

U.S. and Oklahoma Economic Outlook

Commercial Real Estate Council

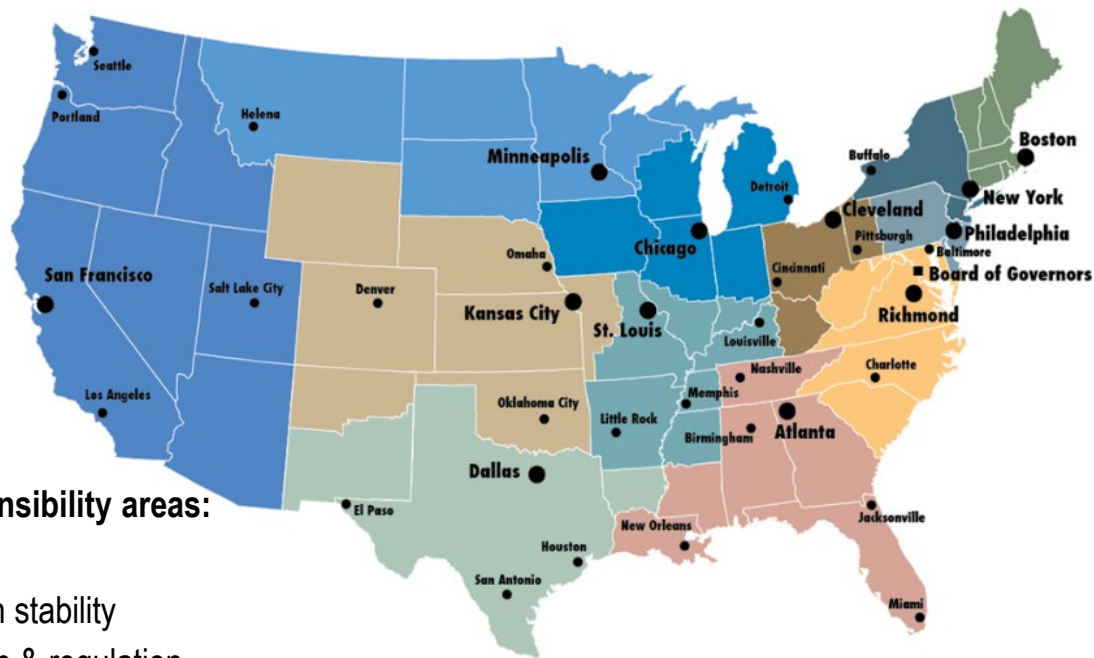
May 9, 2024

Chad Wilkerson
SVP & 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.



Structure & Functions of the Federal Reserve



5 primary responsibility areas:

- Monetary policy
- Financial system stability
- Bank supervision & regulation
- Payment system safety & efficiency
- Consumer protection & community development

3 primary entities:

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent
- Federal Open Market Committee: 19 members; 12 voting



The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity

- **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.)
 - Risk analysis and IT development for bank exams; exam assistance for other Fed offices
 - Community development and economic education programming for low/moderate income groups and students
- **2024 OKC Branch Board of Directors**
 - **Dana Weber (chair)**, Chair & CEO, Webco Industries, Sand Springs
 - **Mark Burrage**, CEO, FirstBank, Antlers/Atoka
 - **Scott Case**, President, Case & Associates Properties, Tulsa
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Overview

- U.S. economic growth has slowed but remains solid in early 2024, and unemployment is near 50-year lows
- Inflation remains too high, despite coming down from 2022 peaks
- The Fed has raised the overnight interest rate to over 5%
- Oklahoma's economy also continues to grow, and unemployment is low
- Oklahoma's population growth has outpaced the nation in recent years, driven by strong domestic in-migration, including to rural areas



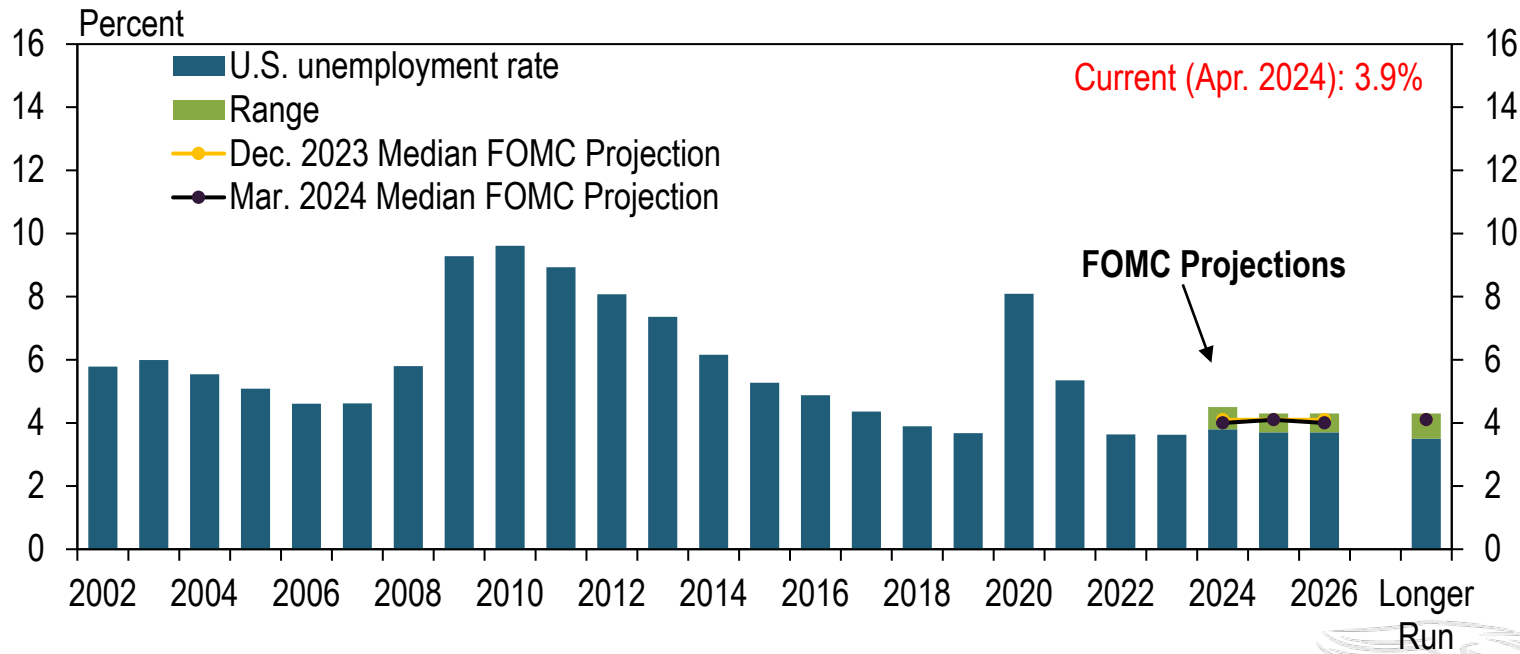
U.S. GDP growth slowed in Q1, and employment growth eased in April

Quarterly U.S. Economic Growth

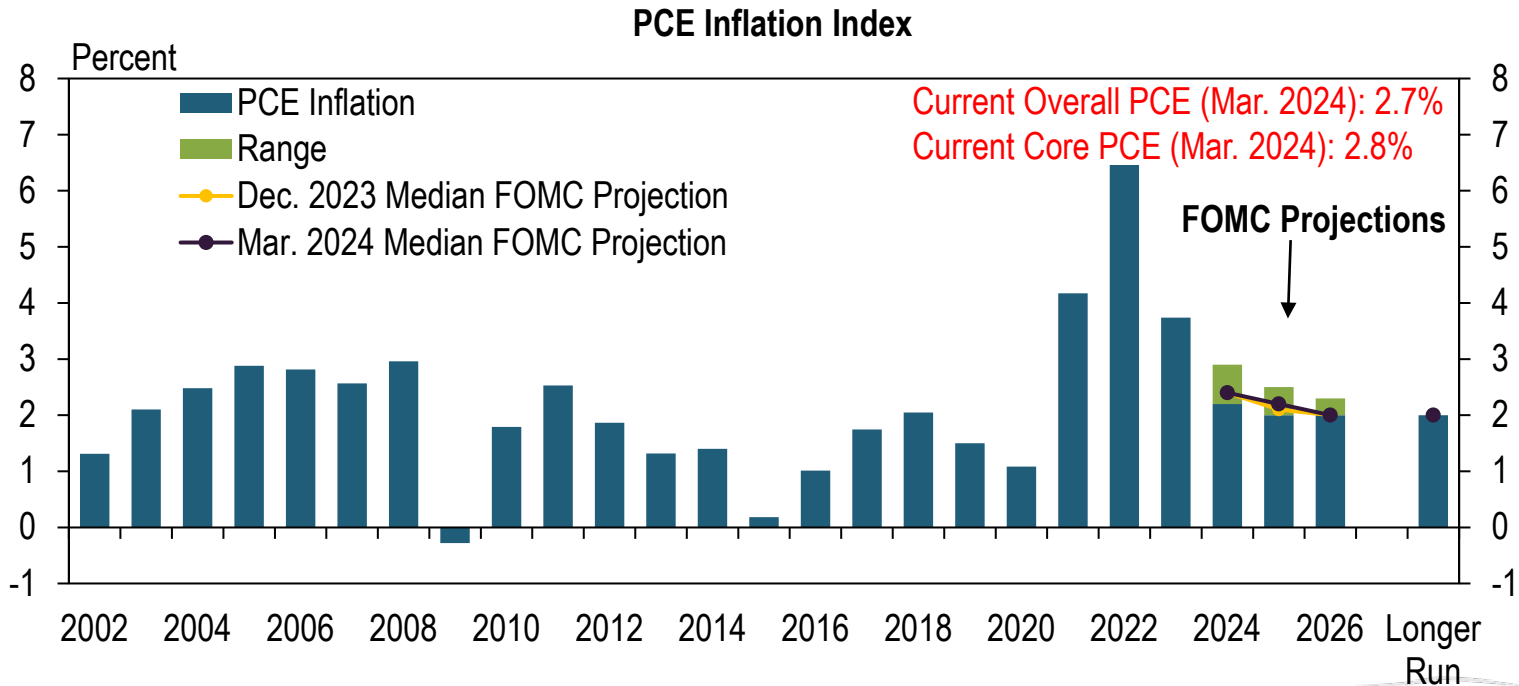


U.S. unemployment remains historically low and is projected to remain low in coming years

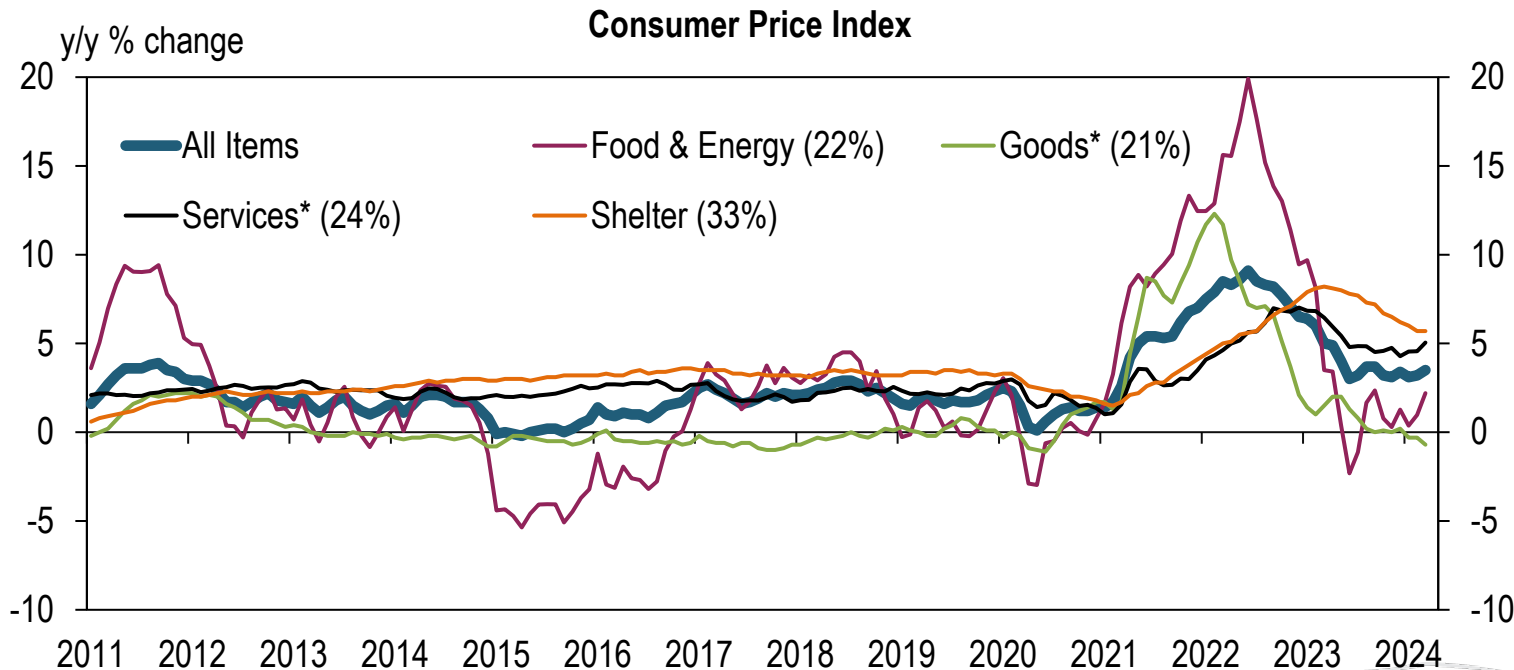
U.S. Unemployment Rate



Although inflation has come down from 2022 peaks and is expected to fall further, it remains above longer-run levels



CPI inflation ticked up again to 3.5% in March, as goods prices fell but energy and services prices rose and shelter remains elevated



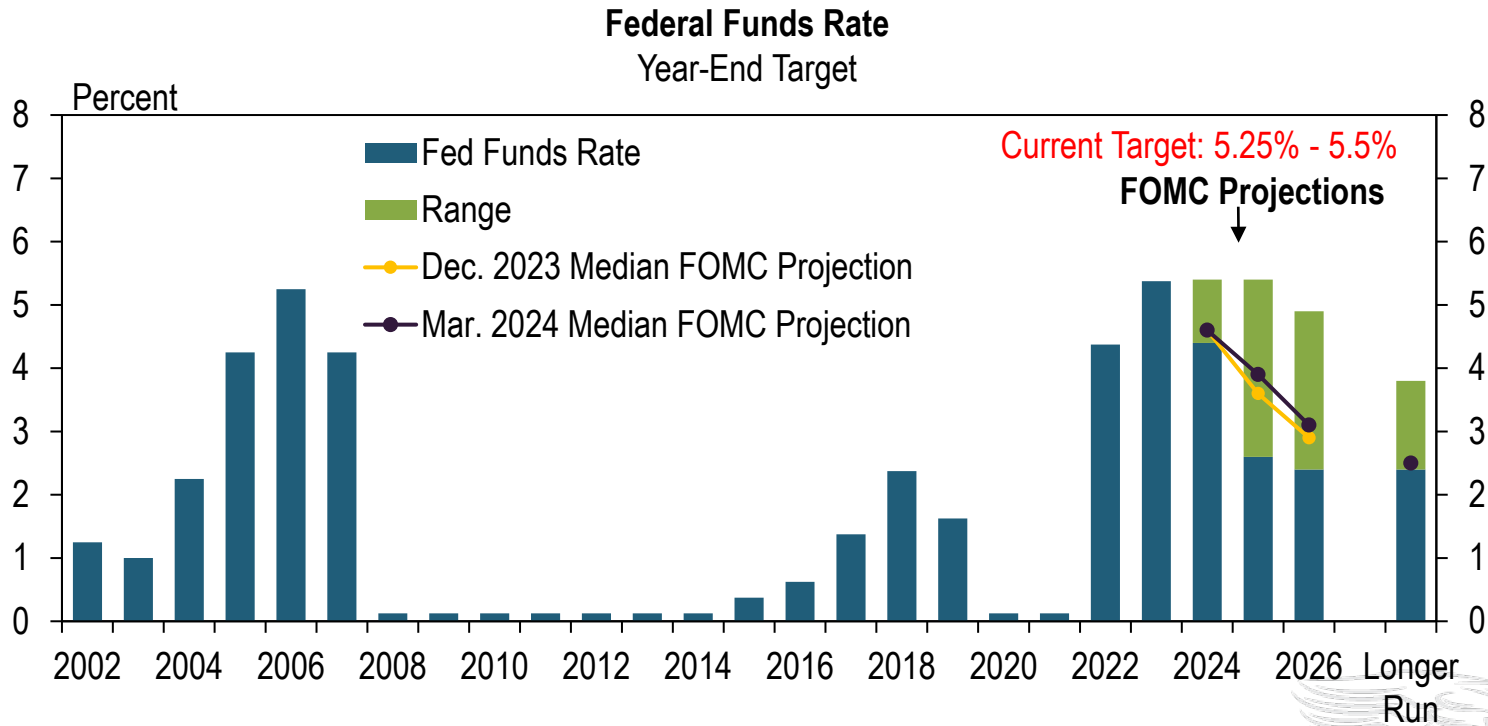
*Goods excluding Food; Services excluding Energy.
 Note: Relative Importance as Share of CPI shown in parenthesis.



Wage growth is a key factor keeping services inflation high, and has come down moderately from recent highs

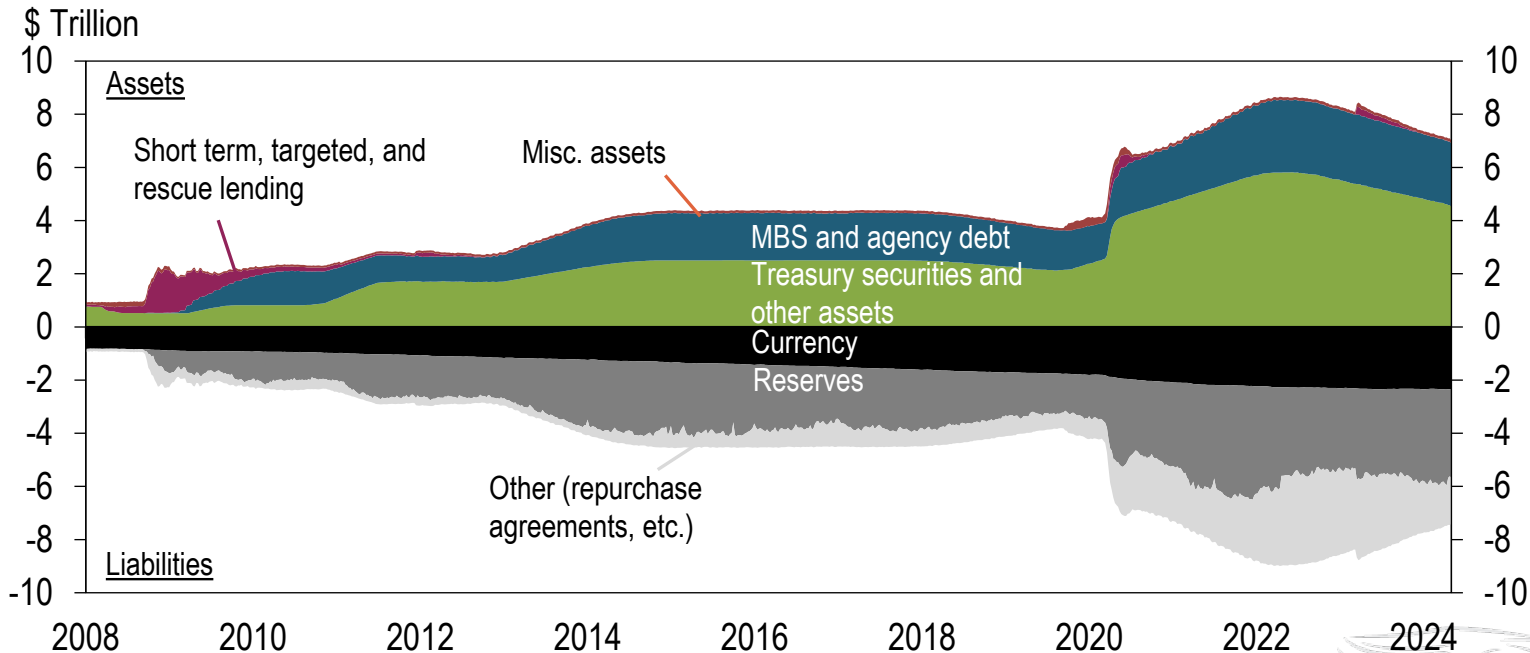


The Fed held the federal funds rate steady again in May, after raising future projections somewhat in March



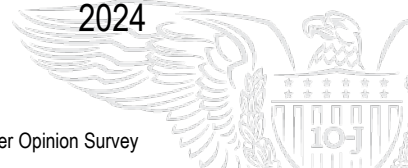
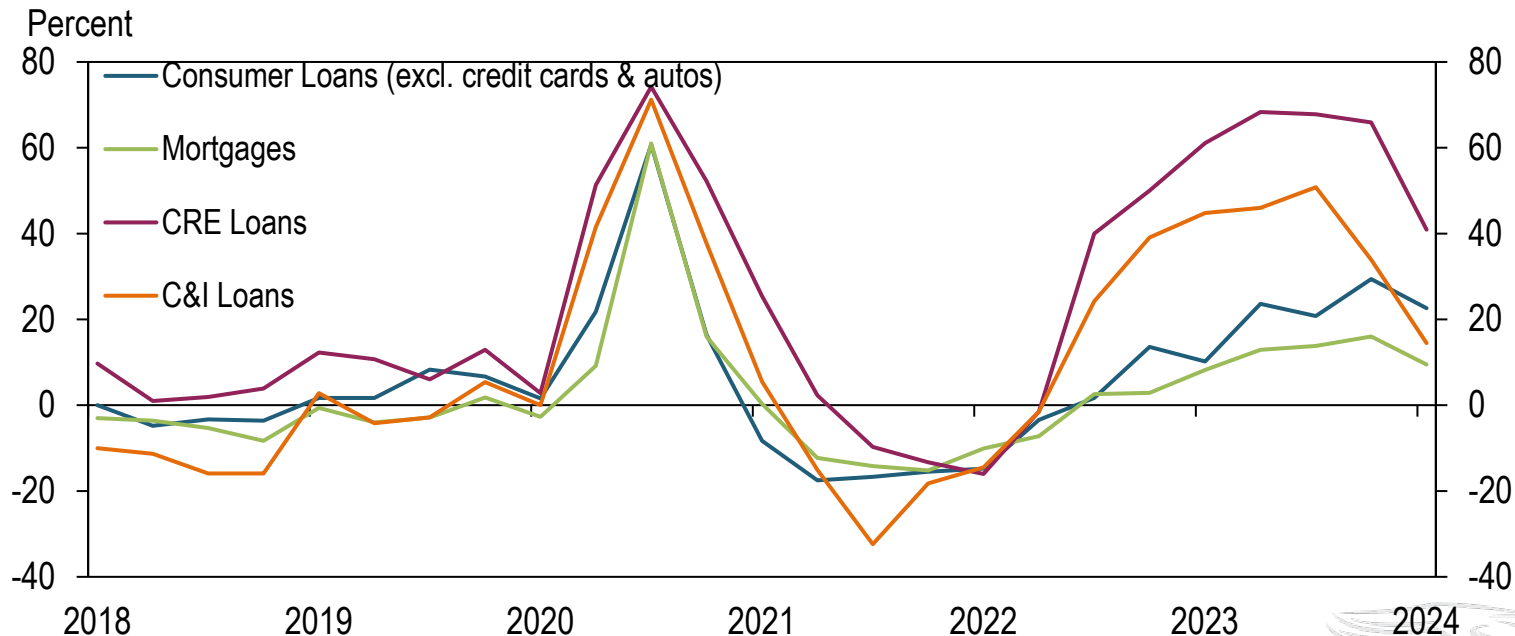
The Fed also continues to reduce its balance sheet of high-quality securities, but diminished the planned pace in May

Federal Reserve Balance Sheet



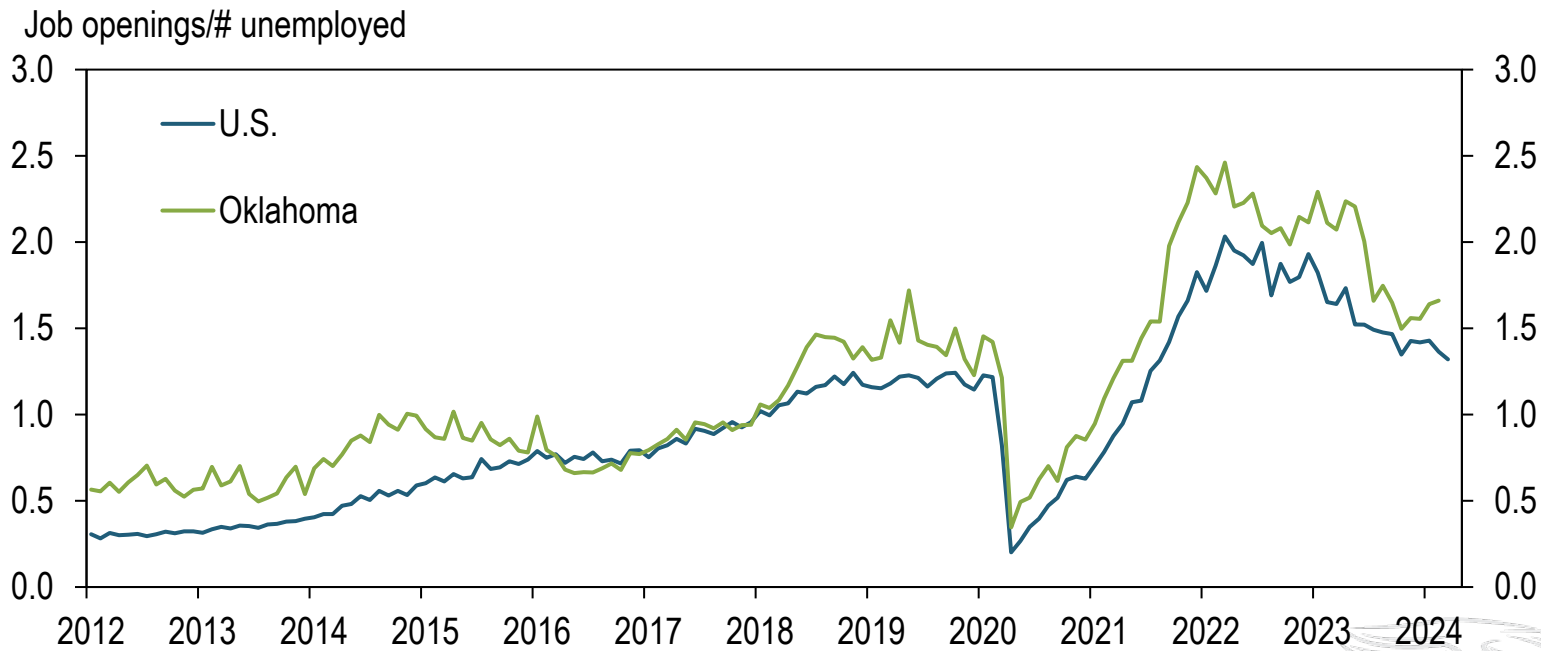
Banks have tightened lending standards more for commercial loans than consumer loans, but conditions eased somewhat in Q1

Net Percent of Banks Tightening Standards



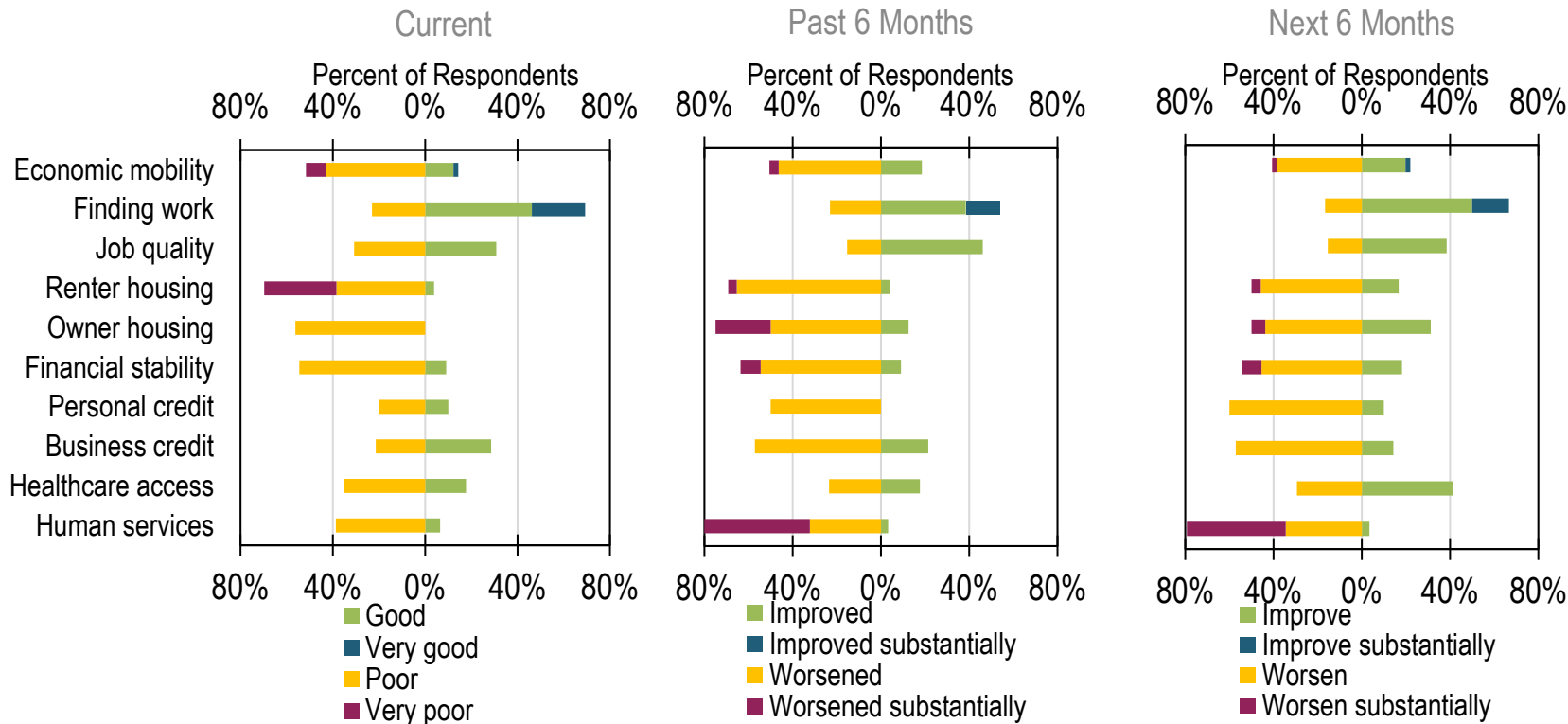
Job openings still exceed unemployed workers, but have returned to near pre-pandemic levels

Job Openings/Unemployment Ratio

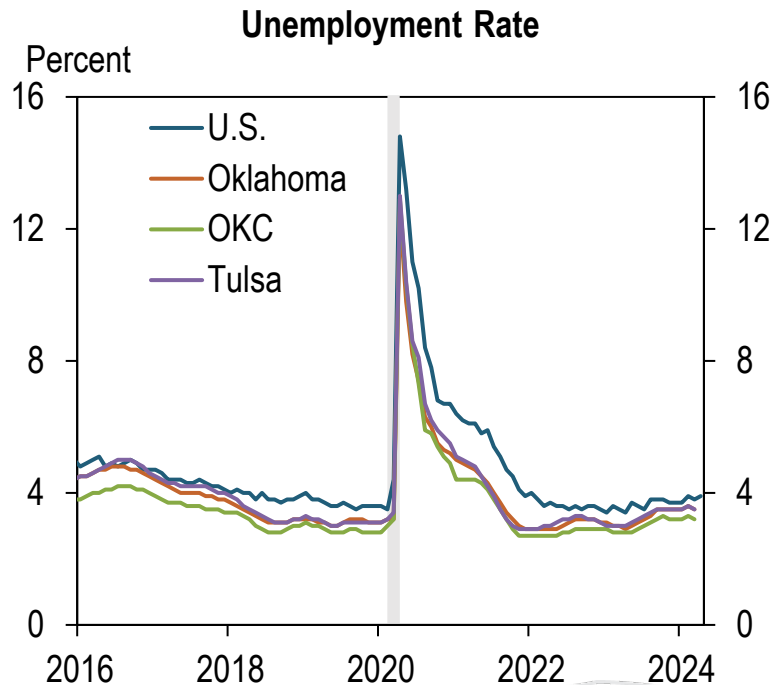
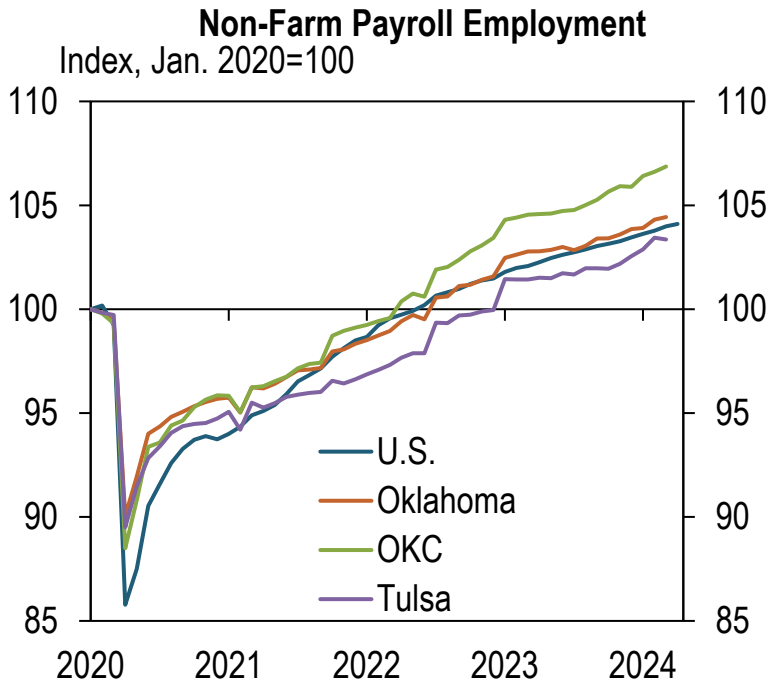


The ability to find work has been good for lower income communities and job quality has improved, but most other conditions have been poor

Tenth District Low- and Moderate-Income Community Conditions, 2nd Half 2023

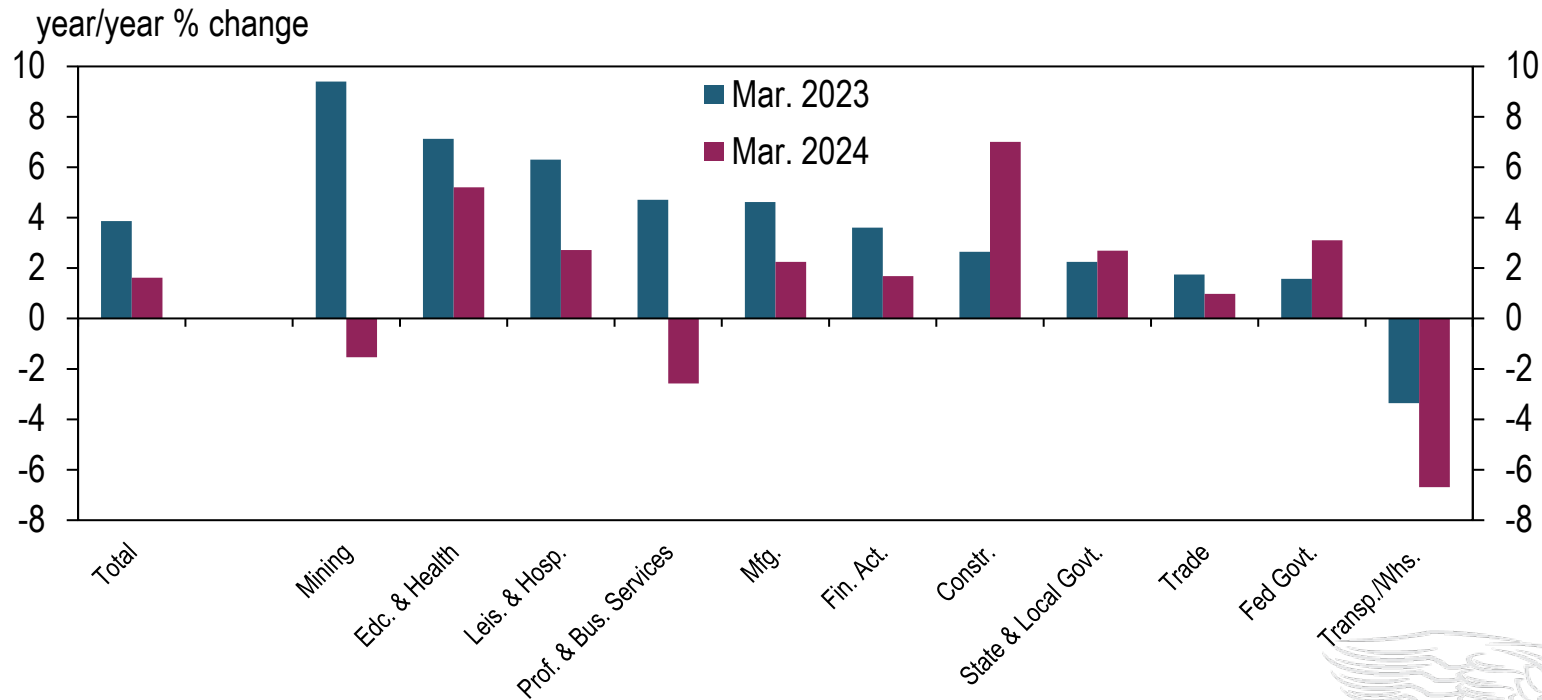


Jobs in Oklahoma have continued to grow in 2024, while unemployment remains very low



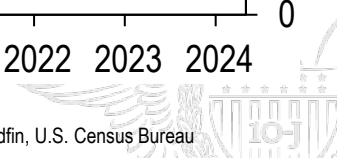
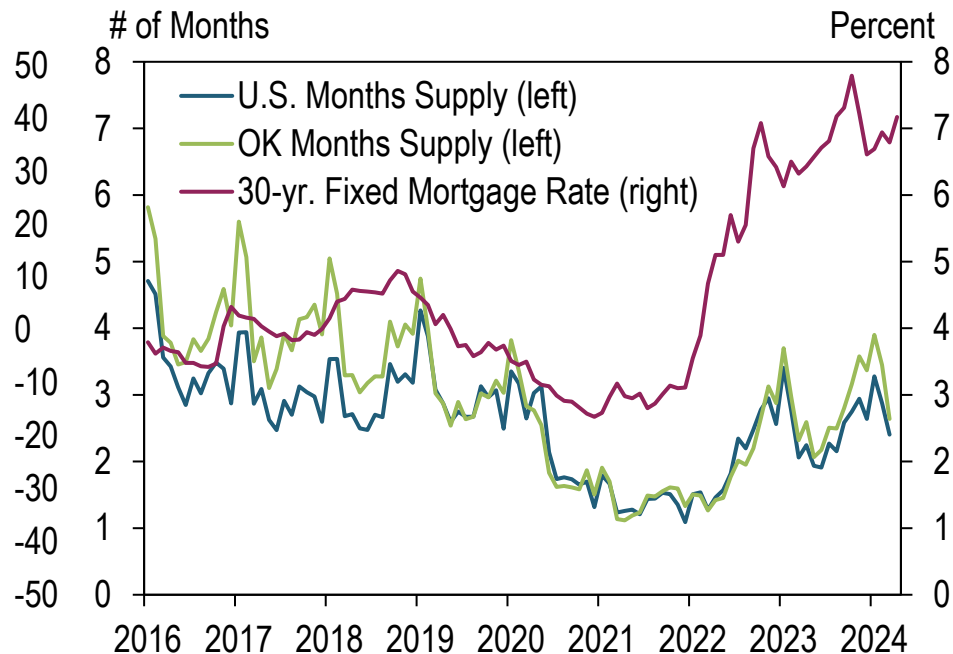
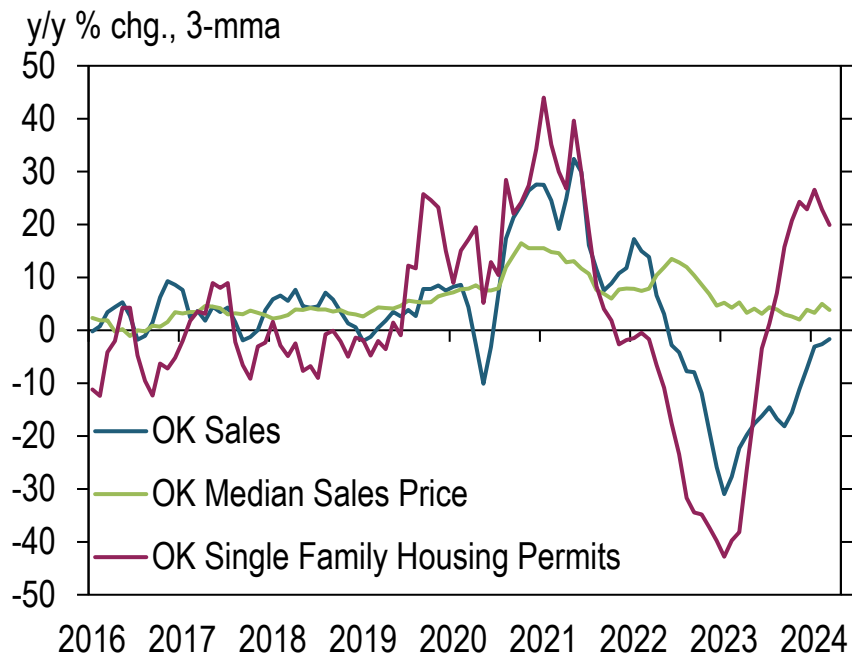
Most OK sectors added jobs over the past year but the pace of job growth has slowed, driven by less energy, transportation, and professional services activity

Oklahoma Job Growth by Industry



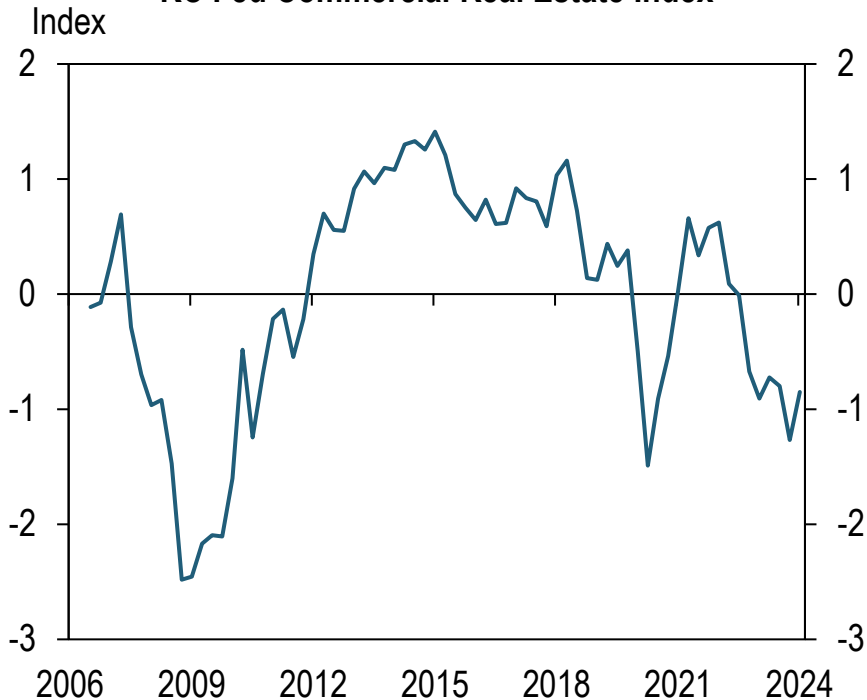
Oklahoma home sales and price growth have slowed over the past 2 years with higher rates, and supply has increased slightly from very low levels

Oklahoma Housing Market Indicators

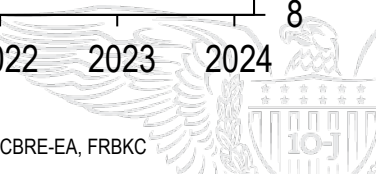
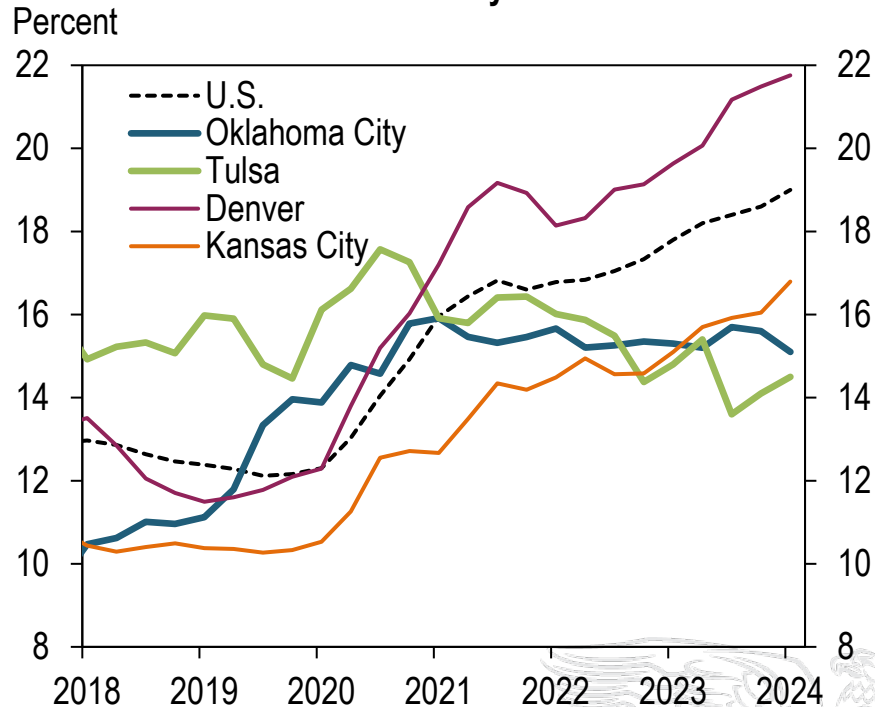


CRE activity has deteriorated in the region, but office vacancy rates in Oklahoma have not risen like in neighboring markets

KC Fed Commercial Real Estate Index

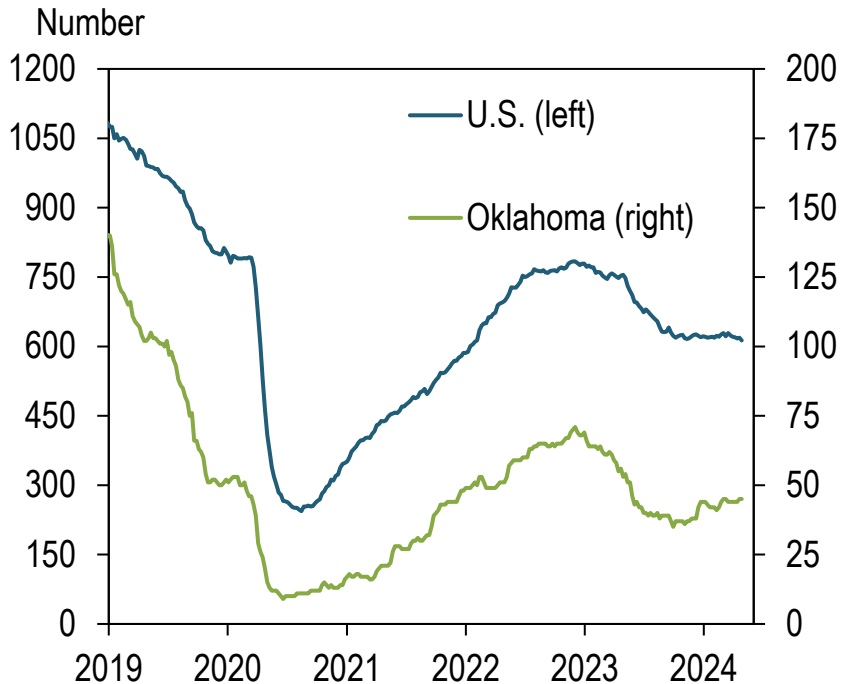


Office Vacancy Rates

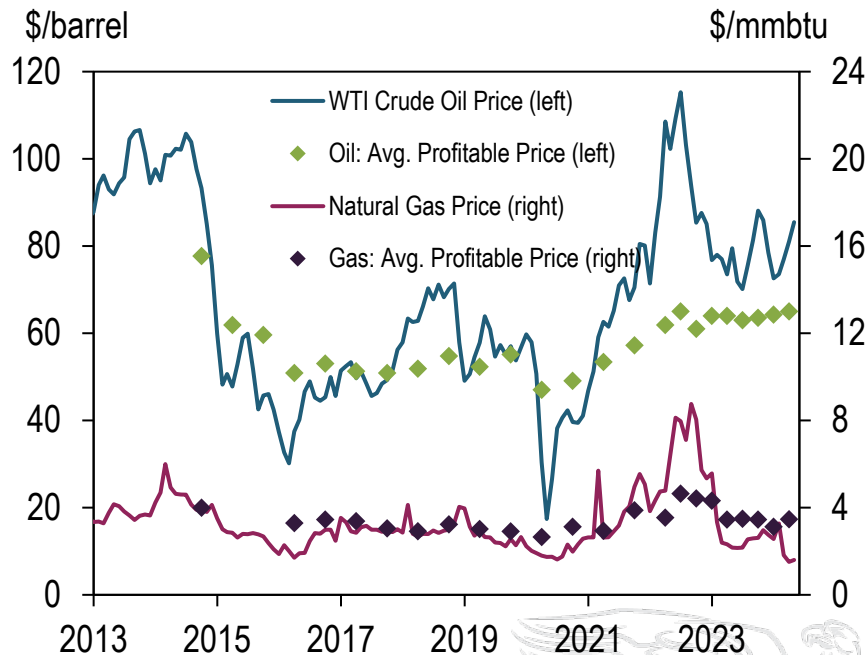


Oil and gas drilling has fallen in Oklahoma as oil prices remain high while natural gas prices have sunk this year

Rig Counts

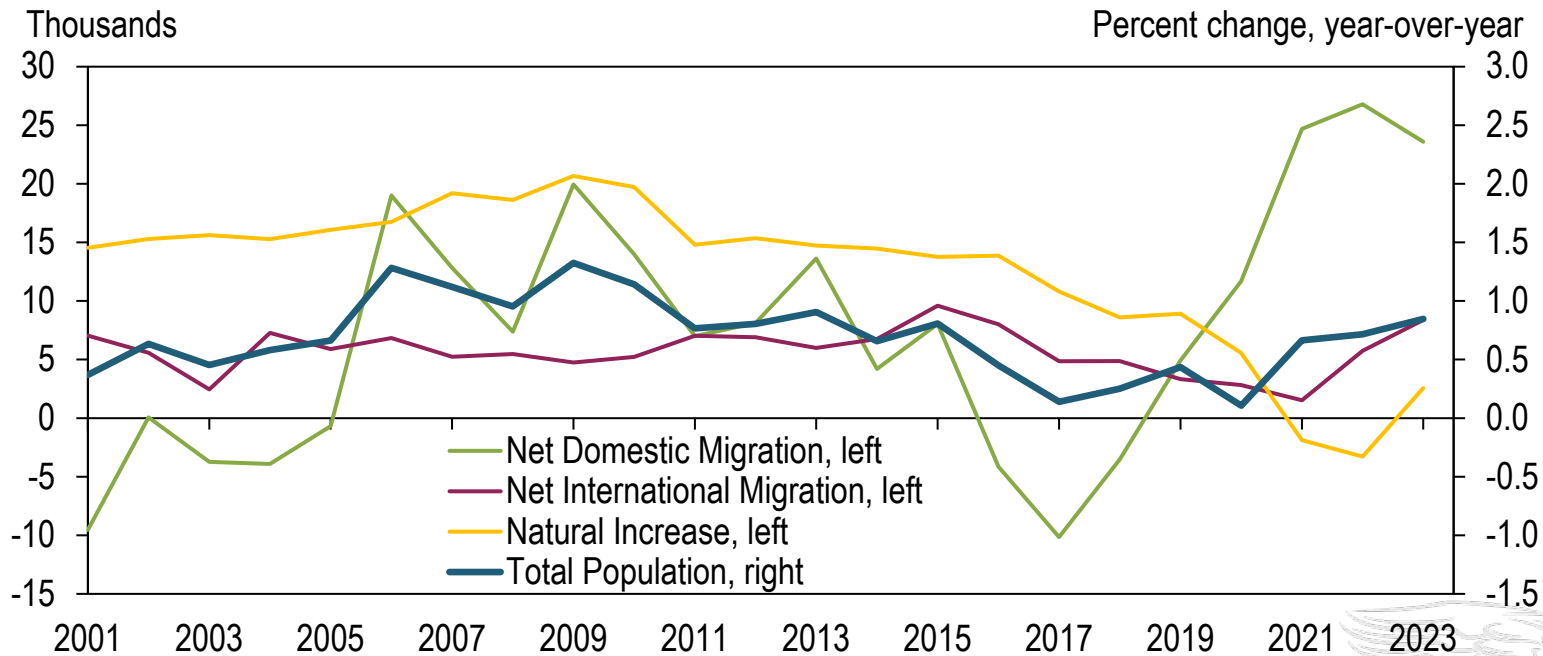


U.S. Energy Prices



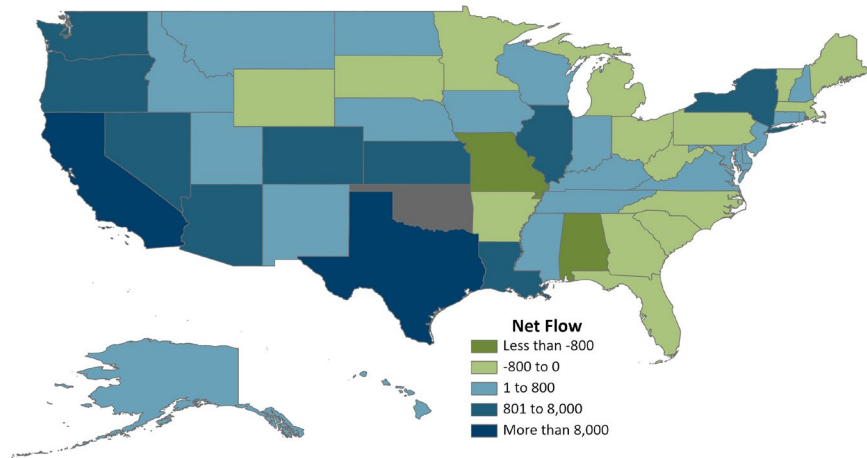
Oklahoma's population grew again in 2023, primarily due to elevated domestic migration, but also with increases in other components

Oklahoma Population Change by Component

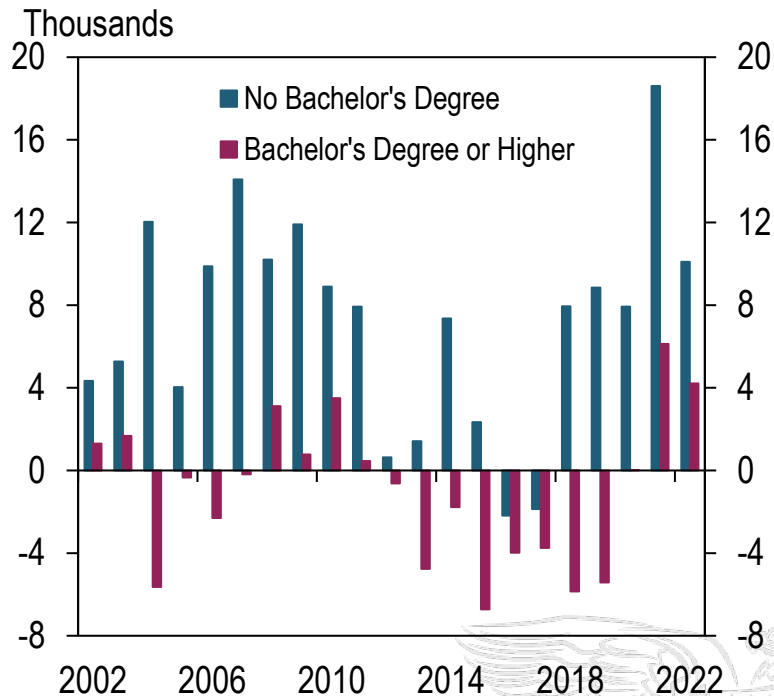


Almost all the migration to OK was from the western U.S., especially CA and TX, and the state had “brain gain” for the first time in a decade

Migration to Oklahoma During 2020 - 2023

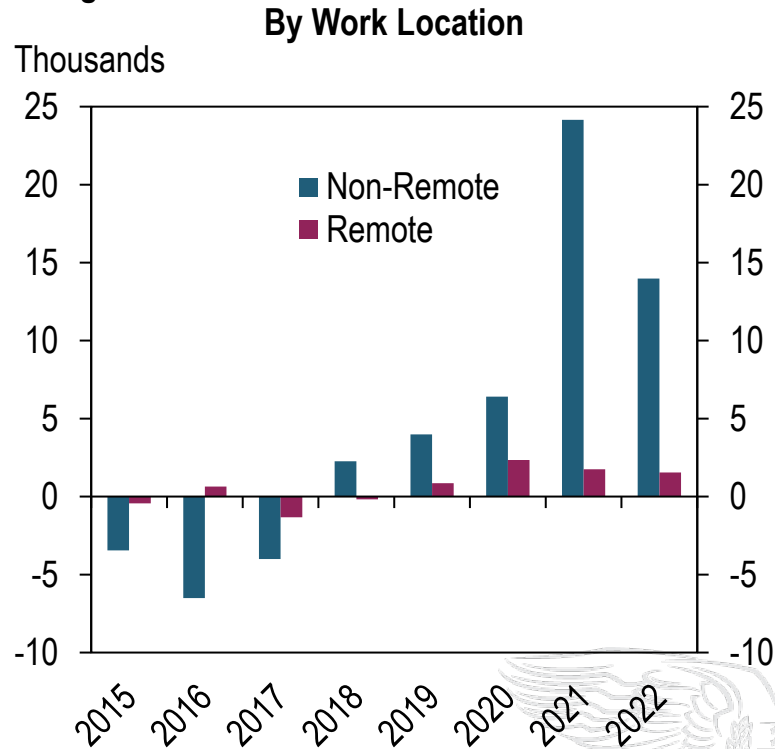
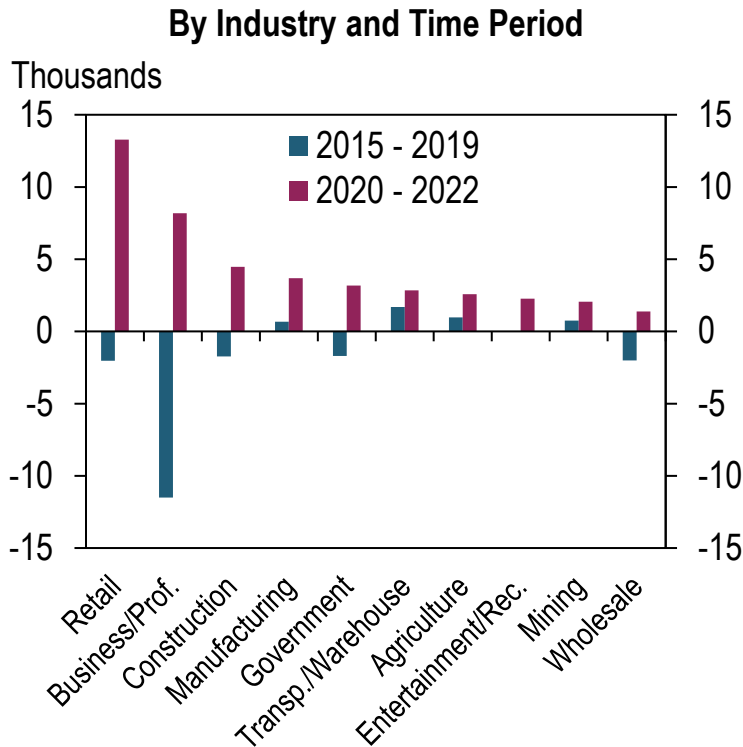


Oklahoma Net Domestic Migration by Education



All industries and occupations had a net gain of residents since 2020, reversing some previous trends, with sizable numbers of college grads

Oklahoma Net Domestic Migration



Summary

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Questions?

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