The Oklahoma Economic Outlook

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Recent Oklahoma Economic Trends

- Oklahoma’s economy has grown strongly in 2011, outpacing most parts of the country.

- Job growth has been widespread within the state, across geography and industries.

- Official unemployment rates in much of the state are down to “full employment” levels.
There has been considerable variation in job growth across the nation the past year.
After a milder recession than the nation, Oklahoma job growth accelerated in 2011

Payroll Employment

Year-over-year percent change

Source: U.S. Bureau of Labor Statistics
Job growth has been strong across the state, especially in non-metro areas.

Employment Growth
Year-over-year

U.S.  OKC Metro  Tulsa Metro  Lawton Metro  Non-metro OK  Enid Micro*

Aug-10  Aug-11

-0.1  1.0
0.6  1.7
1.9  2.3
4.7
1.7  1.1

Percent

*Data for this area from LAUS rather than CES
Source: U.S. Bureau of Labor Statistics
Most Oklahoma sectors have grown solidly in 2011, led by energy and manufacturing.
The unemployment rate in Oklahoma, 5.6 percent, is among the lowest in the nation.
Indeed, most of the state is back to levels often considered to be “full employment”.

Unemployment Rate
Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Area</th>
<th>Aug-10</th>
<th>Aug-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>9.6</td>
<td>9.1</td>
</tr>
<tr>
<td>OK</td>
<td>7.0</td>
<td>5.6</td>
</tr>
<tr>
<td>OKC Metro</td>
<td>6.5</td>
<td>5.2</td>
</tr>
<tr>
<td>Tulsa Metro</td>
<td>7.7</td>
<td>6.1</td>
</tr>
<tr>
<td>Lawton Metro</td>
<td>6.5</td>
<td>5.8</td>
</tr>
<tr>
<td>Non-metro OK*</td>
<td>6.8</td>
<td>5.4</td>
</tr>
<tr>
<td>Enid Micro*</td>
<td>4.9</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Labor Statistics

* Estimated by FRBKC
Oklahoma Economic Trends in Longer-Term Perspective

- Recent strong growth has allowed the state to “catch up” a bit on some key indicators.

- However, economic activity in the state as a whole remains below pre-recession levels.

- Still, some areas and industries in the state appear to have fully recovered.
Both incomes and wealth in the state are closer to national averages than 10 years ago.

Oklahoma Per Capita Income and Wealth as a Share of U.S.

Source: BEA, FHFA, Census Bureau, LPS, MBA
Home prices in large metros now compare more favorably to the U.S. and region.
Banks have also held up much better, but are not back to pre-recession conditions.
Despite recent strong job growth, state employment is still lower than in early 2008

Total Payroll Employment Since Beginning of U.S. Recession

Index: Jan-08=100

Source: U.S. Bureau of Labor Statistics
Tulsa has recovered less than OKC and, especially, smaller cities and rural areas.
Employment in most state industries is still lower than in 2008, though better than U.S.

Source: U.S. Bureau of Labor Statistics
State unemployment is not as low once labor force dropouts are considered

Unemployment Rate by State
Seasonally Adjusted

Percent

Source: Bureau of Labor Statistics

*LFPR= Labor Force Participation Rate
Indeed more of the drop in unemployment is from labor force declines than job growth.
Factors Affecting Oklahoma’s Outlook

- International disruptions should generally affect Oklahoma less than other states

- Energy prices are always a risk relative to the nation, but oil remains highly profitable

- Agriculture has worsened recently, but manufacturers are cautiously optimistic
Oklahoma has much less trade exposure to Europe than does the U.S. as a whole.

Exports to Greece and Europe as a Share of GDP

- Greece: 1.963%
- Total Europe: 0.676%

U.S.: 0.008%
OK: 0.003%

Source: WISERTrade, BEA
Over the past few years, energy has been nearly as important as it was 30 years ago.
As such, the outlook for energy prices remains vitally important to the state.
Agricultural conditions have weakened, but remain better than in 2009
Manufacturing growth has slowed but is expected to rise slightly through 2012

Manufacturing Composite Indexes

Note – Oklahoma and Tenth District calculated on an ISM basis; Above 50 indicates expansion

Source: KCFRB Manufacturing Survey
Conclusions

- Oklahoma economic growth has greatly outpaced the nation in 2011

- While the state has made up ground relative to the nation, we have still not fully recovered from the recession

- Future risks seem less than in the nation, and contacts expect modest expansion