Regional Economic Outlook

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The Fed and the U.S. Economic Outlook
Federal Reserve Districts and Office Locations
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

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  • Economic research and outreach for U.S. monetary policy purposes
  • Examinations and inspections of Oklahoma financial institutions
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At its meeting this week, the FOMC expected solid GDP growth in 2012.
But for unemployment to only come down slowly the next few years
And for inflation pressures to ease slightly 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

Scale

- 1.54 - 5.70
- 1.02 - 1.54
- 0.66 - 1.02
- -0.70 - 0.66

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

Percent change, annualized

Source: Bureau of Labor Statistics
January data on regional manufacturing suggest growth remains moderate.
Oklahoma’s unemployment rate has risen, as workers resume searching for jobs.

Unemployment Rate
Seasonally Adjusted*

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

- Net inflows greater than 0.2%
- Little change in net migration
- Net outflows greater than 0.2%

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

Home Price Index
Purchase-Only

Index: 2007Q2=100

Source: FHFA
Consumer debt is also less burdensome than in the U.S., even moreso than a decade ago.
Problem loans are still elevated in OK, but much less so than in banks nationally.
Purchasing managers in the region remain relatively optimistic about 2012 growth.
Oklahoma has much less trade exposure to Europe than does 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
Nov/Dec 2011

---Tenth District energy states---

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

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