The Economic Outlook for the U.S. and Oklahoma

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History and Structure of the Federal Reserve System

• The Federal Reserve Act of 1913 created the Fed; Senate sponsor was Oklahoman Robert L. Owen

• The Federal Reserve System consists of:
  • Board of Governors: 7 members appointed by U.S. President
  • Federal Reserve Banks: 12 total; semi-independent by design
  • Federal Open Market Committee (FOMC): 19 members; 12 voting

• As with most central banks around the world, the Fed’s responsibilities fall within four general areas:
  • Monetary policy – control money supply to affect growth and inflation
  • Lender of last resort – provide liquidity in times of financial crisis
  • Bank regulation – ensure safety and soundness of banks
  • Financial services – bank for banks, bank for federal government
Federal Reserve Districts and Office Locations
History, staff, and functions

- Branch office opened in 1920; currently have about 35 staff
- Functions include economic research, bank examinations, public outreach

2010 branch board of directors

- Steve Agee (chairman), President, Agee Energy, and Professor, OCU, OKC
- Bill Anoatubby, Governor, Chickasaw Nation, Ada
- Jim Dunn, Chairman, Mill Creek Lumber and Supply Co., Tulsa
- Jacque Fiegel, Senior EVP and COO, Coppermark Bank, OKC
- Rose Washington Rentie, Executive Director, TEDC Creative Capital, Tulsa
- Doug Tippens, President and CEO, Bank of Commerce, Yukon
- K. Vasudevan, Chairman, Service and Technology Corp., Bartlesville
The pace of U.S. recovery has slowed somewhat from earlier in the year.

Economic forecasts call for continued moderate growth with low inflation.
The recession ended in June 2009, and real GDP has now grown for 5 quarters.
Heading forward, Fed policymakers expect continued moderate recovery

Gross Domestic Product

Source: U.S. Bureau of Economic Analysis, FOMC
But with national unemployment remaining high for some time
Consumer debt could constrain growth and federal debt is a longer-term concern

U.S. Debt as a Share of GDP

Sources: Federal Reserve, BEA, CBO
Inflation is expected to remain tame in the near term, but will require careful oversight.

PCE Inflation Index

Percent change, year-over-year

Source: U.S. Bureau of Economic Analysis, FOMC
The Oklahoma Economic Outlook

- As usual, Oklahoma’s recession was shorter and milder than the nation’s

- The state also appears to have fewer risks, aside from low natural gas prices
Oklahoma entered this recession late, but is now outpacing the nation

Payroll Employment

Year-over-year percent change

Source: U.S. Bureau of Labor Statistics
Recent solid state job growth has been driven by energy, construction, and services.

Employment Growth
September 2010

Percent change year-over-year

Source: Bureau of Labor Statistics
Agricultural conditions in the state have also improved after bottoming in 2009.
With our shorter recession, unemployment remains lower, especially in western OK

Oklahoma Unemployment Rates by County, September 2010
(unemployed workers per job opening)

Source: Oklahoma Employment Commission
State tax revenues are up from last year, but still well down from two years ago.
Oklahoma banks also remain in much better shape than in the nation as a whole

Noncurrent Loans as a Share of Total Loans
Commercial Banks

Percent


Source: FDIC
The state is at risk of further foreclosures, though less so than the nation

Foreclosures and Negative Equity Mortgages
U.S. and Tenth Federal Reserve District, Q2 2010

Percent of all mortgages

*Over 90 days past due

Source: MBA, Corelogic
Natural gas prices remain the biggest risk relative to the nation.
Summary

- The U.S. economy is recovering and is expected to continue to grow moderately.

- Oklahoma’s economy is also recovering and remains in better shape overall.