U.S. & Oklahoma Economic Outlook

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The U.S. Economic Outlook

- U.S. economic growth was surprisingly solid in the first half of the year, while inflation numbers continued to rise.

- But the onset of an intense credit crisis has seriously dampened the outlook.

- Recent policy actions appear to be beginning to have an effect.
Outside of housing, U.S. economic growth was fairly solid in the first half of the year.

Real GDP growth in 2008, including components

Percent, annualized, Q4 2007 to Q2 2008

Source: U.S. Bureau of Economic Analysis
Meanwhile, inflation pressures rose sharply before easing slightly in recent months.
Credit spreads widened sharply in September but have eased the past few weeks.
Third quarter data suggest U.S. economic activity is clearly weakening.
Foreign growth prospects have also worsened

Source: Consensus Forecasts
Recent policy actions aim to help bring an end to the credit crisis.

- Rescue package passed to buy up bad assets and, now, inject capital into banks.
- Considerable liquidity provision by the Fed and other central banks has continued.
- A coordinated monetary policy easing by the major central banks around the world and, yesterday, more easing by the Fed.
The Oklahoma Economic Outlook

- Oklahoma’s economy has outperformed the nation for several years now

- And the state’s housing and banking sectors remain in much better shape

- But the national situation bears watching, as do recent declines in oil and gas prices
Oklahoma job growth has slowed but remains well above the national average

Nonfarm Payroll Employment Growth

Source: U.S. Bureau of Labor Statistics
But job growth is minimal outside the energy and nonresidential construction sectors.
Oklahoma home prices continued to grow through Q2 2008, even as U.S. prices fell.
Foreclosures have been relatively low in Oklahoma compared to the nation.
Oil and gas drilling activity remains strong, but has cooled in recent weeks

Weekly Oklahoma Rig Count

Source: Baker-Hughes
Unemployment claims have also risen in recent weeks after lagging the nation.

Weekly Unemployment Insurance Claims

Percent change from a year ago

*Based on weekly average of first half of the month

Source: U.S. Bureau of Labor Statistics
Summary

- U.S. and world economic conditions have deteriorated with tightening credit markets.

- Oklahoma economic conditions remain better, especially in housing and banking, but some recent high-frequency data have been worse.

- Recent policy actions are aimed to boost the U.S. outlook and should help Oklahoma as well, but oil and gas prices bear watching.