U.S. & Oklahoma Economic Outlook

Society of Financial Service Professionals
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Federal Reserve Bank of Kansas City
www.kansascityfed.org/oklahomacity
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  • Examinations and inspections of Oklahoma financial institutions
  • Economic and financial education outreach to teachers and citizens
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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

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
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)
April 2012

Source: U.S. Bureau of Labor Statistics
Employment in Oklahoma is back above pre-recession levels…if Tulsa is excluded

Level of Payroll Employment
Through April 2012

Index: Jan-08=100

Source: U.S. Bureau of Labor Statistics
OK unemployment is now quite low, but labor force dropouts are part of the reason.
Unemployment is low in much of western, central, and southern Oklahoma

County Unemployment Rates
April 2012

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

Oklahoma Employment Growth
April 2012

Source: Bureau of Labor Statistics
Home prices have held up much better in Oklahoma than in the nation.

Home Price Index

Index: 2007Q2=100

Source: FHFA
As a result, OKC and Tulsa home prices now match other regional cities.
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
Past due mortgages have eased a bit, but still remain well above pre-recession levels.

Source: MBA
Oklahoma mortgages are made up of fewer prime loans than in the nation

Share of Mortgages Outstanding by Type

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<th>Q4 2011</th>
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<td>75.3</td>
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- Subprime
- FHA
- VA
- Prime

Source: MBA
Looking ahead, purchasing managers in the region showed favorable optimism in May.

Tenth District Manufacturing Expectations
Six-Months Ahead, Seasonally Adjusted

Source: KC, Dallas FRB Manufacturing Surveys
But 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?

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