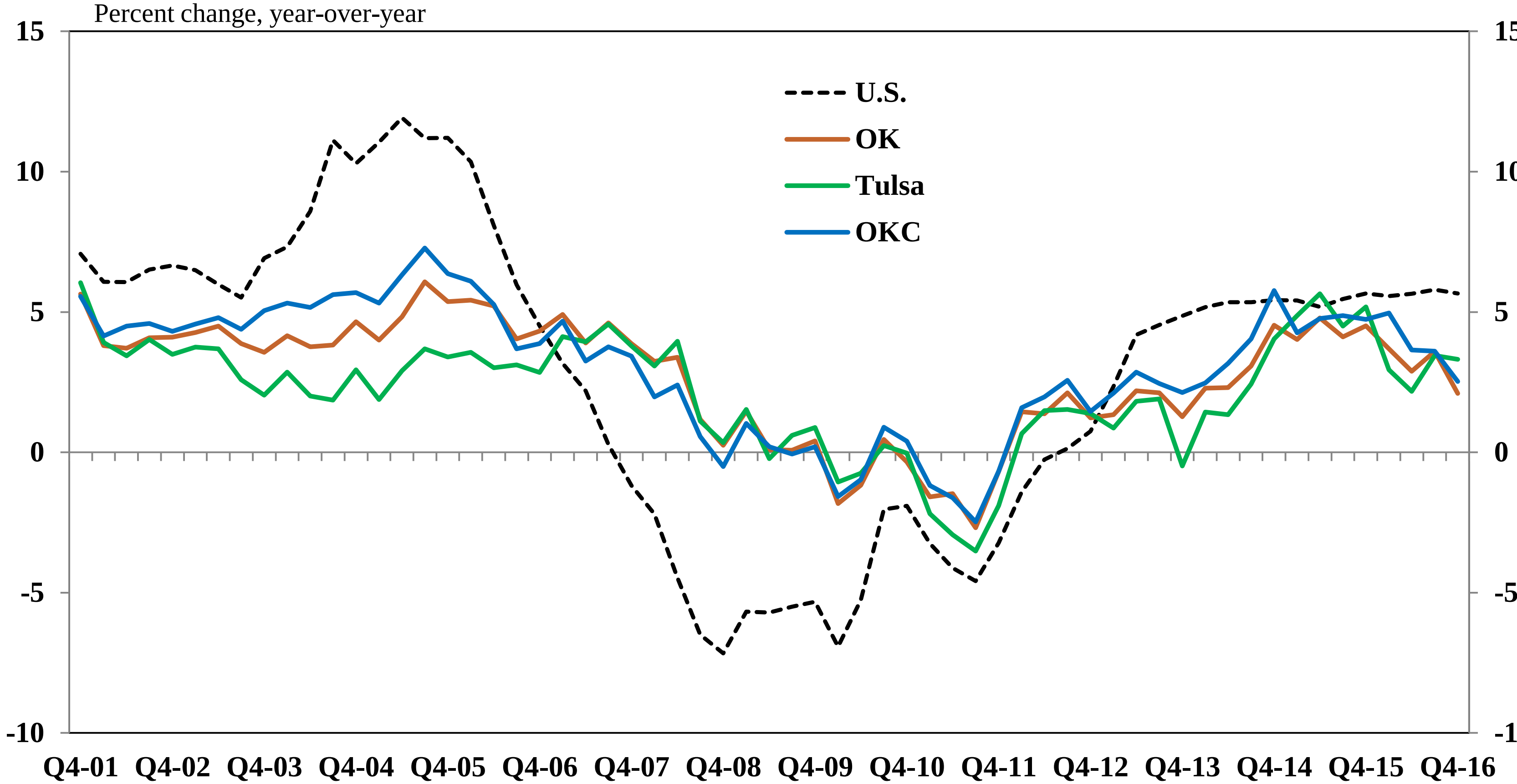


Note: Q2-17 includes only April

Source: OK Tax Commission

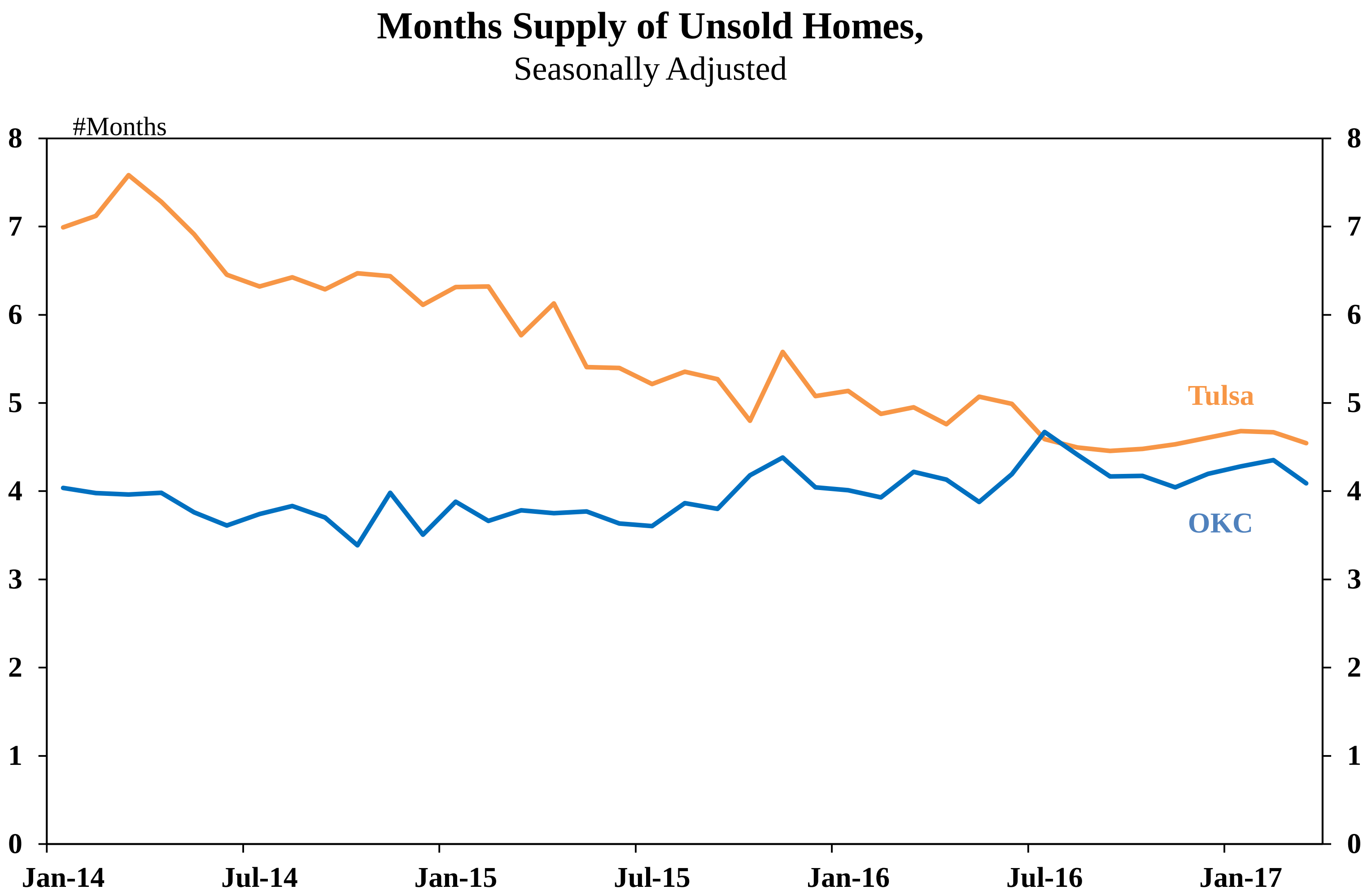
In housing, average home price growth across the state has slowed, but remains moderately positive

FHFA Home Price Index
Seasonally Adjusted



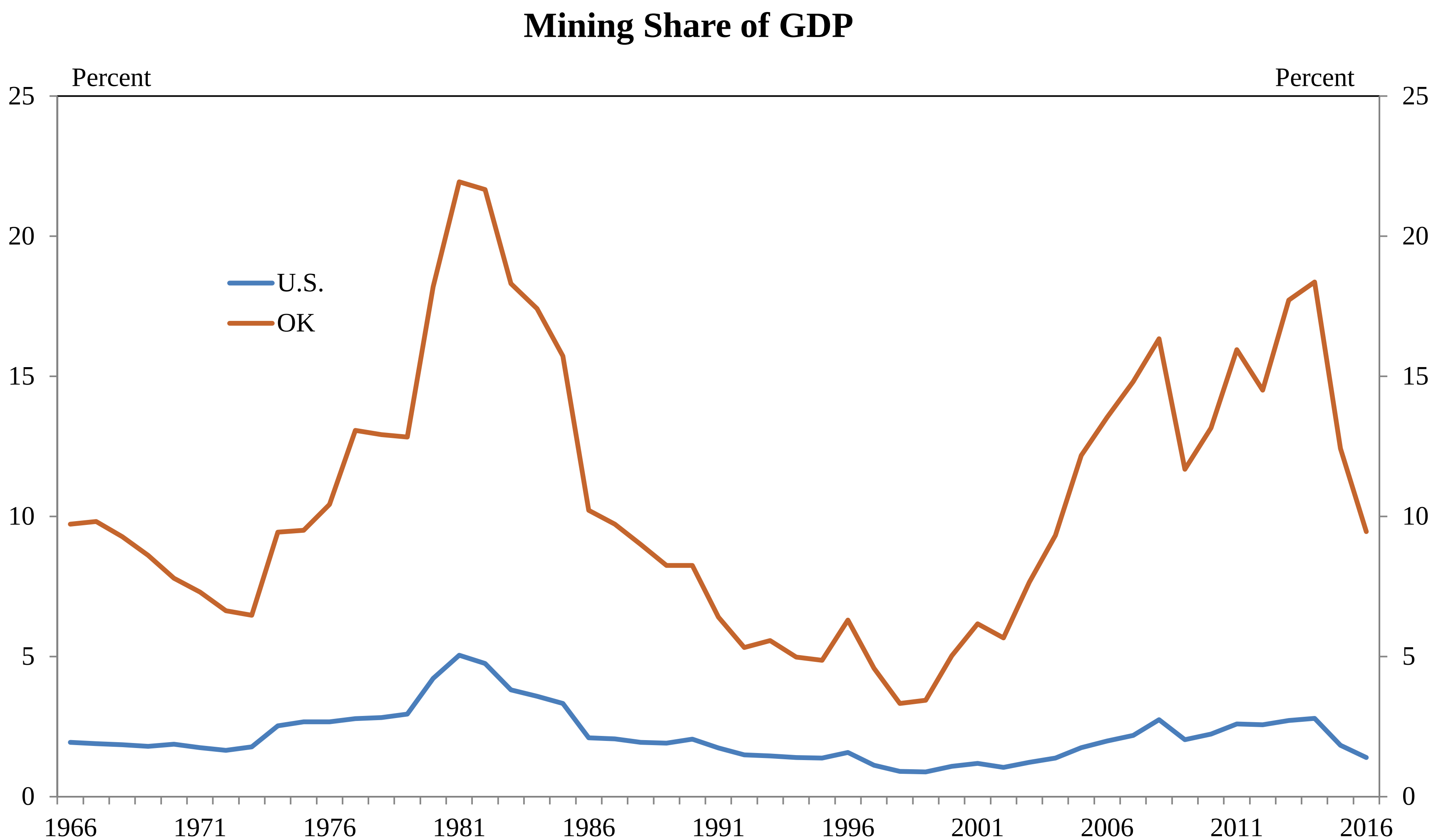
Source: FHFA

Inventories of unsold homes remain quite low in the two large metros, despite job losses and oil prices



Source: Residential Realtors' Reports

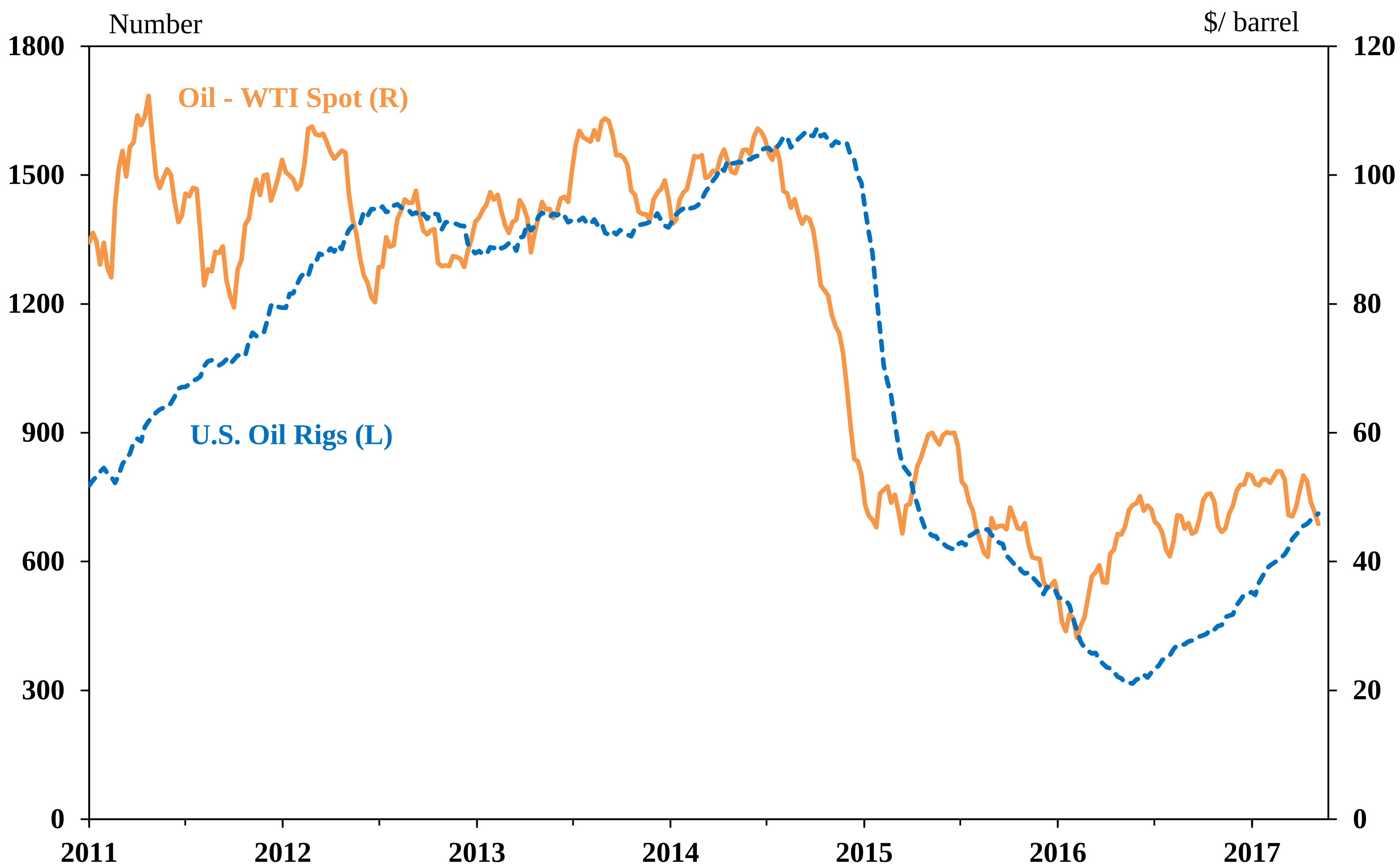
Energy is still a large share of Oklahoma GDP, even after dropping since 2014, and is set to grow



Source: U.S. Bureau of Economic Analysis

Oil prices' recent rise to $50/barrel has been followed by a near-doubling in the rig count

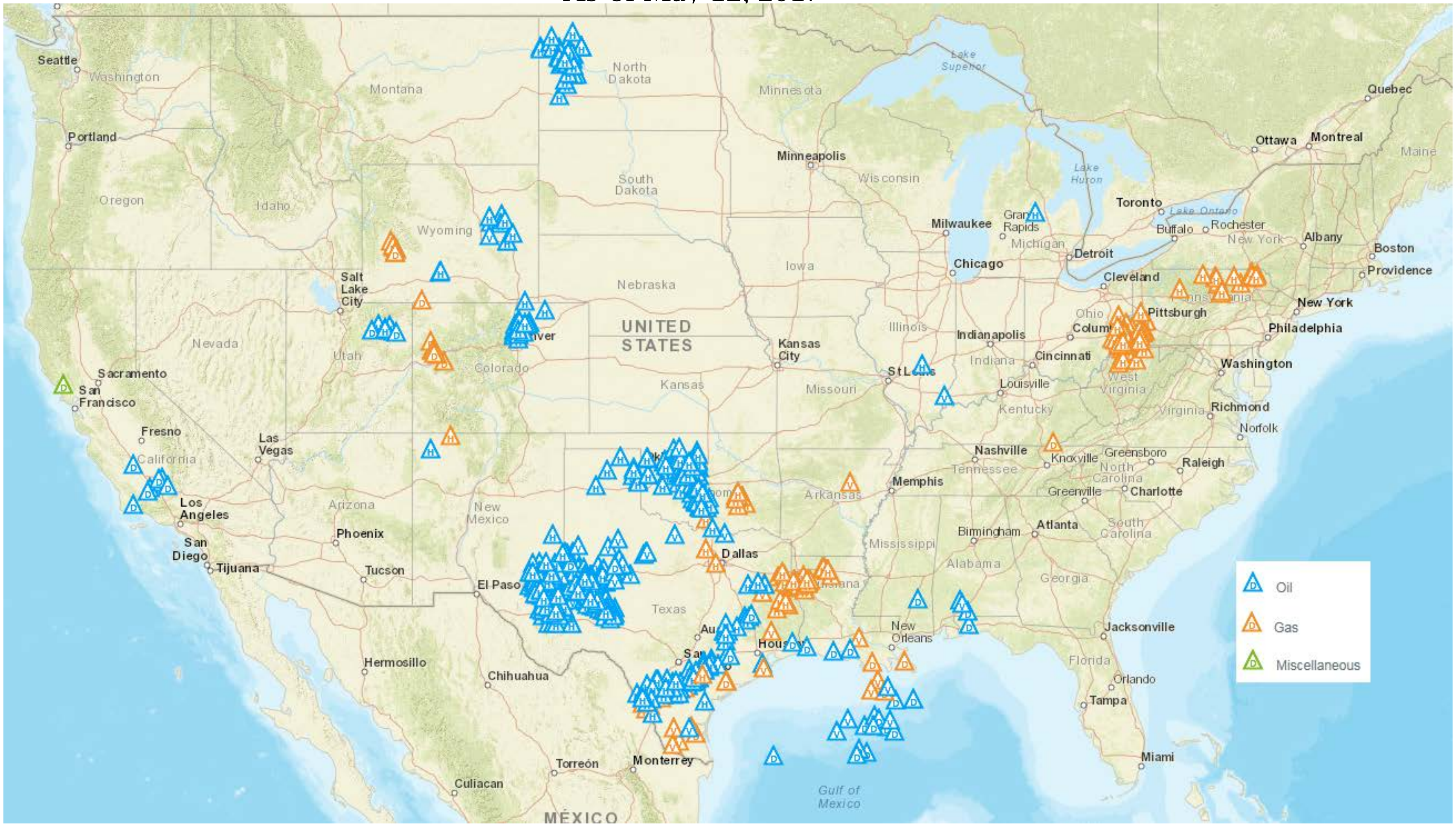
Oil Spot Prices and Rig Counts



Source: EIA, Reuters

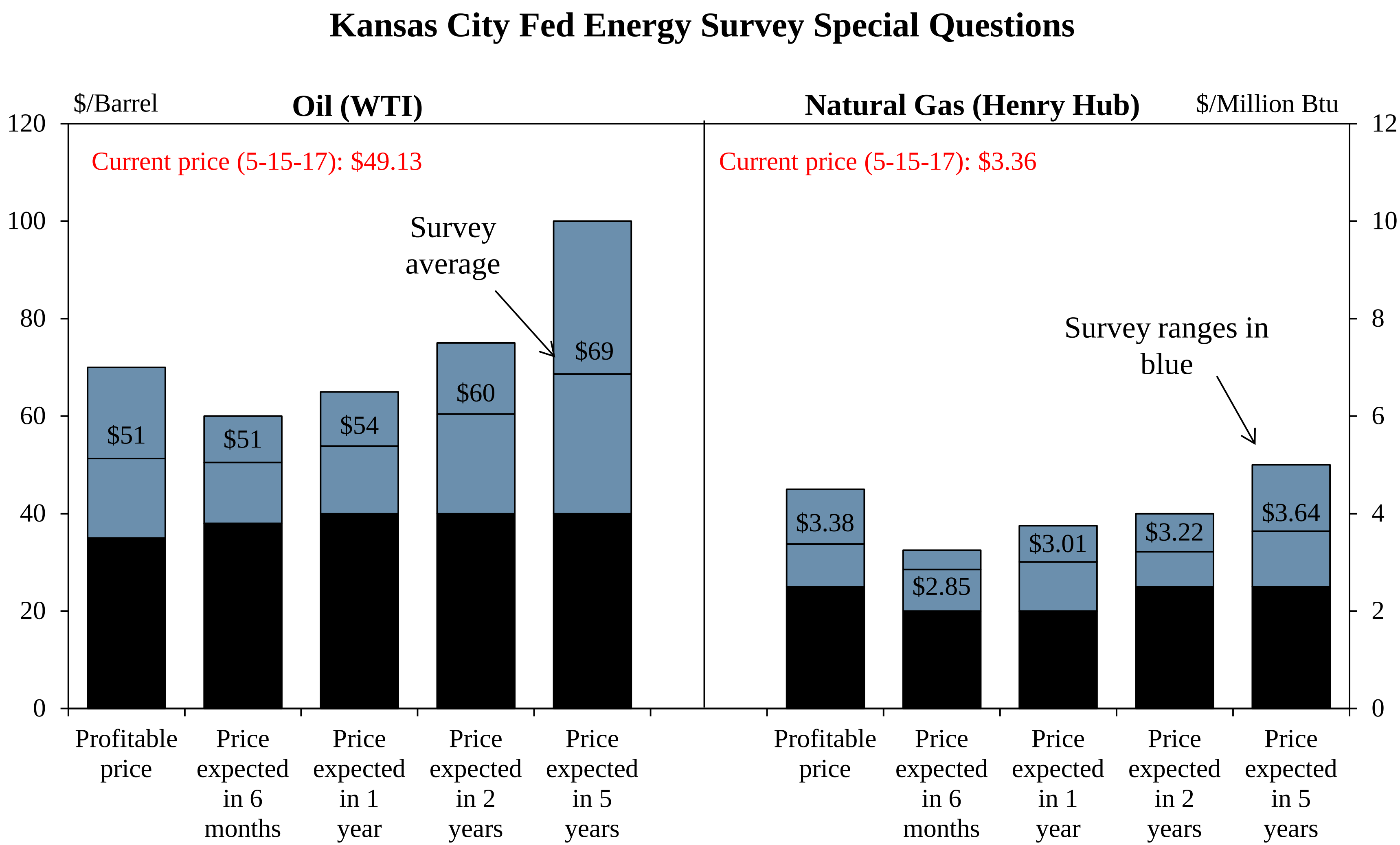
The most active drilling areas now are in west Texas and west/central Oklahoma

Current Drilling Rig Locations,
As-of May 12, 2017



Source: Baker Hughes

Energy prices are around average profitable levels but are only expected to increase modestly



Source: FRBKC Energy Survey, Reuters

Summary

- The U.S. economy continues to grow, and the Fed has raised interest rates

- The Oklahoma economy has been hurt by low commodity prices and spillover to commodity-related industries

- But conditions in local labor markets and housing markets have held on fairly well, and some growth and optimism has returned

Questions?

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https://www.kansascityfed.org/research/indicatorsdata/energy

For more analysis on regional manufacturing conditions, subscribe to our monthly **Manufacturing Survey** at:

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