



2010 Economic Forecast: U.S. and State Conditions

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U.S. Recession: How did we get here?

- Overleveraged investments in assets characterized by systemic mispricing of risk

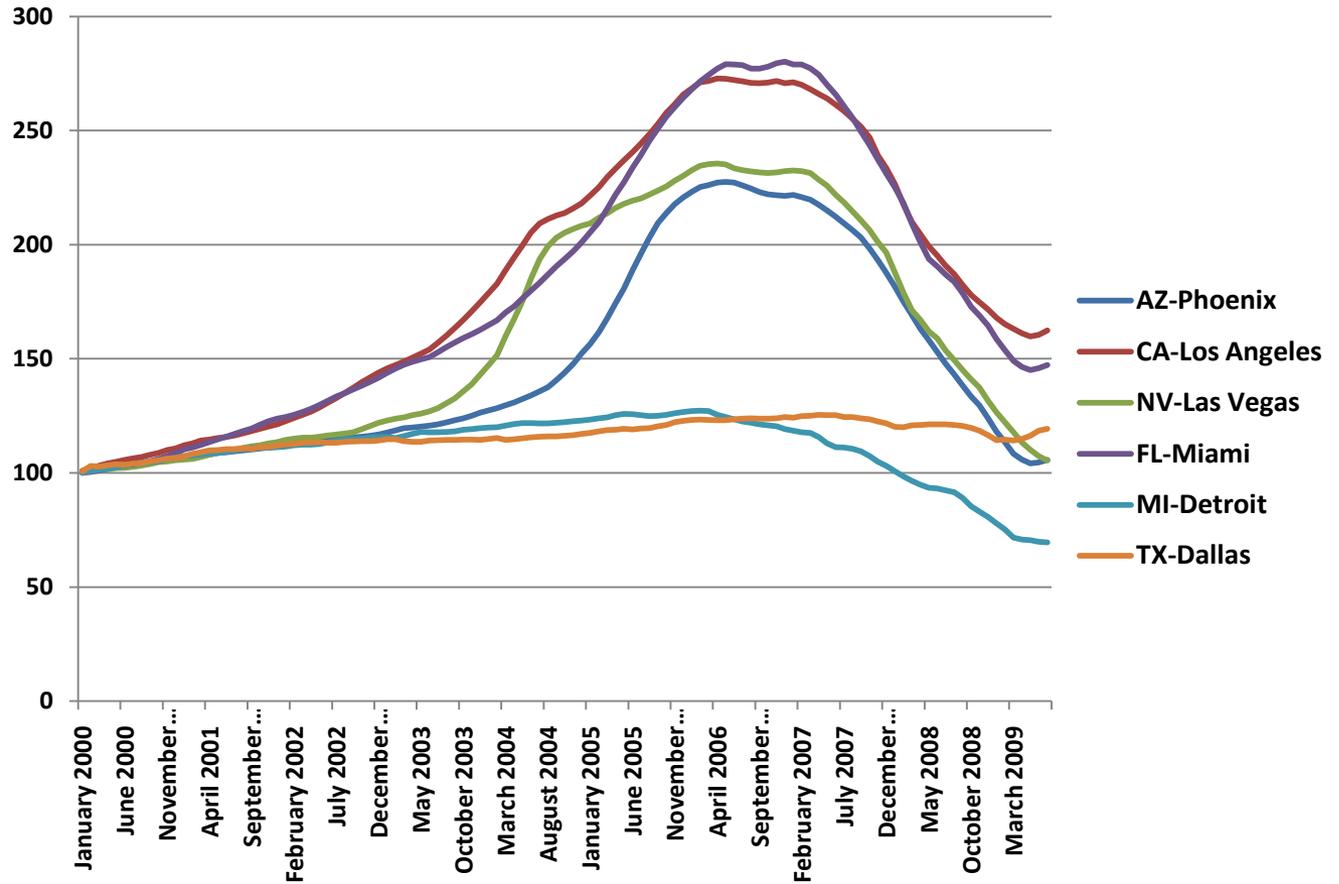
Why has it not been worse in Oklahoma?

- Limited direct erosion of consumer balance sheet
- Significant growth momentum from previous 5 years
- Energy sector enters recession late
- Prudent regional lending practices





Case Shiller Home Price Index





Review of U.S. Policy

- Monetary Policy: Daring, but successful at stemming the fall
 - Can Federal Reserve time their exit successfully?
 - Can Federal Reserve soak up the liquidity it has created?

- Fiscal Policy: Modest successes, but much remains in the system
 - Cash for clunkers, homebuyer tax credits are influencing the timing of consumer purchases
 - Much of the stimulus not particularly stimulative (but possibly still valuable)





National Economic Commentary

➤ Prospects for Inflation

➤ Governments print money; banks create money

➤ Money is created through successive rounds of lending and borrowing

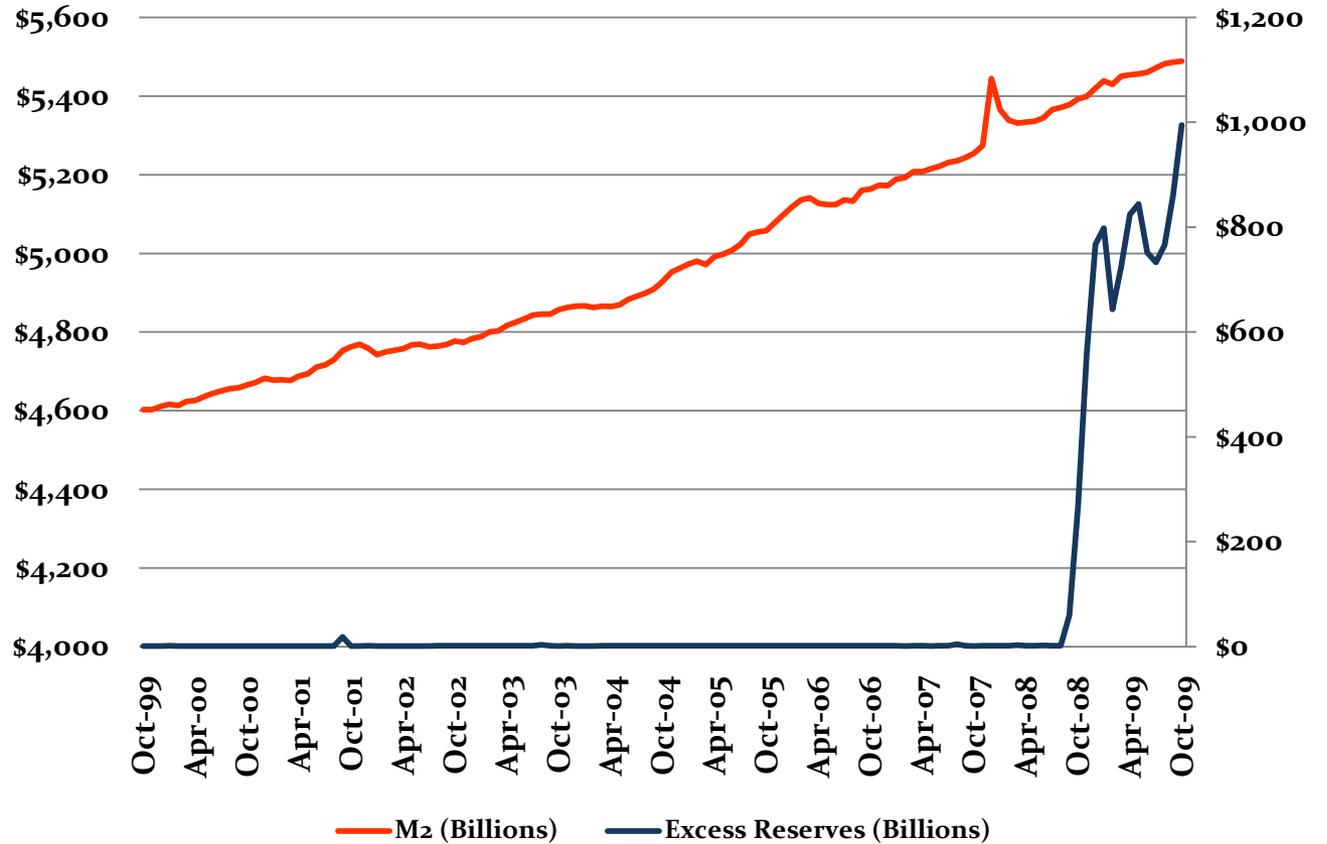
➤ Money multiplier = the maximum increase in the money stock resulting from a change in excess reserves

➤ In late summer/early fall of 2008 the money multiplier collapses





Money Supply vs Excess Reserves





“We have the most potentially inflationary policy I have ever observed in a developed economy.”

Alan Meltzer
Professor of Political Economy,
Fed Historian
Carnegie Mellon



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National Economic Commentary

➤ Prospects for a “jobless recovery”

➤ GDP = volume of goods and services produced

➤ $GDP = GDP * (Hours/Hours)$

➤ $GDP = (GDP/Hours) * Hours$

➤ $GDP = (\text{output per hour}) * \text{hours worked}$

➤ Conclusion: GDP is a function of labor productivity and employment

➤ In order to generate jobs growth, GDP growth must outpace productivity growth





U.S. Economic Concerns

- Mistiming of monetary policy at home
- Commercial real estate collapse
- Delayed/abrupt tightening of monetary policy abroad (particularly China)
- Sovereign debt defaults/European double-dip
- Longer term, a significant inflationary experience



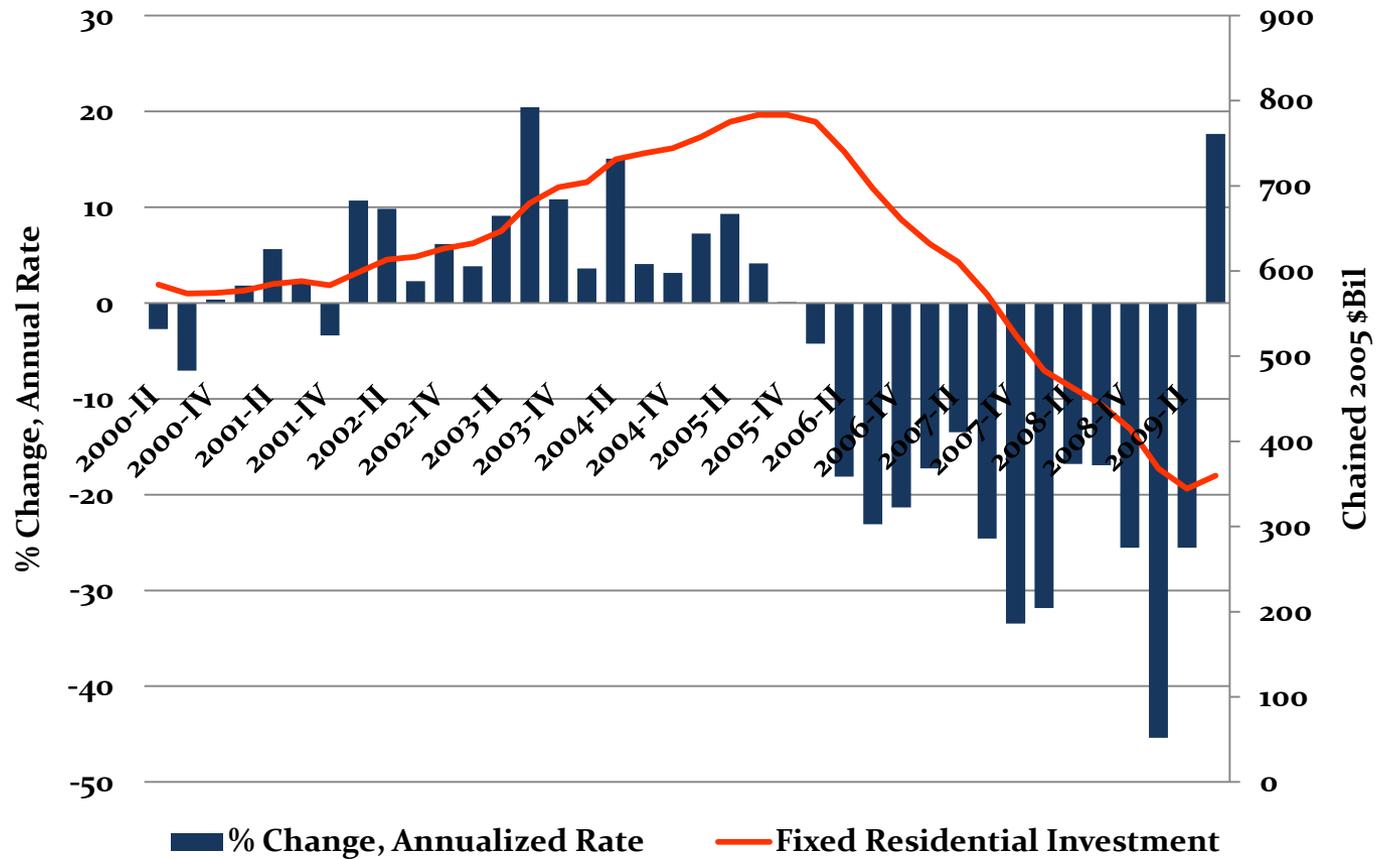
U.S. Select Economic Indicators

Sector	2007	2008	2009e	2010f	2011f
Real GDP (Chain2000 \$Bil)	13,254.1 2.1%	13,312.2 0.4%	12,973.2 -2.5%	13,264.0 2.2%	13,646.6 2.9%
Nominal GDP (\$Bil)	14,077.7 5.1%	14,441.4 2.6%	14,239.2 -1.4%	14,723.4 3.4%	15,384.4 4.5%
Non-Ag Employment (Mil)	137.60 1.1%	137.05 -0.4%	131.93 -3.7%	130.75 -0.9%	133.12 1.8%
Unemployment Rate (%)	4.63 0.4%	5.81 25.4%	9.30 60.1%	10.25 10.2%	9.58 -6.5%
Total Personal Income (\$Bil)	11,894.1 5.6%	12,238.8 2.9%	12,066.0 -1.4%	12,464.4 3.3%	12,983.6 4.2%
Wage & Salary Disbursements (\$Bil)	6,408.9 5.6%	6,545.9 2.1%	6,324.1 -3.4%	6,474.5 2.4%	6,754.6 4.3%
^e Estimate ^f Forecast	2007	2008	2009e	2010f	2011f



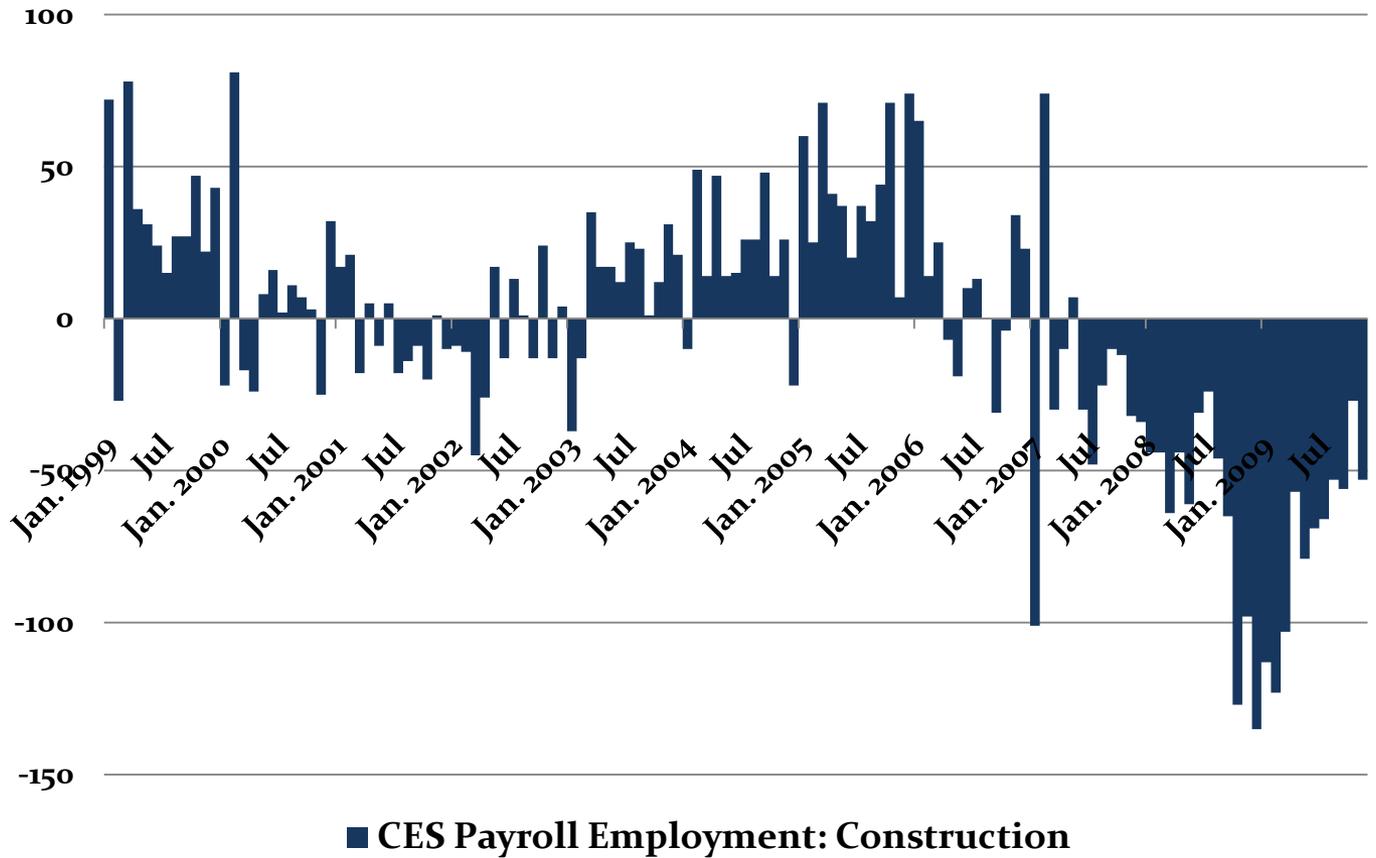


U.S. Real Fixed Residential Investment



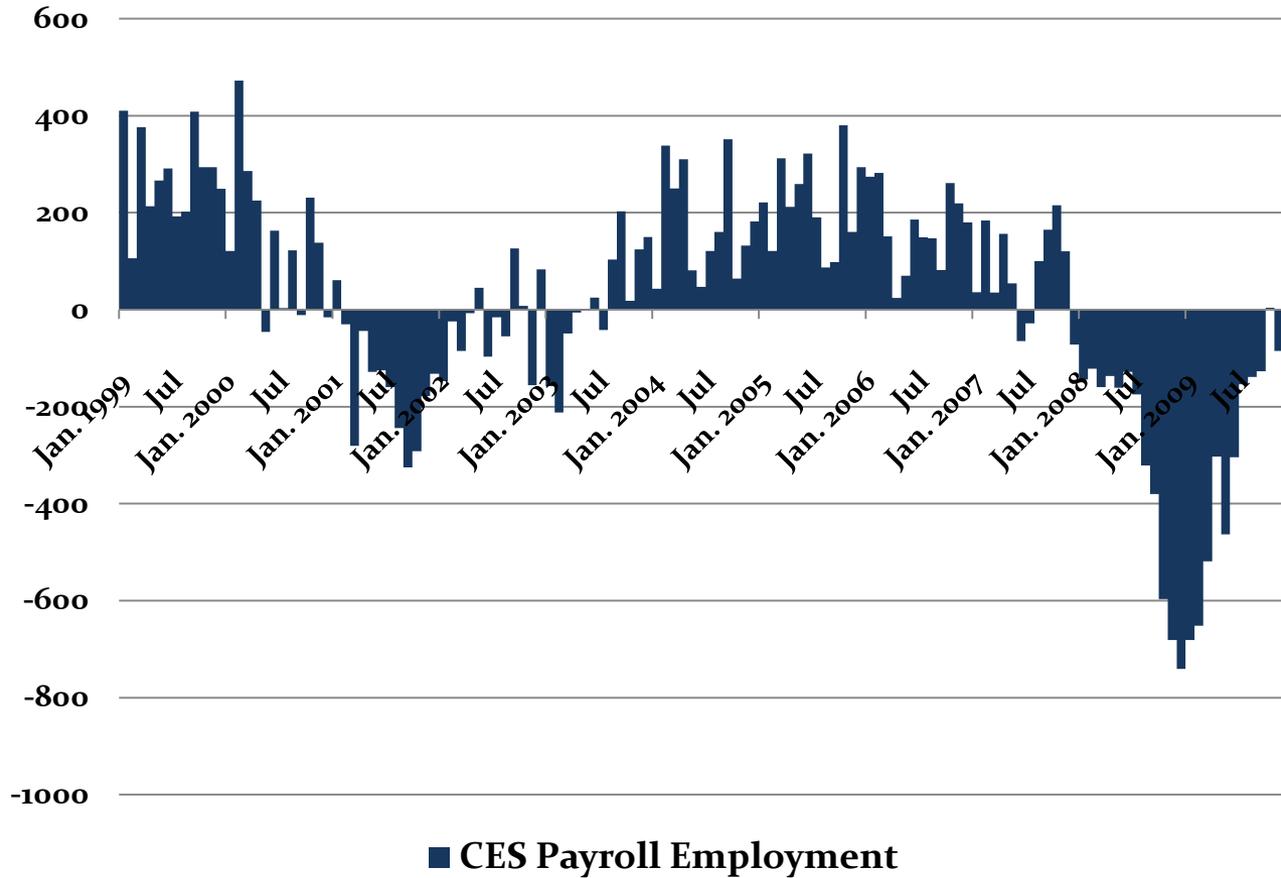


CES Monthly Payroll Change: Construction





U.S. CES Payroll Employment: Monthly Change





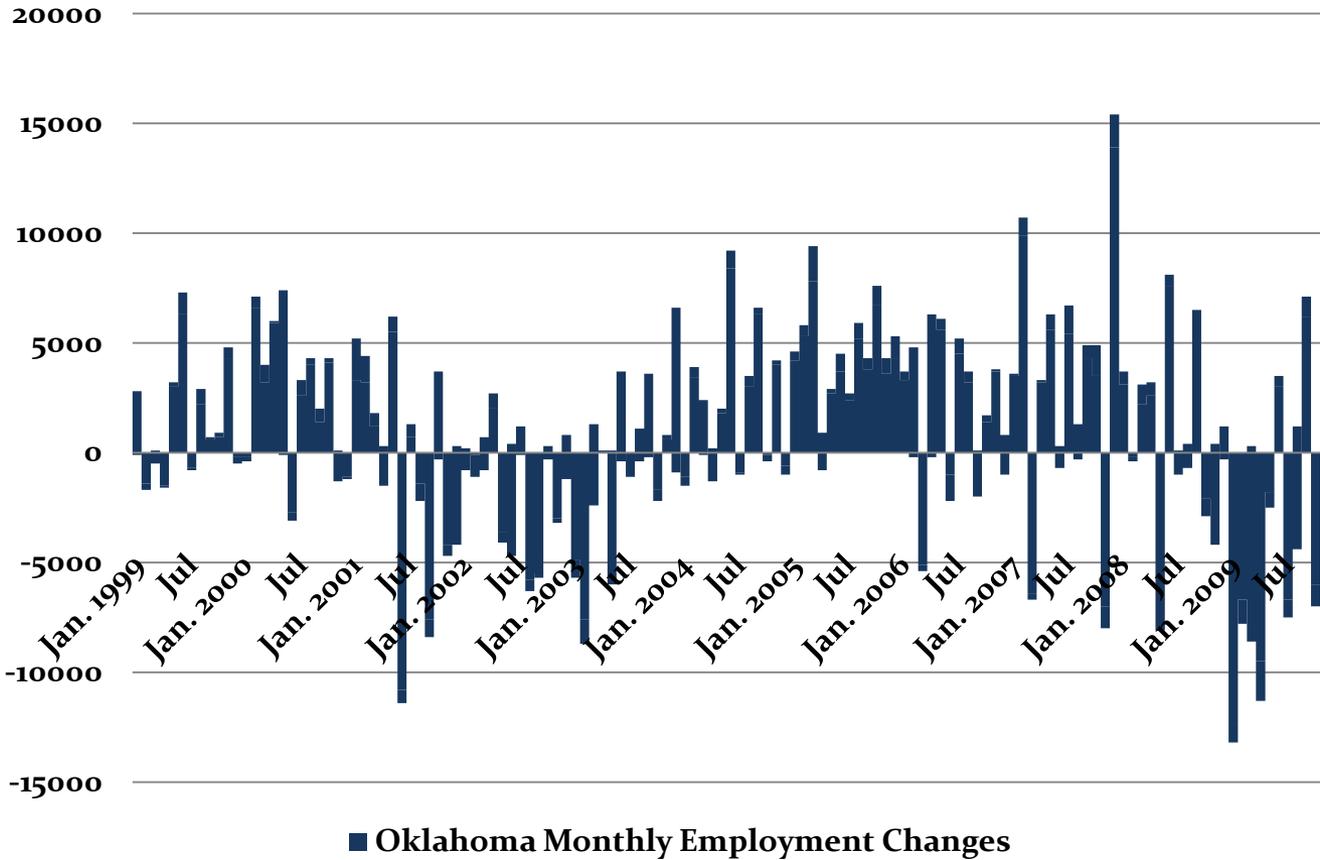
What Did We Learn in 2009?

- Oklahoma is insulated from effects of energy-induced recessions
- Oklahoma is not immune to the effects of a global economic crisis



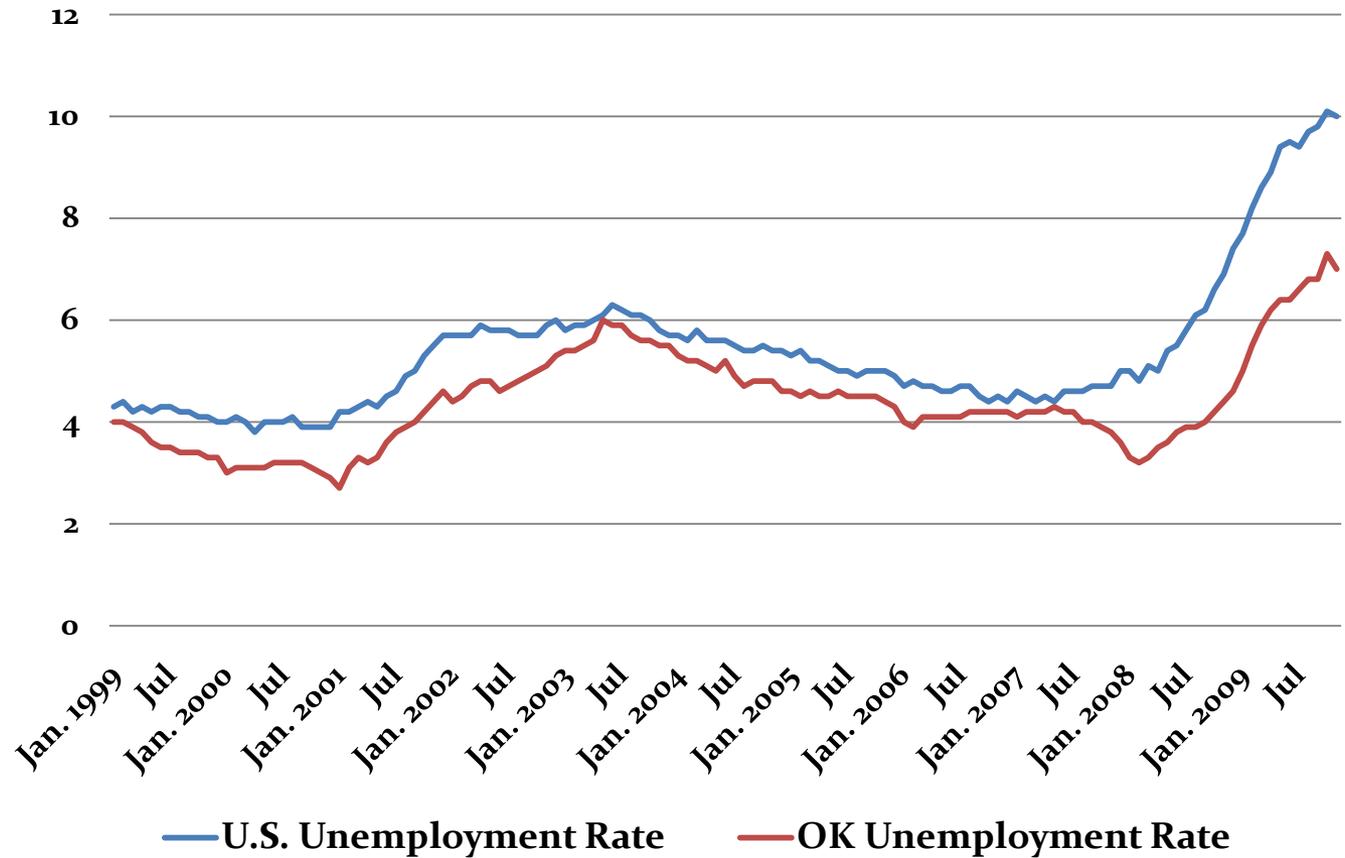


Oklahoma Monthly Employment Change





U.S. & OK Unemployment Rate



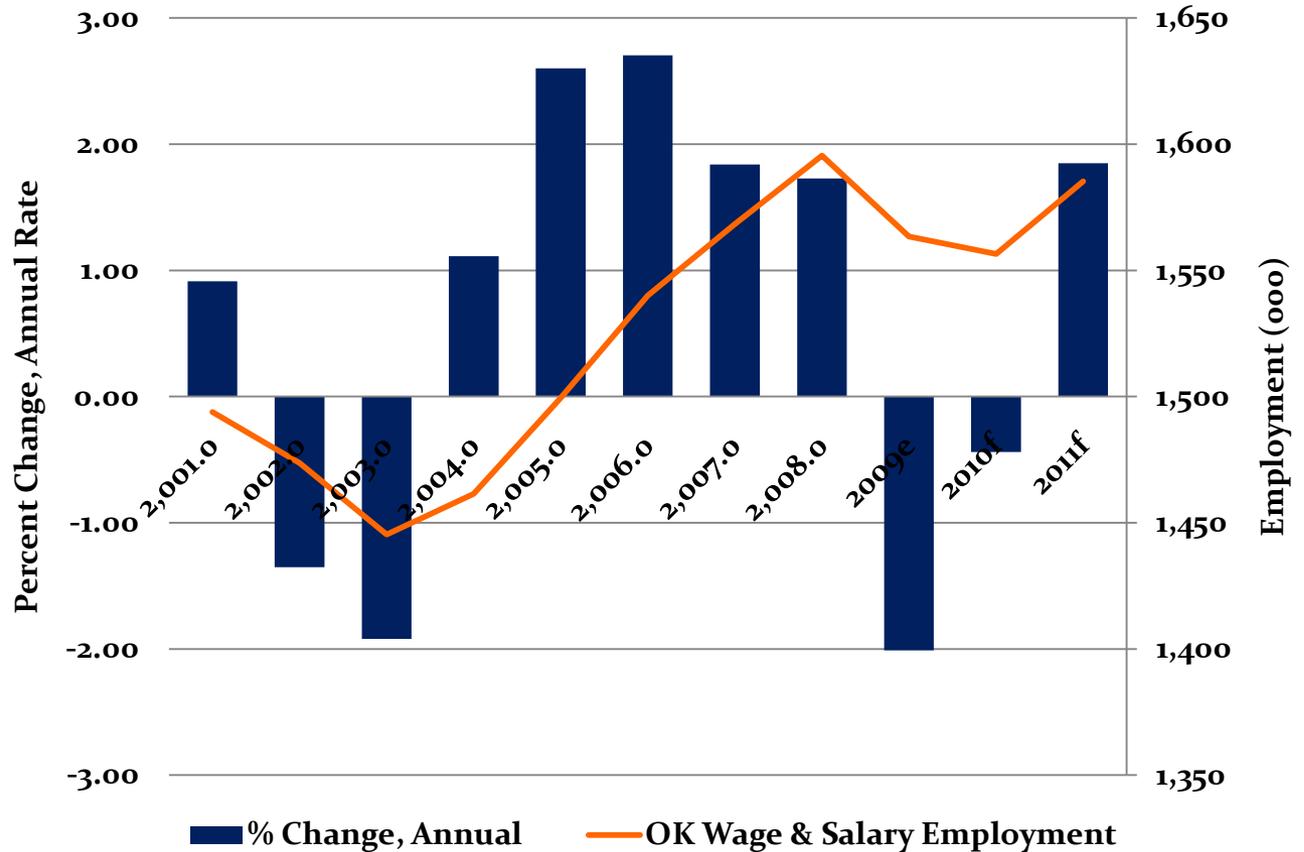
Oklahoma Select Economic Indicators

		Sector					
		2007	2008	2009e	2010f	2011f	
Labor Force	CES Non-Farm W&S Employment (Thou)	1,568.4 1.8%	1,595.5 1.7%	1,563.4 -2.0%	1,556.5 -0.4%	1,585.3 1.9%	
	BEA Total Employment (Thou)	2,145.0 2.6%	2,206.5 2.9%	2,202.1 -0.2%	2,190.5 -0.5%	2,220.2 1.4%	
	QCEW Wage & Salary Employment	1,534,715 1.8%	1,550,497 1.0%	1,503,811 -3.0%	1,495,194 -0.6%	1,521,618 1.8%	
	Unemployment Rate LAUS (%)	4.1 -1.4%	3.8 -6.3%	6.4 67.4%	7.1 11.9%	6.6 -7.7%	
	Real Personal Income (Chain2000 \$Mil)	117,419.6 1.6%	120,212.8 2.4%	118,265.3 -1.6%	119,691.6 1.2%	122,445.9 2.3%	
	Real Per Capita Personal Income (\$Thou)	32,543 0.5%	33,004 1.4%	32,209 -2.4%	32,357 0.5%	32,873 1.6%	
	Taxable Retail Sales (\$Mil)	41,511 5.7%	44,726 7.7%	40,940 -8.5%	40,918 -0.1%	42,386 3.6%	
	OK Individual Income Tax (\$Mil)	2,823.4 -1.7%	2,817.9 -0.2%	2,352.6 -16.5%	2,424.1 3.0%	2,579.5 6.4%	
	OFHEO OK Housing Price Index - Statewide	203.19 4.9%	209.61 3.2%	211.61 1.0%	214.69 1.5%	218.46 1.8%	
			^e Estimate ^f Forecast	2007	2008	2009e	2010f



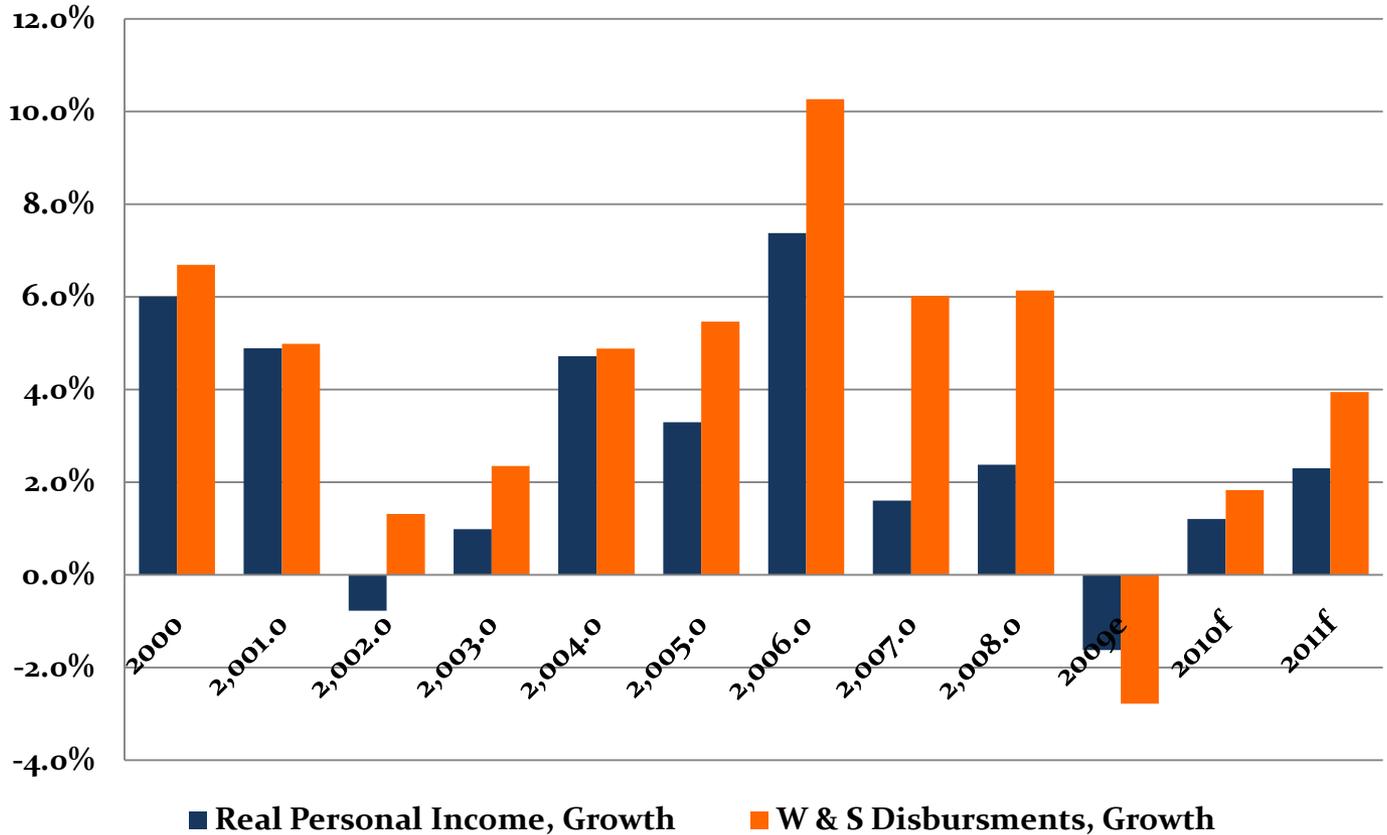


Oklahoma Wage & Salary Employment





Income and Salary Disbursements, Annual Growth





State Retail Sales

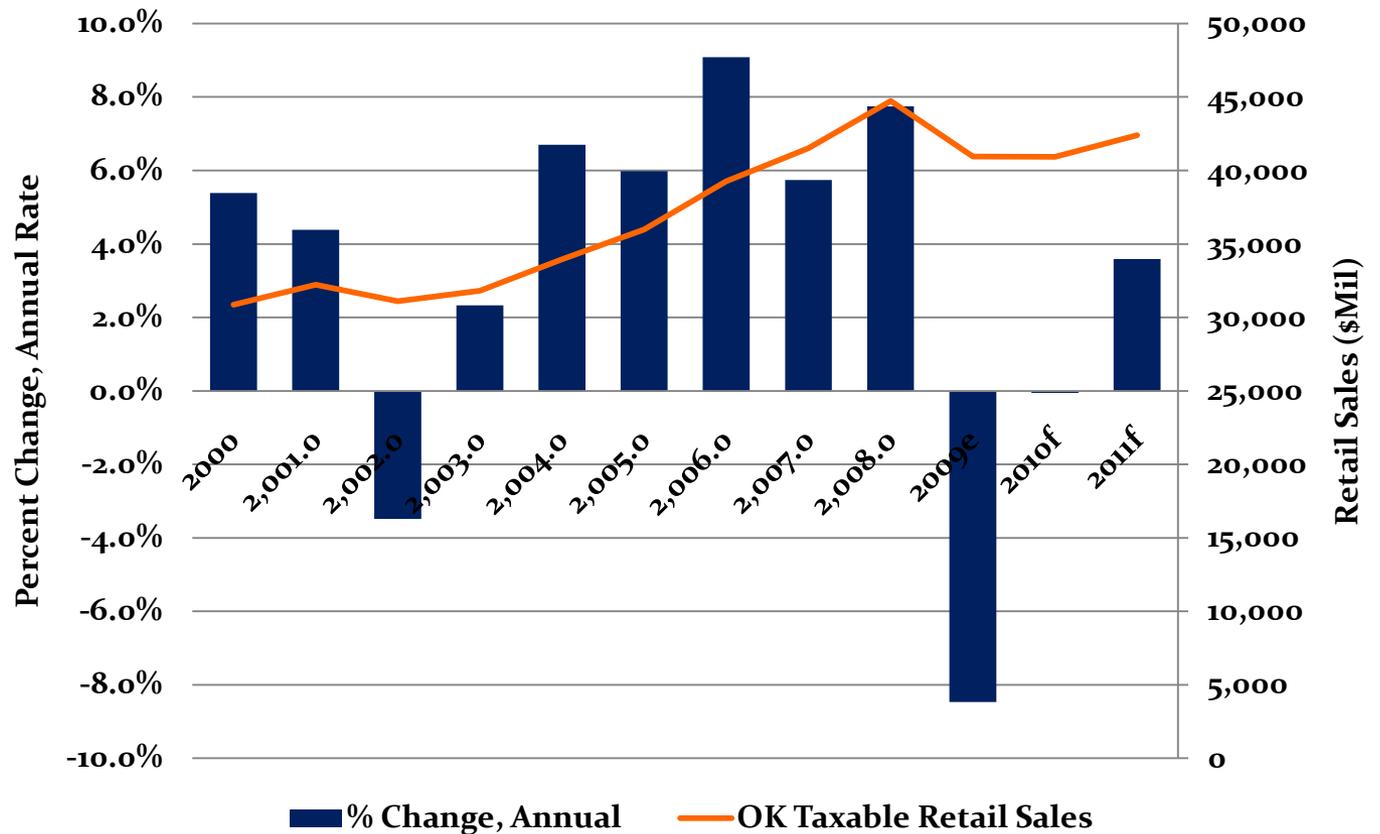




Figure 10: Owasso Wage & Salary Employment

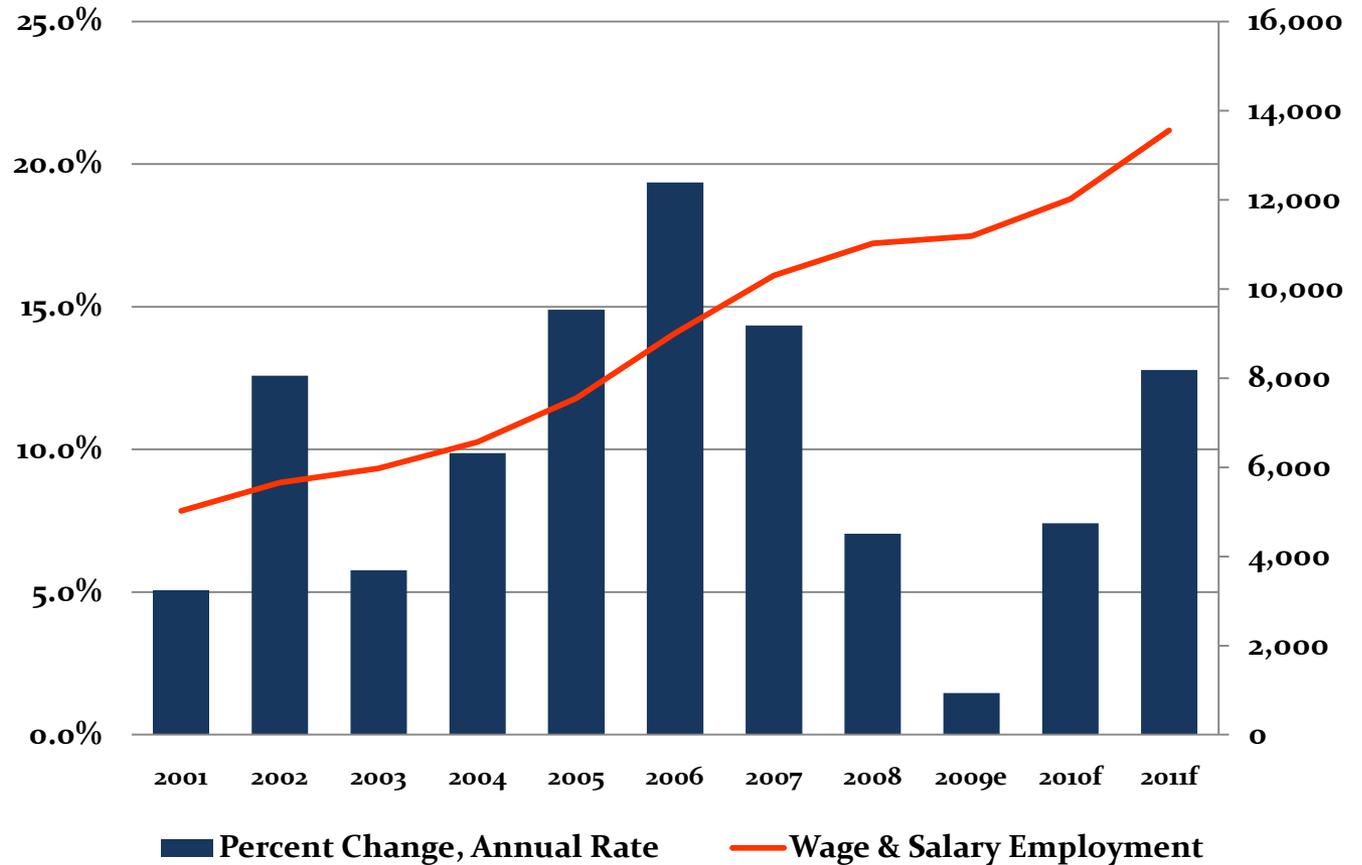




Figure 11: Owasso Construction Employment

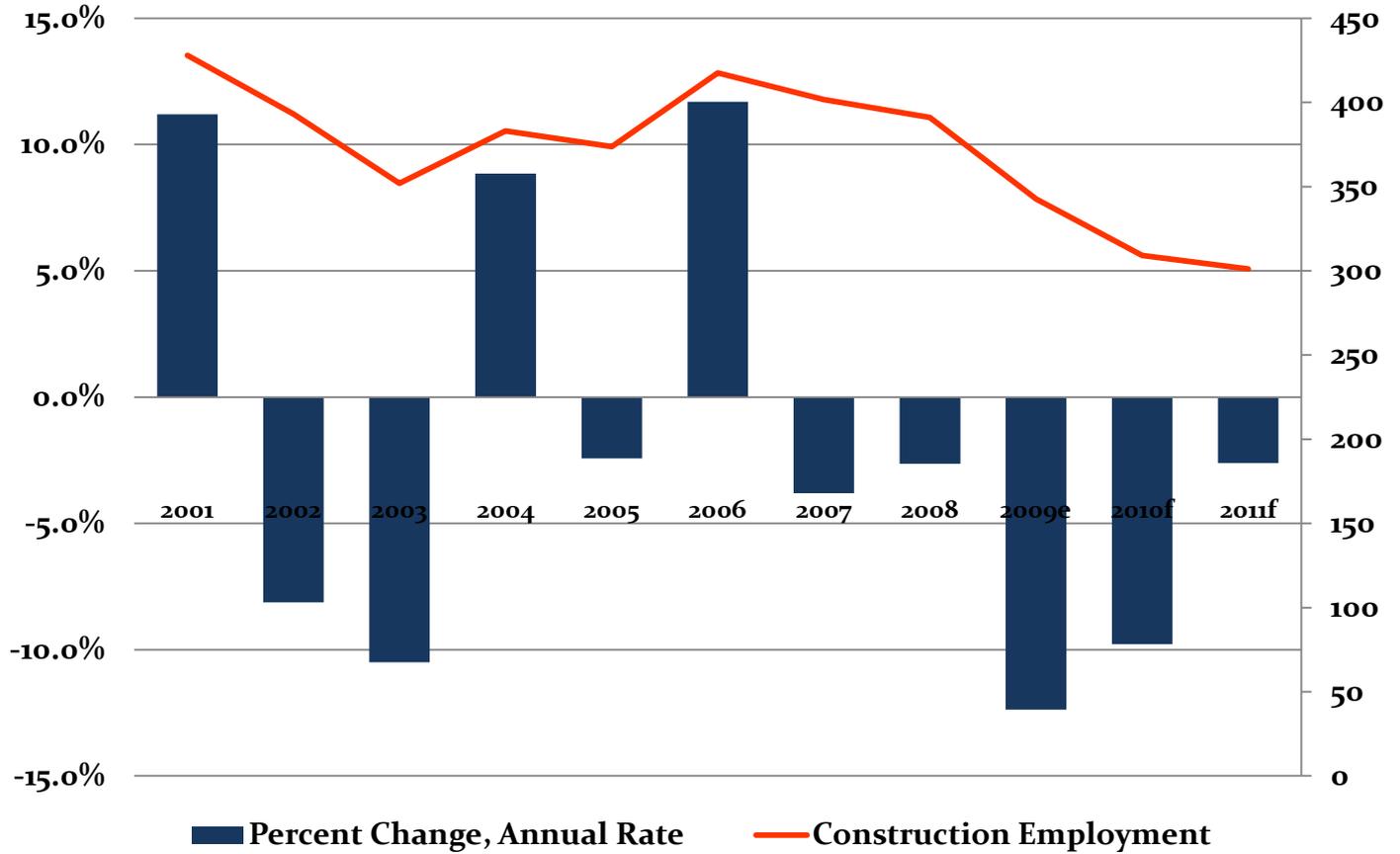




Figure 12: Trade, Transportation, and Utilities

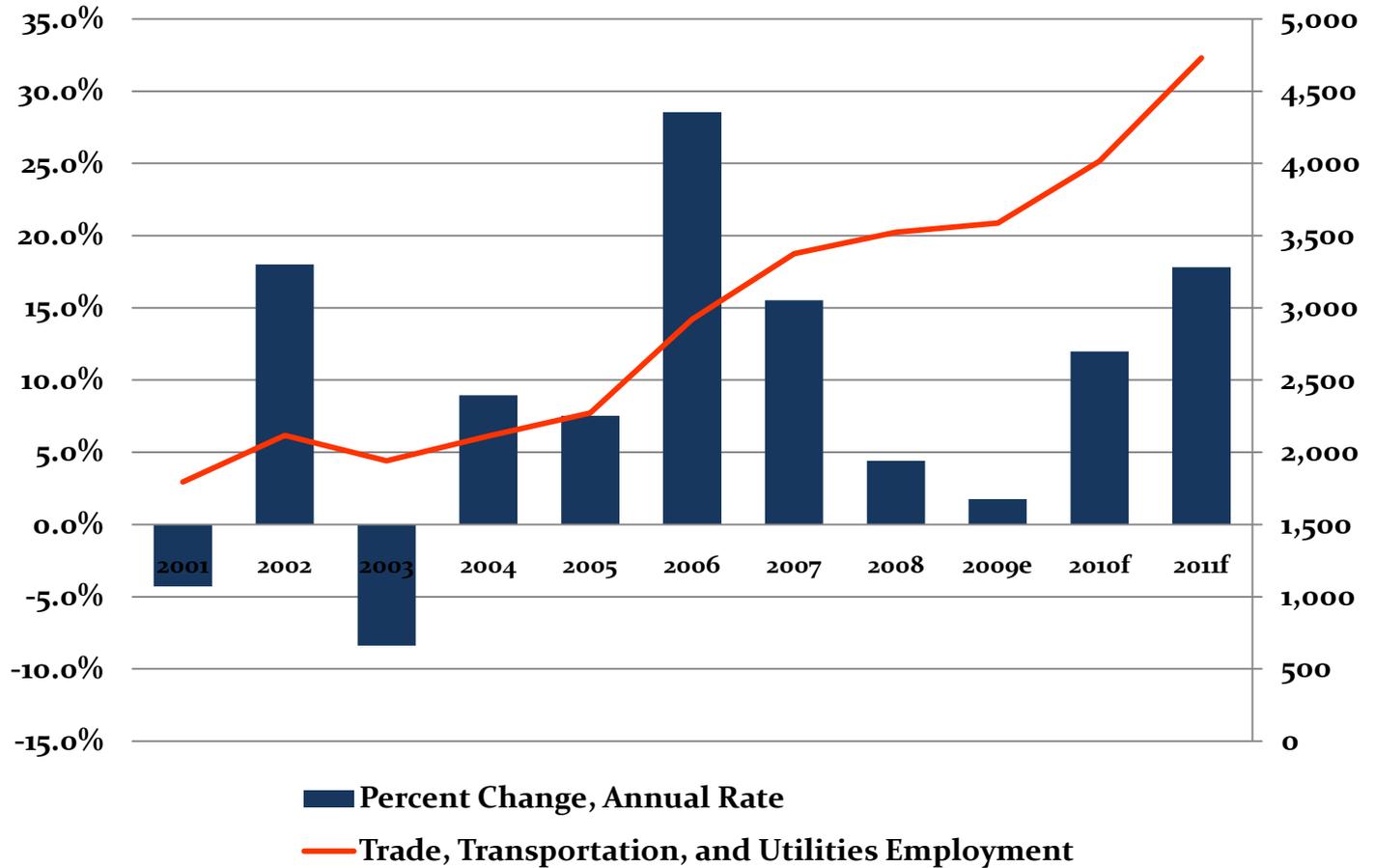




Figure 13: Leisure & Hospitality Employment

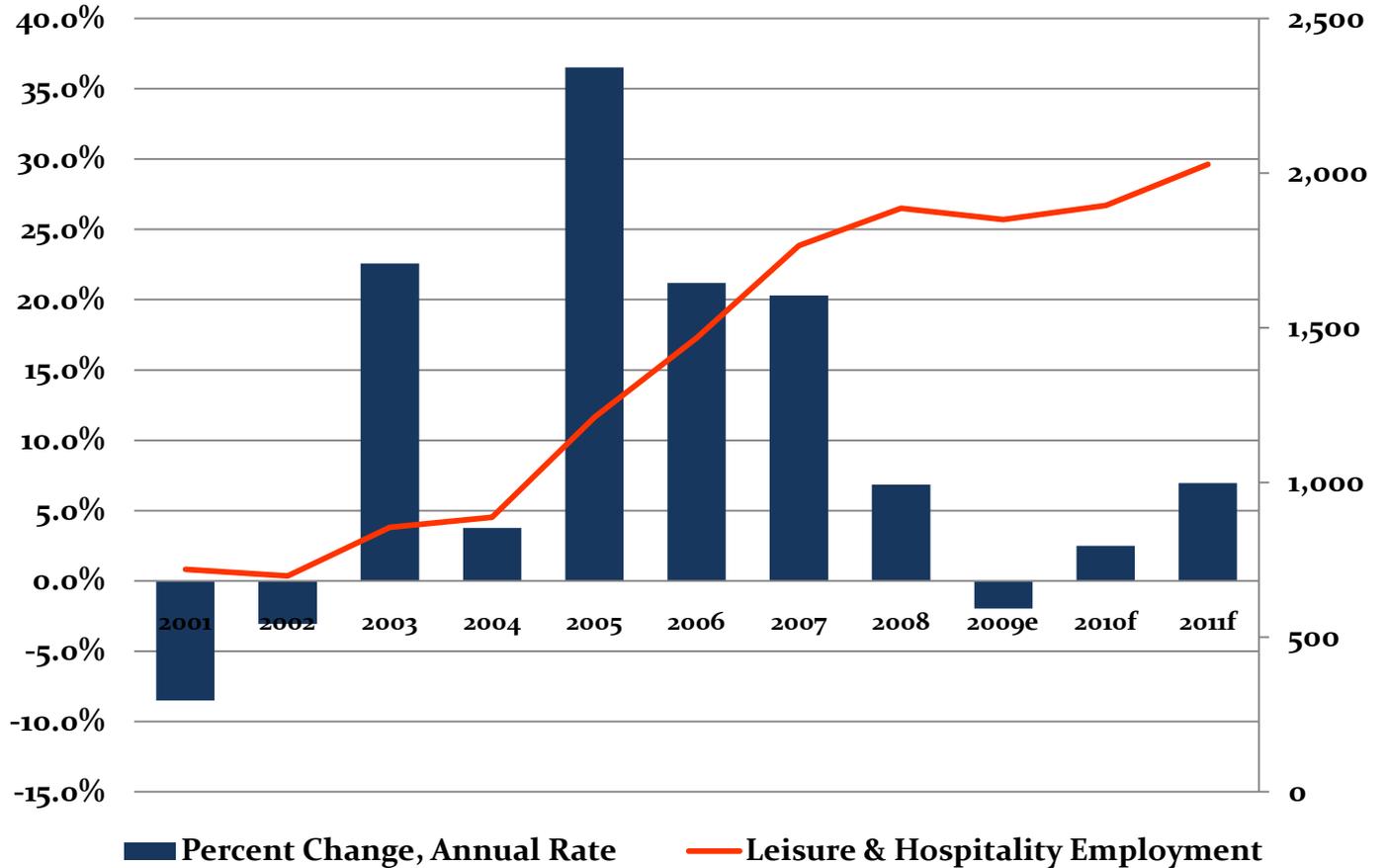




Figure 14: Education and Health Services Employment

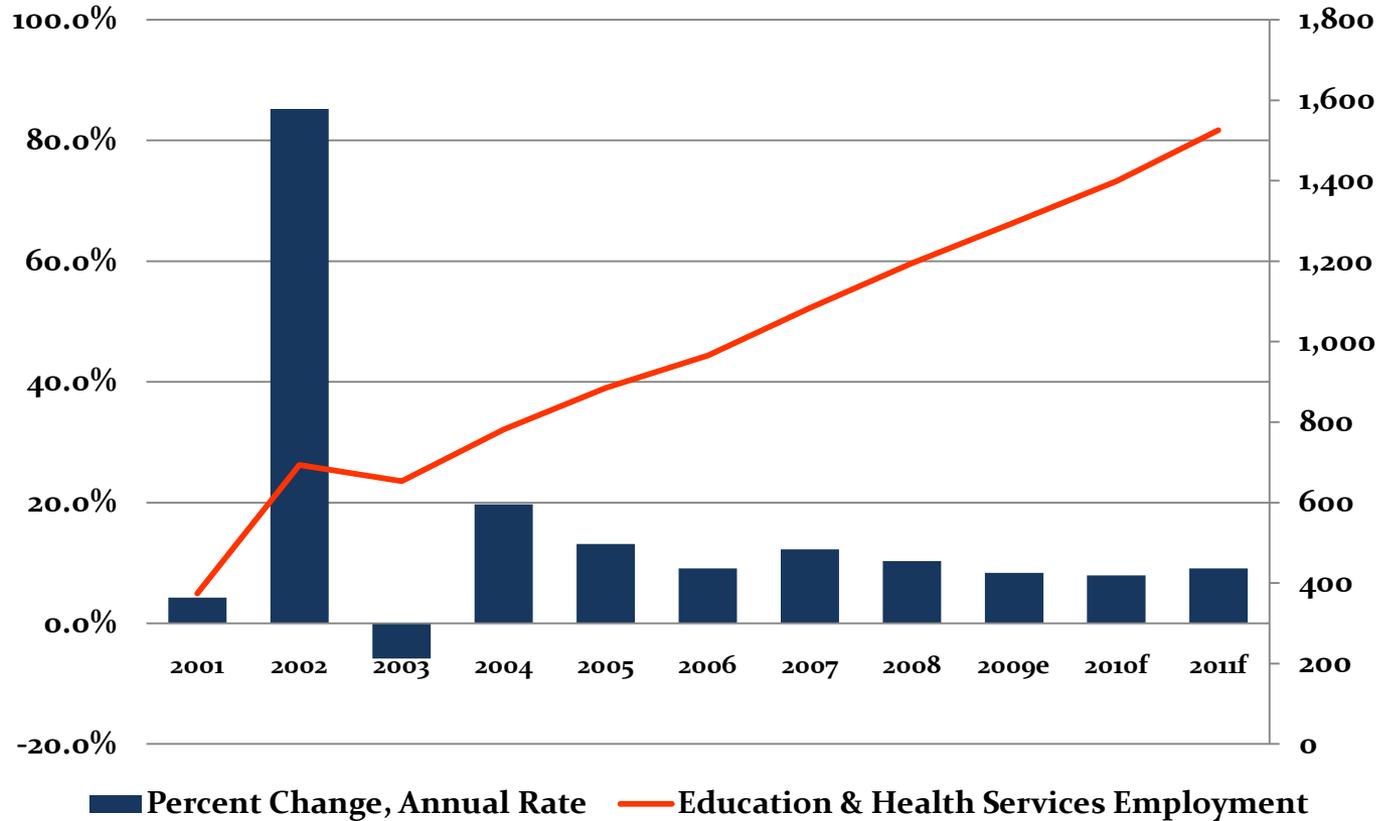




Figure 15: Sales Tax: Month over Month Percent Change

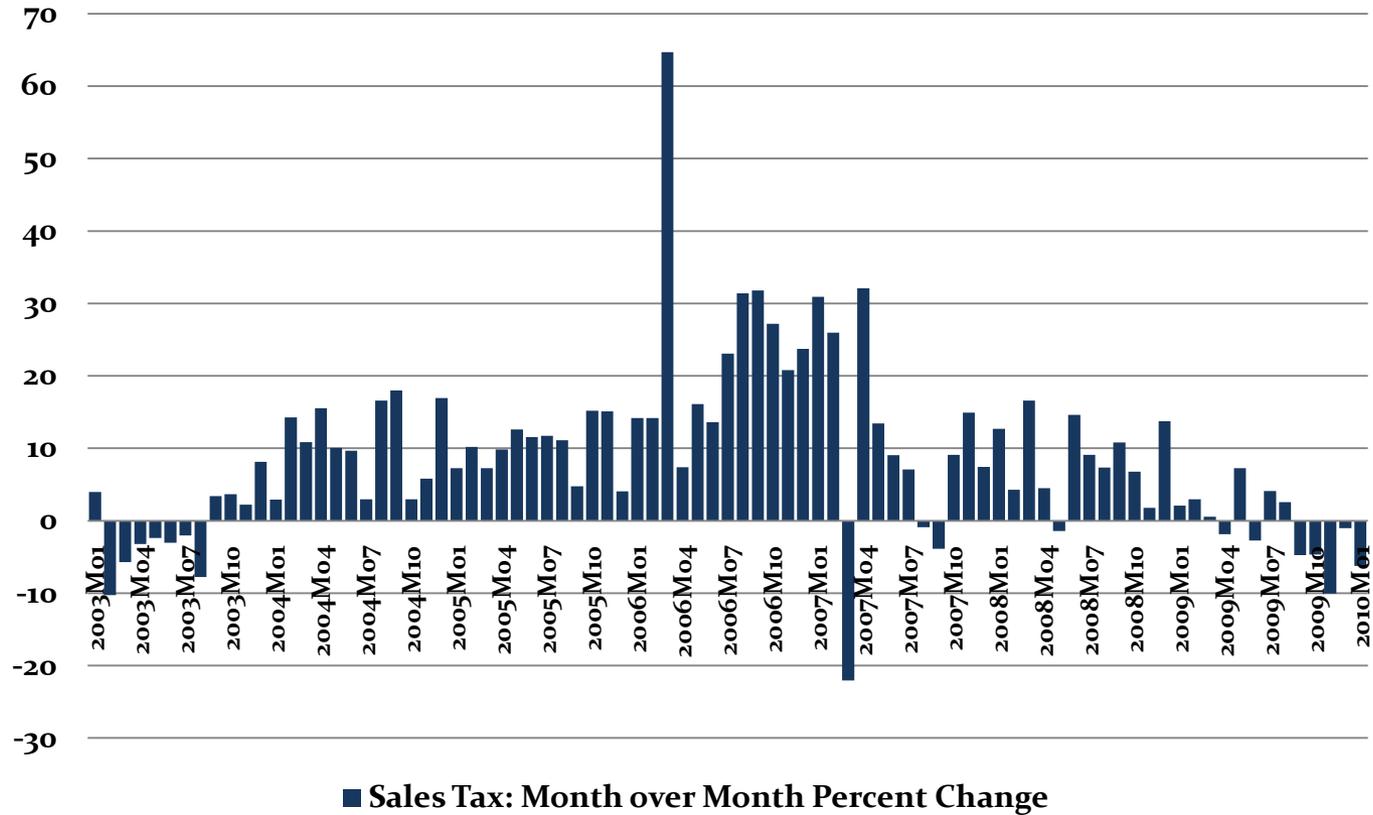




Figure 16: Taxable Retail Sales

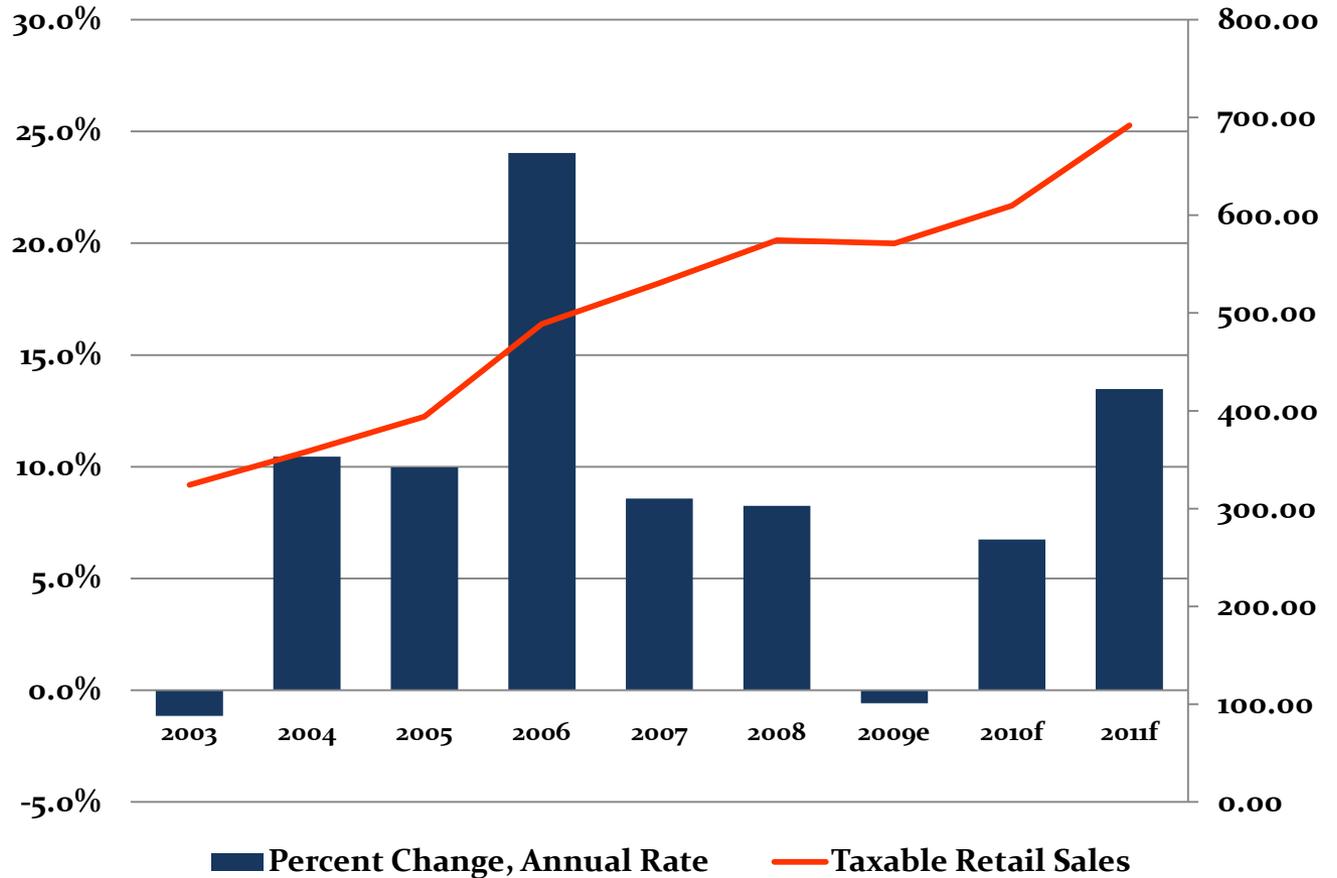
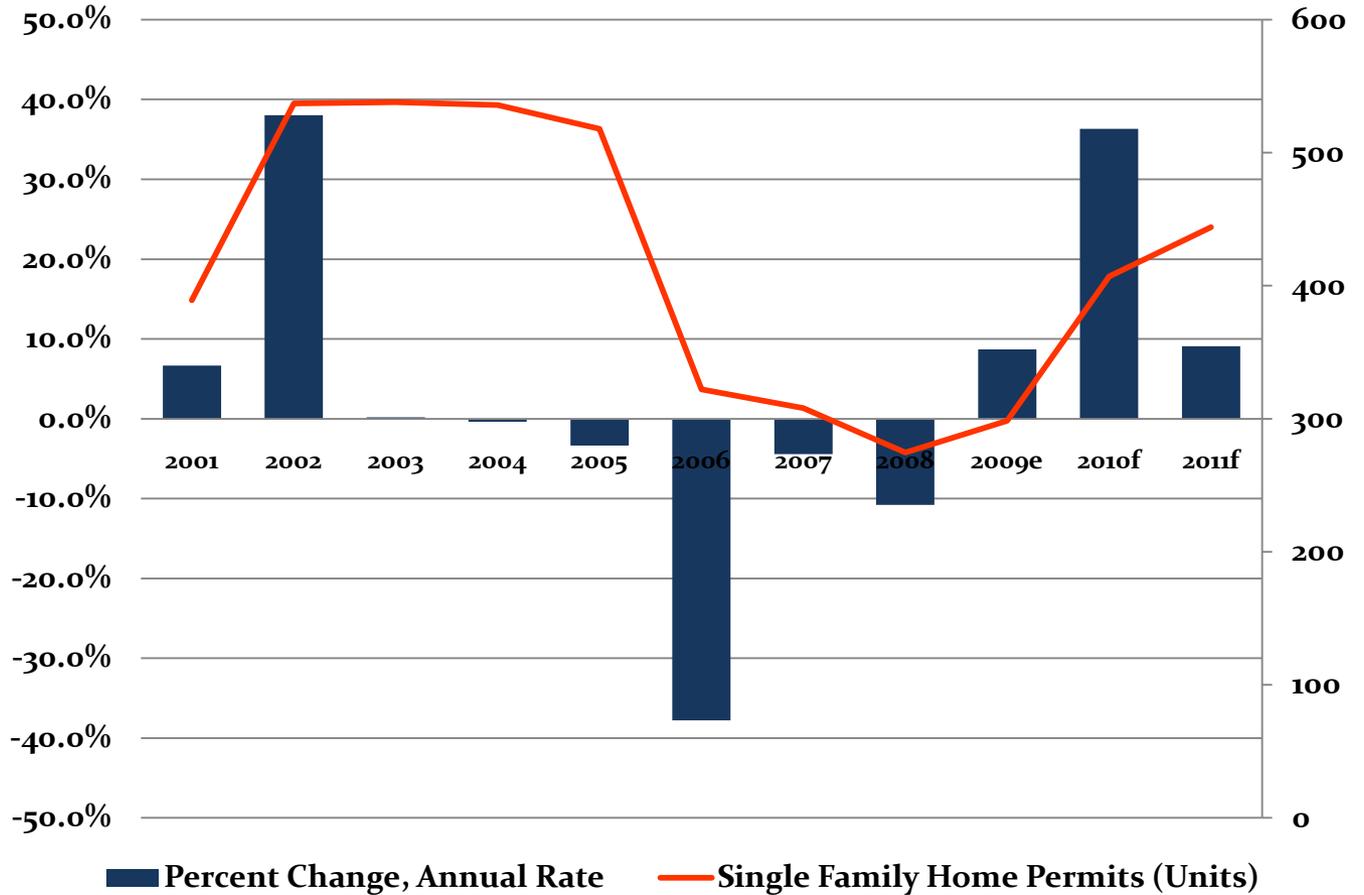




Figure 17: Single Family Home Permits (Units)





2010 Oklahoma Outlook

- Patience is key as the world recovers from credit crisis
- Oklahoma needs a steady and robust recovery in global activity; not volatility, currency unease, and fluctuating commodity prices

