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

- 2013 board of directors
  - Jim Dunn (chair), Chairman, Mill Creek Lumber & Supply, Tulsa
  - Paula Bryant-Ellis, COO, BOK Financial Mortgage Group, Tulsa
  - Linda Capps, Vice Chairman, Citizen Potawatomi Nation, Shawnee
  - Michael Coffman, CEO, Panhandle Oil & Gas, Inc., Oklahoma City
  - Pete Delaney, Chairman & CEO, OGE Energy Corp., Oklahoma City
  - Doug Tippens, President & CEO, Bank of Commerce, Yukon
  - K. Vasudevan, Chairman, Service & Technology Corp., Bartlesville
The U.S. Economy
At mid-year, GDP was growing at about its long-term trend, but differed by sector.

Growth in Components of Real GDP

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis, Macroeconomic Advisors
Recent data suggest faster U.S. growth, and employment gains have been solid.
In its latest projections, the FOMC expected unemployment to continue to improve.
And for inflation to remain at or near its long-term target through 2016

PCE Inflation Index

Percent change, year-over-year

Source: U.S. Bureau of Economic Analysis, FOMC
On interest rates, most FOMC participants expect little change until 2015

Federal Funds Rate
Year-end target

Percent


Sept FOMC Forecast Ranges in Yellow
Long Term
(2)
(3)
(12)

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
When to begin tapering the rate of increase of the Fed’s balance sheet is a hot topic.

Source: Federal Reserve Board
The Oklahoma Economy
Employment in Oklahoma is just above pre-recession levels, but has eased lately.

Level of Payroll Employment
Through August 2013

Source: U.S. Bureau of Labor Statistics
Energy jobs have dipped lately, creating some risk, but other local sectors continue to grow.

Metro Employment Growth by Industry
August 2013

Source: Bureau of Labor Statistics
Looking at job growth by county, there is considerable variation across the state.

**Household Employment Growth by County**
Percent change, Aug-12 to Aug-13

- 2.0 to 6.0
- 0.0 to 2.0
- -2.0 to 0.0
- -11.3 to -2.0

Source: Bureau of Labor Statistics
But unemployment in most counties remains well below the U.S. rate.
Rig counts have slipped somewhat but still remain relatively high.

Oklahoma Active Drilling Rig Count

Source: Baker Hughes
And oil and gas production in the state has continued to increase.
But federal spending cuts could continue to hurt some parts of the state.
Drought conditions have improved since last year, helping some areas of the state.
Residential construction has continued to increase, despite higher mortgage rates

Single-Family Housing Permits
Seasonally adjusted

Number of permits, 3-month moving avg.

Source: U.S. Census Bureau
As in the nation, regional manufacturing activity improved in recent months.

Manufacturing Composite Indexes
Month-over-month, Seasonally Adjusted

Source: FRB Kansas City
And banking conditions in the state remain better than in the nation as a whole.
Tulsa job growth has been similar to the nation for the past couple of years

Payroll Employment Growth

Source: U.S. Bureau of Labor Statistics
Tulsa’s most distinctive industries are manufacturing, energy, and construction.

### Tulsa Metro and U.S. Employment Share by Industry

#### 2012

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent of Total Employment</th>
<th></th>
<th>Location Quotient</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Tulsa Metro</td>
<td>U.S.</td>
<td></td>
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<tr>
<td>Manufacturing</td>
<td>12.2</td>
<td>9.4</td>
<td>1.3</td>
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<tr>
<td>Natural Resources &amp; Mining</td>
<td>1.9</td>
<td>1.6</td>
<td>1.2</td>
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<tr>
<td>Construction</td>
<td>4.9</td>
<td>4.4</td>
<td>1.1</td>
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<tr>
<td>Education &amp; Health</td>
<td>16.4</td>
<td>15.3</td>
<td>1.1</td>
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<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>20.3</td>
<td>19.9</td>
<td>1.0</td>
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<tr>
<td>Professional and Business Services</td>
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<td>14.1</td>
<td>1.0</td>
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<tr>
<td>Financial Activities</td>
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<td>5.9</td>
<td>0.9</td>
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<tr>
<td>Information</td>
<td>1.9</td>
<td>2.1</td>
<td>0.9</td>
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<tr>
<td>State &amp; Local Government</td>
<td>12.7</td>
<td>14.4</td>
<td>0.9</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>9.5</td>
<td>10.8</td>
<td>0.9</td>
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<tr>
<td>Federal Government</td>
<td>1.2</td>
<td>2.2</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Note - Location quotient is the division of local employment share by national employment share.

Source: U.S. Bureau of Labor Statistics
Summary

• The Oklahoma economy has slowed in 2013, especially in non-metro areas due to energy, but remains solid overall.

• Conditions across the state are varied somewhat, but the Tulsa metro continues to recover after the lows reached during the recession.
Questions and Links

For more information about the Oklahoma City Branch of the Federal Reserve Bank of Kansas City, visit our website at:

http://www.kansascityfed.org/oklahomacity/

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

www.kansascityfed.org/publications/research/oke