

The Fed and the Economy in the U.S. and Oklahoma



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Overview of the Federal Reserve System

- **The “Fed” consists of three main entities:**
 - Board of Governors: 7 members appointed by U.S. President
 - Federal Reserve Banks: 12 total; semi-independent by design
 - Federal Open Market Committee: 19 members; 12 voting

- **As with most central banks, the Fed’s primary responsibilities fall within four general areas:**
 - Lender of last resort – provide liquidity in times of crisis
 - Monetary policy – promote full employment and low inflation
 - Bank regulation – ensure safety and soundness of banks
 - Financial services – bank for banks, bank for federal govt.



Federal Reserve Districts and Office Locations



The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- **Functions – 35 staff**

- **Economic research and outreach** for U.S. monetary policy purposes
- **Examinations and inspections** of Oklahoma financial institutions
- **Economic and financial education outreach** to teachers and citizens
- **Community development outreach** to low and moderate income areas

- **2012 board of directors**

- **Jim Dunn (Chair)**, Chairman, Mill Creek Lumber and Supply, Tulsa
- **Linda Capps**, Vice Chairman, Citizen Potawatomi Nation, Shawnee
- **Pete Delaney**, Chairman, CEO, & President, OGE Energy Corp., OKC
- **Jacque Fiegel**, Senior EVP and COO, Coppermark Bank, OKC
- **Doug Tippens**, President and CEO, Bank of Commerce, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville
- **Rose Washington**, Exec. Director, Tulsa Economic Development Corp.

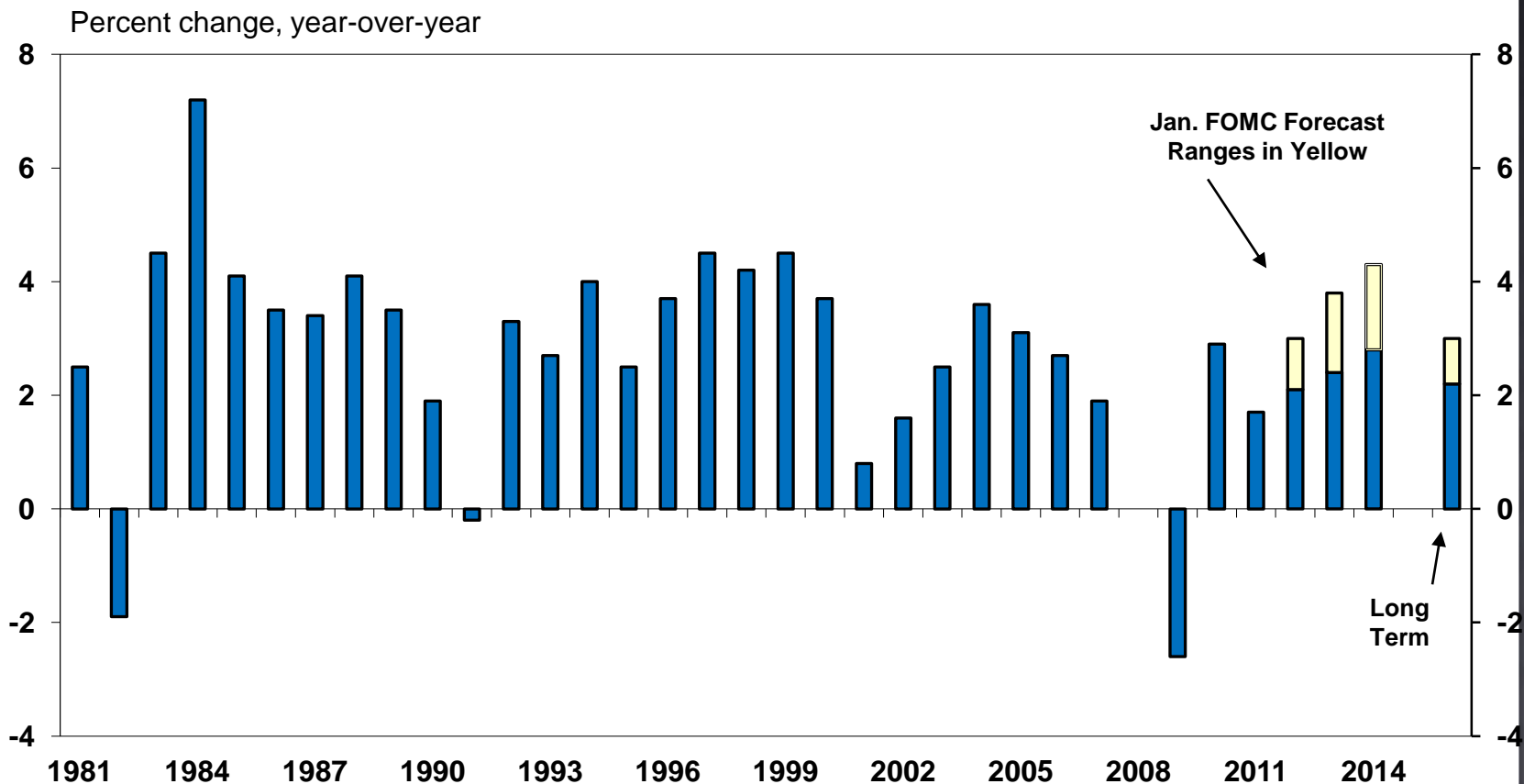


The U.S. Economy



At its recent meeting, the FOMC expected solid GDP growth in 2012

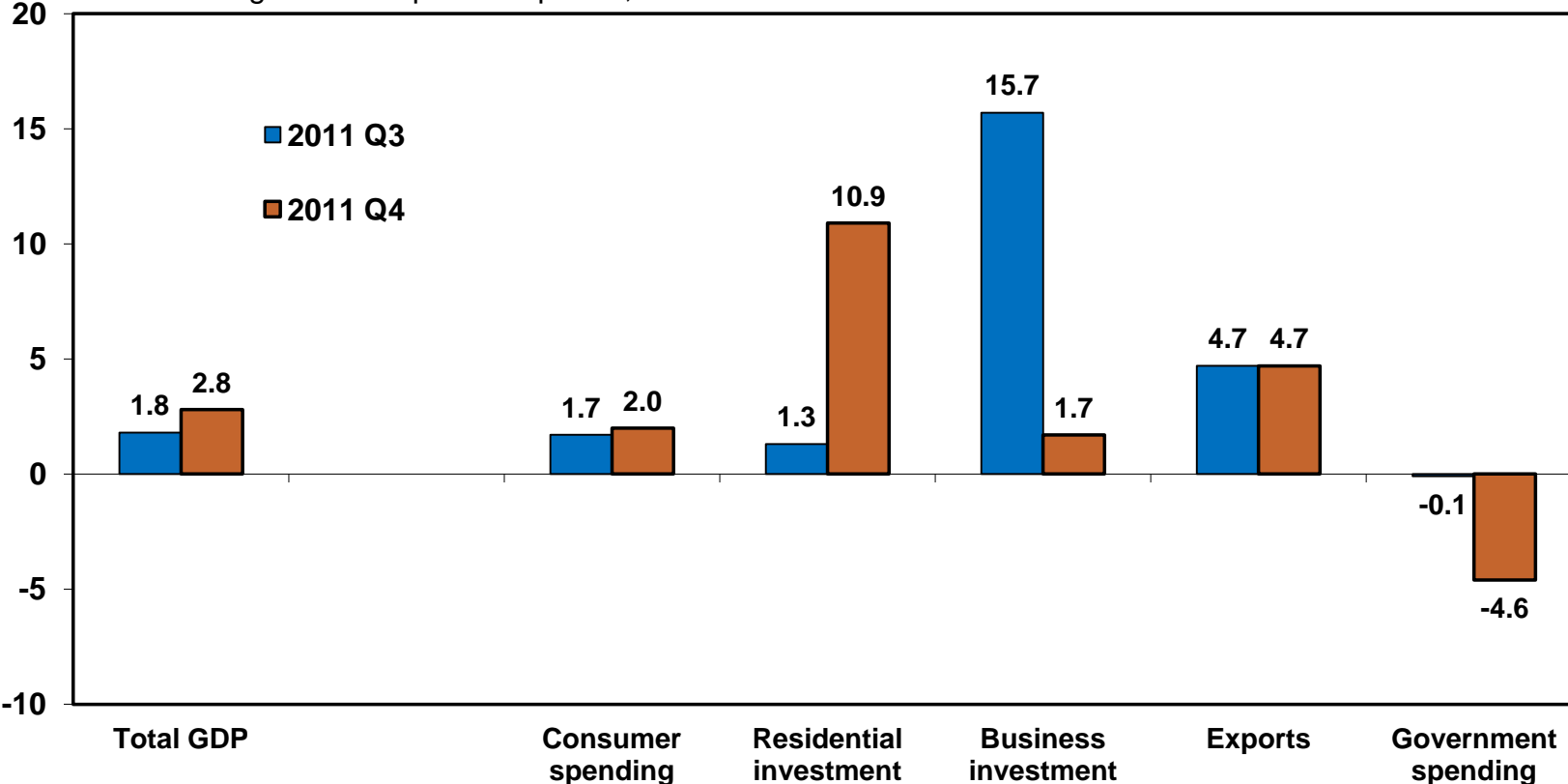
Real Gross Domestic Product



Recent growth is due to better consumer spending and housing investment

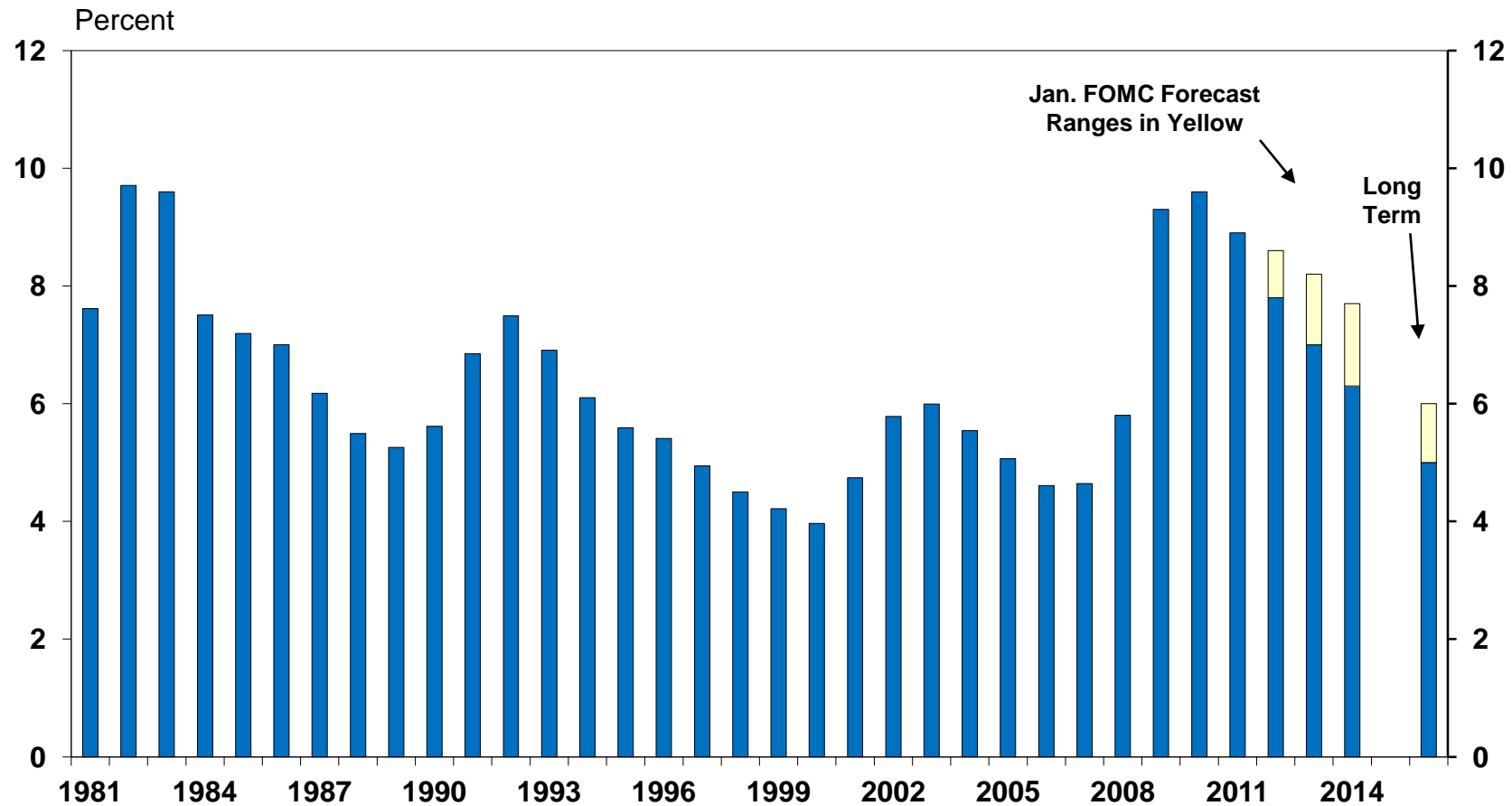
Growth in Components of Real GDP

Percent change from the previous period, SAAR



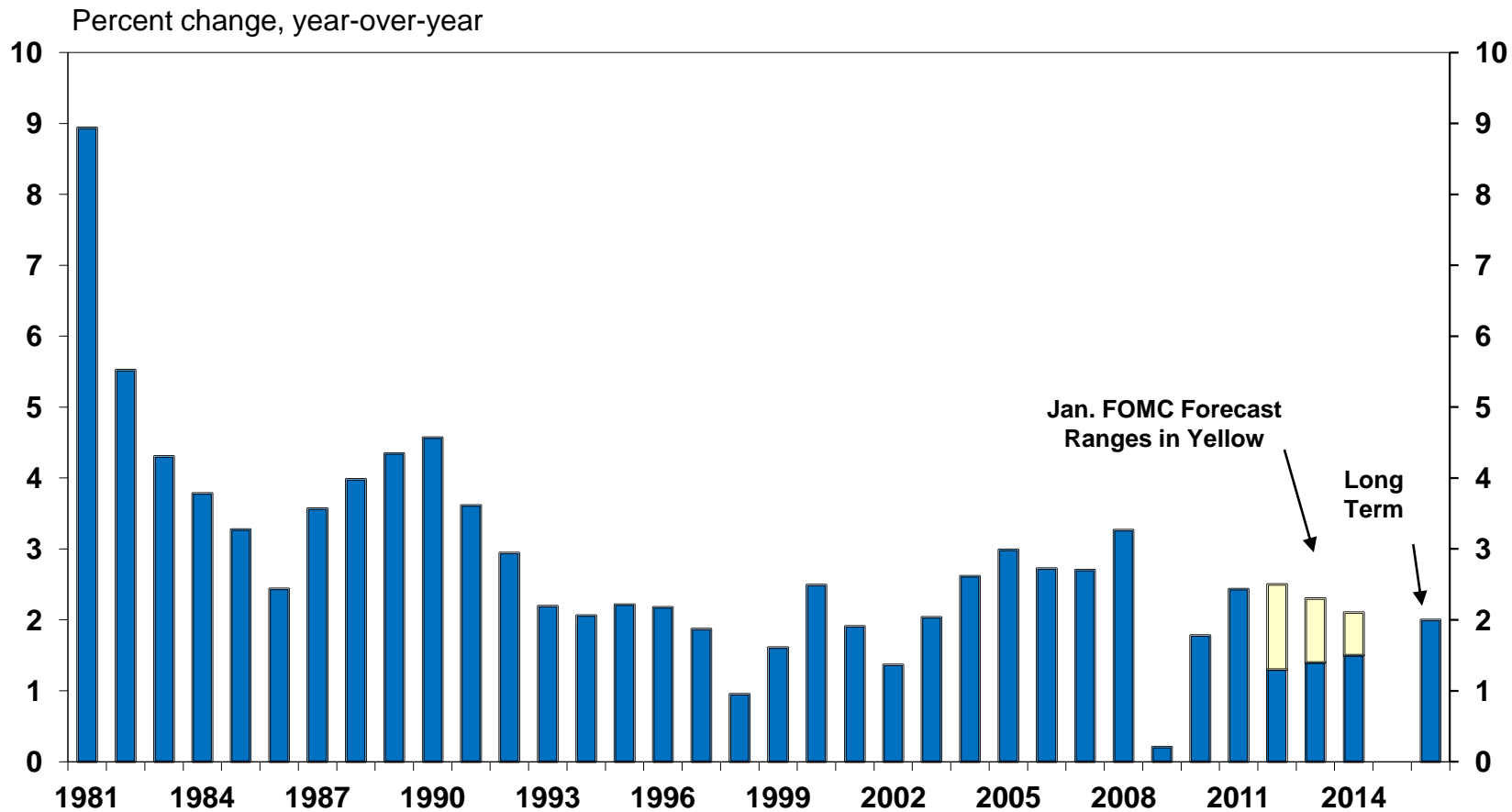
Unemployment is expected to only come down slowly the next few years

Unemployment Rate
Seasonally Adjusted



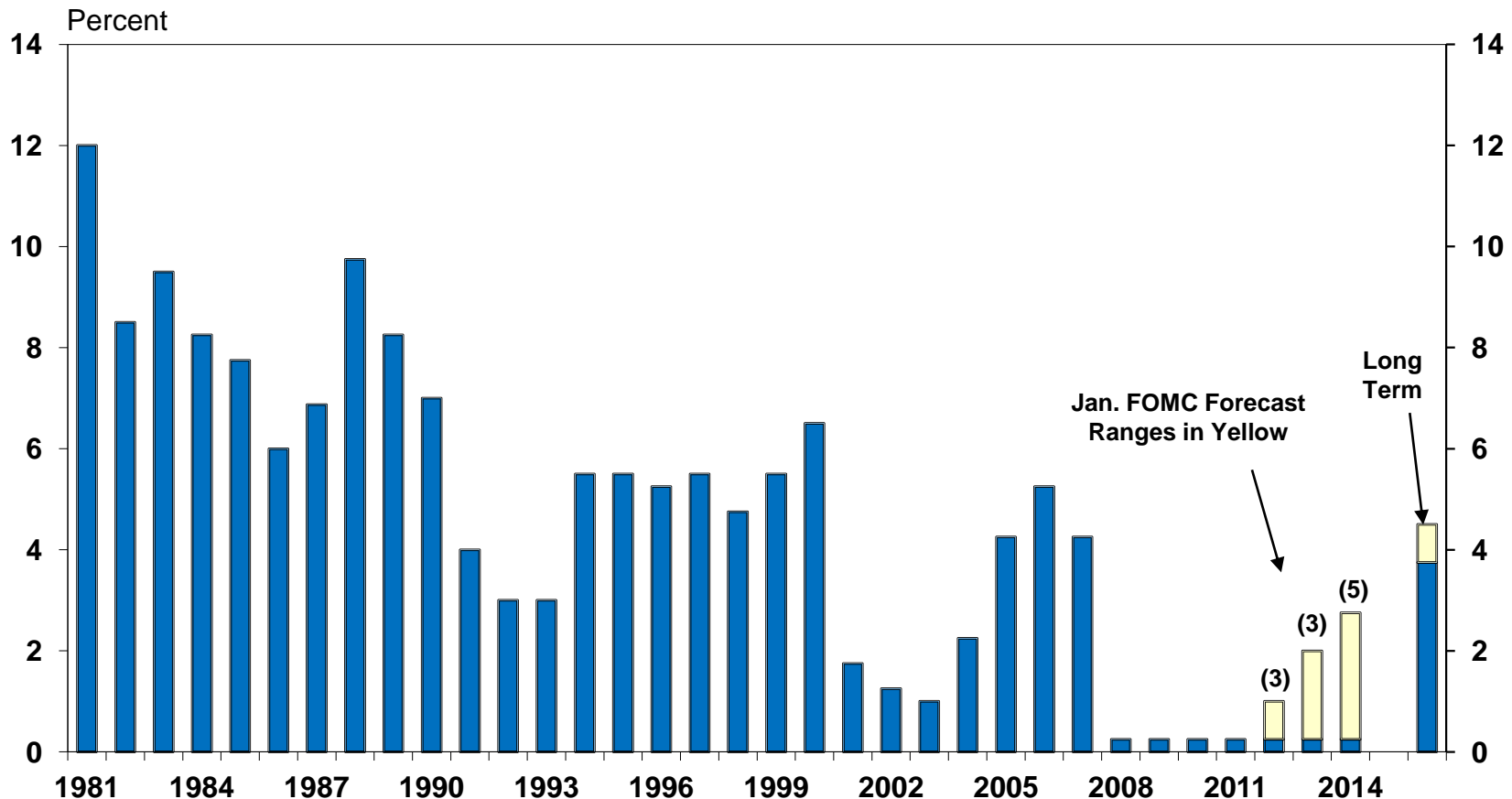
And inflation pressures should ease slightly after rising with oil and food prices in 2011

PCE Inflation Index



For the first time, the FOMC also released forecasts for interest rates

Federal Funds Rate
Year-end target



Note – Number of participants who project the initial increase will occur in the specified year in parenthesis

Source: U.S. Bureau of Economic Analysis, FOMC



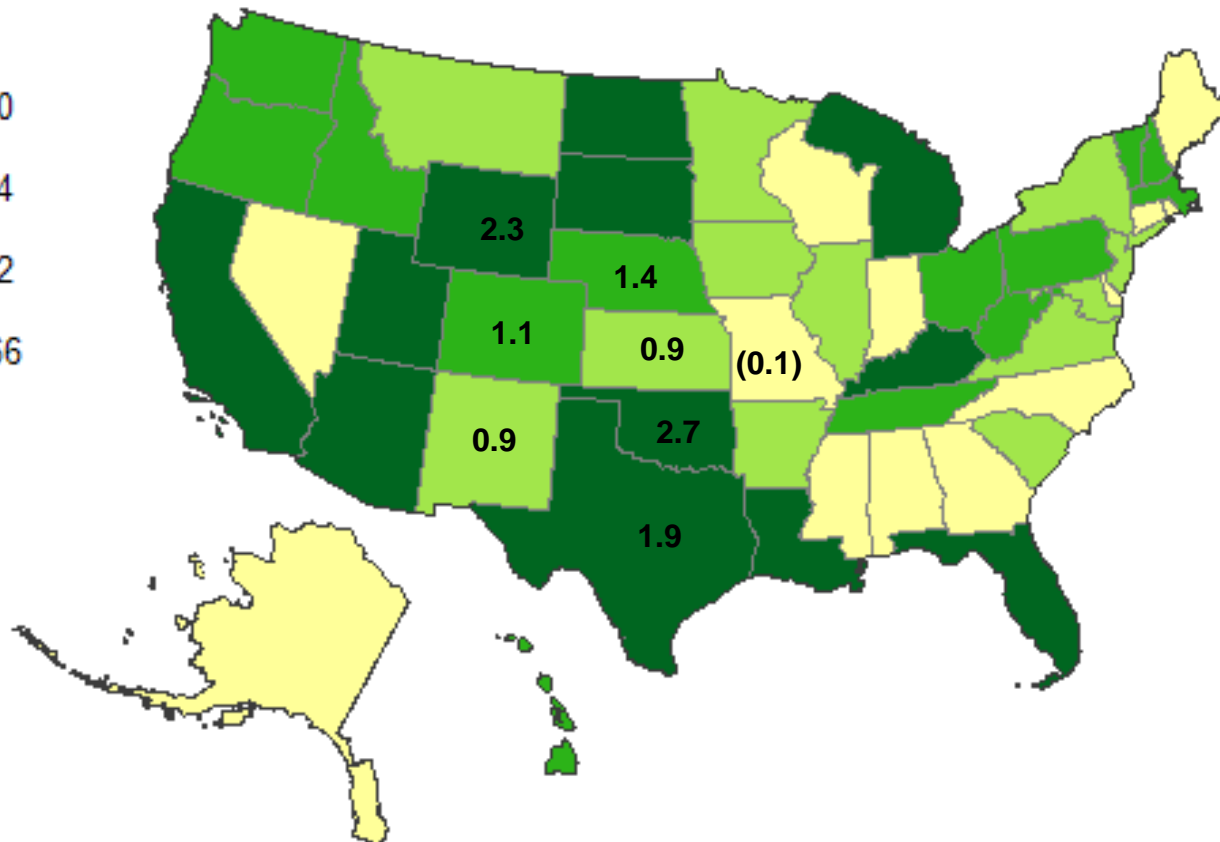
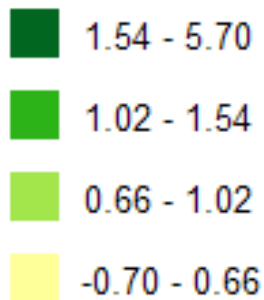
The Oklahoma Economy



There is considerable variation in economic strength across the nation

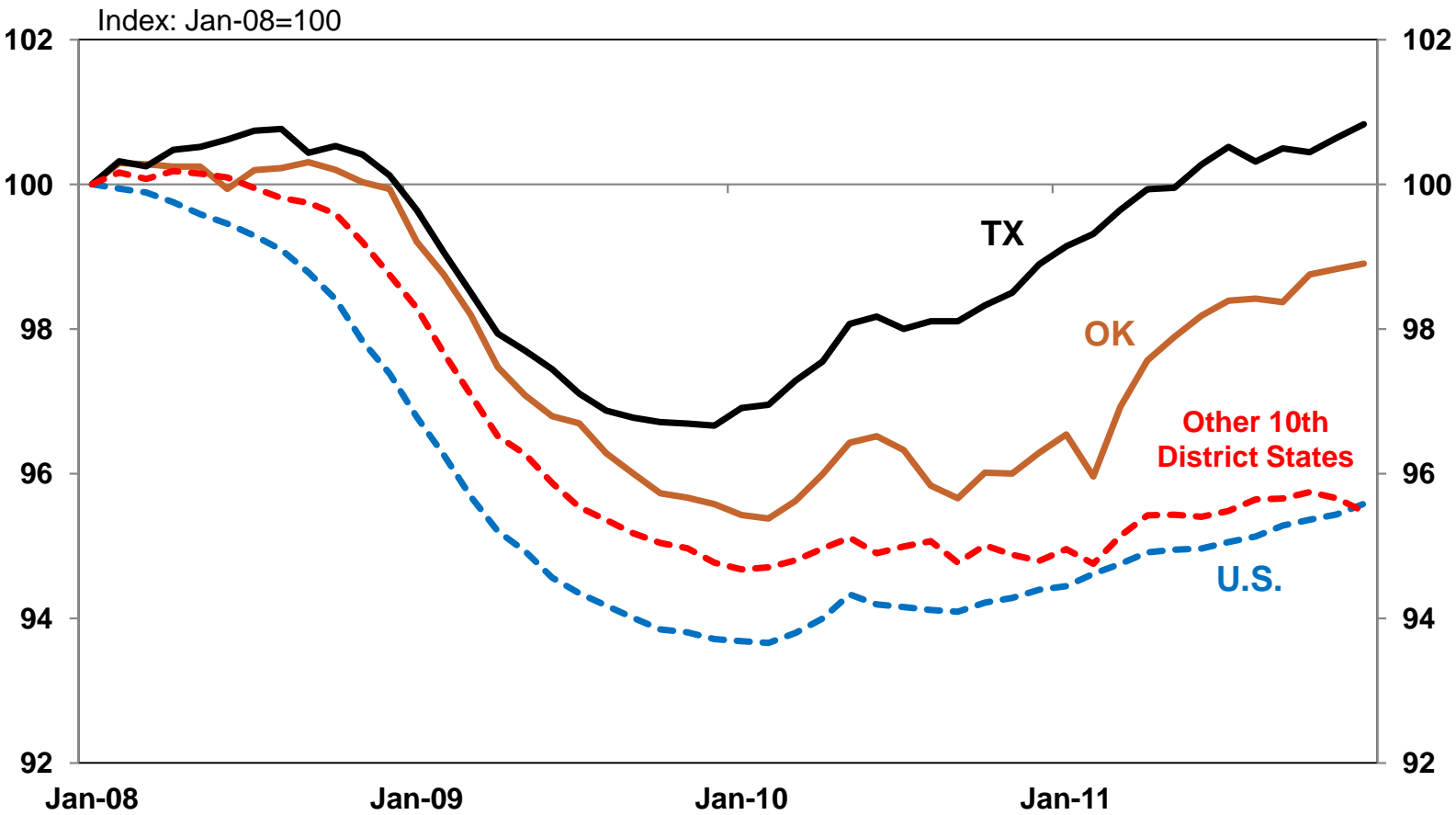
Employment Growth, Year-over-Year (percent)
December 2011

Scale



The level of jobs in Oklahoma is nearly back to pre-recession levels, unlike the U.S.

Level of Payroll Employment

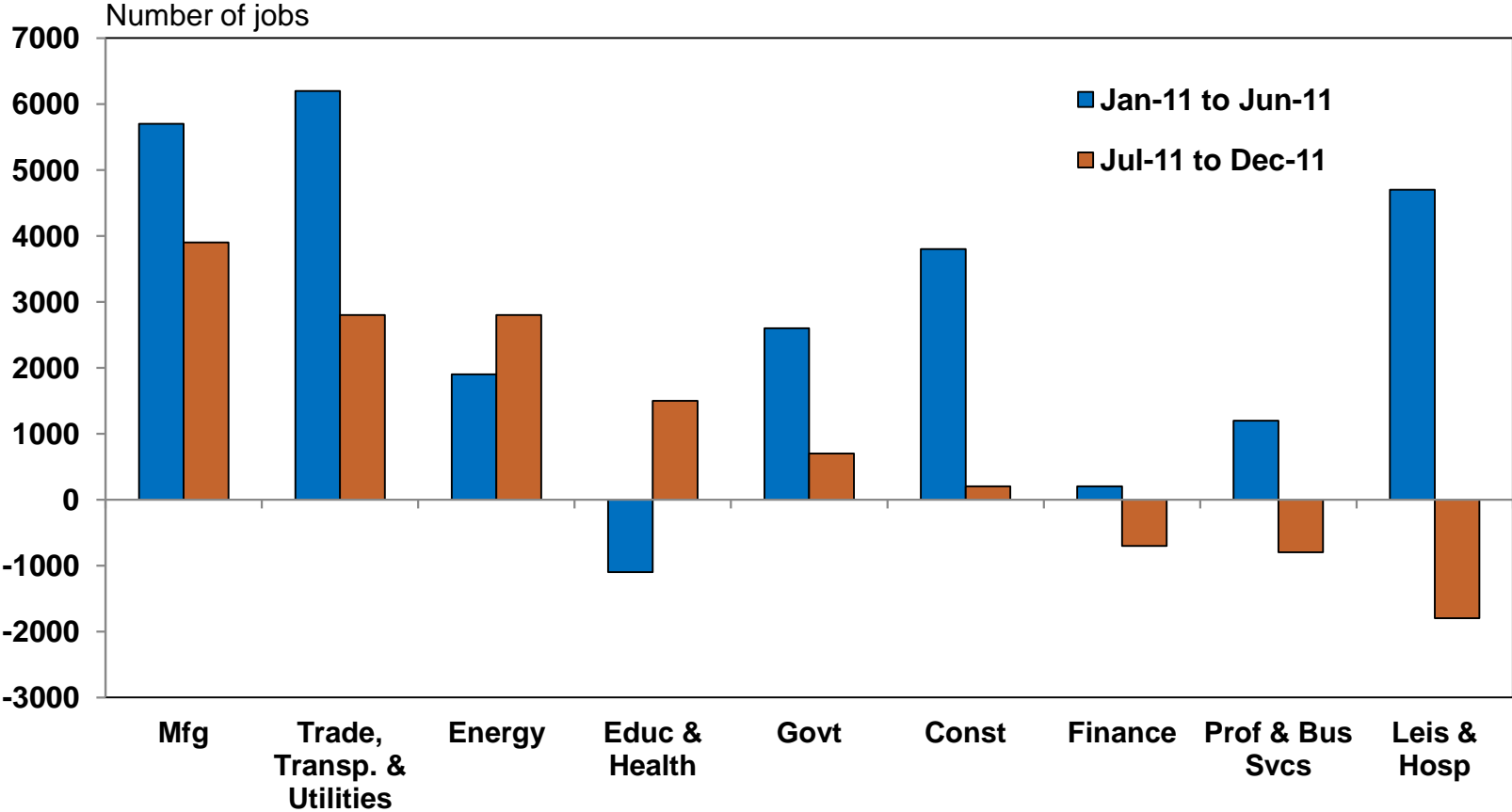


Source: U.S. Bureau of Labor Statistics



Growth in most Oklahoma sectors slowed in second half 2011, except energy and health

Oklahoma Employment Growth

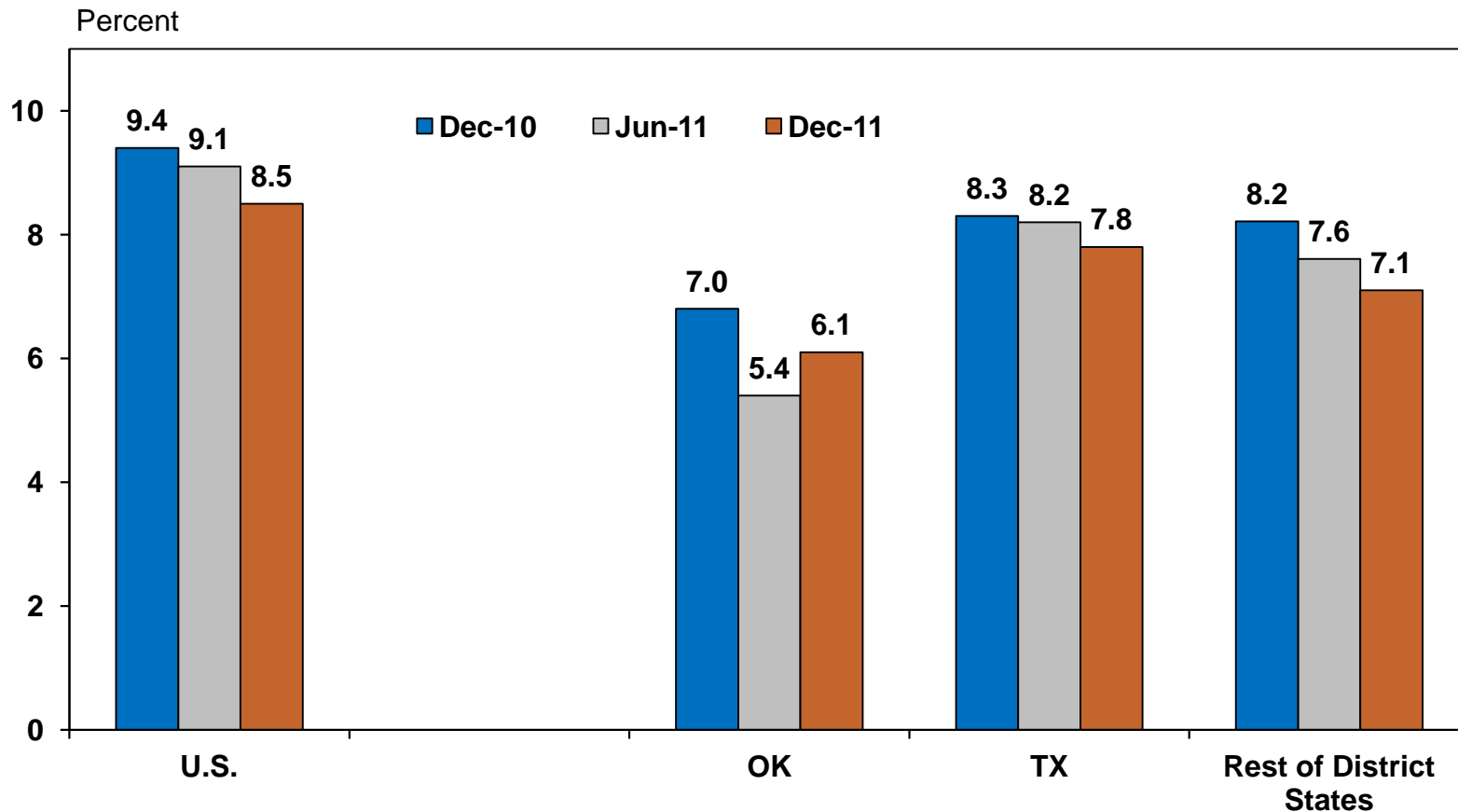


Source: Bureau of Labor Statistics

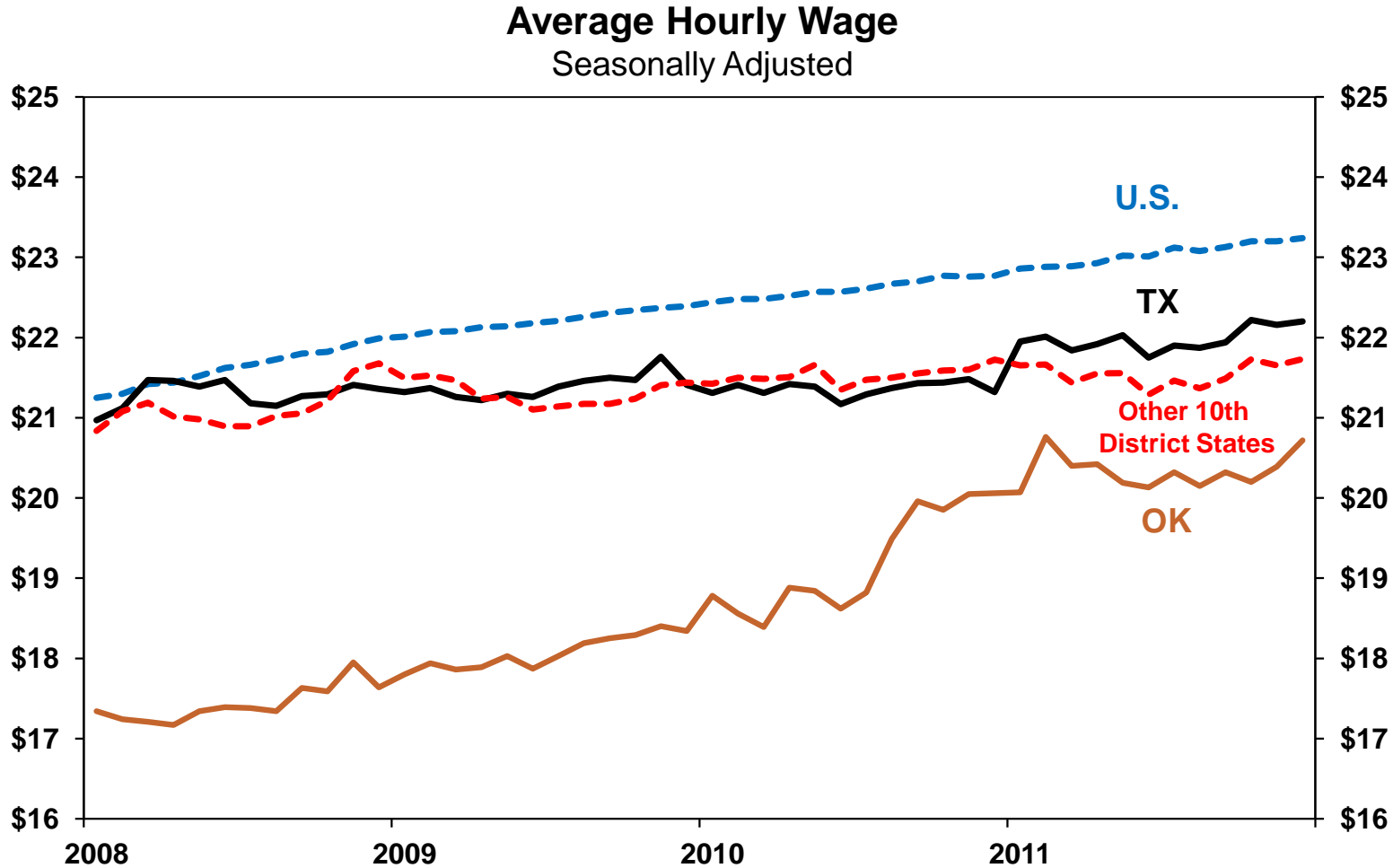


Oklahoma's unemployment rate has risen, as workers resume searching for jobs

Unemployment Rate Seasonally Adjusted*

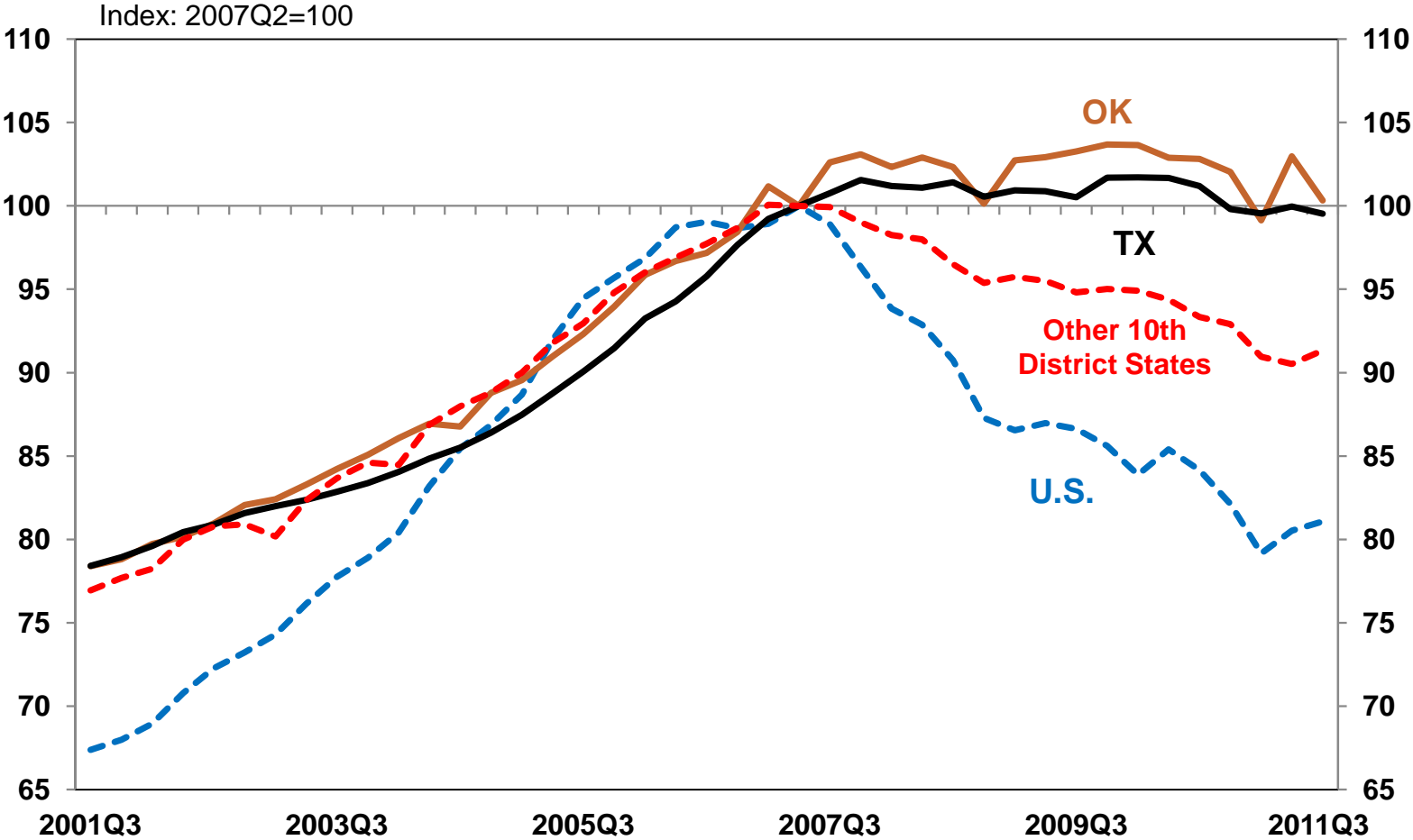


Oklahoma wages are catching up to those in surrounding states and the nation as a whole



And home prices have held up considerably better than in the nation as a whole

Home Price Index Purchase-Only

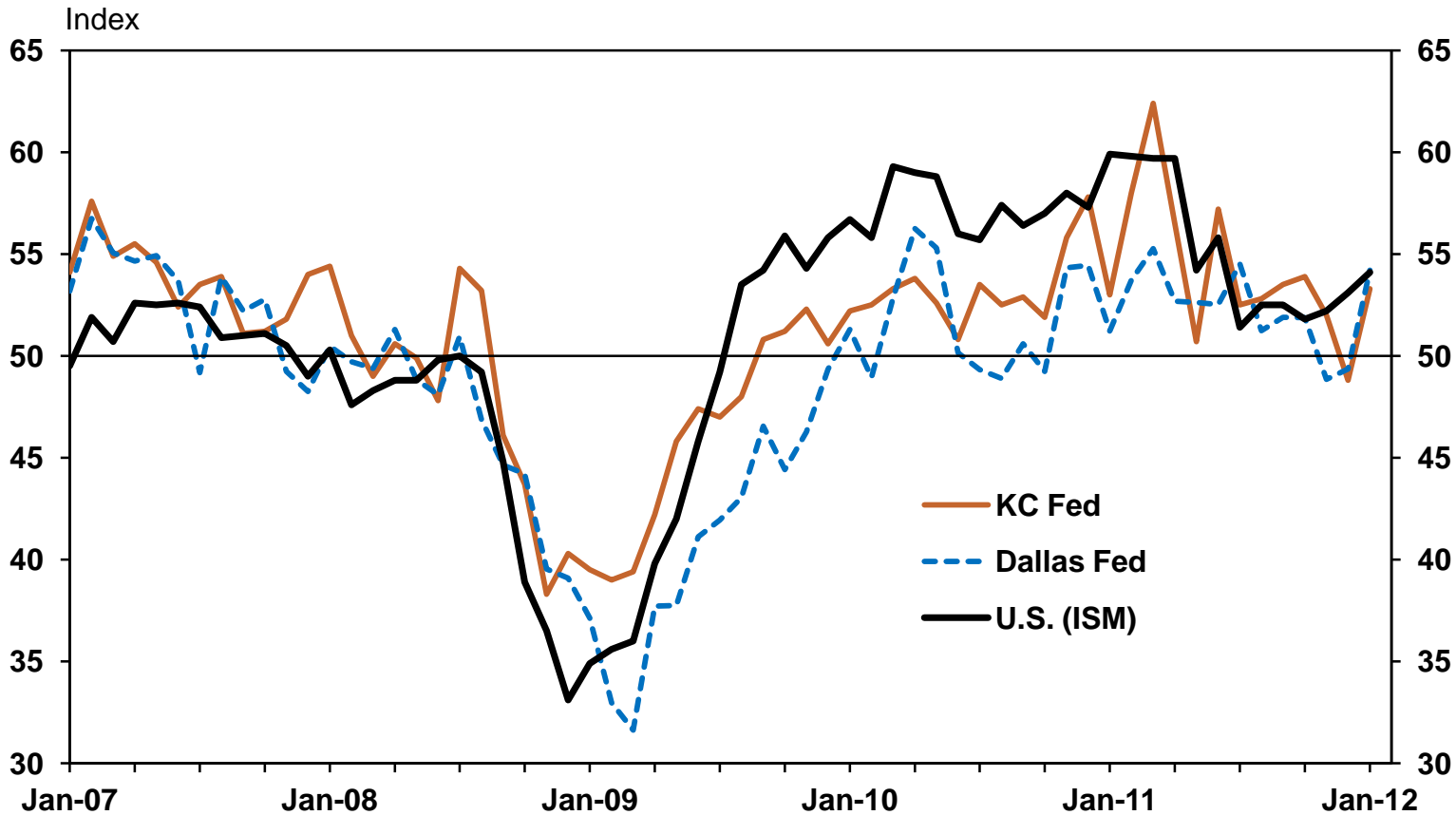


Source: FHFA



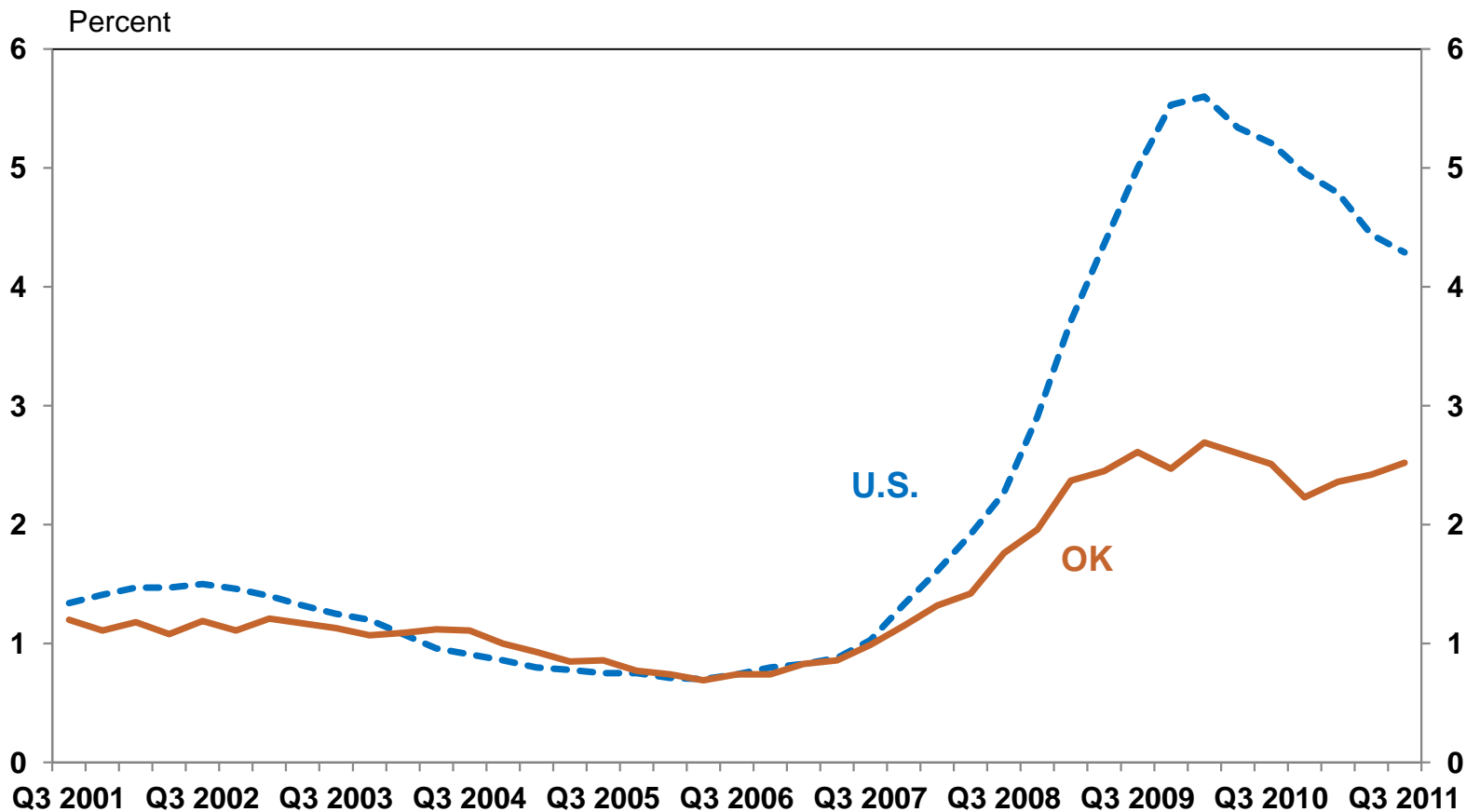
January data on regional and national manufacturing shows moderate growth

Manufacturing Composite Activity
Seasonally Adjusted



Problem loans are still elevated, but OK banks are in much better shape than U.S.

Noncurrent Loans as a Share of Total Loans
Commercial Banks

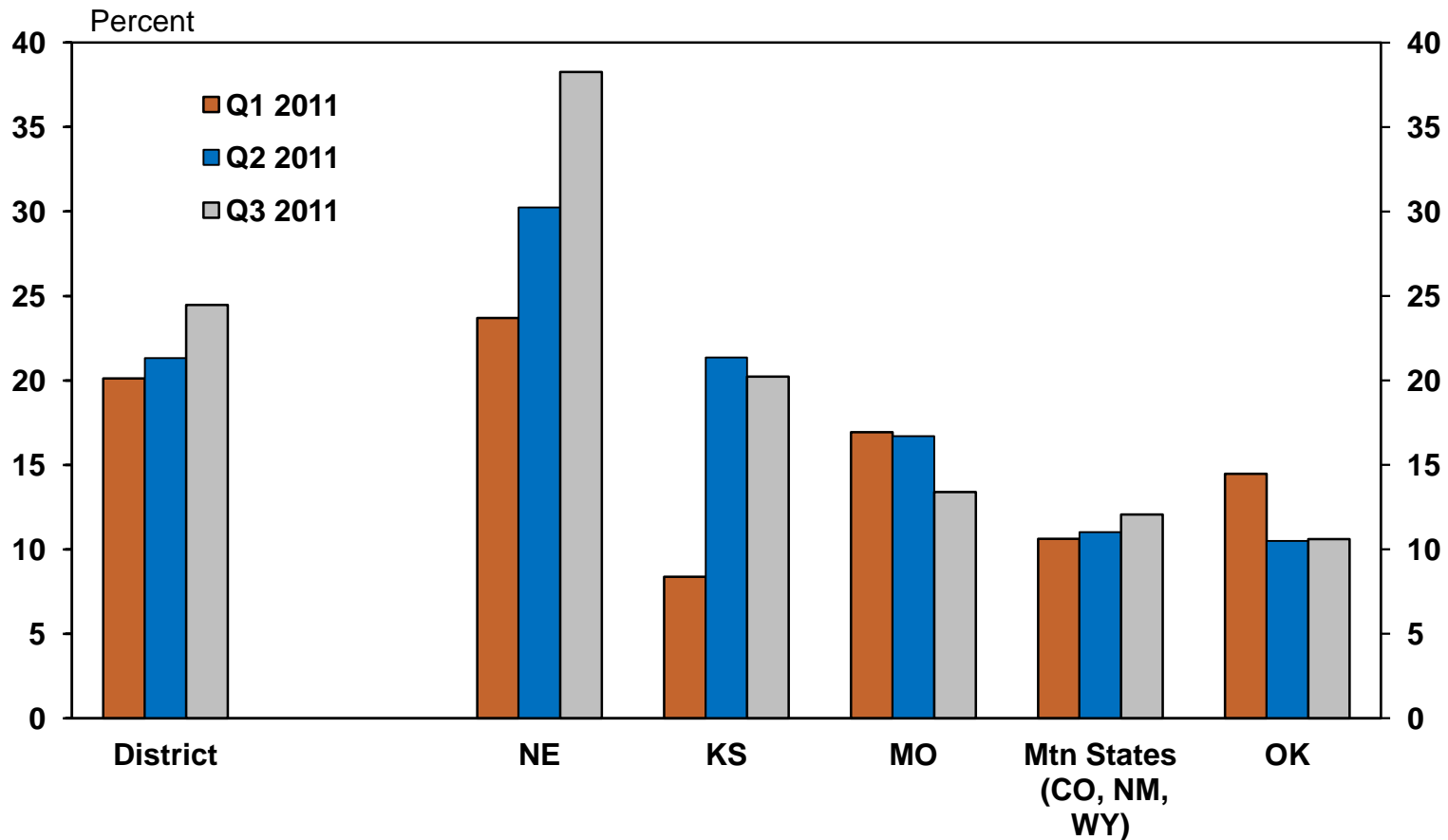


Source: FDIC



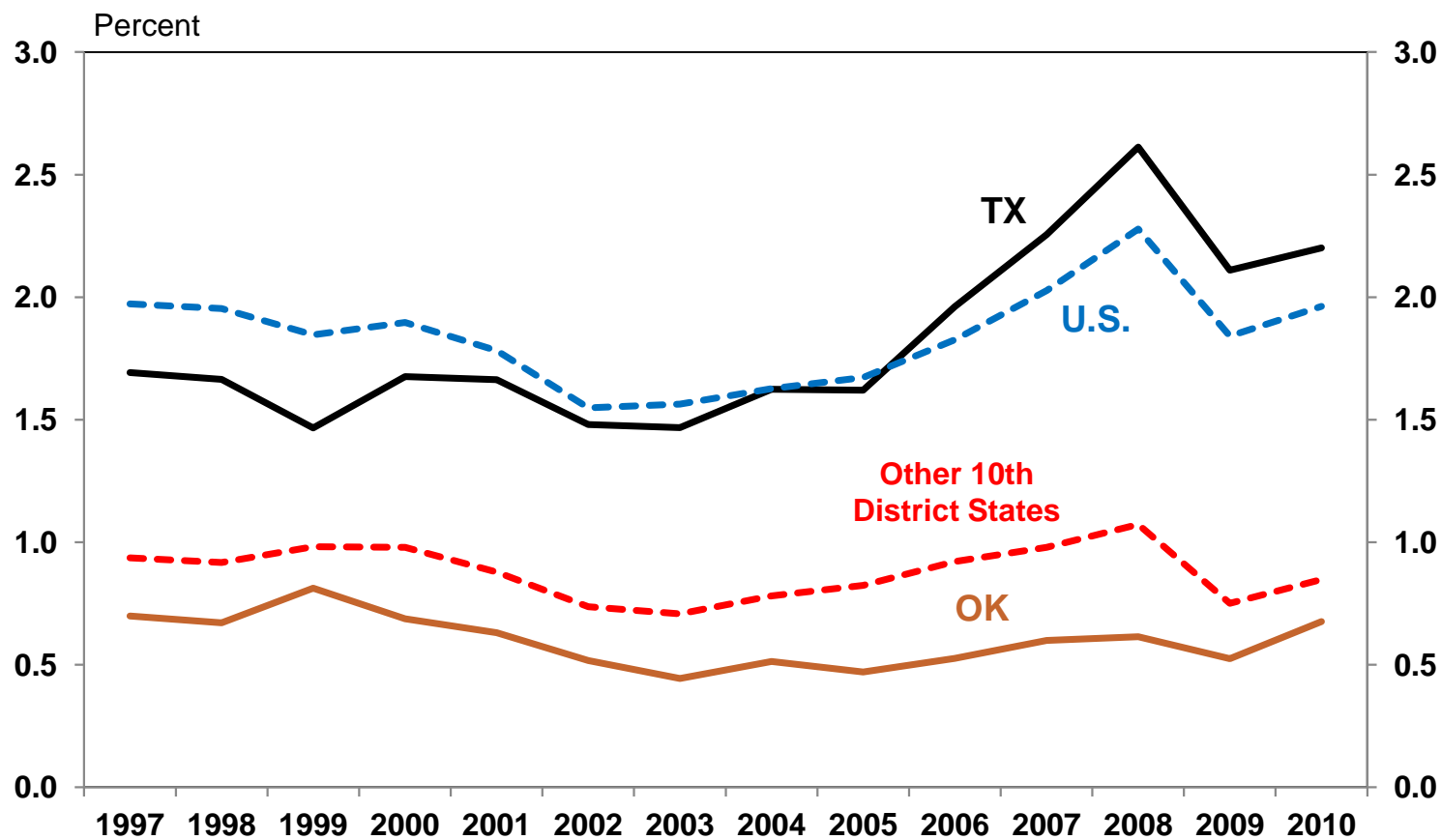
Surging farmland prices pose a risk in some parts of the region

Tenth District Non-Irrigated Cropland Values
Percent Change, Year-over-year



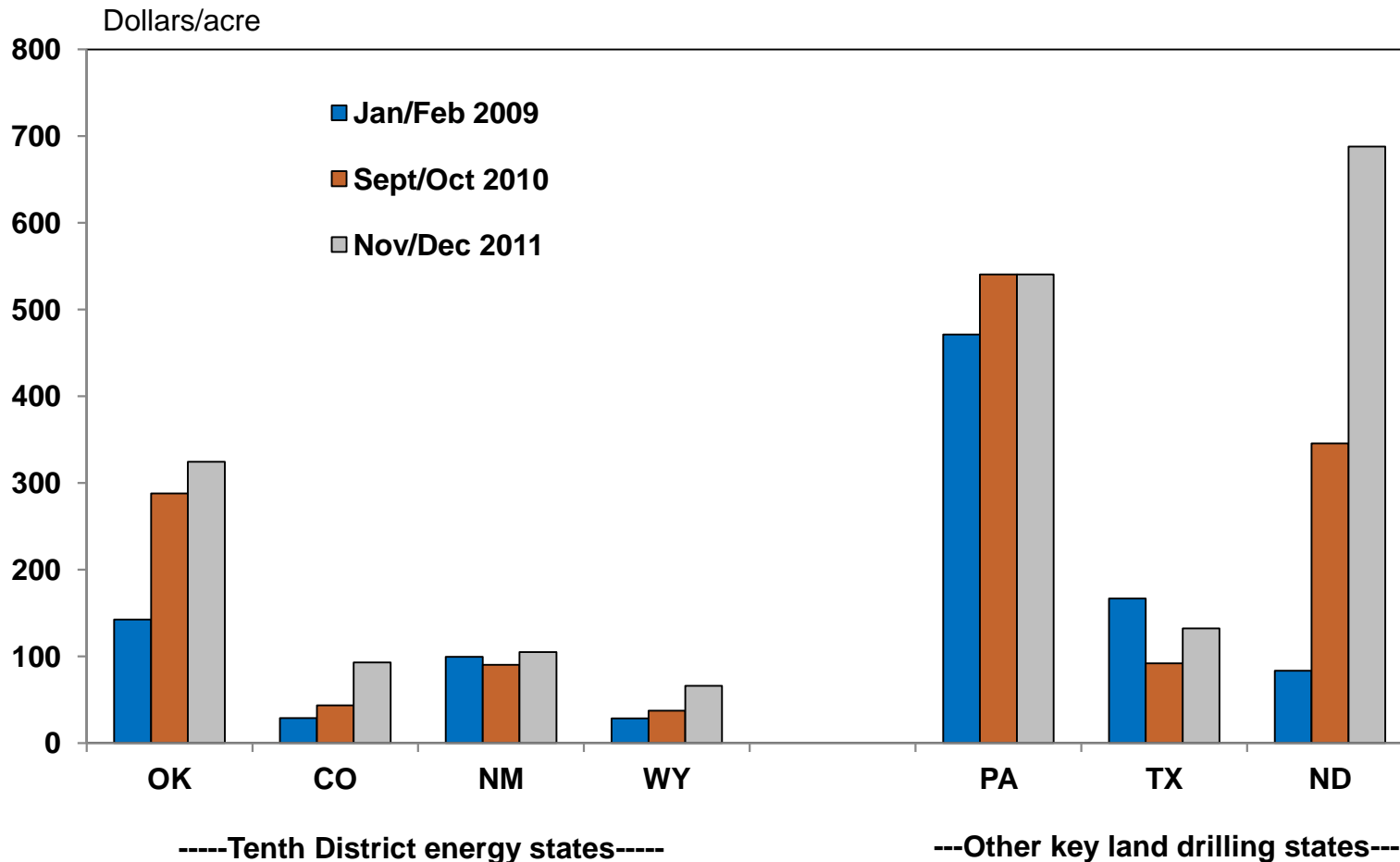
Oklahoma has much less trade exposure to Europe than does the U.S. as a whole

Exports to Europe as a Share of GDP



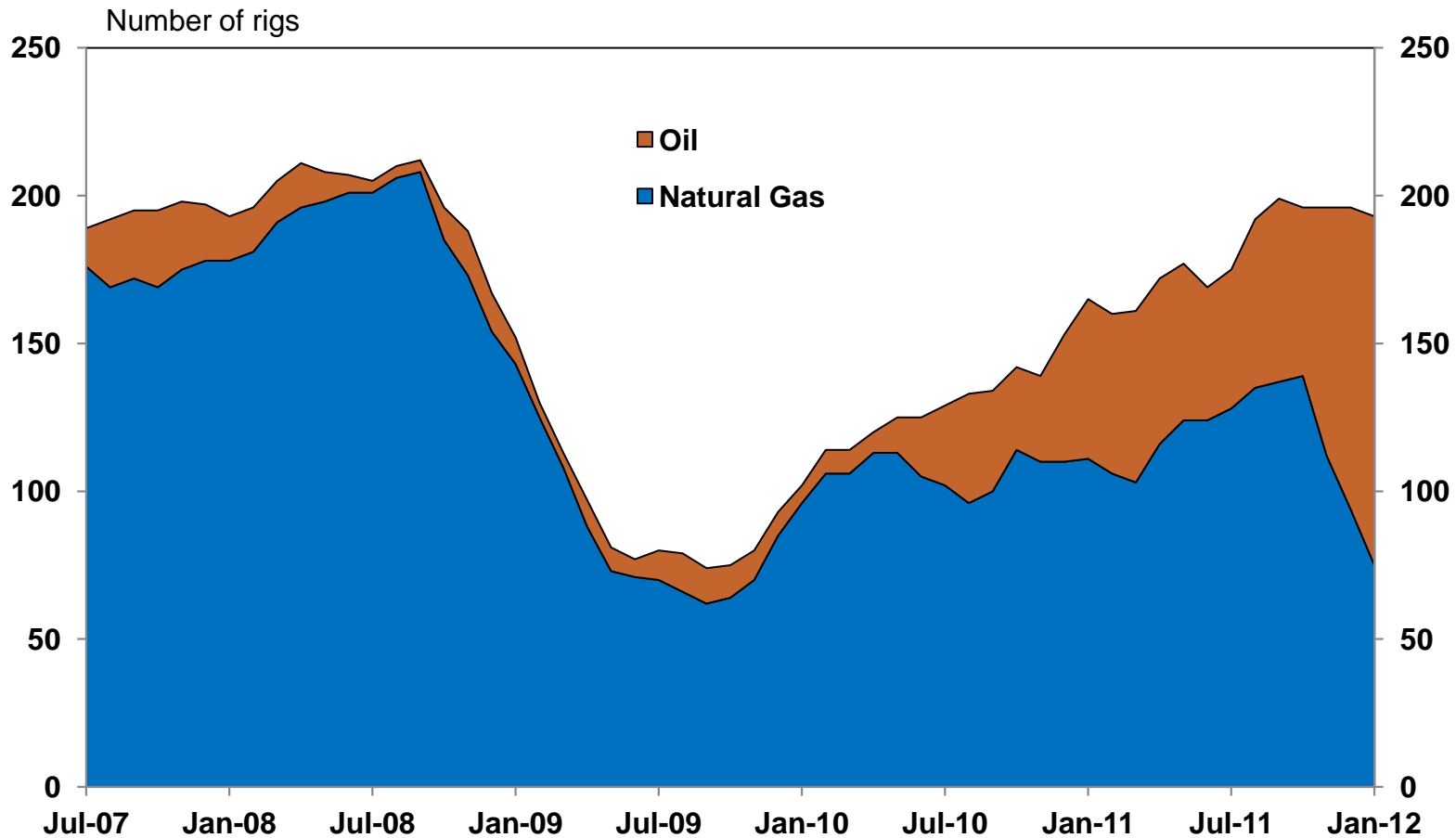
Oil and gas lease rates have continued to rise in Oklahoma and other energy states

Oil and Gas Lease Rates
Most common bonus



Natural gas drilling has fallen sharply in the state, but oil has so far replaced the dropoff

Oklahoma Rig Count



Source: Baker Hughes



Conclusions

- The U.S. economy continues to grow moderately, amid limited inflation and continued risks from Europe
- Growth in Oklahoma has slowed a bit recently but conditions remain much better than in the nation as a whole



Questions?



For more information about the Oklahoma economy, subscribe to the quarterly **Oklahoma Economist** at:

www.kansascityfed.org/publications/research/oke

