

U.S. & Oklahoma Economic Outlook

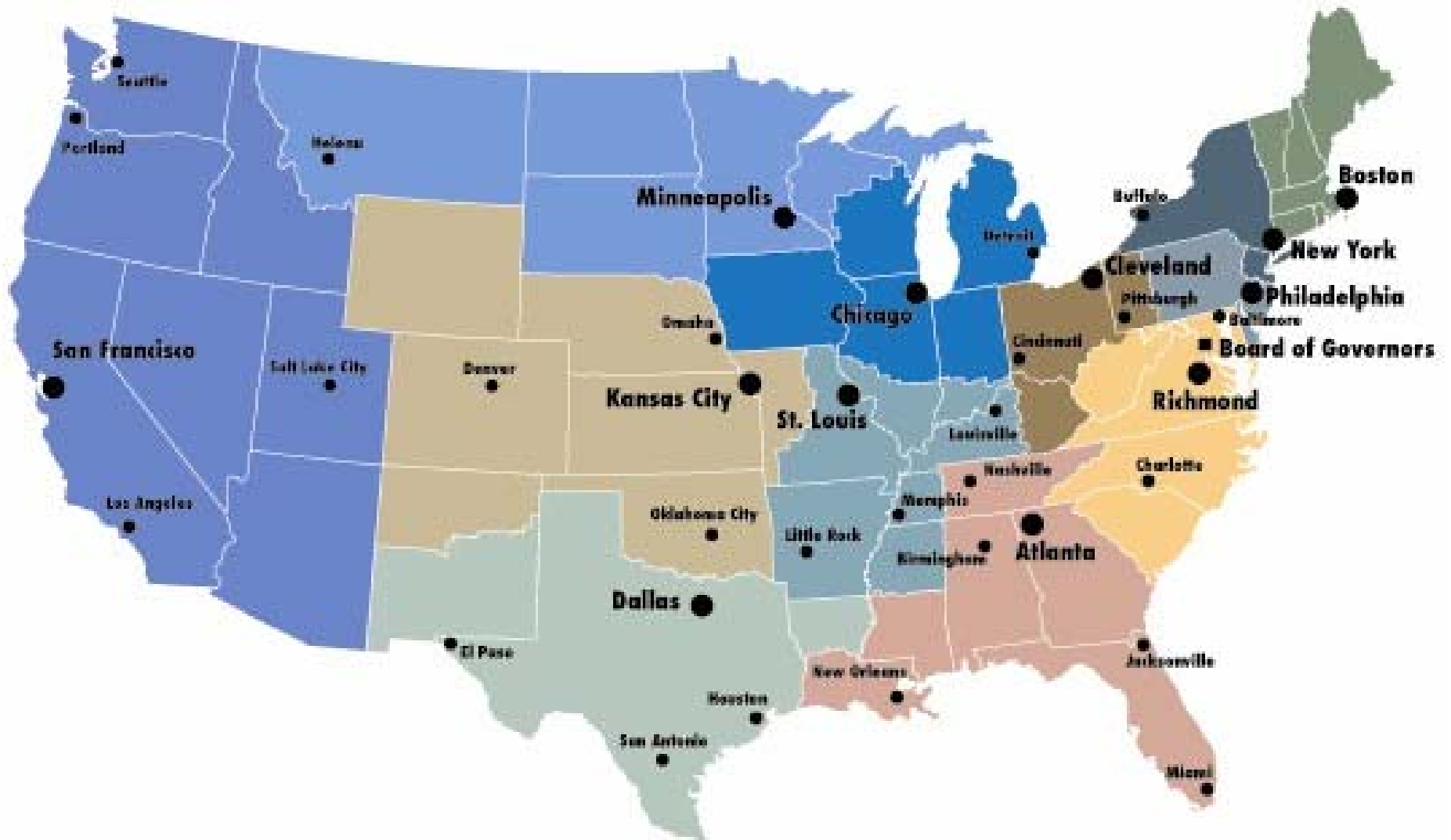


Chad Wilkerson
Oklahoma City Branch Executive
Federal Reserve Bank of Kansas City

Purposes and Structure of the Federal Reserve System

- **Overall purposes of the Fed are to promote:**
 - National financial stability
 - Maximum sustainable economic growth
 - Low and stable inflation
- **Mission areas:**
 - Monetary policy – most visible role to the public, usually
 - Bank regulation – including lender of last resort
 - Payments systems – cash, checks, electronic payments
- **Monetary policy is set by the 12-member FOMC:**
 - The Federal Open Market Committee meets every 6 weeks
 - Voting members consist of:
 - the 7 Governors in Washington;
 - the New York Fed President;
 - 4 of the 11 other Fed presidents on a rotating basis

Federal Reserve Districts and Office Locations



The Kansas City and Oklahoma City Offices

- **Headquarters in Kansas City**

- Nearly **1,000 staff** involved in all mission areas
- **New building** officially opened in June

- **Oklahoma City branch office**

- **Staff and functions** – about 35 staff involved in economic research, bank examinations, and public and community affairs
- **Branch board of directors** – 7 members from around the state; provide anecdotal information in advance of each FOMC meeting

- **Oklahoma City branch board of directors**

- *Chairman* **Richard Ratcliffe**, Chairman, Ratcliffe's Textbooks, Weatherford
- **Steve Agee**, President, Agee Energy, and Professor, OCU, Oklahoma City
- **Terry Almon**, President, Oklahoma Community Capital Corp., Broken Arrow
- **Jim Dunn**, Chairman, Mill Creek Lumber & Supply Co., Tulsa
- **Barry Golsen**, President, LSB Industries, Oklahoma City
- **Fred Ramos**, President, RGF, Inc., Oklahoma City
- **Doug Tippens**, President, Canadian State Bank, Yukon

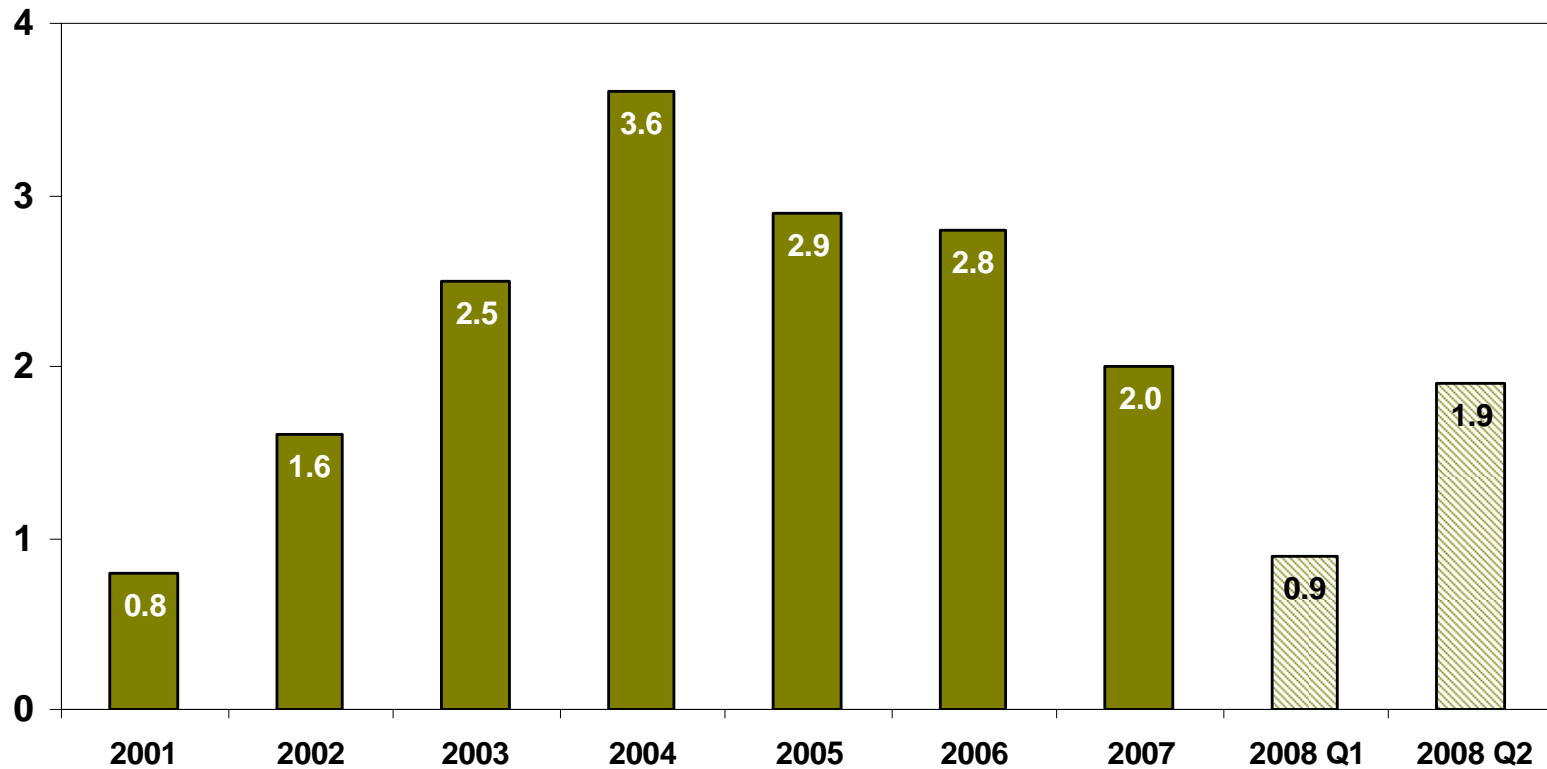
The U.S. Economic Outlook

- U.S. economic growth is below average
- Inflation pressures have risen
- Forecasts generally call for sluggish growth and continued high inflation in the second half of 2008

GDP growth was moderate in the first half of 2008

Gross Domestic Product

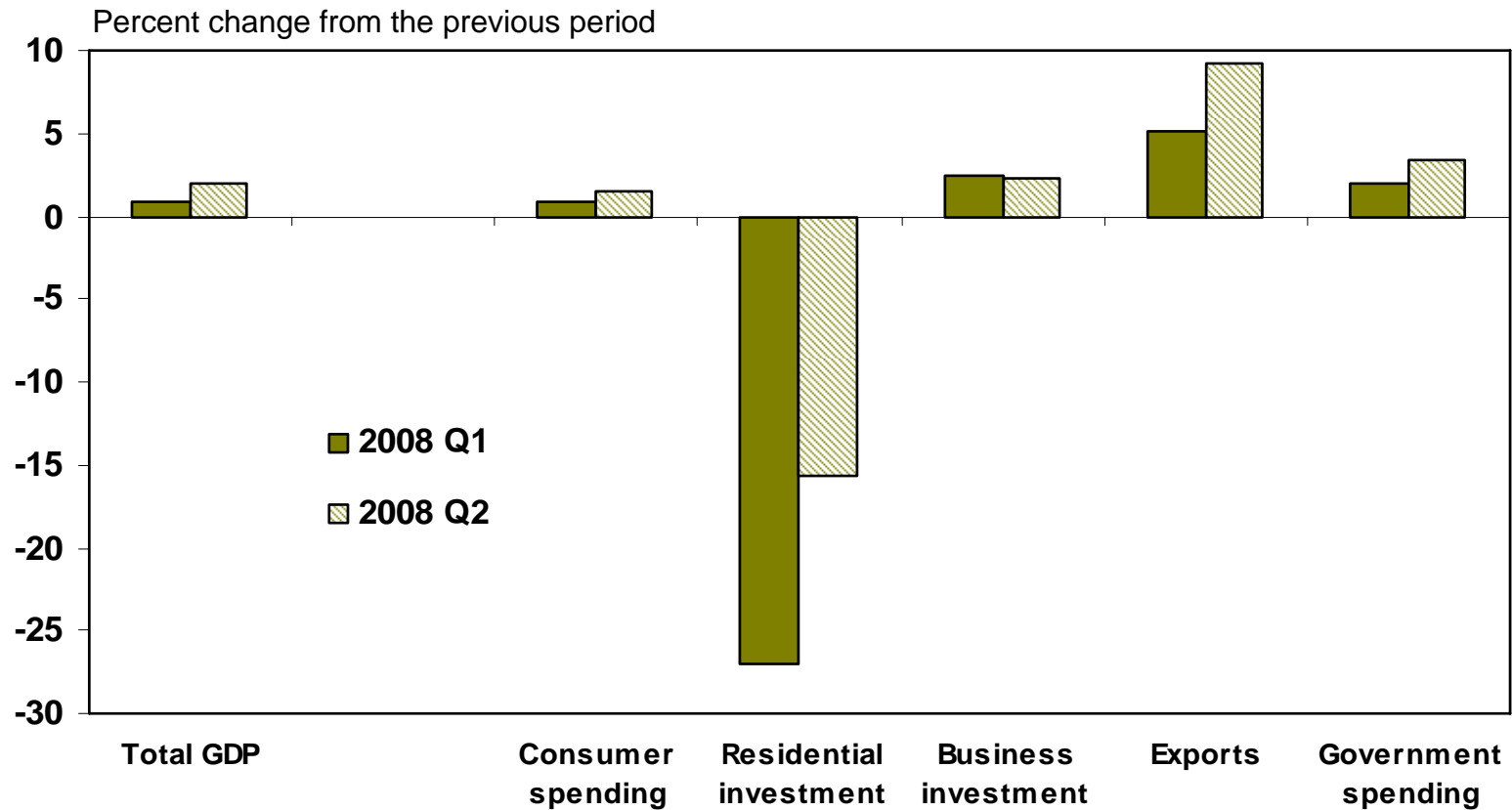
Percent change from the previous period, annualized



Source: U.S. Bureau of Economic Analysis

Stimulus checks, exports, and defense spending provided a boost in Q2

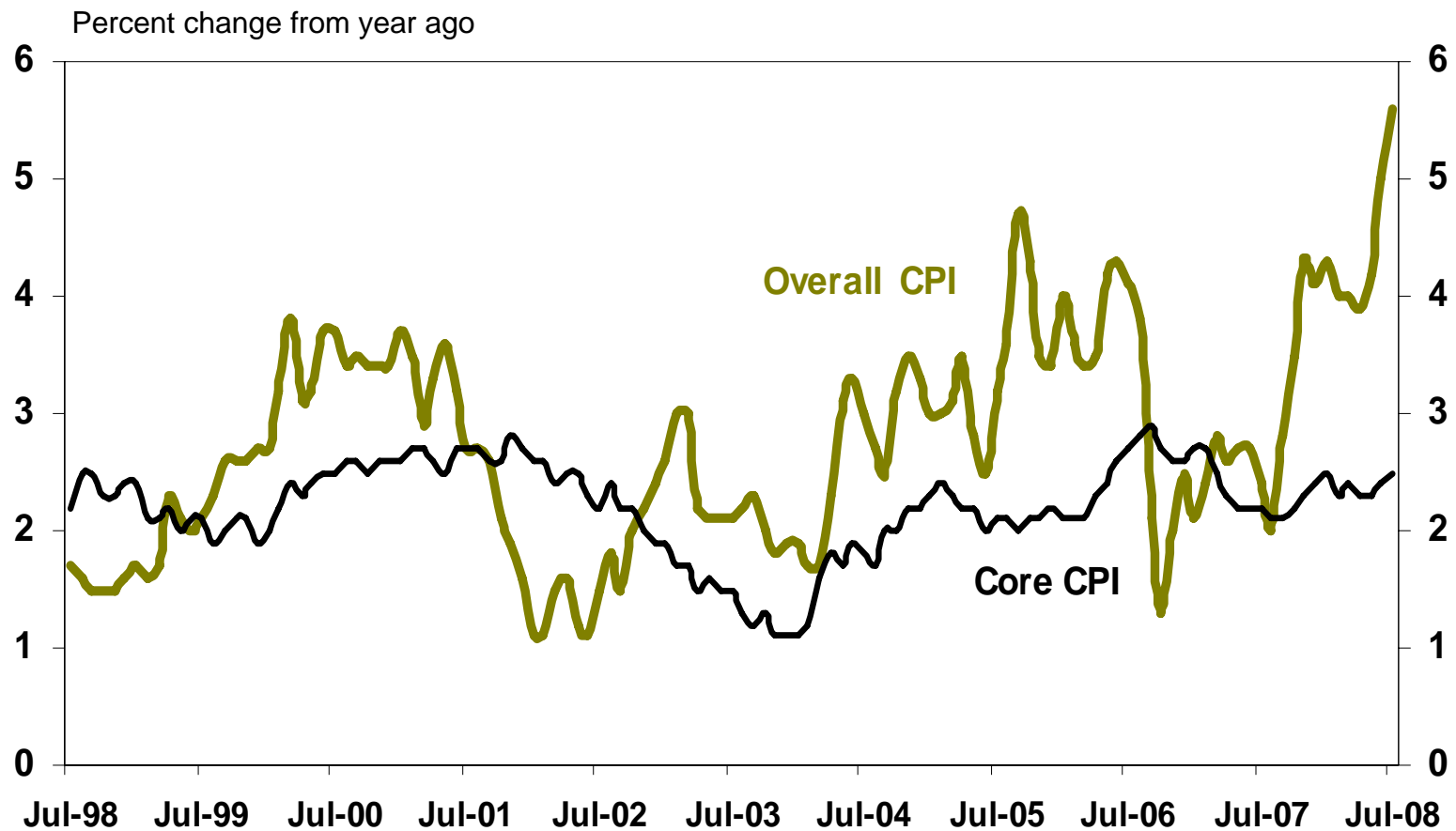
Growth in Components of GDP



Source: U.S. Bureau of Economic Analysis

Inflation has surged in recent months, but should ease somewhat with falling oil prices

Consumer Price Index



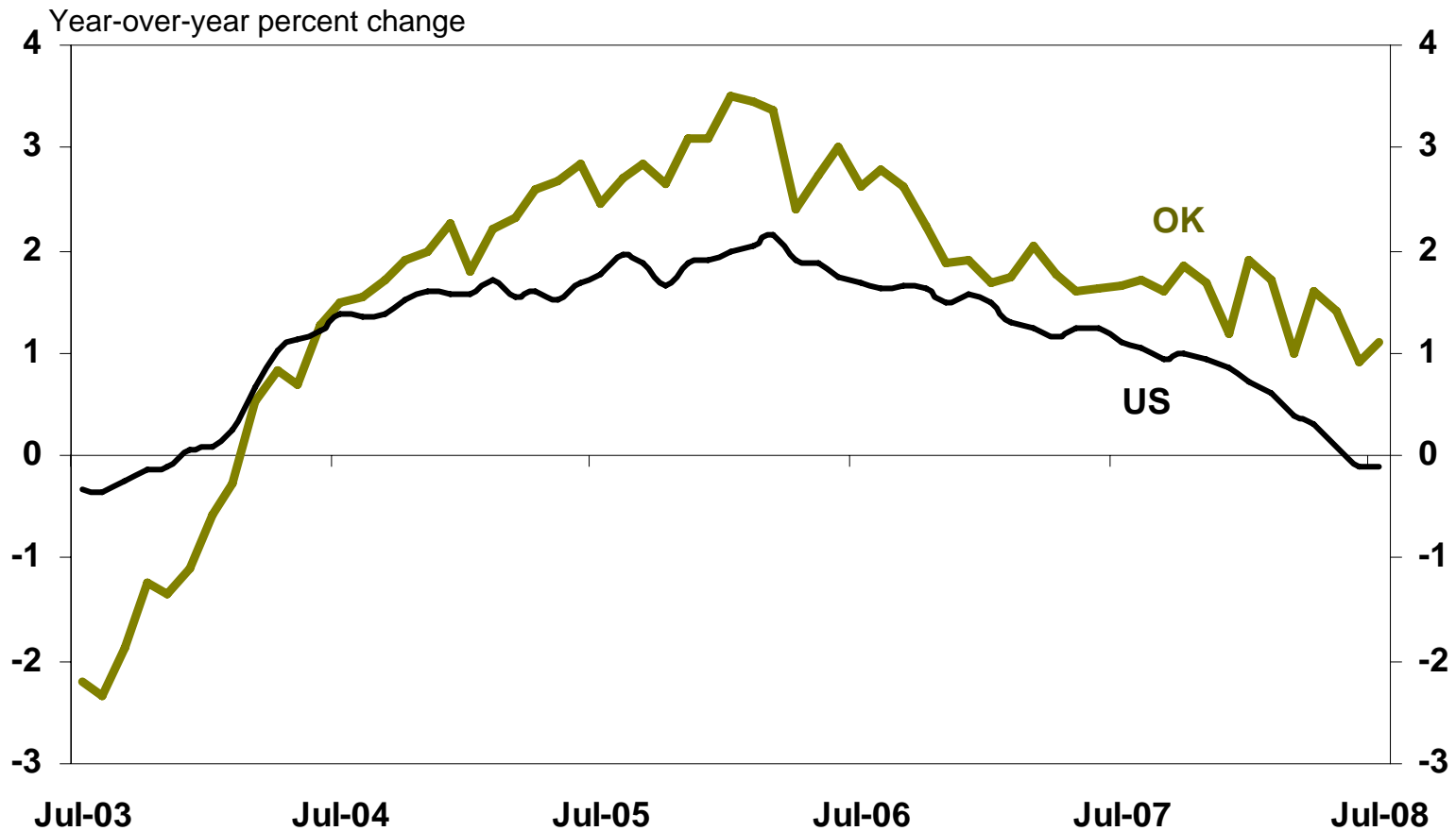
Source: U.S. Bureau of Labor Statistics

The Oklahoma Economic Outlook

- Oklahoma economic growth remains solid
- Housing is in better shape than the nation
- Energy and defense should continue to help promote moderate overall growth in the state

Oklahoma job growth has slowed but remains well above the national average

Nonfarm Payroll Employment Growth

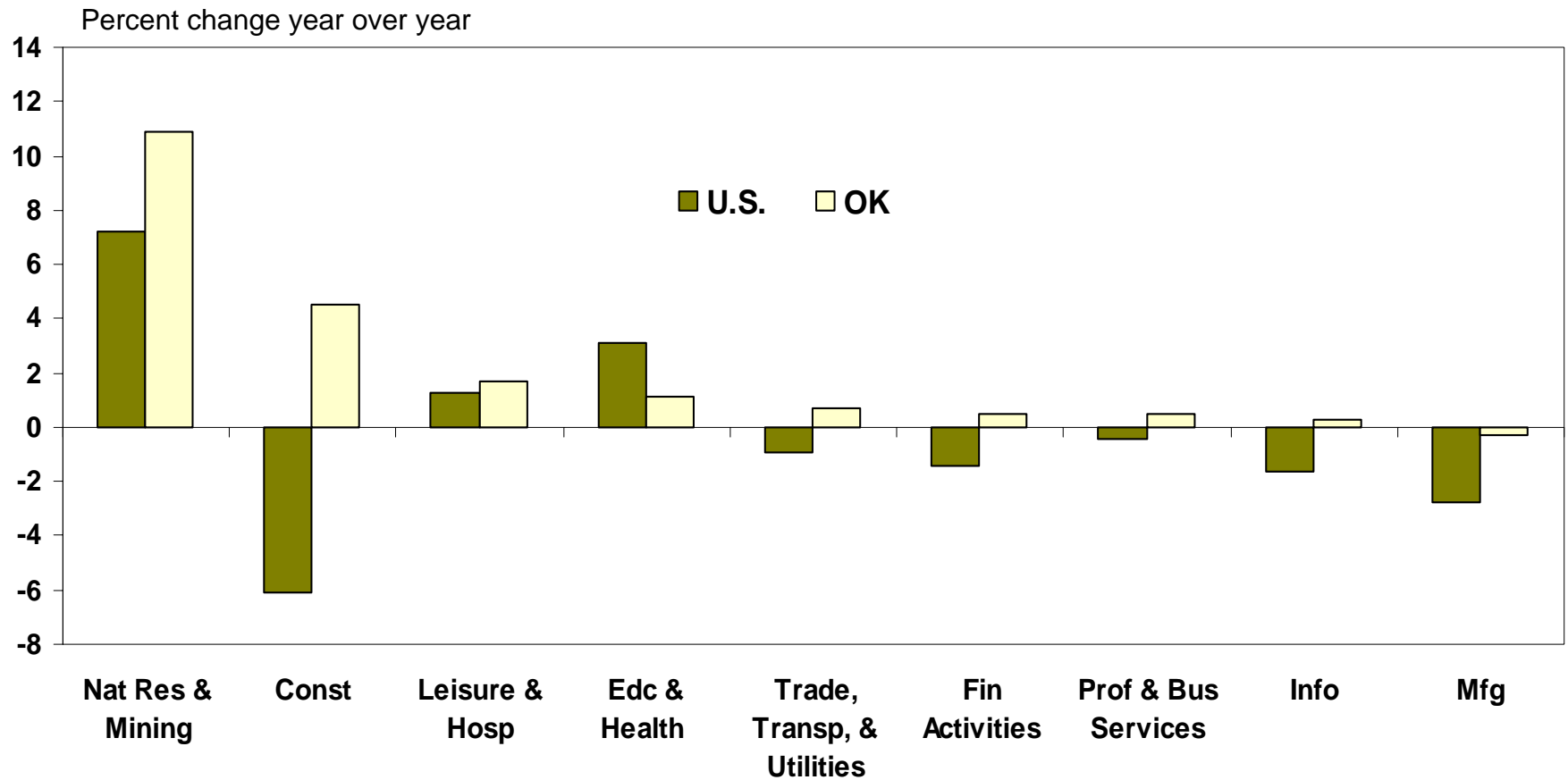


Source: U.S. Bureau of Labor Statistics

Strength in Oklahoma job growth is driven by energy, but also some other sectors

Employment Growth by Industry

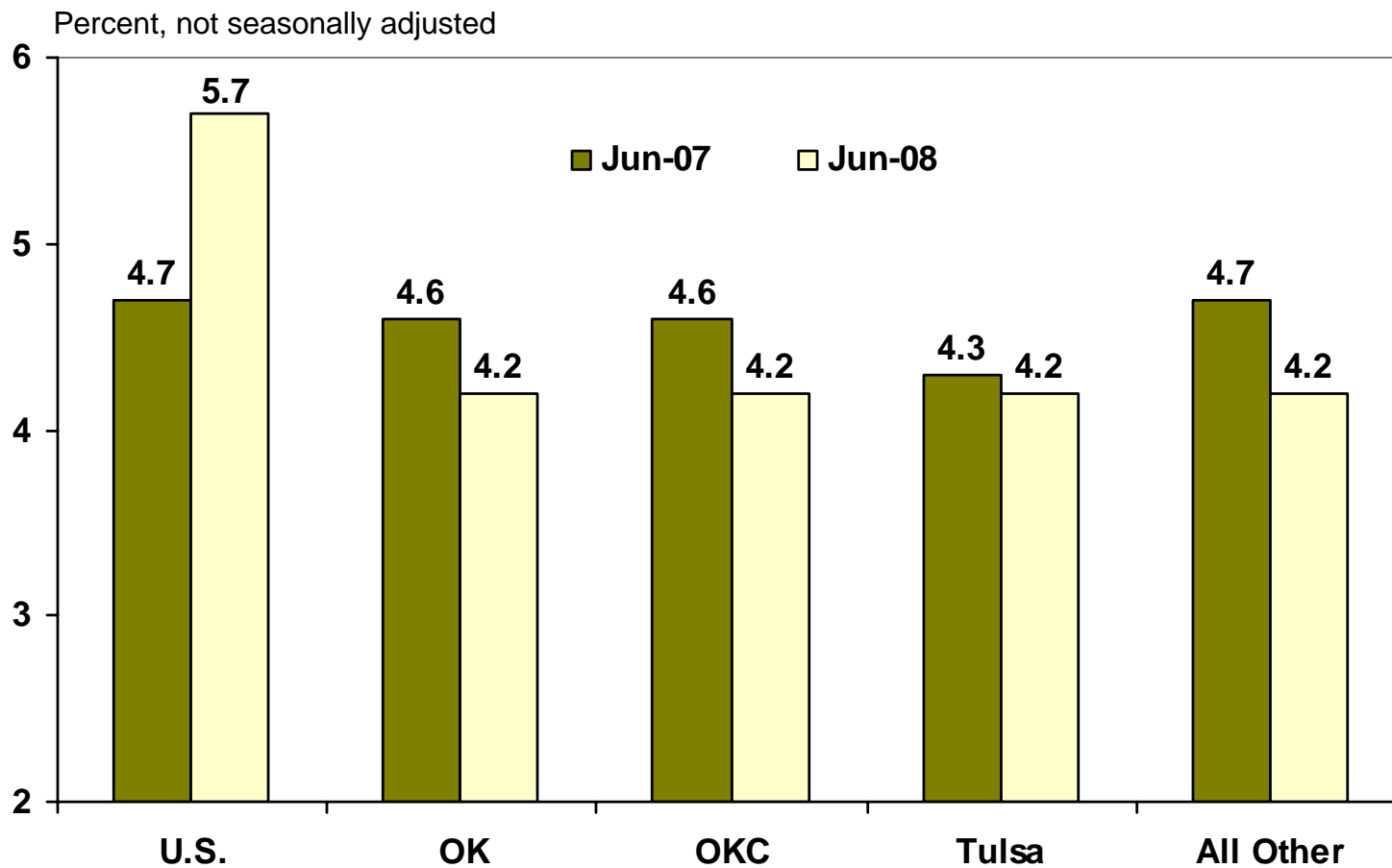
July 2008



Source: U.S. Bureau of Labor Statistics

Unemployment rates are down across the state since last year, unlike in the nation

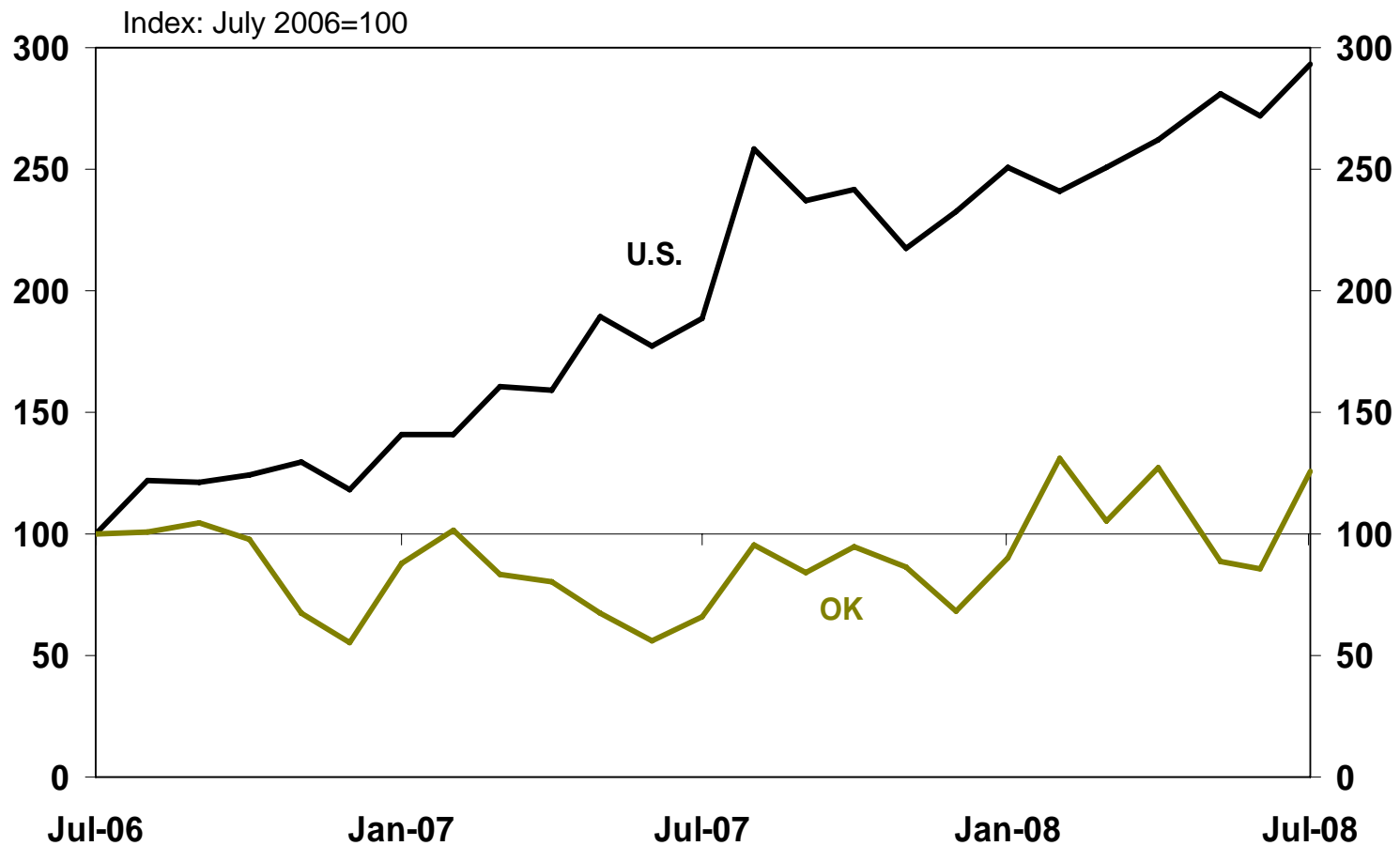
Unemployment Rates



Source: U.S. Bureau of Labor Statistics

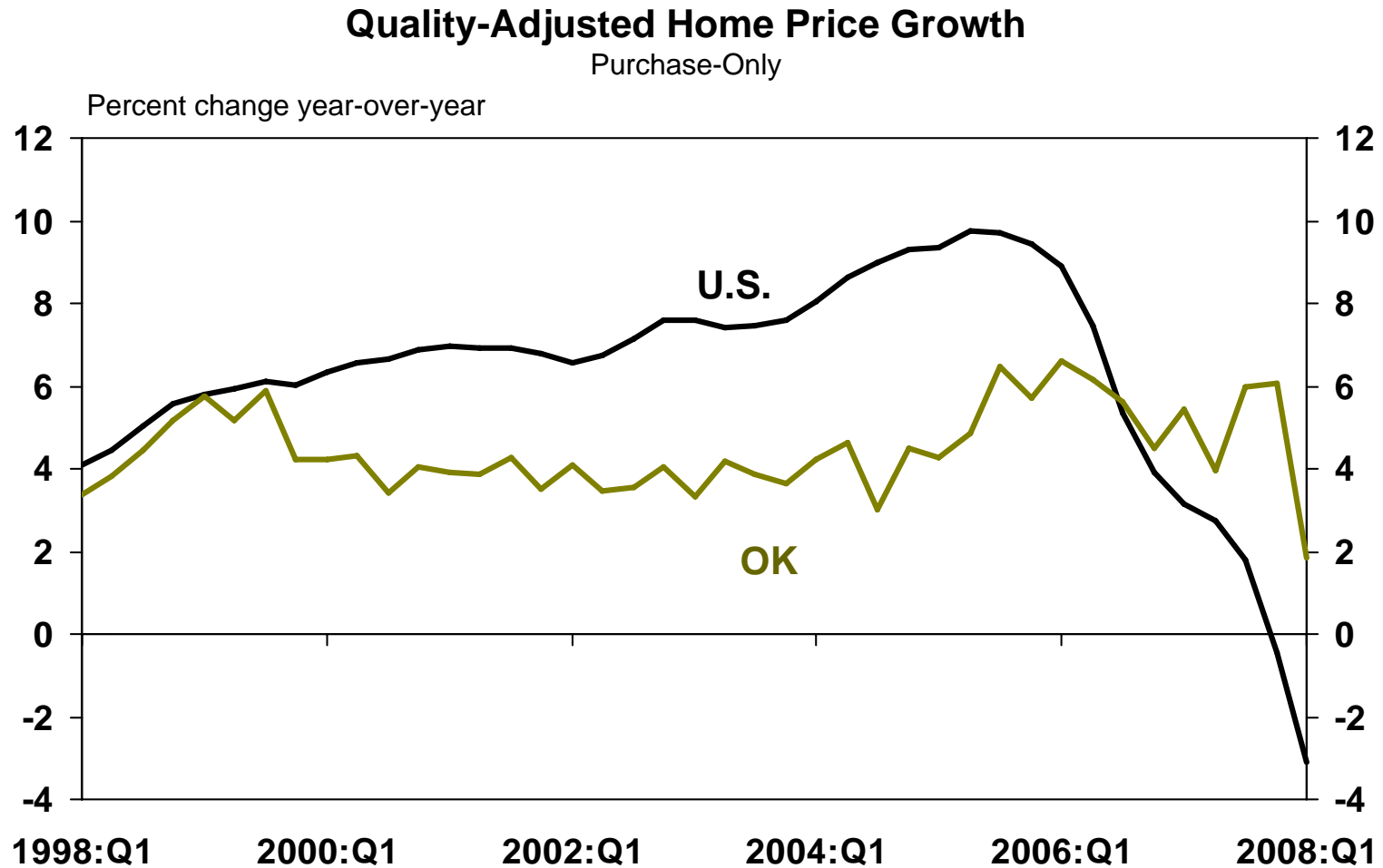
Foreclosure rates have remained relatively stable in Oklahoma, also unlike the nation

Foreclosures in the U.S. vs. Oklahoma



Source: RealtyTrac

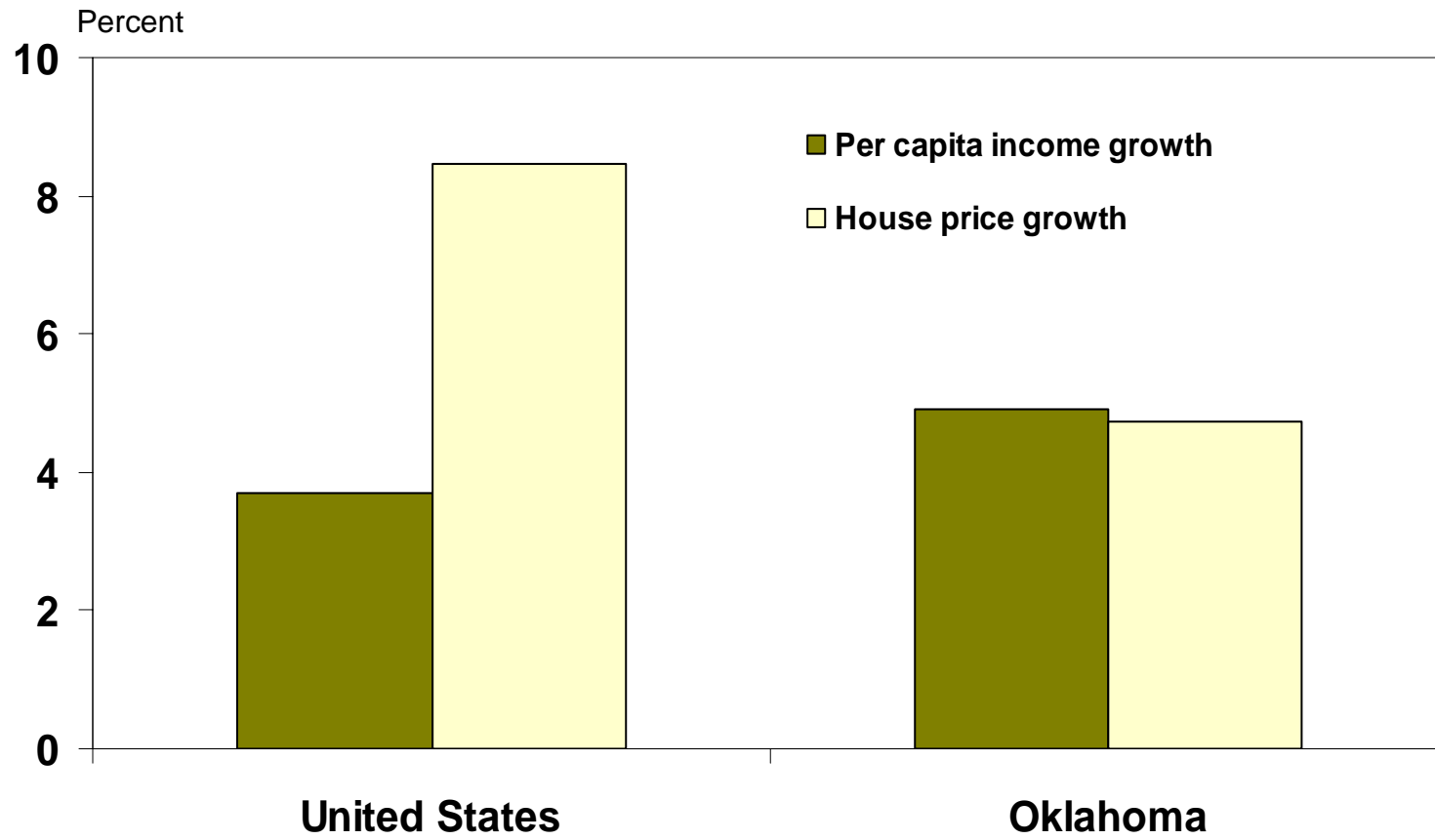
U.S. home prices are falling, while Oklahoma prices are holding on



Source: OFHEO

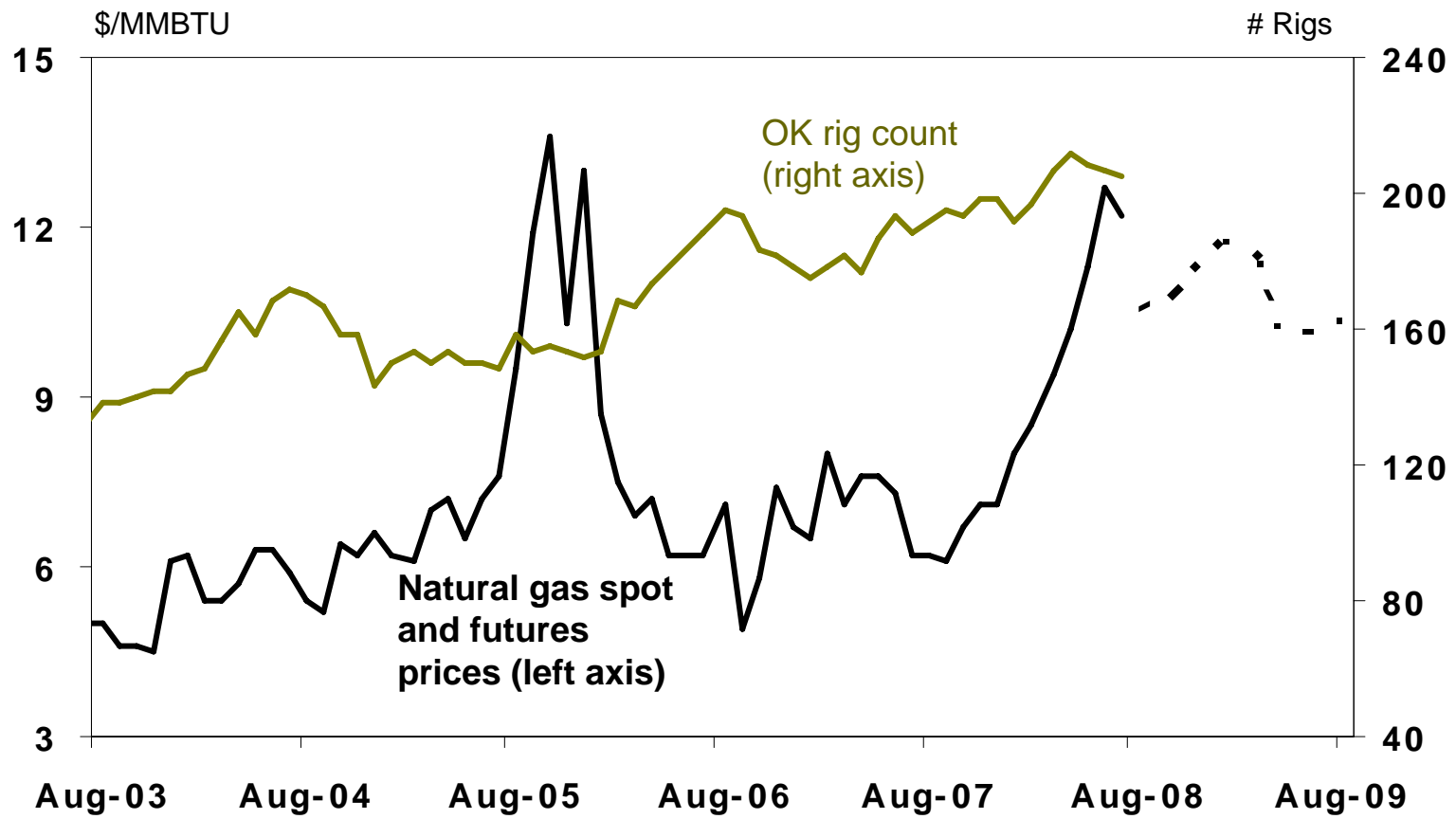
House price fundamentals were also more in line in Oklahoma from 2000 to 2005

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



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

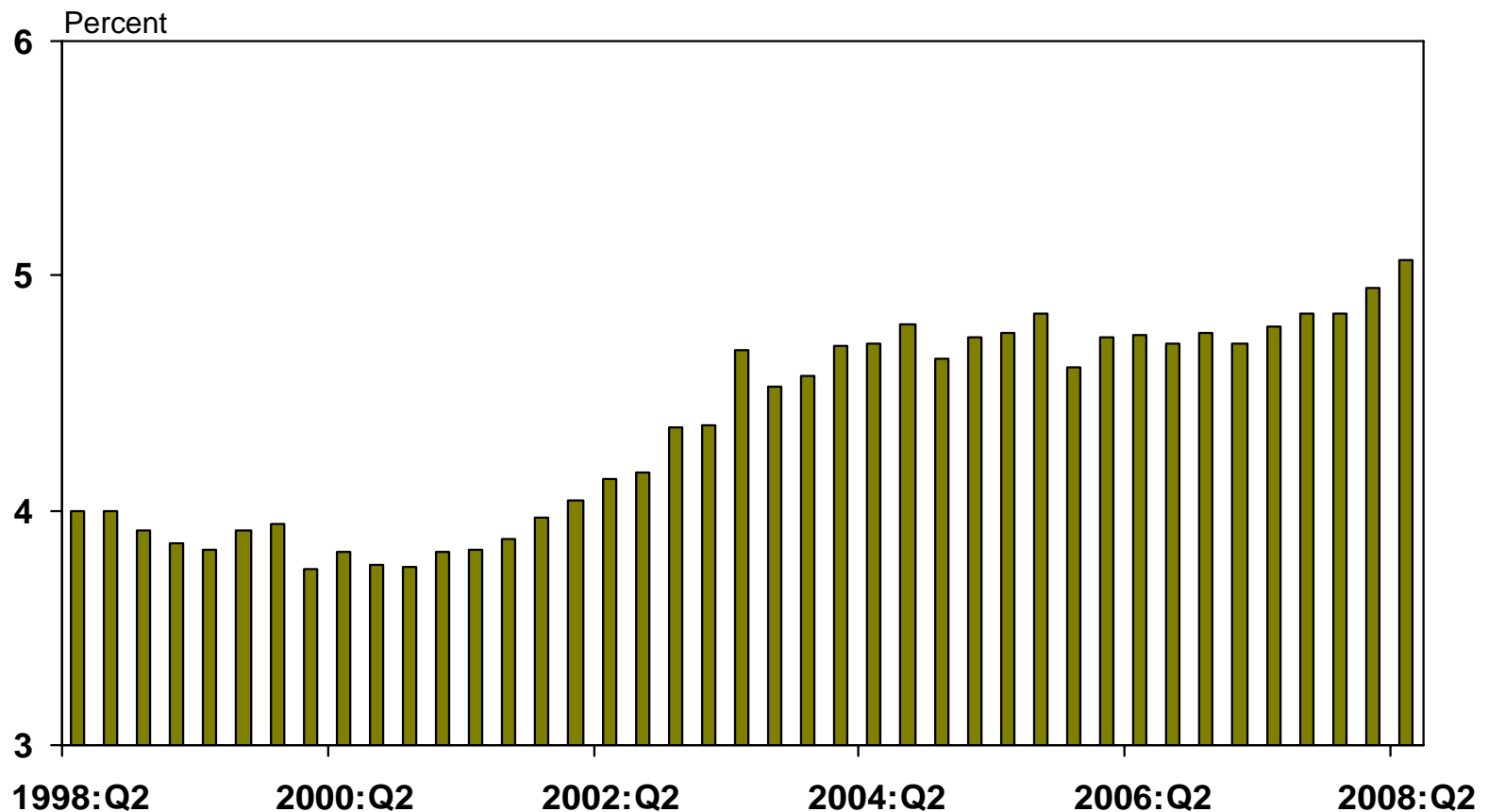
Count of Active Drilling Rigs and Natural Gas Prices



Source: Baker-Hughes

National defense's share of the economy has risen considerably since 2001

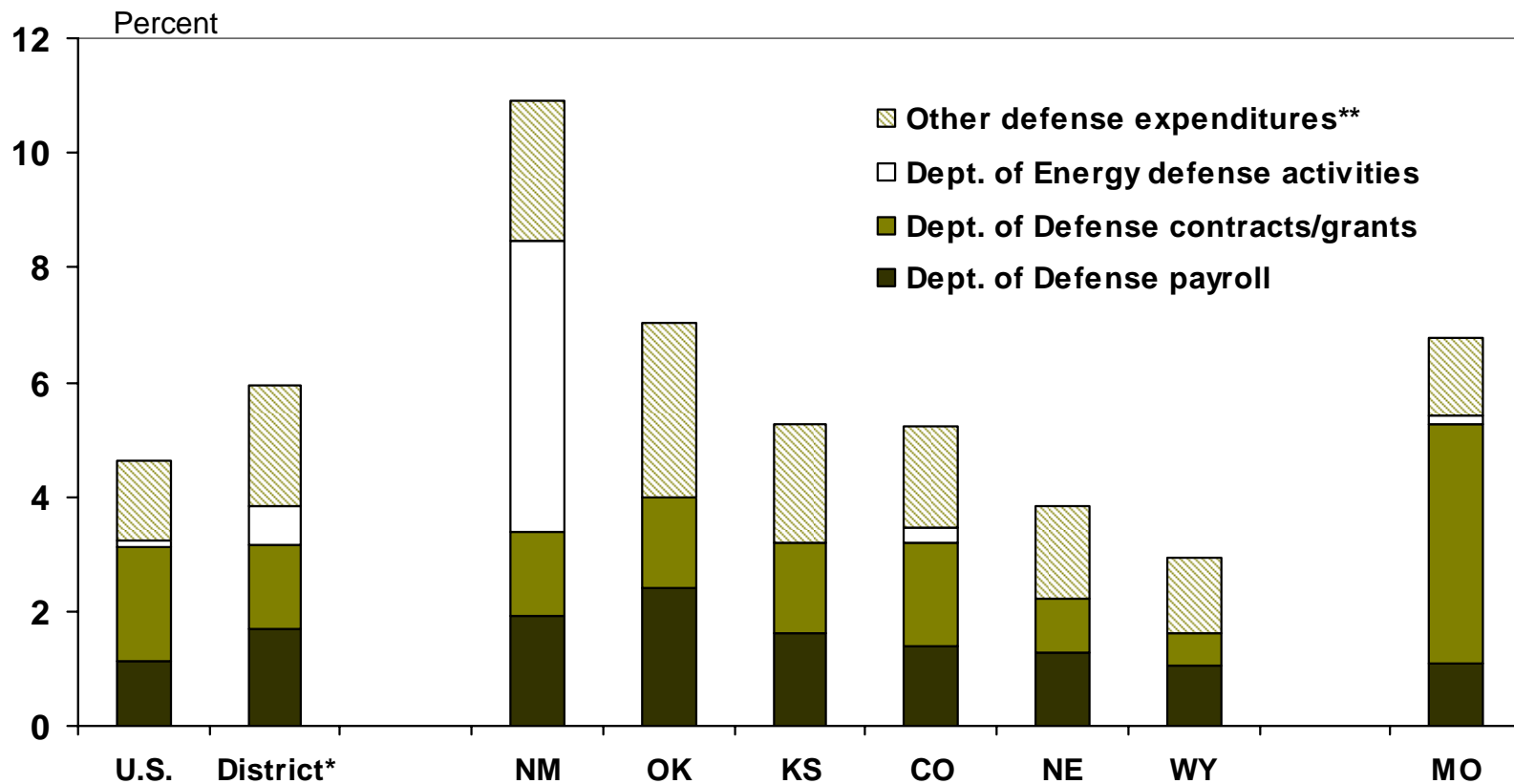
National Defense Spending as a Share of U.S. GDP



Source: U.S. Bureau of Economic Analysis

Oklahoma has an even larger defense presence, especially in terms of personnel

Defense Spending as a Share of GDP, 2006



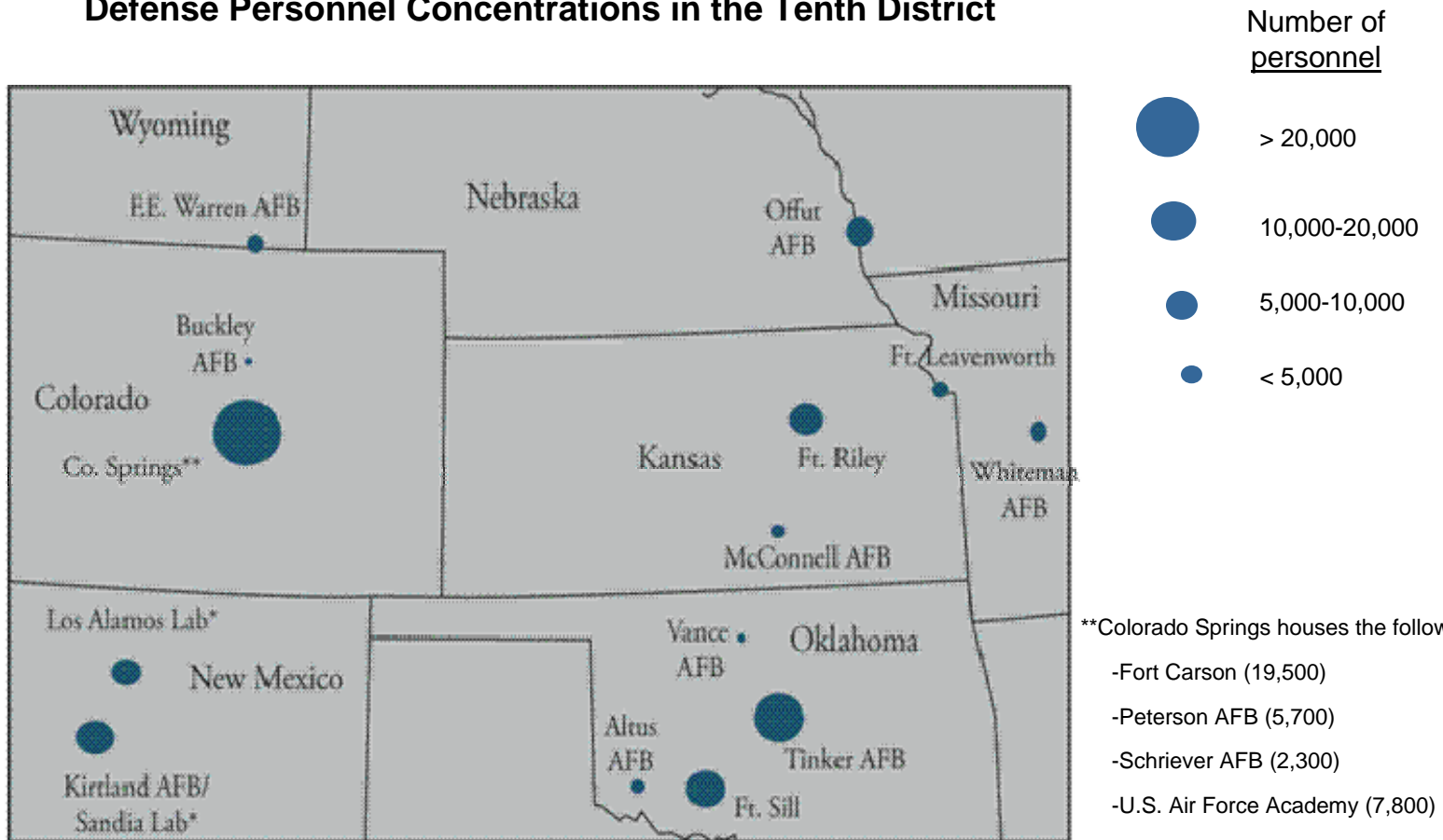
* Excluding Missouri

** Actual for U.S., estimated for District and states

Sources: U.S. Departments of Defense and Energy, Bureau of Economic Analysis

Our Fed District has some of the largest U.S. military bases, with Tinker at the top

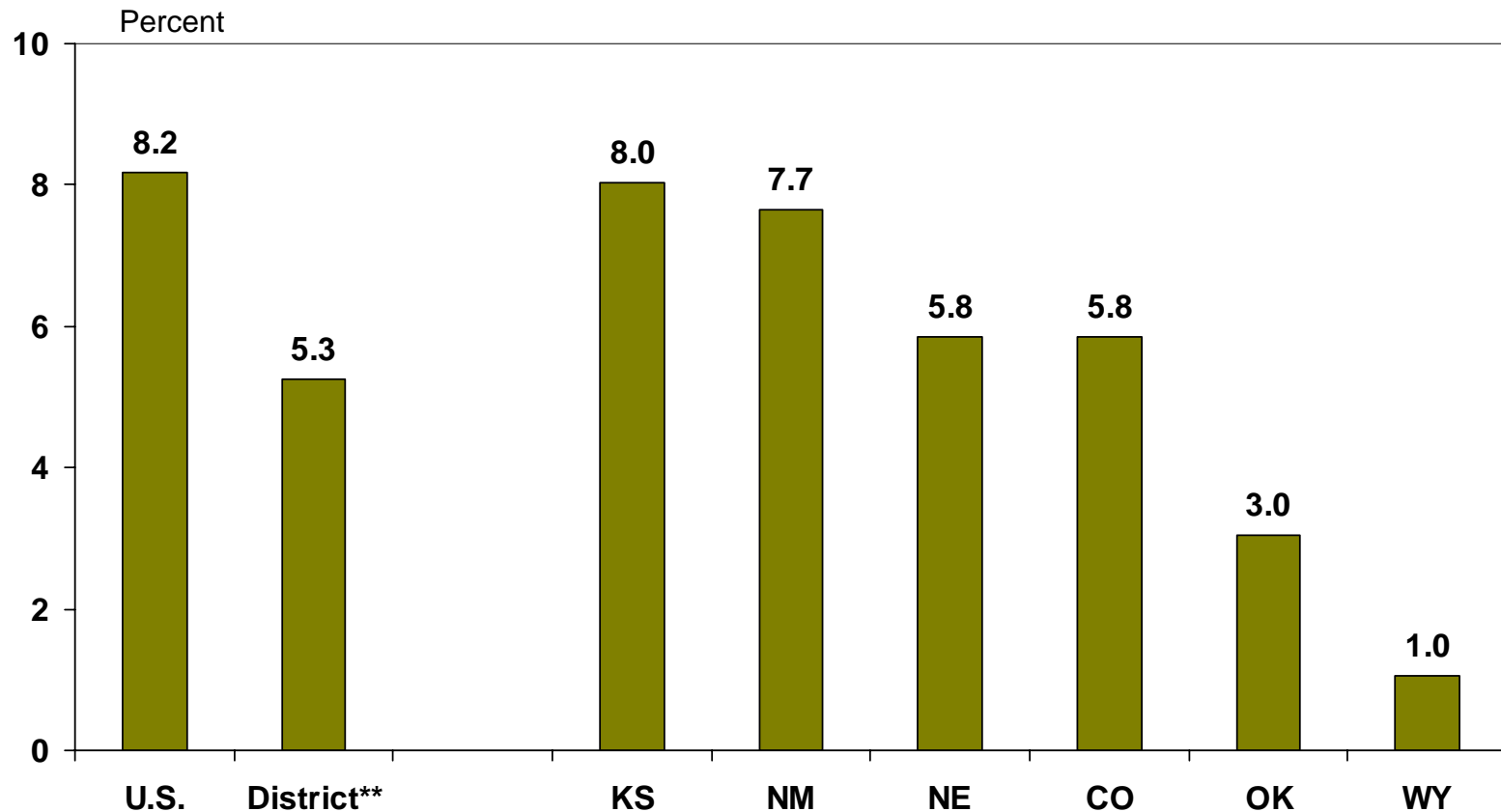
Defense Personnel Concentrations in the Tenth District



Sources: U.S. Departments of Defense and Energy

Yet the District's boost in defense spending has been less than in the nation

Defense Spending Growth as a Share of Total GDP Growth*
2000-2006



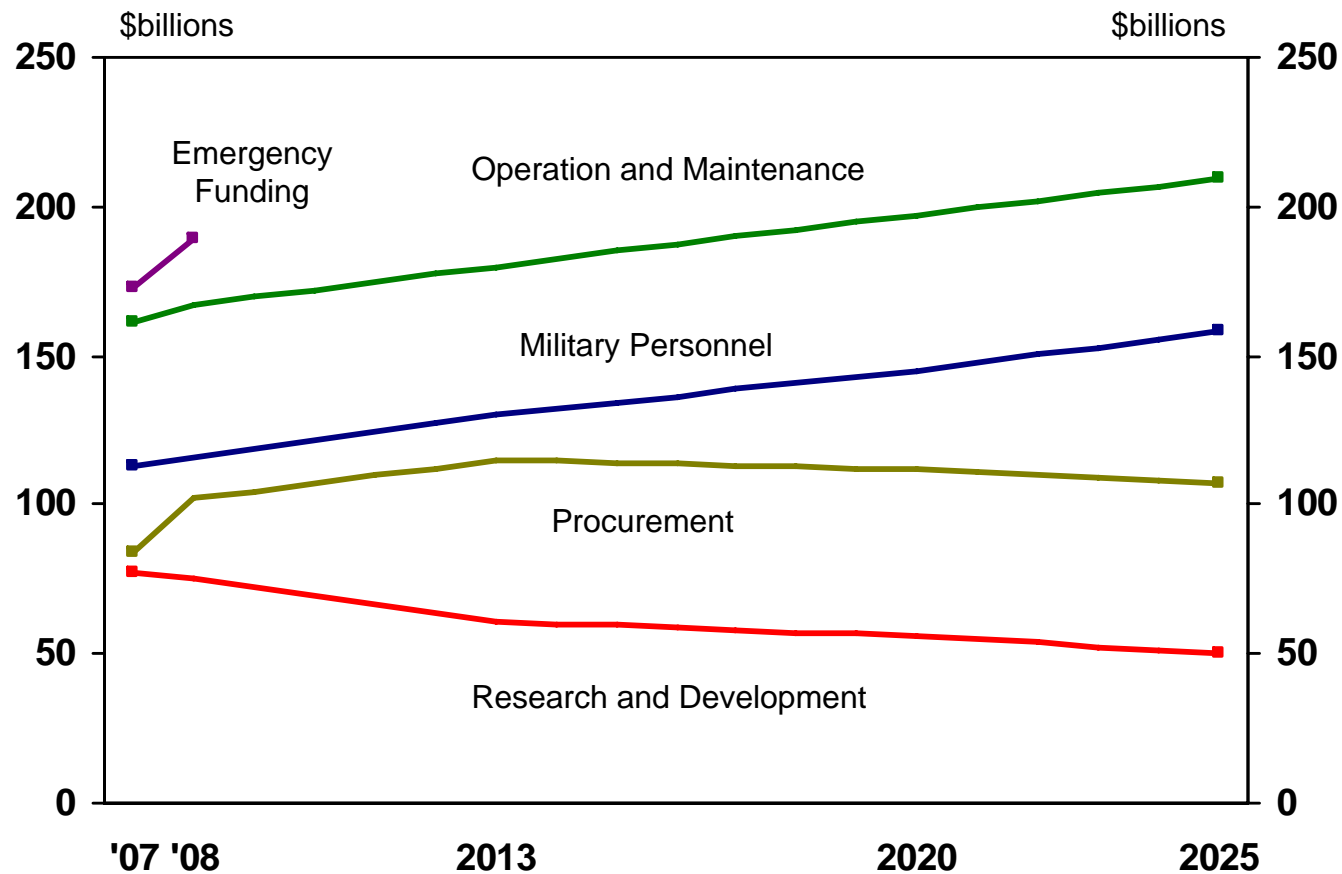
* Not including "other defense expenditures," which would likely raise the contributions of defense in all cases

** Excluding Missouri

Sources: U.S. Department of Defense, U.S. Department of Energy

But the types of defense concentrated in the region are expected to grow

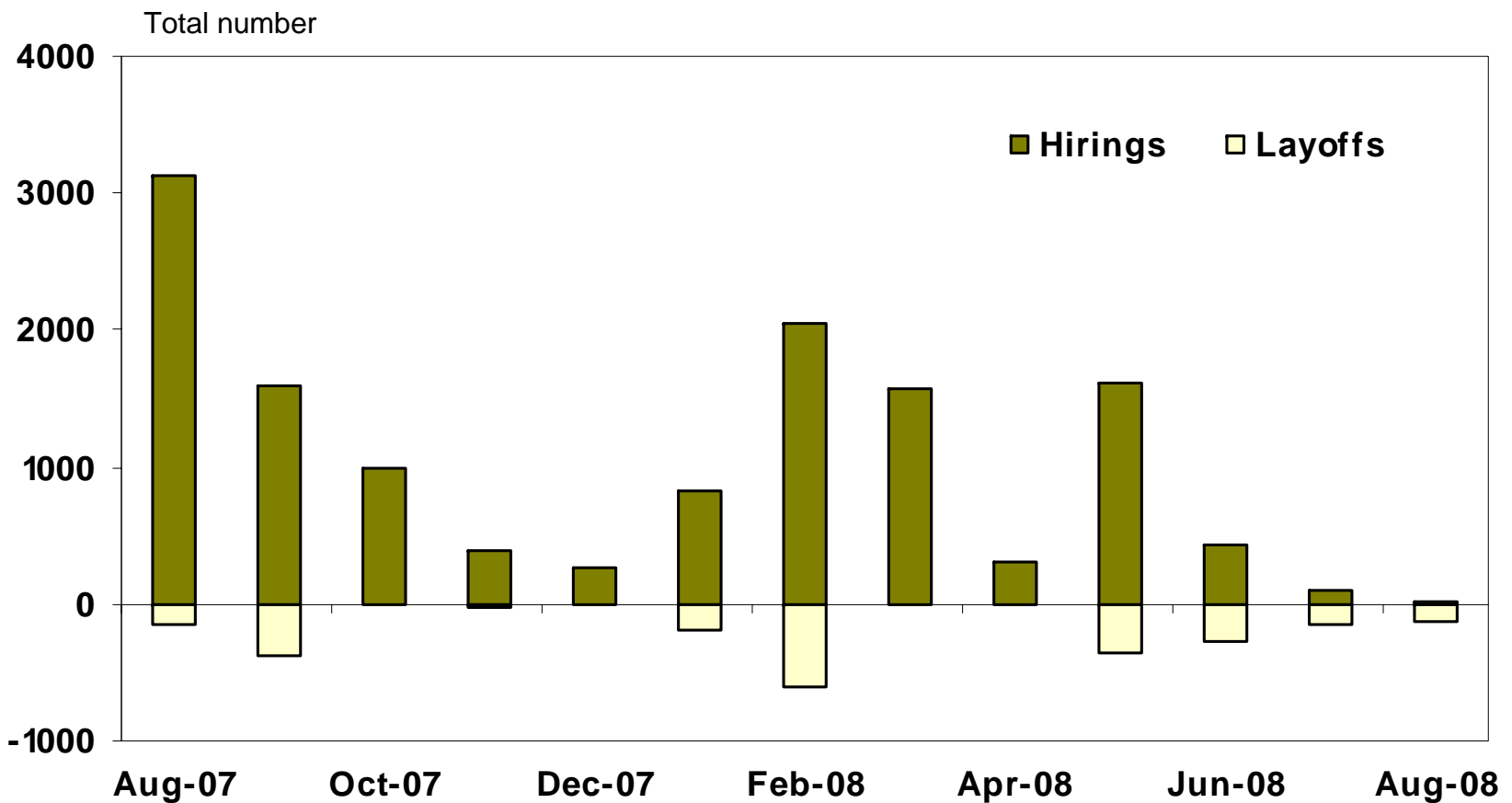
Projected U.S. Resources for Defense, 2007-2025



Source: Congressional Budget Office

Hiring announcements in Oklahoma have slowed, but layoffs remain minimal

Oklahoma Hiring and Layoff Announcements



Source: Federal Reserve Bank of Kansas City



Questions?