U.S. and Oklahoma Economic Update

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

- 2014 board of directors
  - Jim Dunn (chair), Chairman, Mill Creek Lumber & Supply, Tulsa
  - Clint Abernathy, Owner, Abernathy Farms, Inc., Altus
  - 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
  - Chuck Hall, Chairman & CEO, Exchange Bank & Trust, Perry
  - Jane Haskin, President & CEO, First Bethany Bank & Trust, Bethany
The U.S. Economy and Monetary Policy
GDP growth slowed considerably in the first quarter, largely due to weather

Growth in Components of Real GDP

Source: U.S. Bureau of Economic Analysis, Macroeconomic Advisors
Monthly data picked up in April for both business activity and employment

U.S. Private Payroll Employment and Business Indexes

GDP forecasts for 2014-16 remain solid, as the economy recovers further.

Real Gross Domestic Product

Percent change, year-over-year

Source: U.S. Bureau of Economic Analysis, FOMC
Unemployment continues to fall and could reach long-term levels by 2015
Inflation remains low and is expected to stay relatively subdued through 2016.
Most FOMC participants project the first federal funds rate increase in 2015

Federal Funds Rate
Year-end target

Note – Number of participants who project the initial increase will occur in the specified year in parenthesis

Sources: Federal Reserve Board, FOMC
The Fed’s balance sheet is growing slightly slower in 2014 than in 2013.

Federal Reserve Balance Sheet

Sources: Federal Reserve Board
The Oklahoma Economy
Okla. employment is above pre-recession levels, with some differences across the state.
Since last year, job growth by industry has varied, but has generally been positive.
Unemployment rates remain low throughout most of the state

Oklahoma County Unemployment Rates
March 2014

Source: OK Employment Security Commission
Rig counts have edged higher the last few months, driven by oil.

Oklahoma Active Drilling Rig Count
Seasonally Adjusted

Number of rigs

Source: Baker Hughes
And energy production in the state has continued to increase, especially for oil.
Drought conditions persist in much of western Oklahoma

Source: USDA
Housing construction has slowed slightly in 2014, again in part due to weather.

Single-Family Housing Permits
Seasonally adjusted

Number of permits, 3-month moving avg.

Source: U.S. Census Bureau
Home prices are now well-above pre-bust levels, unlike the nation, but recently eased.
Banking conditions in the state remain better than in the nation

Noncurrent Loans as a Share of Total Loans
Commercial Banks

Source: FDIC
Summary

• U.S. economic growth slowed in Q1, but the outlook appears favorable for both economic growth and inflation

• Oklahoma’s economy continues to grow solidly, with unemployment in most of the state below the U.S. rate.
Questions and Links

For more information about the Oklahoma City Branch of the Federal Reserve Bank of Kansas City, visit our website at:

http://www.kansascityfed.org/oklahomacity/

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

www.kansascityfed.org/publications/research/oke