Regional Economic Outlook

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www.kansascityfed.org/oklahomacity
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

• 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

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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.

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

### Federal Funds Rate
#### Year-end target

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
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<tbody>
<tr>
<td>1981</td>
<td>12.0</td>
</tr>
<tr>
<td>1984</td>
<td>9.0</td>
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<tr>
<td>1987</td>
<td>11.0</td>
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<tr>
<td>2011</td>
<td>2.0</td>
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<tr>
<td>2014</td>
<td>1.0</td>
</tr>
</tbody>
</table>

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
January data on regional and national factory activity show moderate growth.
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%
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.

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

Index

Production

Capital Spending

Employment

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*

![Bar chart showing oil and gas lease rates in different states.](chart)

- **Jan/Feb 2009**
- **Sept/Oct 2010**
- **Nov/Dec 2011**

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**Tenth District energy states**: OK, CO, NM, WY

**Other key land drilling states**: PA, TX, ND

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

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