Chad Wilkerson
Vice President and Oklahoma City Branch Executive

*The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or 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

Primary responsibility areas:

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

• 2020 Is Our Centennial!

• Functions and purposes ~ 50 staff
  • Research on U.S. and Oklahoma economies; energy sector and business survey focus
  • Examinations of Oklahoma financial institutions (~45 banks, ~175 holding cos.)
  • Community development programming for low and moderate income groups, workforce focus
  • Economic education and public outreach programming

• 2020 OKC Fed Branch Board of Directors
  • Tina Patel (chair), Co-Owner & CFO, Promise Hotels, Tulsa
  • Walt Duncan, President, Duncan Oil Properties, Oklahoma City
  • Susan Plumb, Chair & CEO, Bank of Cherokee County, Tahlequah
  • Brady Sidwell, Principal, Sidwell Strategies, Enid
  • Chris Turner, President & CFO, First State Bank, Oklahoma City
  • Katrina Washington, Owner/Broker, Stratos Realty, Oklahoma City
  • Dana Weber, Chair & CEO, Webco Industries, Sand Springs
The Federal Reserve’s Role in Monetary Policy

• Dual Mandate from U.S. Congress:
  1) Maximum employment
  2) Price stability

• Federal Open Market Committee (FOMC):

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

  Reserve Bank Presidents
  • John C. Williams, New York, Vice Chairman
  • 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
  • Charles L. Evans, Chicago
  • James Bullard, St. Louis
  • Esther L. George, Kansas City
  • Eric Rosengren, Boston

*Permanent voters in bold; 2020 rotating voters in red; 2021 rotating voters in blue*
U.S. Economic Outlook and Monetary Policy
Jan. FOMC: “Economic activity has been rising at a moderate rate...household...rising...business...weak”

Percent Change in Components of Real GDP

Percent change from the previous period, SAAR

<table>
<thead>
<tr>
<th>Component</th>
<th>Q1 2019</th>
<th>Q2 2019</th>
<th>Q3 2019</th>
<th>Q4 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total GDP</td>
<td>3.1</td>
<td>4.6</td>
<td>5.8</td>
<td>4.1</td>
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<tr>
<td>Consumer spending</td>
<td>2.0</td>
<td>3.2</td>
<td>1.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Residential investment</td>
<td>-1.1</td>
<td>-3.0</td>
<td>-1.0</td>
<td>-1.5</td>
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<tr>
<td>Business investment</td>
<td>4.4</td>
<td>4.6</td>
<td>1.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Exports</td>
<td>4.1</td>
<td>1.0</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Imports</td>
<td>2.9</td>
<td>0.0</td>
<td>2.9</td>
<td>-8.7</td>
</tr>
<tr>
<td>Government spending</td>
<td>1.7</td>
<td>2.7</td>
<td>2.7</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Source: U.S. Bureau of Economic Analysis
Jan. FOMC: “Job gains have been solid…and the unemployment rate has remained low.”

U.S. Unemployment Rate

Current (Jan. 2020): 3.6%

Sources: U.S. Bureau of Labor Statistics, FOMC
Jan. FOMC: “Overall inflation and inflation for items other than food and energy are running below 2%.”

PCE Inflation Index

Current Overall PCE (Dec. 2019): 1.6%
Current Core PCE (Dec. 2019): 1.6%

Dec FOMC Forecast

Sources: U.S. Bureau of Labor Statistics, FOMC
Jan. FOMC: “the [FOMC] decided to maintain the...rate...will continue to monitor...incoming information.”

Federal Funds Rate
Year-End Target

Current Target: 1.50-1.75%

Sources: U.S. Bureau of Labor Statistics, FOMC
“In light of...increases in...liabilities, the [FOMC] directs the Desk...to maintain...ample reserve balances.”

Federal Reserve Balance Sheet

Source: Federal Reserve Board
Oklahoma Economic Outlook
The pace of Oklahoma job growth slowed steadily in 2019, and was negative in November and December.

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
Weekly initial jobless claims in the state ran near 2015-16 levels in 2019, but improved in January 2020

Sources: U.S. Department of Labor, NBER recession shading
Total state tax receipts also rose slightly in January, but sales tax revenues are still below year-ago levels.
Oklahoma’s main difference from the nation in terms of industrial structure is its very sizable energy sector.
The slower state job growth in 2019 has been driven mainly by job losses in energy and related sectors.
Marginally profitable oil prices since spring, plus low natural gas prices, have contributed to slower activity.

Oil & Natural Gas Profitability and Prices

Natural gas prices ($/mmbtu) | Oil prices ($/barrel)

Sources: EIA, FRBKC Energy Survey
Regional energy firms expect drilling activity to drop further, though less sharply, with continued job cuts
Oklahoma’s percentage drop in rigs has been the largest among the top 8 oil- and gas-producing states.
Over the past 10 years, Oklahoma’s productivity per rig has been outpaced by other oil basins across the U.S.

Source: Energy Information Association.
In agriculture, incomes have continued to decline, but land values have generally held up.

**Oklahoma Farm Income and Farmland Values**

- **Diffusion Index**
- **Percent change, year-over-year**
- **Expectations**

Sources: FRBKC Ag Credit Survey
Commodity prices have seen a slight uptick recently but generally remain lower than in recent years.

Agriculture Commodity Prices

- Wheat, left
- Cotton, right
- Feeder Cattle
- Live Cattle

Source: WSJ
Banking conditions in Oklahoma remain very good, similar to in the nation

Share of Banks Not Making a Profit
Commercial Banks

Percent


Source: FDIC
Despite slower job growth and elevated UI claims, unemployment in Oklahoma also remains low.
Across the state, 70 out of 77 counties have less than 5% unemployment
The national economy continues to grow, with low unemployment, but business investment has slowed.

Oklahoma’s economy slowed in 2019 and by the end of the year no longer appeared to be growing overall, as weak energy activity spread to some other sectors.

Still, unemployment remains low and banking conditions are good, which should help the state if further economic deterioration occurs.
Questions?

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