

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

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Federal Reserve Bank of Kansas City

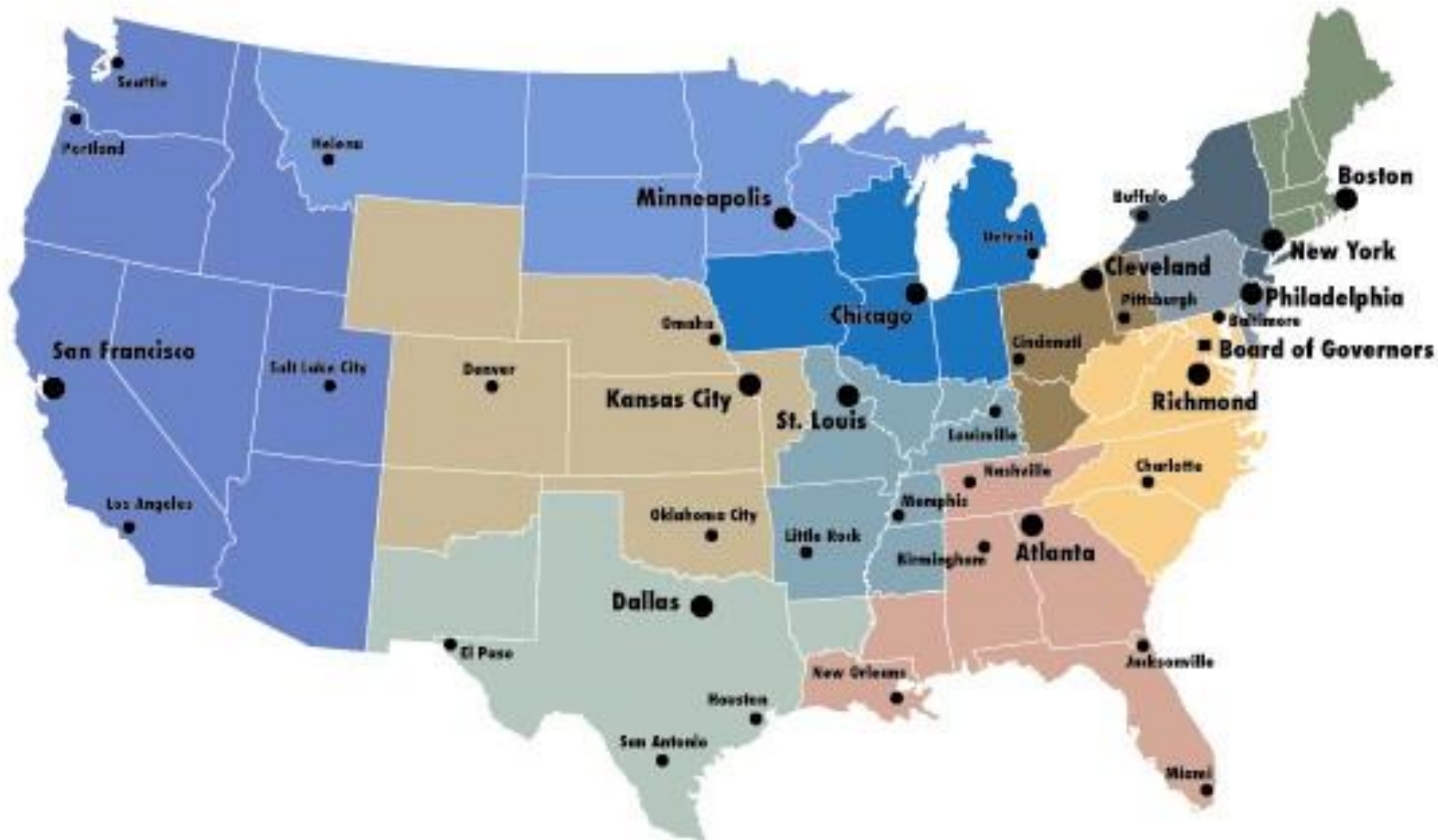
# Purposes and Structure of the Federal Reserve System

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- **Overall purposes of the Fed are to promote:**
  - National financial stability
  - Maximum sustainable economic growth
  - Low and stable inflation
- **Mission areas:**
  - Monetary policy – most visible role to the public, usually
  - Bank regulation – including lender of last resort
  - Payments systems – cash, checks, electronic payments
- **Monetary policy is set by the 12-member FOMC:**
  - The Federal Open Market Committee meets every 6 weeks
  - Voting members consist of:
    - the 7 Governors in Washington;
    - the New York Fed President;
    - 4 of the 11 other Fed presidents on a rotating basis

# Federal Reserve Districts and Office Locations

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# The Kansas City and Oklahoma City Offices

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- **Headquarters in Kansas City**

- Nearly **1,000 staff** involved in all mission areas
- **New building** officially opens in two weeks

- **Oklahoma City branch office**

- **Staff and functions** – 35 staff involved in economic research, bank examinations, and public and community affairs
- **Branch board of directors** – 7 members from around the state; provide anecdotal information in advance of each FOMC meeting

- **Oklahoma City branch board of directors**

- *Chairman* **Richard Ratcliffe**, Chairman, Ratcliffe's Textbooks, Weatherford
- **Steve Agee**, Chairman, Oklahoma Energy Resources Board, Oklahoma City
- **Terry Almon**, President, Oklahoma Community Capital Corp., Broken Arrow
- **Steve Burrage**, Chairman, FirstBank, Antlers
- **Jim Dunn**, Chairman, Mill Creek Lumber & Supply Co., Tulsa
- **Barry Golsen**, President, LSB Industries, Oklahoma City
- **Fred Ramos**, President, RGF, Inc., Oklahoma City

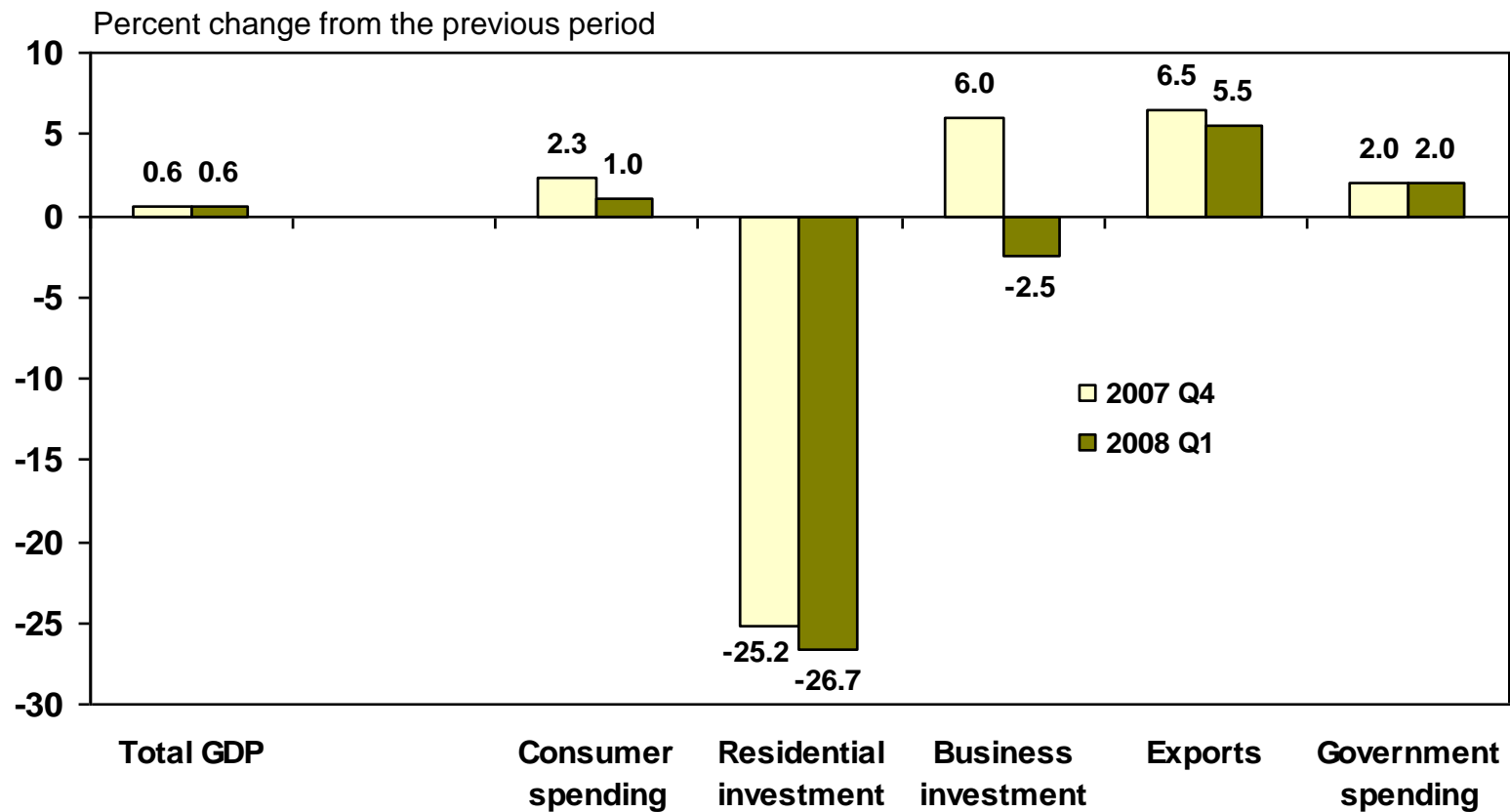
# The U.S. Economic Outlook

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- U.S. economic growth is below average
- Inflation pressures have risen
- Forecasts call for some improvement by the second half of 2008

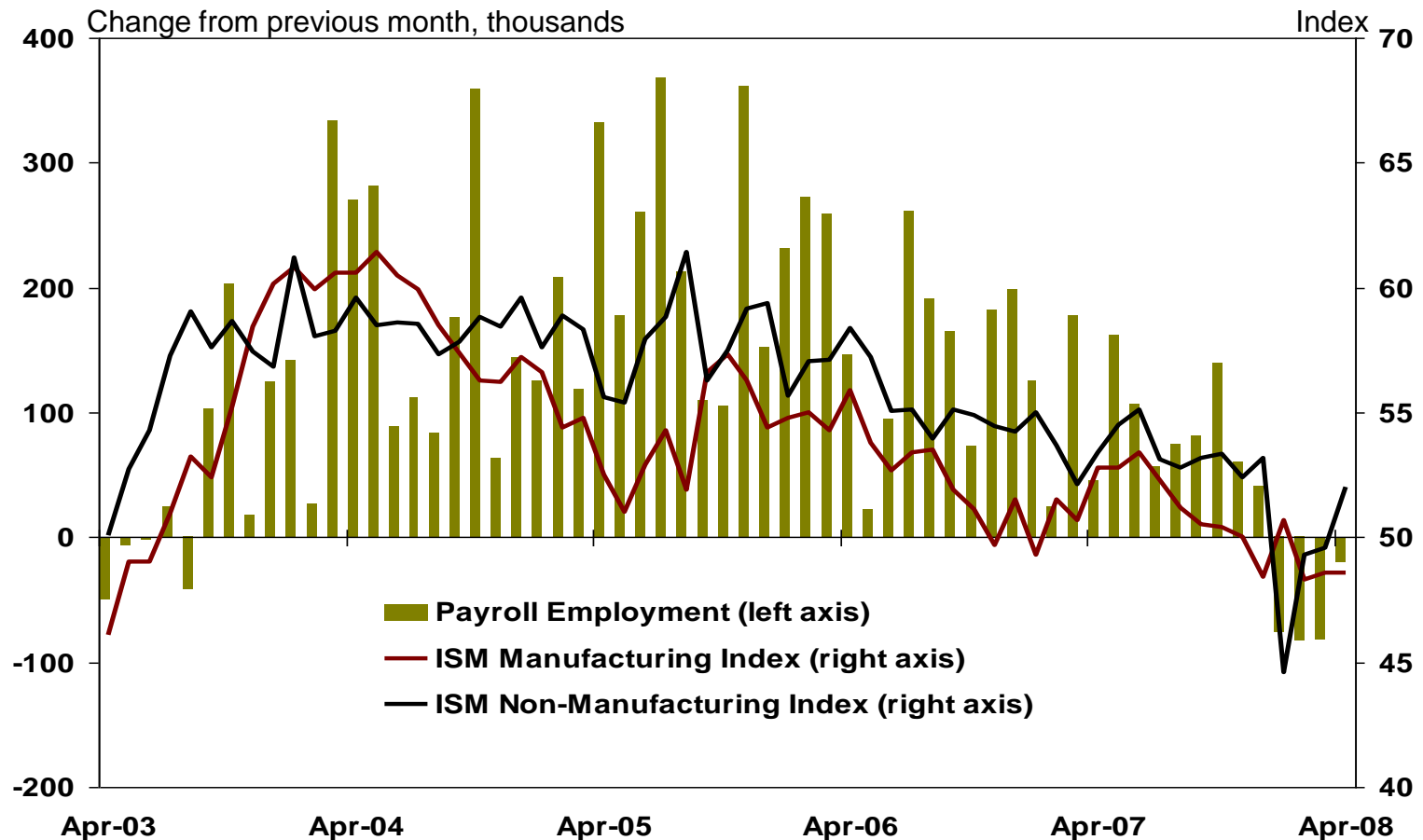
# GDP growth has been well below average in recent quarters

## Growth in Components of GDP



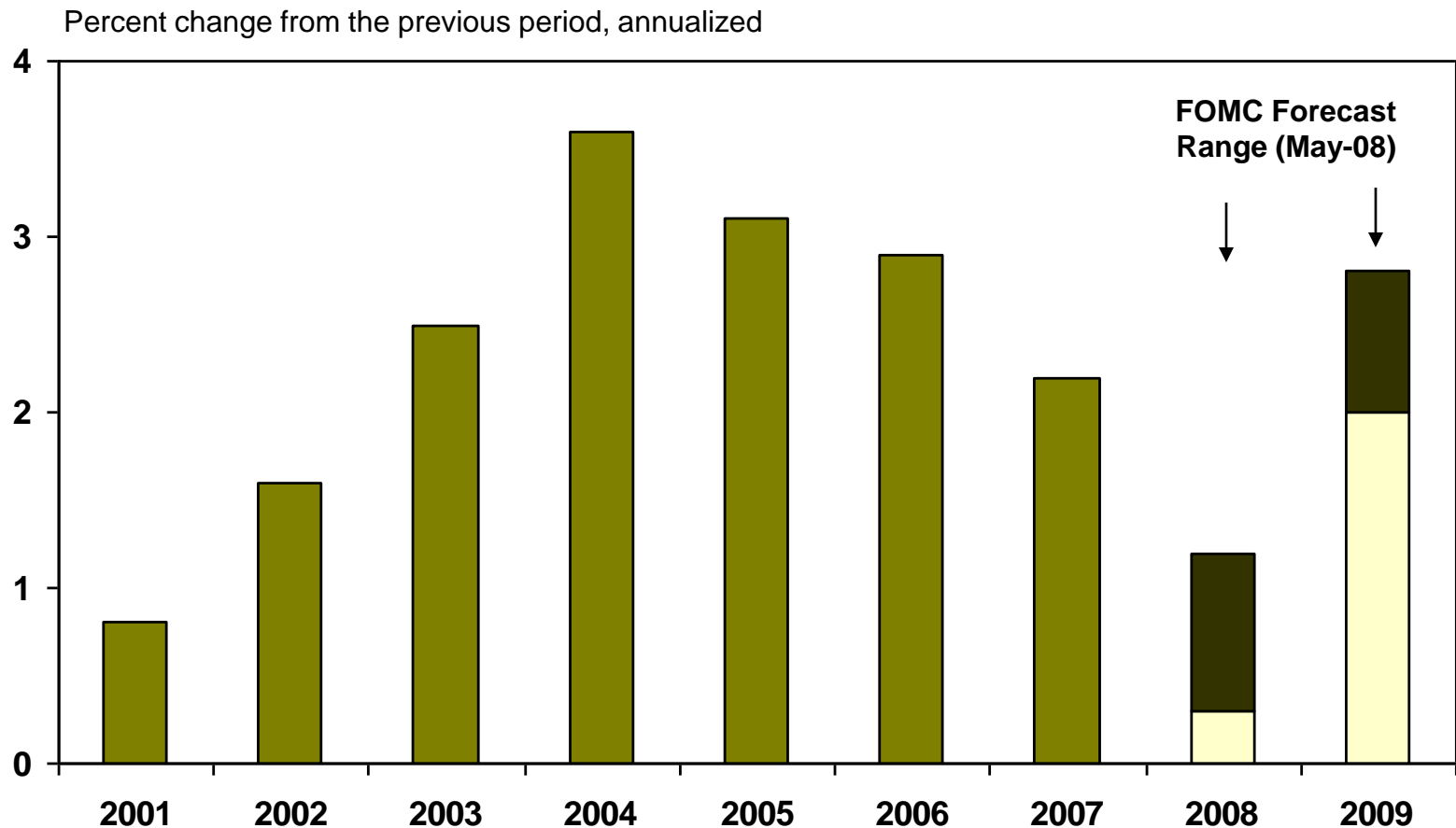
# April data suggest the sluggishness continues, but no further deterioration

## National Business Indexes and Payroll Employment



# GDP forecasts call for improvement by the second half of 2008 and on into 2009

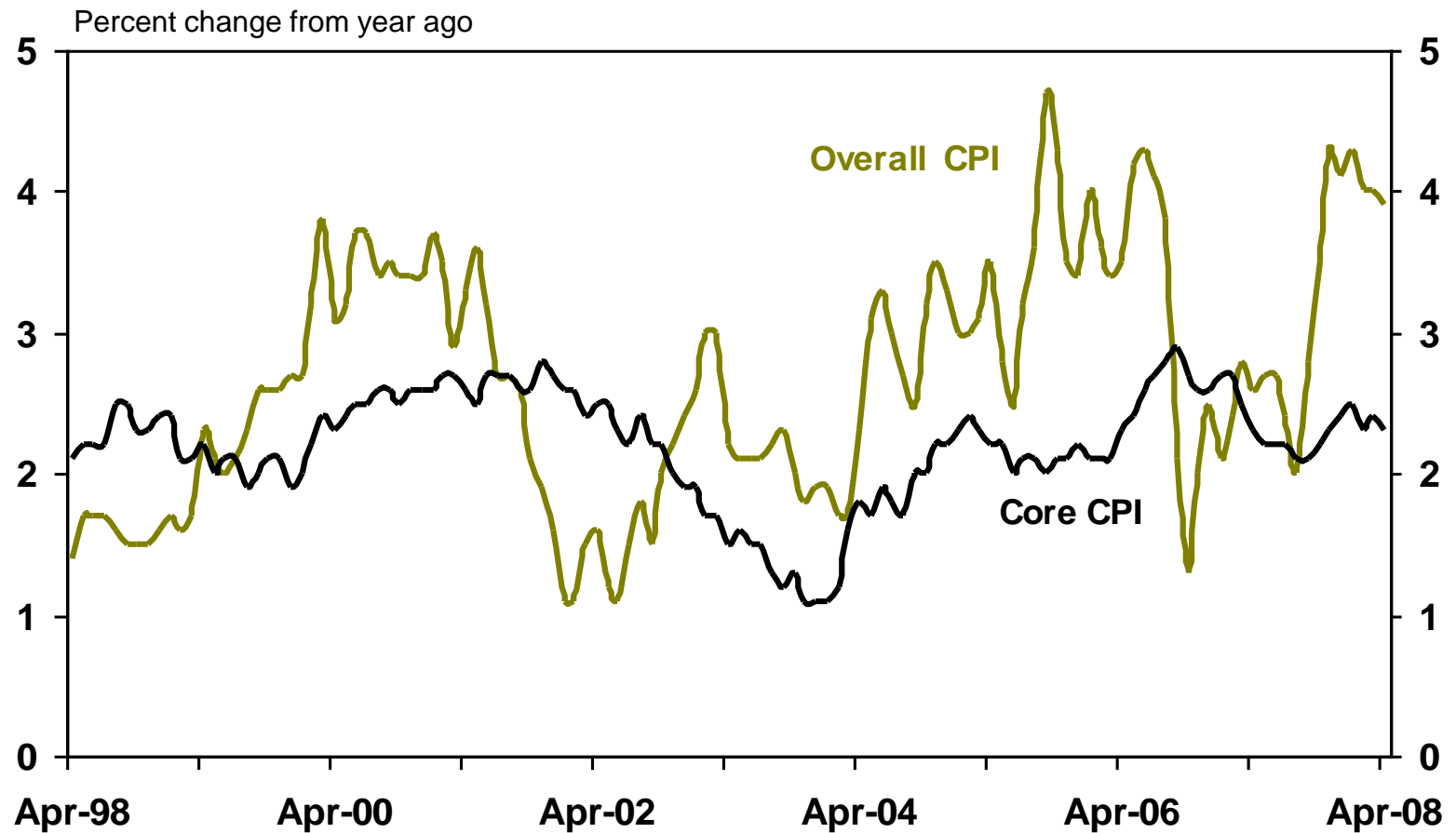
## Gross Domestic Product





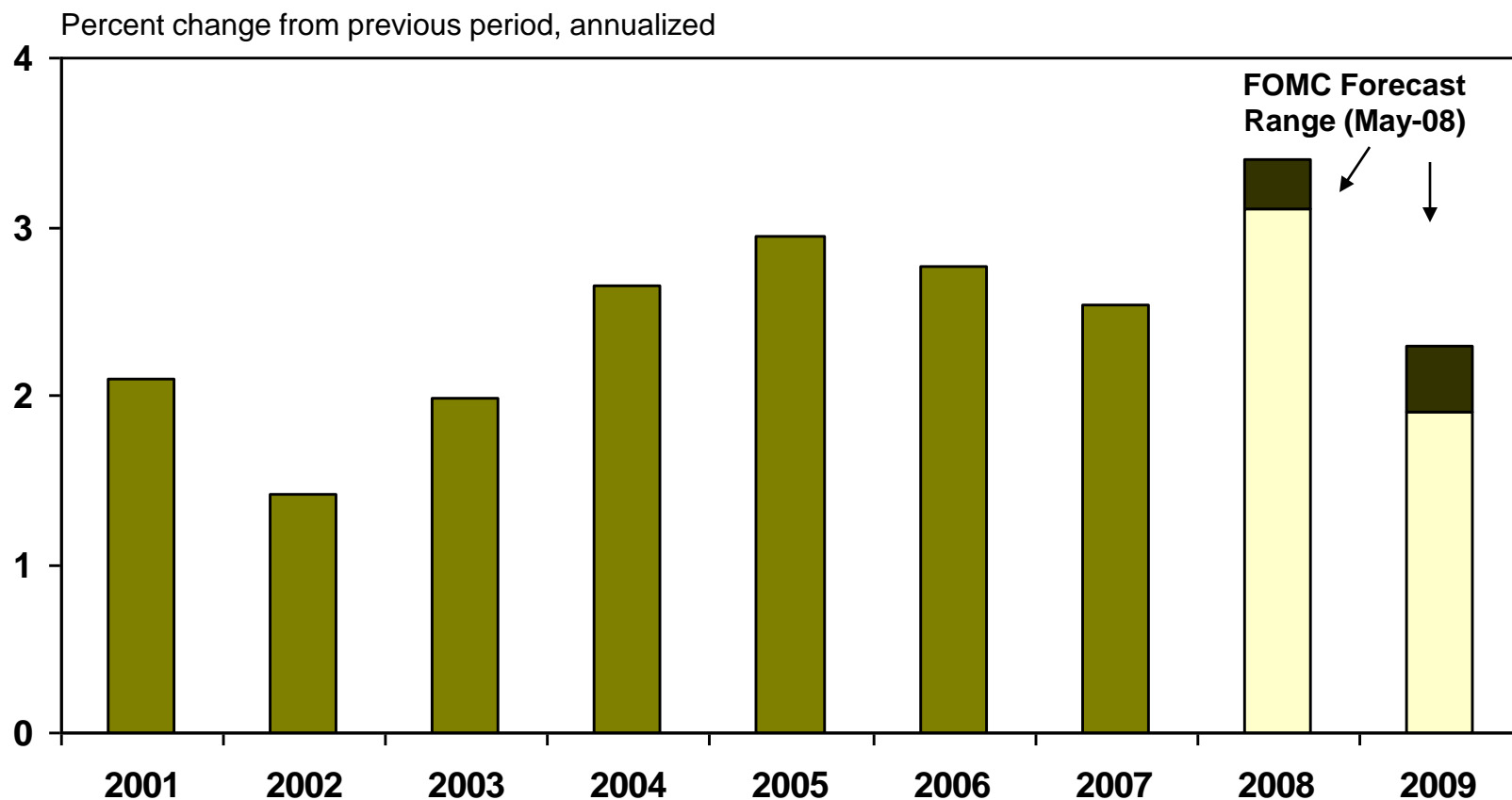
# Inflation remains elevated

## Consumer Price Index



# But forecasts call for a moderation in inflation by next year

## PCE Inflation



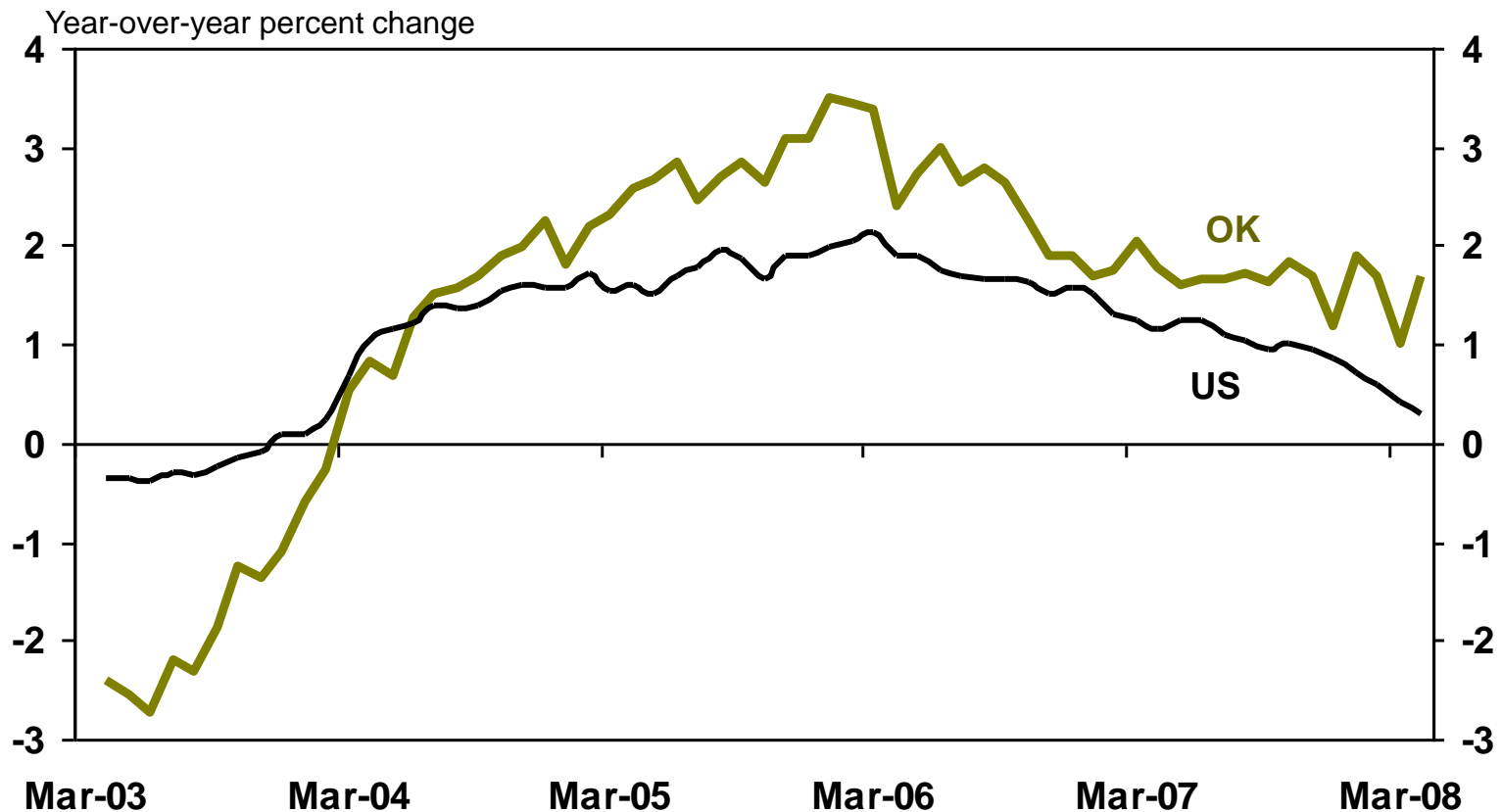
# The Oklahoma Economic Outlook

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- ❑ Oklahoma economic growth has also slowed—but still remains fairly solid
- ❑ Housing is in better shape than the nation, although some weakness may be emerging
- ❑ Moderate economic growth seems likely to continue in the state heading forward

# Oklahoma job growth continues to be considerably stronger than in the nation

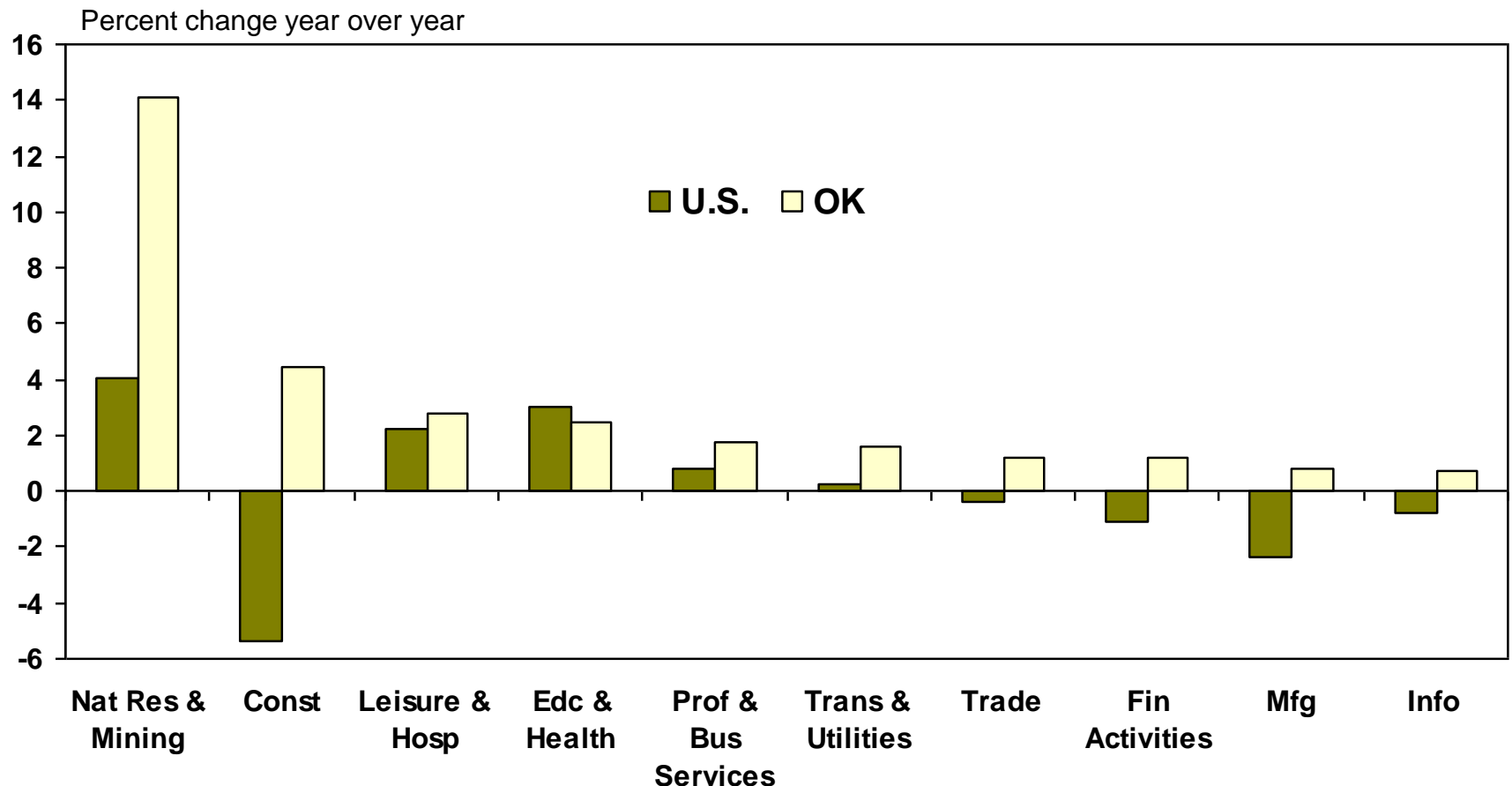
## Nonfarm Payroll Employment Growth



# Strength in Oklahoma job growth is driven by energy, but also some other sectors

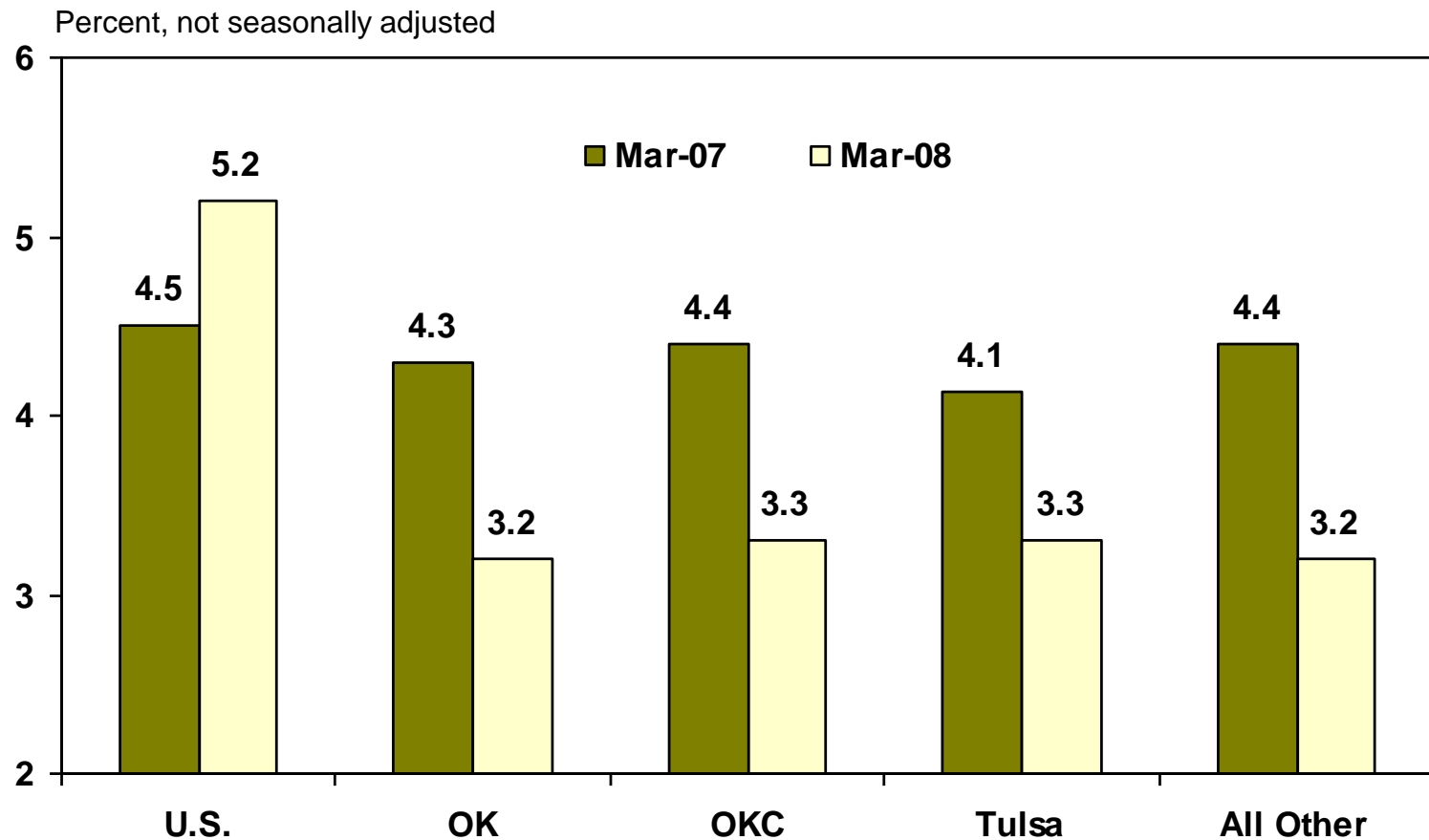
## Employment Growth by Industry

April 2008



# Unemployment rates are down across the state since last year, unlike in the nation

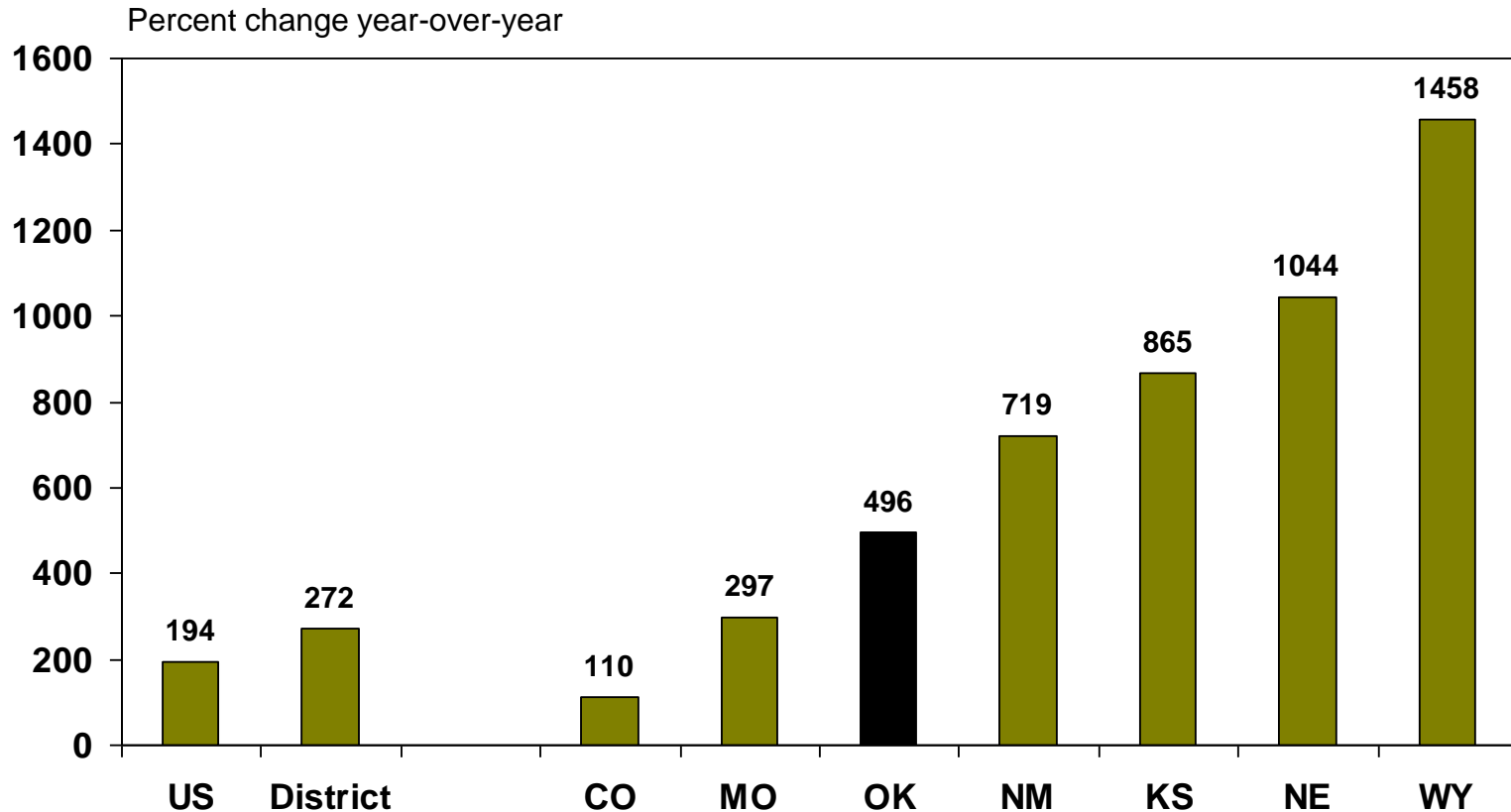
## Unemployment Rates



# Foreclosures are less prevalent in Oklahoma than the nation

## Households per Foreclosure, Tenth Federal Reserve District

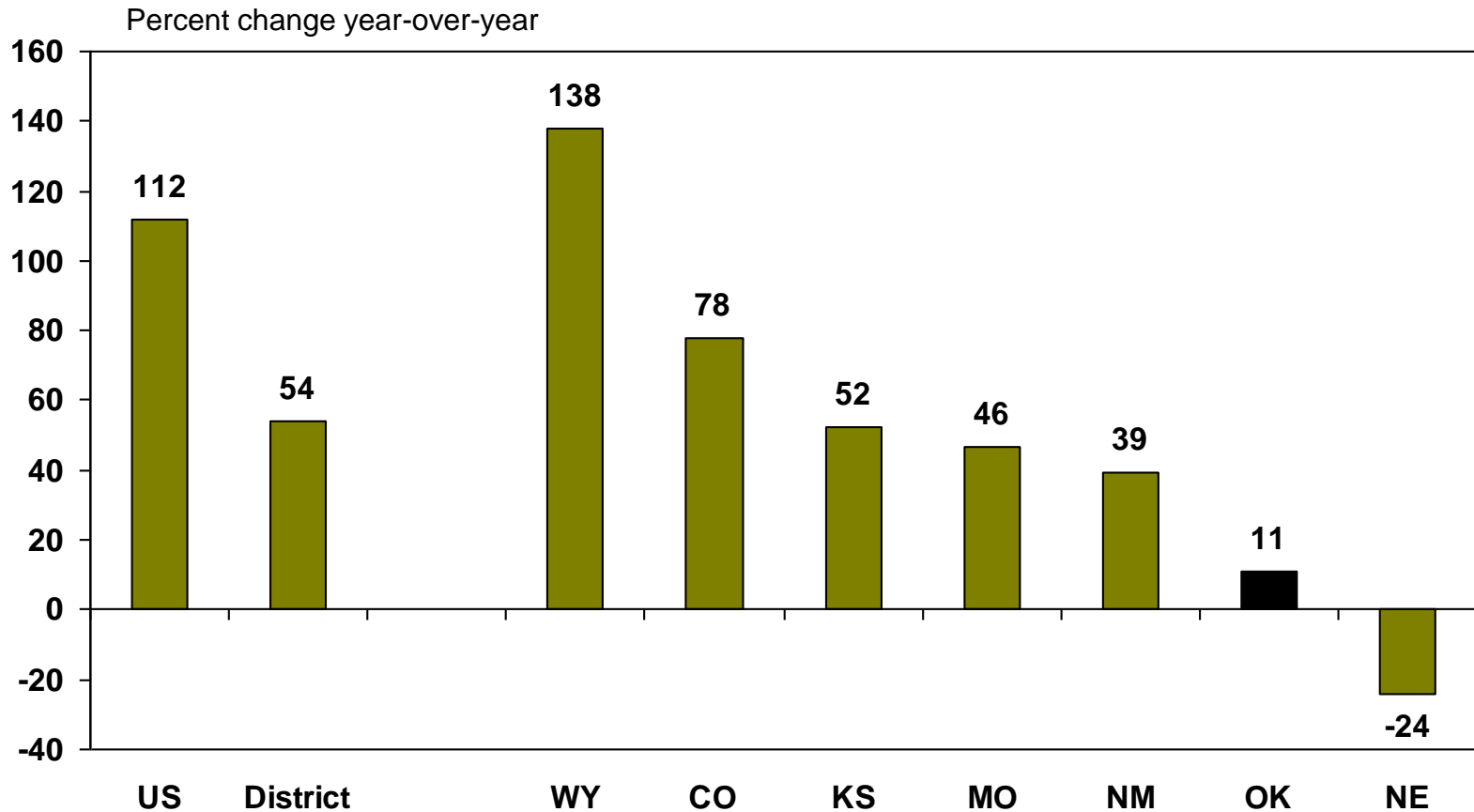
2008 Q1



# And foreclosures have risen much less over the past year as well

## Change in Foreclosures from Previous Year, Tenth District

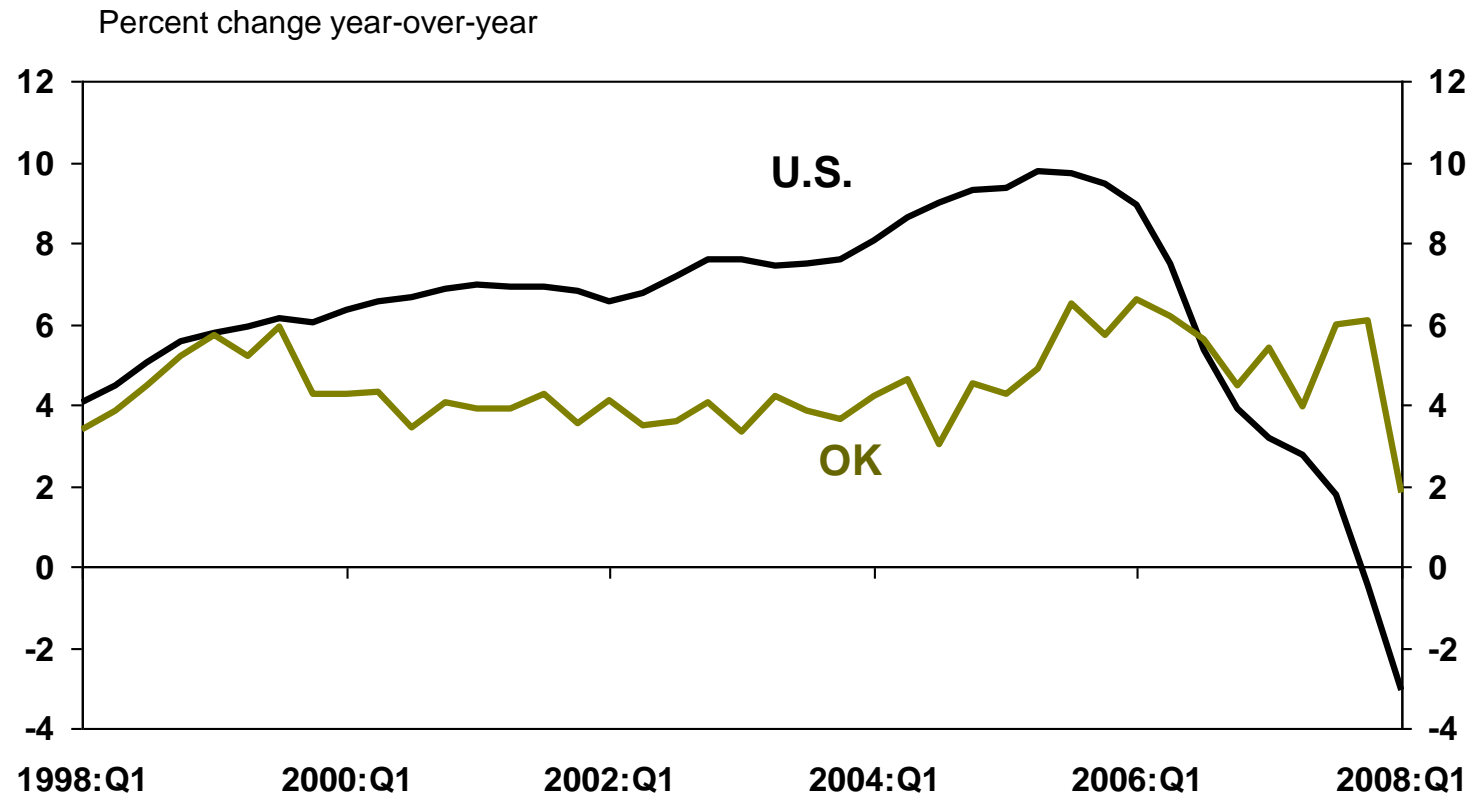
2008 Q1





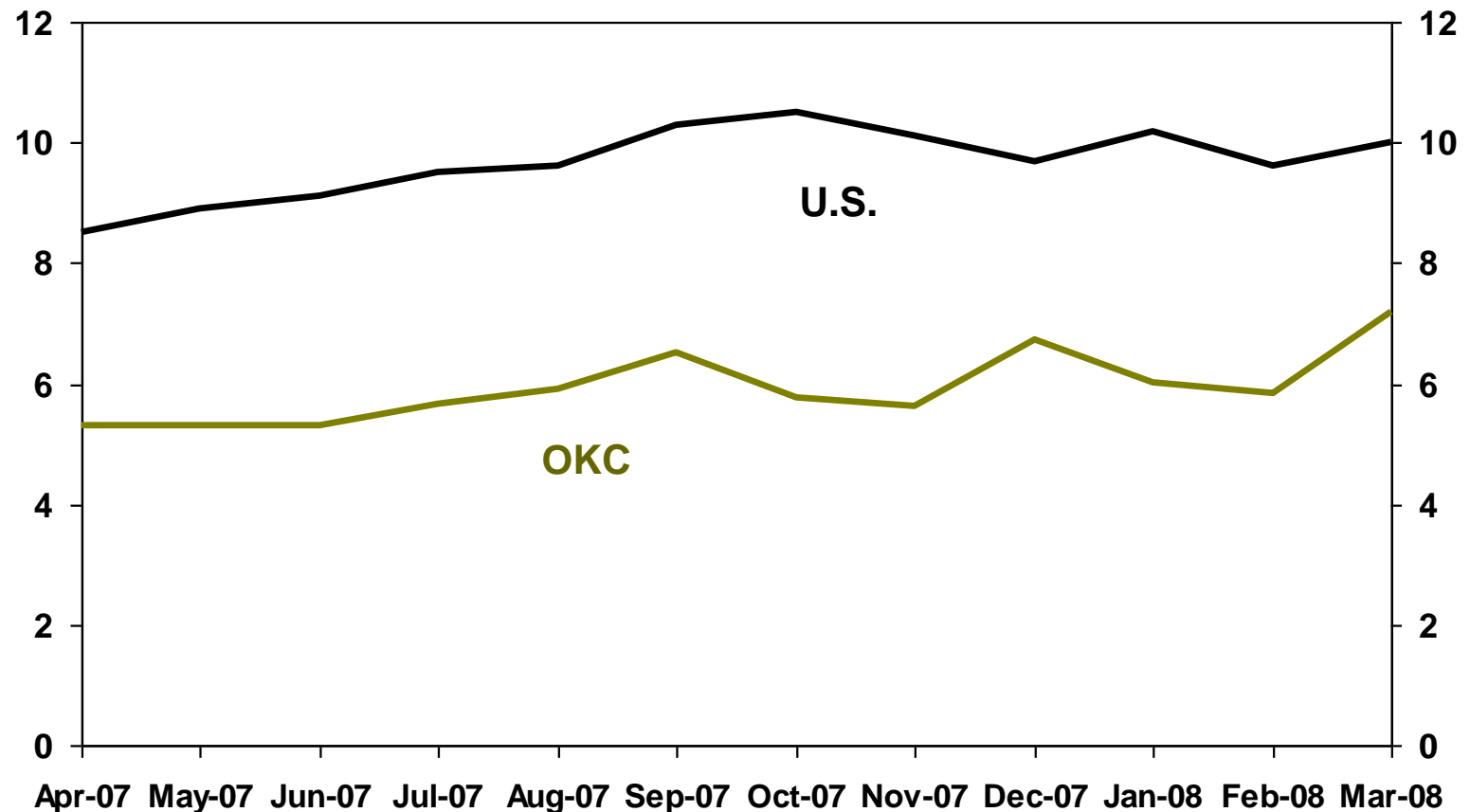
# U.S. home prices are falling, while Oklahoma prices are holding on

**Quality-Adjusted Home Price Growth**  
Purchase-Only



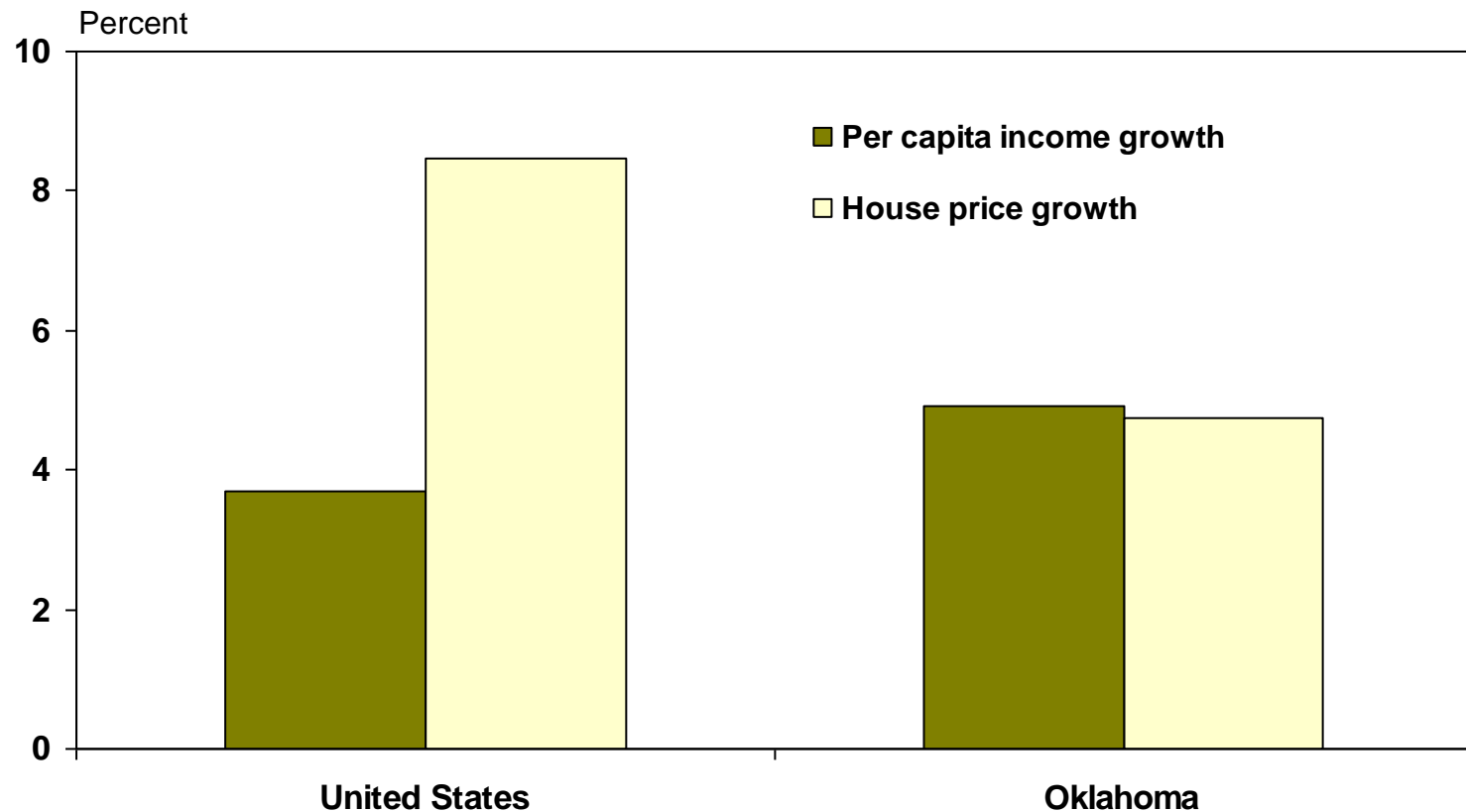
# Unsold home inventories have edged up recently but remain well below the nation

**Months Supply of Unsold Homes**  
Seasonally Adjusted



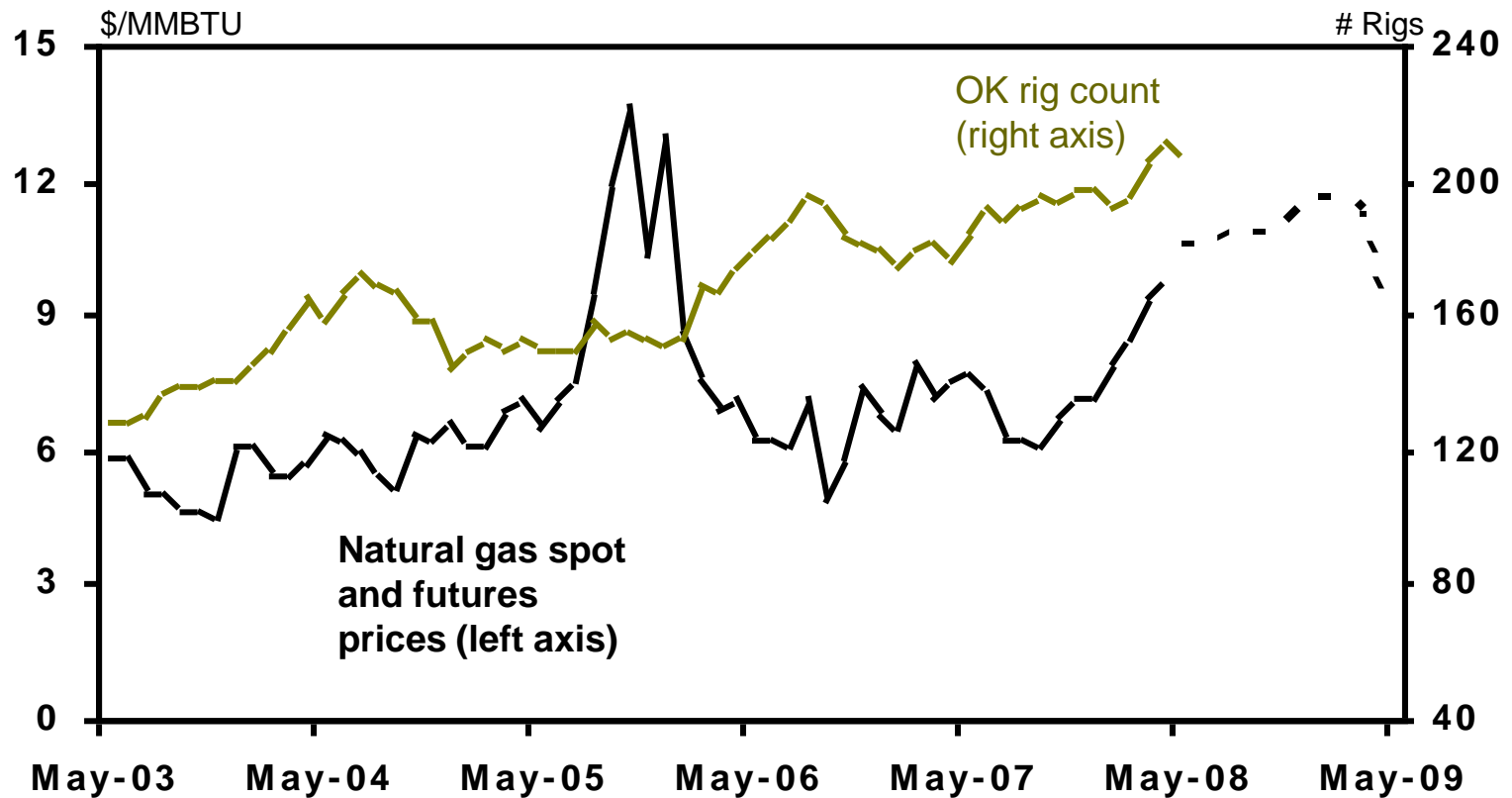
# House price fundamentals were also more in line in Oklahoma from 2000 to 2005

**Annual Growth in Per Capita Incomes and Home Prices**  
2000 - 2005



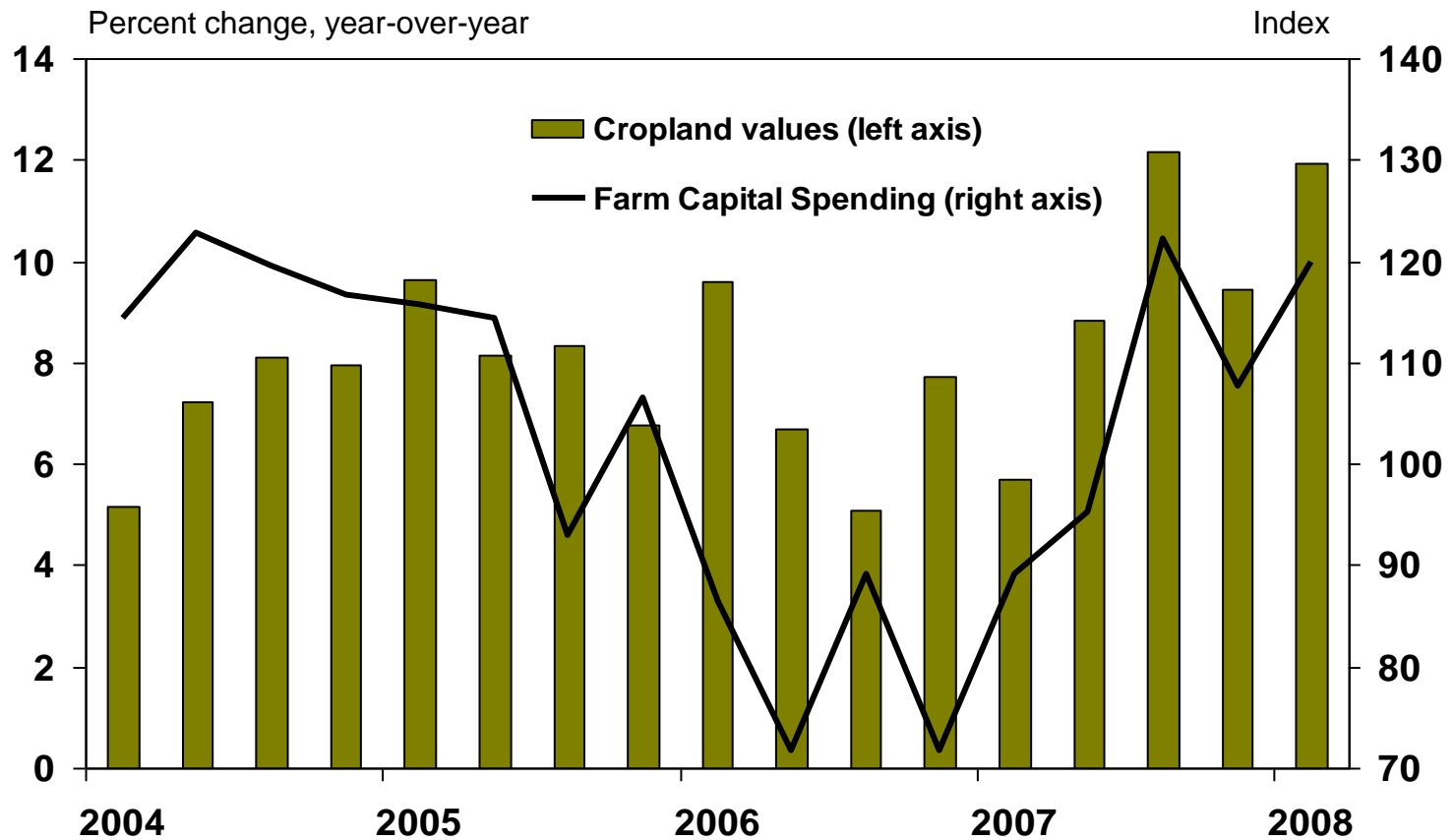
# State oil and gas activity remains strong, and futures prices are high

## Count of Active Drilling Rigs and Natural Gas Prices



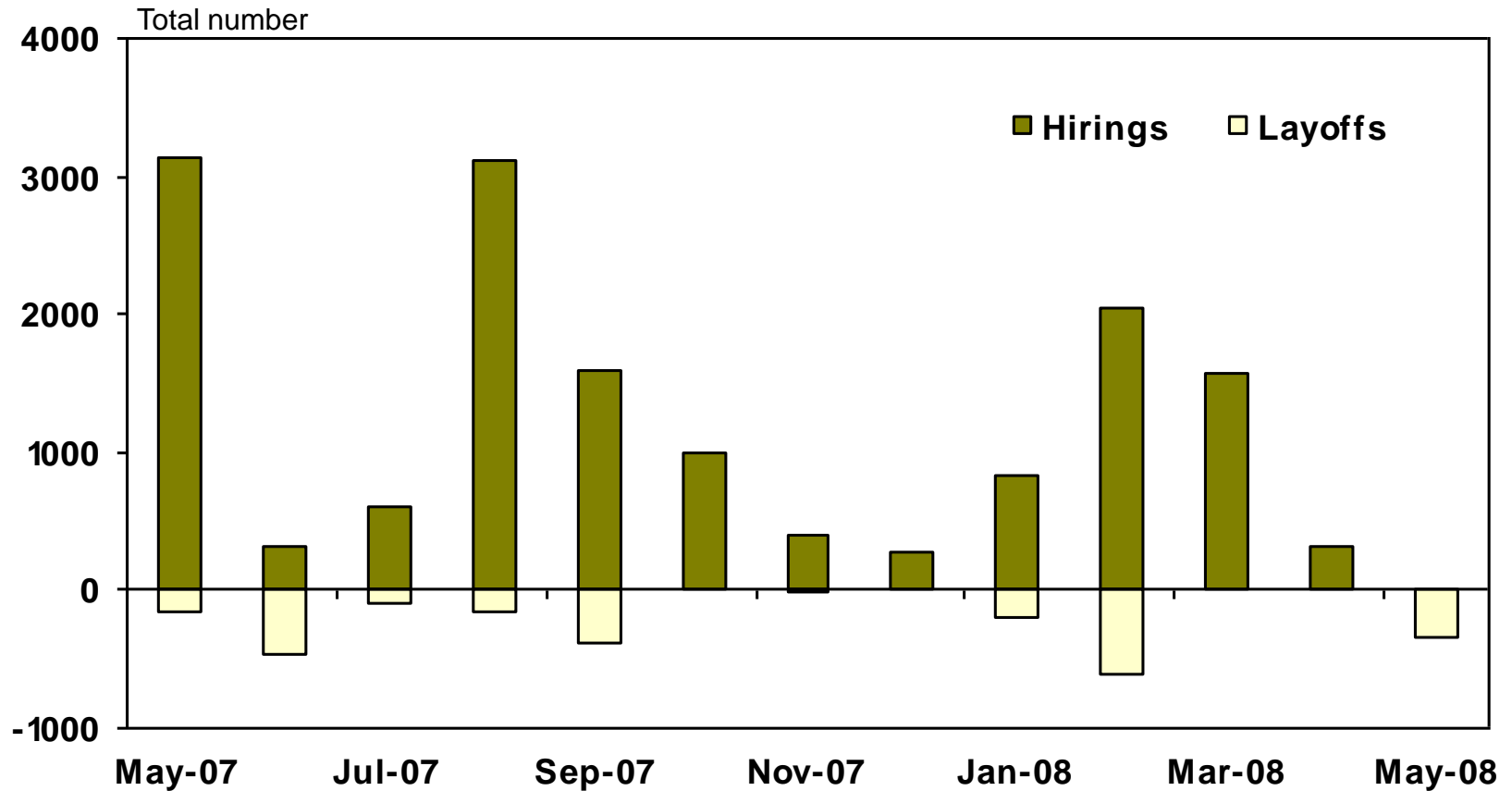
# Oklahoma farmland values and farm capital spending are rising

## Oklahoma Agricultural Indicators



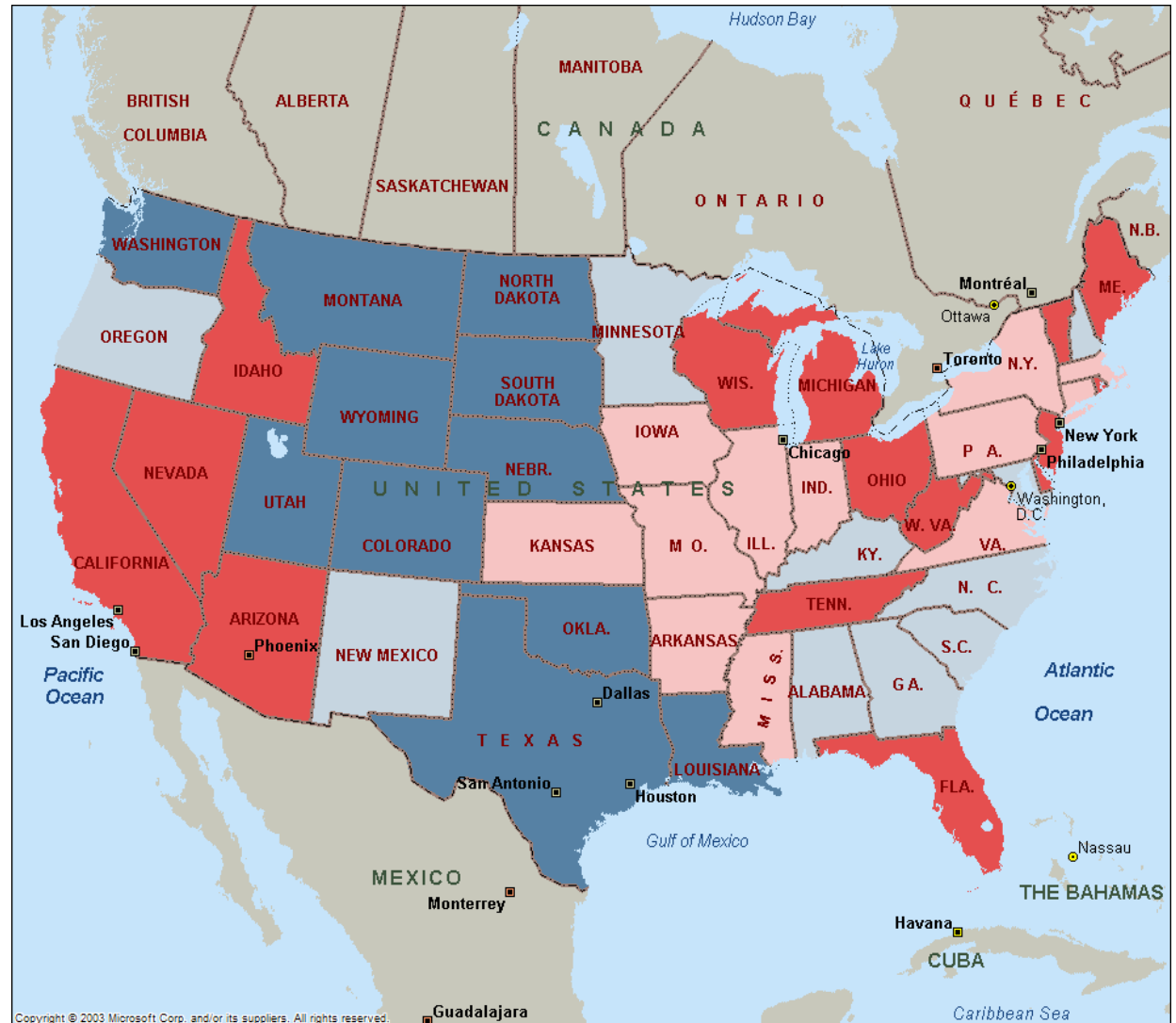
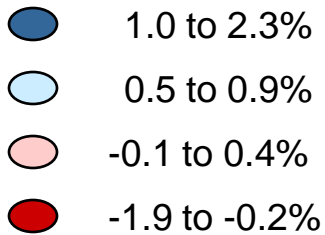
# Hiring announcements in Oklahoma have outpaced layoffs in 2008

Oklahoma Hiring and  
Layoff Announcements



# And Oklahoma ranks in the top quartile of states for 2008 forecasted job growth

## Projected 2008 Job Growth (as of May-08)



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Questions?