

U.S. and Oklahoma Economic Update



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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.



Federal Reserve Districts and Office Locations



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

- **2012 branch board of directors**

- **Jim Dunn (Chairman)**, 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**, Executive Director, TEDC Creative Capital, Tulsa

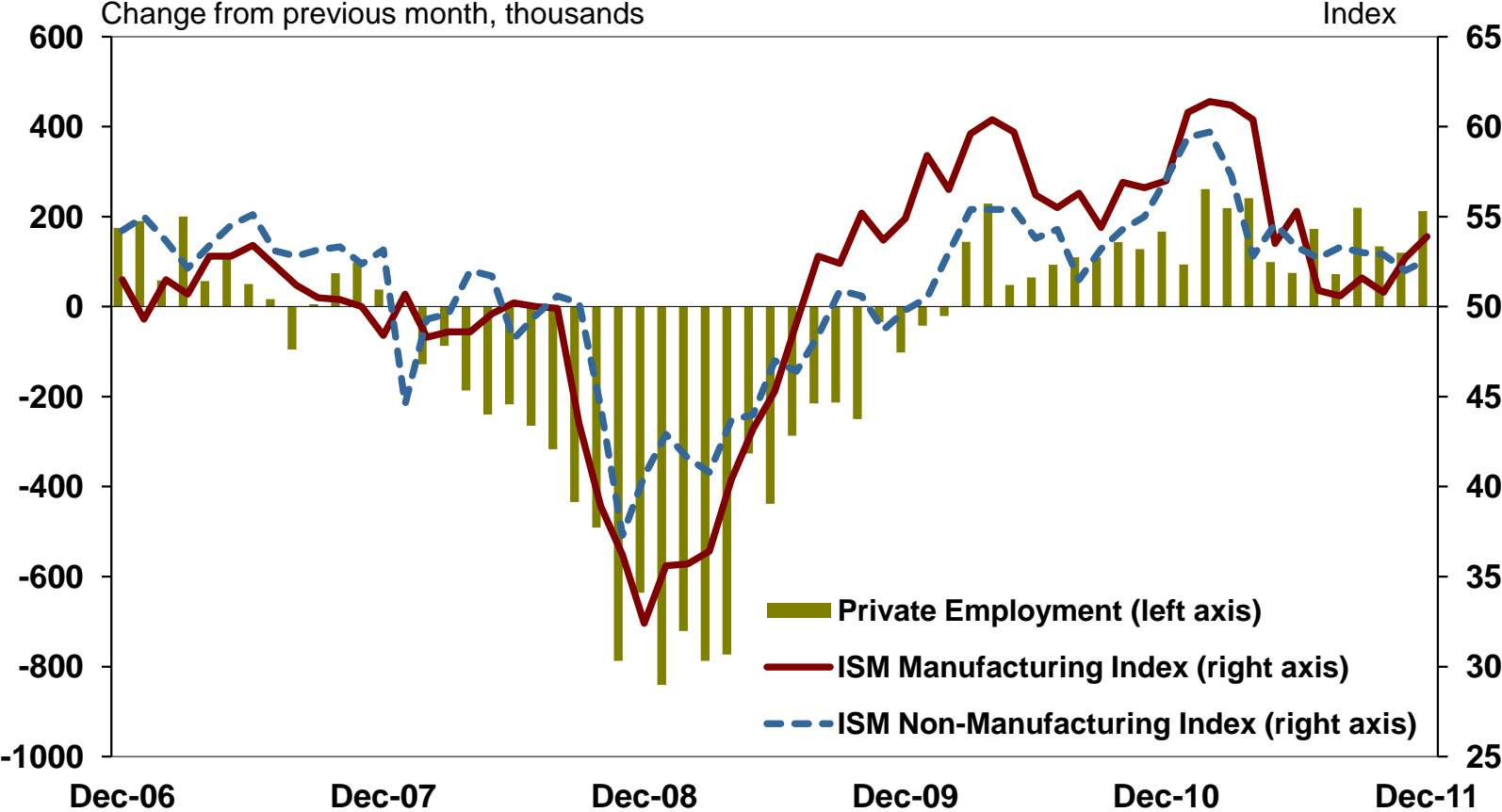


The U.S. Economy



Recent U.S. economic data have improved slightly overall, but growth remains modest

U.S. Private Payroll Employment and Business Indexes

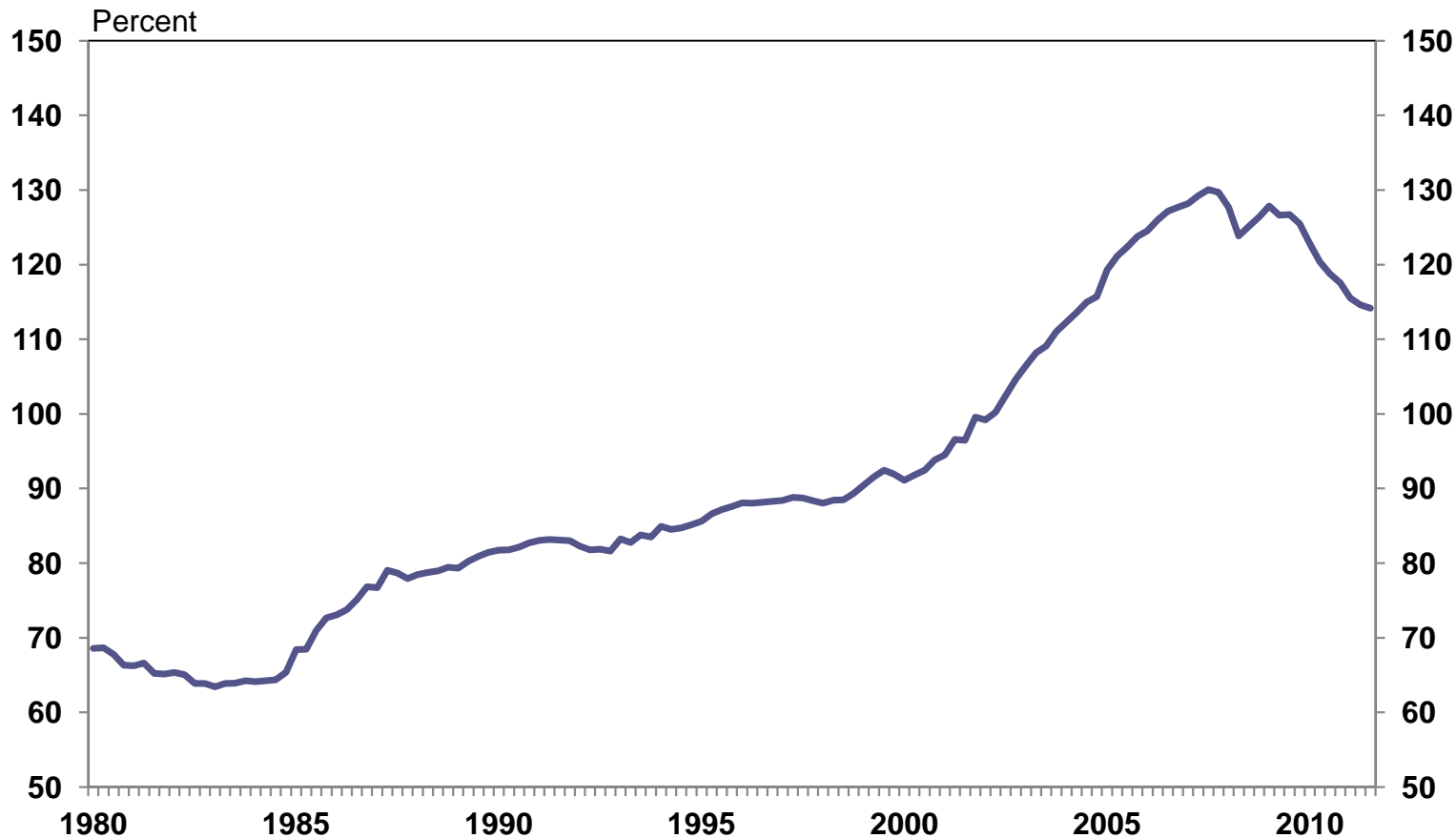


Source: Institute for Supply Management, Bureau of Labor Statistics



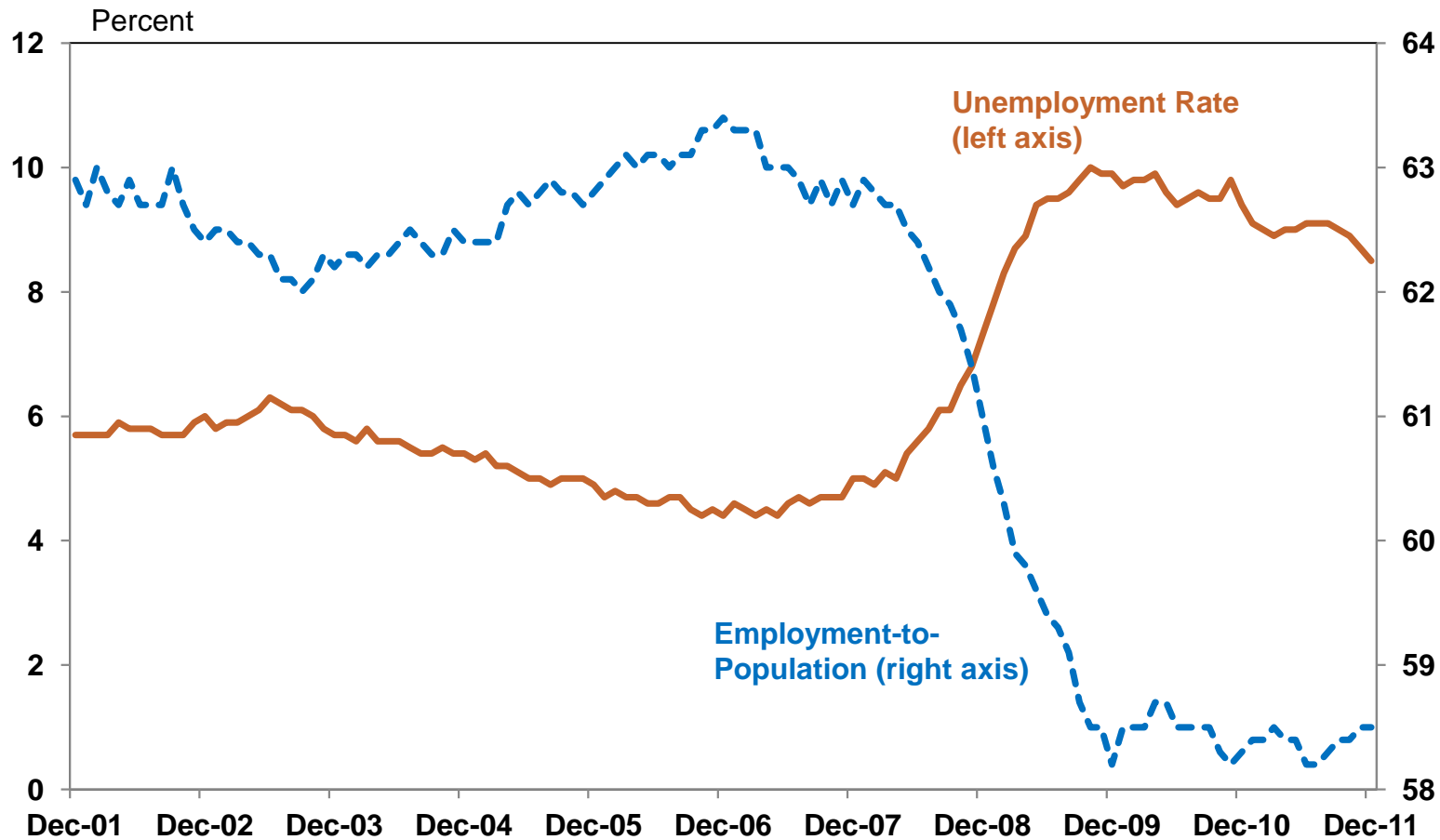
Household debt has fallen somewhat, but remains historically elevated

Household Debt as a Share of Disposable Personal Income



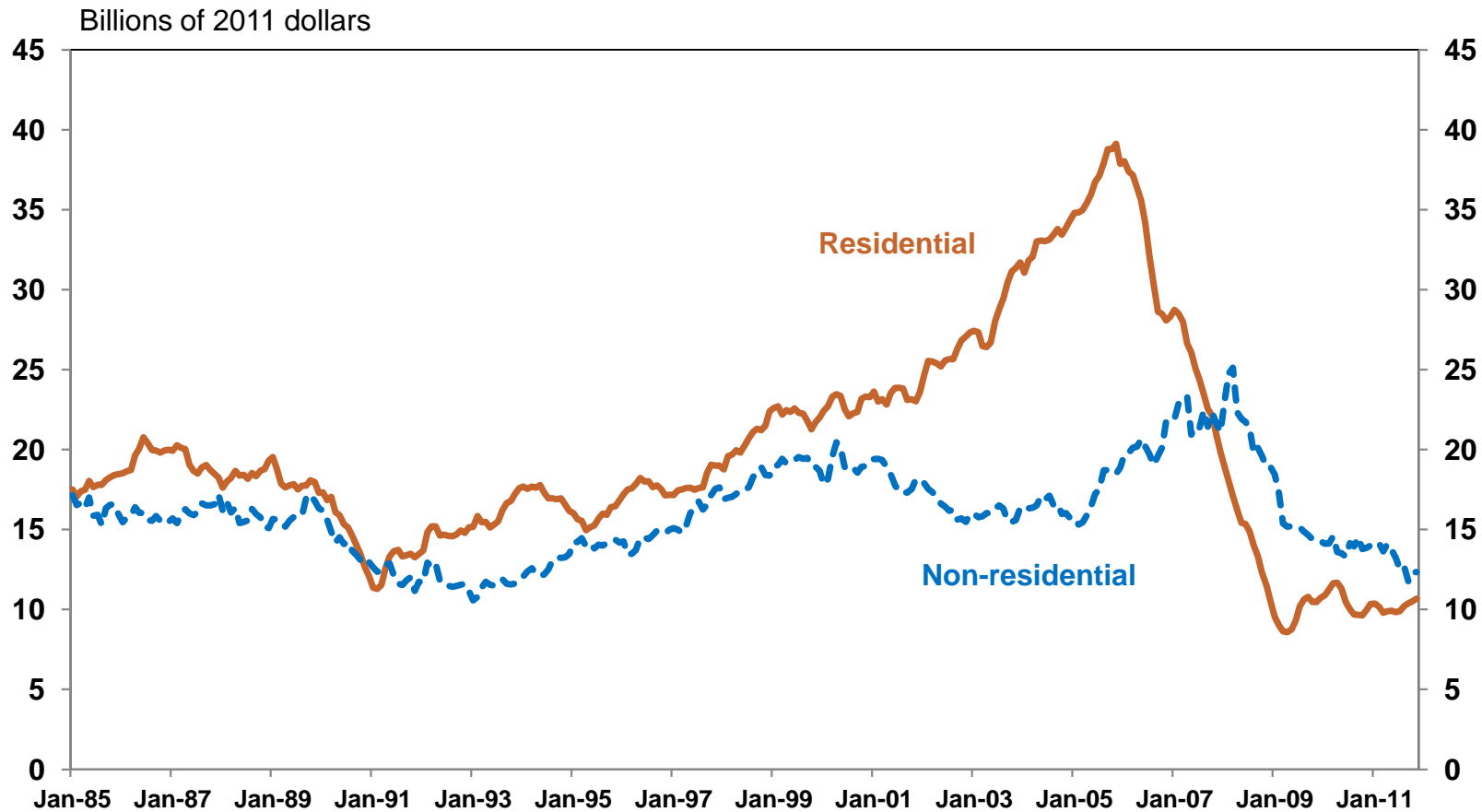
The U.S. unemployment rate eased further in December, but joblessness remains high

U.S. Unemployment Rate and Employment-to-Population



National construction activity remains very weak compared to the recent and far past

Real Value of U.S. Construction Contracts,
Seasonally Adjusted, 3-month moving average

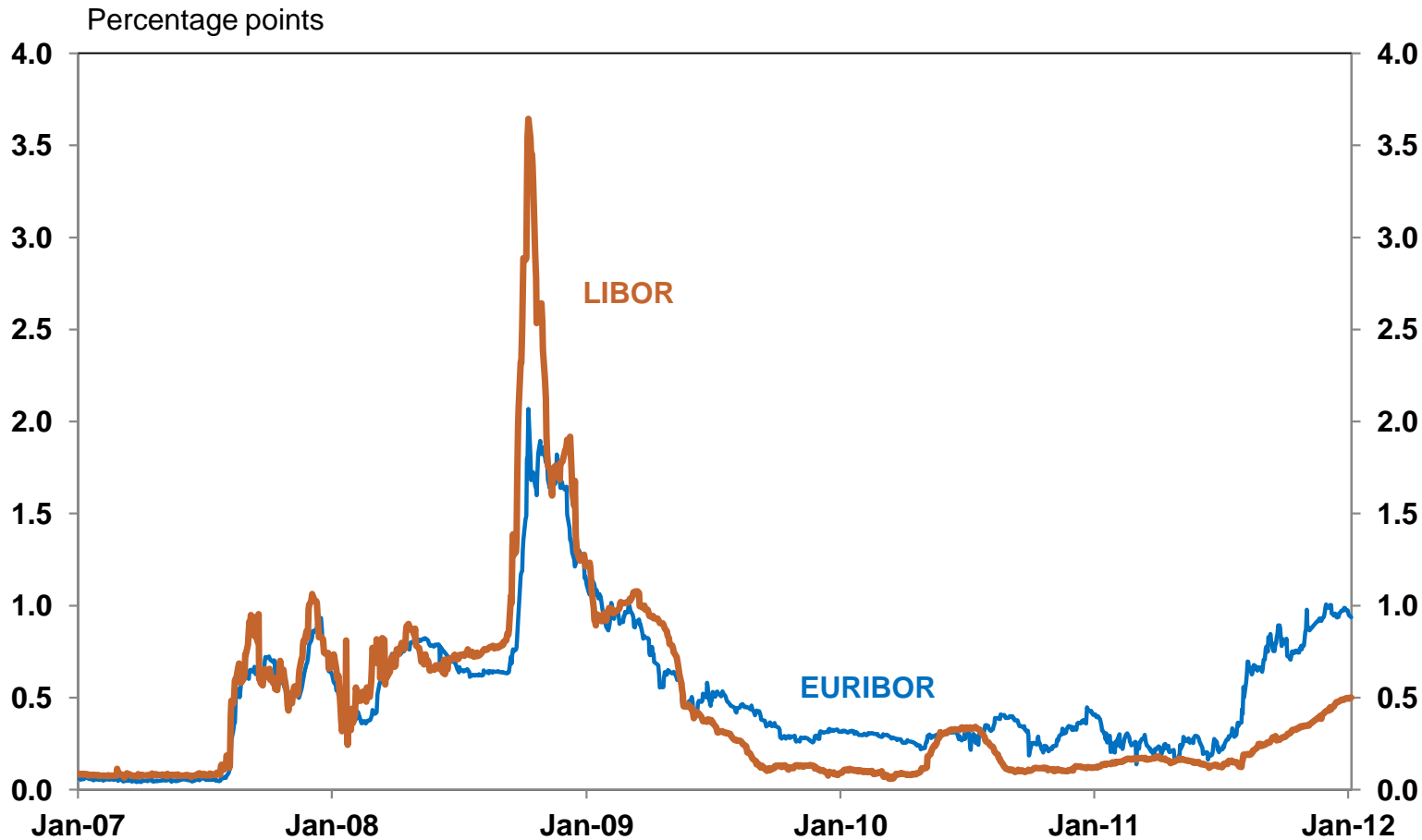


Source: F.W. Dodge



Financial stress has risen in Europe, and also beyond to some degree

3-month EURIBOR & LIBOR Spreads (to OIS)

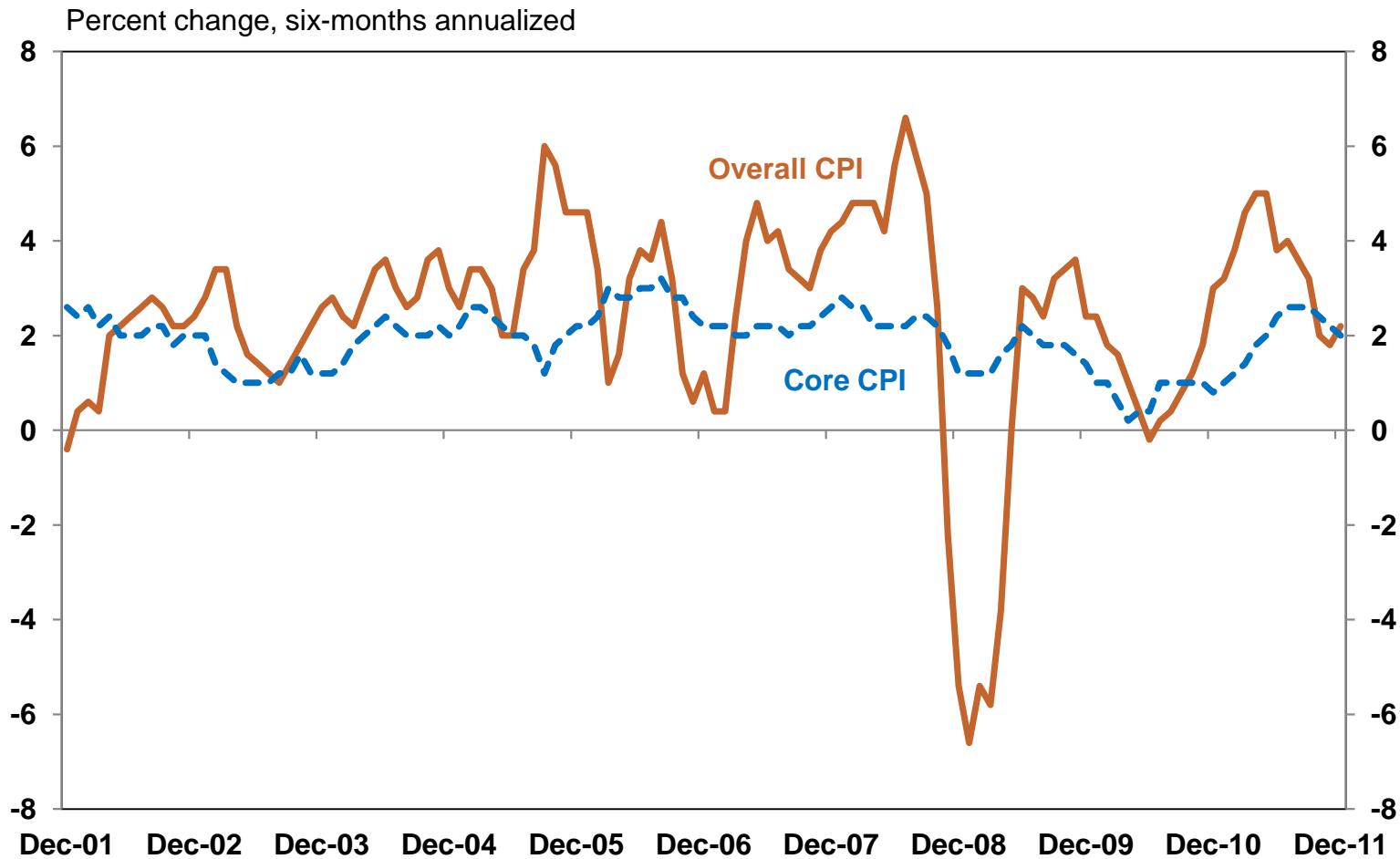


Source: Bloomberg



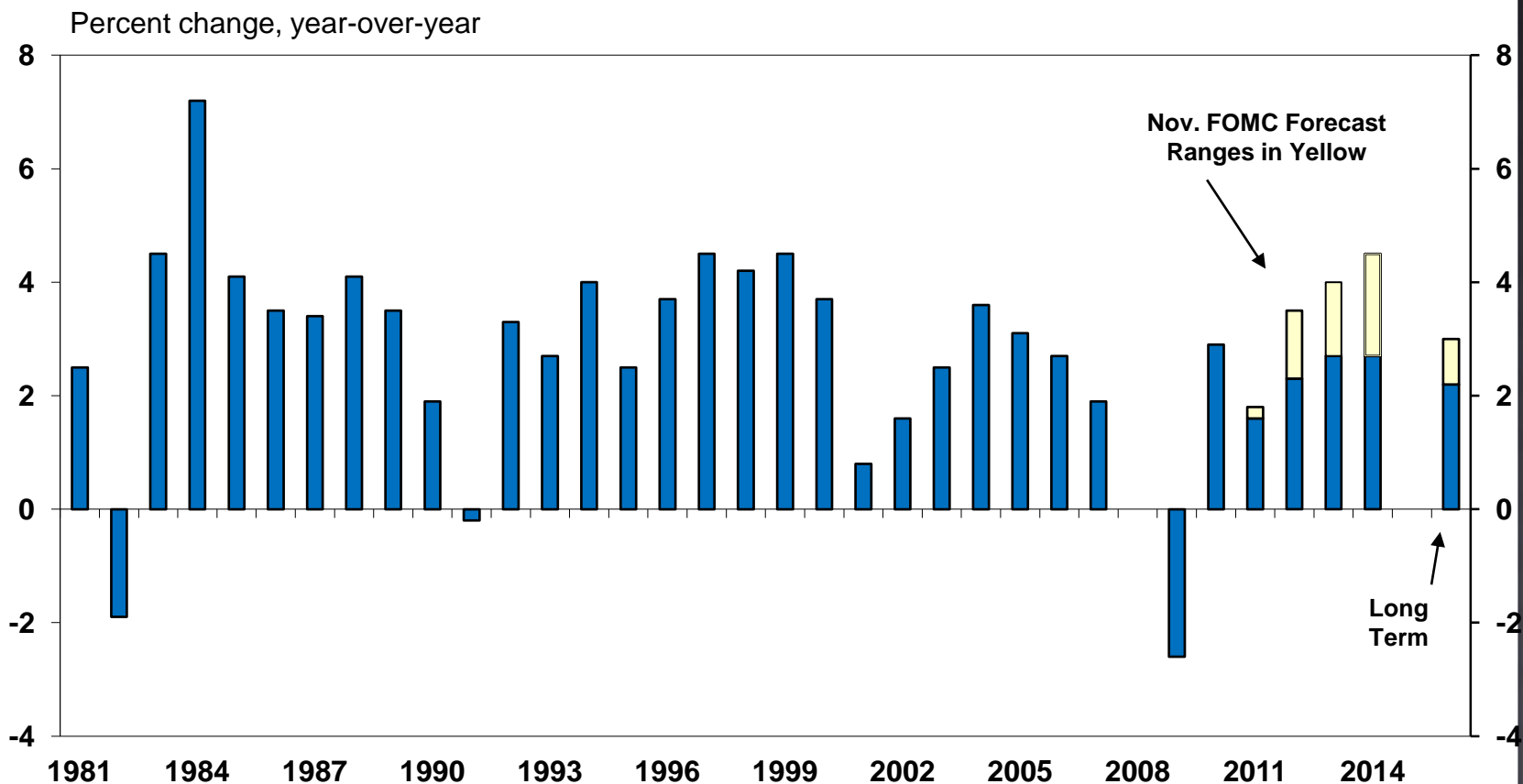
Overall inflation eased considerably in late 2011, and core prices also edged lower

U.S. Consumer Price Index



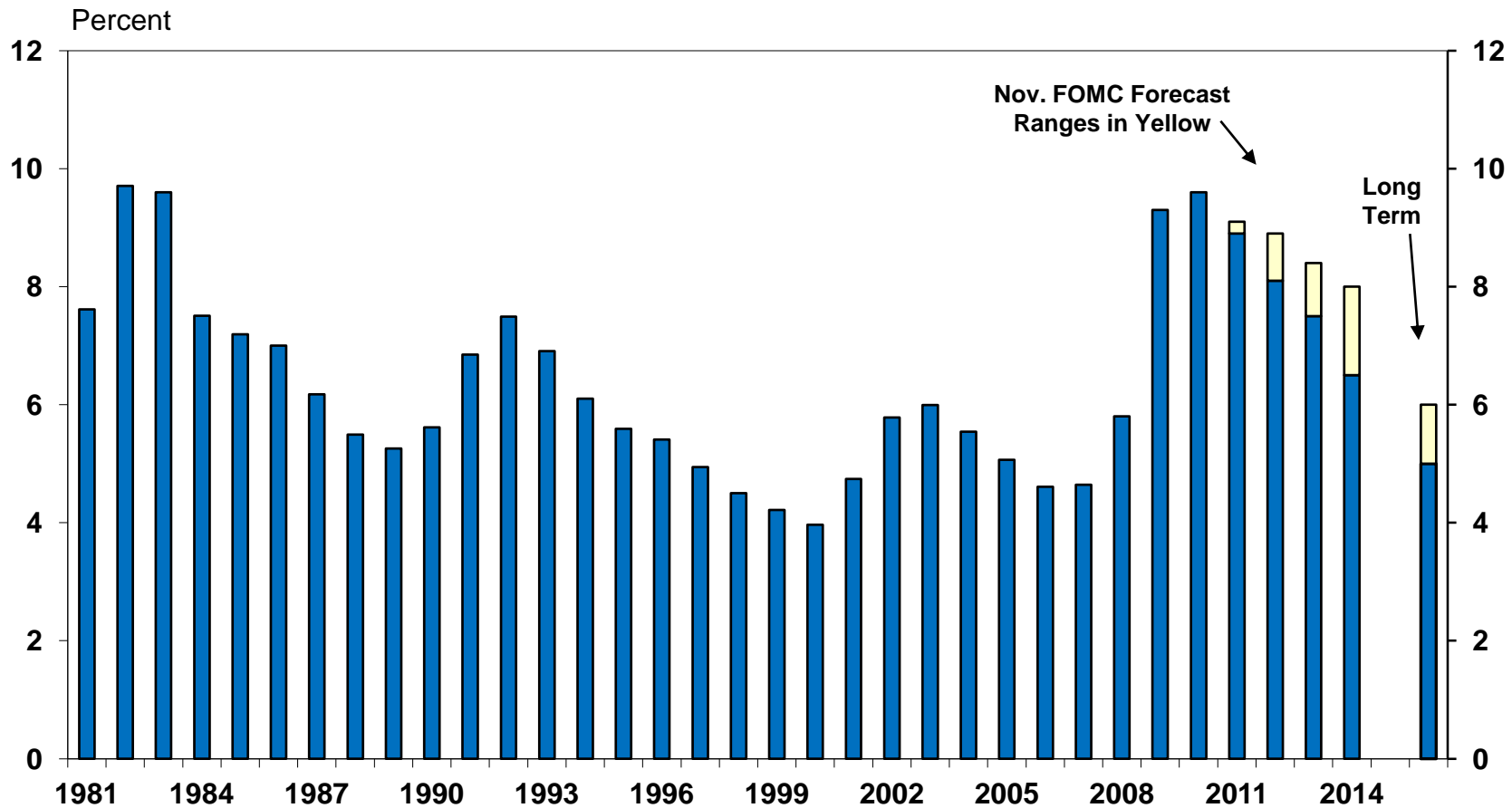
At its November meeting, the FOMC expected fairly solid U.S. GDP recovery

Real Gross Domestic Product



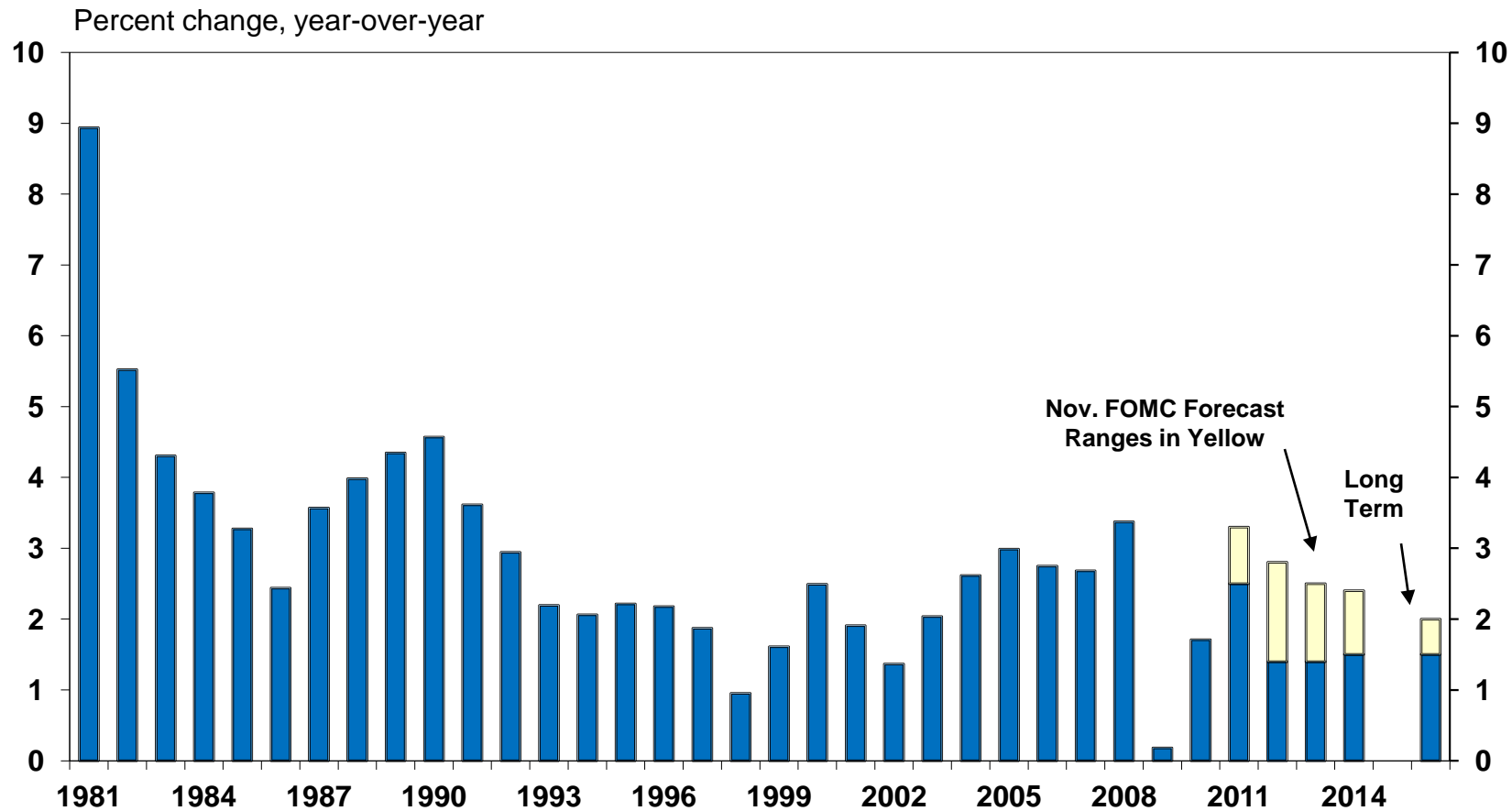
But for unemployment to only come down slowly the next few years

Unemployment Rate
Seasonally Adjusted



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

PCE Inflation Index

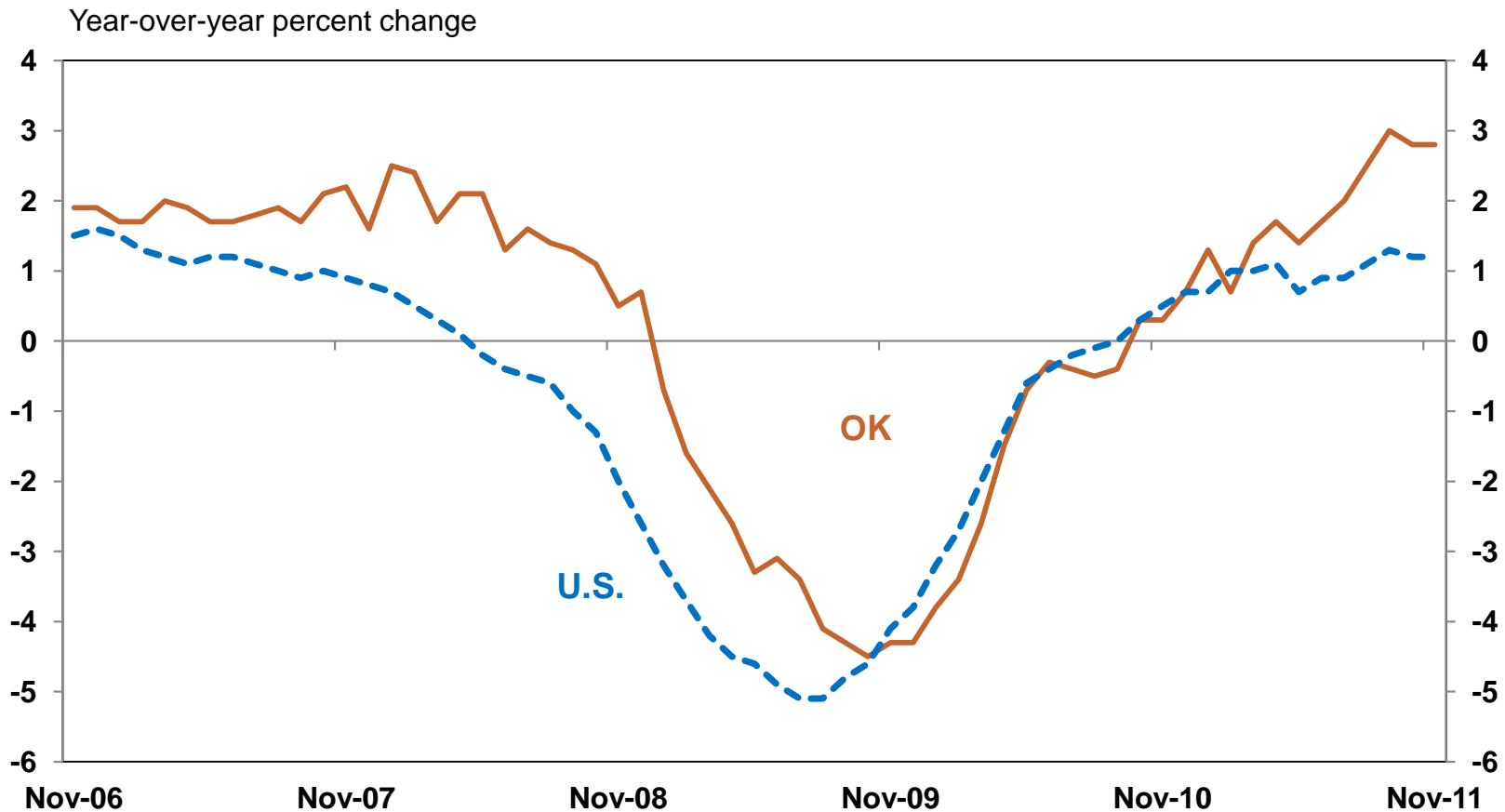


The Oklahoma Economy



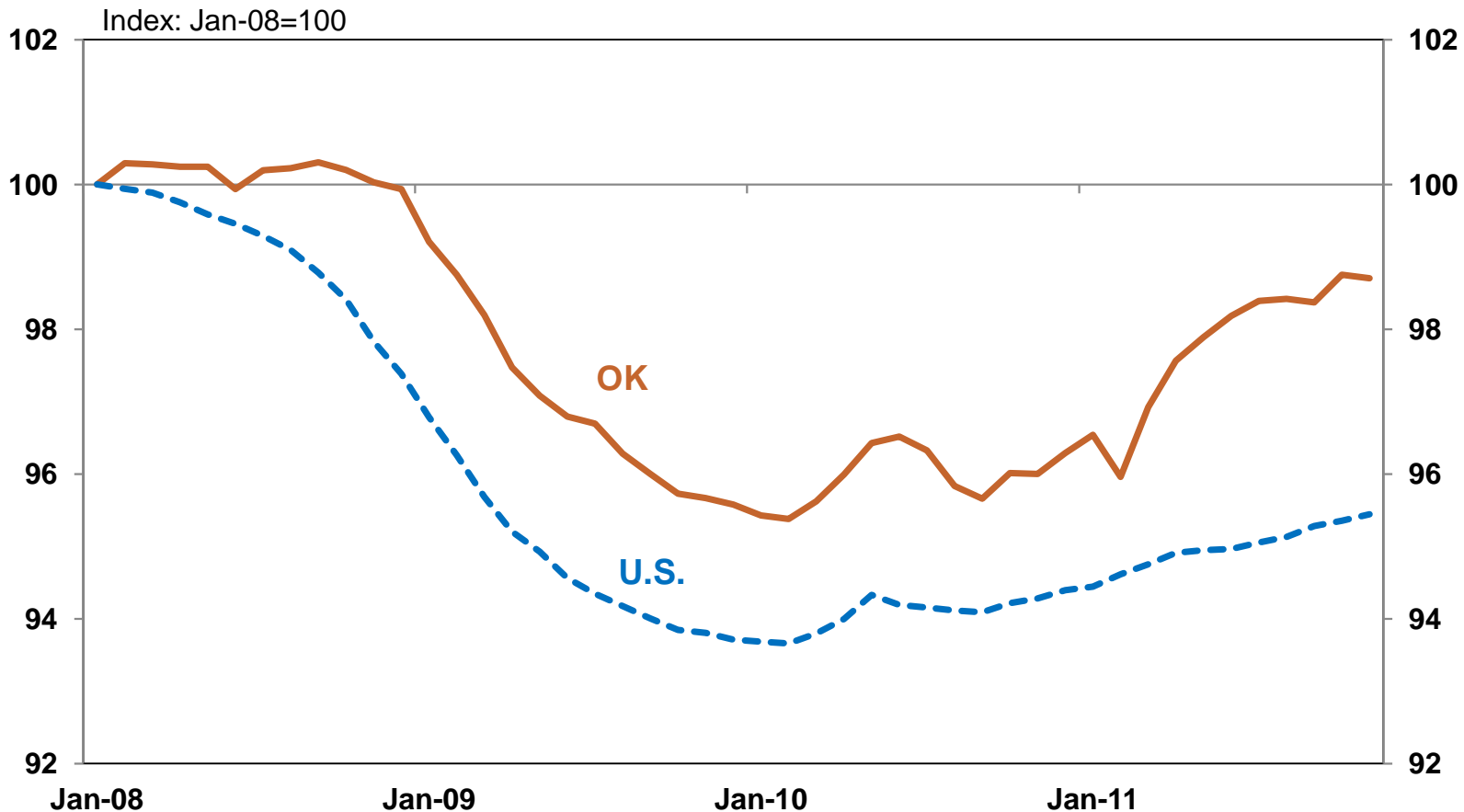
Oklahoma employment is up sharply from last year, following a shorter recession

Payroll Employment



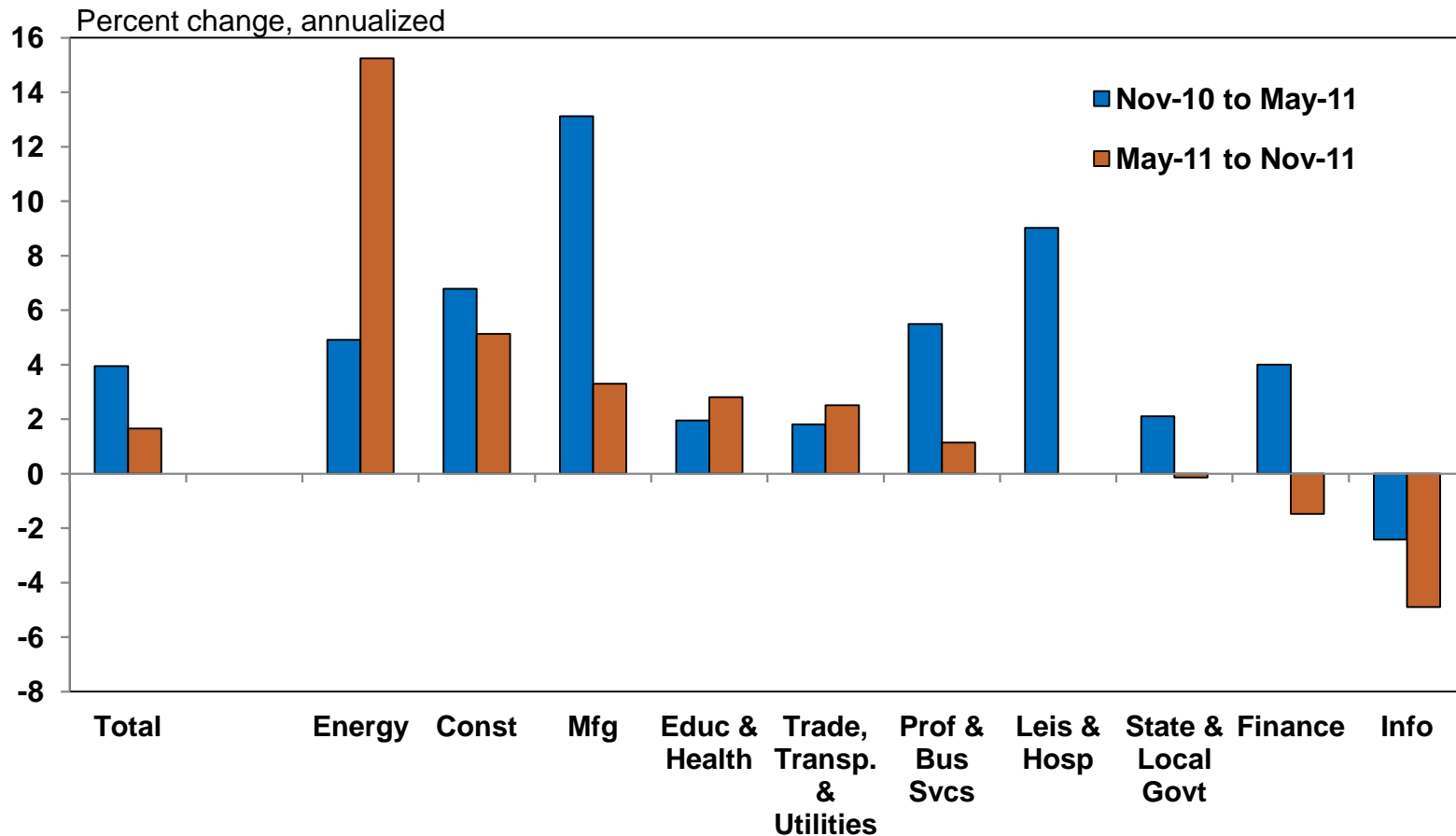
The level of jobs is nearly back to pre-recession levels, unlike the nation

Level of Payroll Employment



Most sectors had slower expansion in the second half, with energy the big exception

Oklahoma Employment Growth

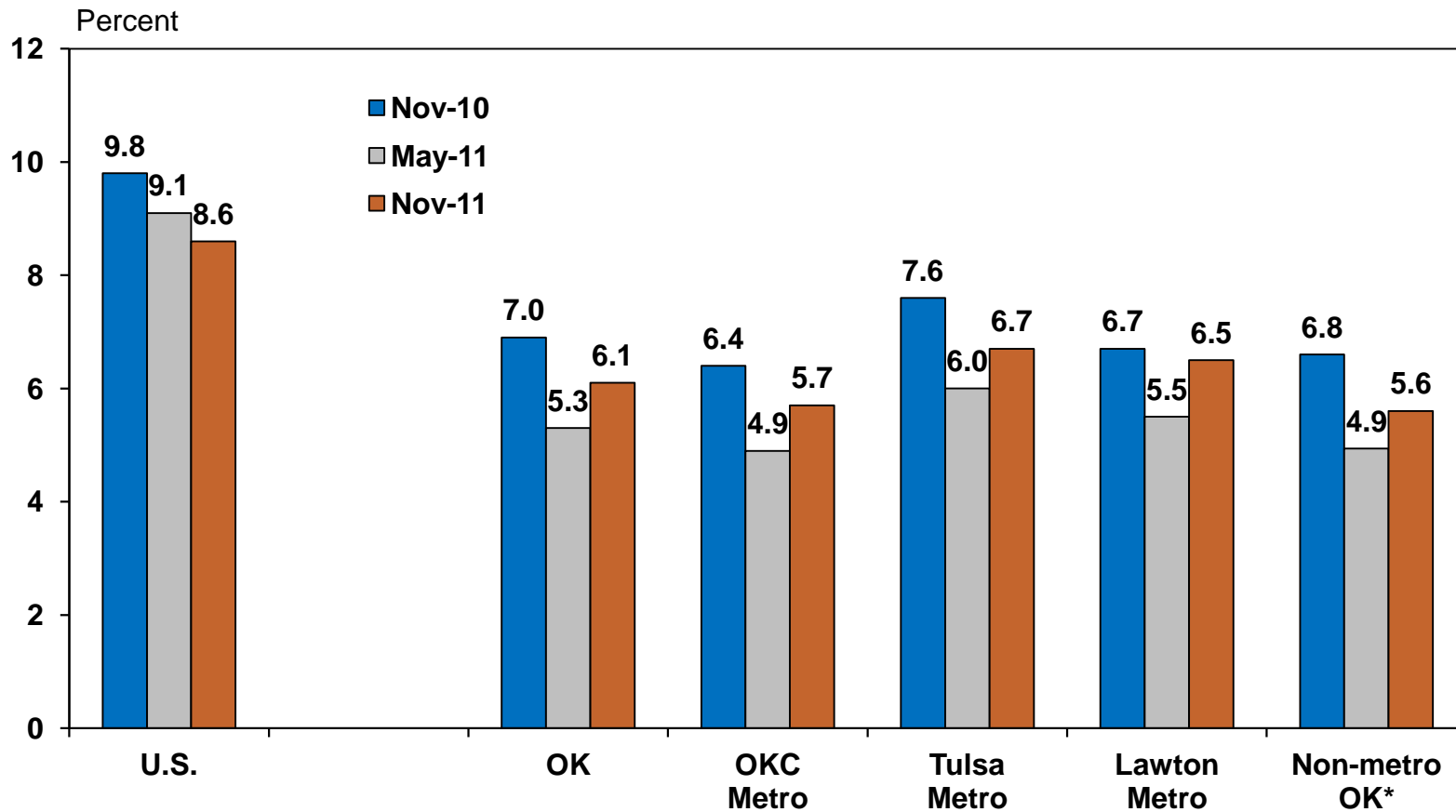


Source: Bureau of Labor Statistics



OK unemployment rates have risen, due to an increase in workforce participation

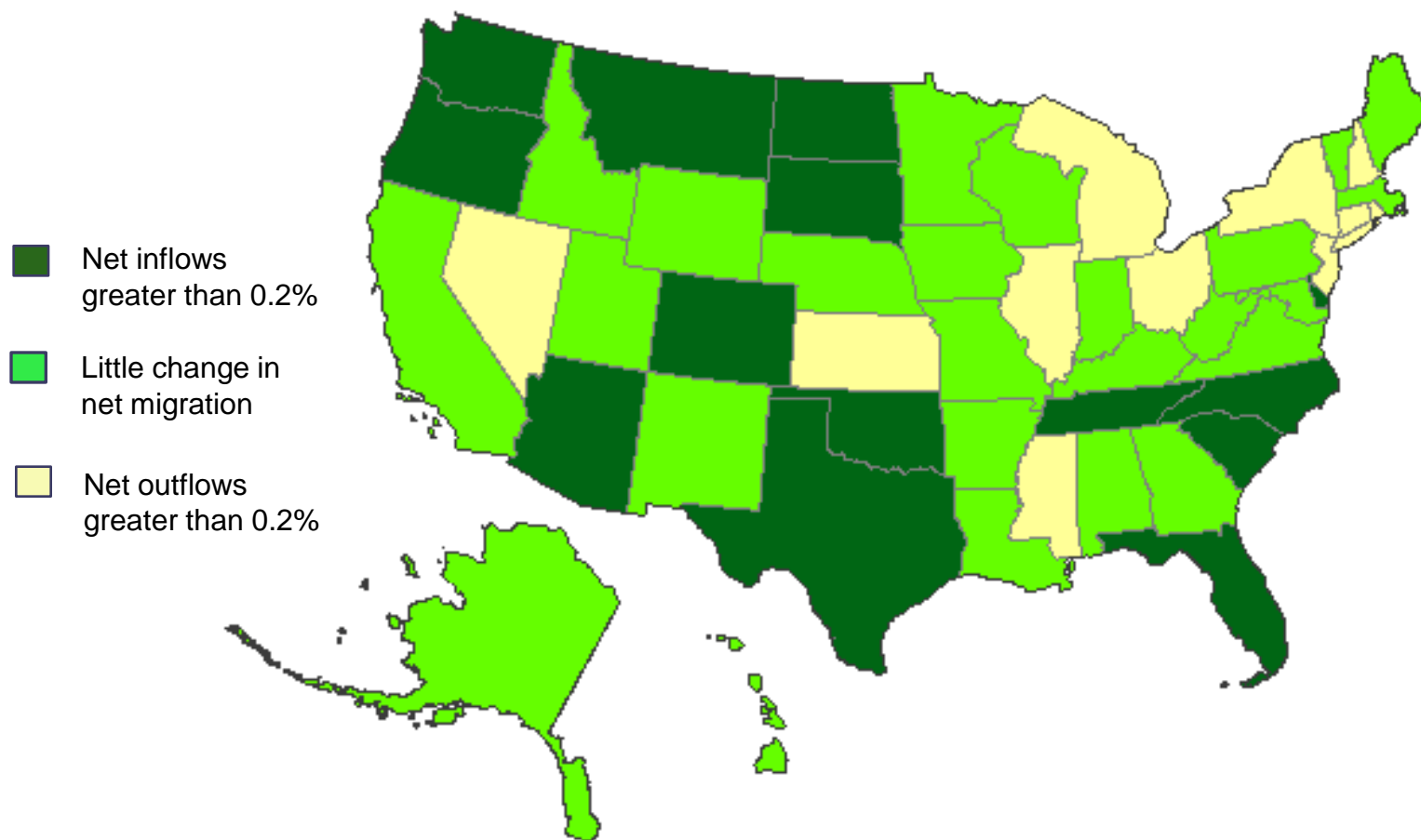
Unemployment Rate Seasonally Adjusted*



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

Net Domestic Migration

April 1, 2010 - July 1, 2011

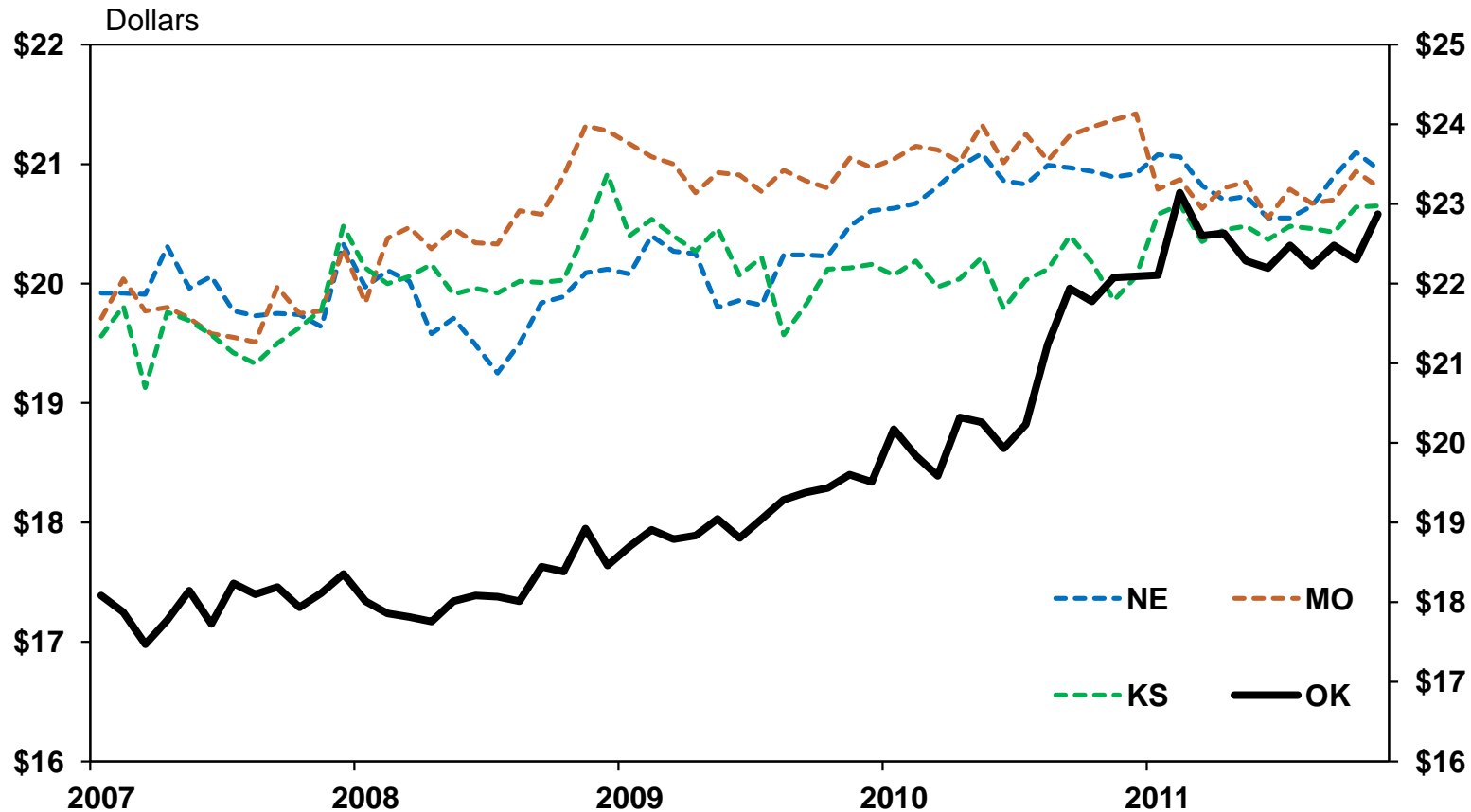


Source: U.S. Census Bureau



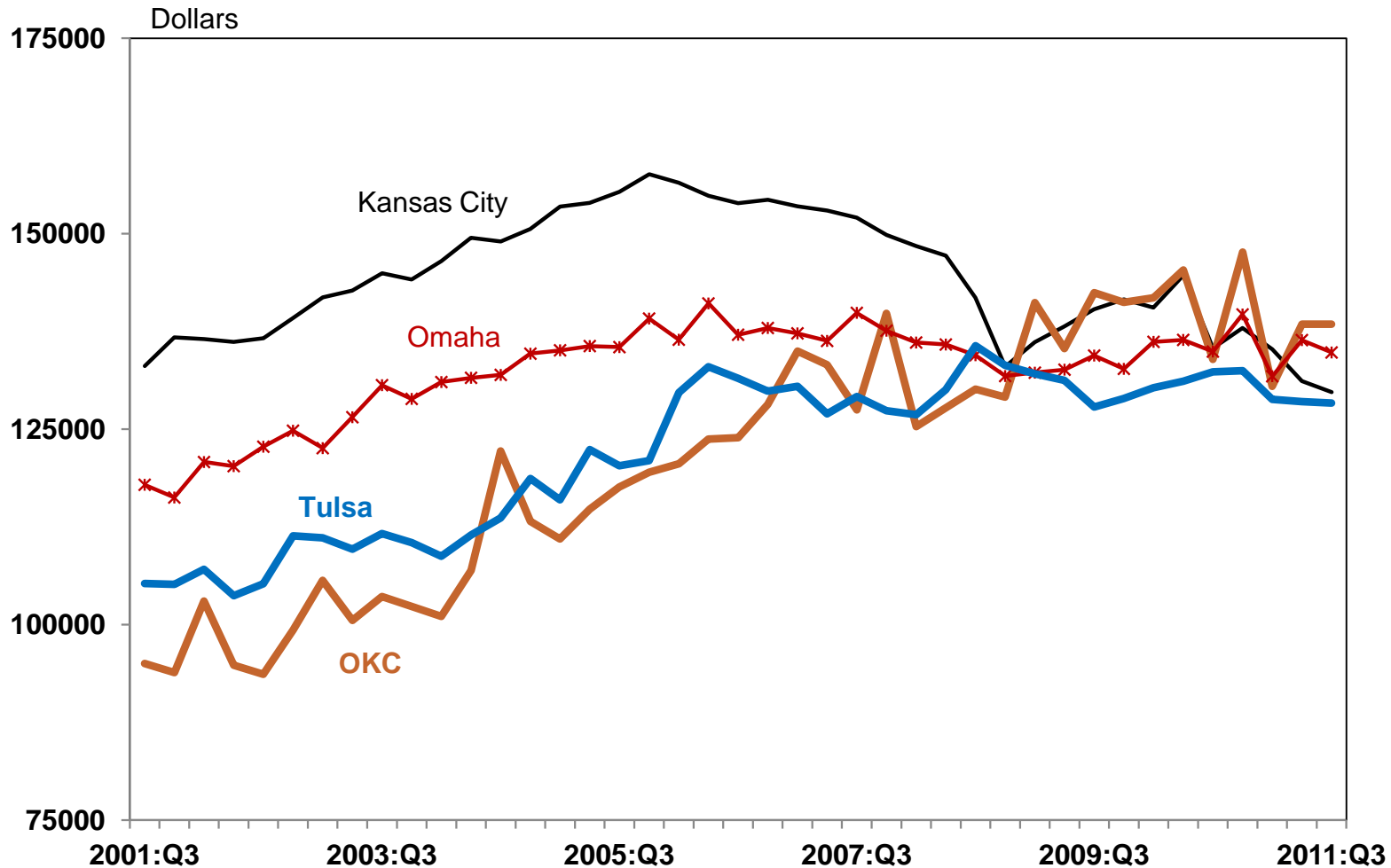
Oklahoma wages are now more similar to other Plains states in the Tenth District

Average Hourly Wage of Tenth District States
Seasonally Adjusted



Home prices in large OK metros also now compare more favorably to the region

Median Home Prices in Large Tenth District Cities

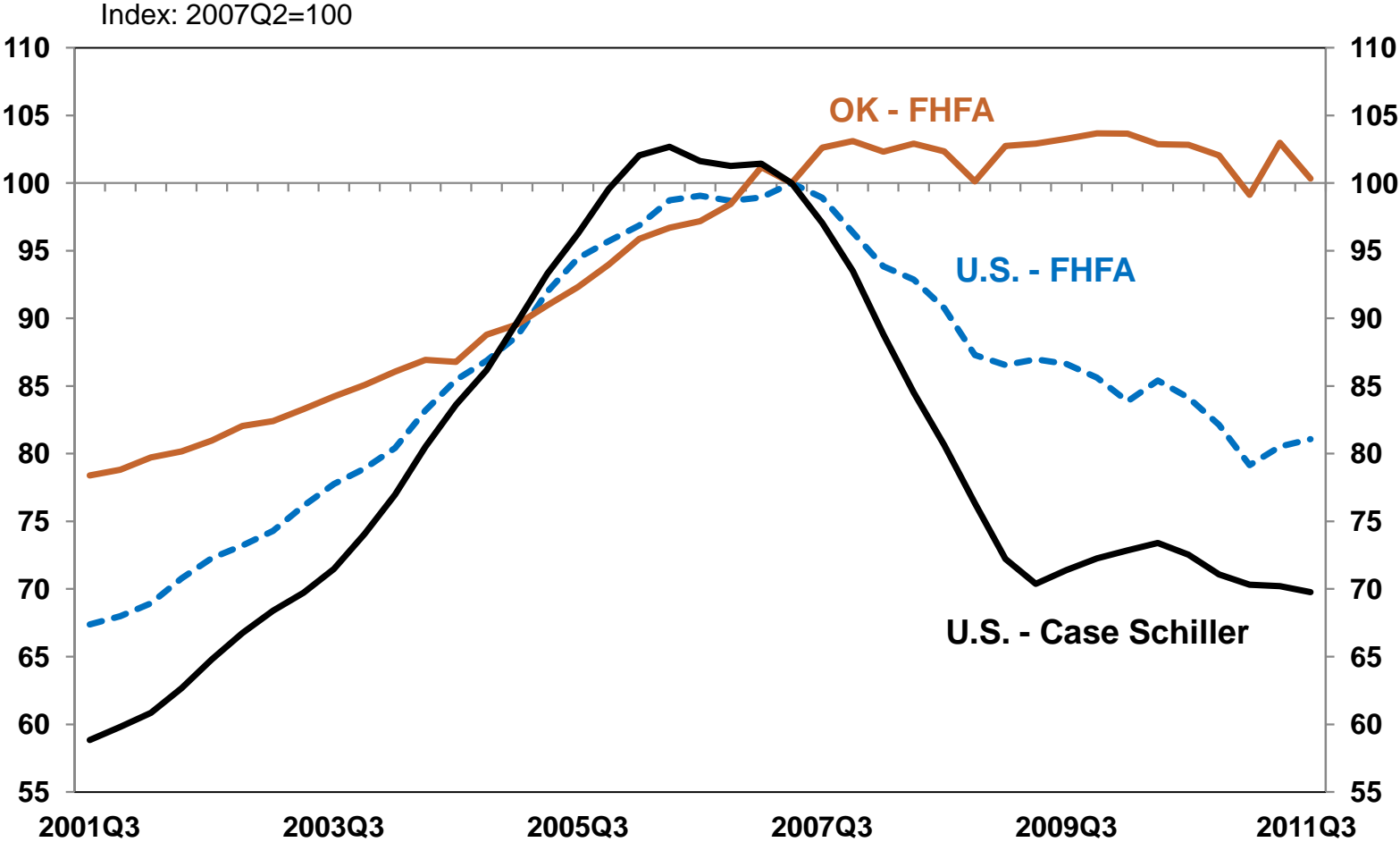


Source: NAR



And prices have held up considerably better than in the nation as a whole, on any measure

Home Price Index Purchase-Only

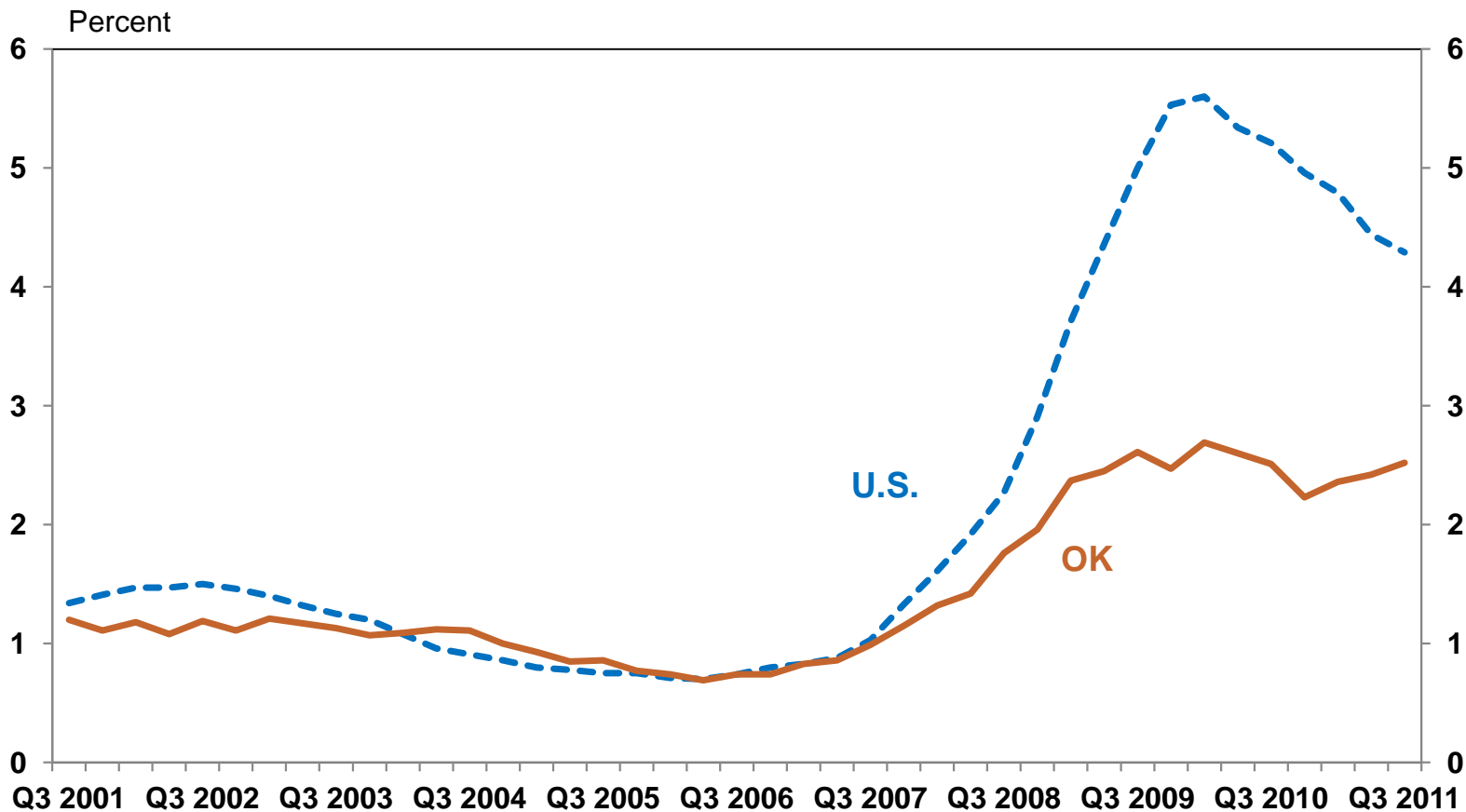


Source: FHFA



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

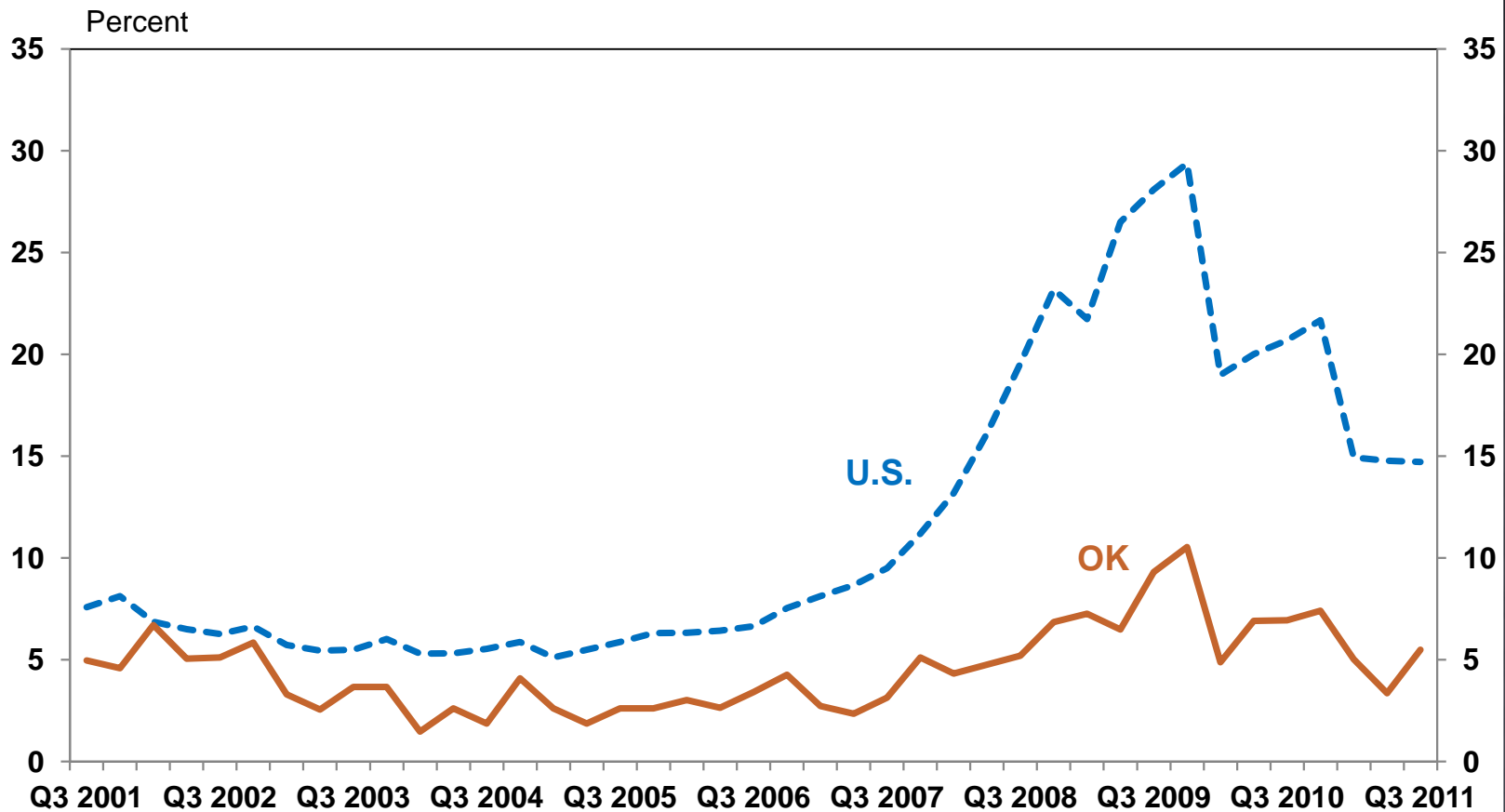


Source: FDIC



The share of unprofitable Oklahoma banks remains small relative to the nation

Share of Unprofitable Institutions
Commercial Banks

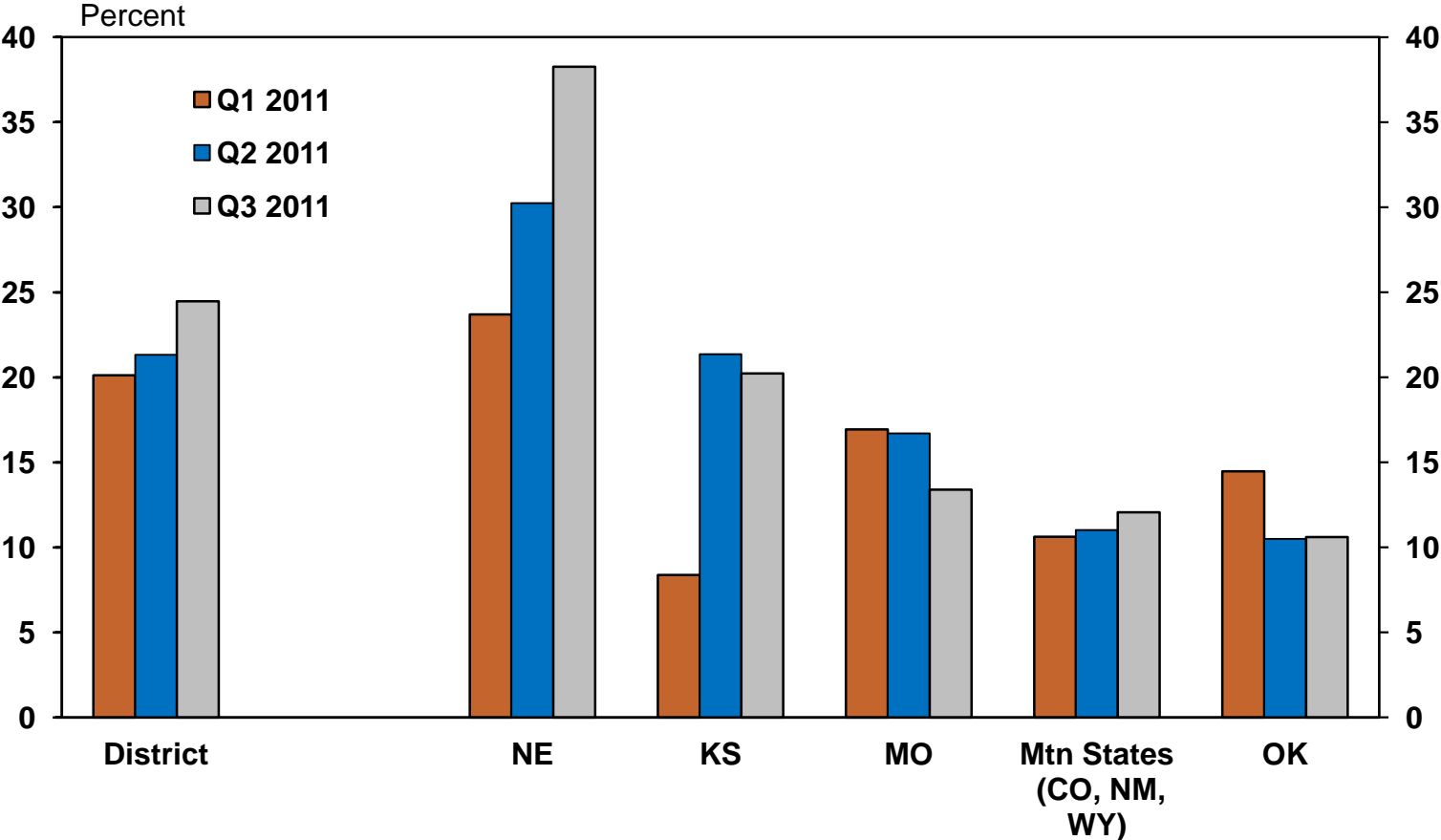


Source: FDIC



Surging farmland prices pose a risk in some parts of the region, but less so in Oklahoma

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

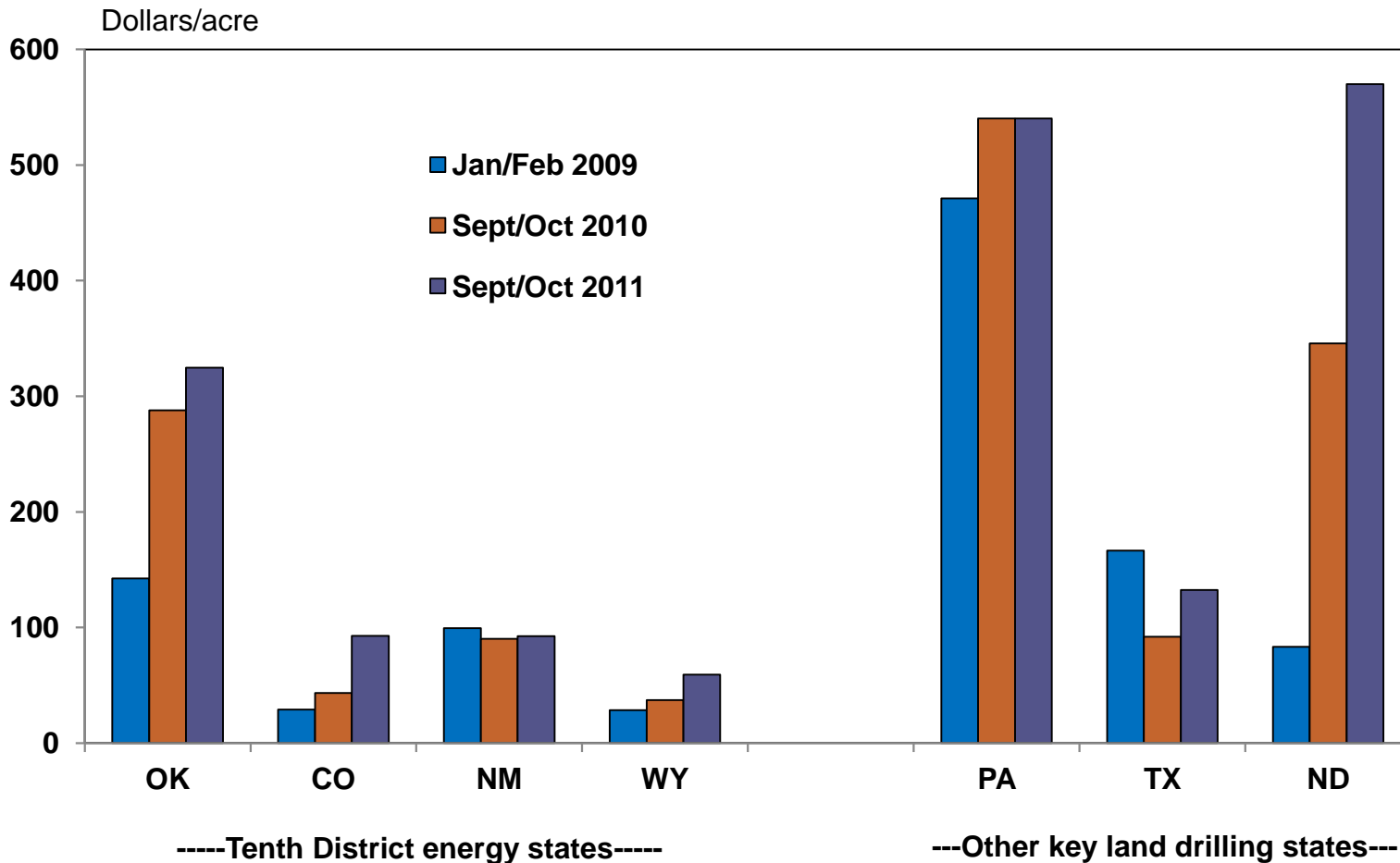


Source: FRBKC Agricultural Credit Survey



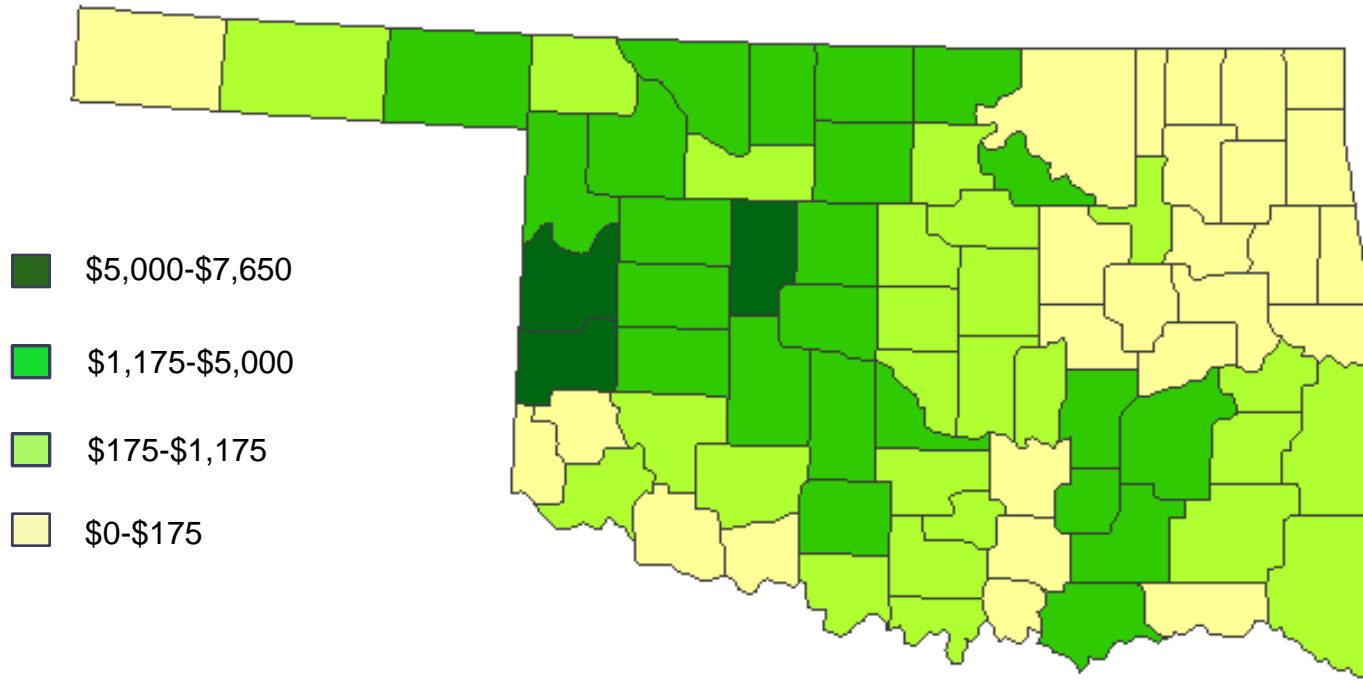
Oil and gas lease rates continue to rise in Oklahoma and other energy states

Oil and Gas Lease Rates
Most common bonus



Three western OK counties have recently seen lease bonuses of over \$5,000/acre

Oil and Gas Lease Rates
Highest bonus per acre, Sept-Oct 2011



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 remains better than the nation amid strong energy activity



Questions?



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

www.kansascityfed.org/publications/research/oke

