

# U.S. and Oklahoma Economic Outlook

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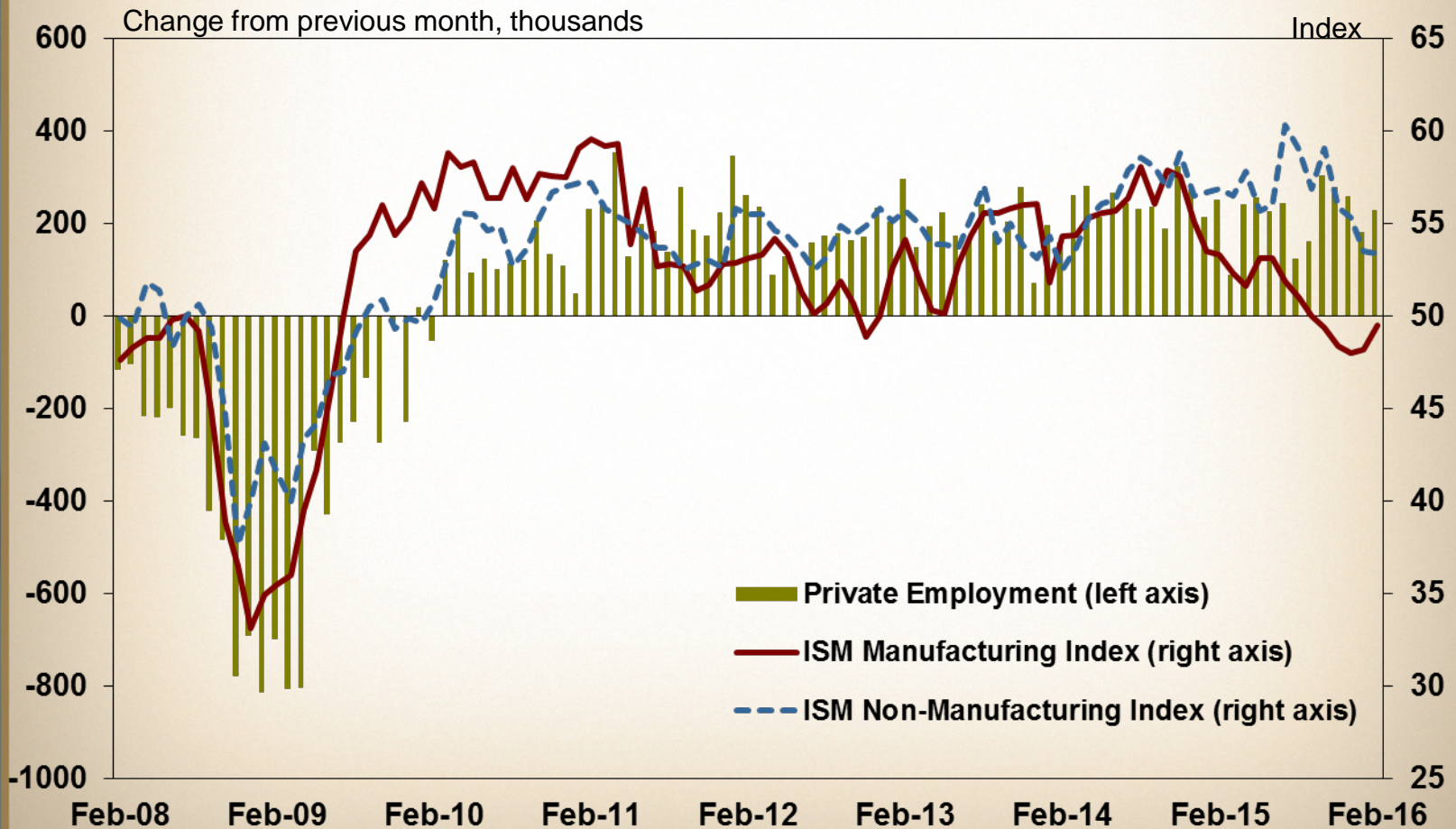


*2016*  
*Regulatory Update*  
— SEMINAR —  
*Federal Reserve Bank of Kansas City*

# The U.S. Economy and Monetary Policy

# U.S. business activity has slowed slightly, but job growth remains solid

## U.S. Private Payroll Employment and Business Indexes

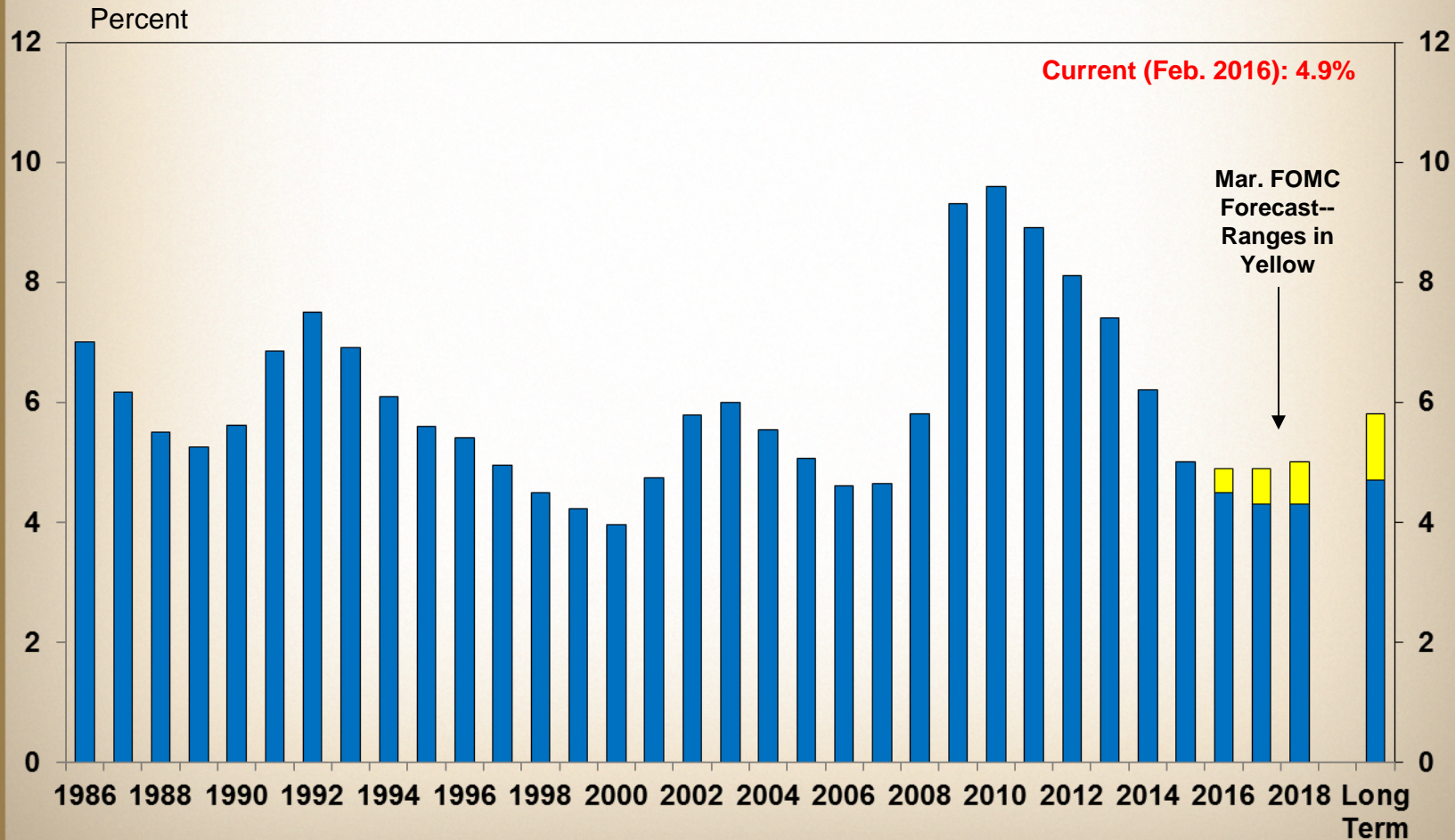


Source: Institute for Supply Management, Bureau of Labor Statistics

# U.S. unemployment is at long-term levels after falling considerably in recent years

## Unemployment Rate

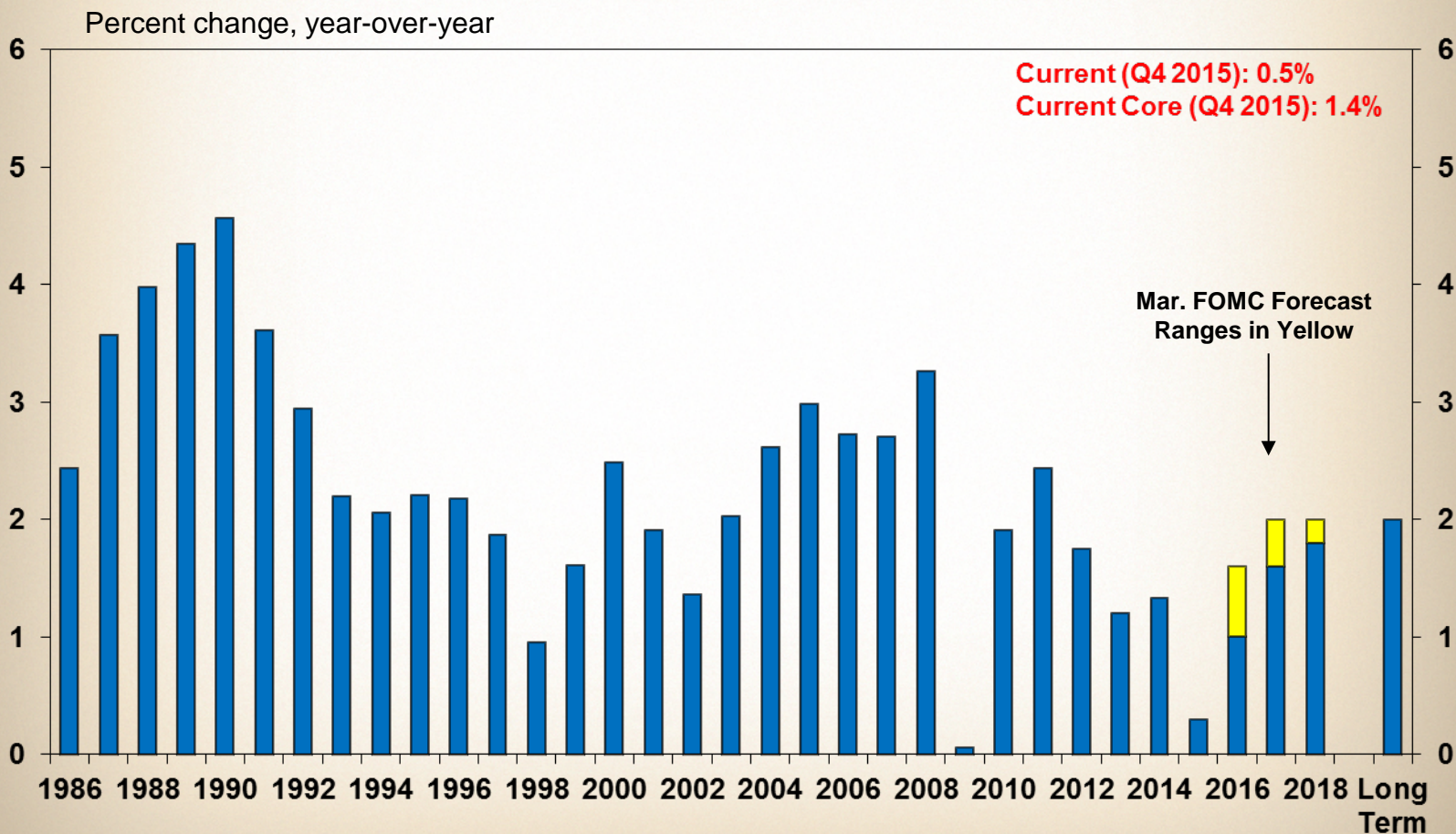
Seasonally Adjusted



Sources: U.S. Bureau of Labor Statistics, FOMC

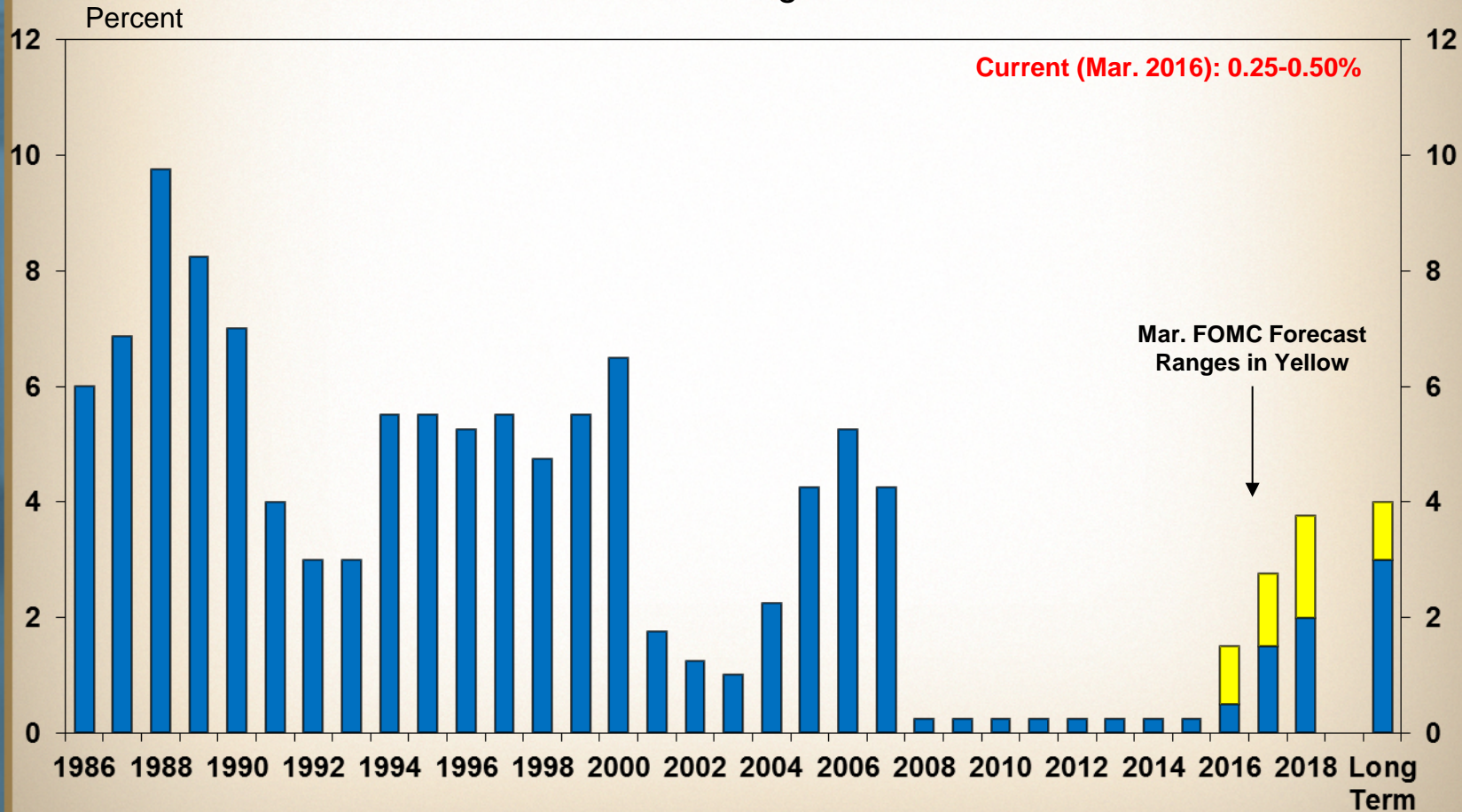
# U.S. inflation is low but expected to return to close to target in 2016

## PCE Inflation Index



# FOMC participants expect moderate increases in rates heading forward

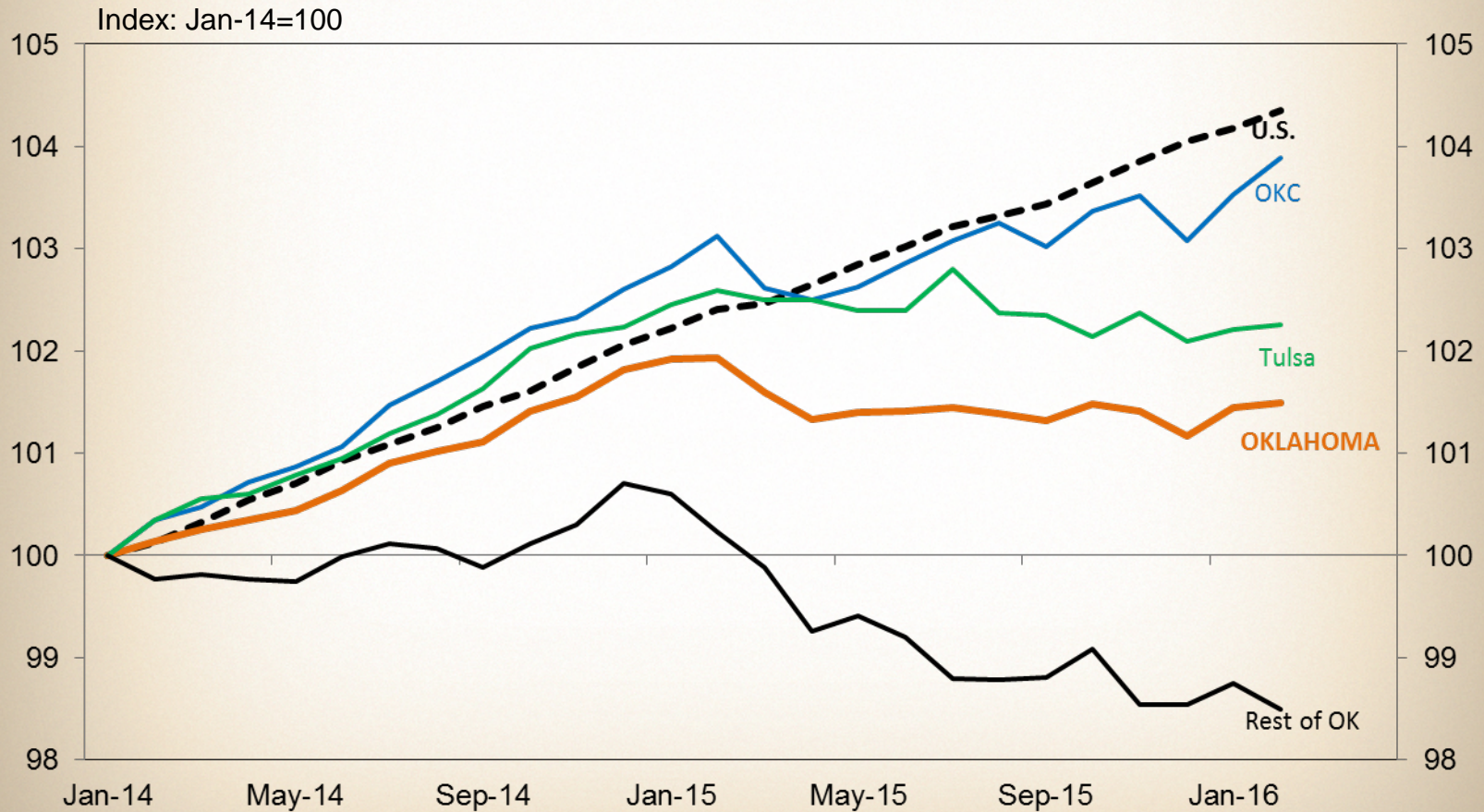
## Federal Funds Rate Year-end target



# Trends in the Oklahoma Economy

# Job trends have varied somewhat across Oklahoma the past couple of years

## Level of Payroll Employment Through February 2016

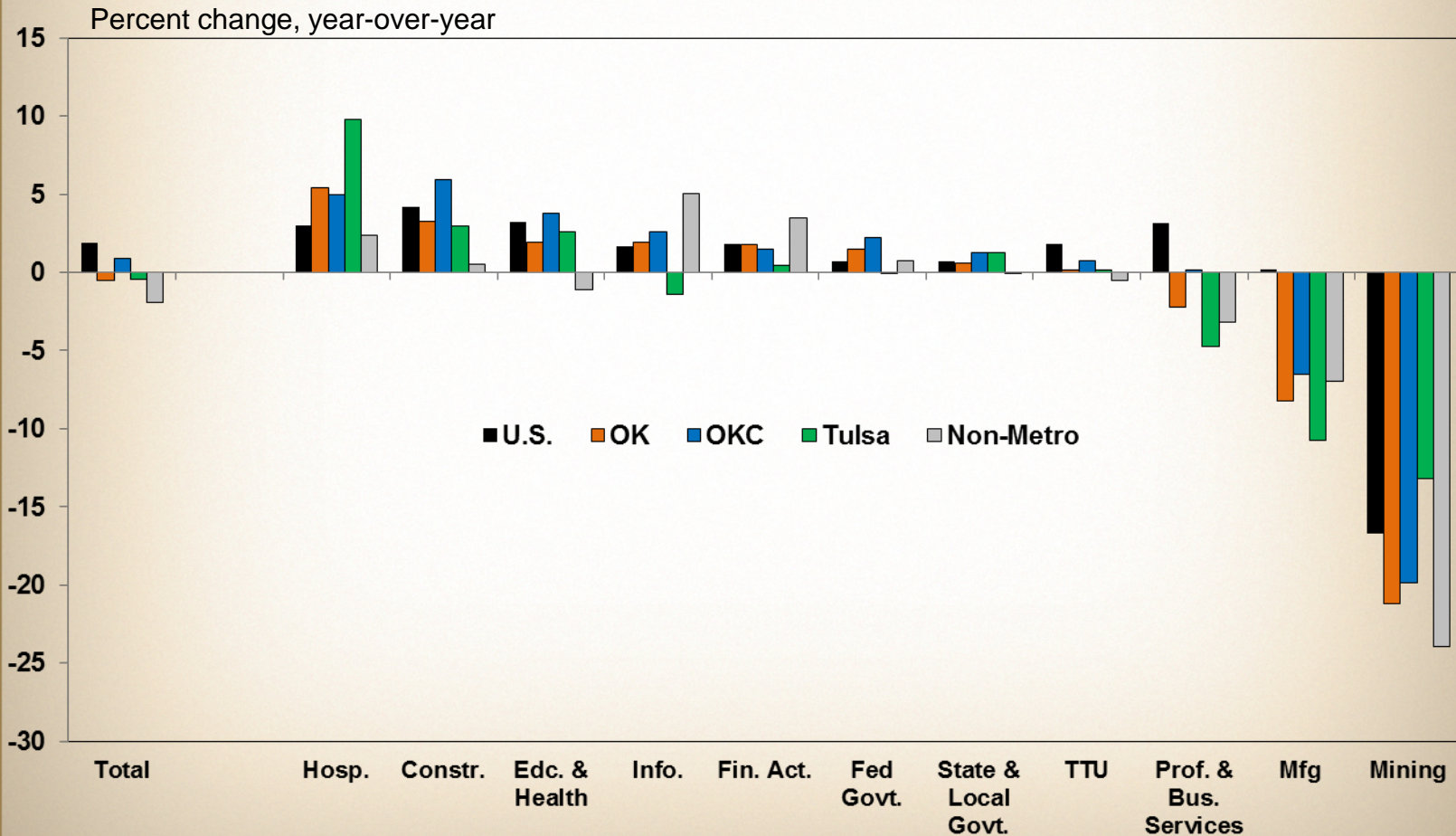




# Energy jobs have plummeted, but spillover to other industries has been fairly limited

## Job Growth by Industry

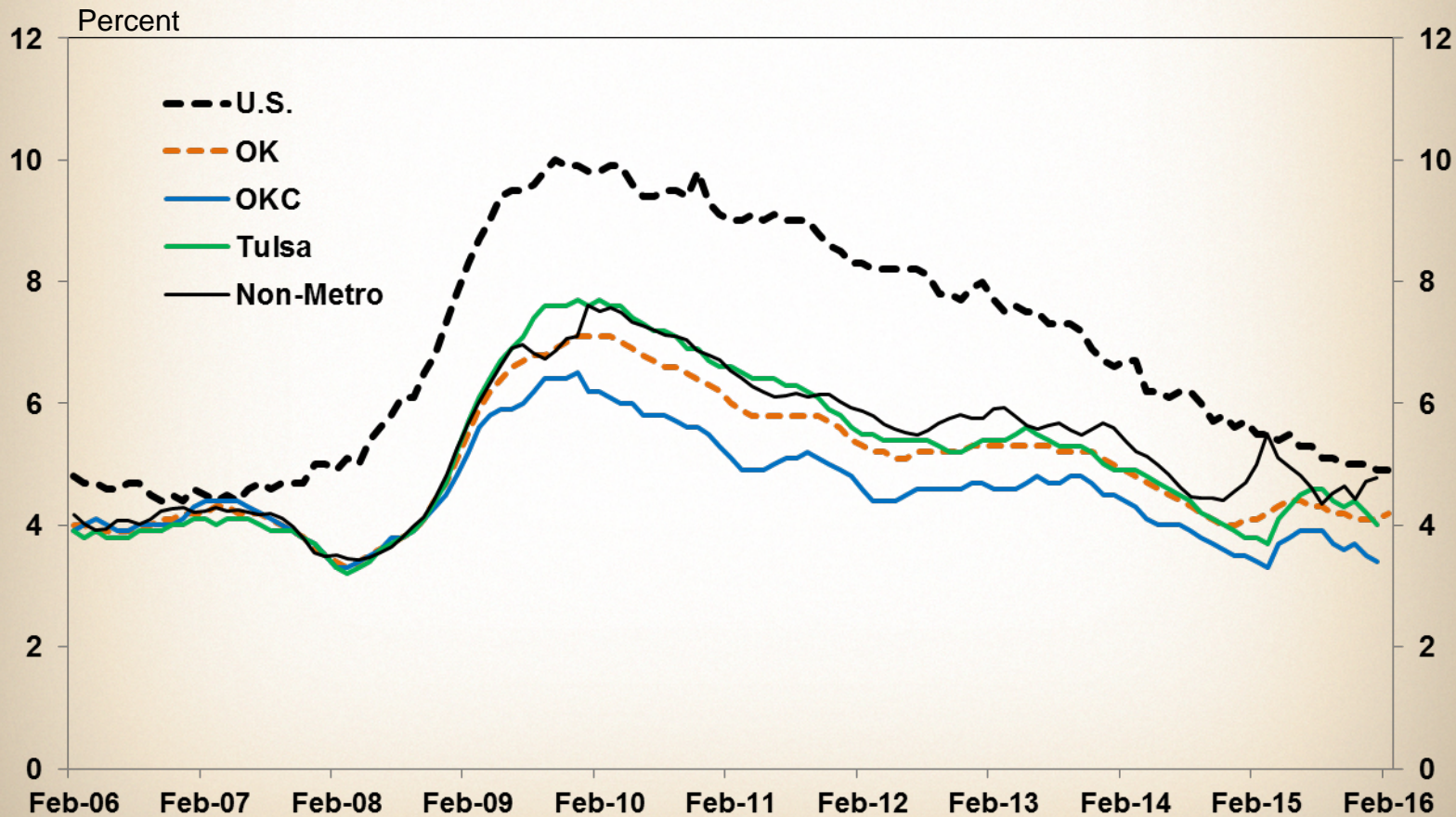
Feb-16



Source: Bureau of Labor Statistics

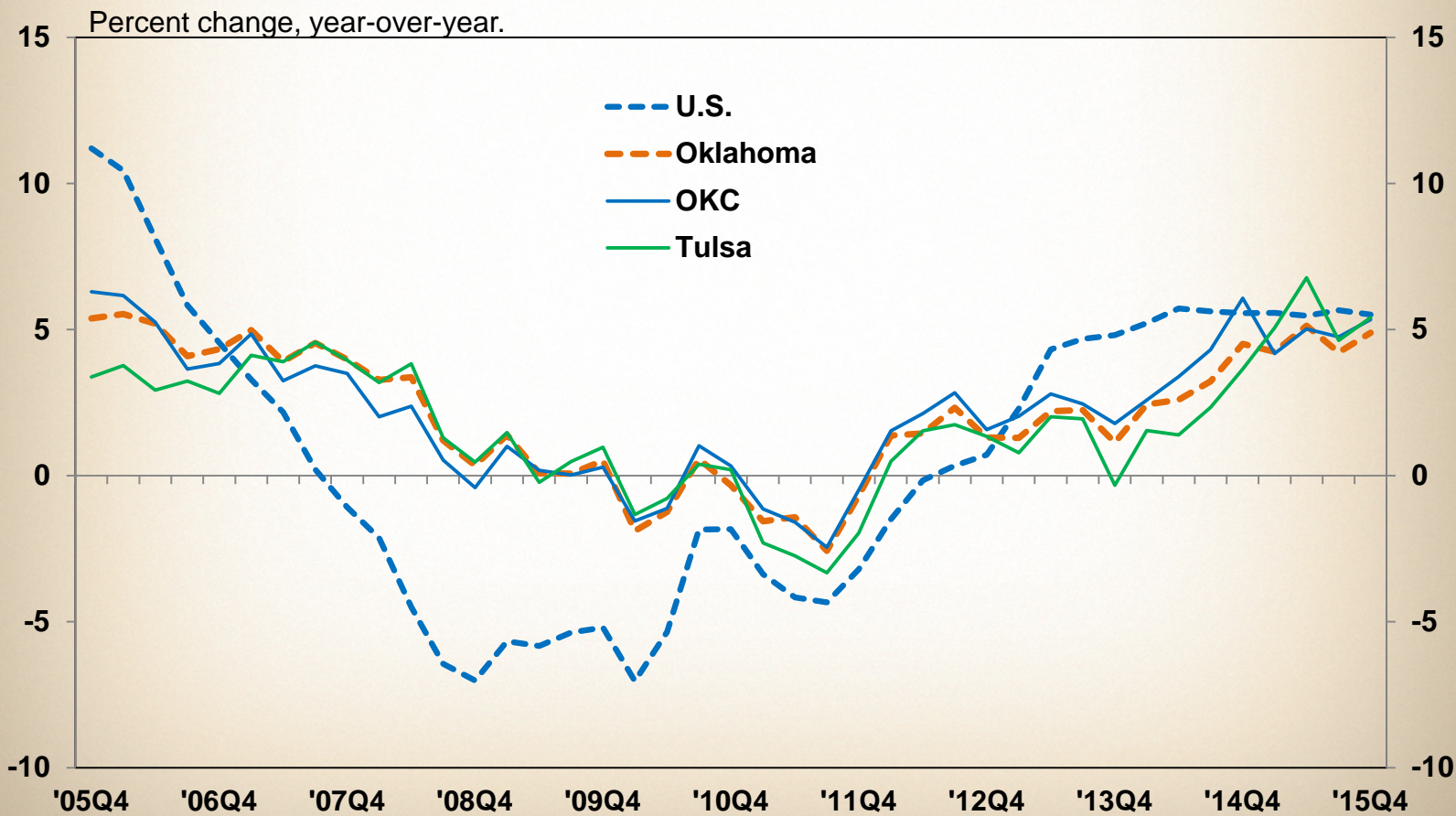
With many workers finding jobs in other industries, unemployment still remains low

### Unemployment Rate Seasonally Adjusted



# And Oklahoma home prices have continued to grow, similar to the nation

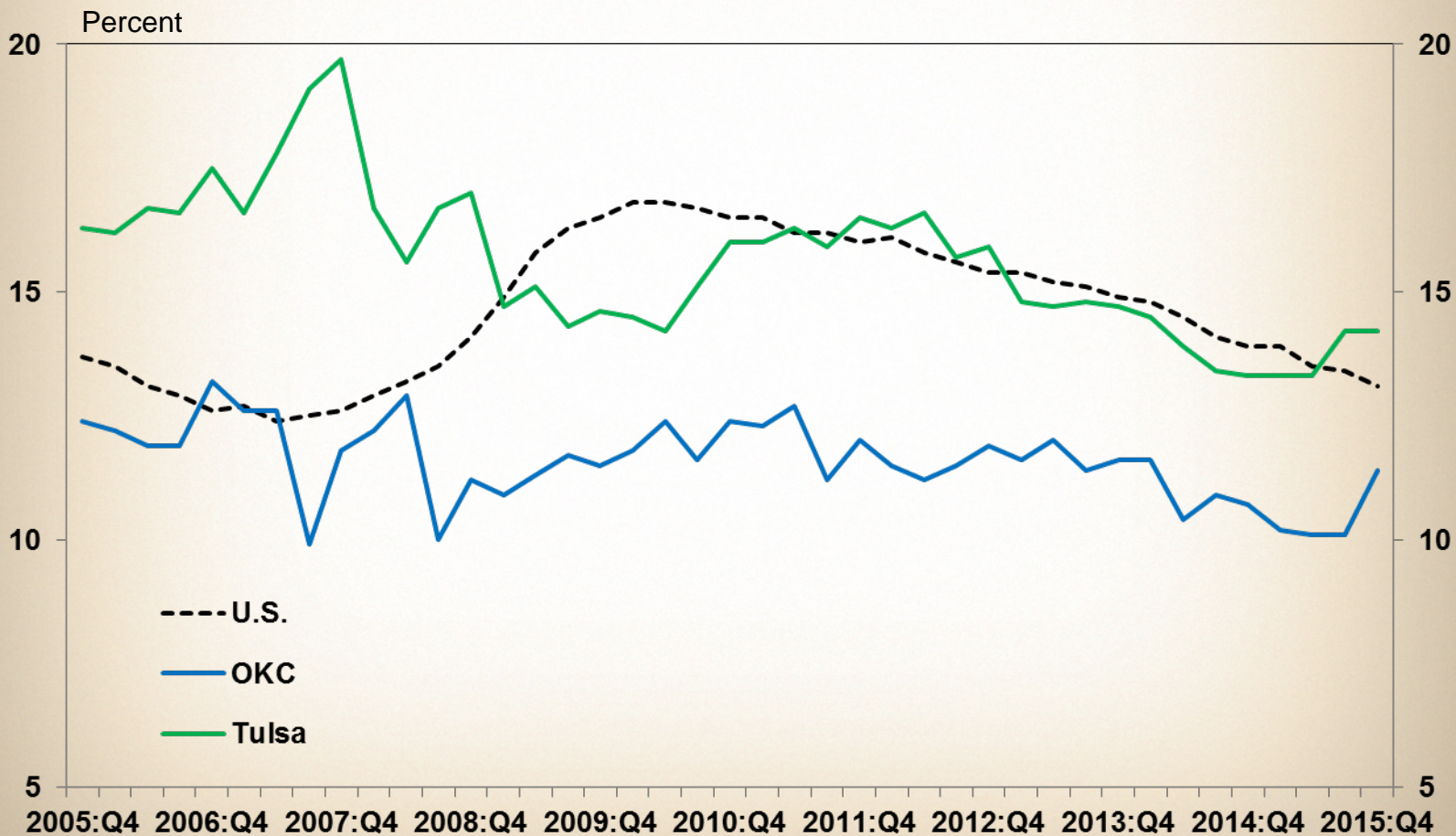
## FHFA Home Prices Seasonally adjusted



Source: FHFA

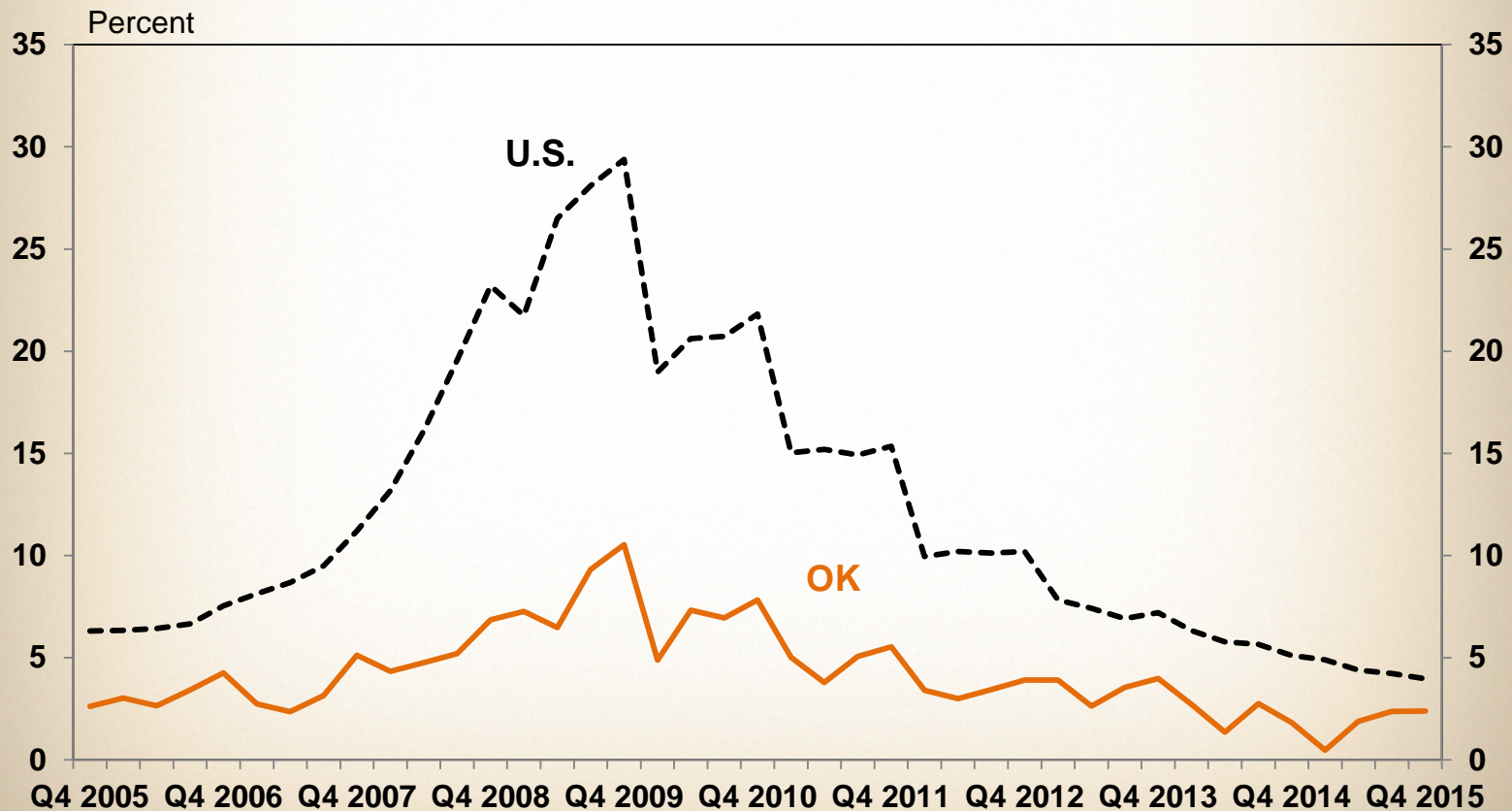
# Office vacancies have risen only slightly in Oklahoma's two largest metros

## Office Vacancy Rates



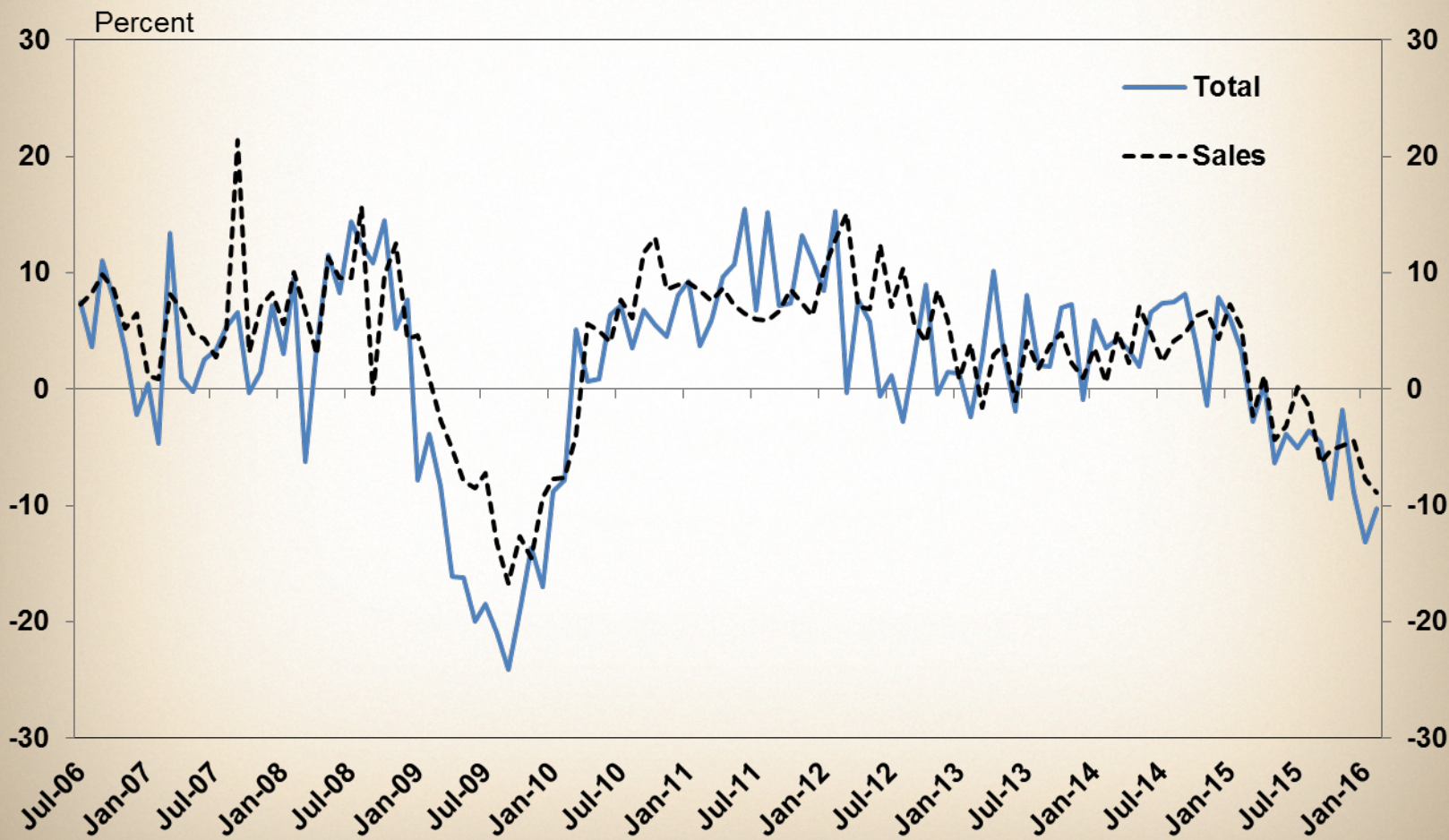
# In related news, banking conditions in the state have remained good

## Share of Banks Not Making a Profit Commercial Banks



# But state tax receipts continue to fall, creating difficulties for the state budget

State Tax Receipts  
Through Feb-16



# And Oklahoma is highly concentrated in energy, of course, as well as agriculture

## Oklahoma Personal Income Share by Industry

State - 2014, Metro/Non-Metro - 2012

Industry	OK Location Quotient	OK % of Total Income	OKC Location Quotient	OKC % of Total Income	Tulsa Location Quotient	Tulsa % of Total Income	Non-Metro Location Quotient	Non-Metro % of Total Income
<b>Mining</b>	<b>8.1</b>	<b>14.8</b>	<b>8.3</b>	<b>14.4</b>	<b>7.8</b>	<b>13.6</b>	<b>7.2</b>	<b>12.5</b>
<b>Farming</b>	<b>1.8</b>	<b>2.0</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>4.9</b>	<b>4.9</b>
Federal Government	1.3	5.8	1.8	8.6	0.4	1.8	1.7	8.2
Construction	1.1	6.4	1.0	5.7	1.3	7.3	1.0	5.8
Trade, Transp. & Utilities	1.1	16.1	1.0	14.6	1.2	18.8	1.0	15.0
State & Local Government	1.0	13.0	0.9	12.1	0.6	7.7	1.4	19.6
Manufacturing	0.9	9.4	0.7	6.8	1.3	13.3	1.0	9.9
Education & Health	0.8	10.7	0.9	11.7	0.9	11.5	0.7	9.4
Leisure & Hospitality	0.8	3.5	0.9	4.1	0.7	3.0	0.7	3.0
Prof. & Business Services	0.6	10.8	0.7	12.6	0.8	13.1	0.4	6.7
Financial Activities	0.6	6.0	0.8	7.3	0.8	7.3	0.4	4.2
Information	0.5	1.6	0.5	1.8	0.7	2.3	0.3	0.9

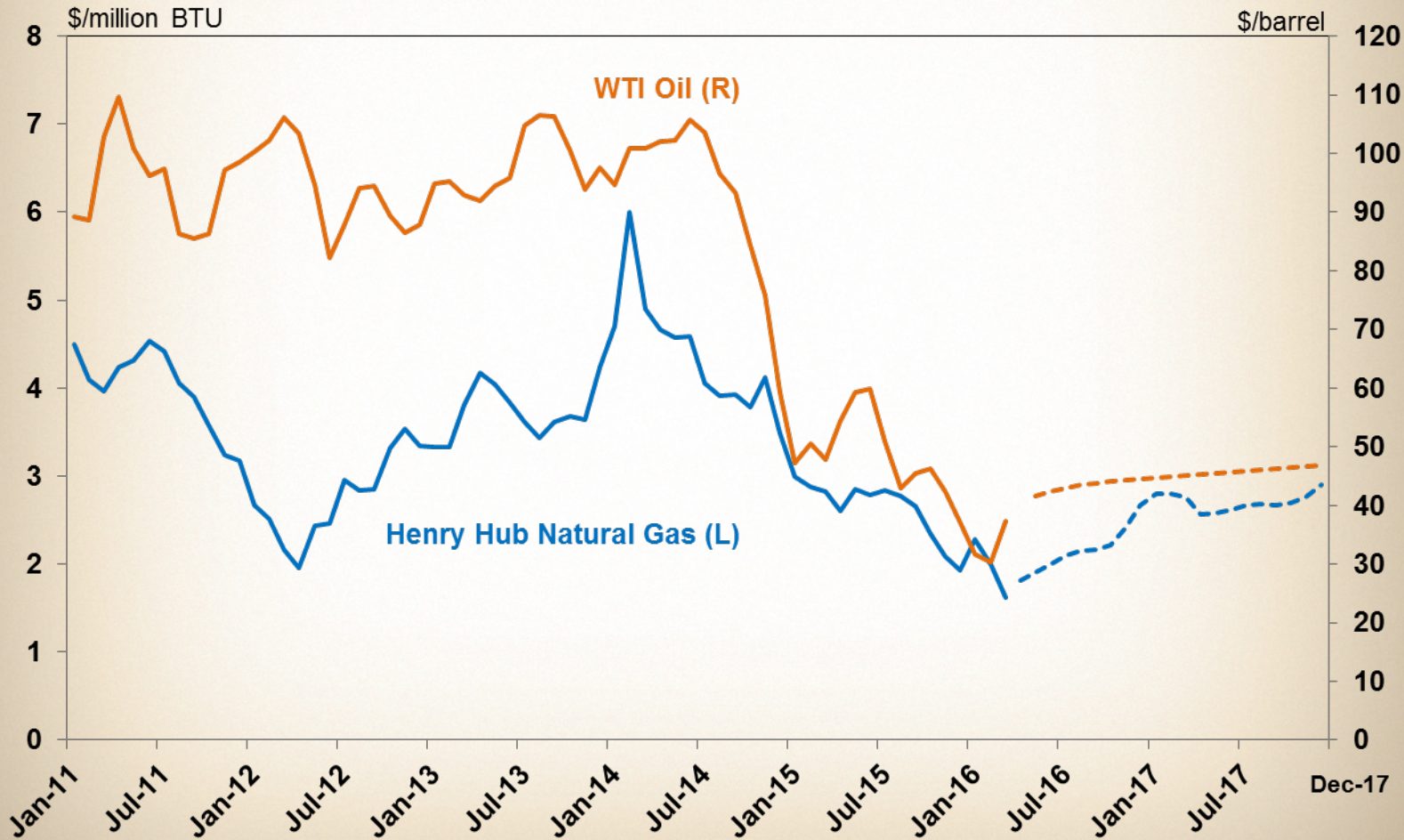
Note - Location quotient is the division of local share by national share

# The Outlook for Oklahoma Energy and Agriculture



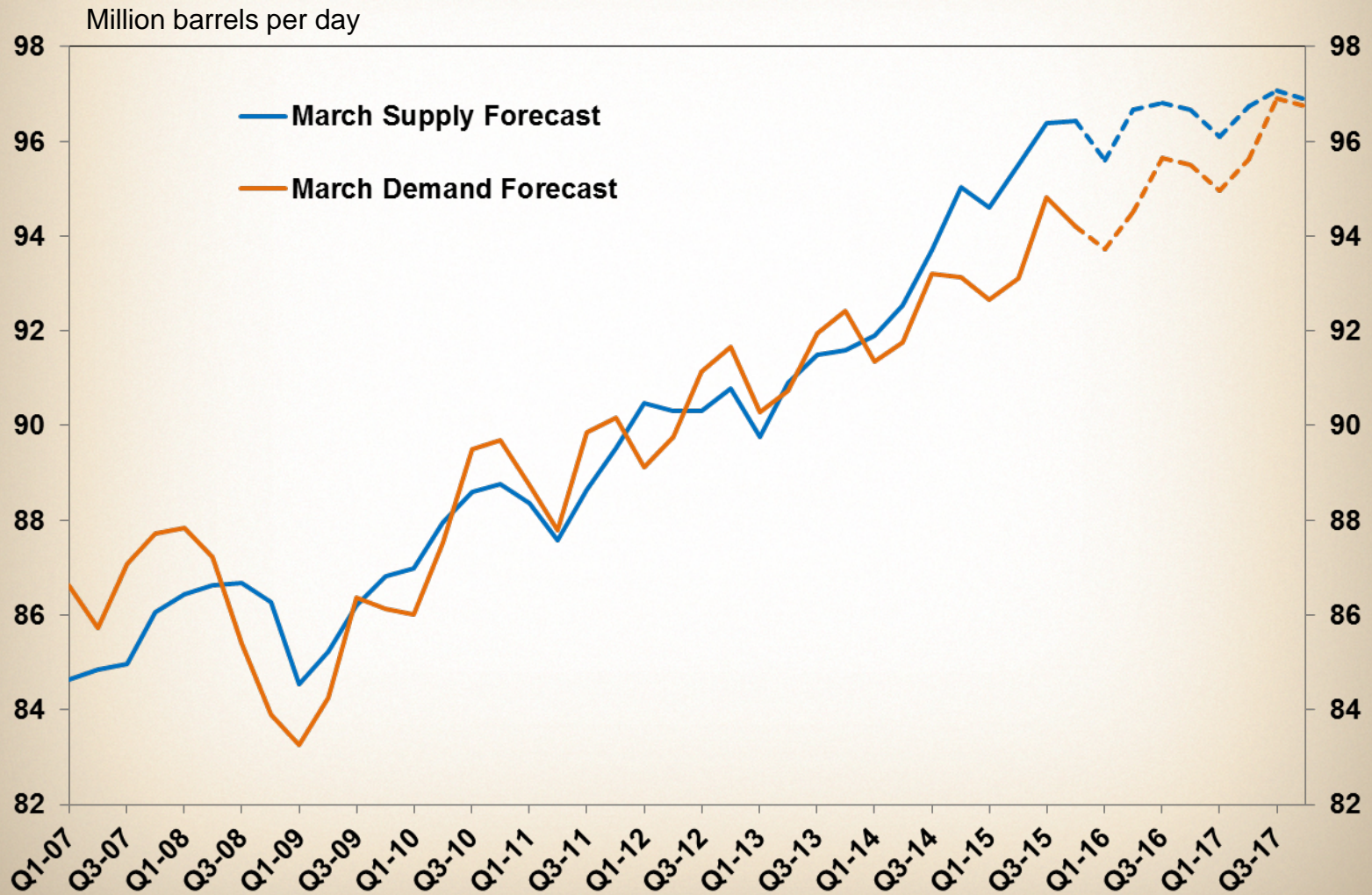
# Oil has risen back to \$40 lately but remains low, and natural gas prices continue to sink

## Energy Spot and Futures Prices



# World oil supply and demand are expected to be out of balance until late 2017

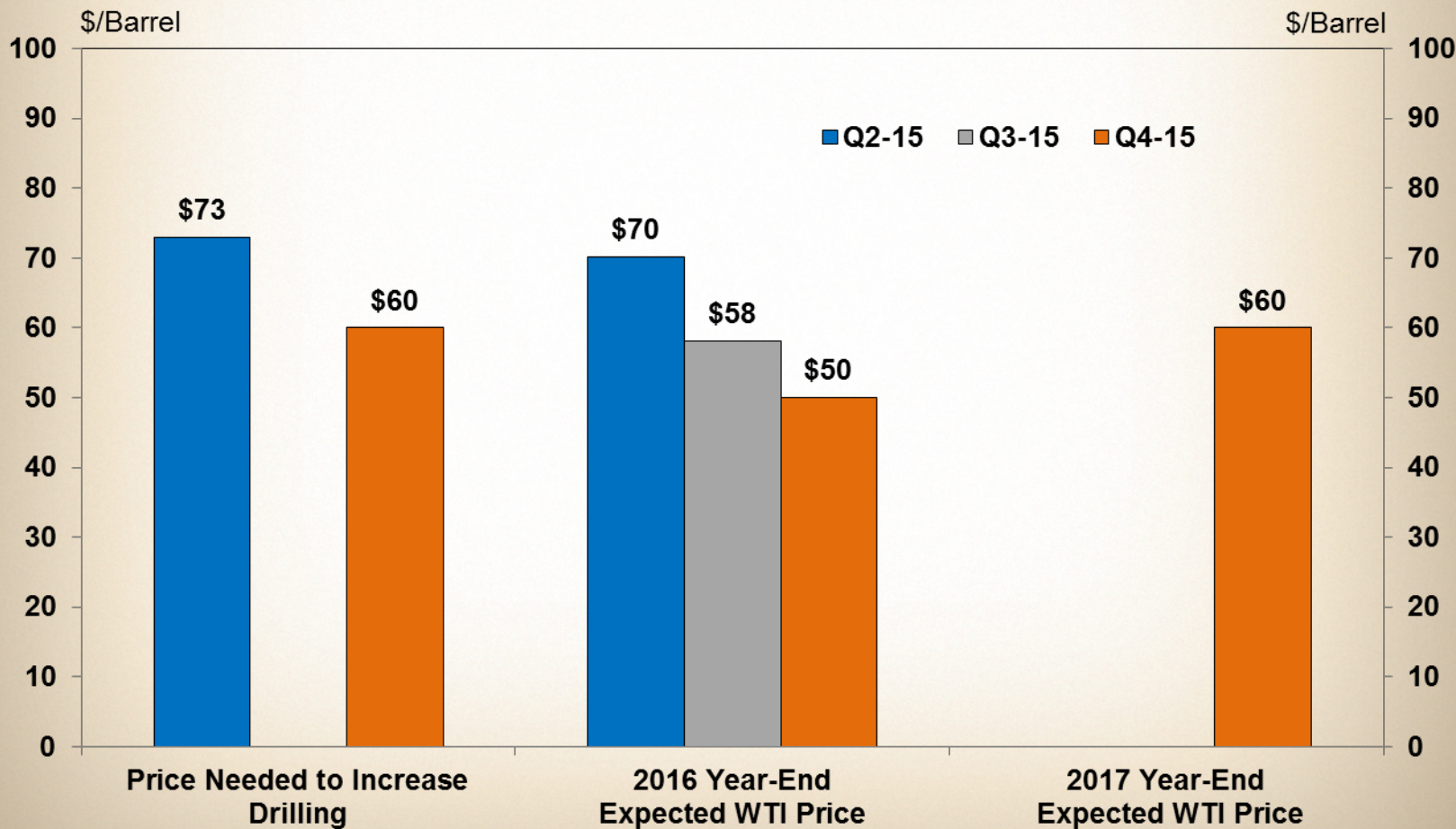
## Global Oil Supply and Demand



Source: EIA

# Firms' average price needed to increase drilling remains well above current prices

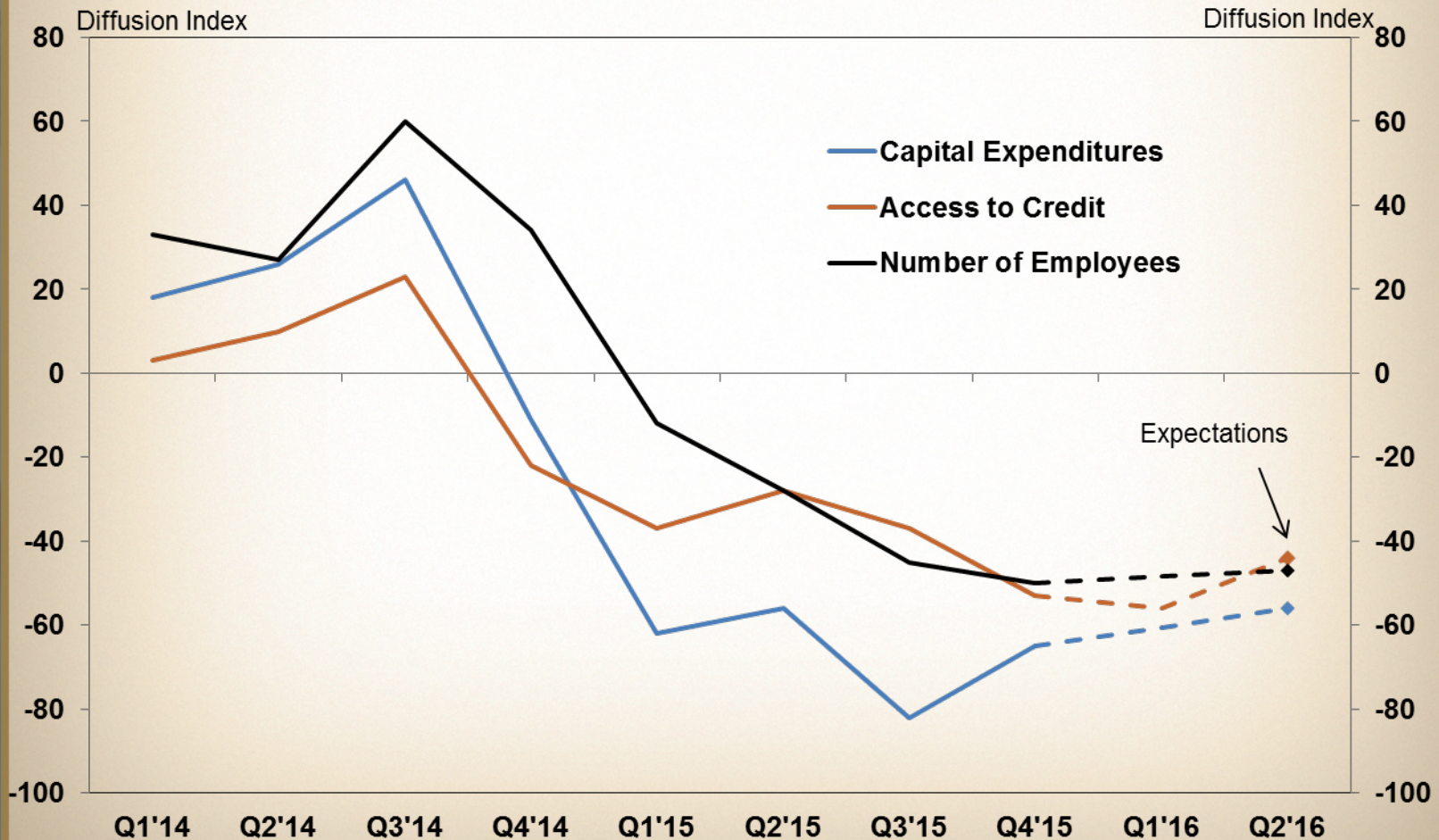
## Firms' Price Needed to Increase Drilling and Future Price Expectations Q4 KC Fed Energy Survey



Source: FRBKC Energy Survey

# The KC Fed's Q4 energy survey showed further declines, with more expected

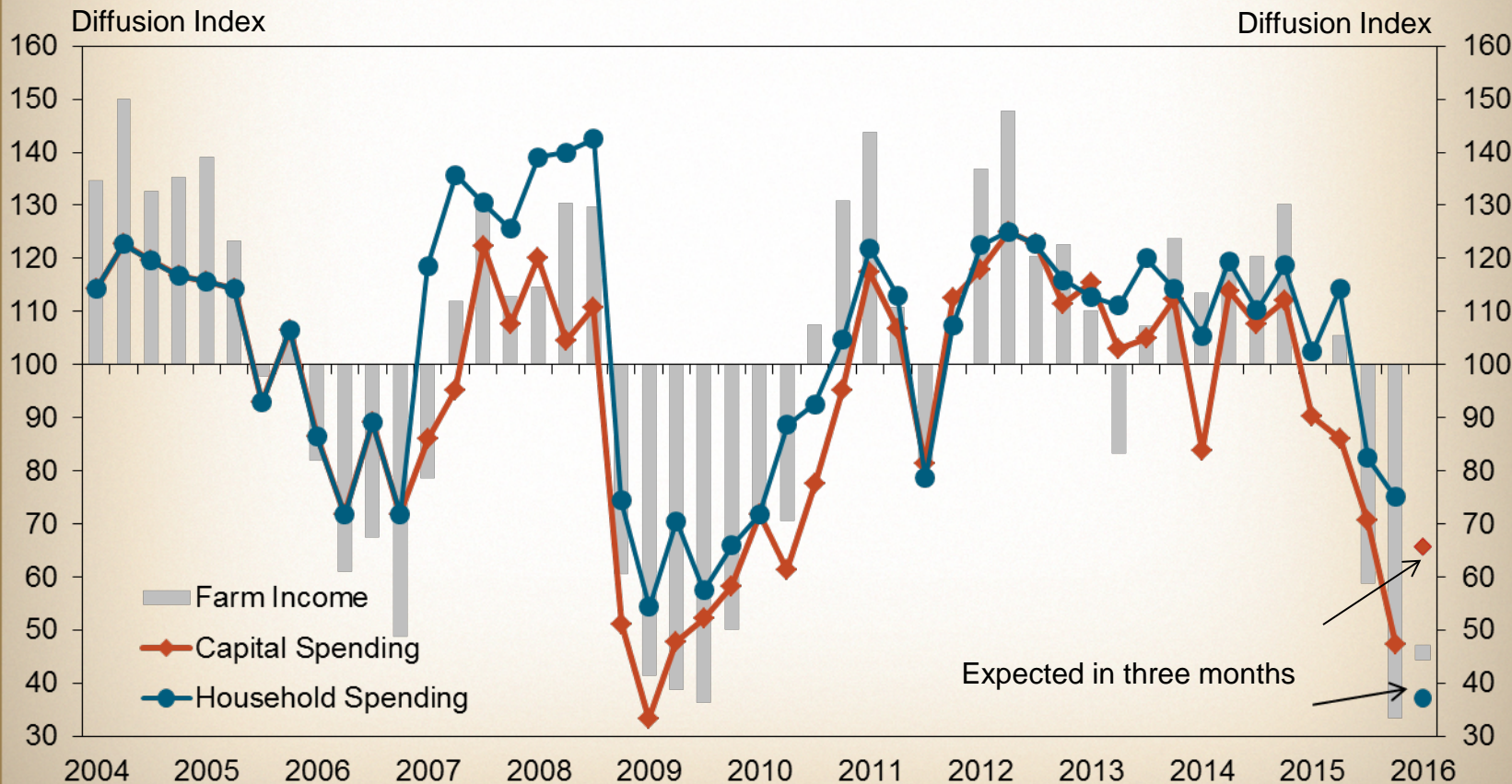
## Year-Over-Year Energy Survey Indexes



Source: FRBKC Energy Survey

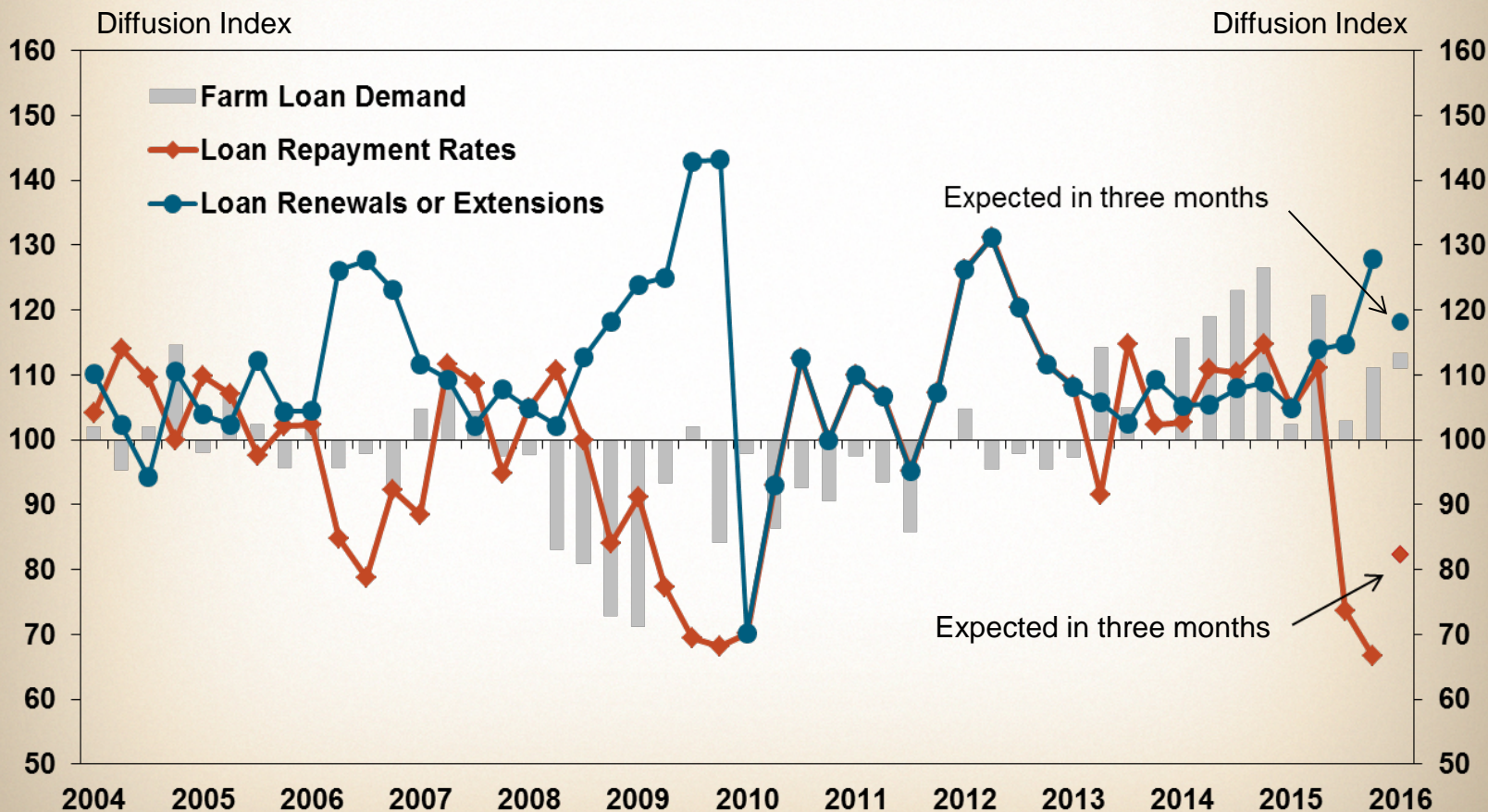
# Oklahoma farm income, investment, and rural household spending are falling

## Oklahoma Farm Income



# Farm credit conditions are also deteriorating in Oklahoma

## Oklahoma Credit Conditions

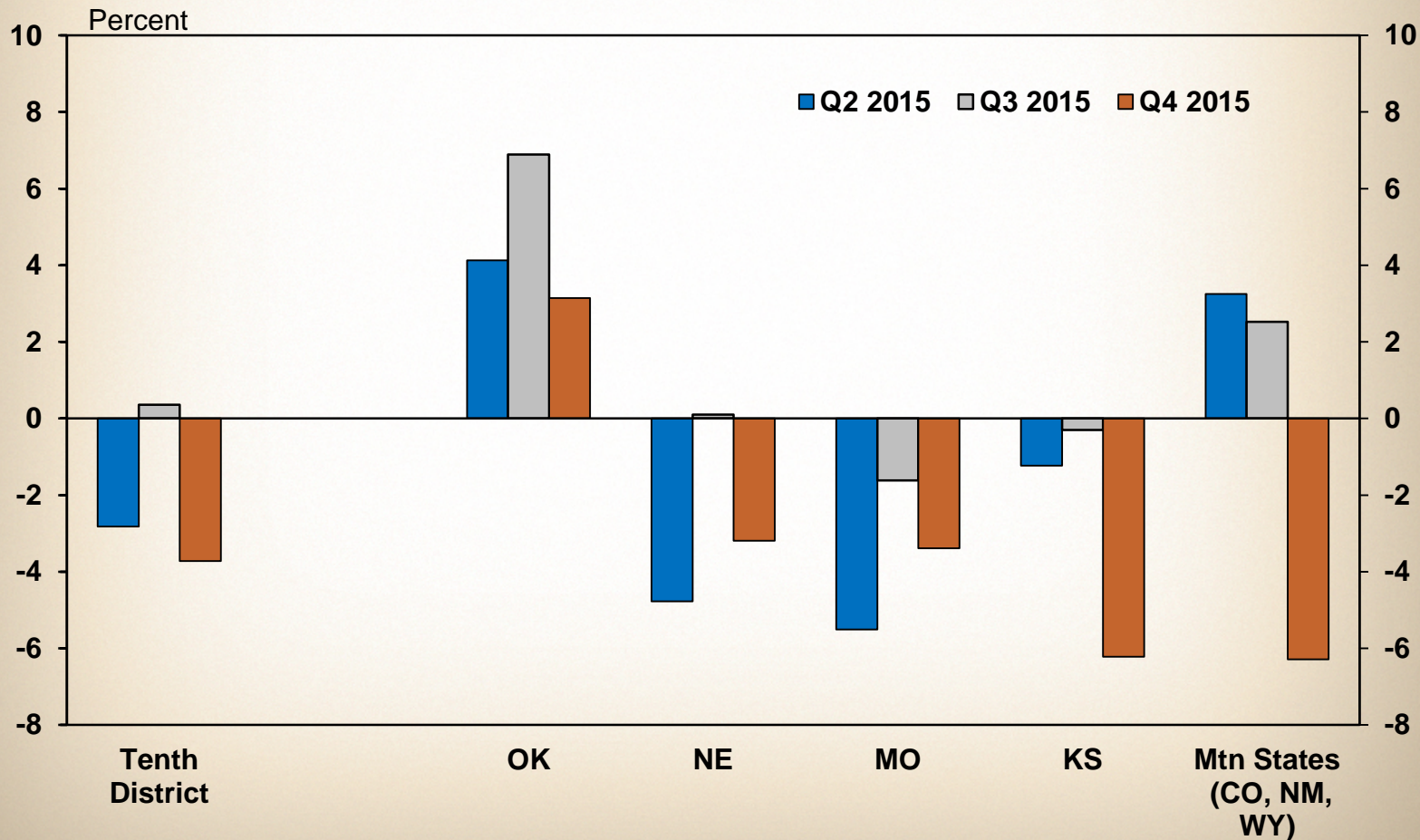


Source: Federal Reserve Bank of Kansas City, Survey of Ag Credit Conditions

# Still, farmland values have held up in Oklahoma, unlike in the rest of our region

## Tenth District Farmland Values

Percent Change, Year-over-year



# Summary

- The U.S. economy continues to grow, and the Fed has begun to raise interest rates
- Oklahoma employment and tax revenues continue to suffer from the oil downturn
- But unemployment remains low, and there has been little spillover to real estate so far
- The latest KC Fed energy and agriculture surveys suggest more difficulties ahead