

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

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# Purposes and Structure of the Federal Reserve System

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- **Overall purposes of the Fed are to promote:**
  - Low and stable inflation
  - Maximum sustainable employment
  - National financial stability (in conjunction with others)
- **The primary functional areas of the Fed are:**
  - Monetary policy – control money supply; lender of last resort (LOLR)
  - Bank regulation – holding companies; state Fed member banks; LOLR
  - Payments systems – cash; electronic; bank for federal government
- **The Federal Reserve System consists of:**
  - Board of Governors: 7 members who are appointed by the U.S. President and confirmed by the Senate to serve 14-year terms.
  - Federal Reserve Banks: 12 Banks, each serving a unique district.
  - Federal Open Market Committee (FOMC): Consists of 12 voting members and 19 total members; sets national monetary policy

# Federal Reserve Districts and Office Locations



# The Kansas City and Oklahoma City Offices

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- **Headquarters office in Kansas City**

- Nearly **1,000 staff** involved in all mission areas
- **New building** officially opened in June 2008
- **President Tom Hoenig** is a voting member of the FOMC in 2010

- **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* **Steve Agee**, President, Agee Energy, and Professor, OCU, OKC
- **Bill Anoatubby**, Governor, Chickasaw Nation, Ada
- **Jim Dunn**, Chairman, Mill Creek Lumber & Supply Co., Tulsa
- **Jacque Fiegel**, Senior EVP & COO, Coppermark Bank, OKC
- **Rose Washington Rentie**, Executive Director, TEDC CreativeCapital, Tulsa
- **Doug Tippens**, President and CEO, Bank of Commerce, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville

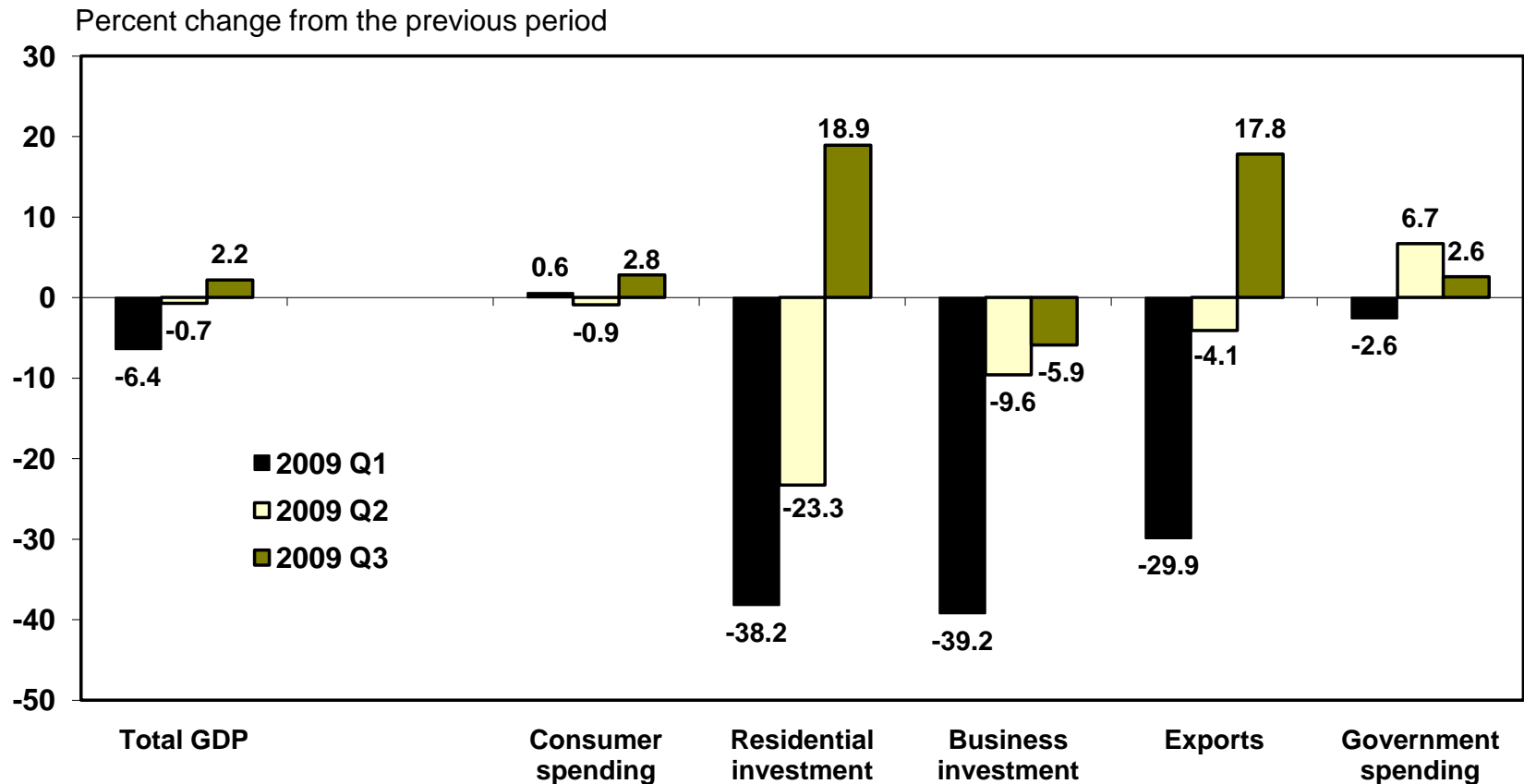
# The U.S. Economy

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- The U.S. economy is growing again, with help from monetary and fiscal stimulus
- But the strength of recovery is likely to be modest, due to a number of factors
- With modest growth, inflation is expected to remain tame in the near term

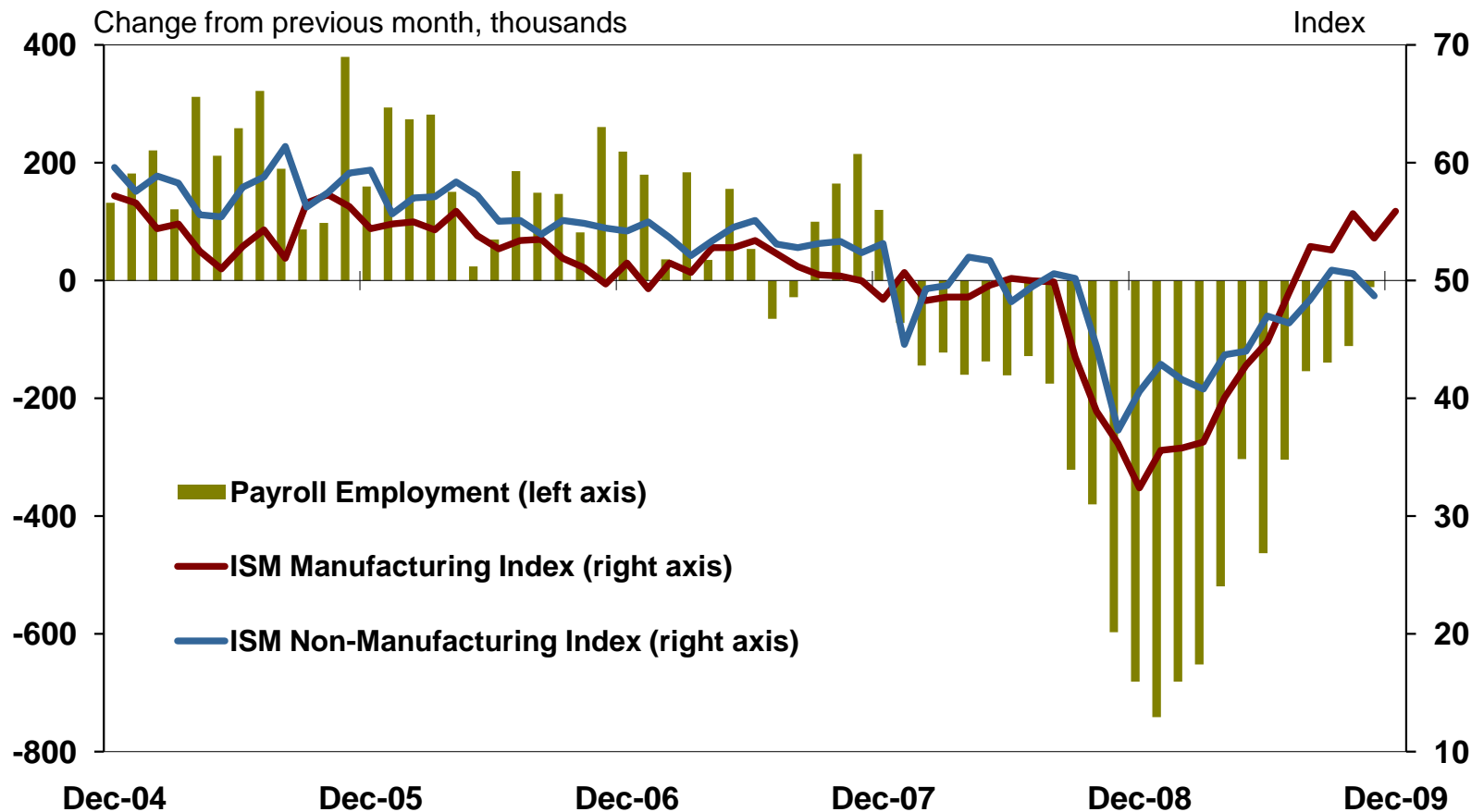
# Third quarter GDP growth was finally positive, but was boosted by government stimulus

## Growth in Components of GDP



# Data on the fourth quarter show moderate growth, with job losses diminishing

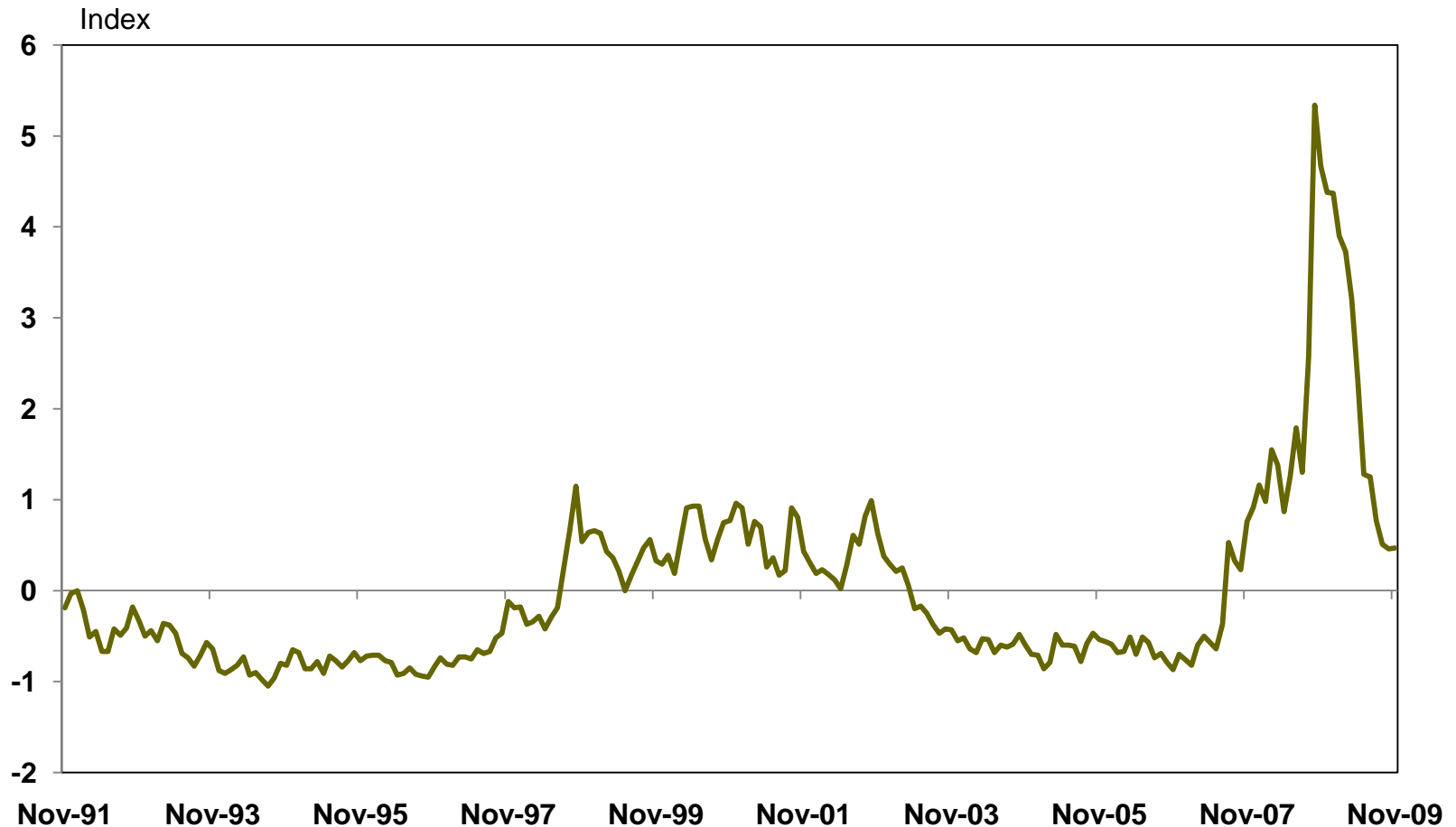
## National Business Indexes and Payroll Employment



# Credit market conditions have improved but remain somewhat stressed

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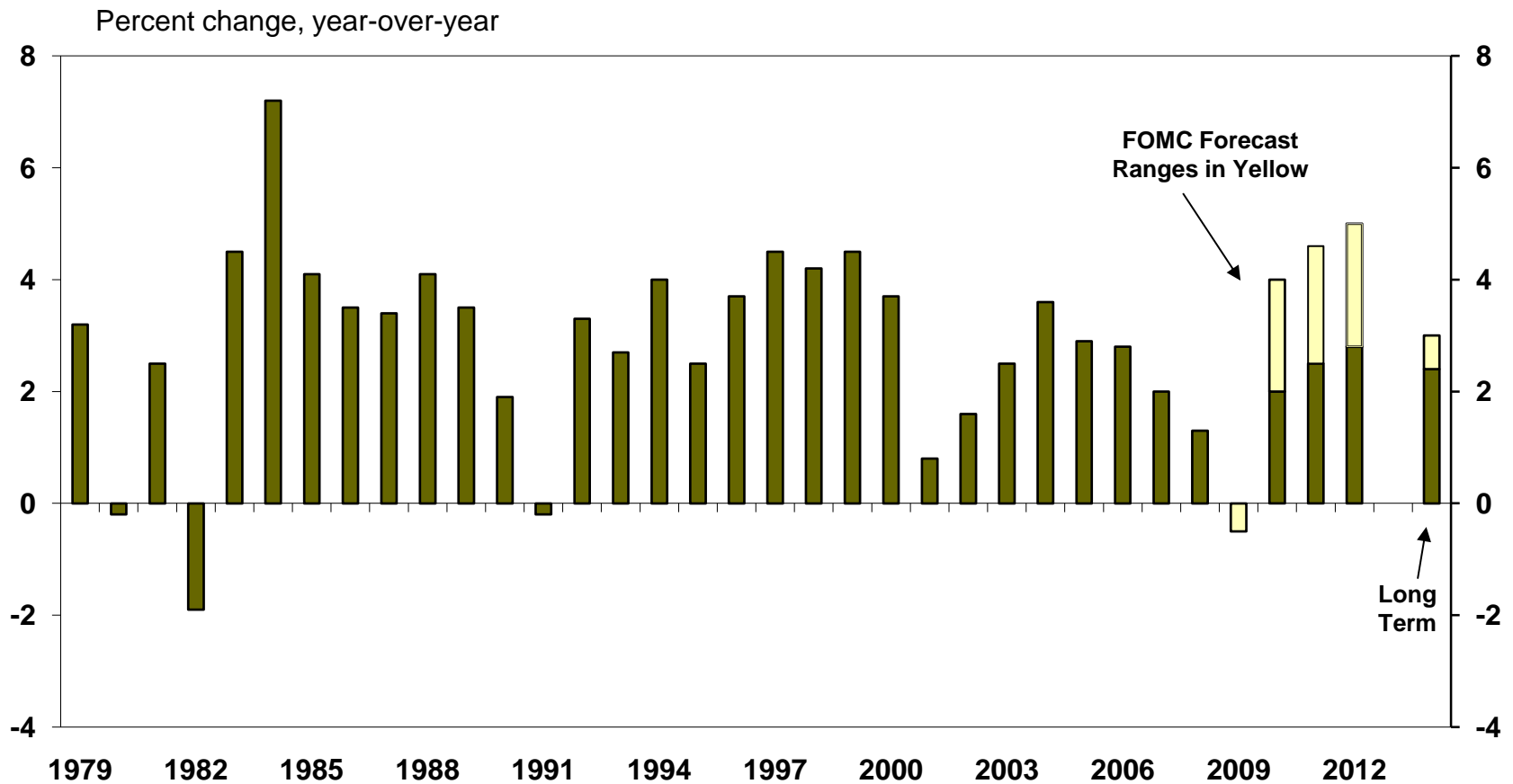
## Kansas City Financial Stress Index





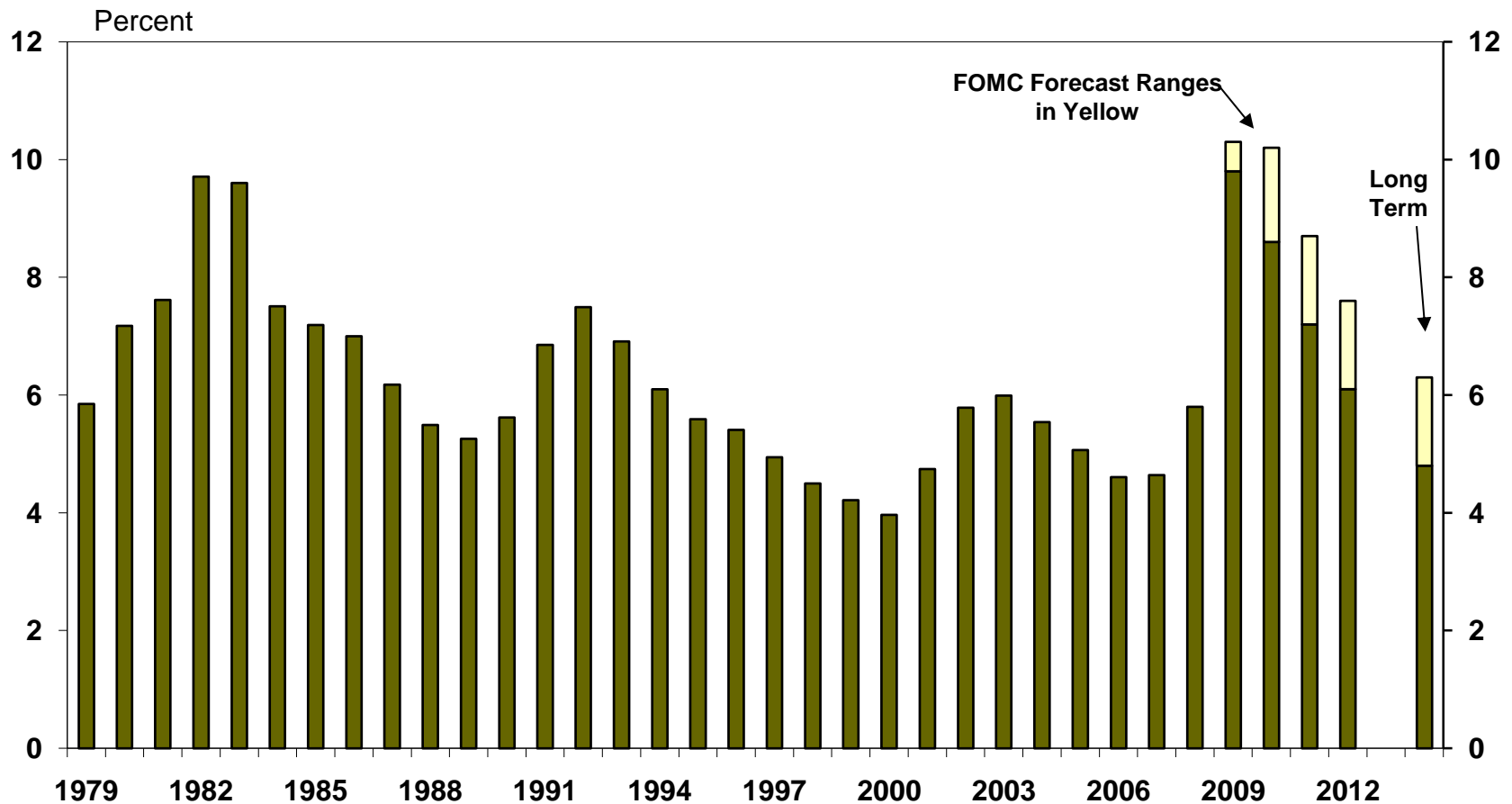
# Heading forward, policy makers generally expect a moderate recovery

## Gross Domestic Product



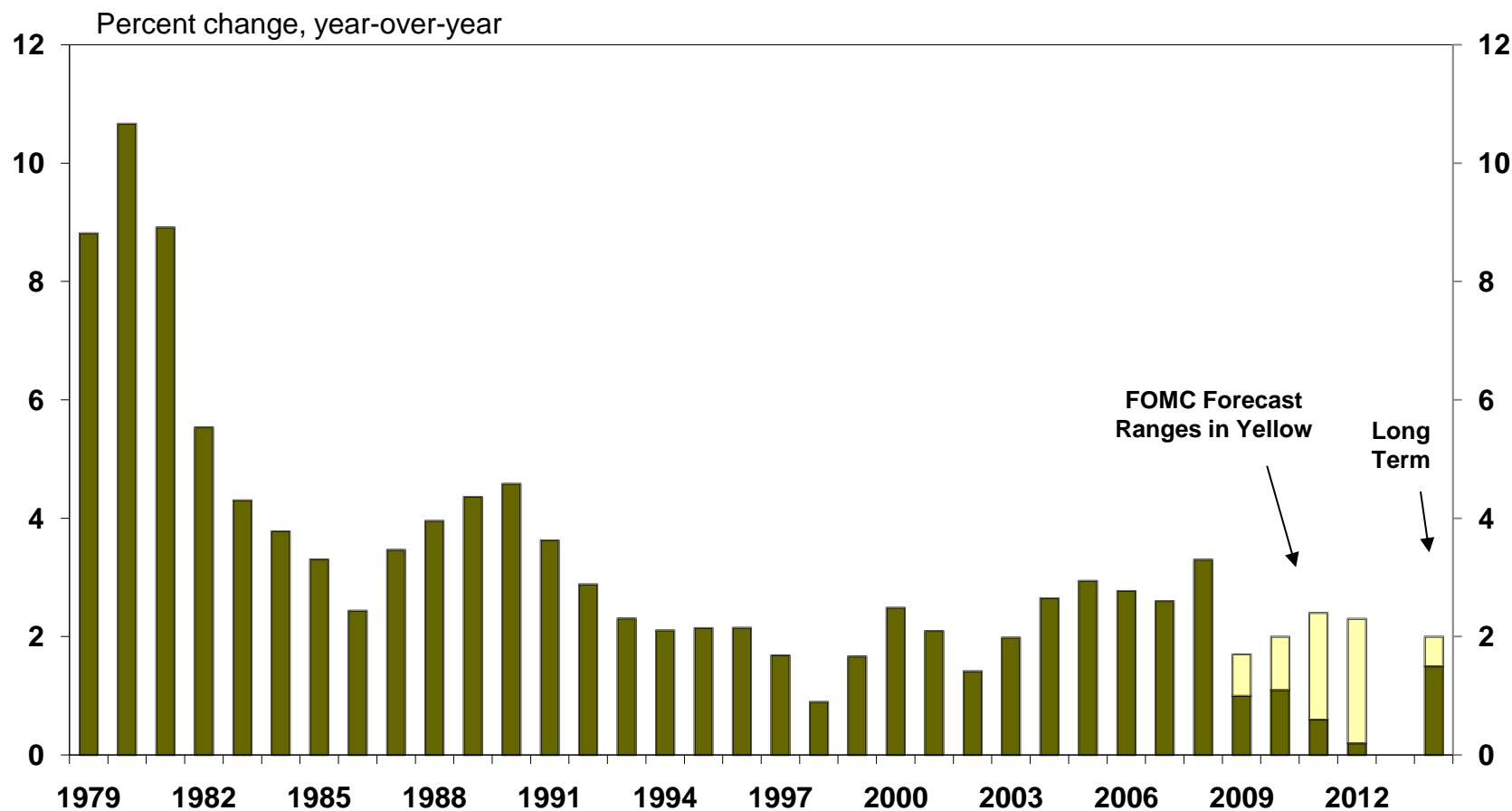
# With unemployment expected to remain high for some time

**Unemployment Rate**  
Seasonally Adjusted



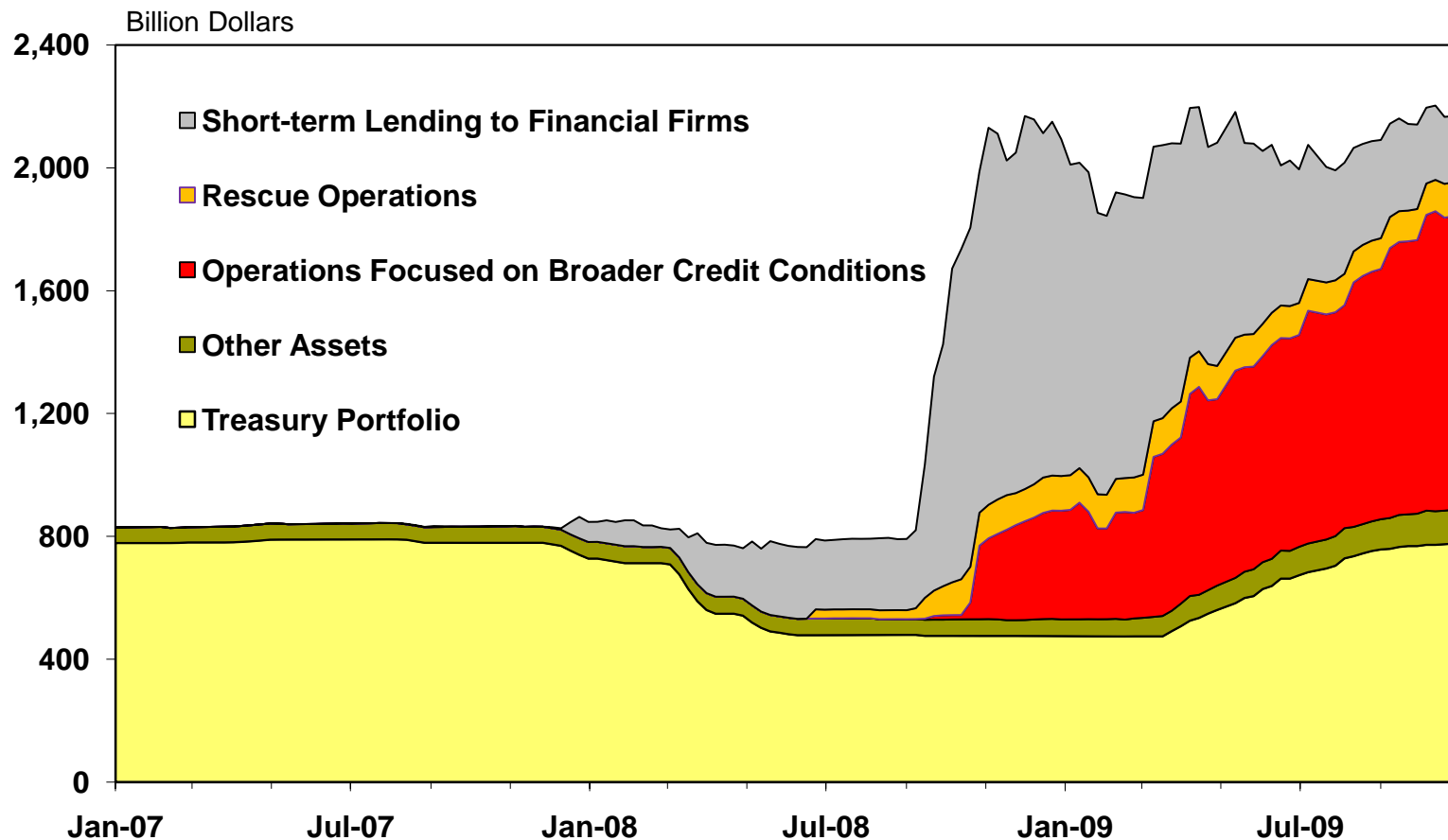
# With moderate growth and excess capacity, inflation is expected to remain tame

## PCE Inflation Index



# The Fed's balance sheet has grown considerably over the past year

## Federal Reserve Balance Sheet: Assets



# The Oklahoma Economy

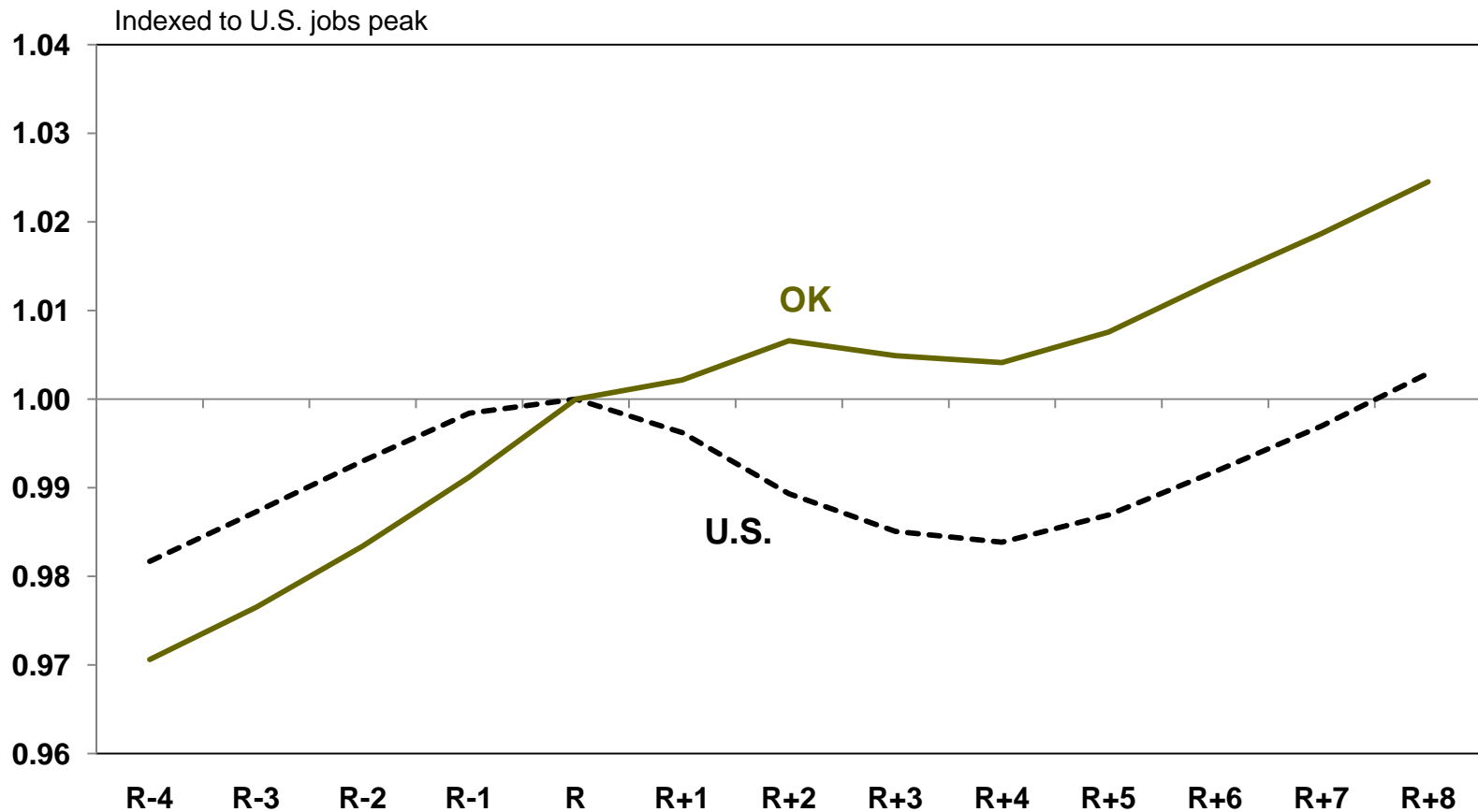
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- As usual in recessions, Oklahoma entered this recession later than the nation
- After steep declines for much of 2009, the state appears to be stabilizing
- But several risks remain in the state, especially the future path of energy prices

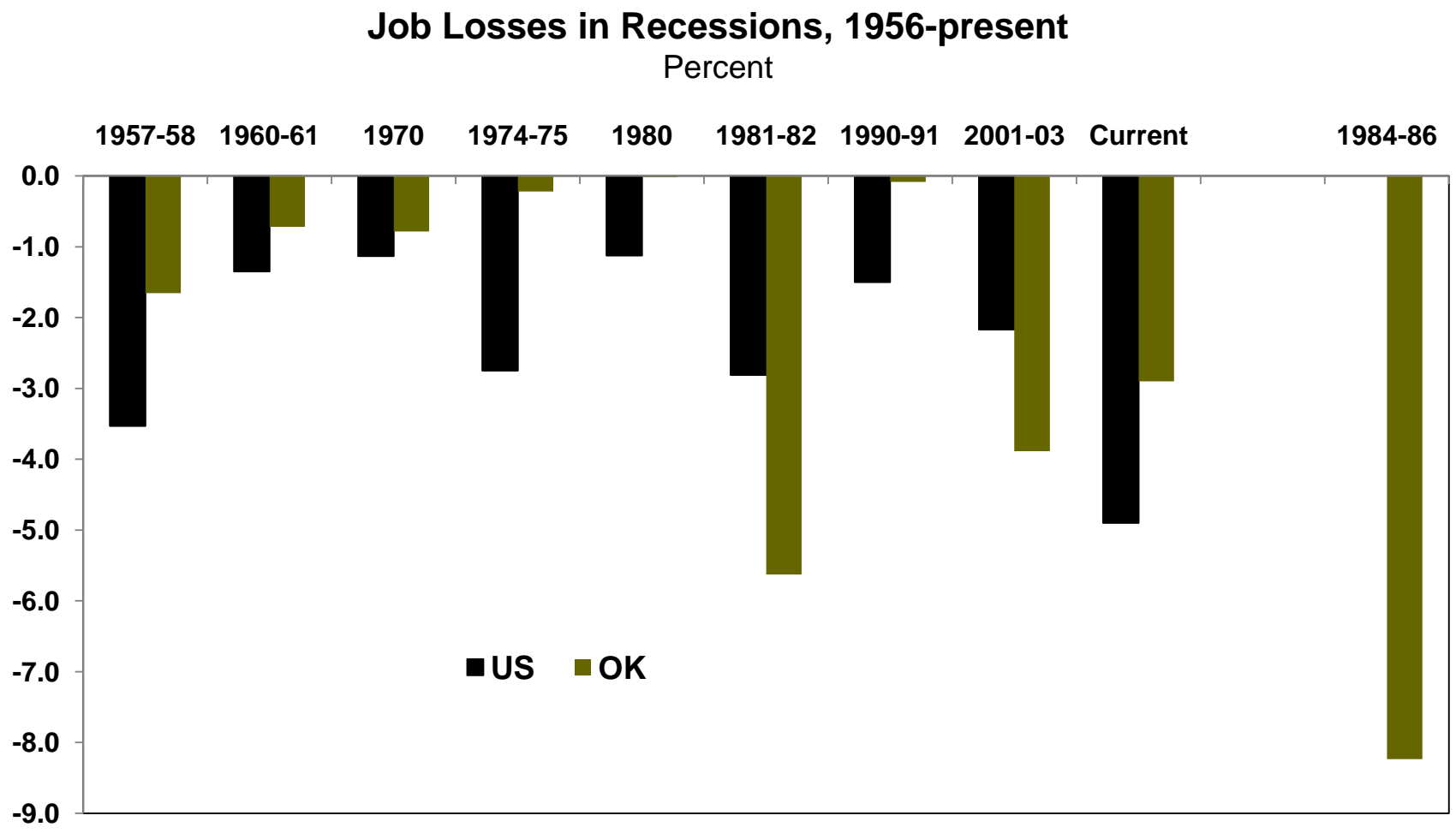
# Oklahoma usually enters recessions late but leaves around the same time as the nation

## Average Recession Path, 1956-2006

Employment level 4 quarters before and 8 quarters after U.S. jobs peak



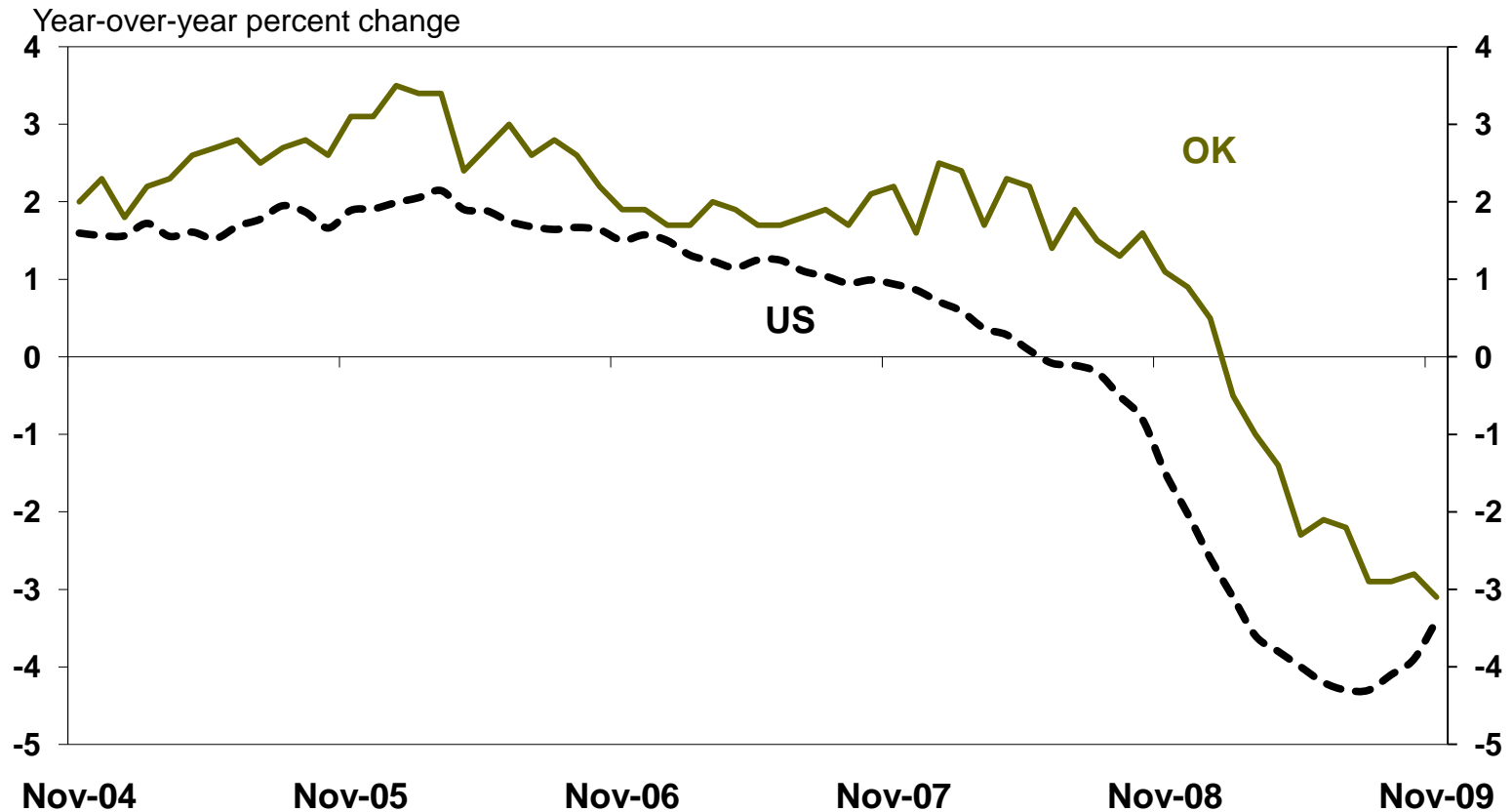
# The main exception in the postwar period was during the 1980s, of course



Source: Bureau of Labor Statistics

# Employment data show late entry this time as well, but not yet a bottom

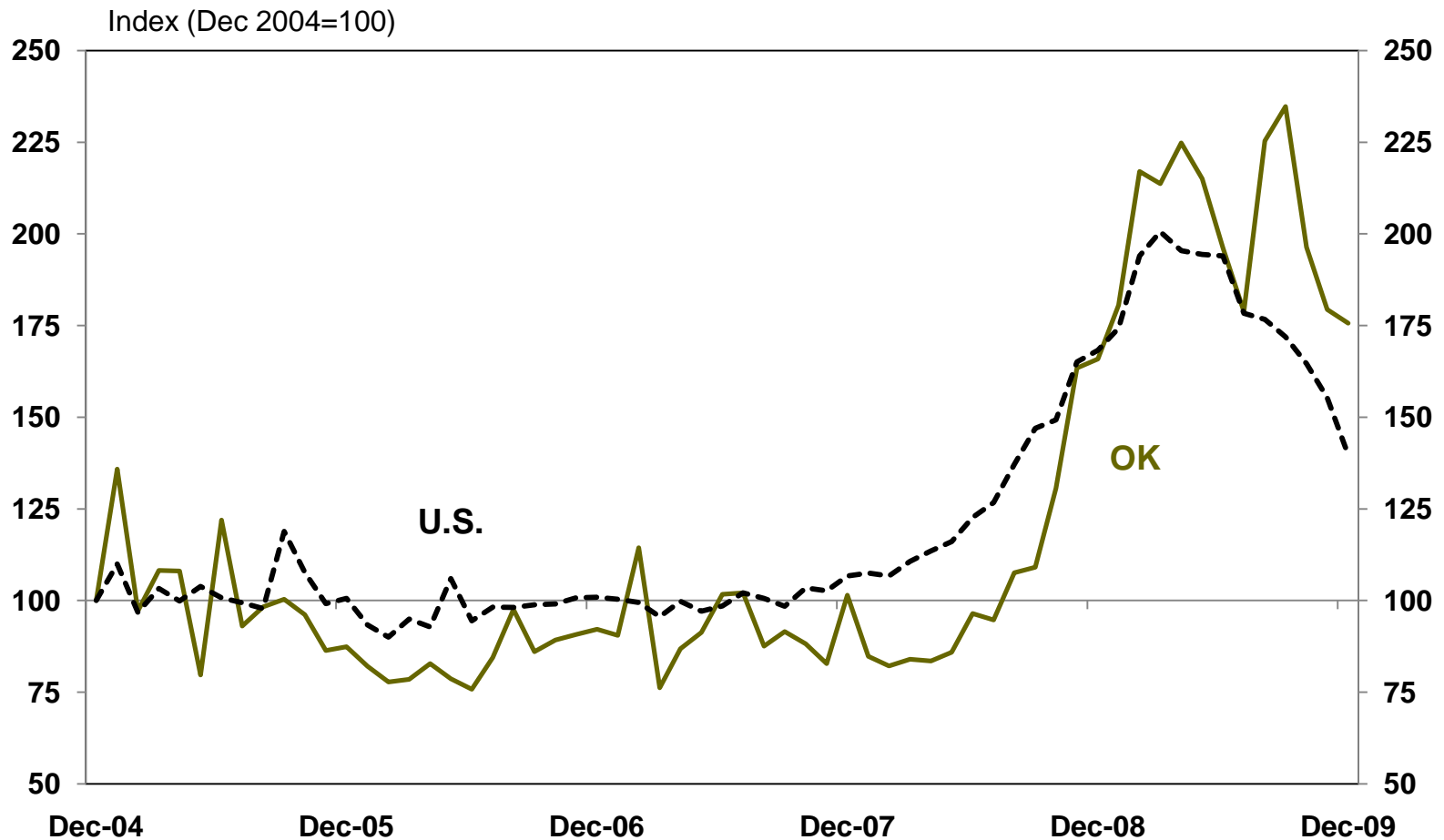
## Nonfarm Payroll Employment Growth





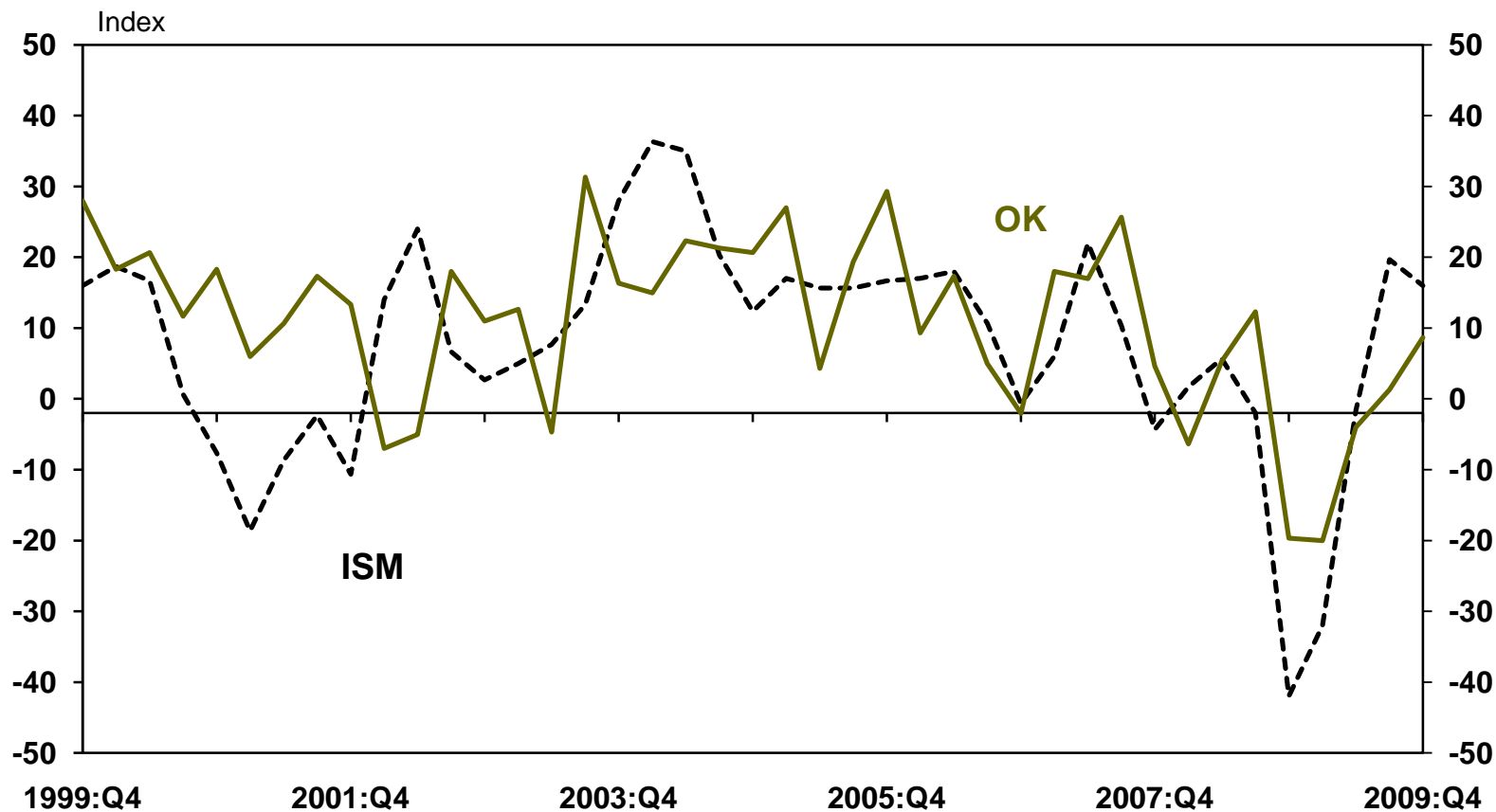
# More recent data on jobless claims, though, show improvement after a scare in the fall

## Initial Claims for Unemployment Insurance

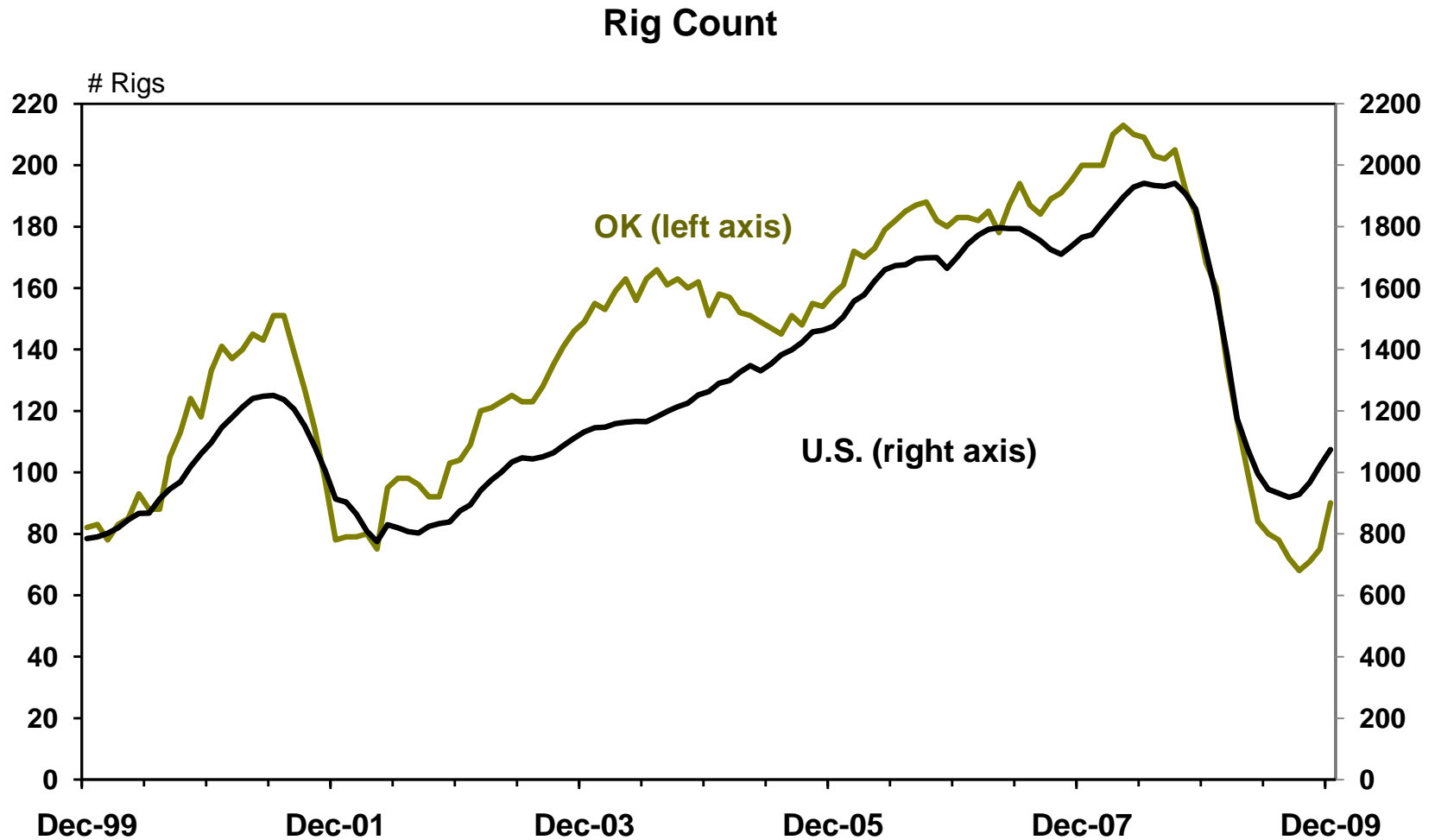


# Manufacturing indexes for the state also show some improvement recently

**Manufacturing Production Indexes**  
Seasonally adjusted



# And the rig count appears to have finally bottomed following a steep fall



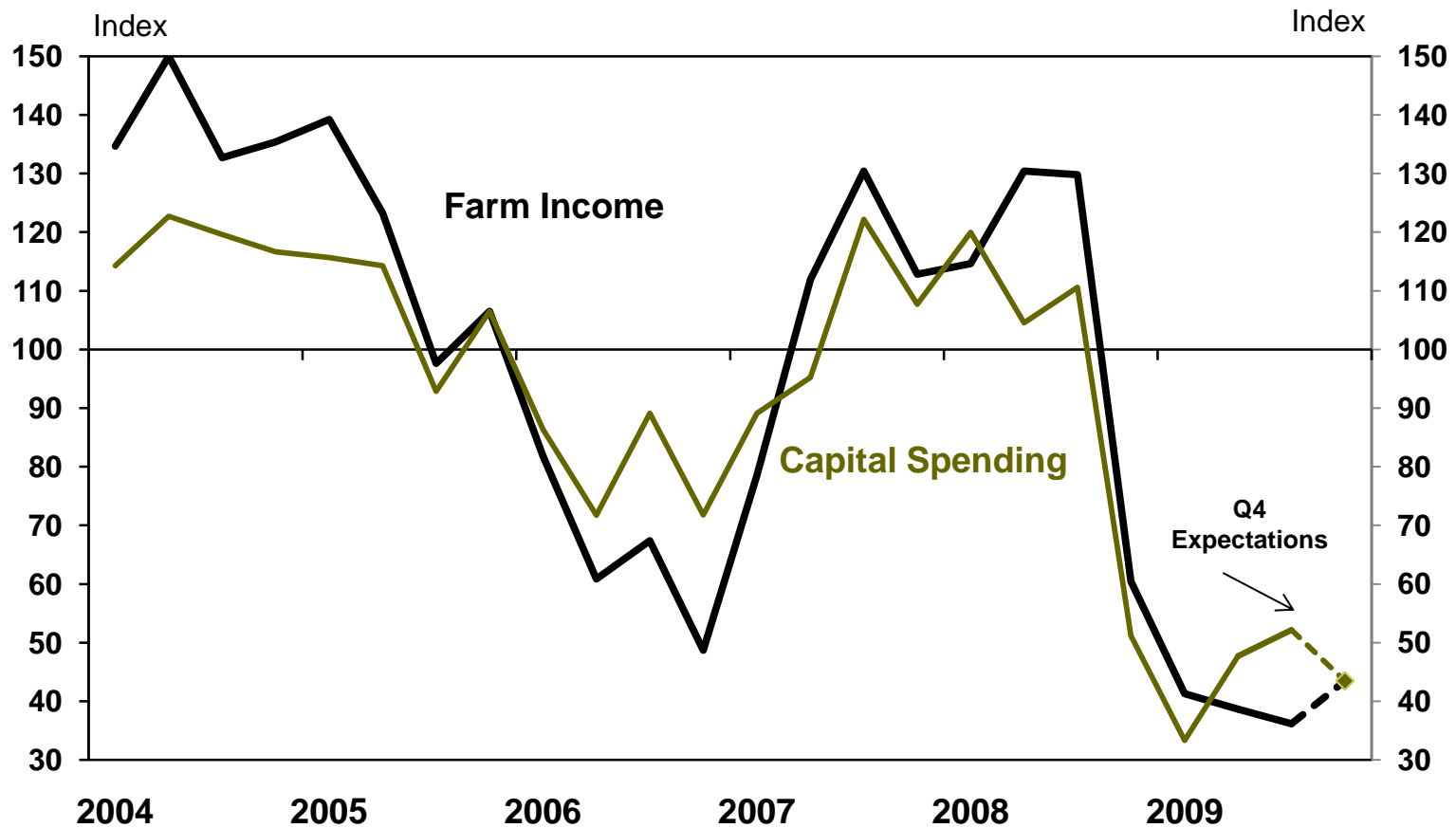
# Unlike the nation, home prices have held up quite well in Oklahoma, and are stabilizing

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



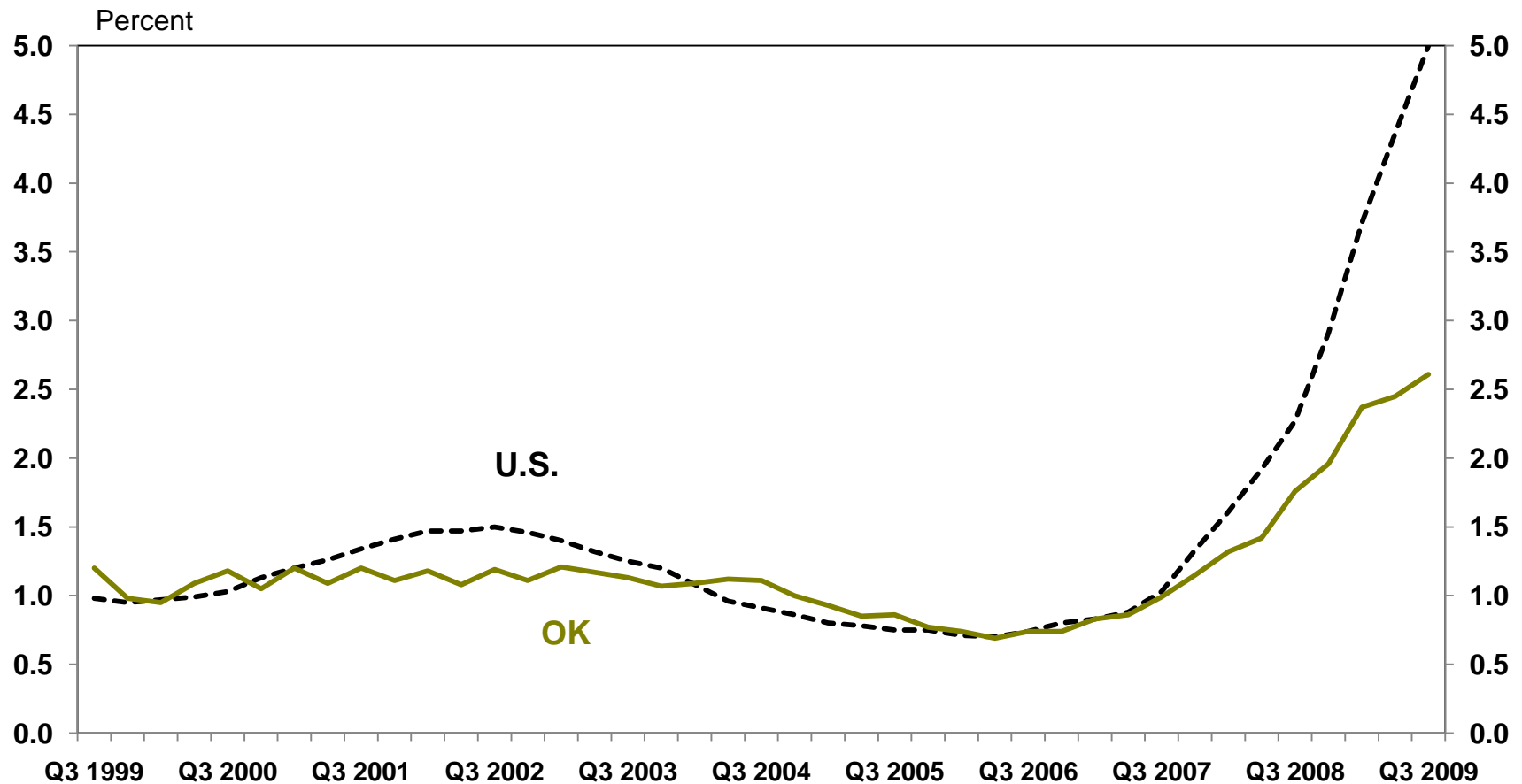
# Agricultural conditions in the state remain rather weak, but also may have bottomed

## Oklahoma Agricultural Conditions



# Past due loans are rising at Oklahoma banks, but much less than in the nation

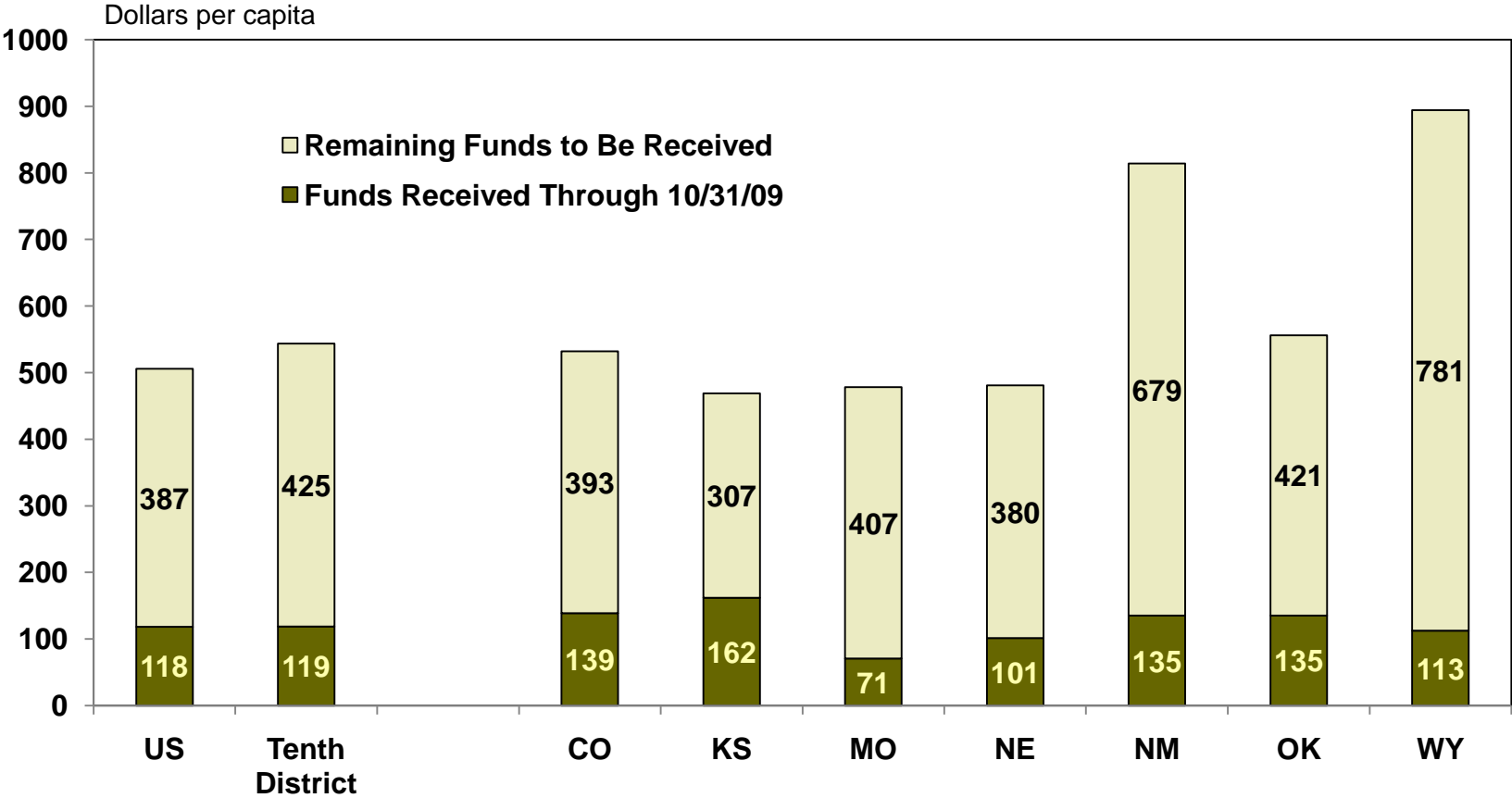
**Noncurrent Loans as a Share of Total Loans**  
Commercial Banks





# Plus, our region and state are receiving slightly more fiscal stimulus than the nation

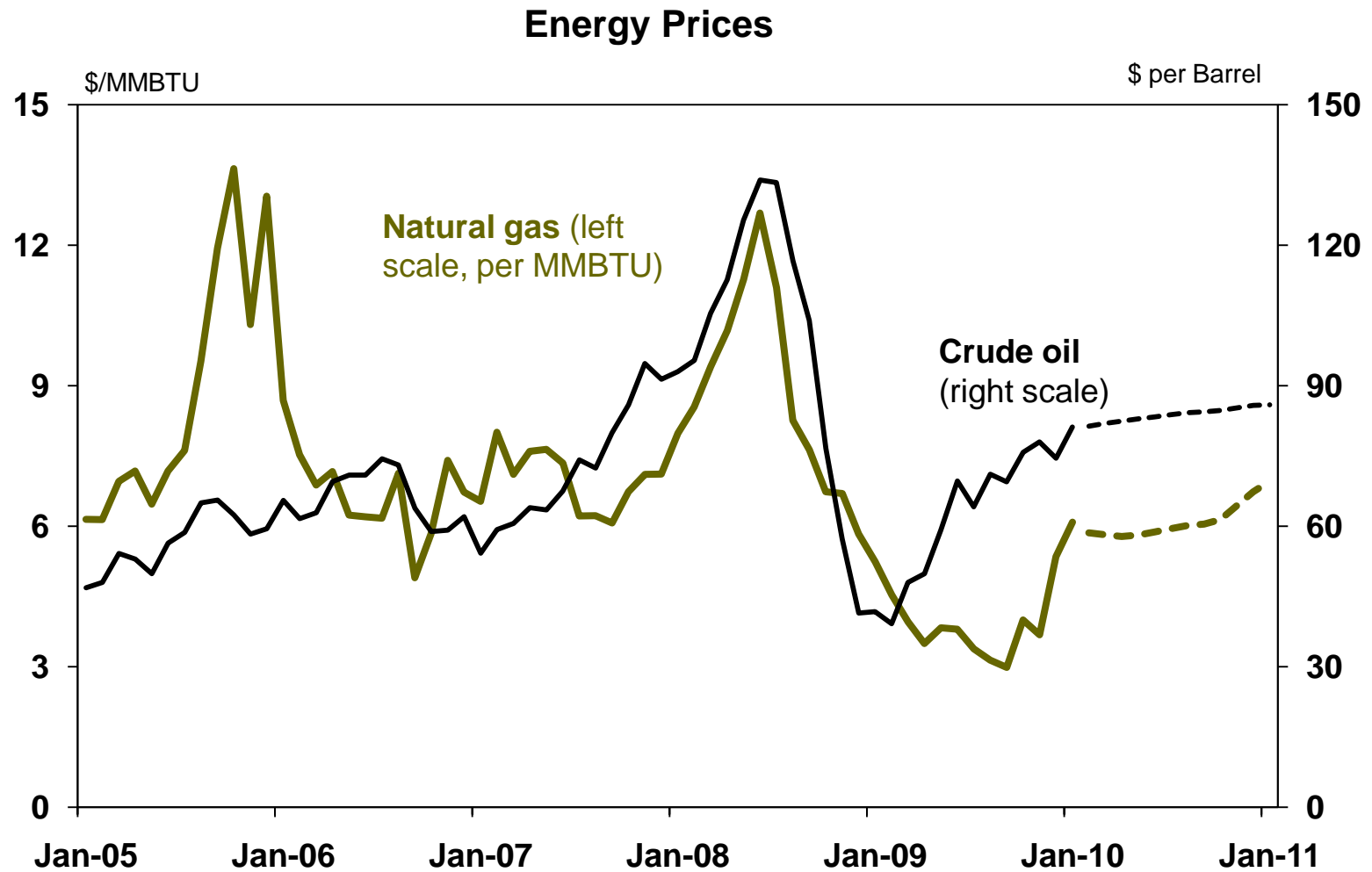
### Per Capita Stimulus Package Spending U.S. and Tenth District States



Source: Recovery.gov



# Energy prices remain the primary risk, but natural gas has recently turned back up



# Summary

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- The U.S. economy is growing again, but recovery is expected to be modest
- Oklahoma shows some signs of stabilizing, and fiscal stimulus is kicking in
- Still, a number of risks to growth remain, especially the future path of energy prices