

U.S. and Oklahoma Economic Outlook

OKC CFO Roundtable

April 6, 2023

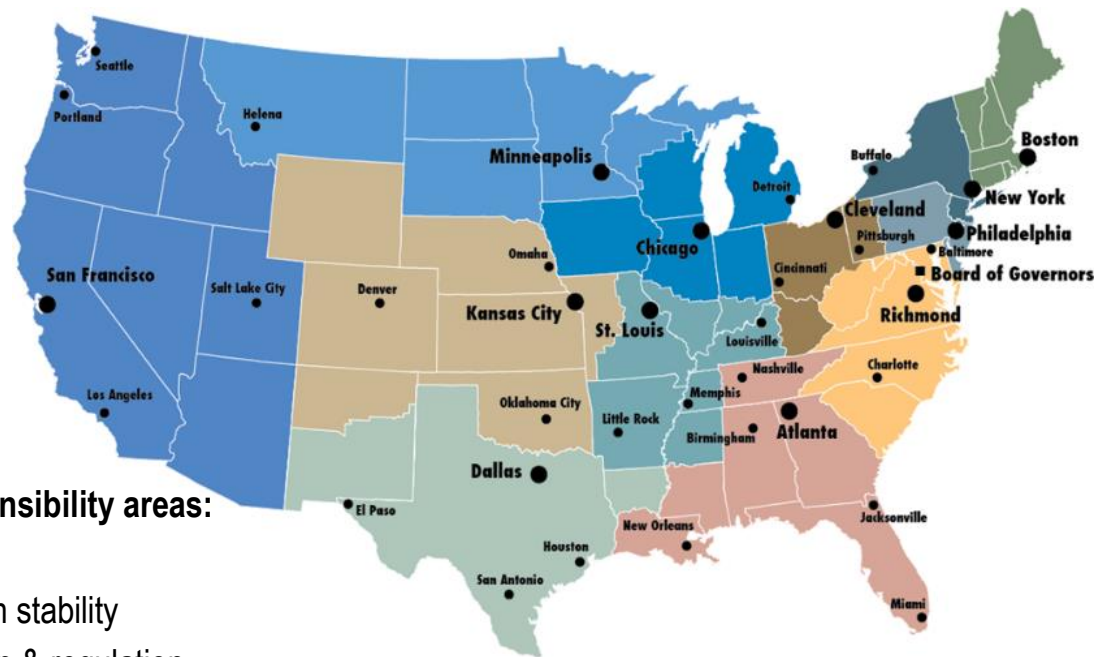


Chad Wilkerson
SVP & Oklahoma City Branch Executive

*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 programming for low/moderate income groups, workforce focus
- Economic education and public outreach programming

- **2023 OKC Branch Board of Directors**

- **Katrina Washington (chair)**, Exec. Dir., Neighborhood Housing Services, OKC
- **Mark Burrage**, CEO, FirstBank, Atoka
- **Walt Duncan**, President, Duncan Oil Properties, OKC
- **Rhonda Hooper**, President & CEO, Jordan Advertising, OKC
- **Terry Salmon**, President, Computer System Designers, OKC
- **Brady Sidwell**, Principal, Sidwell Strategies, Enid
- **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs

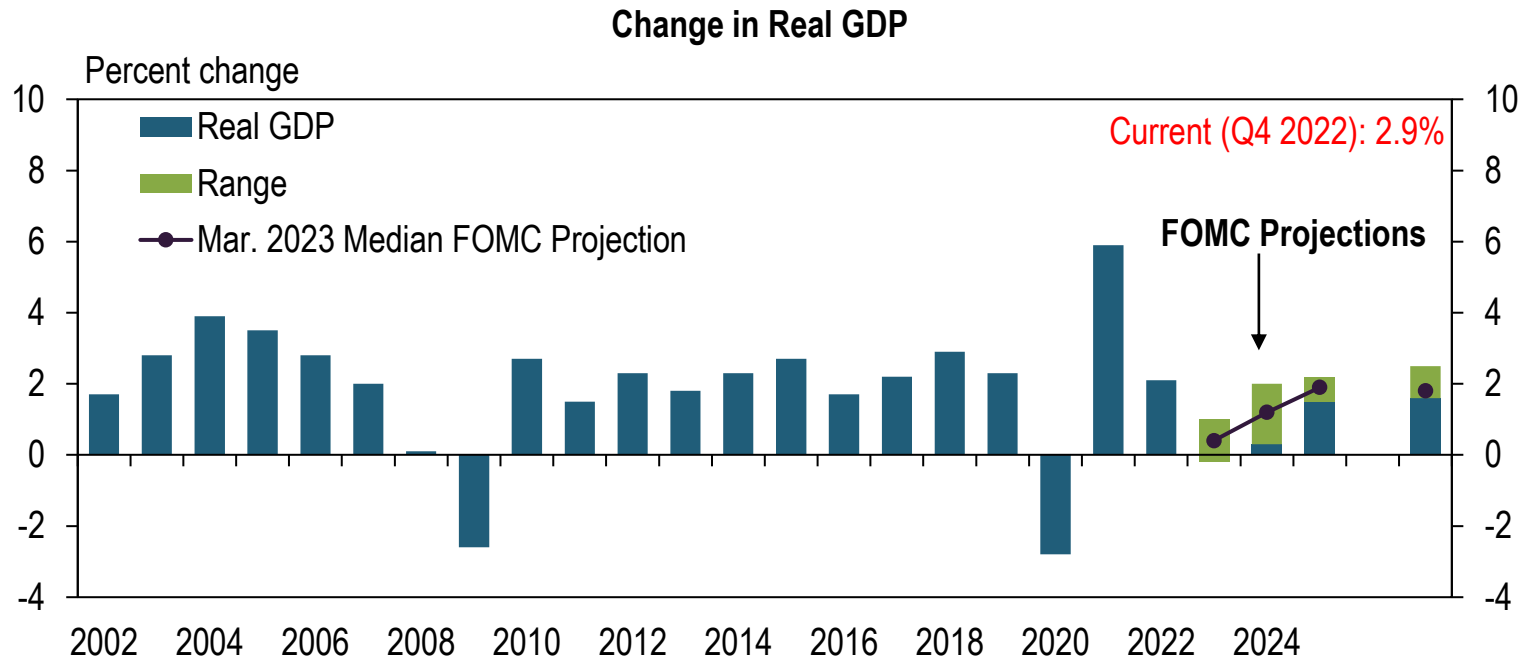


Overview

- U.S. economic growth was solid in late 2022 and early 2023
- Inflation remains too high, despite coming down from 2022 peaks as the Fed has raised interest rates
- Higher interest rates have created some challenges for banks
- Oklahoma's economy continues to recover, but jobs remain below pre-pandemic levels in some sectors, especially energy
- Oklahoma's population growth has outpaced the nation in recent years, driven by strong domestic in-migration

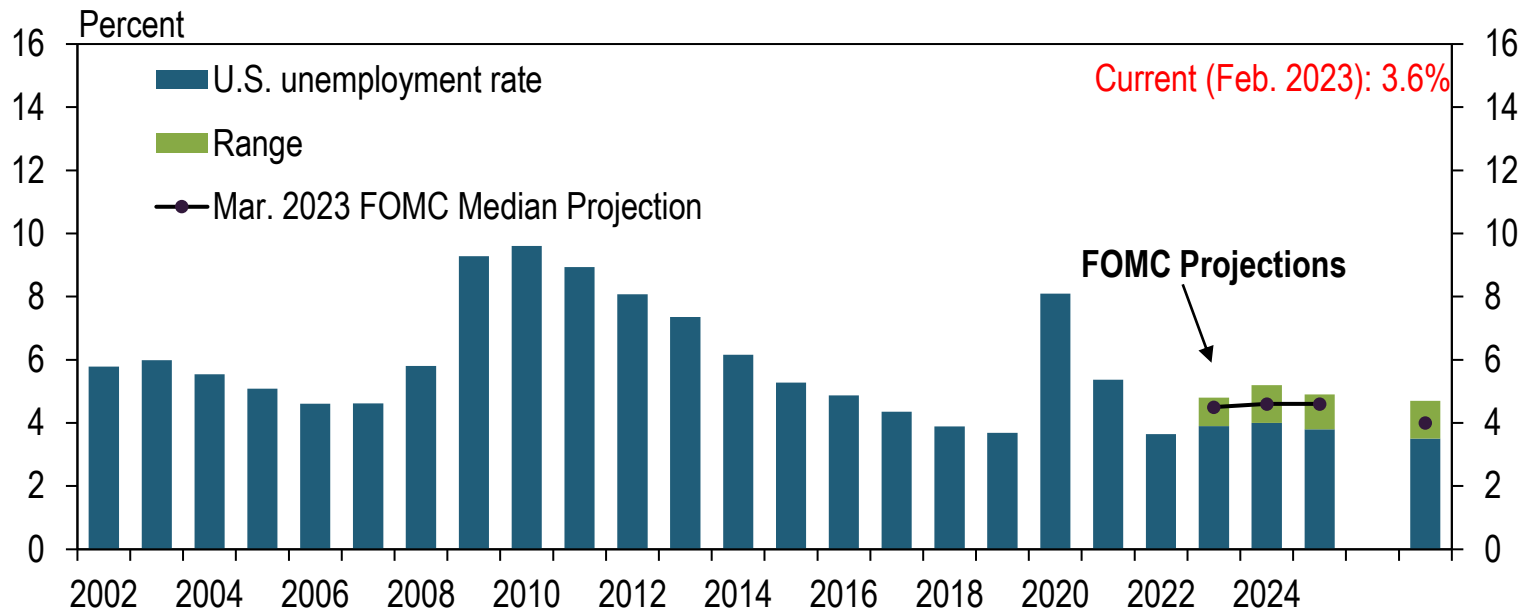


GDP growth is expected to be somewhat sluggish in 2023 before rebounding to trend in 2024 and 2025

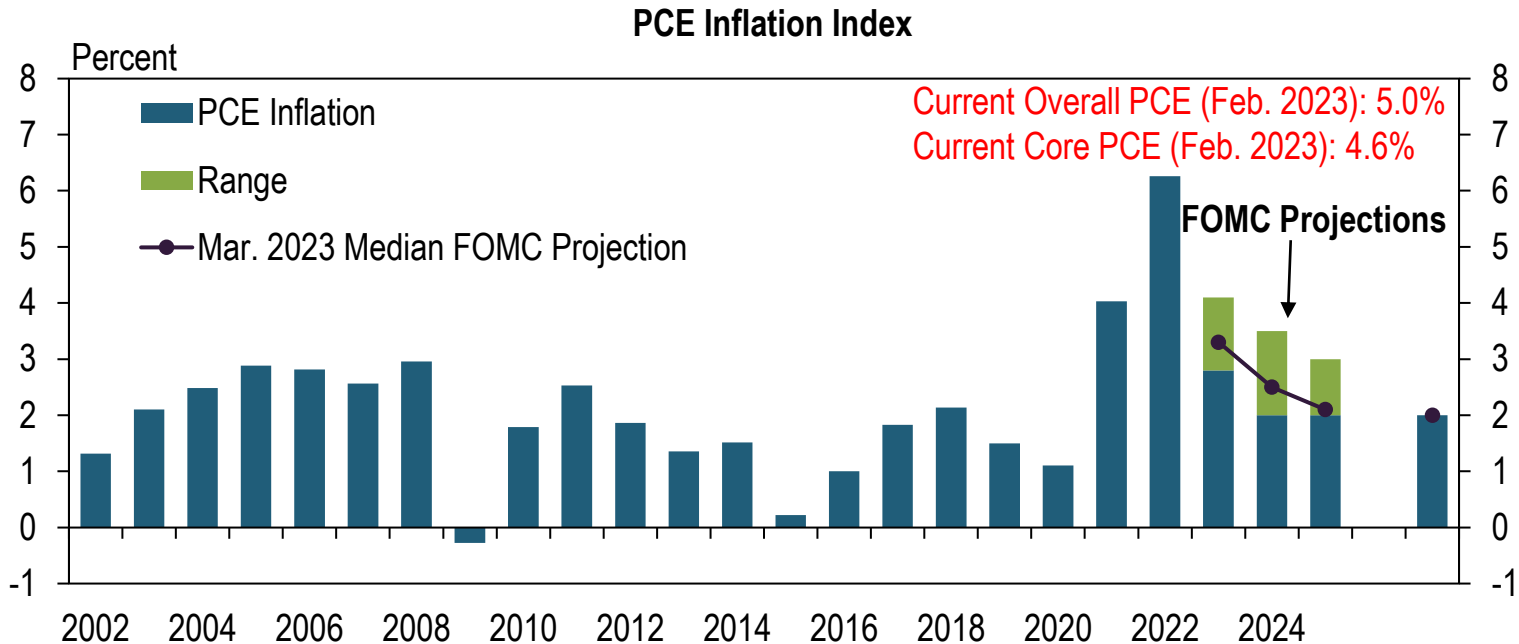


U.S. unemployment remains historically low and is projected to rise only slightly in coming years

U.S. Unemployment Rate

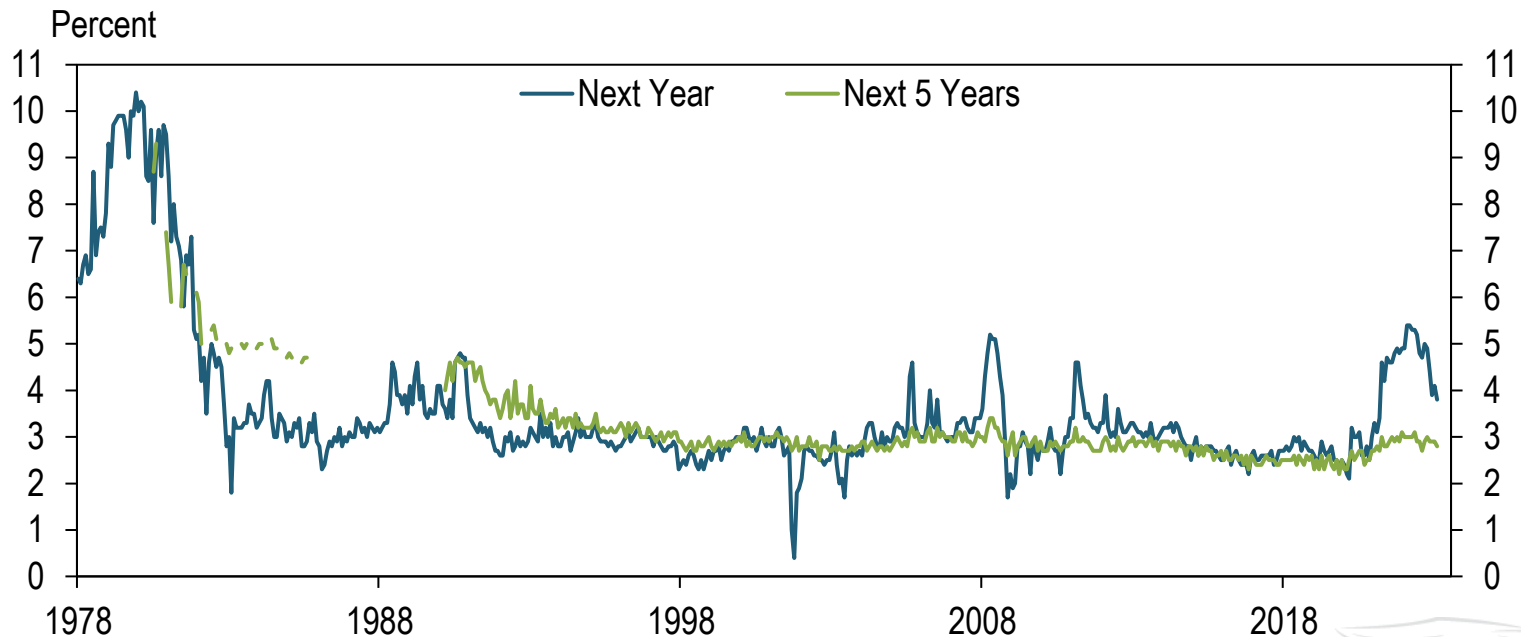


Meanwhile, although inflation has come down from its 2022 peaks, it remains elevated on year-over-year basis

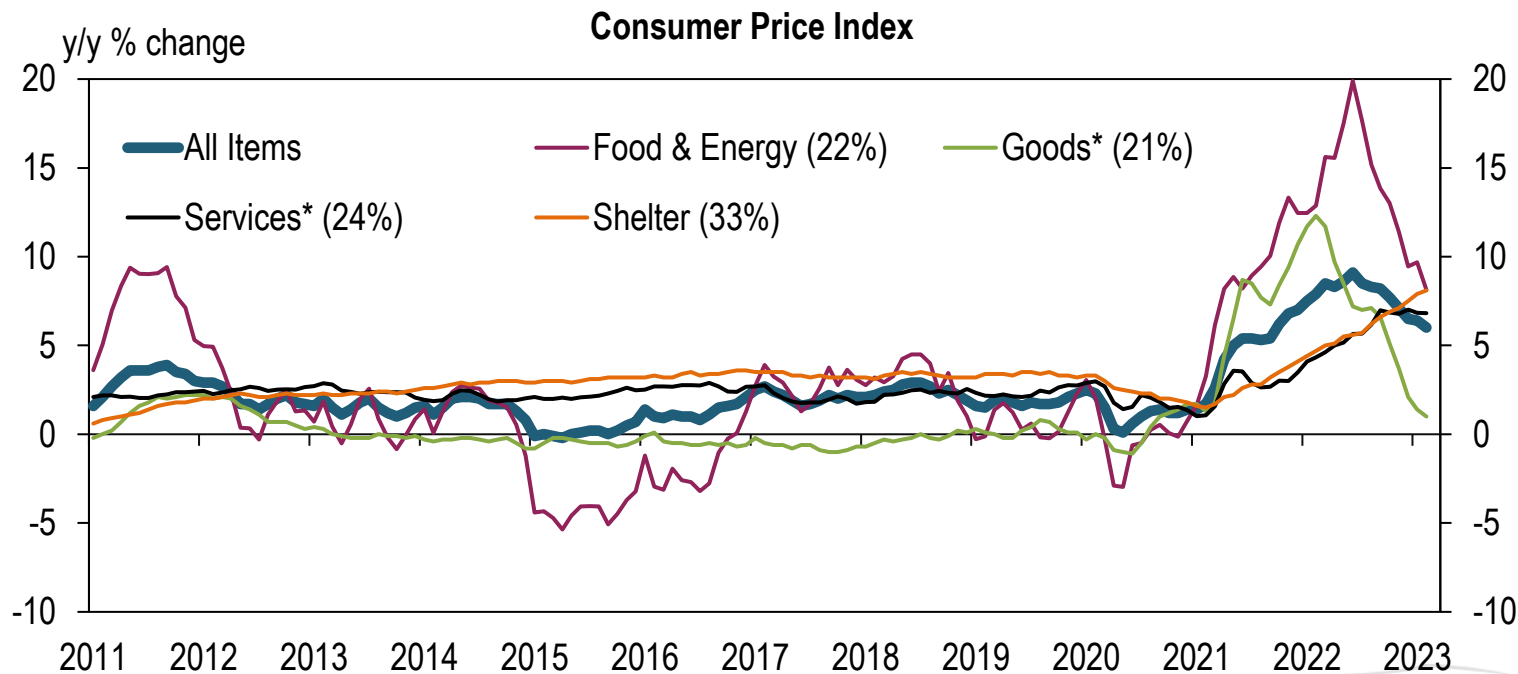


Longer-term inflation expectations remain anchored around their 20-year average

Expected Inflation Rate



CPI inflation eased again in February to 6.0% as goods prices fell further, but services and shelter inflation remain high

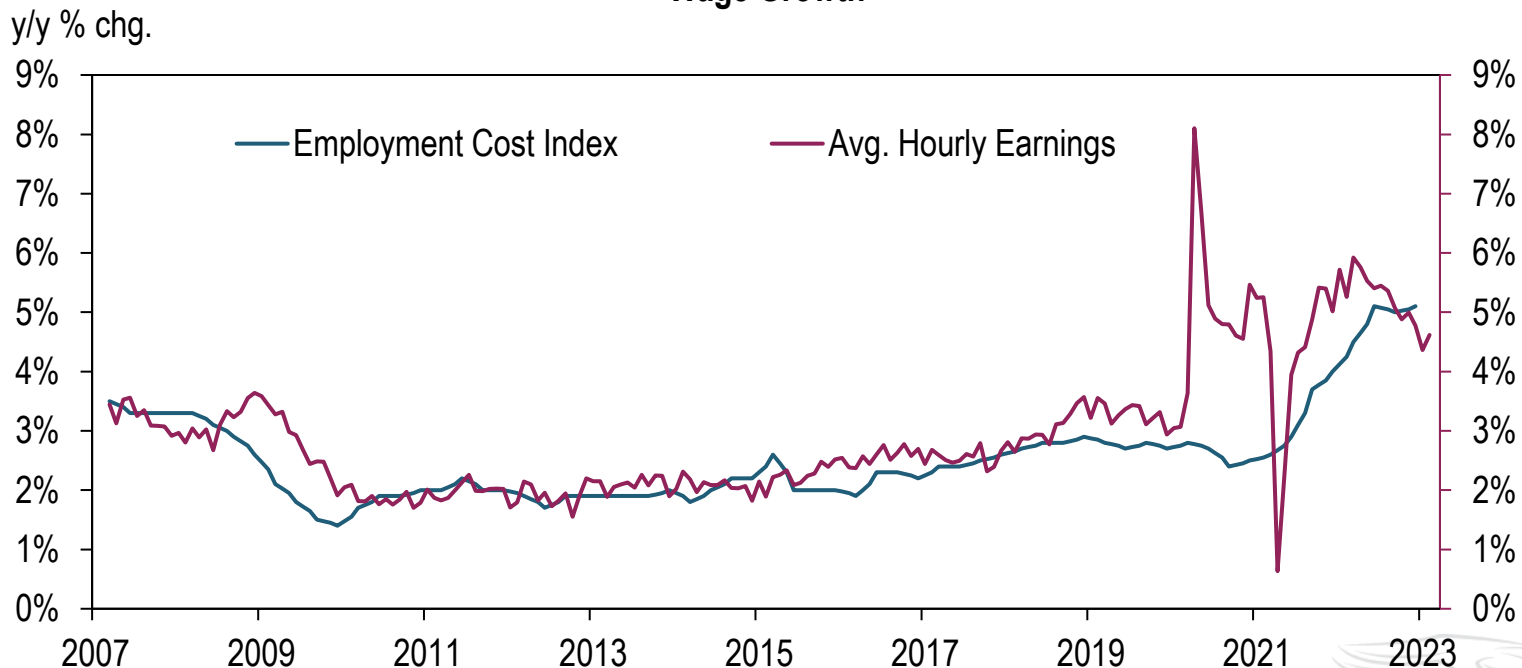


*Goods excluding Food; Services excluding Energy.
 Note: Relative Importance as Share of CPI shown in parenthesis.



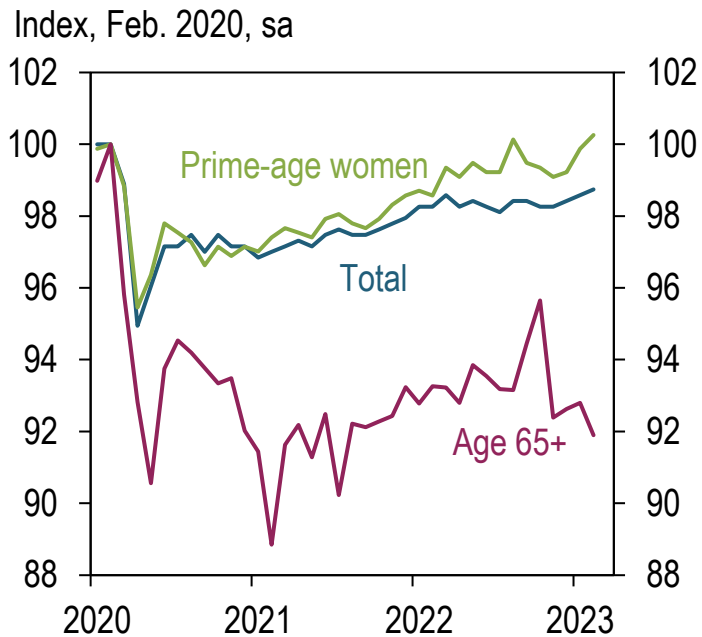
Wage growth is a key factor keeping services inflation high, but has come down from highs in recent months

Wage Growth

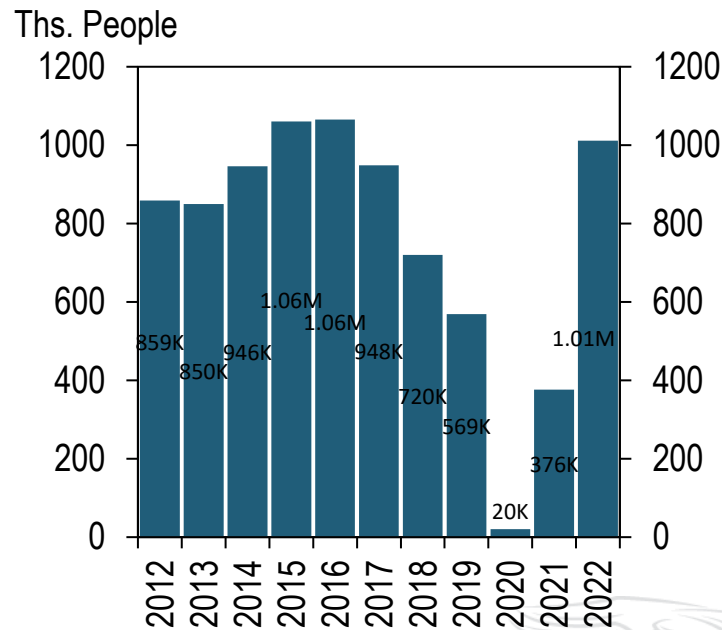


Labor force participation still lags due to older workers, while immigration rebounded after several low years

U.S. Labor Force Participation Rate

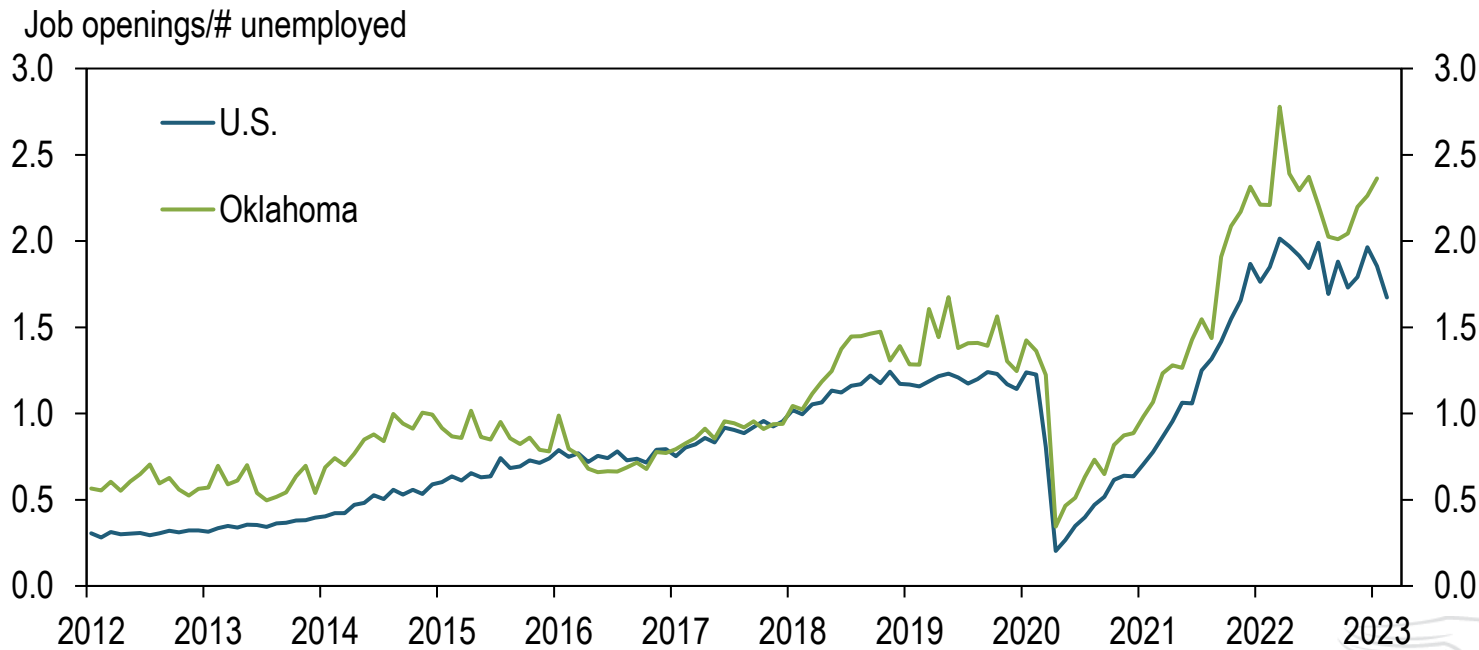


Net International Migration to the U.S.

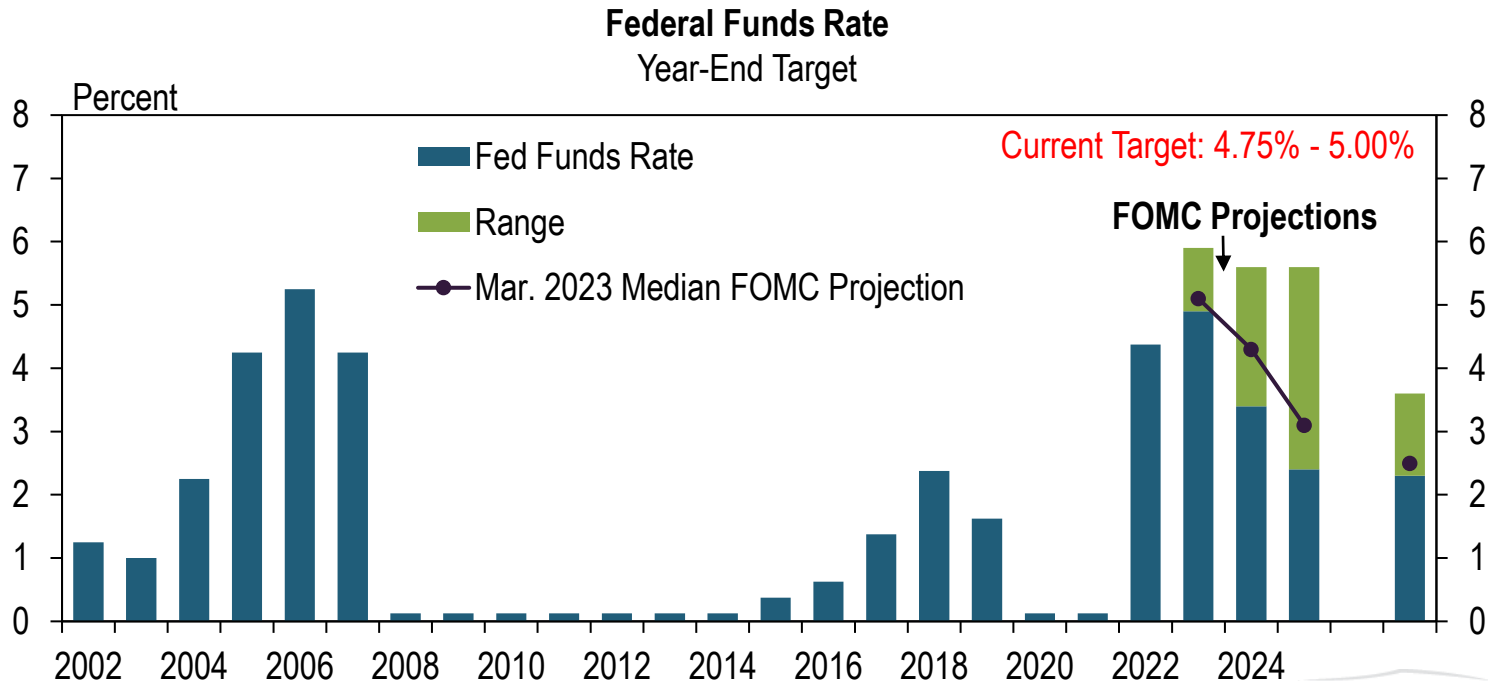


Job openings still greatly exceed unemployed workers, keeping wage pressures from easing much

Job Openings/Unemployment Ratios

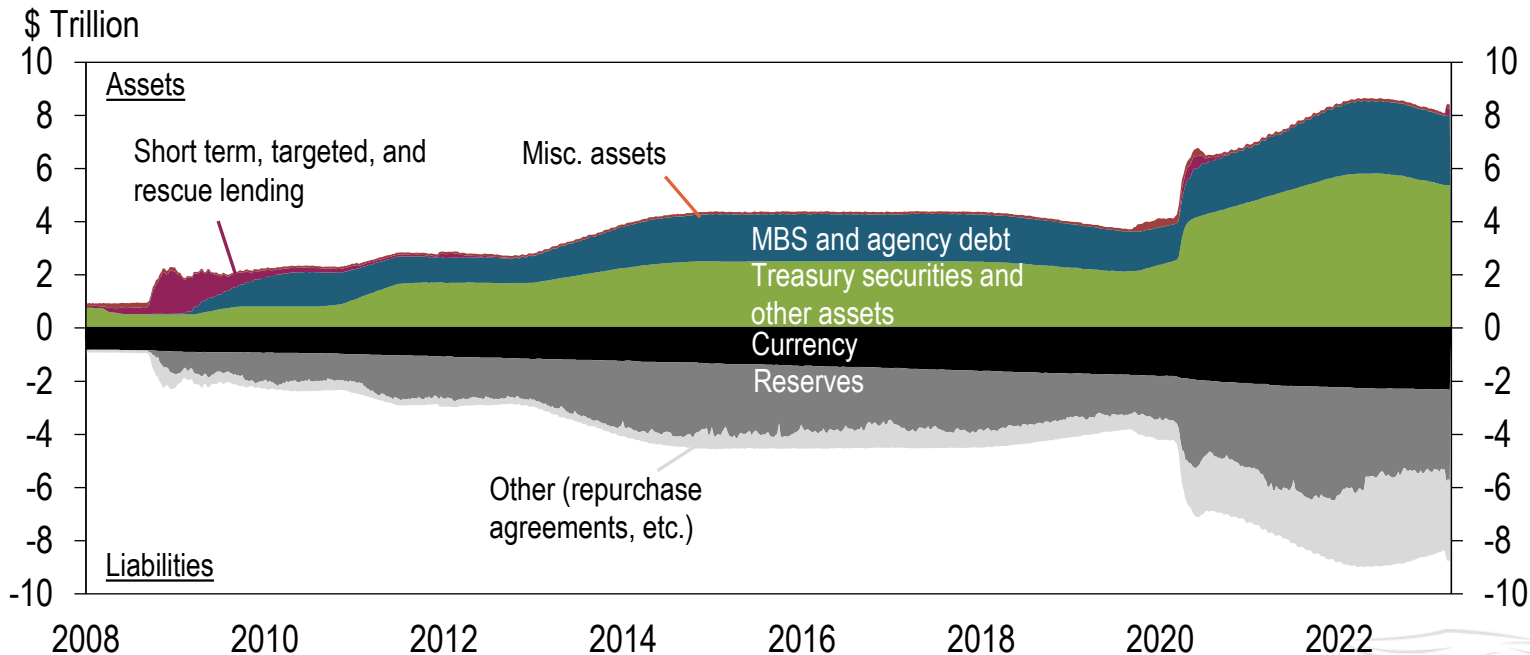


The Fed raised the federal funds rate by 25 basis points again this month, and the latest FOMC projections are shown



The Fed has also begun to reduce its balance sheet of securities, further tightening policy

Federal Reserve Balance Sheet



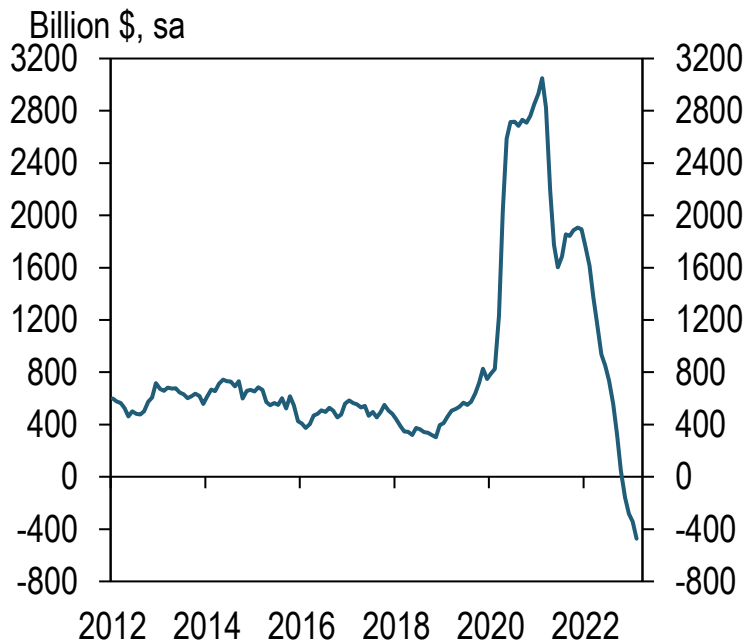
What Sparked the Banking Turmoil in 2023?

- Following the pandemic, bank deposits soared due to stimulus payments and quantitative easing
- Most banks purchased low-risk, longer maturity securities, which declined in value as interest rates rose
- In early March, banks servicing the tech and crypto industries experienced rapid deposit outflows
- As tech focused banks collapsed, depositors reviewed their own banks' financials
- A risk: small bank deposits moving to “too big to fail” large banks
- Failed banks were placed into FDIC receivership
- The Federal Reserve offers loans collateralized by credit-risk-free securities
- Treasury has brokered regional bank support via deposits from large banks

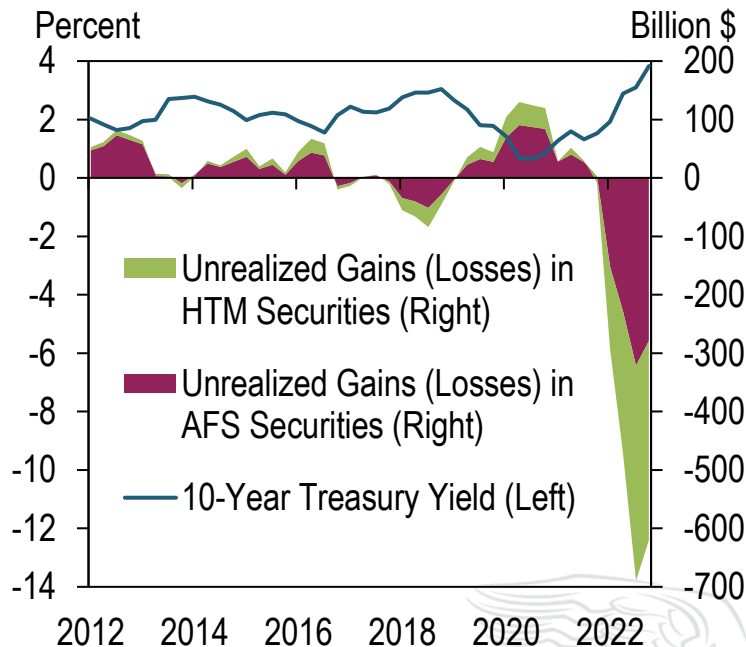


Following the pandemic, deposit flows reversed and unrealized losses grew as interest rates increased

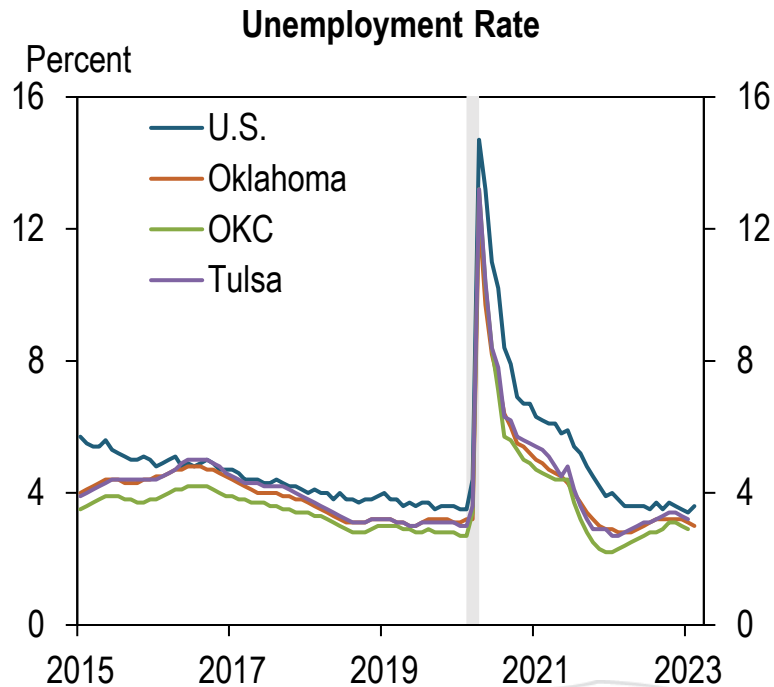
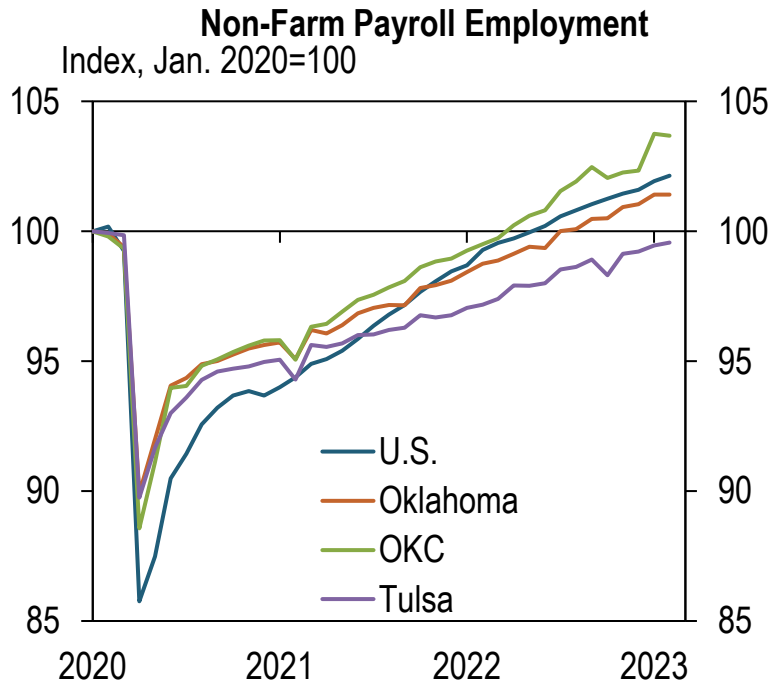
Year/Year Change in Commercial Bank Deposits



Interest Rates and Unrealized Gains (Losses)

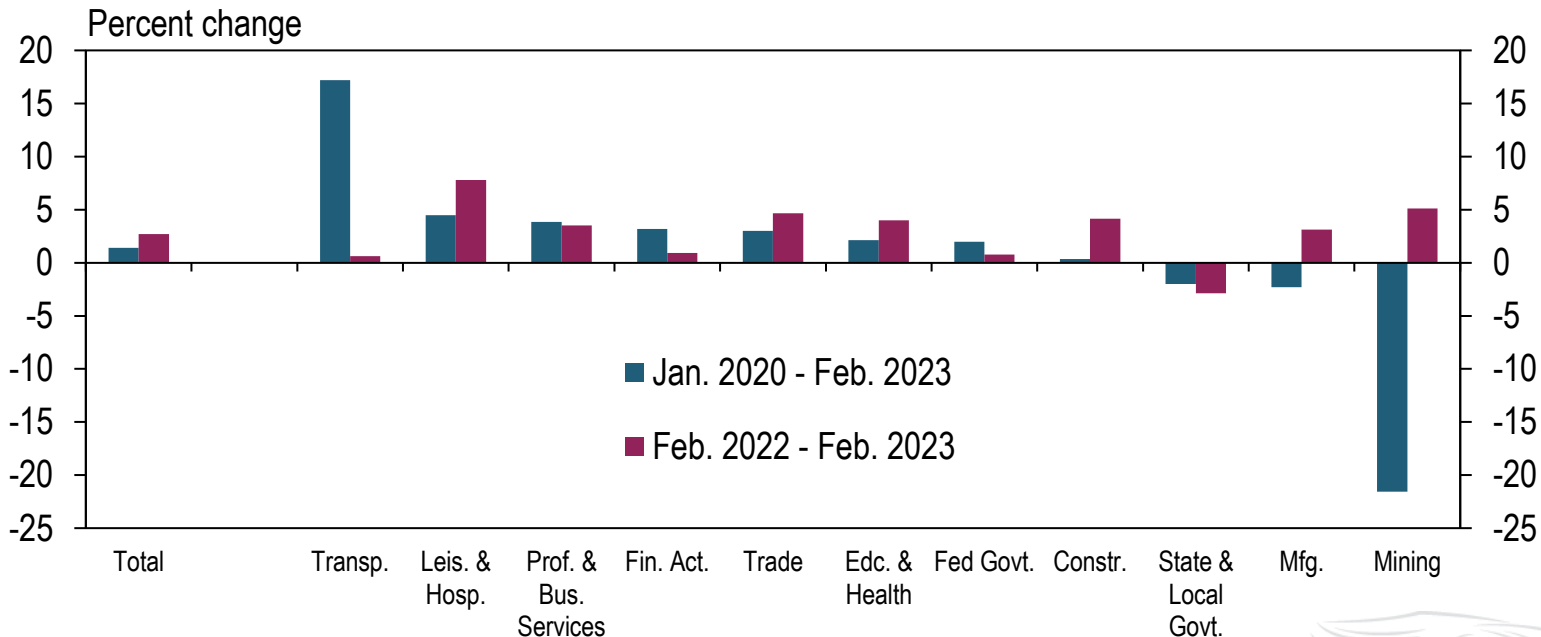


Jobs in Oklahoma are back to pre-COVID levels and rose further in January, while unemployment stays low



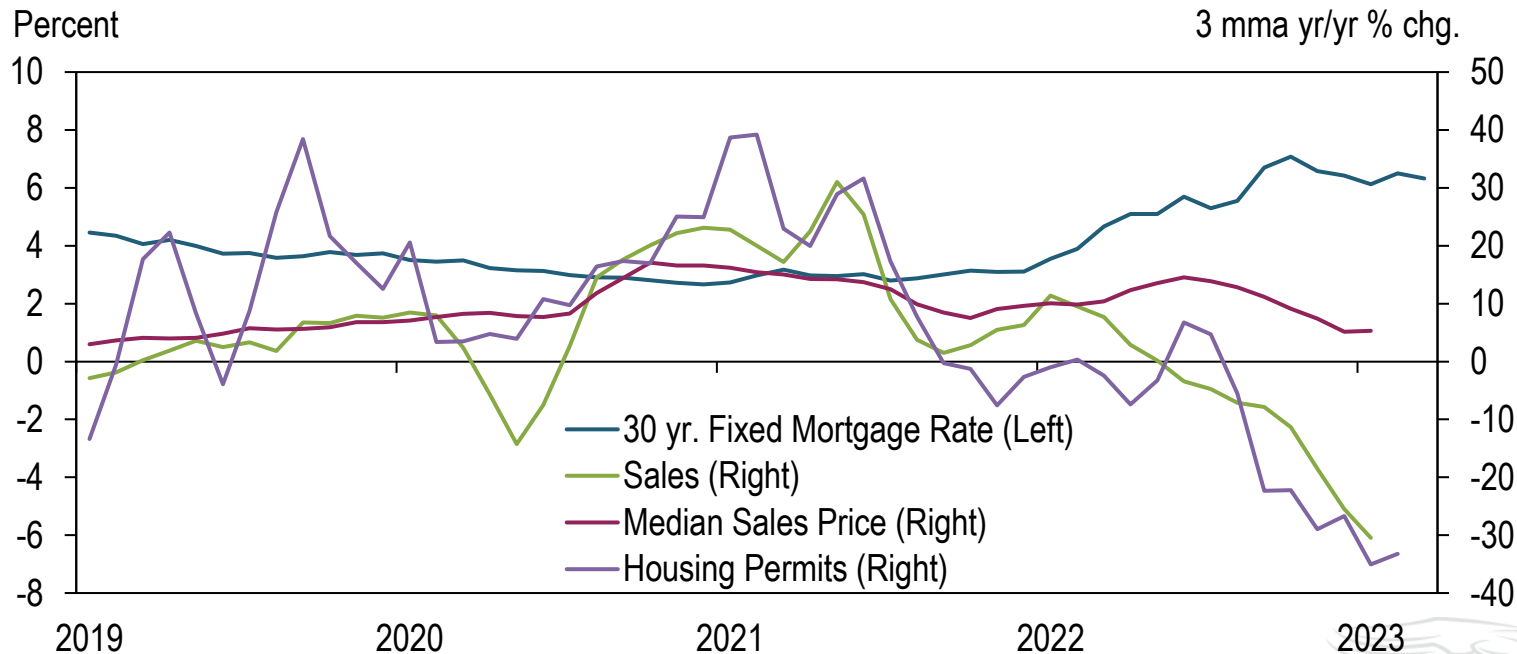
Energy and manufacturing jobs in OK are still below pre-pandemic but up during the past year

Oklahoma Job Growth by Industry



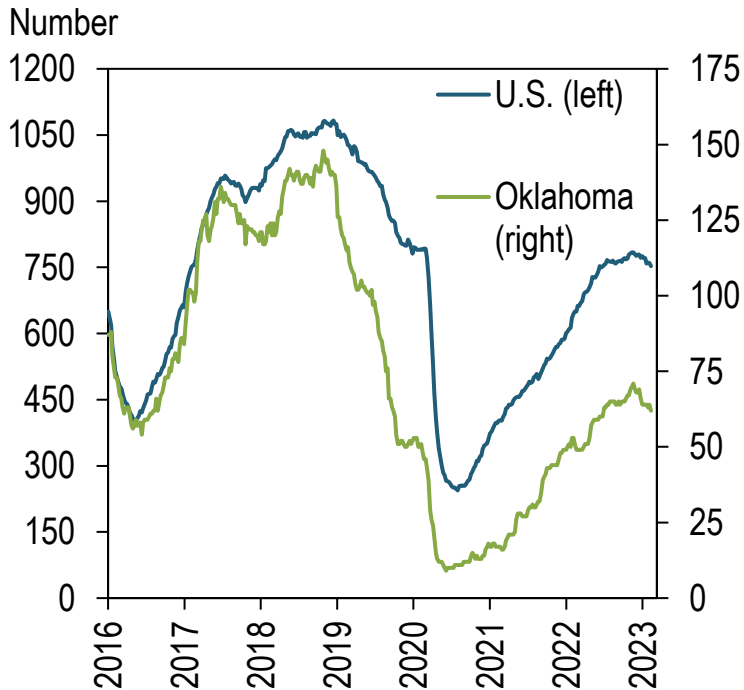
The Oklahoma housing market has eased with rising interest rates

Oklahoma Housing Market Indicators

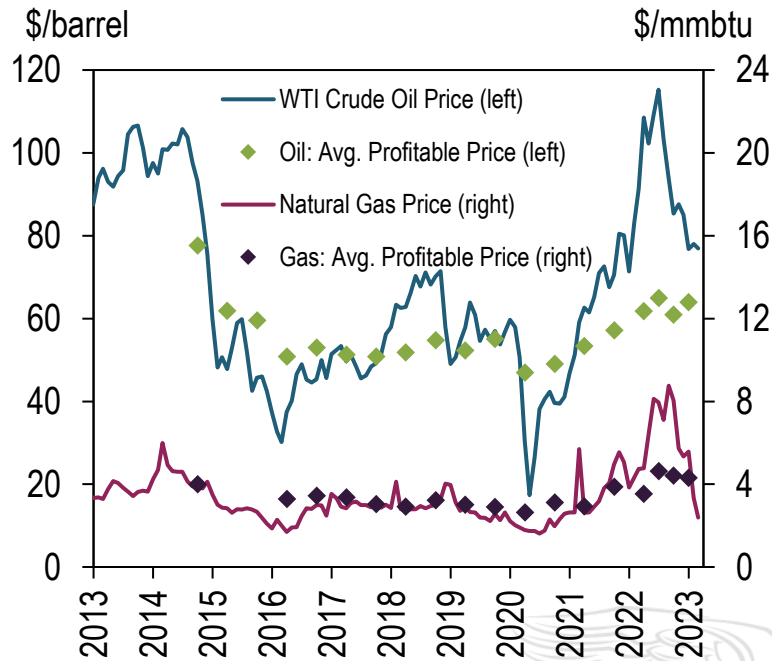


Drilling rig counts have begun to edge down in Oklahoma and the nation with lower profitability

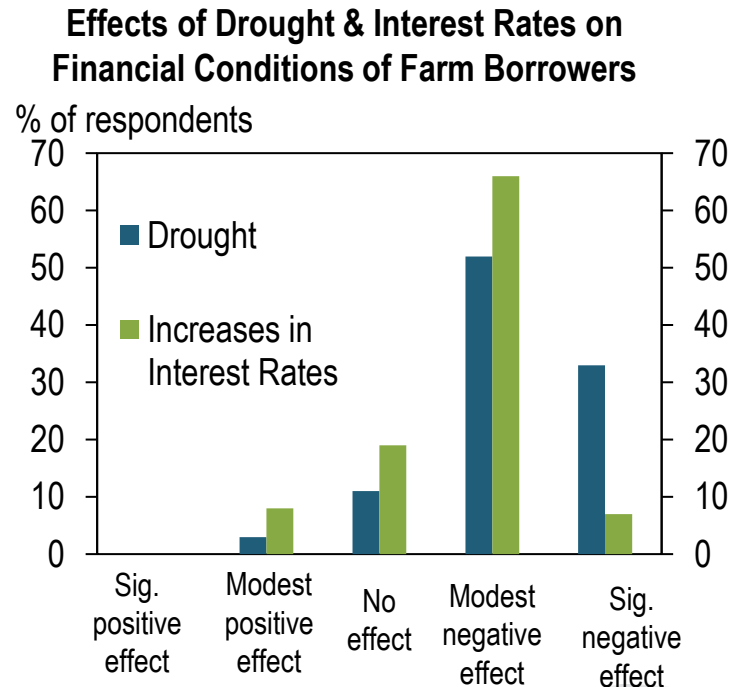
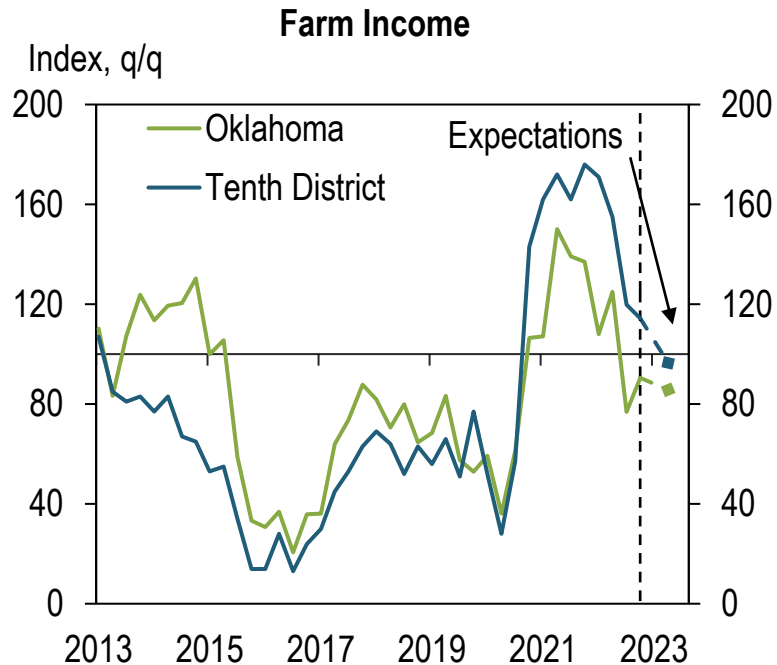
Rig Counts



U.S. Energy Prices

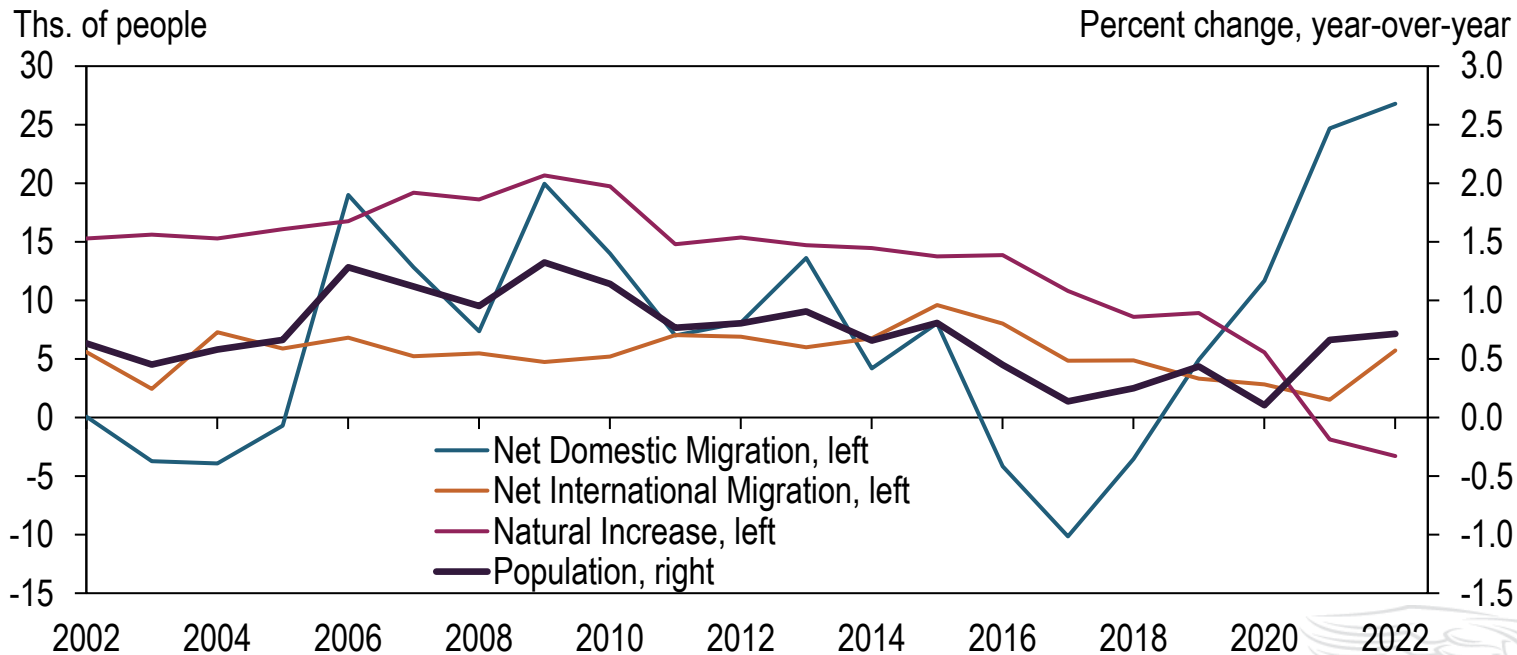


Oklahoma farm income continued to decline in Q4 2022, partially due to drought and increases in interest rates



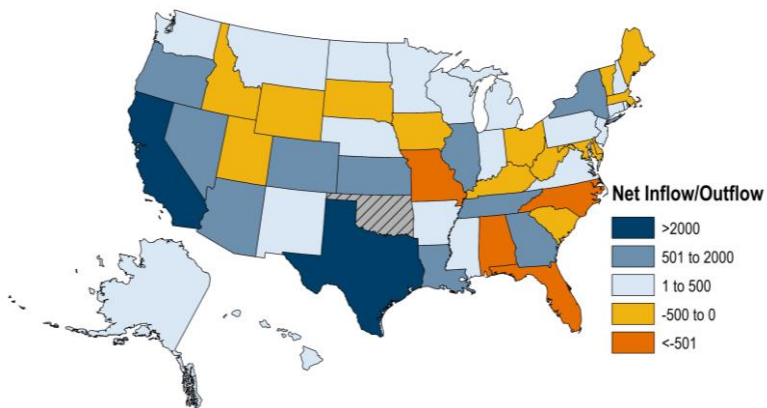
Oklahoma's population grew in 2021 & 2022, despite a historic increase in deaths, due to massive in-migration

Oklahoma Population Changes by Component, 2001-2022

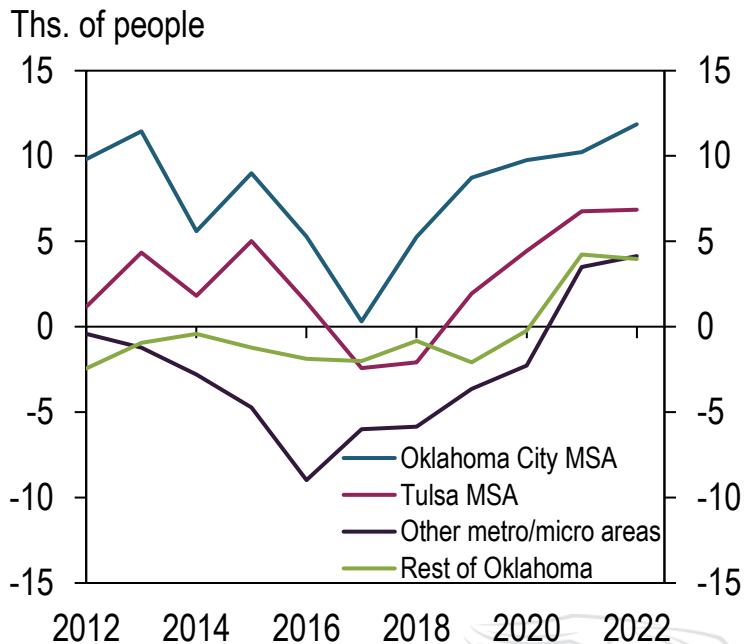


Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

**Net Domestic Migration to Oklahoma
2020 and 2021**

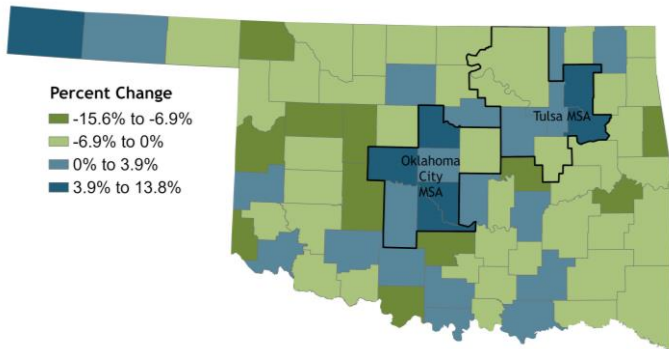


Oklahoma Net Domestic Migration

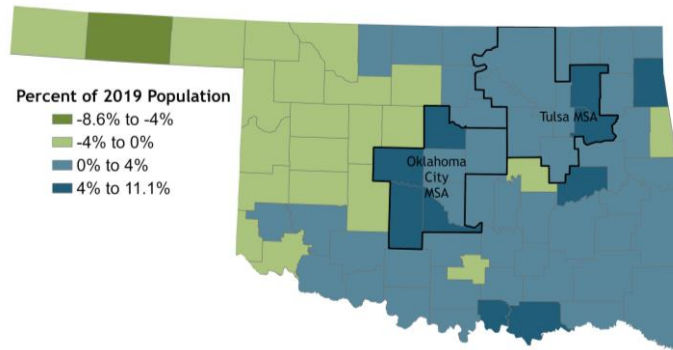


OKC, Tulsa, panhandle, and border counties have seen largest population increases; largely driven by domestic migration

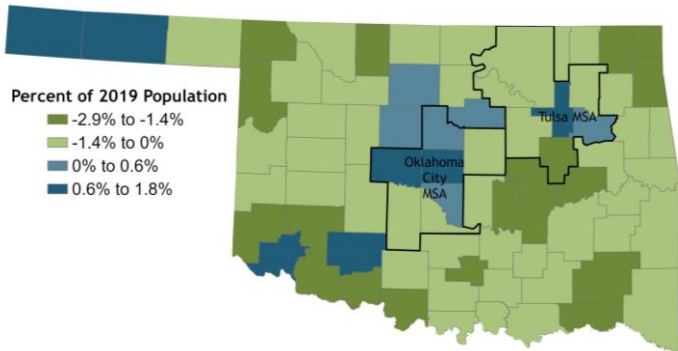
2019-22 County Population Change



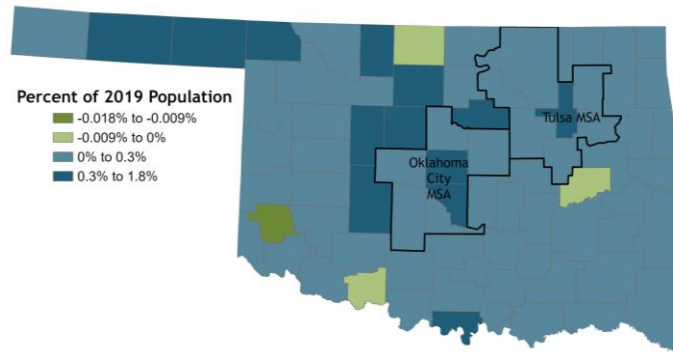
2019-22 Net Domestic Migration by County



2019-22 Natural County Population Increase



2019-22 Net International Migration by County



Summary

- U.S. economic growth was solid in late 2022 and early 2023
- Inflation remains too high, despite coming down from 2022 peaks as the Fed has raised interest rates
- Higher interest rates have created some challenges for banks
- Oklahoma's economy continues to recover, but jobs remain below pre-pandemic levels in some sectors, especially energy
- Oklahoma's population growth has outpaced the nation in recent years, driven by strong domestic in-migration



Questions?

RECEIVE REGULAR UPDATES ABOUT
Oklahoma's economy

For more analysis of the Oklahoma economy, regional manufacturing conditions and regional energy conditions, subscribe to receive e-mail alerts from the KANSAS CITY FED.

Visit *kansascityfed.org/lealert* to subscribe!

