U.S. & Oklahoma Economic Outlook

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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
  - **Doug Tippens**, President, Canadian State Bank, Yukon
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, exports, and defense spending provided a boost in Q2

Growth in Components of GDP

Source: U.S. Bureau of Economic Analysis
Inflation has surged in recent months, but should ease somewhat with falling oil prices.
The Oklahoma Economic Outlook

- Oklahoma economic growth remains solid
- Housing is in better shape than the nation
- Energy and defense should continue to help promote moderate overall growth in the state
Oklahoma job growth has slowed but remains well above the national average.
Strength in Oklahoma job growth is driven by energy, but also some other sectors

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

Source: U.S. Bureau of Labor Statistics
Foreclosure rates have remained relatively stable in Oklahoma, also unlike the nation.
U.S. home prices are falling, while Oklahoma prices are holding on.
House price fundamentals were also 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
State oil and gas activity remains strong, and futures prices are solid.

Count of Active Drilling Rigs and Natural Gas Prices

Source: Baker-Hughes
National defense’s share of the economy has risen considerably since 2001

National Defense Spending as a Share of U.S. GDP

Source: U.S. Bureau of Economic Analysis
Oklahoma has an even larger defense presence, especially in terms of personnel.

Defense Spending as a Share of GDP, 2006

Percent

- Other defense expenditures**
- Dept. of Energy defense activities
- Dept. of Defense contracts/grants
- Dept. of Defense payroll

* Excluding Missouri
** Actual for U.S., estimated for District and states

Sources: U.S. Departments of Defense and Energy, Bureau of Economic Analysis
Our Fed District has some of the largest U.S. military bases, with Tinker at the top.

**Defense Personnel Concentrations in the Tenth District**

Sources: U.S. Departments of Defense and Energy
Yet the District’s boost in defense spending has been less than in the nation

Defense Spending Growth as a Share of Total GDP Growth*  
2000-2006

<table>
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<th>U.S. District**</th>
<th>KS</th>
<th>NM</th>
<th>NE</th>
<th>CO</th>
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<td>8.2</td>
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Percent

* Not including "other defense expenditures," which would likely raise the contributions of defense in all cases

** Excluding Missouri

Sources: U.S. Department of Defense, U.S. Department of Energy
But the types of defense concentrated in the region are expected to grow.
Hiring announcements in Oklahoma have slowed, but layoffs remain minimal.

Oklahoma Hiring and Layoff Announcements

Hirings
Layoffs

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