

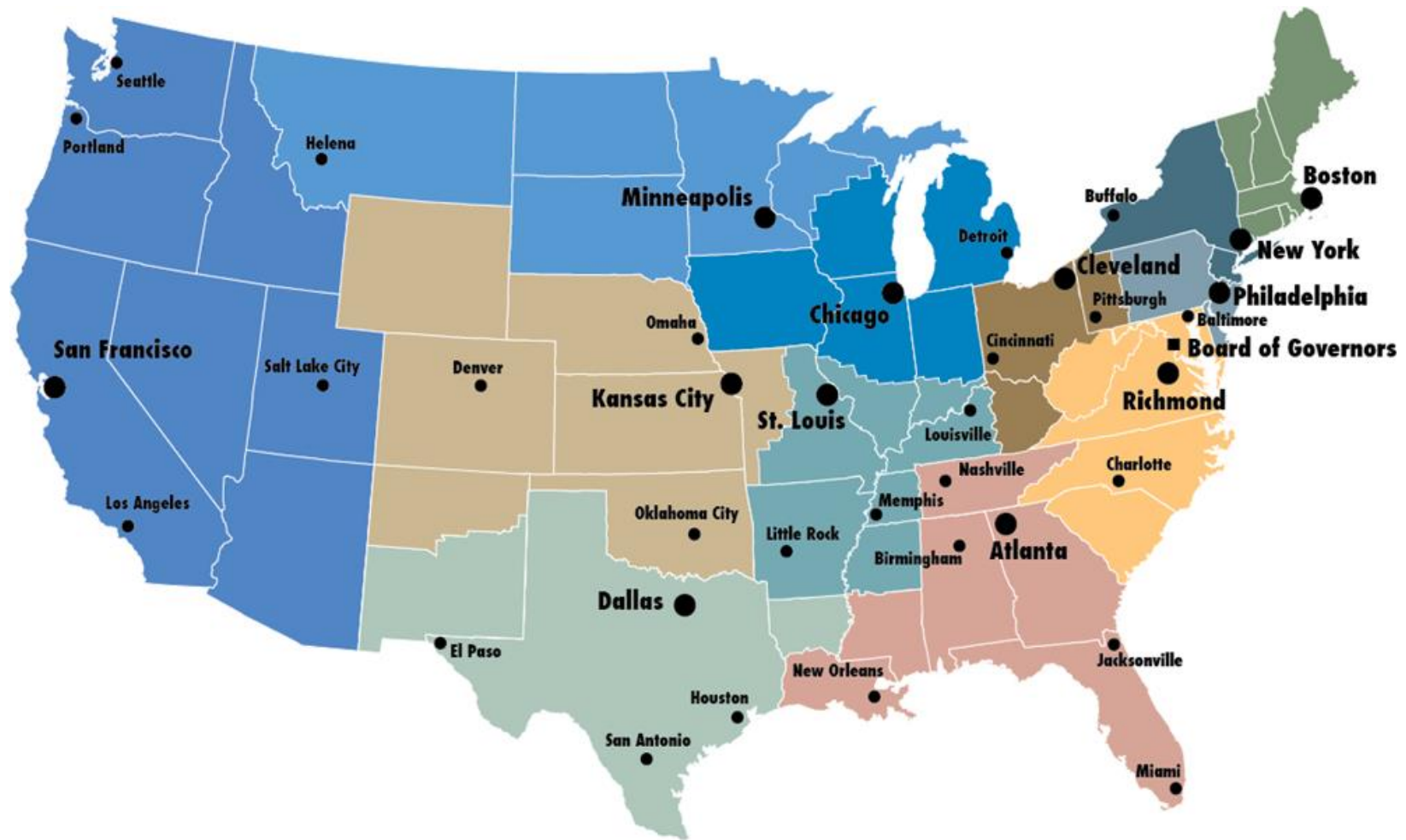
U.S. and Oklahoma Economic Update

**Greater OK Chapter of Credit Unions
February 15, 2018**



Megan Williams
Associate Economist & Manager, Oklahoma City Branch
Federal Reserve Bank of Kansas City
www.kansascityfed.org/oklahomacity

Structure & Functions of the Federal Reserve



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

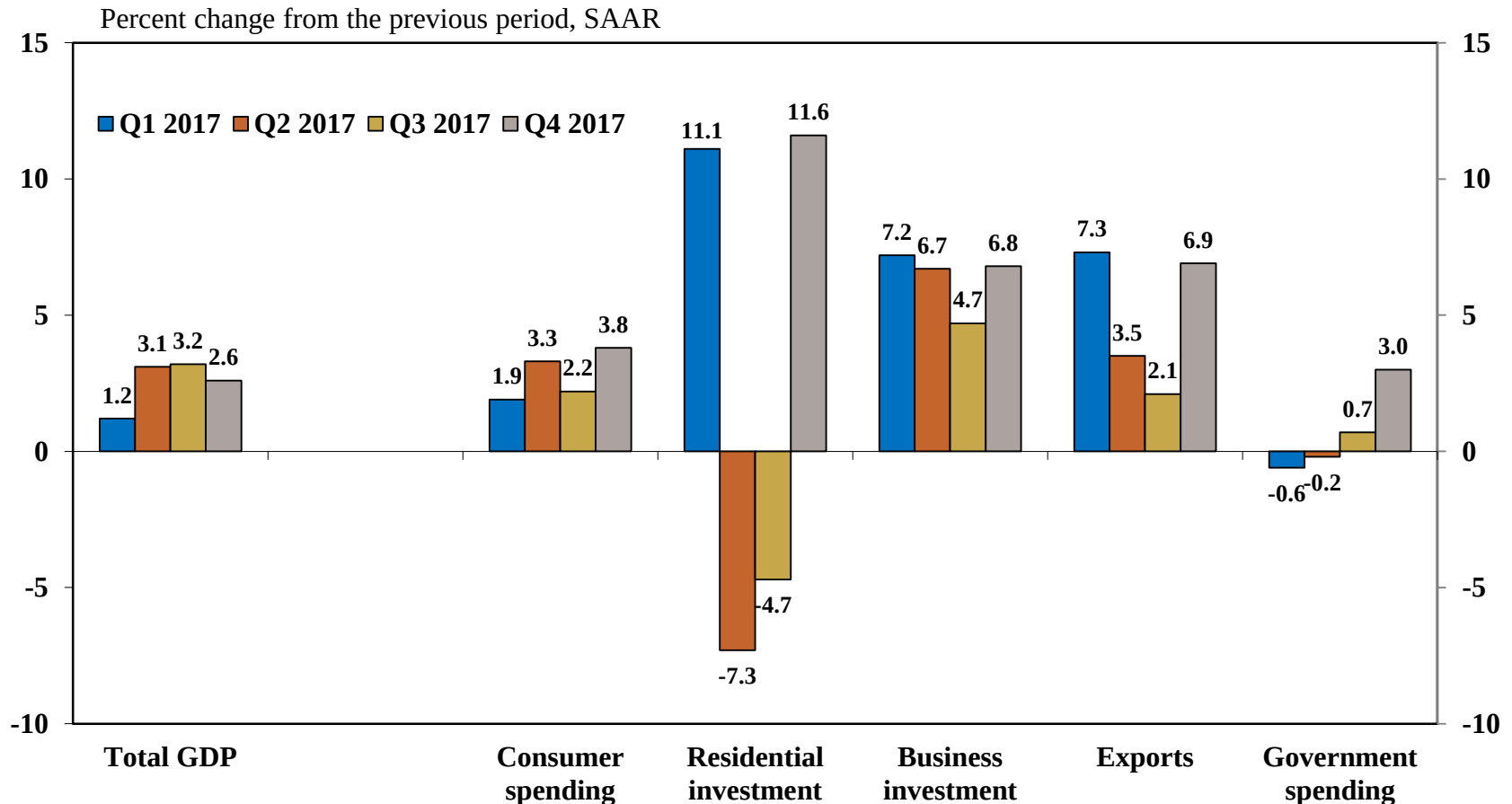
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- **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**
 - **Clint Abernathy (chair)**, Owner, Abernathy Farms, Inc., Altus
 - **Susan Chapman Plumb**, COO, Bank of Cherokee County, Tahlequah
 - **Michael Coffman**, CEO (retired), Panhandle Oil & Gas, Inc., Oklahoma City
 - **Tina Patel**, Co-Owner & CFO, Promise Hotels, Tulsa
 - **Chris Turner**, President & CFO, First State Bank, Oklahoma City
 - **Katrina Washington**, Owner/Broker, Stratos Realty, Oklahoma City
 - **Dana Weber**, Vice-Chair & CEO, Webco Industries, Sand Springs
- **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

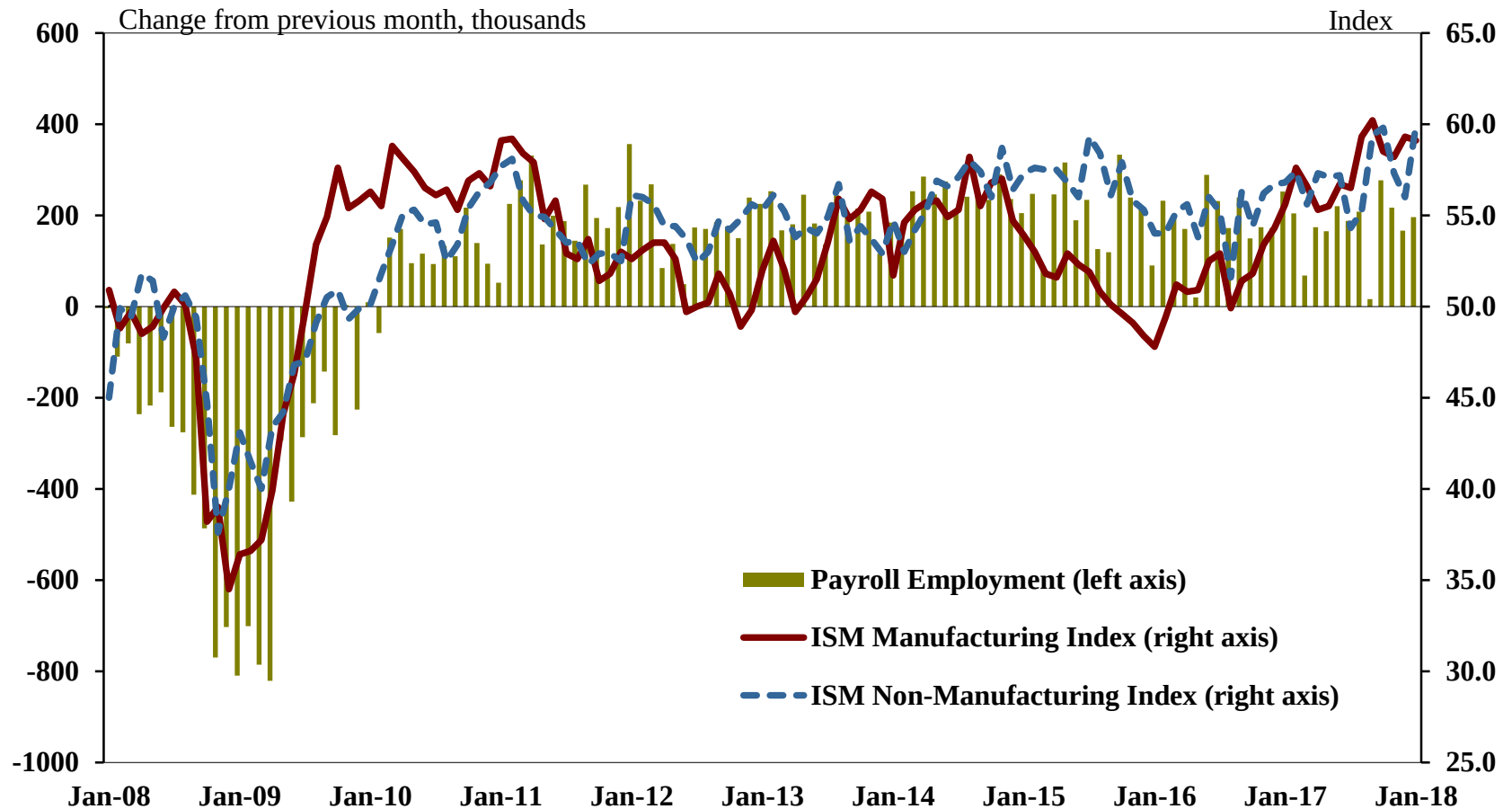
U.S. GDP growth remained solid in the fourth quarter, largely due to consumer spending

Growth in Components of Real GDP

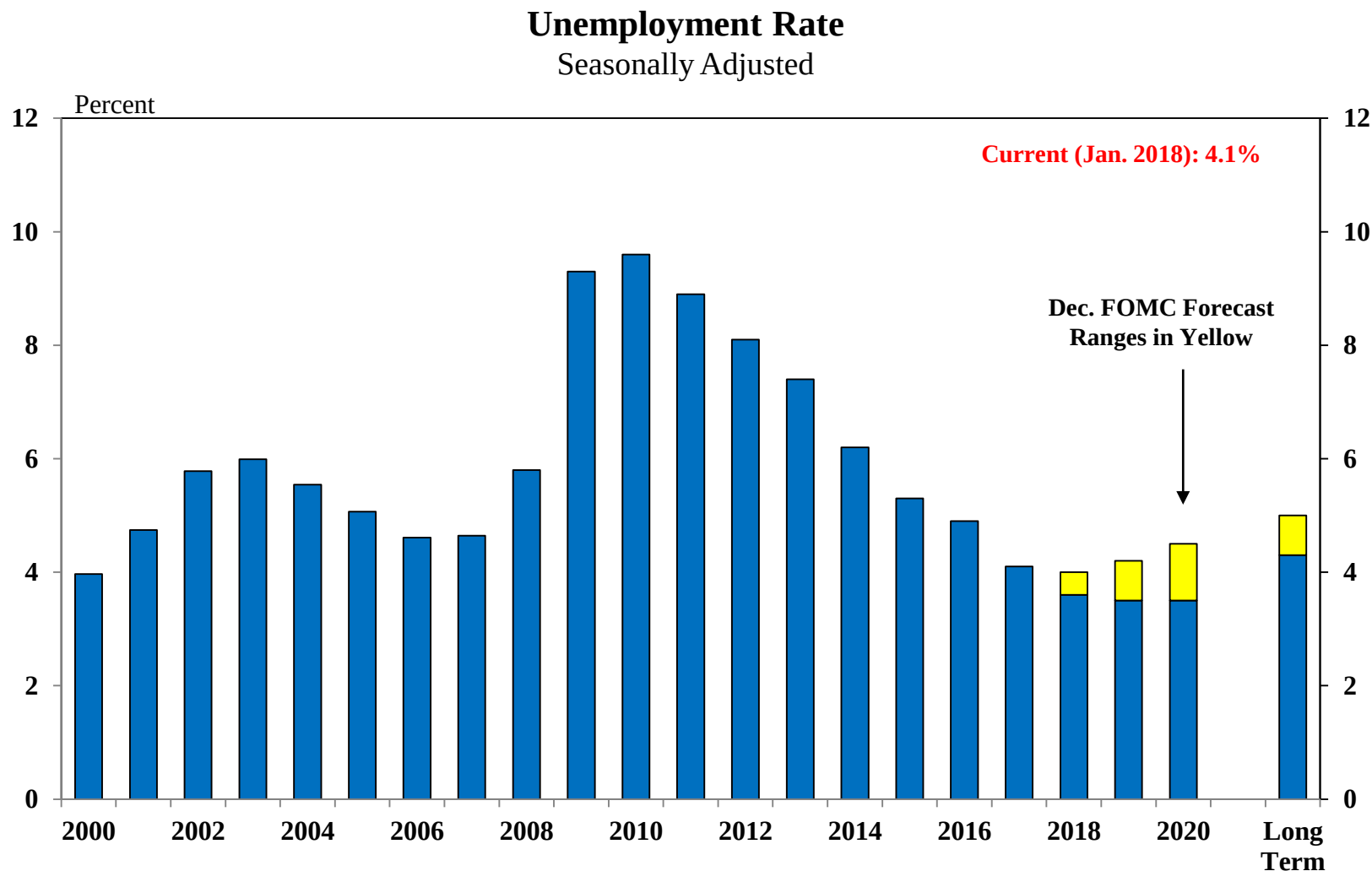


Monthly data on business activity and employment show U.S. growth remained strong through 2017

U.S. Payroll Employment and Business Indexes

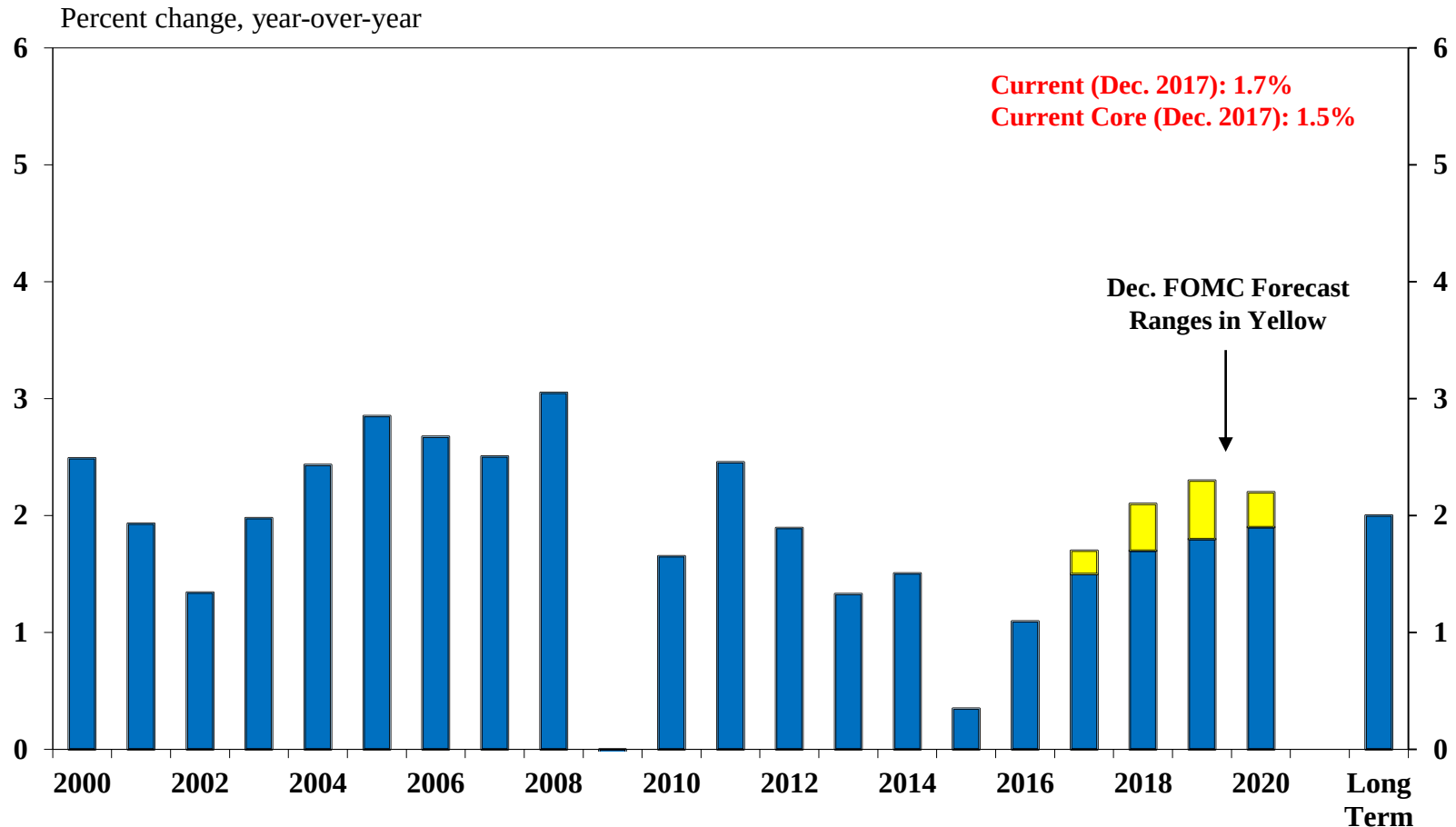


FOMC: “Averaging hurricane-related fluctuations... job gains are solid...the unemployment rate declined further.”

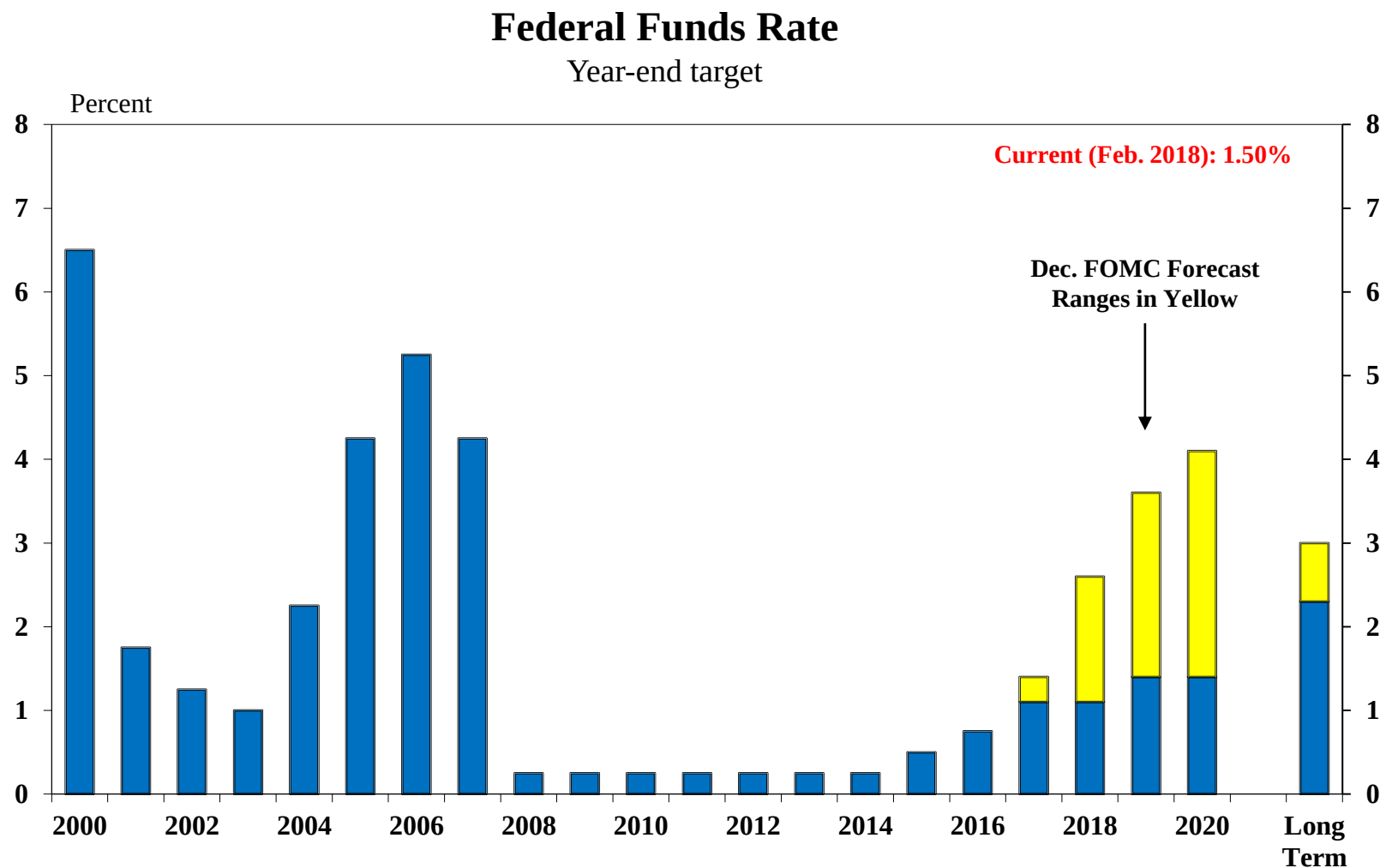


FOMC: “Inflation...is expected to...stabilize around the Committee’s 2% objective over the medium term”

PCE Inflation Index

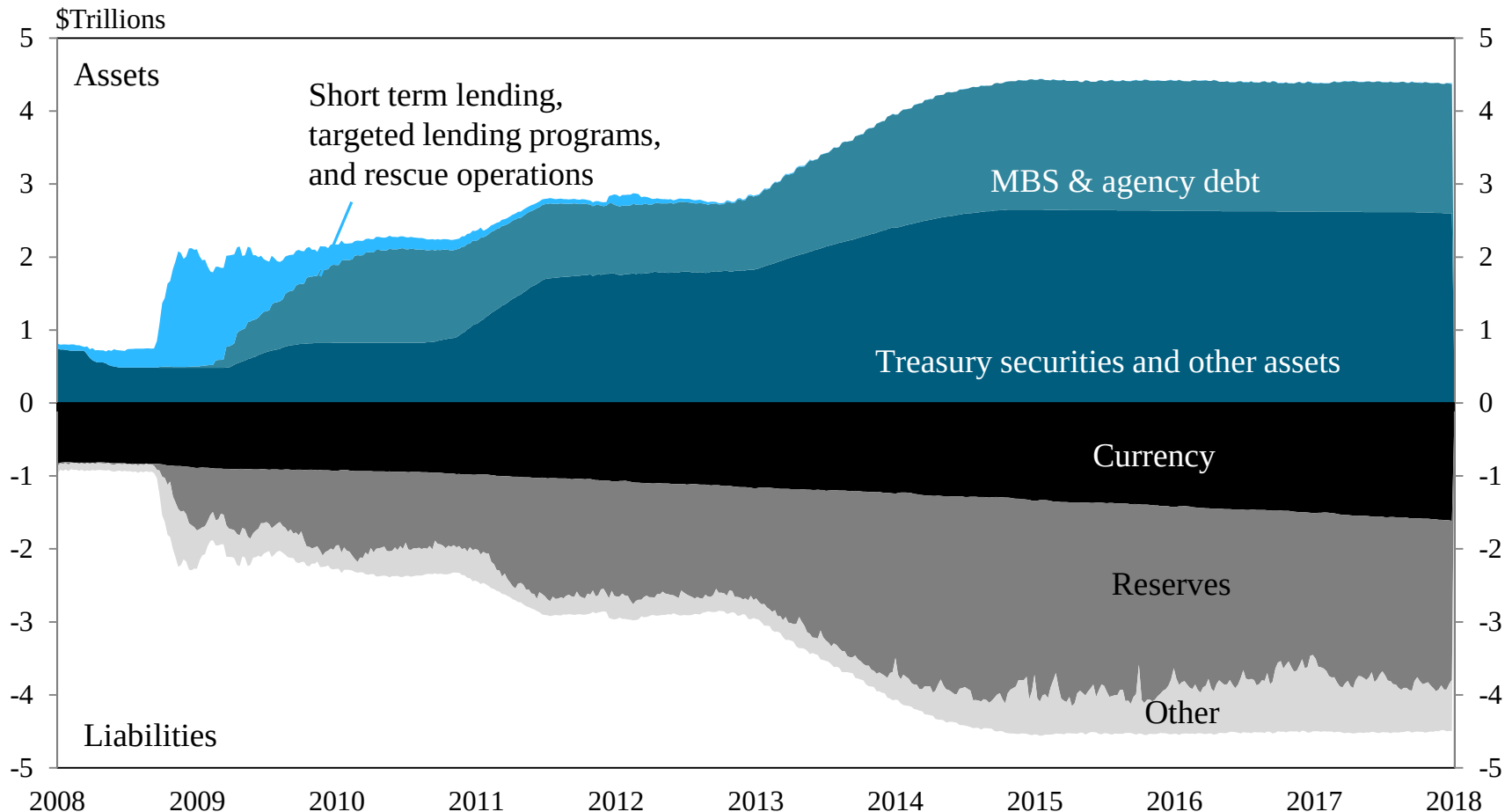


FOMC: “The Committee expects...conditions will evolve in a manner that will warrant gradual [rate] increases”



FOMC: “The balance sheet normalization program initiated in October 2017 is proceeding.”

Federal Reserve Balance Sheet

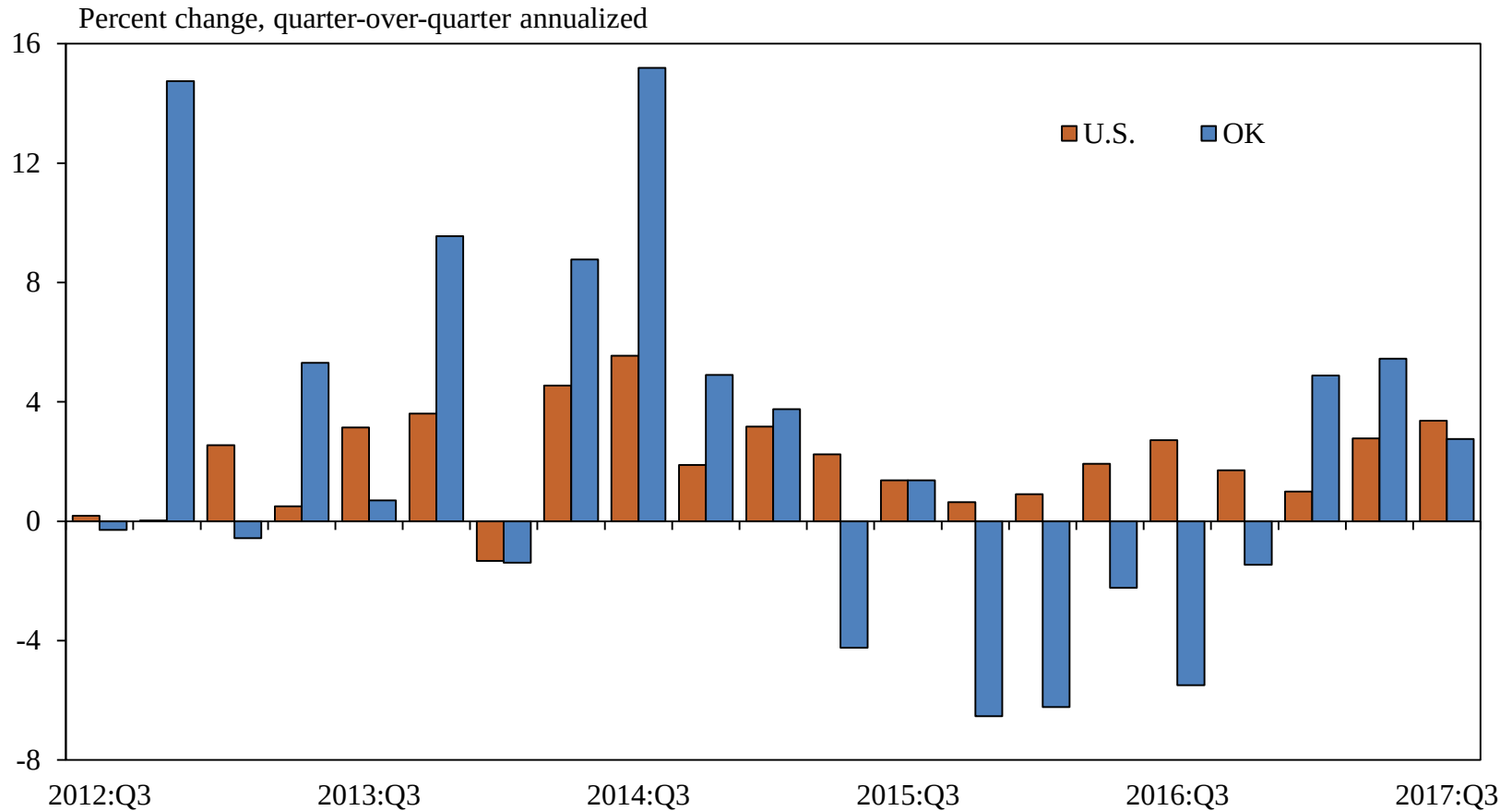


Source: Federal Reserve Board

Trends in Oklahoma

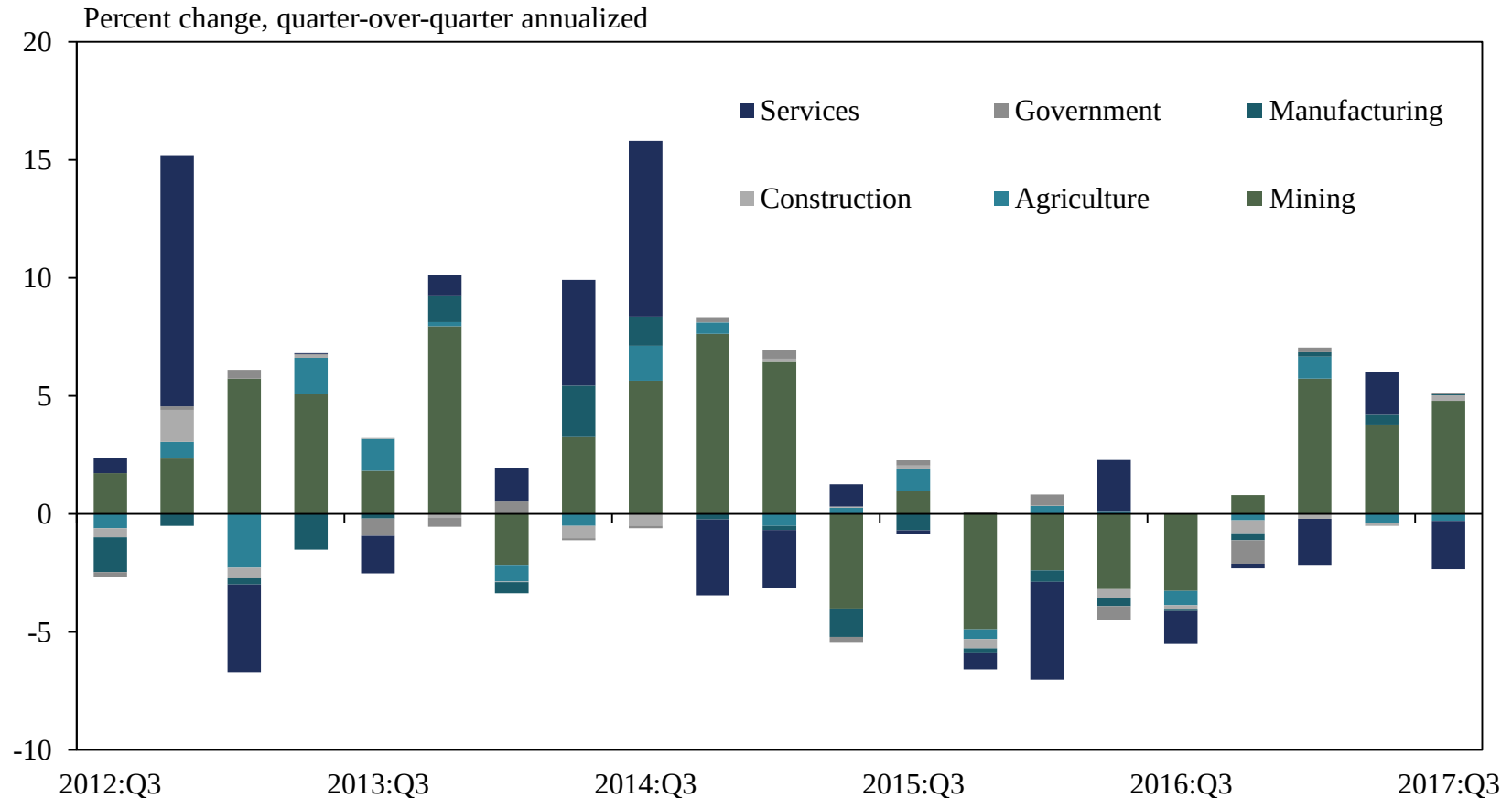
OK GDP has recovered from its downturn of 2015-16, and by mid-2017 was keeping pace with the nation

Real Gross Domestic Product



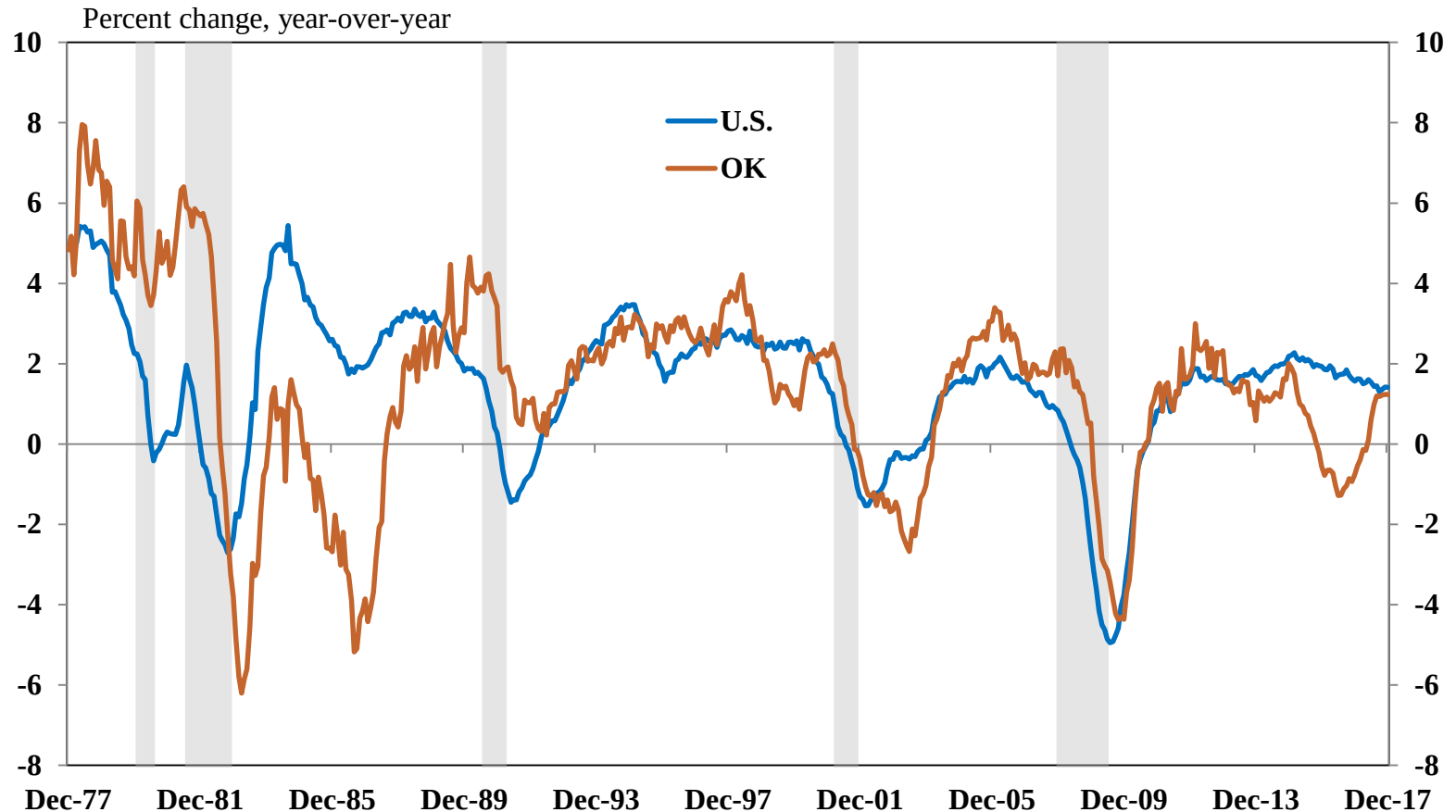
The downturn and recovery have been driven mostly by energy but by mid-2017 was fairly broad-based

Contributions to Percent Change in Oklahoma Real GDP



For jobs, 2015-16 was the largest divergence between U.S. & OK since the '80s, but the gap has closed

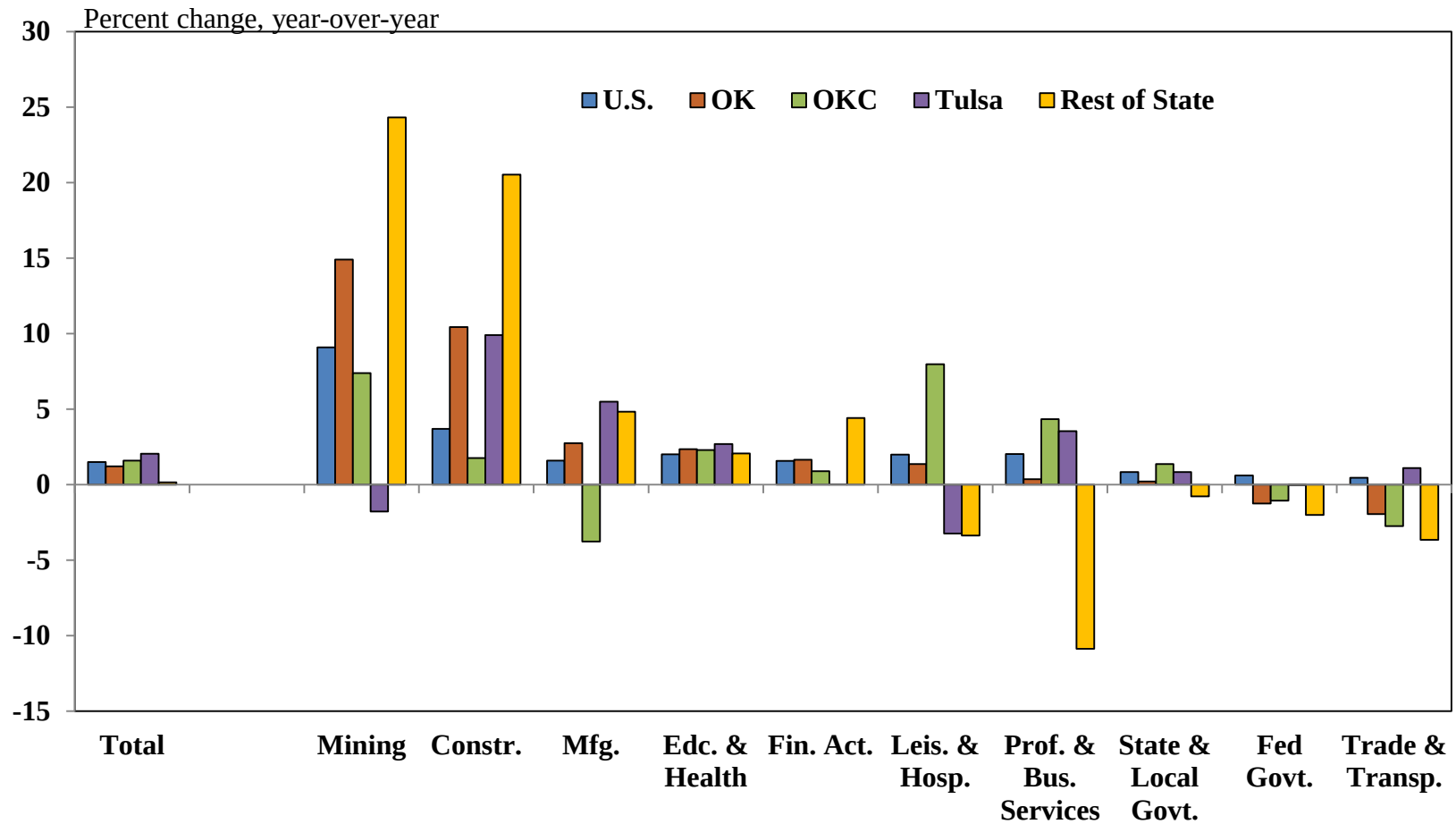
Payroll Employment Growth



In 2017, energy and related industries have mostly led the way in state job growth

Oklahoma Job Growth by Industry

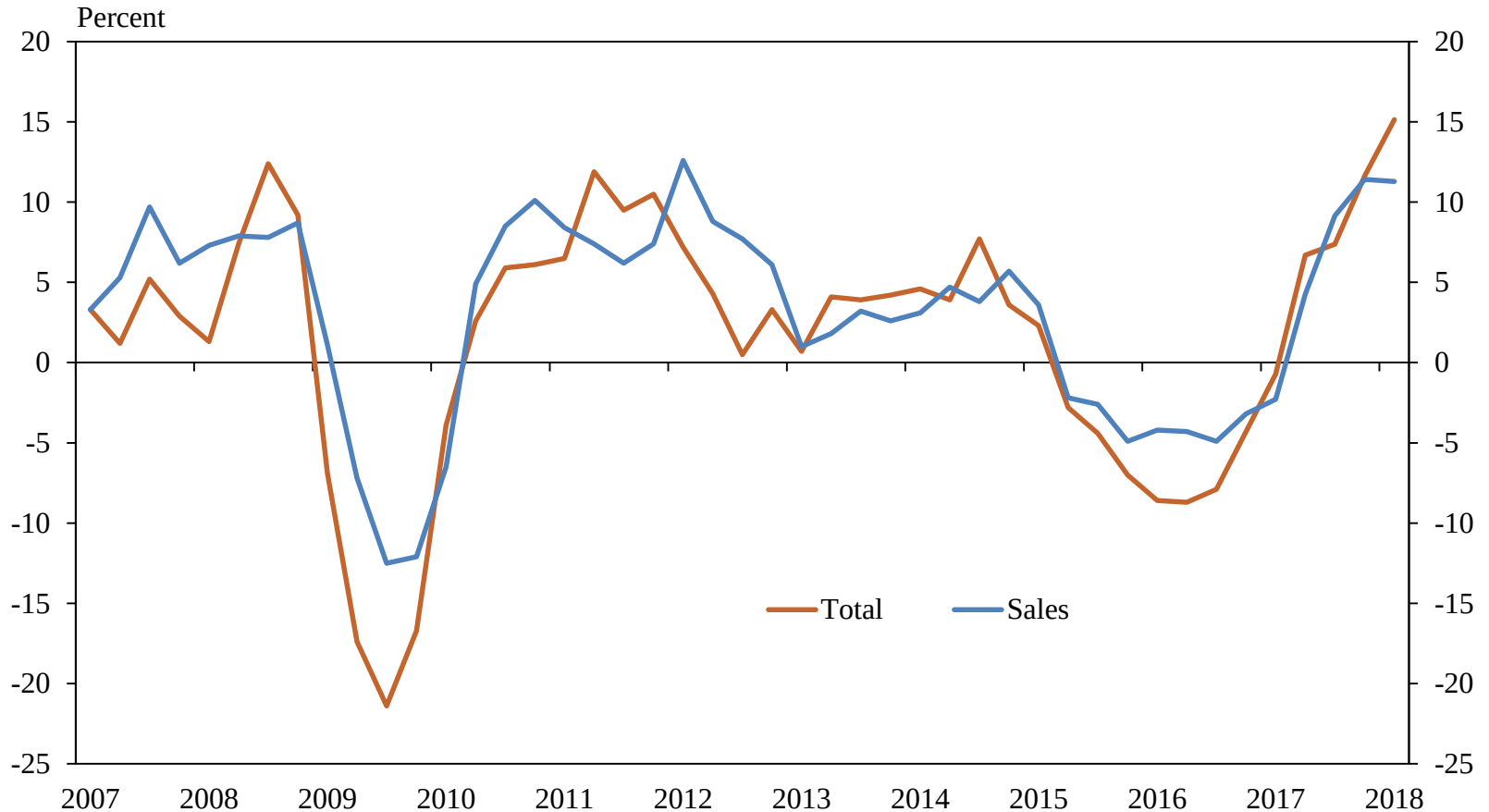
Dec-17



Source: Bureau of Labor Statistics

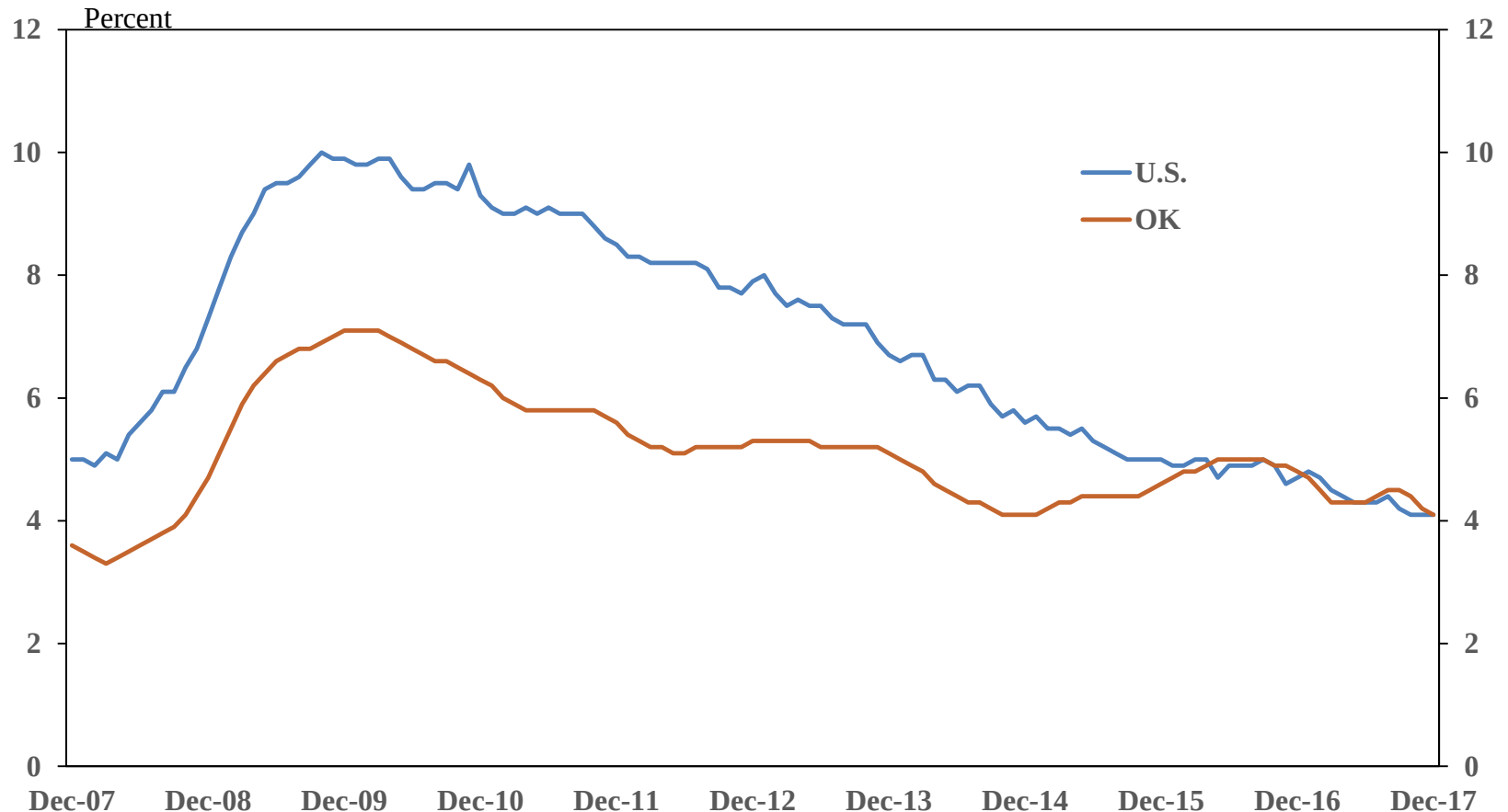
State tax revenues also improved following two tough years that remain challenges for the Legislature

Oklahoma State Tax Revenues
Q1-18 through January



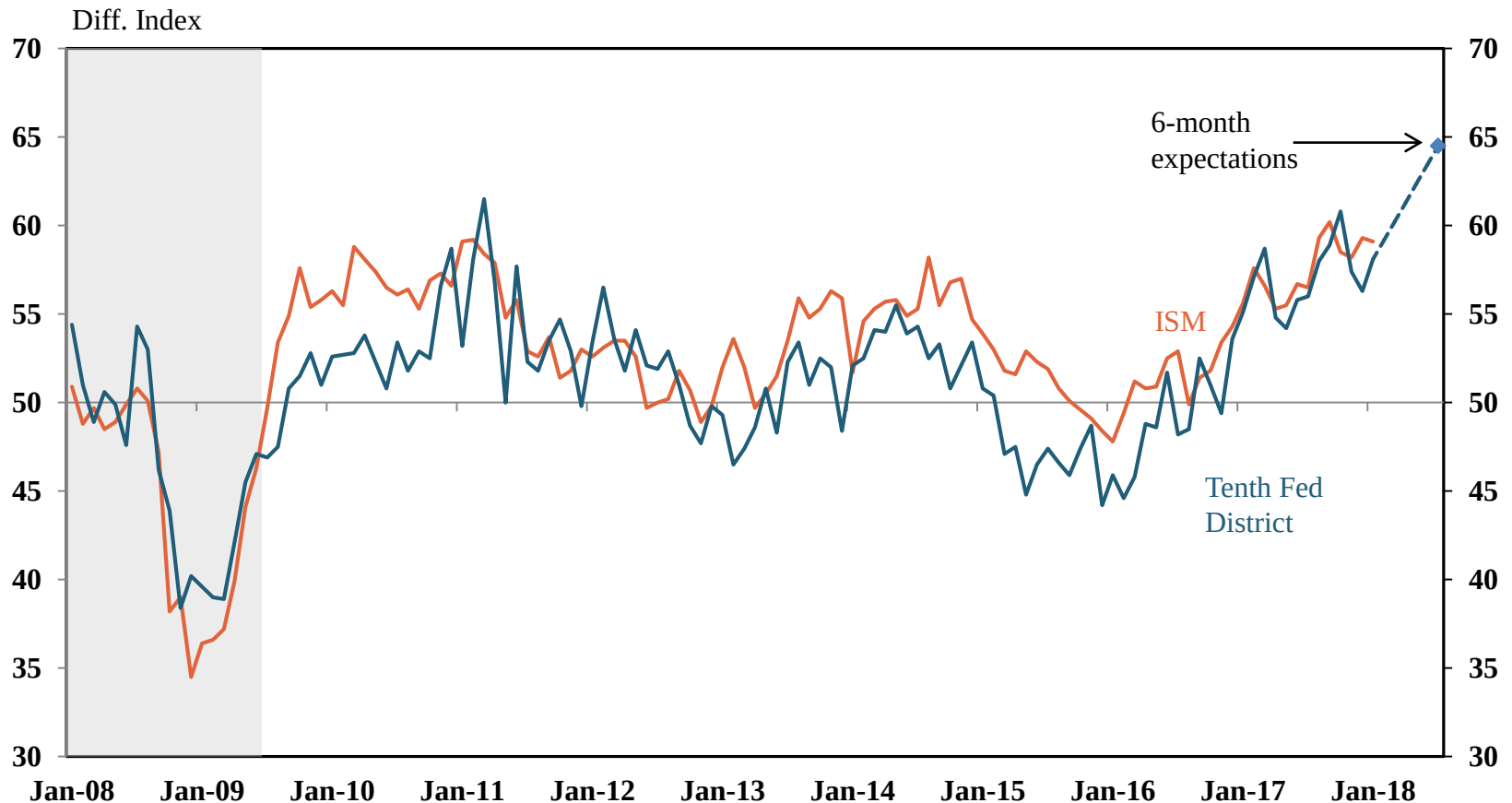
And unemployment statewide is back down to near 4 percent after rising to 5 percent in 2016

Unemployment Rates
Seasonally Adjusted



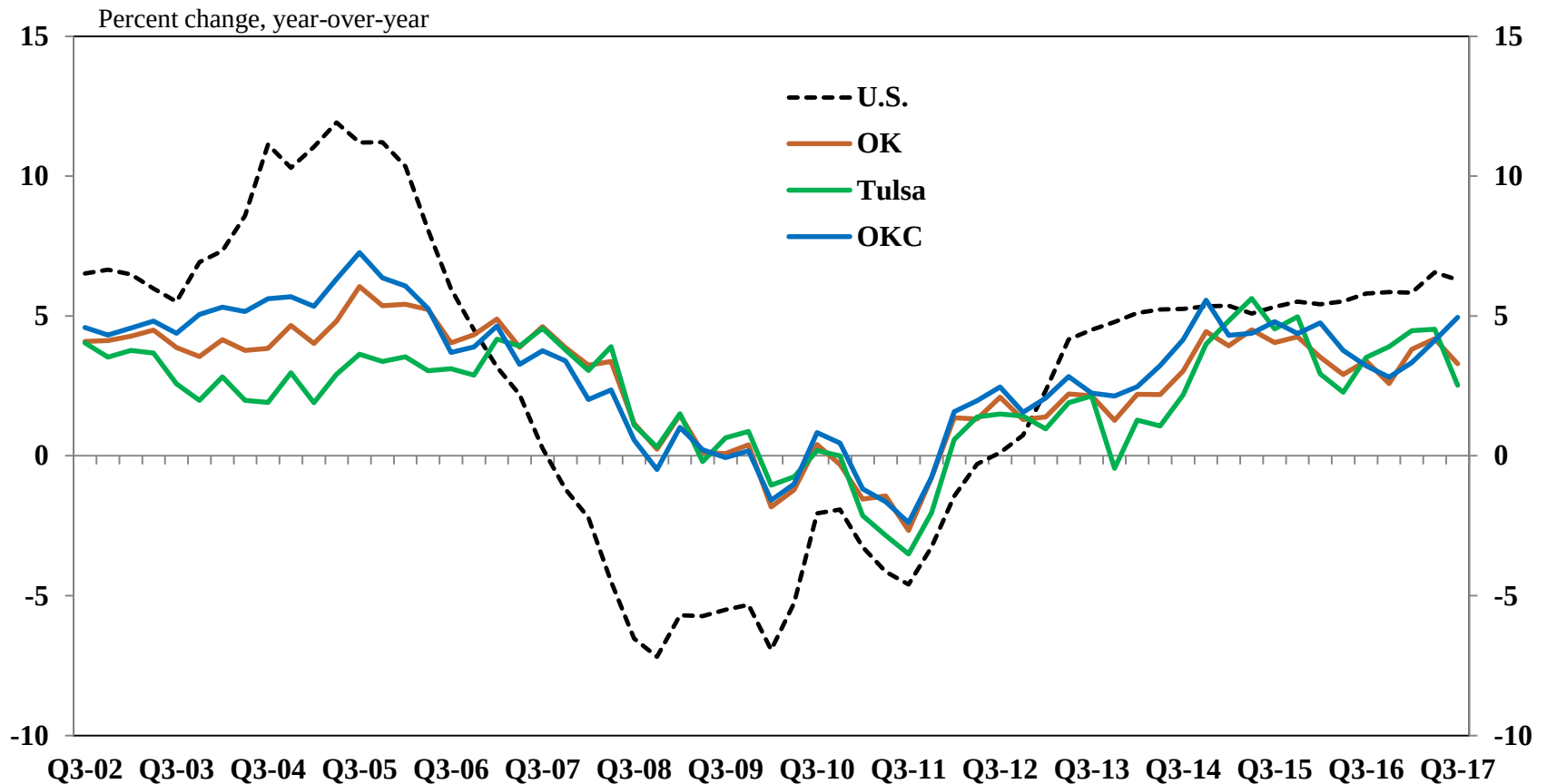
Regional factory activity has continued to improve in recent months, with optimism high

Manufacturing Composite Indexes, Seasonally Adjusted



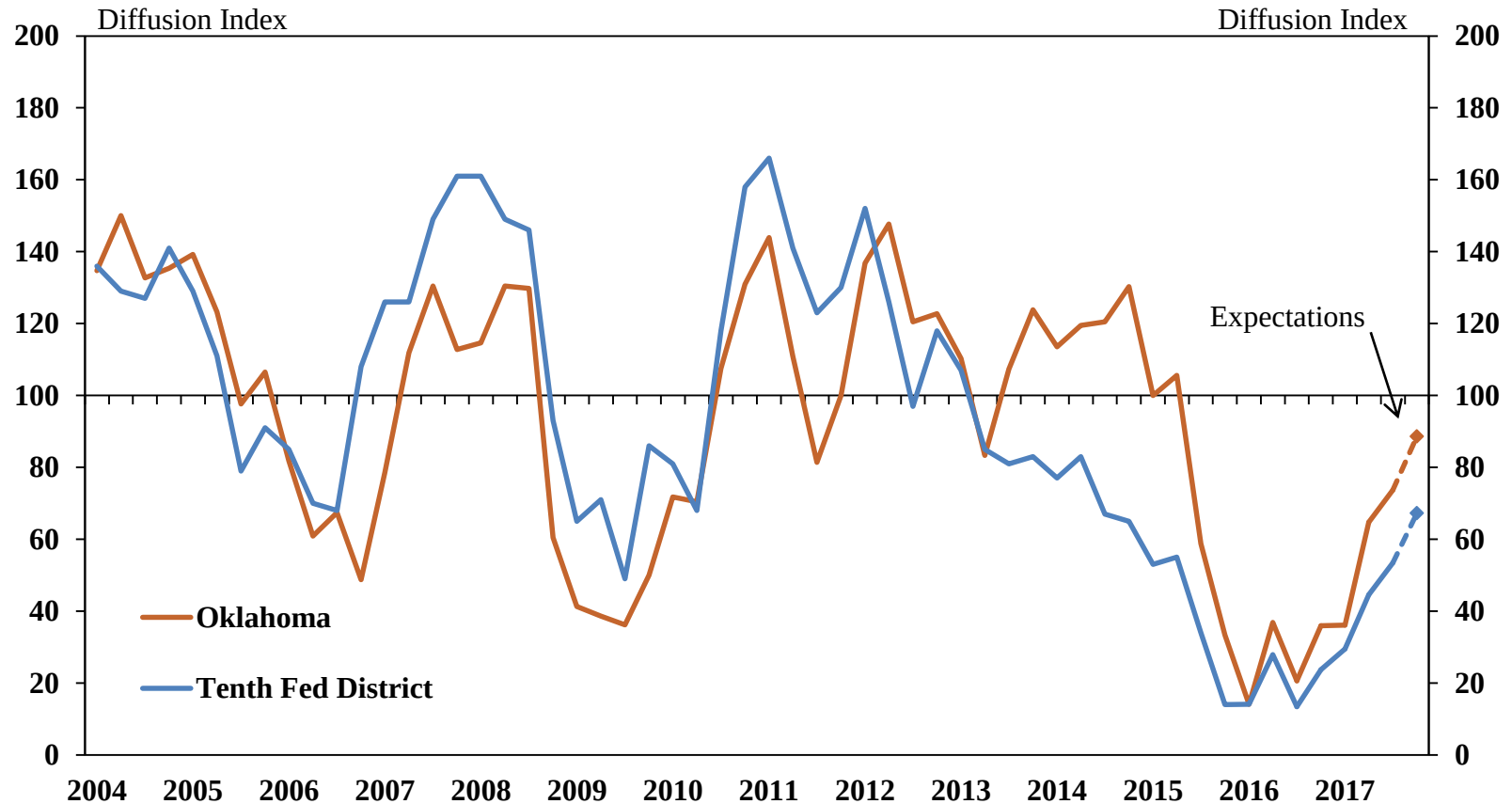
In housing, average home price growth across the state has slowed, but remains moderately positive

FHFA Home Price Index
Seasonally Adjusted



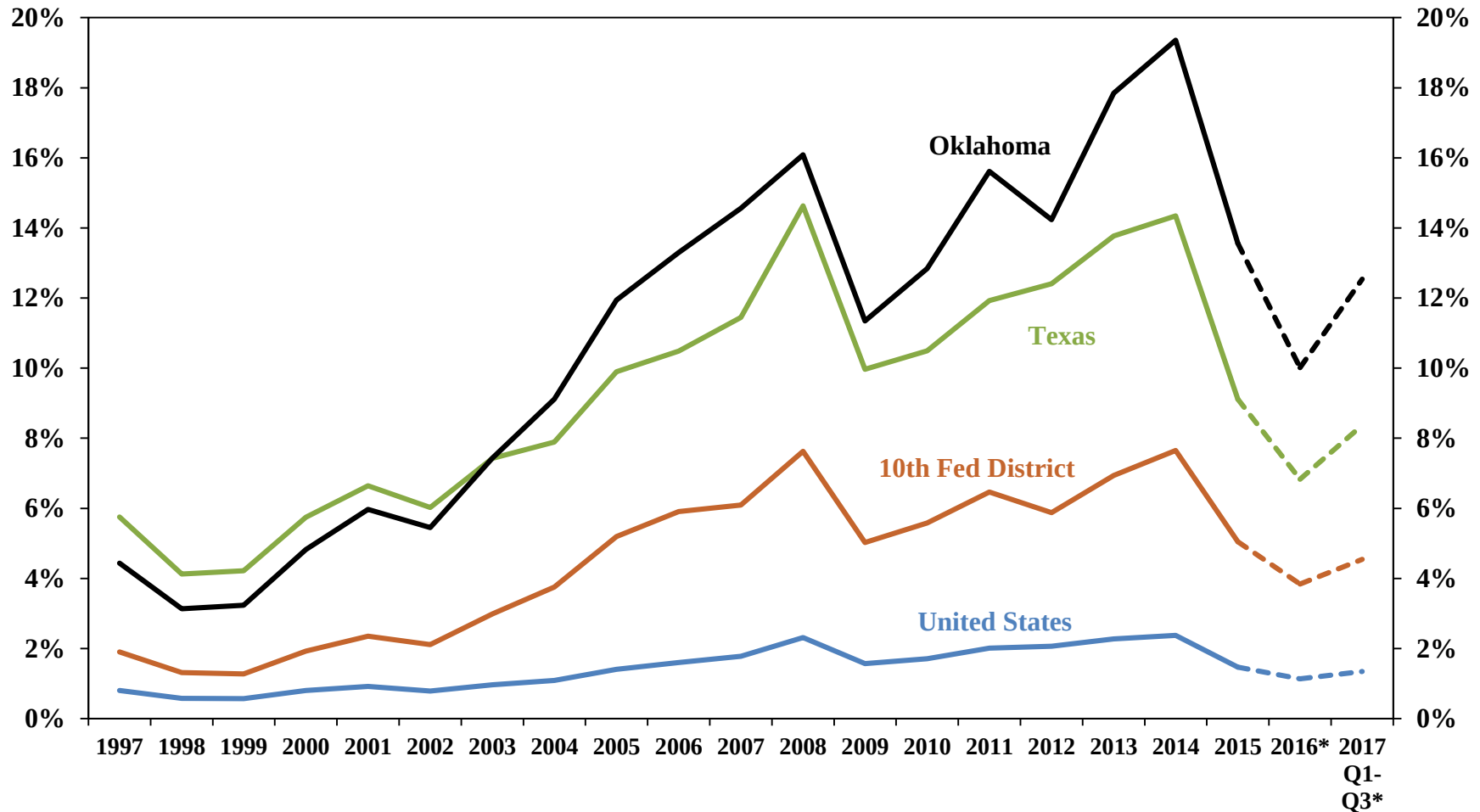
The Oklahoma agriculture sector has shown some signs of stabilizing, with expectations improving

Farm Income Indexes



The oil and gas sector remains especially sizable in the state, even after dropping in recent years

Oil and Gas Sector Share of GDP*
1997-2017



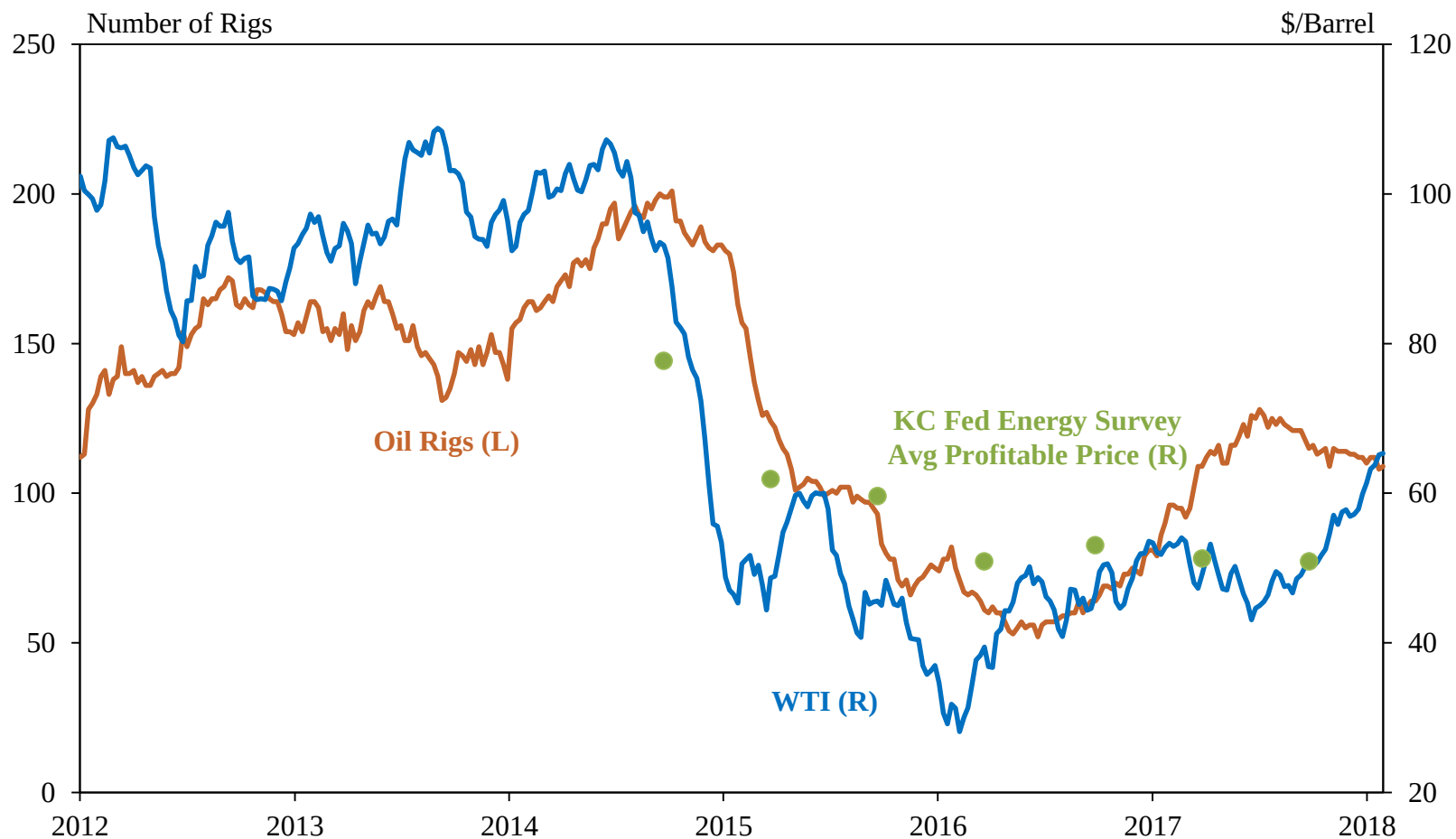
*Oil & Gas Sector = NAICS 211 + NAICS 213;
2016-17 estimates based on size of overall Mining sector



Source: U.S. Bureau of Economic Analysis; author's calculations

In energy, oil prices returned to profitable levels in 2017 for most firms, helping to boost activity

WTI Spot Price vs. Oklahoma Rig Count



Summary

- The U.S. economy continues to grow and the Fed has been tightening monetary policy
- Oklahoma was hurt by low commodity prices in 2015-16, but has improved lately
- Stronger energy activity and some stabilization in ag have been key reasons for the rebound



Questions?

For regular analysis of the Oklahoma economy, please visit the resources available on the OKC Fed branch web page:

www.kansascityfed.org/oklahomacity

For updates on regional **energy, agriculture, and manufacturing** activity, subscribe to our periodic surveys:

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