

# U.S. & Oklahoma Economic Update

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**Chad Wilkerson**

Oklahoma City Branch Executive  
Federal Reserve Bank of Kansas City

# Purposes and Structure of the Federal Reserve System

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**Overall goals:** promote sustainable economic growth; low and stable inflation; financial stability

- **Mission areas:**

- Monetary policy
- Bank regulation
- Payments systems

- **Monetary policy is set by the 12-member Federal Open Market Committee (FOMC):**

- Consists of 7 Governors in Washington, including Chairman Bernanke; the President of the New York Fed; and 4 of the other 11 Fed presidents on a rotating basis
- The FOMC meets every 6 weeks to set policy



# The Federal Reserve in Oklahoma

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- **Branch office in downtown Oklahoma City has about 35 employees involved in economic research, bank regulation, and public and community affairs**
- **Our branch board of directors meets ahead of each FOMC meeting to share the latest information about business activity in the state:**

**Richard K. Ratcliffe:** Chairman, Ratcliffe's Textbooks, Weatherford

**Steven C. Agee:** President, Agee Energy, OKC, and Chairman, OERB

**Terry M. Almon:** President, Okla. Community Capital Corp., Broken Arrow

**James D. Dunn:** Chairman, Mill Creek Lumber and Supply Co., Tulsa

**Steve Burrage:** Chairman, FirstBank, Antlers

**Barry H. Golsen:** Vice Chairman & President, LSB Industries, OKC

**Fred M. Ramos:** Executive Director, State Hispanic Chamber of Commerce

# Statement on the U.S. Economy from latest FOMC meeting

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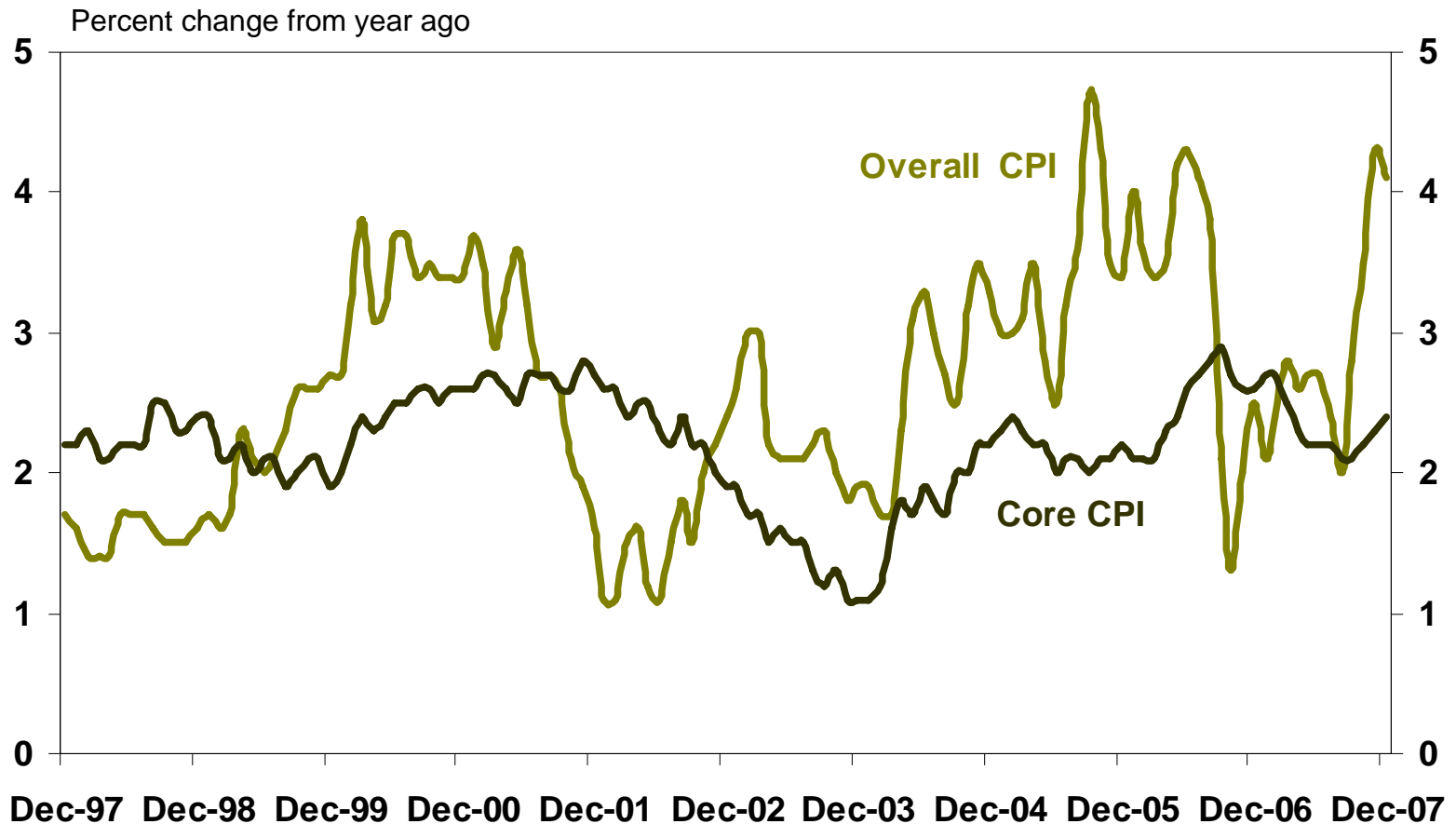
“Financial markets remain under considerable stress, and credit has tightened further for some businesses and households. Moreover, recent information indicates a deepening of the housing contraction as well as some softening in labor markets. The Committee expects inflation to moderate in coming quarters, but it will be necessary to continue to monitor inflation developments carefully.

Today’s policy action, combined with those taken earlier, should help to promote moderate growth over time and to mitigate the risks to economic activity. However, downside risks to growth remain.”

**--January 30 FOMC Statement**

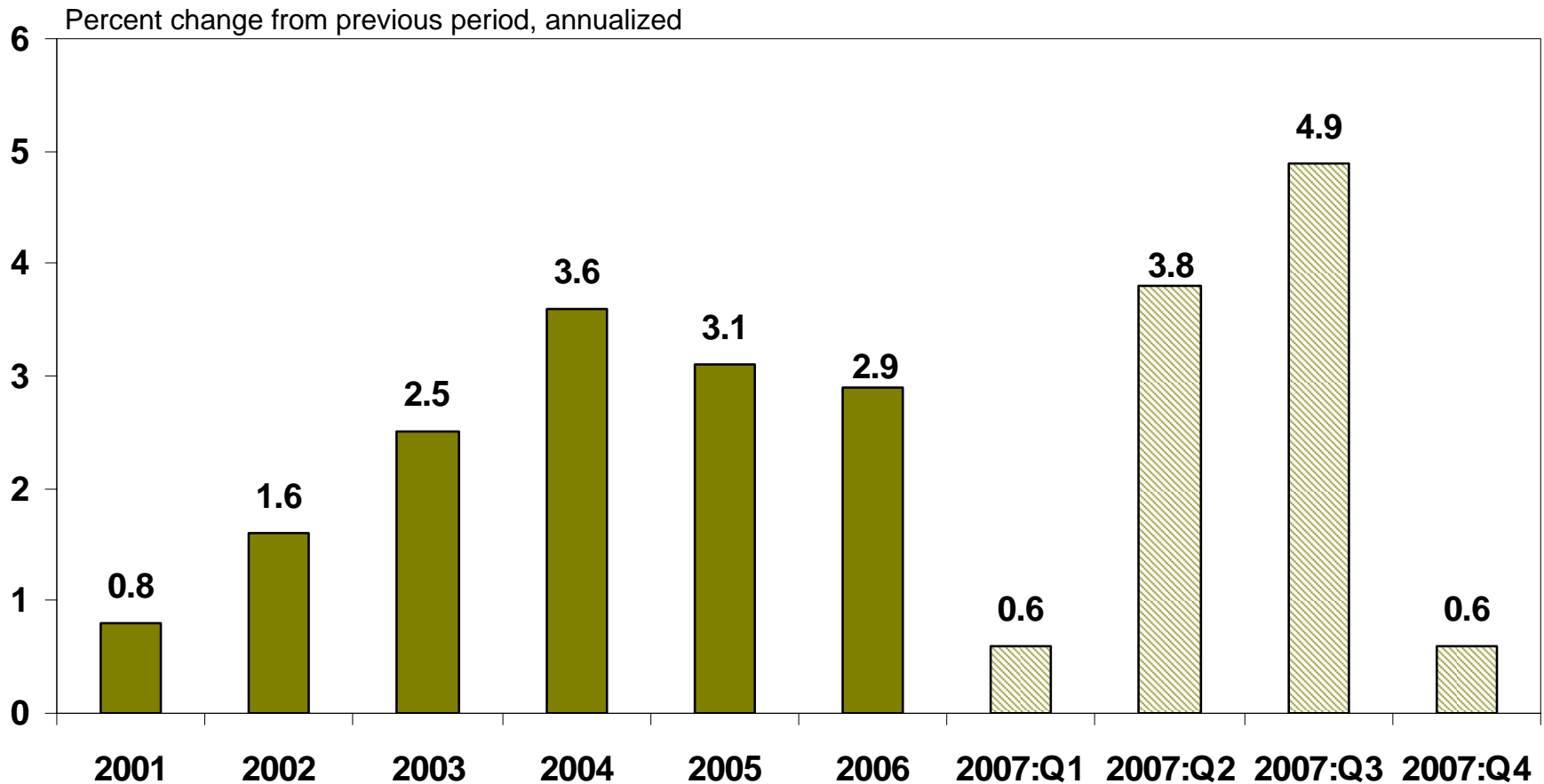
# Overall inflation remains elevated, and core inflation has crept higher

## Consumer Price Index



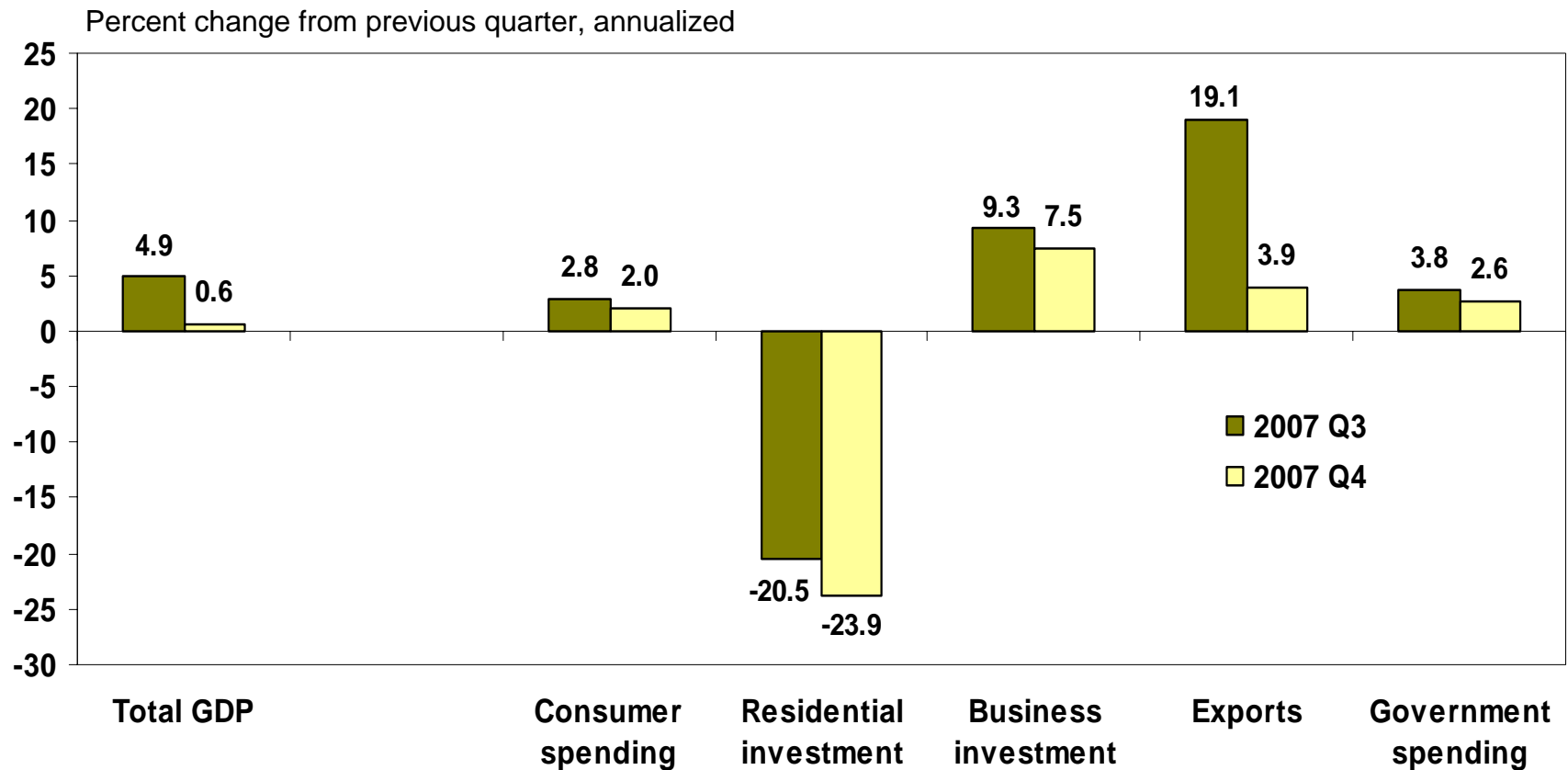
# Mid-year GDP growth was stronger than expected but eased in the fourth quarter

## Gross Domestic Product



# All areas slowed in the fourth quarter, though spending and business investment remained solid

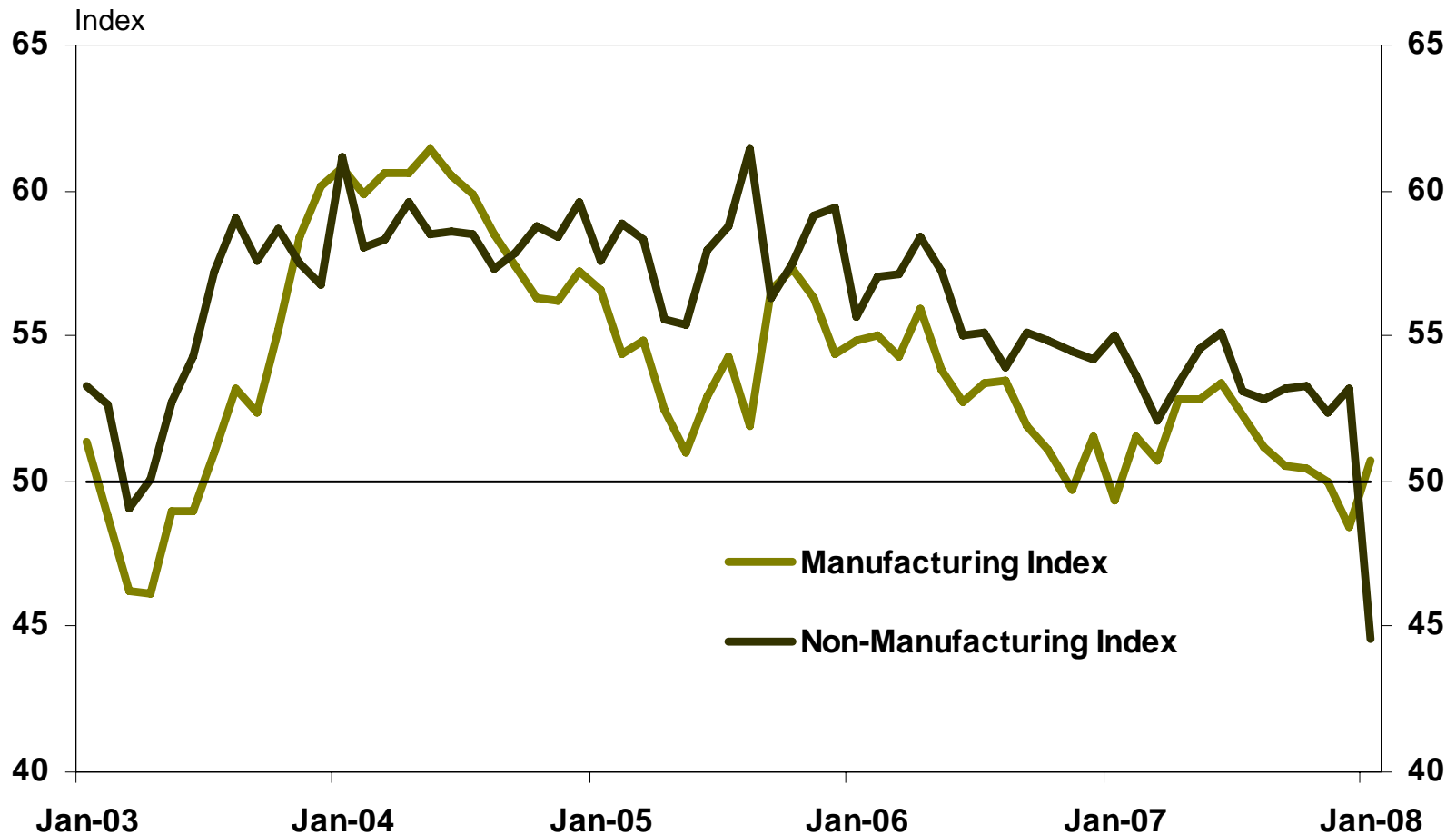
## Growth in Components of GDP





# More recent U.S. data show weakness emerging late in the fourth quarter and on into early 2008

## National ISM Business Indexes



# U.S. employment numbers have weakened, while Oklahoma job growth continues

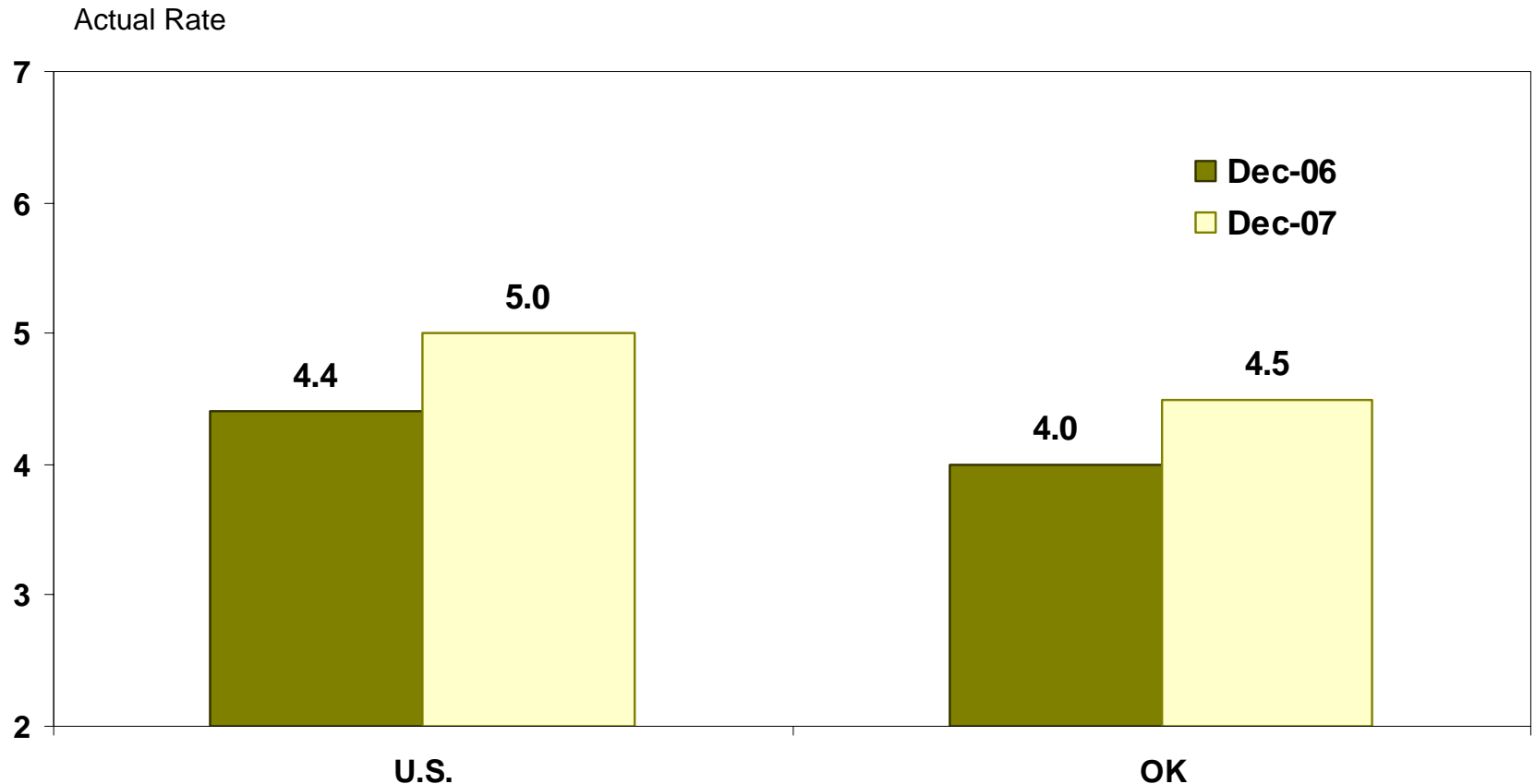
## Nonfarm Payroll Employment Growth



# Unemployment has risen in both the U.S. and Oklahoma but is still low by historical standards

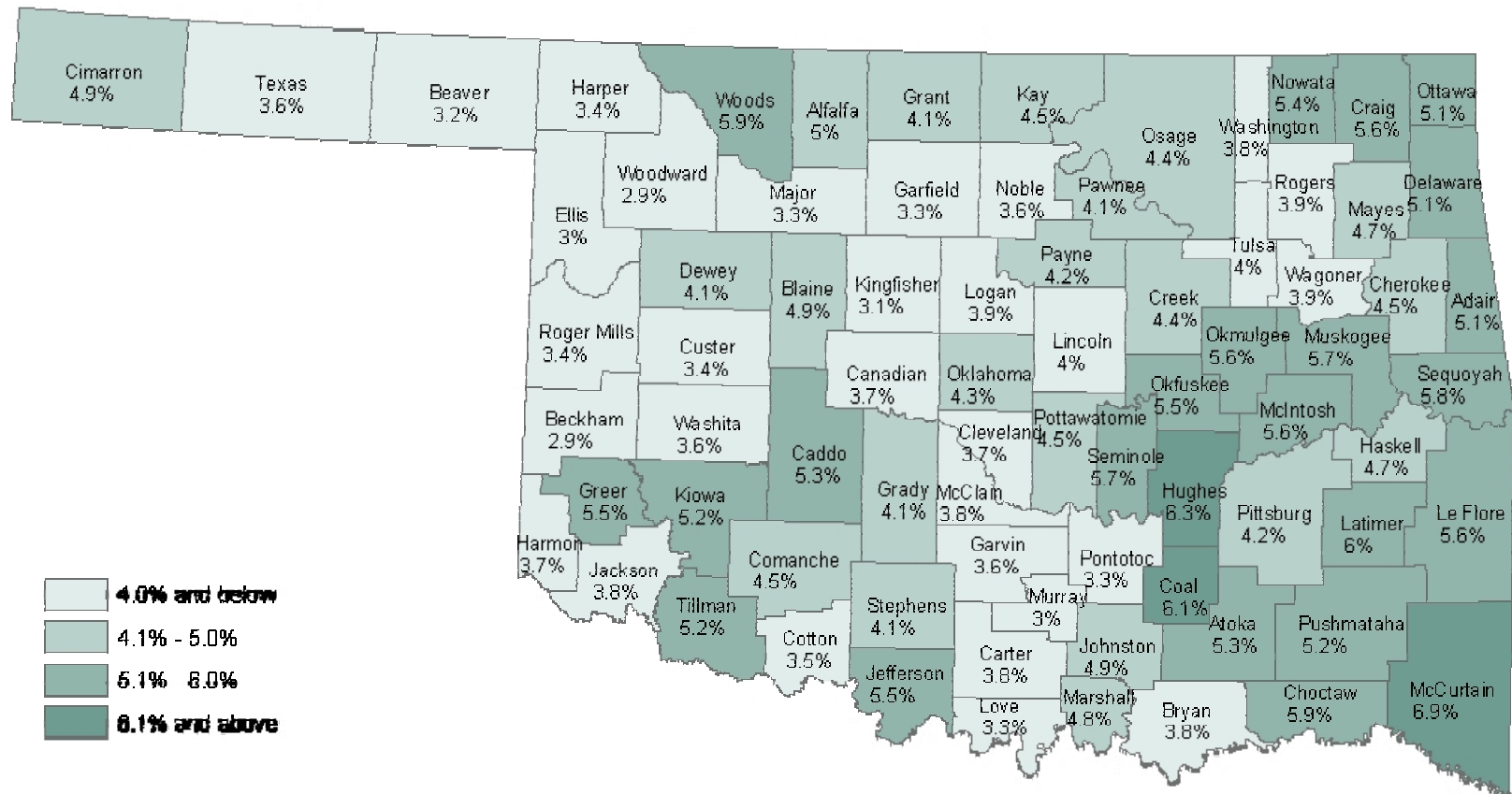
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## Unemployment Rates Seasonally Adjusted



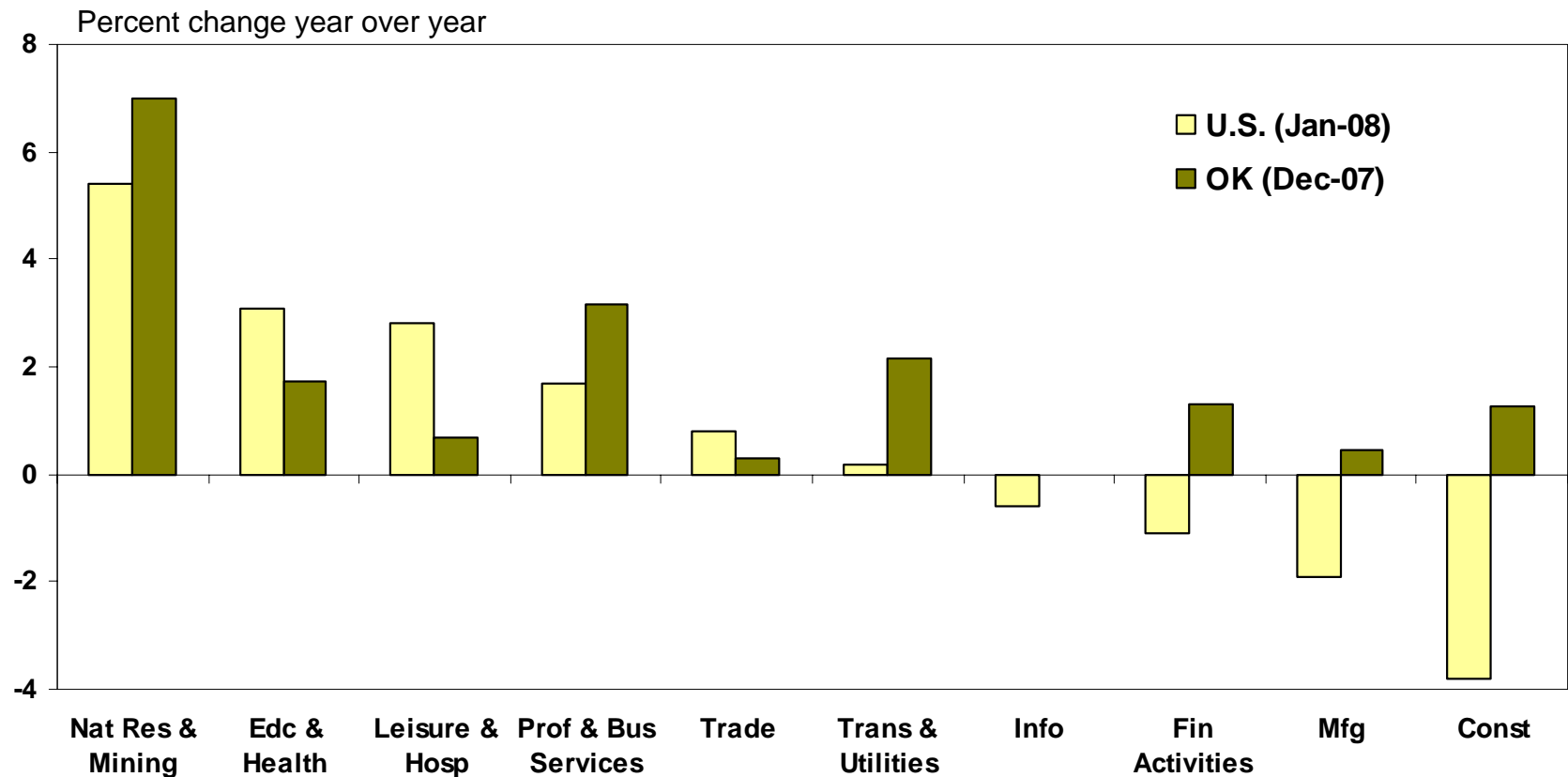
# Unemployment in Garfield County is well below the state and national rates

## Oklahoma Unemployment Rates by Counties November 2007



# U.S. job weakness has been most evident in housing-related sectors

## Employment Growth by Industry



# How is Oklahoma Different, and What Can that Tell Us about the State Outlook?

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- Most defining industries are performing well
- Housing is in better shape
- Hiring plans remain generally solid

# The Ten Industries that Most Define Oklahoma

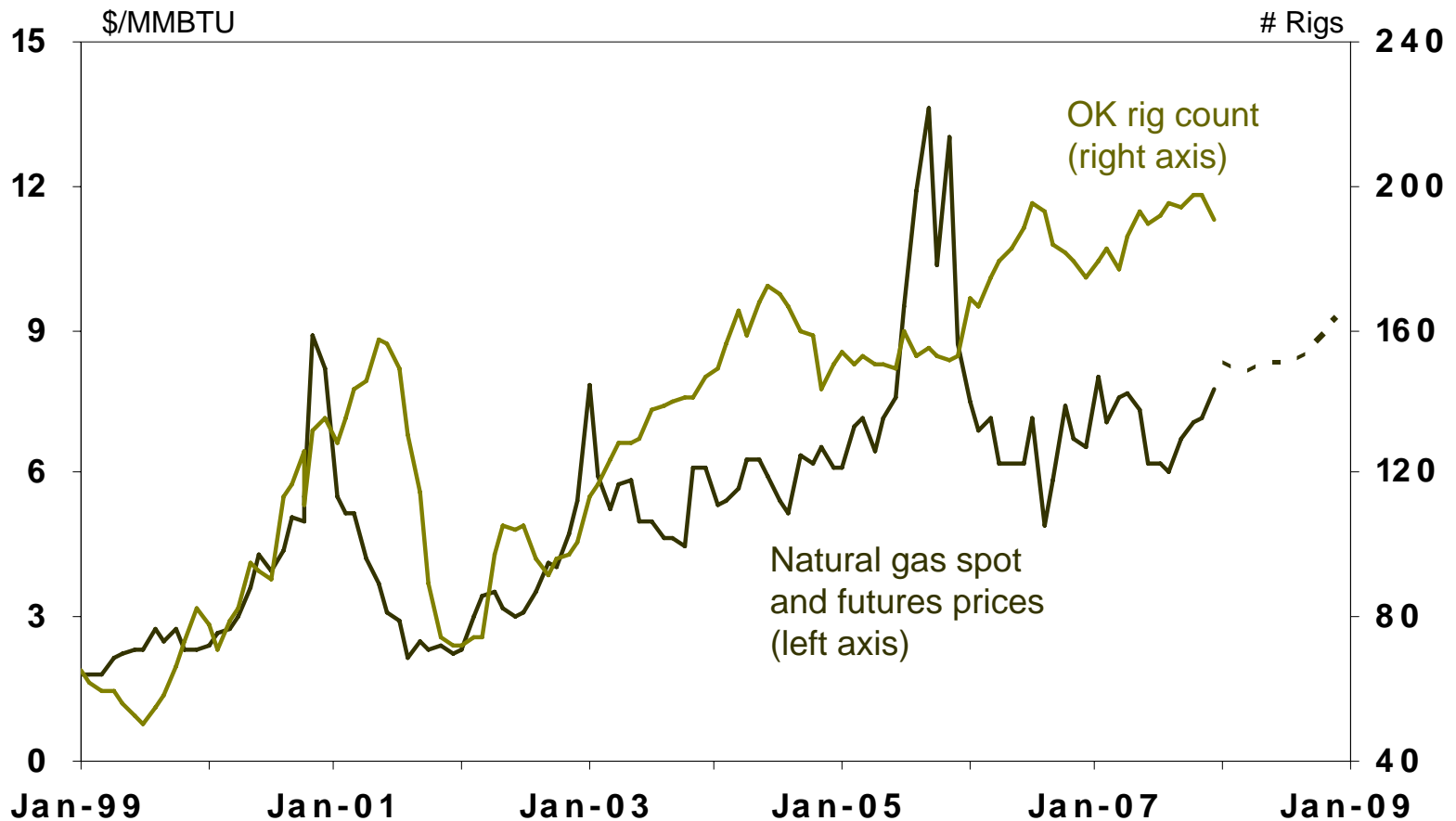
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<b>Rank</b>	<b>Industry</b>	<b>Location Quotient 2005</b>	<b>Location Quotient 1990</b>	<b>Average Pay 2005</b>
<b>1</b>	<b>Oil &amp; gas</b>	<b>8.2</b>	<b>8.5</b>	<b>\$66,972</b>
<b>2</b>	<b>Trade schools</b>	<b>4.5</b>	<b>4.0</b>	<b>\$33,924</b>
<b>3</b>	<b>Gambling</b>	<b>3.4</b>	<b>1.0</b>	<b>\$21,335</b>
<b>4</b>	<b>Farming</b>	<b>3.3</b>	<b>2.7</b>	<b>\$5,559</b>
<b>5</b>	<b>Auto rental</b>	<b>2.9</b>	<b>2.3</b>	<b>\$43,266</b>
<b>6</b>	<b>Machinery mfg</b>	<b>2.7</b>	<b>2.1</b>	<b>\$45,275</b>
<b>7</b>	<b>Rubber mfg</b>	<b>2.5</b>	<b>2.9</b>	<b>\$52,368</b>
<b>8</b>	<b>Call centers</b>	<b>2.0</b>	<b>0.8</b>	<b>\$25,838</b>
<b>9</b>	<b>Meat packing</b>	<b>1.9</b>	<b>0.9</b>	<b>\$27,596</b>
<b>10</b>	<b>Military</b>	<b>1.9</b>	<b>2.6</b>	<b>\$54,701</b>

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# State oil and gas activity remains strong, and futures prices are high

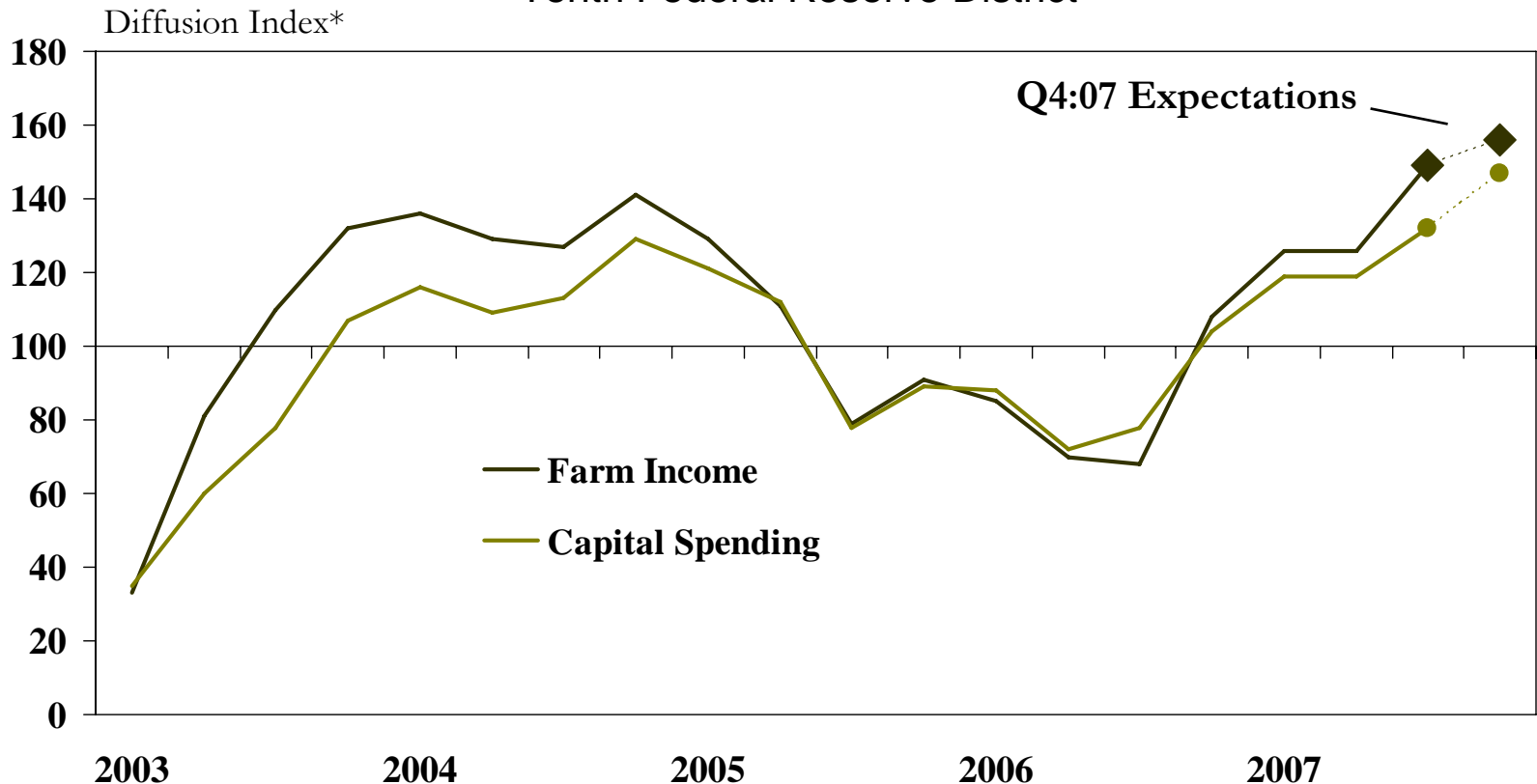
## Count of Active Drilling Rigs and Natural Gas Prices





# Regional farm incomes are rising and are expected to sustain further solid growth

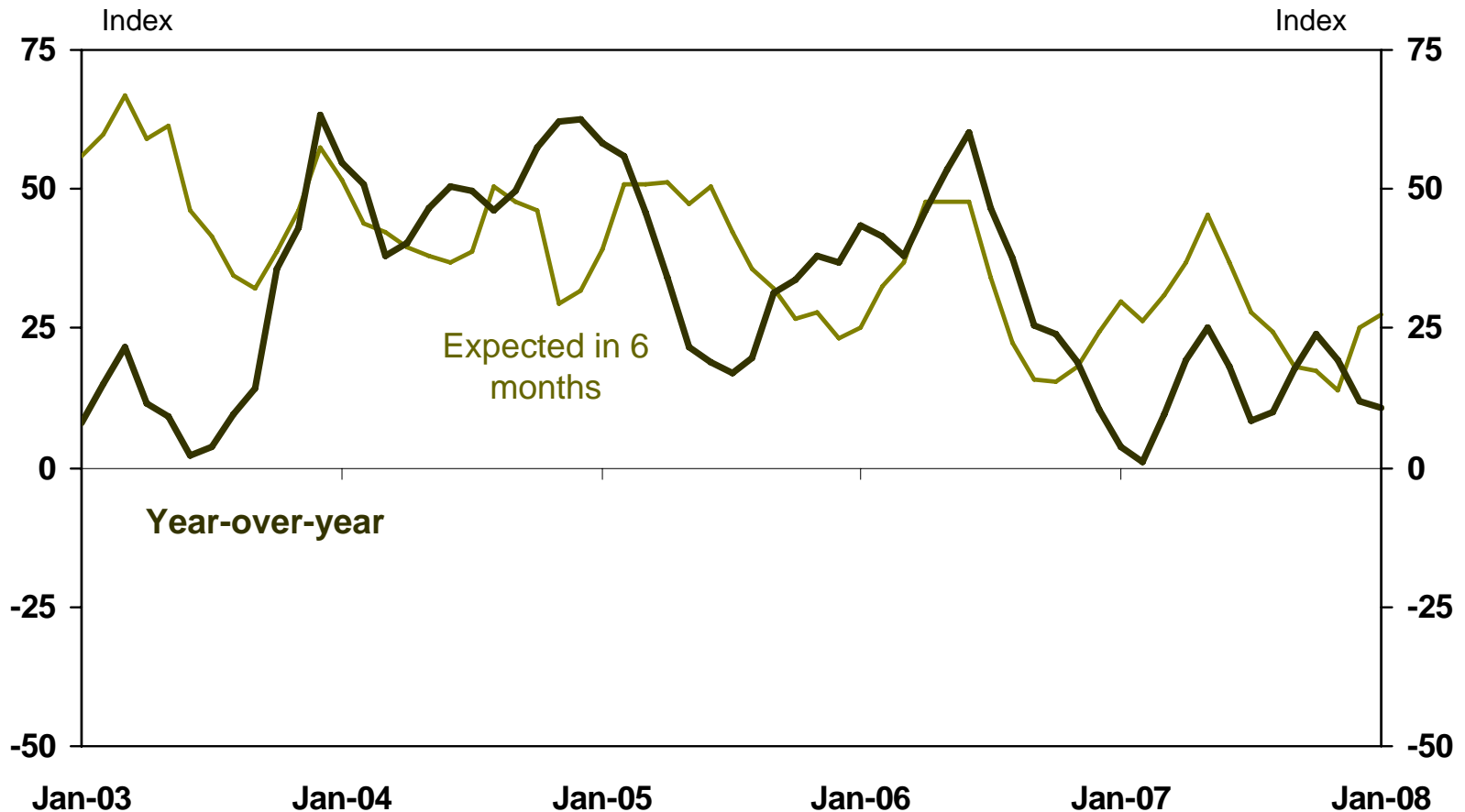
**Farm Income and Capital Spending,  
Tenth Federal Reserve District**



\*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percent of bankers that responded "lower" from the percent that responded "higher" and adding 100.

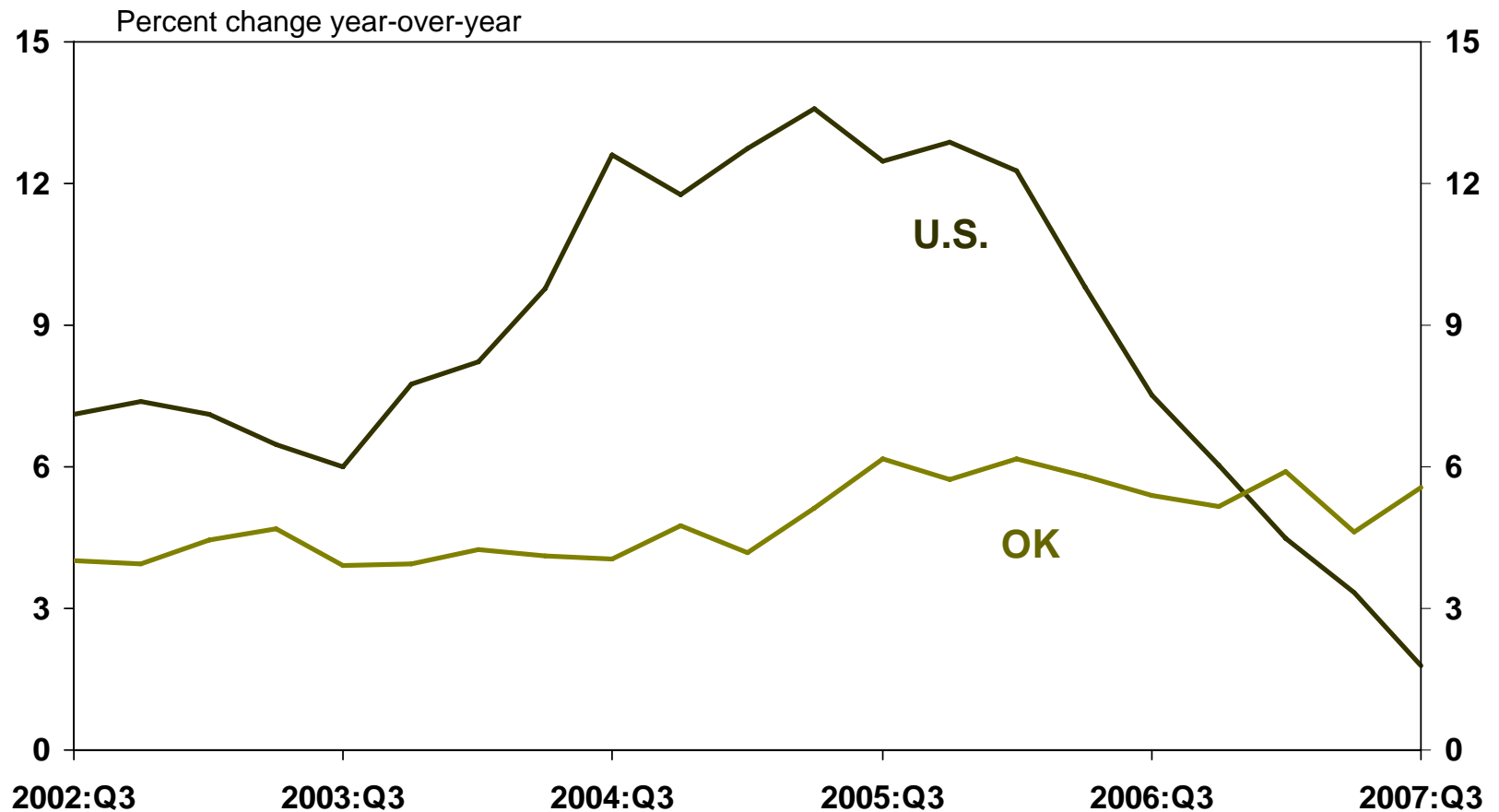
# State factory activity continues to expand, and firms remain generally optimistic

## Oklahoma Production Index



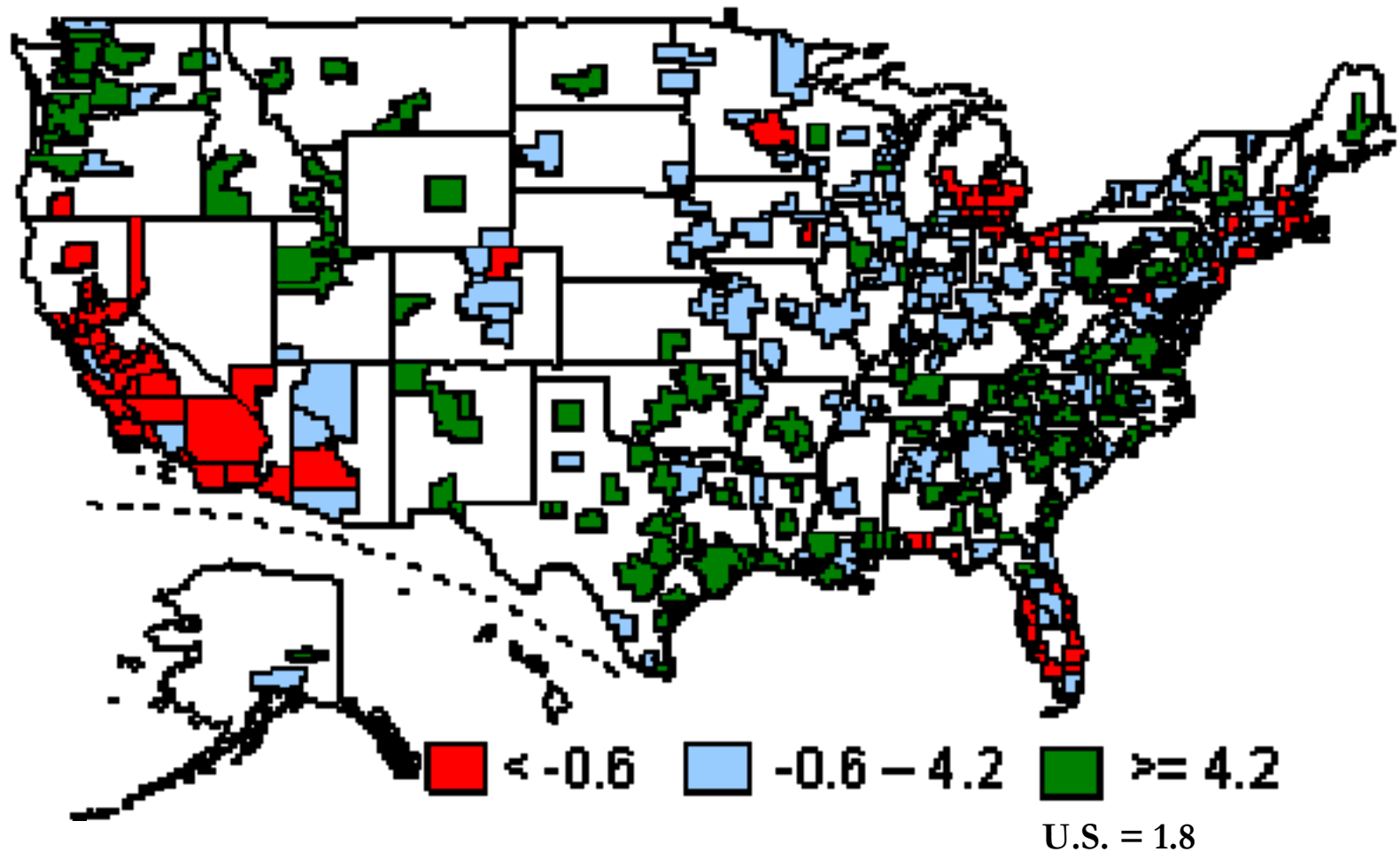
# Oklahoma housing prices are still holding up compared to the nation

## Quality-Adjusted Home Prices



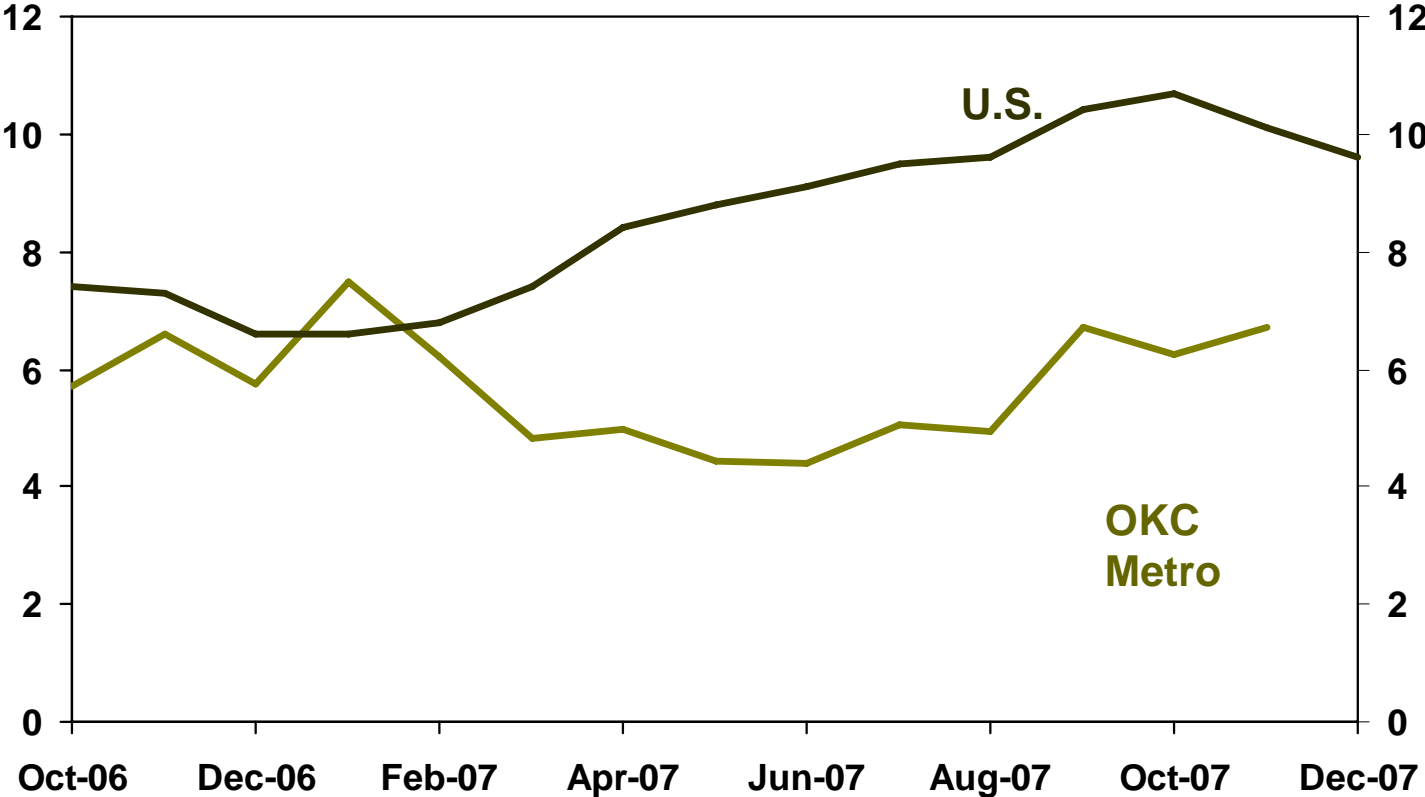
# Housing prices have been most affected in coastal and Great Lakes metro areas

OFHEO Home Price Index, 2007 Q3



# Inventories of unsold homes have risen less in Oklahoma City than the nation

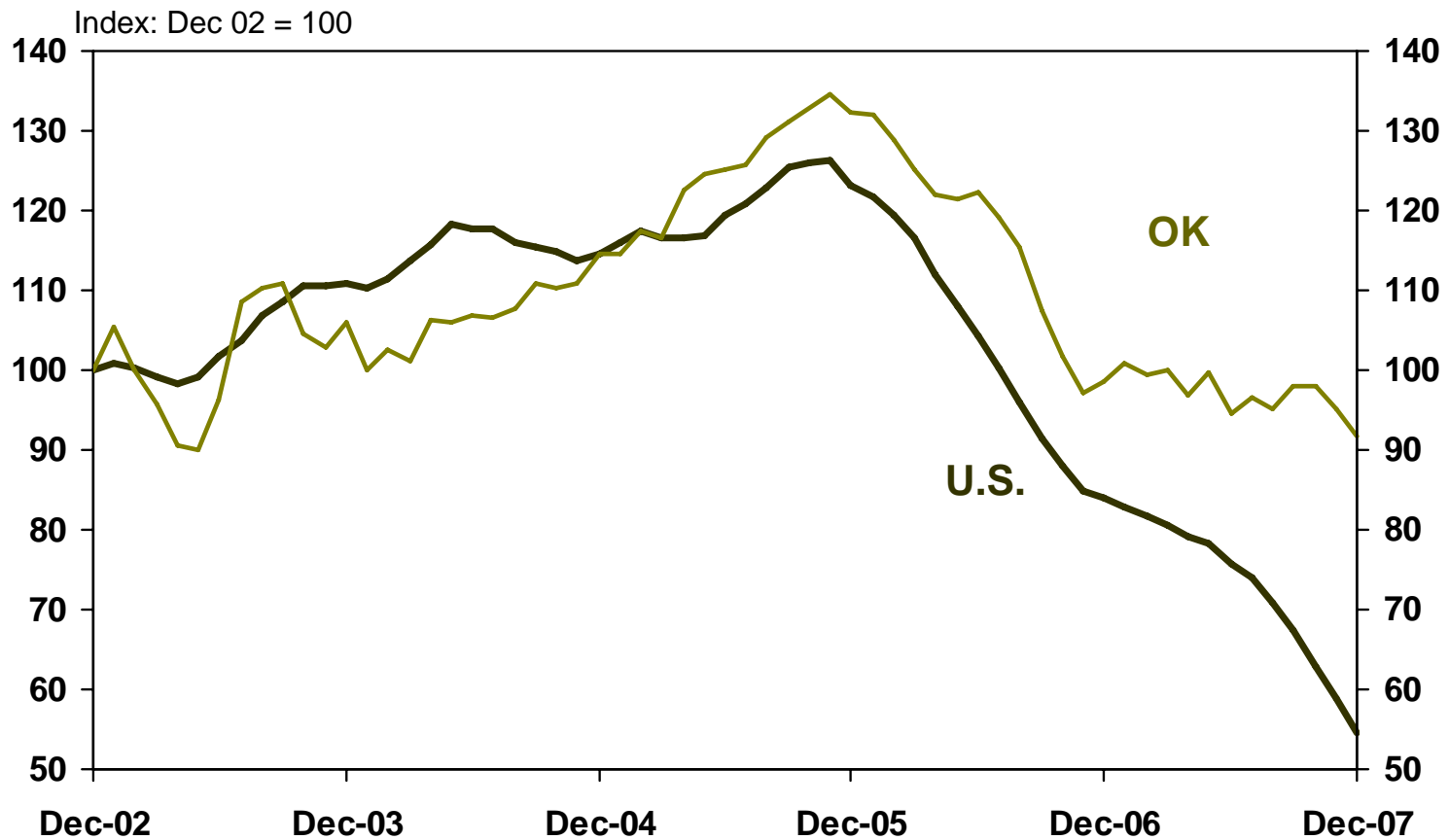
Months Supply of Unsold Homes,  
Seasonally adjusted



Source: NAR, Oklahoma Realtor Associations

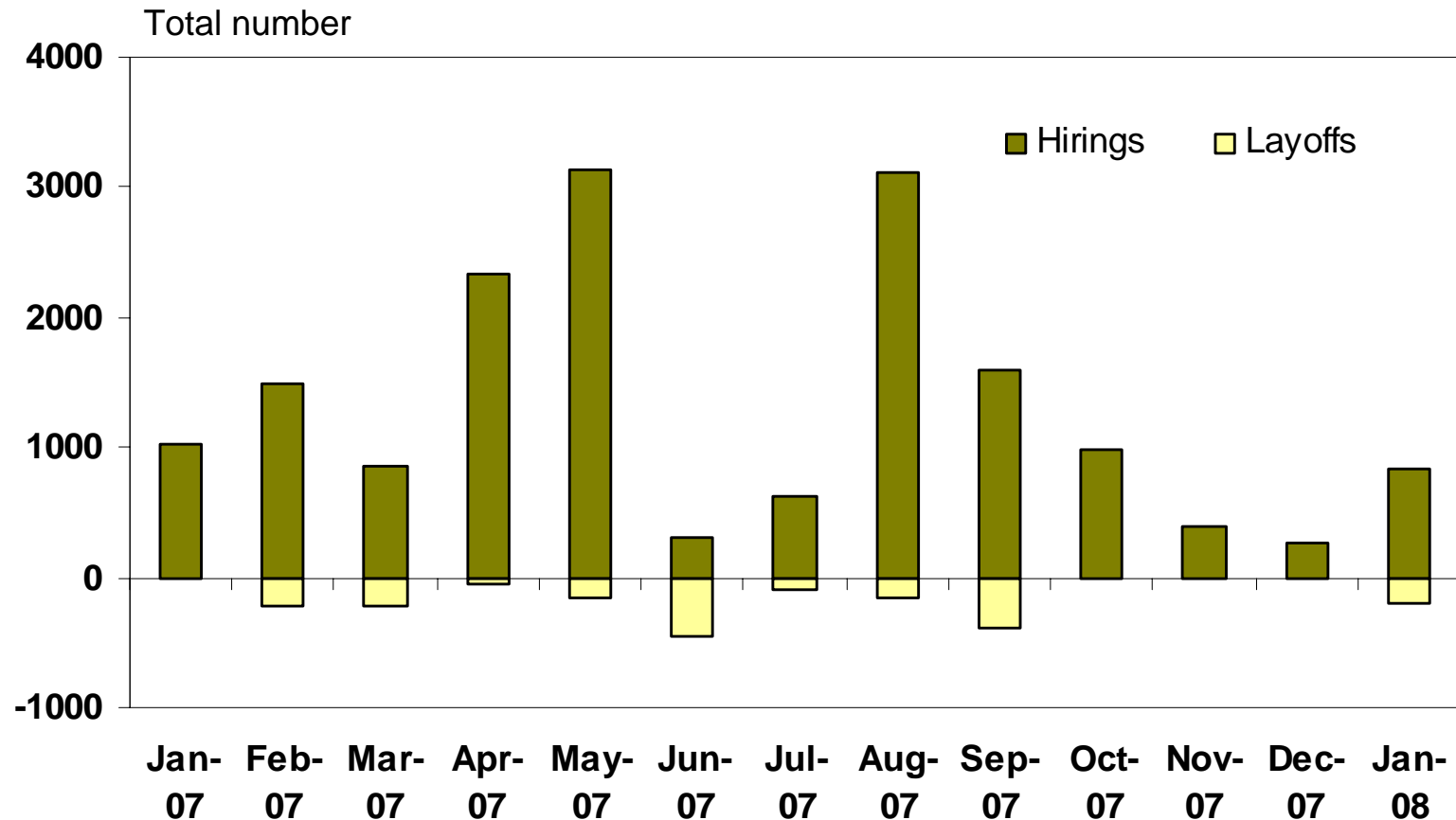
# The decline in new home construction has leveled off somewhat in Oklahoma

## Single-Family Housing Permits



# Hiring announcements in Oklahoma continue to outpace layoffs, a good sign heading forward

Oklahoma Hiring and Layoff Announcements



# Summary

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- ❑ While inflation has risen, national economic growth is slowing and credit and financial markets remain somewhat strained
- ❑ Oklahoma's job growth has held up better, boosted by strength in important industries and a more stable housing sector
- ❑ National growth forecasts for 2008 have been reduced, but Oklahoma seems poised for further moderate growth