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
Q4 monthly U.S. data have been mixed, but suggestive of further moderate growth.

Forecasters lowered their GDP projections only slightly after the fiscal cliff deal.

Real GDP Projections

Percent change, quarter-over-quarter (SAAR)

- Blue Chip, Dec. 7, 2012
- Blue Chip, Jan. 7, 2013

Sources: Blue Chip Economic Indicators
High-end tax rates increased with the deal but overall are similar to rates in early 2000s.

Source: Tax Foundation
Nearly everyone’s after-tax 2013 income will be affected, but high incomes the most

Average Impact on 2013 After-Tax Income from Fiscal Cliff Deal

Source: Tax Foundation
The fiscal cliff deal did little to address long-term federal debt issues.
Federal spending projections are well above projected revenues, especially after 2020.

Federal Government Outlays and Receipts as a Share of GDP
1930-2042

Source: Congressional Budget Office
The majority of long-term spending increases are due to health care costs and net interest.
Bending the health care cost curve will be a key source of solving long-term debt issues.

Federal Spending on Major Healthcare Programs
Under CBO Long-term Scenario and Three Assumptions About Excess Cost Growth (i.e., beyond GDP) After 2022

- Continued Excess Cost Growth of 2.0%
- Slowing Growth (1.6% excess)
- No Excess Cost Growth

Source: Congressional Budget Office
At its Dec. meeting, the FOMC expected unemployment to gradually improve.
And for inflation to remain at or near its long-term target through 2015
On monetary policy, most FOMC participants expect rates to hold until 2015

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 Fed’s balance sheet is at historically high levels and set to rise further

Federal Reserve Balance Sheet

- **Assets**
  - Treasury securities
  - MBS & agency debt
  - Targeted lending programs
  - Short term lending
  - Rescue operations

- **Liabilities**
  - Reserves
  - Currency
  - Other

Source: Federal Reserve Board
The Oklahoma Economy
The fiscal cliff deal will hurt Oklahoma much less than the Northeast or California.
But the debt ceiling/sequestration outcome could hurt Oklahoma as much as the nation.
Employment has leveled off a bit in Oklahoma recently, but remains solid.
The recent leveling has largely occurred in non-metro areas, and to some degree Tulsa.

Source: U.S. Bureau of Labor Statistics
Energy has been the main source of recent slowing, as most sectors have added jobs.
Unemployment is below national levels in all but 3 (southeast) Oklahoma counties

County Unemployment Rates
November 2012

Source: OK Employment Security Commission
The state rig count continues to ease from summer highs

Oklahoma Active Drilling Rig Count
Seasonally Adjusted

Number of rigs

Source: Baker Hughes
Natural gas and NGL prices have rebounded slightly in recent months

Energy Prices

$/Barrel; 10$/MMBTU

Source: Bloomberg Energy Services, Oil and Gas Weekly
But most states are expected to see further modest reductions in energy activity.

Forested Change in Number of Wells Completed, 2013 vs. 2012
Top 10 oil and gas producing states

Source: Oil and Gas Journal, January 7, 2013
Regional manufacturing activity has also fallen for the past three months.
Factory expectations have also eased, and future hiring plans are now negative.

Manufacturing 6-Month Ahead Indexes
Seasonally Adjusted

- Diffusion Index
- Production
- Employment
- Capital Spending

Source: ISM, Federal Reserve Banks
U.S. economic growth remains moderate after the fiscal cliff, but long-term debt issues are unresolved.

Oklahoma economic activity remains stronger but has slowed due largely to energy, and the debt ceiling looms.
Questions?

For more information about the Oklahoma economy, subscribe to the quarterly Oklahoma Economist at: www.kansascityfed.org/publications/research/oke