

U.S. & Oklahoma Economic Outlook



Megan Williams

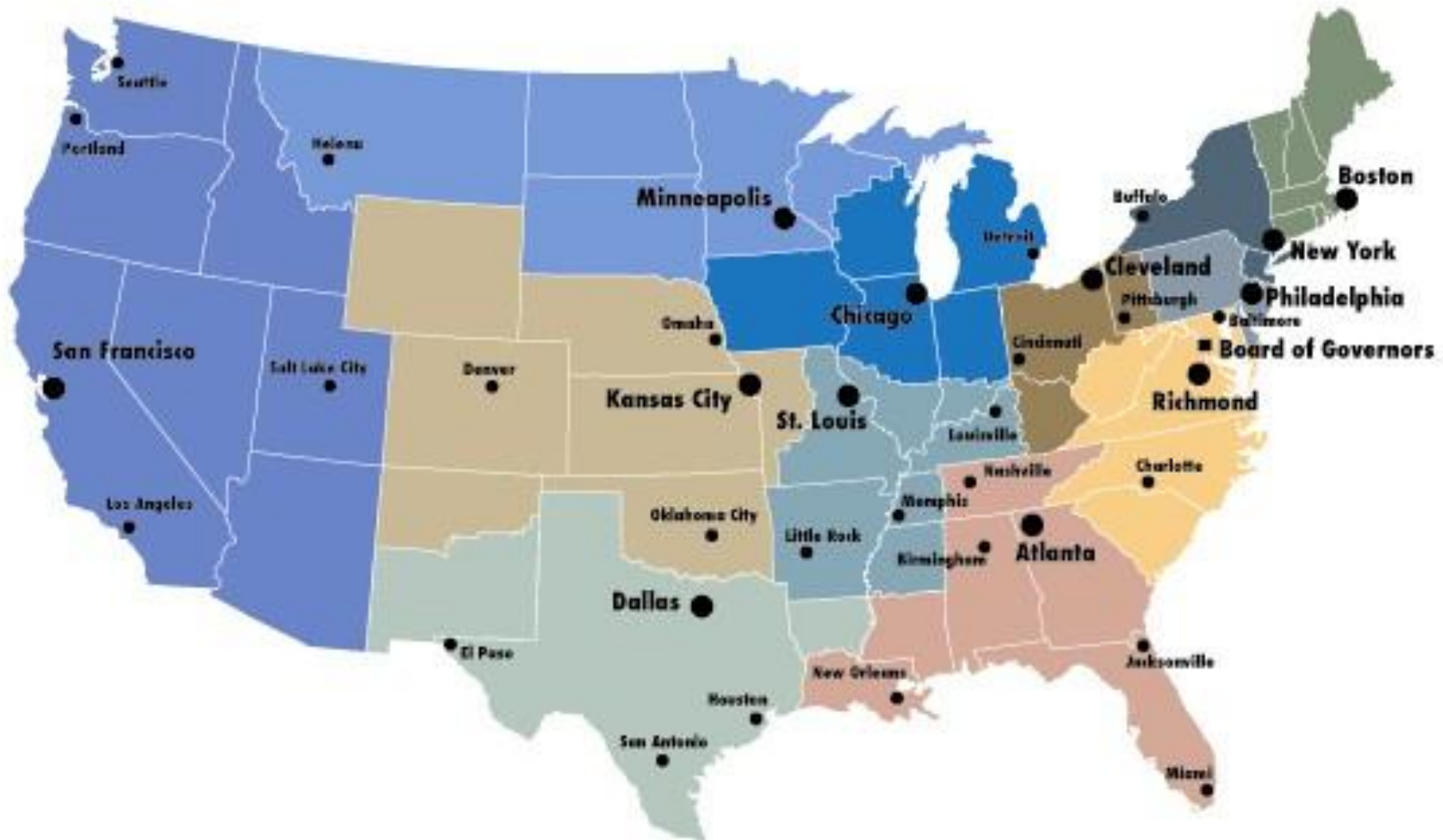
Associate Economist

Federal Reserve Bank of Kansas City

Purposes and Structure of the Federal Reserve System

- **Overall purposes of the Fed are to promote:**
 - National financial stability
 - Maximum sustainable economic growth
 - Low and stable inflation
- **Mission areas:**
 - Monetary policy – most visible role to the public, usually
 - Bank regulation – including lender of last resort
 - Payments systems – cash, checks, electronic payments
- **Monetary policy is set by the 12-member FOMC:**
 - The Federal Open Market Committee meets every 6 weeks
 - Voting members consist of:
 - the 7 Governors in Washington;
 - the New York Fed President;
 - 4 of the 11 other Fed presidents on a rotating basis

Federal Reserve Districts and Office Locations



The Kansas City and Oklahoma City Offices

- **Headquarters in Kansas City**

- Nearly **1,000 staff** involved in all mission areas
- **New building** officially opened in June

- **Oklahoma City branch office**

- **Staff and functions** – 35 staff involved in economic research, bank examinations, and public and community affairs
- **Branch board of directors** – 7 members from around the state; provide anecdotal information in advance of each FOMC meeting

- **Oklahoma City branch board of directors**

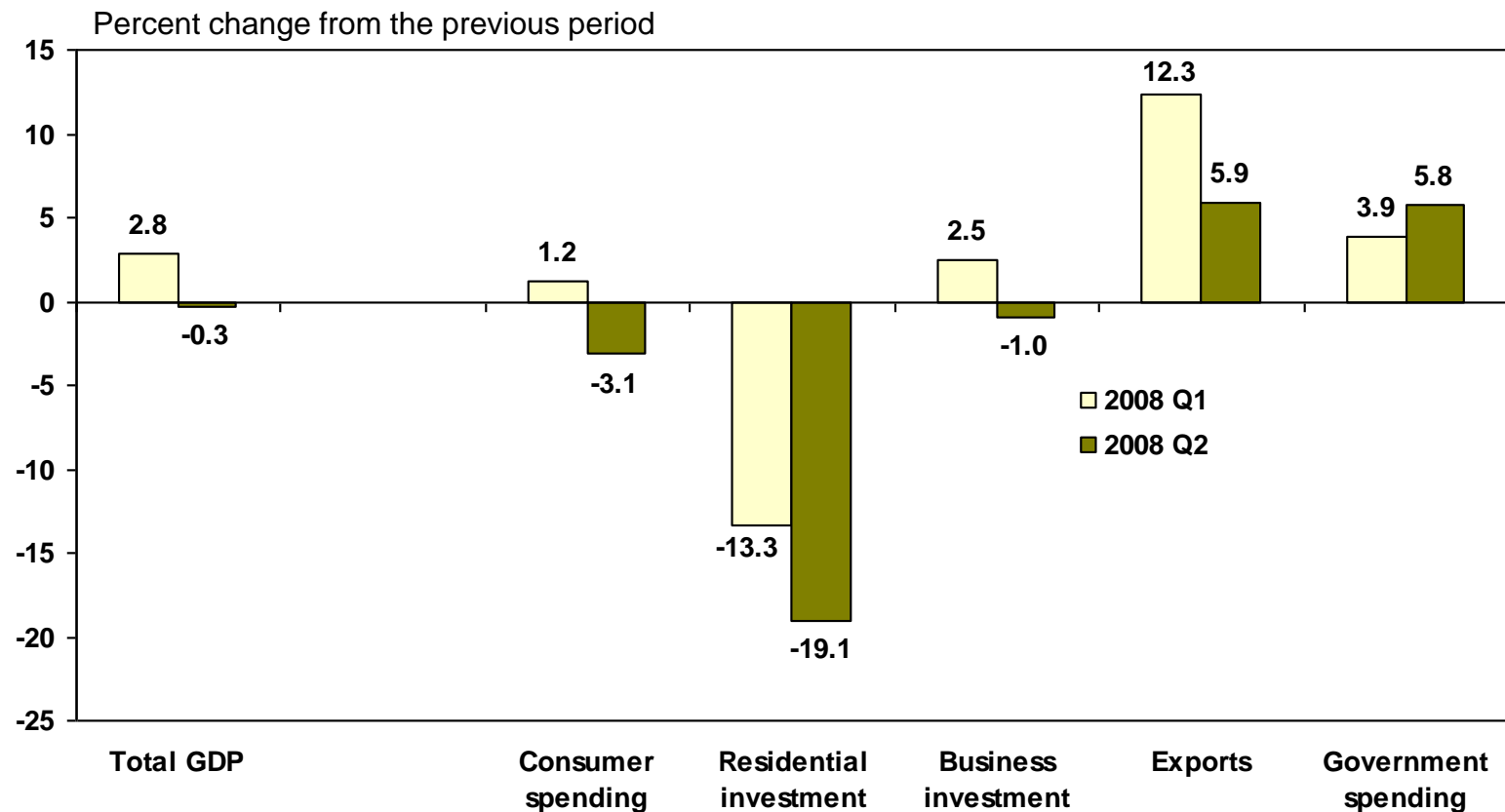
- *Chairman* **Richard Ratcliffe**, Chairman, Ratcliffe's Textbooks, Weatherford
- **Steve Agee**, President, Agee Energy, and Professor, OCU, Oklahoma City
- **Terry Almon**, President, Oklahoma Community Capital Corp., Broken Arrow
- **Jim Dunn**, Chairman, Mill Creek Lumber & Supply Co., Tulsa
- **Douglas Tippens**, President and CEO, Canadian State Bank
- **Fred Ramos**, President, RGF, Inc., Oklahoma City

The U.S. Economic Outlook

- ❑ U.S. economic growth was surprisingly solid in the first half of the year, however conditions have weakened considerably
- ❑ Job growth has slowed, and the unemployment rate is rising
- ❑ Many institutions have tightened loan standards
- ❑ Inflation pressures have eased in recent months

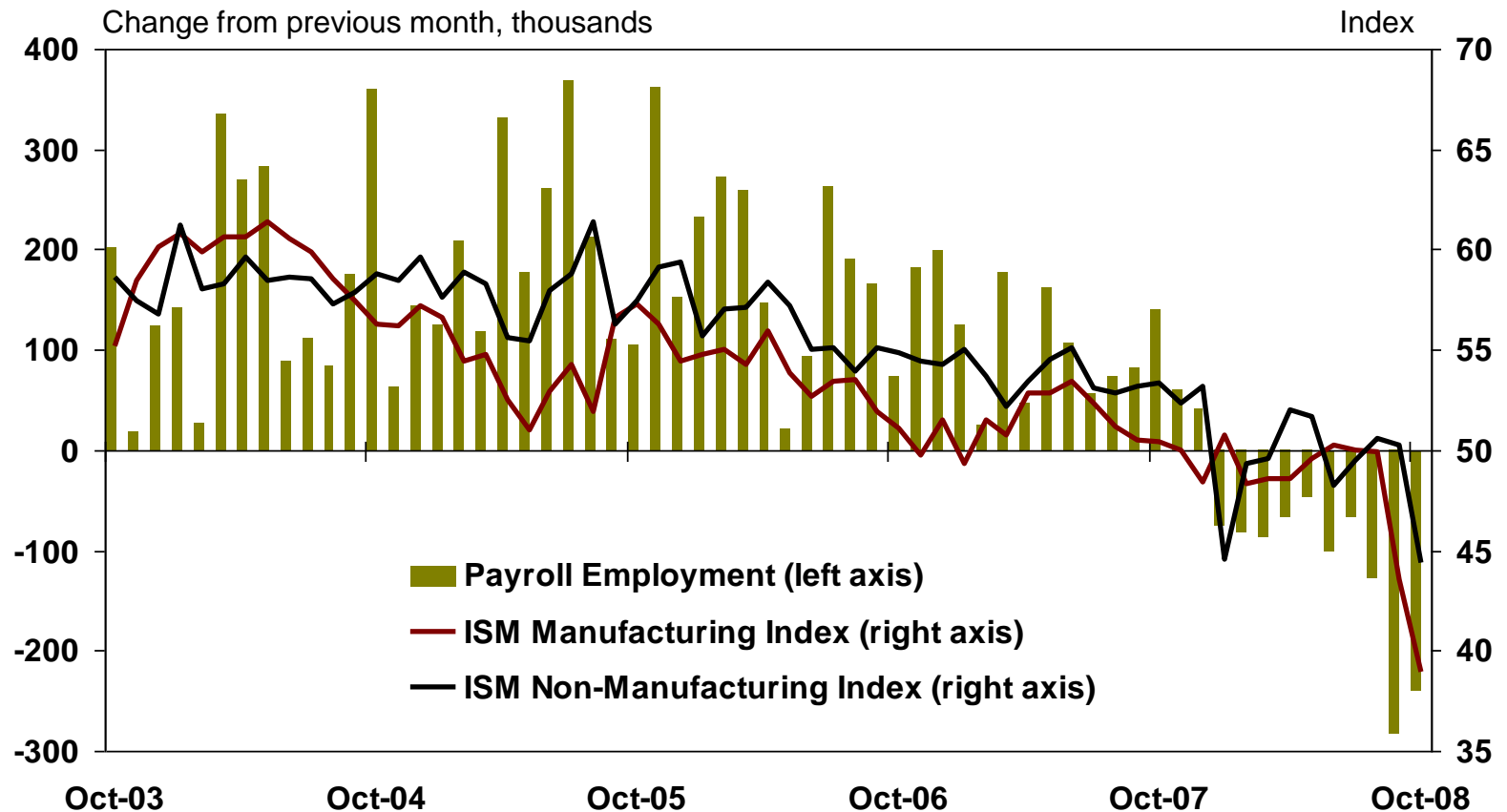
Only exports and government spending showed positive growth in Q3

Growth in Components of GDP



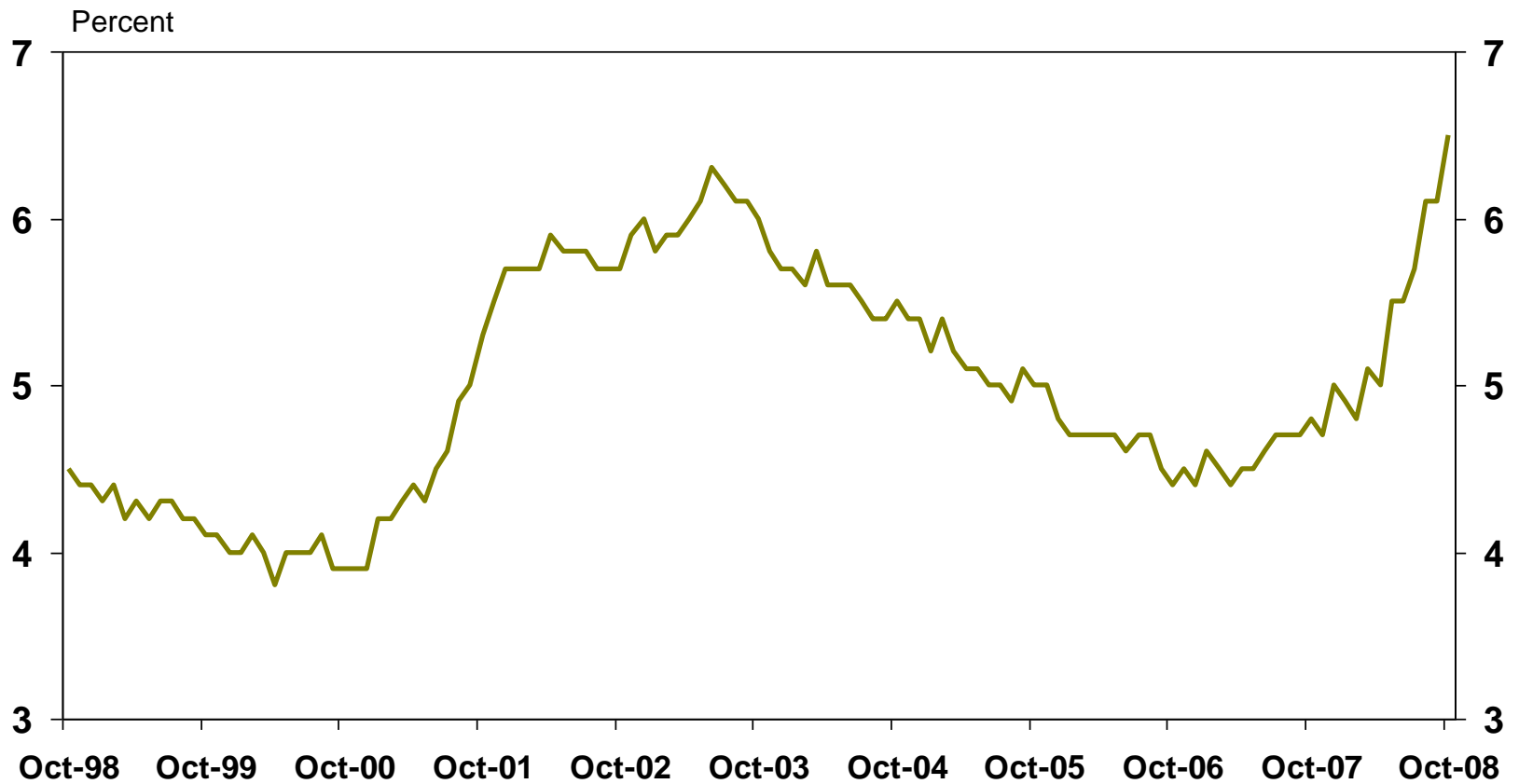
Early fourth quarter data show continued economic difficulties

National Business Indexes and Payroll Employment



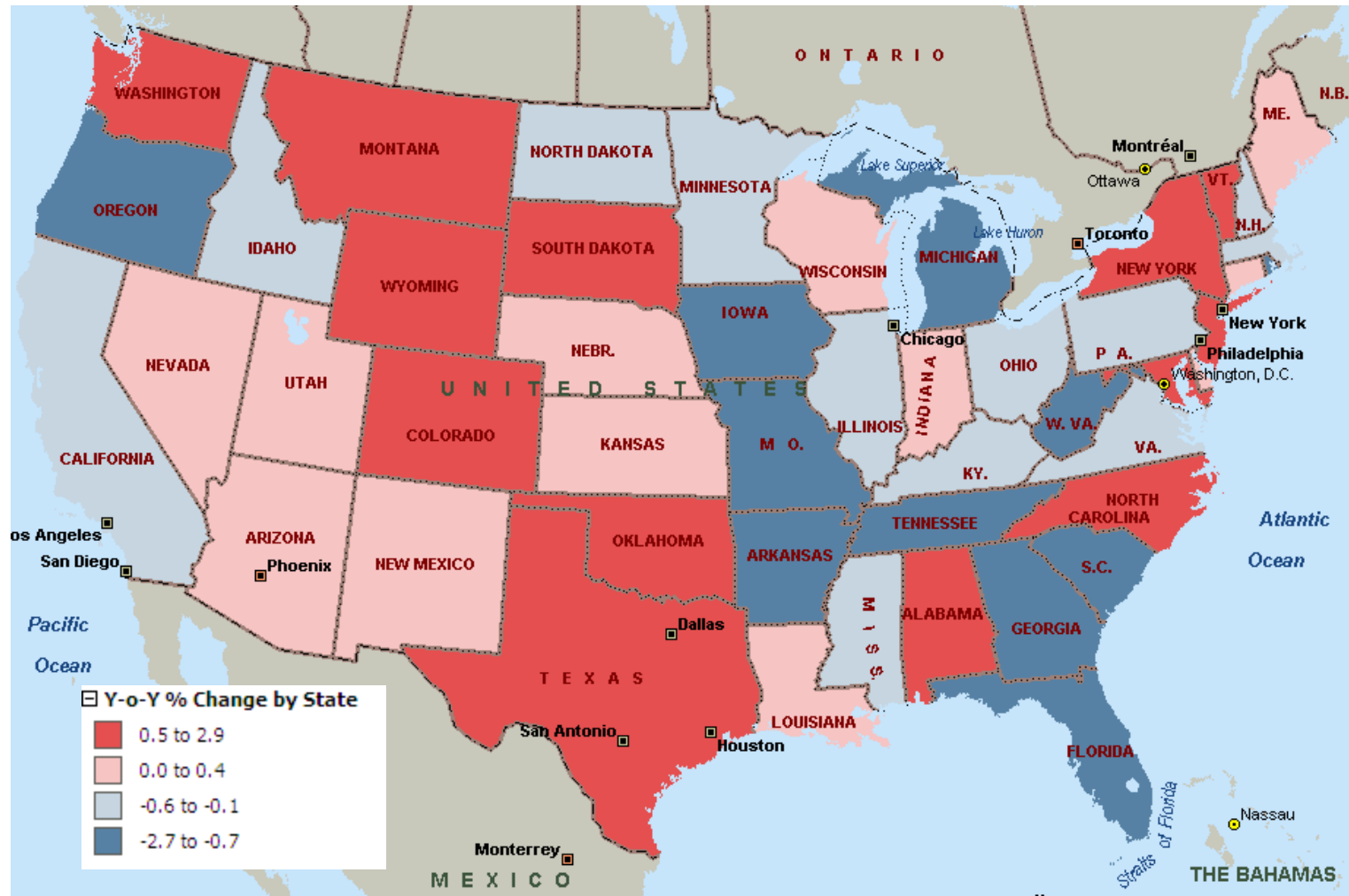
Unemployment has continued to rise

Unemployment Rate



Economic conditions still vary widely, but growth is slowing across the country

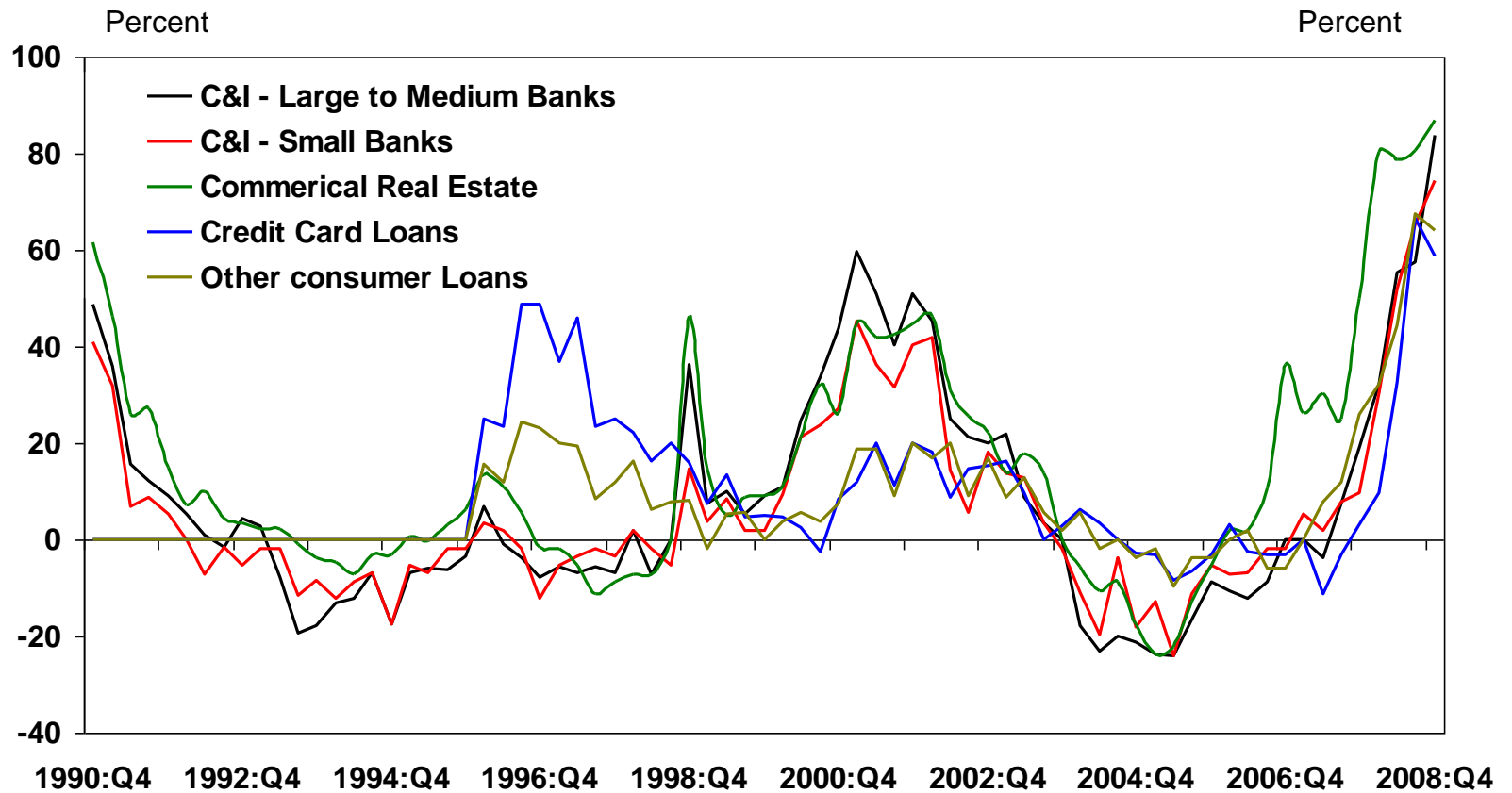
Payroll Employment Growth, September 2008



Source: Bureau of Labor Statistics

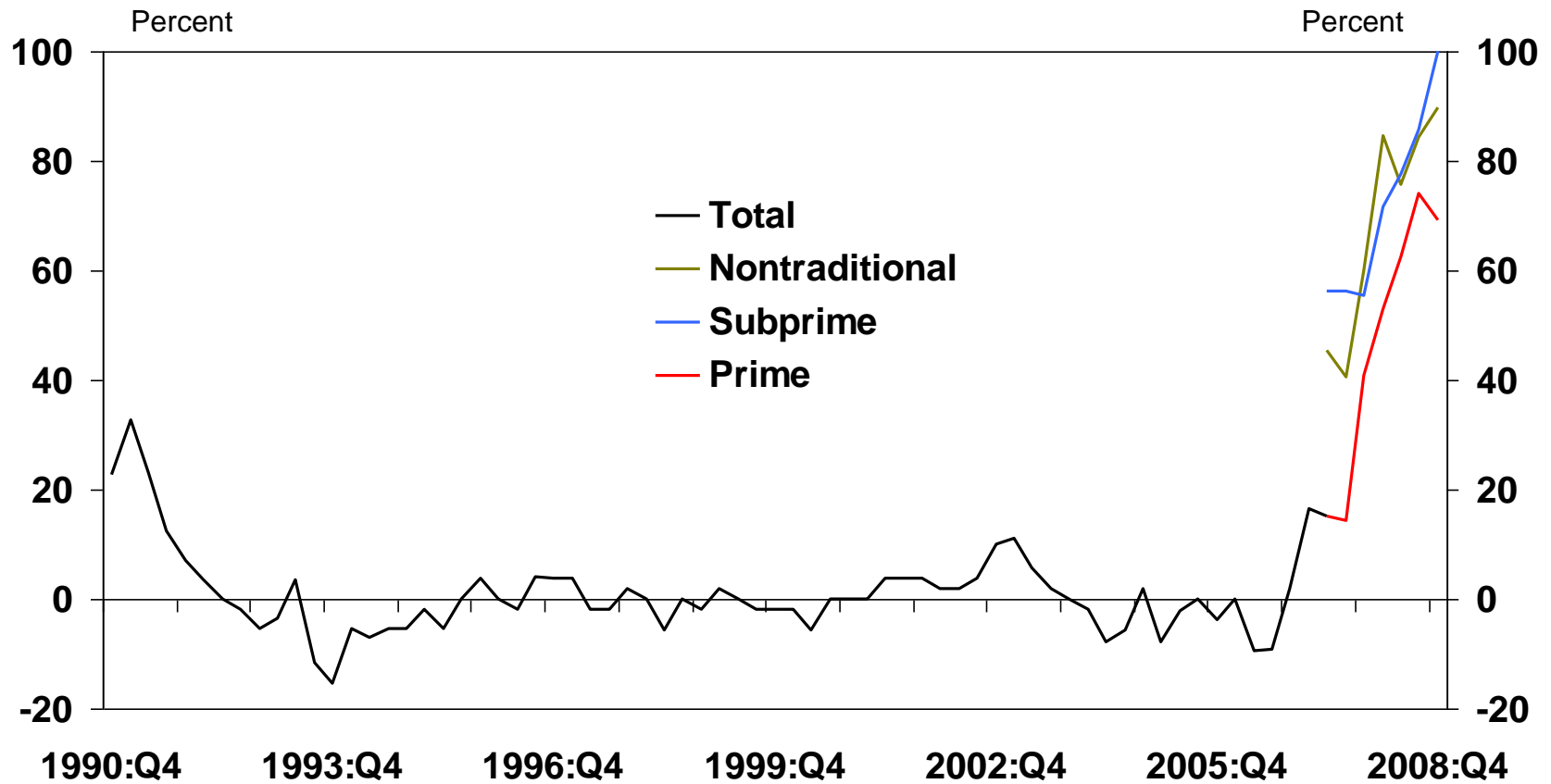
Banks have sharply tightened standards on business and consumer loans

Net Percentage of Banks Tightening Loan Standards



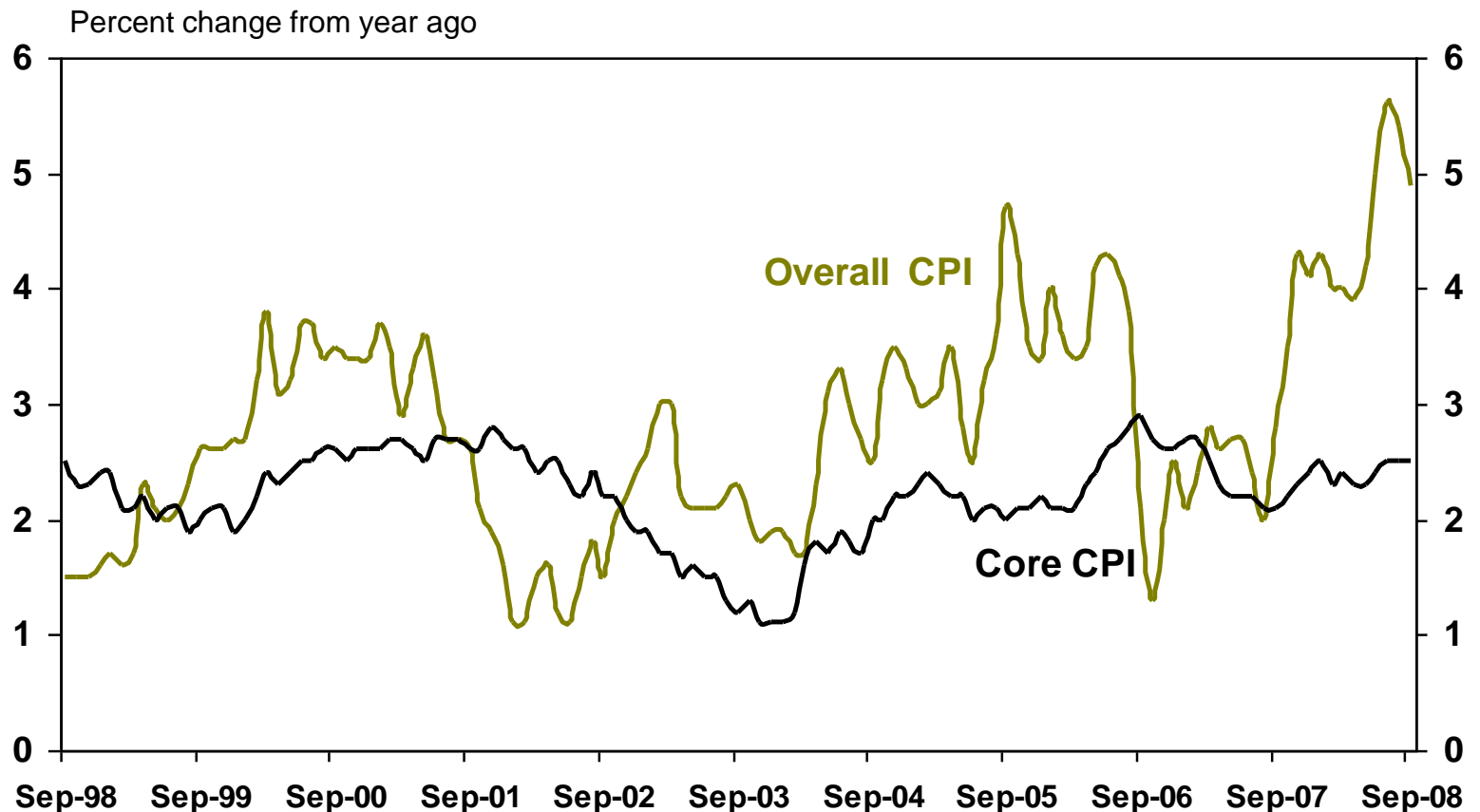
And nearly all banks have tightened standards on mortgage loans

Net Percentage of Banks Tightening Mortgage Loan Standards



Meanwhile, inflation pressures rose sharply before easing slightly in recent months

Consumer Price Index



Recent policy actions aim to help bring an end to the credit crisis

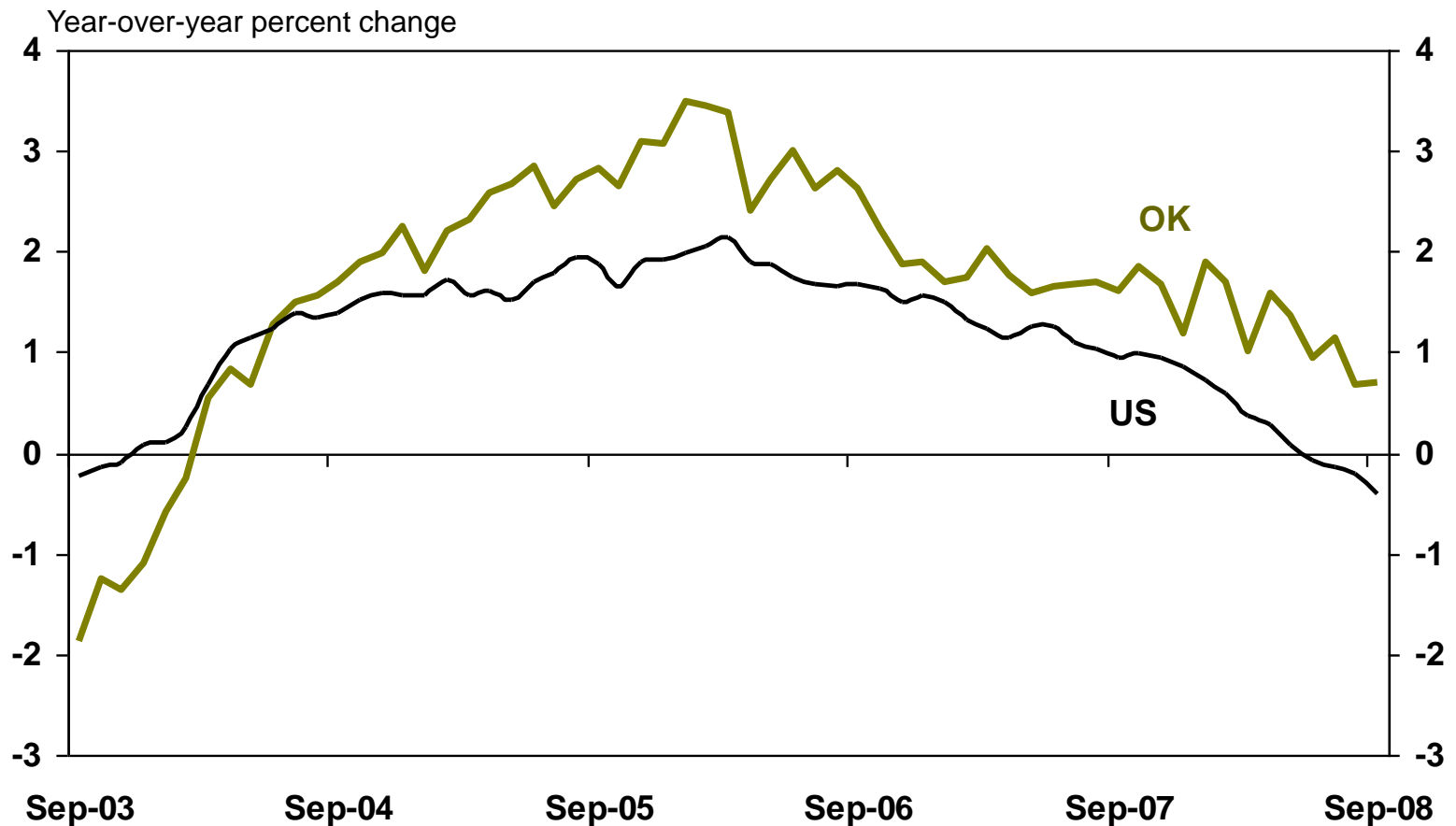
- Rescue package passed to buy up bad assets and, now, inject capital into banks
- Considerable liquidity provision by the Fed and other central banks has continued
- A coordinated monetary policy easing by the major central banks around the world and, recently, more easing by the Fed

The Oklahoma Economic Outlook

- ❑ Oklahoma job growth has weakened, but is still outperforming the nation
- ❑ Housing and banking activity remains stable, but layoff announcements are rising, particularly in manufacturing
- ❑ But the national situation bears watching, as do recent declines in oil and gas prices

Oklahoma job growth has slowed but remains well above the national average

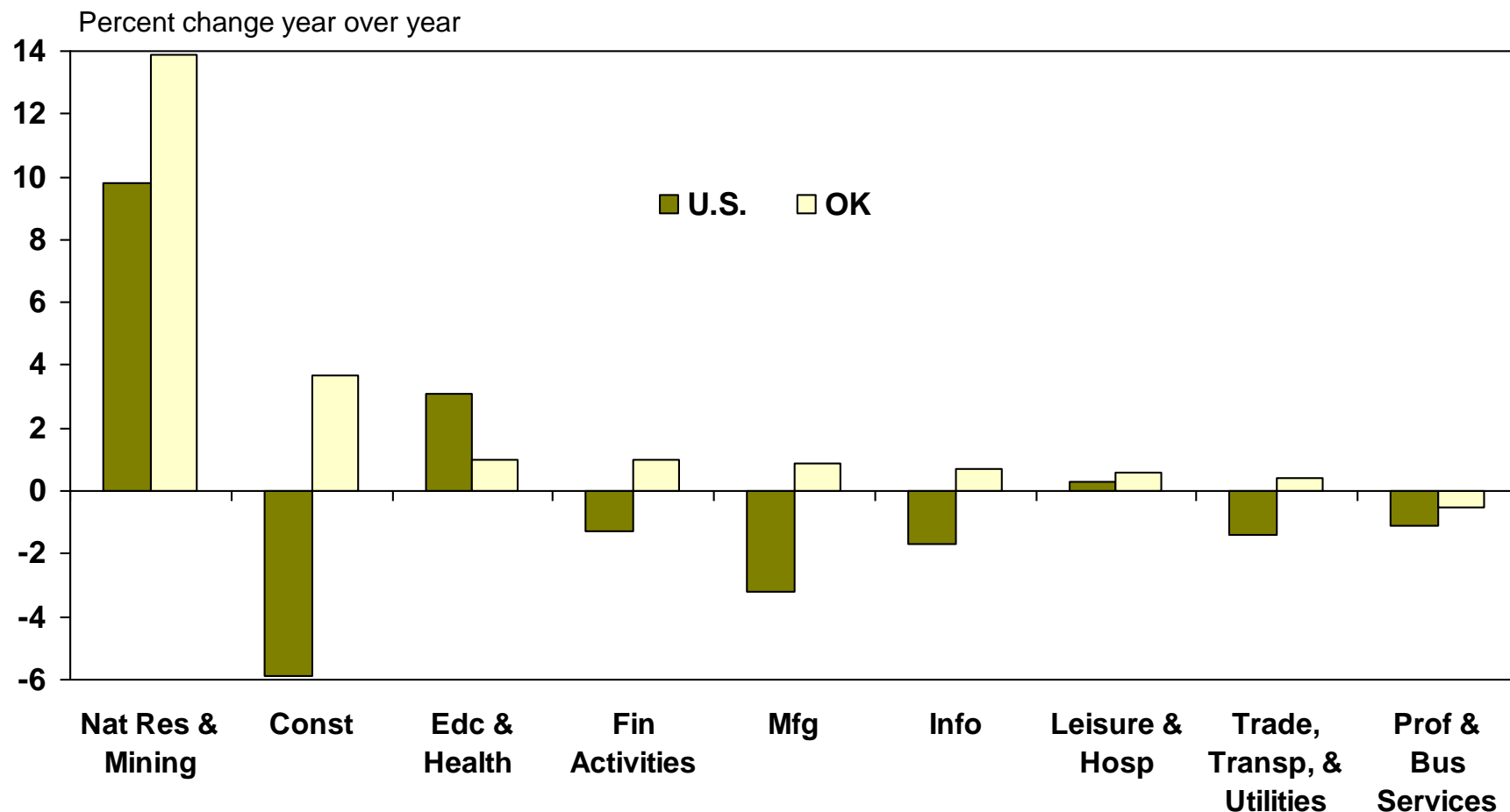
Nonfarm Payroll Employment Growth



But job growth is minimal outside the energy and nonresidential construction sectors

Employment Growth by Industry

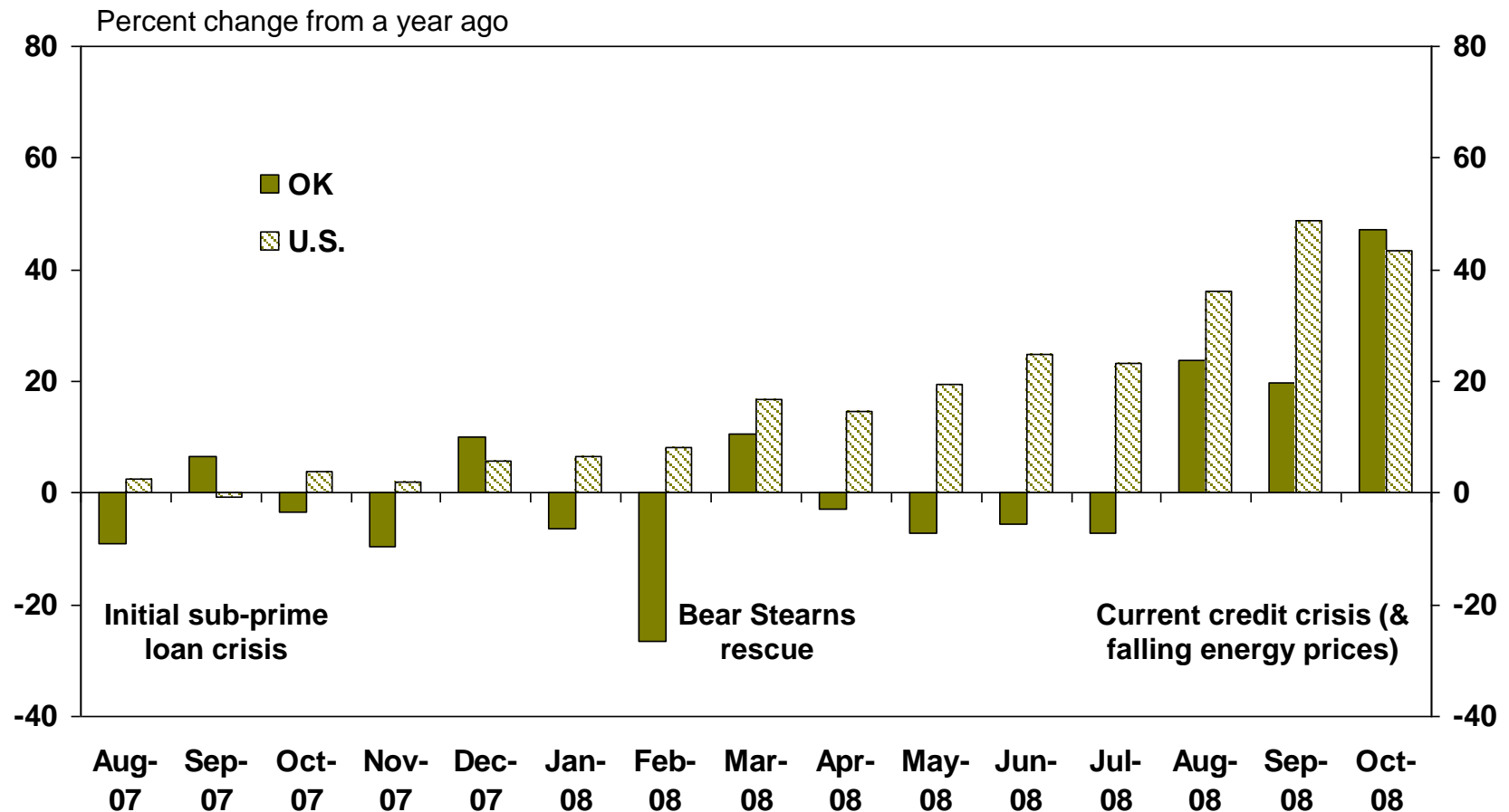
September 2008



Source: U.S. Bureau of Labor Statistics

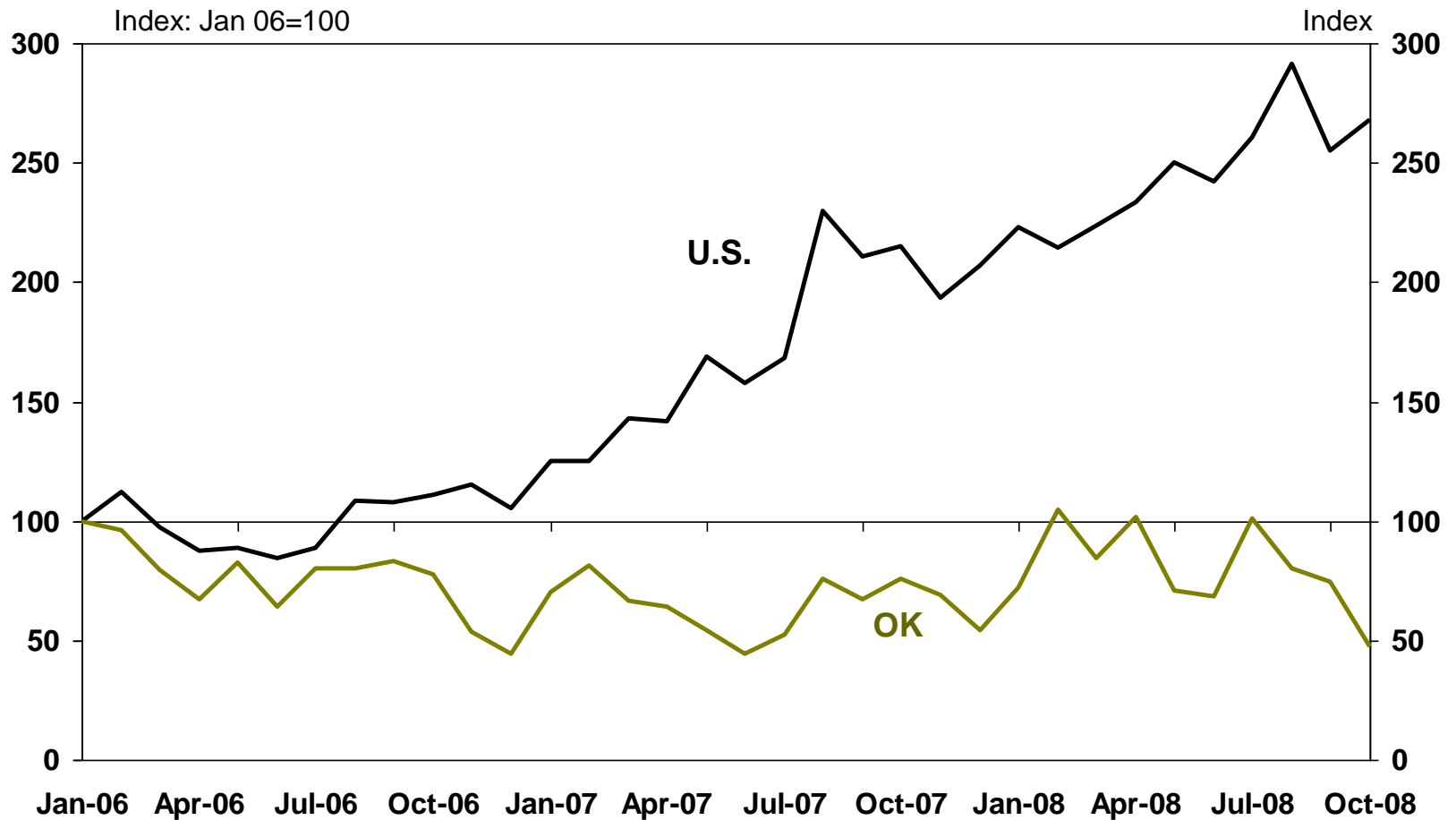
Unemployment claims have also risen in recent weeks after lagging the nation

Weekly Unemployment Insurance Claims



Foreclosures have been relatively low in Oklahoma compared to the nation

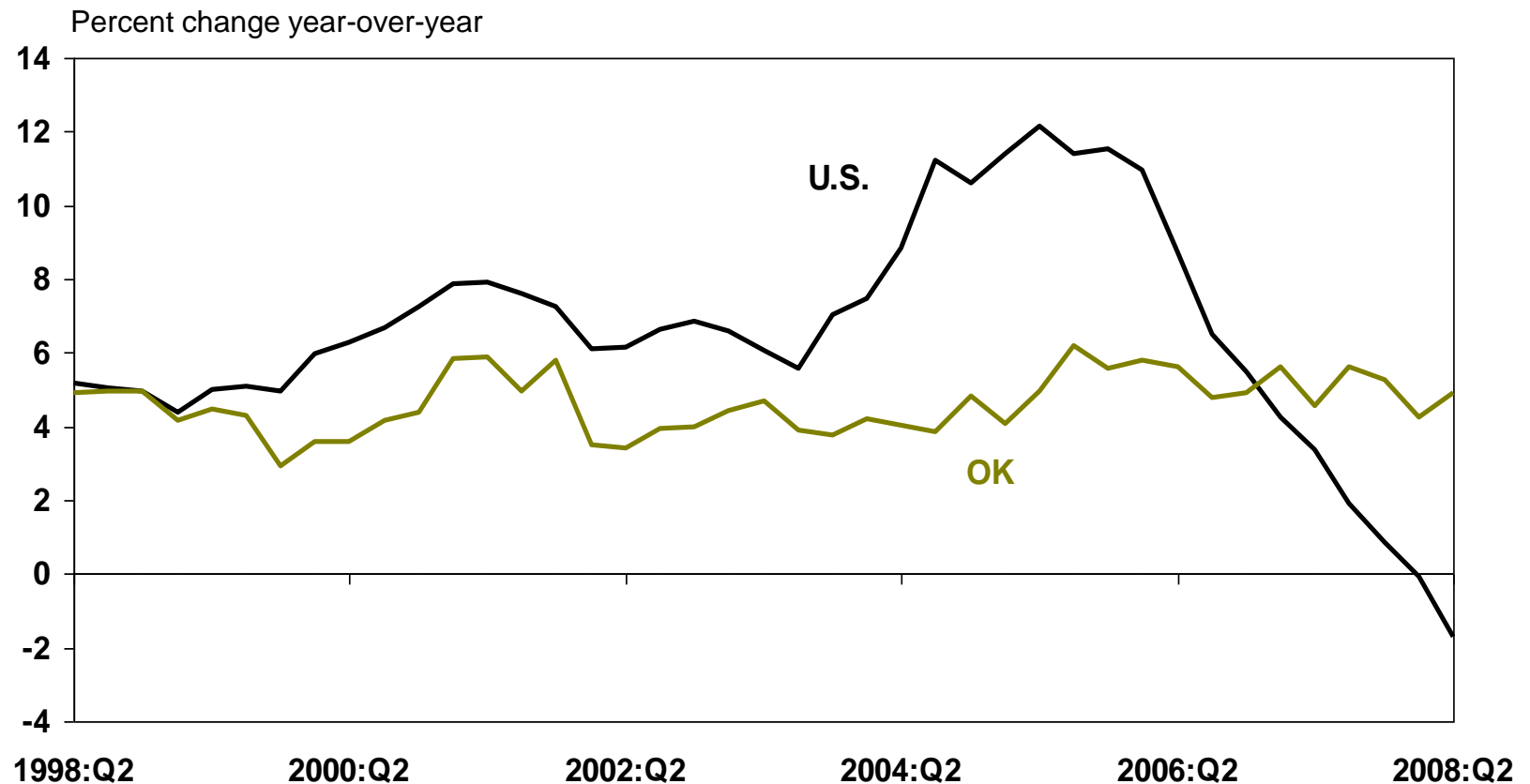
Total Foreclosures, U.S. vs. Oklahoma



Source: Realty-Trac

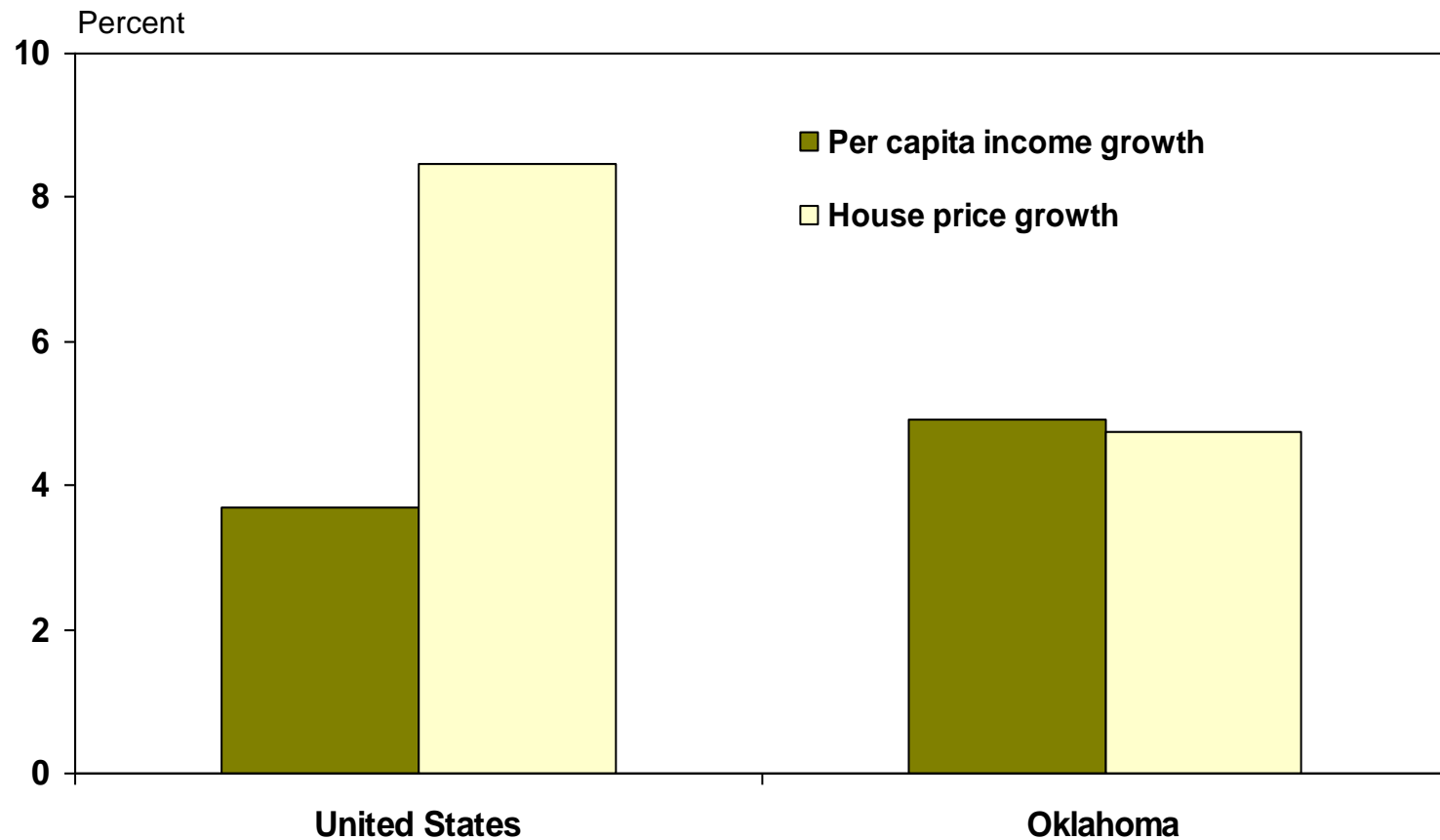
Oklahoma home prices continued to grow through Q2 2008, even as U.S. prices fell

Quality-Adjusted Home Price Growth



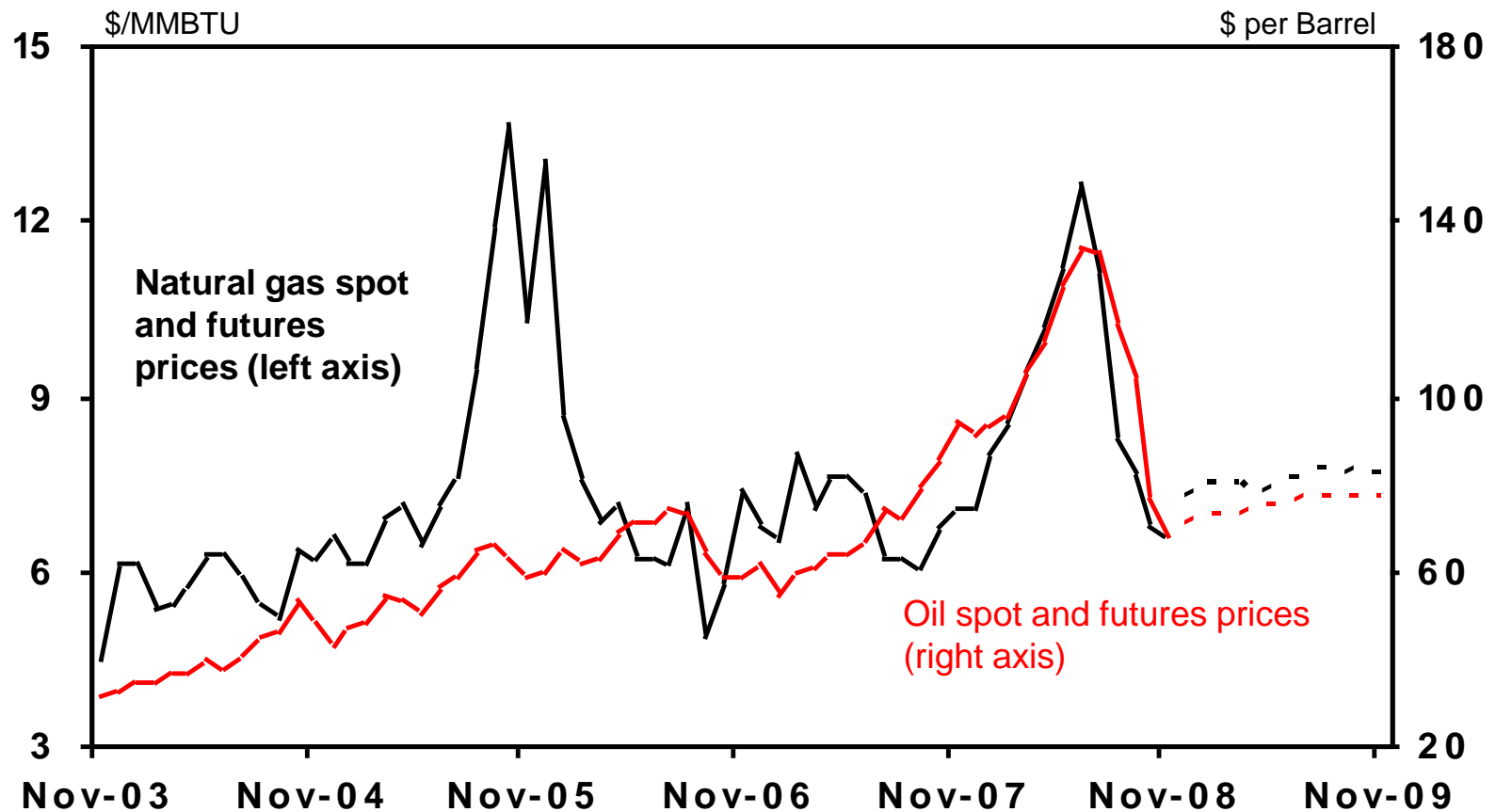
House price fundamentals were also more in line in Oklahoma from 2000 to 2005

Annual Growth in Per Capita Incomes and Home Prices
2000 - 2005



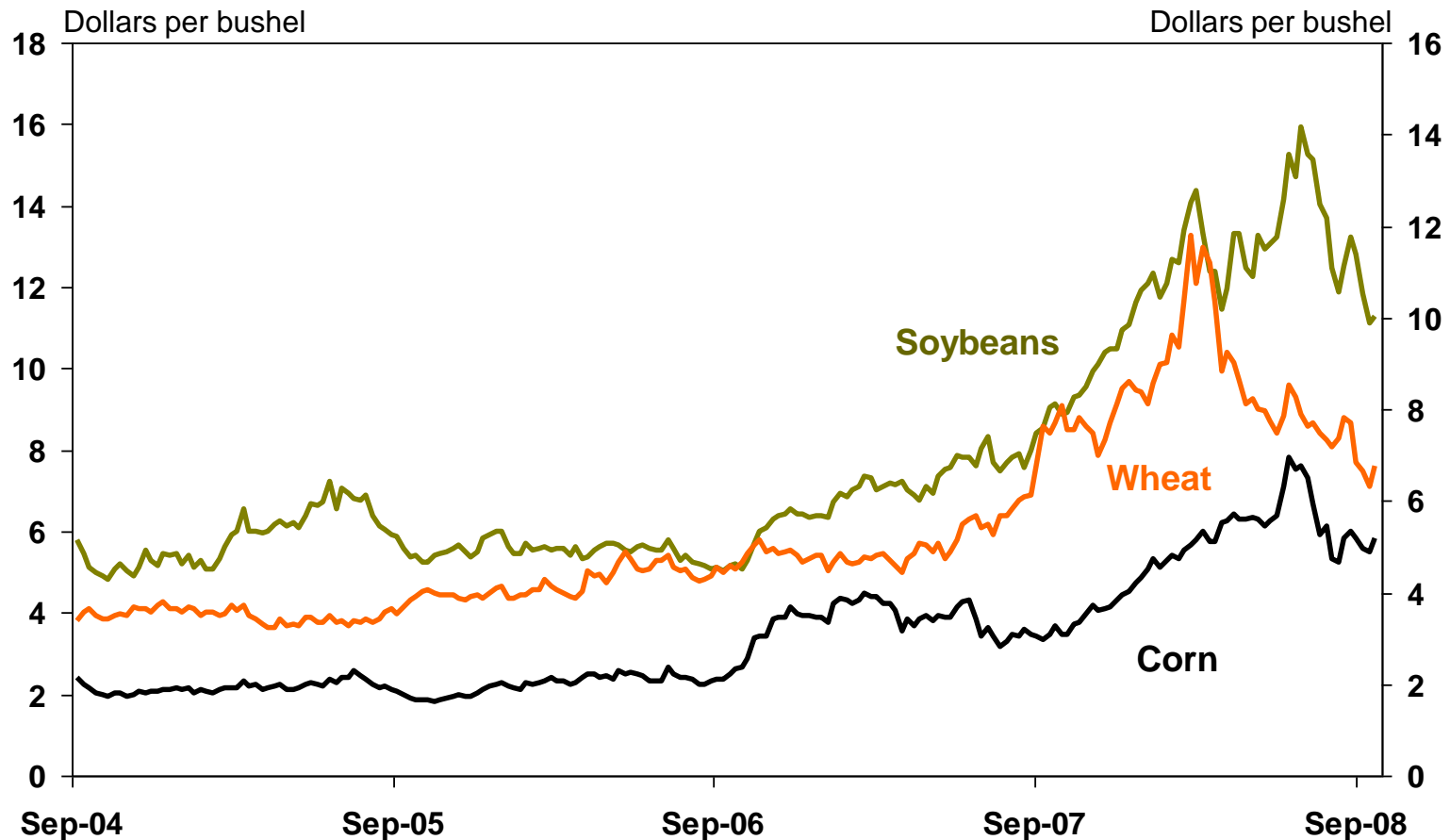
Oil and gas prices have come down considerably in recent months

Oil/Natural Gas Prices



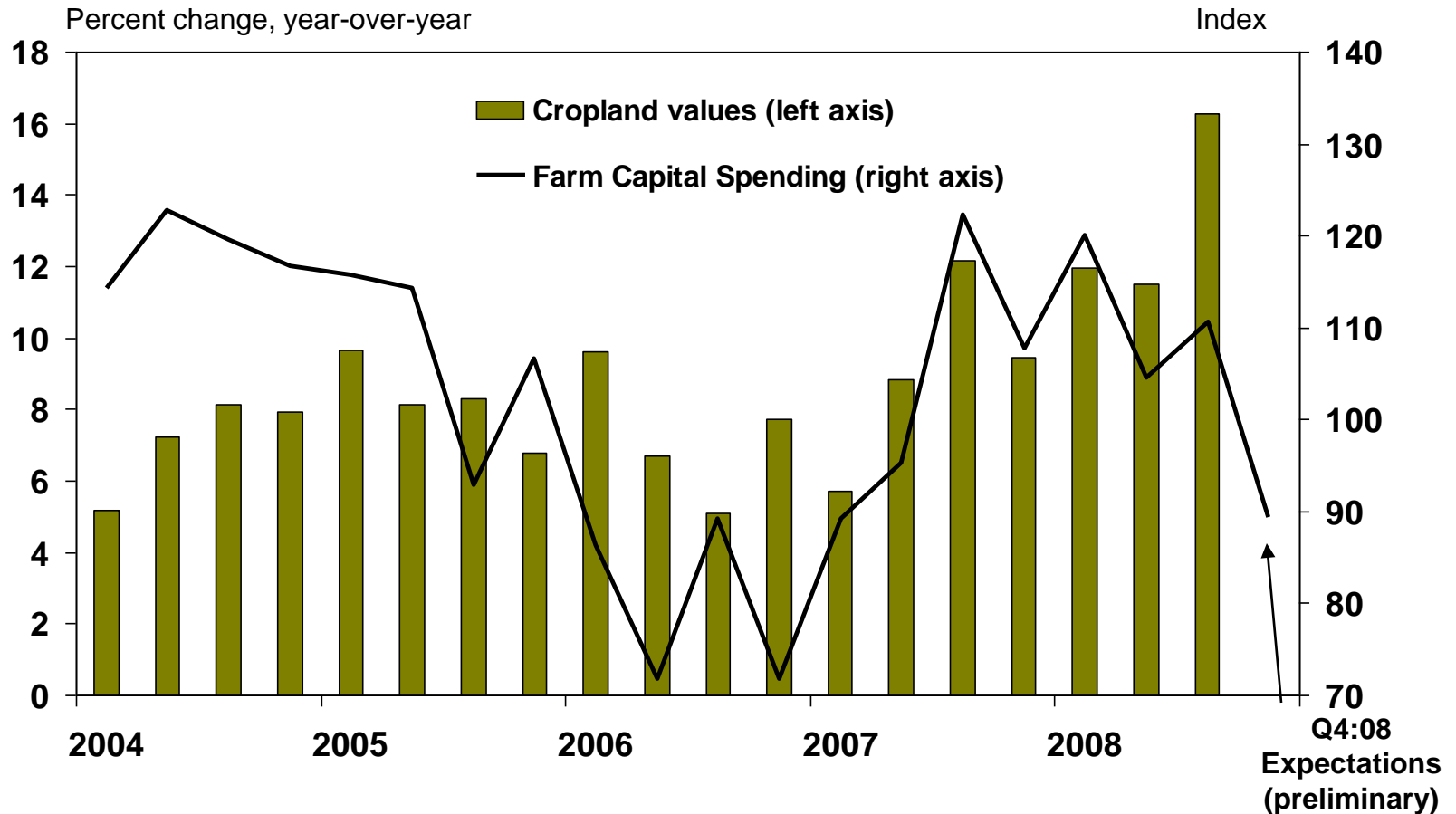
Crop prices have also eased recently, but still remain quite high

U.S. Crop Prices



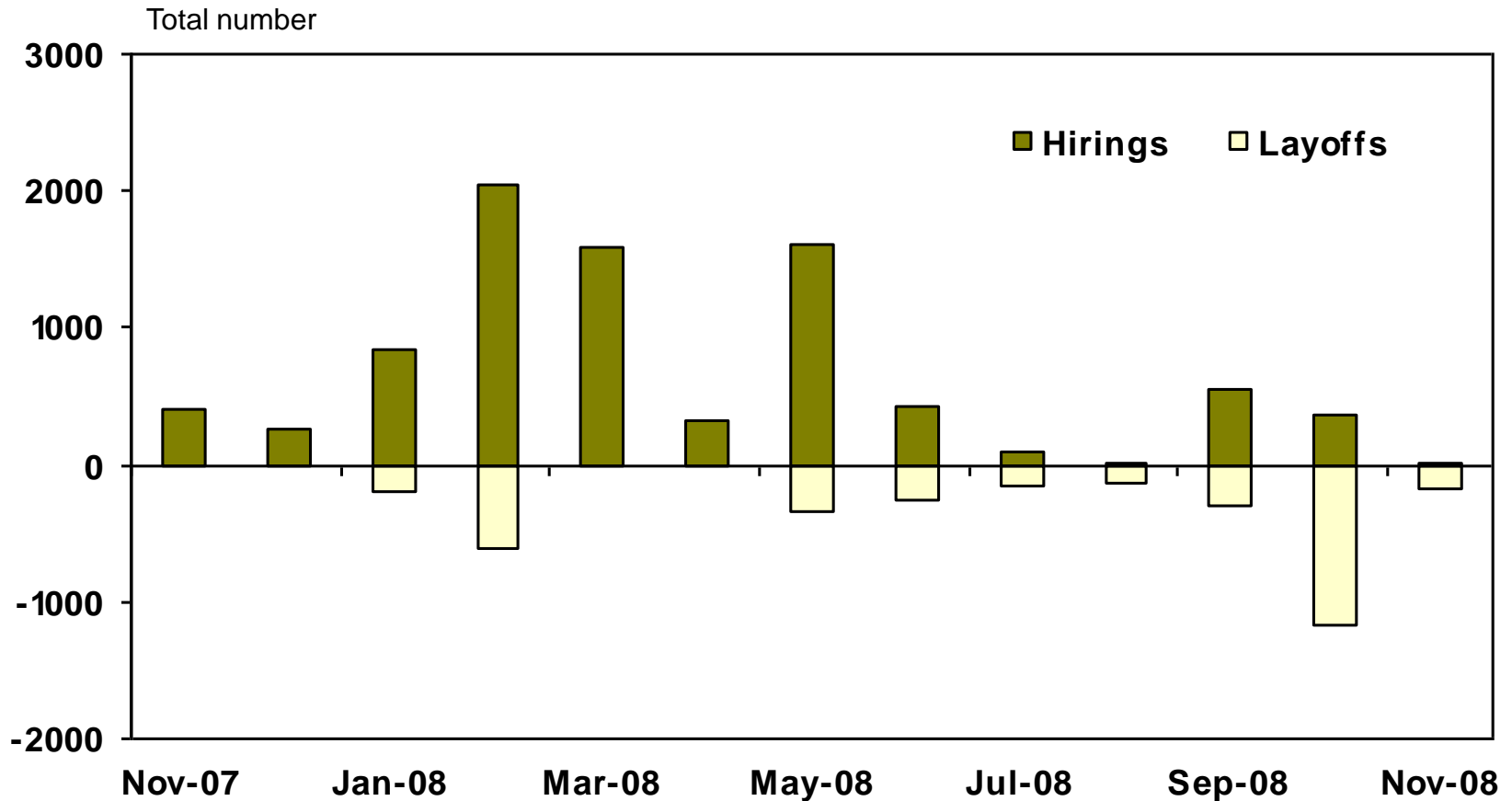
While farmland values are still high, expectations for capital spending have dropped

Oklahoma Agricultural Indicators



Hiring announcements in Oklahoma continue to outpace layoffs

Oklahoma Hiring and Layoff Announcements



Summary

- ❑ U.S. and world economic conditions have deteriorated with tightening credit markets
- ❑ Regional economic conditions remain better, especially in housing and employment, but some recent high-frequency data have been worse
- ❑ Recent policy actions are aimed to boost the U.S. outlook and should help Oklahoma as well, but commodity prices bear watching

Questions?