

Update on the Fed and the Economy



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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



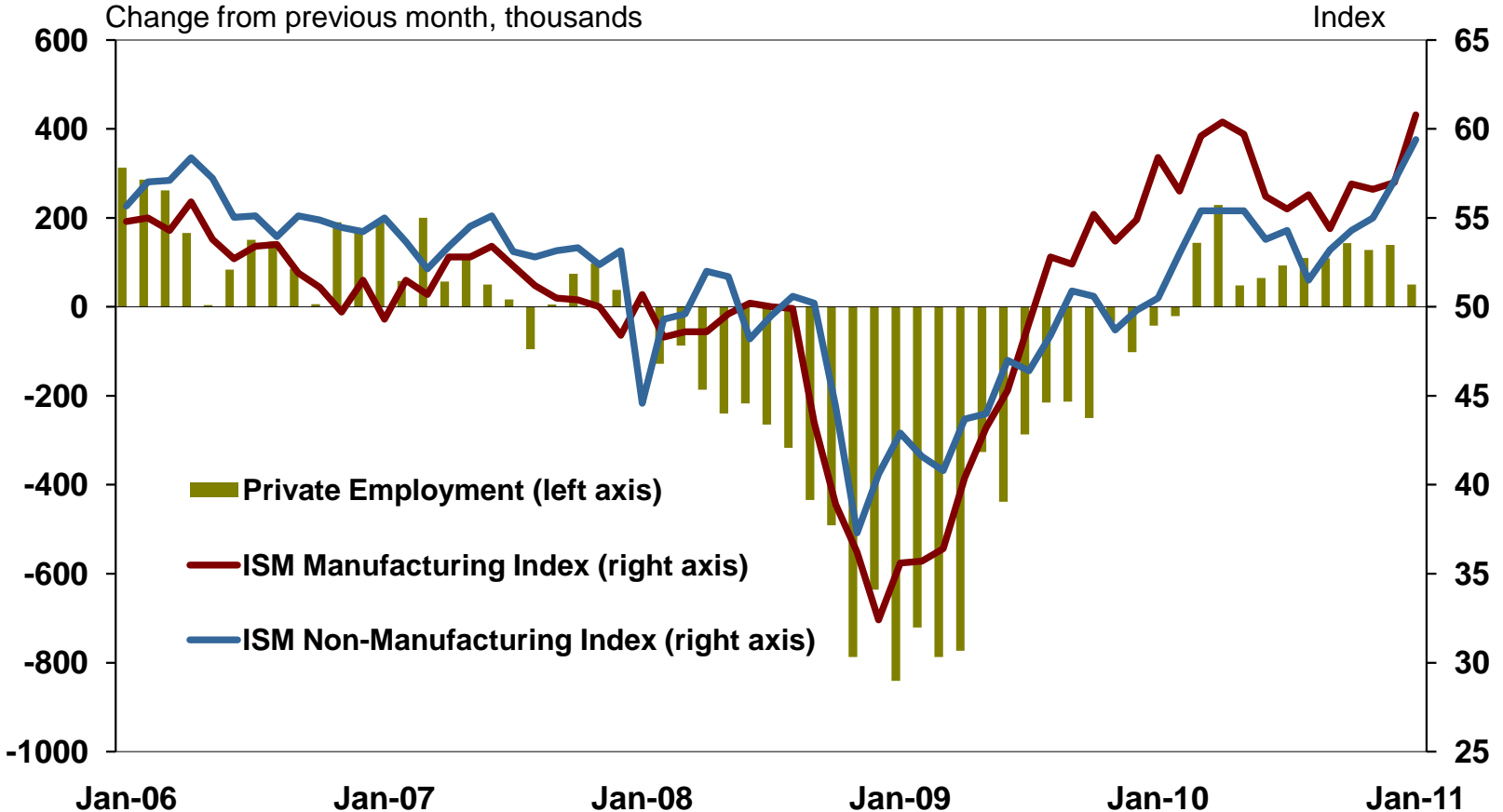
The Economic Outlook

- The pace of recovery has picked up, but job growth remains moderate
- Inflation remains low and is forecast to stay contained heading forward
- As always, there are several risks to the near- and long-term outlooks



U.S. economic activity picked up in January, but job growth remains moderate

U.S. Private Payroll Employment and Business Indexes

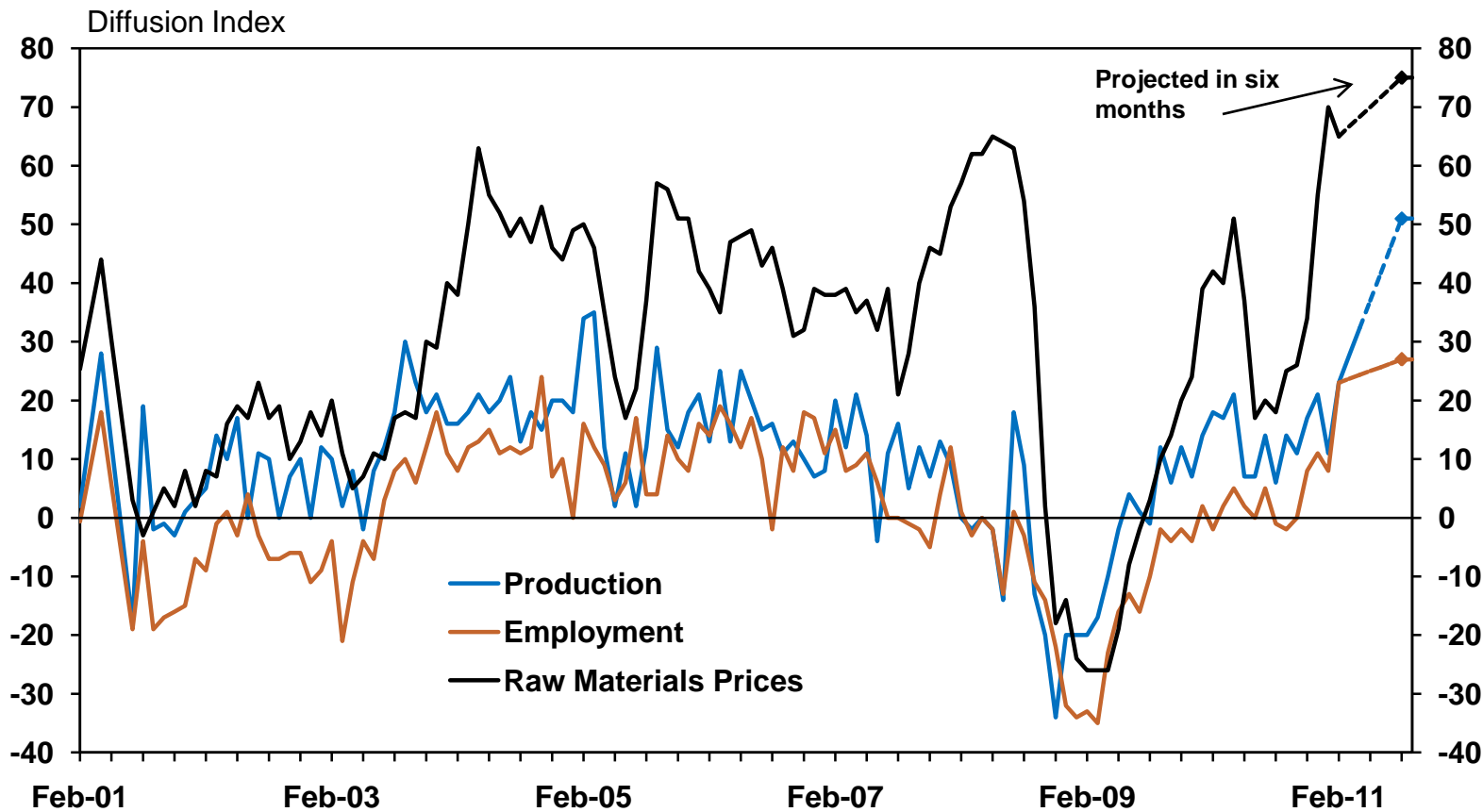


Source: Institute for Supply Management, Bureau of Labor Statistics



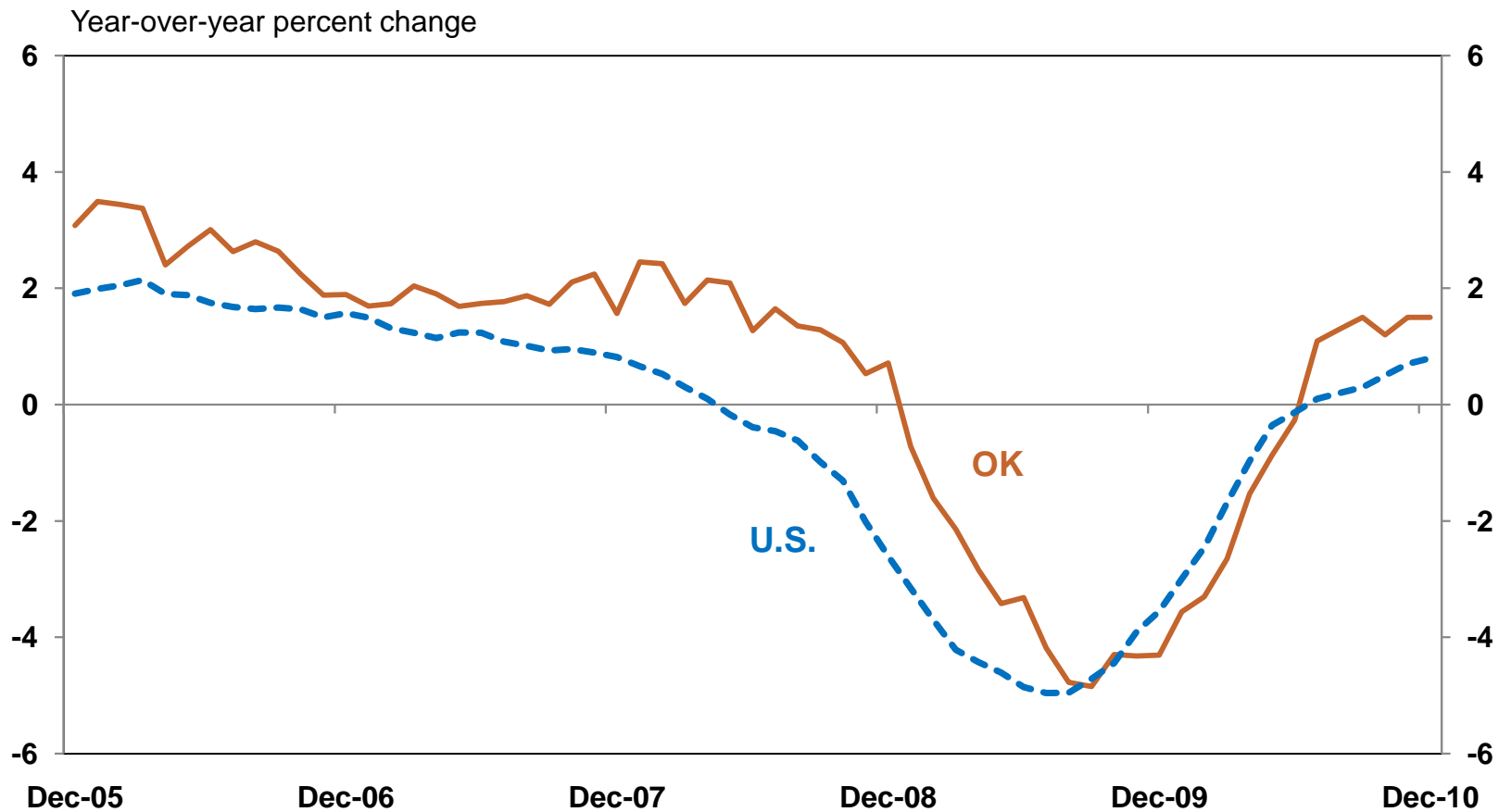
Regional manufacturing data has surged, and expectations rose further in February

Tenth District Manufacturing Indexes
Month-over-month



After a shorter recession, Oklahoma is again outpacing the national economy

Payroll Employment

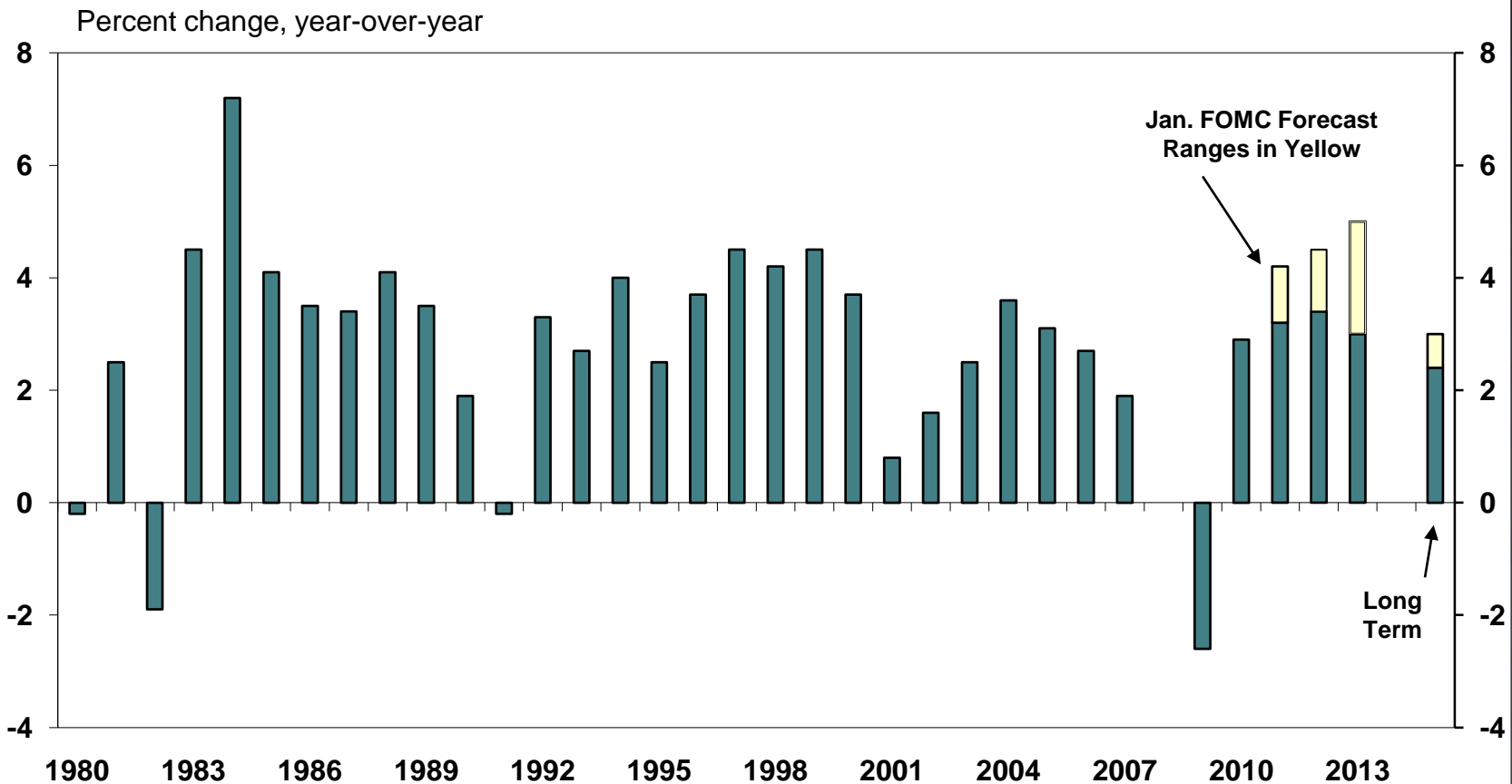


Source: U.S. Bureau of Labor Statistics



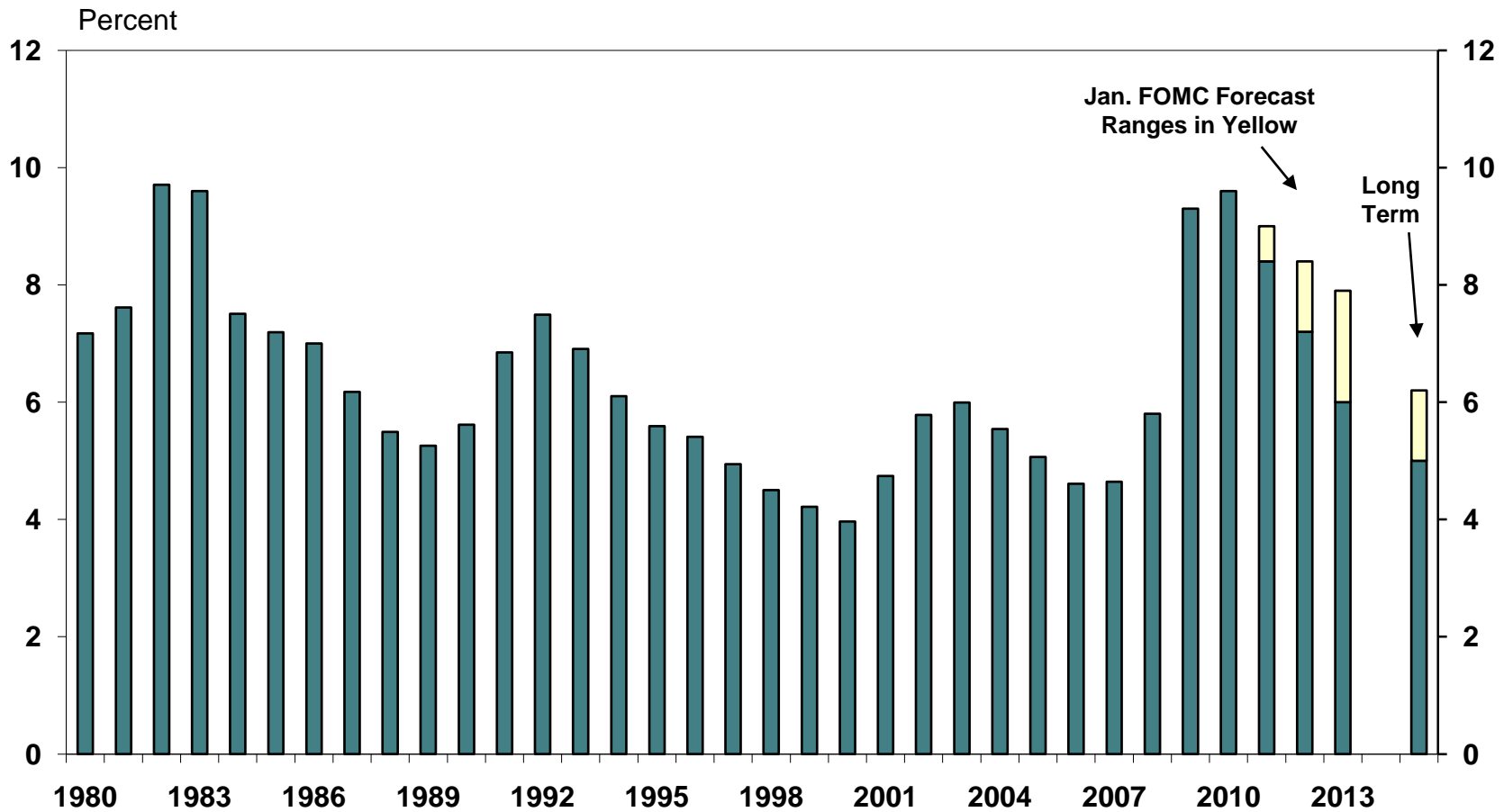
Fed policymakers expect continued moderate U.S. GDP recovery

Real Gross Domestic Product



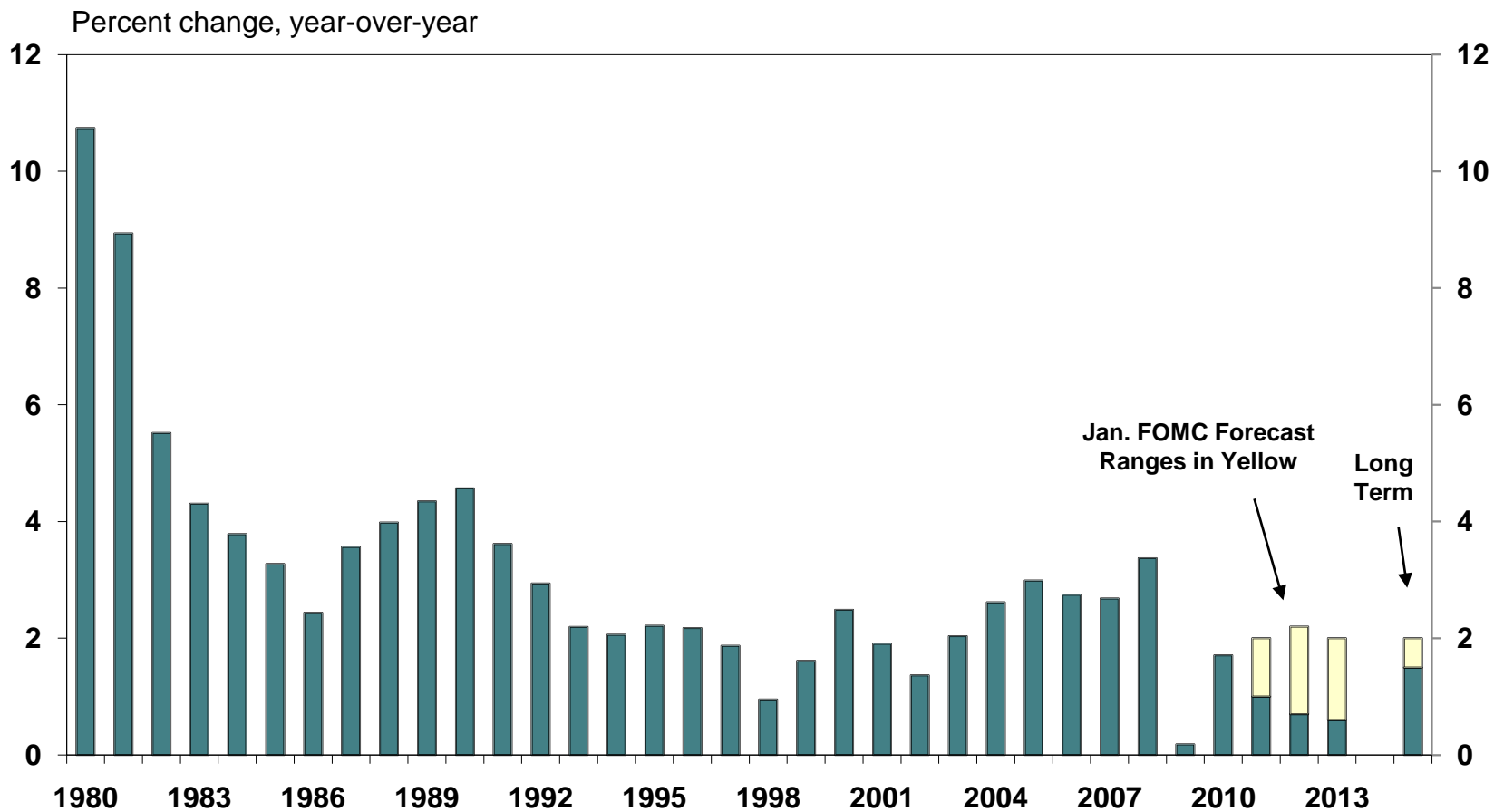
But for U.S. unemployment to remain relatively high for some time

Unemployment Rate Seasonally Adjusted



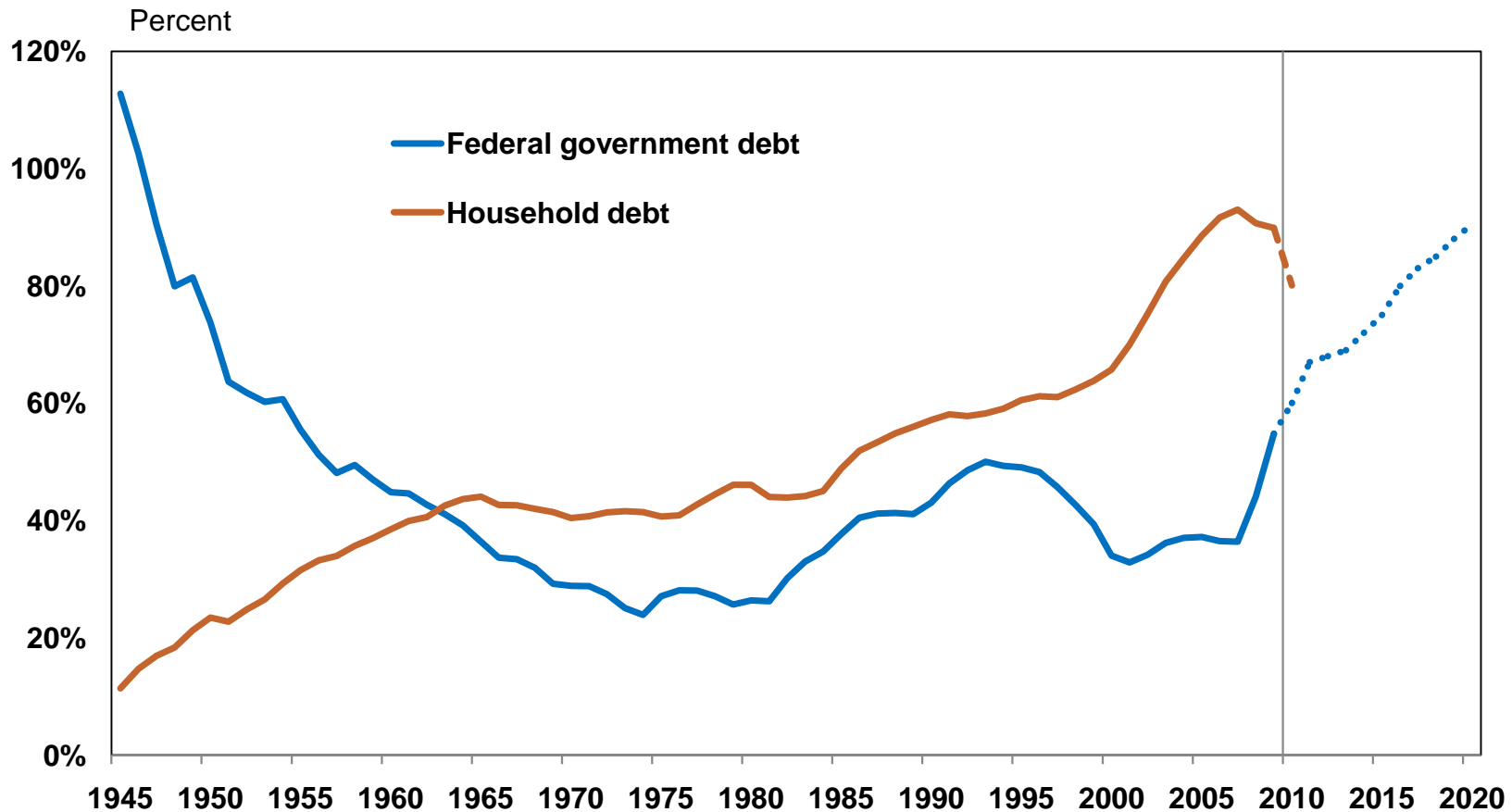
Inflation is expected to remain tame in the near term, but will require careful oversight

PCE Inflation Index



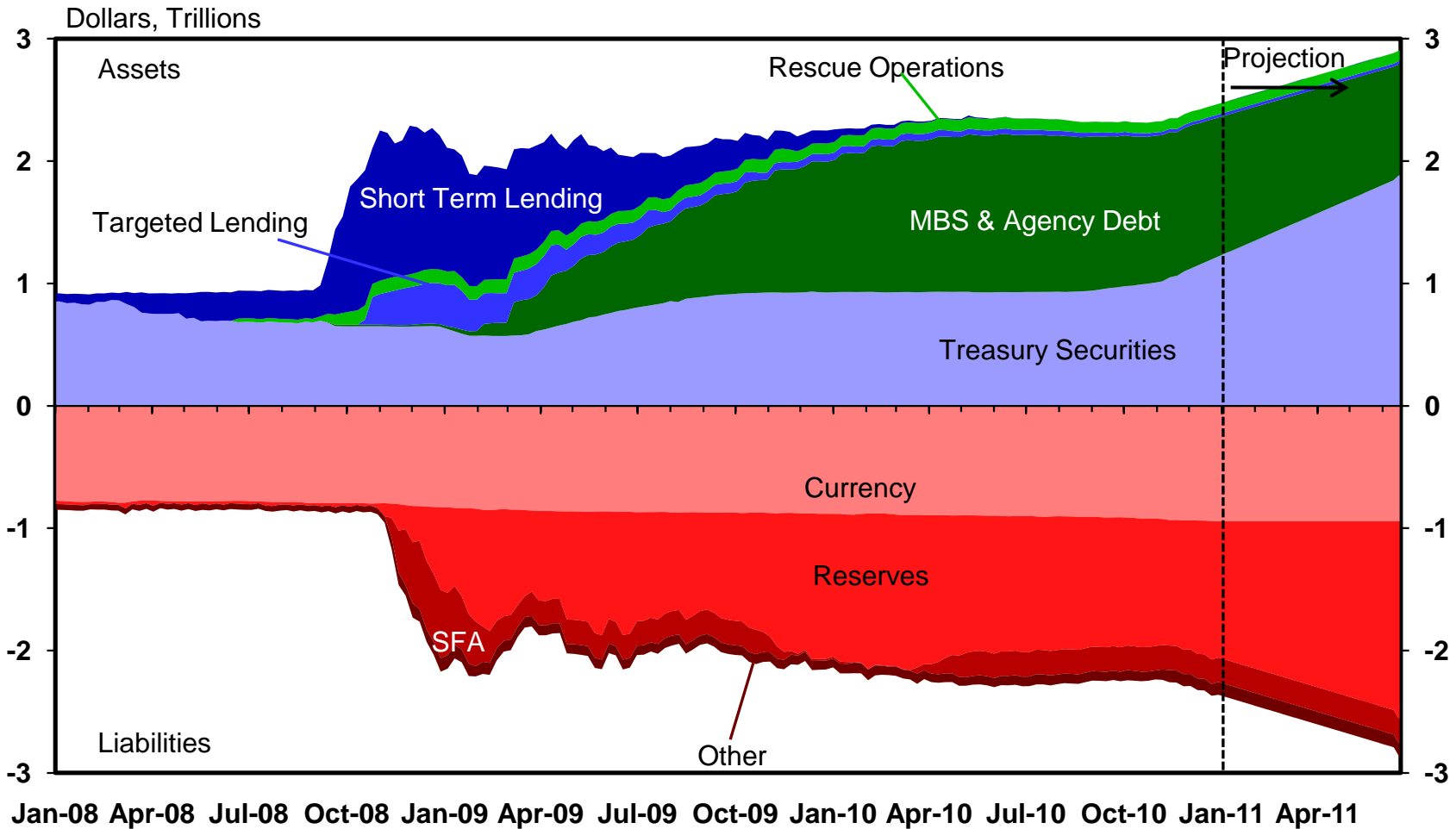
Risk #1: Debt Remains High

U.S. Debt as a Share of GDP



Risk #2: Fed's Balance Sheet

Federal Reserve Balance Sheet



Source: Federal Reserve Board



Risk #3: Rising Oil Prices?

- \$10/Barrel Oil Price Increase = 25 Cent Increase in Gasoline Pump Price
 - 25 Cent Increase in Gas Price = Consumers will have \$35 Billion/Year less to spend
 - \$35 Billion = Approximately 0.2% of GDP in a \$15 Trillion Economy

Therefore, \$10/Barrel increase = 0.2% drop in GDP

