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
Federal Open Market Committee (FOMC)

Board of Governors
- Jerome H. Powell, Chairman
- Lael Brainard
- Michelle W. Bowman
- Richard H. Clarida
- Randal K. Quarles
- Open
- Open

Reserve Bank Presidents
- John C. Williams, New York, Vice Chairman
- James Bullard, St. Louis
- Charles L. Evans, Chicago
- Esther L. George, Kansas City
- Eric Rosengren, Boston
- Patrick T. Harker, Philadelphia
- Robert S. Kaplan, Dallas
- Neel Kashkari, Minneapolis
- Loretta J. Mester, Cleveland
- Thomas I. Barkin, Richmond
- Raphael W. Bostic, Atlanta
- Mary C. Daly, San Francisco

*Permanent voters in bold; 2019 rotating voters in red; 2020 rotating voters in blue
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
  - Examinations of Oklahoma financial institutions (~50 banks, ~175 holding cos.)
  - Economic and financial education outreach, including to low/moderate income

- **2019 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
  - Walt Duncan, President, Duncan Oil Properties, 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
U.S. Economic Outlook
Monthly data on U.S. business activity shows growth continued in January despite the government shutdown.
FOMC: “Job gains have been strong...in recent months, and the unemployment rate has remained low.”

U.S. Unemployment Rate, Seasonally Adjusted

Current (Dec. 2018): 3.9%

Dec. 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 remain near 2%.”

PCE Inflation Index

Percent change, year-over-year

Current Overall PCE (Nov. 2018): 1.8%
Current Core PCE (Nov. 2018): 1.9%

Dec. FOMC Forecast Ranges in Yellow

Sources: U.S. Bureau of Labor Statistics, FOMC
“The [FOMC] will be patient as it determines what future adjustments to the…federal funds rate may be appropriate”

Federal Funds Rate
Year-End Target

Current Target: 2.25-2.50%

Dec. FOMC Forecast Ranges in Yellow

Sources: U.S. Bureau of Labor Statistics, FOMC
“The [FOMC] is prepared to adjust any of the details for completing balance sheet normalization”
Oklahoma Economic Outlook
State job growth matched the nation in 2018 after falling below for several years, boosted by metro jobs.

Nonfarm Payroll Employment Growth

Percent change, year-over-year

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
State and metro job gains in 2018 were led by mining (oil & gas), but nearly all sectors added jobs last year.
The pace of regional manufacturing expansion has eased, but services growth was healthy in January.
In agriculture, incomes continued to decline in 2018, but farmland values edged down only slightly.

Note: State farmland values are annual.

Sources: FRBKC Ag Credit Survey, USDA.
Tax revenues continue to grow solidly, following revenue declines and budget cuts in recent years.

Oklahoma State Tax Revenues
Through January 2019

Percent change, year-over-year

Source: OK Tax Commission
Unemployment has come down to exceptionally low levels in Oklahoma, including in both large metros.

**Unemployment Rates**
Seasonally Adjusted

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
In December 2018, 75 of the 77 counties in Oklahoma had less than five percent unemployment.
Banking conditions in Oklahoma also remain very good despite the 2015-16 economic slowdown.

Share of Banks Not Making a Profit
Commercial Banks

Source: FDIC
New housing permits remain sluggish in Oklahoma but finally grew moderately in the OKC metro in 2018

Source: Census Bureau/Haver Analytics, NBER recession shading
Home prices have continued to increase steadily in the state and metro, though less than in the nation.

Home Prices: Purchase-Only Indexes
Seasonally Adjusted

Percent change, year-over-year

Source: Federal Housing Finance Agency, NBER recession shading
Office vacancy rates in OKC are up modestly but remain below the national average, unlike Houston.

Source: CBRE, NBER recession shading
Office rental rates in OKC have also held up relatively well, despite dipping slightly in 2017

TW Rent Index

Percent change, year-over-year

Source: CBRE, NBER recession shading
Oil prices have fallen considerably since October, but bounced back to around profitable levels in January.

Sources: EIA, Federal Reserve Bank of Kansas City Energy Survey, Yahoo Finance
Despite a cold weather burst in late 2018 and again in January, natural gas price futures remain fairly low.
U.S. oil and gas production is at a record high, but with considerably fewer rigs and workers than in 2014

U.S. Oil & Gas Rig Count, Employment, and Production

Index May-90=100

Note: Employment is for NAICS 211, 213111, and 213112. Production is shown as a 3-month moving average.

Sources: Baker Hughes, U.S. Energy Information Administration
Summary

• The U.S. economy continues to grow despite headwinds, and the Fed has been raising interest rates and reducing its balance sheet.

• The Oklahoma economy also continues to grow, and unemployment is very low across most of the state.

• Agriculture remains sluggish, and lower oil prices have created some concerns, but the outlook for the Oklahoma economy in 2019 still appears moderately positive.
Questions?

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Oklahoma’s economy

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