

# The U.S. Economy and Real Estate Trends by Region



Oklahoma Real Estate Commission Conference

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**Chad Wilkerson**

Oklahoma City Branch Executive & Economist

Federal Reserve Bank of Kansas City

[www.kansascityfed.org/oklahomacity](http://www.kansascityfed.org/oklahomacity)

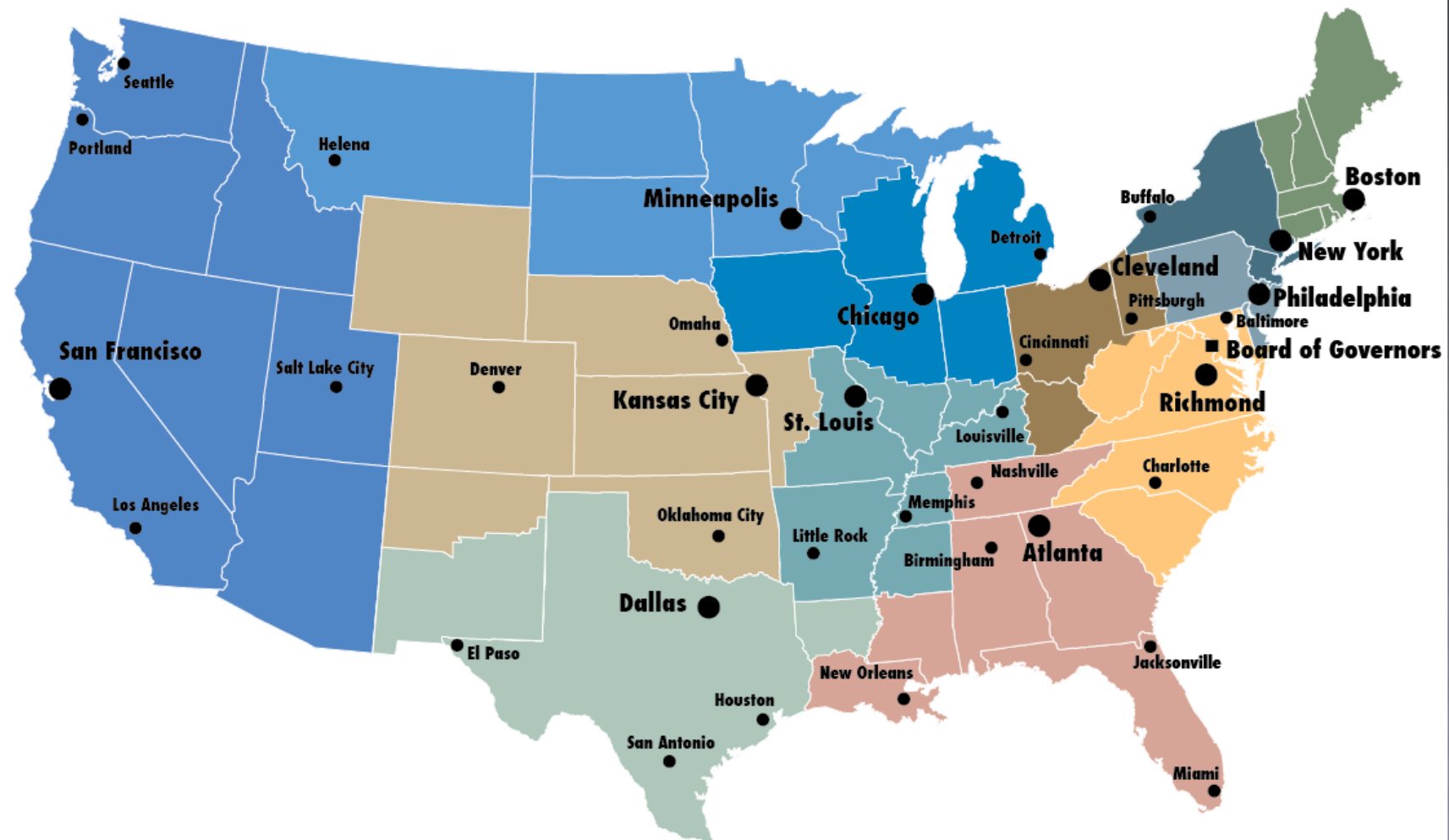


# Structure and Functions of the Federal Reserve System

- **The “Fed” consists of three main entities:**
  - Board of Governors: 7 members appointed by U.S. President
  - Federal Reserve Banks: 12 total; semi-independent by design
  - Federal Open Market Committee: 19 members; 12 voting
  
- **As with most central banks, the Fed’s primary responsibilities fall within four general areas:**
  - Lender of last resort – provide liquidity in times of crisis
  - Monetary policy – promote full employment and low inflation
  - Bank regulation – ensure safety and soundness of banks
  - Financial services – bank for banks, bank for federal govt.



# Federal Reserve Districts and Office Locations



# The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- **Functions – approximately 40 staff**
  - Research on U.S. and Oklahoma economies
  - Economic, community, and financial education outreach
  - Examinations of Oklahoma financial institutions
- **2016 Branch Board of Directors**
  - **Pete Delaney (chair)**, CEO (retired), OGE Energy Corp., OKC
  - **Clint Abernathy**, Owner, Abernathy Farms, Inc., Altus
  - **Michael Coffman**, CEO, Panhandle Oil & Gas, Inc., Oklahoma City
  - **Chuck Hall**, Chairman & CEO, Exchange Bank & Trust, Perry
  - **Jane Haskin**, President & CEO, First Bethany Bank & Trust, Bethany
  - **Tina Patel**, Co-Owner & CFO, Promise Hotels, Tulsa
  - **Doug Stussi**, EVP & CFO, Love's Travel Stops & Country Stores, OKC

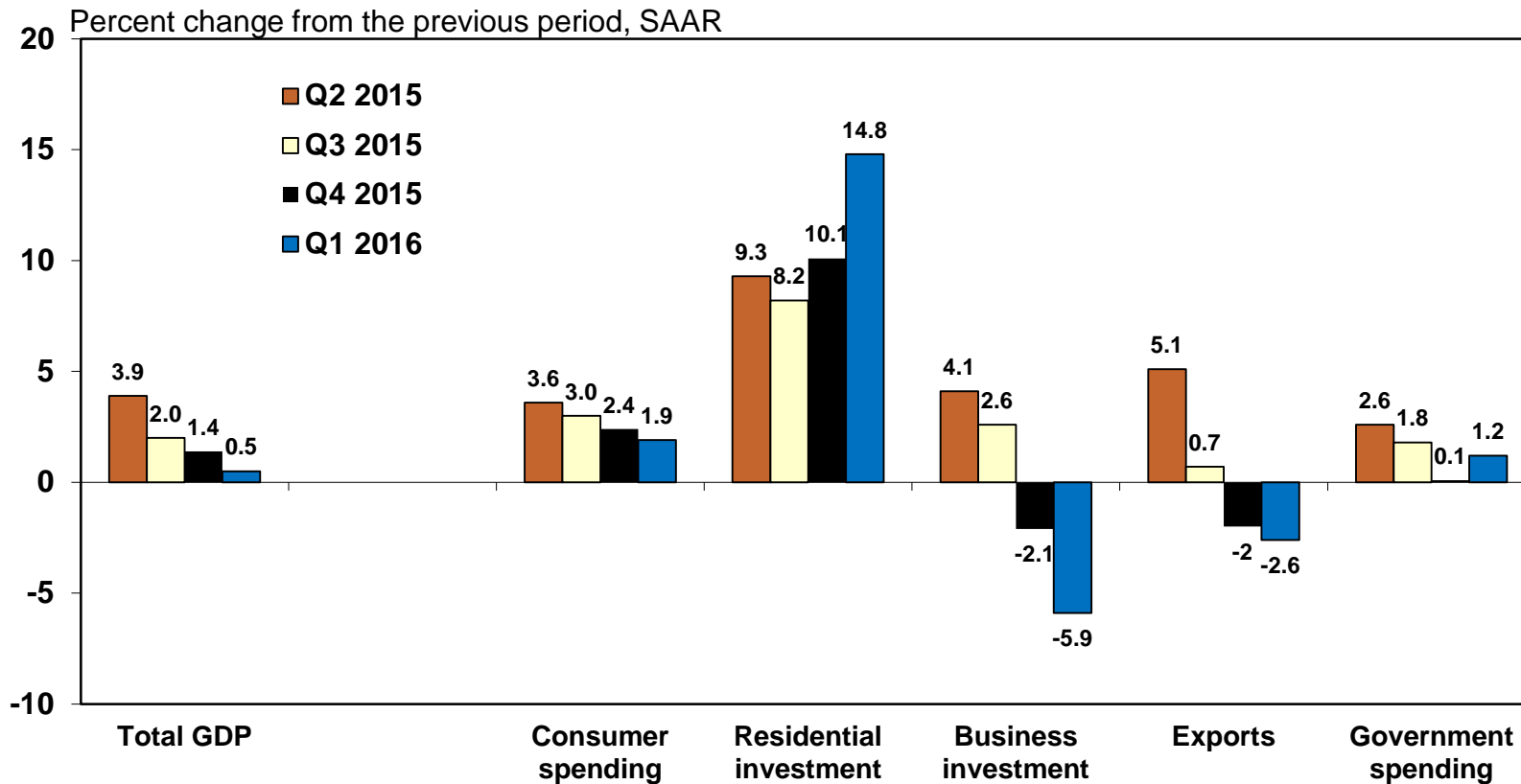


# **The U.S. Economy and Monetary Policy**



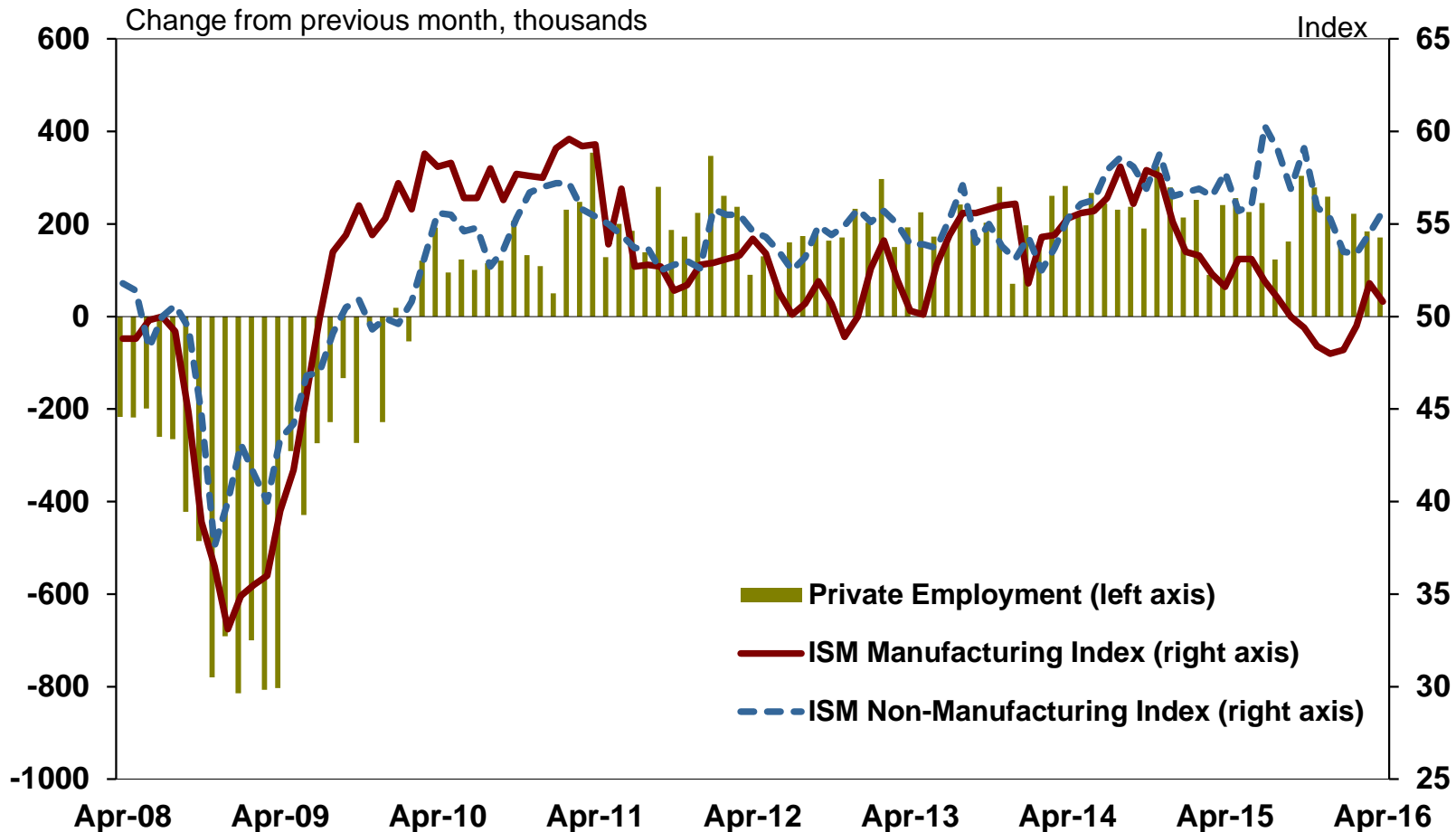
# Overall GDP growth slowed further in Q1, but housing investment picked up again

## Growth in Components of Real GDP



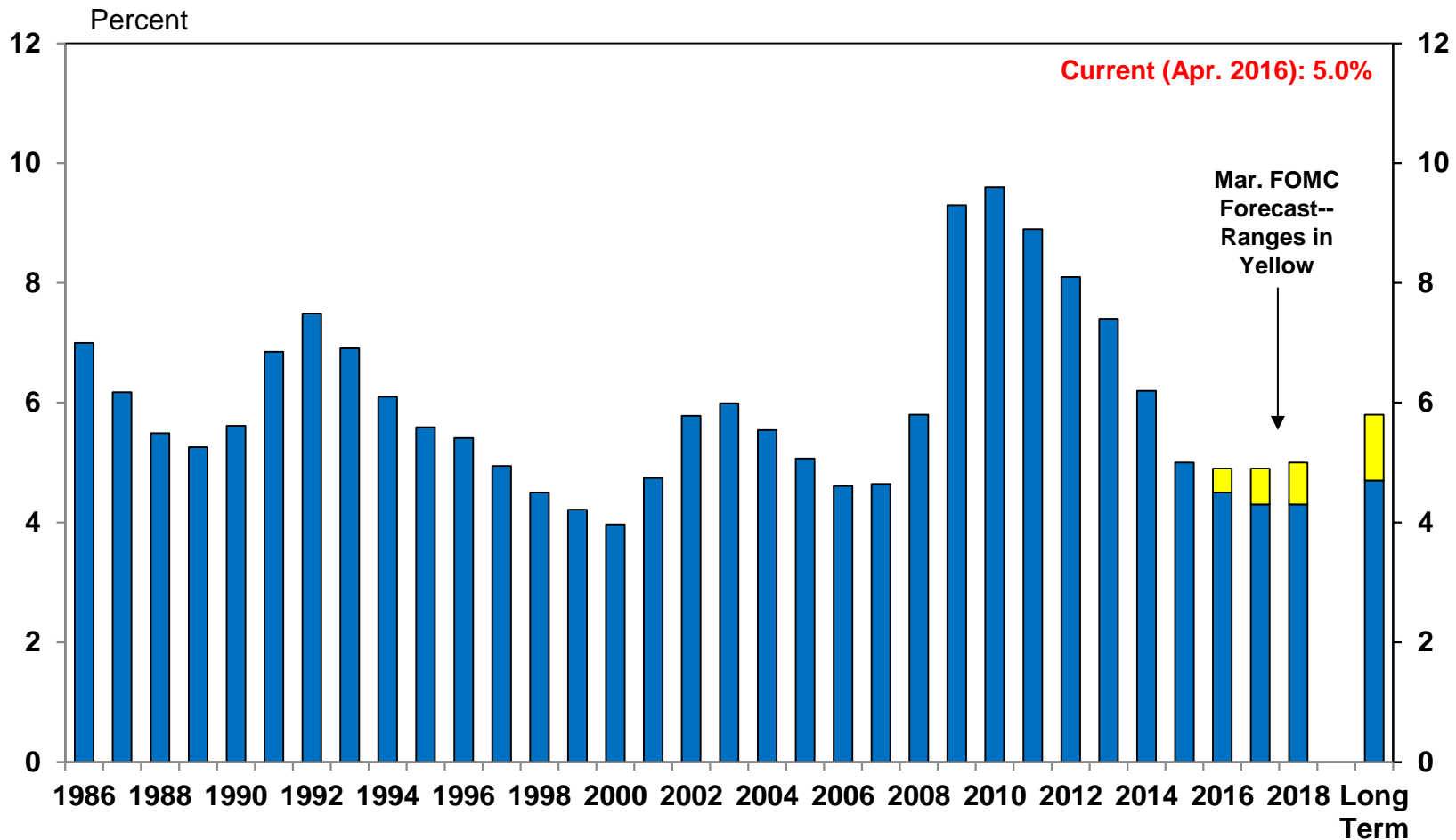
# U.S. business activity improved in March and April, and job growth remains solid

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



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

**Unemployment Rate**  
Seasonally Adjusted



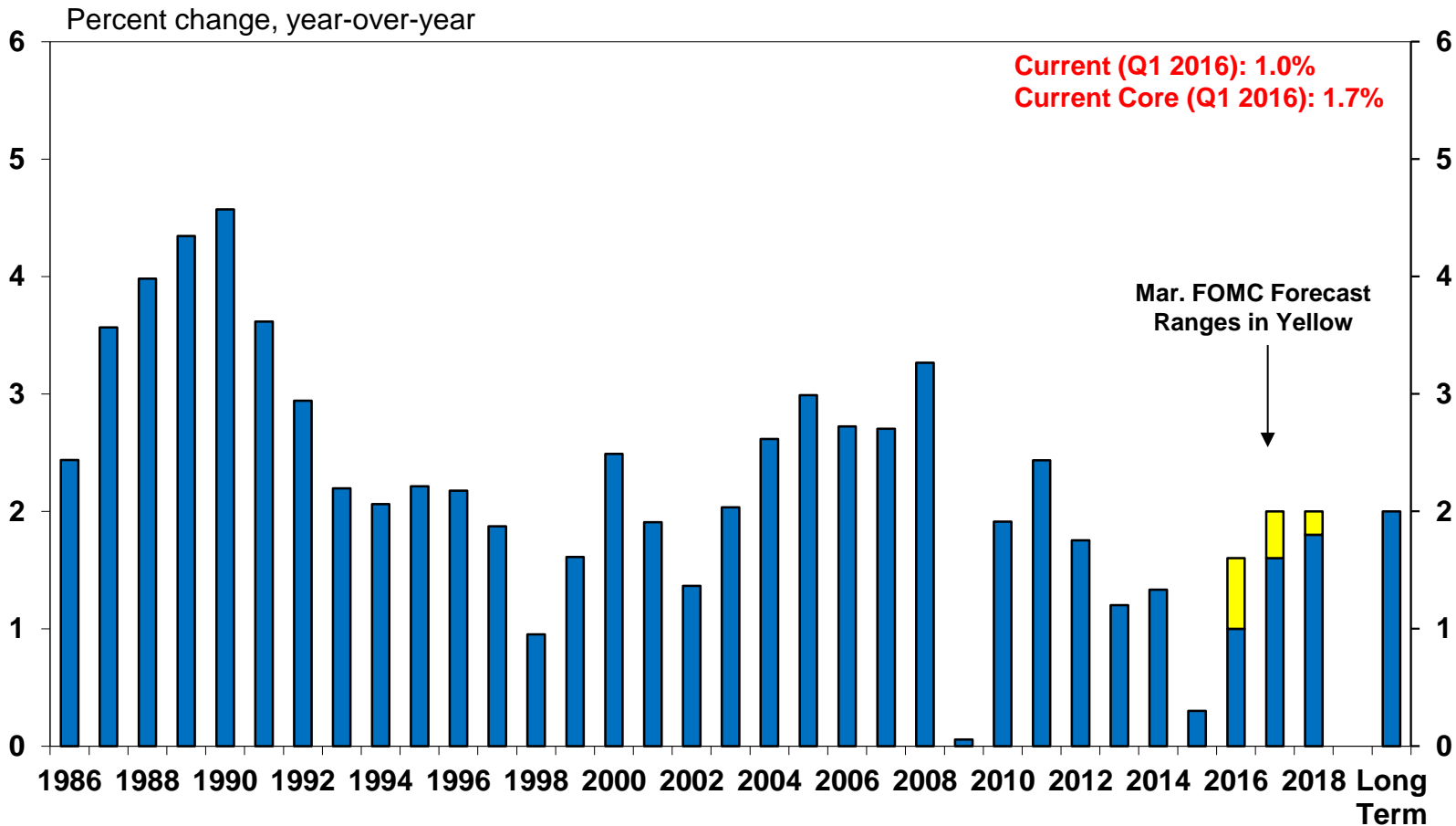
Sources: U.S. Bureau of Labor Statistics, FOMC





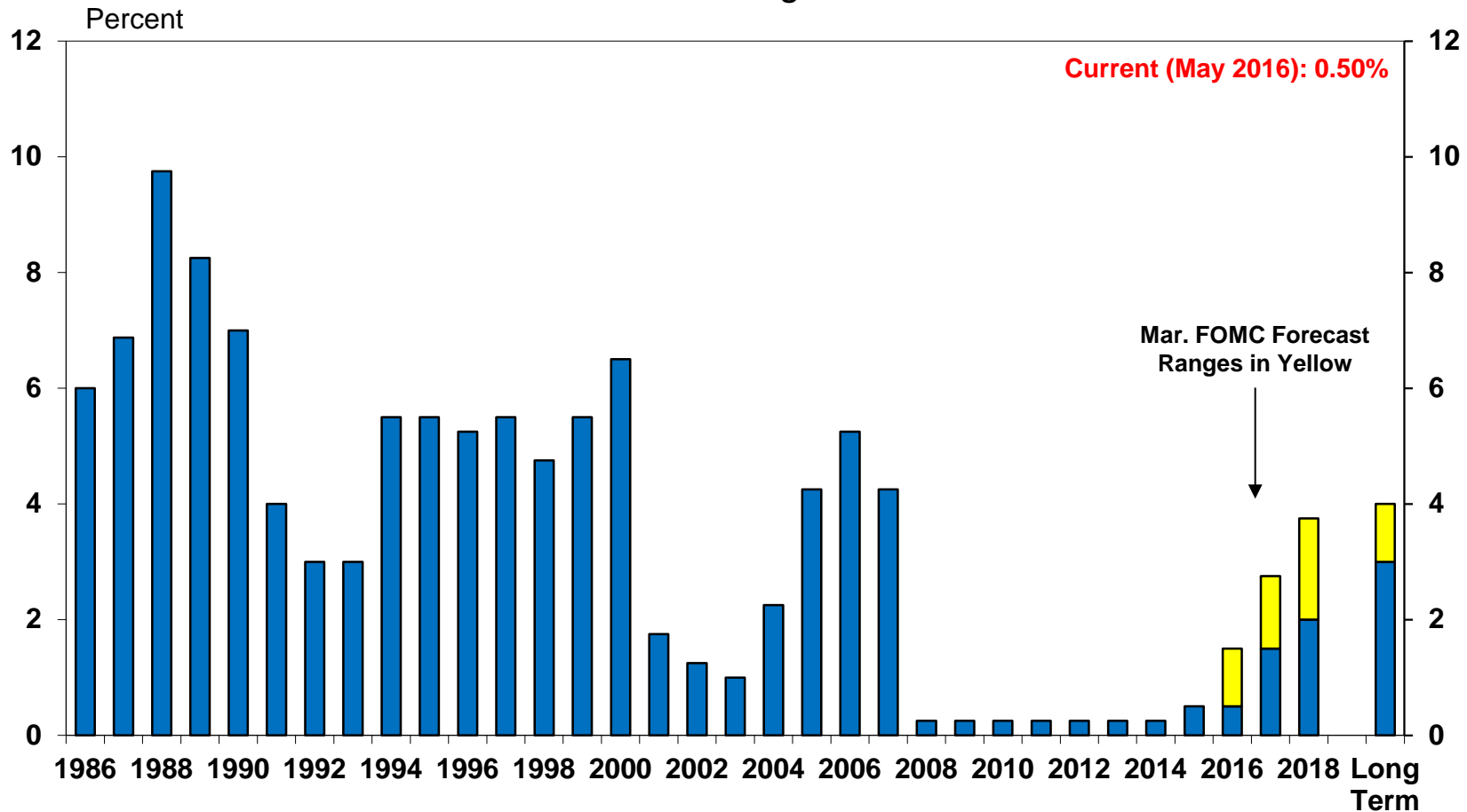
# U.S. inflation is low but expected to return to close to target by next year

## PCE Inflation Index



# FOMC participants expect moderate increases in rates heading forward

**Federal Funds Rate**  
Year-end target

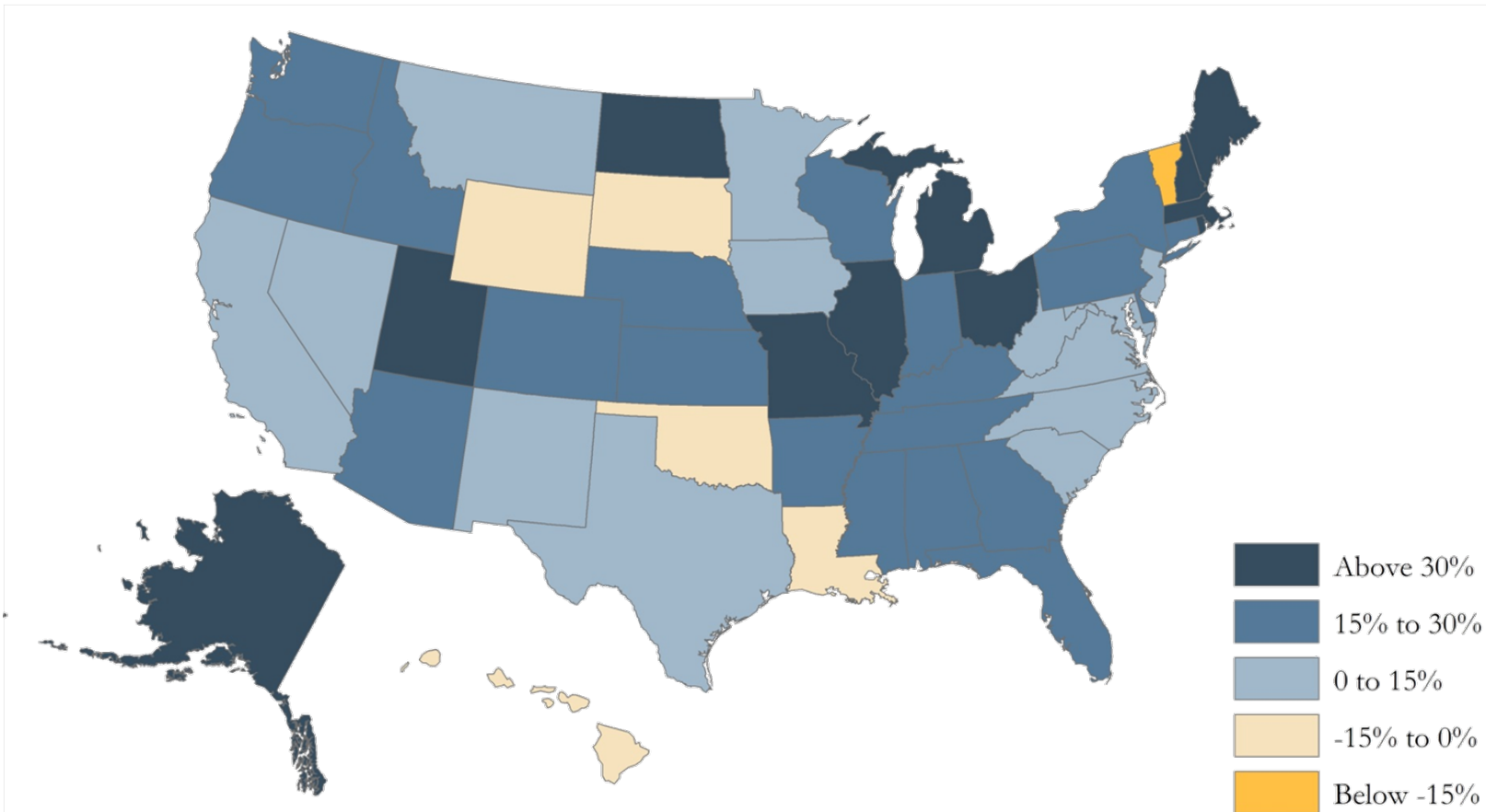


# **Real Estate and Economic Trends by Region**



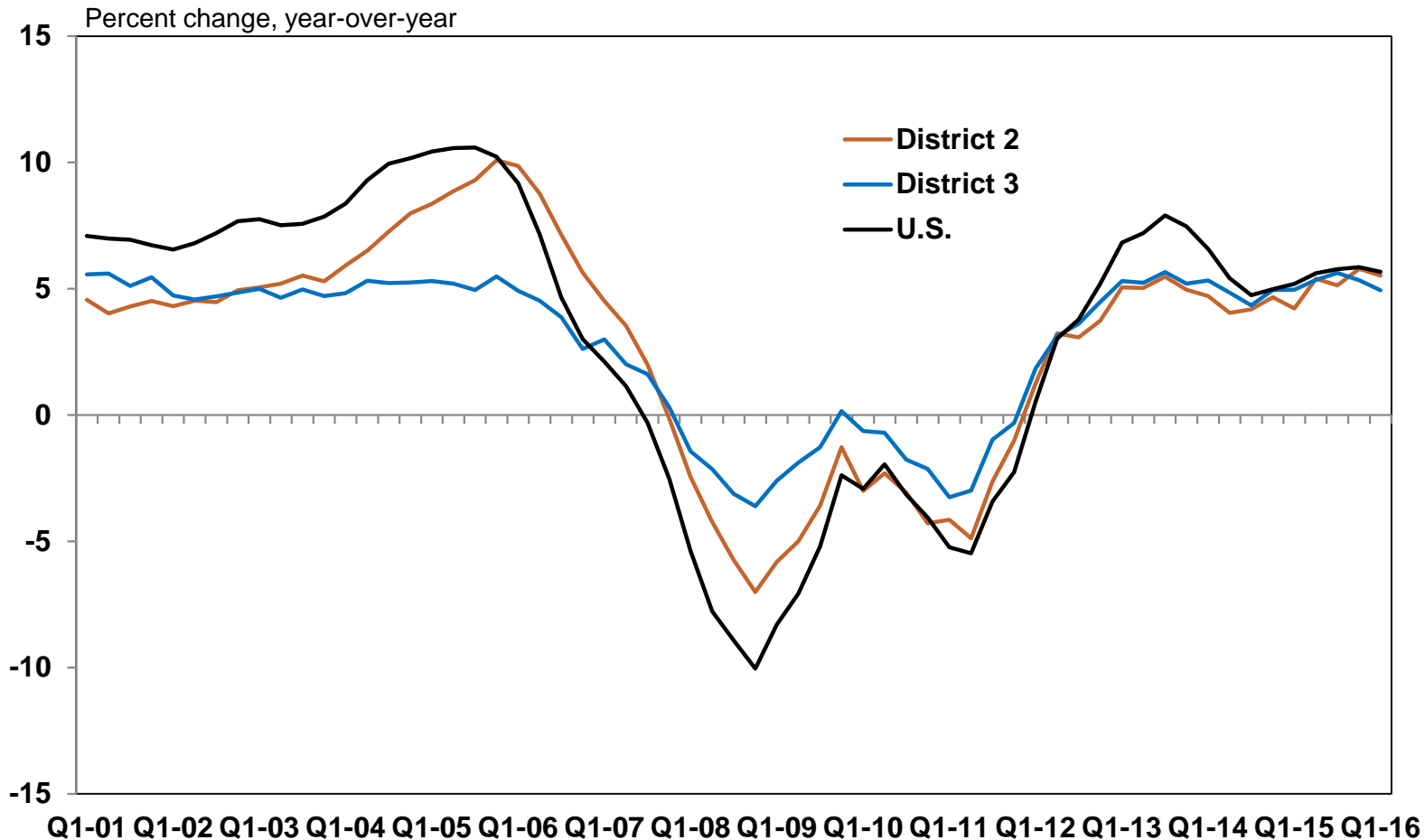
# Home construction has dropped in energy states but is up strongly in most areas

Single-Family Housing Permits  
Q1 2016



# Home prices have generally grown solidly throughout the nation the past few years

**FHFA Home Price Index**  
Seasonally Adjusted

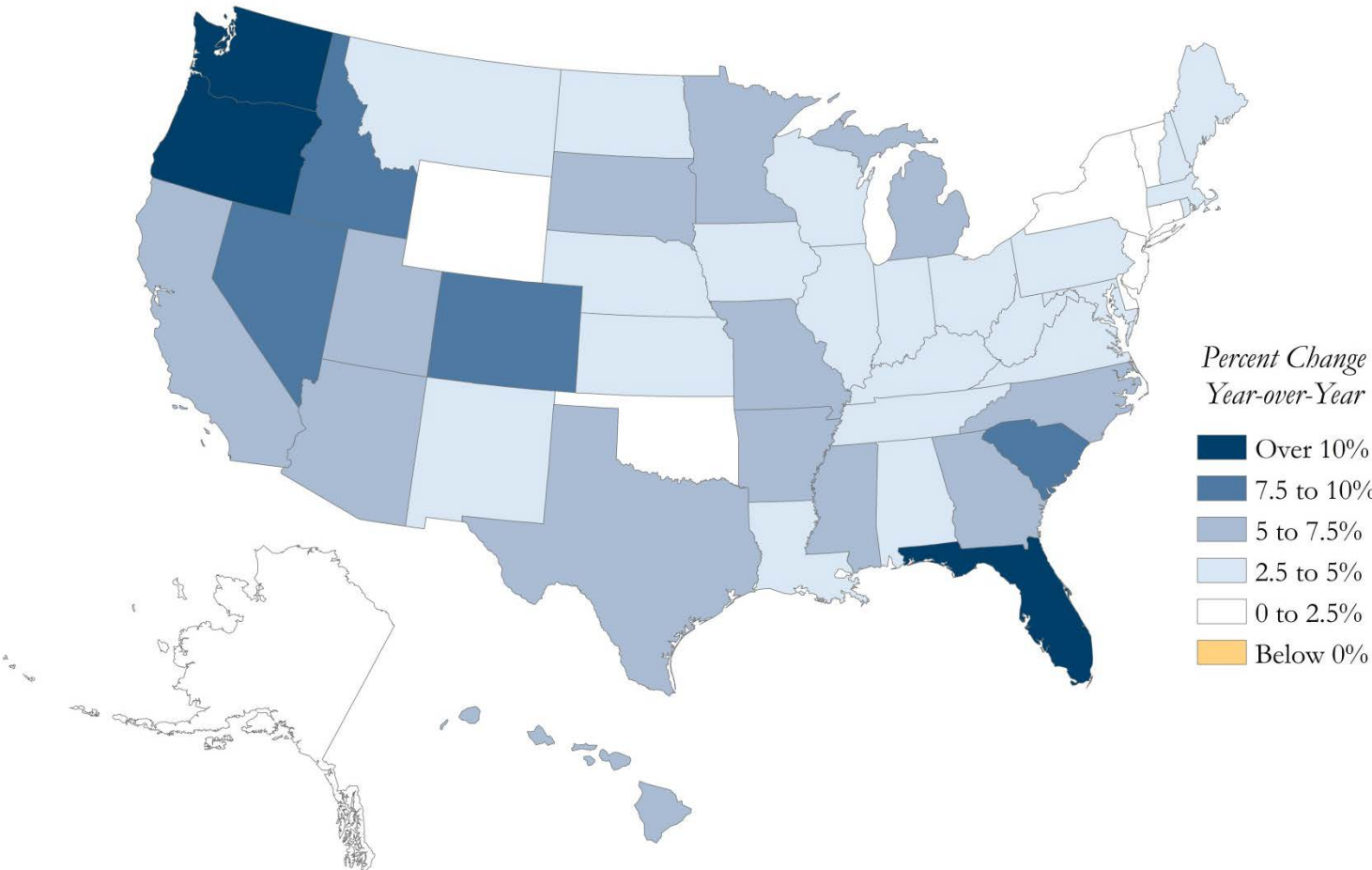


Source: FHFA



# Some states are seeing exceptionally strong home price growth while energy areas are not

FHFA Purchase-Only Home Price Index  
Q1 2016

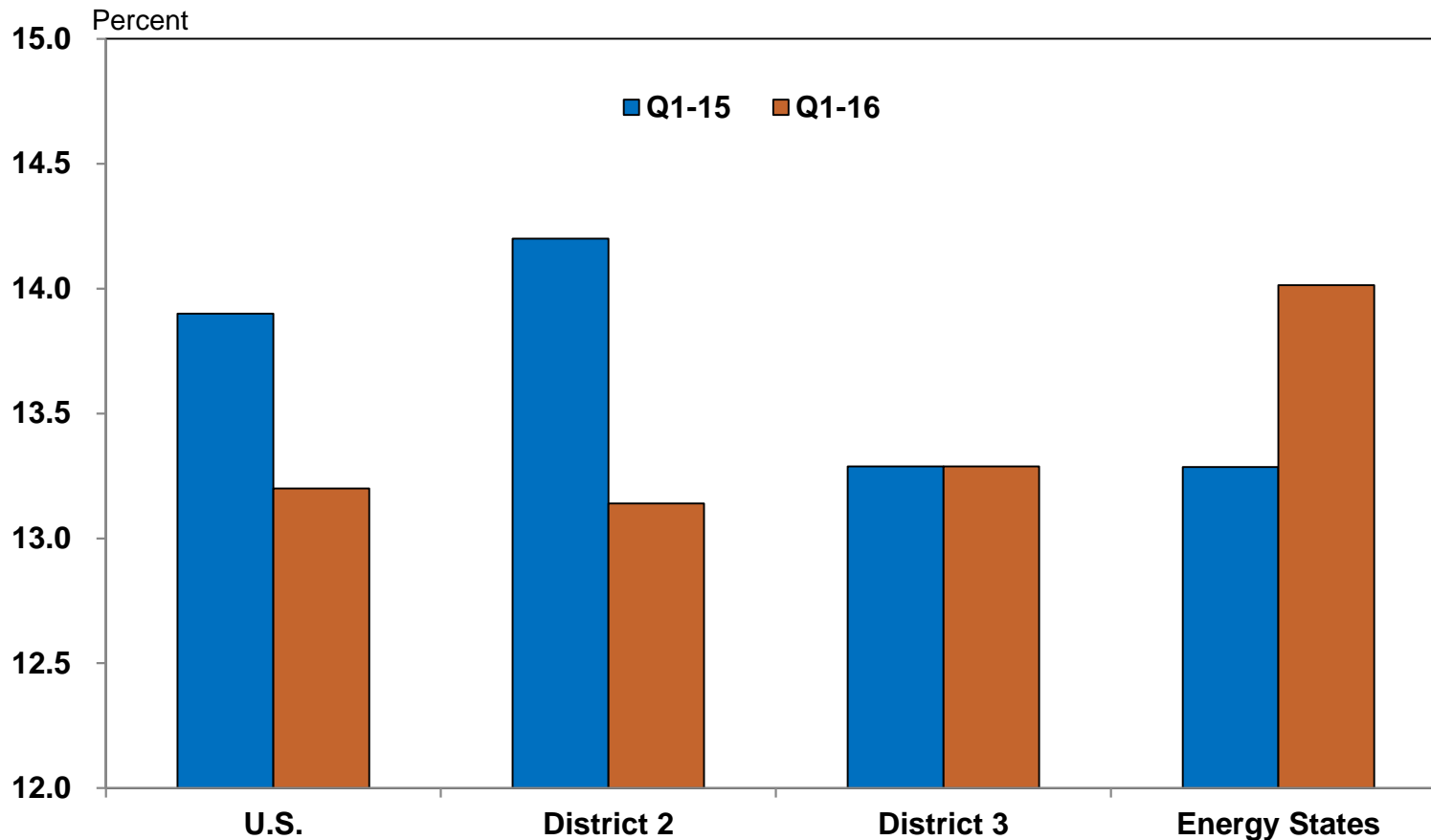


Source: FHFA



# Office vacancy rates also continue to improve outside of energy areas

## Office Vacancy Rates

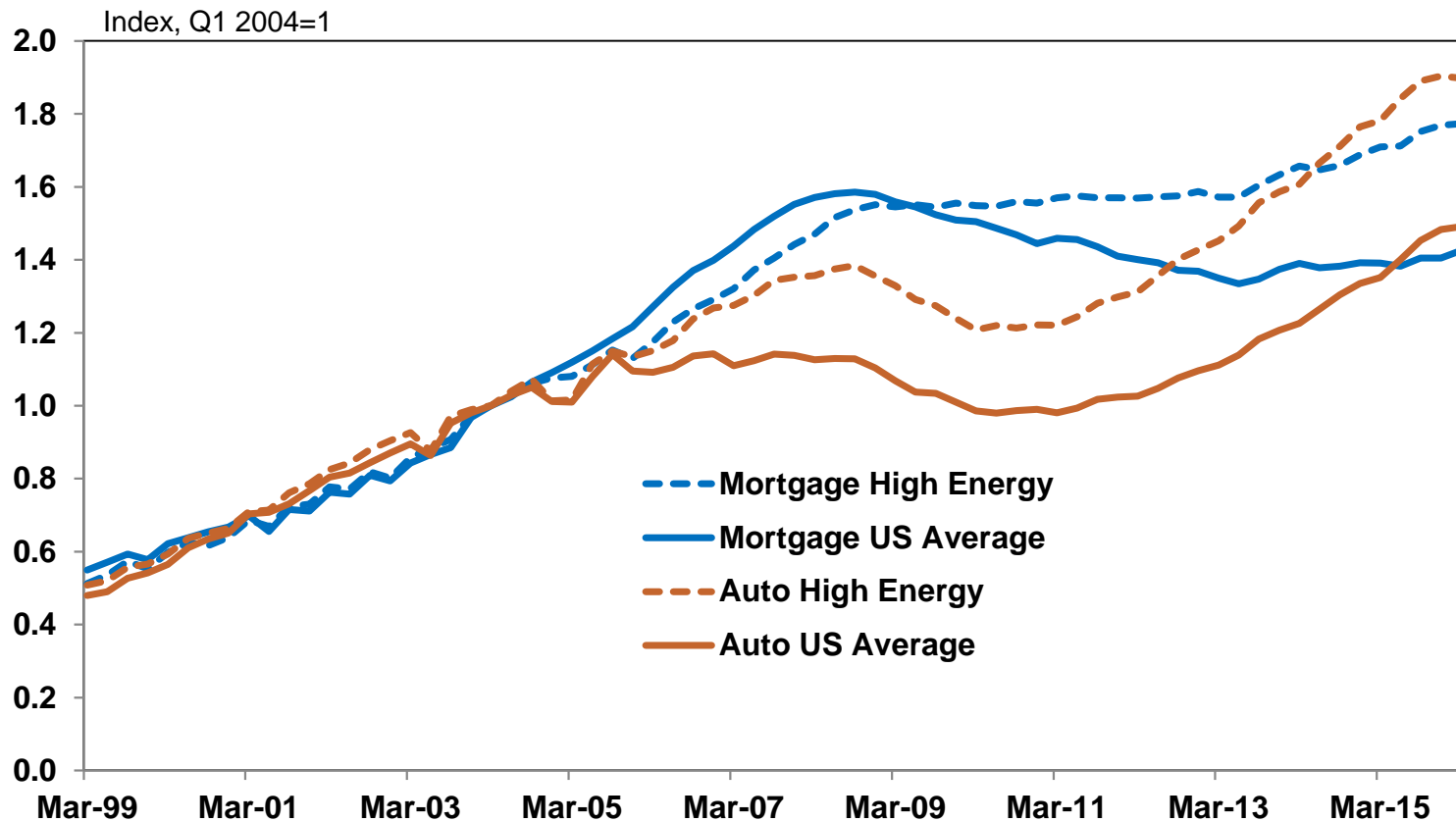


Source: TWR



# Auto and home loan balances boomed in energy counties before slowing recently

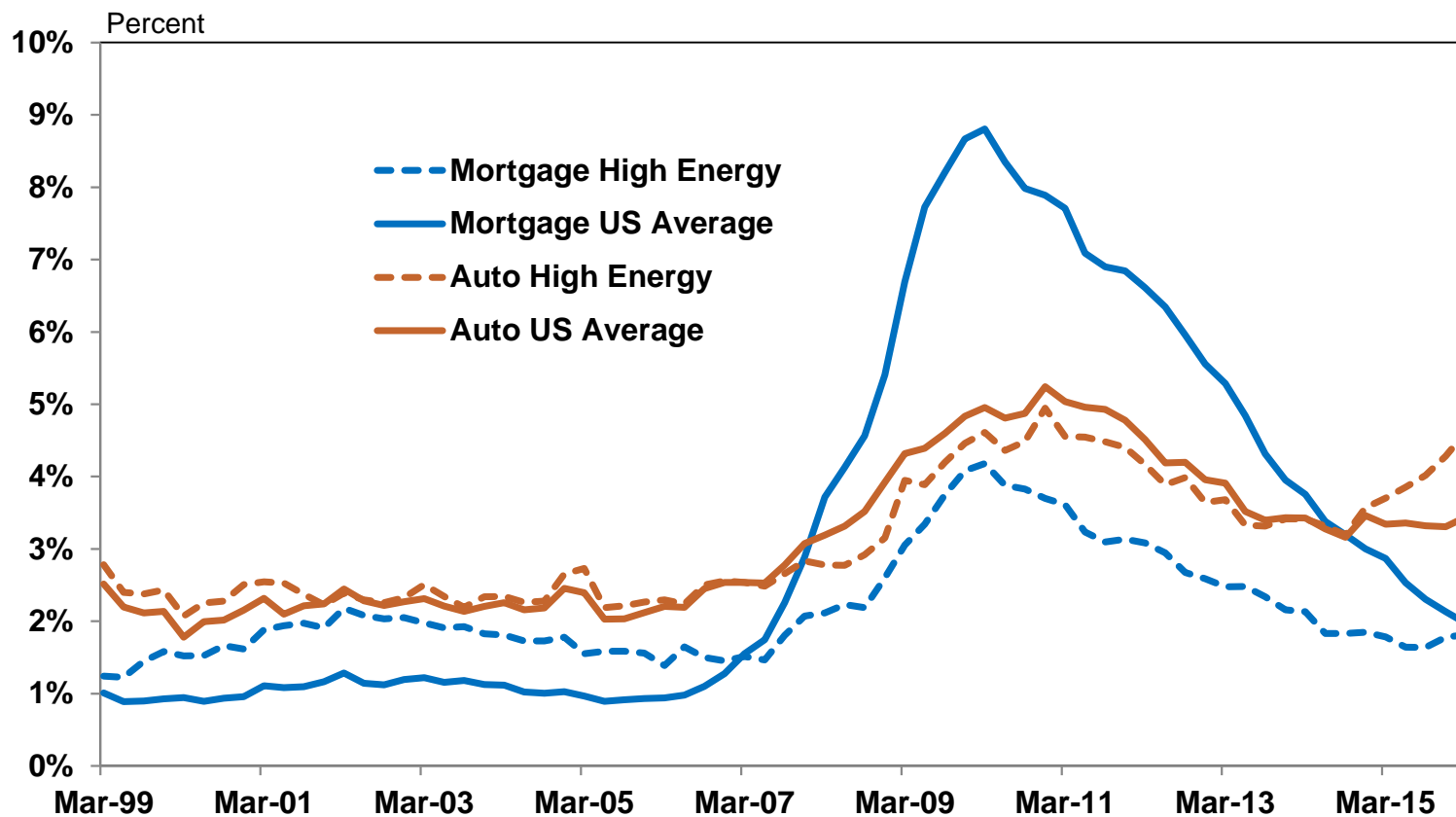
## Loan Balances





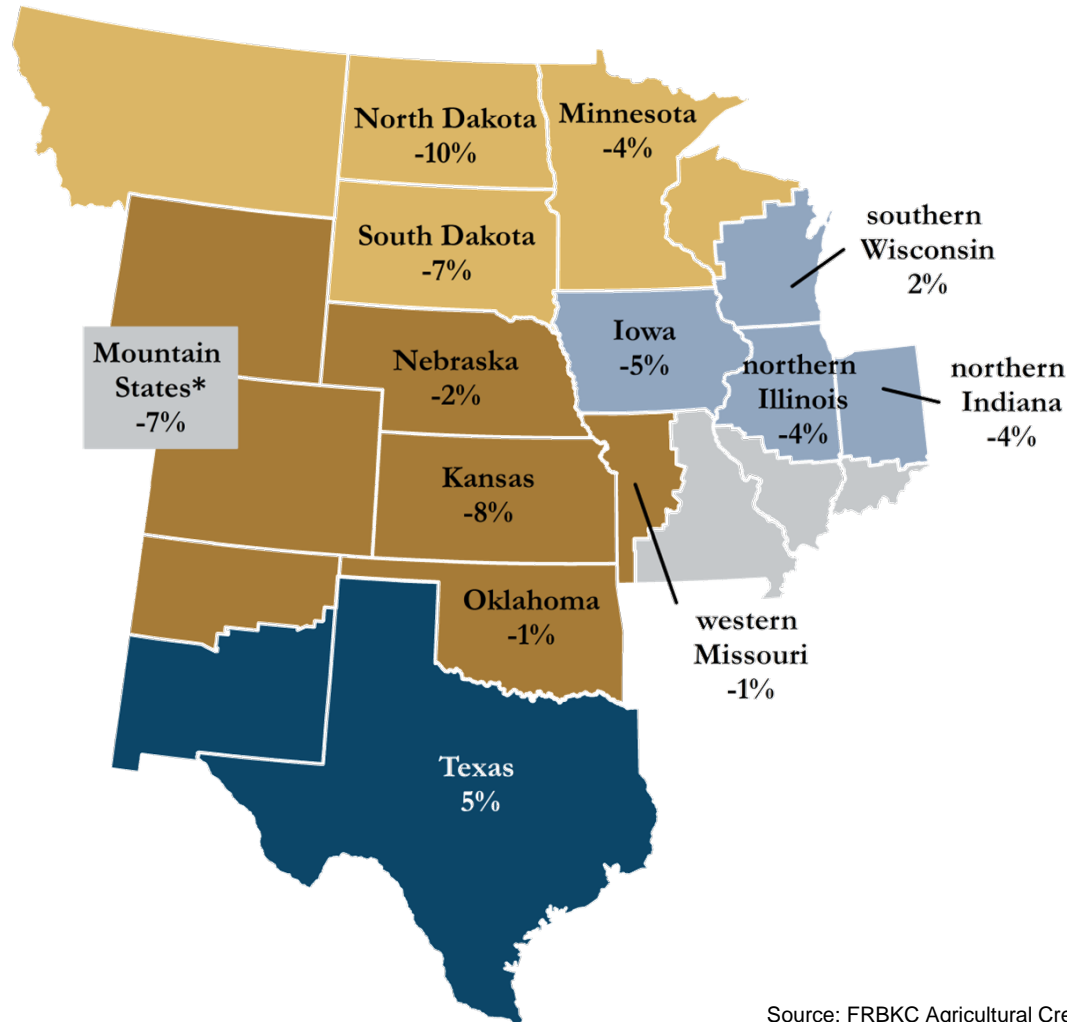
# Delinquencies have risen in U.S. energy counties, especially on auto loans

## Loan Delinquencies Greater than 90 days



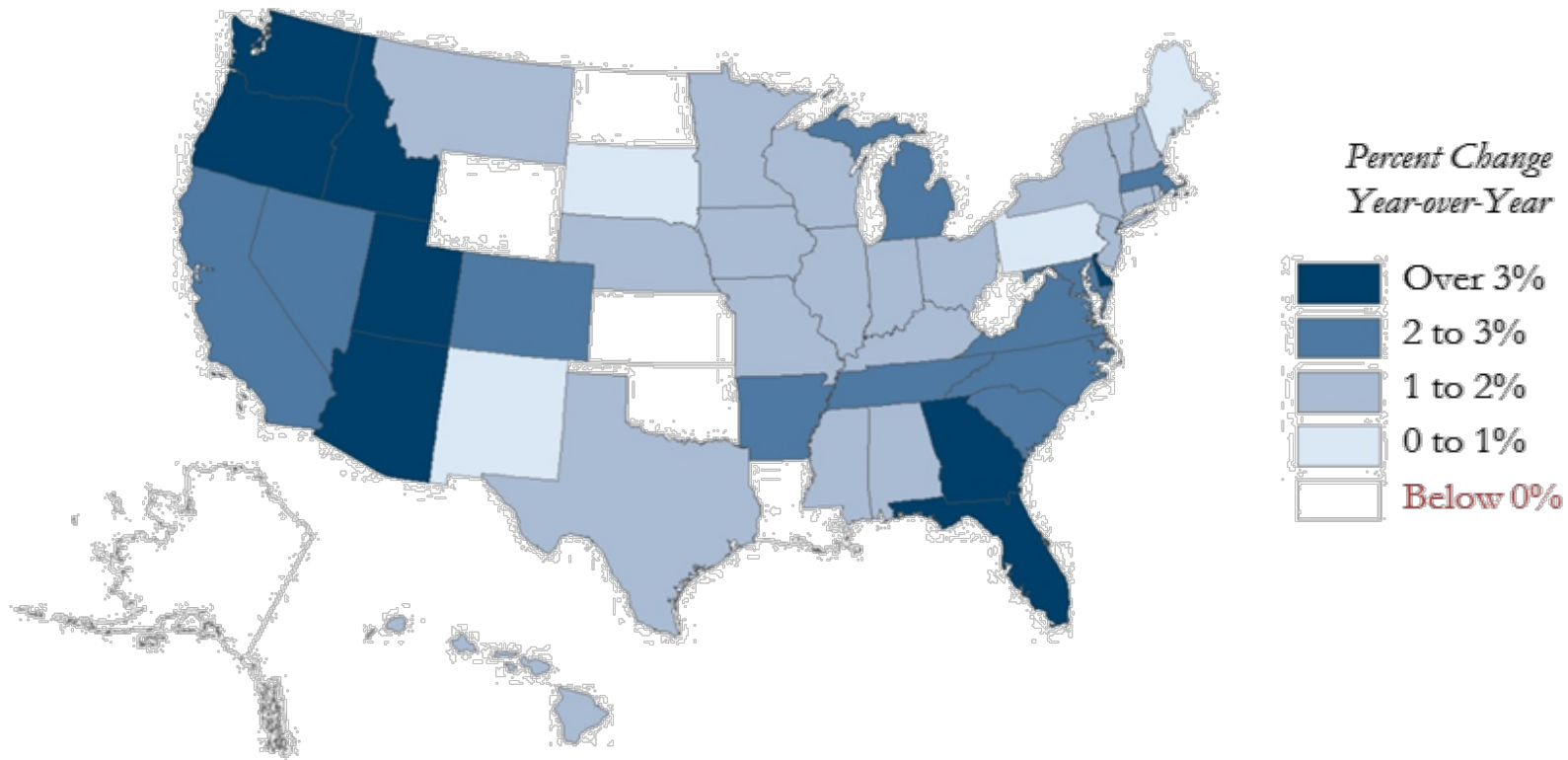
# Farmland values are also easing in many states as farm income declines

**Non-Irrigated Farmland Values**  
2016 Q1, % change, y/y



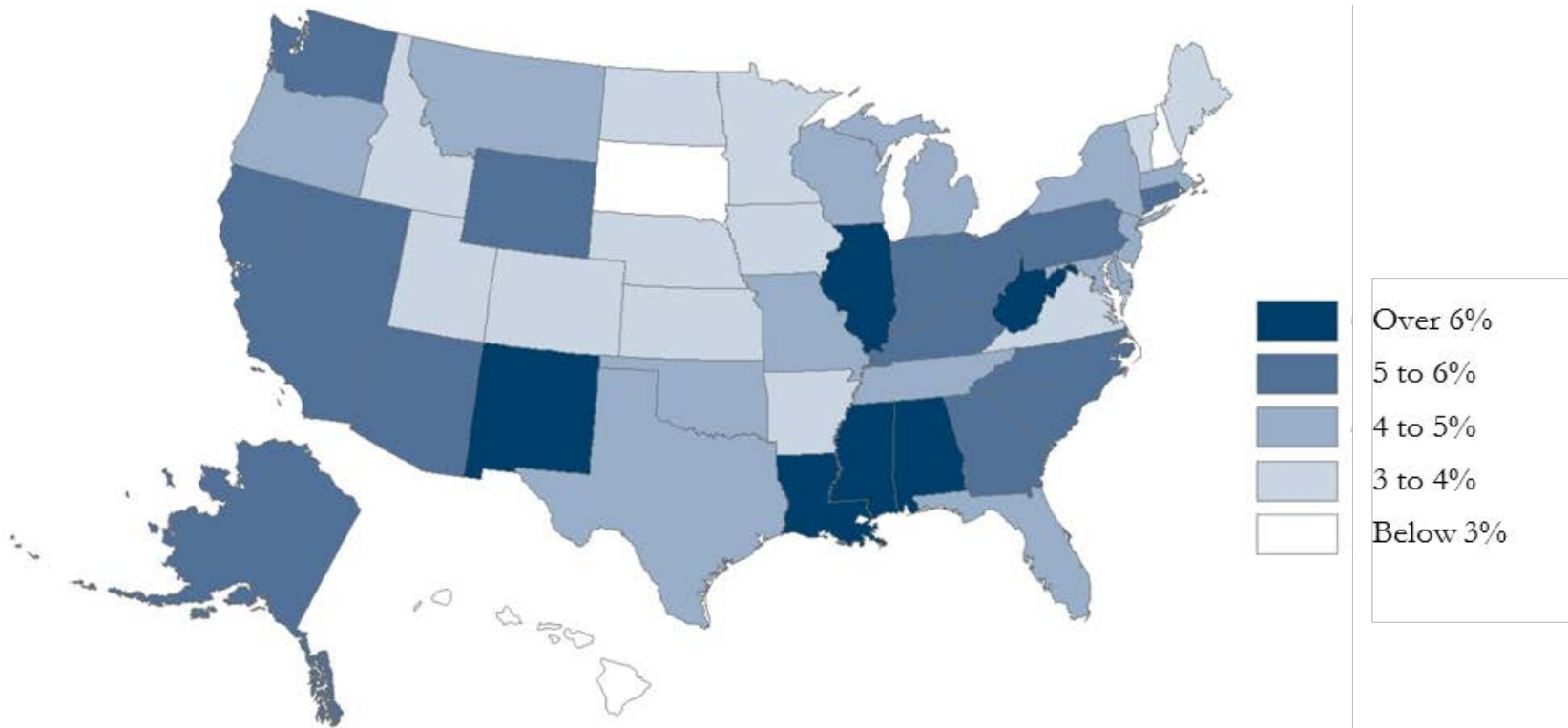
# Employment growth has been strongest on the coasts, weakest in energy areas

**Total Nonfarm Employment Growth**  
April 2016



# Still, unemployment has remained relatively low in the middle of the country

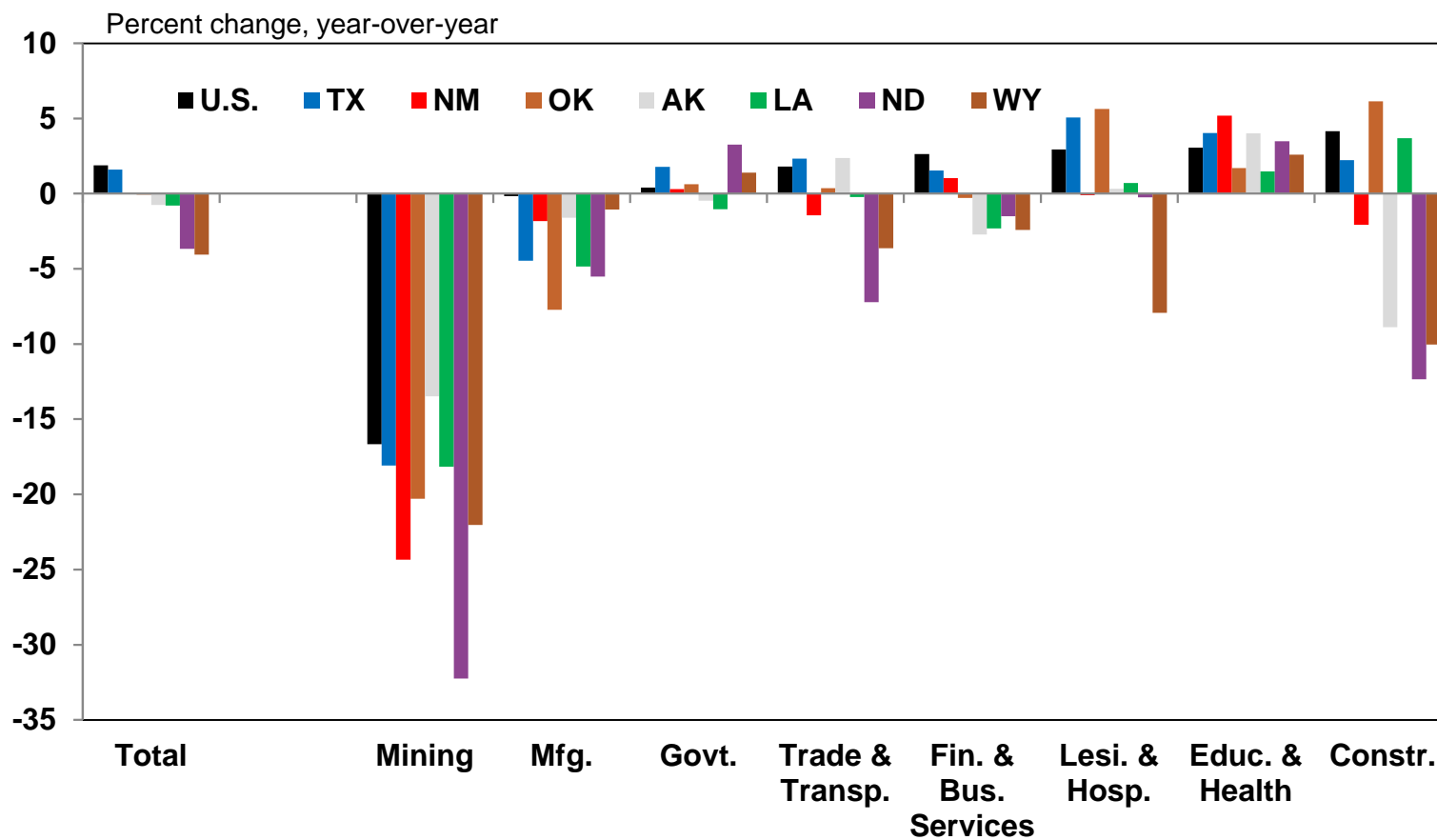
**Unemployment Rates**  
April 2016



# Energy workers appear to be finding other jobs, though sometimes at lower pay

## Employment Growth by Industry, US and Energy States

April 2016

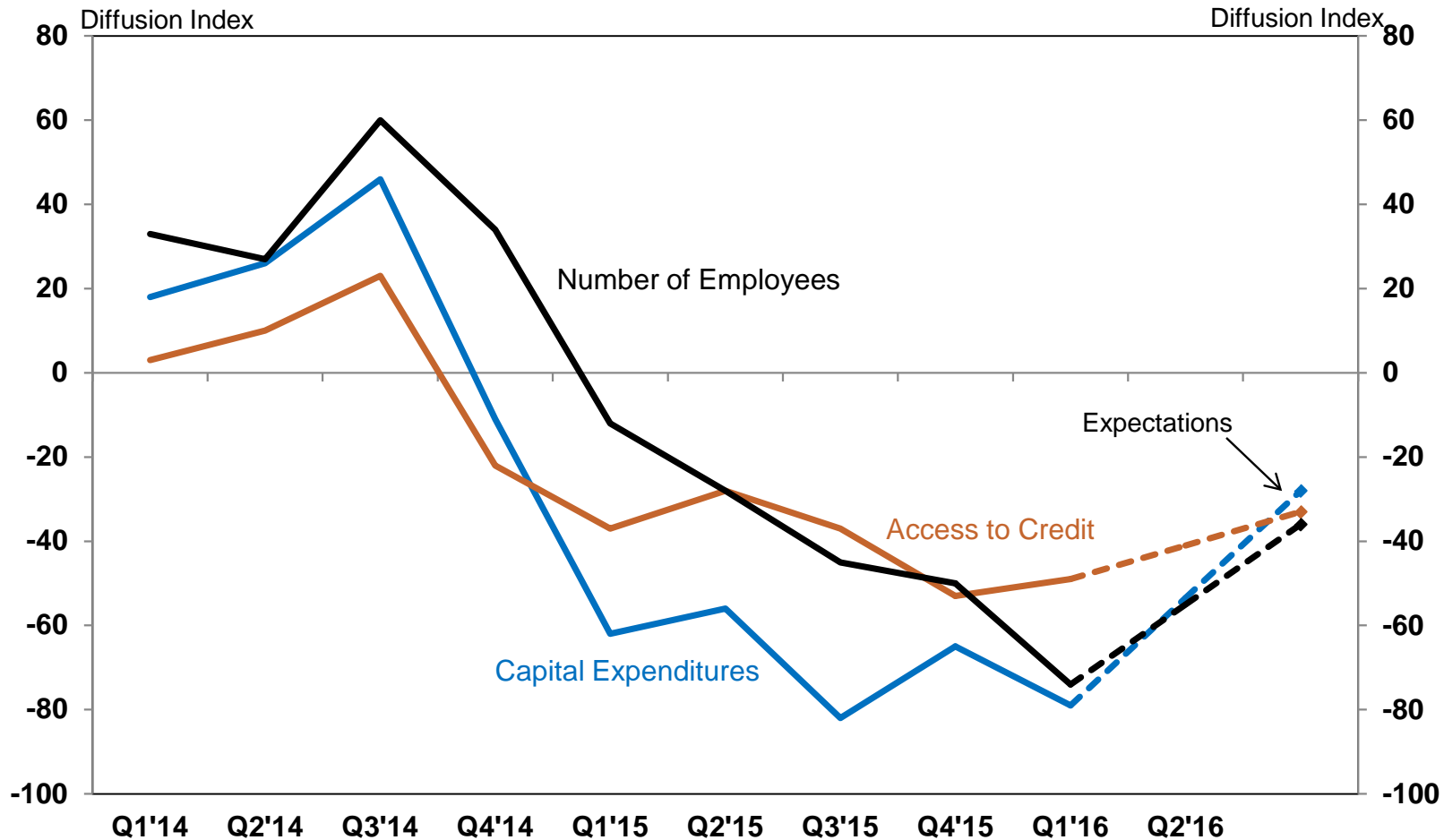


Source: U.S. Bureau of Labor Statistics



# The KC Fed's Q1 energy survey suggested cuts in the sector may be easing

## Year-Over-Year Energy Survey Indexes

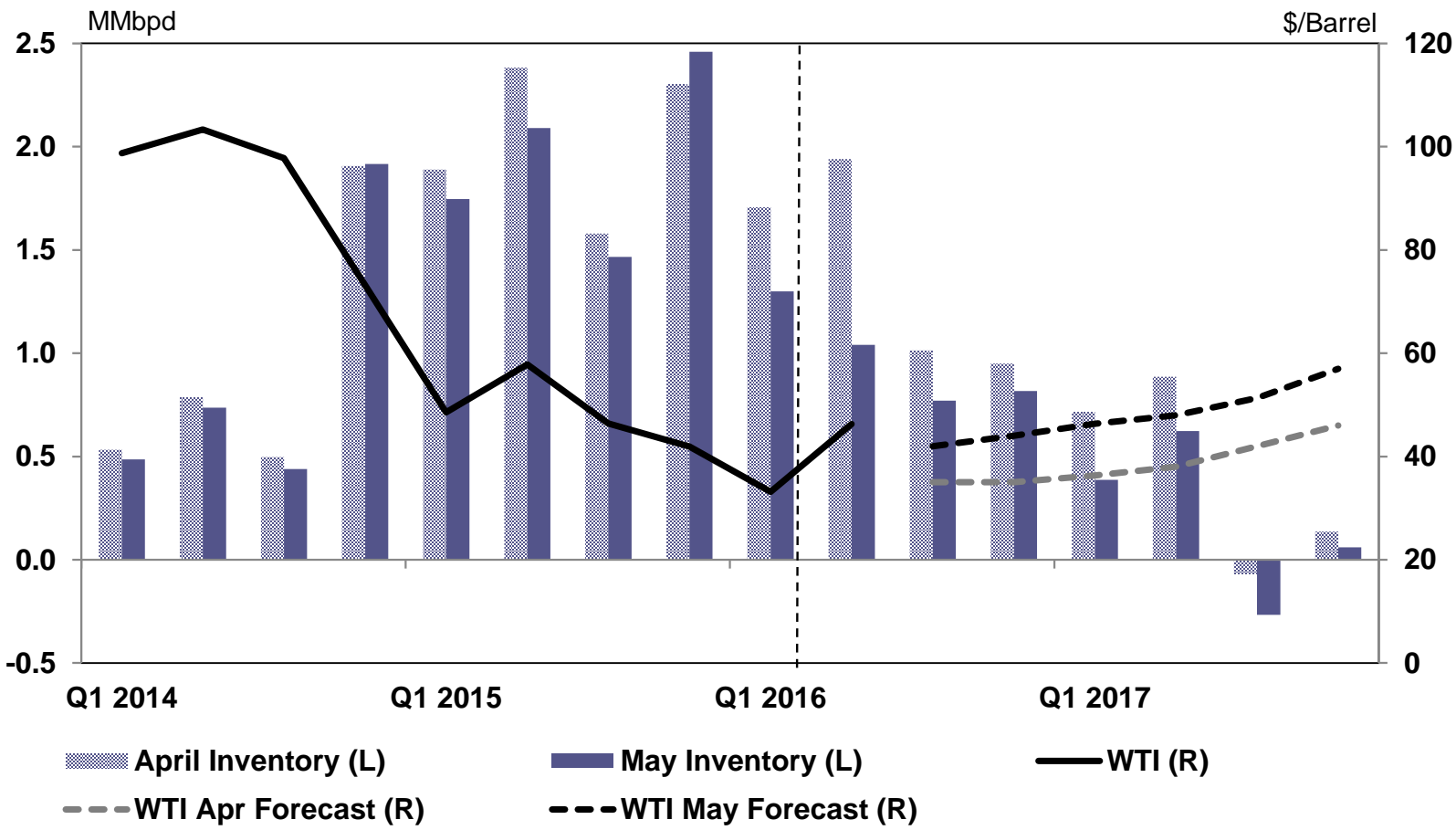


Source: FRBKC Energy Survey



# Oil inventory imbalances have improved quicker than expected, helping boost prices

Global Oil Inventory Builds vs Oil Prices

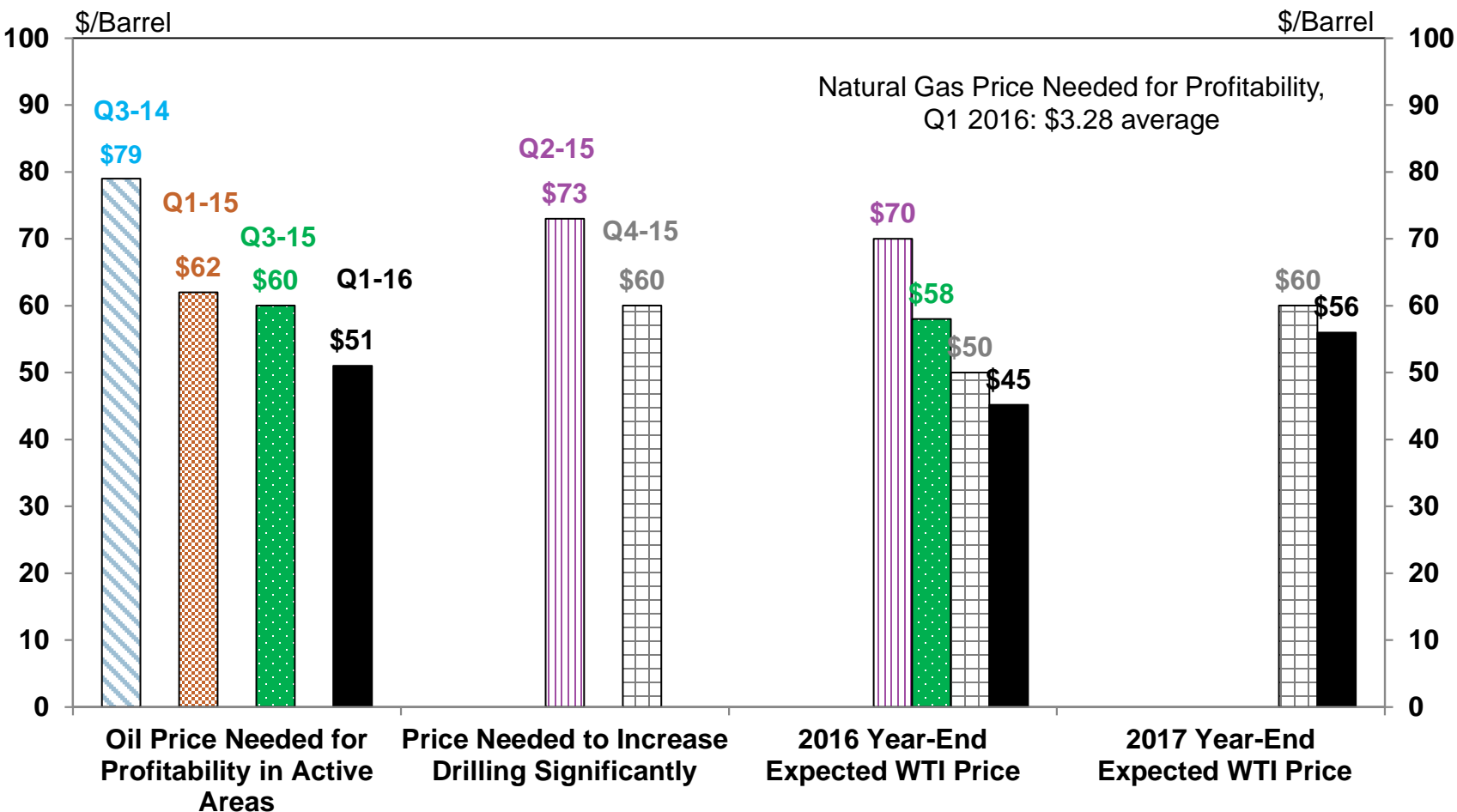


Source: EIA



# According to firms, profitable prices are now only slightly above current prices, for oil

KC Fed Energy Survey Special Questions  
Q3 2014 to Q1 2016



Source: FRBKC Energy Survey





# Summary

- The U.S. economy continues to grow, and the Fed has begun to raise interest rates
- Construction and real estate activity remain strong in most areas of the country
- An exception is in energy-intensive areas, where loan delinquencies are rising
- But declines in energy areas appear to be slowing, as oil prices approach profitability



# Questions and Links

For more information about the Oklahoma City Branch of the Federal Reserve Bank of Kansas City, visit our website at:

<http://www.kansascityfed.org/oklahomacity/>

For more information about the Oklahoma economy, subscribe to the quarterly **Oklahoma Economist** at:

[www.kansascityfed.org/publications/research/oke](http://www.kansascityfed.org/publications/research/oke)

