The U.S. and Regional Economies Ahead of the Fiscal Cliff

OSU Economic Outlook Conference
December 5, 2012

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U.S. economic growth has been moderate and is expected to remain sluggish in Q4

How the fiscal cliff is resolved has bearing on both near-term growth and long-term debt

The range of views among FOMC members about monetary policy remains relatively wide

The regional economy reflects the nation, though Oklahoma continues to outperform

Highlights

GDP growth rebounded somewhat in Q3, but business spending weakened

Source: U.S. Bureau of Economic Analysis, Macroeconomic Advisors
The national ISM index fell in November, as exports declined and uncertainty remained.

Financial stress in Europe remains higher than a few years ago, but has improved.

The “fiscal cliff” and political uncertainty are weighing on the economy.
Economic forecasters generally assume the fiscal cliff will be avoided, without recession.

However, avoiding fiscal changes means further increases in the national debt.

Fiscal cliff components have varying effects on GDP and the federal deficit.
At its Sept. meeting, the FOMC expected unemployment to gradually improve

And for inflation to remain at or near its long-term target through 2015

On monetary policy, over a third of FOMC participants disagree about timing
There remains considerable variation in the rate of job growth across the nation.

Unemployment is lowest in energy and agriculture states, highest on the coasts.

The rig count is down from summer highs, as natural gas prices remain too low.

Source: U.S. Bureau of Labor Statistics

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Source: Baker Hughes
Regional manufacturing activity has also slowed in recent months

Expectations also eased, especially for hiring

Exposure to Europe is much less in Oklahoma than in the nation or even region
Exposure to the “fiscal cliff” is probably about average in Oklahoma as a whole

Federal Expenditures Per Capita, Fiscal Year 2010
U.S. and Tenth District states

Sources: U.S. Census Bureau, Consolidated Federal Funds Report

The ongoing drought has had mixed effects across the region

U.S. Drought Monitor November 27, 2012

Growth in regional farmland values eased, but prices are still up considerably over last year

Tenth District Non-Irrigated Cropland Values

Percent Change, Year-over-year

Source: FRBKC Agricultural Credit Survey
On the positive side, housing activity has grown solidly in the District the past year.

District home prices are still in much better shape, with some above the 2007 peaks.

Summary

- Recent U.S. economic growth has been moderate, with low inflation, as fiscal concerns remain a focus.

- Regional activity largely reflects the nation, though Oklahoma remains stronger, and housing is better.