

# U.S. and Oklahoma Economic Outlook

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# Purposes and Structure of the Federal Reserve System

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- **Overall purposes of the Fed are to promote:**
  - Maximum sustainable economic growth/employment
  - Low and stable inflation
  - National financial stability
- **The three primary functional areas of the Fed are:**
  - Monetary policy – most visible role to the public, usually
  - Bank regulation – including lender of last resort
  - Payments systems – cash, checks, electronic payments
- **The Federal Reserve System consists of:**
  - Board of Governors: 7 members who are appointed by the U.S. President and confirmed by the Senate to serve 14-year terms.
  - Federal Reserve Banks: 12 Banks, each serving a unique district.
  - Federal Open Market Committee (FOMC): Comprised of the 7 Governors and the 12 Reserve Bank presidents (only 5 presidents are voting members, on a rotating basis).

# Federal Reserve Districts and Office Locations

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# The Kansas City and Oklahoma City Offices

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- **Headquarters in Kansas City**

- Nearly **1,000 staff** involved in all mission areas
- **New building** officially opened in June 2008

- **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* **Steve Agee**, President, Agee Energy, and Professor, OCU, Oklahoma City
- **Terry Almon**, President, Oklahoma Community Capital Corp., Broken Arrow
- **Bill Anoatubby**, Governor, Chickasaw Nation, Ada
- **Jim Dunn**, Chairman, Mill Creek Lumber & Supply Co., Tulsa
- **Fred Ramos**, COO, Latino Community Development Agency, Oklahoma City
- **Doug Tippens**, President and CEO, Canadian State Bank, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville

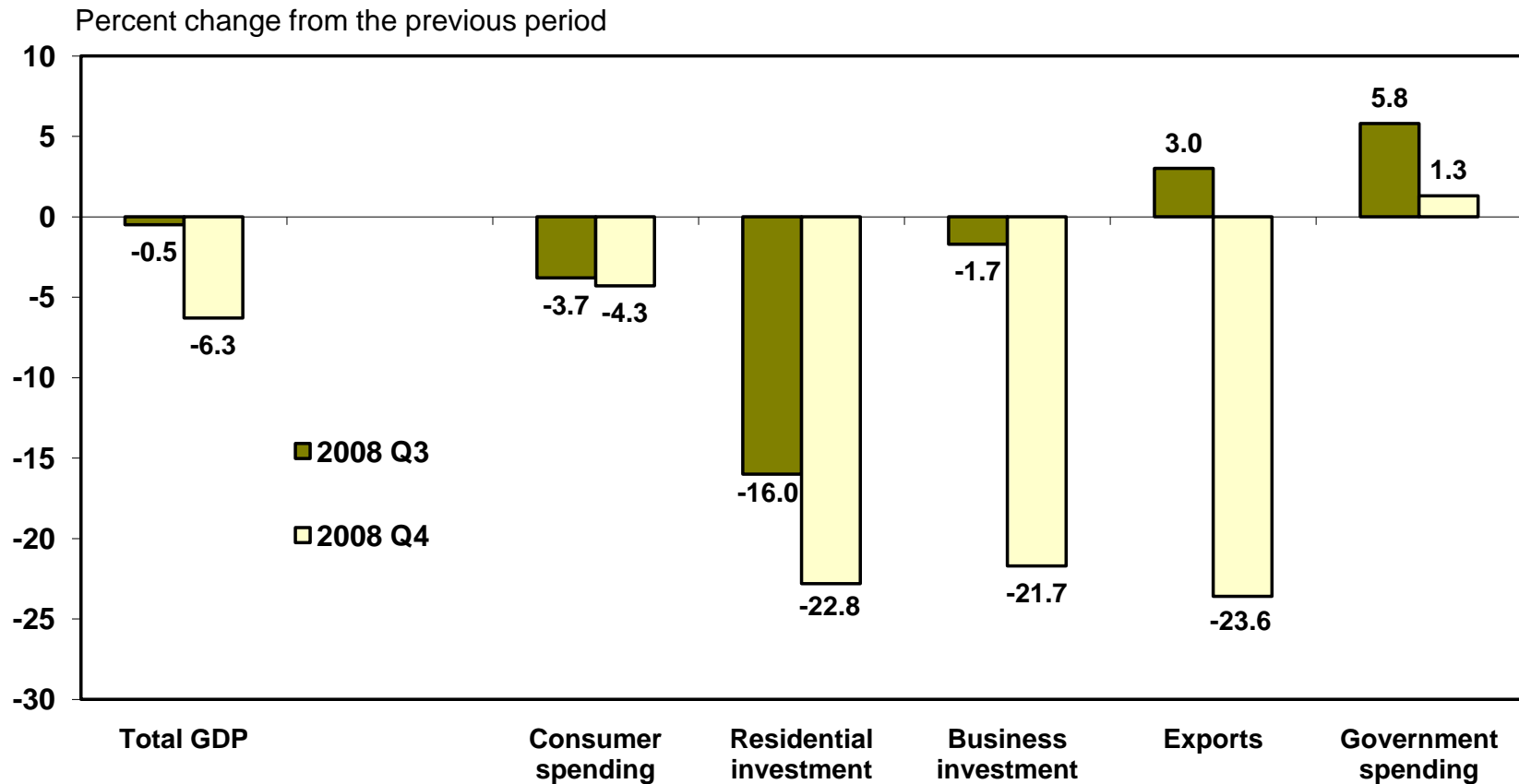
# The U.S. Economy

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- The U.S. economy has weakened but may be nearing a bottom
- Some credit markets show signs of improvement, but strains remain
- Inflation has eased and is expected to remain tame

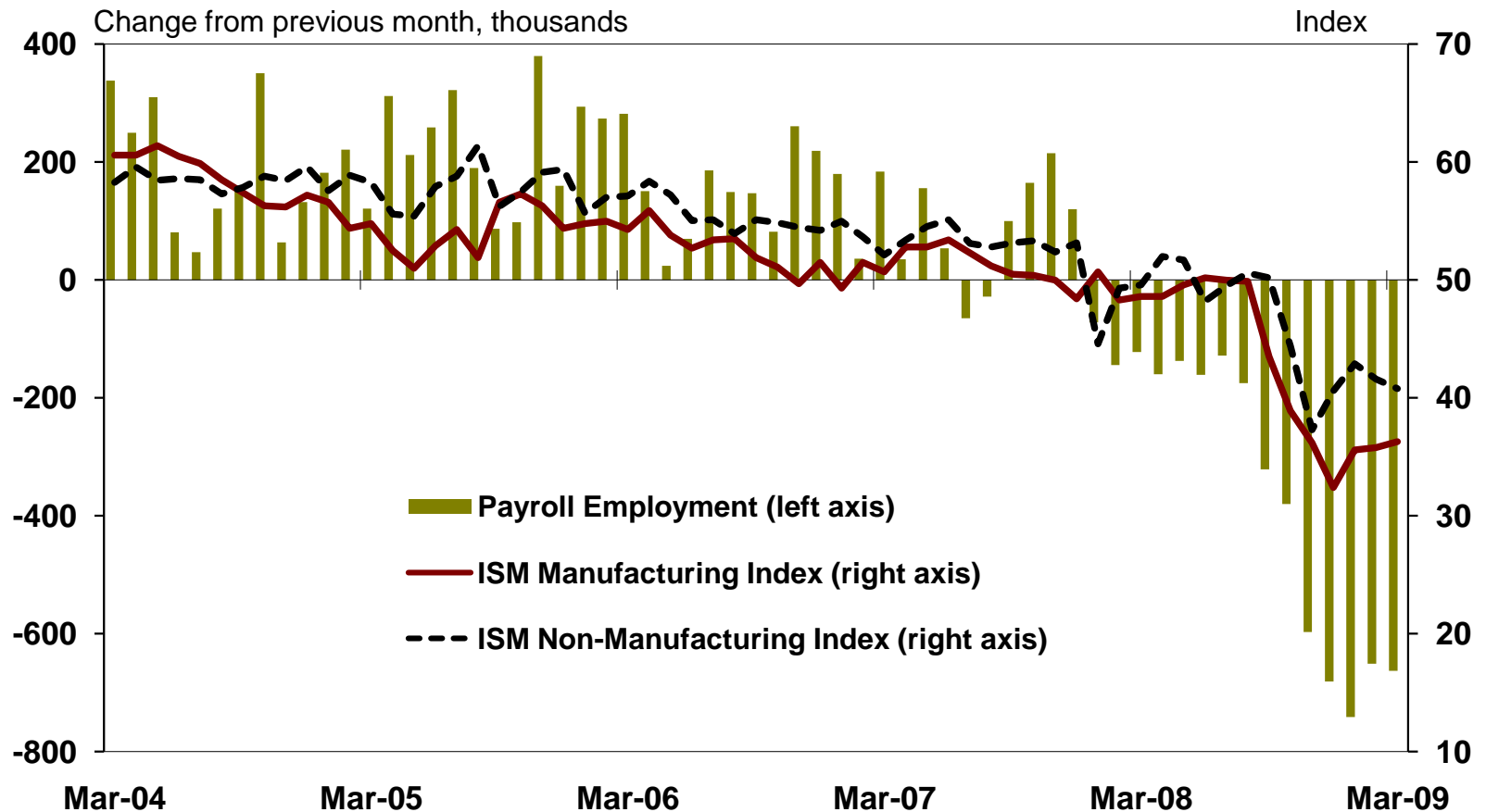
# In the fourth quarter of last year, only government added to U.S. growth

## Growth in Components of GDP



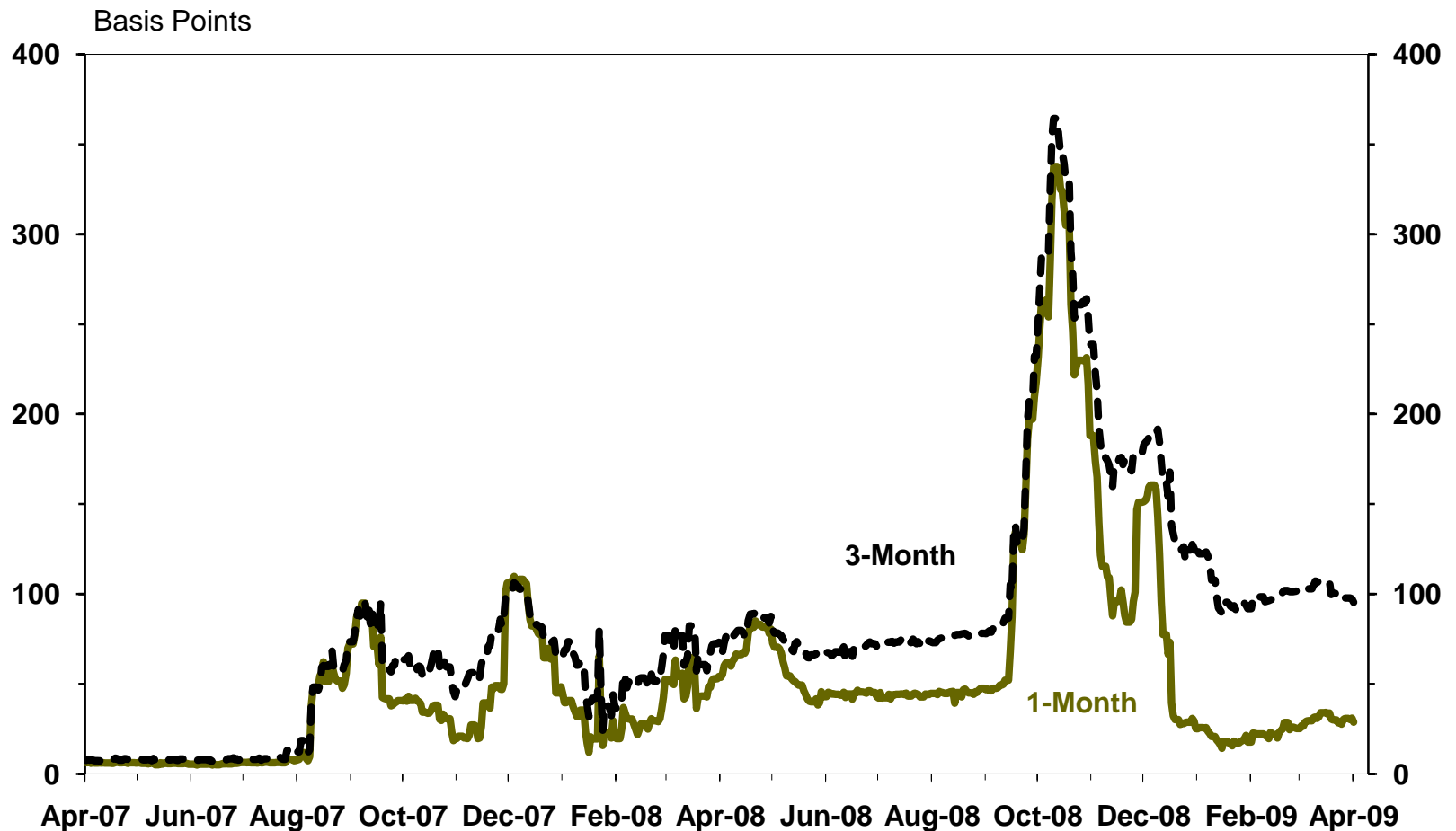
# Weak activity has continued into 2009, but the declines may be stabilizing

## National Business Indexes and Payroll Employment



# Interbank lending conditions have improved, but remain strained

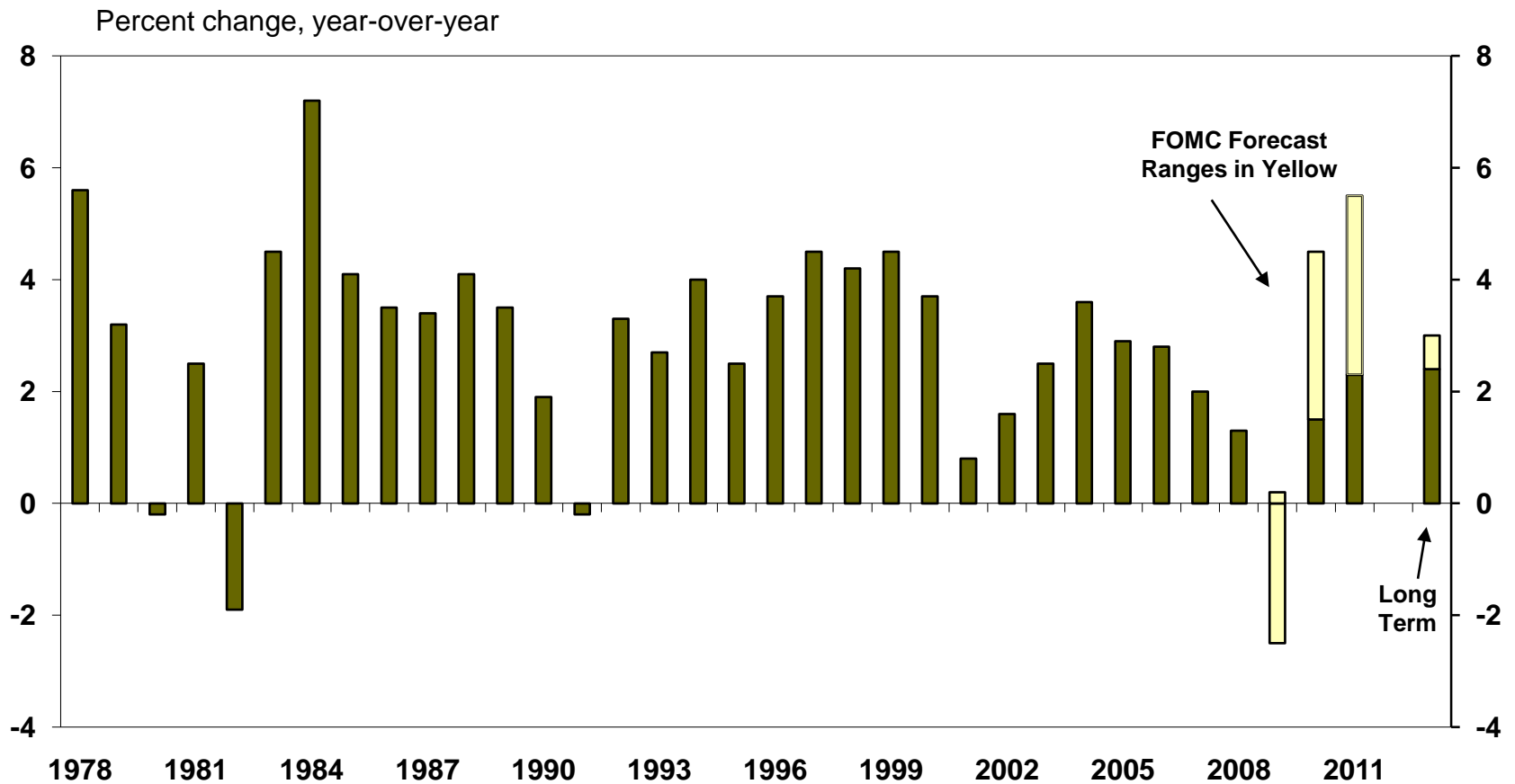
## LIBOR-OIS Spread





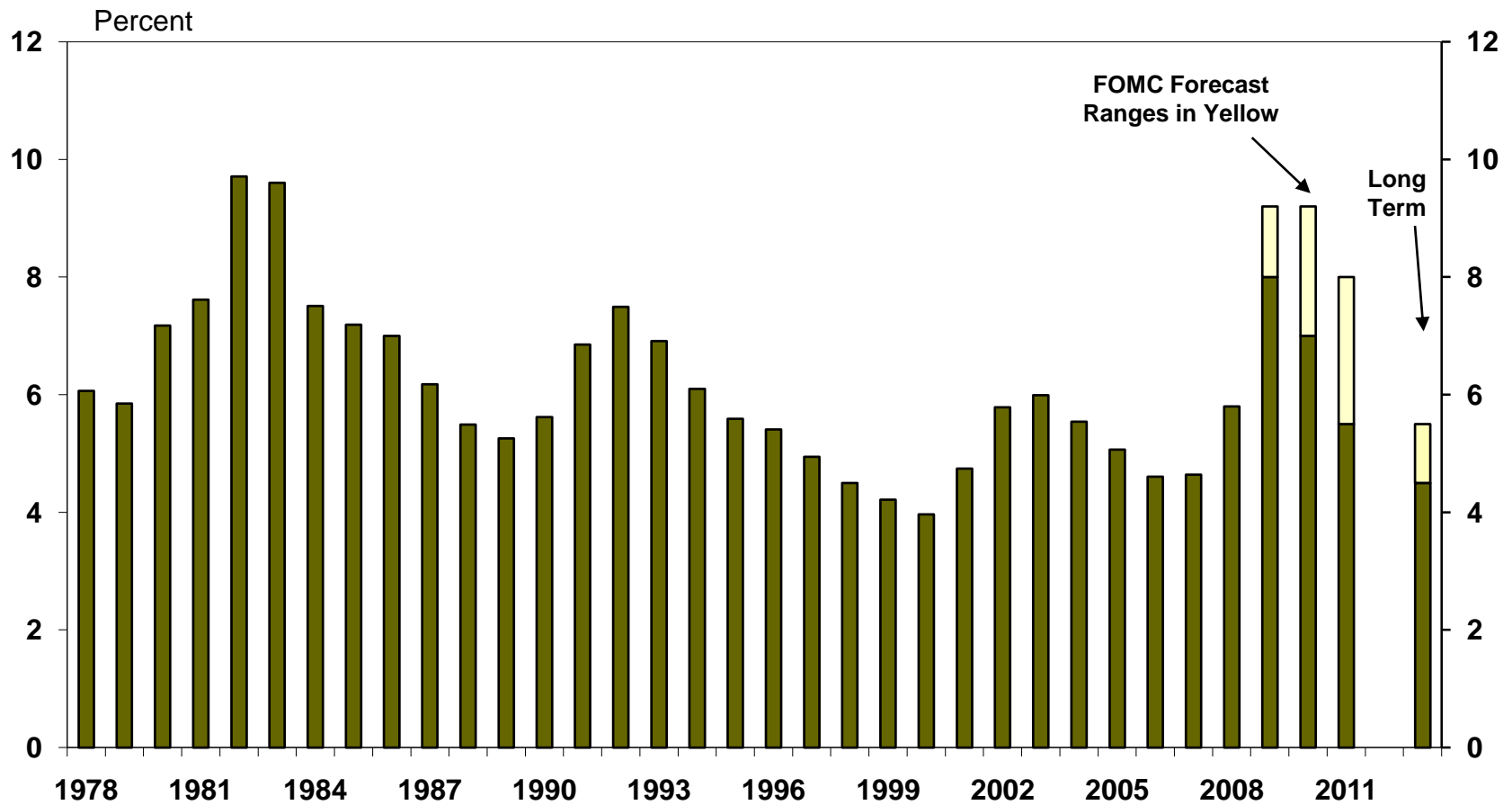
# Policy-makers are pessimistic about the near-term economic outlook

## Gross Domestic Product



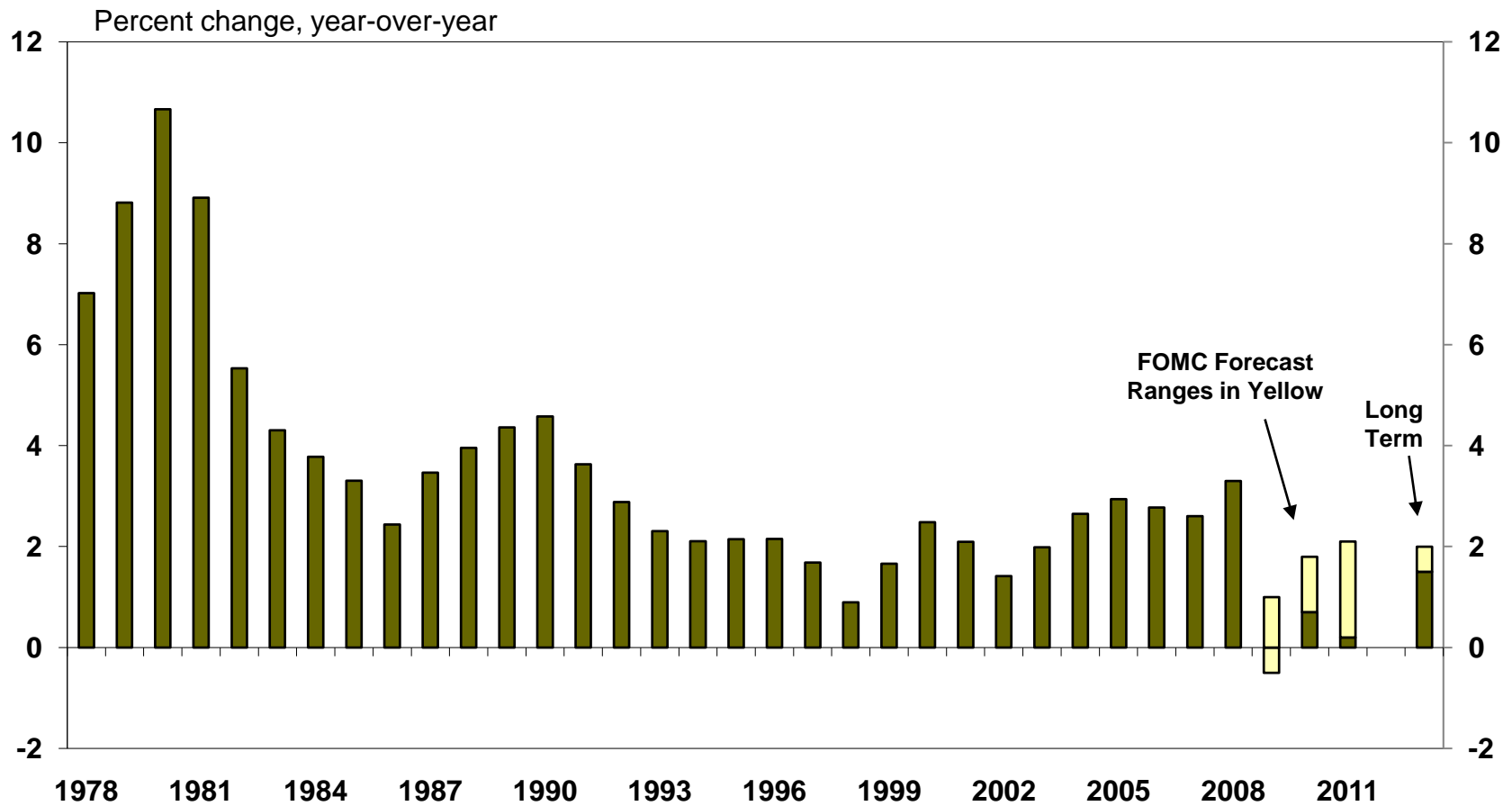
# And U.S. unemployment is expected to rise further

**Unemployment Rate**  
Seasonally Adjusted



# Meanwhile, inflation is expected to moderate after rising in 2008

## PCE Inflation Index



# The Oklahoma Economy

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- The state's economy and housing sector remain stronger than the nation
- But the most recent data have shown a clear downturn for the state
- Efforts to boost the U.S. economy are coming at a good time for Oklahoma

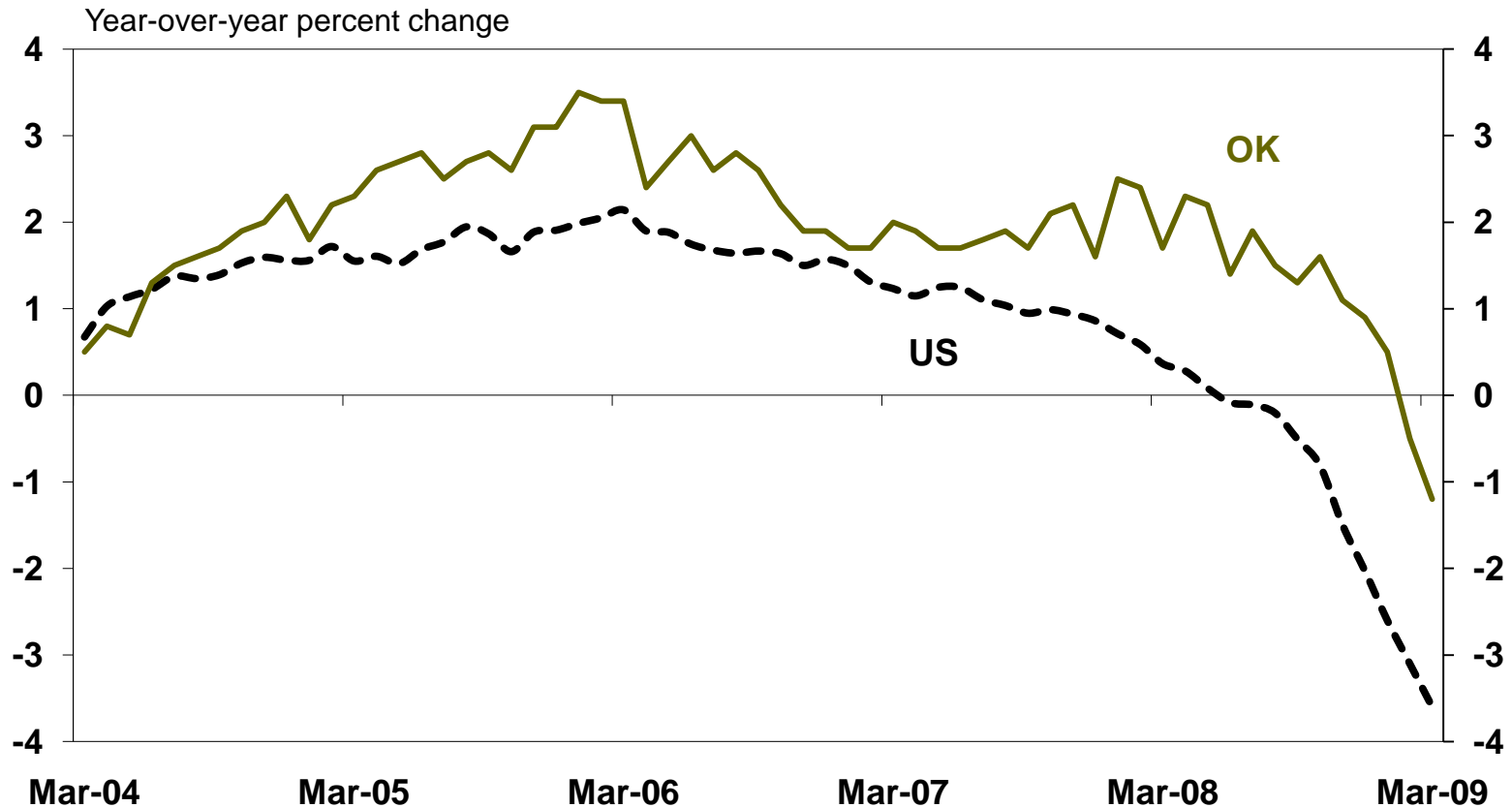
# Unemployment remains relatively low in Oklahoma and most nearby states

Unemployment Rate, March 2009

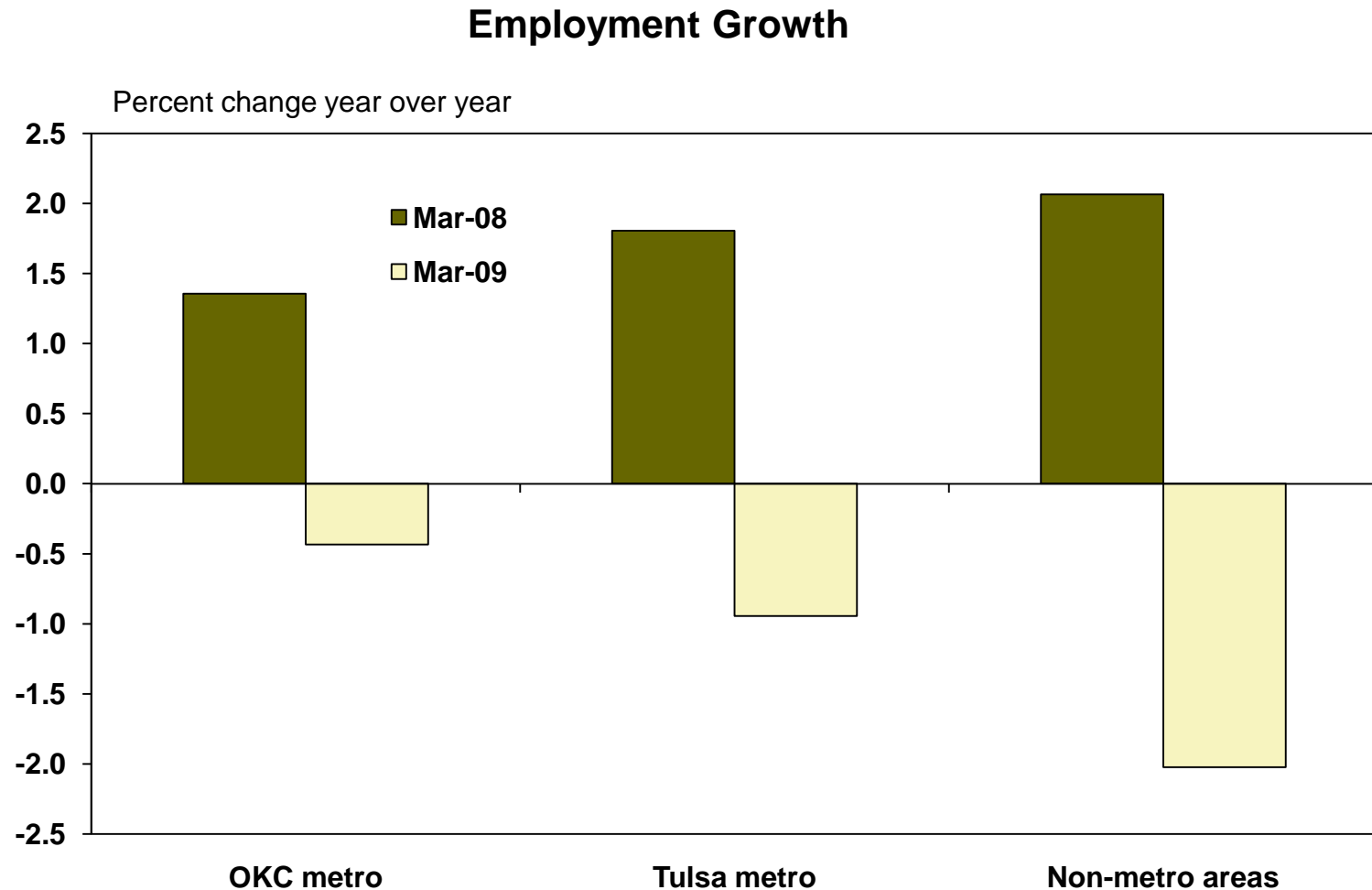


# But jobs are now below year-ago levels in the state, following a long boom

## Nonfarm Payroll Employment Growth



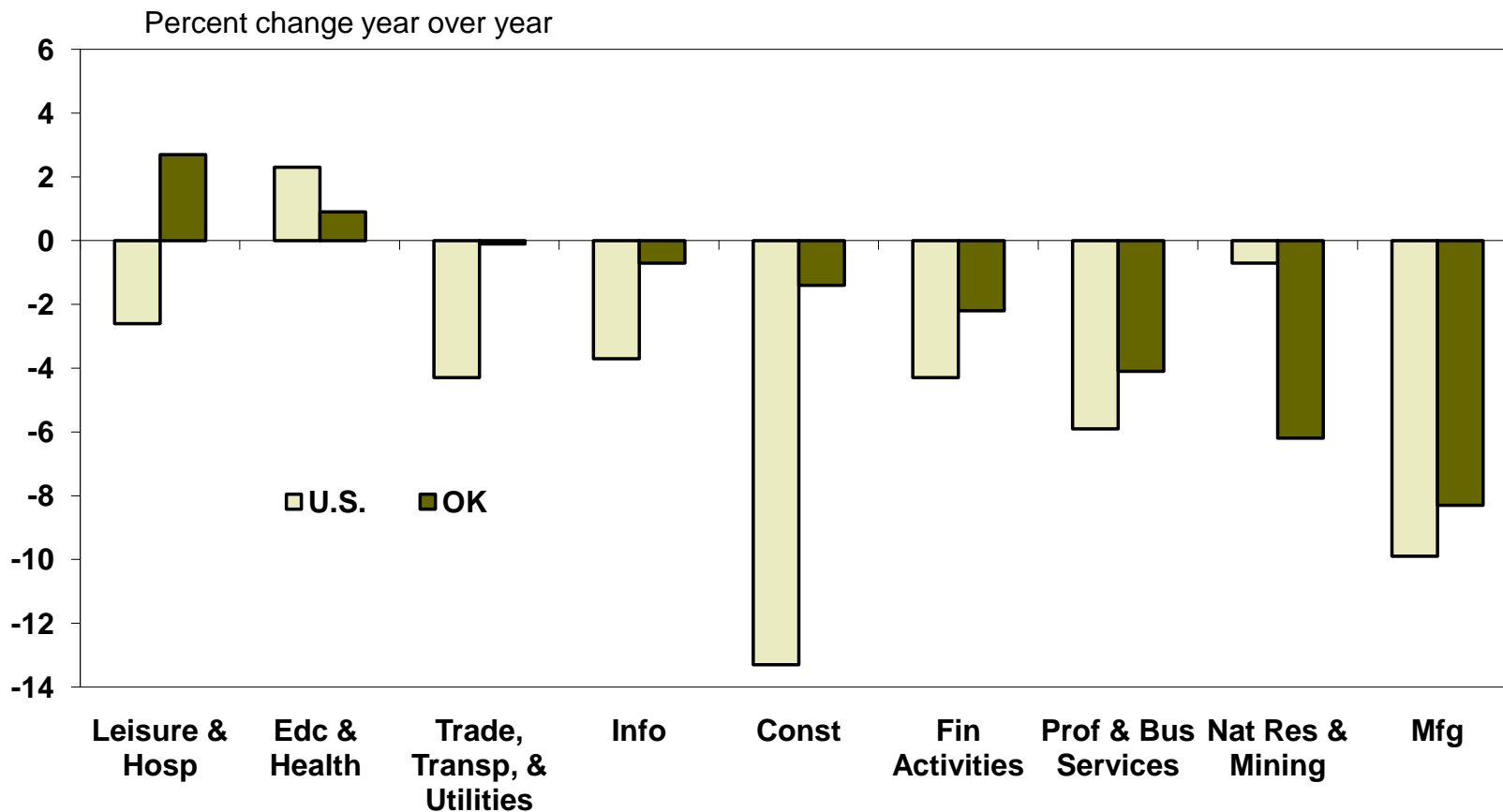
# The decline in state job growth has been sharpest in non-metro areas



# Jobs are now down from a year ago in most industries in the state

## Employment Growth by Industry

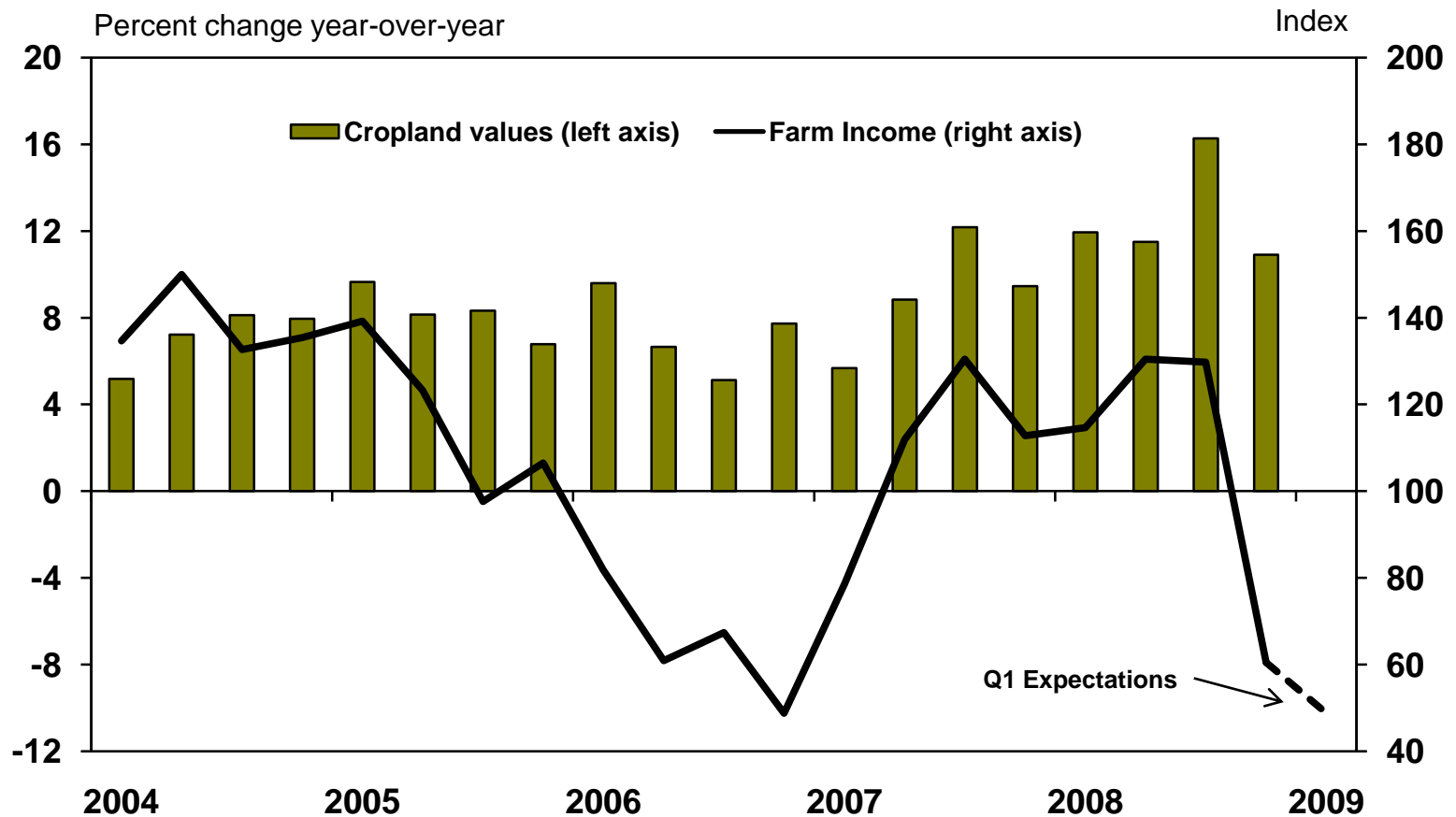
March 2009





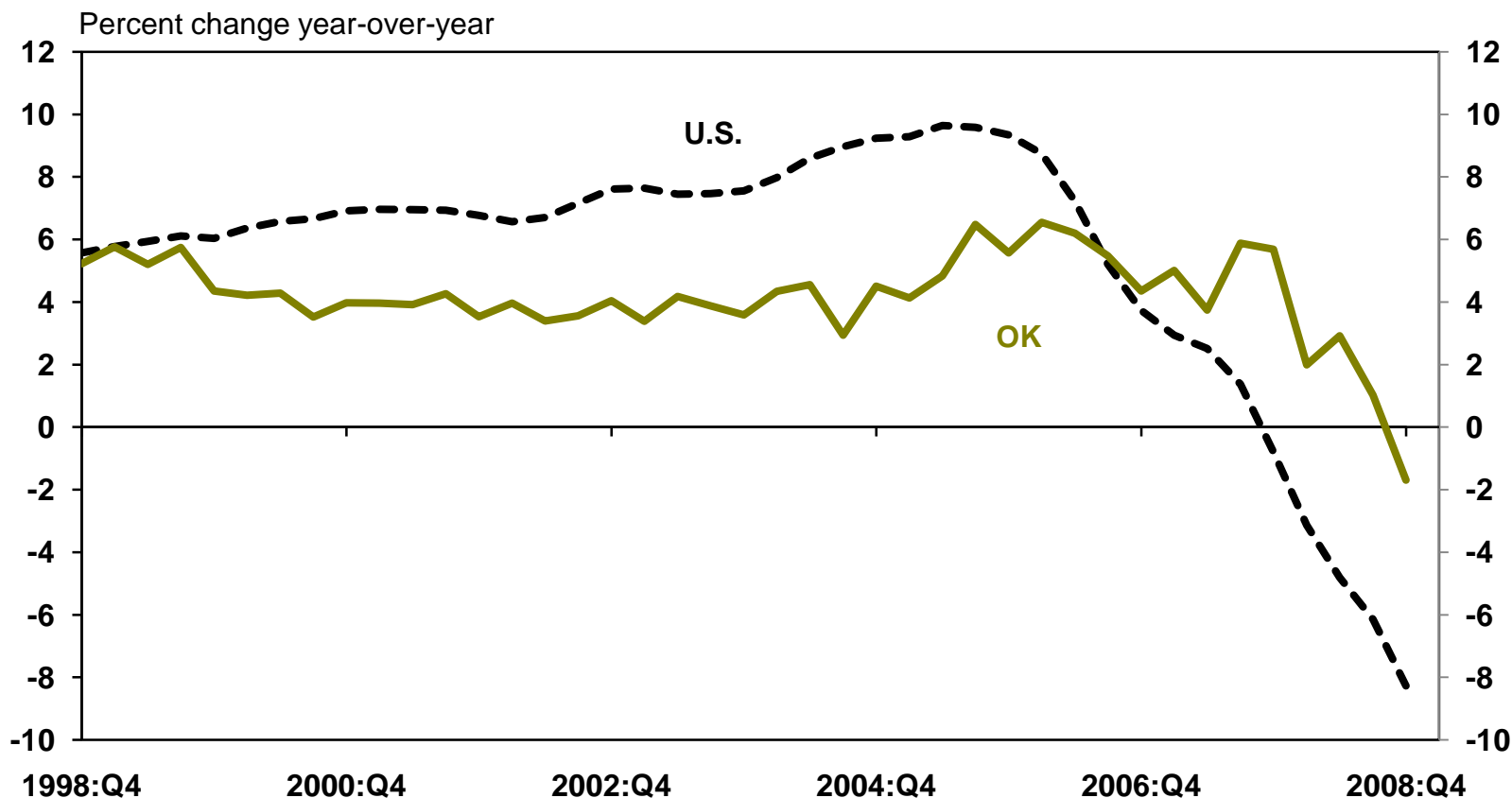
# In agriculture, land values have remained high, but incomes are expected to fall

## Oklahoma Agriculture Conditions



# Home prices are holding up better than in the nation, but are now falling

Quality-Adjusted Home Price Growth  
Purchase-Only



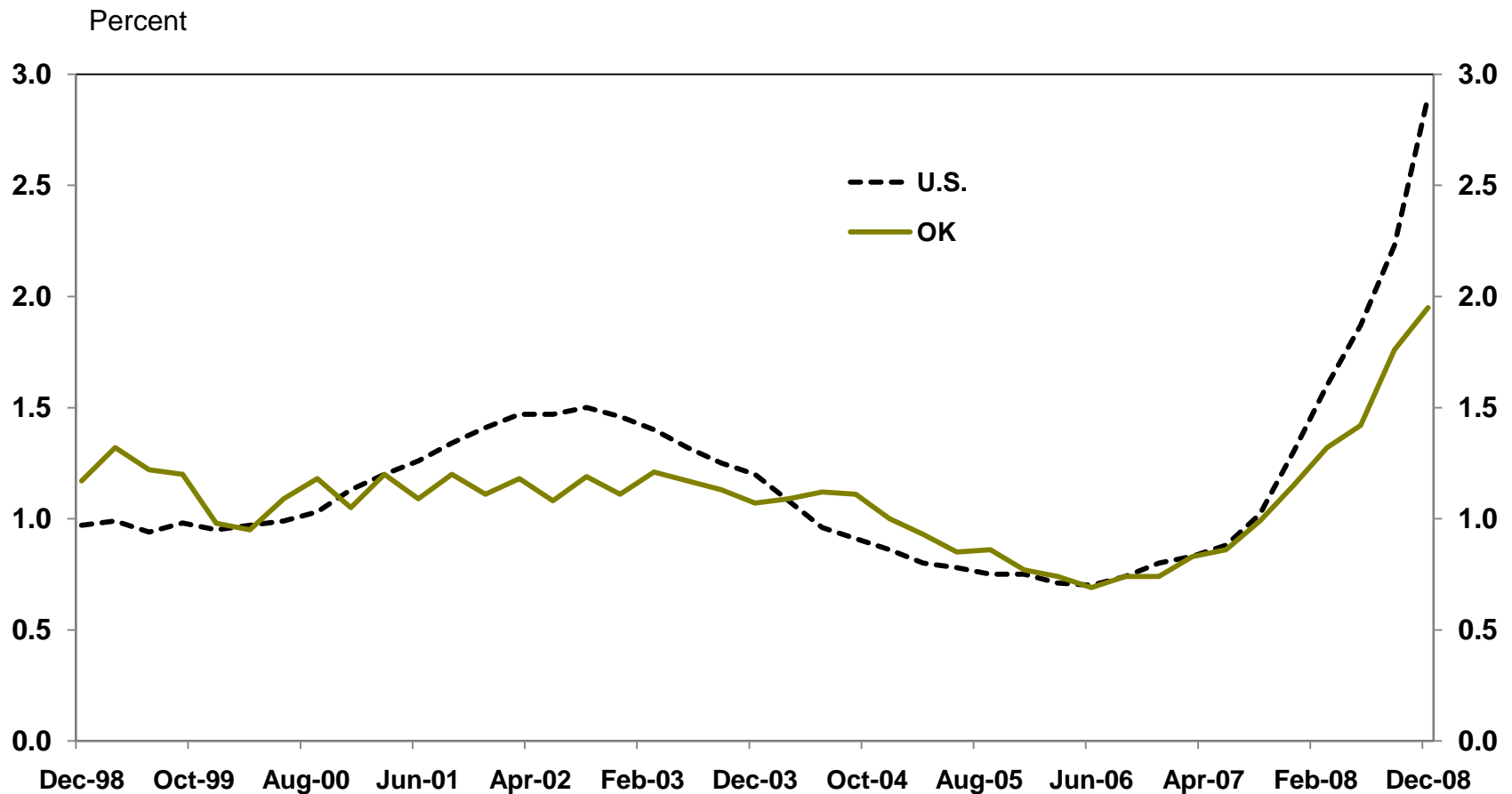
# So far, foreclosures have remained relatively low in the state

Foreclosure Rates, March 2009



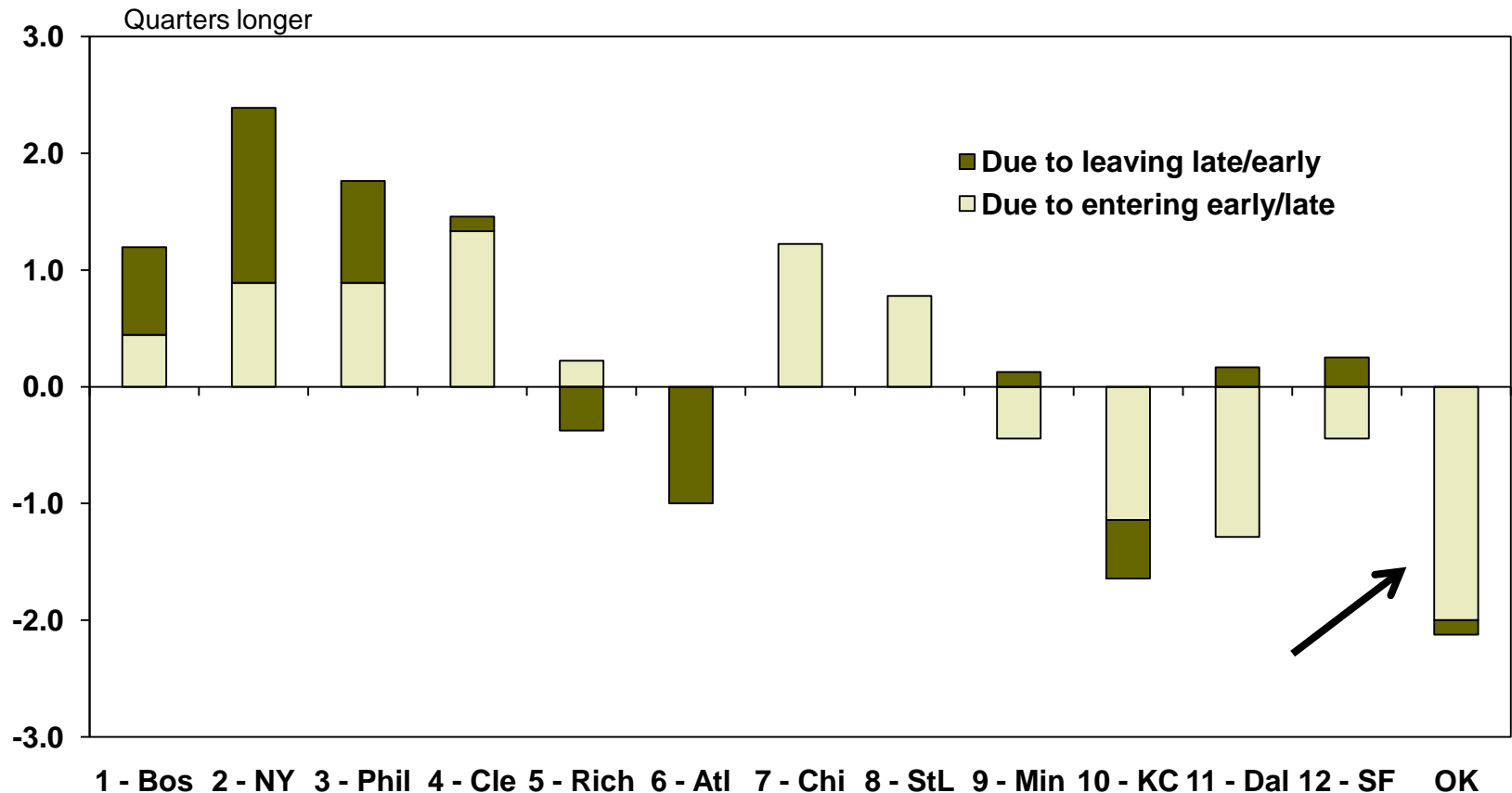
# Delinquent loans have risen in Oklahoma, but less than in the nation

**Noncurrent Loans and Leases as a Share of Total Commercial Banks**



# Oklahoma usually enters recessions late but leaves at the same time as the nation

**Average Length of Jobs Recessions Relative to the Nation, 1957-2003**  
By Federal Reserve District



# Summary

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- U.S. economic conditions have deteriorated, but may be showing signs of bottoming
- Oklahoma conditions remain in better shape, but are also worsening
- Efforts to boost U.S. growth in 2009 should benefit Oklahoma as well