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**, Board Chair & CEO, 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 U.S. business activity and also show economic growth remains strong in mid-2018.

**U.S. Payroll Employment and Business Indexes**

“The labor market has continued to strengthen... job gains have been strong and the unemployment rate has declined.”

Unemployment Rate
Seasonally Adjusted

Current (July 2018): 3.9%

Jun. FOMC Forecast
Ranges in Yellow

Sources: U.S. Bureau of Labor Statistics, FOMC
“On a 12-month basis, both overall inflation and inflation for items other than food and energy have moved close to 2 percent.”

PCE Inflation Index

Percent change, year-over-year

Current Overall PCE (June 2018): 2.2%
Current Core PCE (June 2018): 1.9%

Jun. FOMC Forecast
Ranges in Yellow

Sources: U.S. Bureau of Labor Statistics, FOMC
“The [FOMC] expects that further gradual increases...for the federal funds rate will be consistent with sustained expansion...”
The Fed has also begun to reduce its balance sheet.
Trends in the Oklahoma & Claremore Area Economies
Oklahoma GDP dropped considerably in 2015-16, after oil prices fell, but has mostly grown solidly since.
In 2018, state job growth has matched the nation after lagging in 2015-16 the most since the 1980s.

Source: U.S. Bureau of Labor Statistics
State job gains the past year have been led by mining (oil & gas), and most sectors have added workers.

Oklahoma Job Growth by Industry
July 2018

Percent change, year-over-year


Source: Bureau of Labor Statistics
The Oklahoma agriculture sector has improved from a year ago, but conditions remain challenging overall.
Tax revenues are also growing strongly, following revenue declines and budget cuts in recent years.
Banking conditions in Oklahoma remain very good despite the 2015-16 economic slowdown.

Source: FDIC
Unemployment has come down across the state, including in Rogers County and the Tulsa MSA.
Unemployment across northeast Oklahoma is now below 5%, and is below 4% in many counties.

June 2017 Unemployment Rates

Source: U.S. Bureau of Labor Statistics
Employment growth in Rogers County was very strong in 2017 after falling considerably in 2015-16.
Industries with the highest concentrations in Rogers County are construction and manufacturing.

### Personal Income Share by Industry, 2016

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent of Total Income</th>
<th>Location Quotient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.</td>
<td>OK</td>
</tr>
<tr>
<td>Construction</td>
<td>6.0</td>
<td>6.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9.4</td>
<td>8.2</td>
</tr>
<tr>
<td>State &amp; Local Government</td>
<td>12.6</td>
<td>13.8</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>4.4</td>
<td>10.7</td>
</tr>
<tr>
<td>Trade</td>
<td>10.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Federal Government</td>
<td>4.0</td>
<td>5.9</td>
</tr>
<tr>
<td>Education &amp; Health</td>
<td>12.9</td>
<td>11.5</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>4.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Mining</td>
<td>1.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Agriculture</td>
<td>0.6</td>
<td>1.0</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>6.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>22.8</td>
<td>14.4</td>
</tr>
</tbody>
</table>

Note: Location quotient is the division of local share by national share.

Source: U.S. Bureau of Economic Analysis
And the turnaround in Rogers Co. employment has been largely driven by turnarounds in those industries

Rogers County, OK Change in Employment by Industry

Note: Employment by industries defined by two-digit NAICS codes for private sectors with more than 100 employees

Source: U.S. Bureau of Labor Statistics
Growth in new housing units in Rogers County has greatly outpaced the state and nation since 2010.
Manufacturing activity in the region has posted record growth in 2018, even with trade concerns.

Monthly Manufacturing Composite Indexes
Seasonally Adjusted

Note: Indexes are shown as three-month moving averages

Source: Institute for Supply Management, FRBKC
Expectations for manufacturing also remain strong, including for capital spending and employment.

Tenth District Manufacturing Expectations
Six-month-ahead indexes

Note: Indexes are shown as three-month moving averages

Source: Institute for Supply Management, FRBKC
Oil and gas production is at a record high, but with considerably fewer rigs and workers than in the past.

Note: Employment is for total mining and logging, which in Oklahoma is almost completely oil and gas related. Production is shown as a 3-month moving average.

Source: Baker Hughes, EIA/Haver Analytics
Most firms can profitably drill for oil in the areas they are active, and natural gas prices work for some firms.

### Energy Survey Oil & Gas Prices

<table>
<thead>
<tr>
<th></th>
<th>Oil (WTI)</th>
<th>Natural Gas (Henry Hub)</th>
<th>$/million Btu</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Price</strong></td>
<td>$67</td>
<td>$3.04</td>
<td></td>
</tr>
<tr>
<td><strong>Profitable Price</strong></td>
<td>$52</td>
<td>$2.92</td>
<td>$3.05</td>
</tr>
<tr>
<td><strong>Substantial Price</strong></td>
<td>$69</td>
<td>$3.60</td>
<td>$3.34</td>
</tr>
<tr>
<td><strong>Price expected in 6 months</strong></td>
<td>$67</td>
<td>$2.85</td>
<td></td>
</tr>
<tr>
<td><strong>Price expected in 1 year</strong></td>
<td>$70</td>
<td>$2.90</td>
<td></td>
</tr>
<tr>
<td><strong>Price expected in 2 years</strong></td>
<td>$73</td>
<td>$2.85</td>
<td></td>
</tr>
<tr>
<td><strong>Price expected in 5 years</strong></td>
<td>$78</td>
<td>$3.60</td>
<td></td>
</tr>
</tbody>
</table>

Survey ranges in orange.

Survey average.
Summary

• The U.S. economy continues to grow despite headwinds, and the Fed has been raising rates.

• The state and local economies were hurt by low commodity prices, but now are growing solidly.

• Strong productivity growth in the oil and gas sector could potentially limit future job growth.
Questions?

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