

# The Economic Outlook and Its Impact on Nonprofits

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# Federal Reserve Districts and Office Locations



# The Oklahoma City Branch Office of the Federal Reserve Bank of Kansas City

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- **Branch staff and functions**

- 35 staff involved in economic research, bank examinations, and public outreach

- **2010 branch board of directors**

- **Steve Agee (chairman)**, President, Agee Energy, and Professor, OCU, OKC
- **Bill Anoatubby**, Governor, Chickasaw Nation, Ada
- **Jim Dunn**, Chairman, Mill Creek Lumber and Supply Company, Tulsa
- **Jacque Fiegel**, Senior EVP and COO, Coppermark Bank, OKC
- **Rose Washington Rentie**, Executive Director, TEDC Creative Capital, Tulsa
- **Doug Tippens**, President and CEO, Bank of Commerce, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville

# History and Structure of the Federal Reserve System

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- **Founded by Congress in 1913 as the nation's third central bank, the Fed consists of 3 main entities:**

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent by design
- Federal Open Market Committee (FOMC): 19 members; 12 voting

- **As with most central banks around the world, the Fed's responsibilities fall within four general areas:**

- Monetary policy – control money supply to affect growth and inflation
- Lender of last resort – provide liquidity in times of financial crisis
- Bank regulation – ensure safety and soundness, consumer rights
- Financial services – bank for banks, bank for federal government

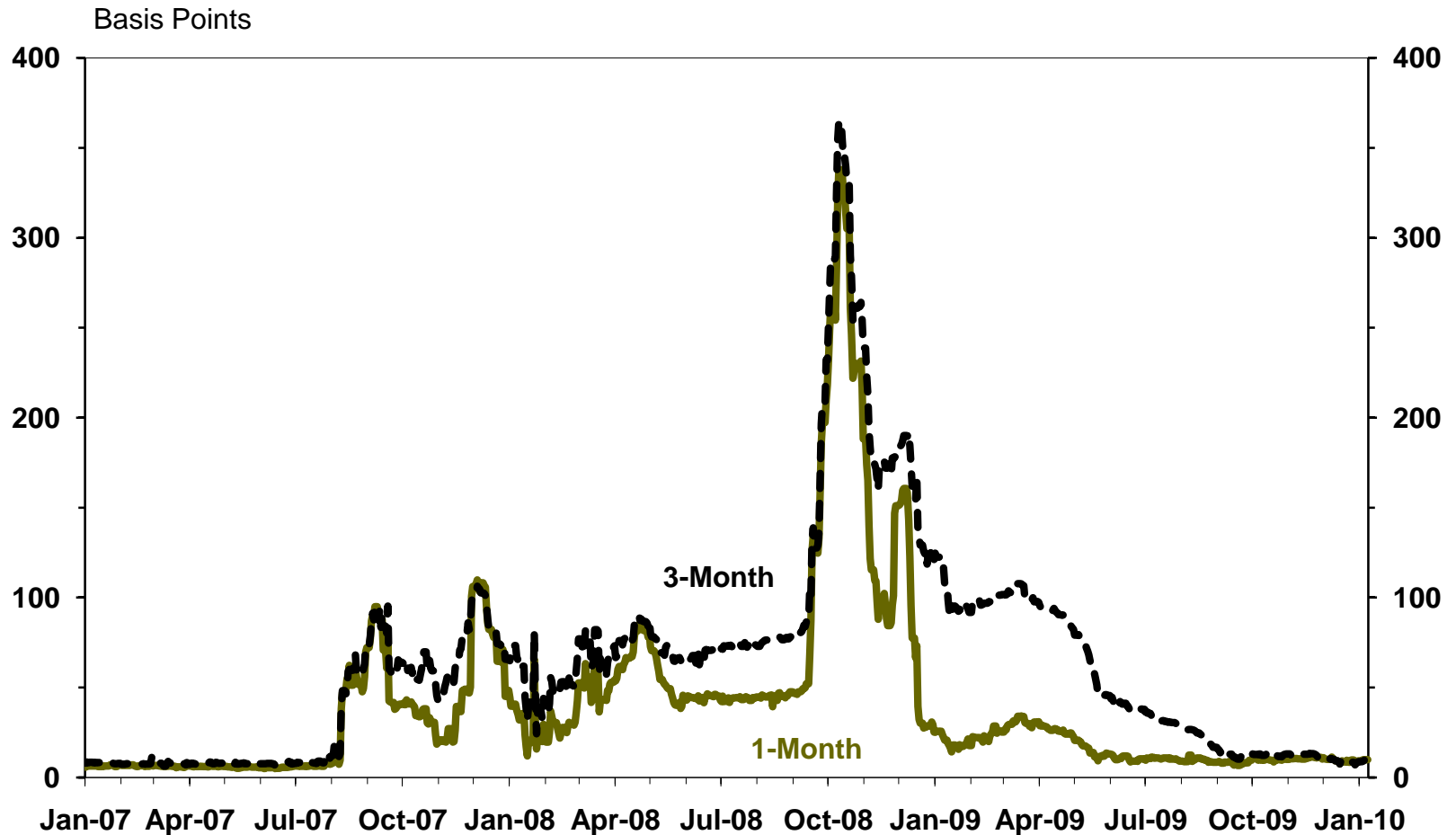
# The U.S. Economy

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- ❑ Credit market conditions have improved, and the U.S. economy is growing again, but the recovery is expected to be moderate
- ❑ Inflation is expected to remain tame in the near term, but will require diligent actions to stay in check over the longer run

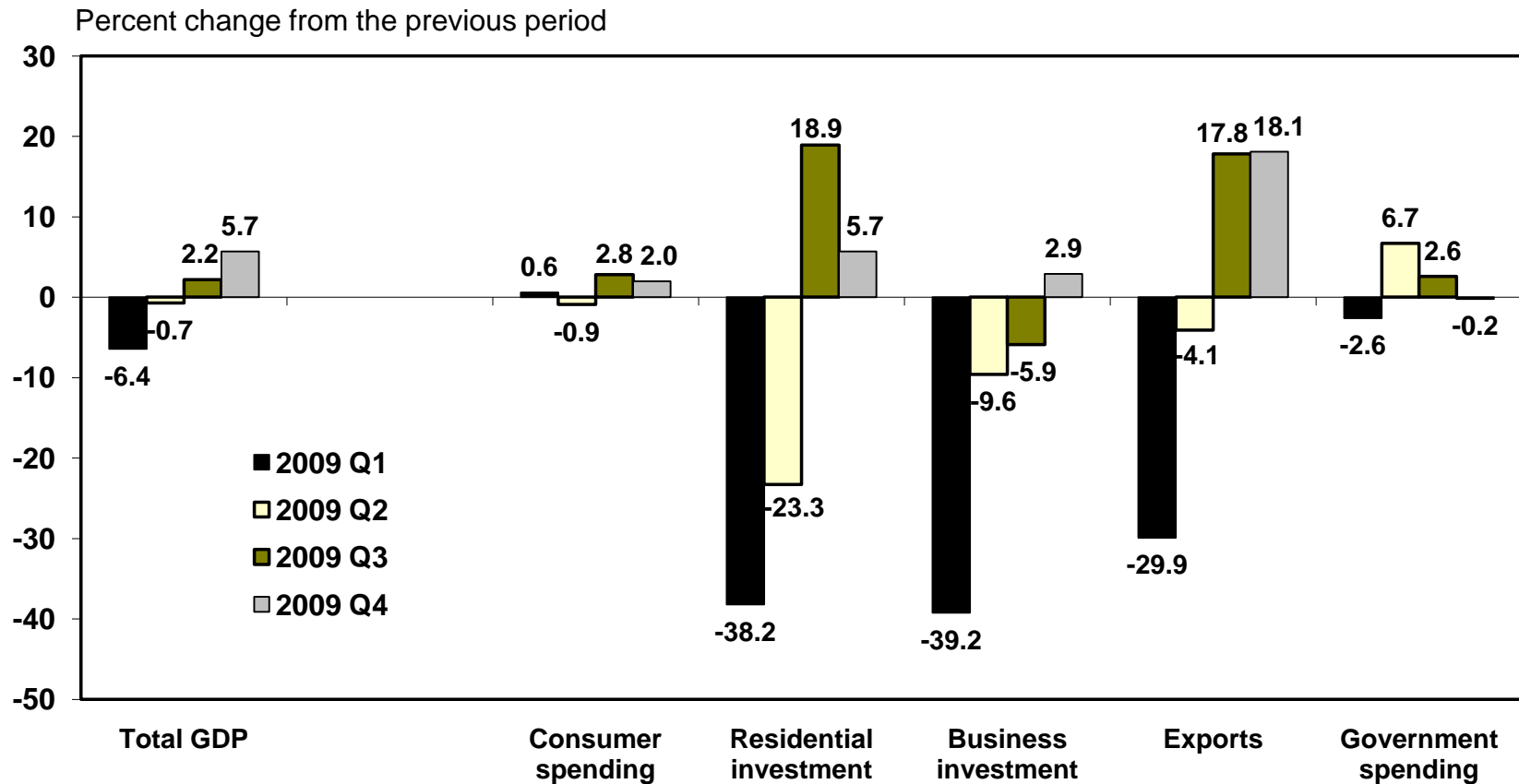
# Interbank lending markets have largely returned to normal in recent months

## LIBOR-OIS Spread



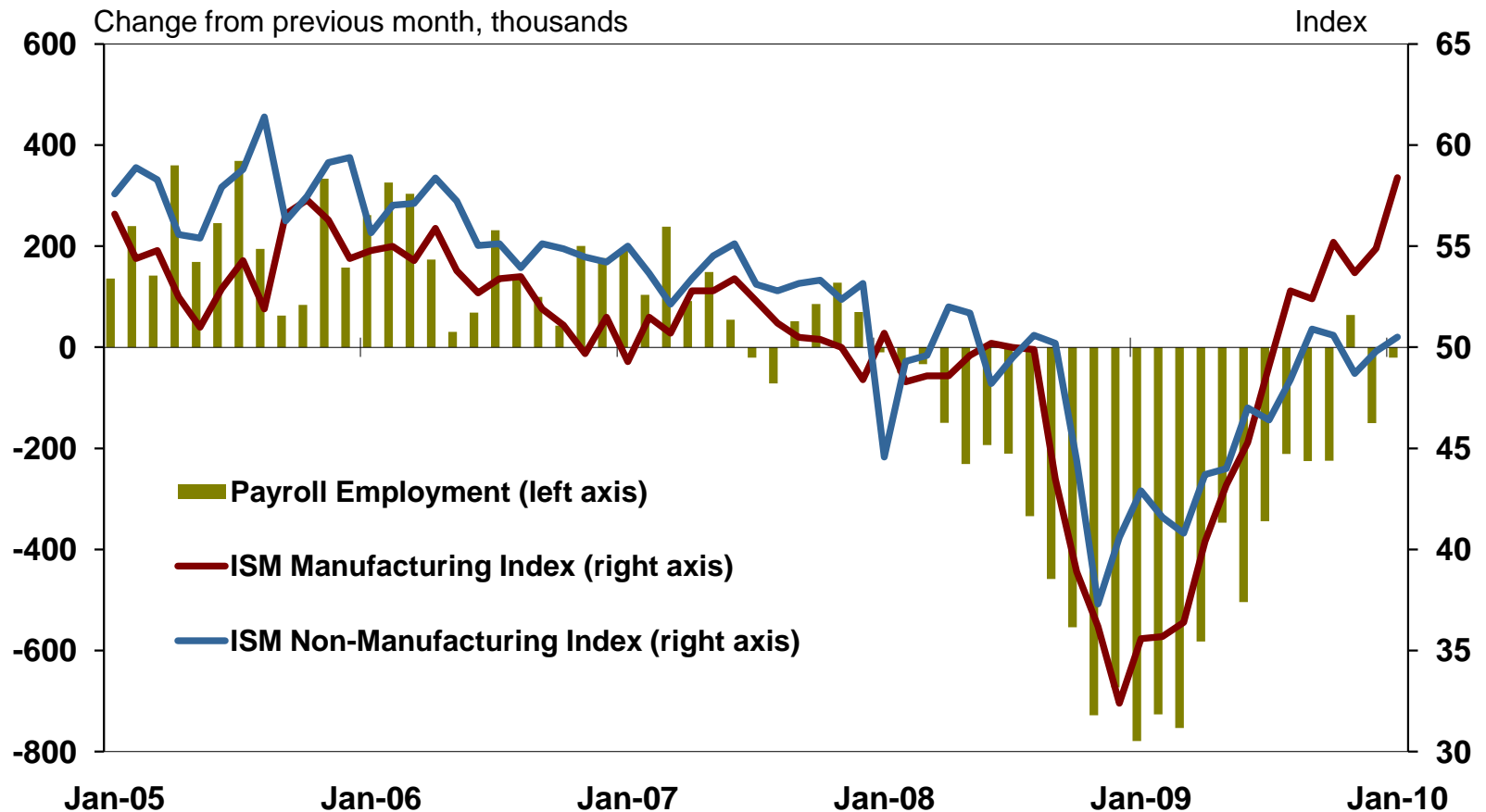
# Second half 2009 GDP growth was fairly strong, but boosted in part by government stimulus

## Growth in Components of GDP



# January 2010 data show further signs of improvement, especially in manufacturing

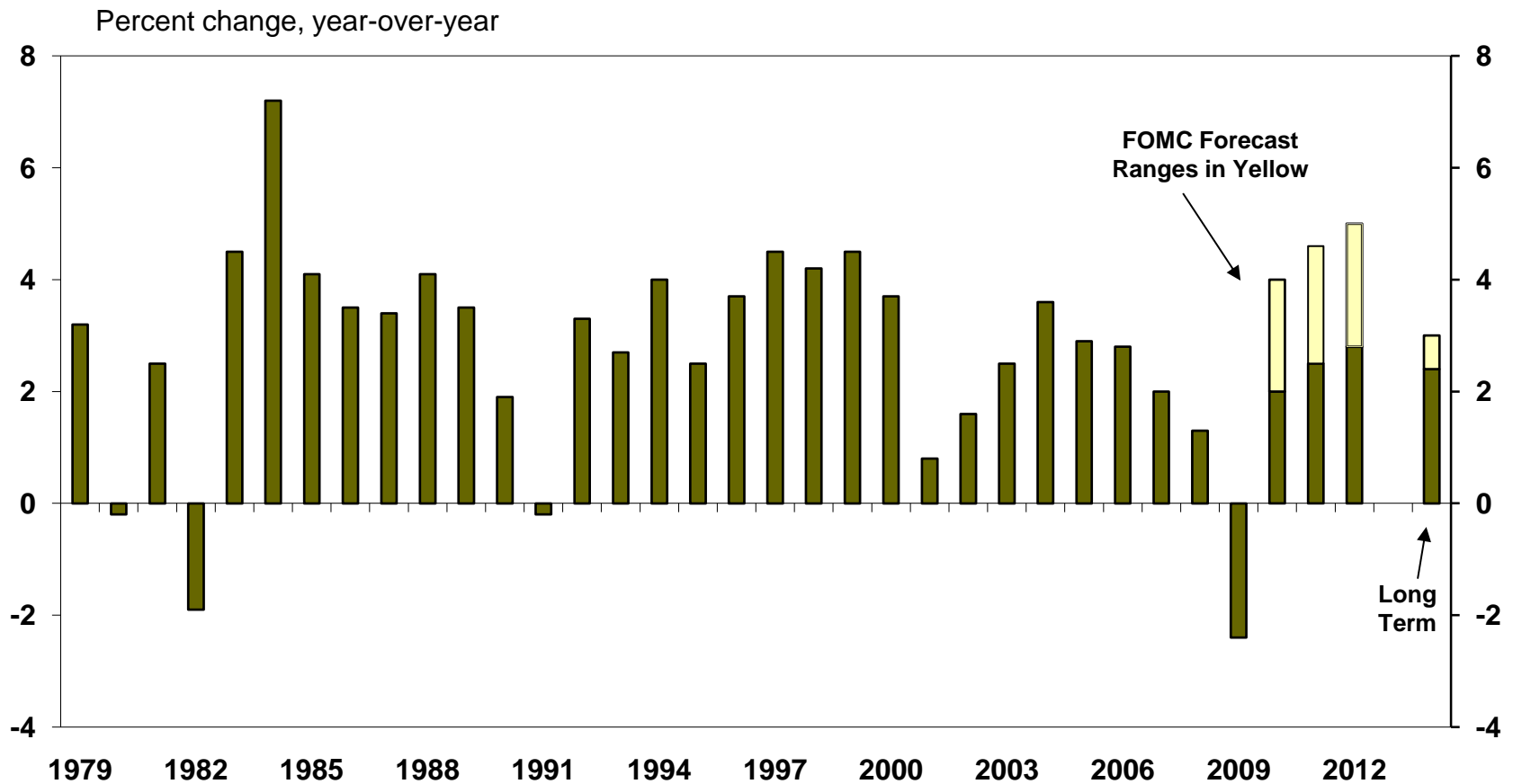
## National Business Indexes and Payroll Employment





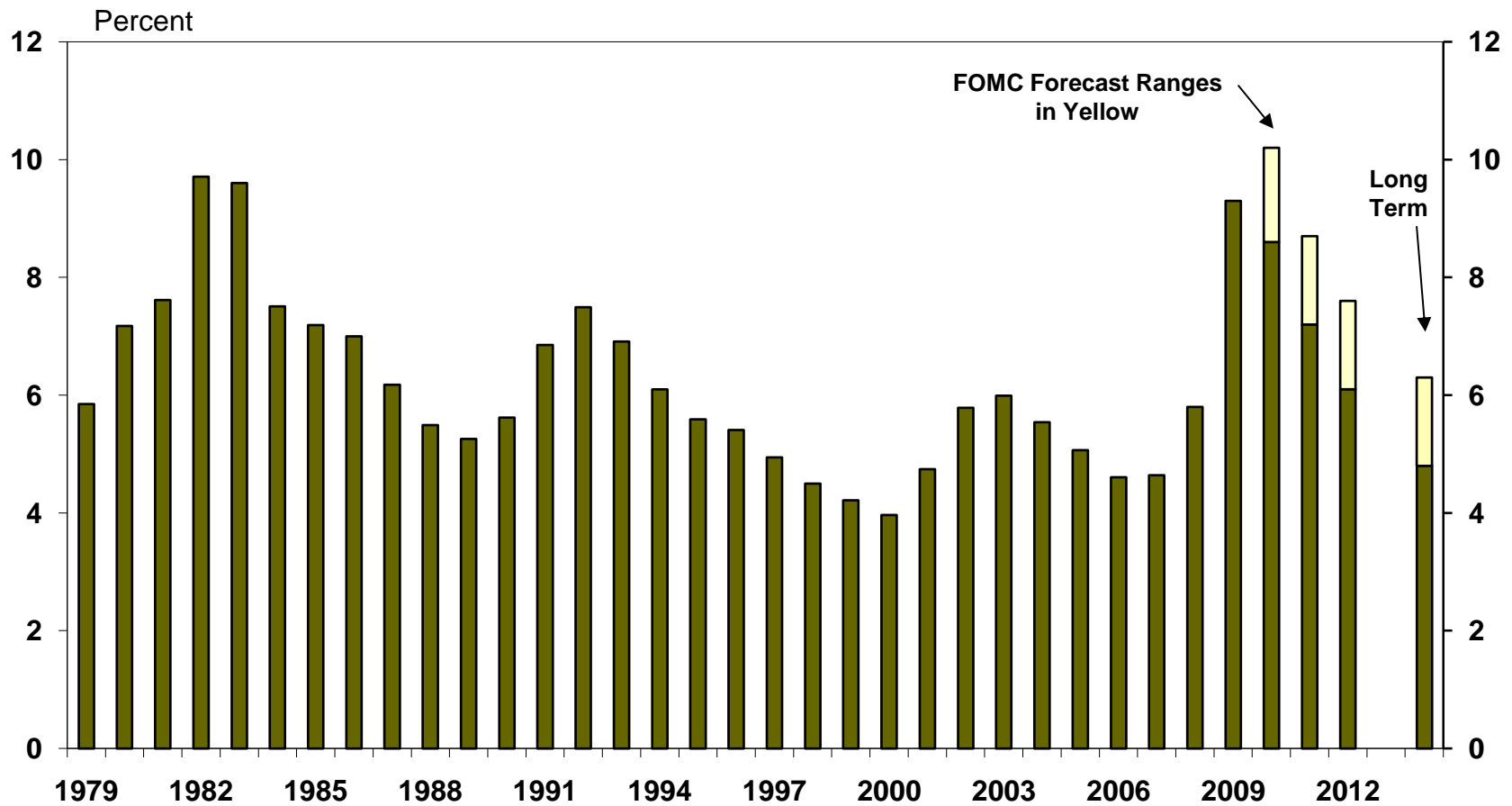
# Heading forward, Fed policymakers generally expect a moderate recovery

## Gross Domestic Product



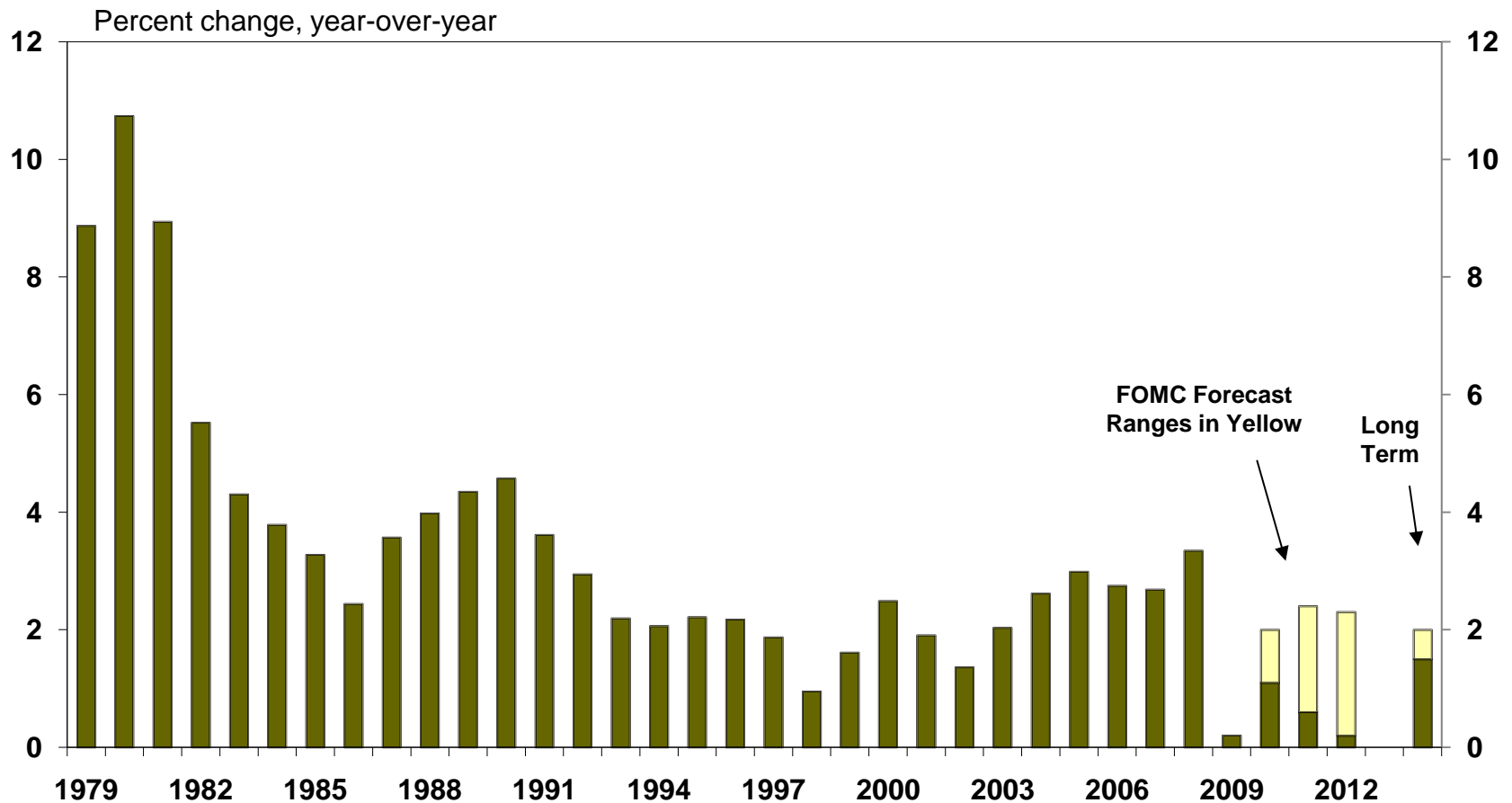
# But unemployment is expected to remain high for some time

**Unemployment Rate**  
Seasonally Adjusted



# Near-term inflation is expected to remain tame, but will require diligent oversight

## PCE Inflation Index



# The Oklahoma Economy

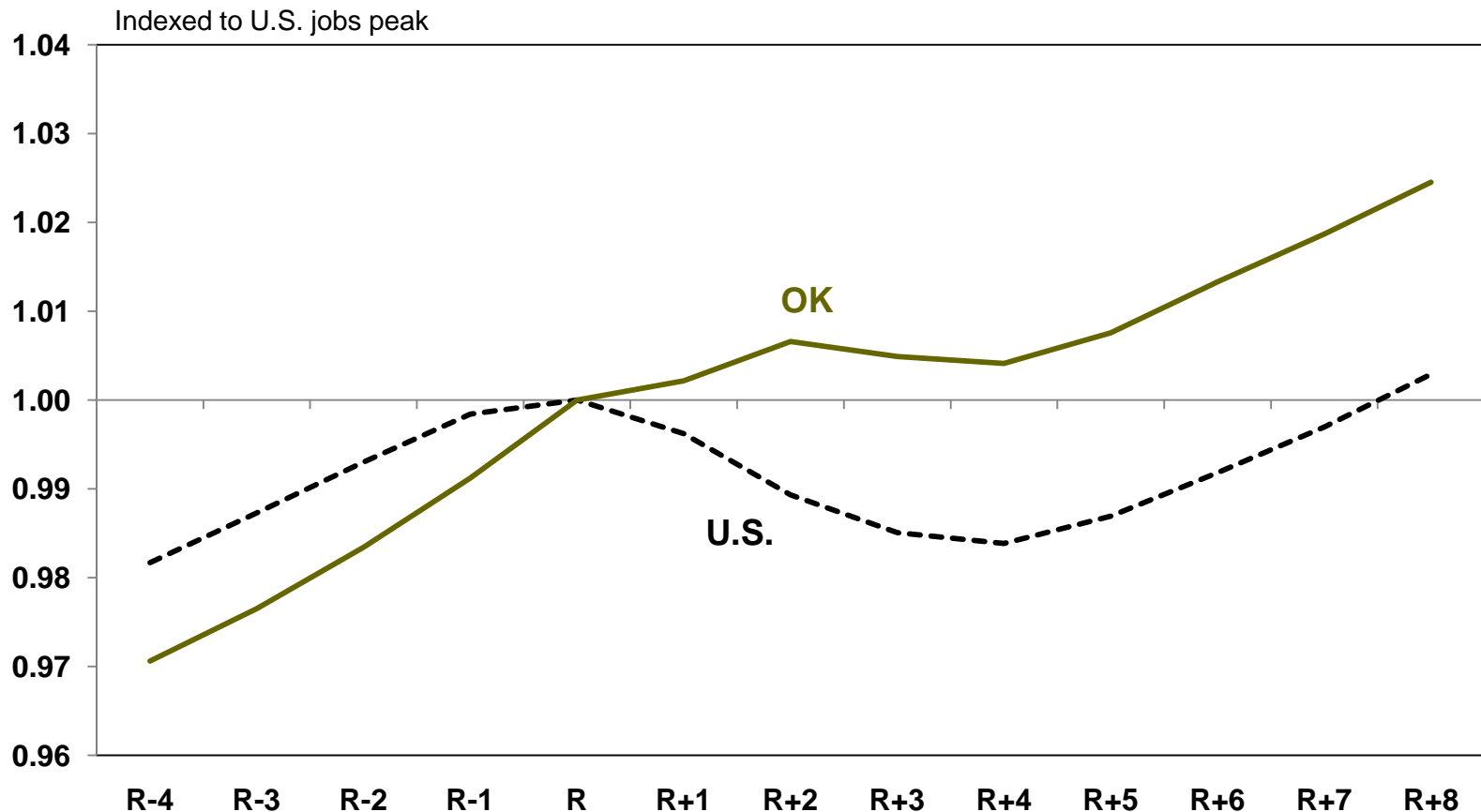
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- As usual in recessions, Oklahoma entered this recession later than the nation—not joining until energy prices fell in late 2008
- After steep declines for much of 2009, the state is showing recent signs of recovery—and conditions remain better than the nation

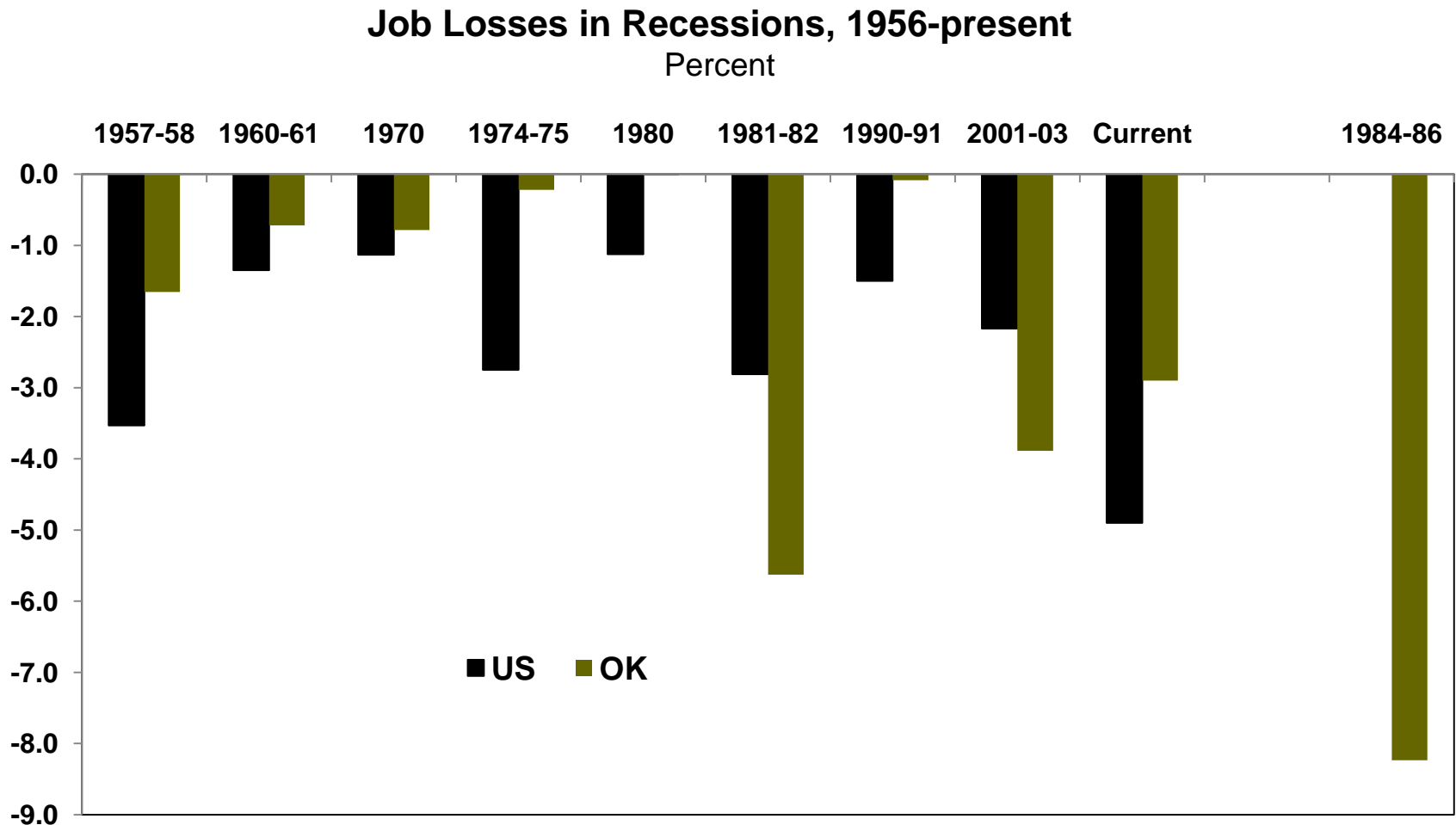
# Oklahoma usually enters recessions late but leaves around the same time as the nation

## Average Recession Path, 1956-2006

Employment level 4 quarters before and 8 quarters after U.S. jobs peak

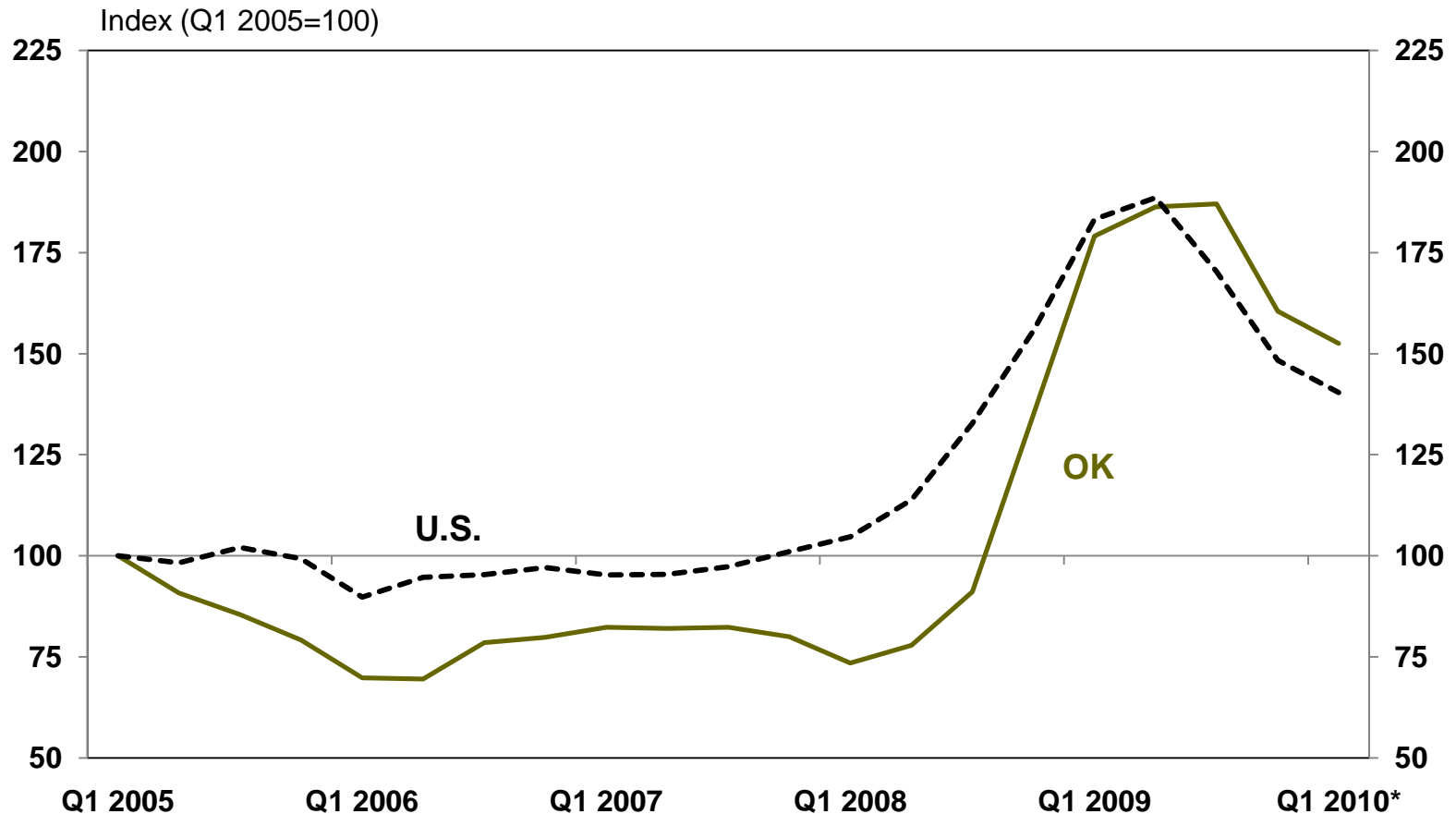


# The main exception in the postwar period was during the 1980s, of course



# Oklahoma entered this recession 3 quarters late and appears to be leaving one quarter late

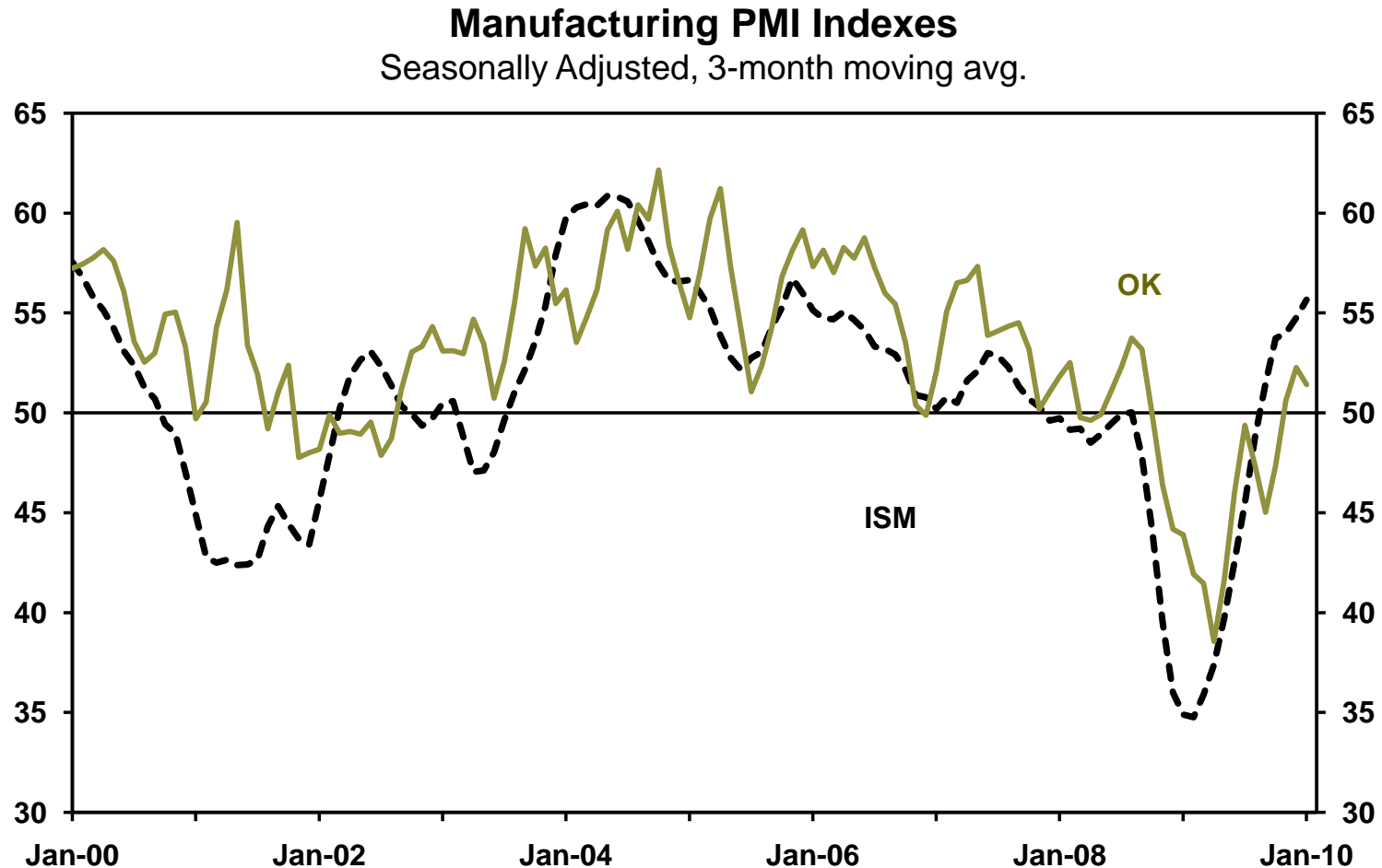
## Initial Claims for Unemployment Insurance



\*January only

Source: Bureau of Labor Statistics

# Recent data on state factory activity also show signs of recovery, even if again slightly lagged

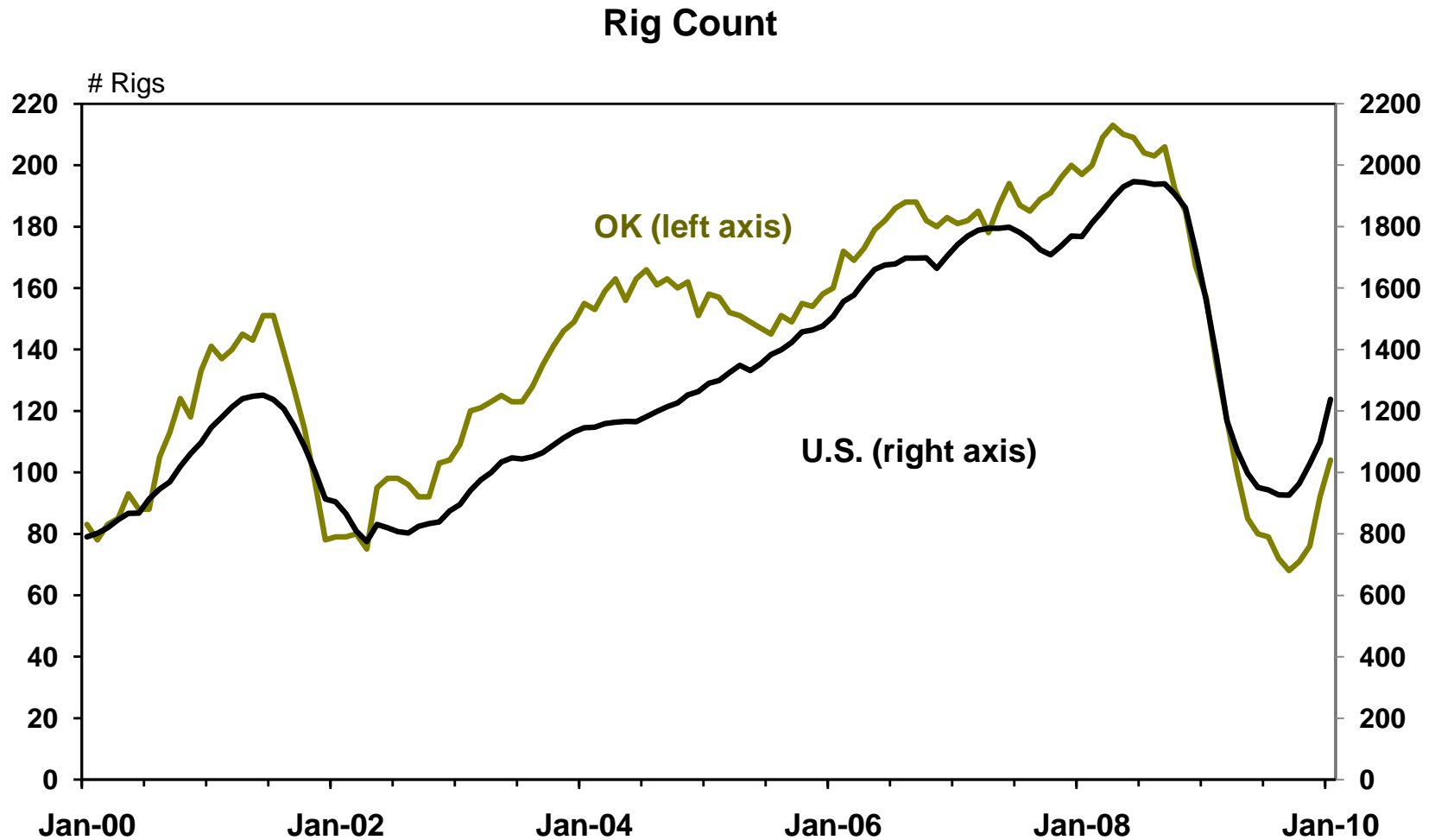


Note: OK index is computed on ISM basis (50 = zero change)

Source: ISM, FRBKC Manufacturing Survey



# And importantly, the rig count is rising again after falling dramatically in 2009



# Unemployment in Oklahoma remains lower than in all but 3 states (NE, ND, and SD)

Unemployment Rate, December 2009



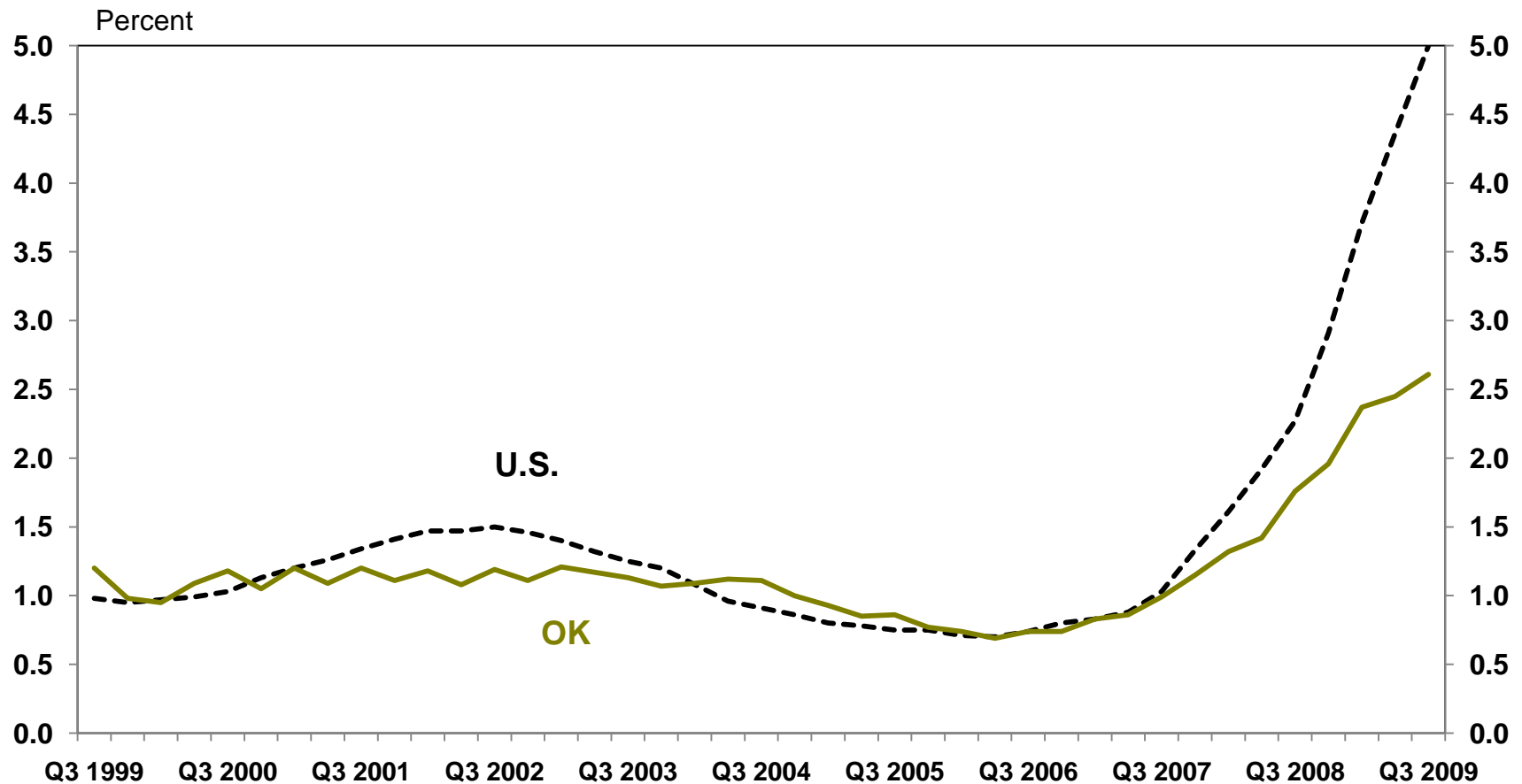
# Unlike the nation, home prices have held up quite well in Oklahoma, and are stabilizing

Quality-Adjusted Home Price Growth  
Purchase Only



# And banks in the state remain in much better shape than in the nation

**Noncurrent Loans as a Share of Total Loans**  
Commercial Banks



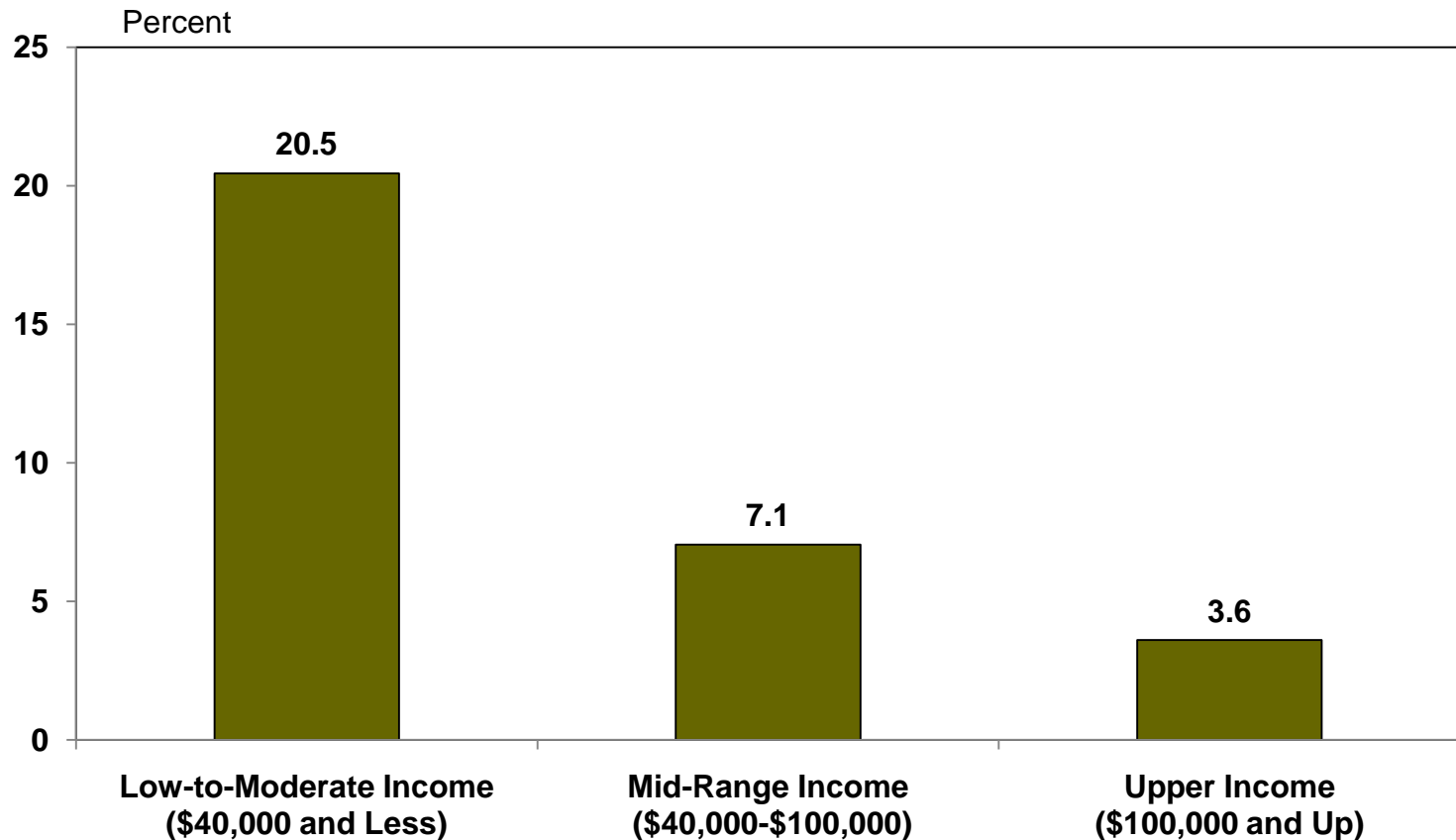
# Trends for Nonprofits Serving Lower Income Families

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- Low and moderate income (LMI) families have been hit hard by this recession, and financial stress is expected to continue for them in 2010
- Nonprofits serving LMI families have also been stressed, but their capacity to serve and funding sources appear to have held up relatively well

# Unemployment rates are much higher for low-to-moderate income families

**Unemployment Rate by Household Income Levels**  
Q4 2009



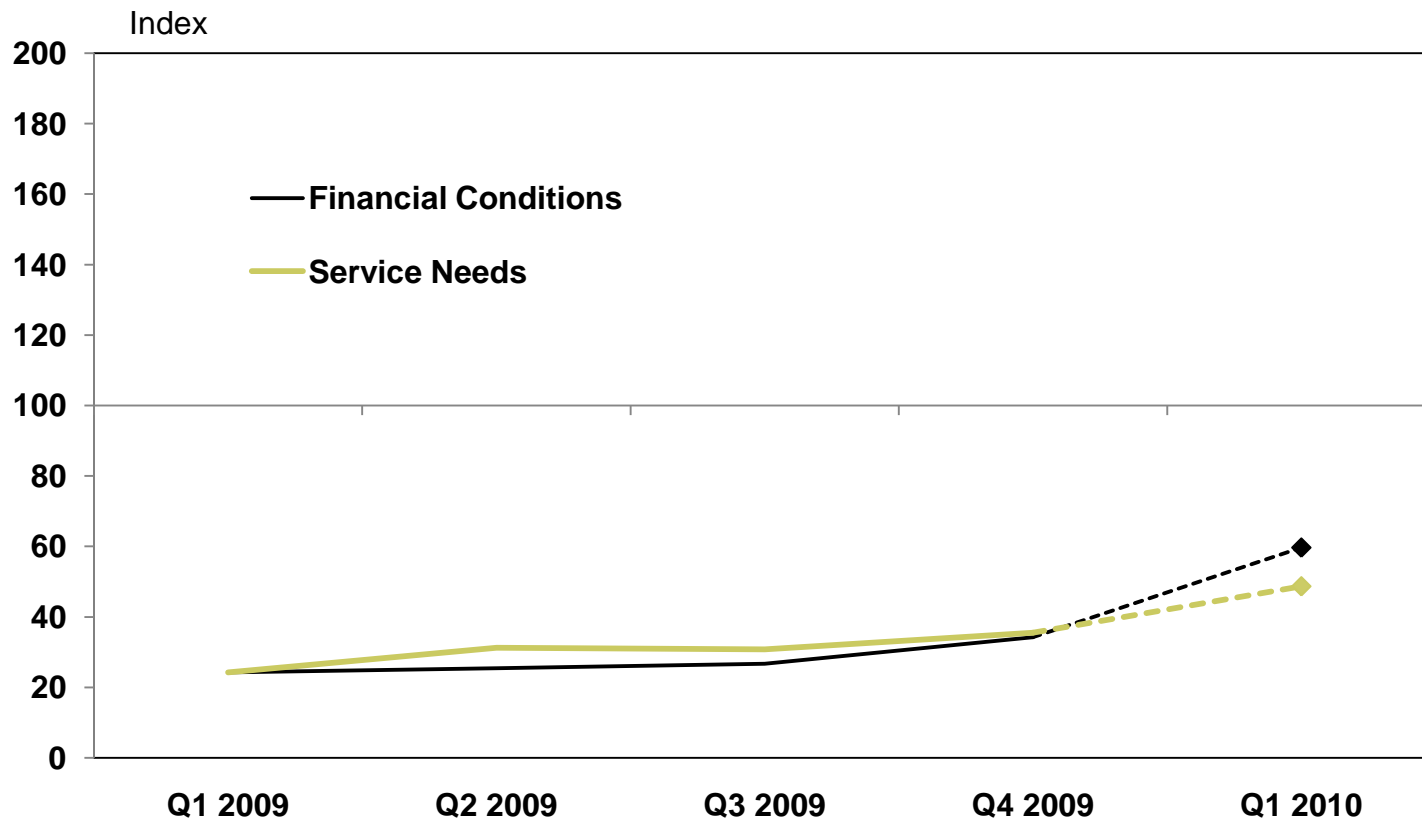
# The Kansas City Fed LMI Survey

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- In order to better understand the needs of LMI families and their role in the regional economy, the KC Fed recently started a survey of the nonprofits who serve them
- About 100 of these nonprofit agencies respond to the quarterly survey, with results released on the Kansas City Fed's web site

# LMI financial conditions continue to deteriorate, and service needs remain high

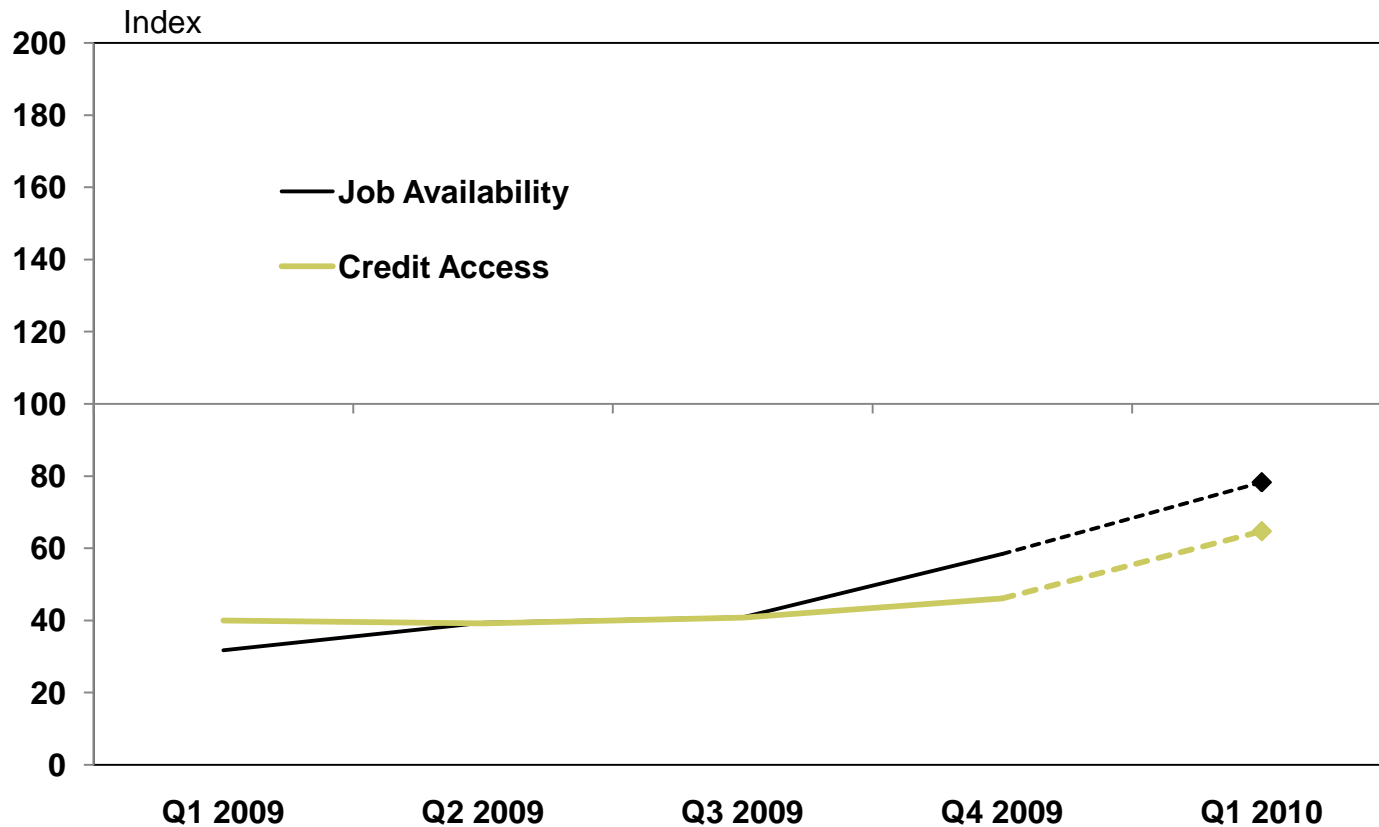
## Low-and-Moderate Income Indicators





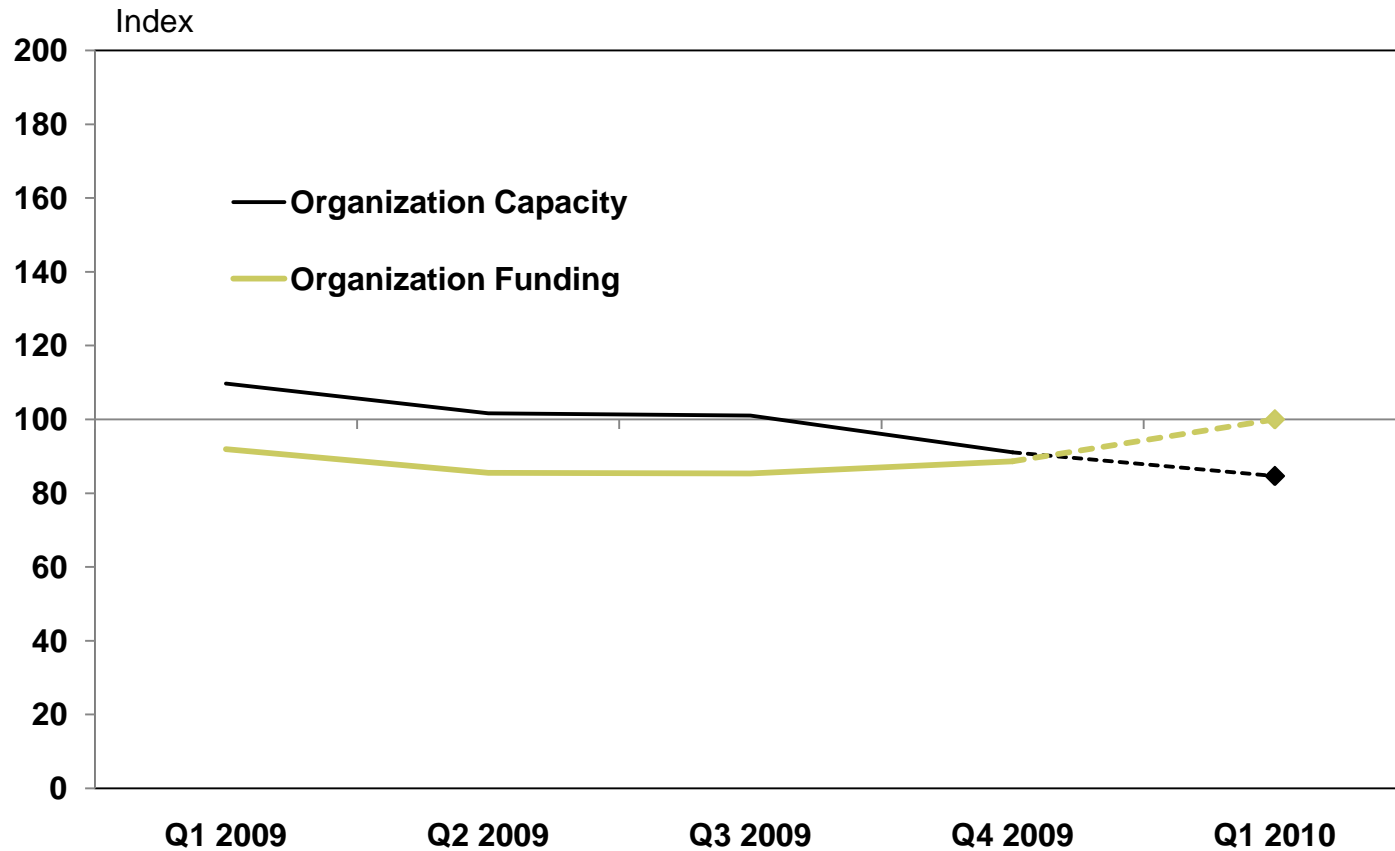
# Job availability and credit access for LMI families remains challenging

## Low-and-Moderate Income Indicators



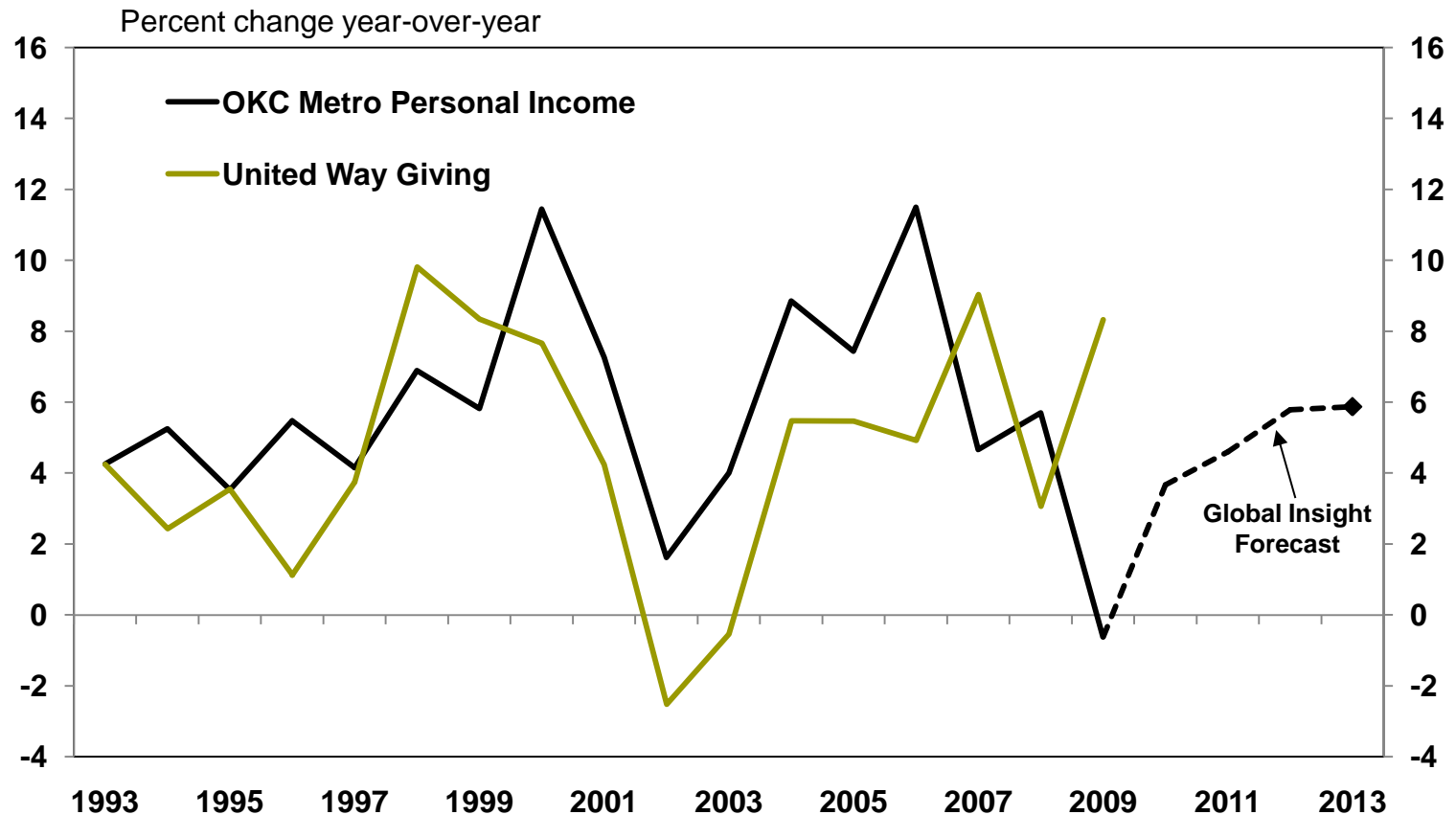
# Nonprofits are reporting only slight declines in their capacity to serve and funding sources

## Low-and-Moderate Income Indicators



# Local United Way giving has held up quite well given trends in personal income

**United Way Giving and Personal Income Growth**  
Oklahoma City metropolitan Area



# Summary

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- The U.S. and Oklahoma economies appear to be growing again and should be adding jobs soon, though likely not at a rapid rate
- Low and moderate income families in the region are still suffering, but so far funding and capacity to serve them is holding up