U.S. and Oklahoma Economic Outlook

Beef Industry Conference Stillwater, OK
April 3, 2012

Chad Wilkerson
Oklahoma City Branch Executive and Economist
Federal Reserve Bank of Kansas City
www.kansascityfed.org/oklahomacity
Federal Reserve Districts and Office Locations
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
  - Jim Dunn (chair), Chairman, Mill Creek Lumber and Supply, Tulsa
  - Linda Capps, Vice Chairman, Citizen Potawatomi Nation, Shawnee
  - Pete Delaney, Chairman, CEO, & President, OGE Energy Corp., OKC
  - Jacque Fiegel, Senior EVP and COO, Coppermark Bank, OKC
  - Doug Tippens, President and CEO, Bank of Commerce, Yukon
  - K. Vasudevan, Chairman, Service and Technology Corp., Bartlesville
  - Rose Washington, Exec. Director, Tulsa Economic Development Corp.
U.S. GDP growth improved in Q4, led by consumer spending and housing

Growth in Components of Real GDP

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis
U.S. employment growth has been solid and business indexes remain expansionary

U.S. Private Payroll Employment and Business Indexes

Both overall and core inflation have risen with higher oil prices.
In its latest forecasts, the FOMC expected solid GDP growth in 2012.
But for unemployment to only come down slowly the next few years

Unemployment Rate
Seasonally Adjusted

Source: U.S. Bureau of Labor Statistics, FOMC
And for inflation pressures to stabilize after rising with oil and food prices in 2011

PCE Inflation Index

Percent change, year-over-year

Source: U.S. Bureau of Economic Analysis, FOMC
For the first time, the FOMC also released forecasts for interest rates

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
There remains considerable variation in economic strength in the nation and region.
The level of jobs in Oklahoma is nearly back to pre-recession levels, unlike the U.S.
OKC has exceeded pre-recession levels, while Tulsa has lagged below the U.S.
Growth in most Oklahoma sectors was better than the nation, with a few exceptions.
Income growth in Oklahoma ranks among the top states

Real Annual Income Growth

Percent change year-over-year

Source: U.S. Bureau of Economic Analysis
And home prices continue to hold up better than in the nation as a whole.

Home Price Index
Purchase-Only

Index: 2007Q2=100

Source: FHFA
Regional farmland prices continue to surge, but less so in Oklahoma

Tenth District Non-Irrigated Cropland Values
Percent Change, Year-over-year

Source: FRBKC Agricultural Credit Survey
Agricultural conditions in the state have improved after last year’s drought.

[Graph: Oklahoma Agricultural Conditions]
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
Natural gas drilling has fallen sharply in the state, but oil has so far replaced the dropoff.

Source: Baker Hughes
The U.S. economy continues to grow moderately, amid limited inflation, but regional variation in growth is wide.

Oklahoma growth remains better than the nation and region, and firms remain generally confident about the future.
Questions?

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