

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 last week

- **Oklahoma City branch office**

- **Staff and functions** – 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**

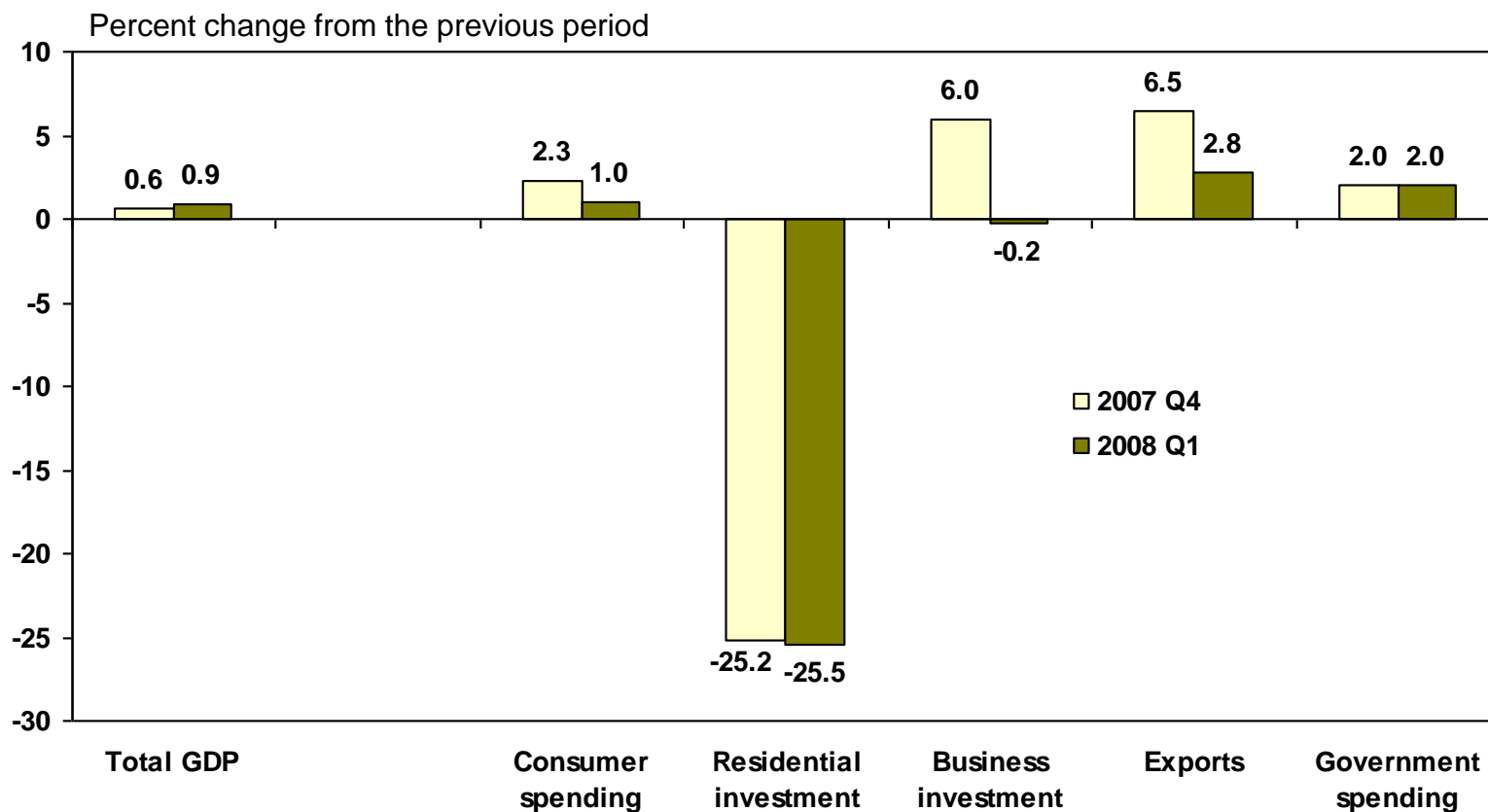
- *Chairman* **Richard Ratcliffe**, Chairman, Ratcliffe's Textbooks, Weatherford
- **Steve Agee**, President, Agee Energy, and Professor, OCU, Oklahoma City
- **Terry Almon**, President, Oklahoma Community Capital Corp., Broken Arrow
- **Steve Burrage**, Chairman, FirstBank, Antlers
- **Jim Dunn**, Chairman,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

The U.S. Economic Outlook

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

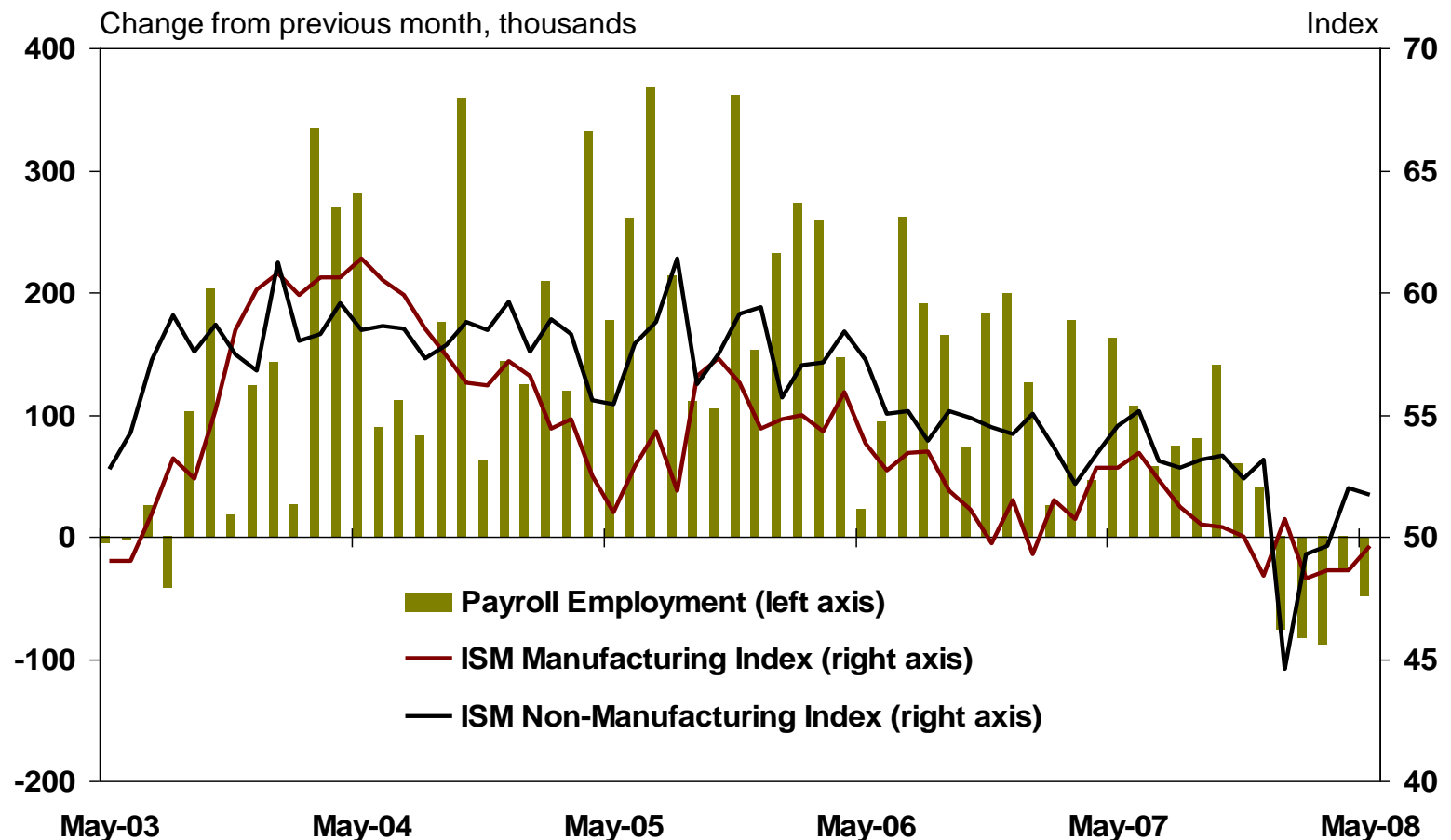
GDP growth has been well below average since last fall

Growth in Components of GDP



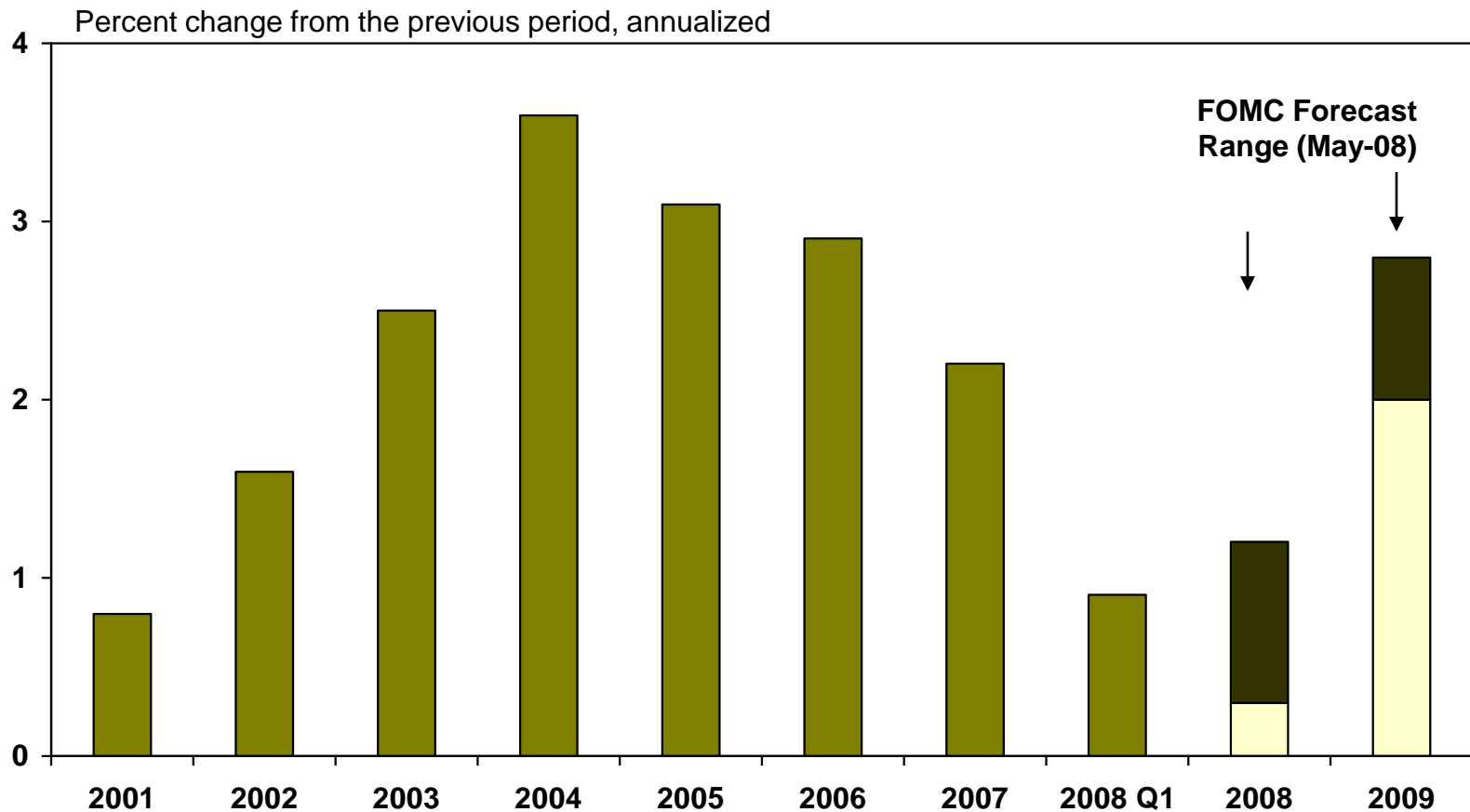
April and May data suggest the sluggishness continues, but no further deterioration

National Business Indexes and Payroll Employment



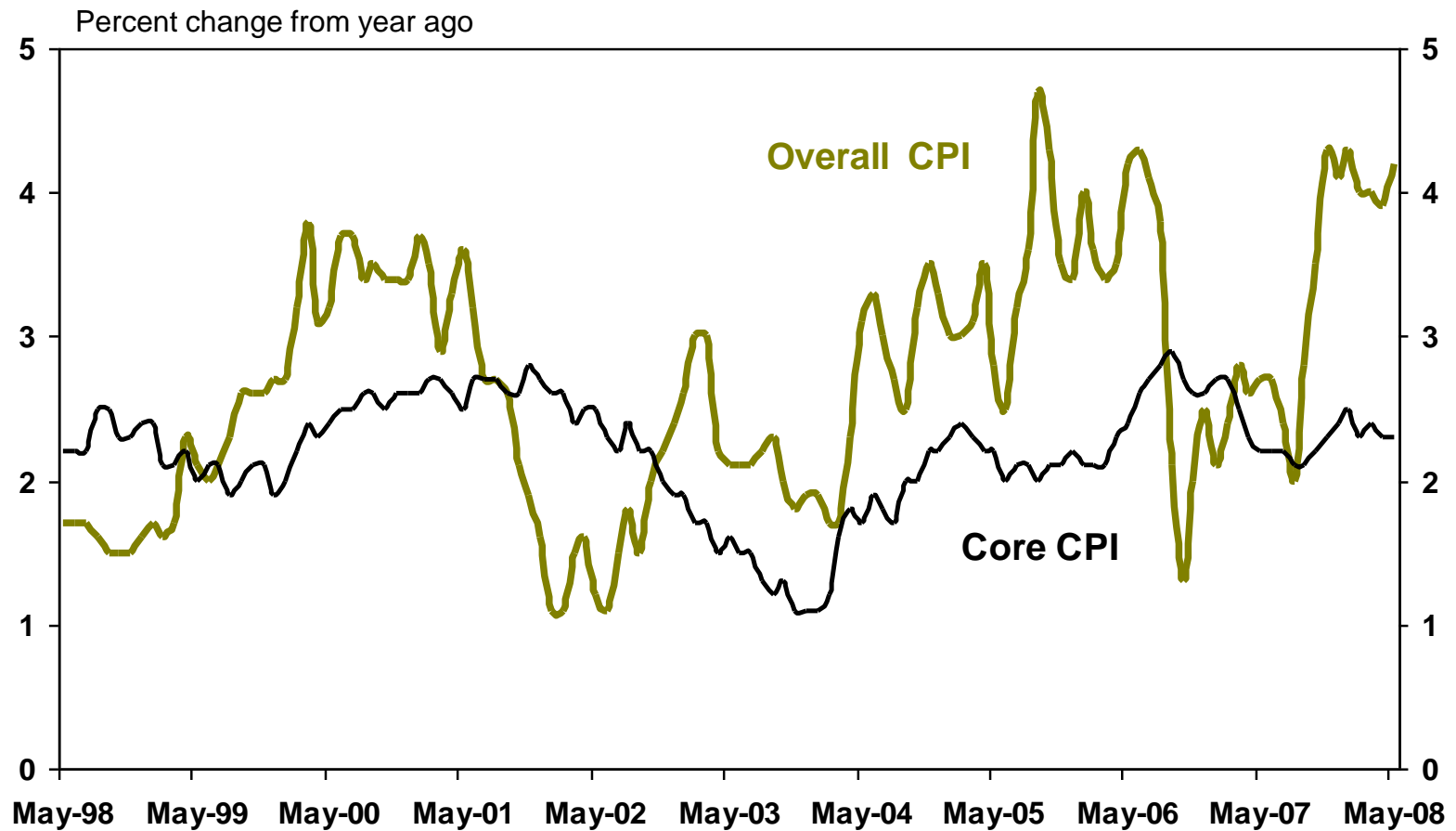
GDP forecasts call for improvement by the second half of 2008

Gross Domestic Product



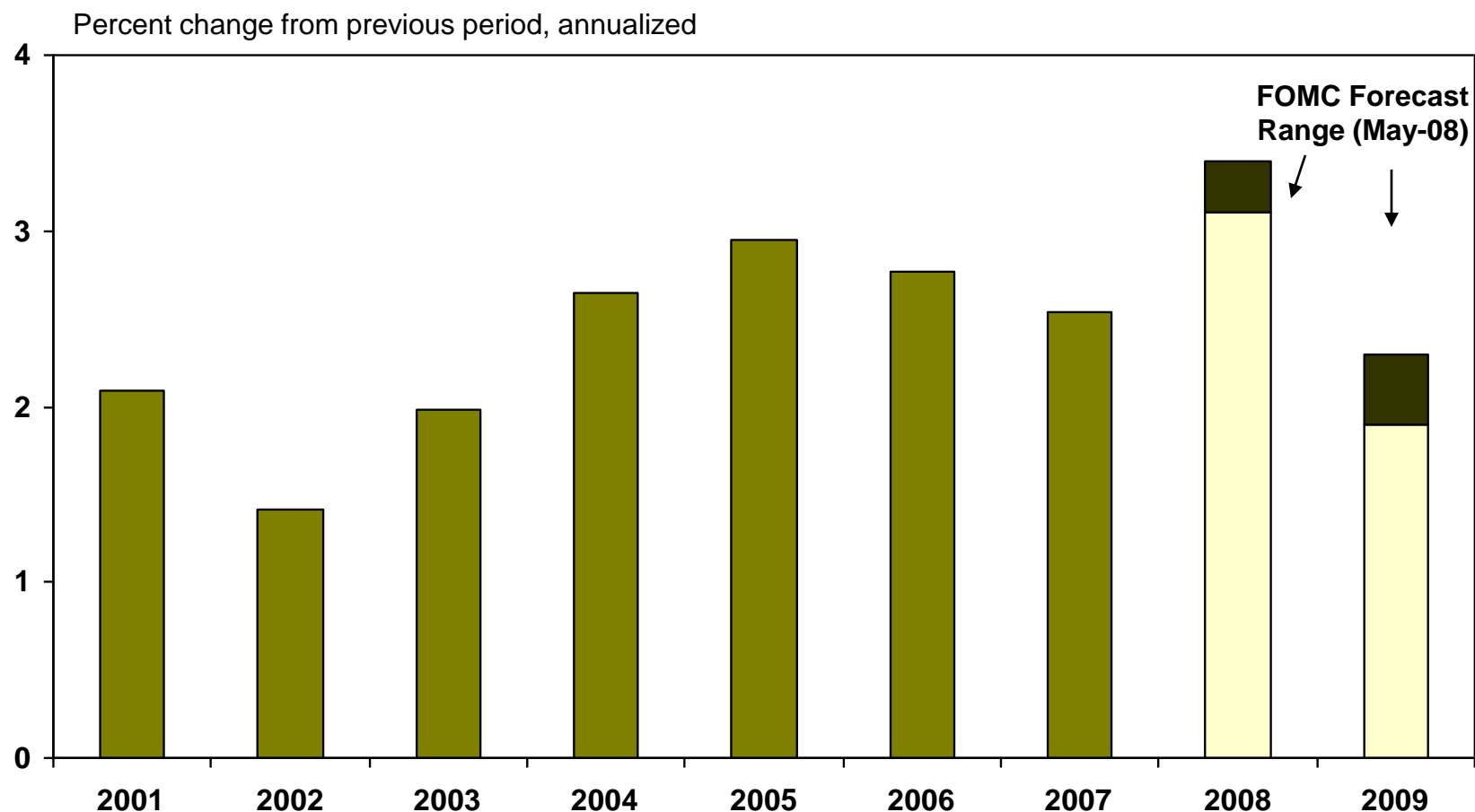
Inflation has risen again in recent months, to over 4 percent

Consumer Price Index



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

PCE Inflation

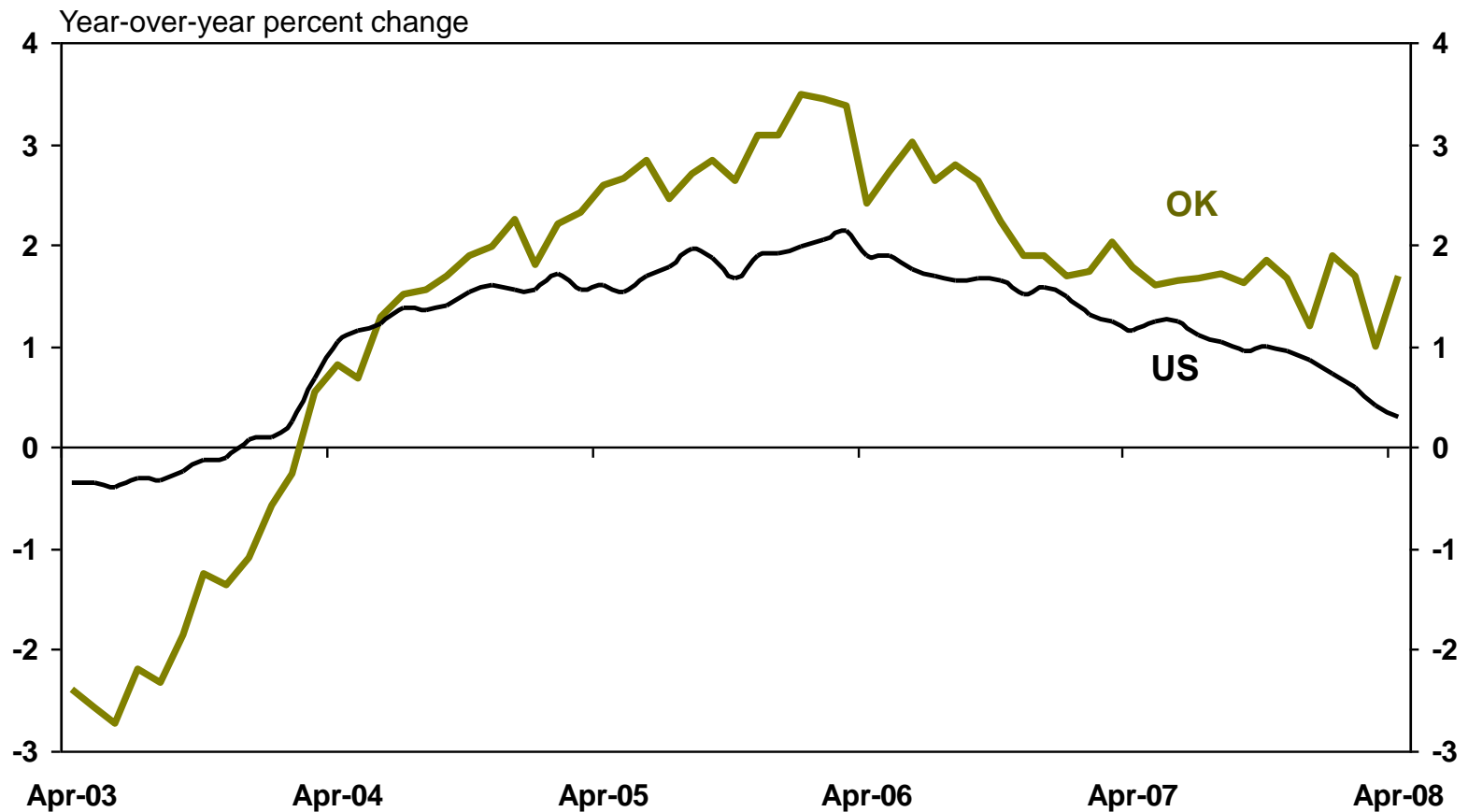


The Oklahoma Economic Outlook

- Oklahoma economic growth has also slowed—but still remains fairly solid
- Housing is in better shape than the nation, although some weakness may be emerging
- Moderate economic growth seems likely to continue in the state heading forward

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

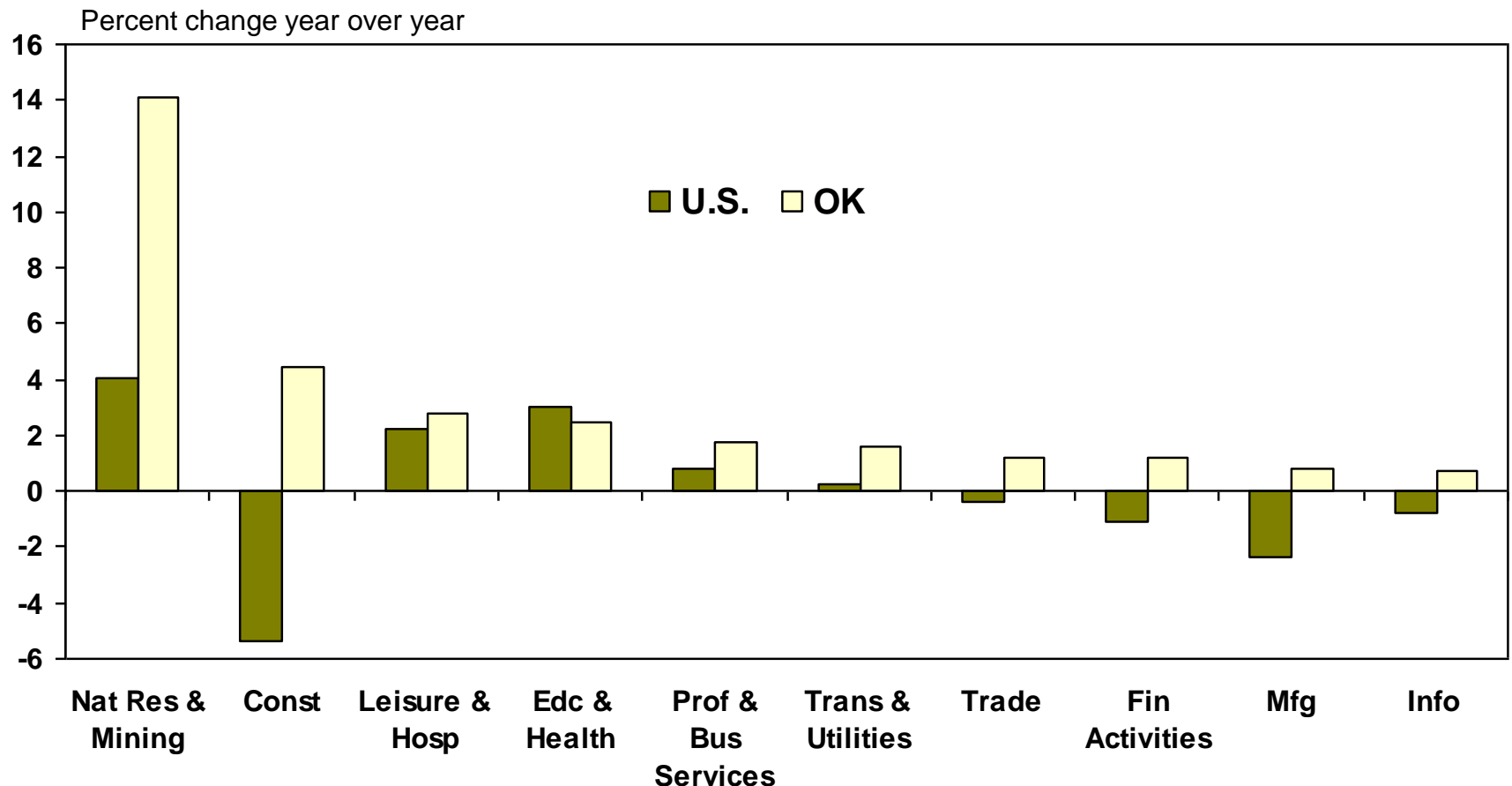
Nonfarm Payroll Employment Growth



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

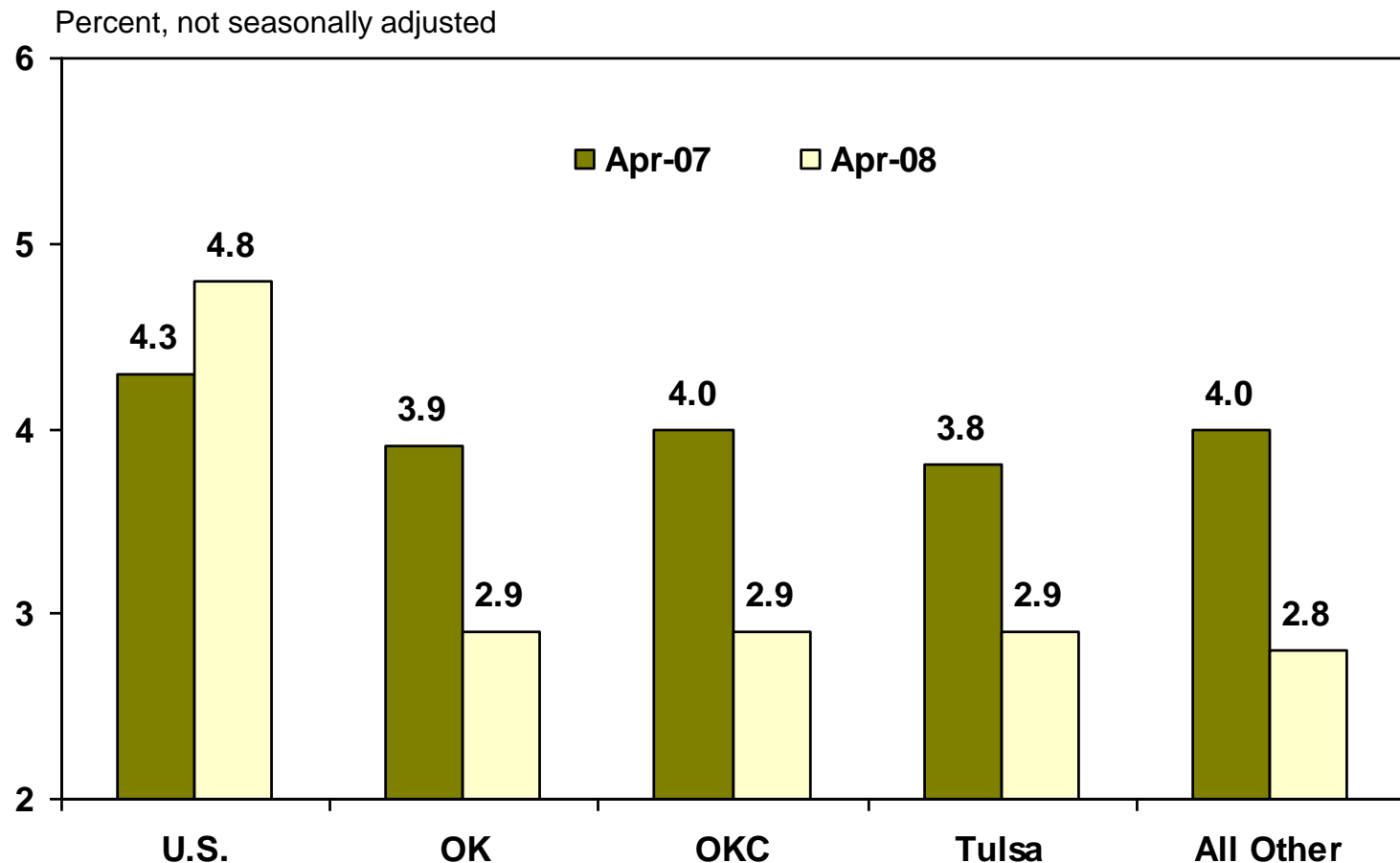
Employment Growth by Industry

April 2008



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

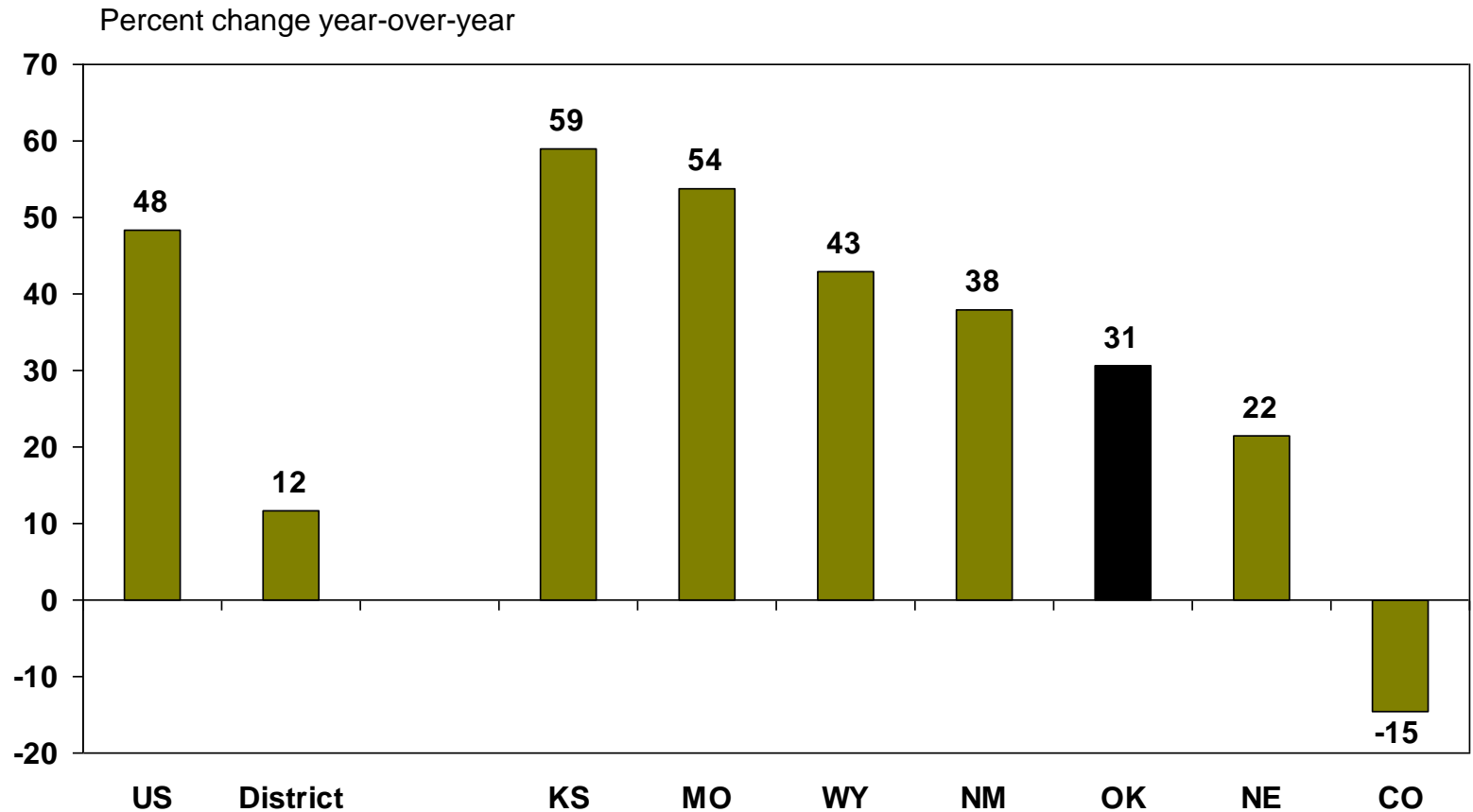
Unemployment Rates



Foreclosures are rising in Oklahoma, though generally less than in the nation

Change in Foreclosures from Previous Year, Tenth District

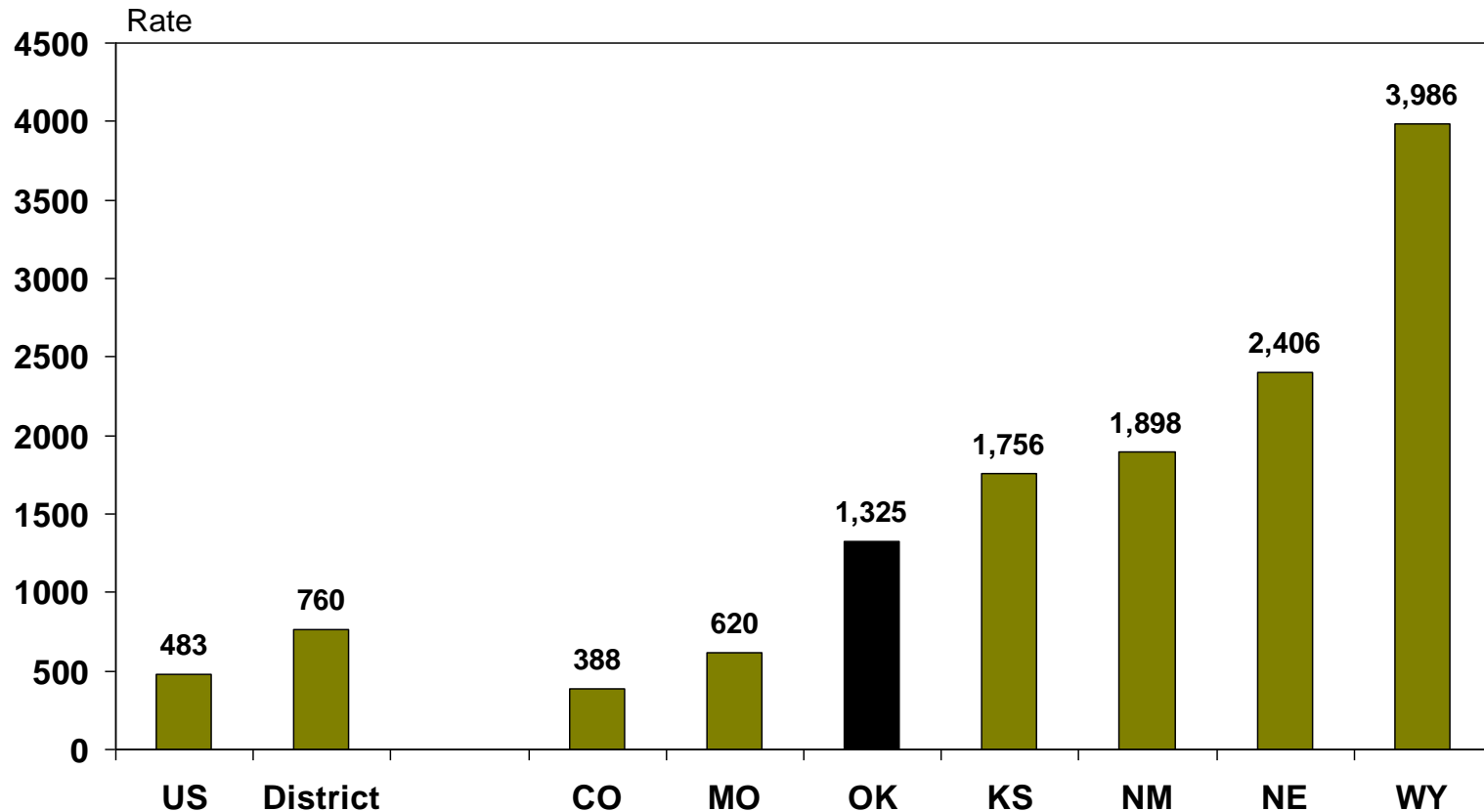
May 2008



And foreclosure rates generally remain much lower, including in Oklahoma

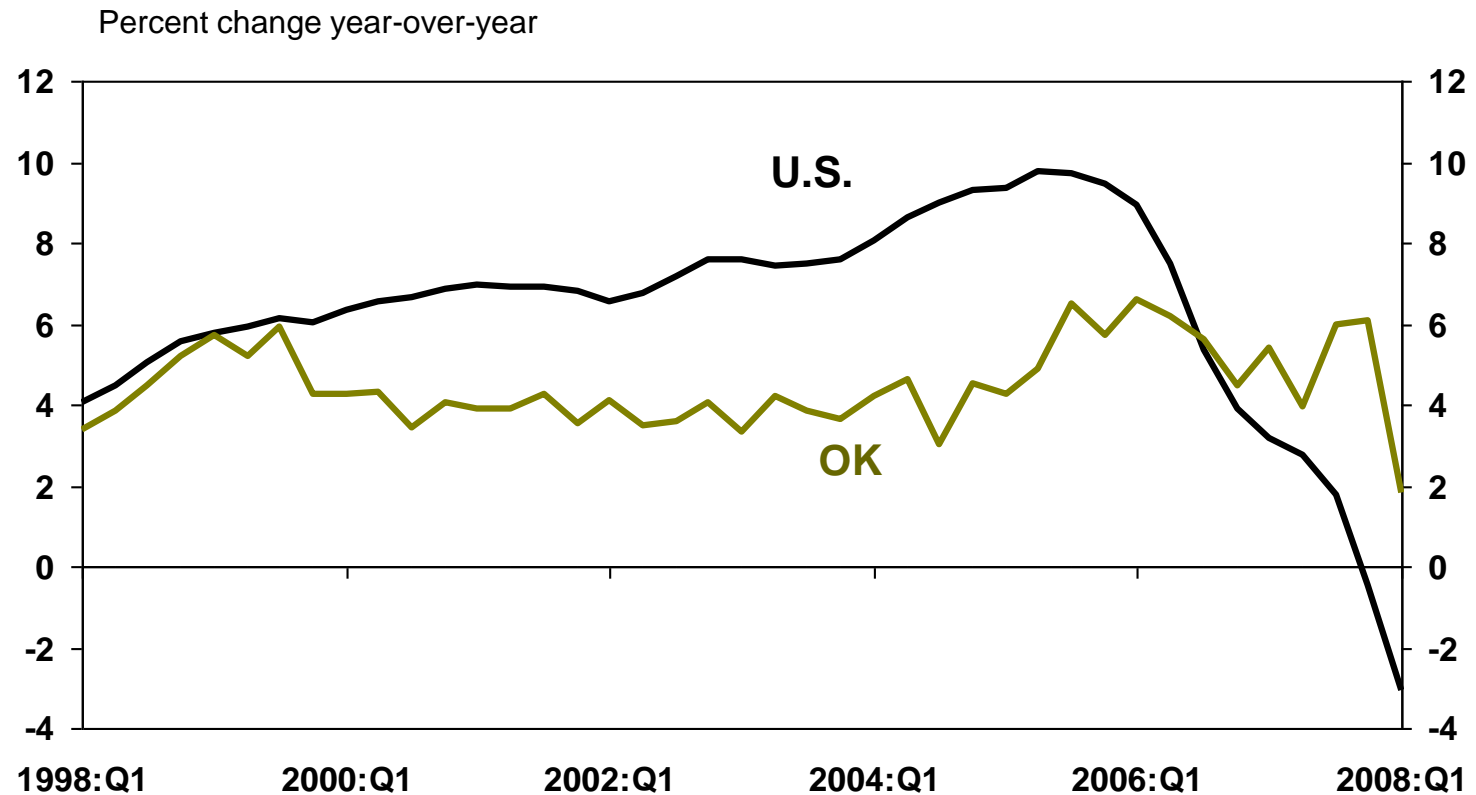
Households per Foreclosure, Tenth Federal Reserve District

May 2008



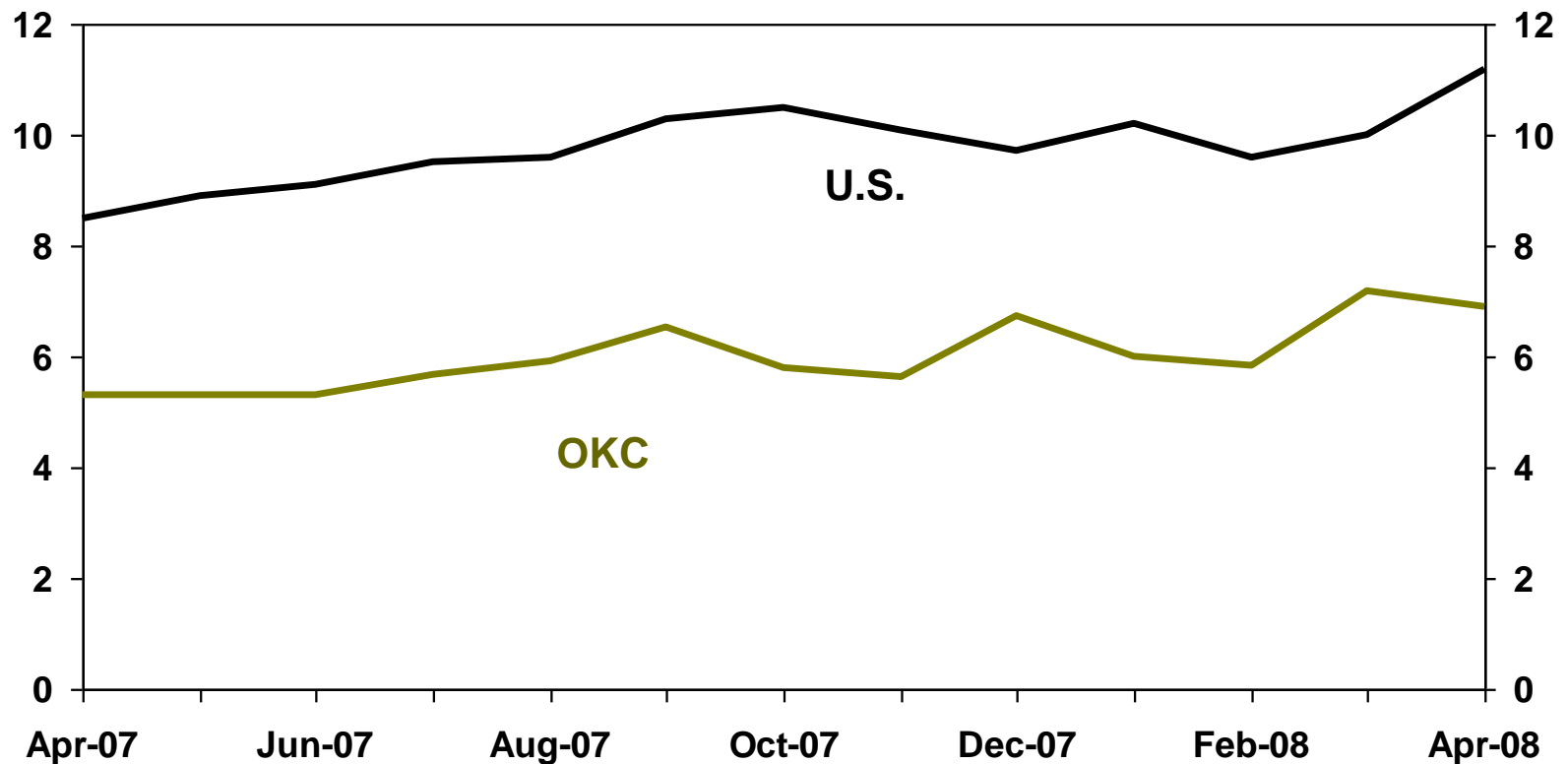
U.S. home prices are falling, while Oklahoma prices are holding on

Quality-Adjusted Home Price Growth
Purchase-Only



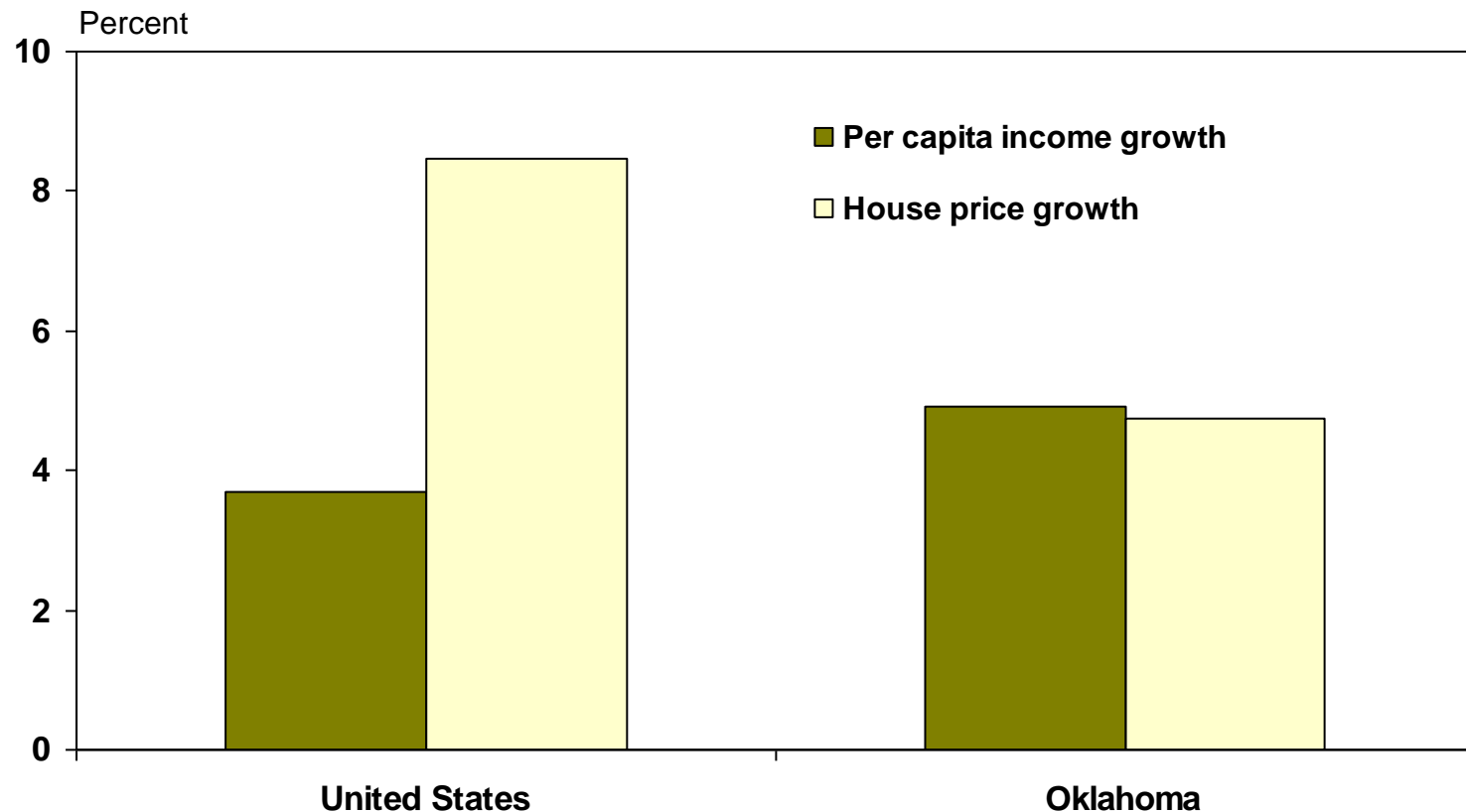
Unsold homes have edged up the past year but remain well below the nation

Months Supply of Unsold Homes
Seasonally Adjusted



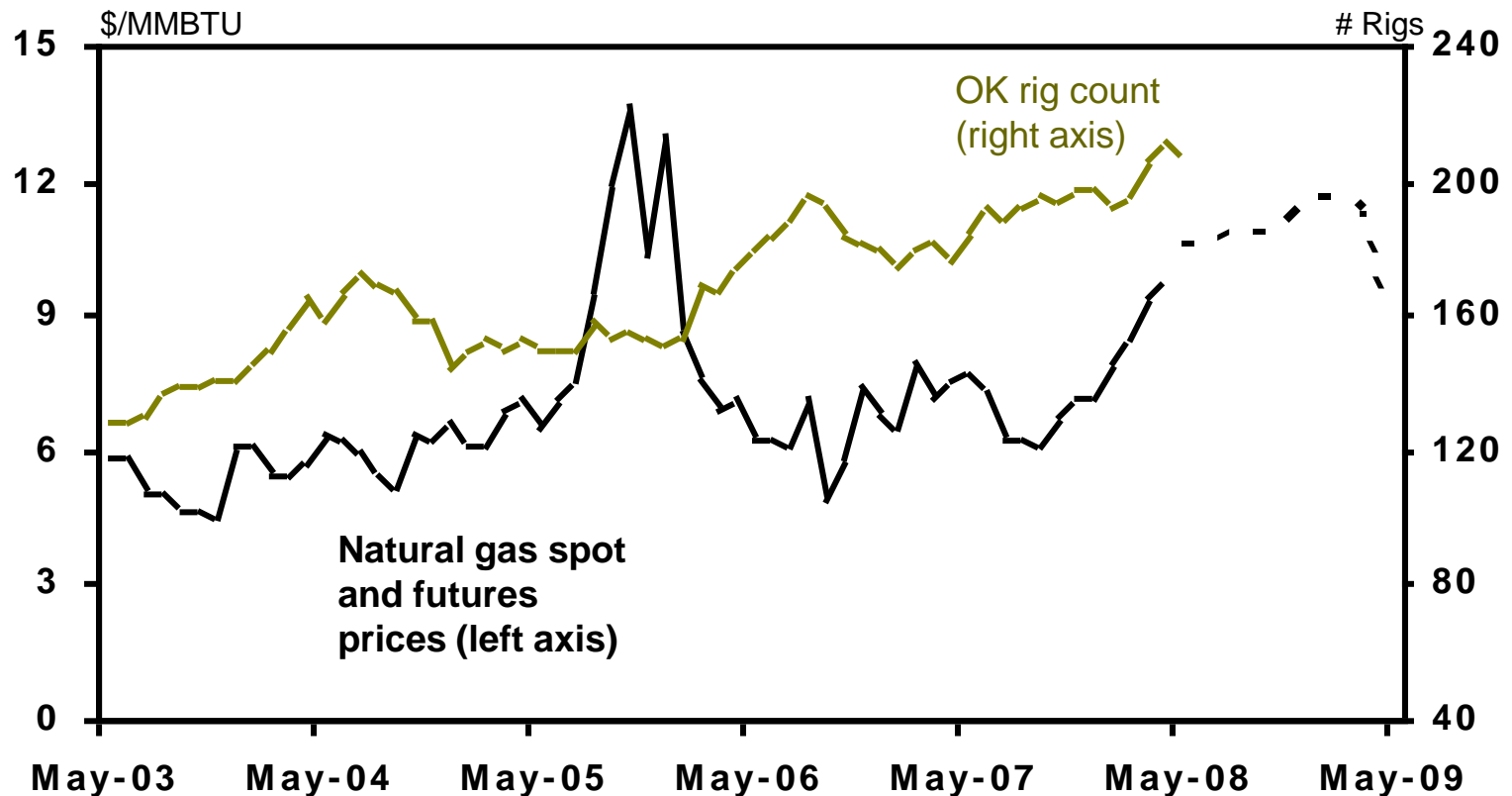
House price fundamentals were also more in line in Oklahoma from 2000 to 2005

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



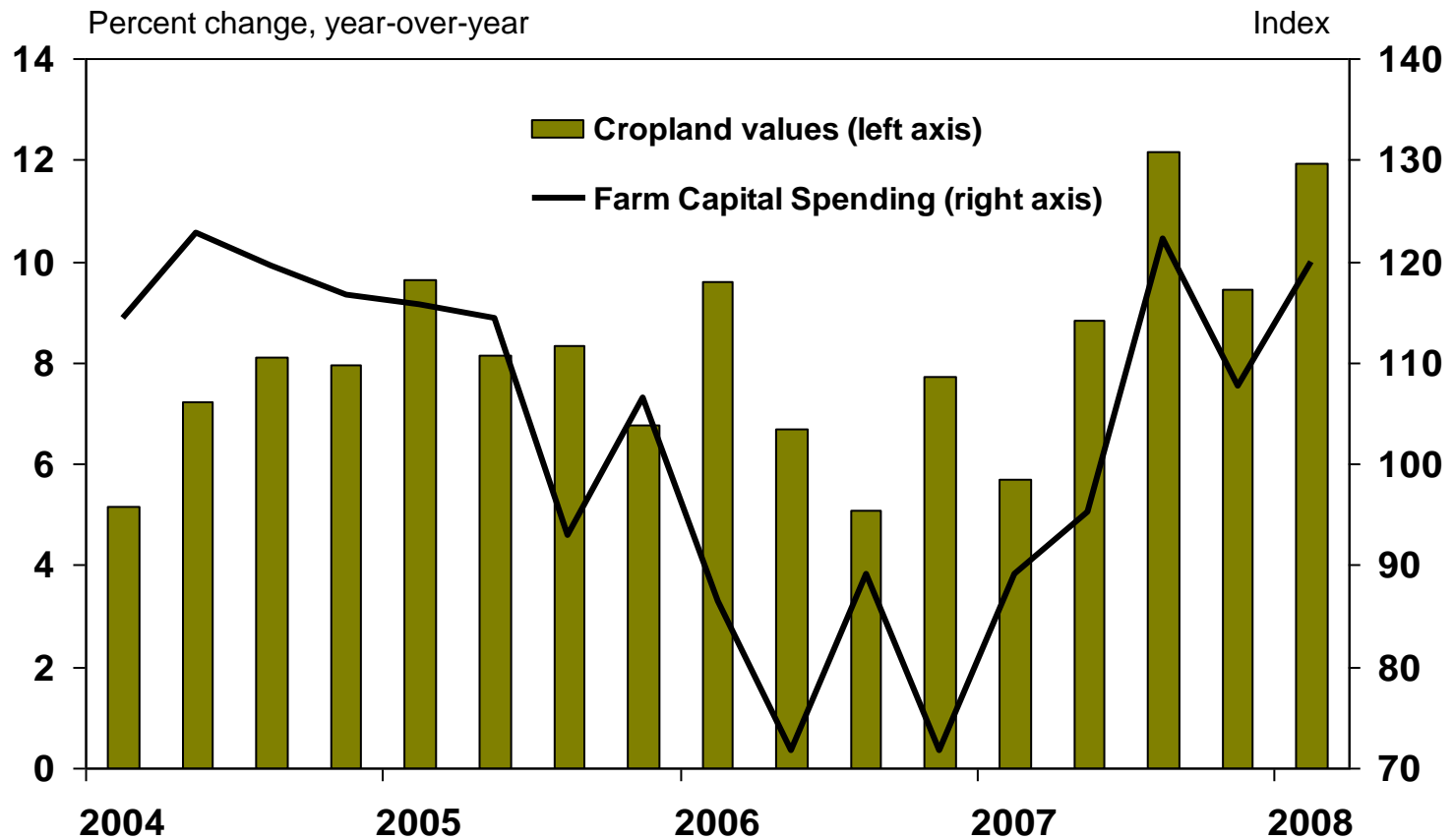
State oil and gas activity remains strong, and futures prices are high

Count of Active Drilling Rigs and Natural Gas Prices



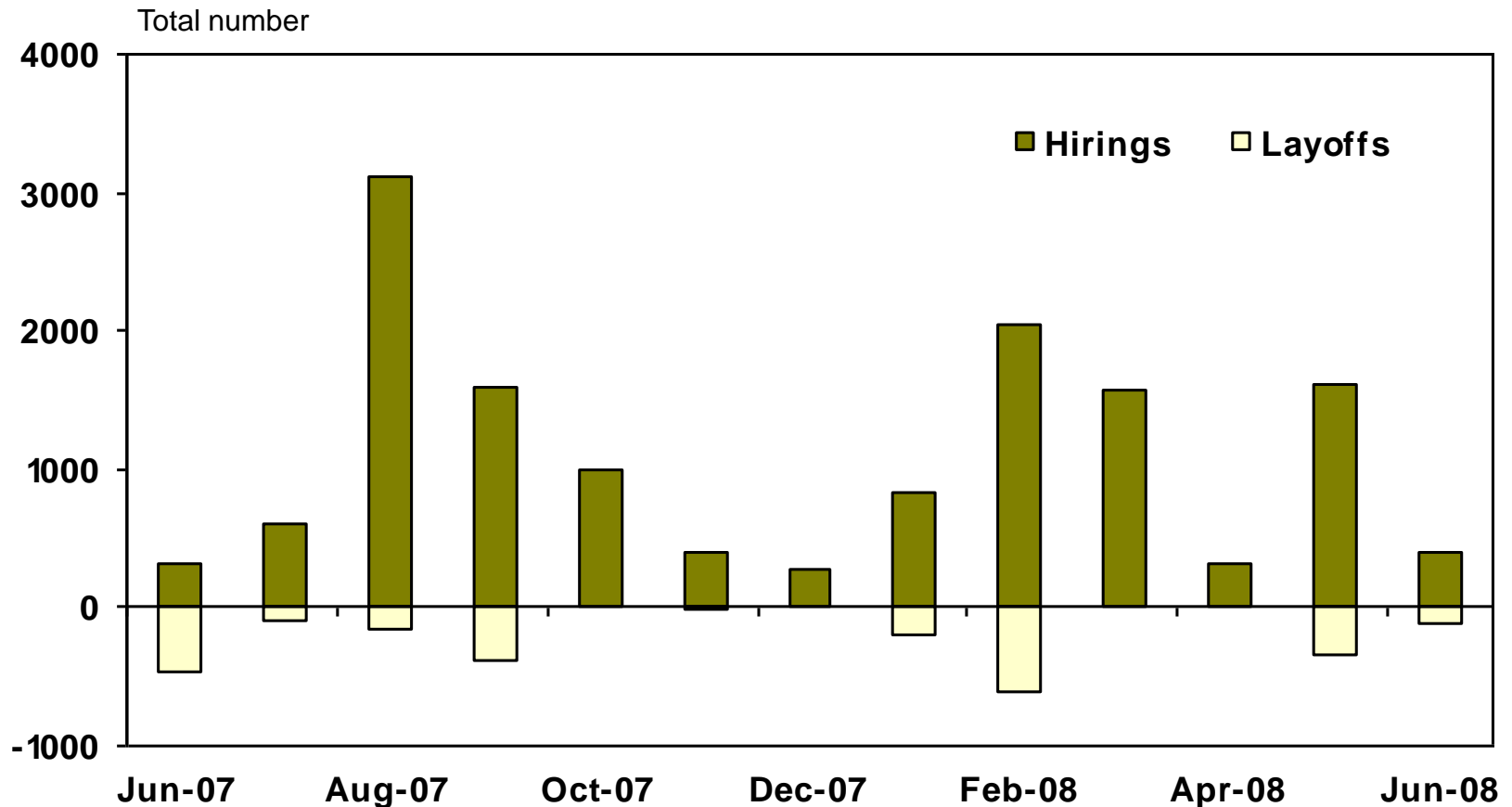
Oklahoma farmland values and farm capital spending are rising

Oklahoma Agricultural Indicators



Hiring announcements in Oklahoma continue to outpace layoffs

Oklahoma Hiring and Layoff Announcements



Questions?