The Fed and the Economy in the U.S. and Oklahoma

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Purposes and Structure of the Federal Reserve System

**Overall purposes of the Fed are to promote:**
- Low and stable inflation
- Maximum sustainable employment
- National financial stability (in conjunction with others)

**The primary functional areas of the Fed are:**
- Monetary policy – control money supply; lender of last resort (LOLR)
- Bank regulation – holding companies; state Fed member banks; LOLR
- Payments systems – cash; electronic; bank for federal government

**The Federal Reserve System consists of:**
- Board of Governors: 7 members who are appointed by the U.S. President and confirmed by the Senate to serve 14-year terms.
- Federal Reserve Banks: 12 Banks, each serving a unique district.
- Federal Open Market Committee (FOMC): Consists of 12 voting members and 19 total members; sets national monetary policy
Federal Reserve Districts and Office Locations
The Kansas City and Oklahoma City Offices

**Headquarters office in Kansas City**
- Nearly 1,000 staff involved in all mission areas
- New building officially opened in June 2008
- President Tom Hoenig is a voting member of the FOMC in 2010

**Oklahoma City branch office**
- **Staff and functions** – 35 staff involved in economic research, bank examinations, and public and community affairs
- **Branch board of directors** – 7 members from around the state; provide anecdotal information in advance of each FOMC meeting

**Oklahoma City branch board of directors**
- **Chairman Steve Agee**, President, Agee Energy, and Professor, OCU, OKC
- **Bill Anoatubby**, Governor, Chickasaw Nation, Ada
- **Jim Dunn**, Chairman, Mill Creek Lumber & Supply Co., Tulsa
- **Jacque Fiegel**, Senior EVP & COO, Coppermark Bank, OKC
- **Rose Washington Rentie**, Executive Director, TEDC CreativeCapital, Tulsa
- **Doug Tippens**, President and CEO, Bank of Commerce, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville
The U.S. Economy

- The U.S. economy is growing again, with help from monetary and fiscal stimulus.
- But the strength of recovery is likely to be modest, due to a number of factors.
- With modest growth, inflation is expected to remain tame in the near term.
Third quarter GDP growth was finally positive, but was boosted by government stimulus.
Data on the fourth quarter show moderate growth, with job losses diminishing.
Credit market conditions have improved but remain somewhat stressed.
Heading forward, policy makers generally expect a moderate recovery.

Gross Domestic Product

Percent change, year-over-year

Source: U.S. Bureau of Economic Analysis, FOMC
With unemployment expected to remain high for some time
With moderate growth and excess capacity, inflation is expected to remain tame

Source: U.S. Bureau of Economic Analysis, FOMC
The Fed’s balance sheet has grown considerably over the past year.
The Oklahoma Economy

- As usual in recessions, Oklahoma entered this recession later than the nation

- After steep declines for much of 2009, the state appears to be stabilizing

- But several risks remain in the state, especially the future path of energy prices
Oklahoma usually enters recessions late but leaves around the same time as the nation.
The main exception in the postwar period was during the 1980s, of course.

Source: Bureau of Labor Statistics

Job Losses in Recessions, 1956-present
Percent

Source: Bureau of Labor Statistics
Employment data show late entry this time as well, but not yet a bottom

Nonfarm Payroll Employment Growth

Year-over-year percent change

Source: U.S. Bureau of Labor Statistics
More recent data on jobless claims, though, show improvement after a scare in the fall.

Initial Claims for Unemployment Insurance

Index (Dec 2004=100)

Source: Bureau of Labor Statistics
Manufacturing indexes for the state also show some improvement recently.
And the rig count appears to have finally bottomed following a steep fall.
Unlike the nation, home prices have held up quite well in Oklahoma, and are stabilizing.
Agricultural conditions in the state remain rather weak, but also may have bottomed.
Past due loans are rising at Oklahoma banks, but much less than in the nation.
Labor market conditions in our region remain much better than in the nation.

Unemployment Rate, November 2009

- U.S. = 10.0
- OK = 7.0

Rate (percent)
- 9.6 to 14.7
- 7.5 to 9.5
- 4.1 to 7.4

Source: Bureau of Labor Statistics
Plus, our region and state are receiving slightly more fiscal stimulus than the nation.
Energy prices remain the primary risk, but natural gas has recently turned back up.
The U.S. economy is growing again, but recovery is expected to be modest.

Oklahoma shows some signs of stabilizing, and fiscal stimulus is kicking in.

Still, a number of risks to growth remain, especially the future path of energy prices.