

U.S. and Oklahoma Economic Outlook

Logan County Economic Development Council

May 26, 2022

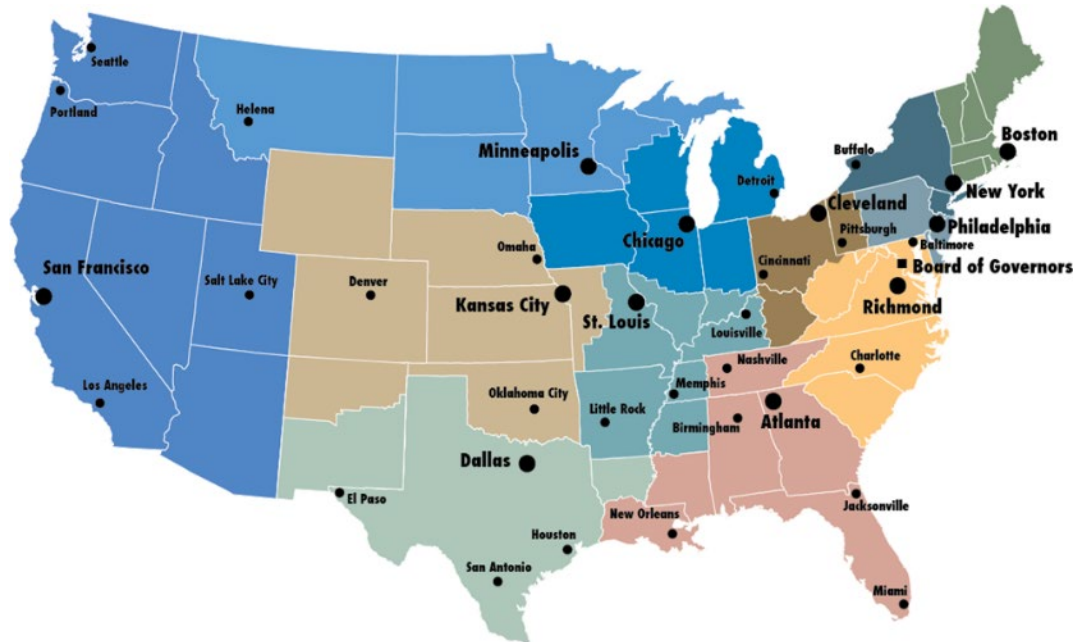
Chad Wilkerson

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**
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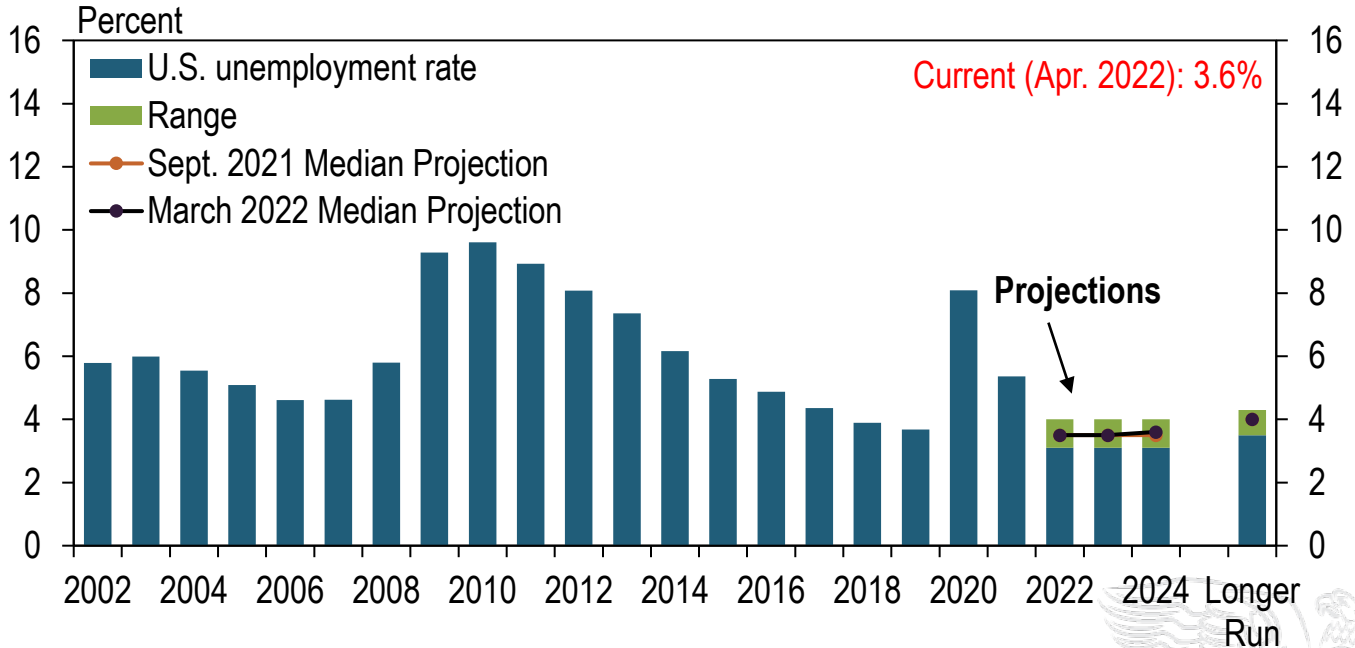
Overview

- The U.S. economy is solid, with strong demand in many sectors and low unemployment, but inflation is too high
- Several factors have boosted inflation over the past year, and several factors should help bring it back down
- Oklahoma's economy continues to recover, but jobs remain below pre-pandemic levels, especially in energy
- Oklahoma had record in-migration in 2021, helping offset record deaths and hopefully boosting the future workforce



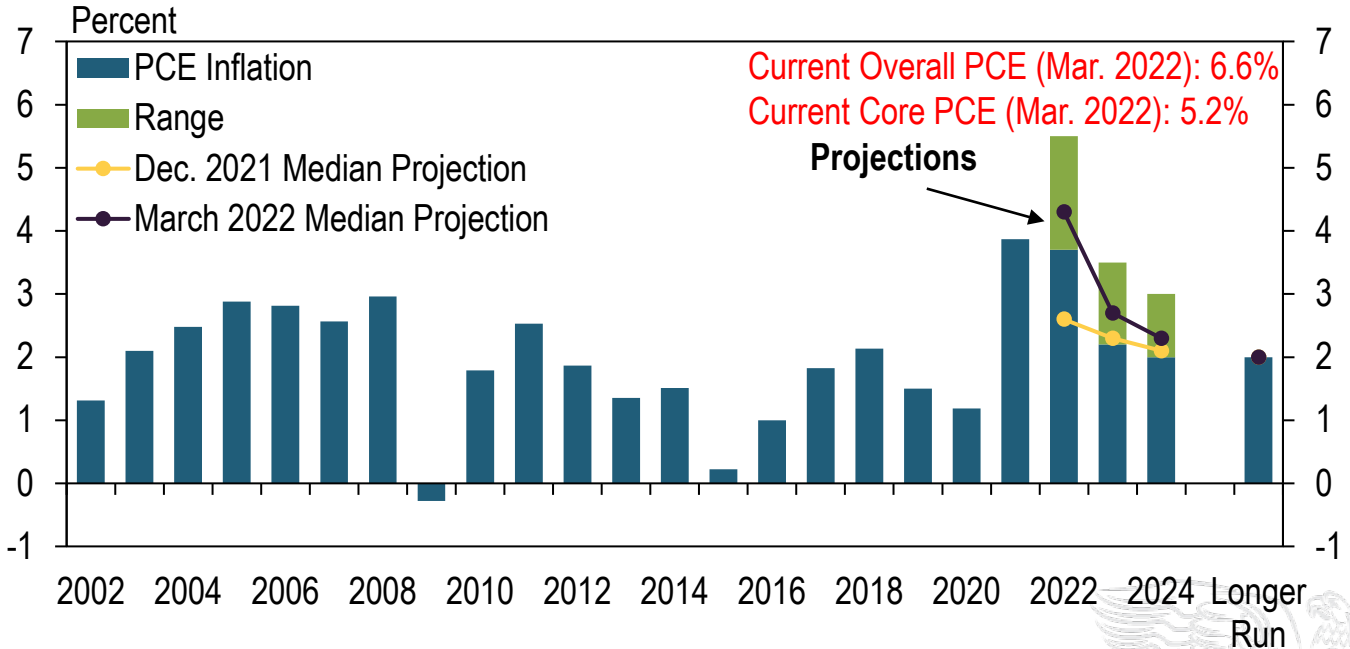
U.S. unemployment remains historically low and is projected to remain very low in coming years

U.S. Unemployment Rate



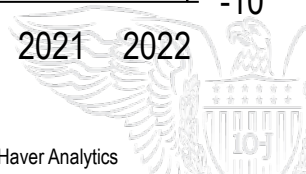
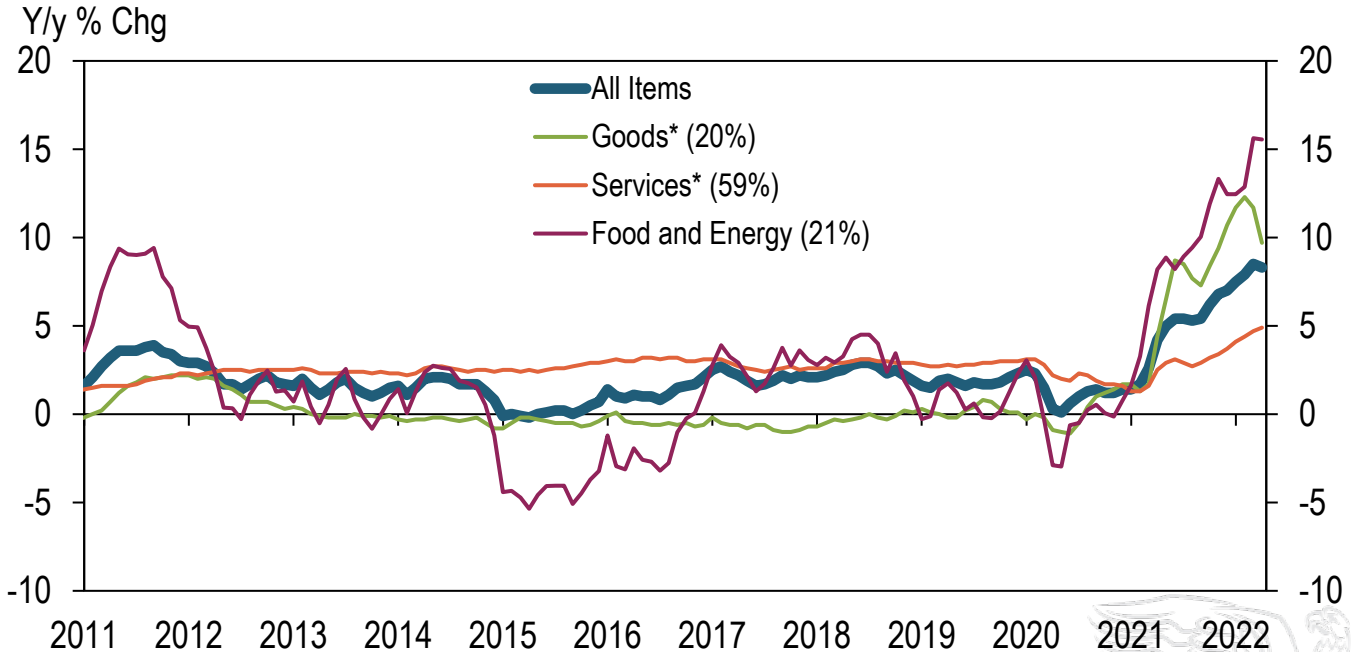
Inflation has moved well above the Fed's 2% target but is expected to ease heading forward

PCE Inflation Index



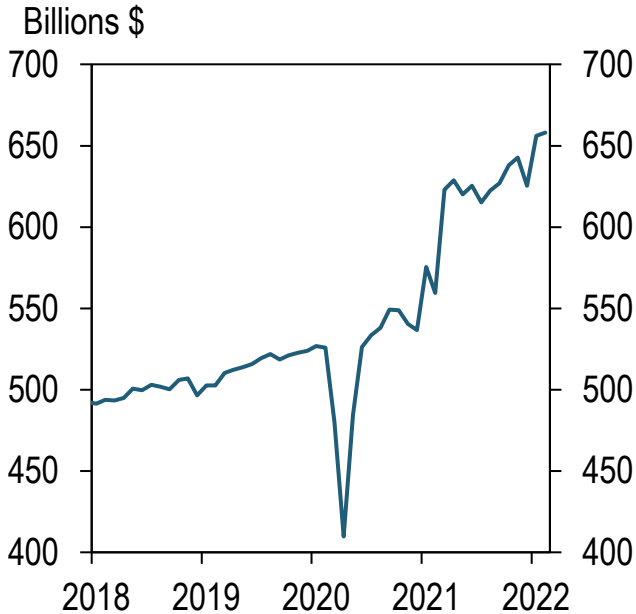
CPI inflation finally edged down in April, to 8.3%, but remains near a 40-year high

Consumer Price Index

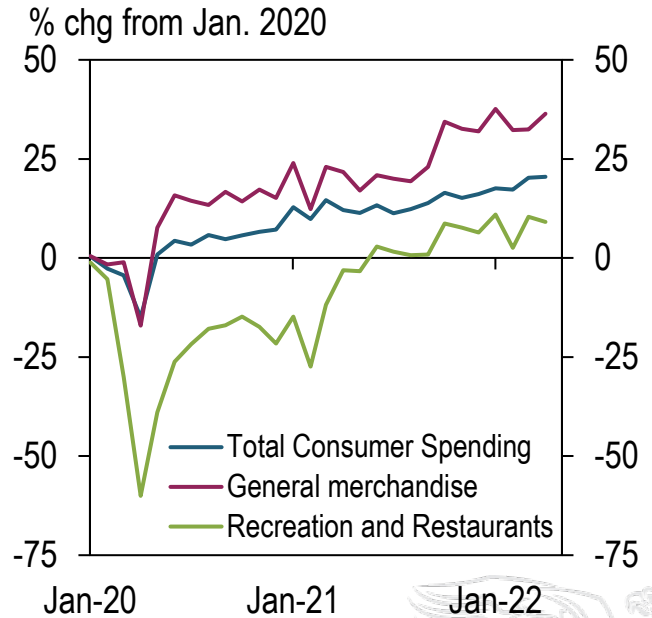


Why is inflation high? Demand has been strong

U.S. Retail Sales and Food Services

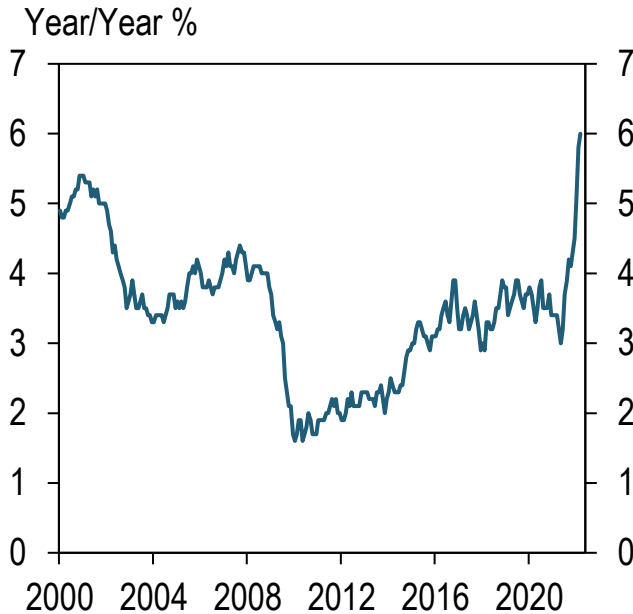


Oklahoma Consumer Spending

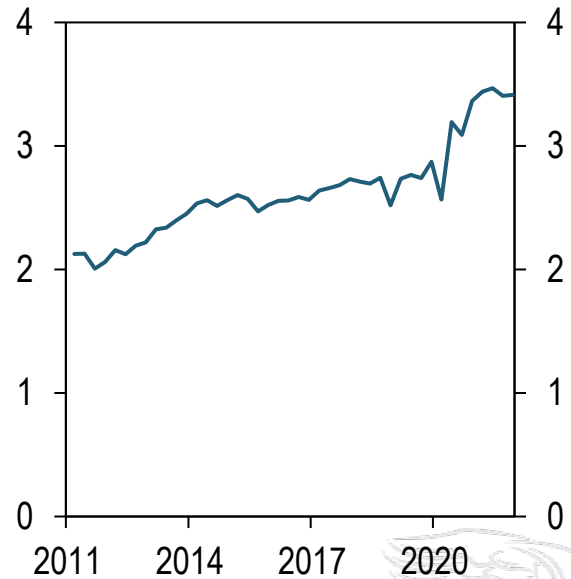


Demand has been supported by rising wages and healthy household balance sheets

U.S. Wage Growth

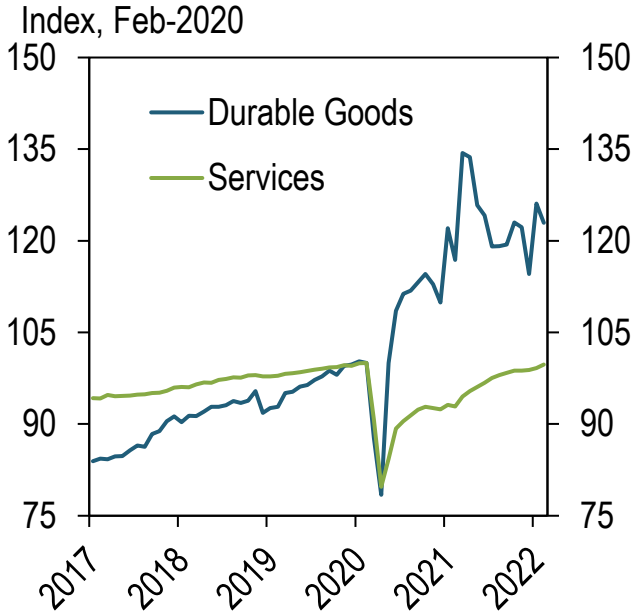


U.S. Household Net Worth/GDP

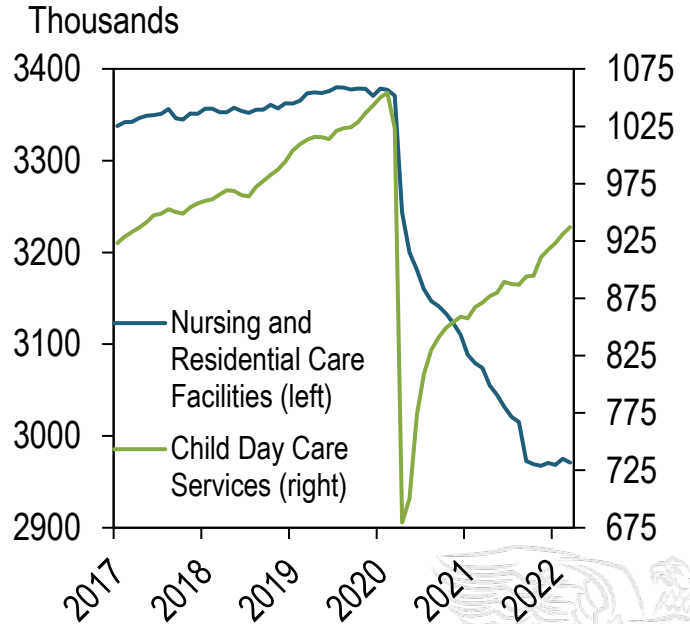


Why is inflation high? Supply is constrained by a shift in consumption and disruptions to labor supply

Consumption

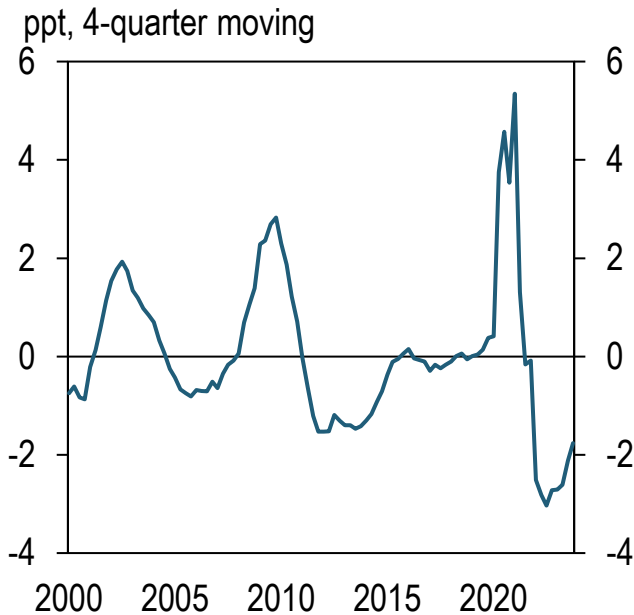


Employment

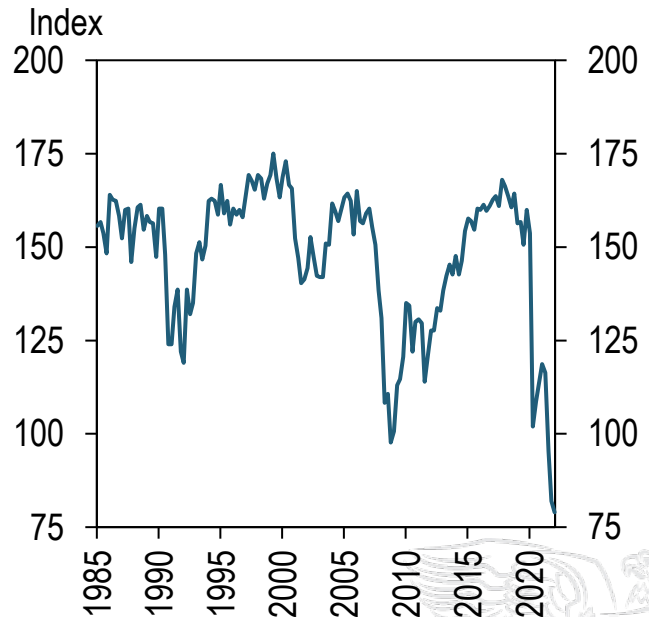


Where is inflation going? Demand easing as stimulus fades and consumers react to higher prices

Fiscal Policy Contribution to Real GDP Growth

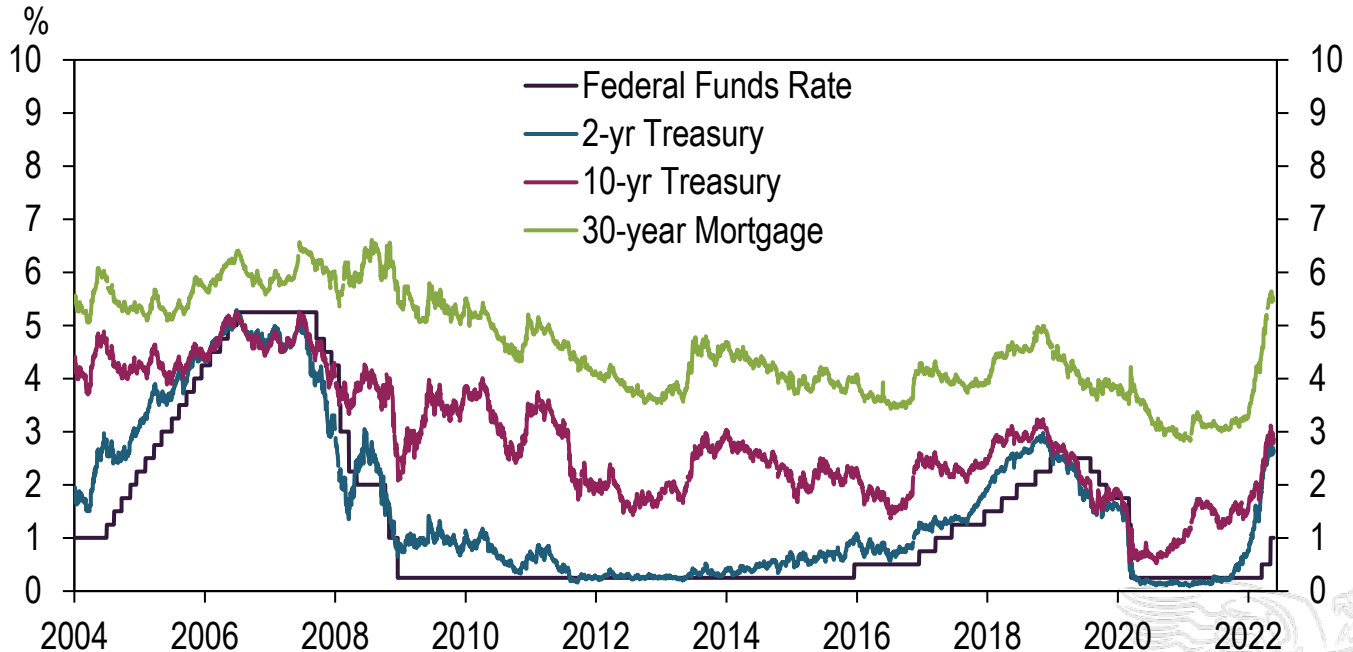


Buying Conditions for Large Household Goods



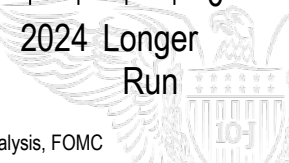
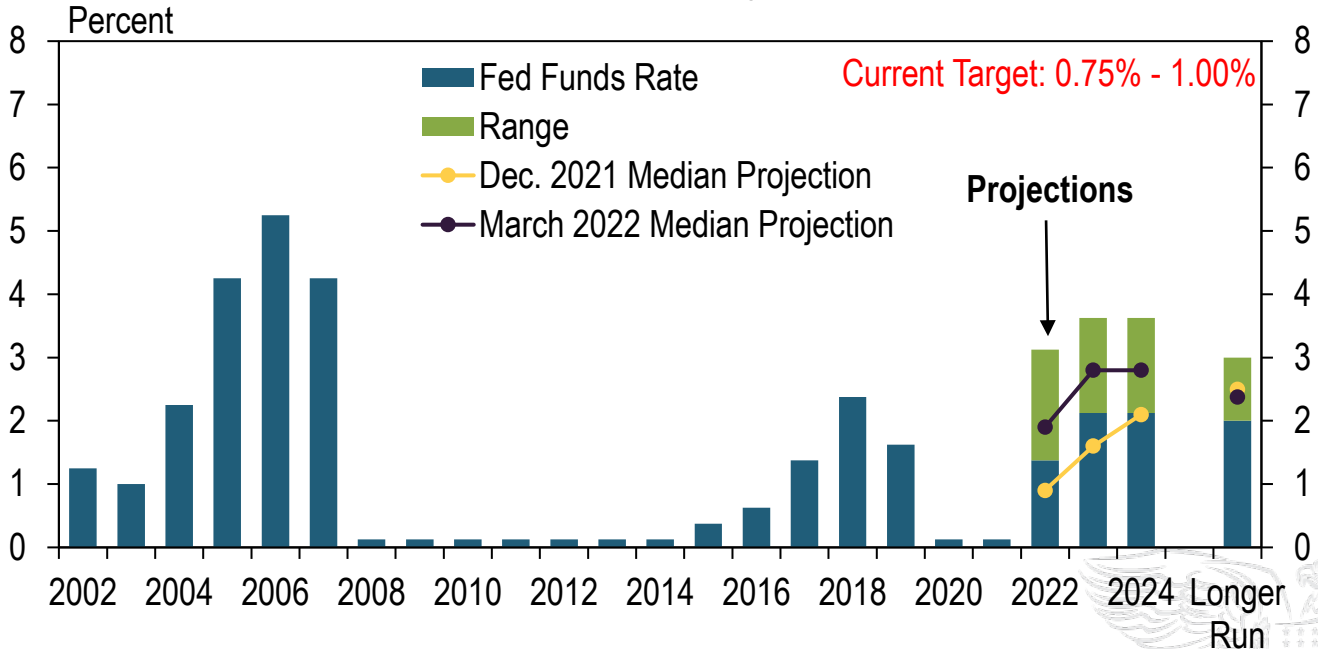
Interest rates have increased, and 30-year mortgage rates are at the highest levels since 2010

Interest Rates



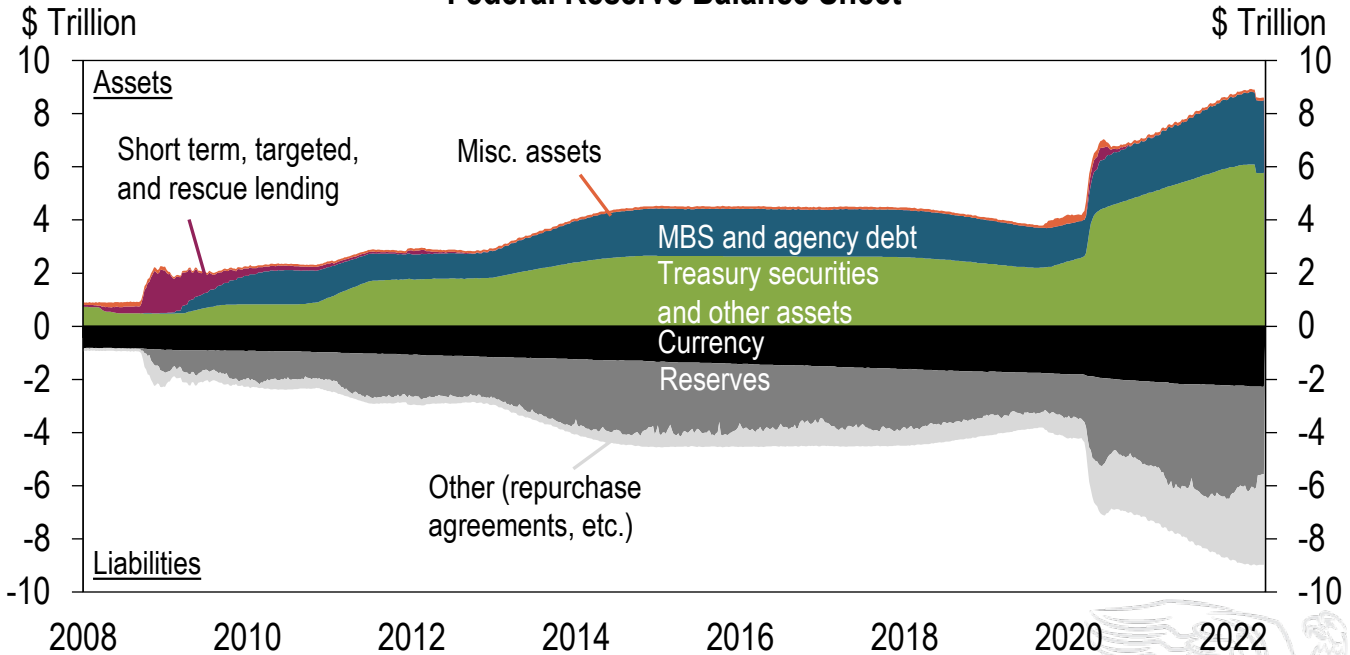
The Fed raised rates 50 bp in May, with more rate increases expected in 2022 and 2023

Federal Funds Rate
Year-End Target



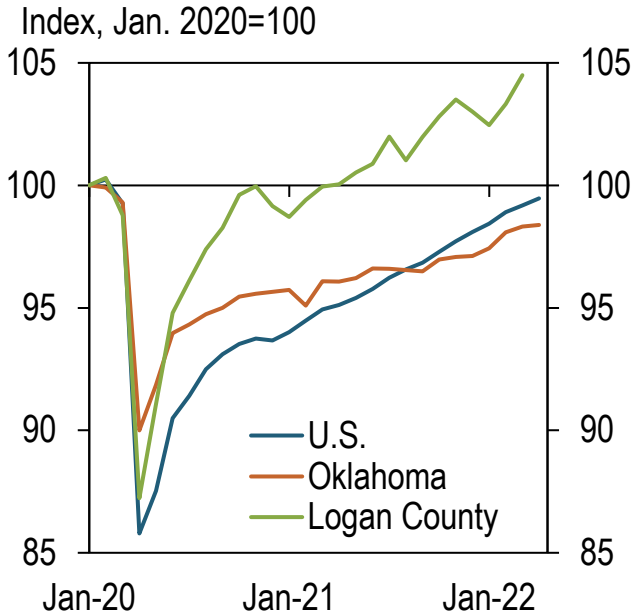
The Fed also plans to reduce its balance sheet more moving forward

Federal Reserve Balance Sheet

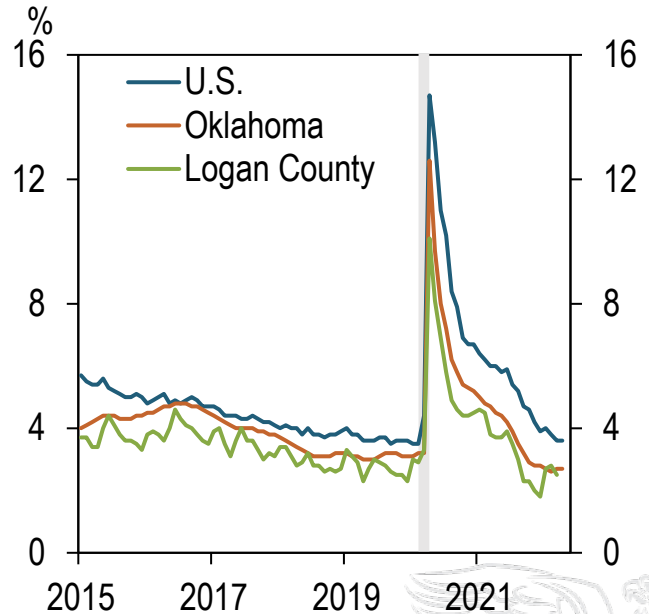


Oklahoma jobs are still below pre-COVID levels, but Logan County jobs have more than recovered

Non-Farm Payroll Employment

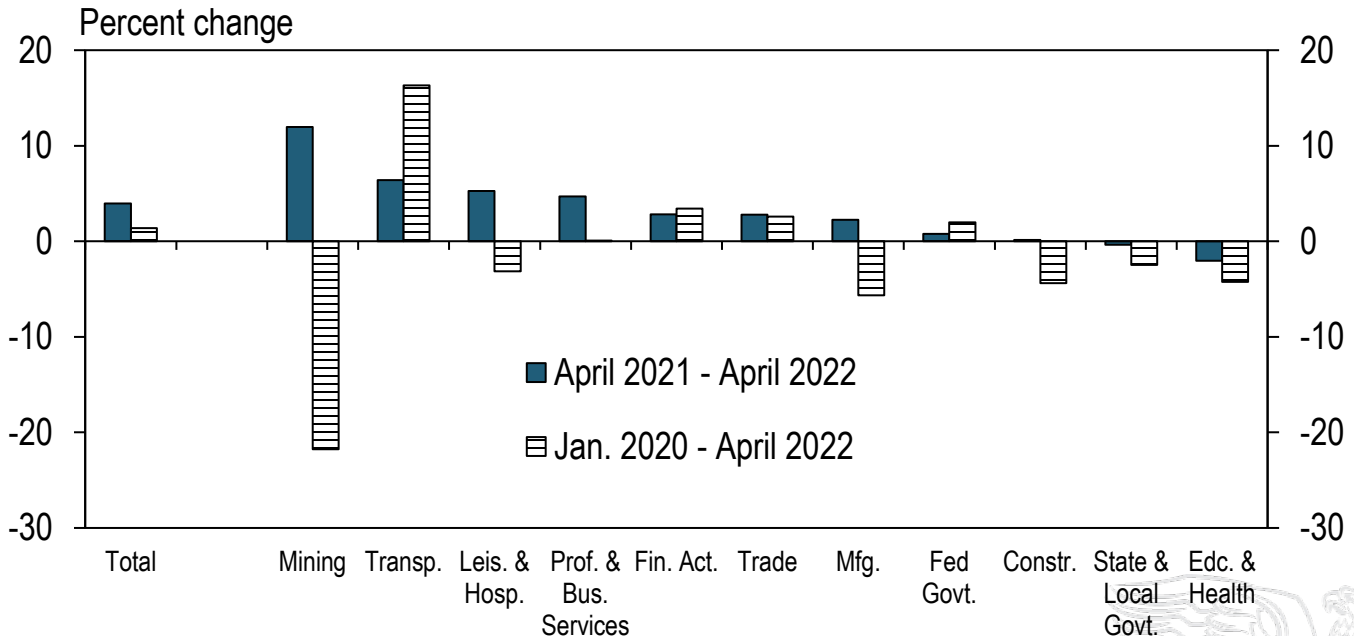


Unemployment Rate



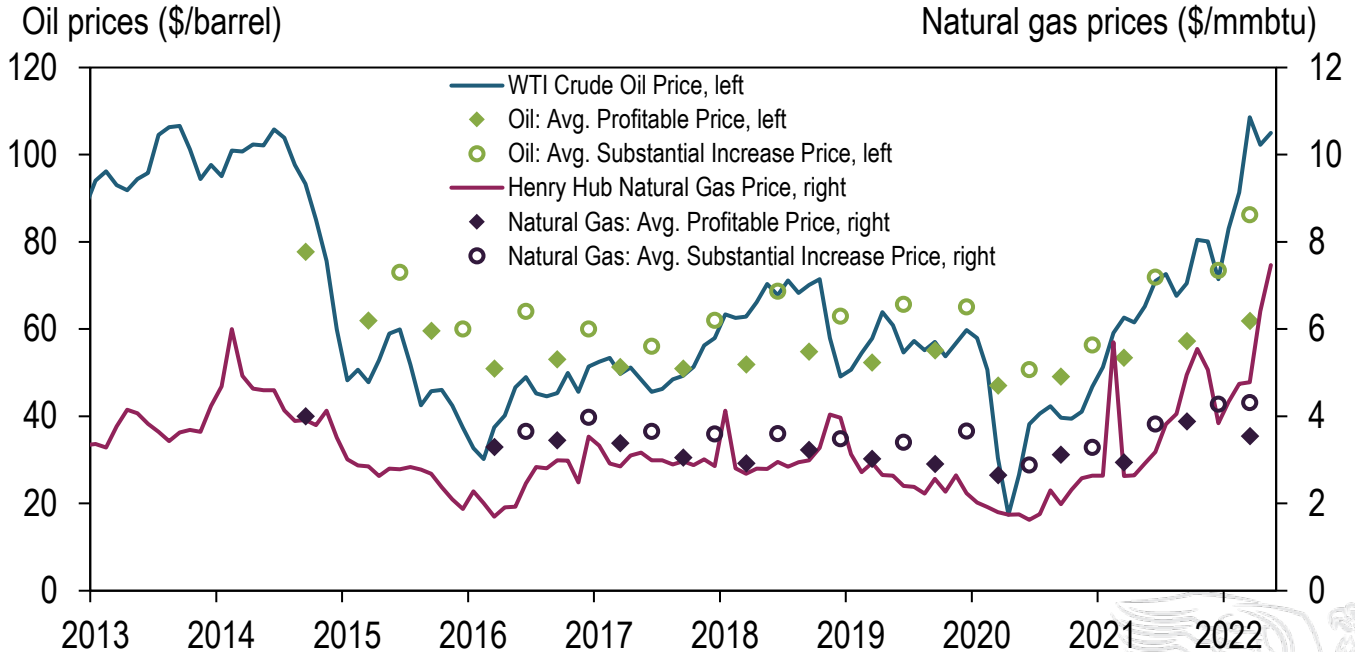
Energy and manufacturing jobs in Oklahoma are still down compared to pre-pandemic, but have grown

Oklahoma Job Growth by Industry



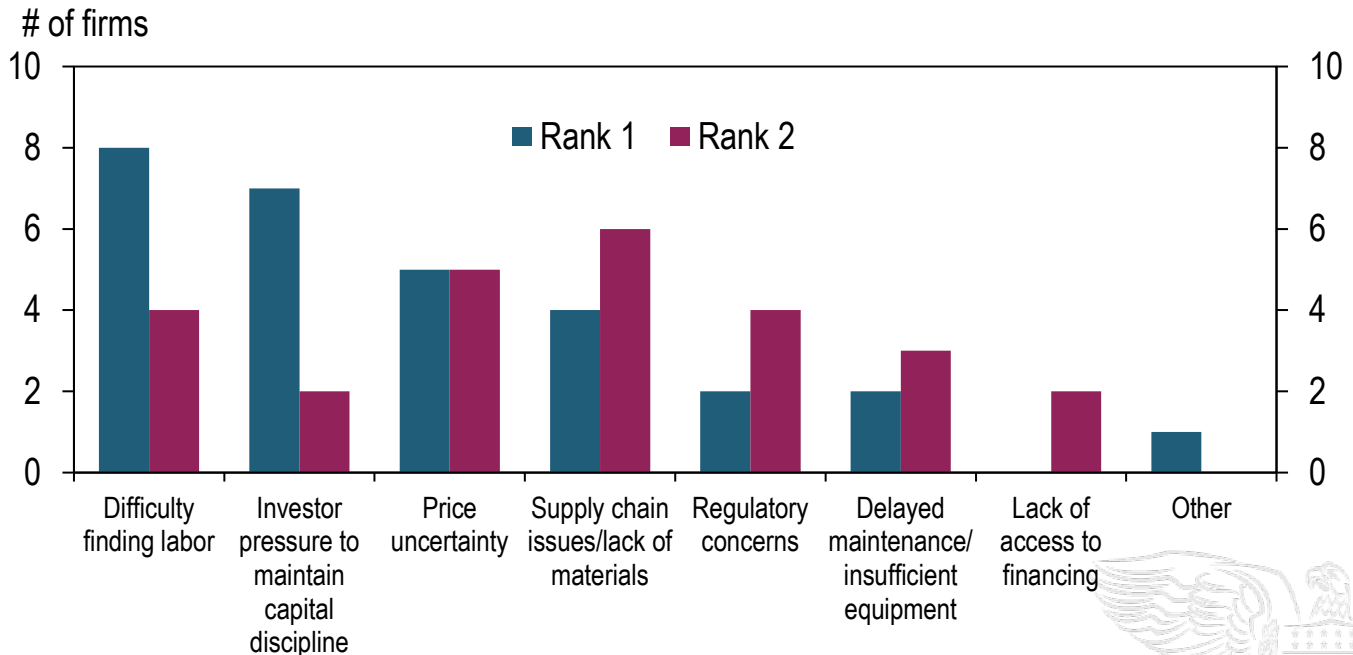
Oil and natural gas prices have risen considerably, and remain highly profitable for most regional firms

Energy Prices



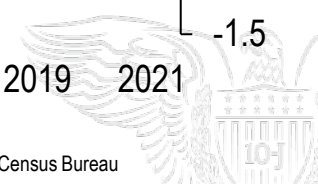
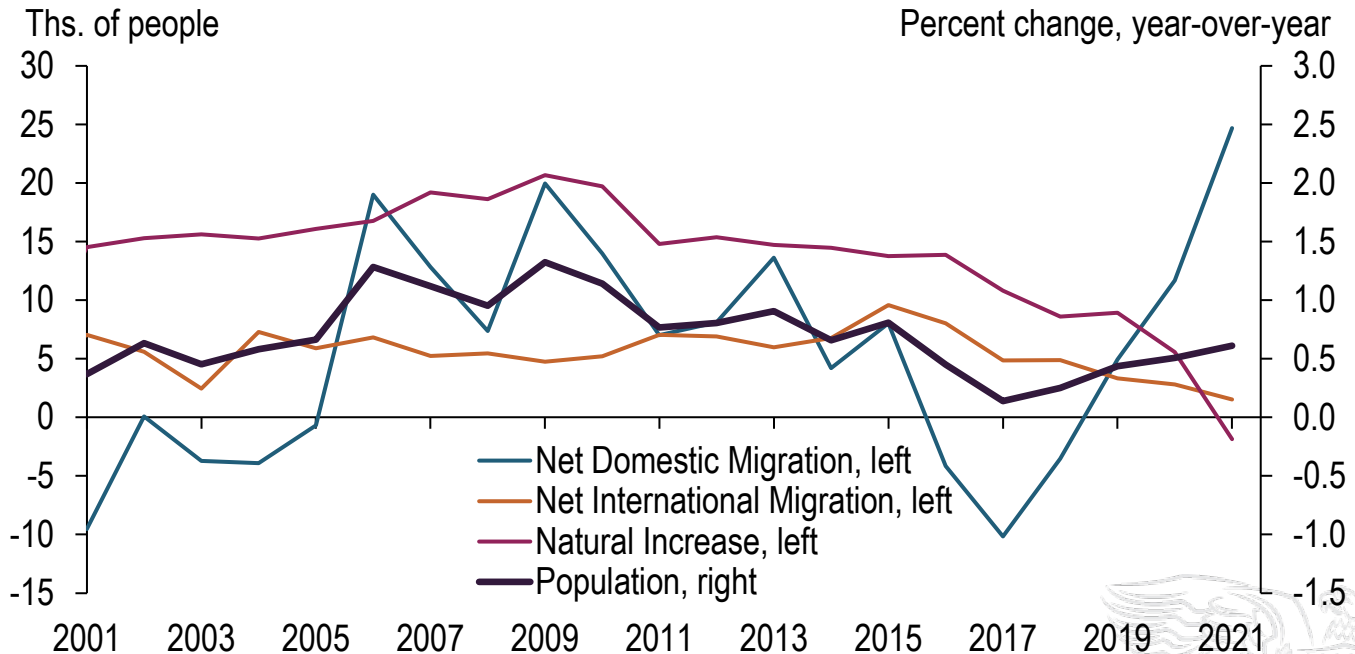
But regional energy production is restrained by labor and more fiscal discipline for public companies

Q1 2022 Energy Survey Special Question: “Which of the following are the top reasons restraining growth for your firm despite high oil prices? (rank)”



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

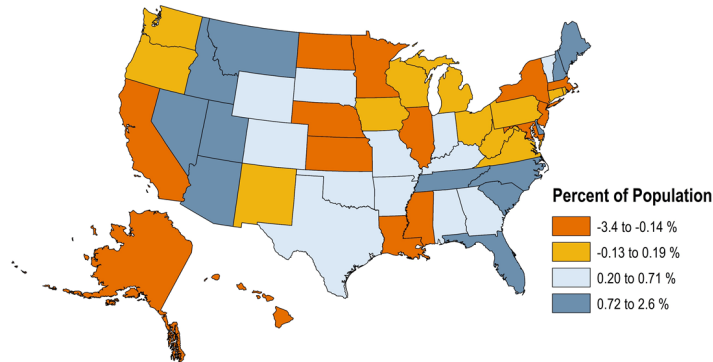
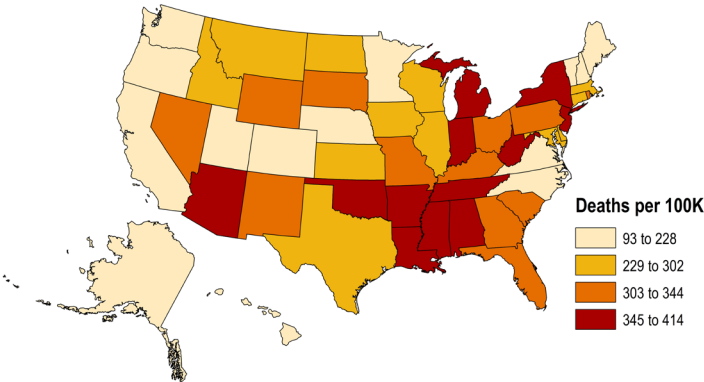
Oklahoma Population Changes by Component, 2001-2021



Oklahoma ranked highly in both COVID deaths per capita and net domestic in-migration in 2020 and 2021

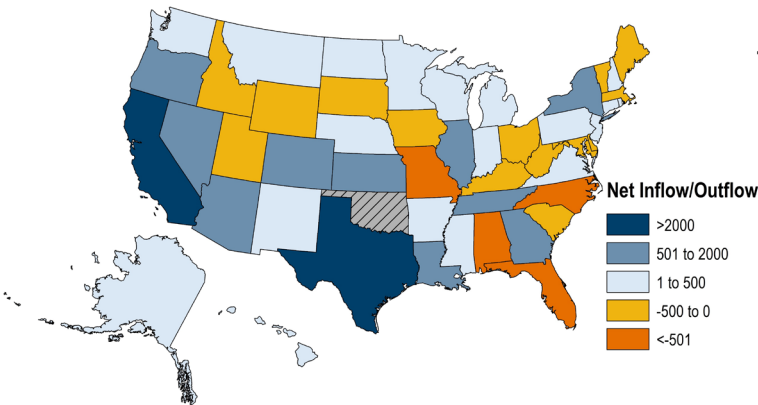
COVID-19 Death Rate
Jan. 2020 - March 2022

Net Domestic Migration
2020 - 2021

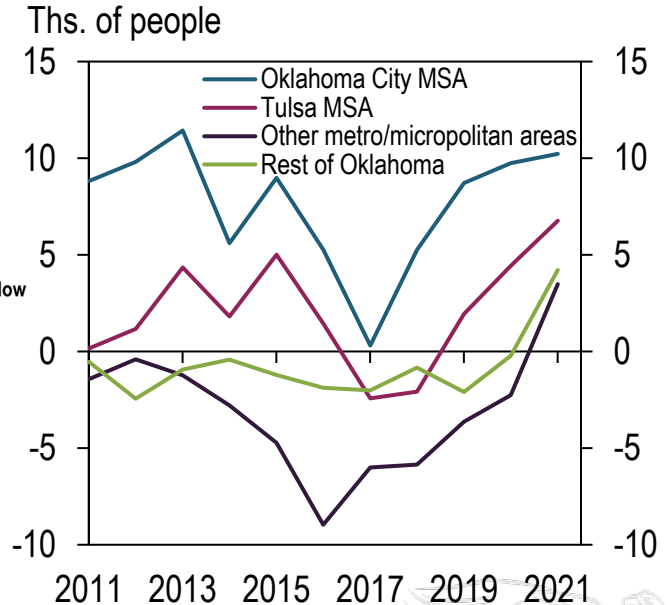


Many people moved to OK from CA and TX, mostly to the metros but some other parts of the state, too

Net Domestic Migration to Oklahoma
2020 and 2021

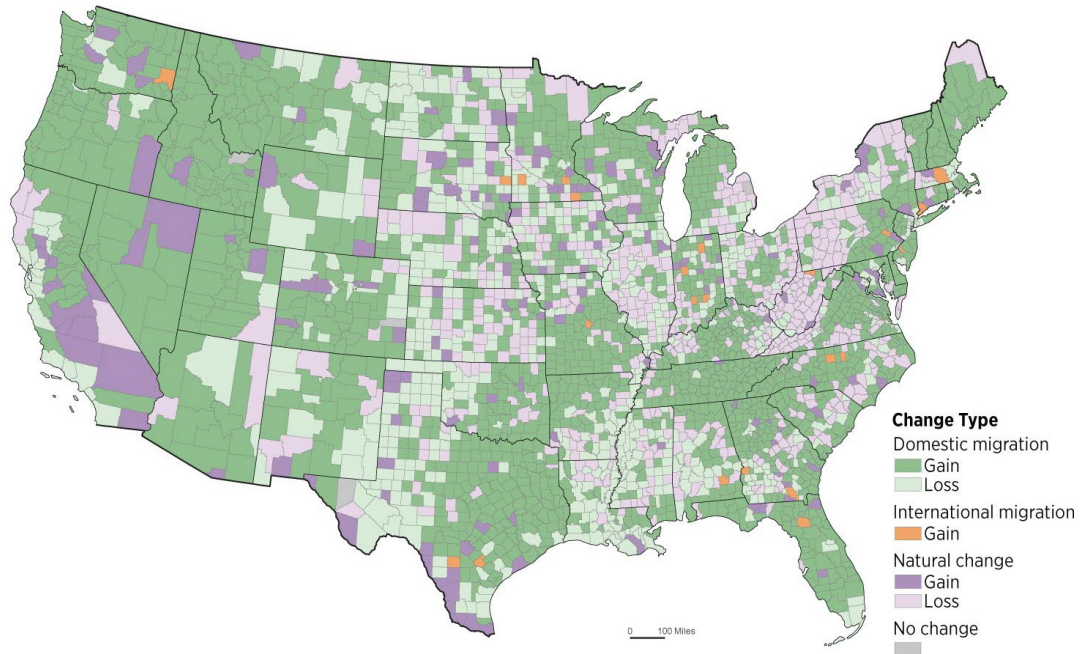


Oklahoma Net Domestic Migration



Domestic migration trends shifted greatly across the U.S. during 2020 and 2021, and positively for Logan Co.

Population Gain or Loss and Major Component of Change: 2020-21



Summary

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Questions?

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