

U.S. and Oklahoma Economic Outlook

*Builders Association of South Central Oklahoma
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*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 Oklahoma City Branch of the Federal Reserve Bank of Kansas City

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 - Research on U.S. and Oklahoma economies; energy sector and business survey focus
 - Examinations of Oklahoma financial institutions (~45 banks, ~175 holding cos.)
 - Risk analysis and IT development for bank exams; exam assistance for other Fed offices
 - Community development programming for low/moderate income groups, workforce focus
 - Economic education and public outreach programming
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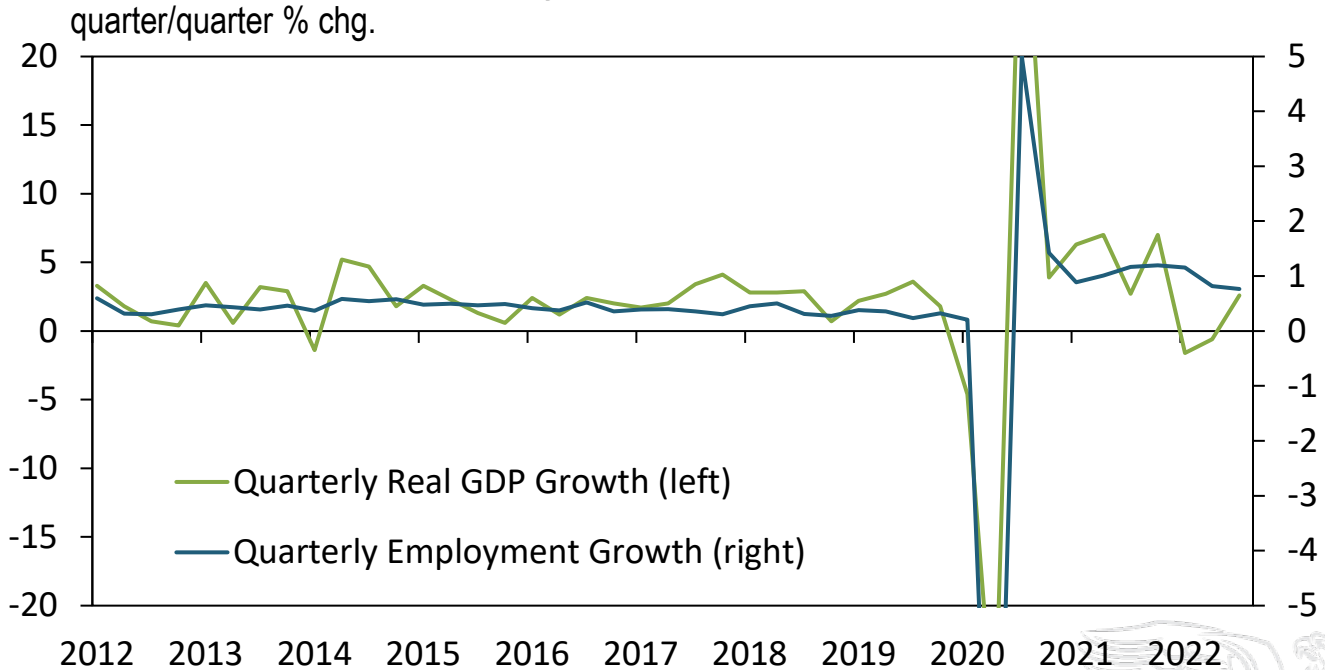
Overview

- U.S. economic indicators are mixed, with solid job growth but sluggish output, while inflation remains too high
- Tight supply and robust demand have pushed up prices, and the Fed has responded with tighter monetary policy
- Oklahoma's economy continues to recover, and population is growing but jobs are lower than pre-pandemic in some sectors
- Oklahoma energy activity has expanded solidly in 2022, as oil and gas prices remain elevated, while drought is hurting ag



GDP growth turned positive in Q3, while job growth remains well above pre-COVID pace

Quarterly U.S. Economic Growth

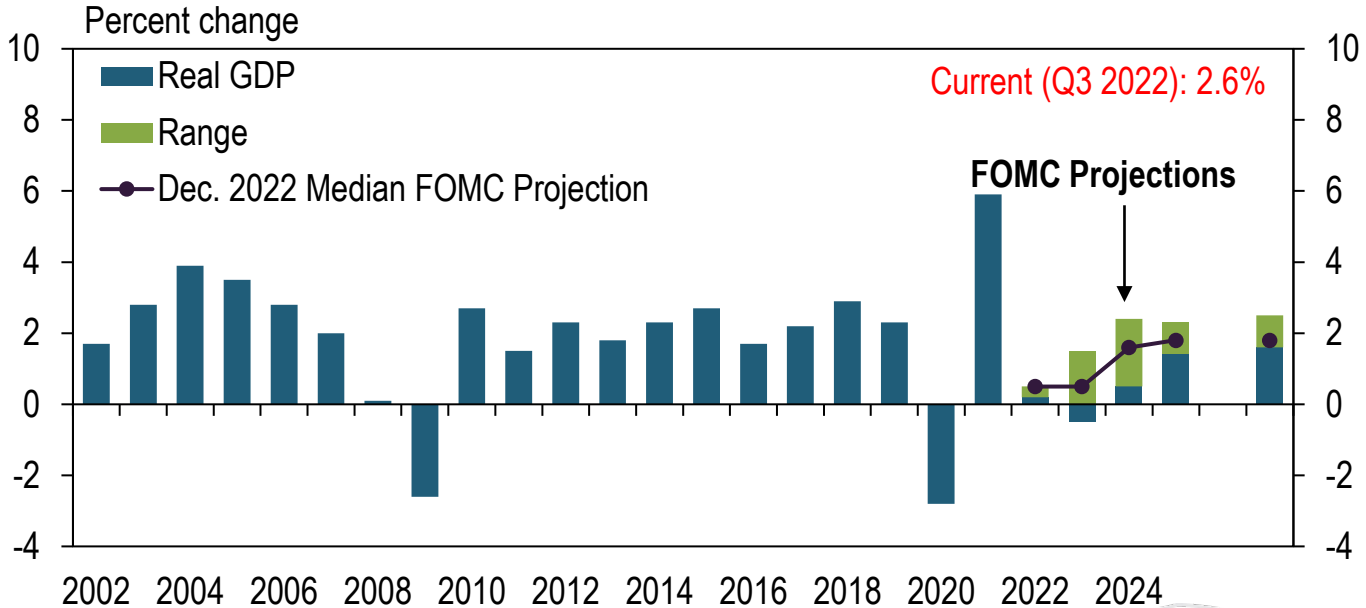


Sources: BEA, BLS/Haver Analytics



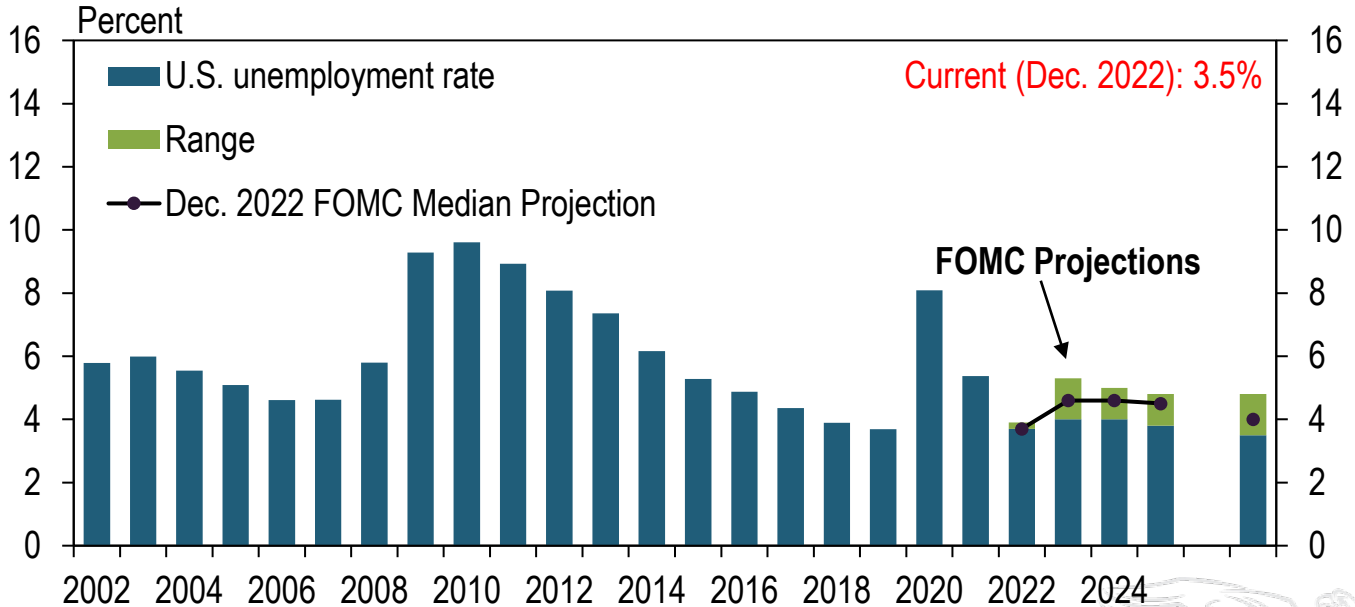
GDP growth is expected to be below trend this year before moving to its long-term trend in coming years

Change in Real GDP



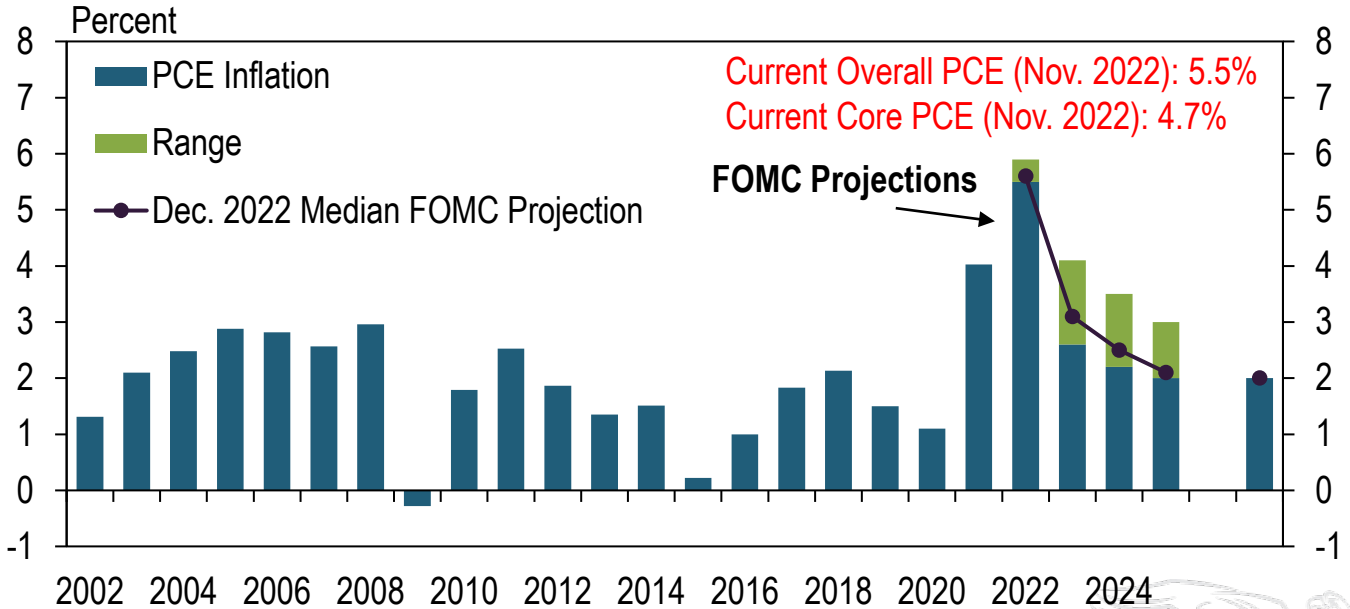
U.S. unemployment remains historically low and is projected to edge up only slightly in coming years

U.S. Unemployment Rate



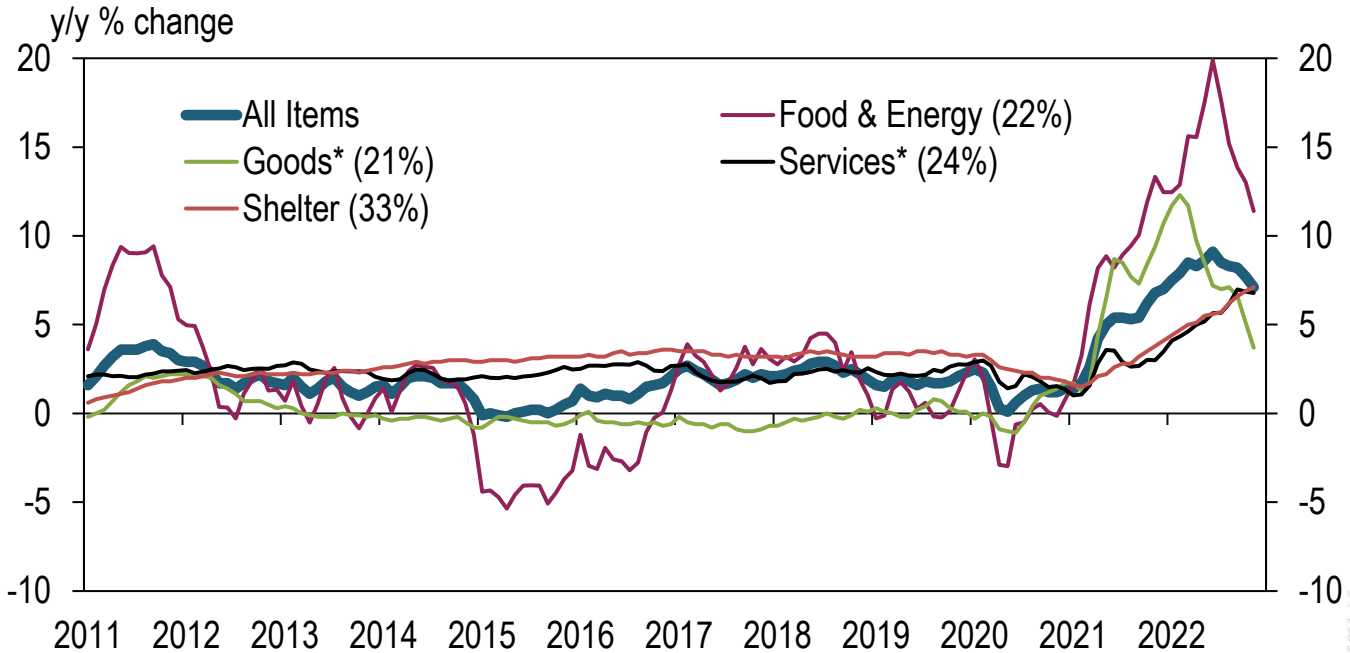
Meanwhile, inflation has moved well above the Fed's 2% target but is expected to ease heading forward

PCE Inflation Index



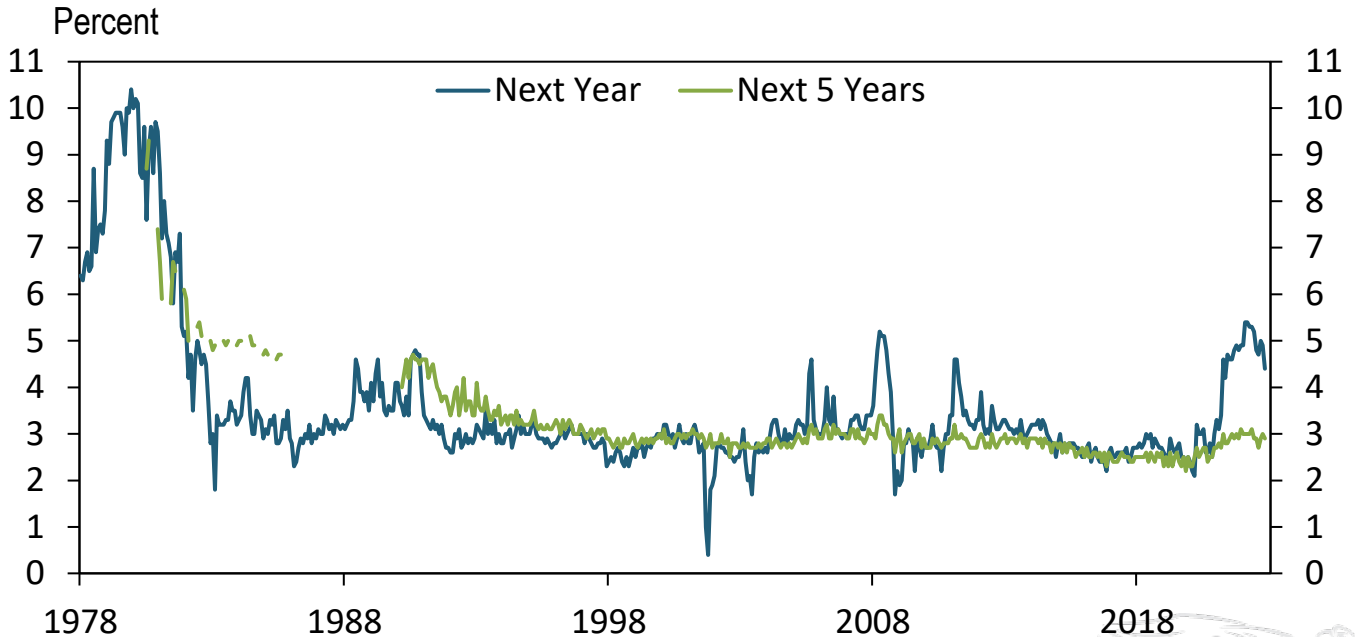
CPI inflation eased again in November to 7.1% as goods and energy inflation fell

Consumer Price Index



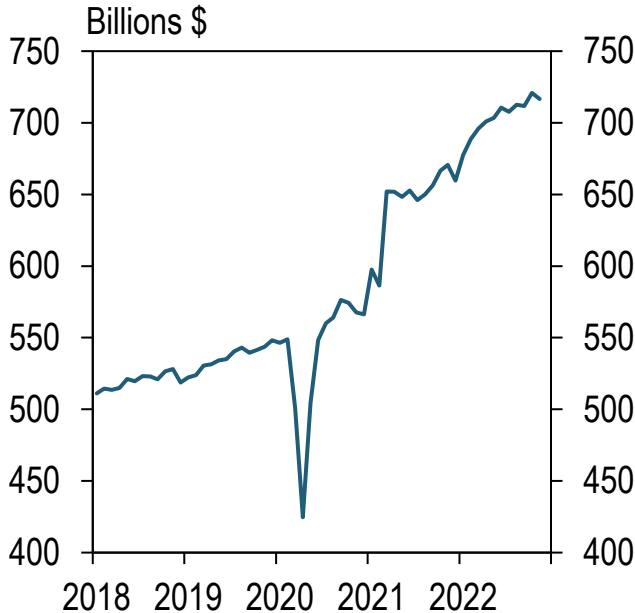
So far, longer-term inflation expectations remain anchored around their 20-year average

Expected Inflation Rate



Why is inflation high? Supply constraints, but demand has also been robust, driven by strong incomes

U.S. Retail Sales and Food Services

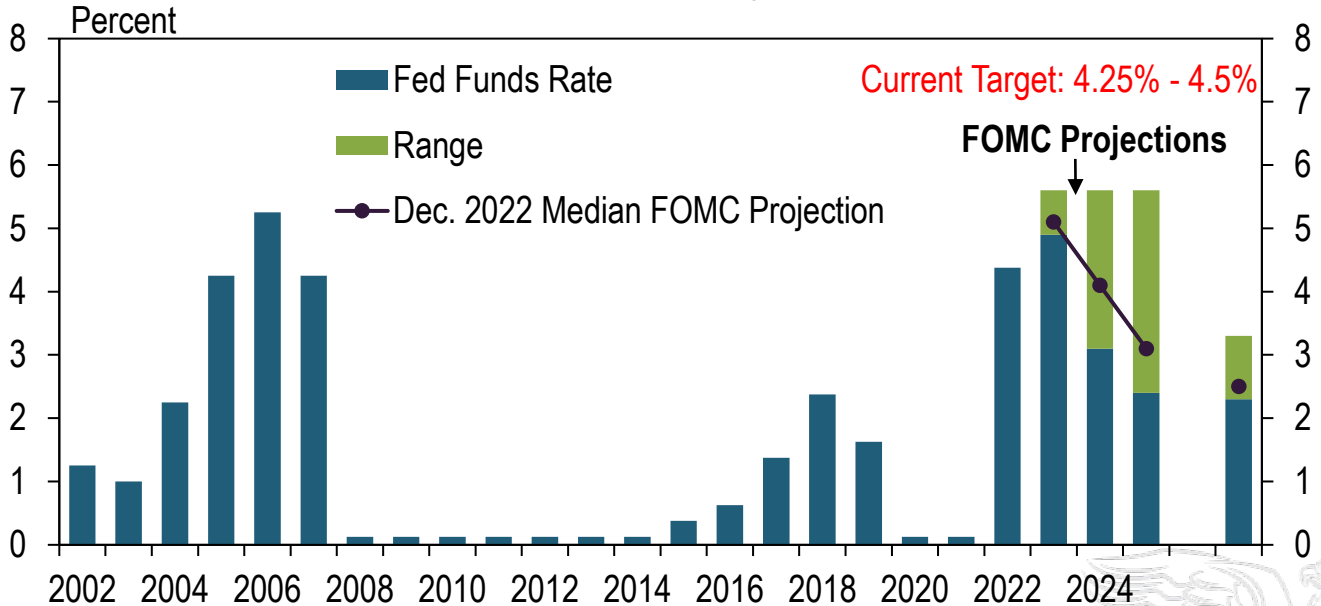


U.S. Wage Growth



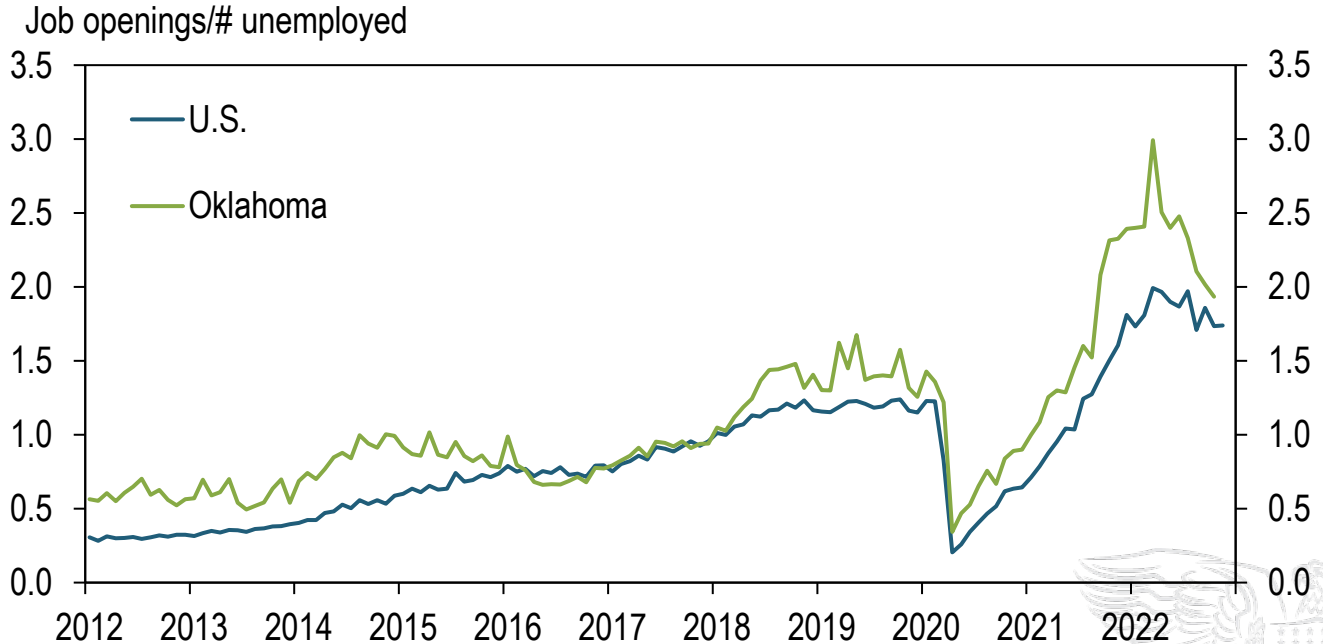
The Fed raised the federal funds rate by 50 basis points in December, with more increases expected

Federal Funds Rate
Year-End Target



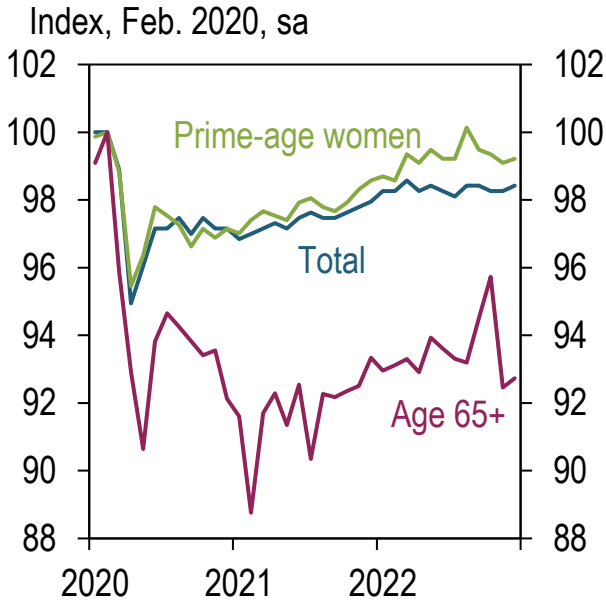
Job openings still greatly exceed unemployed workers, pressuring inflation, but has fallen in Oklahoma

Job Openings/Unemployment Ratios

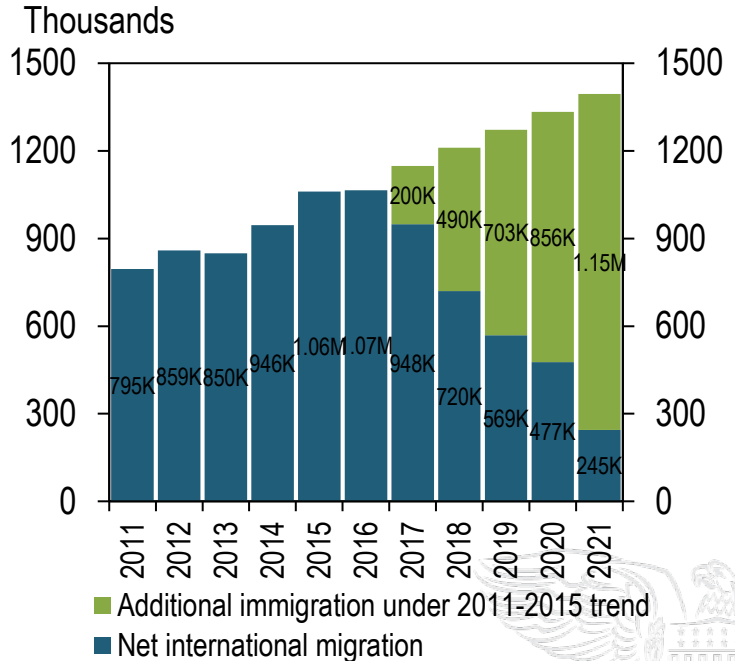


Labor force participation has improved somewhat but lags due to older workers, and immigration has slowed

U.S. Labor Force Participation Rate

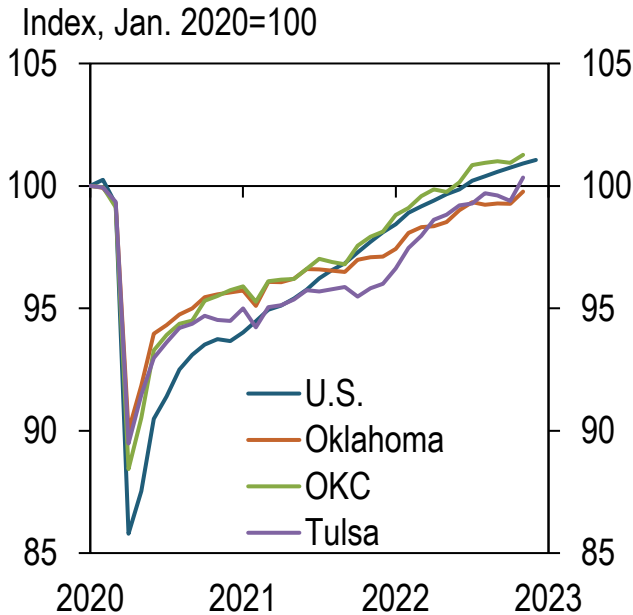


Immigration to the U.S.

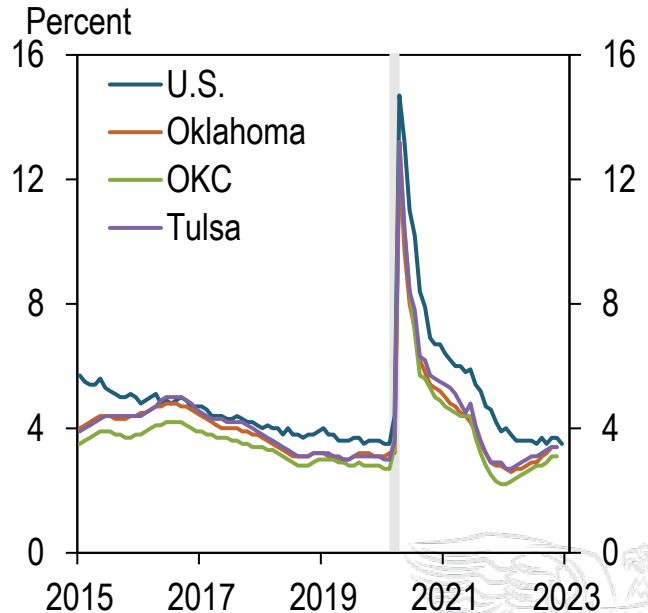


Jobs in Oklahoma are back to pre-COVID levels and rose further in November, while unemployment stays low

Non-Farm Payroll Employment

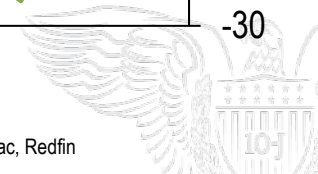
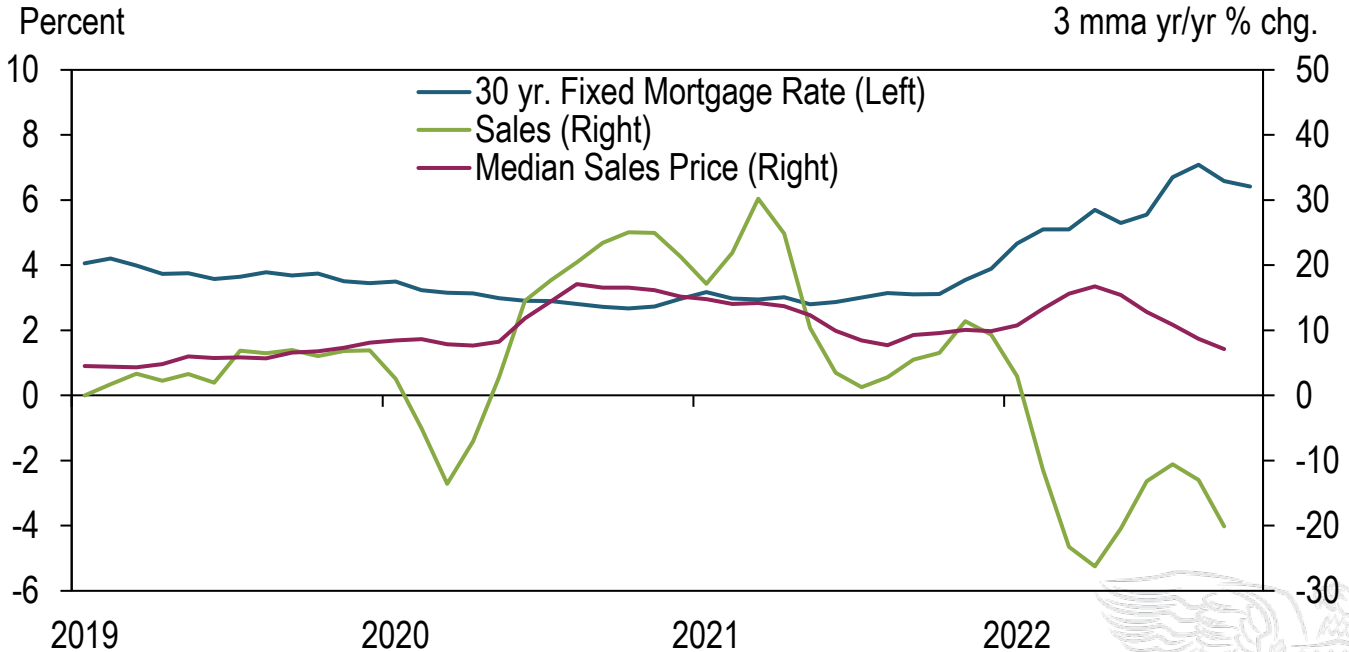


Unemployment Rate



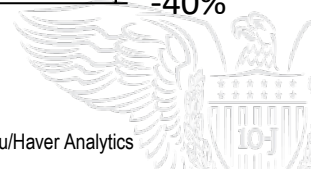
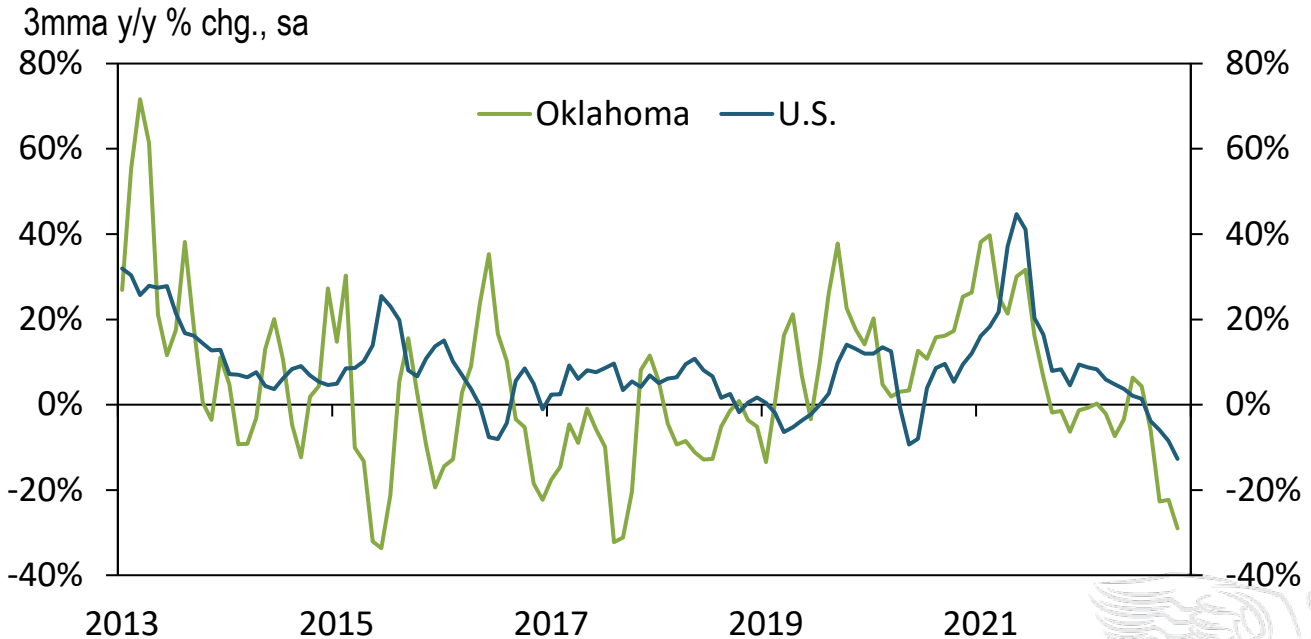
The Oklahoma housing market has eased with rising interest rates

Oklahoma Housing Market Indicators



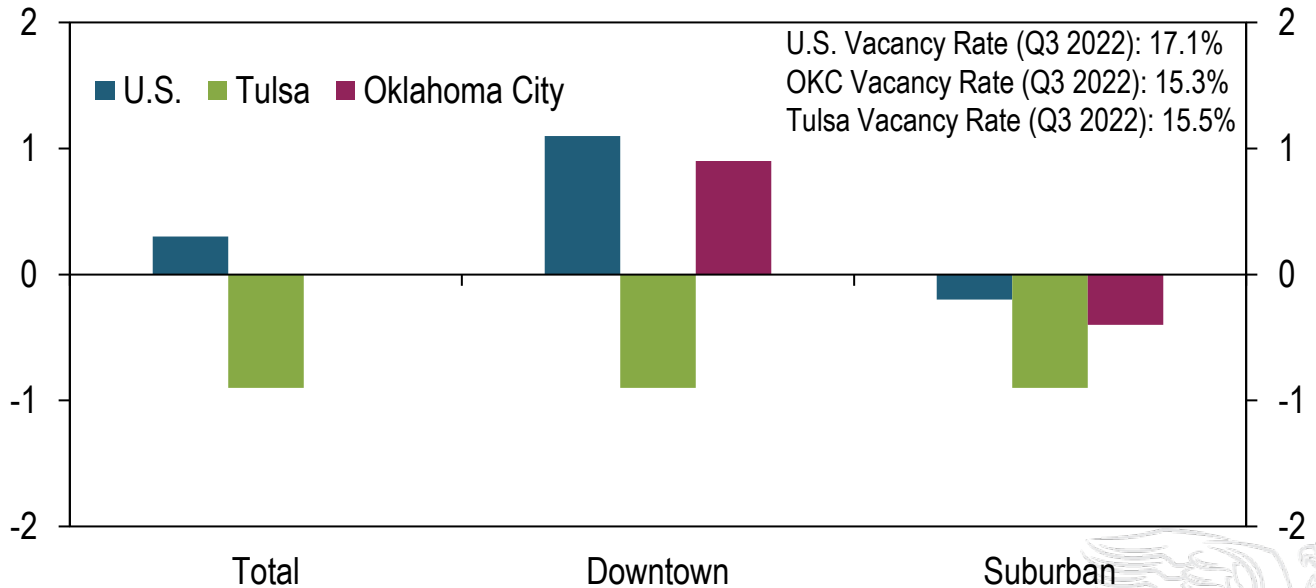
New housing construction began to slow in 2022 in the U.S. and Oklahoma

Total Building Permits for Privately Owned Housing



Tulsa office market absorption has improved, while the OKC downtown market has weakened

Office Vacancy Rates
 Percentage Point Change, Q3 2021 to Q3 2022

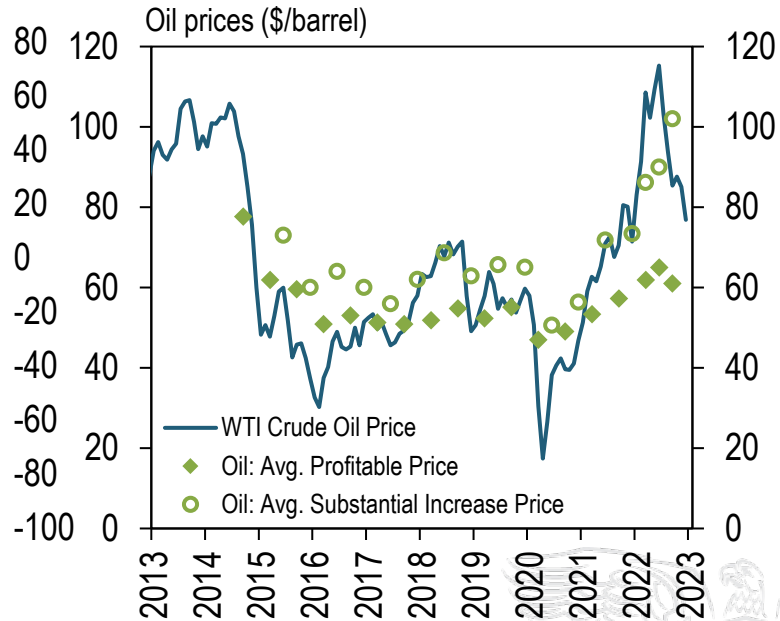


Energy activity grew solidly in Q3, but growth may slow in coming months with oil slightly less profitable

Energy Survey Indexes

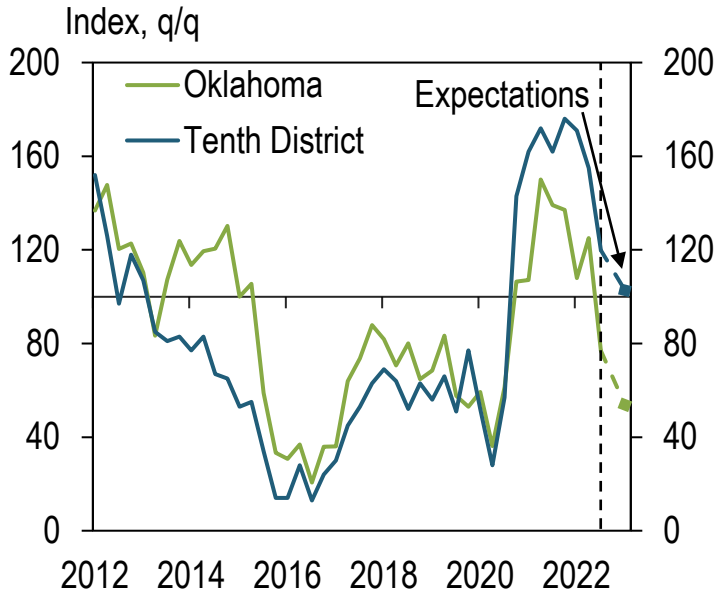


Energy Prices

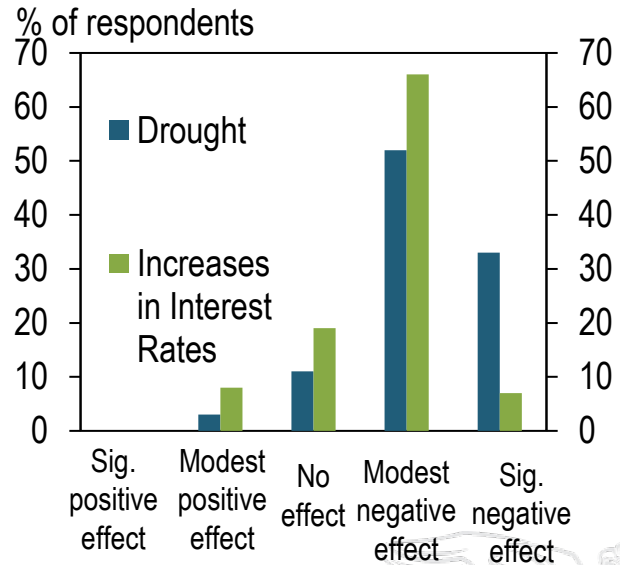


Oklahoma farm income fell sharply in Q3 2022, partially due to drought and interest rates

Farm Income



Effects of Drought & Interest Rates on Financial Conditions of Farm Borrowers



Some Oklahoma industries have many more jobs than pre-COVID, including warehouses, tribes, and finance

Oklahoma Industries Adding the Most Jobs Since 2019

Industry Name	July 2022 Oklahoma Employment	Oklahoma Empl. Change Since July 2019	Percent Change in Oklahoma Employment				Oklahoma Avg. Annual Pay 2021
			Since July 2019	July 2012 to July 2019	Since July 2012	Since July 2021	
Transportation & Warehousing (excl. Truck Transp.)	50,400	16,000	47%	50%	119%	7%	\$48,919
Employment Services	49,700	7,300	17%	3%	21%	21%	\$42,530
Retail Trade (excl. Autos, Food/Beverage, General Merch.)	92,900	6,300	7%	5%	13%	3%	\$31,870
Limited Service Restaurants & Other Eating Places	74,500	5,300	8%	17%	26%	7%	\$17,508
Indian Tribes	54,200	4,000	8%	26%	36%	10%	\$52,346
Accounting, Tax Prep., Bookkeeping, & Payroll Services	17,800	2,500	16%	26%	47%	5%	\$73,133
Food Manufacturing	19,500	1,800	10%	16%	27%	8%	\$48,376
Credit Intermediation & Related Activities	33,800	1,700	5%	0%	6%	6%	\$68,217
Building Equipment Contractors	28,100	1,600	6%	22%	29%	7%	\$54,473
Insurance Carriers & Related Activities	22,800	1,600	8%	-4%	4%	7%	\$69,274

Note: **Green** indicates jobs paid above overall Oklahoma average pay of \$51,350 in 2021

Red indicates jobs paid below overall Oklahoma average pay of \$51,350 in 2021



But Oklahoma employment is still well below pre-COVID levels in energy and office support industries

Oklahoma Industries Shedding the Most Jobs Since 2019

Industry Name	July 2022 Oklahoma Employment	Oklahoma Empl. Change Since July 2019	Percent Change in Oklahoma Employment				Oklahoma Avg. Annual Pay 2021
			Since July 2019	July 2012 to July 2019	Since July 2012	Since July 2021	
Support Activities for Mining	17,000	-12,300	-42%	-12%	-49%	24%	\$76,446
Machinery Manufacturing	22,300	-5,000	-18%	-9%	-26%	2%	\$66,618
Other Admin., Support, & Waste Mgmt. Services	23,600	-4,600	-16%	17%	-2%	-10%	\$52,700
Other Mining & Logging (excl. Support Activities)	14,900	-4,000	-21%	-29%	-44%	9%	\$137,359
Other Private Services	50,800	-4,000	-7%	22%	13%	0%	\$42,173
Heavy & Civil Engineering Construction	16,600	-3,600	-18%	36%	11%	2%	\$59,563
Nursing & Residential Care Facilities	31,300	-3,500	-10%	1%	-9%	-1%	\$32,832
Fabricated Metal Manufacturing	21,000	-3,100	-13%	0%	-13%	4%	\$59,069
Information	16,800	-3,000	-15%	-12%	-26%	-7%	\$65,990
Local Government (excl. Educ. & Indian Tribes)	73,600	-3,000	-4%	2%	-2%	1%	\$48,172

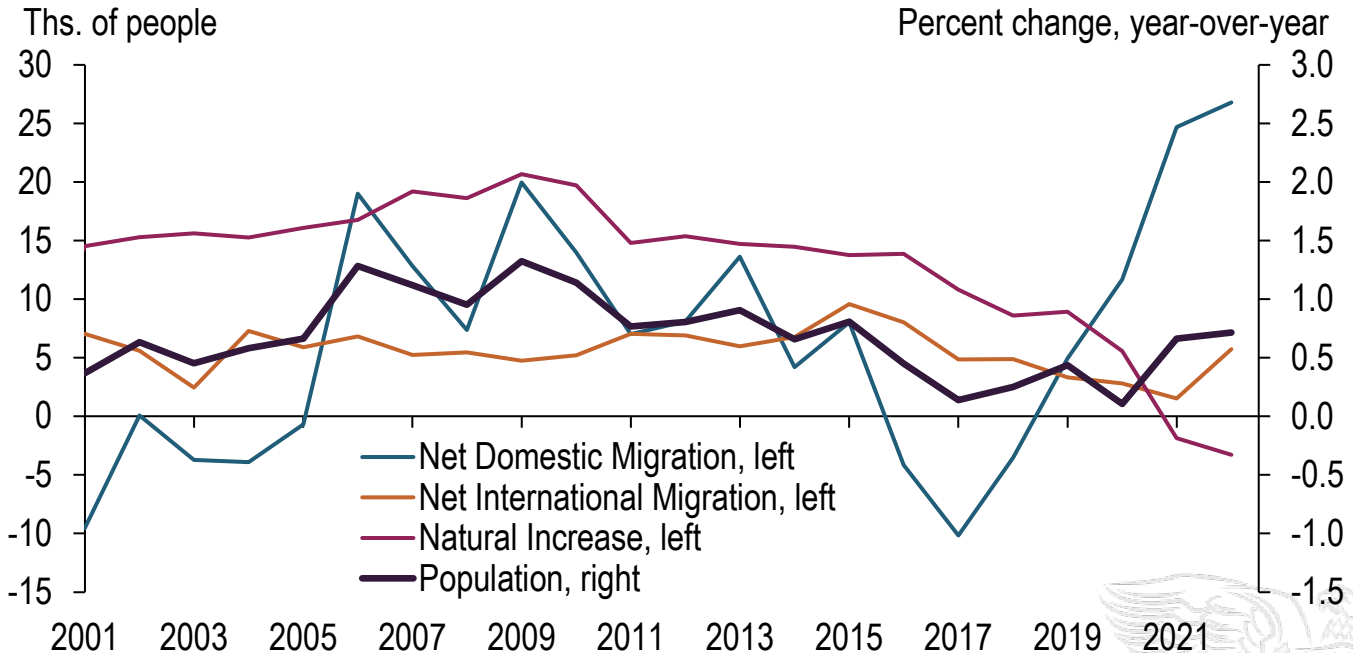
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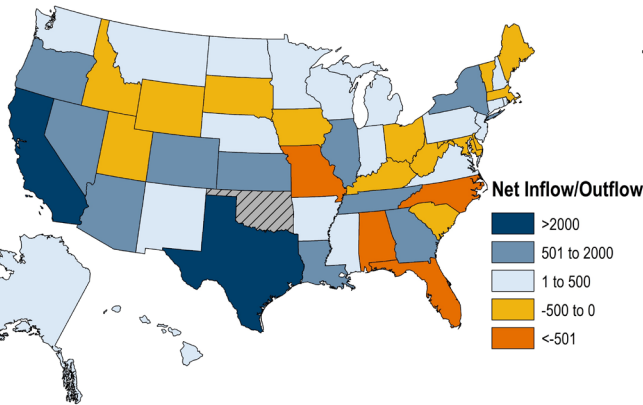
Oklahoma's population grew in 2021 & 2022, despite a historic increase in deaths, due to massive in-migration

Oklahoma Population Changes by Component, 2001-2022

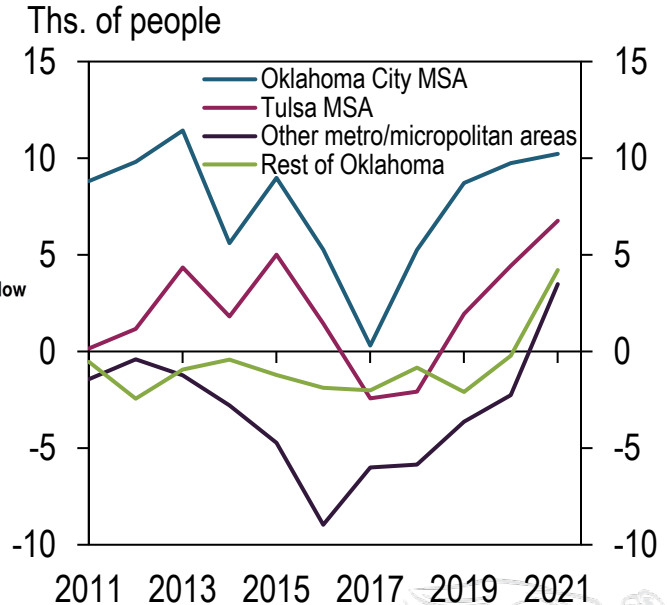


Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

Net Domestic Migration to Oklahoma
2020 and 2021



Oklahoma Net Domestic Migration



Summary

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