

# U.S. & Oklahoma Economic Update

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**Chad Wilkerson**

Oklahoma City Branch Executive  
Federal Reserve Bank of Kansas City

# Federal Reserve Districts and Office Locations

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# The Federal Reserve in Oklahoma

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- **Branch office in downtown Oklahoma City has about 35 employees involved in economic research, bank regulation, and public and community affairs**
- **Our board of directors meets monthly to share the latest information about business activity in the state:**

**Richard K. Ratcliffe:** Chairman, Ratcliffe's Textbooks, Weatherford

**Steven C. Agee:** President, Agee Energy, and Chairman, OERB, OKC

**Terry M. Almon:** CEO, Arkansas Valley State Bank, Broken Arrow

**Michael A. Cawley:** CEO, The Samuel R. Noble Foundation, Ardmore

**Steve Burrage:** Chairman, FirstBank, Antlers

**Barry H. Golsen:** Vice Chairman & President, LSB Industries, OKC

**Fred M. Ramos:** Executive Director, State Hispanic Chamber of Commerce

# Purposes and Structure of the Federal Reserve System

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**Overall purposes:** promote sustainable economic growth, low and stable inflation, financial stability

- **Mission areas:**

- Monetary policy
- Bank regulation and lender of last resort
- Payments systems

- **Monetary policy is set by the 12-member Federal Open Market Committee (FOMC):**

- Consists of the 7 Governors, the President of the New York Fed, and 4 of the other 11 Fed presidents on a rotating basis
- The FOMC meets every 6 weeks to set policy

# Statement on the U.S. Economy from latest FOMC meeting

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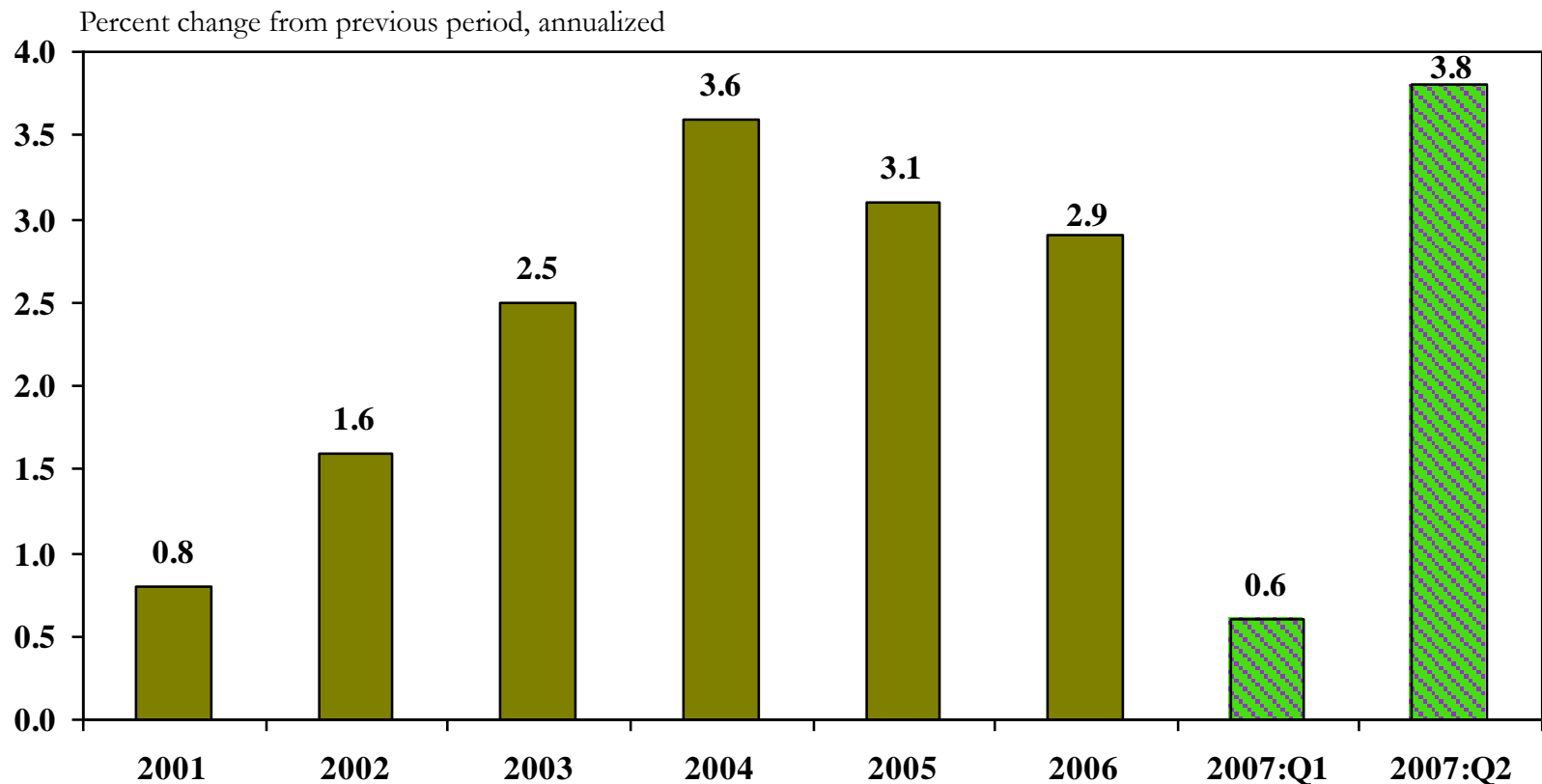
“Economic growth was moderate during the first half of the year, but the tightening of credit conditions has the potential to intensify the housing correction and to restrain economic growth more generally. Today’s action is intended to help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and to promote moderate growth over time.

Readings on core inflation have improved modestly this year. However, the Committee judges that some inflation risks remain, and it will continue to monitor inflation developments carefully. Developments in financial markets since the Committee’s last regular meeting have increased the uncertainty surrounding the economic outlook. The Committee will continue to assess the effects of these and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth.”

--September 18 FOMC Statement

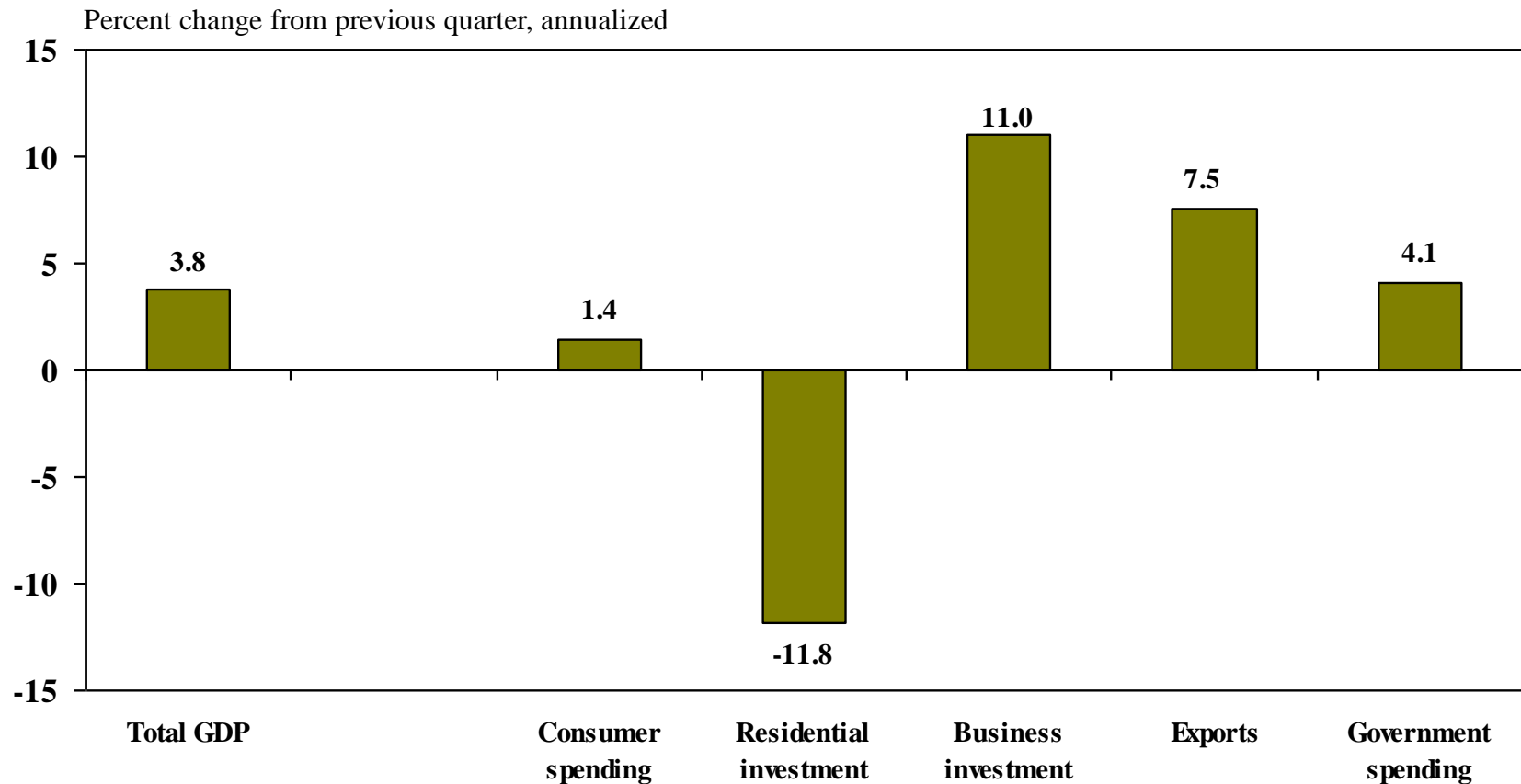
# National economic growth picked up in the second quarter of 2007

## Gross Domestic Product



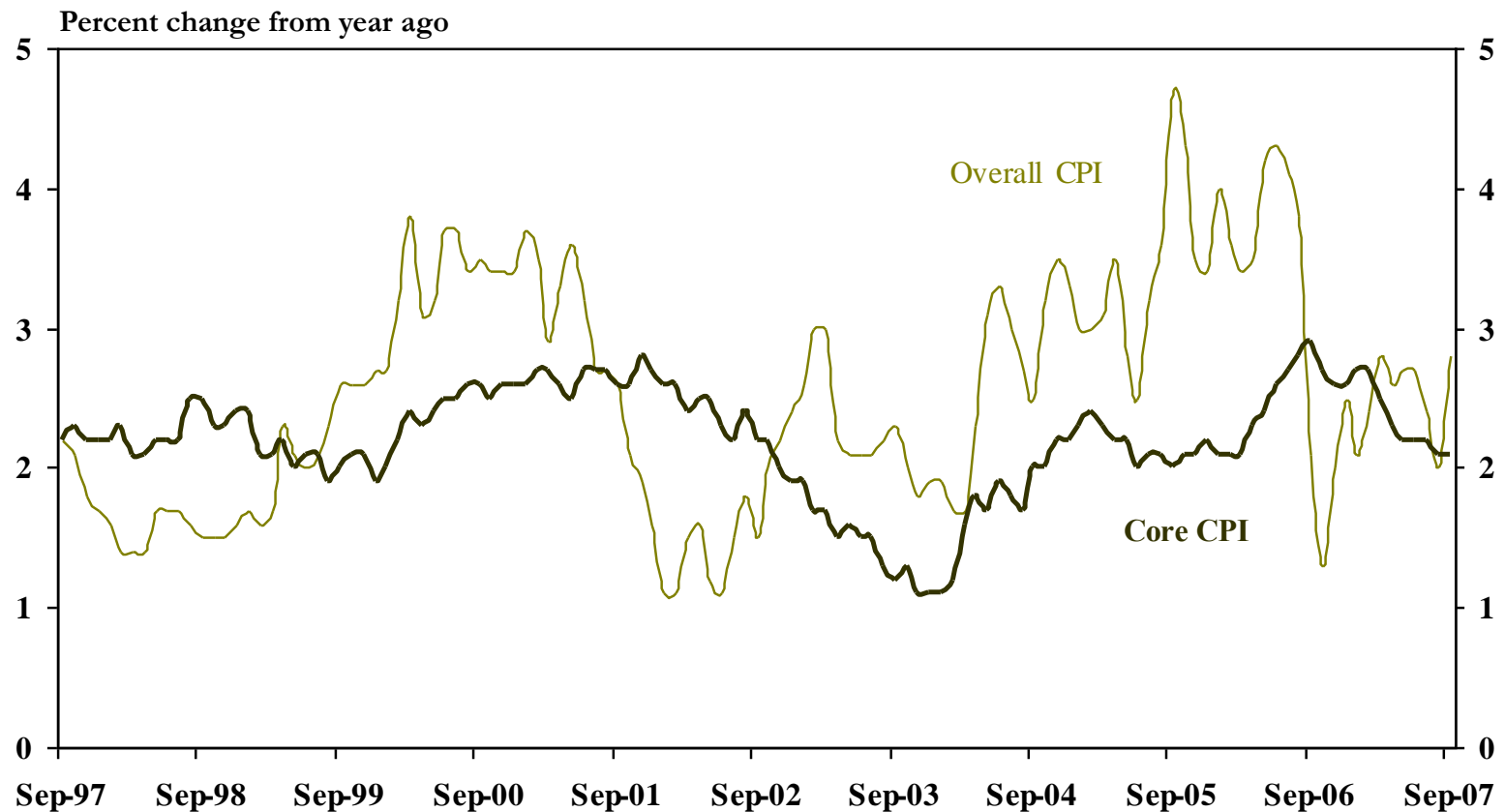
# Strong business investment and exports offset the continued slump in housing

Growth in Components of GDP Q2 2007



# Core inflation remains somewhat elevated but has eased a bit in the past few months

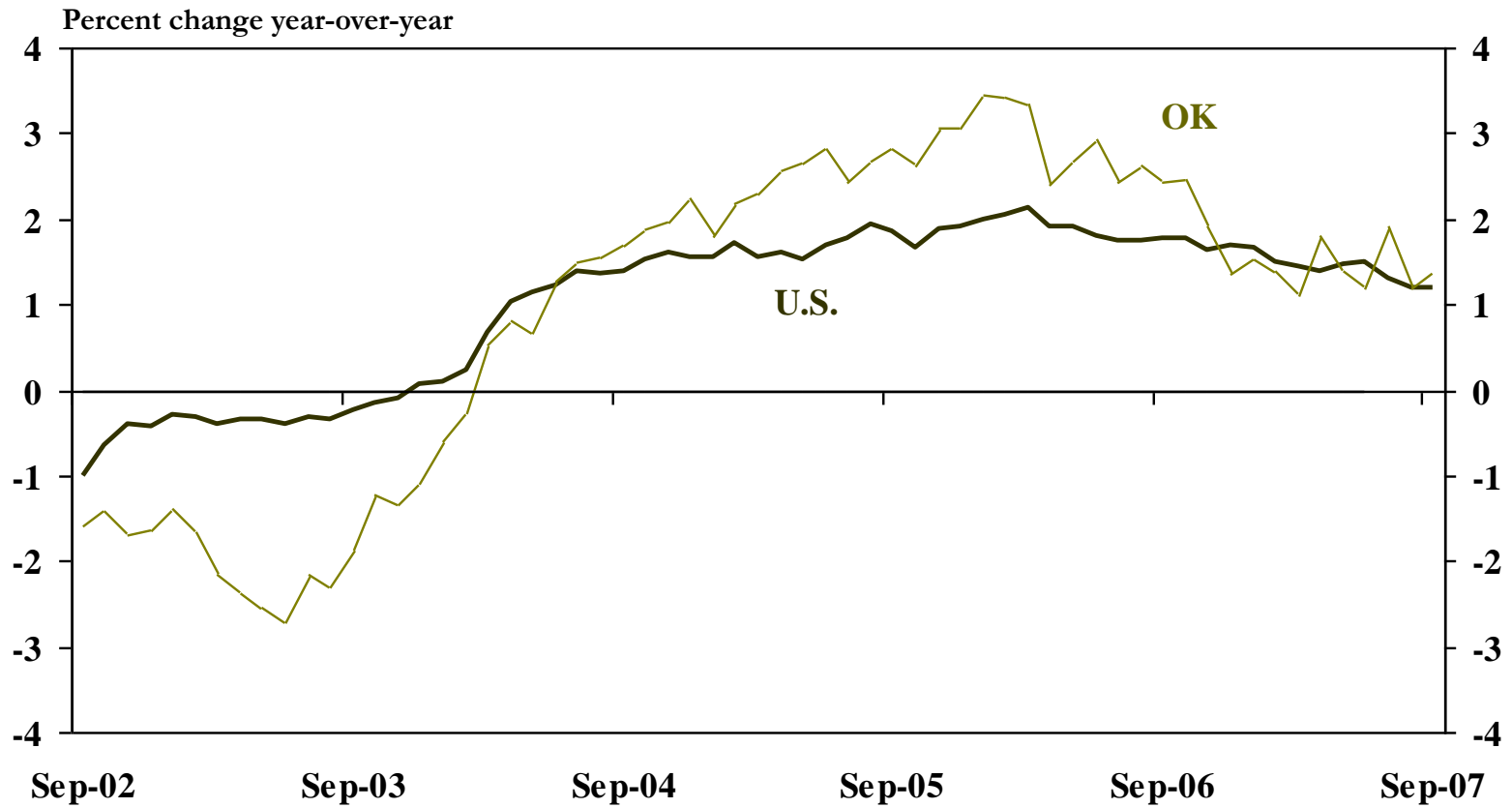
## Consumer Price Index





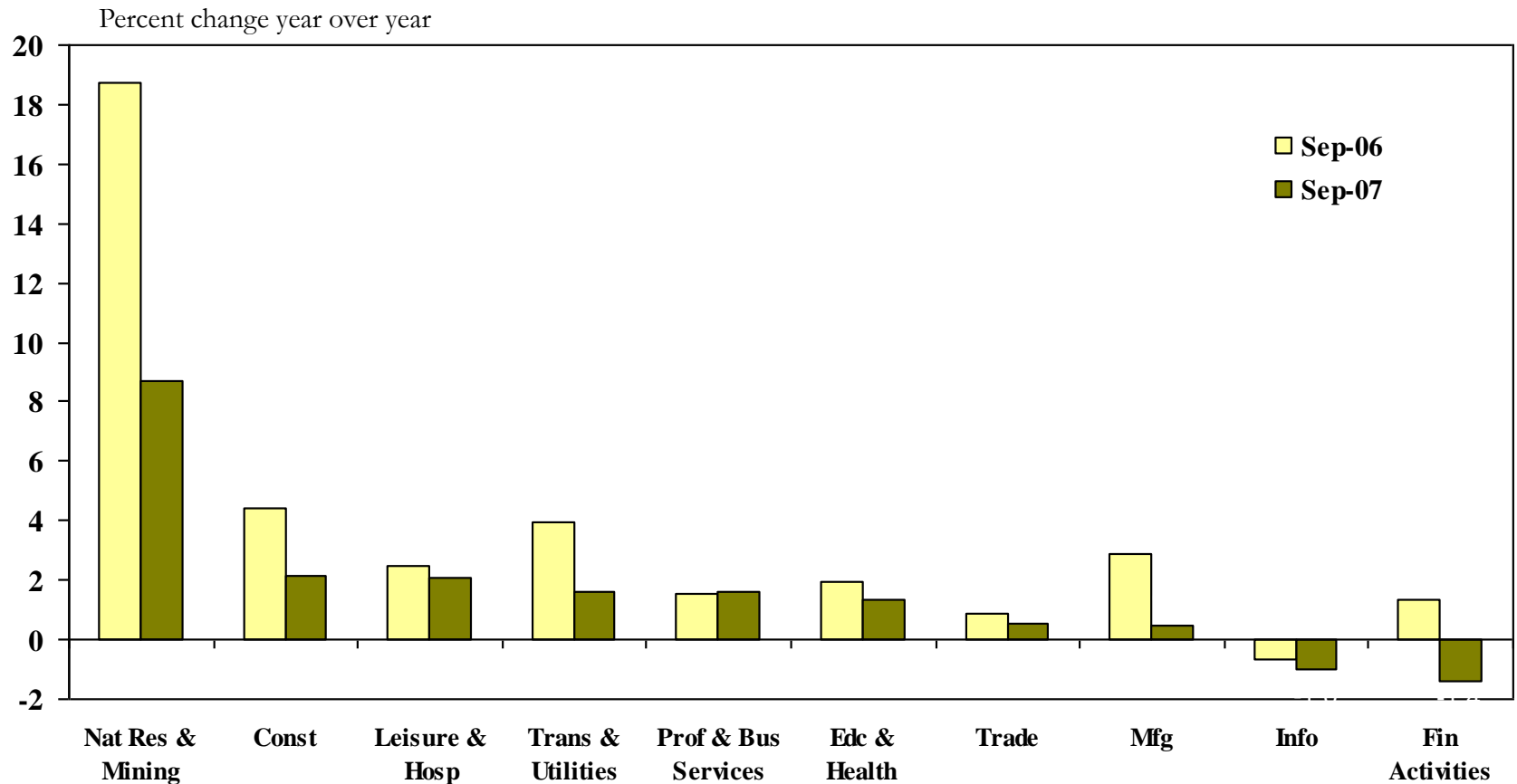
# Oklahoma job growth has slowed recently but remains as solid as in the nation

Nonfarm Payroll Employment Growth



# Recent state job growth has been led by the oil and gas industry

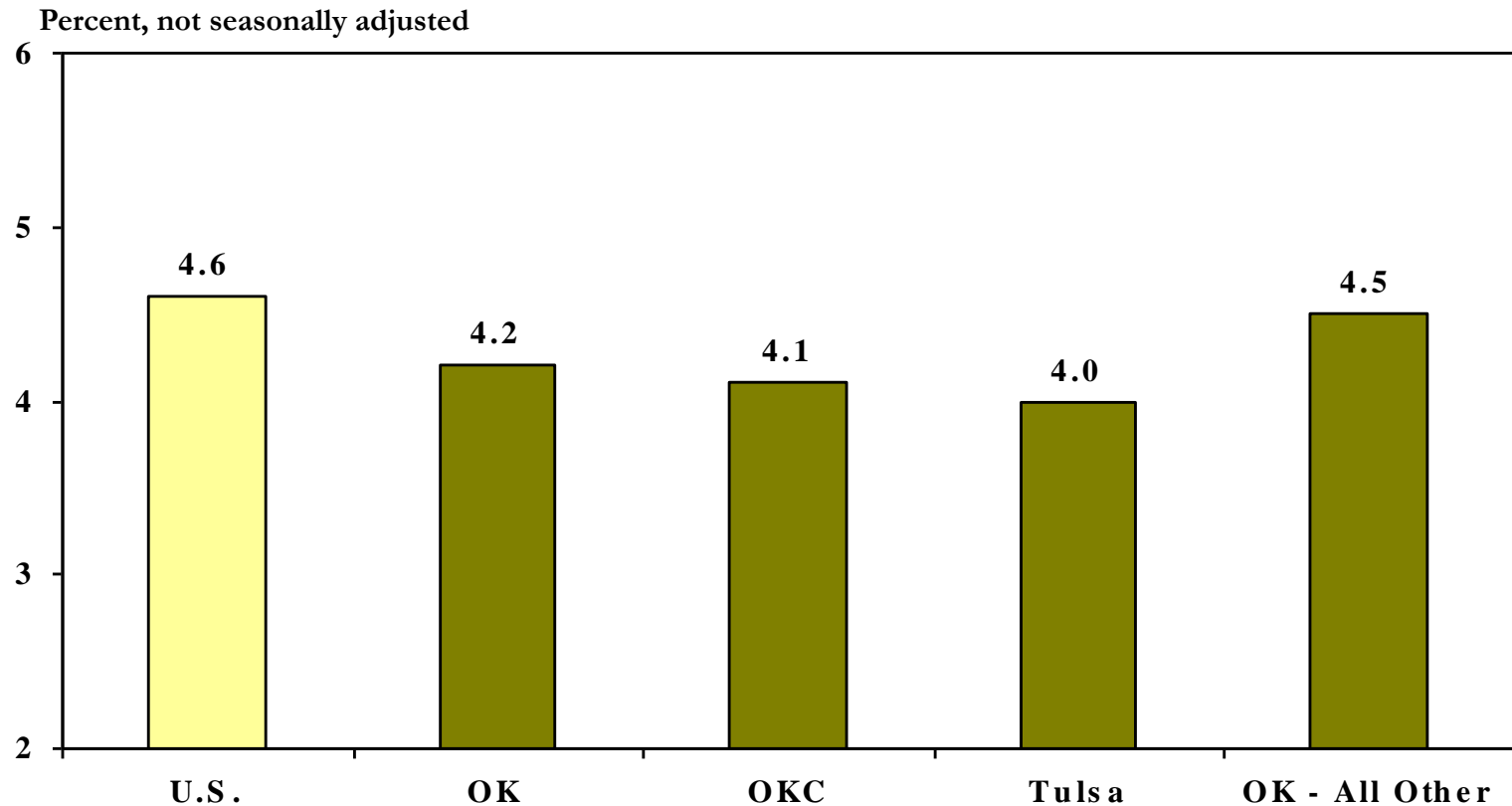
## Oklahoma Employment Growth by Industry



# Tight labor markets are likely restraining job growth across the state

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Unemployment Rates  
August 2007



# The Ten Industries that Most Define Oklahoma

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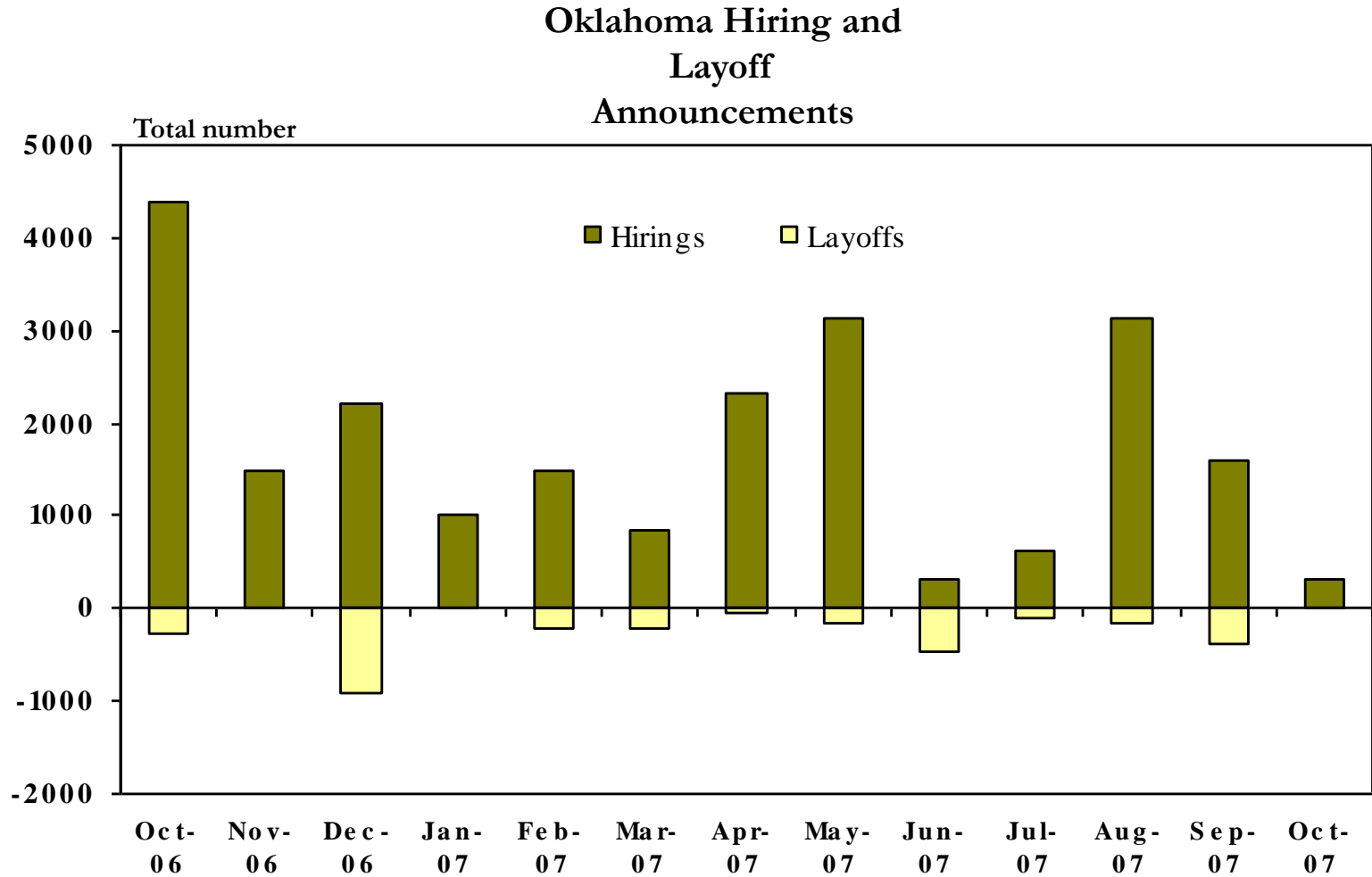
Rank	Industry	Location Quotient 2005	Location Quotient 1990	Average Pay 2005
1	Oil & gas	8.2	8.5	\$66,972
2	Trade schools	4.5	4.0	\$33,924
3	Gambling	3.4	1.0	\$21,335
4	Farming	3.3	2.7	\$5,559
5	Auto rental	2.9	2.3	\$43,266
6	Machinery mfg	2.7	2.1	\$45,275
7	Rubber mfg	2.5	2.9	\$52,368
8	Call centers	2.0	0.8	\$25,838
9	Meat packing	1.9	0.9	\$27,596
10	Military	1.9	2.6	\$54,701

# The near-term outlook for most of the state's defining industries is good

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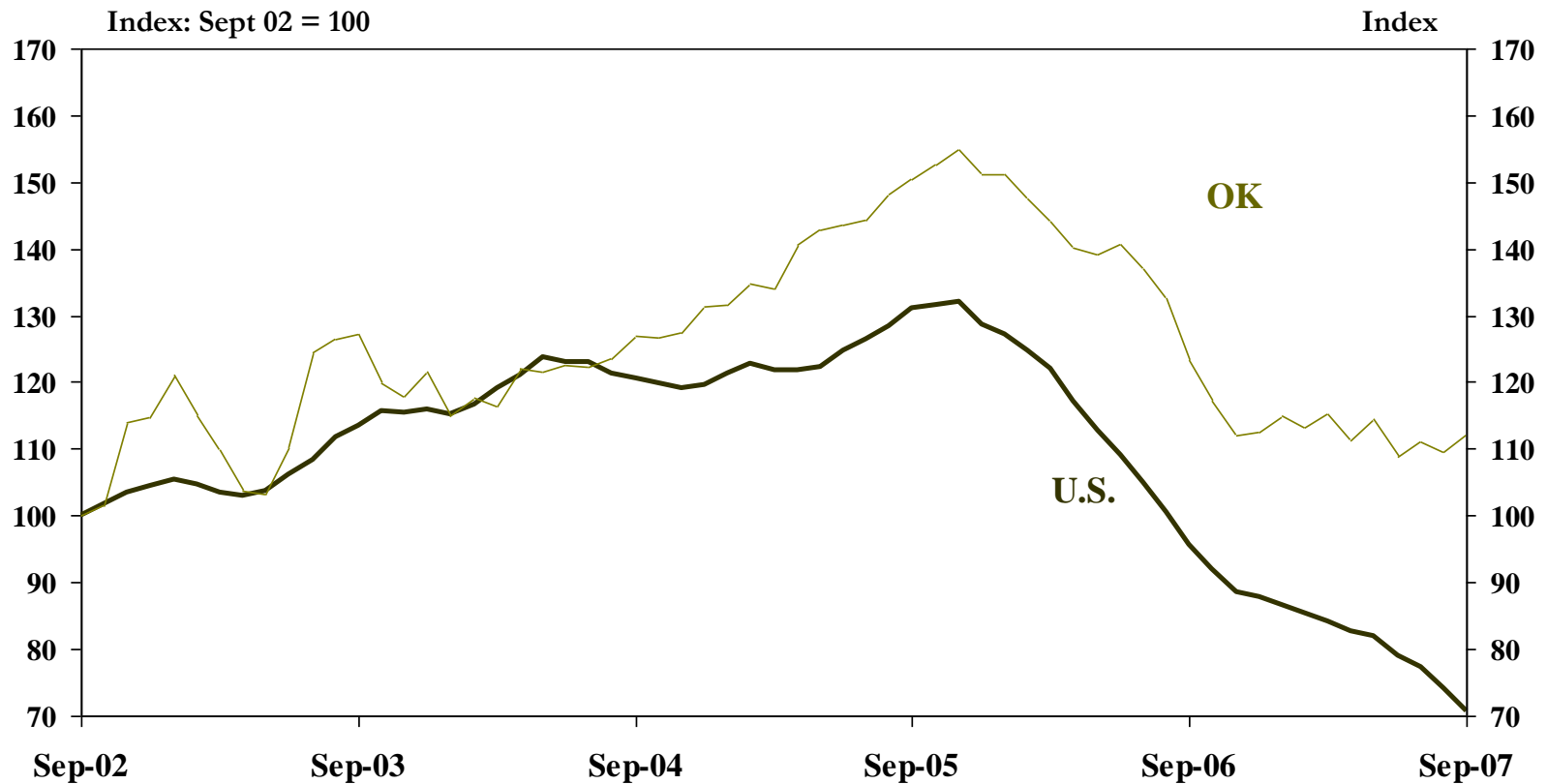
- ❑ Oil prices are high and futures prices for both oil and gas remain elevated
- ❑ Manufacturers report solid capital spending plans despite recent market turmoil, and farm incomes are generally solid despite crop damage
- ❑ Casinos and call centers continue to open, travelers and businesses continue to rent cars, and military operations continue worldwide

# Hiring announcements in Oklahoma continue to outpace layoffs, a good sign heading forward



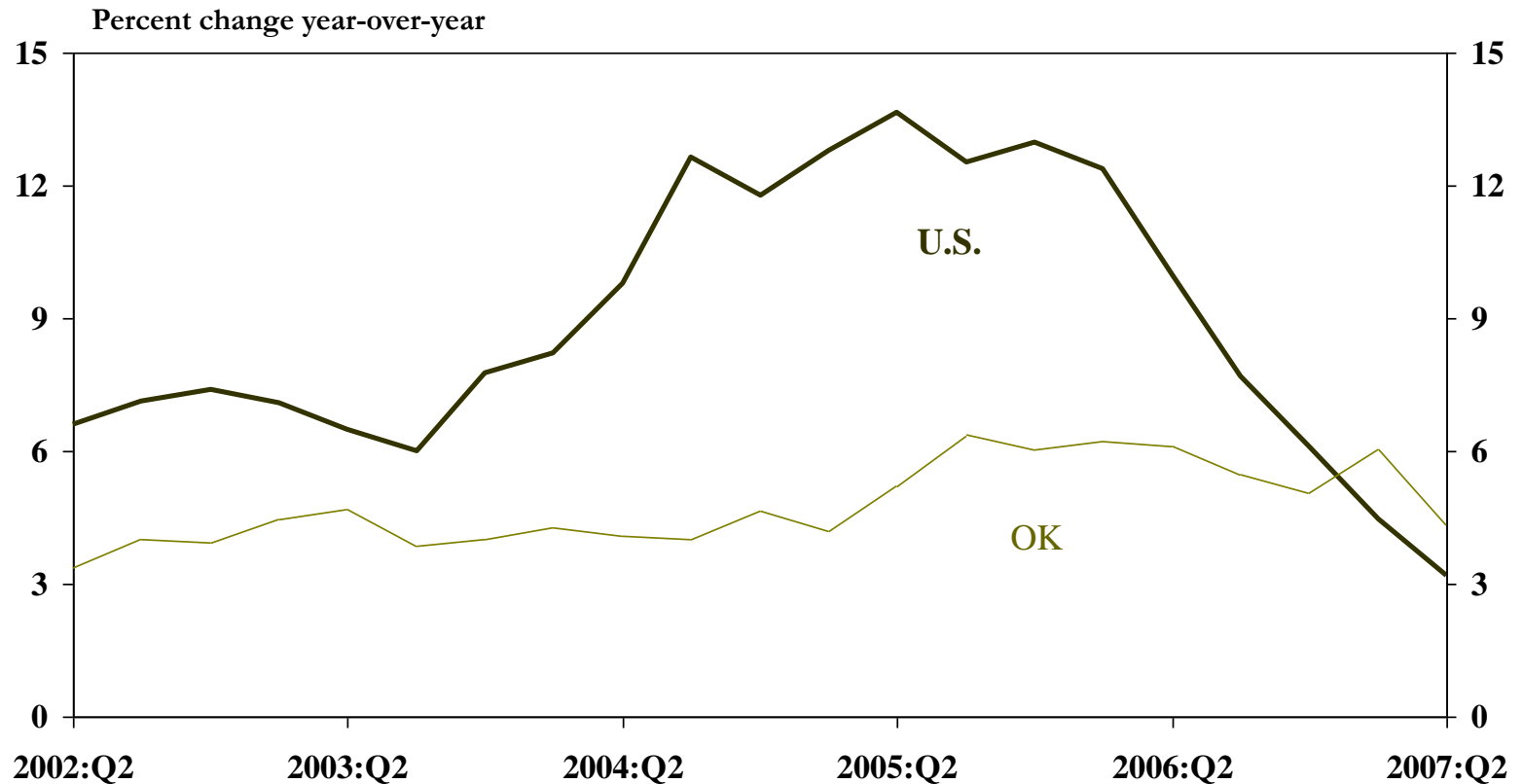
# State housing activity is down from recent peaks but still well above national levels

## Single-Family Housing Permits



# And Oklahoma housing prices are still holding up relatively well

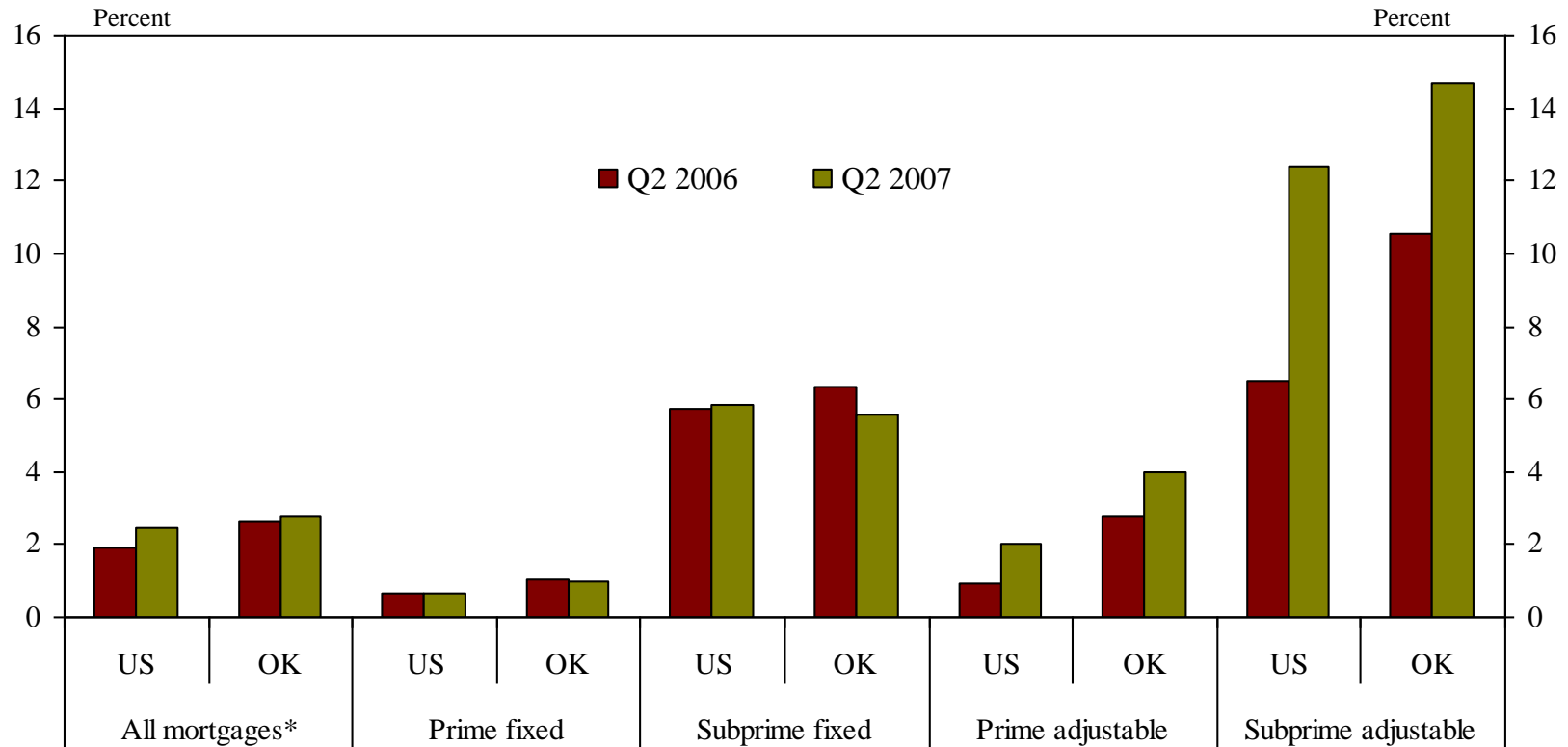
## Quality-adjusted home prices





# Delinquencies have risen for adjustable-rate mortgages, both prime and subprime

Share of Mortgages Seriously Delinquent  
90 days or more past due or in foreclosure

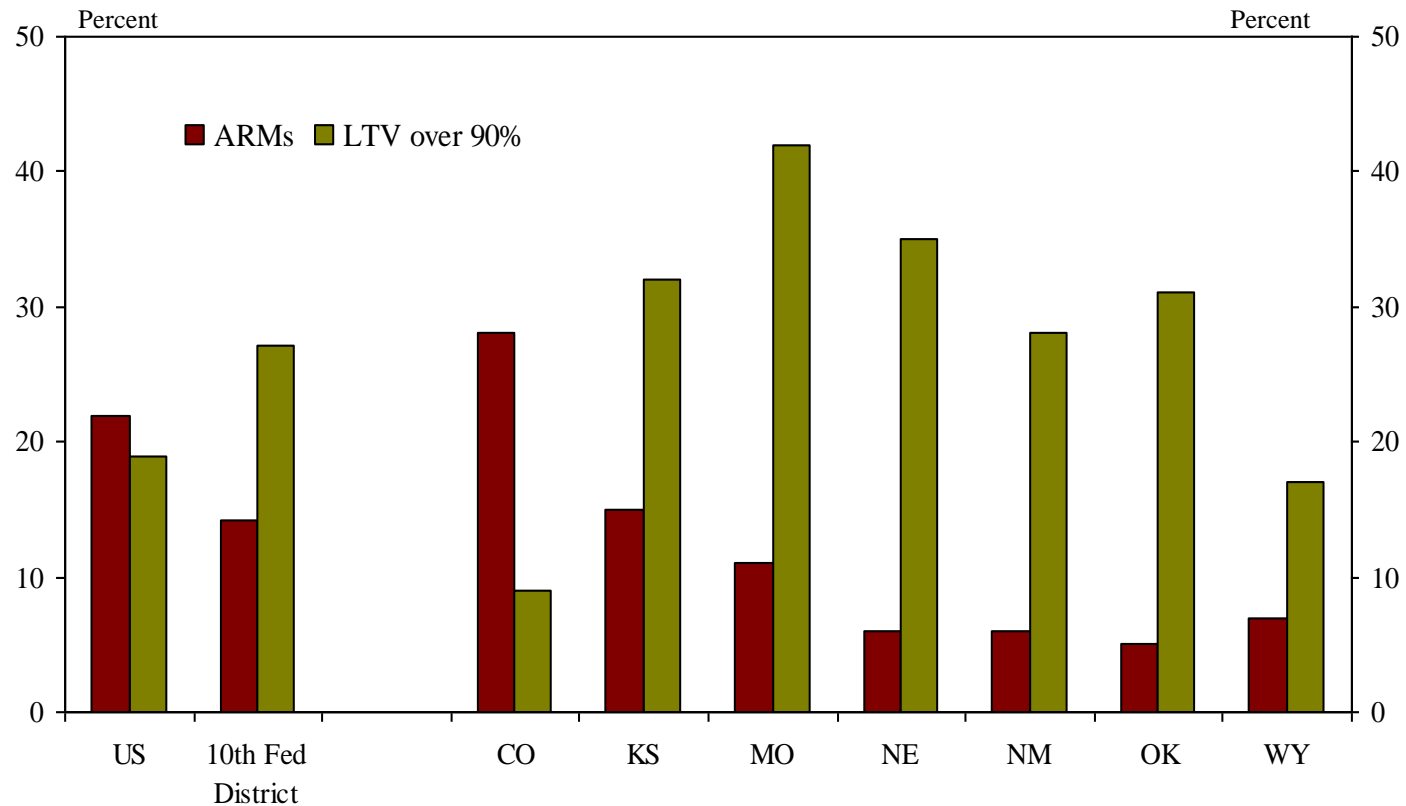


\* Includes FHA, VA, and uncategorized loans

Source: Mortgage Bankers Association

# But Oklahoma's future foreclosure risk appears lower than in the U.S.

ARM and High Loan-To-Value Shares of Mortgages  
First lien conventional mortgages originated in 2006



# Summary

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- ❑ As in the nation, Oklahoma economic growth has slowed and labor markets are tight
- ❑ The outlooks for important industries are generally solid, and housing is holding up better than in other parts of the country
- ❑ The state as a whole seems poised for further moderate growth, if workers can be found