The U.S. and Oklahoma Economies

Oklahoma Cash Management Association
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www.kansascityfed.org/oklahomacity
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**
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The U.S. Economy
Q4 monthly U.S. data have been mixed, but suggestive of further moderate growth
Forecasters lowered their GDP projections only slightly after the fiscal cliff deal.

Real GDP Projections

Percent change, quarter-over-quarter (SAAR)

- Blue Chip, Dec. 7, 2012
- Blue Chip, Jan. 7, 2013

Sources: Blue Chip Economic Indicators
High-end tax rates increased with the deal but overall are similar to rates in early 2000s.

Federal Tax Rates
2000-present

Source: Tax Foundation
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

Source: Tax Foundation
The fiscal cliff deal did little to address long-term federal debt issues.

Federal Debt Held by the Public
1790-2042

Percent of GDP

Source: Congressional Budget Office
Federal spending projections are well above projected revenues, especially after 2020.

Federal Government Outlays and Receipts as a Share of GDP
1930-2042

Receipts
Outlays

Percent


Actual
Projected

Source: Congressional Budget Office
The majority of long-term spending increases are due to health care costs and net interest.

Federal Spending Components as a Share of GDP
2000-2042

Percent

Actual  Projected

Source: Congressional Budget Office
Bending the health care cost curve will be a key source of solving long-term debt issues.
At its Dec. meeting, 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

Source: U.S. Bureau of Economic Analysis, FOMC
On monetary policy, most FOMC participants expect rates to hold 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
The Oklahoma Economy
The fiscal cliff deal will hurt Oklahoma much less than the Northeast or California.
But the debt ceiling/sequestration outcome could hurt Oklahoma as much as the nation

Federal Expenditures Per Capita, Fiscal Year 2010
U.S. and Tenth District states

Sources: U.S. Census Bureau, Consolidated Federal Funds Report
Employment has leveled off a bit in Oklahoma recently, but remains solid.

Level of Payroll Employment
Through December 2012

Index: Jan-08=100

Source: U.S. Bureau of Labor Statistics
The recent leveling has largely occurred in non-metro areas, and to some degree OKC.
Energy has been the main source of recent slowing, as most sectors have added jobs.
The state rig count continues to ease from summer highs.

Oklahoma Active Drilling Rig Count
Seasonally Adjusted

Number of rigs

Source: Baker Hughes
Natural gas and NGL prices have rebounded slightly in recent months

Energy Prices

$/Barrel; 10$/MMBTU

Source: Bloomberg Energy Services, Oil and Gas Weekly
But most states are expected to see further modest reductions in energy activity

![Forecasted Change in Number of Wells Completed, 2013 vs. 2012](chart)

Source: Oil and Gas Journal, January 7, 2013
Regional manufacturing activity has also fallen for the past four months.

Manufacturing Month-over-Month PMI Indexes
Seasonally Adjusted

Manufacturing Month-over-Month PMI Indexes

Source: ISM, Federal Reserve Banks

*Dallas only through December 2012
But the housing market appears to be rebounding, although it is still at low levels.

Source: Census Bureau
Summary

- U.S. economic growth remains moderate after the fiscal cliff, but long-term debt issues are unresolved.

- Oklahoma economic activity remains stronger but has slowed due largely to energy, and the debt ceiling looms.
Questions?

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