

# Energy and the Oklahoma Economy

*National Council on Undergraduate Research*

*April 4, 2018*

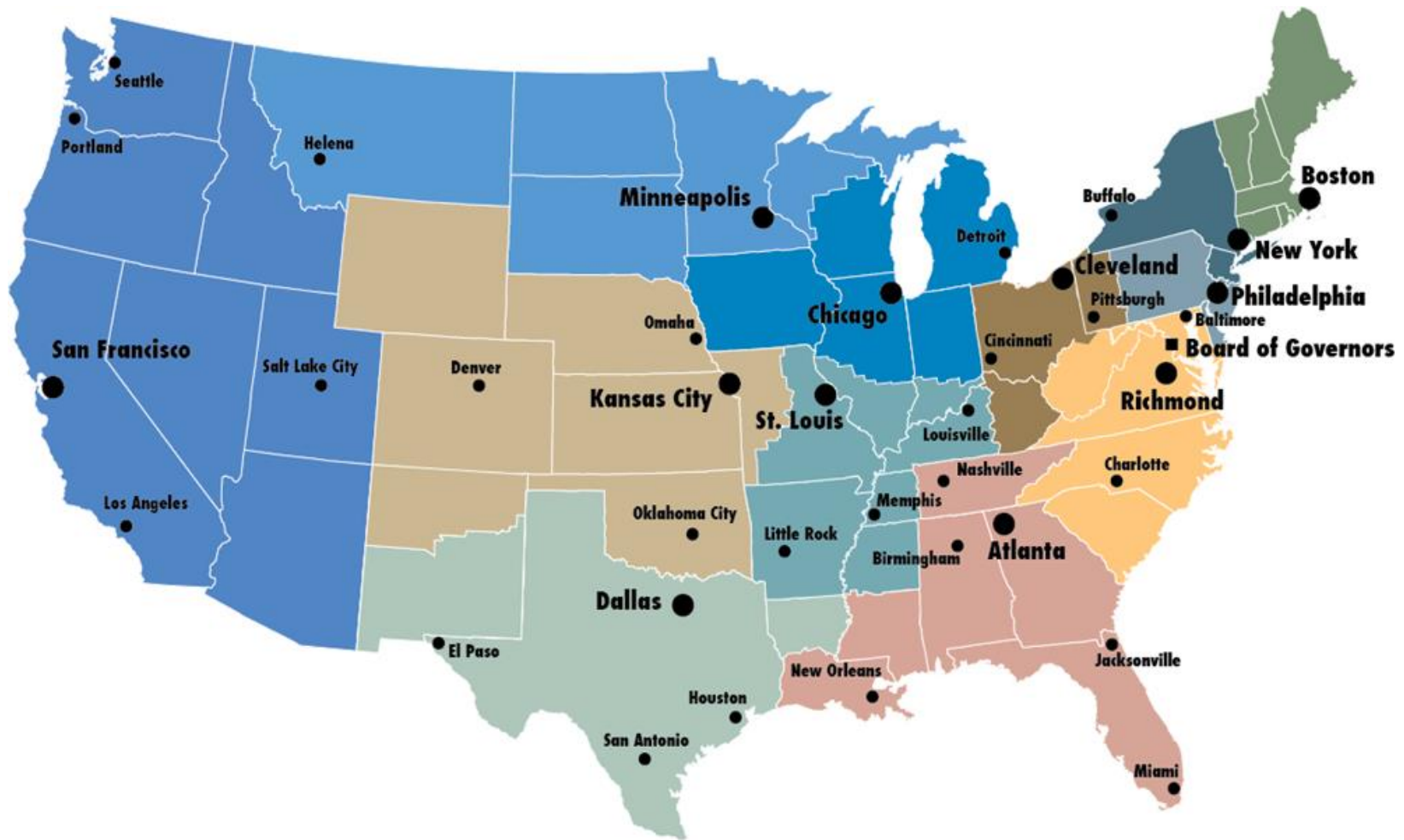
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\*The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



# 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**

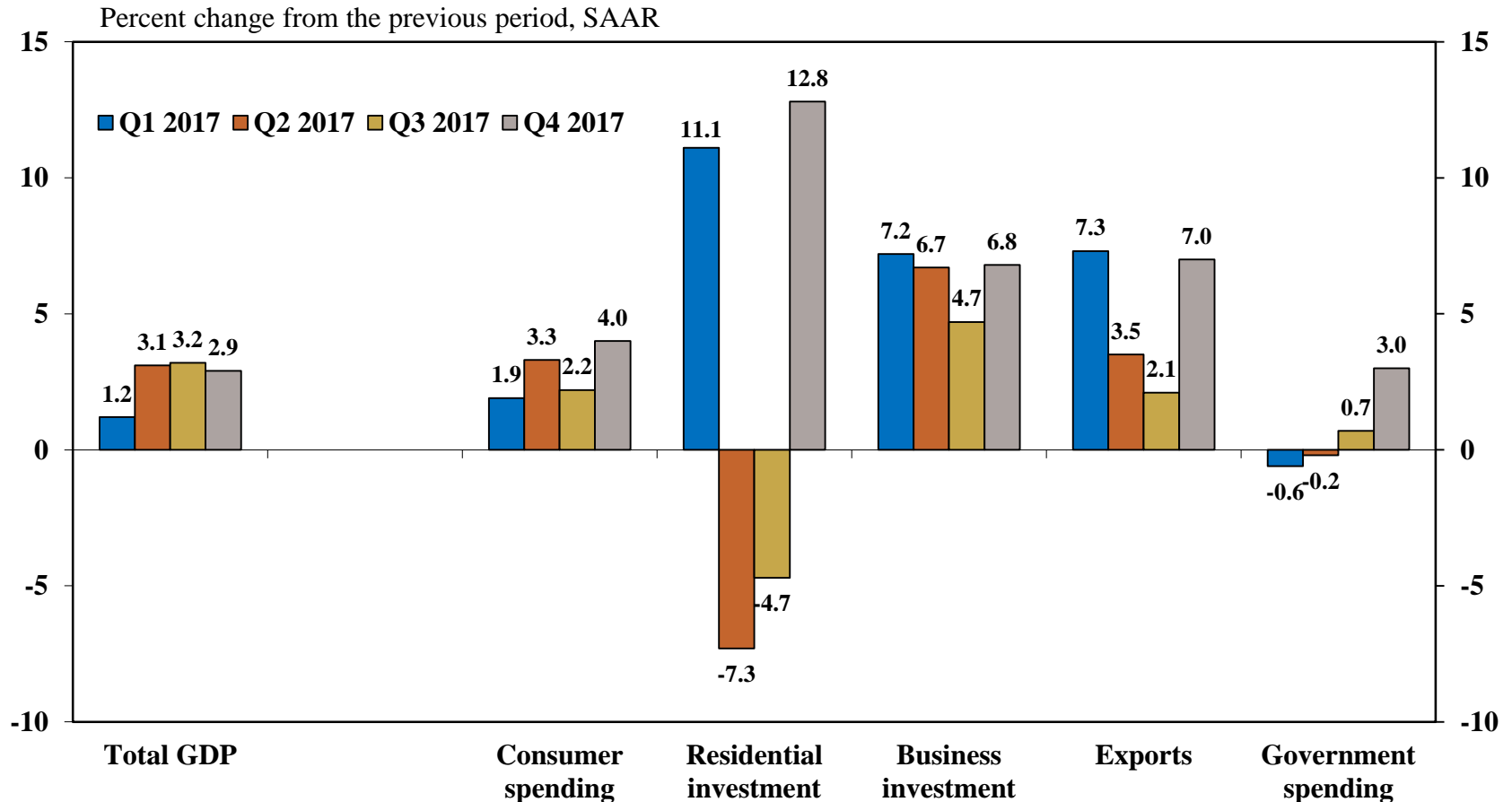
- **Functions and purposes – 45 staff**
  - Research on U.S. and Oklahoma economies; energy and manufacturing sectors
  - Economic and financial education outreach, including to low/moderate income
  - Examinations of Oklahoma financial institutions (~50 banks, ~175 holding cos.)
- **2018 OKC Fed Branch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



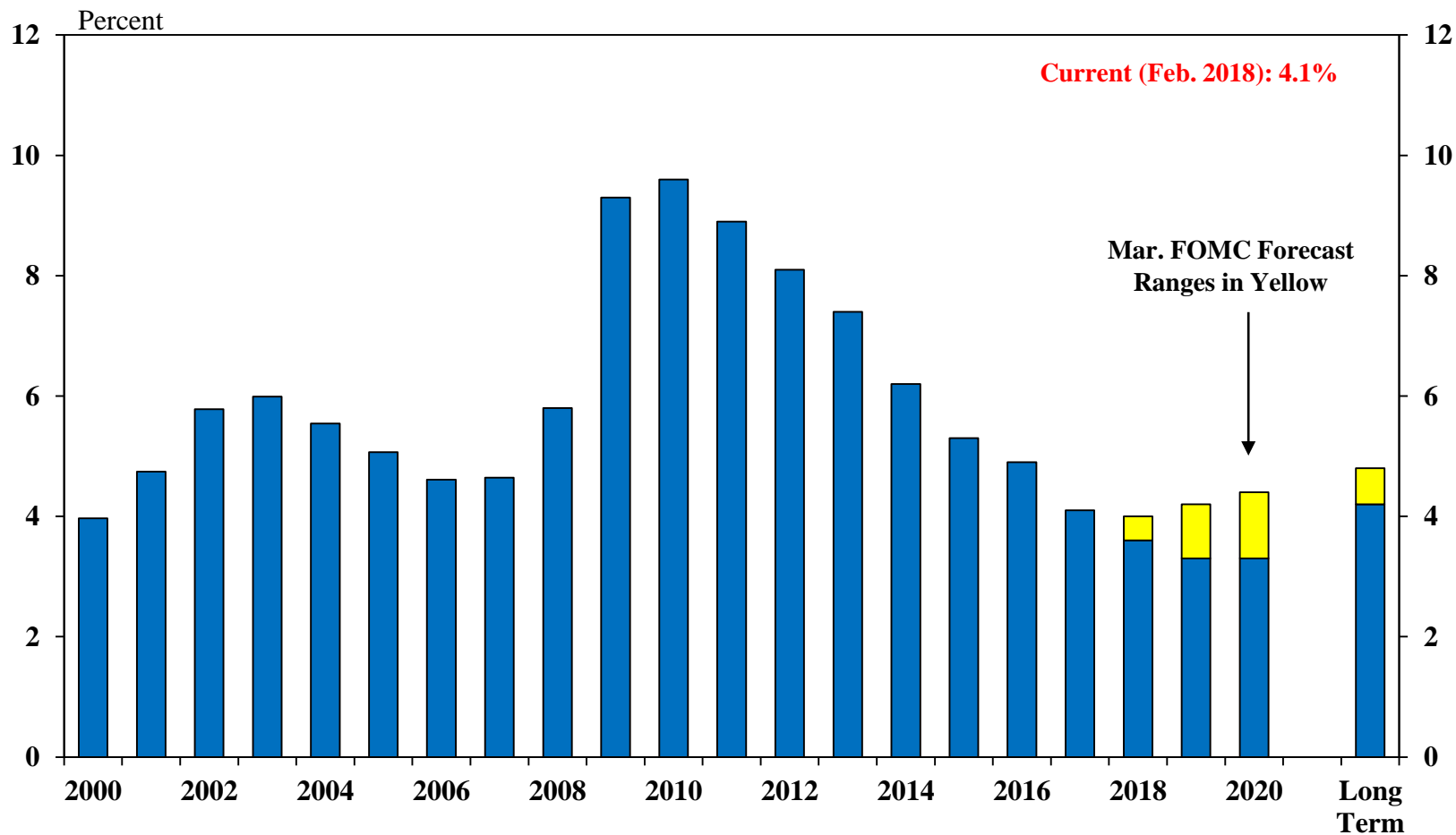
# U.S. GDP growth remained solid in Q4, with strong consumer and business spending

## Growth in Components of Real GDP



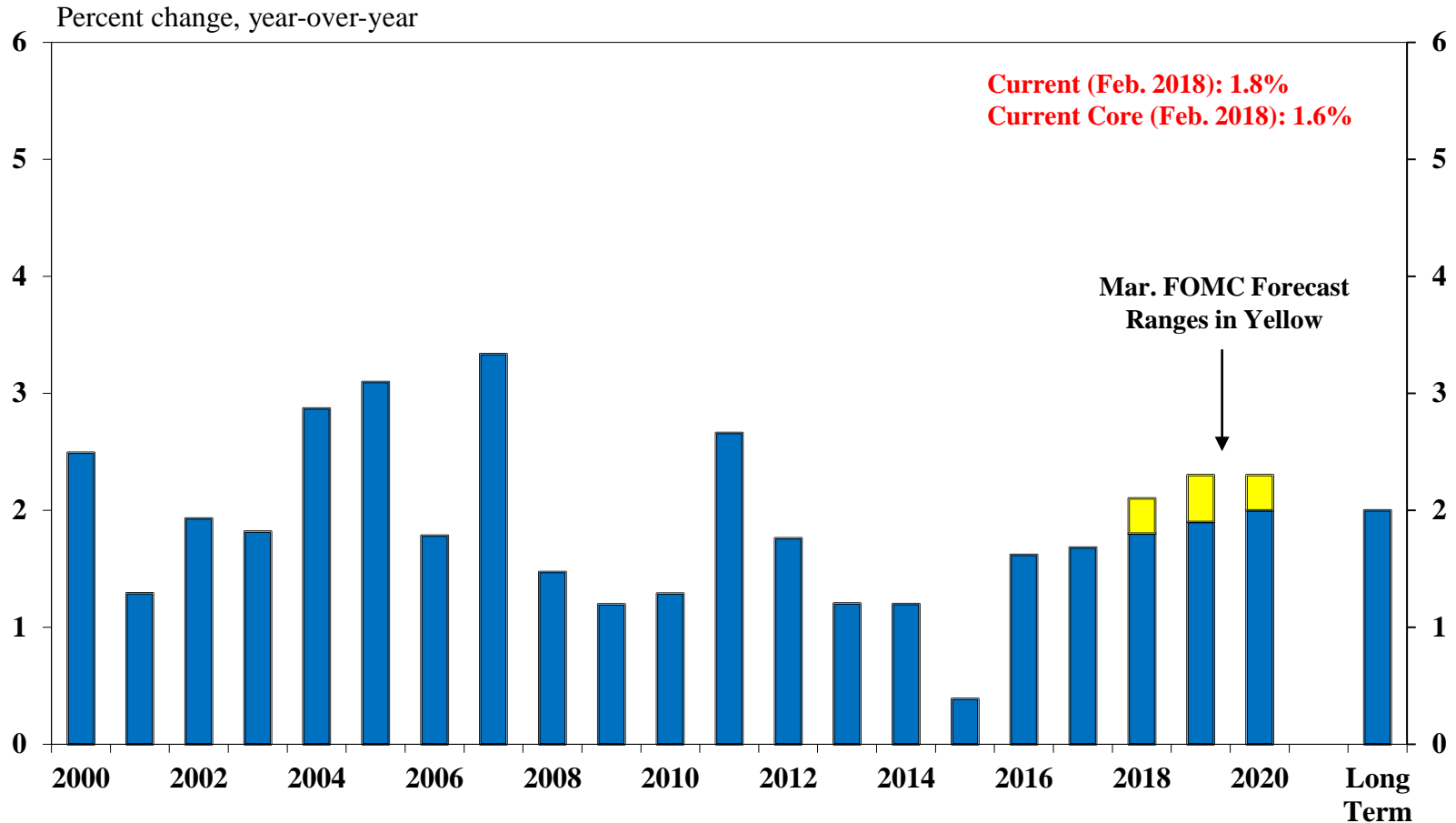
“The Committee expects that, with further...adjustments...  
in...policy...labor market conditions will remain strong”

### Unemployment Rate Seasonally Adjusted



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

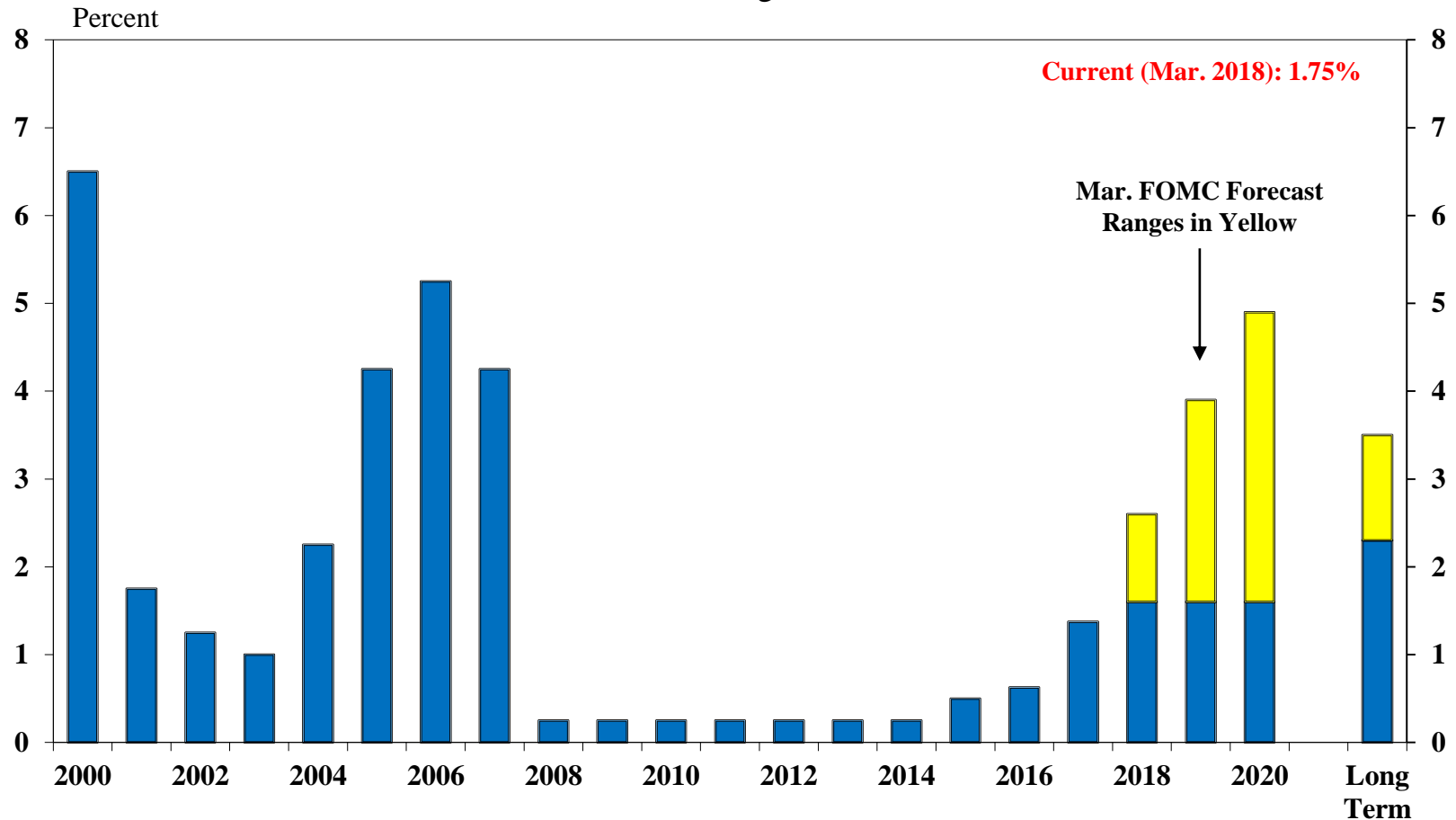
## PCE Inflation Index



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

## Federal Funds Rate

Year-end target



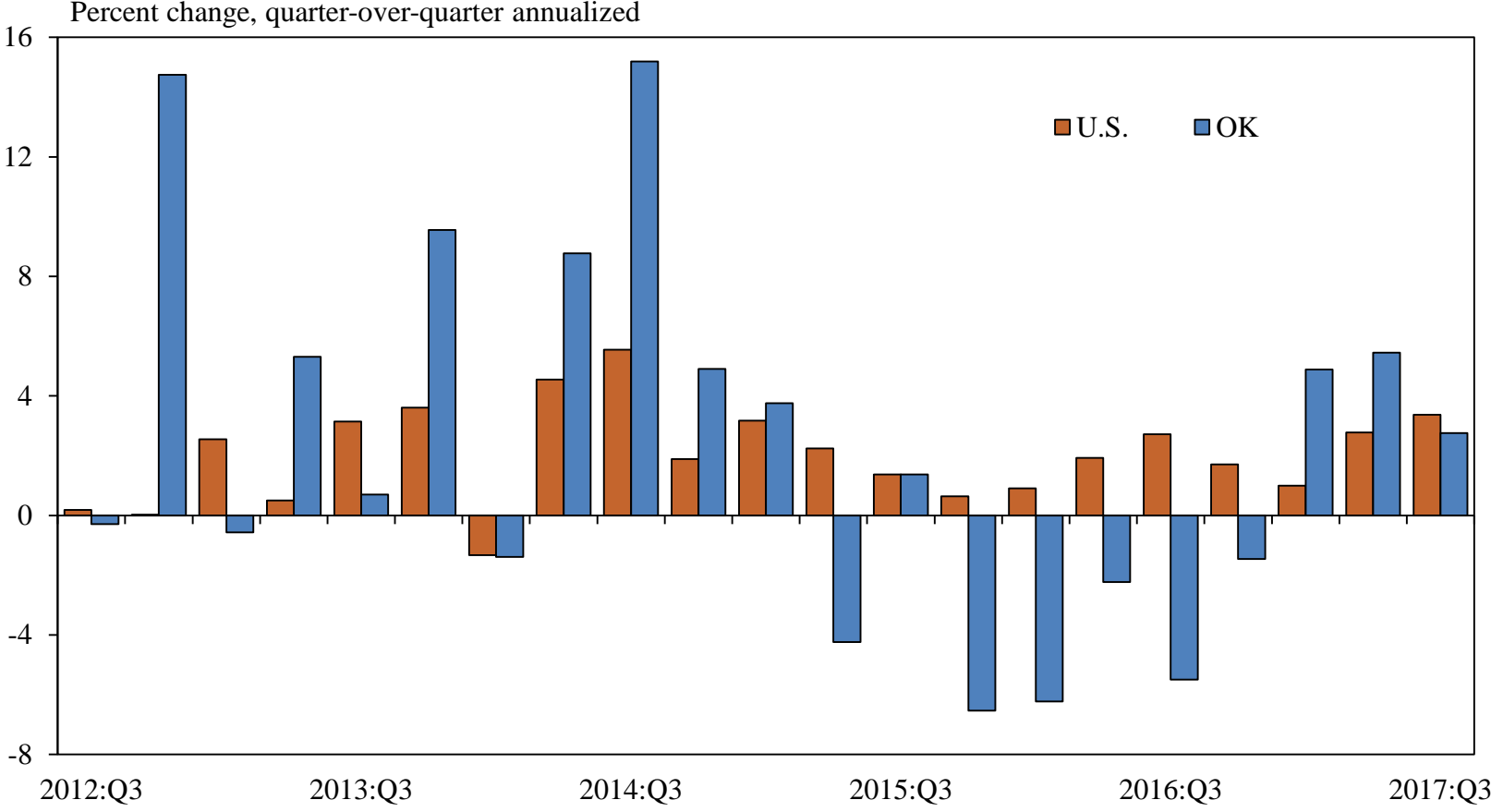


# Trends in the Oklahoma Economy



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

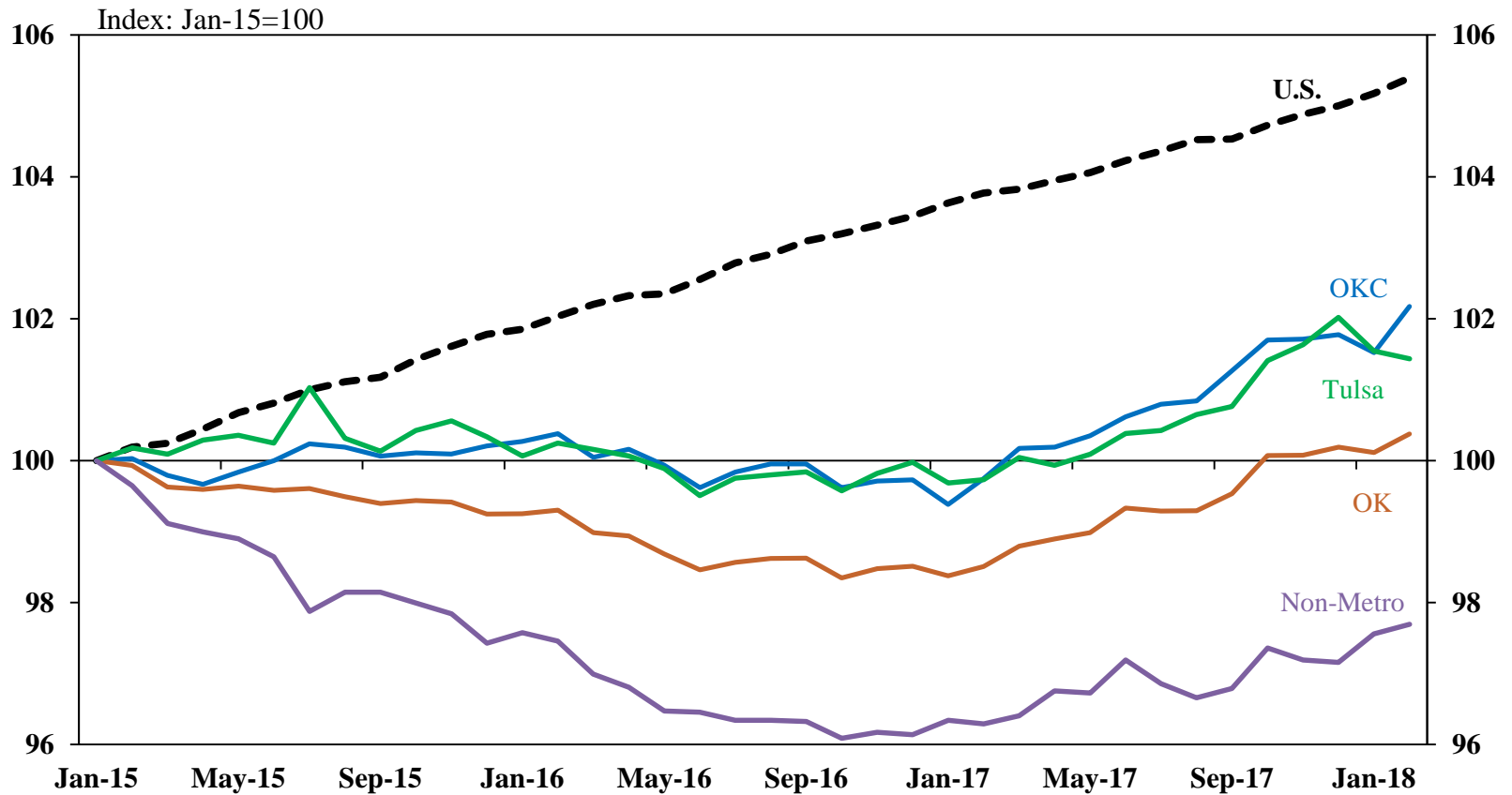
## Real Gross Domestic Product



Source: U.S. Bureau of Economic Analysis

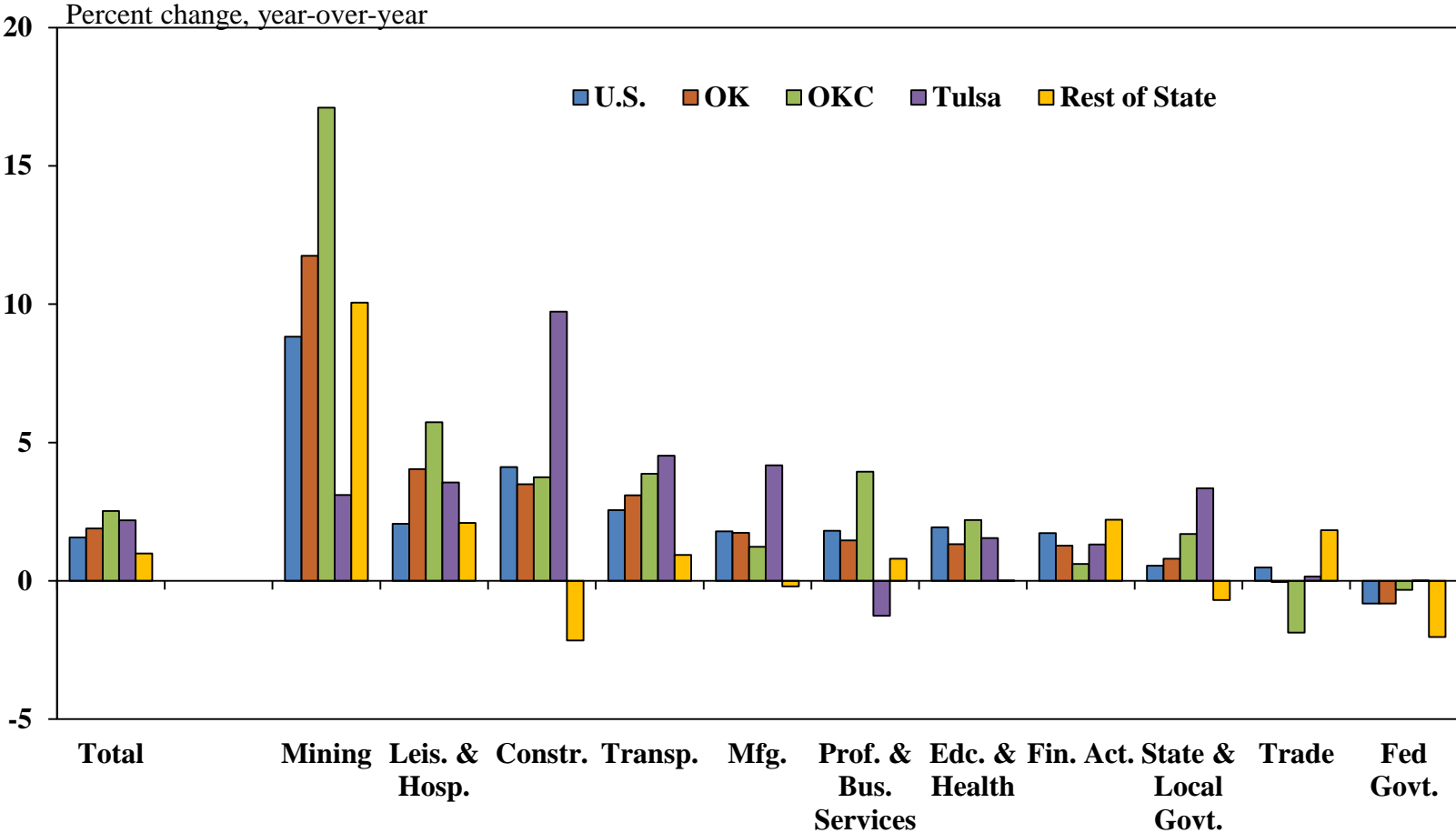
# Employment levels are trending up in the metro areas, but non-metro is still below early 2015 levels

Level of Payroll Employment  
Through February 2018



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

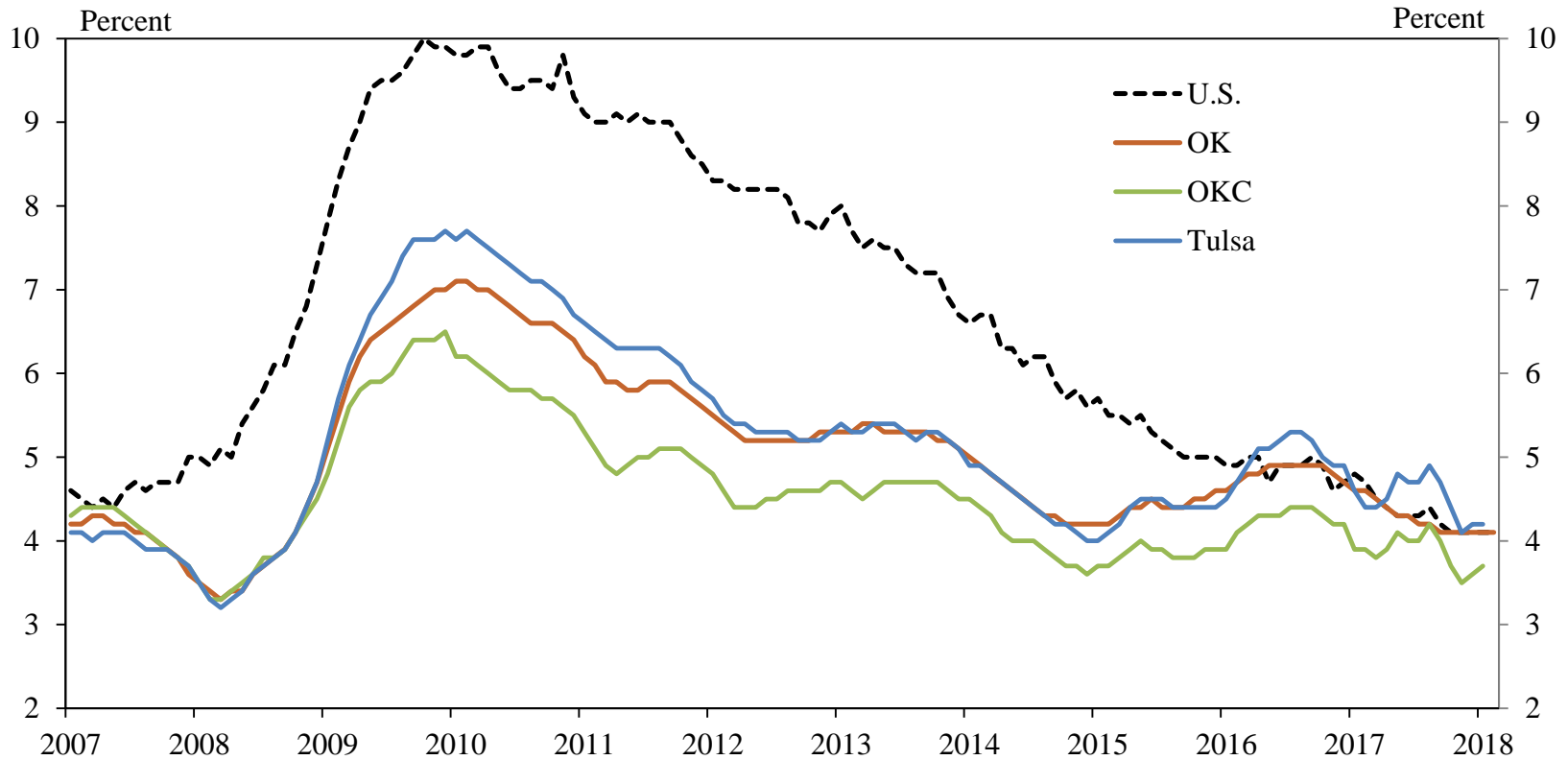
**Oklahoma Job Growth by Industry**  
Feb-18



Source: Bureau of Labor Statistics

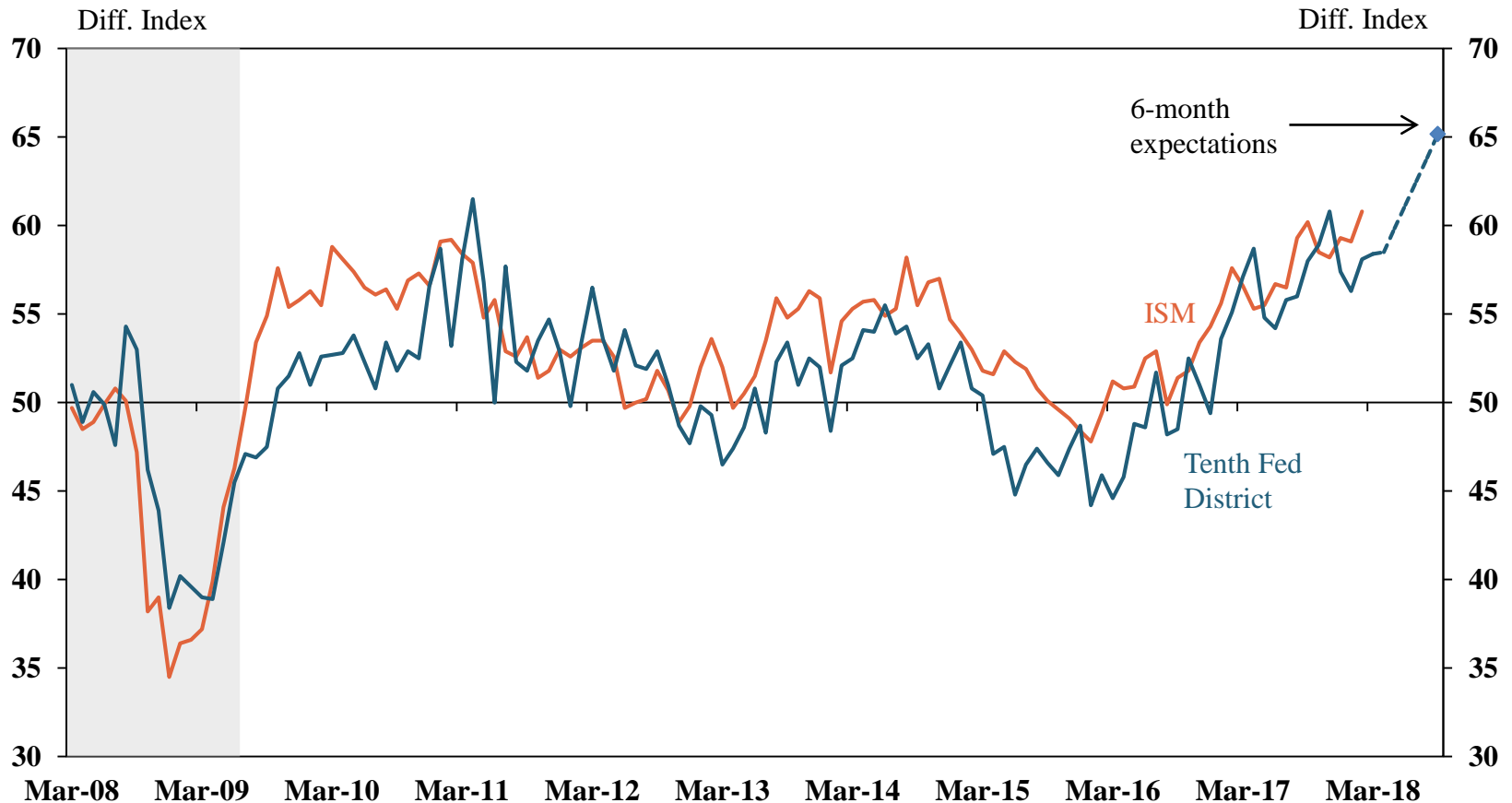
# Unemployment throughout the state remains at or below the national level

**Unemployment rates**  
Seasonally Adjusted



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

## Manufacturing Composite Indexes, Seasonally Adjusted

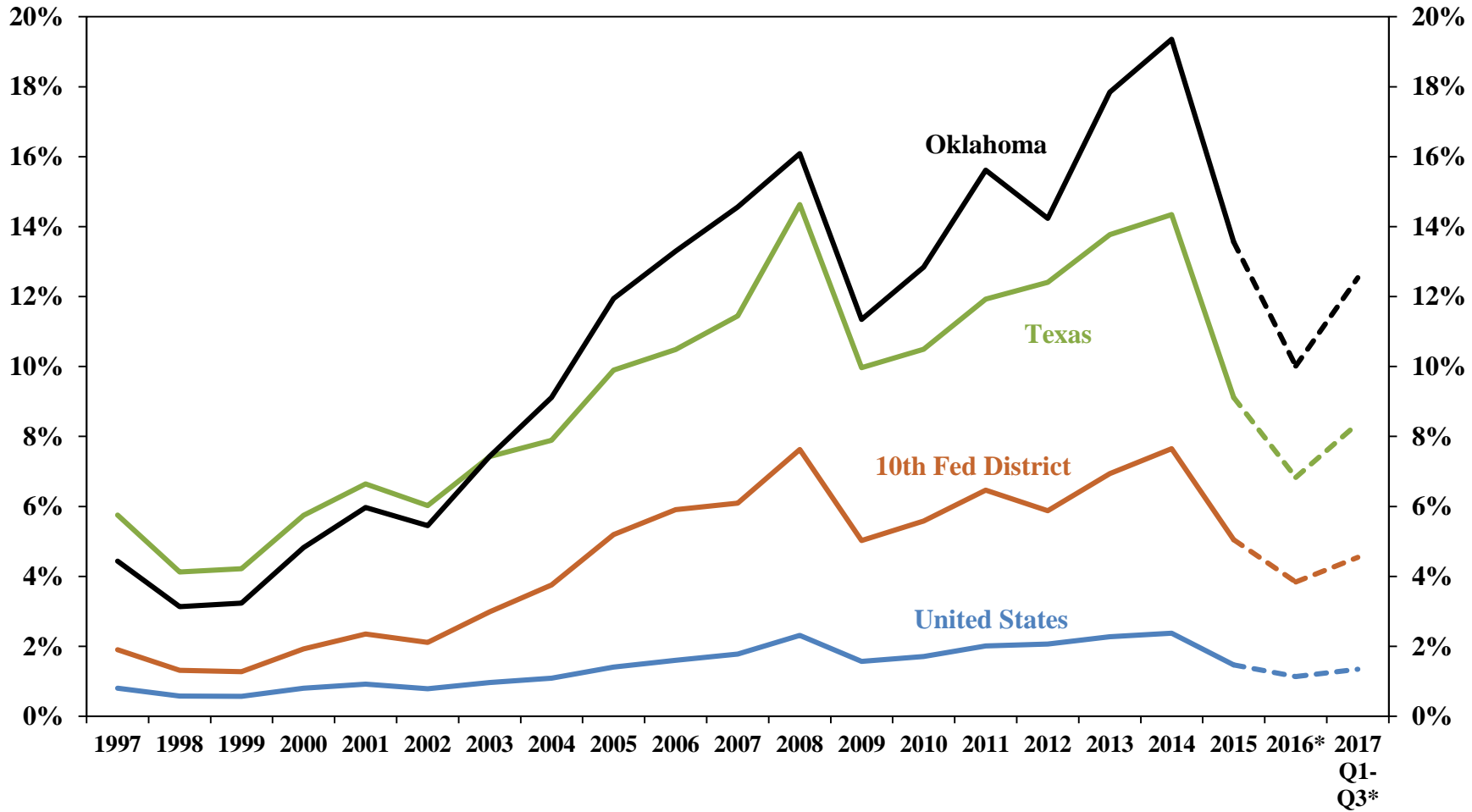


# Trends in the Energy Economy



# 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

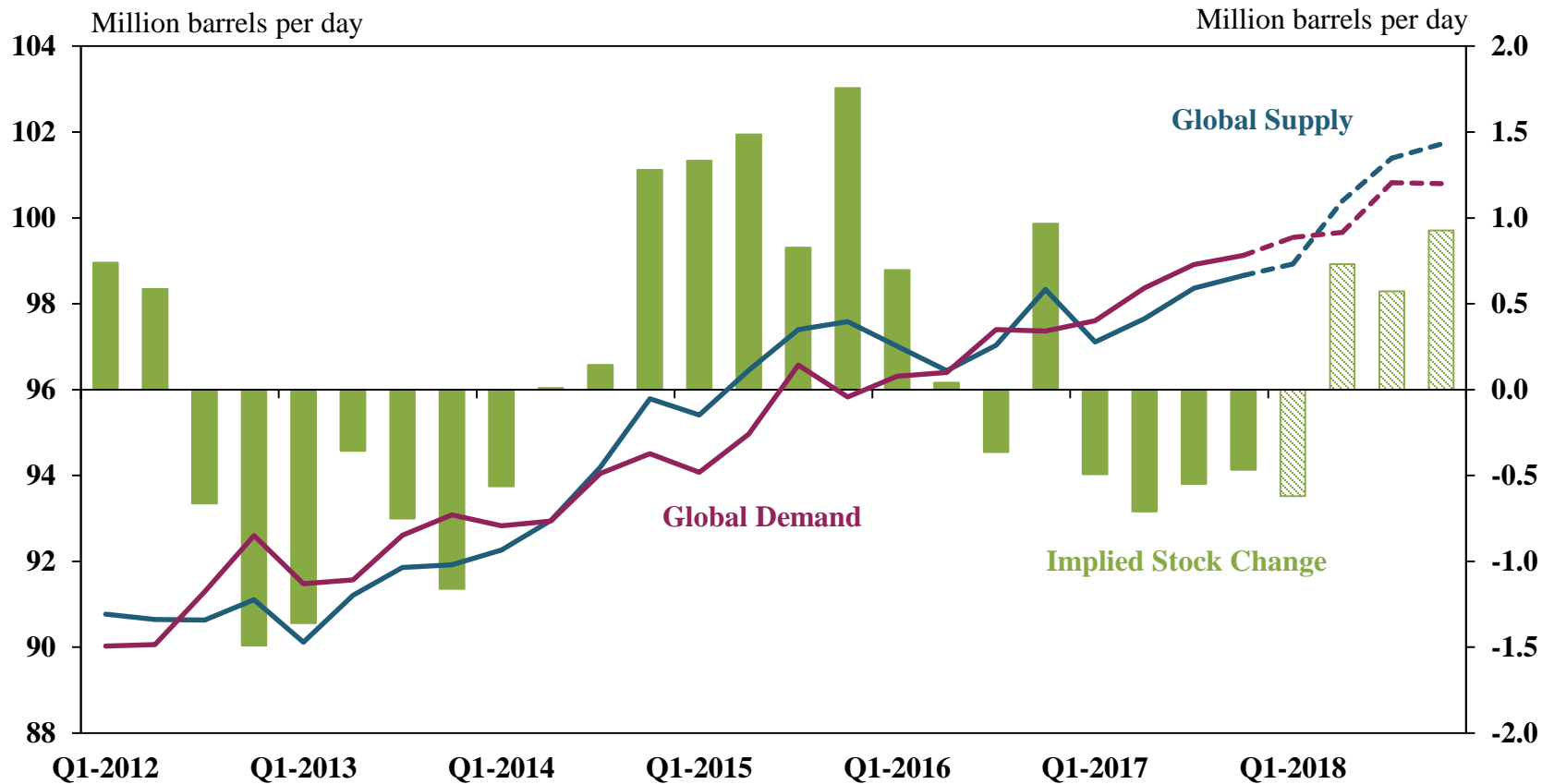


Source: U.S. Bureau of Economic Analysis; author's calculations



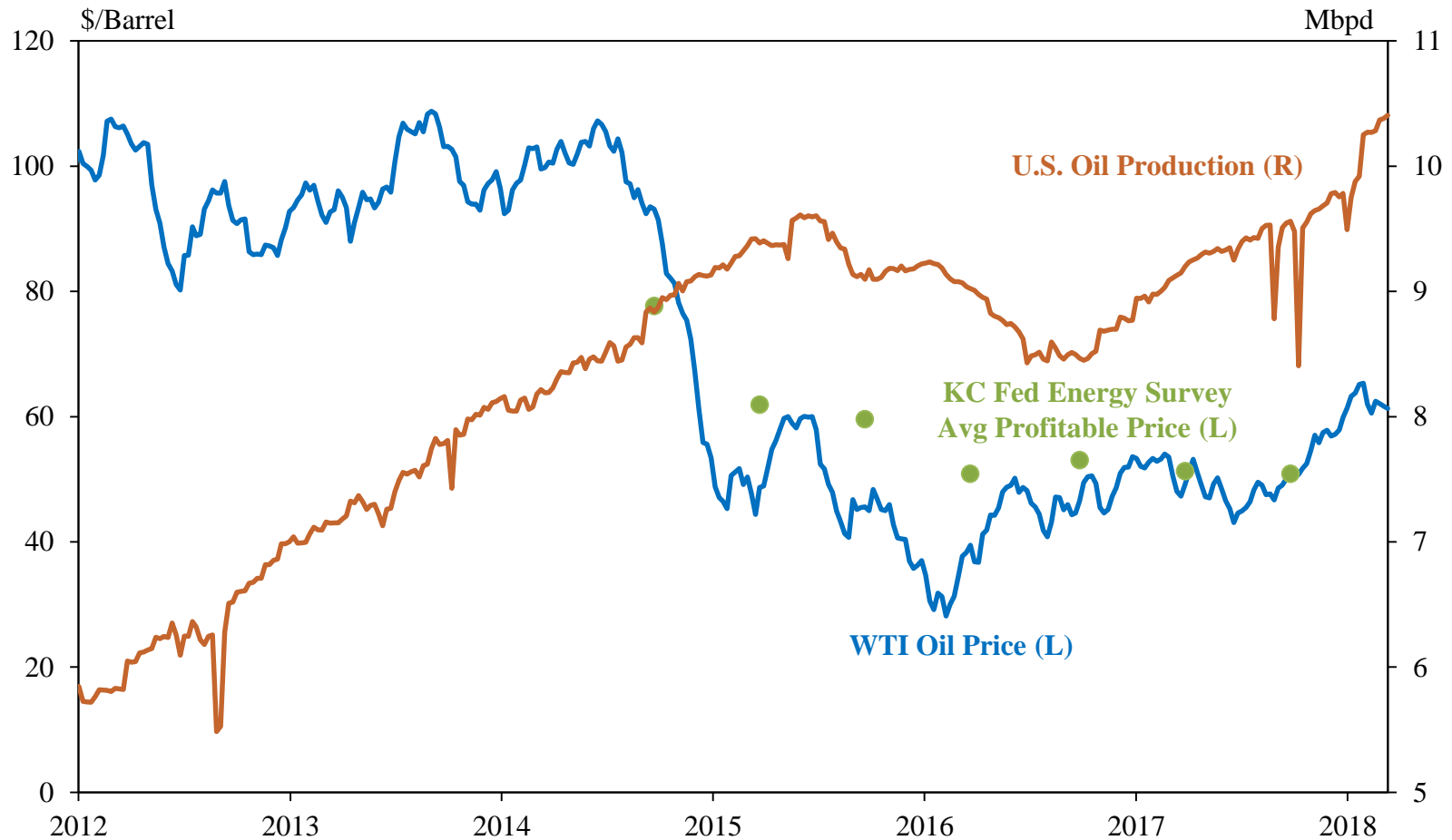
# Global oil supply is expected to be outpacing demand, causing a rise in overall oil stocks

## Global Supply and Demand



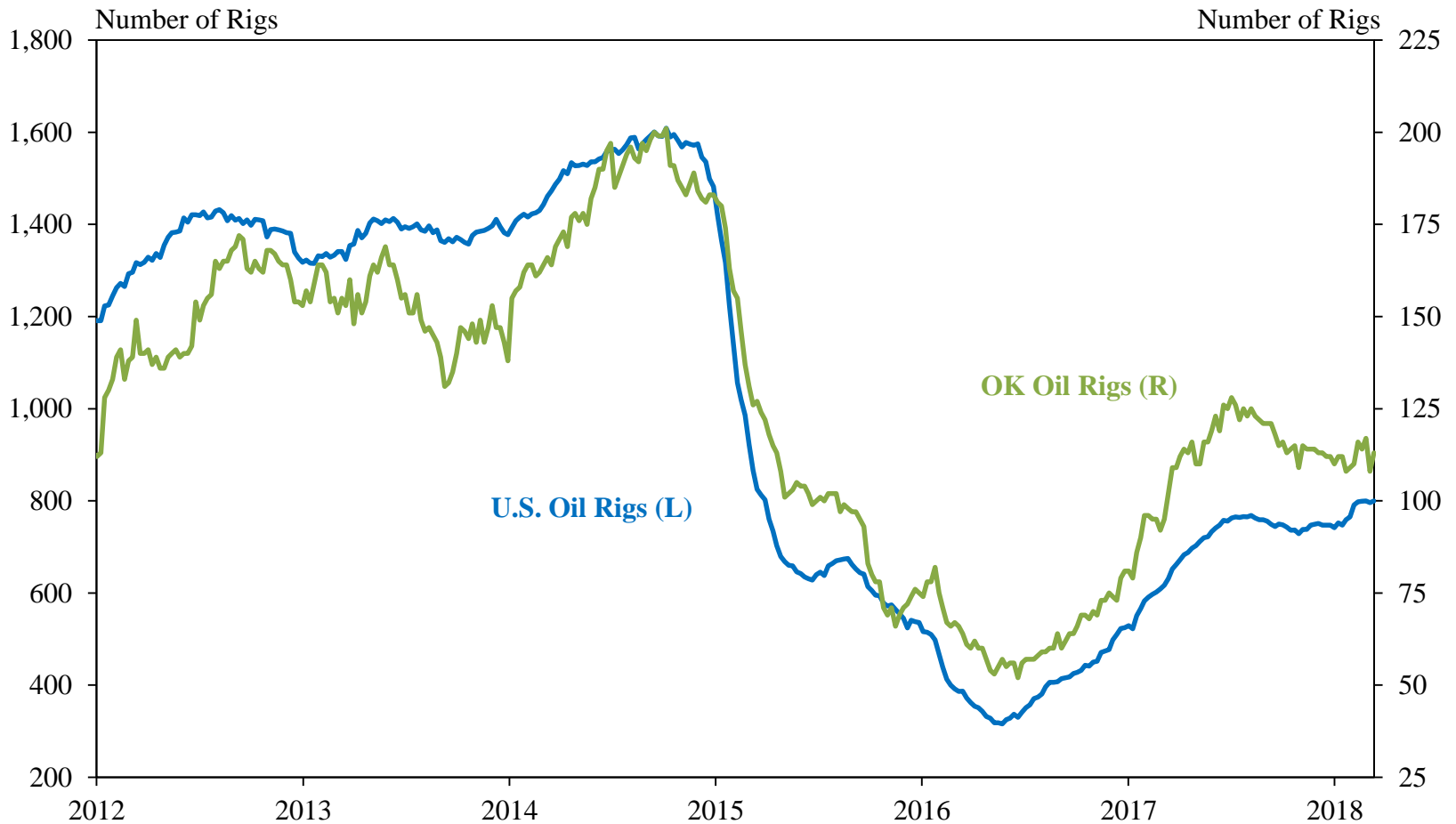
# Oil prices returned to profitable levels in 2017 for most firms, helping to boost activity

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



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

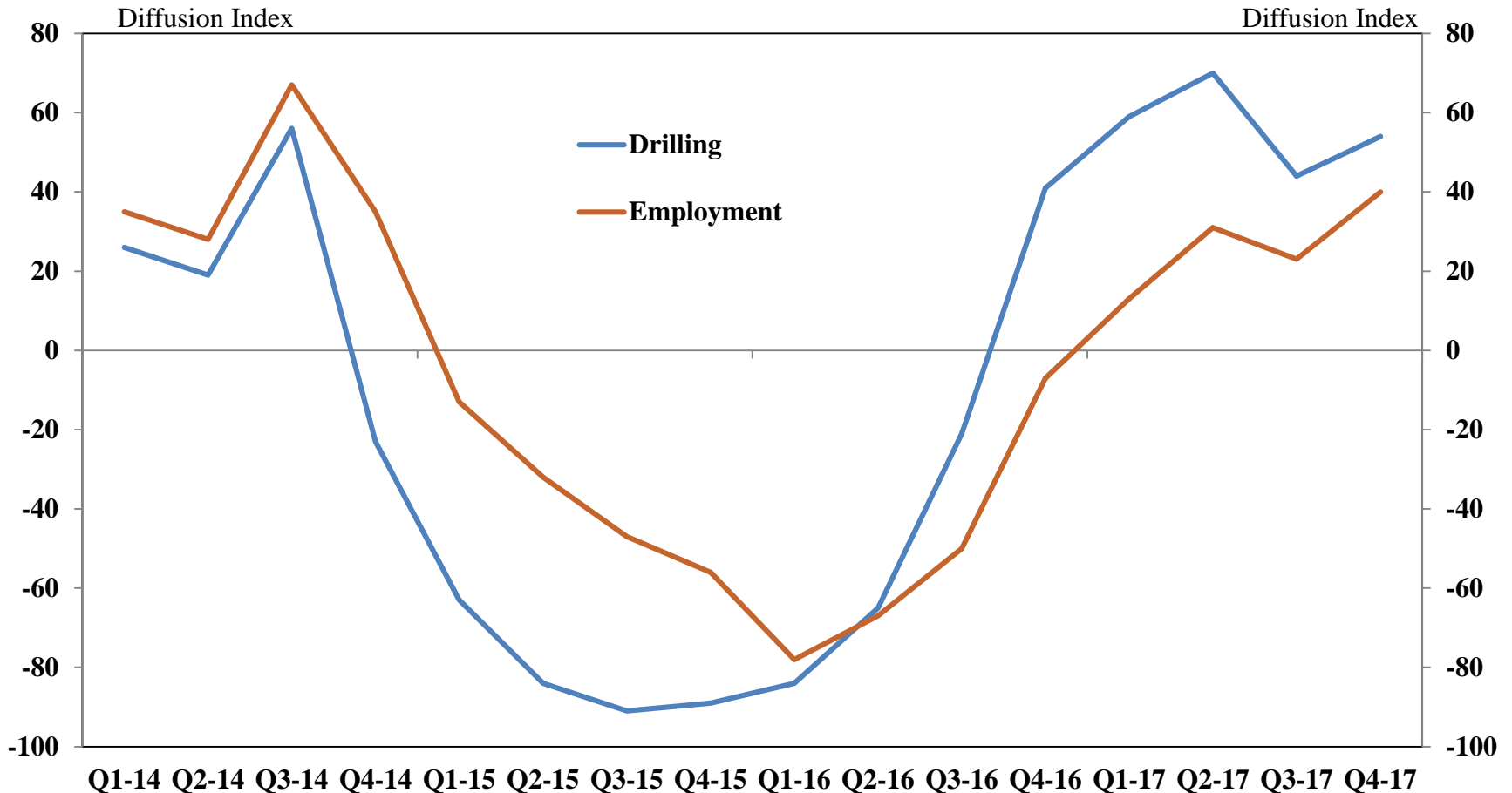
## Weekly Oil Rig Counts



Source: Baker Hughes

# Regional energy activity has mostly risen back to pre-downturn levels

## Tenth District Energy Survey Indexes



# 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 has rebounded and is 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/](http://www.kansascityfed.org/publications/research/oke/)

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

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