

U.S. & Oklahoma Economic Outlook



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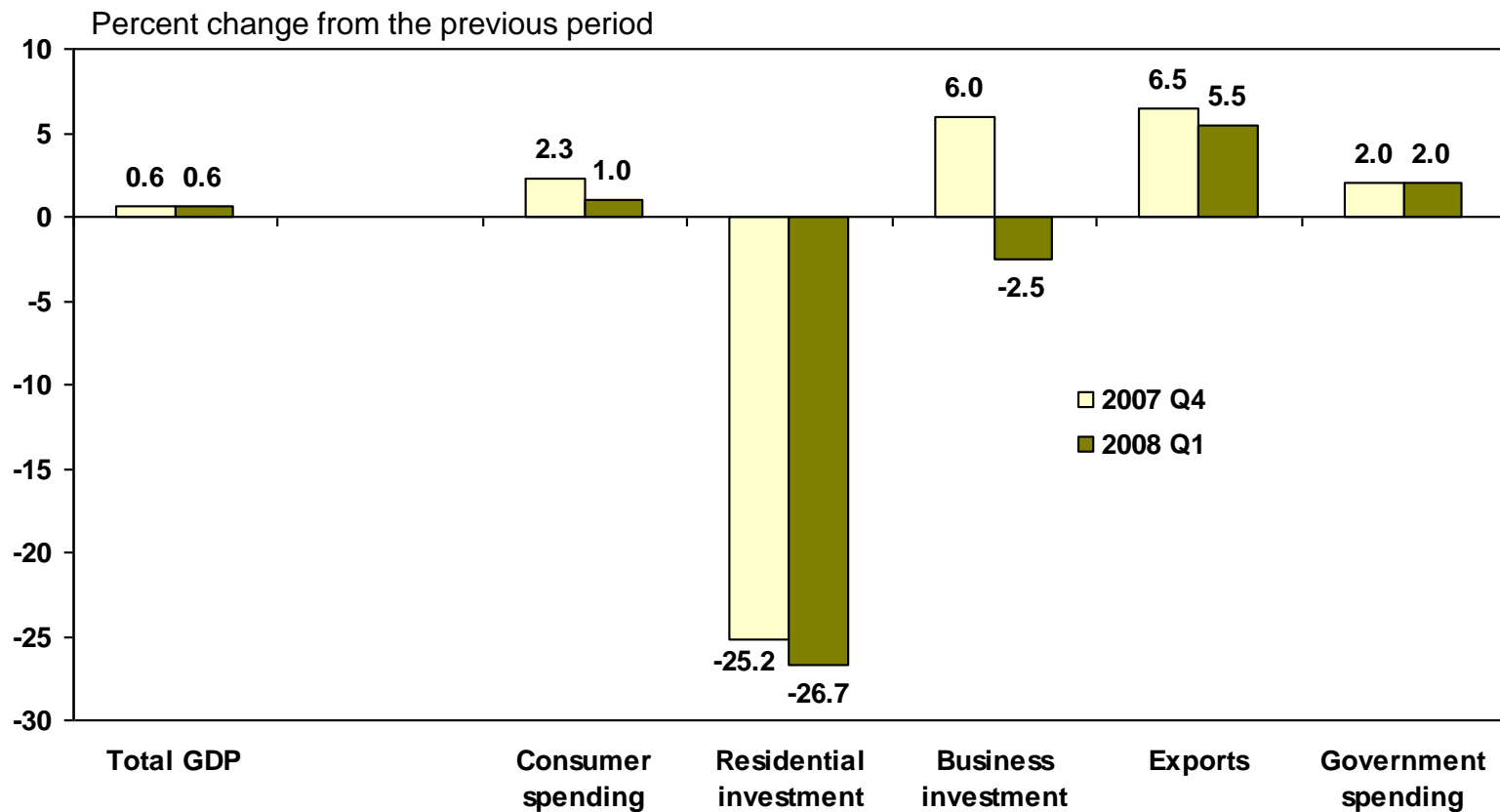
Oklahoma City Branch Executive
Federal Reserve Bank of Kansas City

The U.S. Economic Outlook

- U.S. economic growth is below average
- Inflation pressures have risen
- Forecasts call for improvement by the second half of 2008

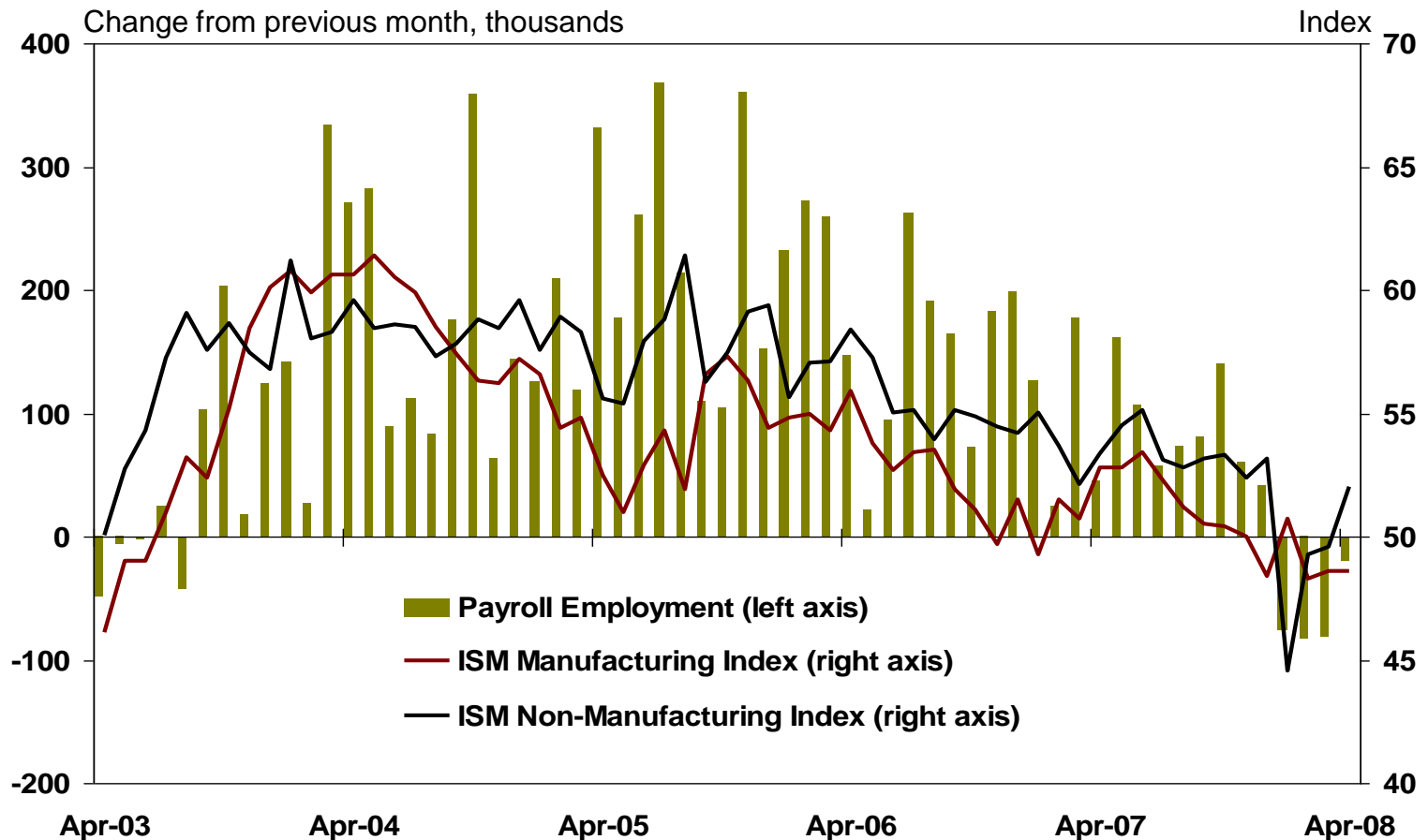
GDP growth has been well below average the last six months

Growth in Components of GDP



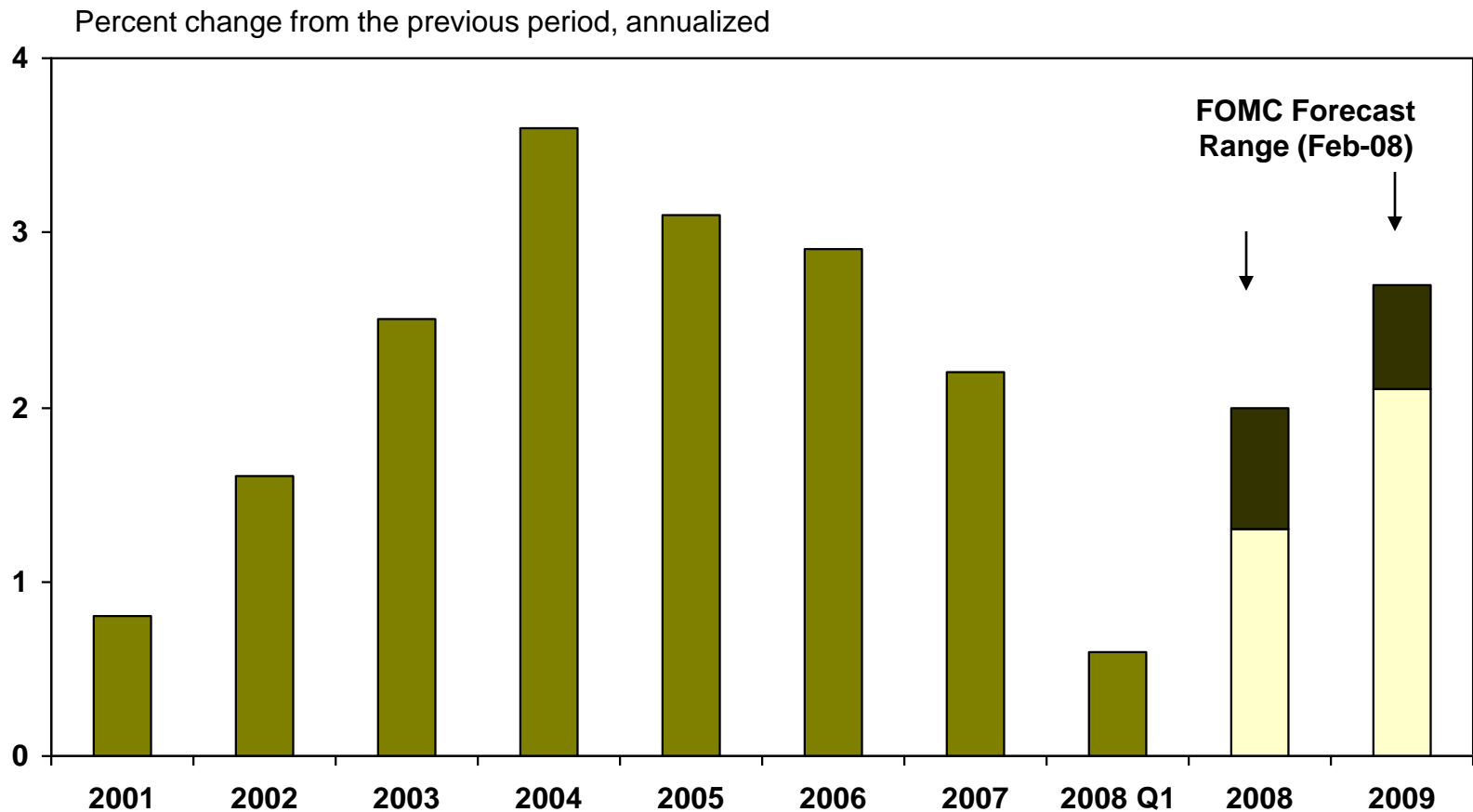
April data suggest the sluggishness continues, but no further deterioration

National Business Indexes and Payroll Employment



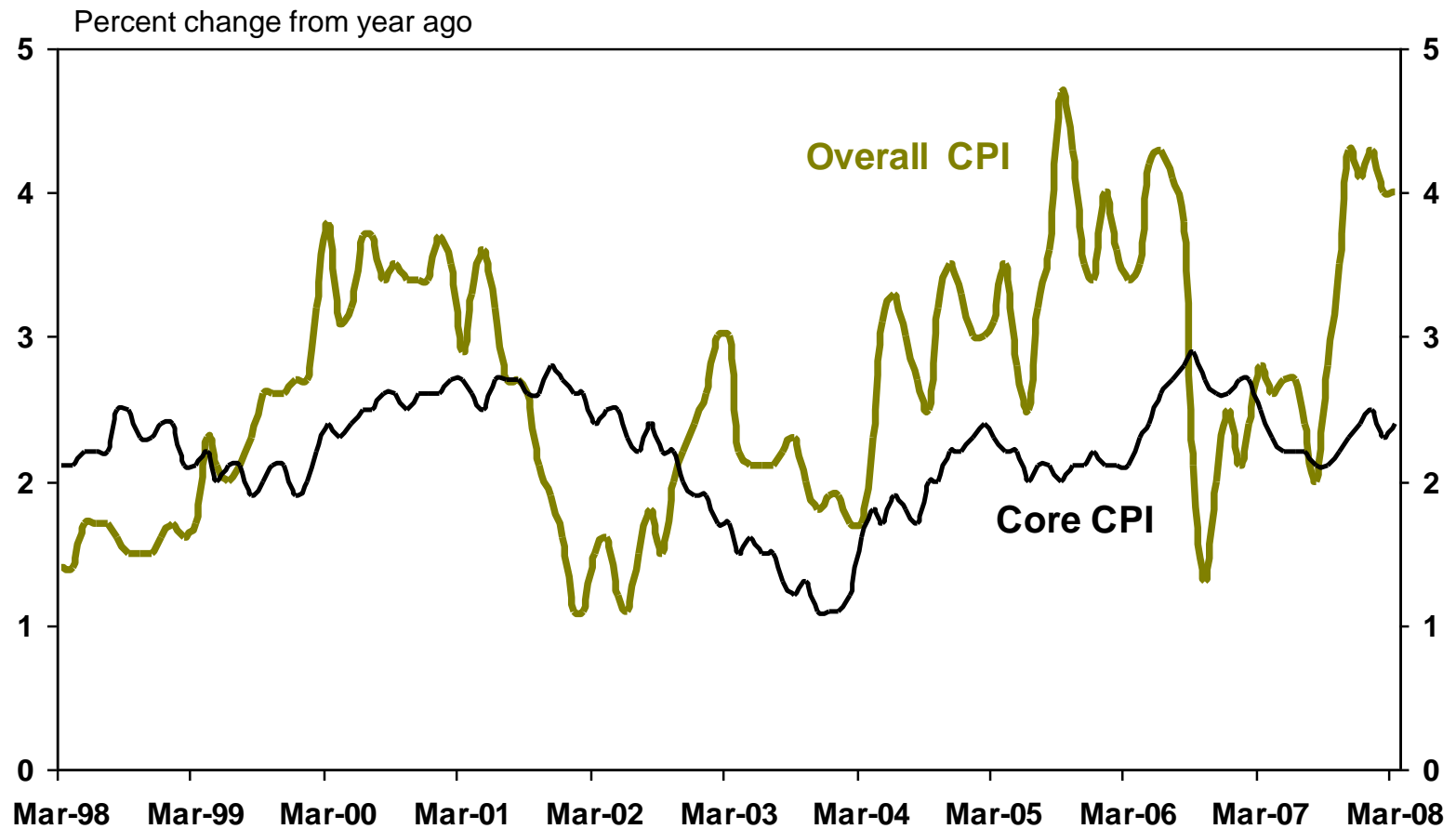
GDP forecasts call for improvement by the second half of 2008

Gross Domestic Product



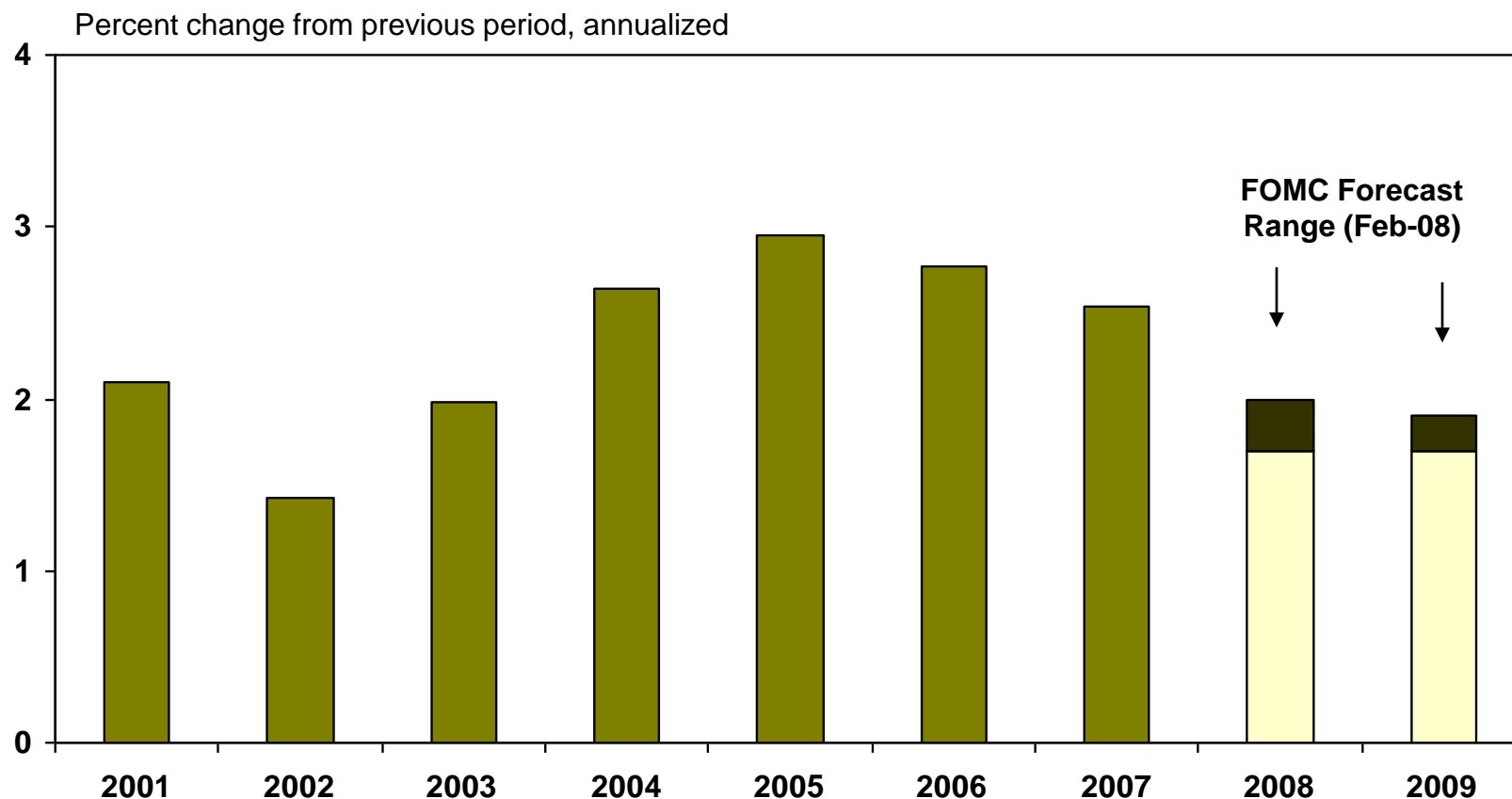
Inflation has risen again in recent months, to over 4 percent

Consumer Price Index



But forecasts call for a moderation in inflation by the middle of 2008

PCE Inflation

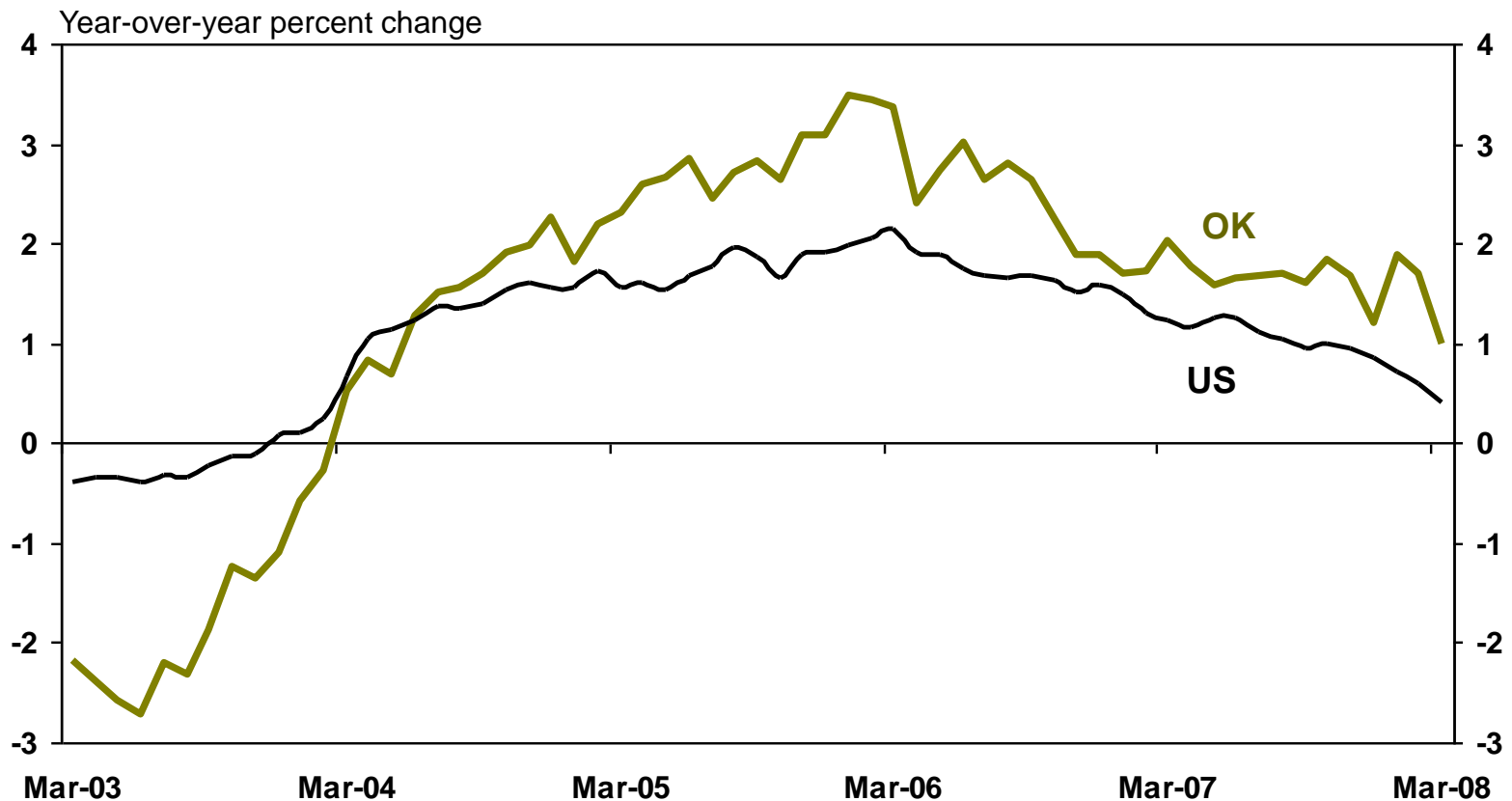


The Oklahoma Economic Outlook

- State economic growth remains solid
- Housing is in better shape than the nation
- Solid growth is expected to continue

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

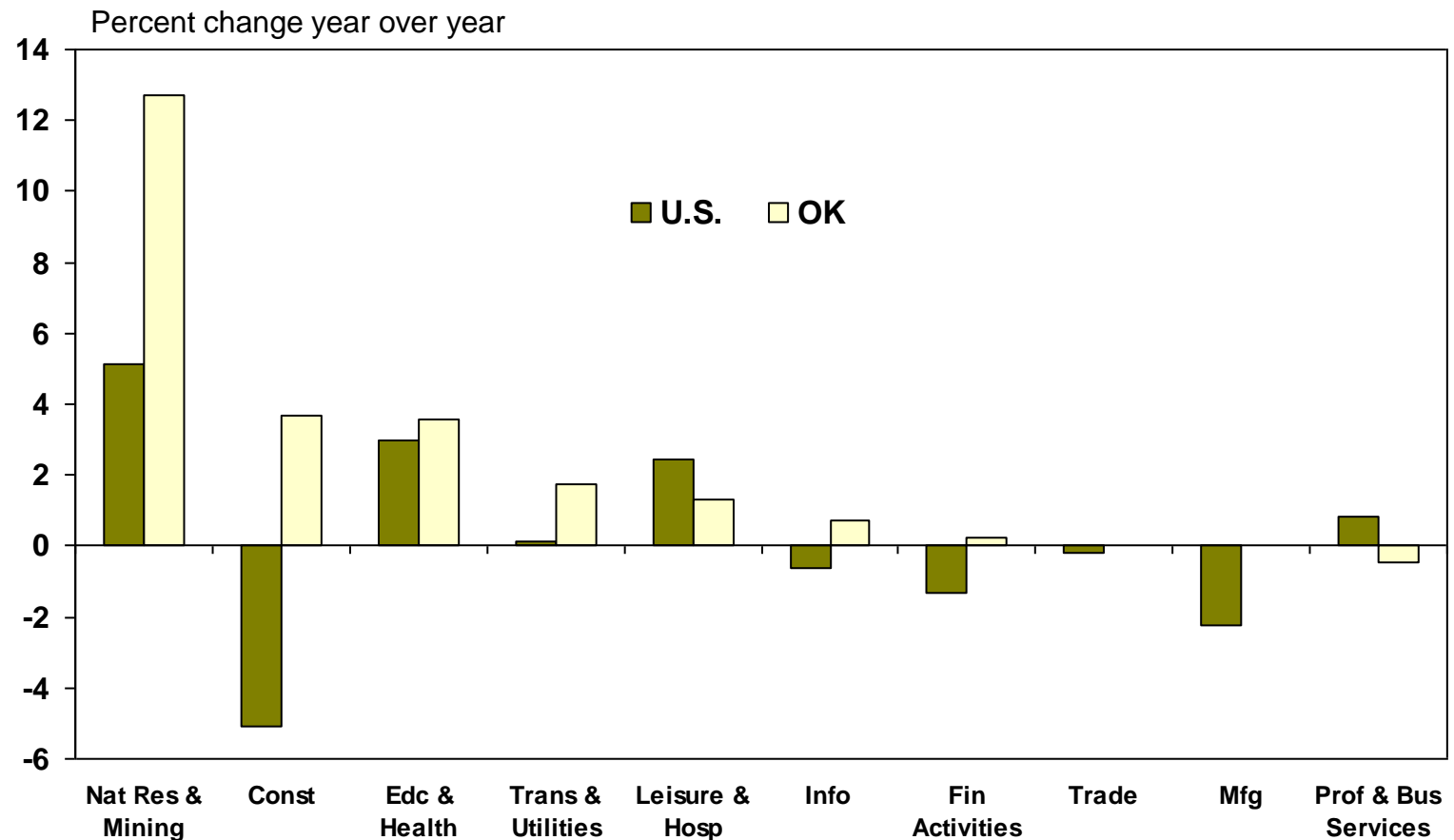
Nonfarm Payroll Employment Growth



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

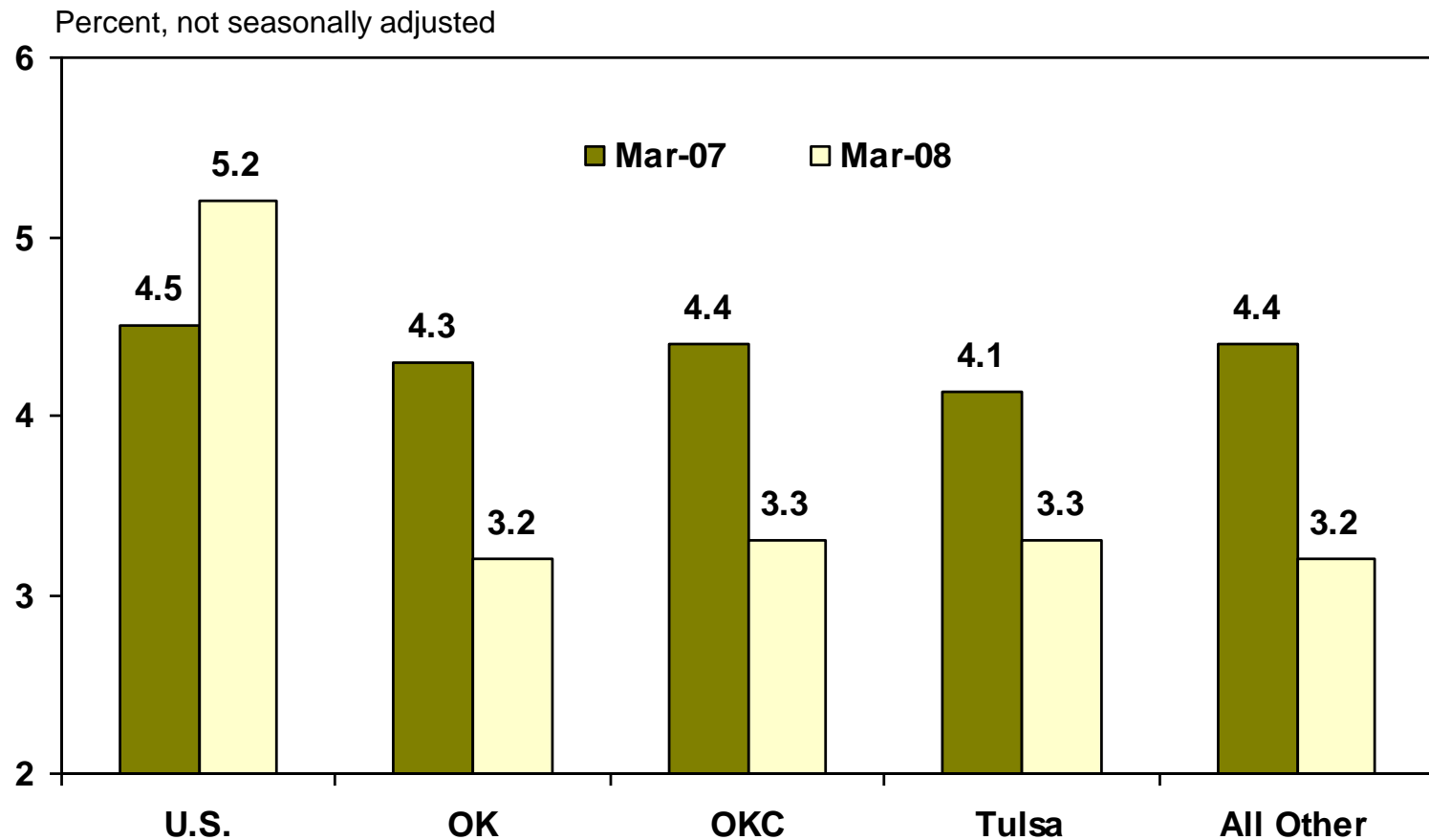
Employment Growth by Industry

March 2008



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

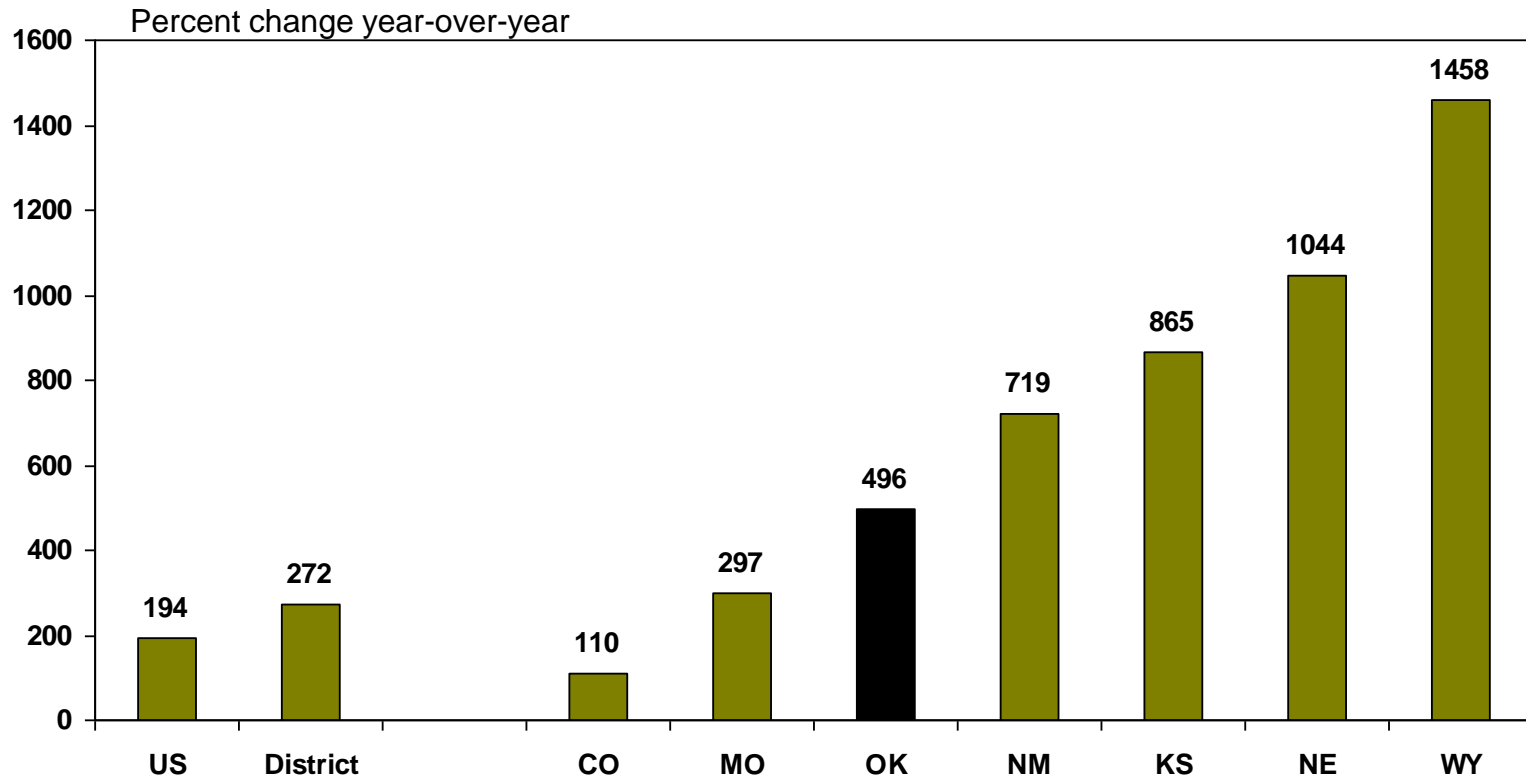
Unemployment Rates



Foreclosures are less prevalent in Oklahoma than the nation

Households per Foreclosure, Tenth Federal Reserve District

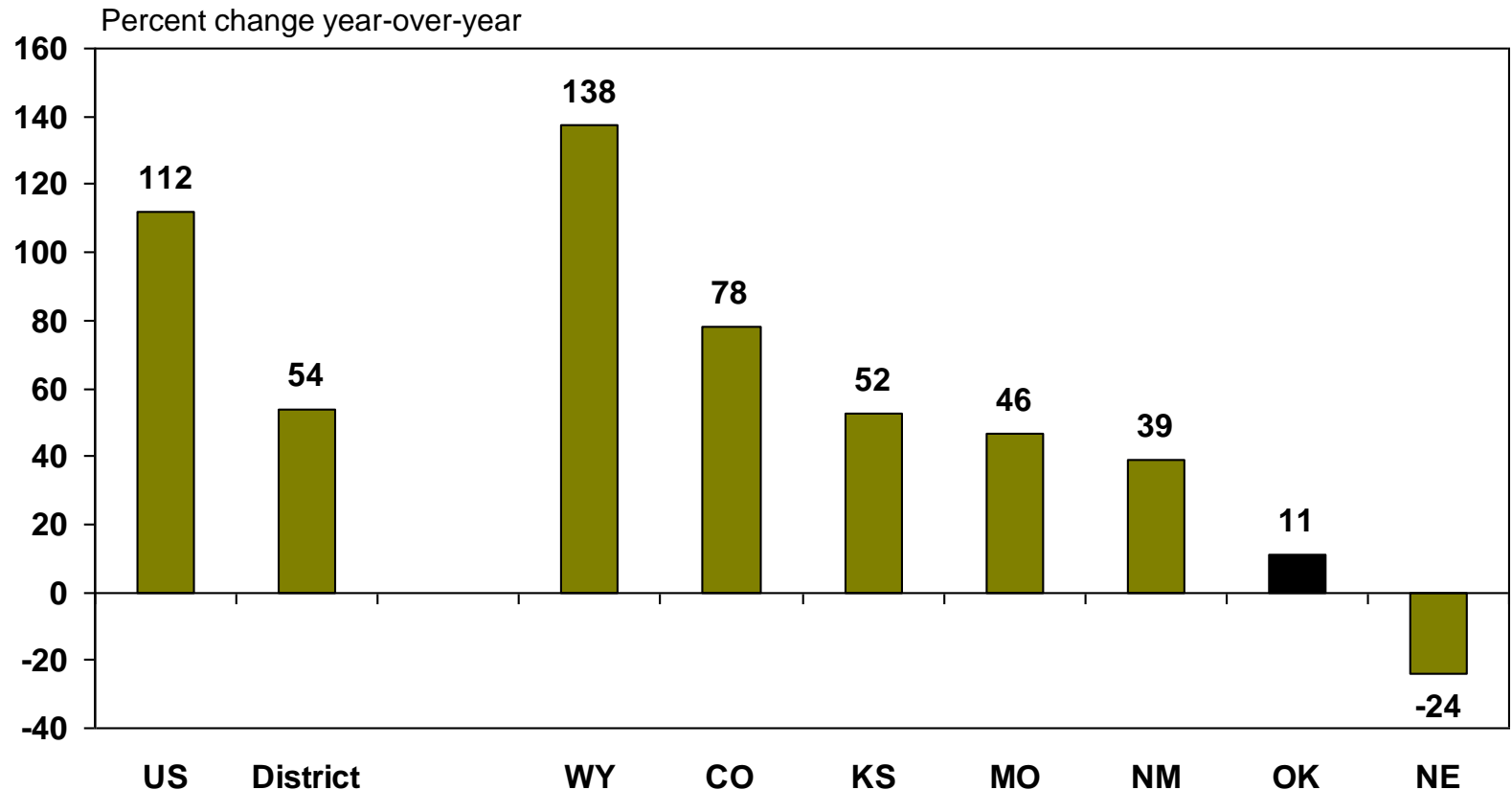
2008 Q1



And foreclosures have risen much less over the past year as well

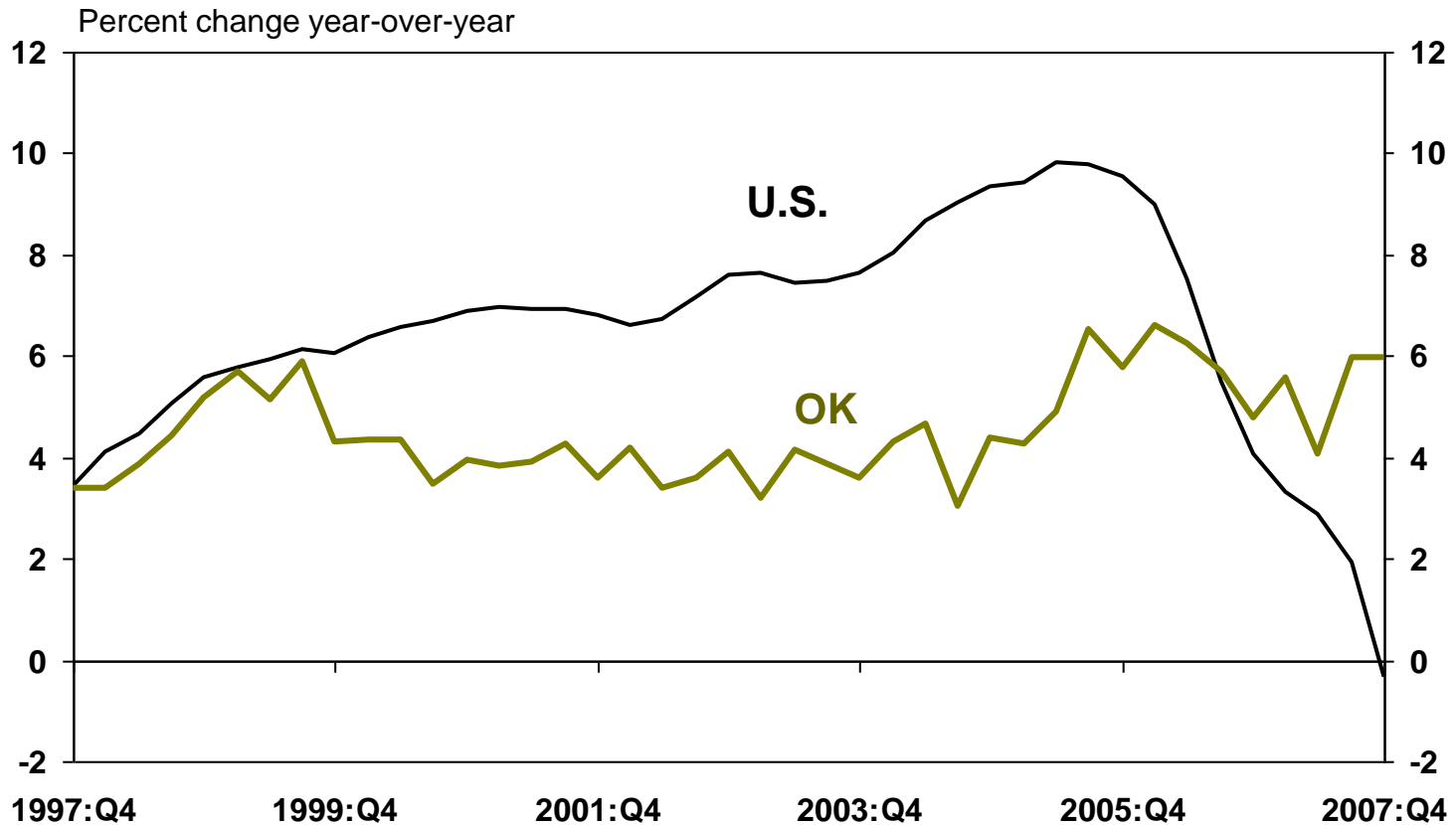
Change in Foreclosures from Previous Year, Tenth District

2008 Q1



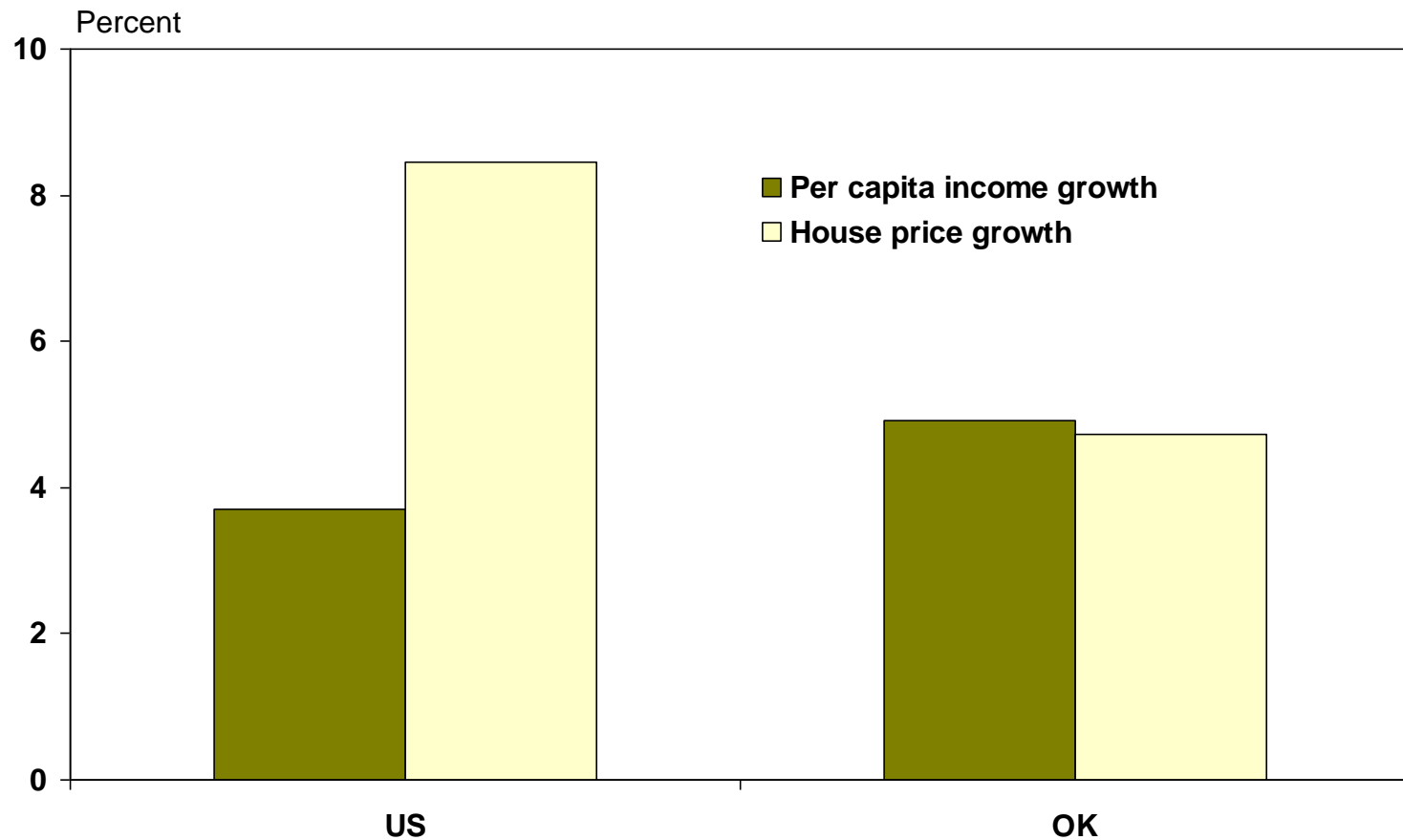
U.S. home prices are falling, while Oklahoma prices are still holding up

Quality-Adjusted Home Price Growth
Purchase-Only



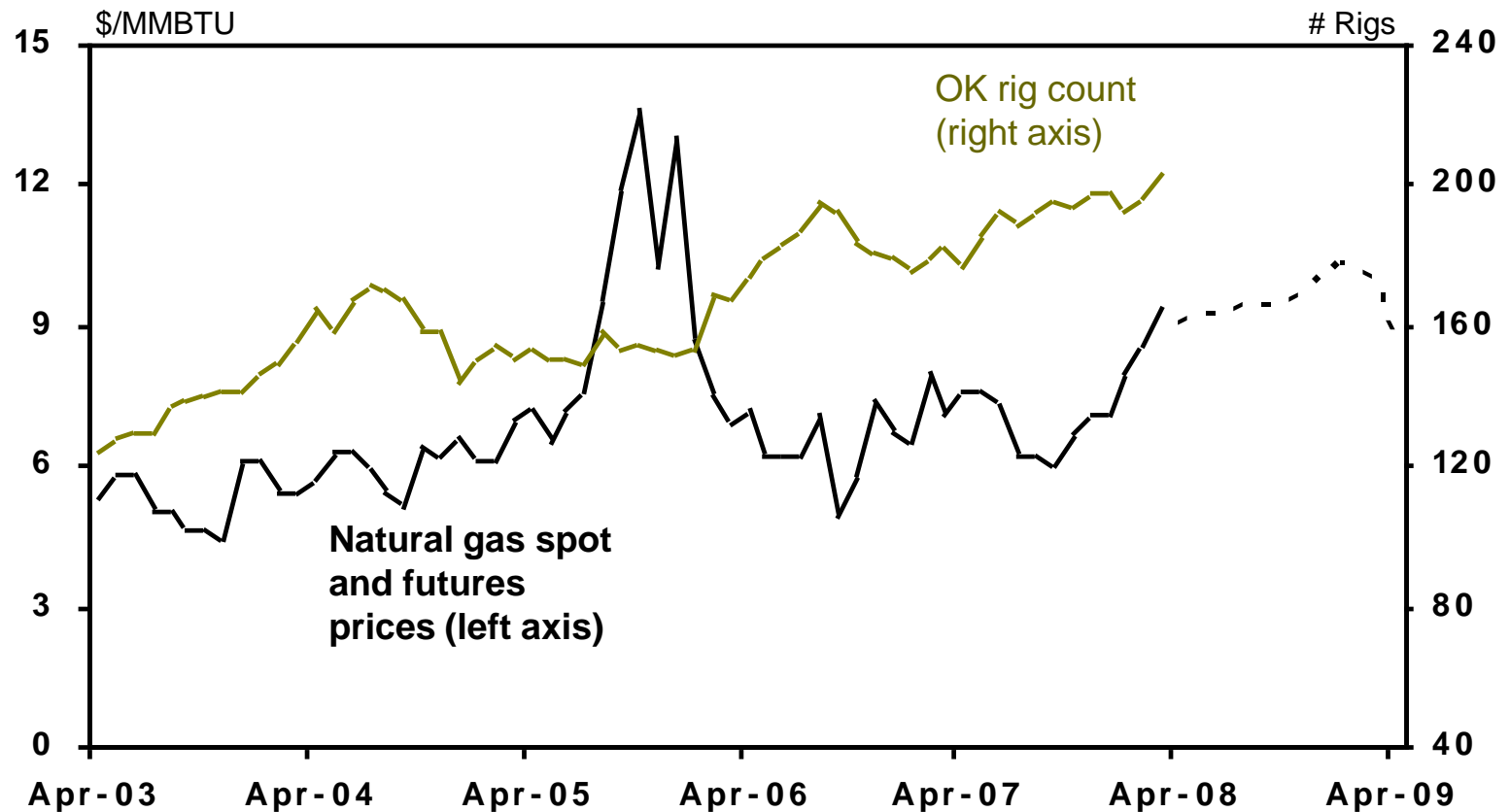
House price fundamentals were more in line in Oklahoma from 2000 to 2005

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



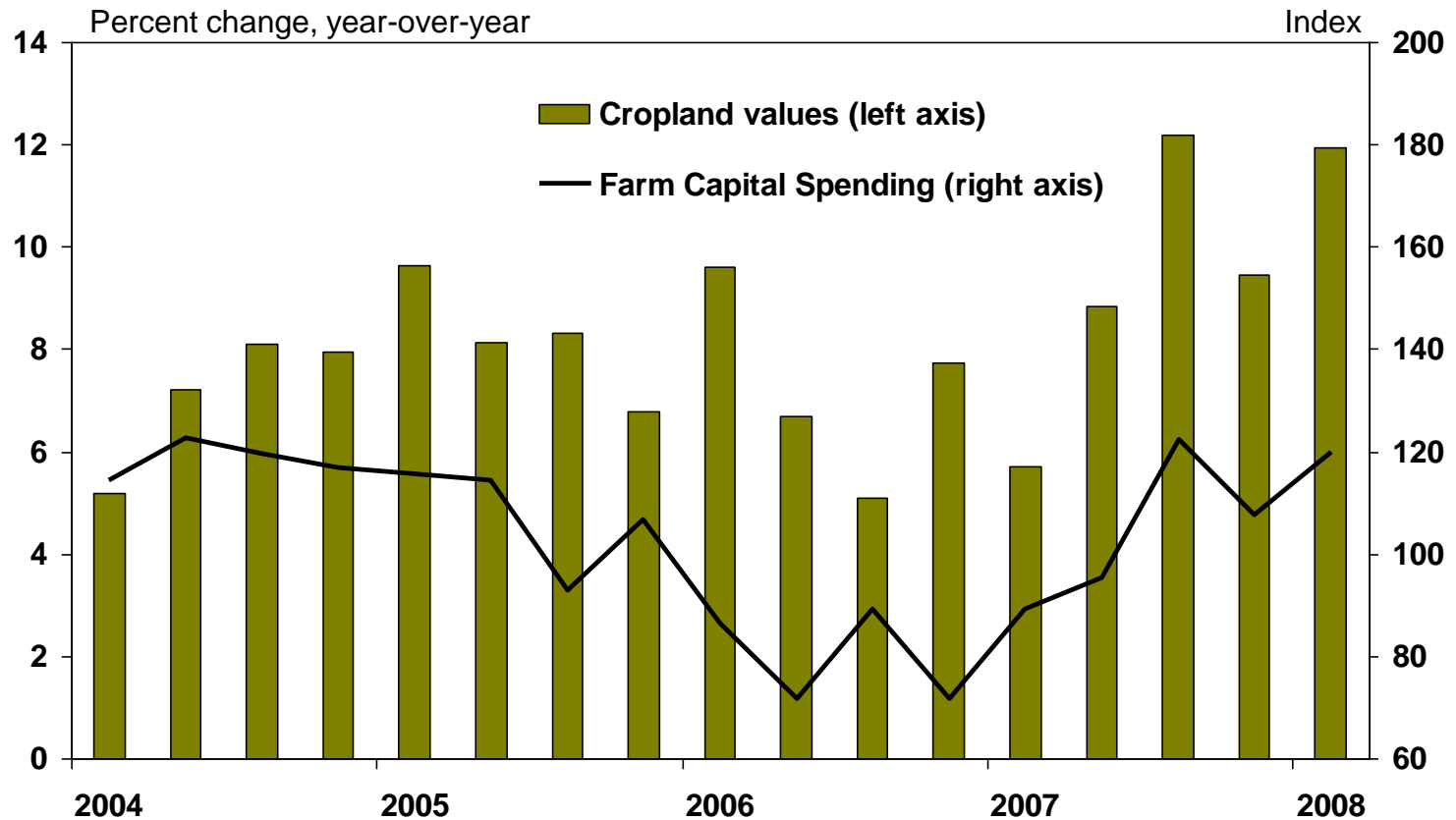
State oil and gas activity remains strong, and futures prices are high

Count of Active Drilling Rigs and Natural Gas Prices



Oklahoma farmland values and farm capital spending are rising

Oklahoma Agricultural Indicators



Are recent farmland price gains rational?

Returns to Wheat Production

	2007	2008	2009
Total Costs per acre (excluding land)	\$179	\$186	\$192
Total Revenue per acre	\$220	\$327	\$304
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)

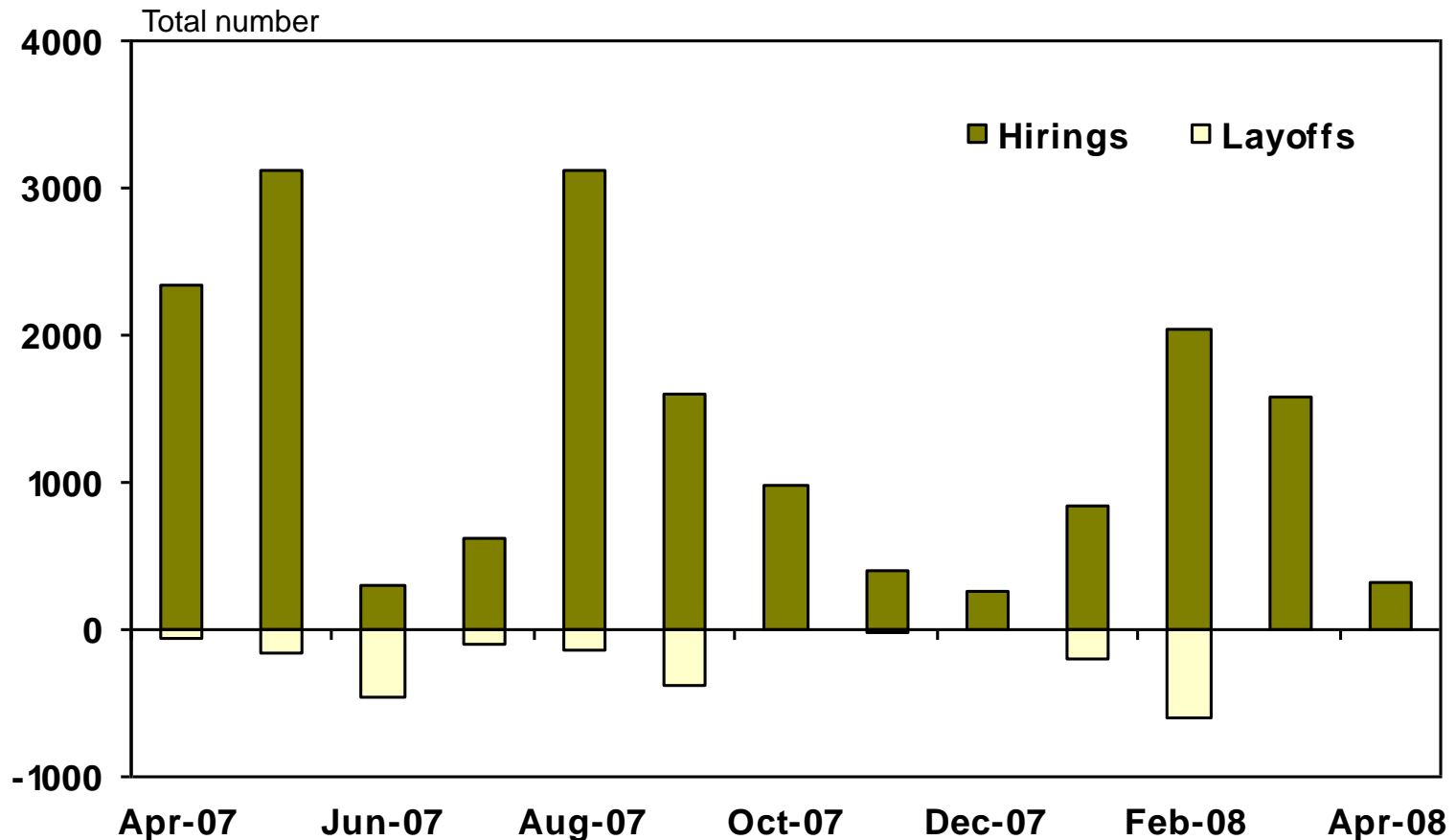
	2009	2009	2009
Total Costs per acre (excluding land)	\$192	\$192	\$192
Total Revenue per acre	\$304	\$231	\$192
Price (dollars per bushel)	9.20	7.00	5.80
Yield (bushel per acre)	33	33	33
Returns to Land (dollars per acre)	\$112	\$39	\$ 0

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 greatly outpace layoffs

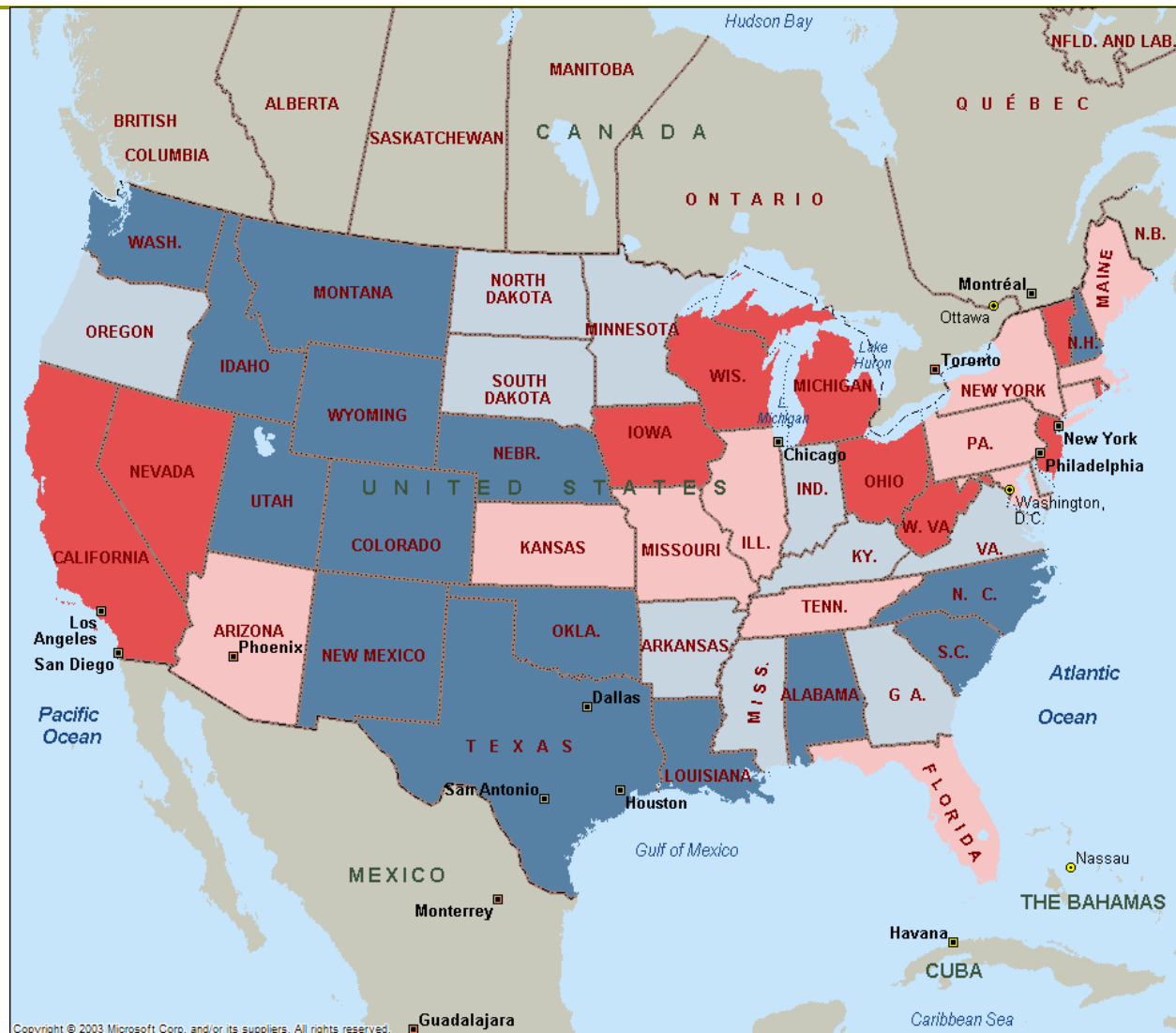
Oklahoma Hiring and Layoff Announcements



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%



Questions?