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
GDP increased in Q2, but still remains below trend growth

Growth in Components of Real GDP,

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis, Macroeconomic Advisors
July 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 2015

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

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 and Regional Economies
Employment in Oklahoma remains above pre-recession levels, driven by OKC

Level of Payroll Employment
Through June 2013

Index: Jan-08=100

Source: U.S. Bureau of Labor Statistics
But Oklahoma’s job growth has slowed compared to the nation and region.
Still, state and regional unemployment rates remain among the lowest in the nation

Unemployment Rate
June 2013

Source: U.S. Bureau of Labor Statistics
Growth has lagged the nation in all industries except government, hospitality, & construction

Oklahoma Employment Growth by Industry

Percent change, year-over-year

Source: Bureau of Labor Statistics
Rig counts have slipped somewhat but still remain relatively healthy.
Our region has a bigger potential exposure to sequestration than others.
Regional factory activity has been somewhat weak, but rebounded in July.
Conclusions

• U.S. economic growth has been moderate in 2013, driven in part by fiscal policy and uncertainty

• Oklahoma economic activity has leveled but remains solid, similar to the overall regional economy
Questions?

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