ECONOMIC OUTLOOK FOR THE U.S. AND OKLAHOMA

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The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
U.S. Economic Overview

- Incoming data suggest that the U.S. economy continues to recover at a moderate pace.
  - Manufacturing, energy, and agriculture sectors are expanding.
  - Consumer spending is well above year-ago levels.

- However, the U.S. economy faces many challenges over the next couple years.
  - Unemployment rates are likely to remain stubbornly high.
  - Residential construction activity is likely to remain weak -- constrained in part by excess housing supply, falling prices and high foreclosure rates.
A moderate recovery is expected to continue over the next few years.
Consumers are spending more as confidence levels gradually increase.
Inflation remains subdued but is starting to increase slightly.

Source: Bureau of Economic Analysis
Inflation expectations have also edged up recently.

Source: University of Michigan and Federal Reserve Board of Governors
The Tenth District of the Federal Reserve
Employment fell sharply during the recession but is now increasing.

Source: Bureau of Labor Statistics
Unemployment rates remain elevated.
There are large regional differences in unemployment rates.
Employment has been growing in most industries in Oklahoma over the past year.

Source: Bureau of Labor Statistics
Hiring expectations increased for the second quarter.
Manufacturers expect to hire more workers over the next 6 months.

Sources: FRBKC Manufacturing Survey
Manufacturing activity continues to expand.

Sources: ISM, FRBKC Manufacturing Survey
Note: 10J index is computed on ISM basis (50 = zero change)
Manufacturers expect further gains over the next six months.

**Tenth District Manufacturing Expectations**

*Seasonally adjusted; six months ahead*

Source: FRBKC Manufacturing Survey
The energy sector is expanding, especially for oil producers.
Lower supplies and increased demand have led to higher crop prices.

Source: Commodity Research Bureau
Home sales activity has picked up but remains slow.
Residential construction activity remains weak but has increased recently in OK.
Home prices continued to decline across most of the U.S. in 2010.
There have been large regional variations in home price appreciation over the past 5 years.
Foreclosure rates in the Midwest are lower than in other parts of the nation.
Commercial construction activity is weaker than pre-recession levels in the U.S.

Source: F.W. Dodge Inc.
Industrial vacancy rates declined in the fourth quarter in OKC and Tulsa.

Source: Torto-Wheaton Research
Conclusions

- The U.S. and Oklahoma economies are expected to continue to recover gradually over the next few years.
  - Weak construction activity and high unemployment may prevent a more robust recovery.
  - Manufacturing, energy and agriculture sectors are expected to continue to provide a boost to the economy.
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