Regional Economic Outlook

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Federal Reserve Districts and Office Locations
At its meeting this 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
And for inflation pressures to ease slightly 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

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 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

Manufacturing Composite Activity
Seasonally Adjusted

Source: KC, Dallas FRB Manufacturing Surveys
Oklahoma’s unemployment rate has risen, as workers resume searching for jobs.

Unemployment Rate
Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Region</th>
<th>Dec-10</th>
<th>Jun-11</th>
<th>Dec-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>9.4</td>
<td>9.1</td>
<td>8.5</td>
</tr>
<tr>
<td>OK</td>
<td>7.0</td>
<td>5.4</td>
<td>6.1</td>
</tr>
<tr>
<td>TX</td>
<td>8.3</td>
<td>8.2</td>
<td>7.8</td>
</tr>
<tr>
<td>Rest of District States</td>
<td>8.2</td>
<td>7.6</td>
<td>7.1</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Labor Statistics

* Estimated by FRBKC
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.
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

Percent


U.S.

OK

Source: FDIC
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.
Oil and gas lease rates have continued to rise in Oklahoma and other energy states.

Oil and Gas Lease Rates
Most common bonus

Oil and gas lease rates have continued to rise in Oklahoma and other energy states.
Natural gas drilling has fallen sharply in the state, but oil has so far replaced the dropoff.
Conclusions

- Oklahoma grew much faster than the nation in 2011, and banking and real estate conditions are better.

- Growth slowed in the second half of 2011, but conditions still appear good for moderate growth in 2012.
Questions?

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

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