

U.S. and Oklahoma Economic Update

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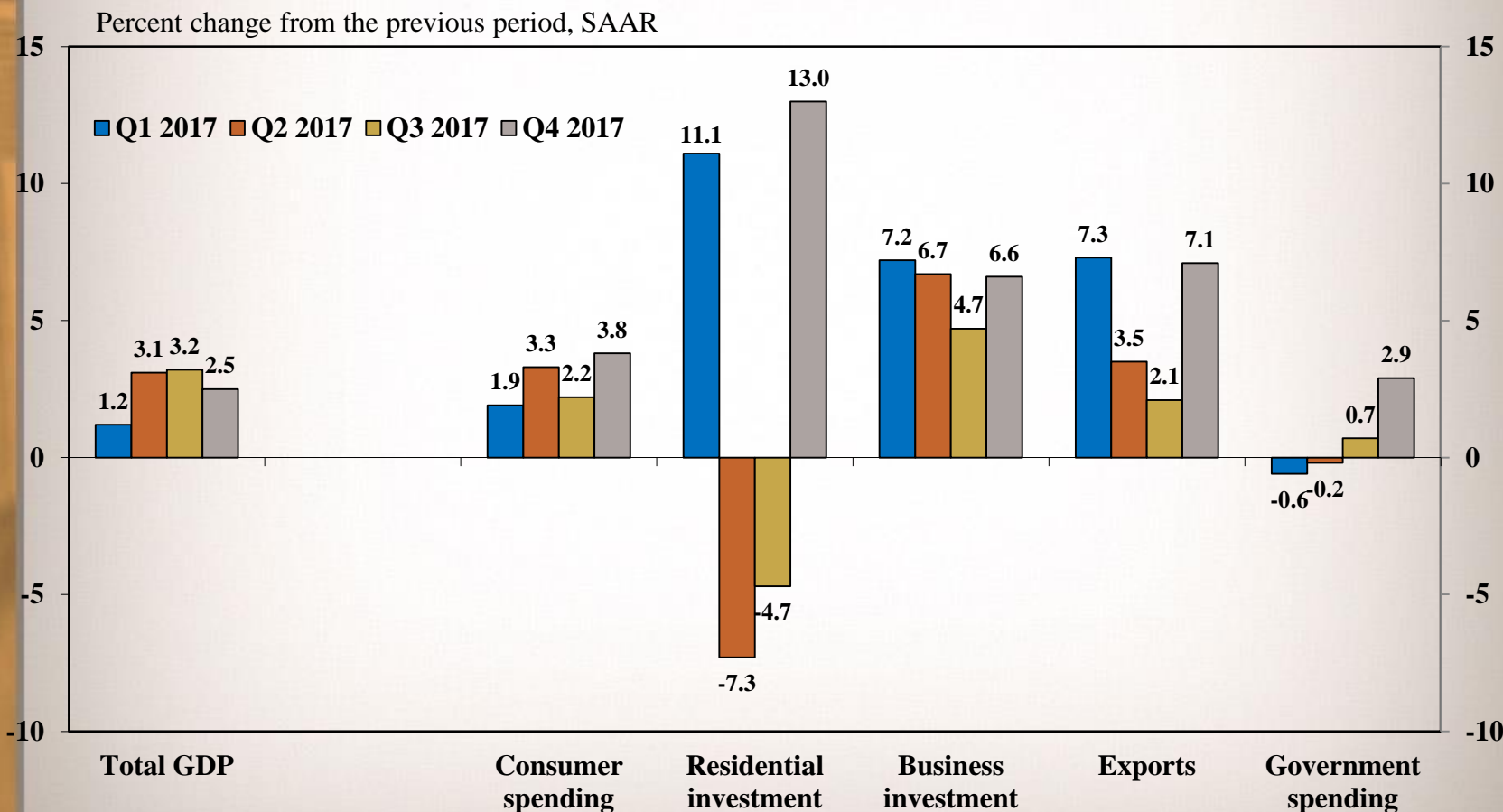


2018
Regulatory Update
— SEMINAR —
Federal Reserve Bank of Kansas City

The U.S. Economy and Monetary Policy

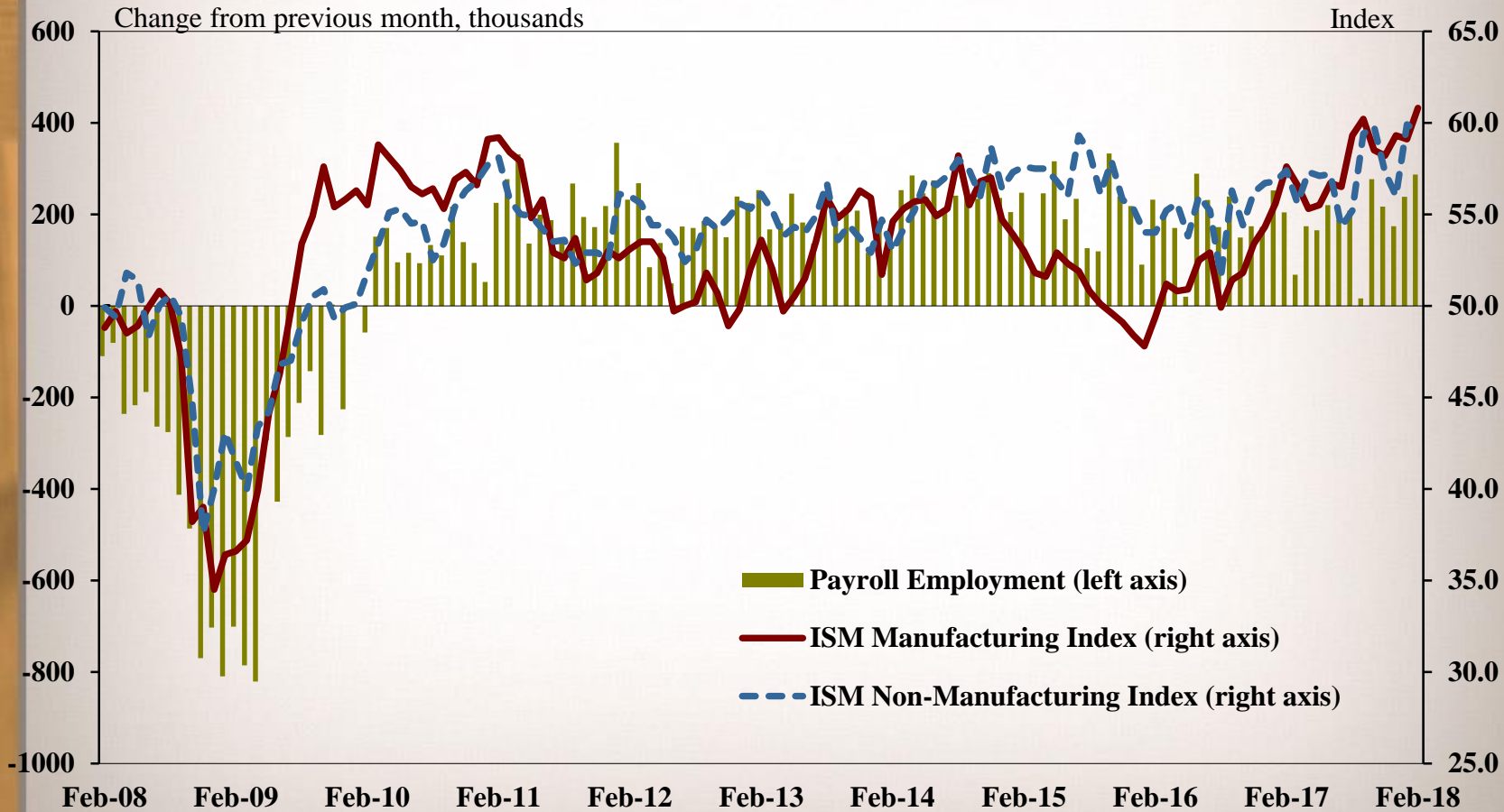
U.S. GDP growth remained solid in Q4, with strong consumer and business spending

Growth in Components of Real GDP



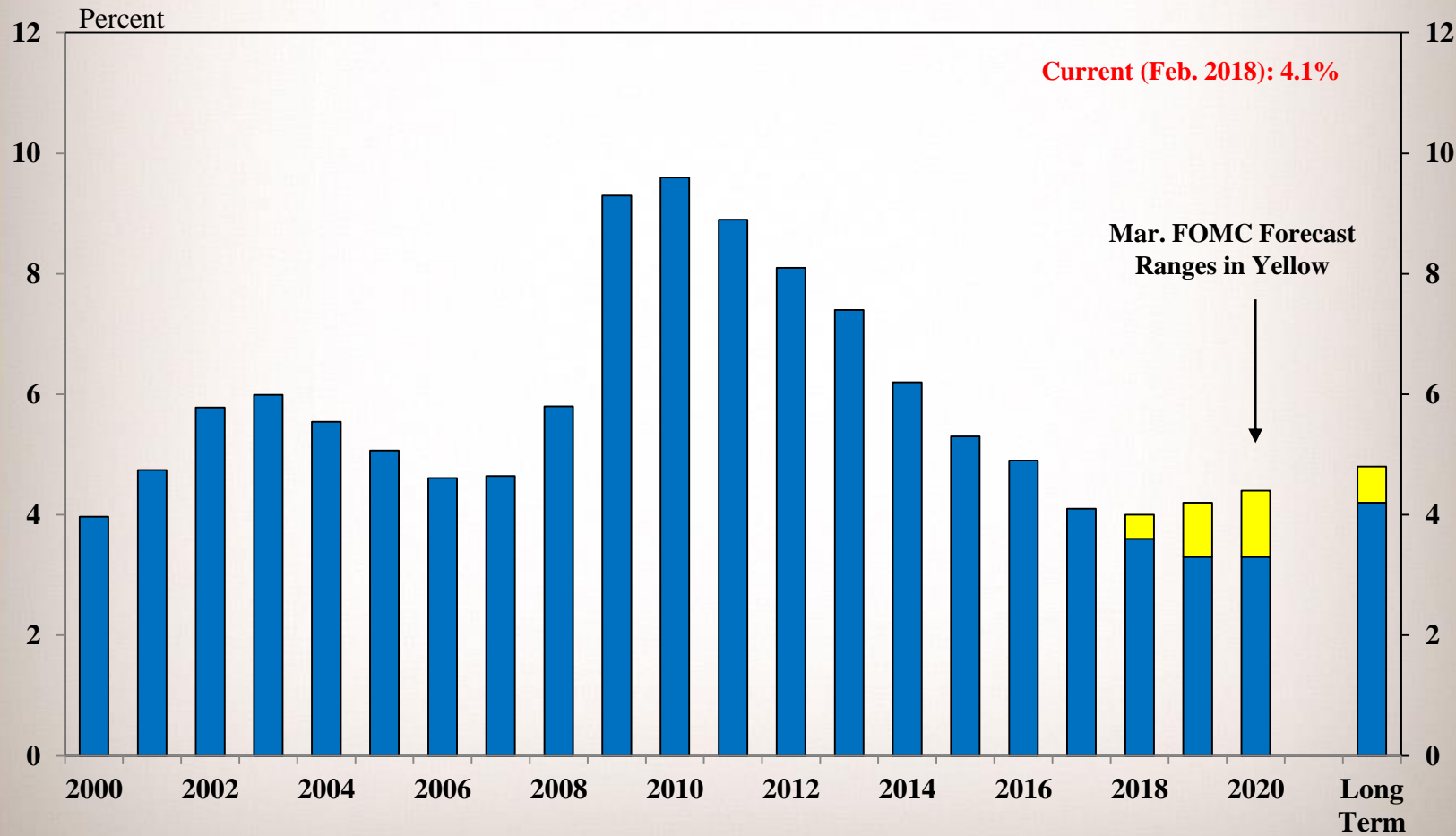
Monthly data on business activity and employment show U.S. growth remained strong into 2018

U.S. Payroll Employment and Business Indexes



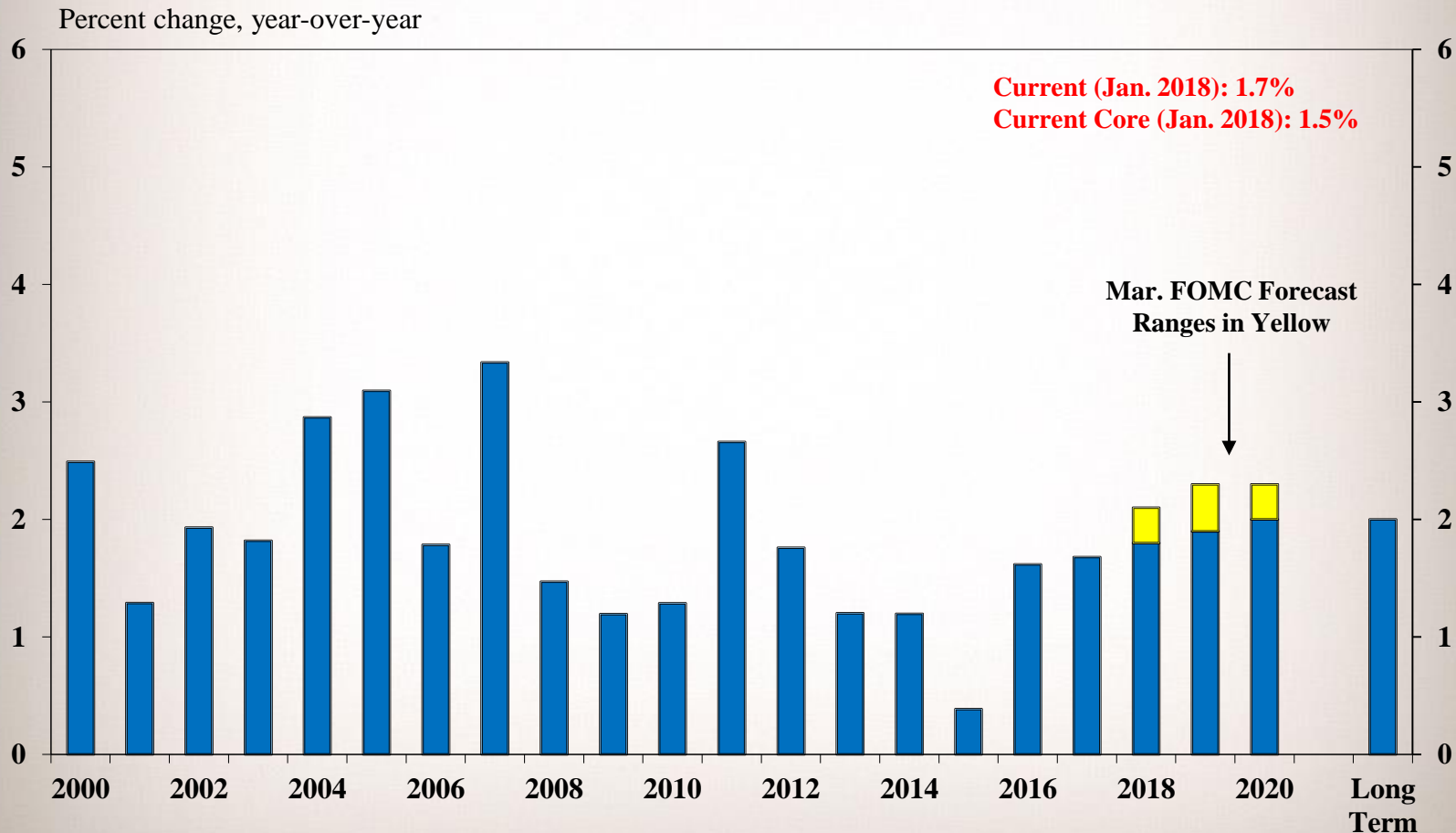
U.S. unemployment is back down to, or even below, its long-term level

Unemployment Rate
Seasonally Adjusted



U.S. inflation remains slightly below 2 percent, but expected to return to long-term levels

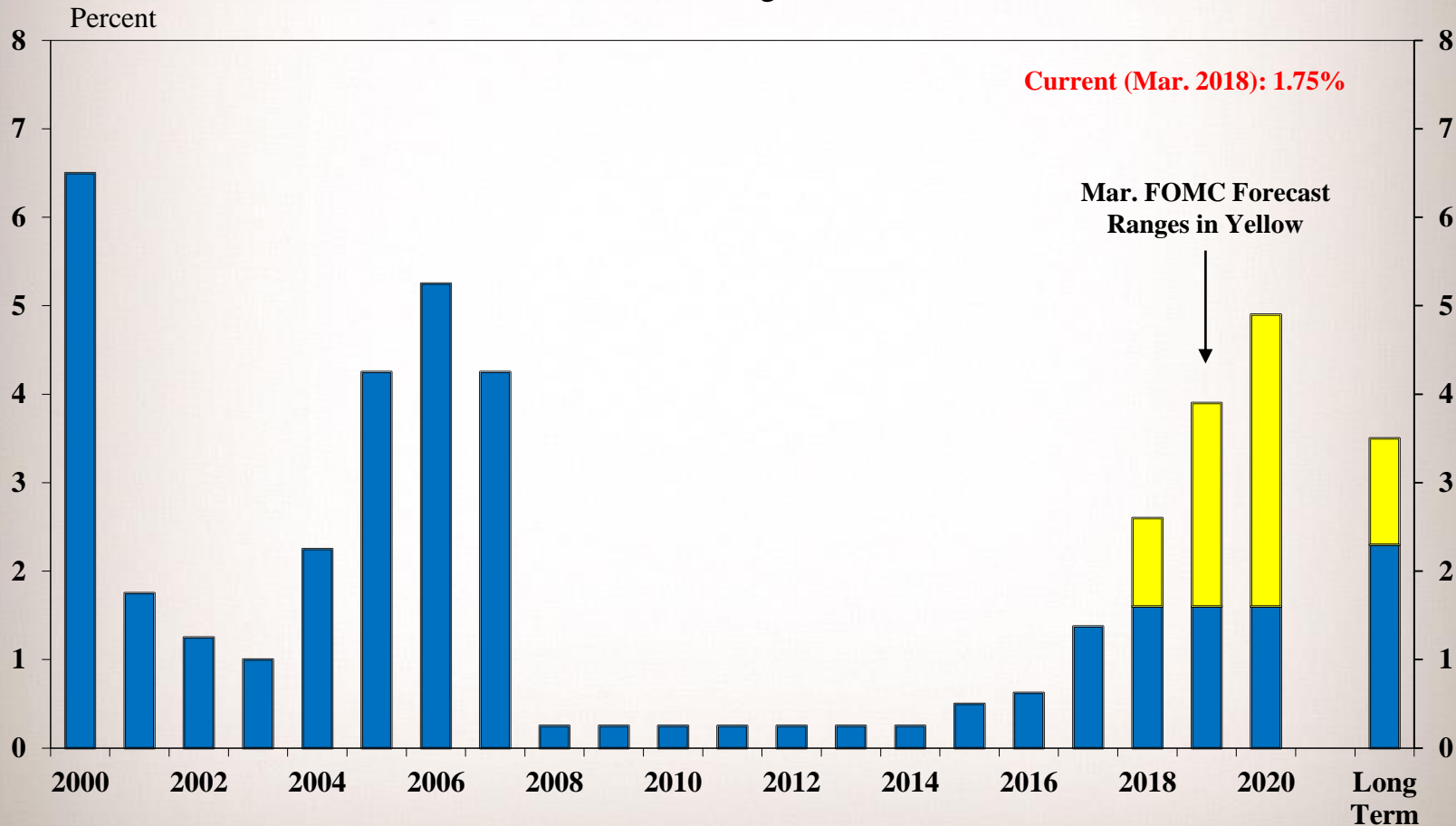
PCE Inflation Index



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

The Fed has been raising interest rates and forecasts it to continue

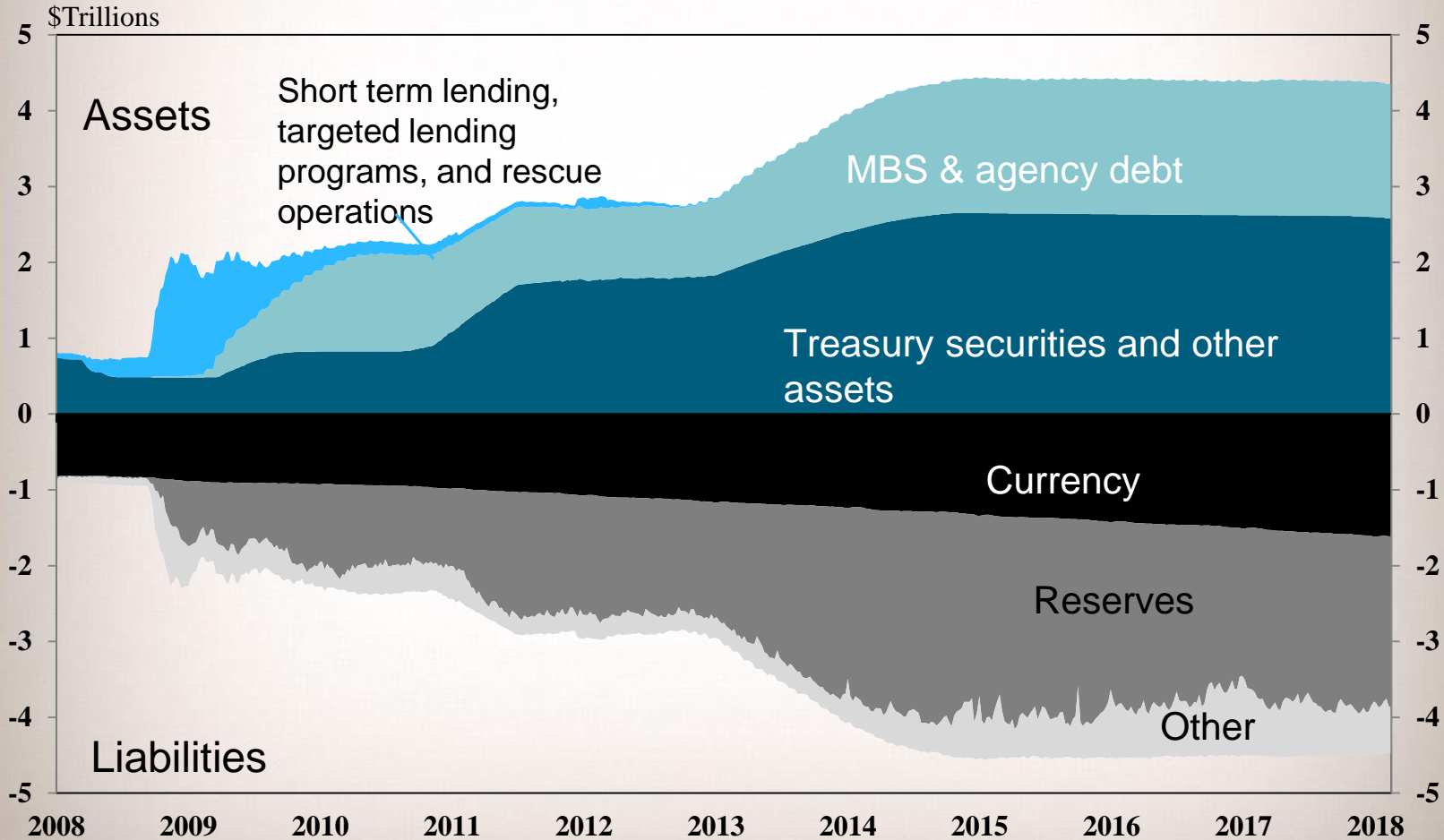
Federal Funds Rate Year-end target



Sources: Federal Reserve Board, FOMC

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

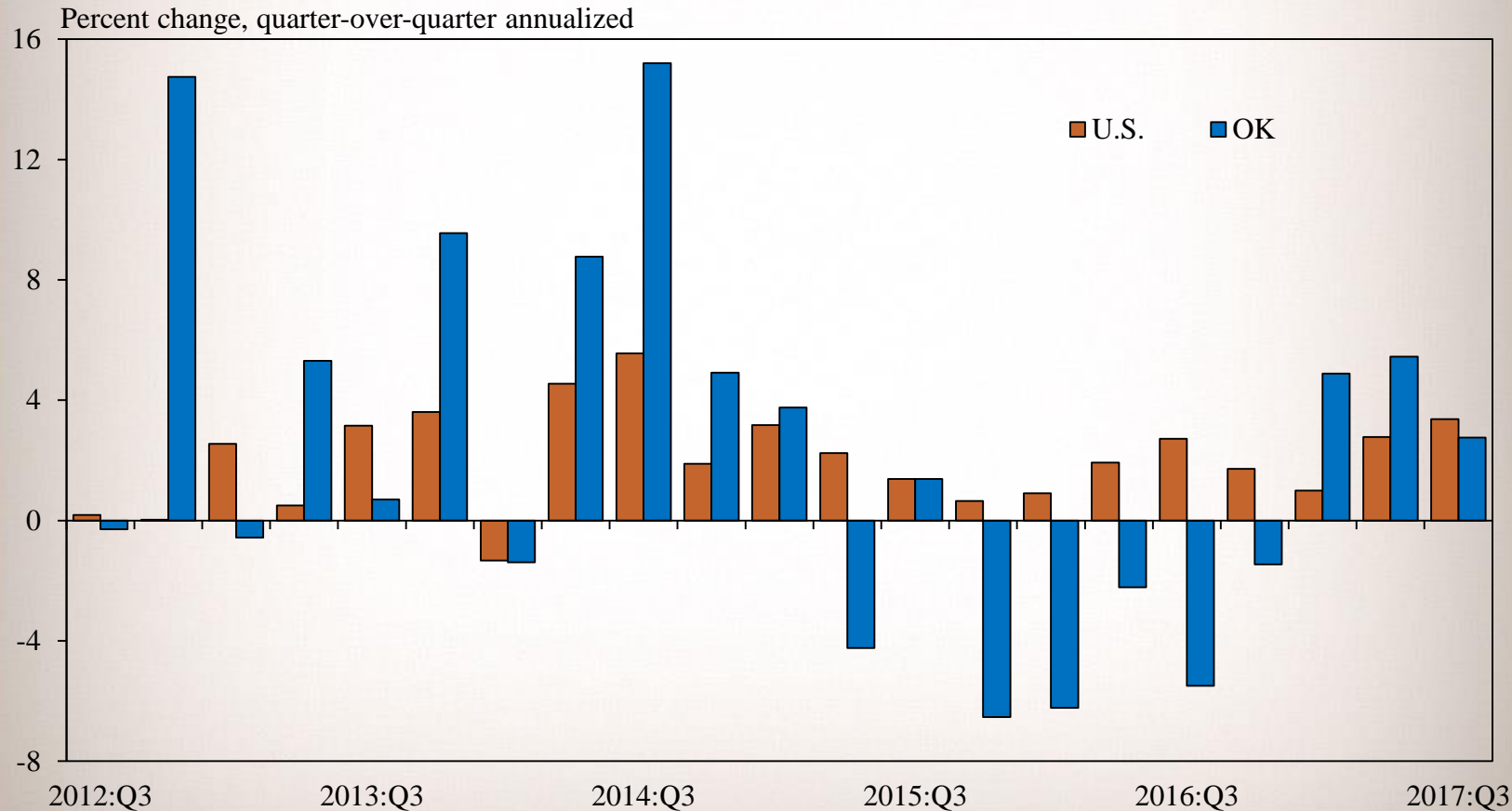
Federal Reserve Balance Sheet



Trends in the Oklahoma Economy

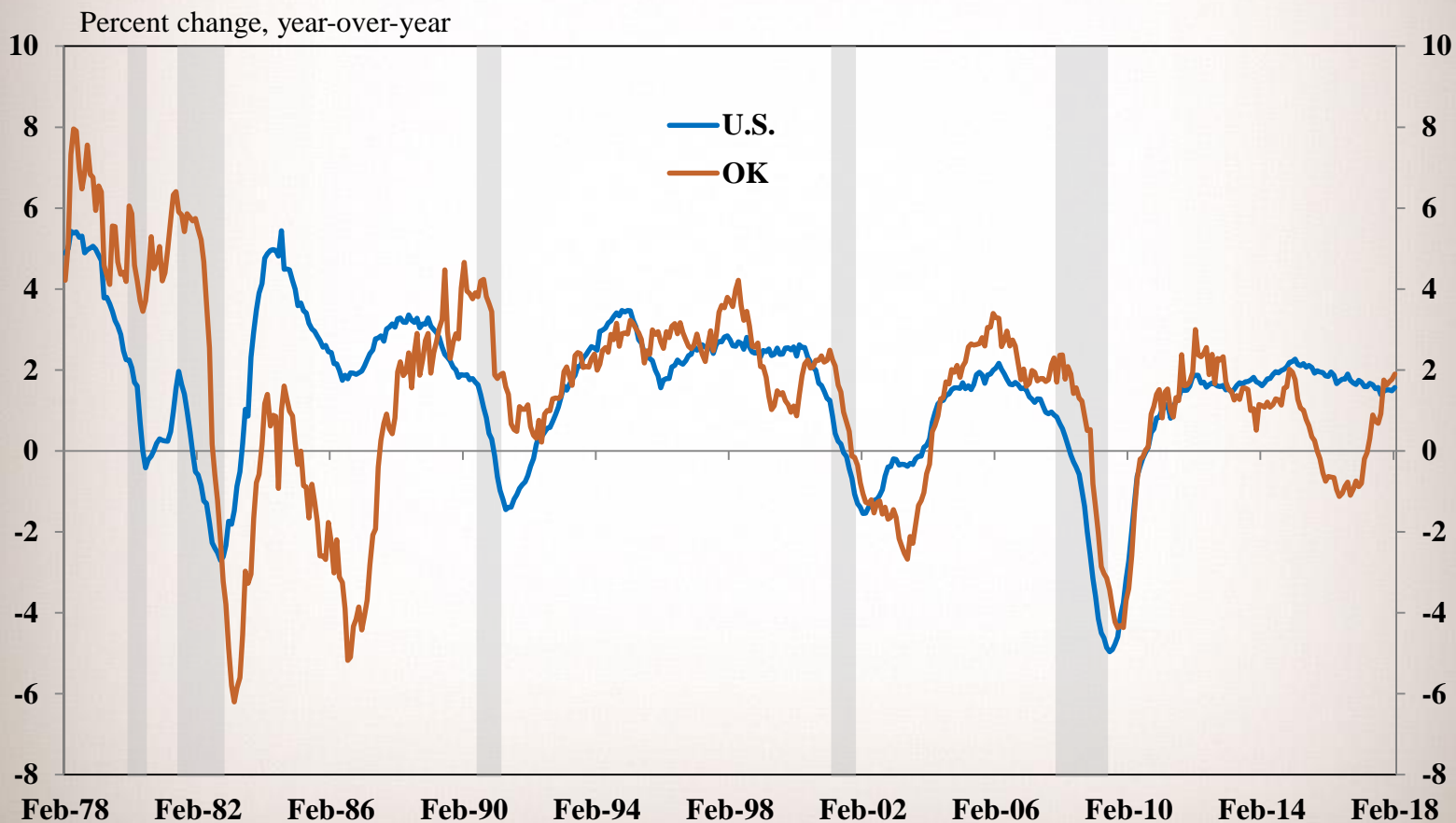
OK GDP has recovered from its downturn, and by mid-2017 was keeping pace with the U.S.

Real Gross Domestic Product



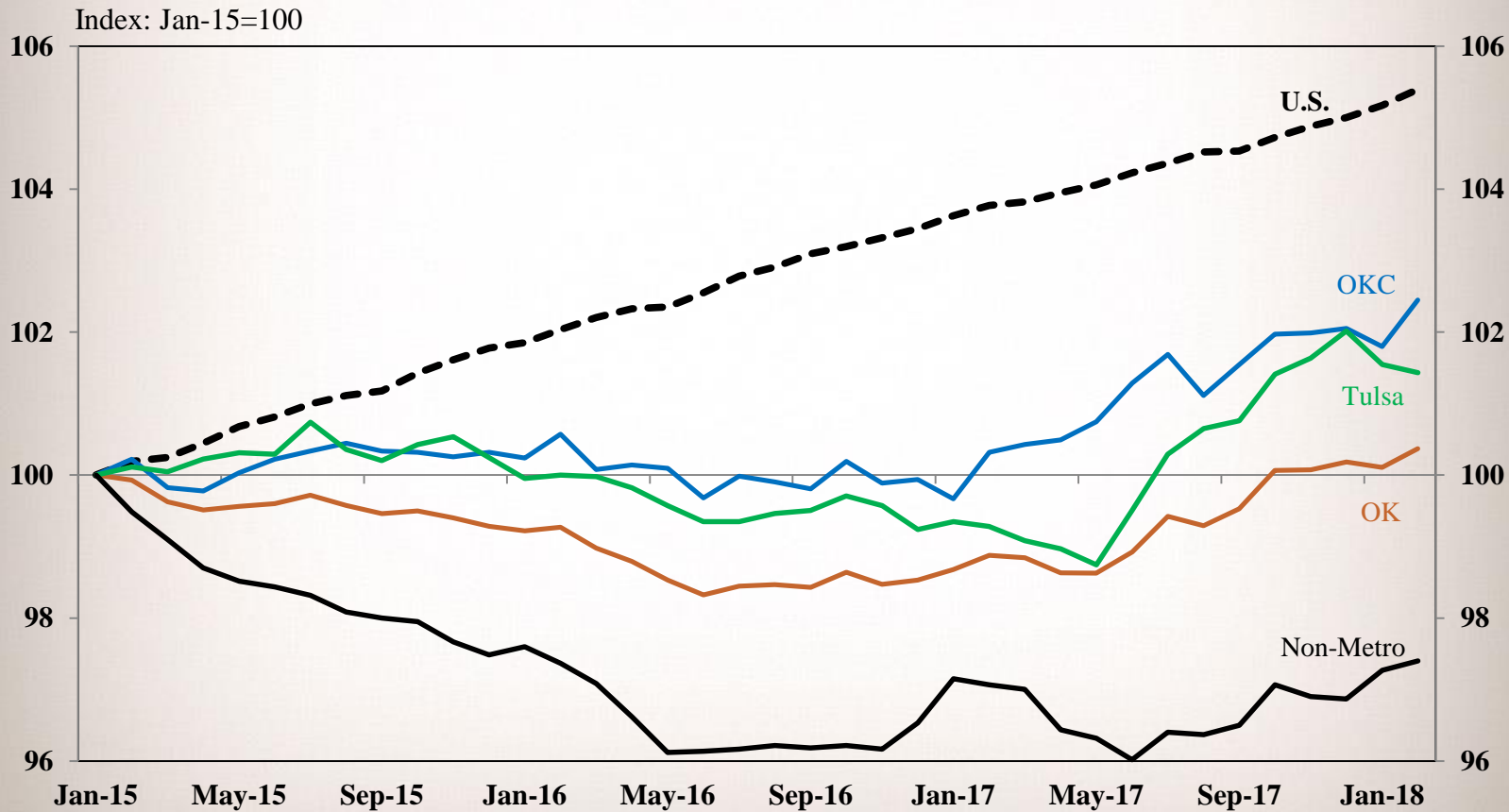
For jobs, 2015-16 was the largest divergence from the nation since the '80s, but the gap has closed

Payroll Employment Growth



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

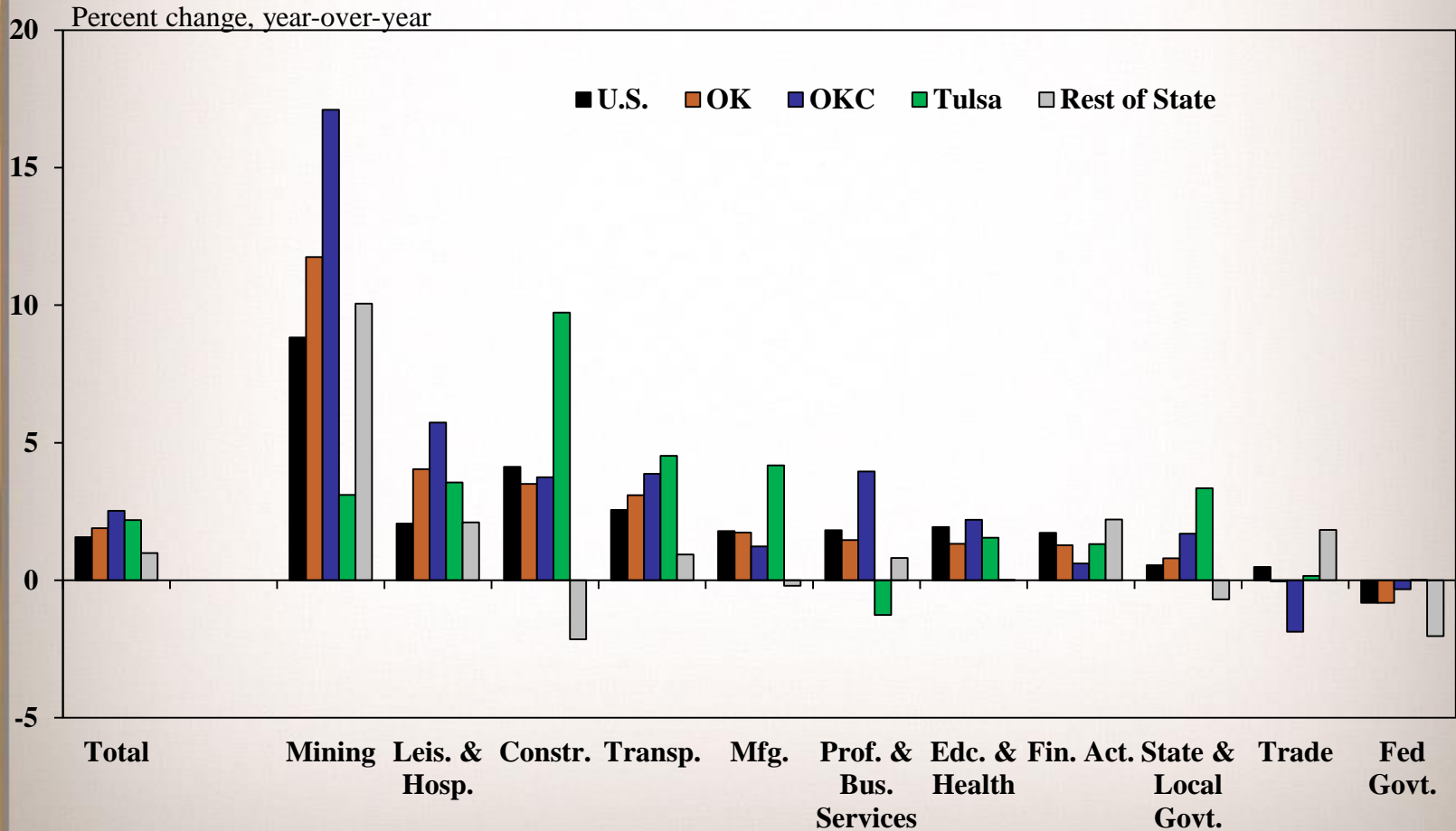
Level of Payroll Employment
Through February 2018



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

Oklahoma Job Growth by Industry

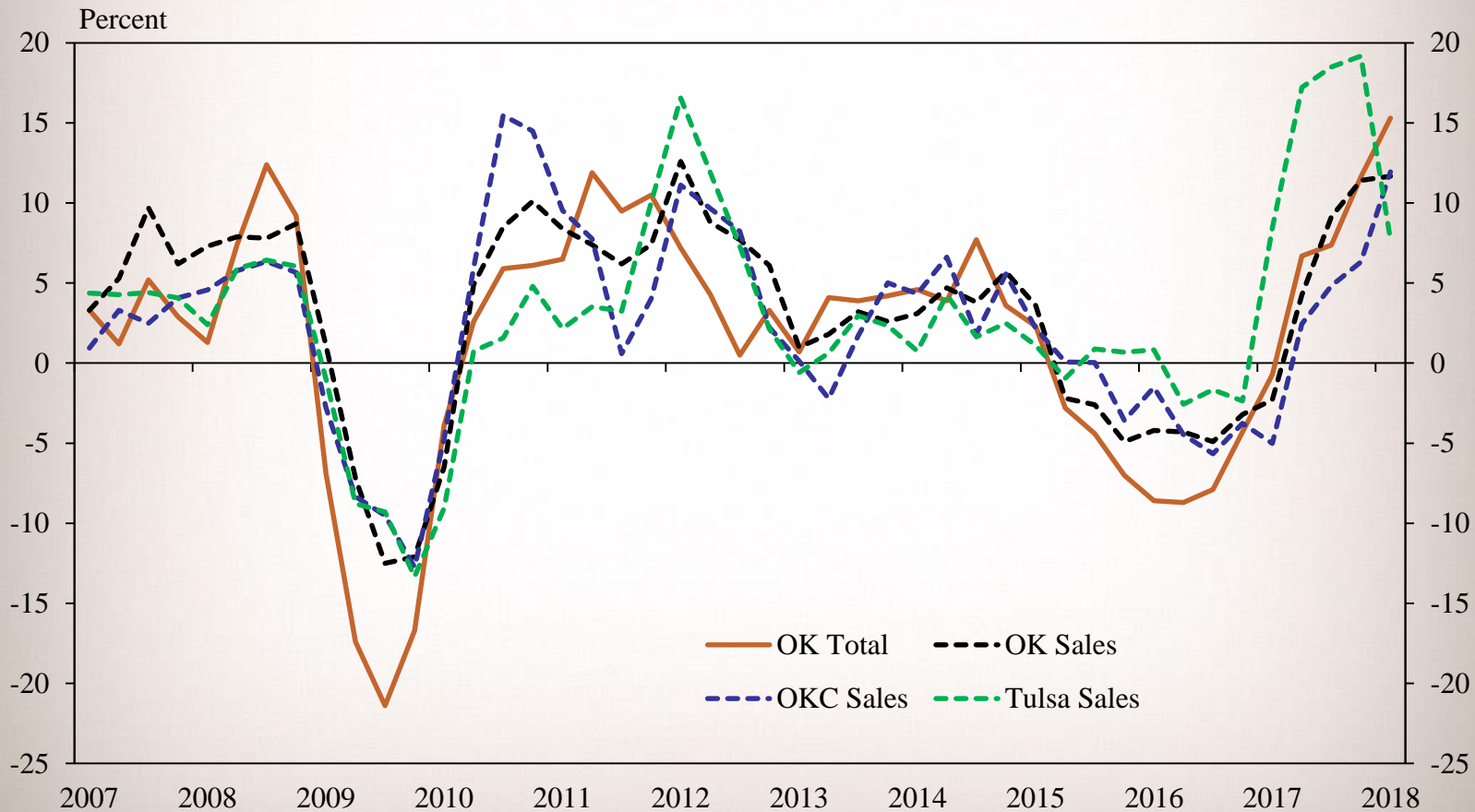
Feb-18



Source: Bureau of Labor Statistics

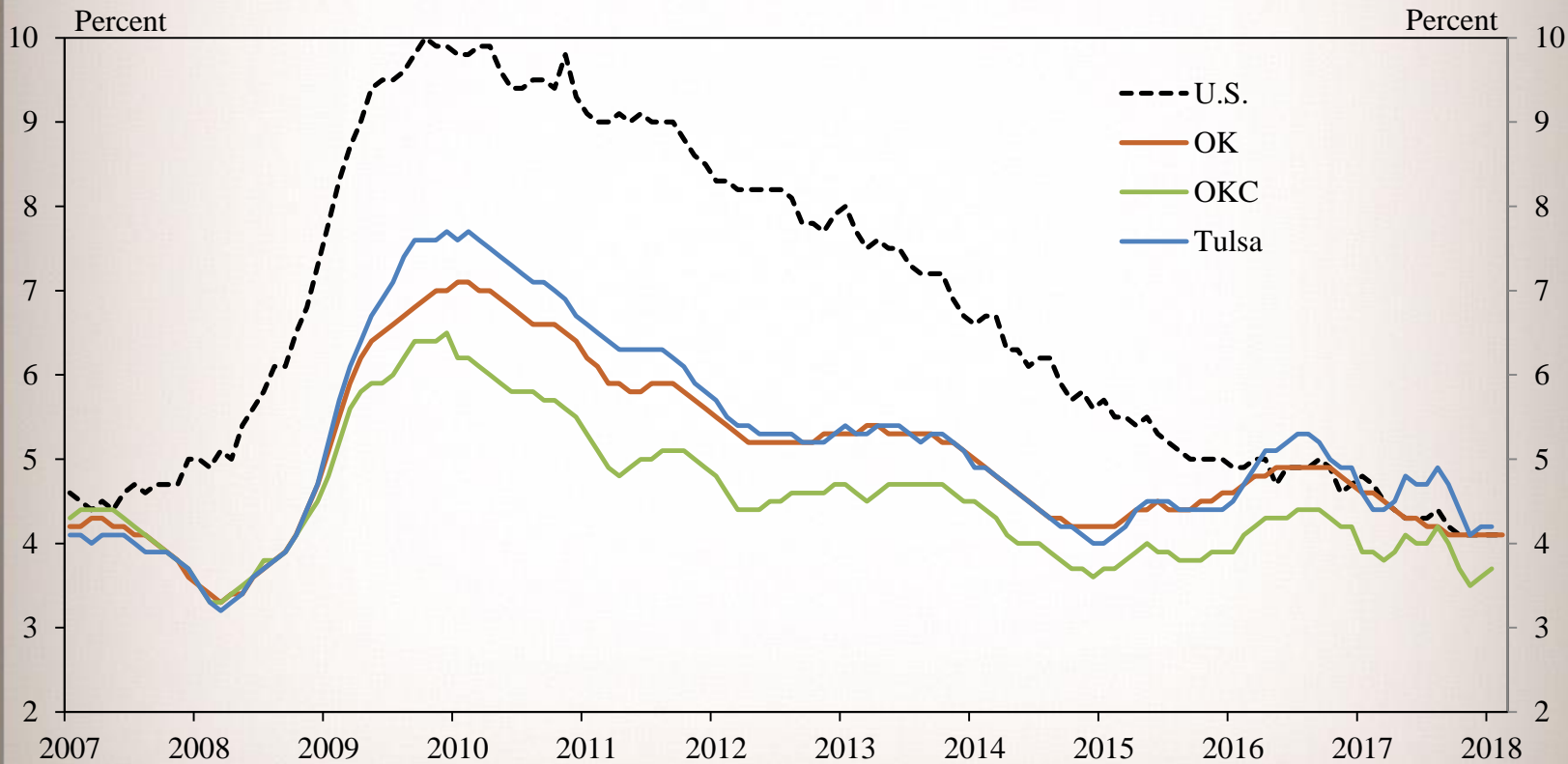
OK tax revenues improved following two tough years that remain challenges for the Legislature

Oklahoma State Tax Revenues
Q1-18 through February



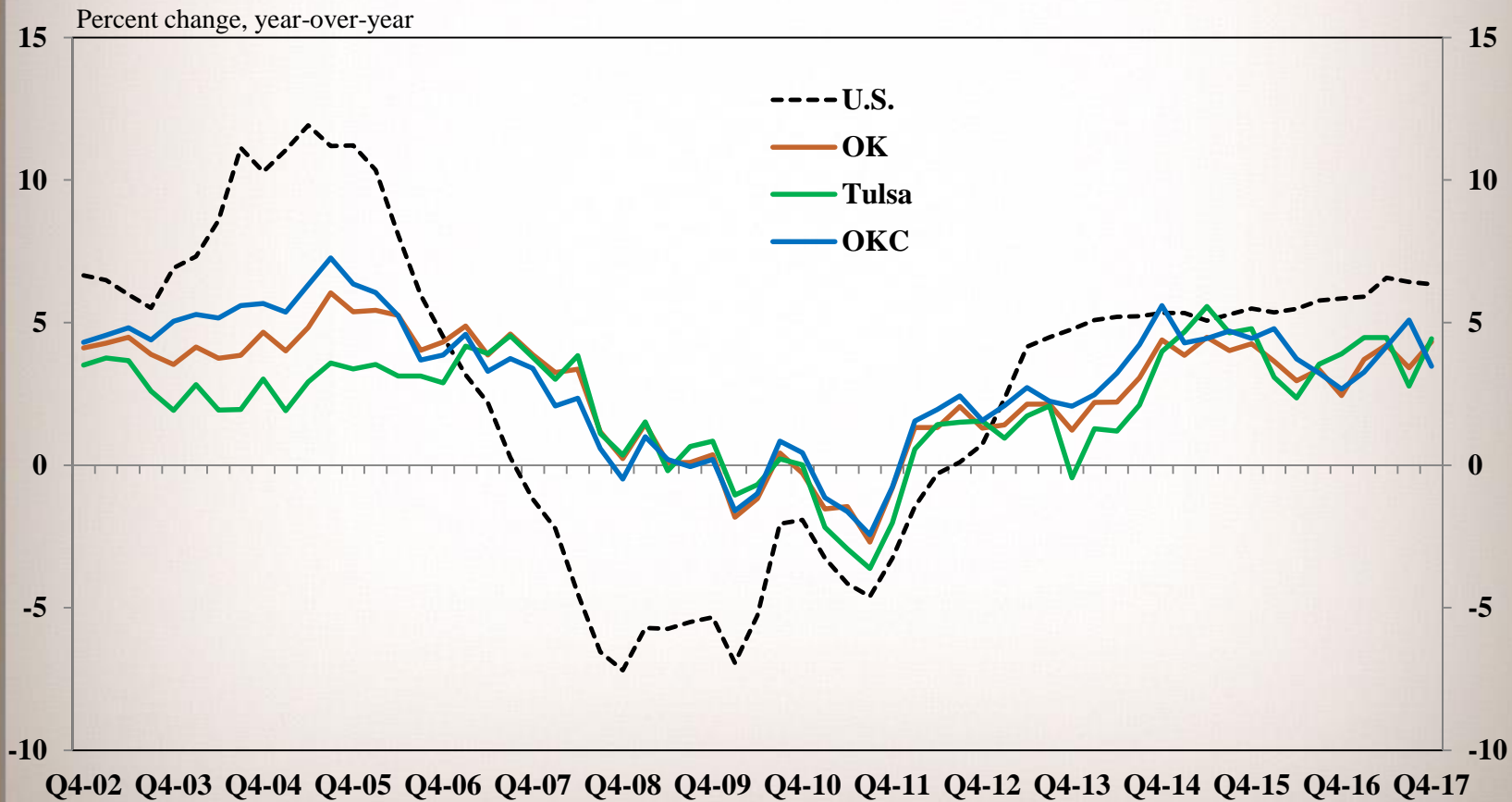
Unemployment throughout the state remains at or below the national level

Unemployment rates
Seasonally Adjusted



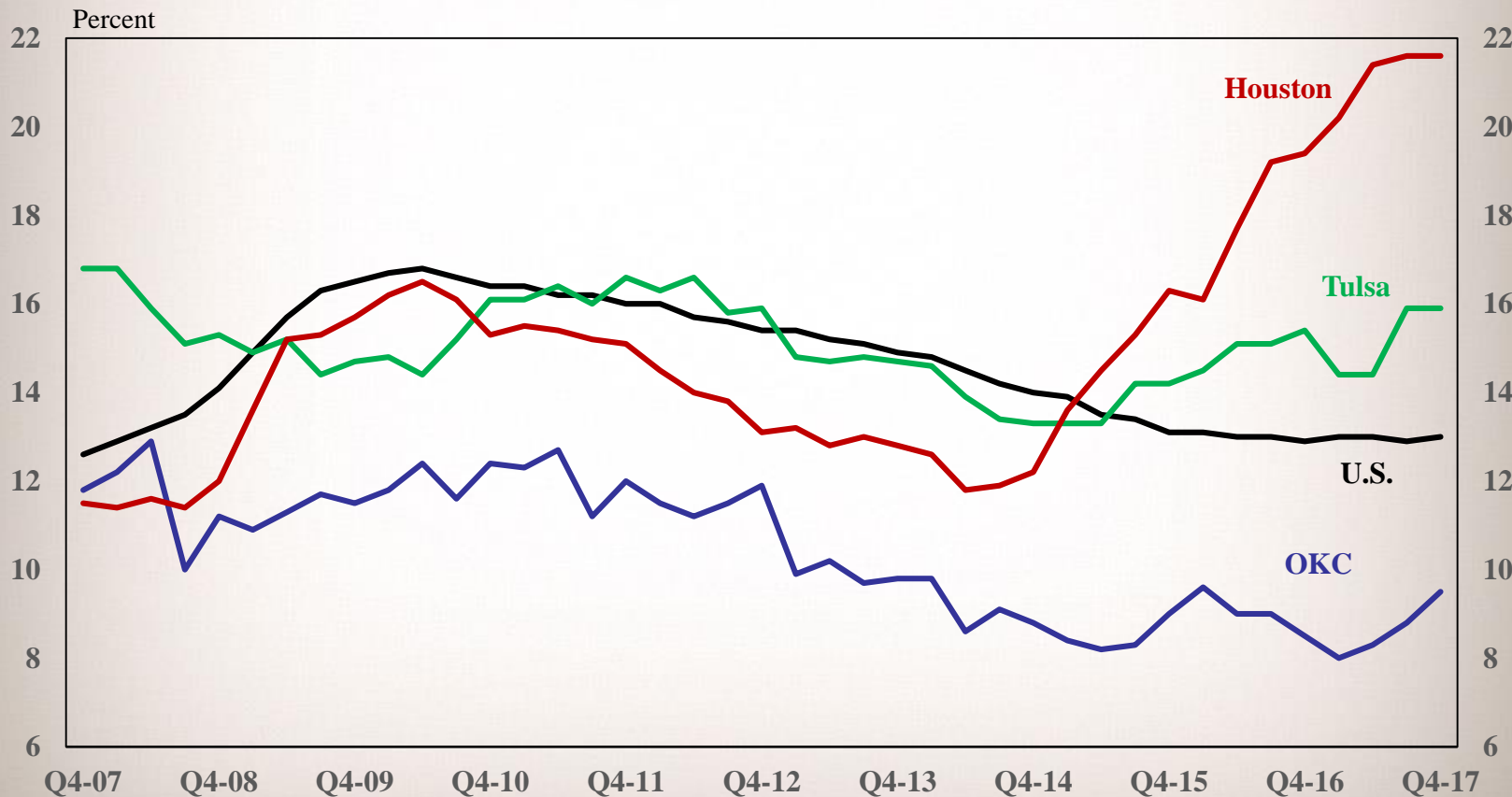
In housing, average home price growth across the state remains below the nation, but still positive

FHFA Home Price Index Seasonally Adjusted



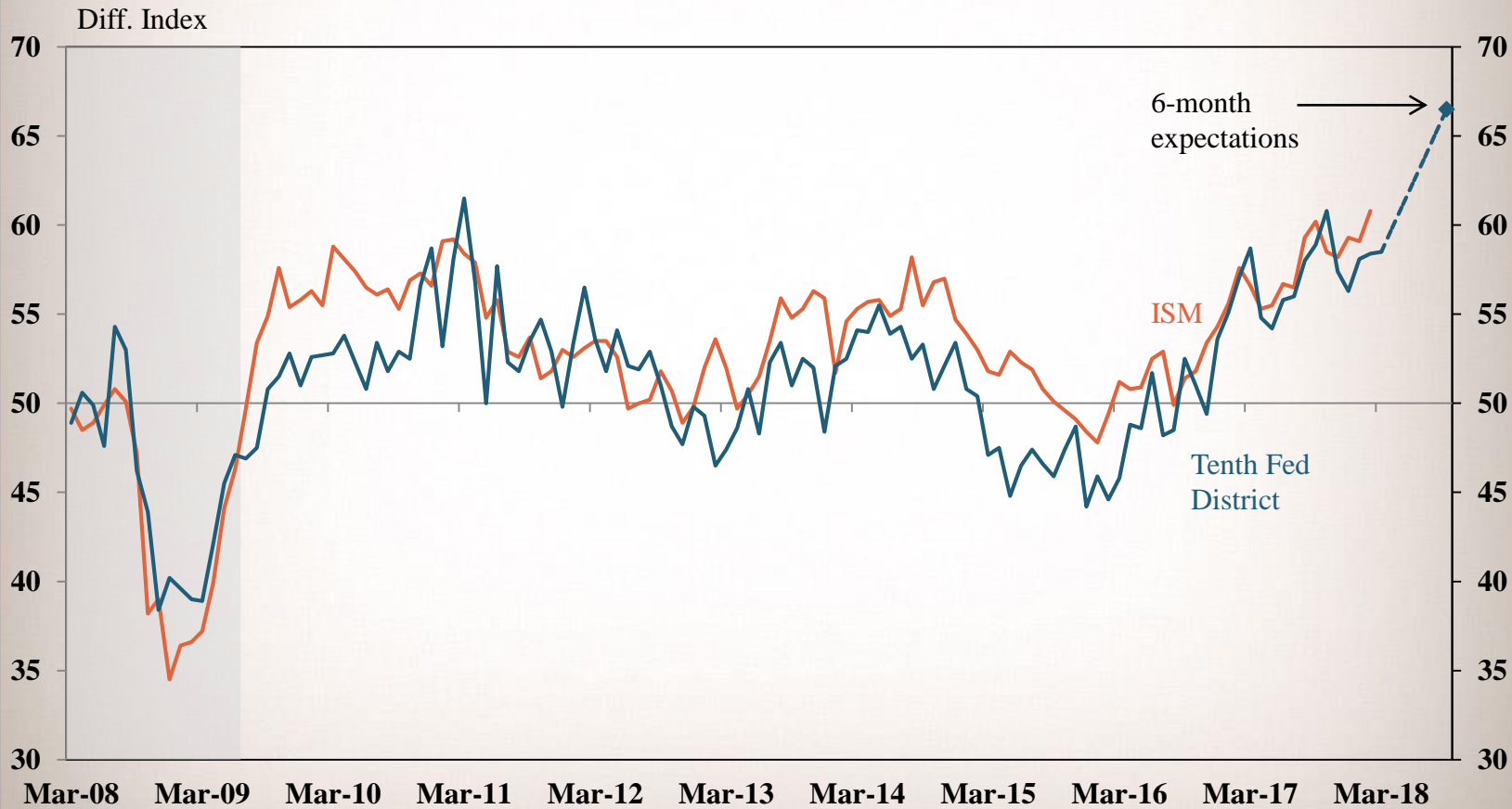
Office vacancy rates remain low in OKC, but slightly above the nation in Tulsa

Metro Office Vacancy Rates



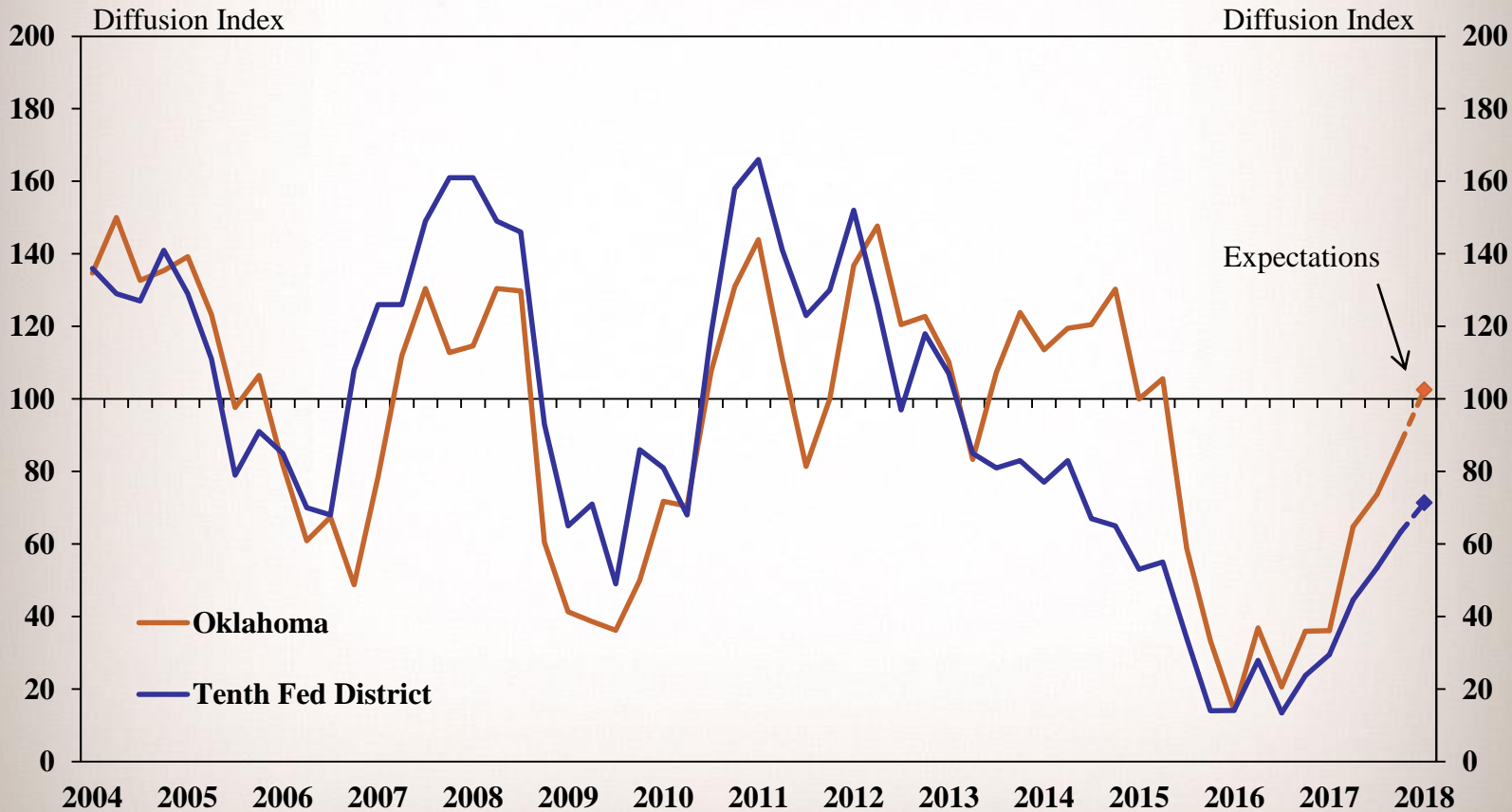
Regional factory activity has continued to improve in recent months, with optimism high

Manufacturing Composite Indexes, Seasonally Adjusted



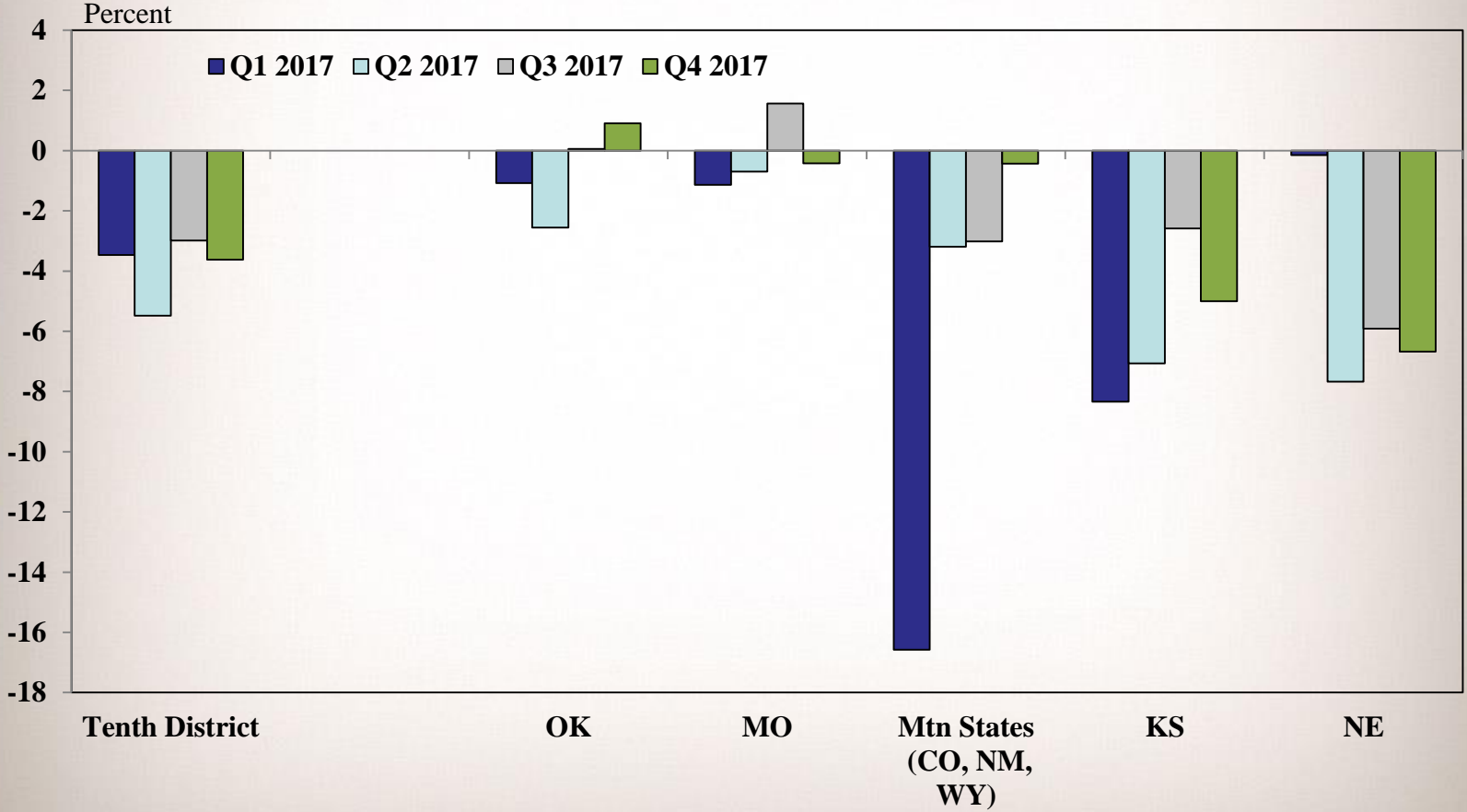
The Oklahoma agriculture sector has shown some signs of stabilizing, with expectations improving

Farm Income Indexes



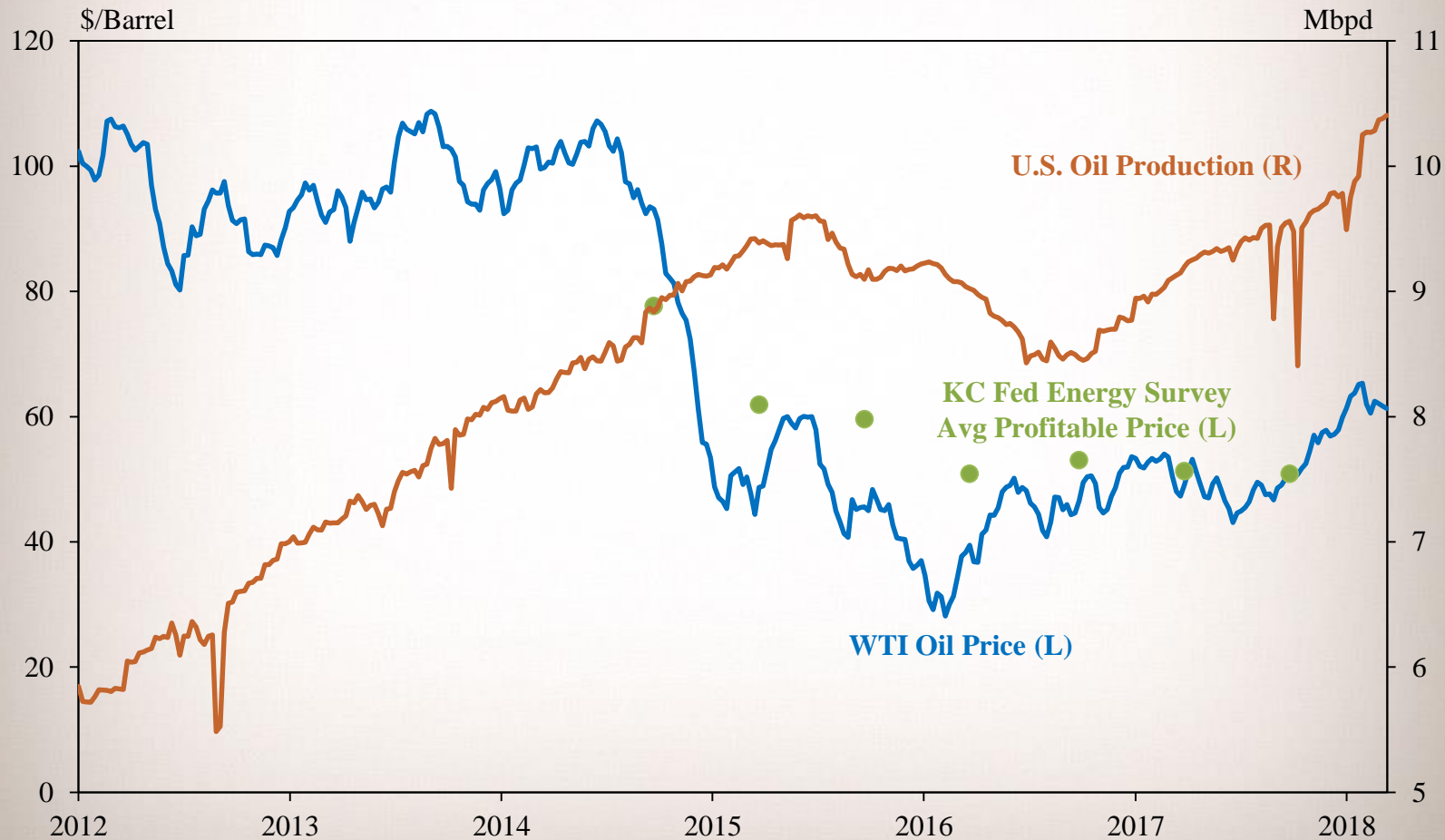
OK farmland values improved in Q4, and are more favorable than other parts of the District

Tenth District Farmland Values
Percent Change, Year-over-year



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

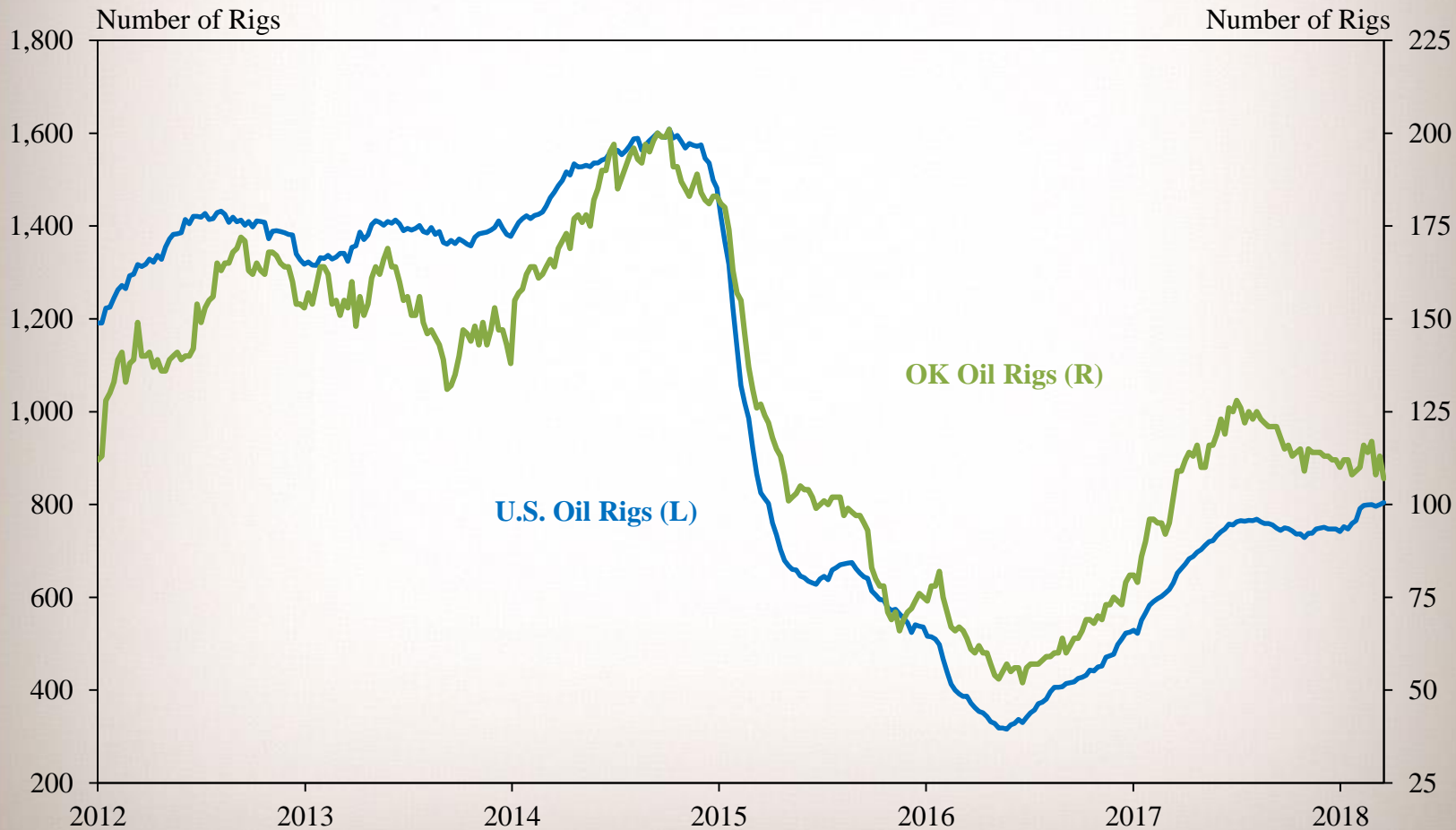
WTI Spot Price vs. Energy Survey Profitable Price vs. Oil Production



Source: EIA, FRBKC Energy Survey

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?

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