

# U.S. and Northeast Oklahoma Economic Update



Oklahoma Innovation Forum

Pryor, OK

July 29, 2016

**Chad Wilkerson**

Vice President, Economist, and Oklahoma City Branch Executive

Federal Reserve Bank of Kansas City

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

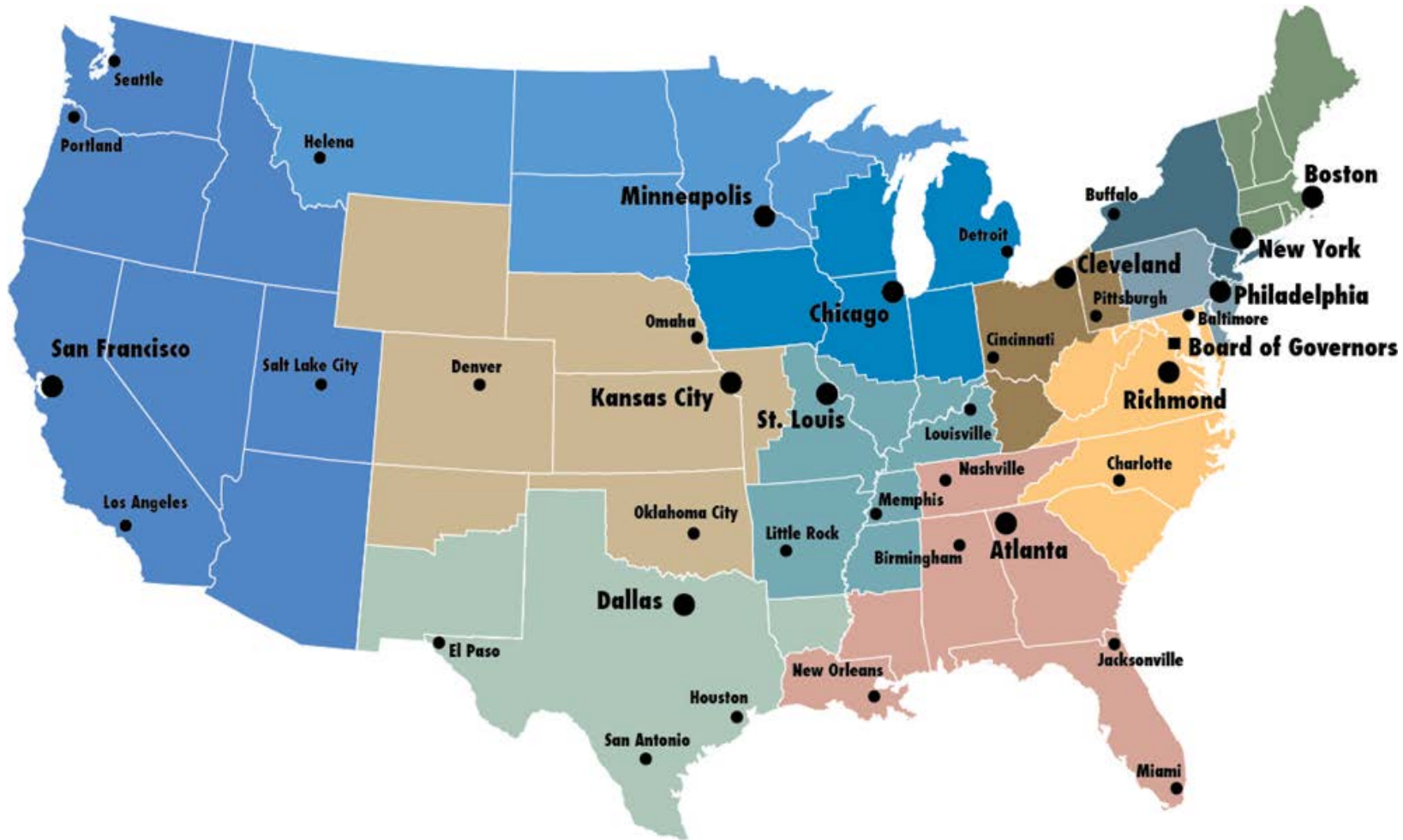


# Structure and Functions of the Federal Reserve System

- **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)**, Chairman & 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

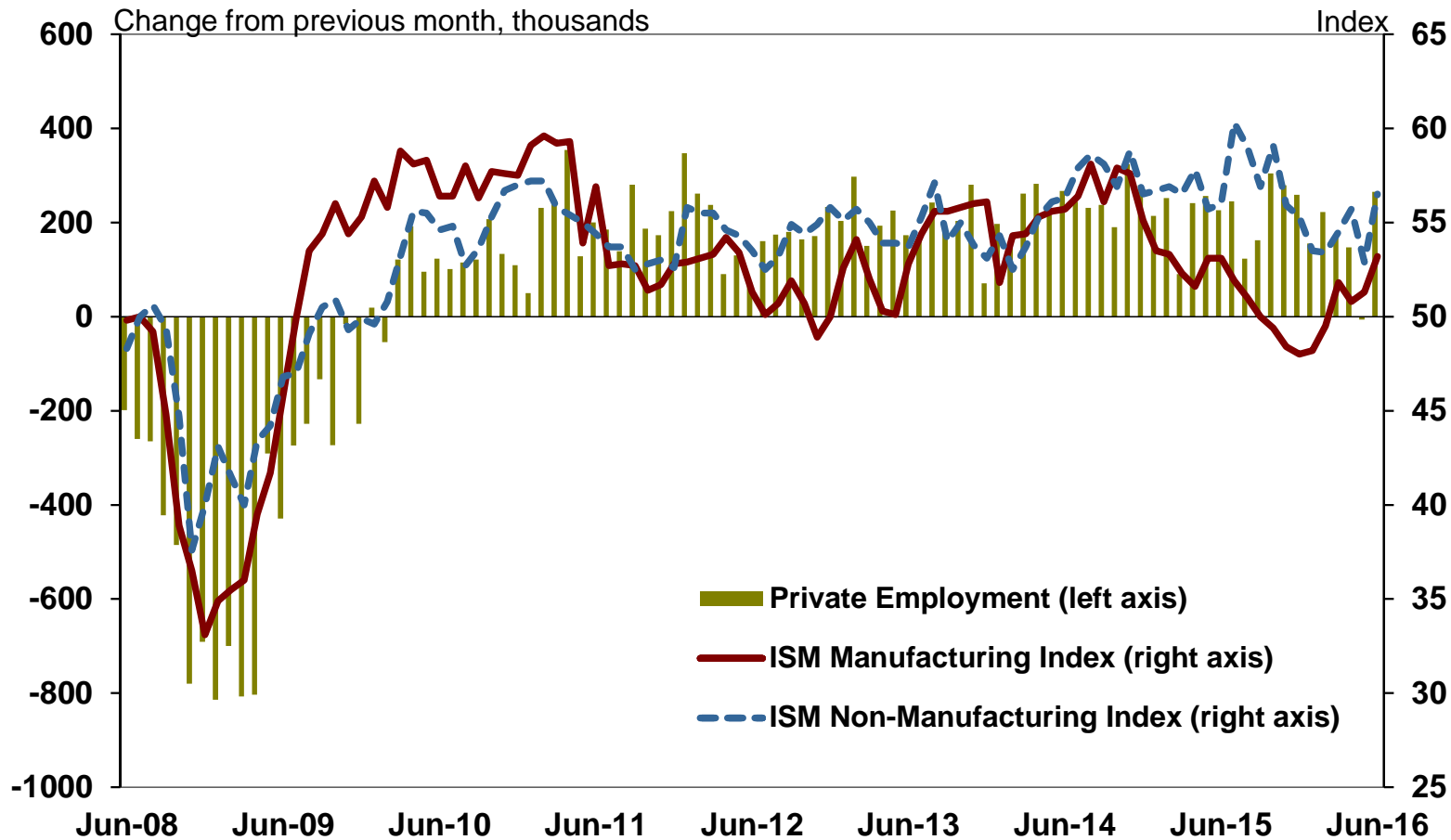


# **The U.S. Economy and Monetary Policy**



# U.S. economic activity slowed somewhat in early 2016 but improved in June

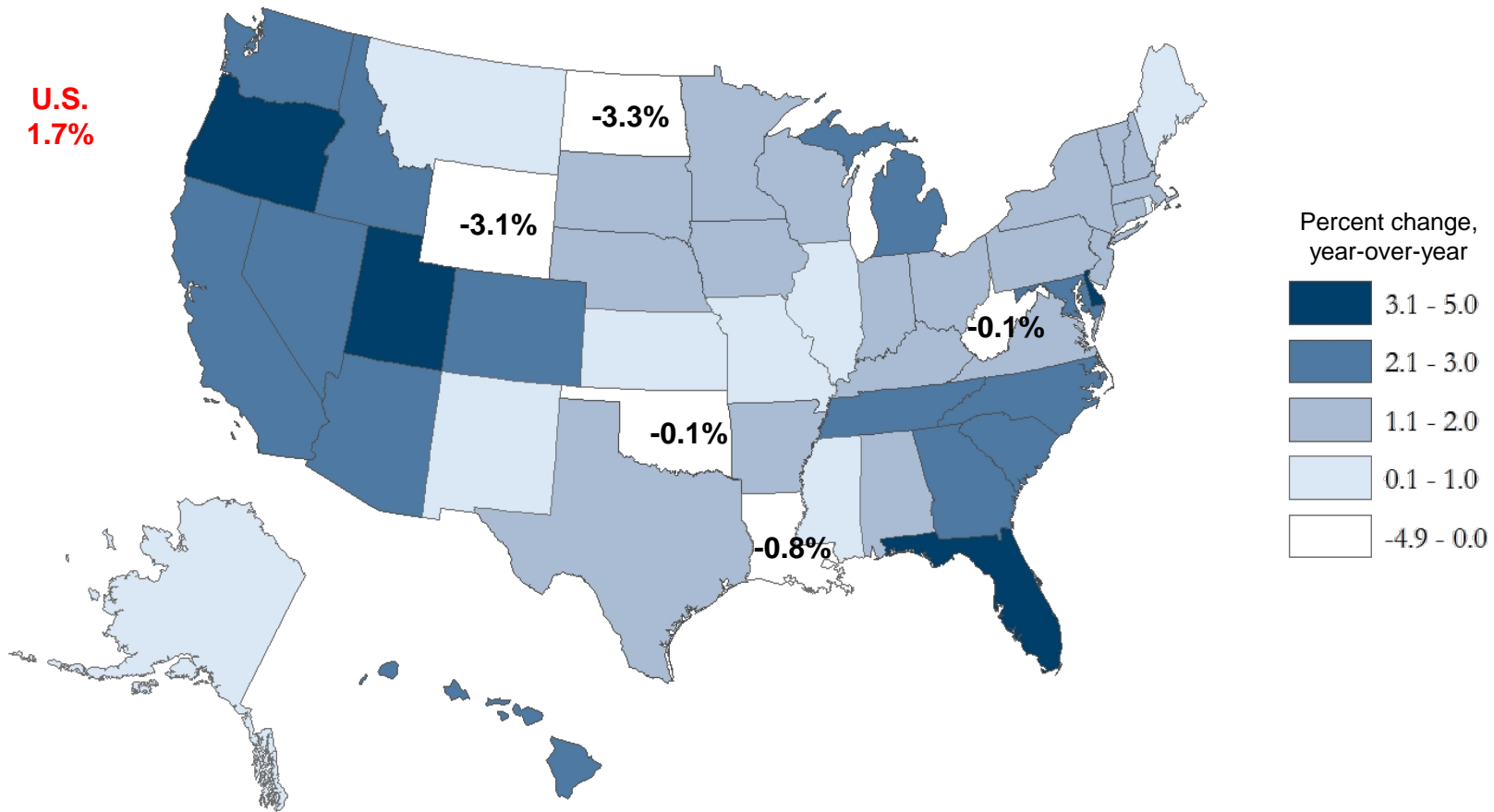
## U.S. Private Payroll Employment and Business Indexes



# Recent employment trends have diverged across the country, with energy areas hit hard

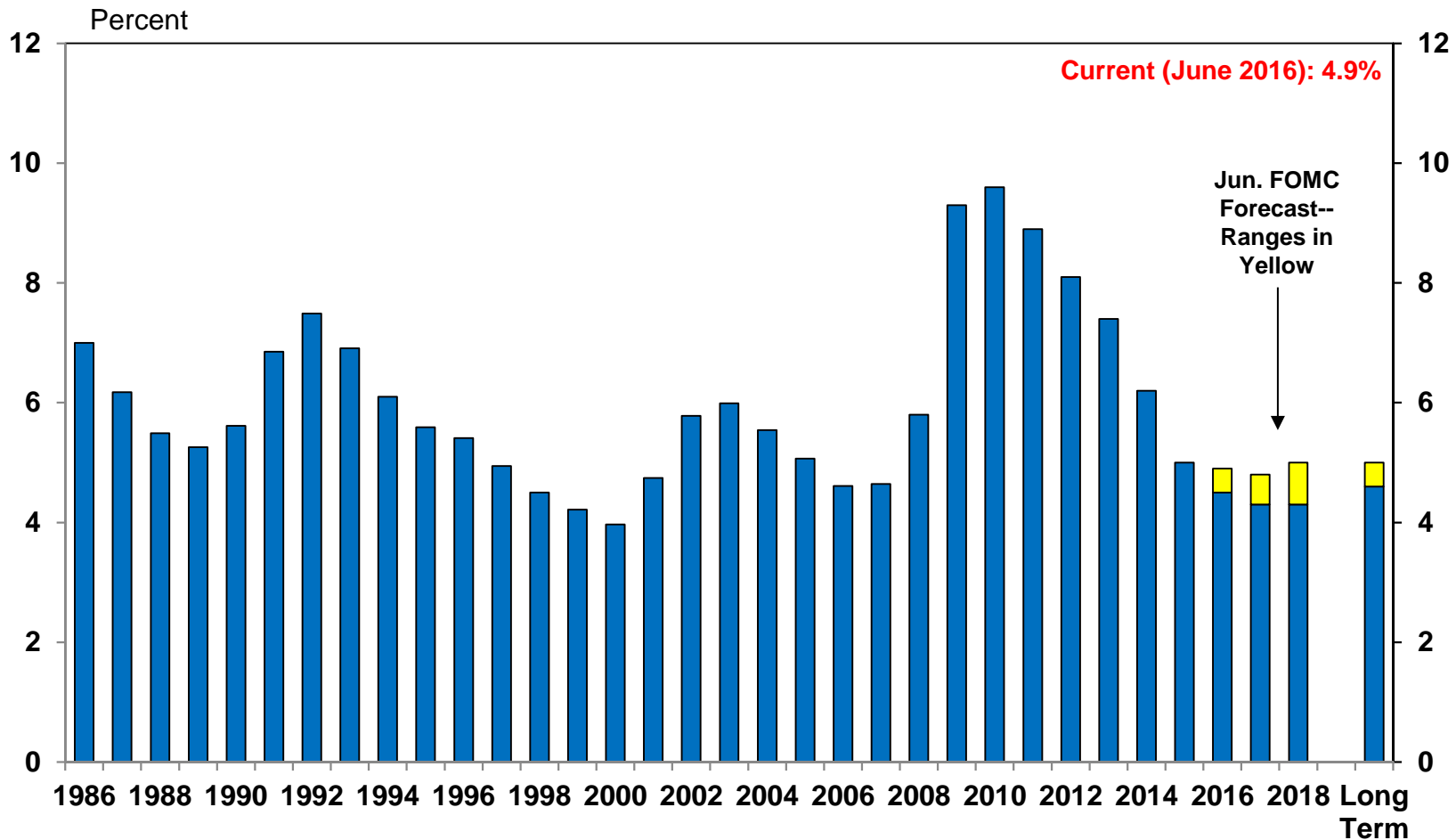
**Total Nonfarm Employment Growth**  
June 2016

**U.S.**  
**1.7%**



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

**Unemployment Rate**  
Seasonally Adjusted



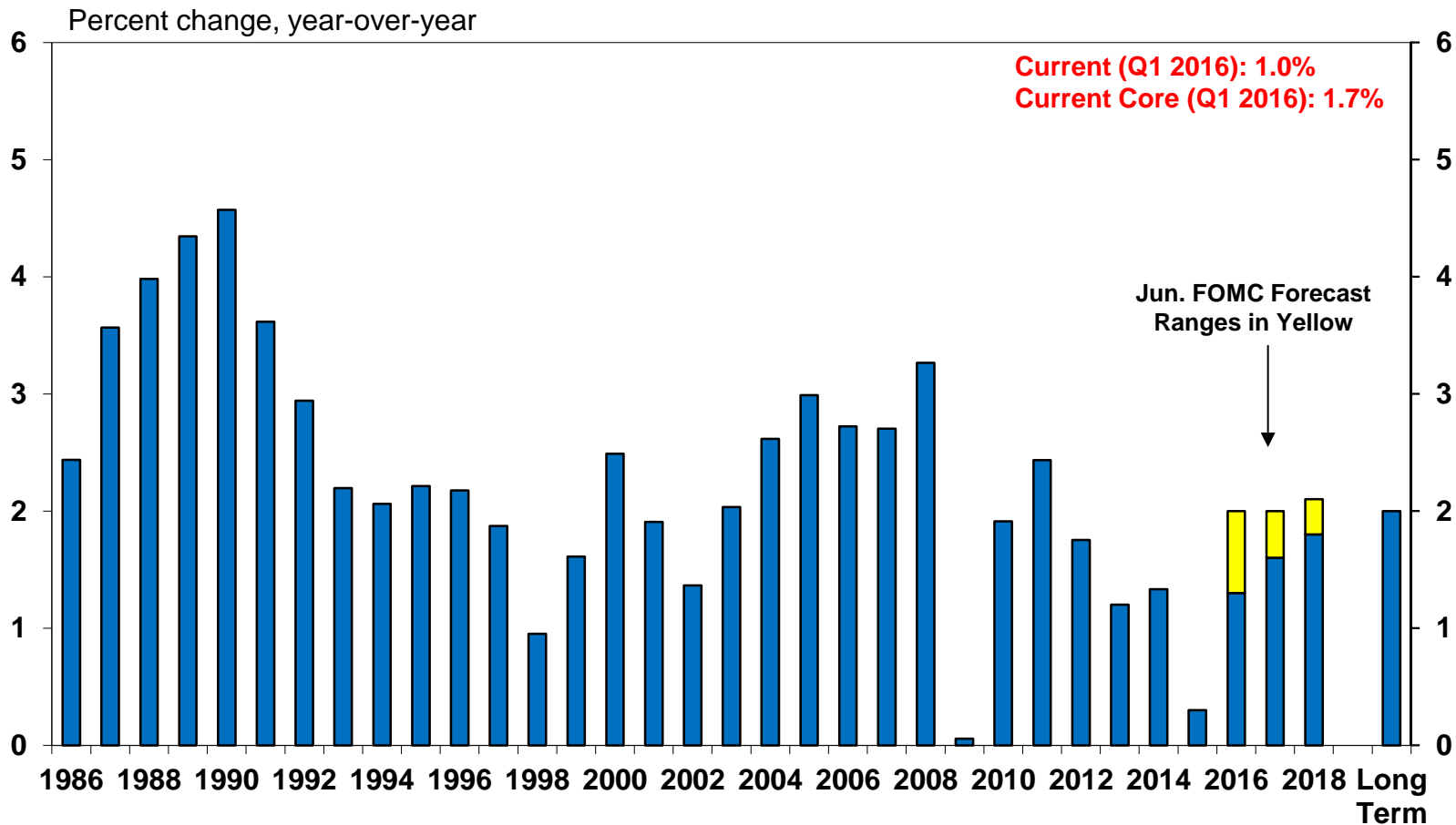
Sources: U.S. Bureau of Labor Statistics, FOMC



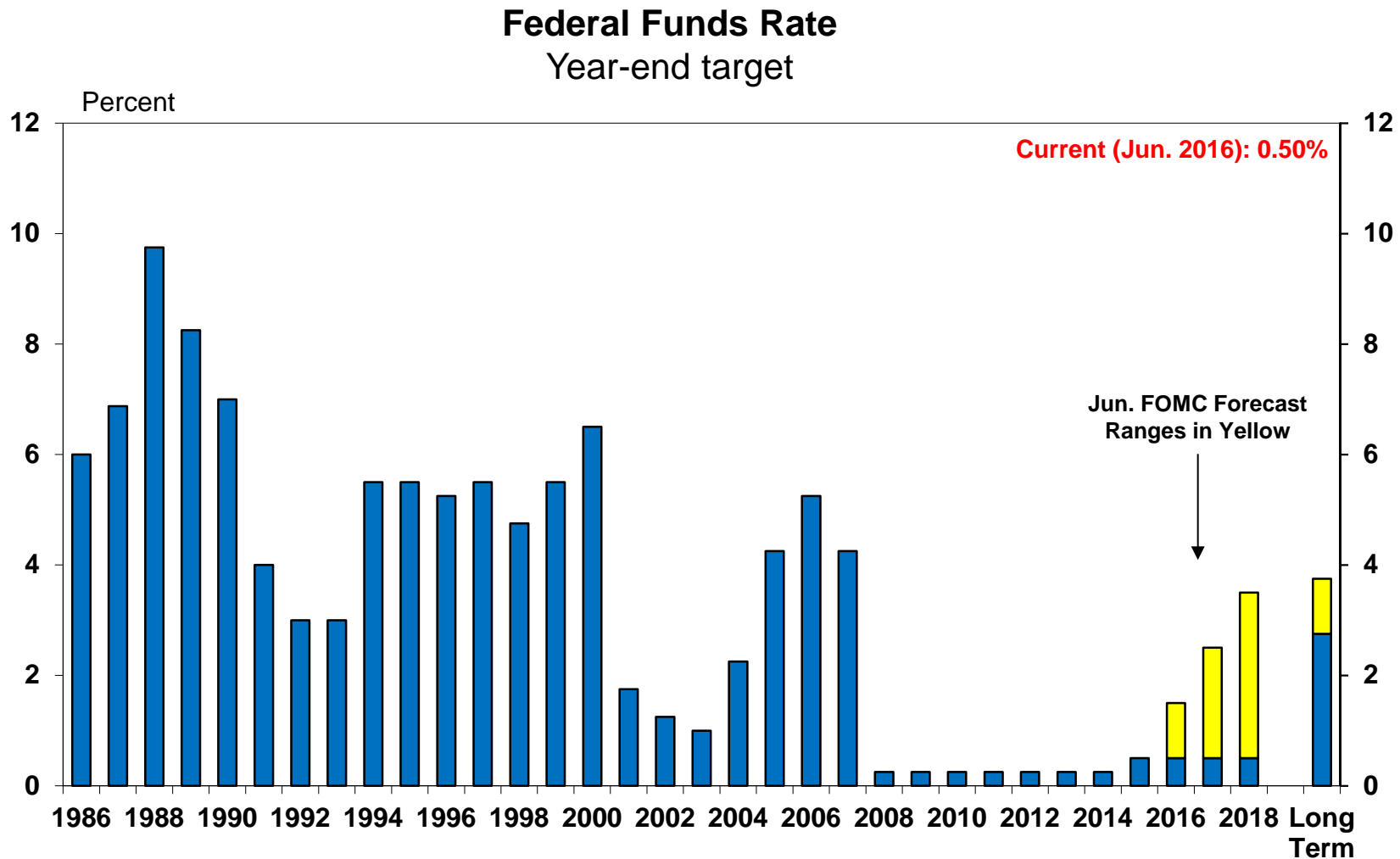


# U.S. inflation is low but expected to return to close to target in 2016

## PCE Inflation Index



# FOMC participants expect moderate increases in rates heading forward

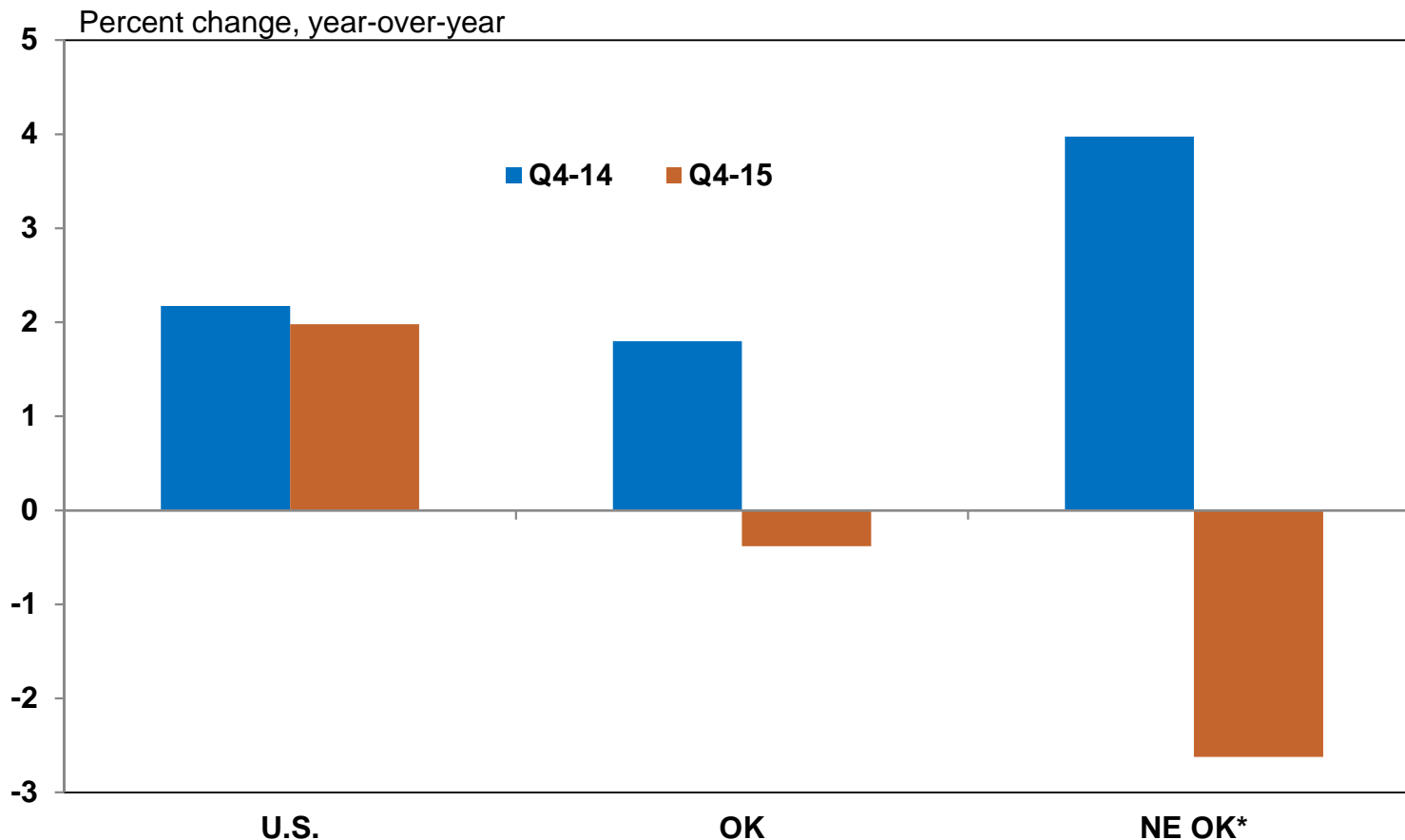


# Trends in the Northeast Oklahoma Economy



# Employment in Northeast Oklahoma fell in 2015, after a very strong 2014

## Total Employment Growth



\*Includes the following counties: Delaware, Mayes, Rogers, and Wagoner

Source: U.S. Bureau of Labor Statistics



# Farming, construction, and manufacturing have high concentrations in NE Oklahoma

## Northeastern Oklahoma Personal Income Share by Industry 2014

Industry	Percent of Total Income		NE OK Location Quotient	OK Location Quotient	YOY Growth U.S.
	Northeast OK	U.S.			
Farming	3.5	1.1	3.1	1.8	-5.3
Construction	15.9	5.8	2.7	1.1	5.8
Manufacturing	27.1	10.0	2.7	0.9	3.8
State & Local Government	18.8	13.2	1.4	1.0	2.9
Trade, Transportation & Utilities	14.7	15.8	0.9	1.1	4.1
Mining	1.4	1.8	0.8	8.0	10.3
Leisure & Hospitality	3.2	4.5	0.7	0.8	7.5
Federal Government	2.3	4.3	0.5	1.3	0.9
Information	1.7	3.5	0.5	0.4	7.4
Financial Activities	3.6	9.5	0.4	0.6	3.4
Education & Health	3.7	13.1	0.3	0.8	3.7
Prof. and Business Services	4.1	17.3	0.2	0.6	5.0

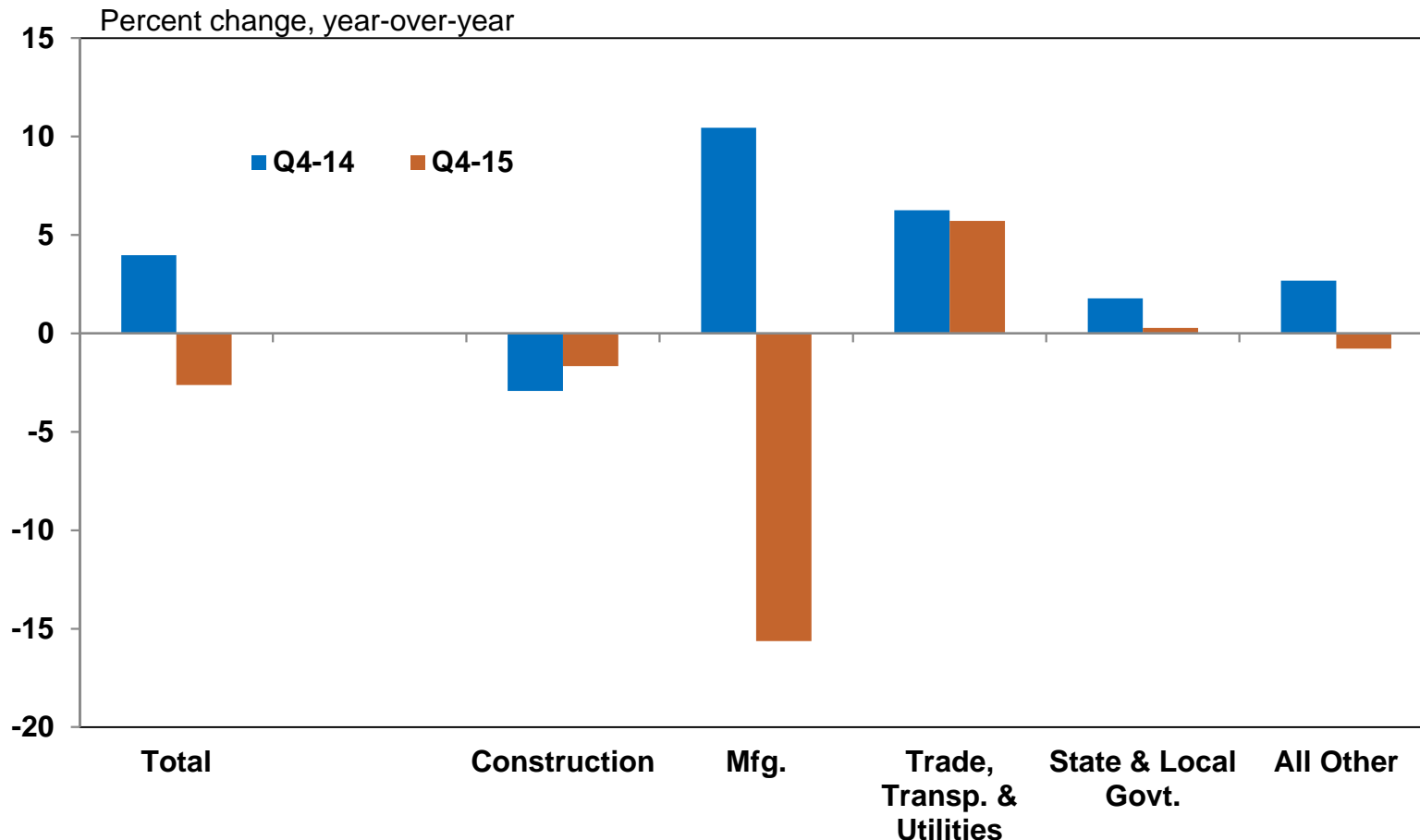
Note - Location quotient is the division of local share by national share

\*Includes the following counties: Delaware, Mayes, Rogers, & Wagoner



# The regional jobs decline was driven primarily by weakness in manufacturing

## Northeast Oklahoma\* Employment Growth by Industry



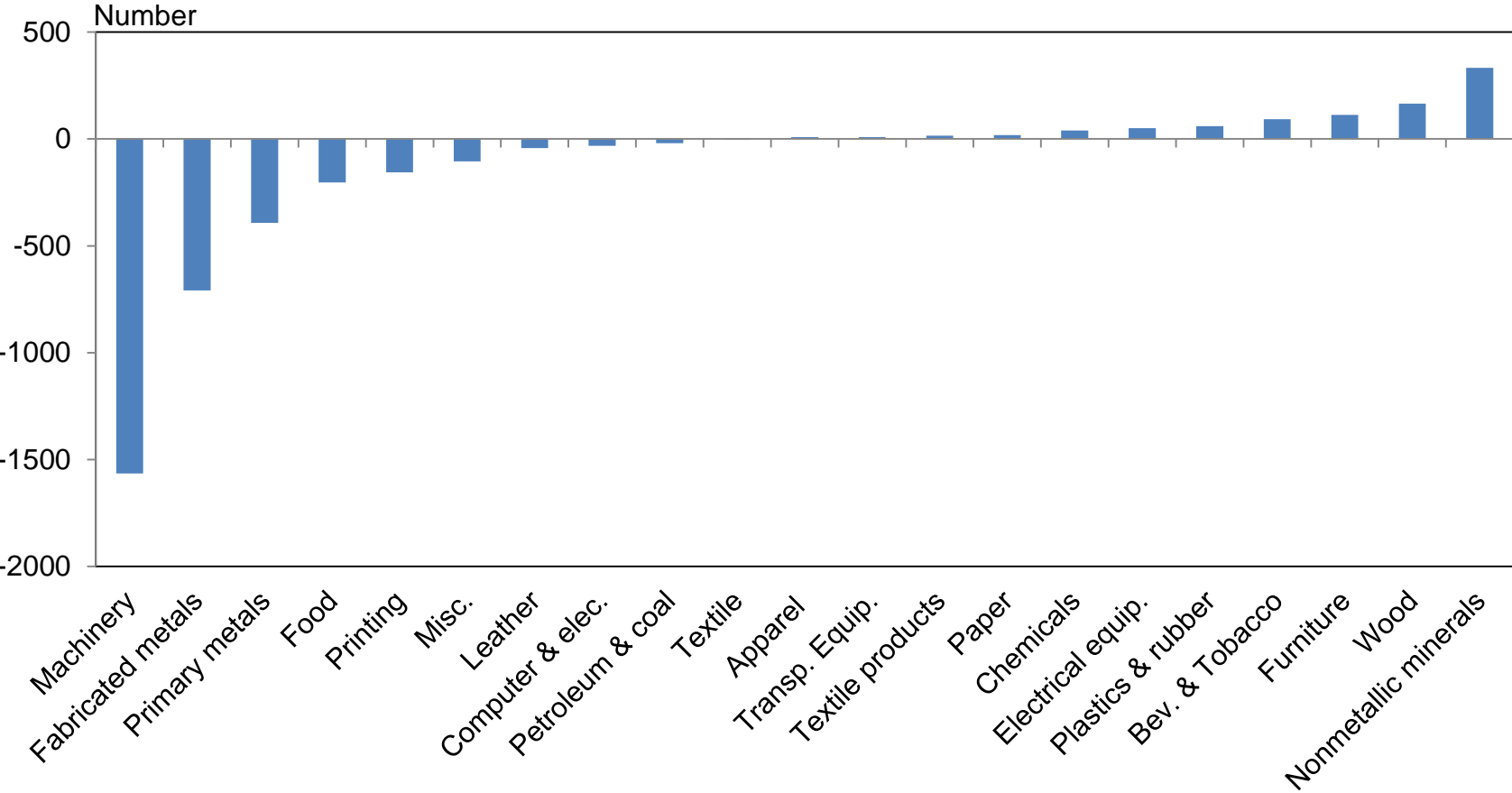
\*Includes the following counties: Delaware, Mayes, Rogers, and Wagoner

Source: U.S. Bureau of Labor Statistics



# Most factory job losses in Oklahoma have been in machinery and metals industries

Oklahoma Manufacturing Employment Change  
2015 vs. 2014

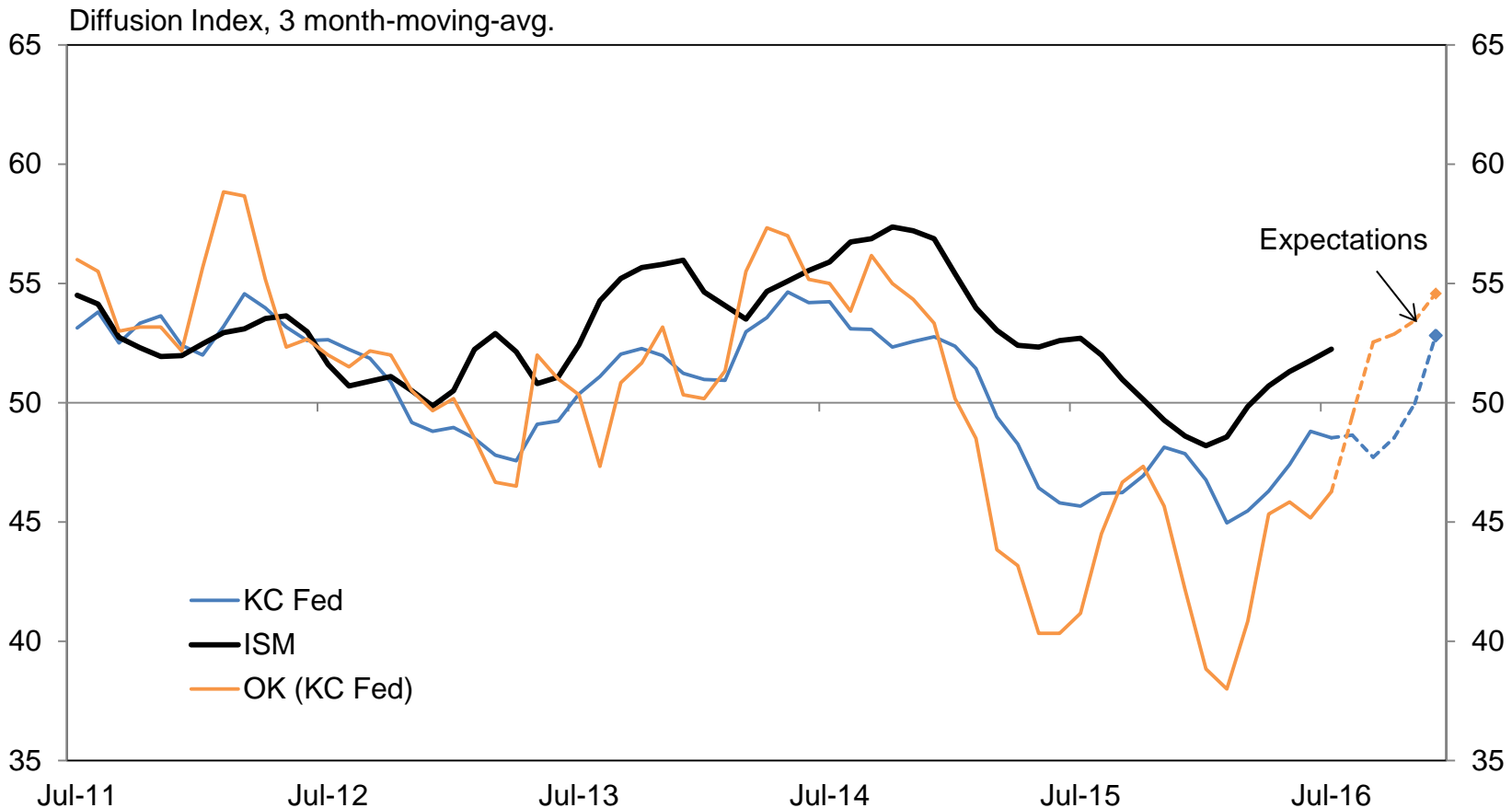


Source: U.S. Bureau of Labor Statistics



# Oklahoma factory weakness continued in July, but firms were more optimistic

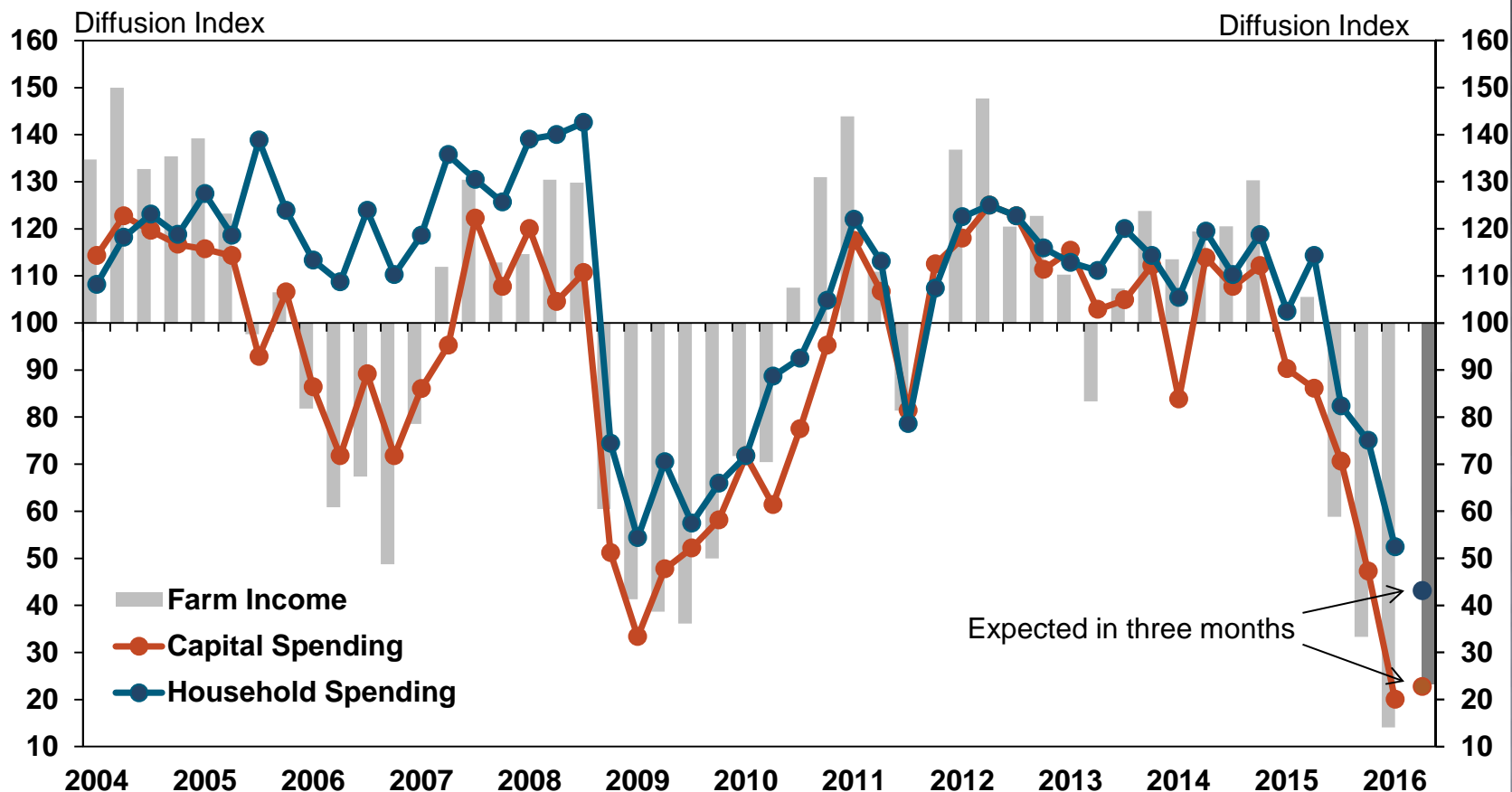
## Manufacturing Survey Composite Indexes





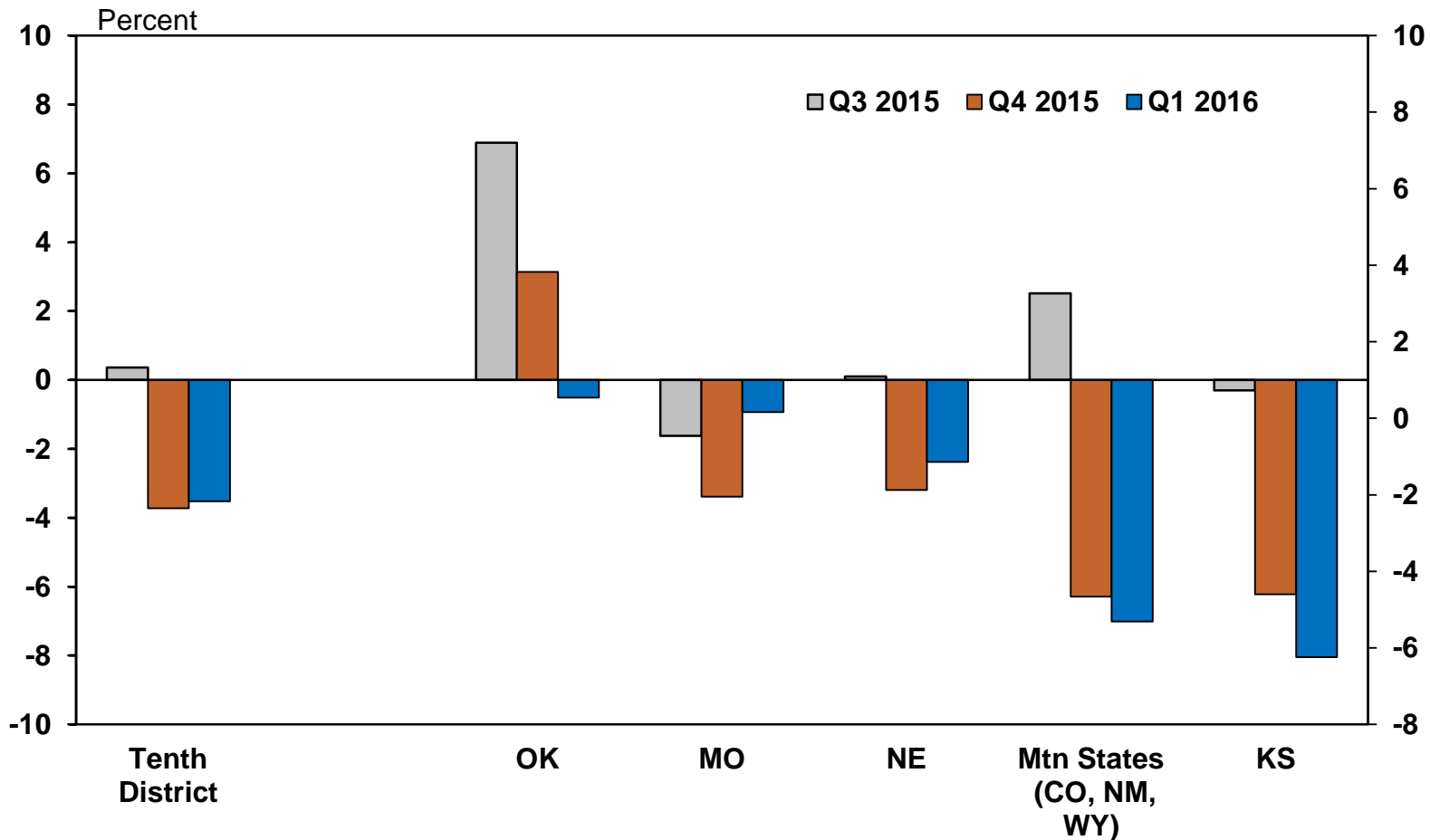
# Oklahoma farm income and spending have dropped dramatically over the past year

## Oklahoma Farm Income



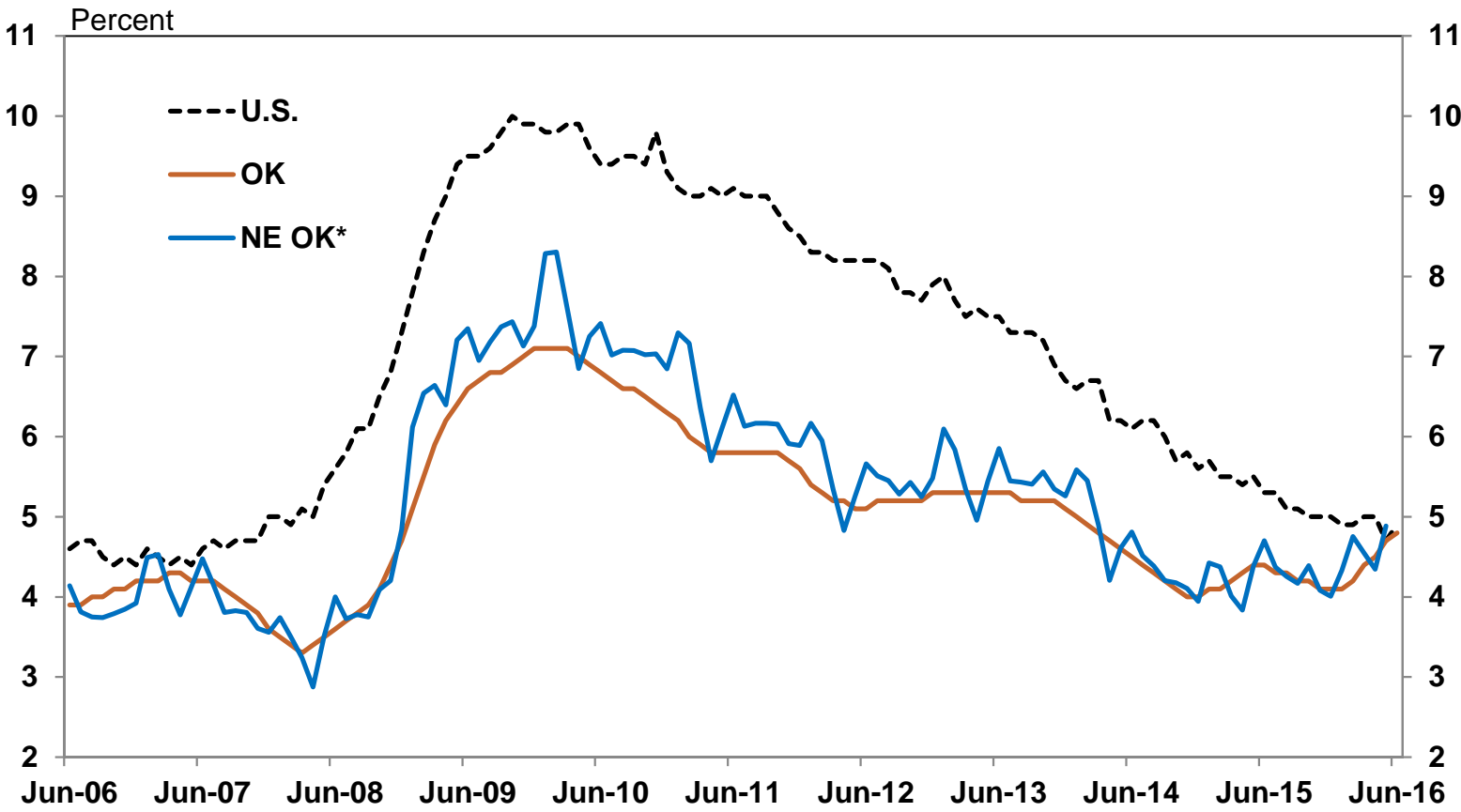
# But farmland values have largely held up in Oklahoma, unlike the rest of the region

**Tenth District Farmland Values**  
Percent Change, Year-over-year



# Local unemployment has ticked up in 2016, but just to the national rate, which is still low

### Unemployment Rates Seasonally Adjusted

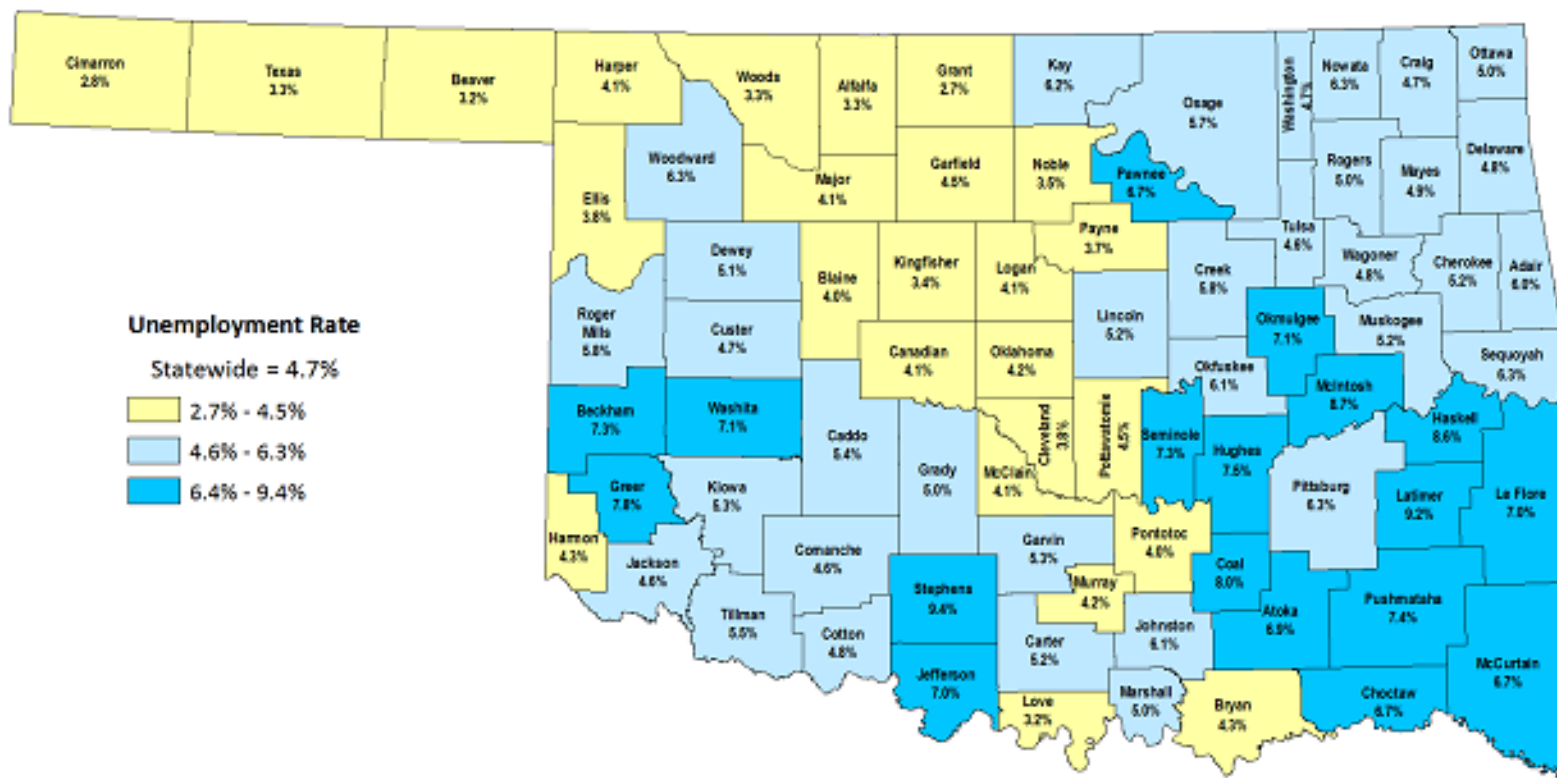


\*Includes the following counties: Delaware, Mayes, Rogers, and Wagoner



# Unemployment in most of northeast Oklahoma remains at or below 5 percent

## May 2016 Unemployment Rates



# Summary

- The U.S. economy continues to grow, and the Fed has begun to raise interest rates
- The economy in Oklahoma and other energy states has been hurt by low energy prices
- Northeast Oklahoma's important factory and agriculture industries are having difficulties
- However, despite recent upticks, Northeast Oklahoma's unemployment rate remains low



# Questions?

For regular updates and analysis of the Oklahoma economy, subscribe to our quarterly **Oklahoma Economist** publication at:

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

