

U.S. and Oklahoma Economic Outlook



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www.kansascityfed.org/oklahomacity



Federal Reserve Districts and Office Locations



The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- **Functions – 35 staff**

- **Economic research and outreach** for U.S. monetary policy purposes
- **Examinations and inspections** of Oklahoma financial institutions
- **Economic and financial education outreach** to teachers and citizens
- **Community development outreach** to low and moderate income areas

- **2012 board of directors**

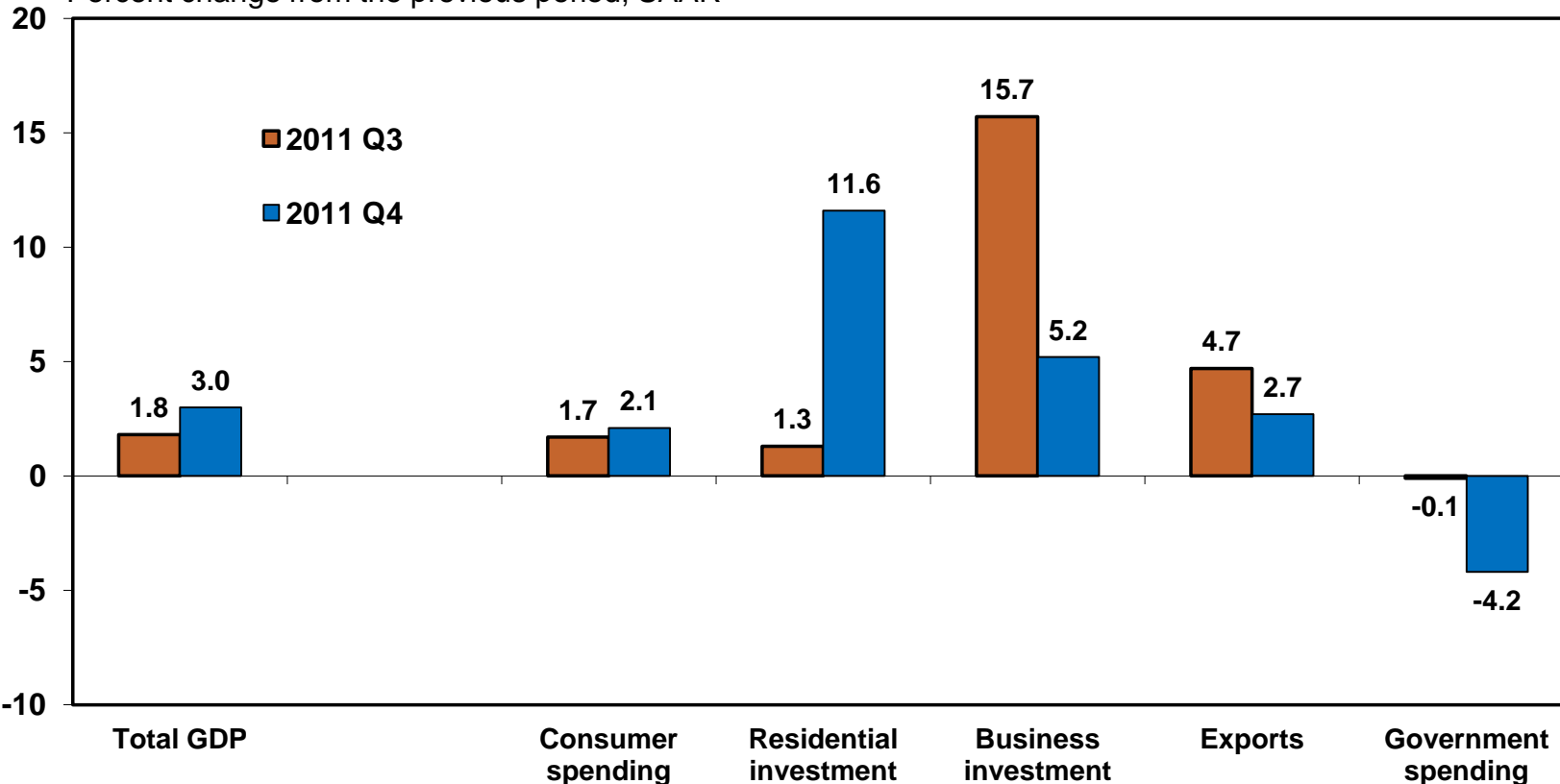
- **Jim Dunn (chair)**, Chairman, Mill Creek Lumber and Supply, Tulsa
- **Linda Capps**, Vice Chairman, Citizen Potawatomi Nation, Shawnee
- **Pete Delaney**, Chairman, CEO, & President, OGE Energy Corp., OKC
- **Jacque Fiegel**, Senior EVP and COO, Coppermark Bank, OKC
- **Doug Tippens**, President and CEO, Bank of Commerce, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville
- **Rose Washington**, Exec. Director, Tulsa Economic Development Corp.



U.S. GDP growth improved in Q4, led by consumer spending and housing

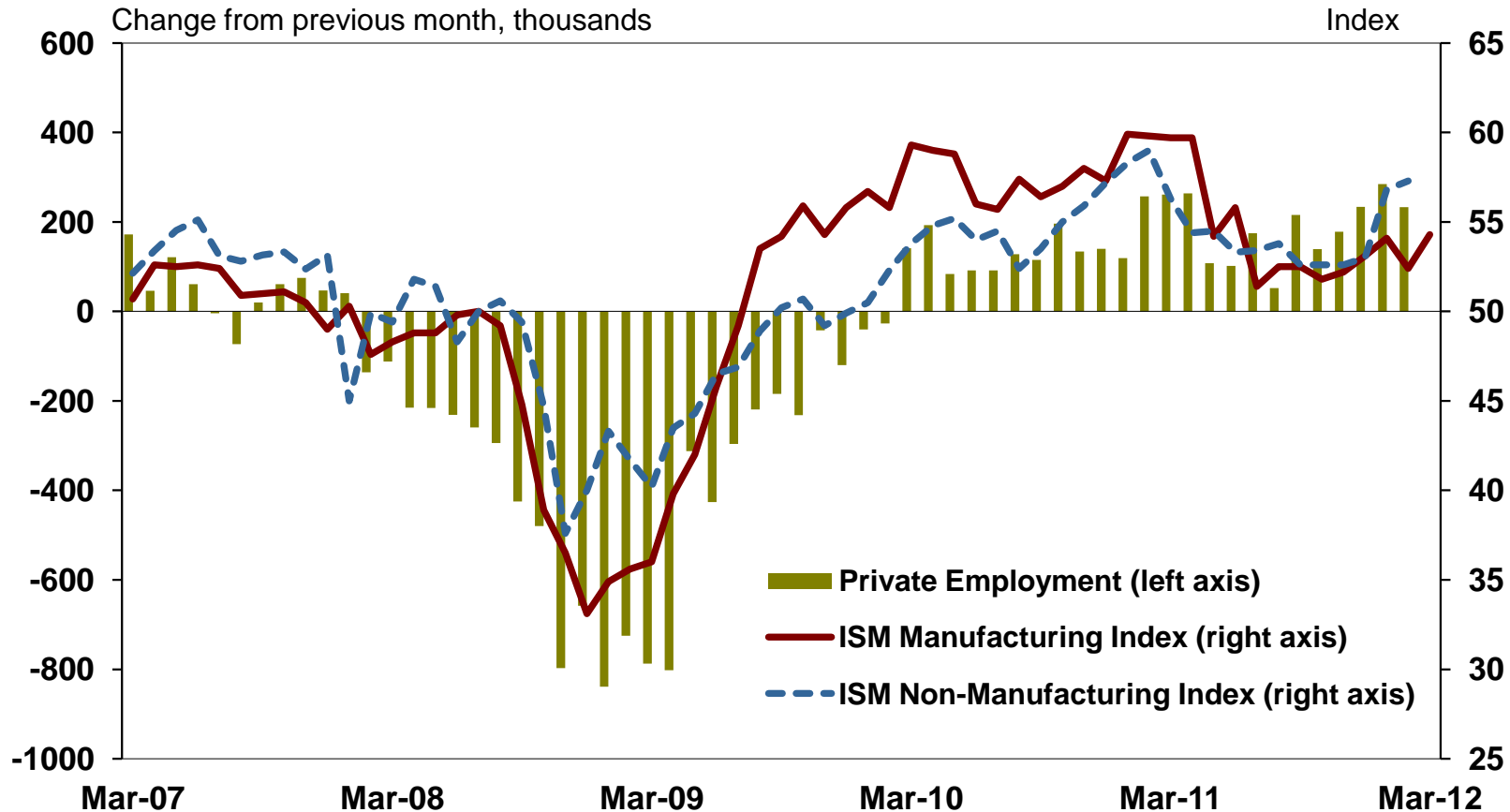
Growth in Components of Real GDP

Percent change from the previous period, SAAR



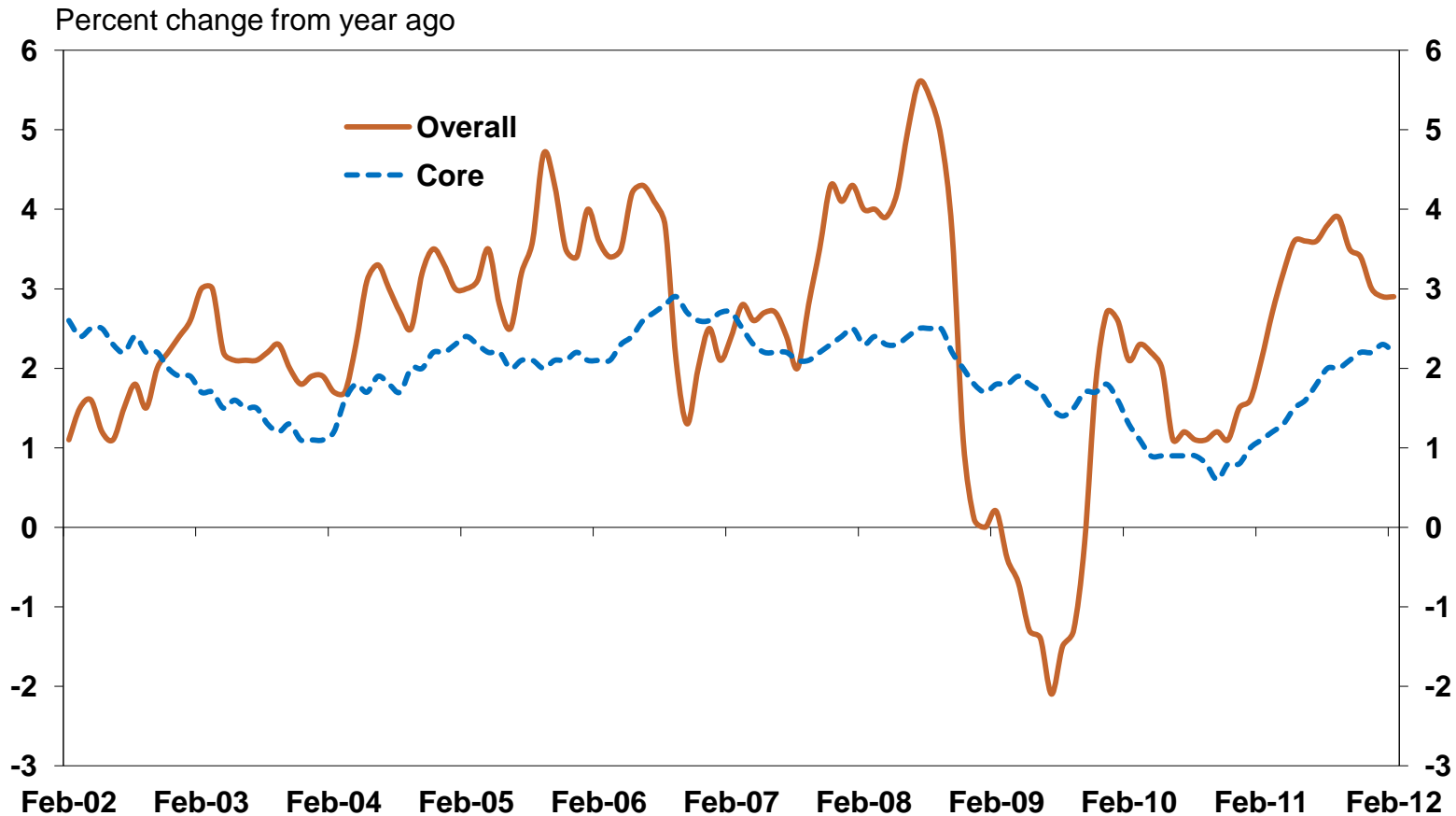
U.S. employment growth has been solid and business indexes remain expansionary

U.S. Private Payroll Employment and Business Indexes



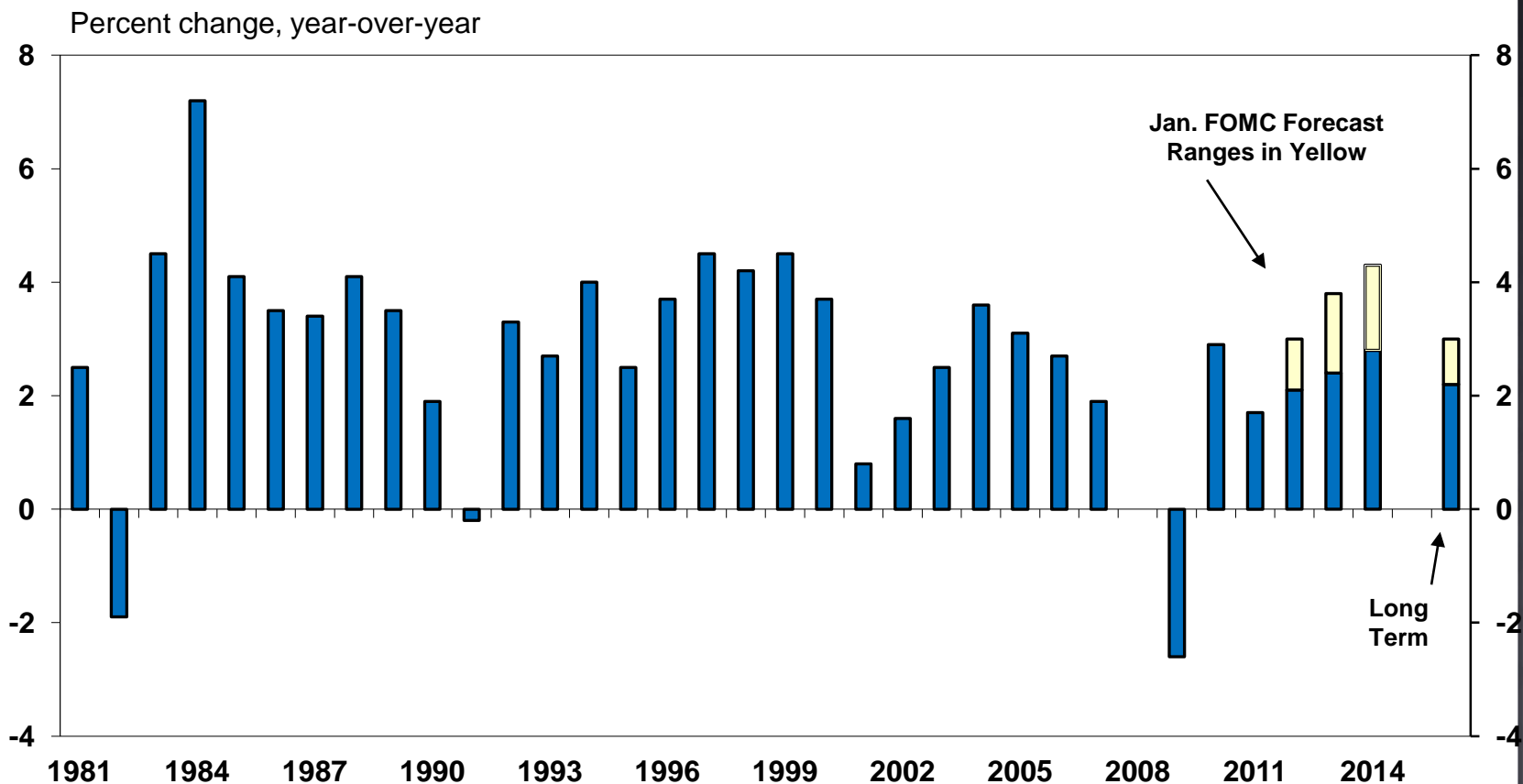
Both overall and core inflation have risen with higher oil prices

Consumer Price Index



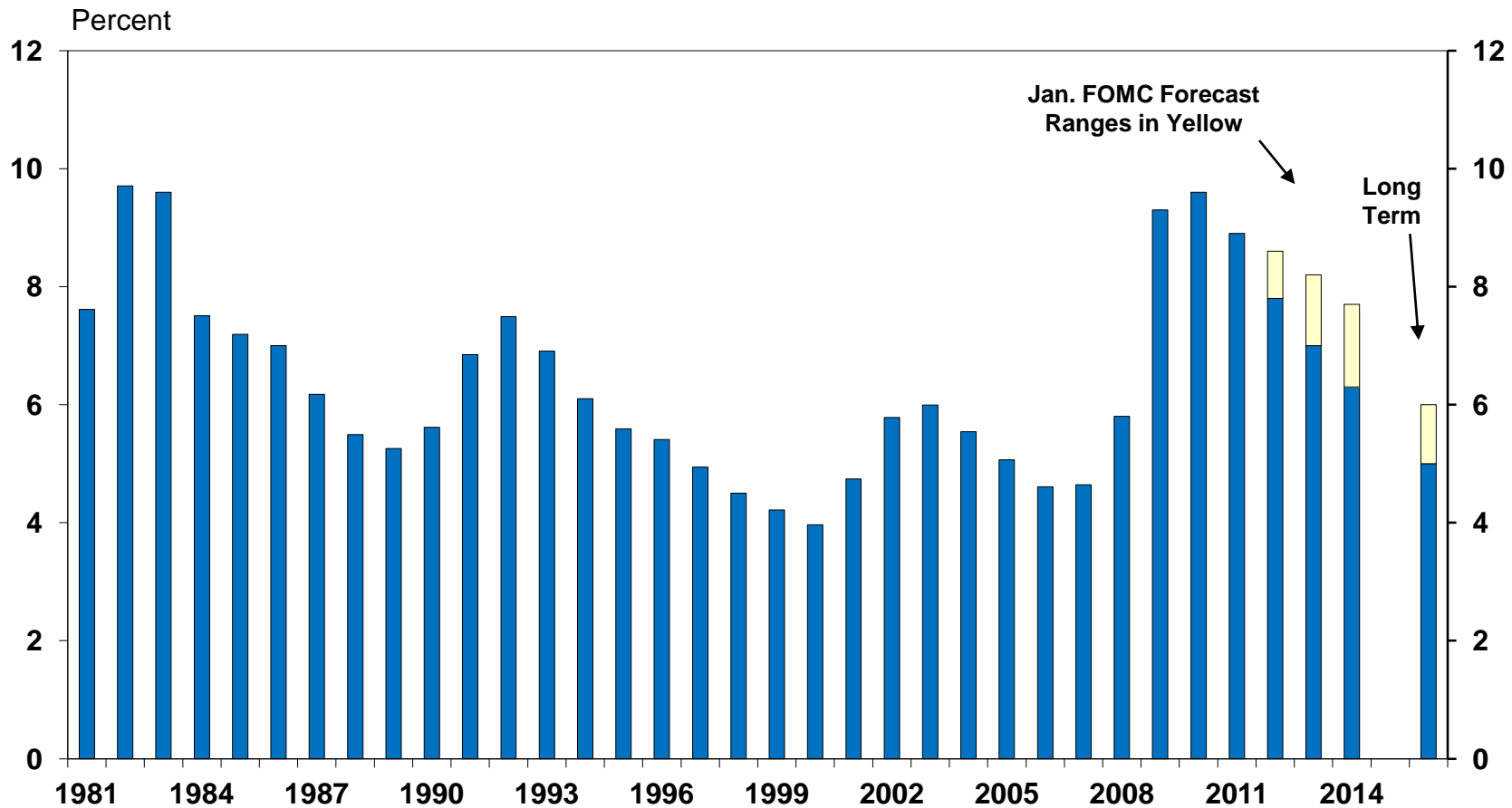
In its latest forecasts, the FOMC expected solid GDP growth in 2012

Real Gross Domestic Product



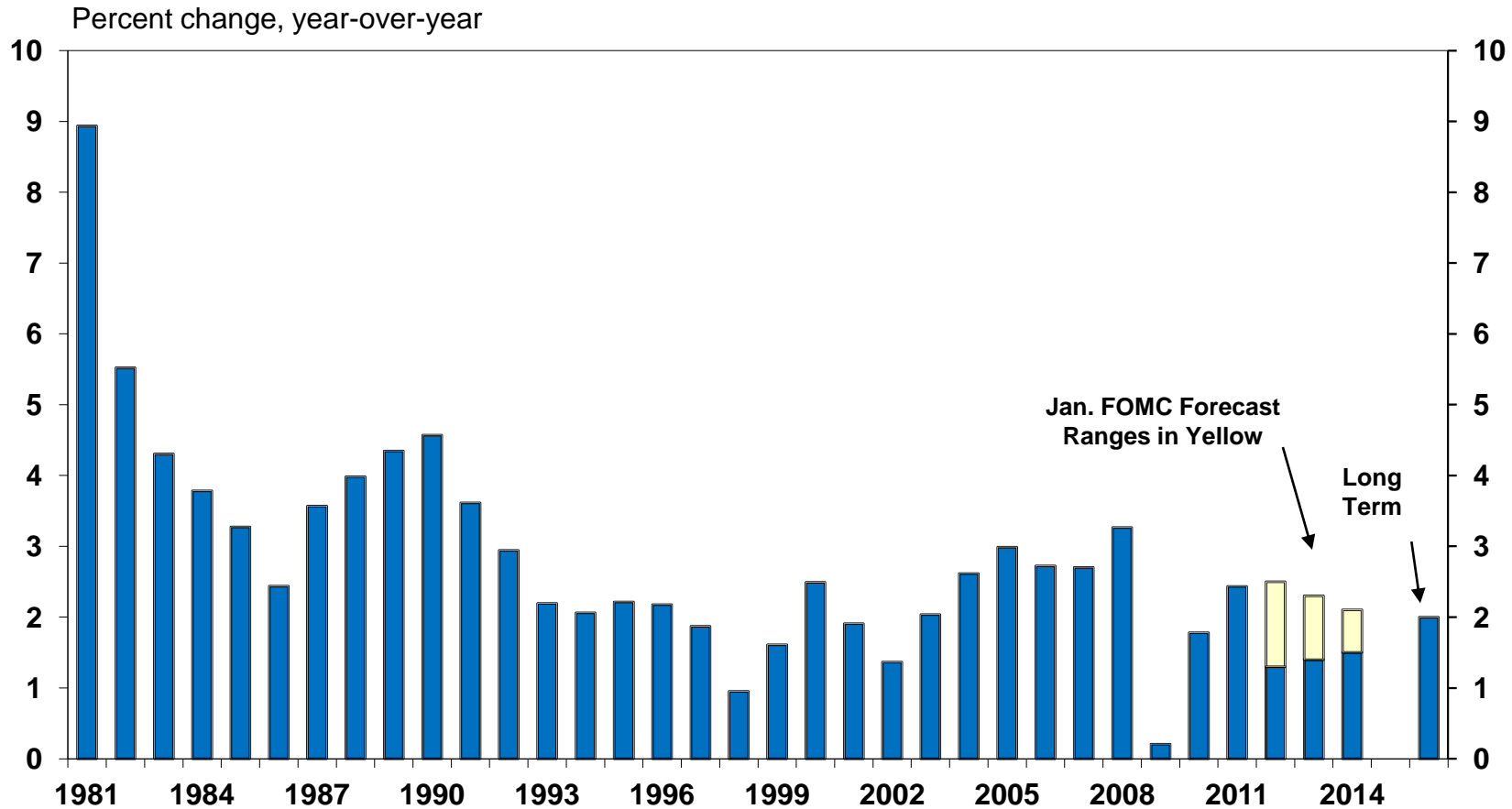
But for unemployment to only come down slowly the next few years

Unemployment Rate
Seasonally Adjusted



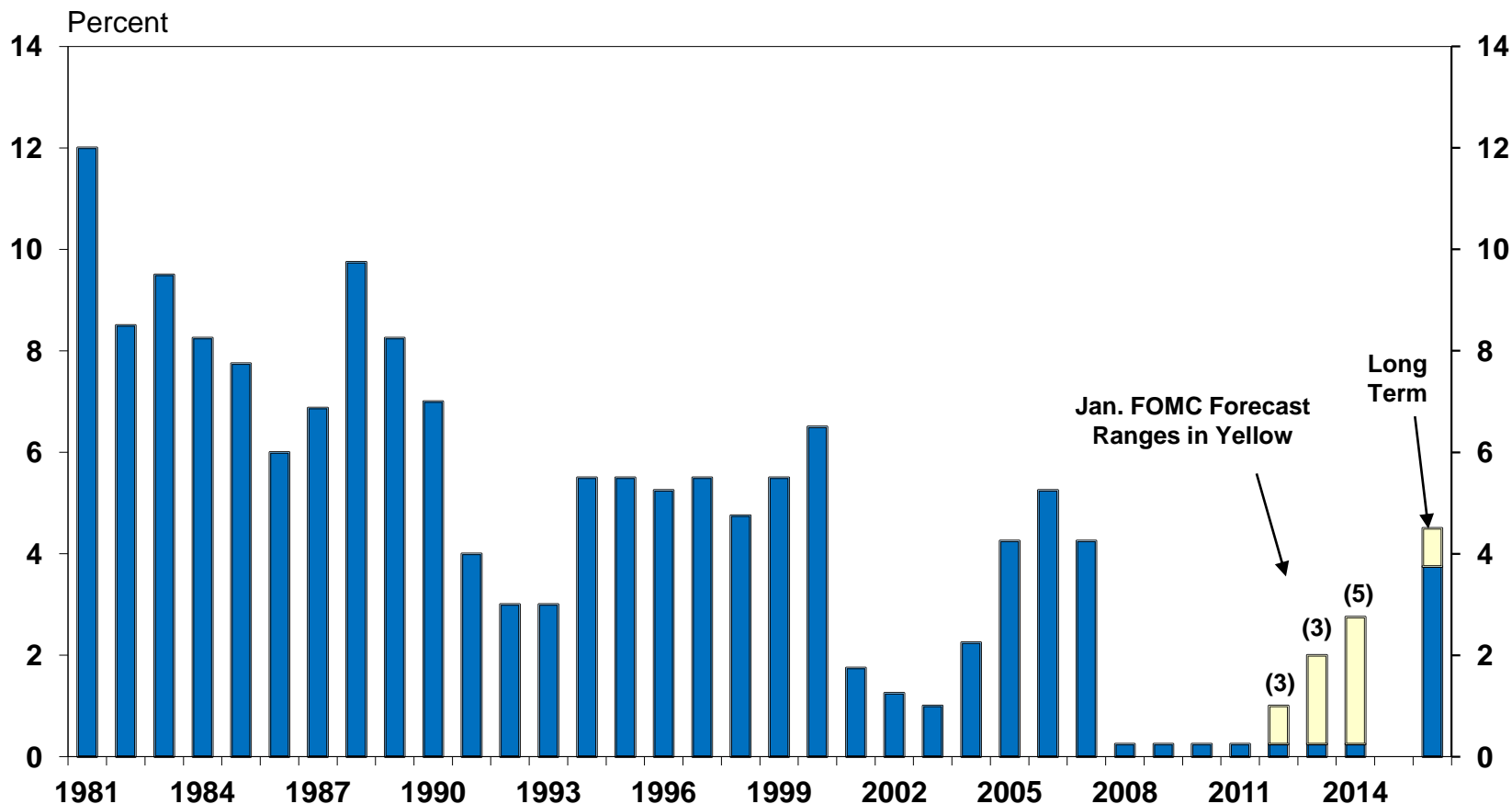
And for inflation pressures to stabilize after rising with oil and food prices in 2011

PCE Inflation Index



For the first time, the FOMC also released forecasts for interest rates

Federal Funds Rate
Year-end target



Note – Number of participants who project the initial increase will occur in the specified year in parenthesis

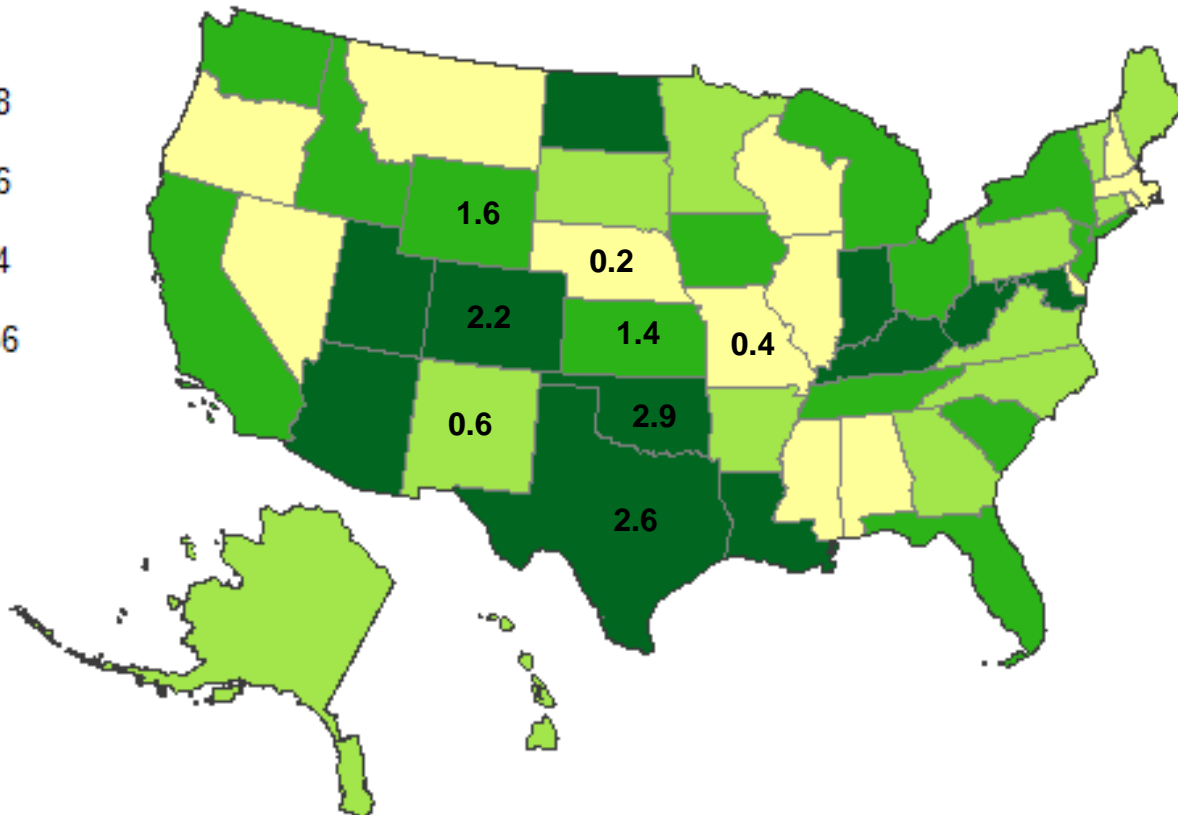
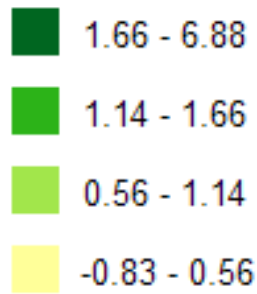
Source: U.S. Bureau of Economic Analysis, FOMC



There remains considerable variation in economic strength in the nation and region

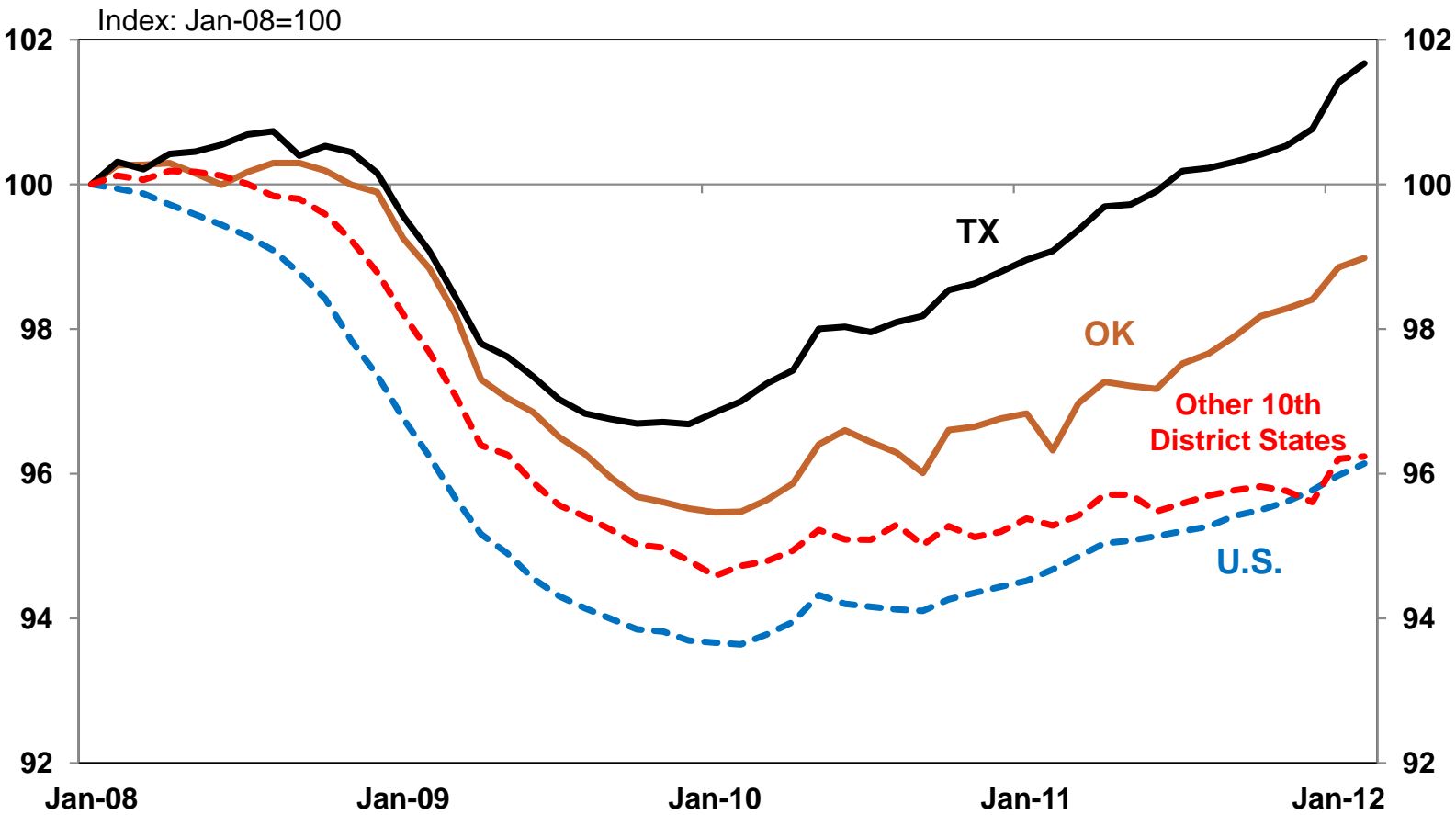
Employment Growth, Year-over-Year (percent) February 2012

Scale



The level of jobs in Oklahoma is nearly back to pre-recession levels, unlike the U.S.

Level of Payroll Employment
Through February 2012

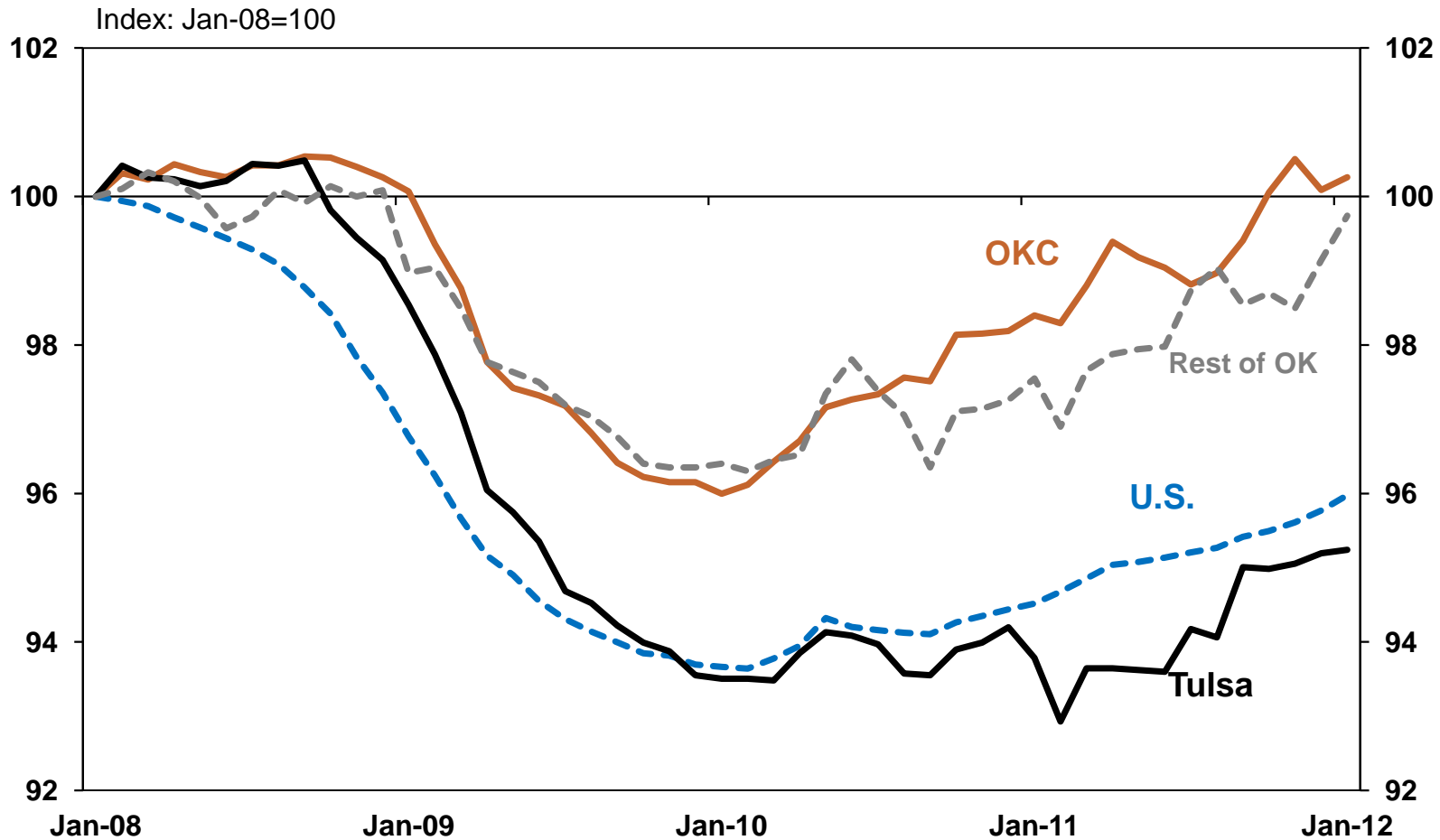


Source: U.S. Bureau of Labor Statistics



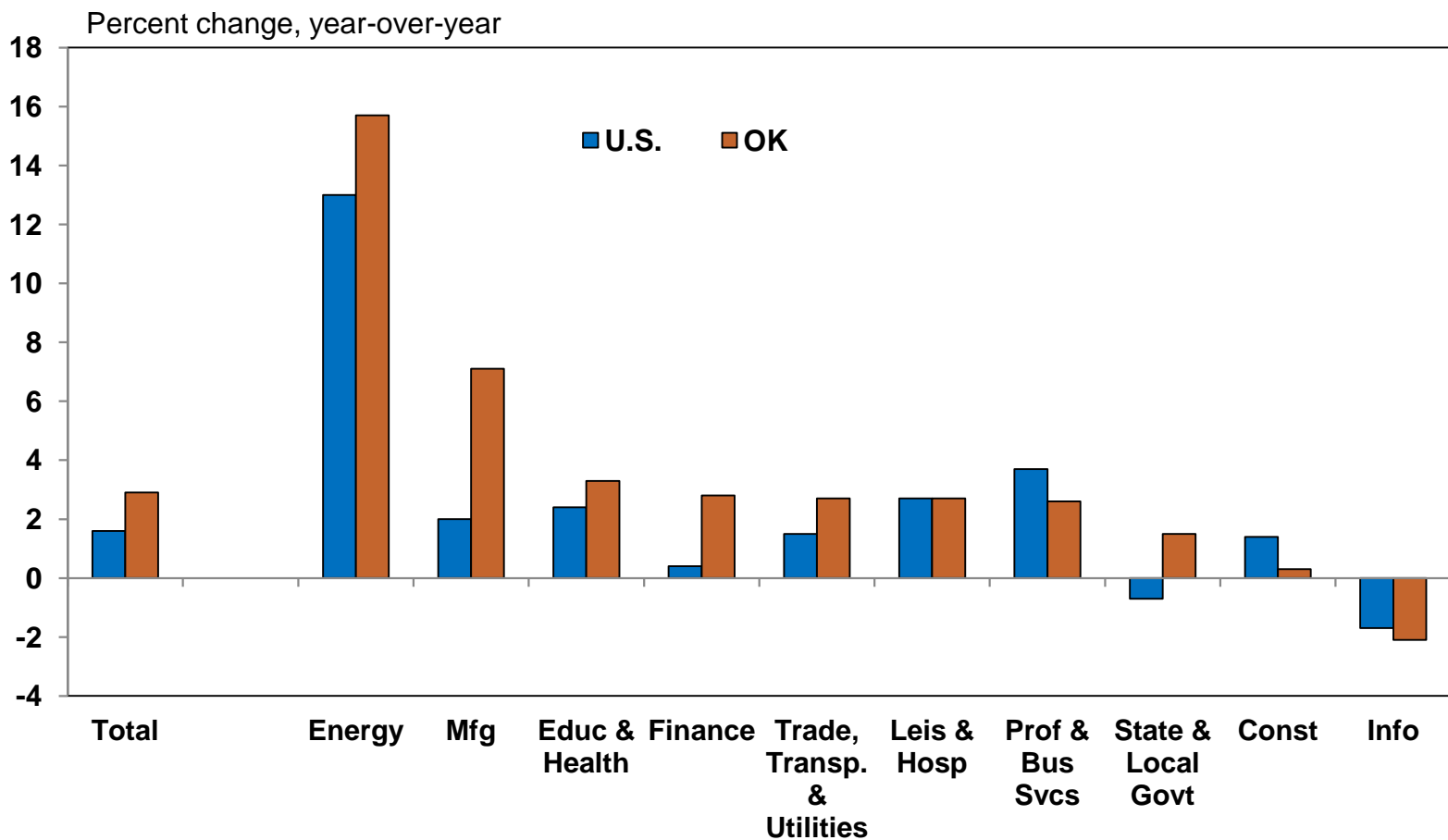
OKC has exceeded pre-recession levels, while Tulsa has lagged below the U.S.

Level of Payroll Employment



Growth in most Oklahoma sectors was better than the nation, with a few exceptions

Oklahoma Employment Growth February 2012

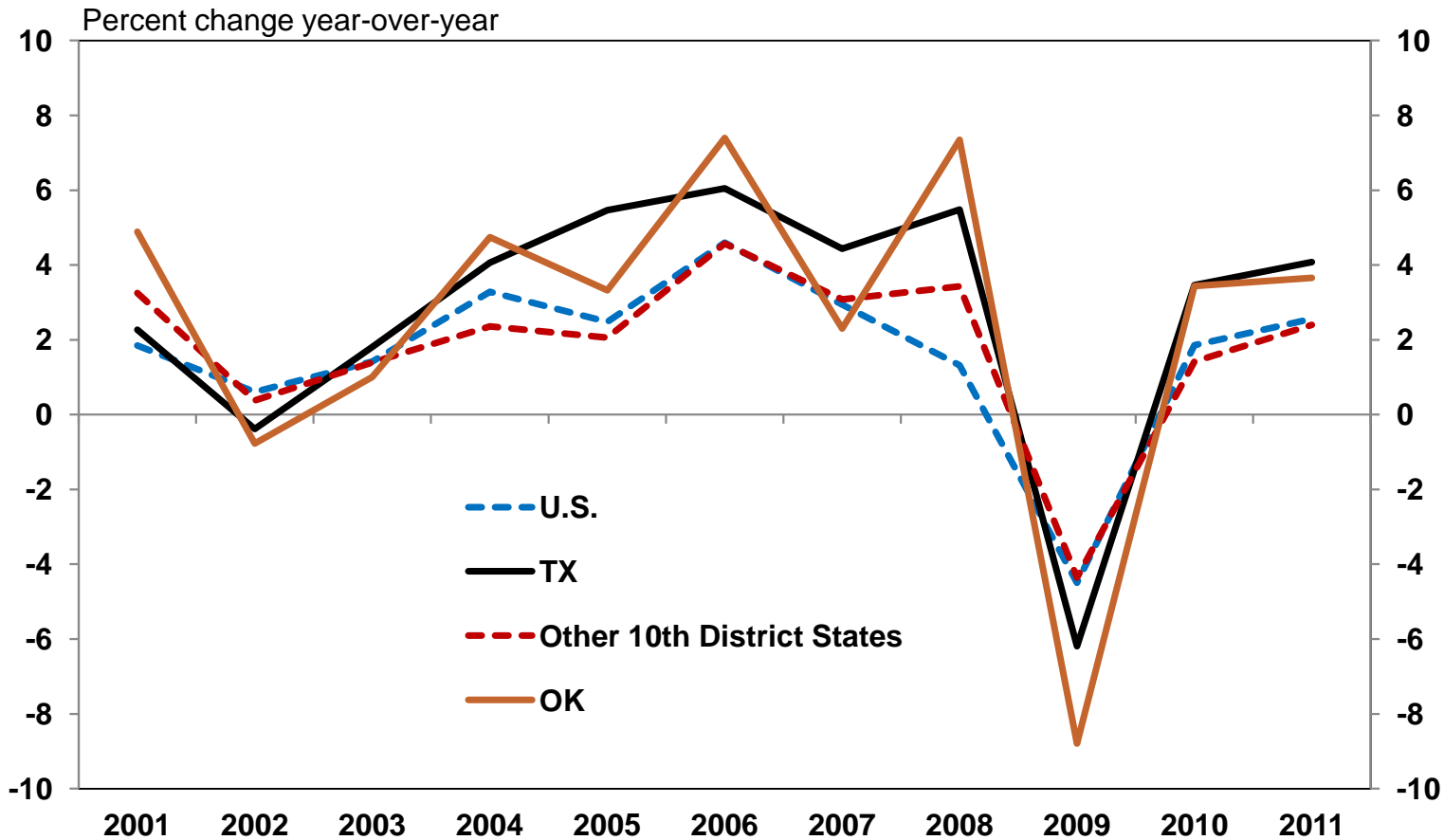


Source: Bureau of Labor Statistics



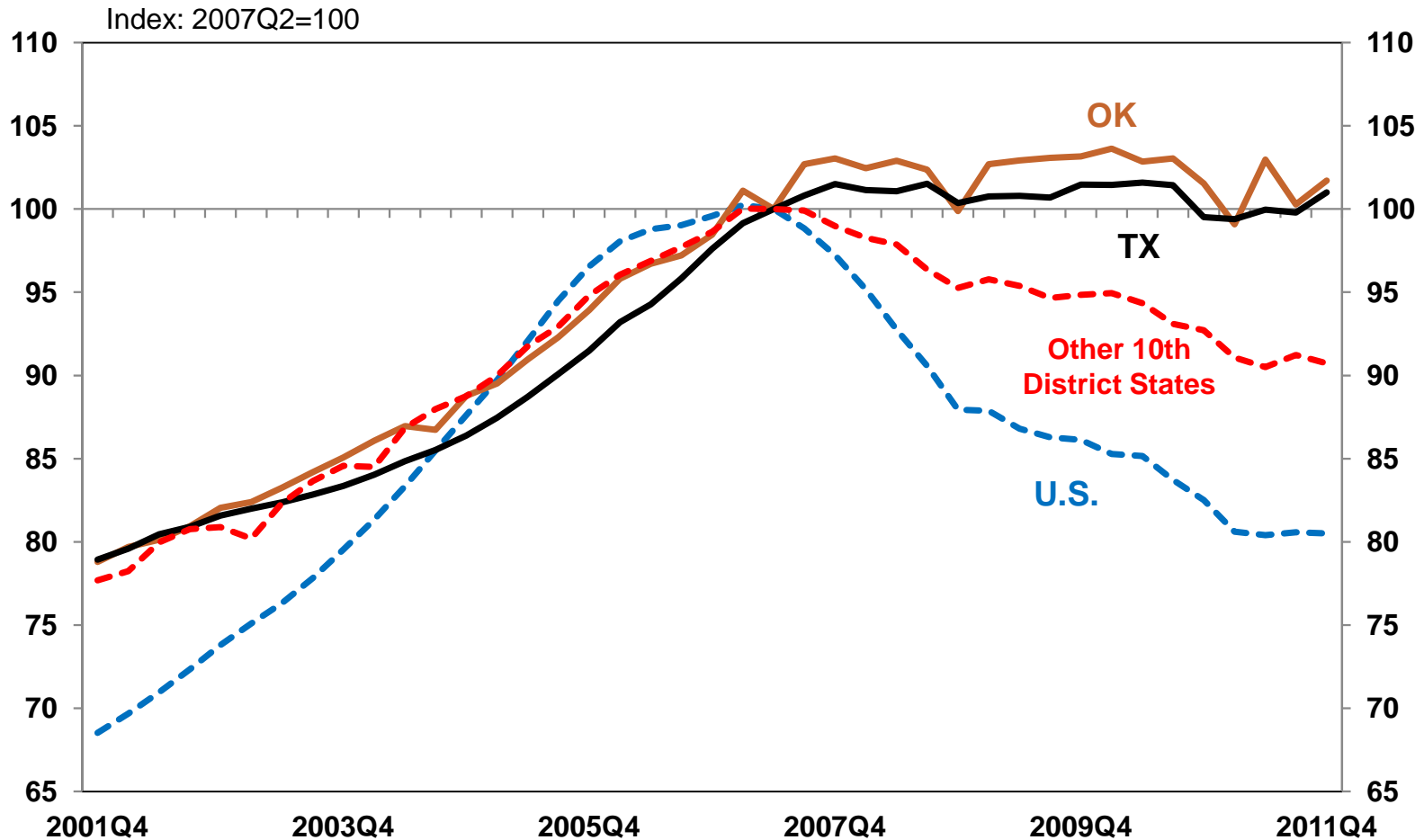
Income growth in Oklahoma ranks among the top states

Real Annual Income Growth



And home prices continue to hold up better than in the nation as a whole

Home Price Index
Purchase-Only

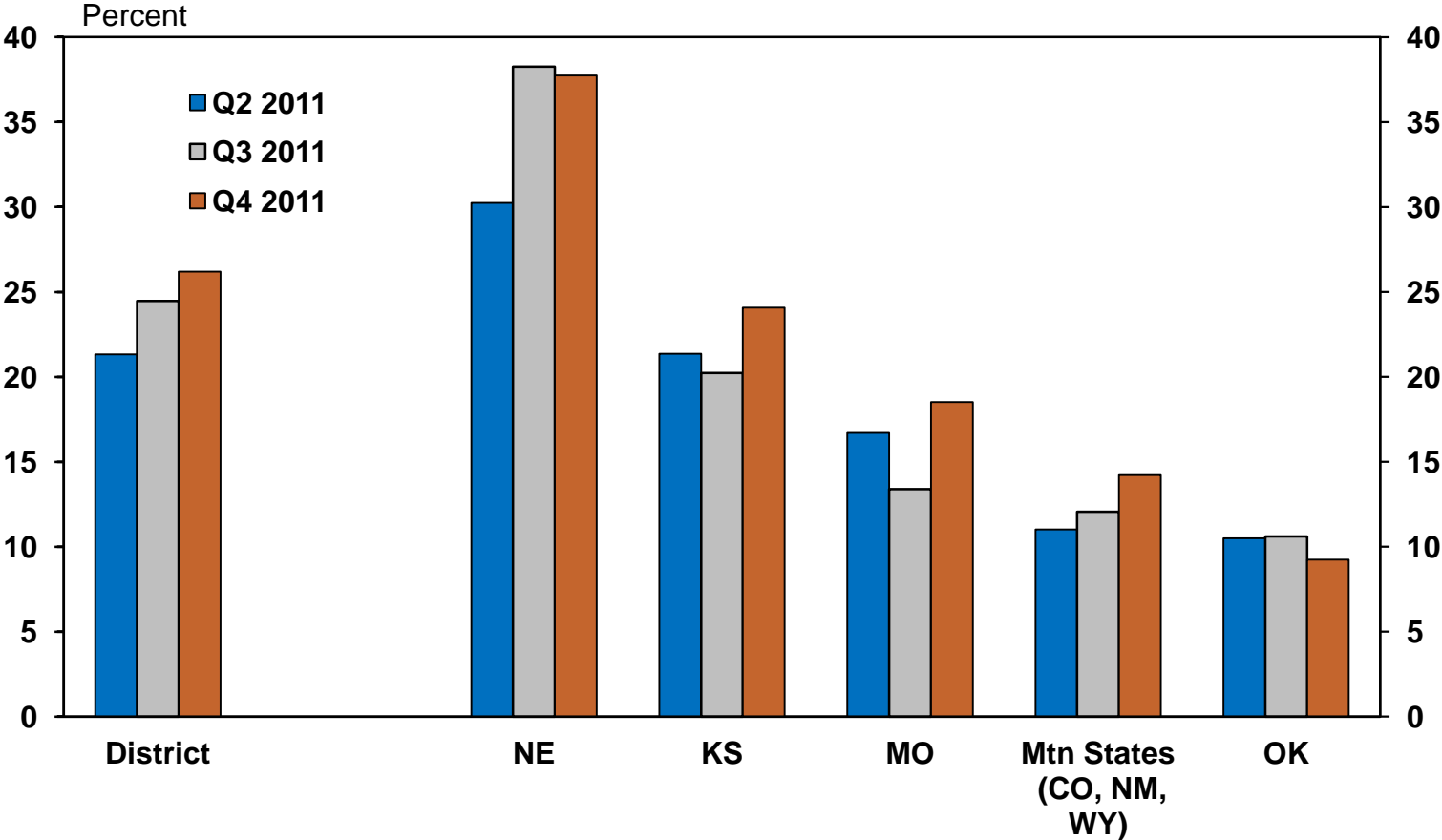


Source: FHFA



Regional farmland prices continue to surge, but less so in Oklahoma

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

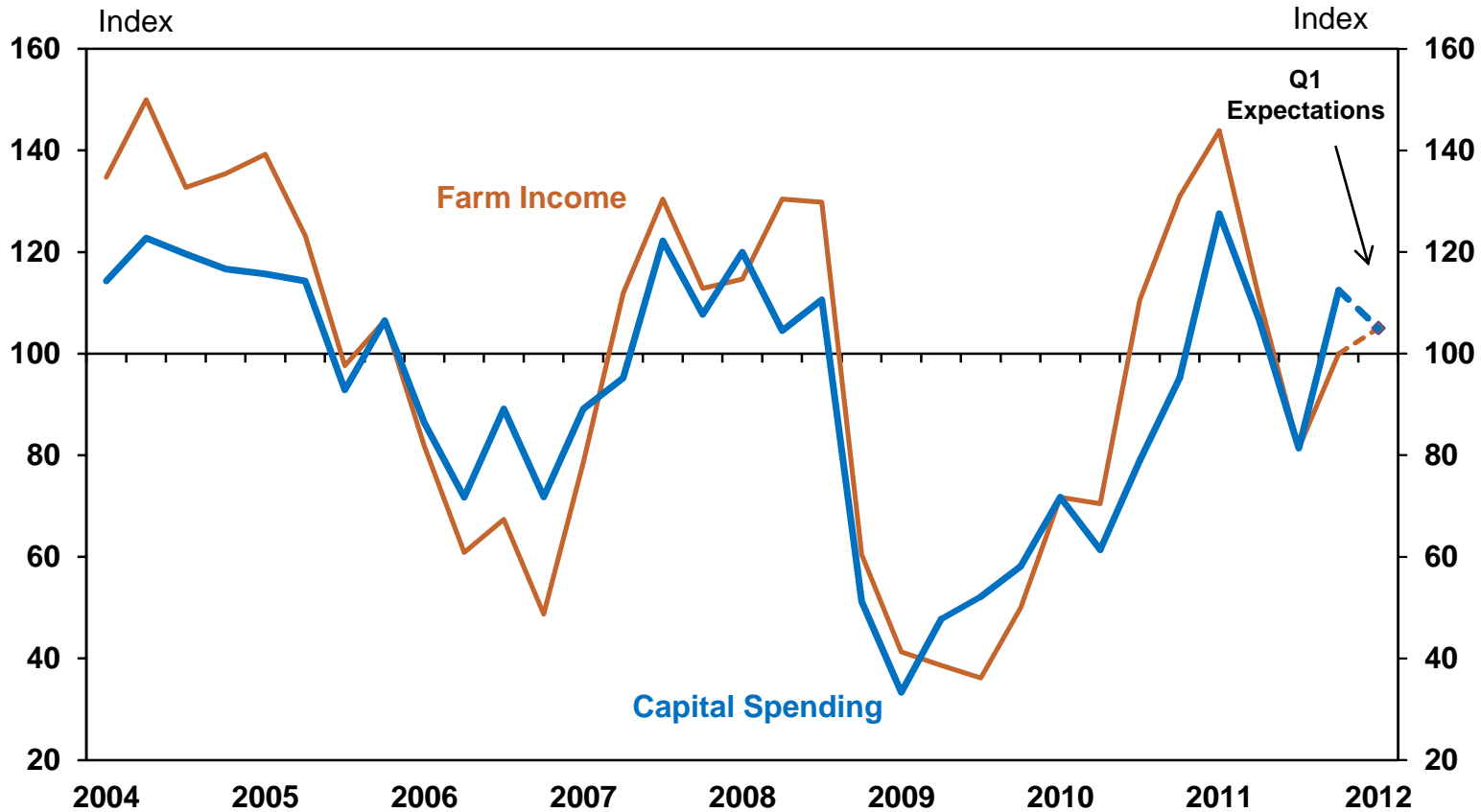


Source: FRBKC Agricultural Credit Survey



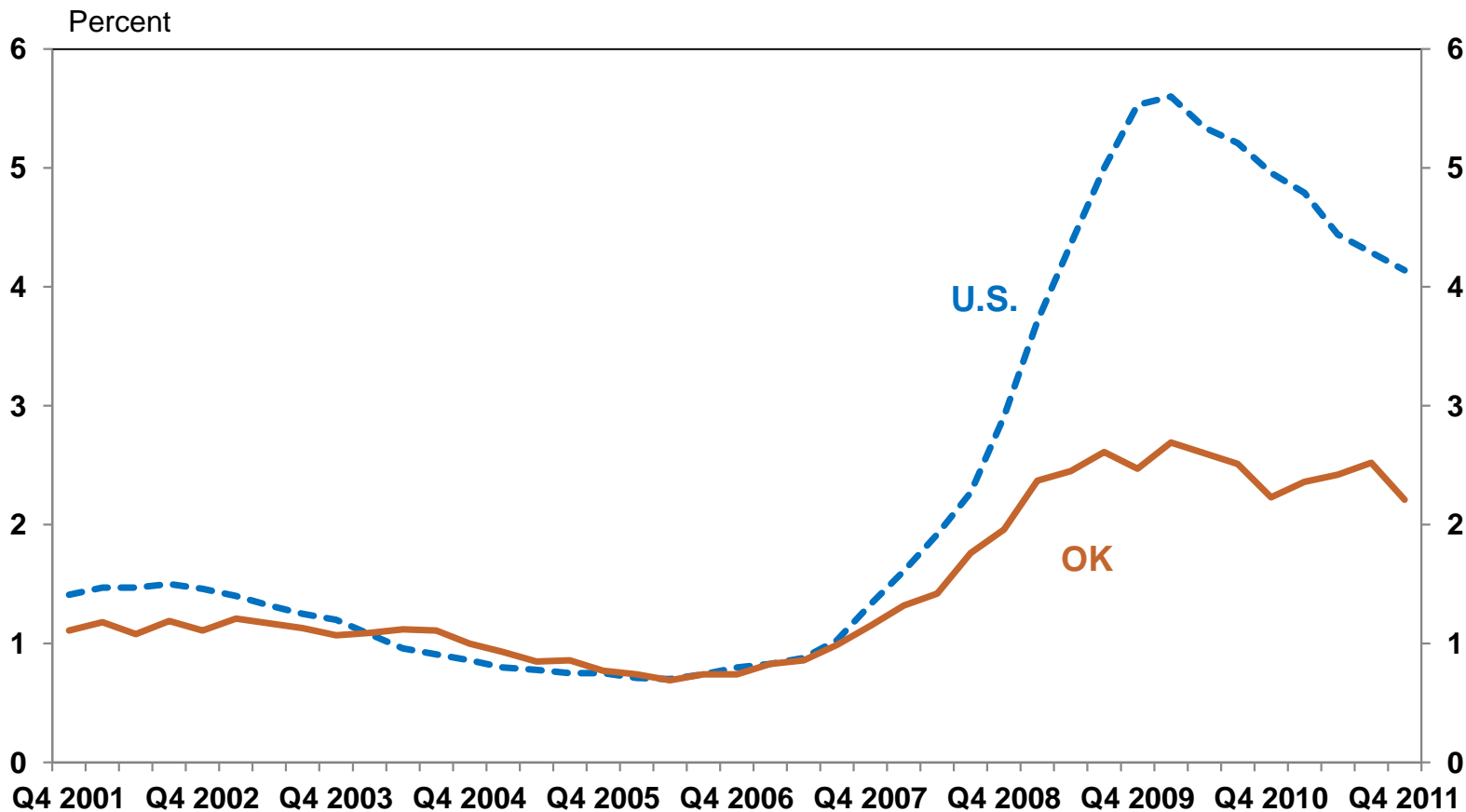
Agricultural conditions in the state have improved after last year's drought

Oklahoma Agricultural Conditions



Problem loans are still elevated in OK, but much less so than in banks nationally

Noncurrent Loans as a Share of Total Loans
Commercial Banks

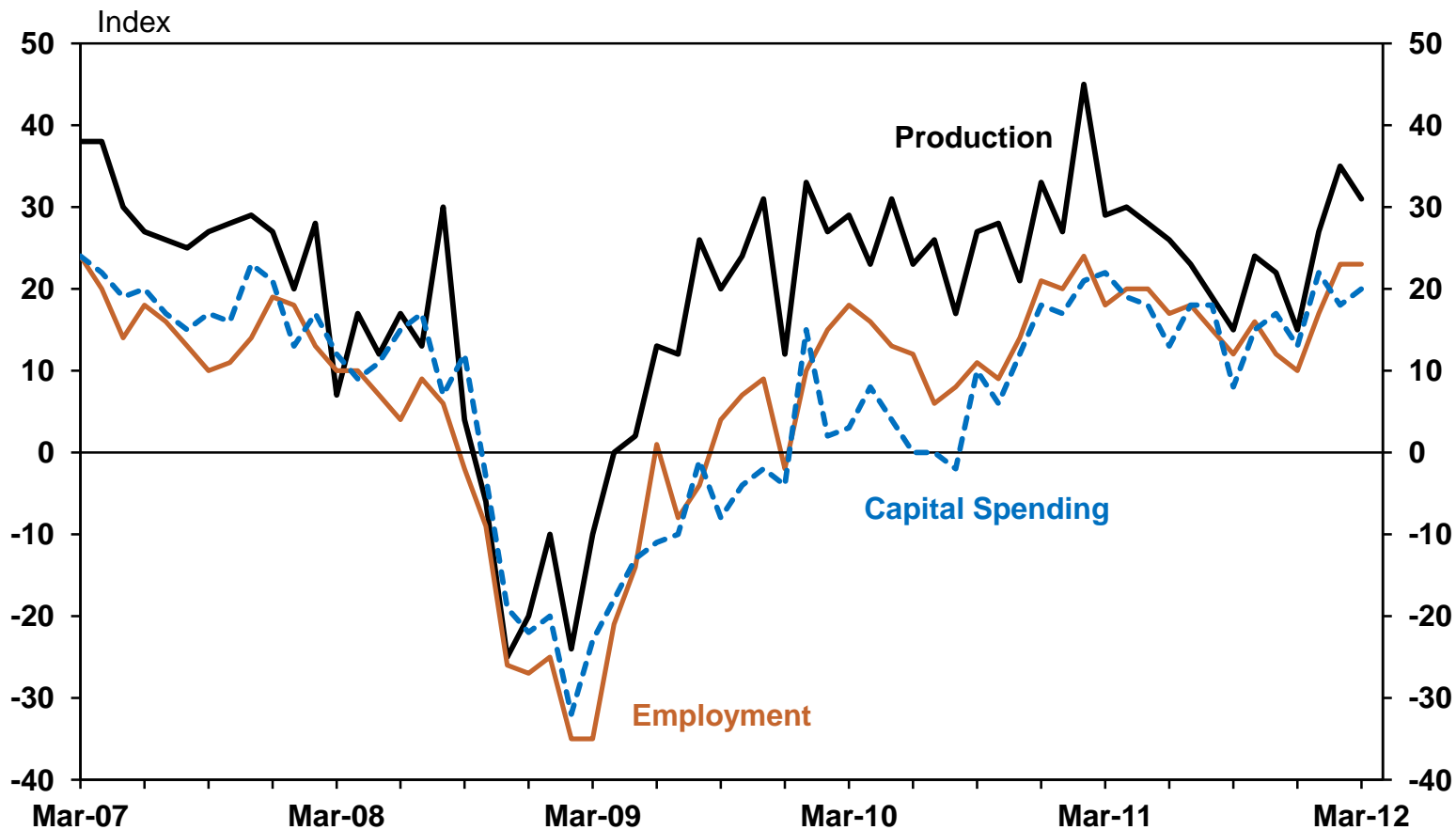


Source: FDIC



Purchasing managers in the region remain relatively optimistic about 2012 growth

Tenth District Manufacturing Expectations
Six-Months Ahead, Seasonally Adjusted

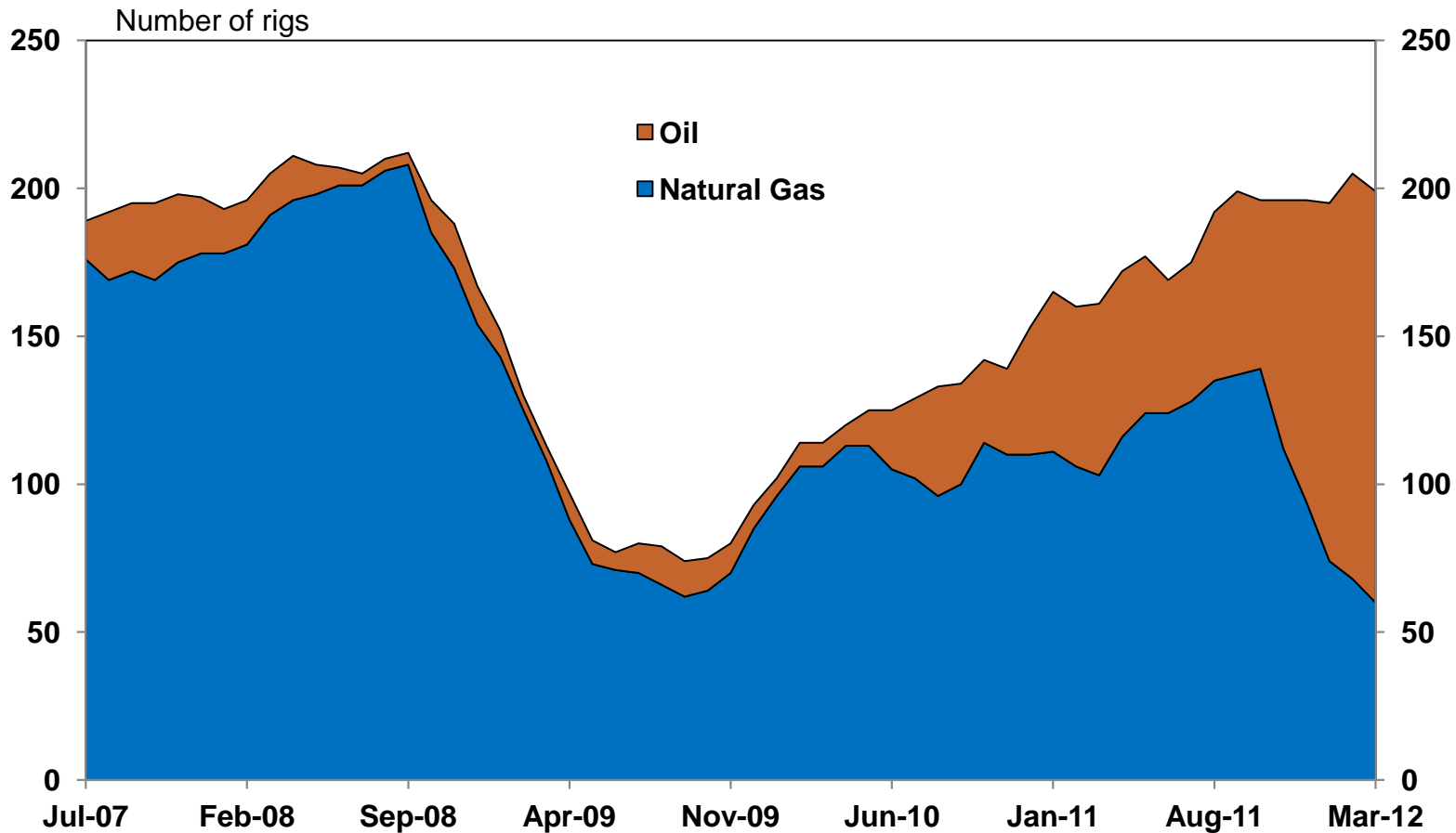


Source: KC, Dallas FRB Manufacturing Surveys



Natural gas drilling has fallen sharply in the state, but oil has so far replaced the dropoff

Oklahoma Rig Count



Source: Baker Hughes



Conclusions

- The U.S. economy continues to grow moderately, amid limited inflation, but regional variation in growth is wide
- Oklahoma growth remains better than the nation and region, and firms remain generally confident about the future



Questions?



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