

# U.S. and Oklahoma Economic Outlook



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# Overview of the Federal Reserve System

- **The “Fed” consists of three main entities:**
  - Board of Governors: 7 members appointed by U.S. President
  - Federal Reserve Banks: 12 total; semi-independent by design
  - Federal Open Market Committee: 19 members; 12 voting
  
- **As with most central banks, the Fed’s primary responsibilities fall within four general areas:**
  - Lender of last resort – provide liquidity in times of crisis
  - Monetary policy – promote full employment and low inflation
  - Bank regulation – ensure safety and soundness of banks
  - Financial services – bank for banks, bank for federal govt.





# The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- **History, staff, and functions**

- Branch office opened in 1920; currently have about 35 staff
- Functions include economic research, bank examinations, public outreach

- **2011 branch board of directors**

- **Steve Agee (chairman)**, Dean, Oklahoma City Univ. Business School, OKC
- **Jim Dunn**, Chairman, Mill Creek Lumber and Supply Co., Tulsa
- **Jacque Fiegel**, Senior EVP and COO, Coppermark Bank, OKC
- **Rose Washington Rentie**, Executive Director, TEDC Creative Capital, Tulsa
- **Doug Tippens**, President and CEO, Bank of Commerce, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville

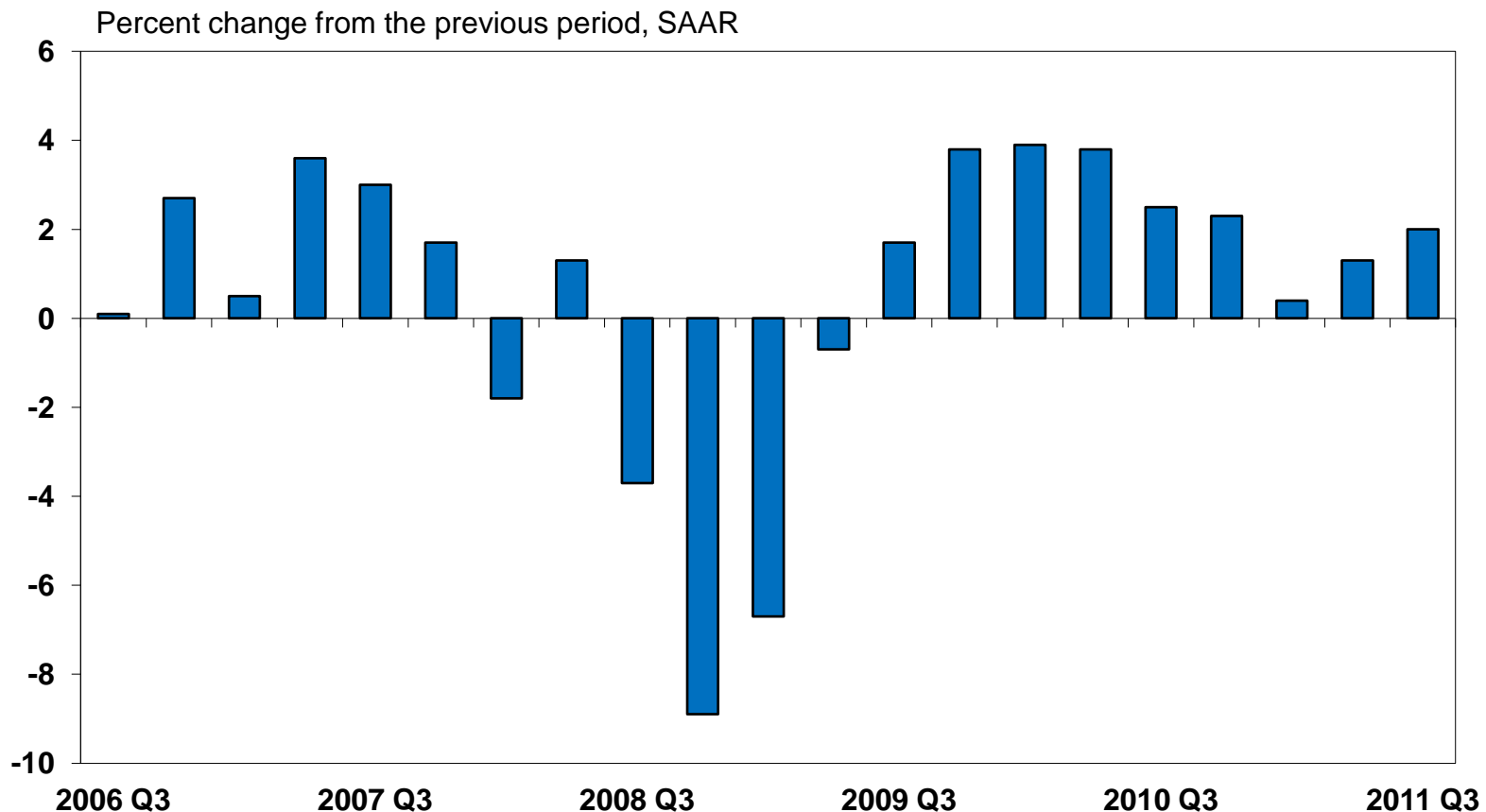


# The U.S. Economy



# Real GDP growth picked up somewhat in Q3, but still remains moderate

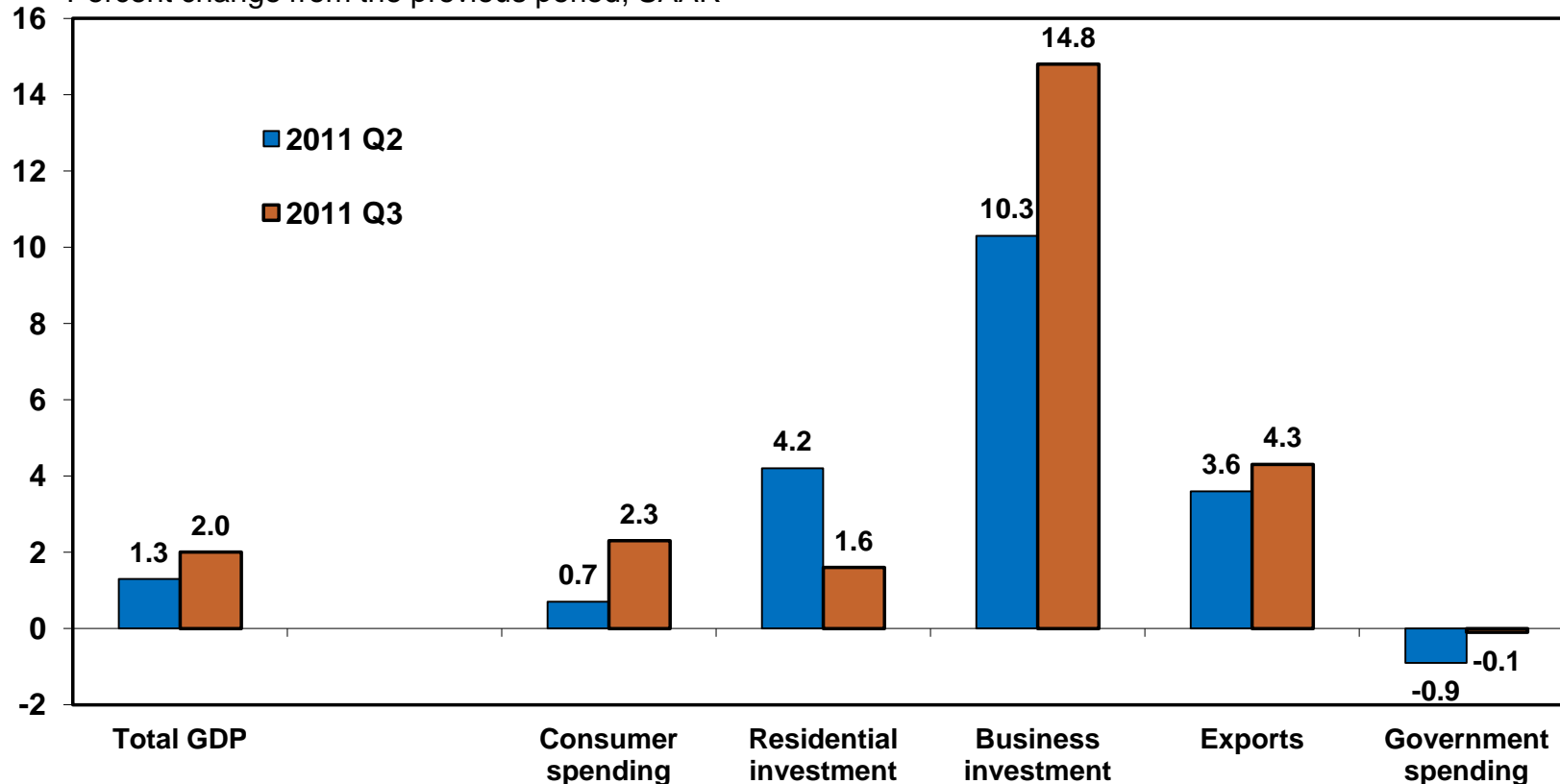
## U.S. Real Gross Domestic Product



# Business investment was strong, exports grew further, and consumers spent more

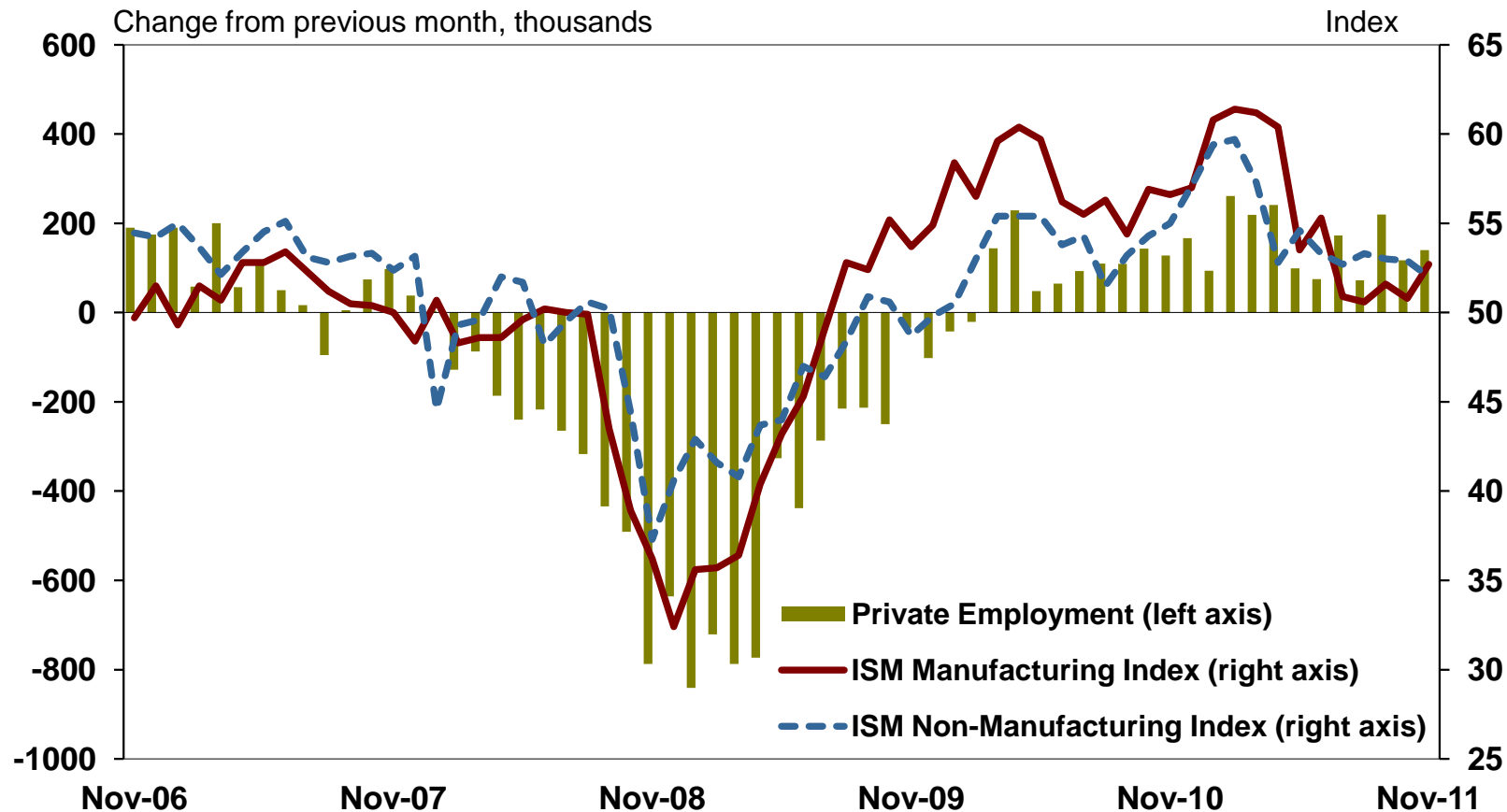
## Growth in Components of Real GDP

Percent change from the previous period, SAAR



# Employment growth has been modest but business indexes remain expansionary

## U.S. Private Payroll Employment and Business Indexes





# But financial stress continues to rise in Europe, and is beginning to spread beyond

## 3-month EURIBOR-OIS & LIBOR-OIS Spreads



Source: Bloomberg



# November 2, 2011 FOMC Statement

“To support a stronger economic recovery and to help ensure that inflation, over time, is at levels consistent with the dual mandate, the **Committee decided today to continue its program to extend the average maturity of its holdings of securities** as announced in September...

“The Committee is maintaining its existing policies of **reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction...** The Committee also decided to keep **the target range for the federal funds rate at 0 to 1/4 percent** and currently anticipates that economic conditions--including low rates of resource utilization and a subdued outlook for inflation over the medium run--are **likely** to warrant exceptionally low levels for the federal funds rate **at least through mid-2013...**

“**Voting against the action** was Charles L. Evans, who supported additional policy accommodation at this time.”



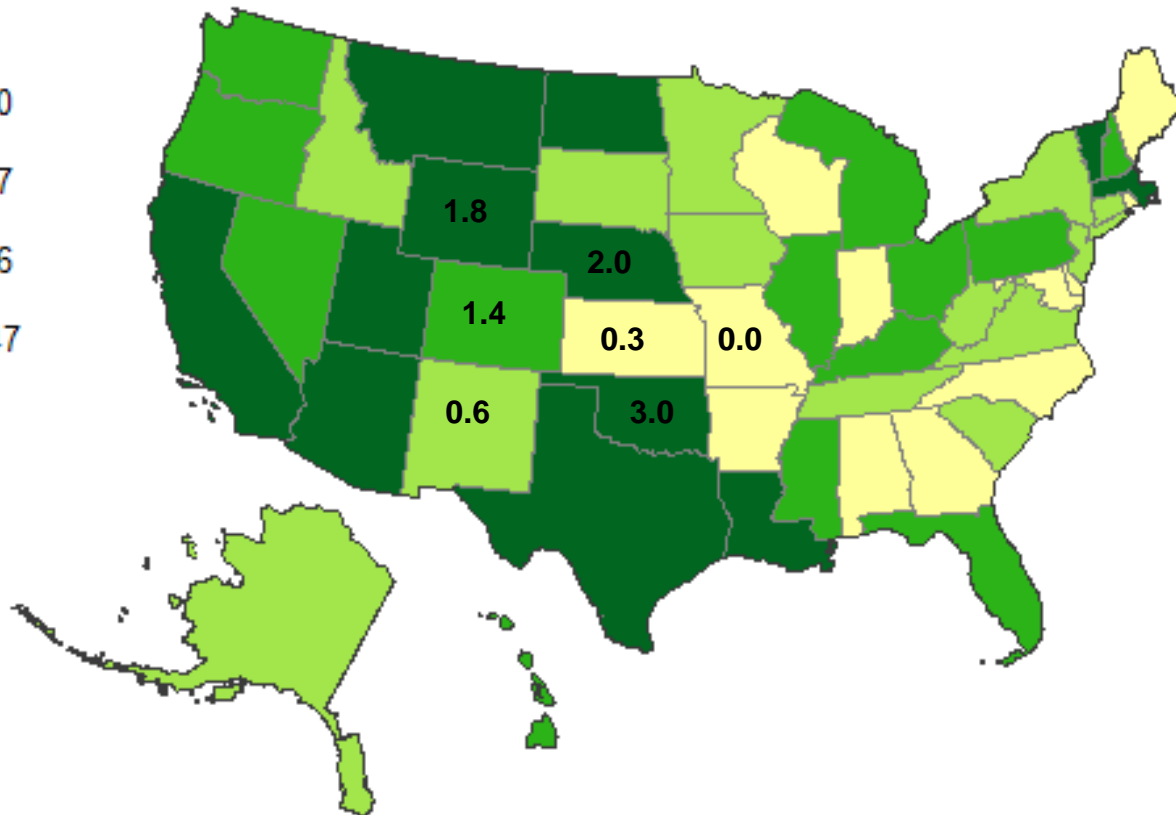
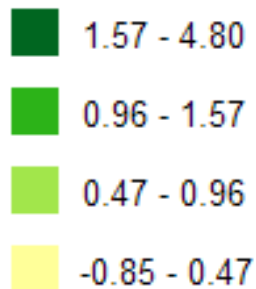
# The Oklahoma Economy



# There is considerable variation in economic strength across the nation and region

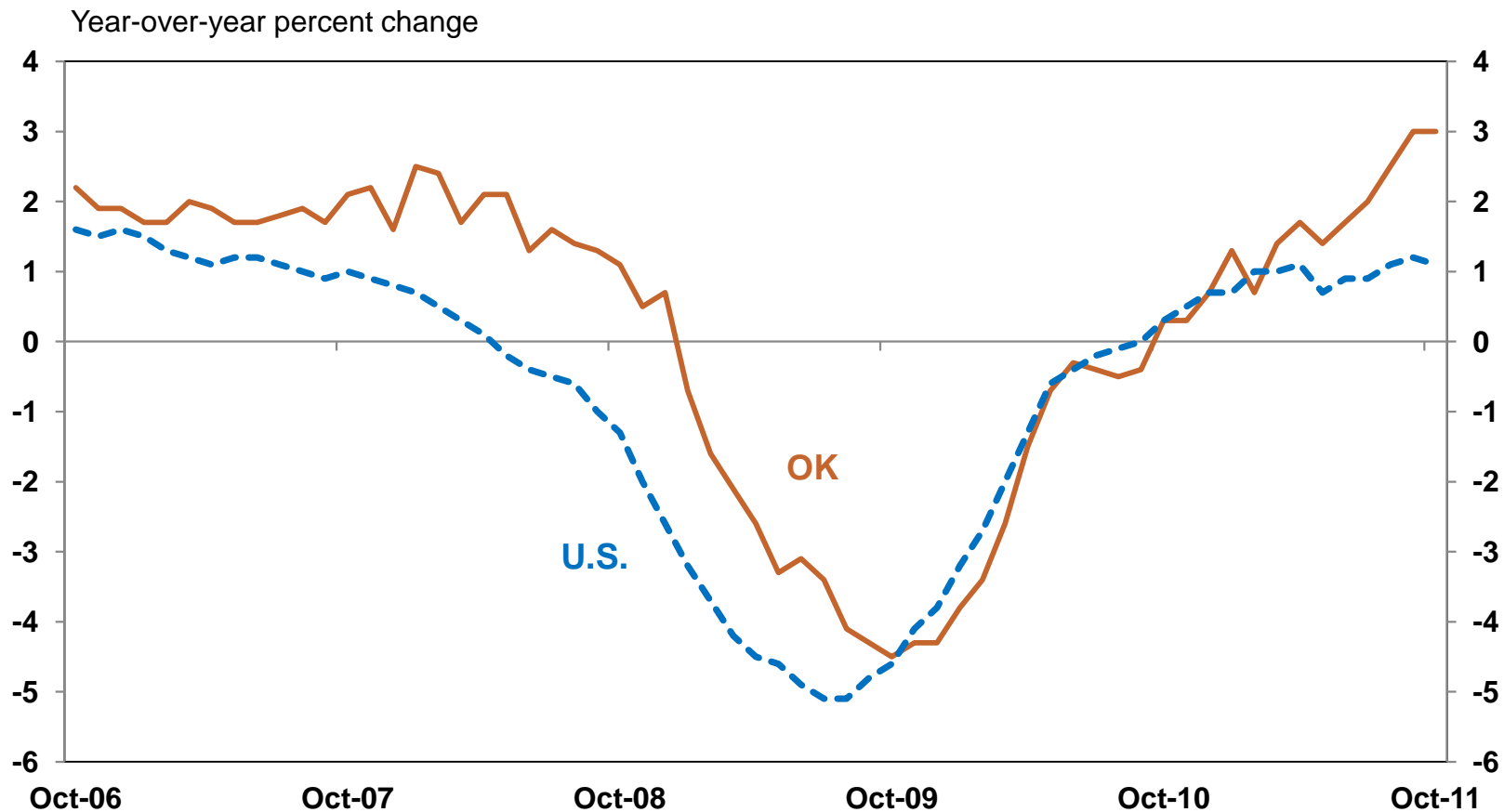
## Employment Growth, Year-over-Year (percent) October 2011

Scale



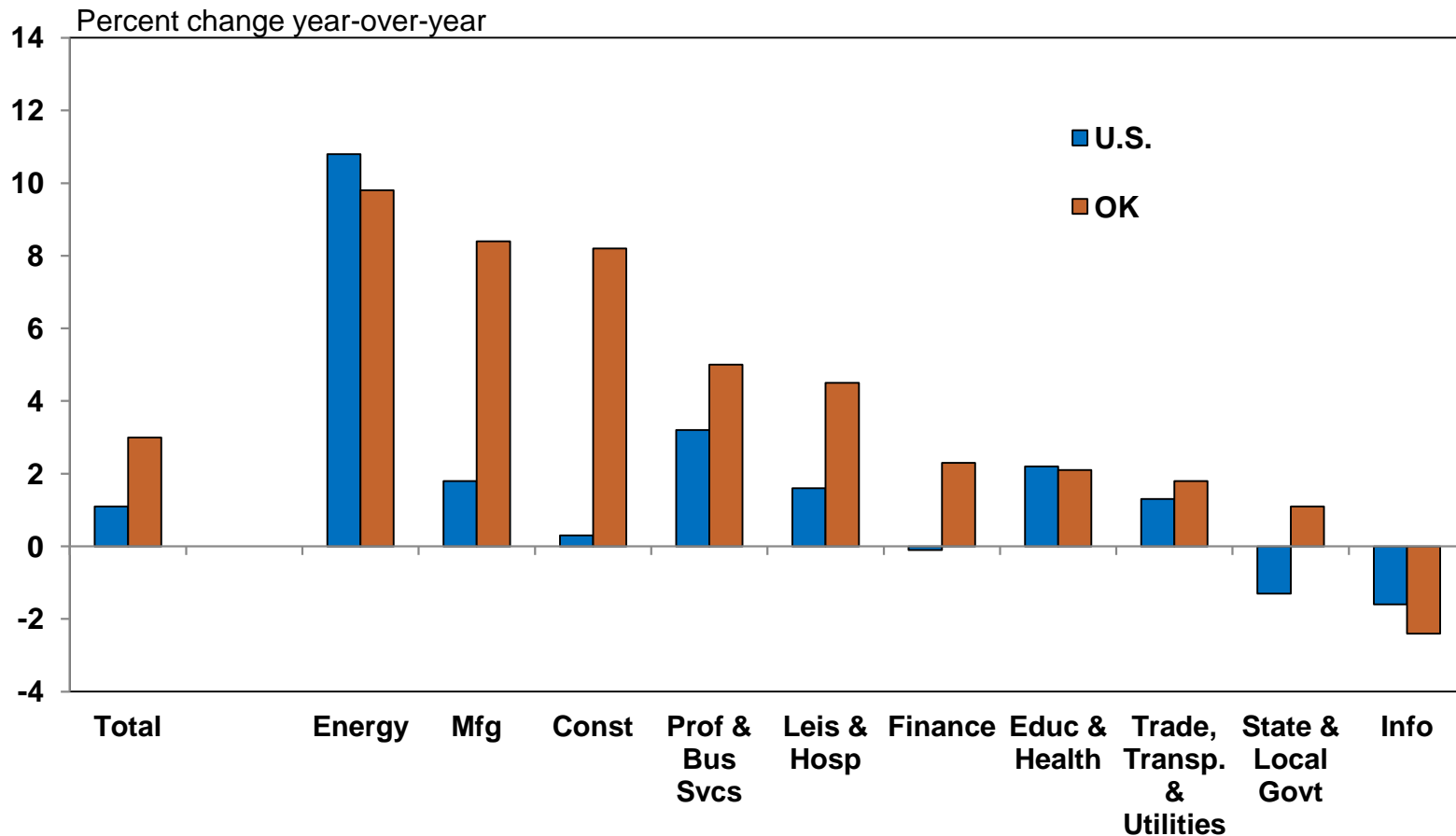
# After a milder recession than the nation, Oklahoma has been adding jobs rapidly

## Payroll Employment



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

## Employment Growth October 2011

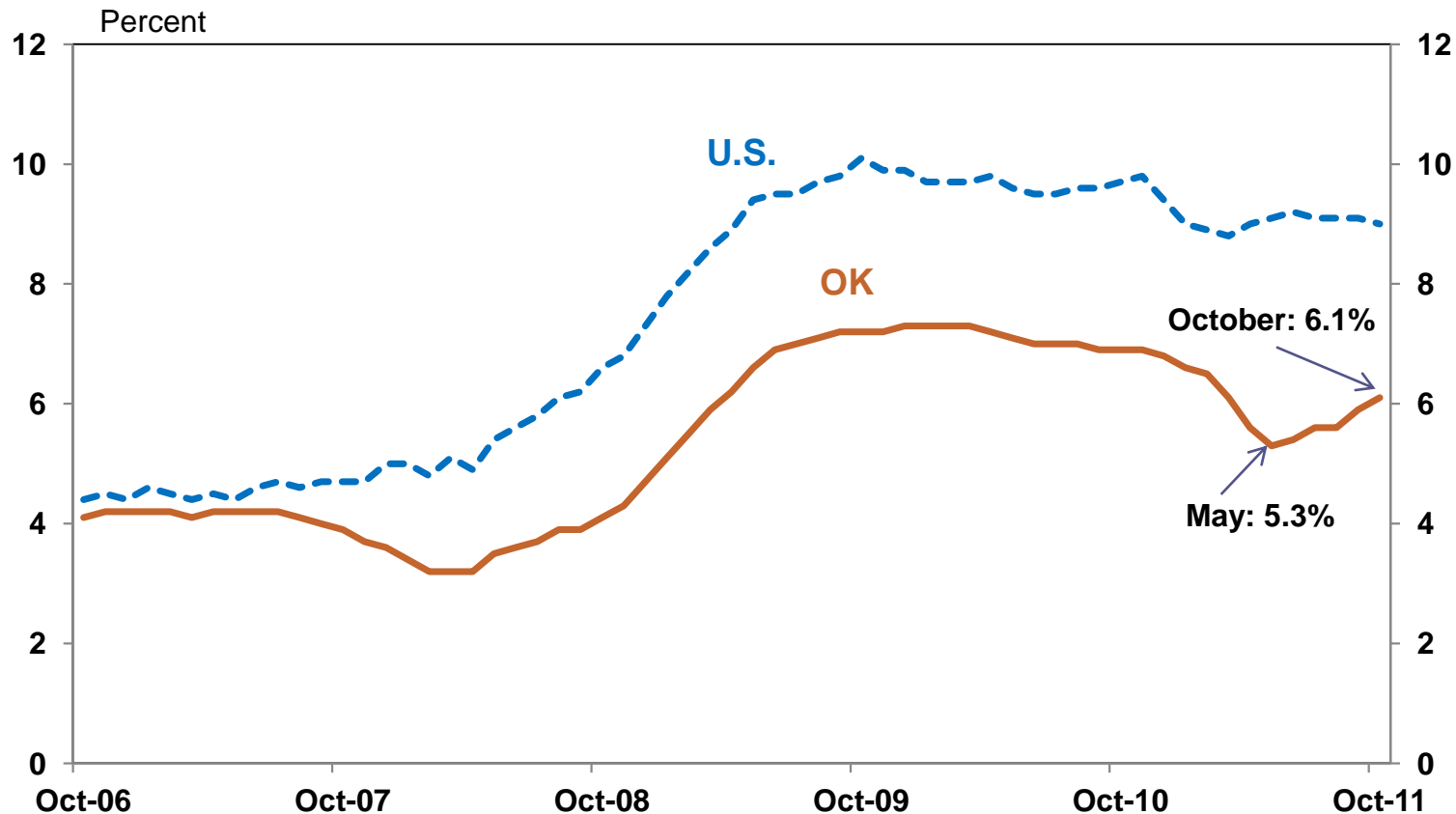


Source: Bureau of Labor Statistics



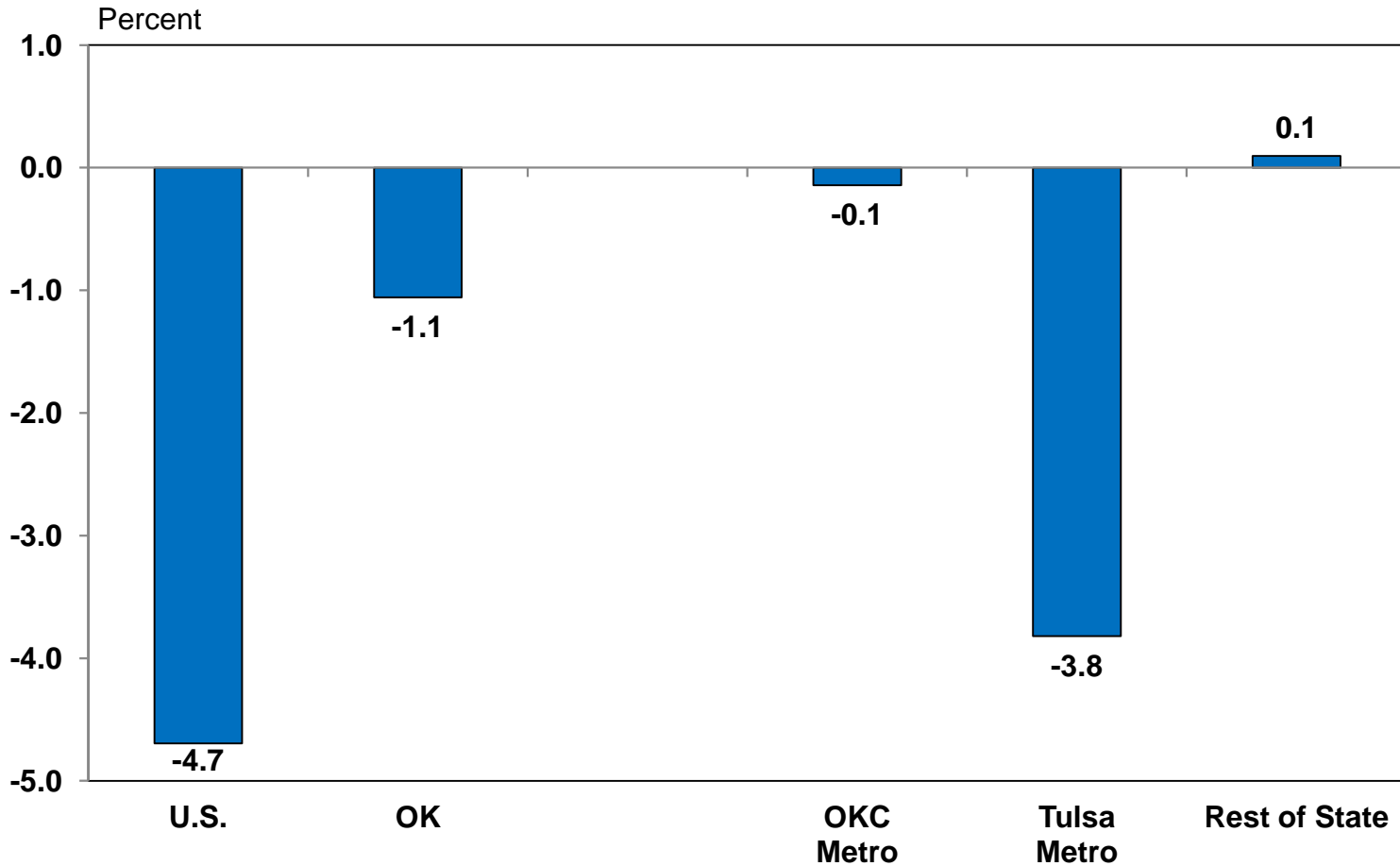
# Yet state unemployment has risen, as discouraged workers resume job hunting

**Unemployment Rate**  
Seasonally Adjusted



# Oklahoma employment is now essentially back to pre-recession levels, except in Tulsa

**Change in Employment Since January 2008**  
Seasonally Adjusted



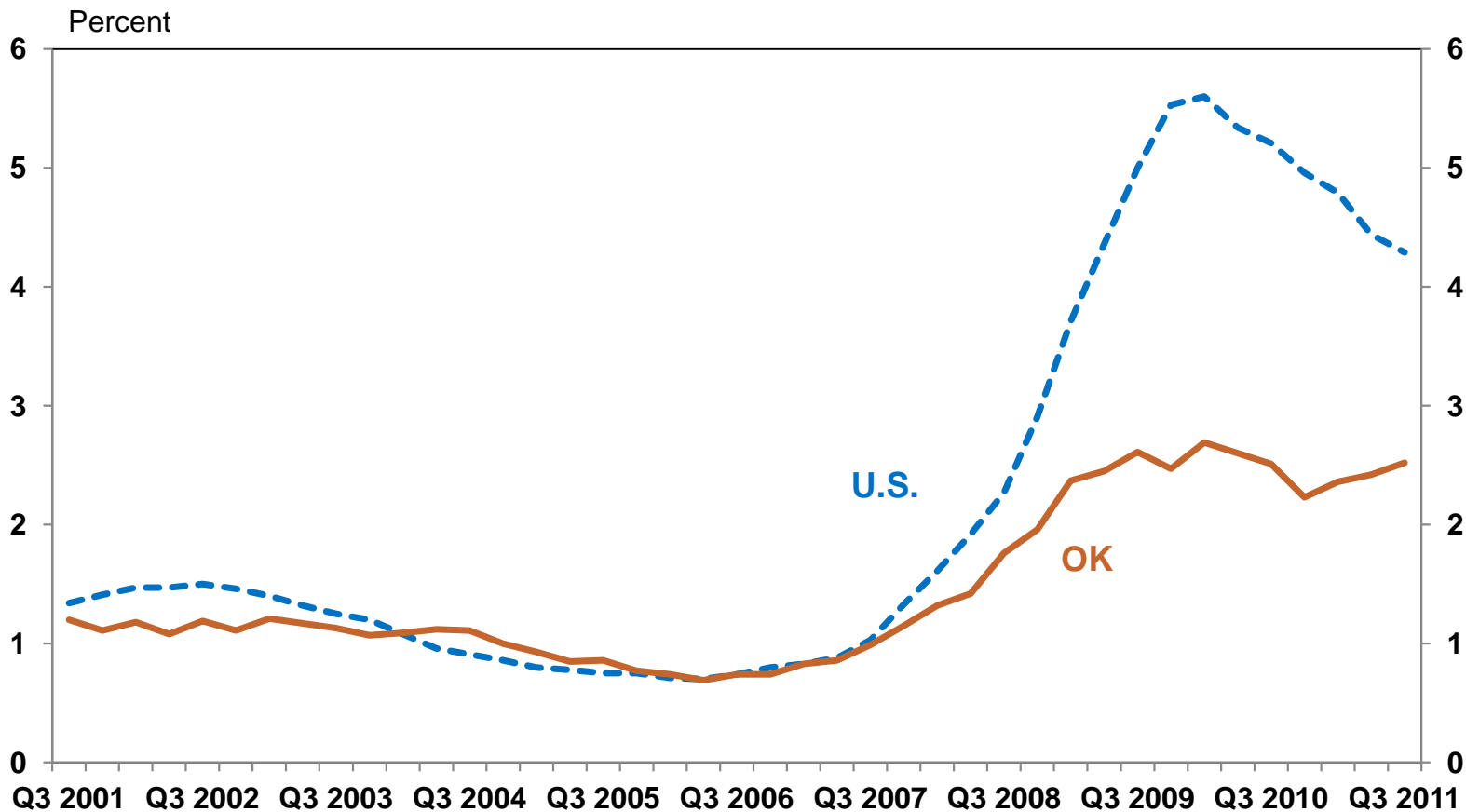
Source: U.S. Bureau of Labor Statistics





# Problem loans are still elevated, but OK banks remain in better shape than the U.S.

Noncurrent Loans as a Share of Total Loans  
Commercial Banks

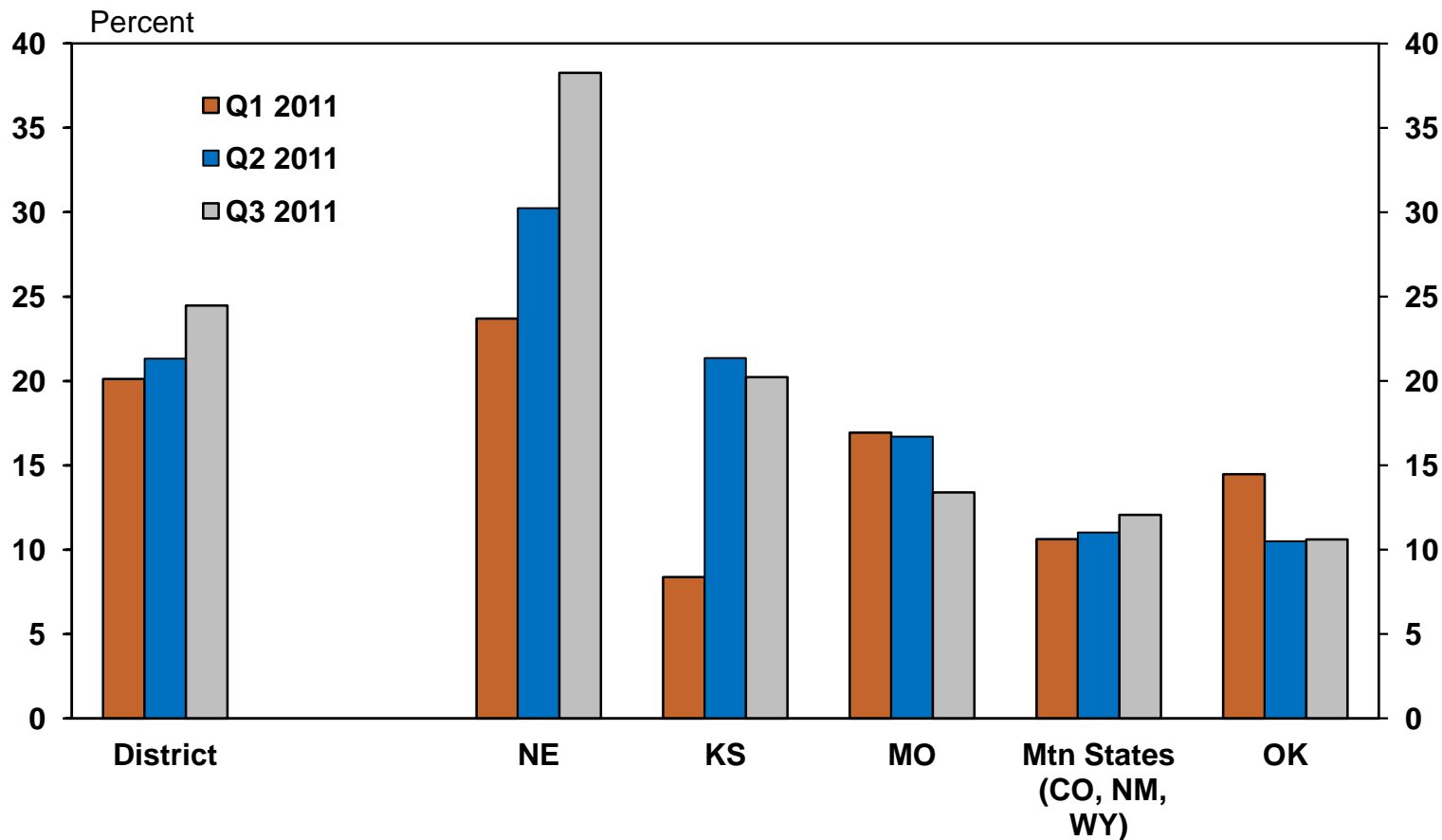


Source: FDIC



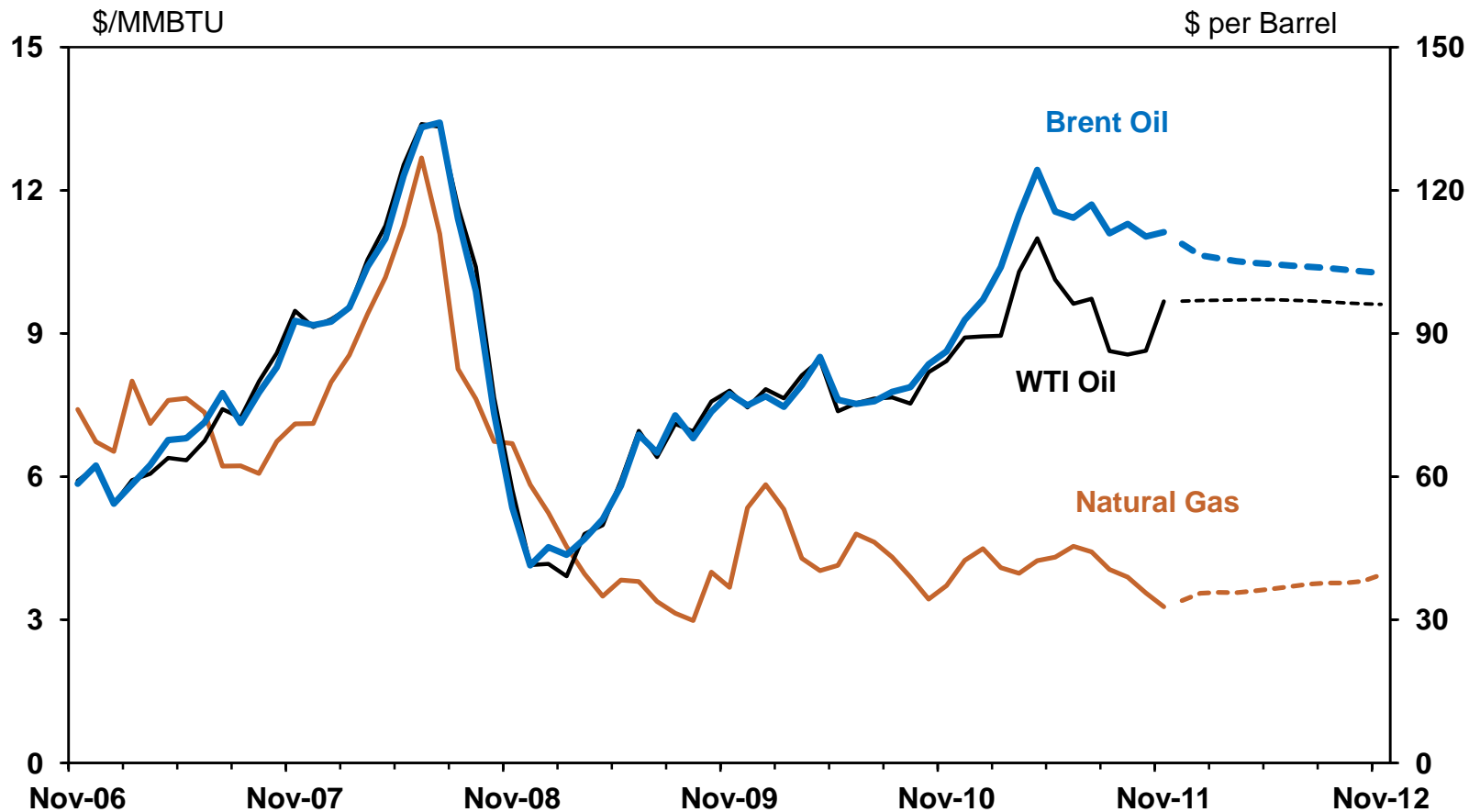
# Surging farmland prices pose a potential risk, particularly in the upper Mid-West

**Tenth District Non-Irrigated Cropland Values**  
Percent Change, Year-over-year



# Energy prices are always OK's biggest risk, and prices have moved quite a bit recently

## Energy Prices



Source: Bloomberg



# Summary

- The U.S. economy is growing moderately but is facing headwinds from Europe
  
- Oklahoma's growth has been very strong in 2011, and fundamentals remain fairly solid

