

U.S. and Regional Economic Update



OSU Economic Outlook Conference
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www.kansascityfed.org/oklahomacity



Federal Reserve Districts and Office Locations



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

- **Functions – 40 staff**

- Research on U.S. and Oklahoma economies
- Economic and financial education outreach
- Examinations of Oklahoma financial institutions

- **2014 board of directors**

- **Jim Dunn (chair)**, Chairman, Mill Creek Lumber & Supply, Tulsa
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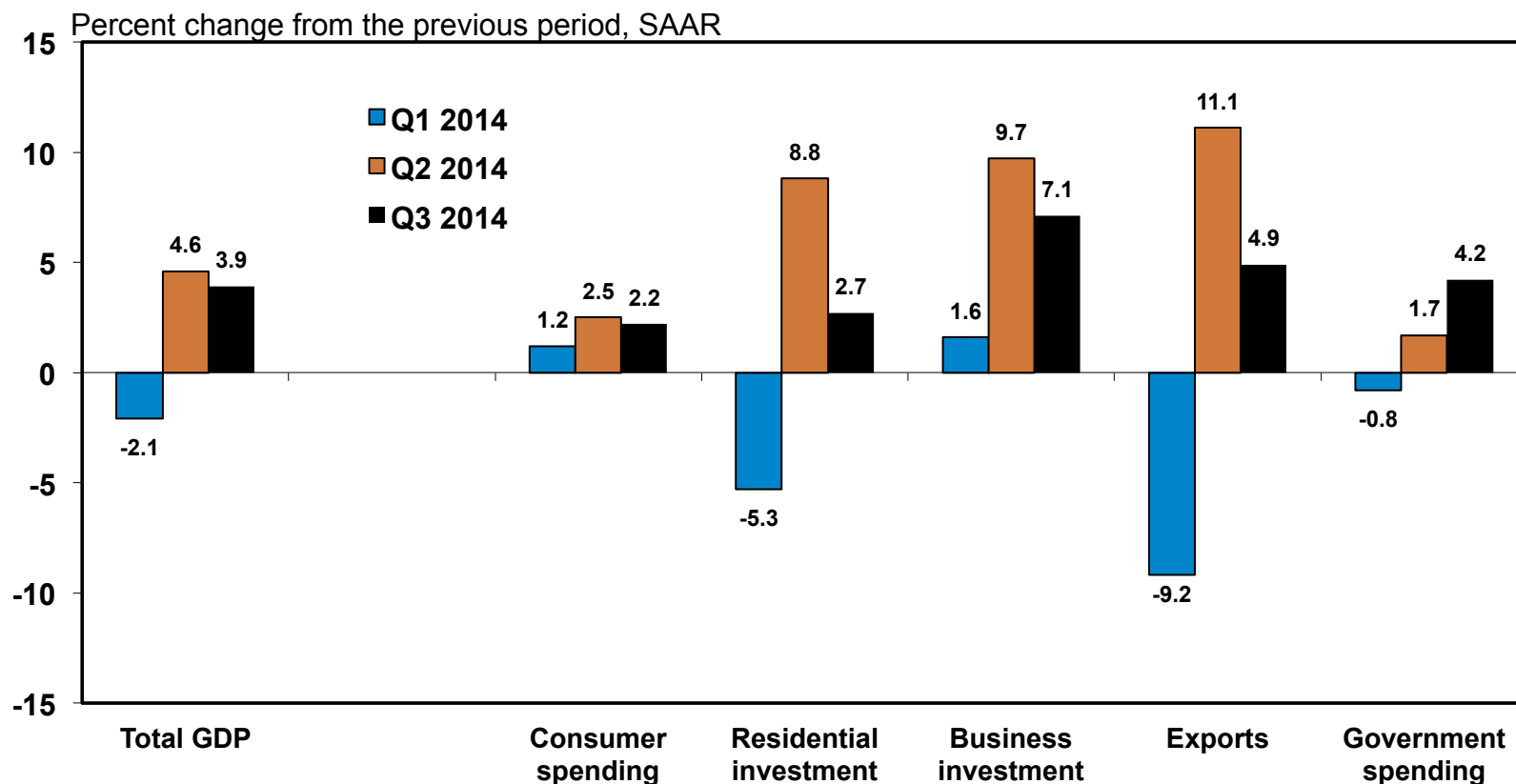


The U.S. Economy and Monetary Policy



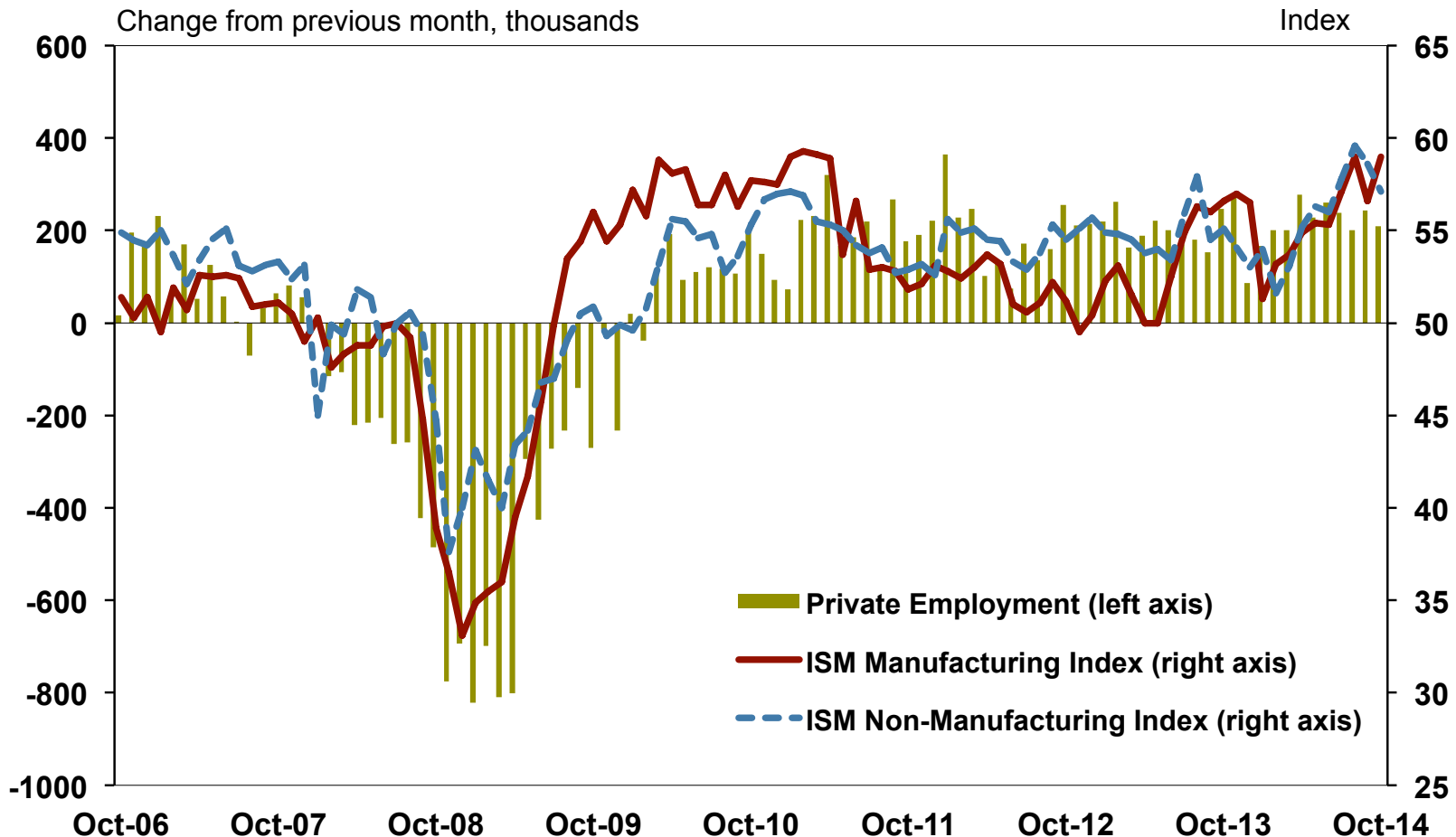
GDP growth rebounded strongly in Q2 and sustained a solid pace in Q3

Growth in Components of Real GDP



Monthly data on U.S. business activity and employment has also been strong

U.S. Private Payroll Employment and Business Indexes

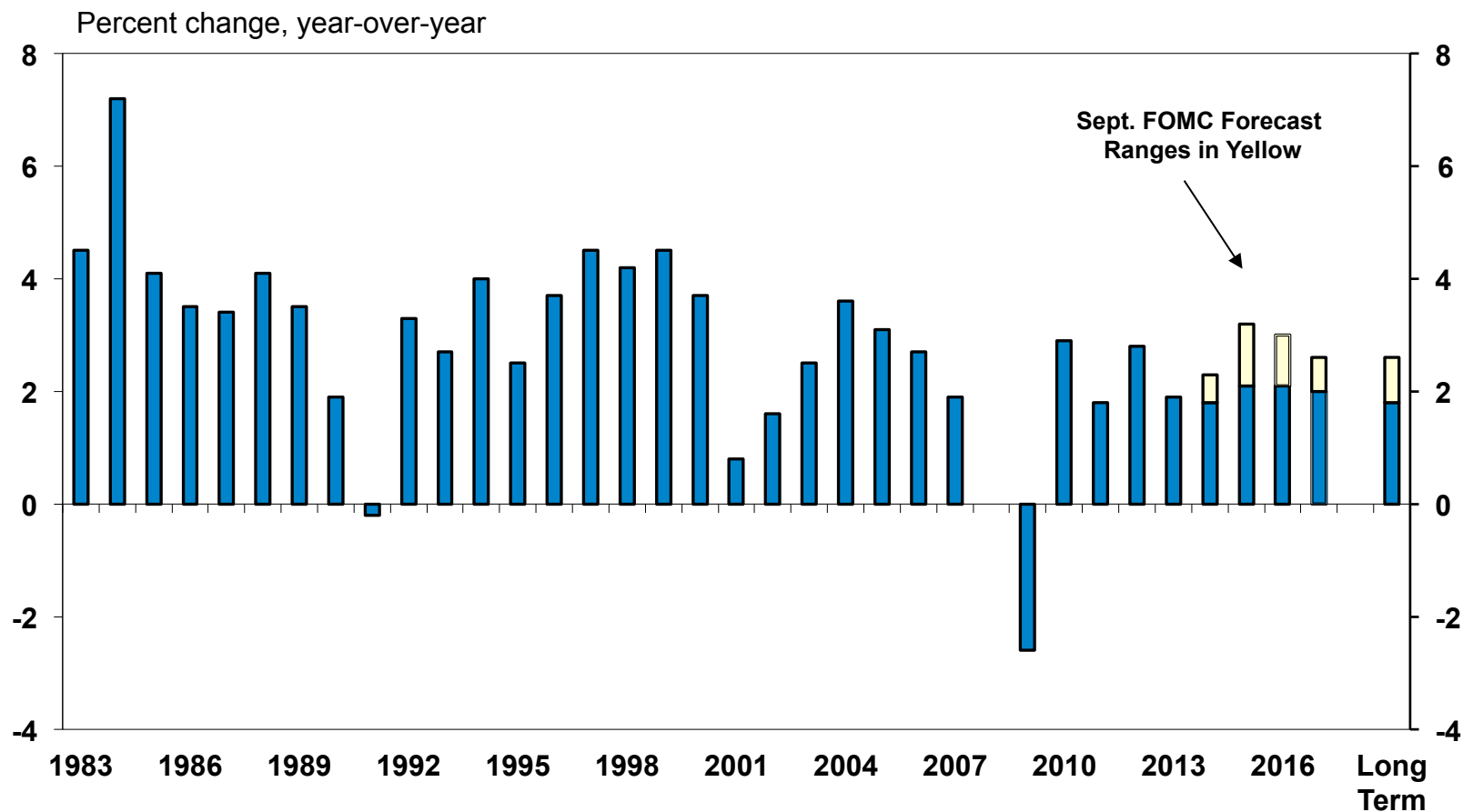


Source: Institute for Supply Management, Bureau of Labor Statistics



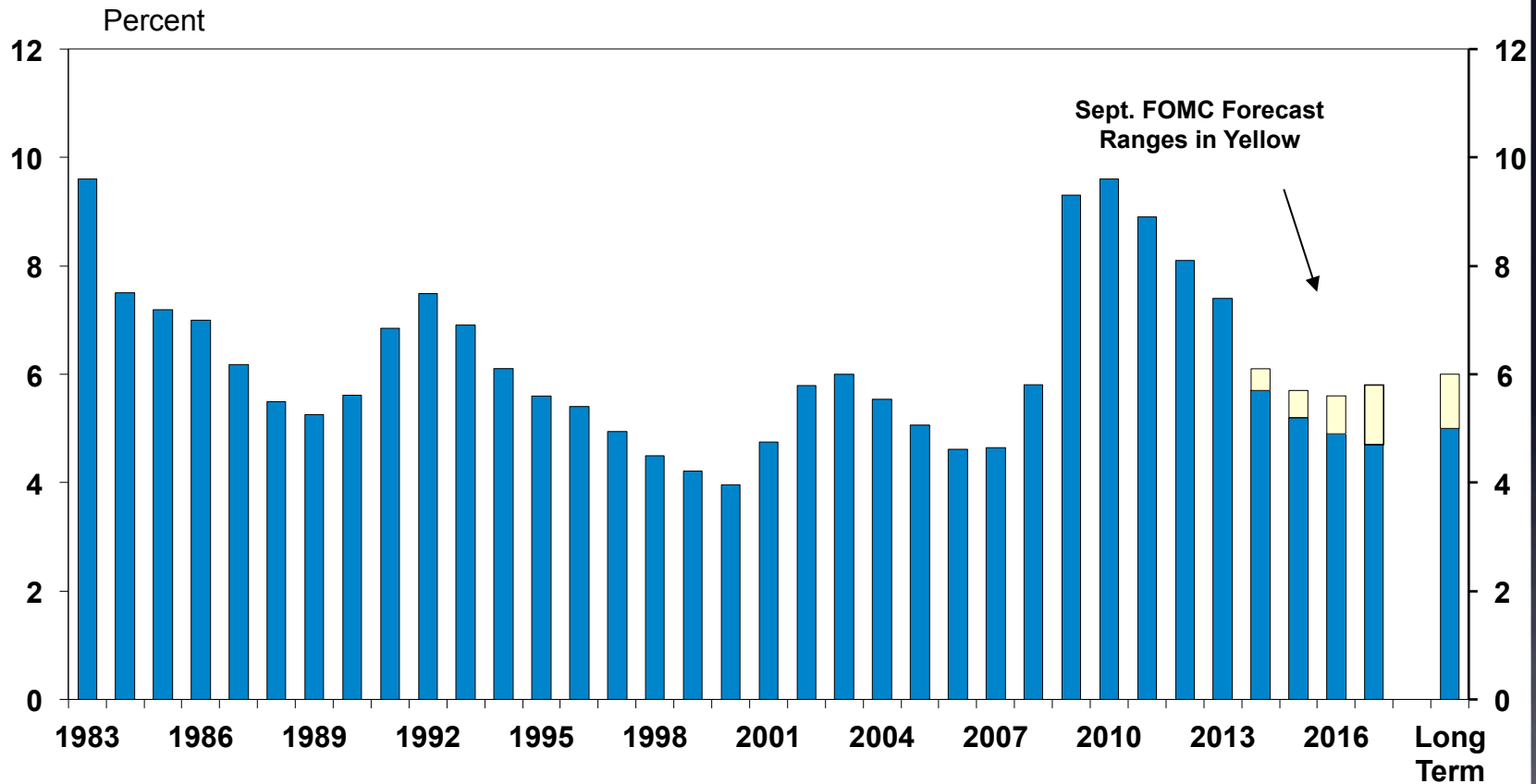
GDP forecasts for 2014-17 remain solid, as the economy recovers further

Real Gross Domestic Product



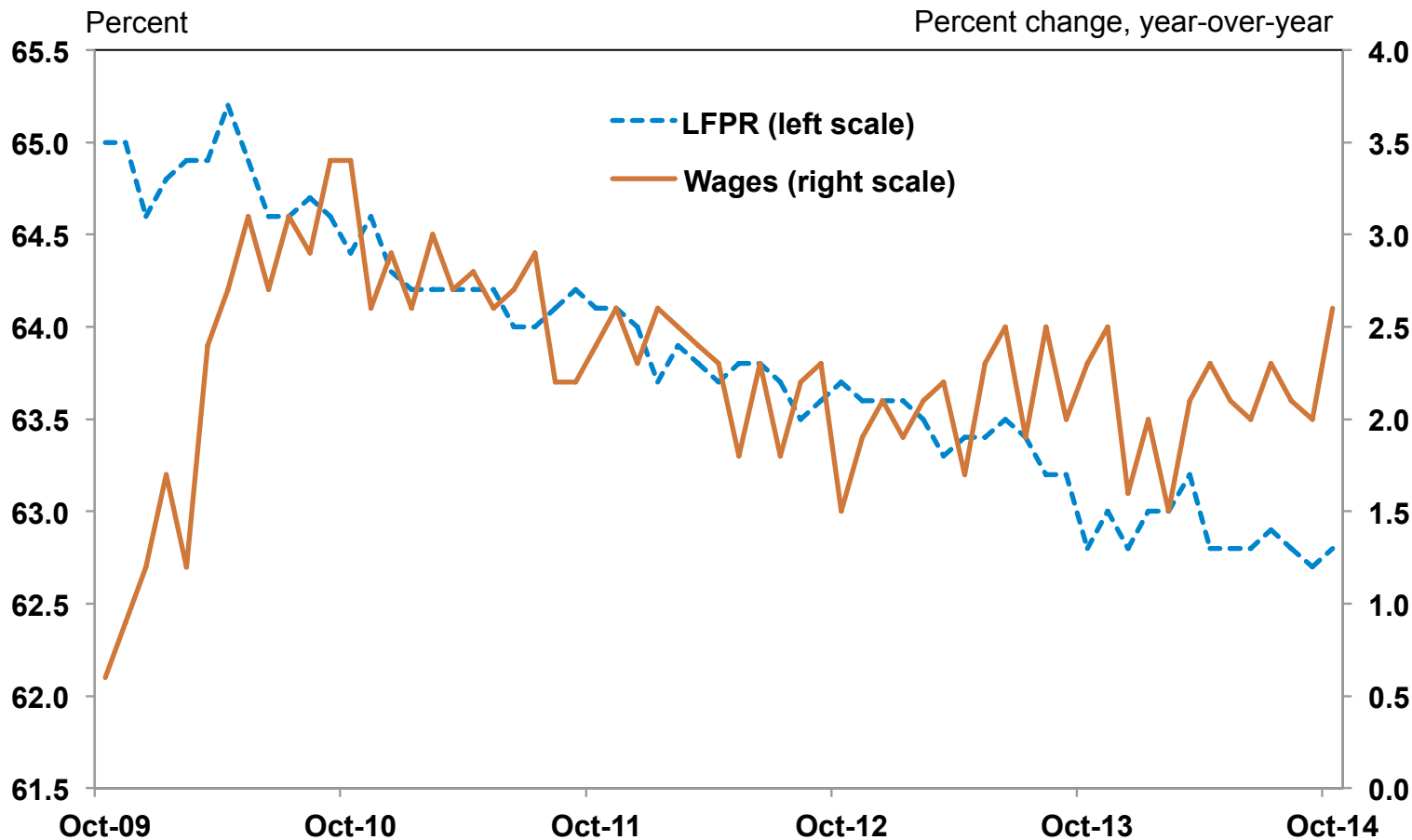
Unemployment continues to fall and could reach long-term levels by 2015

Unemployment Rate
Seasonally Adjusted



However, labor force participation and wages have not really turned around

U.S. Labor Force Participation and Wage Growth

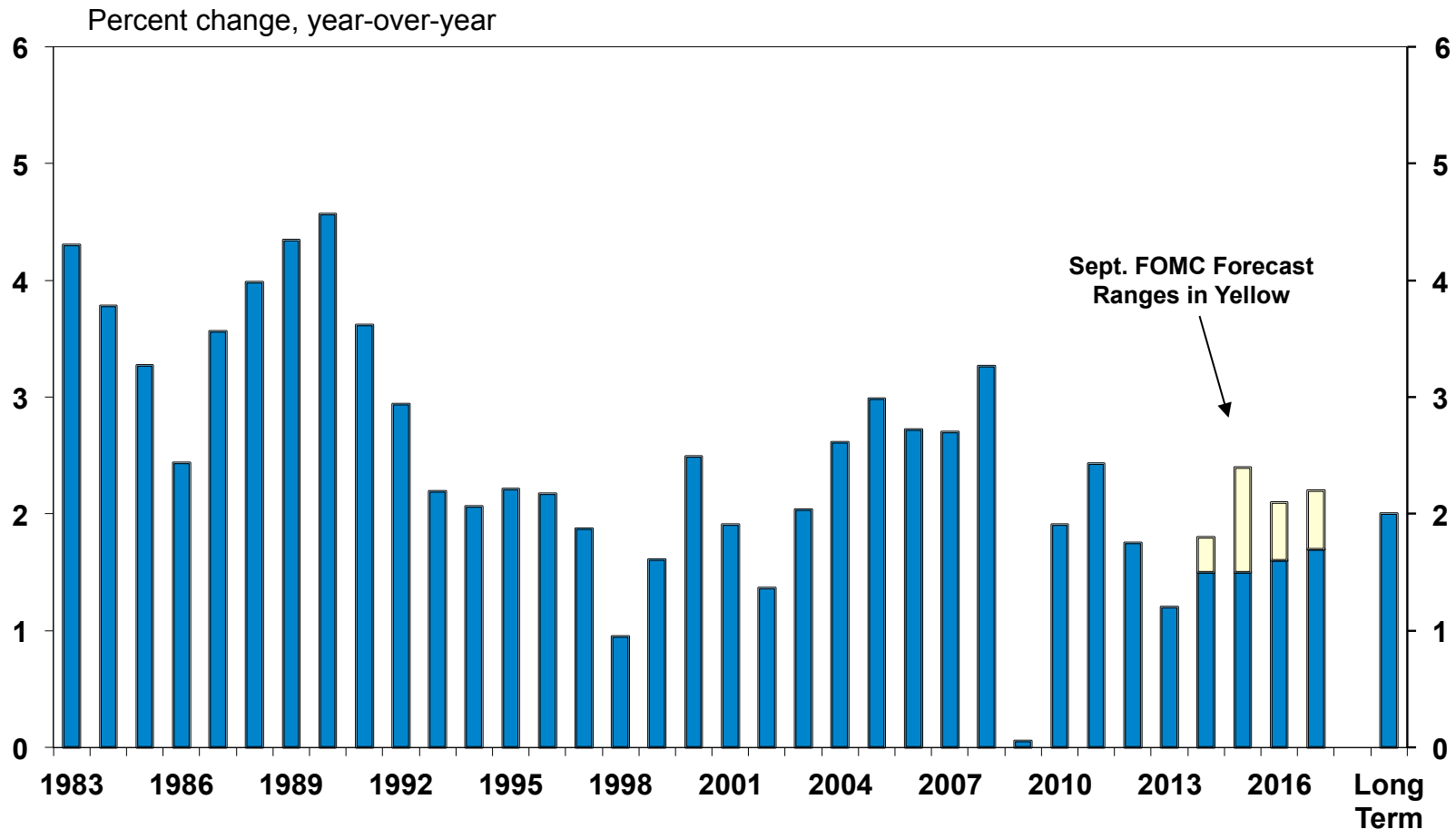


Source: Bureau of Labor Statistics



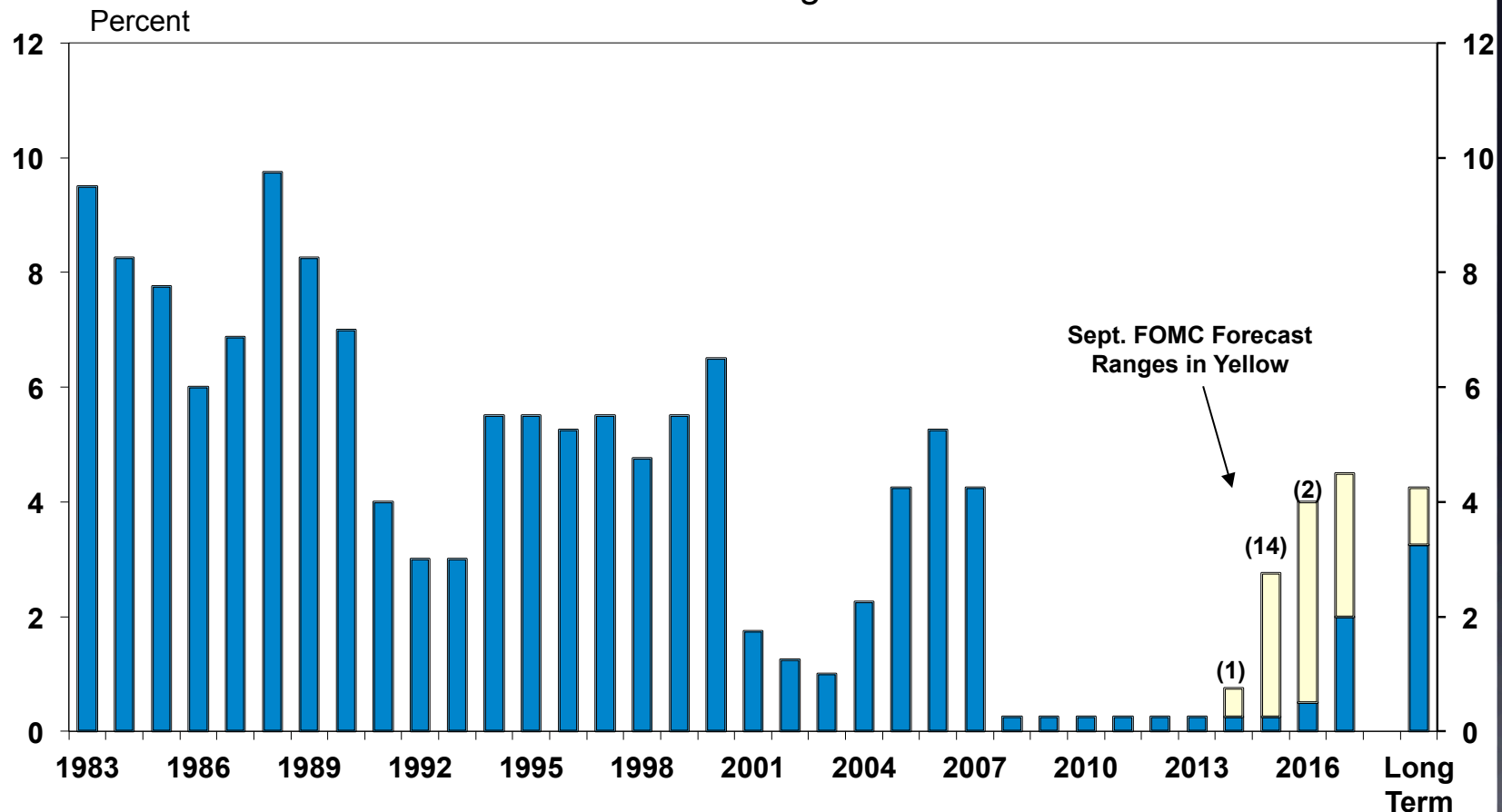
Inflation remains low and is expected to stay relatively subdued through 2017

PCE Inflation Index



Most FOMC participants project the first federal funds rate increase in 2015

Federal Funds Rate
Year-end target

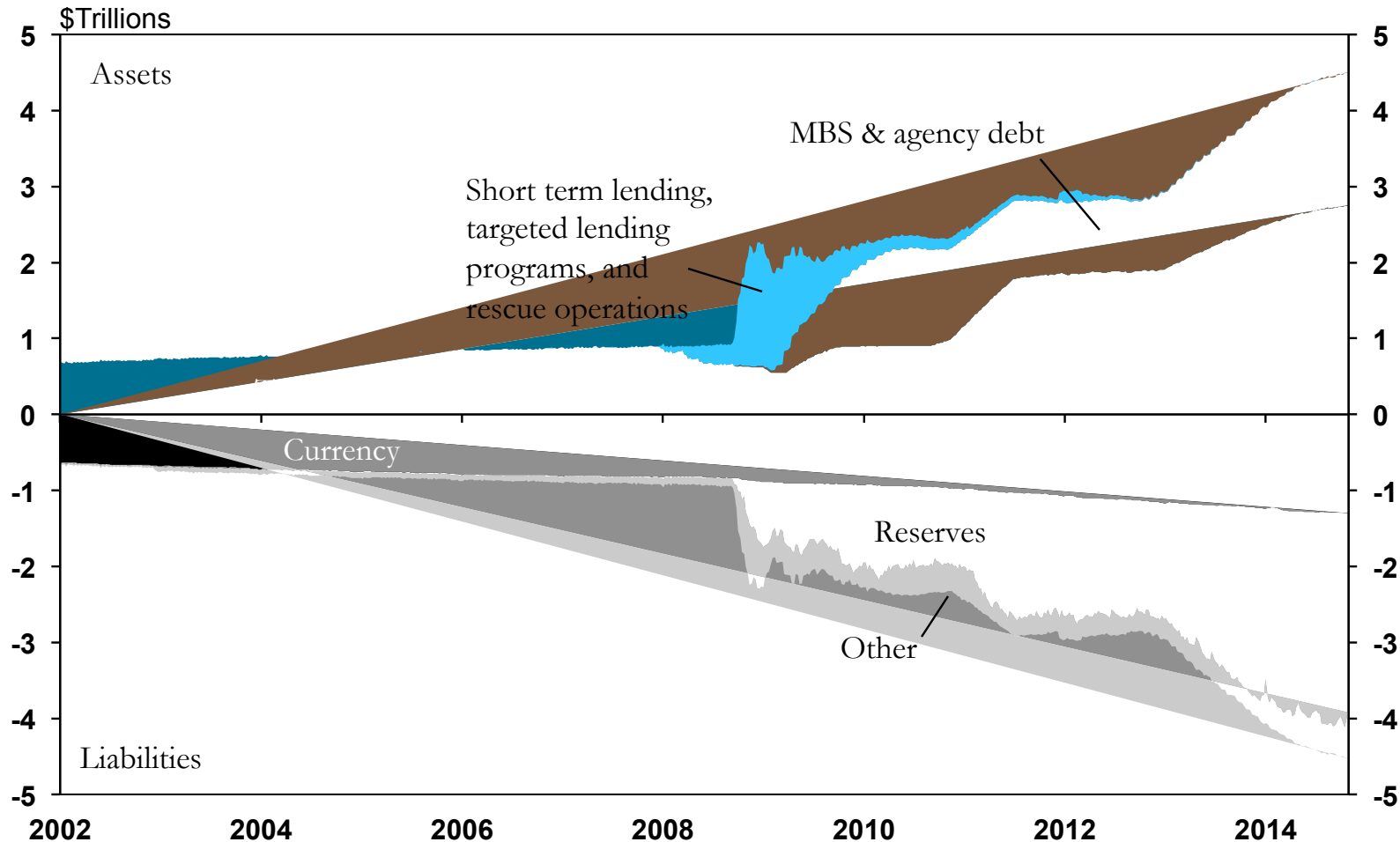


Note – Number of participants who project the initial increase will occur in the specified year in parenthesis



The Fed's balance sheet now sits just above \$4.5 trillion as QE ends

Federal Reserve Balance Sheet



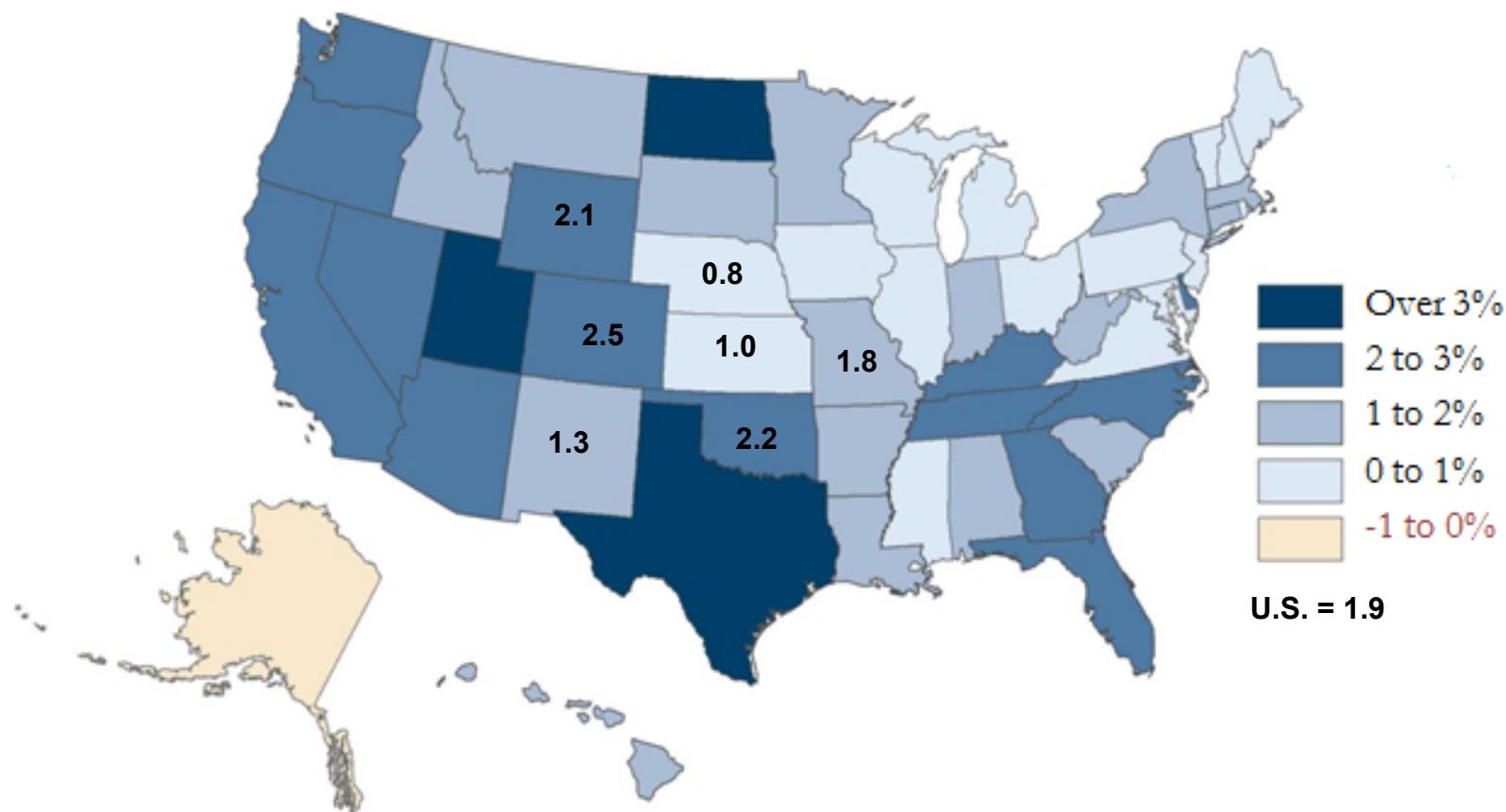
The Regional Economy



Job growth varies across the nation, and is mixed in the Tenth Fed District

Employment Growth, Year-over-Year (percent)

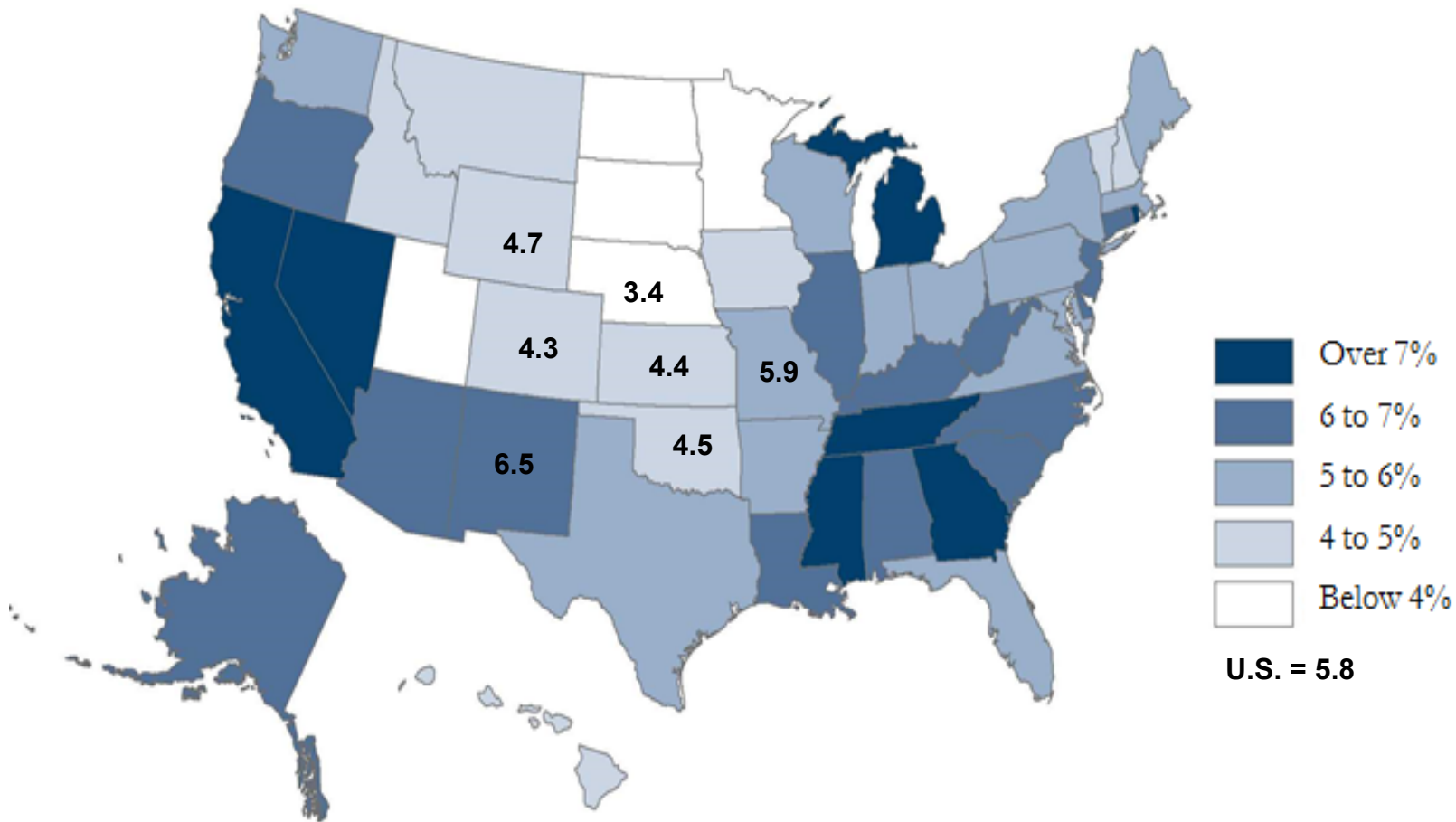
October 2014



But unemployment in the Tenth Fed District is generally lower than in the nation

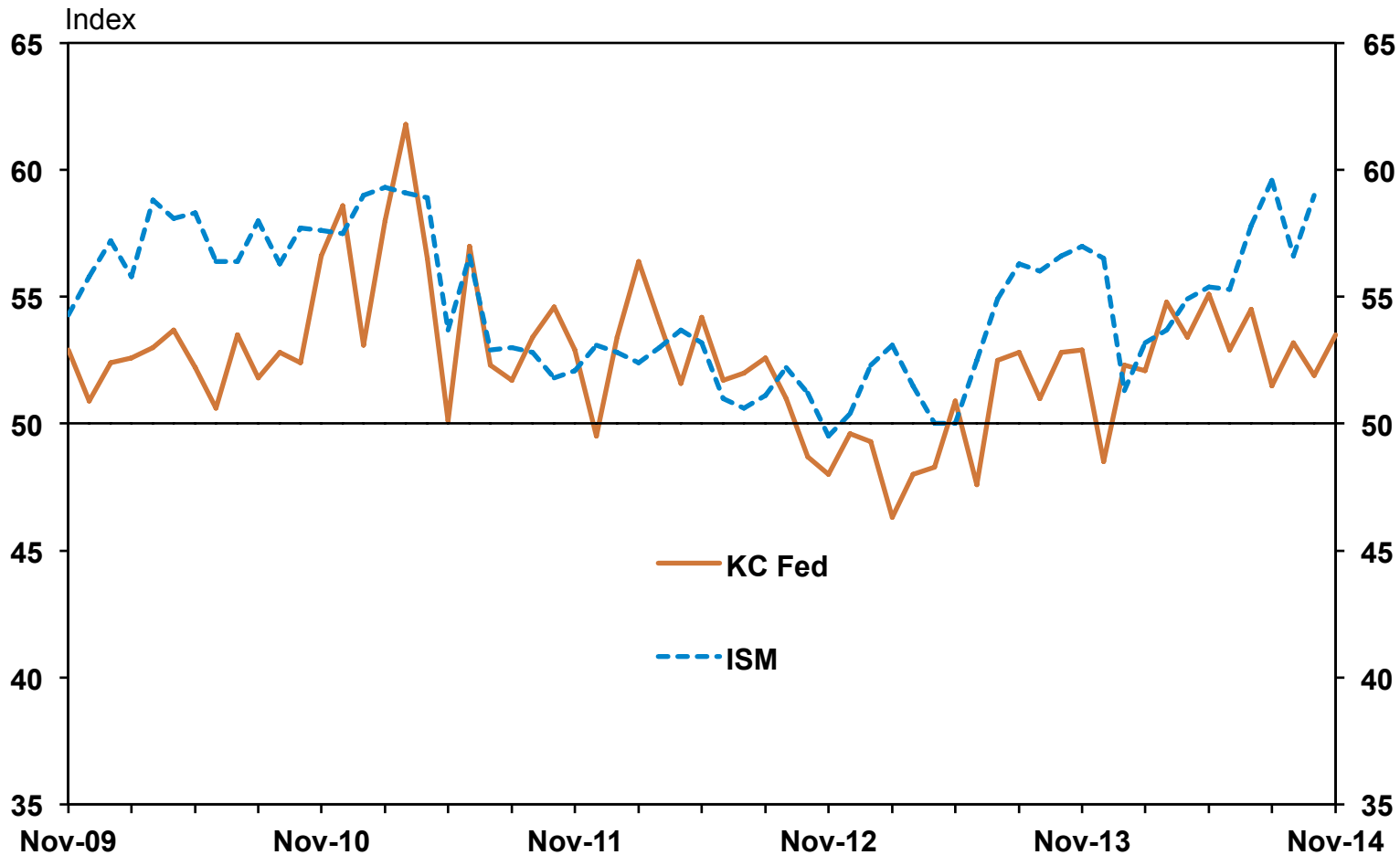
Unemployment Rates (percent)

October 2014



Tenth Fed District manufacturing activity has risen less than the nation this year

Manufacturing Composite Indexes
Month-over-month, Seasonally Adjusted

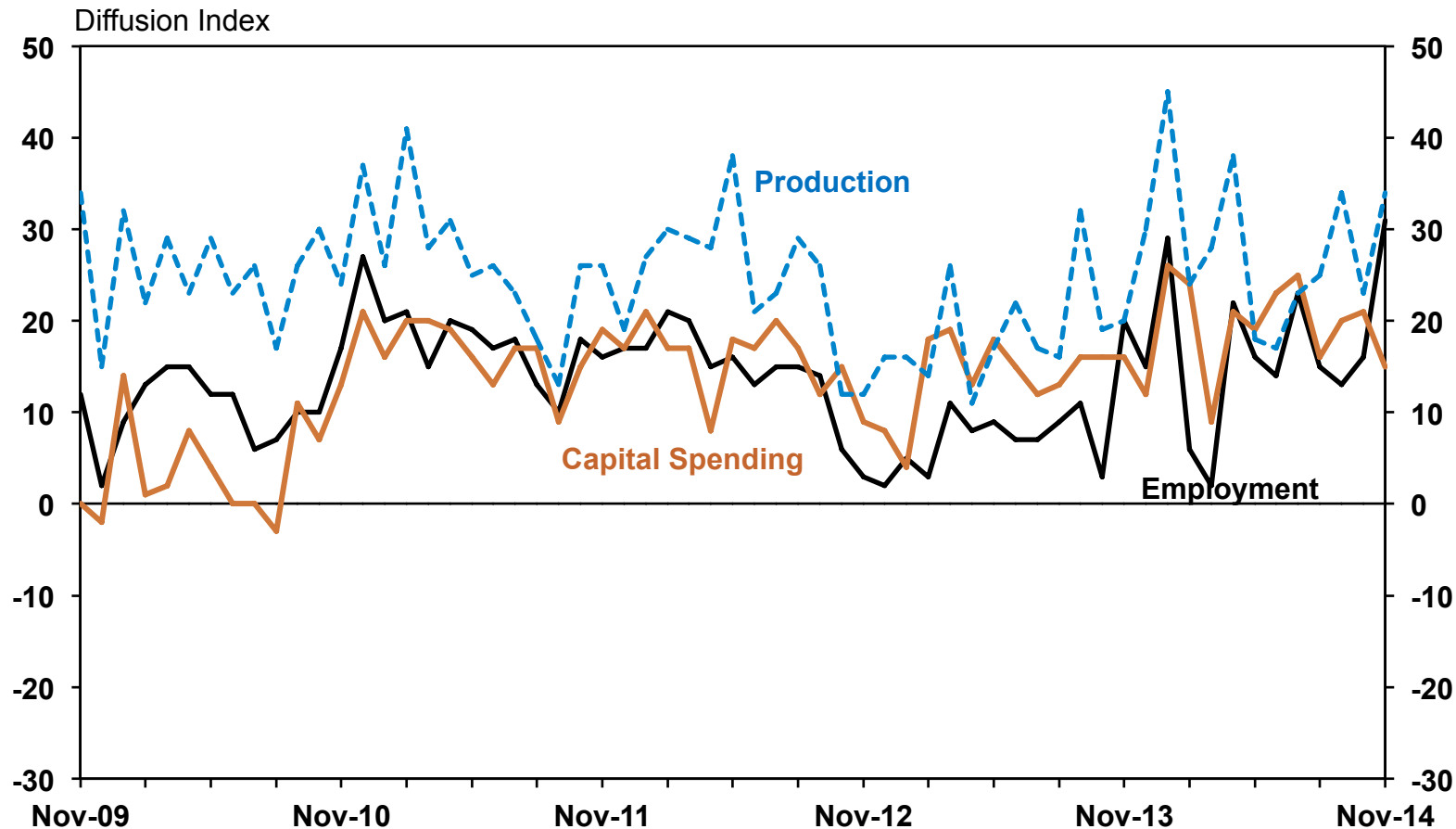


Source: FRB Kansas City



But expectations for future regional factory activity remain relatively solid

Manufacturing 6-Month Ahead Indexes
Seasonally Adjusted

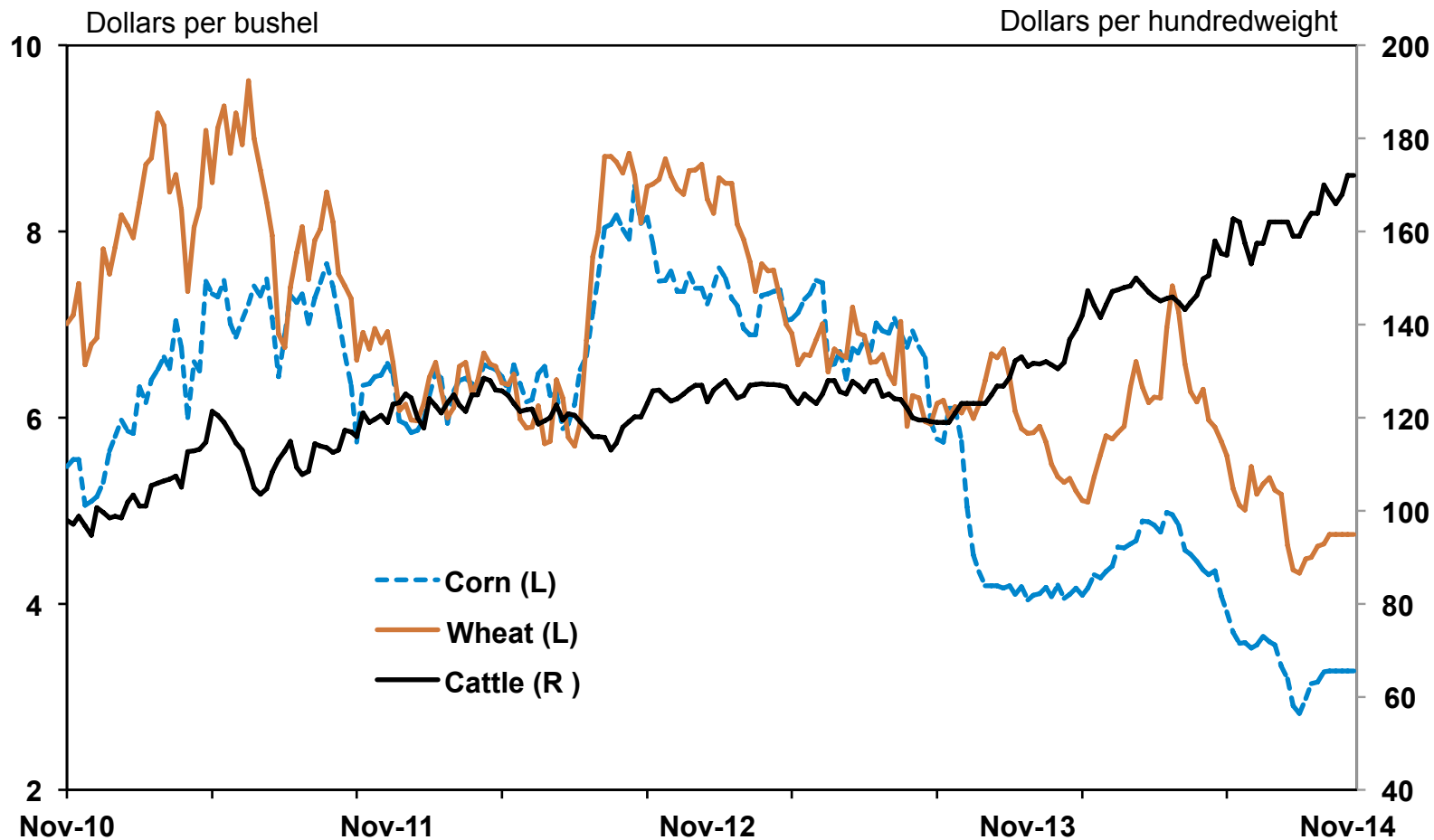


Source: ISM, Federal Reserve Banks



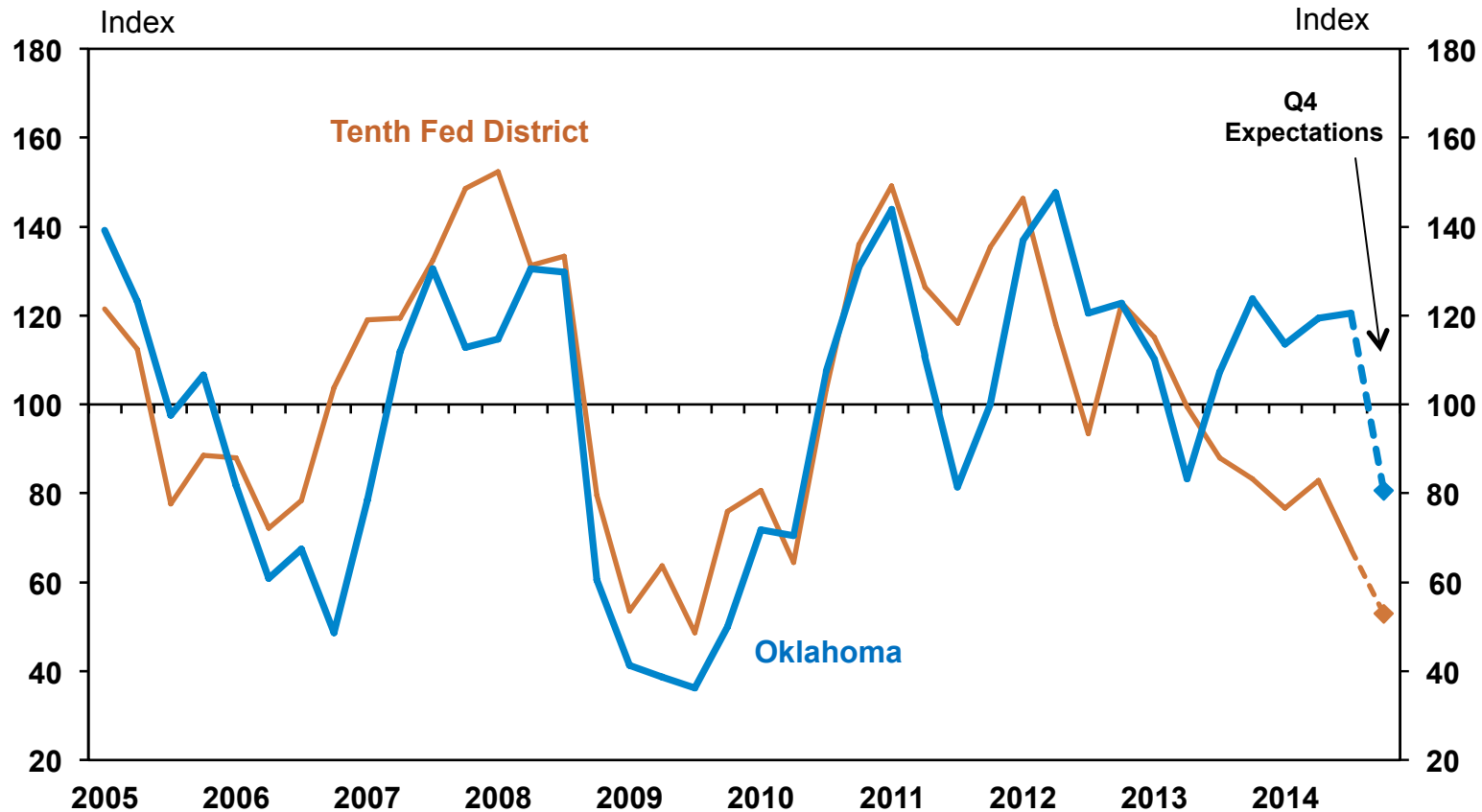
In agriculture, crop prices are down from a year ago, while cattle prices are up

U.S. Agricultural Prices



With lower crop prices, expectations for farm income and spending have eased

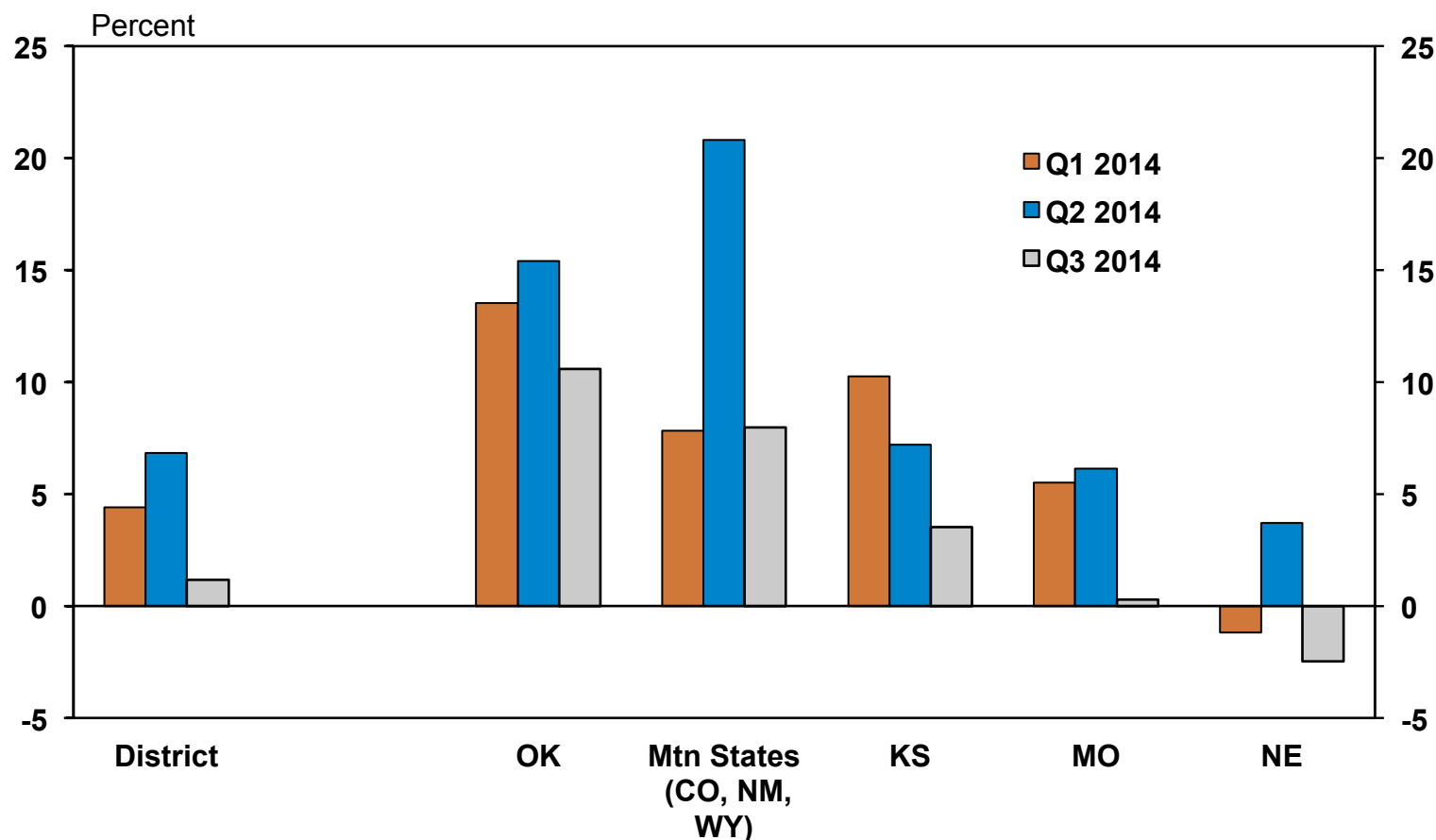
Farm Income Indexes



Growth in farmland values has slowed less in Oklahoma than the rest of the region

Tenth District Non-Irrigated Cropland Values

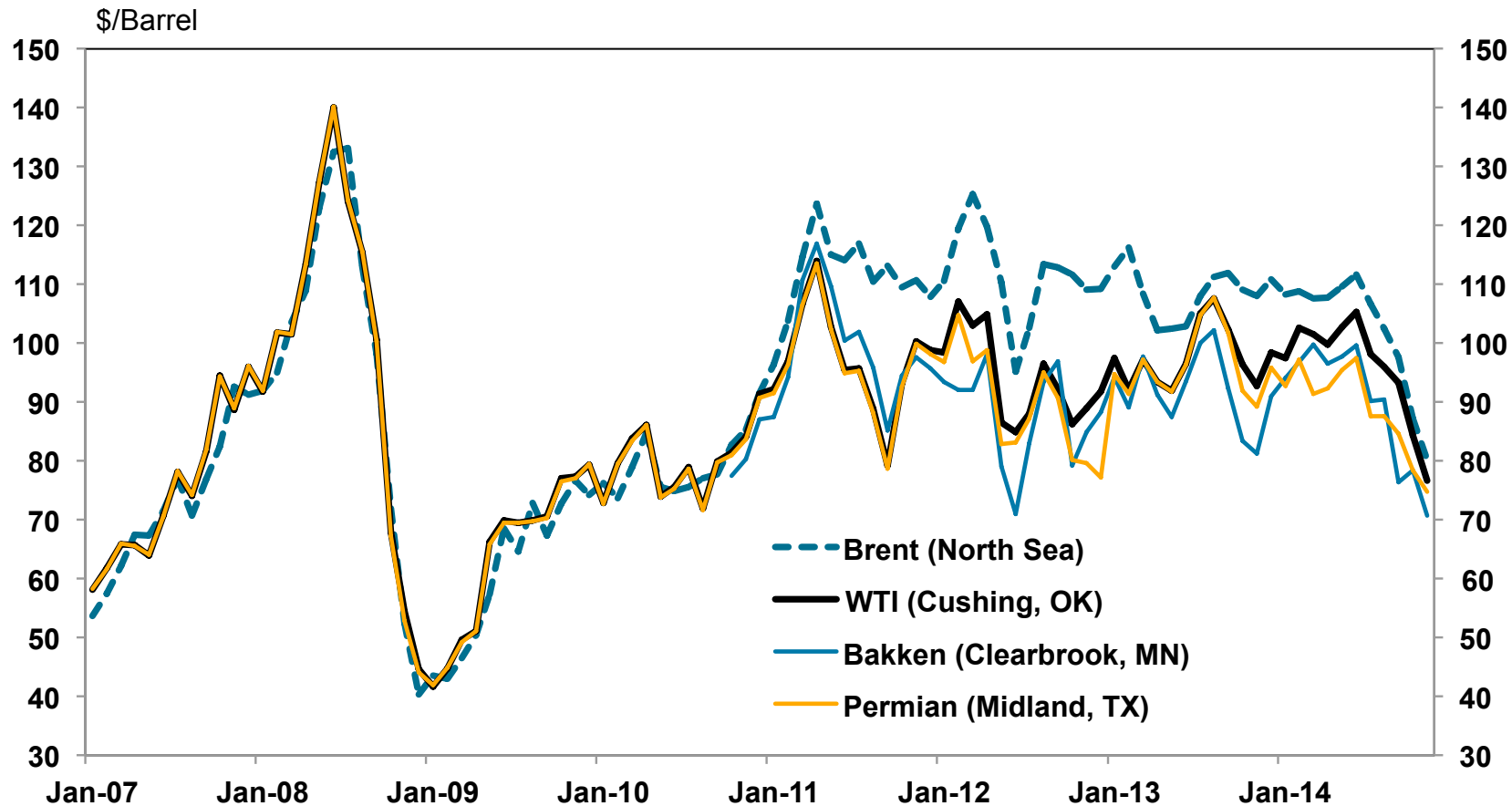
Percent Change, Year-over-year



In energy, oil prices have fallen recently, close to firms' breakeven in some areas

Crude Oil Prices by Region

Jan-07 through Nov-14

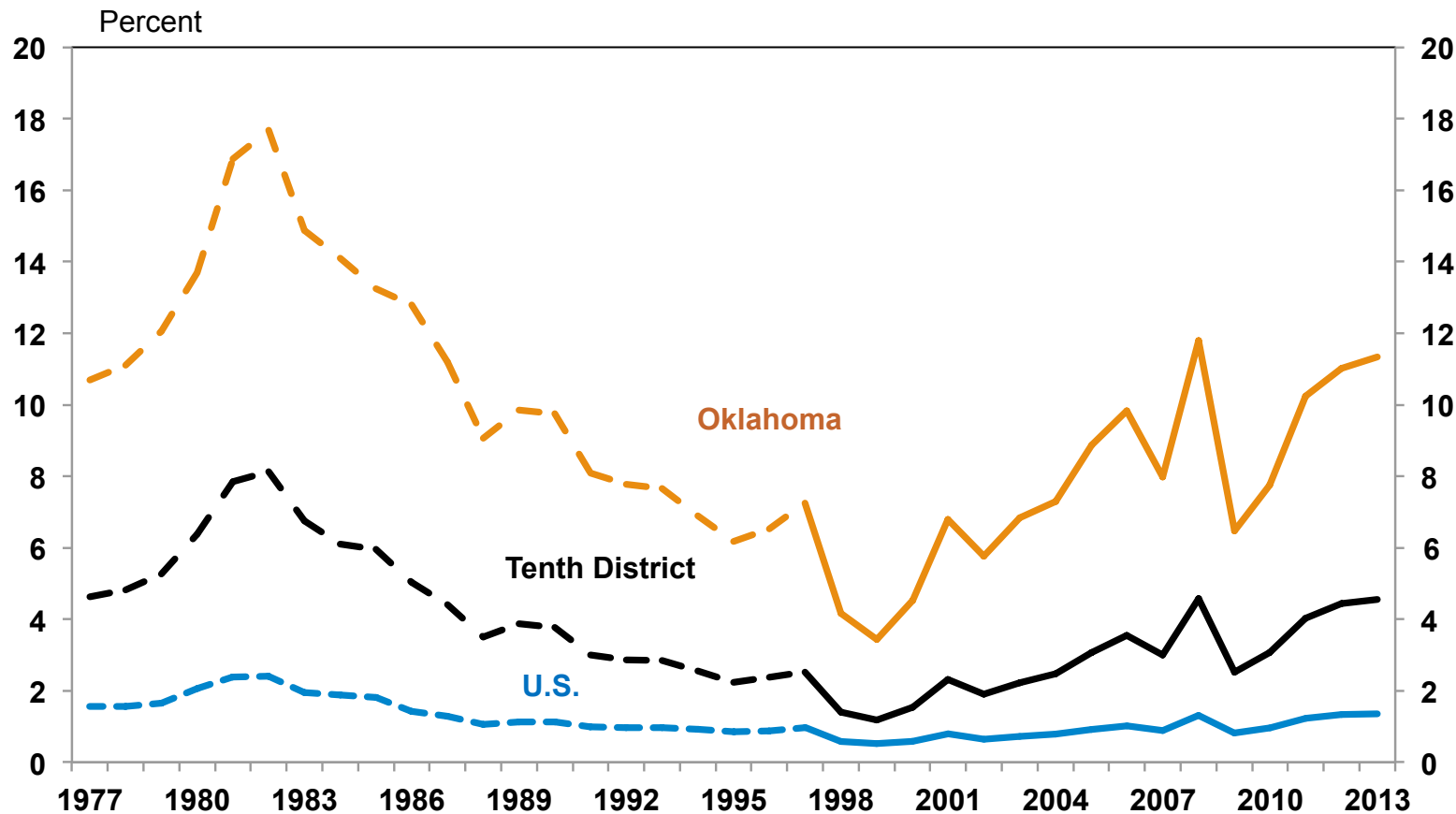


Source: Bloomberg



Oklahoma and the region are much more dependent on energy than 15 years ago

Oil and Gas Sector Share of Personal Income

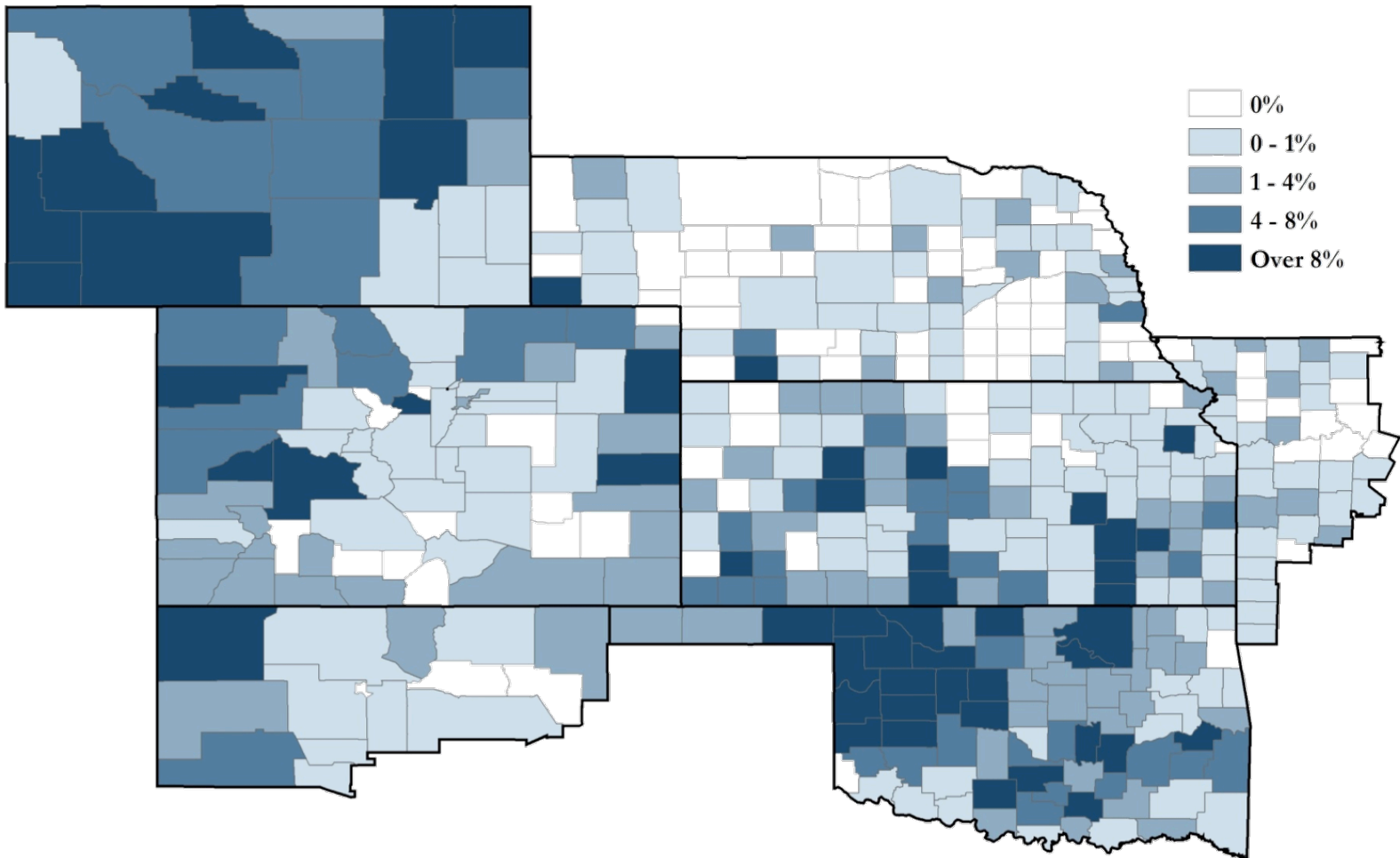


Source: U.S. Bureau of Economic Analysis



All of northwest Oklahoma and much of Wyoming are especially concentrated again

Mining Share of Total Employment Tenth Fed District, 2012



Source: U.S. Census Bureau



Summary

- U.S. economic growth was strong in Q3 and the outlook appears generally favorable
- Regional economic growth has been slightly slower than in the nation, due in part to agriculture

