

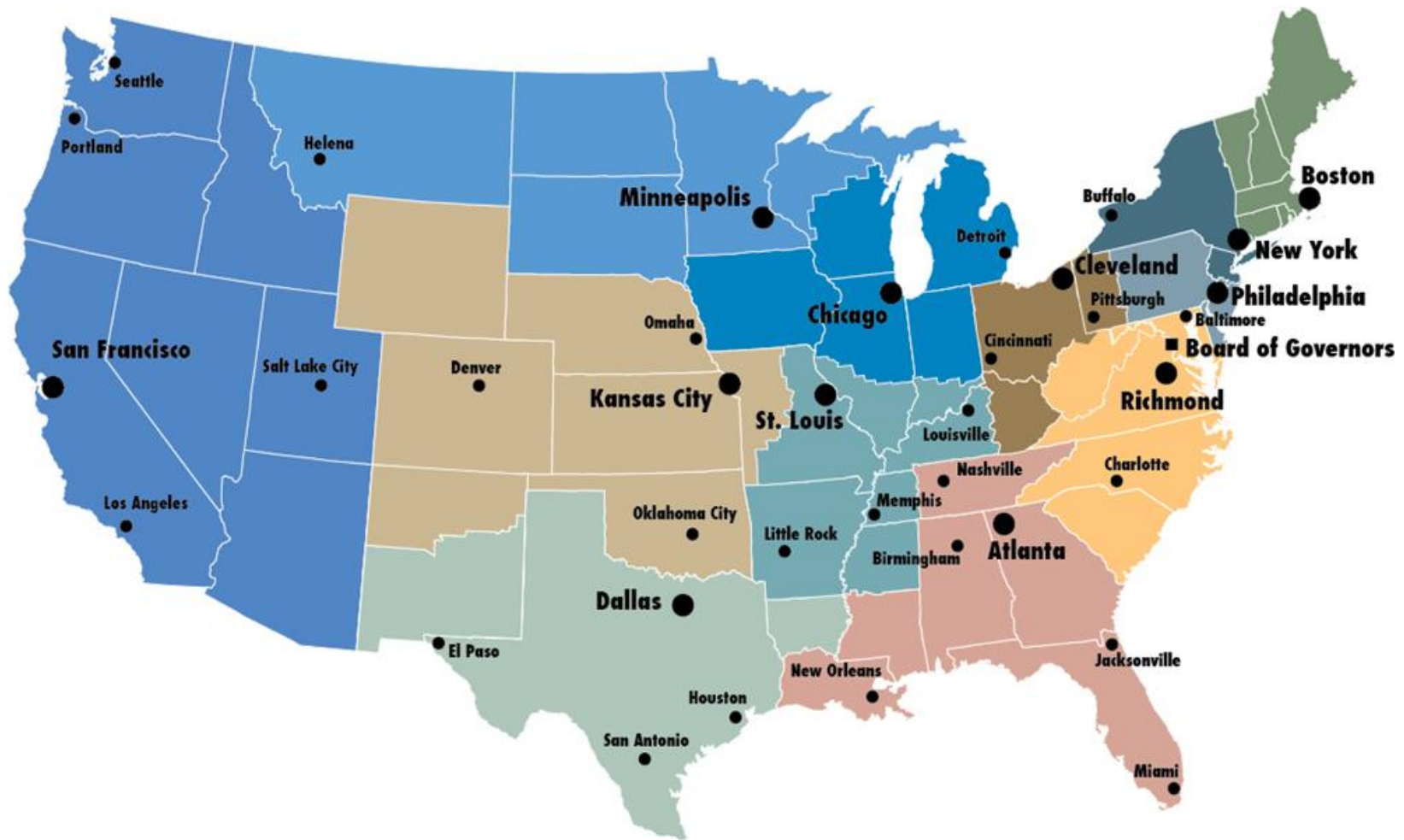
U.S. and Western Oklahoma Economic Update

**Altus Rotary Club
January 9, 2018**



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www.kansascityfed.org/oklahomacity**

Structure & Functions of the Federal Reserve



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

Primary responsibility areas:

- Monetary policy
- Bank regulation
- Financial services

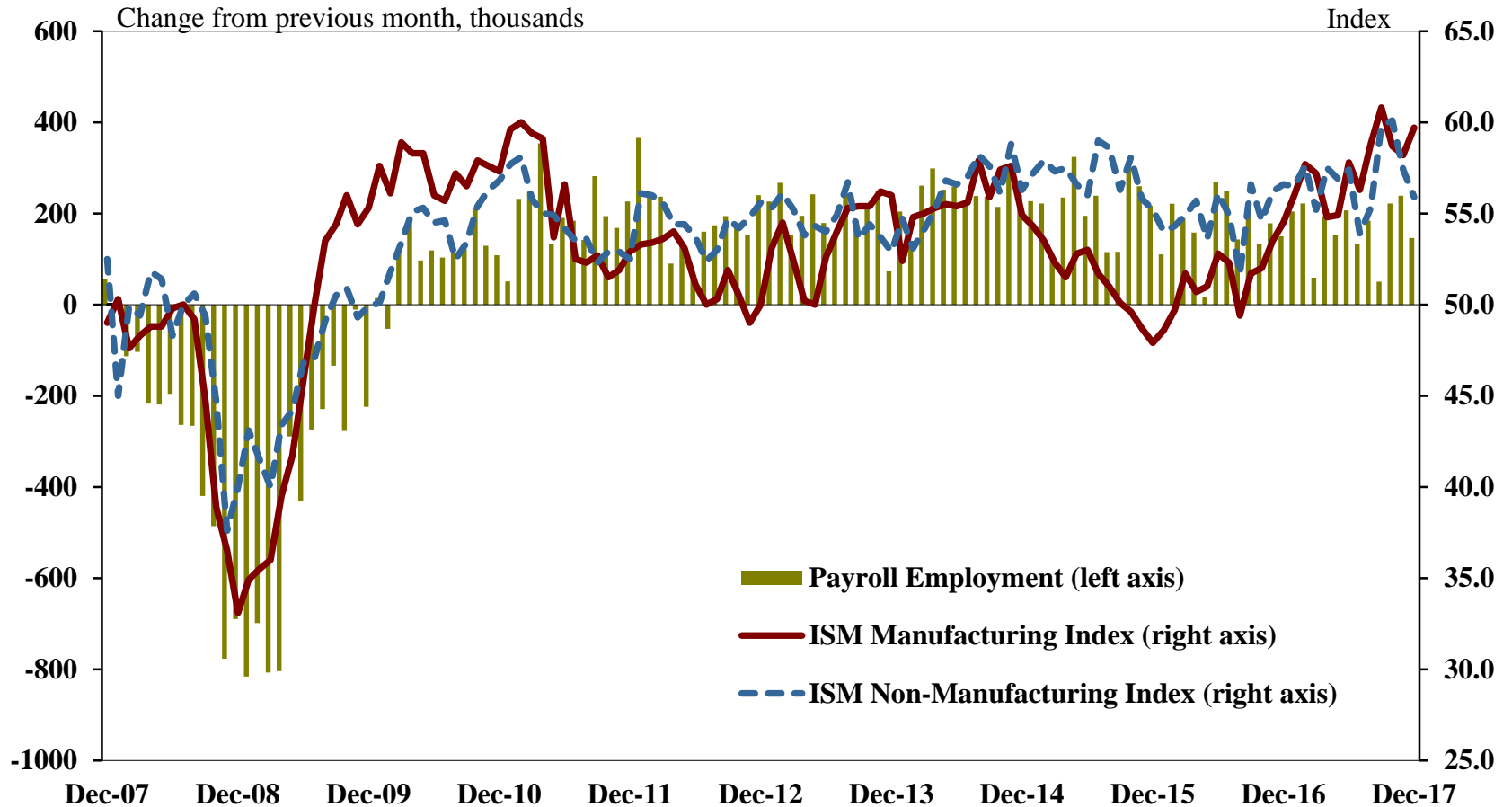
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- **Functions and purposes – 45 staff**
 - Research on U.S. and Oklahoma economies; energy and manufacturing sectors
 - Economic and financial education outreach, including to low/moderate income
 - Examinations of Oklahoma financial institutions (~50 banks, ~175 holding cos.)
- **2018 OKC Fed Branch Board of Directors**
 - **Clint Abernathy (chair)**, Owner, Abernathy Farms, Inc., Altus
 - **Susan Chapman Plumb**, COO, Bank of Cherokee County, Tahlequah
 - **Michael Coffman**, CEO (retired), Panhandle Oil & Gas, Inc., Oklahoma City
 - **Tina Patel**, Co-Owner & CFO, Promise Hotels, Tulsa
 - **Chris Turner**, President & CFO, First State Bank, Oklahoma City
 - **Katrina Washington**, Owner/Broker, Stratos Realty, Oklahoma City
 - **Dana Weber**, Vice-Chair & CEO, Webco Industries, Sand Springs
- **Oklahomans on Kansas City Fed head office Board**
 - **Rose Washington (chair)**, Exec. Director, Tulsa Econ. Dev. Corp., Tulsa
 - **Doug Stussi**, EVP & CFO, Love's Travel Stops & Country Stores, OKC

The U.S. Economy and Monetary Policy

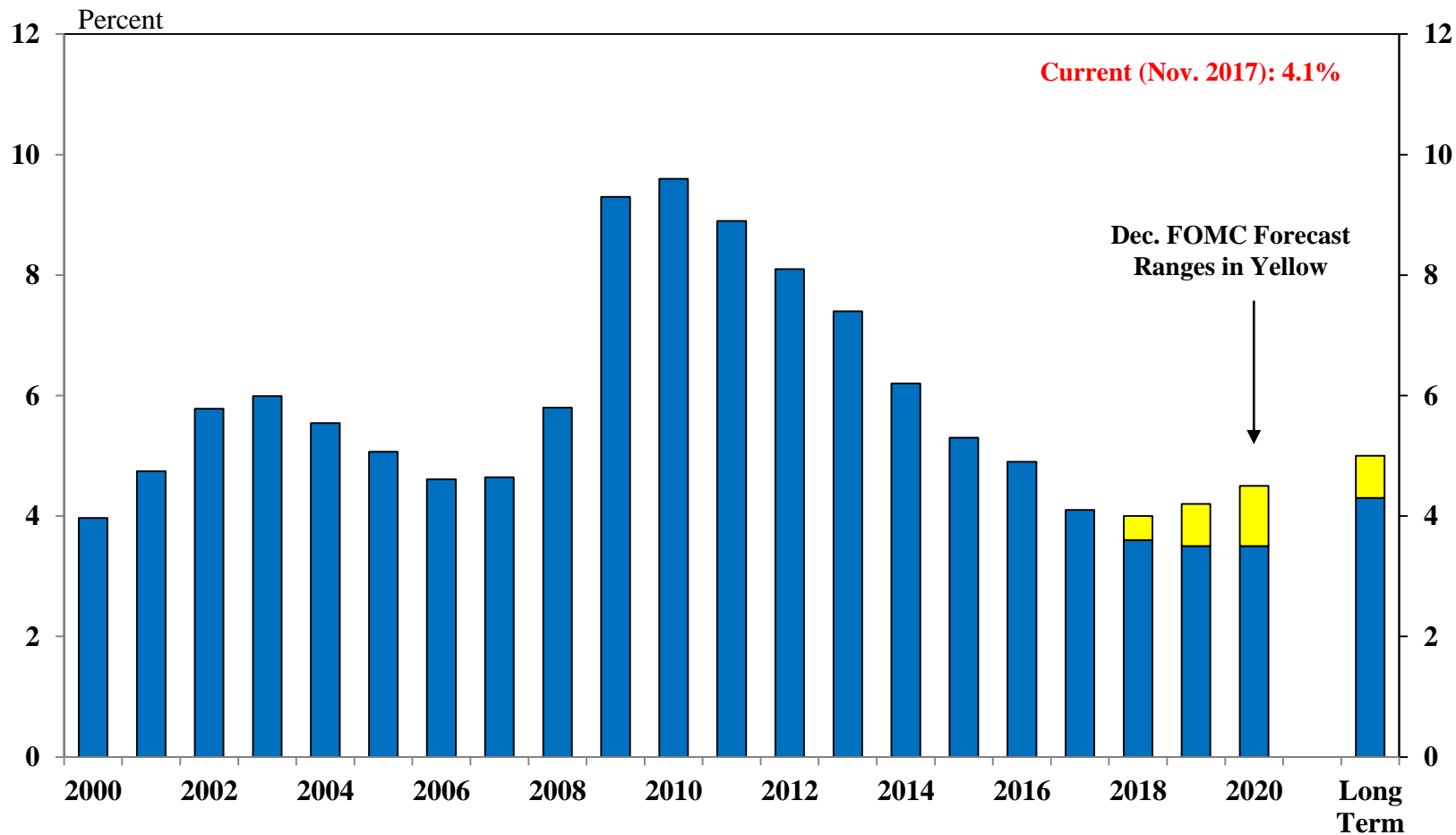
Monthly data on business activity and employment show U.S. growth remained strong in early Q4

U.S. Payroll Employment and Business Indexes



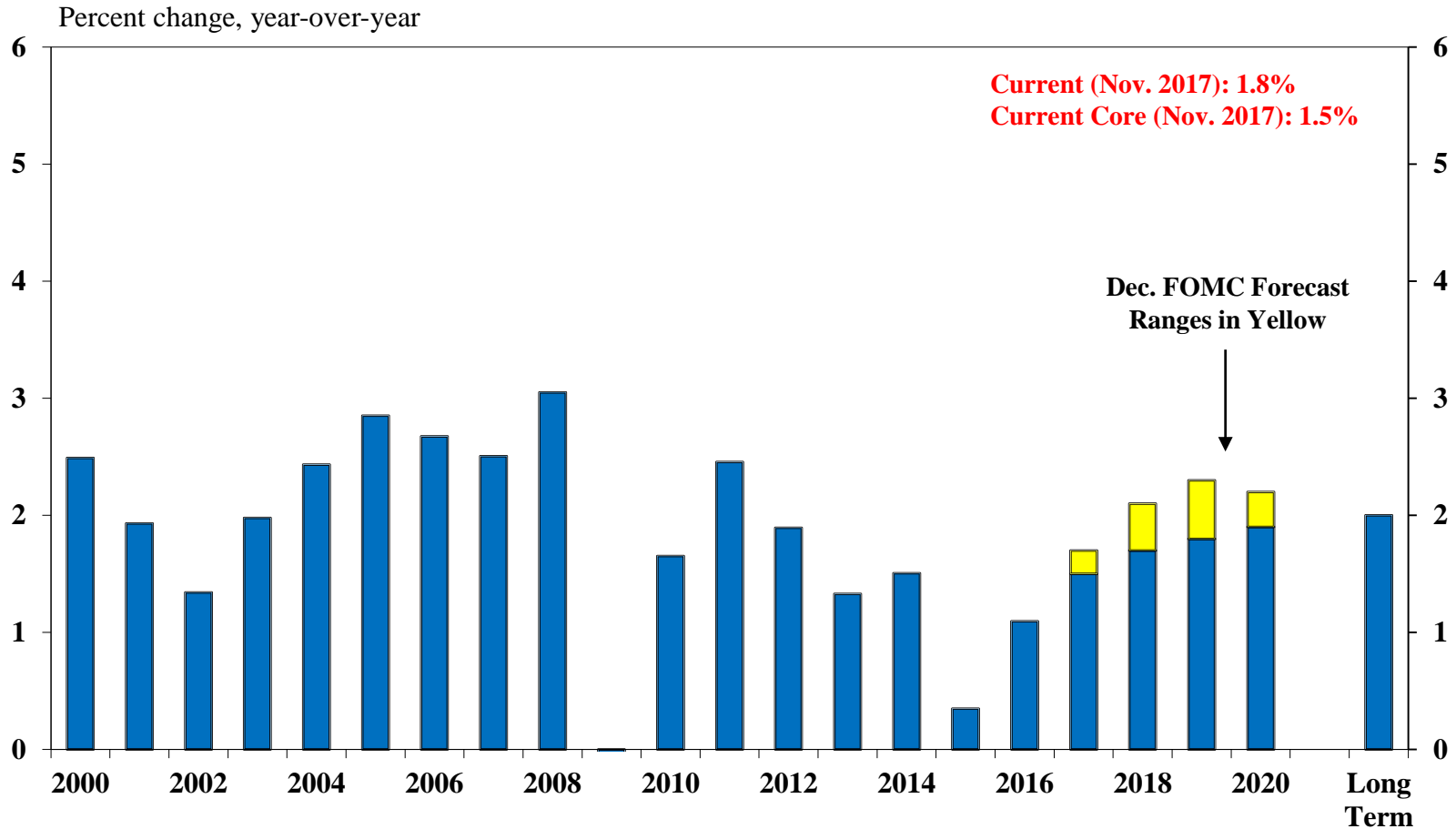
FOMC: “Averaging hurricane-related fluctuations... job gains are solid...the unemployment rate declined further.”

Unemployment Rate Seasonally Adjusted



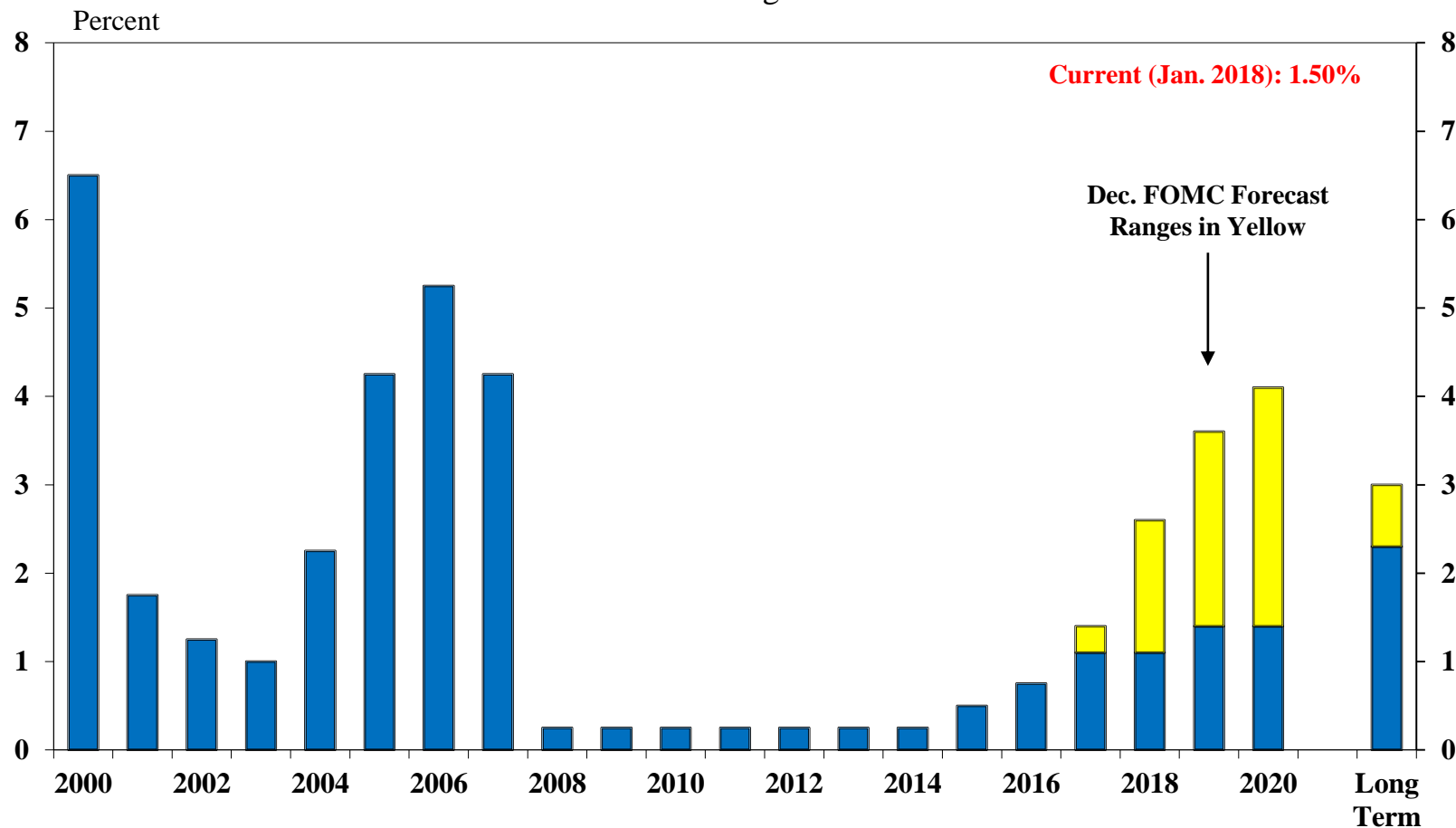
FOMC: “Inflation...is expected to...stabilize around the Committee’s 2% objective over the medium term”

PCE Inflation Index



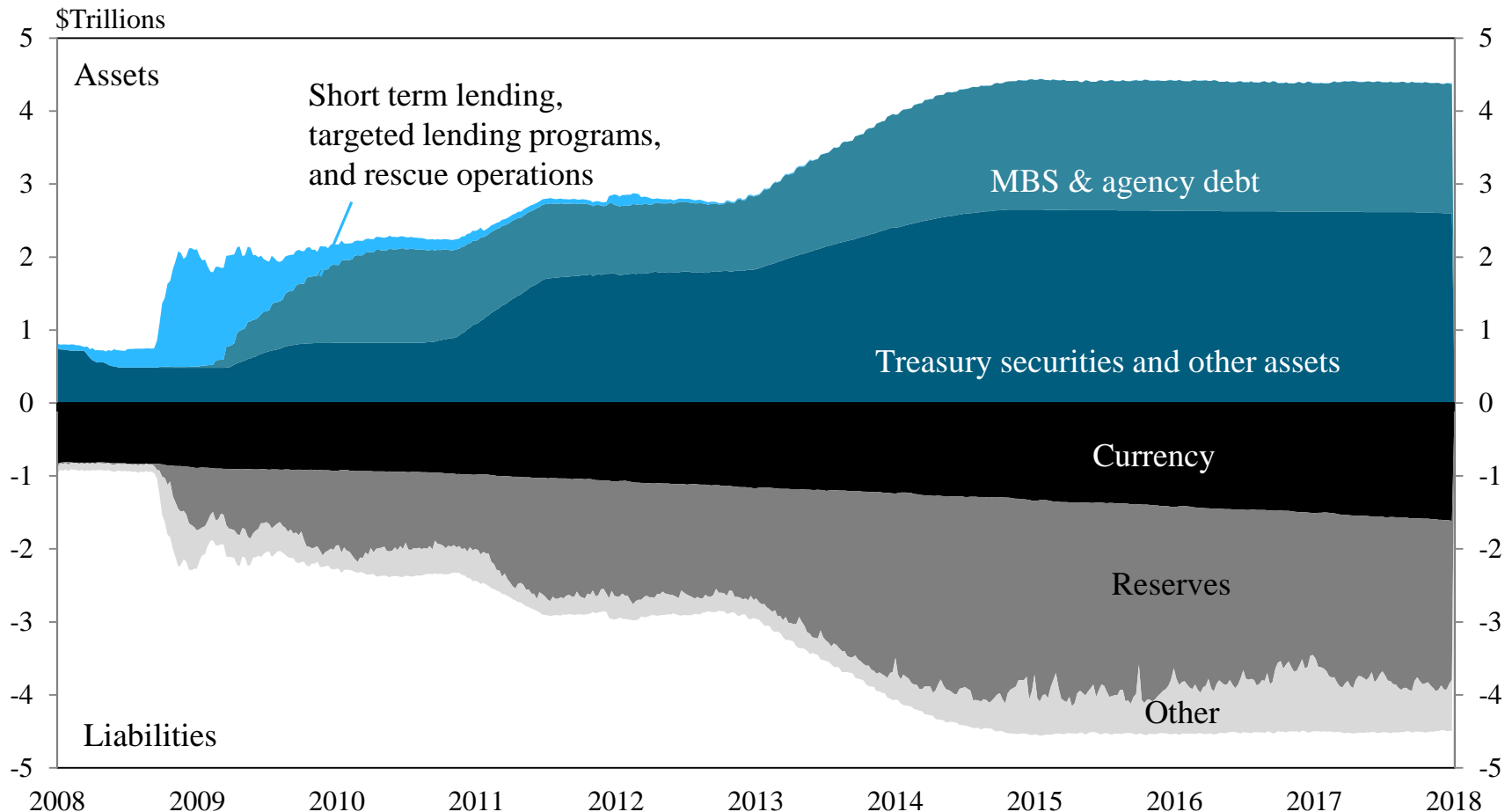
FOMC: “The Committee expects...conditions will evolve in a manner that will warrant gradual [rate] increases”

Federal Funds Rate Year-end target



FOMC: “The balance sheet normalization program initiated in October 2017 is proceeding.”

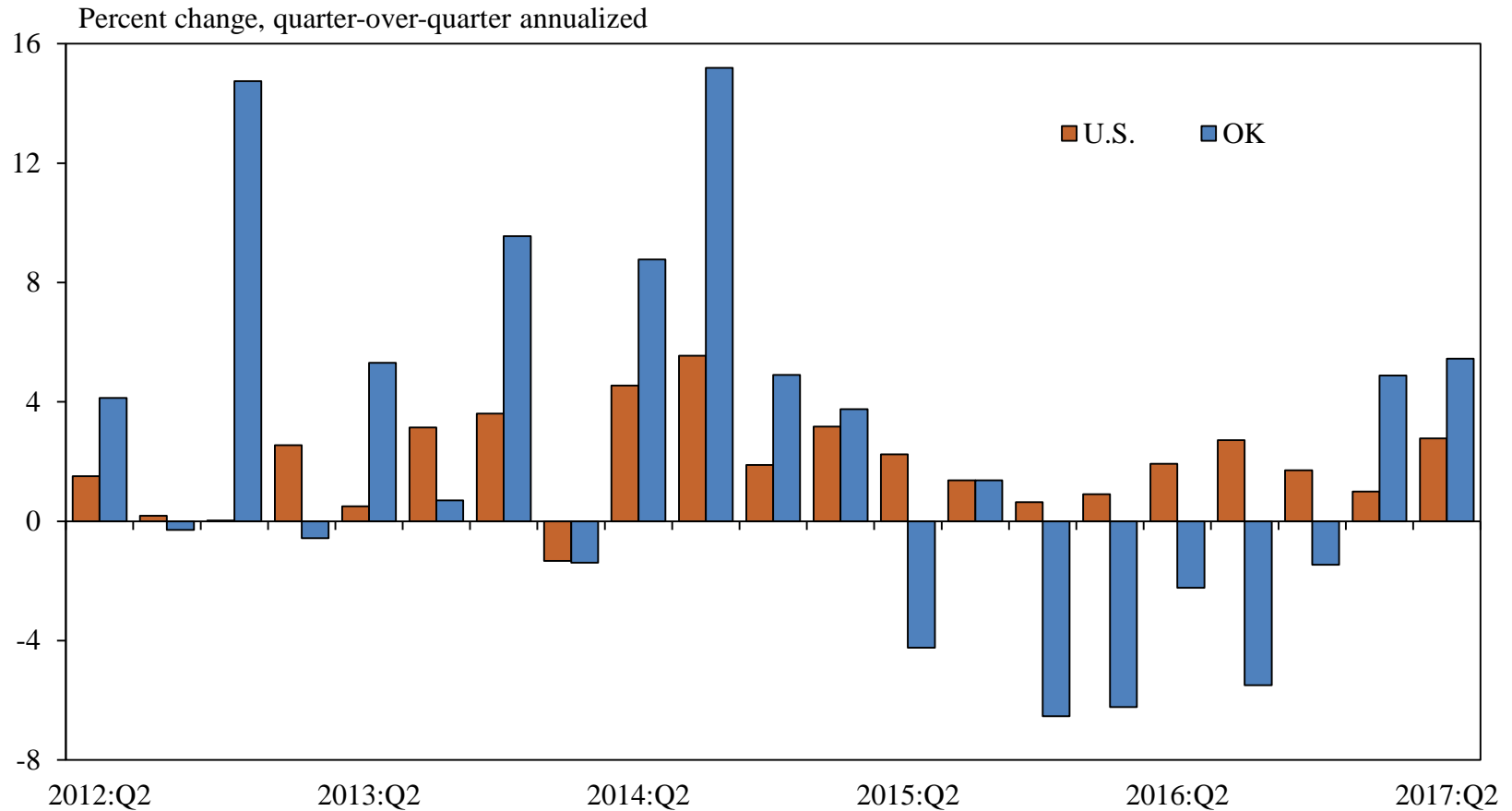
Federal Reserve Balance Sheet



Trends in Western Oklahoma and Statewide

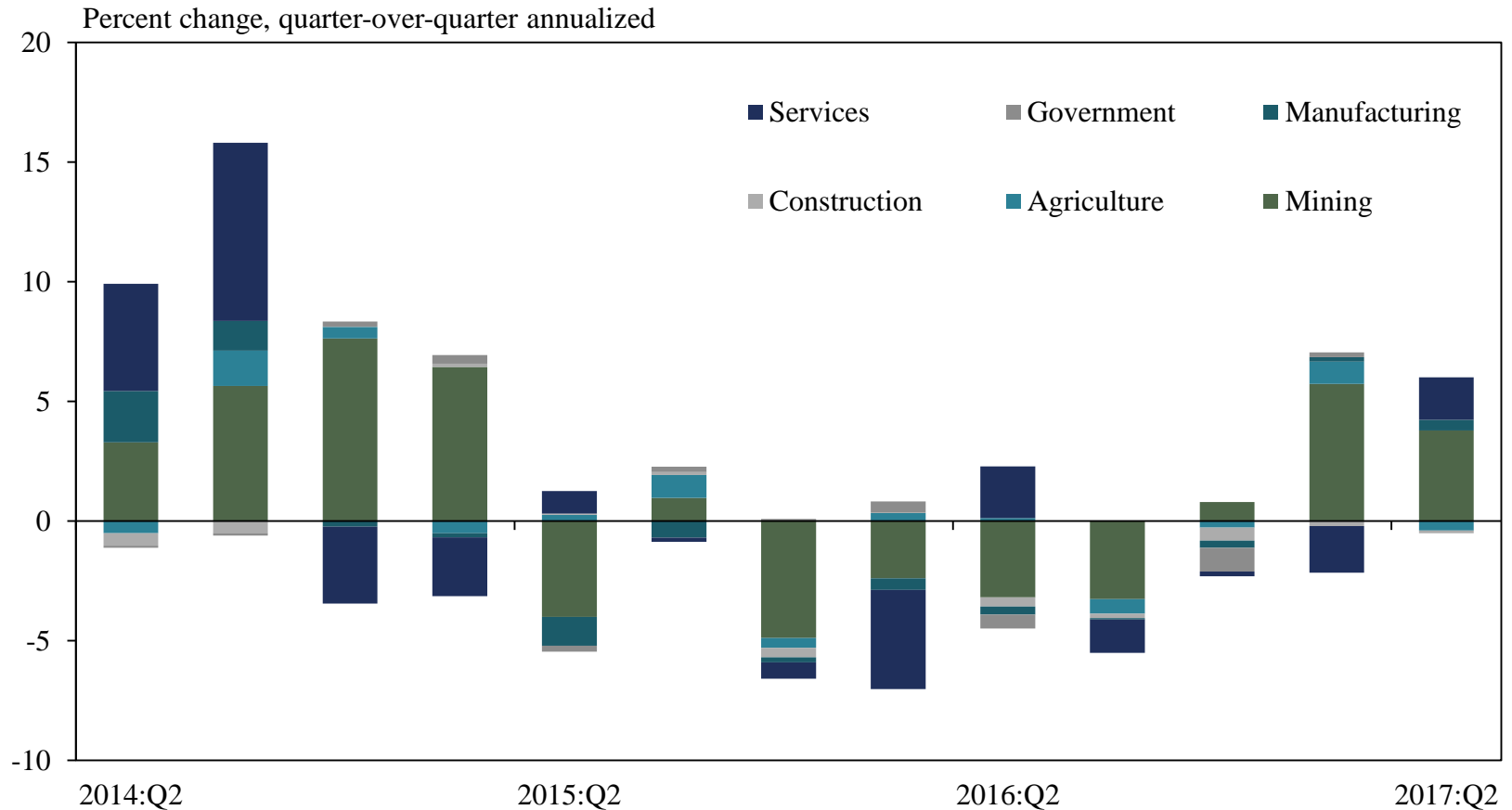
Oklahoma GDP has recovered from its downturn of 2015-16, and by mid-2017 was outpacing the nation

Real Gross Domestic Product



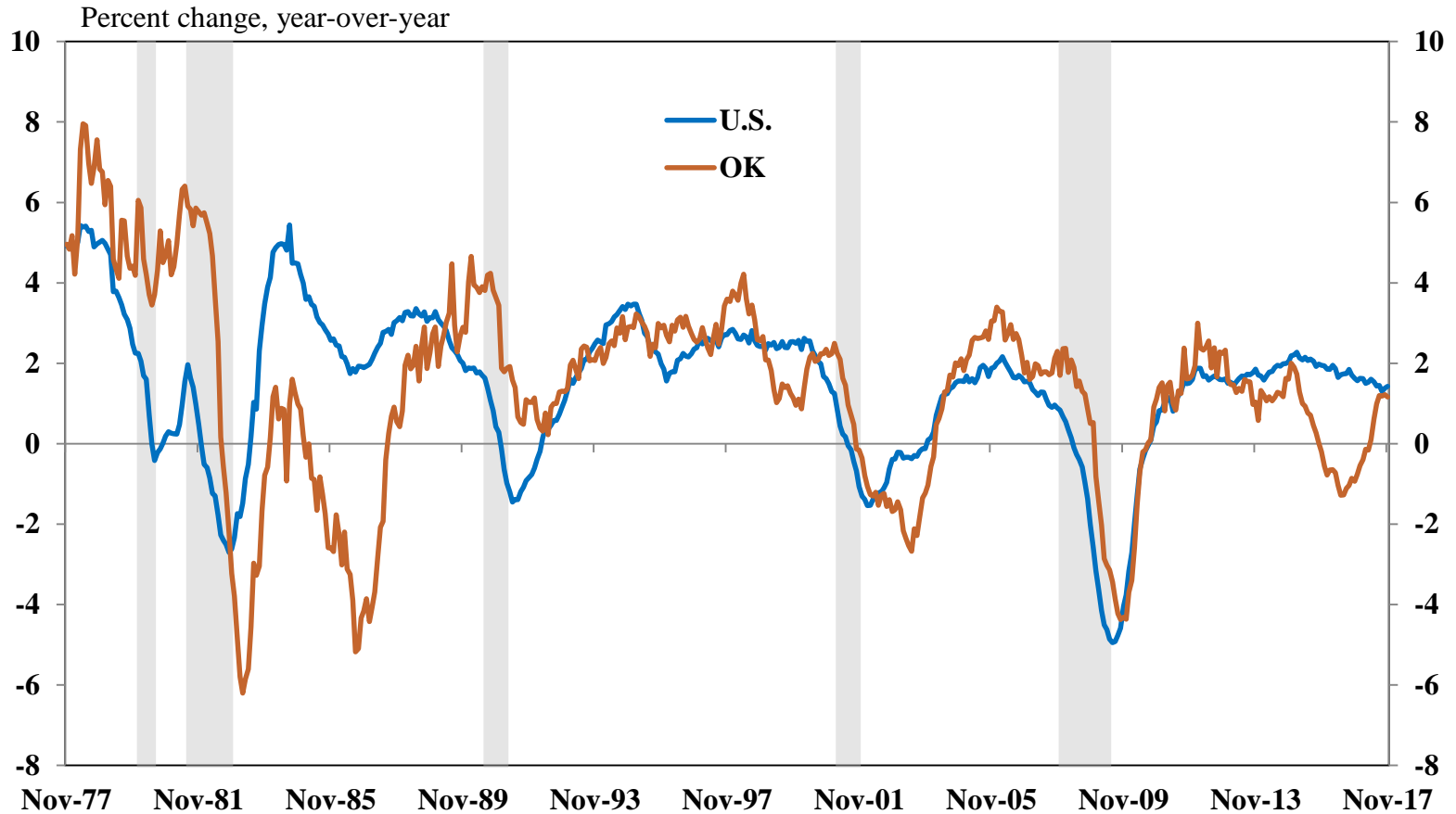
The downturn and recovery have been driven mostly by energy but by mid-2017 was fairly broad-based

Contributions to Percent Change in Oklahoma Real GDP



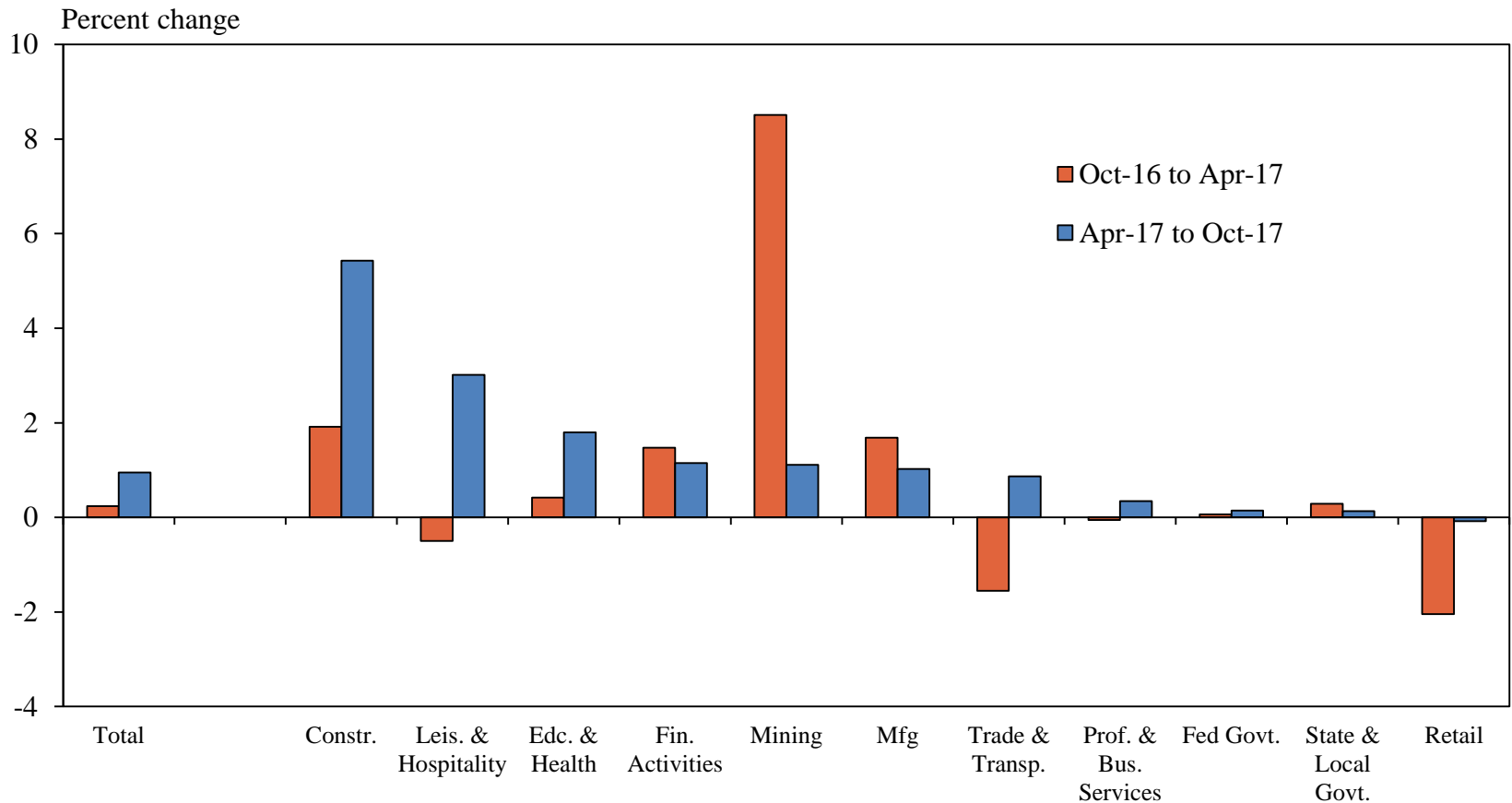
For jobs, 2015-16 was the largest divergence between U.S. & OK since the '80s, but the gap has closed

Payroll Employment Growth



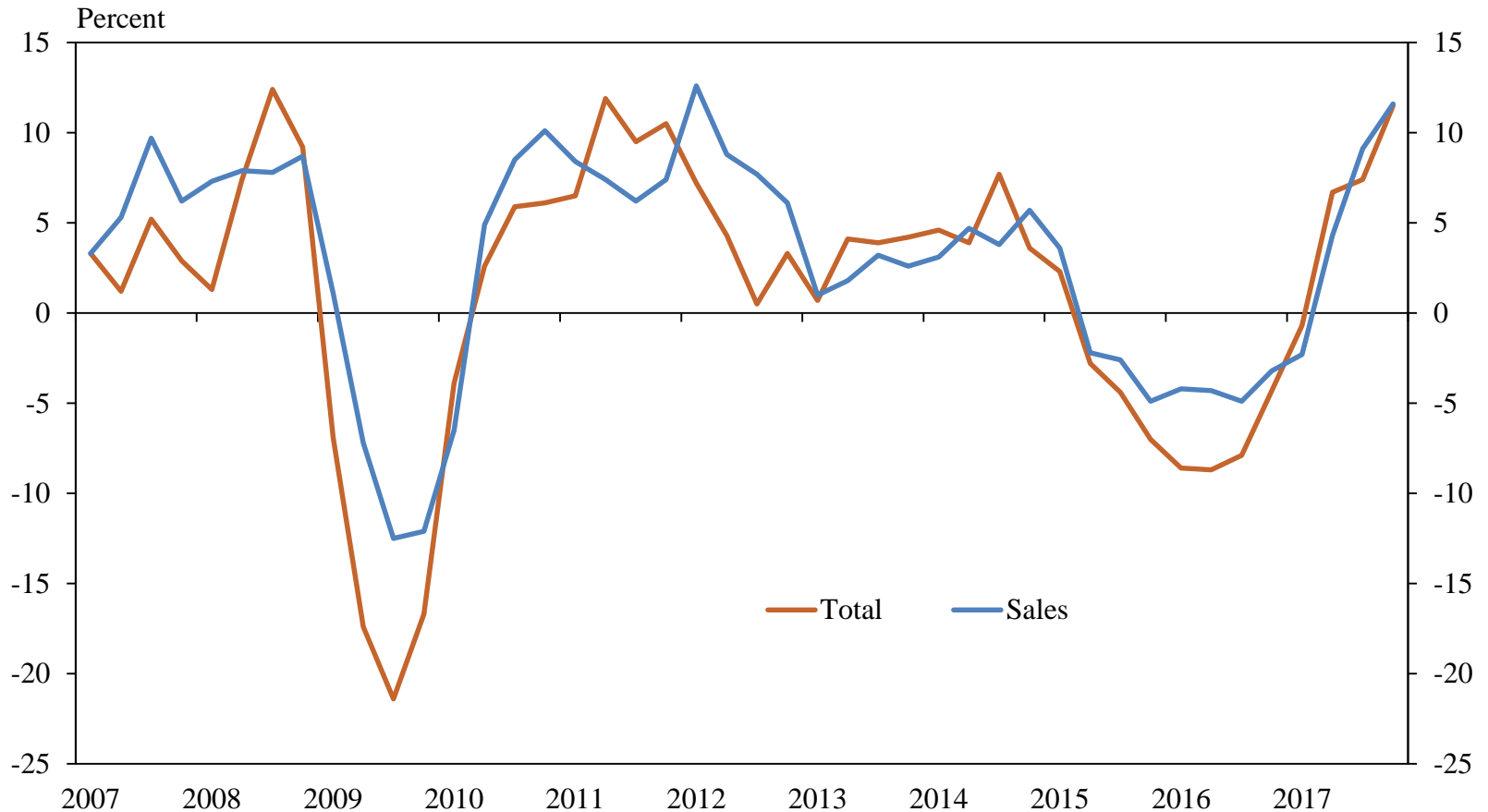
Job growth has been positive in most industries, with recent growth in construction and hospitality

Oklahoma Job Growth by Industry



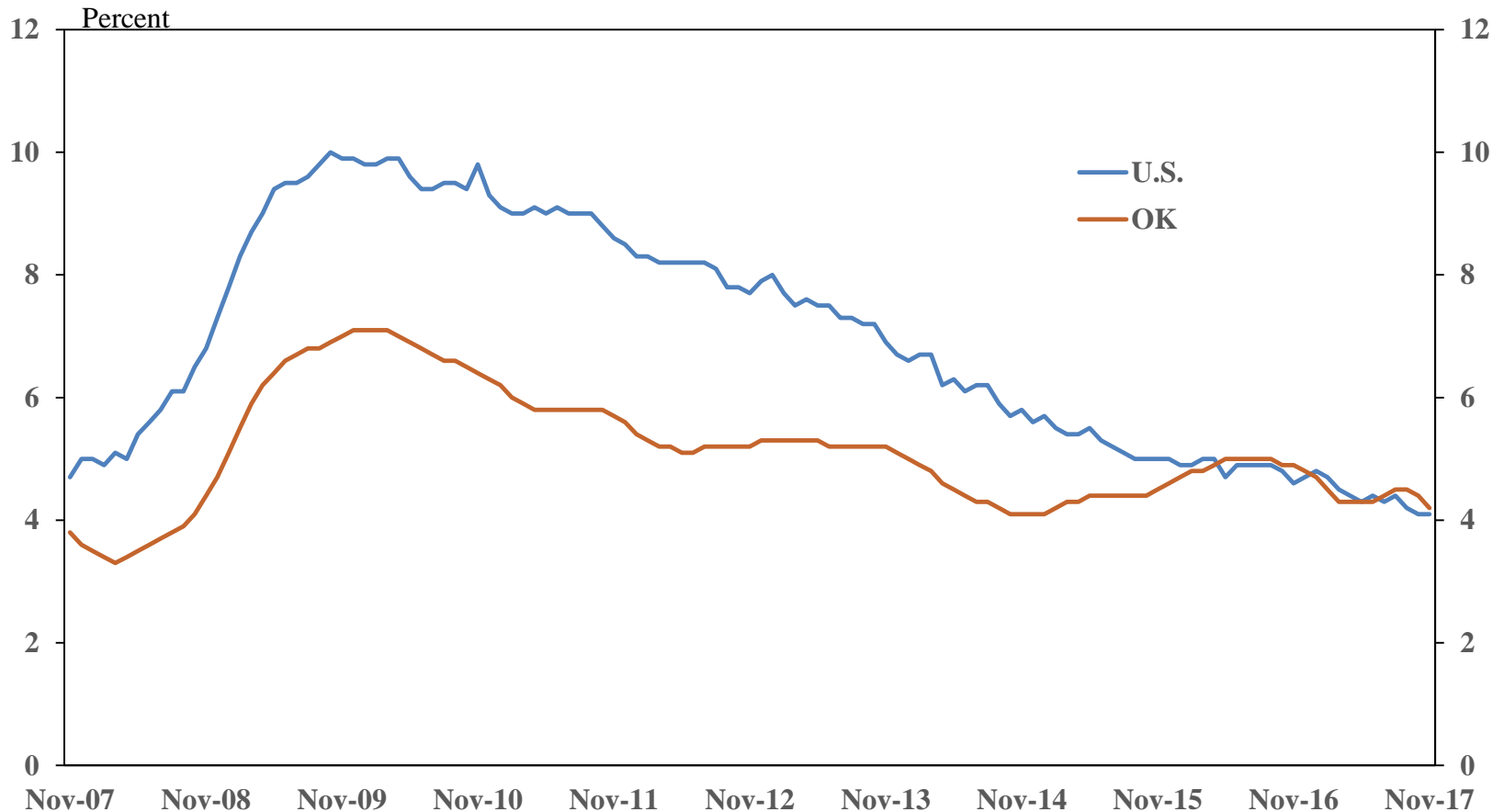
State tax revenues also improved 2017 following two tough years that remain challenges for the Legislature

Oklahoma State Tax Revenues
Q4-17 through November

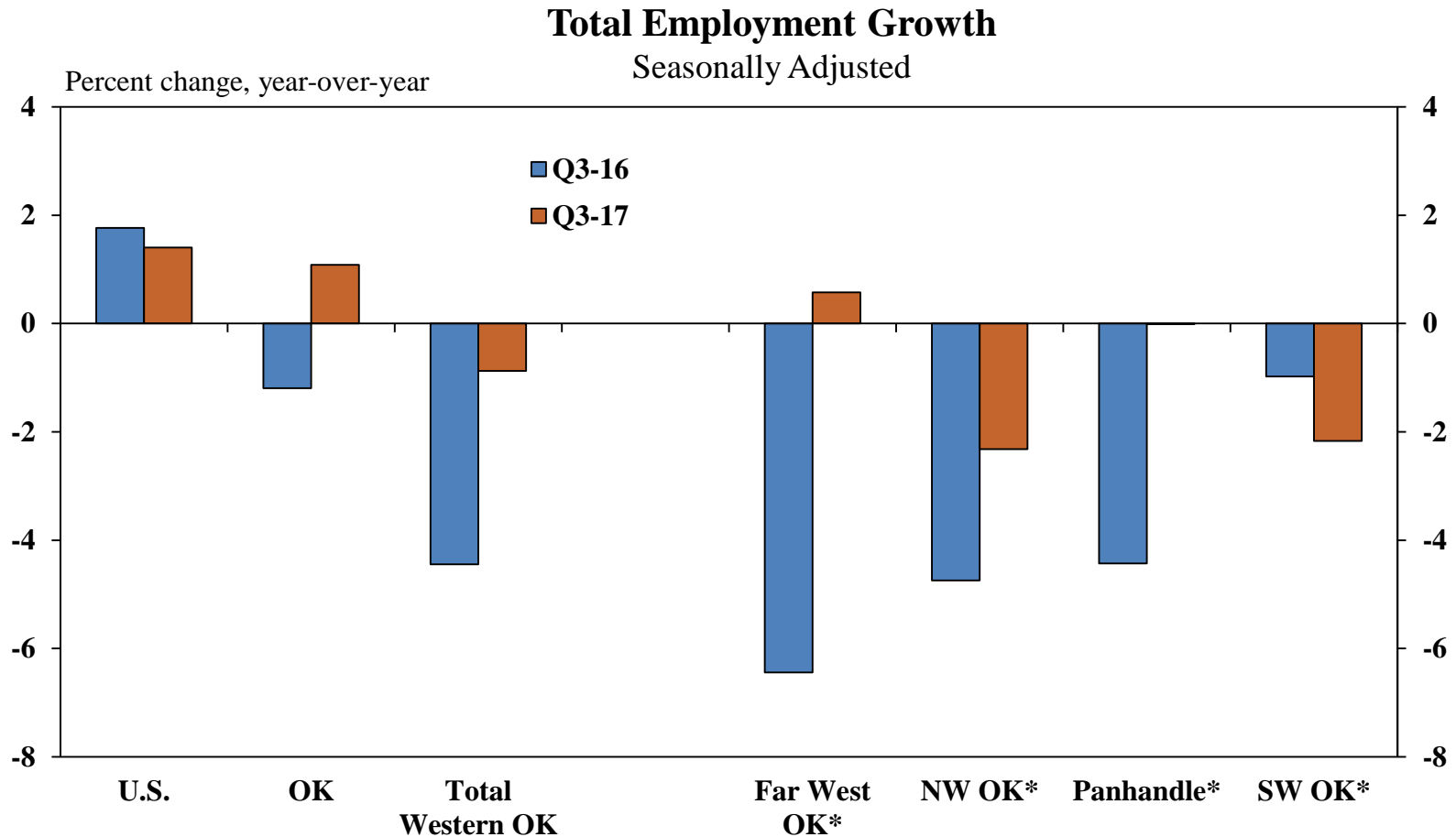


And unemployment statewide is back down to near 4 percent after rising to 5 percent in 2016

Unemployment Rates
Seasonally Adjusted



Western Oklahoma was hit hard by the downturn of 2015-16, but has also shown some improvement

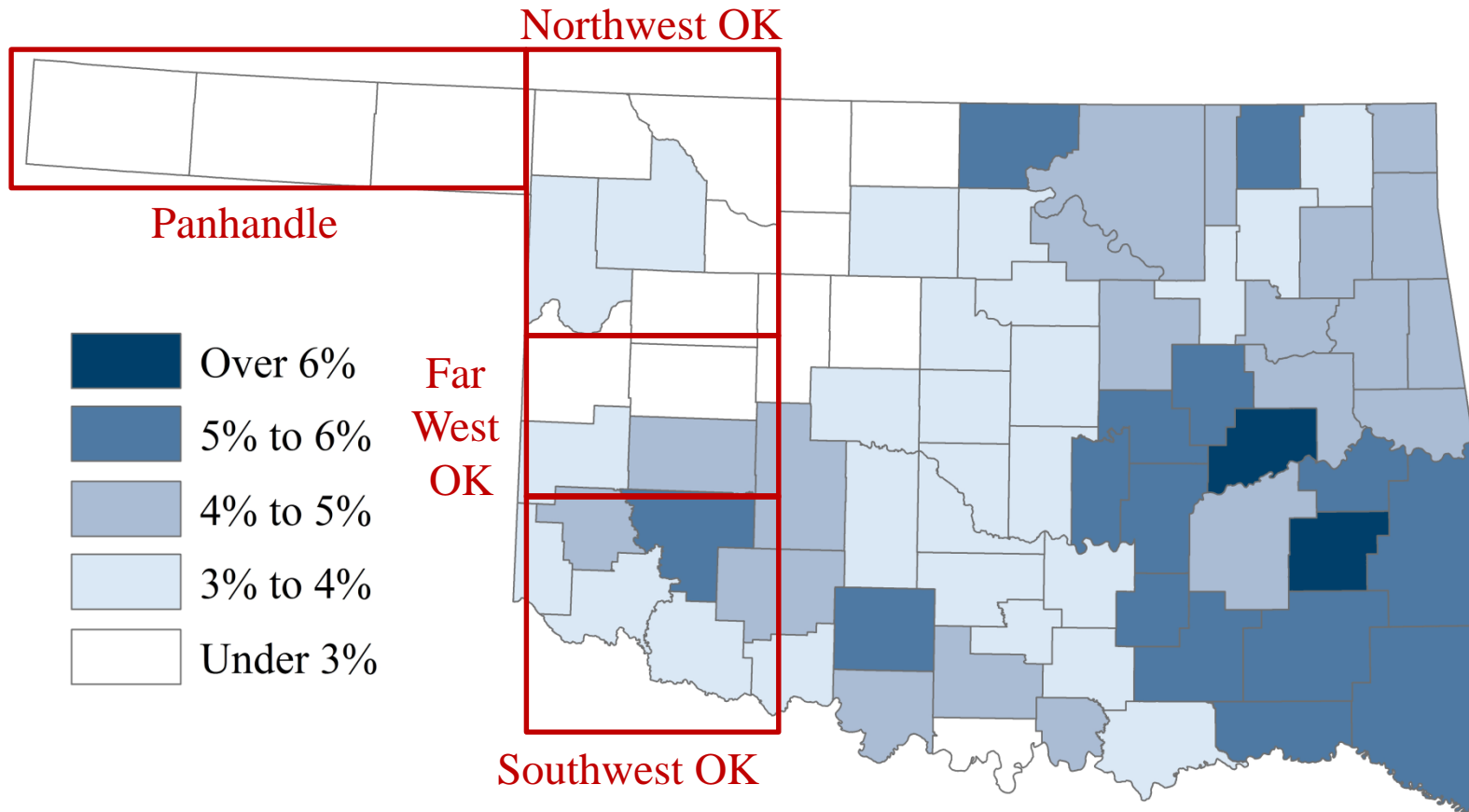


*Includes the following counties: Far West OK – Beckham, Roger Mills, Custer, Washita; NW OK – Harper, Woods, Ellis, Woodward, Dewey; Panhandle – Cimarron, Texas, Beaver; SW OK – Greer, Harmon, Jackson, Kiowa, Tillman



Unemployment in most of western OK is back below 5%, suggesting tight labor could be limiting growth

November 2017 Unemployment Rates



Ag and energy, of course, dominate the western Oklahoma economy, and both have had a good century

Western Oklahoma Personal Income Share by Industry 2015

Industry	Percent of Total Income			W OK Location Quotient	Avg Annual Growth in Western OK 2001-2015
	Western OK*	OK	U.S.		
Mining	14.2	10.8	1.6	8.9	13.3
Transp. & Utilities	7.1	12.4	4.6	1.5	9.3
Prof. & Business Services	3.1	6.9	20.3	0.2	9
Construction	5.7	6.1	6.1	0.9	8.7
Manufacturing	6.1	8.2	10.1	0.6	7.7
Agriculture	13.8	1.6	0.8	16.6	6.1
Information	0.9	1.5	3.5	0.3	5.5
Trade	9.3	9.4	11.6	0.8	5.1
Leisure & Hospitality	2.3	3.5	4.7	0.5	3.9
State & Local Government	13.8	12.3	13.2	1.0	2.7
Financial Activities	2.3	3.4	7.1	0.3	2.1
Federal Government	5.3	5.3	3.0	1.7	1.8
Education & Health	3	10.2	13.3	0.2	1.4

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

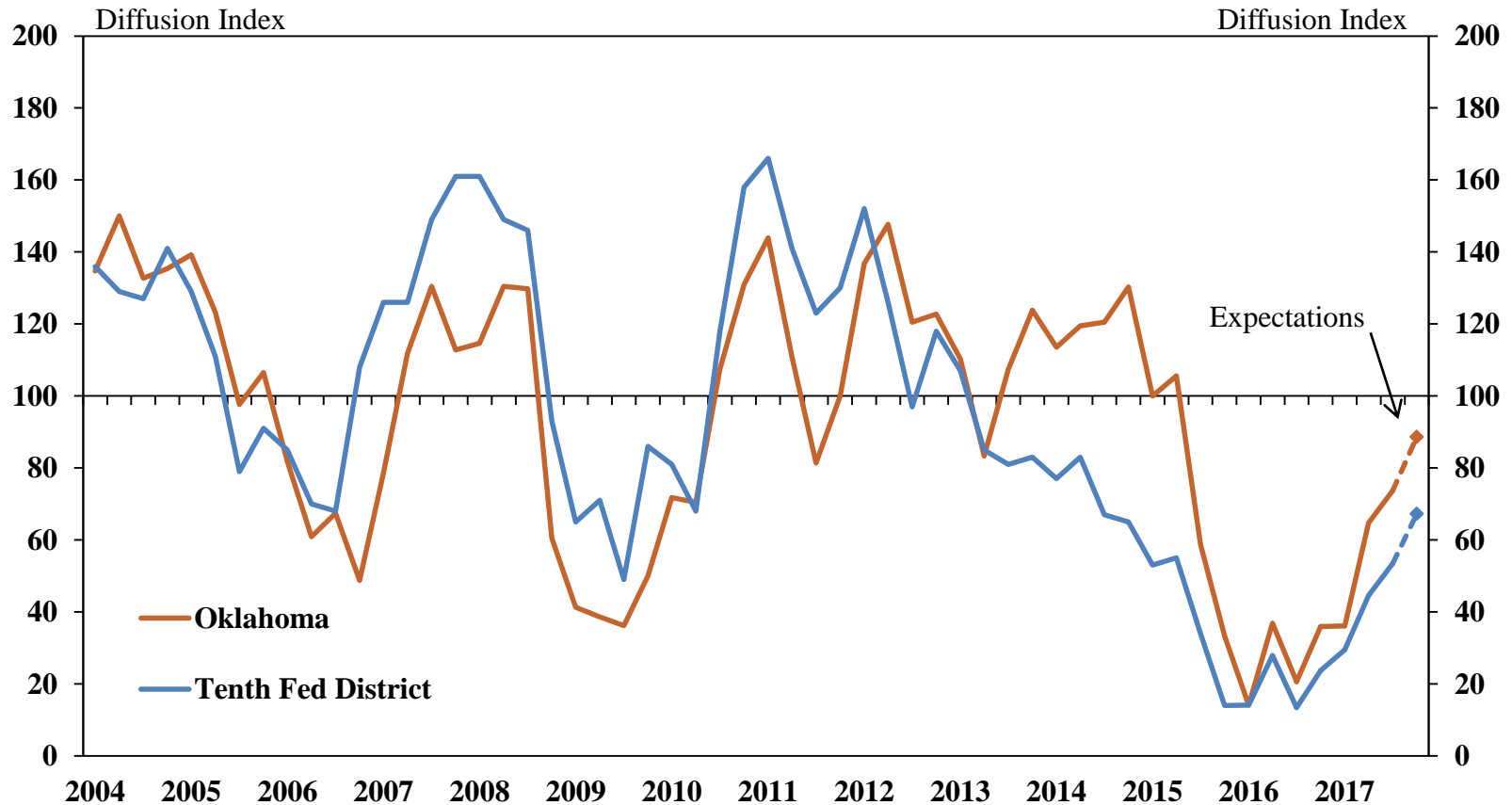
Numbers in red indicate industries that are at least 50% more important than in the nation

*Includes the following counties: Beckham, Roger Mills, Custer, Washita, Harper, Woods, Ellis, Woodward, Dewey, Cimarron, Texas, Beaver, Greer, Harmon, Jackson, Kiowa, Tillman



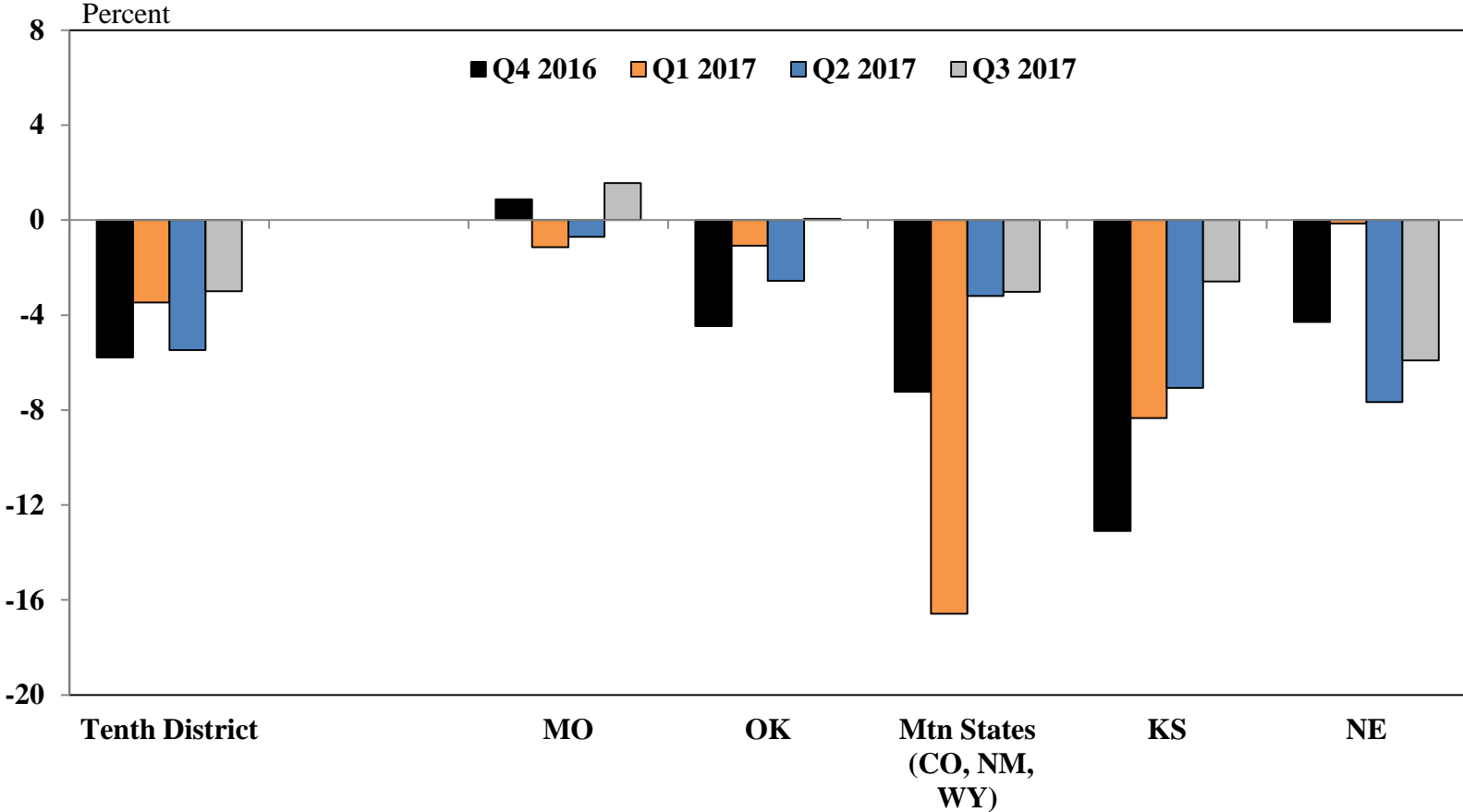
The Oklahoma agriculture sector has shown some signs of stabilizing, with expectations improving

Farm Income Indexes



Oklahoma farmland values also stabilized in Q3 after falling slightly in previous quarters

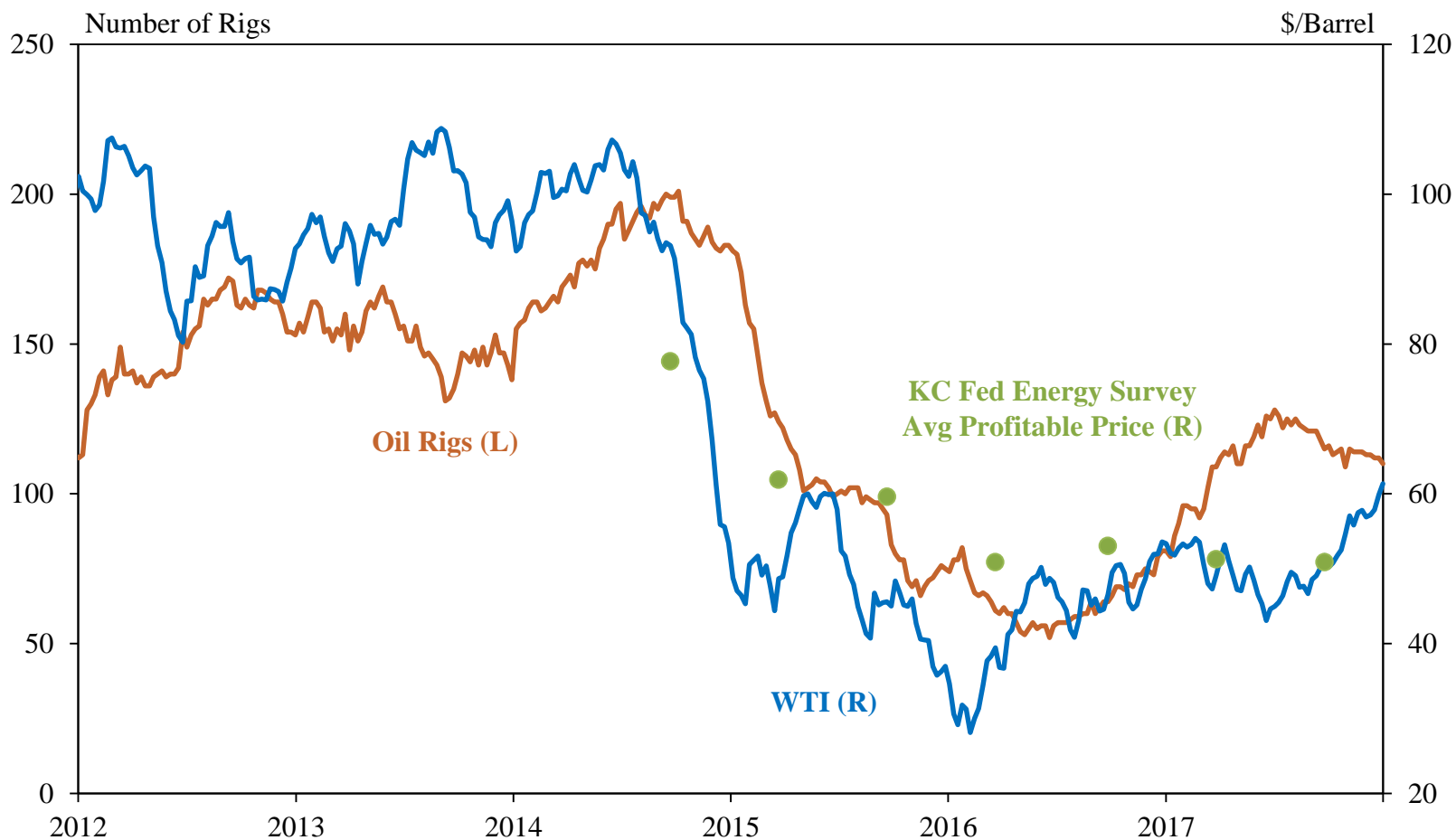
Tenth Fed District Farmland Values
 Percent Change, Year-over-year



Source: FRBKC Agricultural Credit Survey

In energy, oil prices returned to profitable levels in 2017 for most firms, helping to boost activity

WTI Spot Price vs. Oklahoma Rig Count



Summary

- The U.S. economy continues to grow and the Fed has been tightening monetary policy
- Western Oklahoma was hurt by low commodity prices in 2015-16, but has improved lately
- Stronger energy activity and some stabilization in ag have been key reasons for the rebound



Questions?

For regular analysis of the Oklahoma economy, please visit the resources available on the OKC Fed branch web page:

www.kansascityfed.org/oklahomacity

For updates on regional **energy, agriculture, and manufacturing** activity, subscribe to our periodic surveys:

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