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
  - Research on U.S. and Oklahoma economies
  - Economic and financial education outreach
  - Examinations of Oklahoma financial institutions

- 2014 board of directors
  - Jim Dunn (chair), Chairman, Mill Creek Lumber & Supply, Tulsa
  - Clint Abernathy, Owner, Abernathy Farms, Inc., Altus
  - 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
  - Chuck Hall, Chairman & CEO, Exchange Bank & Trust, Perry
  - Jane Haskin, President & CEO, First Bethany Bank & Trust, Bethany
The U.S. Economy and Monetary Policy
GDP growth slowed considerably in the first quarter, largely due to weather
Monthly data picked up in April for both business activity and employment

U.S. Private Payroll Employment and Business Indexes

GDP forecasts for 2014-16 remain solid, as the economy recovers further.

Real Gross Domestic Product

Percent change, year-over-year

Mar. FOMC Forecast Ranges in Yellow

Long Term

Source: U.S. Bureau of Economic Analysis, FOMC
Unemployment continues to fall and could reach long-term levels by 2015.
Inflation remains low and is expected to stay relatively subdued through 2016

PCE Inflation Index

Percent change, year-over-year

Sources: U.S. Bureau of Labor Statistics, FOMC
Most FOMC participants project the first federal funds rate increase in 2015

Federal Funds Rate
Year-end target

Note – Number of participants who project the initial increase will occur in the specified year in parenthesis

Sources: Federal Reserve Board, FOMC
The Fed’s balance sheet is growing slightly slower in 2014 than in 2013.
The Oklahoma Economy
Okla. employment is above pre-recession levels, but with differences across the state.
Since last year, federal jobs fell across the state, but some other sectors grew strongly.

Oklahoma Job Growth by Industry
Mar-14

Percent change year-over-year

Source: Bureau of Labor Statistics
Unemployment rates remain low throughout most of the state

Oklahoma County Unemployment Rates
March 2014

Source: OK Employment Security Commission
Rig counts have edged higher the last few months, driven by oil

Oklahoma Active Drilling Rig Count
Seasonally Adjusted

Source: Baker Hughes
And energy production in the state has continued to increase, especially for oil.

Oklahoma Oil and Gas Production

Source: EIA
Drought conditions persist in much of western Oklahoma
Cattle inventory has dropped more in OK than elsewhere, but may have bottomed.

**U.S. Cattle Inventory**

As-of January 2014

- **Kansas (left scale)**
- **Nebraska (left scale)**
- **Oklahoma (left scale)**
- **U.S. (right scale)**

Source: USDA
Housing construction has slowed slightly in 2014, again in part due to weather.

Source: U.S. Census Bureau
Home prices are now well-above pre-bust levels, unlike the nation, but recently eased.
Banking conditions in the state remain better than in the nation.

Noncurrent Loans as a Share of Total Loans
Commercial Banks

Source: FDIC
Summary

- U.S. economic growth slowed in Q1, but the outlook appears favorable for both economic growth and inflation.

- Oklahoma’s economy continues to grow solidly, with unemployment in most of the state below the U.S. rate.
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