

Economic Update



Chad Wilkerson

**Assistant Vice President, Branch Executive, and Economist
Oklahoma City Branch
Federal Reserve Bank of Kansas City**

Structure of the Federal Reserve

Overall purpose: Foster strong economic growth and contained inflation, and help maintain the stability of the nation's financial system

- **3 primary mission areas:**
 - Conducting national monetary policy
 - Regulating financial institutions
 - Providing financial services to banks
- **Board of Governors in Washington, DC**
- **12 regional Fed banks, with 25 branches**

Map of Federal Reserve Districts



The National Economy



FOMC Statement

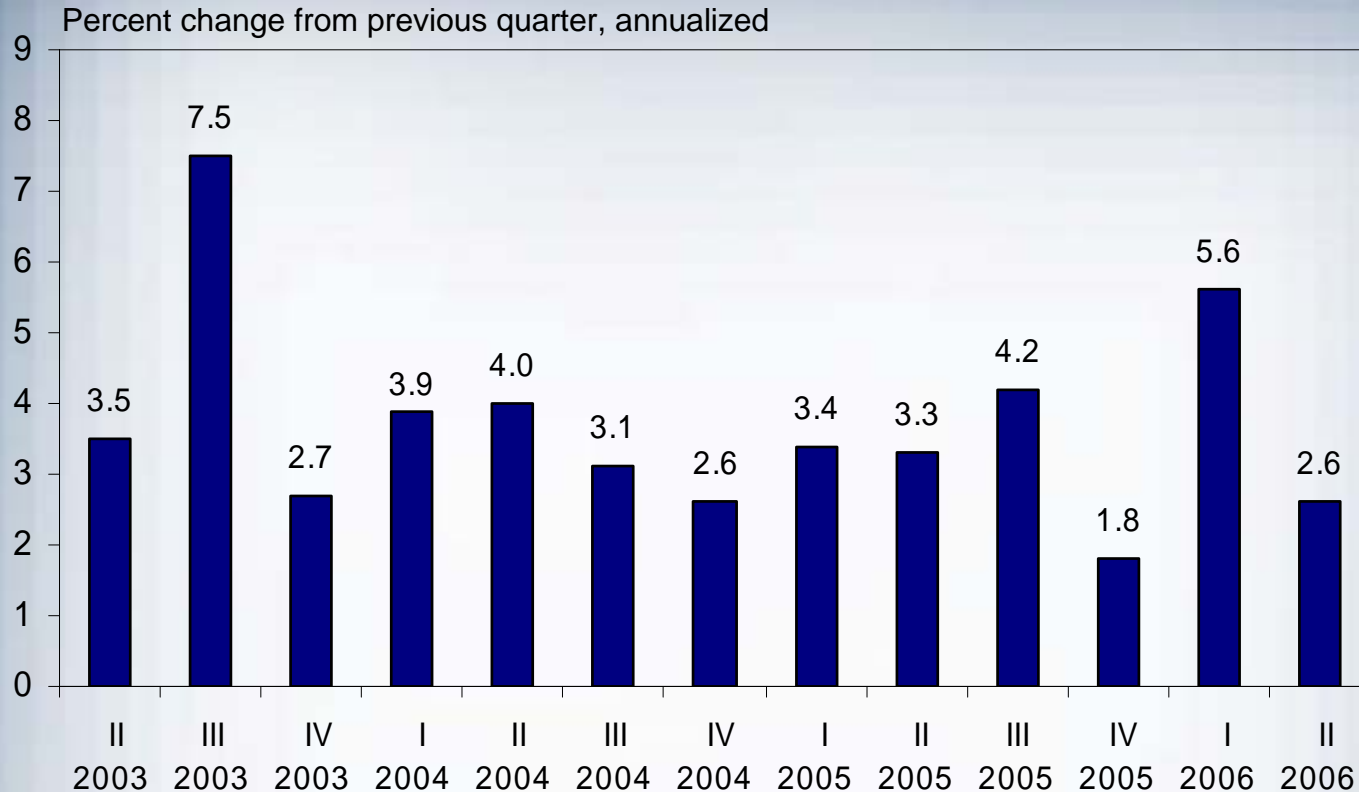
September 20, 2006

The moderation in economic growth appears to be continuing, partly reflecting a cooling of the housing market.

Readings on core inflation have been elevated... However, inflation pressures seem likely to moderate over time, reflecting reduced impetus from energy prices, contained inflation expectations, and the cumulative effects of monetary policy actions and other factors restraining aggregate demand.

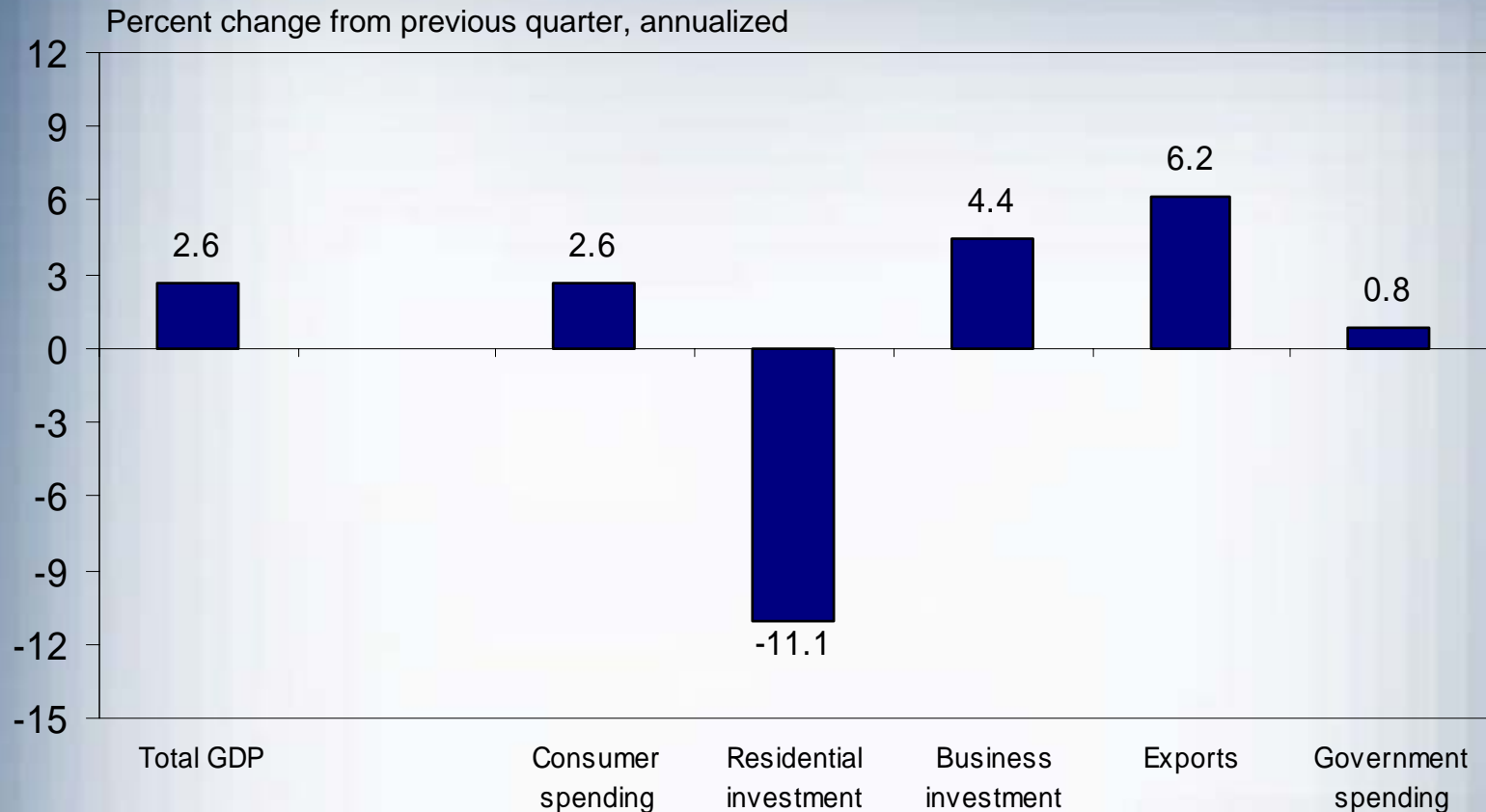
U.S. GDP growth slowed in Q2 but remained relatively solid

Gross Domestic Product



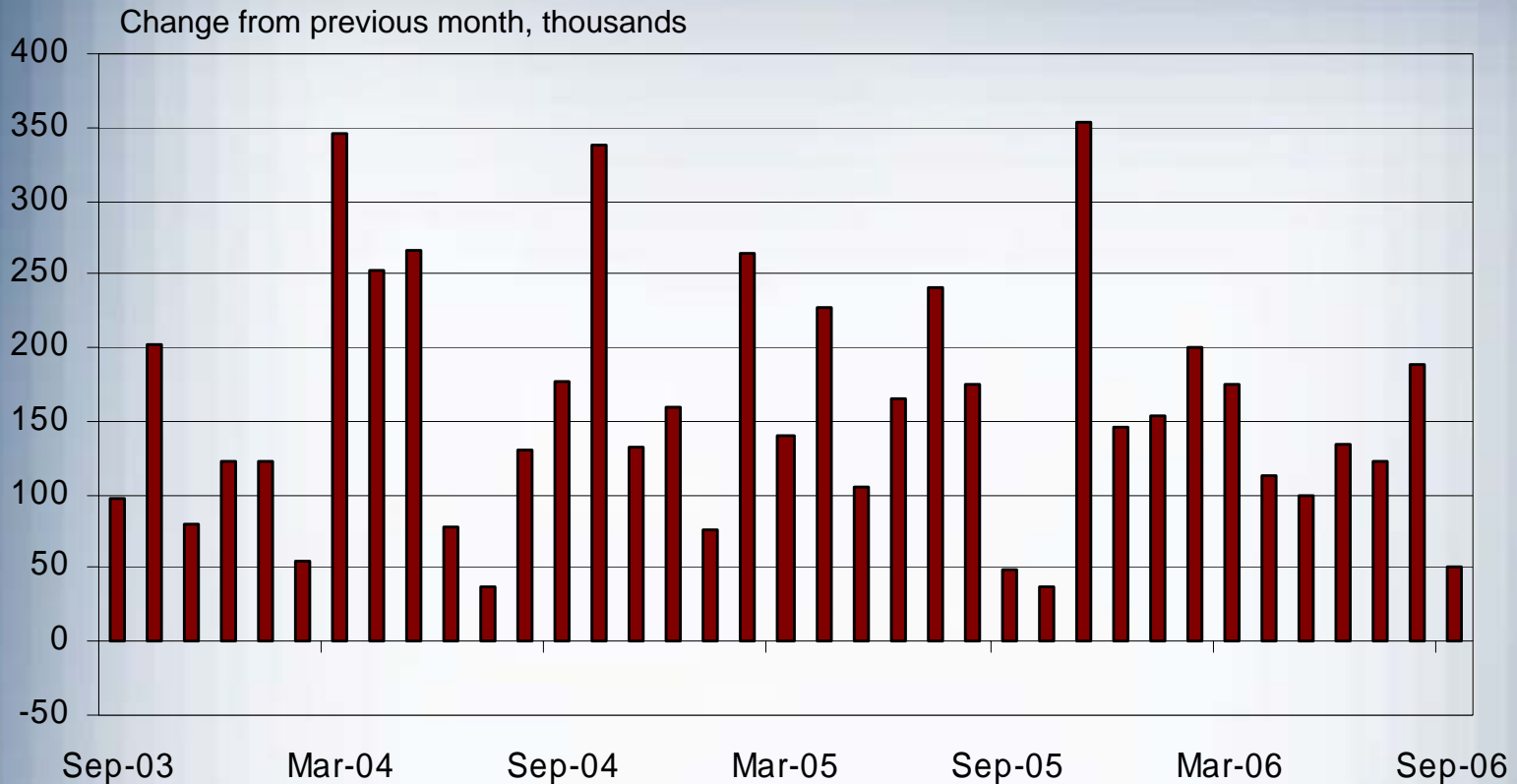
Business investment and exports were leading growth, as housing declined

Growth in Components of GDP in Q2 2006



U.S. employment growth slowed in September, but Q3 growth equaled Q2

Payroll Employment



Consumer confidence rebounded in September after easing in August

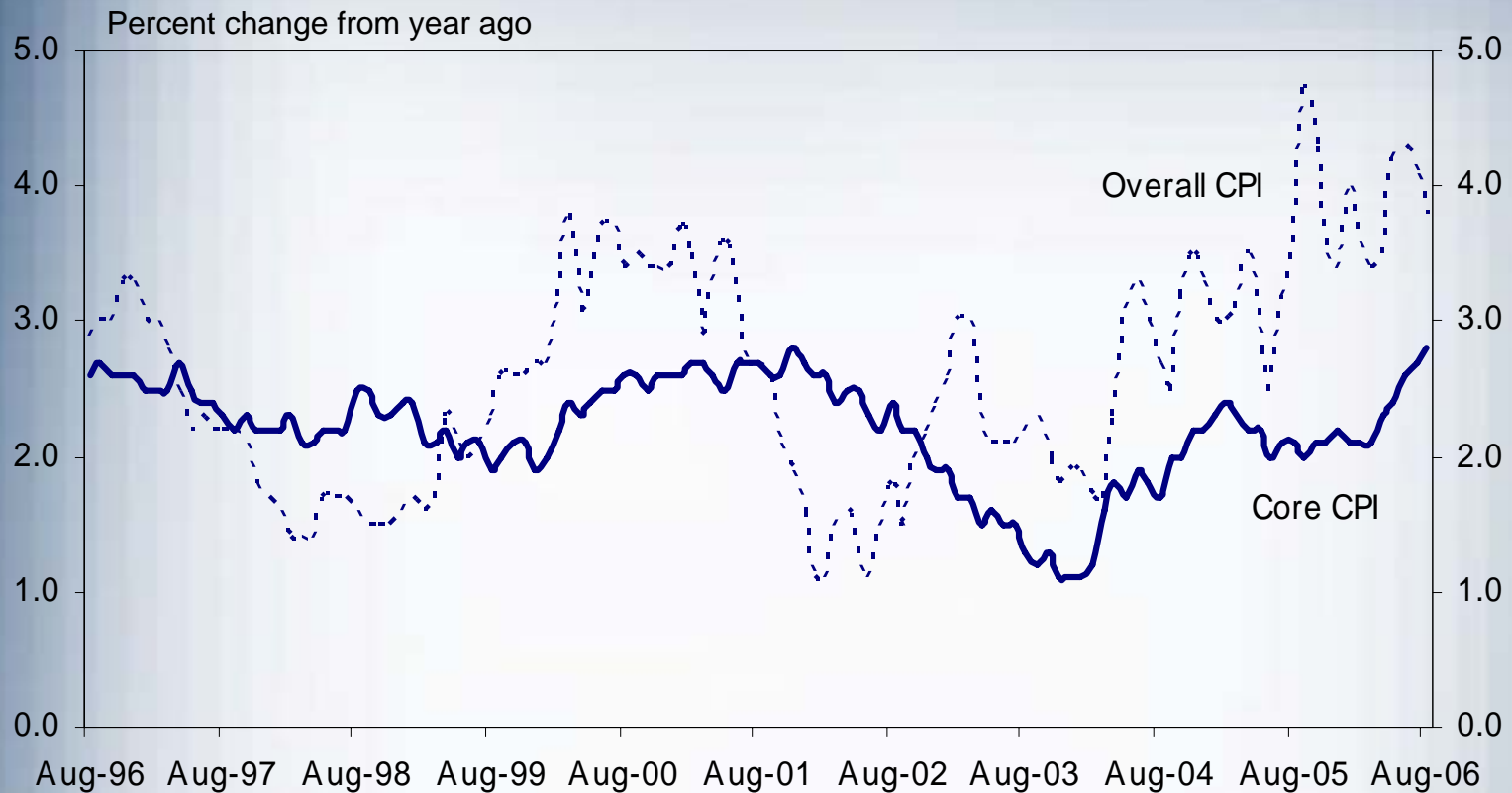
Consumer Confidence Index



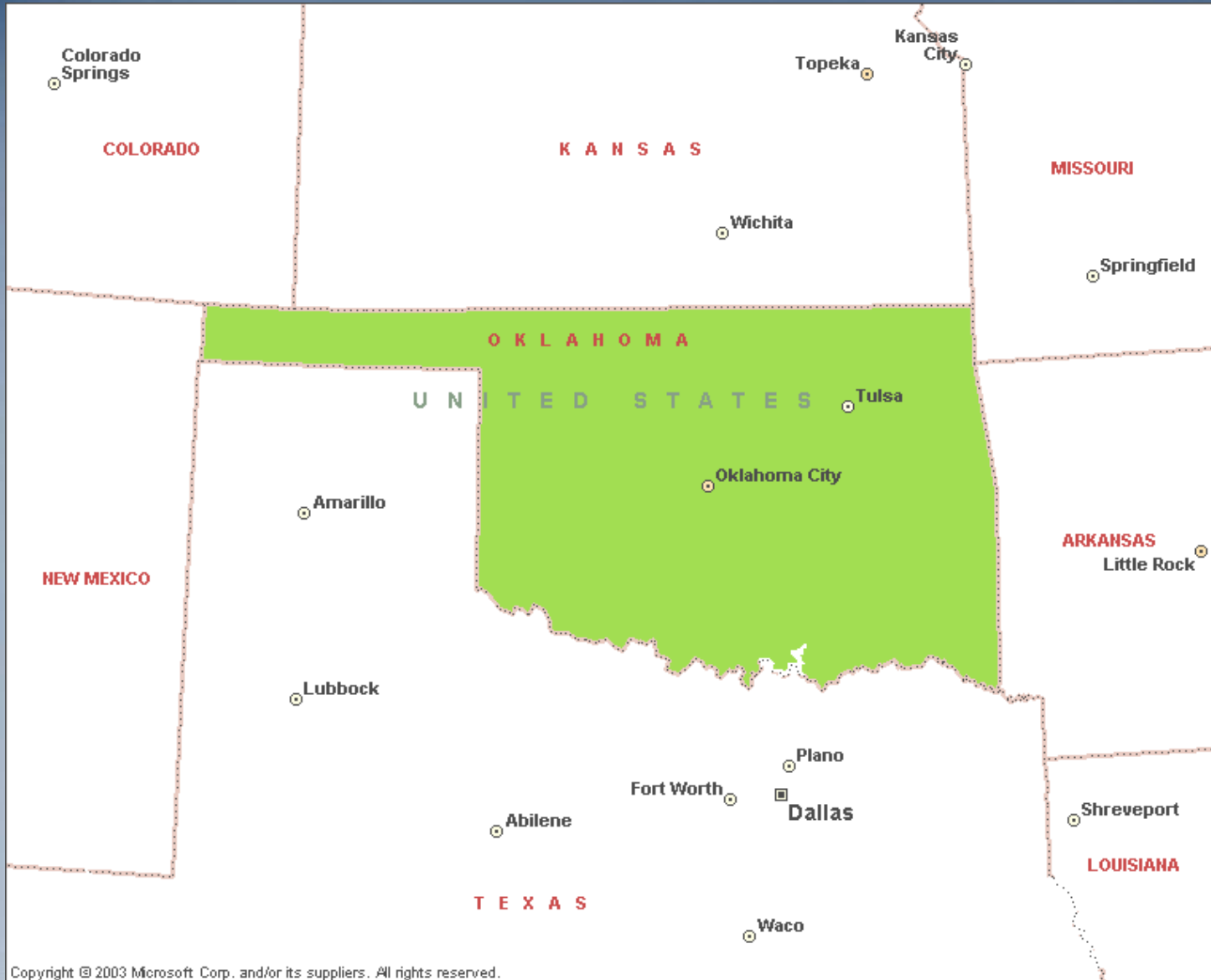
Source: Conference Board

Core inflation has risen this year, but falling energy prices should help the outlook

Consumer Price Index



The Oklahoma Economy



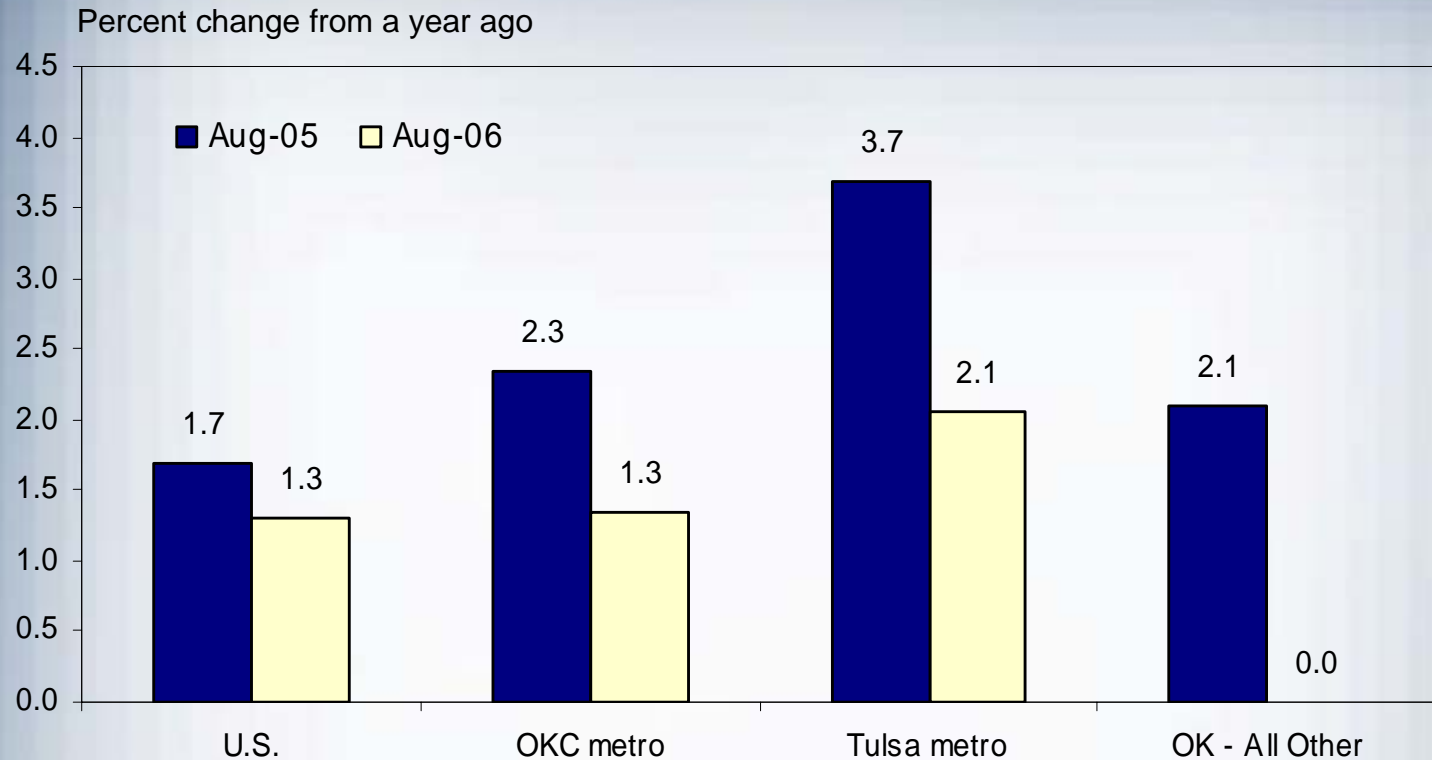
OK job growth has slowed to the national rate, following faster growth in recent years

Employment Growth



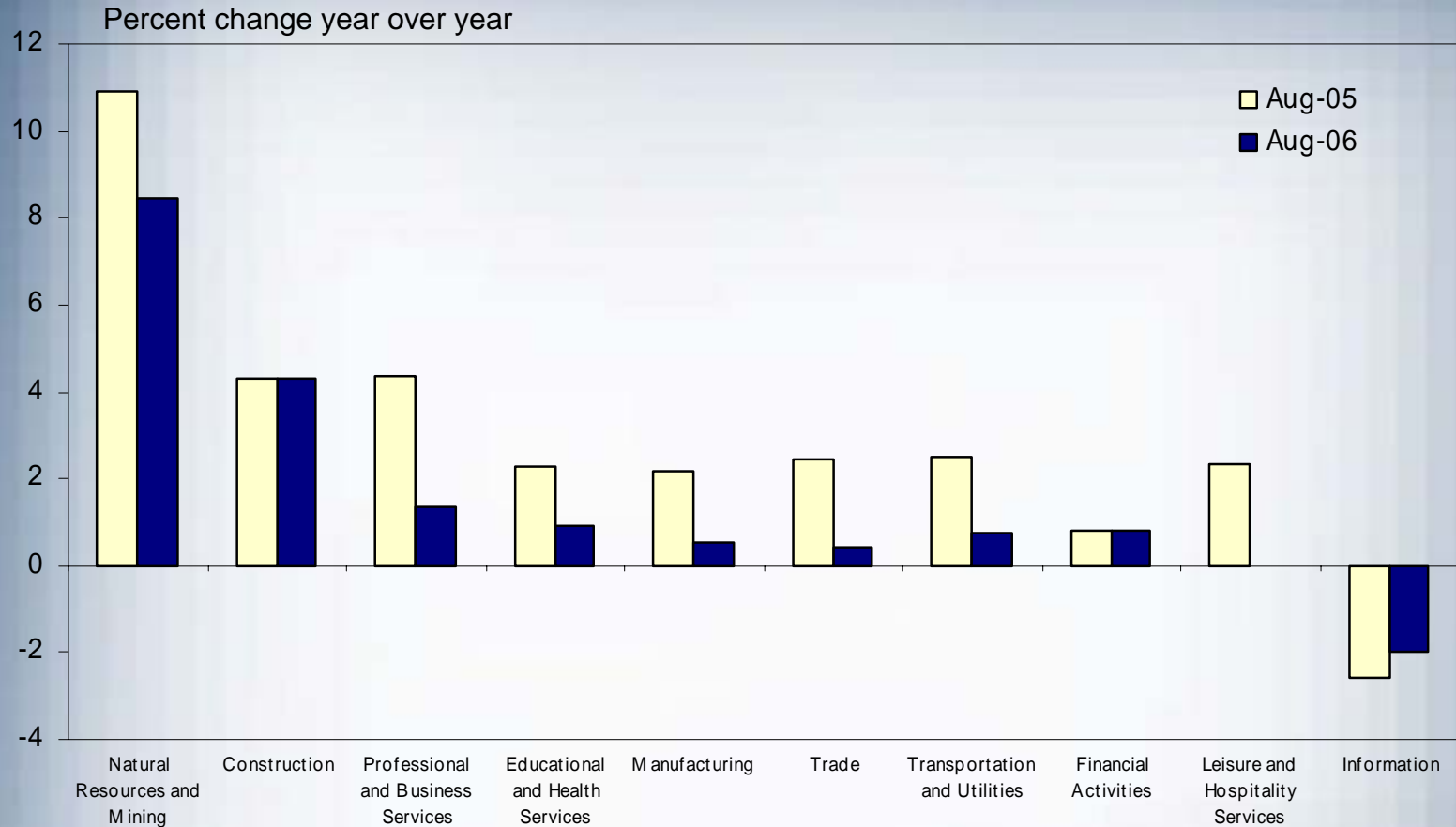
Job growth has eased across the state, but especially in non-metro areas

Employment Growth



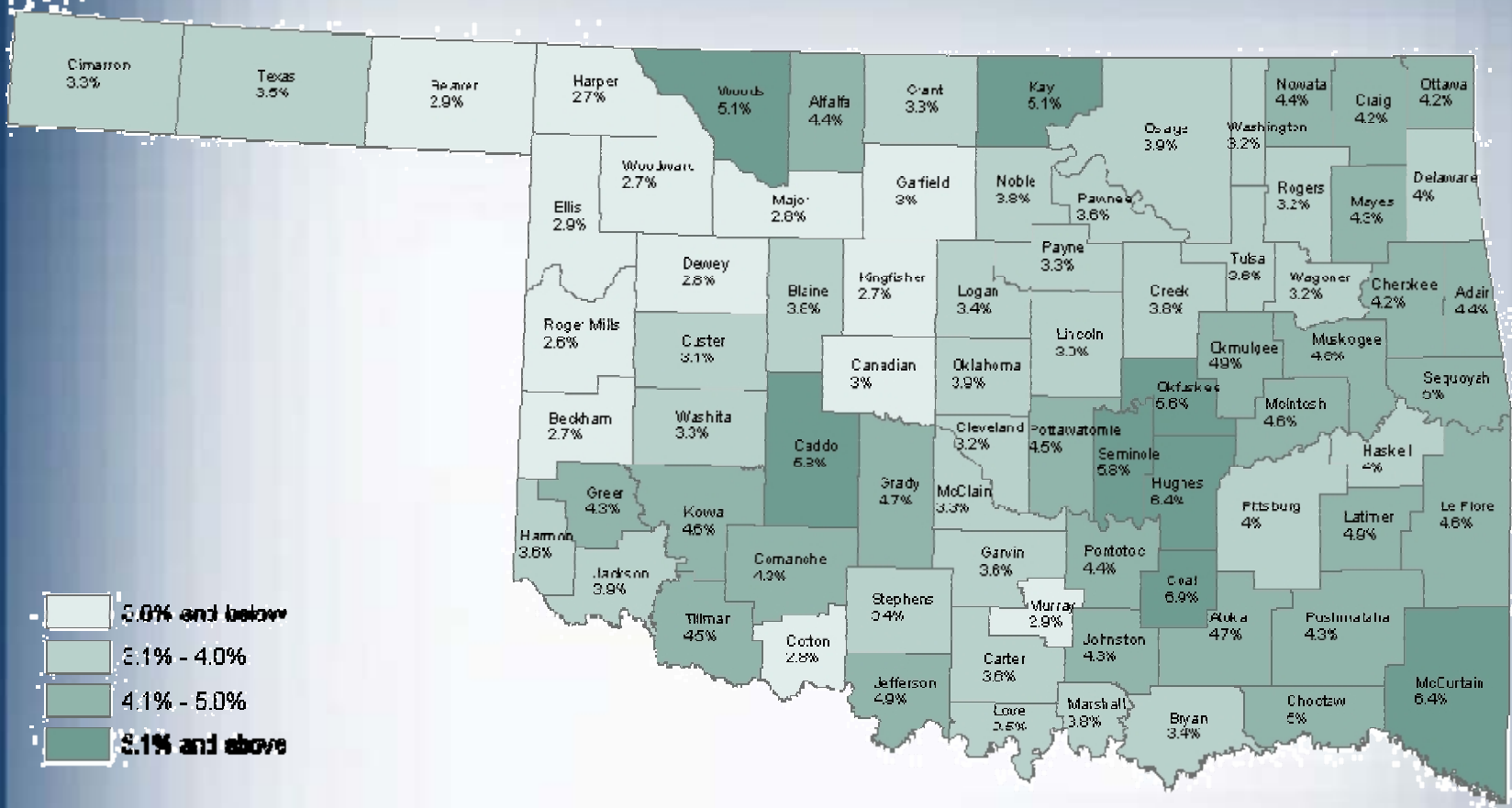
Natural resources and construction job growth is still up, while other sectors slow

OK Employment Growth by Industry



Labor markets are generally tight across the state, especially in the west

Oklahoma Unemployment Rates by Counties July 2006



Source: U.S. Bureau of Labor Statistics

Oklahoma Unemployment Rate = 3.6%

U.S. Unemployment Rate = 6.0%

Oklahoma housing activity has declined in 2006, but not as much as in the nation

Single Family Housing Permits



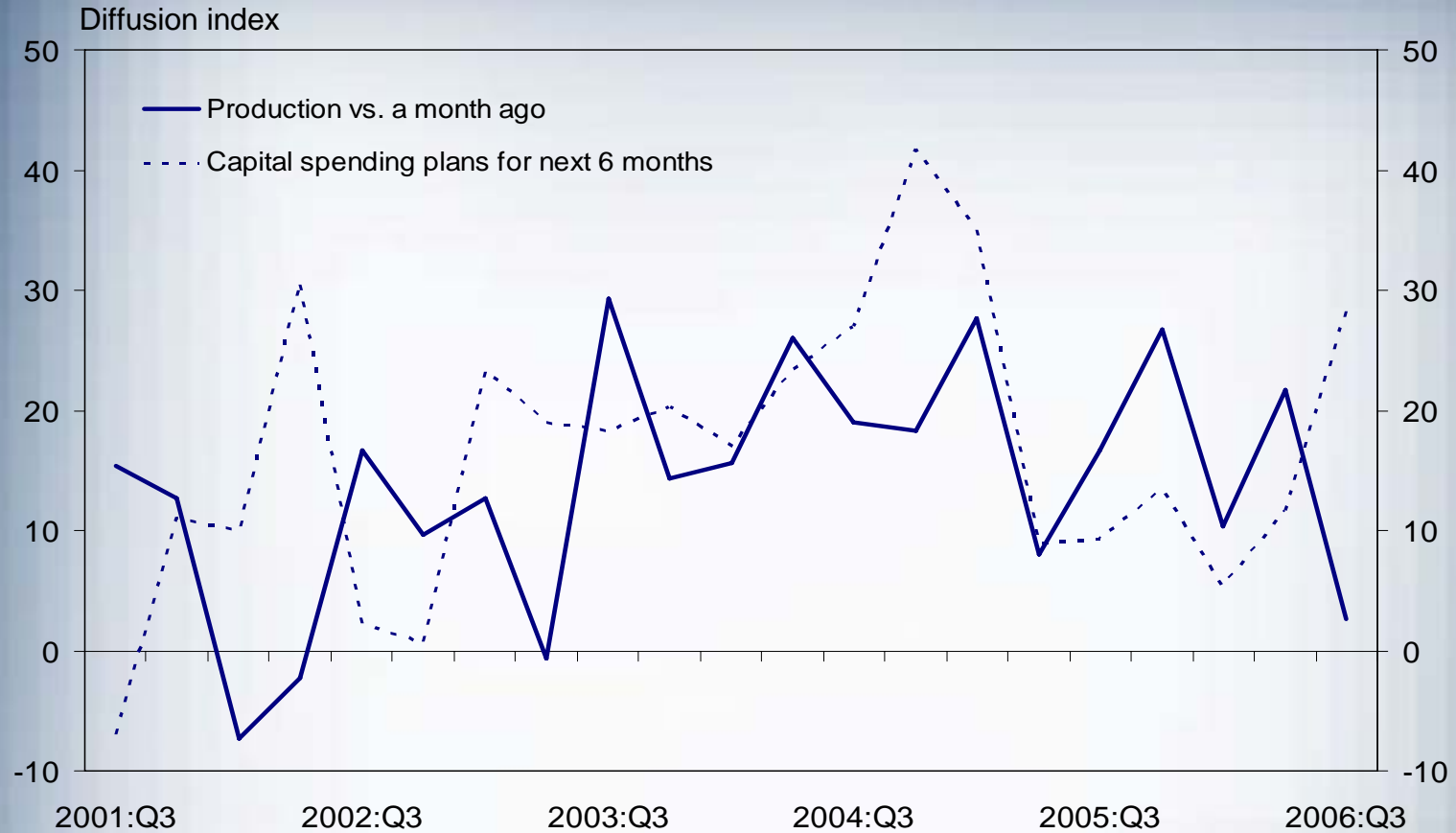
Oklahoma house price growth remains steady, while U.S. prices are easing

Quality-adjusted Housing Prices



Oklahoma factory activity has slowed, but plants' capital spending plans appear solid

Oklahoma Manufacturing Indexes

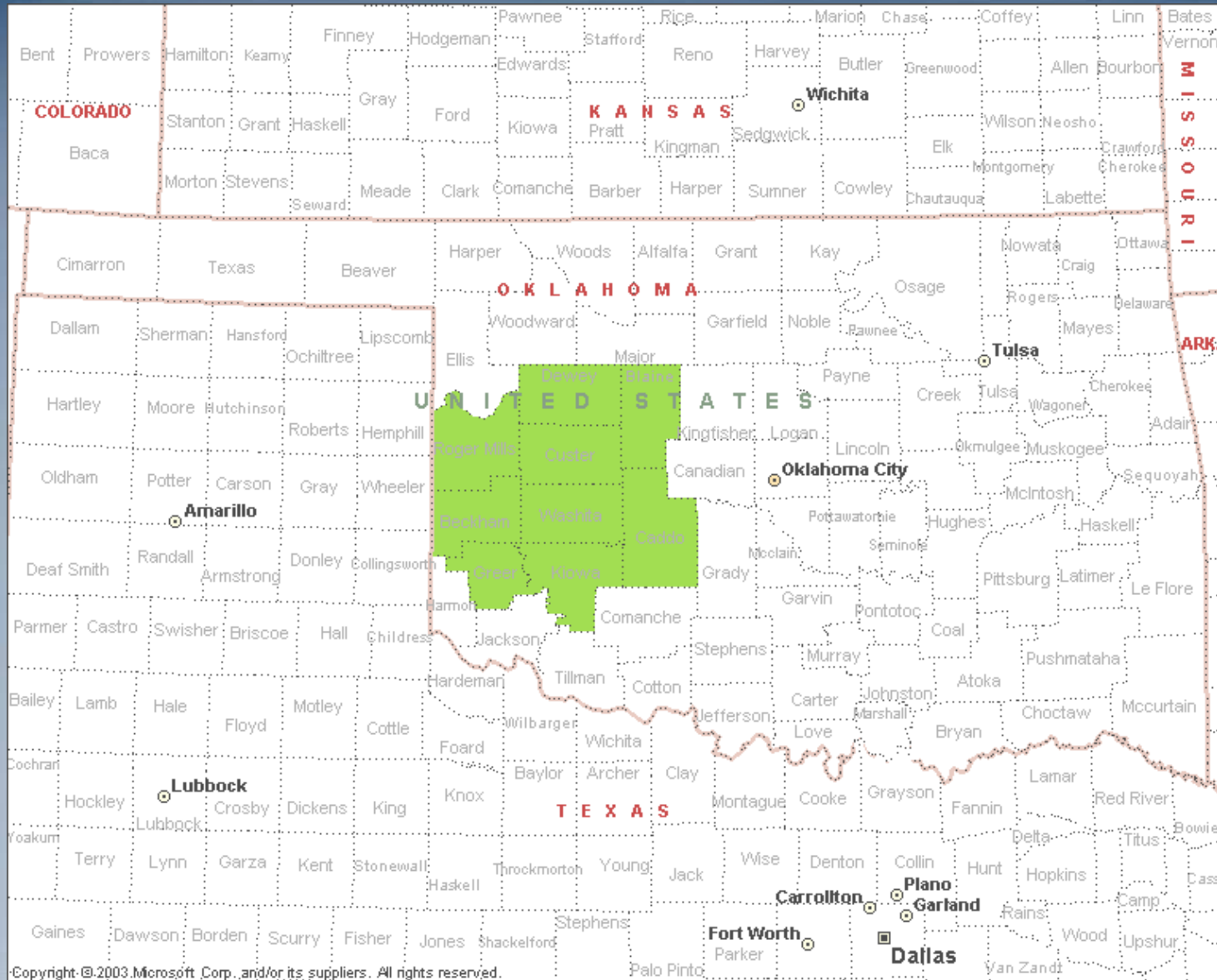


OK hiring plans have slowed but continue to well outpace layoff announcements

Oklahoma Hiring and Layoff Announcements

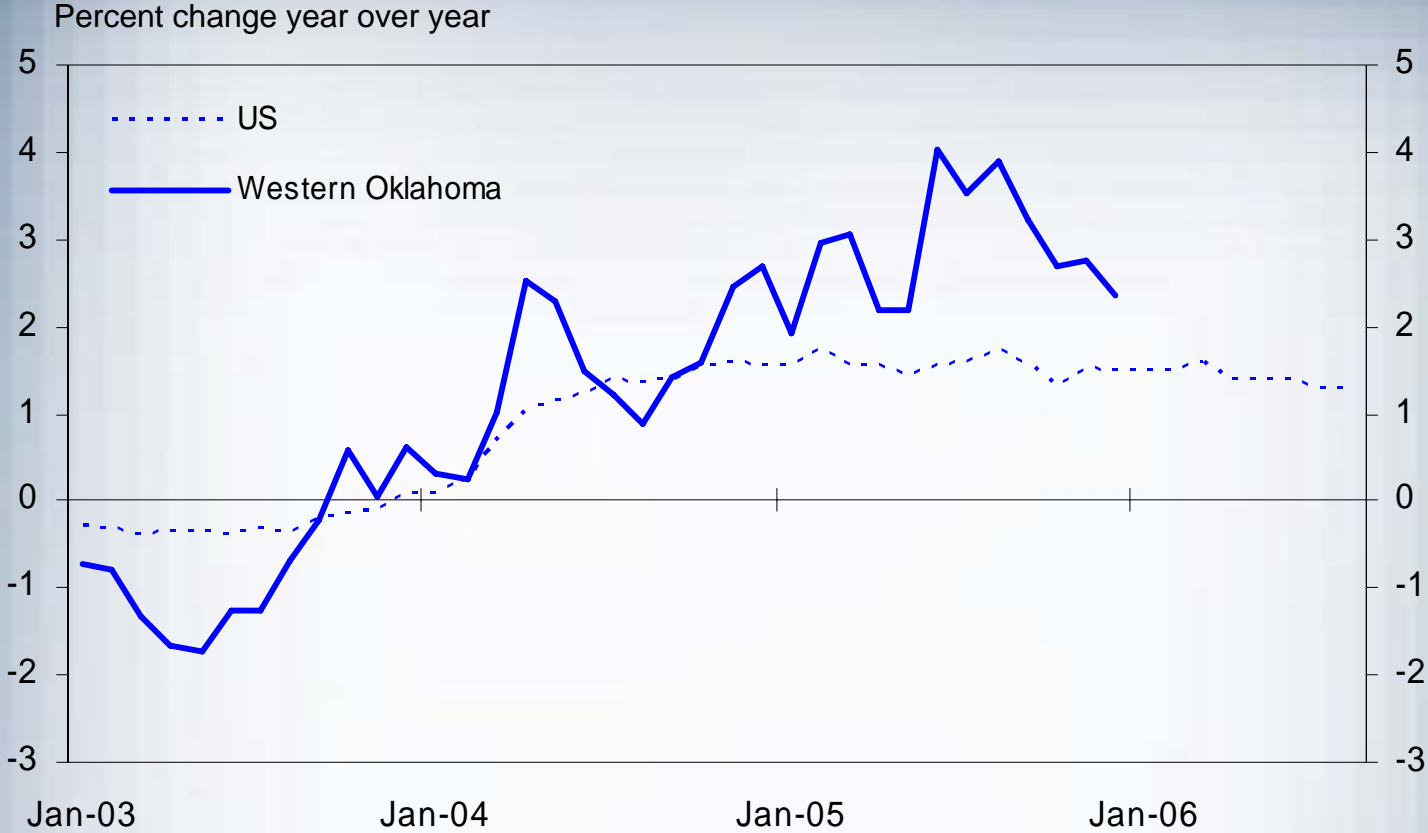


The Western Oklahoma Economy



Western Oklahoma job growth was very strong entering 2006

Employment Growth

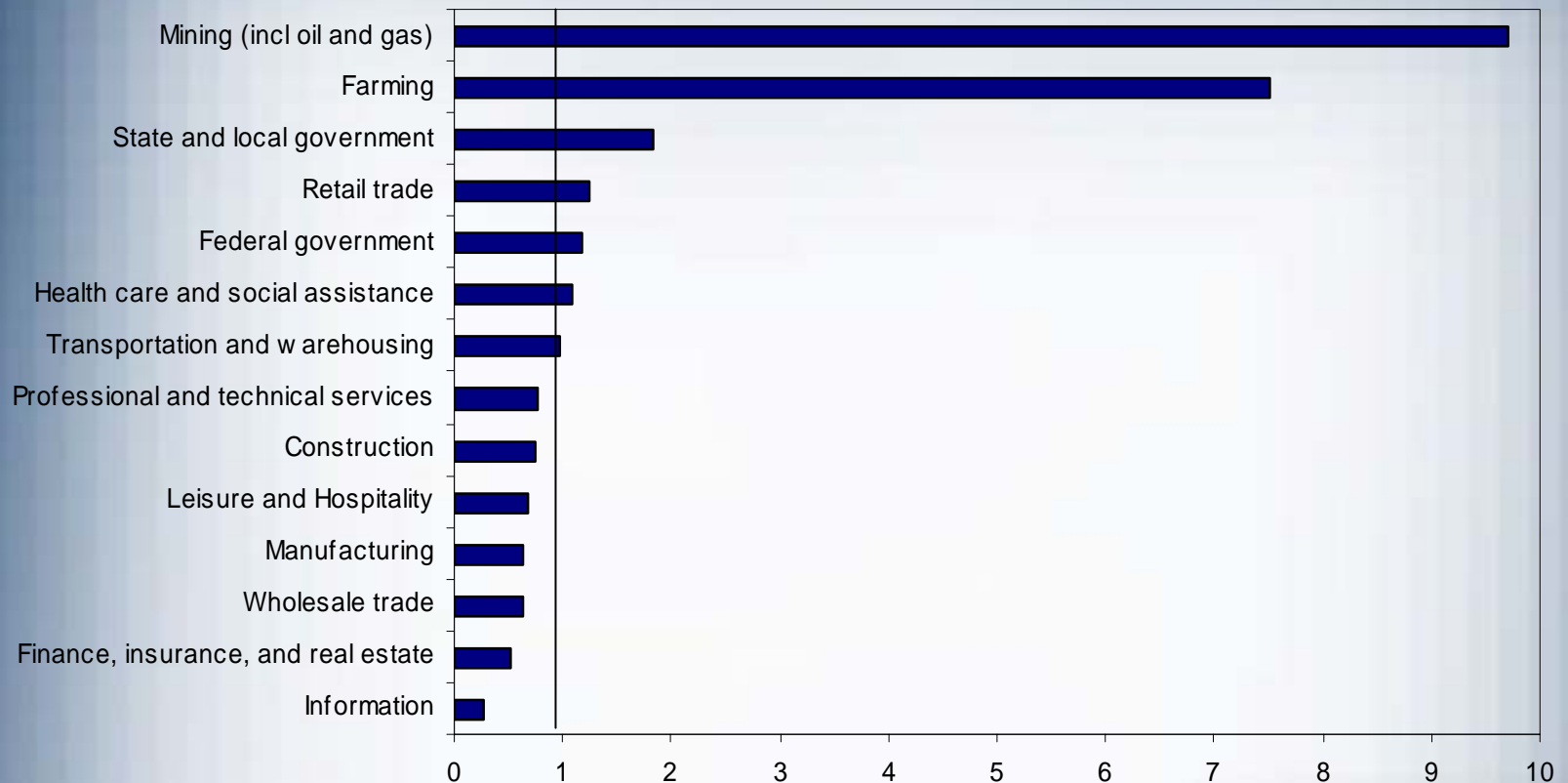


Source: U.S. Bureau of Labor Statistics

Relative to the nation, Western Oklahoma's economy is very energy- and ag-driven

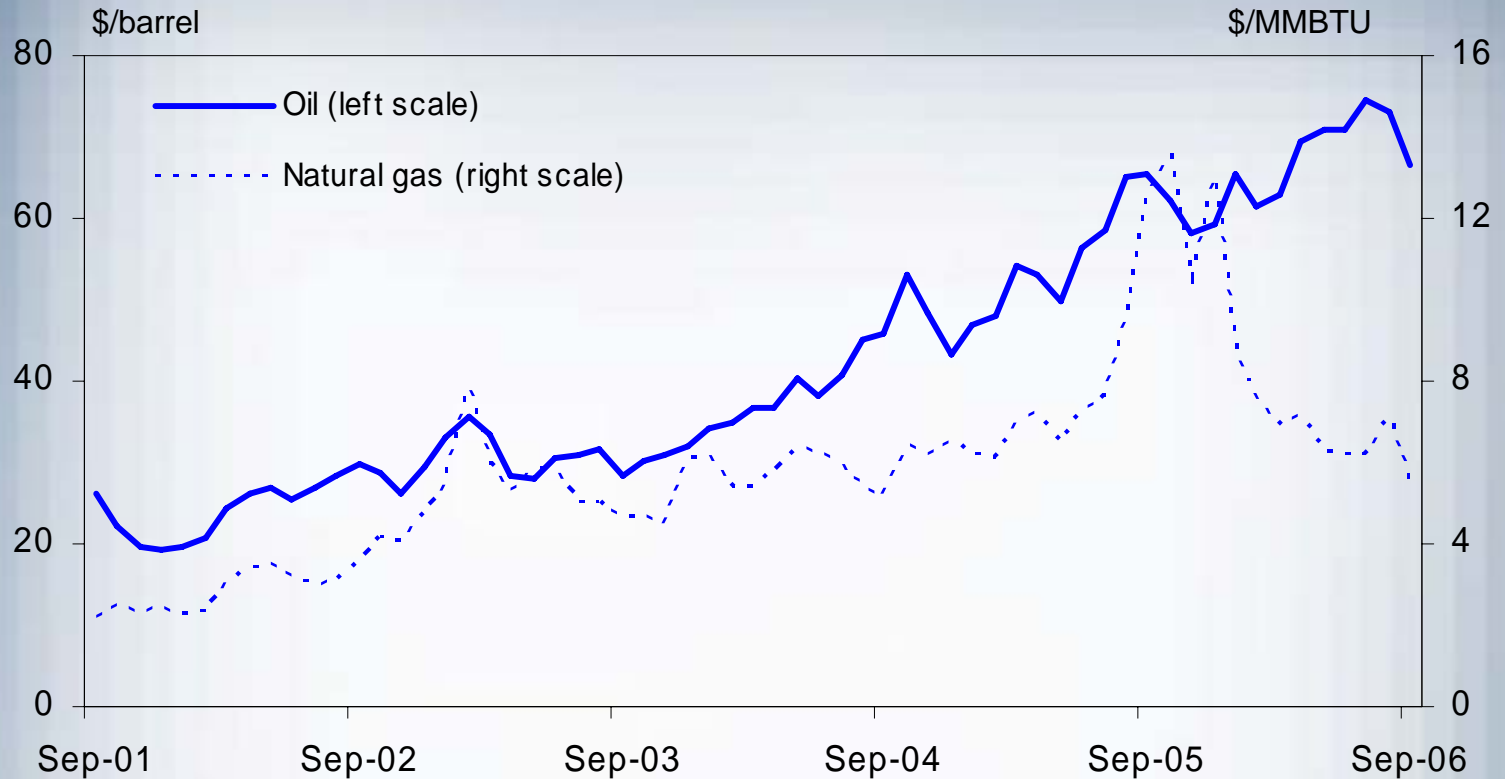
Relative importance of industries by contribution to area earnings

Ratio of Western-Oklahoma-to-U.S. concentrations, 2004

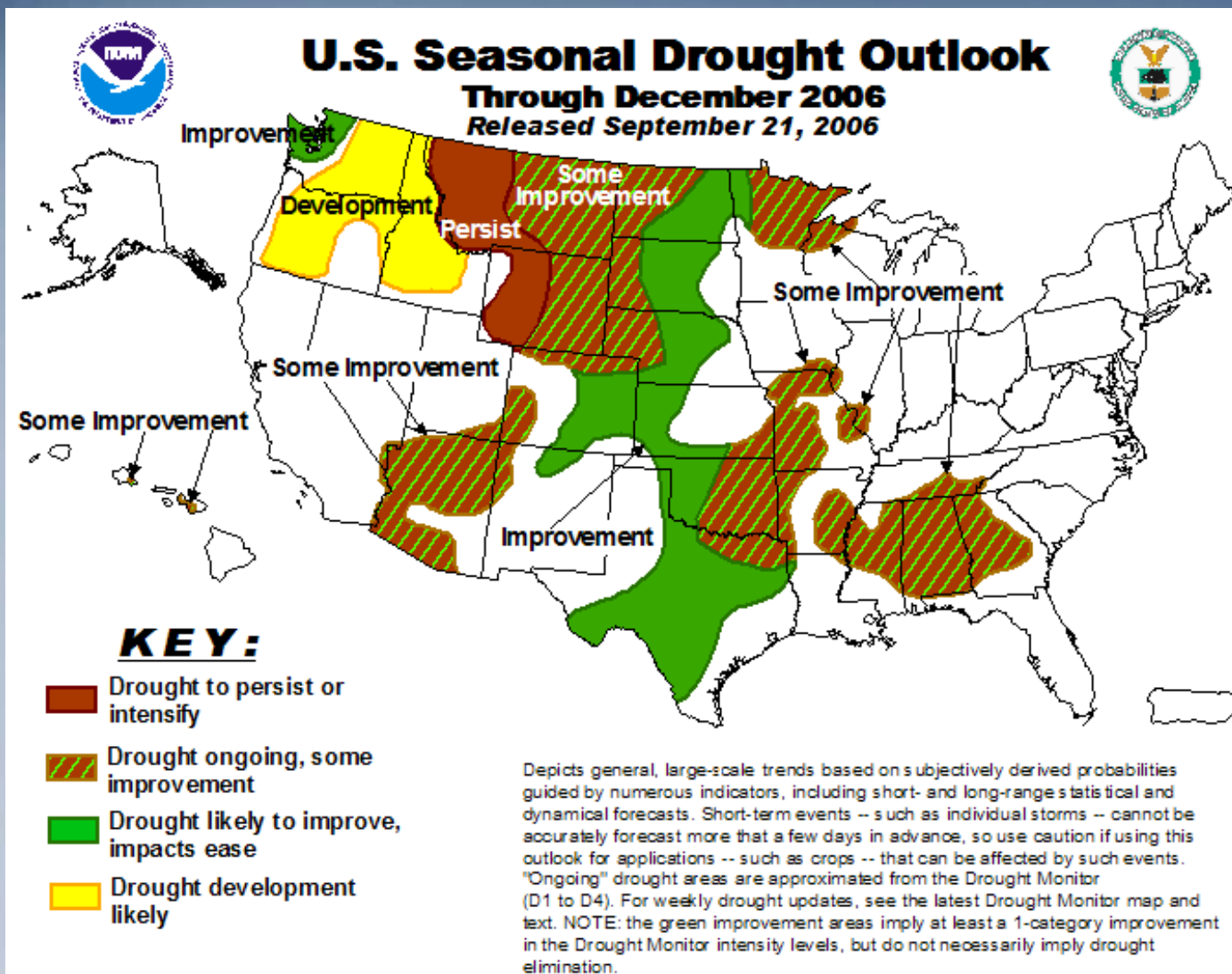


Energy prices have eased recently but remain high

Energy prices



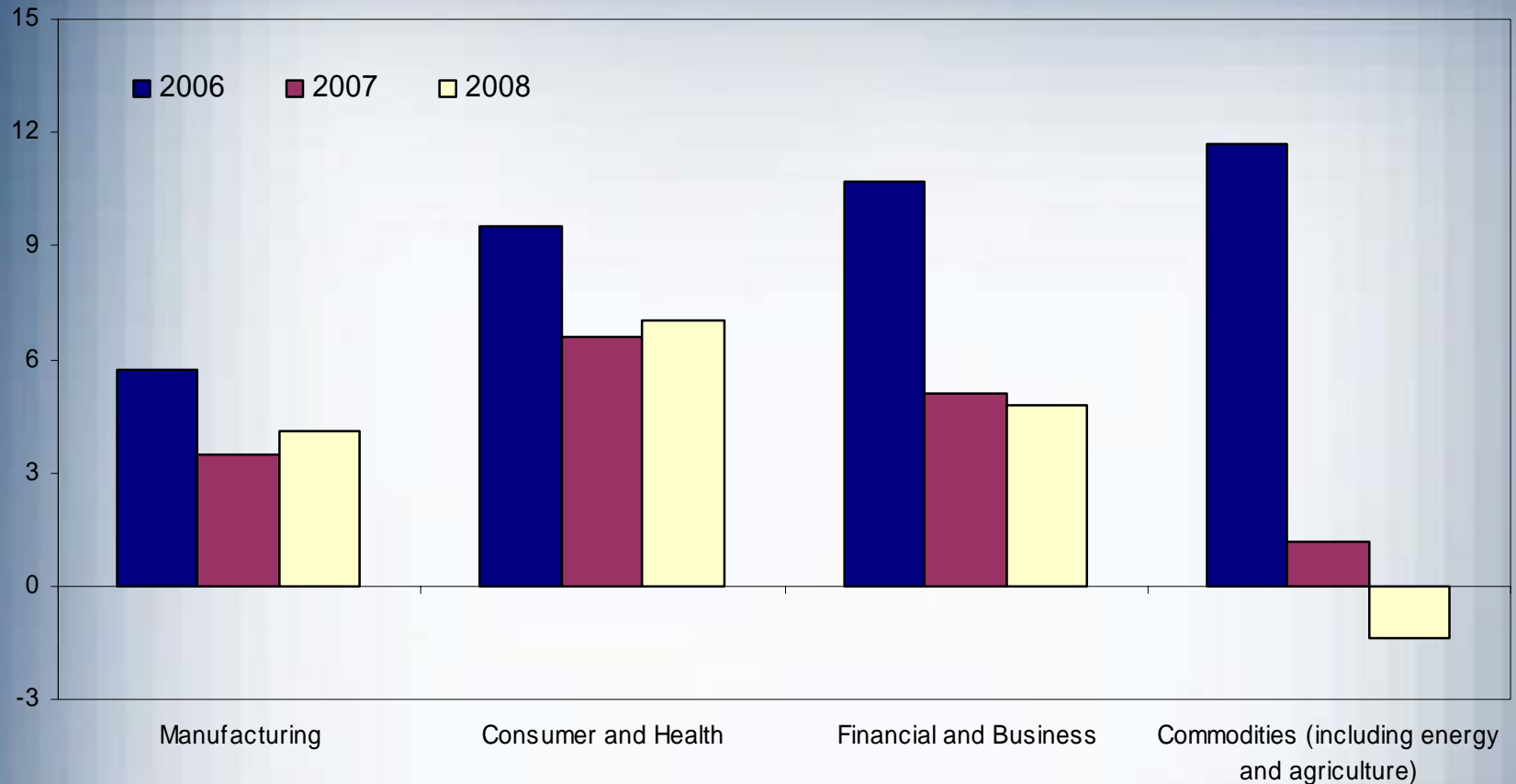
Drought conditions in western Oklahoma are expected to improve



Revenue growth for commodities industries is projected to ease, albeit from high levels

Projected U.S. Revenue Growth Among Major Industry Groups

Percent



Summary

- **Growth in the national economy has moderated and inflation has risen, but business investment appears solid and consumers are generally optimistic**
- **Growth in the overall Oklahoma economy has also slowed recently, though the outlook appears relatively solid**
- **In western Oklahoma, economic activity remains strong, but growth is likely to slow next year, if it isn't slowing already**