Economic Update

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Structure of the Federal Reserve

Overall purpose: Foster strong economic growth and contained inflation, and help maintain the stability of the nation’s financial system

• 3 primary mission areas:
  • Conducting national monetary policy
  • Regulating financial institutions
  • Providing financial services to banks

• Board of Governors in Washington, DC

• 12 regional Fed banks, with 25 branches
Map of Federal Reserve Districts
The moderation in economic growth appears to be continuing, partly reflecting a cooling of the housing market.

Readings on core inflation have been elevated… However, inflation pressures seem likely to moderate over time, reflecting reduced impetus from energy prices, contained inflation expectations, and the cumulative effects of monetary policy actions and other factors restraining aggregate demand.
U.S. GDP growth slowed in Q2 but remained relatively solid

Gross Domestic Product

Percent change from previous quarter, annualized

Source: U.S. Bureau of Economic Analysis
Business investment and exports were leading growth, as housing declined.

Growth in Components of GDP in Q2 2006

Percent change from previous quarter, annualized

- Total GDP: 2.6
- Consumer spending: 2.6
- Residential investment: -11.1
- Business investment: 4.4
- Exports: 6.2
- Government spending: 0.8

Source: U.S. Bureau of Economic Analysis
U.S. employment growth slowed in September, but Q3 growth equaled Q2

Payroll Employment

Change from previous month, thousands

Source: U.S. Bureau of Labor Statistics
Consumer confidence rebounded in September after easing in August.
Core inflation has risen this year, but falling energy prices should help the outlook.
The Oklahoma Economy
OK job growth has slowed to the national rate, following faster growth in recent years.

Employment Growth

Source: U.S. Bureau of Labor Statistics
Job growth has eased across the state, but especially in non-metro areas.

Source: U.S. Bureau of Labor Statistics
Natural resources and construction job growth is still up, while other sectors slow.

OK Employment Growth by Industry

Source: U.S. Bureau of Labor Statistics
Labor markets are generally tight across the state, especially in the west.

Oklahoma Unemployment Rates by Counties
July 2006

Source: U.S. Bureau of Labor Statistics
Oklahoma housing activity has declined in 2006, but not as much as in the nation.

Source: U.S. Census Bureau
Oklahoma house price growth remains steady, while U.S. prices are easing.

Quality-adjusted Housing Prices

Percent change year over year

Source: OFHEO
Oklahoma factory activity has slowed, but plants’ capital spending plans appear solid

Oklahoma Manufacturing Indexes

![Graph showing Oklahoma Manufacturing Indexes with Diffusion index, Production vs. a month ago, and Capital spending plans for next 6 months.

Source: Kansas City Fed]
OK hiring plans have slowed but continue to well outpace layoff announcements

Oklahoma Hiring and Layoff Announcements

- Layoffs
- Hirings

Source: Federal Reserve Bank of Kansas City
The Western Oklahoma Economy
Western Oklahoma job growth was very strong entering 2006.

Employment Growth

Percent change year over year

Source: U.S. Bureau of Labor Statistics
Relative to the nation, Western Oklahoma’s economy is very energy- and ag-driven.

Source: Bureau of Economic Analysis
Energy prices have eased recently but remain high.
Drought conditions in western Oklahoma are expected to improve.
Revenue growth for commodities industries is projected to ease, albeit from high levels

Source: Moody's Economy.com
Summary

• Growth in the national economy has moderated and inflation has risen, but business investment appears solid and consumers are generally optimistic.

• Growth in the overall Oklahoma economy has also slowed recently, though the outlook appears relatively solid.

• In western Oklahoma, economic activity remains strong, but growth is likely to slow next year, if it isn’t slowing already.