

The Economic Outlook for the U.S. and Oklahoma



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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 Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- **History, staff, and functions**

- Branch office opened in 1920; currently have about 35 staff
- Functions include economic research, bank examinations, public outreach

- **2011 branch board of directors**

- **Steve Agee (chairman)**, Interim Dean of OCU Business School, OKC
- **Bill Anoatubby**, Governor, Chickasaw Nation, Ada
- **Jim Dunn**, Chairman, Mill Creek Lumber and Supply Co., Tulsa
- **Jacque Fiegel**, Senior EVP and COO, Coppermark Bank, OKC
- **Rose Washington Rentie**, Executive Director, TEDC Creative Capital, Tulsa
- **Doug Tippens**, President and CEO, Bank of Commerce, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville



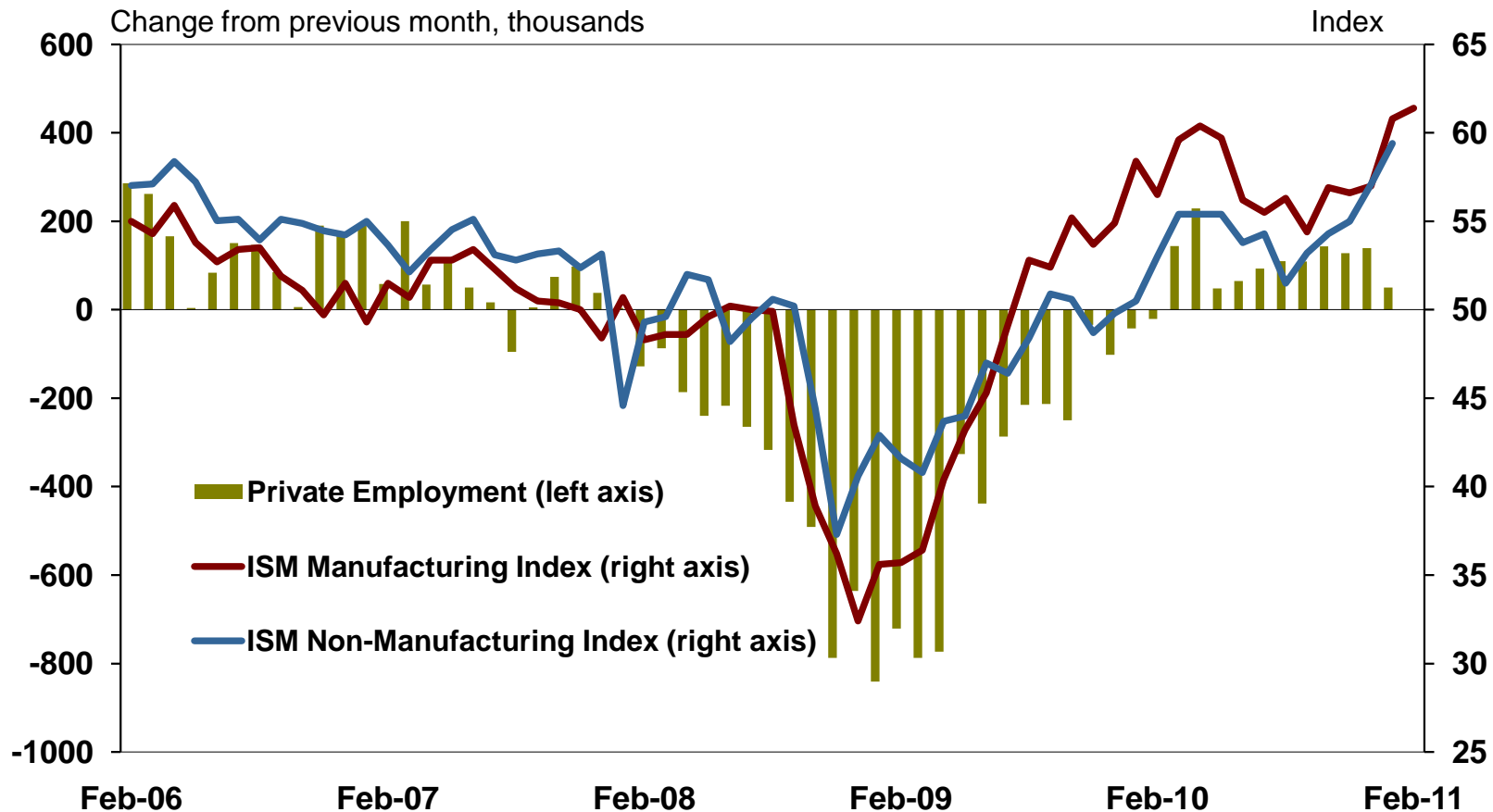
The U.S. Economic Outlook

- The pace of U.S. recovery has picked up but job growth remains moderate
- Inflation remains low and is forecast to stay contained heading forward
- As always, there are several risks to the near- and long-term outlooks



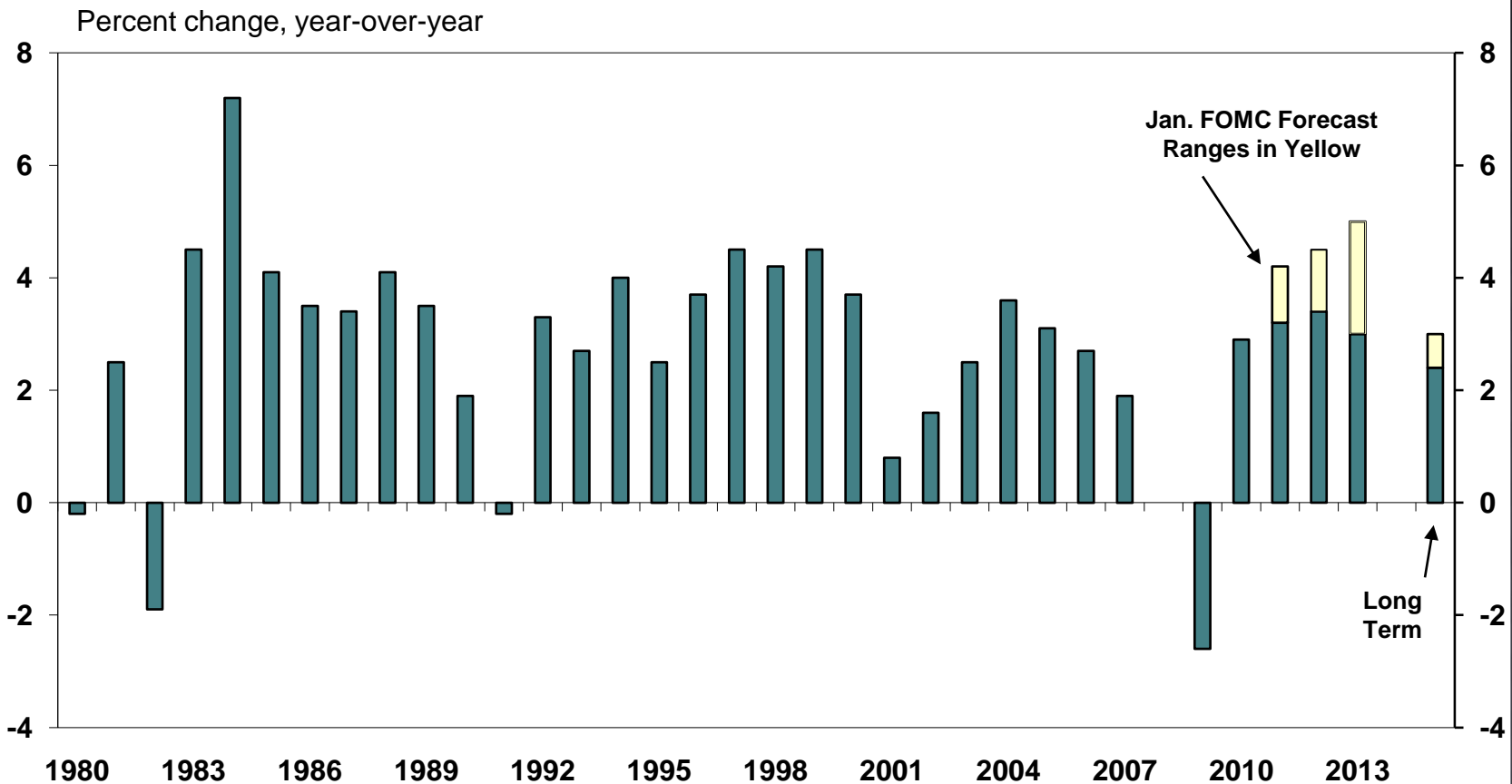
U.S. economic activity has picked up in 2011, but job growth remains moderate

U.S. Private Payroll Employment and Business Indexes



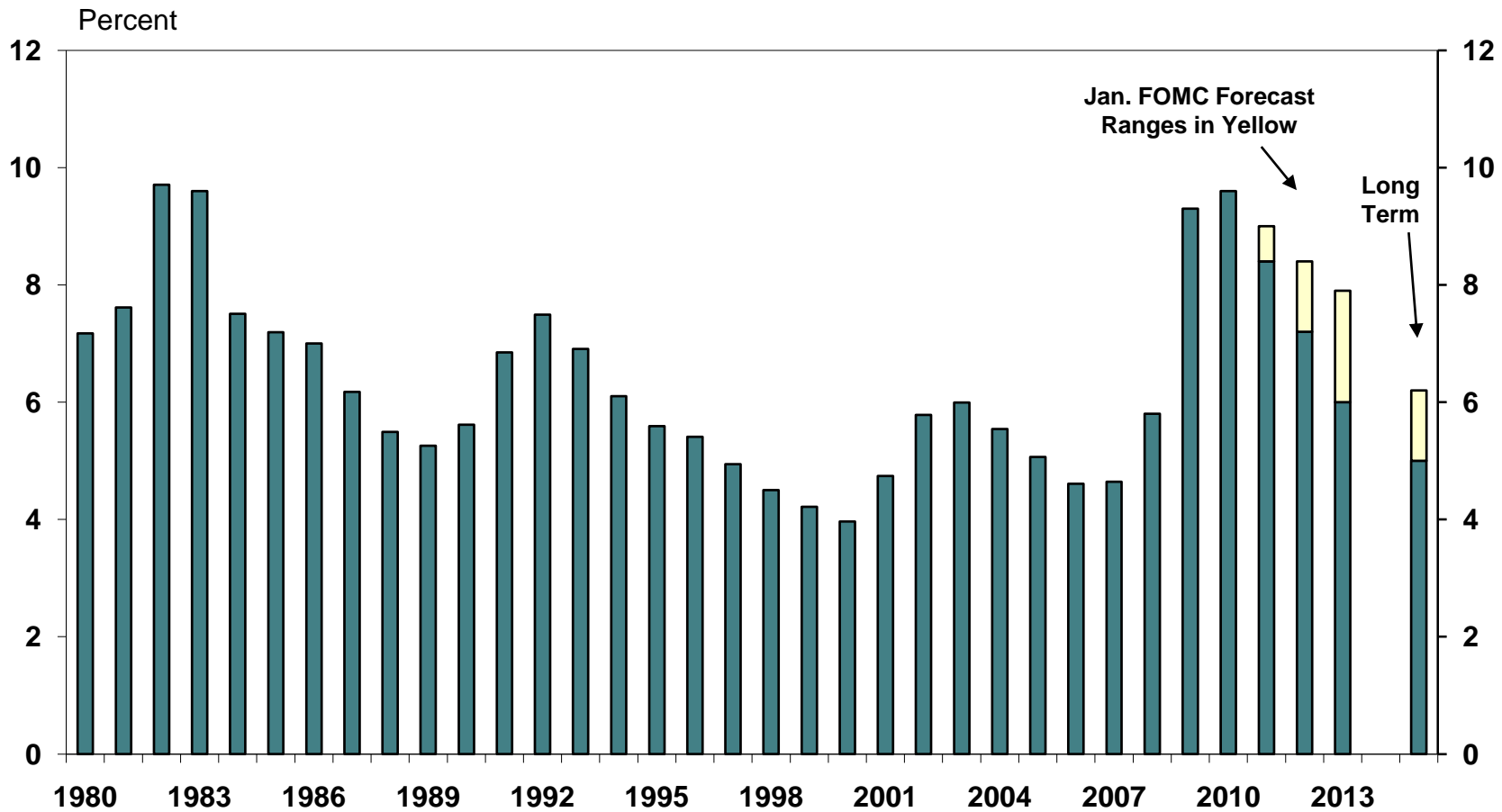
Fed policymakers expect continued moderate U.S. GDP recovery

Real Gross Domestic Product



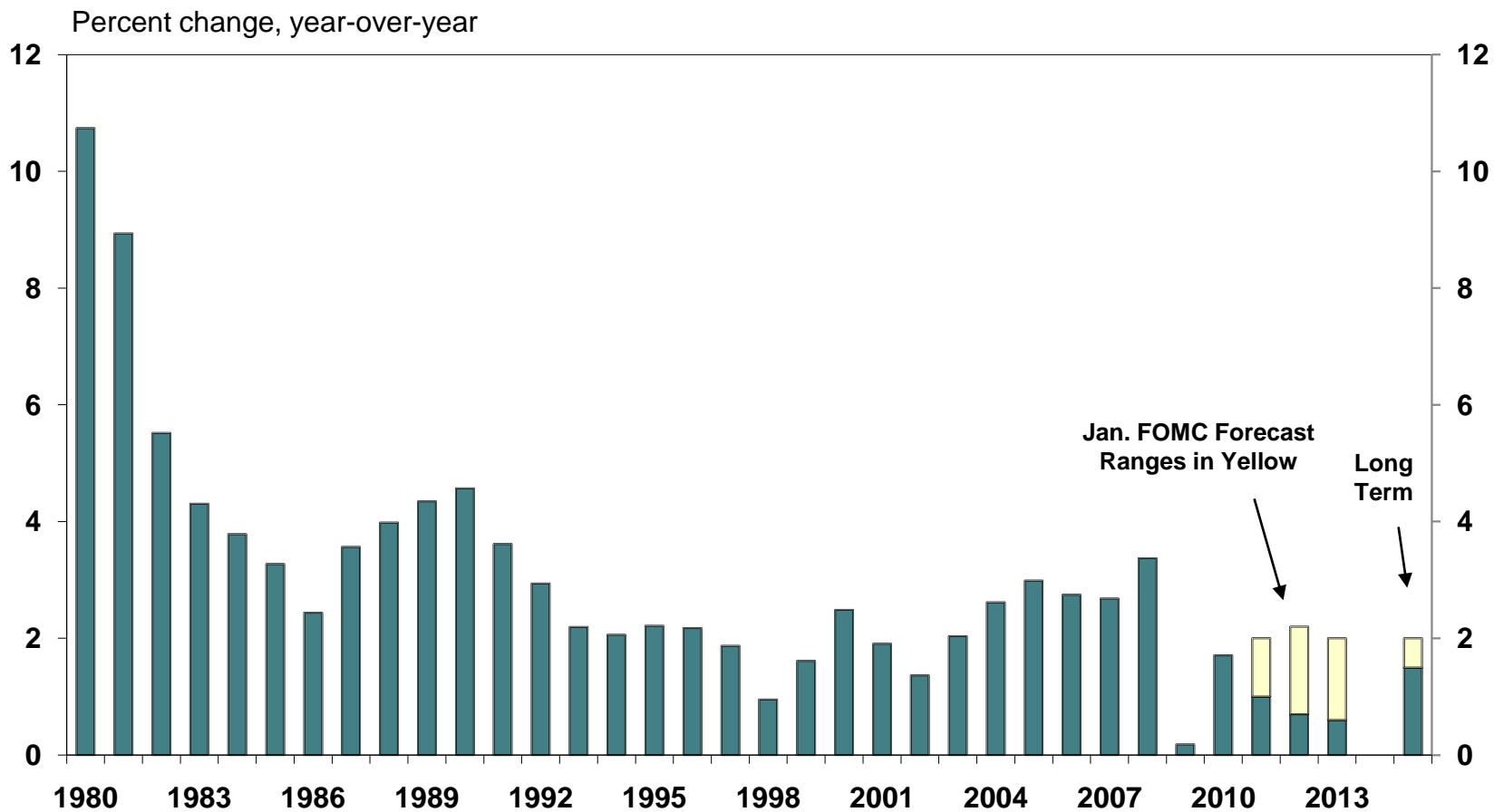
But for U.S. unemployment to remain relatively high for some time

Unemployment Rate Seasonally Adjusted



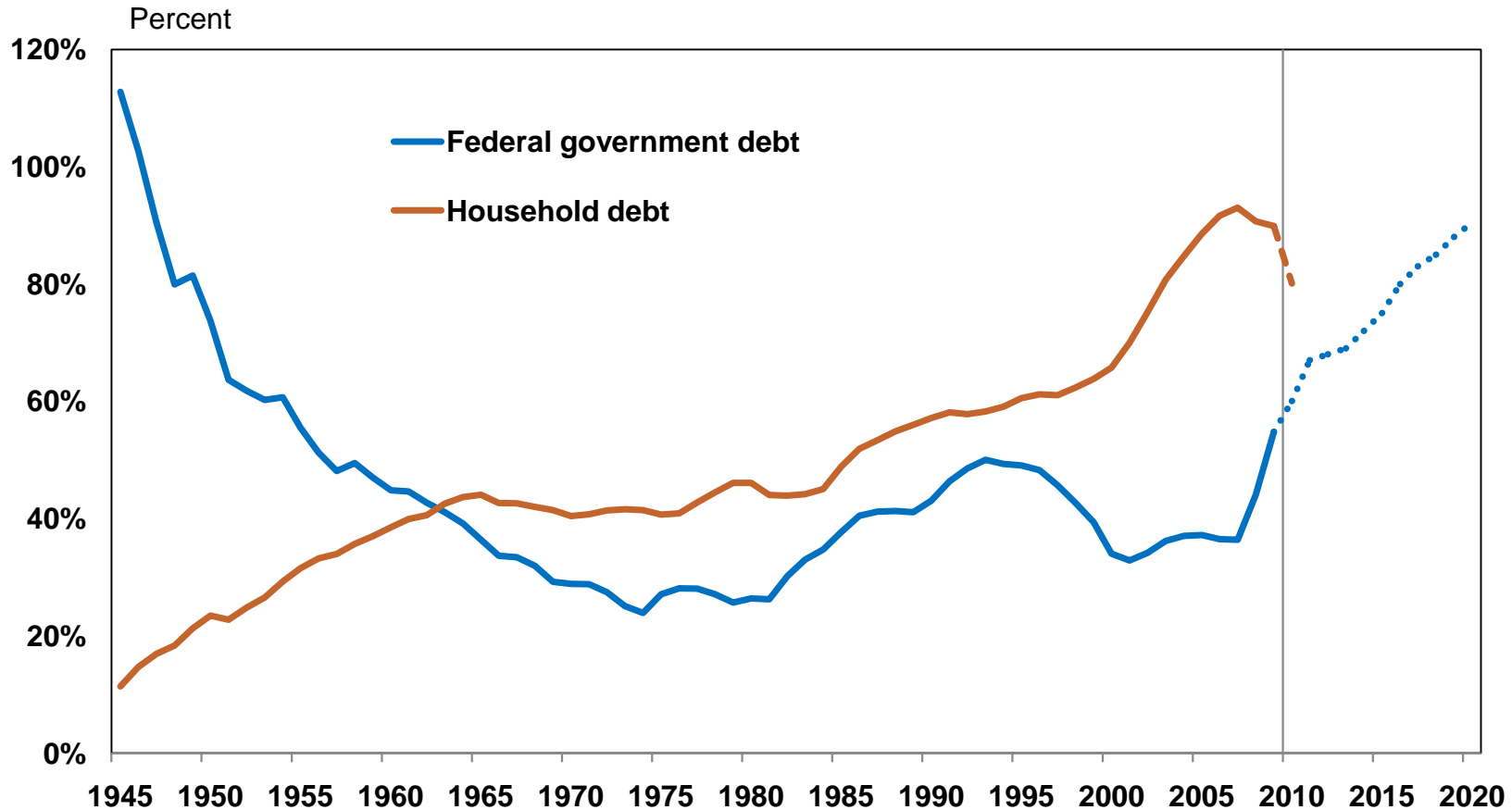
Inflation is expected to remain tame in the near term, but will require careful oversight

PCE Inflation Index



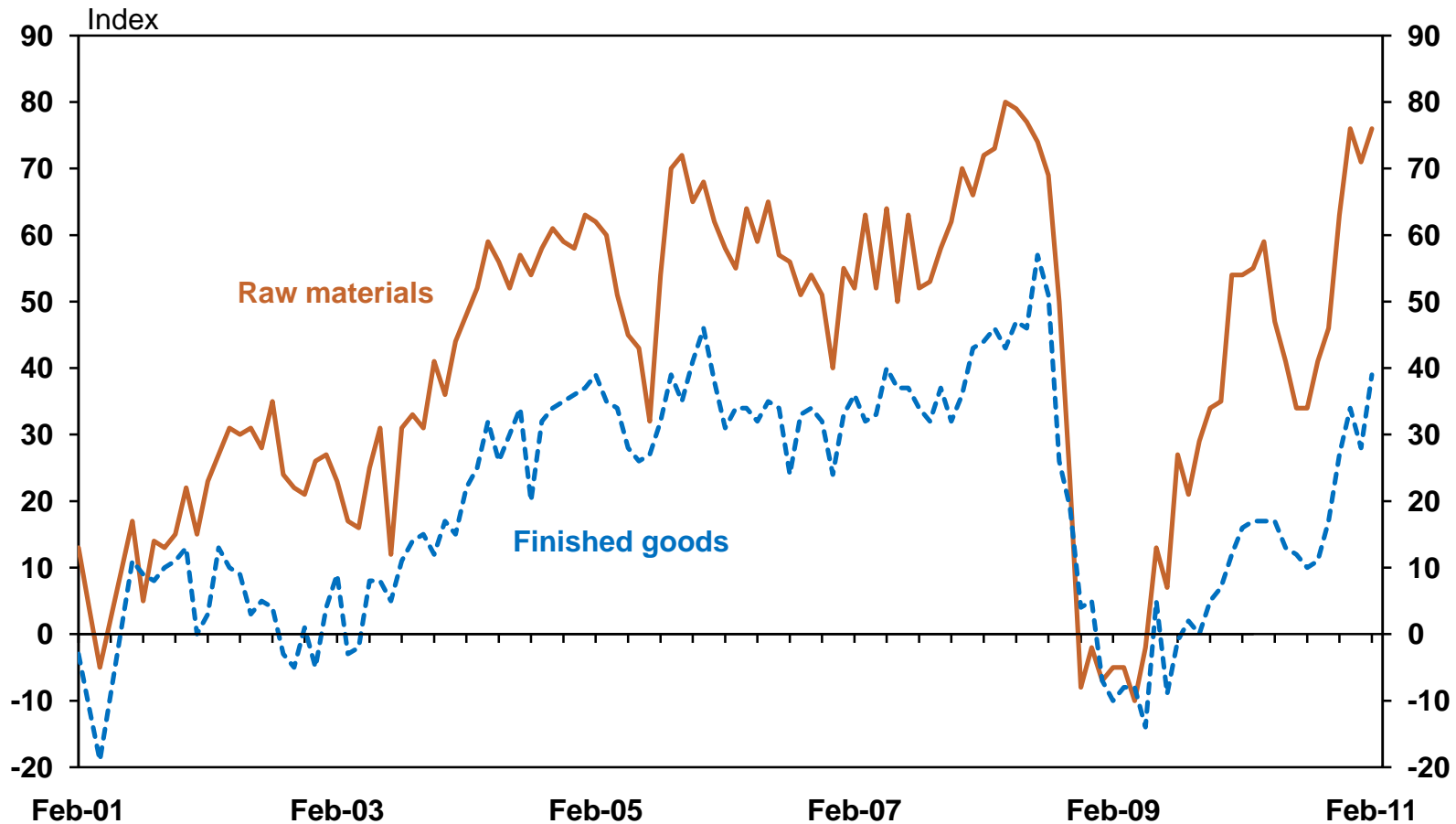
U.S. consumer and federal debt levels present obstacles for future growth

U.S. Debt as a Share of GDP



Our regional survey shows a surge in the share of factories expecting higher prices

Six-month-ahead Expectations for Tenth District Manufacturing Prices

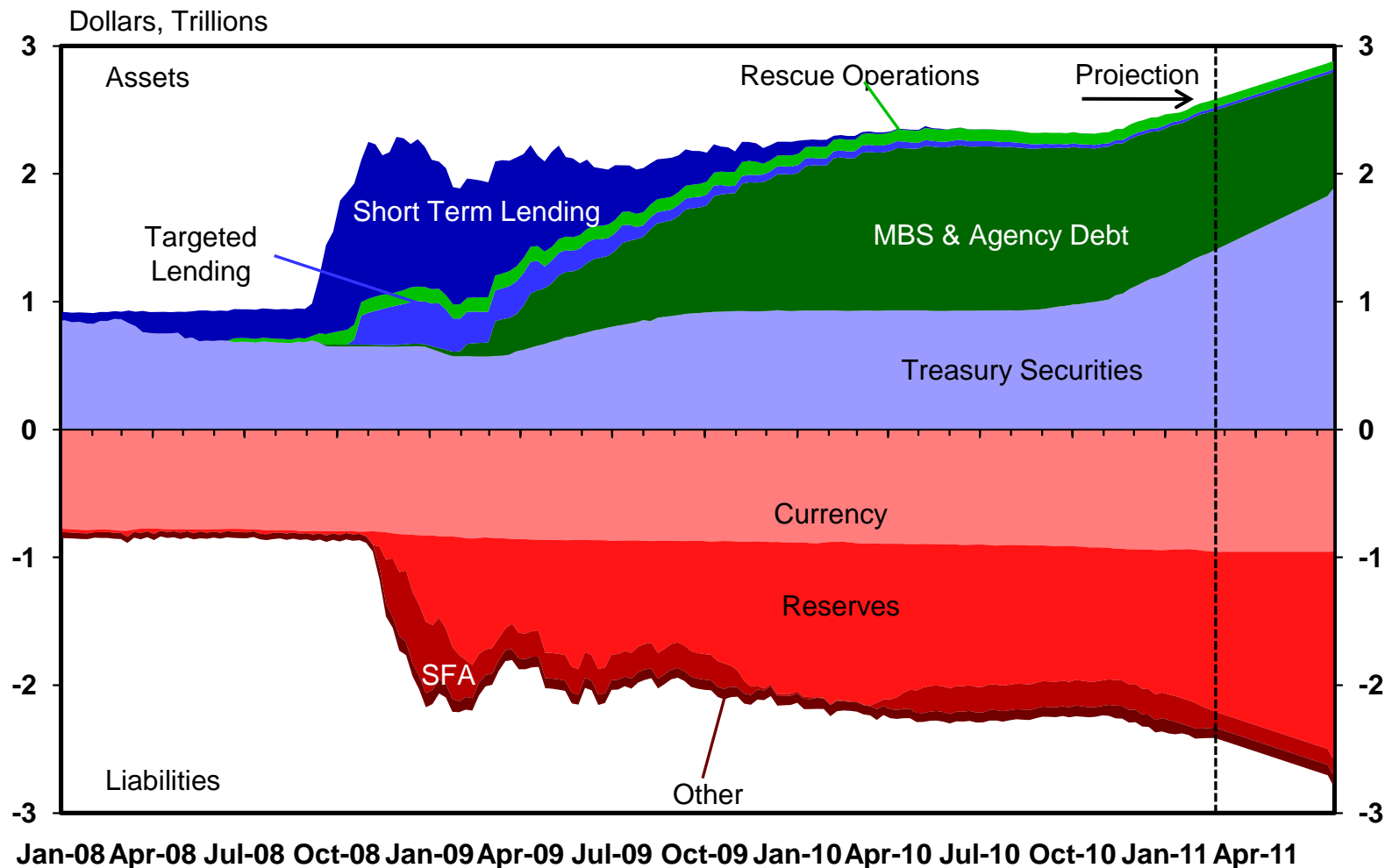


Source: FRBKC



And the Fed's balance sheet is expanding further, following recent FOMC decisions

Federal Reserve Balance Sheet



Source: Federal Reserve Board



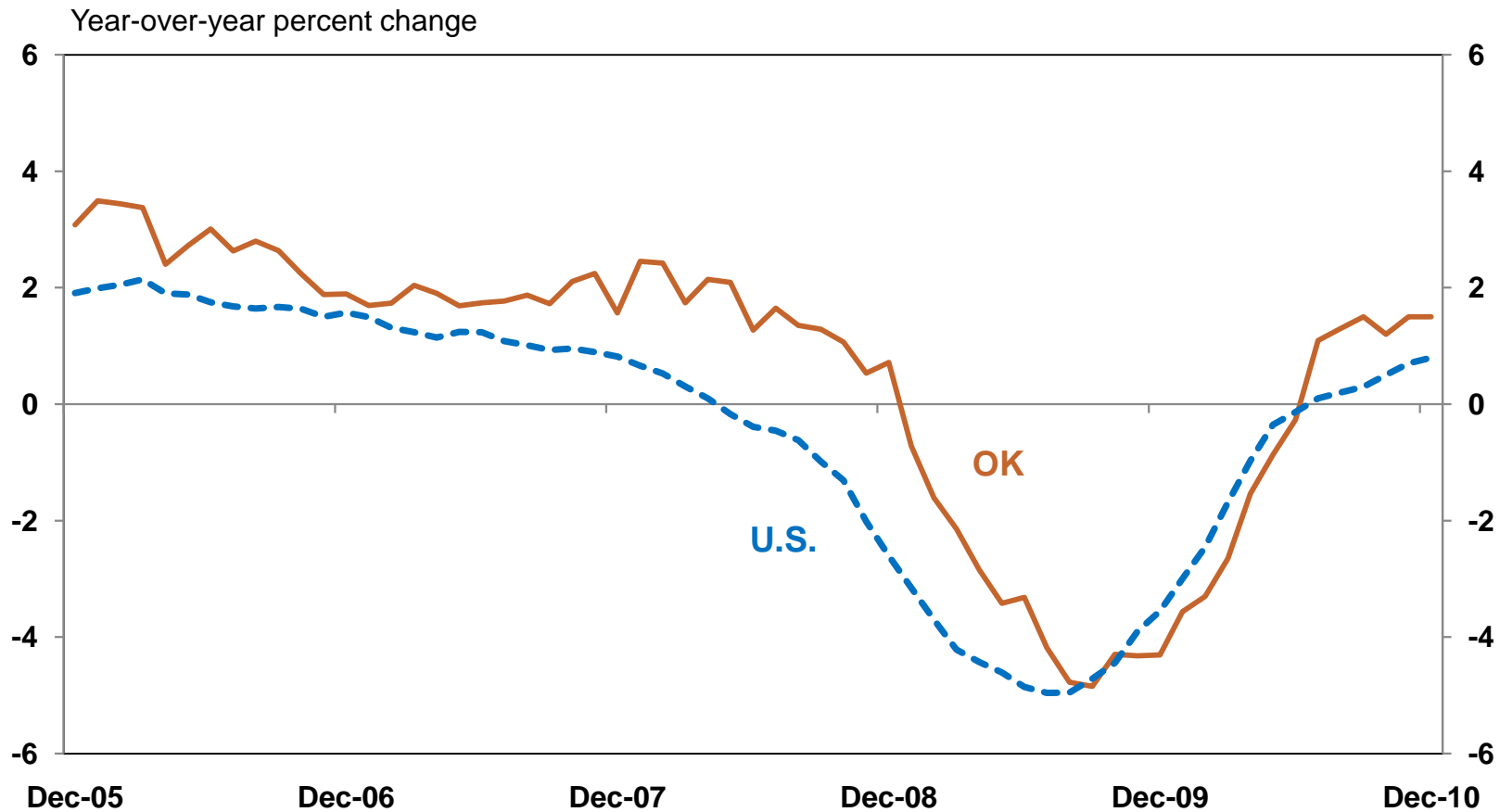
The Oklahoma Economic Outlook

- Oklahoma's recession and early recovery are similar to the usual historical pattern
- The state is now outpacing the nation, led by oil and gas but also some other sectors
- Stephens County's overall outlook appears similar to the state—relatively good



Oklahoma had a shorter recession than the nation and is now adding jobs faster

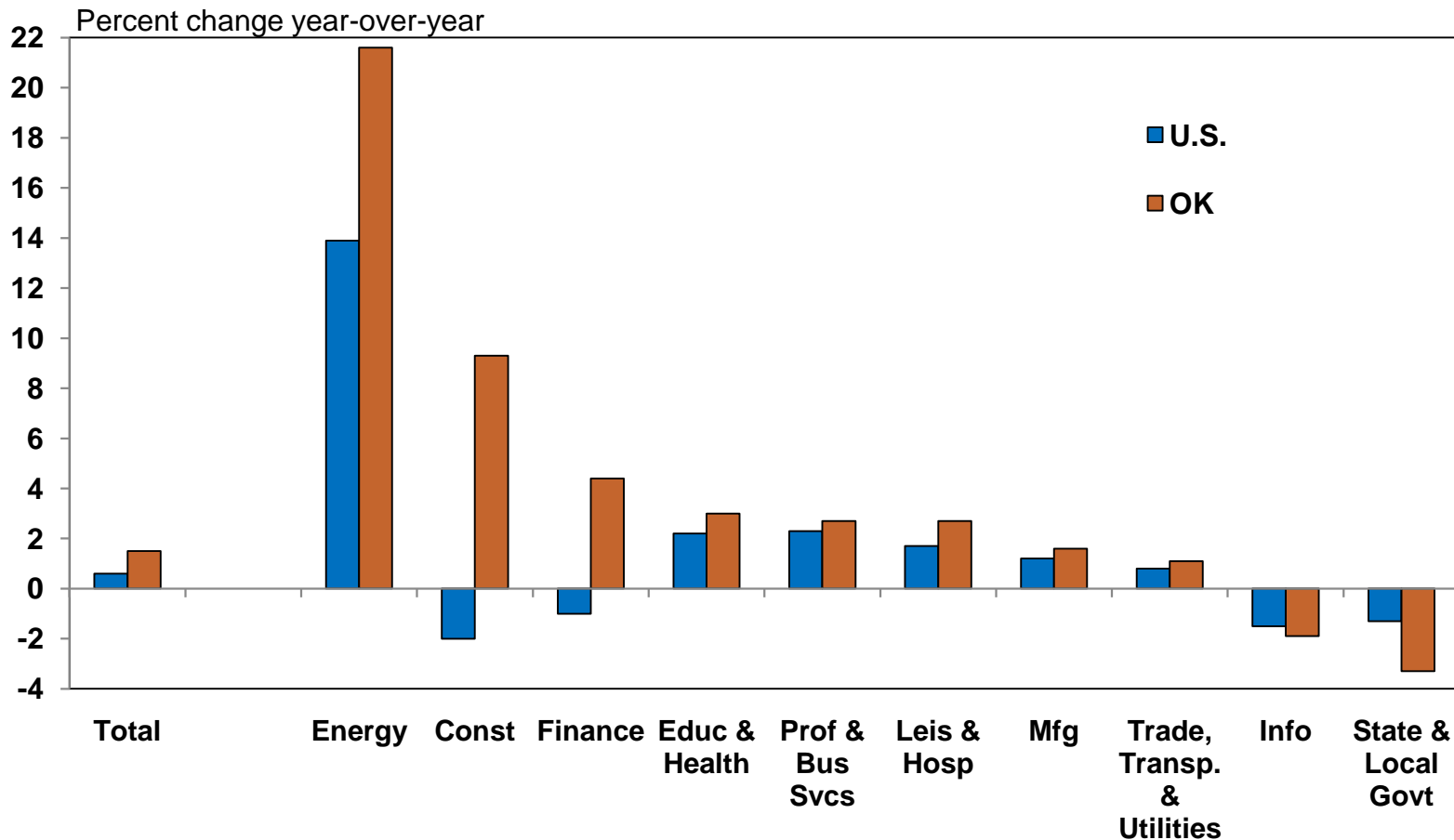
Payroll Employment



Recent state job growth has been led by energy, but other sectors are growing

Employment Growth

December 2010

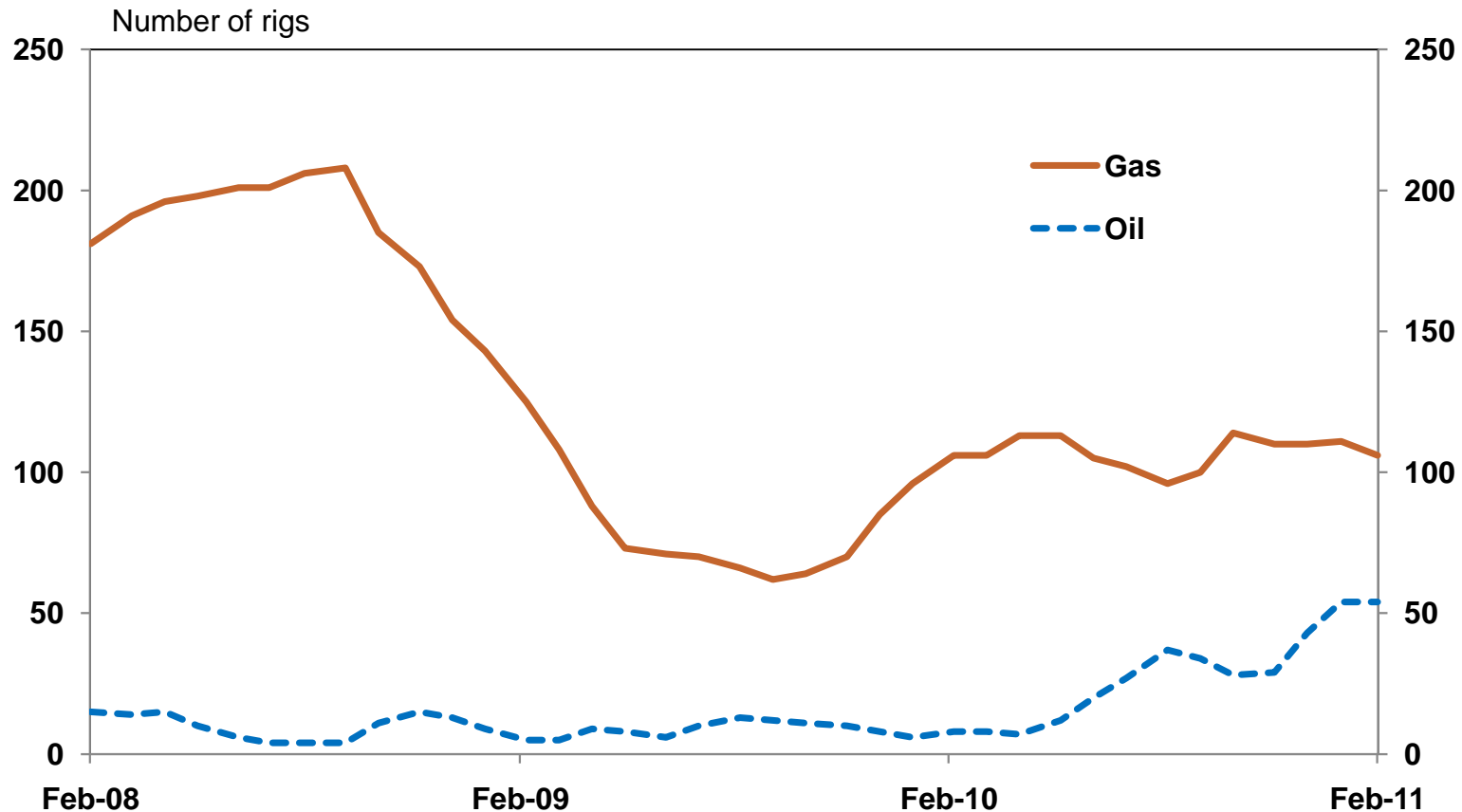


Source: Bureau of Labor Statistics



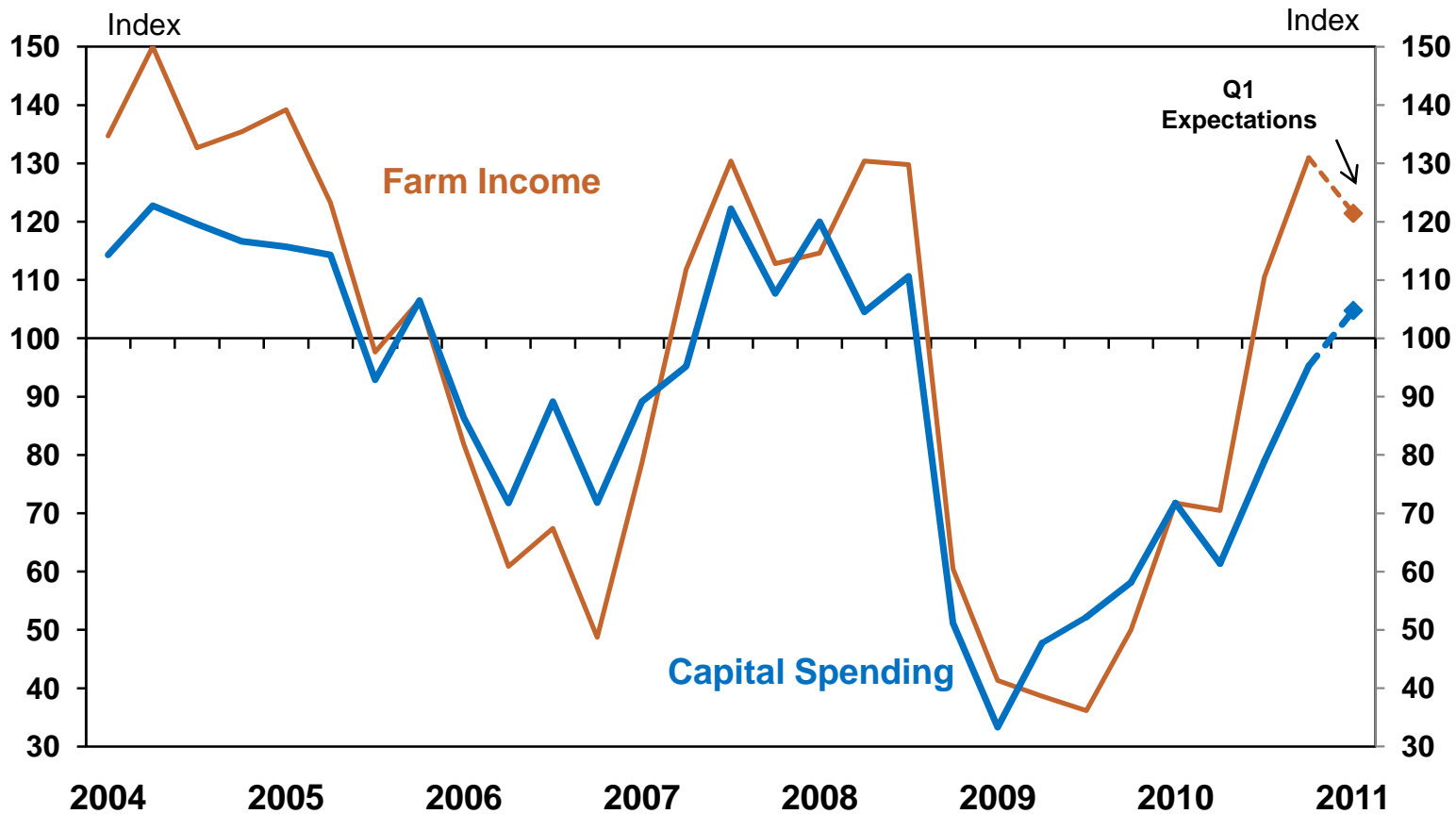
Recent strong growth in energy activity has been primarily for oil

Oklahoma Rig Count



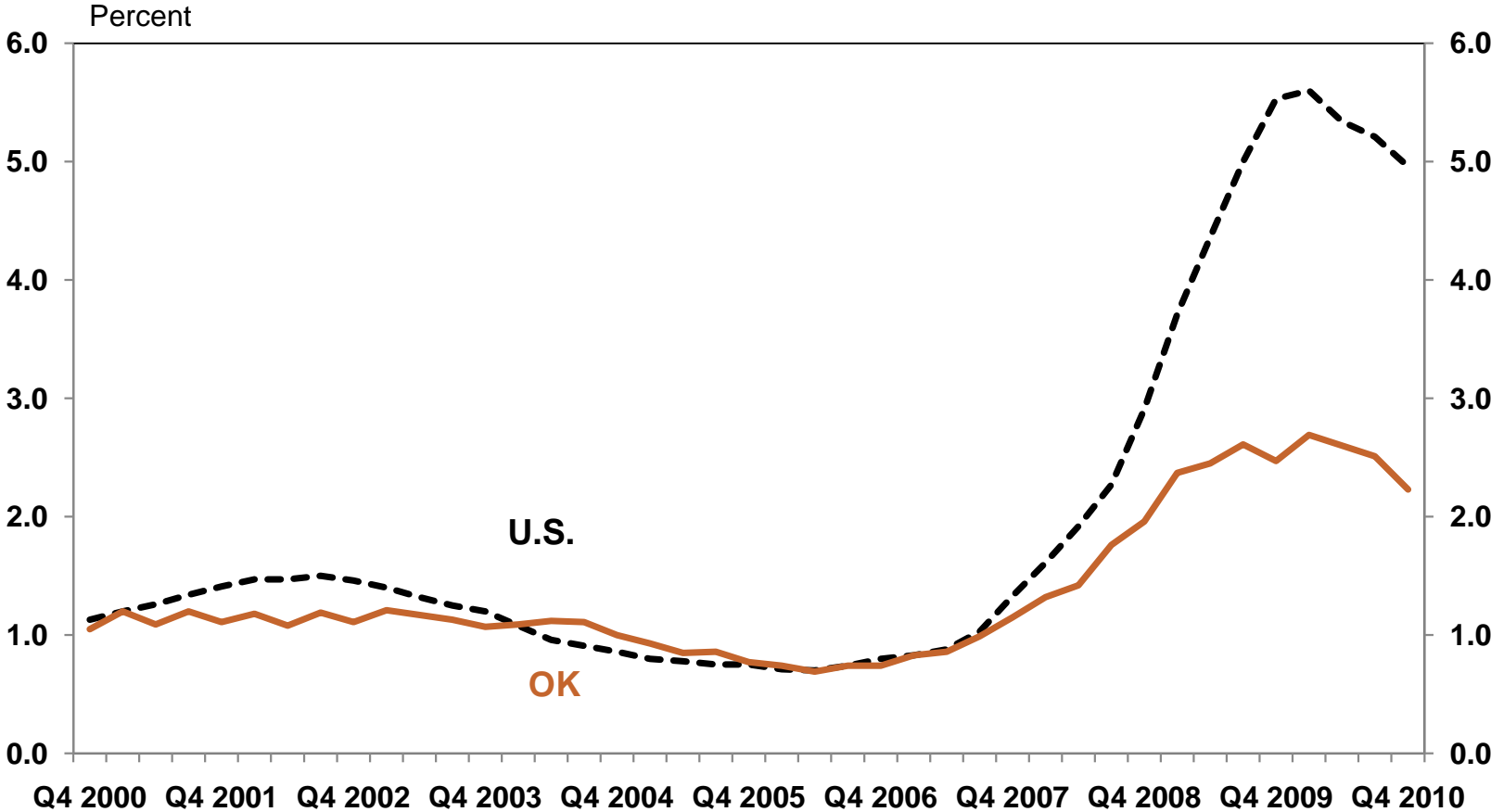
Agricultural conditions in the state have also improved after bottoming in 2009

Oklahoma Agricultural Conditions



And Oklahoma banks remain in much better shape than in the nation as a whole

Noncurrent Loans as a Share of Total Loans Commercial Banks

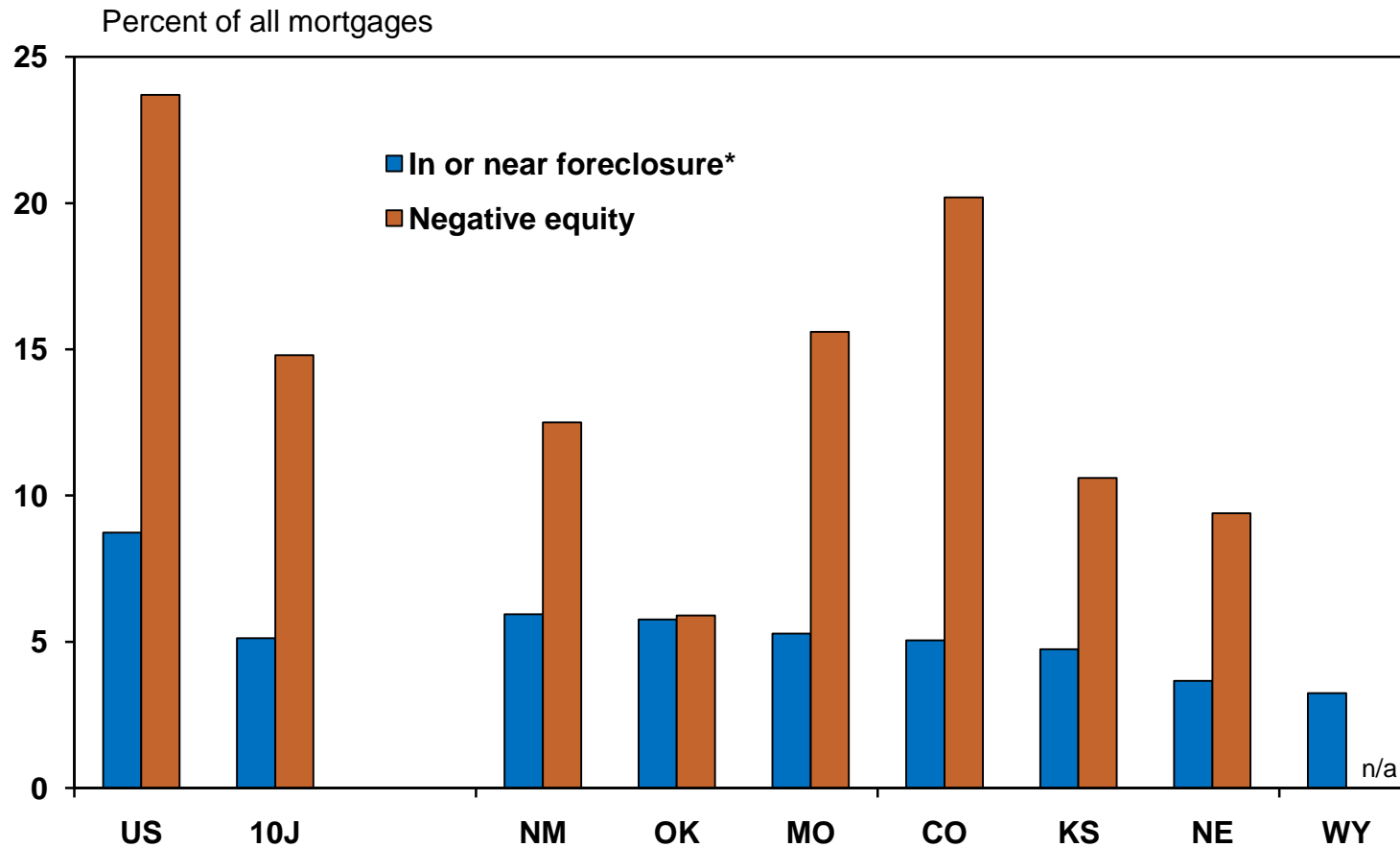


Source: FDIC



The state is at risk of further foreclosures, though much less so than the nation

Foreclosures and Negative Equity Mortgages U.S. and Tenth Federal Reserve District, Q3 2010



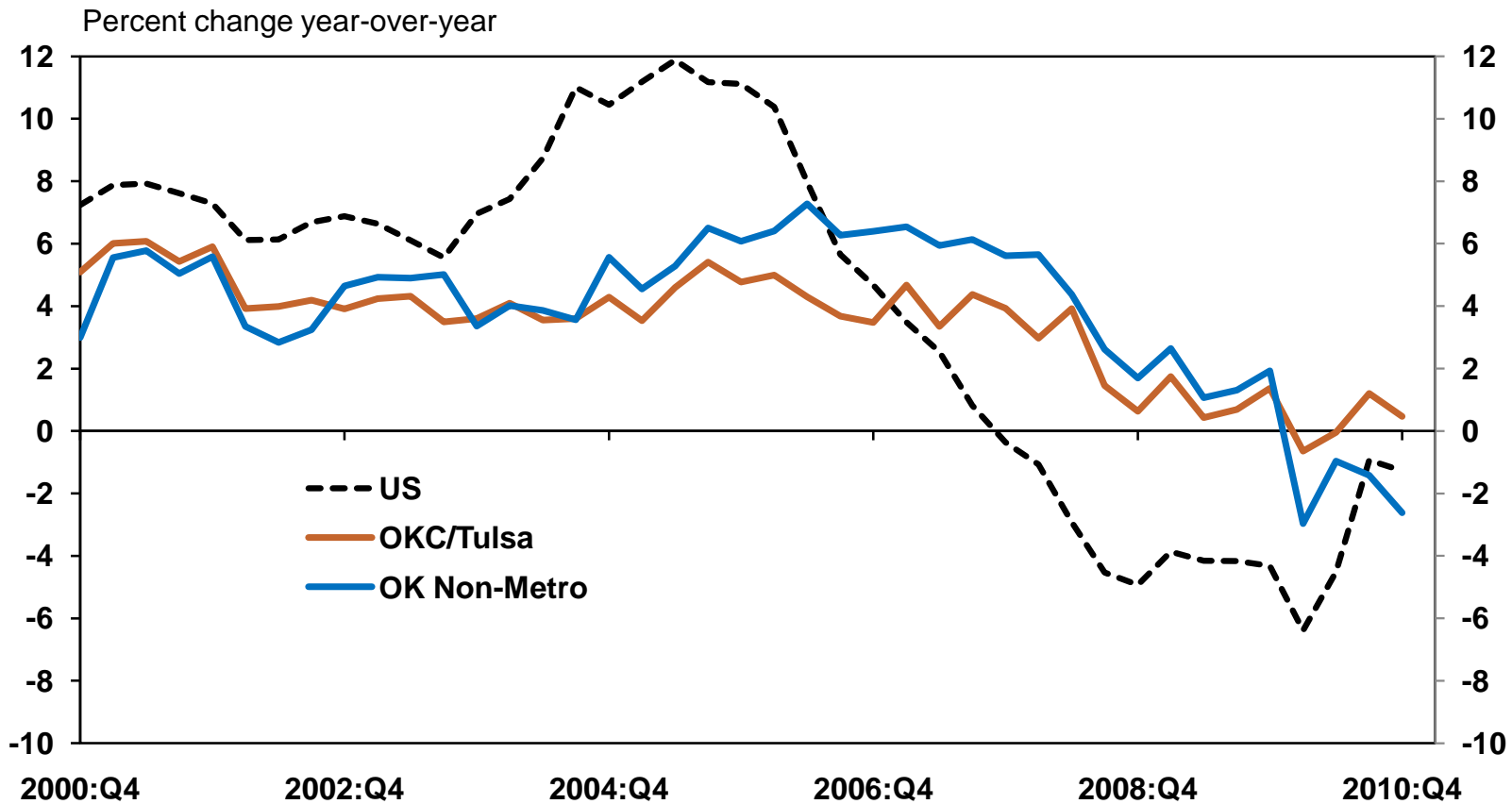
*Over 90 days past due

Source: MBA, Corelogic



OK non-metro home prices have edged down recently, now slightly lower than the nation

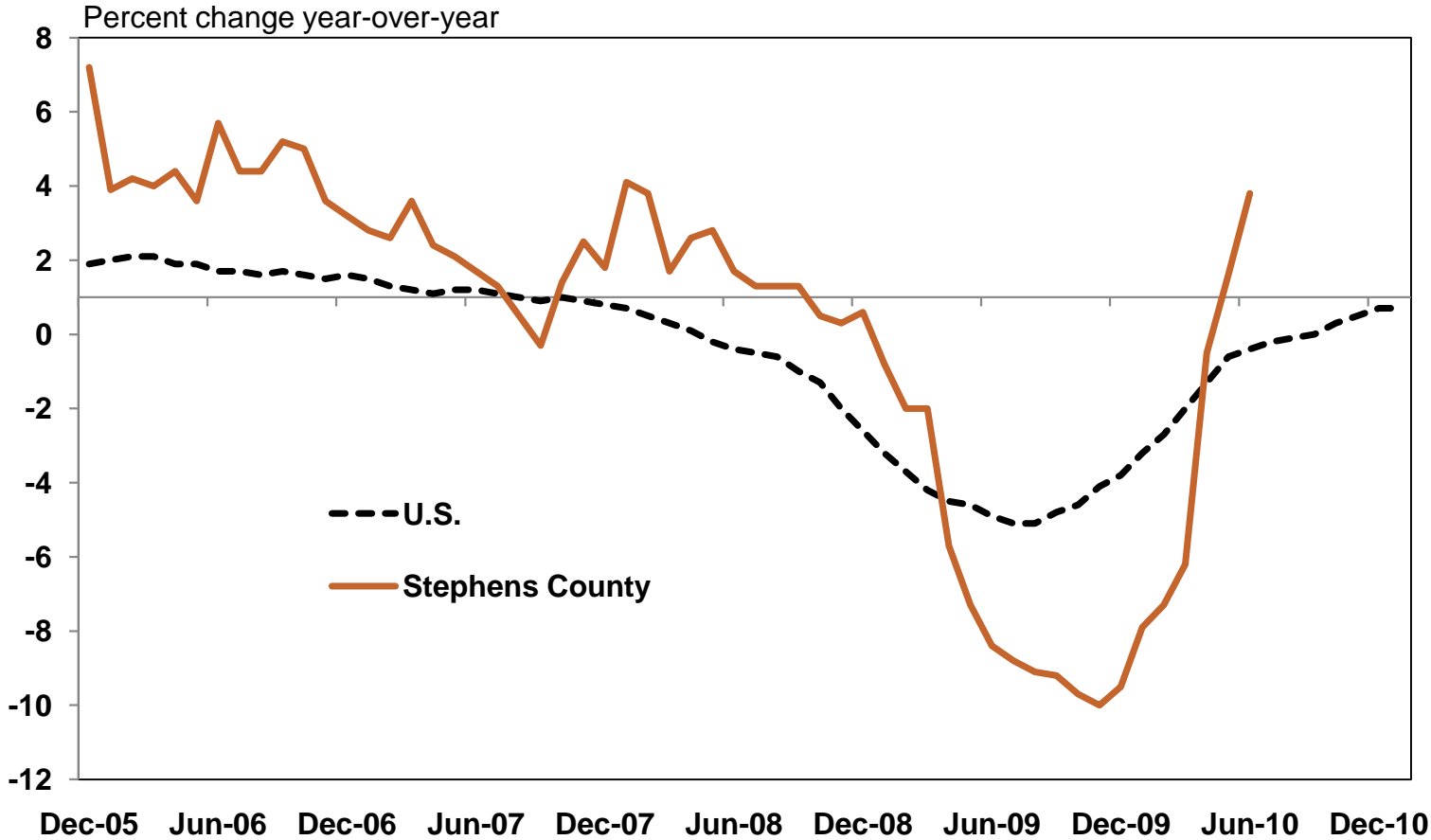
Quality-Adjusted Home Price Growth



Stephens County entered the recession late, fell sharply in 2009, and turned up in 2010

Current Recession and Recovery Path

Employment level before and after U.S. jobs peak (Jan-08)



Source: U.S. Bureau of Labor Statistics



The main employment industries in Duncan seemed to be growing fairly well in mid-2010

Stephens County Industry Breakdown June 2010

Industry	% Total Employment	% Growth, Y-O-Y
Total		3.8
Trade, Transportation, & Utilities	18.9	0.2
Education & Health Services	15.2	21.2
Government – State & Local	14.7	4.7
Manufacturing	13.1	(2.0)
Natural Resources & Mining	13.0	10.2
Leisure & Hospitality	7.6	0.4
Professional & Business Services	5.5	4.8
Financial Activities	4.8	(4.3)
Construction	3.7	(14.1)
Government – Federal	0.6	3.1
Information	0.7	8.6



Summary

- The U.S. economy is recovering and expected to continue to grow moderately, with low inflation
- Oklahoma's economy is also recovering and remains in much better shape than the nation

