

U.S. and Oklahoma Economic Update

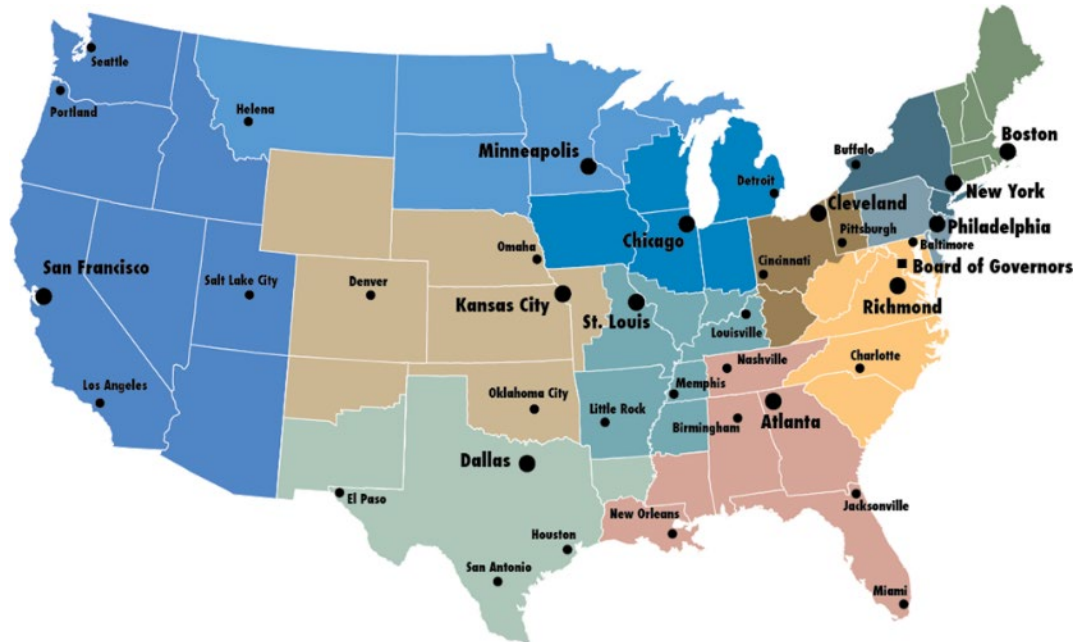
Central Oklahoma Manufacturer's Association
February 15, 2022

Chad Wilkerson
Vice President and 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



The “Fed” consists of three main entities:

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

Primary responsibility areas:

- Monetary policy
- Bank regulation
- Financial services



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 programming for low/moderate income groups, workforce focus
 - Economic education and public outreach programming
- **2022 OKC Fed Branch Board of Directors**
 - **Katrina Washington (chair)**, Owner/Broker, Stratos Realty, Oklahoma City
 - **Walt Duncan**, President, Duncan Oil Properties, Oklahoma City
 - **Rhonda Hooper**, President & CEO, Jordan Advertising, Oklahoma City
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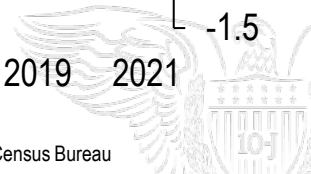
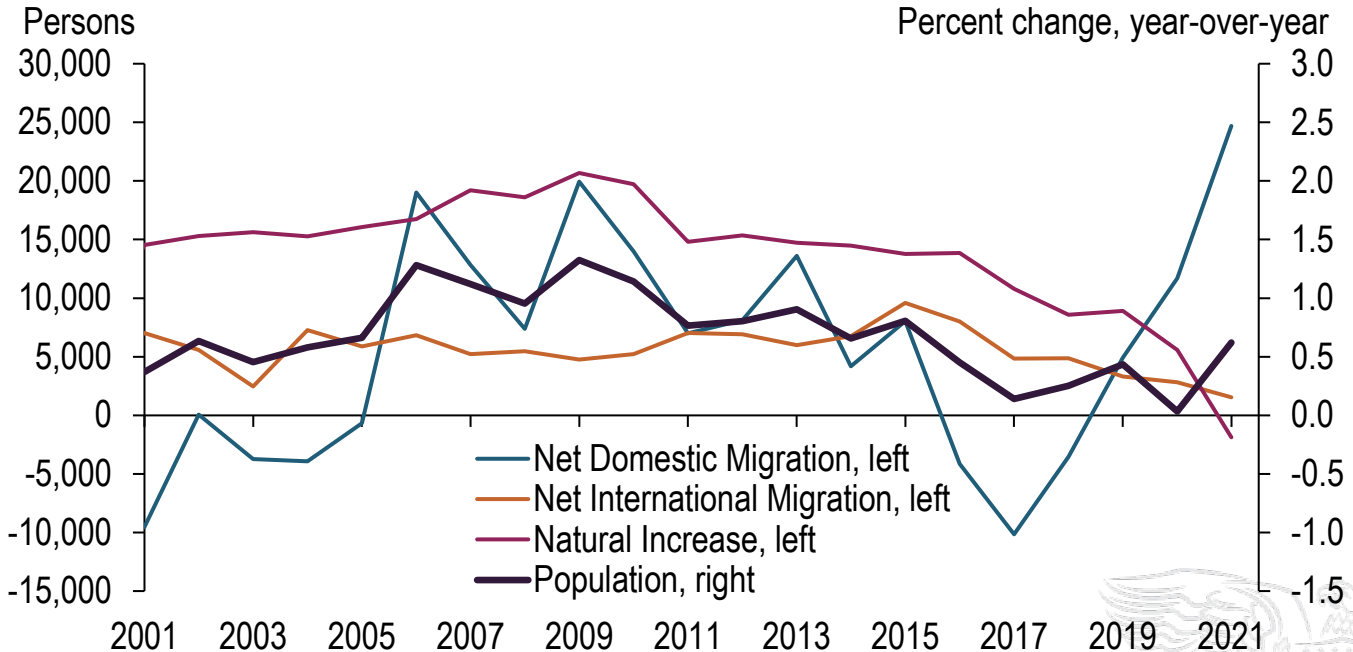
Overview

- Oklahoma's population grew more in 2021 than any year since 2015 despite a big increase in deaths, due to in-migration
- Businesses are optimistic, but Omicron related disruptions hampered activity somewhat at many firms in January
- Employment continues to slowly recover in Oklahoma, but a gap remains compared to pre-pandemic, especially in energy
- Inflation has exceeded expectations, but is expected to ease along with Fed rate increases and end of asset purchases



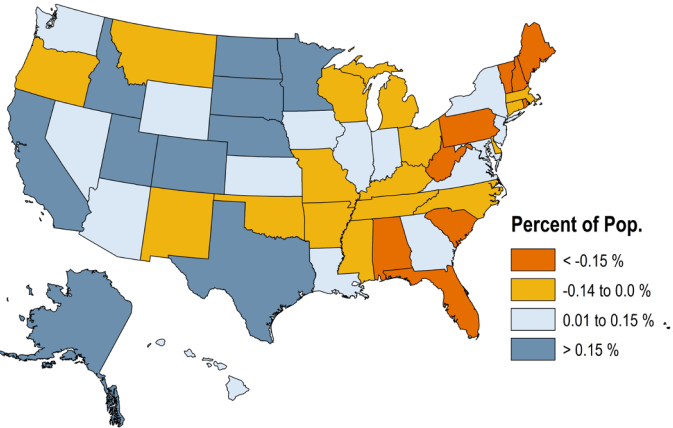
In-migration to Oklahoma drove state population growth in 2021, despite a historic increase in deaths

Oklahoma Population Changes by Component, 2001-2021

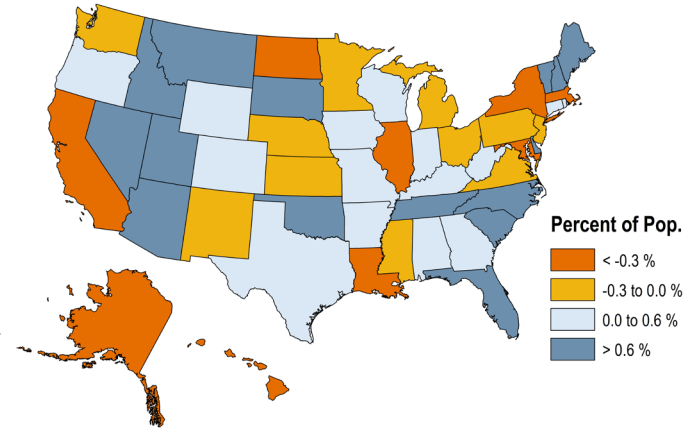


Oklahoma ranked in the bottom half of states in natural population growth but top 25% in domestic in-migration

Natural Pop. Increase (births – deaths) 2020-2021

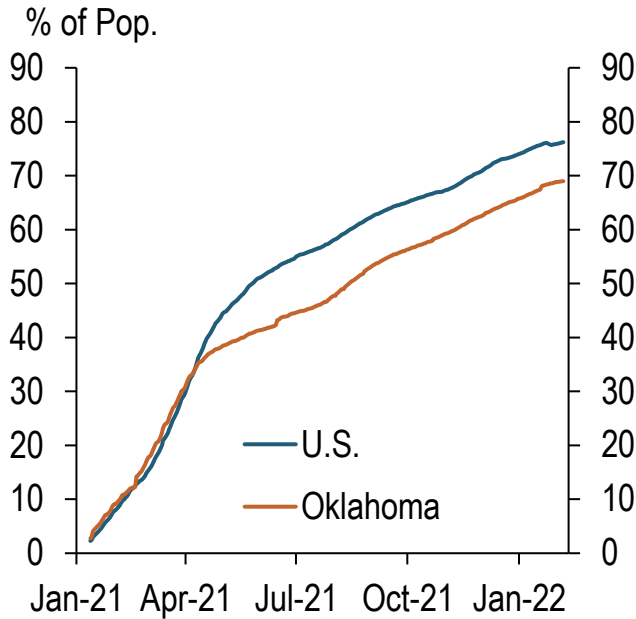


Net Domestic Migration 2020-2021

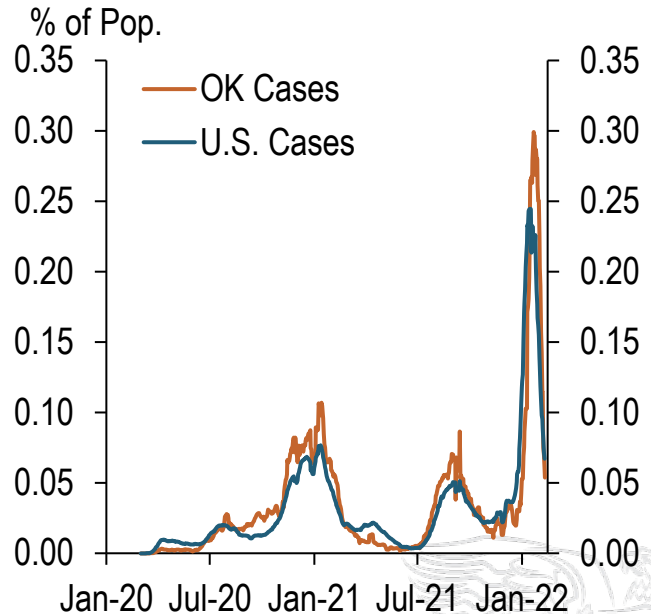


Vaccinations have increased but continue to lag the U.S., while new cases have plummeted since late Jan.

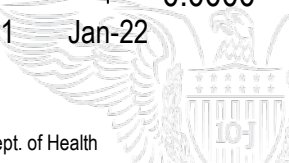
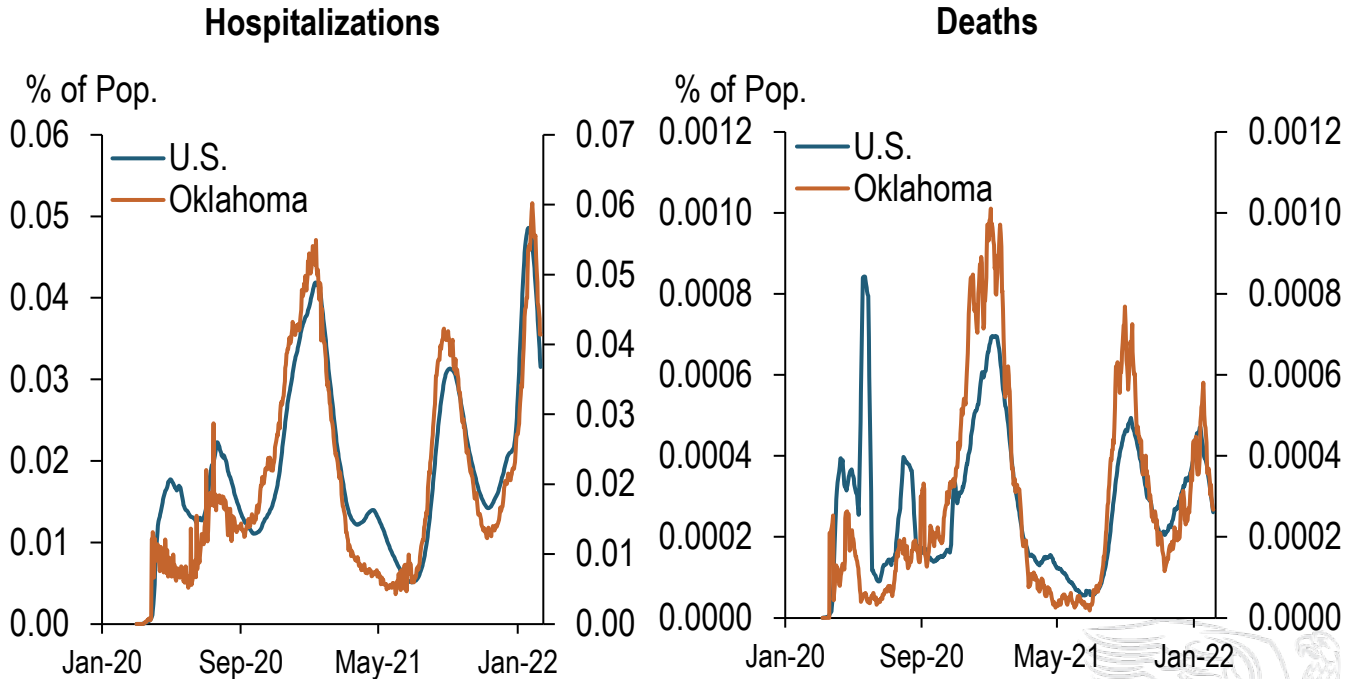
Vaccinations (at least 1 dose)



Number of New COVID Cases

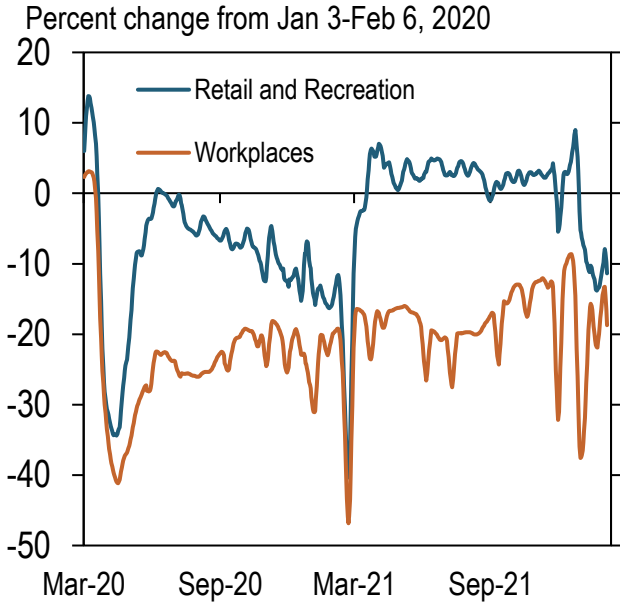


Hospitalizations have also eased over the past week or so, and there have been fewer deaths in this wave

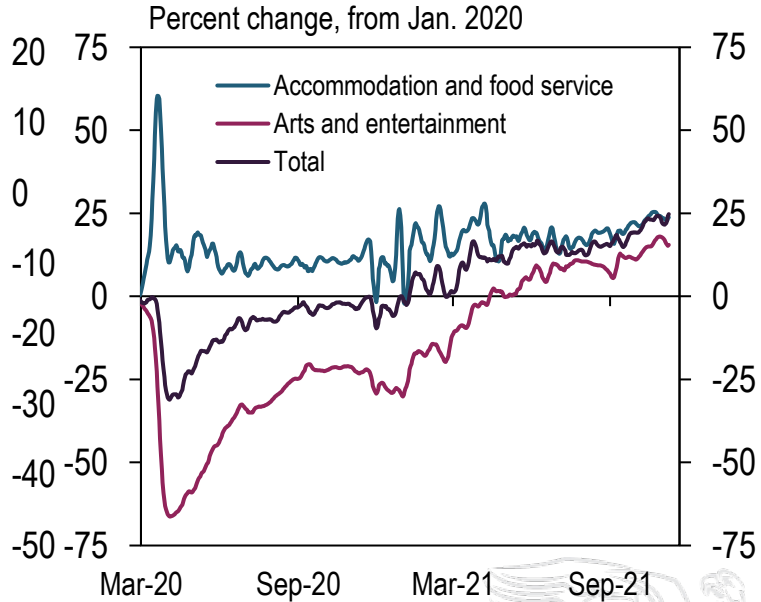


Retail and workplace mobility slowed in January, but spending had held up through late 2021

Oklahoma Google Mobility Data

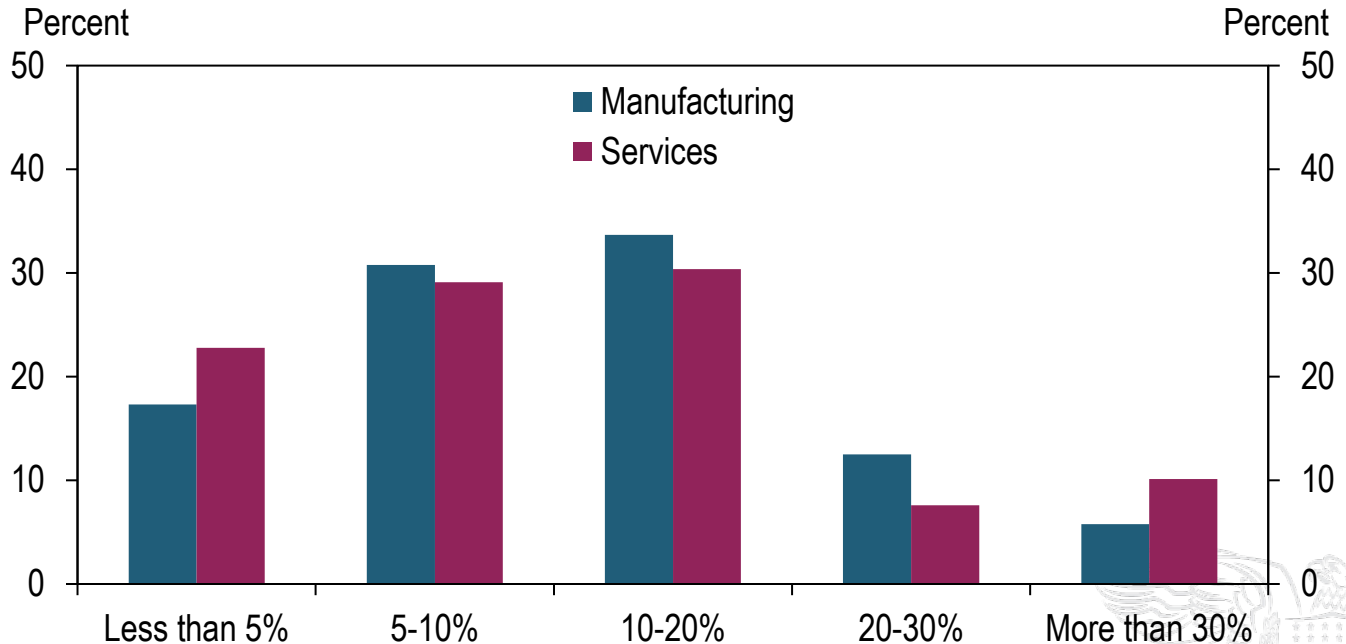


Oklahoma Credit Card Spending



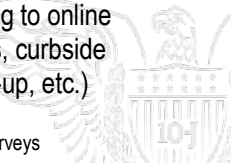
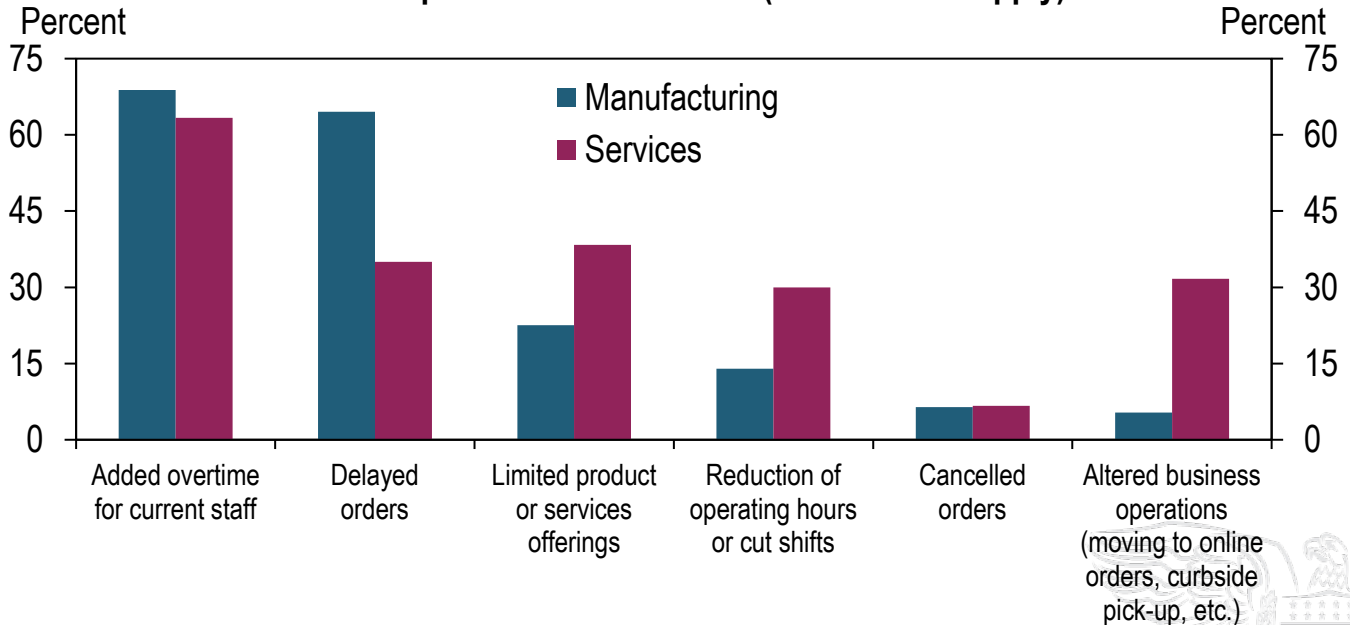
Half of firms surveyed in January reported 10% or more of their workforce missed work due to COVID

January 2022 Survey SQ: "What percentage of your work force has missed work in the month of January due to COVID?"



Due to labor shortages in January, many firms added overtime hours, delayed orders, and limited offerings

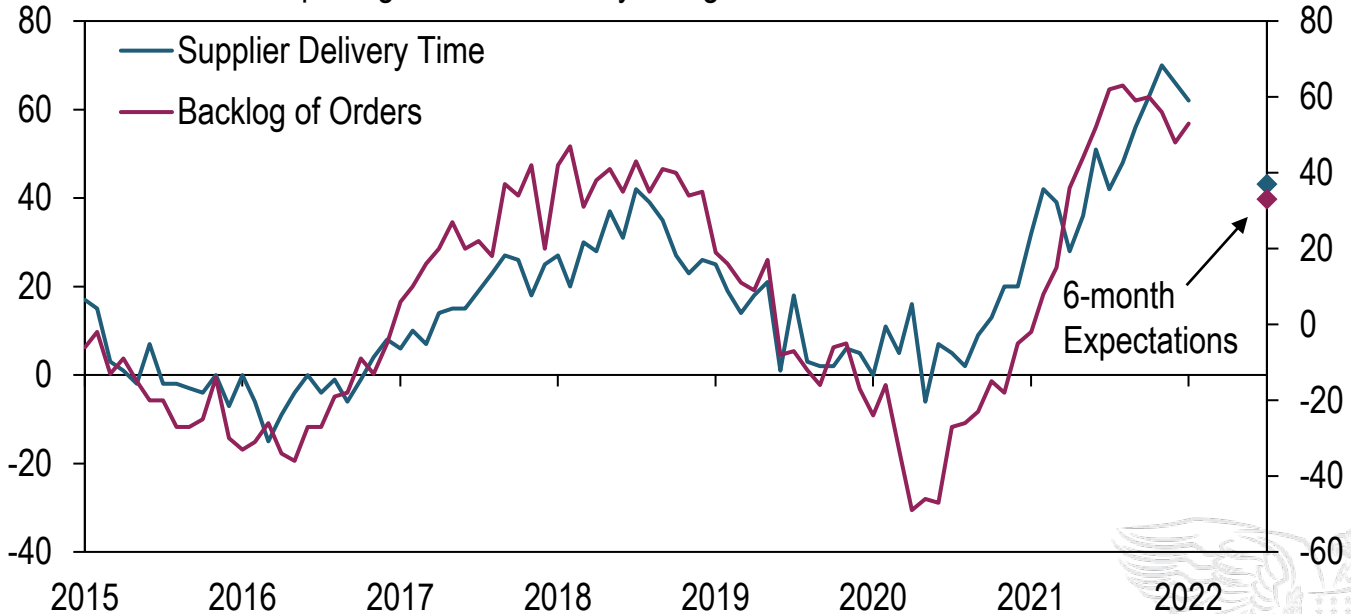
January 2022 Survey SQ: "If your company is facing labor shortages or staffing issues (COVID-related or otherwise), which of the following strategies has your business implemented as a result? (check all that apply)"



Delivery time and order backlog indexes remain very high in the region but are expected to ease slightly

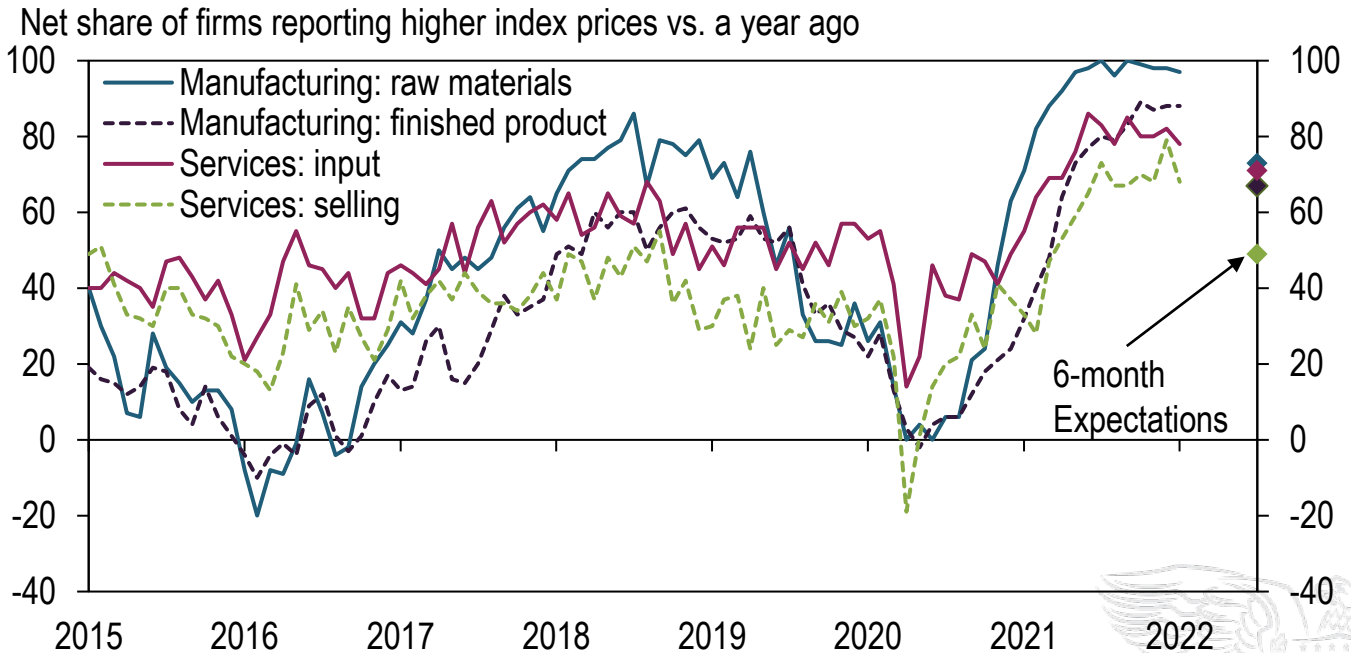
Manufacturing Survey Indexes

Net share of firms reporting increases vs. a year ago



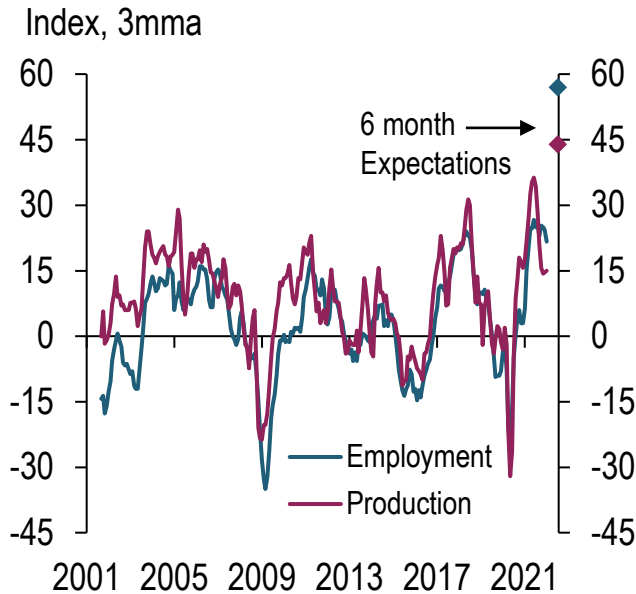
Nearly all firms reported higher input prices through January, but some expect fewer increases in the future

Survey Price Indexes

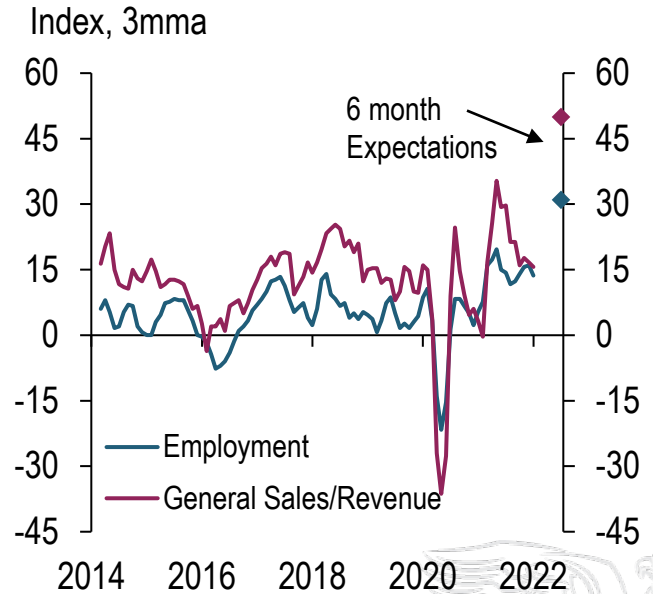


Despite some slowdown in recent months, regional manufacturing and services outlooks are very strong

KC Fed Manufacturing Survey

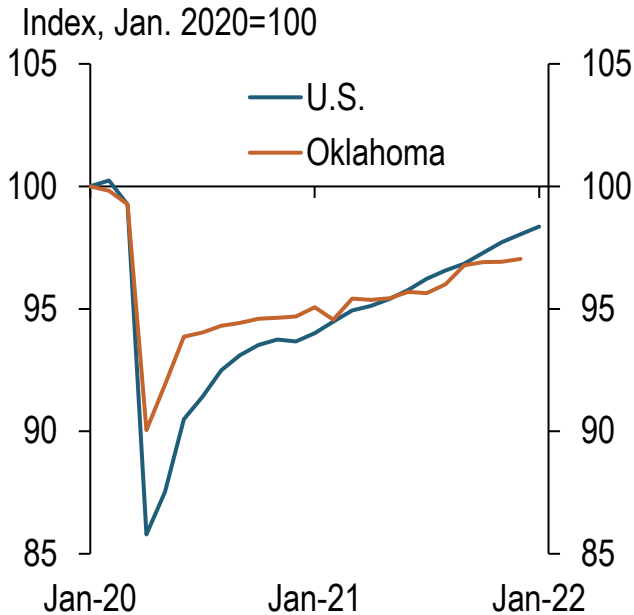


KC Fed Services Survey

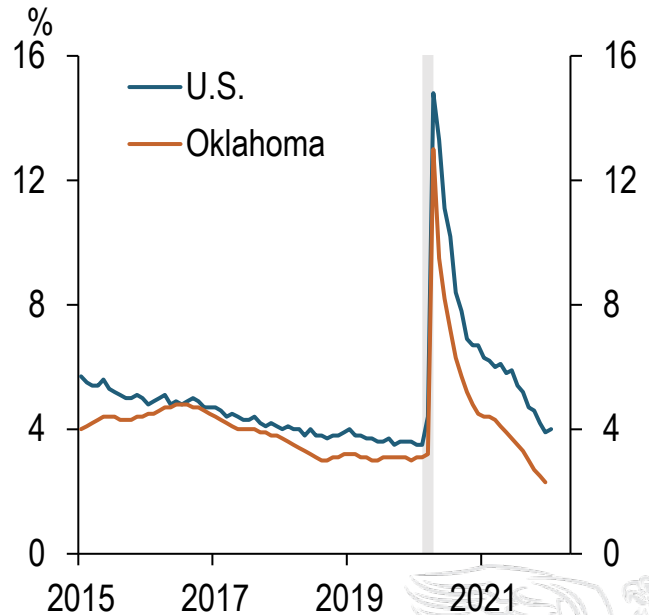


The number of jobs in Oklahoma is still down, despite record low unemployment

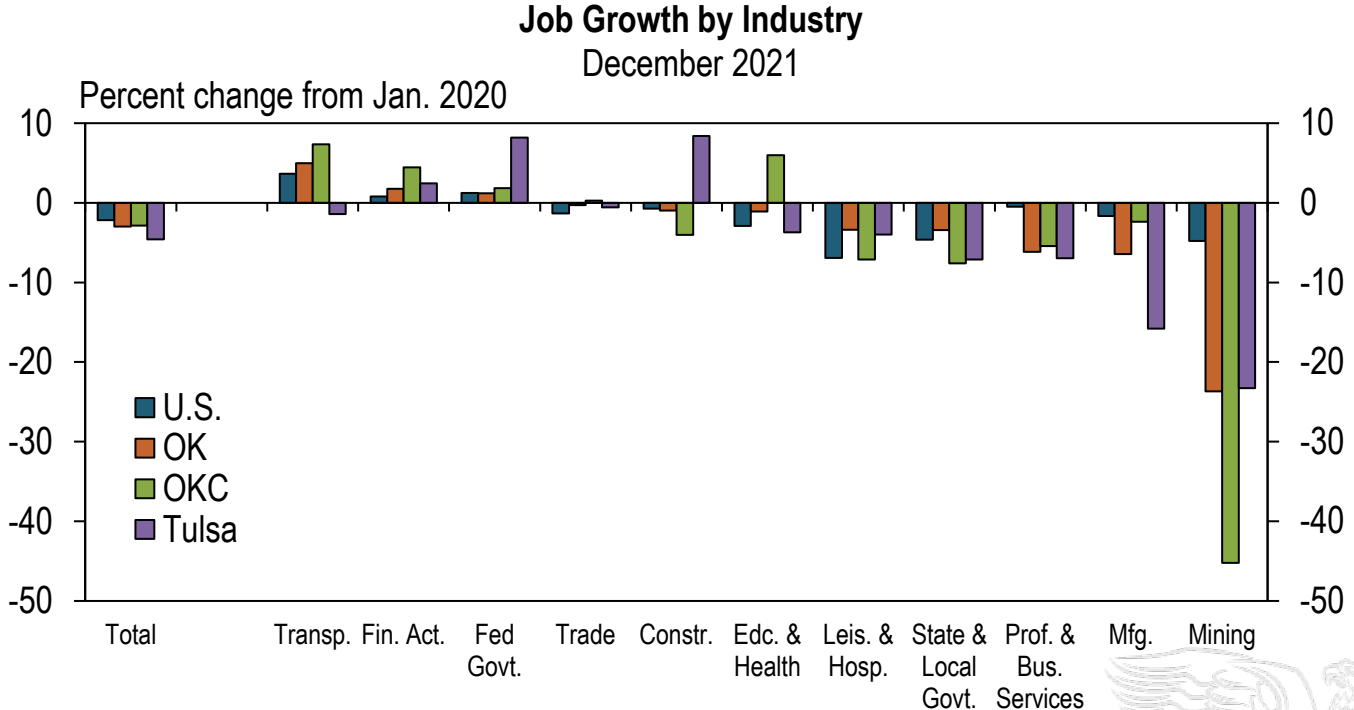
Non-Farm Payroll Employment



Unemployment Rate

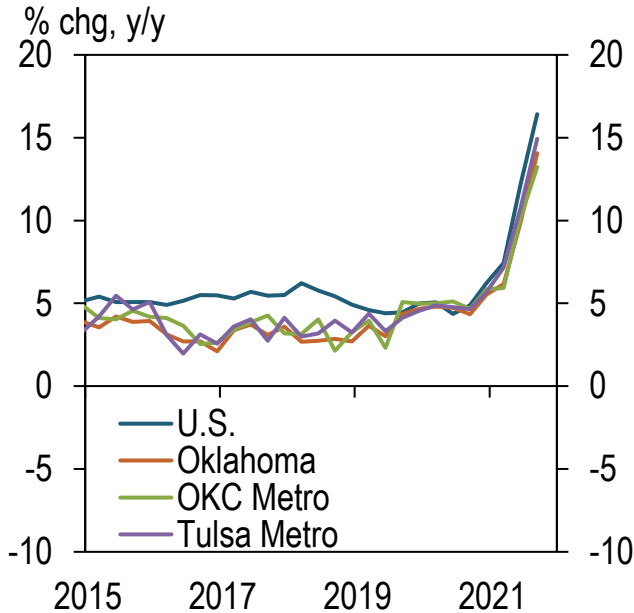


Energy jobs in Oklahoma are still down the most, by far, especially in OKC, while manufacturing lags in Tulsa

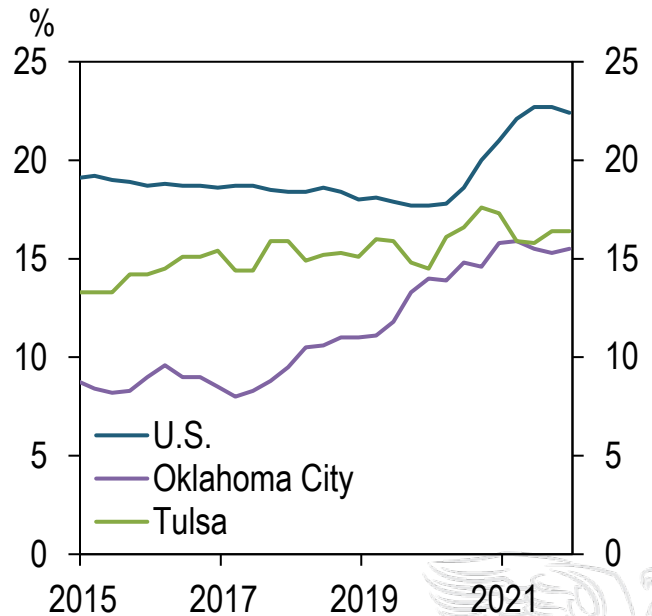


Home prices have continued to increase, while office vacancy remained steady in Oklahoma metros in 2021

FHFA Housing Price Indexes

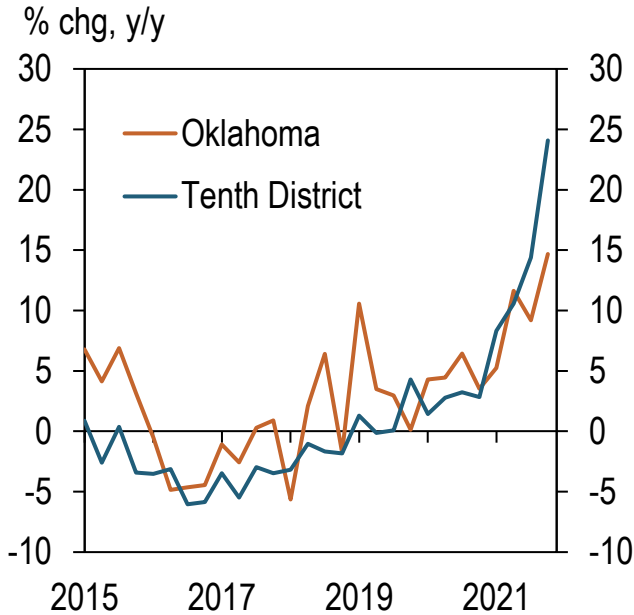


Office Vacancy Rates

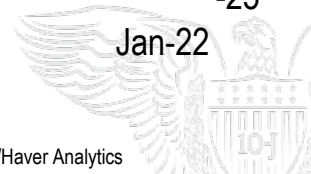
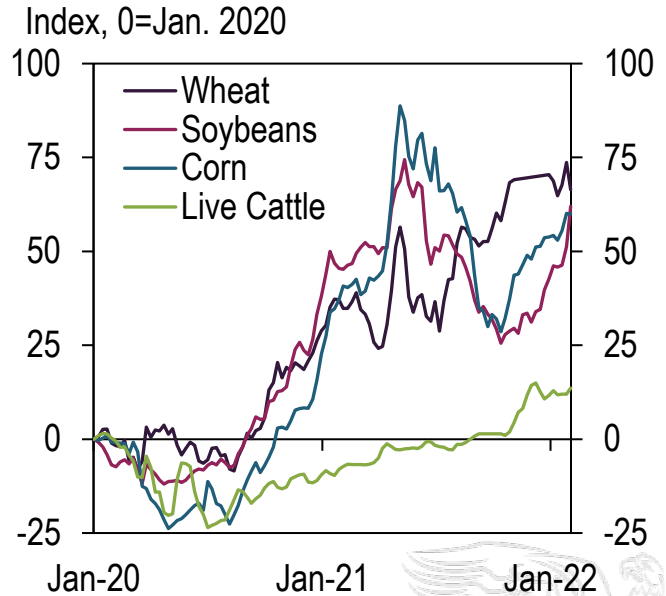


Farm real estate in Oklahoma has been strong but has grown slightly slower than the rest of the District

Nonirrigated Cropland Values

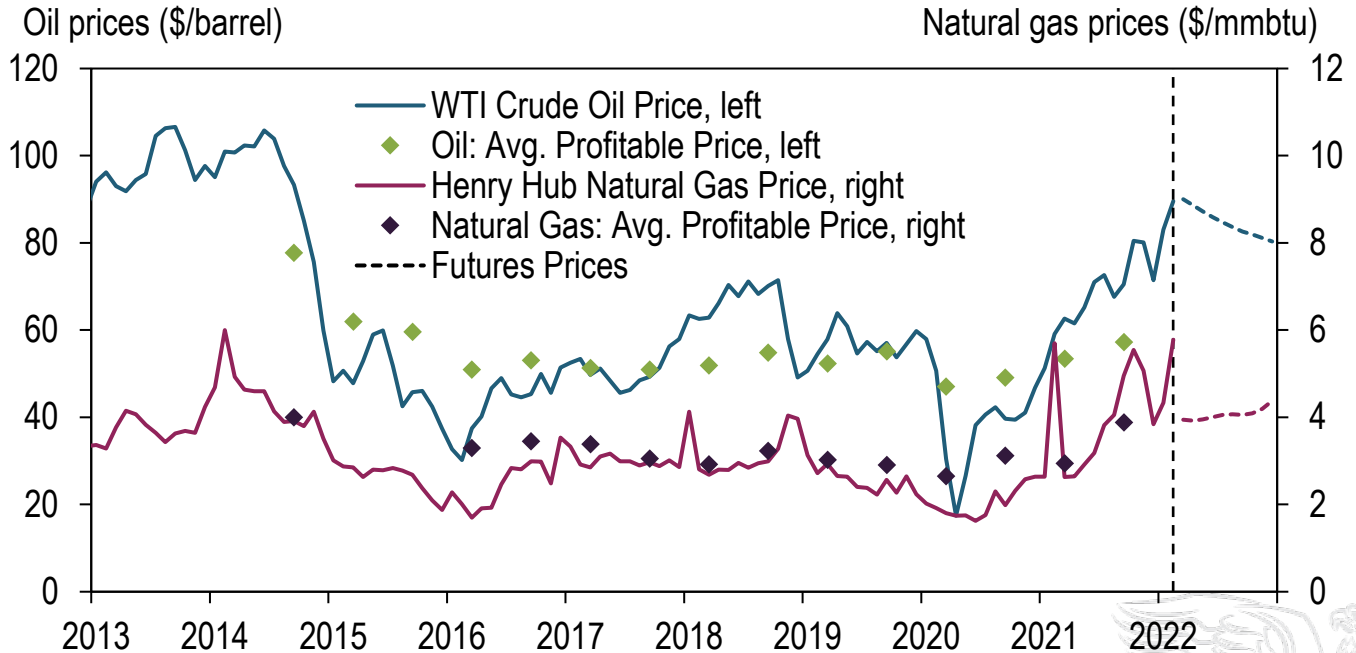


Commodity Prices



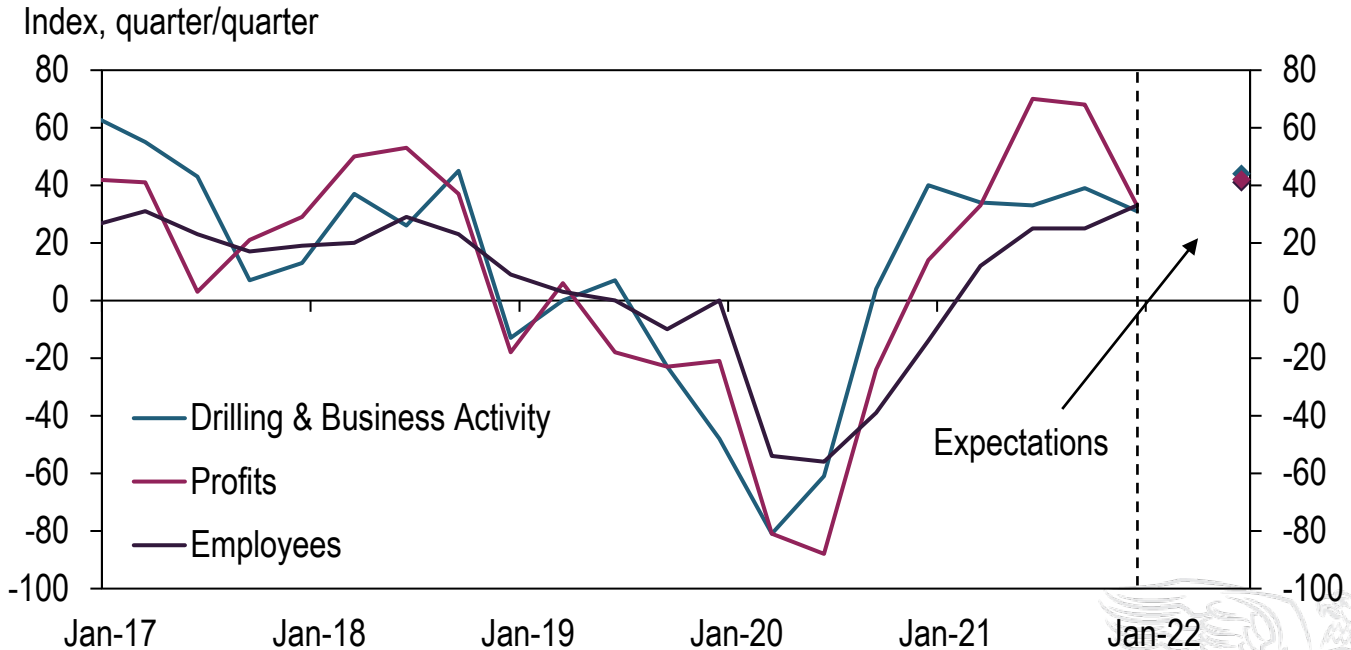
Oil and natural gas prices have risen considerably, and remain profitable for most regional firms

Energy Prices



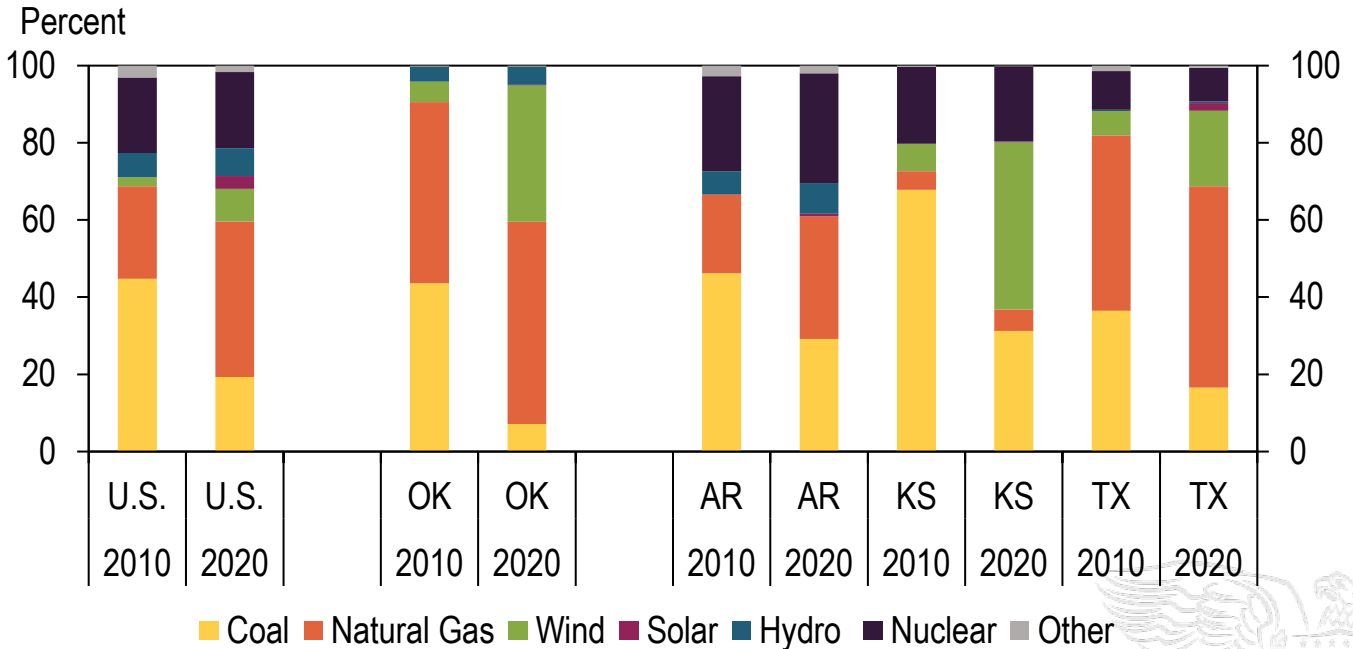
Regional energy activity continued to increase through early January, with a solid outlook for future growth

Energy Survey Indexes



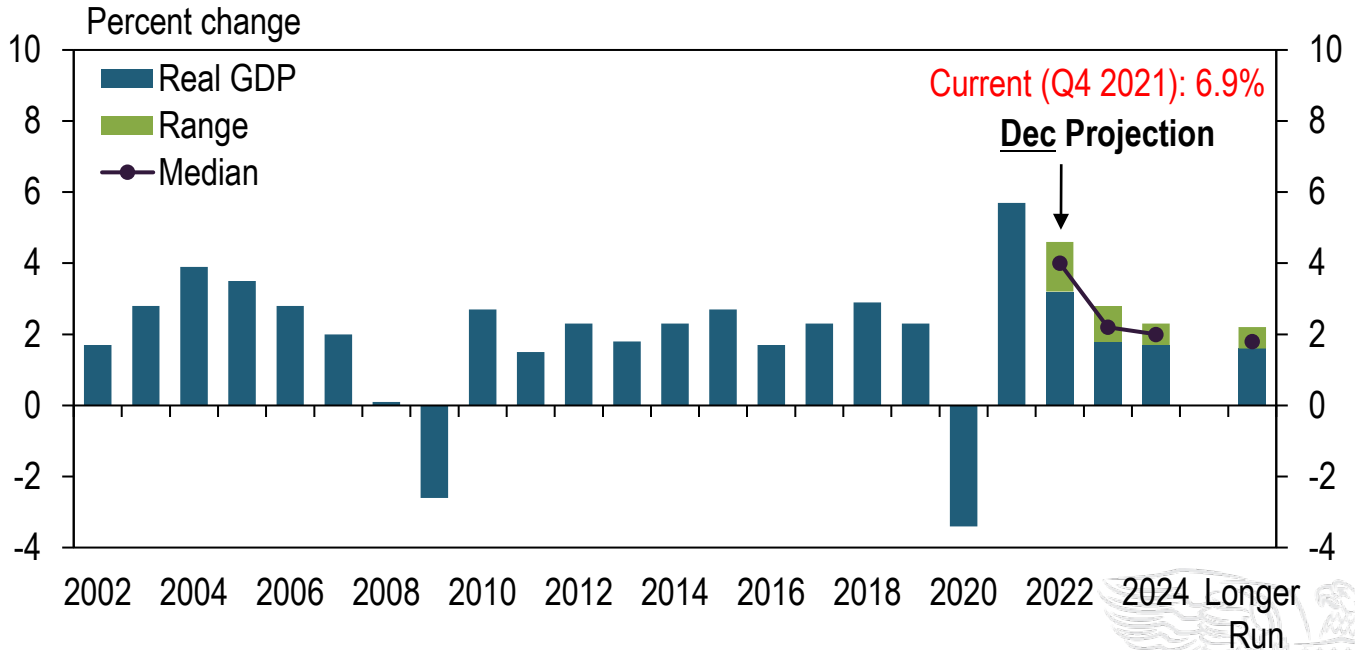
Renewable energy has grown as a share of total electricity generation for OK and surrounding states

Share of Total Electricity Generation



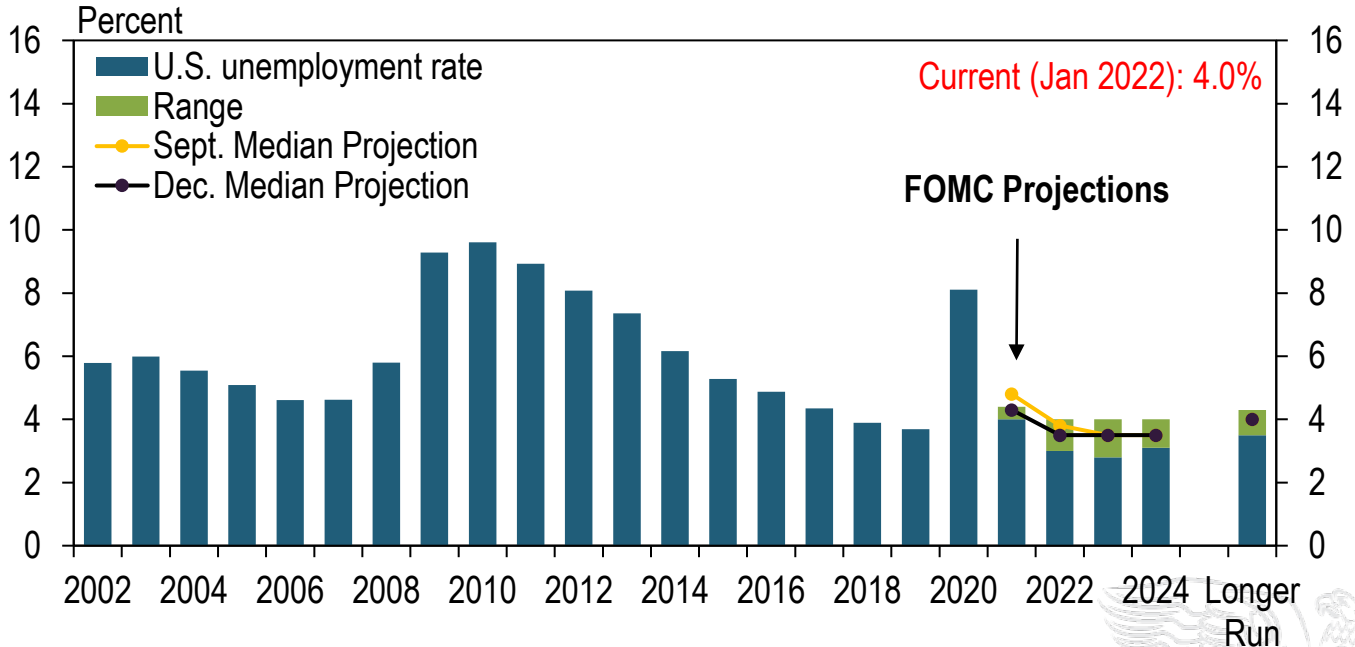
GDP recovered strongly in 2021, including in Q4, with more moderate growth expected in 2022

Change in Real GDP



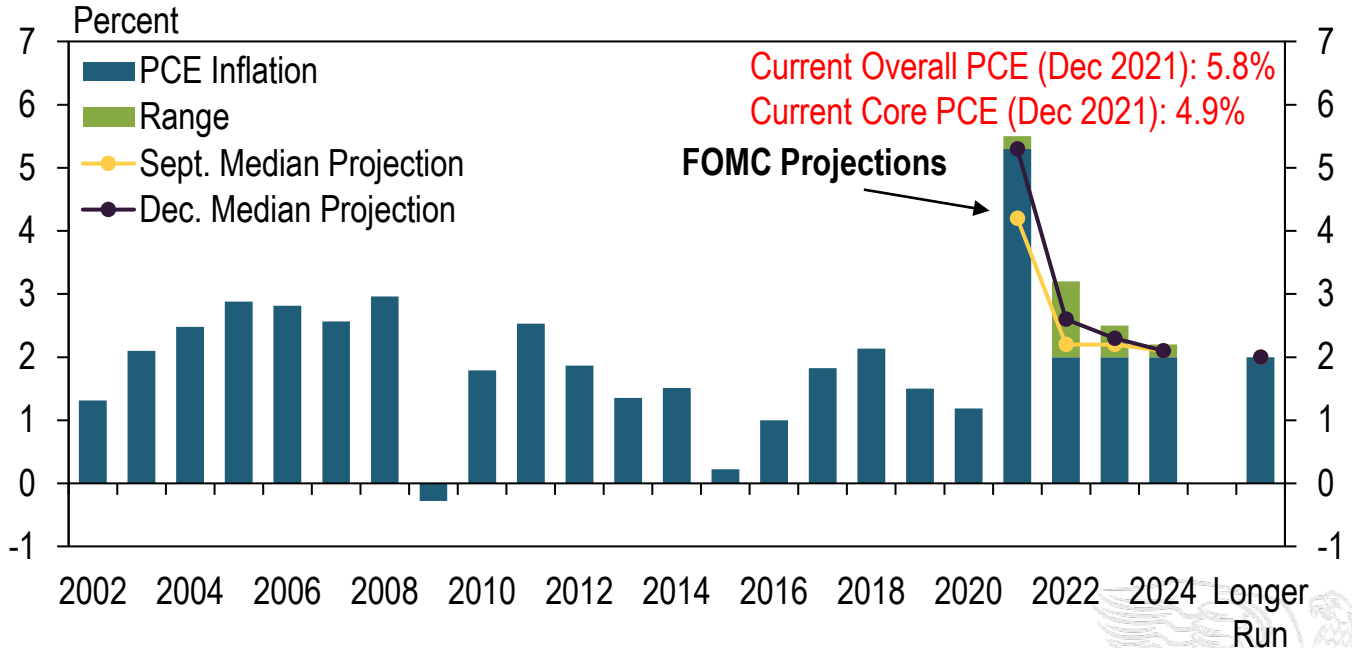
U.S. unemployment remains historically low and is projected to drop further

U.S. Unemployment Rate



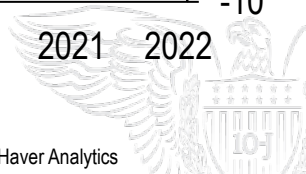
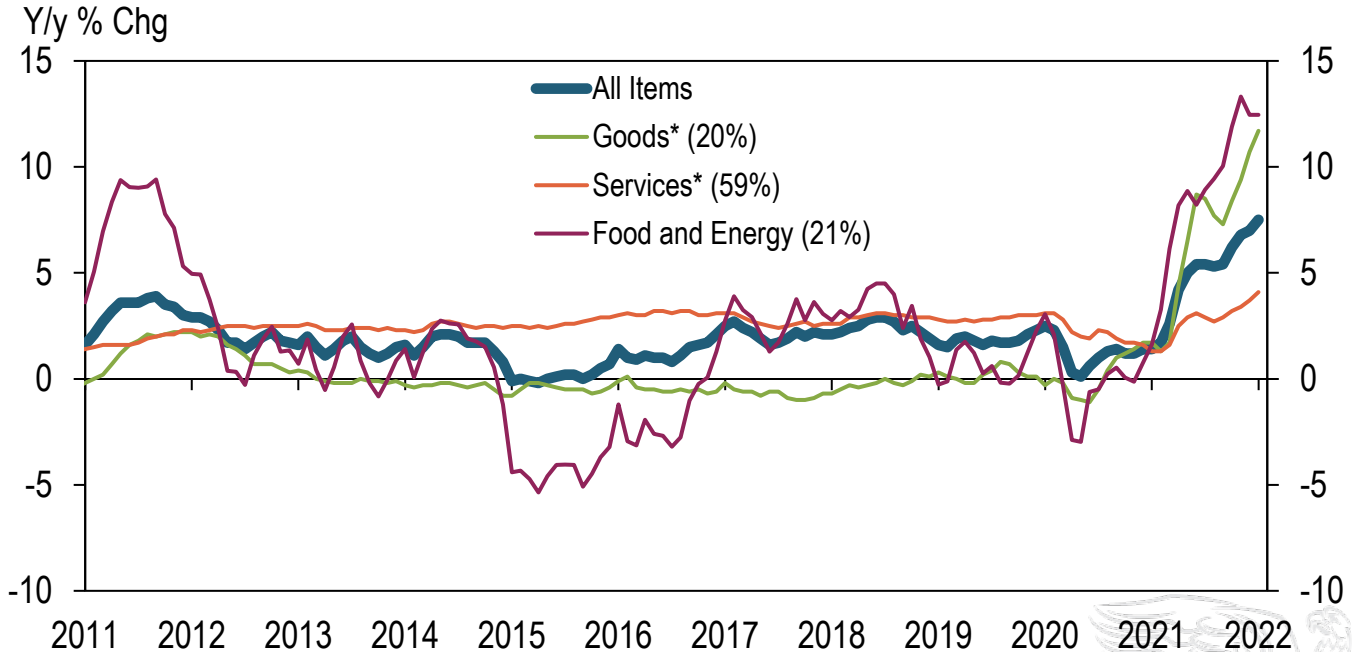
High inflation rates are expected to ease by year-end as pandemic related disruptions begin to improve

PCE Inflation Index



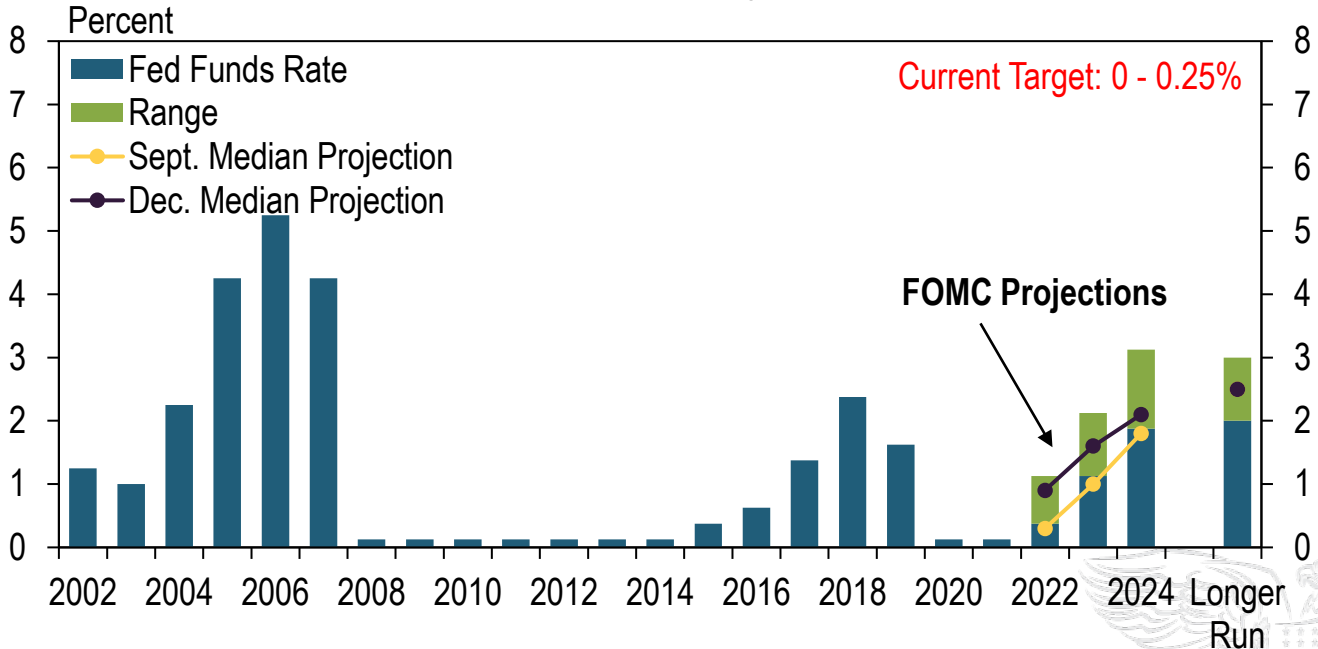
Most inflation pressure has been in goods, food and energy, but services prices are also rising

Consumer Price Index



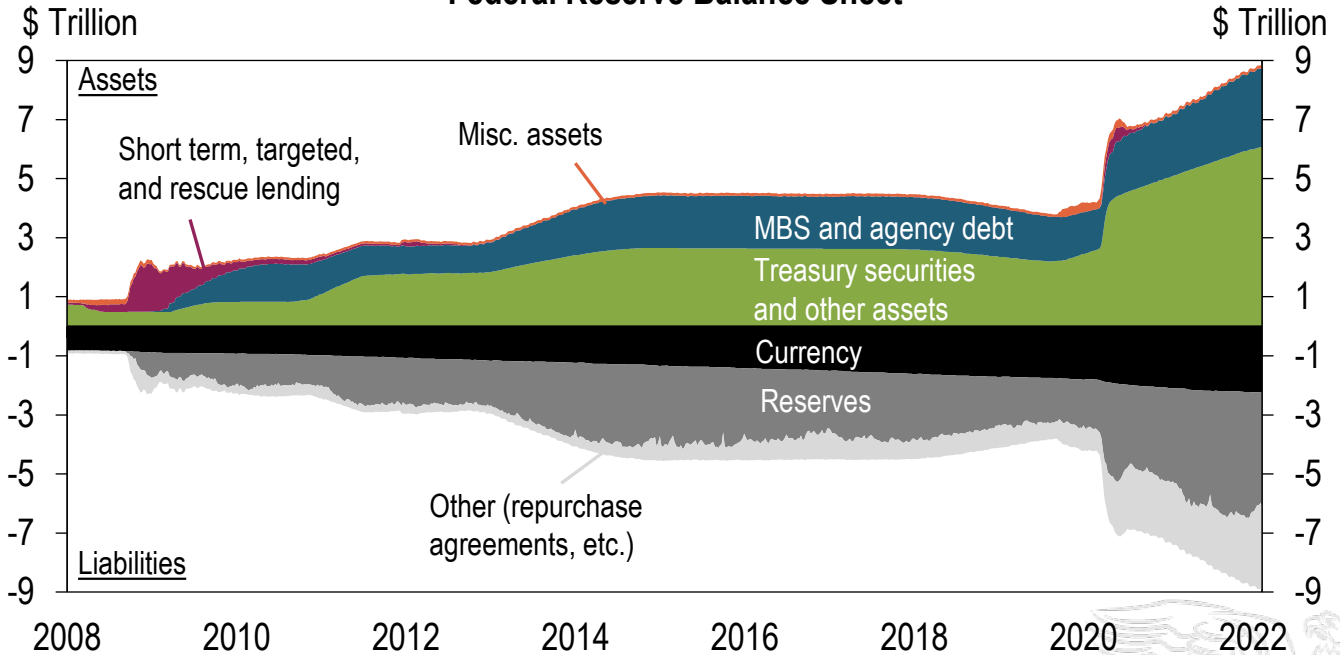
Several rate increases are now expected in 2022 and following years

Federal Funds Rate
Year-End Target



The Fed's asset purchases will also level off in coming months

Federal Reserve Balance Sheet



Summary

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Questions?

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