U.S. & Oklahoma Economic Outlook

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Federal Reserve Bank of Kansas City
Purposes and Structure of the Federal Reserve System

• Overall purposes of the Fed are to promote:
  • National financial stability
  • Maximum sustainable economic growth
  • Low and stable inflation

• Mission areas:
  • Monetary policy – most visible role to the public, usually
  • Bank regulation – including lender of last resort
  • Payments systems – cash, checks, electronic payments

• Monetary policy is set by the 12-member FOMC:
  • The Federal Open Market Committee meets every 6 weeks
  • Voting members consist of:
    • the 7 Governors in Washington;
    • the New York Fed President;
    • 4 of the 11 other Fed presidents on a rotating basis
Federal Reserve Districts and Office Locations
The Kansas City and Oklahoma City Offices

- **Headquarters in Kansas City**
  - Nearly **1,000 staff** involved in all mission areas
  - **New building** officially opened in June

- **Oklahoma City branch office**
  - **Staff and functions** – about 35 staff involved in economic research, bank examinations, and public and community affairs
  - **Branch board of directors** – 7 members from around the state; provide anecdotal information in advance of each FOMC meeting

- **Oklahoma City branch board of directors**
  - *Chairman Richard Ratcliffe*, Chairman, Ratcliffe’s Textbooks, Weatherford
  - *Steve Agee*, President, Agee Energy, and Professor, OCU, Oklahoma City
  - *Terry Almon*, President, Oklahoma Community Capital Corp., Broken Arrow
  - *Jim Dunn*, Chairman, Mill Creek Lumber & Supply Co., Tulsa
  - *Barry Golsen*, President, LSB Industries, Oklahoma City
  - *Fred Ramos*, President, RGF, Inc., Oklahoma City
The U.S. Economic Outlook

- U.S. economic growth is below average
- Inflation pressures have risen
- Forecasts generally call for sluggish growth and continued high inflation in the second half of 2008
GDP growth was moderate in the first half of 2008

Source: U.S. Bureau of Economic Analysis
Stimulus checks and exports provided a boost in Q2

Growth in Components of GDP

Source: U.S. Bureau of Economic Analysis
Inflation has risen again in recent months

Source: U.S. Bureau of Labor Statistics
The Oklahoma Economic Outlook

- Oklahoma economic growth remains solid
- Housing is in better shape than the nation
- Energy and agriculture should continue to help promote moderate overall growth in the state
Oklahoma job growth continues to be considerably stronger than in the nation.

Source: U.S. Bureau of Labor Statistics
Strength in regional job growth is driven by energy, but also some other sectors.

Employment Growth by Industry
June 2008

Source: U.S. Bureau of Labor Statistics
Unemployment rates are down across the state since last year, unlike in the nation.

Unemployment Rates

Percent, not seasonally adjusted

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Source: U.S. Bureau of Labor Statistics
Total foreclosure rates have remained relatively stable in Oklahoma, as opposed to the nation.
U.S. home prices are now falling, while Oklahoma prices are holding on

Quality-Adjusted Home Price Growth

Percent change year-over-year

U.S.
OK Non-Metro
OK Metro

Source: OFHEO
House price fundamentals were more in line in Oklahoma from 2000 to 2005

Annual Growth in Per Capita Incomes and Home Prices
2000 - 2005

Source: U.S. Bureau of Economic Analysis, OFHEO
Oil and gas futures prices have dropped slightly, but still remain very solid.

Source: Bloomberg
State drilling activity continues to increase

Count of Active Drilling Rigs

Source: Baker-Hughes
Crop prices have also eased recently, but still remain quite high.
Oklahoma farmland values and farm capital spending are rising

Source: FRBKC Agricultural Credit Survey
Hiring announcements in Oklahoma have slowed, but layoffs remain minimal.

Oklahoma Hiring and Layoff Announcements

Source: Federal Reserve Bank of Kansas City
The 2009 job growth forecast for Oklahoma is generally positive.
Questions?