

U.S. & Oklahoma Economic Outlook

**Ardmore Rotary Club
January 10, 2017**



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www.kansascityfed.org/oklahomacity

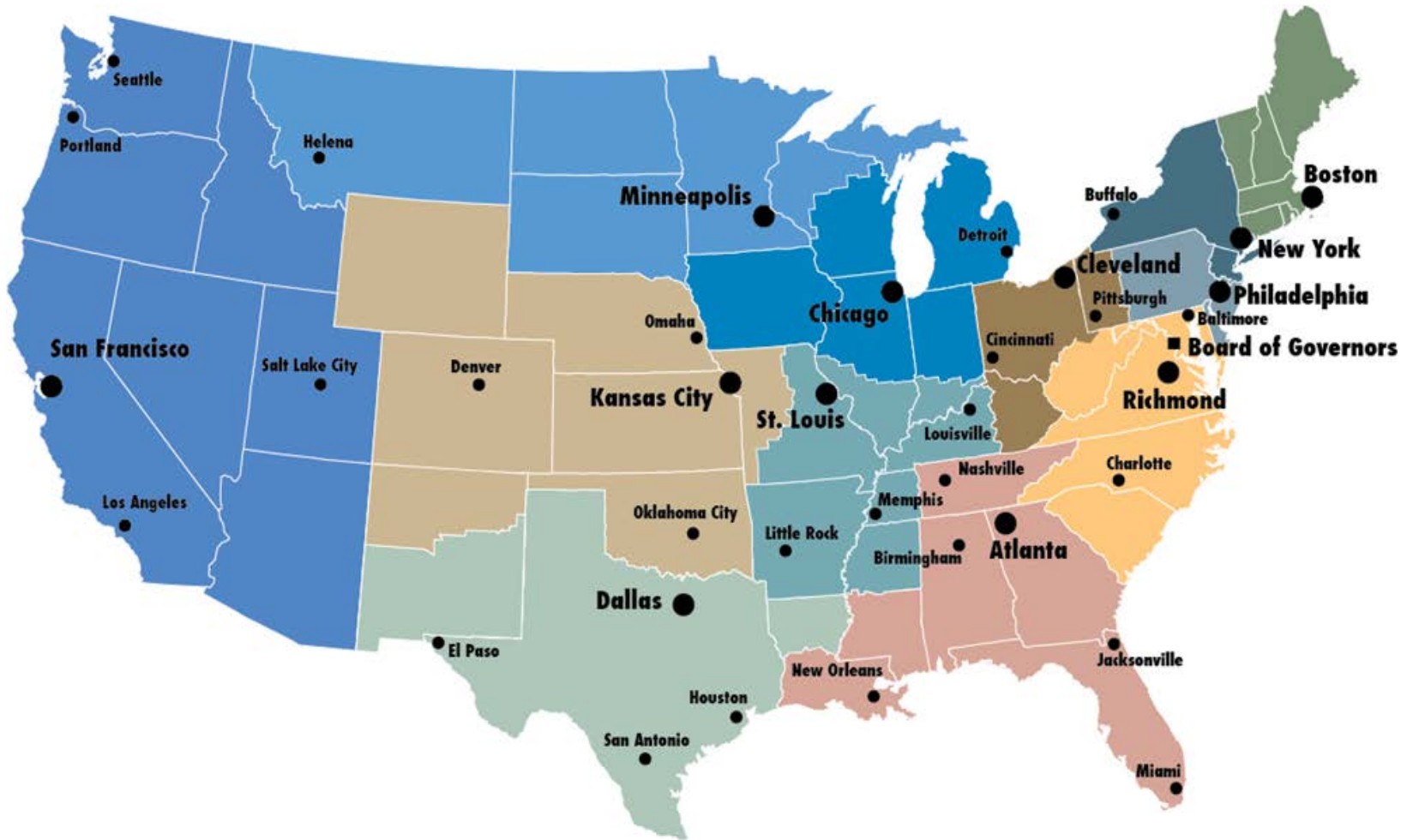
Structure and Functions of the Federal Reserve System

- **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 45 staff**

- Research on U.S. and Oklahoma economies
- Economic, community, and financial education outreach
- Examinations of Oklahoma financial institutions

- **2017 Branch Board of Directors**

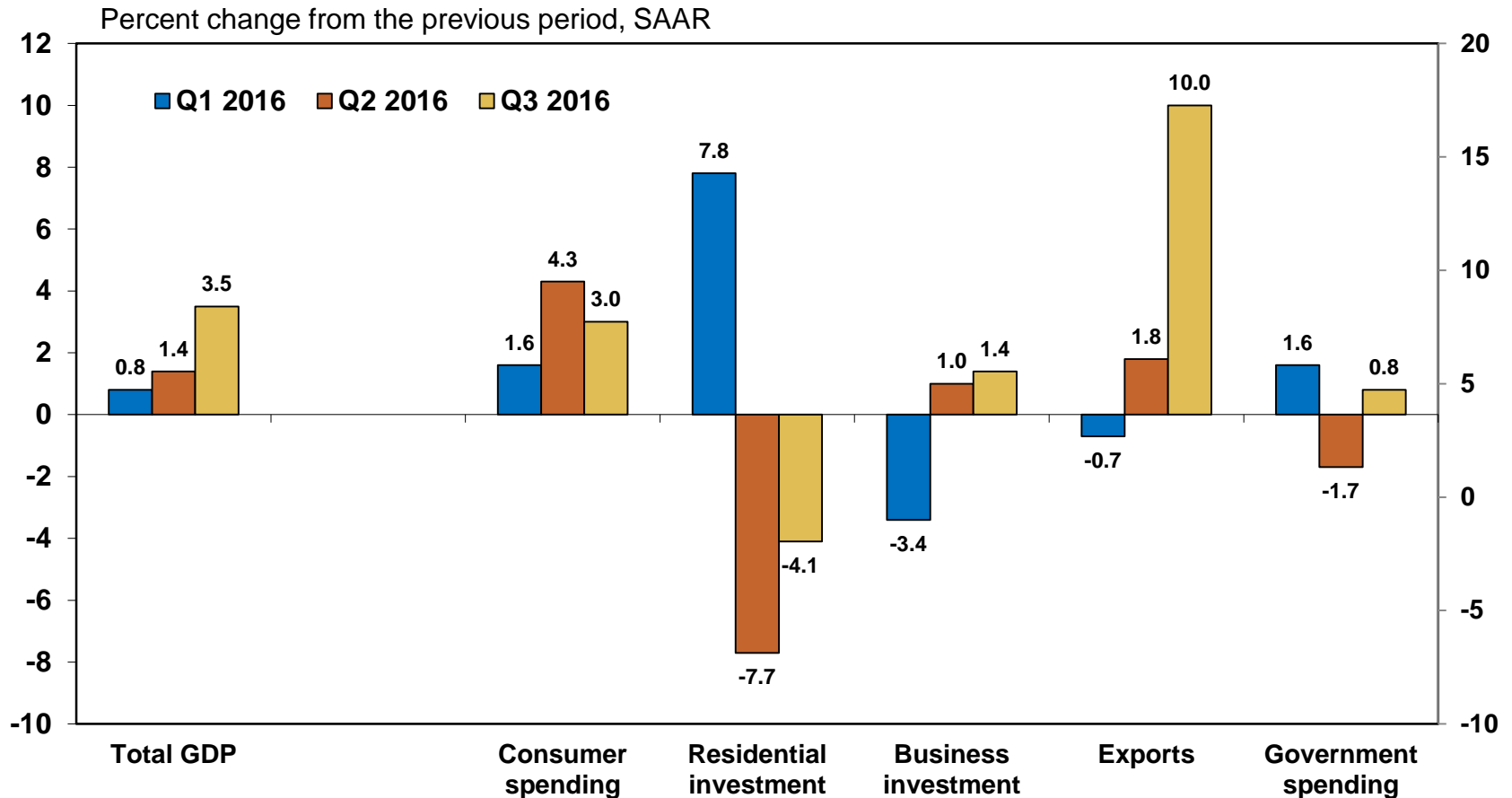
- **Pete Delaney (chair)**, Chairman & CEO (retired), OGE Energy Corp., OKC
- **Clint Abernathy**, Owner, Abernathy Farms, Inc., Altus
- **Michael Coffman**, CEO, Panhandle Oil & Gas, Inc., Oklahoma City
- **Chuck Hall**, Chairman & CEO, Exchange Bank & Trust, Perry
- **Tina Patel**, Co-Owner & CFO,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



The U.S. Economy and Monetary Policy

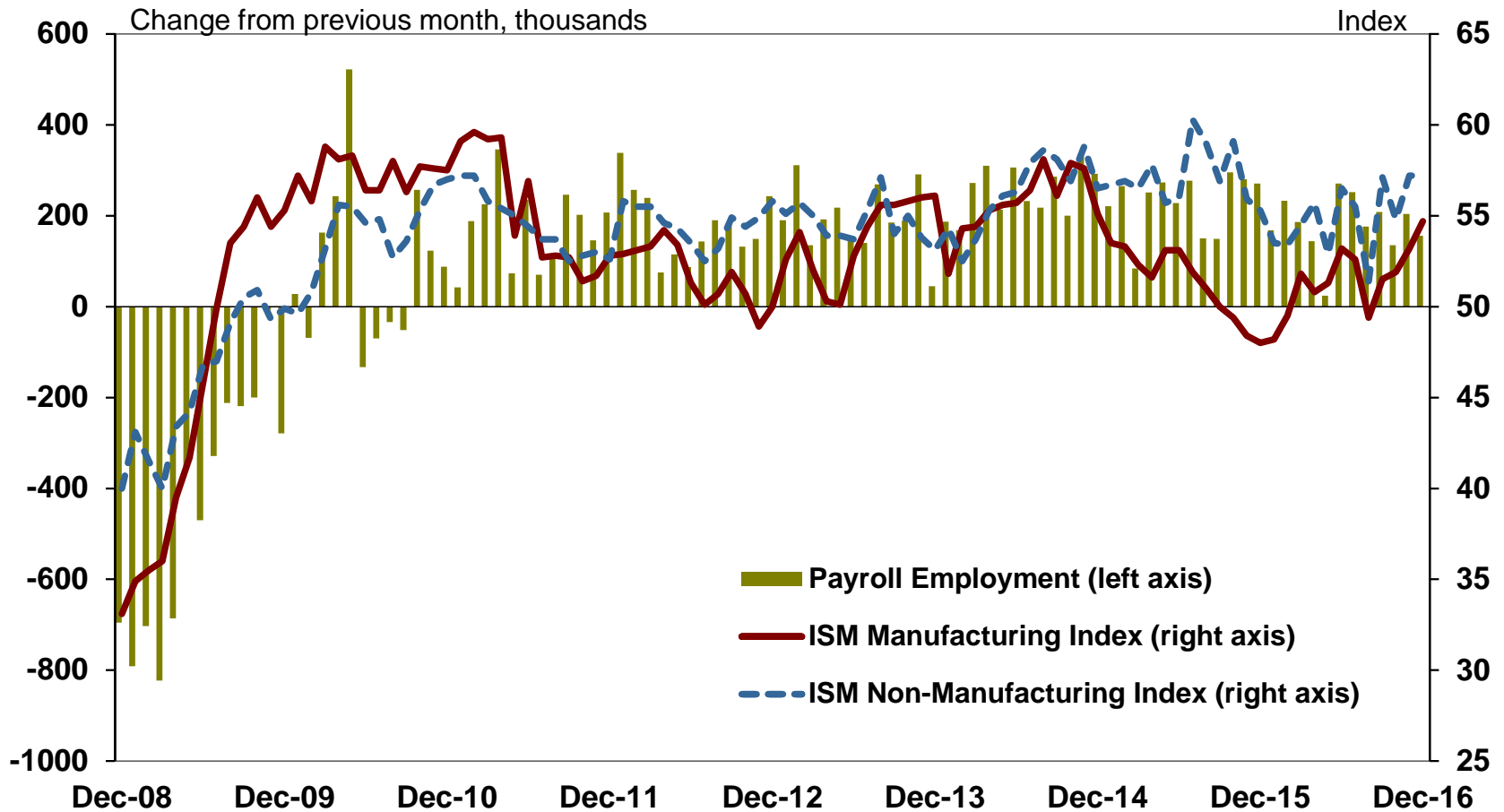
GDP growth picked up in the 3rd quarter after sluggish growth in previous quarters

Growth in Components of Real GDP



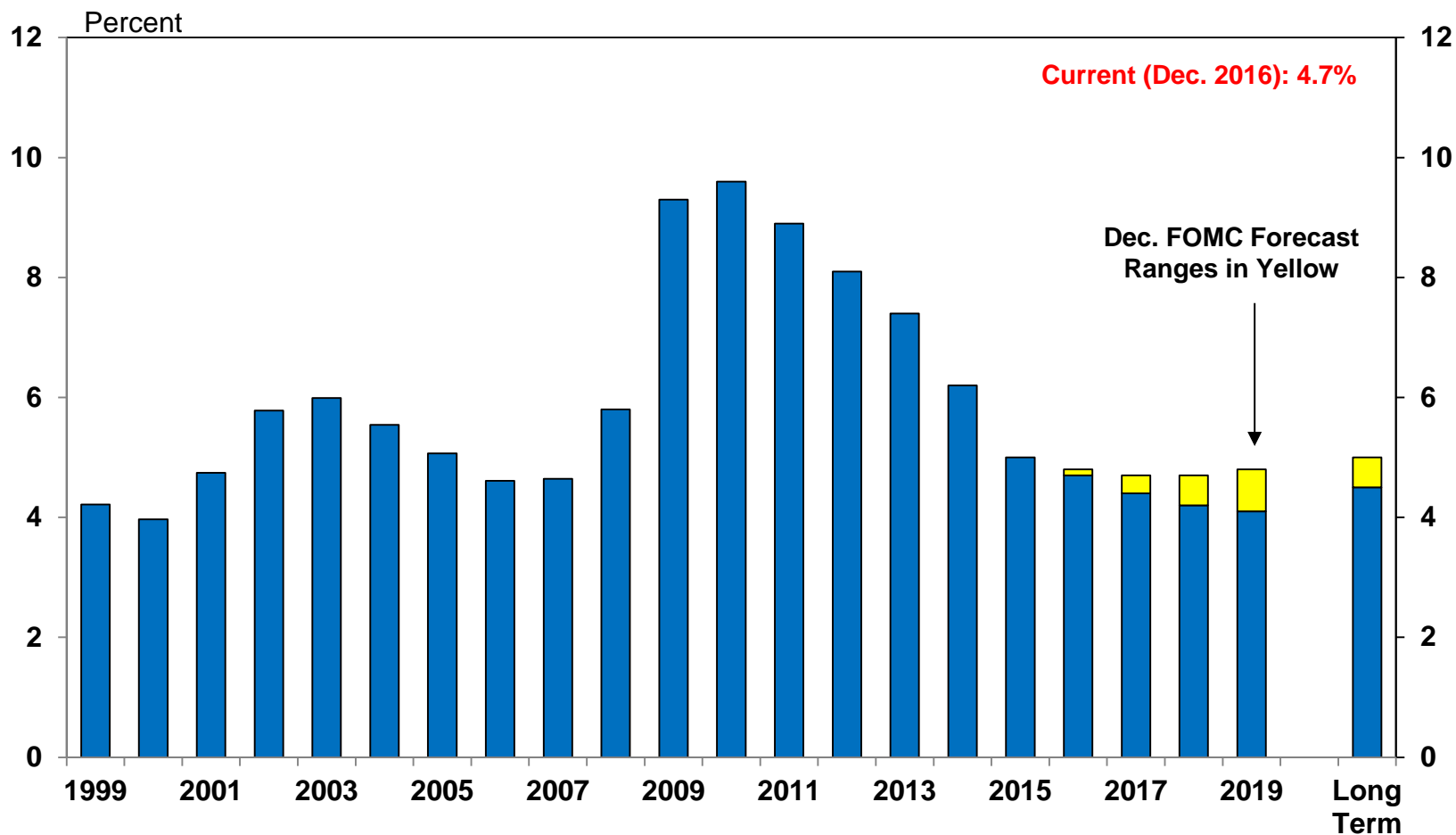
Fourth quarter data has so far shown continued solid U.S. economic expansion

U.S. Payroll Employment and Business Indexes



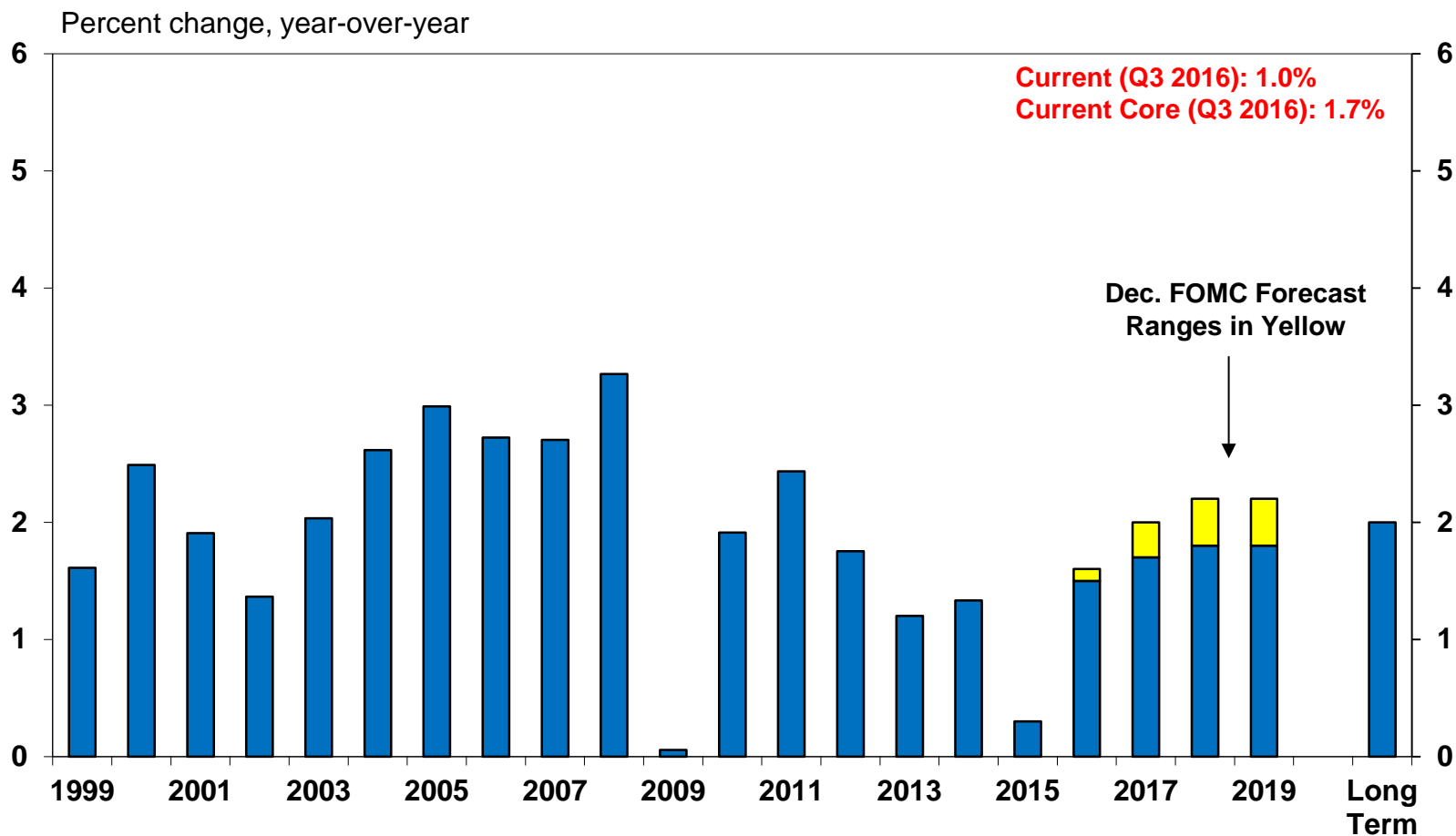
“The [FOMC] indicated that...the labor market has continued to strengthen”

Unemployment Rate Seasonally Adjusted



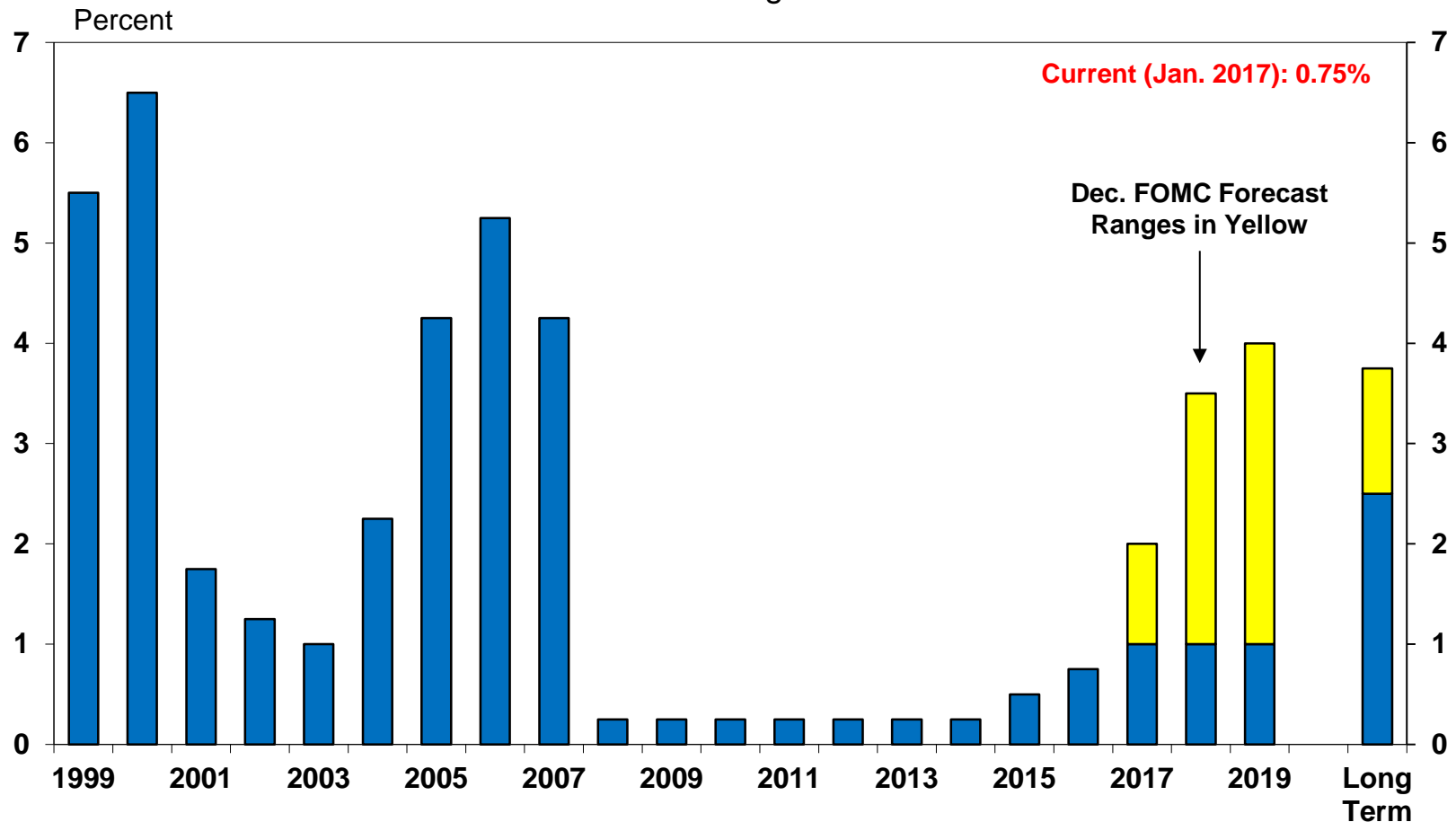
“Inflation has increased...but is still below the Committee’s 2 percent longer-run objective”

PCE Inflation Index



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

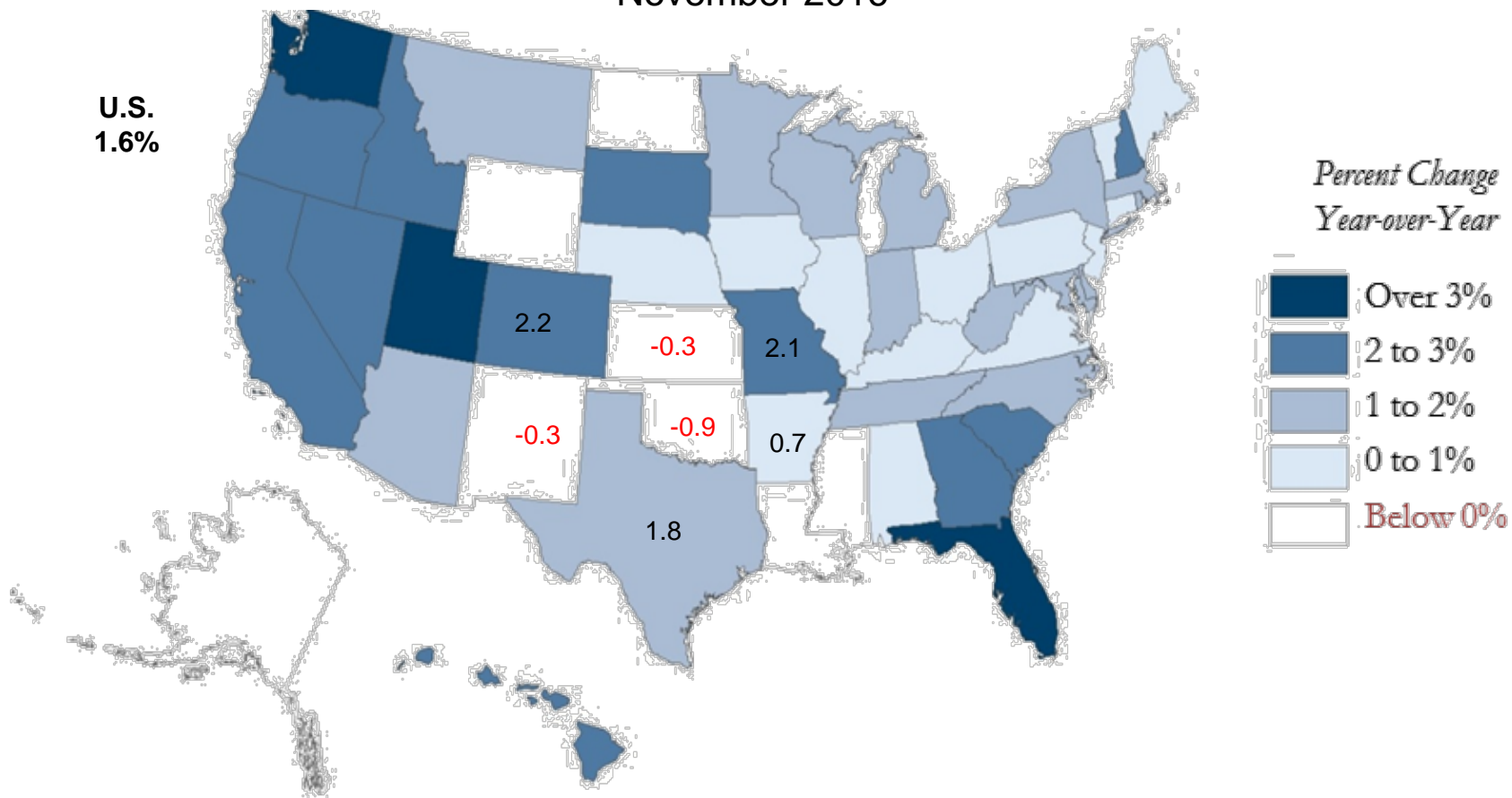
Federal Funds Rate
Year-end target



Trends in the Oklahoma Economy

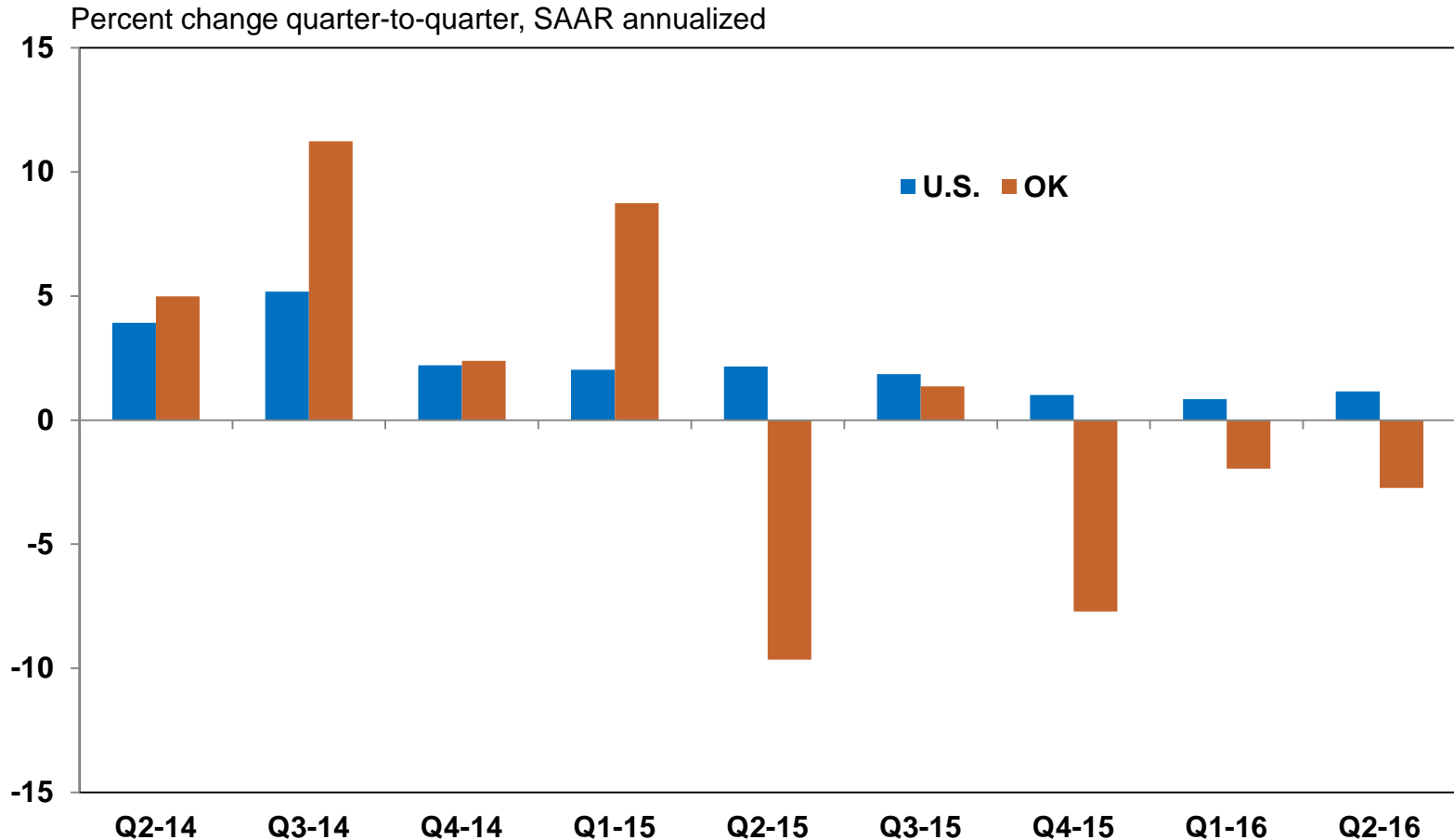
Job growth in the U.S. has diverged, with Oklahoma in a jobs recession

Total Nonfarm Employment Growth
November 2016



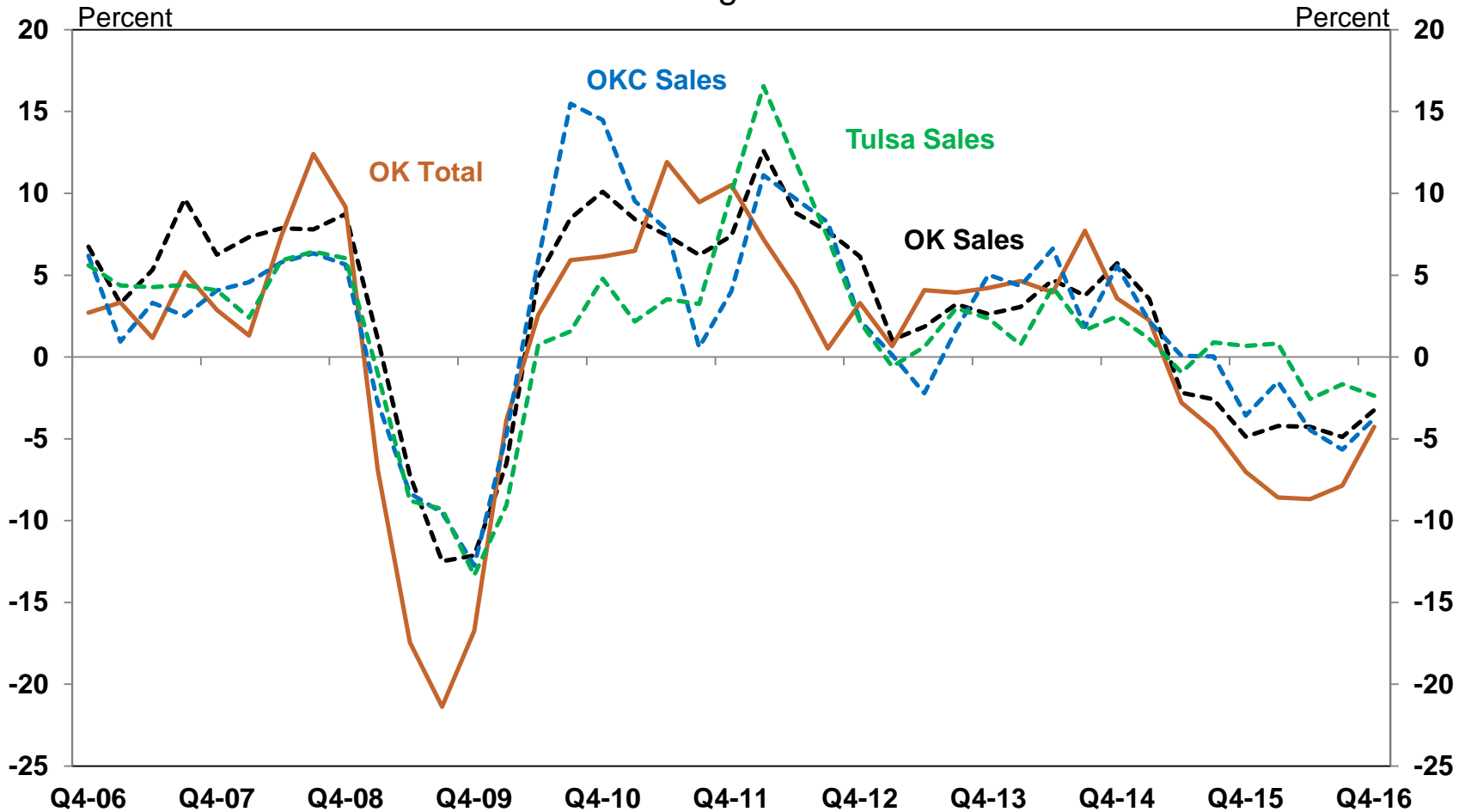
Oklahoma GDP has fallen in the past three quarters, and in four out of the last five

Real GDP Growth



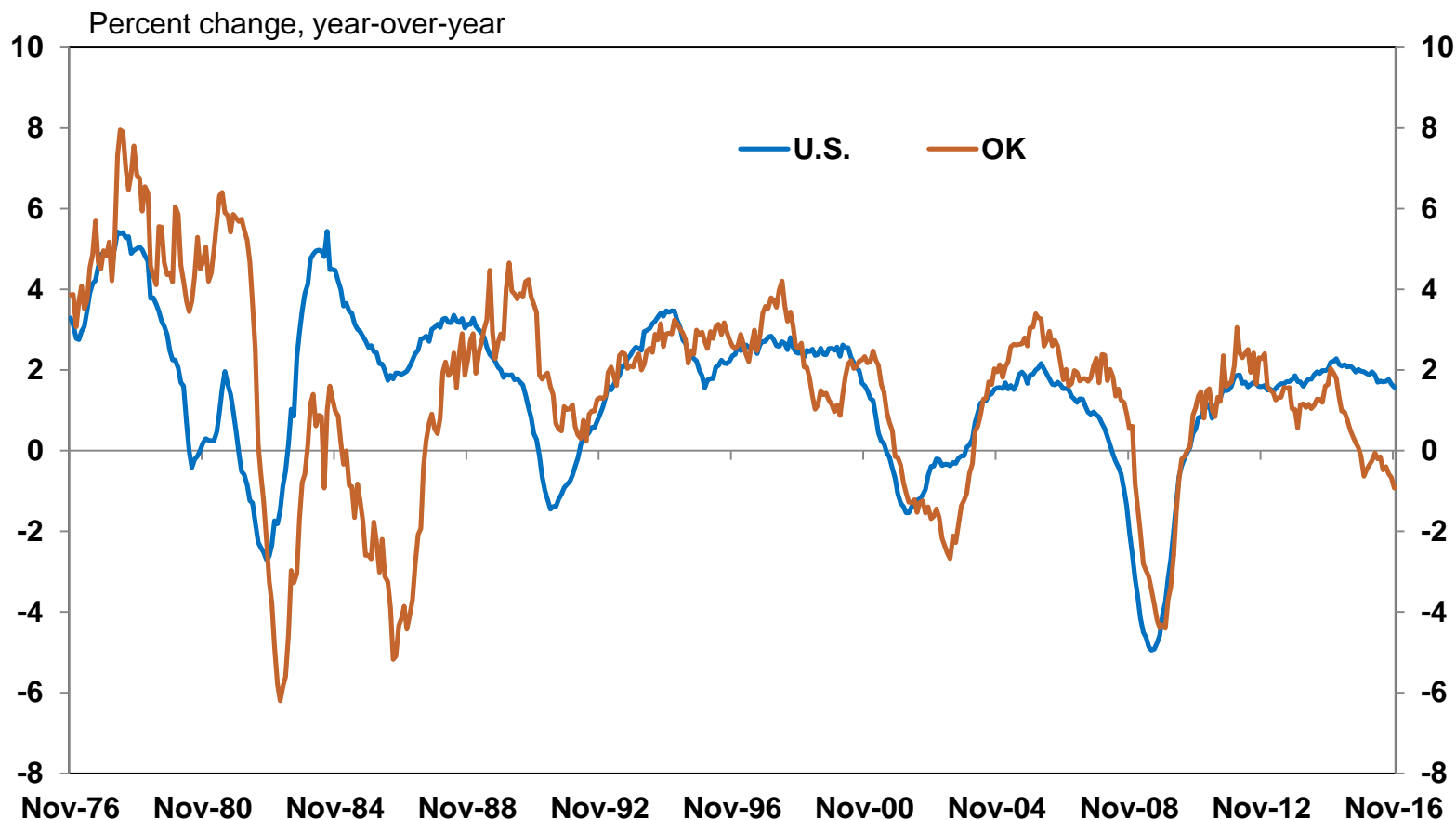
Sales and city sales tax receipts have continued to fall through the end of 2016

Tax Receipts Through Q4-16



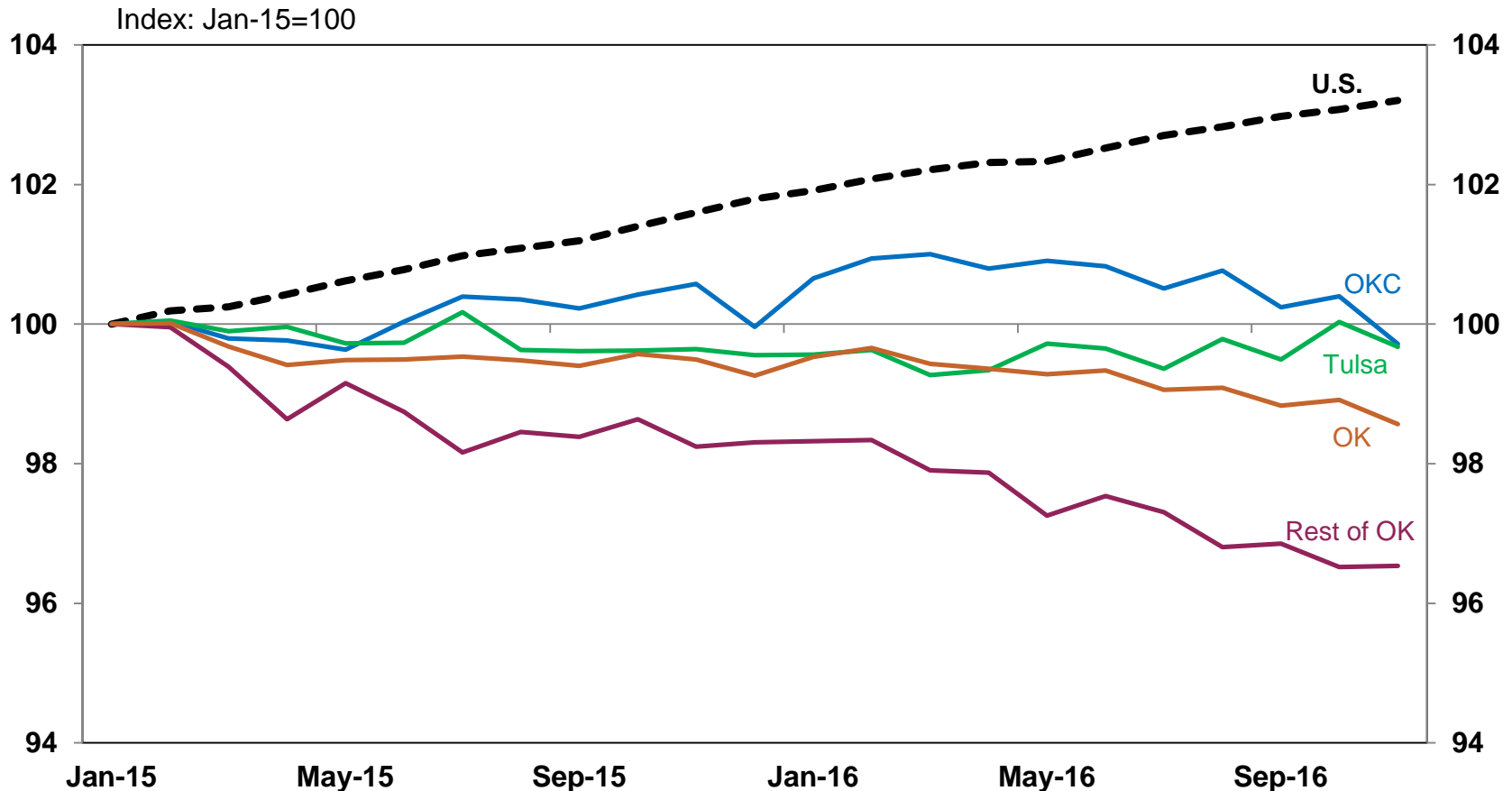
This is the largest divergence in Oklahoma and national job growth since the 1980s

Payroll Employment Growth



The metro areas have held up better than non-metro parts of the state

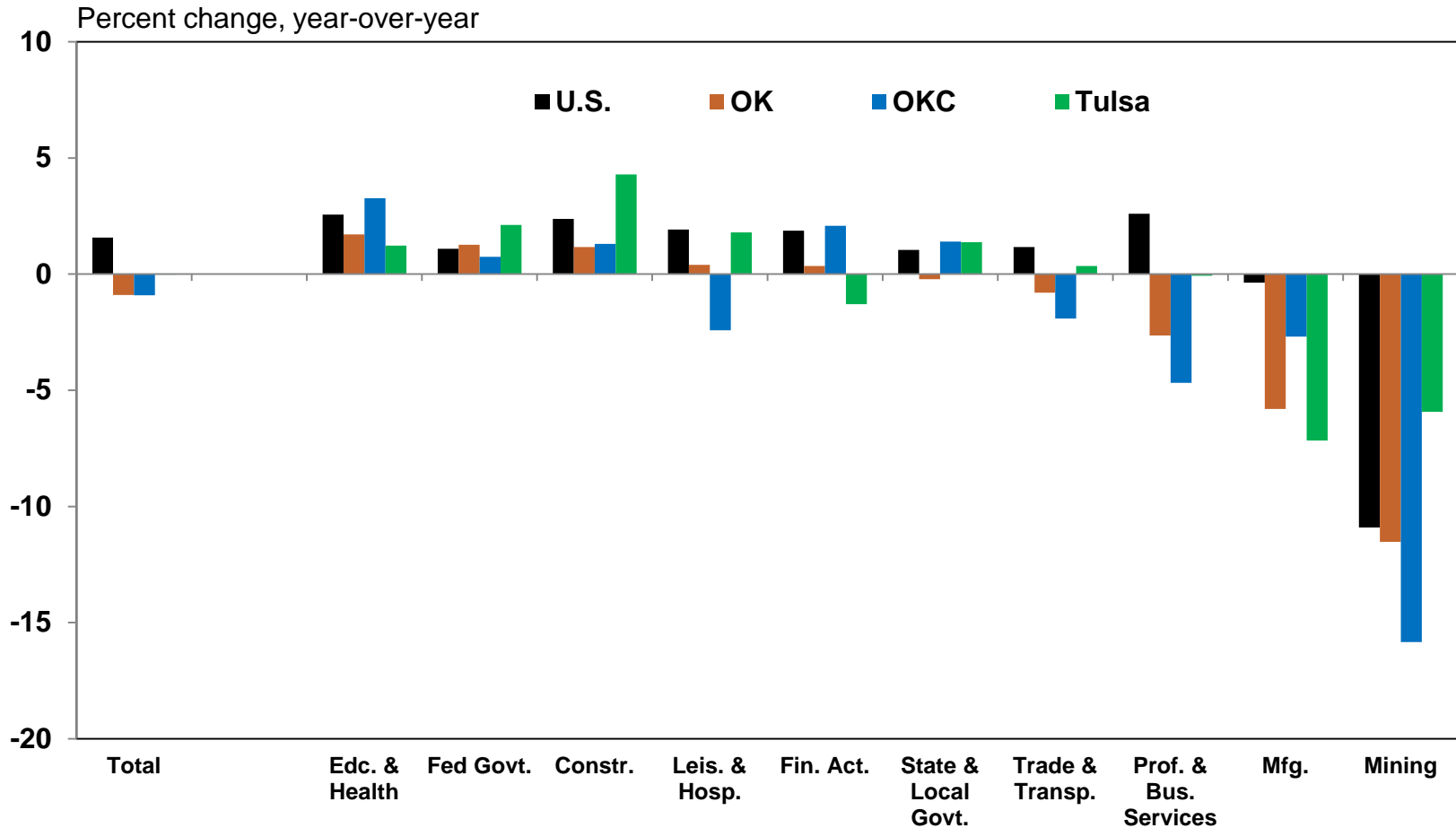
Level of Payroll Employment
Through November 2016



Spillover has occurred from energy, but there are still several industries growing

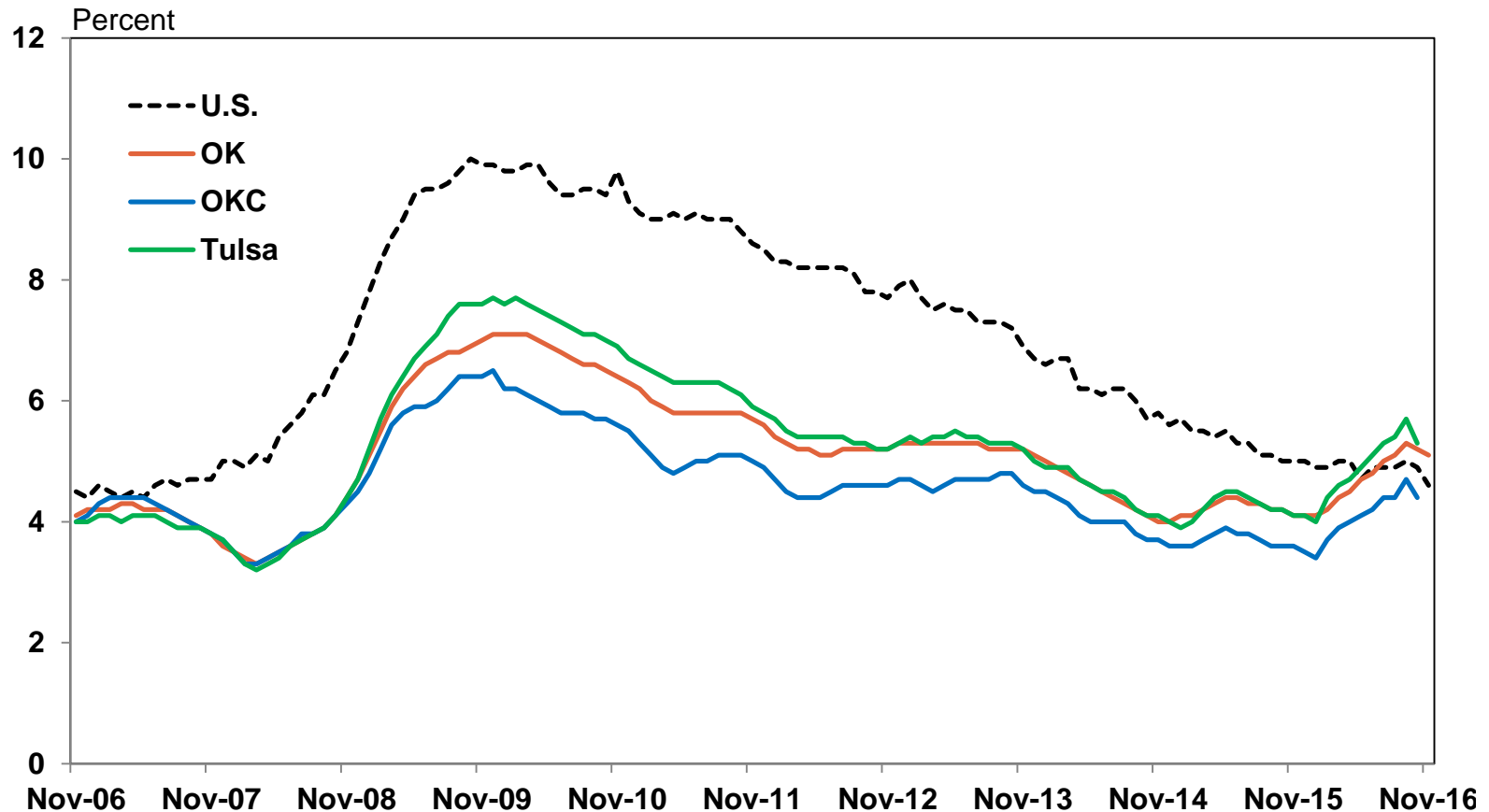
Job Growth by Industry

Nov-16



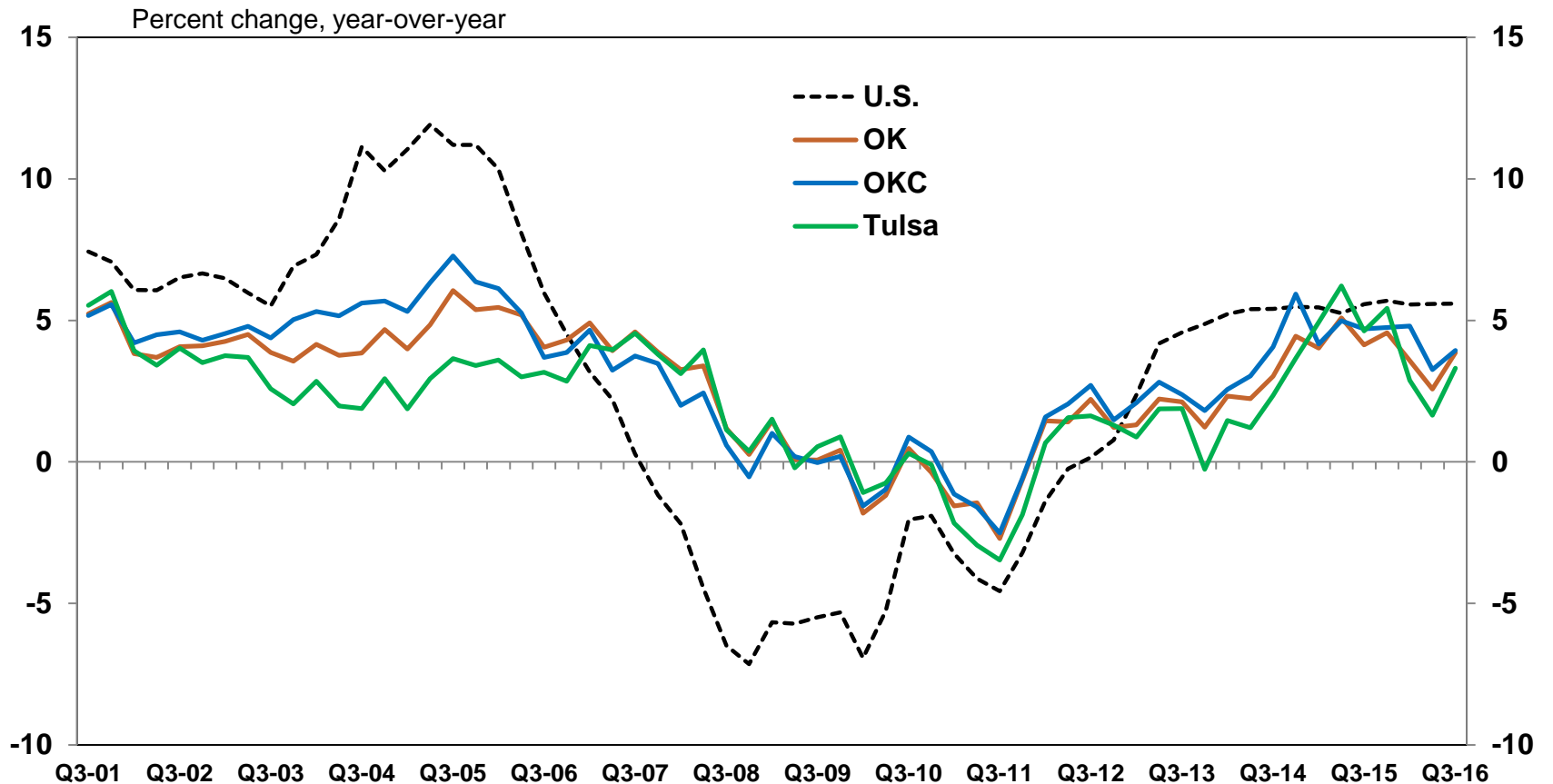
Unemployment has ticked up this year, but just to slightly above the national rate

Unemployment Rates Seasonally Adjusted



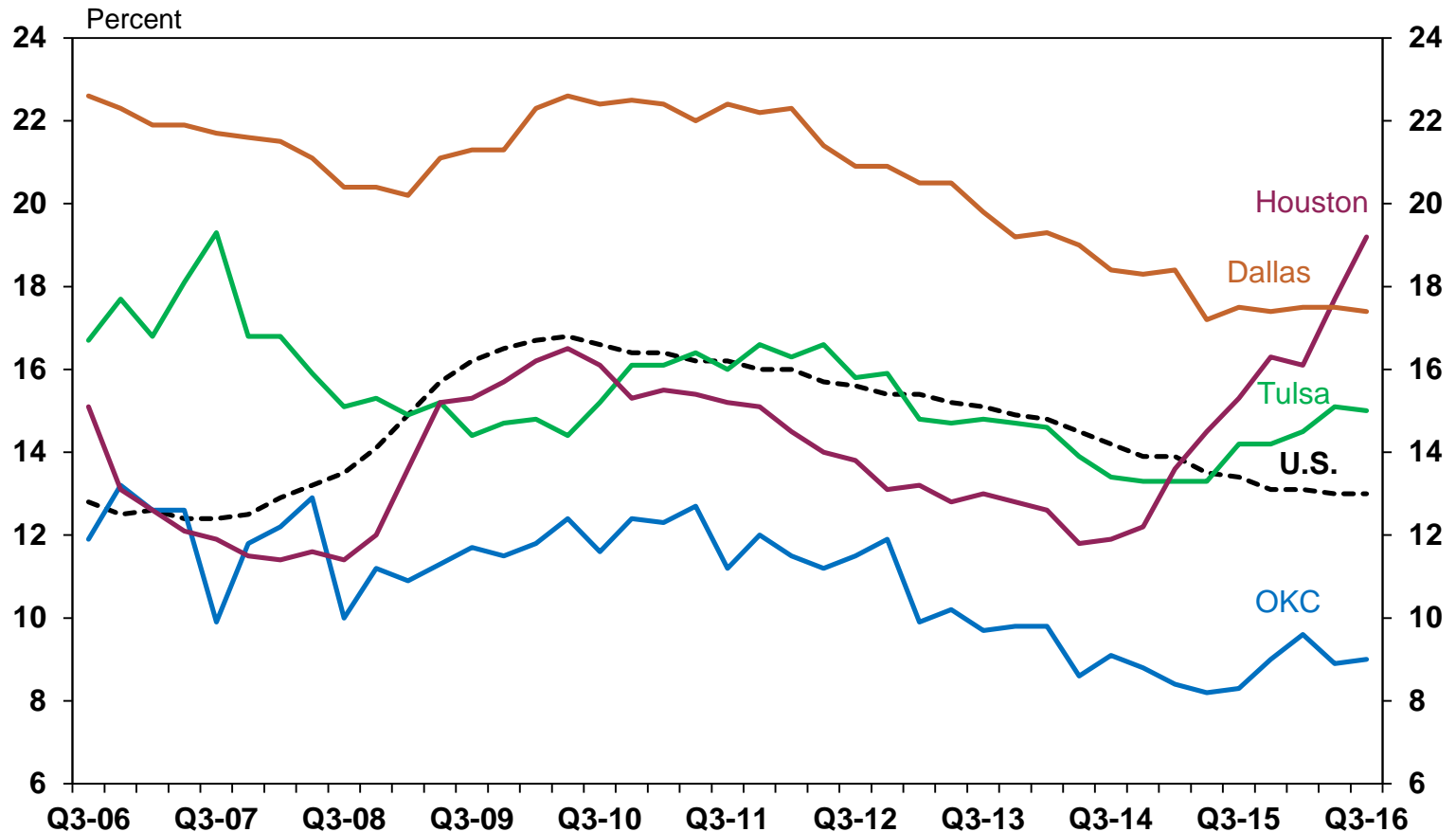
Home price growth in Oklahoma has slowed, but remains moderately positive

FHFA Home Price Index
Seasonally Adjusted



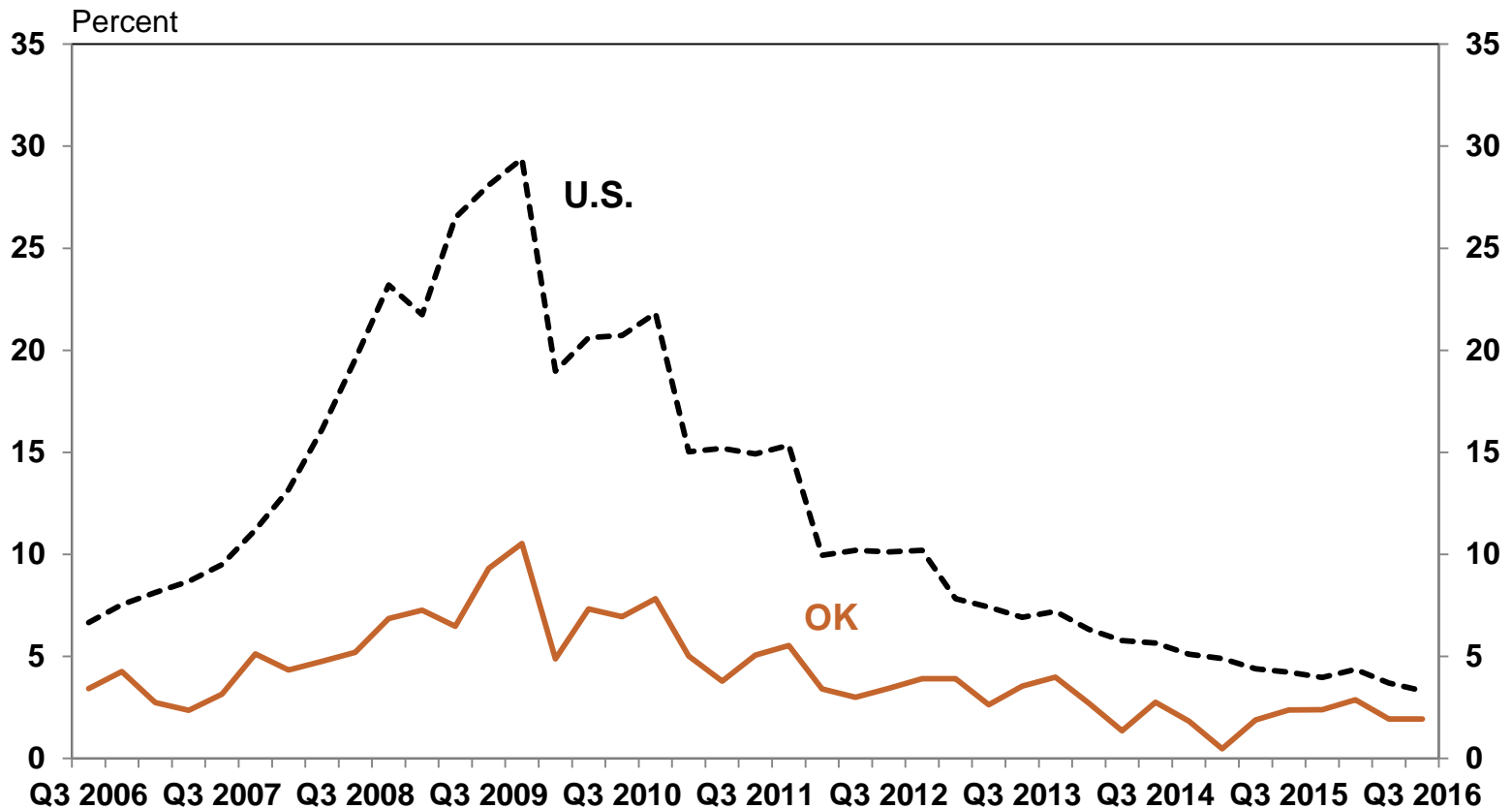
Office vacancy rates have risen slightly in the two metros, but much less than Houston

Metro Office Vacancy Rates



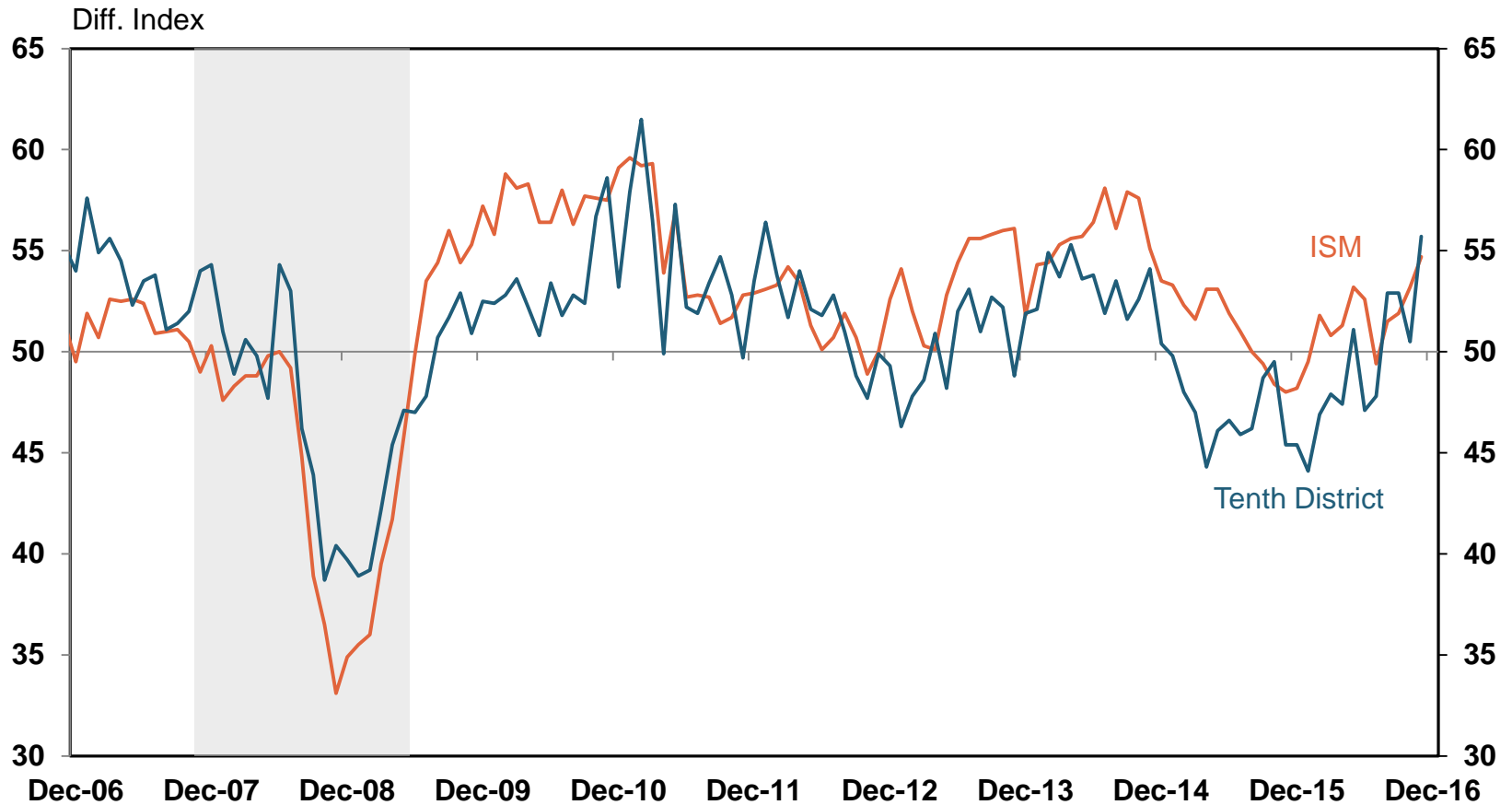
And nearly all banks in Oklahoma remain profitable through mid-2016

Share of Banks Not Making a Profit
Commercial Banks



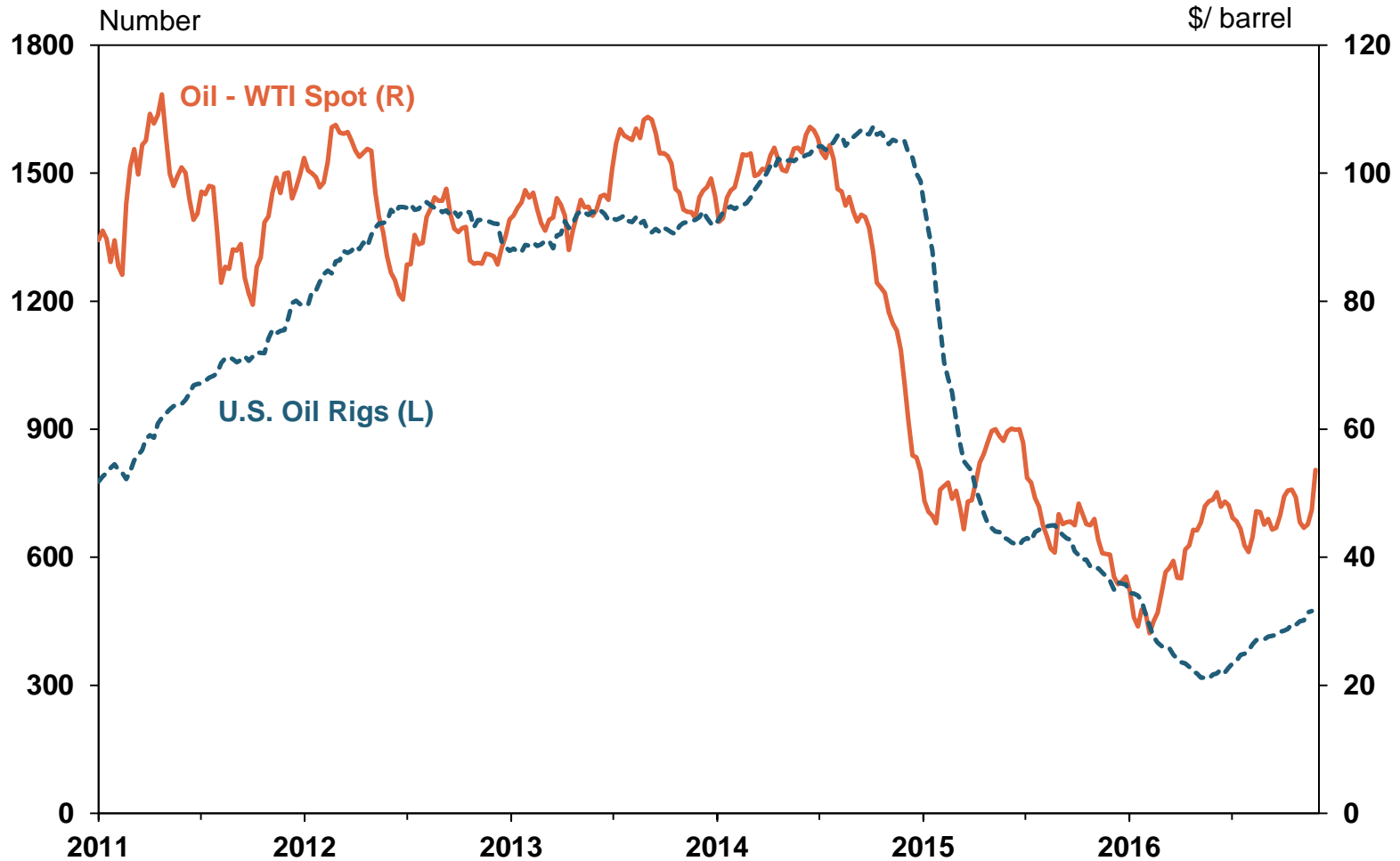
One of the struggling regional industries— manufacturing—has improved considerably

Manufacturing Composite Indexes, Seasonally Adjusted



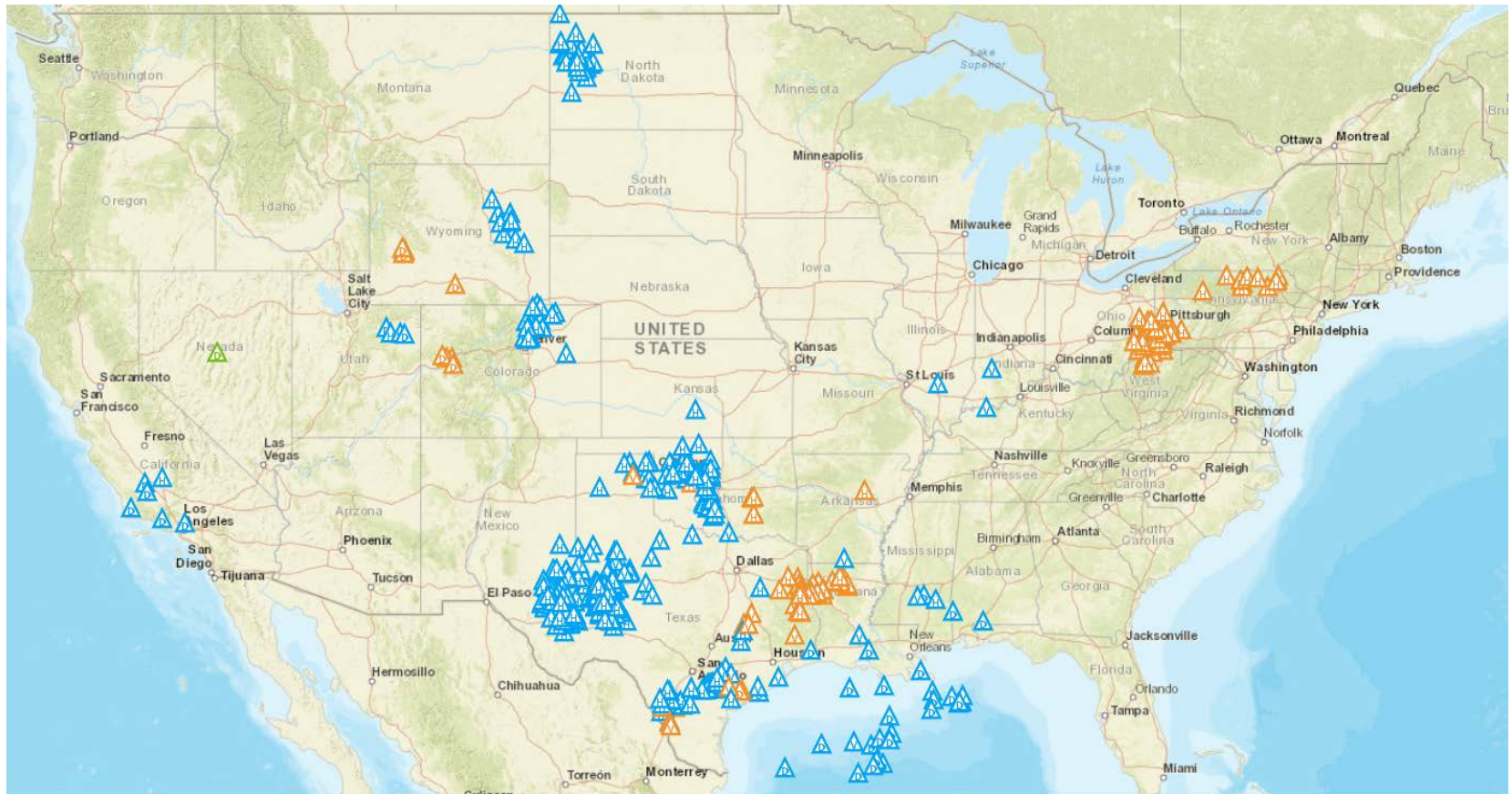
Oil prices' recent rise to \$50/barrel has boosted drilling, and OPEC's action helps

Oil Spot Prices and Rig Counts



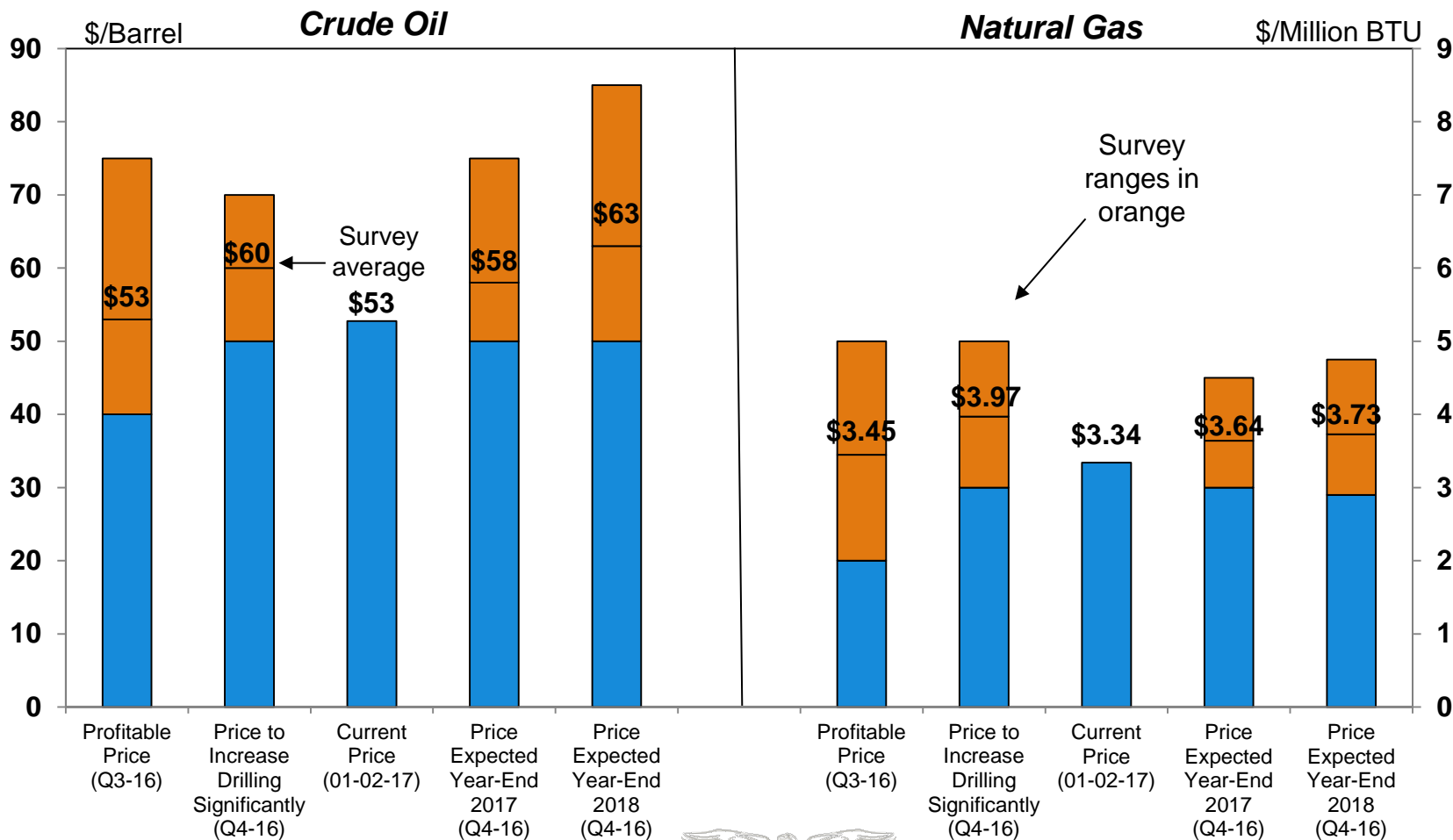
The most active areas now are in west Texas (Permian) and northwest Oklahoma (STACK)

Current Drilling Rig Locations,
As-of December 16, 2016



But firms say energy prices need to be a bit higher for a sizable increase in activity

Kansas City Fed Energy Survey Special Questions
2016



Summary

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

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

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

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

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

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