

ECONOMIC OUTLOOK FOR THE U.S. AND OKLAHOMA

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The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

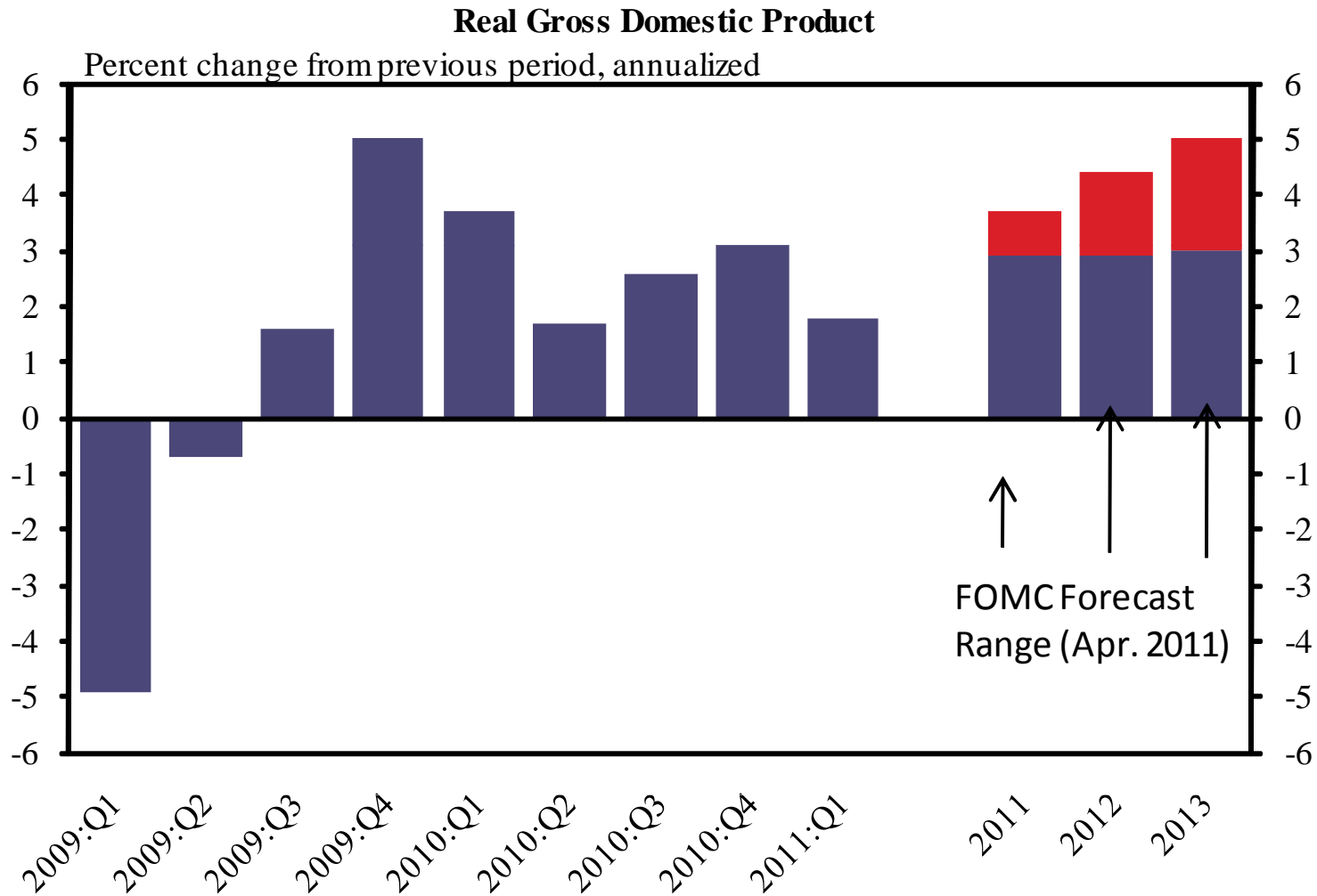
U.S. Economic Overview



- Incoming data suggest that the U.S. economy continues to recover at a moderate pace.
 - ▣ Manufacturing, energy, and agriculture sectors are expanding.
 - ▣ Consumer spending is well above year-ago levels.

- However, the U.S. economy faces many challenges over the next couple years.
 - ▣ Unemployment rates are likely to remain stubbornly high.
 - ▣ Residential construction activity is likely to remain weak -- constrained in part by excess housing supply, falling prices and high foreclosure rates.

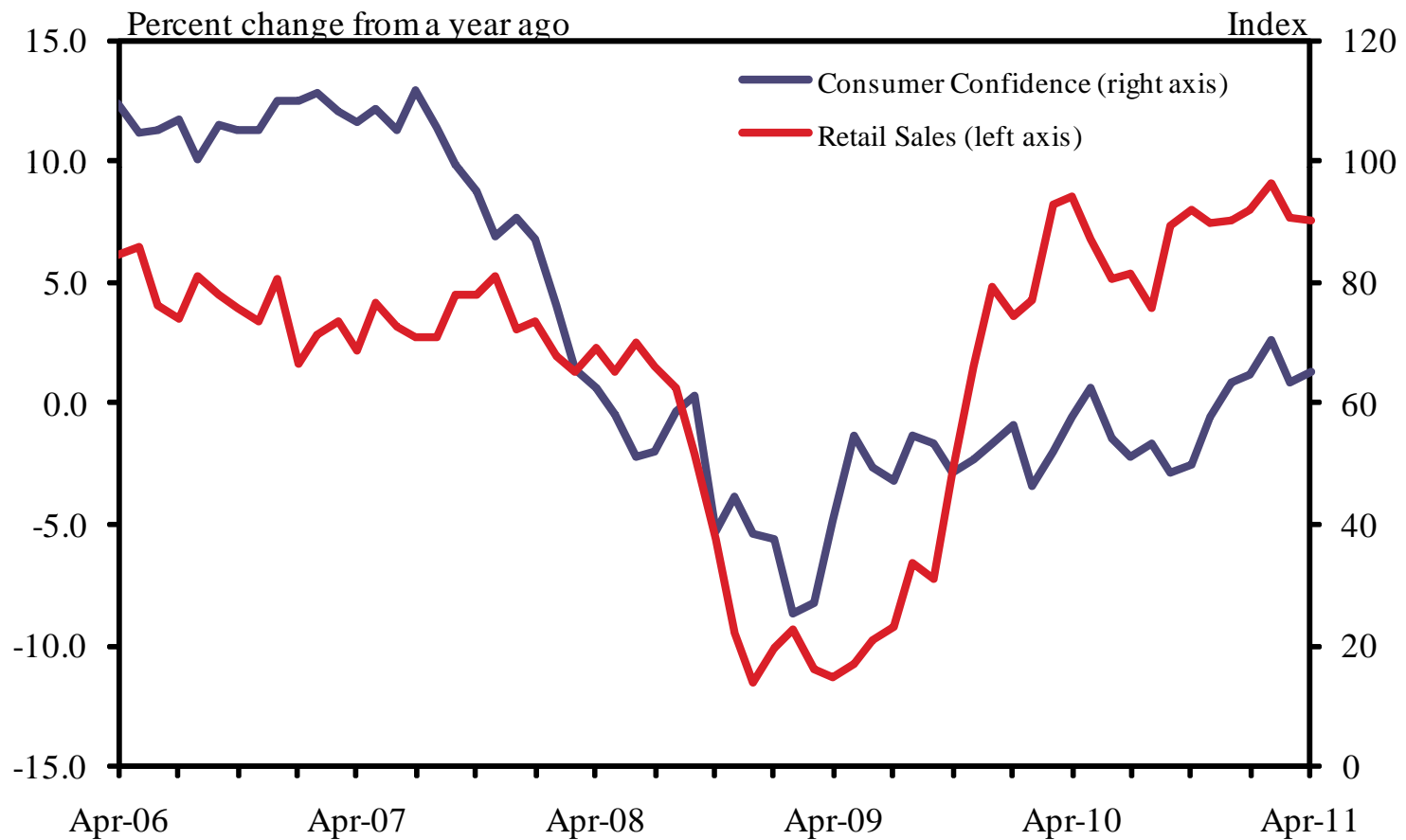
A moderate recovery is expected to continue over the next few years.



Source: Bureau of Economic Analysis; FOMC

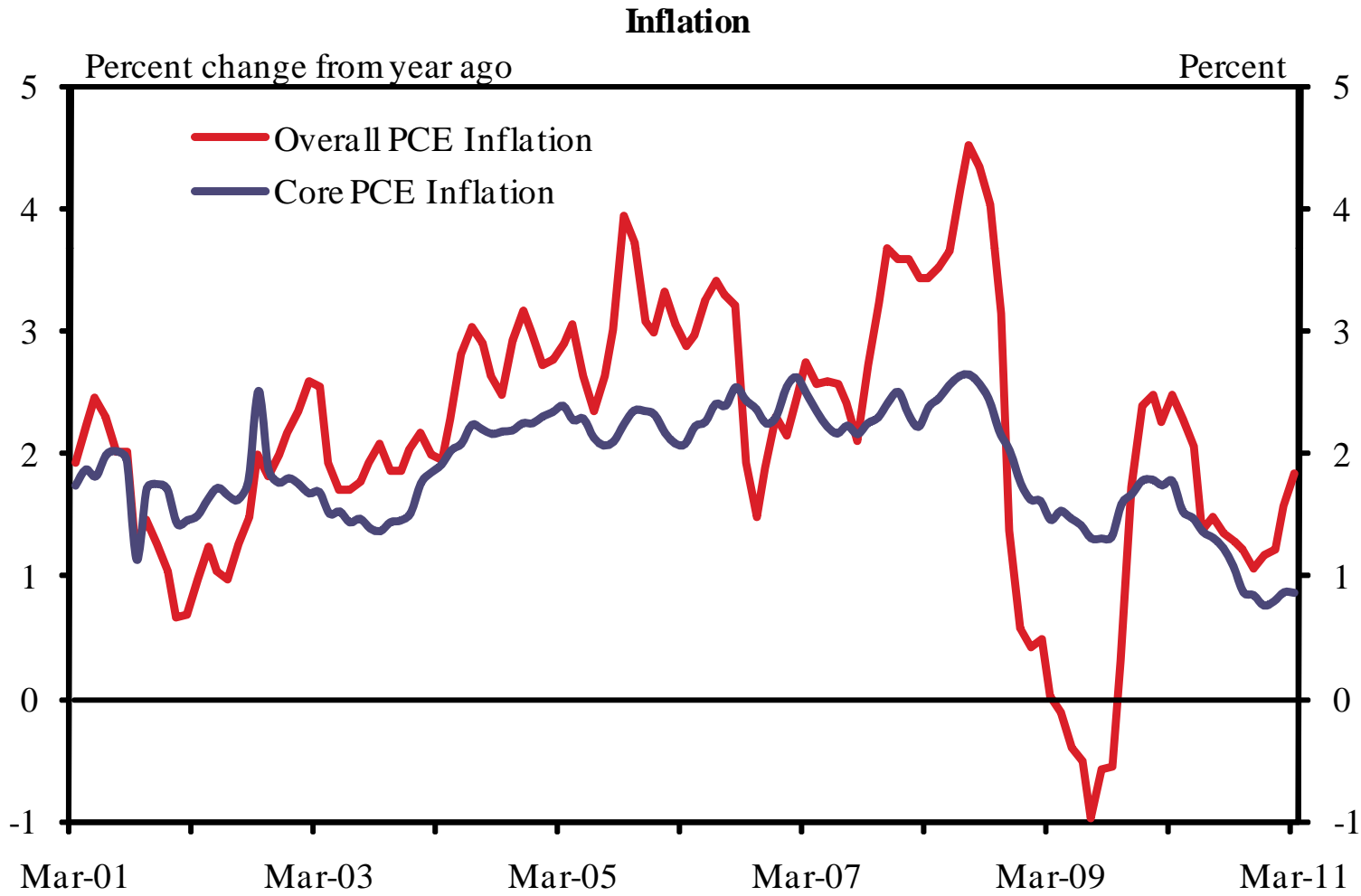
Consumers are spending more as confidence levels gradually increase.

Retail Sales and Consumer Confidence



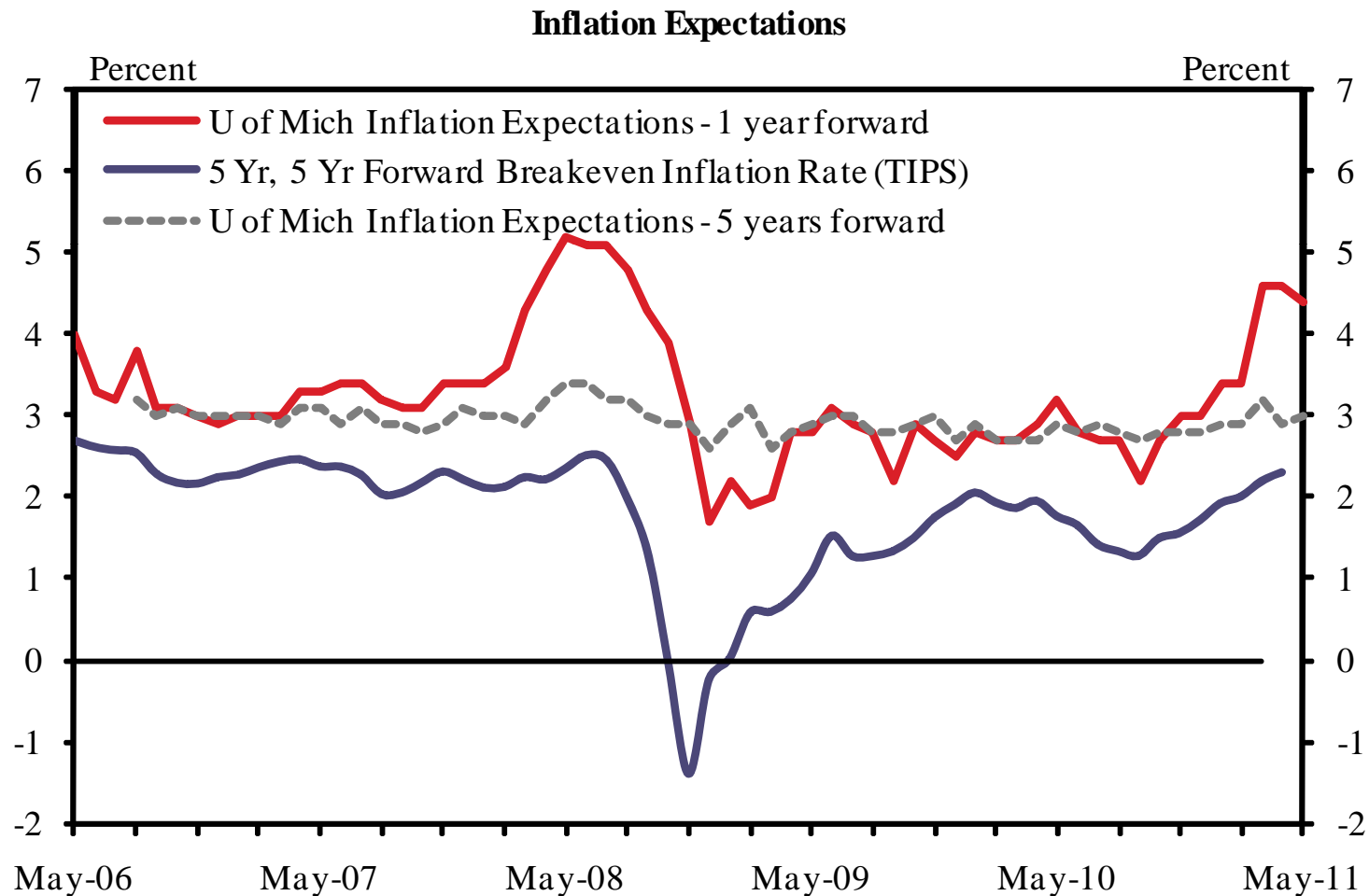
Source: Census Bureau and Consumer Confidence Board

Inflation remains subdued but is starting to increase slightly.



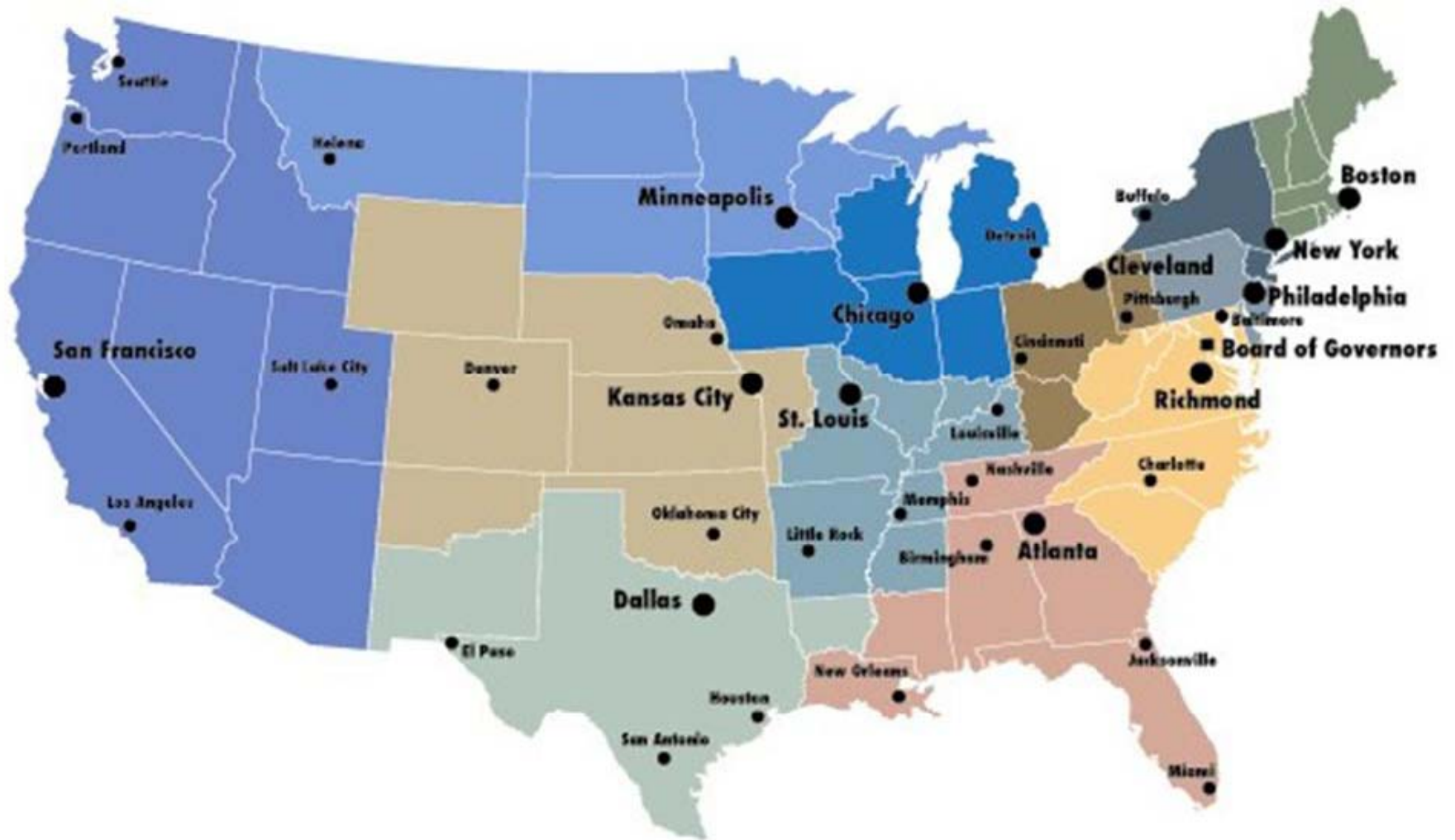
Source: Bureau of Economic Analysis

Inflation expectations have also edged up recently.



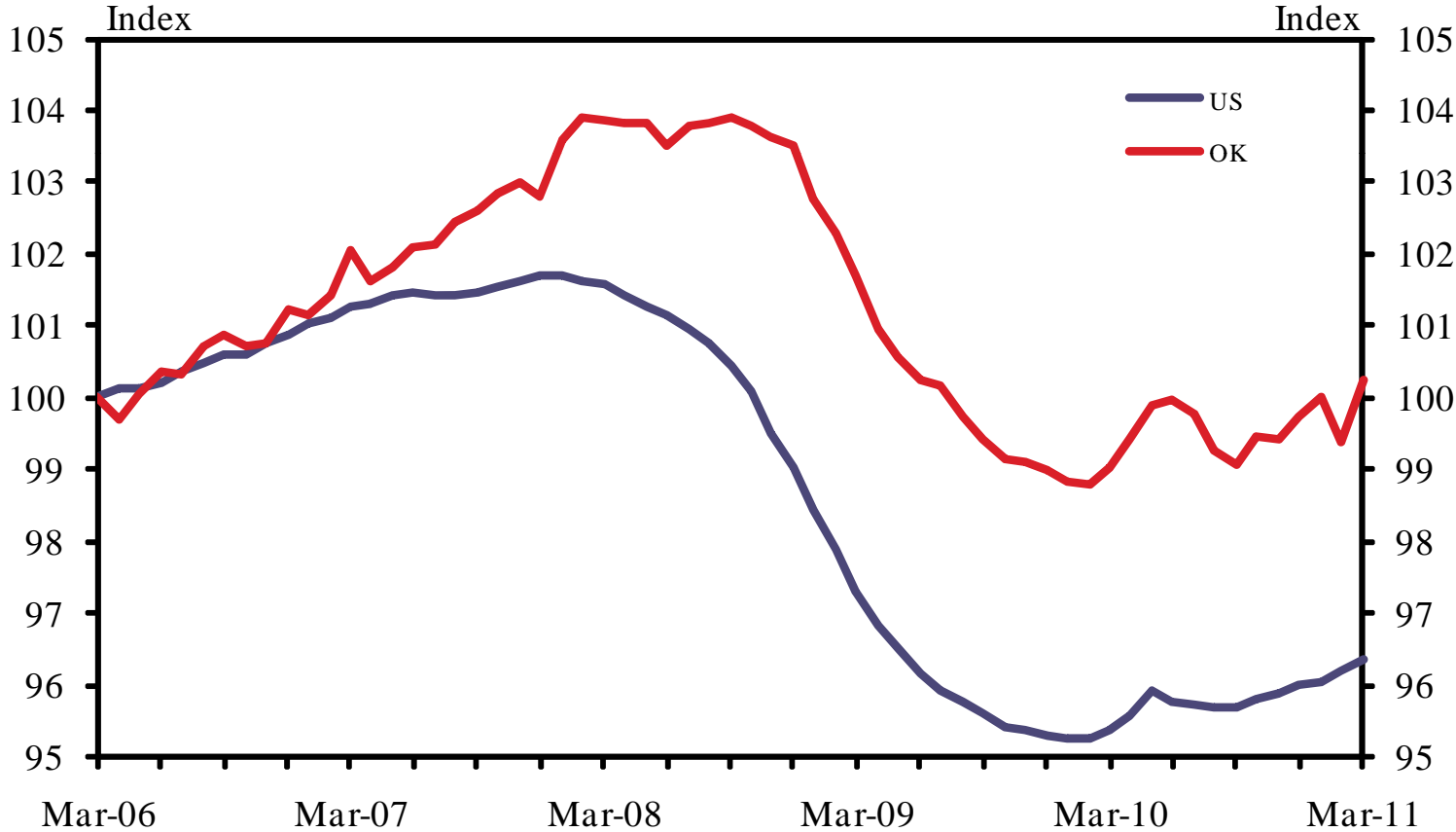
Source: University of Michigan and Federal Reserve Board of Governors

The Tenth District of the Federal Reserve



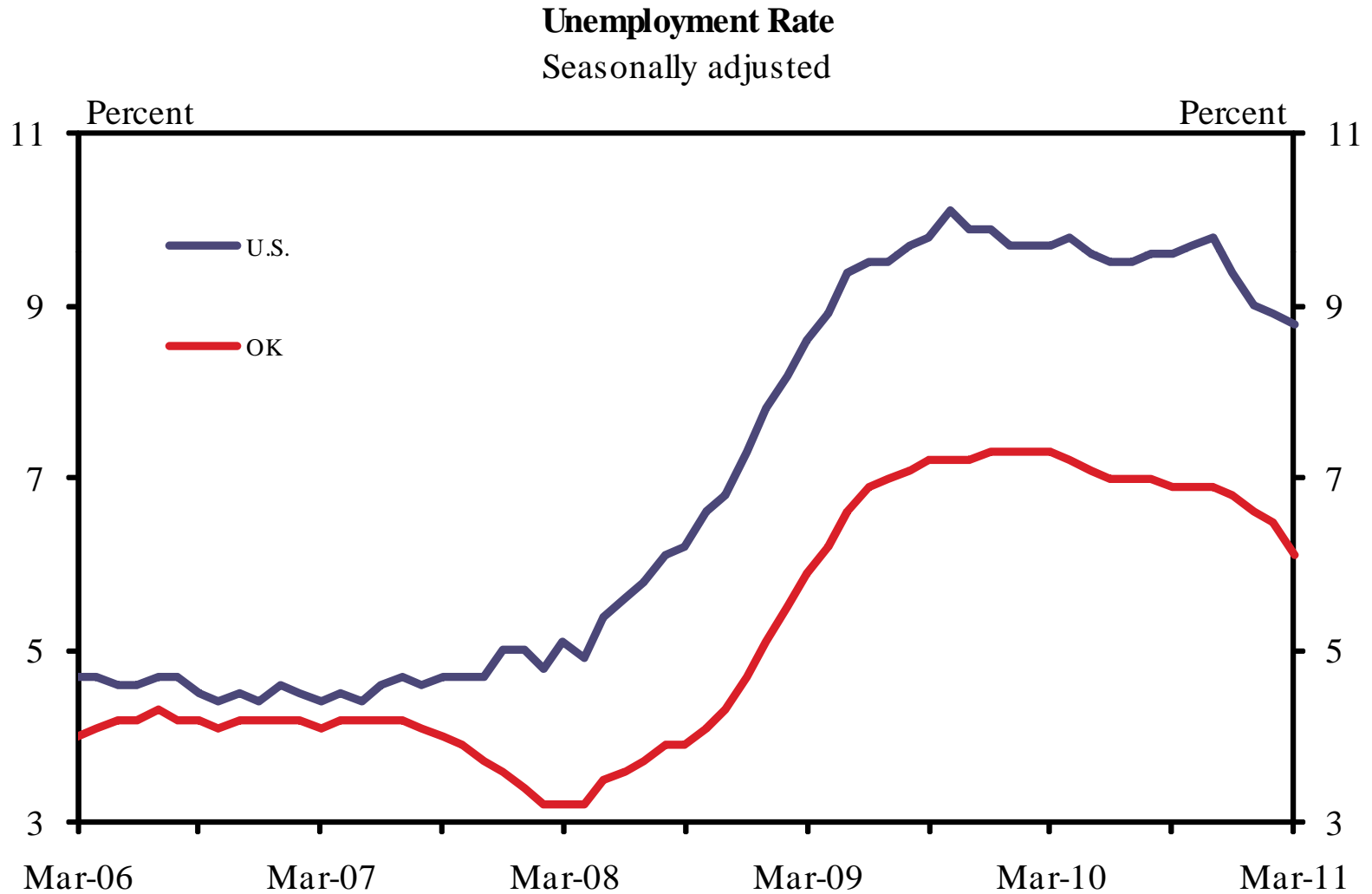
Employment fell sharply during the recession but is now increasing.

Total Nonfarm Employment
Seasonally adjusted



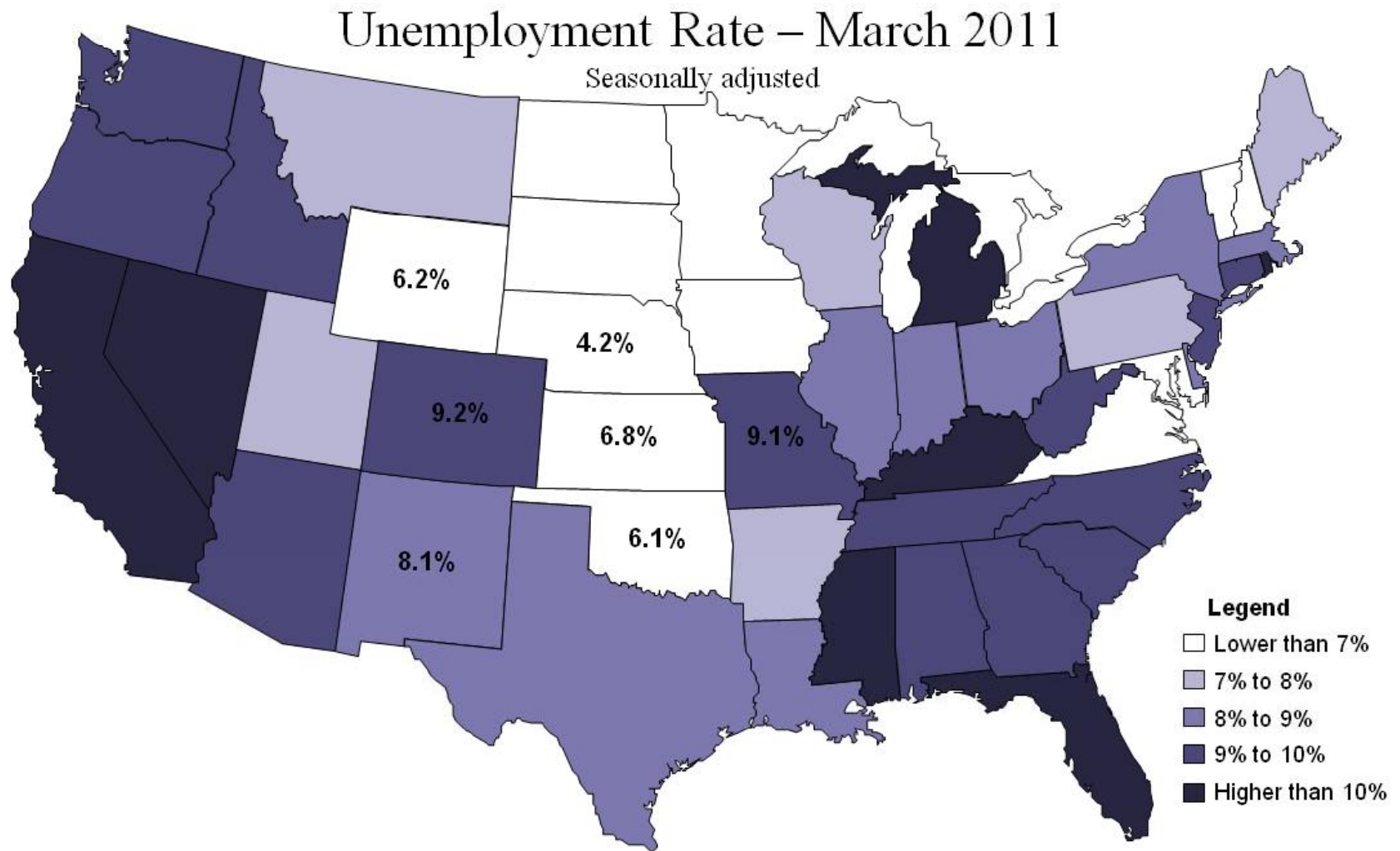
Source: Bureau of Labor Statistics

Unemployment rates remain elevated.



Source: Bureau of Labor Statistics

There are large regional differences in unemployment rates.



Employment has been growing in most industries in Oklahoma over the past year.

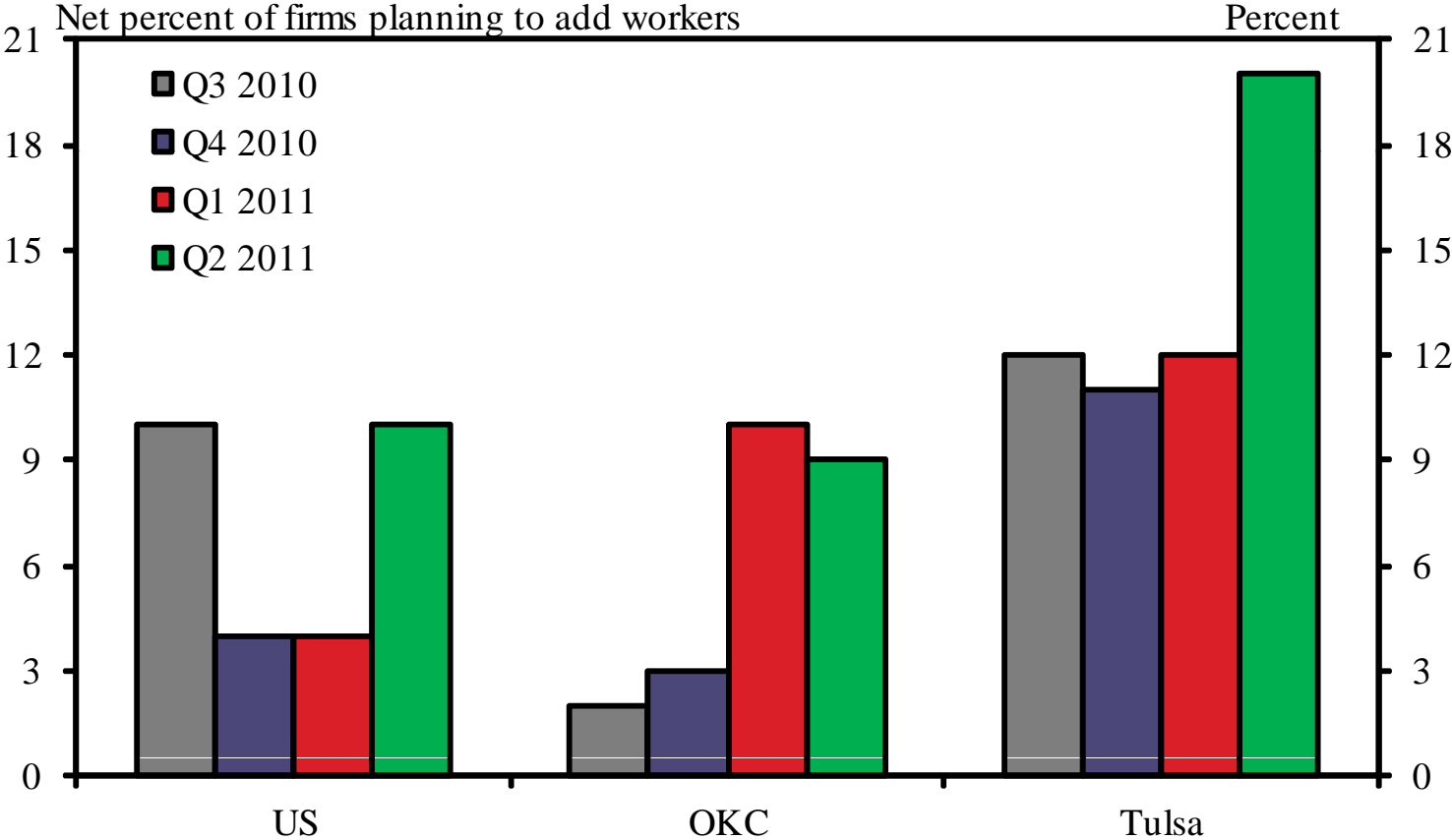
Employment Growth by Industry
Mar-11 over Mar-10



Source: Bureau of Labor Statistics

Hiring expectations increased for the second quarter.

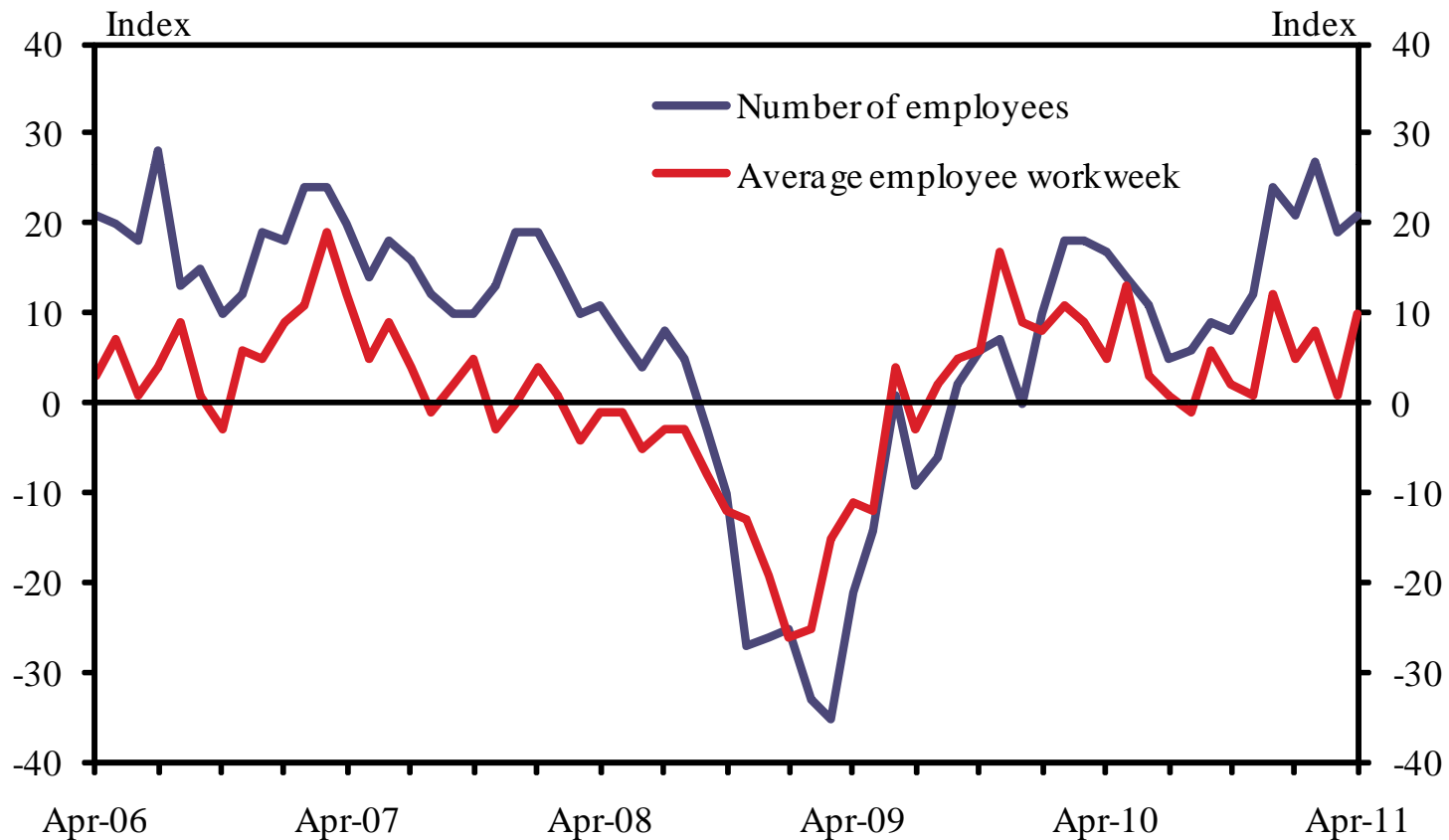
Hiring Expectations



Source: Manpower Inc.

Manufacturers expect to hire more workers over the next 6 months.

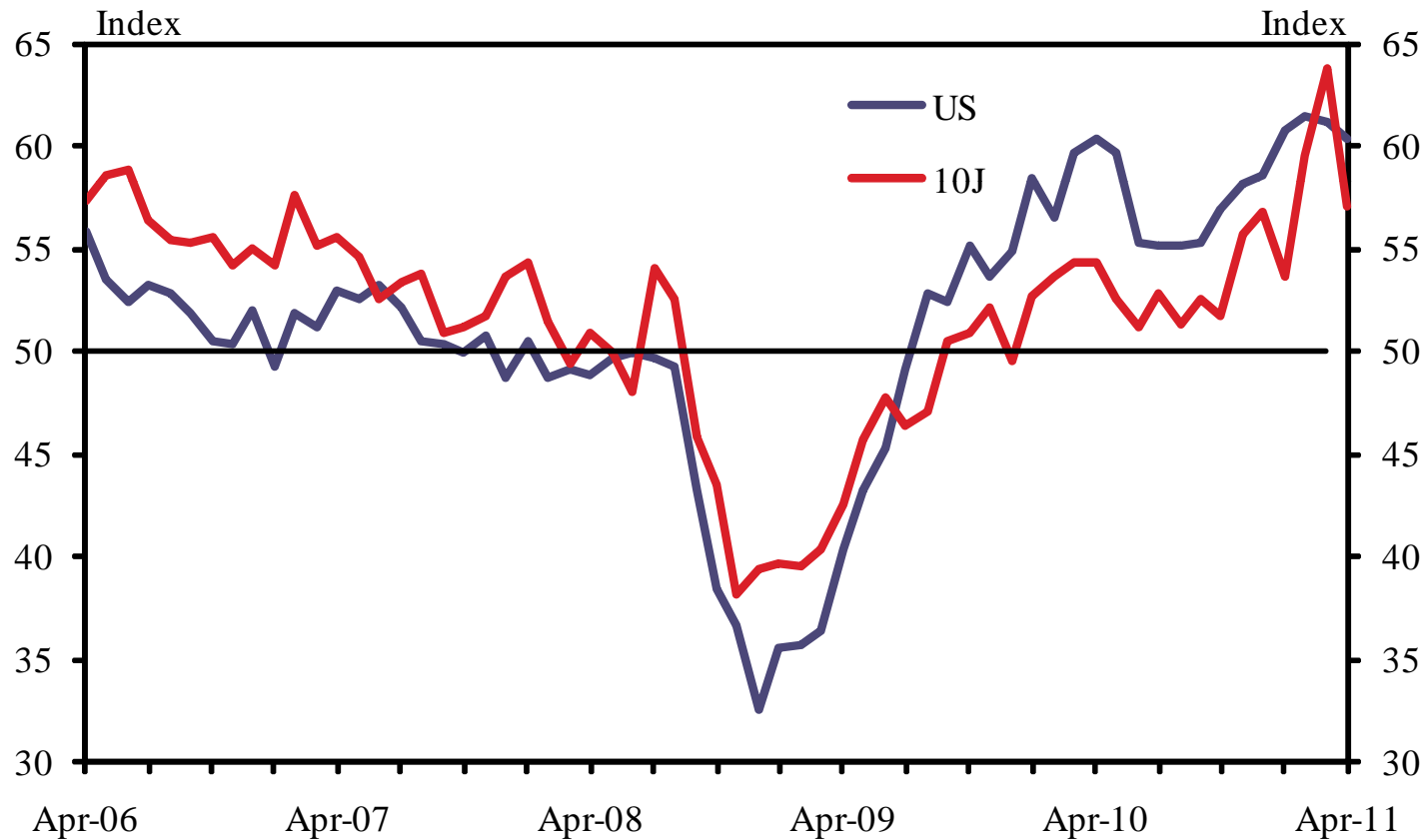
Expected Employment Indexes - Manufacturing
Seasonally adjusted; six months ahead



Sources: FRBKC Manufacturing Survey

Manufacturing activity continues to expand.

Manufacturing Activity
Seasonally adjusted; month-over-month

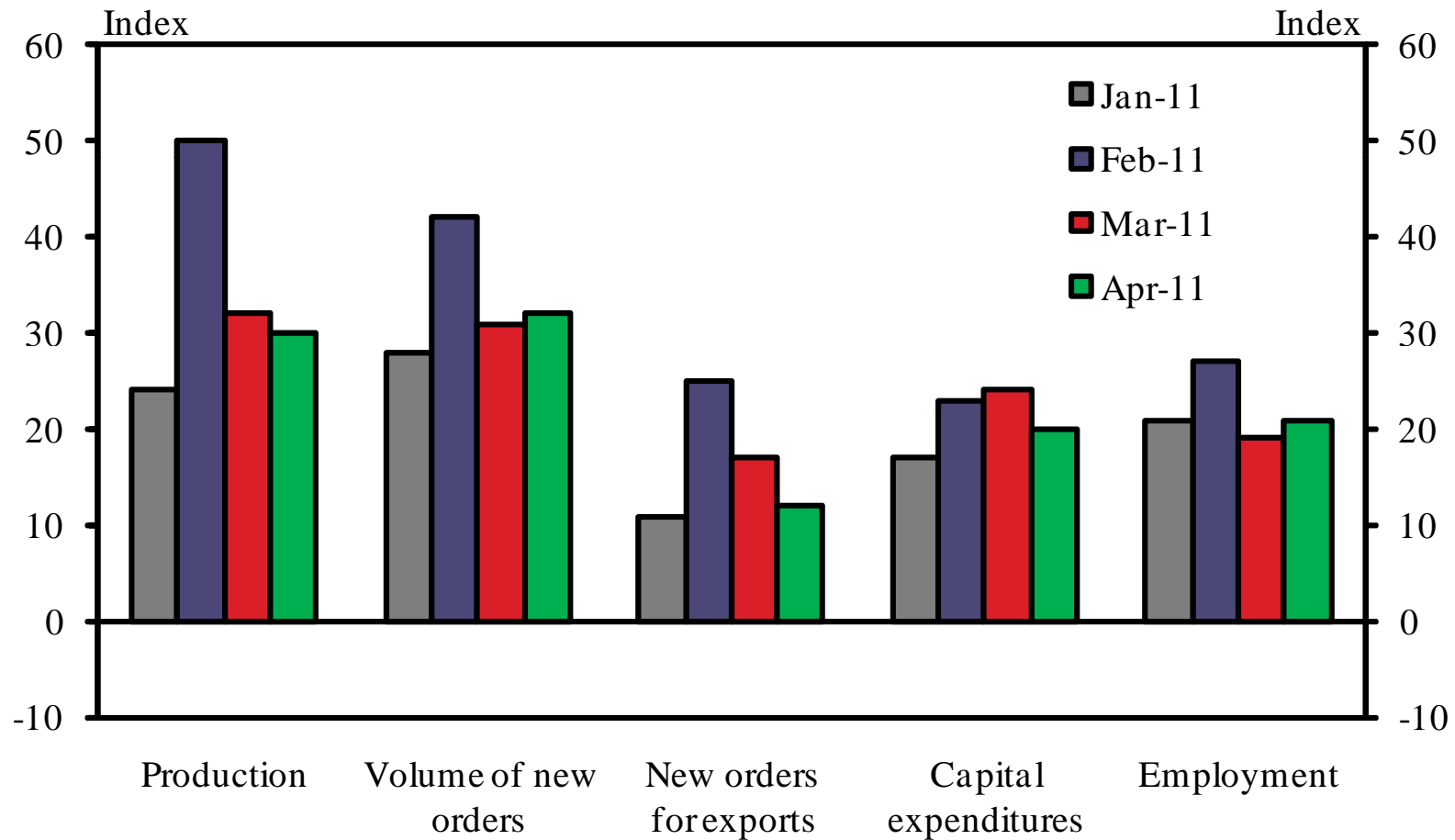


Sources: ISM, FRBKC Manufacturing Survey

Note: 10J index is computed on ISM basis (50 = zero change)

Manufacturers expect further gains over the next six months.

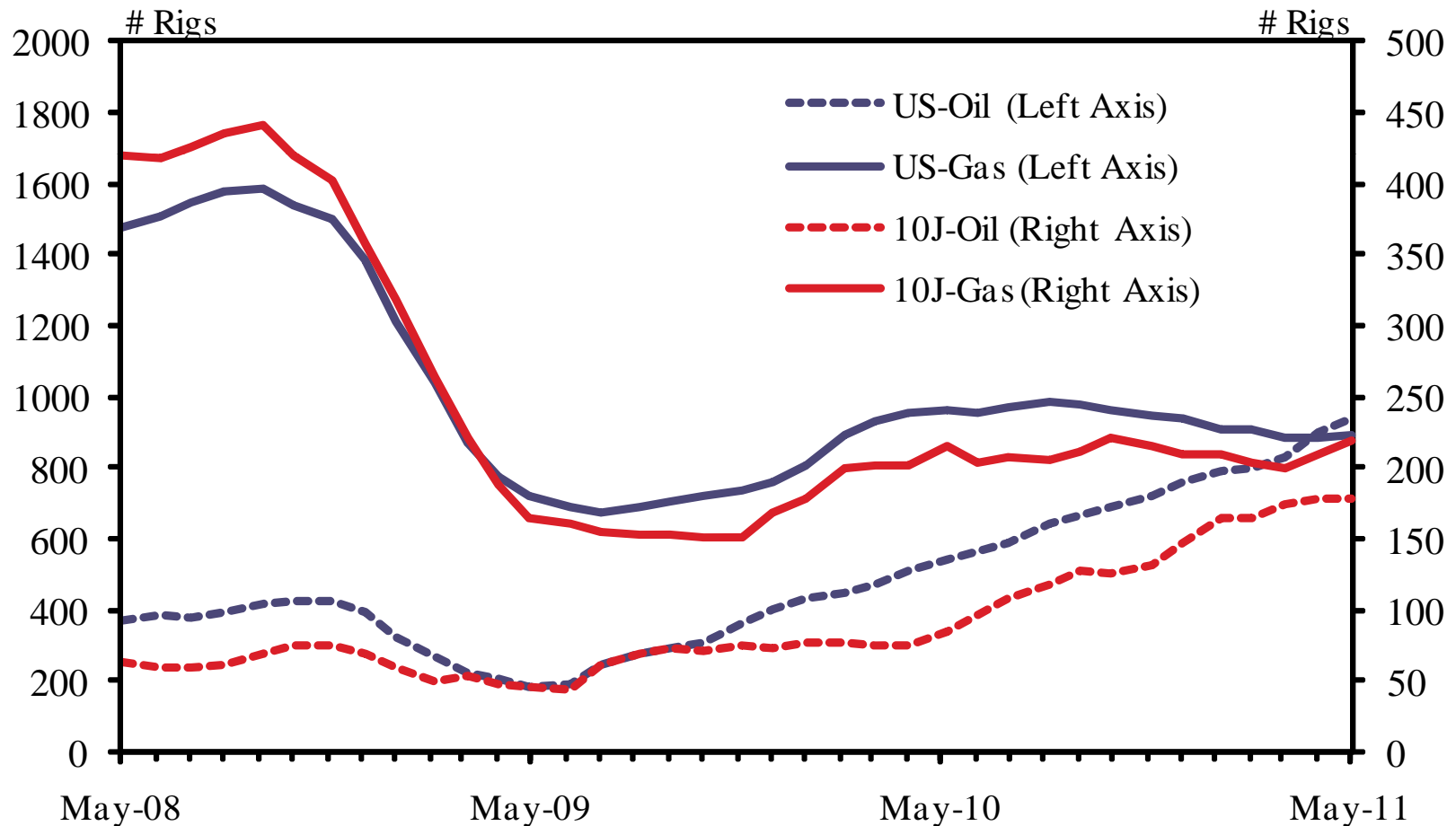
Tenth District Manufacturing Expectations
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey

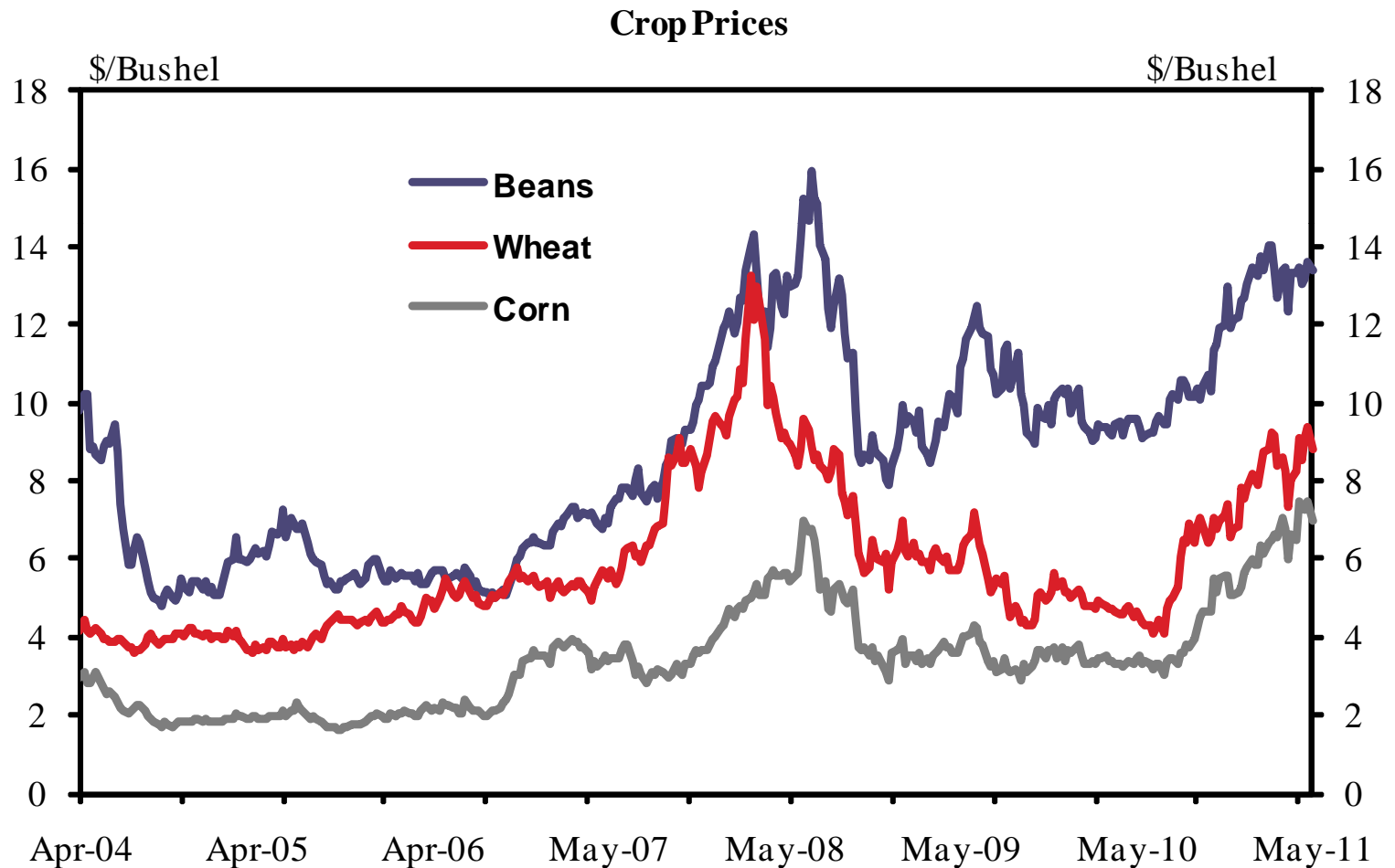
The energy sector is expanding, especially for oil producers.

Count of Active Drilling Rigs



Source: Baker-Hughes

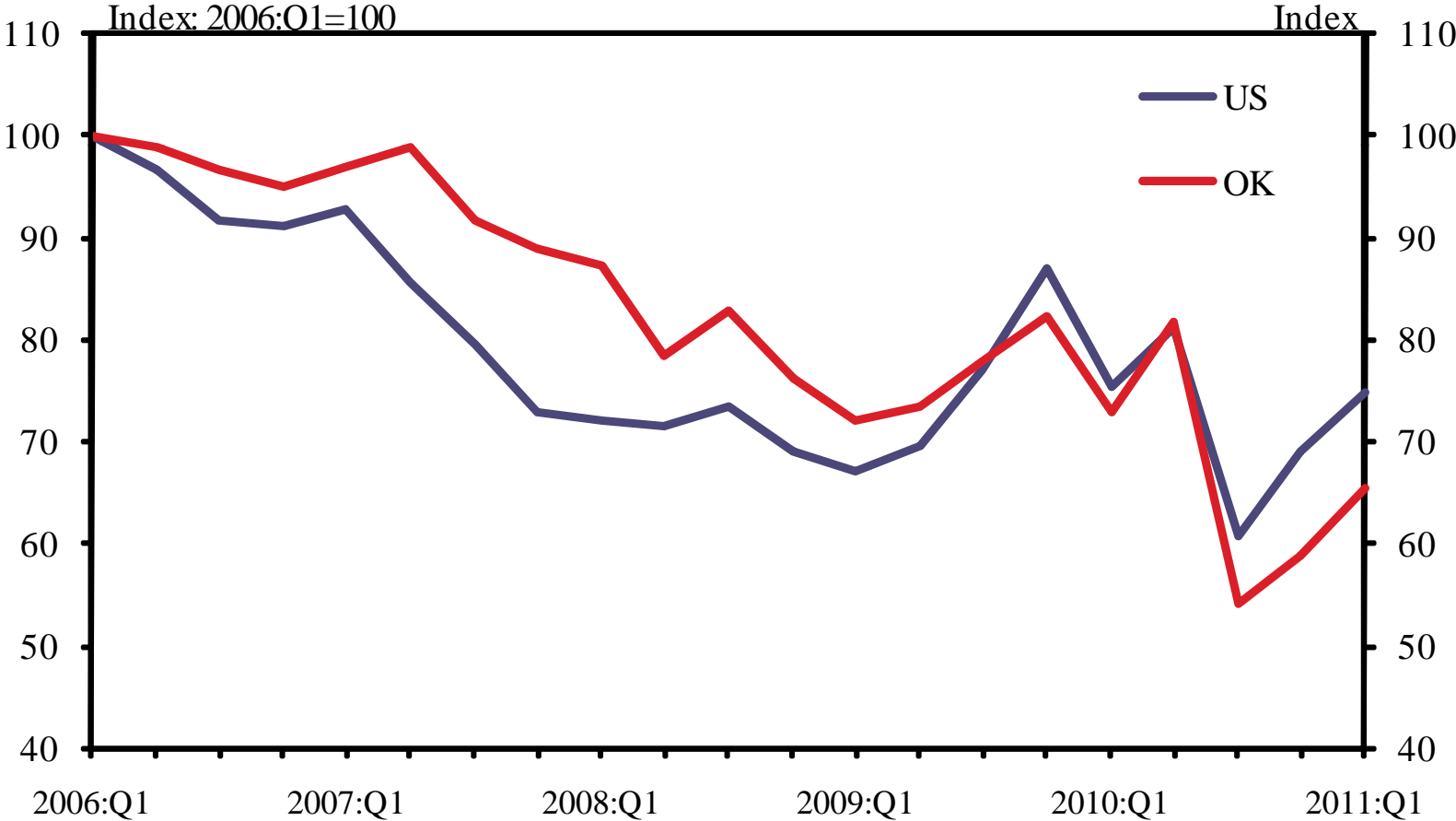
Lower supplies and increased demand have led to higher crop prices.



Source: Commodity Research Bureau

Home sales activity has picked up but remains slow.

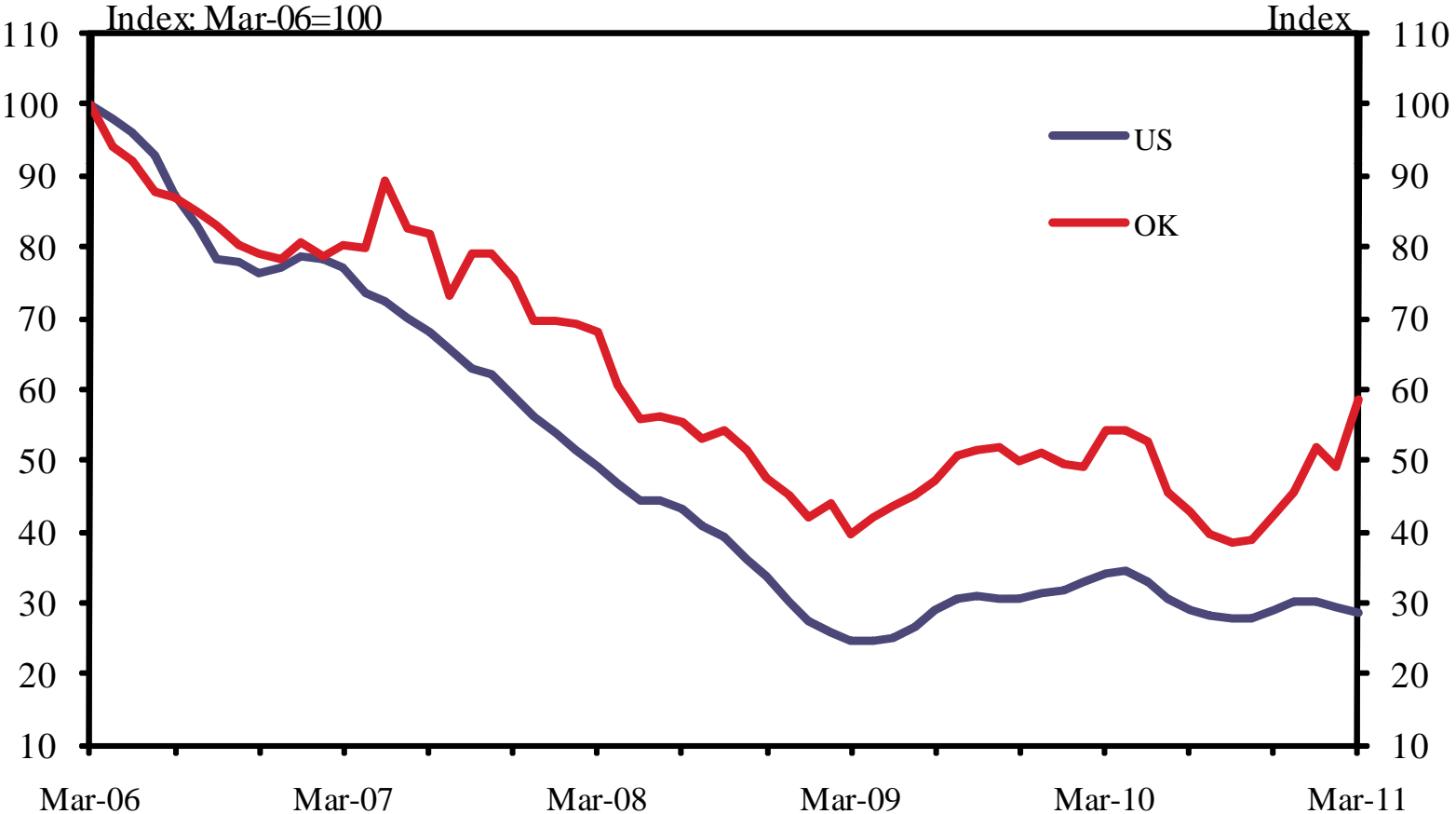
Existing Home Sales
Seasonally adjusted



Source: NAR

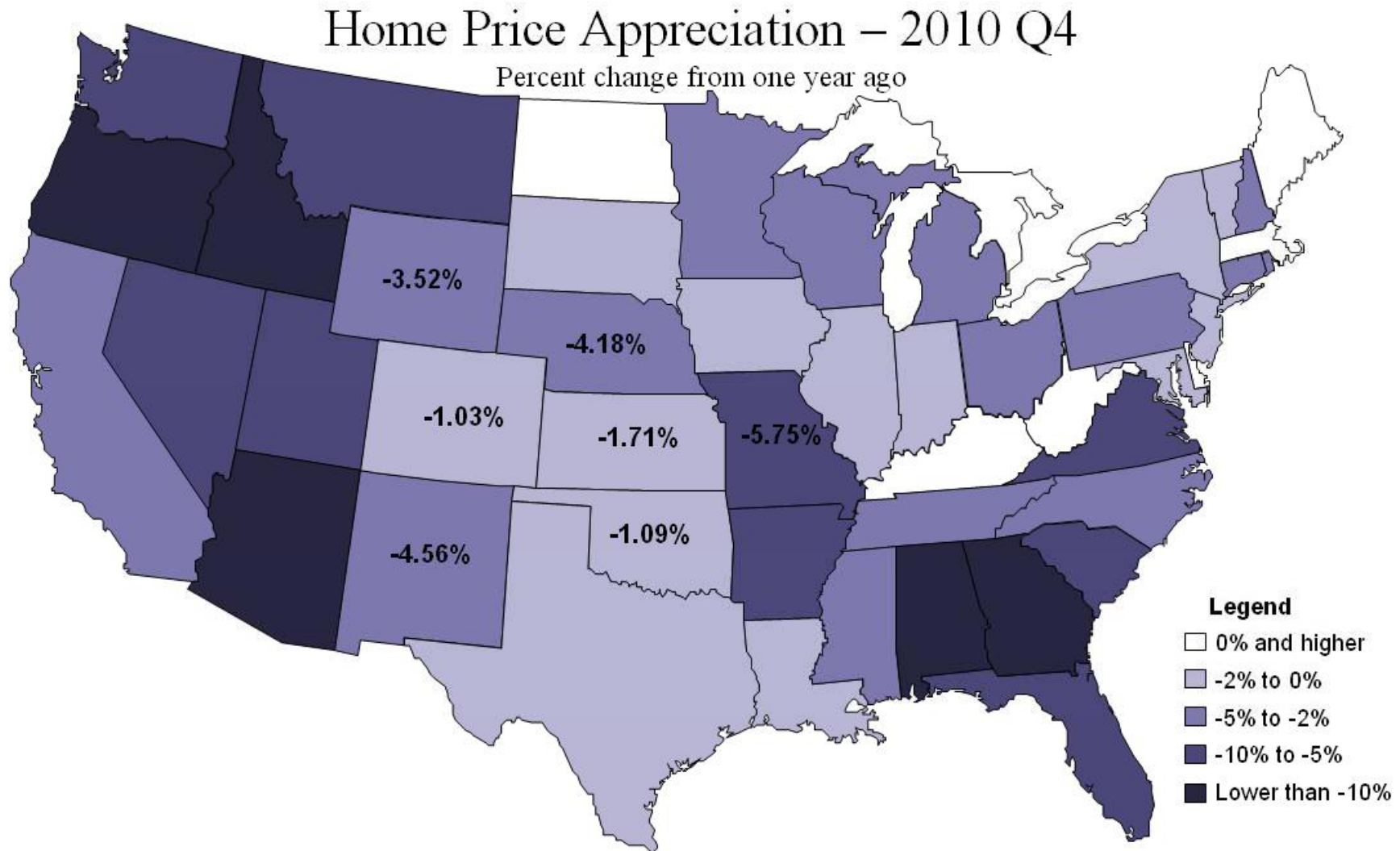
Residential construction activity remains weak but has increased recently in OK.

Value of Residential Construction Contracts
Seasonally adjusted



Source: FW Dodge

Home prices continued to decline across most of the U.S. in 2010.

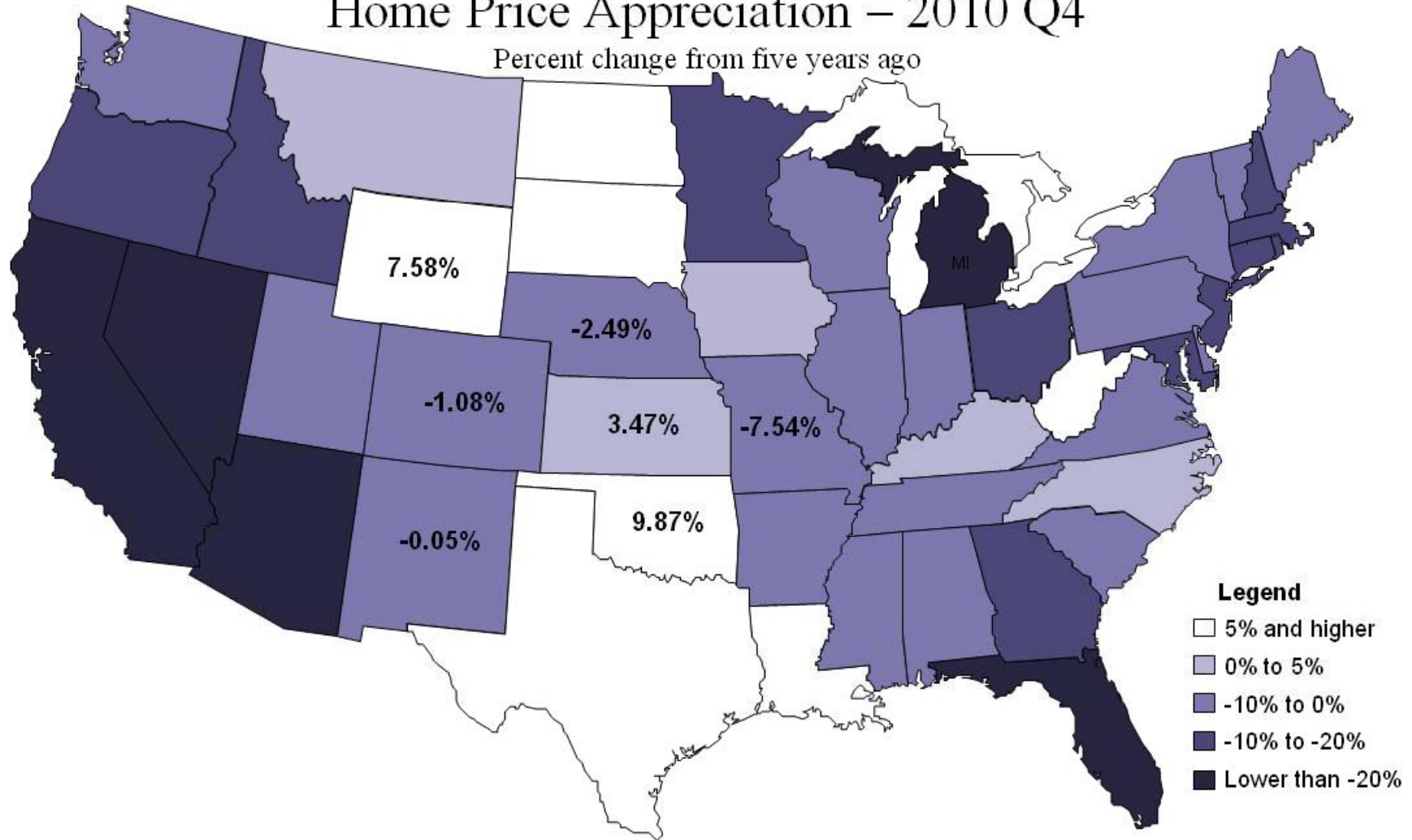


There have been large regional variations in home price appreciation over the past 5 years.

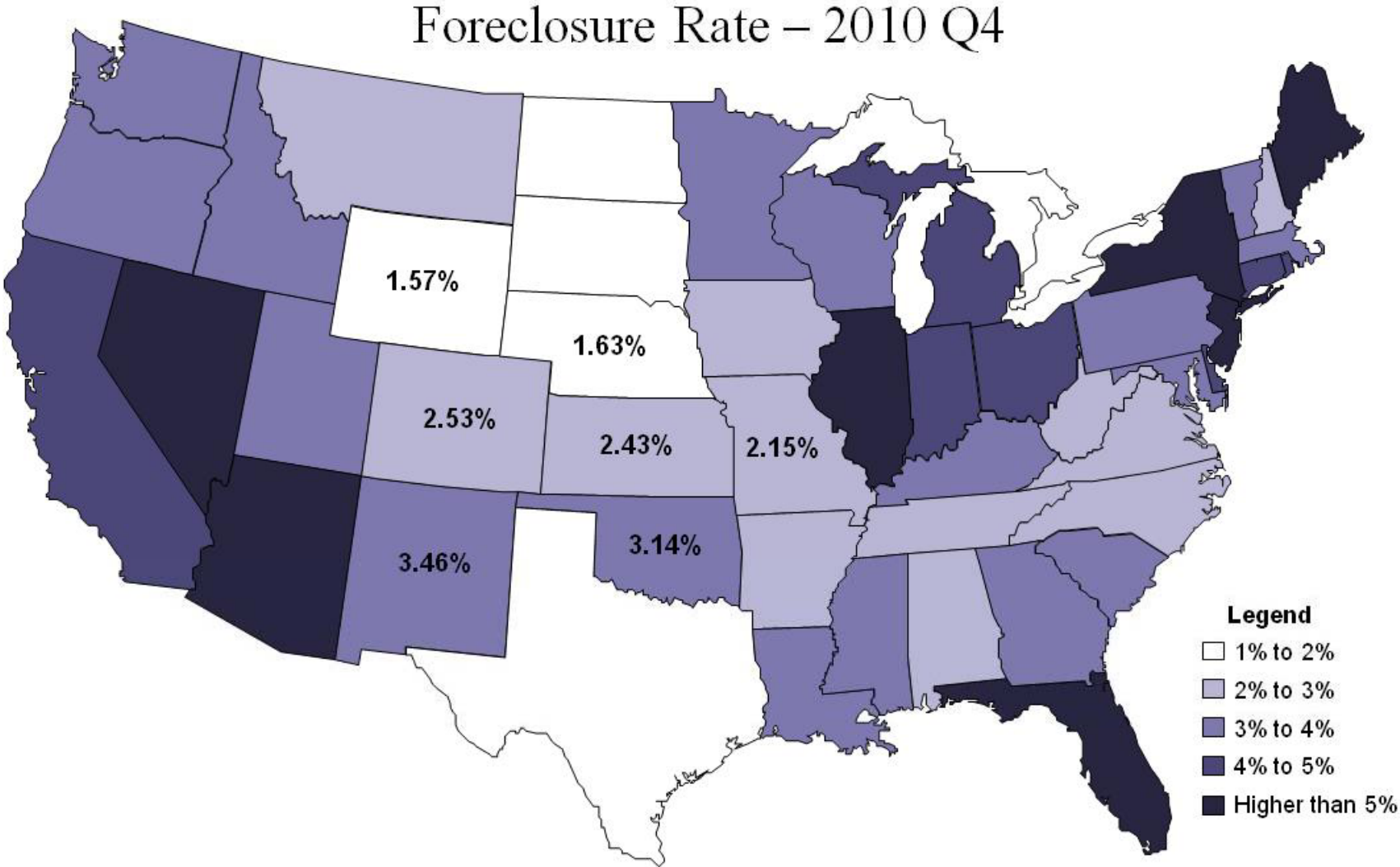


Home Price Appreciation – 2010 Q4

Percent change from five years ago

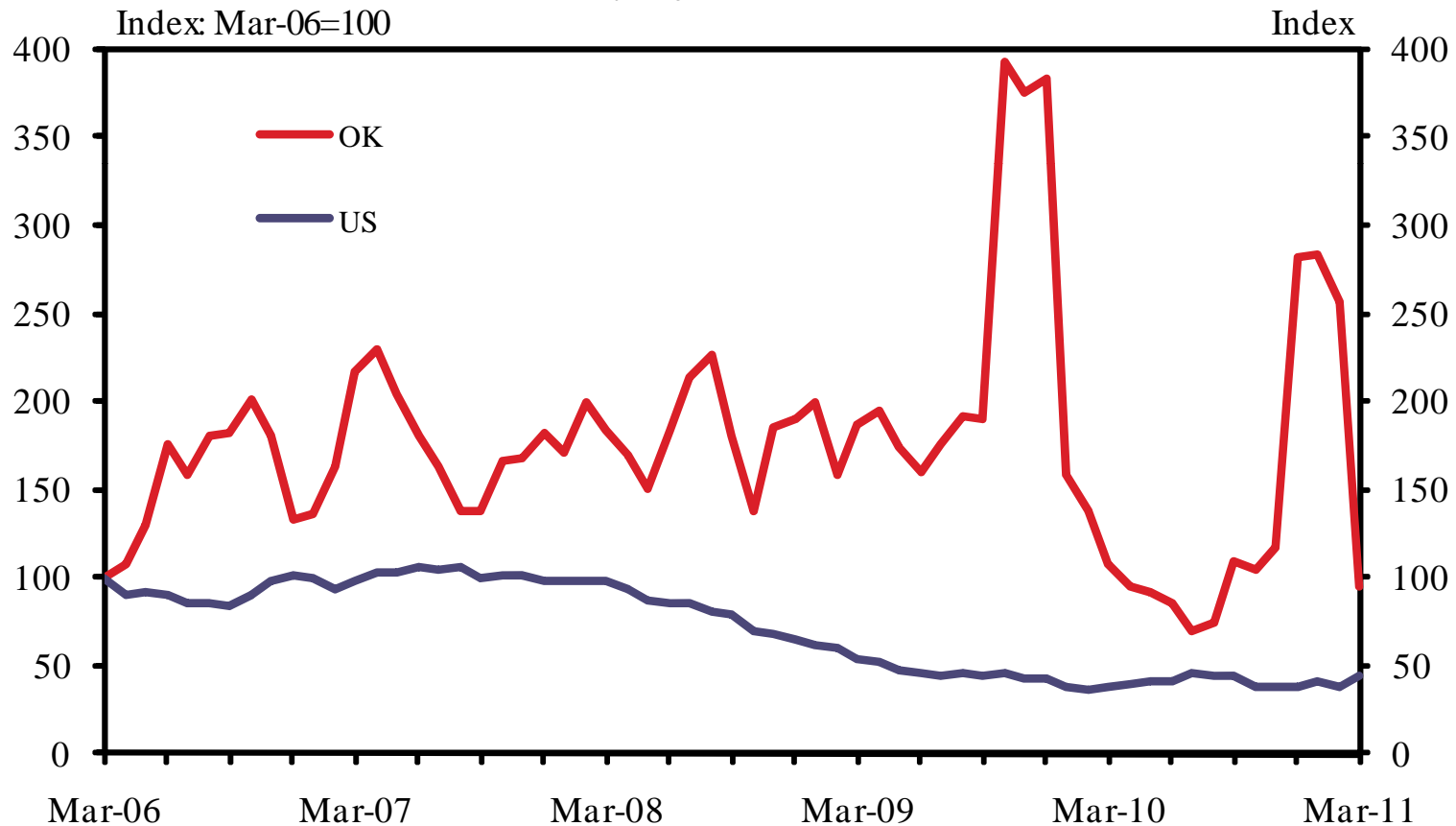


Foreclosure rates in the Midwest are lower than in other parts of the nation.



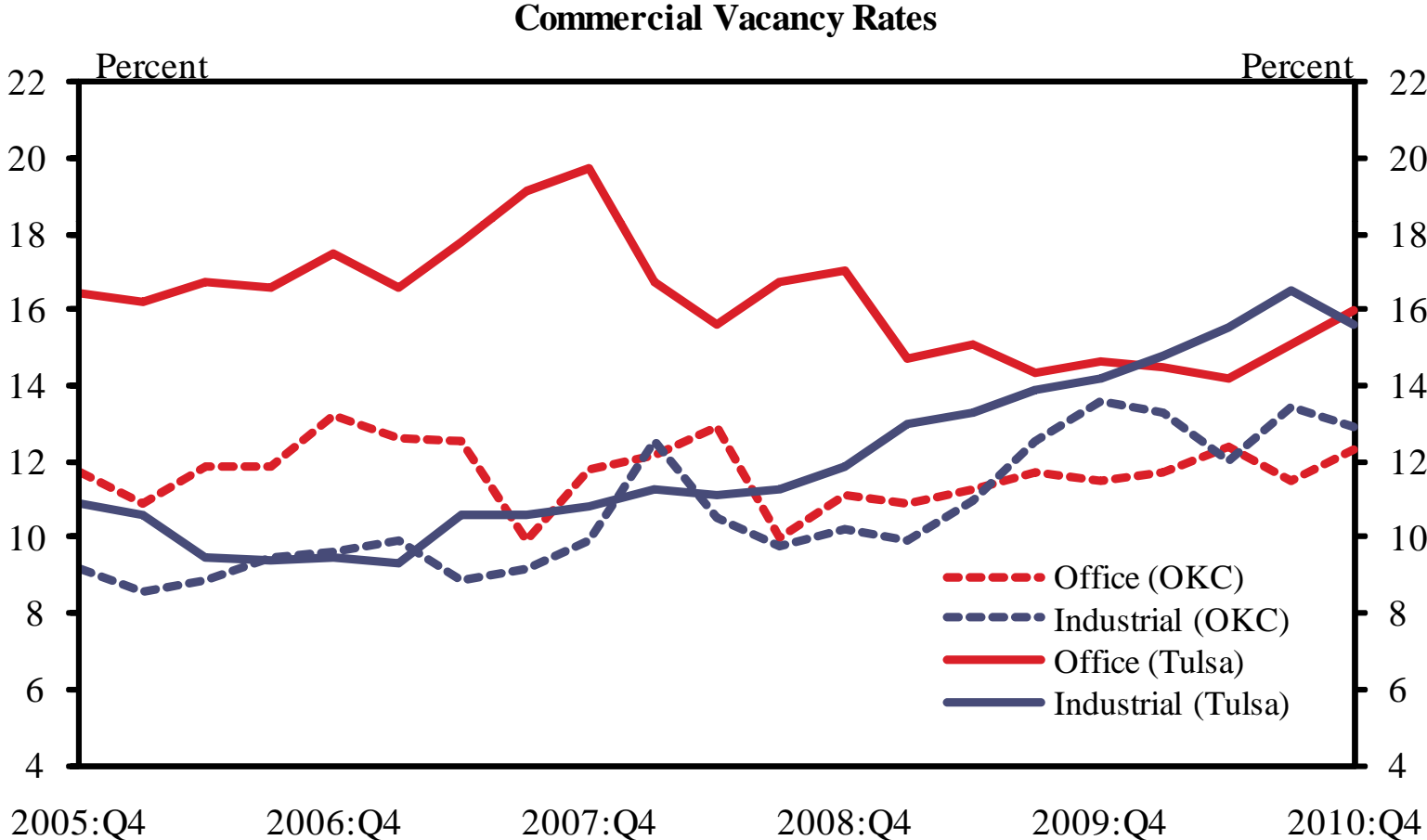
Commercial construction activity is weaker than pre-recession levels in the U.S.

Value of Commercial Construction Contracts
Seasonally adjusted, 3-mo. mov. av.



Source: F.W. Dodge Inc.

Industrial vacancy rates declined in the fourth quarter in OKC and Tulsa.



Source: Torto-Wheaton Research

Conclusions



- The U.S. and Oklahoma economies are expected to continue to recover gradually over the next few years.
 - ▣ Weak construction activity and high unemployment may prevent a more robust recovery.
 - ▣ Manufacturing, energy and agriculture sectors are expected to continue to provide a boost to the economy.

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