

U.S. and Oklahoma Economic Outlook

CBAO Horizon Bankers Conference

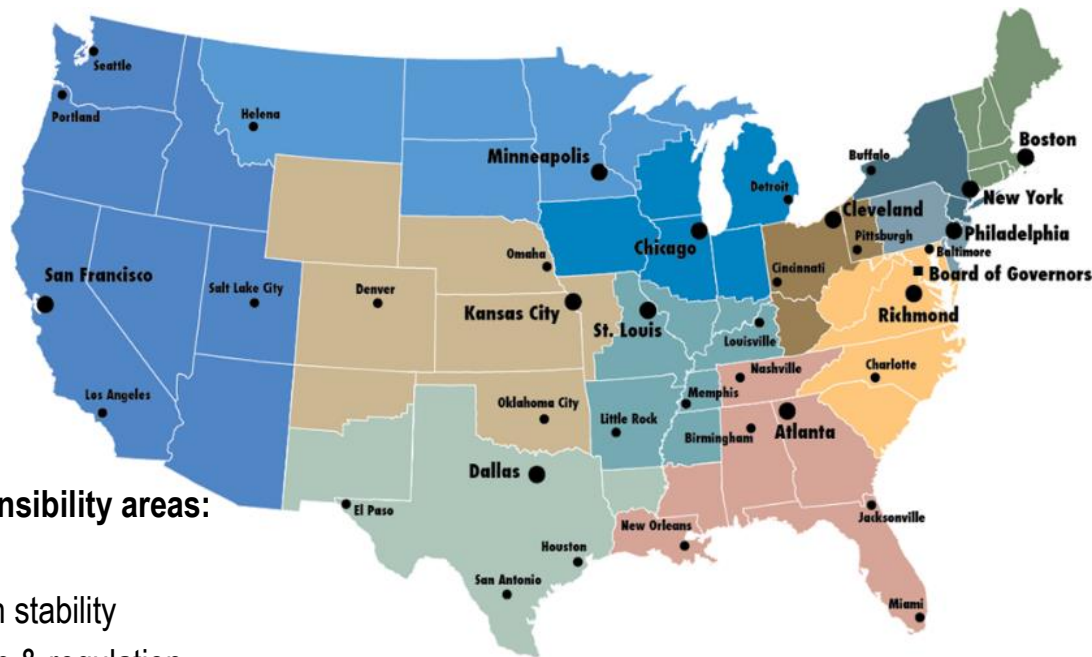
July 10, 2023

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



Oklahomans on Districtwide Fed Advisory Councils

- **Federal Advisory Council (FAC):**
 - **Jill Castilla**, CEO, Citizens Bank, Edmond
- **Economic Advisory Council (EAC):**
 - **Scott Case**, President, Case & Associates Properties, Tulsa
 - **Clay Gaspar**, COO, Devon Energy, Oklahoma City
 - **Rebecca Thompson**, CFO, AAON, Inc., Tulsa
- **Community Depository Institution Advisory Council (CDIAC):**
 - **Barry Anderson**, President, F&M Bank, Guthrie
 - **Alicia Wade**, President, Valliance Bank, Oklahoma City
- **Community Development Advisory Council (CDAC):**
 - **Michelle Bish**, Executive Director, Northeast Workforce Development Board, Catoosa
 - **Quintin Hughes, Sr.**, Program Director, Northeast Oklahoma City Renaissance, Inc., Oklahoma City
 - **Cindy Logsdon**, Executive Director/CEO, Citizen Potawatomi Community Development Corp., Shawnee



Overview

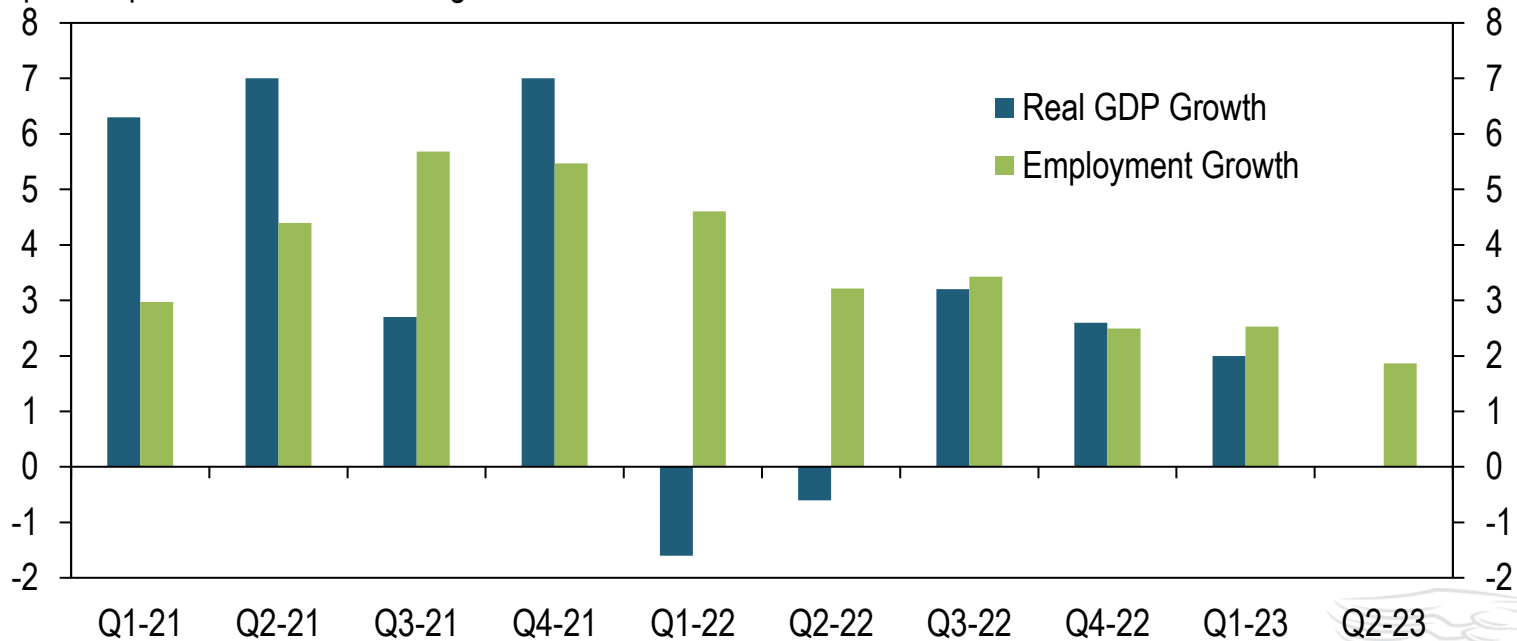
- U.S. economic growth has slowed in 2023 but remains positive, and unemployment remains very low
- Inflation remains too high, despite coming down from 2022 peaks
- Higher interest rates have created some challenges for banks
- Oklahoma's economy continues to recover, but jobs remain below pre-pandemic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



U.S. GDP and employment growth have slowed in 2023 but remain positive

Quarterly U.S. Economic Growth

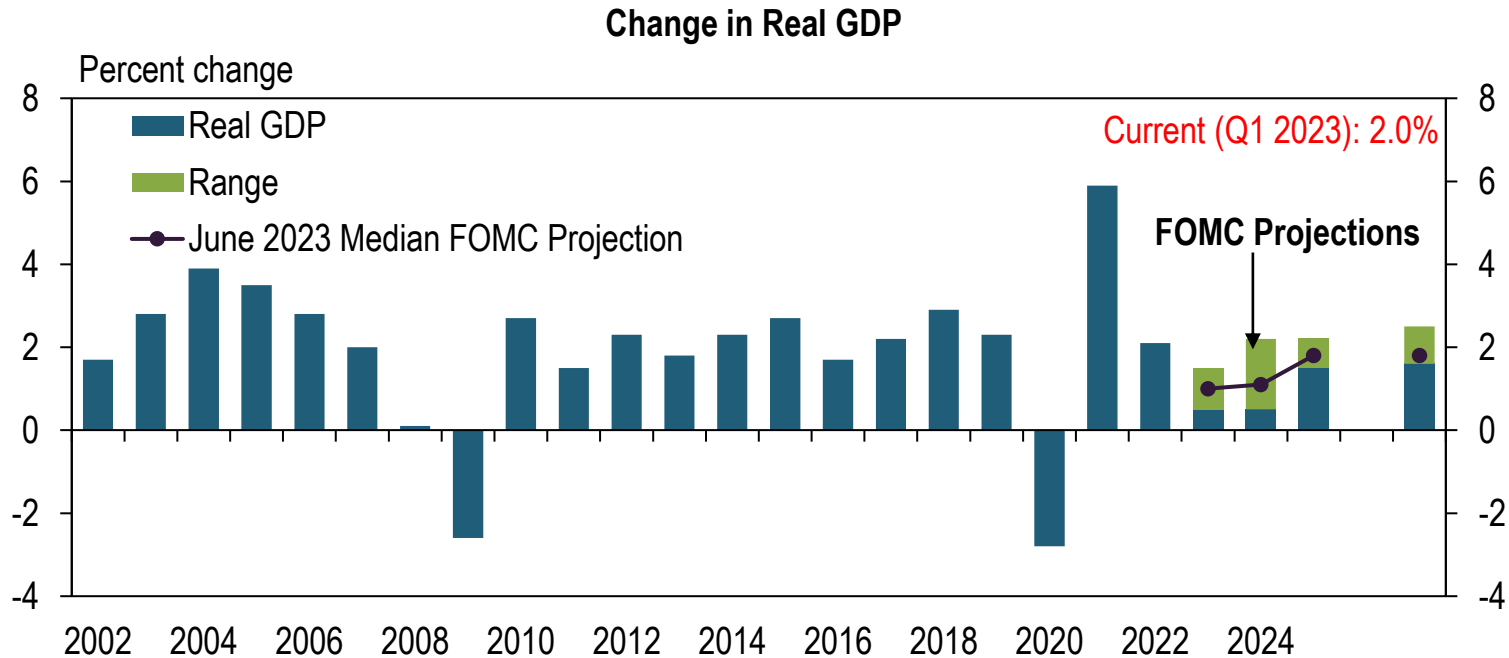
quarter/quarter annualized % chg.



Sources: BEA, BLS/Haver Analytics

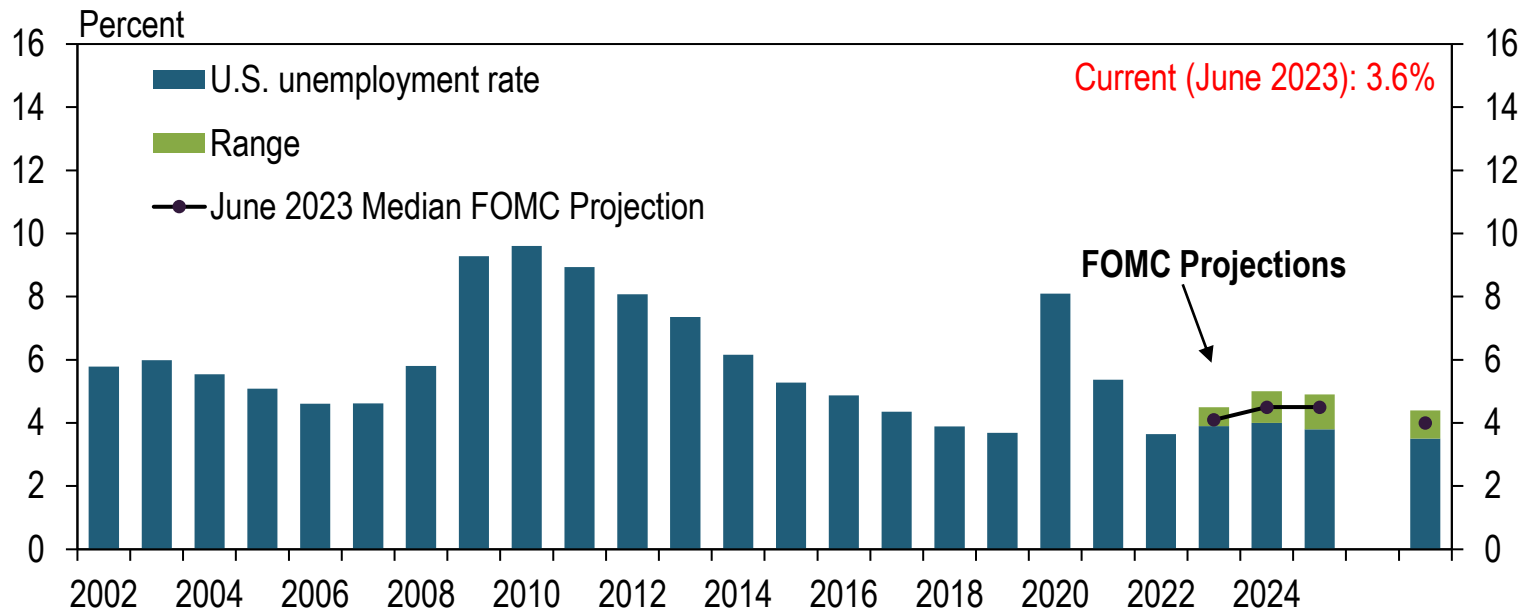


GDP growth is expected to be somewhat sluggish in 2023 before rebounding to trend in 2024 and 2025



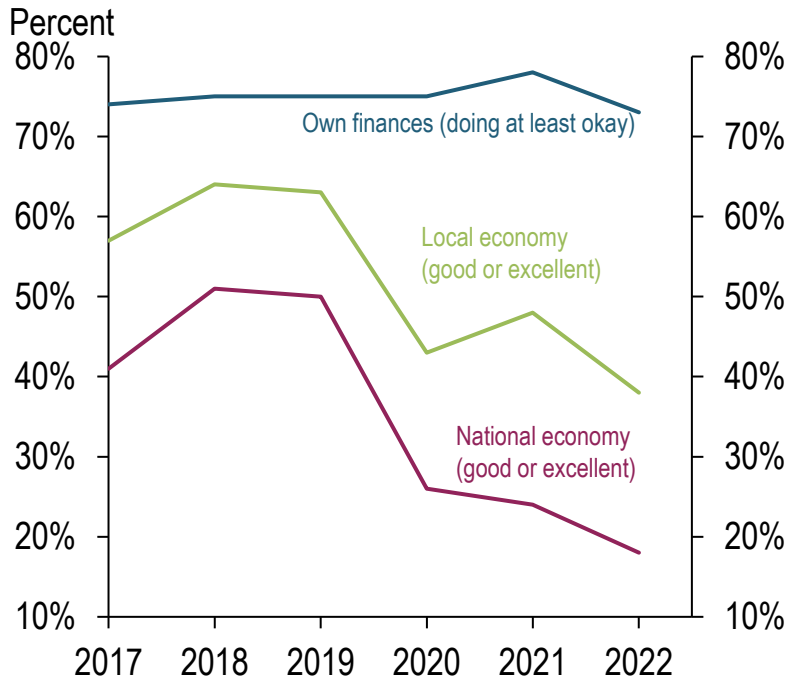
U.S. unemployment remains historically low and is projected to rise only moderately in coming years

U.S. Unemployment Rate



Most Americans would not call the economy good or excellent, but generally consider their own finances to be OK

Assessment of Financial & Economic Well-Being

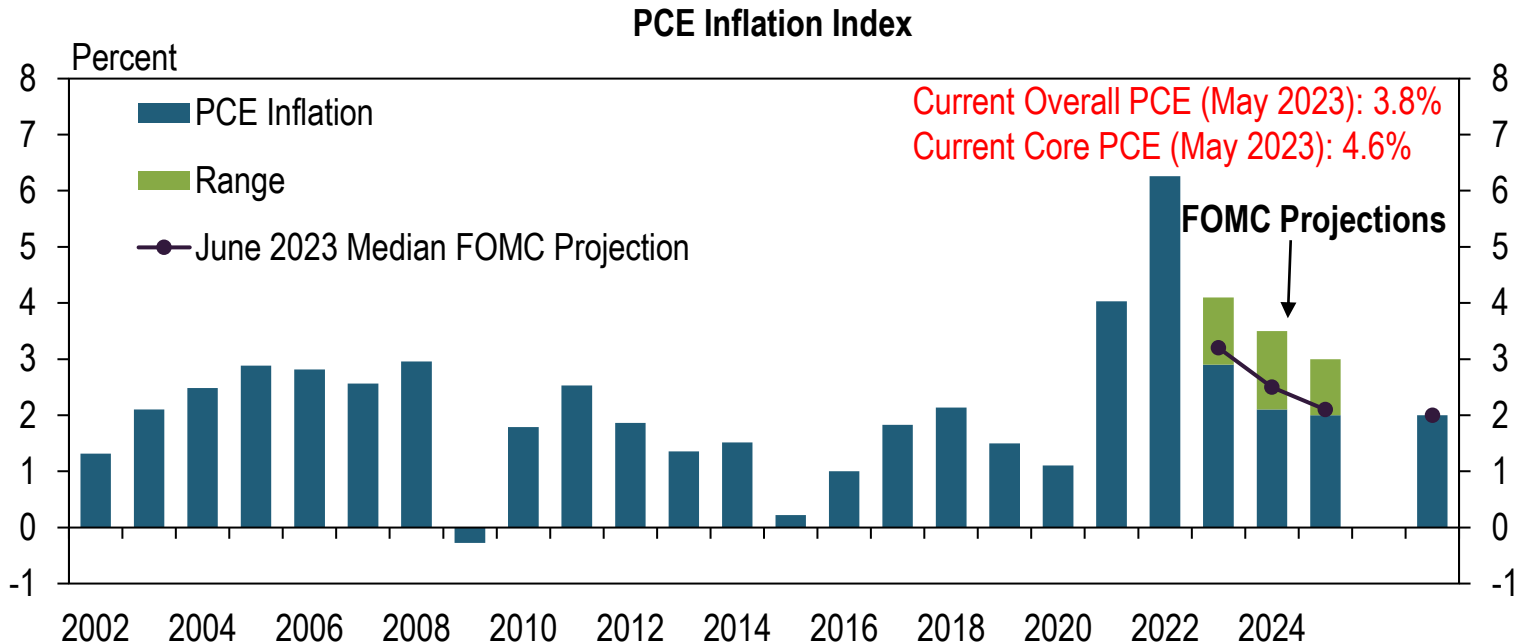


Financial Well-Being by Income (October 2022)

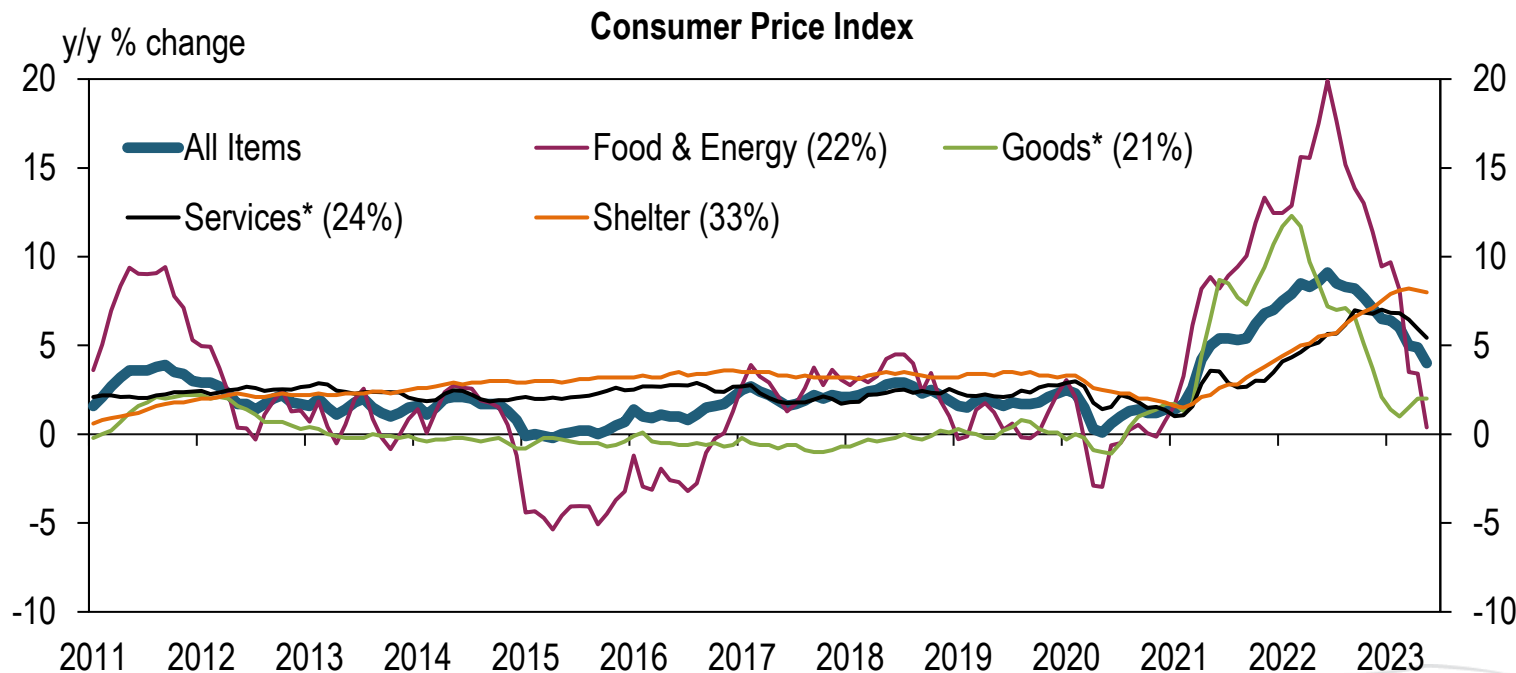
Percent

Family Income	Percent doing at least okay financially		Percent able to pay this month's bills	
	2019	2022	2019	2022
Less than \$25,000	51	54	65	58
\$25,000 to \$49,999	66	61	76	71
\$50,000 to \$99,999	84	78	86	83
\$100,000 or more	95	93	93	91

Although inflation has come down from 2022 peaks and is expected to fall further, it remains elevated



CPI inflation eased again in May to 4.0%, but shelter and services inflation remains above 5%

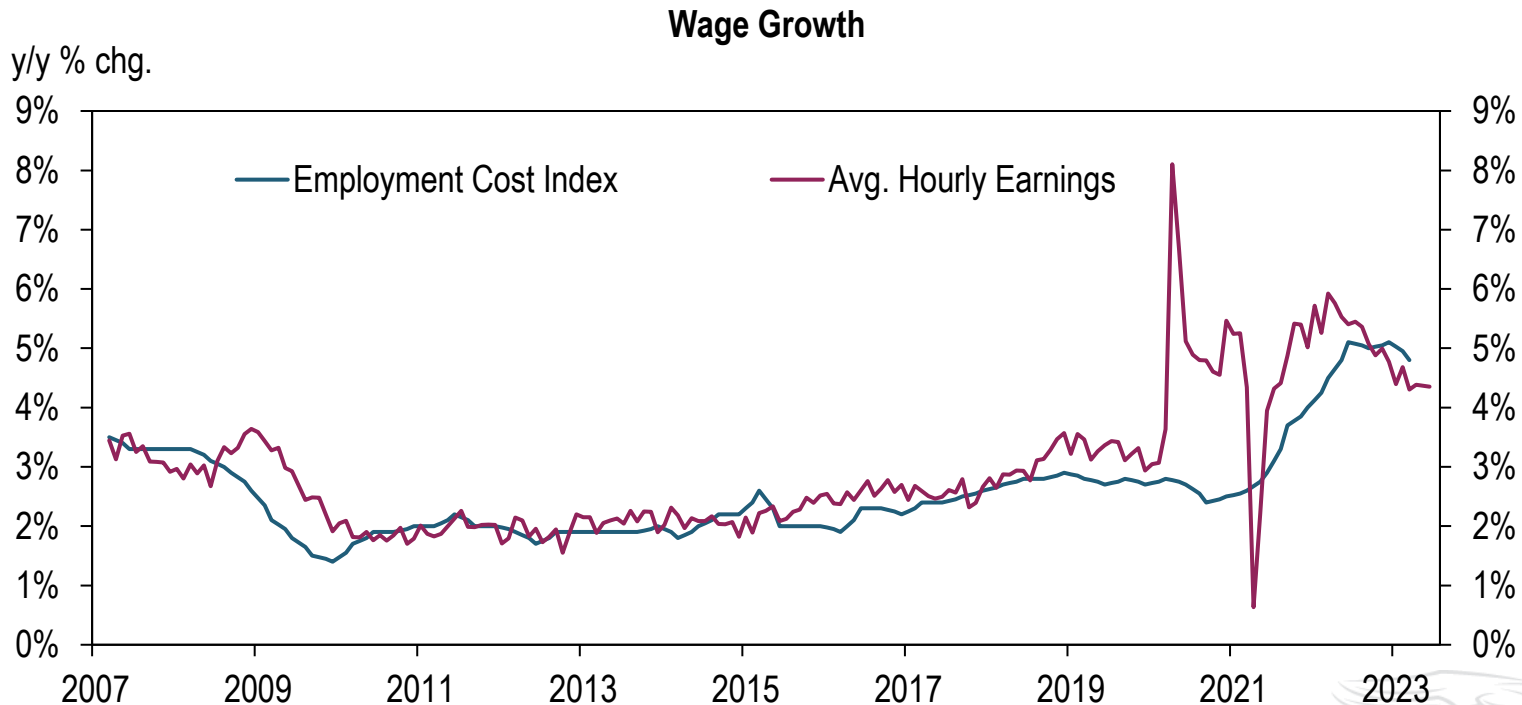


*Goods excluding Food; Services excluding Energy.
 Note: Relative Importance as Share of CPI shown in parenthesis.

Sources: BLS/Haver Analytics

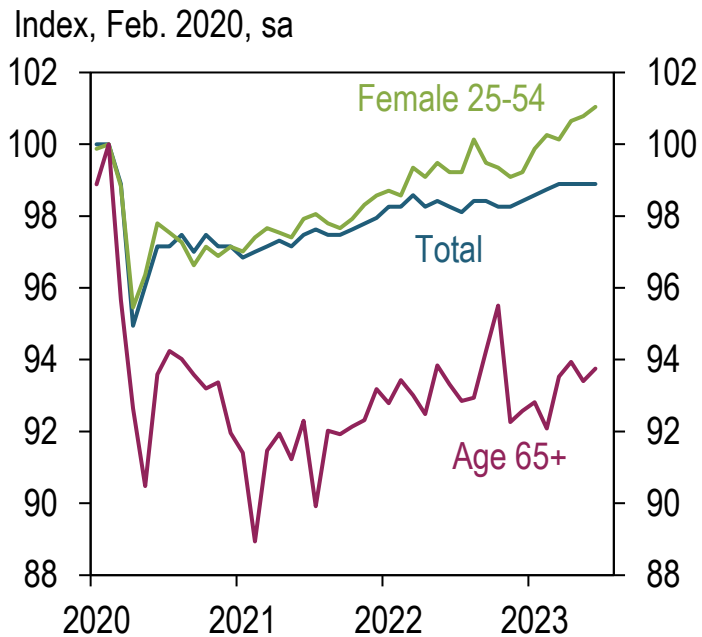


Wage growth is a key factor keeping services inflation high, but it has come down moderately from recent highs

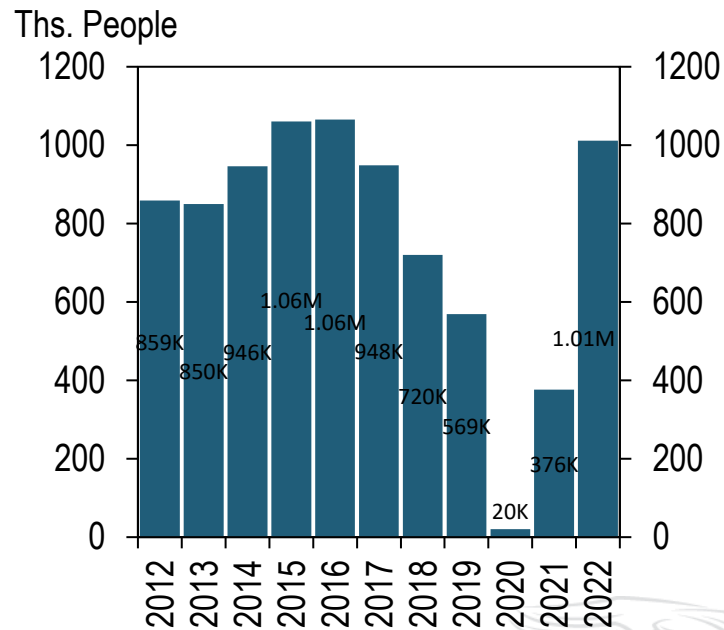


Labor force participation still lags, mostly due to older workers, while immigration rebounded last year after several low years

U.S. Labor Force Participation Rate

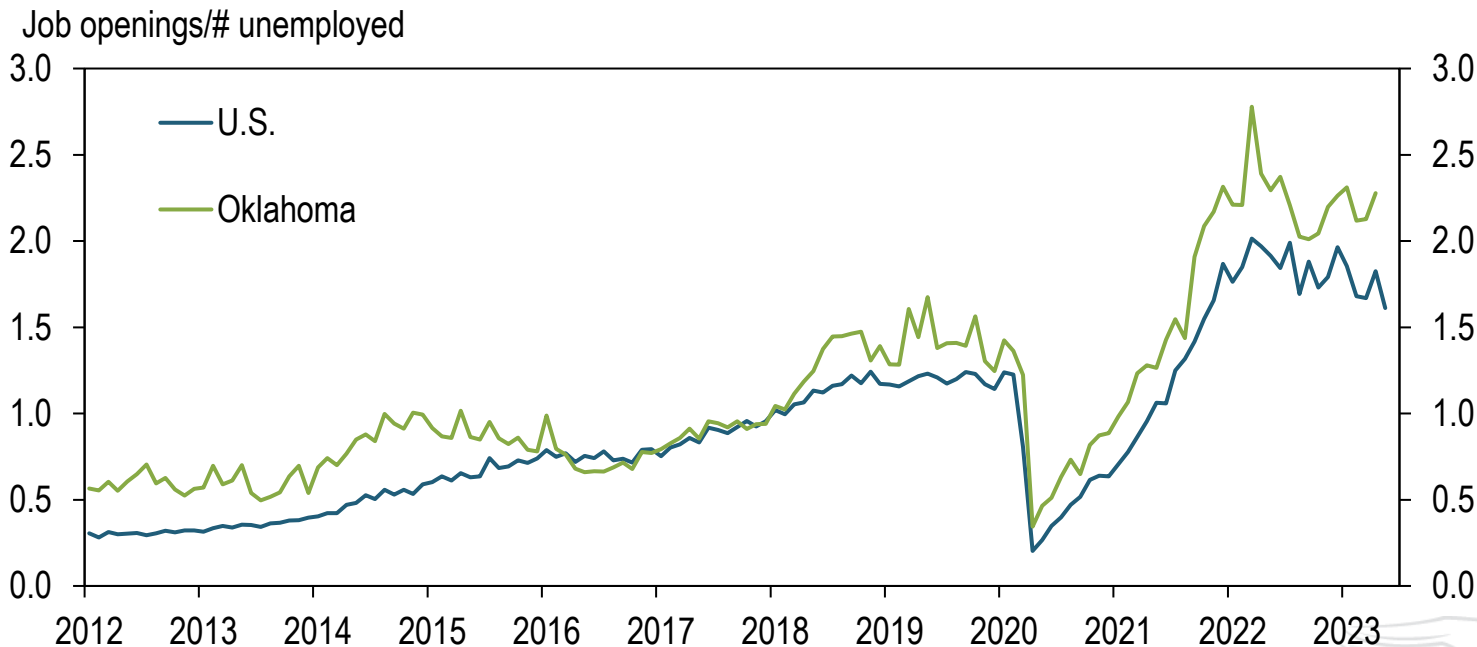


Net International Immigration to the U.S.



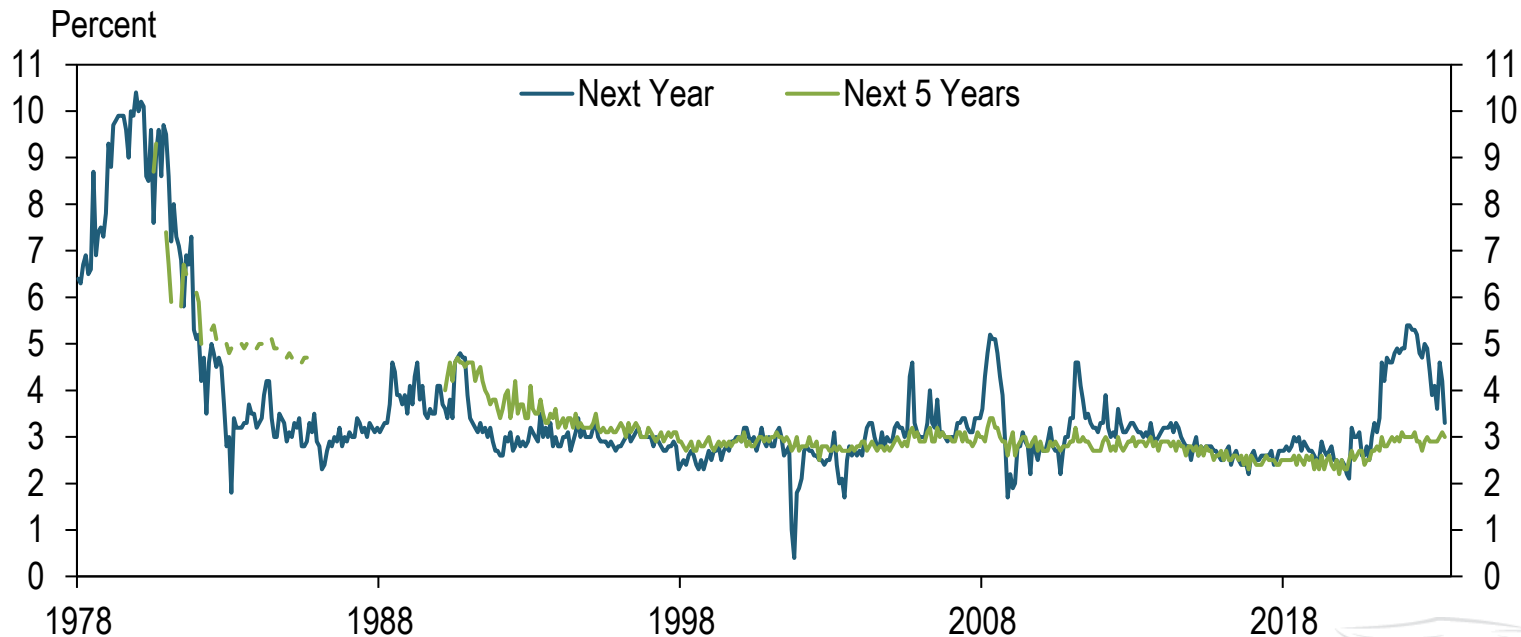
Job openings still greatly exceed unemployed workers, keeping wage pressures from easing much, but have trended down in U.S.

Job Openings/Unemployment Ratio

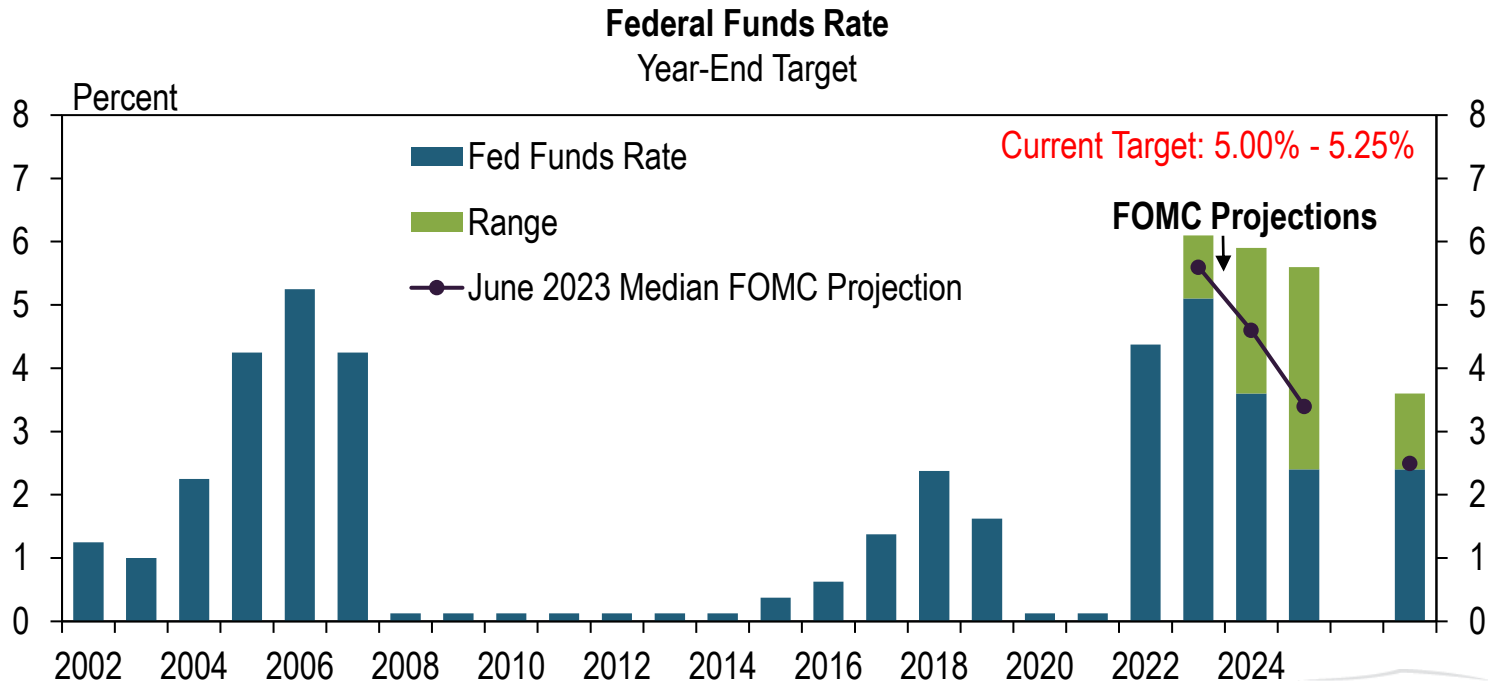


Longer-term inflation expectations remain anchored around their 20-year average

Expected Inflation Rate

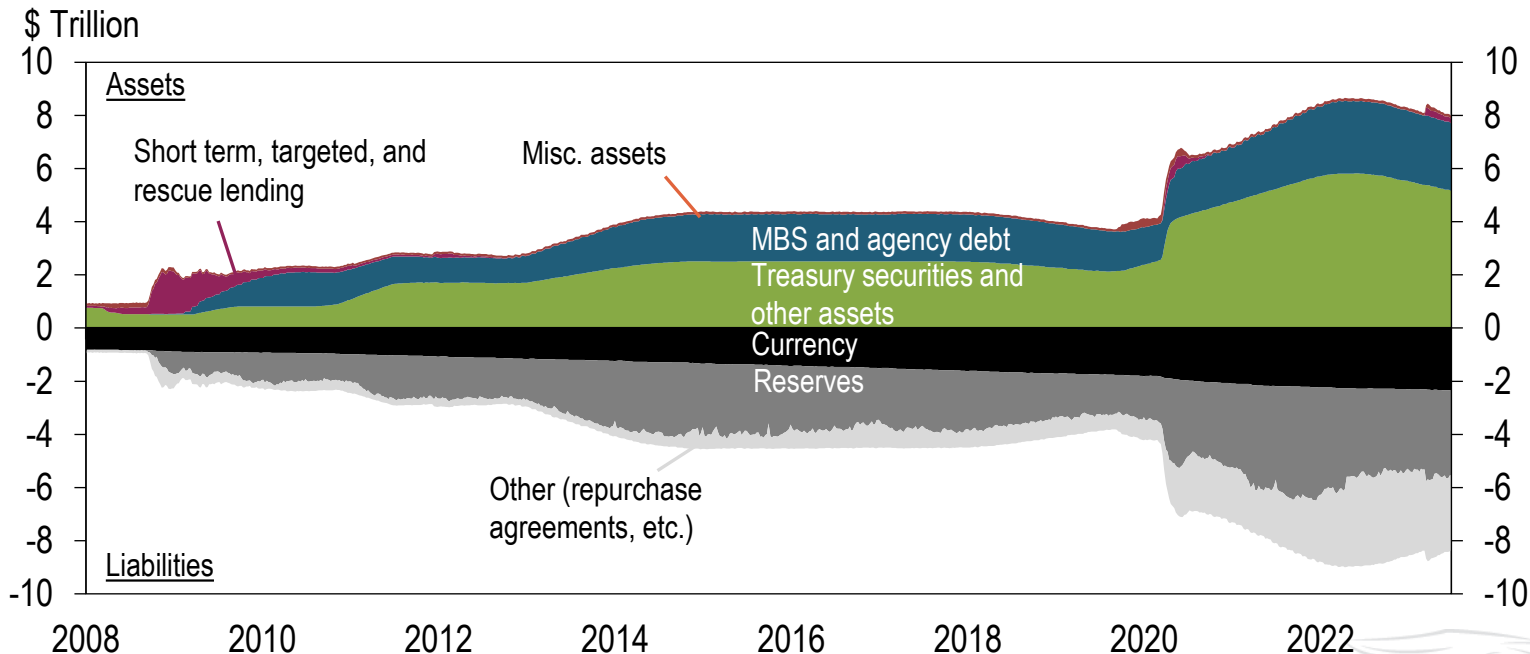


The Fed held the federal funds rate steady in June, but still projects further rate increases



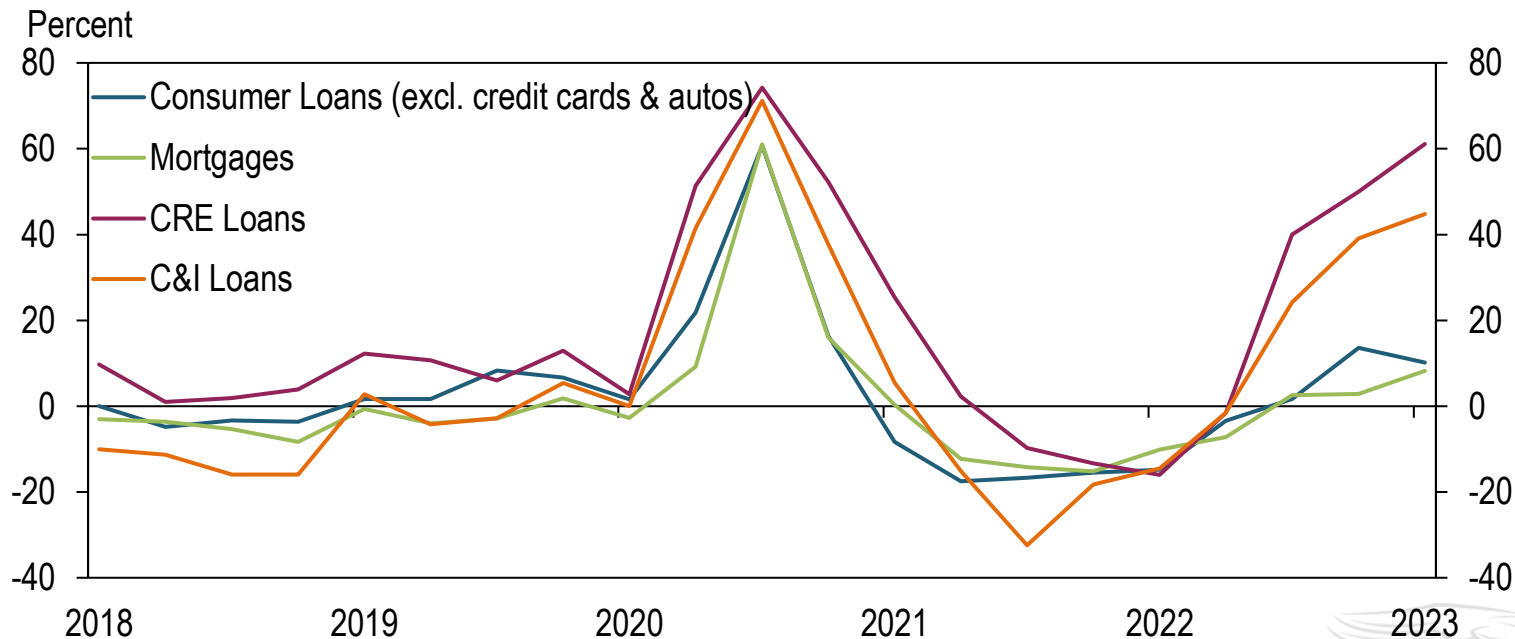
The Fed has also continued to reduce its balance sheet of securities, further tightening policy

Federal Reserve Balance Sheet

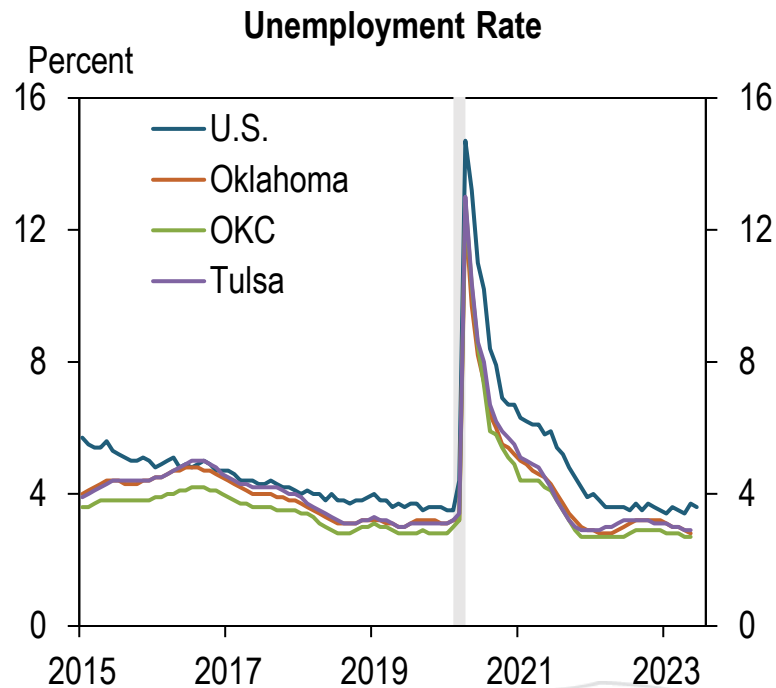
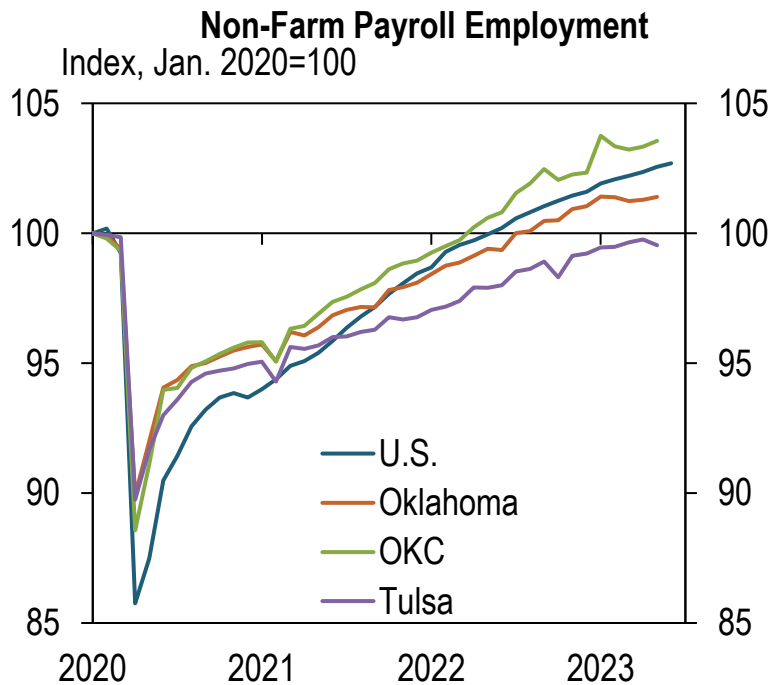


Banks have tightened lending standards, especially for commercial loans

Net Percent of Banks Tightening Standards

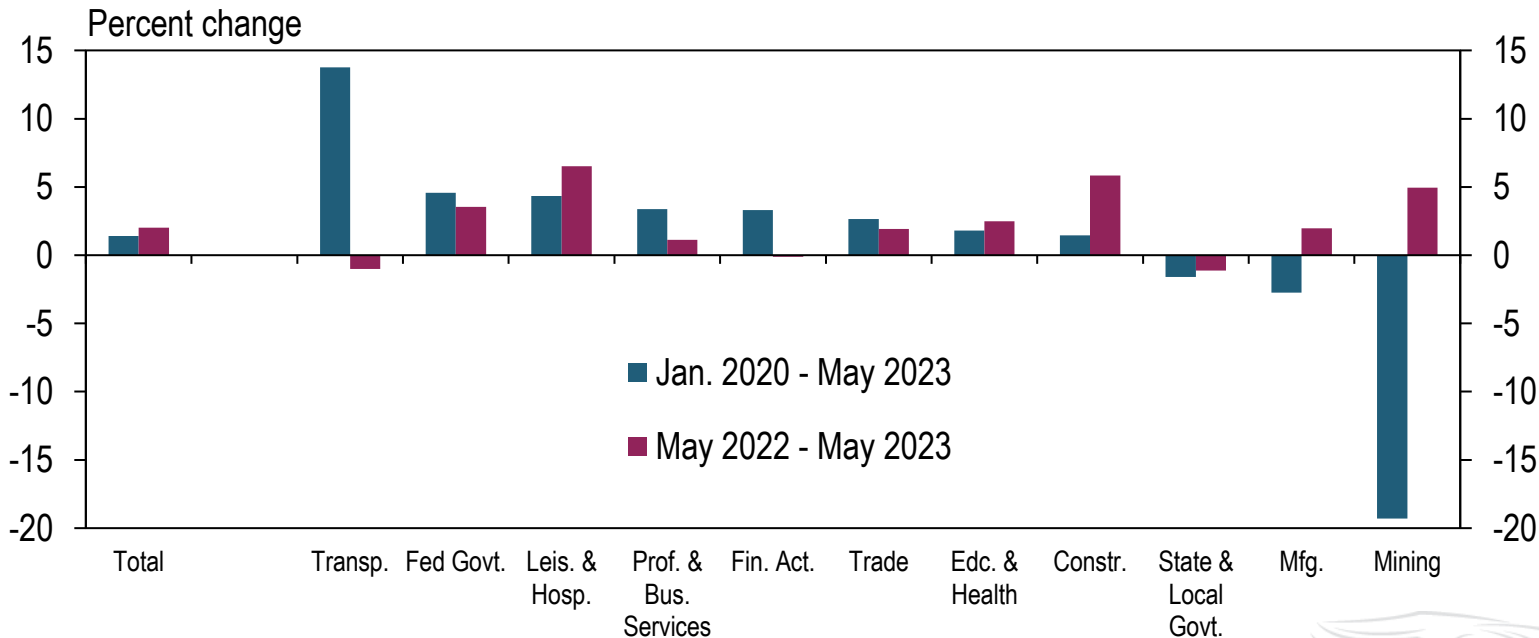


Jobs in Oklahoma have mostly continued to grow, while unemployment stays low



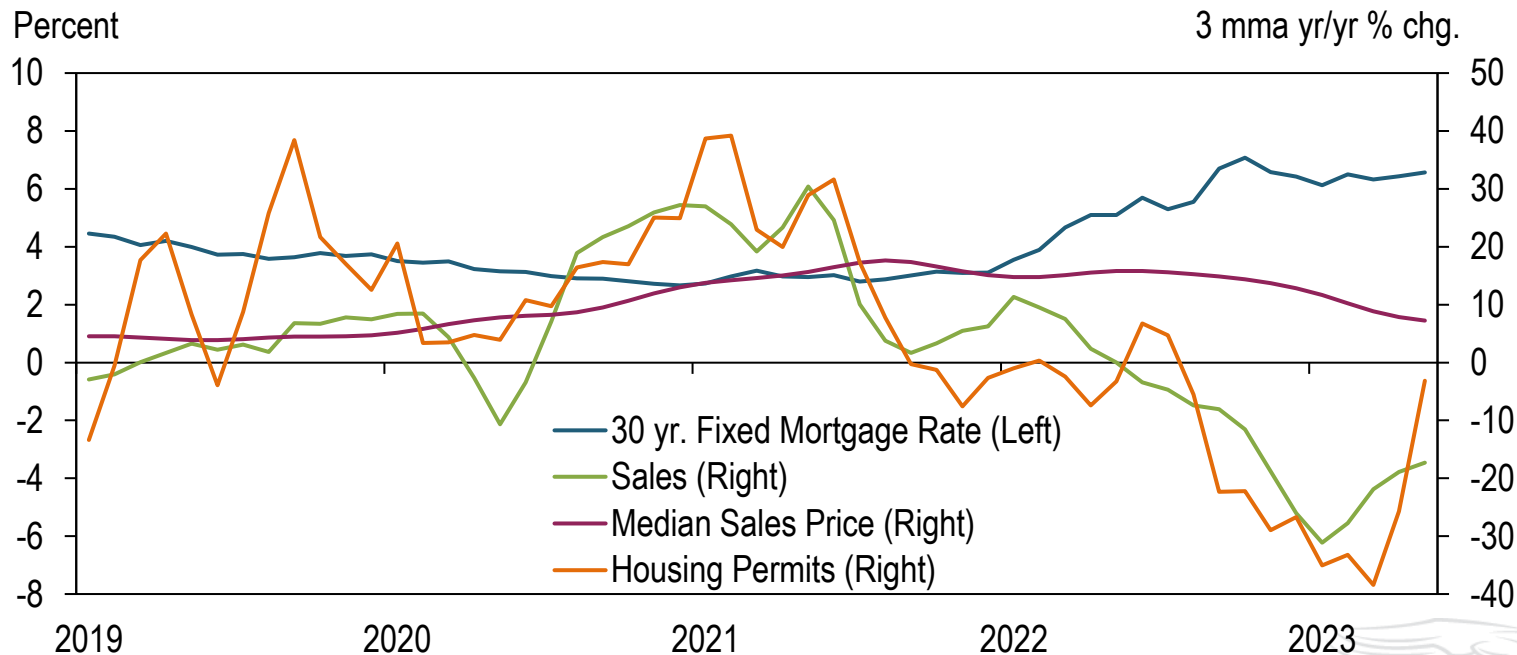
Energy and manufacturing jobs in OK are still below pre-pandemic but up during the past year

Oklahoma Job Growth by Industry



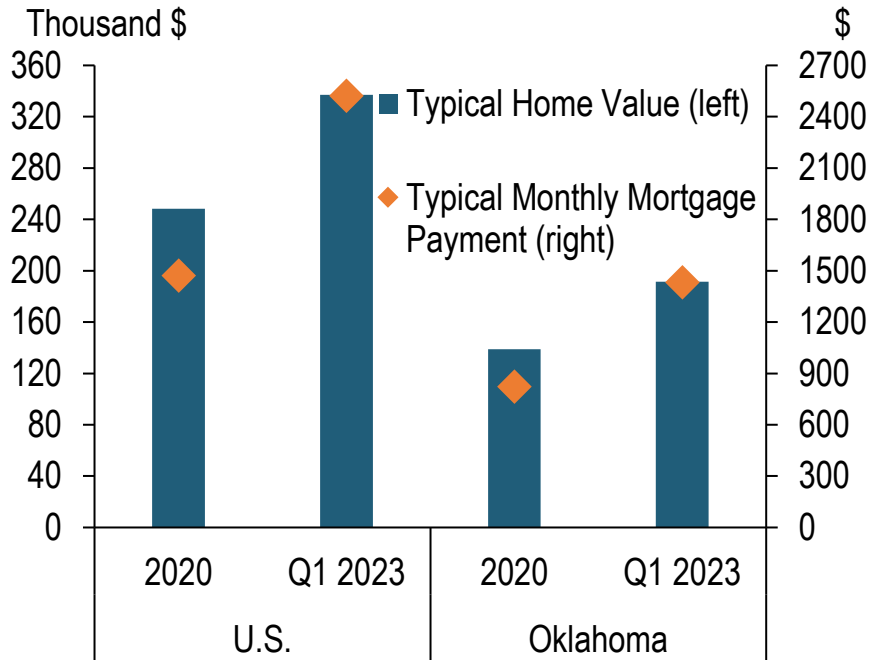
The Oklahoma housing market eased with higher interest rates, but home prices have held on and permits are up, given limited supply

Oklahoma Housing Market Indicators

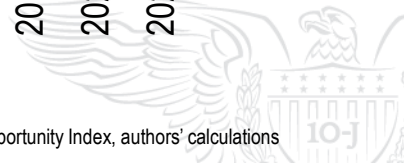
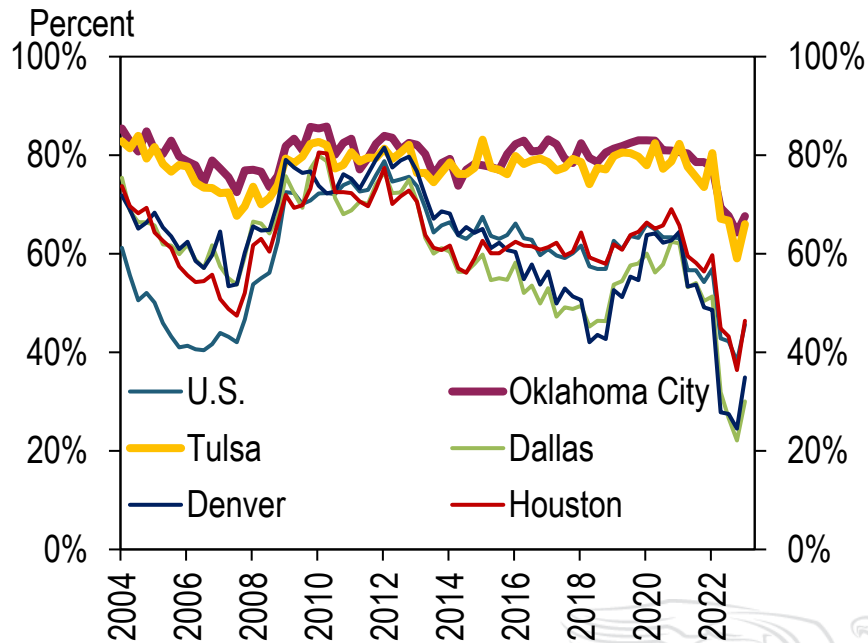


Much higher mortgage rates and home prices than a few years ago have greatly increased housing costs, but Oklahoma is still relatively affordable

Housing Affordability Indicators

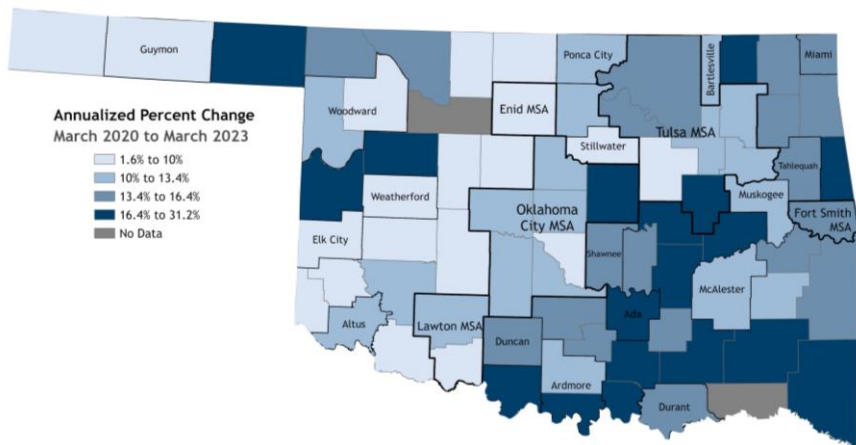


Share of Affordable Homes

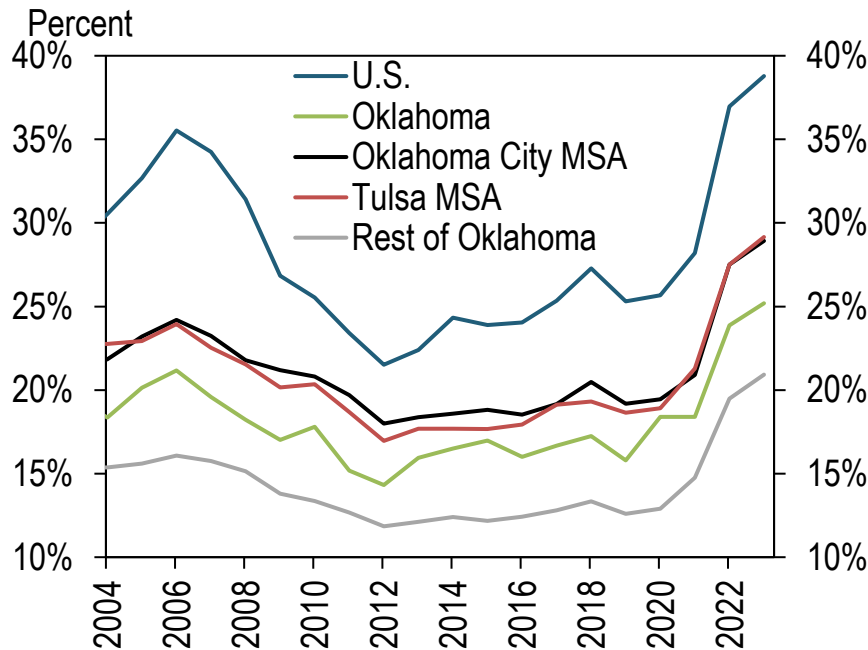


Home prices in parts of rural Oklahoma have grown the most, but remain more affordable than the metros

Typical Home Value Growth by County



Mortgage Payment to Income Ratio

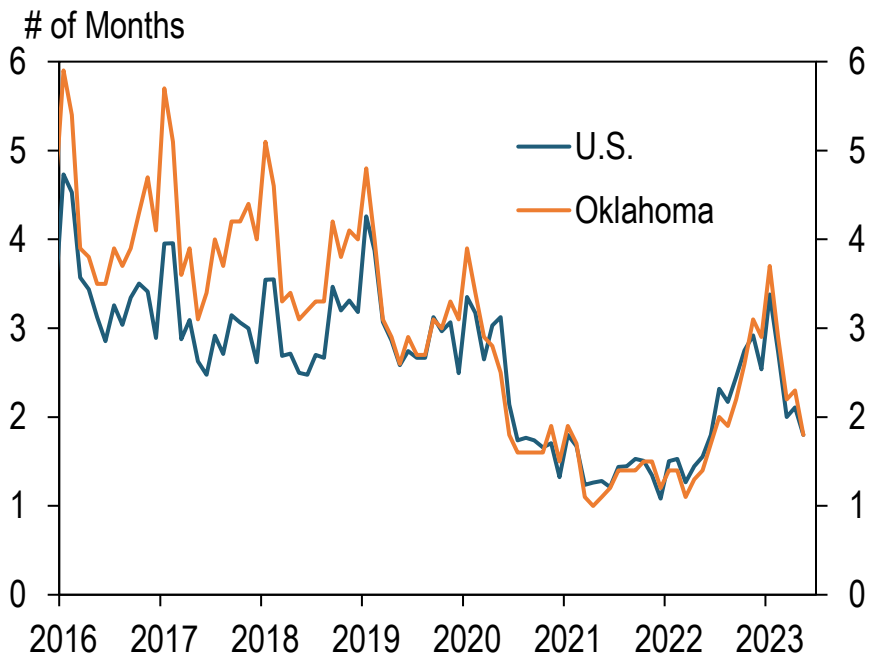


Notes: Median income for 2022 and 2023 is projected. 2023 data are from Q1. The mortgage payment assumes a 30-year mortgage with a 20% down payment and additional annual costs and taxes equaling 3% of the current home value.

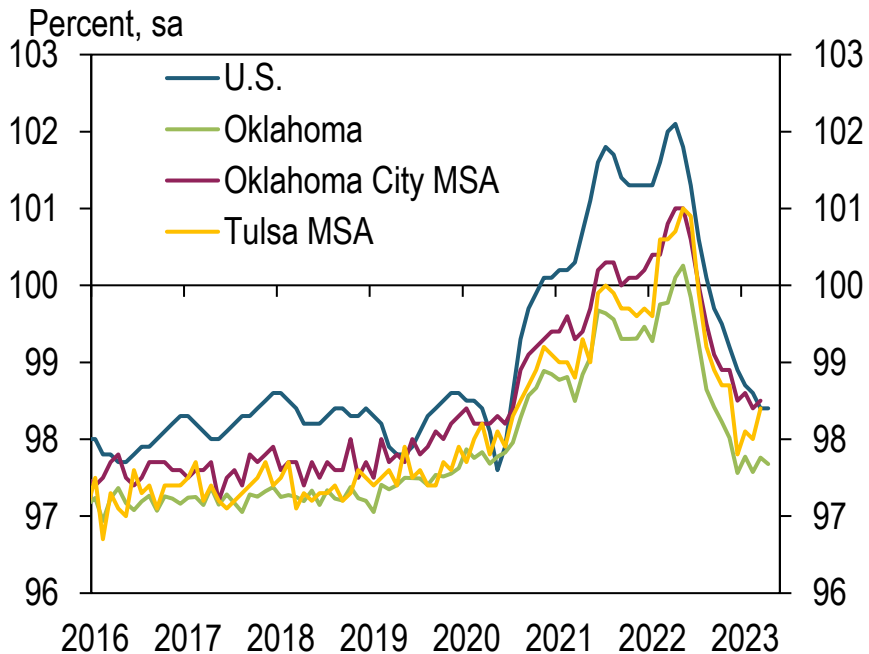
Sources: Zillow, Freddie Mac, Census Bureau, BLS/Haver Analytics, authors' calculations

Many homebuyers purchased homes above their list prices as supply waned during the pandemic, but that has eased in 2023

Months of Supply of Unsold Homes

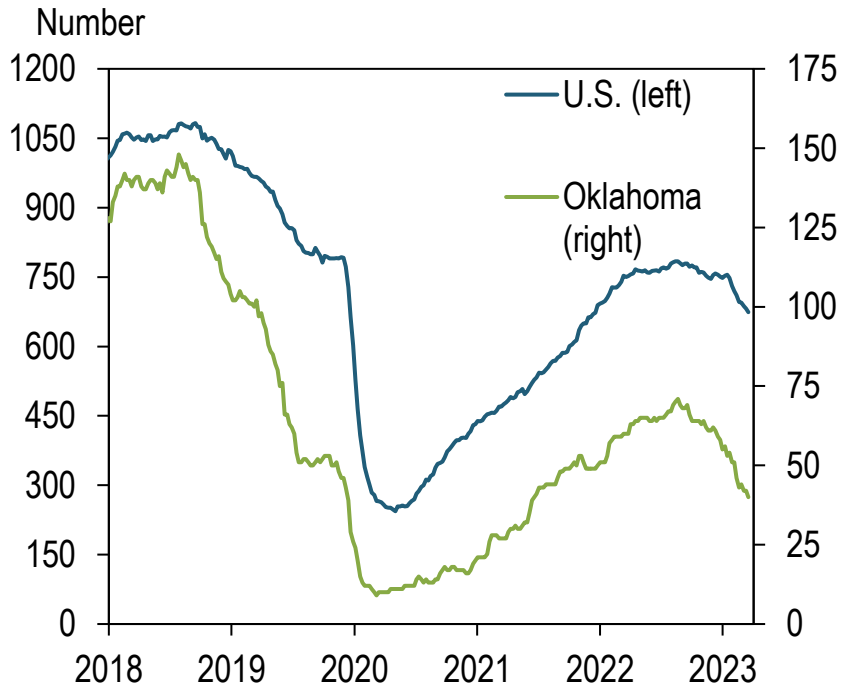


Average Sale to List Price Ratio

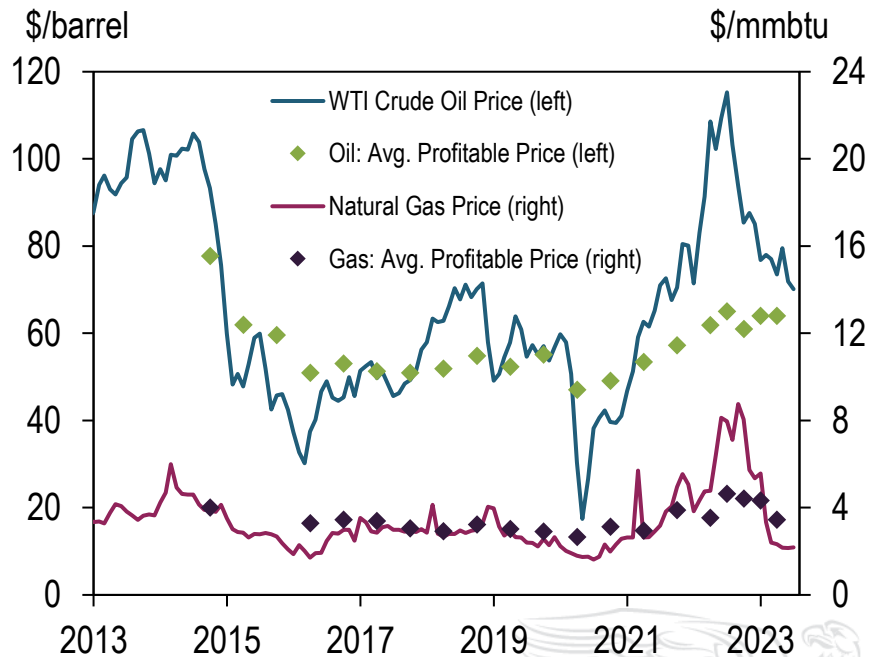


Oil and gas drilling has fallen in Oklahoma with lower profitability, even moreso than in the nation

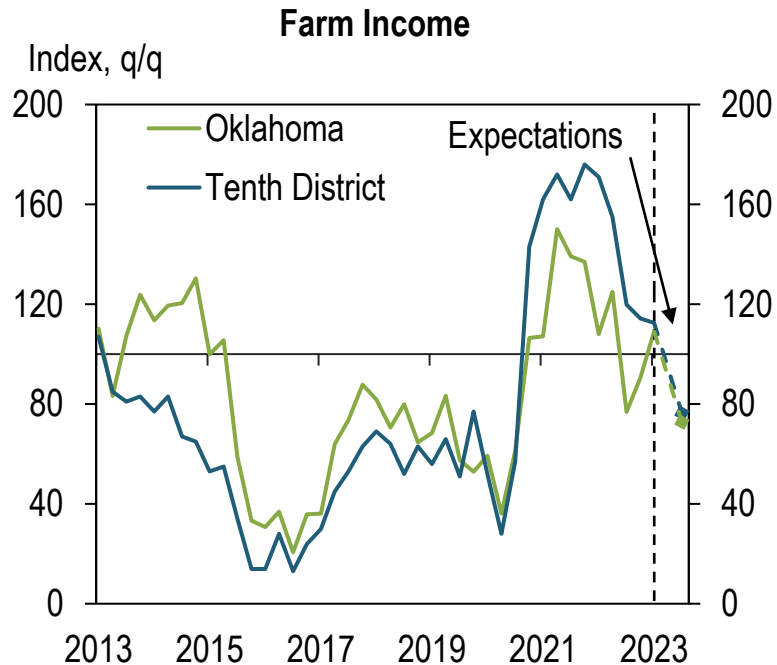
Rig Counts



U.S. Energy Prices

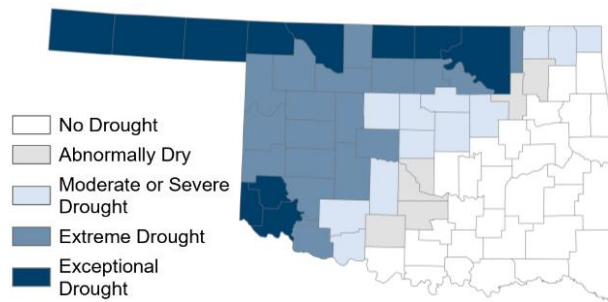


Oklahoma farm income increased in Q1 2023, but is expected to decline due to drought and higher interest rates, although drought has eased

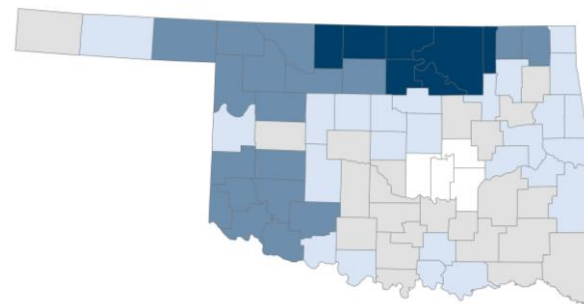


Oklahoma Drought Map

5/16/2023

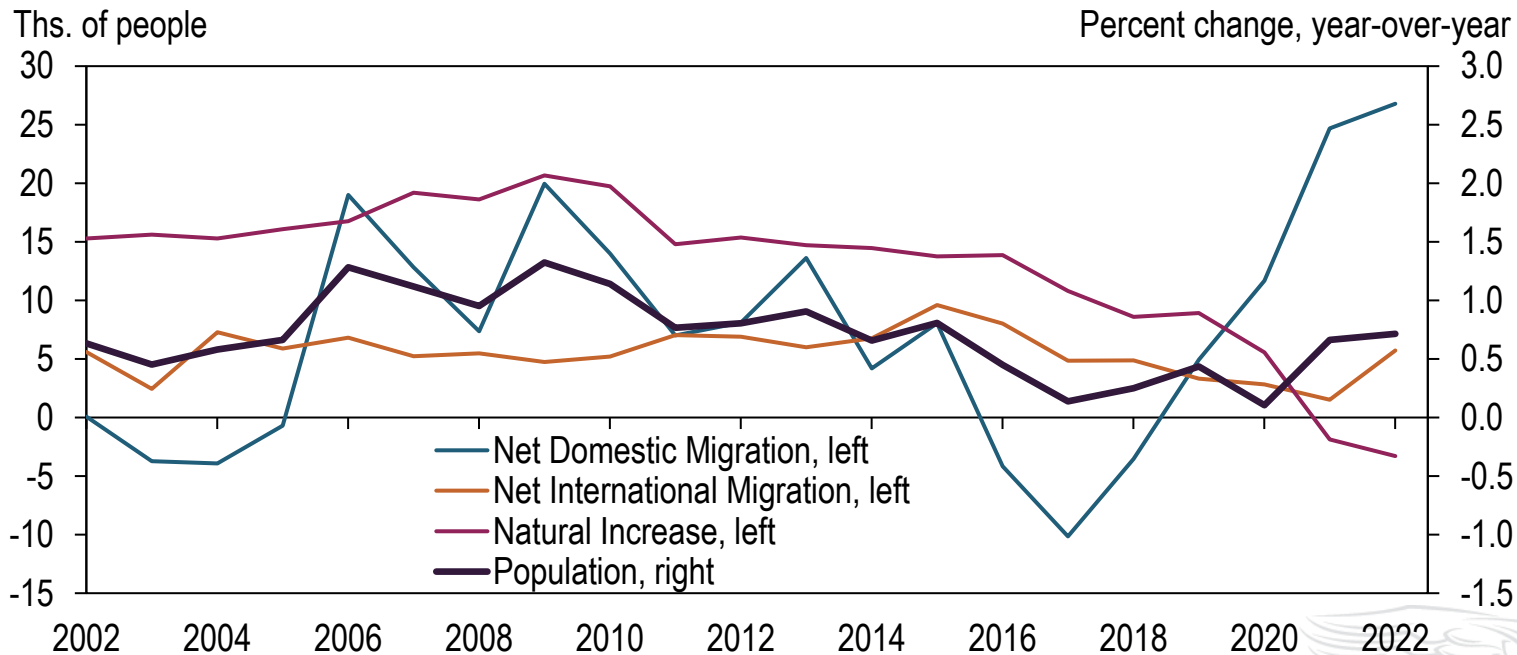


7/4/2023



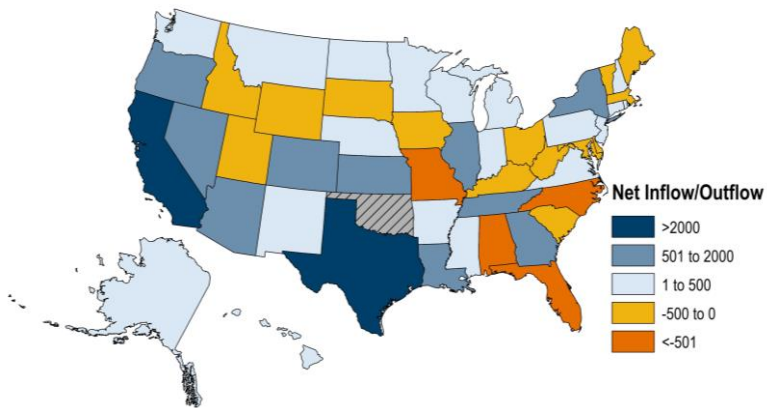
Oklahoma's population grew in 2021 & 2022, despite a historic increase in deaths, due to massive in-migration

Oklahoma Population Changes by Component, 2001-2022

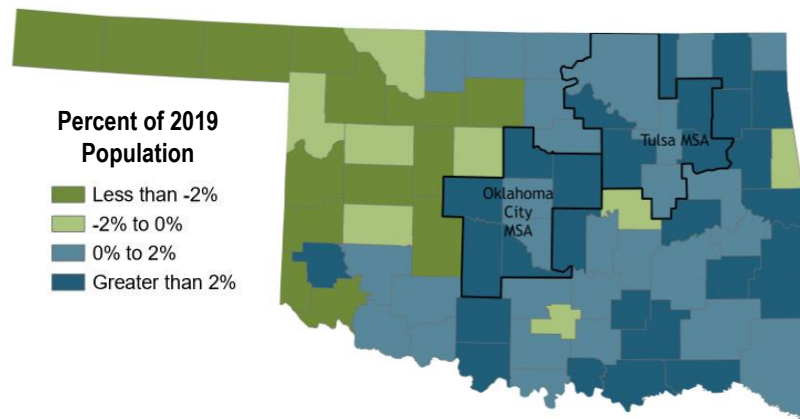


Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

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



2019-22 Net Domestic In-Migration by County



Summary

- U.S. economic growth has slowed in 2023 but remains positive, and unemployment remains very low
- Inflation remains too high, despite coming down from 2022 peaks
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- 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?

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