

Regional Economic Outlook: With a Focus on Energy and Manufacturing



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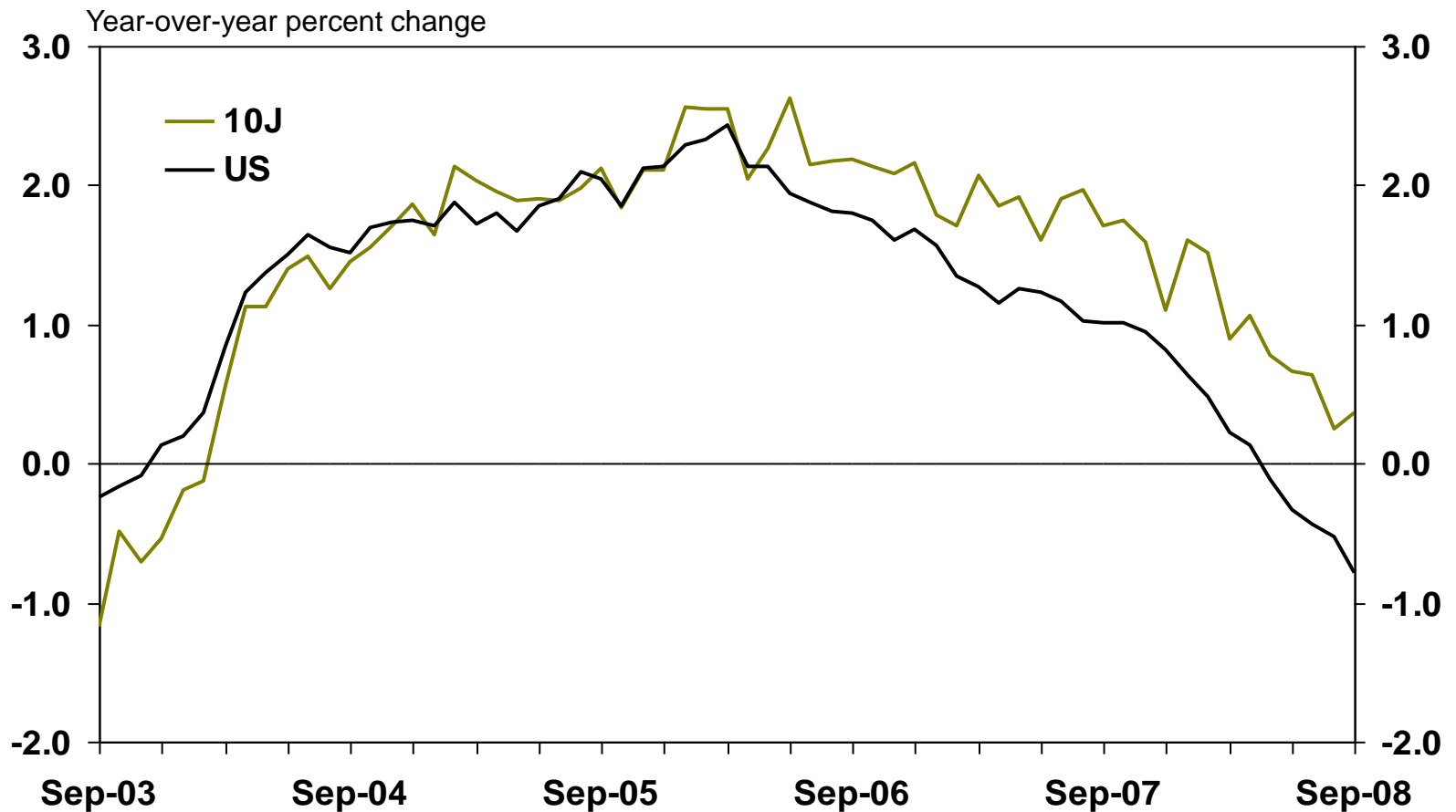
Oklahoma City Branch Executive
Federal Reserve Bank of Kansas City

Federal Reserve Districts and Office Locations



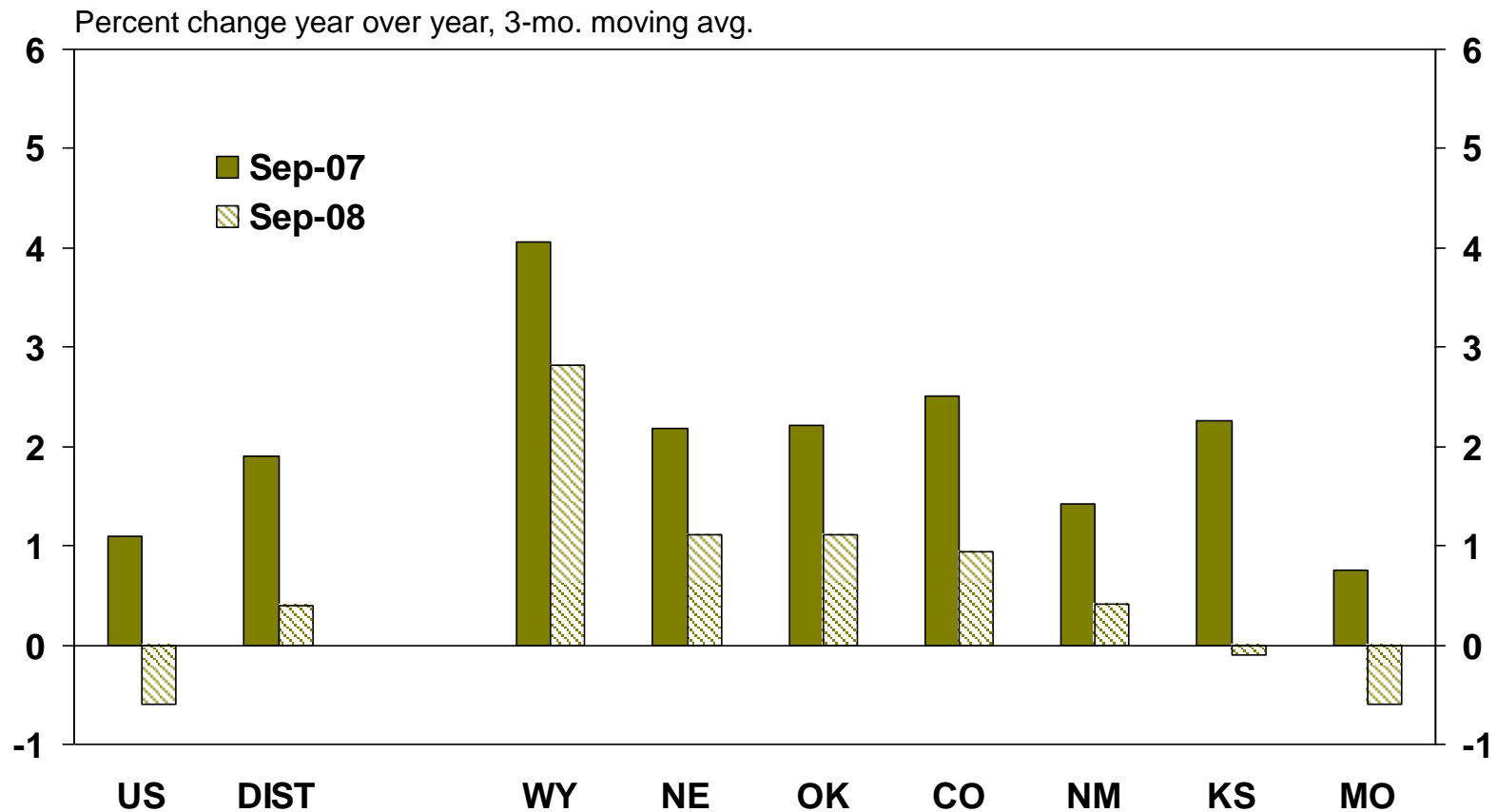
Tenth District job growth has slowed but remains well above the national average

Nonfarm Payroll Employment Growth



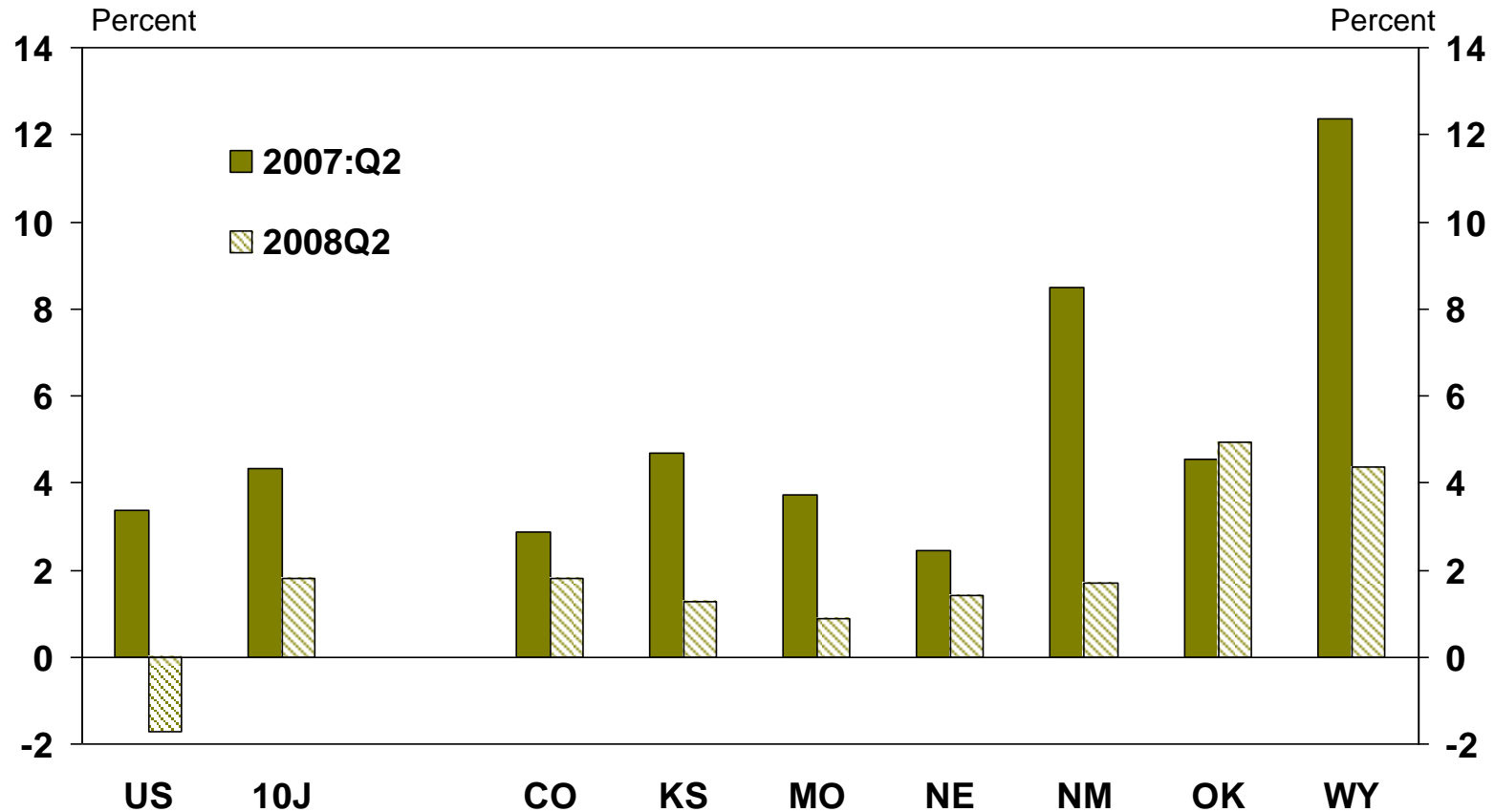
Most individual District states continue to outperform the nation

Private Employment Growth by State



And home prices have continued to appreciate in the region, unlike the nation

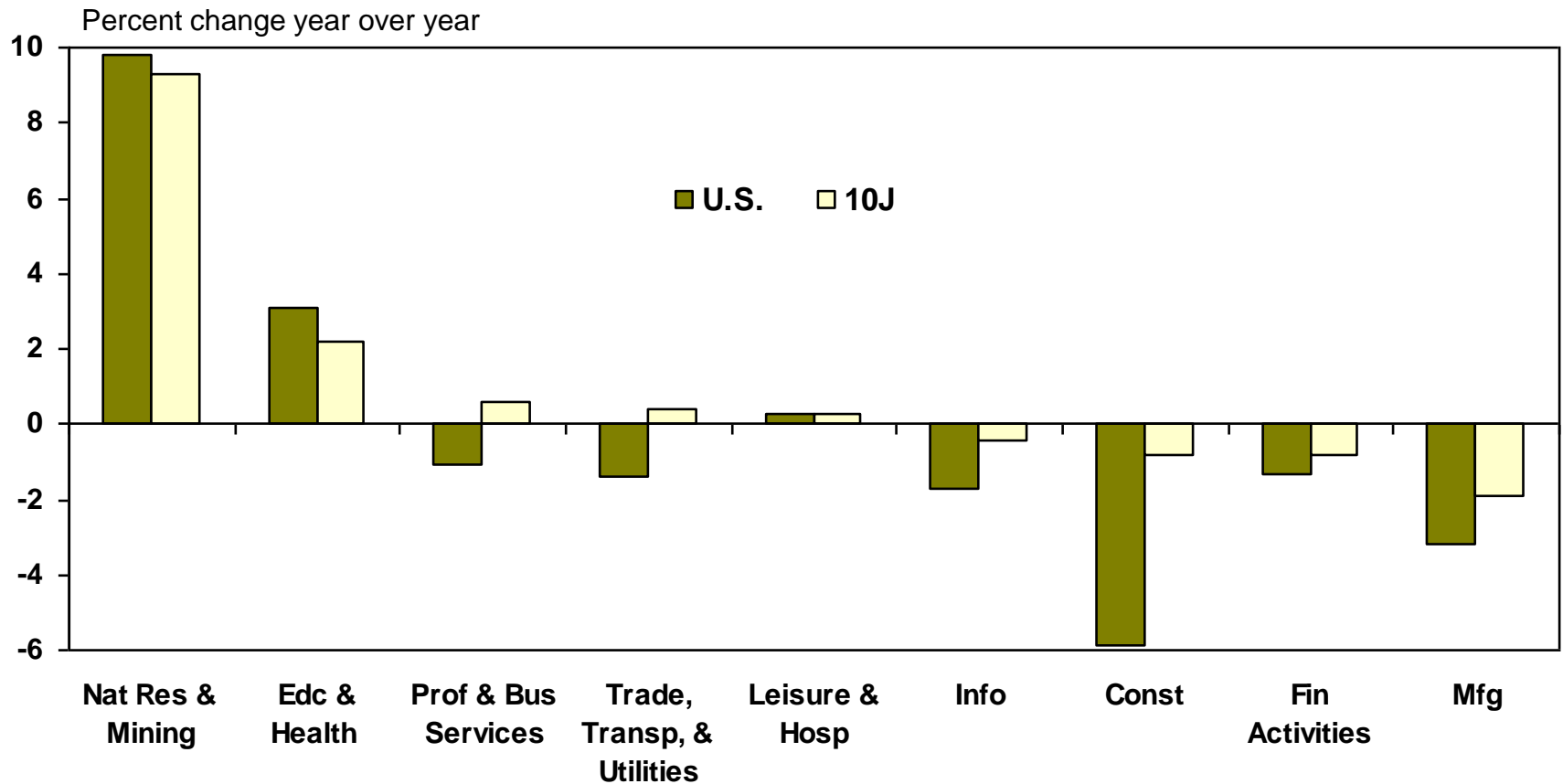
Repeat Sales Home Price Index
Year-over-year growth



But recent job growth has been flat to down outside of energy and education/health

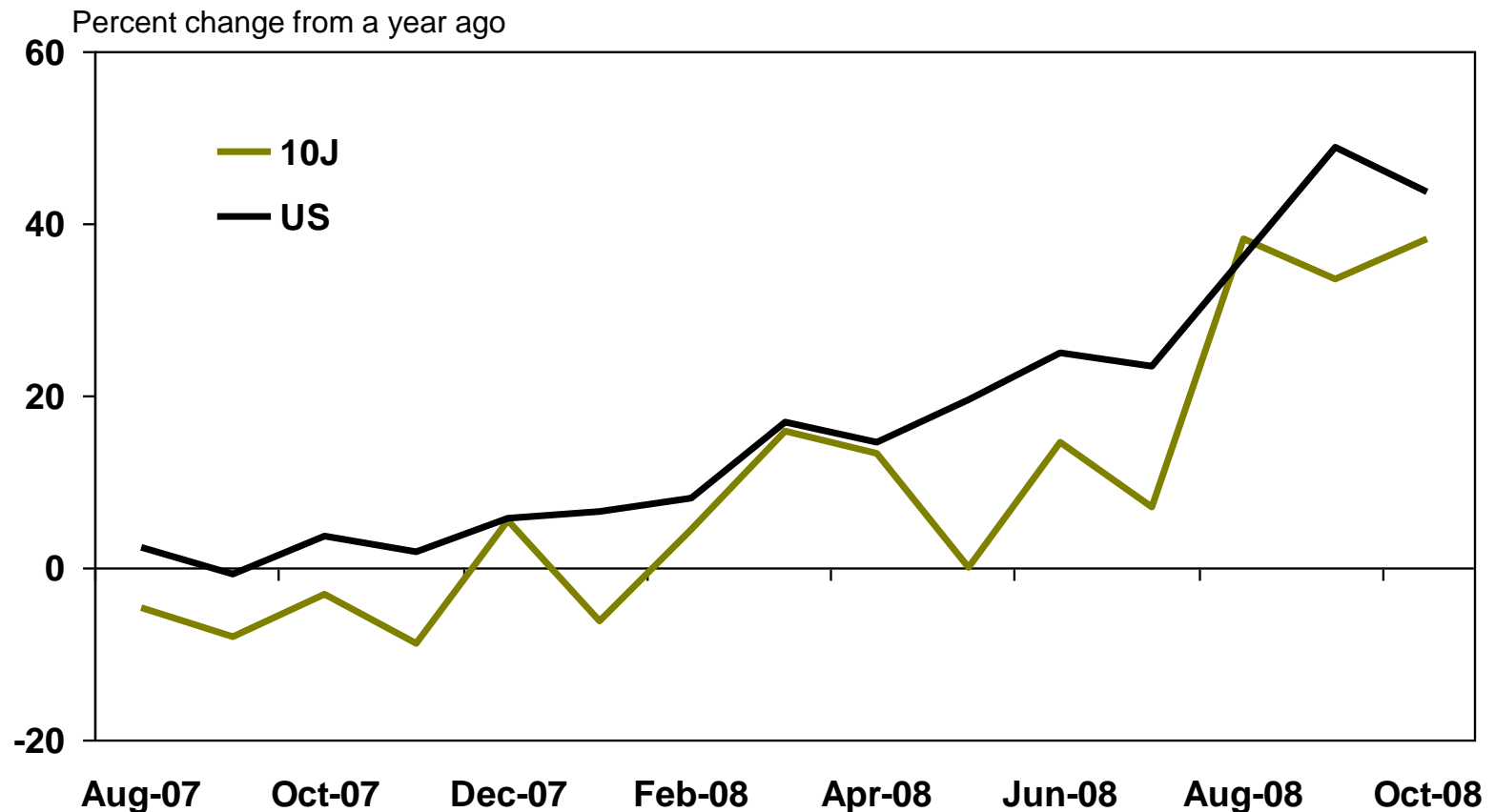
Employment Growth by Industry

September 2008



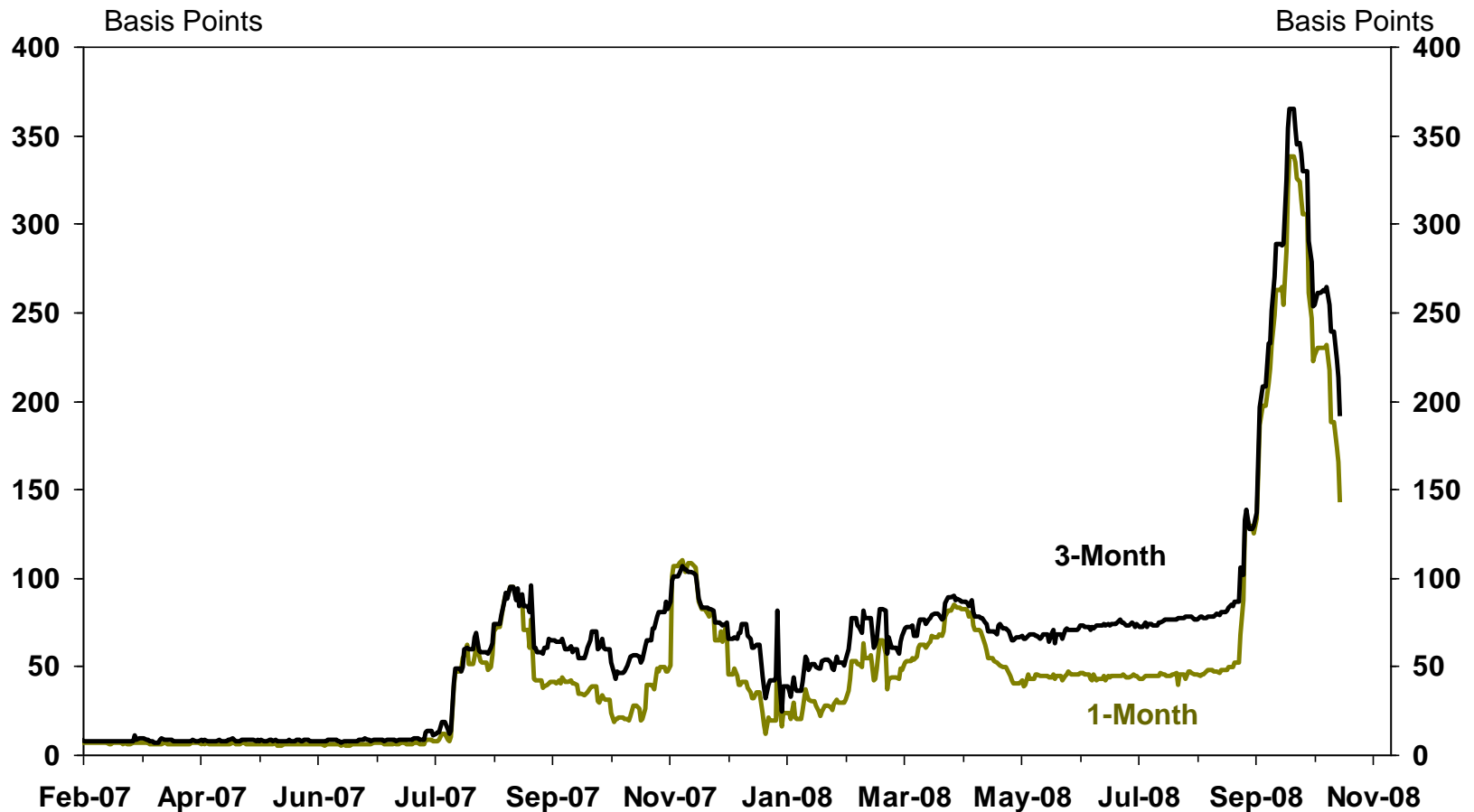
And regional unemployment claims are rising after lagging the nation most of the year

Monthly Unemployment Insurance Claims



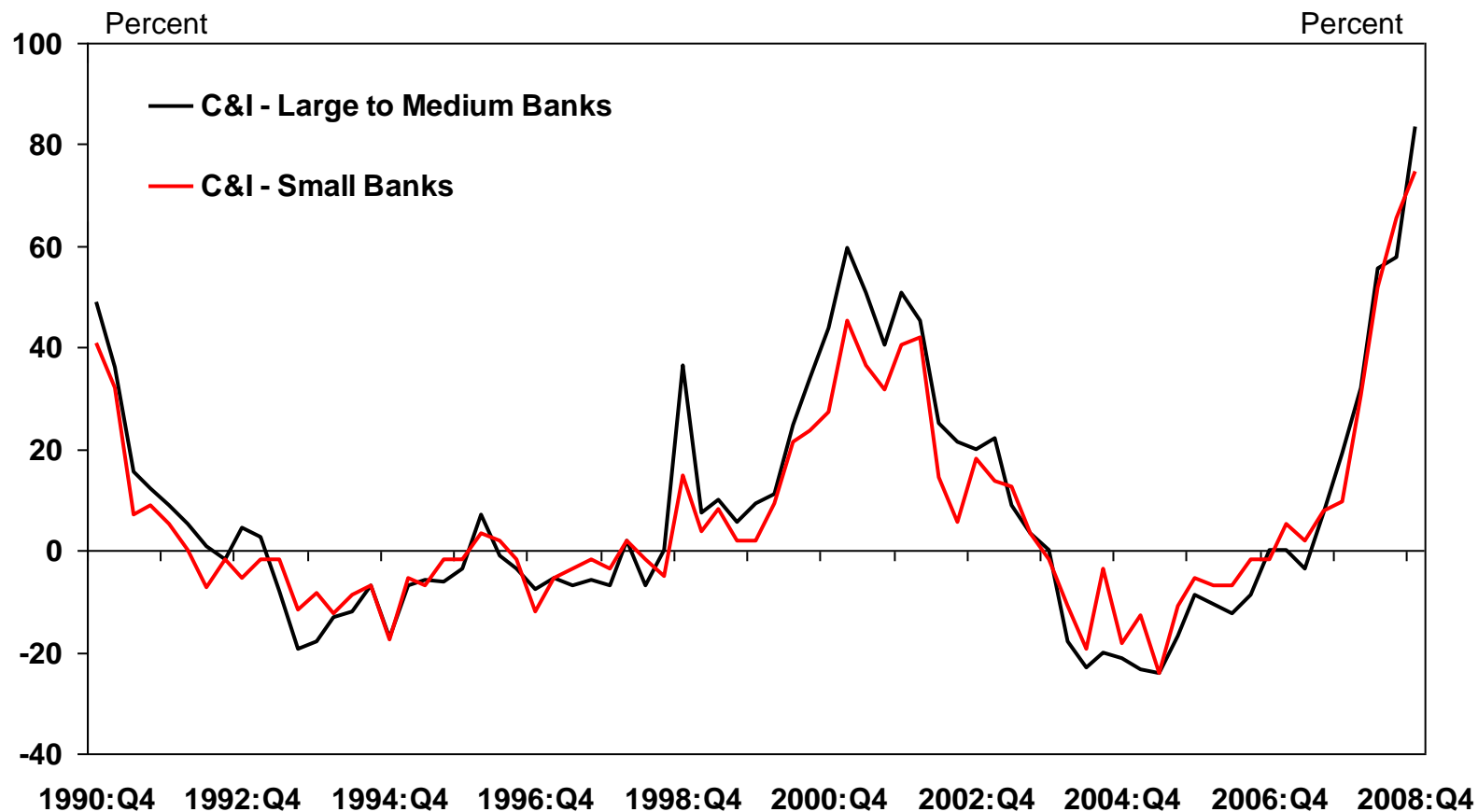
Short-term credit conditions worsened in September and are only beginning to ease

LIBOR-OIS Spread



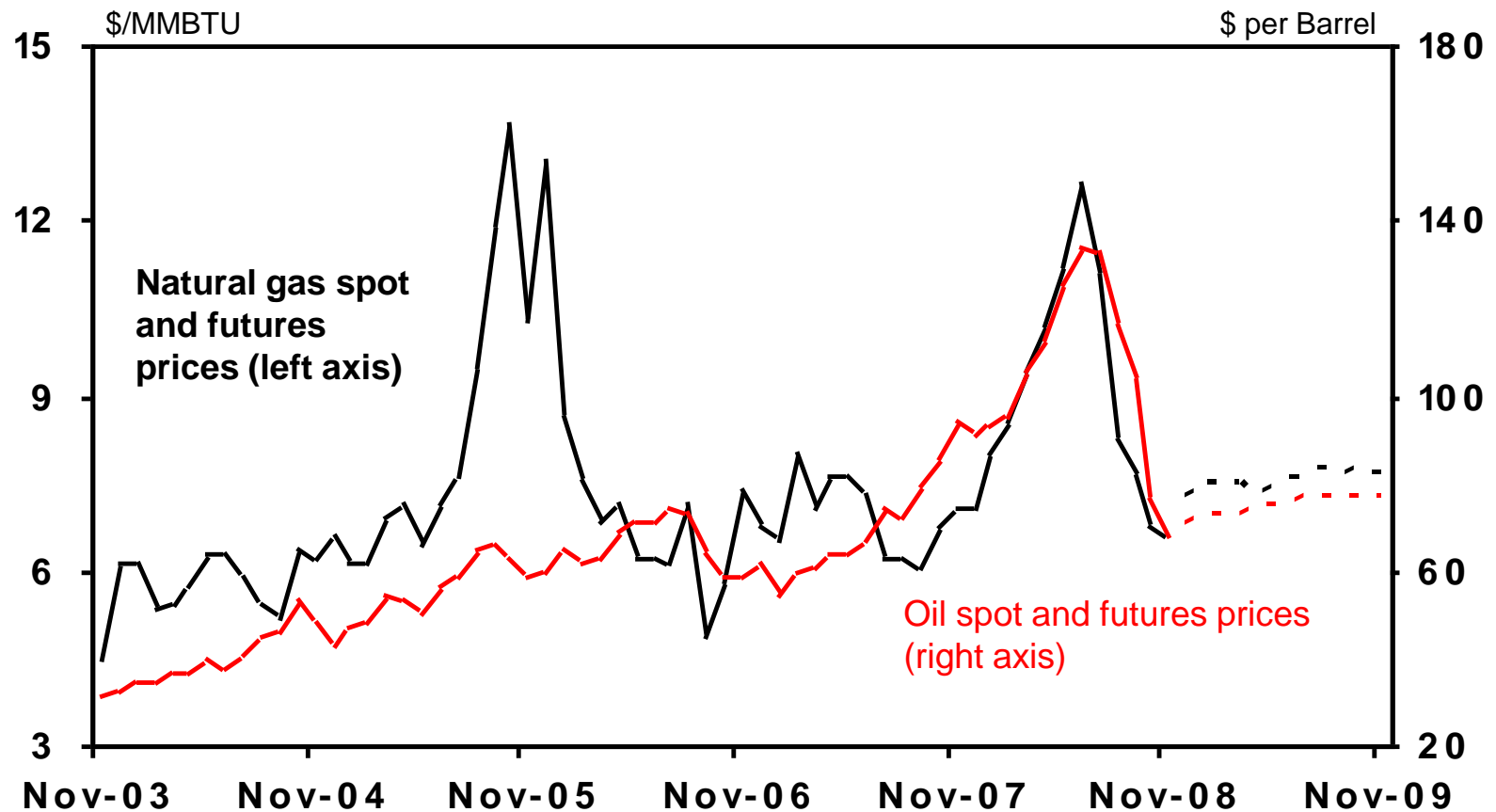
Meanwhile, banks' standards for business lending have tightened further

Net Percentage of Banks Tightening Loan Standards



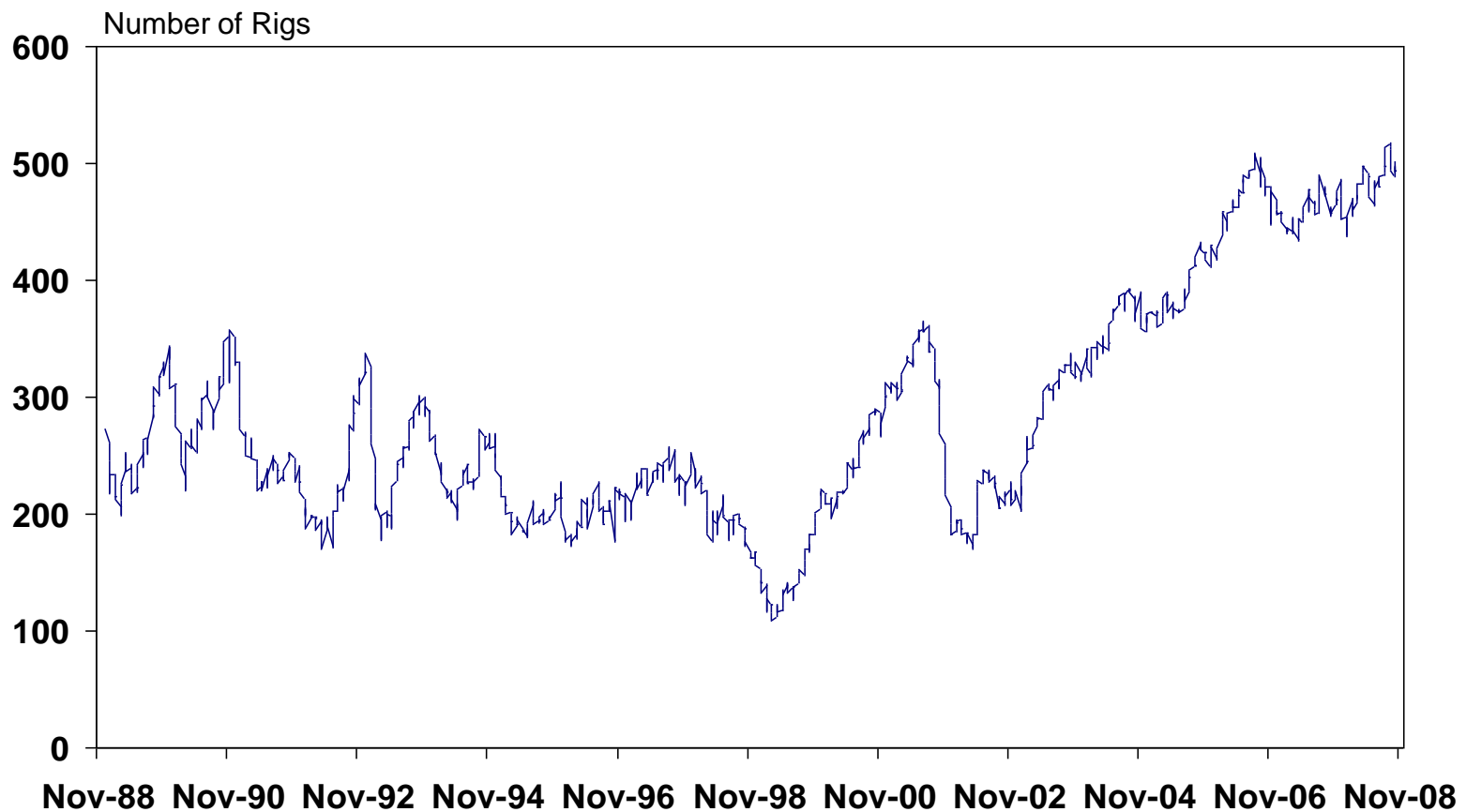
Energy prices have also come down considerably since July

Oil and Natural Gas Prices



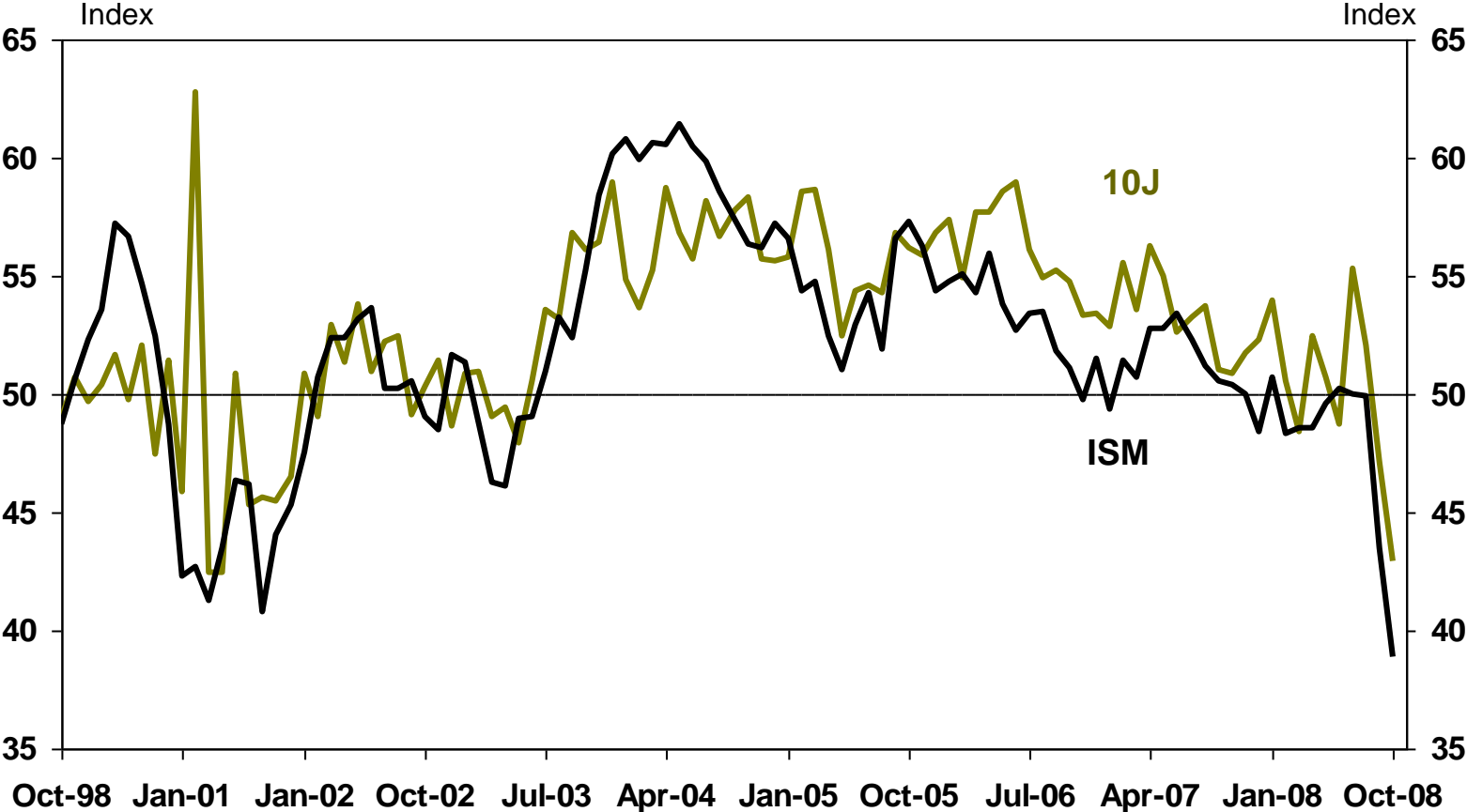
Drilling activity remains at high levels, but is likely to cool in coming months

Weekly Tenth District Rig Count



As in the nation, regional manufacturing activity has slowed sharply since August

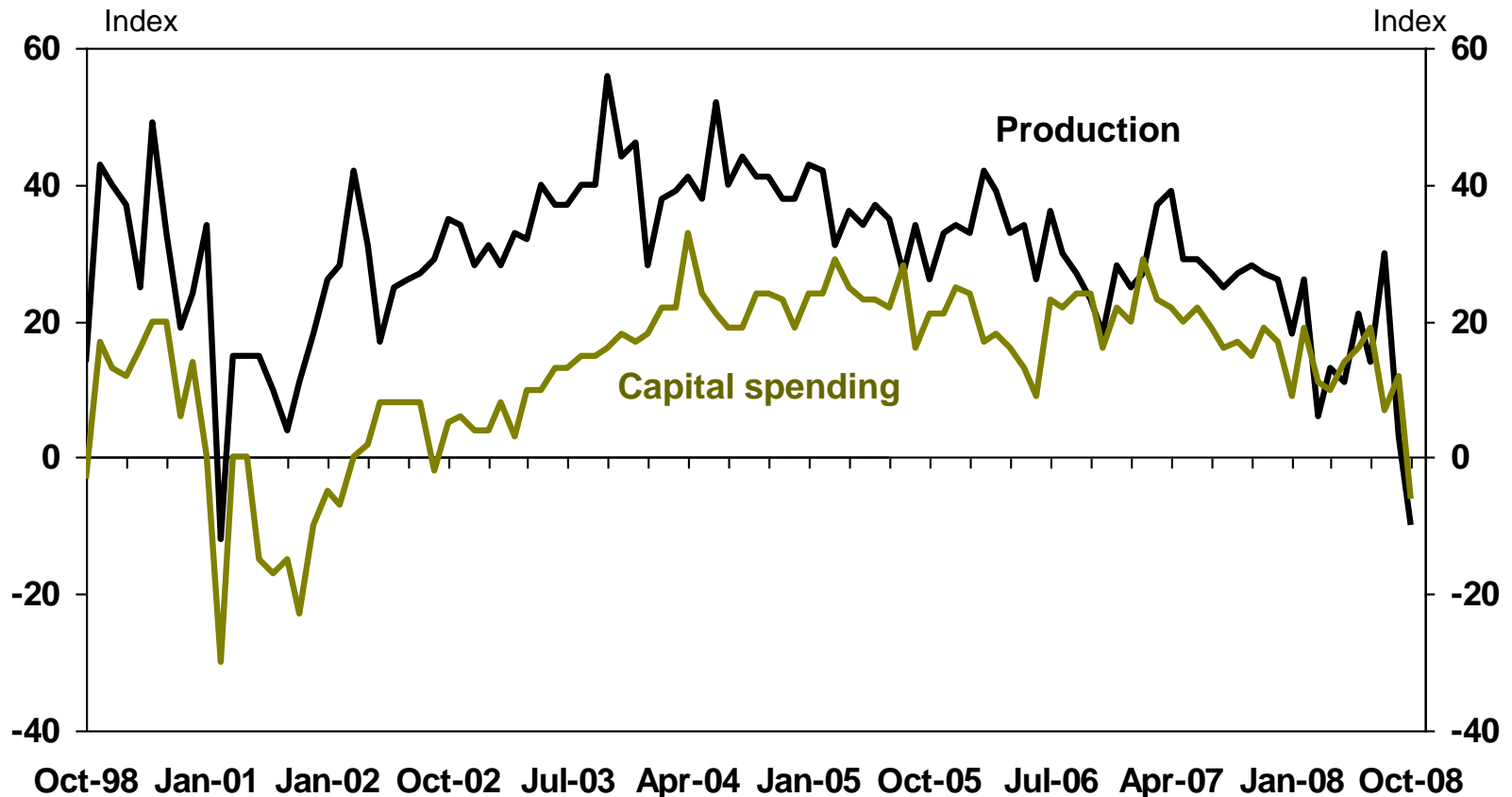
Month-over-Month PMI Indexes
Seasonally Adjusted



Source: ISM, KCFRB

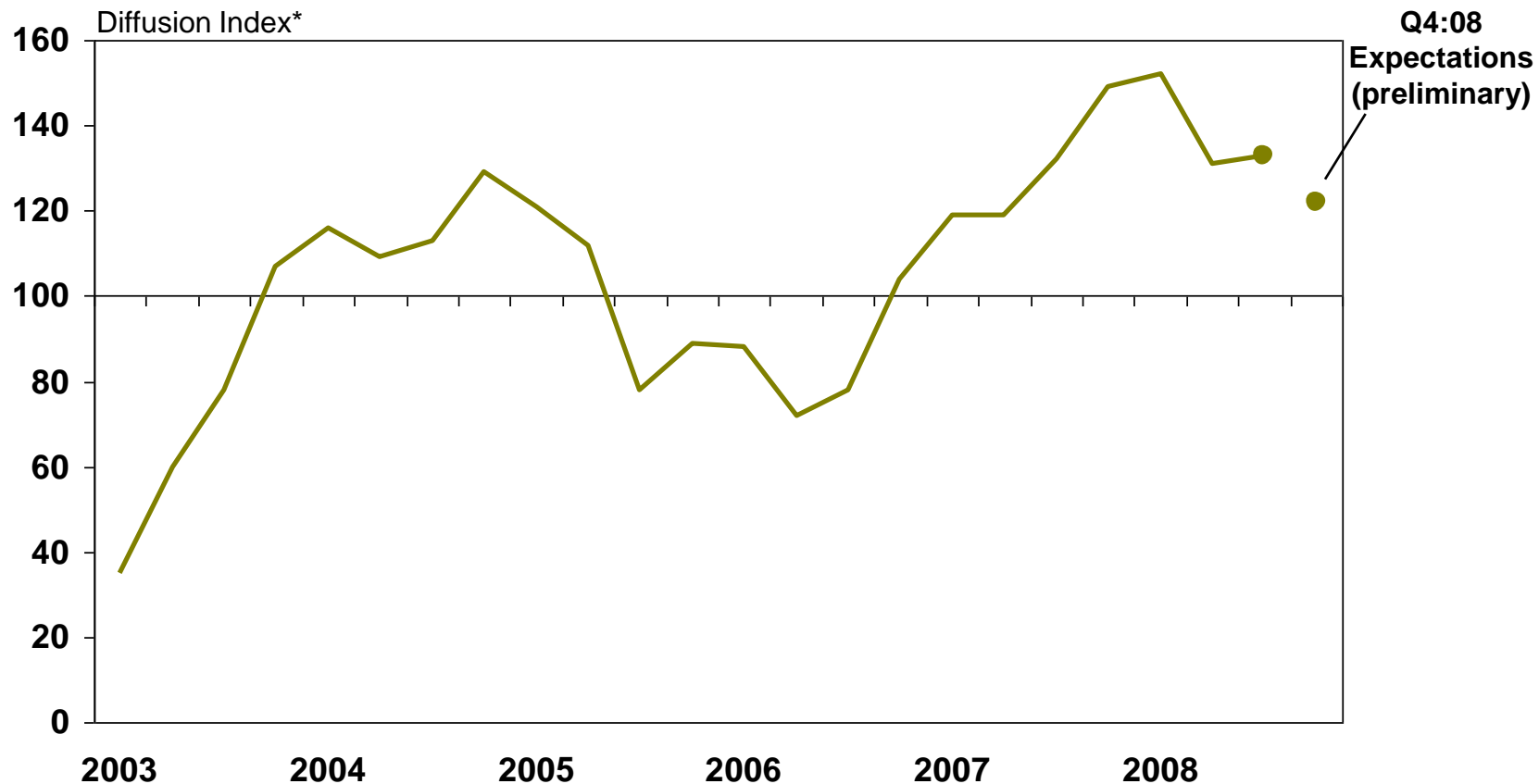
And factories are increasingly wary about future output and investment

Tenth District Manufacturing Indexes
Six-months ahead



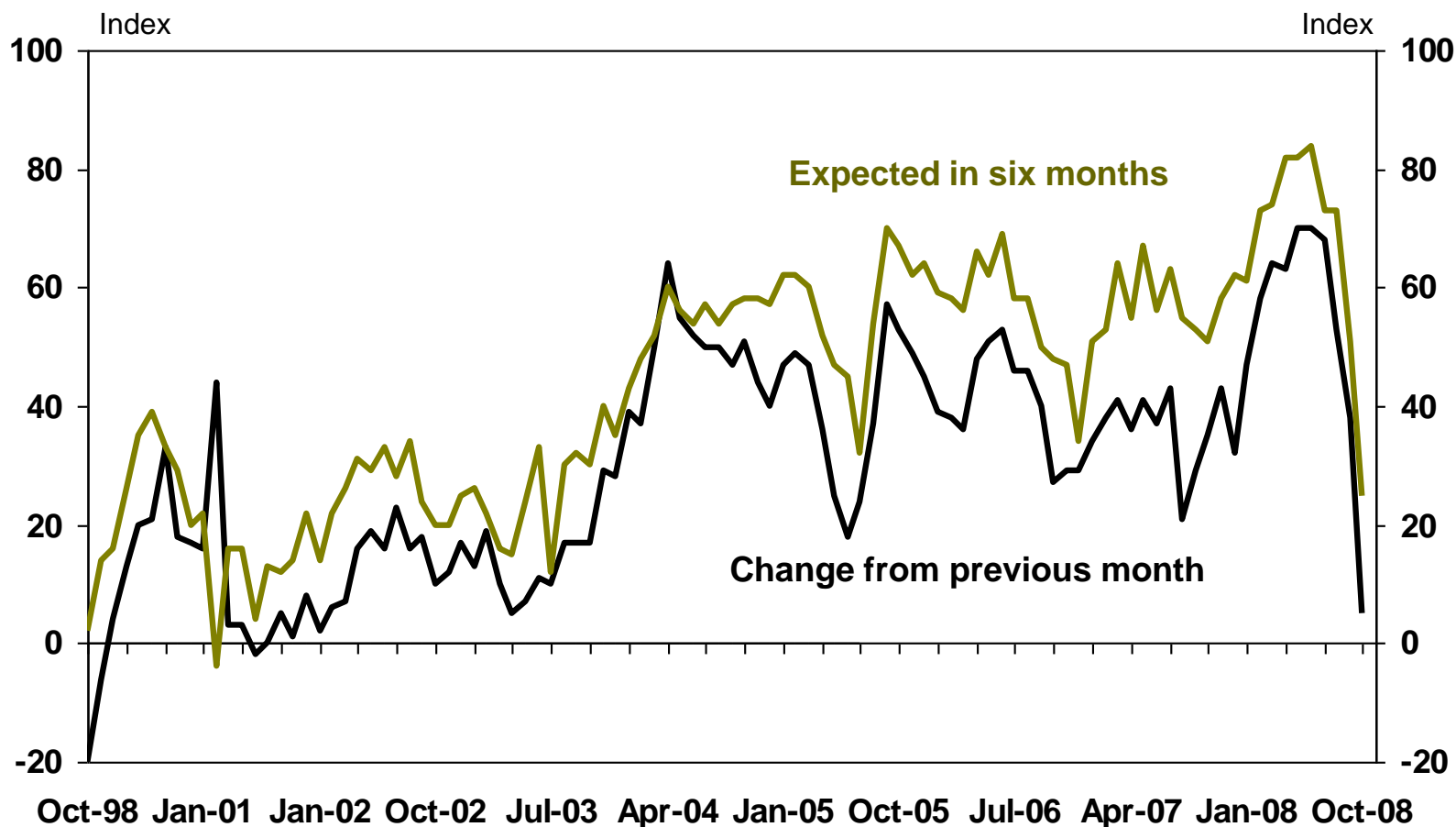
Farmers' capital spending plans are also expected to ease going forward

Tenth District Farm Capital Spending Index



The falling prices of materials may provide some degree of relief to factories

Tenth District Manufacturers' Raw Materials Price Indexes



Summary

- The economy in the Tenth District remains stronger than in the U.S. but is clearly slowing
- Regional oil and gas activity is likely to slow with falling prices, bringing increased economic uncertainty to areas previously doing well
- Regional manufacturing has slowed sharply the last two months, and expectations are weak, though falling materials prices may help