



The Fed and the Piedmont Region

Piedmont Chapter of Virginia Credit Union League
August 23, 2016

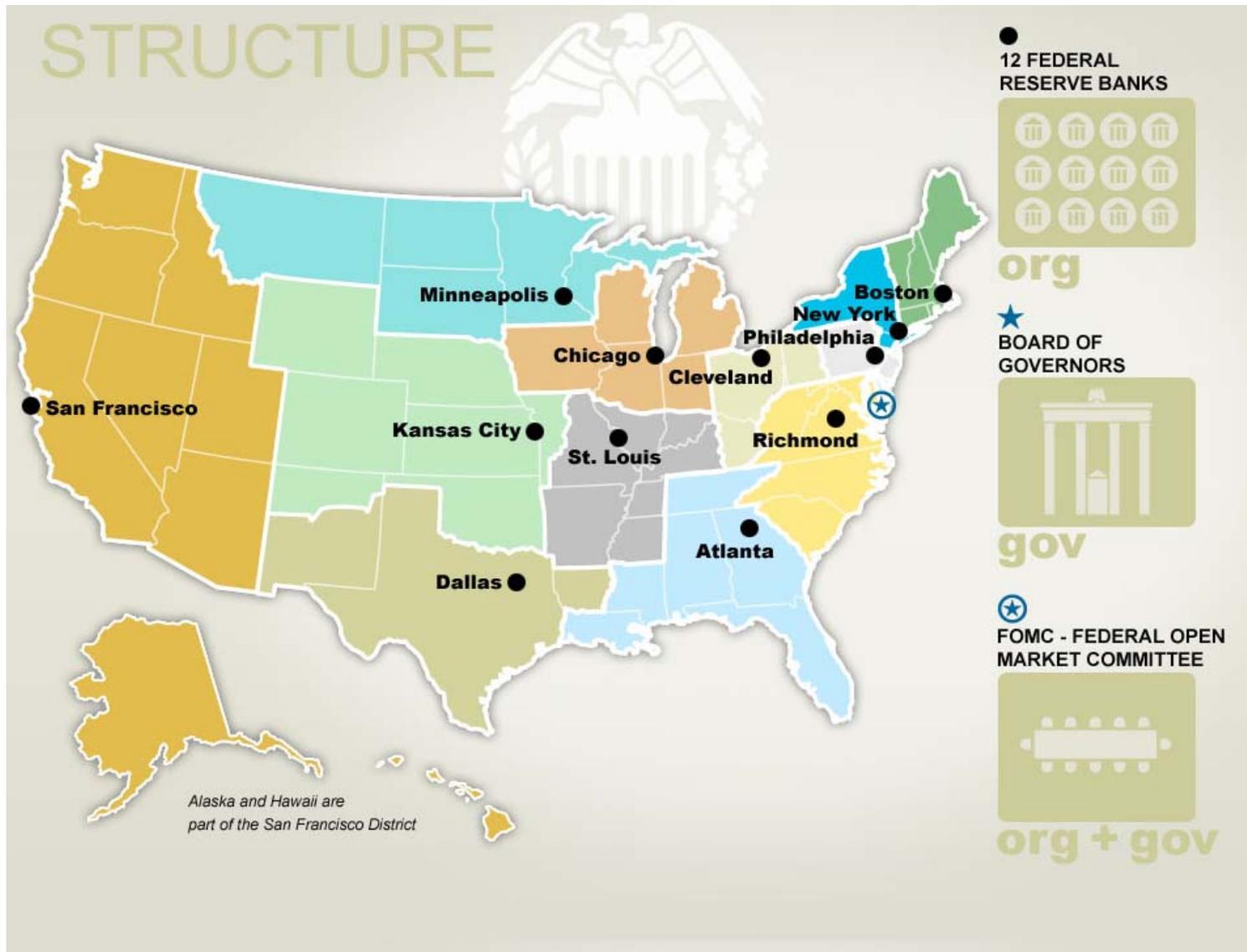


Sonya Ravindranath Waddell
Regional Economist

Overview

- The Federal Reserve System
 - Structure and Governance of the Fed
 - Mission and Functions
 - Monetary Policy: Independence with Transparency
 - Regional Engagement
- The Piedmont Region
 - Regional Variation in Employment
 - Concentration and Growth in Select Industries
 - Professional and Business Services
 - Goods-Producing Industries (Natural Resources/Mining, Manufacturing, Construction)
 - Housing Markets

How is the Fed Structured?

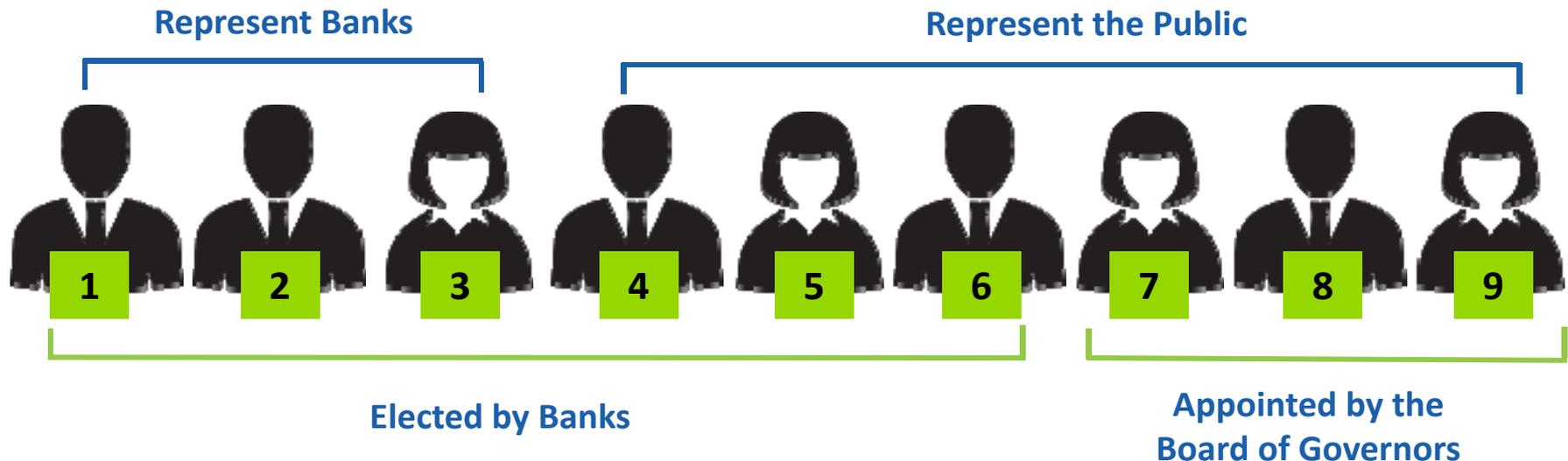


Reserve Bank Governance

Each Reserve Bank has a Board of Directors that:

- Oversees Reserve Bank operations
- Provides “grassroots” information on economic conditions

Board members that represent the public appoint Reserve Bank presidents.



Fed's Mission, Functions and You

Mission: To foster a stable banking system and a healthy, growing economy.

Core Functions

- Monetary Policy
- Bank Supervision and Regulation
- Payment Services

The Fed and You



Goals of Monetary Policy

Explicit price stability goal

- Inflation is determined primarily by monetary policy
- Inflation goal (specified by FOMC): 2 percent on average

No explicit employment goal

- In long run, employment is determined by factors outside monetary policy
- So, not appropriate to set fixed employment goal



Monetary Policy Independence

Fed's operations are audited by Congress, but monetary policy isn't.

Why?

- It is politically tempting to boost employment through monetary policy.
- But in the long run, employment is determined by factors outside monetary policy.
- Continual monetary stimulus would **raise inflation**, with **no positive effect on employment**.
- Independence allows the Fed to stay focused on longer-term goals, while being able to achieve short-run objectives.

Independence insulates monetary policy from short-term political influences.

Independence with Transparency

Fed's independence is balanced by transparency and accountability.

How?

- Balance sheet made public, updated weekly
- Minutes of FOMC released within a month of meetings
- Verbatim transcripts of FOMC released with five-year lag
- Chair testifies to Congress twice a year
- FOMC statements, Chair press conferences, speeches

Community Engagement

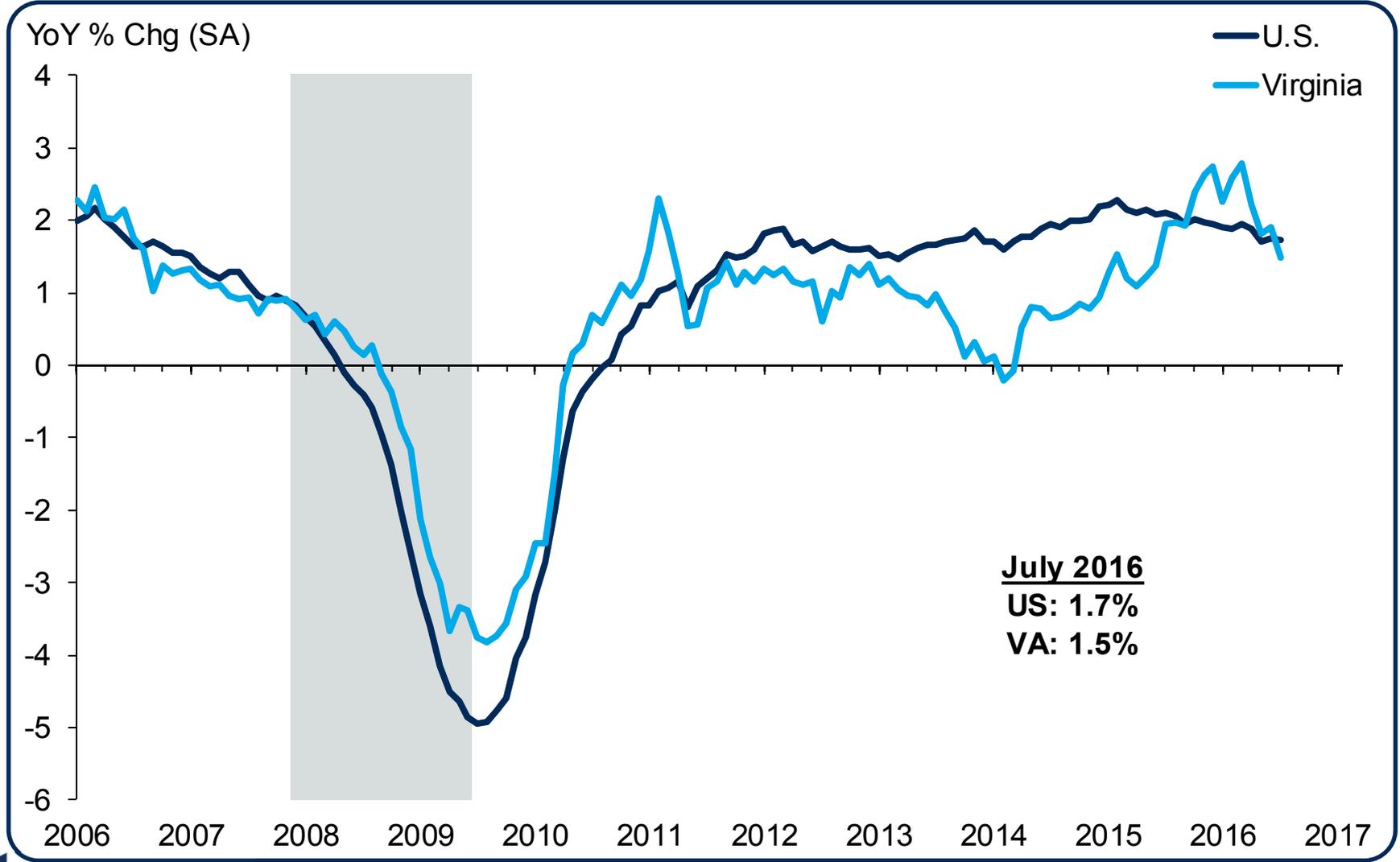
The Fed engages with business and community leaders to better understand local economic conditions.

- Regional group collects data and information
- Advisory councils and Board of Directors provide anecdotal insight
- Bank President attends FOMC with this information



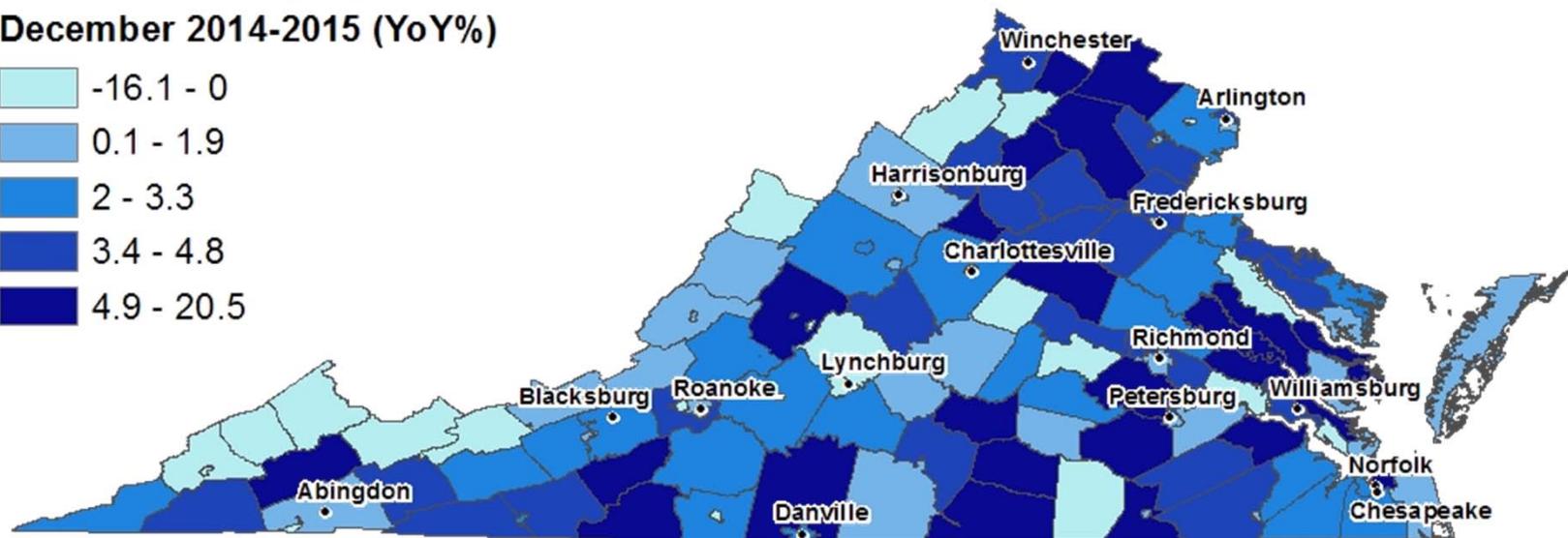
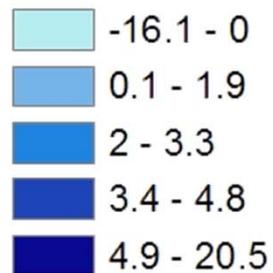
The Piedmont Region

Virginia Payroll Employment

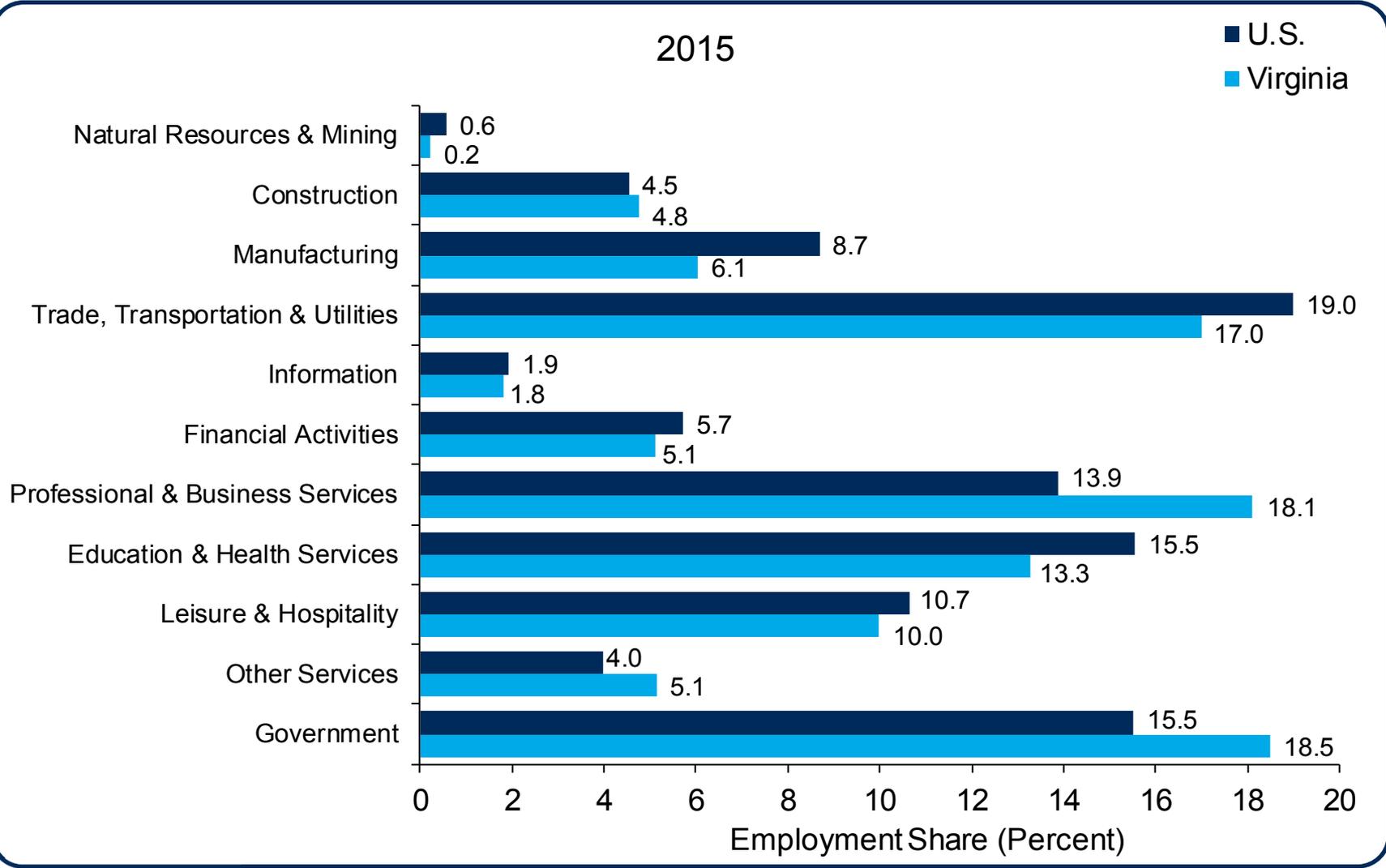


Employment Growth in Virginia's Counties & Cities

County Total Employment Growth December 2014-2015 (YoY%)

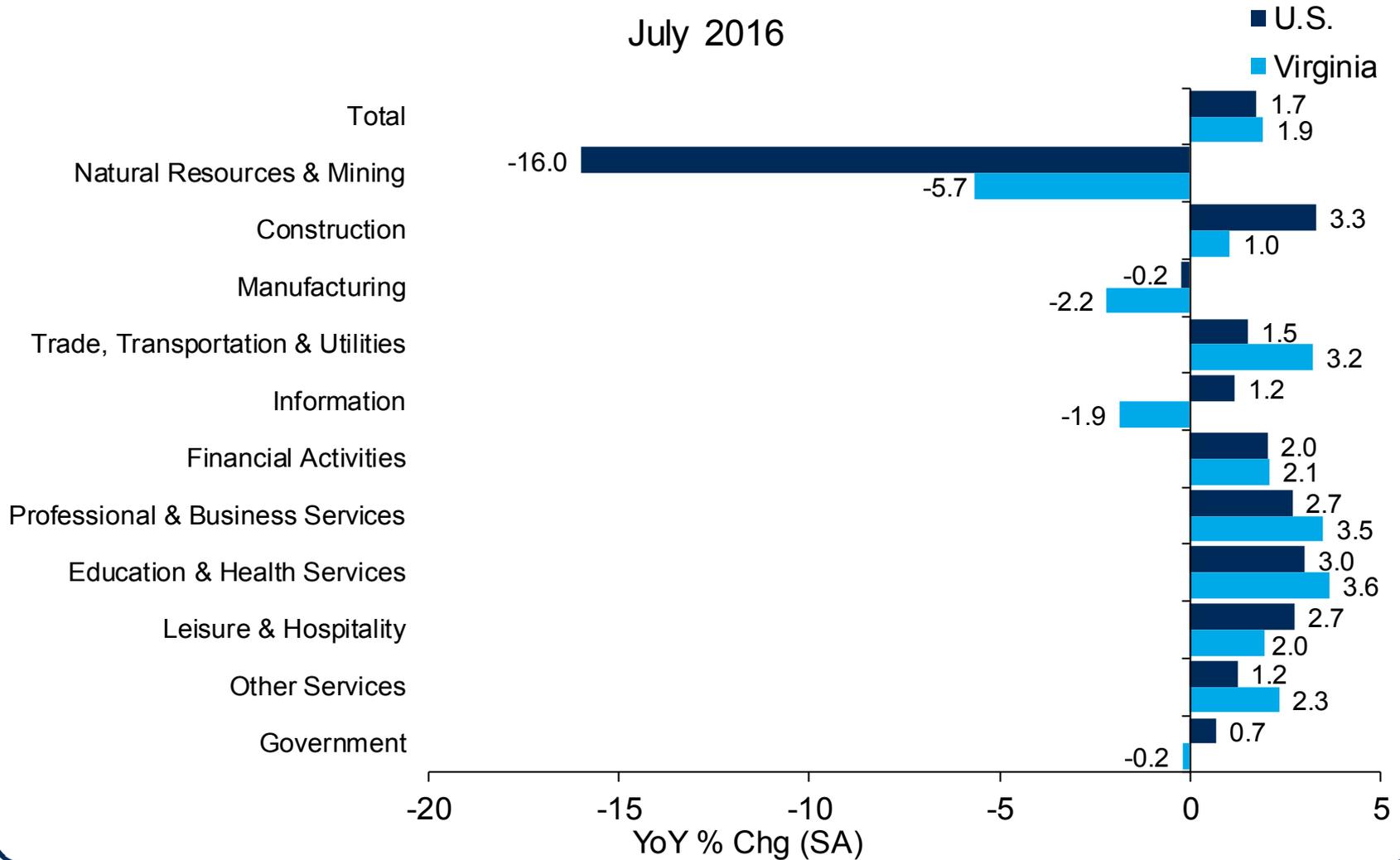


Virginia Industry structure



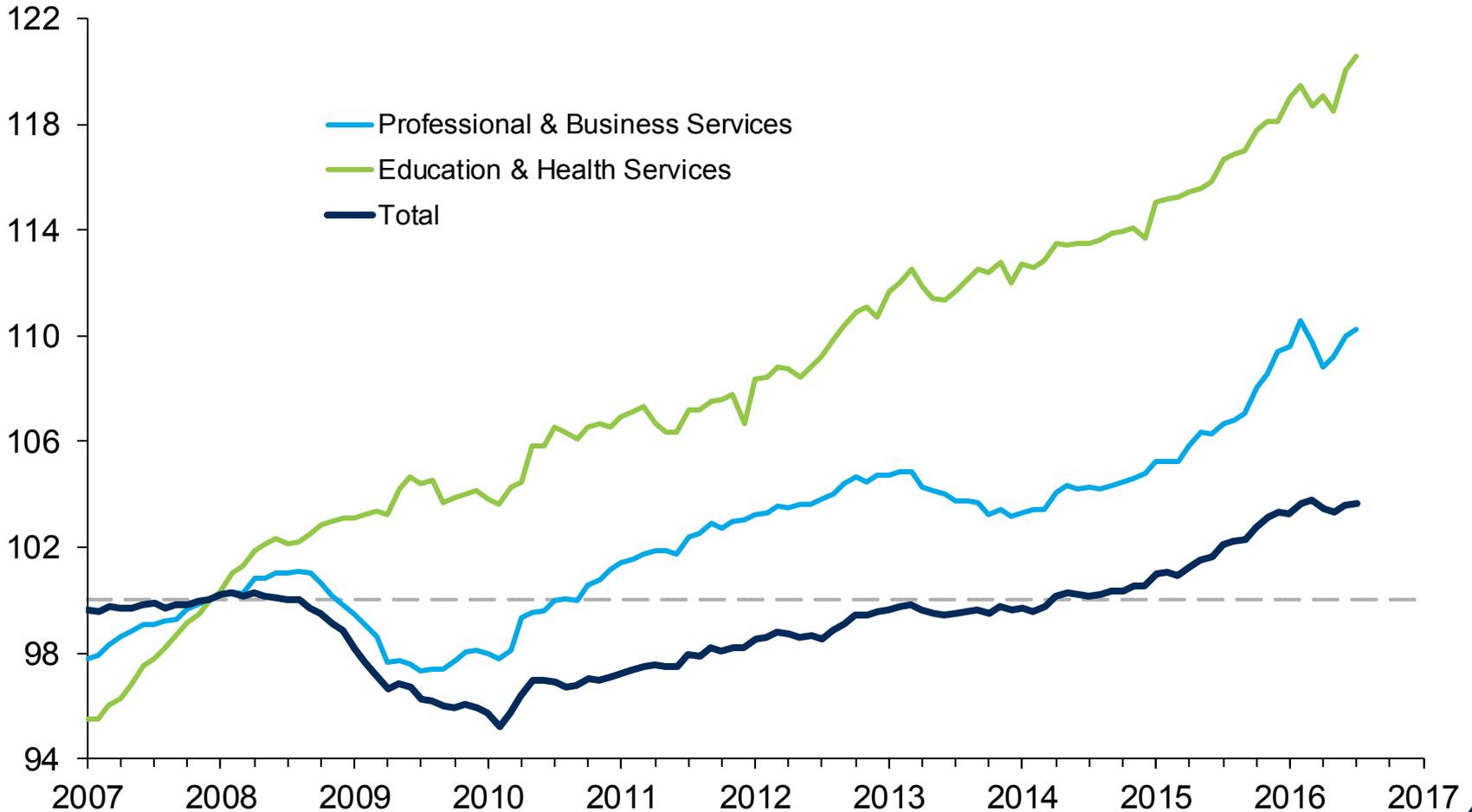
Virginia Industry Growth

July 2016

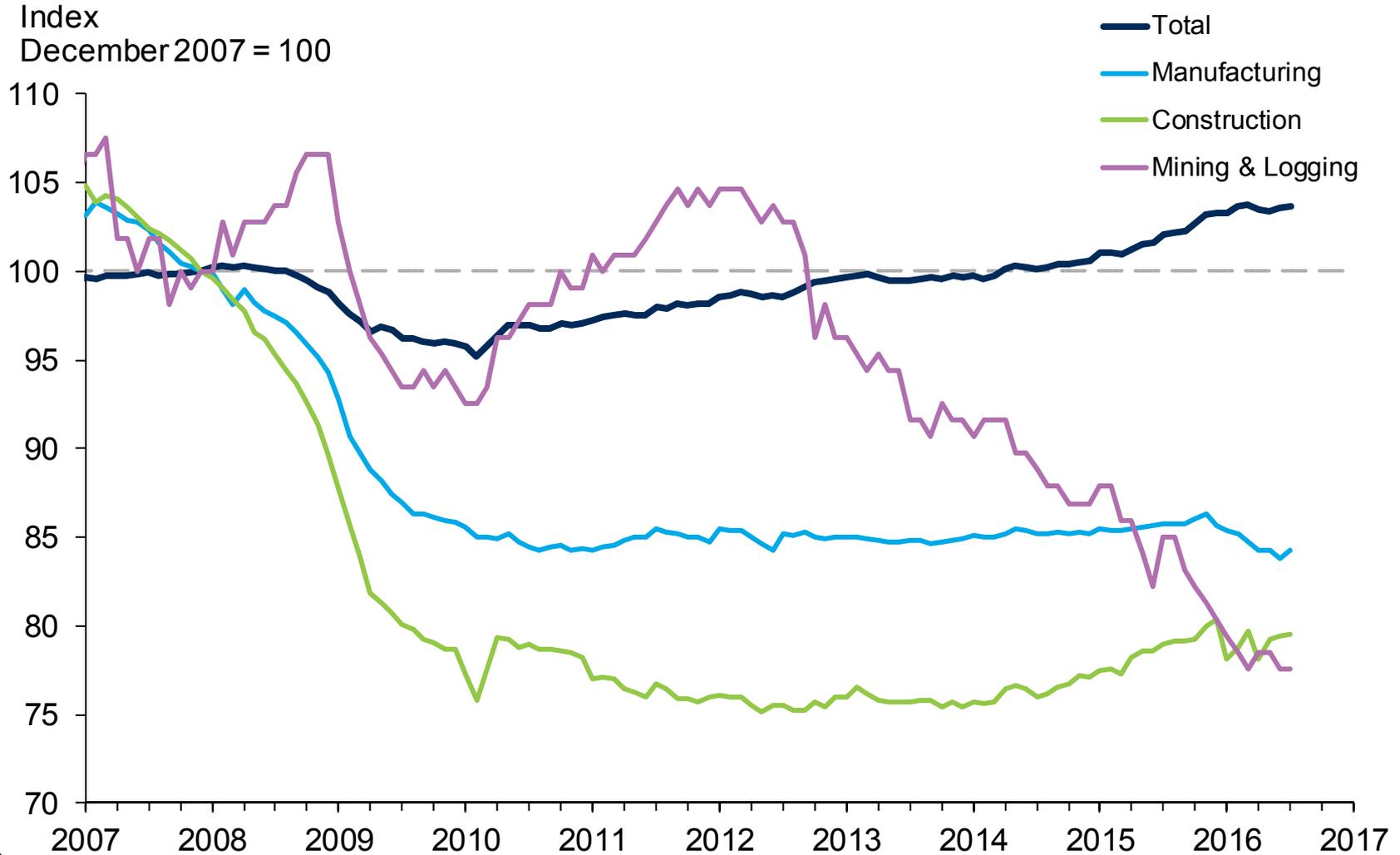


Virginia Industry Growth

Index, 100 =
December 2007



Virginia Industry Growth

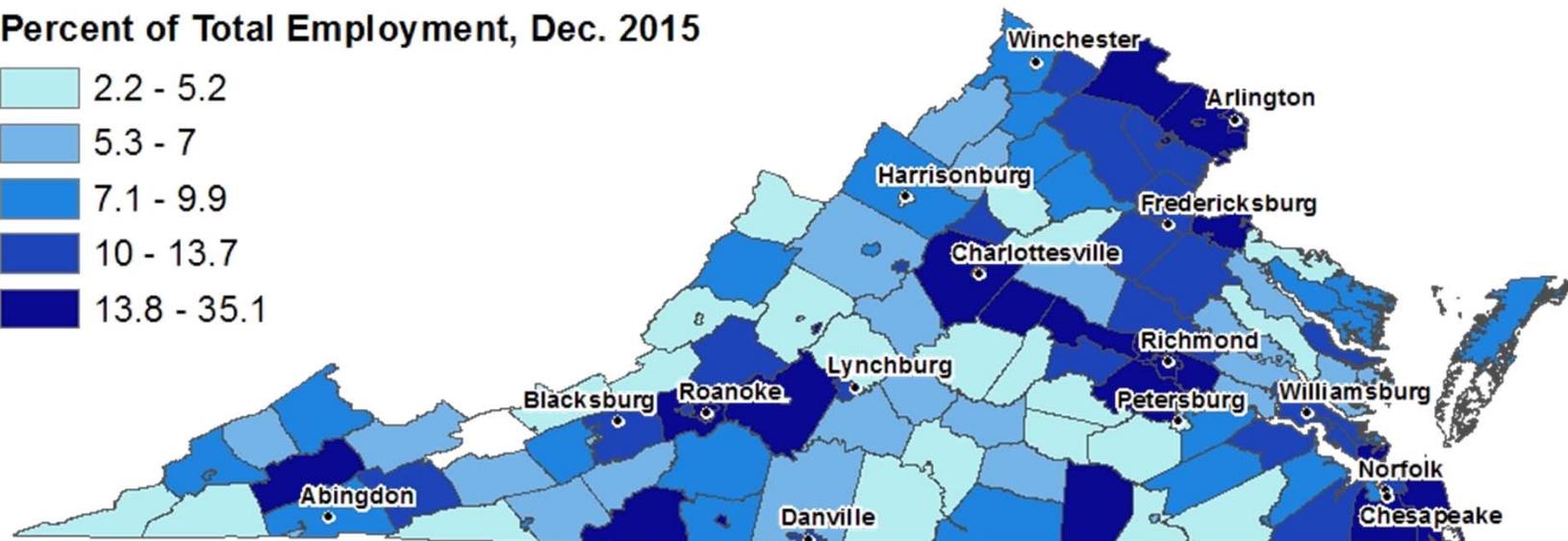
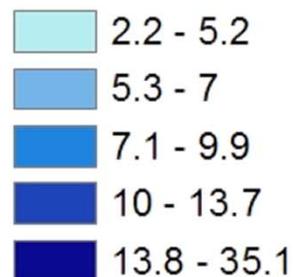


Employment Concentration by County

Professional and Business Services

County Professional and Business Svcs. Concentration

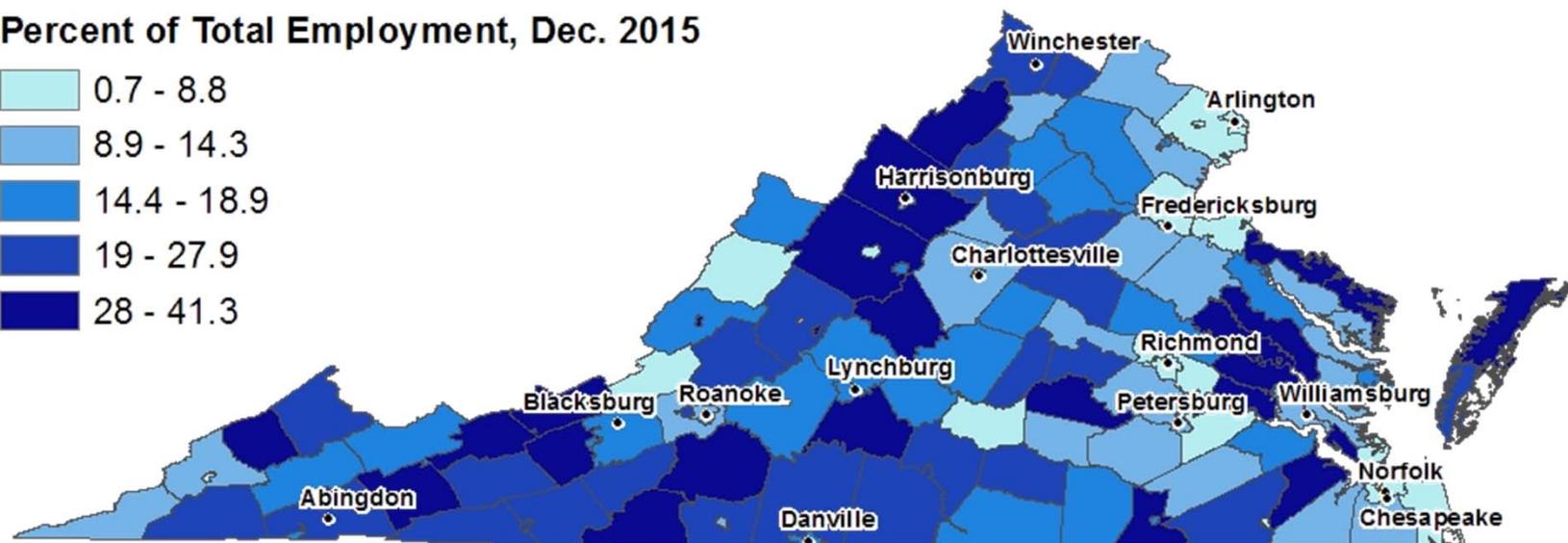
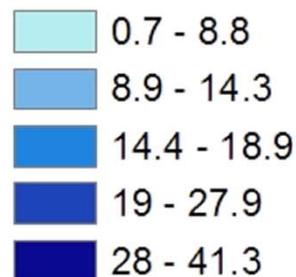
Percent of Total Employment, Dec. 2015



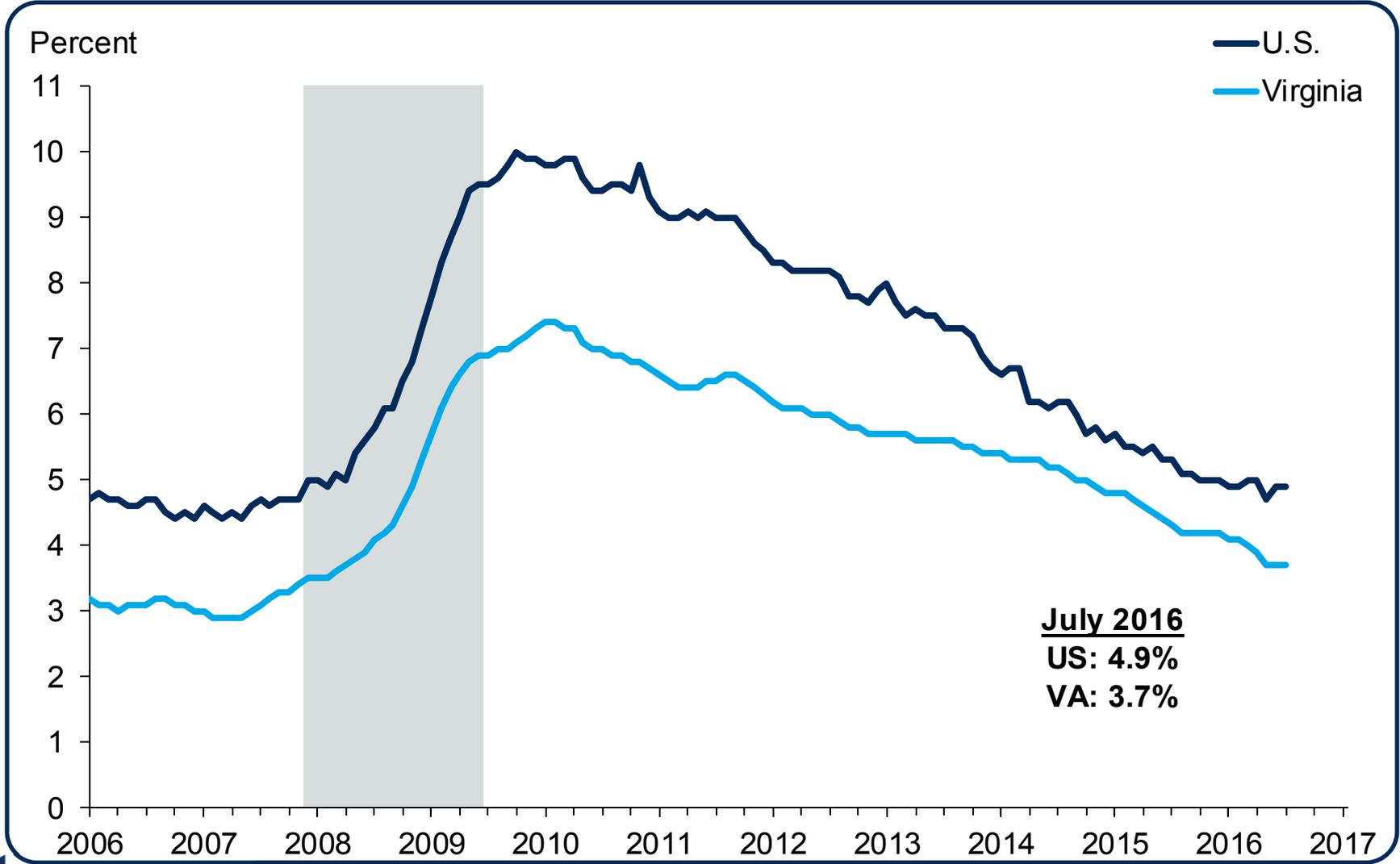
Employment Concentration by County

Goods Producing

County Goods Producing Concentration
Percent of Total Employment, Dec. 2015

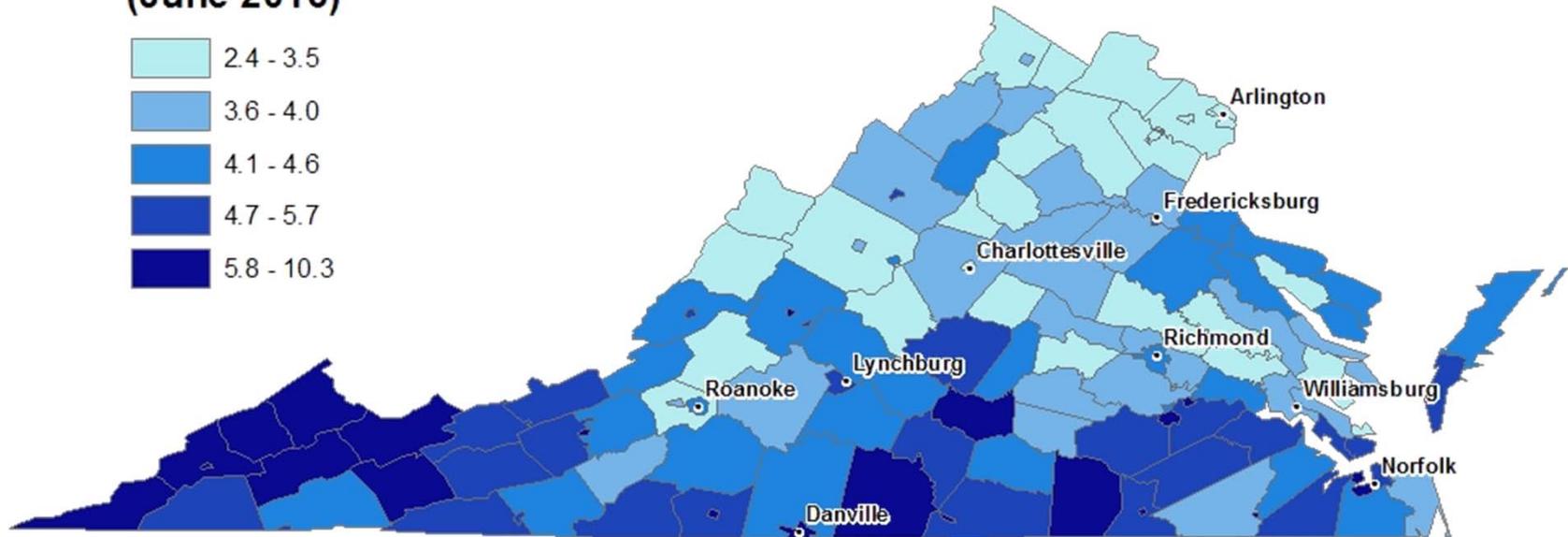
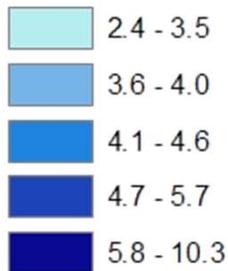


Virginia Unemployment Rate

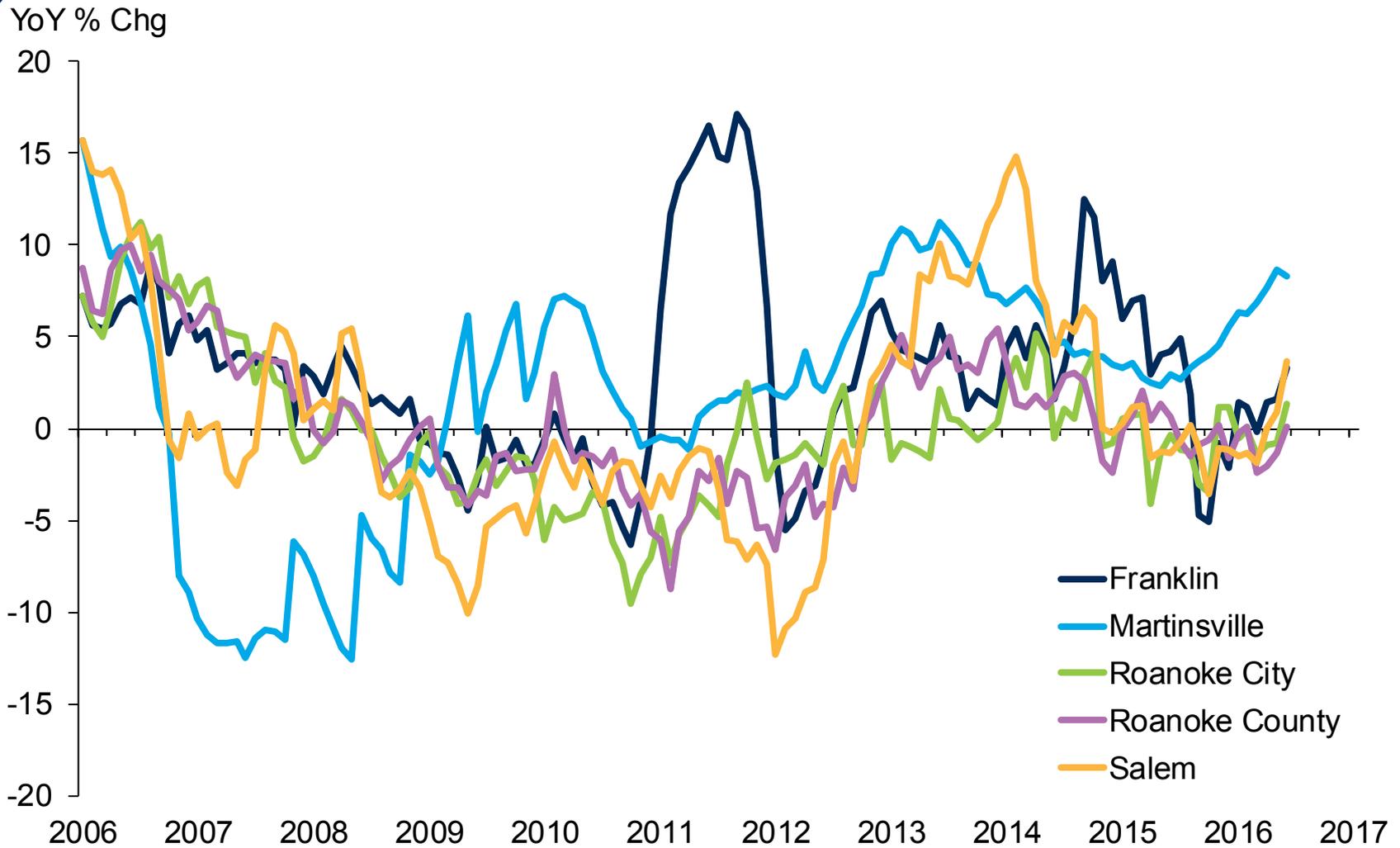


Unemployment Rates in Virginia's Counties & Cities

Unemployment Rate (June 2016)

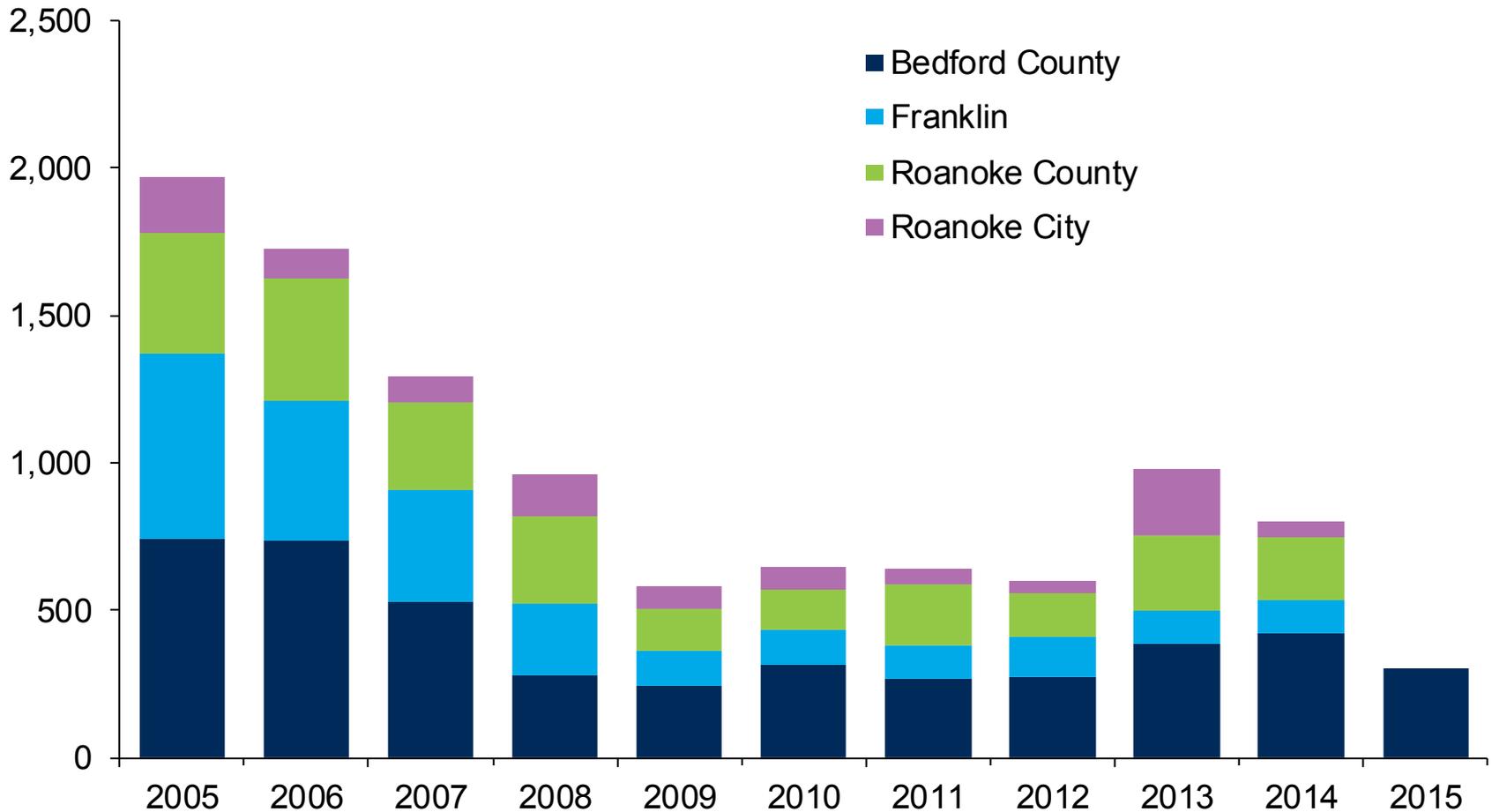


Home Price Change



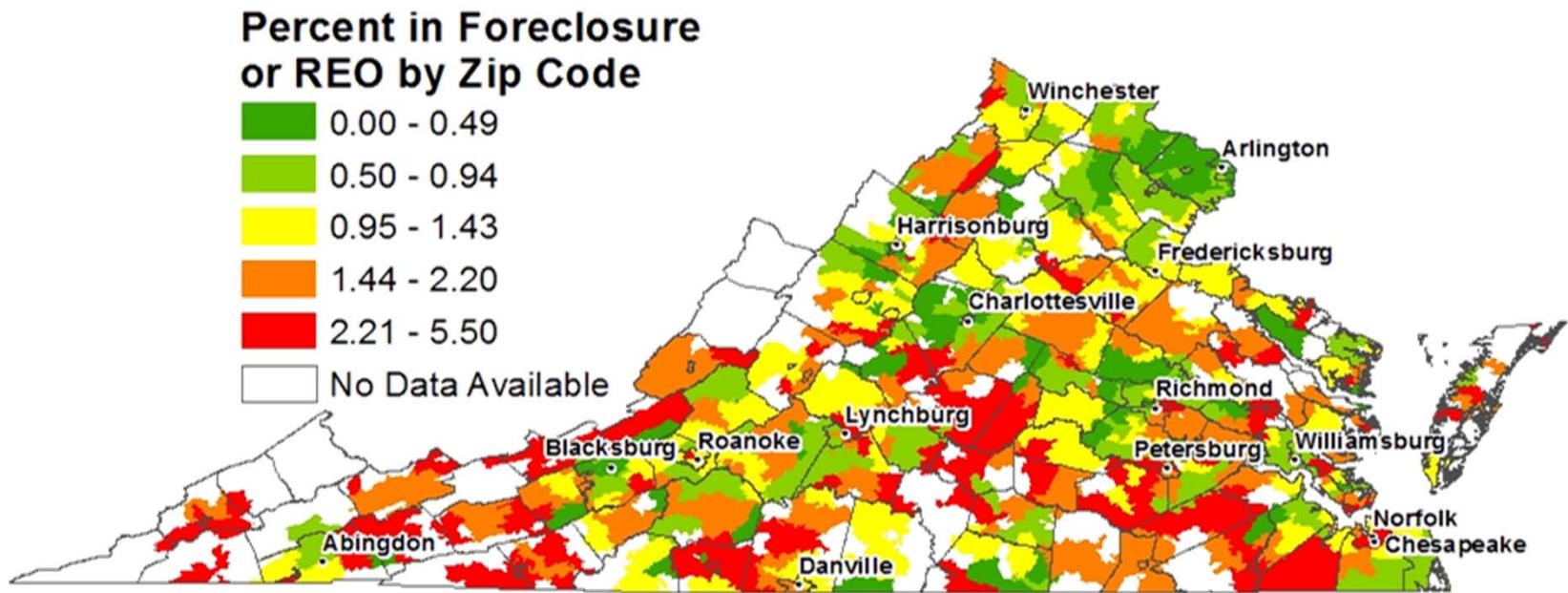
Building Permits

Total Building Permits (units)



Data for Franklin county, Roanoke county and Roanoke city are unavailable after 2014

Percentage of Total Loans in Foreclosure or REO



Percent in Foreclosure or REO by Zip Code

0.00 - 0.49

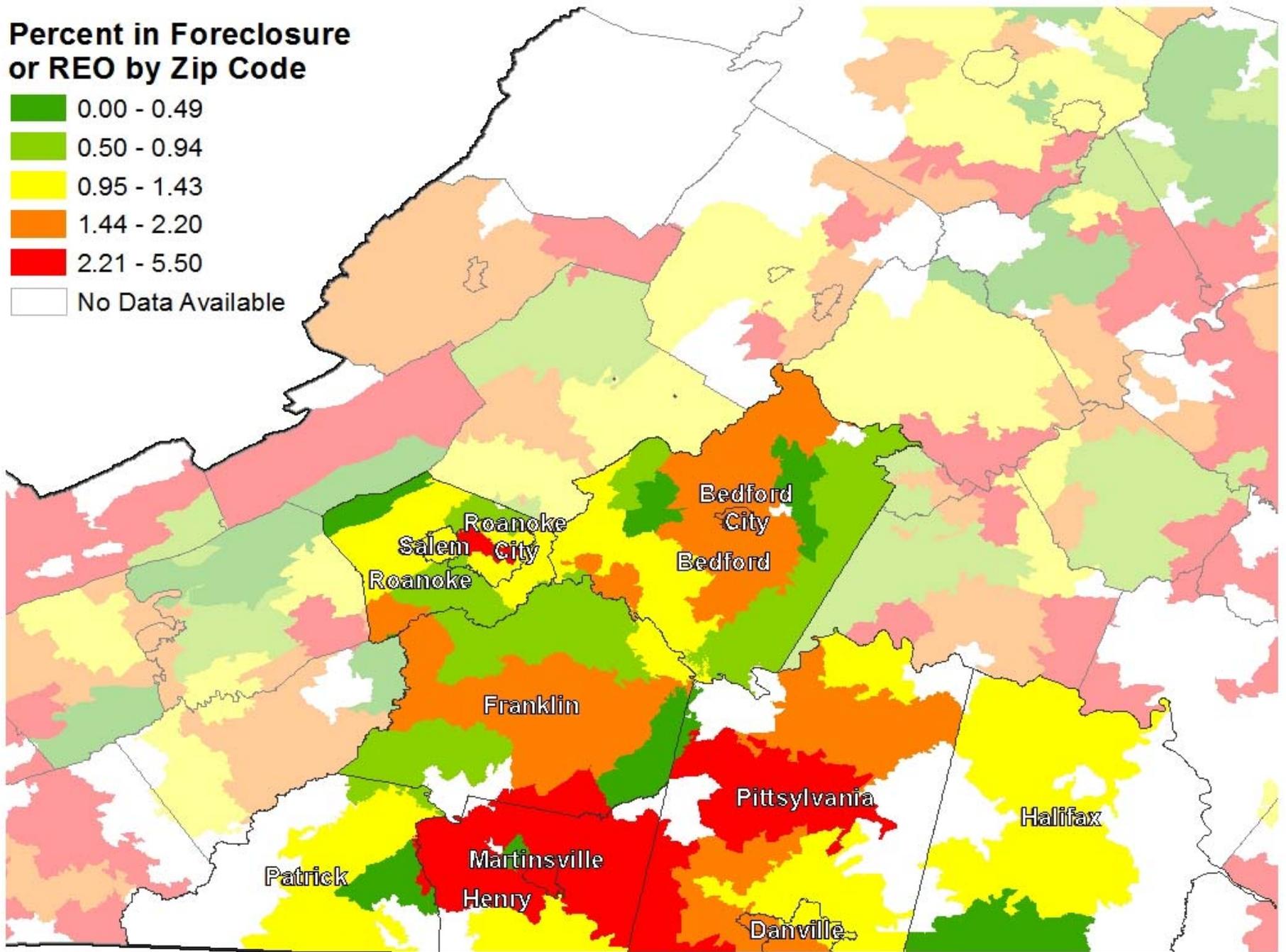
0.50 - 0.94

0.95 - 1.43

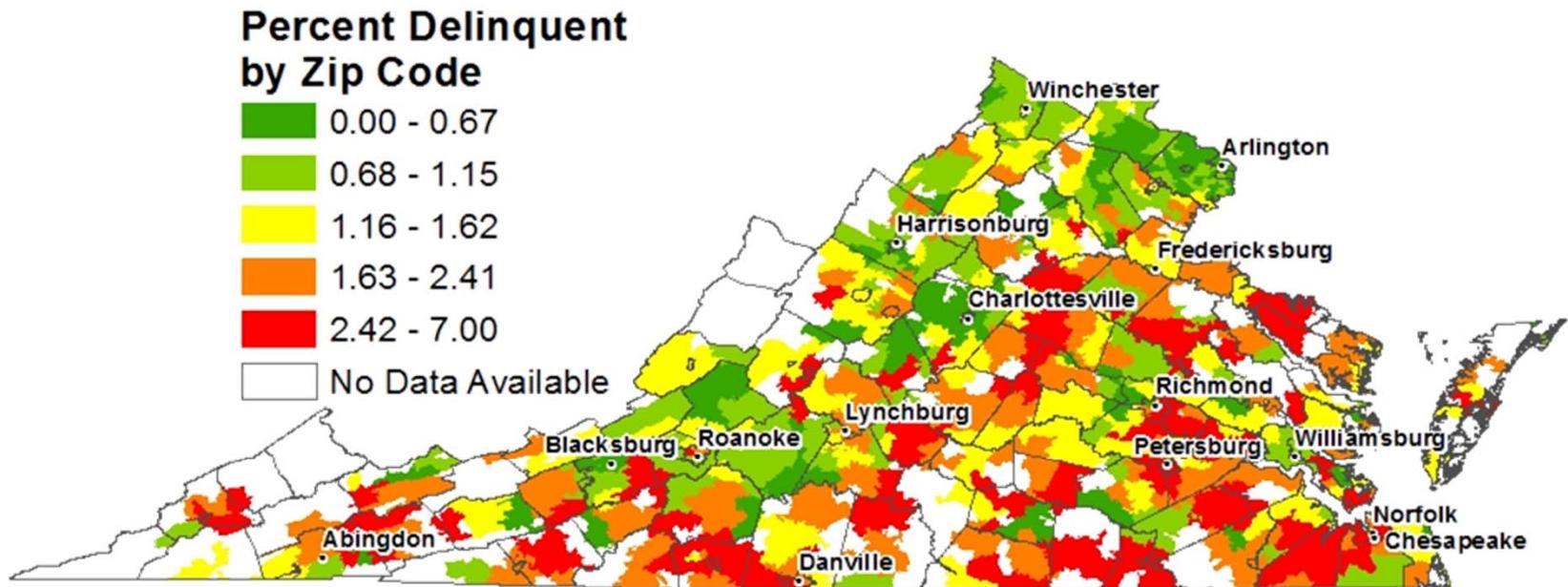
1.44 - 2.20

2.21 - 5.50

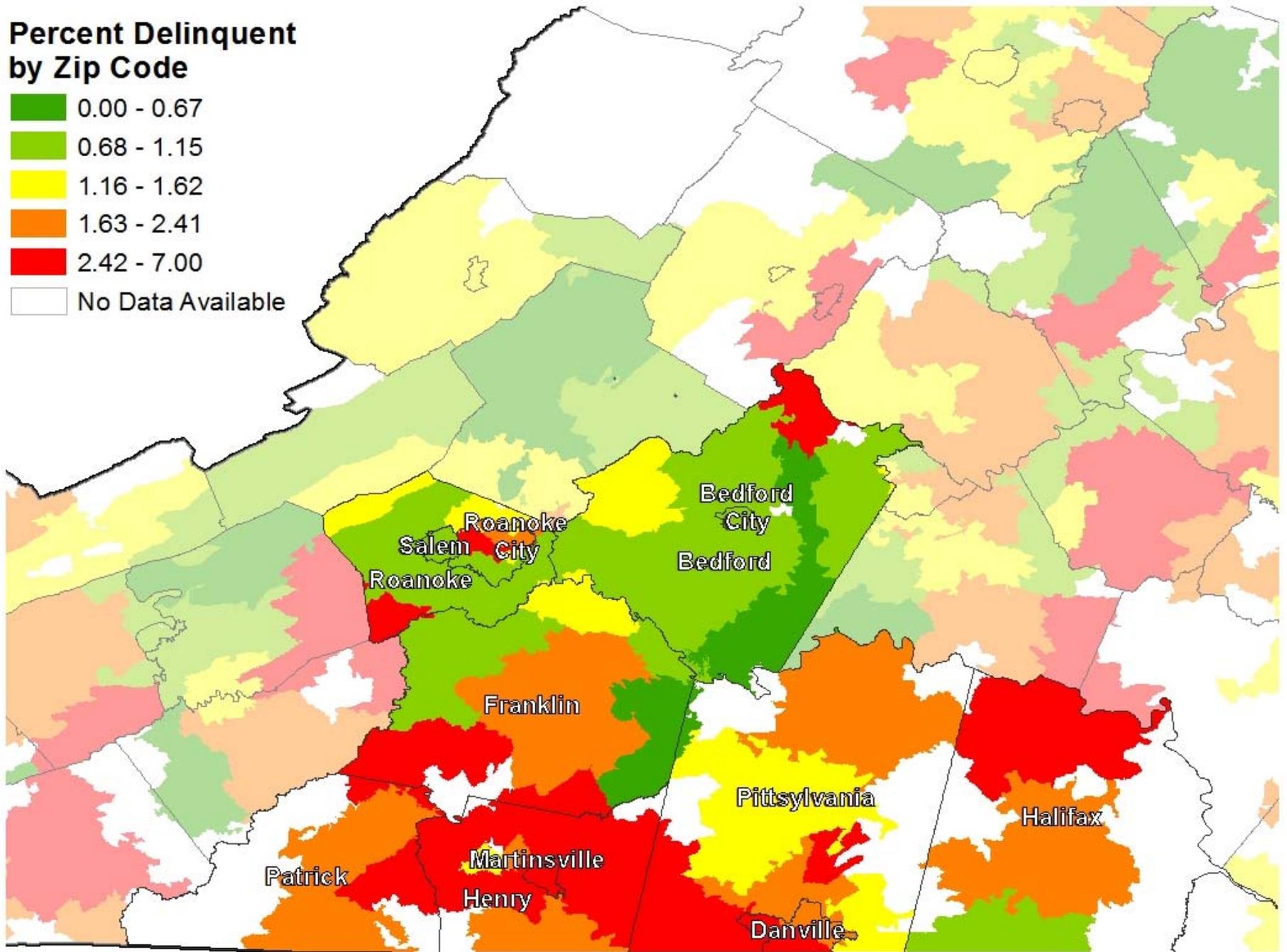
No Data Available



Percentage of Total Loans with 90+ Day Delinquency



Percent Delinquent by Zip Code



Summary

- The Federal Reserve has three primary functions: monetary policy, payment services, and supervision and regulation.
- Understanding economic developments in the Fifth Federal Reserve District is important to accomplishing all of the functions, particularly in the area of monetary policy.
- In general, hiring activity has picked up in Virginia in the last year and in Piedmont region, despite the region's concentration in slower-growing industries.
- Housing market growth continues at a slow but steady pace in the U.S., in Virginia, and in the Piedmont region

Questions?

... and thank you!

The views and opinions expressed herein are those of the author. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.