

U.S. and Oklahoma Economic Outlook



**Chickasha Rotary Club
March 8, 2012**

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www.kansascityfed.org/oklahomacity



The Fed and the U.S. Economic Outlook



Federal Reserve Districts and Office Locations



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

- **Functions – 35 staff**

- **Economic research and outreach** for U.S. monetary policy purposes
- **Examinations and inspections** of Oklahoma financial institutions
- **Economic and financial education outreach** to teachers and citizens
- **Community development outreach** to low and moderate income areas

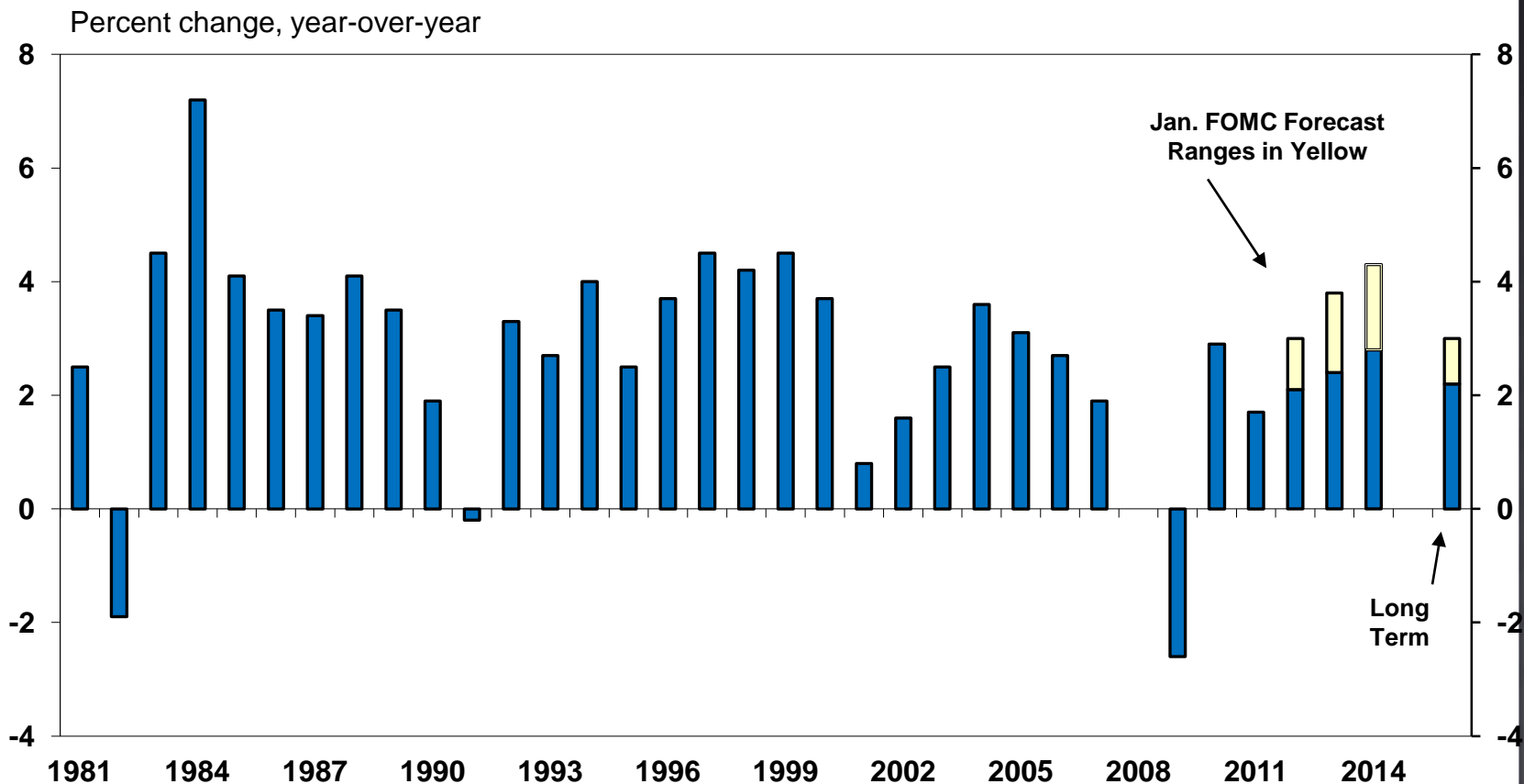
- **2012 board of directors**

- **Jim Dunn (chair)**, Chairman, Mill Creek Lumber and Supply, Tulsa
- **Linda Capps**, Vice Chairman, Citizen Potawatomi Nation, Shawnee
- **Pete Delaney**, Chairman, CEO, & President, OGE Energy Corp., OKC
- **Jacque Fiegel**, Senior EVP and COO, Coppermark Bank, OKC
- **Doug Tippens**, President and CEO, Bank of Commerce, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville
- **Rose Washington**, Exec. Director, Tulsa Economic Development Corp.



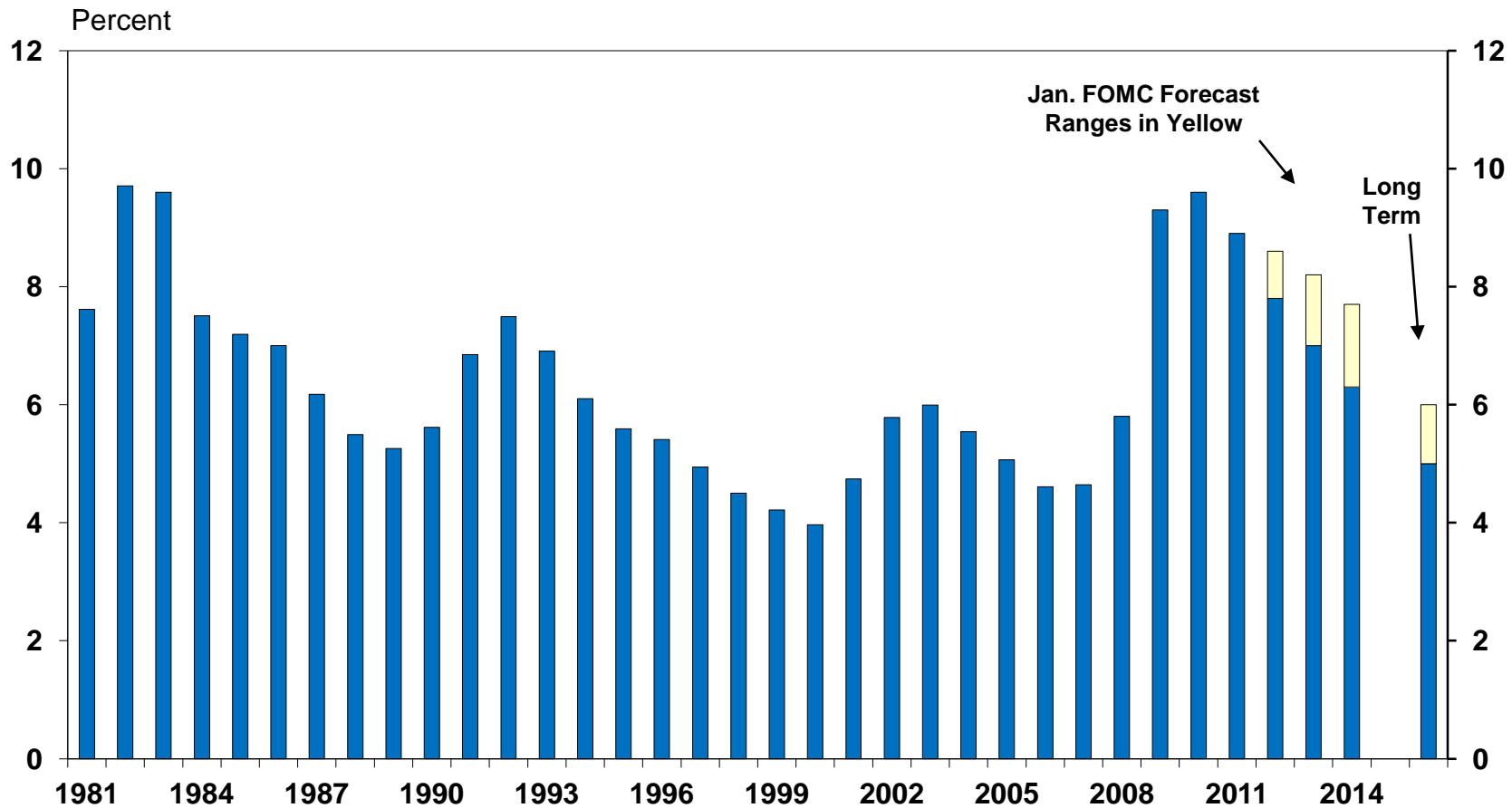
At its meeting last week, the FOMC expected solid GDP growth in 2012

Real Gross Domestic Product



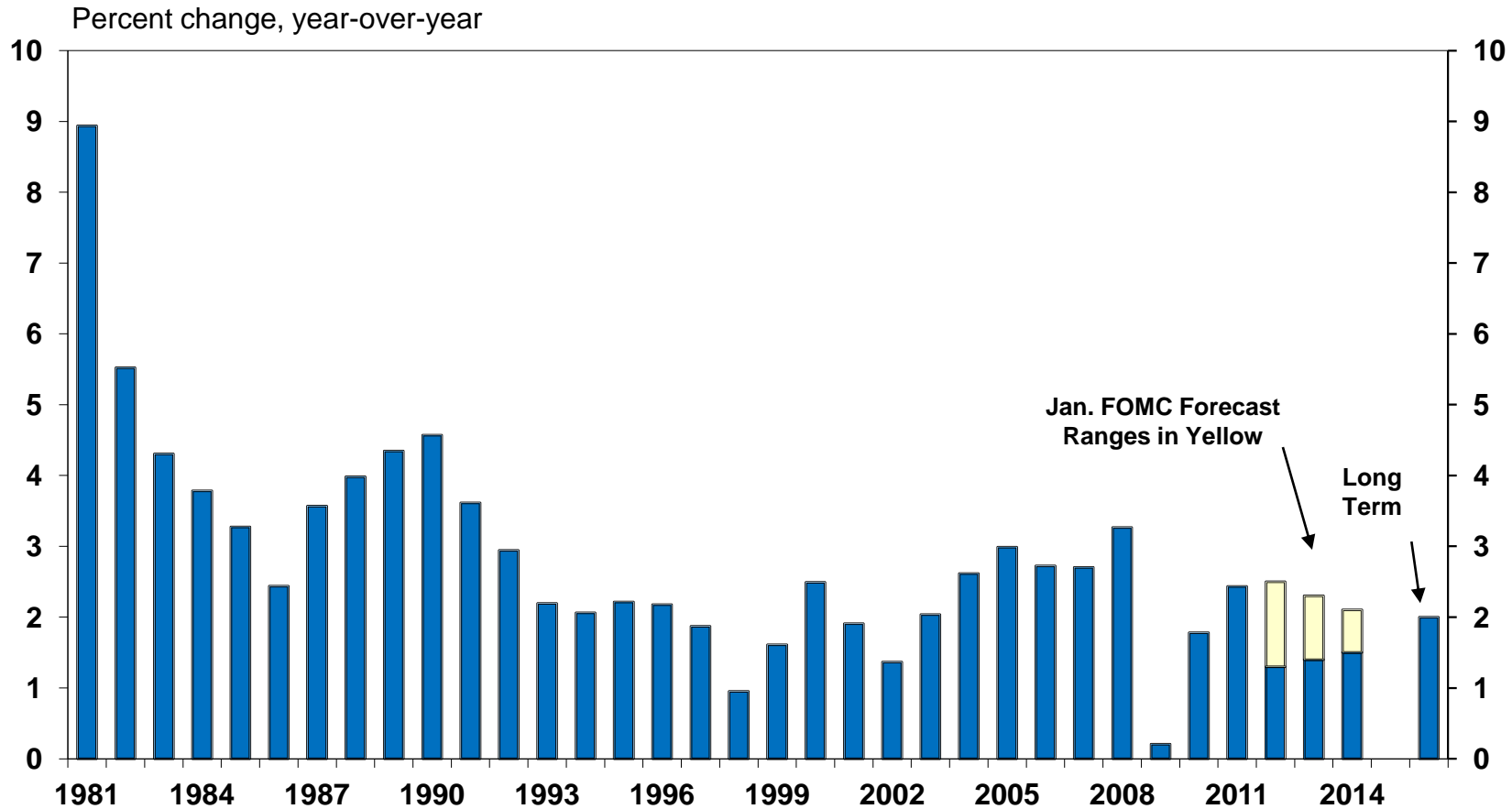
But for unemployment to only come down slowly the next few years

Unemployment Rate Seasonally Adjusted



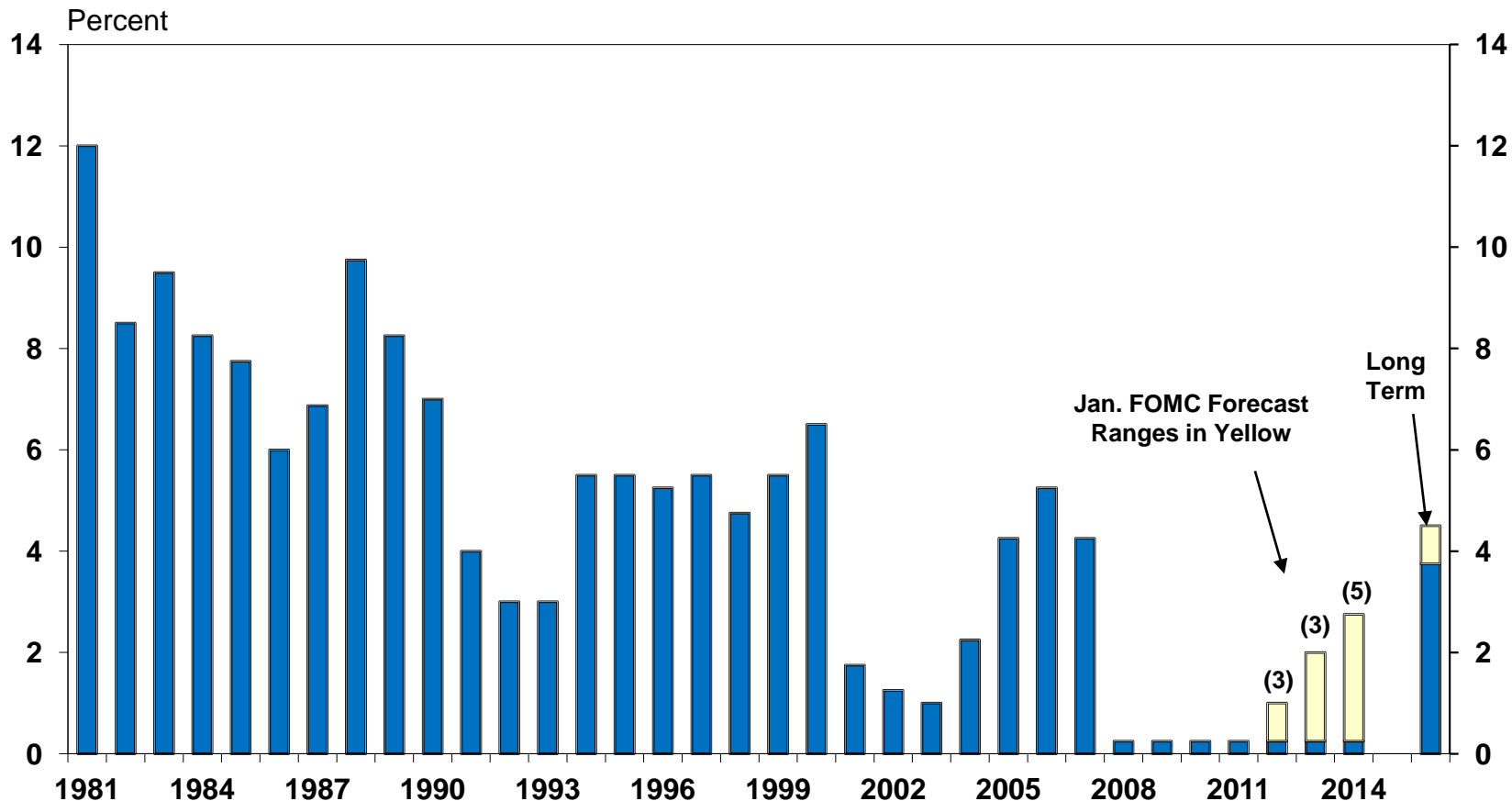
And for inflation pressures to stabilize after rising with oil and food prices in 2011

PCE Inflation Index



For the first time, the FOMC also released forecasts for interest rates

Federal Funds Rate
Year-end target



Note – Number of participants who project the initial increase will occur in the specified year in parenthesis

Source: U.S. Bureau of Economic Analysis, FOMC



The Oklahoma and Regional Economic Outlooks

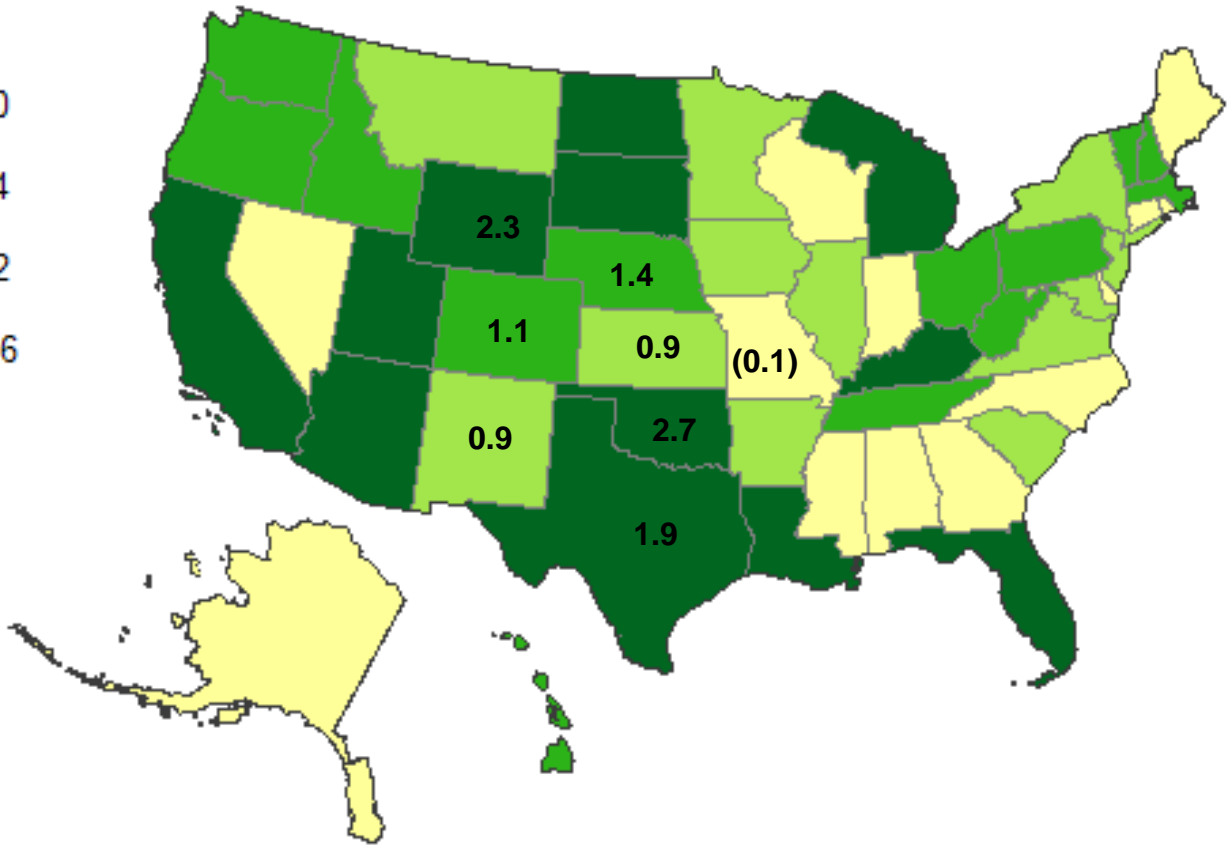


There is considerable variation in economic strength across the nation

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

Scale

- 1.54 - 5.70
- 1.02 - 1.54
- 0.66 - 1.02
- 0.70 - 0.66

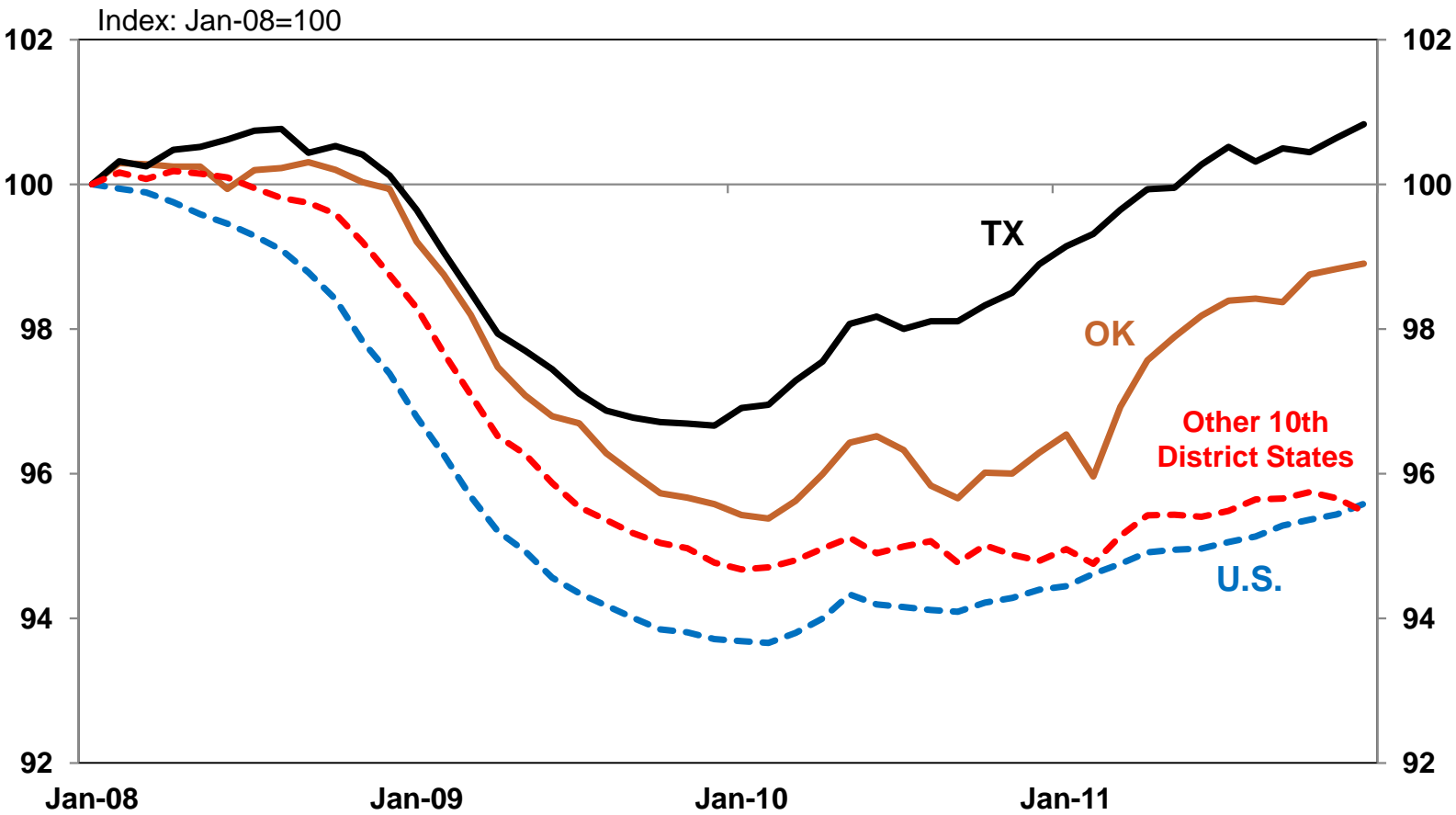


Source: U.S. Bureau of Labor Statistics



The level of jobs in Oklahoma is nearly back to pre-recession levels, unlike the U.S.

Level of Payroll Employment

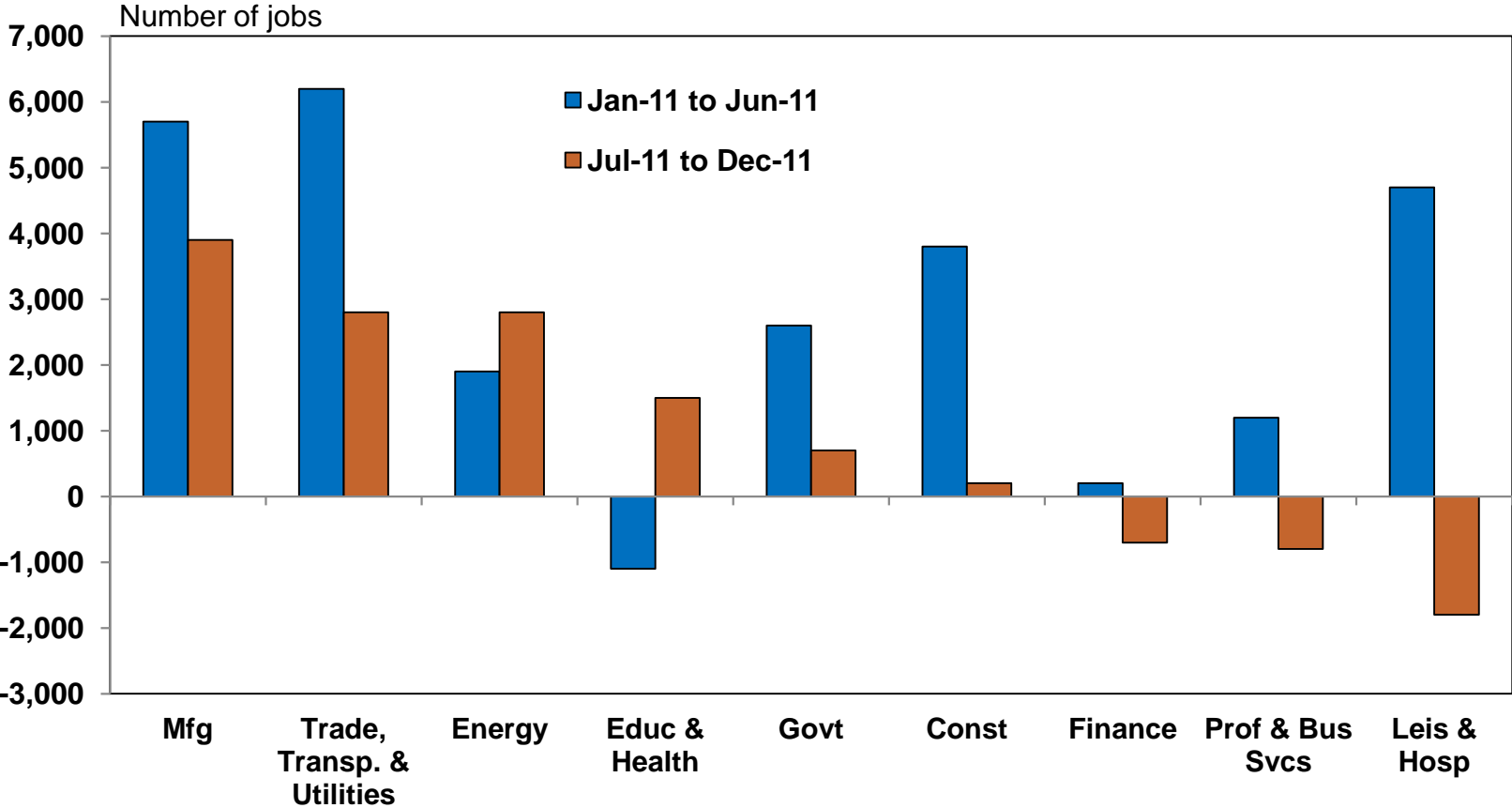


Source: U.S. Bureau of Labor Statistics



Growth in most Oklahoma sectors slowed in second half 2011, except energy and health

Oklahoma Employment Growth

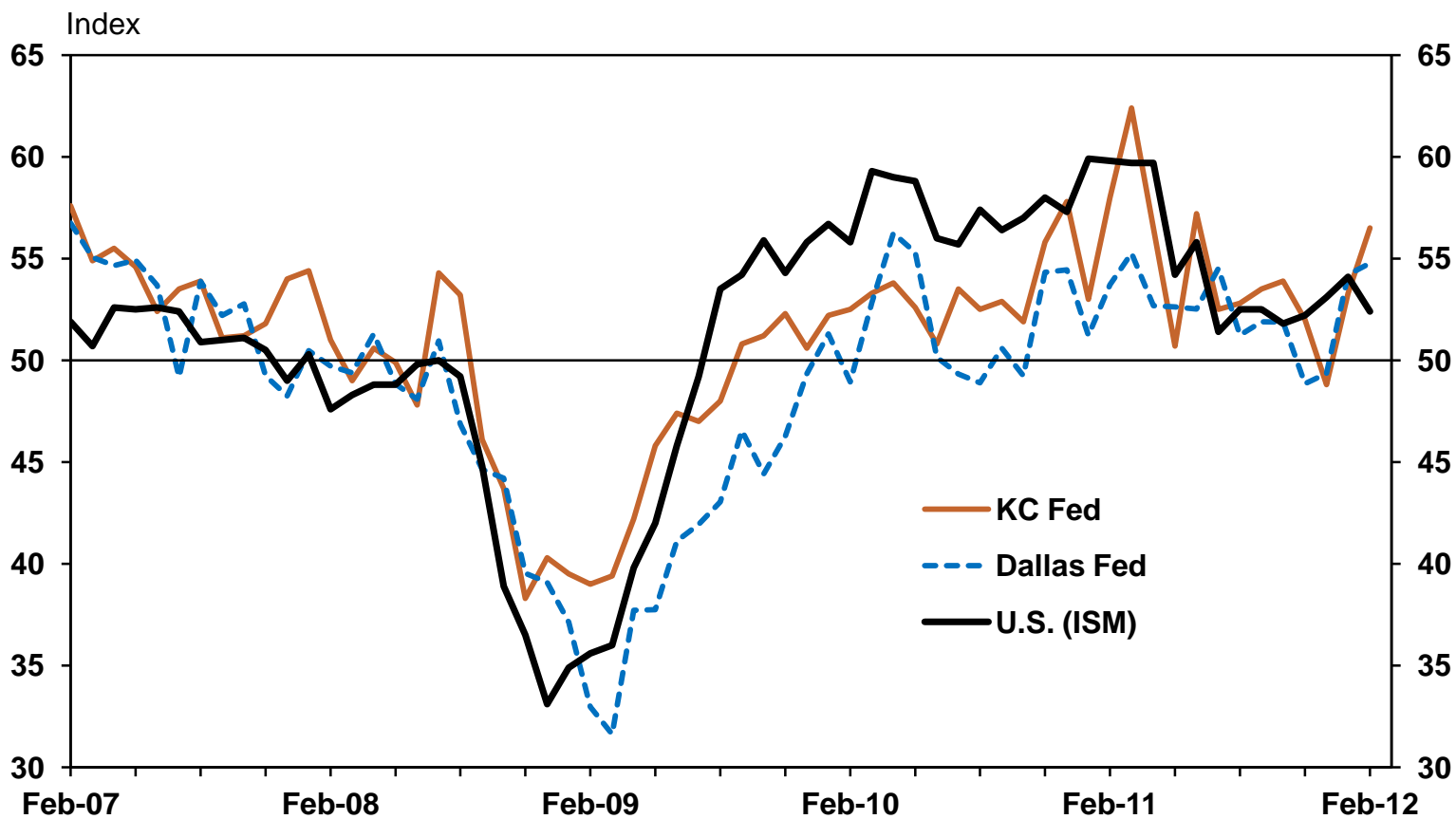


Source: Bureau of Labor Statistics



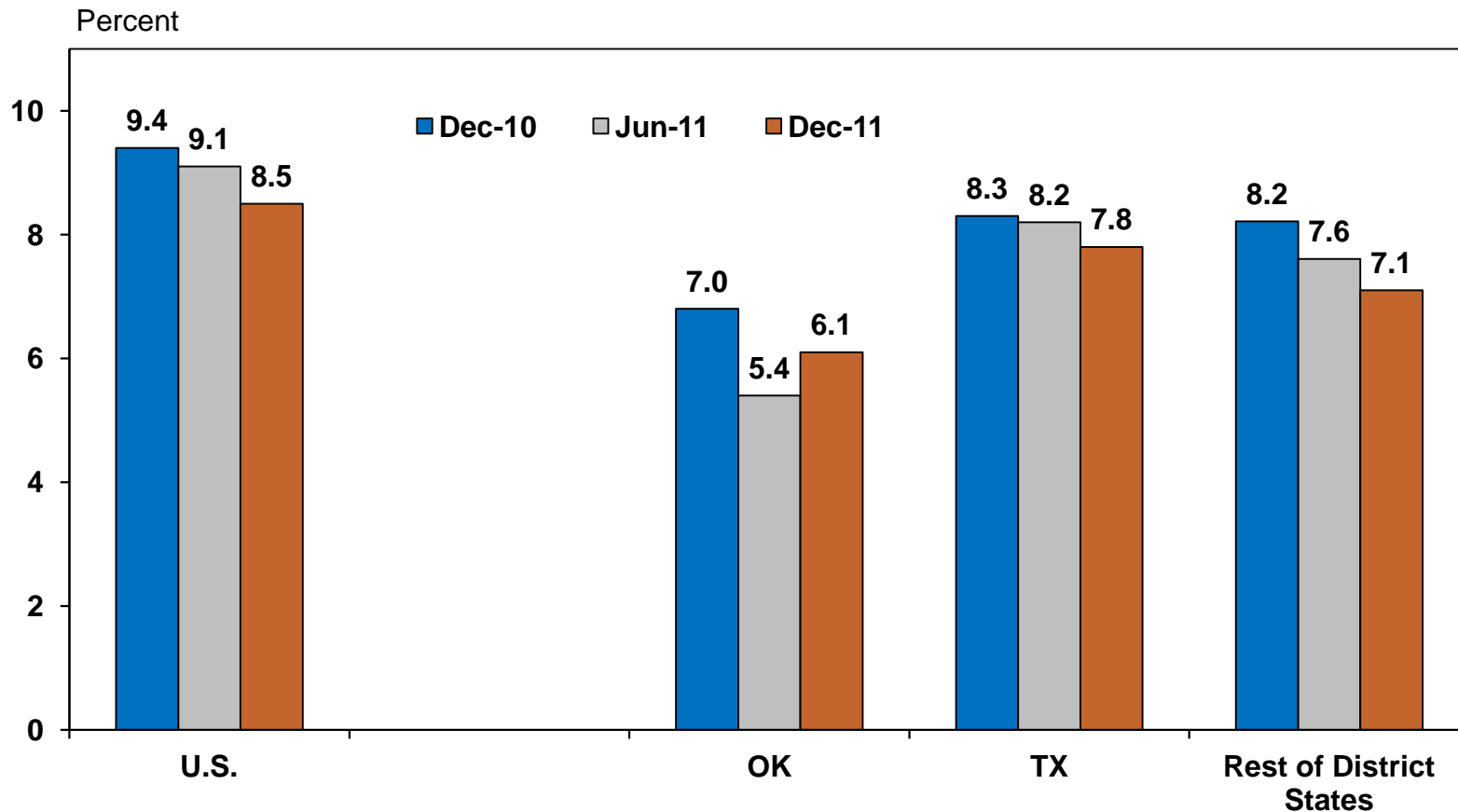
Early 2012 data on regional and national factory activity show moderate growth

Manufacturing Composite Activity
Seasonally Adjusted



Oklahoma's unemployment rate has risen, as workers resume searching for jobs

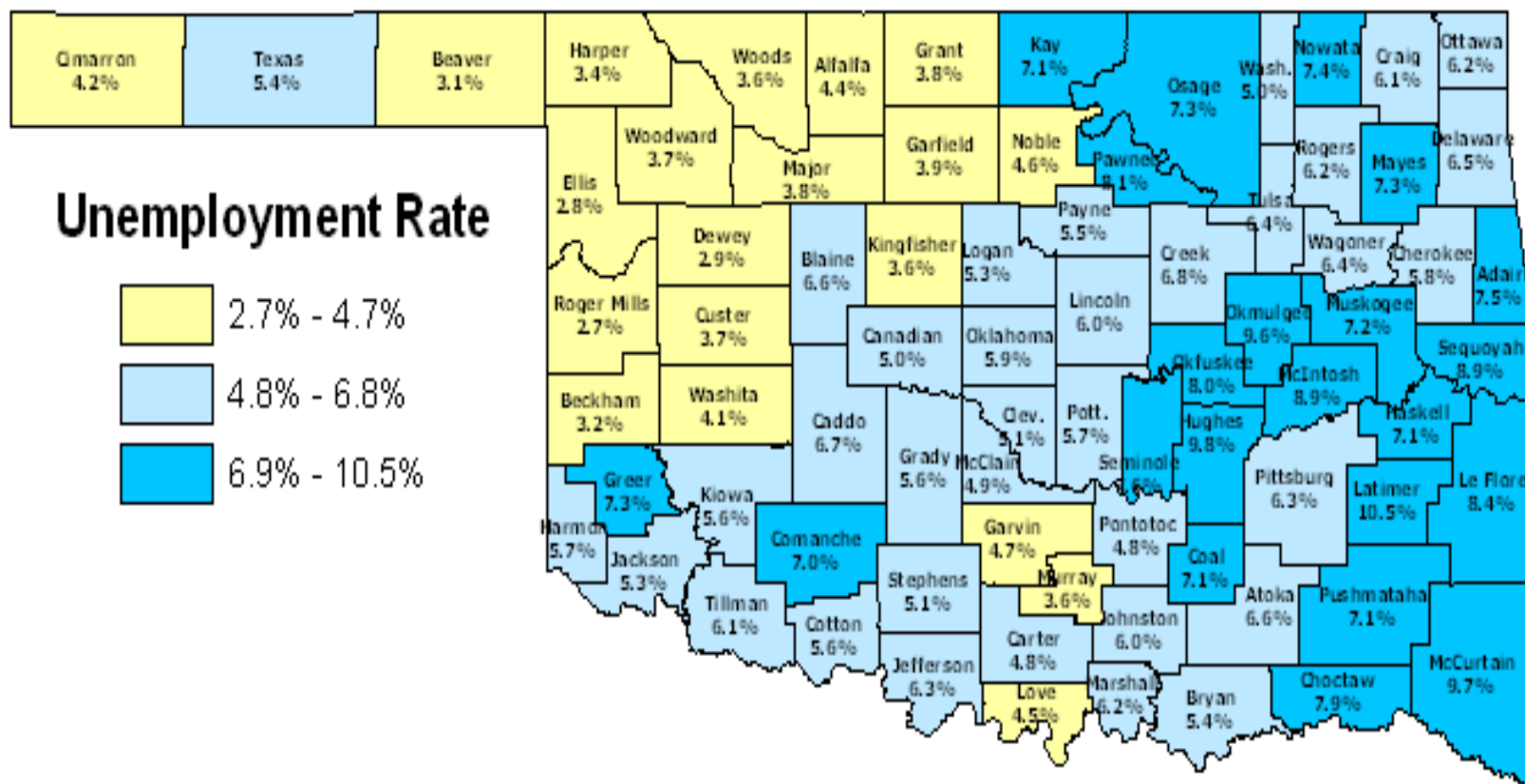
Unemployment Rate Seasonally Adjusted*



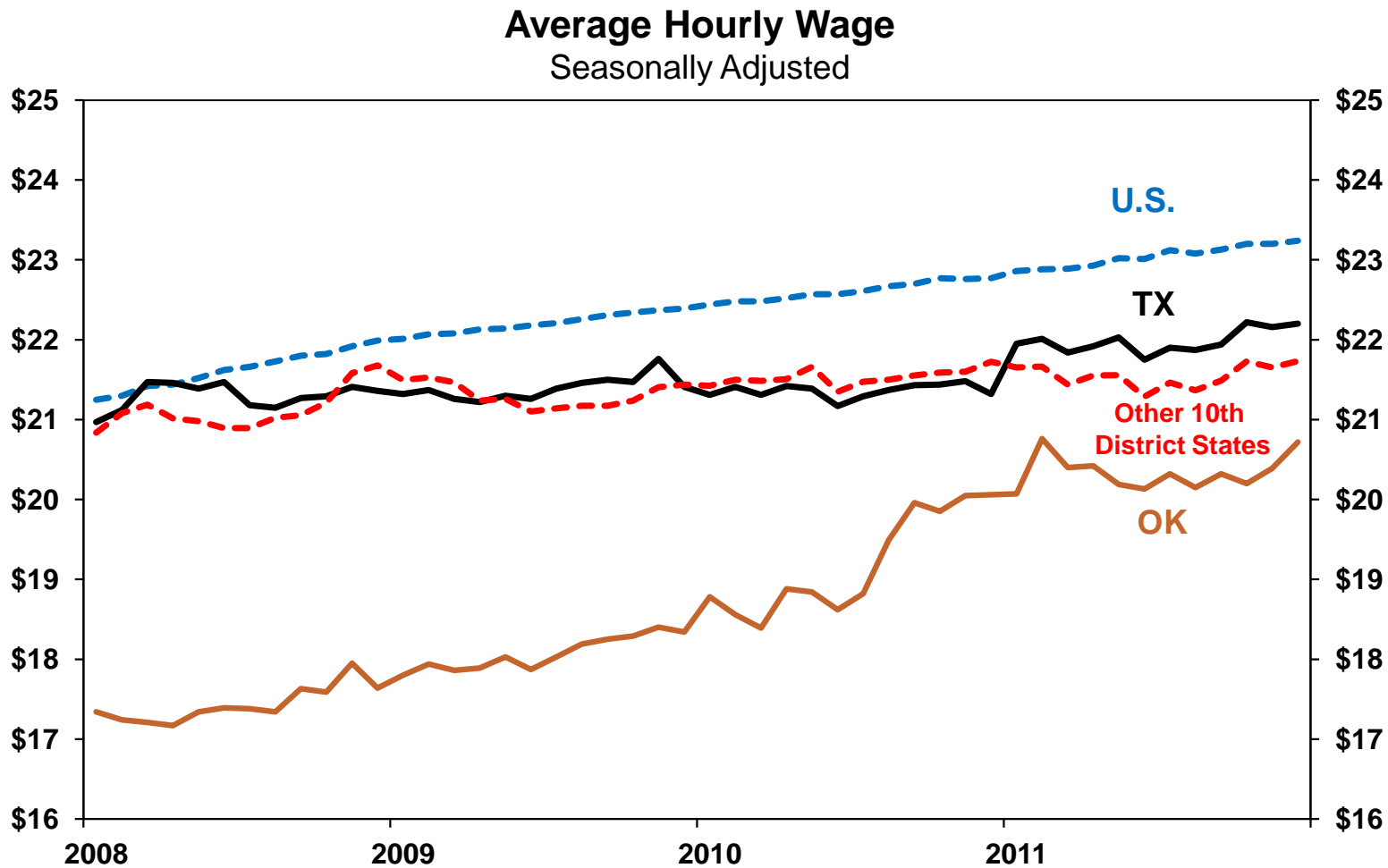
Unemployment is quite low in much of western, central, and southern Oklahoma

County Unemployment Rates

December 2011



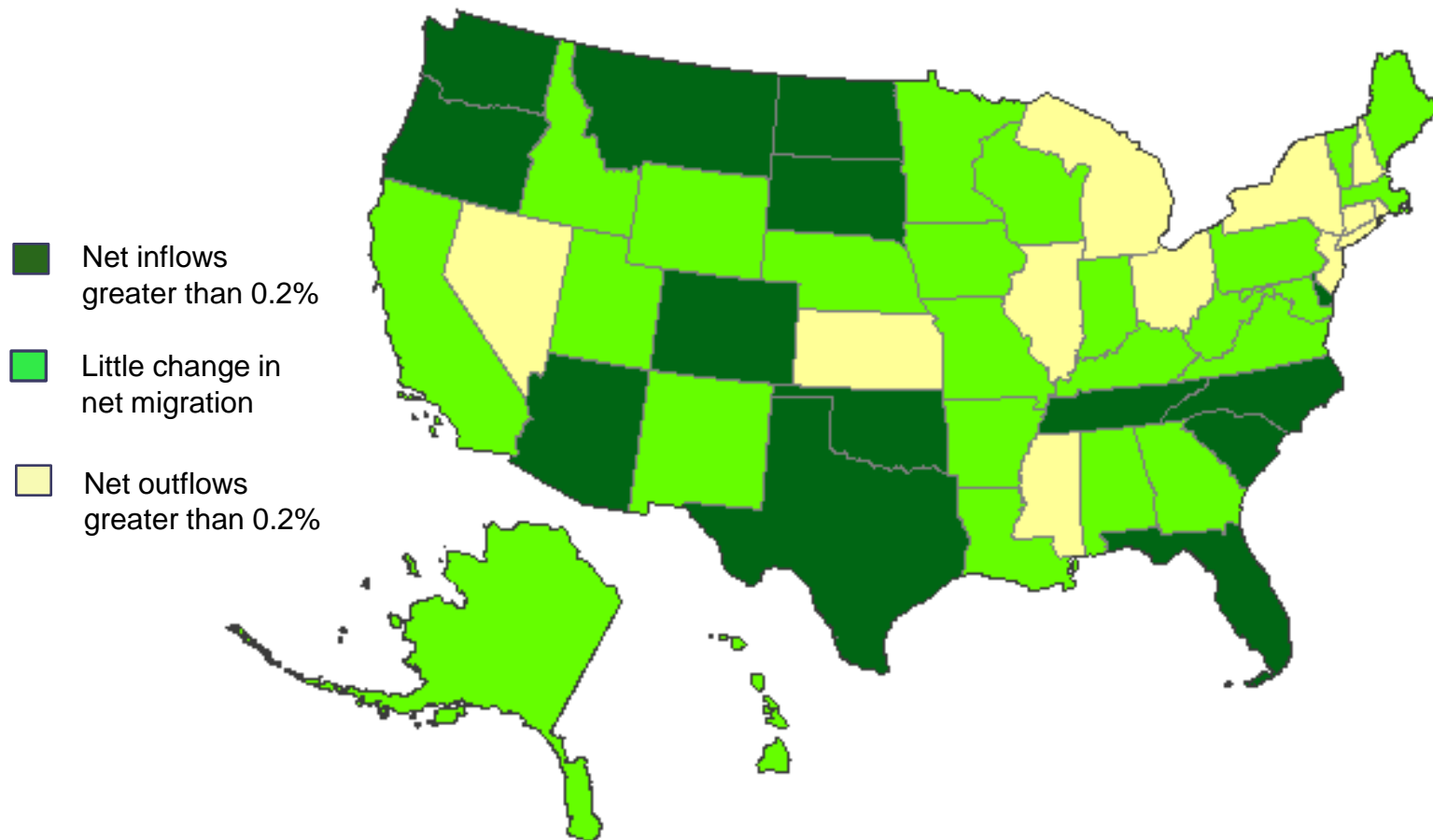
Oklahoma wages are catching up to those in surrounding states and the nation as a whole



Oklahoma has seen net in-migration from other states since the 2010 Census

Net Domestic Migration

April 1, 2010 - July 1, 2011

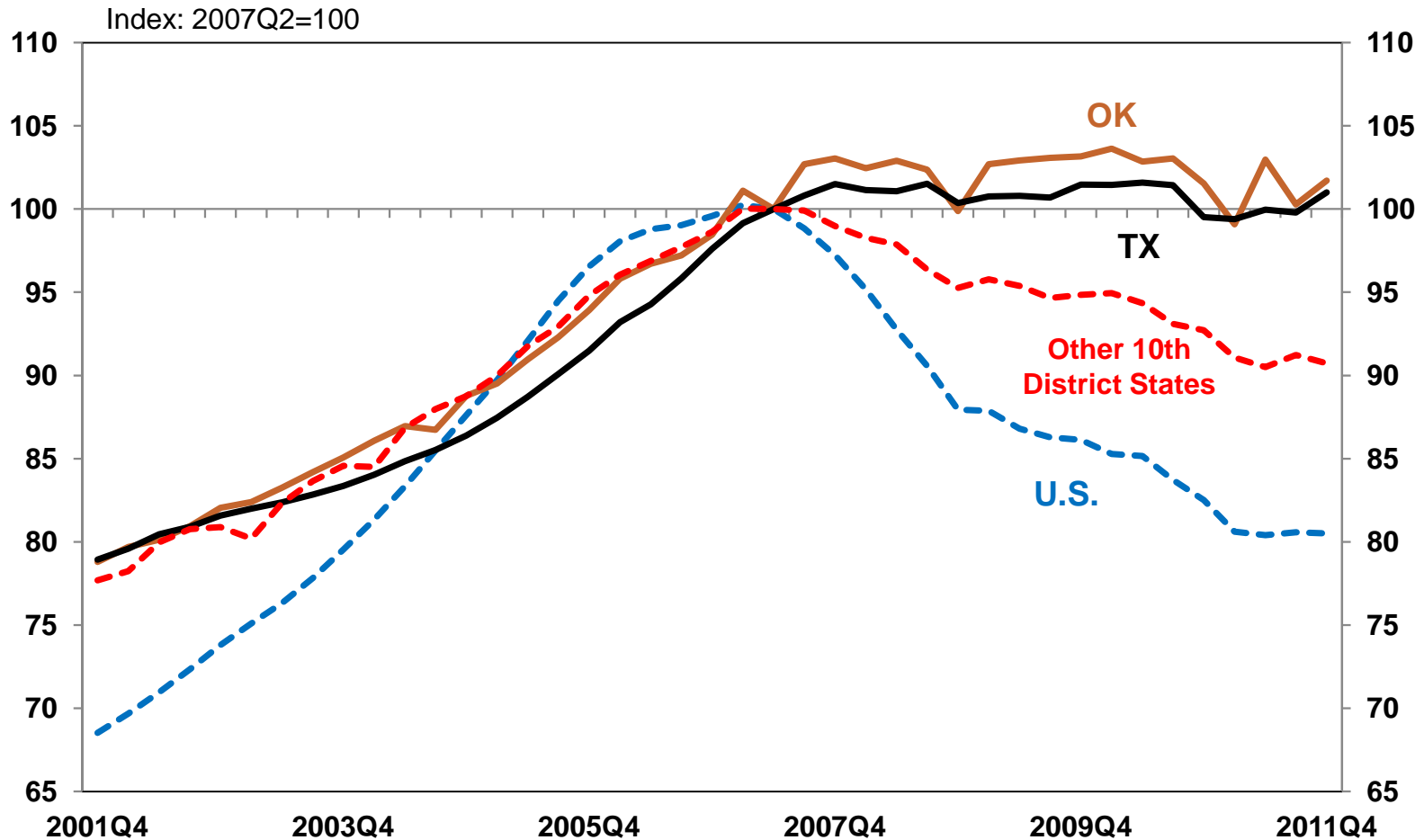


Source: U.S. Census Bureau



And home prices have held up considerably better than in the nation as a whole

Home Price Index
Purchase-Only

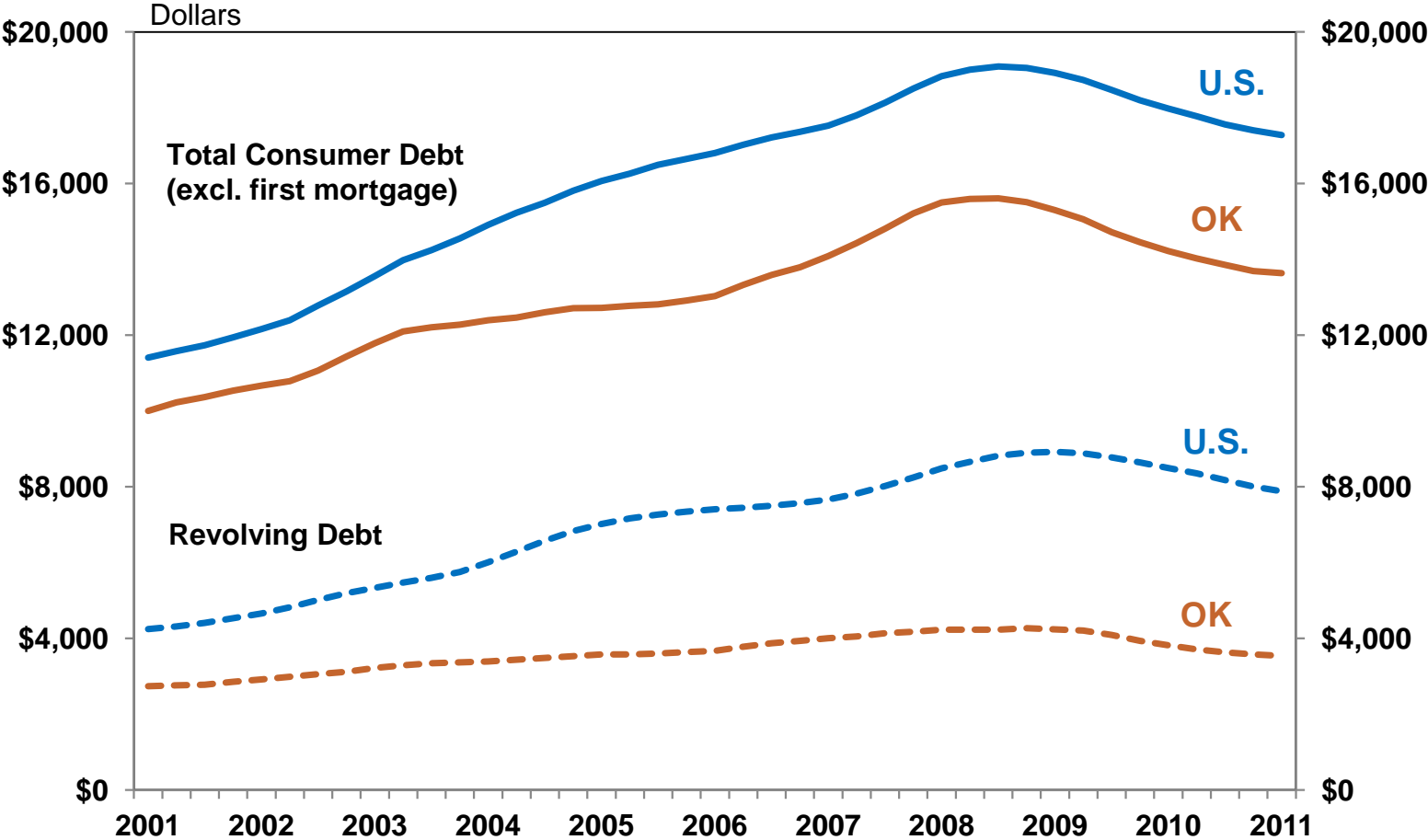


Source: FHFA



Consumer debt is also less burdensome than in the U.S., even moreso than a decade ago

Average Debt Per Consumer

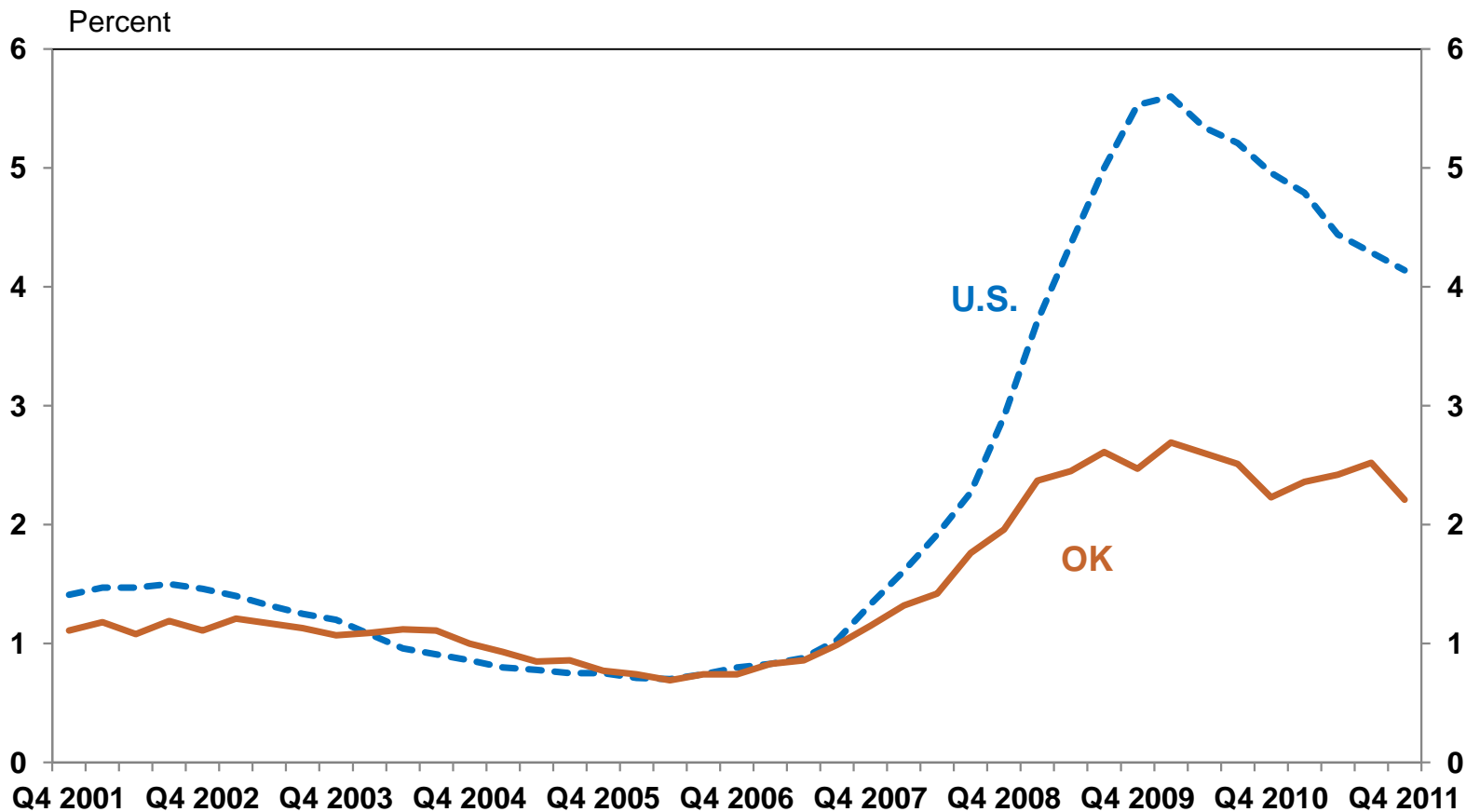


Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax



Problem loans are still elevated in OK, but much less so than in banks nationally

Noncurrent Loans as a Share of Total Loans
Commercial Banks

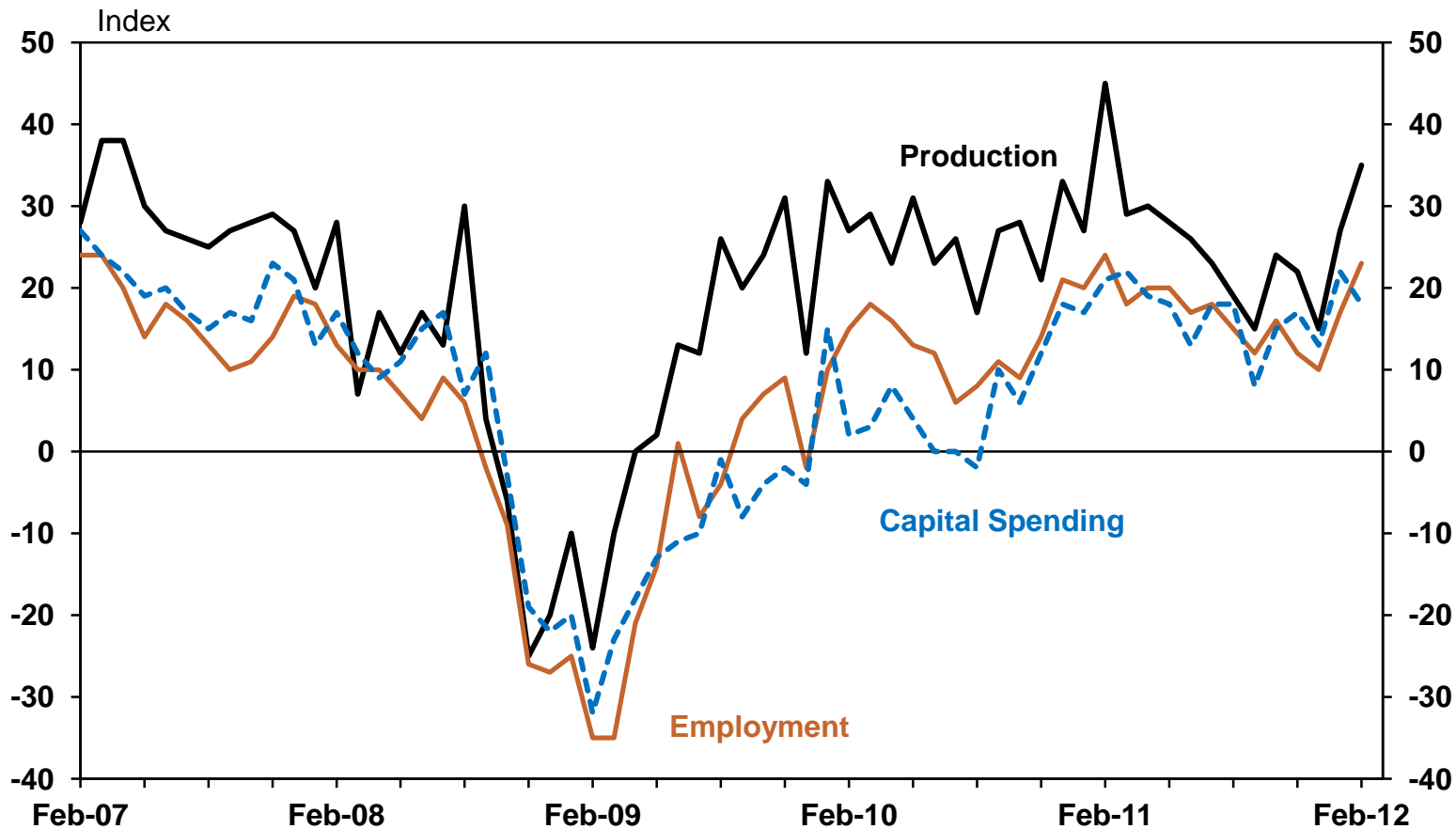


Source: FDIC



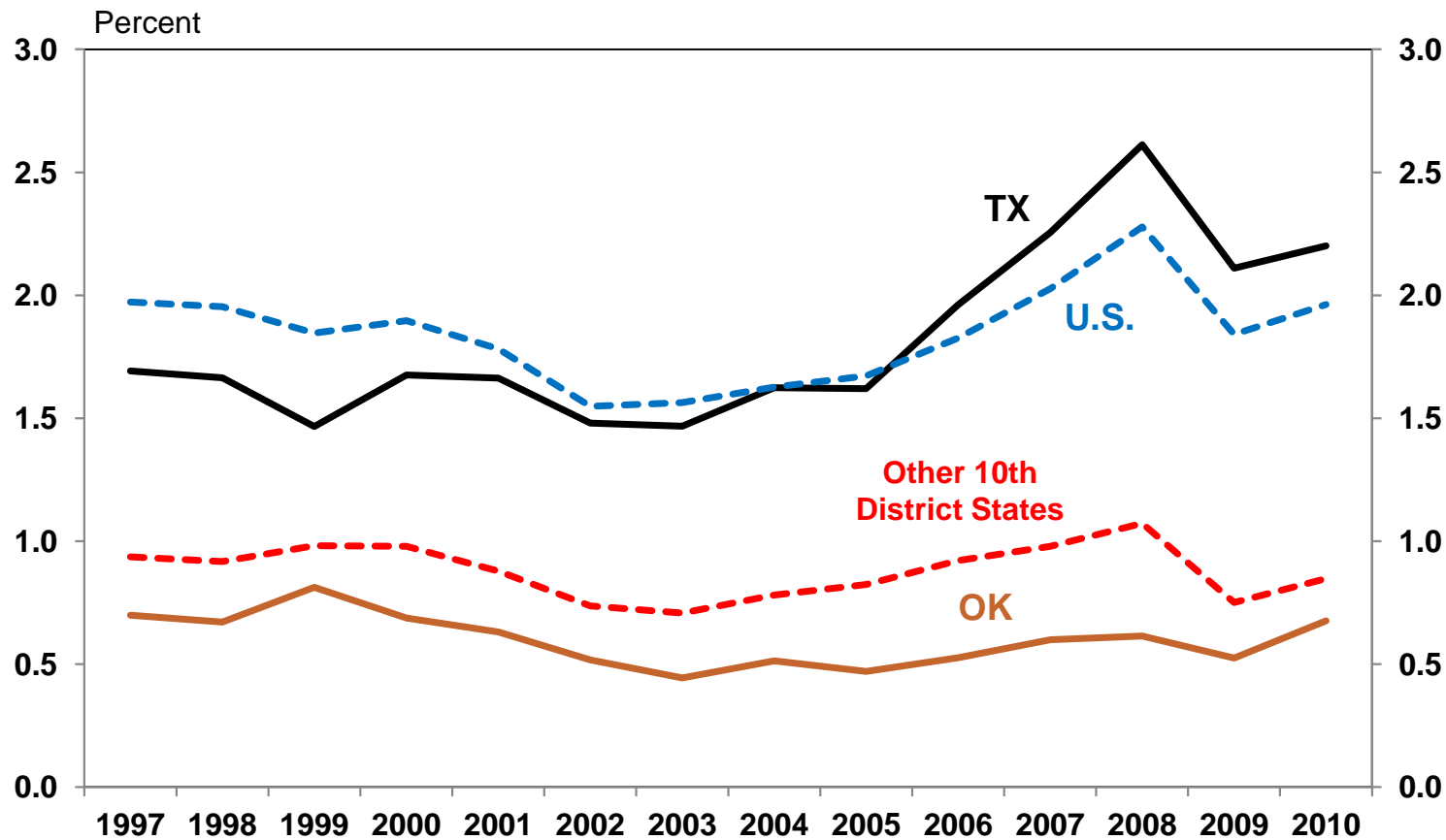
Purchasing managers in the region remain relatively optimistic about 2012 growth

Tenth District Manufacturing Expectations
Six-Months Ahead, Seasonally Adjusted



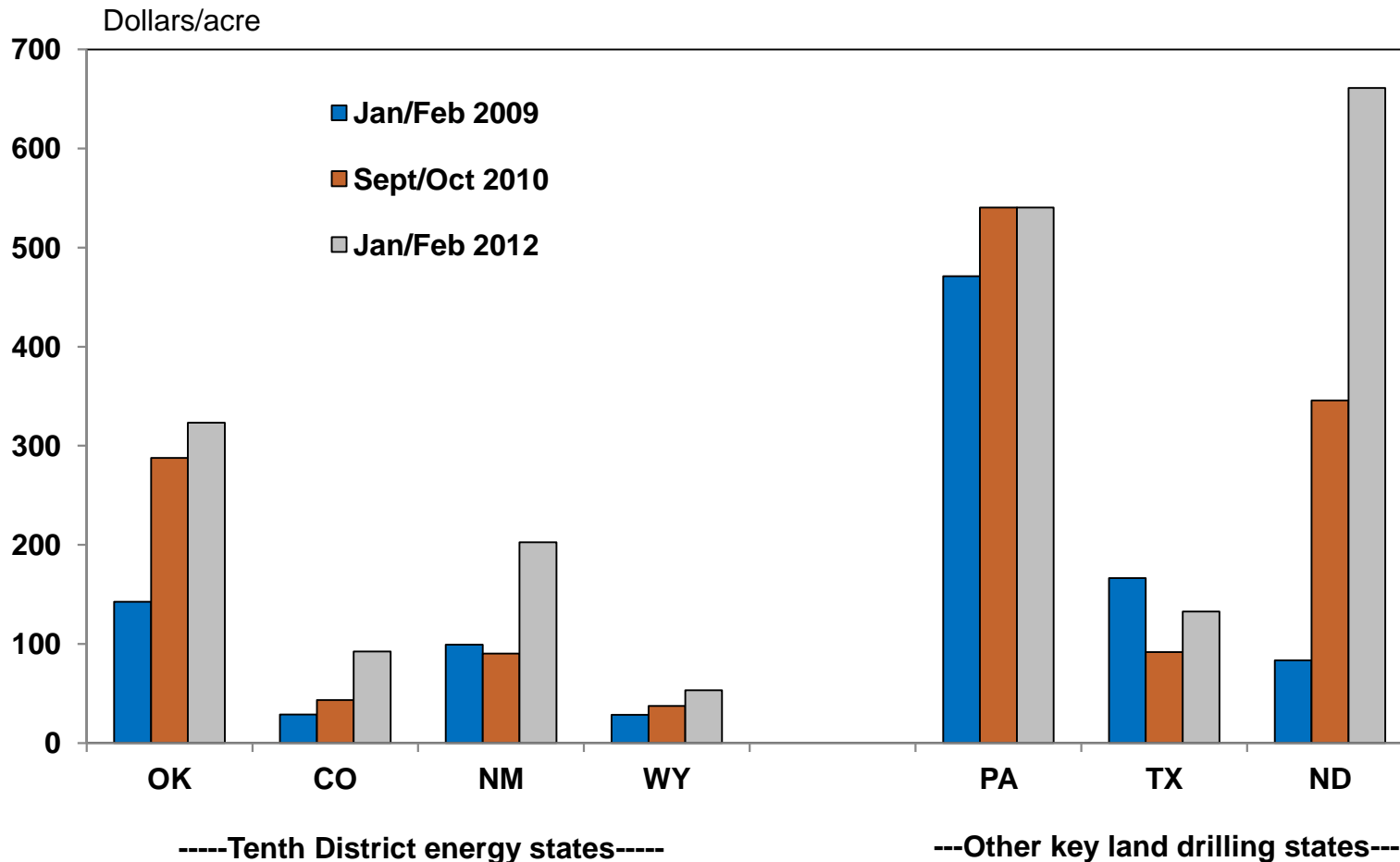
Oklahoma has much less trade exposure to Europe than the U.S. as a whole

Exports to Europe as a Share of GDP



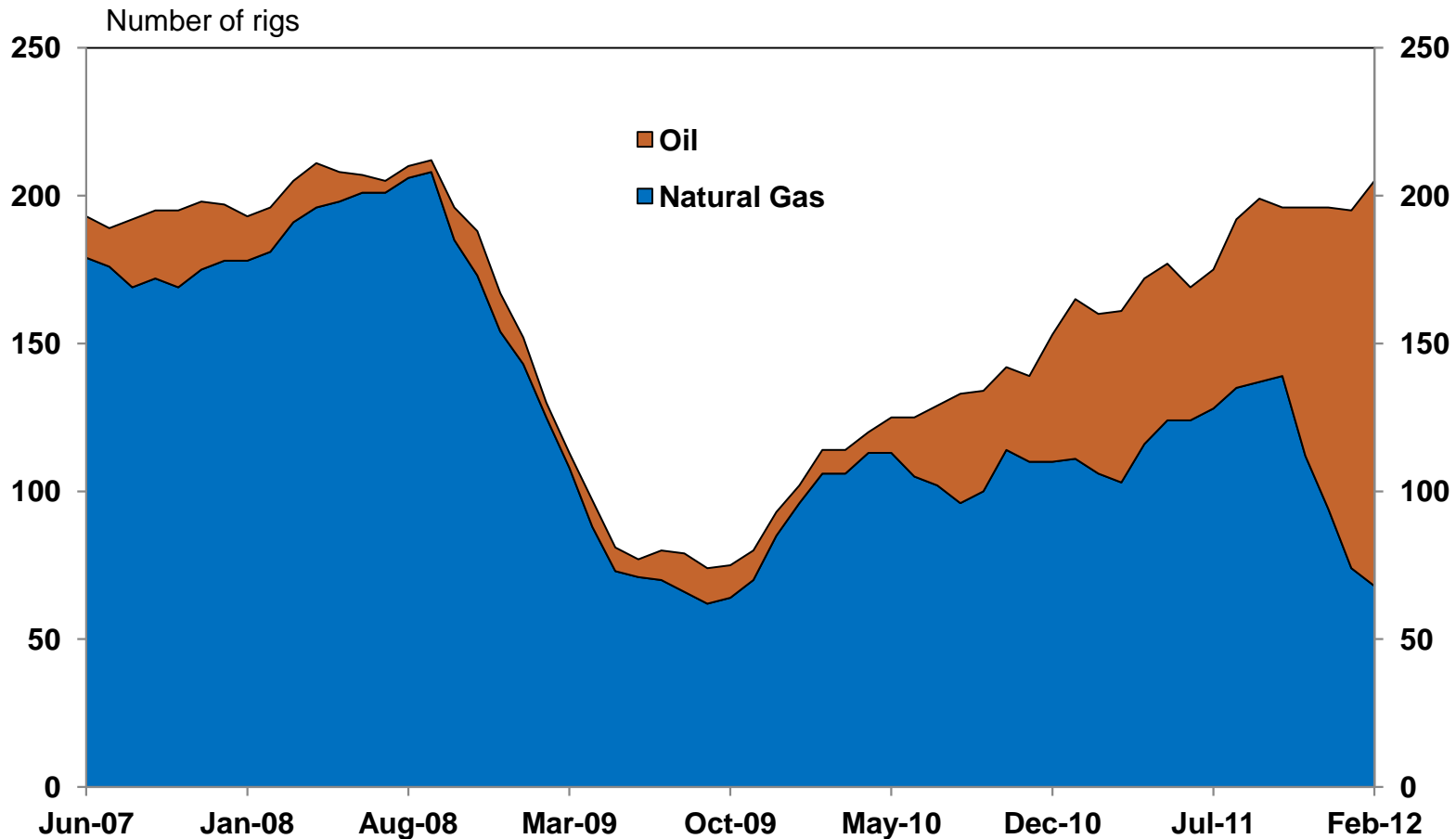
Oil and gas lease rates have continued to rise in Oklahoma and other energy states

Oil and Gas Lease Rates
Most common bonus



Natural gas drilling has fallen sharply in the state, but oil has so far replaced the dropoff

Oklahoma Rig Count



Source: Baker Hughes



Conclusions

- The U.S. economy continues to grow moderately, amid limited inflation and continued risks from Europe
- Growth in Oklahoma has slowed a bit recently but conditions remain much better than in the nation as a whole



Questions?



For more information about the Oklahoma economy, subscribe to the quarterly **Oklahoma Economist** at:

www.kansascityfed.org/publications/research/oke

