U.S. and Oklahoma Economic Update

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The U.S. Economy and Monetary Policy
U.S. GDP growth remained solid in Q4, with strong consumer and business spending.

### Growth in Components of Real GDP

<table>
<thead>
<tr>
<th>Period</th>
<th>Total GDP</th>
<th>Consumer spending</th>
<th>Residential investment</th>
<th>Business investment</th>
<th>Exports</th>
<th>Government spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>1.2</td>
<td>3.1</td>
<td>1.9</td>
<td>11.1</td>
<td>-7.3</td>
<td>-10</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>3.1</td>
<td>3.2</td>
<td>3.3</td>
<td>7.2</td>
<td>2.2</td>
<td>-5</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>3.2</td>
<td>2.5</td>
<td>2.2</td>
<td>6.7</td>
<td>4.7</td>
<td>0</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>2.9</td>
<td>2.1</td>
<td>2.2</td>
<td>6.6</td>
<td>3.5</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Economic Analysis
Monthly data on business activity and employment show U.S. growth remained strong into 2018.
U.S. unemployment is back down to, or even below, its long-term level

Unemployment Rate
Seasonally Adjusted

Current (Feb. 2018): 4.1%

Sources: U.S. Bureau of Labor Statistics, FOMC
U.S. inflation remains slightly below 2 percent, but expected to return to long-term levels.
The Fed has been raising interest rates and forecasts it to continue.

**Federal Funds Rate**

Year-end target

Current (Mar. 2018): 1.75%

Mar. FOMC Forecast

Ranges in Yellow

Sources: Federal Reserve Board, FOMC
The Fed has also begun to reduce its balance sheet, which grew considerably after the crisis.
Trends in the Oklahoma Economy
OK GDP has recovered from its downturn, and by mid-2017 was keeping pace with the U.S.

Real Gross Domestic Product

Percent change, quarter-over-quarter annualized

Source: U.S. Bureau of Economic Analysis
For jobs, 2015-16 was the largest divergence from the nation since the ‘80s, but the gap has closed.
Employment levels are trending up in the metro areas, but non-metro is still below early 2015 levels.
During 2017, energy and related industries mostly led the way in state job growth

Oklahoma Job Growth by Industry
Feb-18

Source: Bureau of Labor Statistics
OK tax revenues improved following two tough years that remain challenges for the Legislature.
Unemployment throughout the state remains at or below the national level

Unemployment rates
Seasonally Adjusted

Source: U.S. Bureau of Labor Statistics
In housing, average home price growth across the state remains below the nation, but still positive.
Office vacancy rates remain low in OKC, but slightly above the nation in Tulsa

Metro Office Vacancy Rates

Source: CBRE
Regional factory activity has continued to improve in recent months, with optimism high.
The Oklahoma agriculture sector has shown some signs of stabilizing, with expectations improving.
OK farmland values improved in Q4, and are more favorable than other parts of the District

Source: FRBKC Agricultural Credit Survey
Oil prices returned to profitable levels in 2017 for most firms, helping to boost activity.

WTI Spot Price vs. Energy Survey Profitable Price vs. Oil Production

Source: EIA, FRBKC Energy Survey
Rig counts have increased since the downturn and remain at favorable levels.

Weekly Oil Rig Counts

Source: Baker Hughes
Summary

• The U.S. economy continues to grow, the Fed has raised interest rates and will begin to reduce its balance sheet.

• The Oklahoma economy has been hurt by low commodity prices, but stabilized in 2017.

• Energy and agriculture have stabilized and are projected for growth in the near future.
Questions?

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