U.S. & Oklahoma Economic Outlook

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The U.S. Economic Outlook

- U.S. economic growth is below average
- Inflation pressures have risen
- Forecasts call for improvement by the second half of 2008
GDP growth has been well below average the last six months
April data suggest the sluggishness continues, but no further deterioration.

Source: Institute for Supply Management
GDP forecasts call for improvement by the second half of 2008

Source: U.S. Bureau of Economic Analysis
Inflation has risen again in recent months, to over 4 percent.
But forecasts call for a moderation in inflation by the middle of 2008.
The Oklahoma Economic Outlook

- State economic growth remains solid
- Housing is in better shape than the nation
- Solid growth is expected to continue
Oklahoma job growth continues to be considerably stronger than in the nation

Nonfarm Payroll Employment Growth

Year-over-year percent change

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

Employment Growth by Industry
March 2008

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

### Unemployment Rates

<table>
<thead>
<tr>
<th>Region</th>
<th>Mar-07</th>
<th>Mar-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>4.5</td>
<td>5.2</td>
</tr>
<tr>
<td>OK</td>
<td>4.3</td>
<td>3.2</td>
</tr>
<tr>
<td>OKC</td>
<td>4.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Tulsa</td>
<td>4.1</td>
<td>3.3</td>
</tr>
<tr>
<td>All Other</td>
<td>4.4</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Percent, not seasonally adjusted

Source: U.S. Bureau of Labor Statistics
Foreclosures are less prevalent in Oklahoma than the nation

Households per Foreclosure, Tenth Federal Reserve District
2008 Q1

Percent change year-over-year

Source: RealtyTrac
And foreclosures have risen much less over the past year as well.

Change in Foreclosures from Previous Year, Tenth District
2008 Q1

Percent change year-over-year

<table>
<thead>
<tr>
<th>US</th>
<th>District</th>
<th>WY</th>
<th>CO</th>
<th>KS</th>
<th>MO</th>
<th>NM</th>
<th>OK</th>
<th>NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td>54</td>
<td>138</td>
<td>78</td>
<td>52</td>
<td>46</td>
<td>39</td>
<td>11</td>
<td>-24</td>
</tr>
</tbody>
</table>

Source: RealtyTrac
U.S. home prices are falling, while Oklahoma prices are still holding up

Quality-Adjusted Home Price Growth
Purchase-Only

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

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

Source: U.S. Bureau of Economic Analysis, OFHEO
State oil and gas activity remains strong, and futures prices are high.

Count of Active Drilling Rigs and Natural Gas Prices

$/MMBTU

Source: Baker-Hughes
Oklahoma farmland values and farm capital spending are rising

Source: FRBKC Agricultural Credit Survey
Are recent farmland price gains rational?

## Returns to Wheat Production

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<th>2007</th>
<th>2008</th>
<th>2009</th>
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<tr>
<td><strong>Total Costs per acre (excluding land)</strong></td>
<td>$179</td>
<td>$186</td>
<td>$192</td>
</tr>
<tr>
<td><strong>Total Revenue per acre</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price (dollars per bushel)</td>
<td>6.70</td>
<td>9.90</td>
<td>9.20</td>
</tr>
<tr>
<td>Yield (bushel per acre)</td>
<td>33</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td><strong>Returns to Land (dollars per acre)</strong></td>
<td>$41</td>
<td>$141</td>
<td>$112</td>
</tr>
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<td>Calculations based on USDA data and futures prices</td>
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<td></td>
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<td><strong>Capitalized value at 5.5% cap rate</strong></td>
<td>$744</td>
<td>$2560</td>
<td>$2036</td>
</tr>
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What if wheat prices fall and production costs remain high?

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Calculations based on USDA data and futures prices

Capitalized value at 5.5% cap rate $2036 $709 Ugly
Hiring announcements in Oklahoma continue to greatly outpace layoffs

Oklahoma Hiring and Layoff Announcements

Source: Federal Reserve Bank of Kansas City
Oklahoma ranks in the top quartile of states for 2008 forecasted job growth.

Projected 2008 Job Growth (as of Mar-08)
- Dark blue: 0.5 to 4.0%
- Light blue: 0.0 to 0.4%
- Pink: -0.4 to -0.1%
- Red: -2.0 to -0.5%

Source: Economy.com
Questions?