U.S. and Oklahoma Economic Update

CRA Roundtable
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The U.S. Economy and Monetary Policy
GDP growth rebounded considerably in the second quarter, including in housing

Growth in Components of Real GDP

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis, Macroeconomic Advisors
And monthly data on U.S. business activity continued to rise in July.

U.S. Private Payroll Employment and Business Indexes

Change from previous month, thousands

Index

U.S. unemployment continues to fall and could reach long-term levels by 2015

Sources: U.S. Bureau of Labor Statistics, FOMC
Inflation remains low and is expected to stay relatively subdued through 2016.
Most members of the Fed’s monetary policy body expect higher interest rates by 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 sits at nearly $4.5 trillion as the taper comes to an end.

Federal Reserve Balance Sheet

$Trillions

Assets

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

Liabilities

- Currency
- Reserves
- Other

Sources: Federal Reserve Board
The Oklahoma Economy – Current and Long Term Trends
Oklahoma outpaced the U.S. and all but three other states in 2013 GDP growth.
Employment continues to rise and is back to or above pre-recession levels in the state.
Unemployment is low in most of the state, especially northwest and south central Oklahoma.

Oklahoma County Unemployment Rates
June 2014

Source: OK Employment Security Commission
In June, hospitality and mfg. were up most from 2013, while govt. and services lagged.
Along with energy employment, Oklahoma oil drilling has picked back up.

**Oklahoma Active Drilling Rig Count**
Seasonally Adjusted

Number of rigs

Source: Baker Hughes
Oklahoma housing permits remain stronger than in the nation, and stabilized recently.
Oklahoma per capita income relative to the nation is approaching early 1980’s highs.

**Oklahoma Per Capita Income**
as a percent of national average

- 1932: 53%
- 1982: 99%
- 2013: 93%

Source: U.S. Bureau of Labor Statistics
And for the first time, Oklahomans have as much stock market wealth as the nation.
The OK energy sector’s share of personal income is now as high as in the early 1980’s.

Source: U.S. Bureau of Labor Statistics
Oil and gas states grow faster than the nation over time, but are more volatile.

Growth and Volatility of State Employment, 1963-2013

Average Annual Growth

Standard Deviation in Growth

States Where Oil & Gas Is > 2.5 Times Bigger Than In the Nation

Source: U.S. Bureau of Labor Statistics
Energy’s rise in OK contrasts with US growth in education, health, and business services

Change in Personal Income Share by Industry, 1999-2013

Percent

Source: U.S. Bureau of Economic Analysis
Since 2002, jobs requiring high school or less have done much better in Oklahoma City.

Annual Employment Growth by Education/Training Required for Jobs 2002 – 2012

<table>
<thead>
<tr>
<th>Education Level</th>
<th>U.S. Actual 2002-12</th>
<th>OKC Metro 2002-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total, All Occupations</td>
<td>0.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Less than high school</td>
<td>0.3</td>
<td>1.5</td>
</tr>
<tr>
<td>High school diploma</td>
<td>-0.2</td>
<td></td>
</tr>
<tr>
<td>Associate's degree or vocational award</td>
<td>0.6</td>
<td>0.4</td>
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<tr>
<td>Bachelor's degree</td>
<td>1.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Graduate or professional degree</td>
<td>2.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
Energy-related jobs made up a sizable portion of fast-growing, low education OKC jobs

<table>
<thead>
<tr>
<th>Job Description</th>
<th>Education required</th>
<th>Jobs Added</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roustabouts, Oil and Gas</td>
<td>Less than high school</td>
<td>900</td>
</tr>
<tr>
<td>Legal Secretaries</td>
<td>High school diploma or equivalent</td>
<td>800</td>
</tr>
<tr>
<td>Rotary Drill Operators, Oil and Gas</td>
<td>Less than high school</td>
<td>550</td>
</tr>
<tr>
<td>Derrick Operators, Oil and Gas</td>
<td>Less than high school</td>
<td>520</td>
</tr>
<tr>
<td>Electrical and Electronic Equipment Assemblers</td>
<td>High school diploma or equivalent</td>
<td>410</td>
</tr>
<tr>
<td>Surveying and Mapping Technicians</td>
<td>High school diploma or equivalent</td>
<td>250</td>
</tr>
<tr>
<td>Pipelayers</td>
<td>High school diploma or equivalent</td>
<td>240</td>
</tr>
</tbody>
</table>

Examples of OKC metro jobs requiring high school education or less, that grew more than 100 percent from 2002-2012

Source: U.S. Bureau of Labor Statistics
This has kept the middle of the pay scale from dropping as much as in the country.

Annual Employment Growth by Average Pay of Occupations
2002 – 2012

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>U.S. Actual 2002-12</td>
<td>0.3</td>
<td>1.0</td>
<td>0.9</td>
<td>0.3</td>
<td>0.9</td>
<td>1.1</td>
</tr>
<tr>
<td>OKC Metro 2002-12</td>
<td>1.3</td>
<td>1.5</td>
<td>2.0</td>
<td>1.1</td>
<td>1.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
Summary

• U.S. economic growth rebounded in Q2, and the outlook appears favorable

• Oklahoma’s economy continues to grow solidly, with low unemployment

• Oklahoma’s reliance on oil and gas is back to historic highs, presenting both benefits and risks to the state
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

For Oklahoma economic data, see the new economic databooks:

https://www.kansascityfed.org/research/indicatordata/regionaldatabook/index.cfm