

U.S. and Oklahoma Economic Outlook

Economic Affairs Breakfast Group

October 20, 2022

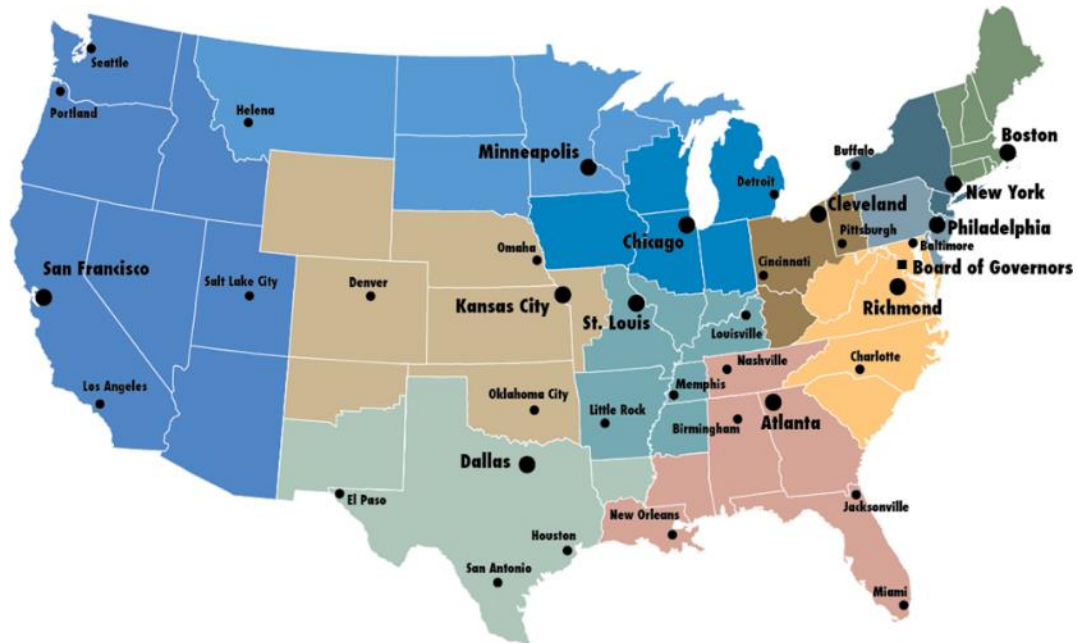
Chad Wilkerson

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 Branch Board of Directors

- **Katrina Washington (chair)**, Owner/Broker, Stratos Realty, OKC
- **Walt Duncan**, President, Duncan Oil Properties, OKC
- **Rhonda Hooper**, President & CEO, Jordan Advertising, OKC
- **Susan Plumb**, Chair & CEO, Bank of Cherokee Co., Tahlequah
- **Brady Sidwell**, Principal, Sidwell Strategies, Enid
- **Chris Turner**, COO, First National Bank, Shawnee/OKC
- **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



Oklahomans are also well represented on broader Tenth Fed District Boards and Councils

- **Kansas City Head Office Board:**
 - **Doug Stussi**, Executive Advisor, Love Family of Companies, Oklahoma City
- **Federal Advisory Council (FAC):**
 - **Jill Castilla**, CEO, Citizens Bank, Edmond
- **Economic Advisory Council (EAC):**
 - **Clay Gaspar**, COO, Devon Energy, Oklahoma City
 - **Peggy Simmons**, President, Public Services Company of Oklahoma, Tulsa
- **Community Depository Inst. Advisory Council (CDIAC):**
 - **Mark Burrage**, CEO, FirstBank, Antlers
 - **Alicia Wade**, President, Valliance Bank, Oklahoma City
- **Community Development Advisory Council (CDAC):**
 - **Raúl Font**, President, Latino Community Development Agency, Oklahoma City
 - **Cindy Logsdon**, CEO, Citizen Potawatomi Community Development Corporation, Shawnee



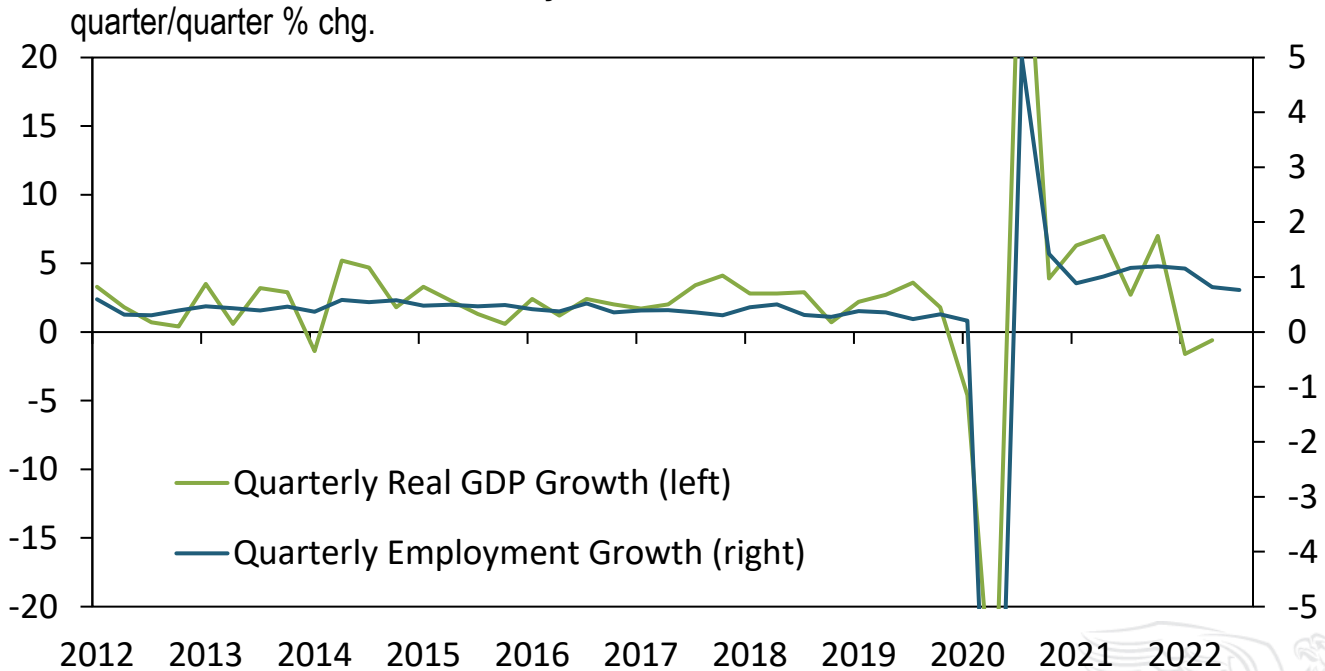
Overview

- 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 has been modestly negative for 2 quarters, while job growth remains well above pre-COVID pace

Quarterly U.S. Economic Growth

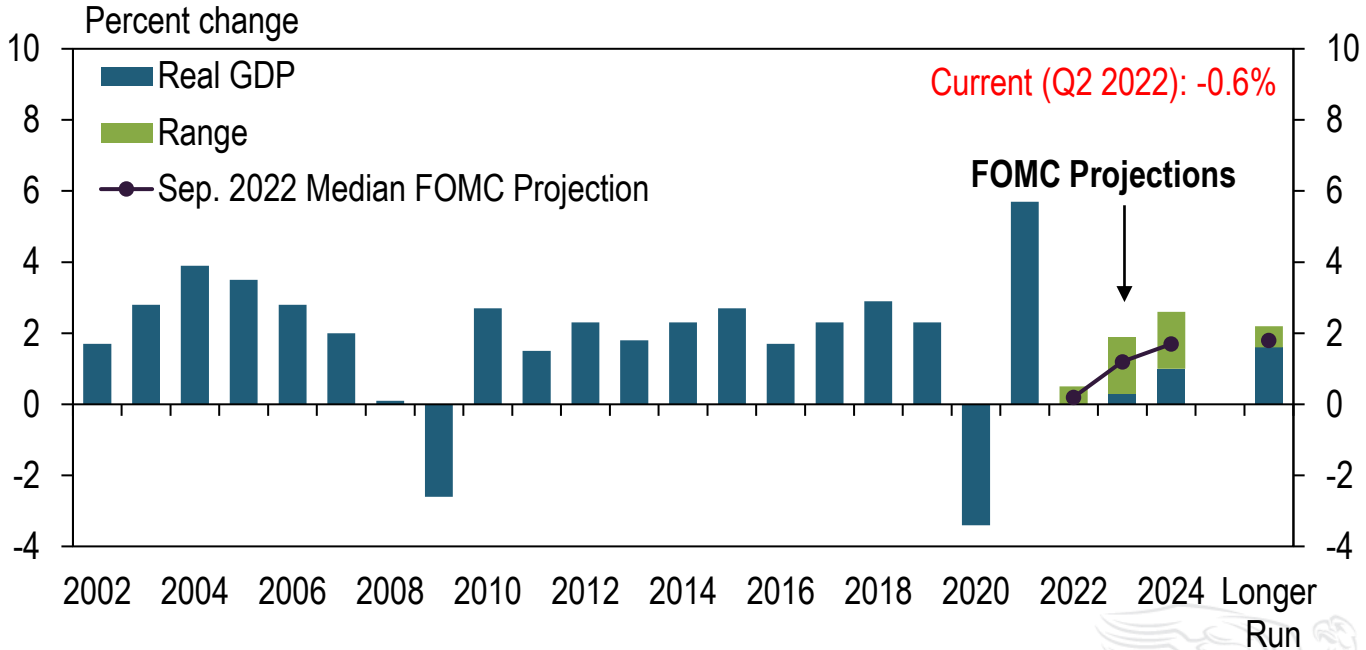


Sources: BEA, BLS/Haver Analytics



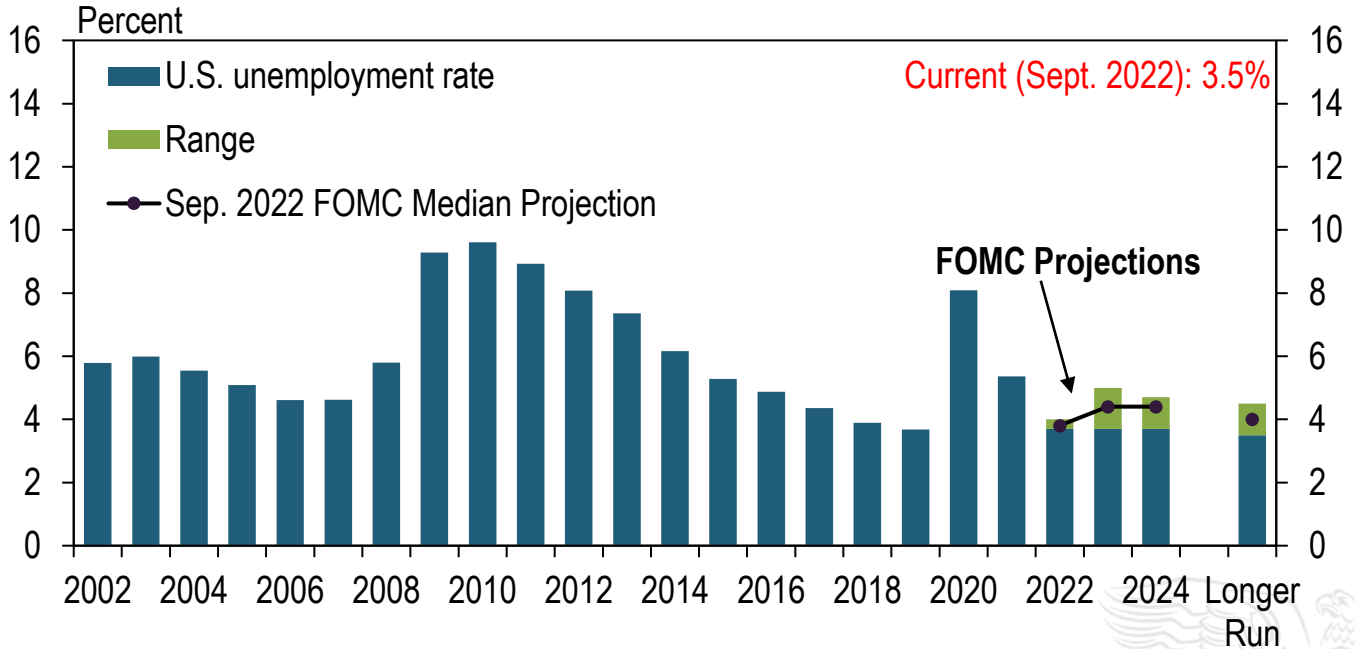
GDP growth is expected to be below trend this year before moving to its long-term trend in coming years

Change in Real GDP



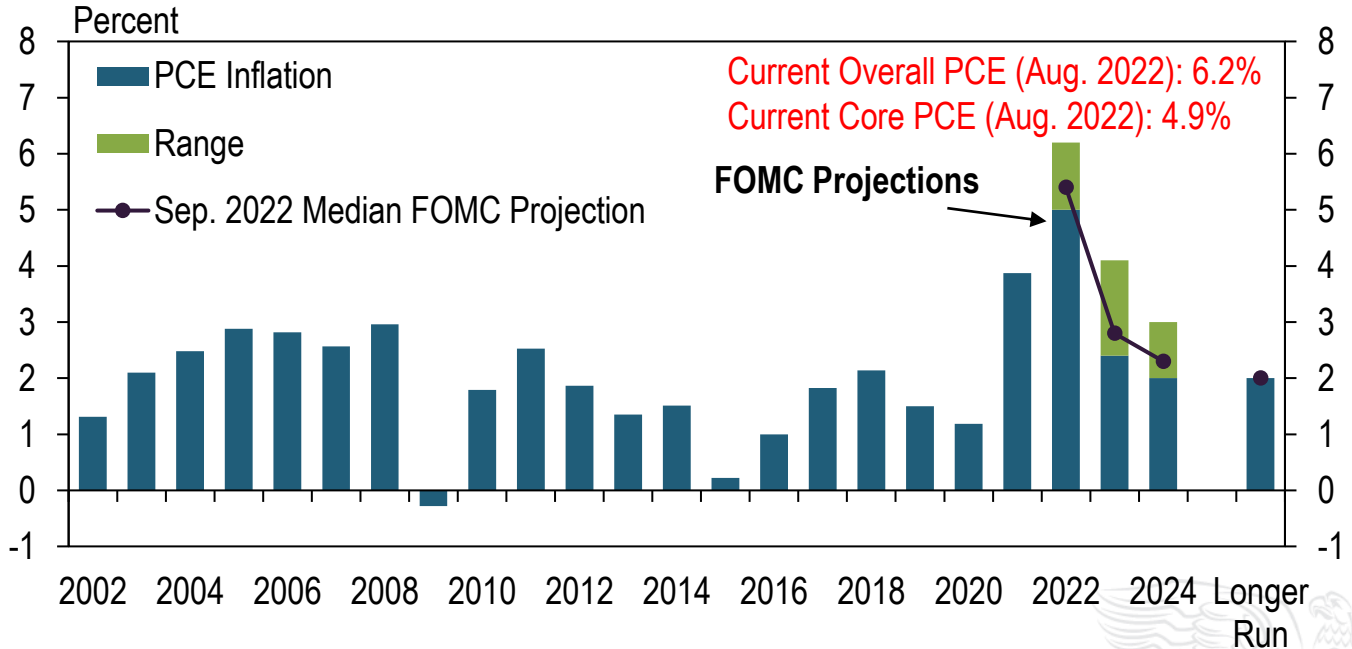
U.S. unemployment remains historically low and is projected to edge up only slightly in coming years

U.S. Unemployment Rate



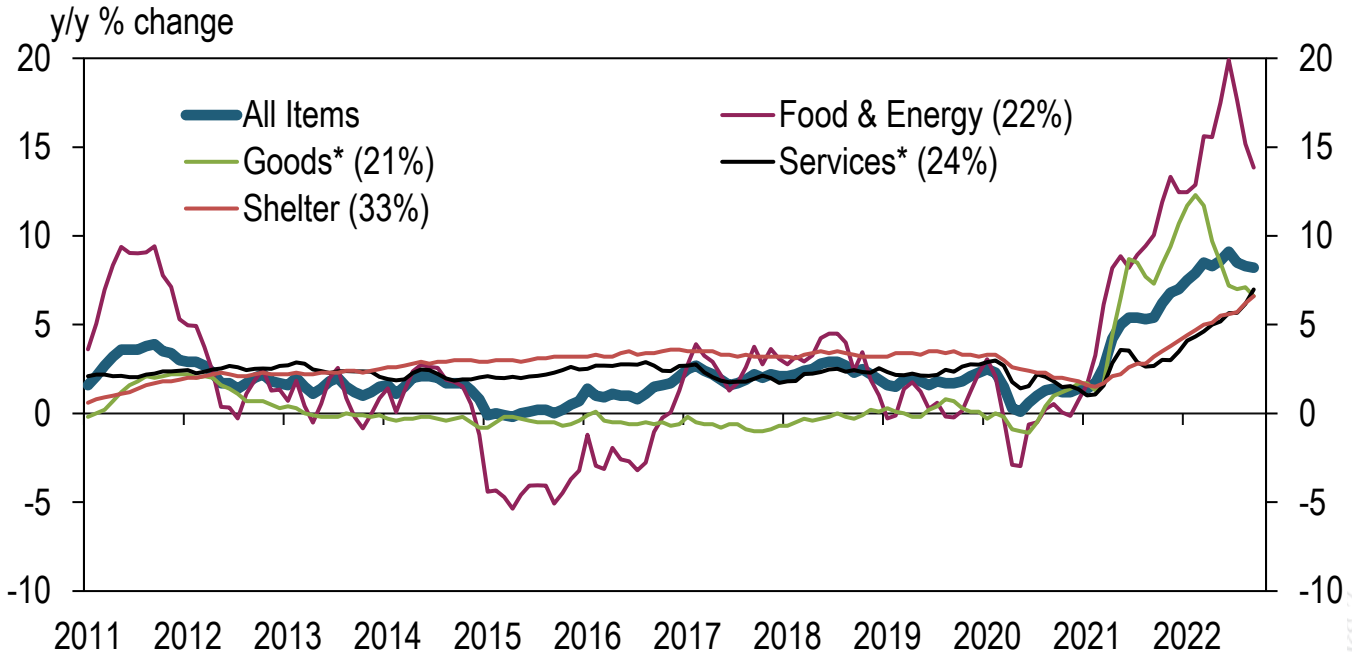
Meanwhile, inflation has moved well above the Fed's 2% target but is expected to ease heading forward

PCE Inflation Index



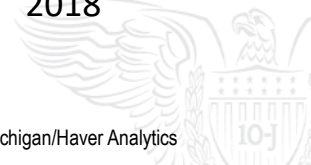
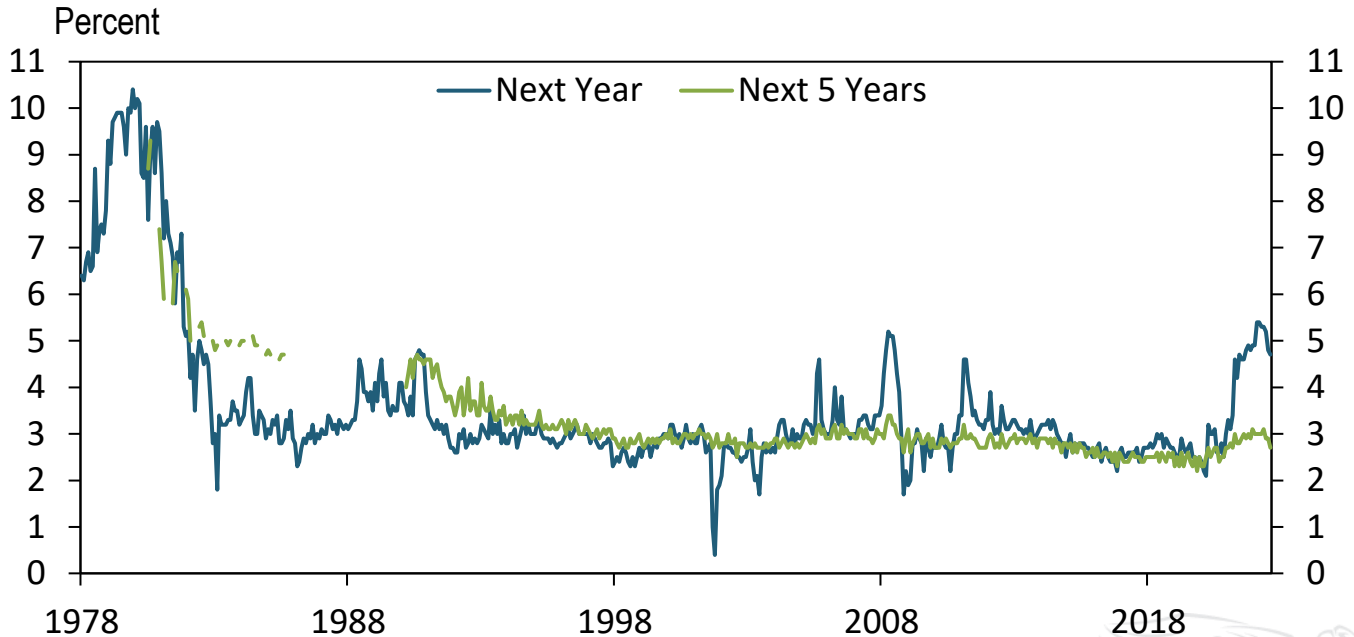
CPI inflation eased again in September, to 8.2%, as goods/energy inflation fell but other prices kept rising

Consumer Price Index



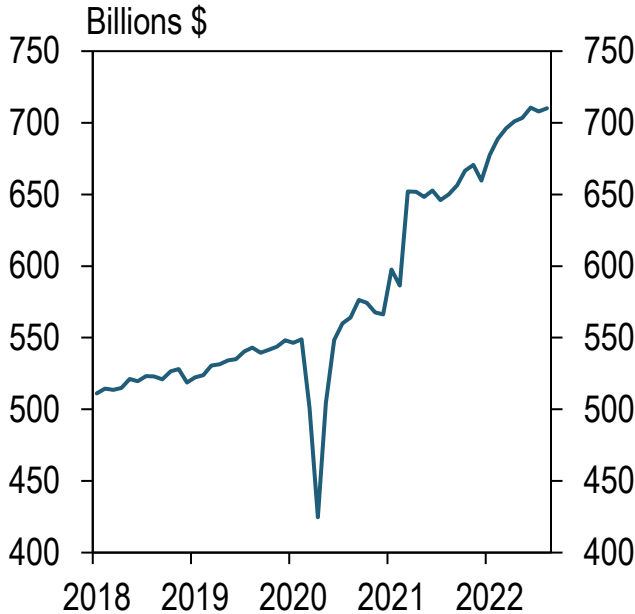
So far, longer-term inflation expectations remain around their 20-year average

Expected Inflation Rate



Why is inflation high? Supply constraints, but demand has been robust, driven by stimulus, wages and wealth

U.S. Retail Sales and Food Services

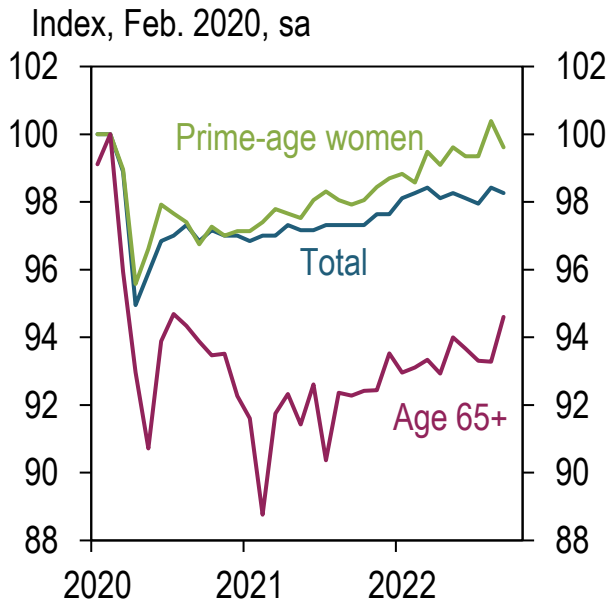


U.S. Wage Growth

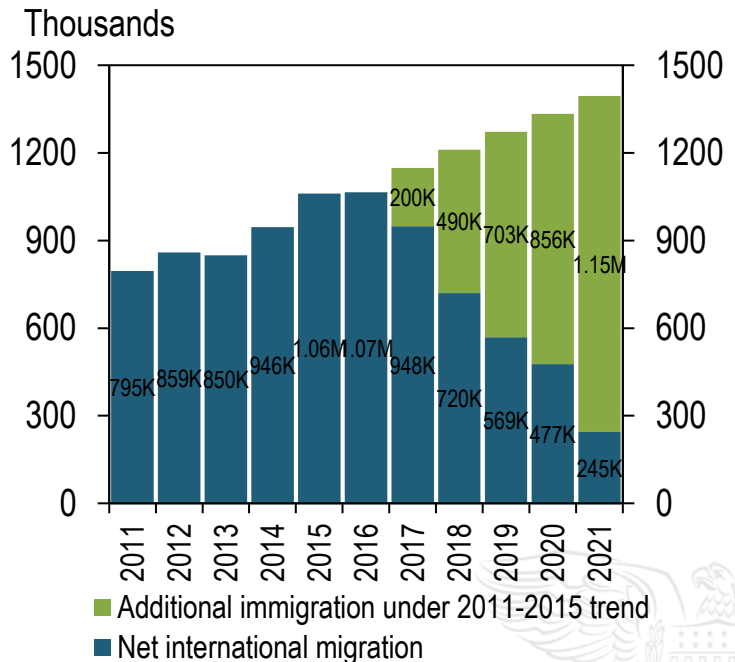


Labor force participation has improved somewhat but lags due to older workers, and immigration has slowed

U.S. Labor Force Participation Rate

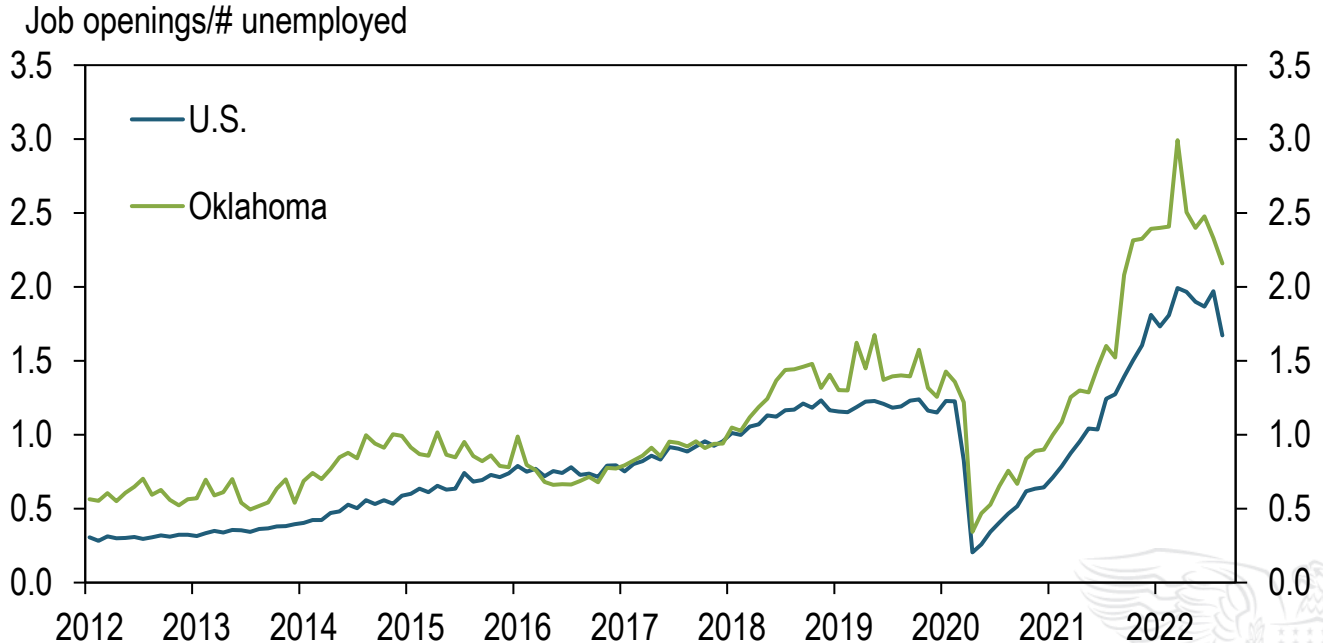


Immigration to the U.S.



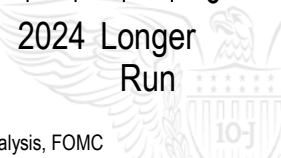
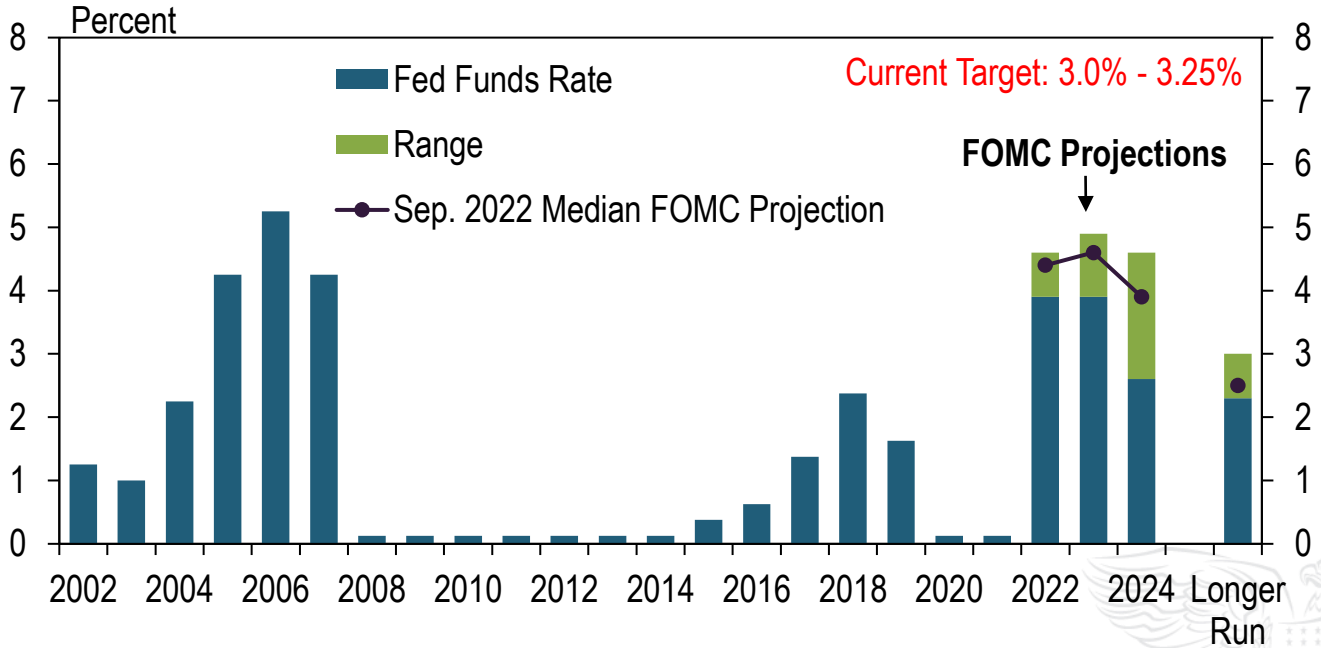
Job openings still greatly exceed unemployed workers, pressuring inflation, but could fall without many layoffs

Job Openings/Unemployment Ratios



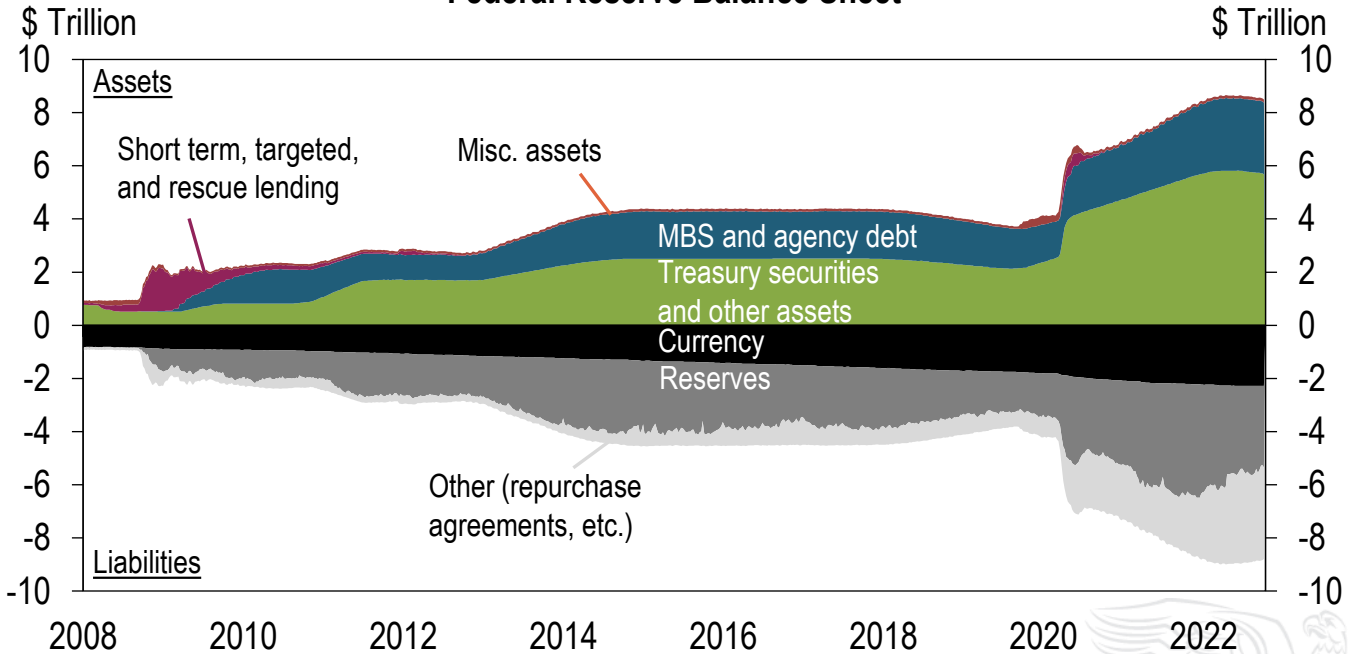
The Fed raised the federal funds rate by 75 basis points in September, with more increases expected

Federal Funds Rate
Year-End Target



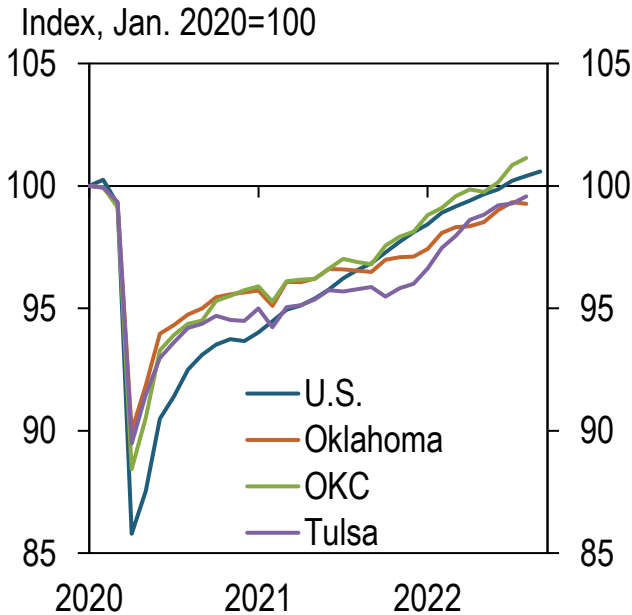
The Fed has also continued to reduce its balance sheet of longer-term securities, further tightening policy

Federal Reserve Balance Sheet

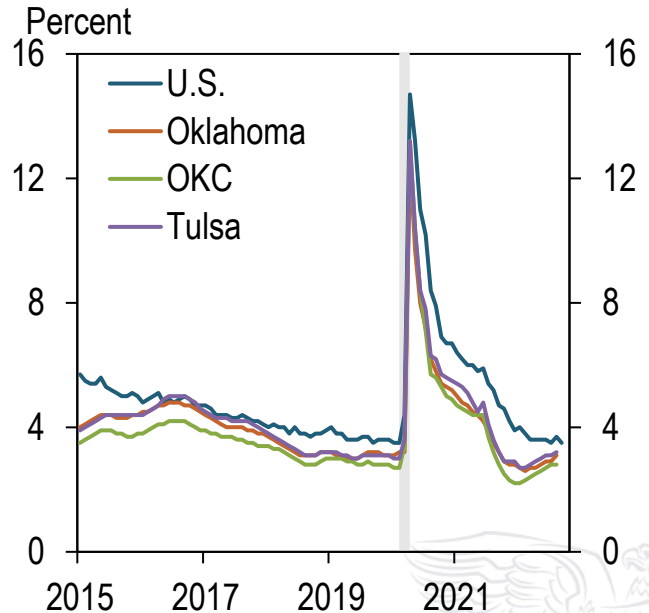


Jobs in Oklahoma and the OKC metro are back to pre-COVID levels and rising, and unemployment is low

Non-Farm Payroll Employment

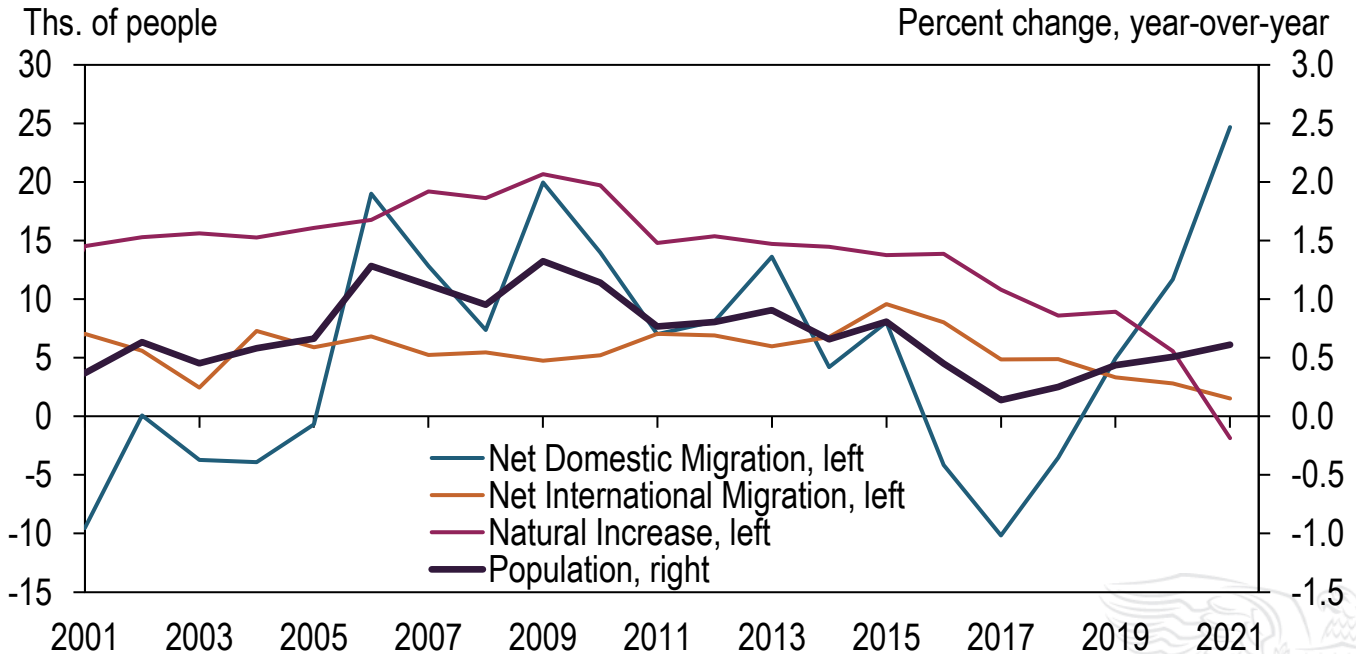


Unemployment Rate



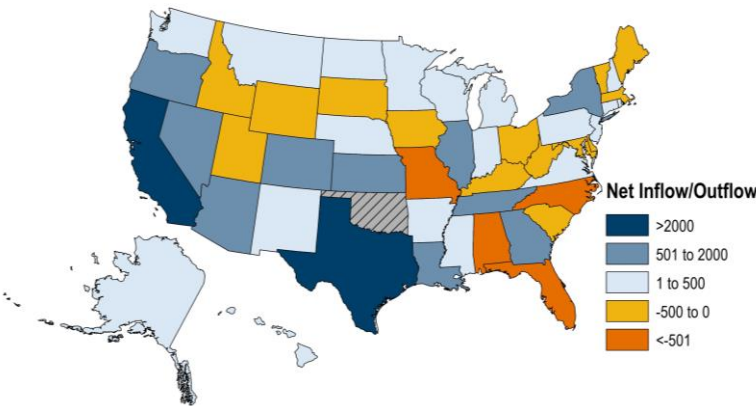
Oklahoma's population grew in 2021 despite a historic increase in deaths, due to massive domestic migration

Oklahoma Population Changes by Component, 2001-2021

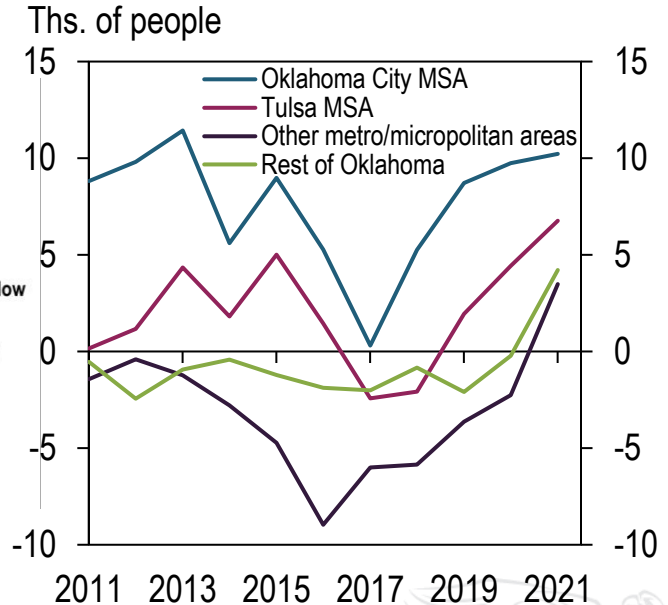


Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

Net Domestic Migration to Oklahoma
2020 and 2021



Oklahoma Net Domestic Migration



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

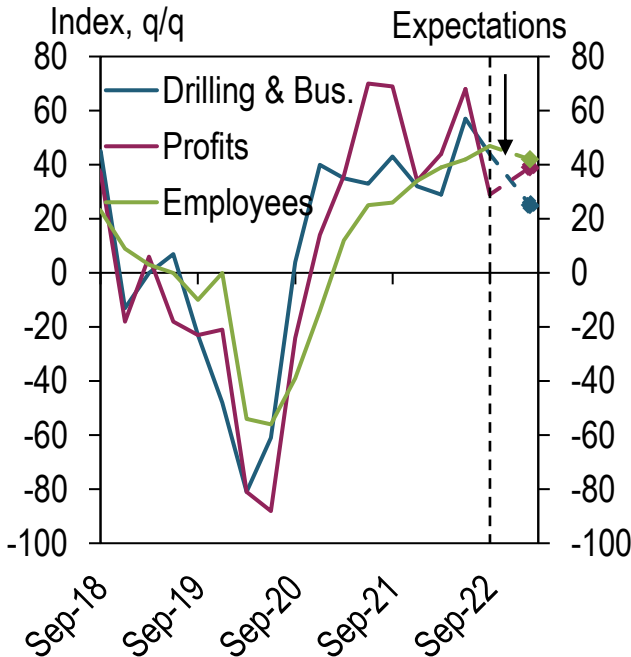
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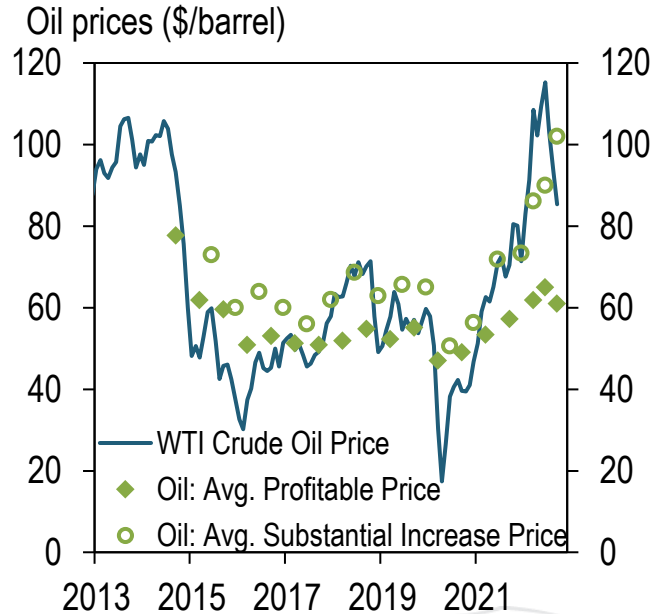


Energy activity grew solidly in Q3, but growth may slow in coming months with oil slightly less profitable

Energy Survey Indexes

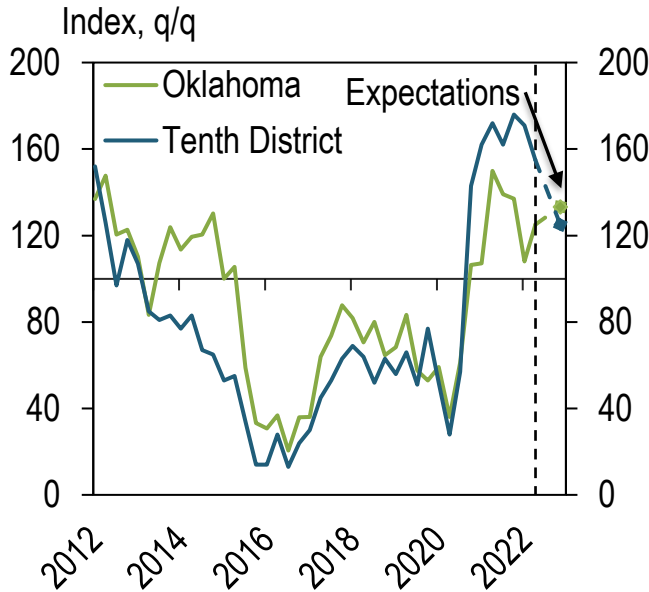


Energy Prices

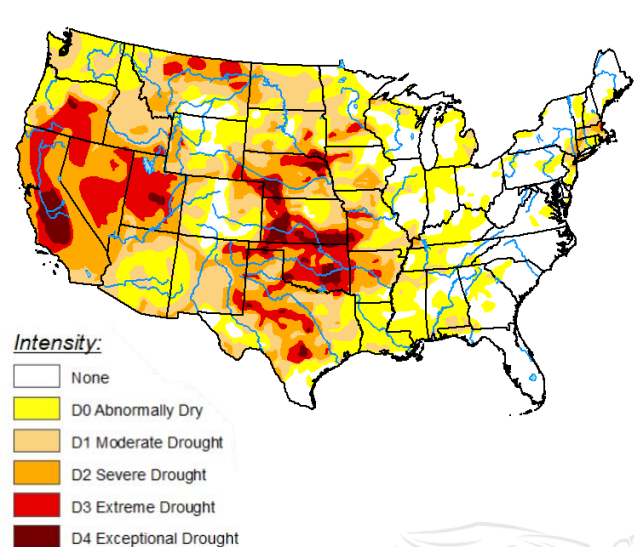


Oklahoma farm income has been moderately positive since late 2020 but drought is having an impact in 2022

Farm Income



U.S. Drought Map



Summary

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