U.S. and Oklahoma Economic Outlook

Chickasha Rotary Club
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www.kansascityfed.org/oklahomacity
The Fed and the U.S. Economic Outlook
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

• **Functions – 35 staff**
  - Economic research and outreach for U.S. monetary policy purposes
  - Examinations and inspections of Oklahoma financial institutions
  - Economic and financial education outreach to teachers and citizens
  - Community development outreach to low and moderate income areas

• **2012 board of directors**
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  - Rose Washington,Exec. Director, Tulsa Economic Development Corp.
At its meeting last week, the FOMC expected solid GDP growth in 2012.

Real Gross Domestic Product

Percent change, year-over-year

Source: U.S. Bureau of Economic Analysis, FOMC
But for unemployment to only come down slowly the next few years
And for inflation pressures to stabilize after rising with oil and food prices in 2011.
For the first time, the FOMC also released forecasts for interest rates

Federal Funds Rate
Year-end target

Note – Number of participants who project the initial increase will occur in the specified year in parenthesis

Source: U.S. Bureau of Economic Analysis, FOMC
The Oklahoma and Regional Economic Outlooks
There is considerable variation in economic strength across the nation.

Employment Growth, Year-over-Year (percent)
December 2011

Source: U.S. Bureau of Labor Statistics
The level of jobs in Oklahoma is nearly back to pre-recession levels, unlike the U.S.
Growth in most Oklahoma sectors slowed in second half 2011, except energy and health

Oklahoma Employment Growth

Source: Bureau of Labor Statistics
Early 2012 data on regional and national factory activity show moderate growth

Manufacturing Composite Activity
Seasonally Adjusted

Source: KC, Dallas FRB Manufacturing Surveys
Oklahoma’s unemployment rate has risen, as workers resume searching for jobs.

Unemployment Rate
Seasonally Adjusted*

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<thead>
<tr>
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<th>Dec-10</th>
<th>Jun-11</th>
<th>Dec-11</th>
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<tbody>
<tr>
<td>U.S.</td>
<td>9.4</td>
<td>9.1</td>
<td>8.5</td>
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<tr>
<td>OK</td>
<td>7.0</td>
<td>5.4</td>
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<tr>
<td>TX</td>
<td>8.3</td>
<td>8.2</td>
<td>7.8</td>
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<tr>
<td>Rest of District States</td>
<td>8.2</td>
<td>7.6</td>
<td>7.1</td>
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Source: U.S. Bureau of Labor Statistics

* Estimated by FRBKC
Unemployment is quite low in much of western, central, and southern Oklahoma.
Oklahoma wages are catching up to those in surrounding states and the nation as a whole.
Oklahoma has seen net in-migration from other states since the 2010 Census.

Net Domestic Migration
April 1, 2010 - July 1, 2011

Source: U.S. Census Bureau
And home prices have held up considerably better than in the nation as a whole.

Source: FHFA
Consumer debt is also less burdensome than in the U.S., even moreso than a decade ago.

Average Debt Per Consumer

- **Total Consumer Debt** (excl. first mortgage)
- **Revolving Debt**

Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax
Problem loans are still elevated in OK, but much less so than in banks nationally.

Noncurrent Loans as a Share of Total Loans
Commercial Banks

Source: FDIC
Purchasing managers in the region remain relatively optimistic about 2012 growth.

Tenth District Manufacturing Expectations
Six-Months Ahead, Seasonally Adjusted

Source: KC, Dallas FRB Manufacturing Surveys
Oklahoma has much less trade exposure to Europe than the U.S. as a whole

Exports to Europe as a Share of GDP

Source: WISERTrade, BEA
Oil and gas lease rates have continued to rise in Oklahoma and other energy states.

**Oil and Gas Lease Rates**

Most common bonus

Dollars/acre

Jan/Feb 2009

Sept/Oct 2010

Jan/Feb 2012

-----Tenth District energy states-----

---Other key land drilling states---

Source: Lierle Public Relations
Natural gas drilling has fallen sharply in the state, but oil has so far replaced the dropoff.

Source: Baker Hughes
Conclusions

- The U.S. economy continues to grow moderately, amid limited inflation and continued risks from Europe.

- Growth in Oklahoma has slowed a bit recently but conditions remain much better than in the nation as a whole.
Questions?

For more information about the Oklahoma economy, subscribe to the quarterly Oklahoma Economist at: www.kansascityfed.org/publications/research/oke