The Fed and the Oklahoma Economic Outlook

Community Leaders Luncheon
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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 – 40 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.
At its June meeting, the FOMC expected unemployment to gradually fall further.
And for inflation to remain at or below its long-term target

PCE Inflation Index

Percent change, year-over-year

June FOMC Forecast Ranges in Yellow

Long Term

Source: U.S. Bureau of Economic Analysis, FOMC
The majority of FOMC members expect interest rates to stay low through 2014.

Source: U.S. Bureau of Economic Analysis, FOMC
The Oklahoma Economy

- Oklahoma economic growth remains much stronger than the nation

- The relative strength reflects solid energy, manufacturing, and trade activity

- Europe is less of a direct risk to the state, but drought is having an impact, and energy prices are always a factor
Oklahoma has grown twice as fast as the nation the past year, after milder recession.
Oklahoma’s job growth is the highest in the region and third-highest in the country.
Except for Tulsa, employment in Oklahoma is back above pre-recession levels.

Level of Payroll Employment
Through June 2012

Index: Jan-08=100

Source: U.S. Bureau of Labor Statistics
Unemployment is especially low in northwest and south central Oklahoma

County Unemployment Rates
June 2012

Source: OK Employment Security Commission
Oklahoma job growth has varied by industry the past year, but consistently led by energy.

Annualized Job Growth by Industry
Past Six Months of Data

Source: Bureau of Labor Statistics
Home prices continue to hold up much better in Oklahoma than in the nation.
And banks remain in much better shape than in the nation as a whole.
And exports to Europe are a relatively small part of the Oklahoma economy.

Exports as Share of GDP, 2010

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<th>Region</th>
<th>Rest of World</th>
<th>Europe</th>
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Sources: U.S. Bureau of Economic Analysis, USDA, WISERTRADE
But drought is now extreme to exceptional in all of Oklahoma, squeezing some sectors
Energy activity remains high but gas drilling has slowed, and NGL prices have eased.
Conclusions

- Growth in the U.S. economy has slowed moderately, as concerns about Europe and politics have risen.

- Inflation has remained low, and monetary policymakers disagree about future paths.

- Oklahoma economic growth remains better than in the nation, but drought and low natural gas prices have hurt.
Questions?

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

[www.kansascityfed.org/publications/research/oke](http://www.kansascityfed.org/publications/research/oke)