

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



OSU Economic Outlook Conference
December 5, 2012

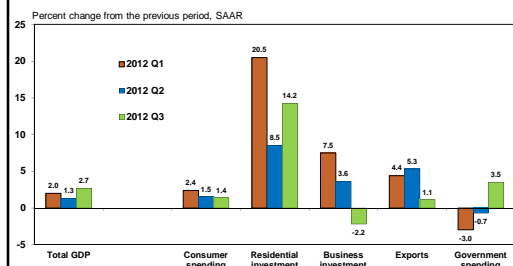
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Highlights

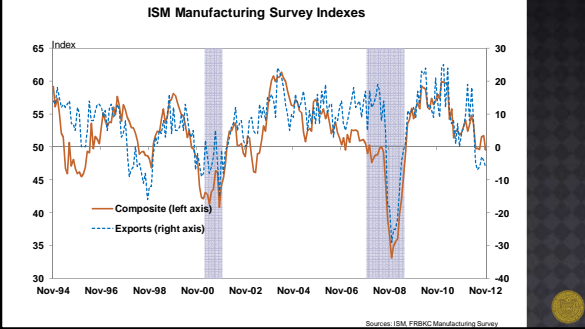
- U.S. economic growth has been moderate and is expected to remain sluggish in Q4
- How the fiscal cliff is resolved has bearing on both near-term growth and long-term debt
- The range of views among FOMC members about monetary policy remains relatively wide
- The regional economy reflects the nation, though Oklahoma continues to outperform

GDP growth rebounded somewhat in Q3, but business spending weakened

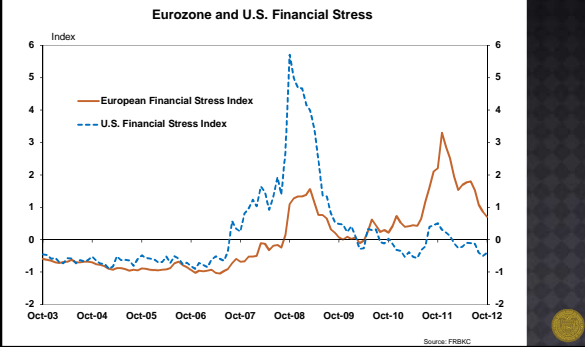
Growth in Components of Real GDP
Actual thru Q3 2012, Projected for Q4 and 2013



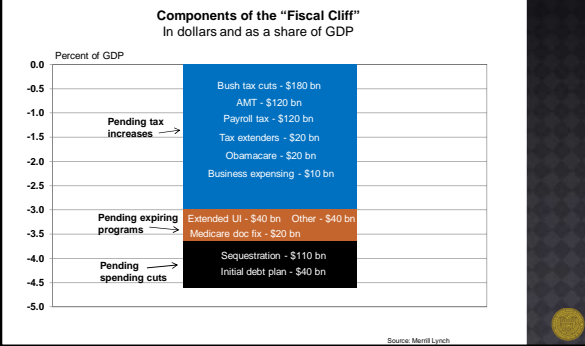
The national ISM index fell in November, as exports declined and uncertainty remained



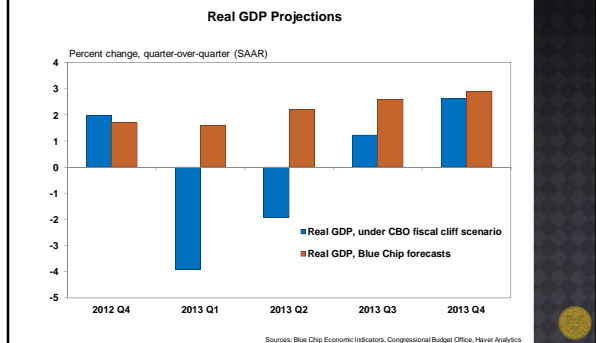
Financial stress in Europe remains higher than a few years ago, but has improved



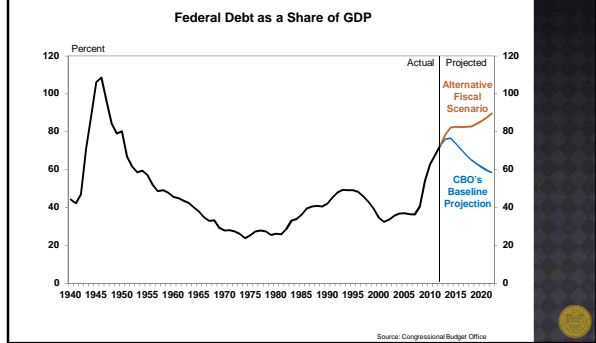
The "fiscal cliff" and political uncertainty are weighing on the economy



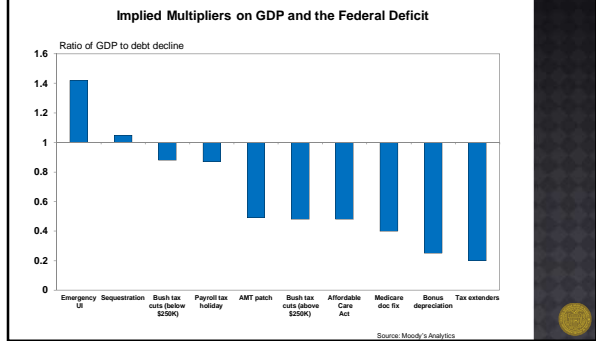
Economic forecasters generally assume the fiscal cliff will be avoided, without recession



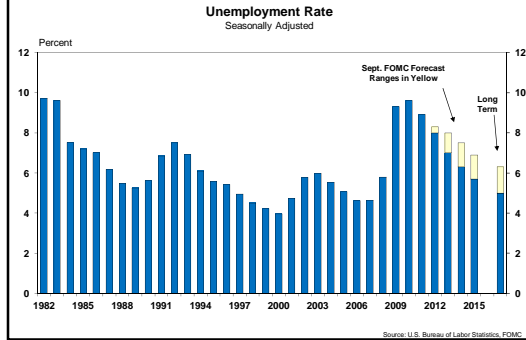
However, avoiding fiscal changes means further increases in the national debt



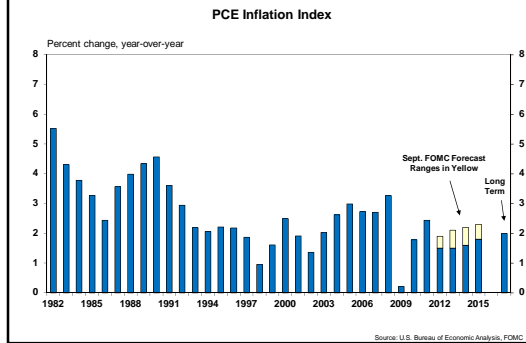
Fiscal cliff components have varying effects on GDP and the federal deficit



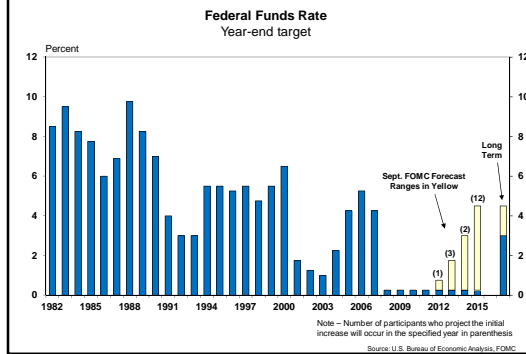
At its Sept. meeting, the FOMC expected unemployment to gradually improve



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

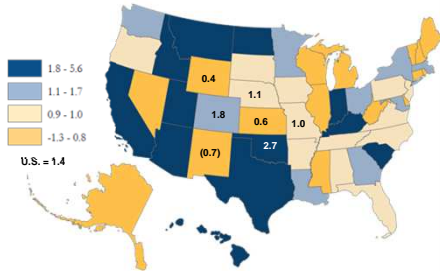


On monetary policy, over a third of FOMC participants disagree about timing



There remains considerable variation in the rate of job growth across the nation

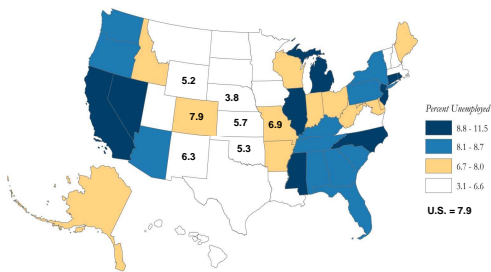
Employment Growth, Year-over-Year (percent)
October 2012



Source: U.S. Bureau of Labor Statistics

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

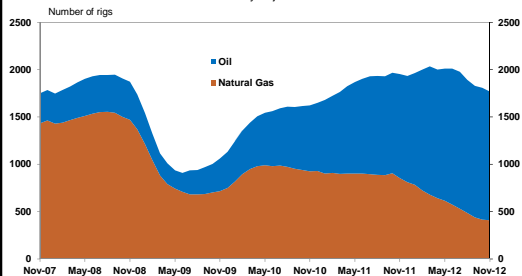
Unemployment Rates (percent)
October 2012



Source: U.S. Bureau of Labor Statistics

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

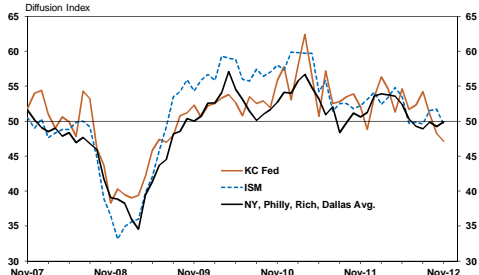
U.S. Rig Count
Seasonally Adjusted



Source: Baker Hughes

Regional manufacturing activity has also slowed in recent months

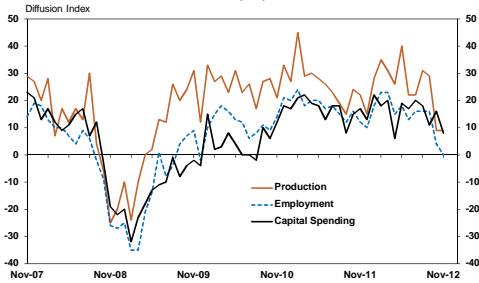
Manufacturing Month-over-Month PMI Indexes
Seasonally Adjusted



Source: ISM, Federal Reserve Banks

Expectations also eased, especially for hiring

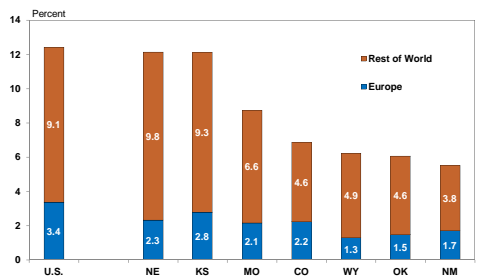
Manufacturing 6-Month Ahead Indexes
Seasonally Adjusted



Source: ISM, Federal Reserve Banks

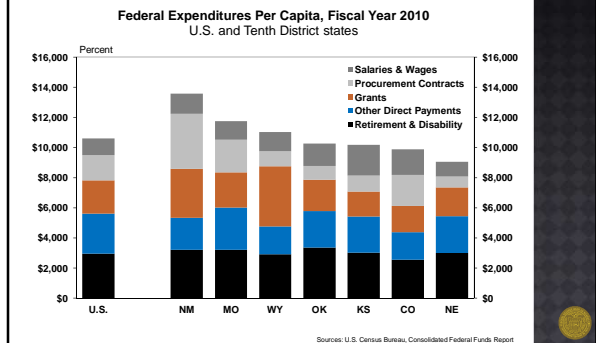
Exposure to Europe is much less in Oklahoma than in the nation or even region

Exports as Share of GDP, 2010
U.S. and Tenth District states

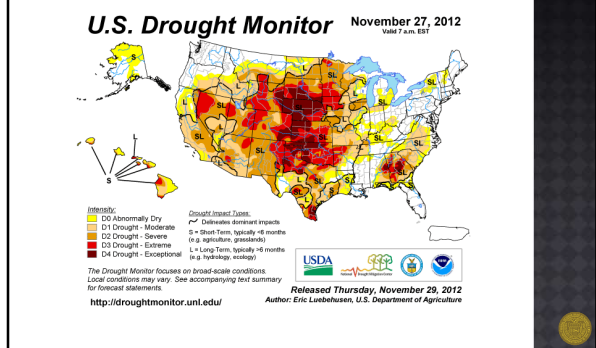


Sources: U.S. Bureau of Economic Analysis, USDA, WISERTRADE

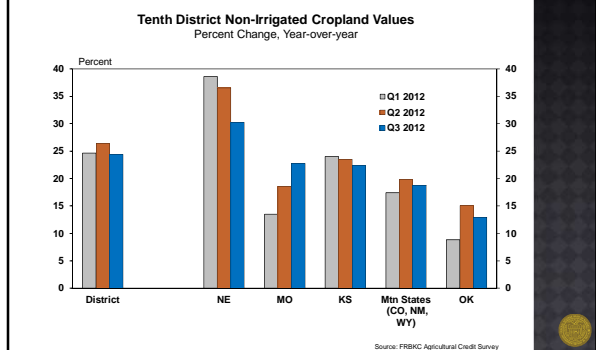
Exposure to the "fiscal cliff" is probably about average in Oklahoma as a whole



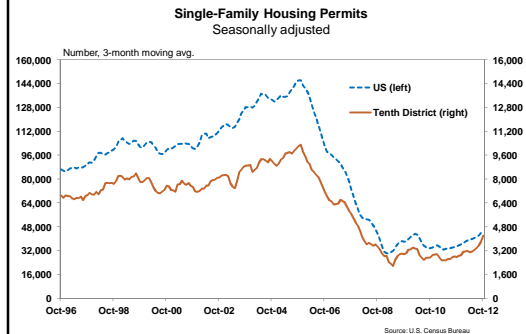
The ongoing drought has had mixed effects across the region



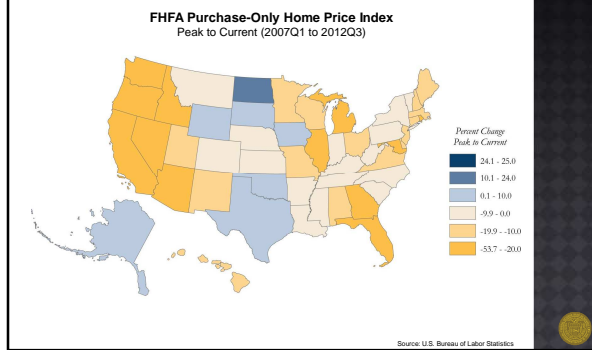
Growth in regional farmland values eased, but prices are still up considerably over last year



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
