The U.S. and Oklahoma Economies

Tinker Federal Credit Union
June 20, 2013

Megan Williams
Associate Economist, Oklahoma City Branch
Federal Reserve Bank of Kansas City
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.
Federal Reserve Districts and Office Locations
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

• Functions – 40 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

• 2013 board of directors
  - Jim Dunn (chair), Chairman, Mill Creek Lumber & Supply, Tulsa
  - Paula Bryant-Ellis, COO, BOK Financial Mortgage Group, Tulsa
  - Linda Capps, Vice Chairman, Citizen Potawatomi Nation, Shawnee
  - Michael Coffman, CEO, Panhandle Oil & Gas, Inc., Oklahoma City
  - Pete Delaney, Chairman & CEO, OGE Energy Corp., Oklahoma City
  - Doug Tippens, President & CEO, Bank of Commerce, Yukon
  - K. Vasudevan, Chairman, Service & Technology Corp., Bartlesville
Trends and Risks in the U.S. Economy
U.S. GDP growth picked up in Q1, with positive signs from consumers

Growth in Components of Real GDP

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis, Macroeconomic Advisors
And U.S. employment and business activity has grown fairly solidly in early 2013.
In its latest projections, the FOMC expected unemployment to gradually improve.

Source: U.S. Bureau of Labor Statistics, FOMC
And for inflation to remain at or near its long-term target through 2015

PCE Inflation Index

Percent change, year-over-year

Jun. 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

Percent


Jun. FOMC Forecast
Ranges in Yellow

Long Term

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
Employment in Oklahoma is above pre-recession levels, driven by Oklahoma City

Level of Payroll Employment
Through April 2013

Index: Jan-08=100

Source: U.S. Bureau of Labor Statistics
The official unemployment rate is now below 5 percent across most of Oklahoma.

Unemployment Rates
Not Seasonally Adjusted

<table>
<thead>
<tr>
<th>Location</th>
<th>Apr-12</th>
<th>Apr-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>8.1</td>
<td>7.5</td>
</tr>
<tr>
<td>OK</td>
<td>4.6</td>
<td>4.4</td>
</tr>
<tr>
<td>OKC</td>
<td>4.2</td>
<td>4.1</td>
</tr>
<tr>
<td>Tulsa</td>
<td>5.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Rest of State</td>
<td>4.6</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Labor Statistics
But unemployment can be measured several ways, giving several views of labor markets.

Alternative Measures of Labor Underutilization
Average, from 2012Q2 – 2013Q1

<table>
<thead>
<tr>
<th>Percent</th>
<th>U.S.</th>
<th>OK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officially unemployed &gt; 15 weeks</td>
<td>4.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Official unemployment rate</td>
<td>7.9</td>
<td>5.2</td>
</tr>
<tr>
<td>Plus discouraged and marginally-attached</td>
<td>9.4</td>
<td>6.5</td>
</tr>
<tr>
<td>Plus part-time involuntarily</td>
<td>14.5</td>
<td>9.8</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Labor Statistics
Labor force participation dropped less in OK than the nation, and rose slightly in 2012
Given better job growth and participation, a higher share of Oklahomans are now working.
OK is much more concentrated in energy and federal government than the nation.

### Oklahoma Personal Earnings Share by Industry

#### 2011

<table>
<thead>
<tr>
<th>Industry</th>
<th>U.S.</th>
<th>OK</th>
<th>LQ*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>1.1</td>
<td>8.2</td>
<td>7.38</td>
</tr>
<tr>
<td>Proprietors</td>
<td>10.7</td>
<td>14.4</td>
<td>1.36</td>
</tr>
<tr>
<td>Federal Government</td>
<td>3.2</td>
<td>4.2</td>
<td>1.34</td>
</tr>
<tr>
<td>State Government</td>
<td>3.1</td>
<td>3.7</td>
<td>1.21</td>
</tr>
<tr>
<td>Trade, Transportation, &amp; Utilities</td>
<td>14.0</td>
<td>15.0</td>
<td>1.07</td>
</tr>
<tr>
<td>Local Government</td>
<td>8.1</td>
<td>8.6</td>
<td>1.06</td>
</tr>
<tr>
<td>Construction</td>
<td>4.8</td>
<td>4.7</td>
<td>0.97</td>
</tr>
<tr>
<td>Other Services</td>
<td>3.3</td>
<td>3.1</td>
<td>0.92</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9.1</td>
<td>8.3</td>
<td>0.91</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>11.6</td>
<td>9.7</td>
<td>0.84</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>3.8</td>
<td>3.0</td>
<td>0.78</td>
</tr>
<tr>
<td>Farming</td>
<td>1.0</td>
<td>0.8</td>
<td>0.77</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>14.8</td>
<td>9.6</td>
<td>0.65</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>8.5</td>
<td>5.1</td>
<td>0.60</td>
</tr>
<tr>
<td>Information</td>
<td>3.0</td>
<td>1.6</td>
<td>0.54</td>
</tr>
</tbody>
</table>

*Location Quotient*

Source: Bureau of Labor Statistics, Bureau of Economic Analysis
That has generally been a good thing the past 5 years, but we’ve leveled off recently.
The pace of state job growth has slowed lately, especially in energy-related sectors.

Source: Bureau of Labor Statistics
Non-metro parts of the state have borne the brunt of energy-related cutbacks to date.

**Metro Employment Growth by Industry**

*April 2013*

[Bar chart showing percent change, year-over-year for different industries and metro areas: OKC, Tulsa, Non Metro.]
Most current drilling activity is in far north or far west Oklahoma
Sequestration is also taking a bite out of growth in several parts of the state.
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
Like ‘99, the recent tornado could provide a boost to construction in coming months.
Summary

- U.S. economic growth remains moderate after the fiscal cliff deal and ahead of most federal cuts.

- Oklahoma’s rate of growth has slowed due to largely to energy, and sequestration is a bigger risk.
Questions?

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

[www.kansascityfed.org/publications/research/oke](http://www.kansascityfed.org/publications/research/oke)