

U.S. and Regional Economic Update



**OSU Economic Outlook Conference
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www.kansascityfed.org/oklahomacity

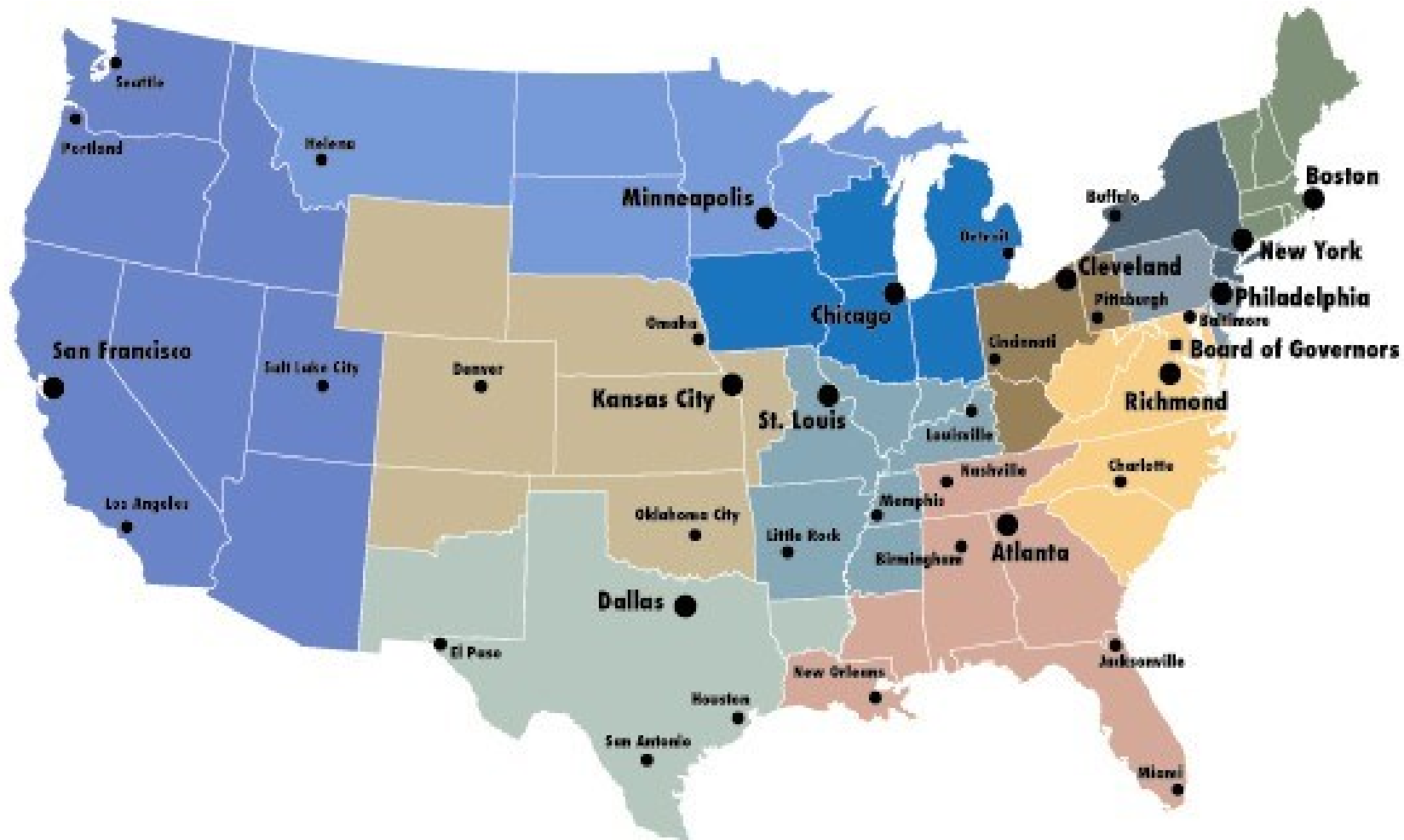


Overview of the Federal Reserve System

- **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



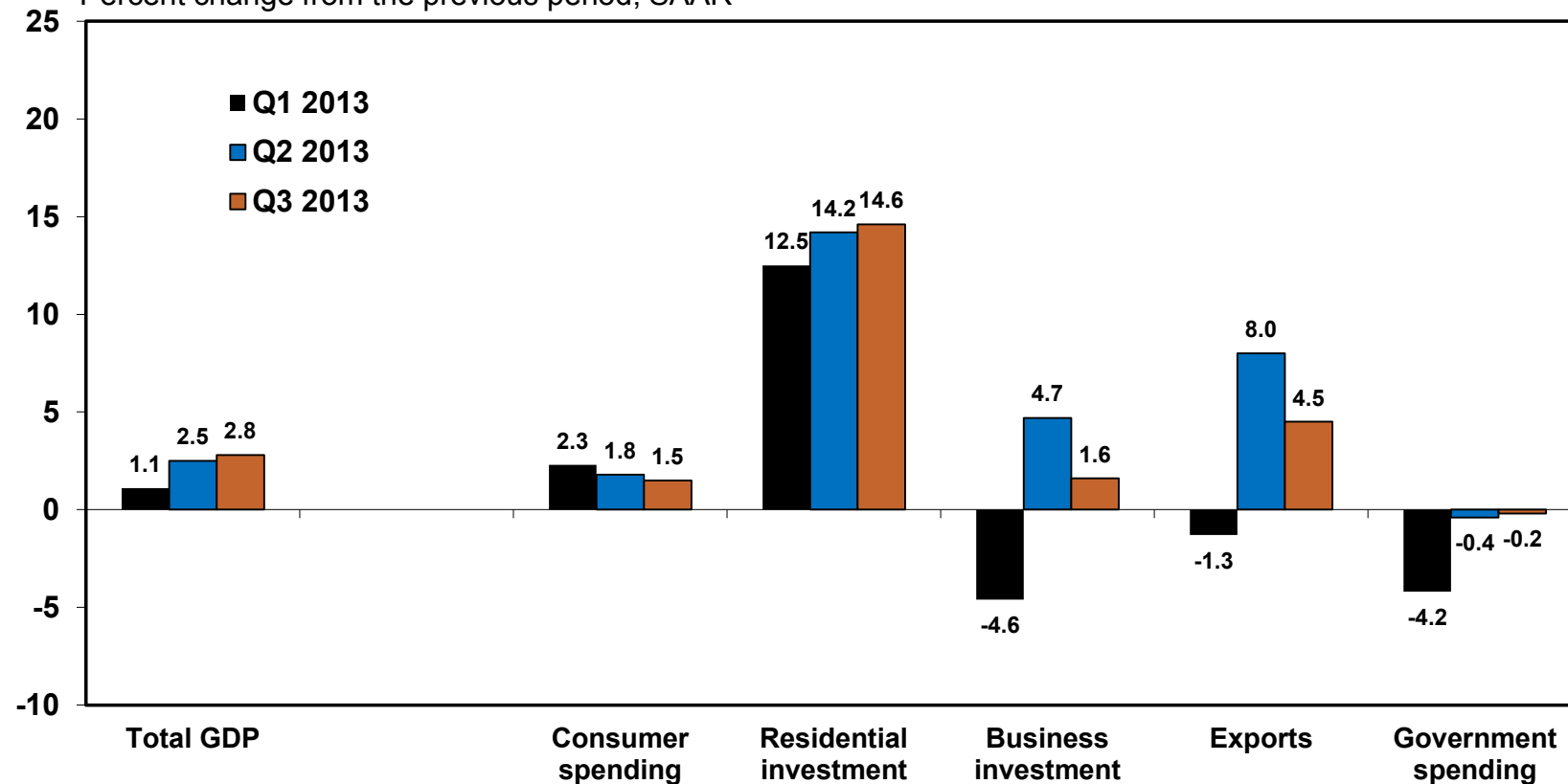
The U.S. Economy and Monetary Policy



At mid-year, GDP was growing at about its long-term trend, but differed by sector

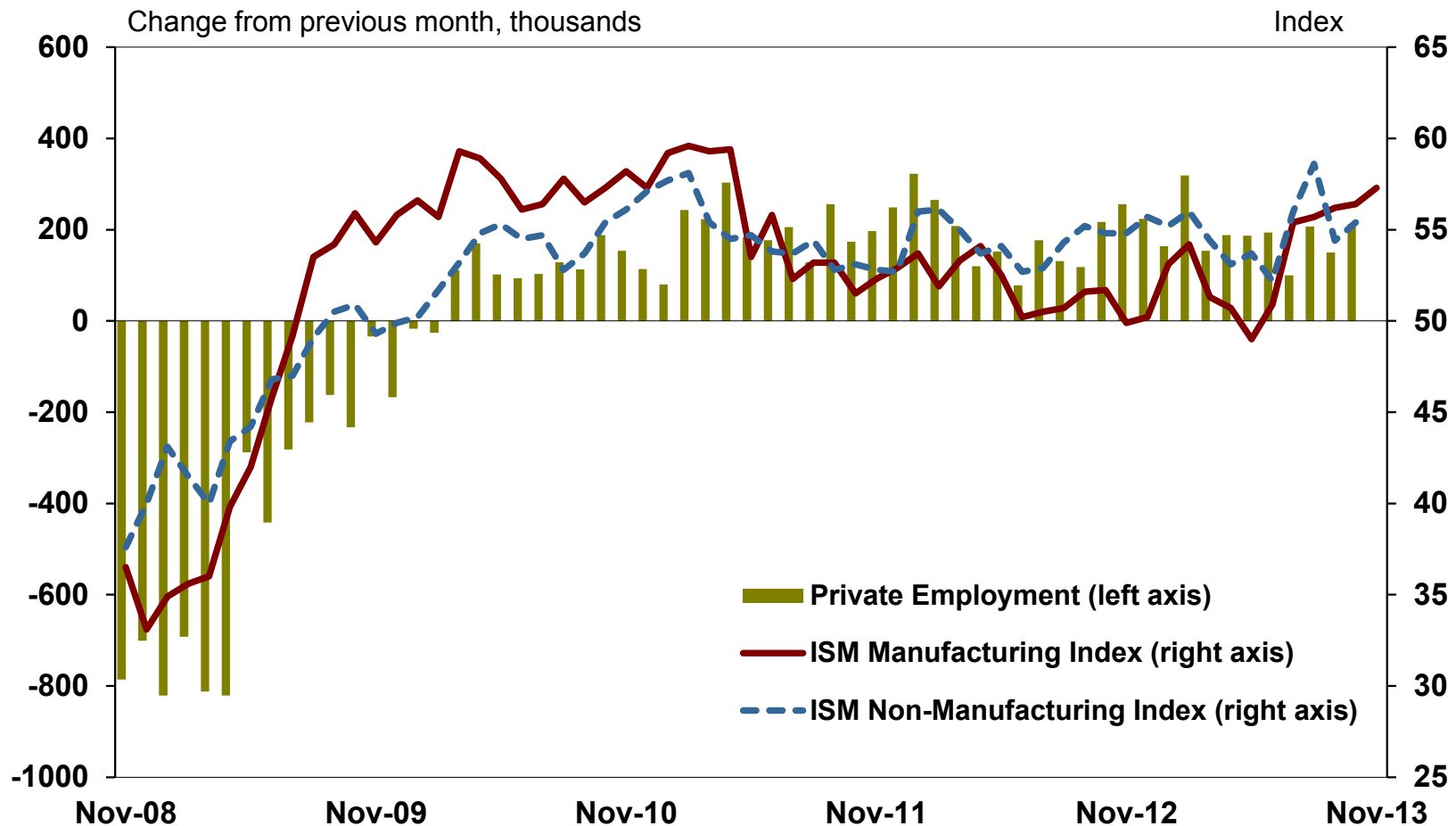
Growth in Components of Real GDP

Percent change from the previous period, SAAR

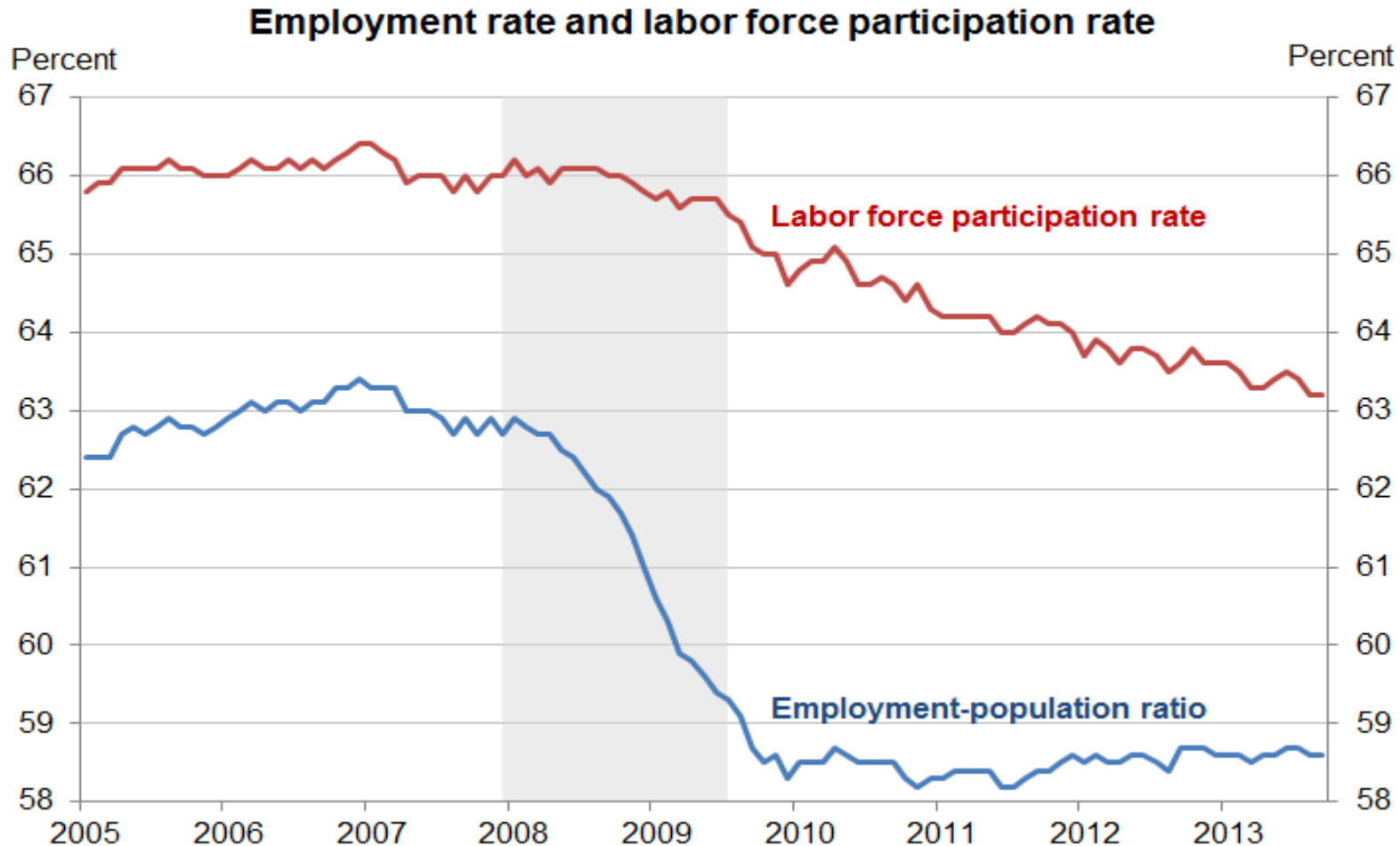


Recent data suggest solid U.S. growth continued, with steady employment gains

U.S. Private Payroll Employment and Business Indexes

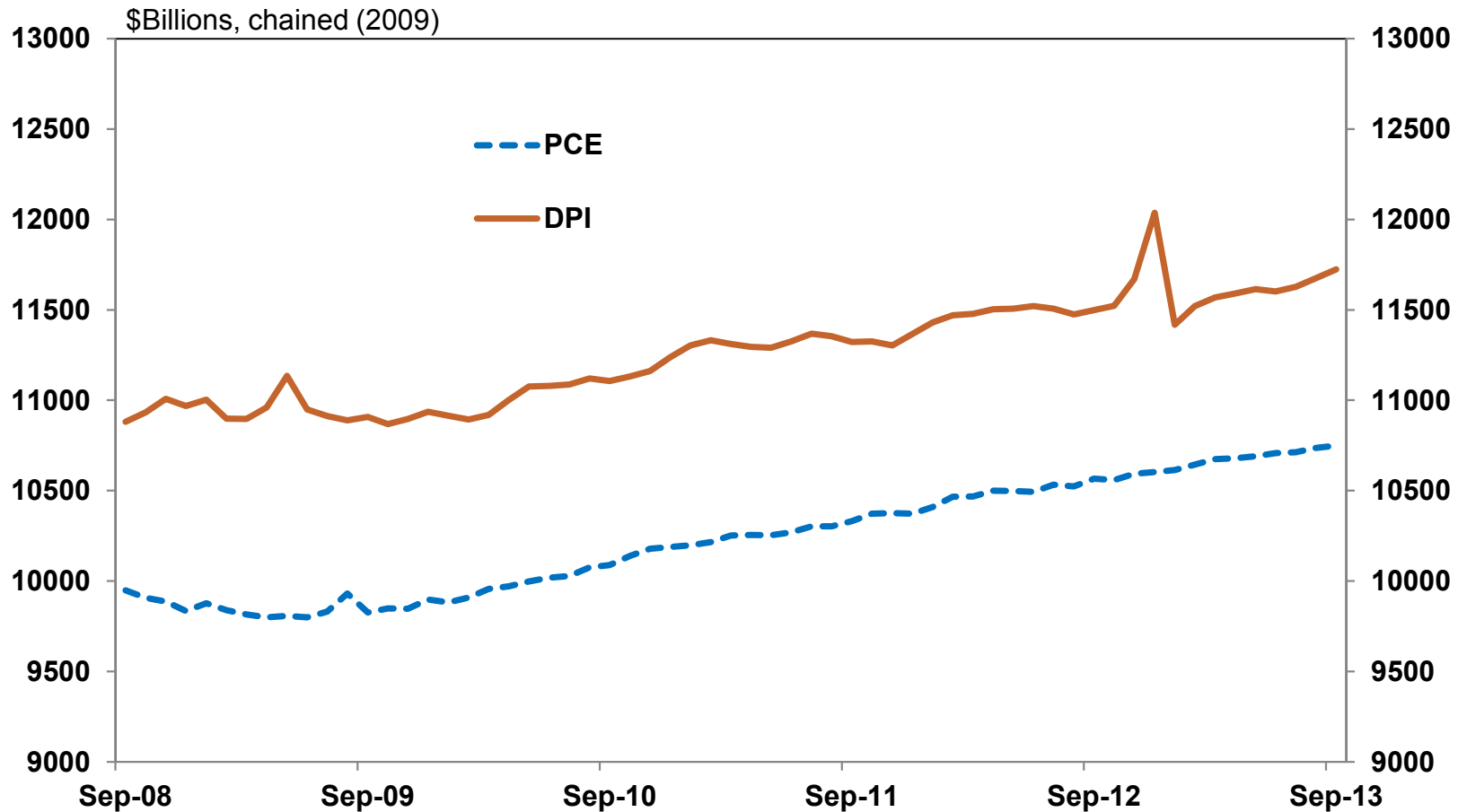


Still, the share of the population employed has not risen, as participation has dropped



Both incomes and spending were growing solidly heading into the holiday season

Real Disposable Personal Income vs. Personal Consumption Expenditures Seasonally Adjusted

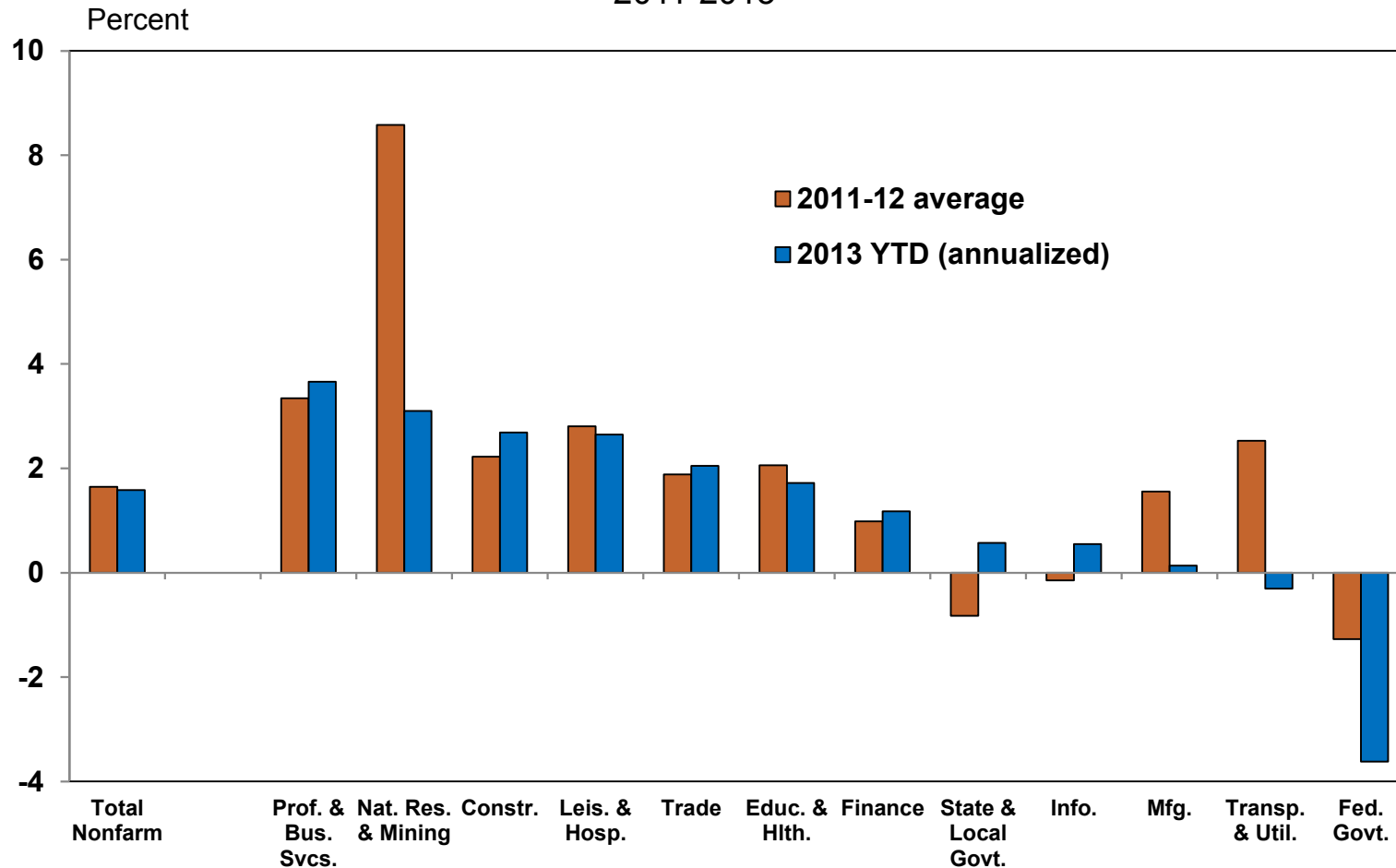


Source: Bureau of Economic Analysis



For the most part, U.S. industries growing the last 2 years are also growing this year

U.S. Employment Growth by Industry
2011-2013

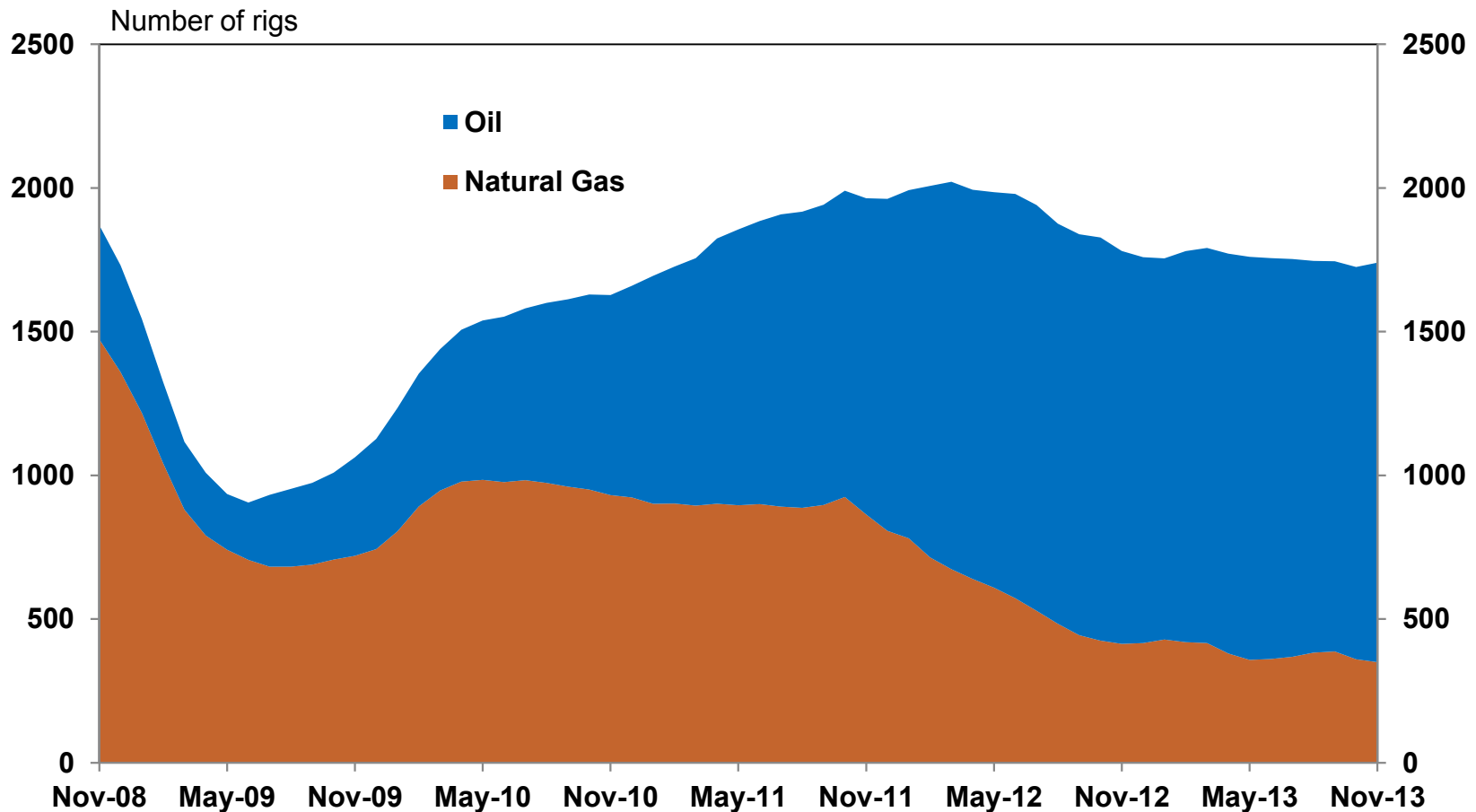


Source: Bureau of Labor Statistics



National rig counts have slipped somewhat but still remain relatively high

U.S. Active Drilling Rig Count
Seasonally Adjusted

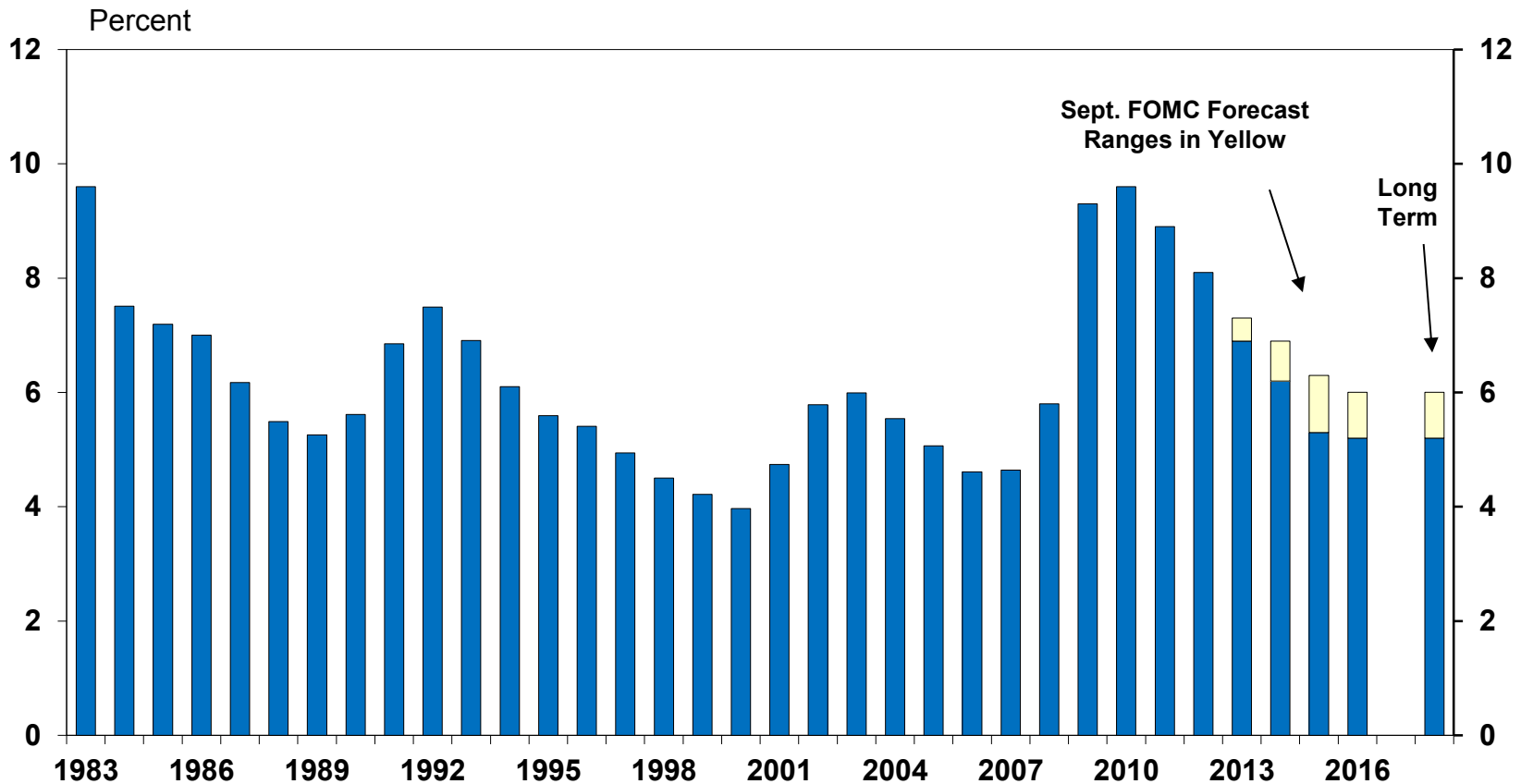


Source: Baker Hughes



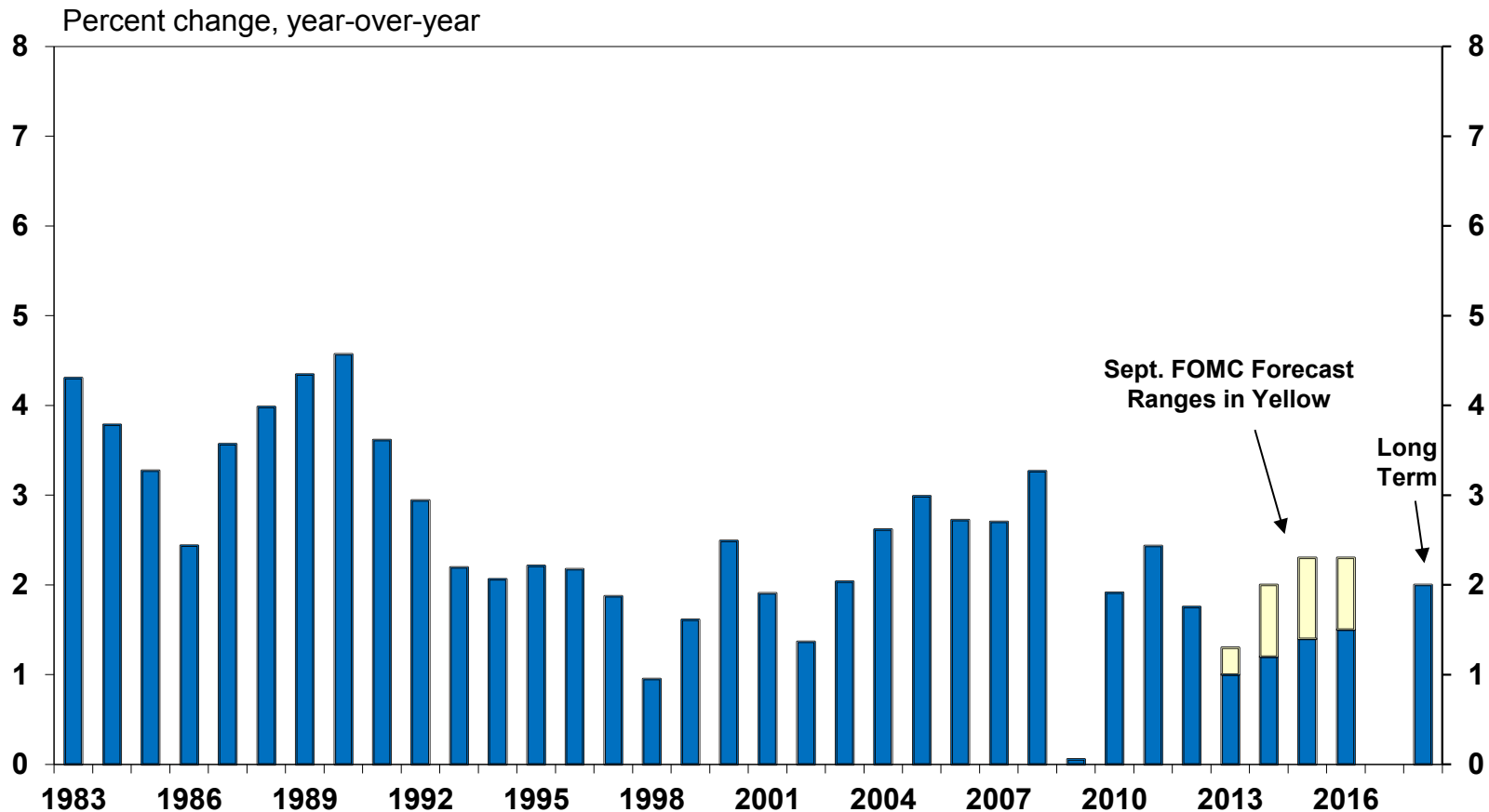
In its latest projections, the FOMC expected unemployment to continue to improve

Unemployment Rate
Seasonally Adjusted

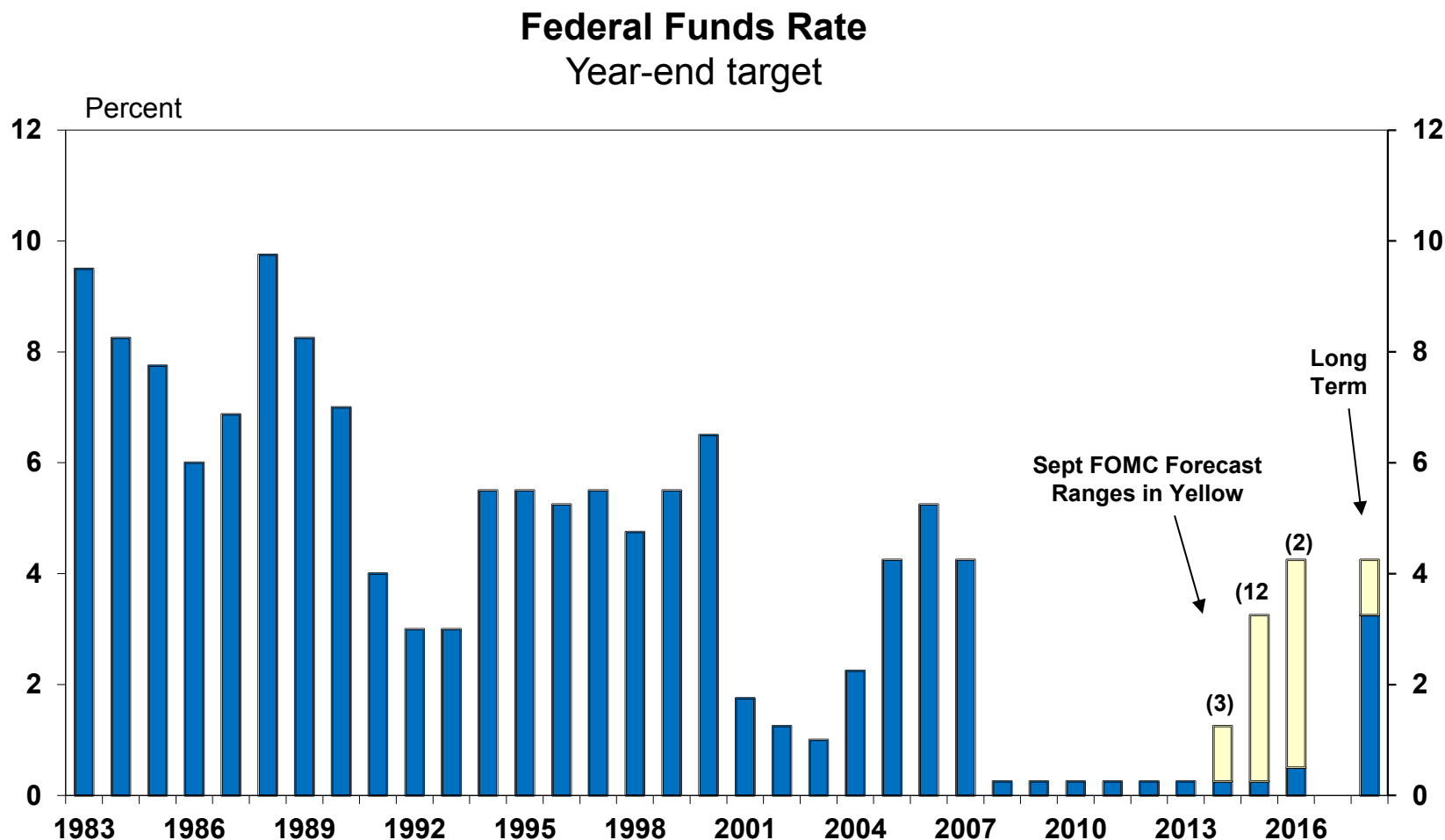


Inflation was expected to remain at or near its long-term target through 2016

PCE Inflation Index



On interest rates, most FOMC participants expect little change until 2015



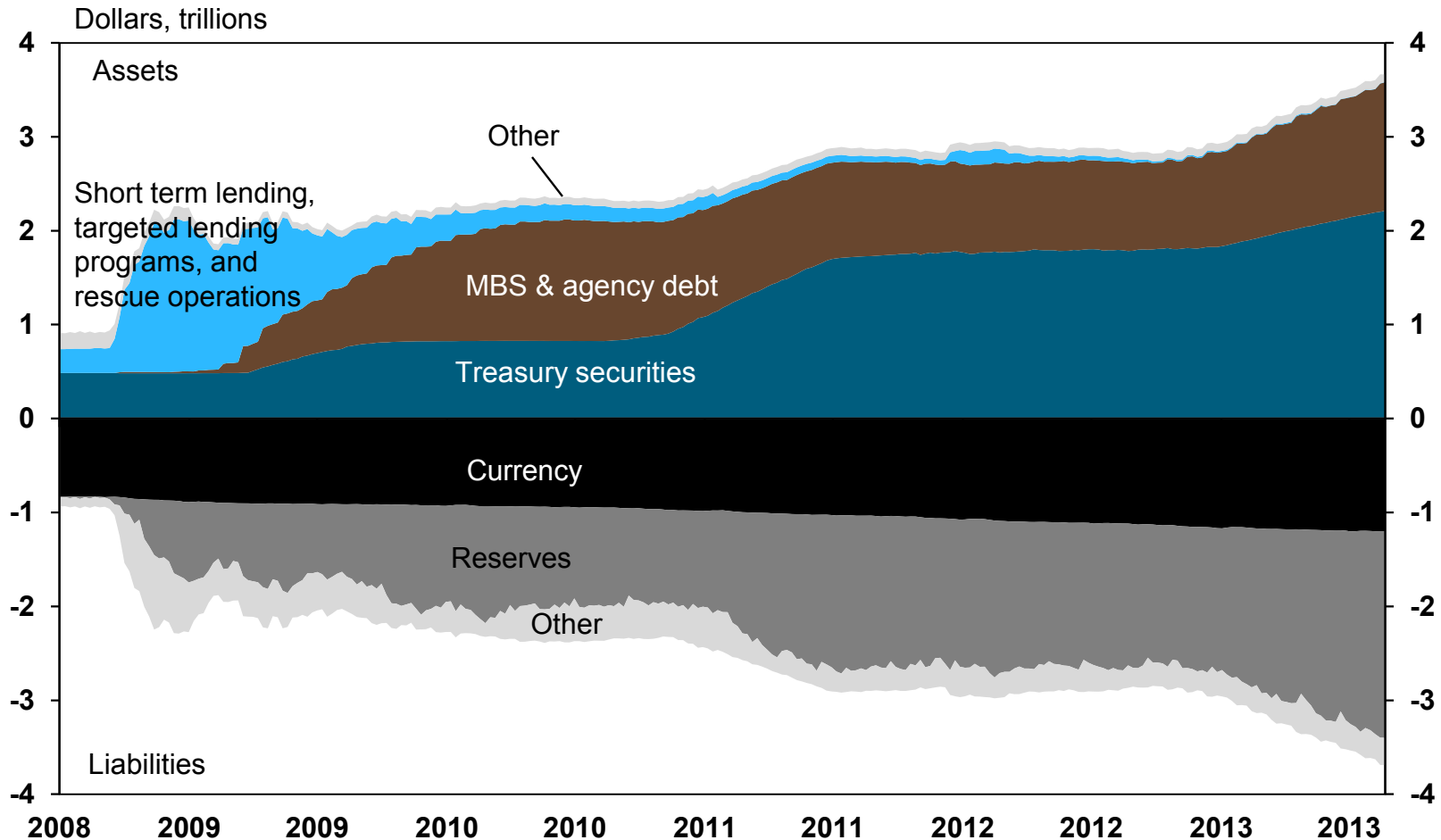
Note – Number of participants who project the initial increase will occur in the specified year in parenthesis

Sources: Federal Reserve Board, FOMC



The Fed's balance sheet has continued to grow

Federal Reserve Balance Sheet



Source: Federal Reserve Board

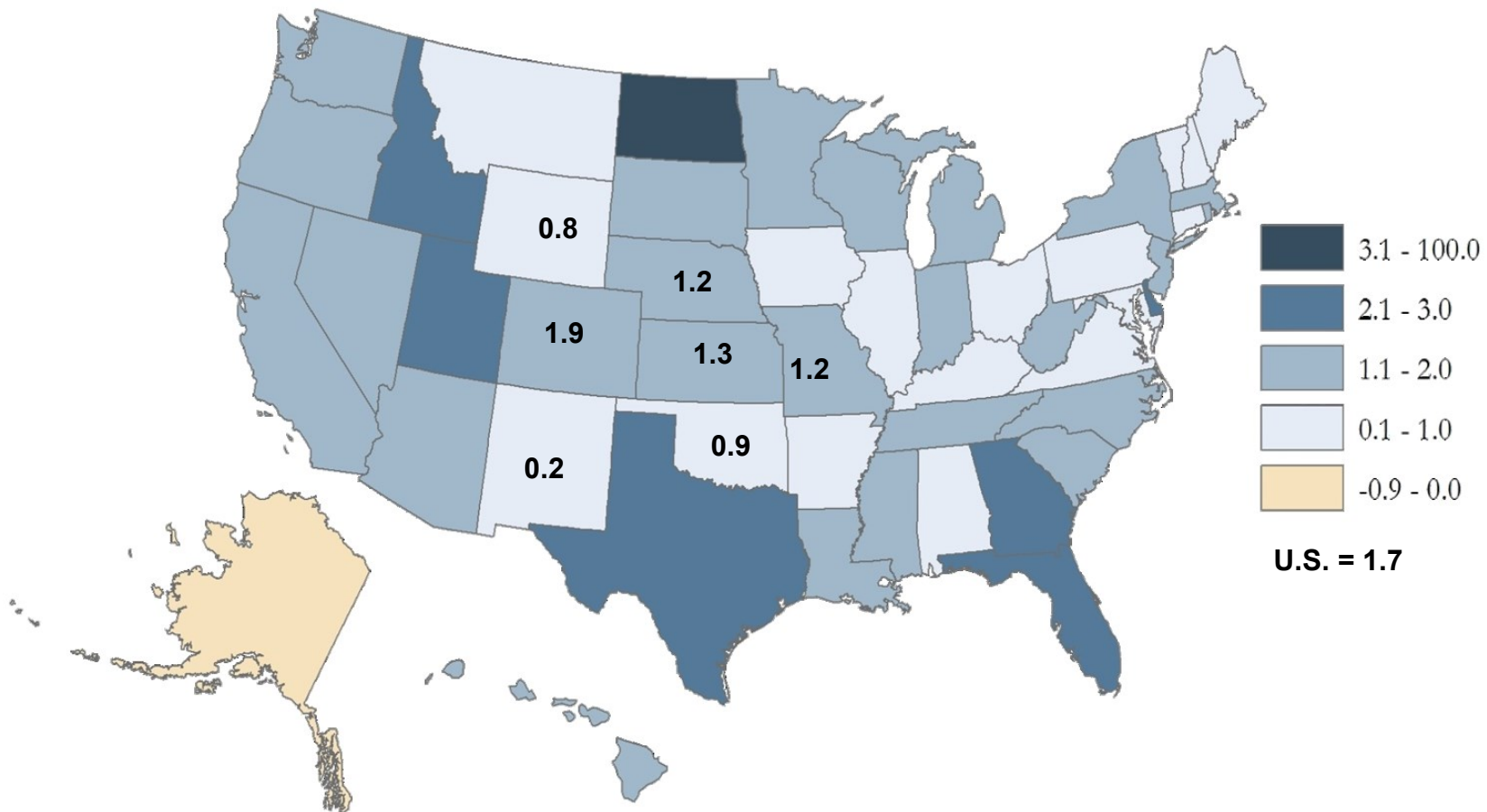


The Regional Economy



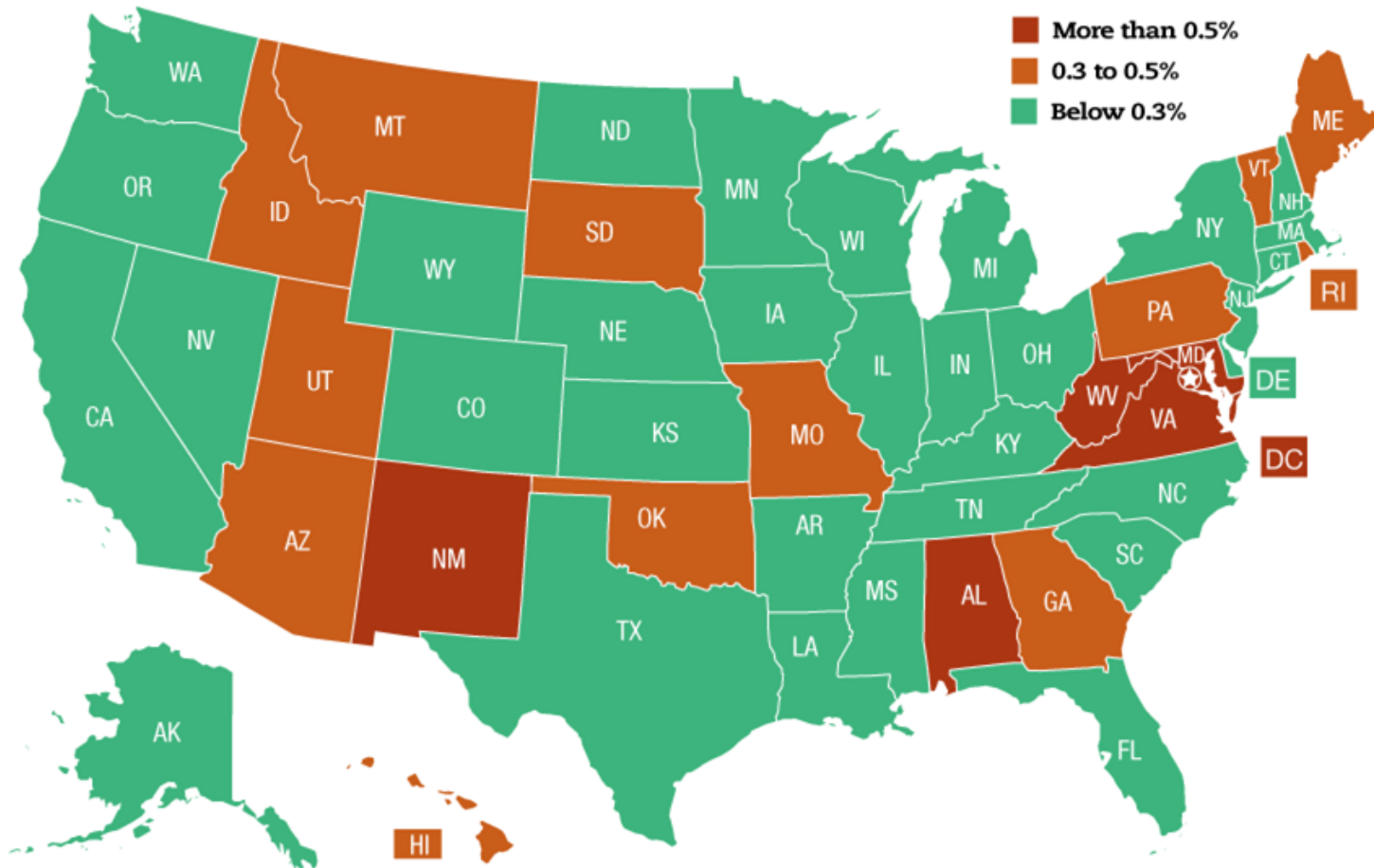
Job growth varies across the nation, but generally lags in the Tenth Fed District

Employment Growth, Year-over-Year (percent)
October 2013



The government shutdown had measurable negative impacts in several District states

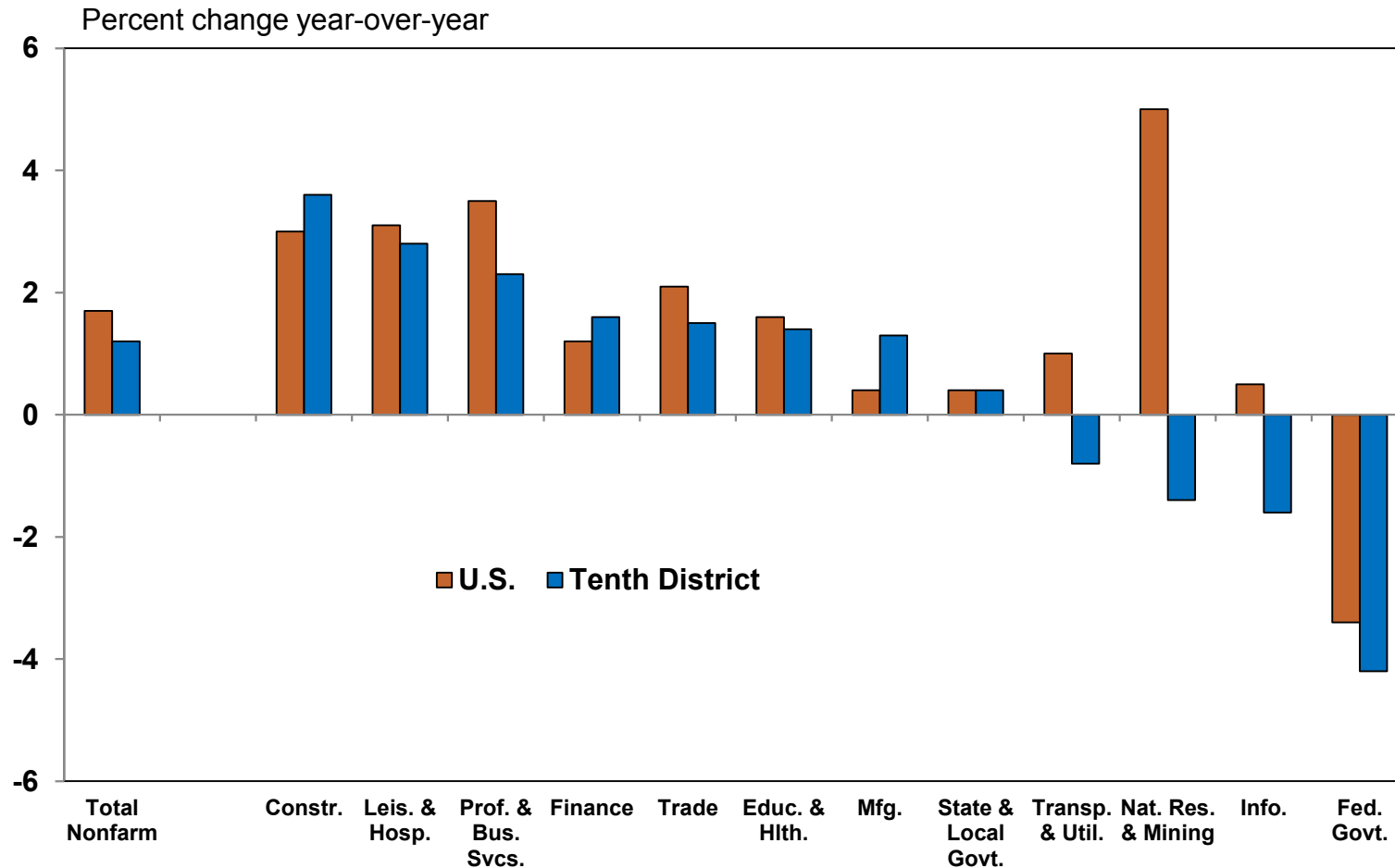
Federal Shutdown Economic Growth Reduction



Source: Wells Fargo Securities, Pew Center

Most District industries grew similarly to the nation but some, including energy, lagged

Employment Growth by Industry
October 2013



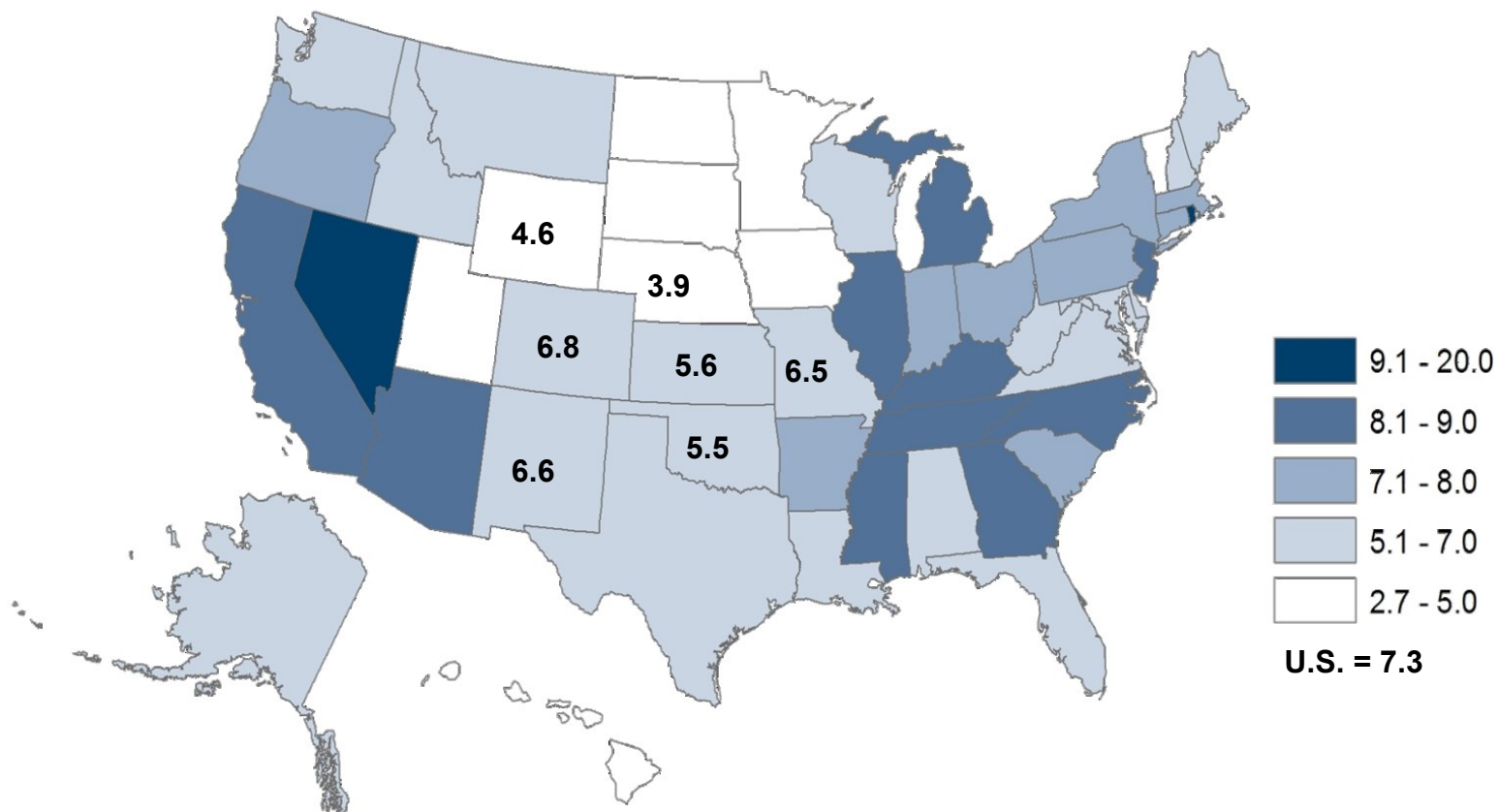
Source: Bureau of Labor Statistics



Still, unemployment throughout the Tenth Fed District is lower than in the nation

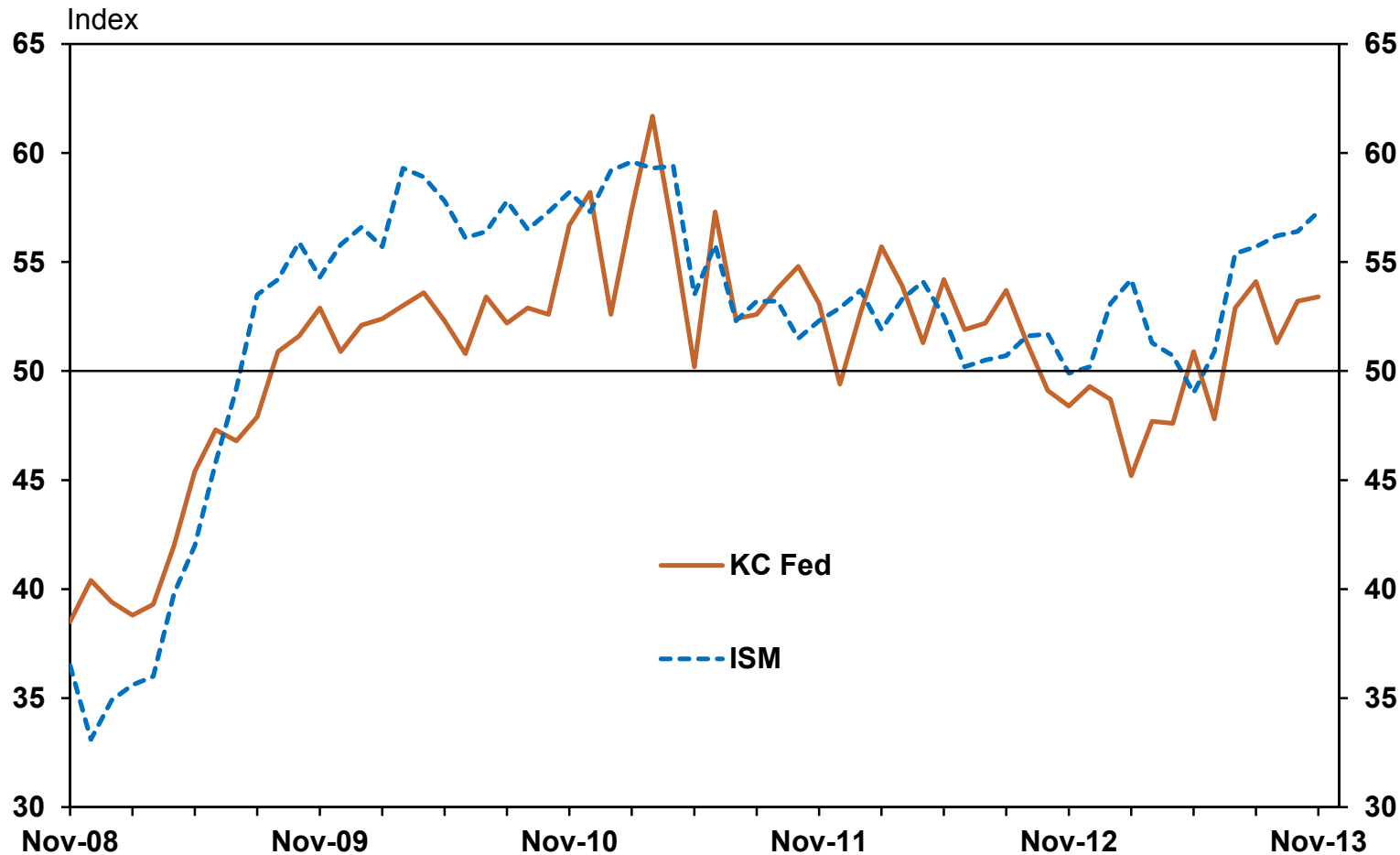
Unemployment Rates (percent)

October 2013



As in the nation, regional manufacturing activity improved in recent months

Manufacturing Composite Indexes
Month-over-month, Seasonally Adjusted

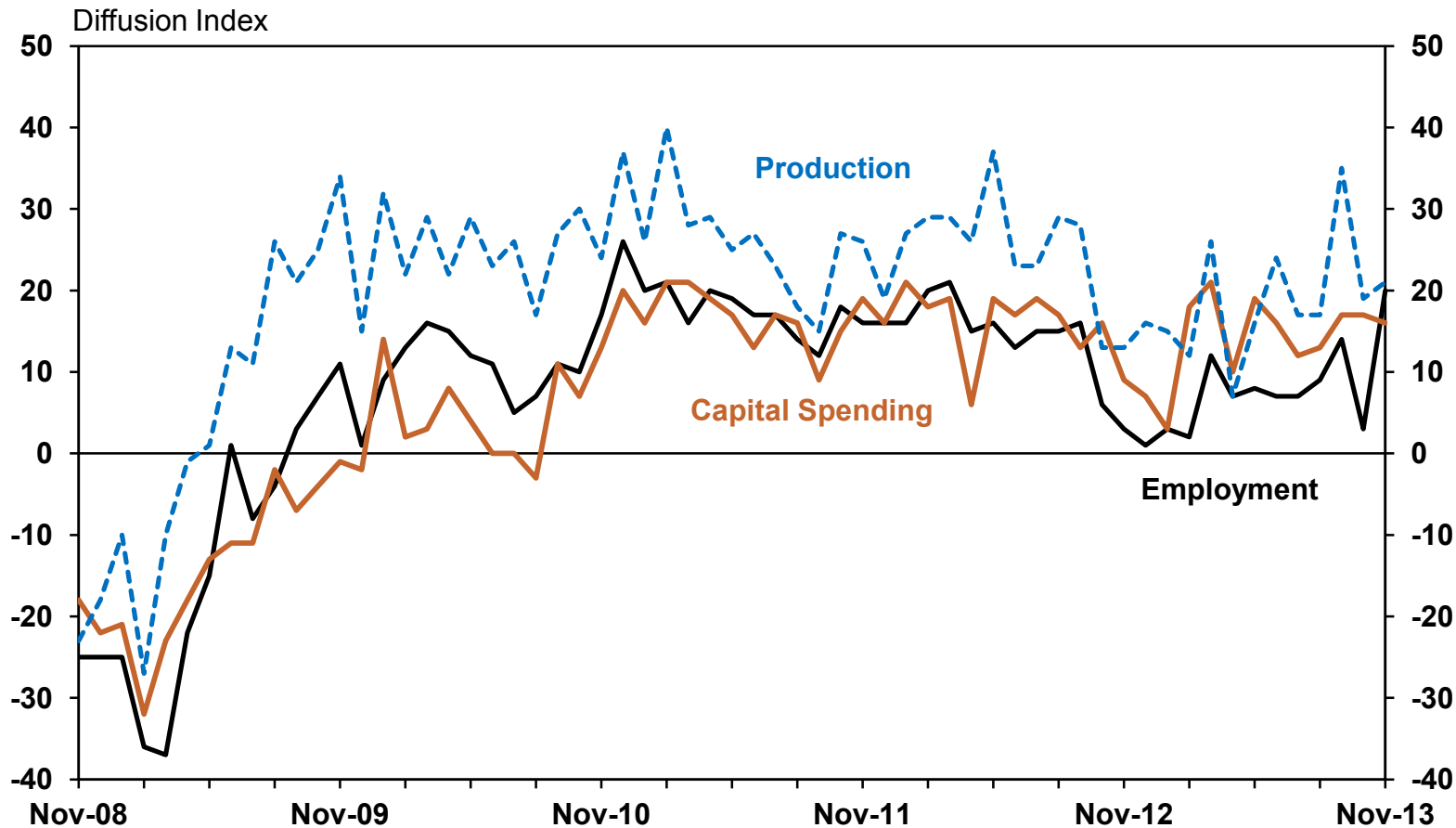


Source: FRB Kansas City



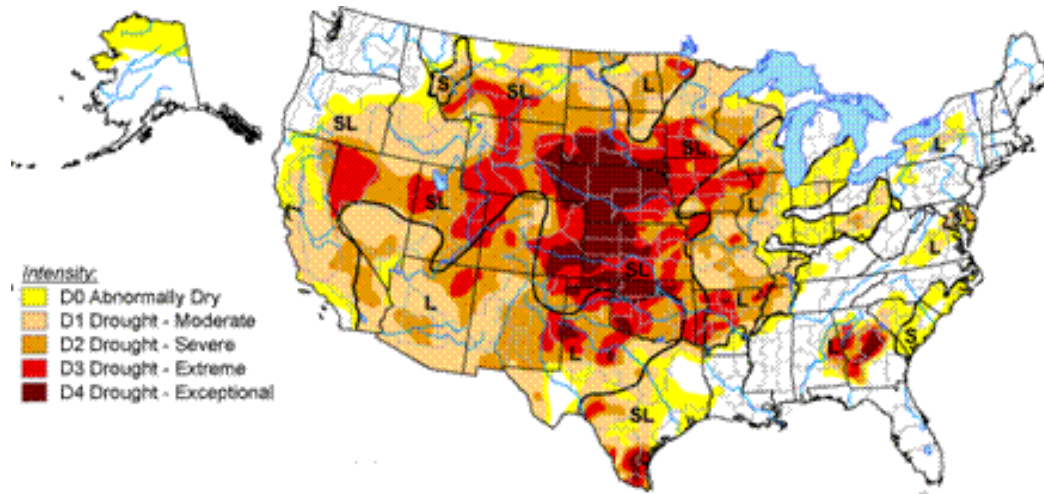
And expectations for future regional factory activity remain relatively solid

Manufacturing 6-Month Ahead Indexes
Seasonally Adjusted

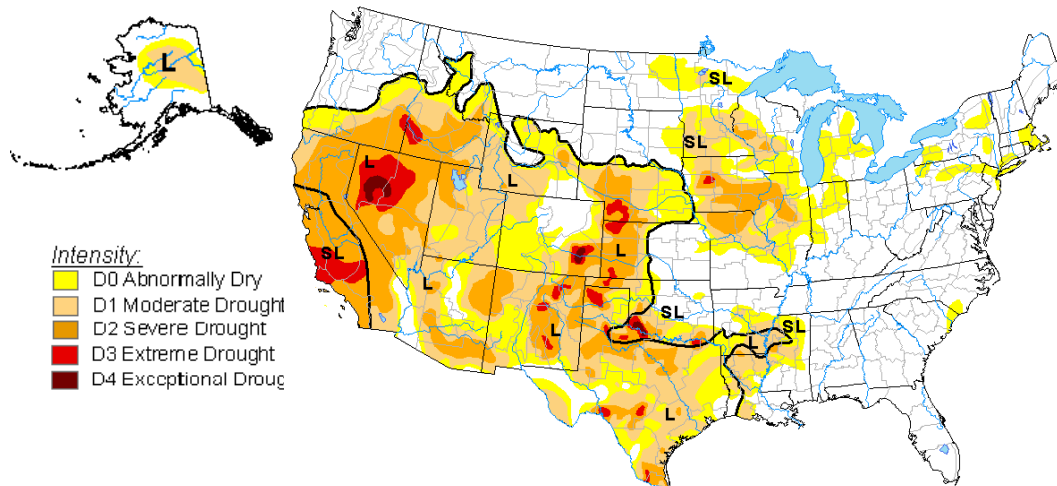


Drought conditions have improved markedly since last year, generally helping our region

U.S. Drought Monitor, October 2012



U.S. Drought Monitor, October 2013

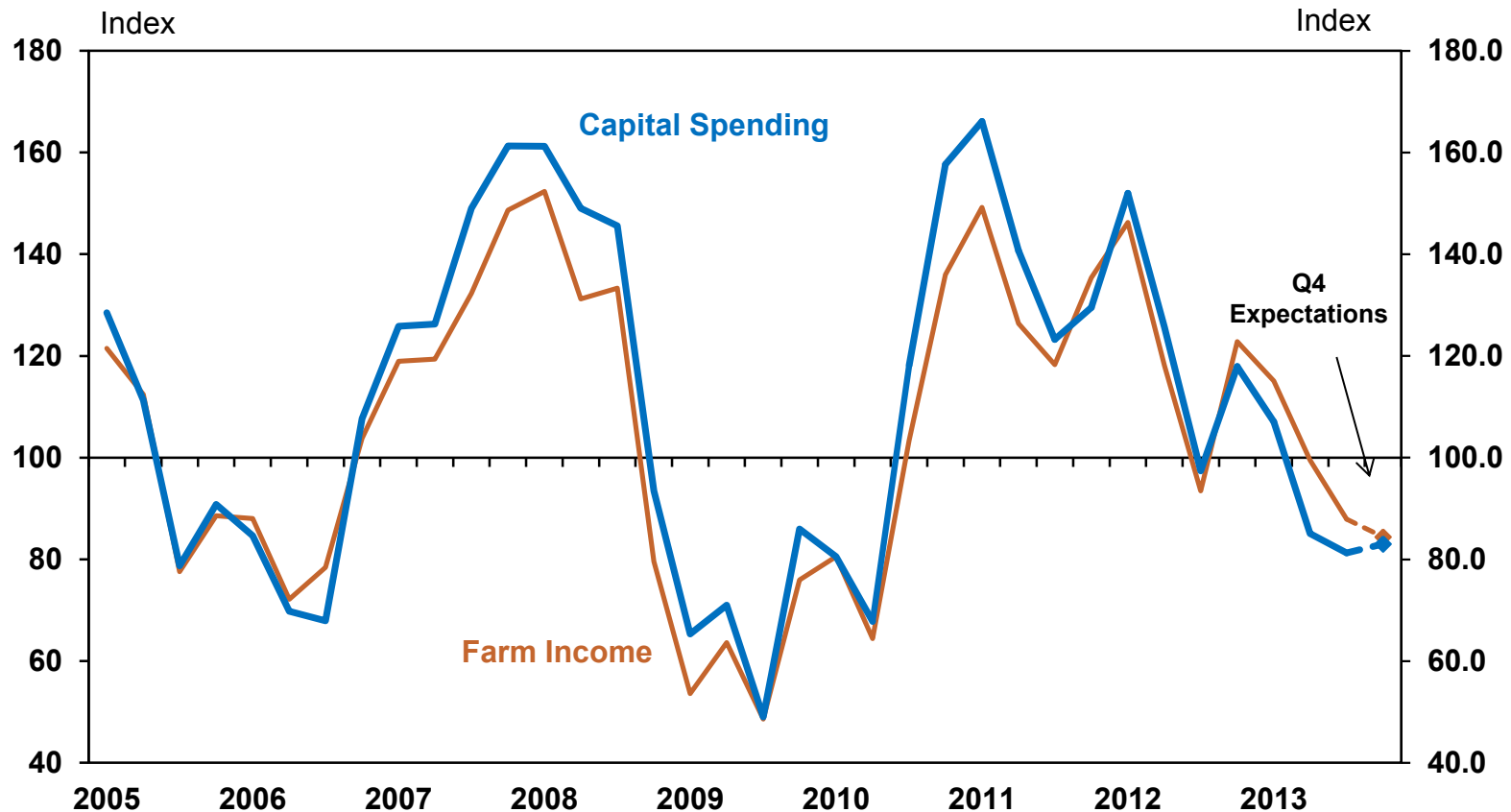


Source: USDA



But with lower crop prices, expectations for farm income and spending have eased

Tenth District Agricultural Conditions

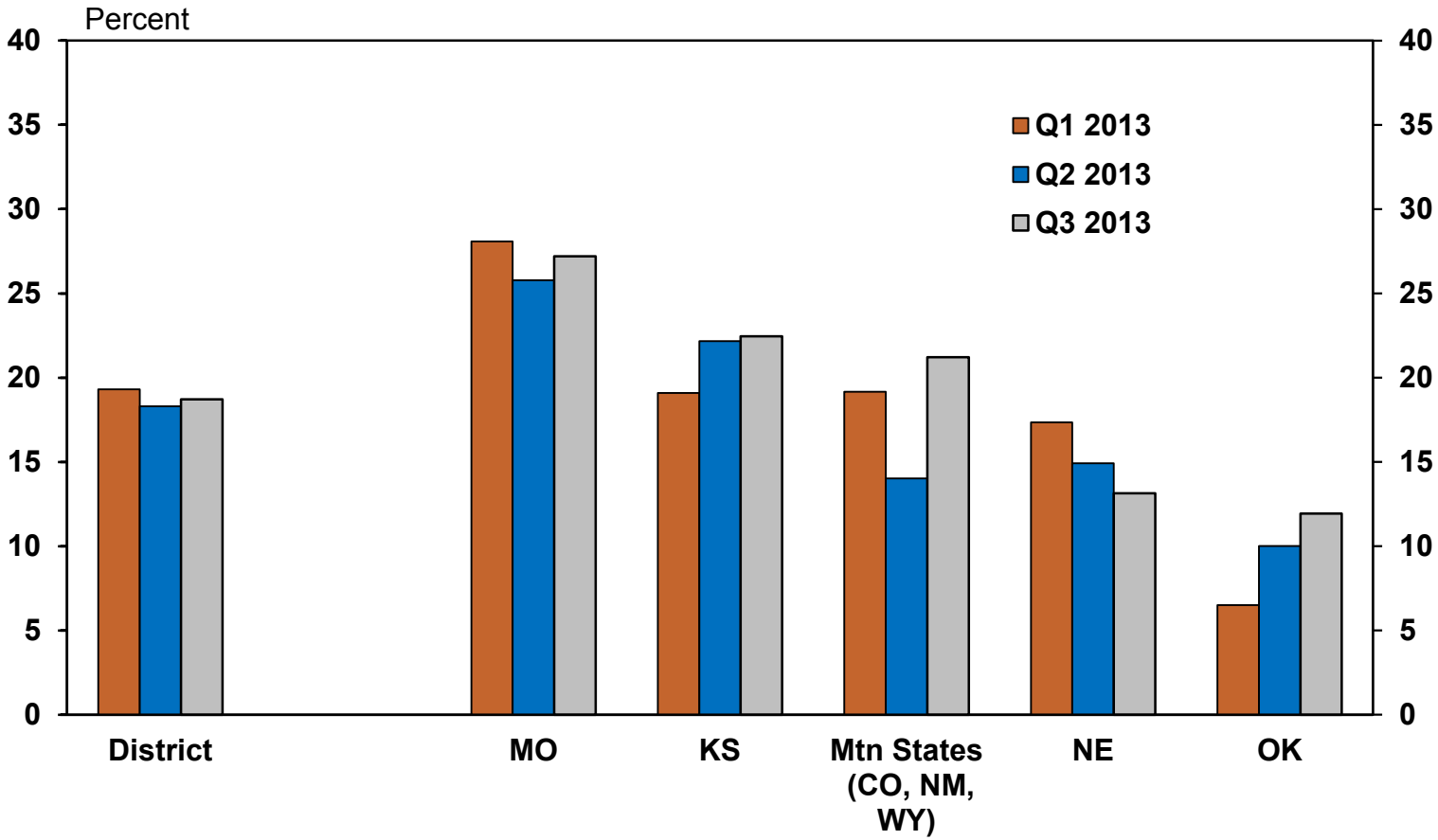


Source: KCFRB Ag Credit Survey



Meanwhile, year-over-year growth in regional farmland values remained in double digits

Tenth District Non-Irrigated Cropland Values
Percent Change, Year-over-year



Summary

- Recent U.S. economic growth has been solid with low inflation, but policy uncertainty remains a concern
- Regional economic activity has been slightly weaker than the nation, due in part to federal government and energy

