The U.S. and Oklahoma Economies:
Post-Fiscal Cliff, Pre-Sequestration

McAlester Chamber of Commerce
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Federal Reserve Districts and Office Locations
Trends and Risks in the U.S. Economy
High-end tax rates rose with the cliff deal but overall are similar to rates in early 2000s.

Federal Tax Rates
2000-present

Source: Tax Foundation

Percent of GDP
Nearly everyone’s after-tax 2013 income will be affected, but high incomes the most

Average Impact on 2013 After-Tax Income from Fiscal Cliff Deal

Percent

-2.1
-1.3
-1.2
-1.5
-3.9
-6.9

All Income Groups
< $106K
$106K - $265K
$265K - $530K
$530K - $1.1M
> $1.1M

---Adjusted Gross Income---

Source: Tax Foundation
The deal hits the Northeast and California much more than the rest of the country

Share of Households with Income over $200,000
2011

Source: U.S. Census Bureau
The deal only moderately closed the federal deficit gap for the next decade.
Longer term federal spending increases are due largely to health care costs and net interest.

Federal Spending Components as a Share of GDP
2000-2042

Source: Congressional Budget Office
2013 GDP projections changed little after cliff deal; sequester would affect ‘13 outlook
U.S. employment continues to rise but unlike OK remains well below pre-recession levels.

Level of Payroll Employment
Through December 2012

Index: Jan-08=100

Source: U.S. Bureau of Labor Statistics
In its latest projections, the FOMC expected unemployment to gradually improve.
And for inflation to remain at or near its long-term target through 2015

PCE Inflation Index

Percent change, year-over-year


Dec. FOMC Forecast Ranges in Yellow

Long Term

Source: U.S. Bureau of Economic Analysis, FOMC
On interest rates, most FOMC participants expect little change until 2015

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
Trends and Risks
Closer to Home
Unemployment is below national levels in nearly all of Oklahoma, including McAlester.

County Unemployment Rates
December 2012

Source: OK Employment Security Commission
But state job growth has slowed lately, with declines in energy, health, and manuf.

Oklahoma Employment Growth by Industry

Percent change, quarter-to-quarter, annualized

Source: Bureau of Labor Statistics
Most energy states are expected to see slightly less exploration this year than last.

**Forecasted Change in Number of Wells Completed, 2013 vs. 2012**

Top 10 oil and gas producing states

![Bar chart showing the percent change in the number of wells completed for each state, with the source cited at the bottom: Oil and Gas Journal, January 7, 2013.](image-url)
And Oklahoma has a bigger exposure to sequestration than the nation.

Federal Spending as a Percent of State GDP
2010

Source: Wells Fargo Securities, Pew Center
Regional factory activity, including in Okla., has also eased ahead of sequestration.

Manufacturing Month-over-Month PMI Indexes
Seasonally Adjusted

Source: ISM, Federal Reserve Banks
Employment in Pittsburg County has been more nation-like since the recession.

Level of Payroll Employment
Through June 2012

Index: Jan-08=100

Source: U.S. Bureau of Labor Statistics
Pittsburg County has high concentrations in government, energy, and factory jobs

### Pittsburg County and U.S. Employment Share by Industry 2011

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent of Total Employment</th>
<th>Location Quotient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pittsburg Co.</td>
<td>U.S.</td>
</tr>
<tr>
<td>Federal Government</td>
<td>12.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>5.5</td>
<td>1.5</td>
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<tr>
<td>State &amp; Local Government</td>
<td>20.9</td>
<td>14.7</td>
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<tr>
<td>Manufacturing</td>
<td>12.7</td>
<td>9.4</td>
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<tr>
<td>Financial Activities</td>
<td>5.6</td>
<td>5.9</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>8.4</td>
<td>10.7</td>
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<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>15.3</td>
<td>19.9</td>
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<tr>
<td>Construction</td>
<td>3.2</td>
<td>4.4</td>
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<tr>
<td>Education &amp; Health</td>
<td>9.6</td>
<td>15.2</td>
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<tr>
<td>Information</td>
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<td>2.1</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>5.5</td>
<td>13.9</td>
</tr>
</tbody>
</table>

Note - Location quotient is the division of local employment share by national employment share

Source: U.S. Bureau of Labor Statistics
Summary

- U.S. economic growth remains moderate after the fiscal cliff, but debt issues remain.
- Oklahoma’s growth remains stronger but has slowed recently, and sequestration is a risk.
- The McAlester area has been hit by slowing energy activity and fiscal policy uncertainty.
Questions?

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

www.kansascityfed.org/publications/research/oke