your Region @ a glance

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FEDERAL RESERVE BANK OF RICHMOND

A Closer Look at Regional Research

Each of the Federal Reserve Banks operates a regional research function devoted to gathering, analyzing and publishing regional data. How these data are used, however, is sometimes misunderstood. Perhaps the most visible use of this research is to provide each regional Fed president with a summary of economic conditions to share at meetings of the Federal Open Market Committee. Many Reserve Banks conduct monthly surveys of business conditions in their districts. The Richmond Fed, for example, publishes a manufacturing survey, a service sector survey, and surveys of business activity in the Carolinas and in Maryland. Perhaps the best known of the Fed's regional data products is the Beige Book, a compendium of anecdotes from each of the 12 Fed districts that is published eight times per year. The Reserve Banks also gather information from their boards of directors, advisory councils and meetings with regional leaders. The Richmond Fed, for example, conducts regular regional forums and industry roundtables.

Although this information plays only an indirect role in the conduct of monetary policy, regional economic research can help economists and policymakers better understand the effects of regional and sectoral shocks on the aggregate economy. The quantitative and qualitative regional data collected by the Fed also provide an additional gauge of economic conditions and context for data obtained from other sources. The Richmond Fed and the other Reserve Banks are well-positioned to collect and analyze a wide variety of data, and they publish these data in multiple formats to make them easily accessible to consumers, business leaders and regional policymakers as a public service.

The above has been taken from the Richmond Fed's January 2015 Economic Brief, Why Does the Fed Study Regional Economics? The full text can be found here.

Explaining the Decline in the Number of Banks

The commercial banking sector in the United States is highly dynamic. Institutions fail or merge, particularly during times of financial stress, while others grow or shrink. At the same time, new banks regularly join the system — or at least they have in the past. Since the financial crisis of 2007–08, the rate at which new banks form has fallen dramatically, from an average of about 100 per year since 1990 to about three per year since 2010. In the Fifth Federal Reserve District, the number of new banks fell from an average of about 11 per year for 2000 through 2007 to none for 2010 through 2013.

This lack of new entry is largely responsible for a decline in the number of independent commercial banks since the crisis. From 2007 through 2013, the number of banks fell by 14 percent — more than 800 institutions. Since most new banks start small, this decline in entry disproportionately impacts community banks. This could affect the allocation of credit in the economy, since small banks have a comparative advantage in lending to small businesses.

For an overview of historical data on new bank entry and possible explanations for recent trends, see the March Economic Brief.

Focusing on the Earned Income Tax Credit

Since December, the Richmond Fed's Community Development office has convened public and private partners to share best practices and to discuss innovation and research in economic inclusion programs, including on the use of the Earned Income Tax Credit, or EITC.

The EITC, one of the larger federal anti-poverty programs, is a refundable tax credit for working, low-income tax filers. The value of the credit varies based on the amount of earned income and the number of children in the household, with larger credit amounts for families with children.

These forums have occurred in Baltimore, Maryland, Washington, D.C., and Raleigh, North Carolina, with another scheduled on May 21 in Columbia, South Carolina. At each program, Richmond Fed Research Director Kartik Athreya gave an overview of research concerning EITC, with a focus on who receives it and what economists have learned about the effects of the tax credit.

Economic inclusion programs are part of the Richmond Fed's Community Development office strategy to help sustain and promote polices that improve the financial stability and economic mobility of low-and moderate-income communities and individuals. The mission of the Community Development office is to support the economic growth objectives of the Federal Reserve Act by working with public and private partners to resolve credit and development issues in low-and moderate-income communities.

Kartik Athreya presents an overview about the Earned Income Tax Credit.

Upcoming Events & Activities

- June 18-19 — 2015 Policy Summit on Housing, Human Capital, and Inequality, Pittsburgh, Pa.
- July 6 — Summer Camp Challenge, Richmond, Virginia

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Research Resources

- Community Data Resources
- Economic Snapshot (includes labor market, household and housing market conditions)
- National Economic Indicators
- Data and Mapping
- Surveys of Business Activity
- Supervision, Regulation and Credit