U.S. & Oklahoma Economic Outlook

Stillwater Chamber of Commerce
May 11, 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 eased slightly in Q1, while housing investment rose sharply.

Growth in Components of Real GDP

Percent change from the previous period, SAAR

- Total GDP
  - 2011 Q4: 3.0
  - 2012 Q1: 2.2
- Consumer spending
  - 2011 Q4: 2.1
  - 2012 Q1: 2.9
- Residential investment
  - 2011 Q4: 11.6
  - 2012 Q1: 19.1
- Business investment
  - 2011 Q4: 5.2
  - 2012 Q1: -2.1
- Exports
  - 2011 Q4: 5.4
  - 2012 Q1: 2.7
- Government spending
  - 2011 Q4: -4.2
  - 2012 Q1: -3.0

Source: U.S. Bureau of Economic Analysis
Early Q2 data suggest moderate growth continues in the U.S. economy

U.S. Private Payroll Employment and Business Indexes

Change from previous month, thousands

Index

At its last meeting, the FOMC expected unemployment to gradually fall further.
And for inflation pressures to stabilize after rising with oil and food prices in 2011

PCE Inflation Index

Source: U.S. Bureau of Economic Analysis, FOMC
The majority of FOMC members expect interest rates to stay low through 2014

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
There remains considerable variation in economic strength across the nation.

Employment Growth, Year-over-Year (percent)
March 2012

Source: U.S. Bureau of Labor Statistics
Employment in Oklahoma is back above pre-recession levels...if Tulsa is excluded.
OK unemployment is now quite low, but labor force dropouts are part of the reason

Unemployment Rates by State  
Seasonally Adjusted

<table>
<thead>
<tr>
<th>State</th>
<th>March 2012 actual</th>
<th>March 2012 @ 2007 LFPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>8.2%</td>
<td>10.4%</td>
</tr>
<tr>
<td>10J</td>
<td>9.7%</td>
<td>6.6%</td>
</tr>
<tr>
<td>CO</td>
<td>7.8%</td>
<td>12.0%</td>
</tr>
<tr>
<td>MO</td>
<td>7.4%</td>
<td>10.5%</td>
</tr>
<tr>
<td>NM</td>
<td>7.2%</td>
<td>13.6%</td>
</tr>
<tr>
<td>KS</td>
<td>6.2%</td>
<td>7.6%</td>
</tr>
<tr>
<td>OK</td>
<td>7.5%</td>
<td>7.5%</td>
</tr>
<tr>
<td>WY</td>
<td>7.5%</td>
<td>5.3%</td>
</tr>
<tr>
<td>NE</td>
<td>4.0%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

LFPR=Labor Force Participation Rate

Source: Bureau of Labor Statistics
Unemployment is quite low in much of western, central, and southern Oklahoma.

County Unemployment Rates
March 2012

Source: OK Employment Security Commission
Job growth in most Oklahoma sectors has been better than the nation

Oklahoma Employment Growth
March 2012

Percent change, year-over-year

Source: Bureau of Labor Statistics
Home prices have held up much better throughout Oklahoma than in the nation.
Income fundamentals suggest Oklahoma is at less risk of future home price declines.

Home Prices and Per Capita Income Levels
Index: 2000=100

Source: FHFA, BEA
Overall, problem loans are much less elevated at Oklahoma banks than nationally.

Noncurrent Loans as a Share of Total Loans
Commercial Banks

Source: FDIC
Looking ahead, purchasing managers in the region showed less optimism in April.

Tenth District Manufacturing Expectations
Six-Months Ahead, Seasonally Adjusted
And Oklahoma energy activity is leveling off somewhat with low natural gas prices.
Conclusions

- The U.S. economy continues to grow moderately, amid limited inflation, with housing showing some recent strength.

- Oklahoma economic growth and housing activity remains better than the nation and region, but growth may slow slightly.
Questions?

For more information about the Oklahoma economy, subscribe to the quarterly Oklahoma Economist at:

www.kansascityfed.org/publications/research/oke