Structure & Functions of the Federal Reserve

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

Primary responsibility areas:

- Monetary policy
- Bank regulation
- Financial services
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- Functions and purposes – 45 staff
  - Research on U.S. and Oklahoma economies; energy and manufacturing sectors
  - Economic and financial education outreach, including to low/moderate income
  - Examinations of Oklahoma financial institutions (~50 banks, ~175 holding cos.)

- 2017 OKC Fed Branch Board of Directors
  - Pete Delaney (chair), Chairman/CEO (retired), OGE Energy Corp., OKC
  - Clint Abernathy, Owner, Abernathy Farms, Inc., Altus
  - Susan Chapman Plumb, COO, Bank of Cherokee County, Tahlequah
  - Michael Coffman, CEO (retired), Panhandle Oil & Gas, Inc., OKC
  - Chuck Hall, Chairman & CEO, Exchange Bank & Trust, Perry
  - Tina Patel, Co-Owner & CFO, Promise Hotels, Tulsa
  - Katrina Washington, Owner/Broker, Stratos Realty, Oklahoma City

- Oklahomans on Kansas City Fed head office Board
  - Rose Washington (chair), Exec. Director, Tulsa Econ. Dev. Corp., Tulsa
  - Doug Stussi, EVP & CFO, Love’s Travel Stops & Country Stores, OKC
2015-16 was the largest divergence between U.S. & OK job growth since the ‘80s, but gap is closing.
So far in 2017, goods-producing industries have mostly led the way in state job growth.

Oklahoma Job Growth by Industry

Aug-17

Percent change, year-over-year

Source: Bureau of Labor Statistics
Regional factory activity has continued to improve in recent months, with optimism high.

Manufacturing Composite Indexes,
Seasonally Adjusted

Source: ISM, FRBKC
Looking across the state, non-metro areas were hit harder by the downturn, but have rebounded lately.

U.S. vs OK Metro vs. OK Non-Metro Job Growth

Source: Bureau of Labor Statistics
Despite the economic downturn of recent years, unemployment is low in most of the state.

Unemployment rates
Seasonally Adjusted

Source: U.S. Bureau of Labor Statistics
As unemployment has come back down this year, wage pressures have increased

Unemployment Rate and Average Hourly Earnings

Source: U.S. Bureau of Labor Statistics
Banking conditions also remain solid overall in the state despite recent economic weakness.
Per capita incomes in both metro and non-metro Oklahoma have improved markedly this century.

Source: U.S. Bureau of Economic Analysis
Ag and energy are much bigger in OK than the US, and despite recent struggles, have done well since ‘01

Oklahoma Personal Income Share by Industry, 2015

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent of Total Income</th>
<th>Avg Annual Growth in Non-Metro OK 2001-2015*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.</td>
<td>OK</td>
</tr>
<tr>
<td>Mining</td>
<td>1.6</td>
<td>10.8</td>
</tr>
<tr>
<td>Farming</td>
<td>0.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Construction</td>
<td>6.1</td>
<td>6.1</td>
</tr>
<tr>
<td>State &amp; Local Government</td>
<td>13.2</td>
<td>12.3</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>16.2</td>
<td>21.8</td>
</tr>
<tr>
<td>Education &amp; Health</td>
<td>13.3</td>
<td>10.2</td>
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<tr>
<td>Federal Government</td>
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<td>Information</td>
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<td>Leisure &amp; Hospitality</td>
<td>4.7</td>
<td>3.5</td>
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<tr>
<td>Financial Activities</td>
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<td>3.4</td>
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<tr>
<td>Manufacturing</td>
<td>10.1</td>
<td>8.2</td>
</tr>
<tr>
<td>Prof. &amp; Business Services</td>
<td>20.3</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Note - 2014 percent of total income for TTU and Leis. & Hosp. in Non-metro regions.


Source: U.S. Bureau of Economic Analysis
The agriculture sector in the state generally remains weak, though less so than last year.
Cattle prices have rebounded slightly, but wheat prices remain in the doldrums.

Source: USDA, Haver Analytics
OK farmland values have fallen moderately in recent quarters, but less than in some states.

Source: FRBKC Agricultural Credit Survey
The oil and gas sector remains especially sizable in the state, even after dropping in recent years.

Oil and Gas Sector Share of GDP*
1997-2017

*Oil & Gas Sector = NAICS 211 + NAICS 213; 2016-17 estimates based on size of overall Mining sector

Source: U.S. Bureau of Economic Analysis; author’s calculations
The number of oil rigs in Oklahoma rose strongly in the first half of 2017 but has since tapered off.
OPEC compliance with cuts improved in August, helping push down world oil inventories.
The anticipated impact from hurricanes on regional factories and energy activity was mostly moderate.

What type of impact is your firm anticipating as a result of Hurricanes Harvey and/or Irma?
Special question in Sept. 2017 FRBKC Mfg. Survey

Estimated Duration of Impact from Hurricane Harvey (avg. # of weeks)
Special question in Q3 FRBKC Energy Survey

Source: FRBKC
Oil prices remain profitable for some District firms, but are not expected to rise considerably.

**Tenth District Energy Survey Profitable Prices and Near-term Expectations**

**Oil (WTI)**
- Profitable price: $51
- Price expected in 6 months: $52
- Price expected in 1 year: $55
- Price expected in 2 years: $58
- Price expected in 5 years: $65

**Natural Gas (Henry Hub)**
- Profitable price: $3.05
- Price expected in 6 months: $3.01
- Price expected in 1 year: $3.11
- Price expected in 2 years: $3.30
- Price expected in 5 years: $3.73

Source: FRBKC Energy Survey, EIA, CME
Summary

- The Oklahoma economy has been hurt by low commodity prices, but has stabilized in 2017.

- Non-metro areas were hit harder, but have also rebounded as goods-producing industries grew.

- The energy sector remains very sizable, and the outlook appears solid but perhaps not great.
Questions?

For regular analysis of the Oklahoma economy, subscribe to our quarterly **Oklahoma Economist** publication at:


For updates on regional **energy, agriculture, and manufacturing** activity, subscribe to our periodic surveys:

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