

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



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# History and Structure of the Federal Reserve System

- **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 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

- **Branch staff and functions**

- 35 staff involved in economic research, examining banks, 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



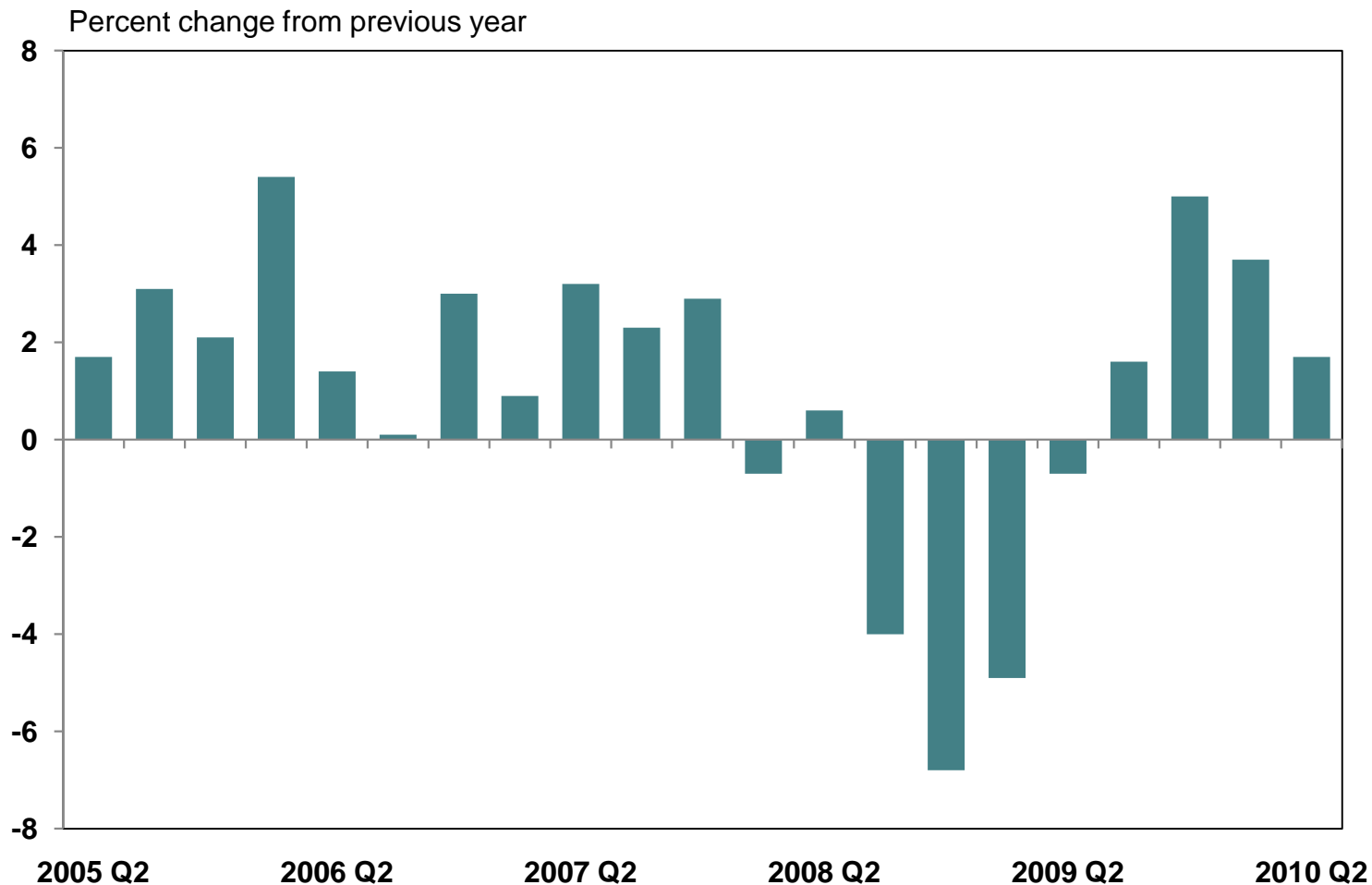
# The Economic Outlook

- The pace of U.S. recovery has slowed, but forecasts call for moderate growth and low inflation heading forward
- Oklahoma's economy has grown solidly in 2010 following a shorter recession, but several risks to growth remain



# The recession ended in June 2009, and real GDP has now grown for 4 quarters

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

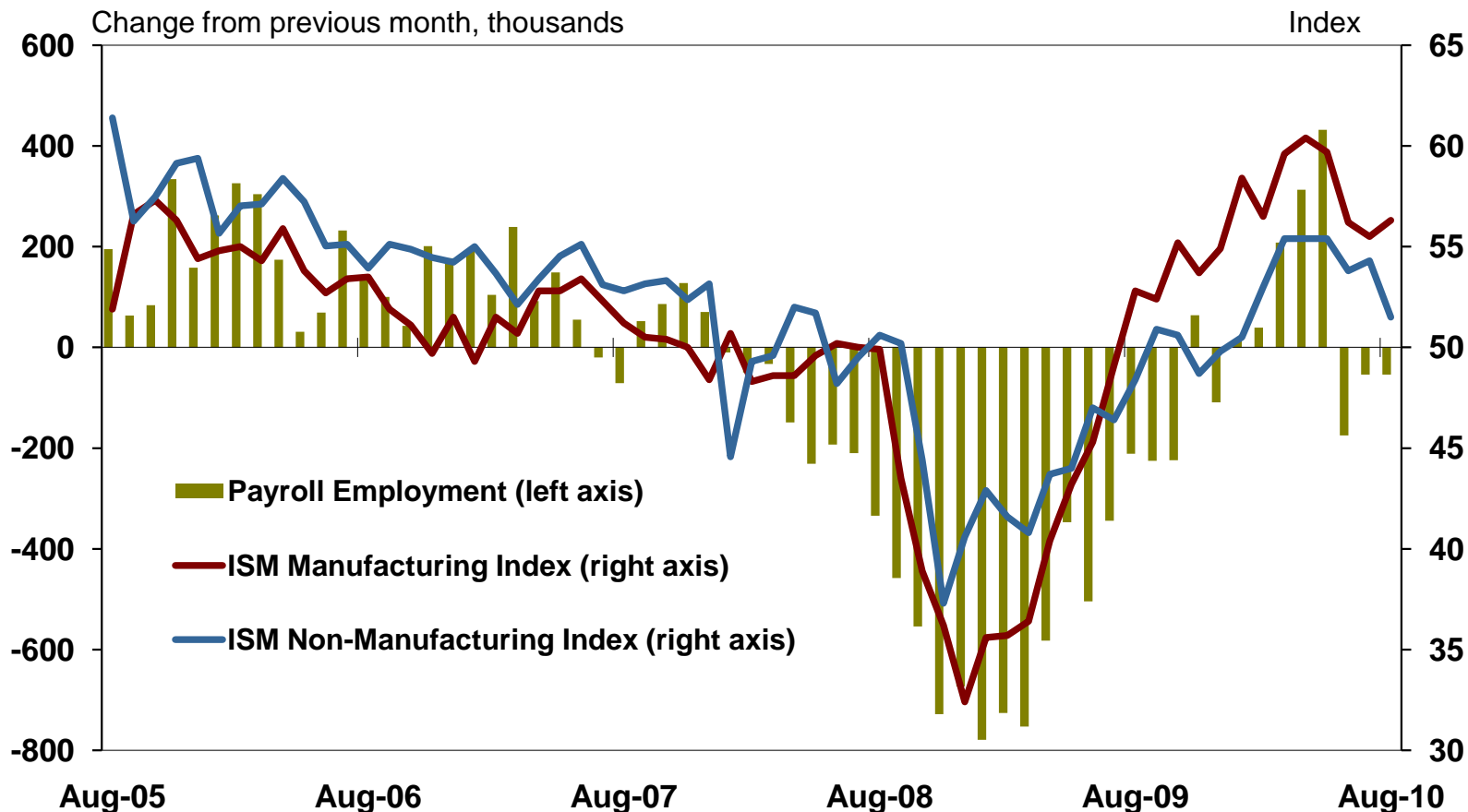


Source: Bureau of Economic Analysis



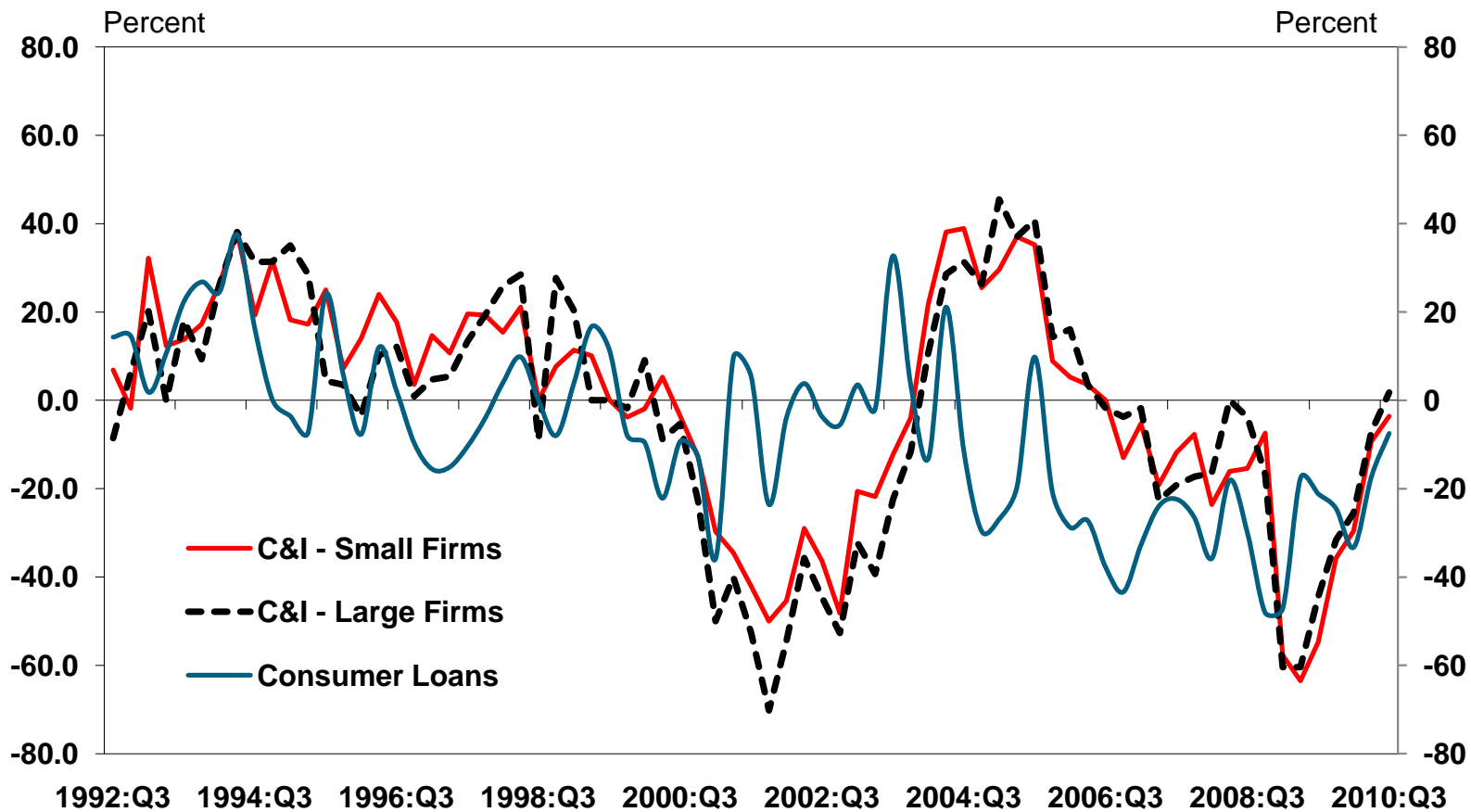
# But national economic growth slowed somewhat during summer 2010

## National Business Indexes and Payroll Employment



# Business and consumer loan demand is no longer falling

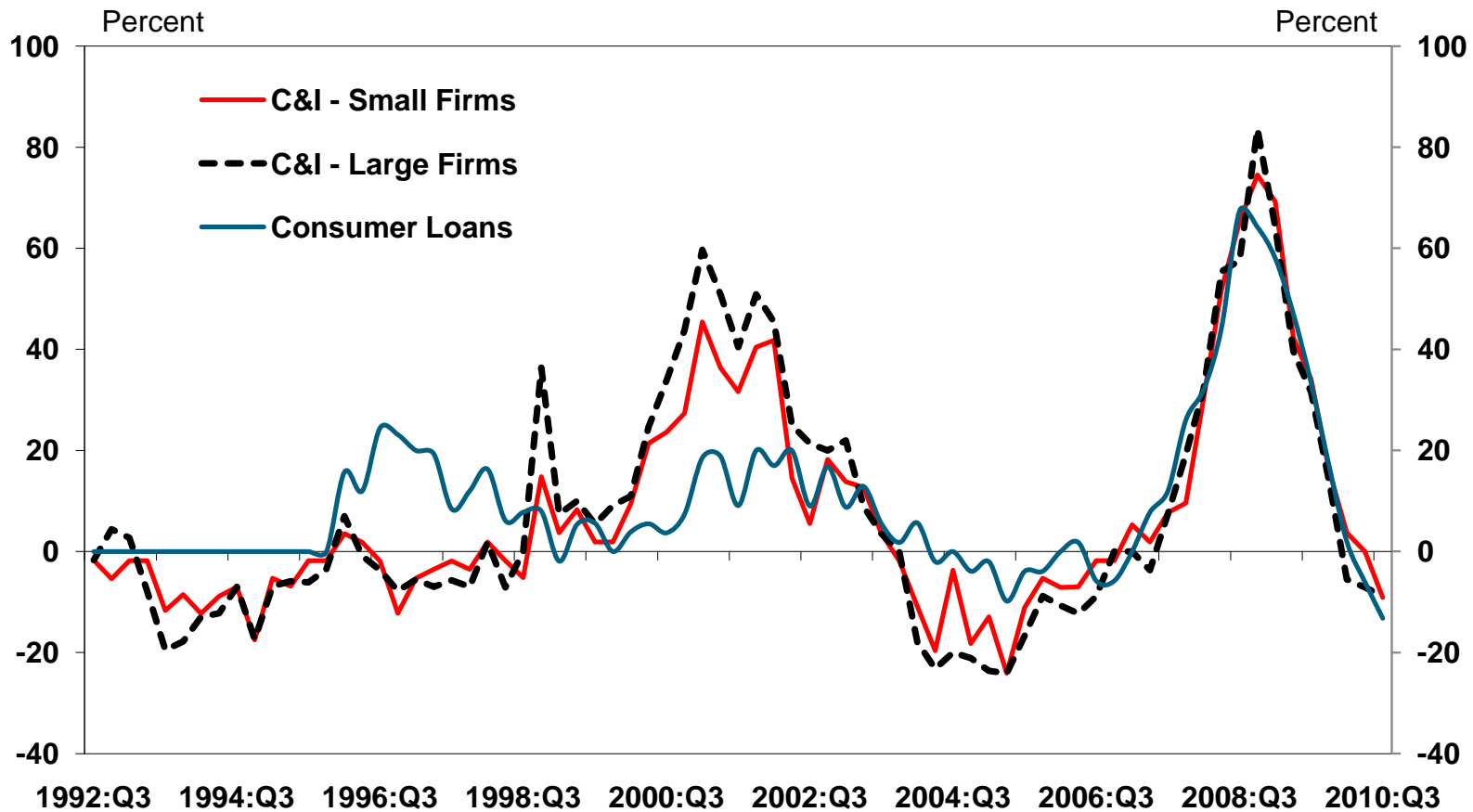
## Net Percentage of Banks Reporting Increased Loan Demand





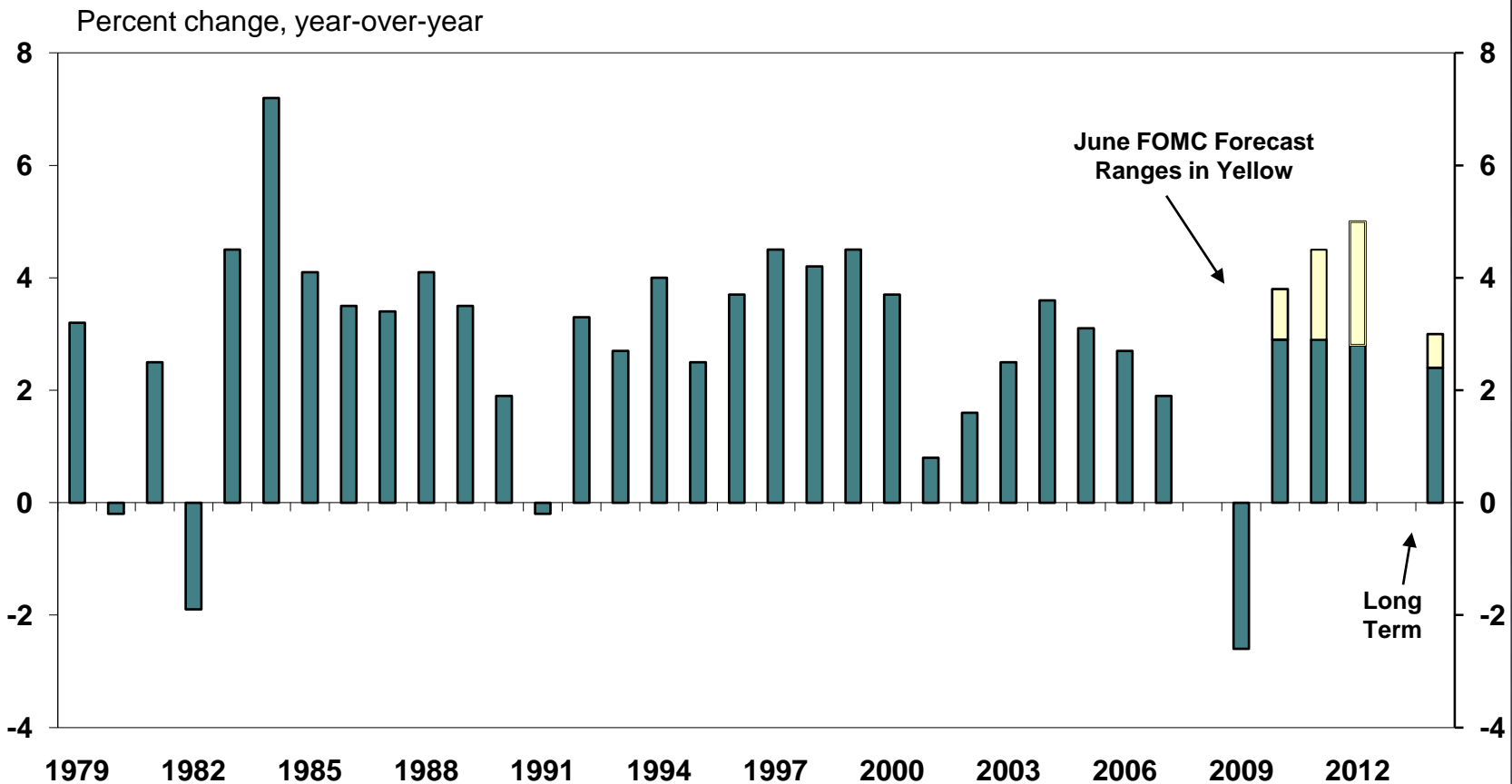
# And lending standards are beginning to loosen slightly

## Net Percentage of Banks Tightening Loan Standards



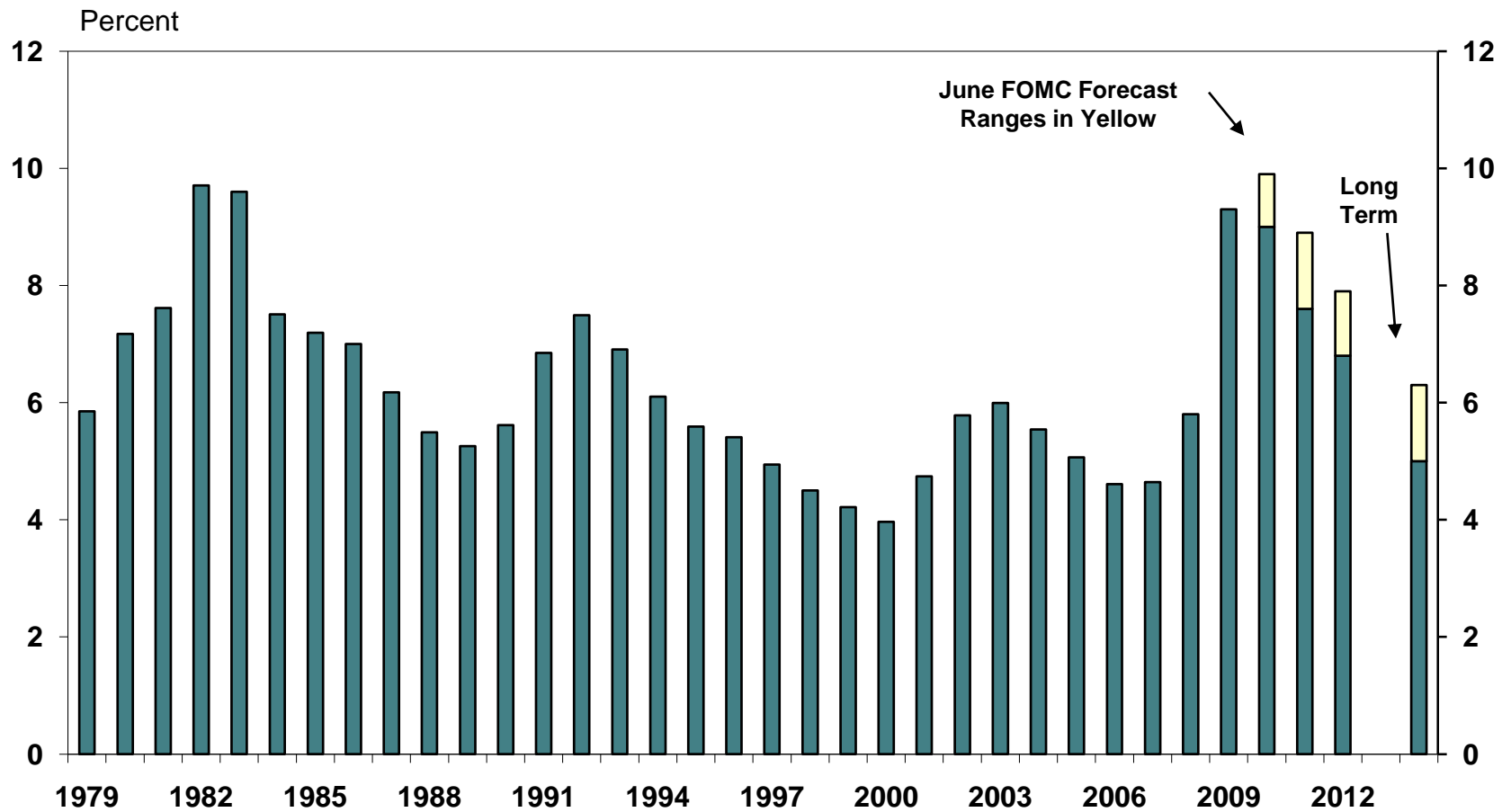
# Heading forward, Fed policymakers expect a moderate GDP recovery

## Gross Domestic Product



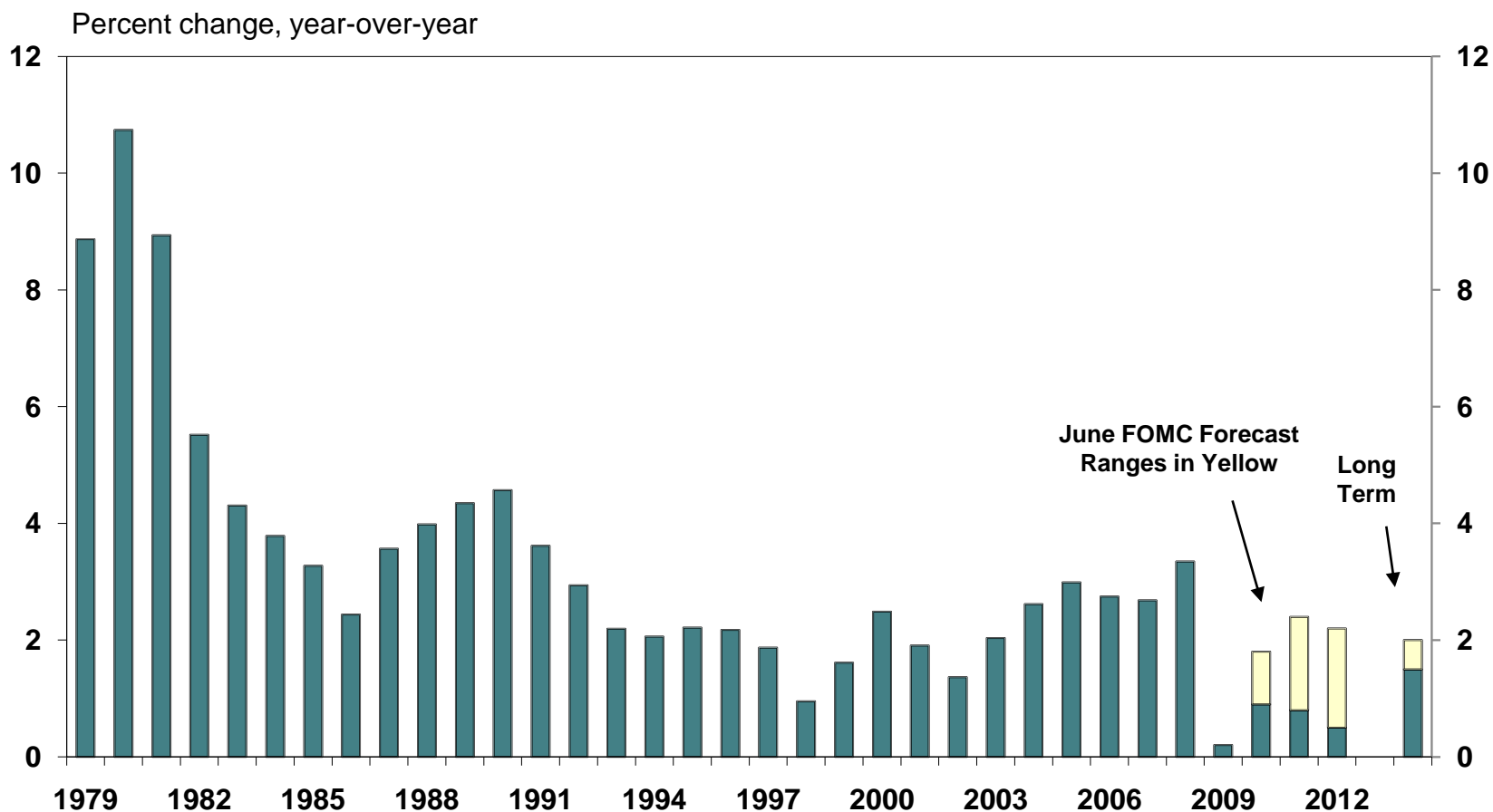
# But with unemployment remaining high for some time

**Unemployment Rate**  
Seasonally Adjusted



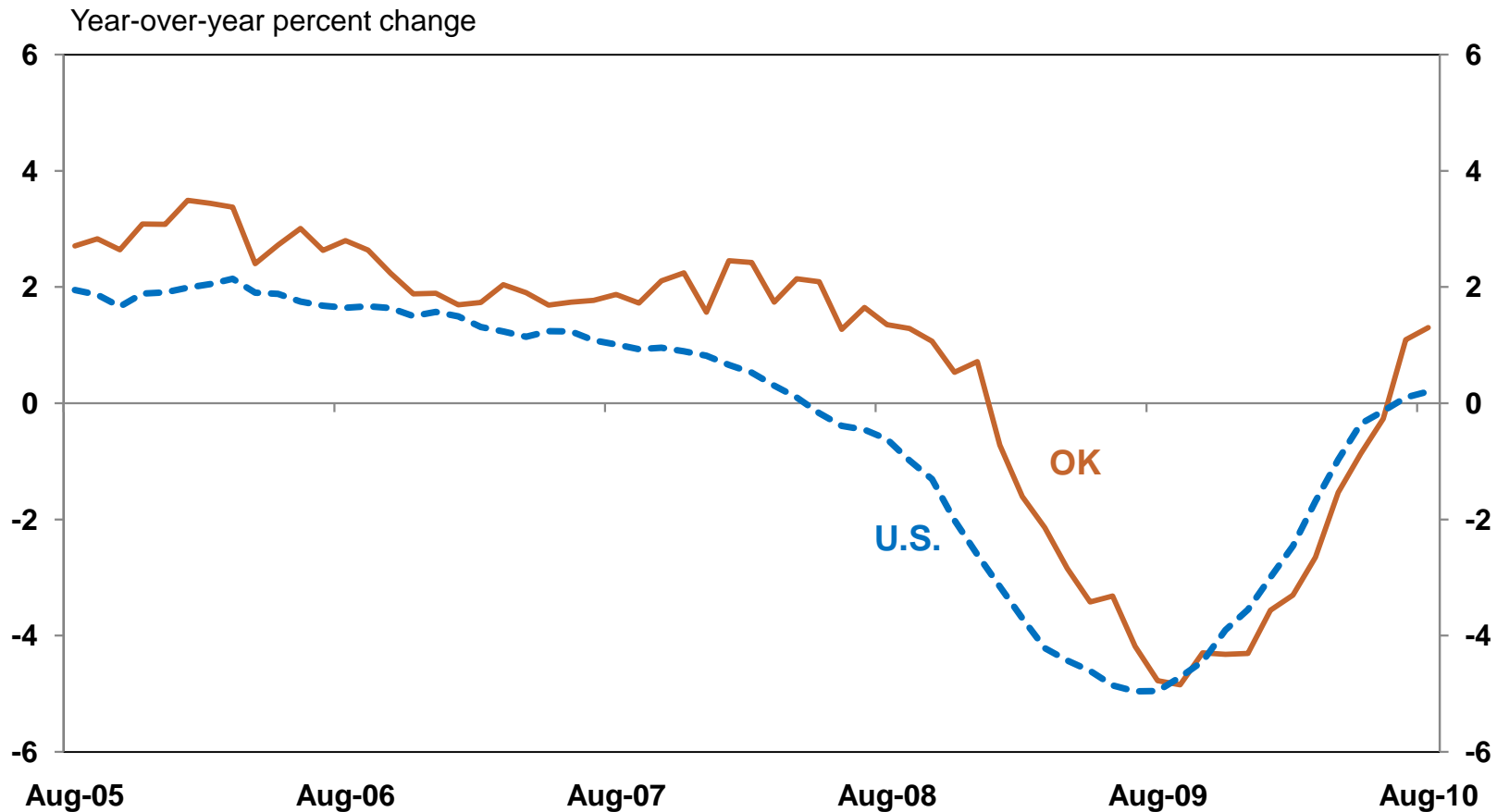
# Inflation is expected to remain tame in the near term, but will require careful oversight

## PCE Inflation Index



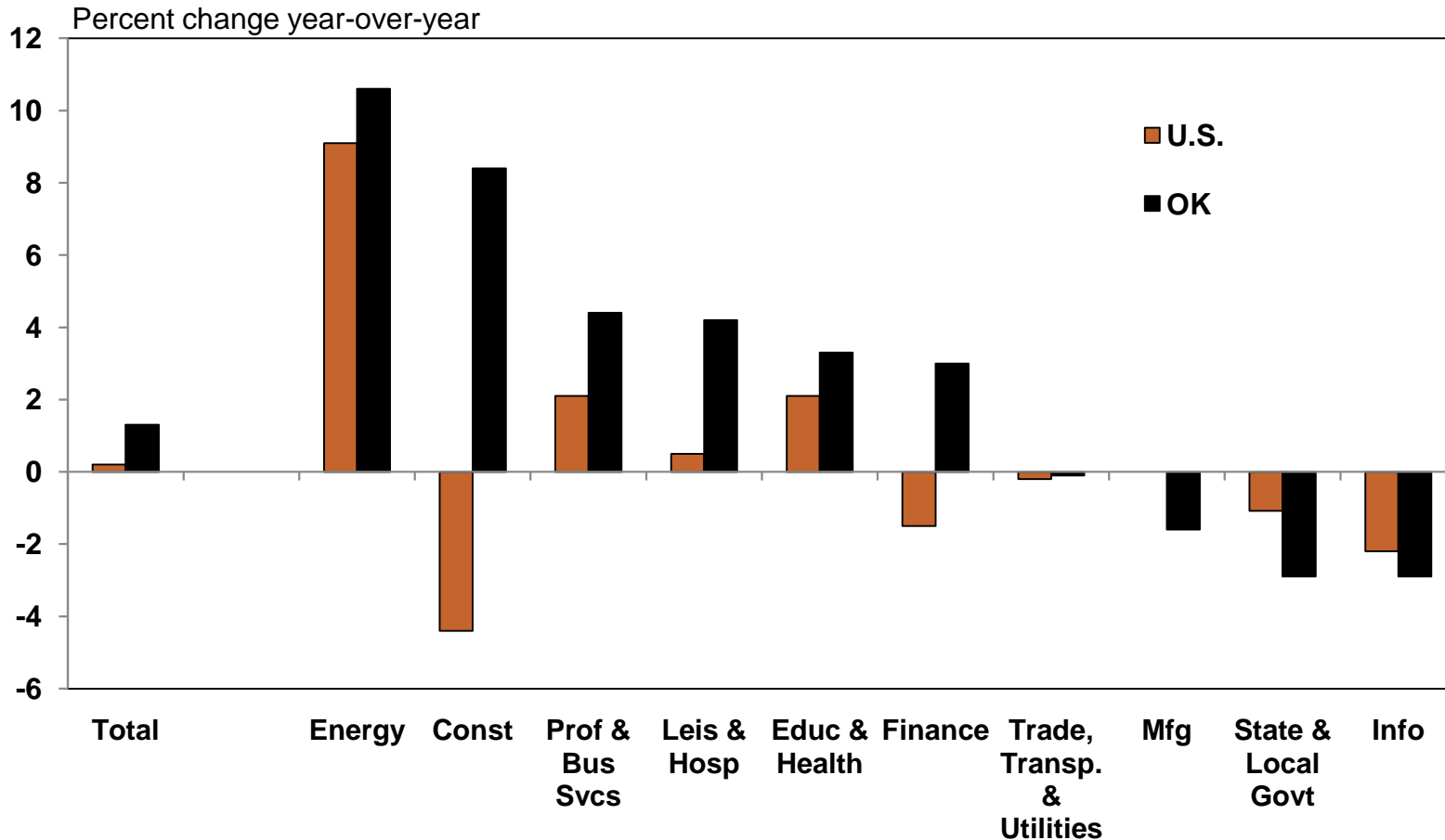
# As usual, Oklahoma entered this recession late, but is now outpacing the nation

## Payroll Employment



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

**Employment Growth**  
August 2010

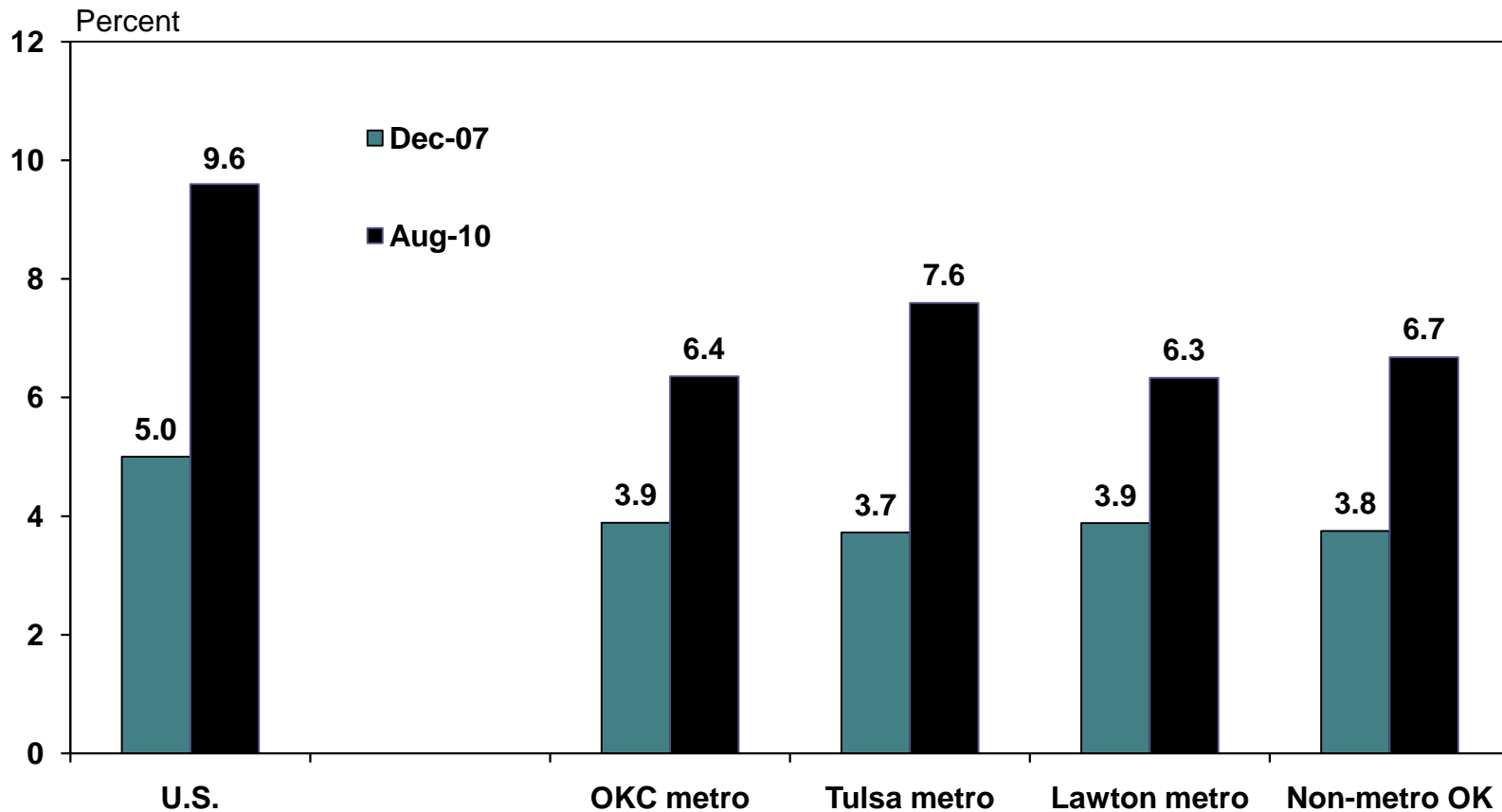


Source: Bureau of Labor Statistics



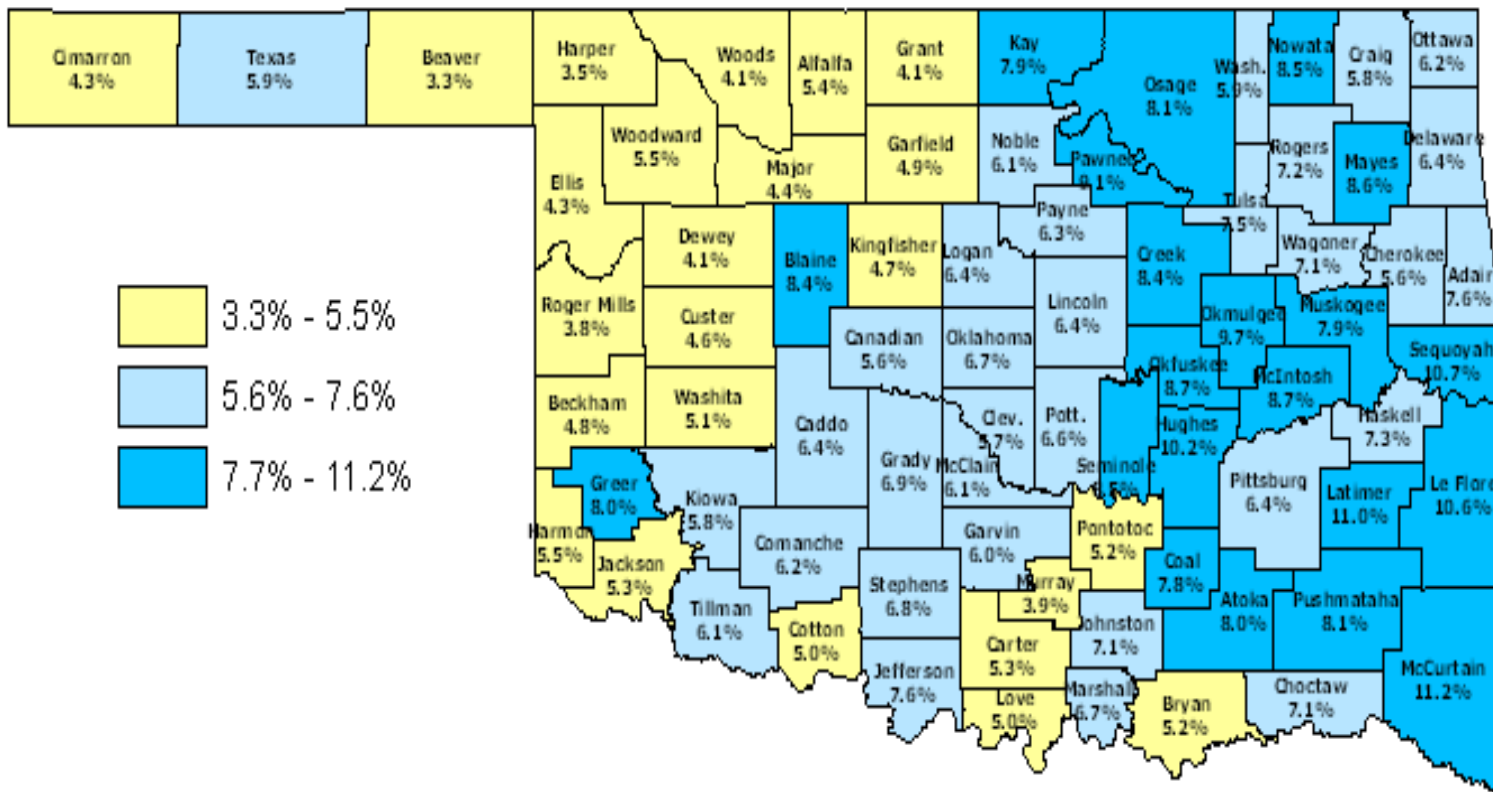
# With our shorter recession, unemployment remains relatively low in most of the state

**Unemployment Rate**  
Seasonally Adjusted\*



# The exceptions would include parts of eastern and southeastern Oklahoma

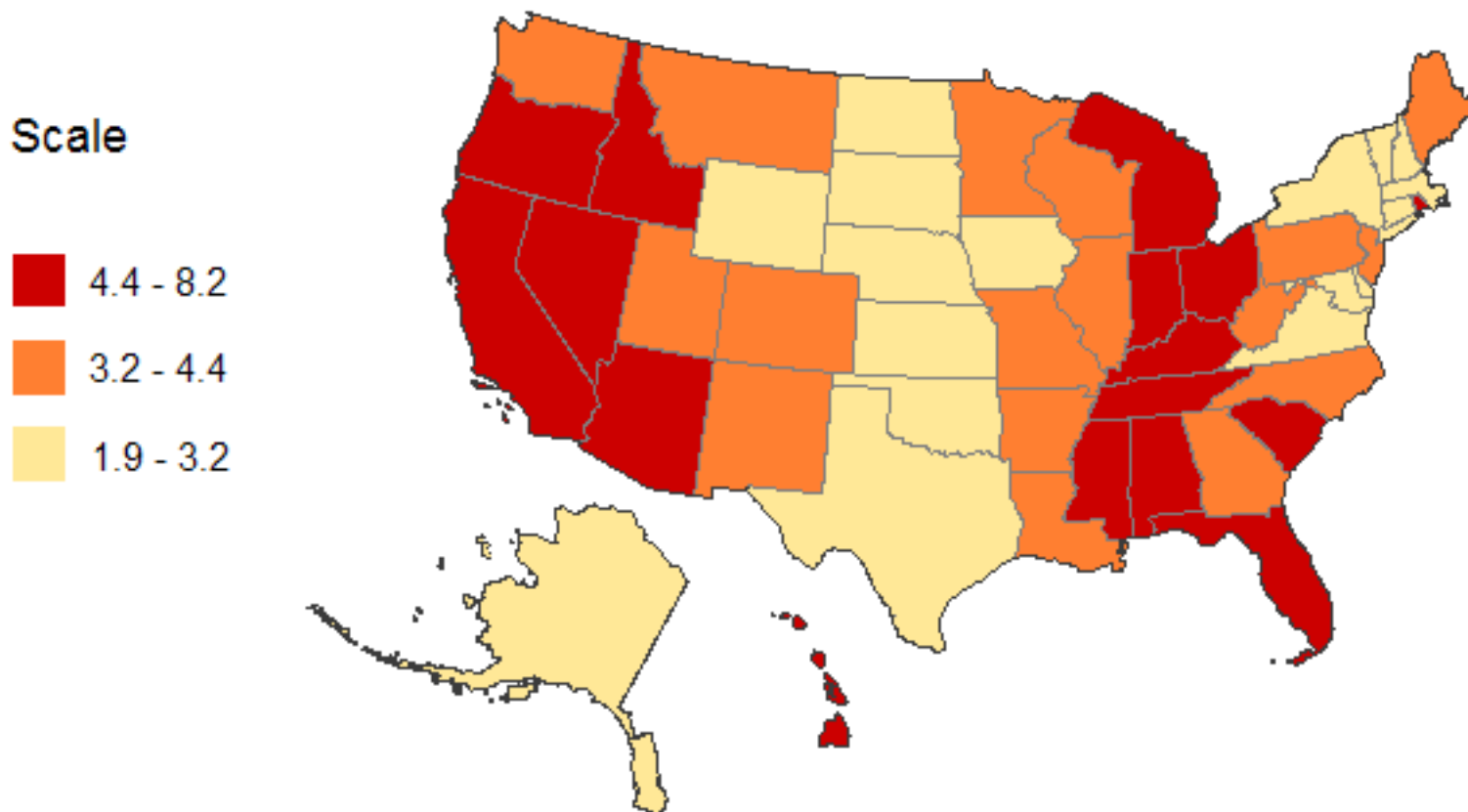
## Oklahoma Unemployment Rates by County, August 2010





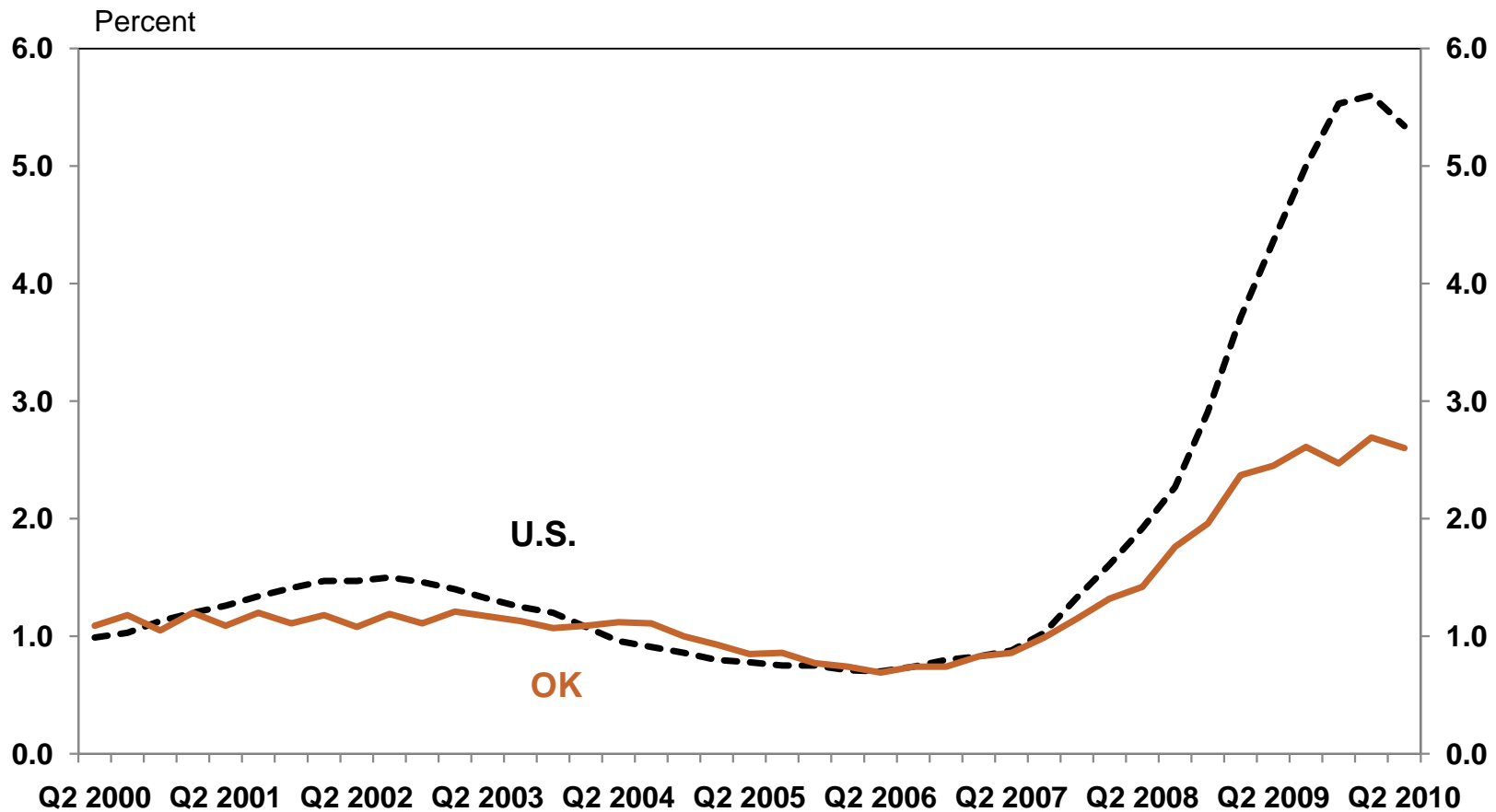
# Jobs are easier to find in OK and the central U.S. (and around DC and NYC)

**Job Search Difficulty Index, August 2010**  
(unemployed workers per job opening)



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

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

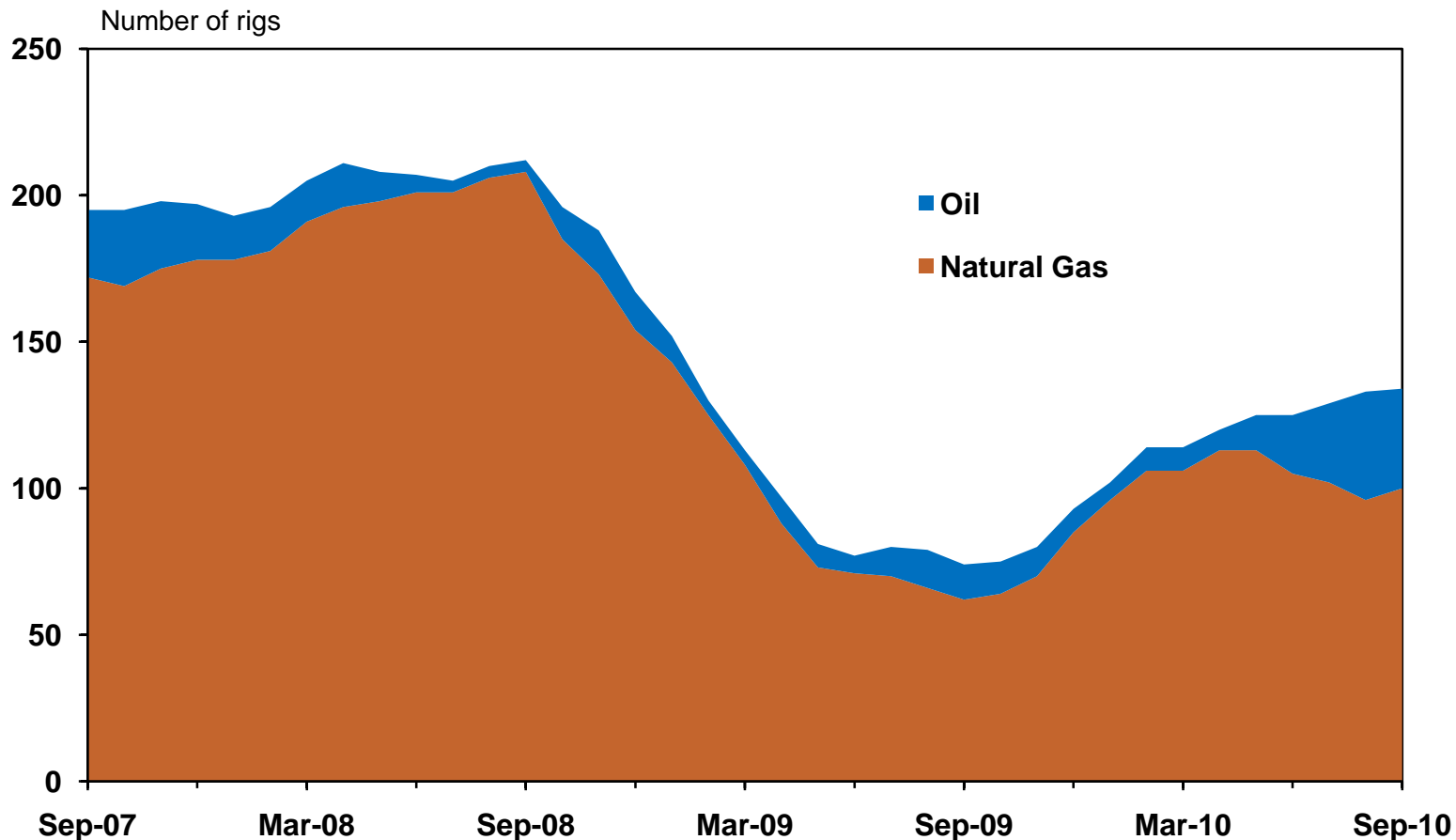


Source: FDIC



# Energy activity in the state continues to grow, increasingly for oil rather than gas

## Oklahoma Rig Count

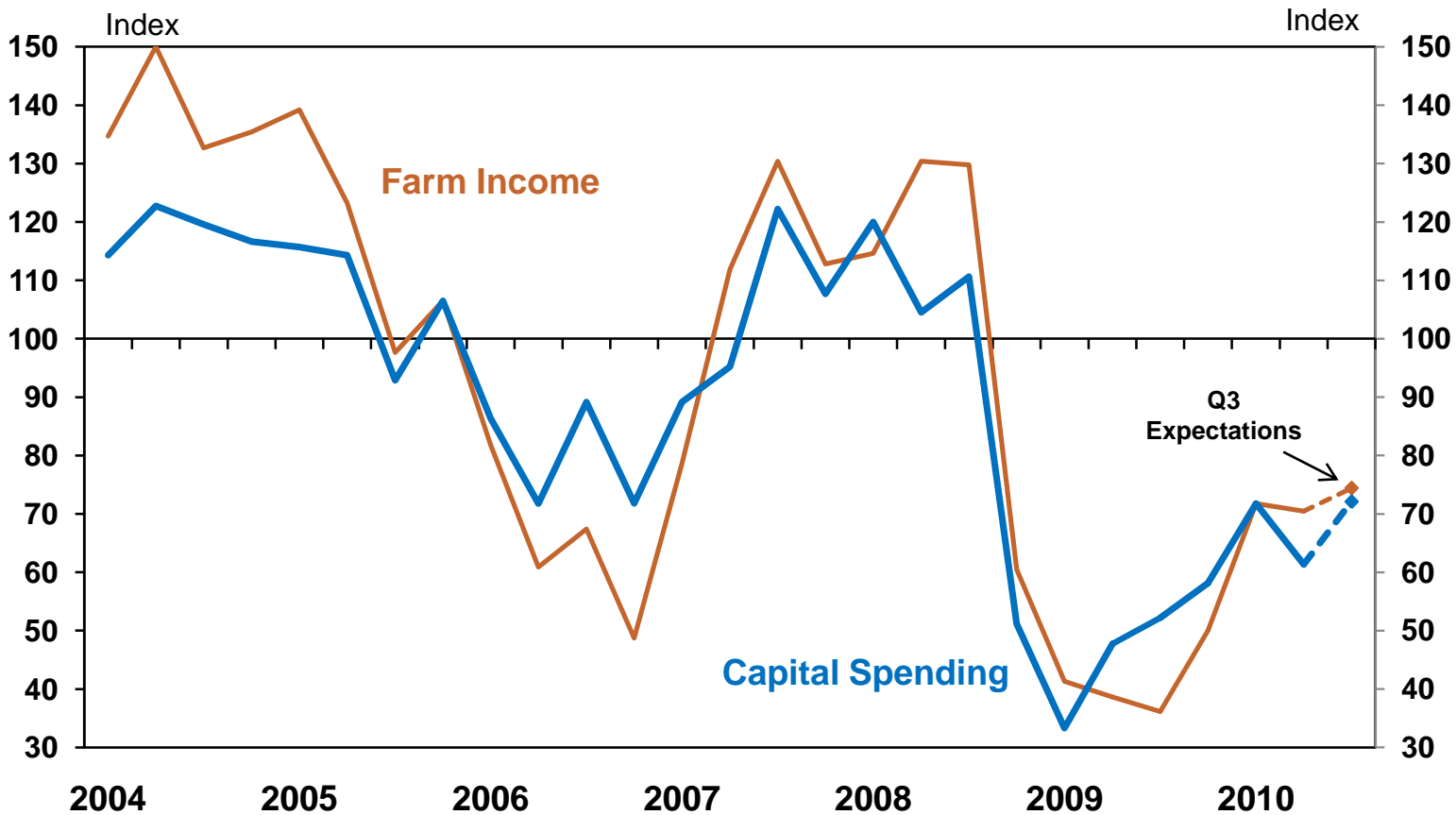


Source: Baker Hughes



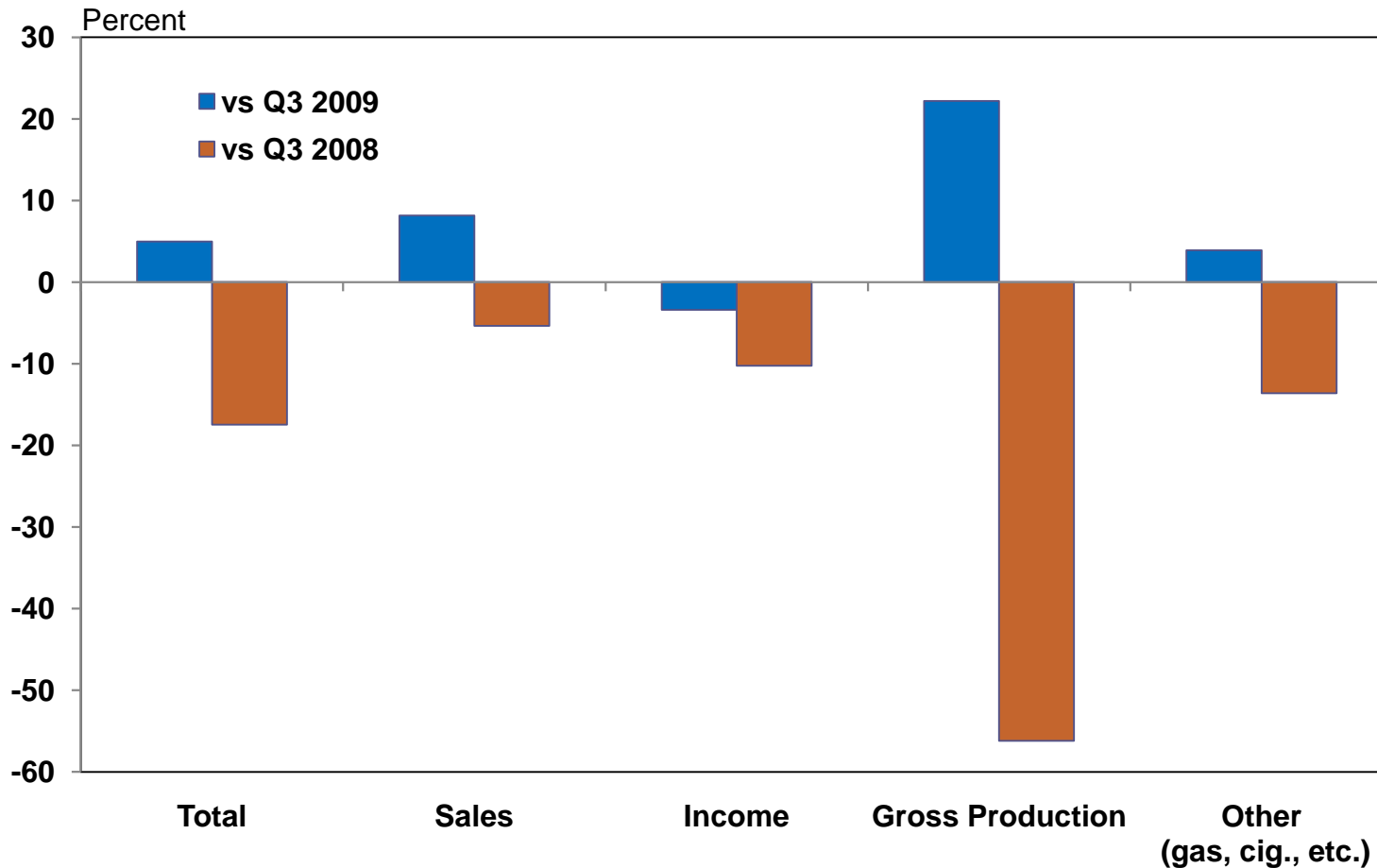
# Agricultural conditions in the state have also improved after bottoming in 2009

## Oklahoma Agricultural Conditions



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

## Oklahoma State Tax Revenue Growth Q3 2010

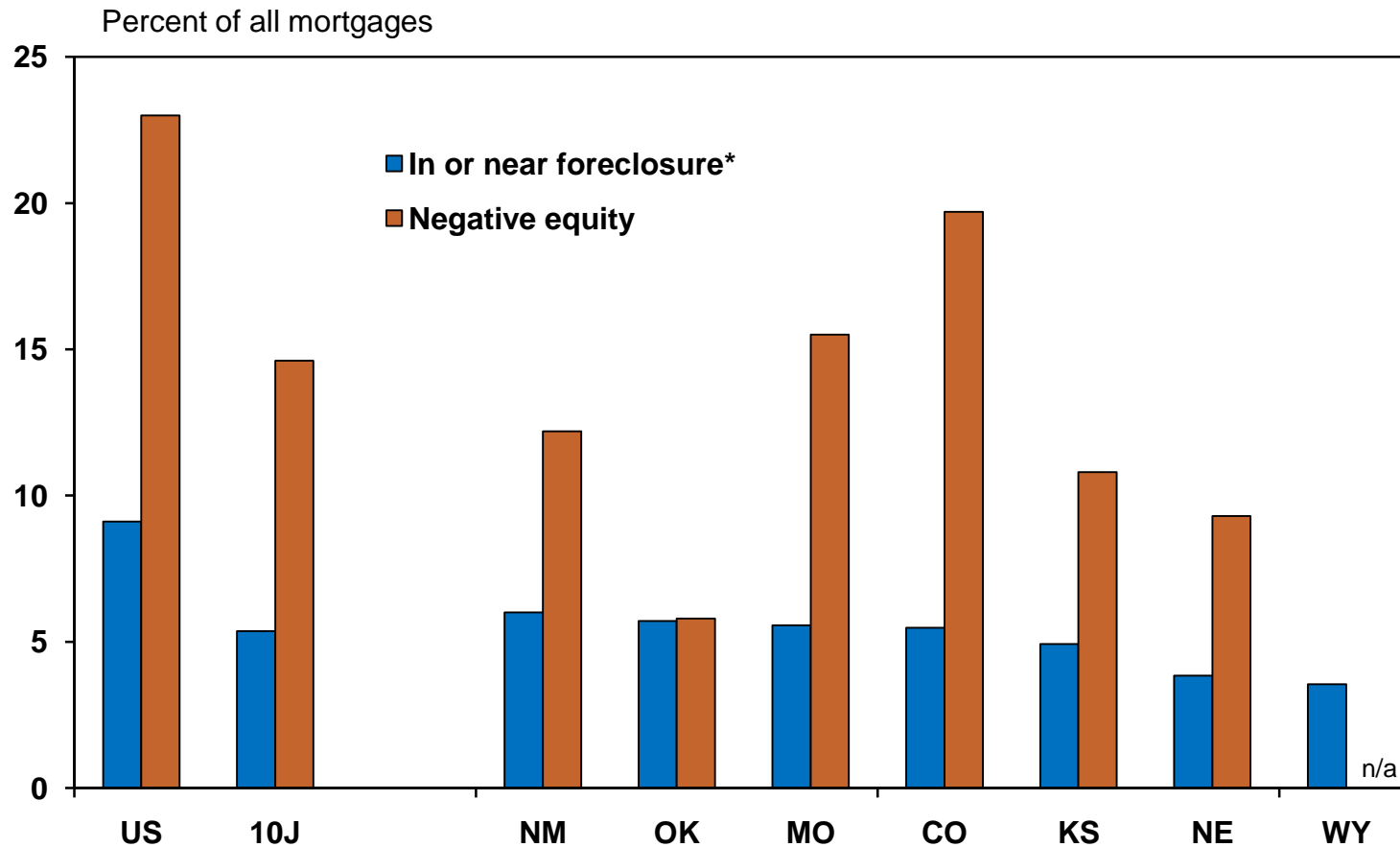


Source: Oklahoma Tax Commission



# 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



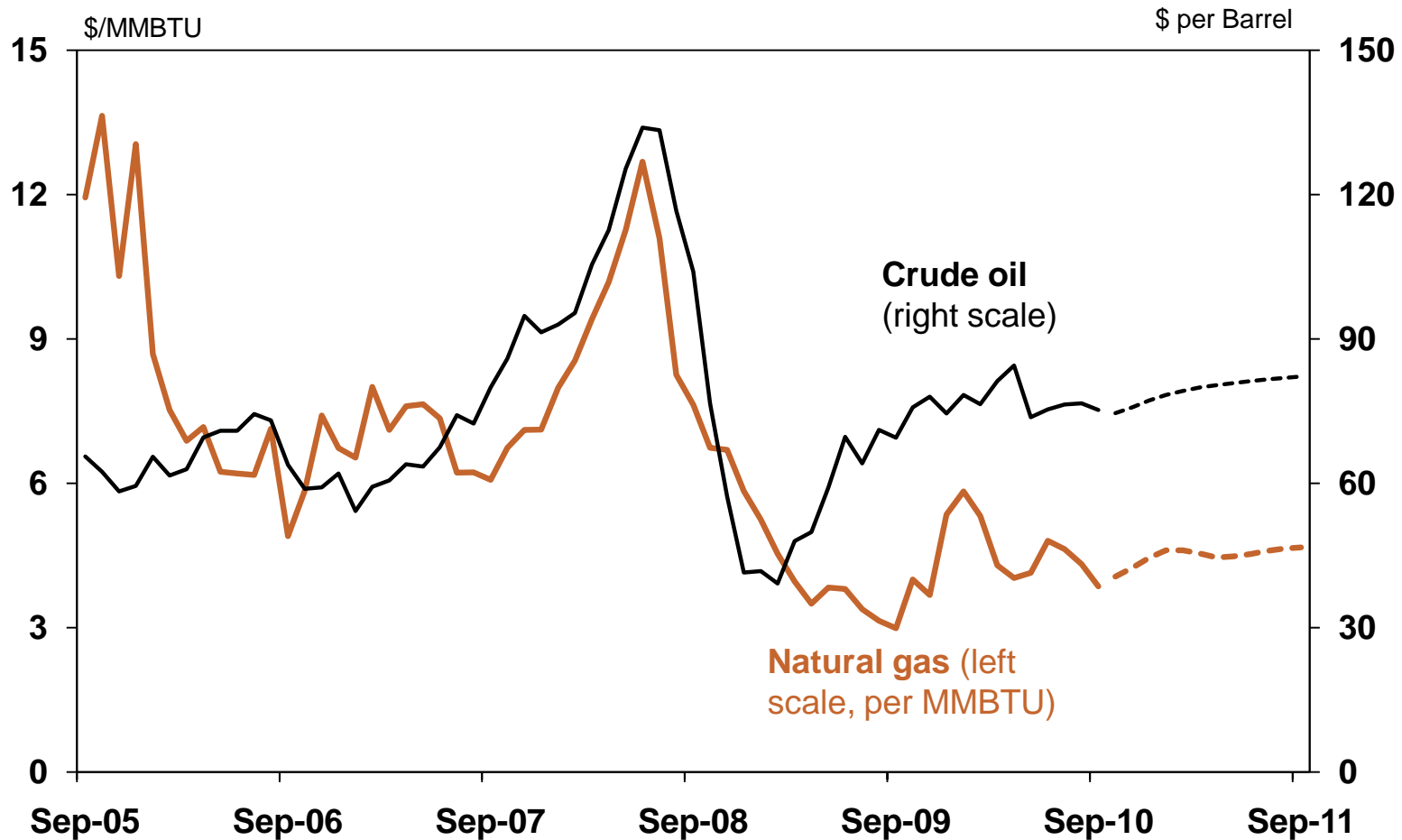
\*Over 90 days past due

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 expected to grow modestly, although growth slowed during the summer
- Oklahoma's economy is also recovering and remains in better shape than the nation, following a shorter recession

