

U.S. & Oklahoma Economic Outlook

With a Focus on Housing



Community Affairs Affordable Housing Luncheon
May 8, 2012

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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**

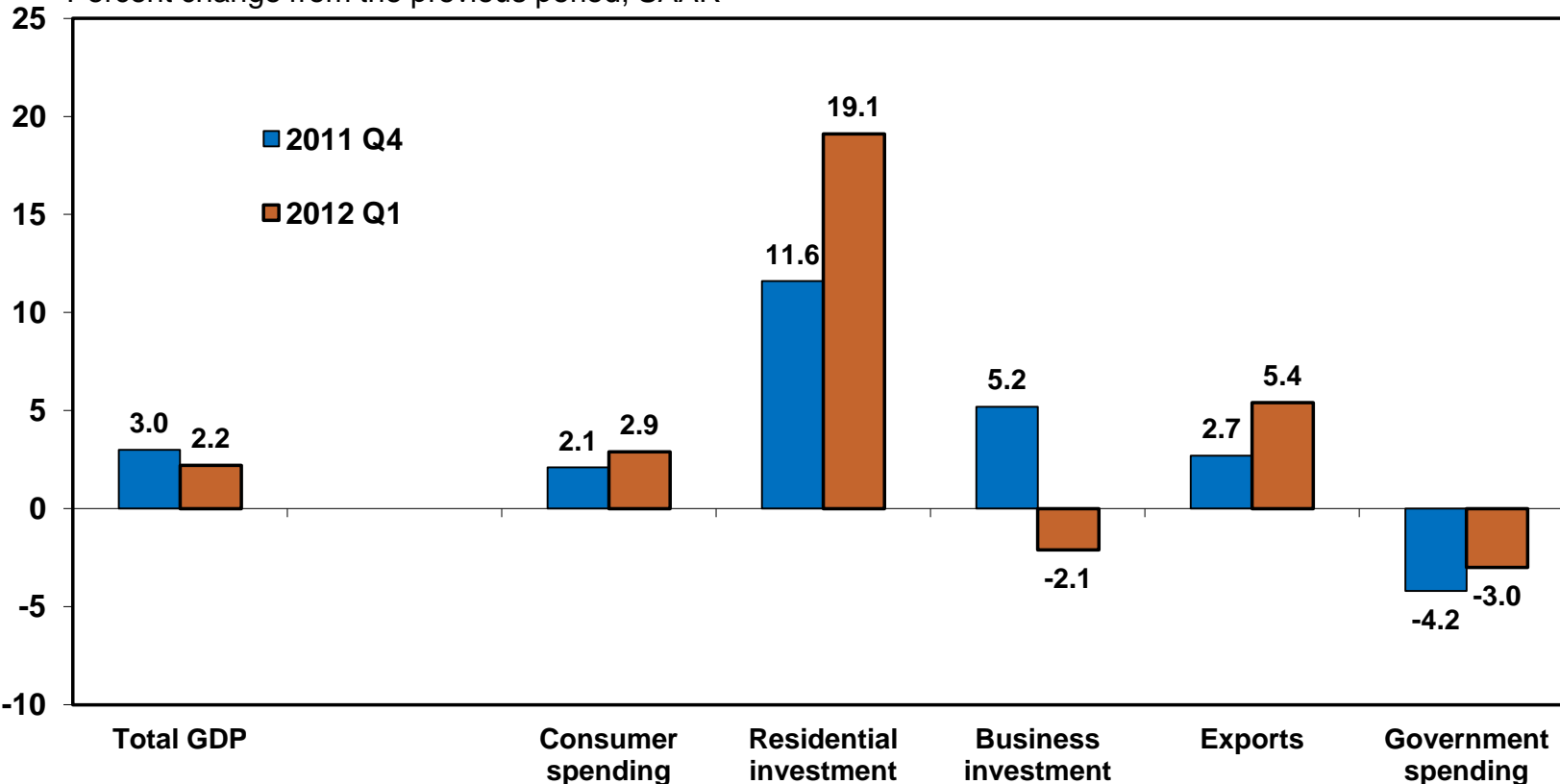
- **Jim Dunn (chair)**, Chairman, Mill Creek Lumber and Supply, Tulsa
- **Linda Capps**, Vice Chairman, Citizen Potawatomi Nation, Shawnee
- **Pete Delaney**, Chairman, CEO, & President, OGE Energy Corp., OKC
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- **Rose Washington**, Exec. Director, Tulsa Economic Development Corp.



U.S. GDP growth eased slightly in Q1, while housing investment rose sharply

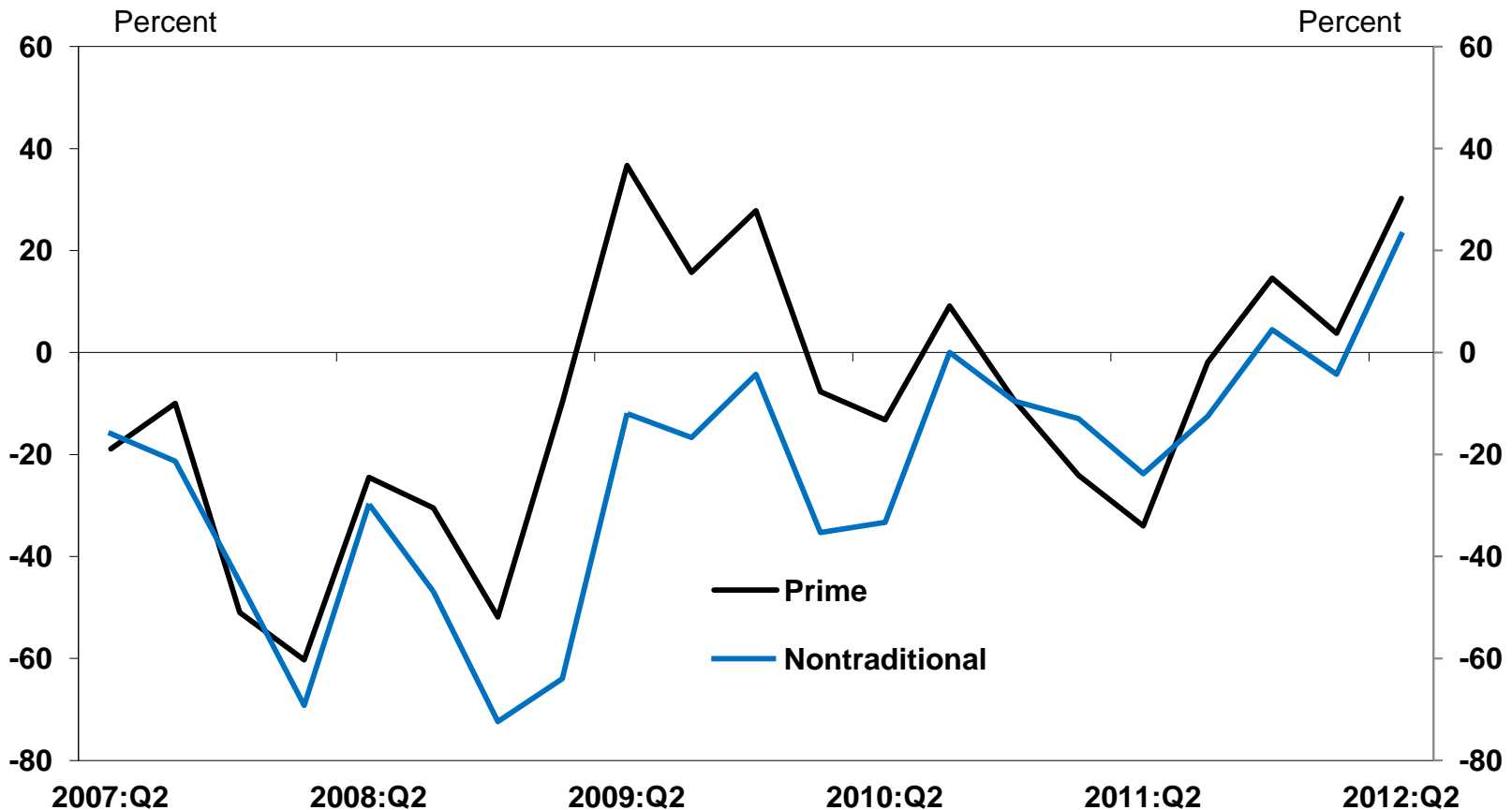
Growth in Components of Real GDP

Percent change from the previous period, SAAR



Bankers also report that mortgage demand has picked up recently

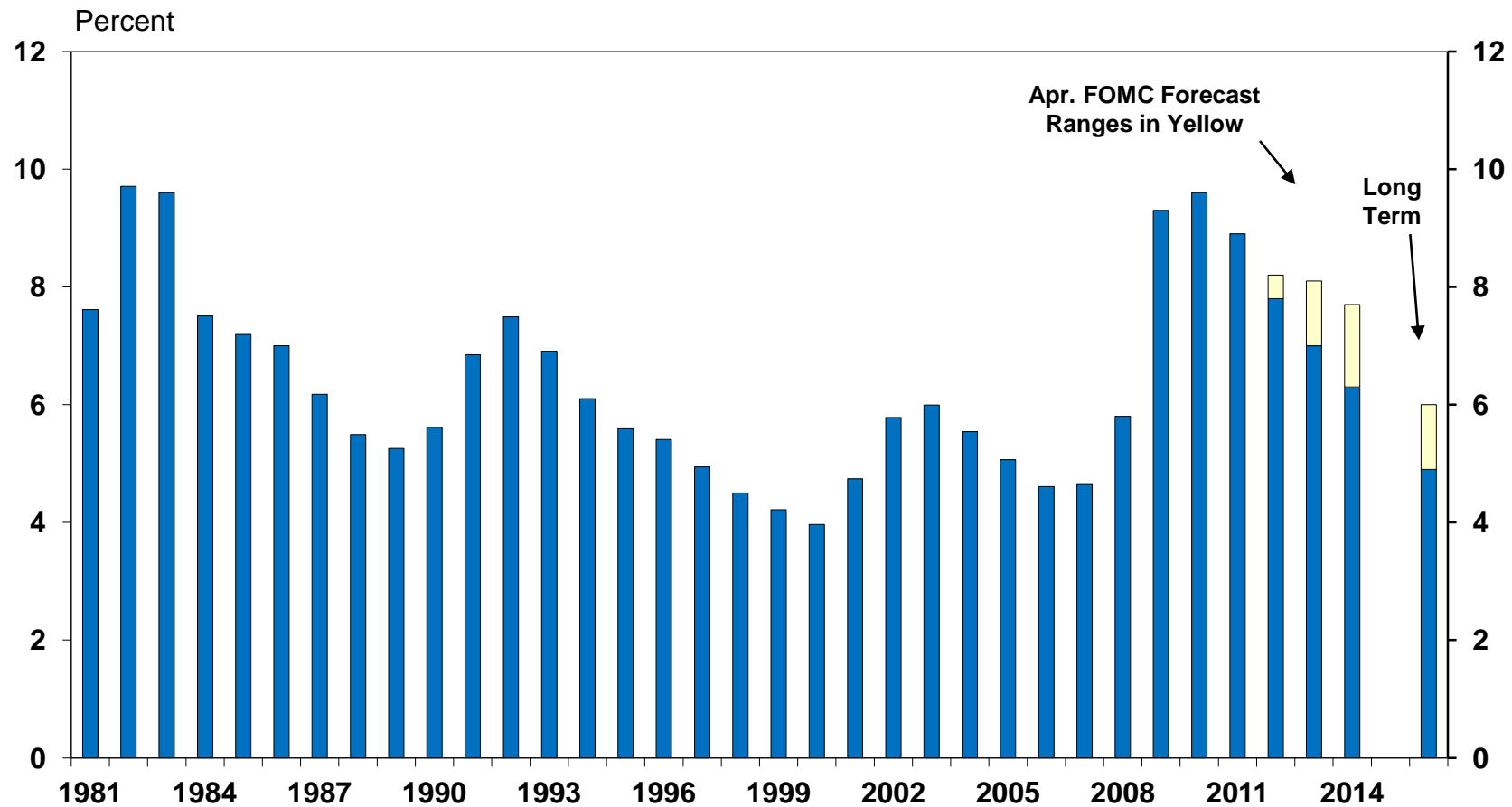
Net Share of U.S. Banks Reporting Increased Mortgage Demand First-Lien Mortgages Only



At its last meeting, the FOMC expected unemployment to gradually fall further

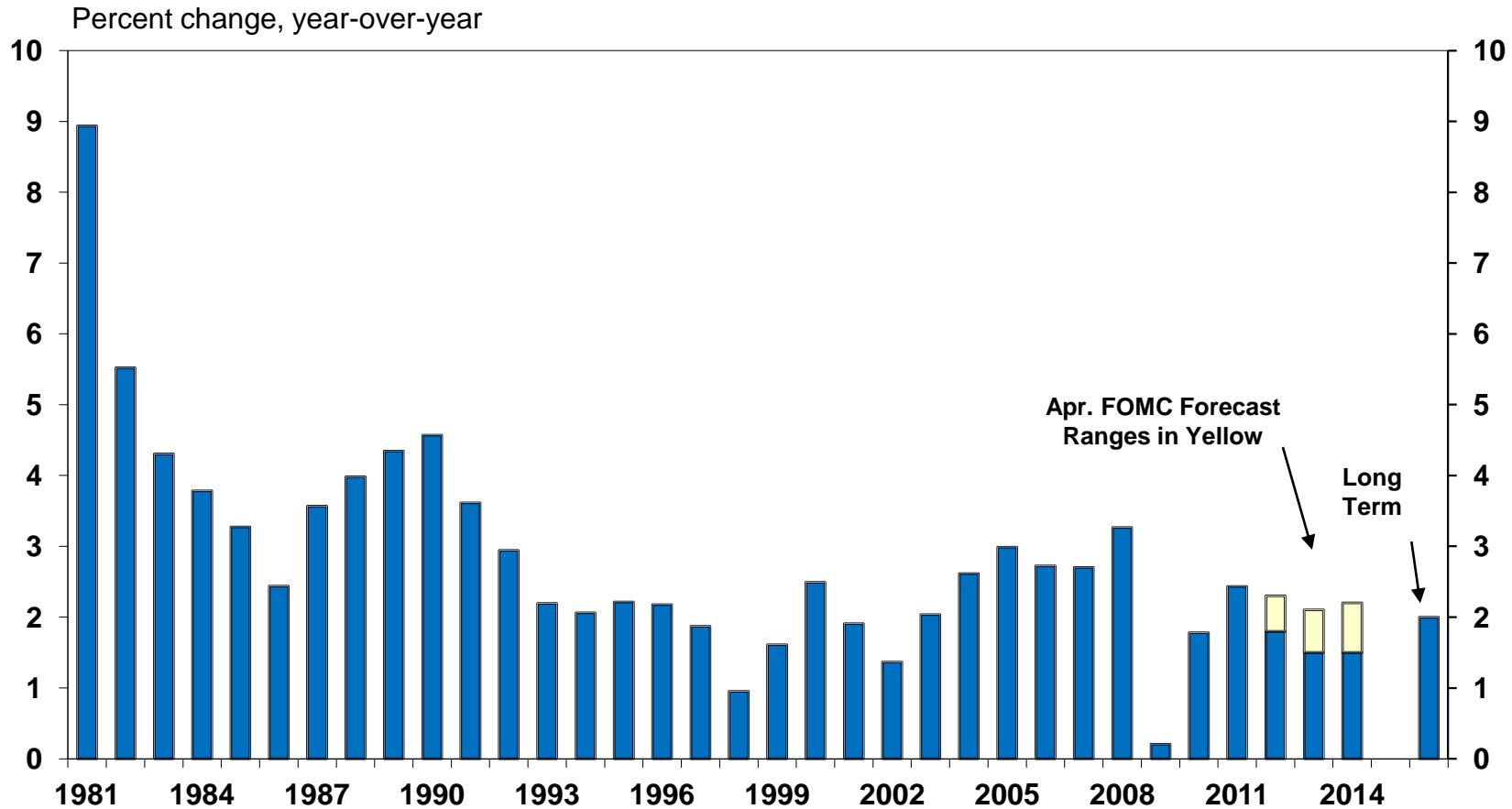
Unemployment Rate

Seasonally Adjusted



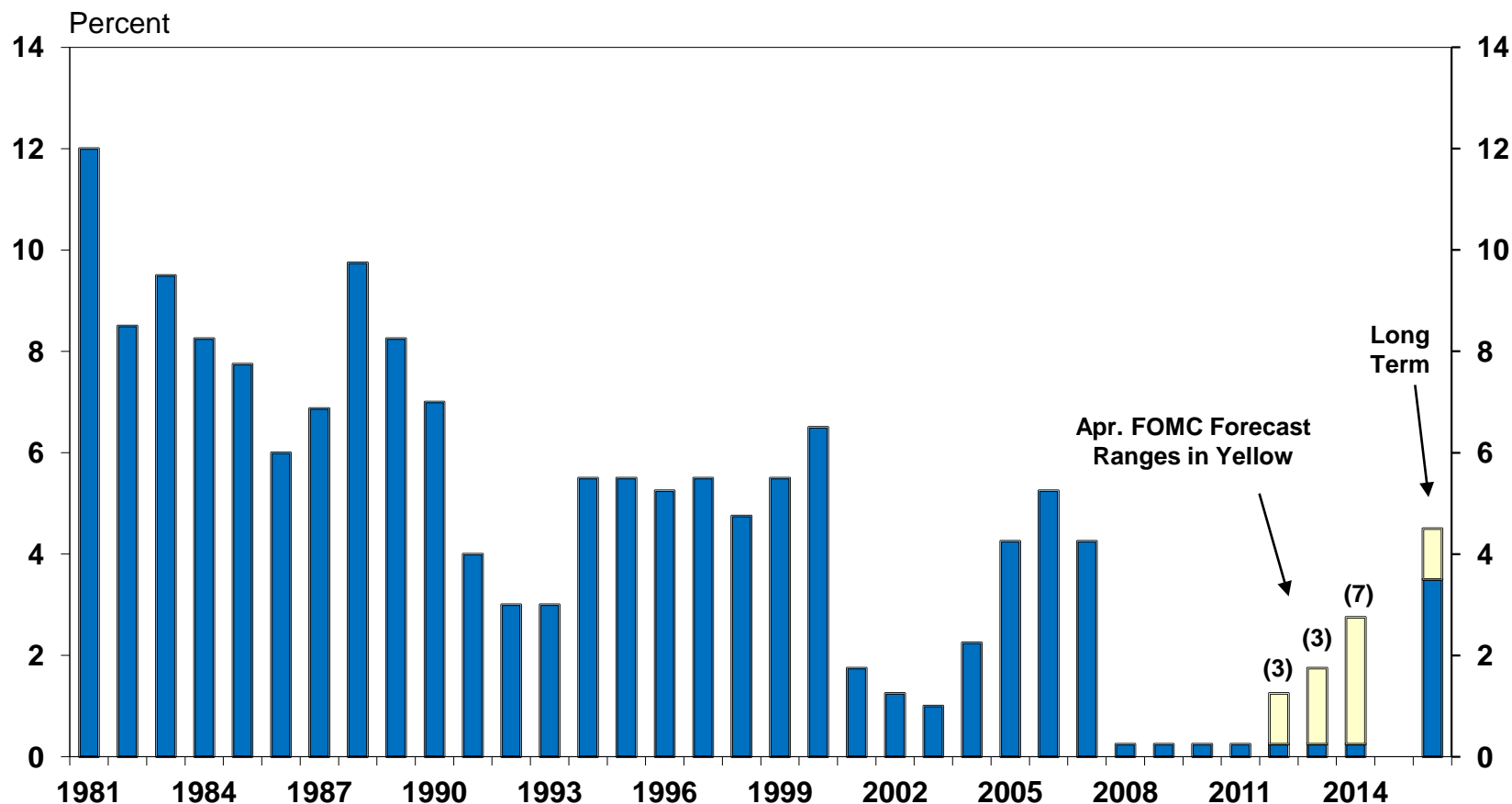
And for inflation pressures to stabilize after rising with oil and food prices in 2011

PCE Inflation Index



The majority of FOMC members expect interest rates to stay low through 2014

Federal Funds Rate
Year-end target



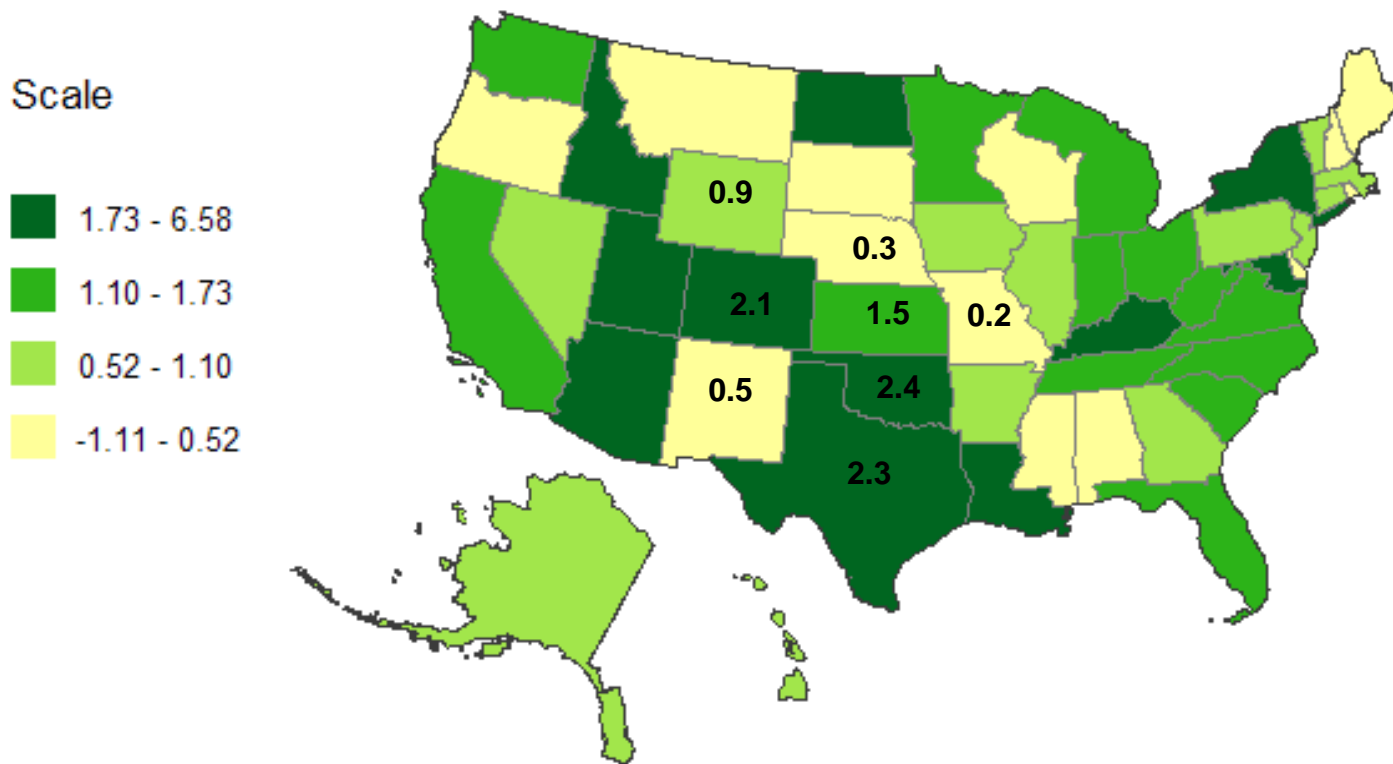
Note – Number of participants who project the initial increase will occur in the specified year in parenthesis

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



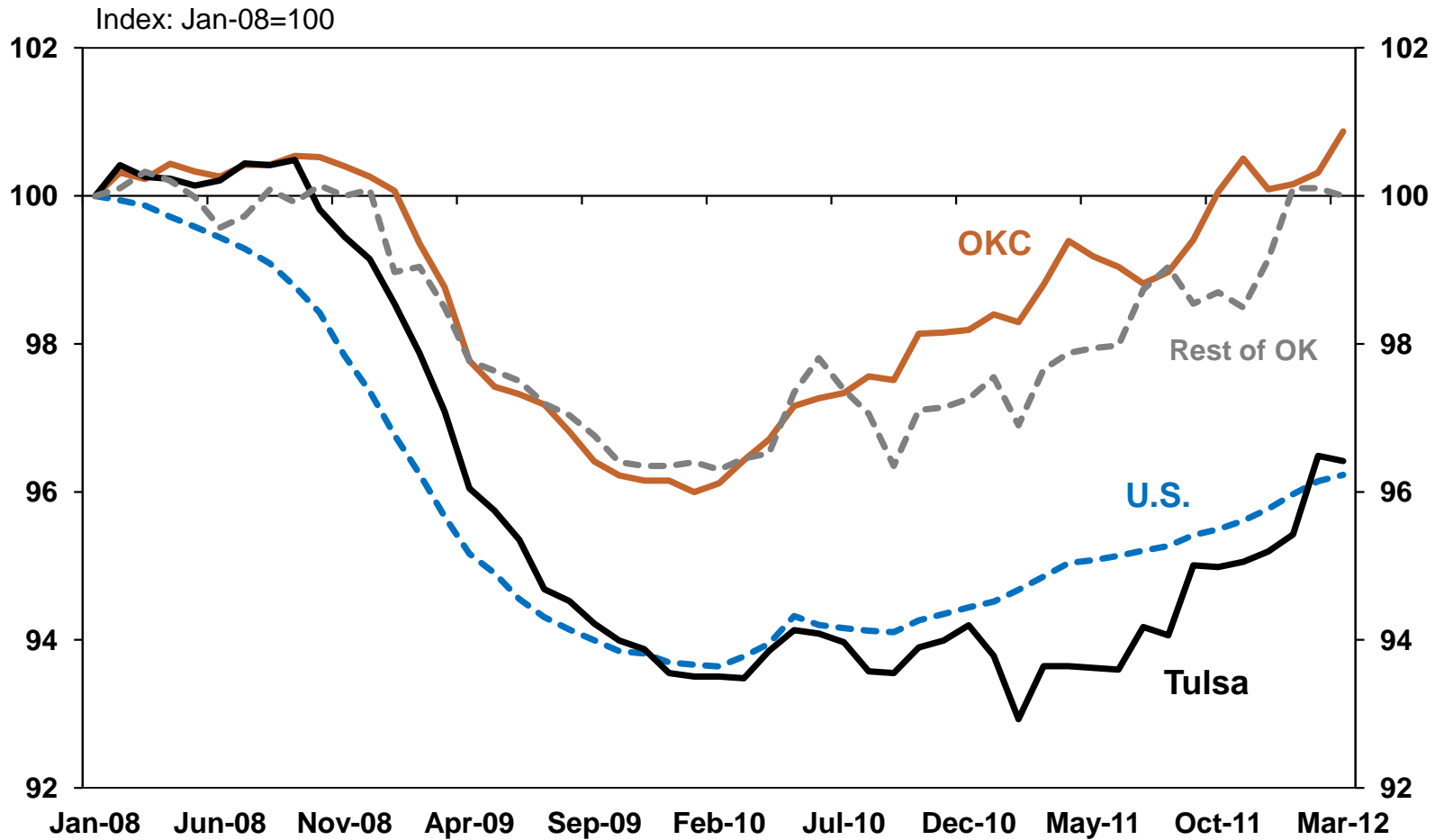
There remains considerable variation in economic strength across the nation

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



Employment in Oklahoma is back above pre-recession levels...if Tulsa is excluded

Level of Payroll Employment

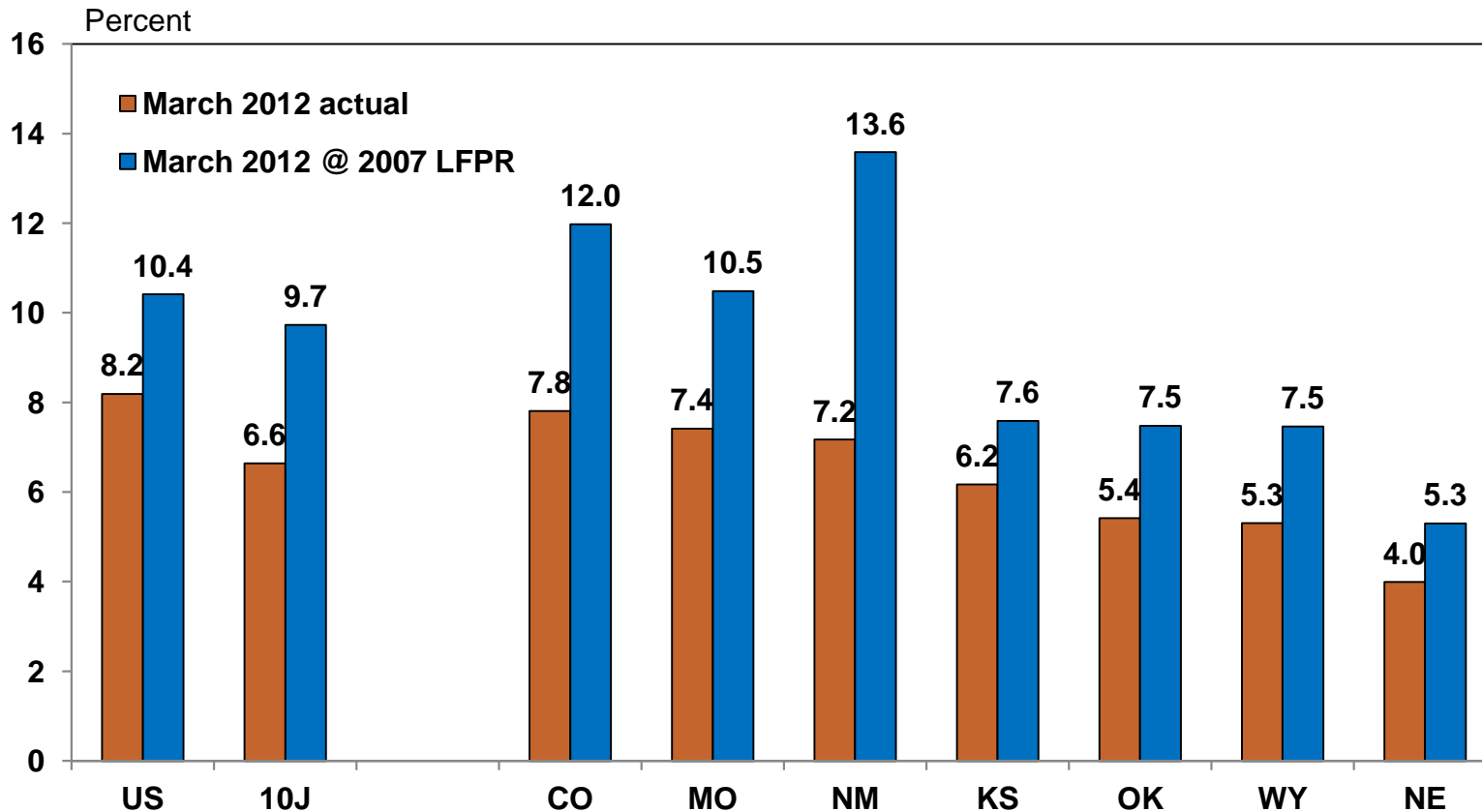


Source: U.S. Bureau of Labor Statistics



OK unemployment is now quite low, but labor force dropouts are part of the reason

Unemployment Rates by State
Seasonally Adjusted



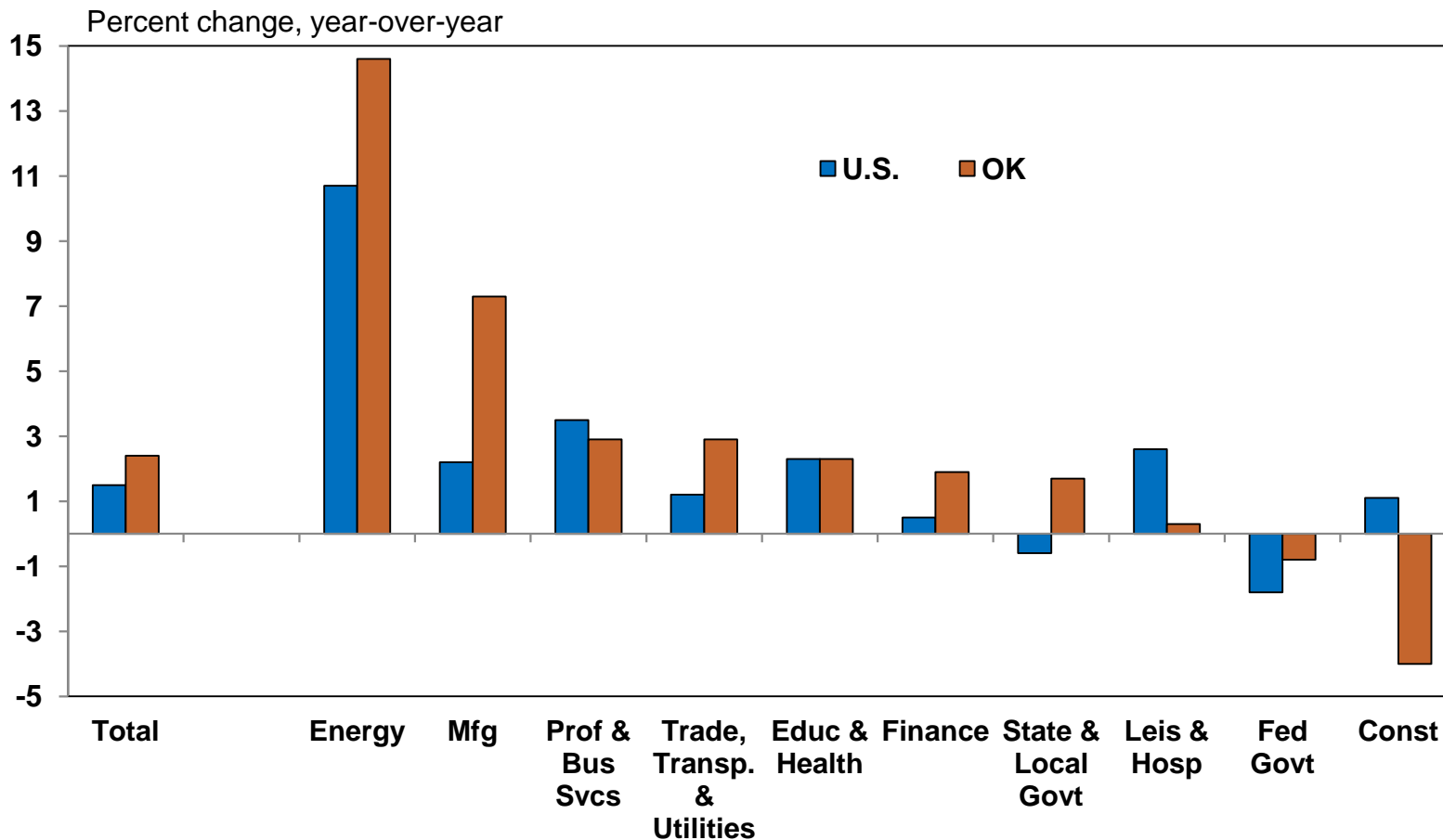
LFPR=Labor Force Participation Rate



Job growth in most Oklahoma sectors has been better than the nation

Oklahoma Employment Growth

March 2012

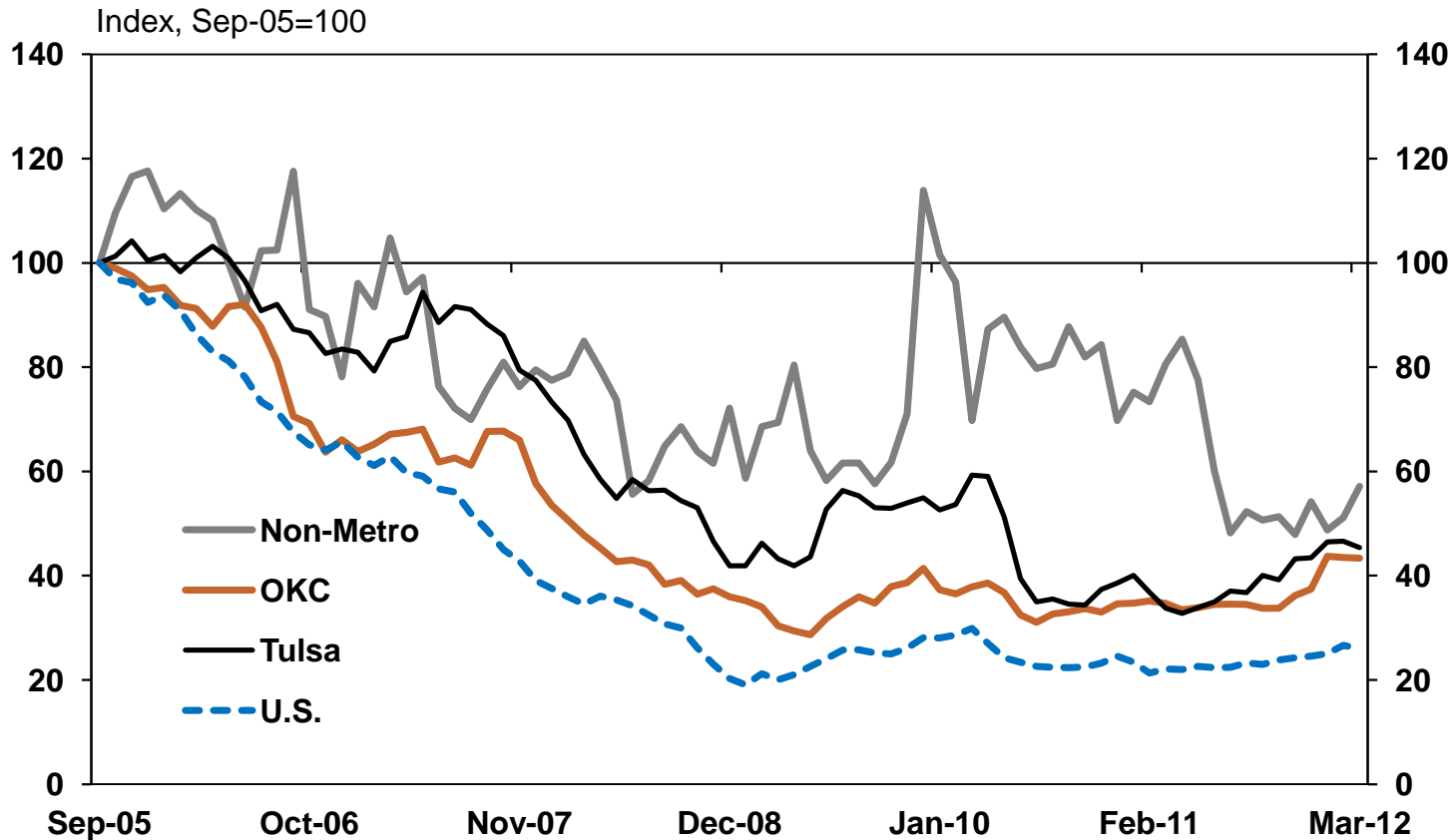


Source: Bureau of Labor Statistics



New home permits in Oklahoma have edged higher, though are still at low levels

Single-Family Home Permits Seasonally Adjusted

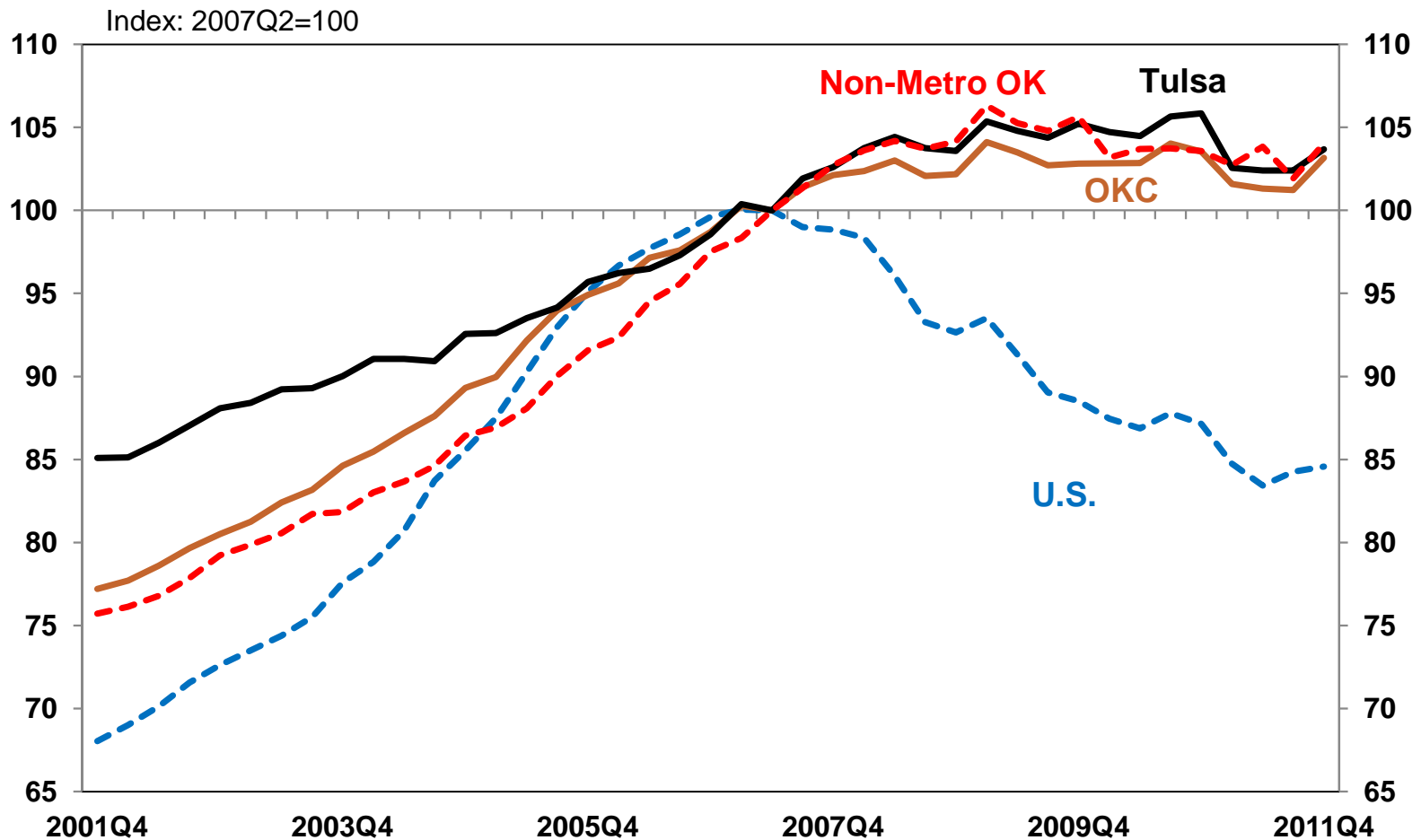


Source: Census Bureau



Home prices have held up much better throughout Oklahoma than in the nation

Home Price Index

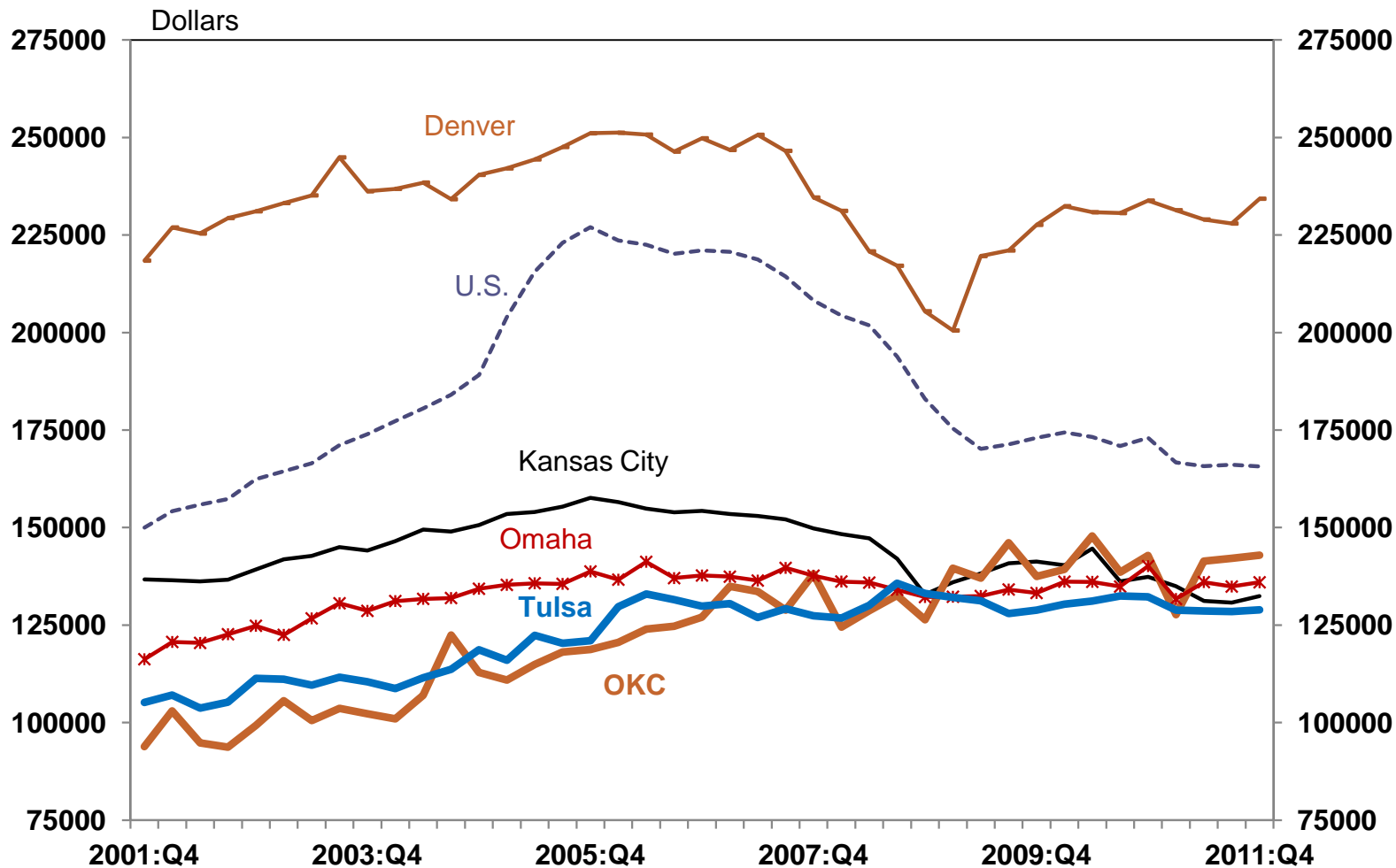


Source: FHFA



As a result, OKC and Tulsa home prices now match other regional cities

Median Home Prices in U.S. and Large Tenth District Cities



Source: NAR

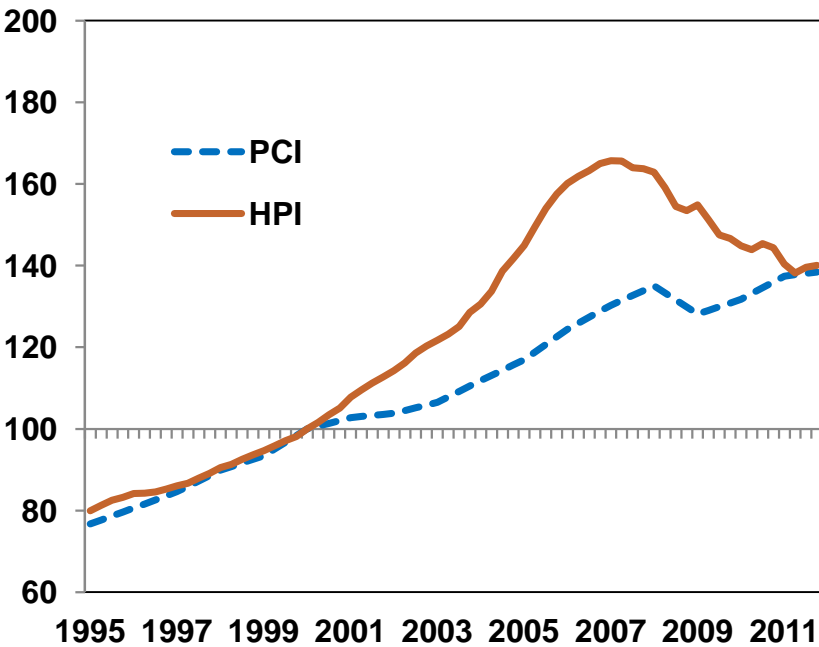


Income fundamentals suggest Oklahoma is at less risk of future home price declines

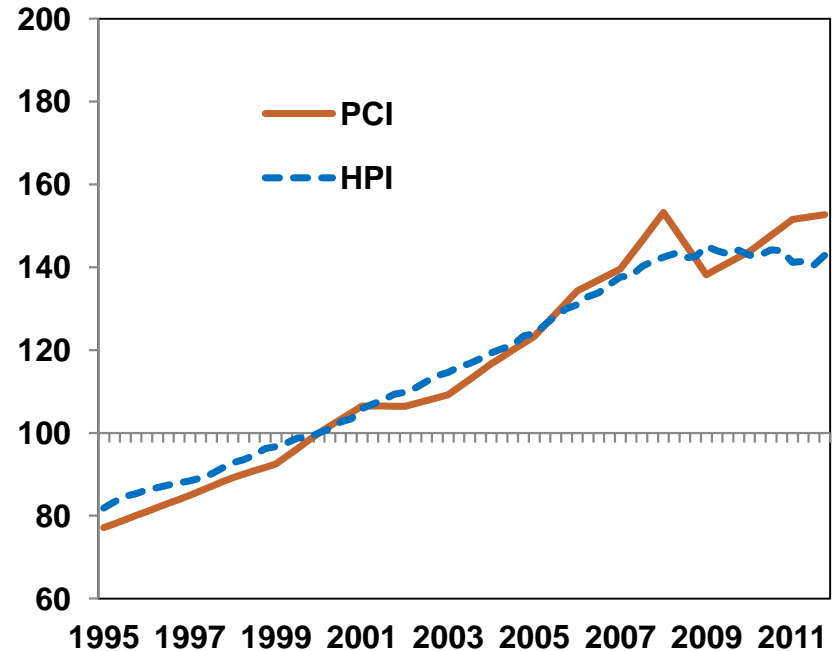
Home Prices and Per Capita Income Levels

Index: 2000=100

U.S.

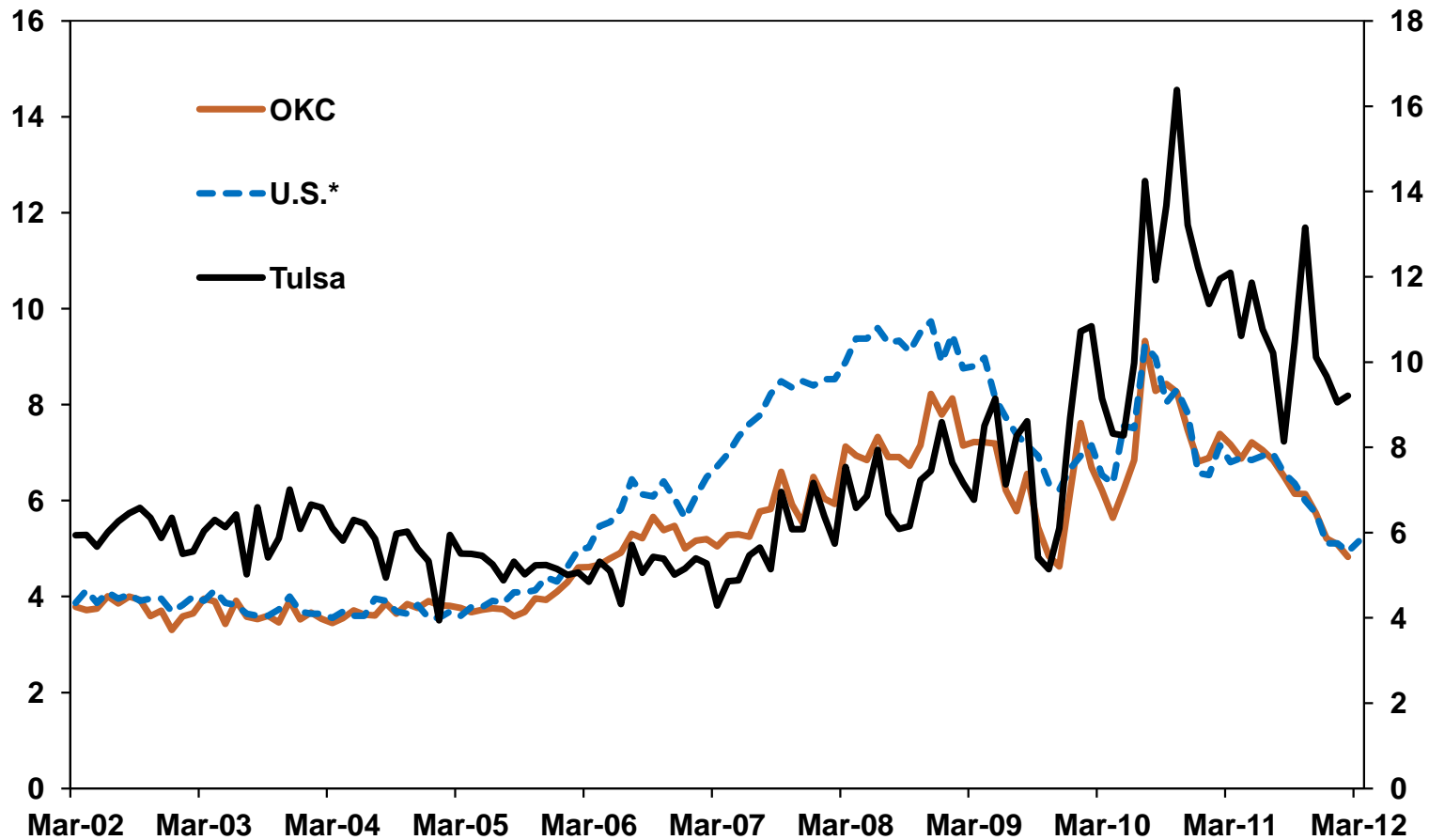


Oklahoma



Unsold home inventories have fallen in the nation and OKC but remain high in Tulsa

Months Supply of Unsold Homes
Seasonally Adjusted



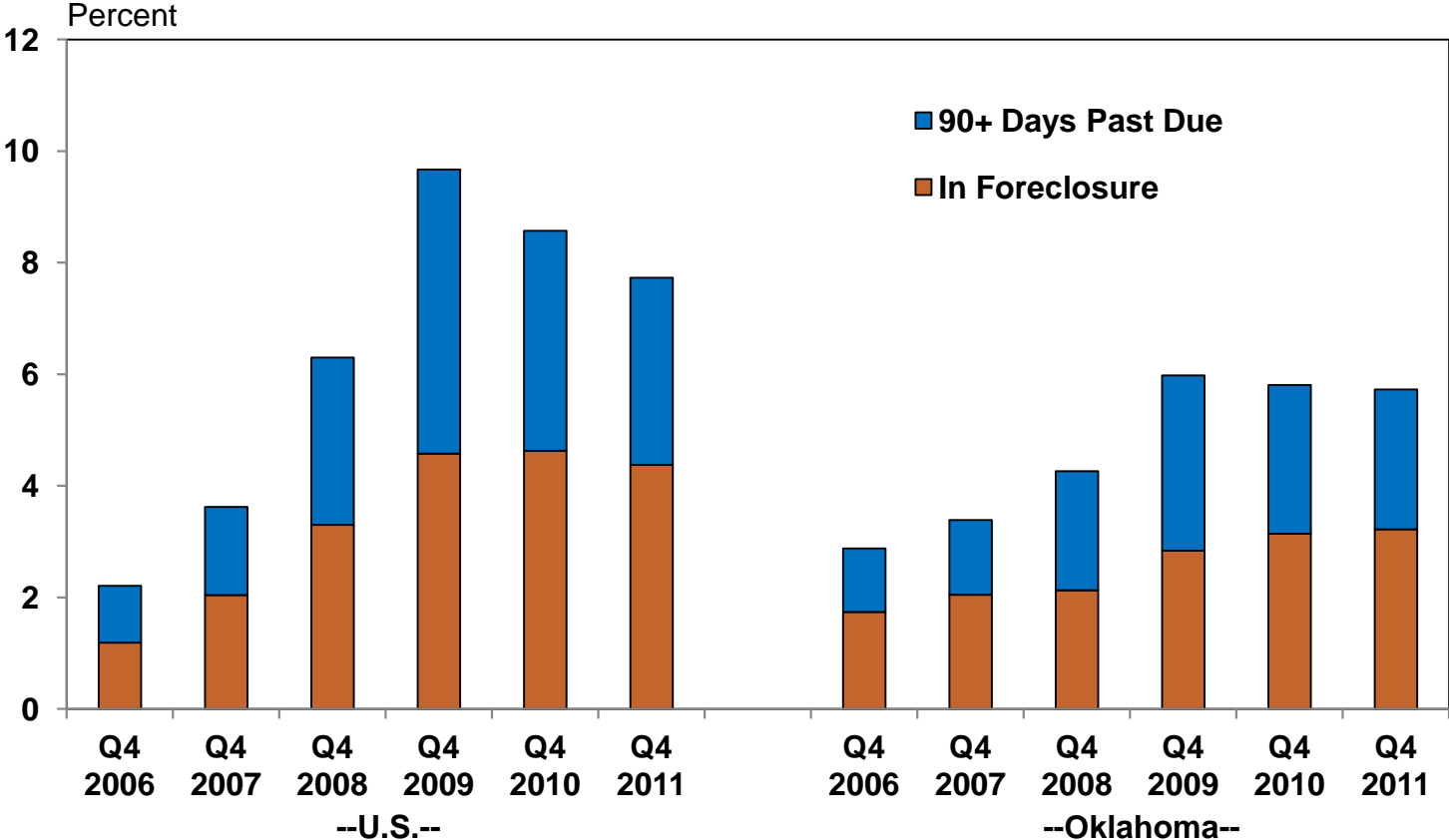
* Combination of existing and new home inventories



Past due mortgages have eased a bit, but still remain well above pre-recession levels

Share of Mortgages Seriously Delinquent

In foreclosure or over 90 days past due

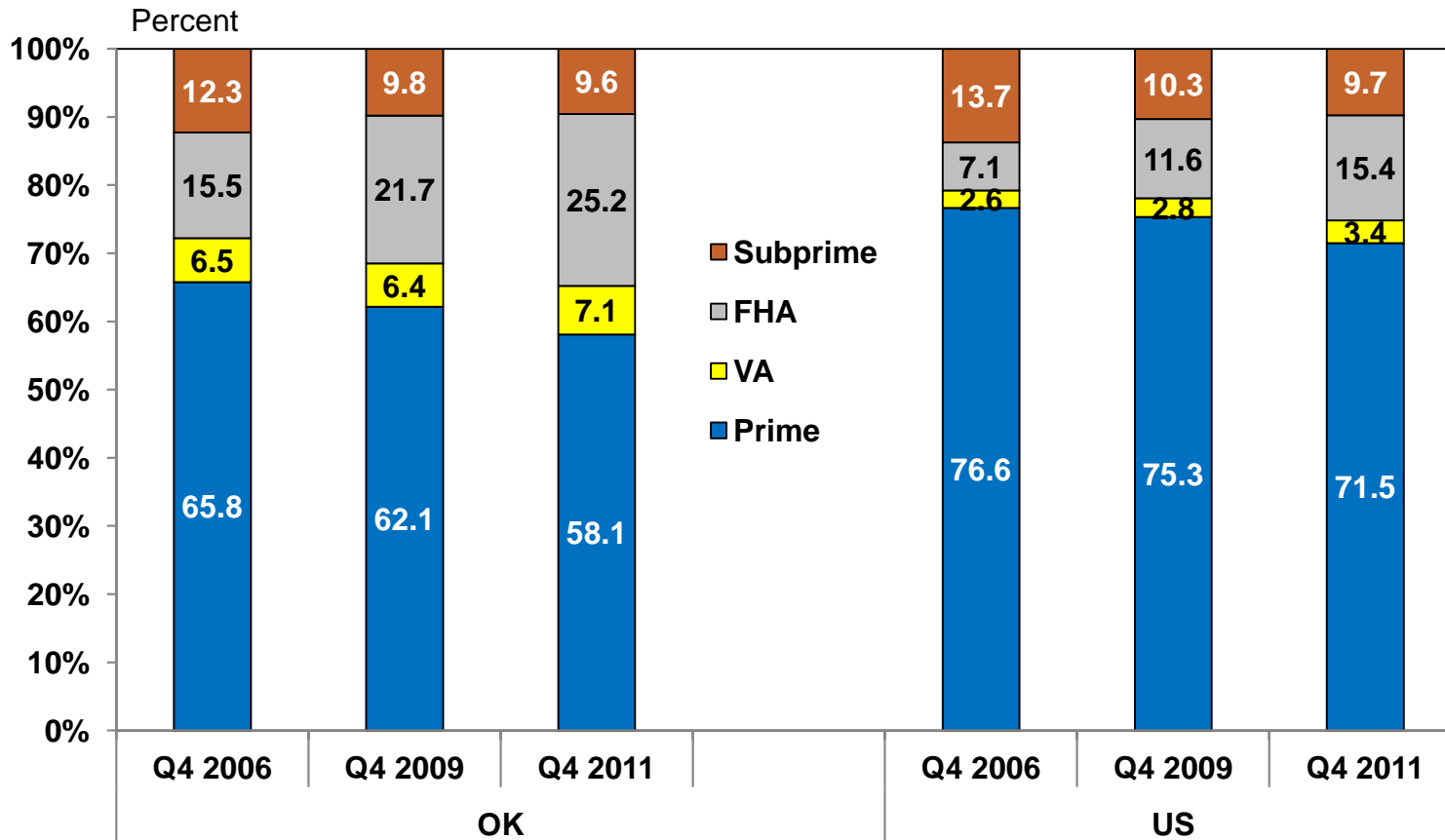


Source: MBA



Oklahoma mortgages are made up of fewer prime loans than in the nation

Share of Mortgages Outstanding by Type

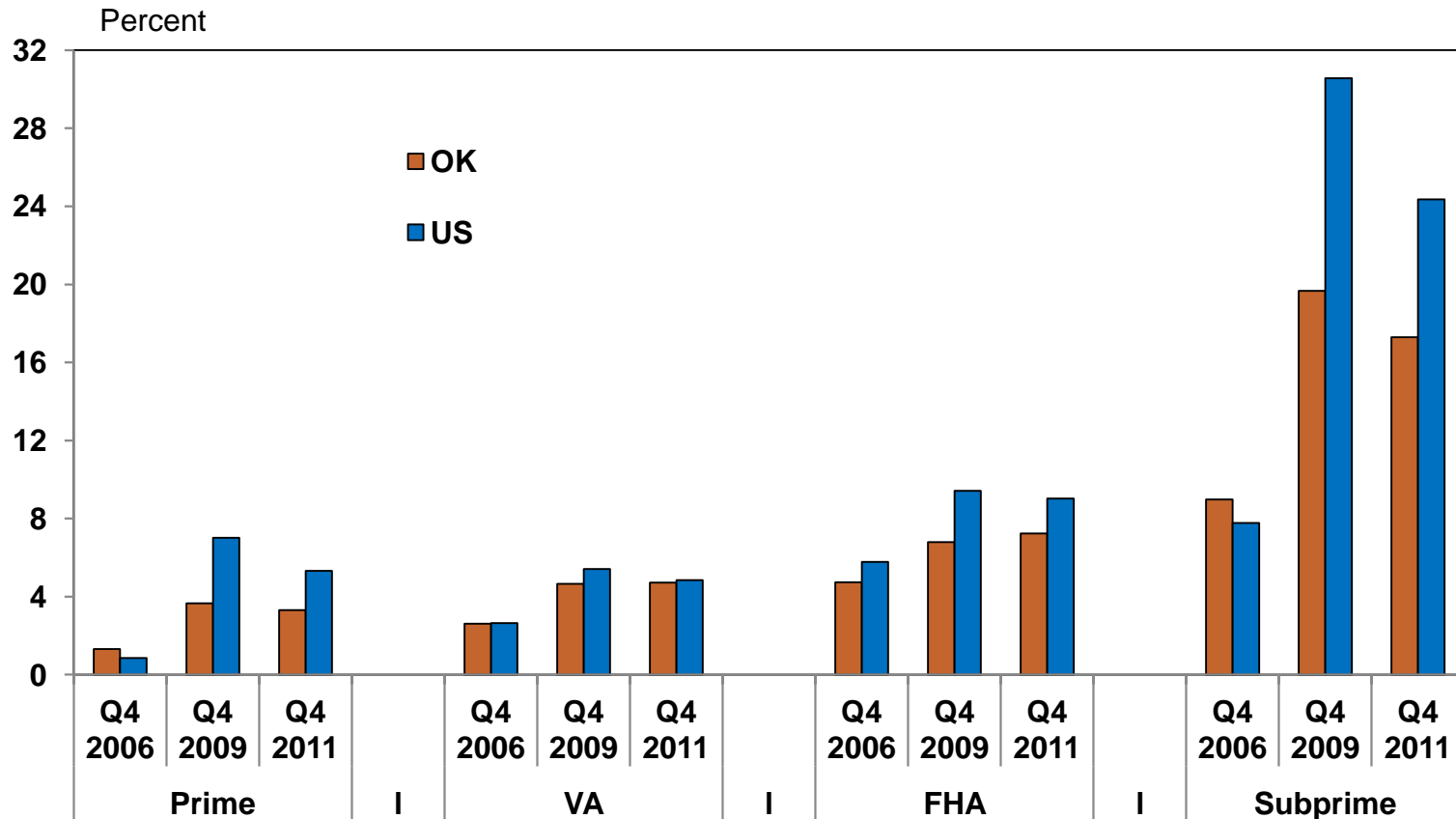


Source: MBA



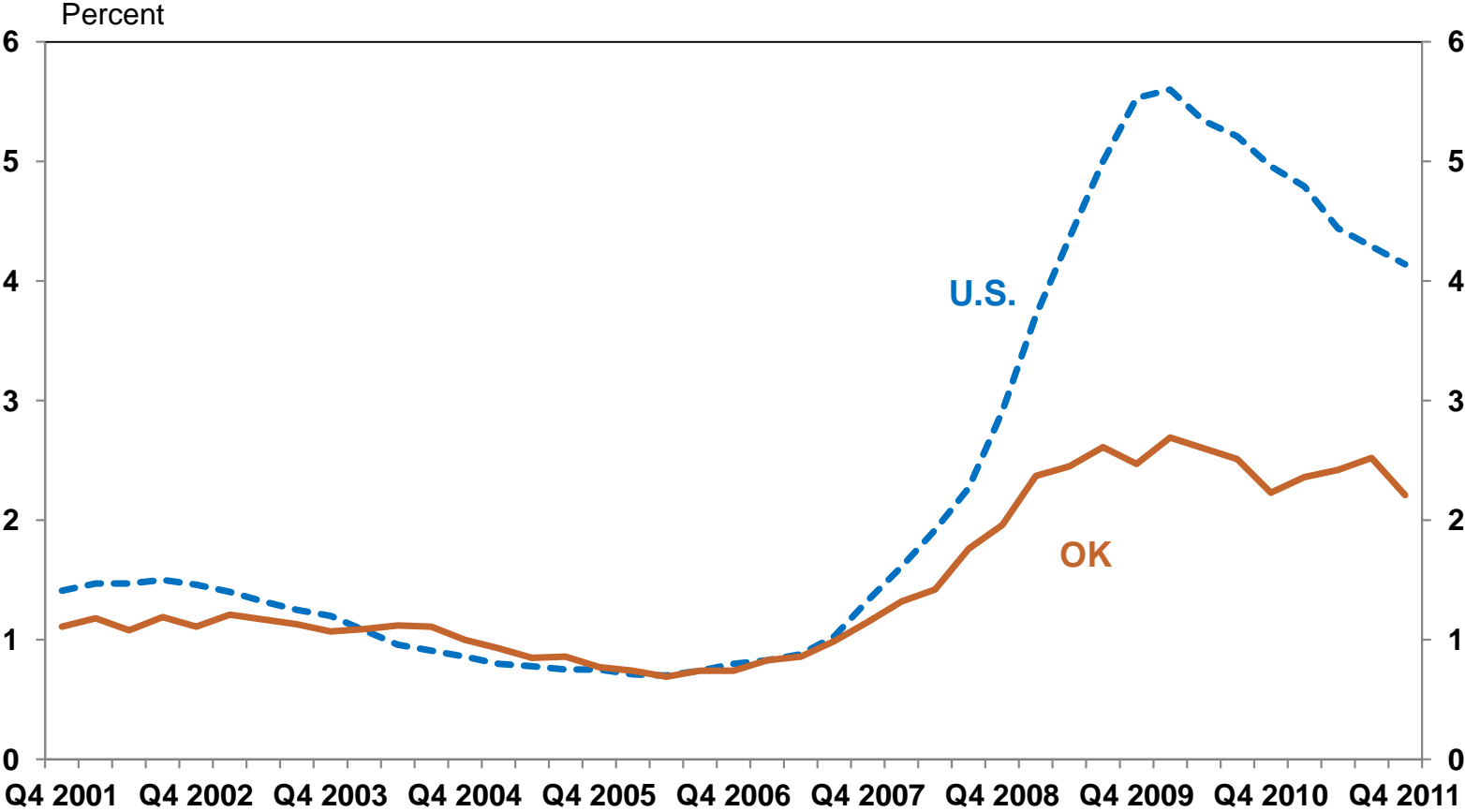
All types of mortgages are more current in Oklahoma...but are close in some cases

Seriously Delinquent Mortgages by Type



Overall, problem loans are much less elevated at Oklahoma banks than nationally

Noncurrent Loans as a Share of Total Loans Commercial Banks

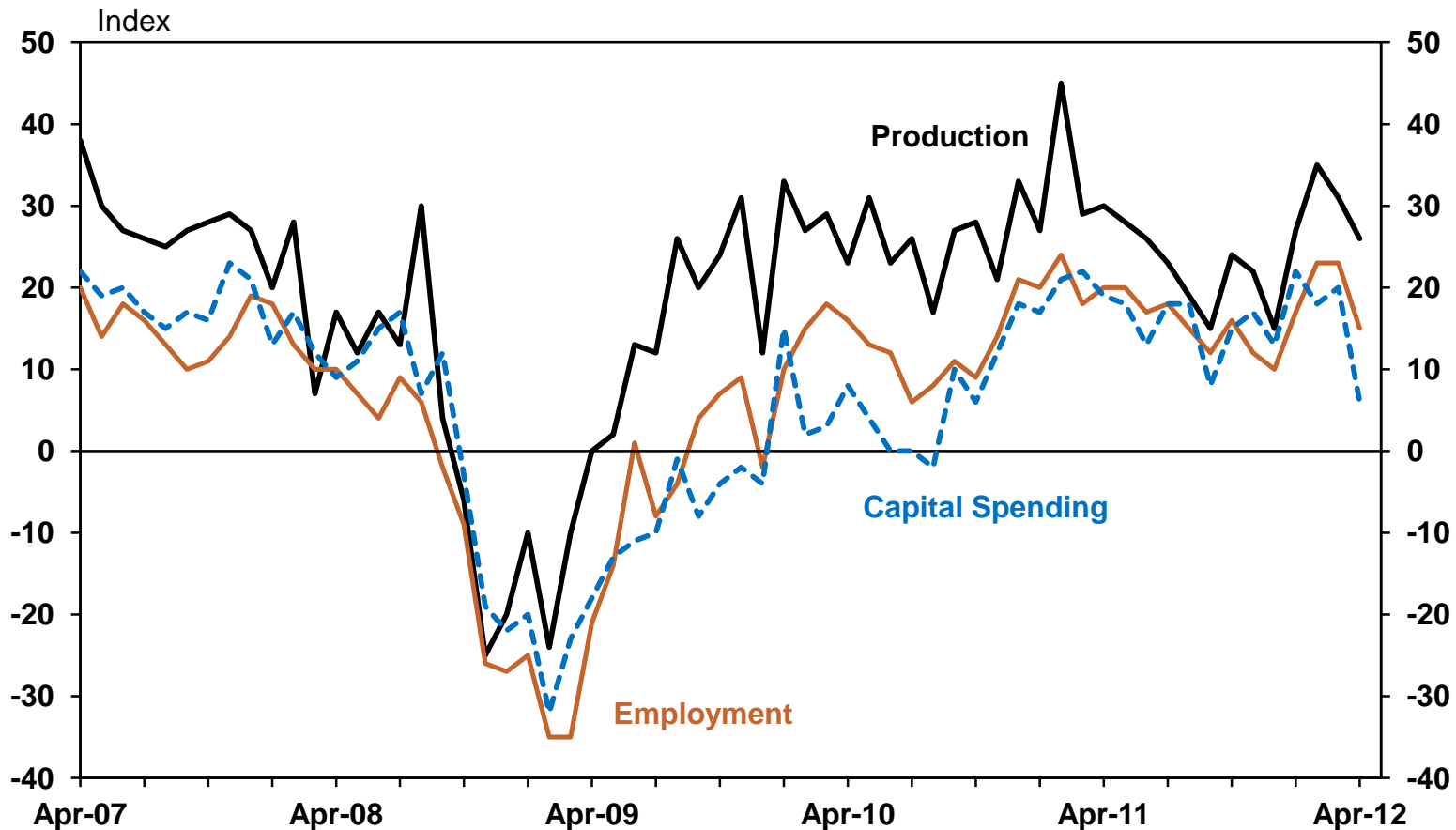


Source: FDIC



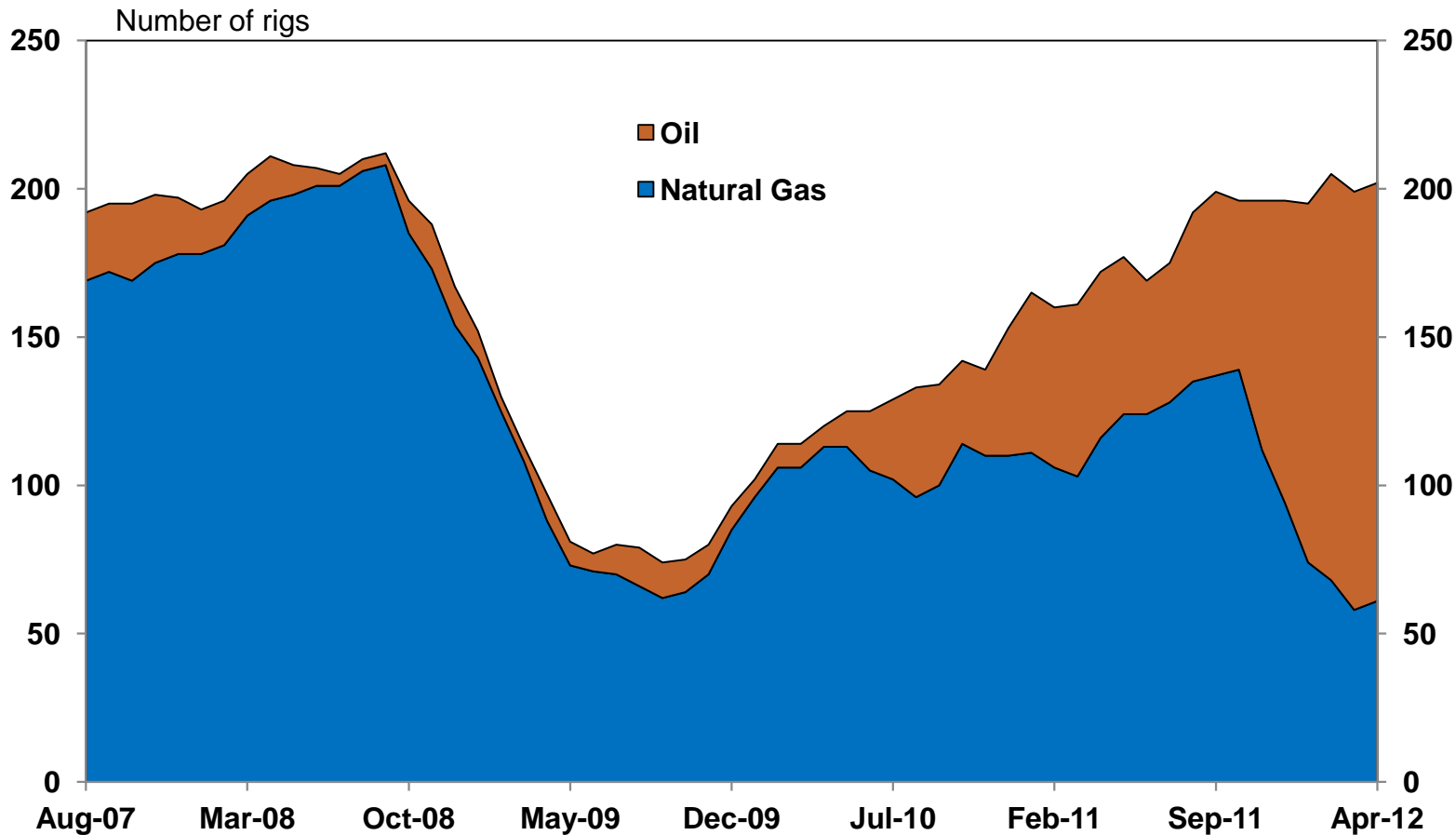
Looking ahead, purchasing managers in the region showed less optimism in April

Tenth District Manufacturing Expectations
Six-Months Ahead, Seasonally Adjusted



And Oklahoma energy activity is leveling off somewhat with low natural gas prices

Oklahoma Rig Count



Source: Baker Hughes



Conclusions

- The U.S. economy continues to grow moderately, amid limited inflation, with housing showing some recent strength
- Oklahoma economic growth and housing activity remains better than the nation and region, but growth may slow slightly



Questions?



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