U.S. and Oklahoma Economic Update

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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 – 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.
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.

Federal Reserve Balance Sheet

Assets
- Treasury securities
- MBS & agency debt
- Short term lending, targeted lending programs, and rescue operations
- Other

Liabilities
- Currency
- Reserves
- Other
- Other

Source: Federal Reserve Board
Mortgage and Treasury rates have jumped since May but remain below early ’11 levels.

**Interest Rates**
Through 8-26-13

- **30-year mortgage rate**
- **10-year Treasury Rate**

Source: Wall Street Journal, Federal Reserve Board
The Oklahoma Economy
Employment in Oklahoma remains above pre-recession levels, driven by OKC

Level of Payroll Employment
Through July 2013

Index: Jan-08=100

Source: U.S. Bureau of Labor Statistics
Energy employment is down in some areas, and federal government in others.

Metro Employment Growth by Industry
July 2013

Percent change year-over-year

-10  -8  -6  -4  -2  0  2  4  6  8  10

-10 -8 -6 -4 -2 0 2 4 6 8 10

Source: Bureau of Labor Statistics
Rig counts have slipped somewhat but still remain relatively healthy

Oklahoma Active Drilling Rig Count
Seasonally Adjusted

Number of rigs

Source: Baker Hughes
Sequestration could be hurting several parts of the state, but most have little exposure.

Ratio of Federal Government Share of Employment in County vs. Nation
2011
And most counties remain below the U.S. jobless rate, including Creek and Tulsa Co.

County Unemployment Rates
June 2013

Source: OK Employment Security Commission
Conclusions

- U.S. economic growth has been moderate in 2013, due in part to fiscal policy and uncertainty

- Oklahoma economic growth has slowed lately, including in the Tulsa metro area, but remains solid
Questions?

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