

U.S. and Oklahoma Economic Update

Oklahoma Financial Planning Association

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www.kansascityfed.org/oklahomacity



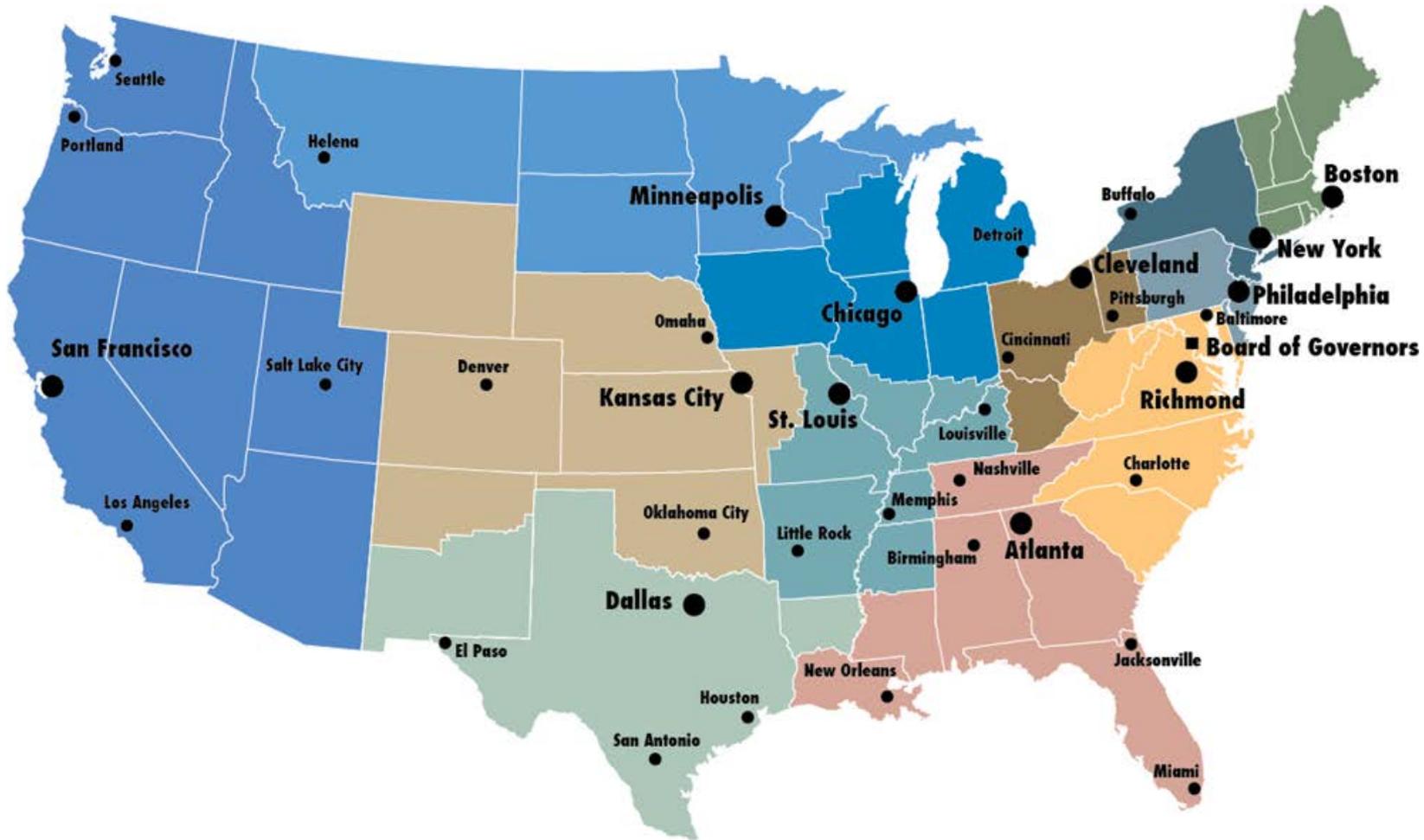
Structure and Functions of the Federal Reserve System

- **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 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

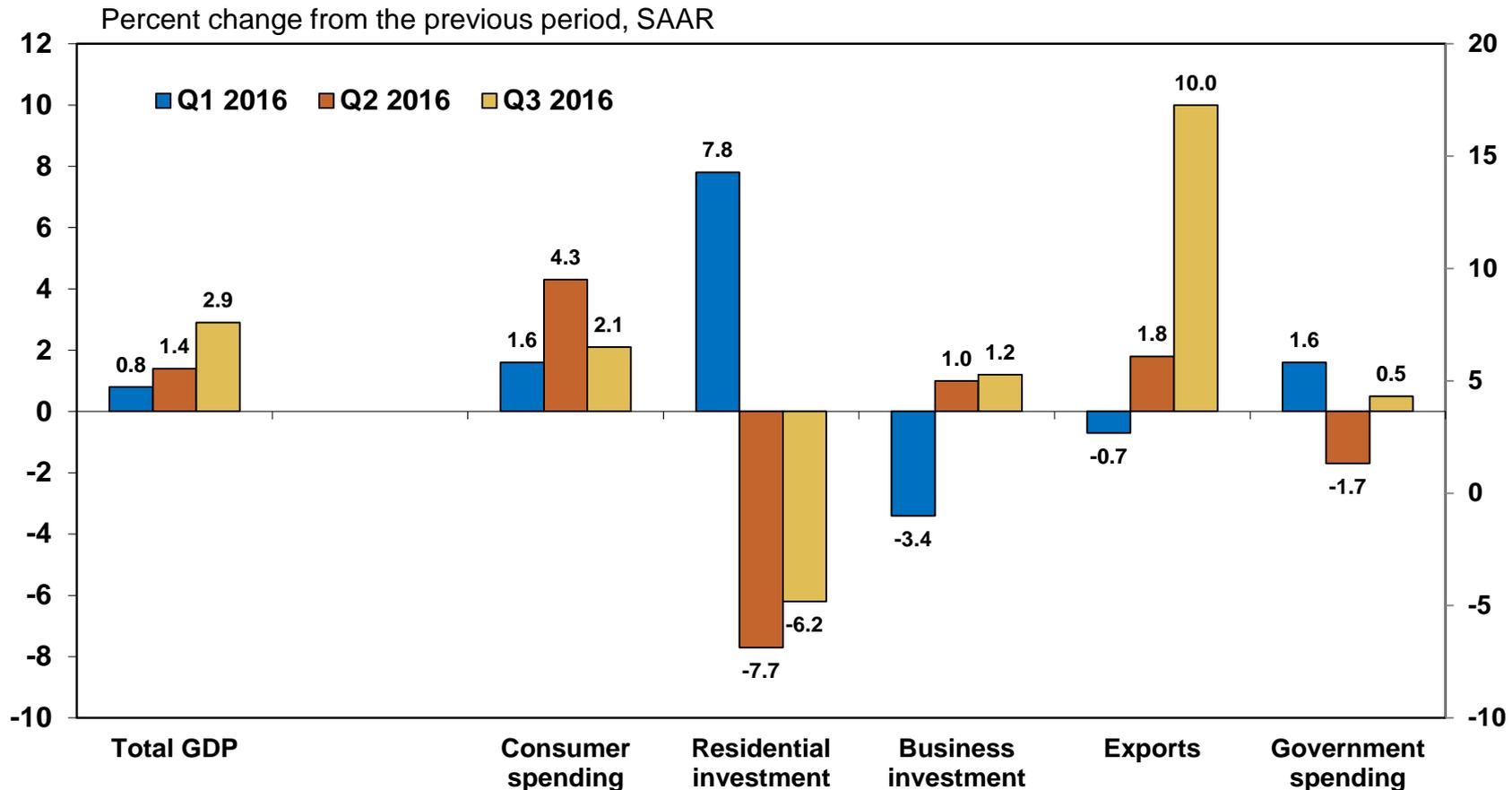


The U.S. Economy and Monetary Policy



GDP growth picked up in the 3rd quarter, mainly from spending and exports

Growth in Components of Real GDP

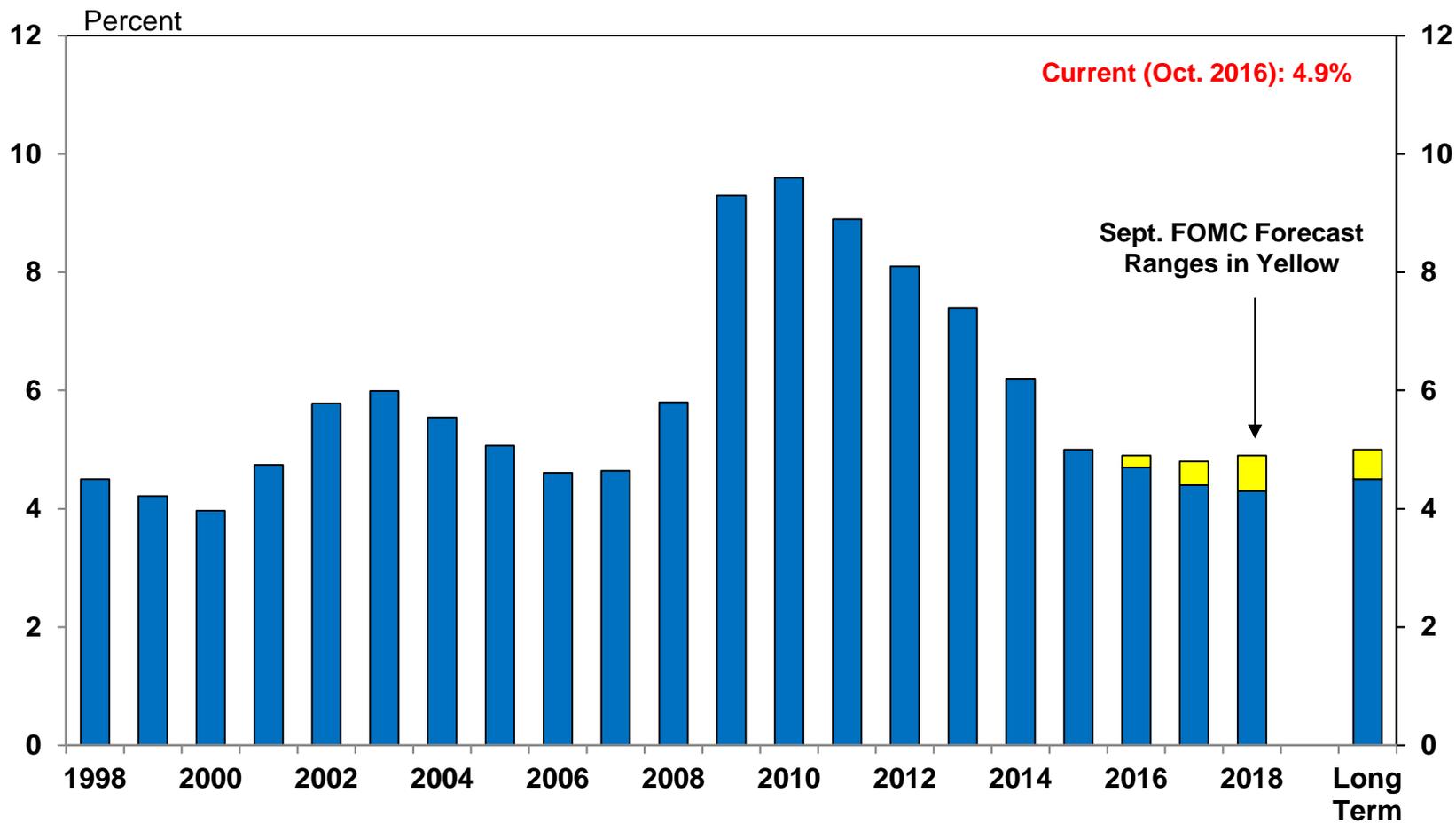


Source: U.S. Bureau of Economic Analysis



The Committee expects that...labor market conditions will strengthen somewhat further

Unemployment Rate Seasonally Adjusted

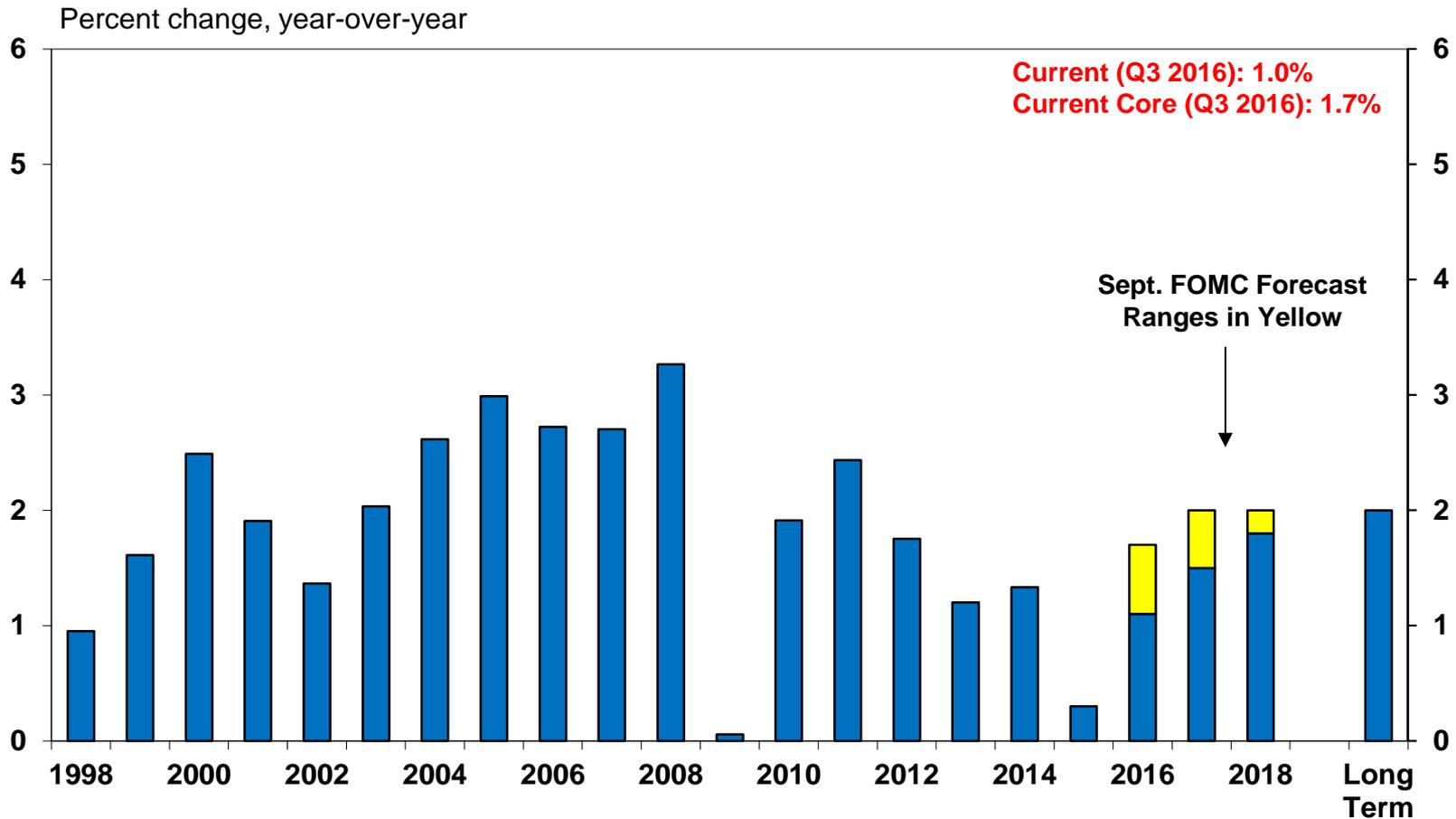


Sources: U.S. Bureau of Labor Statistics, FOMC



Inflation has increased...but is still below the Committee's 2 percent longer-run objective

PCE Inflation Index

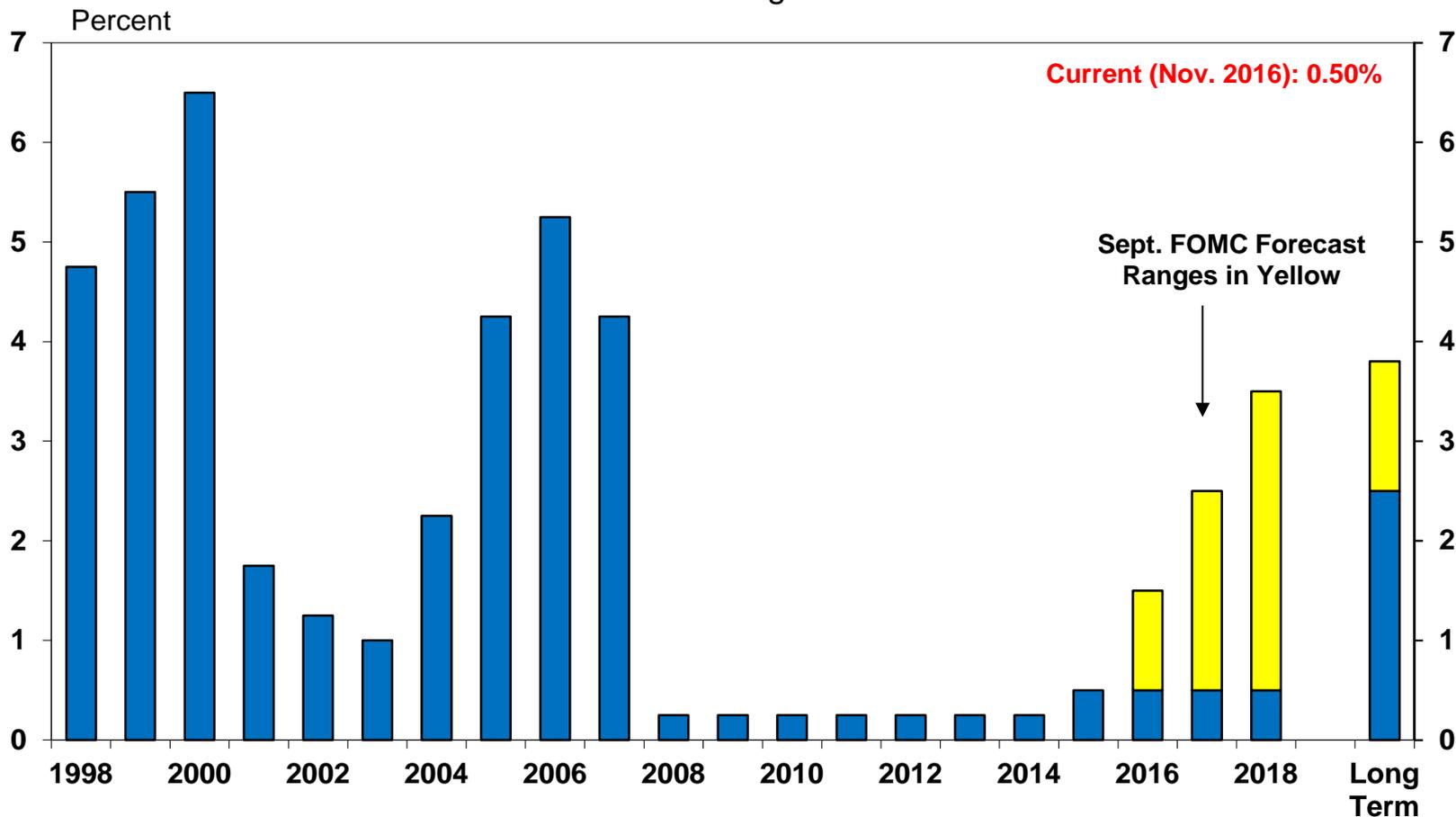


Sources: U.S. Bureau of Labor Statistics, FOMC



The Committee expects...only gradual increases in the federal funds rate

Federal Funds Rate Year-end target



From FOMC Statement – Nov. 2, 2016

- *The Committee judges that the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives. The stance of monetary policy remains accommodative, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation.*
- *The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run.*

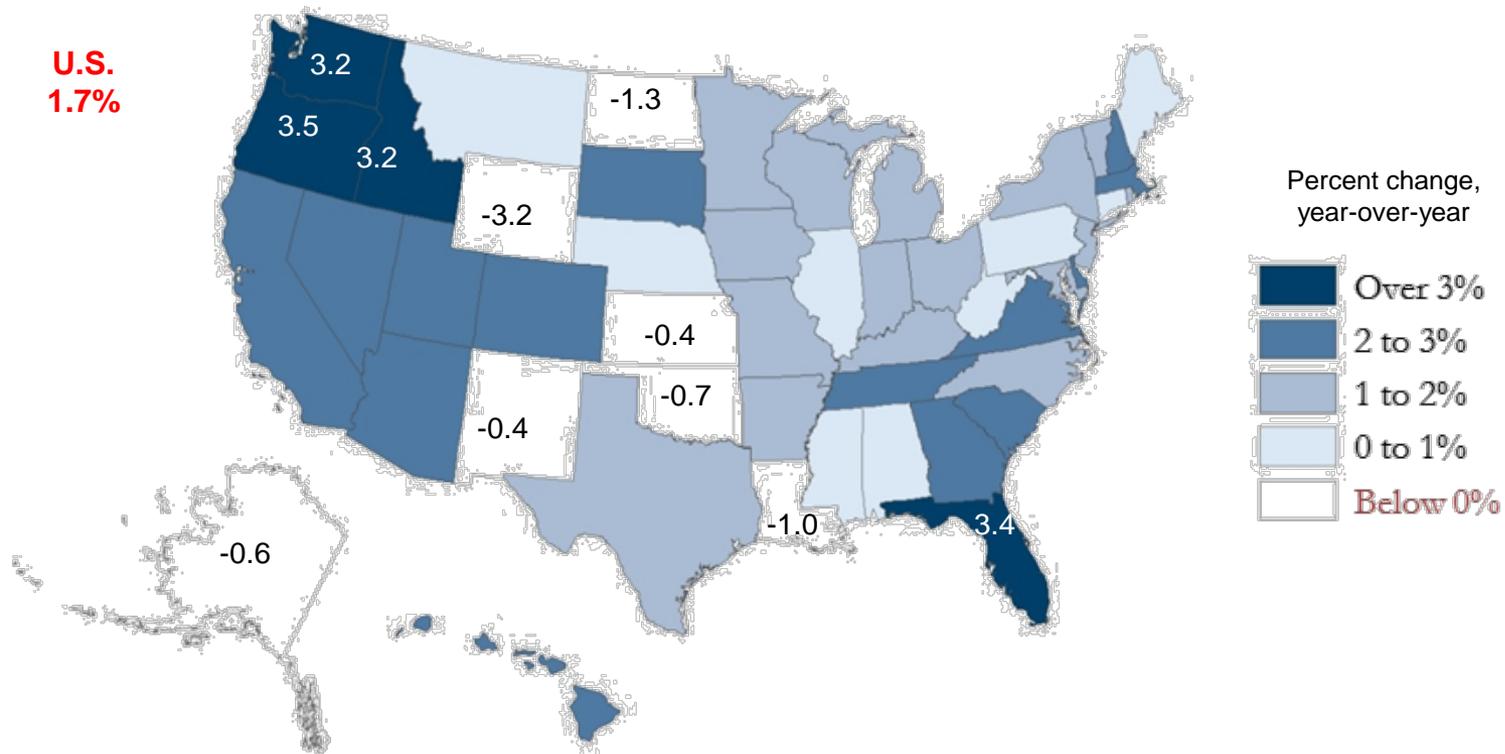


Trends in the Oklahoma Economy



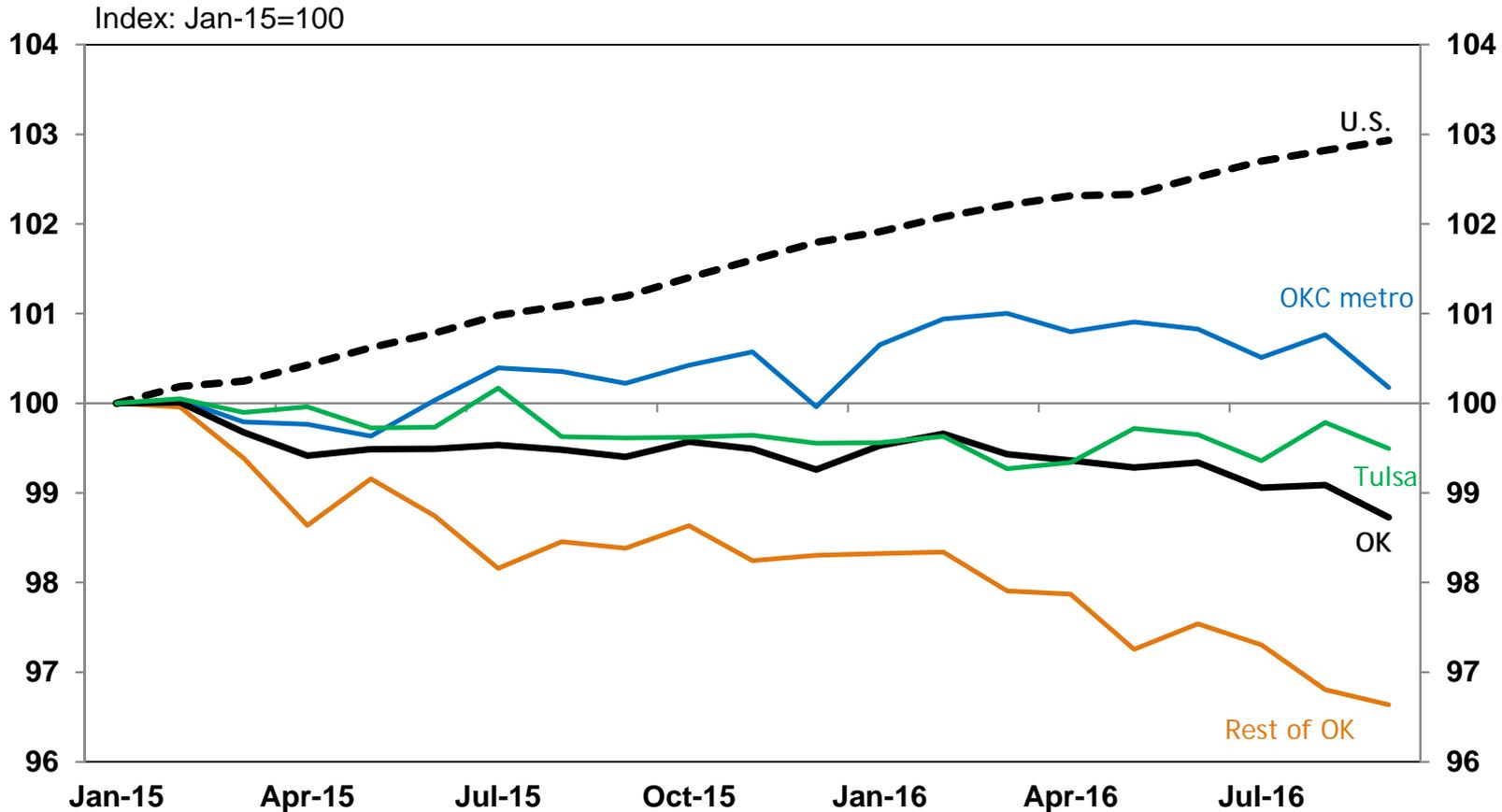
Growth has diverged across the nation, with 7 states in or near recession, incl. Oklahoma

Total Nonfarm Employment Growth September 2016



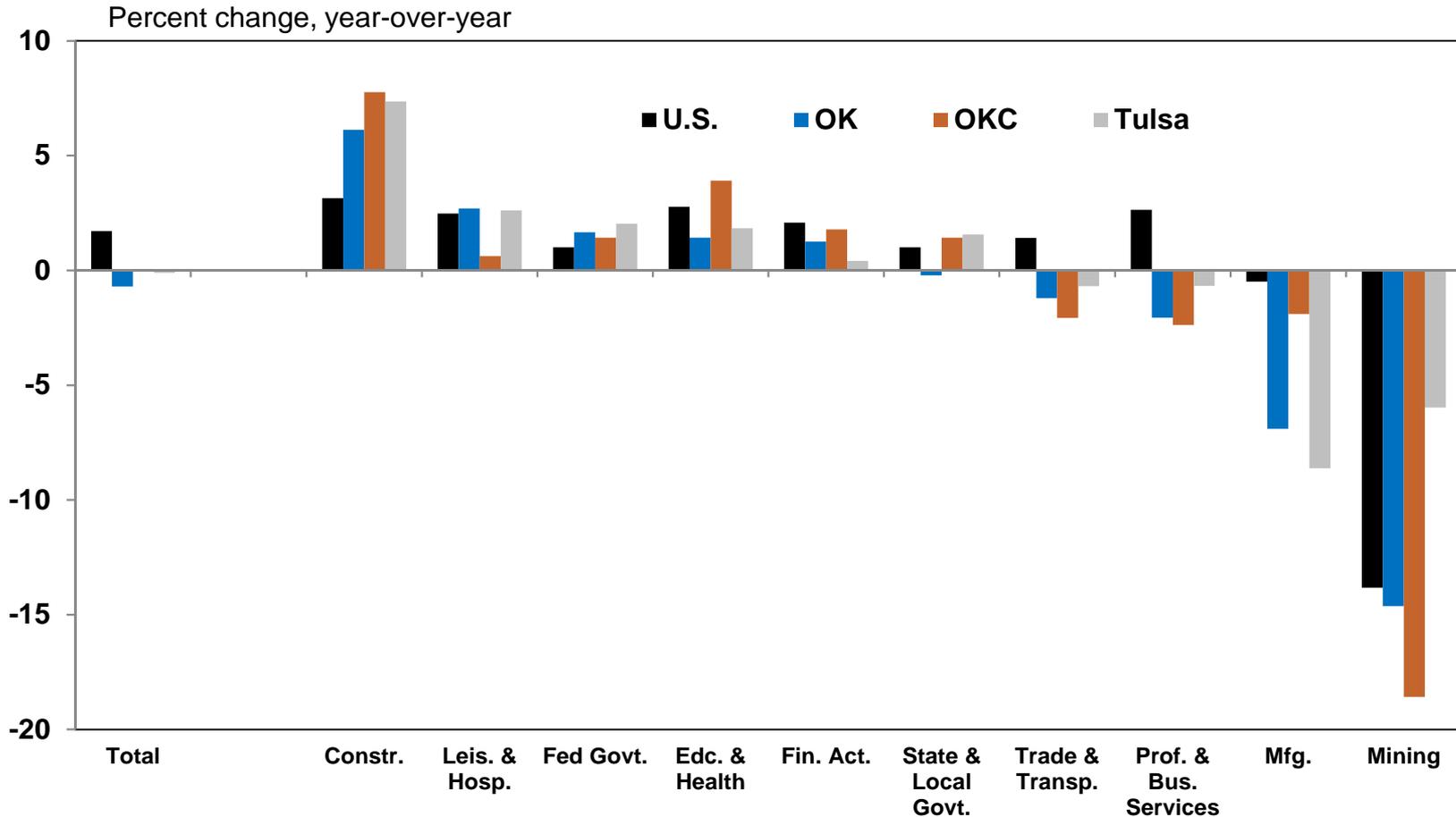
Employment has eased somewhat throughout the state in recent months

Level of Payroll Employment Through September 2016



But sectors less associated with the energy sector have continued to grow

Job Growth by Industry Sept-16

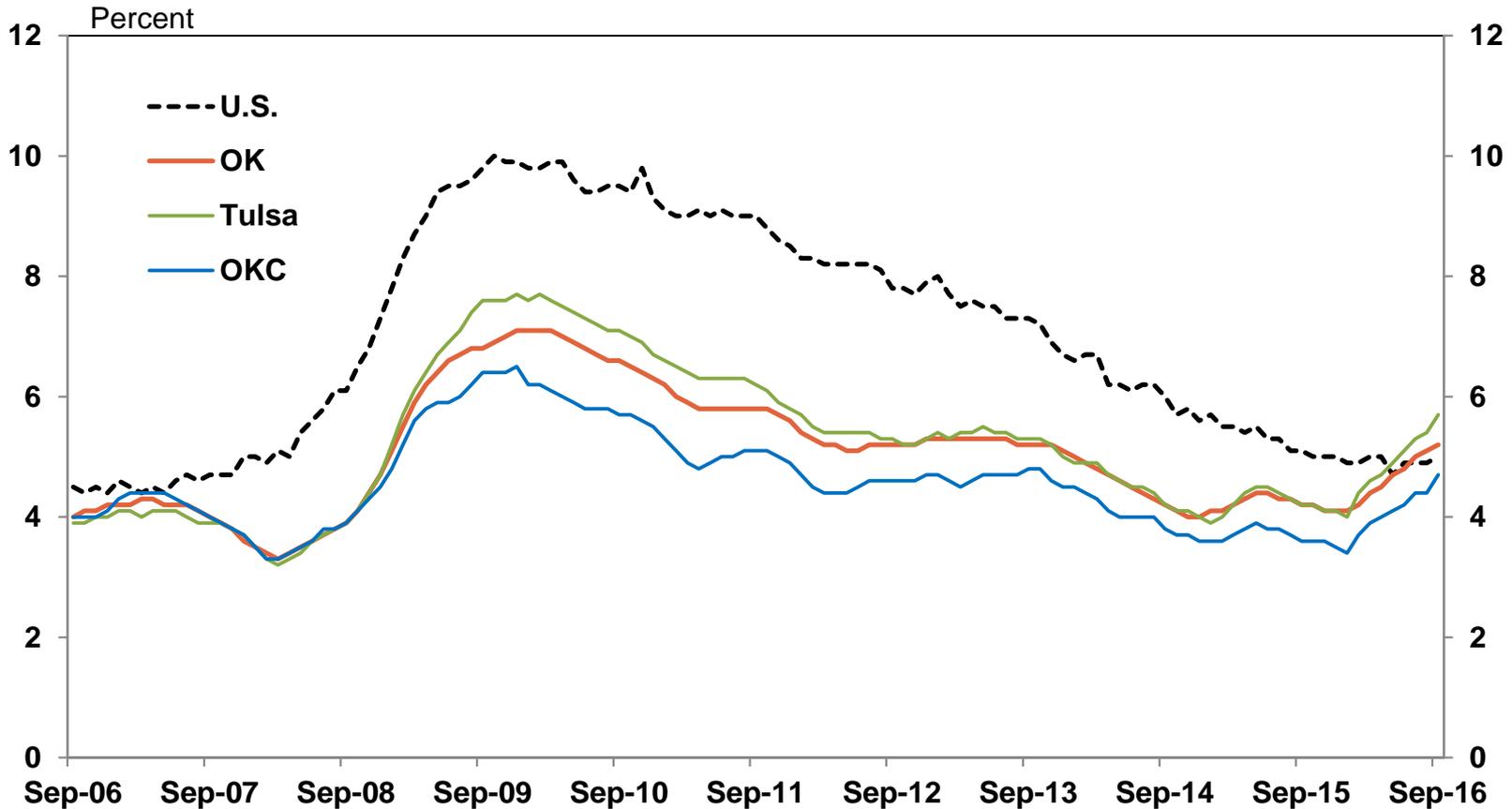


Source: Bureau of Labor Statistics



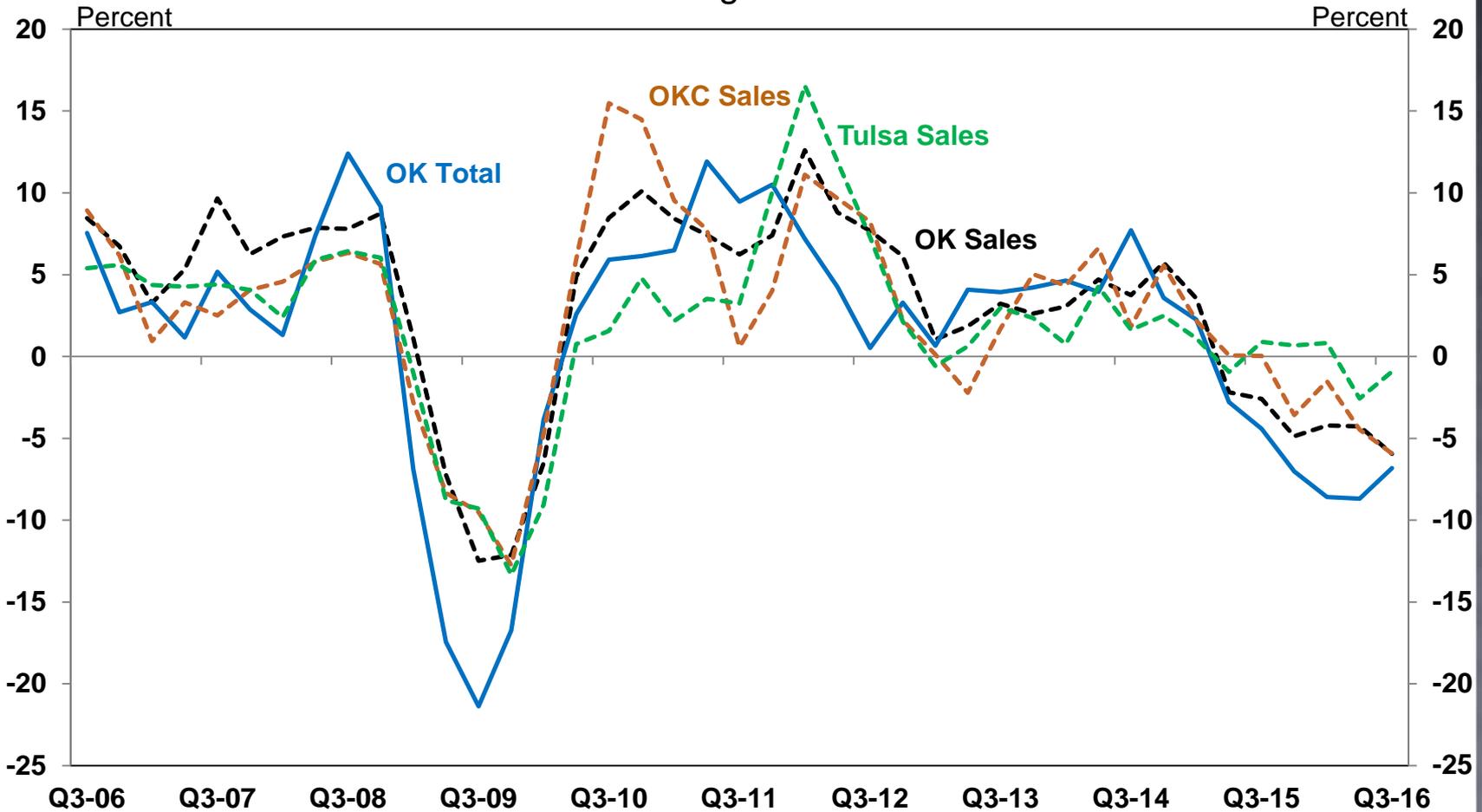
Unemployment has ticked up this year, but just to slightly above the national rate

Unemployment Rates
Seasonally Adjusted



Sales tax revenues at both the city and state levels also fell further in Q3

Tax Receipts Through Q3-16*



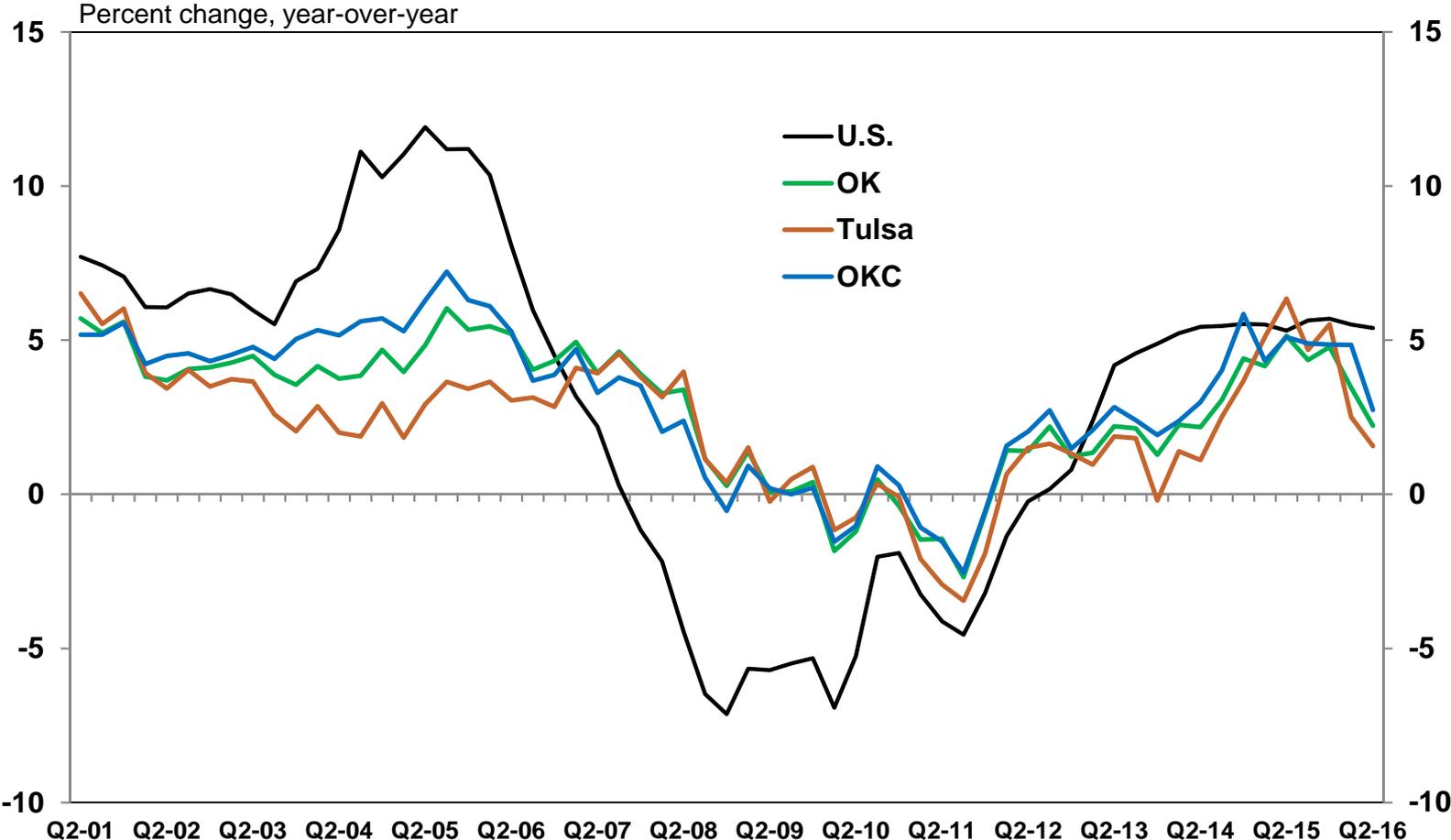
*Q3-16 through August 2016

Source: OK Tax Commission



Home price growth in Oklahoma has slowed from its solid pace of recent years

FHFA Home Price Index
Seasonally Adjusted

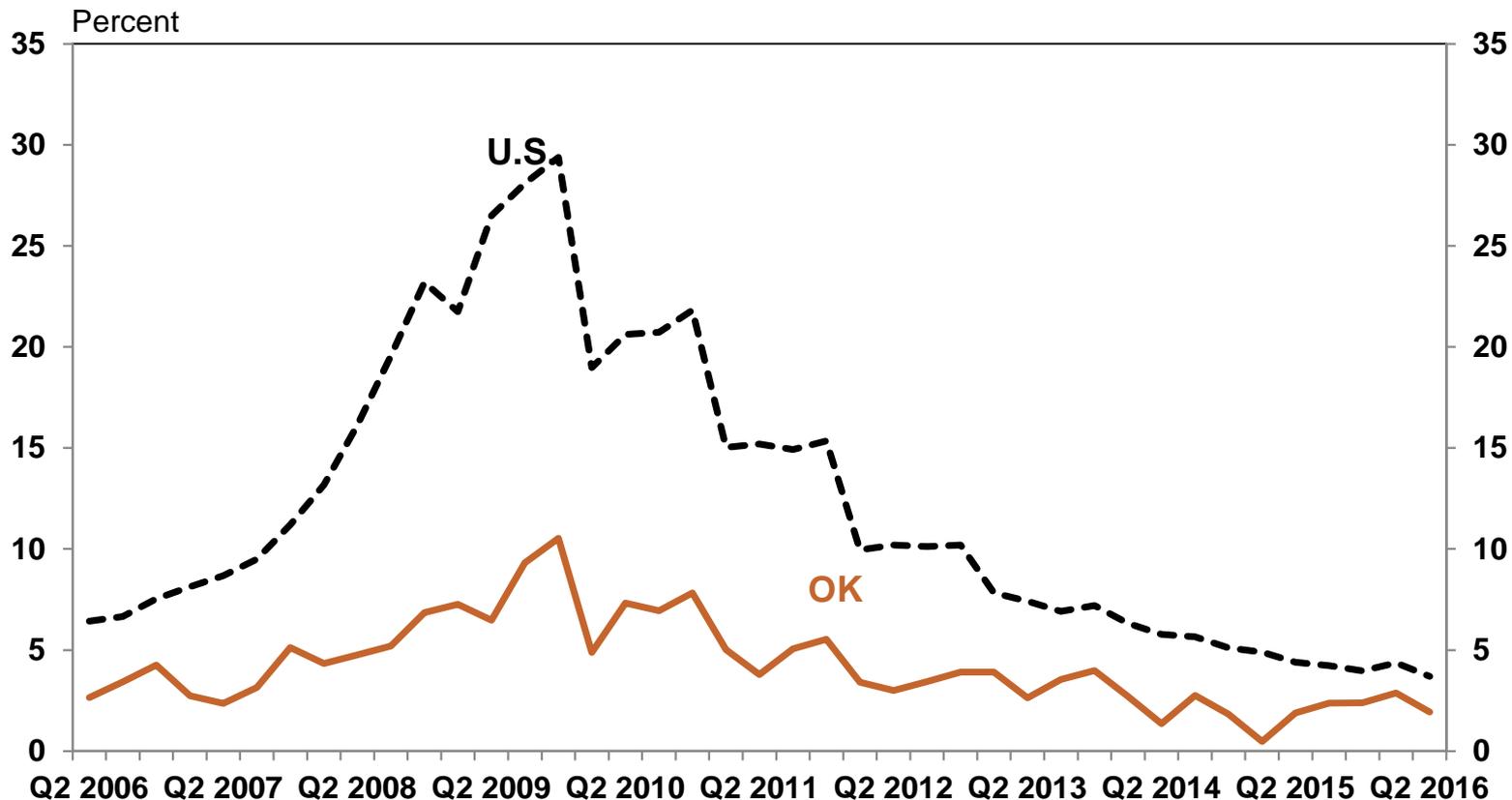


Source: FHFA



However, nearly all banks in Oklahoma remain profitable through mid-2016

Share of Banks Not Making a Profit
Commercial Banks

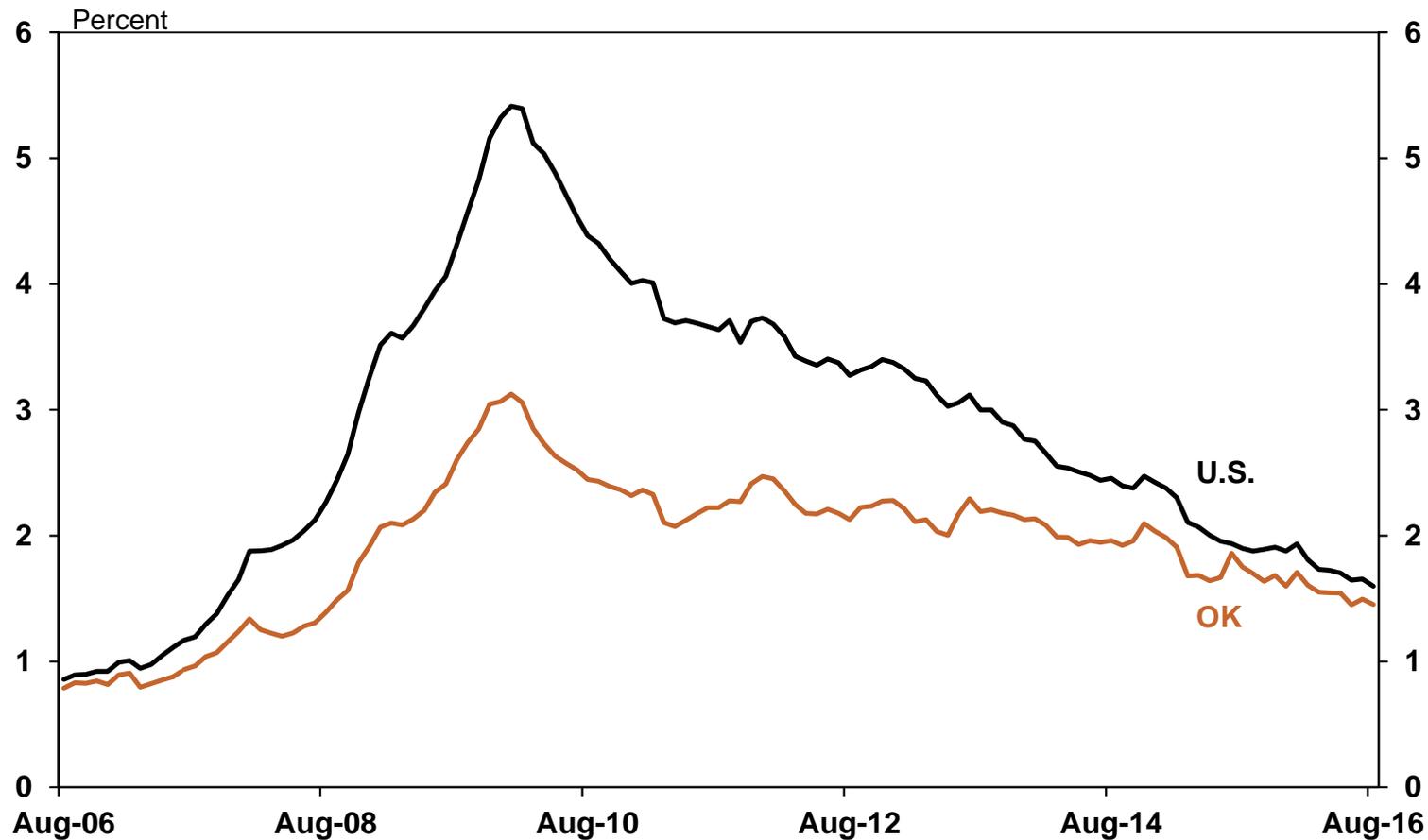


Source: FDIC



Past due mortgage loans have continued to decrease through August

Past Due Mortgage Loan Balances, 90+ Days

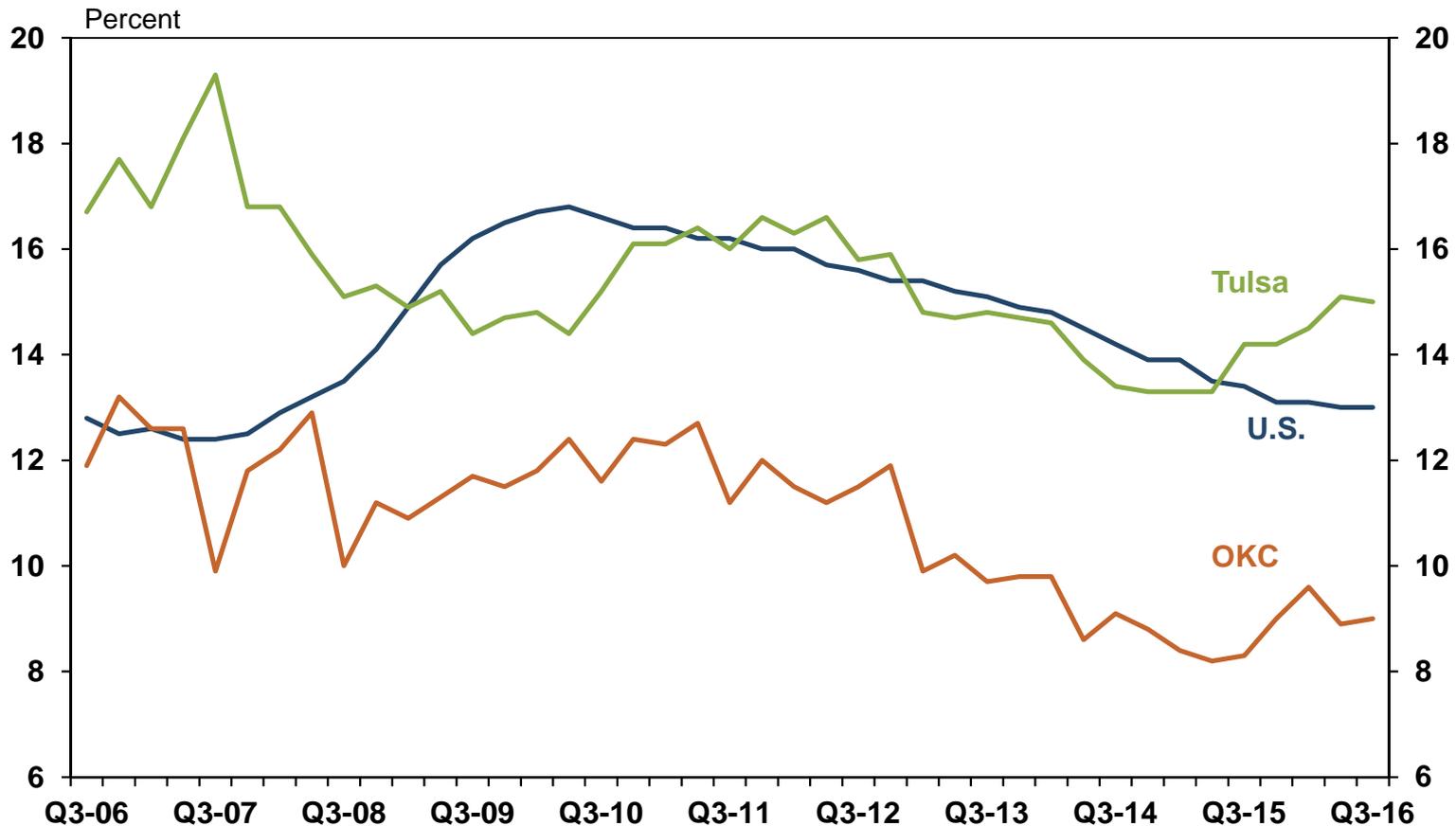


Source: McDash Analytics



Office vacancy rates have risen in the two metros, but are still low historically

Metro Office Vacancy Rates

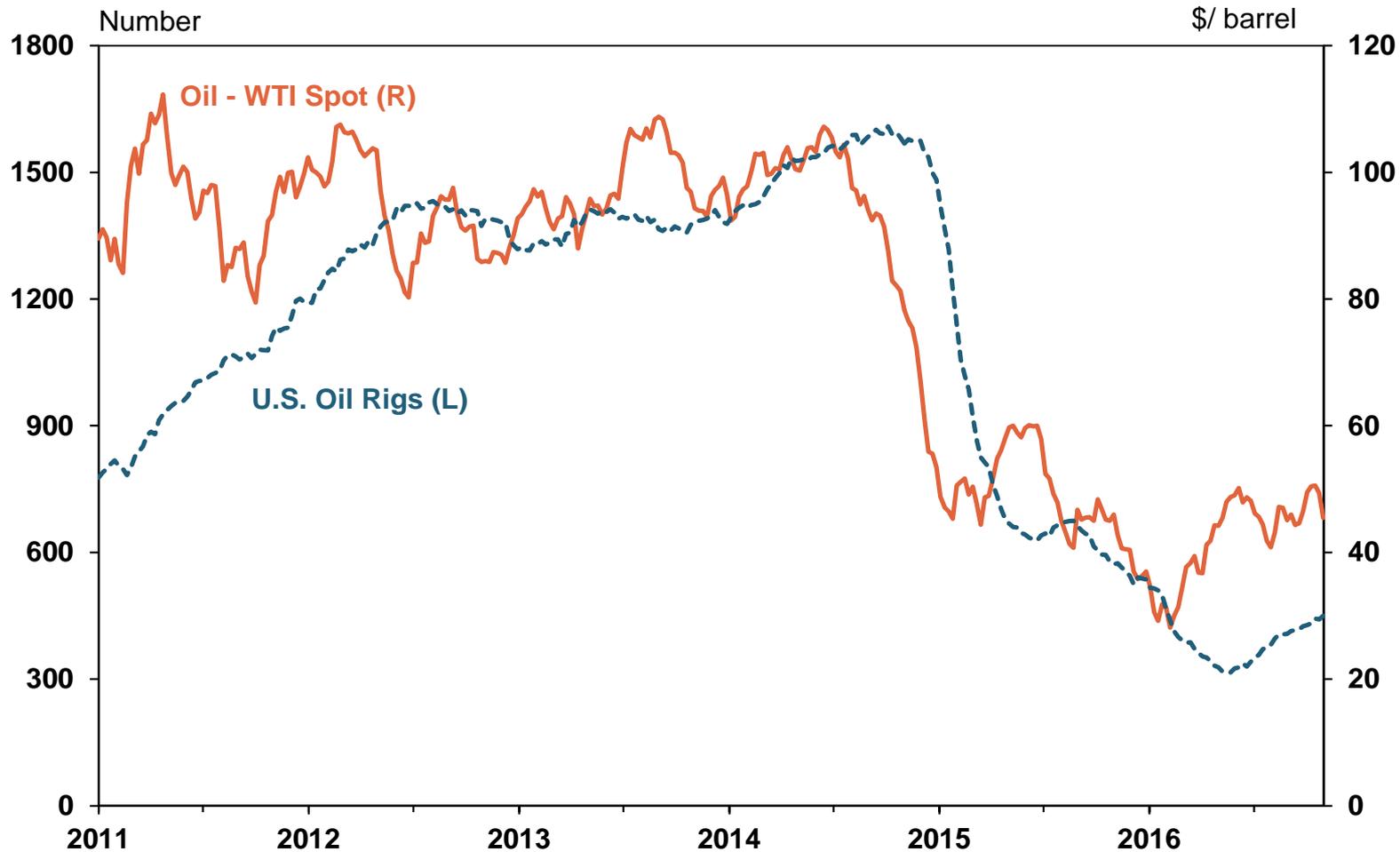


Source: CBRE



Oil prices also rose to \$50/barrel recently, boosting drilling activity in some areas

Oil Spot Prices and Rig Counts

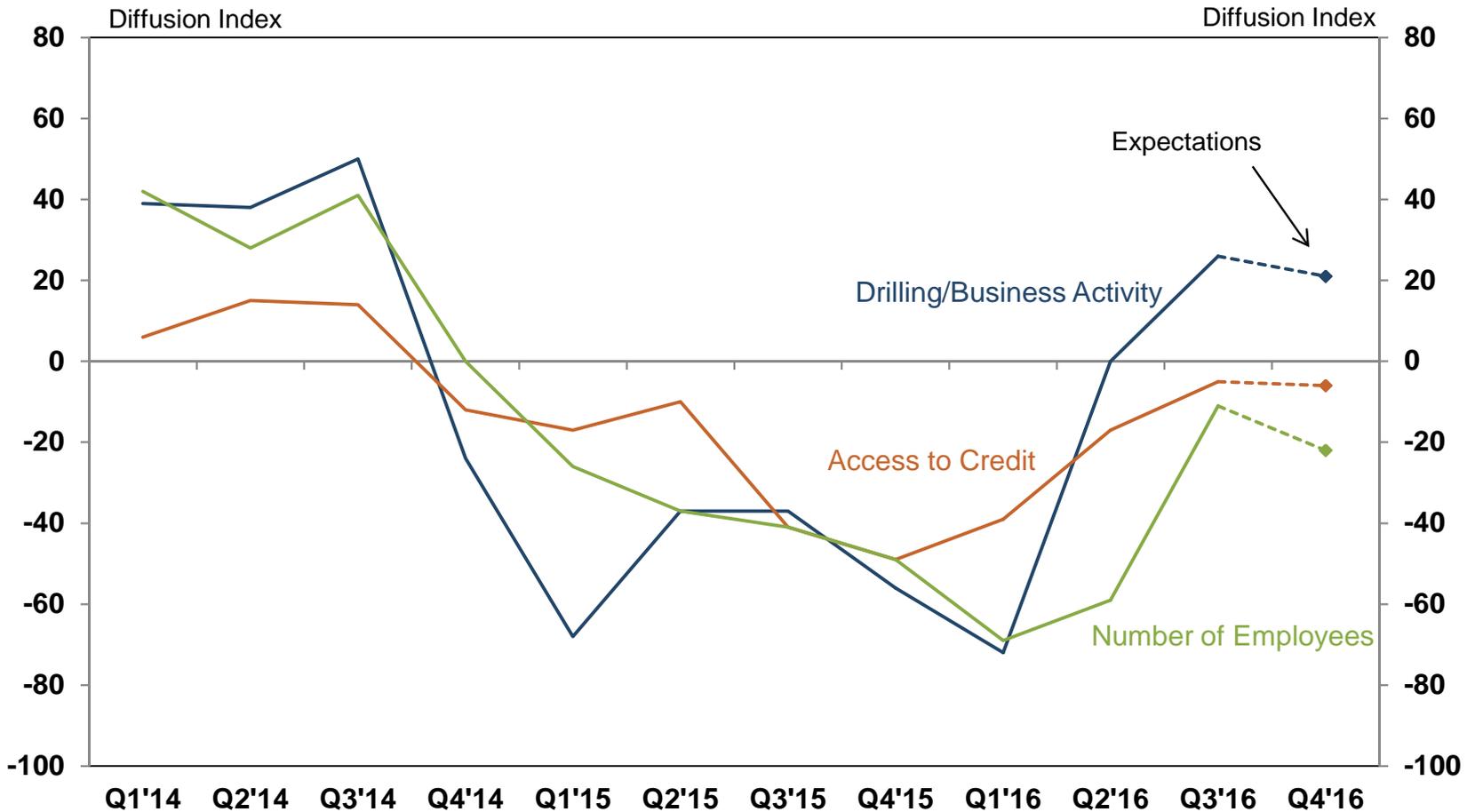


Source: EIA, Reuters



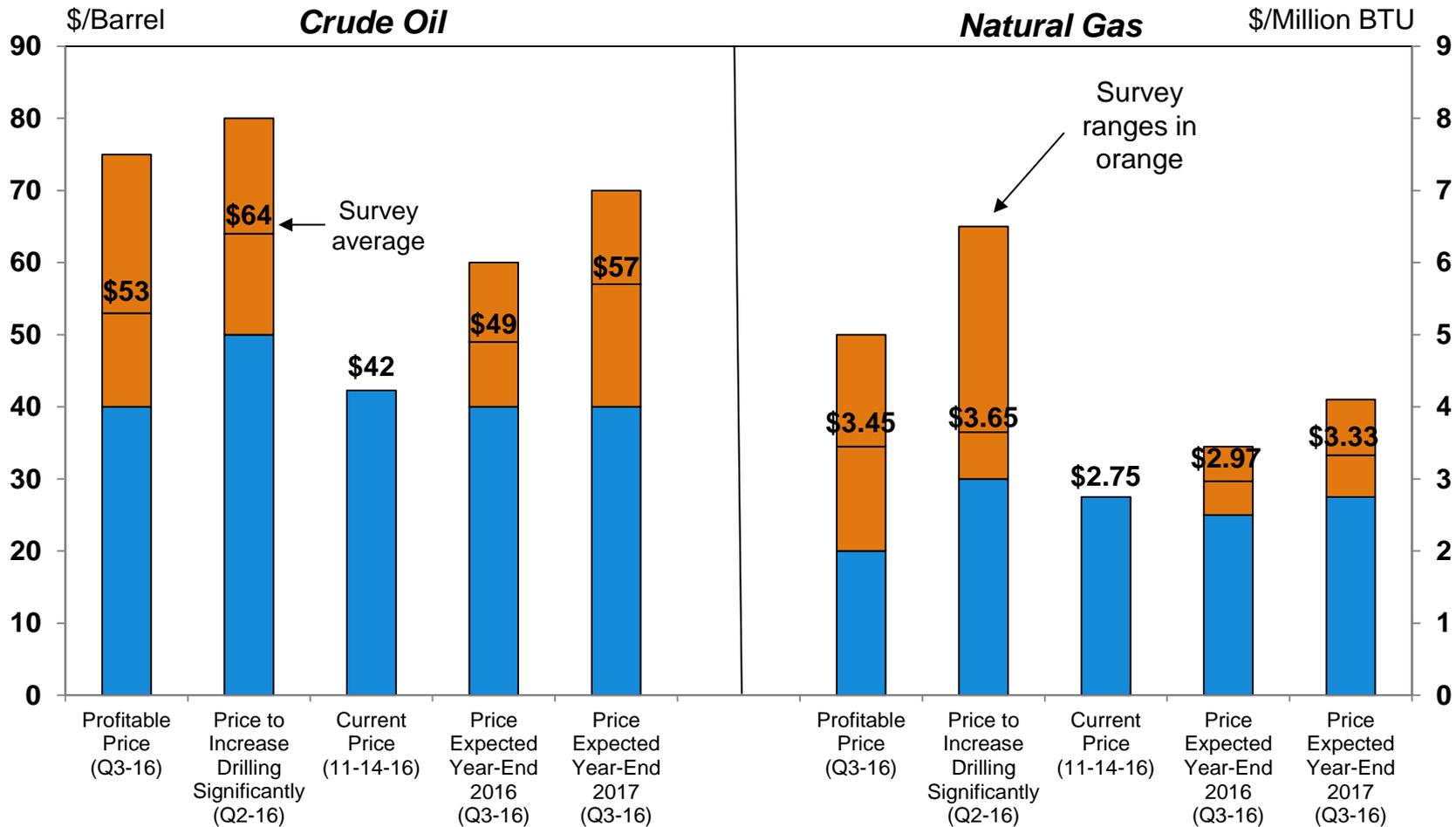
The KC Fed's 3rd quarter energy survey showed some signs of improvement

Quarter-Over-Quarter Energy Survey Indexes



But firms say 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



Summary

- The U.S. economy continues to grow, and the Fed is discussing raising interest rates
- Oklahoma's economy has been hurt by low commodity prices, as well as spillover to some other related industries
- However, conditions in real estate, banking, and labor markets have held on fairly well, and there is some cautious optimism



Questions?

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

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

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For more analysis on regional energy conditions, subscribe to our quarterly **Energy Survey** at:

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