

U.S. and Oklahoma Economic Update

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www.kansascityfed.org/oklahomacity

Structure and Functions of the Federal Reserve System

- **The “Fed” consists of three main entities:**

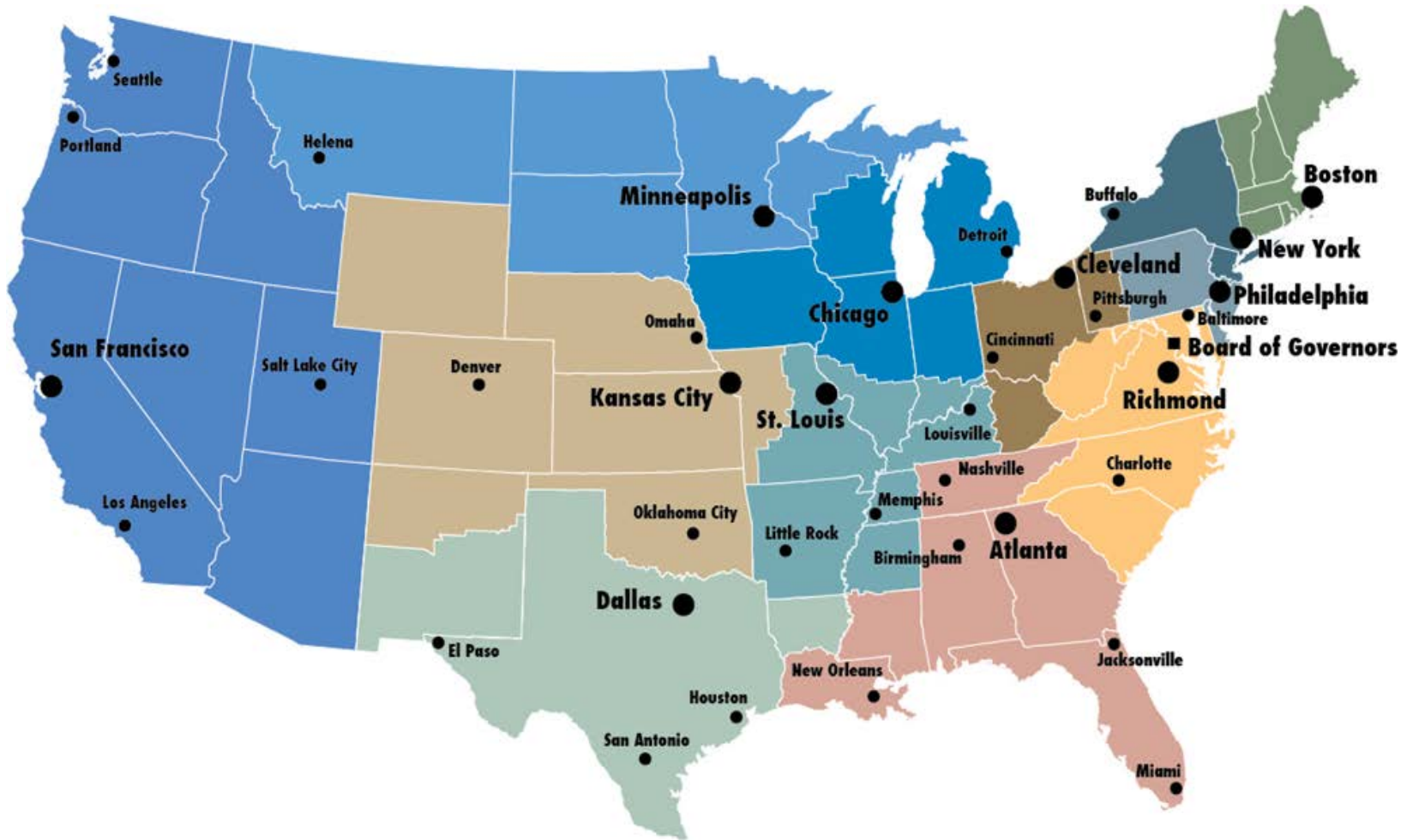
- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent by design
- Federal Open Market Committee: 19 members; 12 voting

- **As with most central banks, the Fed’s primary responsibilities fall within three general areas:**

- Monetary policy – promote maximum employment and low inflation
- Bank regulation – ensure soundness and fair lending of banks
- Financial services – serve as 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

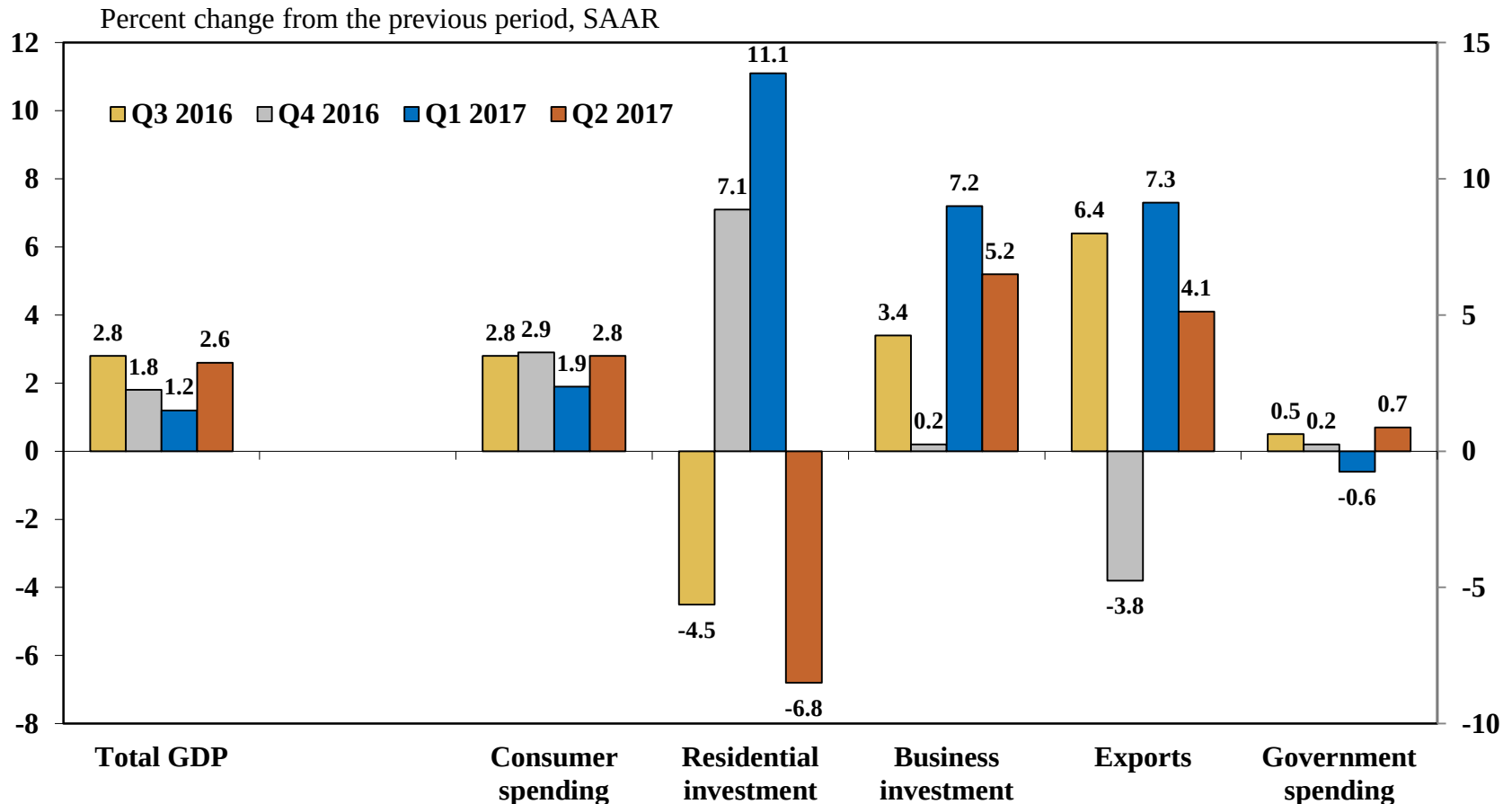
- **Oklahomans on Kansas City Fed head office Board**

- **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

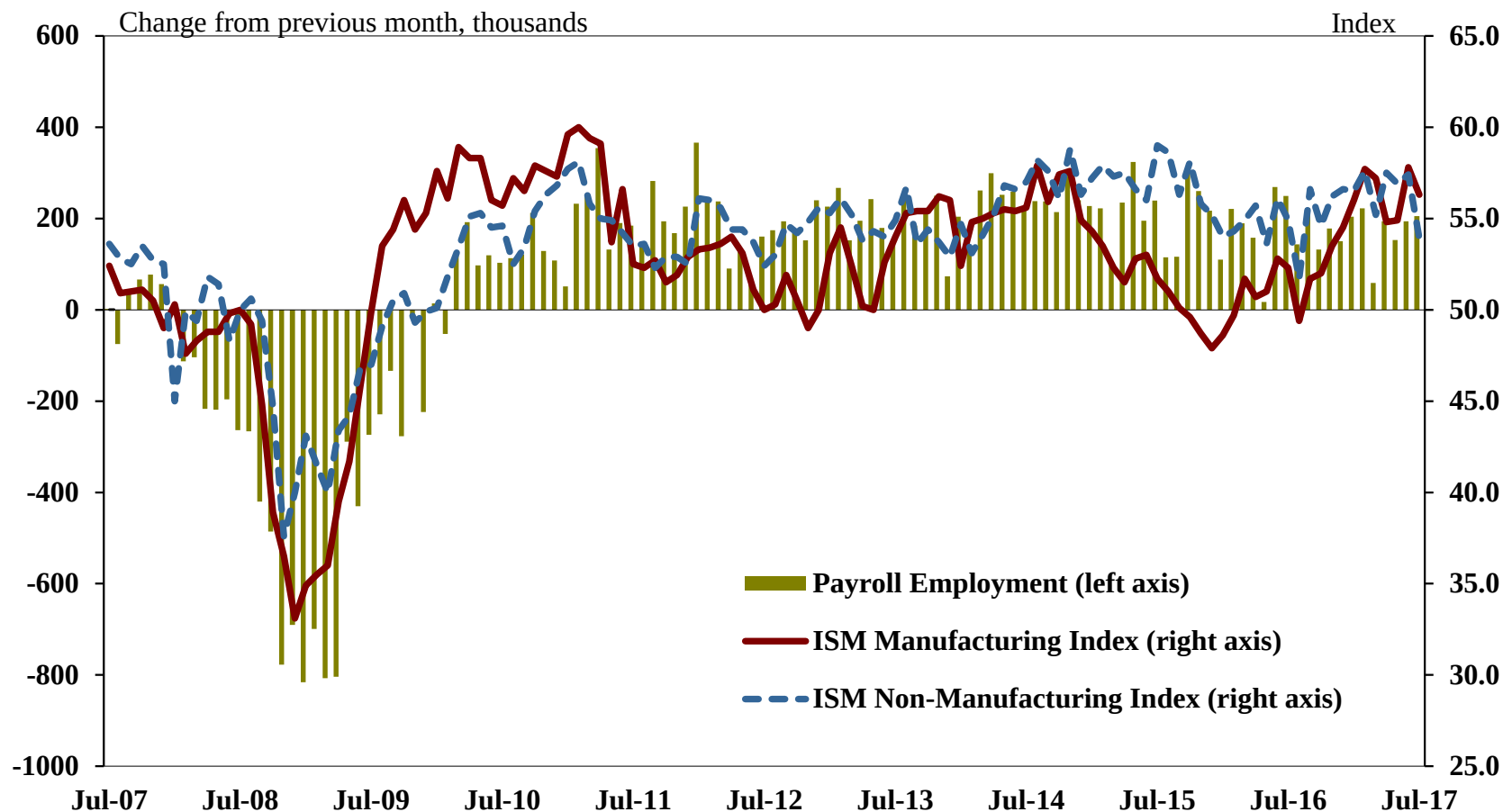
GDP growth rebounded in Q2 2017 due largely to a recovery in consumer spending growth

Growth in Components of Real GDP



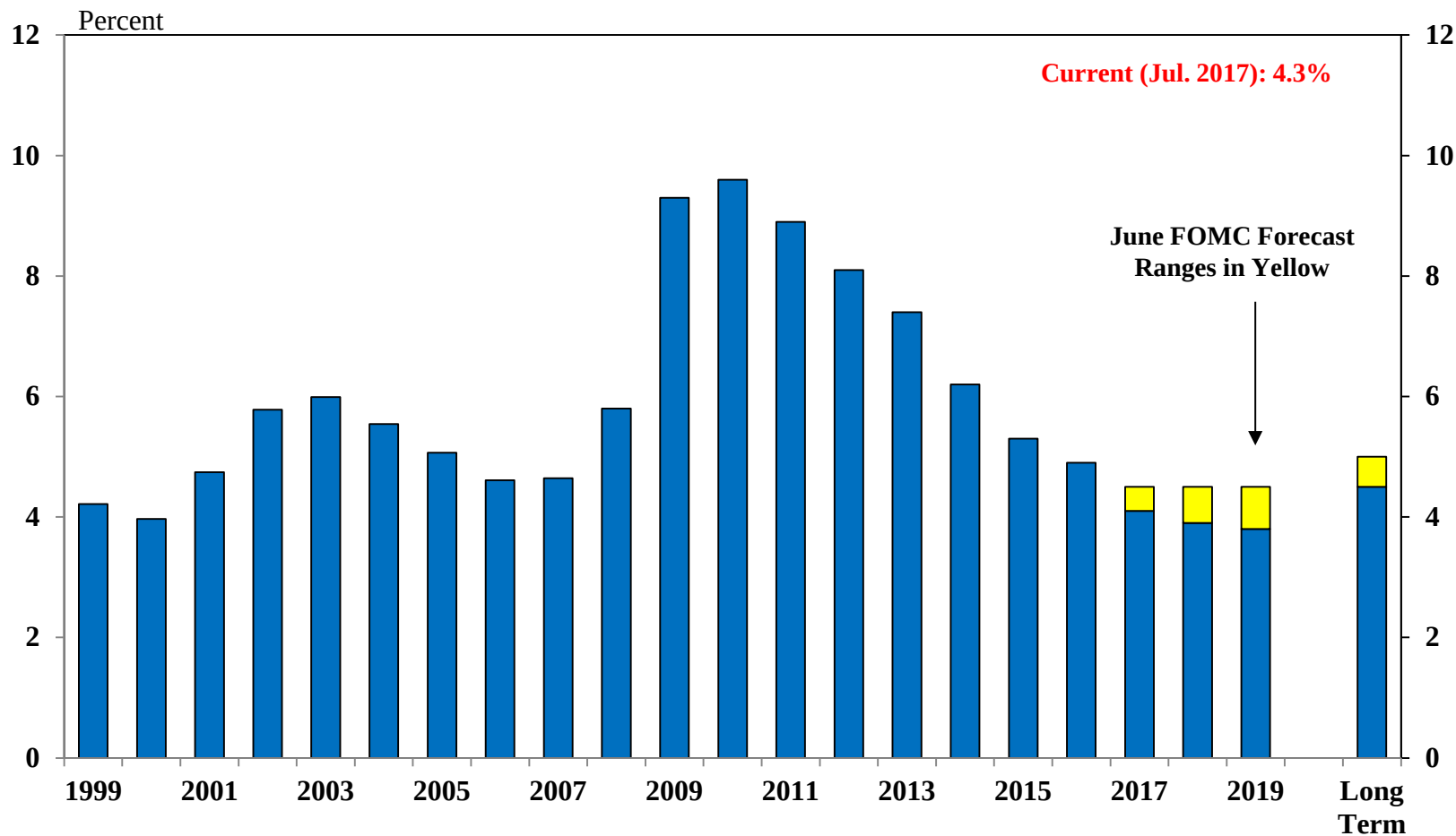
Most monthly data show U.S. economic growth has remained solid throughout 2017

U.S. Payroll Employment and Business Indexes



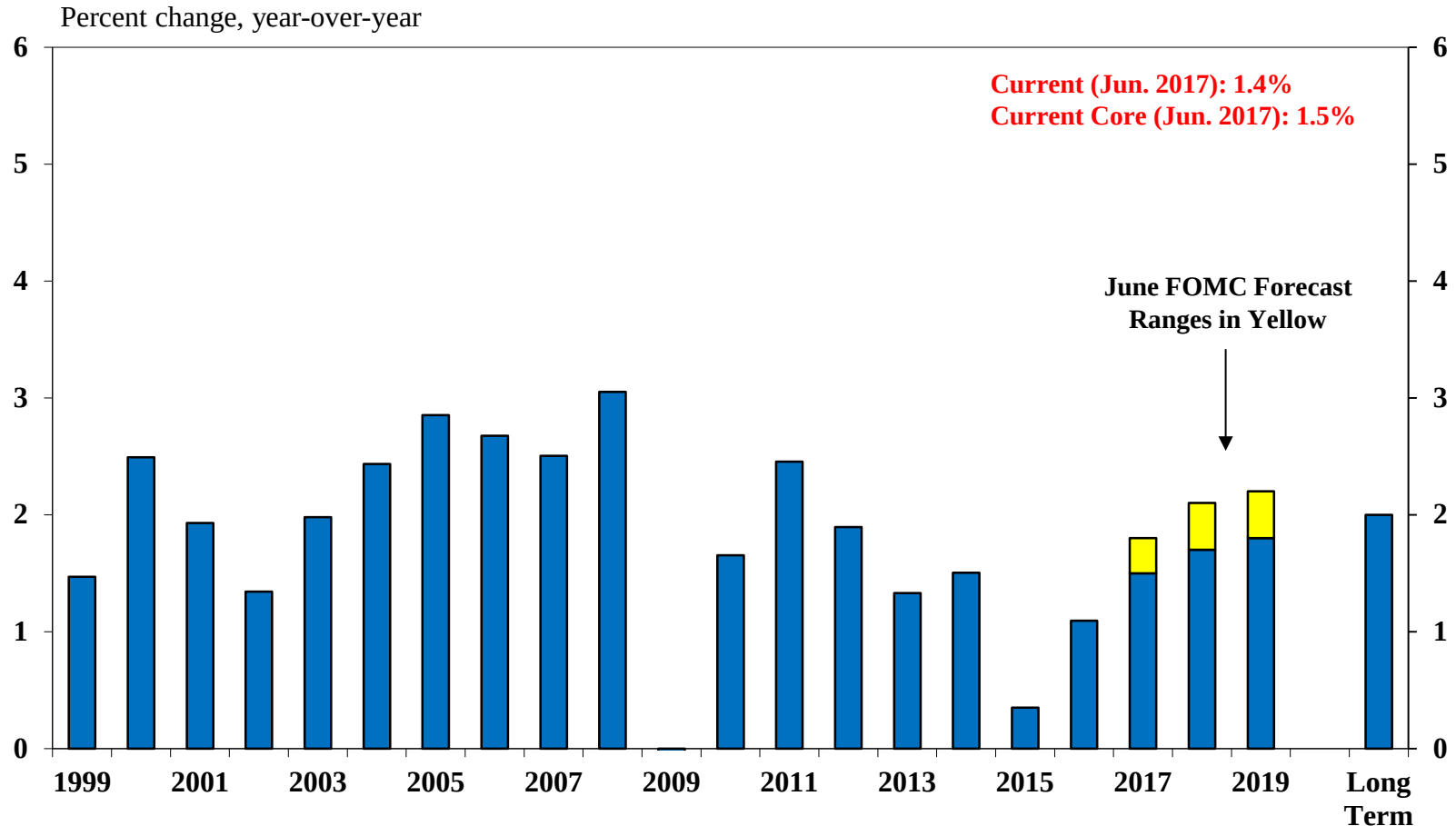
“Job gains have been solid...since the beginning of the year, and the unemployment rate has declined.”

Unemployment Rate
Seasonally Adjusted

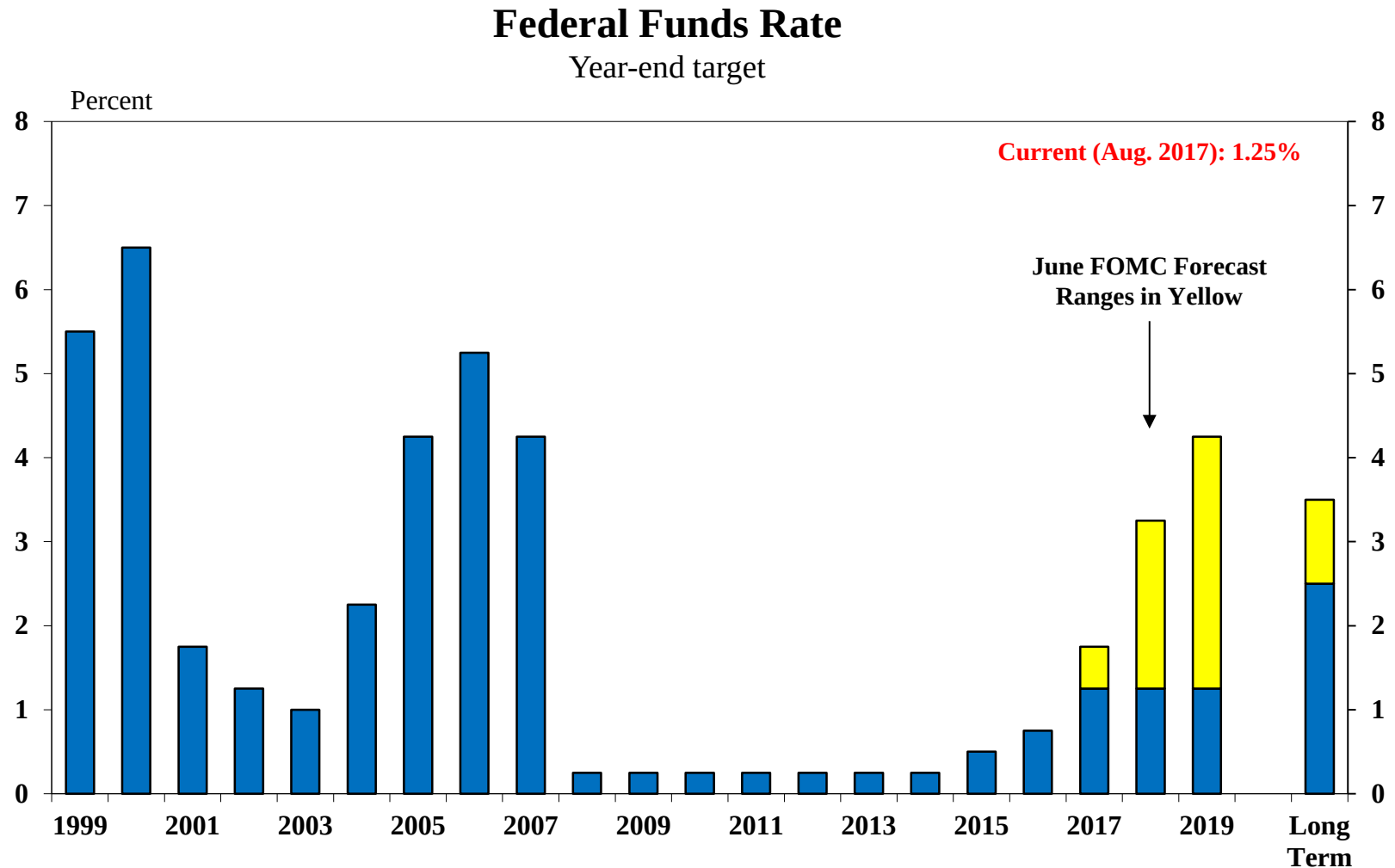


“Inflation...is expected to...stabilize around the Committee’s 2% objective over the medium term”

PCE Inflation Index

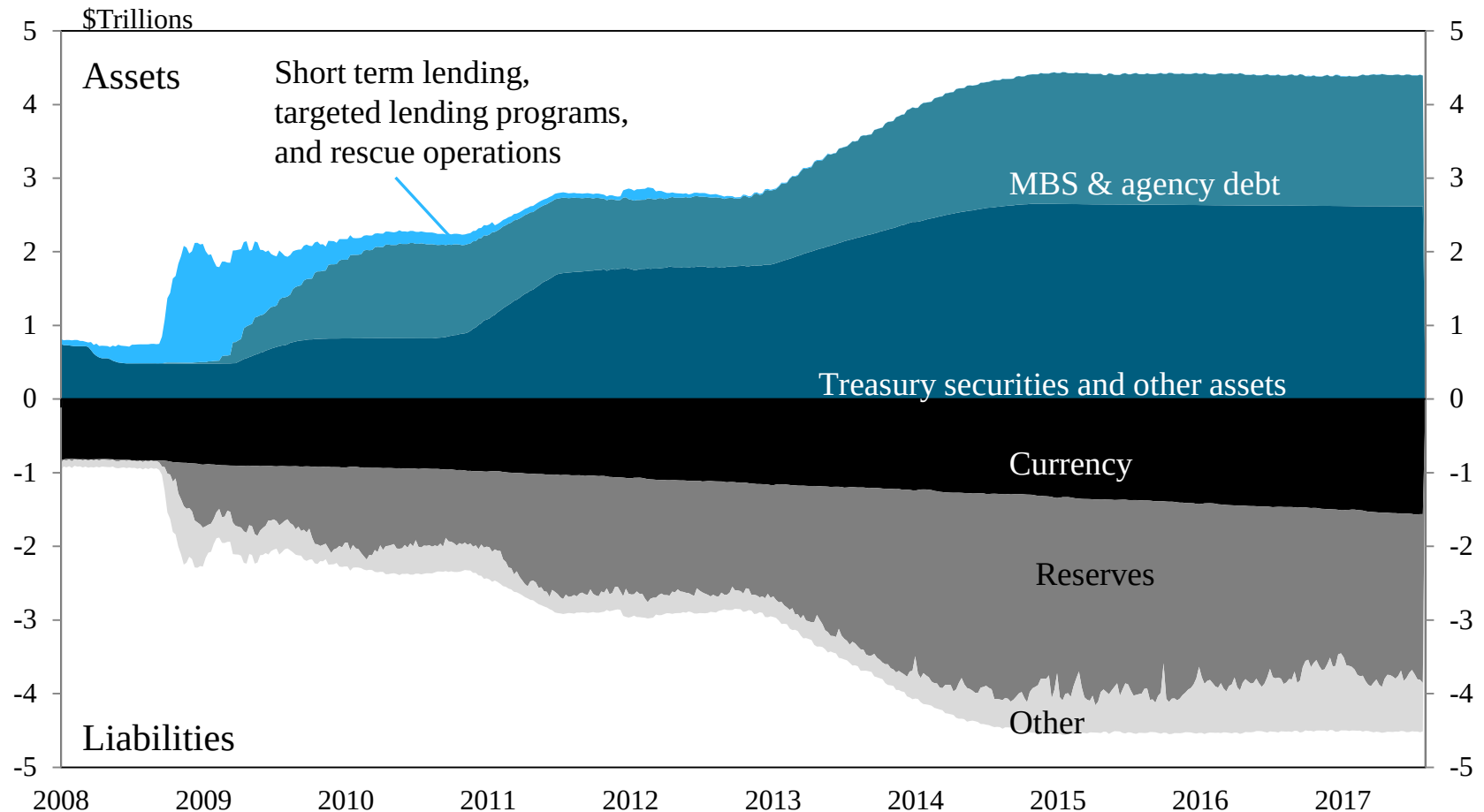


“The Committee expects...conditions will evolve in a manner that will warrant gradual [rate] increases”



“The Committee expects to begin implementing its balance sheet normalization program relatively soon”

Federal Reserve Balance Sheet

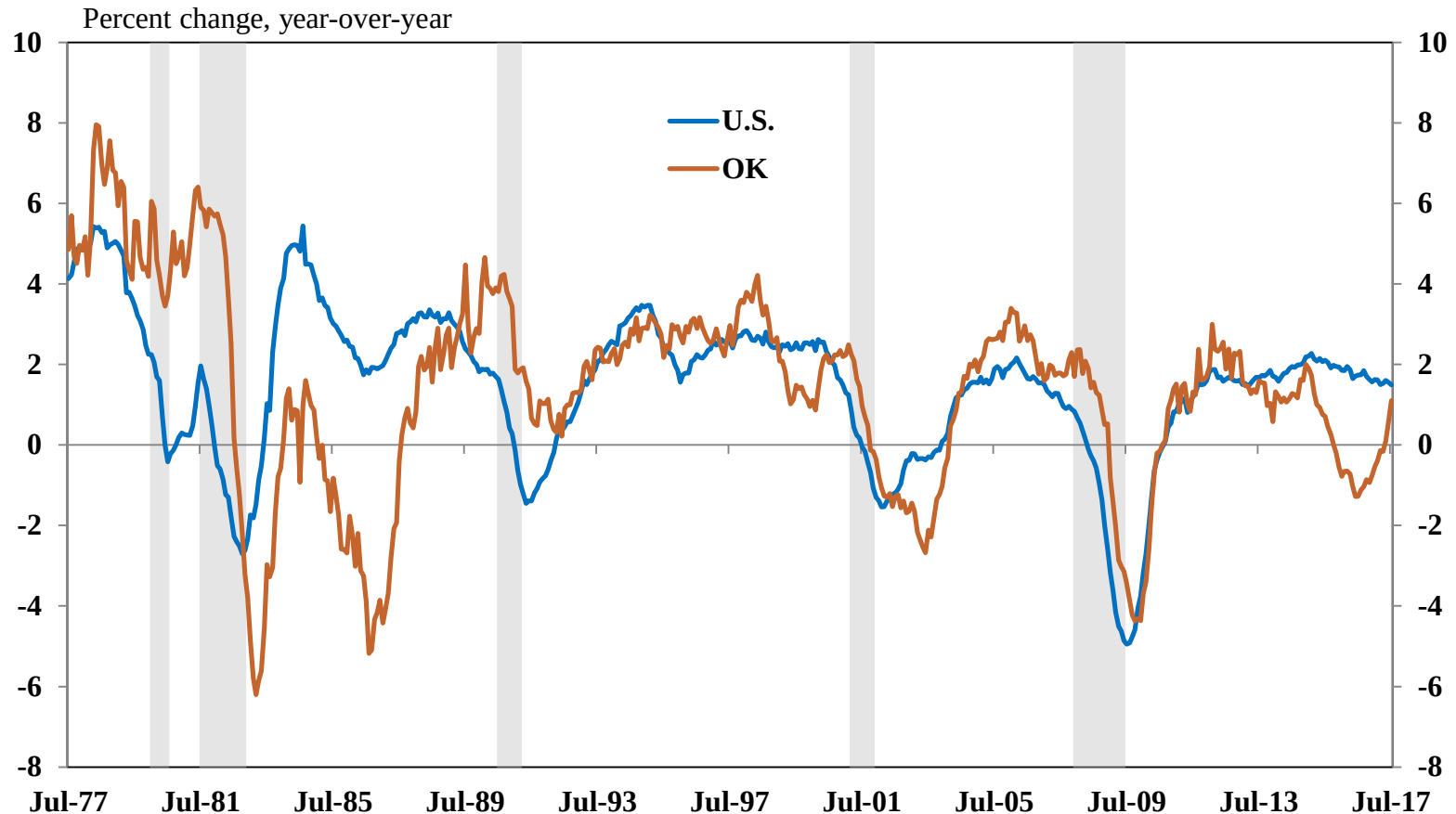


Source: Federal Reserve Board

Trends in the Oklahoma Economy

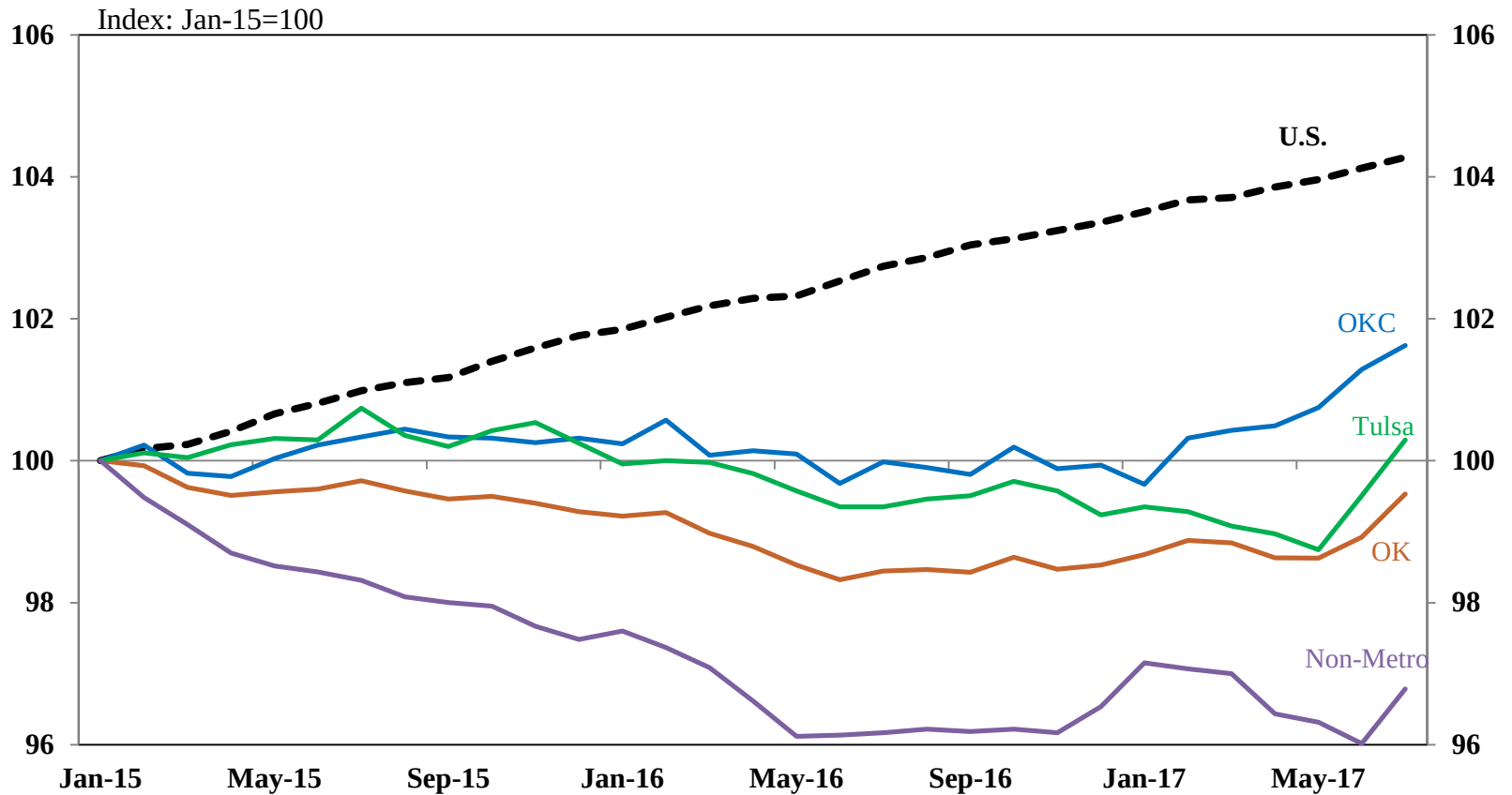
2016 was the largest divergence between U.S. and OK job growth since the '80s, but gap now closing

Payroll Employment Growth



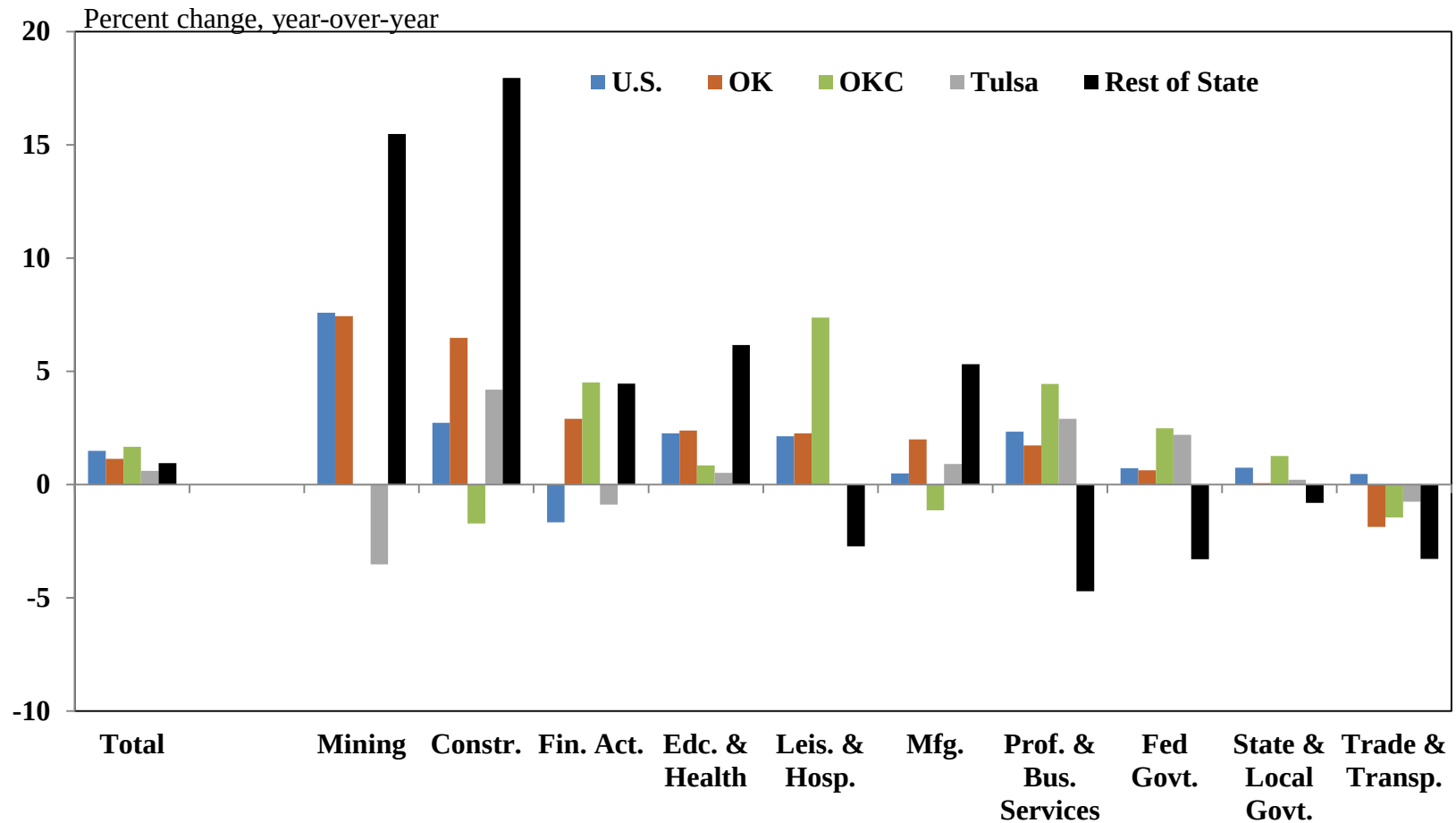
Employment levels are trending up, with some areas still below early 2015 levels

Level of Payroll Employment
Through July 2017



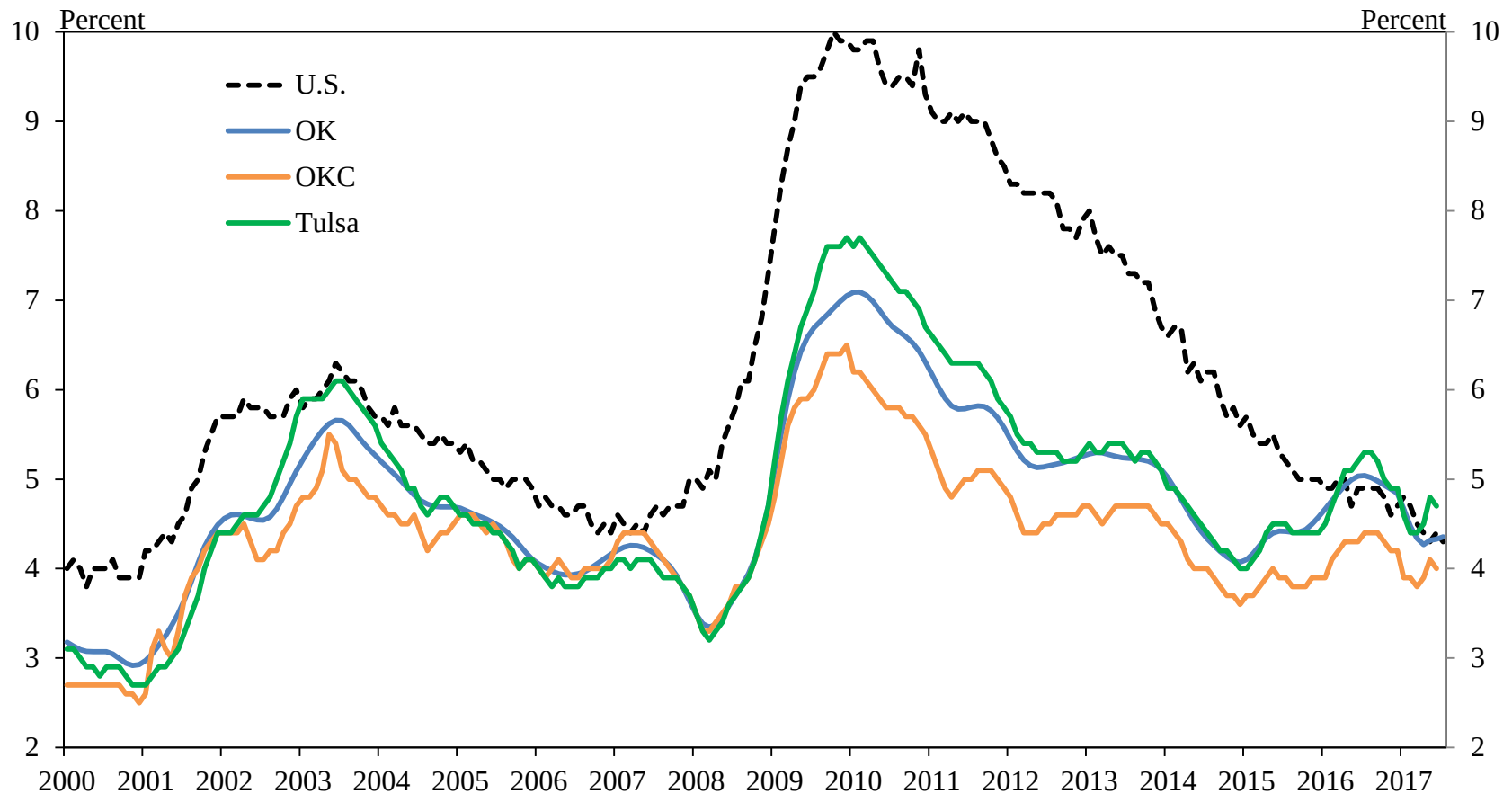
Jobs in most industries are above year-ago levels, with a particular rebound in non-metro energy jobs

Job Growth by Industry
Jul-17

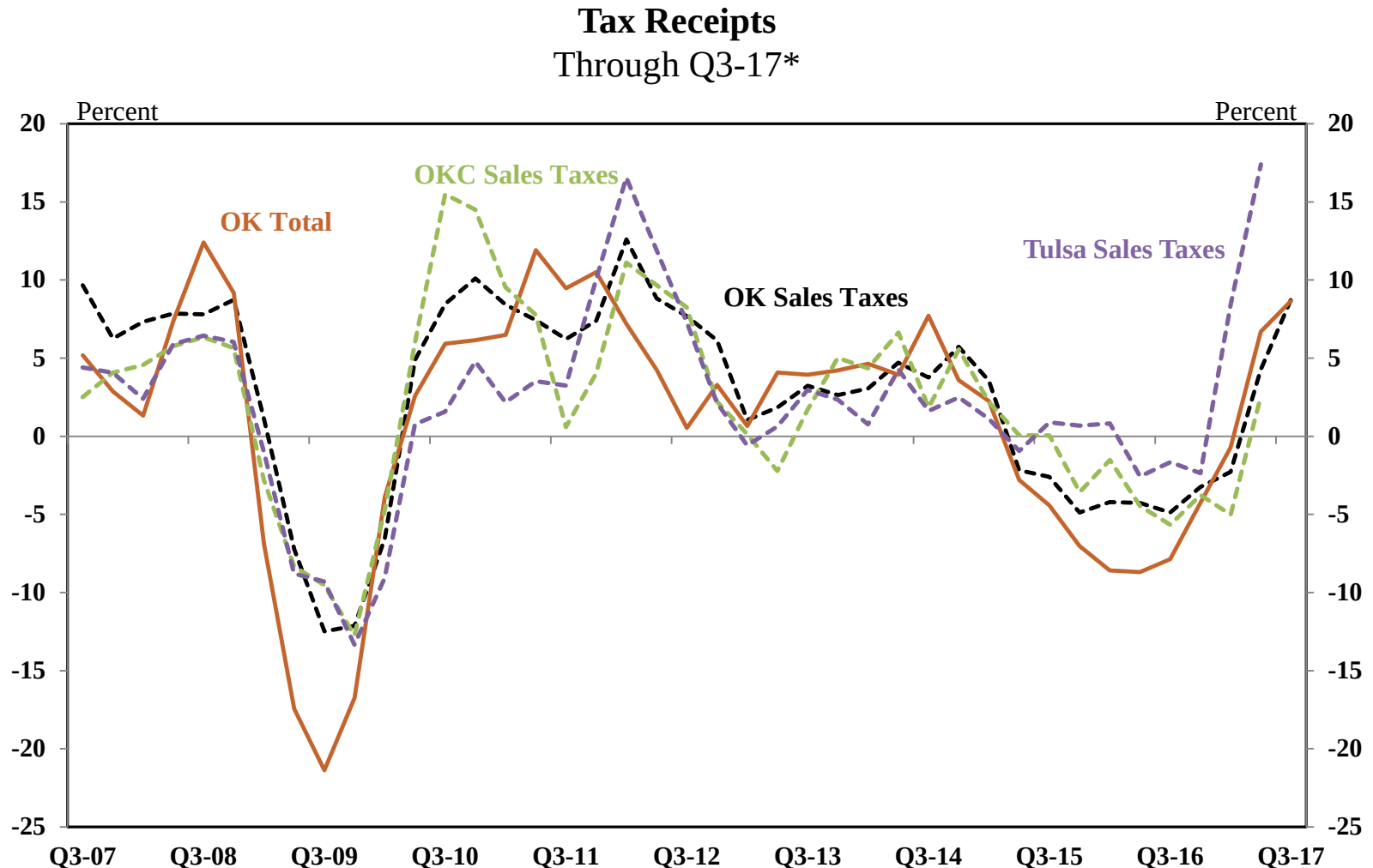


Unemployment has come back down after rising last year, and is below the national rate except Tulsa

Unemployment Rates
Seasonally Adjusted



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



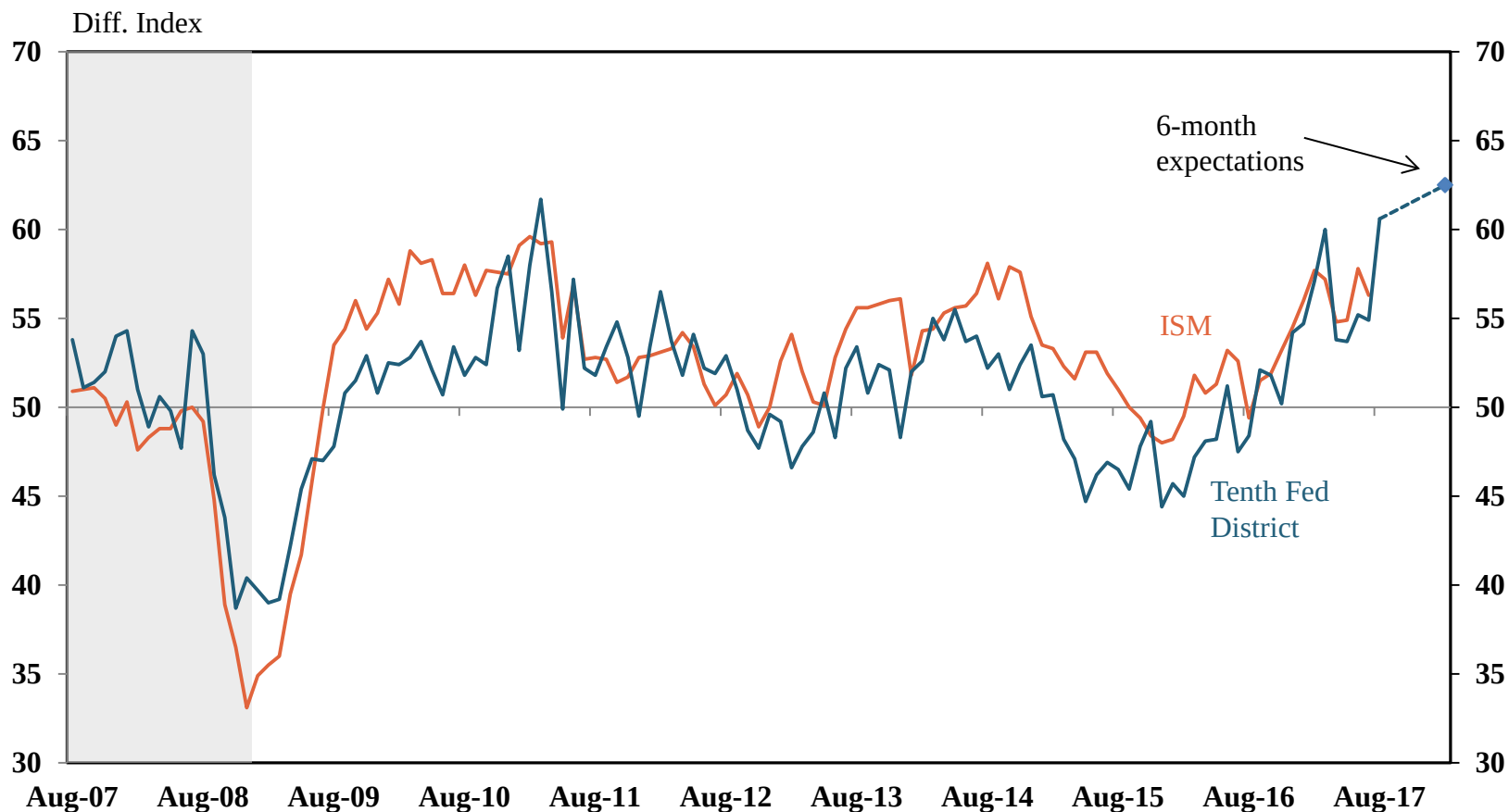
Note: Q3-17 for OK and includes July only



Source: OK Tax Commission

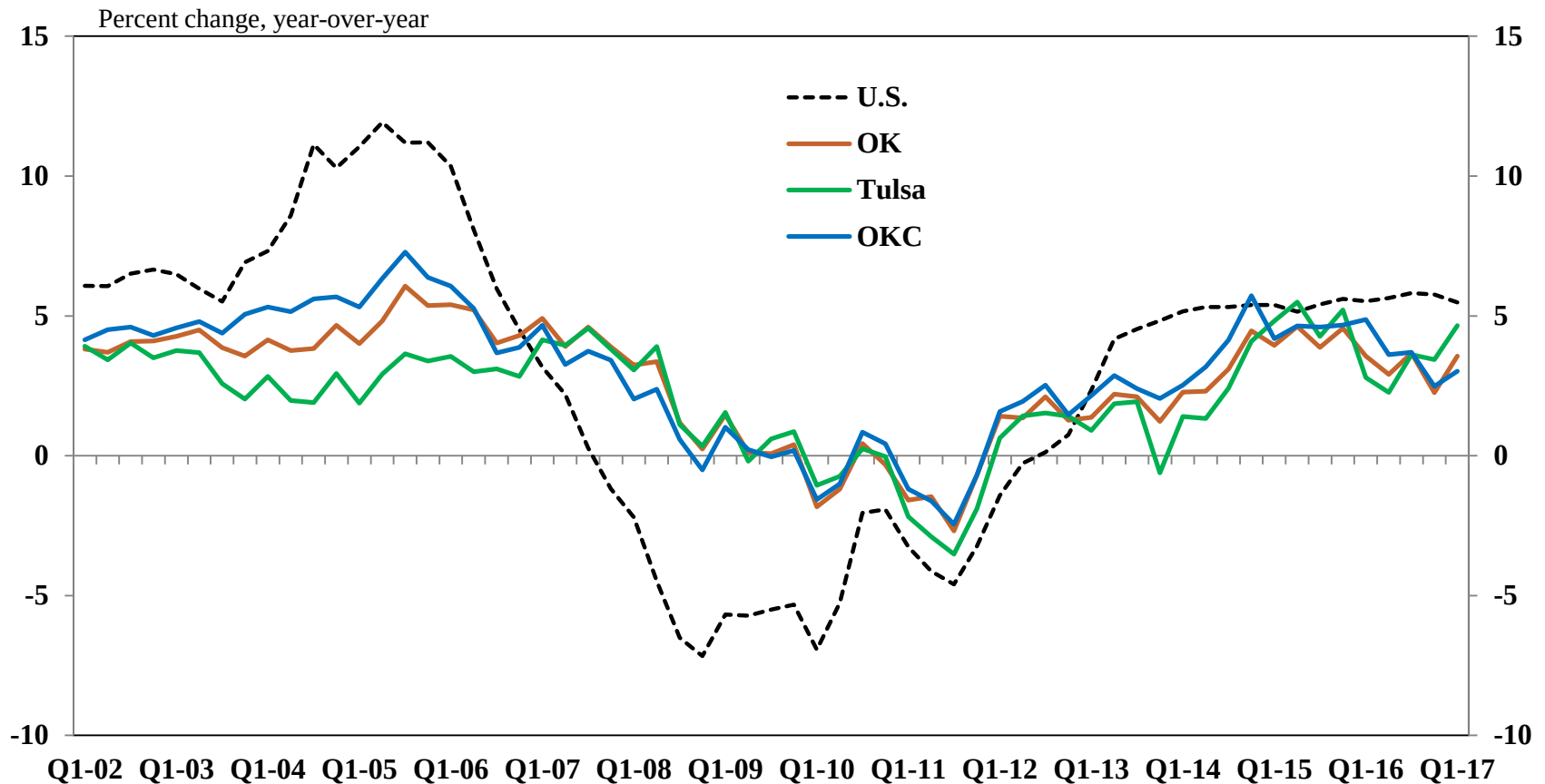
Regional factory activity has improved considerably in recent months, with optimism high

Manufacturing Composite Indexes, Seasonally Adjusted



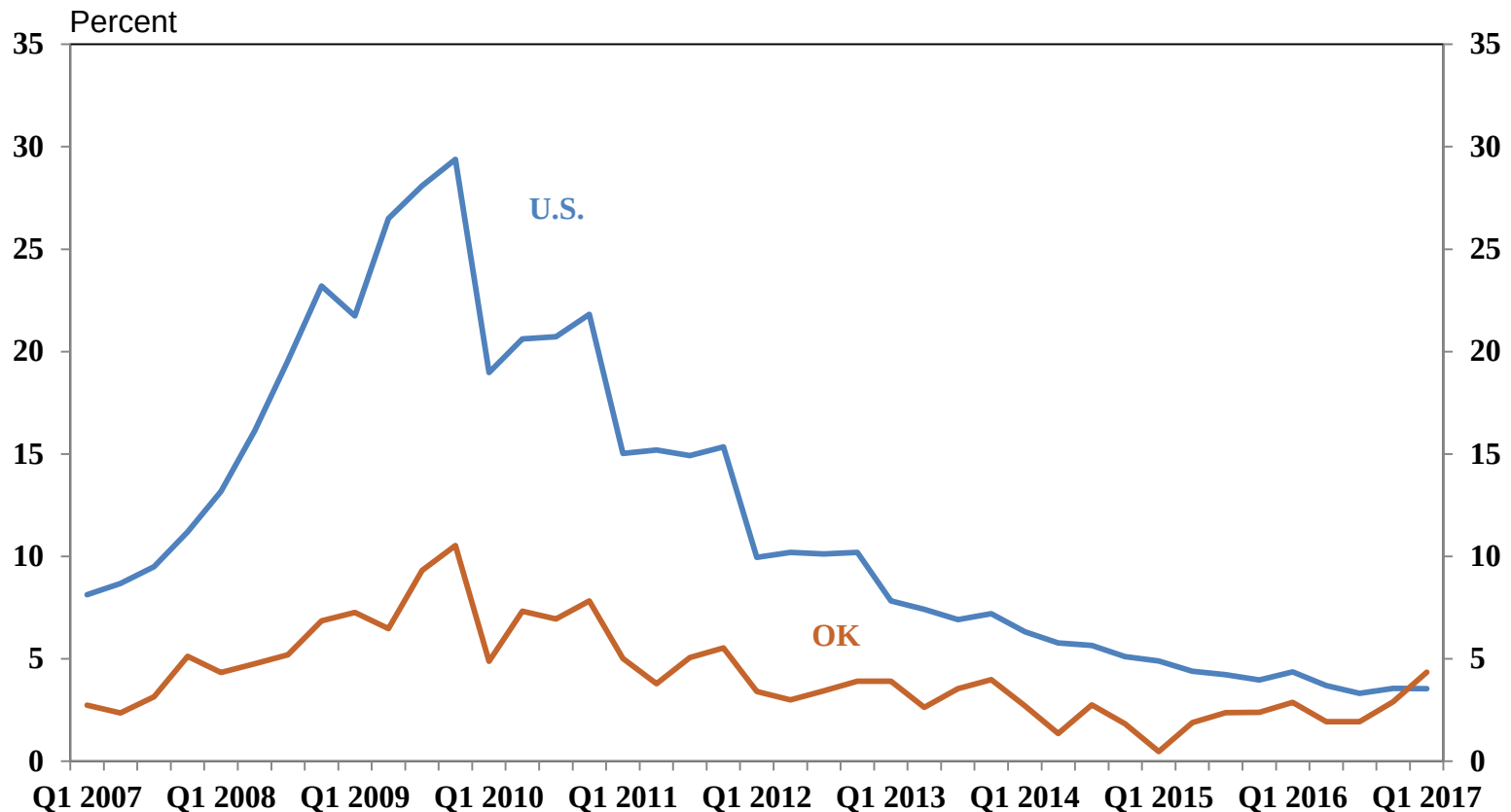
In housing, average home price growth across the state has slowed, but remains moderately positive

FHFA Home Price Index
Seasonally Adjusted



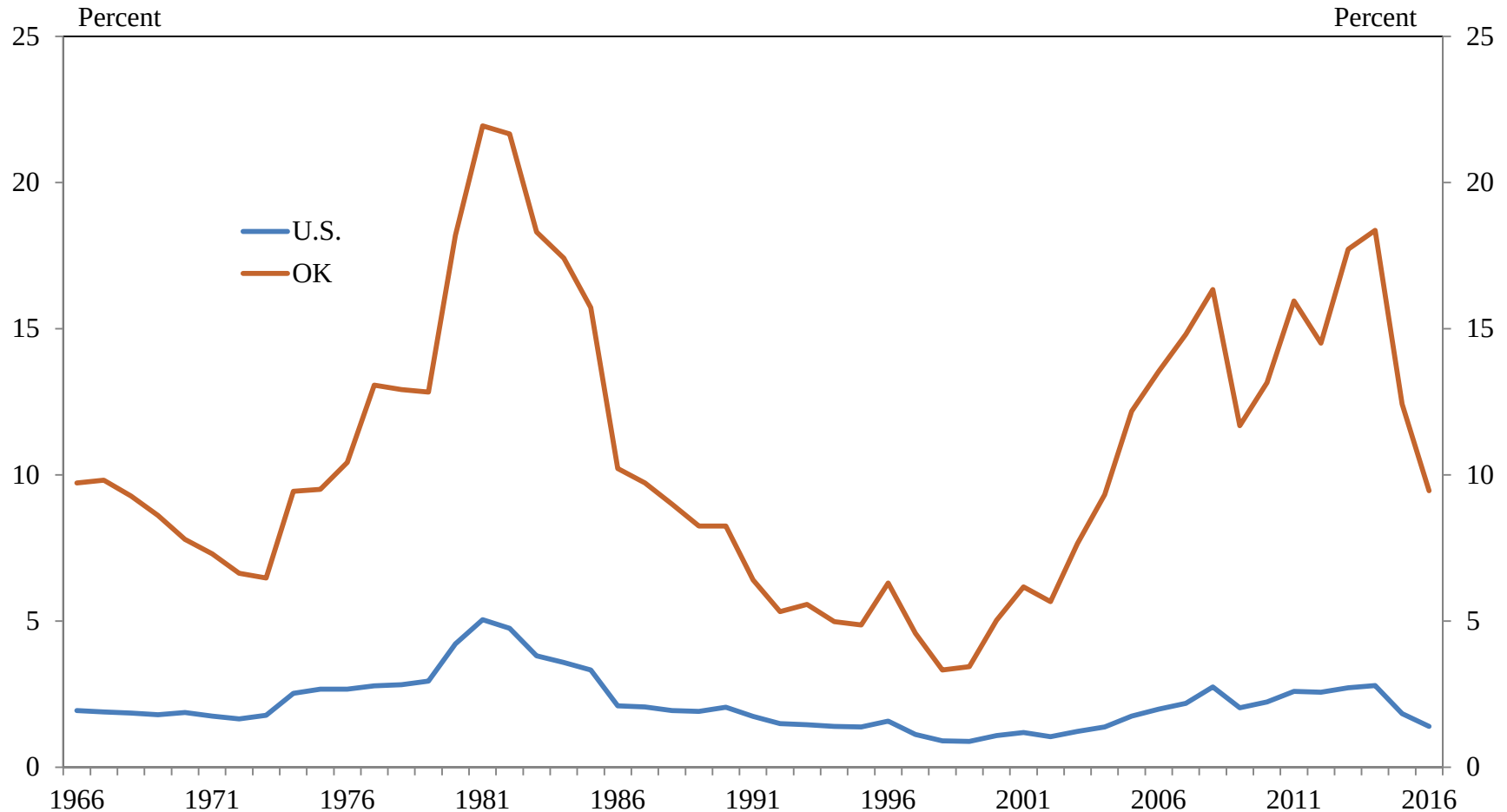
Banking conditions remain quite strong overall in the state despite recent economic weakness

Share of Banks Not Making a Profit
Commercial Banks



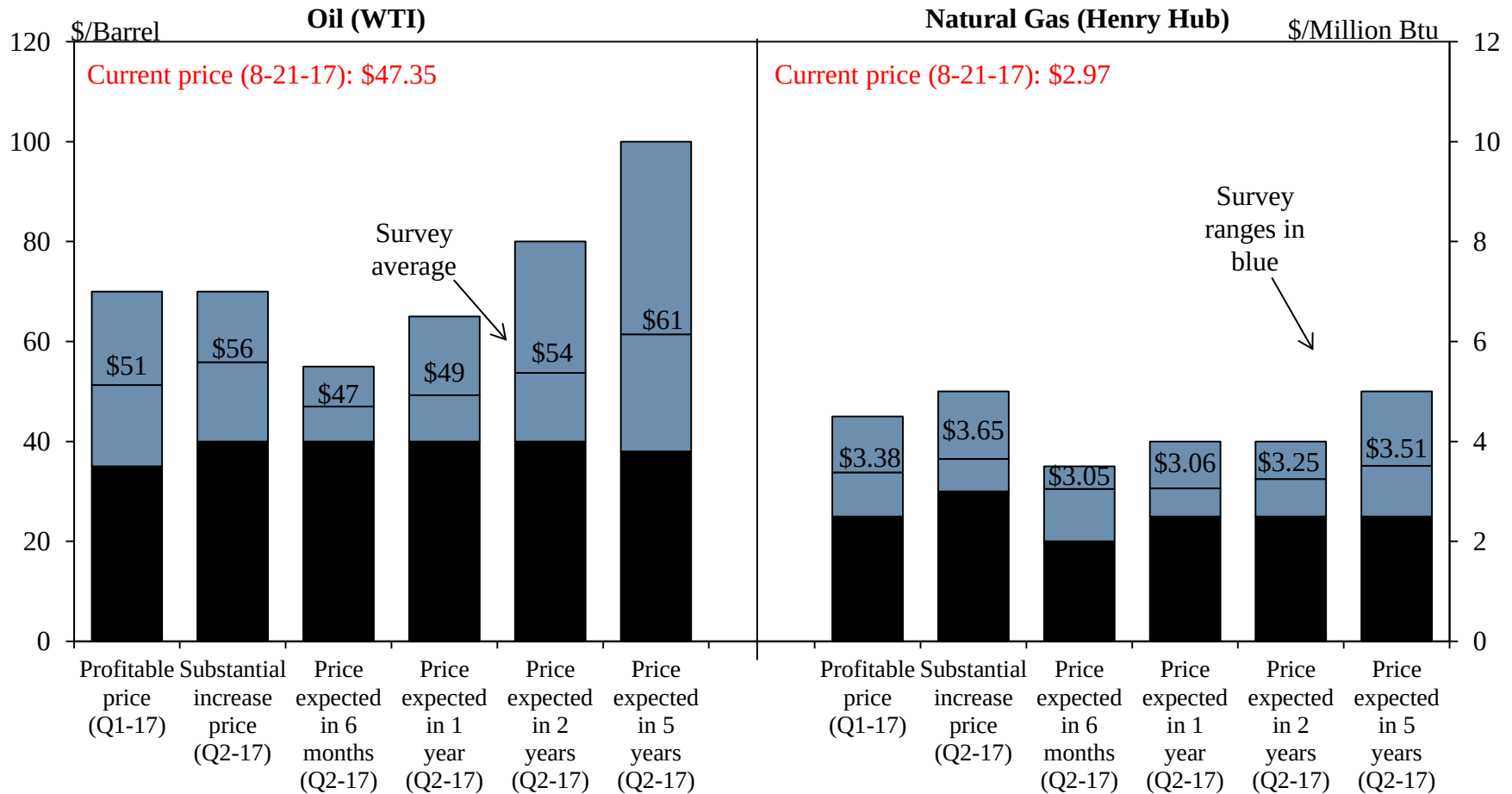
Oil and gas is still highly concentrated in the state, making the sector important for the state outlook

Mining Share of GDP



Energy prices are near but slightly below average profitable levels and are expected to stay there

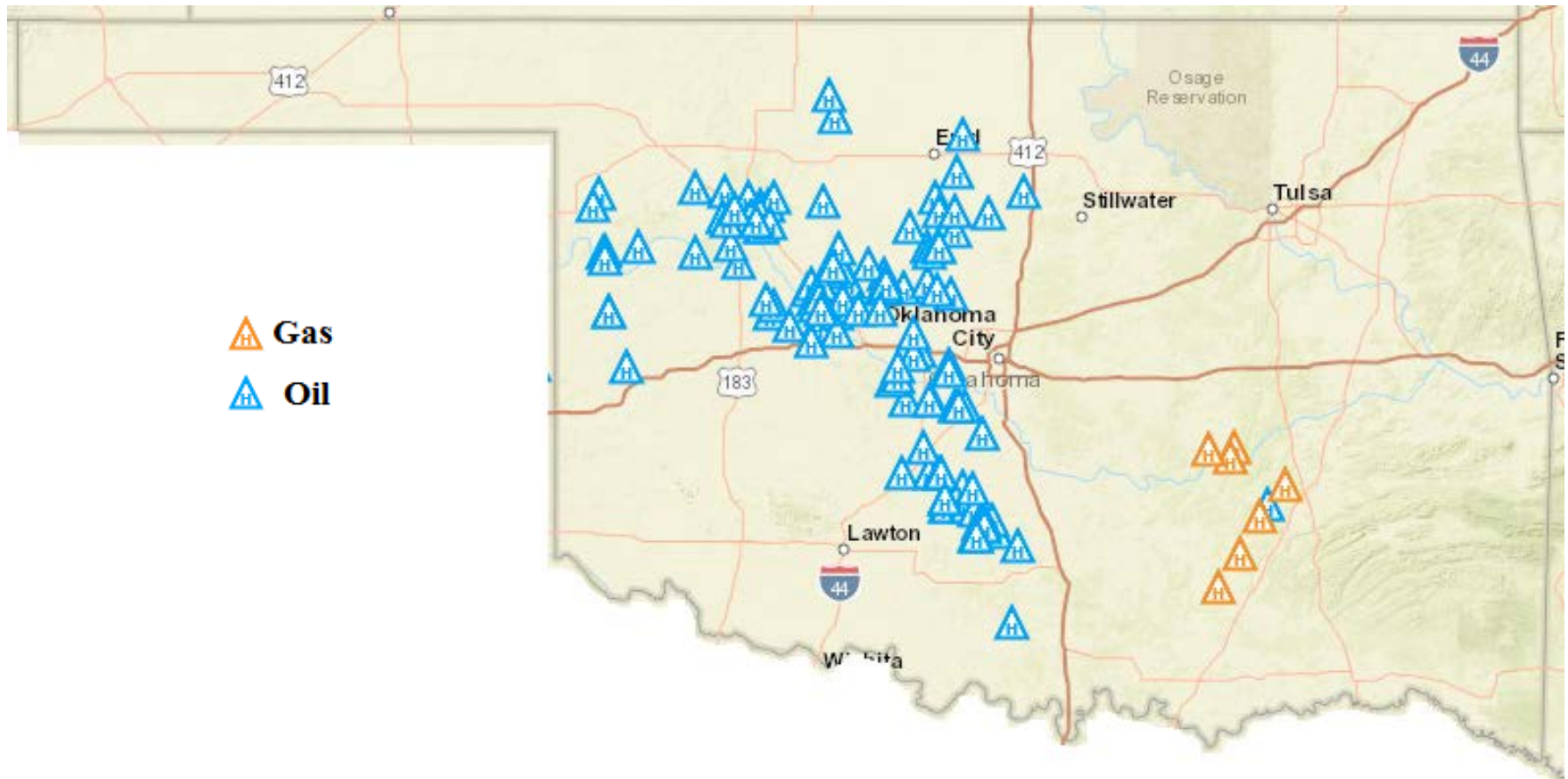
Kansas City Fed Energy Survey Special Questions



Still, considerable oil drilling is occurring in much of western OK, and gas drilling is picking up

Active Drilling Rigs

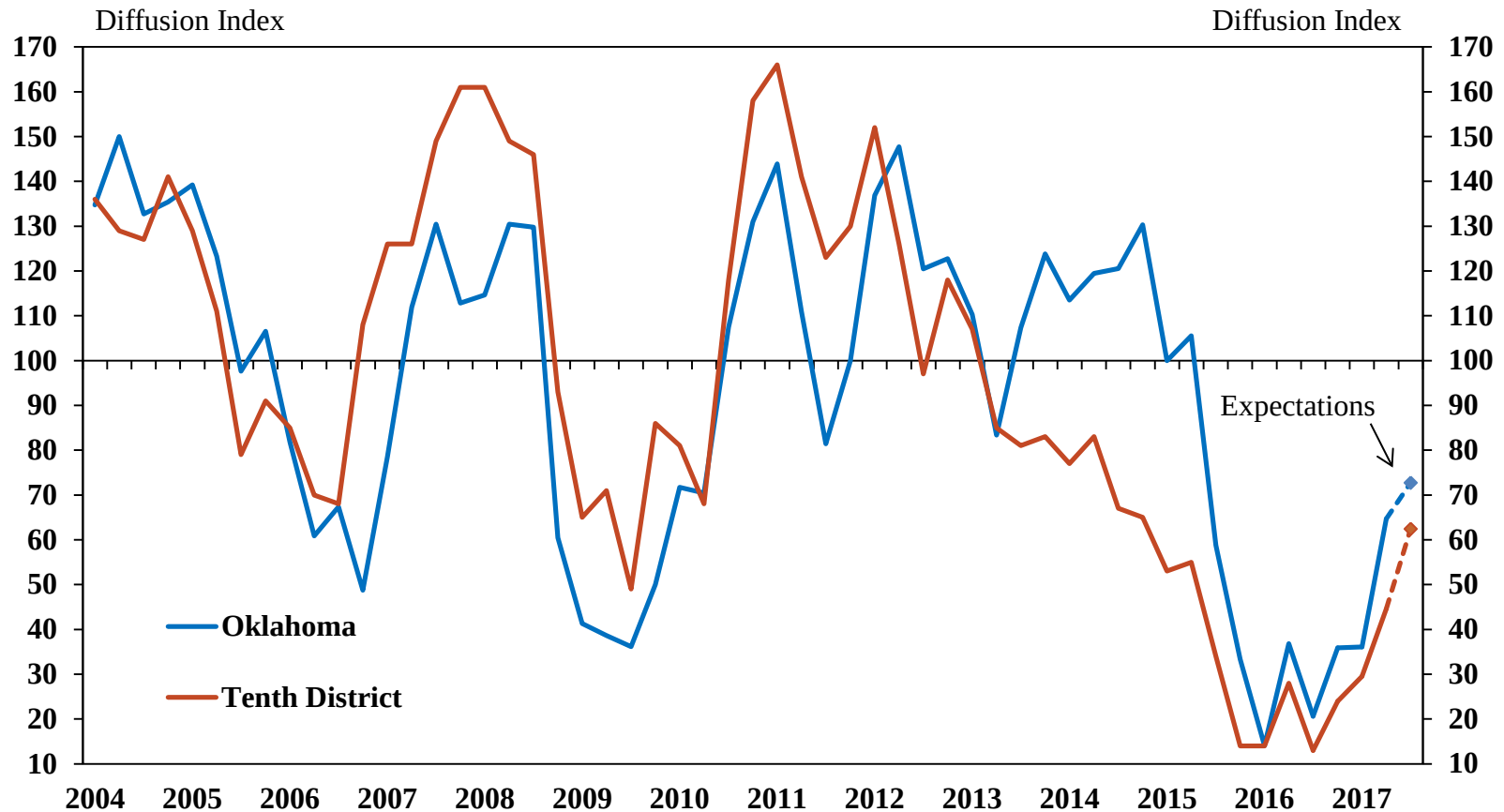
August 11, 2017



Source: Baker Hughes

The agriculture sector in the state generally remains weak, though less so than last year

Tenth District Farm Income



Summary

- The U.S. economy continues to grow, and the Fed has raised interest rates again
- The Oklahoma economy has been hurt by low commodity prices, but has stabilized in 2017 and is now growing in most parts of the state
- Unemployment is down near levels that prevailed before the oil price collapse and wages are rising, but much depends on the energy outlook...

