

# U.S. and Regional Economic Outlook



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# Overview 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

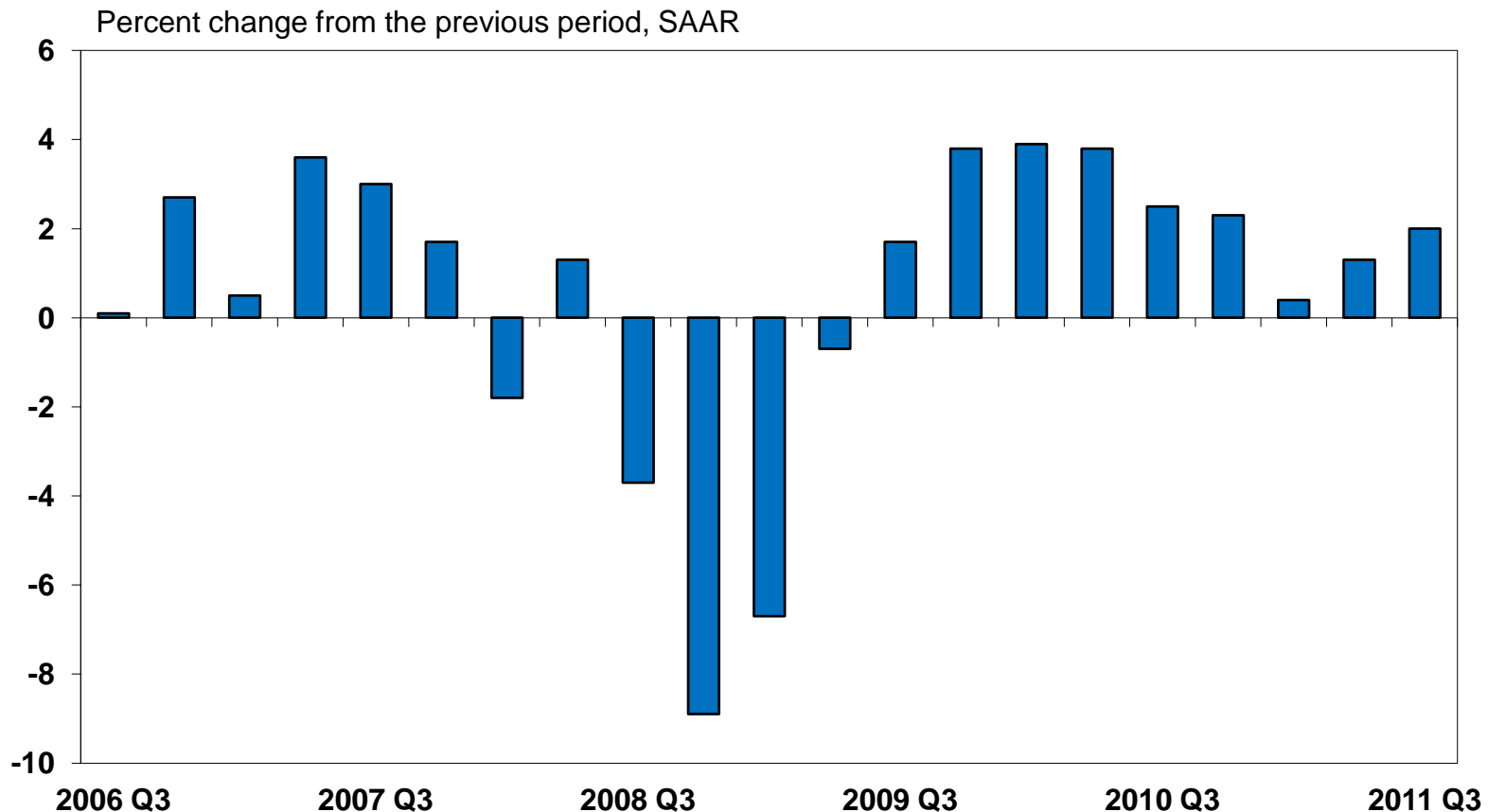


# The U.S. Economy



# Real GDP growth picked up somewhat in Q3, but still remains moderate

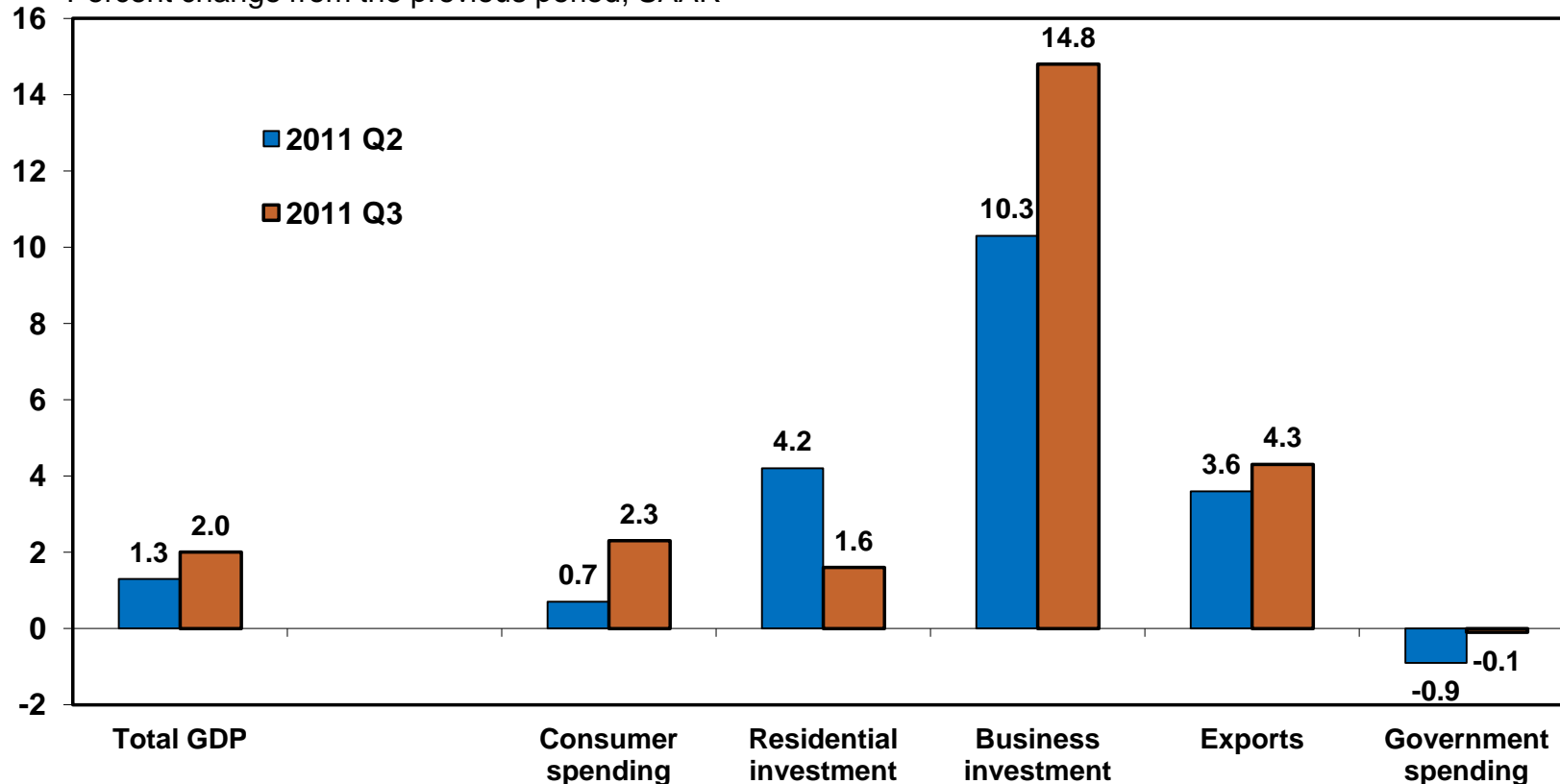
## U.S. Real Gross Domestic Product



# Business investment was strong, exports grew further, and consumers spent more

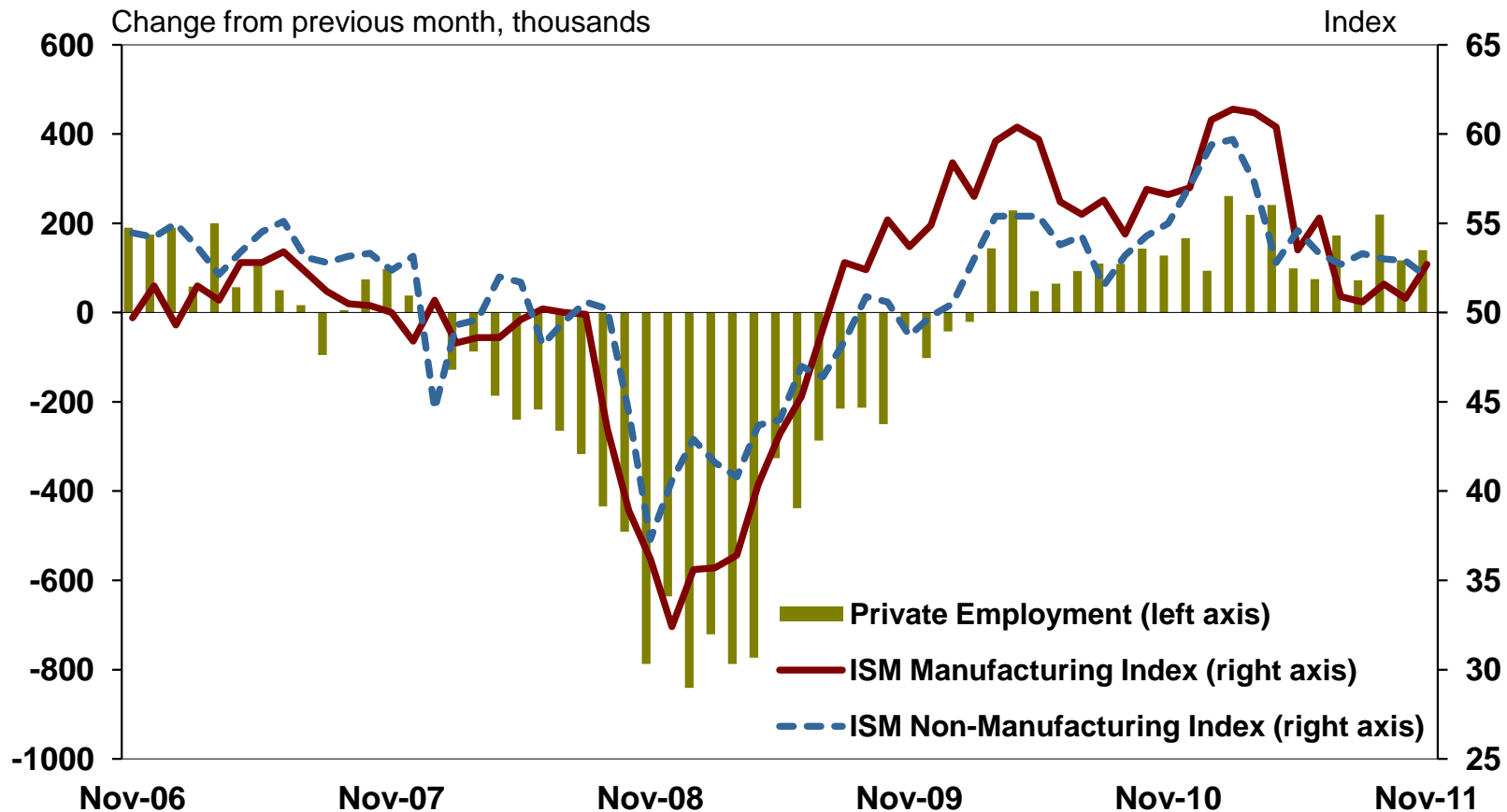
## Growth in Components of Real GDP

Percent change from the previous period, SAAR



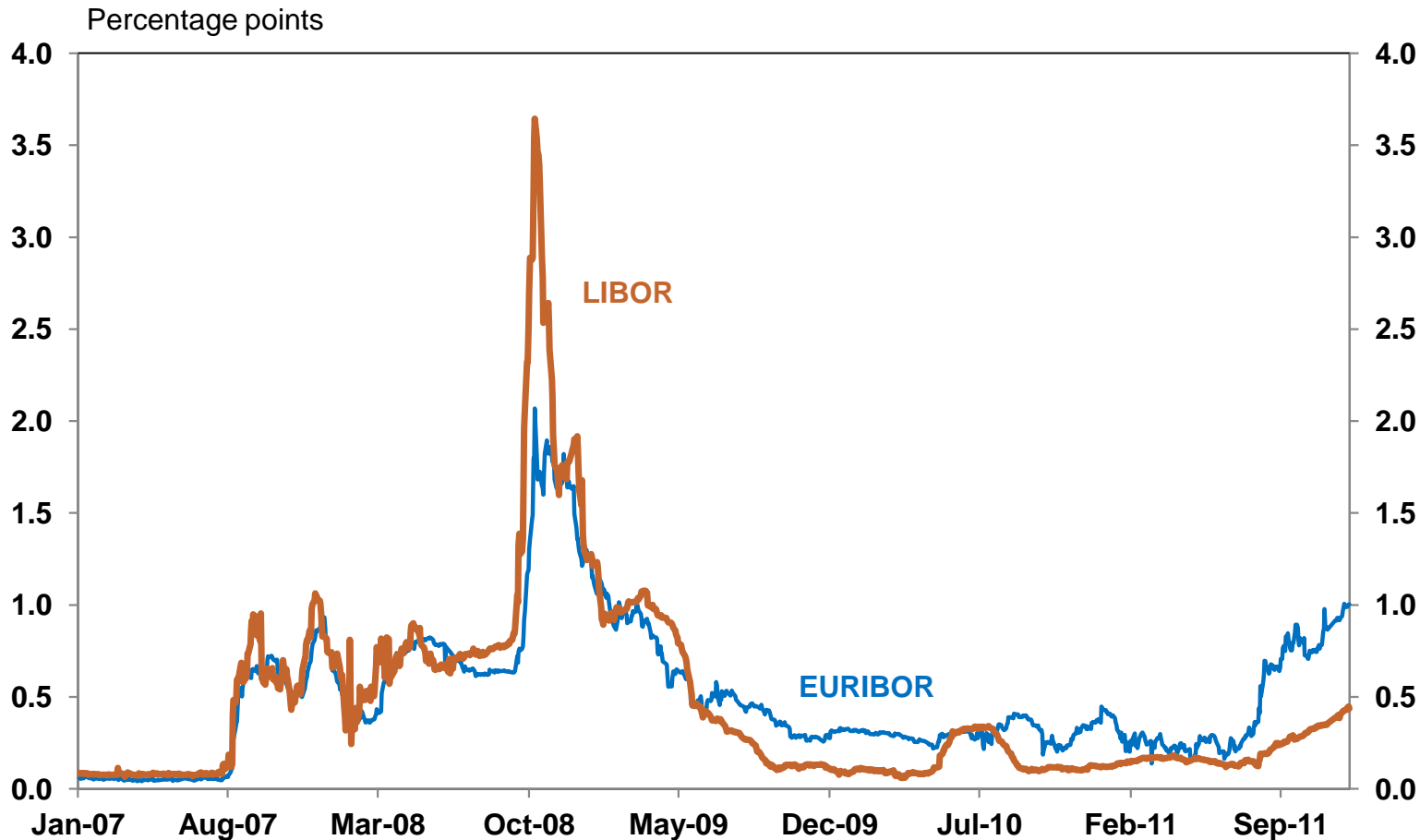
# Monthly indicators through November suggest continued moderate growth

## U.S. Private Payroll Employment and Business Indexes



# Financial stress in Europe remains the biggest risk to U.S. and world growth

## 3-month EURIBOR & LIBOR Spreads (to OIS)



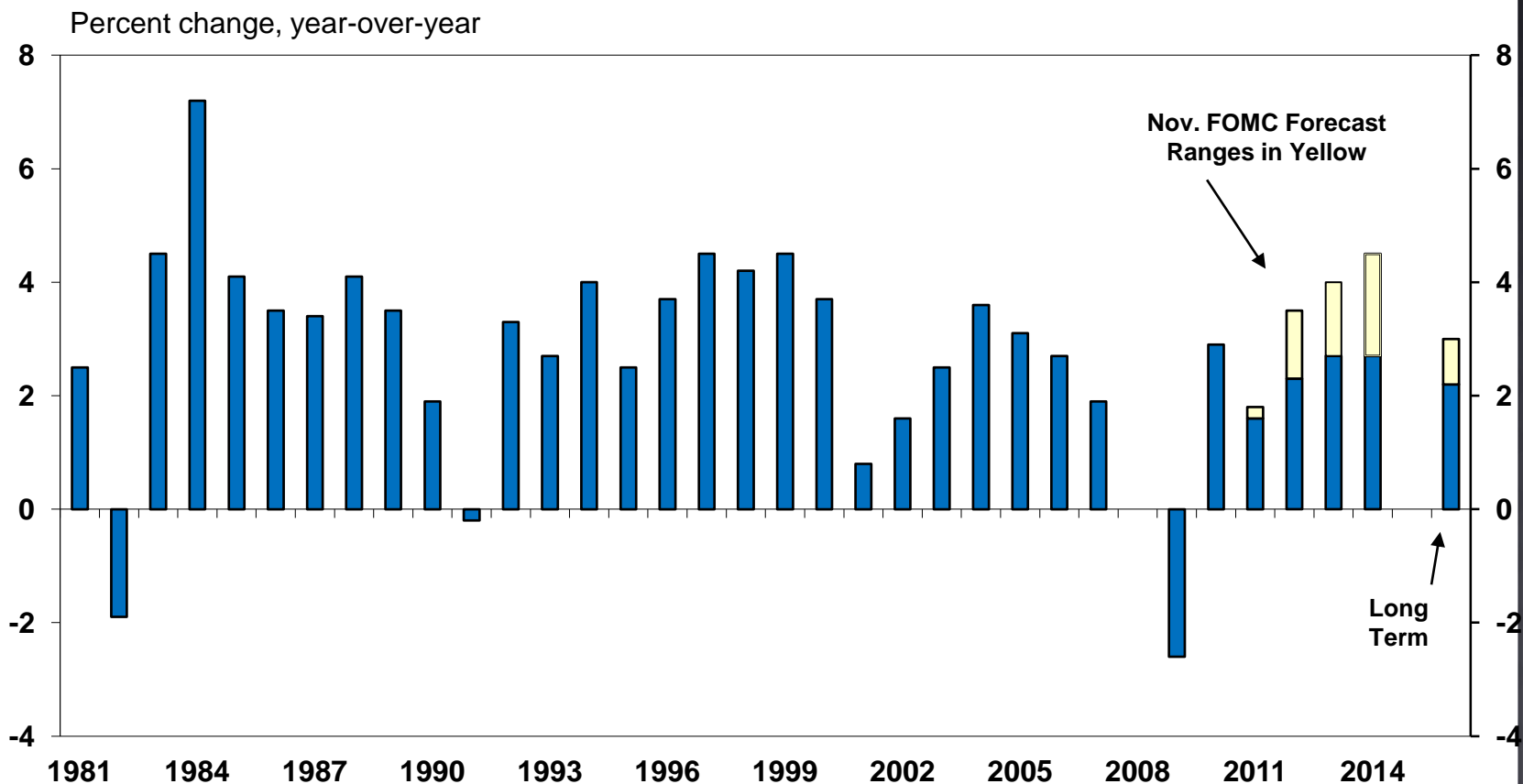
Source: Bloomberg





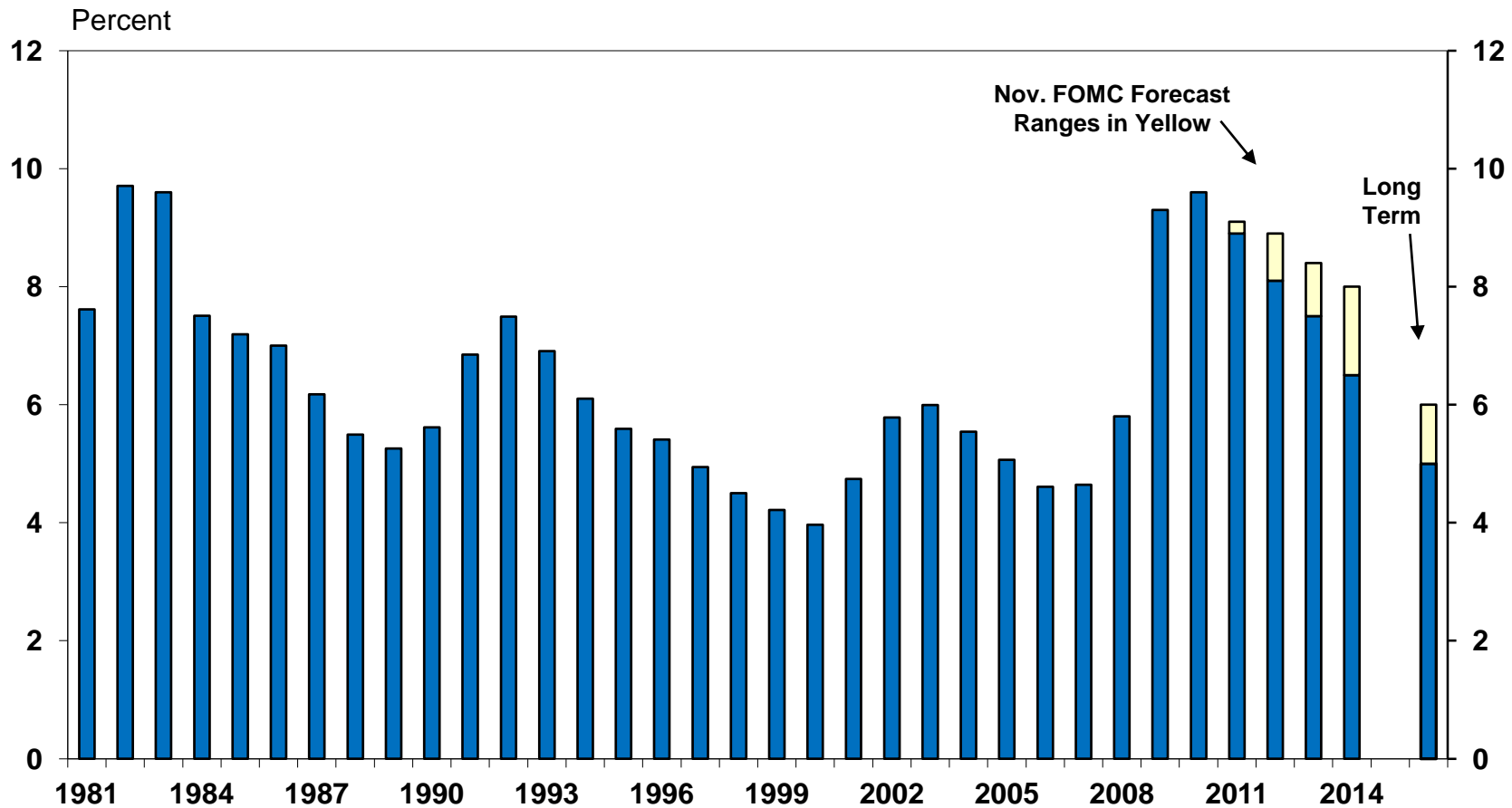
# At its November meeting, the FOMC expected fairly solid U.S. GDP recovery

## Real Gross Domestic Product



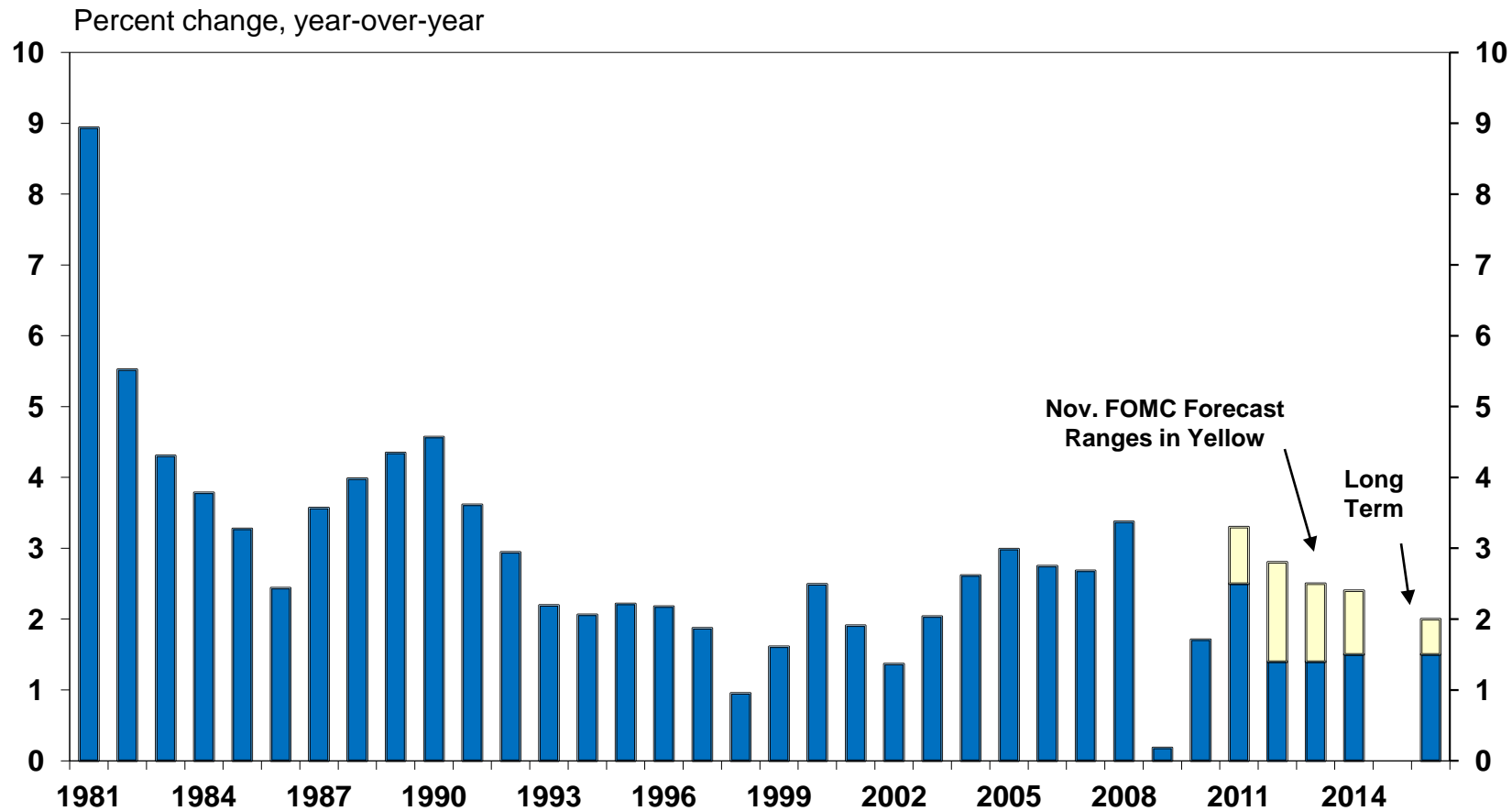
# But for unemployment to only come down slowly the next few years

## Unemployment Rate Seasonally Adjusted



# And for inflation pressures to ease slightly after rising with oil and food prices in 2011

## PCE Inflation Index



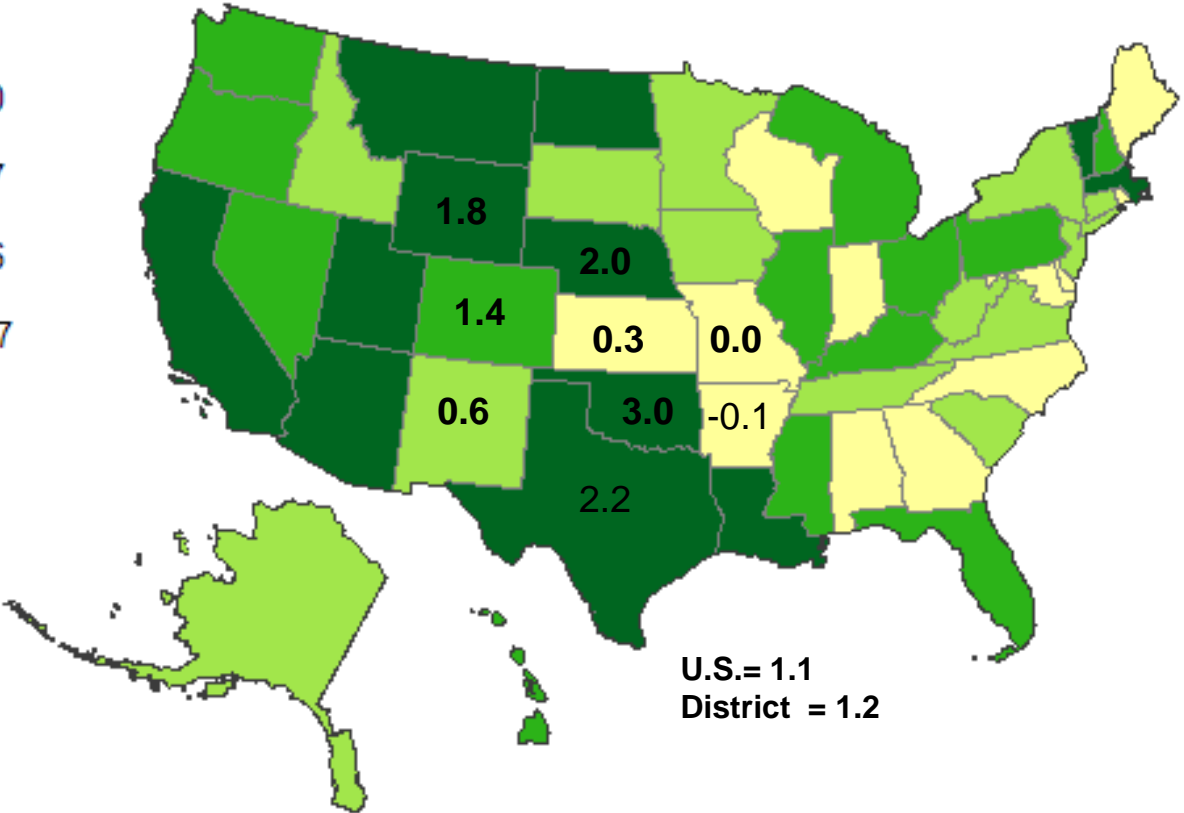
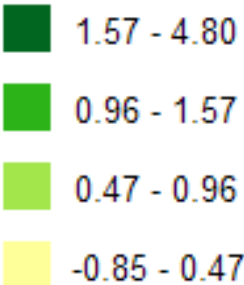
# **Regional and Industry Outlook**



# There is considerable variation in economic growth across the nation—and region

**Employment Growth, Year-over-Year (percent)**  
October 2011

Scale



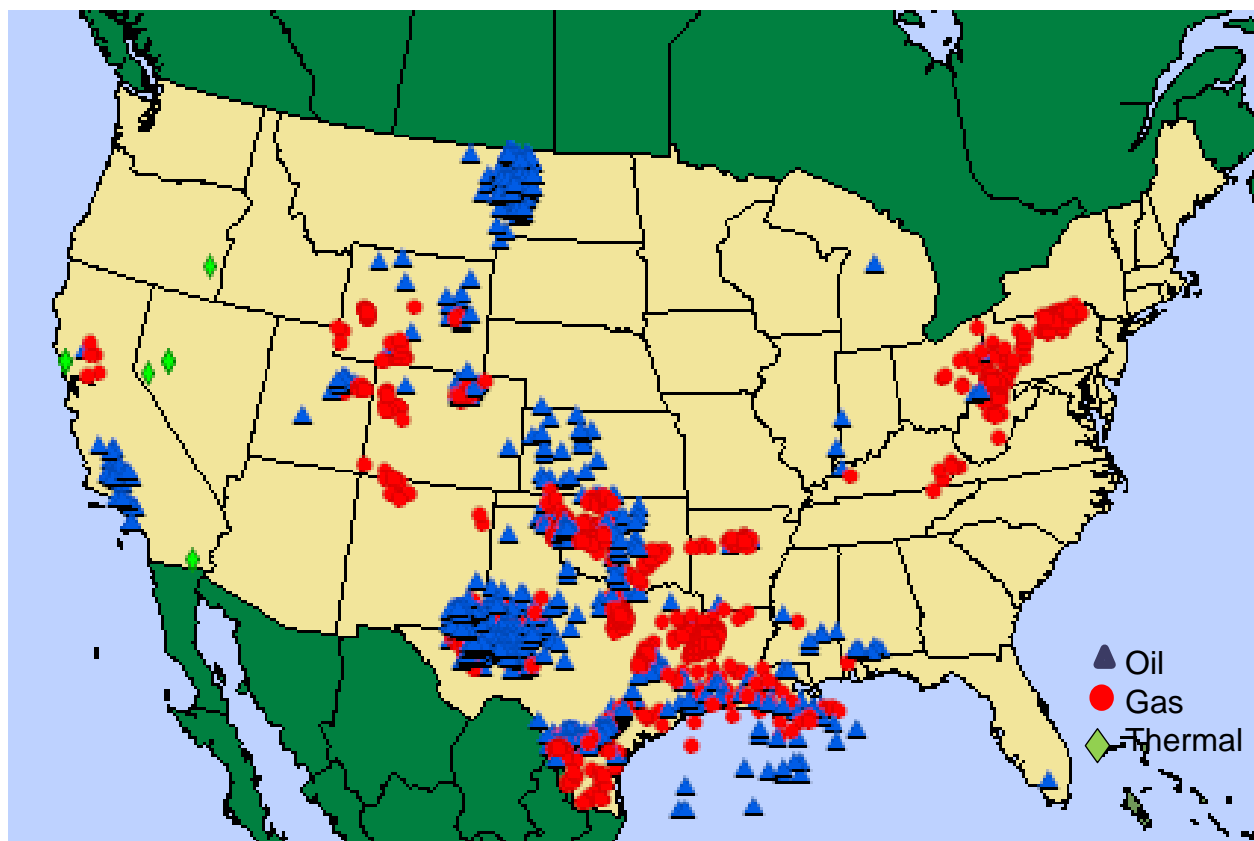
Source: U.S. Bureau of Labor Statistics



# States with high concentrations of energy activity tend to be doing the best right now

## Location of U.S. Drilling Rigs

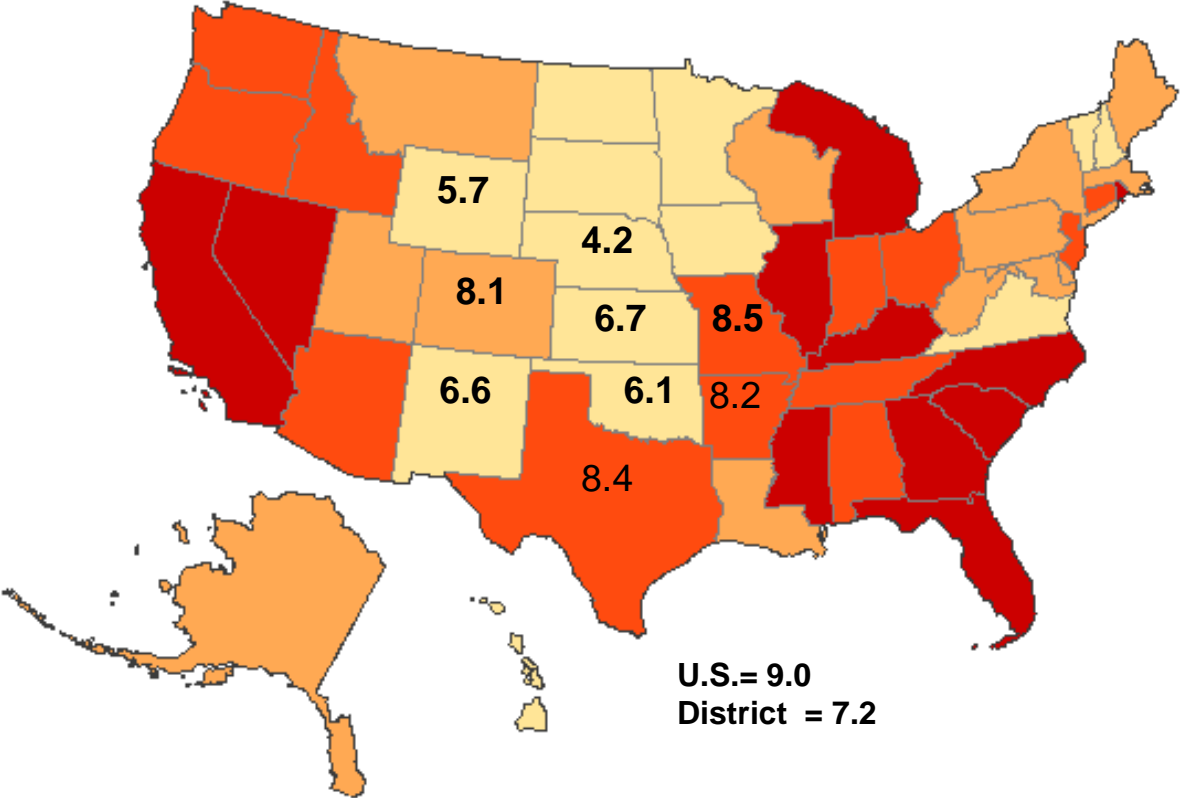
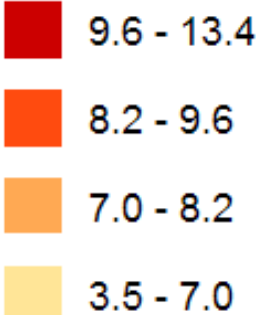
October 2011



# Unemployment rates throughout our region remain lower than in the nation

**Unemployment Rate (percent)**  
October 2011

Scale



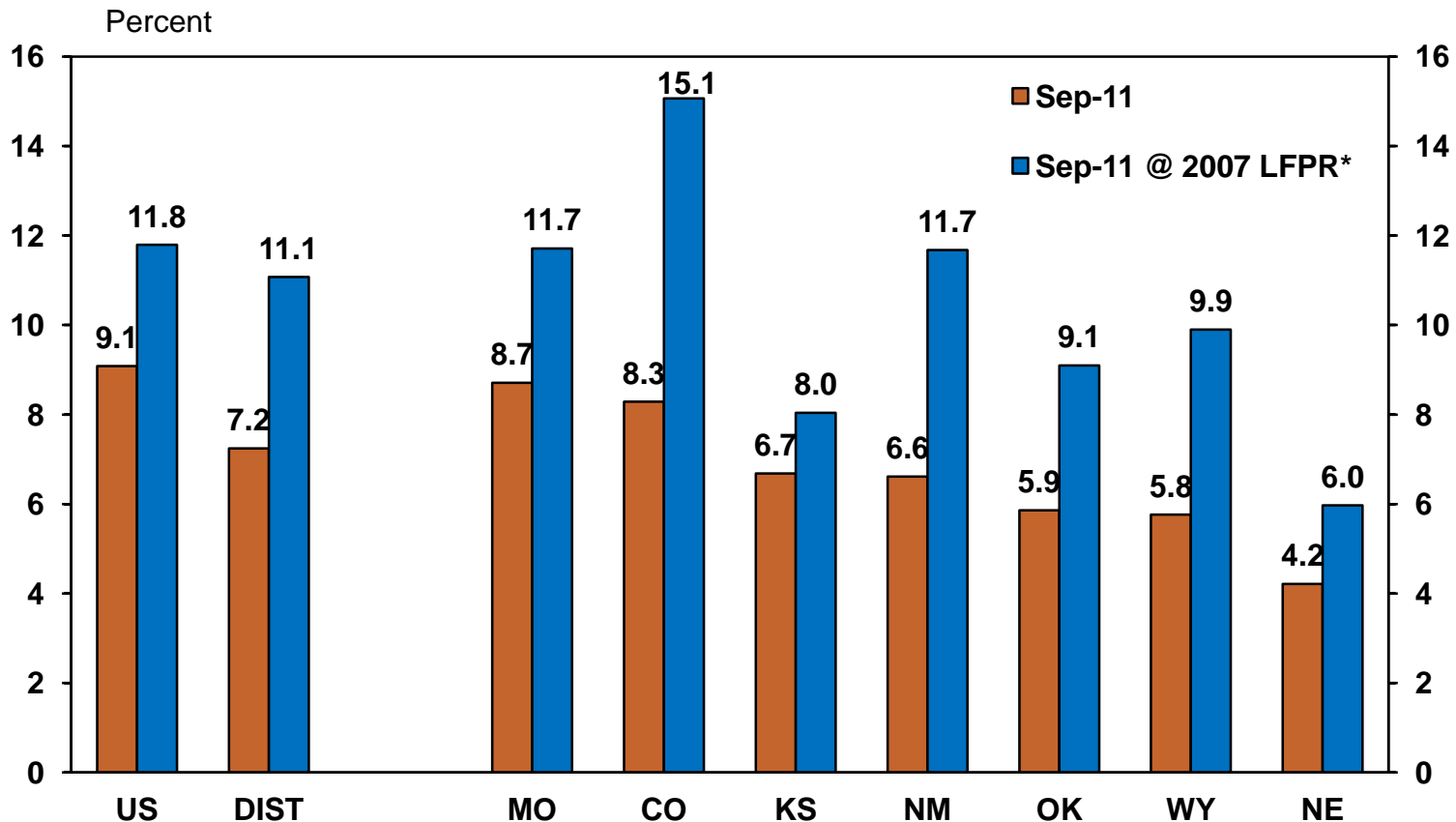
**U.S. = 9.0**  
**District = 7.2**

Source: U.S. Bureau of Labor Statistics



# However, labor markets may not be overly tight due to labor force dropouts

**Unemployment Rate by State**  
Seasonally Adjusted



\*LFPR= Labor Force Participation Rate

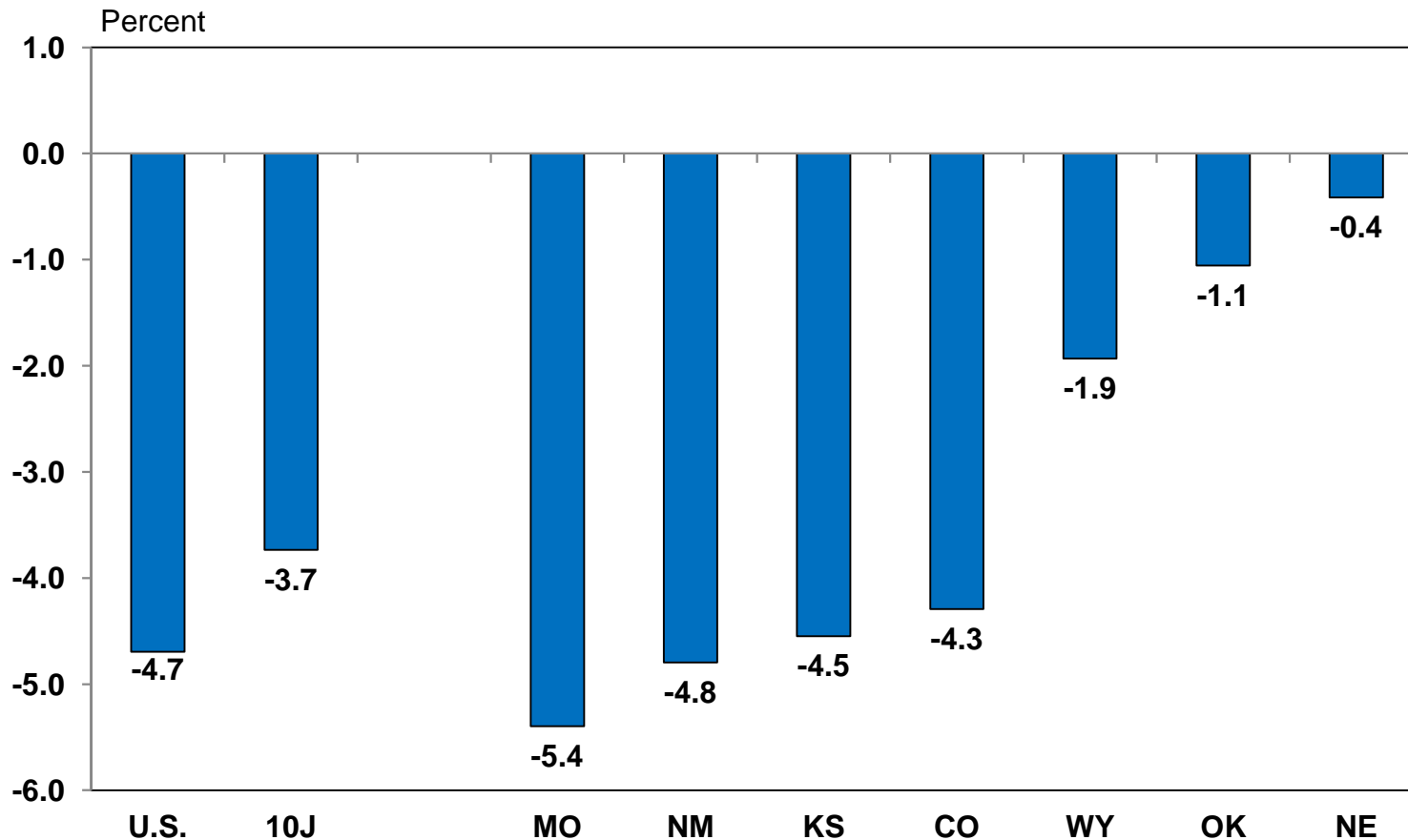
Source: Bureau of Labor Statistics





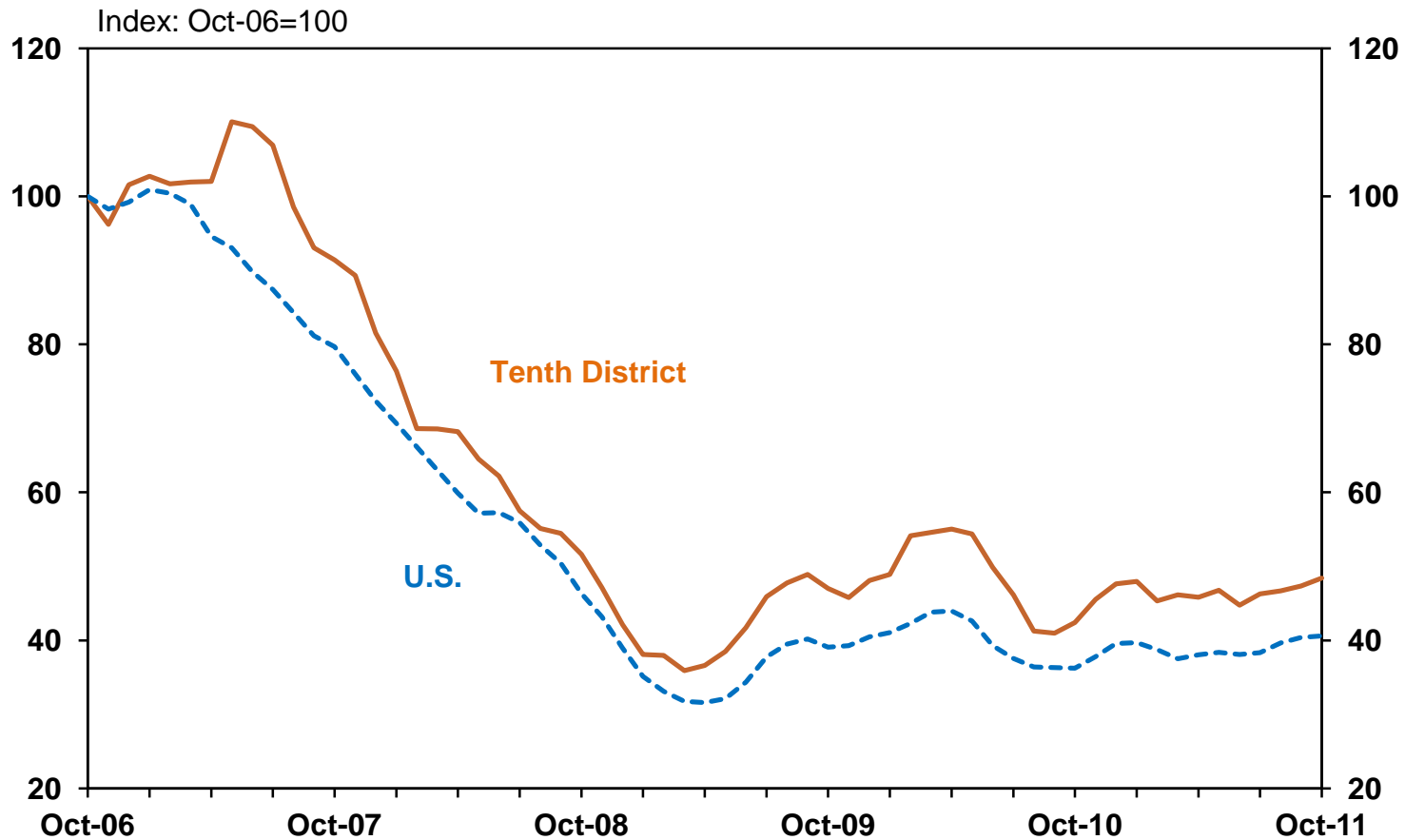
# And while some District states are nearing pre-recession job levels, others are not

**Change in Employment Since January 2008**  
Seasonally Adjusted



# Residential construction activity in both the nation and region remains sluggish

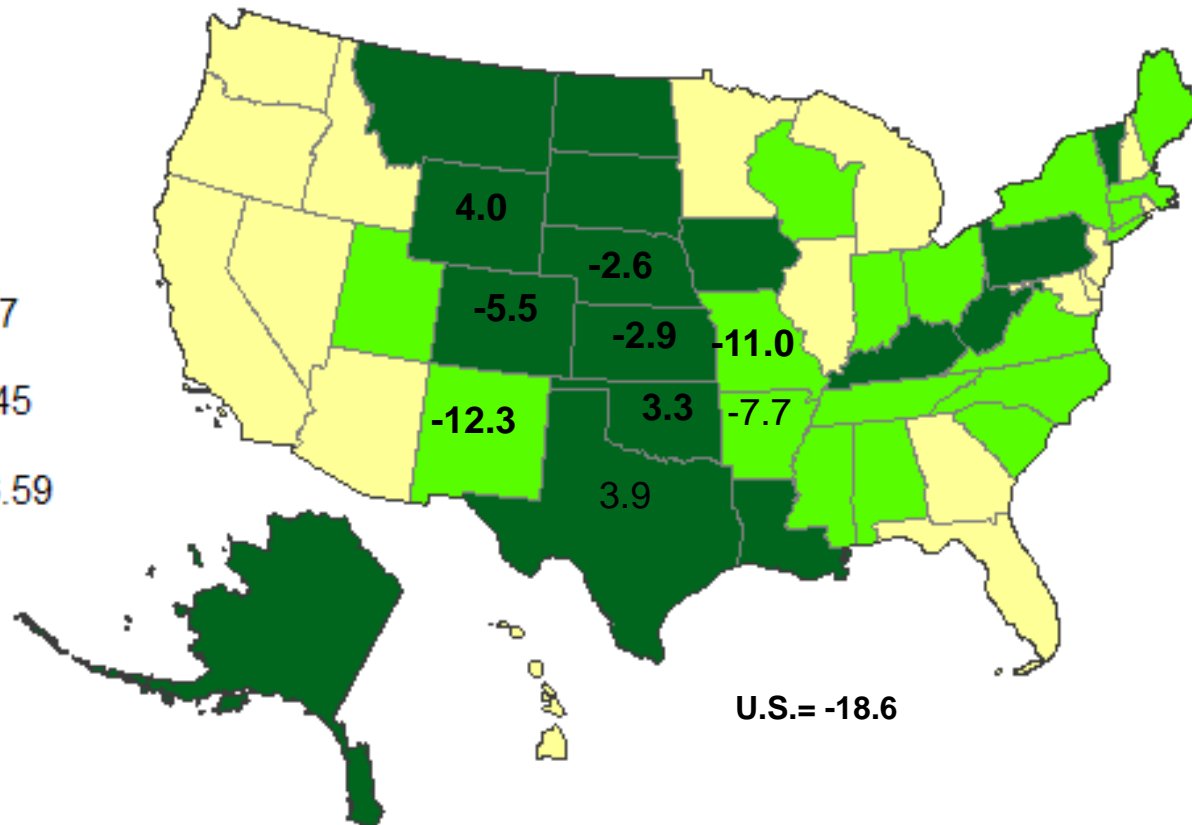
**Value of Residential Construction Contracts**  
Seasonally Adjusted



But home prices in most of our region, including Oklahoma, have held up much better

**Five-Year Change in Home Prices**  
Purchase-Only, 2011 Q3 (percent)

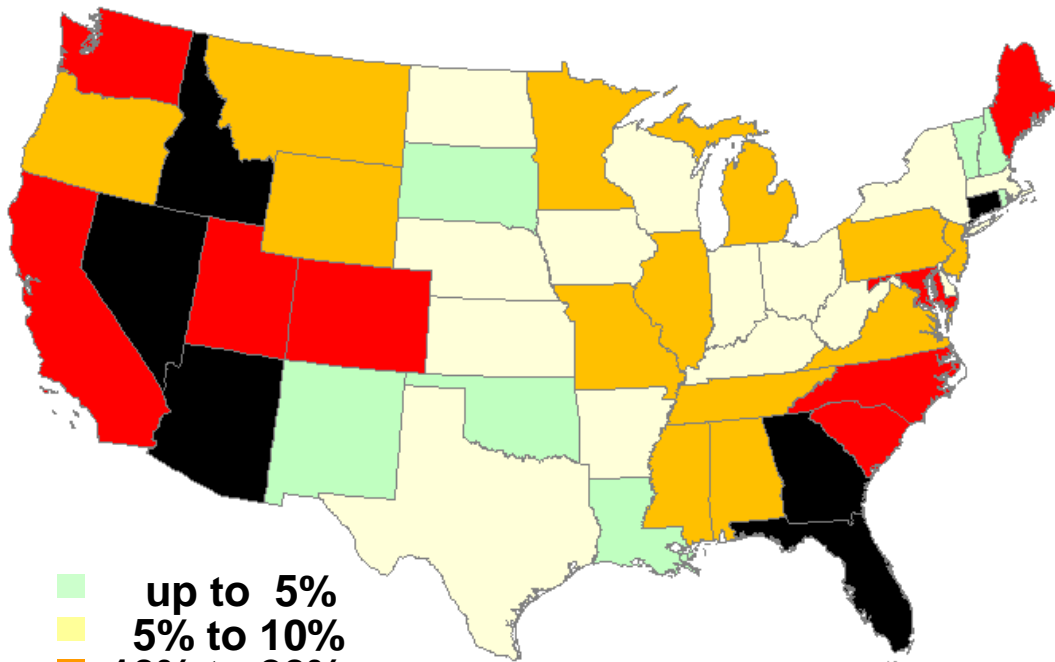
Scale



# Fewer real estate problems also means banks in the region remain in better condition

## Percent of Banks Experiencing a Loss

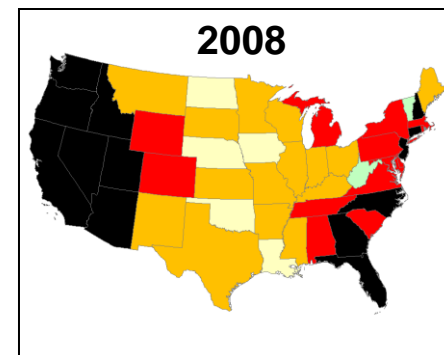
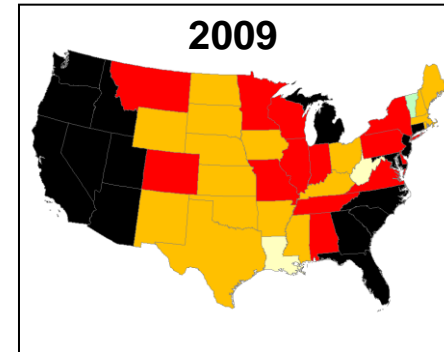
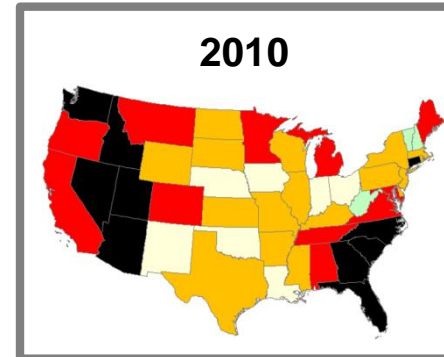
June 30, 2011



- up to 5%
- 5% to 10%
- 10% to 20%
- 20% to 40%
- 40% +

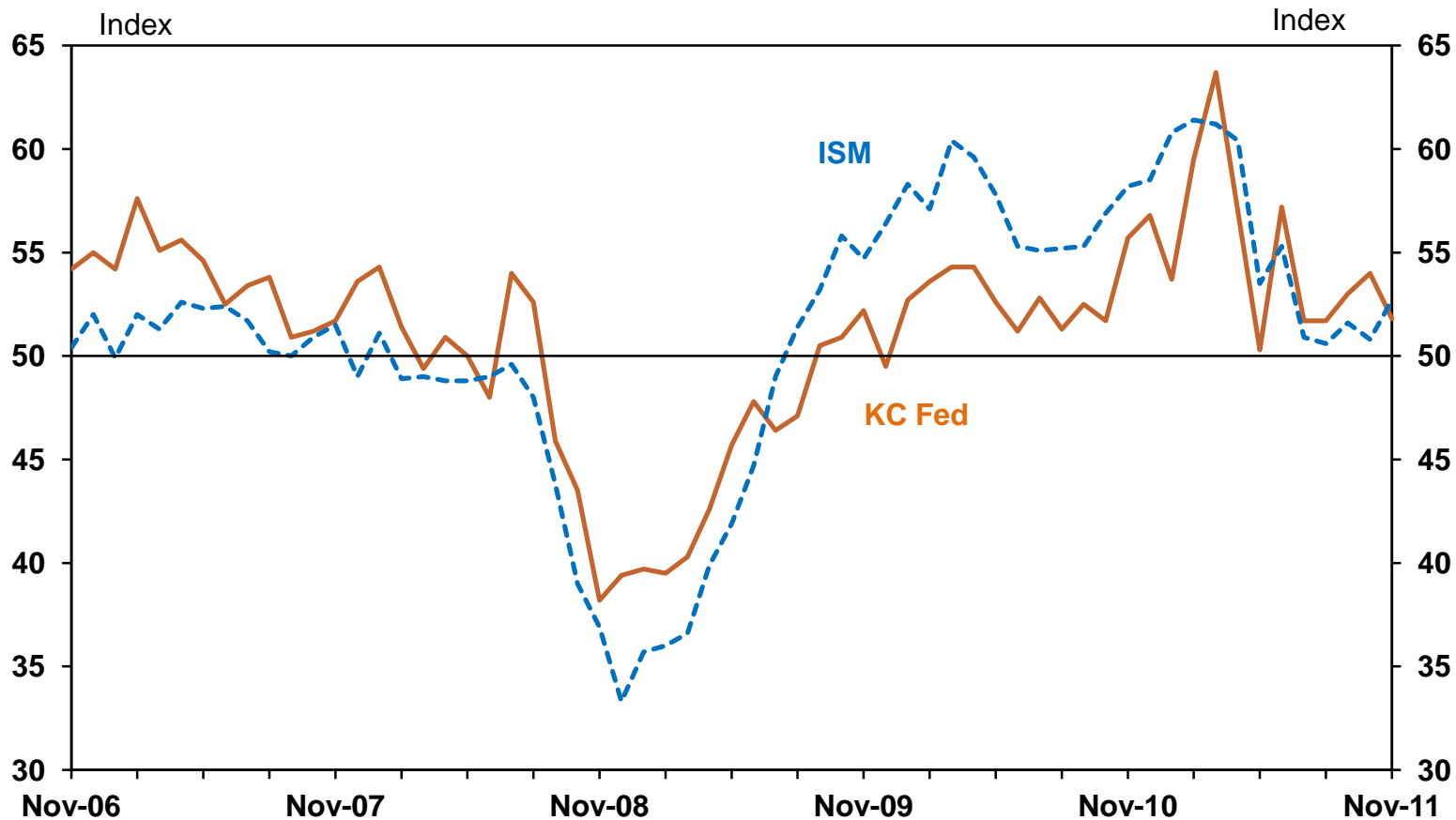
\* Percentage of banks with negative net income (YTD)

Source: Reports of Condition and Income



# Manufacturing growth remains moderate in both the nation and our region

## Manufacturing Composite Indexes



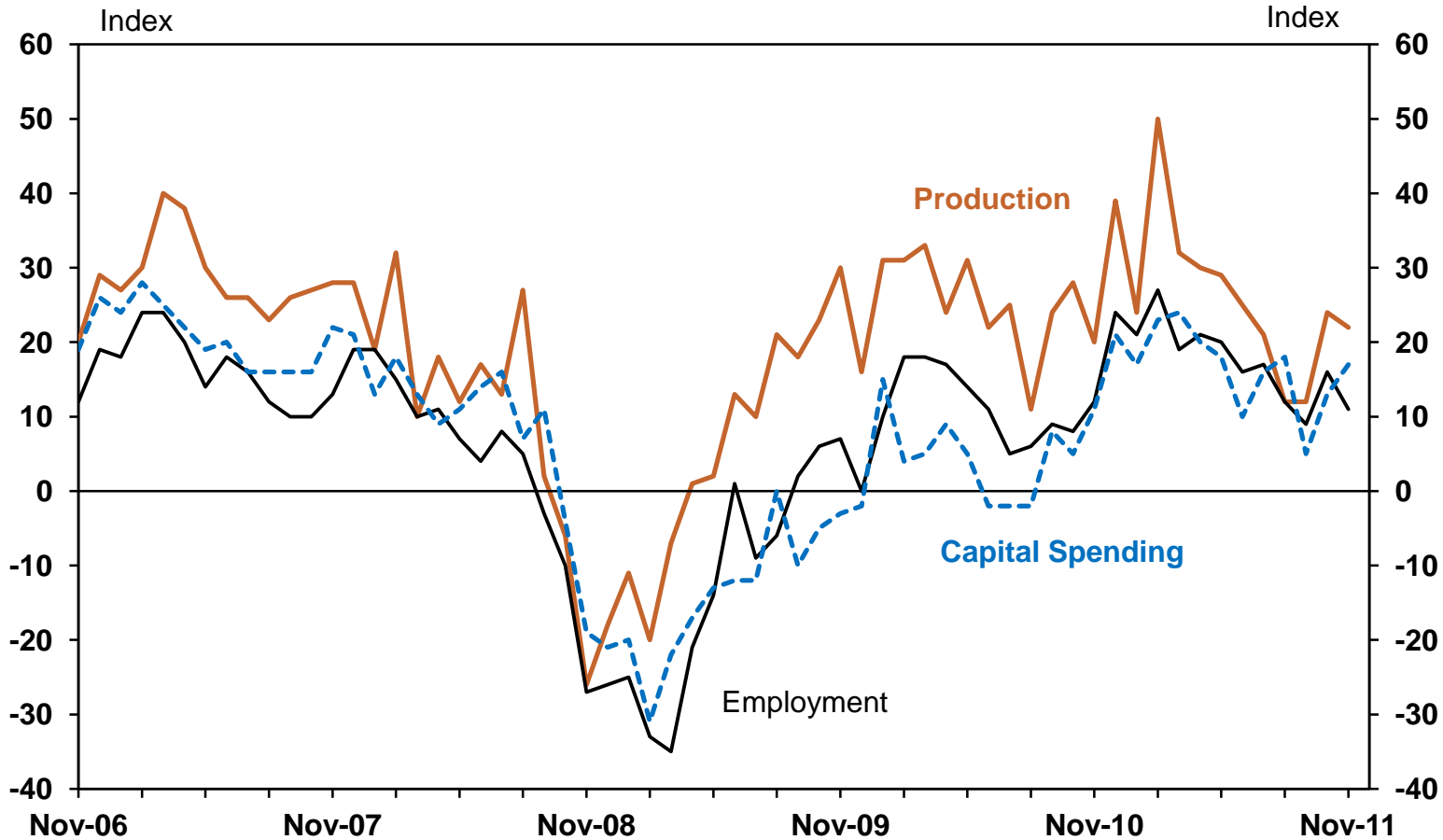
Note –Tenth District calculated on an ISM basis; Above 50 indicates expansion

Source: KCFRB Manufacturing Survey



# And factory expectations for this area are fairly positive heading forward

## Tenth District Manufacturing Expectations Six-Months Ahead

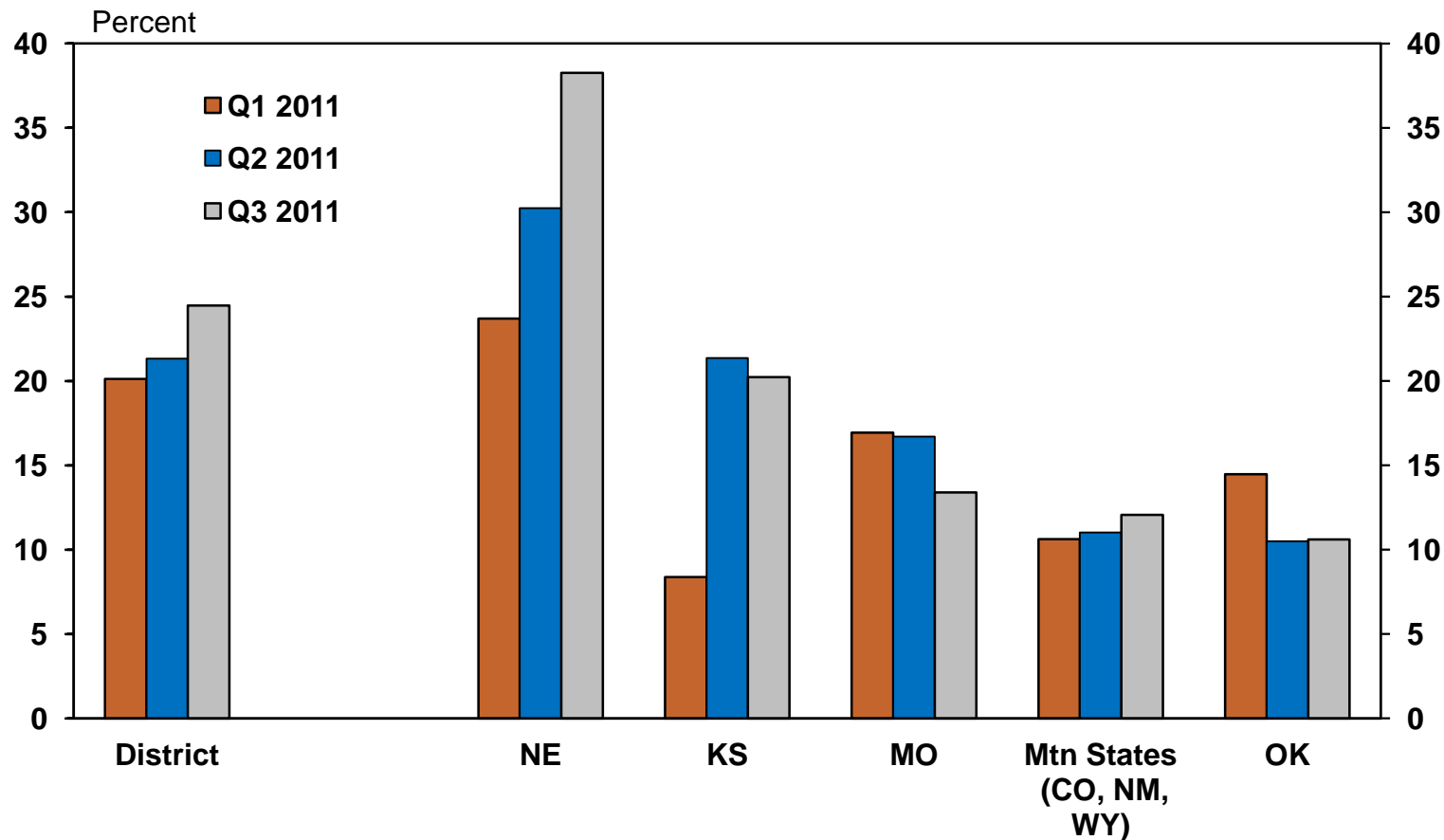


Source: KCFRB Manufacturing Survey



# Surging farmland prices likely pose a risk in some parts of our region

**Tenth District Non-Irrigated Cropland Values**  
Percent Change, Year-over-year



# Summary

- The U.S. economy is growing moderately but is facing headwinds from Europe
- Fed forecasts call for modestly improving unemployment and falling inflation in 2012
- Economic activity in the Tenth Federal Reserve District is somewhat stronger
- The outlook for the region remains relatively good, though land prices appear to be a risk

