



# Houston Business

A Perspective on the Houston Economy

*The Federal Reserve System has embraced the World Wide Web to disseminate economic information and help explain its roles and responsibilities in regard to monetary policy and the U.S. economy.*

## The Federal Reserve Online

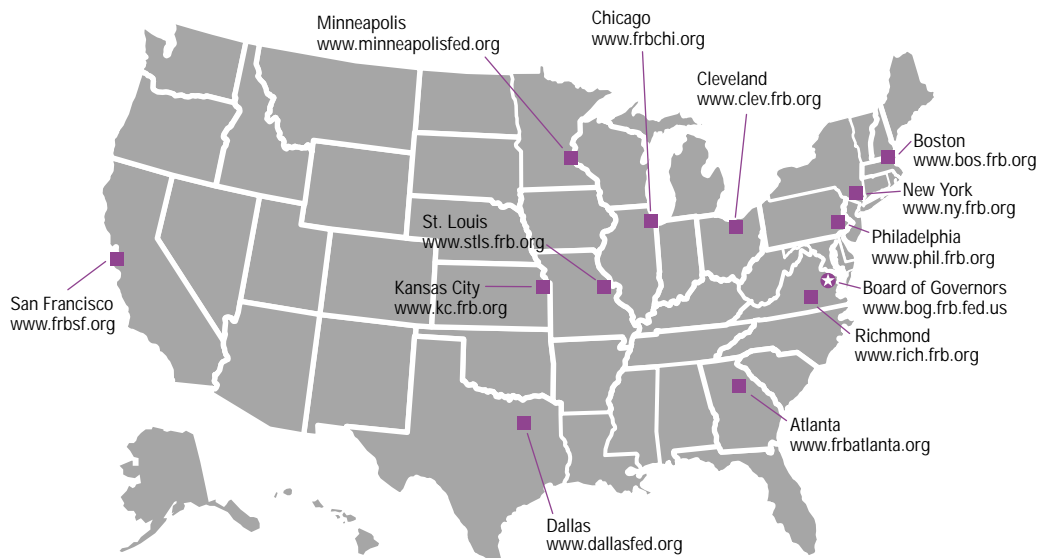
The Federal Reserve System offers a wealth of information for policymakers, bankers, businesspeople, educators, students and consumers. Because the sensitive monetary policy process can move markets and create private gains, the Fed's most important decisions are often made behind closed doors. But the Fed has always used the printed word—and, more recently, the Internet—to publish data and research, communicate financial and regulatory information, and share the diverse views that arise within the Fed on important policy issues.

At one time, perhaps only a professional Fed-watcher could have kept track of all the details. Now the Internet puts this information at your fingertips. This article describes how the Federal Reserve System has embraced the World Wide Web to disseminate economic information and help explain its roles and responsibilities in regard to monetary policy and the U.S. economy.

### SYSTEM INFORMATION

The Federal Reserve System consists of 12 independent Reserve Banks and a Board of Governors in Washington, D.C., all of which maintain web sites to provide information about the Fed and its purposes (see Figure 1). For a quick overview, you can browse the San Francisco Bank web site's *The Fed in Brief*, which introduces the origin, history and functions of the U.S. central bank. For those who want to dive into the detail, the Board of Governors web site posts *Purposes and Functions*, an extensive overview of the Fed that has been used by generations of college stu-

**Figure 1**  
Federal Reserve System Web Sites



dents. This online publication, which requires Adobe Acrobat for viewing, explains the Fed's role in monetary policy and its implementation as well as in bank supervision, the payments system, community and consumer affairs, foreign currency operations and services performed for the U.S. Treasury as its fiscal agent.

### FOMC AND MONETARY POLICY

The most visible activity of the Federal Reserve System is conducting monetary policy, through which the Federal Reserve influences domestic economic activity. The deliberations of the Federal Open Market Committee (FOMC), the Fed's main policy body, take place in private, but plenty of information can be found on the Internet. FOMC meetings are held eight times per year, and the Board's web site provides a schedule of these meetings. The minutes are made public six weeks later, and transcripts are published after five years; however, the policy decisions of each meeting are available online the day the meeting is held.

To put these meetings in context, start with Fed Chairman Alan Greenspan's Humphrey-Hawkins testimony, a mandatory appearance before Congress twice each year to explain monetary policy. A detailed discussion of the macro economy, the testimony contains a summary forecast of the coming year's economic conditions as viewed by the policymakers themselves—the FOMC members.

The views of these Federal Reserve policy-

makers are available online. The speeches and testimony of the Governors and other Board officials are found on the Board of Governors web site. The various Reserve Bank sites link to the Board testimony as well as showcase the speeches and economic perspectives of their own presidents. The Dallas home page features a quote from Fed Chairman Greenspan's latest speech and a direct link to the entire text. It also contains speeches and articles by Dallas Fed President Robert D. McTeer, Jr., who currently serves as a voting member of the FOMC.

In preparation for an FOMC meeting, each Reserve Bank's Research Department is asked to summarize economic conditions in its region. Published as the Beige Book, the data are available on the web before each meeting. The methodology for compiling Beige Book information varies across districts, but it is heavily anecdotal, relying on the Federal Reserve's contacts within the private sector. It documents the current condition of key regional industries, product demands, inventory levels, and price and wage trends. The 12 regional reports are rolled up into an overall assessment of the U.S. business cycle.

### ECONOMIC RESEARCH

The Board of Governors and the Reserve Banks produce a number of economic research publications. Research focuses on three main areas: the macroeconomy, banking and finance, and regional economic conditions. For exam-

ple, the Federal Reserve Bank of Dallas publishes the *Economic and Financial Review*, which contains economic and banking research. Dallas also publishes *Southwest Economy*, a newsletter that focuses on issues important to Texas, Louisiana and New Mexico, and three Branch newsletters, *Houston Business* (Houston), *Business Frontier* (El Paso) and *Vista* (San Antonio). Similarly, the Atlanta Fed publishes *Economic Review*, *Financial Update* and *EconSouth*. These publications are all posted to the Banks' web sites. Reserve Banks also post lists of technical working papers available from their Research departments.

The Board of Governors posts domestic and international discussion papers, occasional staff studies and articles in the *Federal Reserve Bulletin* covering macroeconomic and regulatory issues. International research is found in working papers on the New York Fed and Board web sites. Other international data and research are available online from Dallas' Center for Latin American Economics, Atlanta's Latin American Research Group and San Francisco's Center for Pacific Basin Studies.

## ECONOMIC DATA

If research provides the bricks to make monetary policy, the clay and straw for the bricks are basic economic data. The Board of Governors web site provides a variety of data generated within the Fed—daily, weekly, monthly and annual statistical releases on foreign exchange rates, selected interest rates, industrial production, capacity utilization, consumer credit, finance companies, loan charge-offs and other economic indicators. To provide insight into the financial system, the Board posts surveys on bank lending practices, small business finance and consumer finance.

The 12 Reserve Banks' web sites link to the Board's national data. In addition, they carry in-depth regional information. The Dallas web site maintains a number of financial and non-financial indicators for the Eleventh District, such as agricultural land values, industrial production, housing starts, employment and personal income. Energy statistics include rig count, well permits and oil prices. Regional coverage varies among the other Reserve Banks, but the Kansas City, Minneapolis and Richmond sites have solid regional data.

Four Reserve Banks post a regular survey of district manufacturing conditions: Kansas City,

Atlanta, Richmond and Philadelphia. Richmond also looks at the retail and service sector. The Philadelphia web site contains the Livingston Survey, the oldest continuous survey of economists' expectations, summarizing the forecasts of economists from industry, government, banking and academia. In addition, Philadelphia's Survey of Professional Forecasters contains short-term forecasts of major macroeconomic data plus long-term inflation forecasts.

Most basic U.S. economic data are generated by other statistical agencies, such as the Bureau of Labor Statistics and the Bureau of Economic Analysis. The Fed web sites link to these and other data-rich resources. And, for an extensive historical database containing hundreds of U.S. economic and financial data series, visit FRED (Federal Reserve Economic Data) on the St. Louis Fed web site.

## MORE TO EXPLORE

This article cannot describe all the Fed's online products in this limited space. But for economics teachers, the New York site has an online catalog of all Federal Reserve publications, teaching materials and audiovisuals. New York also has a U.S. Savings Bond redemption calculator, while Chicago maintains a compound interest and mortgage calculator and Minneapolis a present and future value calculator using the Consumer Price Index. The Board of Governors site maintains extensive regulatory information, and the Chicago site has a comprehensive database for consumer and economic development issues.

To find it all, the New York Fed offers a search engine to comb through all 13 web sites for information and publications available on a specific subject. Or if you want easy access to Fed publications, the San Francisco web site offers *Fed in Print*, which lets you conduct subject and keyword searches on any topic that the Federal Reserve has researched and published since 1986. *Fed in Print* is also accessible from the Dallas web site's Publications page.

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**J**uly Houston Beige Book respondents saw little change in the local economy from six weeks earlier. Job growth remains sluggish, and we are still waiting for oil and gas exploration to pick back up. Sharply rising energy prices have squeezed profit margins along the Ship Channel.

#### RETAIL AND AUTO SALES

Retailers report a summer that started a little soft, except for household-related items. Sales and other promotions have kept goods moving off the shelves, although at the expense of some profits. Sales at the average store are a little ahead of last year but behind this year's plans.

Auto sales, in contrast, are still soaring—up 26 percent over last year on a year-to-date basis. Consumer confidence, hot new models, low interest rates and other discounts keep customers excited.

#### ENERGY PRICES

West Texas Intermediate was predicted to hit \$20 per barrel by year-end if OPEC members kept to their agreement, but high levels of OPEC compliance and strong worldwide demand combined to make \$20 a reality by June 13. This signals the end of a global oil glut, although concern continues over Nigerian and Venezuelan threats to raise production this year and increases in Iranian production next year.

Wholesale gasoline prices moved up by more than 20 percent, driven more by rising crude cost than by strong demand. The Fourth of July holiday aside, the summer driving season has been weaker than expected. Wholesale heating oil prices also moved higher, reaching levels not seen since the winter of 1997–98. Despite the price increases, refiners have not been able to pass through rising crude cost, and profit margins are very depressed.

Natural gas prices weakened over most of the six-week period but then jumped as a heat wave struck the East Coast and Middle West.

#### OIL SERVICES AND MACHINERY

The Baker Hughes rig count moved to just over 600, a better than 10 percent rise in recent weeks. Oil service companies report, however, that the increased drilling activity has been concentrated in relatively low-budget activities—shallow and onshore—resulting in a less than proportionate increase in the demand for services and machinery. Offshore drilling, for example, continues to decline.

#### PETROCHEMICALS AND REFINING

Price increases are common throughout the petrochemical chain, mostly reflecting rising feedstock costs but also bolstered by very strong demand from U.S. construction and some revival in Asian exports. Prices have generally not risen enough to cover increased costs, however, and profits are under pressure. The exception is olefins, especially ethylene and its derivatives; an extraordinary number of plant outages has pulled inventories to low levels and pushed prices up sharply.

#### REAL ESTATE

The Houston office market has seen a definite peak in rental rates, and the construction of 33 new office buildings around the city will hurt some submarkets. New home sales were down 30 percent in June, partly because six- to nine-month backlogs for new home construction are pushing customers into the existing home market. Sluggish job growth and rising mortgage rates play some role as well.

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This publication is available on the Internet at [www.dallasfed.org](http://www.dallasfed.org).

The views expressed are those of the authors and do not necessarily reflect the positions of the Federal Reserve Bank of Dallas or the Federal Reserve System.