

# U.S. and Oklahoma Economic Outlook

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Federal Reserve Bank of Kansas City

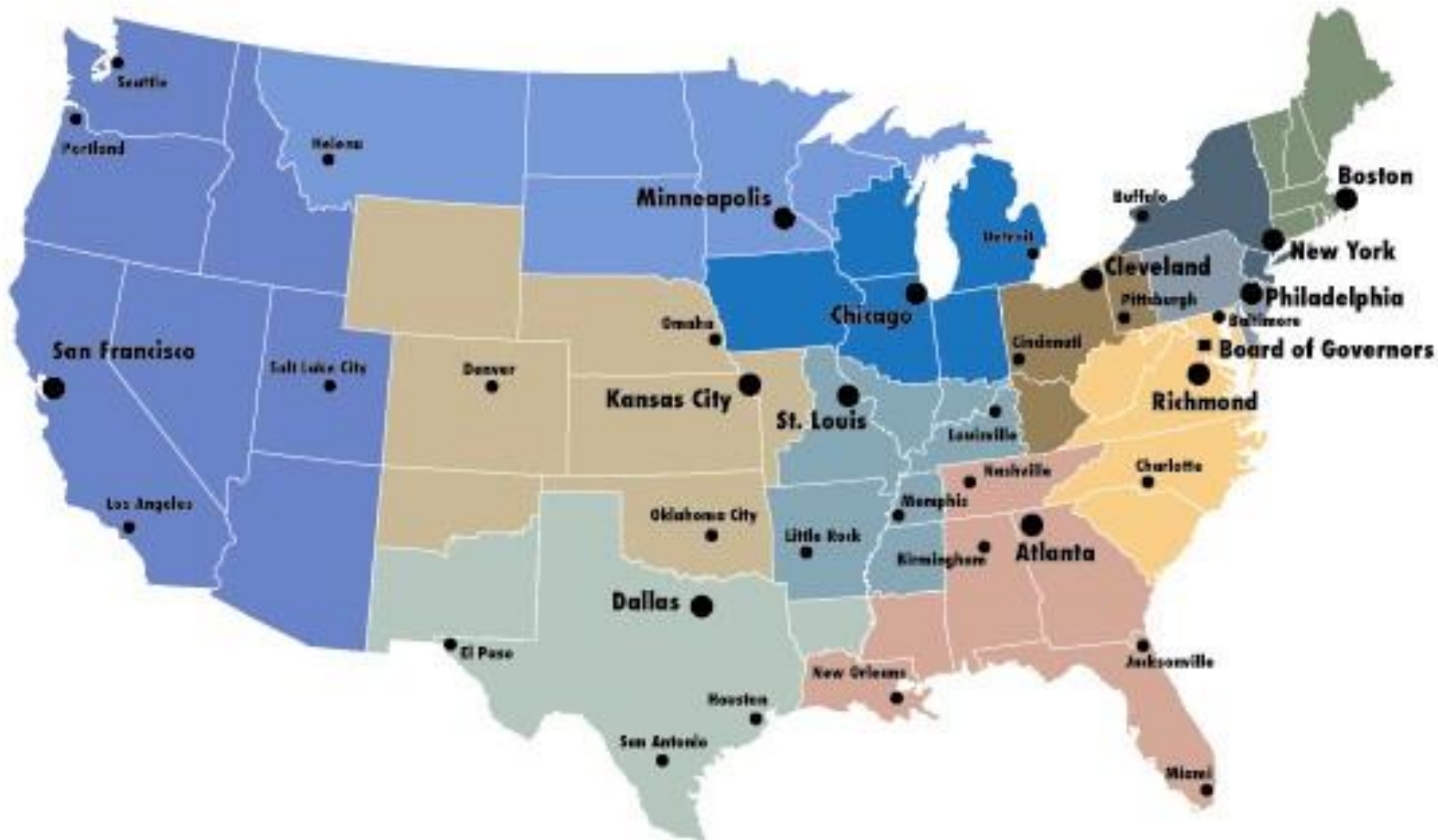
# Purposes and Structure of the Federal Reserve System

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- **Overall purposes of the Fed are to promote:**
  - Maximum sustainable economic growth
  - Low and stable inflation
  - National financial stability
- **Mission areas:**
  - Monetary policy – most visible role to the public, usually
  - Bank regulation – including lender of last resort
  - Payments systems – cash, checks, electronic payments
- **Monetary policy is set by the 12-member FOMC:**
  - The Federal Open Market Committee meets every 6 weeks
  - Voting members consist of:
    - the 7 Governors in Washington;
    - the New York Fed President;
    - 4 of the 11 other Fed presidents on a rotating basis

# Federal Reserve Districts and Office Locations

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# The Kansas City and Oklahoma City Offices

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- **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

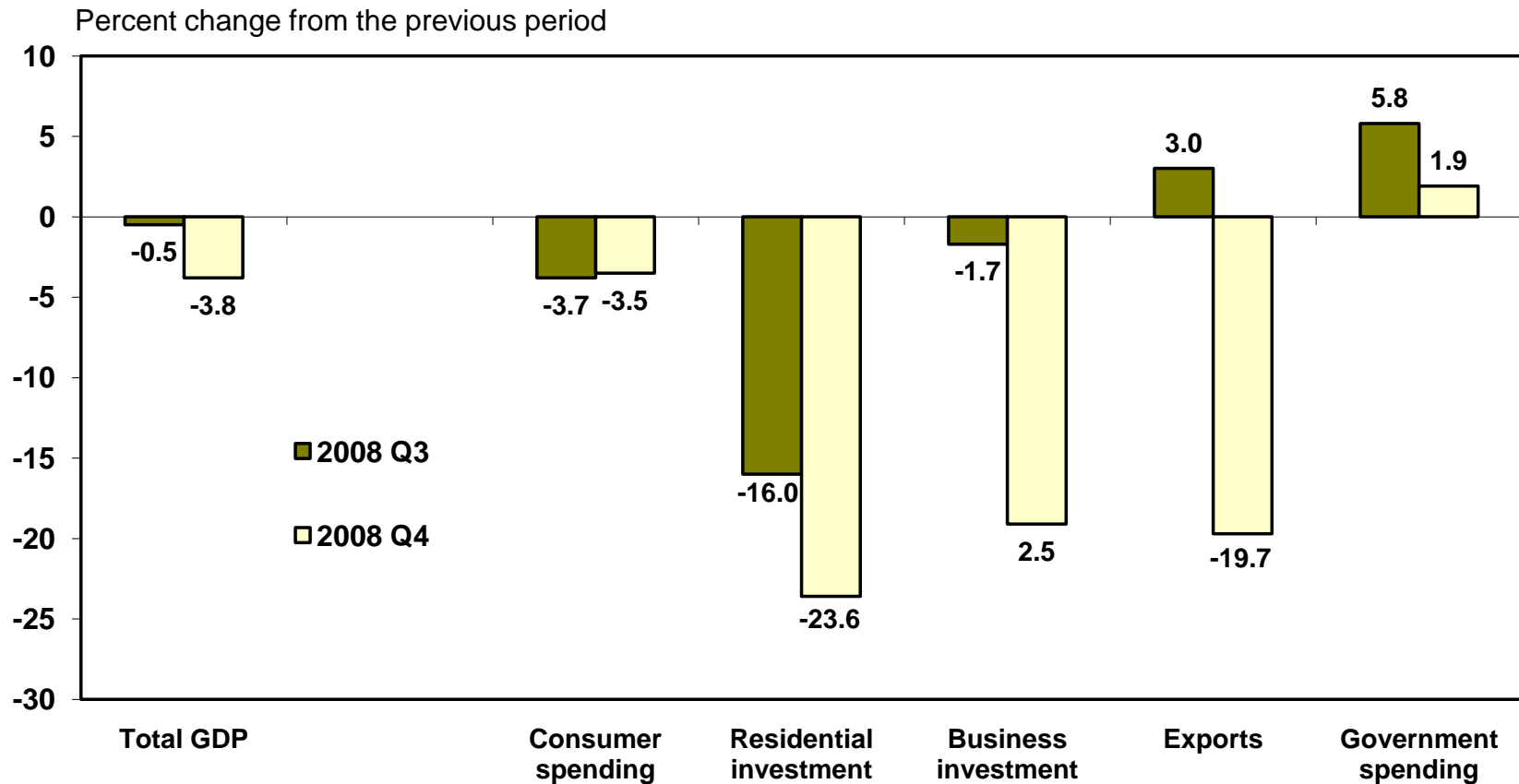
# The U.S. and Oklahoma Economies

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- The U.S. economy is weakening, but credit markets and inflation are improving
- Oklahoma is stronger but also weakening
- Forecasts call for weakness throughout 2009, but many efforts are in place to boost growth

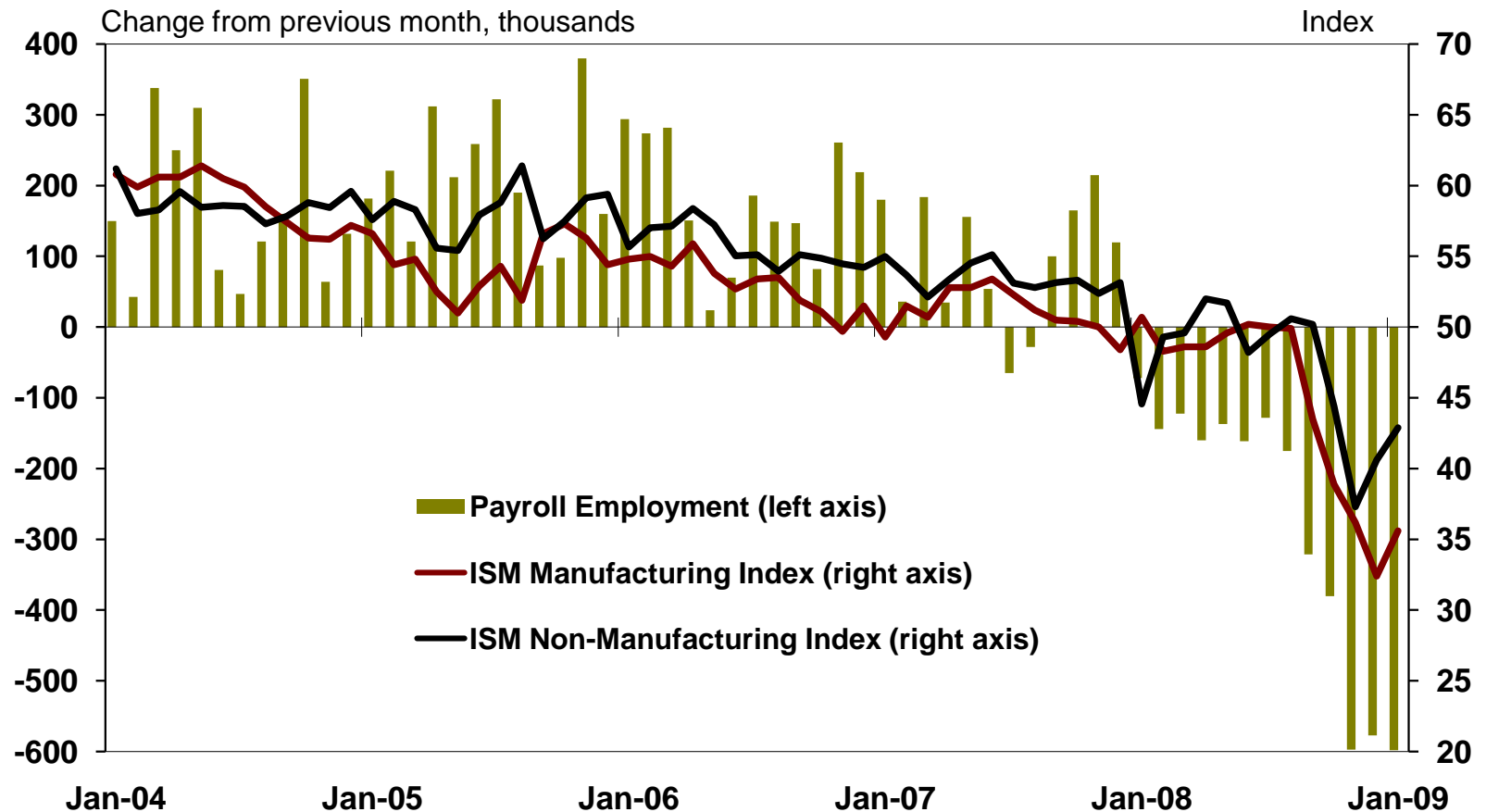
# In the fourth quarter of last year, only government added to U.S. growth

## Growth in Components of GDP



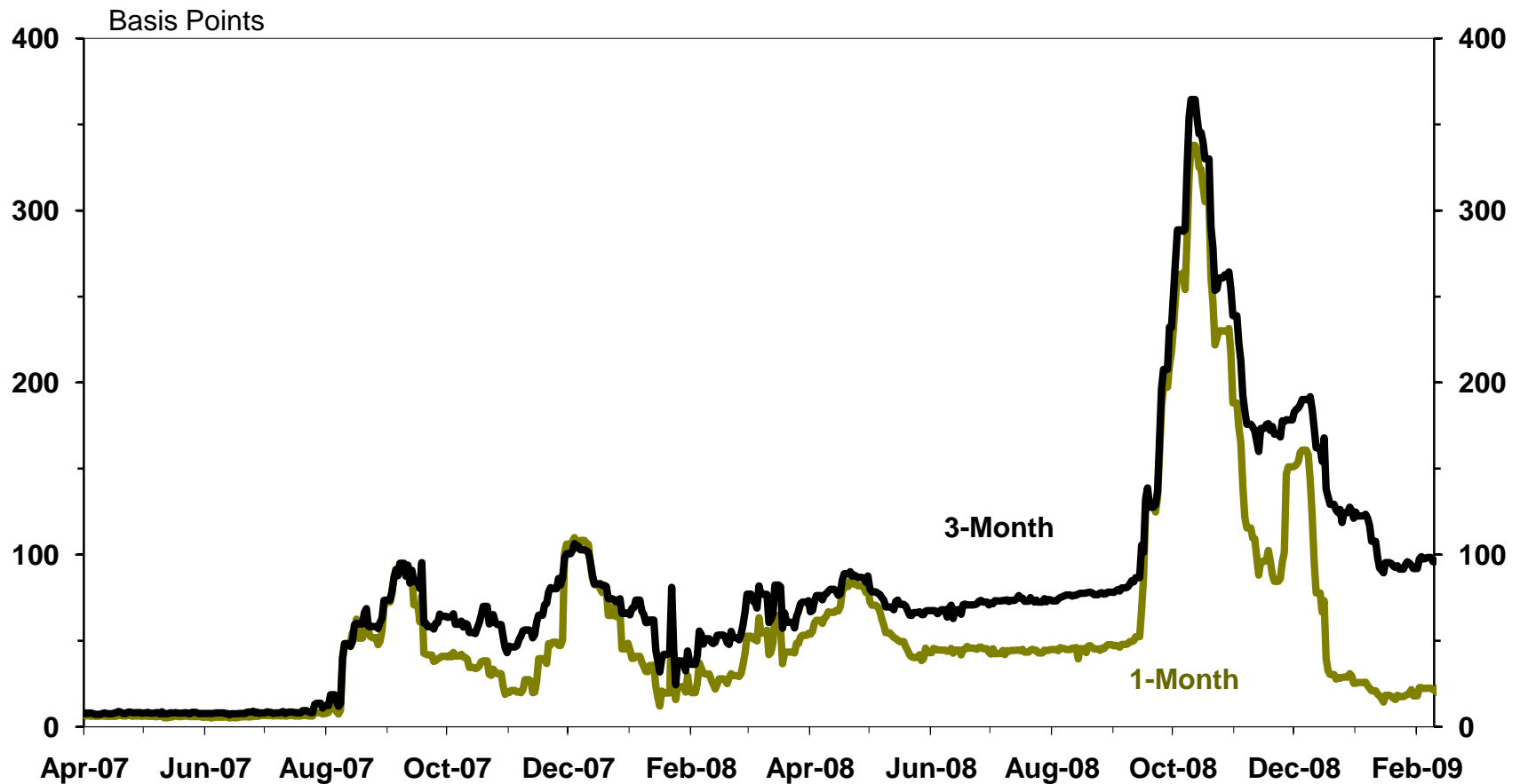
# And weak U.S. business activity has continued on into 2009

## National Business Indexes and Payroll Employment



# Short-term credit conditions have improved after worsening in September

## LIBOR-OIS Spread





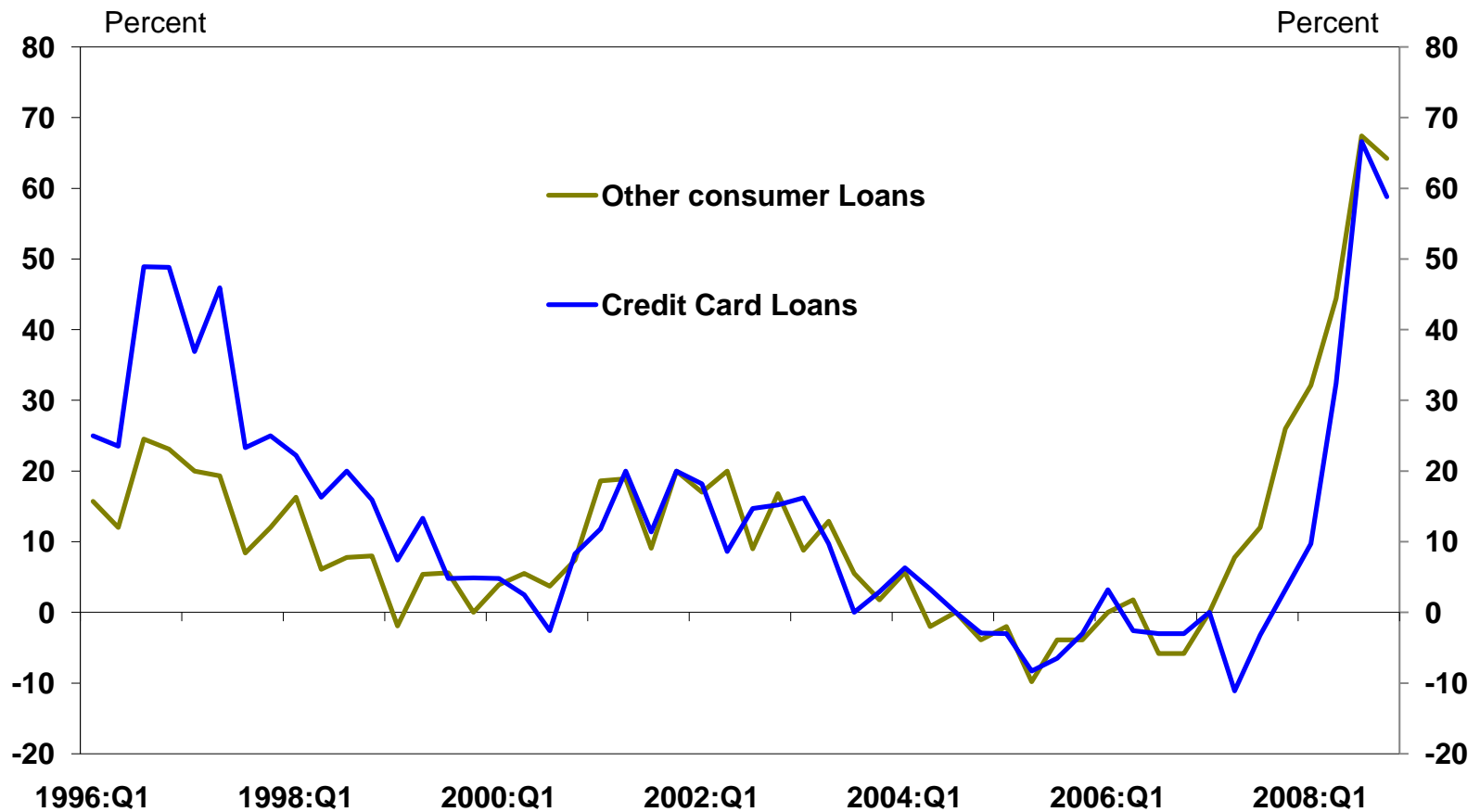
# Mortgage rates have declined, but lending standards on mortgages continue to tighten

## 30 Year Fixed Rate Mortgage Rate



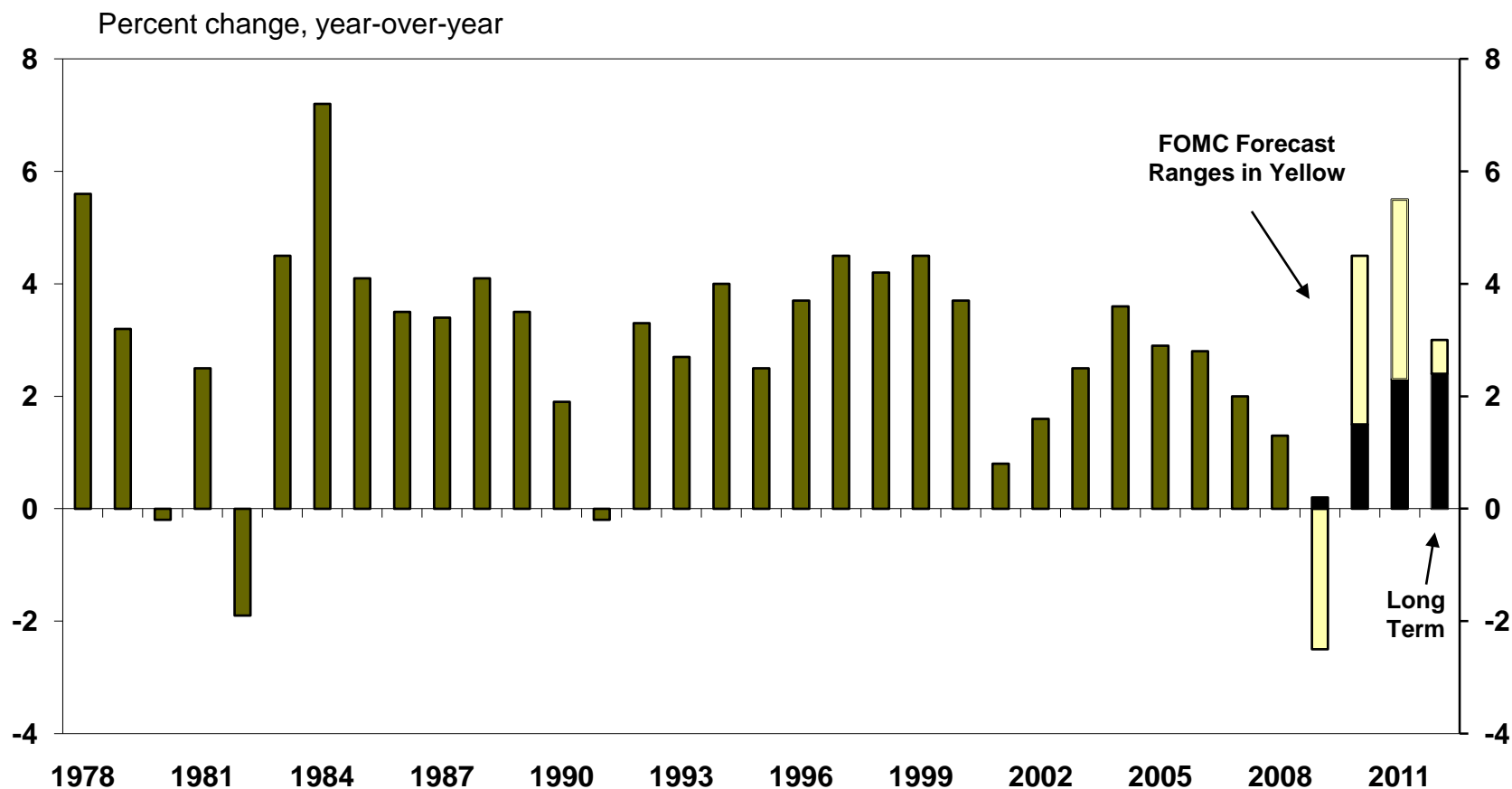
# Bank lending standards on consumer loans also continue to tighten

## Net Percentage of Banks Tightening Loan Standards

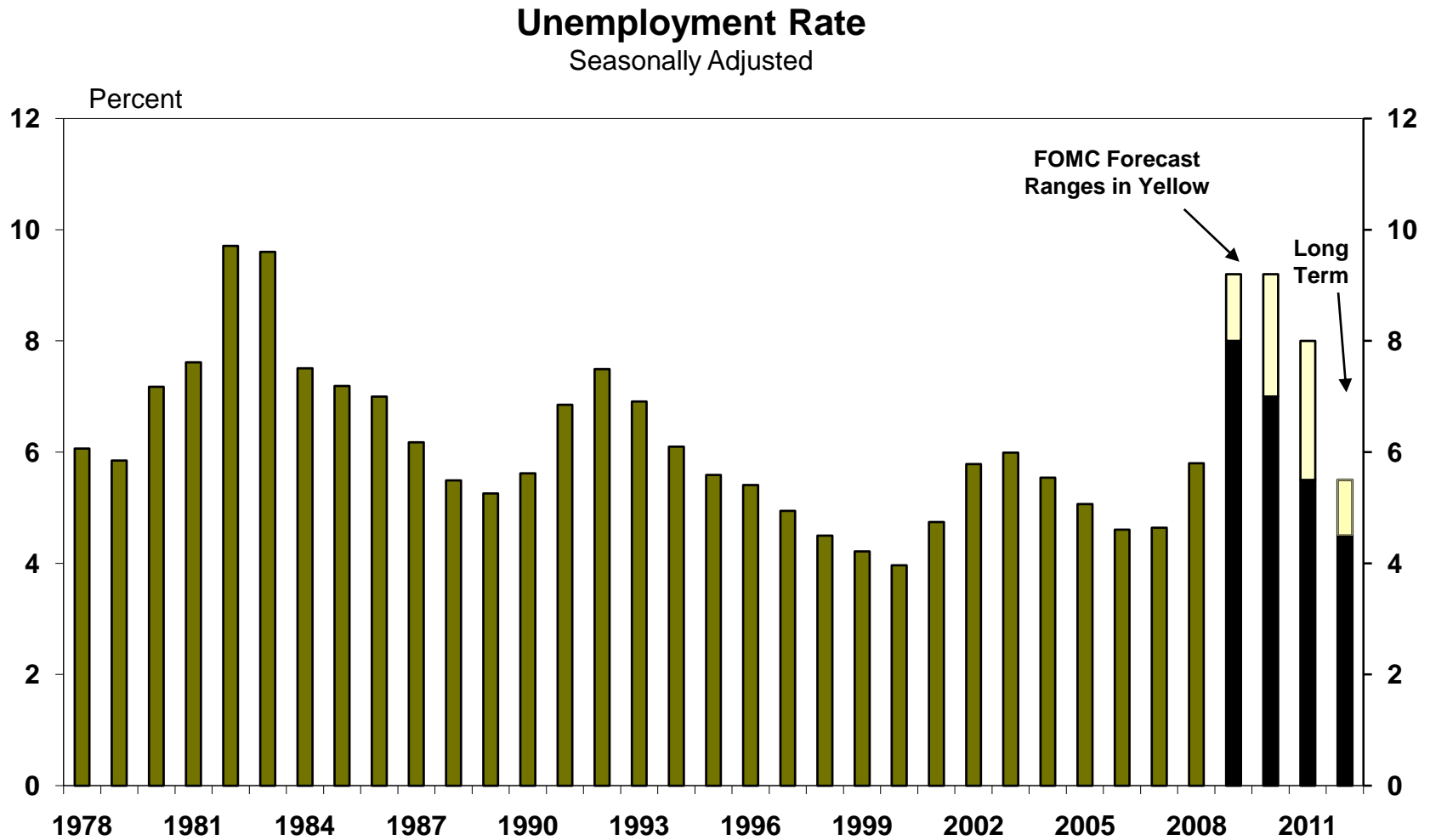


# Policy-makers are increasingly pessimistic about the near-term economic outlook

## Gross Domestic Product

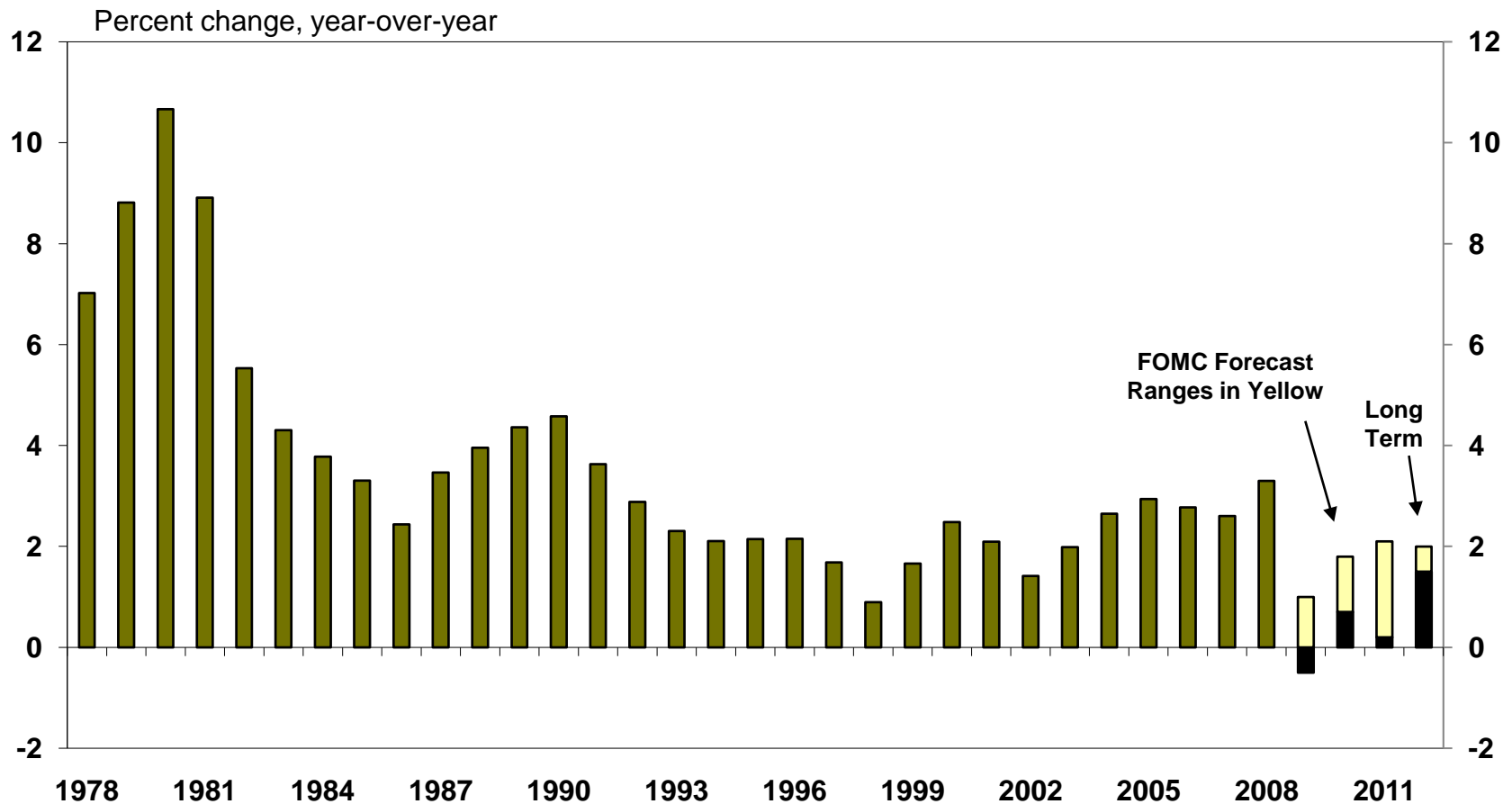


# And U.S. unemployment is expected to rise further



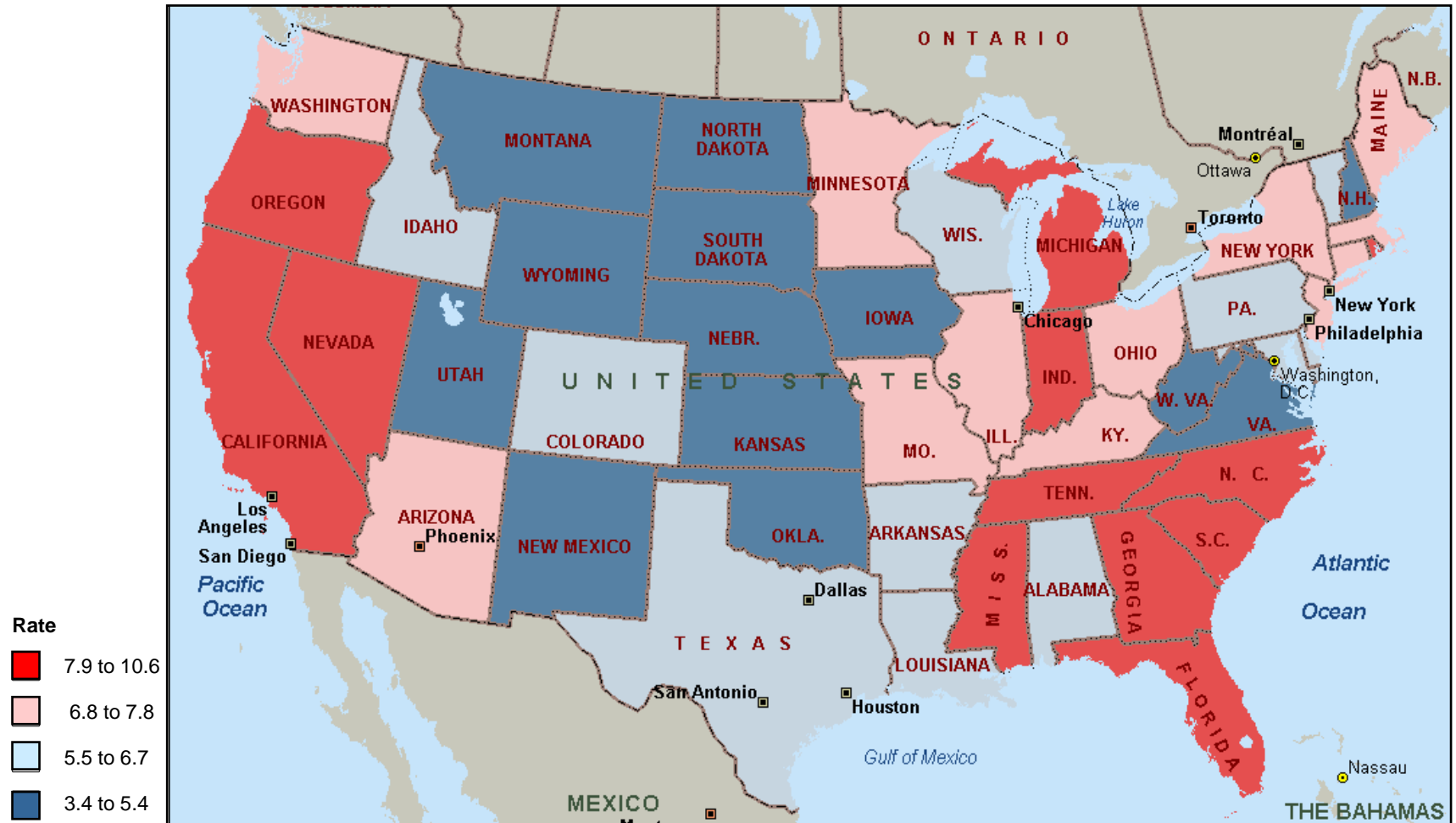
# Meanwhile, inflation is expected to moderate after rising in 2008

## PCE Inflation Index



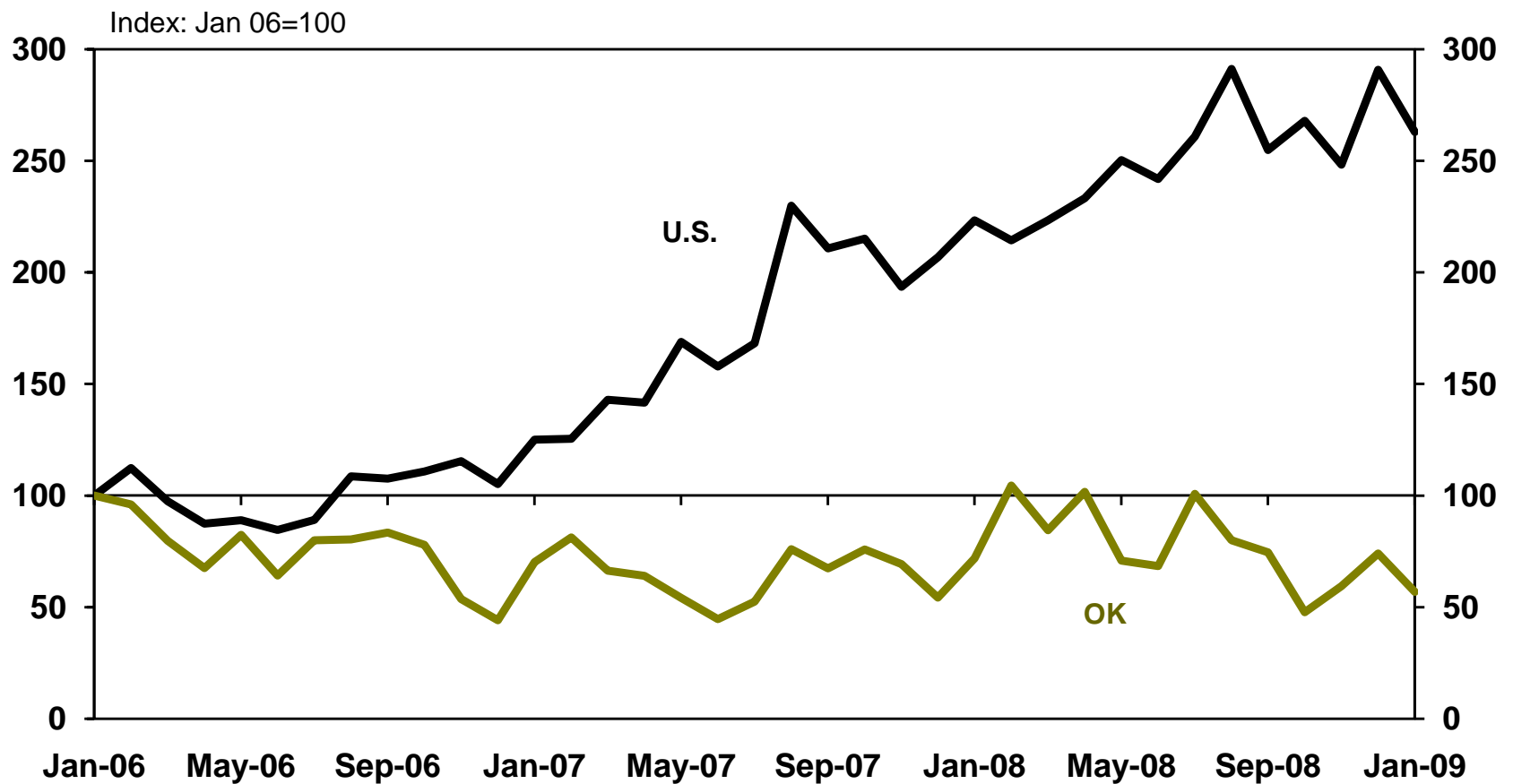
# Unemployment remains relatively low in Oklahoma

Unemployment Rate, December 2008



# And so far, foreclosures have remained in check in Oklahoma

## Total Foreclosures, U.S. vs. Oklahoma



# Oklahoma home prices continued to grow through Q4 2008, even as U.S. prices fell

### Quality-Adjusted Home Price Growth

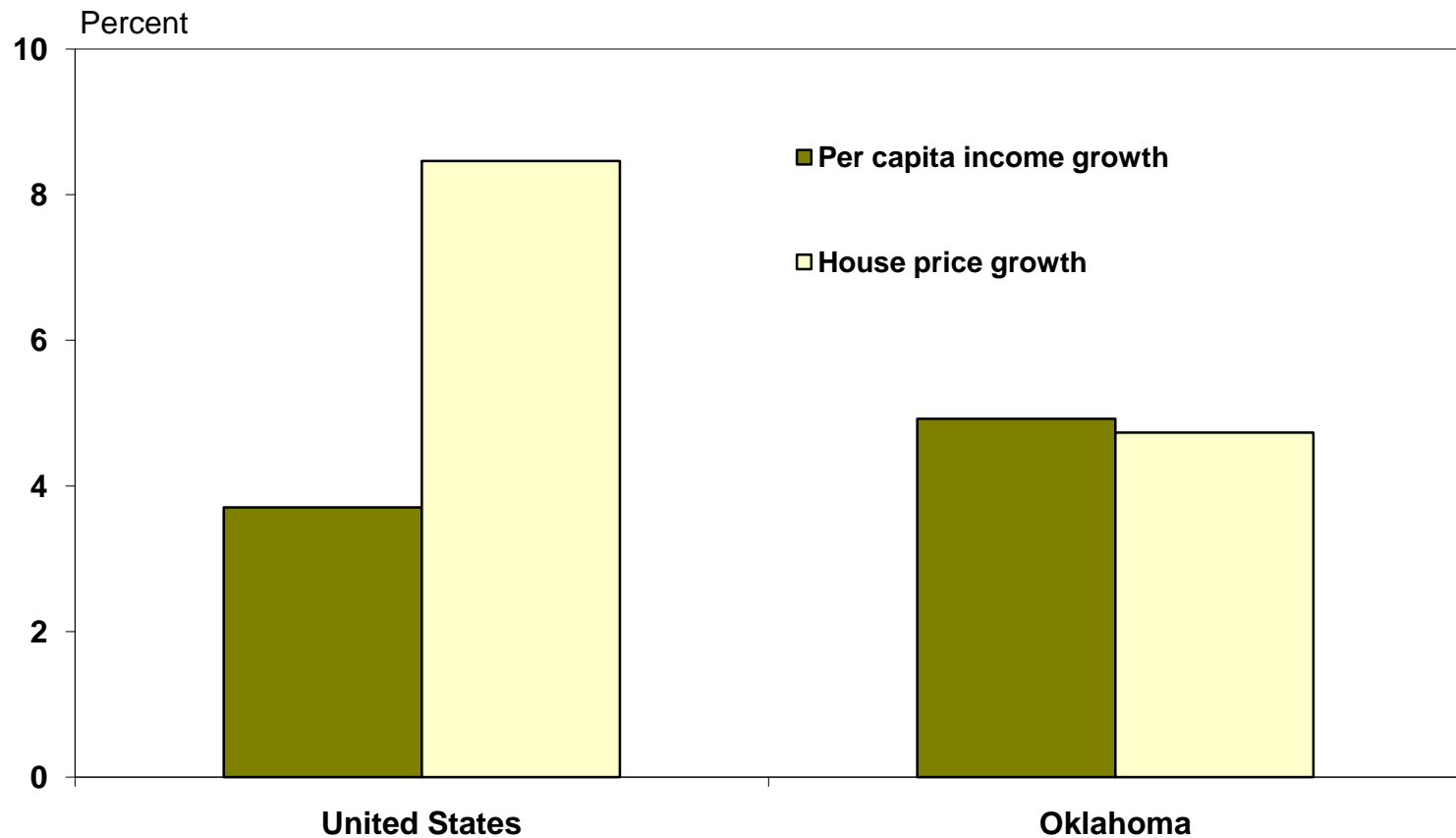


Source: OFHEO



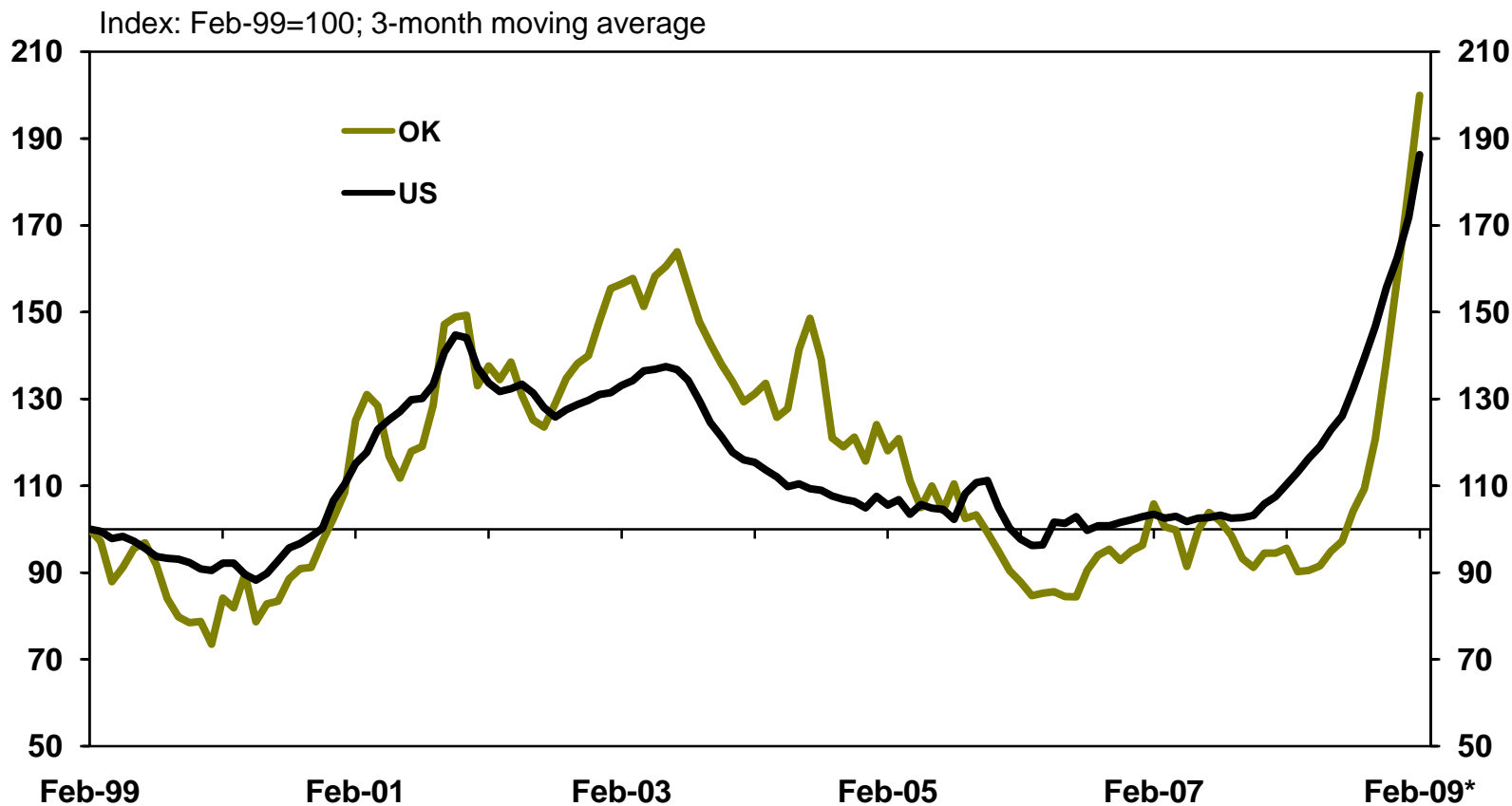
# House price fundamentals were more in line in Oklahoma from 2000 to 2005

**Annual Growth in Per Capita Incomes and Home Prices**  
2000 - 2005



# But unemployment claims are now rising rapidly, changing the picture for the state

## Weekly Unemployment Insurance Claims

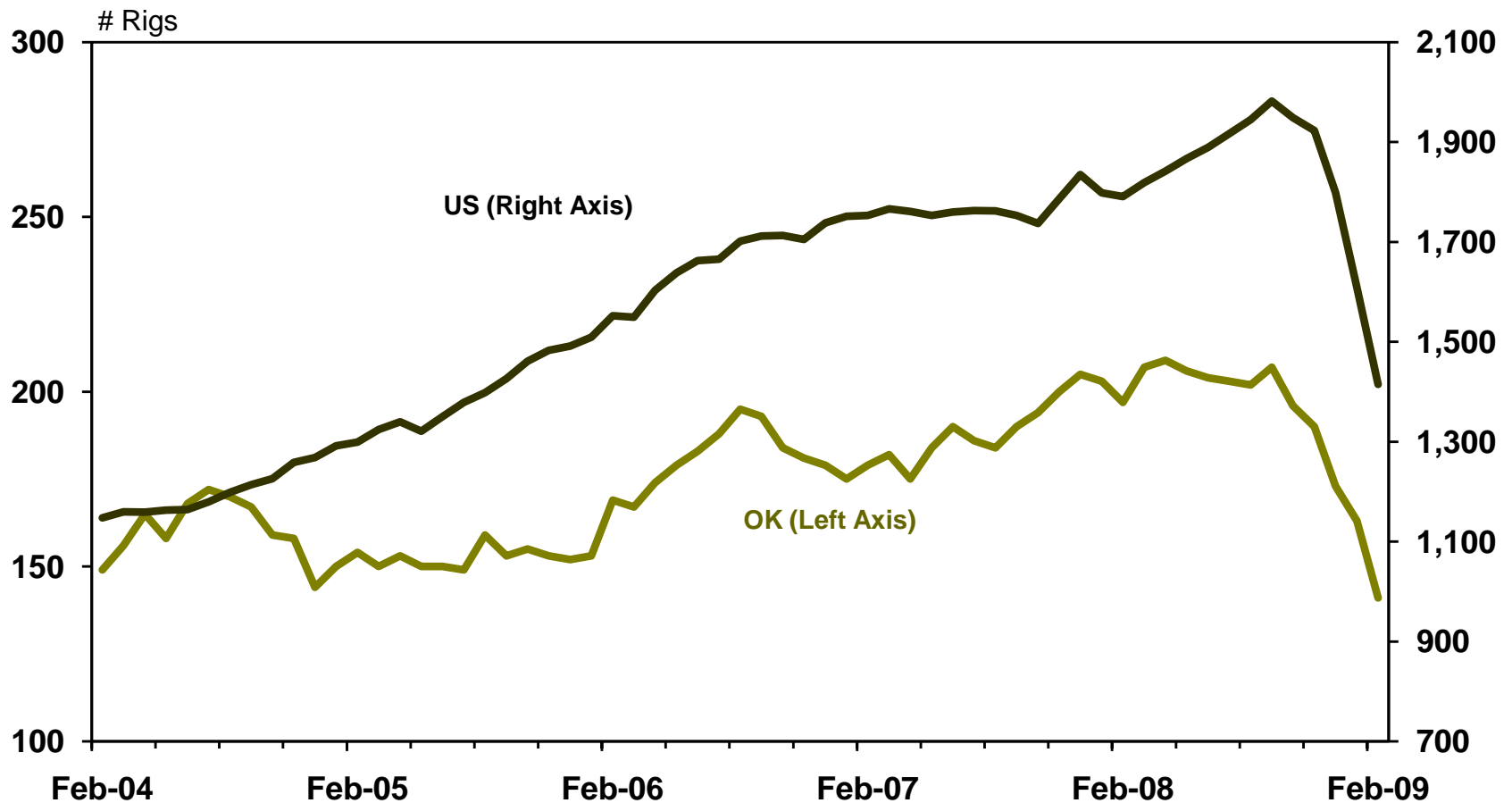


\*Preliminary data

Source: U.S. Bureau of Labor Statistics

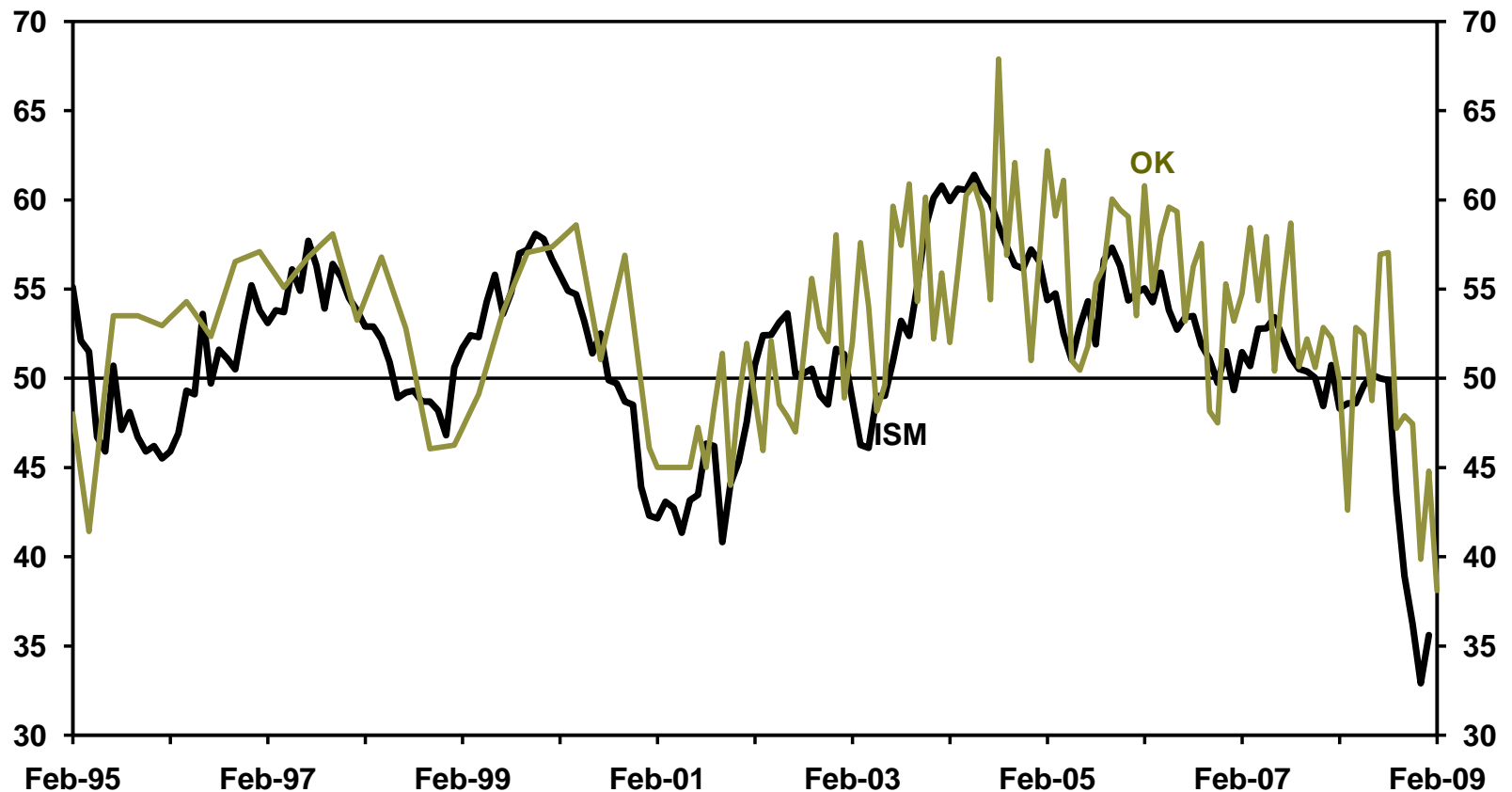
# And the rig count has fallen sharply in recent months and is expected to fall further

## Count of Active Drilling Rigs



# Manufacturing activity in the state has also fallen sharply in recent months

**Manufacturing PMI Indexes**  
Seasonally Adjusted

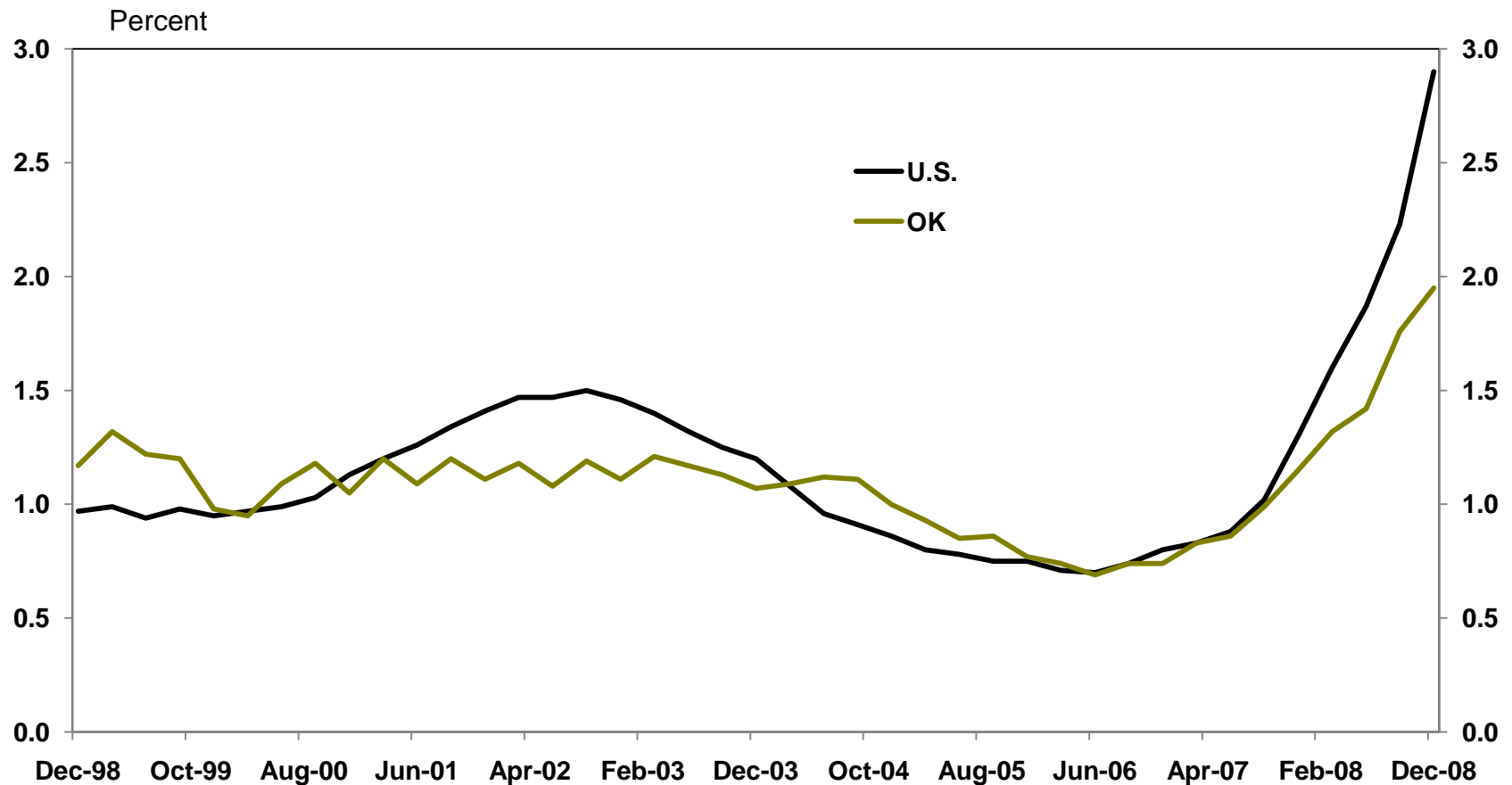


Note: OK index is computed on ISM basis (50 = zero change)

Source: ISM, FRBKC Manufacturing Survey

# Delinquent loans have risen considerably in both Oklahoma and the nation

**Noncurrent Loans and Leases as a Share of Total Leases**  
Commercial Banks



# Summary

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- U.S. economic conditions have deteriorated
- Oklahoma conditions remain better, but some recent high-frequency data have been worse
- Efforts to boost U.S. growth in 2009 should benefit Oklahoma as well