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.
Recent data suggest solid U.S. growth continued, with job gains continuing.
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


Sept. FOMC Forecast Ranges in Yellow

Long Term

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
When to begin tapering the rate of increase of the Fed’s balance sheet is a hot topic.
The Oklahoma City Metro Economy
Employment in the OKC metro continues to outpace the nation—and the rest of the state.

Level of Payroll Employment
Through August 2013

Index: Jan-08=100

Source: U.S. Bureau of Labor Statistics
Energy jobs have dipped lately, creating some risk, but other local sectors continue to grow.
And unemployment in central Oklahoma remains well below the national average.
State rig counts have slipped somewhat but still remain relatively high.

Source: Baker Hughes
And oil and gas production in the state has continued to increase.
Banking conditions in Oklahoma remain better than in the nation as a whole.

Noncurrent Loans as a Share of Total Loans
Commercial Banks

Source: FDIC
But federal spending cuts could continue to hurt some parts of the state, including OKC.
OKC’s rate of job growth exceeded the nation through nearly all of the past decade.

Source: U.S. Bureau of Labor Statistics
We added 5 times more jobs from 2002-12, with much less “hollowing out” than the nation.
Industry-wise, our near-term fortunes depend largely on energy and government

### Oklahoma City Metro and U.S. Employment Share by Industry 2012

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent of Total Employment</th>
<th>Location Quotient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OKC Metro</td>
<td>U.S.</td>
</tr>
<tr>
<td>Federal Government</td>
<td>4.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>3.4</td>
<td>1.6</td>
</tr>
<tr>
<td>State &amp; Local Government</td>
<td>16.5</td>
<td>14.4</td>
</tr>
<tr>
<td>Construction</td>
<td>4.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>10.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Education &amp; Health</td>
<td>15.1</td>
<td>15.3</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>13.1</td>
<td>14.1</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>18.0</td>
<td>19.9</td>
</tr>
<tr>
<td>Information</td>
<td>1.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6.1</td>
<td>9.4</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
Through 2020, jobs requiring more education are expected to grow faster (and pay more)

Projected Intermediate-Term U.S. Job Growth by Education/Training

<table>
<thead>
<tr>
<th>Education/Training</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total, All Occupations</td>
<td>1.3</td>
</tr>
<tr>
<td>Less than one month of on-the-job training</td>
<td>1.3</td>
</tr>
<tr>
<td>More than one month of on-the-job training, or related work experience</td>
<td>1.3</td>
</tr>
<tr>
<td>Associate's degree or vocational award</td>
<td>1.7</td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>1.6</td>
</tr>
<tr>
<td>Graduate or professional degree</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
OKC has similar educational attainment as the nation in most categories

Educational Attainment, 2012
Population 25 years and up

<table>
<thead>
<tr>
<th>Education Level</th>
<th>United States</th>
<th>OKC Metro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than HS diploma</td>
<td>13.6</td>
<td>12.2</td>
</tr>
<tr>
<td>High school diploma</td>
<td>49.3</td>
<td>52.3</td>
</tr>
<tr>
<td>Associate's degree</td>
<td>8.0</td>
<td>7.1</td>
</tr>
<tr>
<td>Bachelor's degree</td>
<td>18.2</td>
<td>18.7</td>
</tr>
<tr>
<td>Grad/prof degree</td>
<td>10.9</td>
<td>9.7</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
Summary

• The U.S. economy continues to grow moderately, and monetary policy remains accommodative

• The OKC metro continues to outperform the nation, although there are some near-term risks
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