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

• Functions – 35 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.
The U.S. Economy
At its recent meeting, the FOMC expected solid GDP growth in 2012
Recent growth is due to better consumer spending and housing investment.

Growth in Components of Real GDP

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis
Unemployment is expected to only come down slowly the next few years.

Source: U.S. Bureau of Labor Statistics, FOMC
And inflation pressures should ease slightly after rising with oil and food prices in 2011
For the first time, the FOMC also released forecasts for interest rates

Federal Funds Rate
Year-end target

Note – Number of participants who project the initial increase will occur in the specified year in parenthesis

Source: U.S. Bureau of Economic Analysis, FOMC
The Oklahoma Economy
There is considerable variation in economic strength across the nation.

**Employment Growth, Year-over-Year (percent)**

December 2011

Scale

- **1.54 - 5.70**
- **1.02 - 1.54**
- **0.66 - 1.02**
- **-0.70 - 0.66**
The level of jobs in Oklahoma is nearly back to pre-recession levels, unlike the U.S.
Growth in most Oklahoma sectors slowed in second half 2011, except energy and health
Oklahoma’s unemployment rate has risen, as workers resume searching for jobs.
Unemployment is quite low in much of western, central, and southern Oklahoma.

County Unemployment Rates
November 2011
Oklahoma wages are catching up to those in surrounding states and the nation as a whole.
And home prices have held up considerably better than in the nation as a whole.
January data on regional and national manufacturing shows moderate growth

Manufacturing Composite Activity
Seasonally Adjusted
Problem loans are still elevated, but OK banks are in much better shape than U.S.
Surging farmland prices pose a risk in some parts of the region.
Oklahoma has much less trade exposure to Europe than does the U.S. as a whole

Exports to Europe as a Share of GDP

Source: WISERTrade, BEA
Oil and gas lease rates have continued to rise in Oklahoma and other energy states.

Oil and Gas Lease Rates
Most common bonus

Dollars/acre

Source: Lierle Public Relations
Natural gas drilling has fallen sharply in the state, but oil has so far replaced the dropoff.
Conclusions

- The U.S. economy continues to grow moderately, amid limited inflation and continued risks from Europe

- Growth in Oklahoma has slowed a bit recently but conditions remain much better than in the nation as a whole
Questions?

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

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