

# The Economic Outlook for the U.S. and Oklahoma



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# History and Structure of the Federal Reserve System

- **The Federal Reserve Act of 1913 created the Fed; Senate sponsor was Oklahoman Robert L. Owen**
- **The Federal Reserve System consists of:**
  - 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 of banks
  - Financial services – bank for banks, bank for federal government



# Federal Reserve Districts and Office Locations



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

- **History, staff, and functions**

- Branch office opened in 1920; currently have about 35 staff
- Functions include economic research, bank examinations, 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 Co., 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



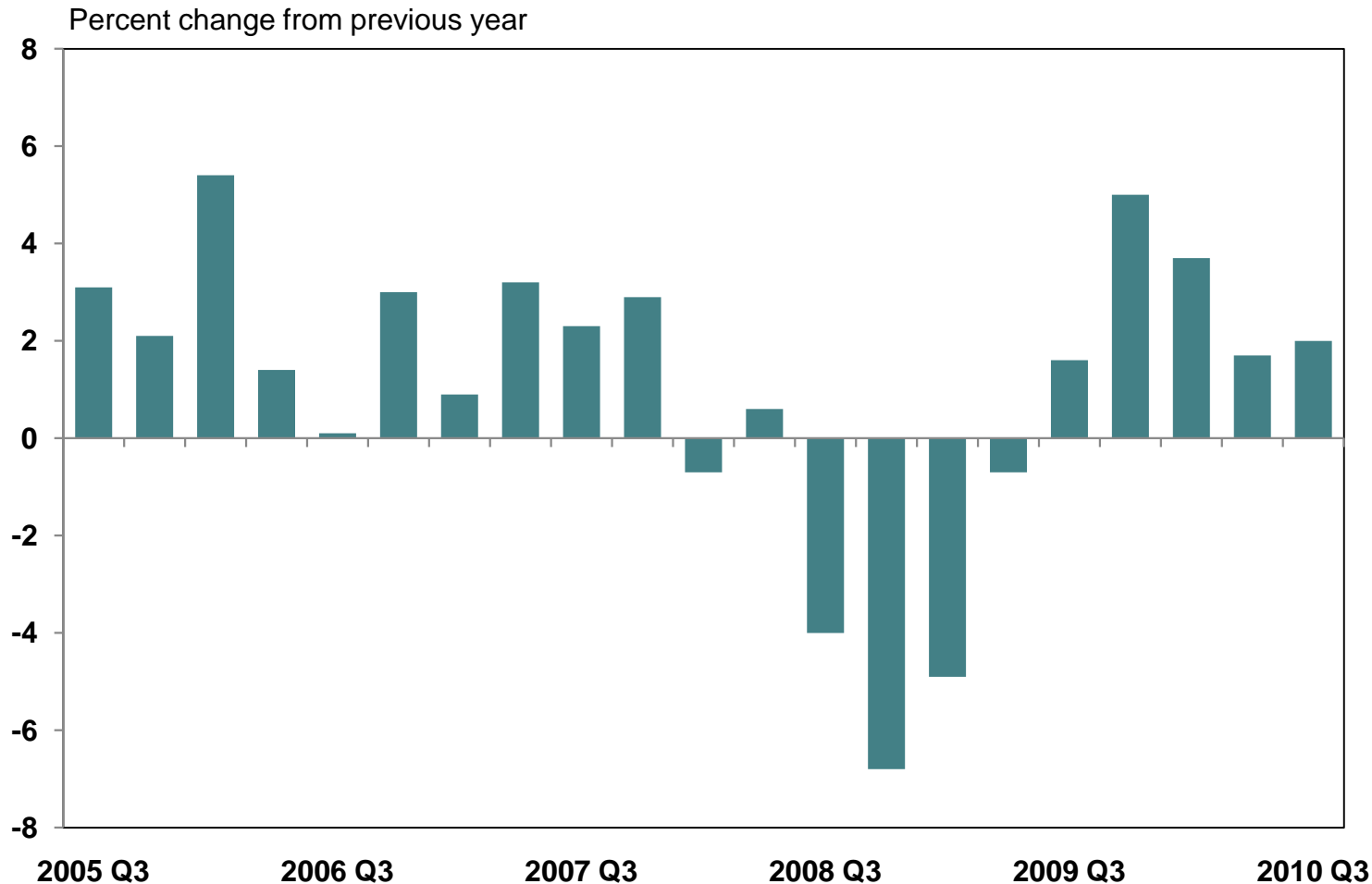
# The U.S. Economic Outlook

- The pace of U.S. recovery has slowed somewhat from earlier in the year
- Economic forecasts call for continued moderate growth with low inflation



# The recession ended in June 2009, and real GDP has now grown for 5 quarters

**Real GDP Growth**  
Seasonally adjusted, annual rate



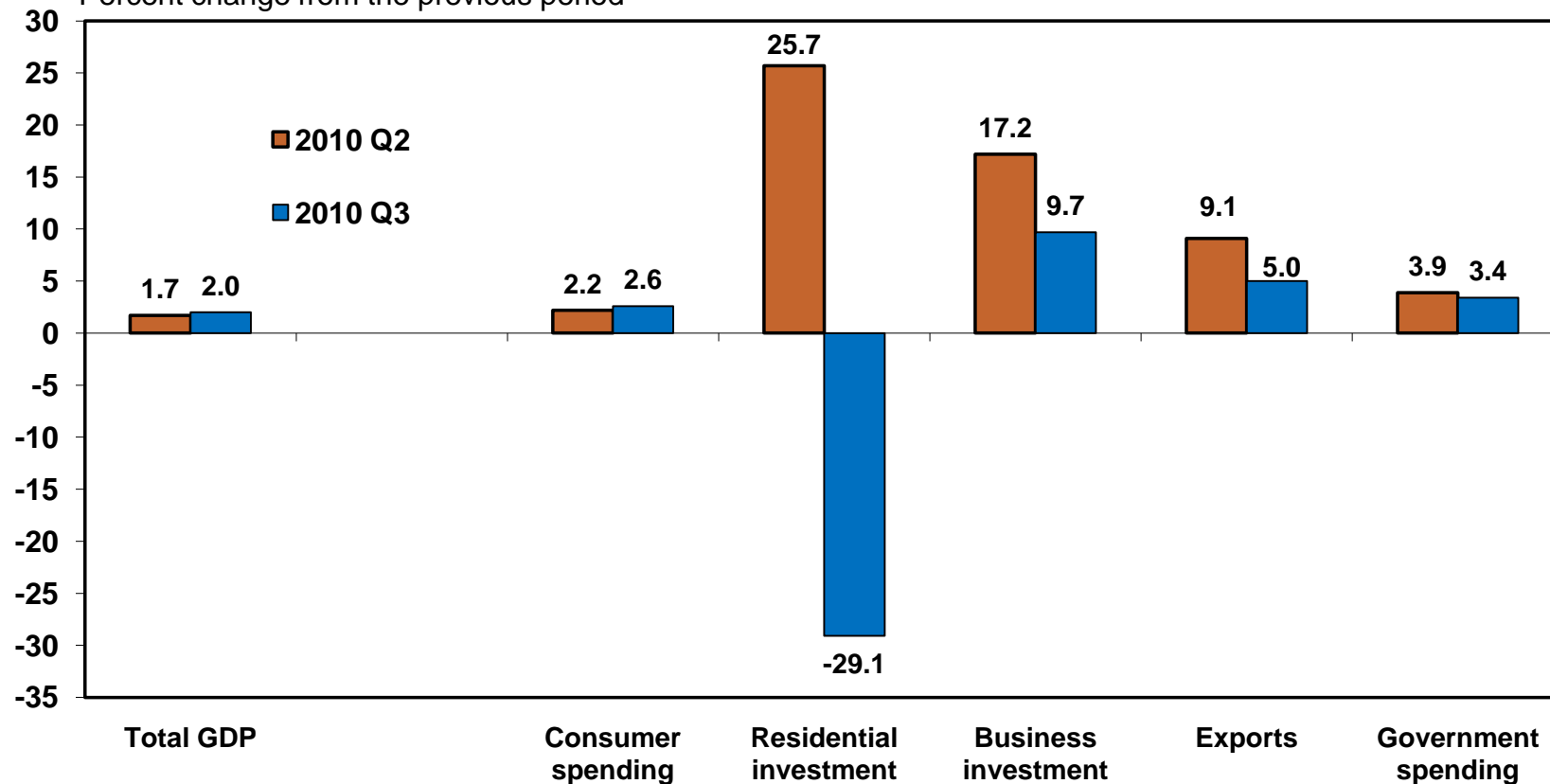
Source: Bureau of Economic Analysis



# Recent growth has been driven by stronger business spending and exports

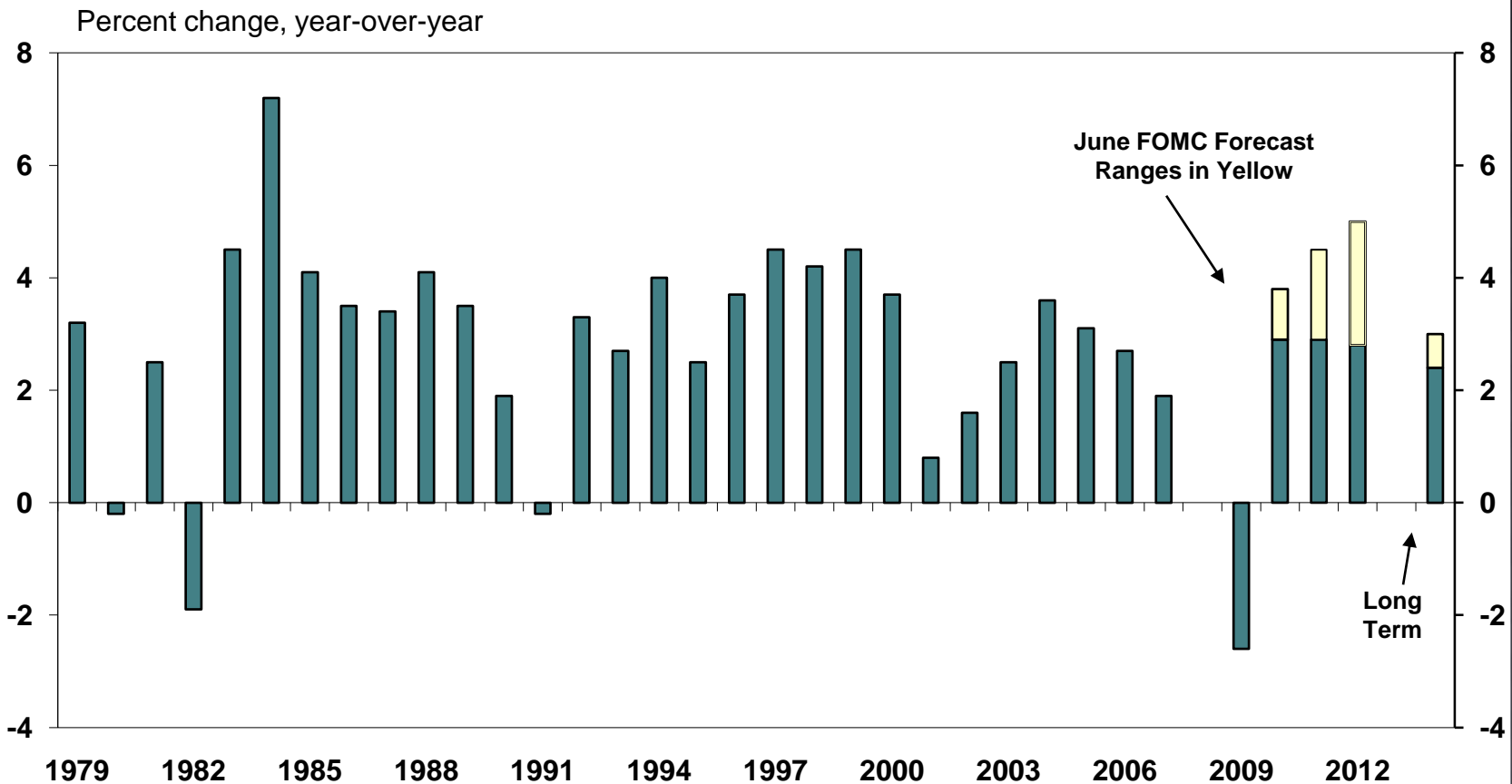
## Growth in Components of GDP

Percent change from the previous period



# Heading forward, Fed policymakers expect continued moderate recovery

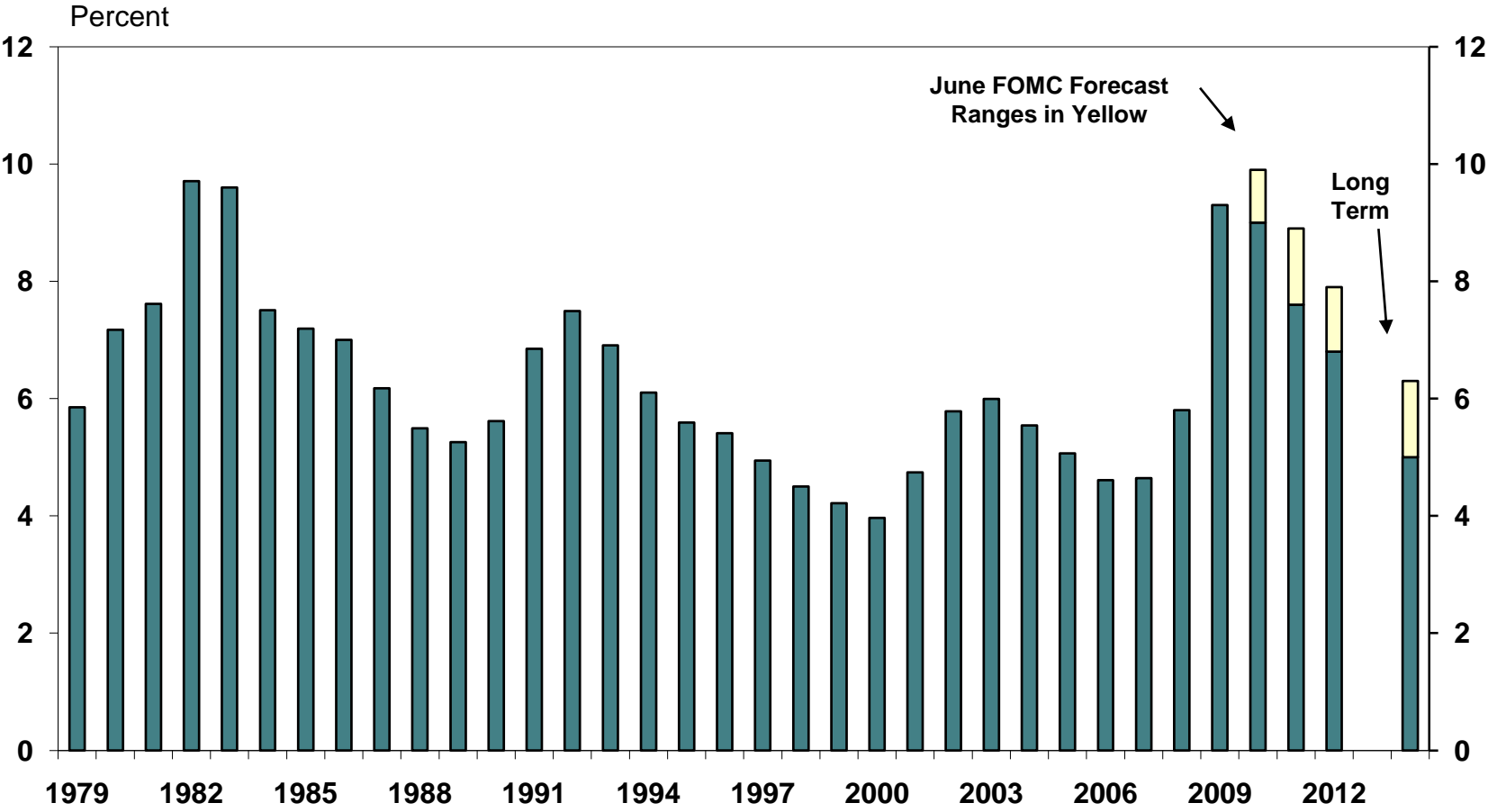
## Gross Domestic Product





# But with national unemployment remaining high for some time

**Unemployment Rate**  
Seasonally Adjusted

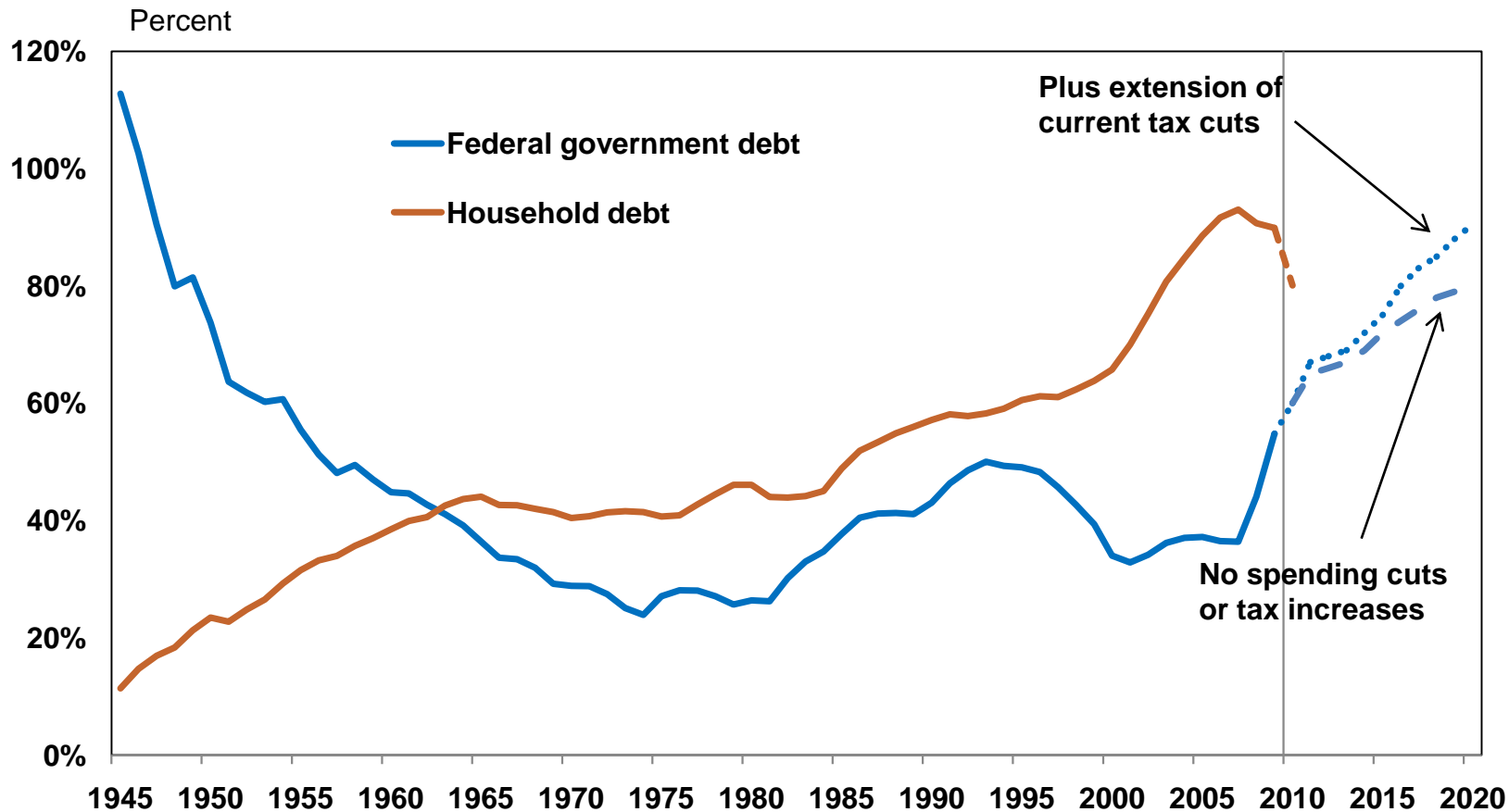


Source: U.S. Bureau of Labor Statistics, FOMC



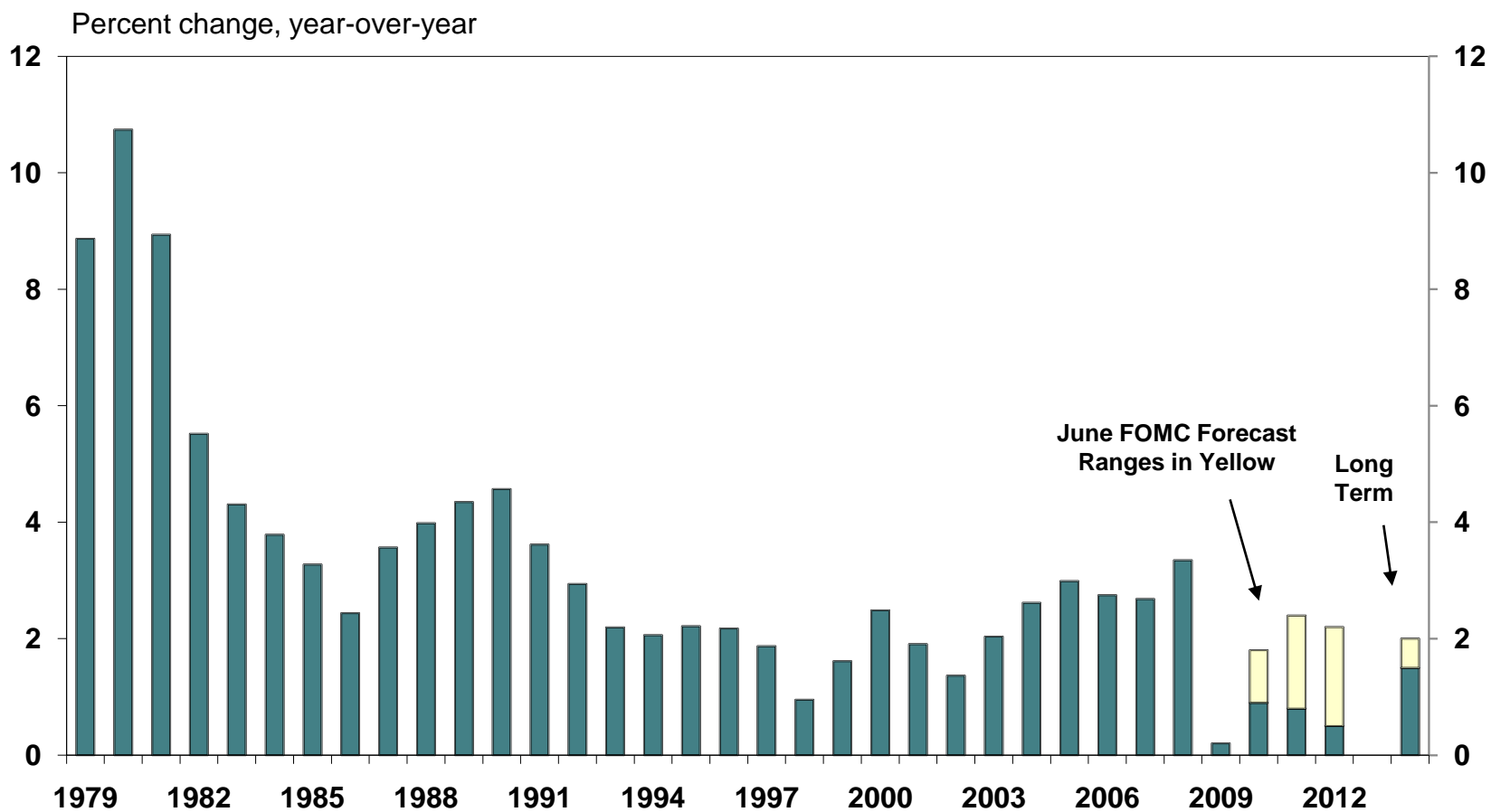
# Consumer debt could constrain growth and federal debt is a longer-term concern

## U.S. Debt as a Share of GDP



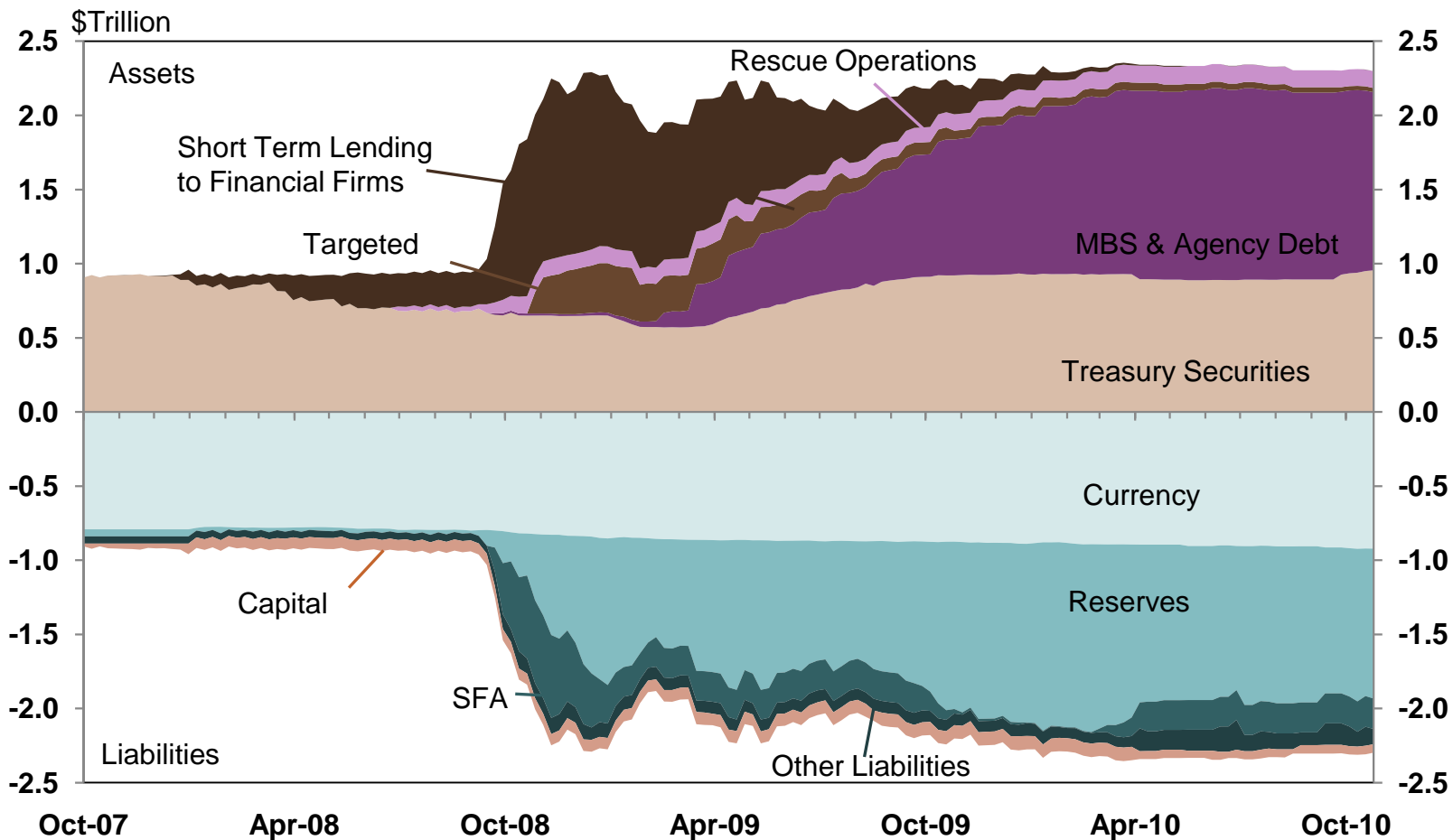
# Inflation is expected to remain tame in the near term, but will require careful oversight

## PCE Inflation Index



# The Fed's balance sheet has grown to historical levels

## Federal Reserve Balance Sheet



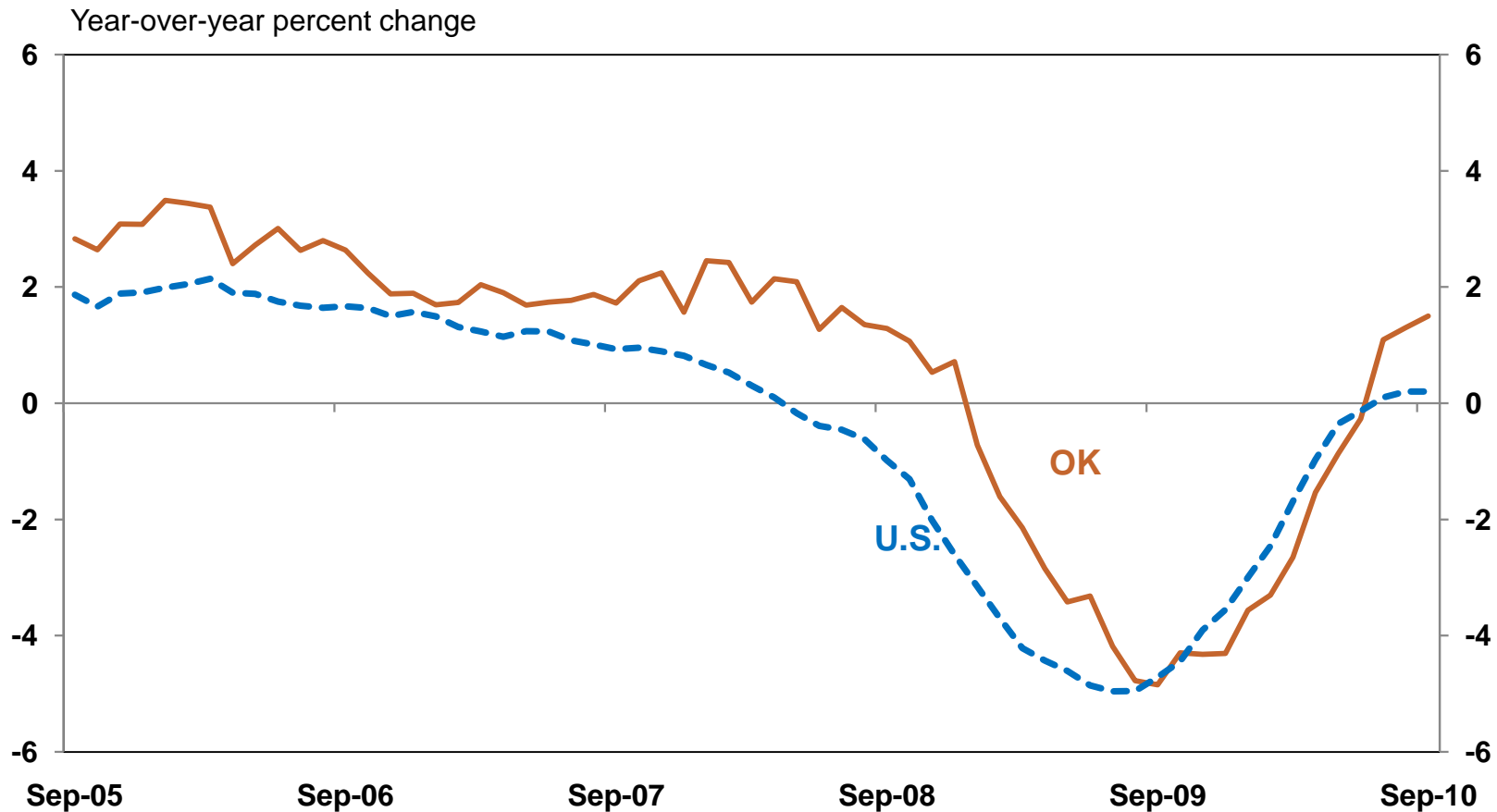
# The Oklahoma Economic Outlook

- As usual, Oklahoma's recession was shorter and milder than the nation's
- The state also appears to have fewer risks, aside from low natural gas prices



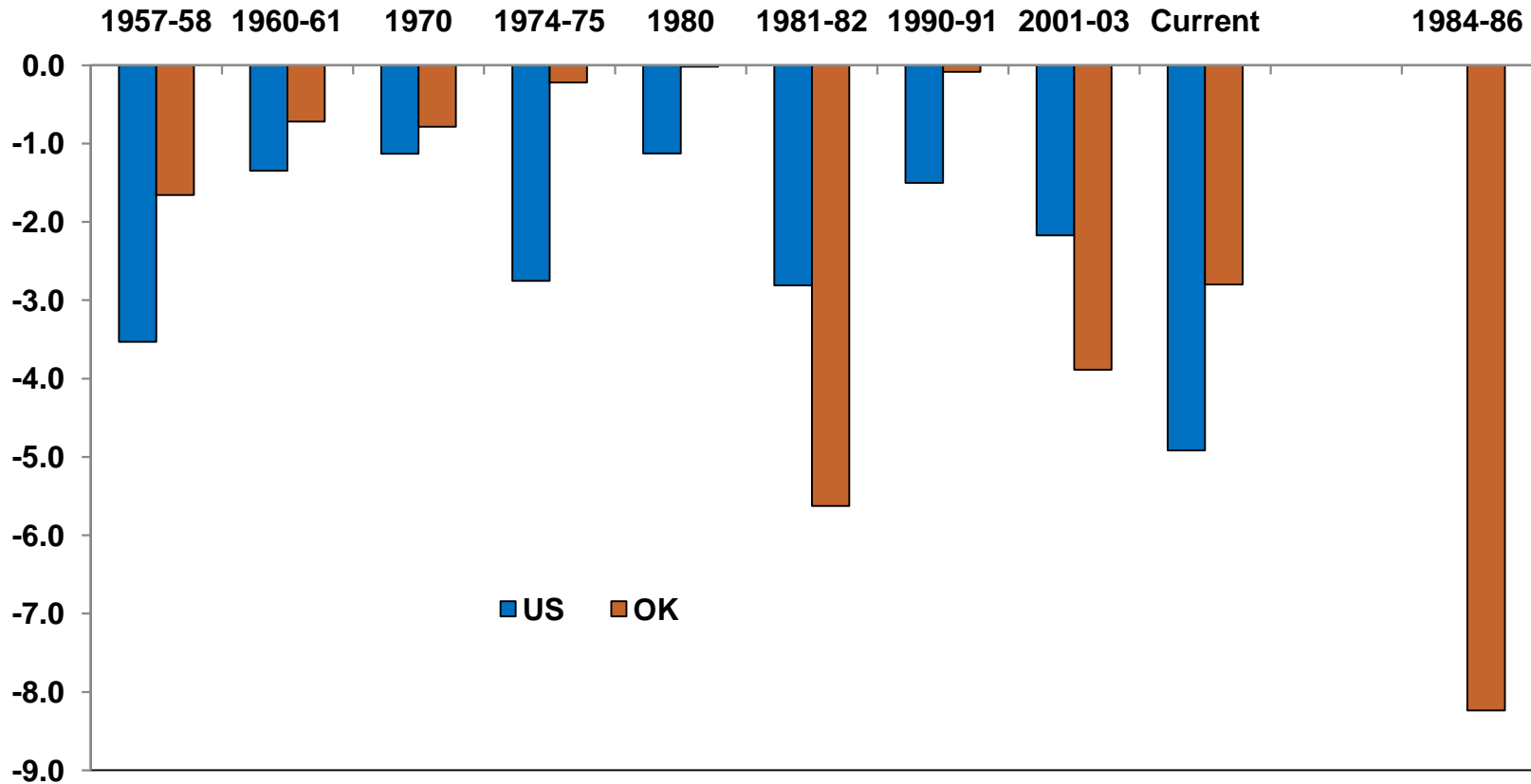
# Oklahoma entered this recession late, but is now outpacing the nation

## Payroll Employment



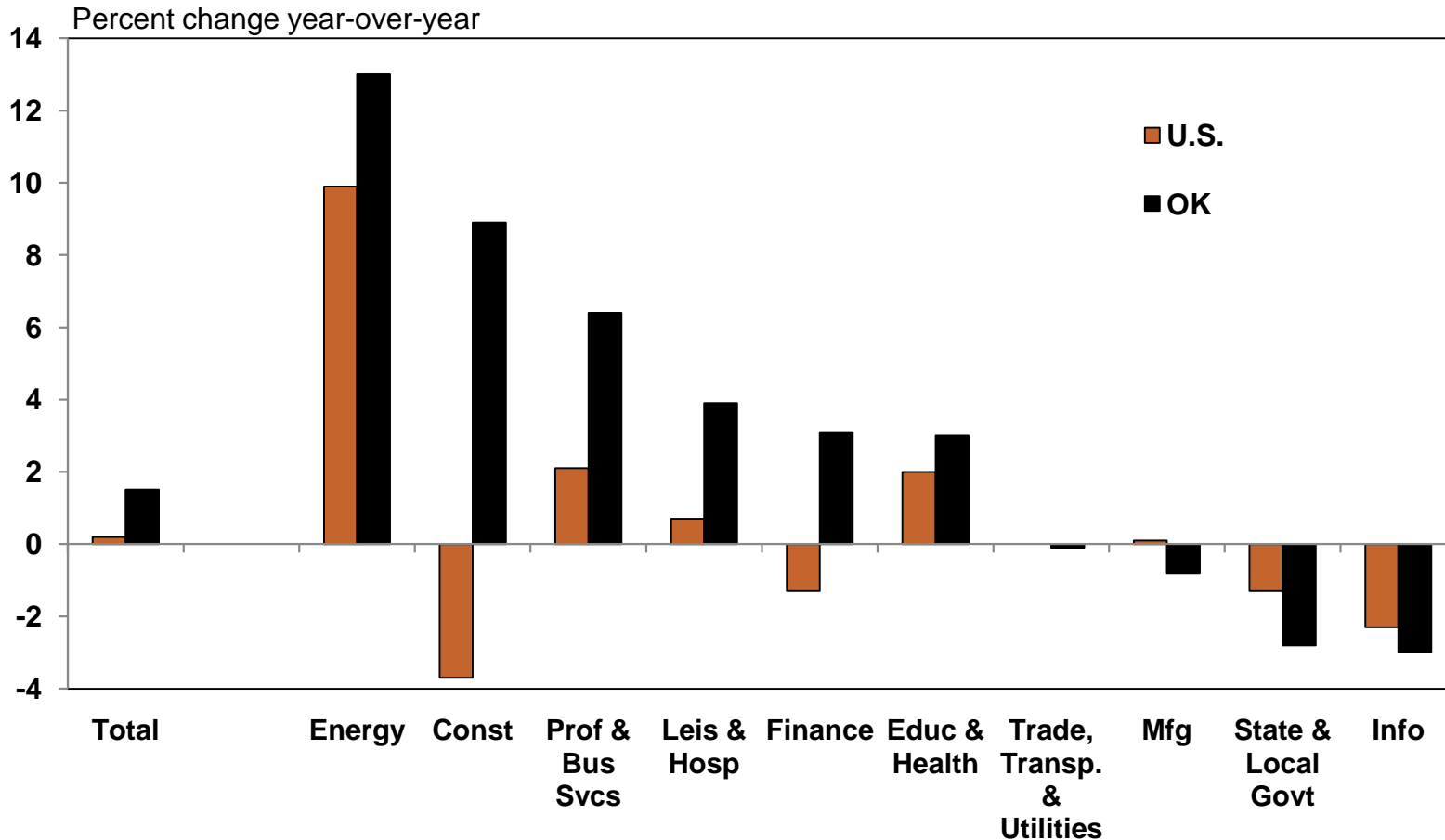
# Oklahoma usually has this recession and recovery pattern, but with some exceptions

Job Losses in Recessions, 1956-present  
Percent



# Recent solid state job growth has been driven by energy, construction, and services

## Employment Growth September 2010



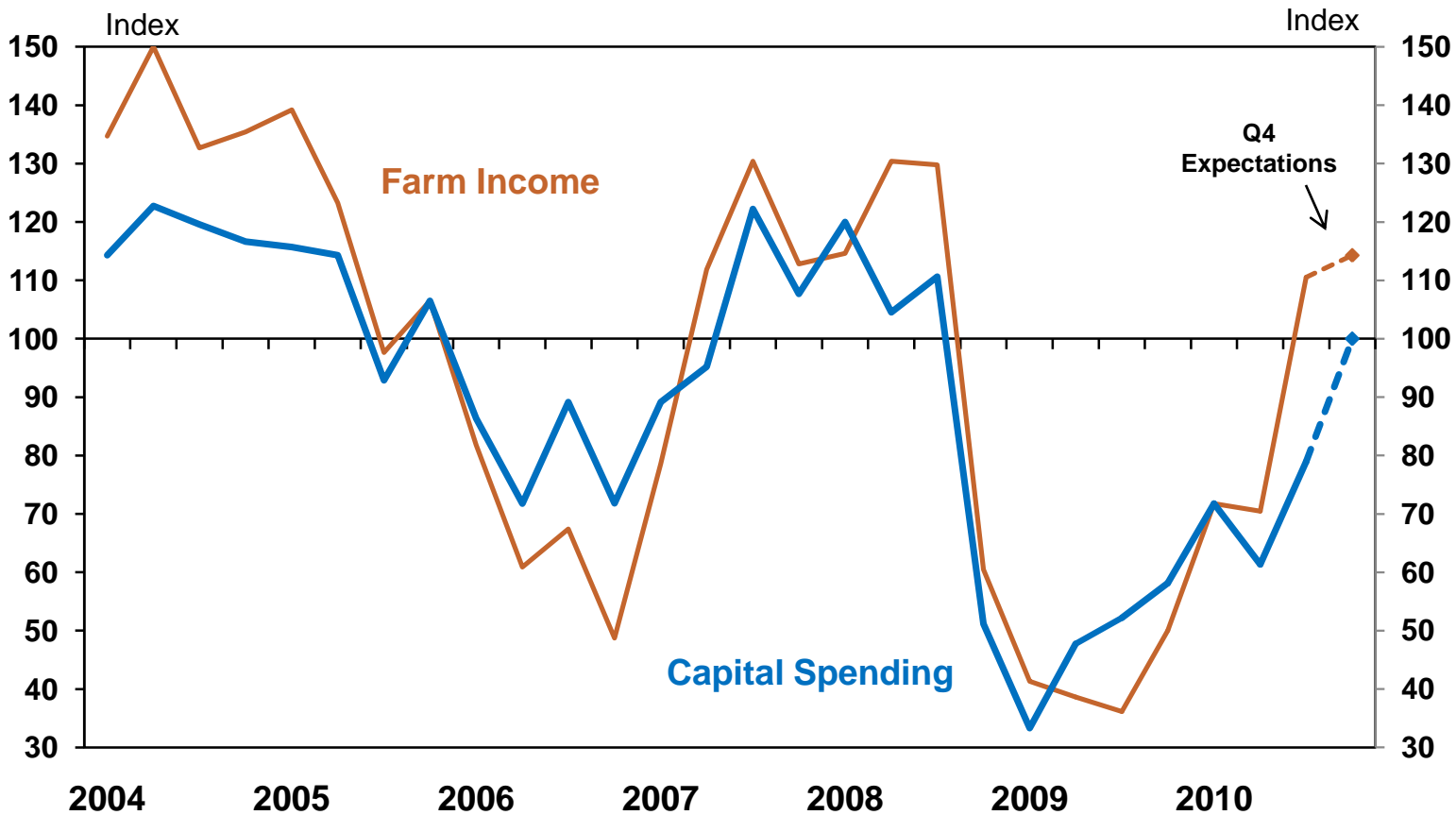
Source: Bureau of Labor Statistics





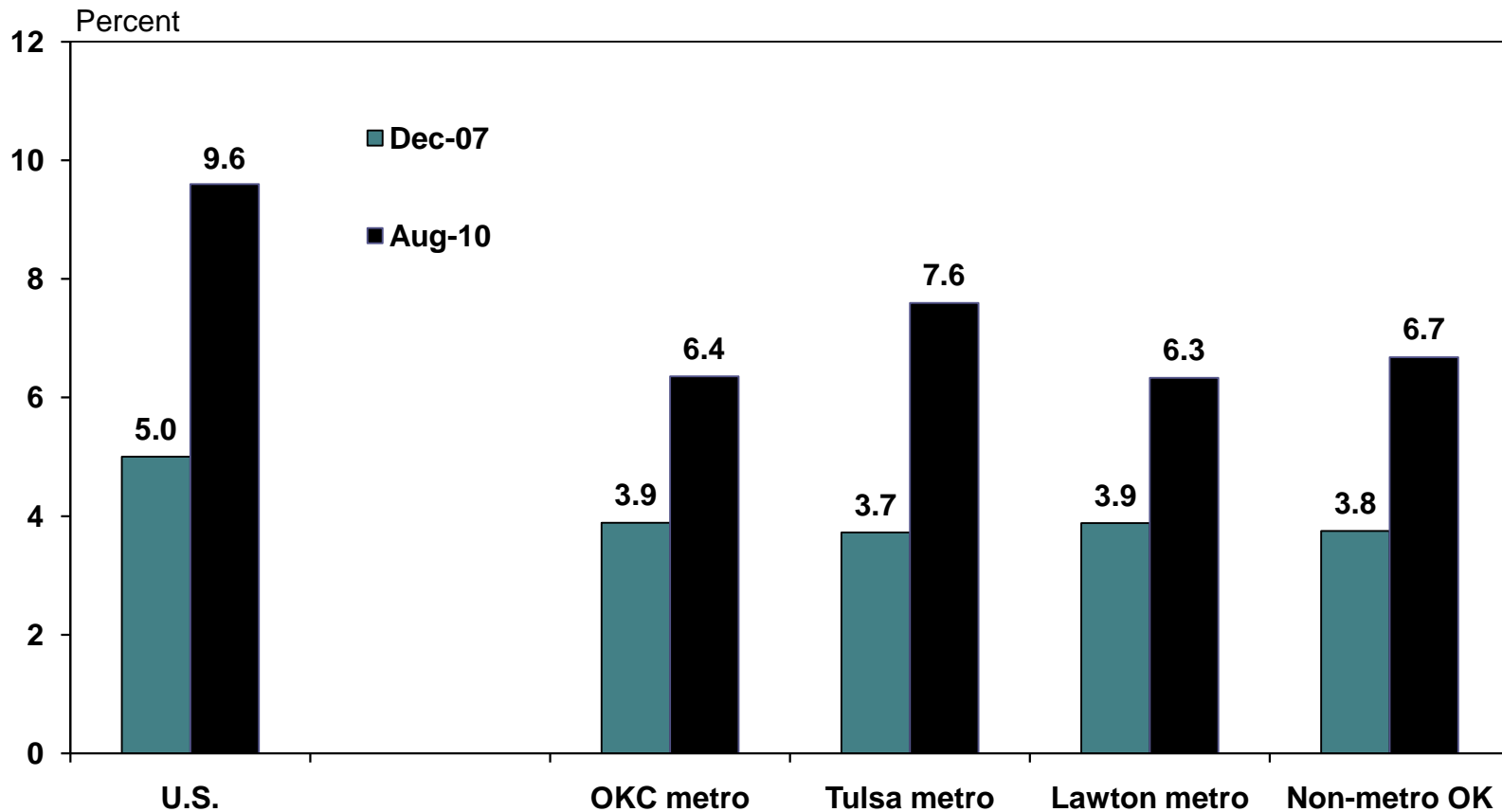
# Agricultural conditions in the state have also improved after bottoming in 2009

## Oklahoma Agricultural Conditions



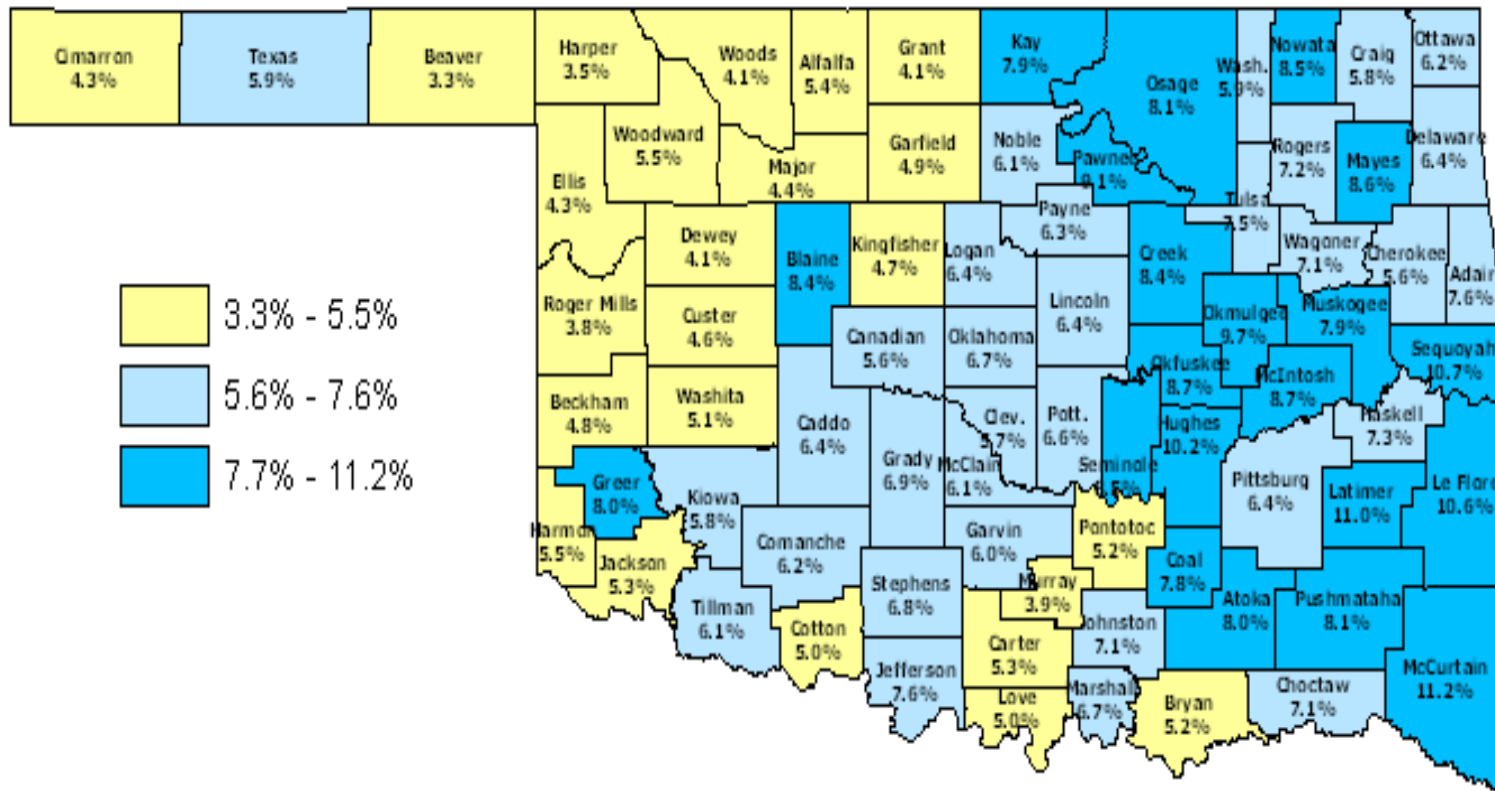
# With our shorter recession, unemployment remains relatively low in most of the state

**Unemployment Rate**  
Seasonally Adjusted\*



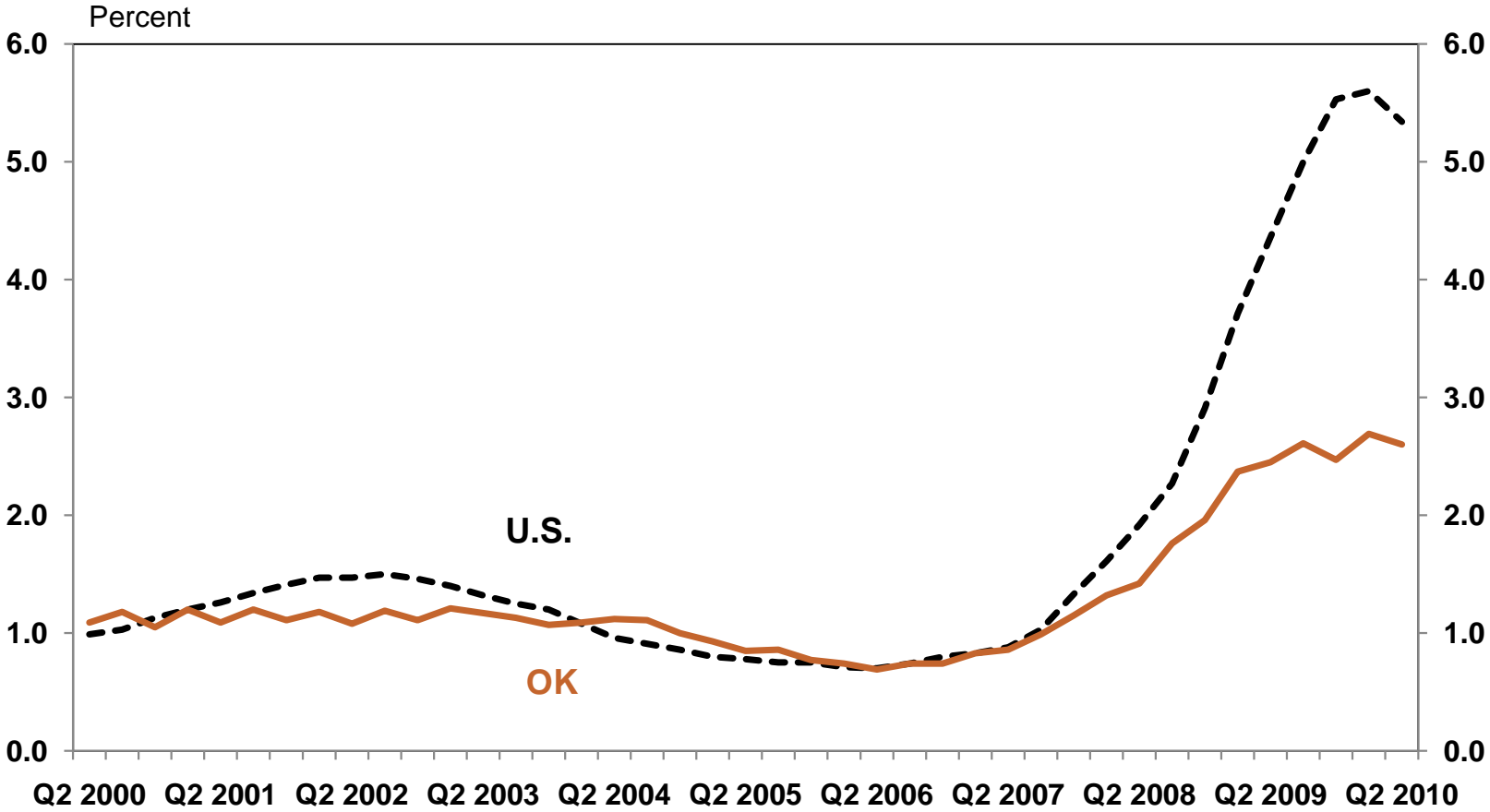
# The exceptions would include parts of eastern and southeastern Oklahoma

## Oklahoma Unemployment Rates by County, August 2010



# Oklahoma banks also remain in much better shape than in the nation as a whole

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

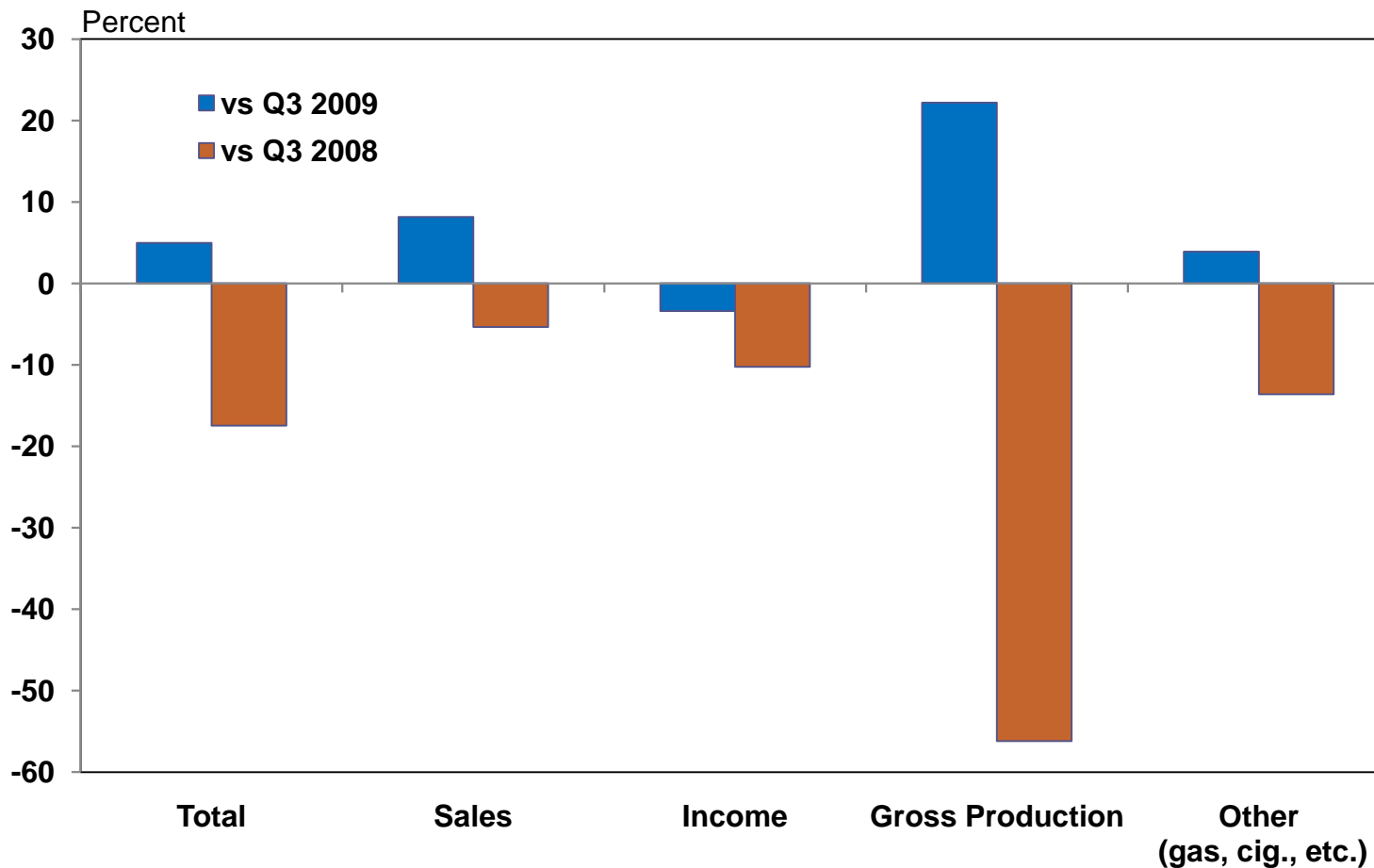


Source: FDIC



# State tax revenues are up from last year, but still well down from two years ago

## Oklahoma State Tax Revenue Growth Q3 2010

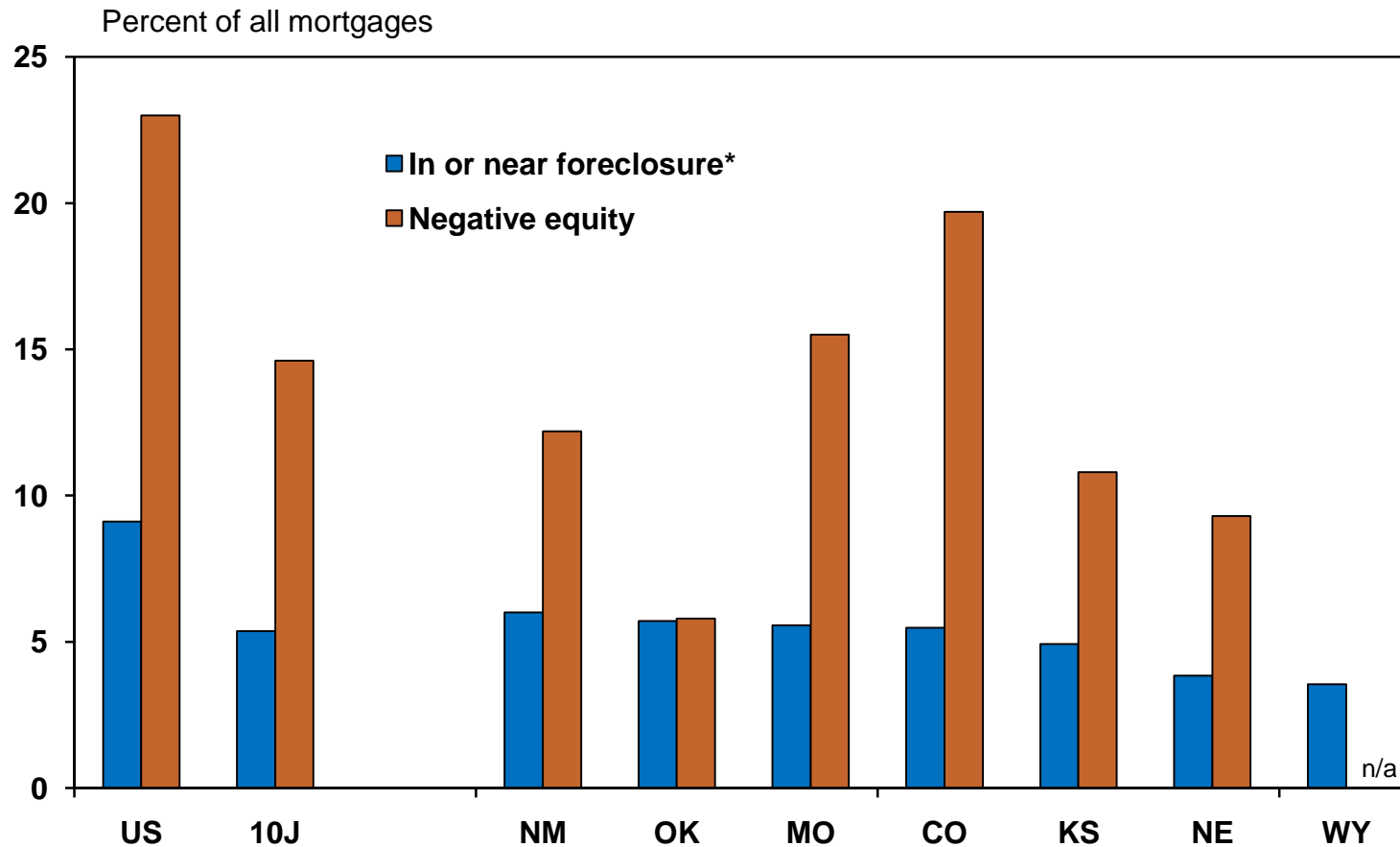


Source: Oklahoma Tax Commission



# The state is at risk of further foreclosures, though less so than the nation

## Foreclosures and Negative Equity Mortgages U.S. and Tenth Federal Reserve District, Q2 2010



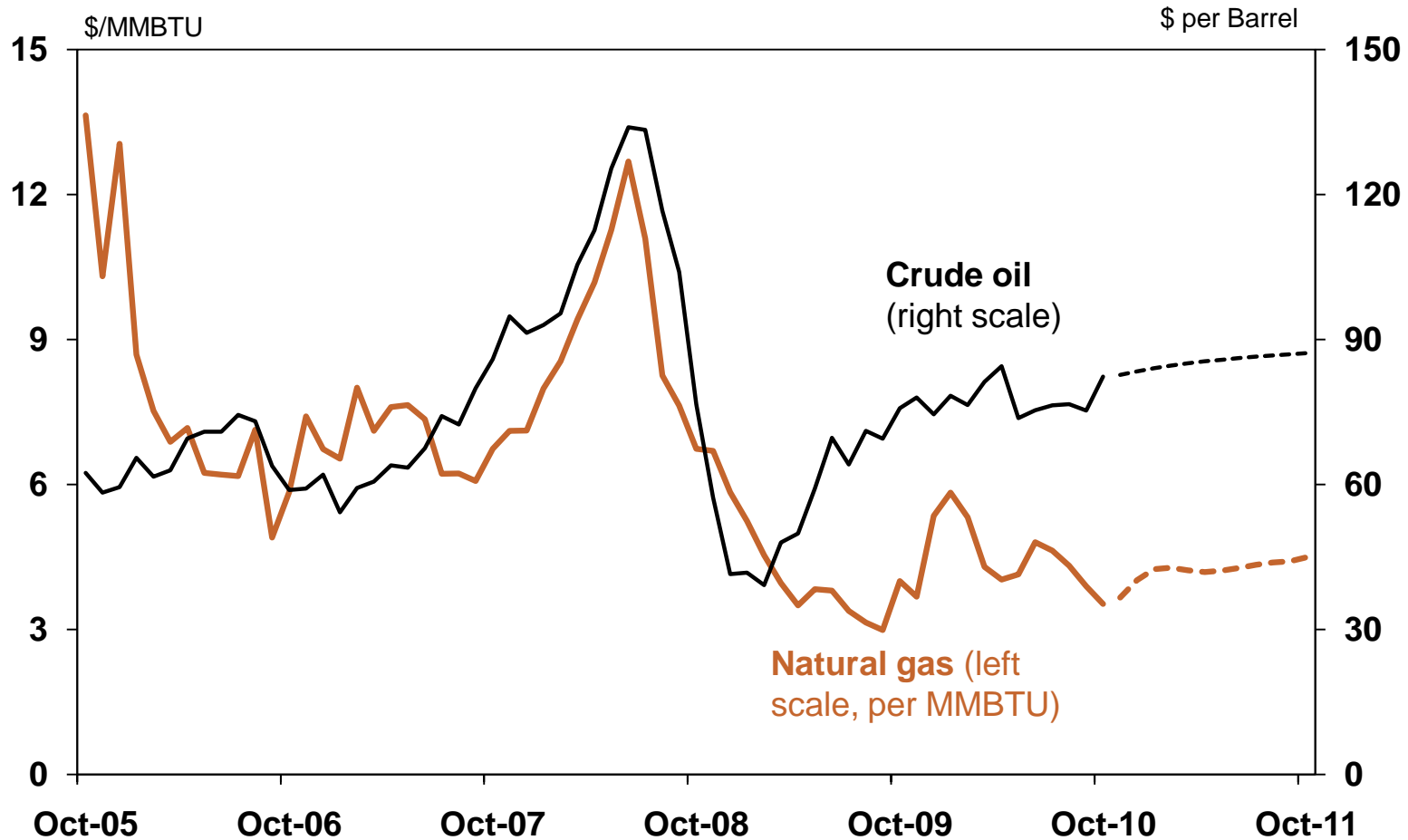
\*Over 90 days past due

Source: MBA, Corelogic



# Natural gas prices remain the biggest risk relative to the nation

## Energy Prices



Source: Bloomberg



# Summary

- The U.S. economy is recovering and is expected to continue to grow moderately
- Oklahoma's economy is also recovering and remains in better shape overall

