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.)

• 2018 OKC Fed Branch Board of Directors
  • Clint Abernathy (chair), Owner, Abernathy Farms, Inc., Altus
  • Susan Chapman Plumb, COO, Bank of Cherokee County, Tahlequah
  • Michael Coffman, CEO (retired), Panhandle Oil & Gas, Inc., Oklahoma City
  • Tina Patel, Co-Owner & CFO, Promise Hotels, Tulsa
  • Chris Turner, President & CFO, First State Bank, Oklahoma City
  • Katrina Washington, Owner/Broker, Stratos Realty, Oklahoma City
  • Dana Weber, Vice-Chair & CEO, Webco Industries, Sand Springs

• 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
The U.S. Economy and Monetary Policy
Monthly data on business activity and employment show U.S. growth remained strong in early Q4

U.S. Payroll Employment and Business Indexes

Change from previous month, thousands

Dec-07 Dec-08 Dec-09 Dec-10 Dec-11 Dec-12 Dec-13 Dec-14 Dec-15 Dec-16 Dec-17

FOMC: “Averaging hurricane-related fluctuations… job gains are solid…the unemployment rate declined further.”
FOMC: “Inflation…is expected to…stabilize around the Committee’s 2% objective over the medium term”
FOMC: “The Committee expects...conditions will evolve in a manner that will warrant gradual [rate] increases”

Federal Funds Rate
Year-end target

Current (Jan. 2018): 1.50%
Dec. FOMC Forecast Ranges in Yellow

Sources: Federal Reserve Board, FOMC
FOMC: “The balance sheet normalization program initiated in October 2017 is proceeding.”

Federal Reserve Balance Sheet

Source: Federal Reserve Board
Trends in Western Oklahoma and Statewide
Oklahoma GDP has recovered from its downturn of 2015-16, and by mid-2017 was outpacing the nation.
The downturn and recovery have been driven mostly by energy but by mid-2017 was fairly broad-based.
For jobs, 2015-16 was the largest divergence between U.S. & OK since the ‘80s, but the gap has closed
Job growth has been positive in most industries, with recent growth in construction and hospitality.

Oklahoma Job Growth by Industry

Source: Bureau of Labor Statistics
State tax revenues also improved 2017 following two tough years that remain challenges for the Legislature.
And unemployment statewide is back down to near 4 percent after rising to 5 percent in 2016.
Western Oklahoma was hit hard by the downturn of 2015-16, but has also shown some improvement.

*Includes the following counties: Far West OK – Beckham, Roger Mills, Custer, Washita; NW OK – Harper, Woods, Ellis, Woodward, Dewey; Panhandle – Cimarron, Texas, Beaver; SW OK – Greer, Harmon, Jackson, Kiowa, Tillman.
Unemployment in most of western OK is back below 5%, suggesting tight labor could be limiting growth.
Ag and energy, of course, dominate the western Oklahoma economy, and both have had a good century.

Western Oklahoma Personal Income Share by Industry
2015

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent of Total Income</th>
<th>W OK Location Quotient</th>
<th>Avg Annual Growth in Western OK 2001-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Western OK*</td>
<td>OK</td>
<td>U.S.</td>
</tr>
<tr>
<td>Mining</td>
<td>14.2</td>
<td>10.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Transp. &amp; Utilities</td>
<td>7.1</td>
<td>12.4</td>
<td>4.6</td>
</tr>
<tr>
<td>Prof. &amp; Business Services</td>
<td>3.1</td>
<td>6.9</td>
<td>20.3</td>
</tr>
<tr>
<td>Construction</td>
<td>5.7</td>
<td>6.1</td>
<td>6.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6.1</td>
<td>8.2</td>
<td>10.1</td>
</tr>
<tr>
<td>Agriculture</td>
<td>13.8</td>
<td>1.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Information</td>
<td>0.9</td>
<td>1.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Trade</td>
<td>9.3</td>
<td>9.4</td>
<td>11.6</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>2.3</td>
<td>3.5</td>
<td>4.7</td>
</tr>
<tr>
<td>State &amp; Local Government</td>
<td>13.8</td>
<td>12.3</td>
<td>13.2</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>2.3</td>
<td>3.4</td>
<td>7.1</td>
</tr>
<tr>
<td>Federal Government</td>
<td>5.3</td>
<td>5.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Education &amp; Health</td>
<td>3</td>
<td>10.2</td>
<td>13.3</td>
</tr>
</tbody>
</table>

Note - Location quotient is the division of local share by national share

**Numbers in red indicate industries that are at least 50% more important than in the nation**

*Includes the following counties: Beckham, Roger Mills, Custer, Washita, Harper, Woods, Ellis, Woodward, Dewey, Cimarron, Texas, Beaver, Greer, Harmon, Jackson, Kiowa, Tillman

The Oklahoma agriculture sector has shown some signs of stabilizing, with expectations improving.
Oklahoma farmland values also stabilized in Q3 after falling slightly in previous quarters.

Tenth Fed District Farmland Values
Percent Change, Year-over-year

Tenth District

Source: FRBKC Agricultural Credit Survey
In energy, oil prices returned to profitable levels in 2017 for most firms, helping to boost activity.
Summary

• The U.S. economy continues to grow and the Fed has been tightening monetary policy

• Western Oklahoma was hurt by low commodity prices in 2015-16, but has improved lately

• Stronger energy activity and some stabilization in ag have been key reasons for the rebound
For regular analysis of the Oklahoma economy, please visit the resources available on the OKC Fed branch web page:

www.kansascityfed.org/oklahomacity

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

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https://www.kansascityfed.org/research/indicatorsdata/agcreditsurvey
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Questions?