U.S. and Oklahoma Economic Update

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www.kansascityfed.org/oklahomacity
Overview of the Federal Reserve System

- The “Fed” consists of three main entities:
  - Board of Governors: 7 members appointed by U.S. President
  - Federal Reserve Banks: 12 total; semi-independent by design
  - Federal Open Market Committee: 19 members; 12 voting

- As with most central banks, the Fed’s primary responsibilities fall within four general areas:
  - Lender of last resort – provide liquidity in times of crisis
  - Monetary policy – promote full employment and low inflation
  - Bank regulation – ensure safety and soundness of banks
  - Financial services – bank for banks, bank for federal govt.
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- **History, staff, and functions**
  - Branch office opened in 1920; currently have about 35 staff
  - Functions include economic research, bank examinations, public outreach

- **2012 branch board of directors**
  - **Jim Dunn (Chairman)**, 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**, Executive Director, TEDC Creative Capital, Tulsa
The U.S. Economy
Recent U.S. economic data have improved slightly overall, but growth remains modest.
Household debt has fallen somewhat, but remains historically elevated

Household Debt as a Share of Disposable Personal Income

Source: Federal Reserve Board, BEA
The U.S. unemployment rate eased further in December, but joblessness remains high

U.S. Unemployment Rate and Employment-to-Population

Source: U.S. Bureau of Labor Statistics
National construction activity remains very weak compared to the recent and far past.
Financial stress has risen in Europe, and also beyond to some degree.

3-month EURIBOR & LIBOR Spreads (to OIS)

Source: Bloomberg
Overall inflation eased considerably in late 2011, and core prices also edged lower.

U.S. Consumer Price Index

Percent change, six-months annualized

Source: U.S. Bureau of Labor Statistics
At its November meeting, the FOMC expected fairly solid U.S. GDP recovery.

Real Gross Domestic Product

Source: U.S. Bureau of Economic Analysis, FOMC.
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 ease slightly after rising with oil and food prices in 2011

PCE Inflation Index

Percent change, year-over-year
The Oklahoma Economy
Oklahoma employment is up sharply from last year, following a shorter recession.
The level of jobs is nearly back to pre-recession levels, unlike the nation.
Most sectors had slower expansion in the second half, with energy the big exception.

Oklahoma Employment Growth

Percent change, annualized

Source: Bureau of Labor Statistics
OK unemployment rates have risen, due to an increase in workforce participation.

Unemployment Rate
Seasonally Adjusted*

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<tr>
<th></th>
<th>U.S.</th>
<th>OK</th>
<th>OKC Metro</th>
<th>Tulsa Metro</th>
<th>Lawton Metro</th>
<th>Non-metro OK*</th>
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<td>9.8</td>
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<tr>
<td>Nov-11</td>
<td>8.6</td>
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<td>5.7</td>
<td>6.7</td>
<td>6.5</td>
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</tr>
</tbody>
</table>

Percent

Source: U.S. Bureau of Labor Statistics

* Estimated by FRBKC
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
Oklahoma wages are now more similar to other Plains states in the Tenth District

Average Hourly Wage of Tenth District States
Seasonally Adjusted

Source: U.S. Bureau of Labor Statistics
Home prices in large OK metros also now compare more favorably to the region.
And prices have held up considerably better than in the nation as a whole, on any measure.
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

Percent

U.S.

OK

Source: FDIC
The share of unprofitable Oklahoma banks remains small relative to the nation.
Surging farmland prices pose a risk in some parts of the region, but less so in Oklahoma.
Oil and gas lease rates continue to rise in Oklahoma and other energy states

Oil and Gas Lease Rates
Most common bonus

Source: Lierle Public Relations
Three western OK counties have recently seen lease bonuses of over $5,000/acre.
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 remains better than the nation amid strong energy activity.
Questions?

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