

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

- **History, staff, and functions**

- Branch office opened in 1920; currently have about 35 staff
- Functions include economic research, bank examinations, public outreach

- **2011 branch board of directors**

- **Steve Agee (chairman)**, Interim Dean of OCU Business School, OKC
- **Bill Anoatubby**, Governor, Chickasaw Nation, Ada
- **Jim Dunn**, Chairman, Mill Creek Lumber and Supply Co., Tulsa
- **Jacque Fiegel**, Senior EVP and COO, Coppermark Bank, OKC
- **Rose Washington Rentie**, Executive Director, TEDC Creative Capital, Tulsa
- **Doug Tippens**, President and CEO, Bank of Commerce, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville



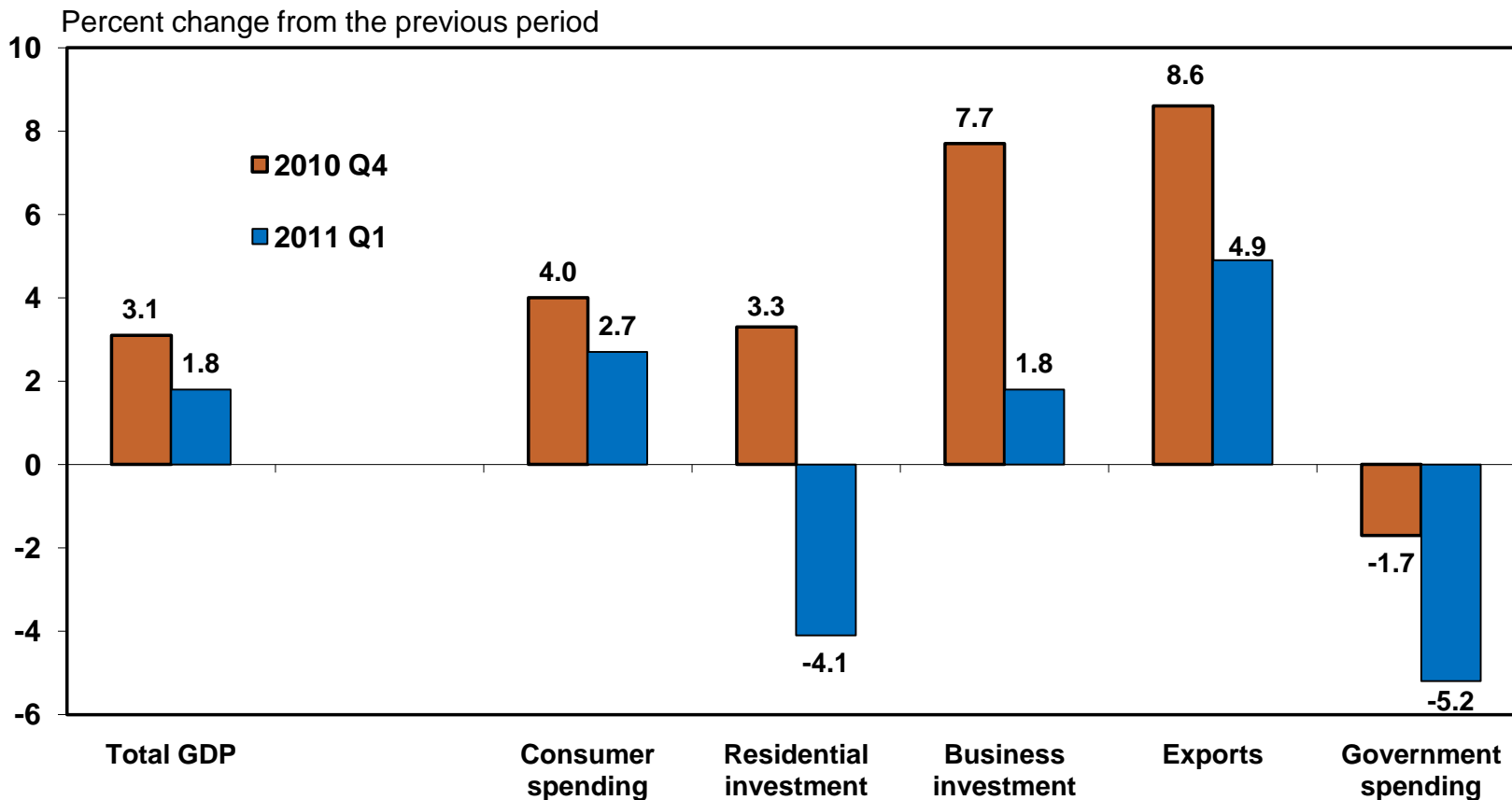
The U.S. Economic Outlook

- Pace of recovery and growth outlook
- Price indexes and inflation outlook
- Government debt projections



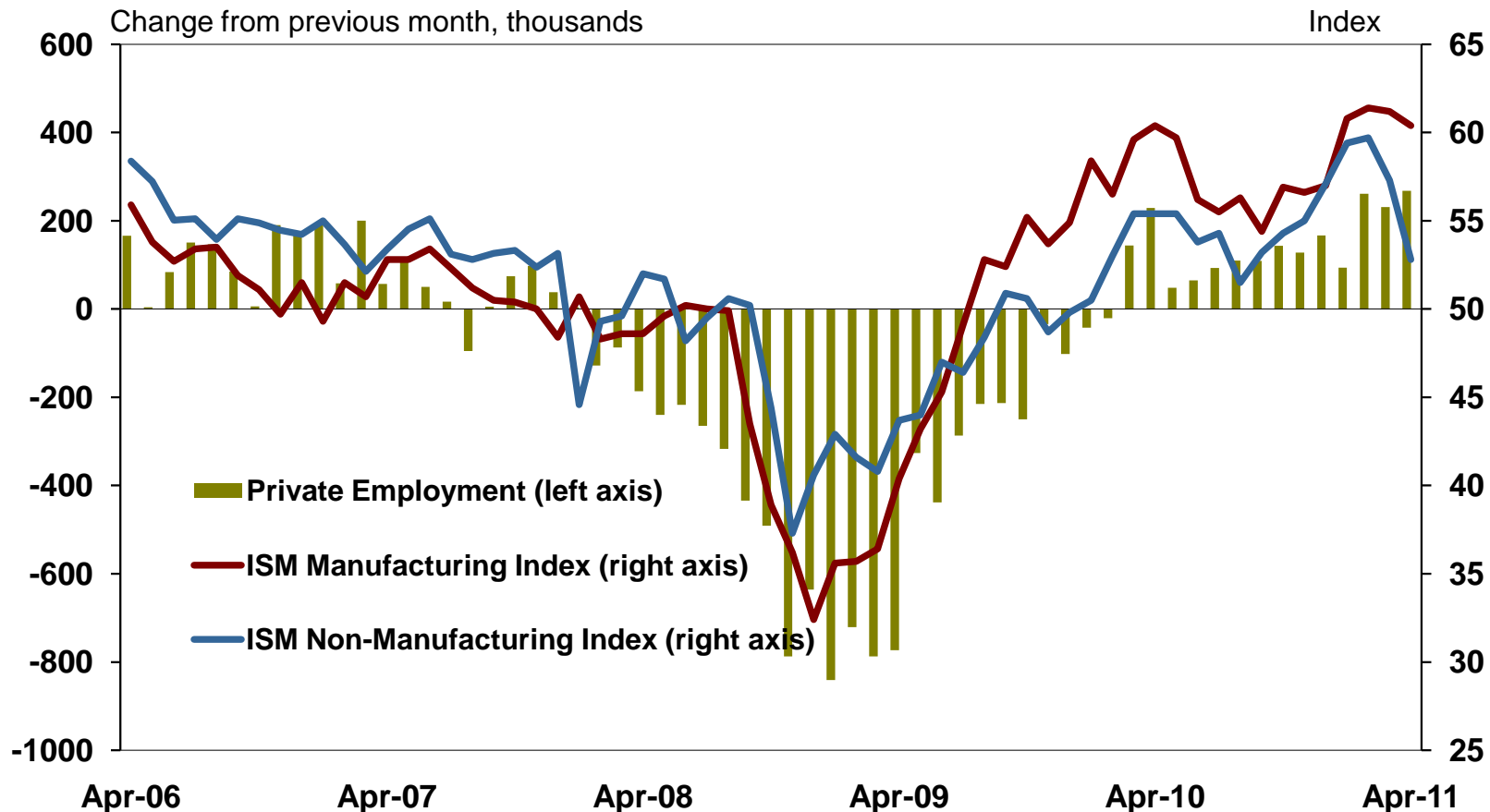
Real GDP growth slowed in Q1 2011, driven in part by bad weather

Growth in Components of Real GDP



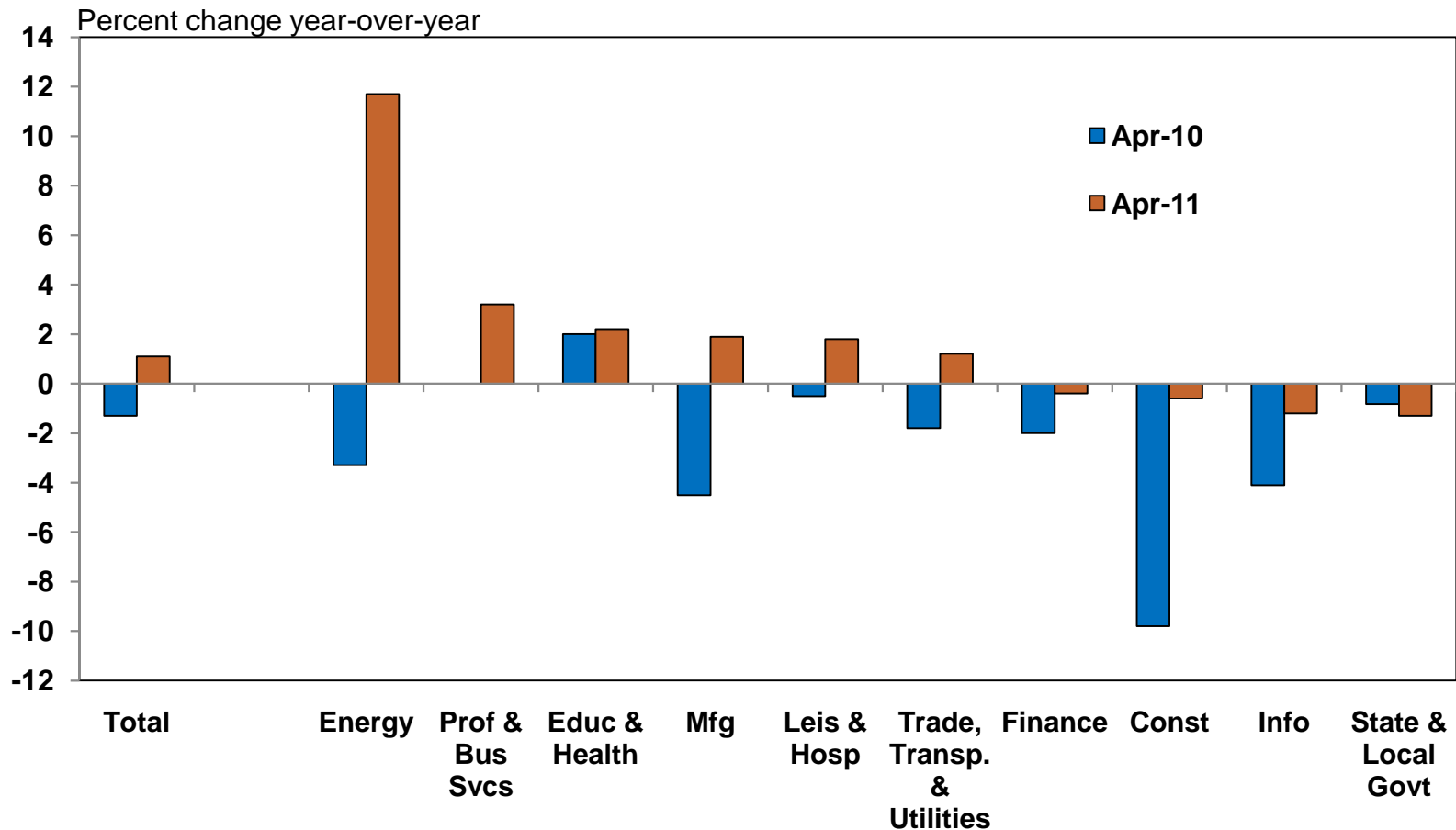
April U.S. data showed solid job growth and factory activity, but slowing services

U.S. Private Payroll Employment and Business Indexes



Employment in several industries has rebounded considerably from a year ago

U. S. Employment Growth

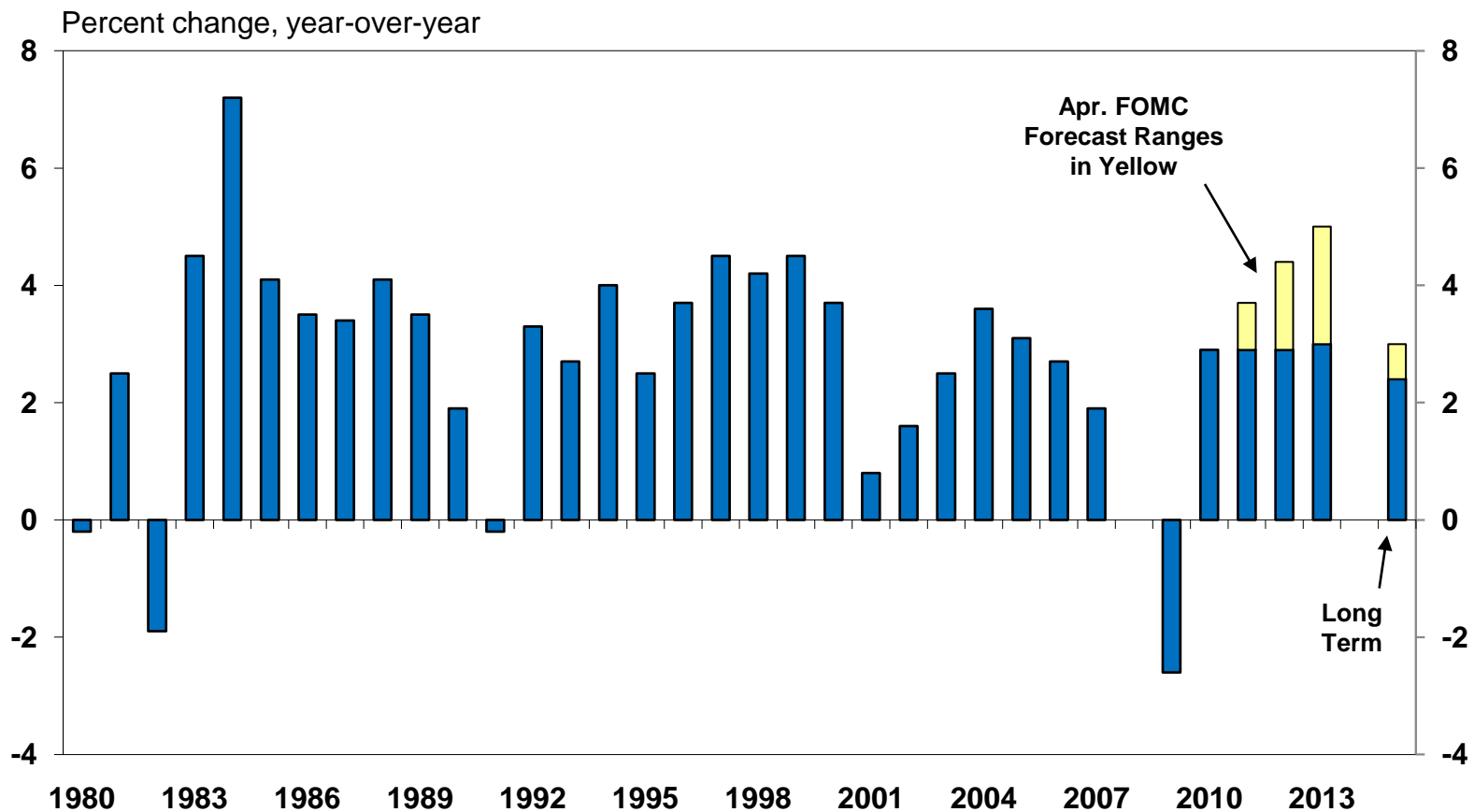


Source: Bureau of Labor Statistics



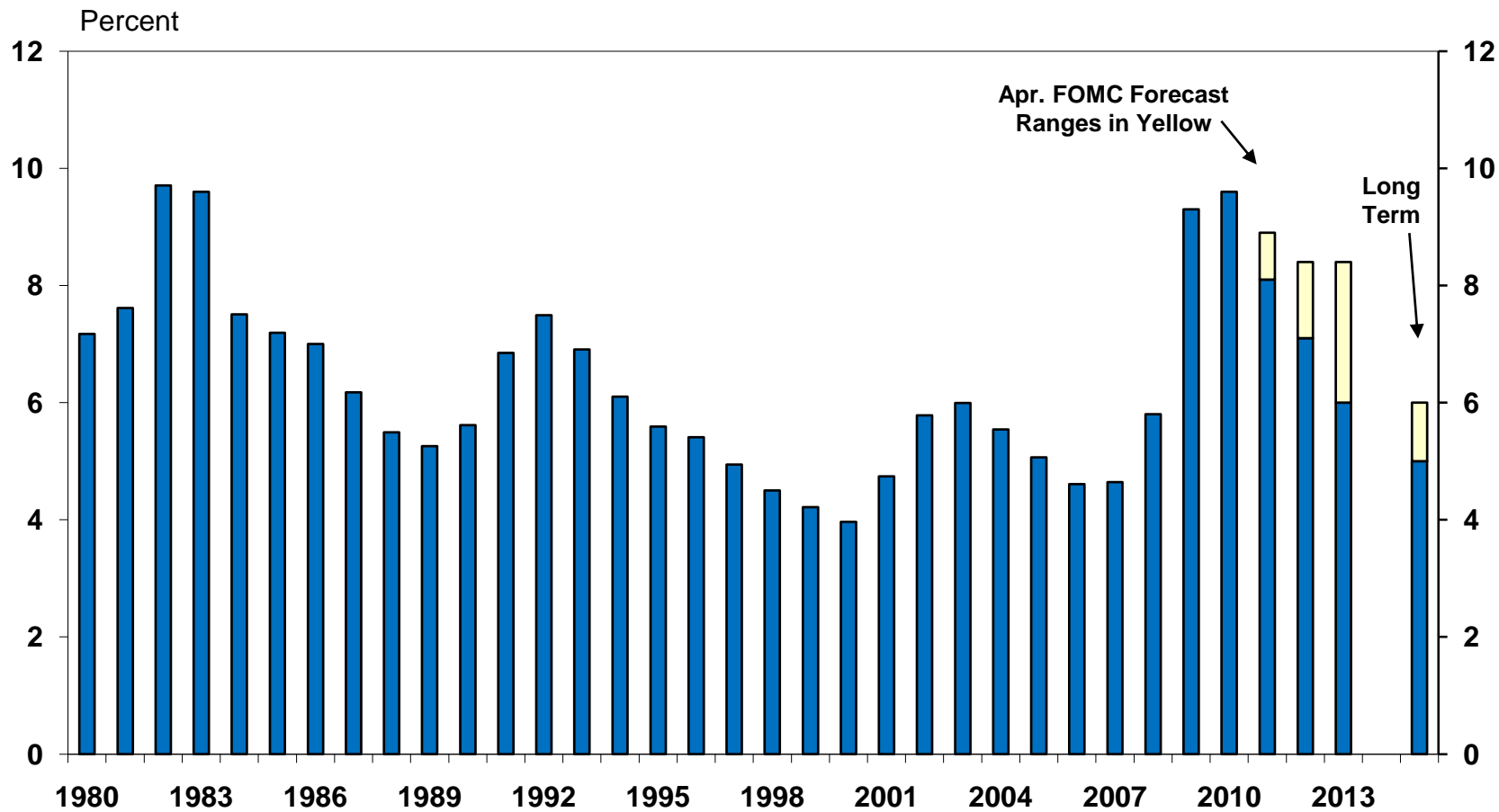
Fed policymakers expect continued moderate U.S. GDP recovery

Real Gross Domestic Product



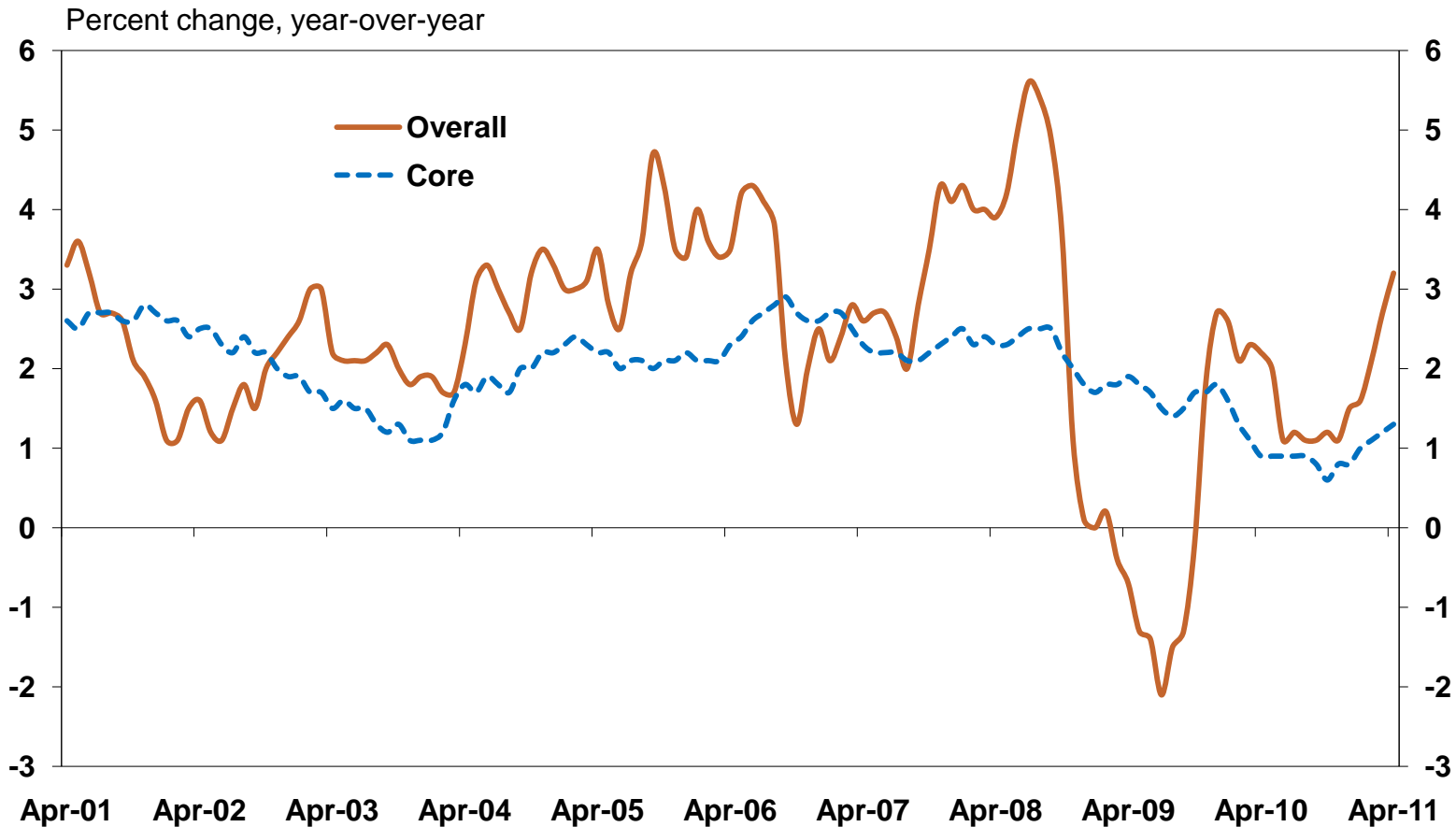
But for U.S. unemployment to remain relatively high for some time

Unemployment Rate
Seasonally Adjusted



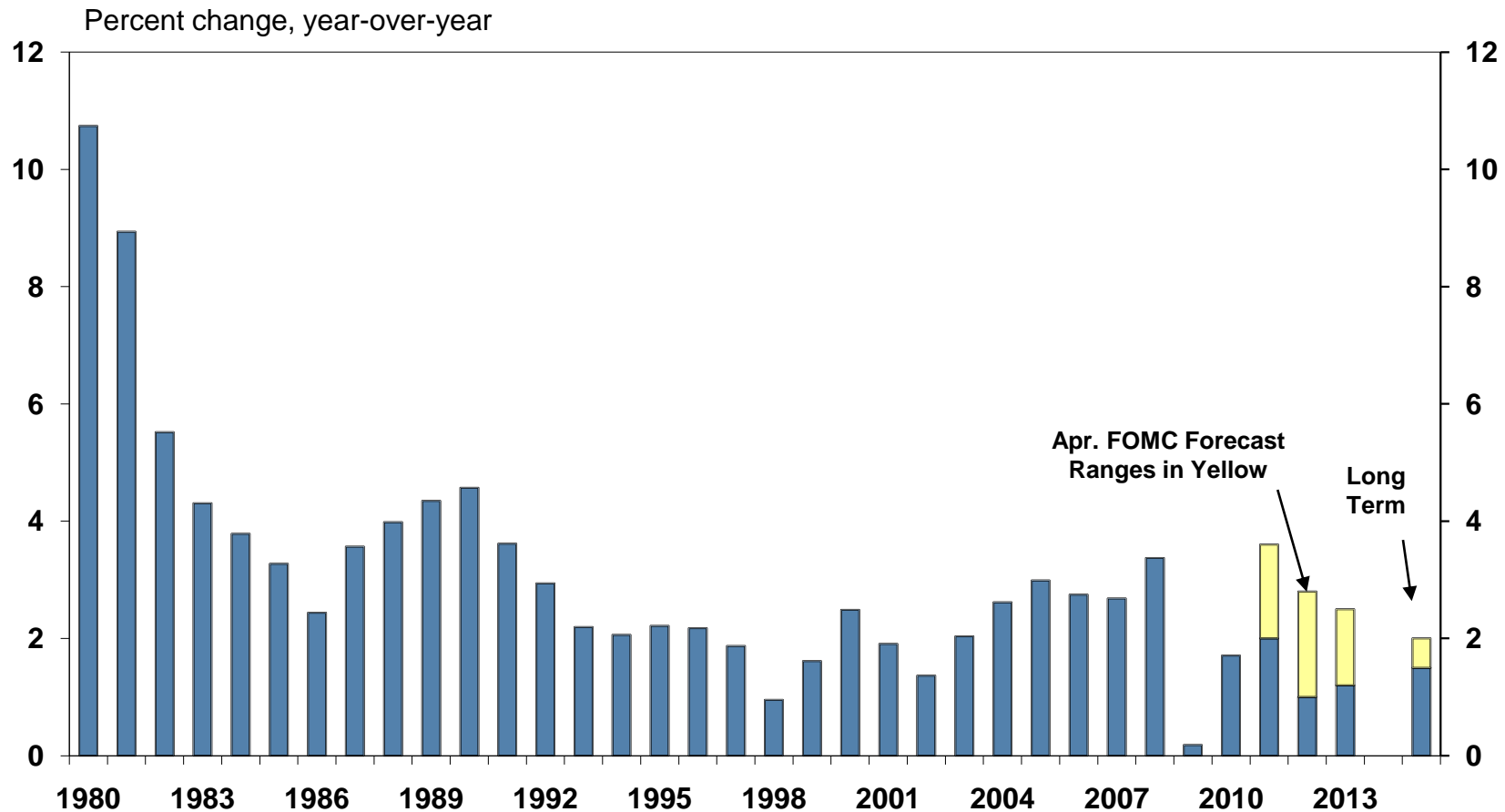
Both overall and core inflation have risen with higher oil prices

Consumer Price Index



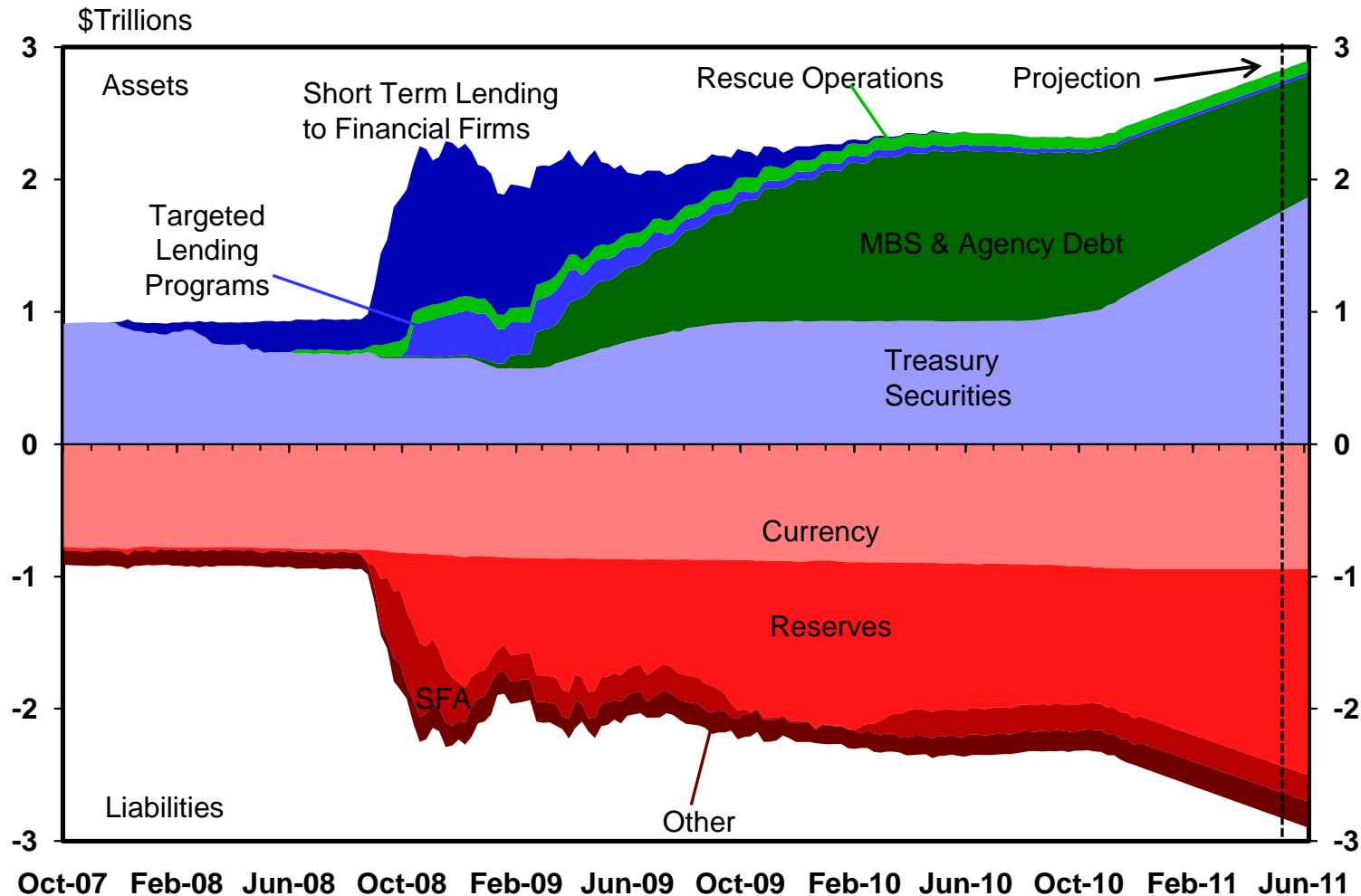
Some FOMC members expect inflation to be above long-term levels in the near term

PCE Inflation Index



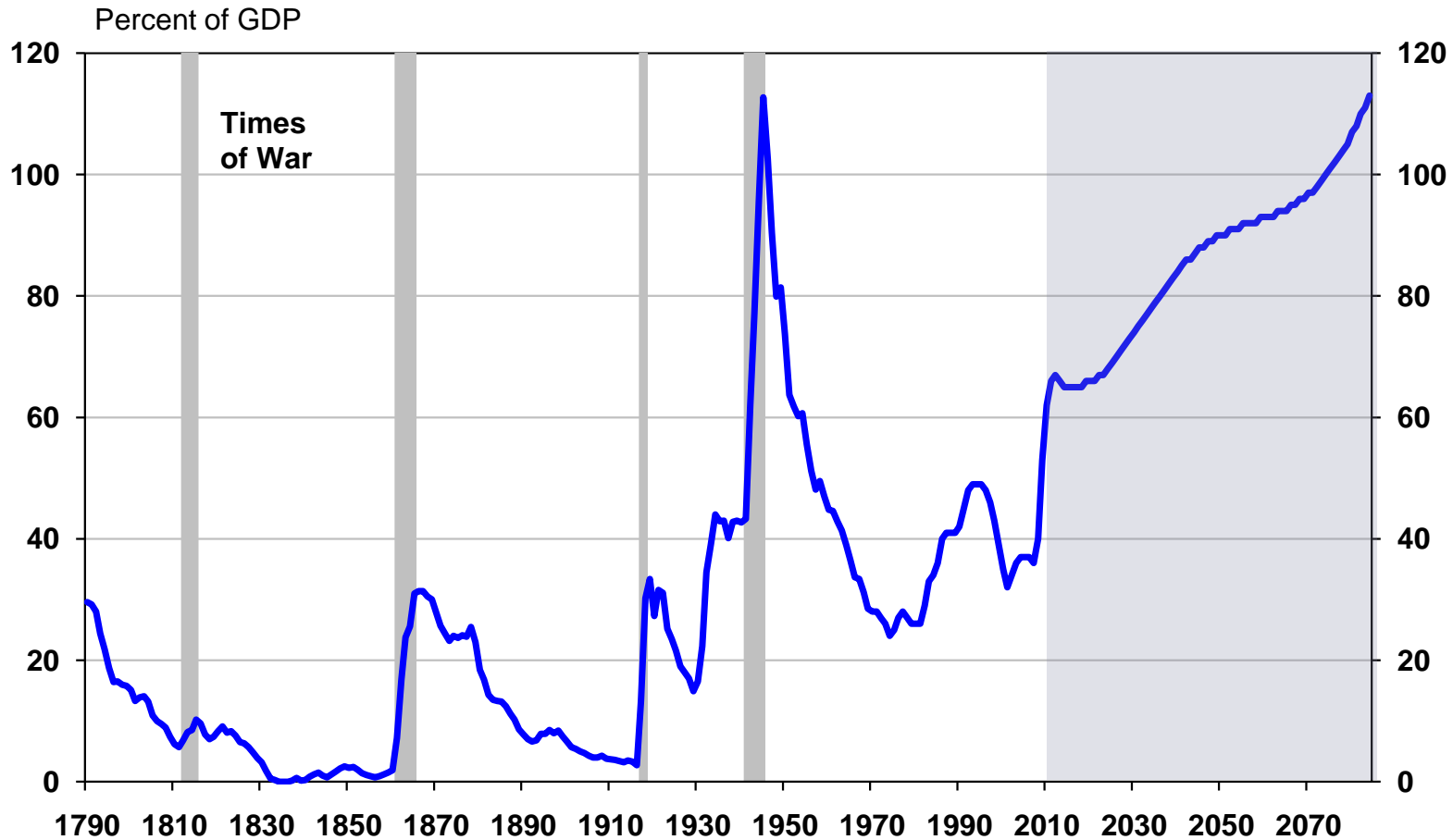
The Fed's balance sheet is expanding further, following recent FOMC decisions

Federal Reserve Balance Sheet



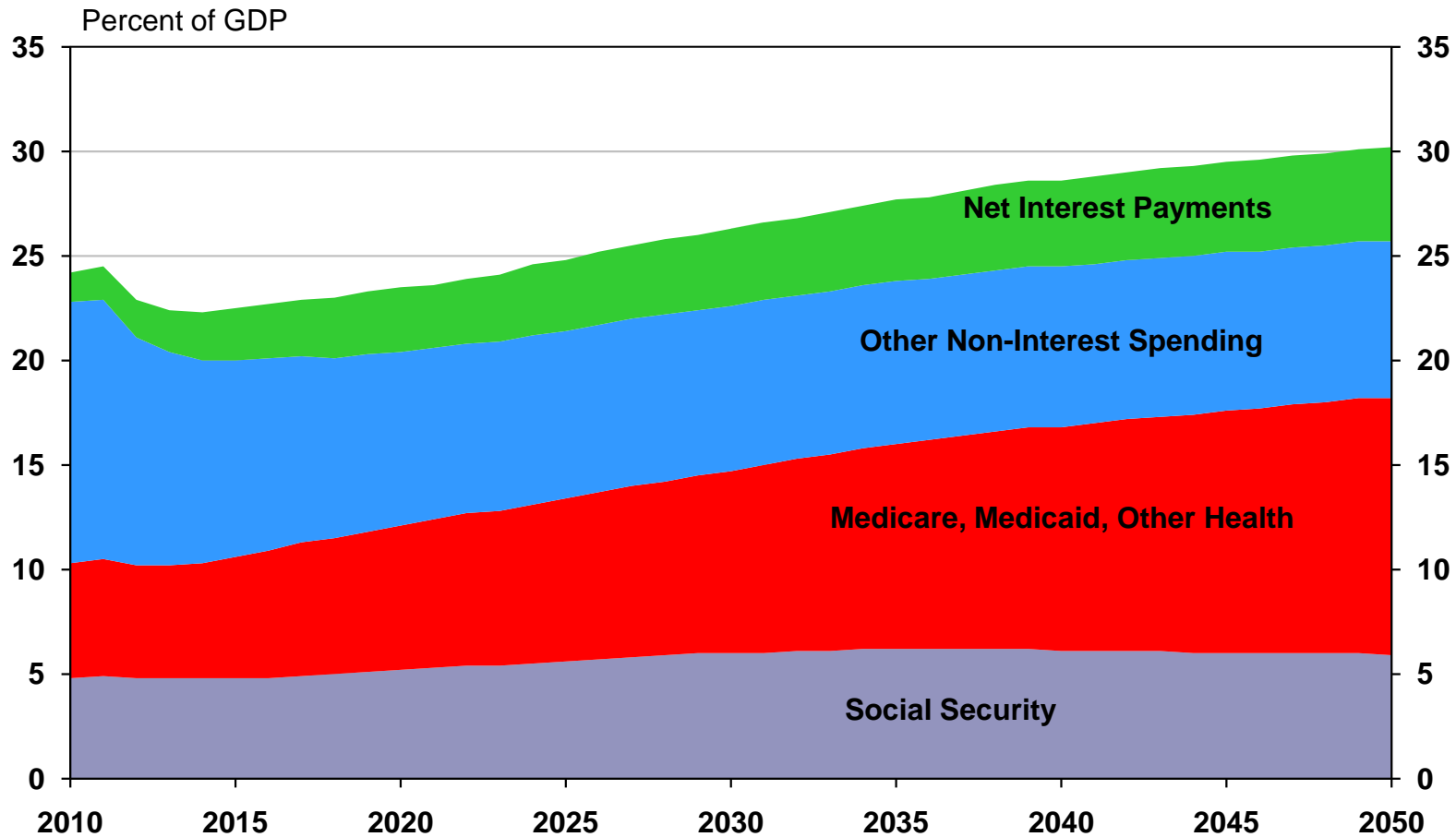
Federal government debt is on an unsustainable path

CBO Public Debt Projections: 1790-2084



Most of the projected growth in debt is related to health care costs

Components of Federal Government Spending (CBO Baseline)



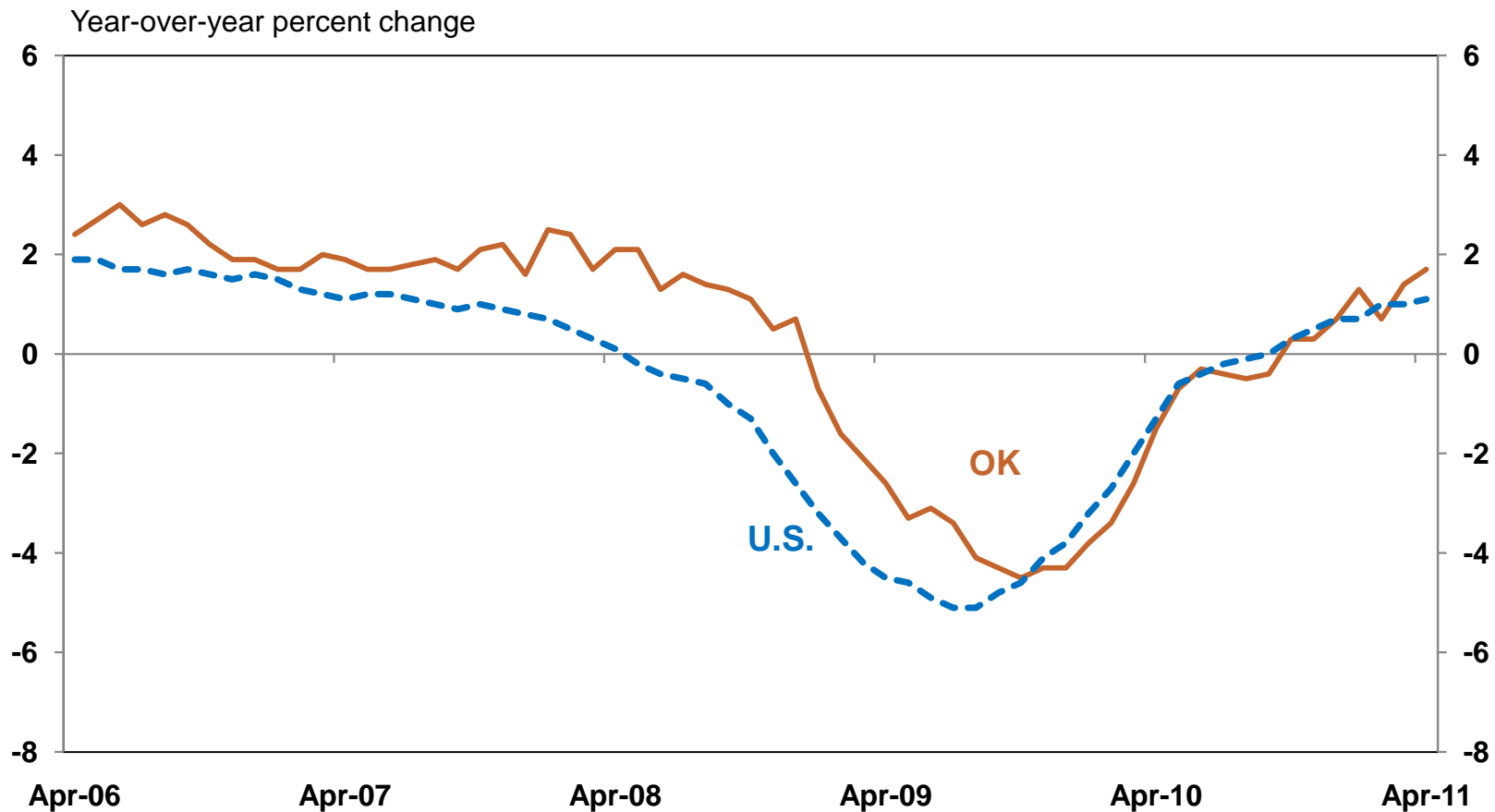
The Oklahoma Economic Outlook

- Recession and recovery pattern
- Variation in growth by area
- Variation in growth by industry



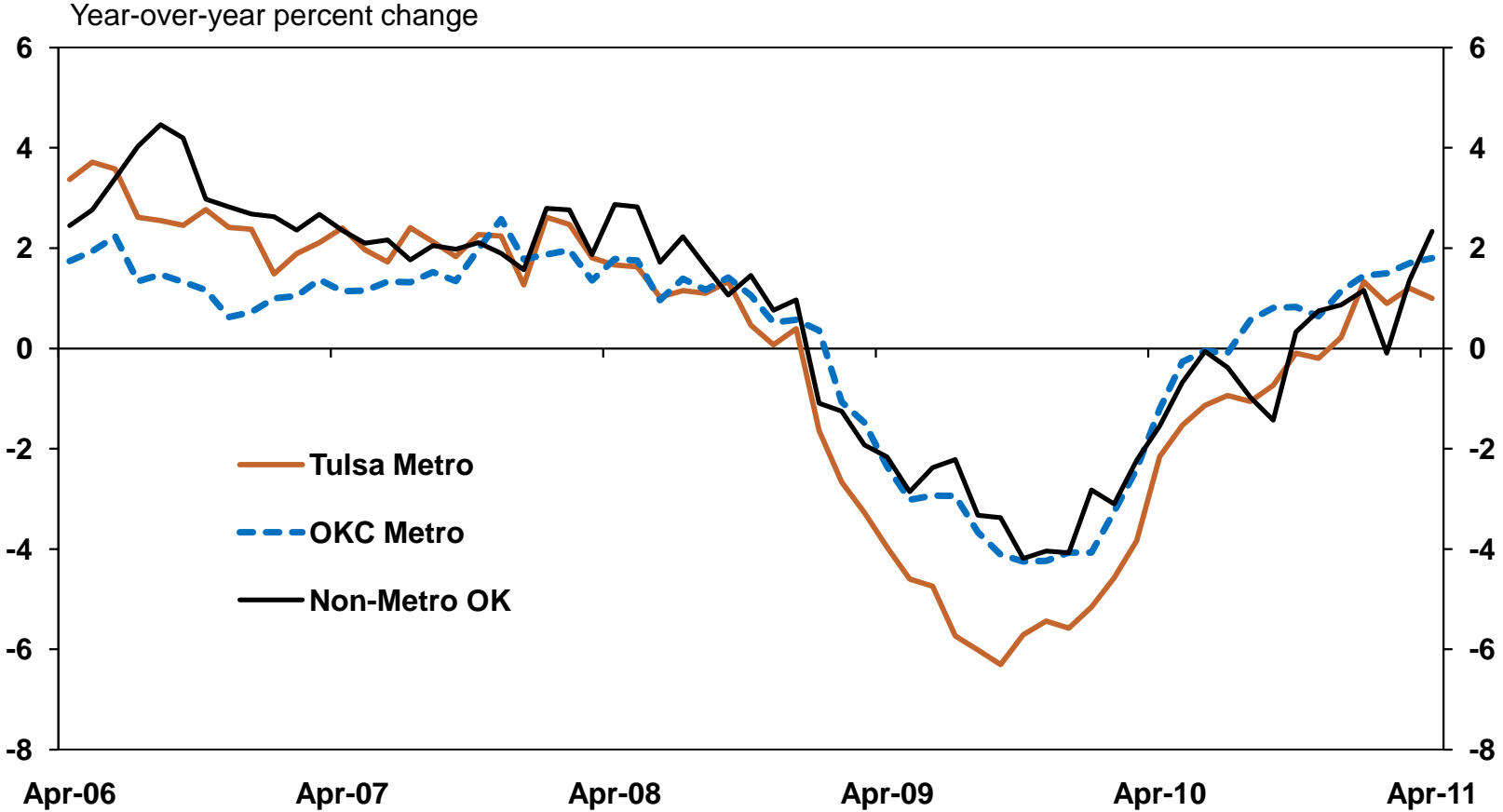
Oklahoma's recession and recovery path is the historical pattern—late in, similar out

Payroll Employment



There have been differences across the state: Tulsa was hit harder but has now caught up

Payroll Employment

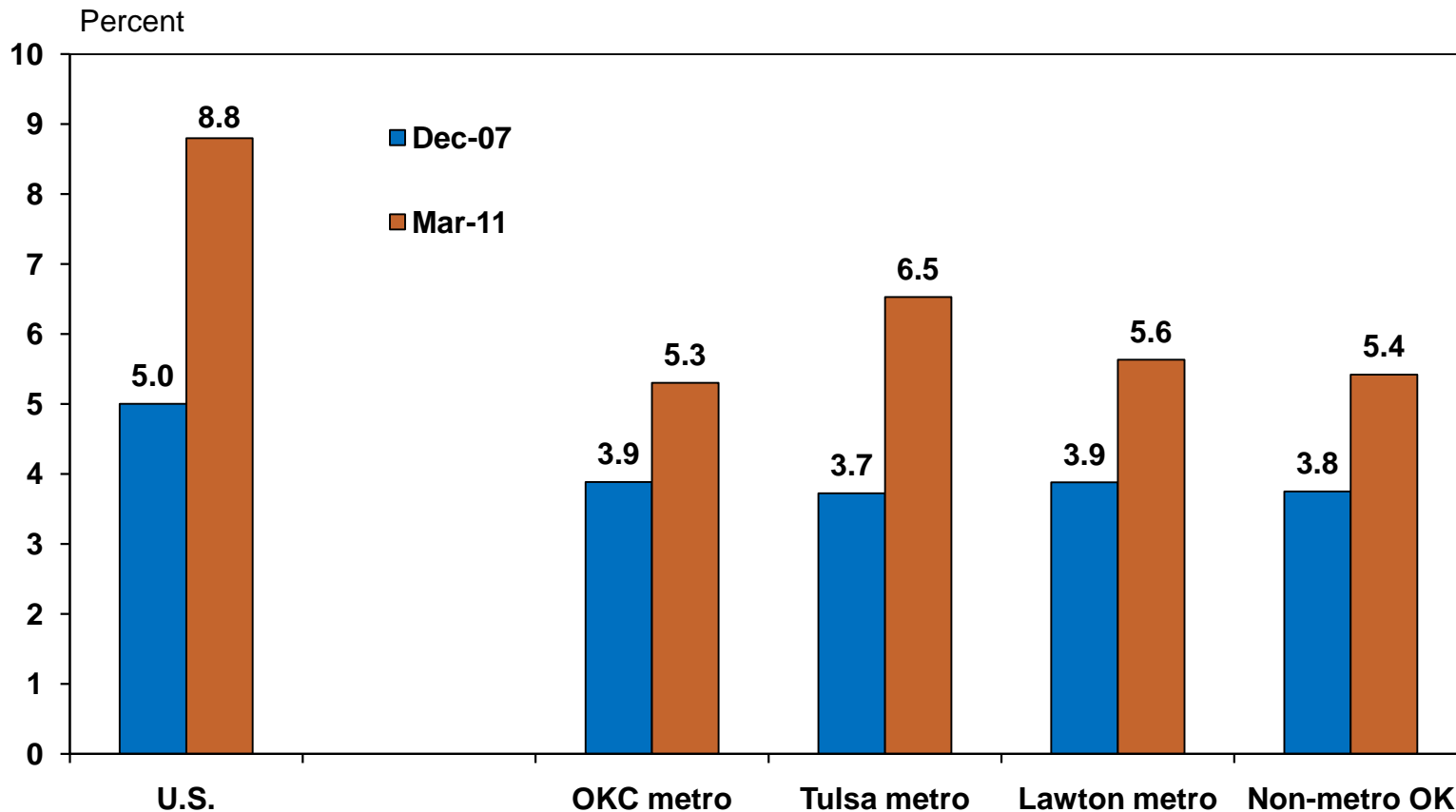


Source: U.S. Bureau of Labor Statistics



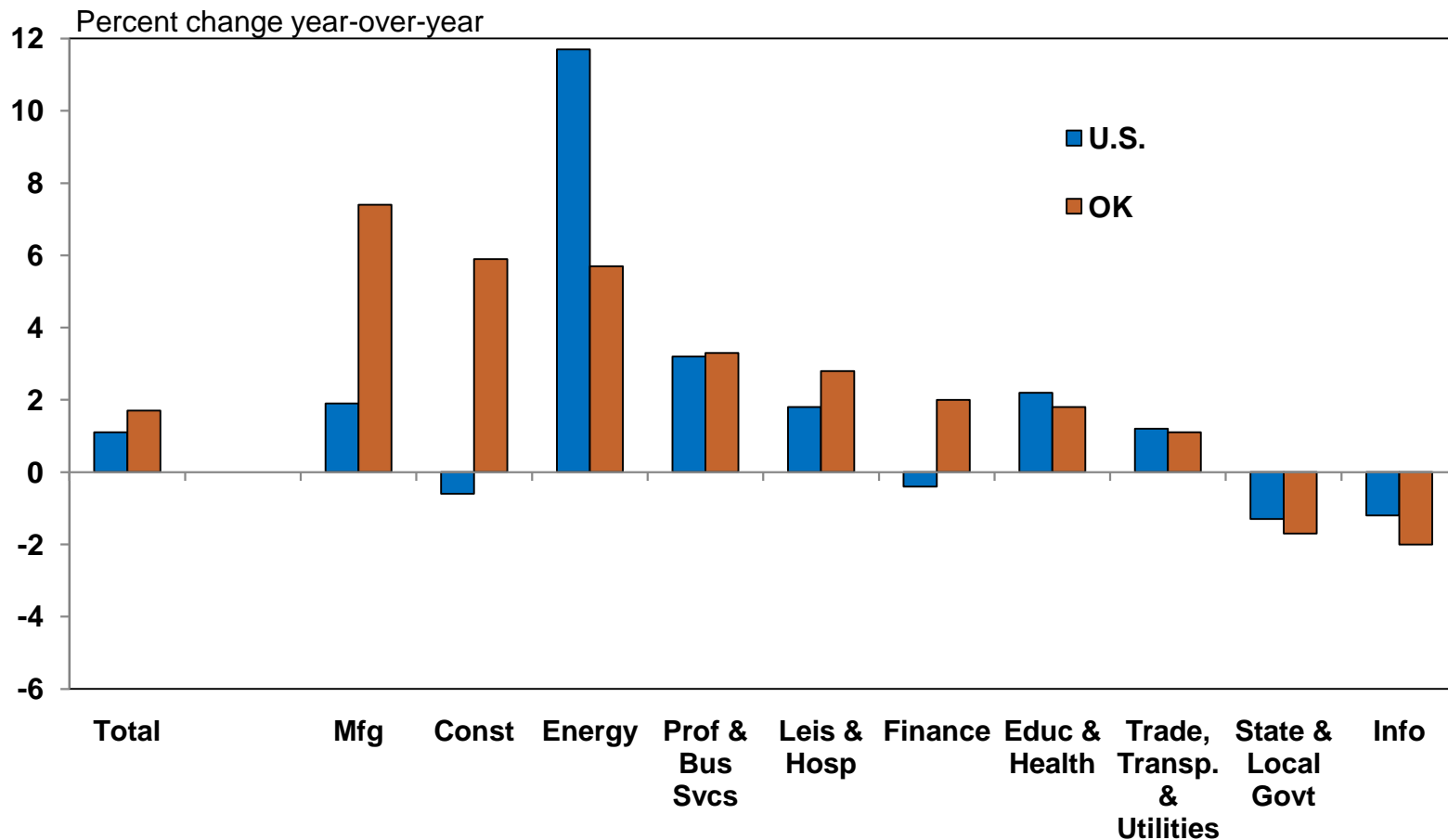
Unemployment in much of the state is near what is often considered “full employment”

Unemployment Rate Seasonally Adjusted*



Most Oklahoma sectors are now growing solidly, but two continue to shed jobs

Employment Growth April 2011

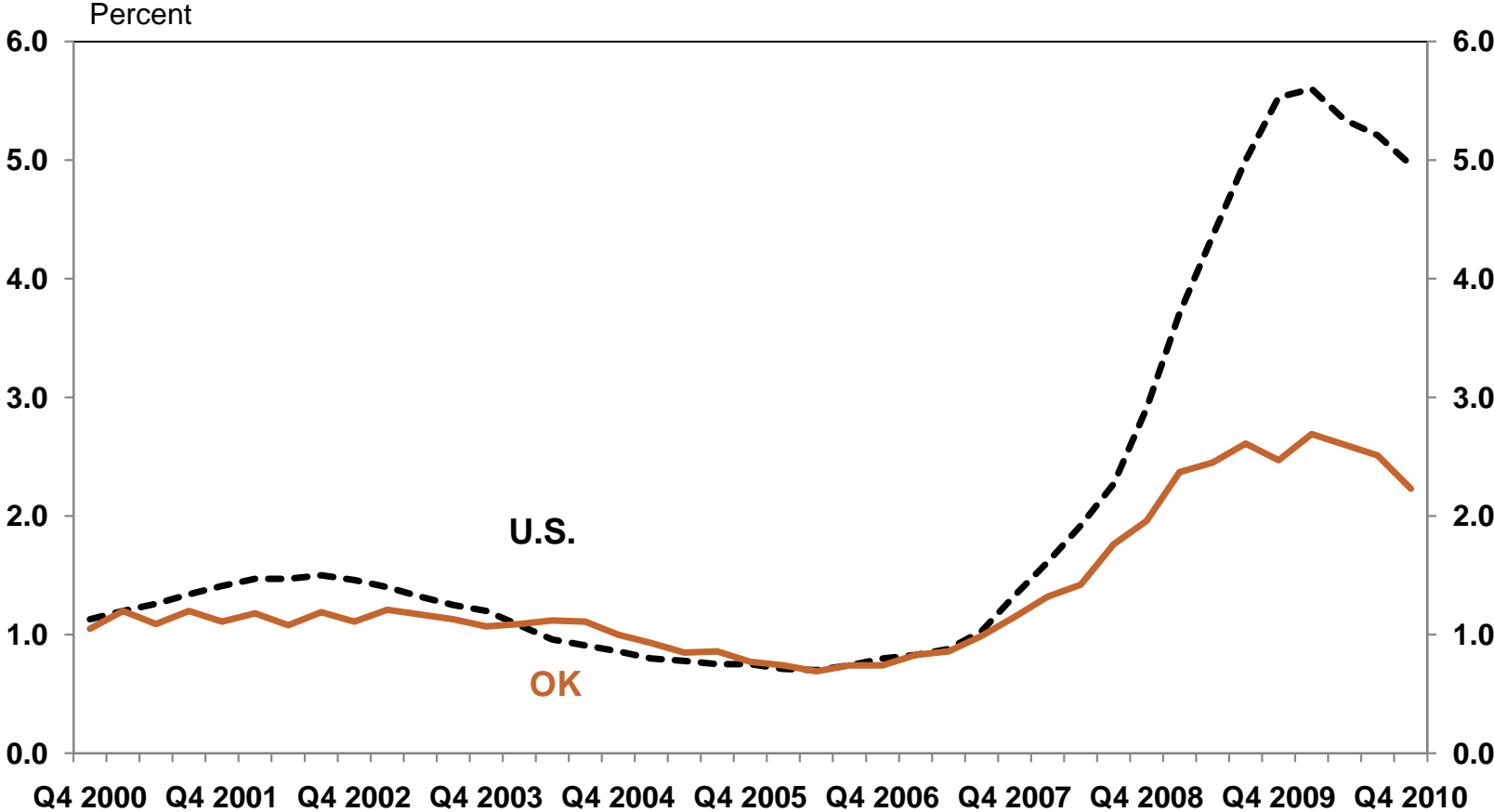


Source: Bureau of Labor Statistics



And Oklahoma banks remain in much better shape than in the nation as a whole

Noncurrent Loans as a Share of Total Loans Commercial Banks

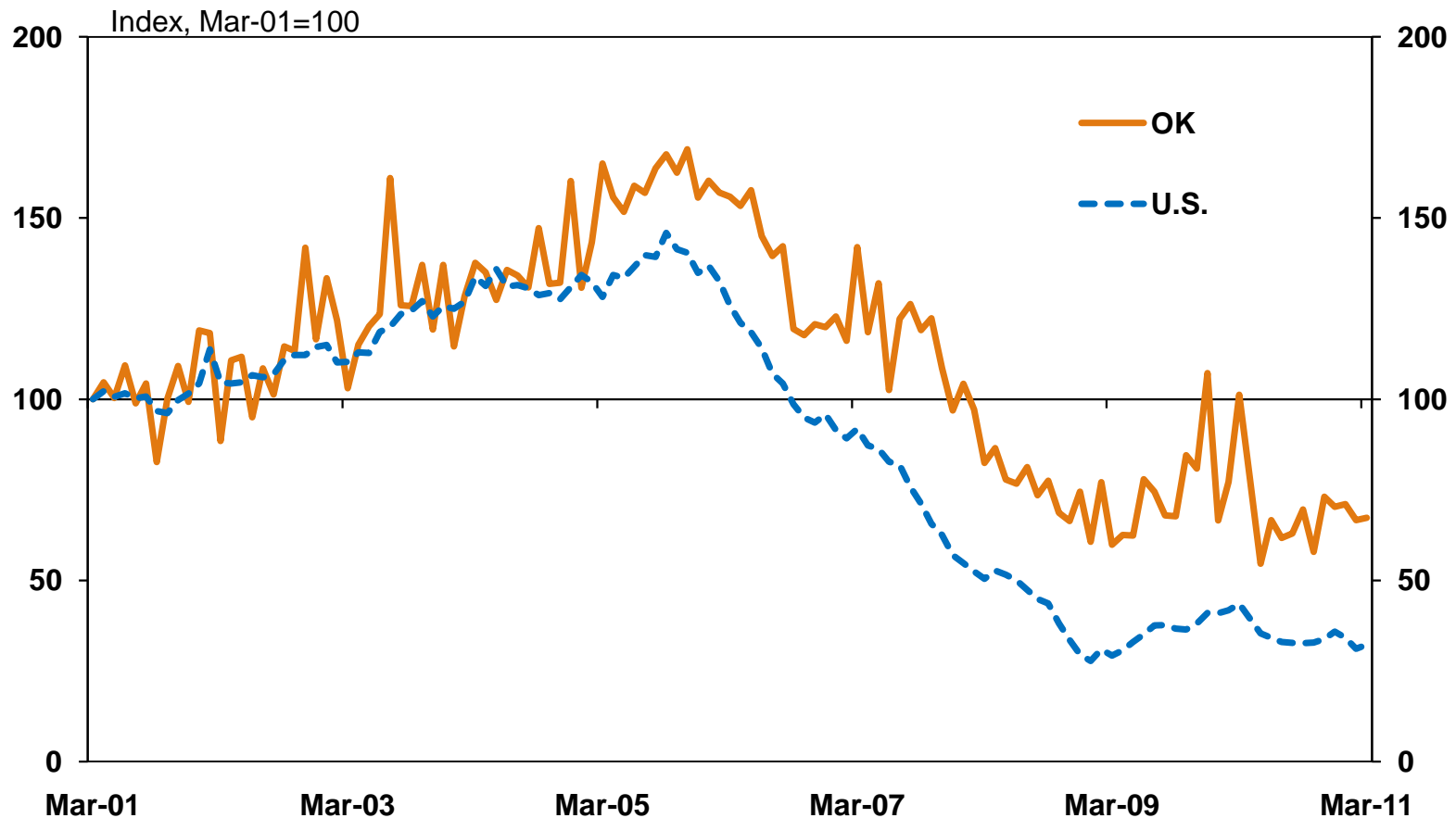


Source: FDIC



Housing also held up better in Oklahoma, but has yet to show much recovery

Single-Family Home Permits
Seasonally Adjusted

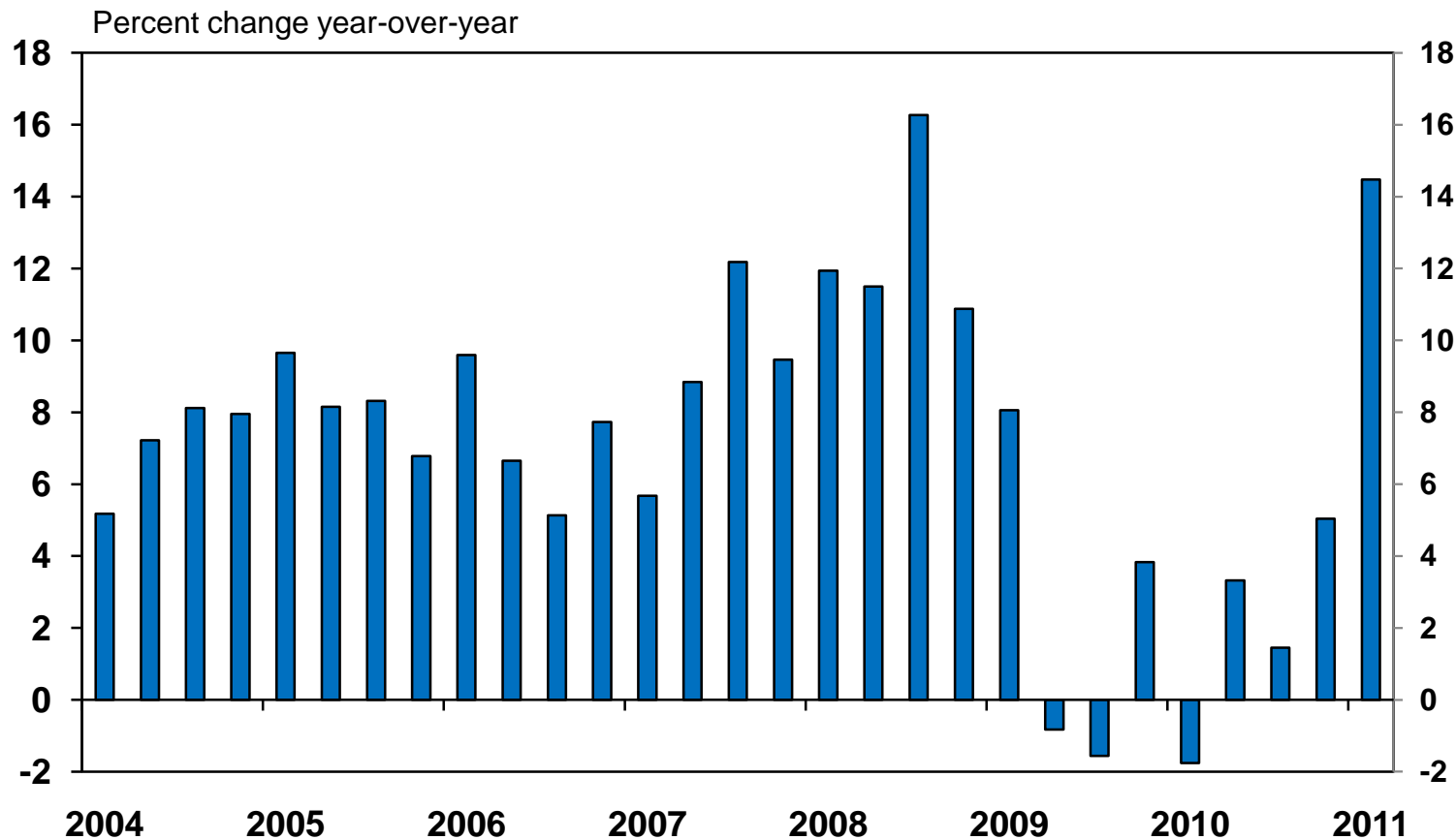


Source: Census Bureau



Farmland values have also risen substantially from a year ago

Oklahoma Agricultural Land Values Non-Irrigated Cropland



Source: KCFRB



Summary

- The U.S. economy is recovering and expected to continue to grow solidly, but with prices and debt rising
- Oklahoma's economy is also again growing solidly and remains in much better shape than the nation

