The U.S. and Oklahoma Economies

CRA Roundtable
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State of the U.S. Economy
While U.S. GDP contracted in Q4, there were positive signs from consumers and business.
U.S. employment and business activity has been growing since early 2010
But unlike Oklahoma, national employment remains well below pre-recession levels.

Source: U.S. Bureau of Labor Statistics
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
Impacts of Fiscal Policy
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 will hurt Oklahoma much less than the Northeast or California.

Share of Households with Income over $200,000
2011

Source: U.S. Census Bureau
The fiscal cliff deal only moderately closed the federal deficit gap for the next decade.
The majority of long-term spending increases are due to health care costs and net interest.
Bending the health care cost curve will be a key source of solving long-term debt issues.
GDP projections changed little after fiscal cliff deal; sequester would change outlook
Sequestration could hurt Oklahoma more than other states in the nation.

Source: Wells Fargo Securities, Pew Center
Trends and Risks in the Local Economy
Job trends have differed across the state, with the OKC metro now clearly leading.

Source: U.S. Bureau of Labor Statistics
But job growth has slowed lately, with declines in energy and health care

Oklahoma Employment Growth by Industry

Percent change, quarter-to-quarter, annualized

Source: Bureau of Labor Statistics
In recent weeks, the state rig count has rebounded after several months of easing.

Oklahoma Active Drilling Rig Count
Seasonally Adjusted

Number of rigs

Source: Baker Hughes
Regional factory activity, including in Okla., has eased ahead of sequestration

Manufacturing Month-over-Month PMI Indexes
Seasonally Adjusted

Source: ISM, Federal Reserve Banks
Home prices have held up considerably better than in the nation as a whole.
Residential construction has increased, driven by higher sales and lower inventories.

Single-Family Housing Permits
Seasonally adjusted

Number of permits, 3-month moving avg.

Source: U.S. Census Bureau
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
Conditions seem to be improving in regional low and moderate income communities.

Low and Moderate Income (LMI) Community Indicators
Tenth Federal Reserve District (CO, KS, MO, NE, NM, OK, WY)

Index (100="Normal conditions")

Source: FRBKC LMI Survey
Consumers in OK have been adding debt recently, while the nation continues to fall
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 fiscal policy could have a negative impact.
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