

The Oklahoma Economic Outlook



Chad Wilkerson

Vice President, Economist, and Oklahoma City Branch Executive

Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity



Recent Oklahoma Economic Trends

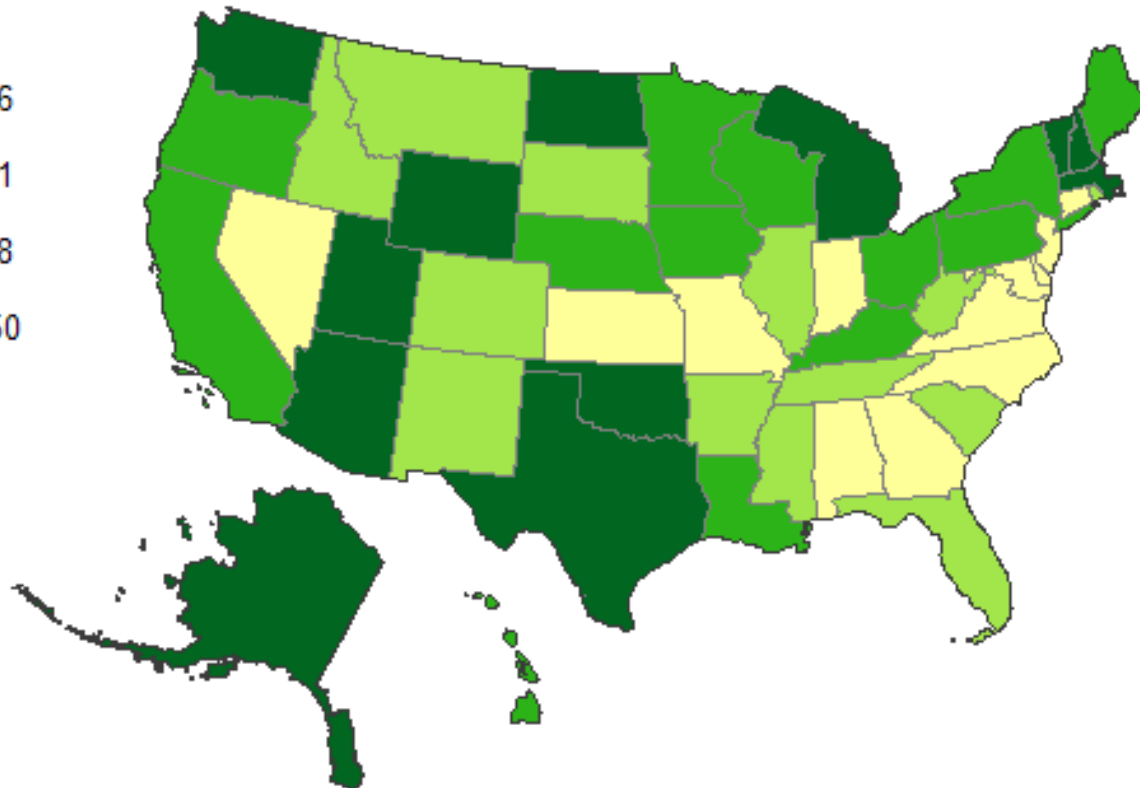
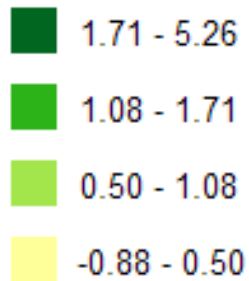
- Oklahoma's economy has grown strongly in 2011, outpacing most parts of the country
- Job growth has been widespread within the state, across geography and industries
- Official unemployment rates in much of the state are down to "full employment" levels



There has been considerable variation in job growth across the nation the past year

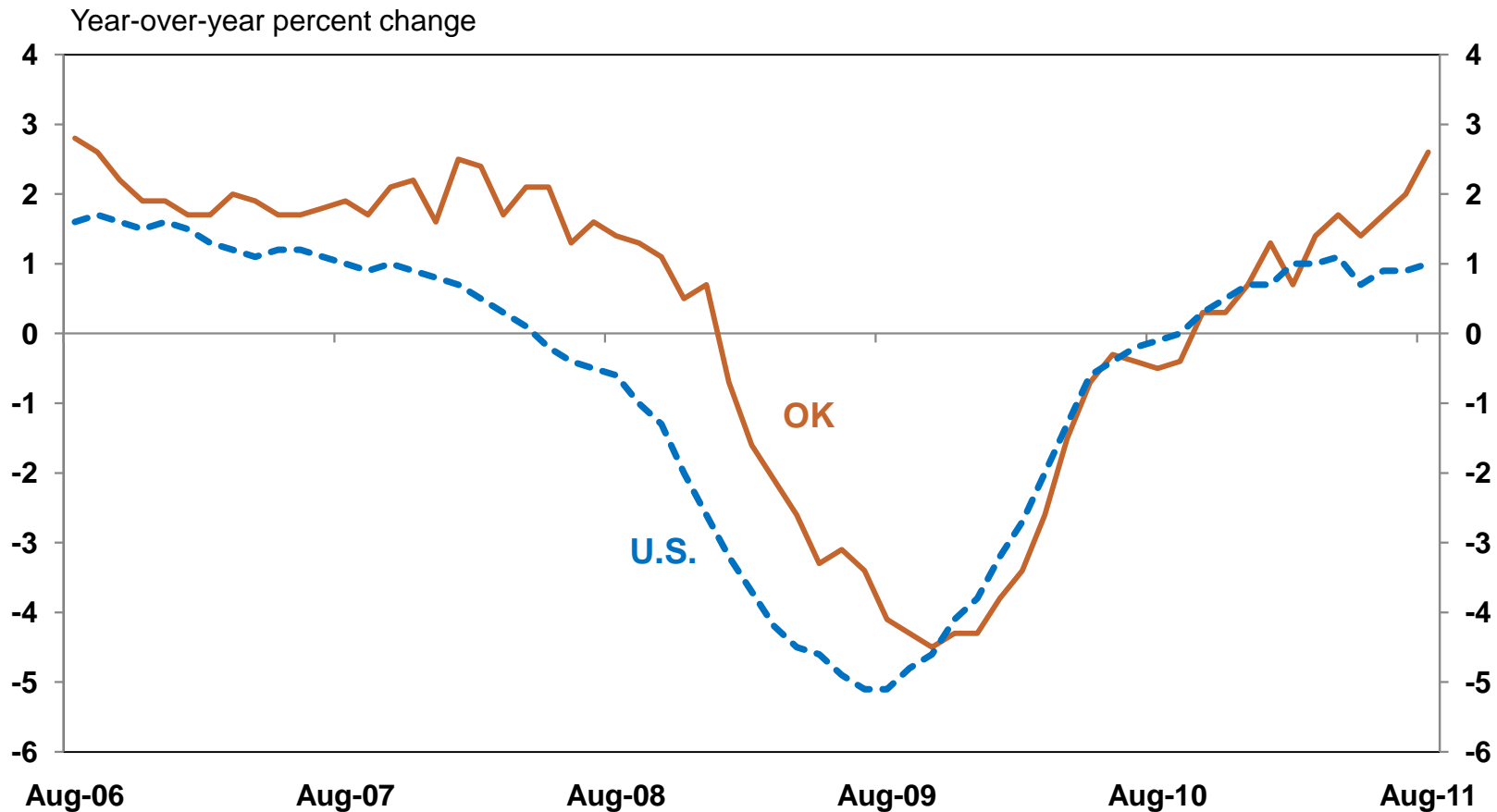
Employment Growth, Year-over-Year (percent)
August 2011

Scale



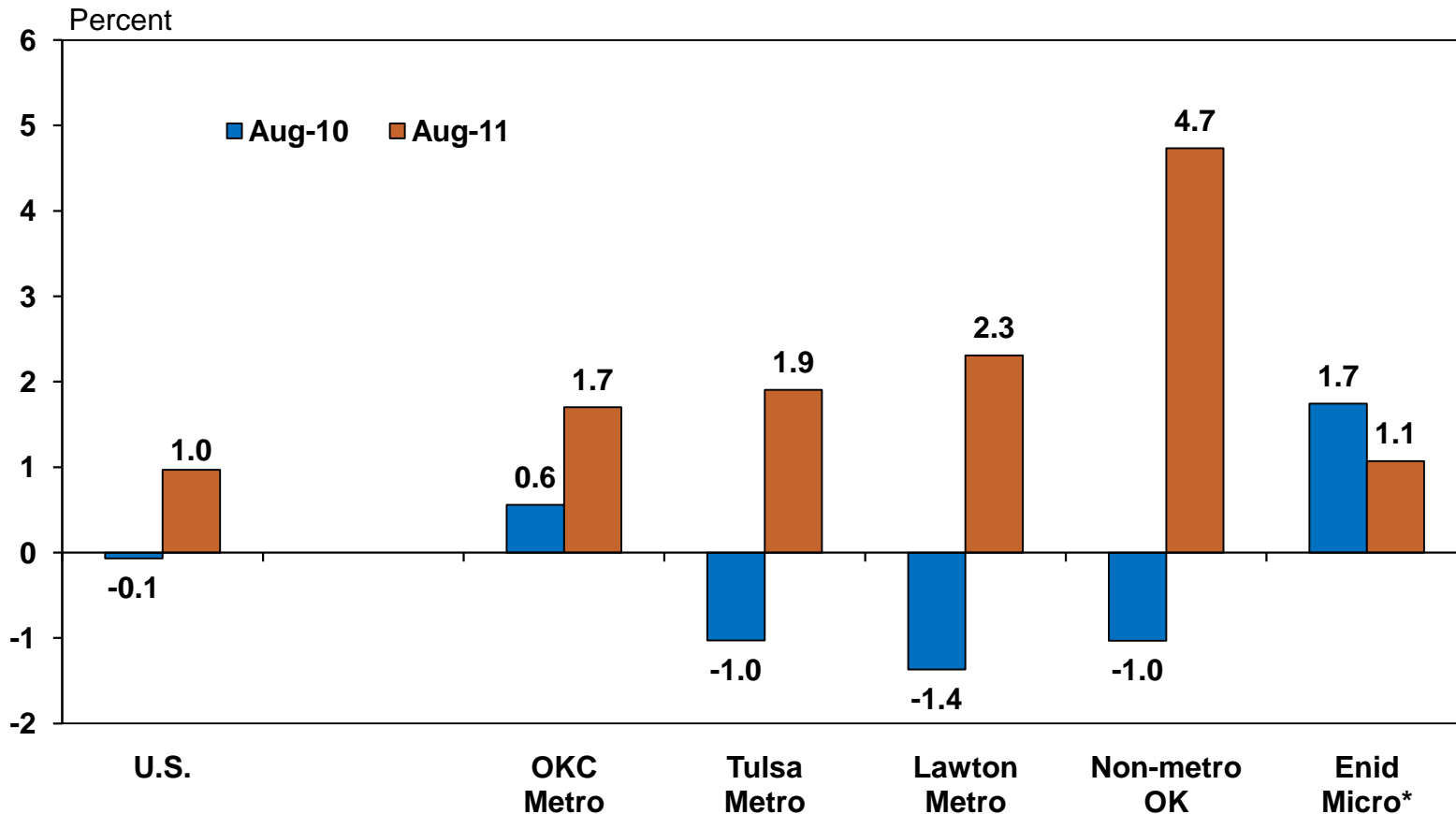
After a milder recession than the nation, Oklahoma job growth accelerated in 2011

Payroll Employment



Job growth has been strong across the state, especially in non-metro areas

Employment Growth
Year-over-year



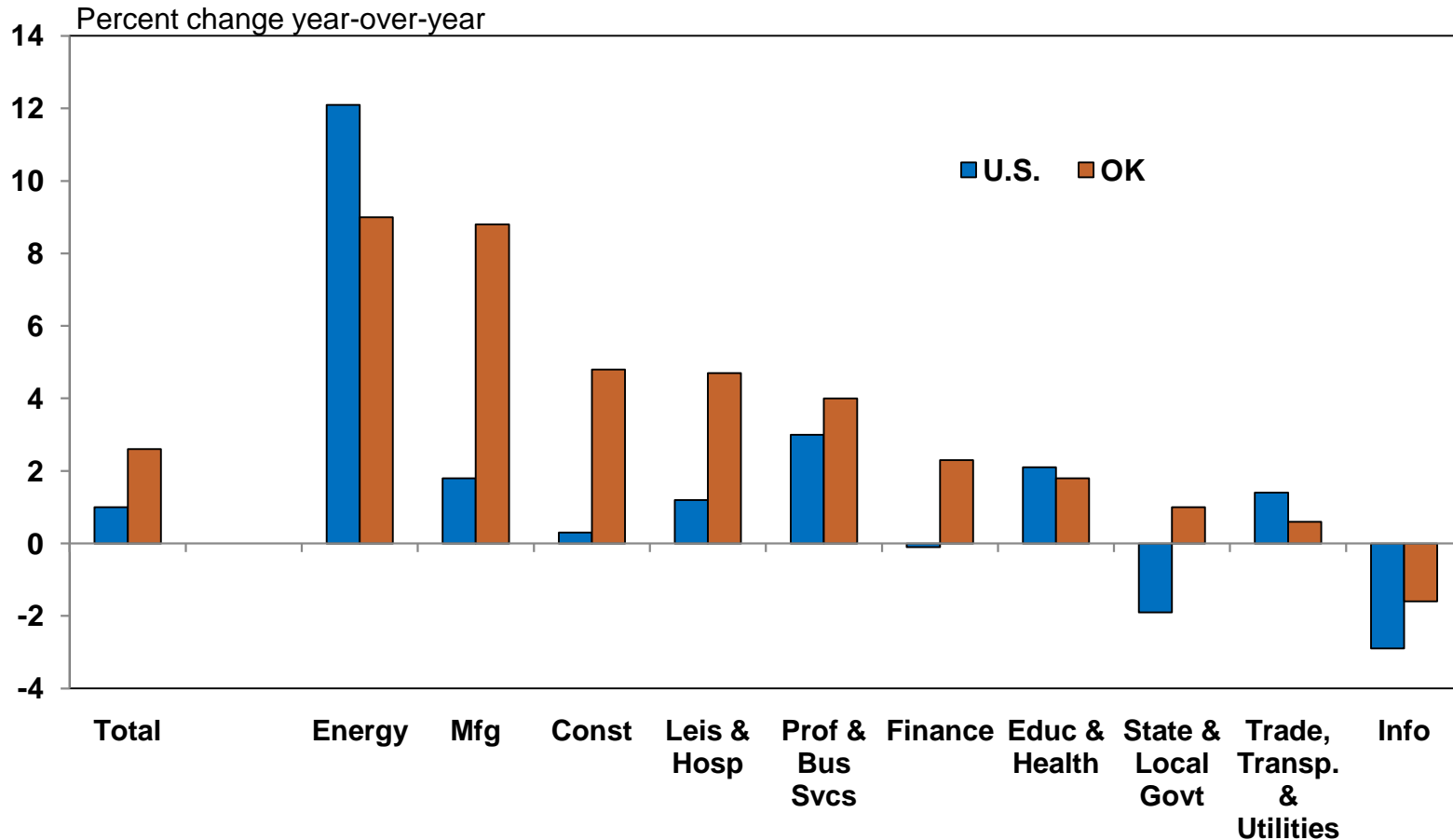
*Data for this area from LAUS rather than CES

Source: U.S. Bureau of Labor Statistics



Most Oklahoma sectors have grown solidly in 2011, led by energy and manufacturing

Employment Growth August 2011

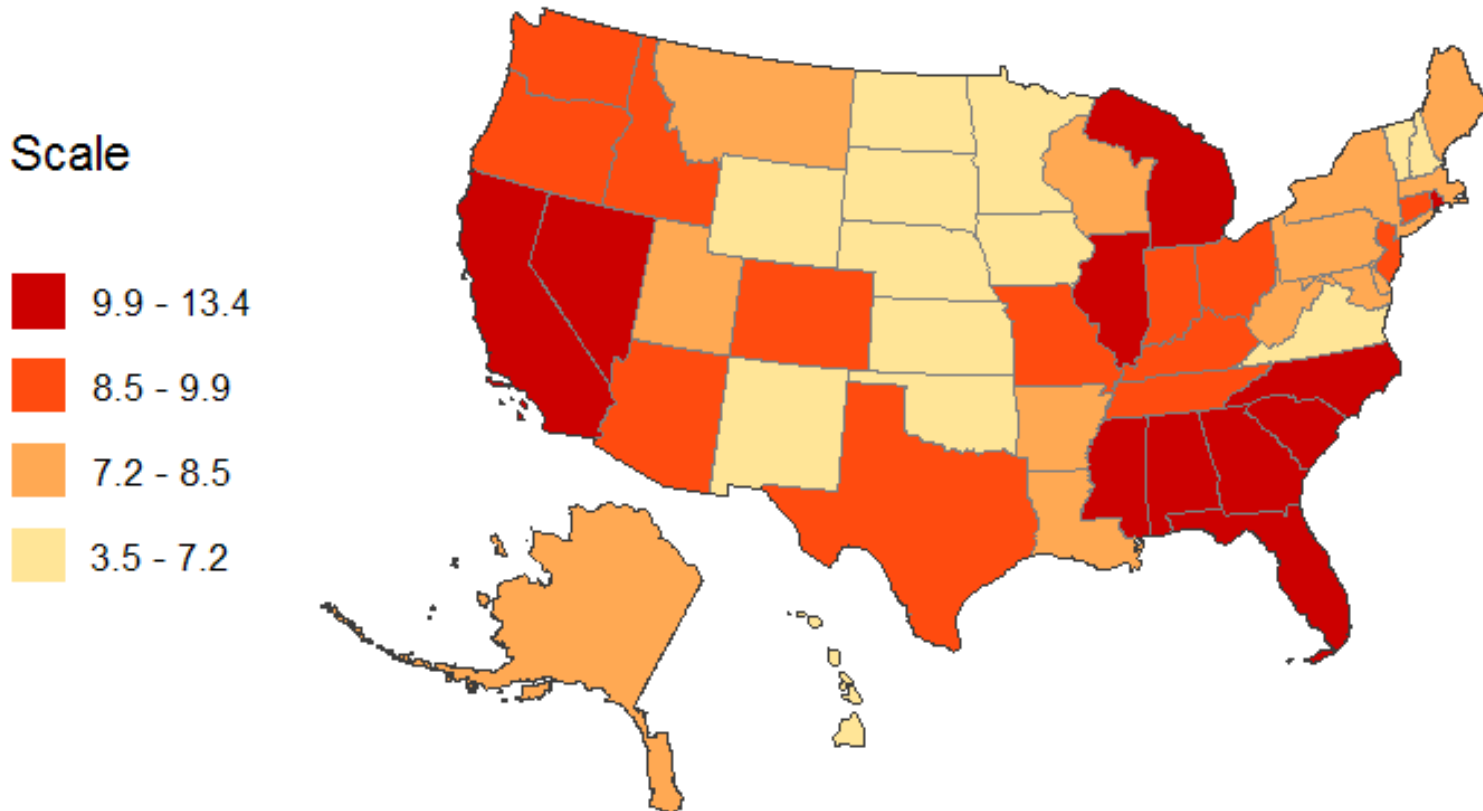


Source: Bureau of Labor Statistics



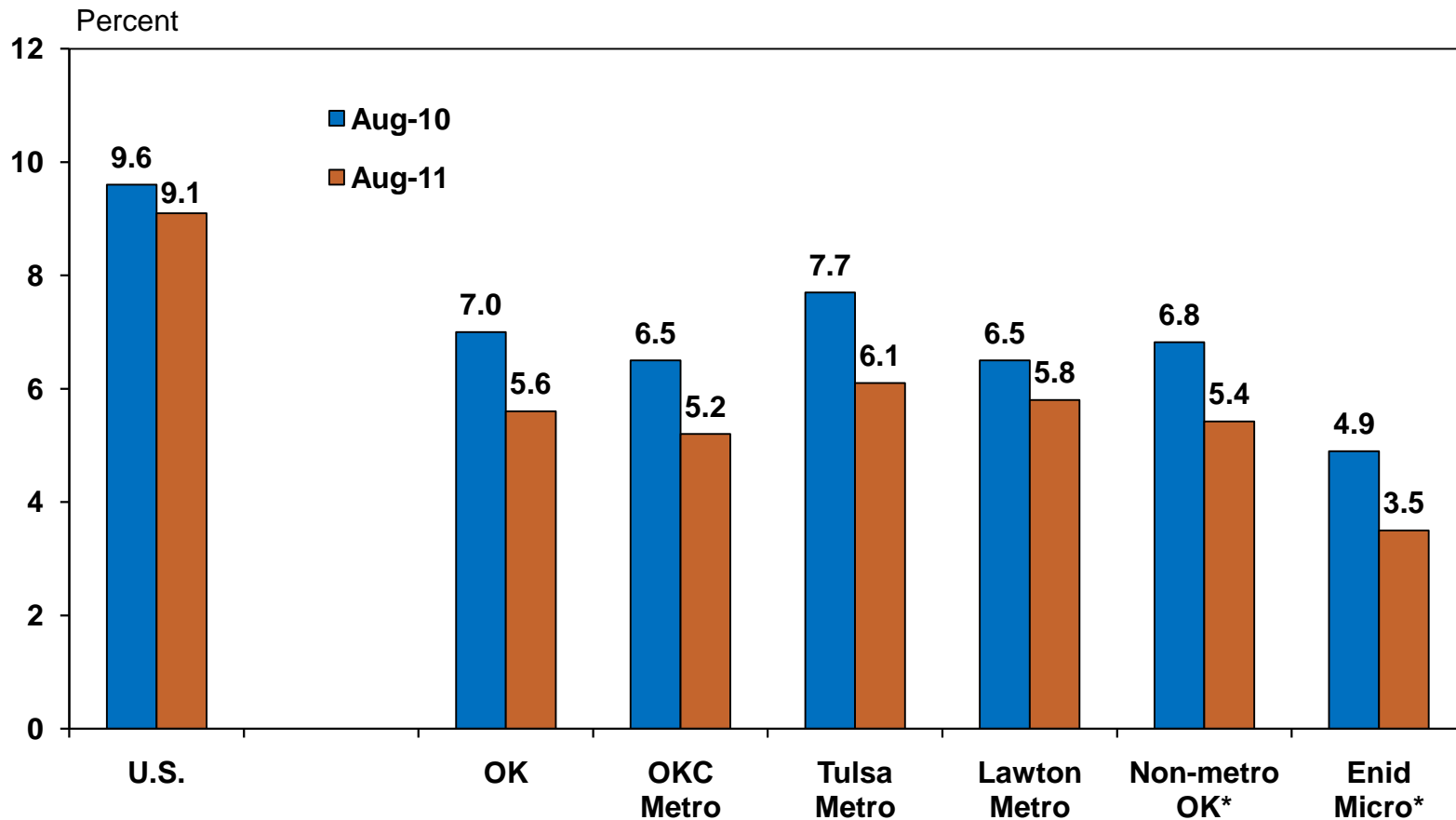
The unemployment rate in Oklahoma, 5.6 percent, is among the lowest in the nation

Unemployment Rate
August 2011



Indeed, most of the state is back to levels often considered to be “full employment”

Unemployment Rate
Seasonally Adjusted*



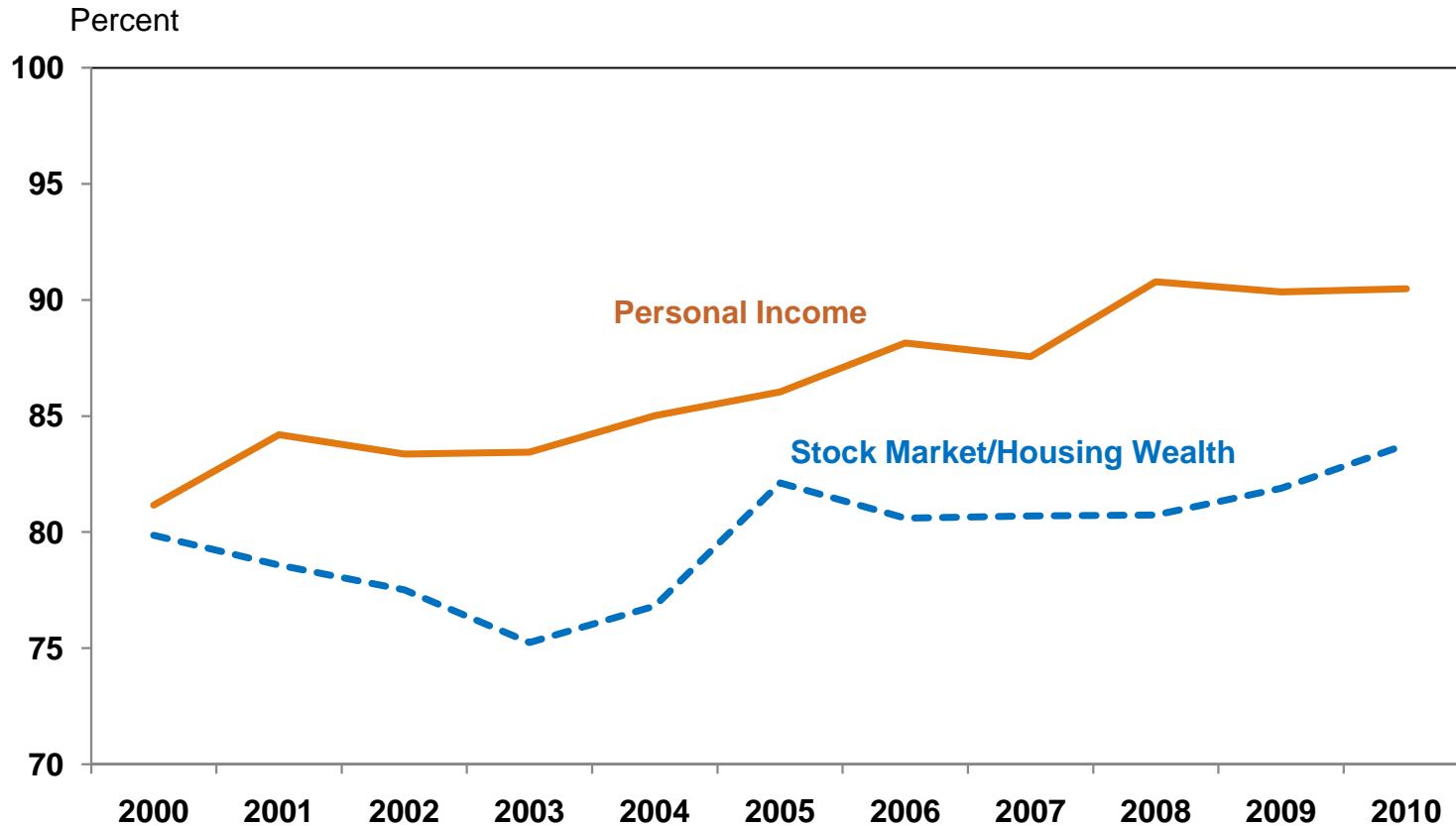
Oklahoma Economic Trends in Longer-Term Perspective

- Recent strong growth has allowed the state to “catch up” a bit on some key indicators
- However, economic activity in the state as a whole remains below pre-recession levels
- Still, some areas and industries in the state appear to have fully recovered



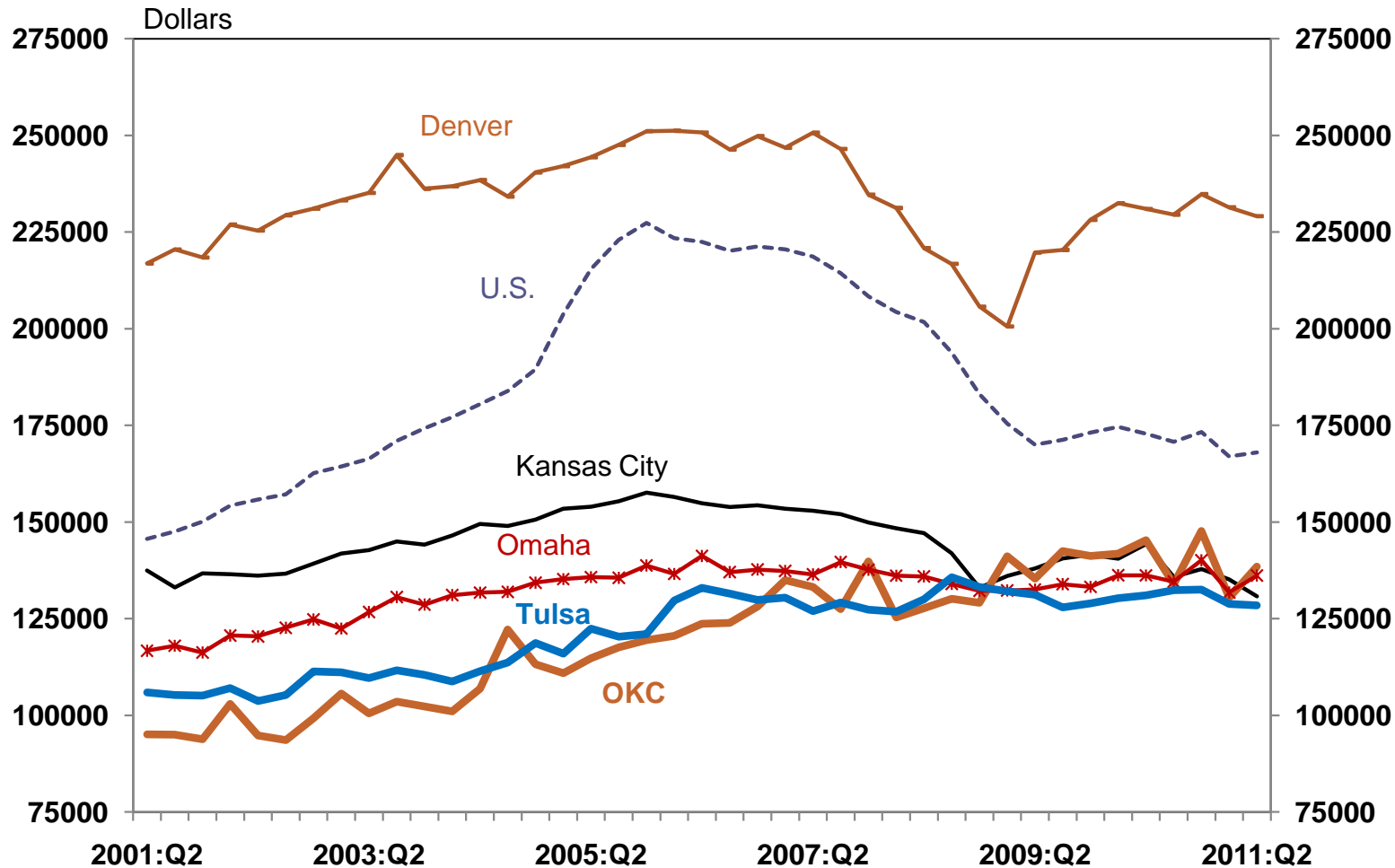
Both incomes and wealth in the state are closer to national averages than 10 years ago

Oklahoma Per Capita Income and Wealth as a Share of U.S.



Home prices in large metros now compare more favorably to the U.S. and region

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

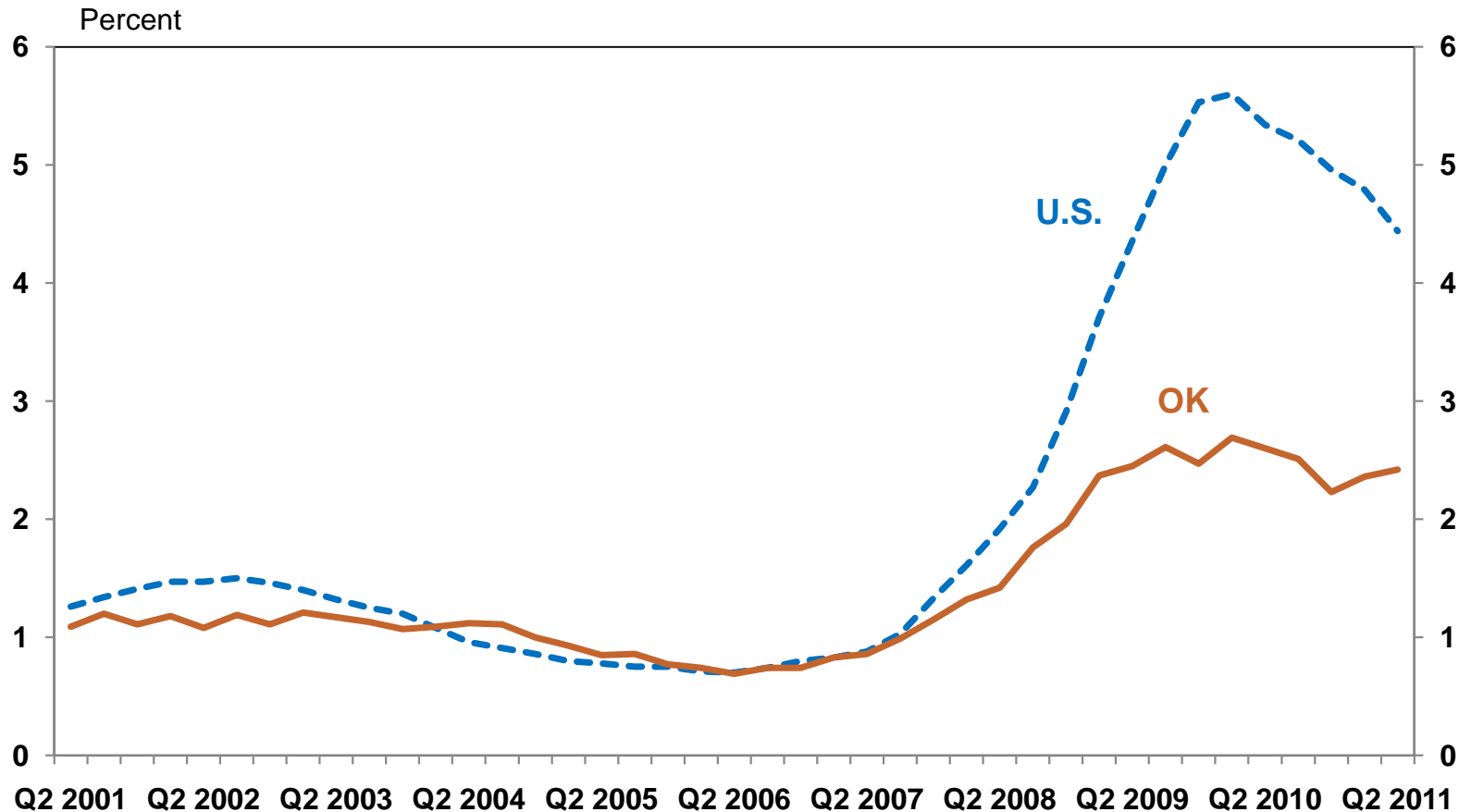


Source: NRA



Banks have also held up much better, but are not back to pre-recession conditions

Problem Loans as a Share of All Loans
Commercial Banks

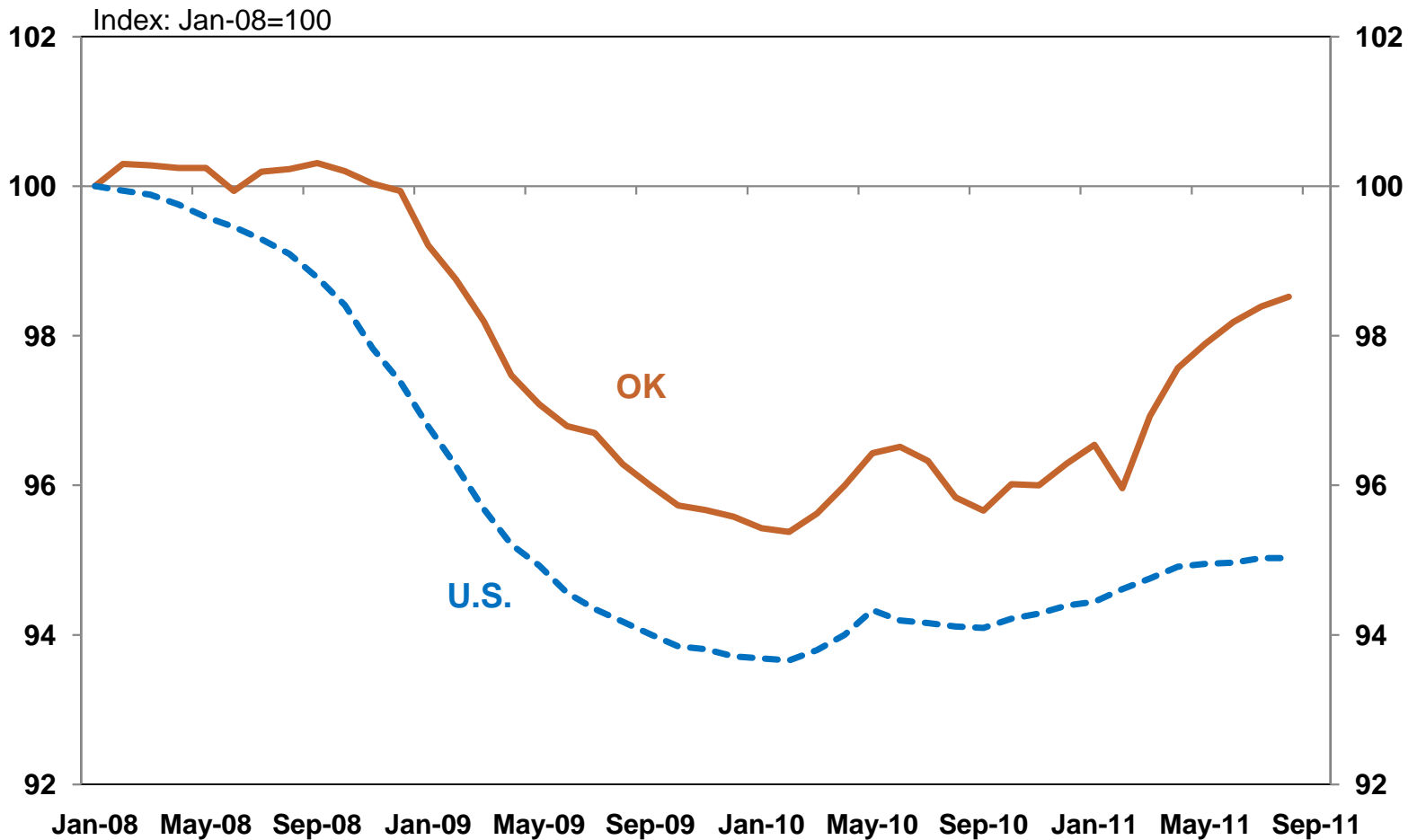


Source: FDIC



Despite recent strong job growth, state employment is still lower than in early 2008

Total Payroll Employment Since Beginning of U.S. Recession

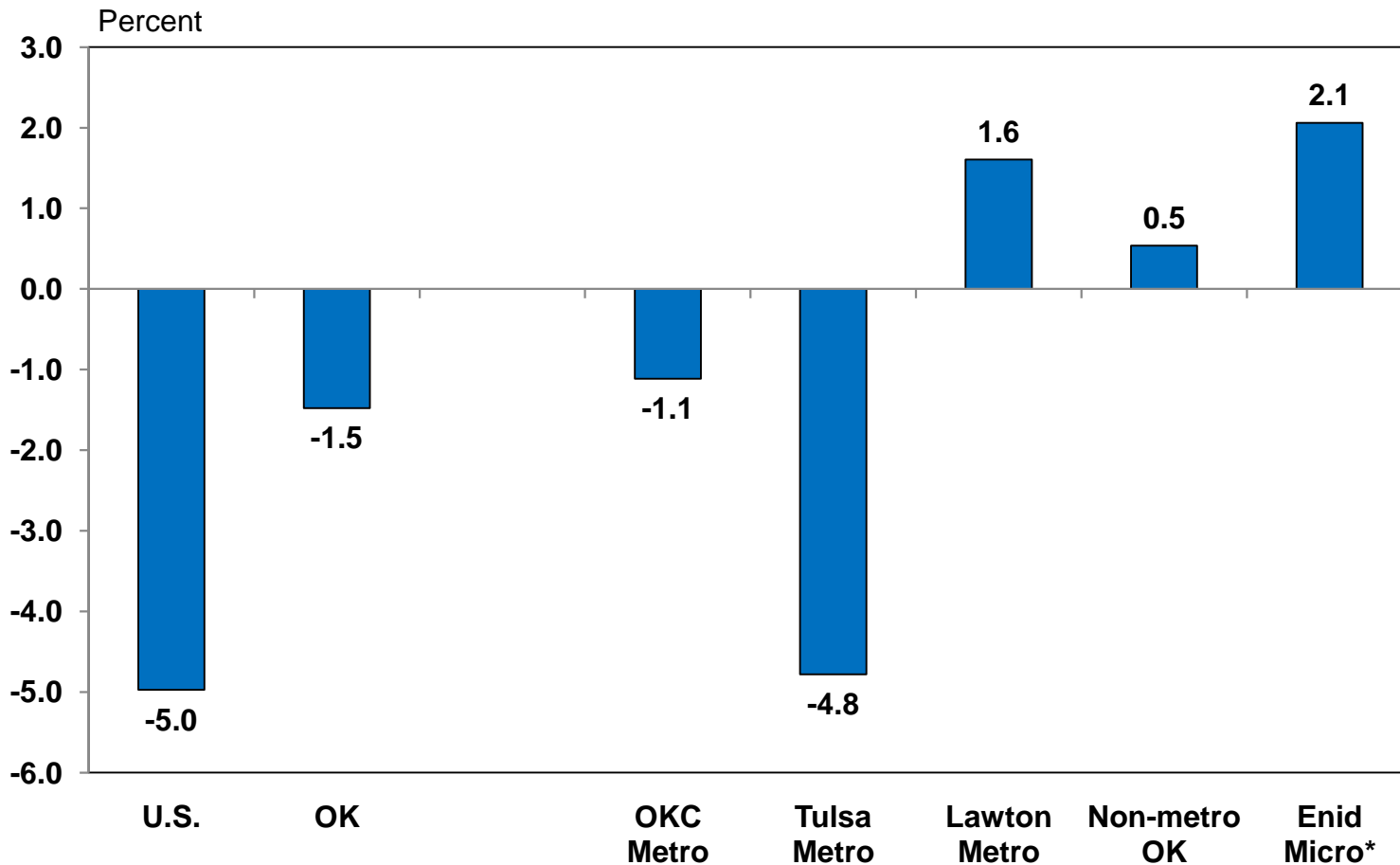


Source: U.S. Bureau of Labor Statistics



Tulsa has recovered less than OKC and, especially, smaller cities and rural areas

Change in Employment Since January 2008
Seasonally Adjusted

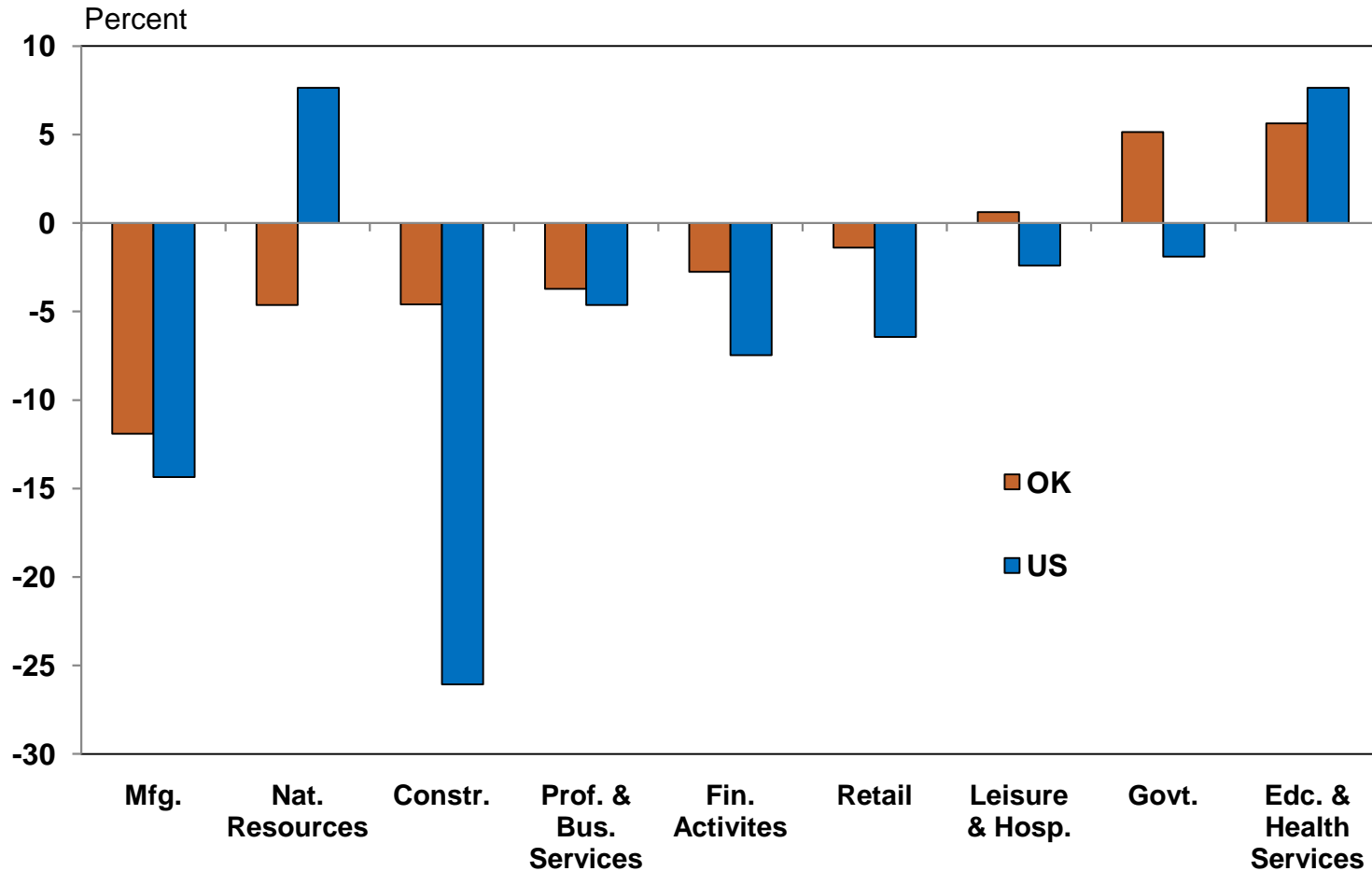


*Data for this area from LAUS rather than CES
Source: U.S. Bureau of Labor Statistics



Employment in most state industries is still lower than in 2008, though better than U.S.

Change in Employment Since January 2008

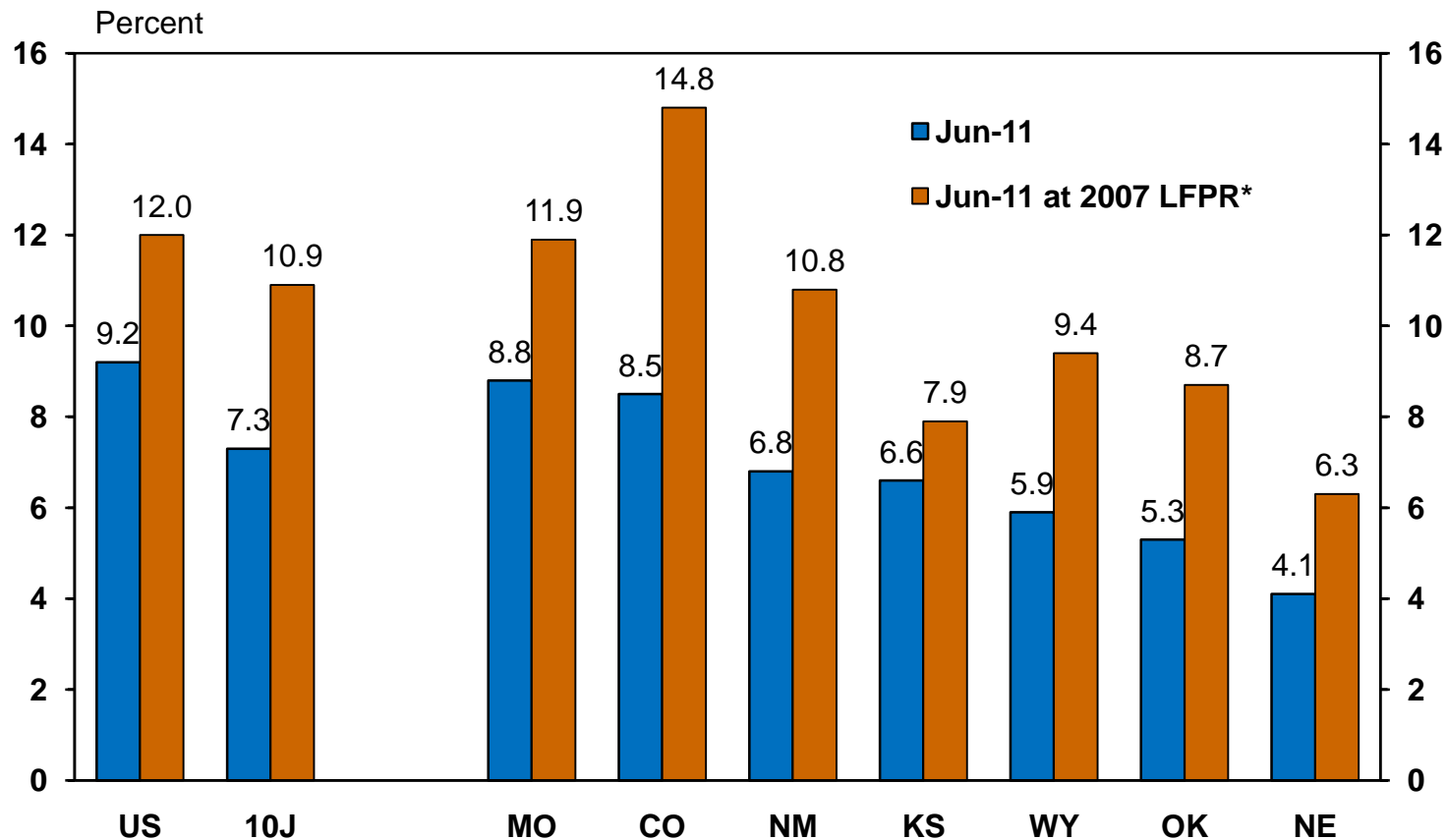


Source: U.S. Bureau of Labor Statistics



State unemployment is not as low once labor force dropouts are considered

Unemployment Rate by State
Seasonally Adjusted

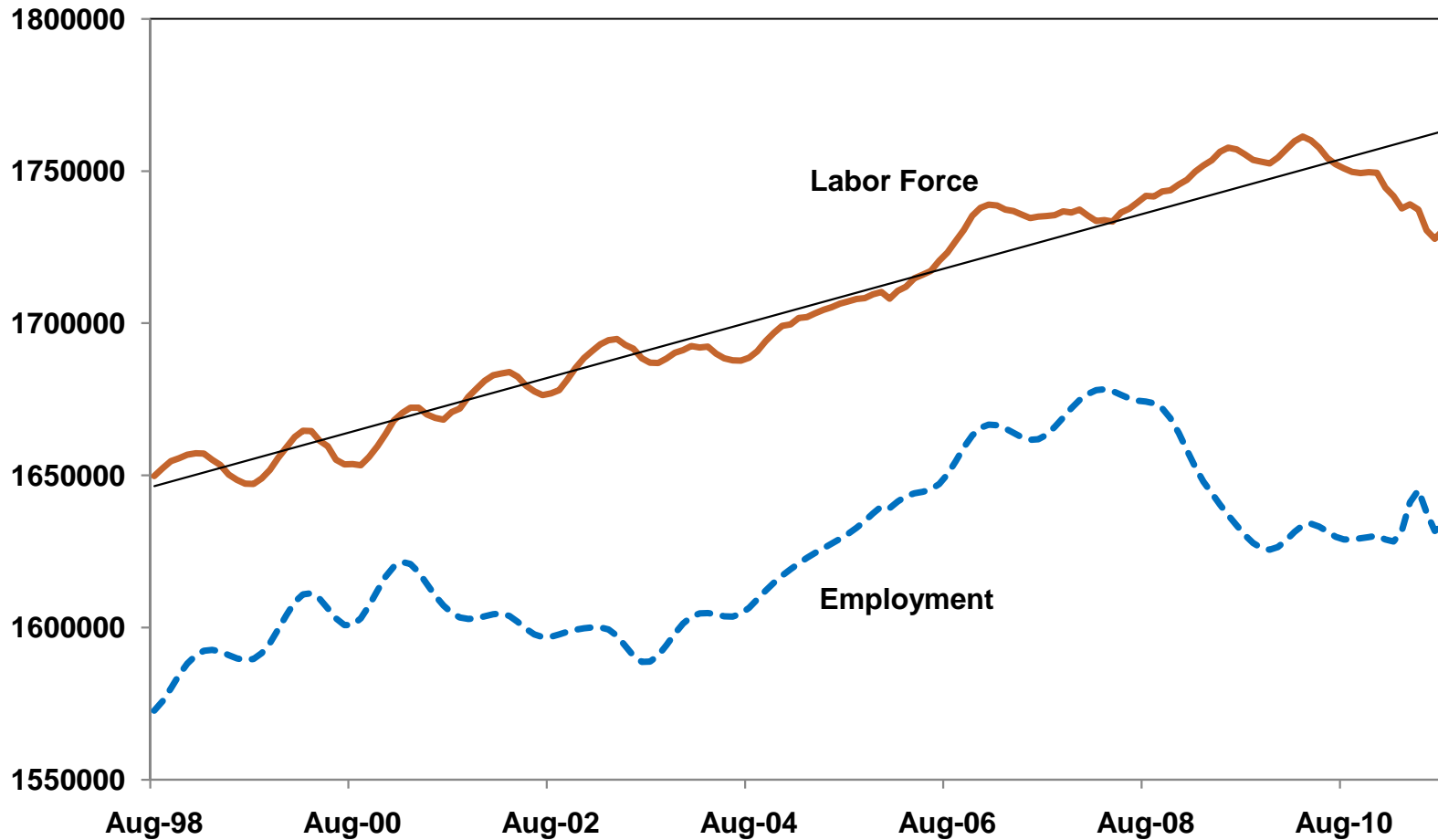


*LFPR= Labor Force Participation Rate



Indeed more of the drop in unemployment is from labor force declines than job growth

Oklahoma Labor Force and Household Employment



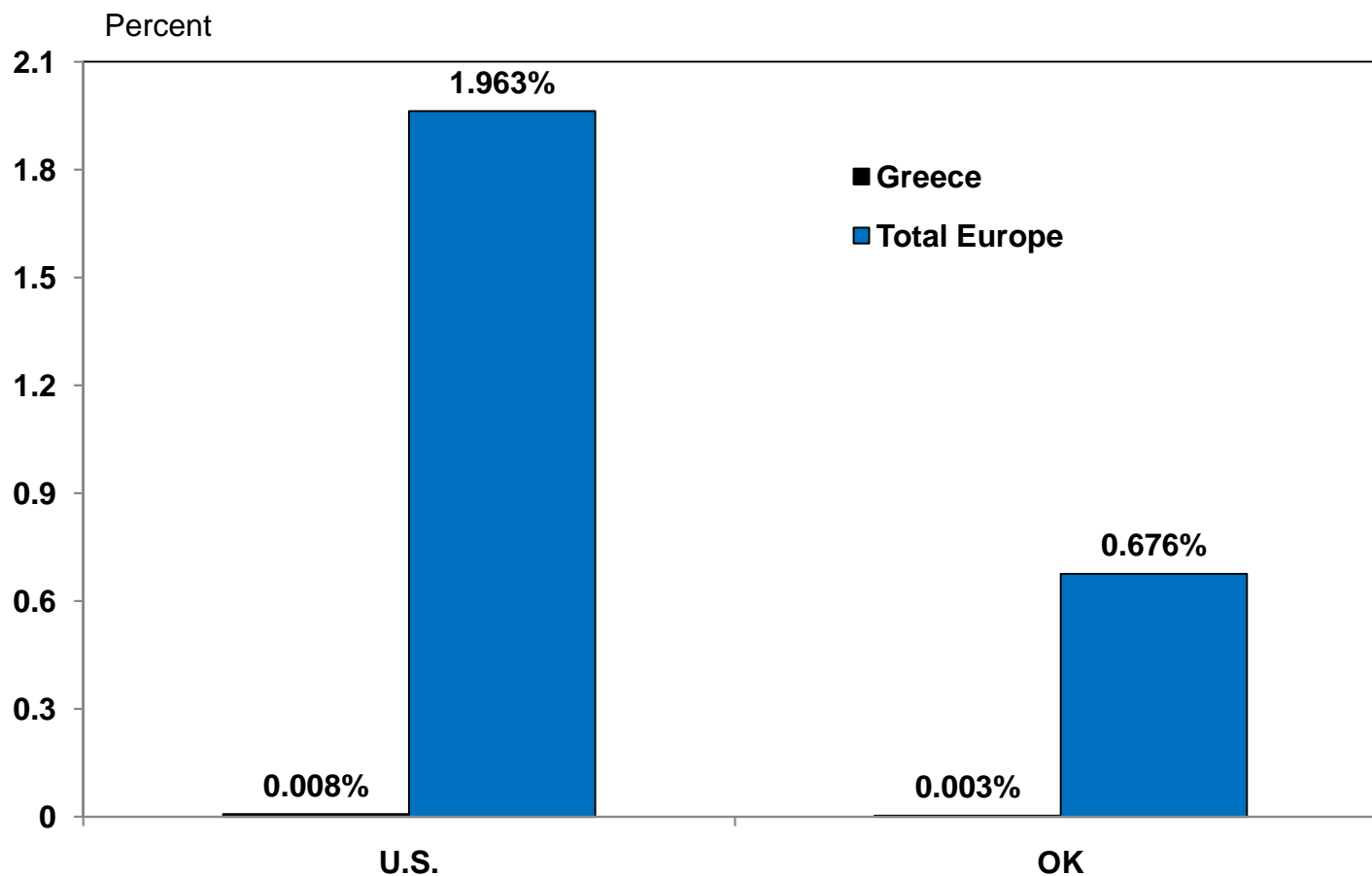
Factors Affecting Oklahoma's Outlook

- International disruptions should generally affect Oklahoma less than other states
- Energy prices are always a risk relative to the nation, but oil remains highly profitable
- Agriculture has worsened recently, but manufacturers are cautiously optimistic



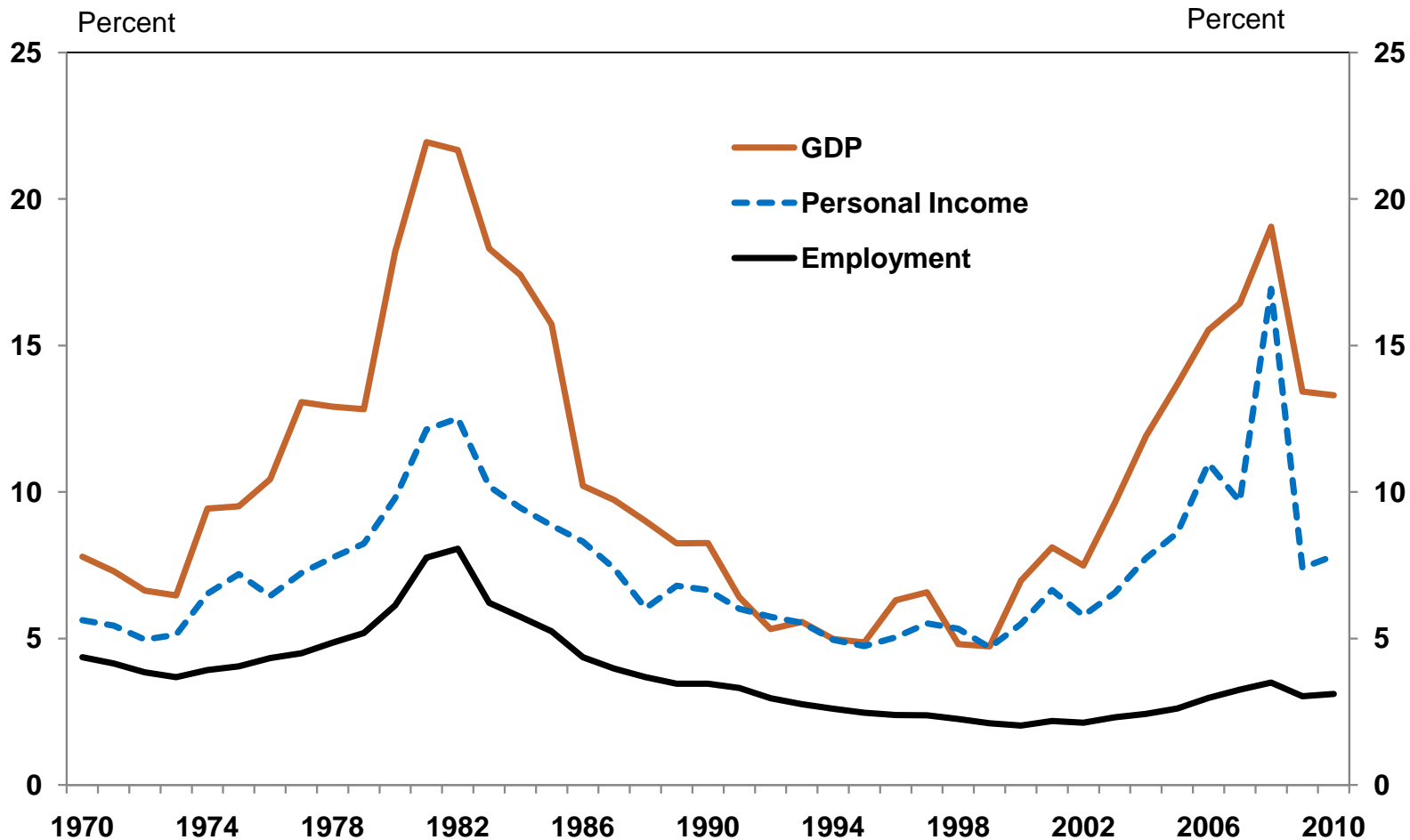
Oklahoma has much less trade exposure to Europe than does the U.S. as a whole

Exports to Greece and Europe
as a Share of GDP



Over the past few years, energy has been nearly as important as it was 30 years ago

Mining Sector's Share of Oklahoma Activity

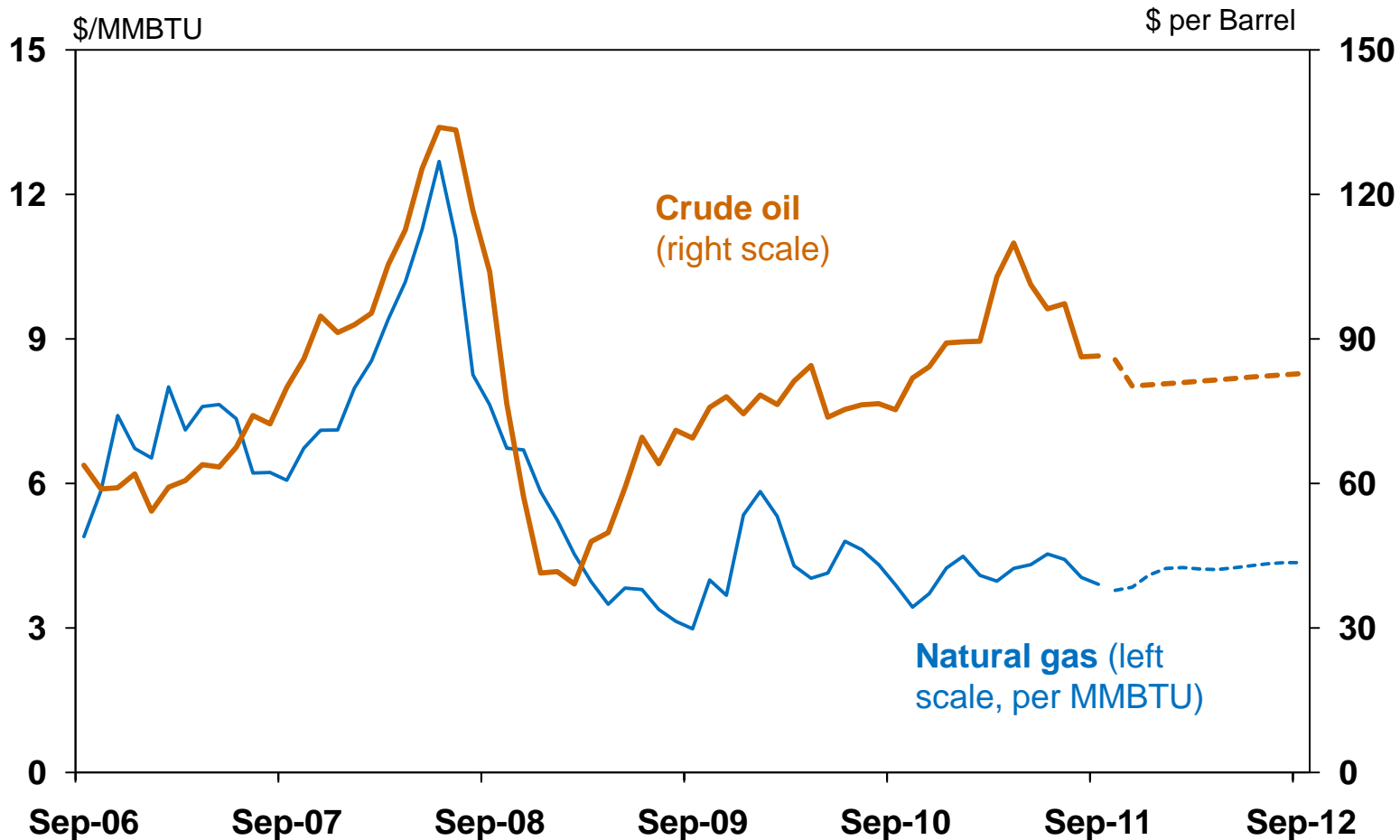


Source: BEA



As such, the outlook for energy prices remains vitally important to the state

Energy Prices

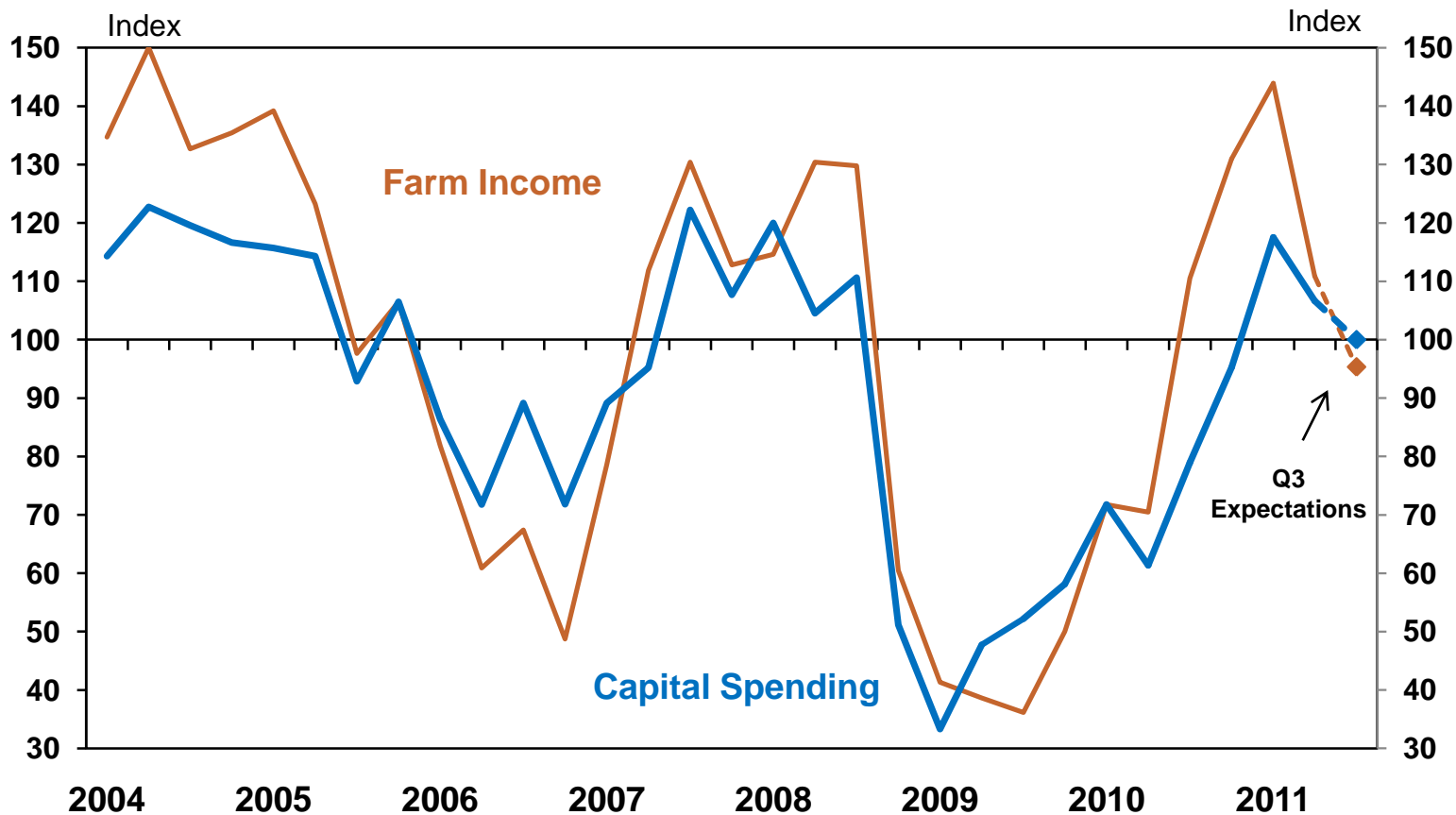


Source: Bloomberg



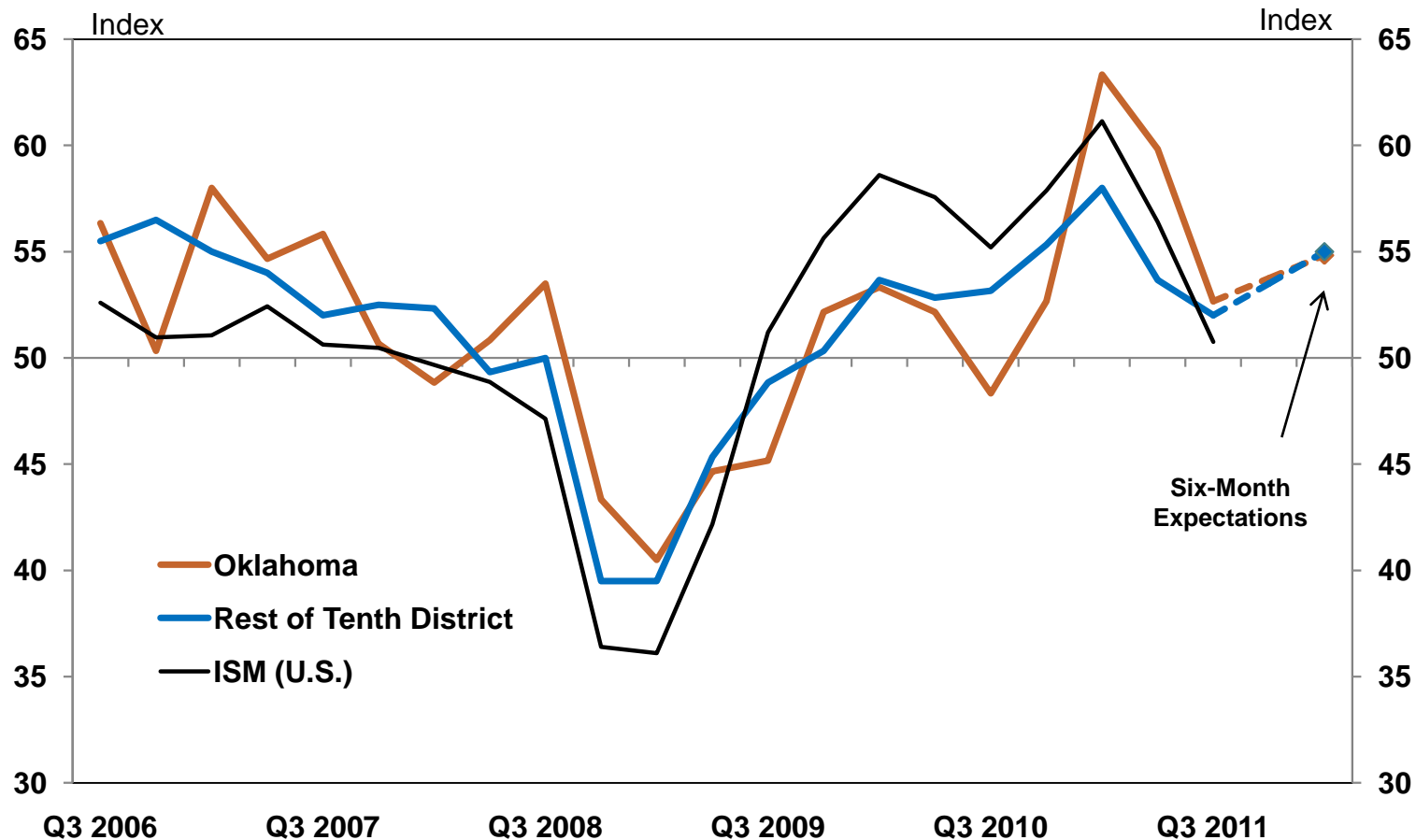
Agricultural conditions have weakened, but remain better than in 2009

Oklahoma Agricultural Conditions



Manufacturing growth has slowed but is expected to rise slightly through 2012

Manufacturing Composite Indexes



Note – Oklahoma and Tenth District calculated on an ISM basis; Above 50 indicates expansion

Source: KCFRB Manufacturing Survey



Conclusions

- ❑ Oklahoma economic growth has greatly outpaced the nation in 2011
- ❑ While the state has made up ground relative to the nation, we have still not fully recovered from the recession
- ❑ Future risks seem less than in the nation, and contacts expect modest expansion

