

U.S. & Oklahoma Economic Update



Chad Wilkerson

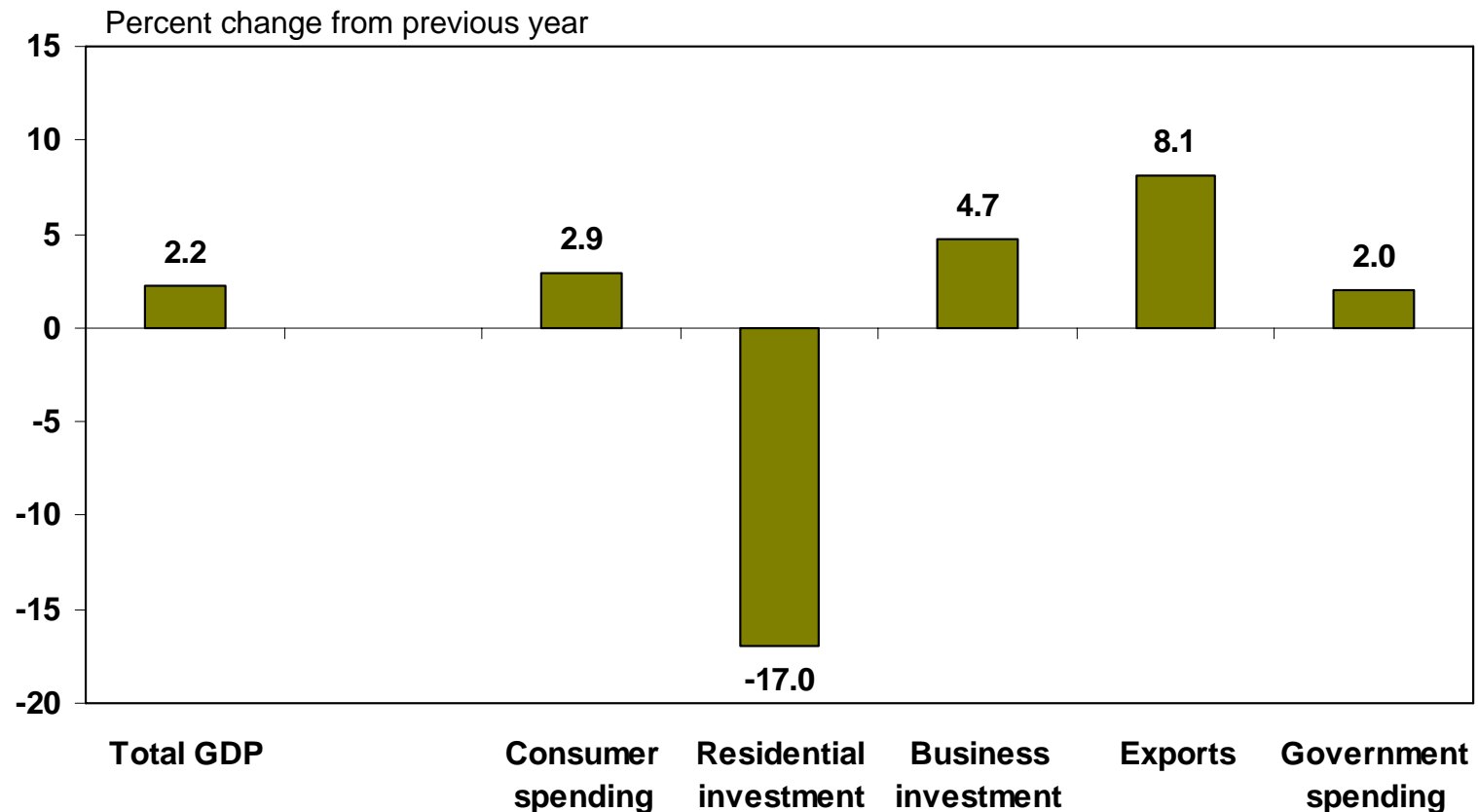
Oklahoma City Branch Executive
Federal Reserve Bank of Kansas City

The U.S. Economy

- ❑ Overall economic growth has slowed
- ❑ Employment has declined recently
- ❑ Inflation pressures have risen

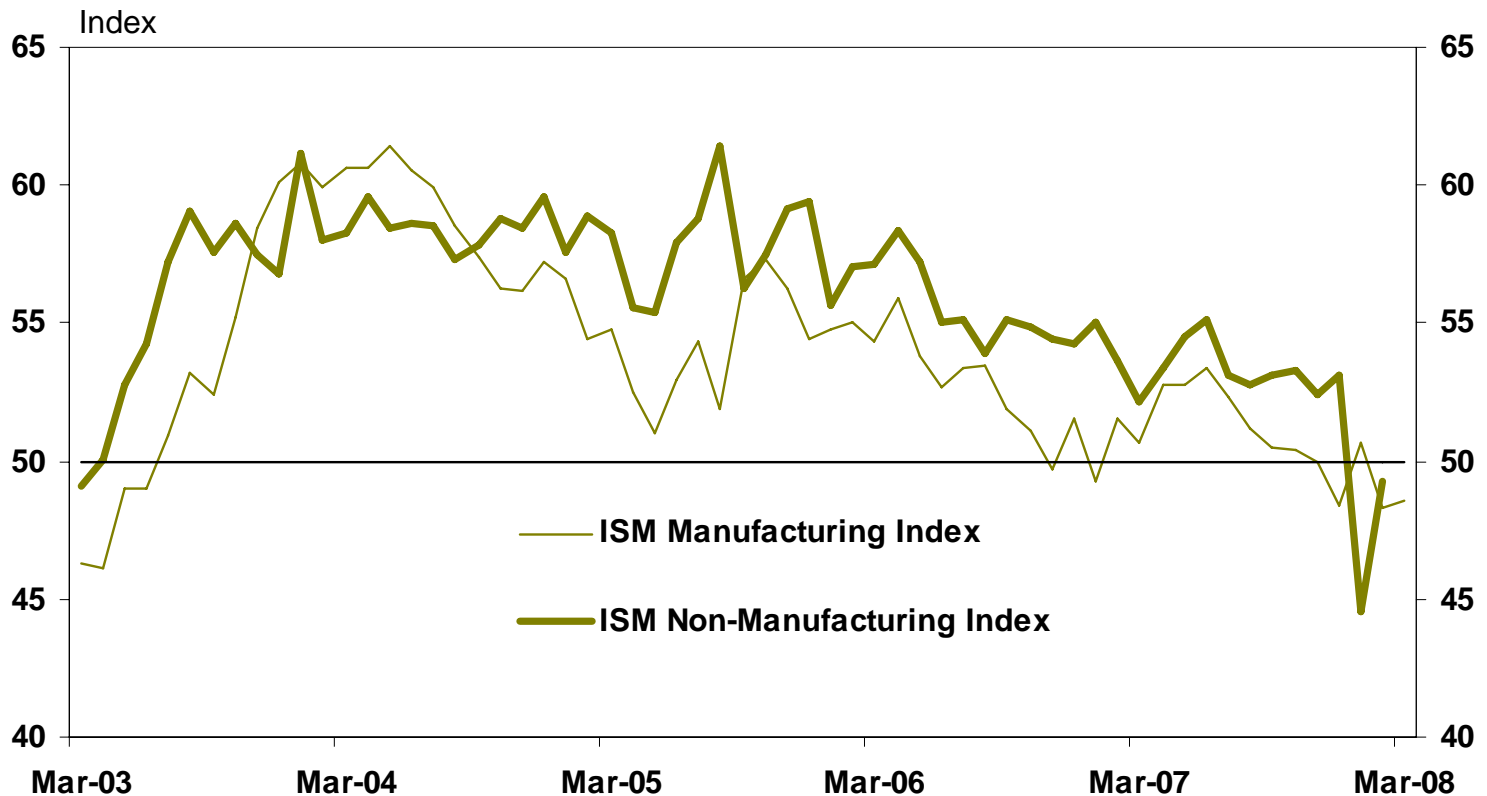
GDP growth was moderate in 2007, with weakness in housing offset by other sectors

Growth in Components of GDP
2007



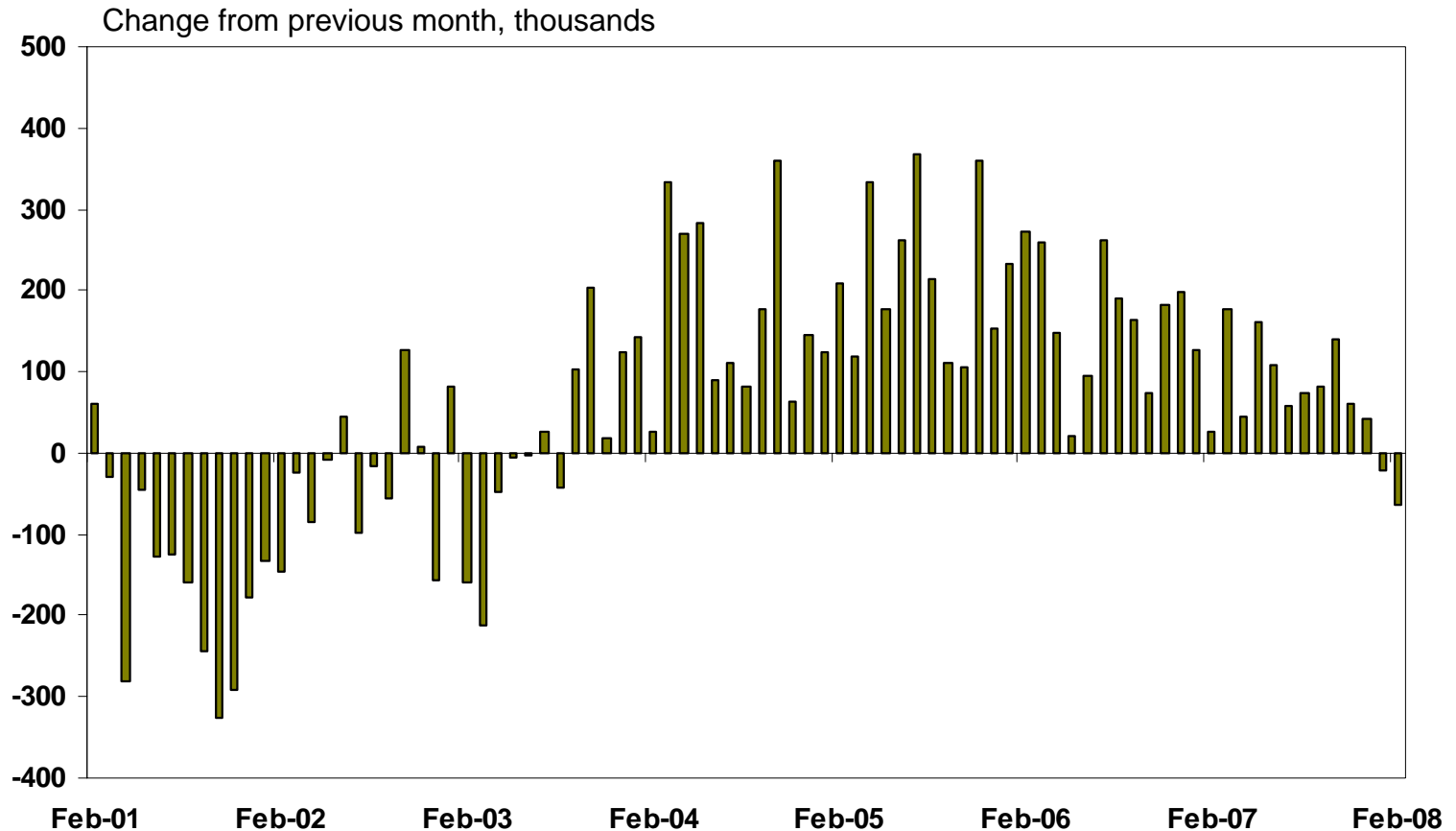
More recent U.S. data shows some weakness emerging in early 2008

National and District Business Indexes



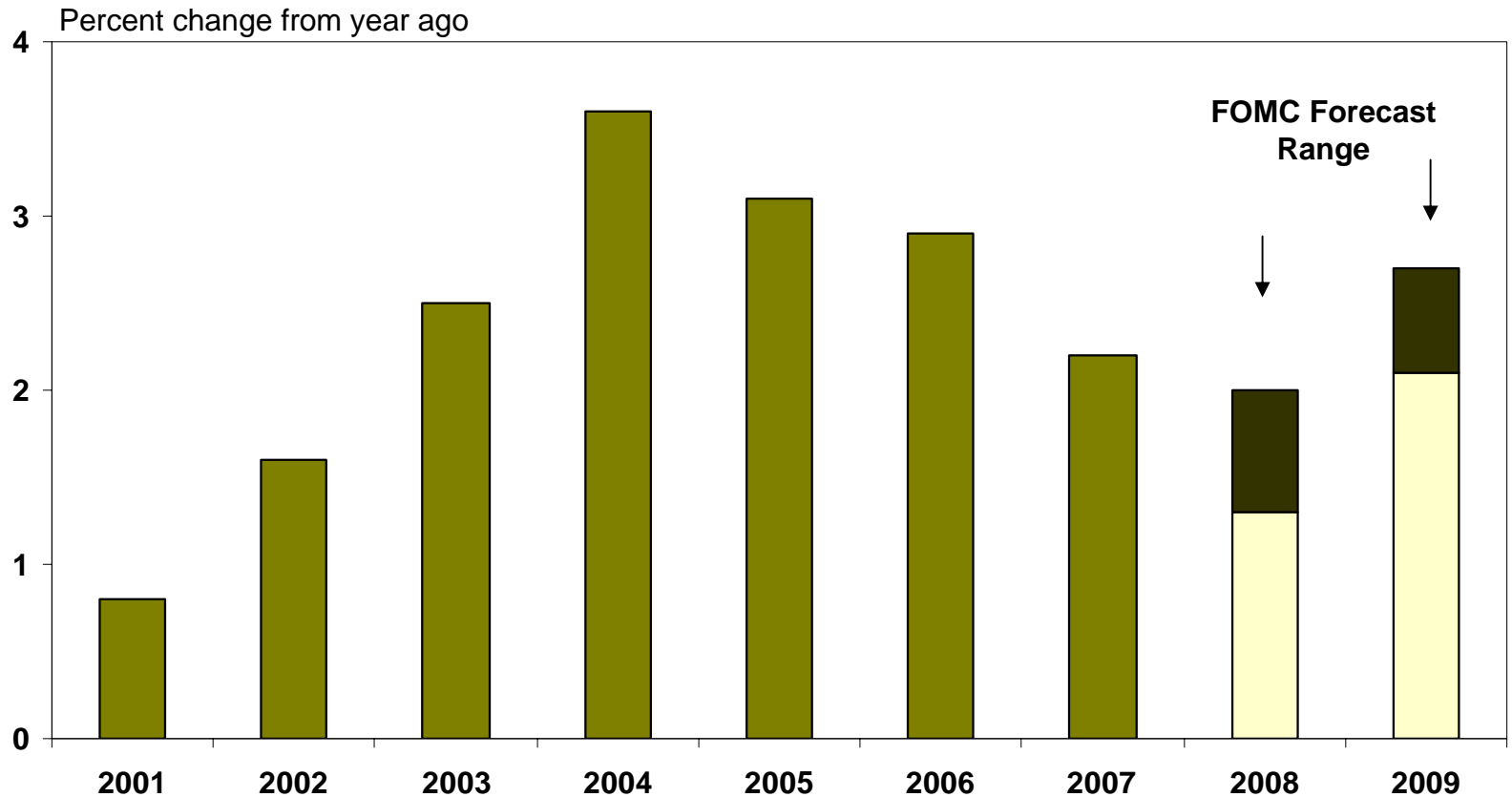
And employment has declined slightly in the early months of 2008

Payroll Employment



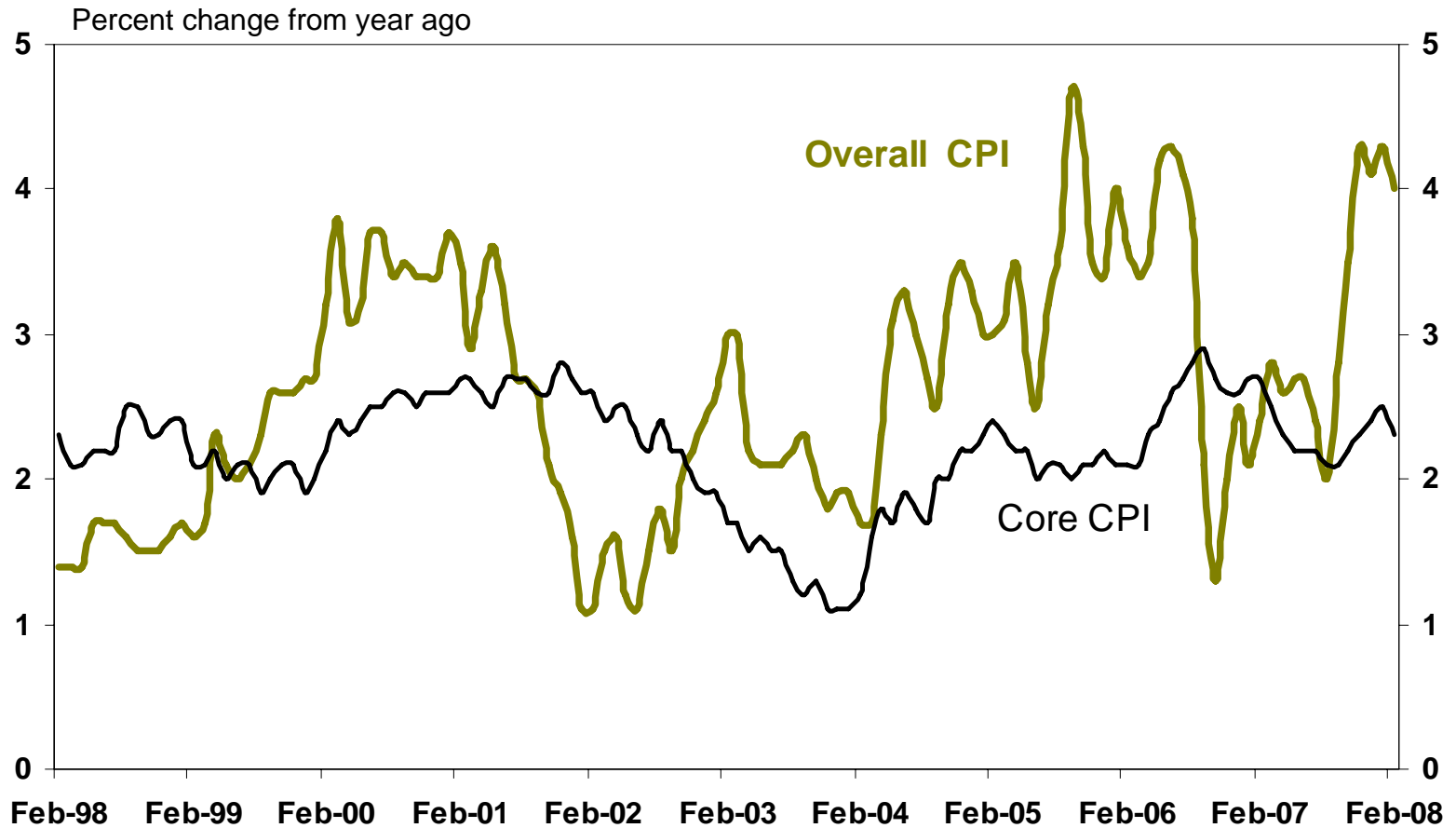
GDP growth is expected to be weaker in 2008 than in 2007 but to rebound in 2009

Gross Domestic Product



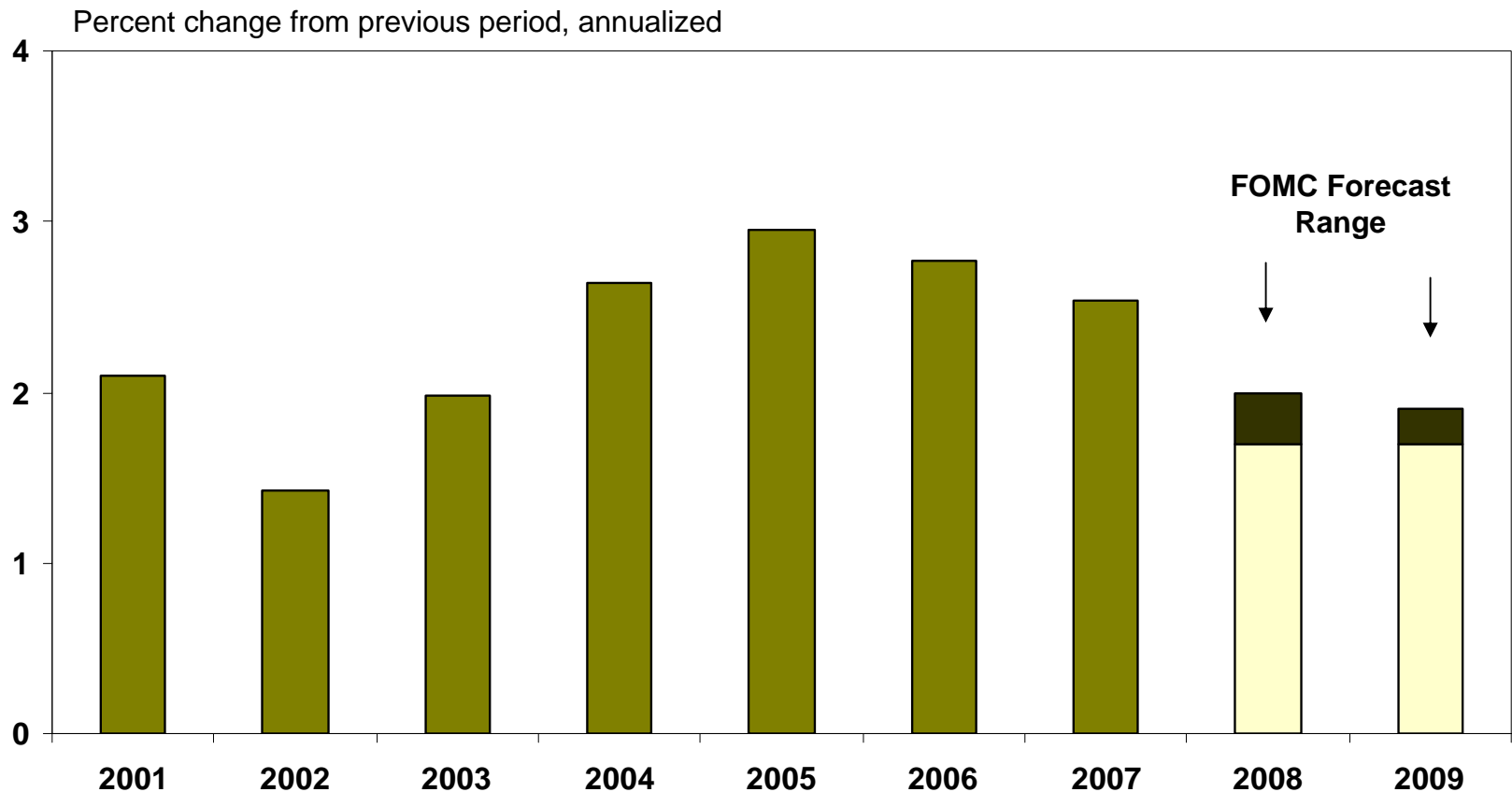
Inflation eased a bit in February, but still remains elevated

Consumer Price Index



Inflation pressures are generally expected to moderate in 2008 and 2009

PCE Inflation

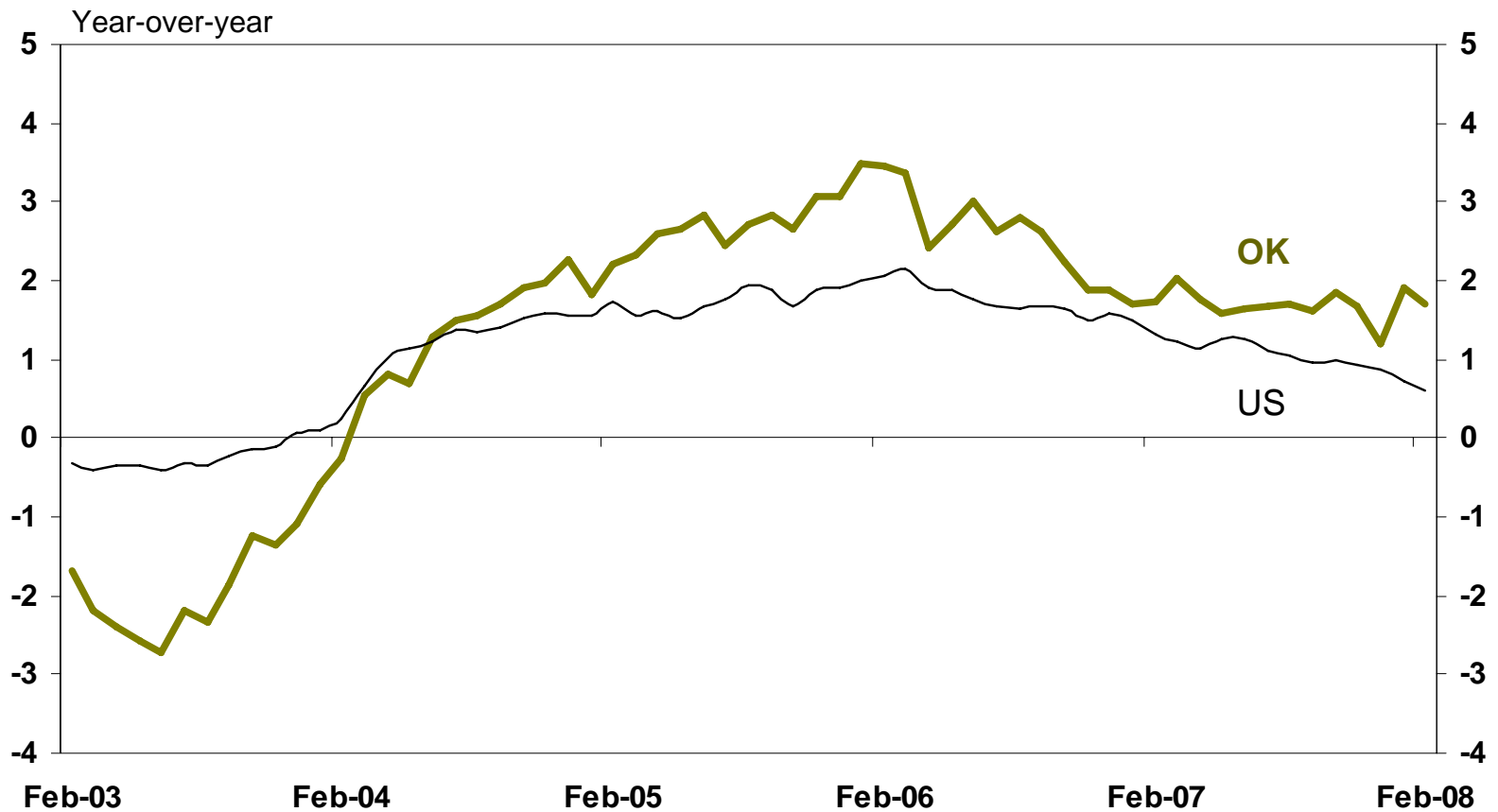


The Oklahoma Economy

- ❑ Some slowing, but outpacing nation
- ❑ Housing downturn less severe
- ❑ Another energy and farm boom

Oklahoma job growth continues to be considerably stronger than in the nation

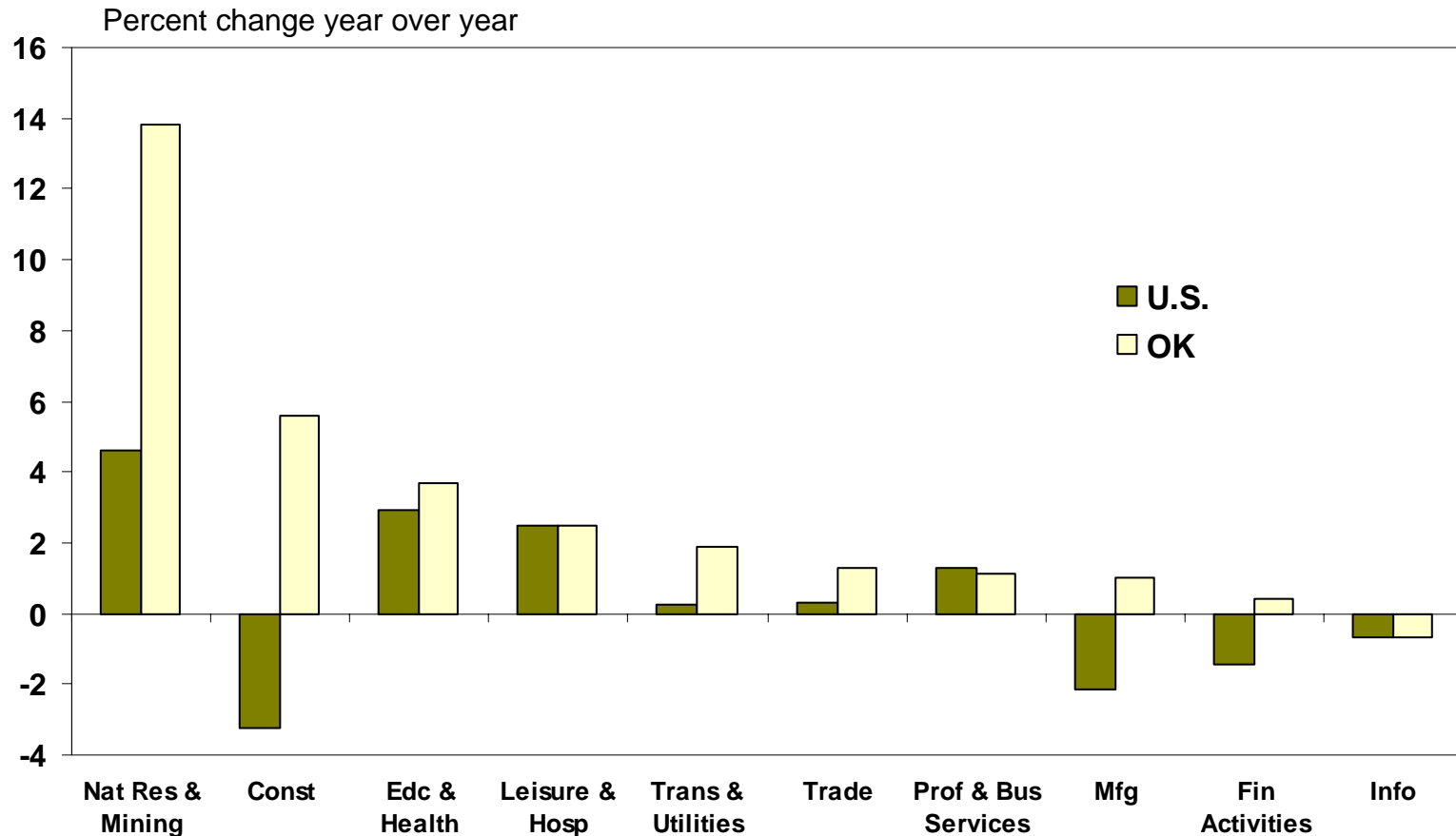
Nonfarm Payroll Employment Growth



Relative strength in Oklahoma job growth has been driven by energy, but also other sectors

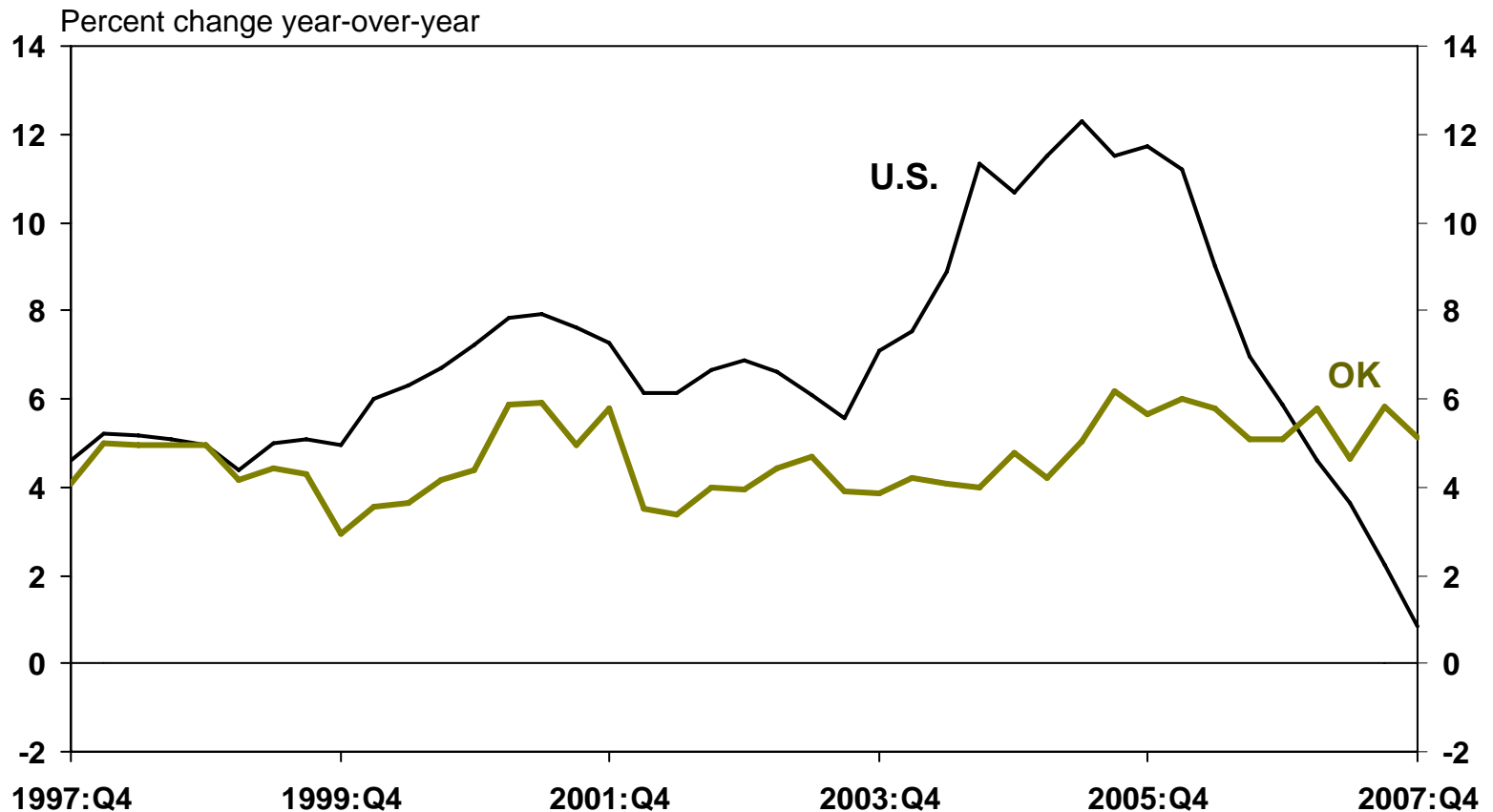
Employment Growth by Industry

February 2008



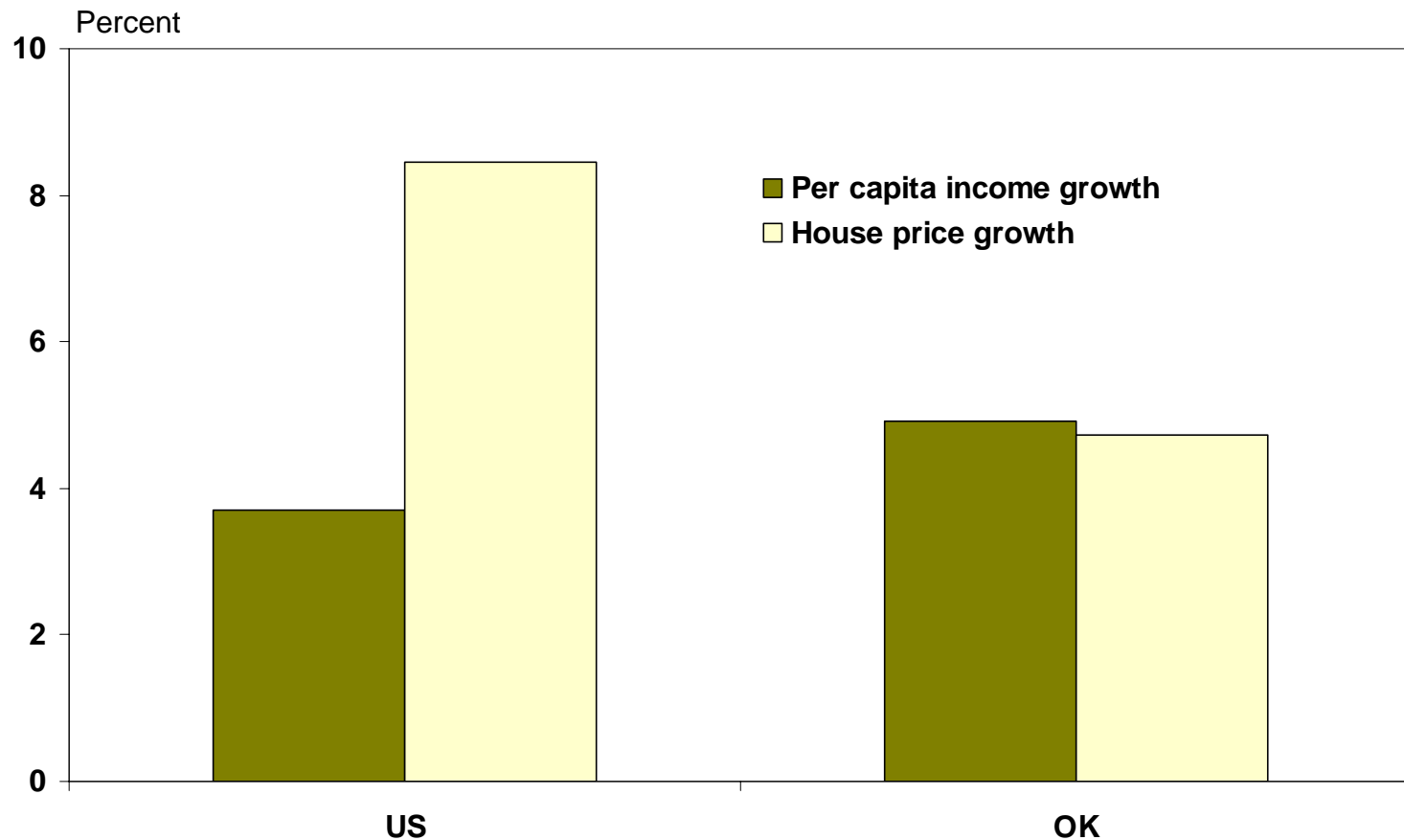
U.S. home prices are falling, but Oklahoma prices are holding up well

Quality-Adjusted Home Prices Purchase-Only



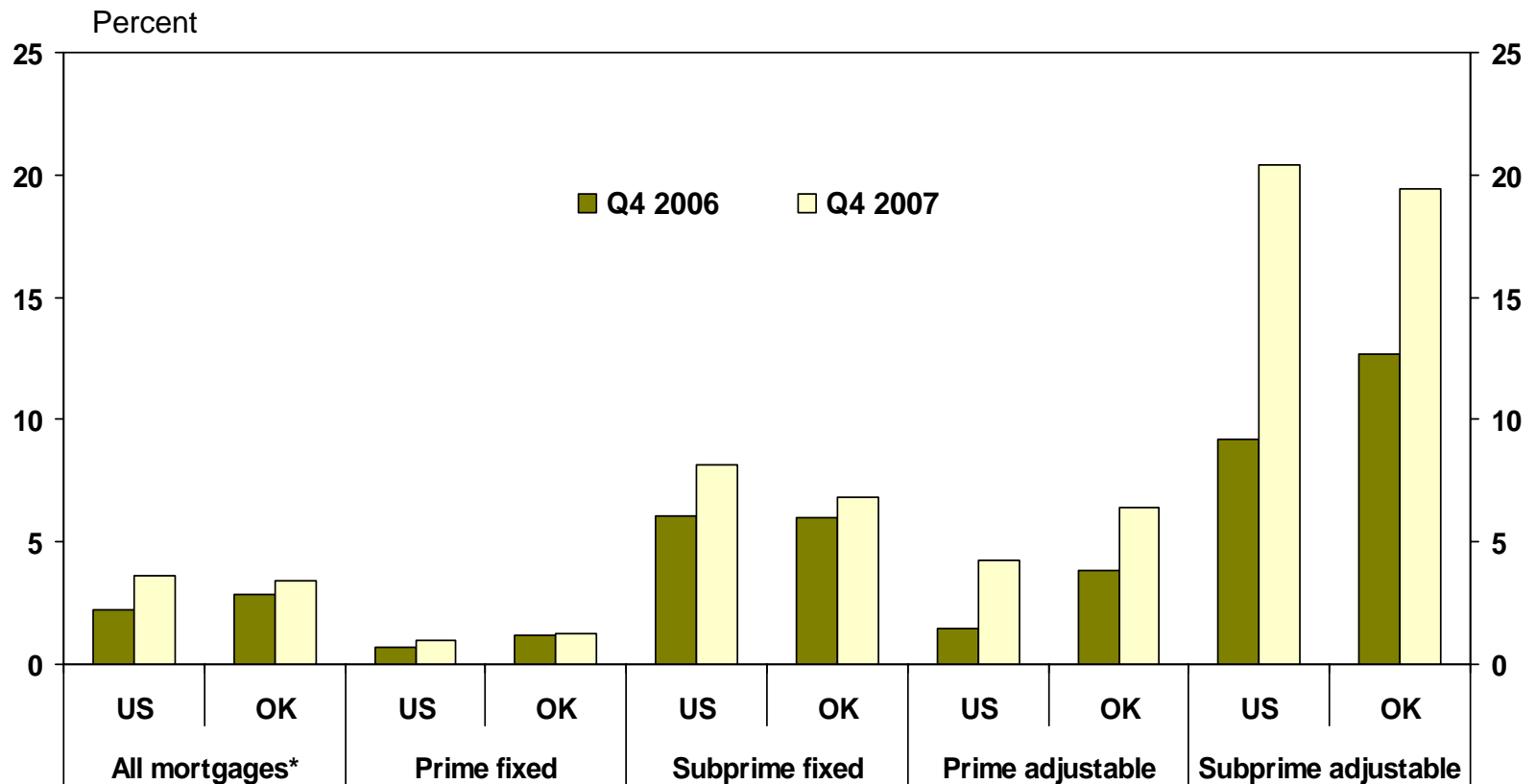
House price fundamentals are much more in line in Oklahoma than in the nation

Annual Growth in Per Capita Income and Home Prices
2000 - 2005



Mortgage delinquencies are rising in the state, but not nearly as fast as in the nation

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

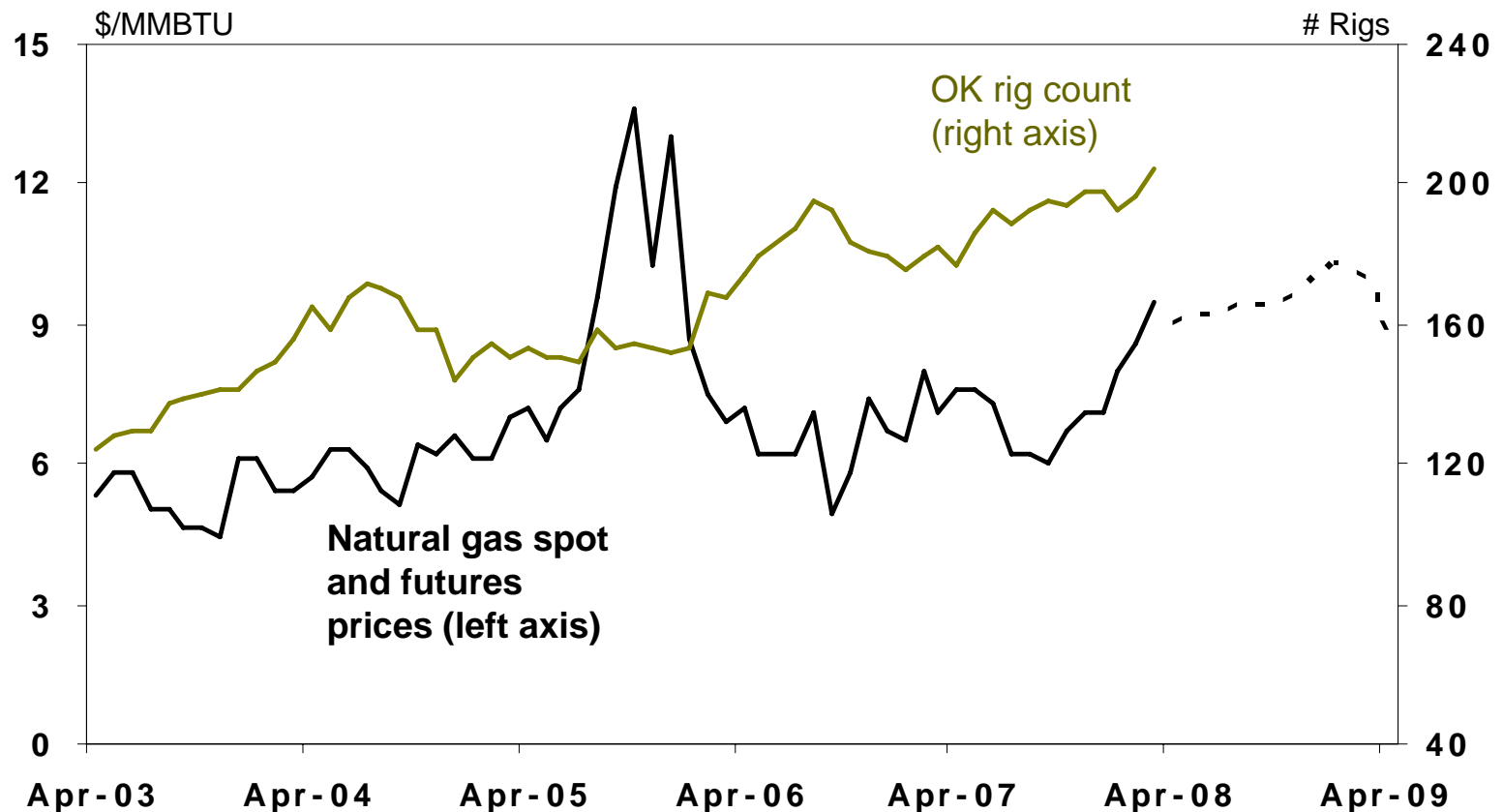


* Includes FHA, VA, and uncategorized loans

Source: Mortgage Bankers Association

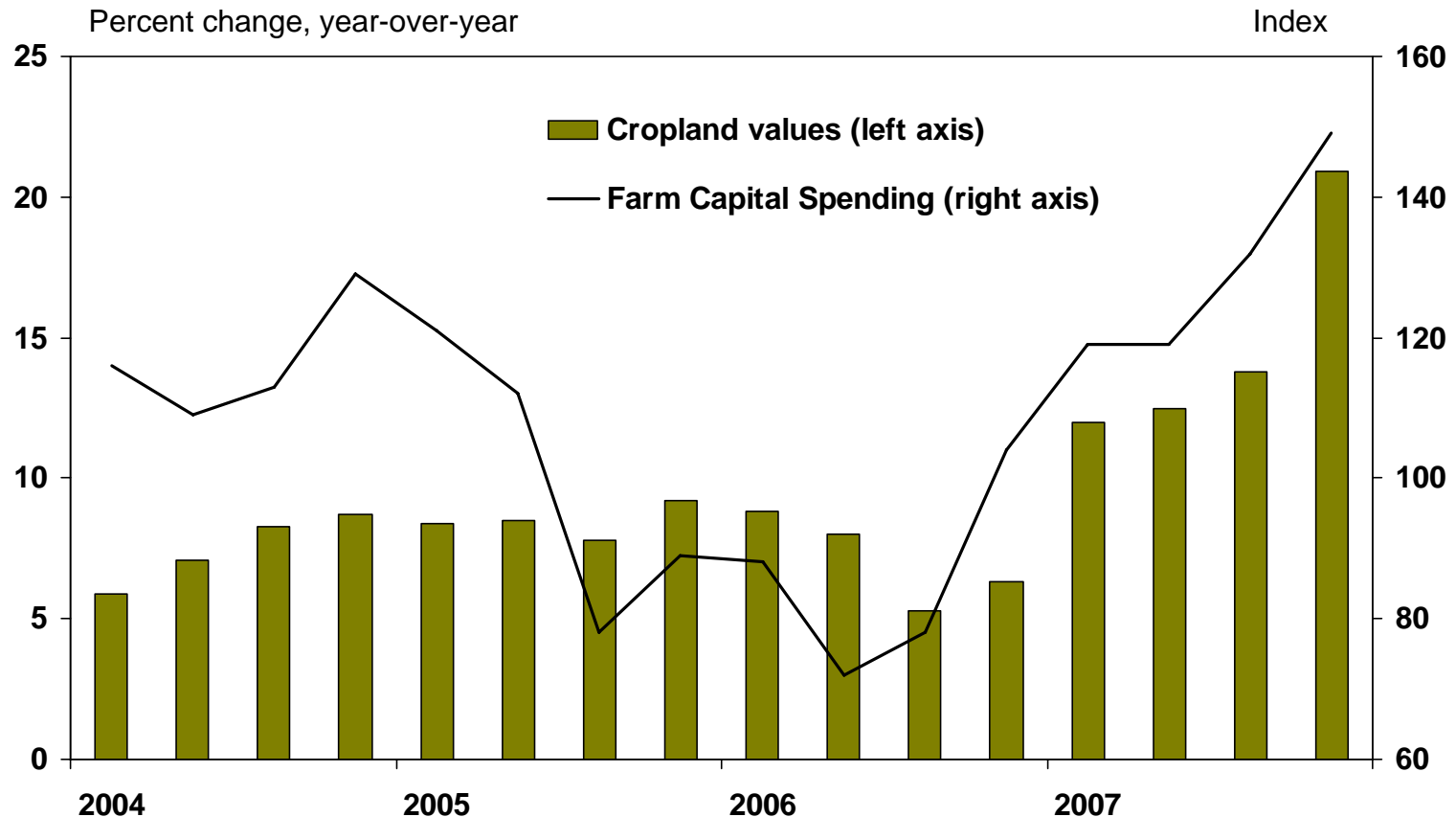
State oil and gas activity remains strong, and futures prices are high

Count of Active Drilling Rigs and Natural Gas Prices



Farmland values and farm capital spending are rising rapidly

Farm Income and Capital Spending,
Tenth Federal Reserve District



Are Recent Land Price Gains Rational?

Returns to Wheat Production

	2007	2008	2009
Total Costs per acre (excluding land)	\$179	\$186	\$192
Total Revenue per acre	\$220	\$297	\$290
Price (dollars per bushel)	6.70	9.90	9.20
Yield (bushel per acre)	33	33	33
Returns to Land (dollars per acre)	\$41	\$141	\$112

Calculations based on USDA data and futures prices

Capitalized value at 5.5% cap rate	\$744	\$2560	\$2036
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What if Wheat Prices Fall and Production Costs Remain High?

Returns to Wheat Production (2009 Scenarios)

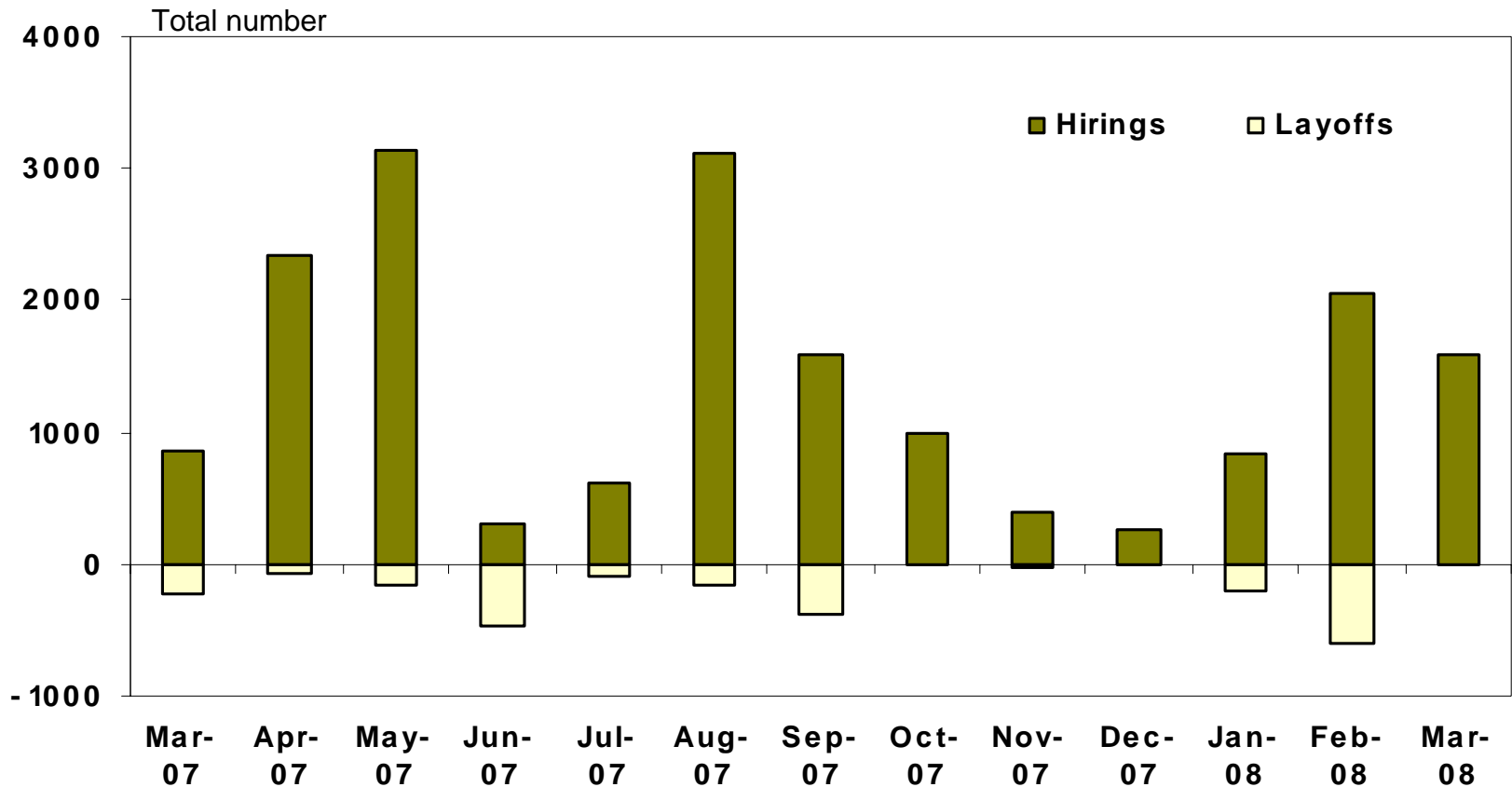
	2009	2009	2009
Total Costs per acre (excluding land)	\$192	\$192	\$192
Total Revenue per acre	\$290	231	192
Price (dollars per bushel)	9.20	7.00	5.80
Yield (bushel per acre)	33	33	33
Returns to Land (dollars per acre)	\$112	\$39	\$ 0

Calculations based on USDA data and futures prices

Capitalized value at 5.5% cap rate	\$2036	\$709	Ugly
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Hiring announcements in Oklahoma continue to outpace layoffs

Oklahoma Hiring and Layoff Announcements



Oklahoma ranks in the top quartile of states for 2008 forecasted job growth

Projected 2008 Job Growth (as of Mar-08)

- 0.5 to 4.0%
- 0.0 to 0.4%
- 0.4 to -0.1%
- 2.0 to -0.5%

