

U.S. and Oklahoma Economic Outlook

Downtown Kiwanis Club

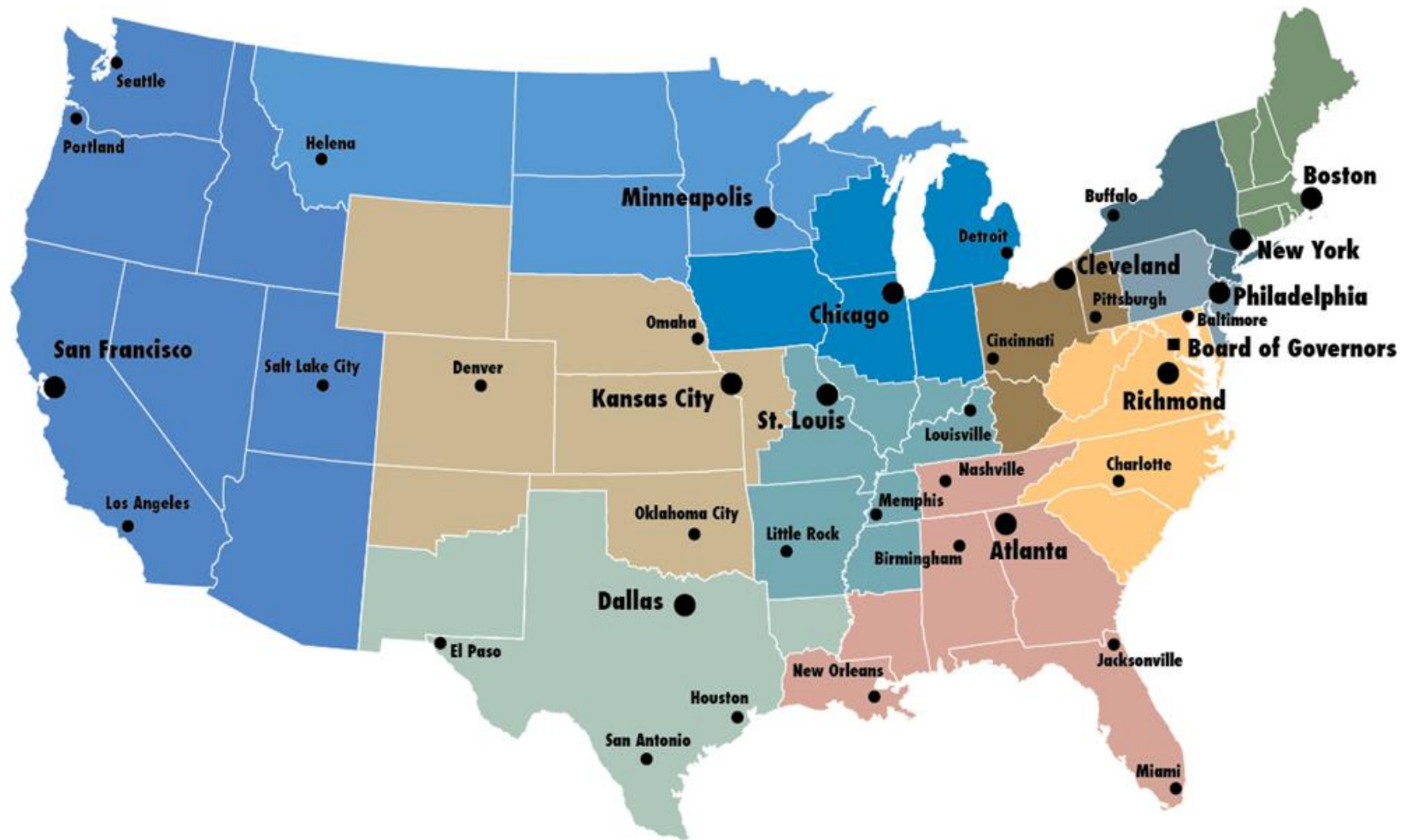
March 26, 2018

Megan Williams

Associate Economist & Manager, Oklahoma City Branch



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

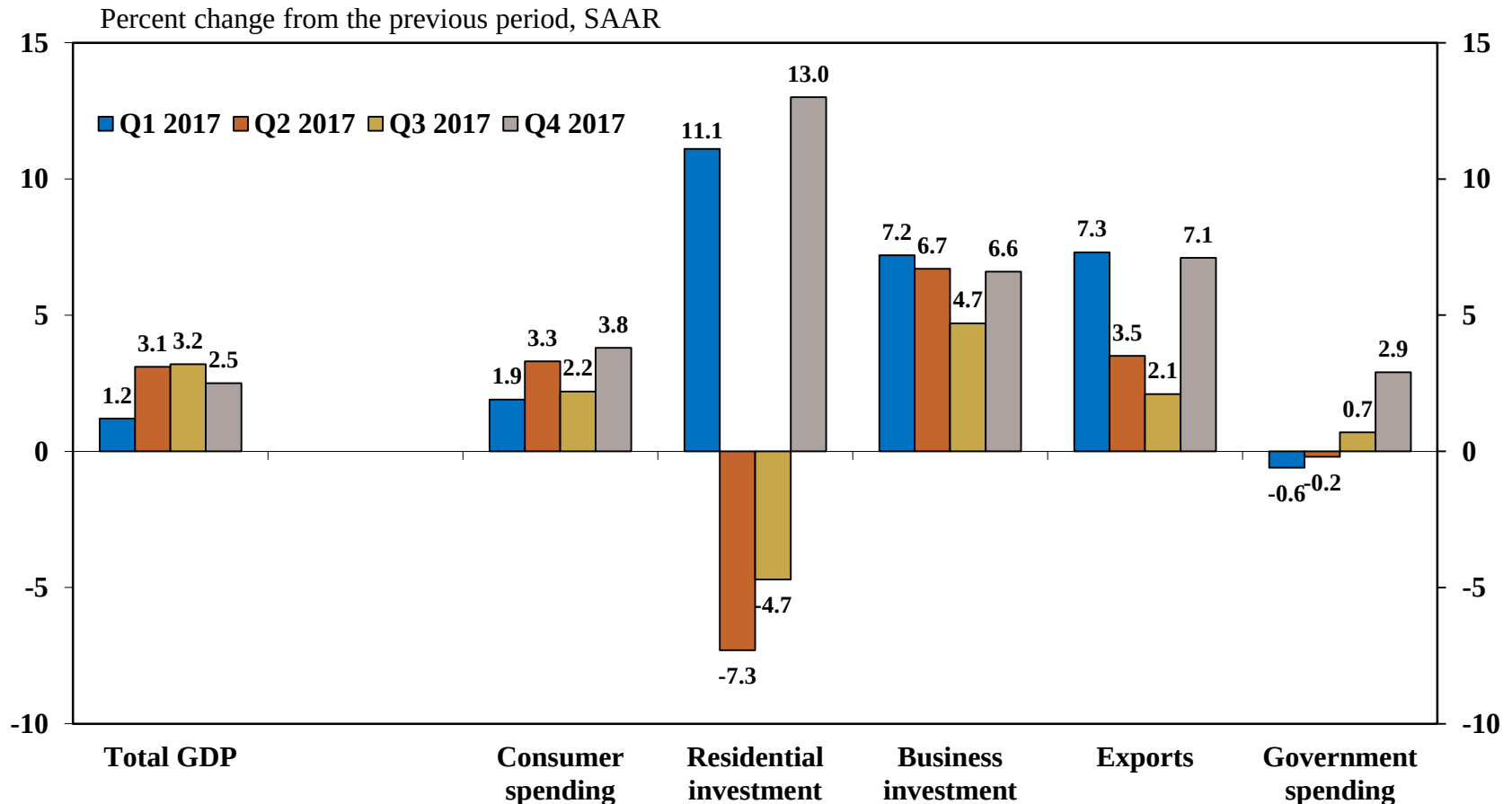
- **Functions and purposes – 45 staff**
 - Research on U.S. and Oklahoma economies; energy and manufacturing sectors
 - Economic and financial education outreach, including to low/moderate income
 - Examinations of Oklahoma financial institutions (~50 banks, ~175 holding cos.)
- **2018 OKC Fed Branch 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



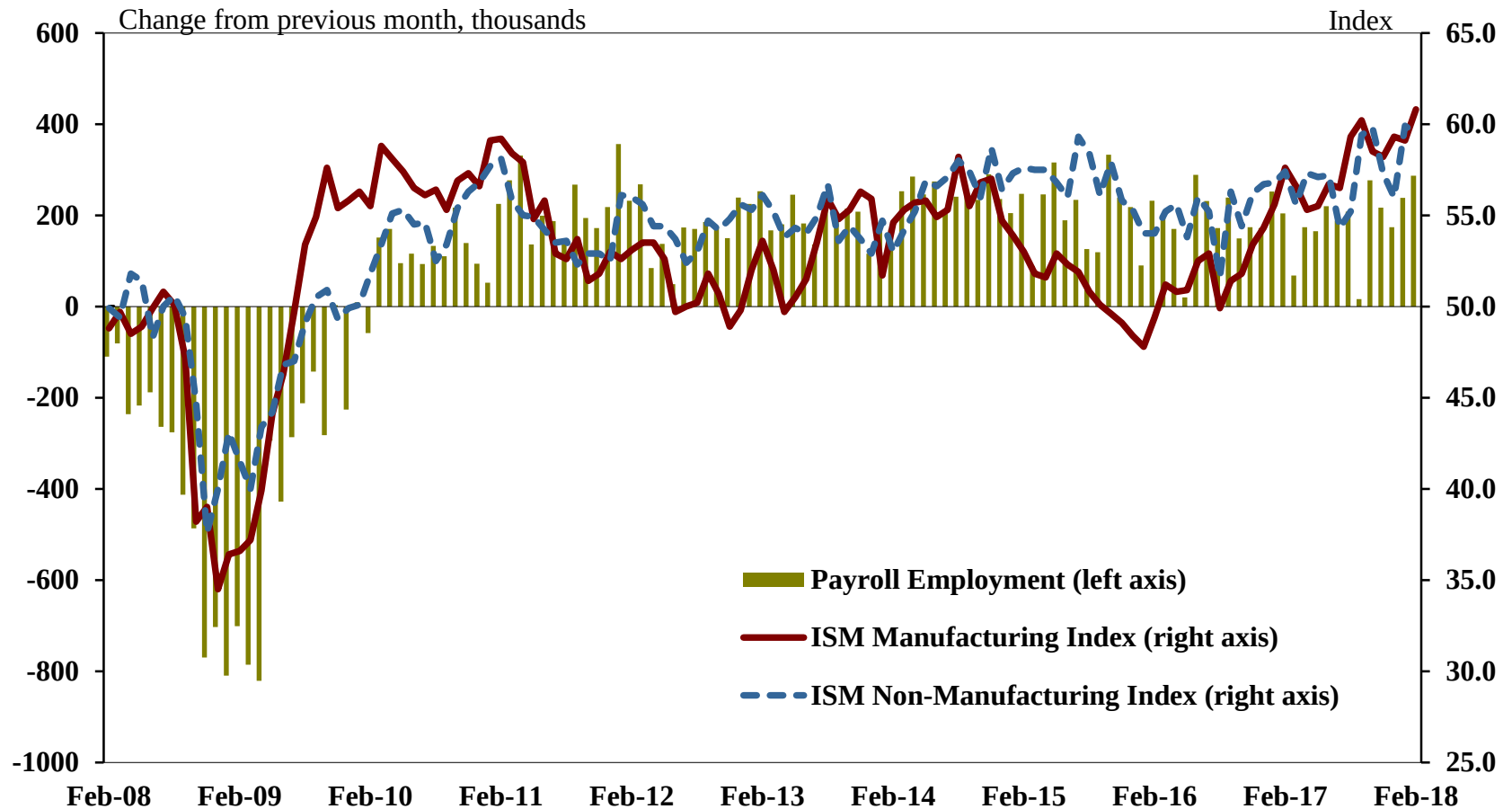
U.S. GDP growth remained solid in Q4, with strong consumer and business spending

Growth in Components of Real GDP

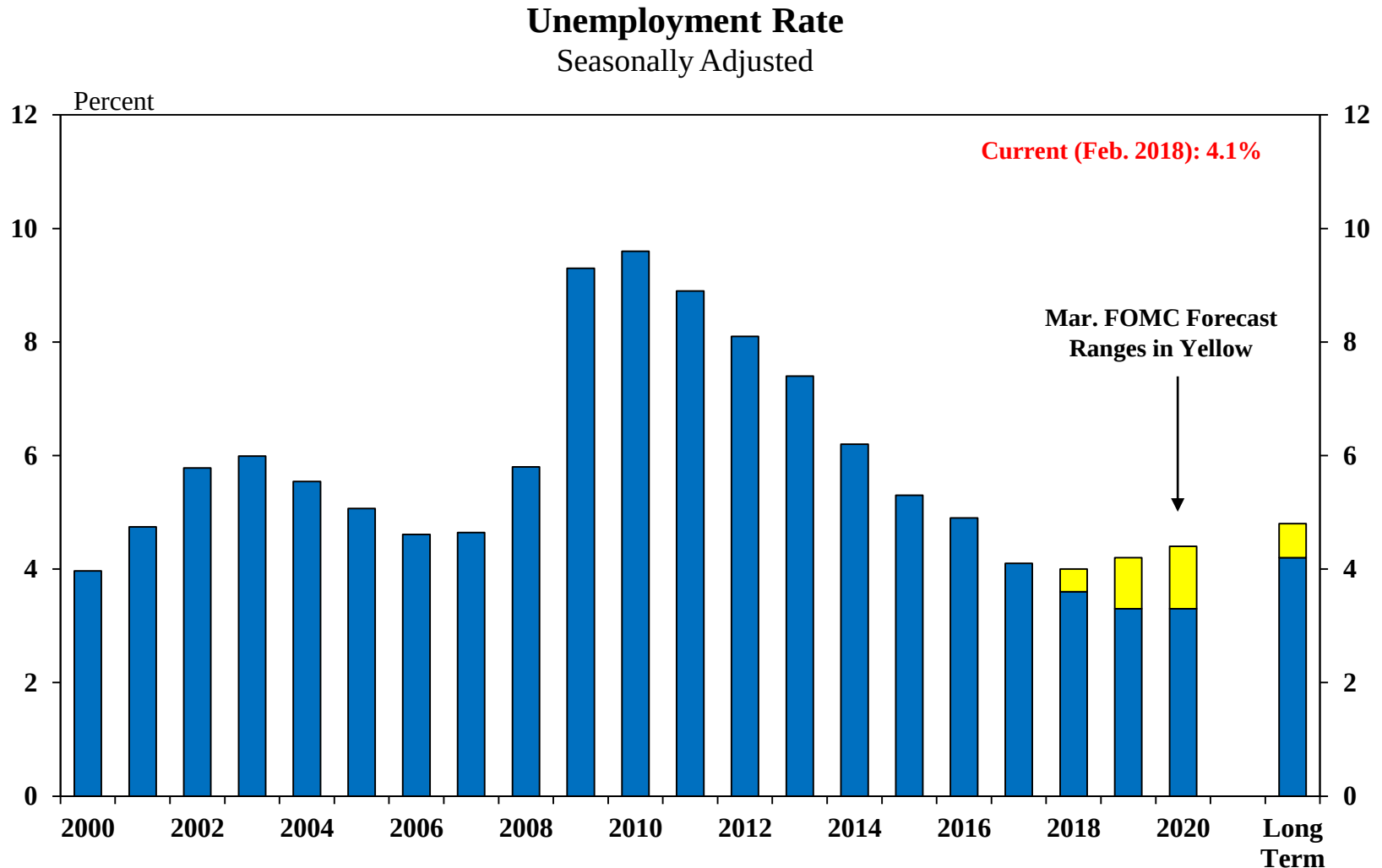


Monthly data on business activity and employment show U.S. growth remained strong into 2018

U.S. Payroll Employment and Business Indexes

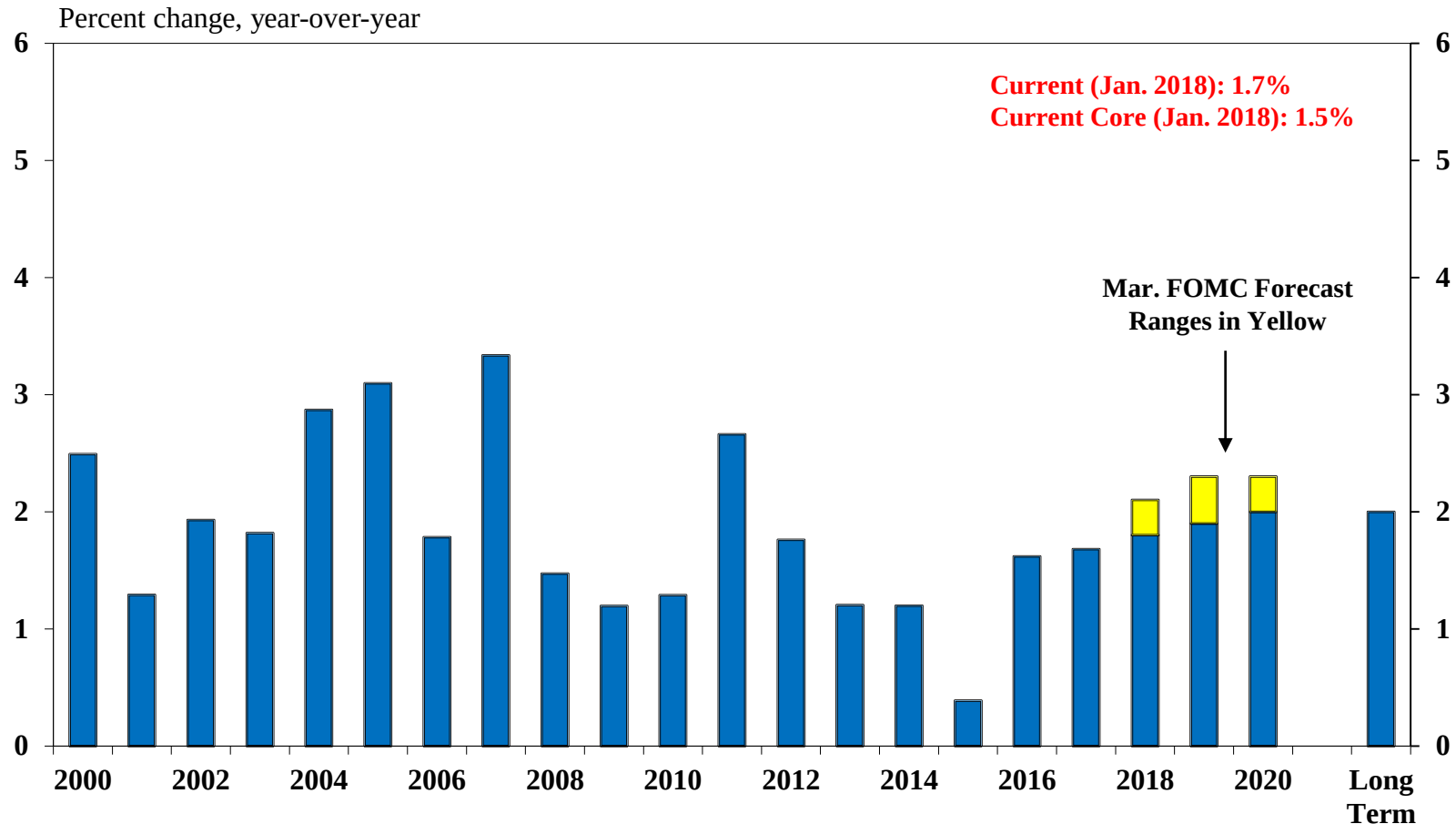


“The Committee expects that, with further...adjustments...
in...policy...labor market conditions will remain strong”

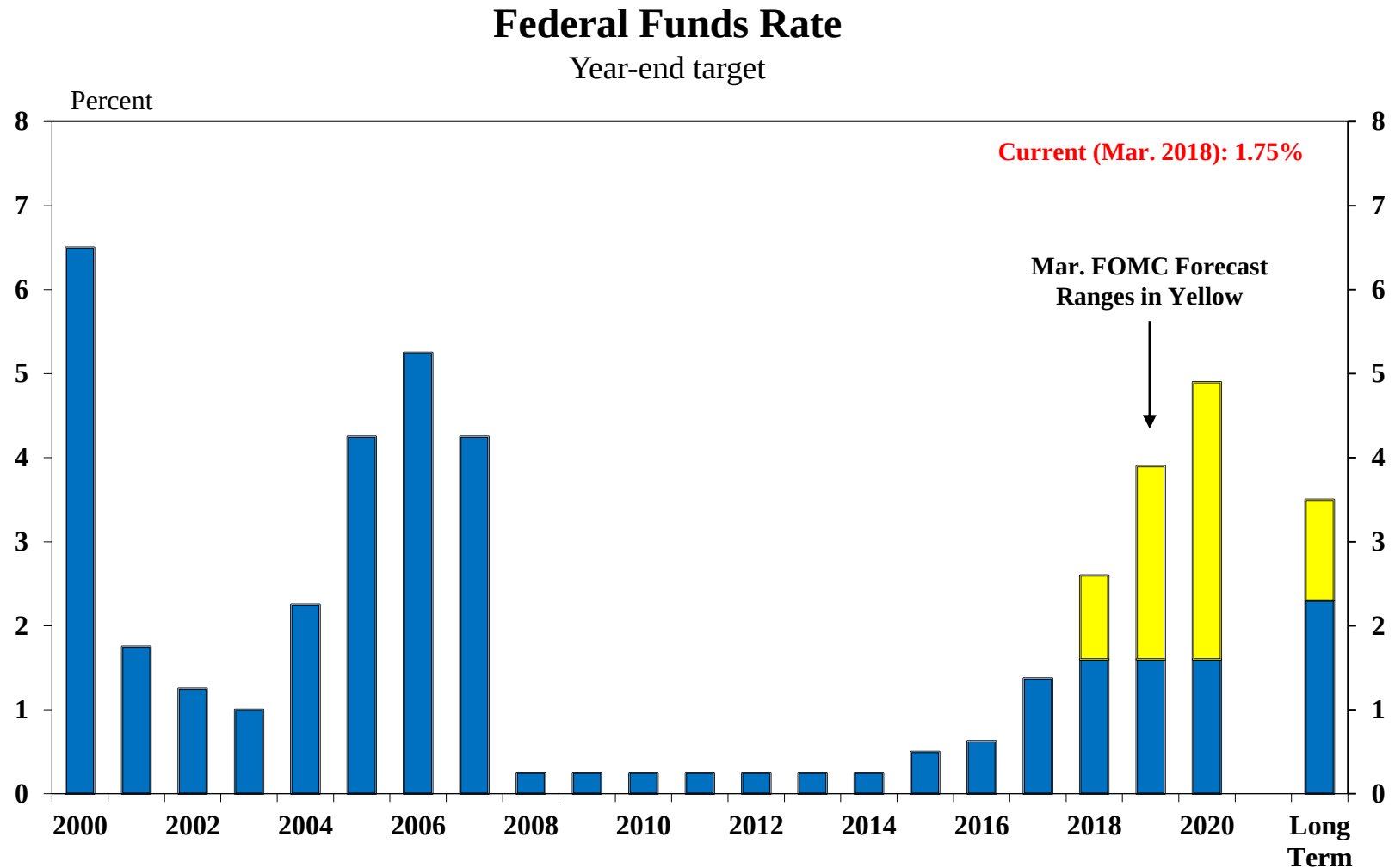


“Inflation on a 12-month basis is expected to move up in coming months and stabilize around the Committee’s 2 percent objective.”

PCE Inflation Index

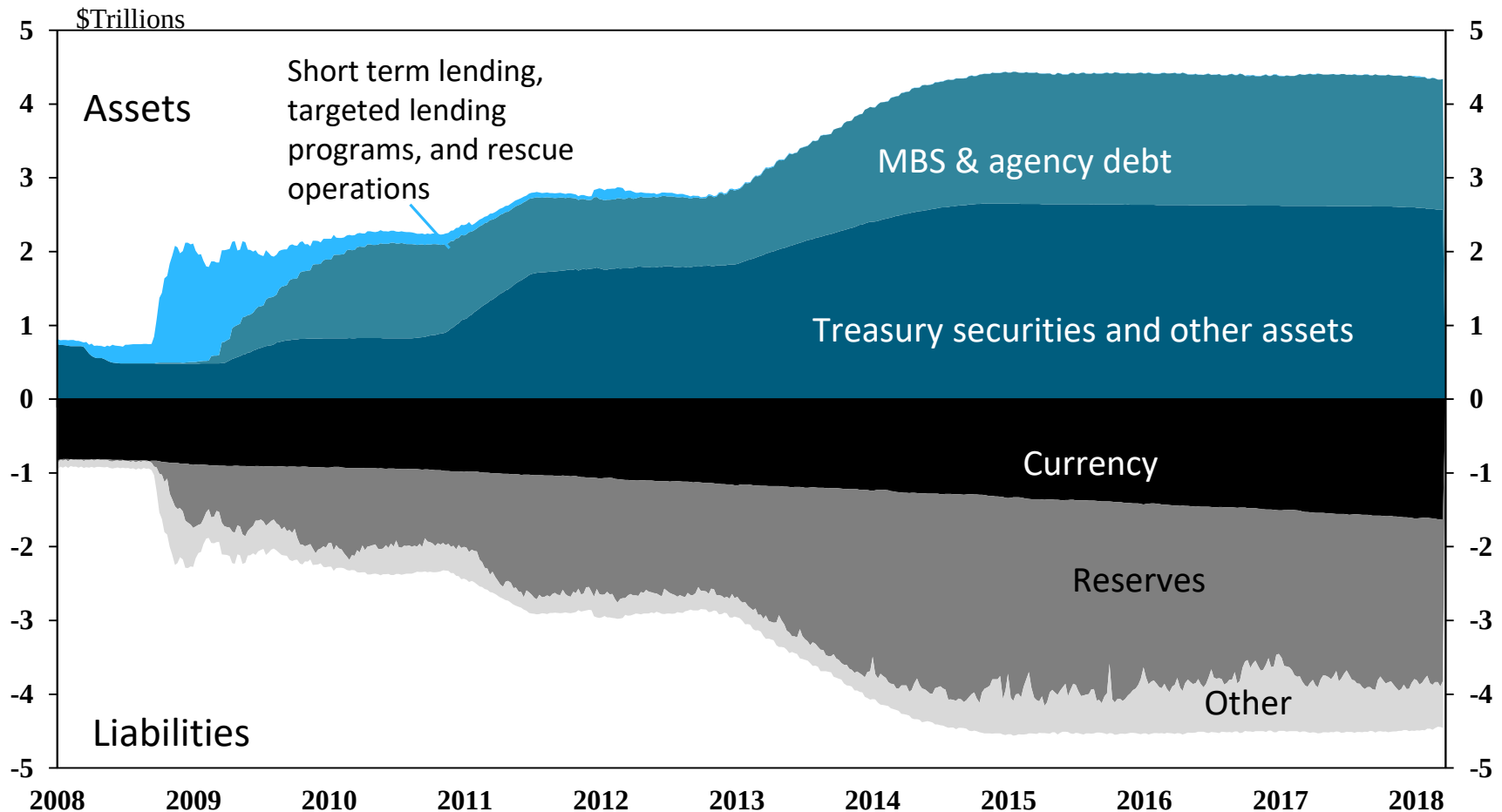


“The Committee expects that economic conditions...will warrant further gradual increases in the federal funds rate.”



The Fed has also begun to reduce its balance sheet, which grew considerably after the crisis

Federal Reserve Balance Sheet



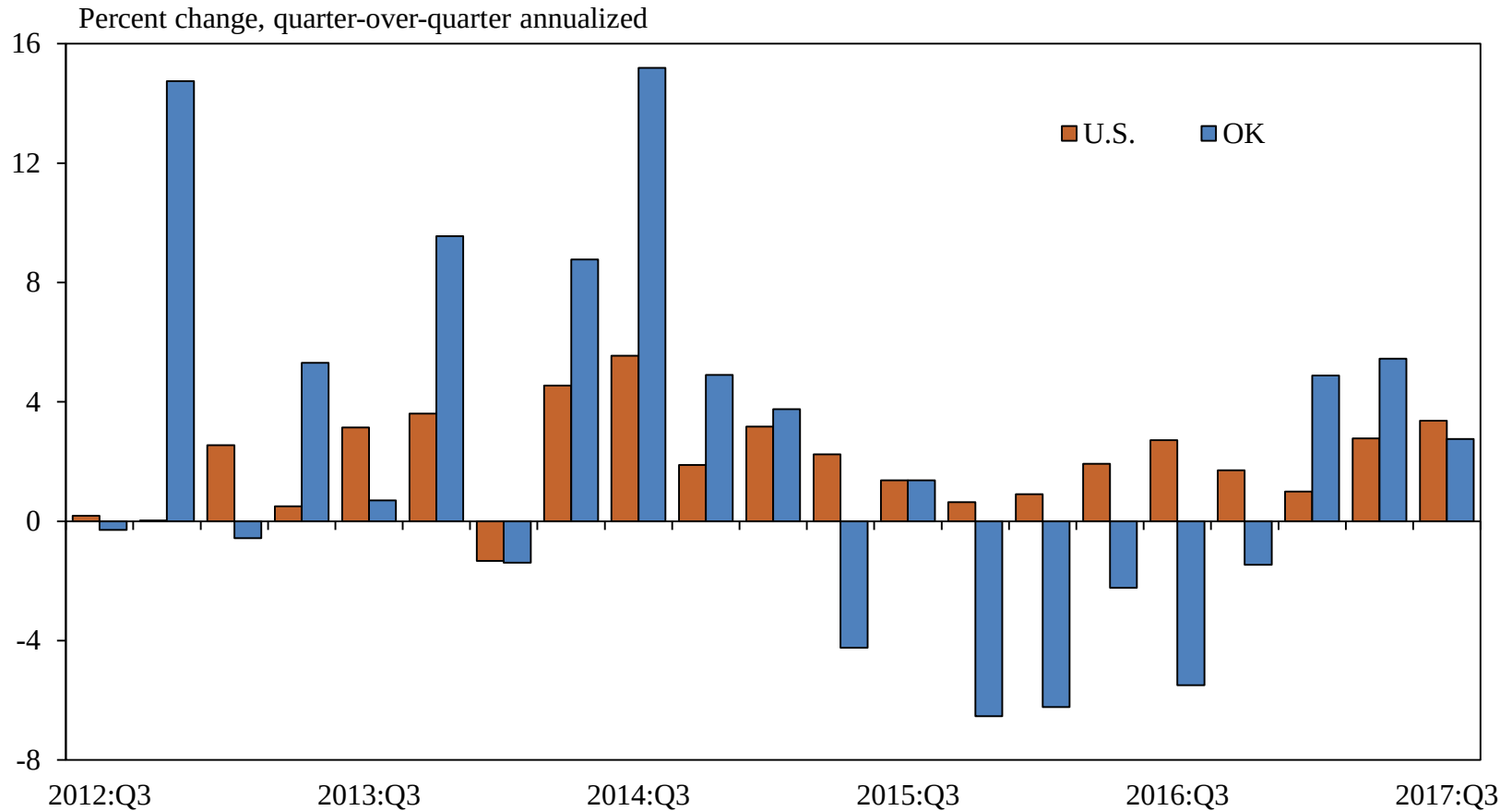
Source: Federal Reserve Board

Trends in the Oklahoma Economy



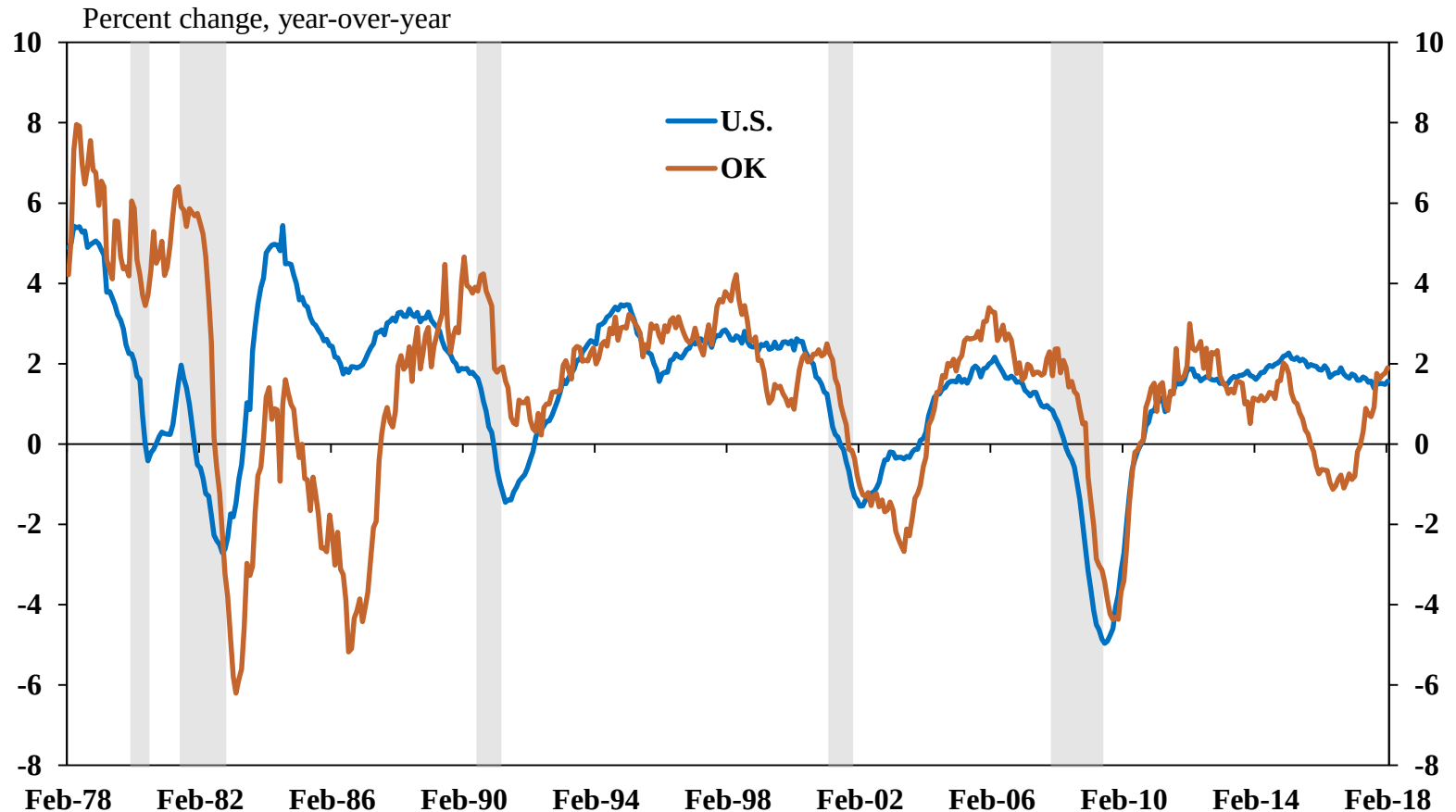
OK GDP has recovered from its downturn of 2015-16, and by mid-2017 was keeping pace with the nation

Real Gross Domestic Product



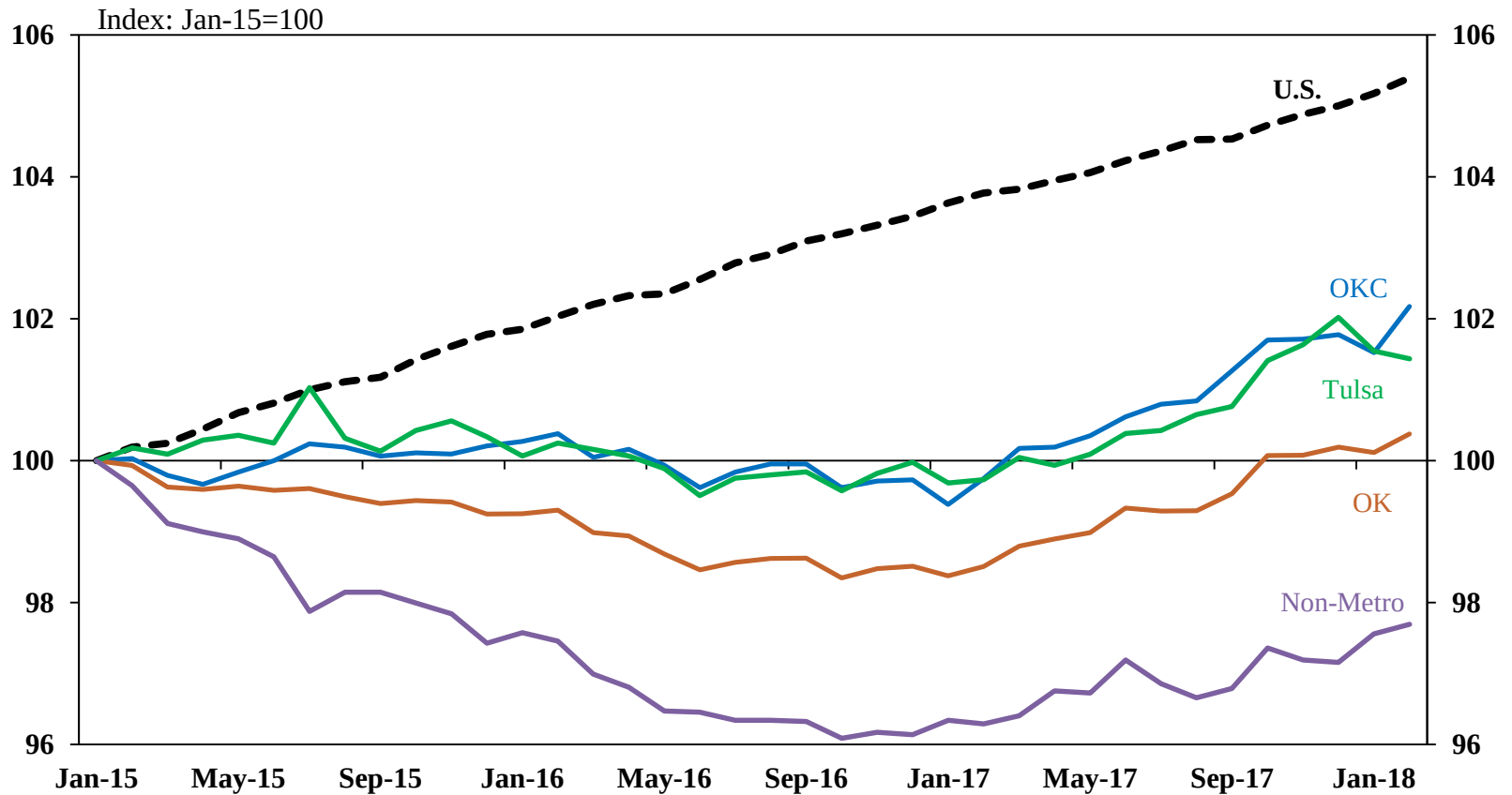
For jobs, 2015-16 was the largest divergence between U.S. & OK since the '80s, but the gap has closed

Payroll Employment Growth



Employment levels are trending up in the metro areas, but non-metro is still below early 2015 levels

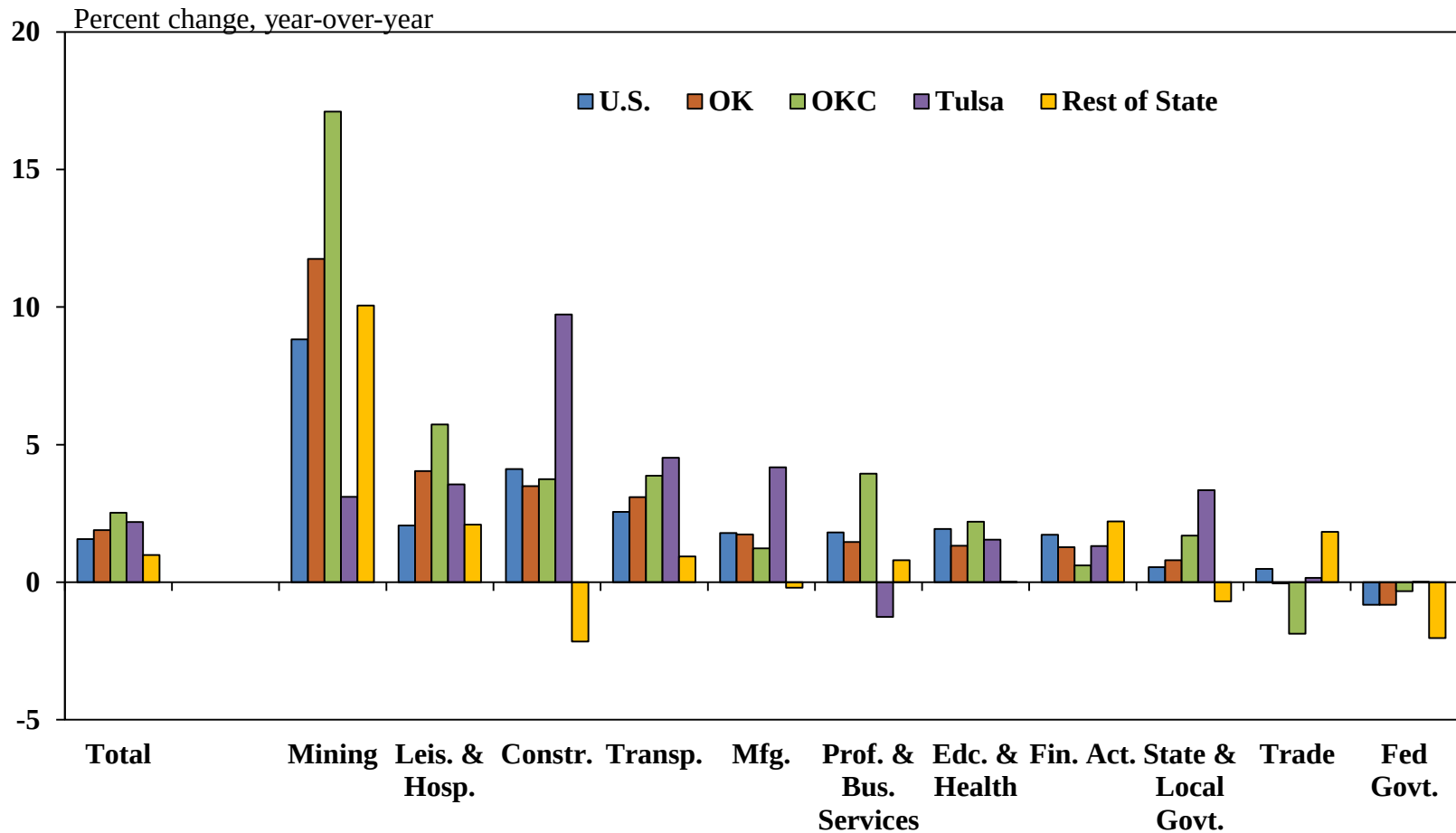
Level of Payroll Employment
Through February 2018



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

Oklahoma Job Growth by Industry

Feb-18

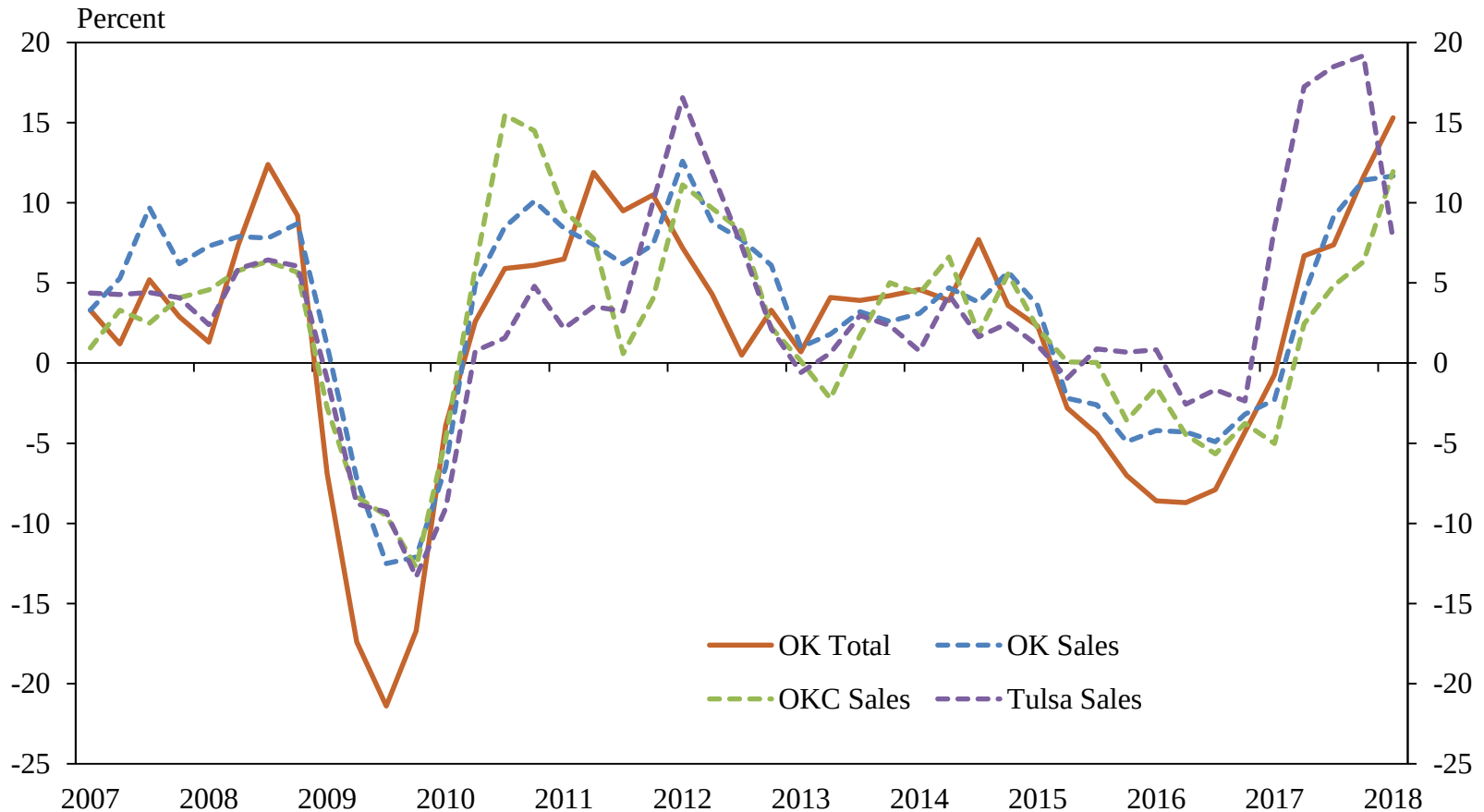


Source: Bureau of Labor Statistics

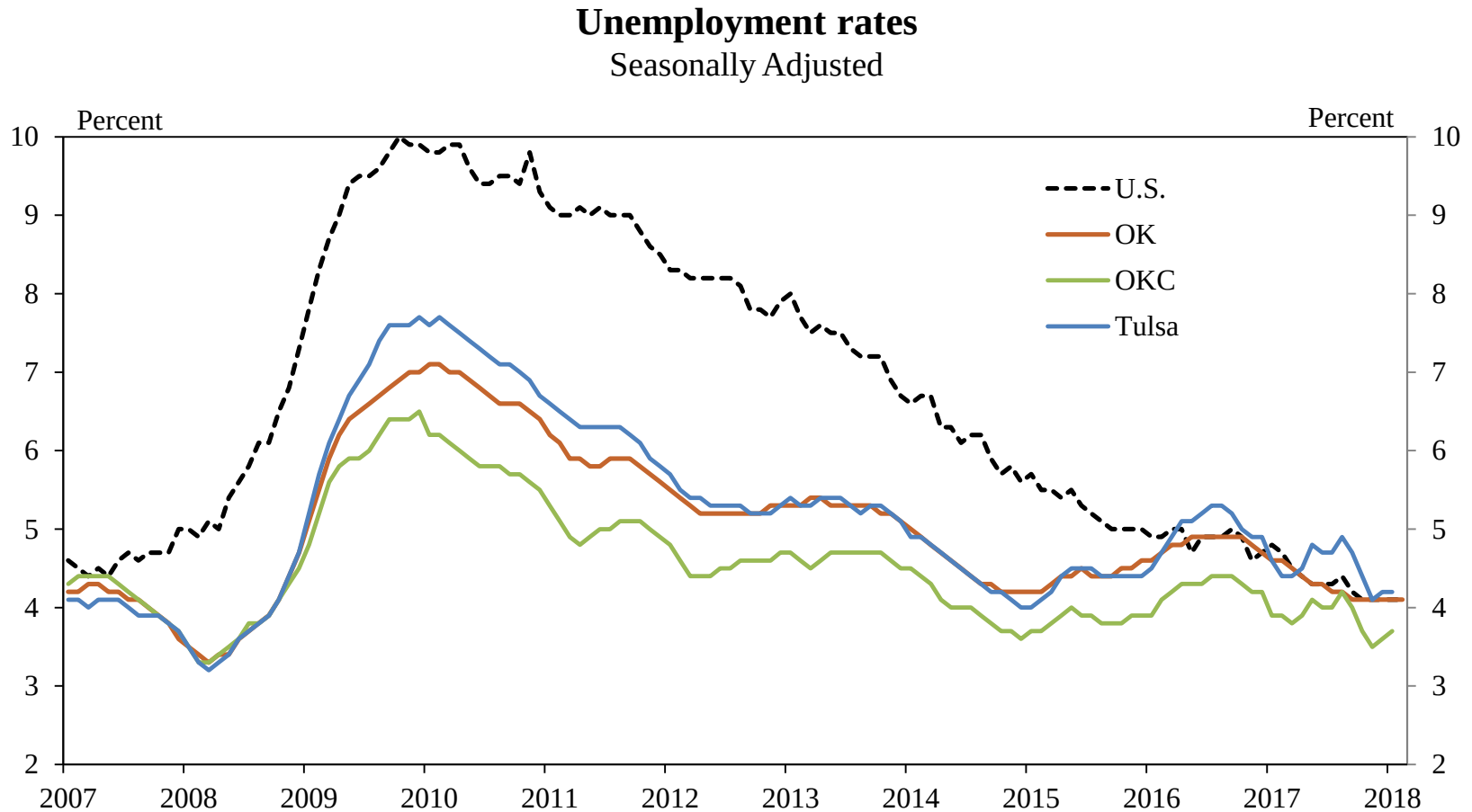
Tax revenues also improved following two tough years that remain challenges for the Legislature

Oklahoma State Tax Revenues

Q1-18 through February

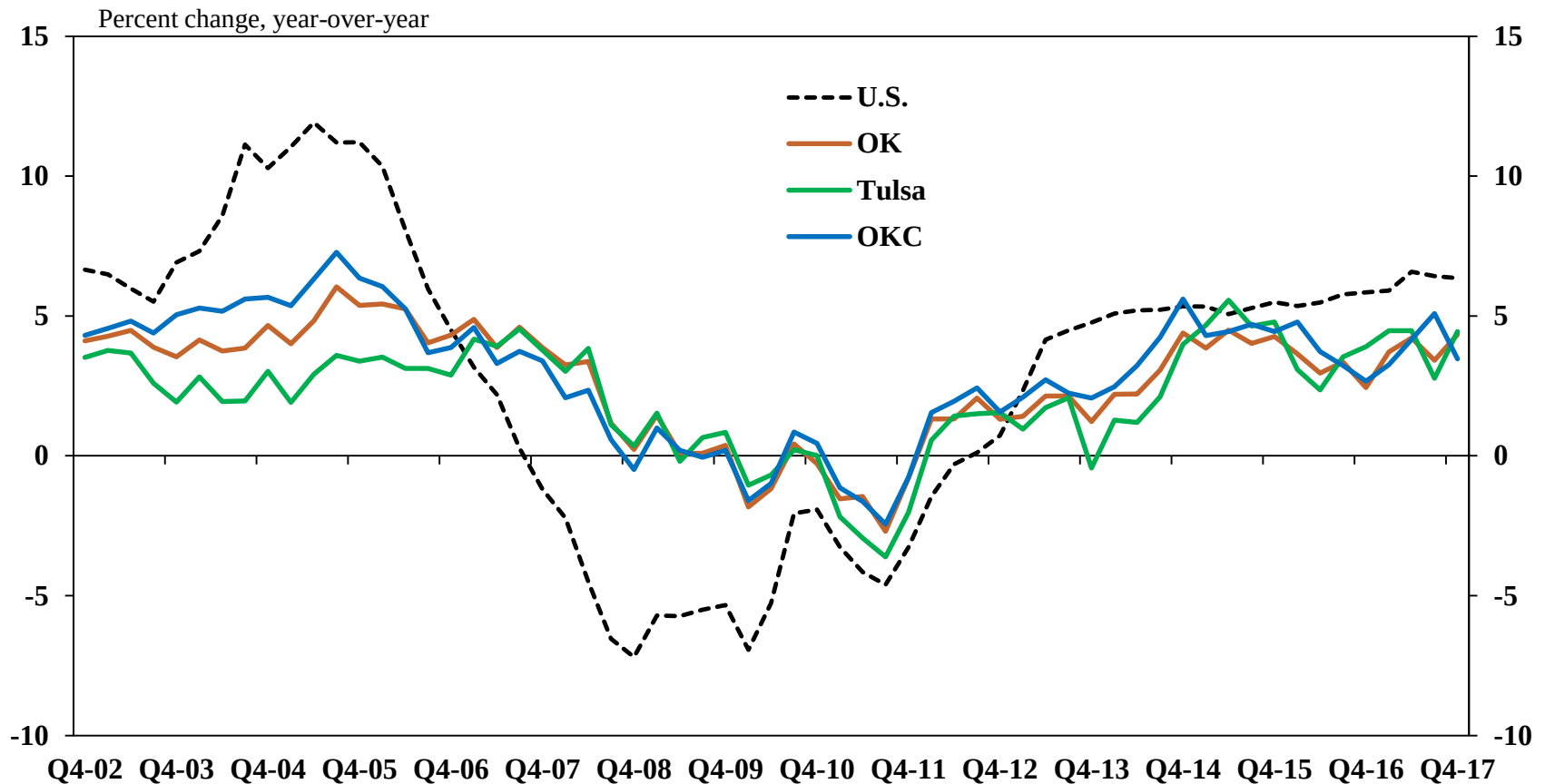


Unemployment throughout the state remains at or below the national level



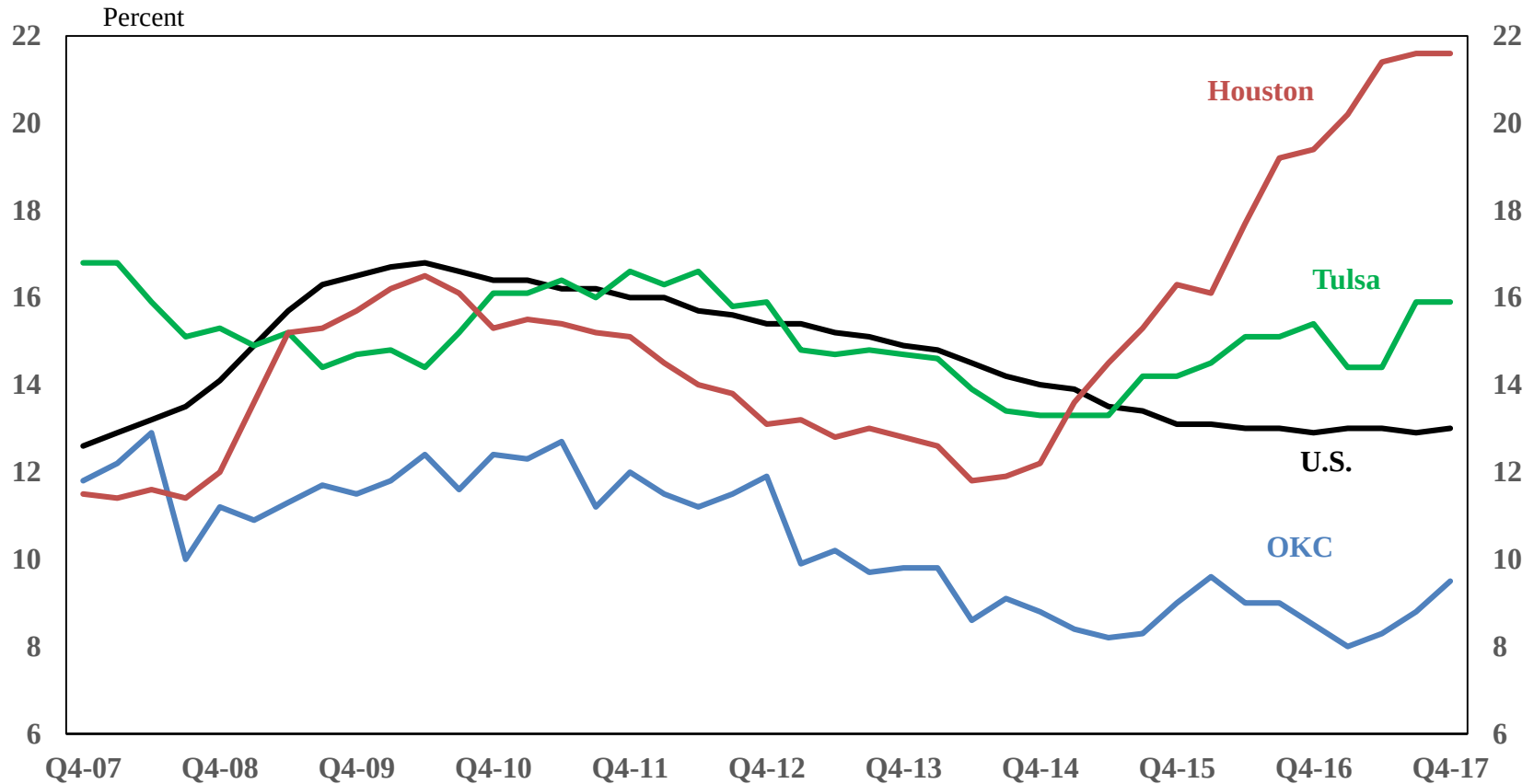
In housing, average home price growth across the state remains below the nation, but still positive

FHFA Home Price Index
Seasonally Adjusted



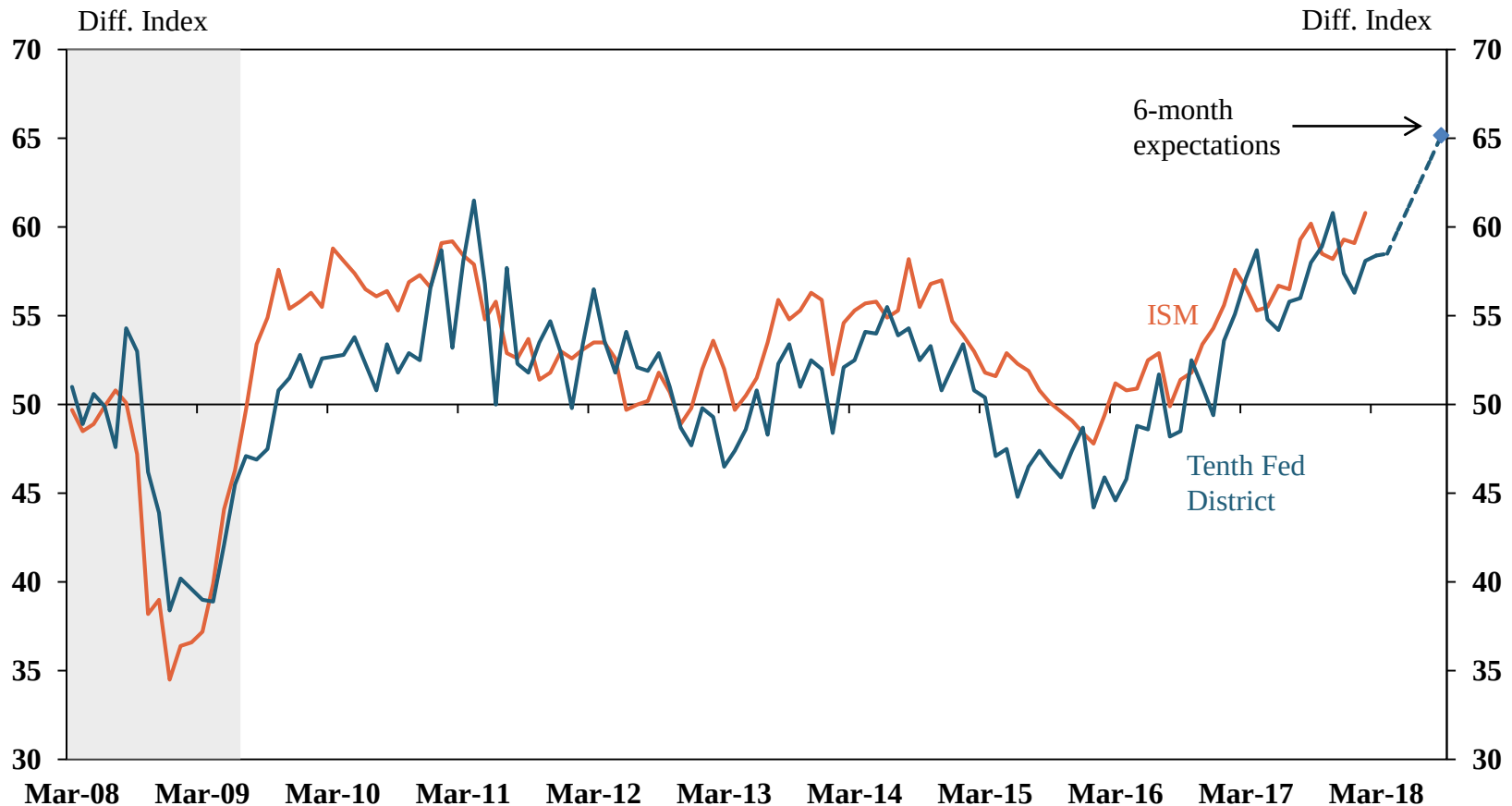
Office vacancy rates remain low in OKC, but slightly above the nation in Tulsa

Metro Office Vacancy Rates



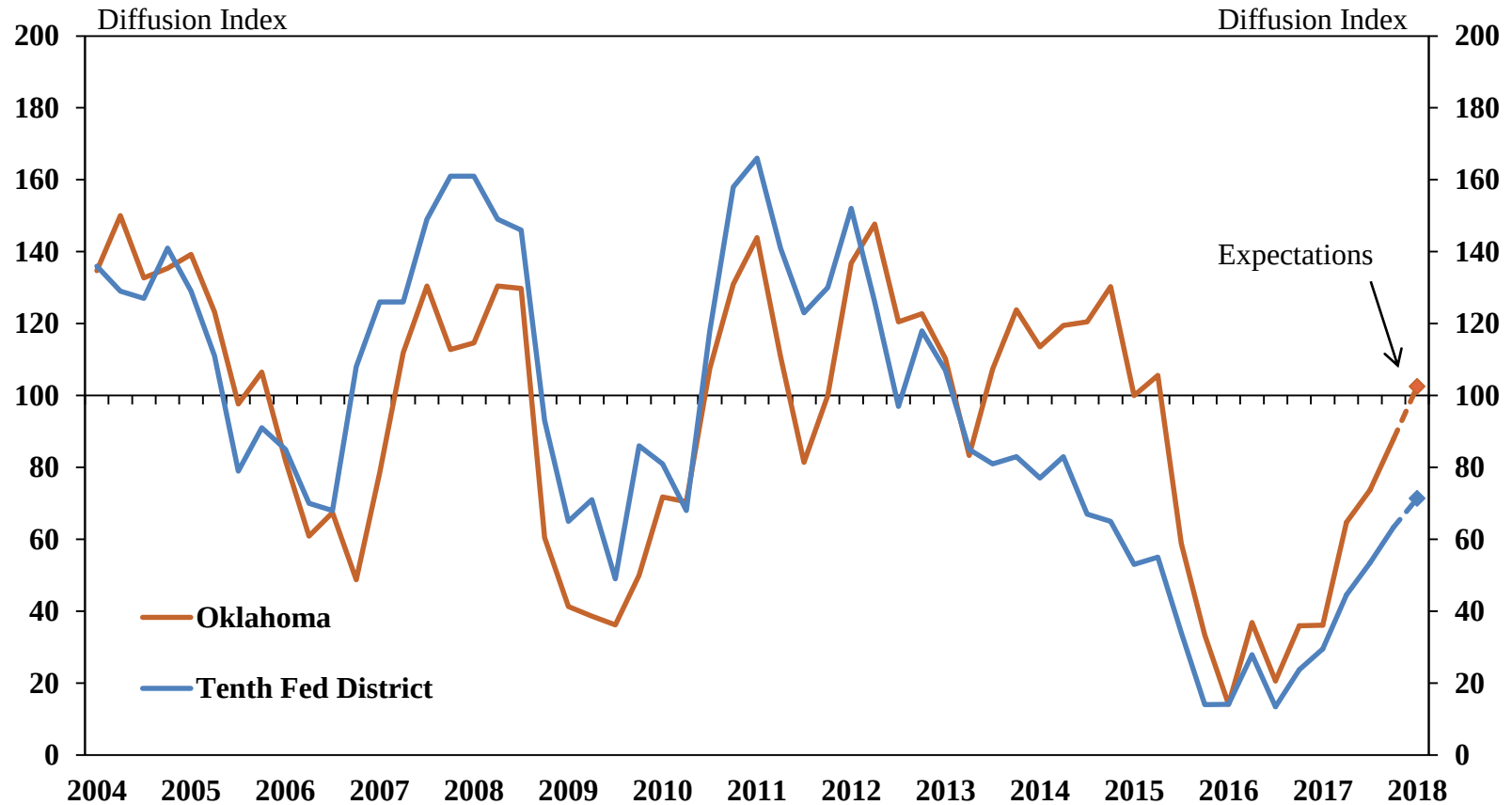
Regional factory activity has continued to improve in recent months, with optimism high

Manufacturing Composite Indexes, Seasonally Adjusted



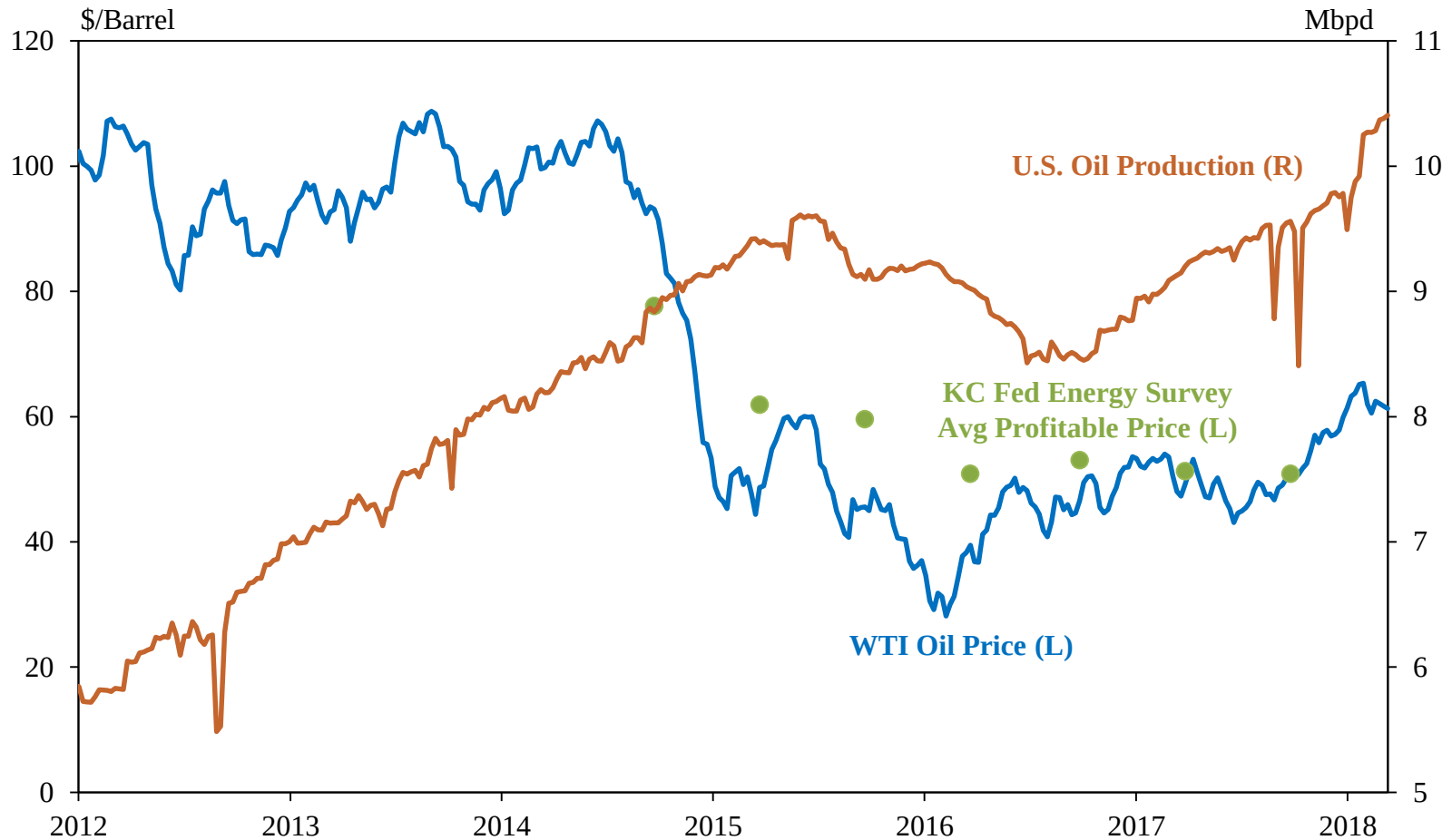
The Oklahoma agriculture sector has shown some signs of stabilizing, with expectations improving

Farm Income Indexes



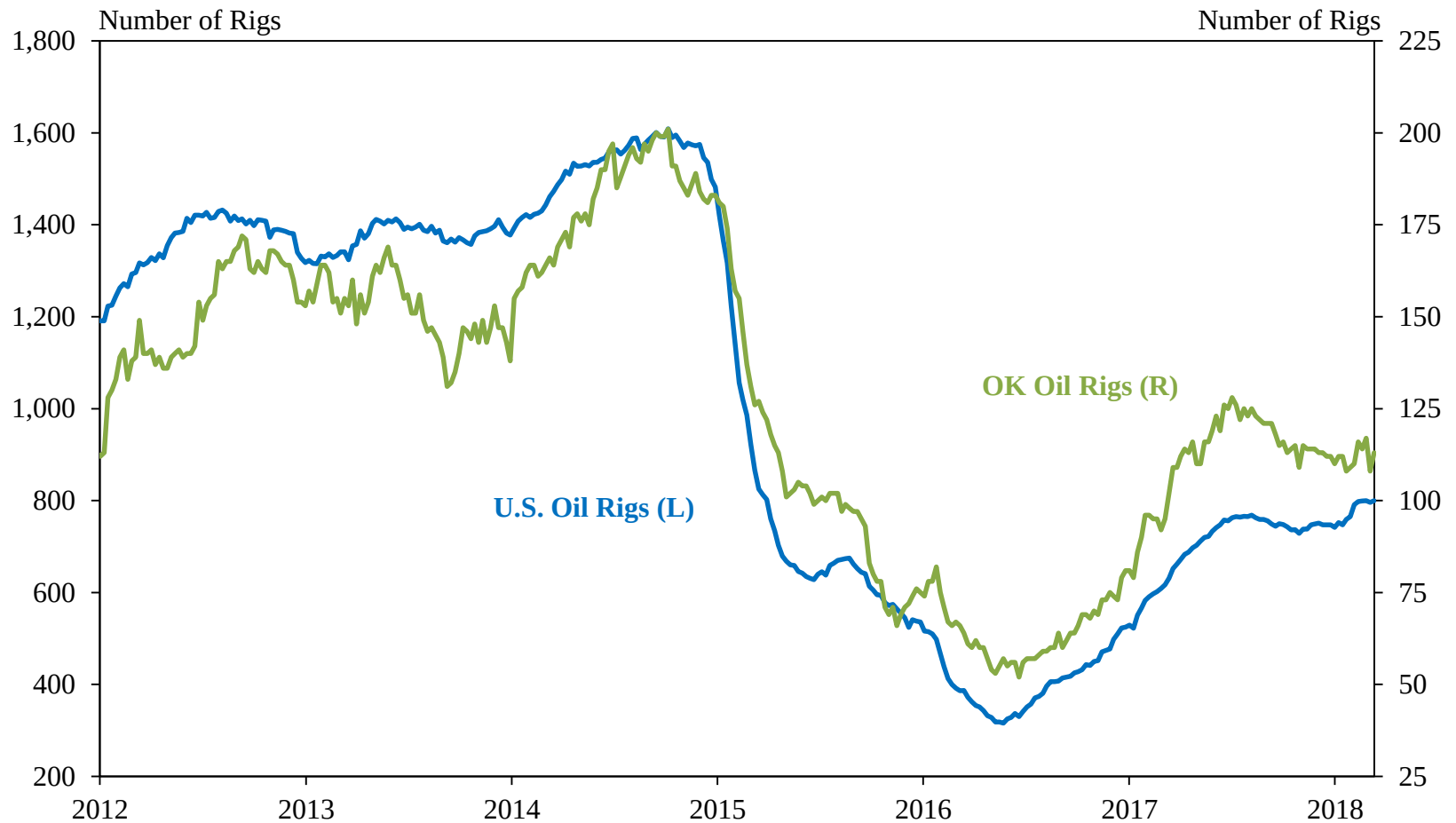
Oil prices returned to profitable levels in 2017 for most firms, helping to boost activity

WTI Spot Price vs. Energy Survey Profitable Price vs. Oil Production



Rig counts have increased since the downturn and remain at favorable levels

Weekly Oil Rig Counts



Source: Baker Hughes

Summary

- The U.S. economy continues to grow, the Fed has raised interest rates and will begin to reduce its balance sheet.
- The Oklahoma economy has been hurt by low commodity prices, but stabilized in 2017.
- Energy and agriculture have stabilized and are projected for growth in the near future



Questions?

For regular analysis of the Oklahoma economy, subscribe to our quarterly **Oklahoma Economist** publication at:

www.kansascityfed.org/publications/research/oke/

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

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

<https://www.kansascityfed.org/research/indicatorsdata/agcreditsurvey>

<https://www.kansascityfed.org/research/indicatorsdata/mfg>

