

U.S. and Oklahoma Economic Outlook



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Purposes and Structure of the Federal Reserve System

- **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



The Kansas City and Oklahoma City Offices

- **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**

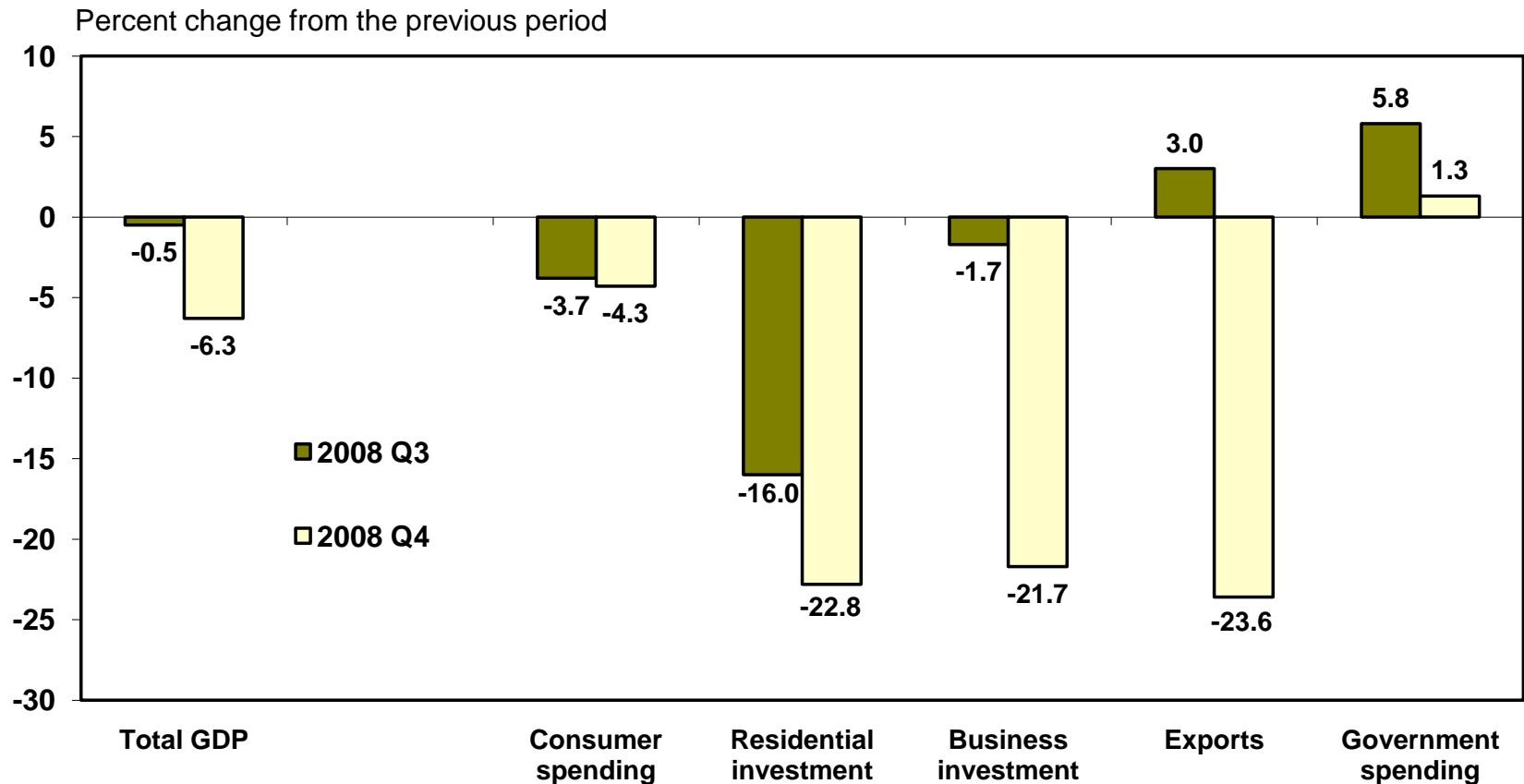
- *Chairman* **Steve Agee**, President, Agee Energy, and Professor, OCU, Oklahoma City
- **Terry Almon**, President, Oklahoma Community Capital Corp., Broken Arrow
- **Bill Anoatubby**, Governor, Chickasaw Nation, Ada
- **Jim Dunn**, Chairman, Mill Creek Lumber & Supply Co., Tulsa
- **Fred Ramos**, COO, 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

- 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

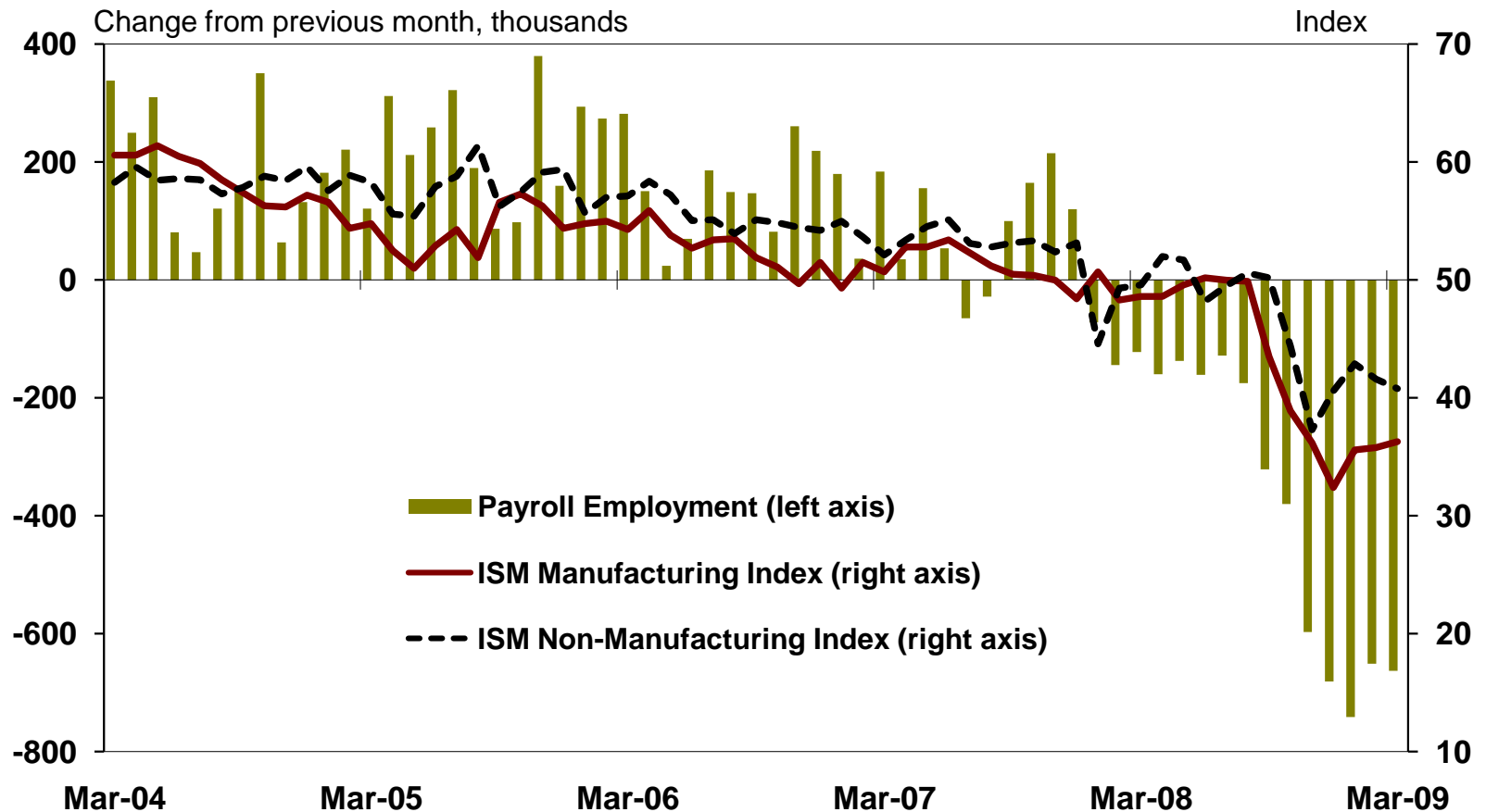
In the fourth quarter of last year, only government added to U.S. growth

Growth in Components of GDP



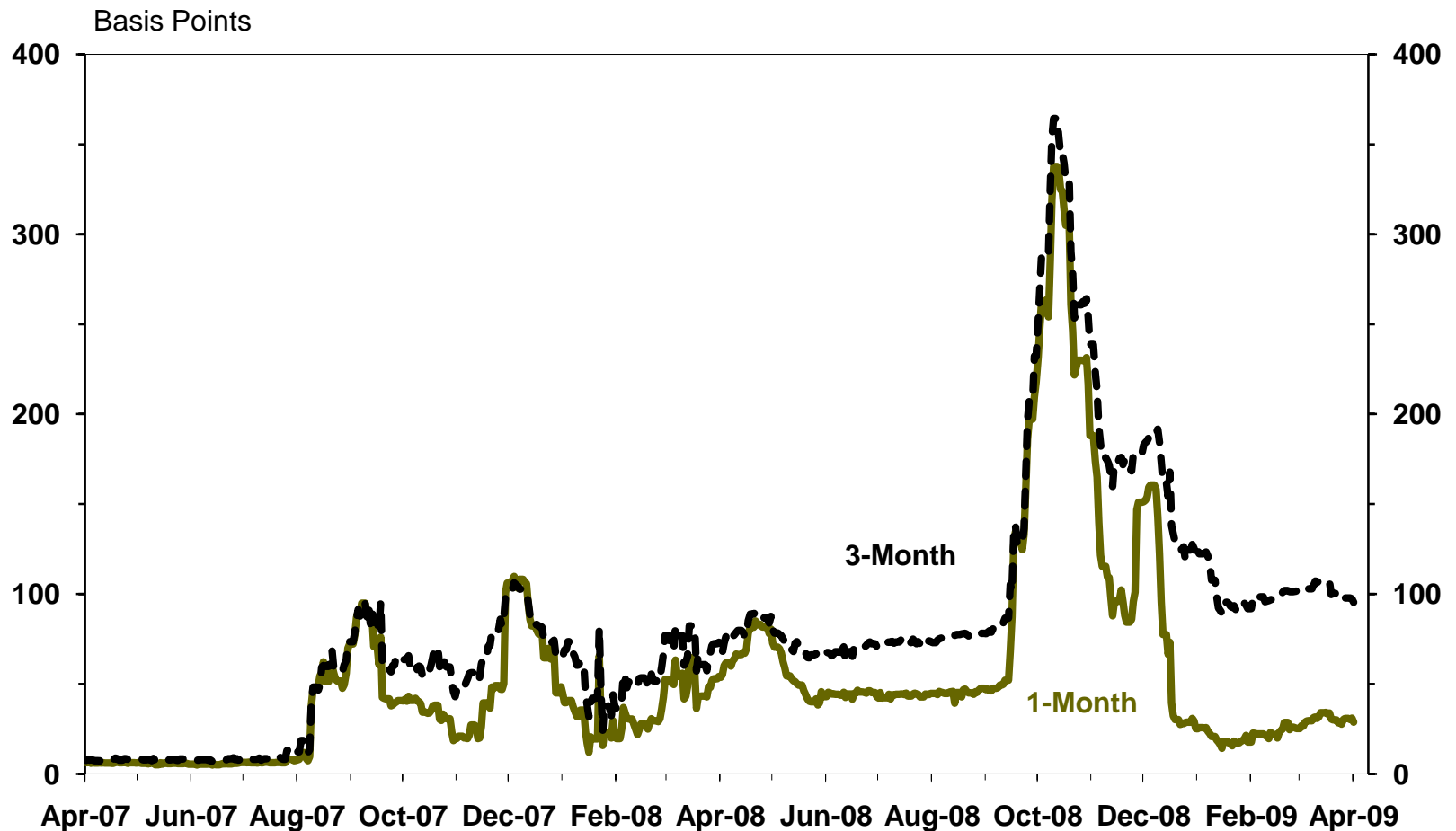
Weak activity has continued into 2009, but the declines may be stabilizing

National Business Indexes and Payroll Employment



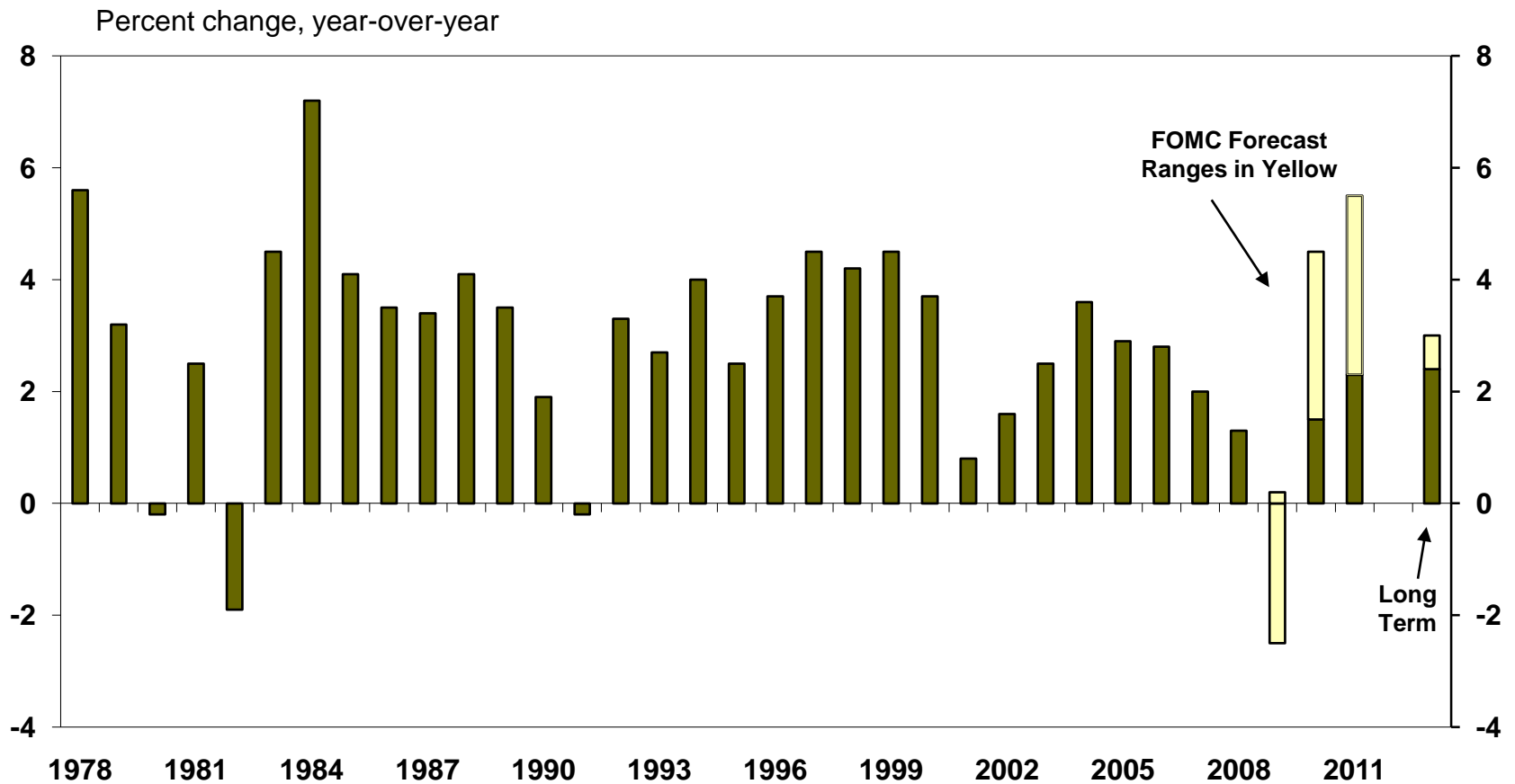
Interbank lending conditions have improved, but remain strained

LIBOR-OIS Spread



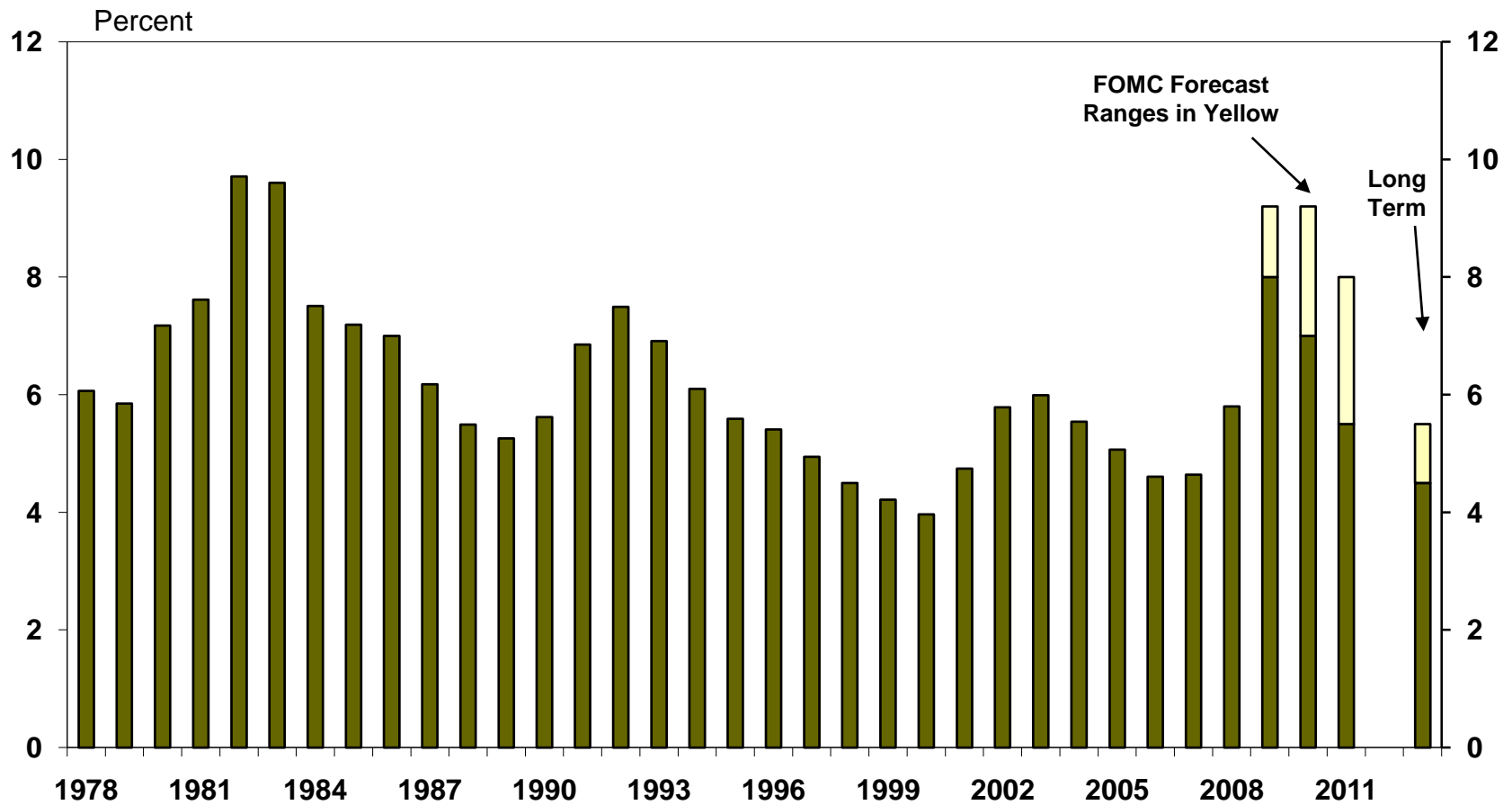
Policy-makers are pessimistic about the near-term economic outlook

Gross Domestic Product



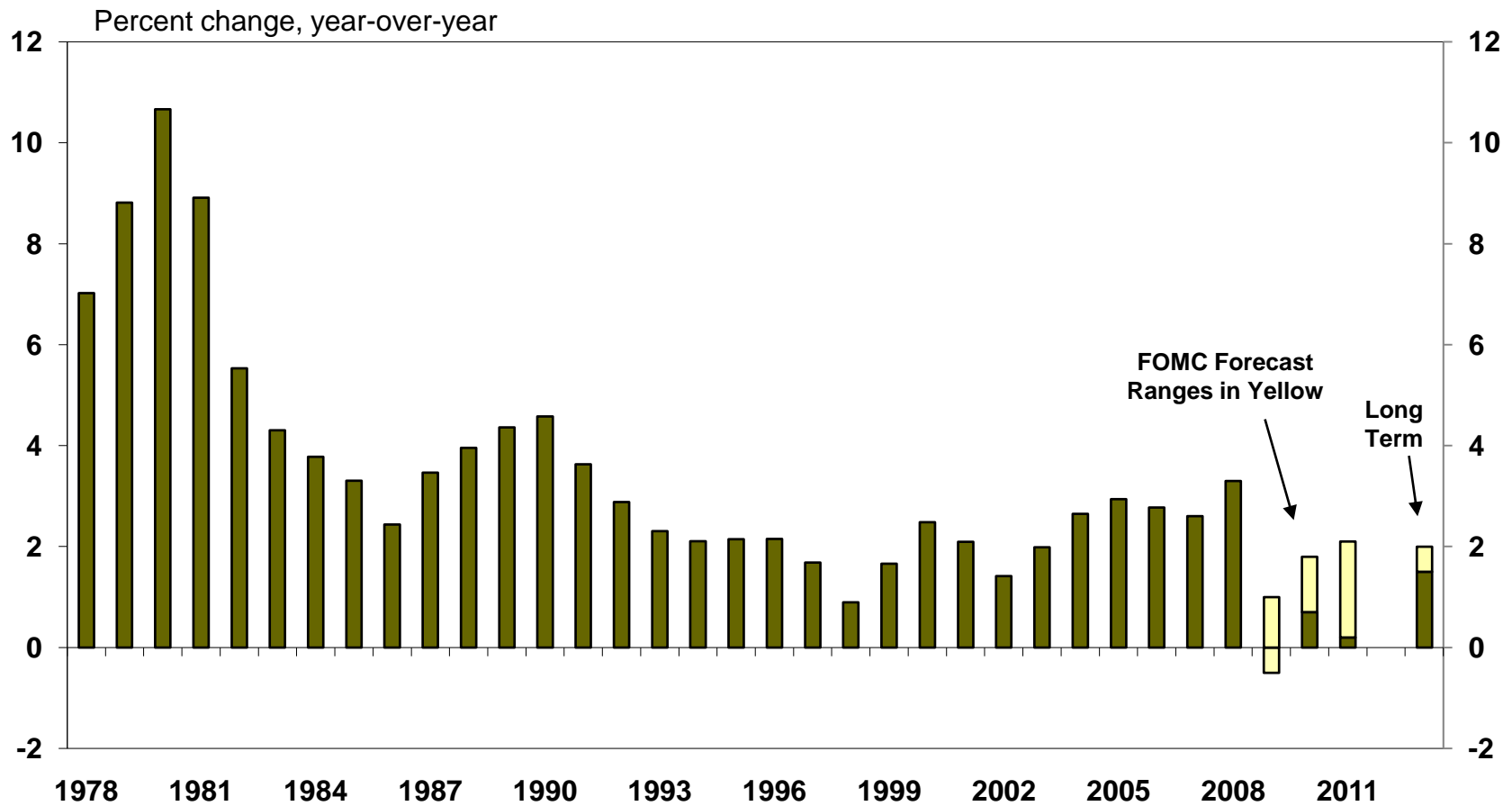
And U.S. unemployment is expected to rise further

Unemployment Rate
Seasonally Adjusted



Meanwhile, inflation is expected to moderate after rising in 2008

PCE Inflation Index



The Oklahoma Economy

- 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

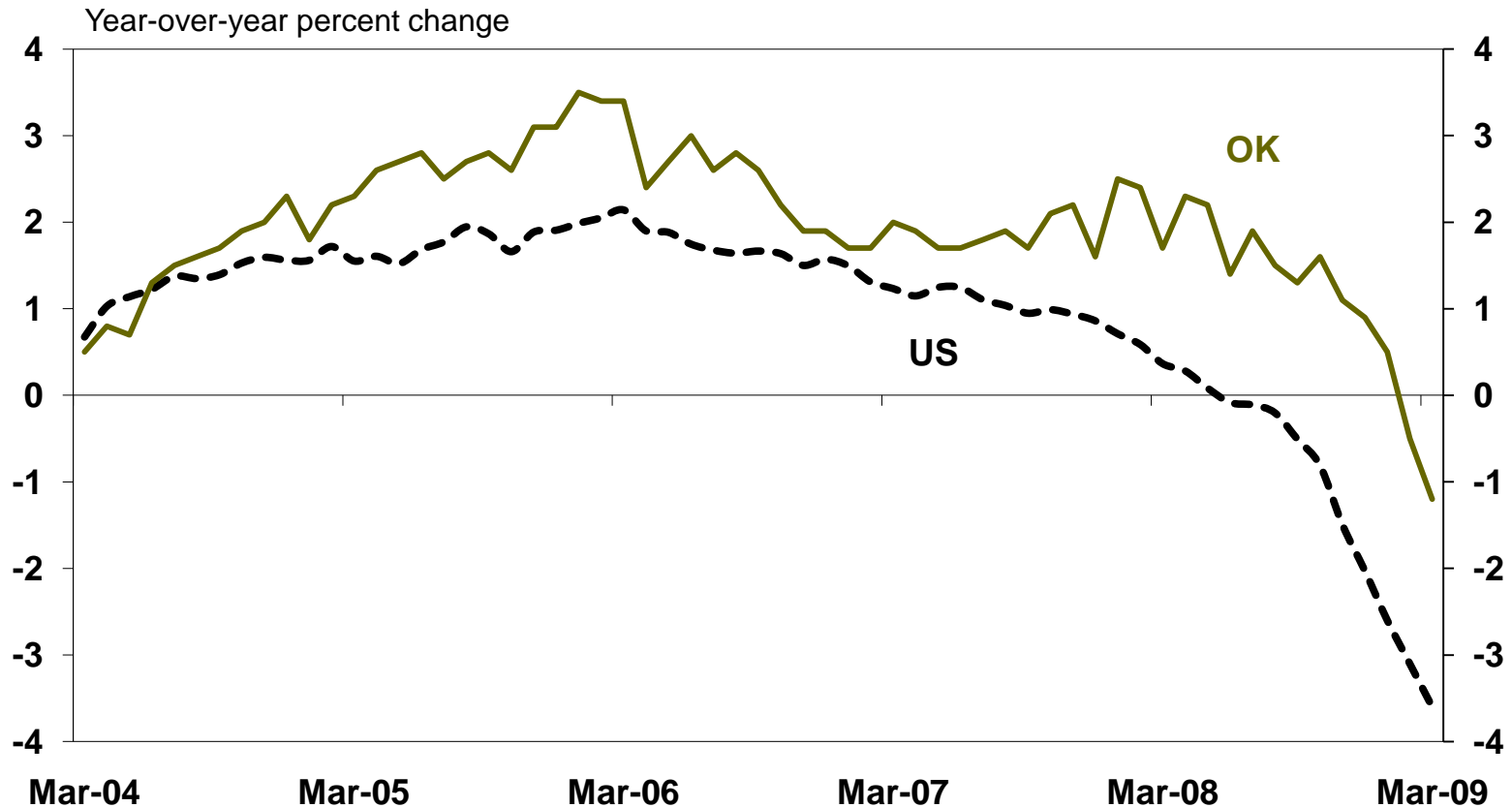
Unemployment remains relatively low in Oklahoma and most nearby states

Unemployment Rate, March 2009

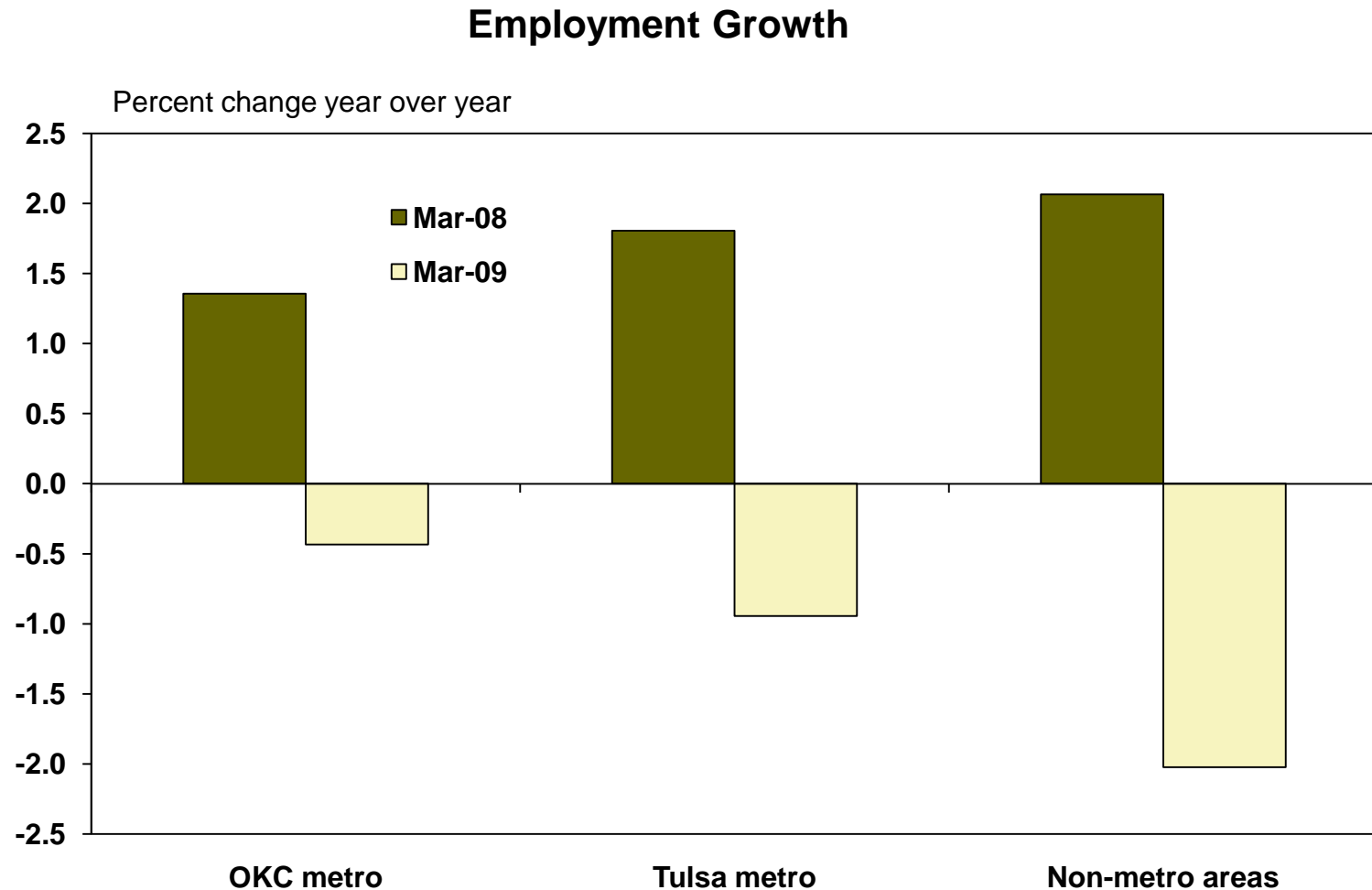


But jobs are now below year-ago levels in the state, following a long boom

Nonfarm Payroll Employment Growth



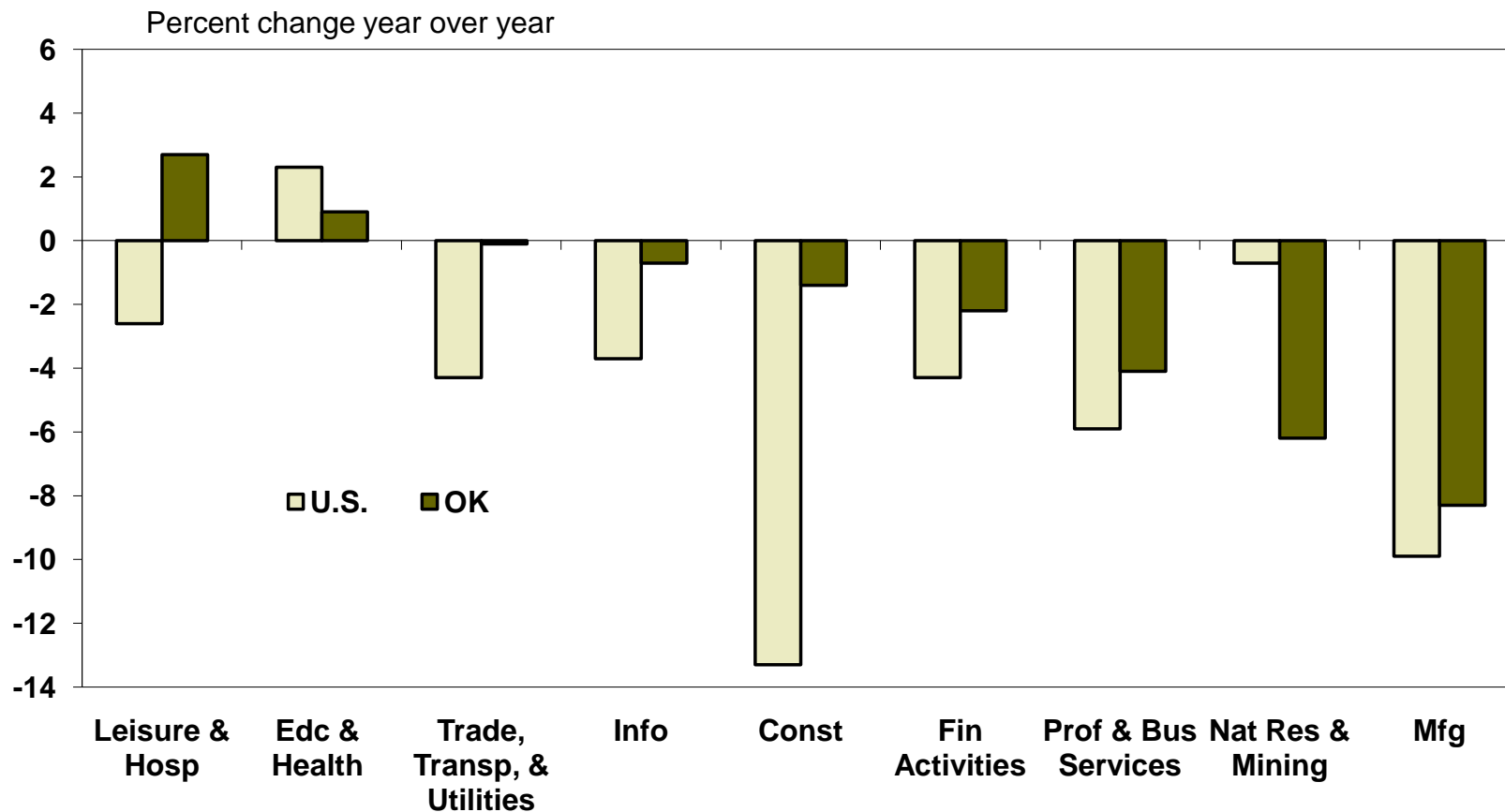
The decline in state job growth has been sharpest in non-metro areas



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

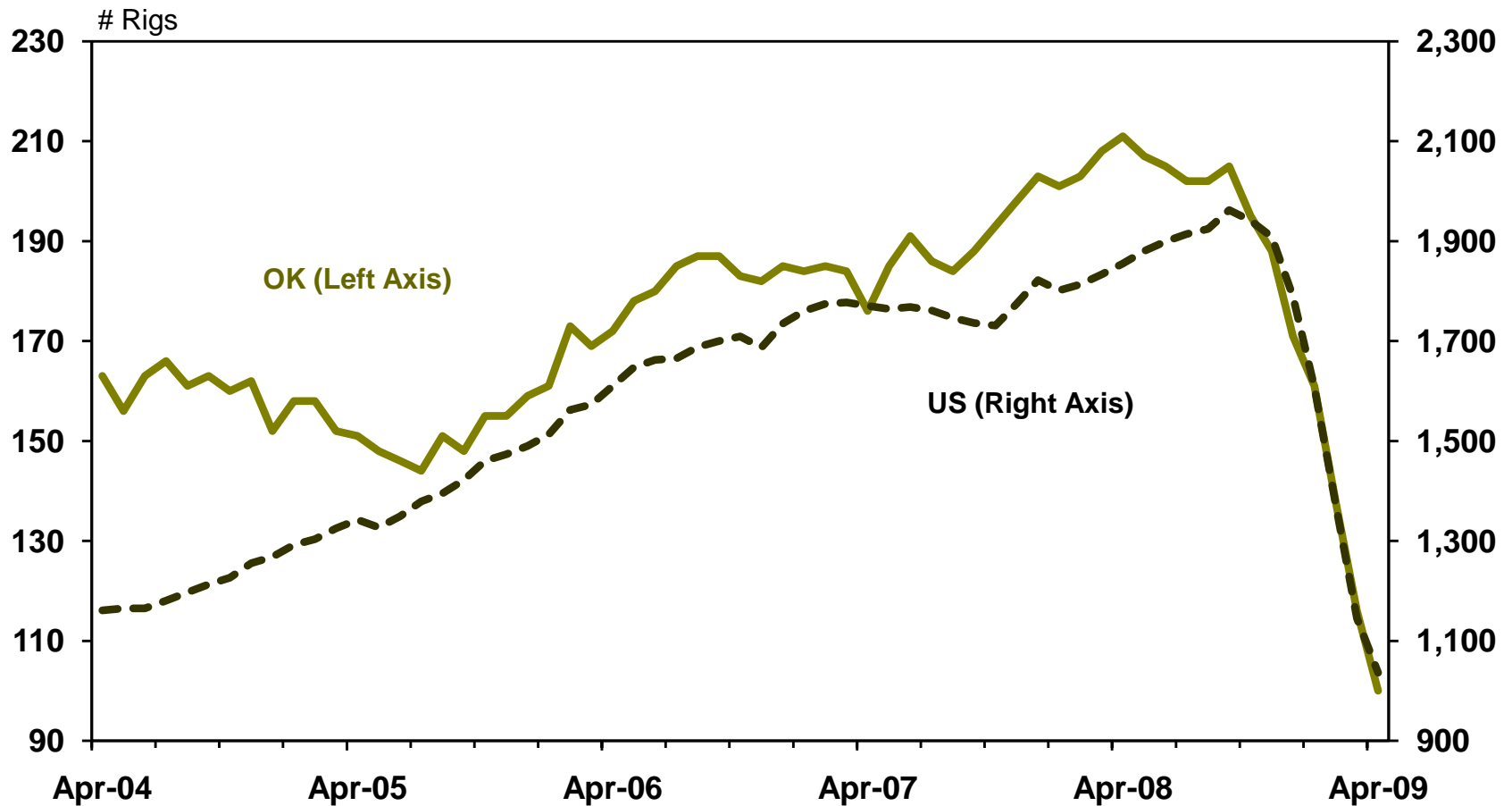
Employment Growth by Industry

March 2009



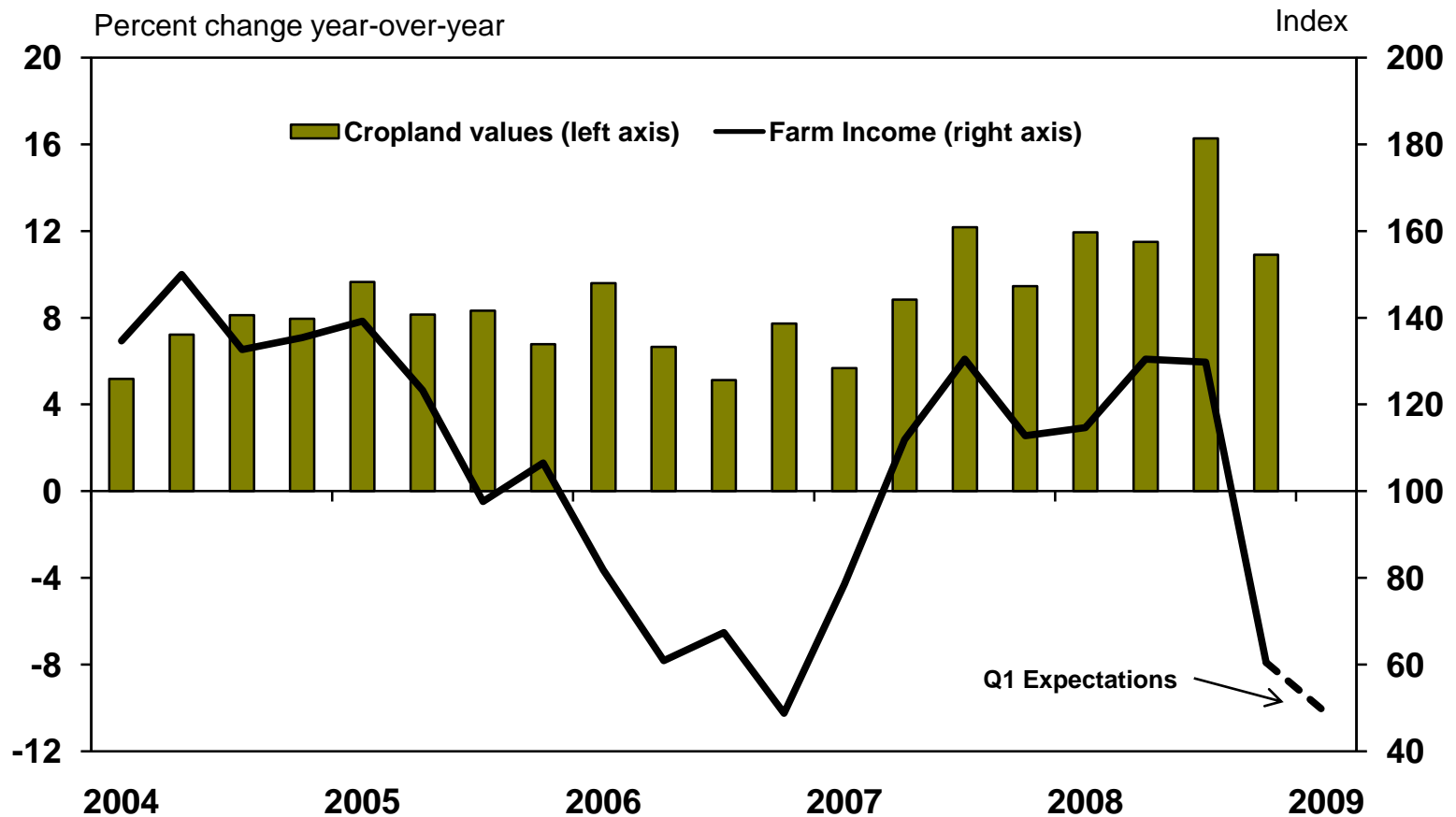
The state's energy sector is seeing a considerable decline in activity in 2009

Count of Active Drilling Rigs



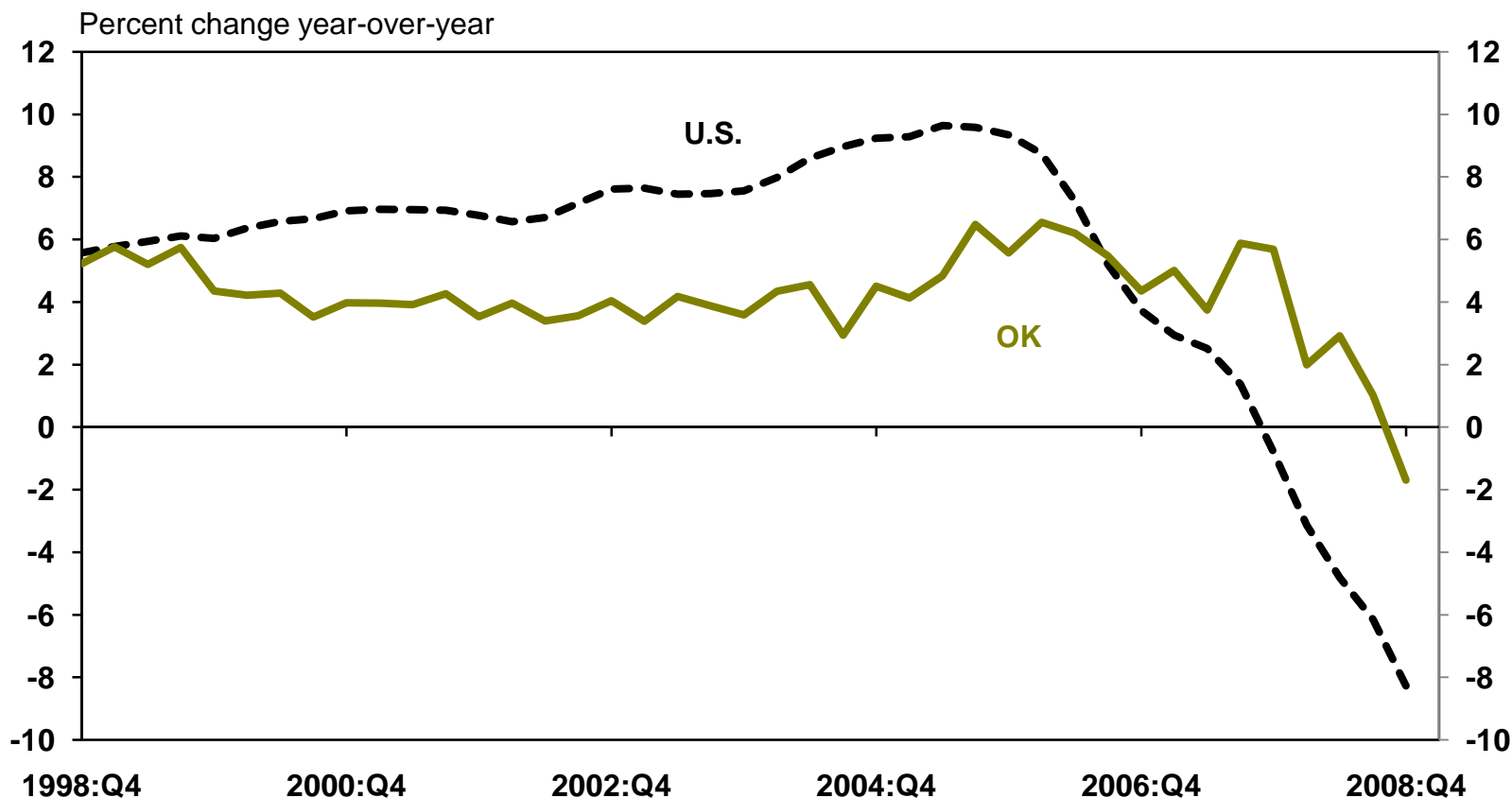
In agriculture, land values have remained high, but incomes are expected to fall

Oklahoma Agriculture Conditions



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

Quality-Adjusted Home Price Growth
Purchase-Only



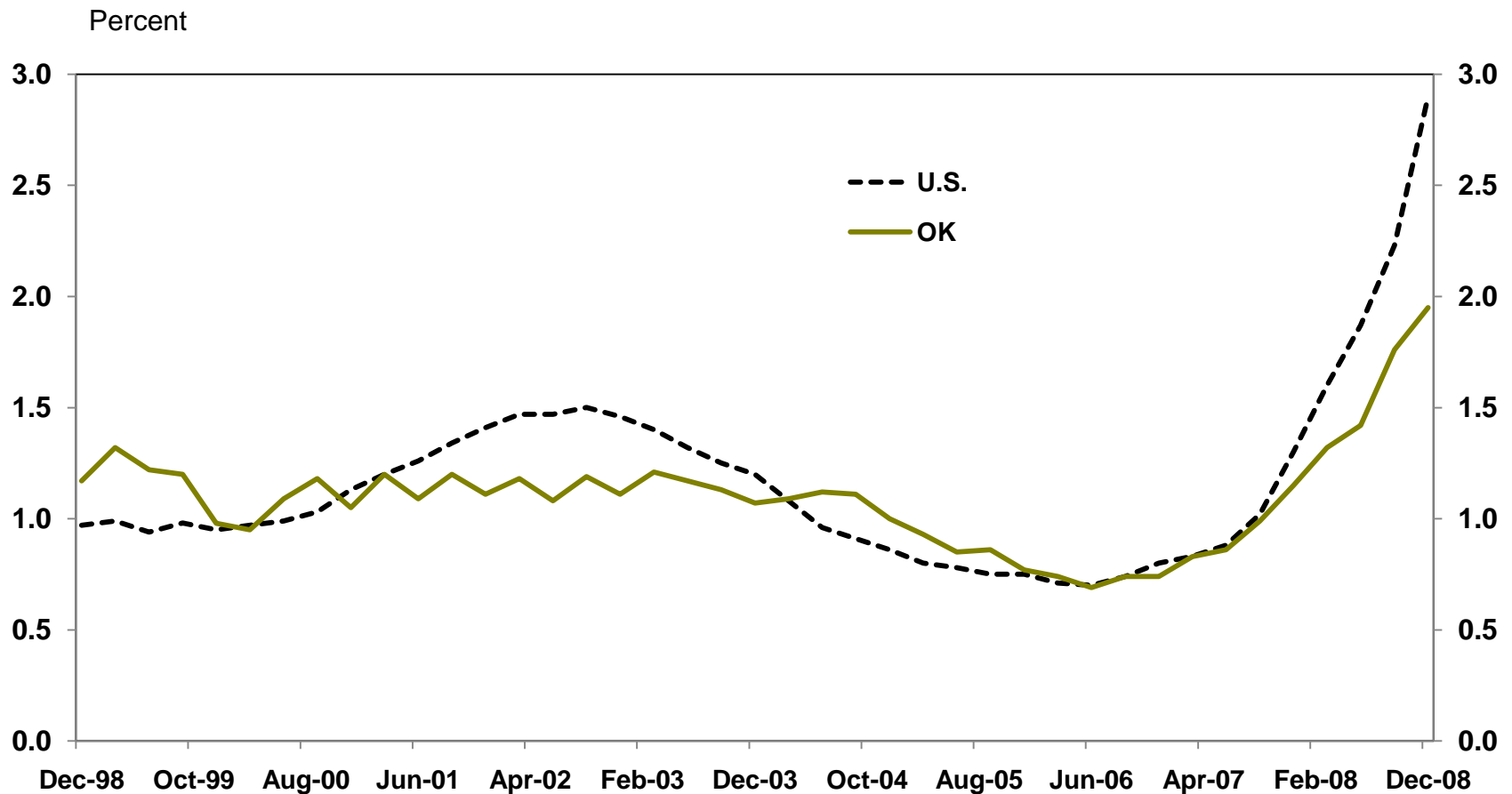
So far, foreclosures have remained relatively low in the state

Foreclosure Rates, March 2009



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

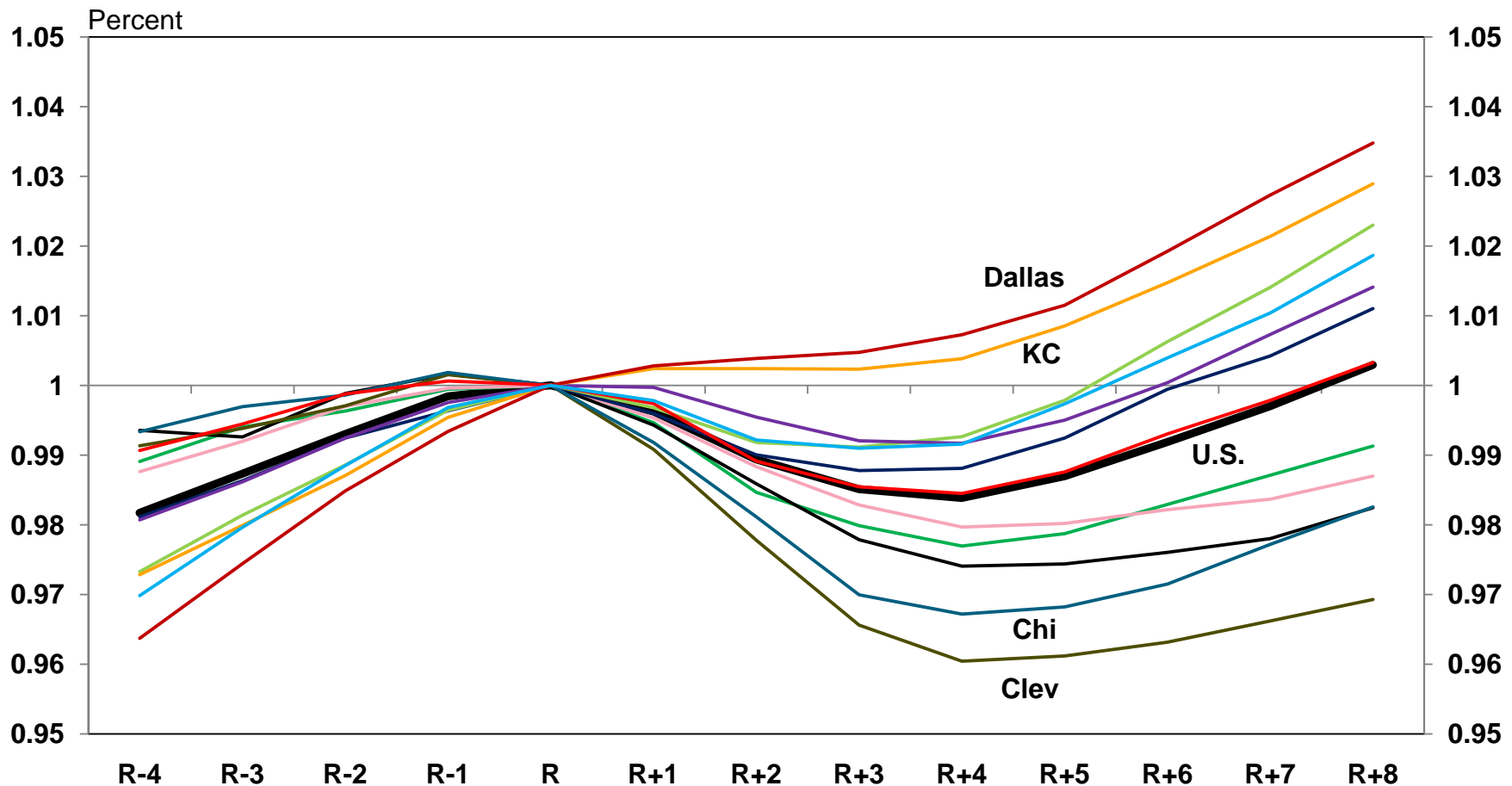
Noncurrent Loans and Leases as a Share of Total Commercial Banks



Recessions are usually milder in our region—if it is also a U.S. recession

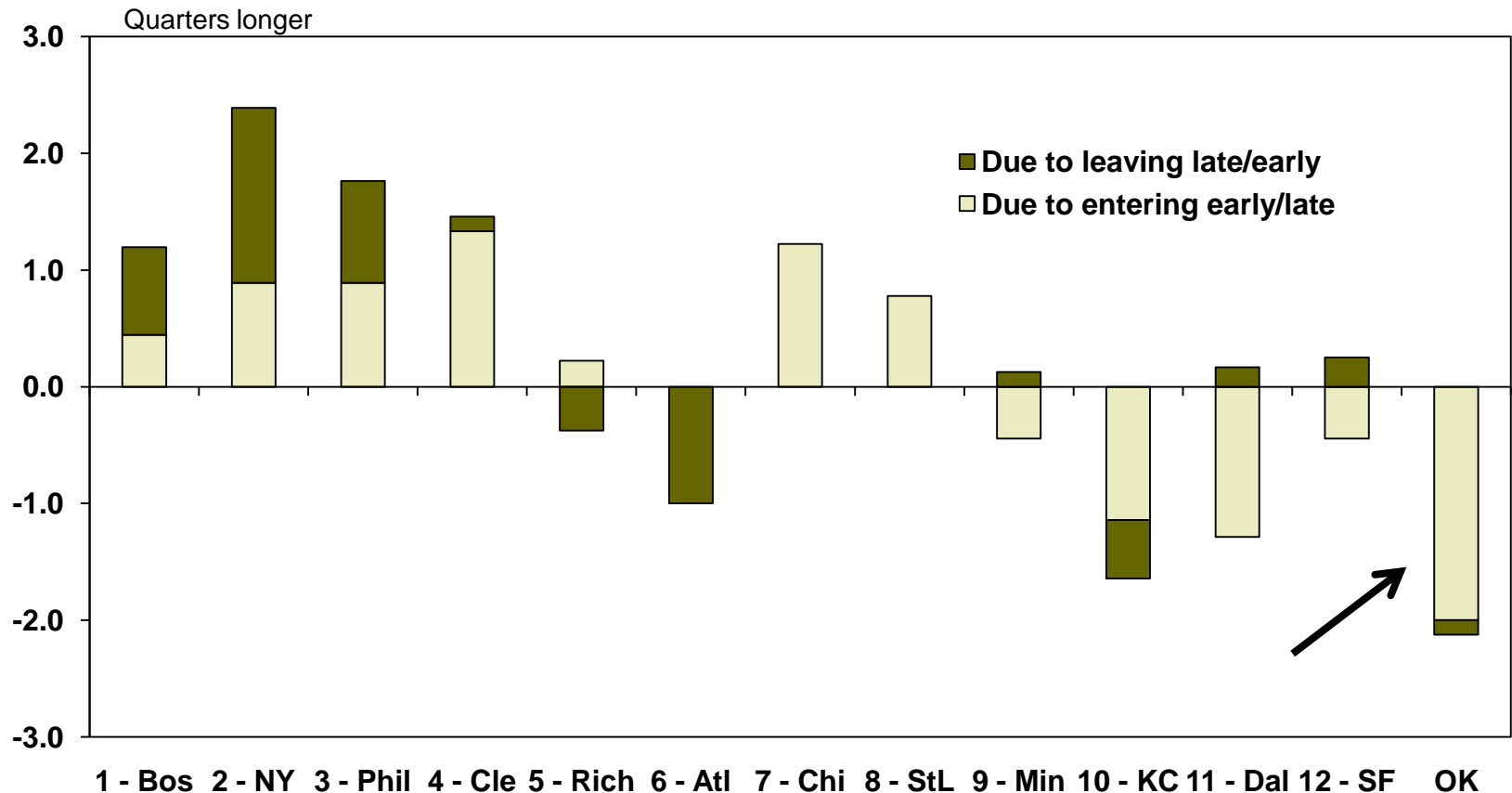
Average Recession Path of Federal Reserve Districts, 1957-2003

Four quarters before and eight quarters after U.S. jobs peak



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

- ❑ 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