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**
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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

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis, Macroeconomic Advisors
Monthly data on U.S. business activity and employment has also been strong

U.S. Private Payroll Employment and Business Indexes

Change from previous month, thousands

Index

Private Employment (left axis)
ISM Manufacturing Index (right axis)
ISM Non-Manufacturing Index (right axis)

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

Real Gross Domestic Product

Percent change, year-over-year

Source: U.S. Bureau of Economic Analysis, FOMC
Unemployment continues to fall and could reach long-term levels by 2015

Unemployment Rate
Seasonally Adjusted

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

Sources: Federal Reserve Board, FOMC
The Fed’s balance sheet now sits just above $4.5 trillion as QE ends.
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

Source: U.S. Bureau of Labor Statistics
But unemployment in the Tenth Fed District is generally lower than in the nation.

Unemployment Rates (percent)
October 2014

Source: U.S. Bureau of Labor Statistics
Tenth Fed District manufacturing activity has risen less than the nation this year.
But expectations for future regional factory activity remain relatively solid.
In agriculture, crop prices are down from a year ago, while cattle prices are up.

U.S. Agricultural Prices

Source: Commodity Research Bureau
With lower crop prices, expectations for farm income and spending have eased.

Source: KCFRB Ag Credit Survey
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

Source: FRBKC Agricultural Credit Survey
In energy, oil prices have fallen recently, close to firms’ breakeven in some areas.
Oklahoma and the region are much more dependent on energy than 15 years ago.
All of northwest Oklahoma and much of Wyoming are especially concentrated again.
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.