

# The Economic Outlook for the U.S. and Oklahoma



**Chad Wilkerson**

Vice President, Economist, and Oklahoma City Branch Executive

Federal Reserve Bank of Kansas City

[www.kansascityfed.org](http://www.kansascityfed.org)



# 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



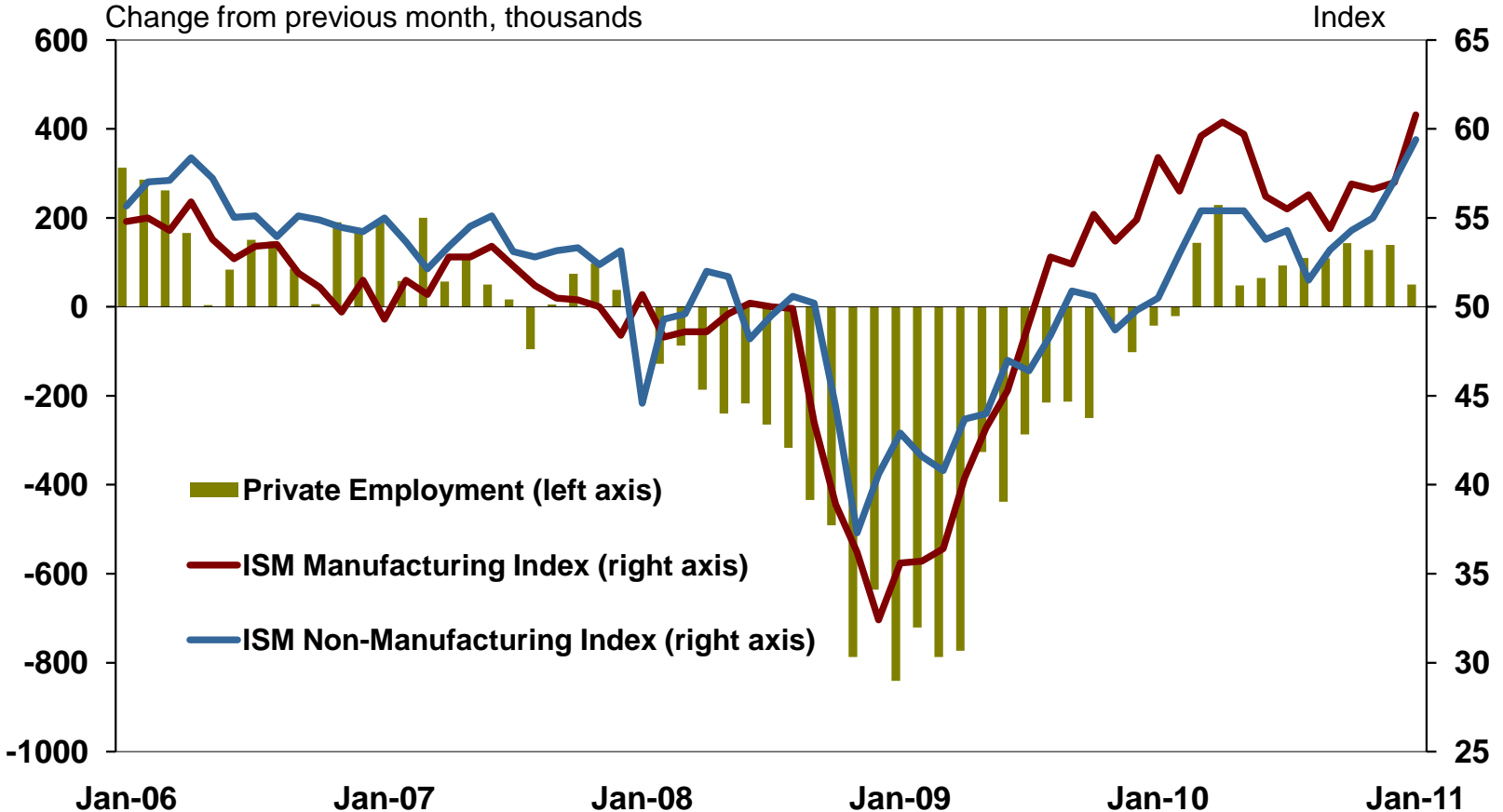
# The U.S. Economic Outlook

- 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 picked up in January, but job growth remains moderate

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

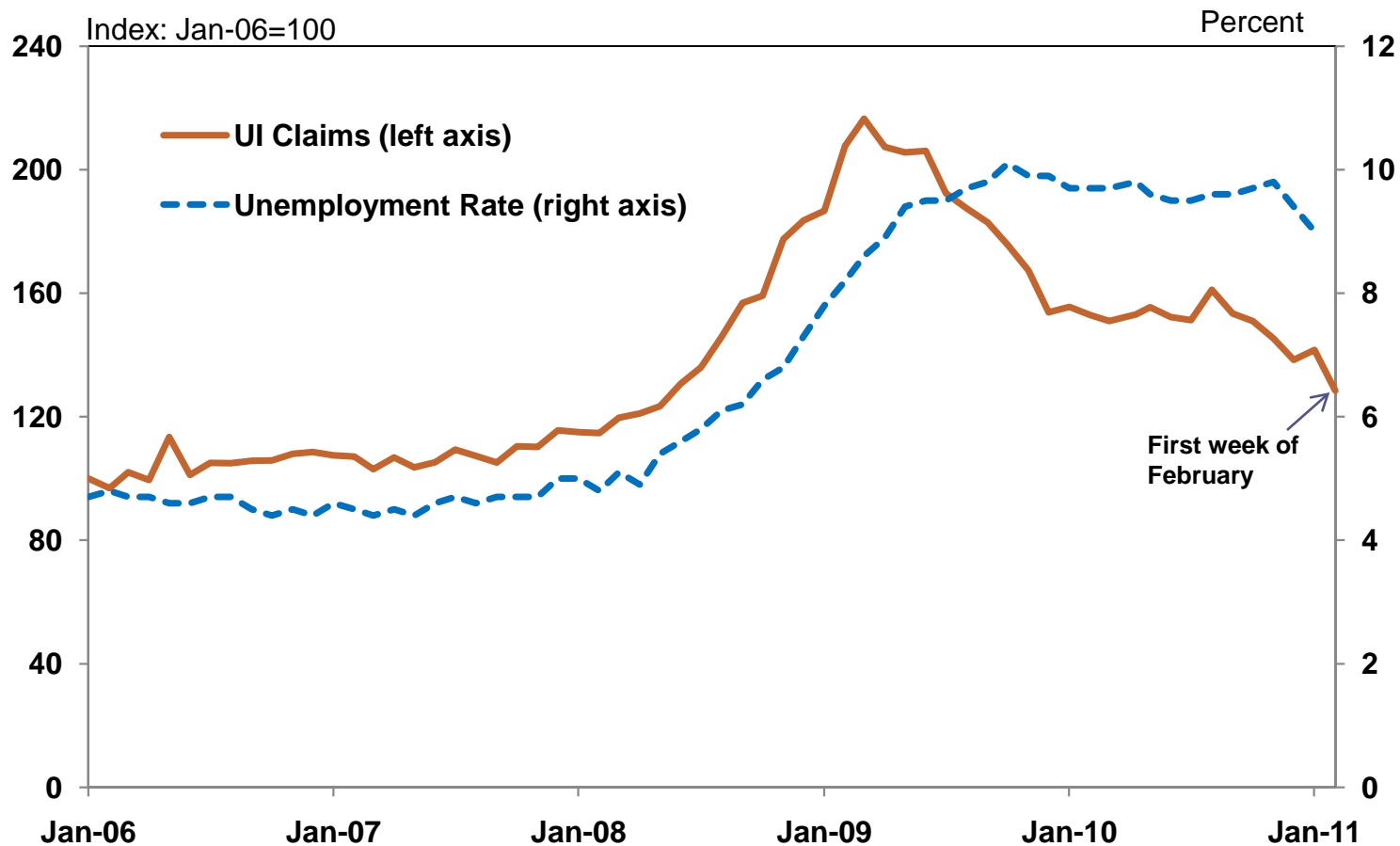


Source: Institute for Supply Management, Bureau of Labor Statistics



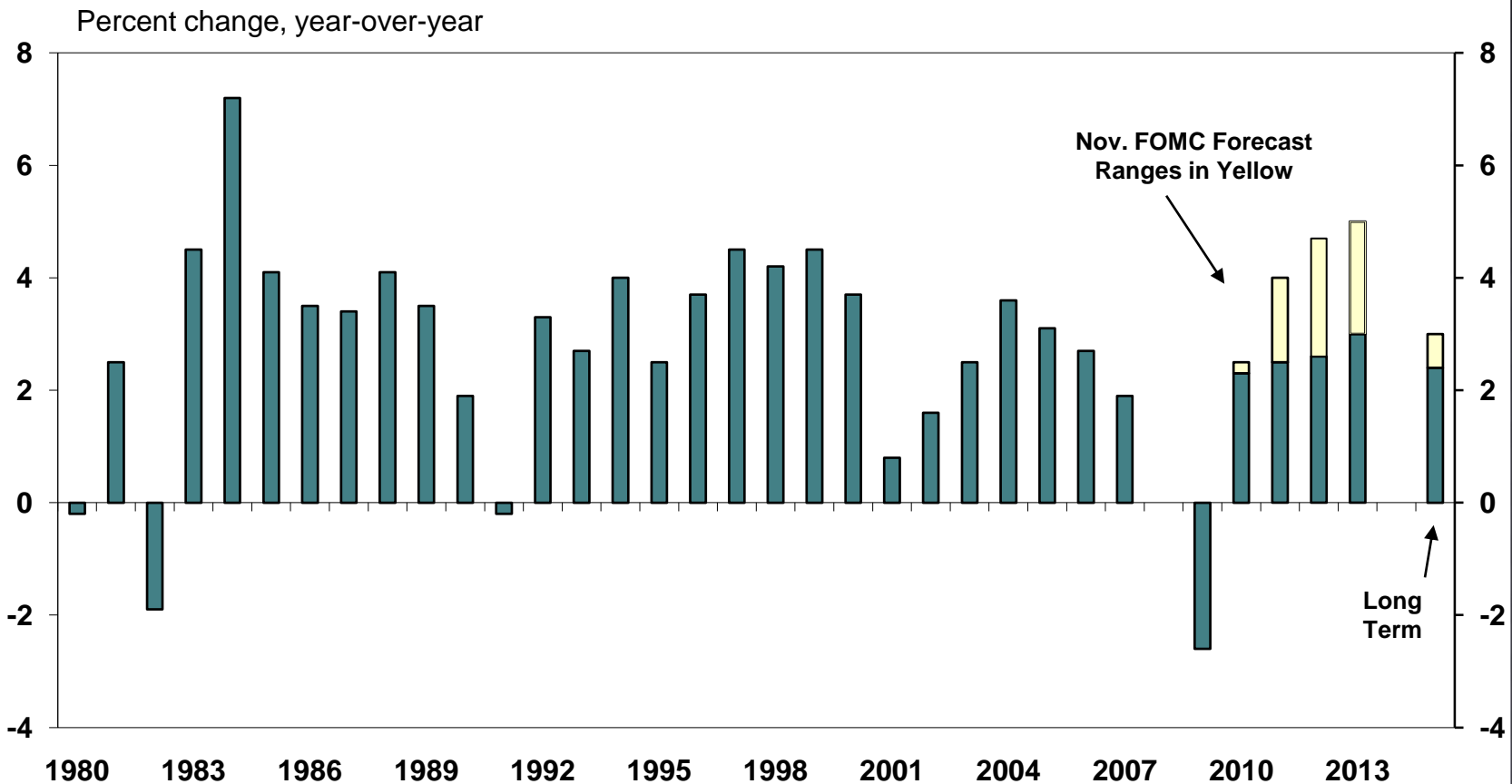
# However, unemployment numbers have fallen considerably the past 2 months

**U.S. Unemployment Claims and Rate**  
Seasonally Adjusted



# Fed policymakers expect continued moderate U.S. GDP recovery

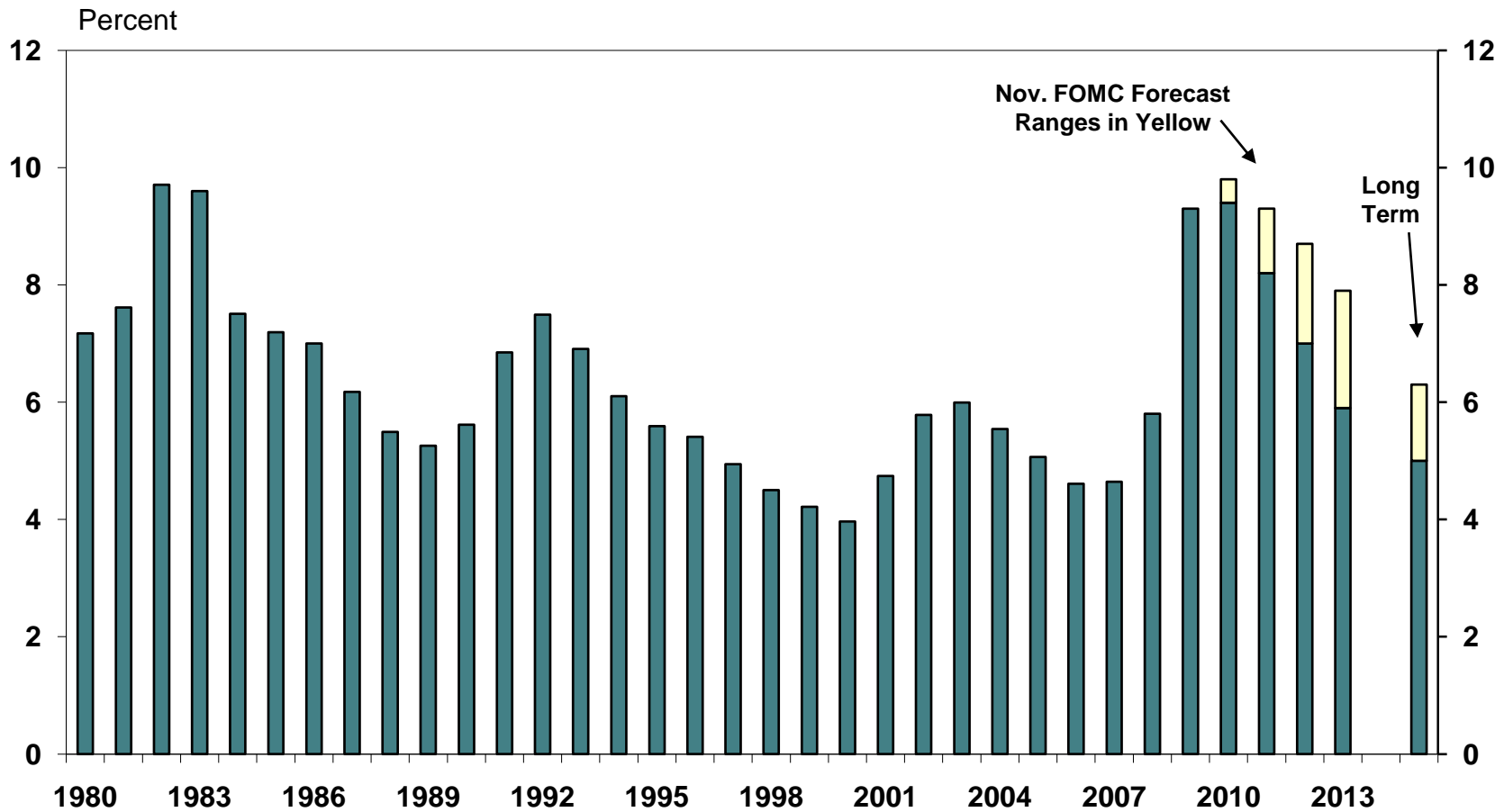
## Real Gross Domestic Product





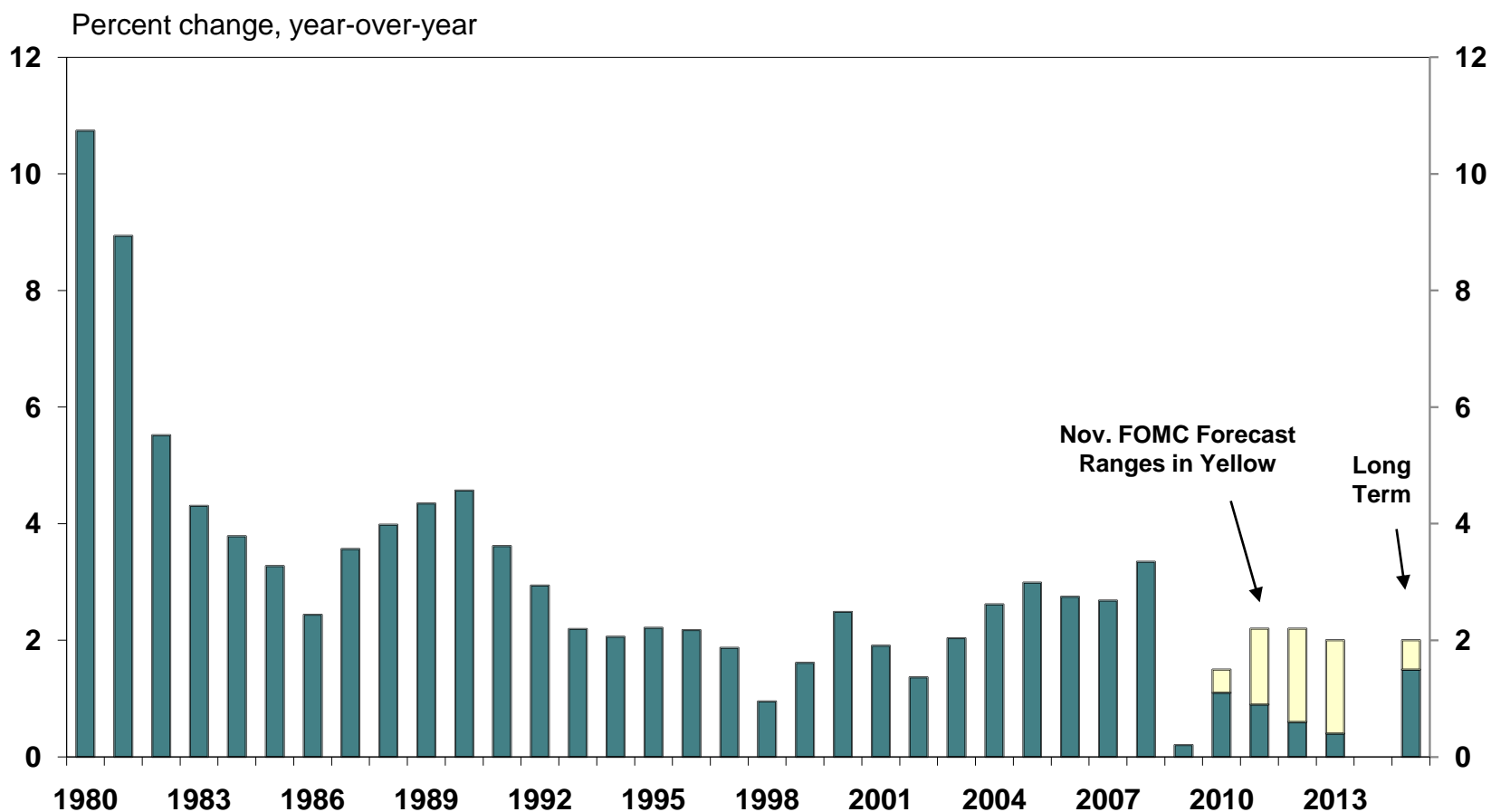
# But for U.S. unemployment to remain relatively high for some time

**Unemployment Rate**  
Seasonally Adjusted



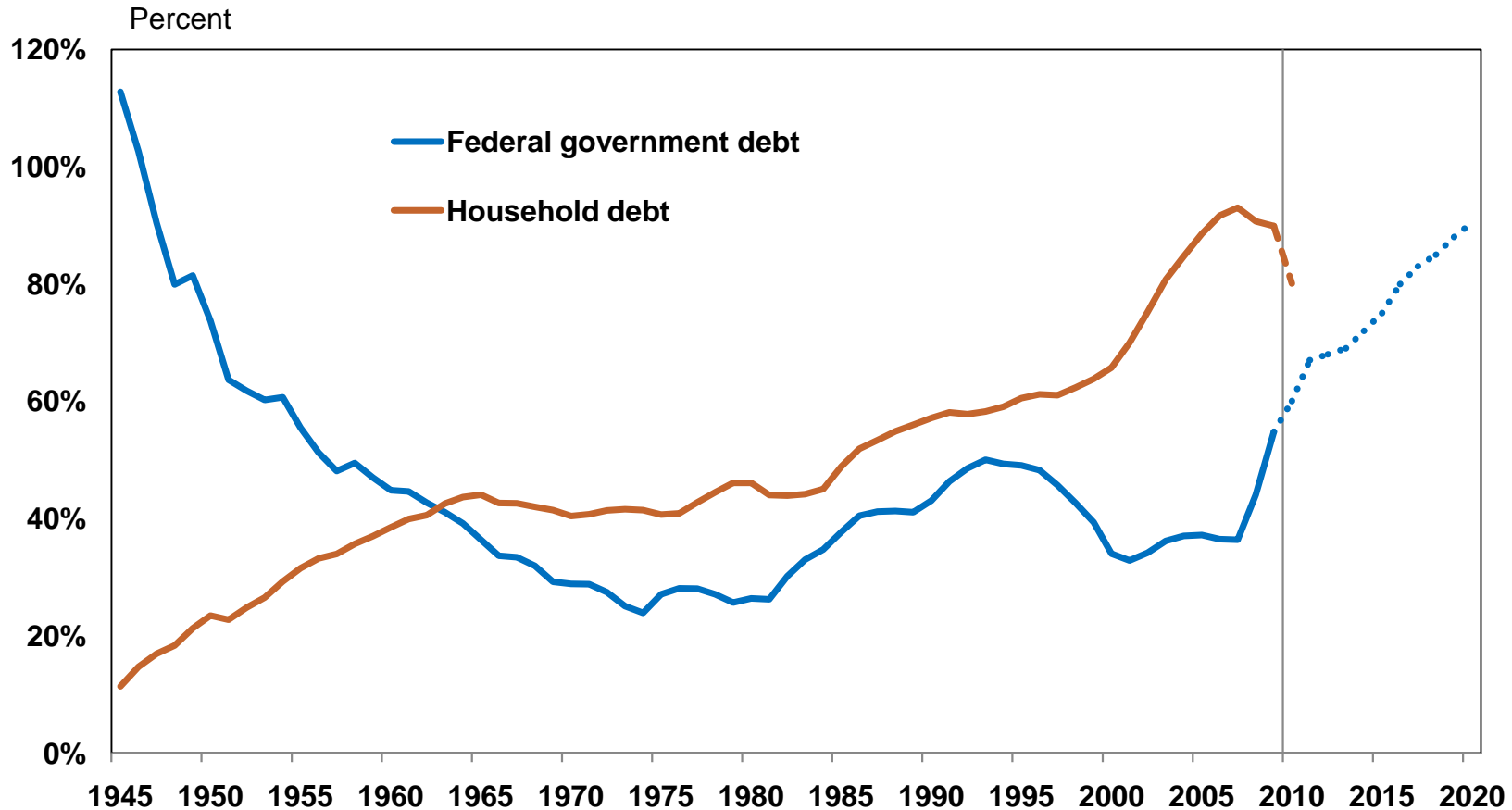
# Inflation is expected to remain tame in the near term, but will require careful oversight

## PCE Inflation Index



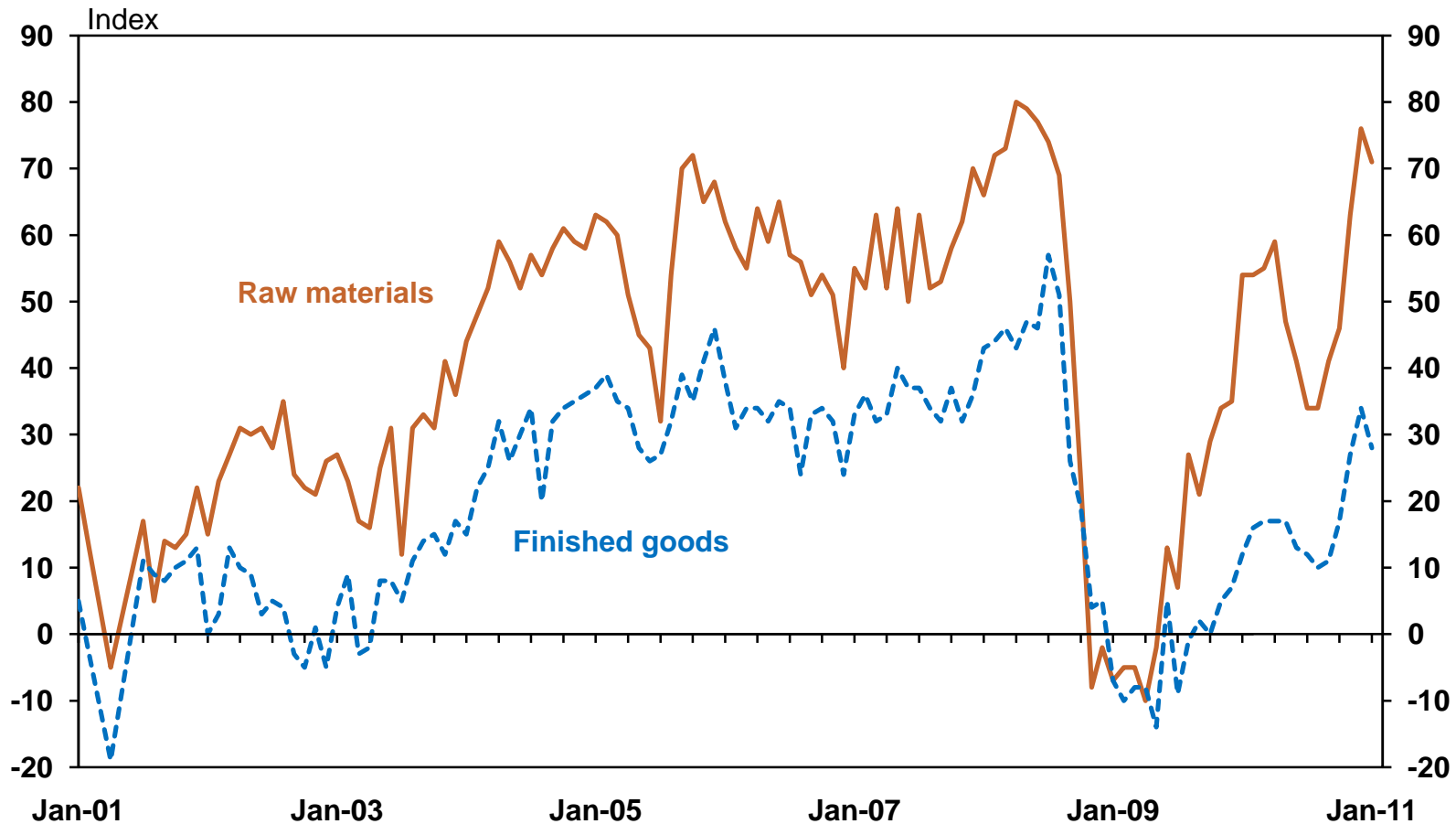
# U.S. consumer and federal debt levels present obstacles for future growth

## 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

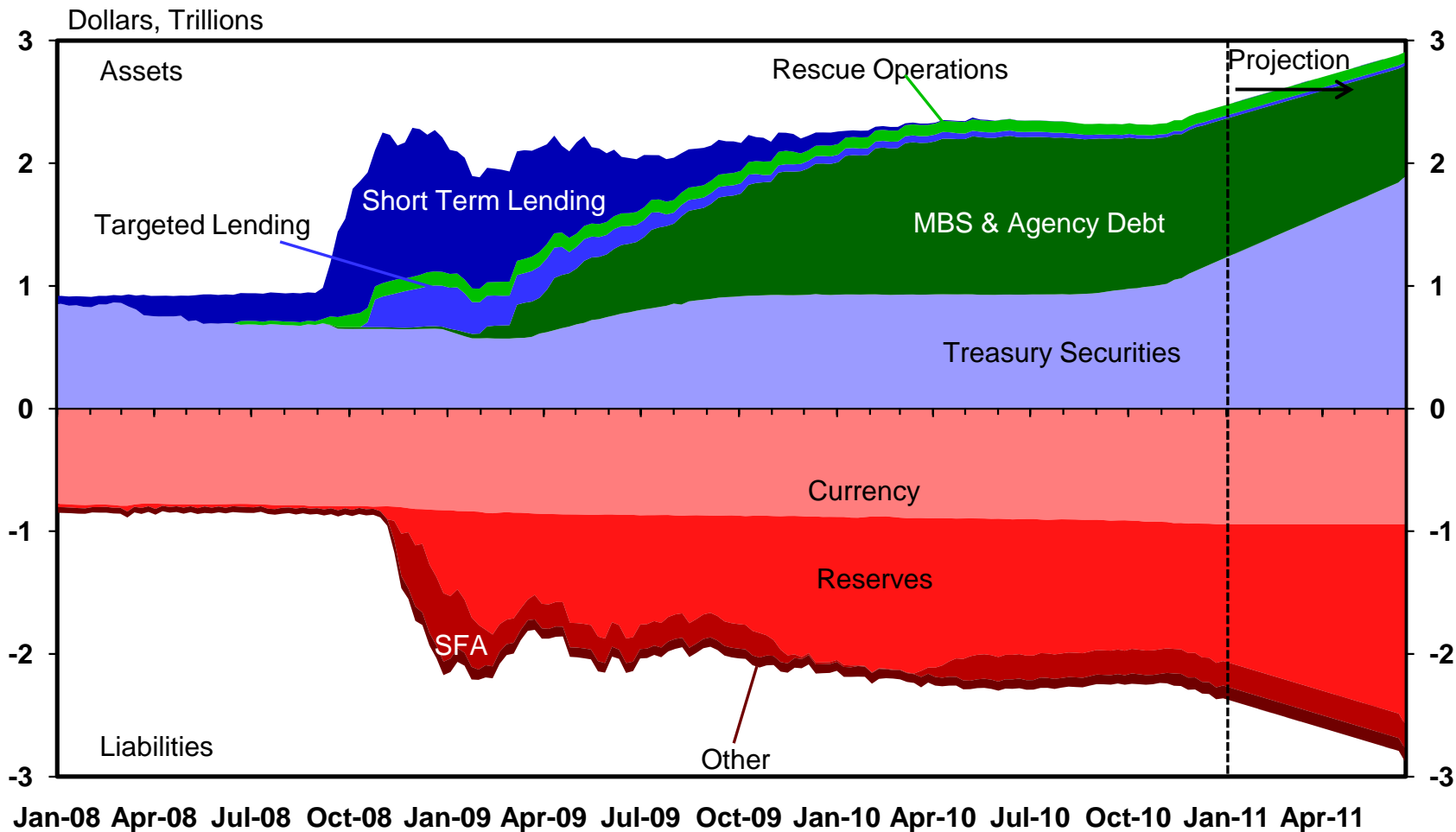


Source: FRBKC



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

## Federal Reserve Balance Sheet



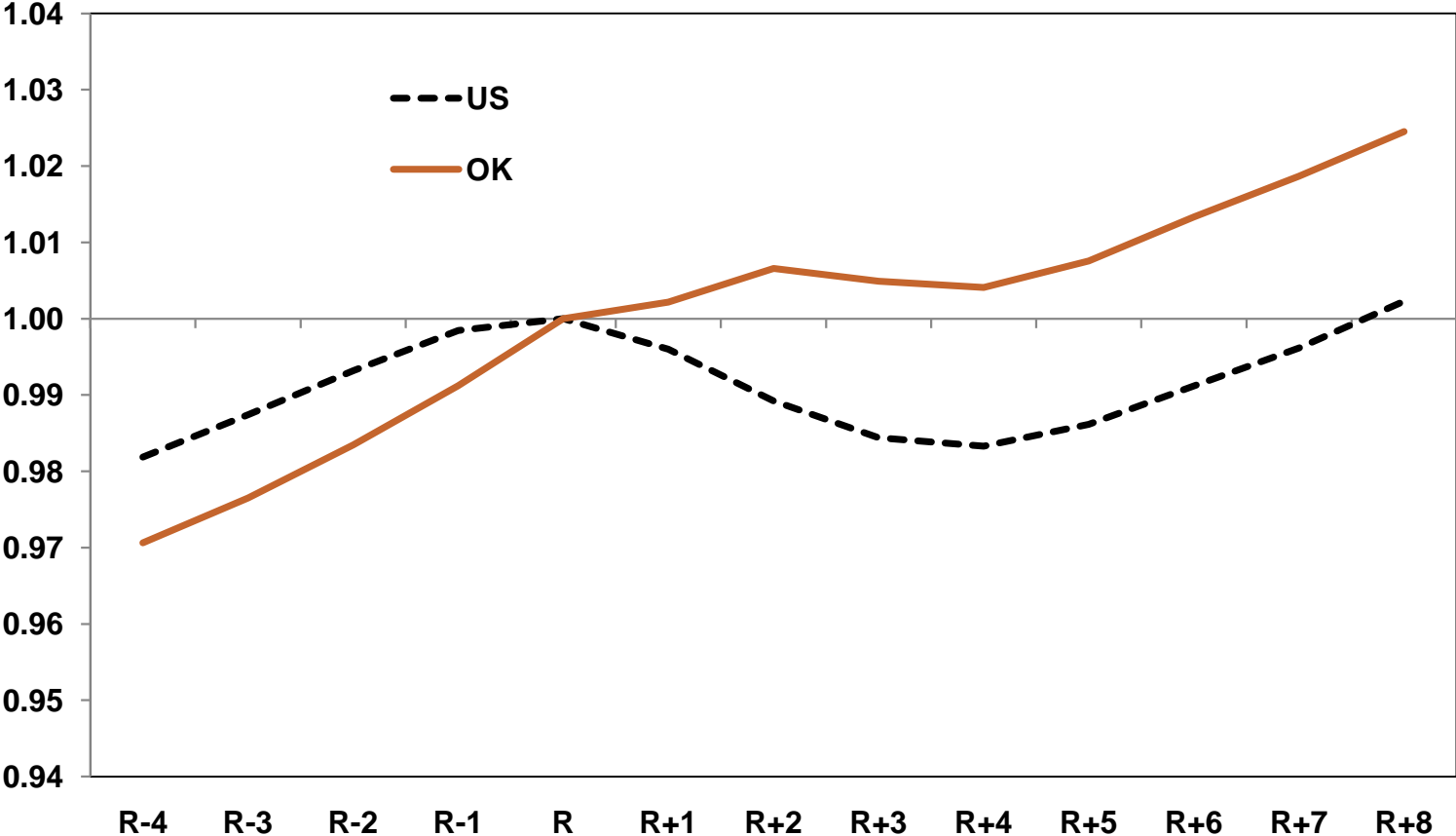
# The Oklahoma Economic Outlook

- 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
- Banking and real estate conditions remain much better than in the nation



# Oklahoma typically enters recessions late but exits around the same time as the nation

**Average Recession and Recovery Path, 1956-2006**  
Employment level 4 quarters before and 8 quarters after U.S. jobs peak (R)

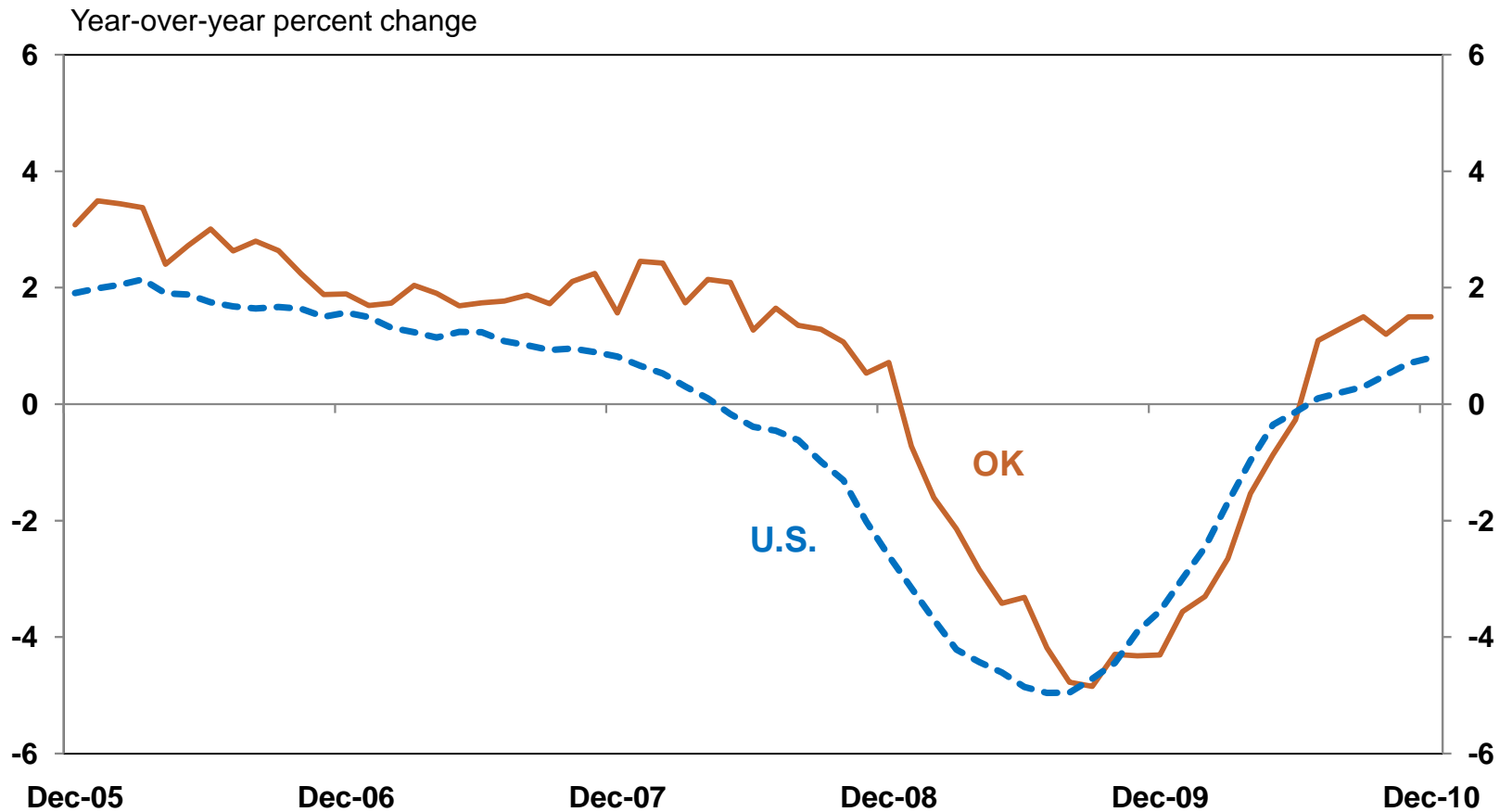


Source: U.S. Bureau of Labor Statistics



# The state had a similar pattern this time, and is now outpacing the nation

## Payroll Employment

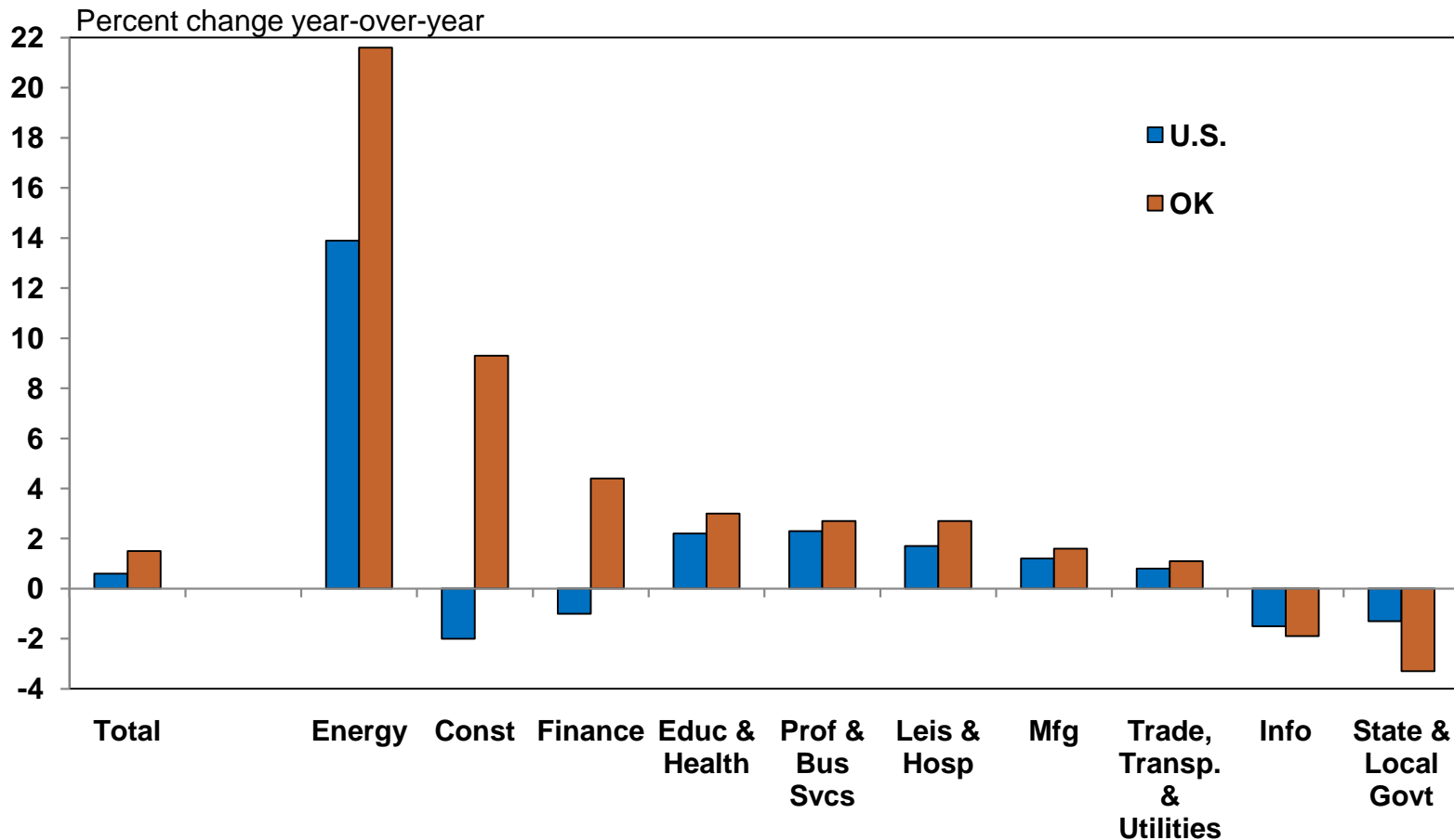




# Recent state job growth has been led by energy, but other sectors are growing

## Employment Growth

December 2010

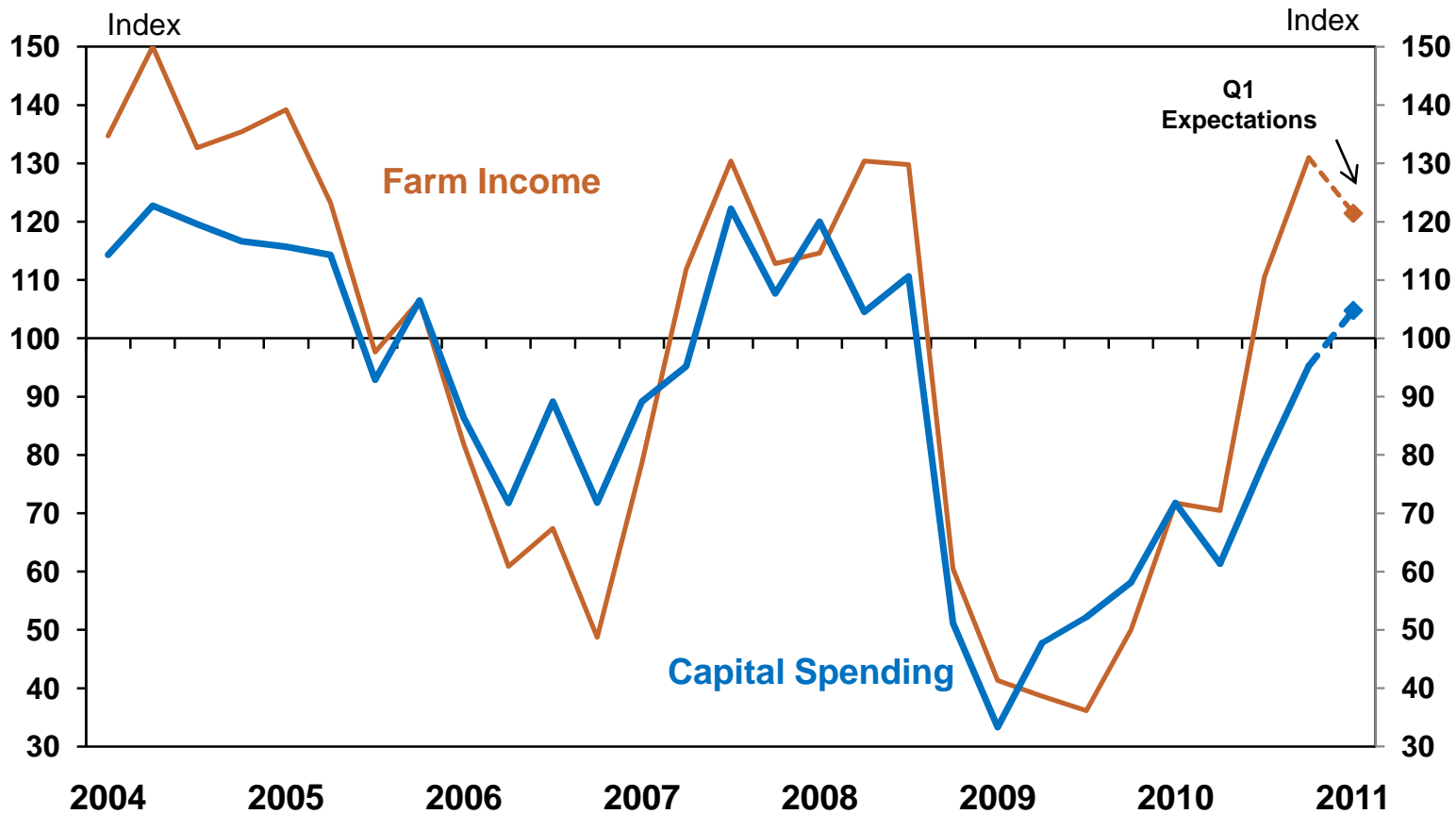


Source: Bureau of Labor Statistics



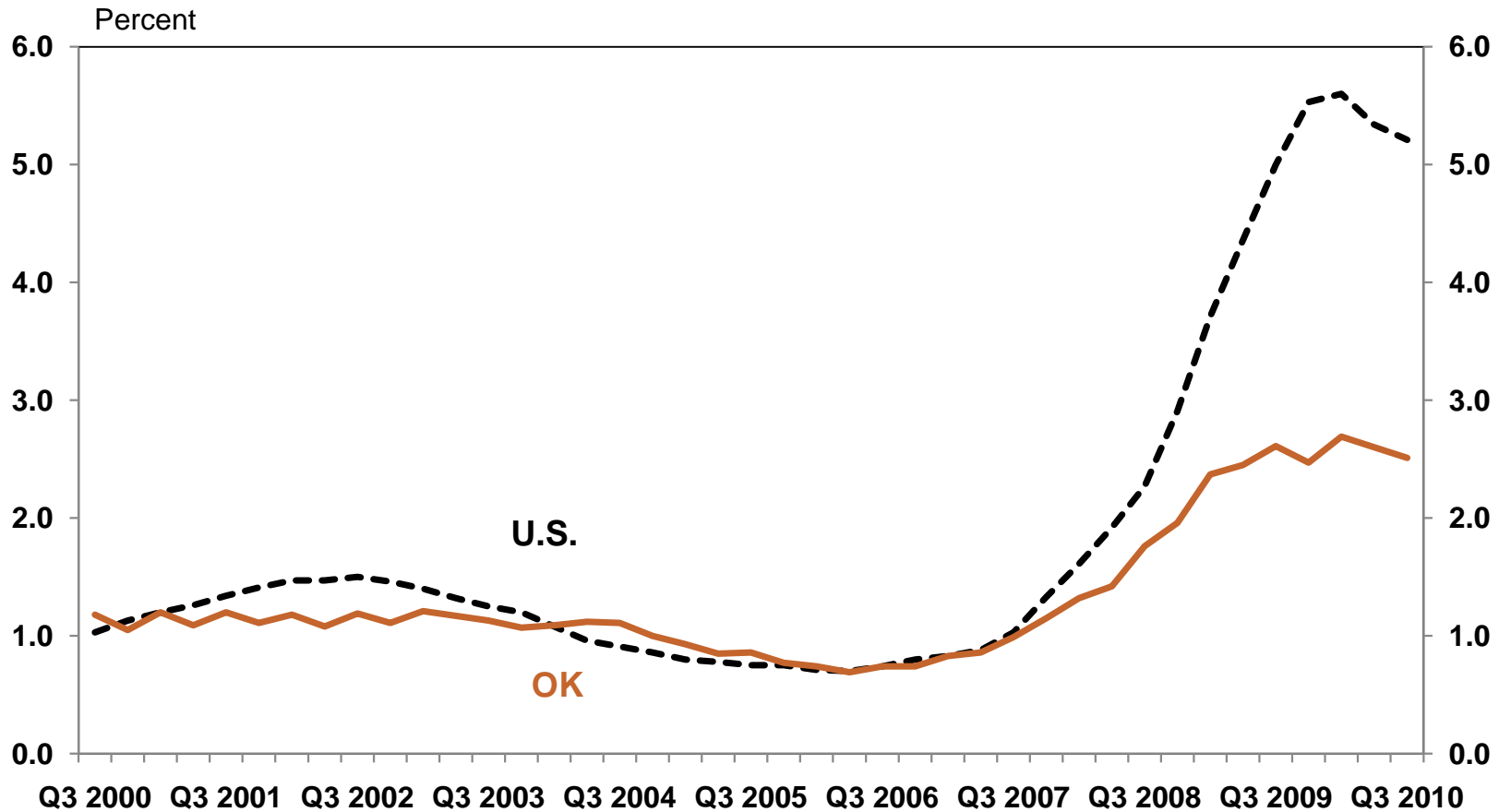
# Agricultural conditions in the state have also improved after bottoming in 2009

## 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

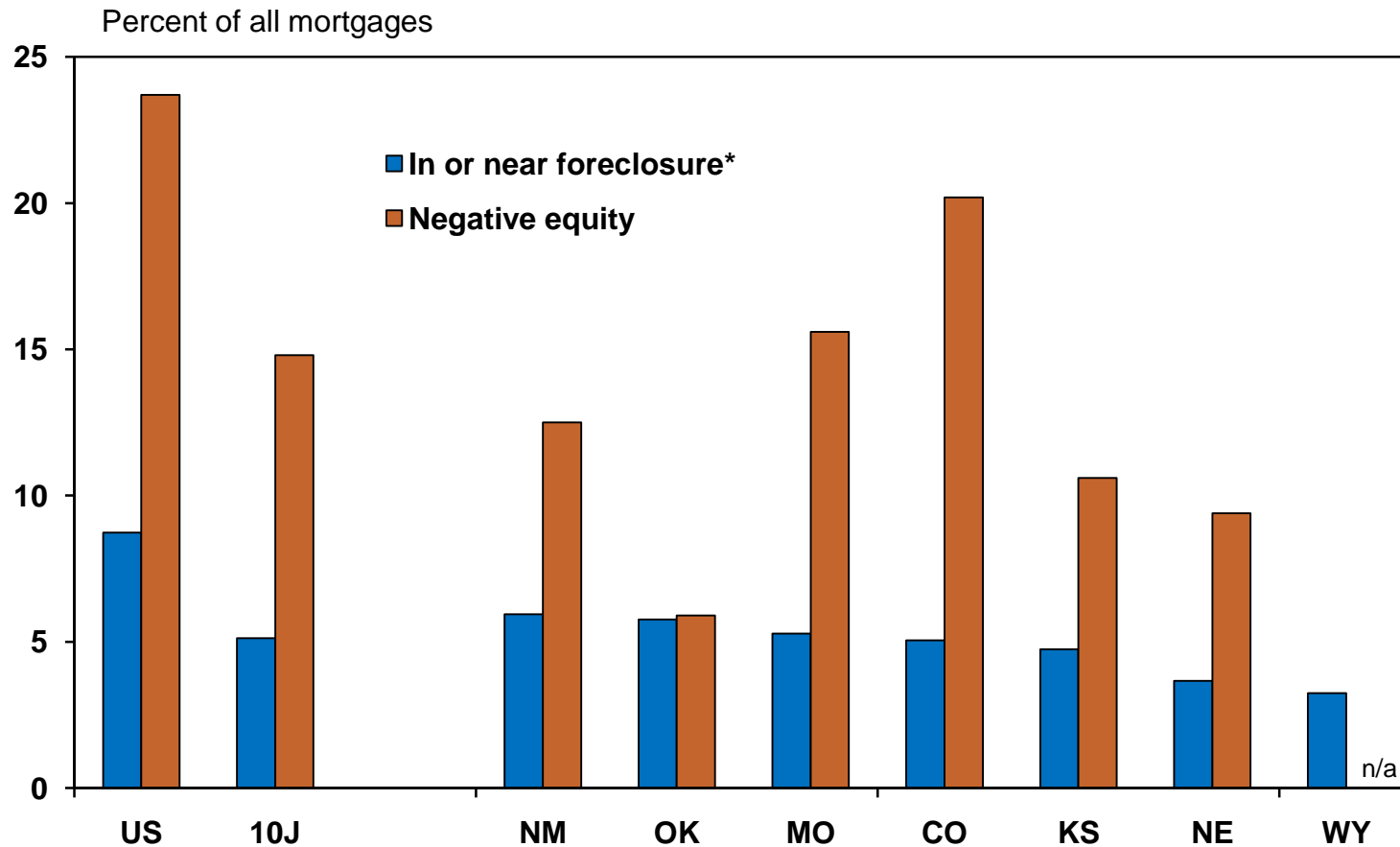


Source: FDIC



# 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



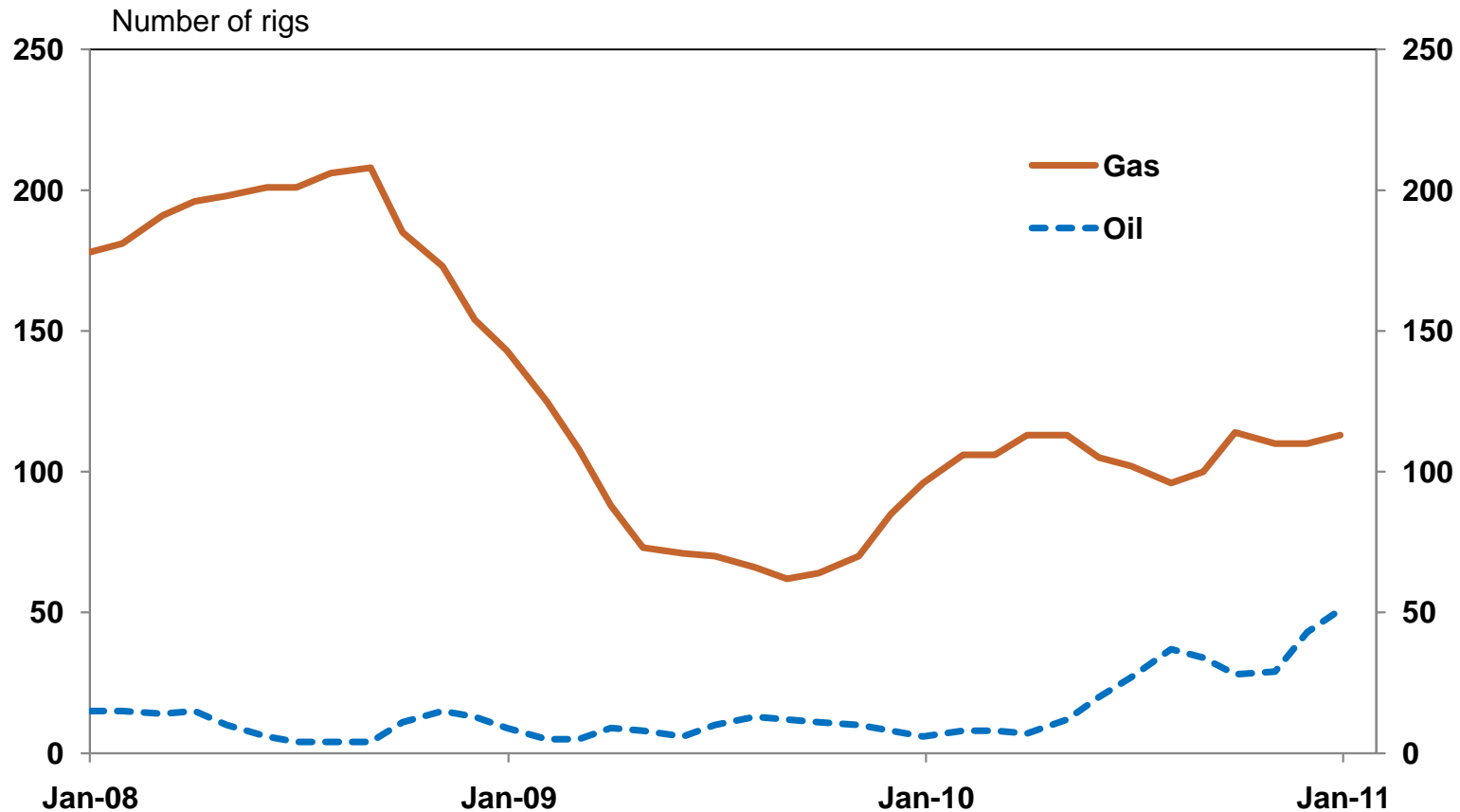
\*Over 90 days past due

Source: MBA, Corelogic



# Drilling activity has risen recently in the state, primarily for oil

## Oklahoma Rig Count



# 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

