U.S. and Regional Economic Update

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The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

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  - Research on U.S. and Oklahoma economies
  - Economic and financial education outreach
  - Examinations of Oklahoma financial institutions

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The U.S. Economy and Monetary Policy
GDP growth rebounded strongly in Q2 and sustained a solid pace in Q3

Growth in Components of Real GDP

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis, Macroeconomic Advisors
Monthly data on U.S. business activity and employment has also been strong.

GDP forecasts for 2014-17 remain solid, as the economy recovers further.
Unemployment continues to fall and could reach long-term levels by 2015

Unemployment Rate
Seasonally Adjusted

Sept. FOMC Forecast Ranges in Yellow

Sources: U.S. Bureau of Labor Statistics, FOMC
However, labor force participation and wages have not really turned around
Inflation remains low and is expected to stay relatively subdued through 2017.
Most FOMC participants project the first federal funds rate increase in 2015

Federal Funds Rate
Year-end target

Sources: Federal Reserve Board, FOMC

Note – Number of participants who project the initial increase will occur in the specified year in parenthesis
The Fed’s balance sheet now sits just above $4.5 trillion as QE ends

Federal Reserve Balance Sheet

- **Assets**
  - Treasury securities
  - MBS & agency debt
  - Short term lending, targeted lending programs, and rescue operations

- **Liabilities**
  - Currency
  - Reserves
  - Other

Sources: Federal Reserve Board
The Regional Economy
Job growth varies across the nation, and is mixed in the Tenth Fed District

Employment Growth, Year-over-Year (percent)
October 2014

Source: U.S. Bureau of Labor Statistics
But unemployment in the Tenth Fed District is generally lower than in the nation.
Tenth Fed District manufacturing activity has risen less than the nation this year.
But expectations for future regional factory activity remain relatively solid.

Manufacturing 6-Month Ahead Indexes
Seasonally Adjusted

Source: ISM, Federal Reserve Banks
In agriculture, crop prices are down from a year ago, while cattle prices are up.

Source: Commodity Research Bureau
With lower crop prices, expectations for farm income and spending have eased.

Source: KCFRB Ag Credit Survey
Growth in farmland values has slowed less in Oklahoma than the rest of the region.

Tenth District Non-Irrigated Cropland Values
Percent Change, Year-over-year

Source: FRBKC Agricultural Credit Survey
In energy, oil prices have fallen recently, close to firms’ breakeven in some areas.

Source: Bloomberg
Oklahoma and the region are much more dependent on energy than 15 years ago.
All of northwest Oklahoma and much of Wyoming are especially concentrated again.
Summary

- U.S. economic growth was strong in Q3 and the outlook appears generally favorable.

- Regional economic growth has been slightly slower than in the nation, due in part to agriculture.