

# U.S. and Oklahoma Economic Outlook

*BancFirst Presidents' Roundtable*

*August 8, 2023*

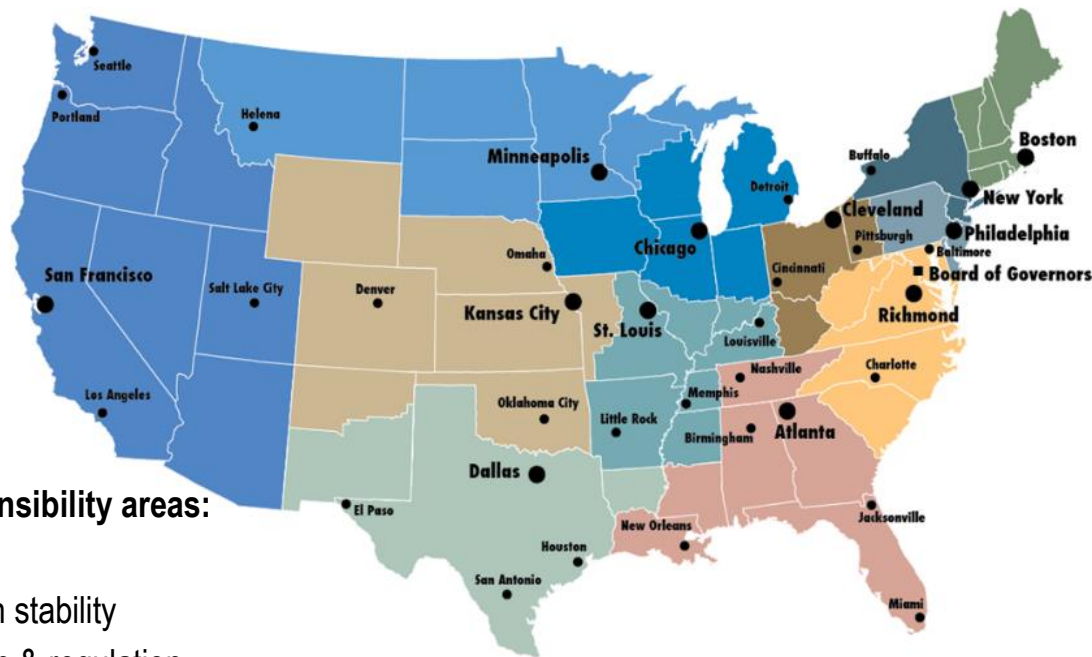


Chad Wilkerson  
*SVP & Oklahoma City Branch Executive*

\*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](http://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., Sand Springs
- **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
- **Community Depository Inst. Advisory Council (CDIAC):**
  - **Barry Anderson**, President, F&M Bank, Guthrie
  - **Alicia Wade**, President, Valliance Bank, Oklahoma City



## Overview

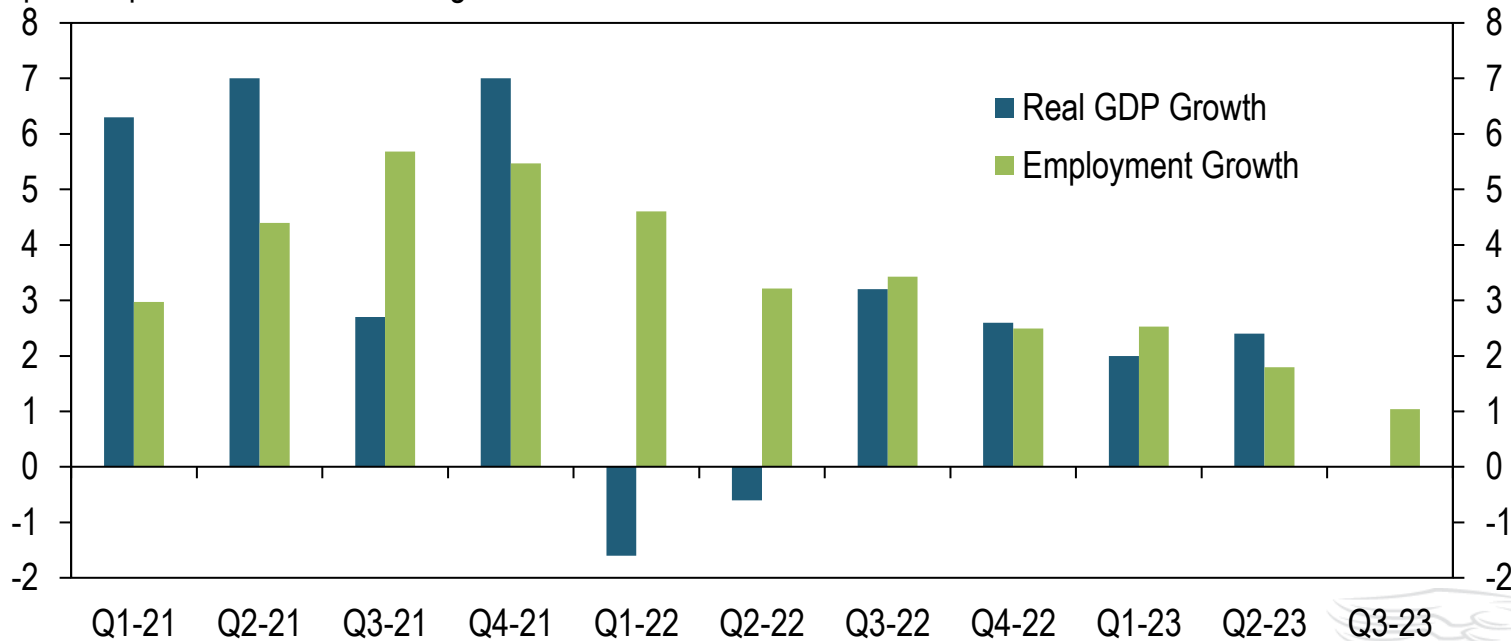
- U.S. economic growth has slowed in 2023 but remains positive, and unemployment remains very low
- Inflation remains too high, despite coming down from 2022 peaks
- The Fed has raised interest rates over 500 basis points
- Oklahoma's economy continues to recover, but jobs remain below pre-pandemic levels 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 but remained positive through mid-2023

Quarterly U.S. Economic Growth

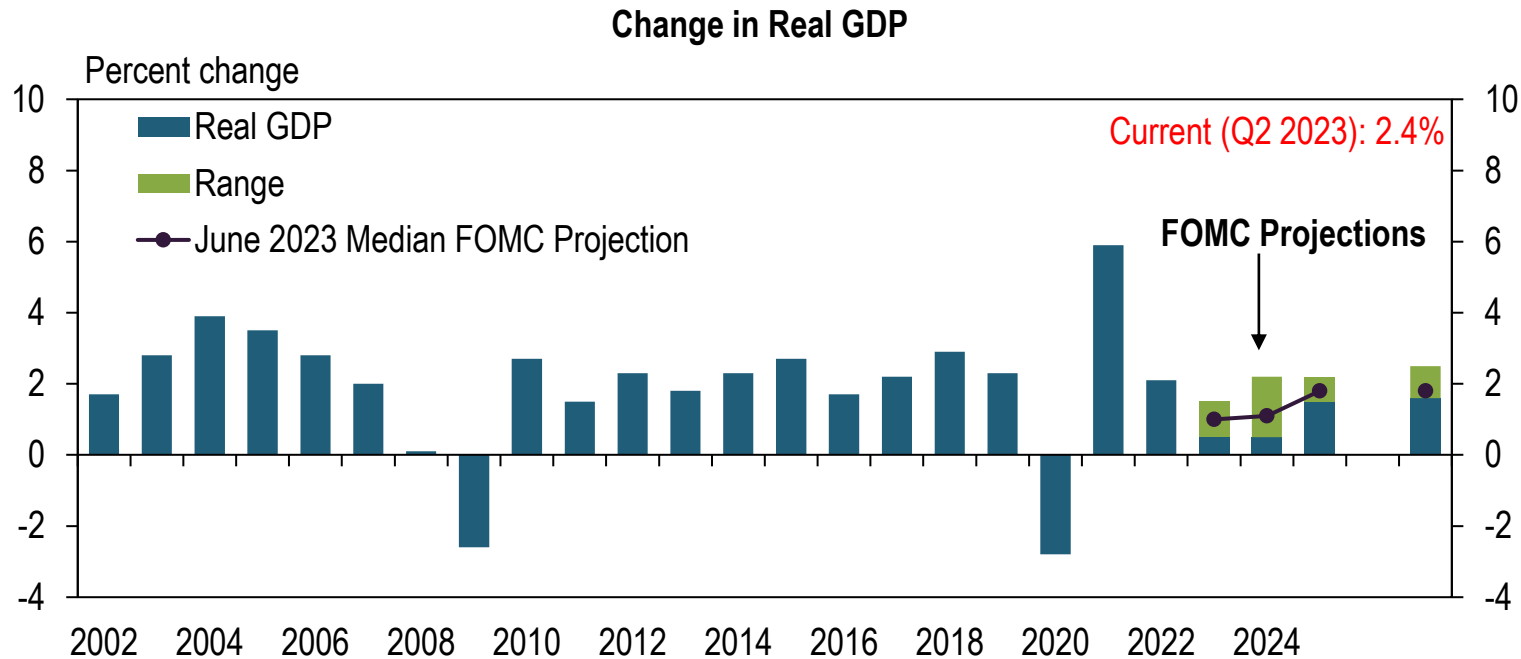
quarter/quarter annualized % chg.



Sources: BEA, BLS/Haver Analytics

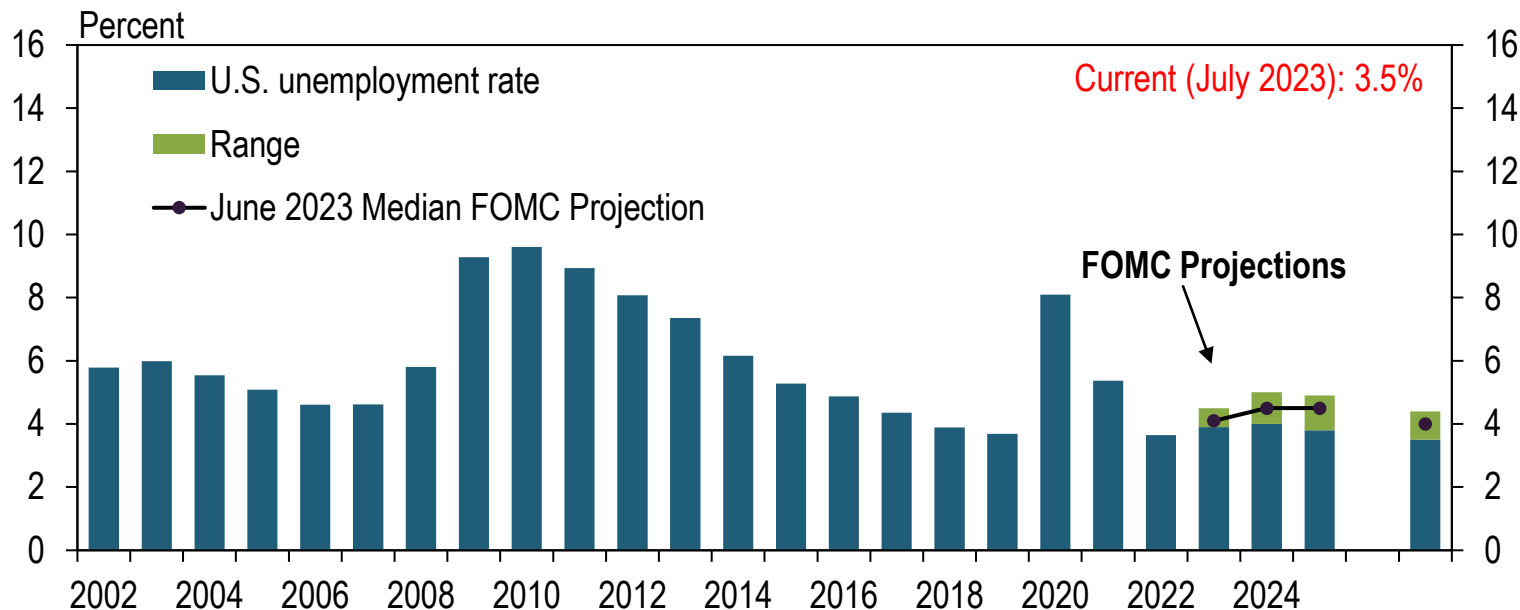


# GDP growth is expected to be somewhat sluggish in 2023 before rebounding to trend in 2024 and 2025



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

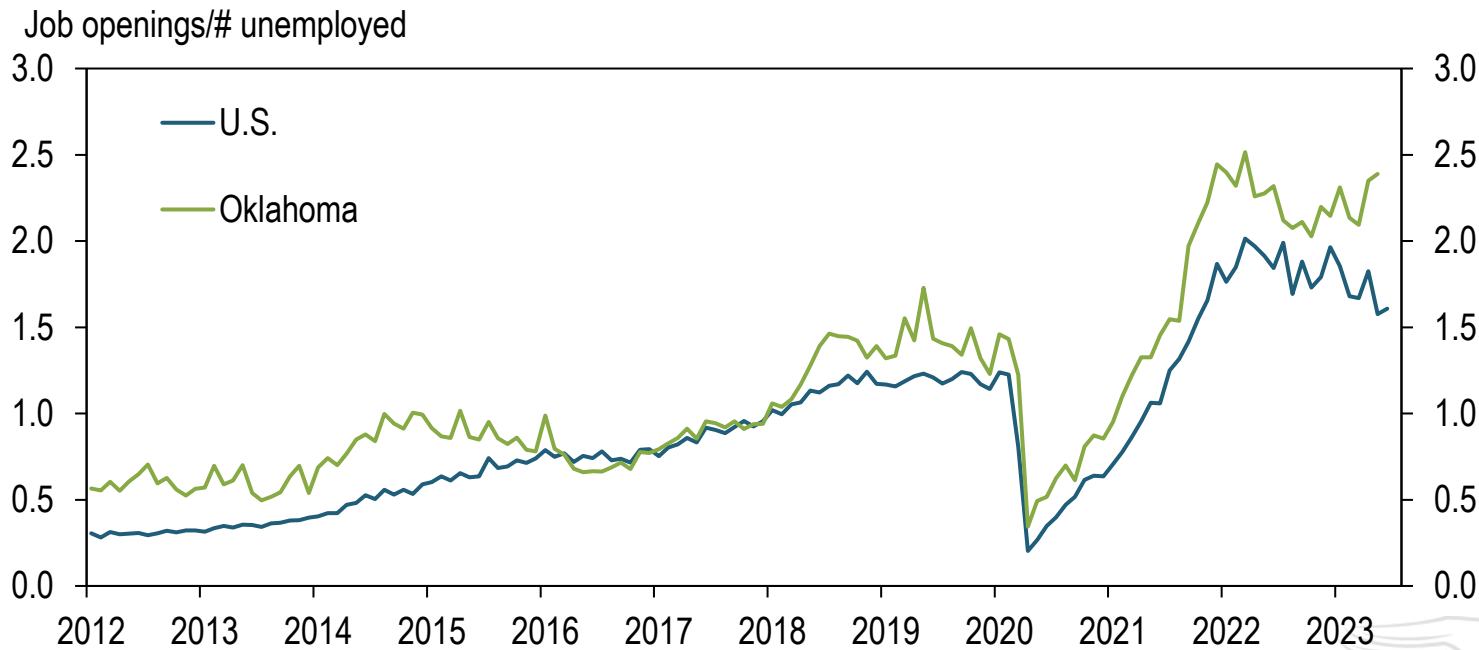
## U.S. Unemployment Rate





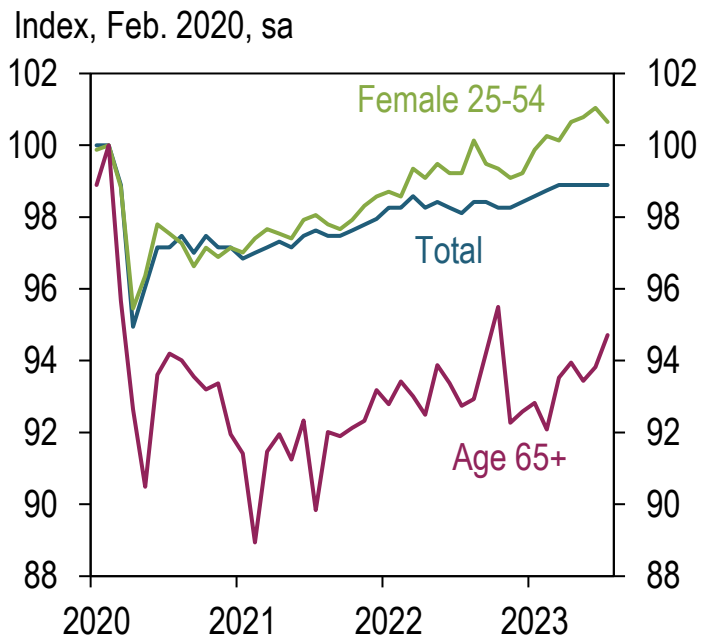
# Job openings still greatly exceed unemployed workers, keeping wage pressures from easing much, but have fallen slightly

**Job Openings/Unemployment Ratio**

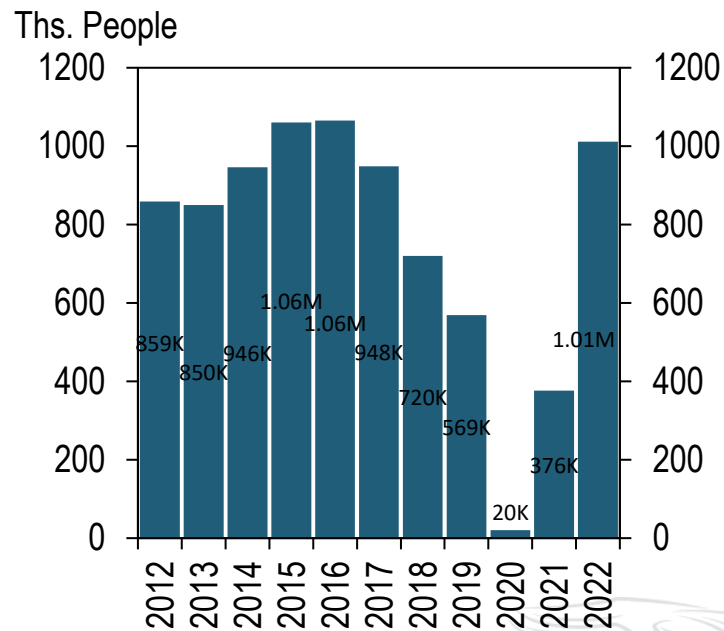


# Labor force participation still lags, mostly due to older workers, while immigration rebounded last year after several low years

**U.S. Labor Force Participation Rate**

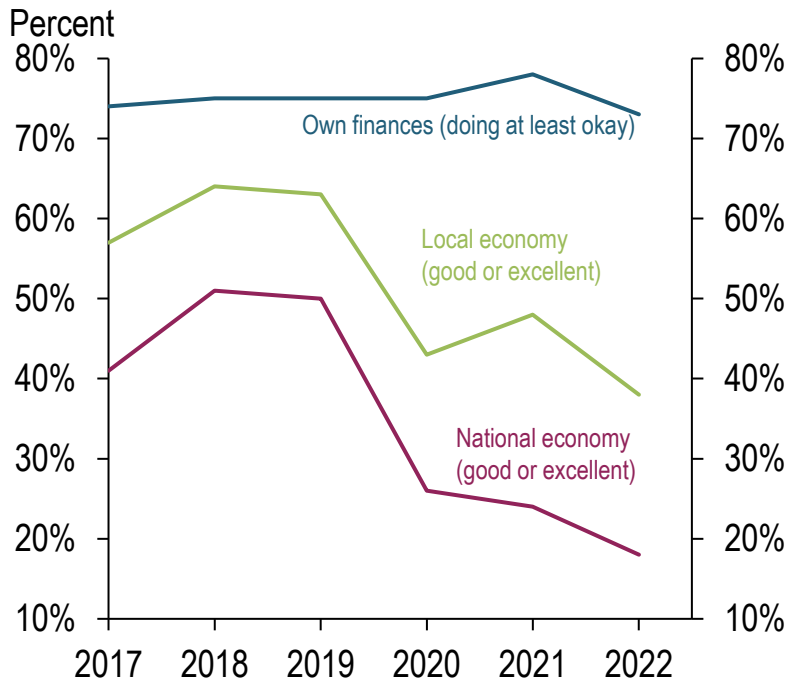


**Net International Immigration to the U.S.**



# Most Americans would not call the economy good or excellent, and their own financial well-being fell last year and varies widely by income

## Assessment of Financial & Economic Well-Being

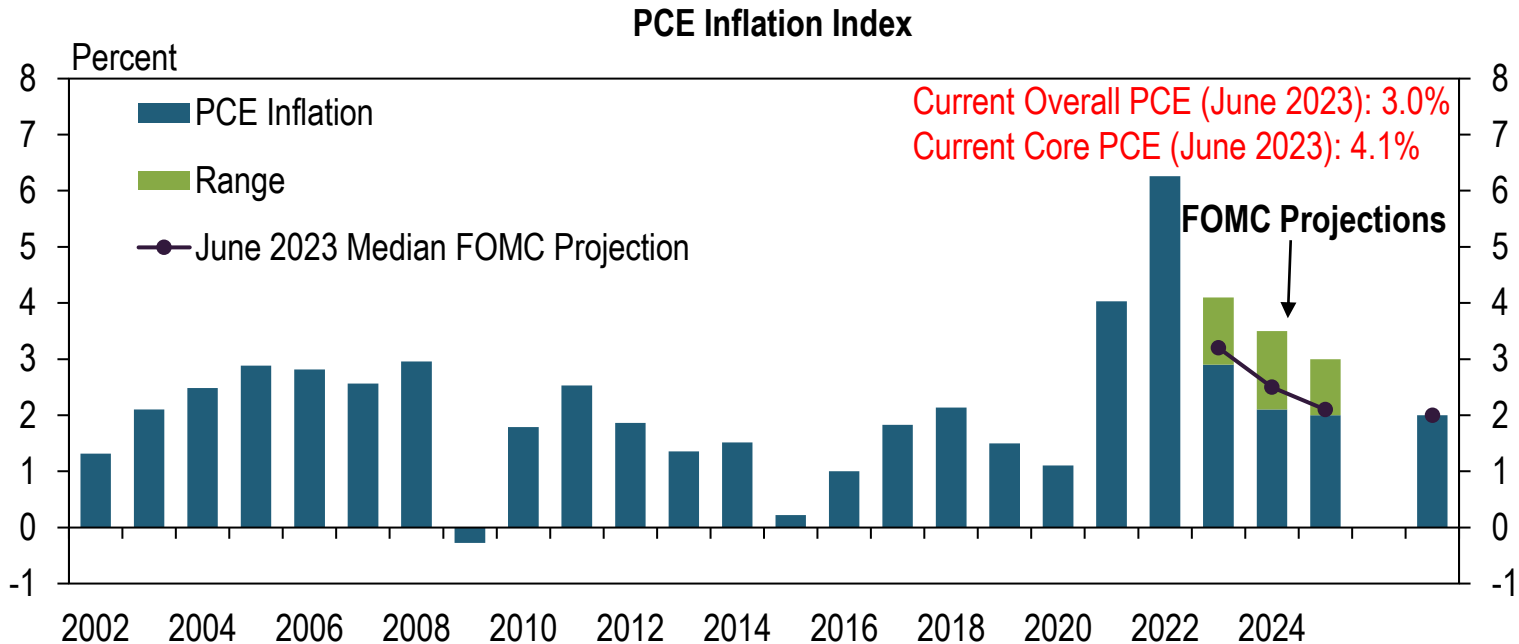


## Financial Well-Being by Income (October 2022)

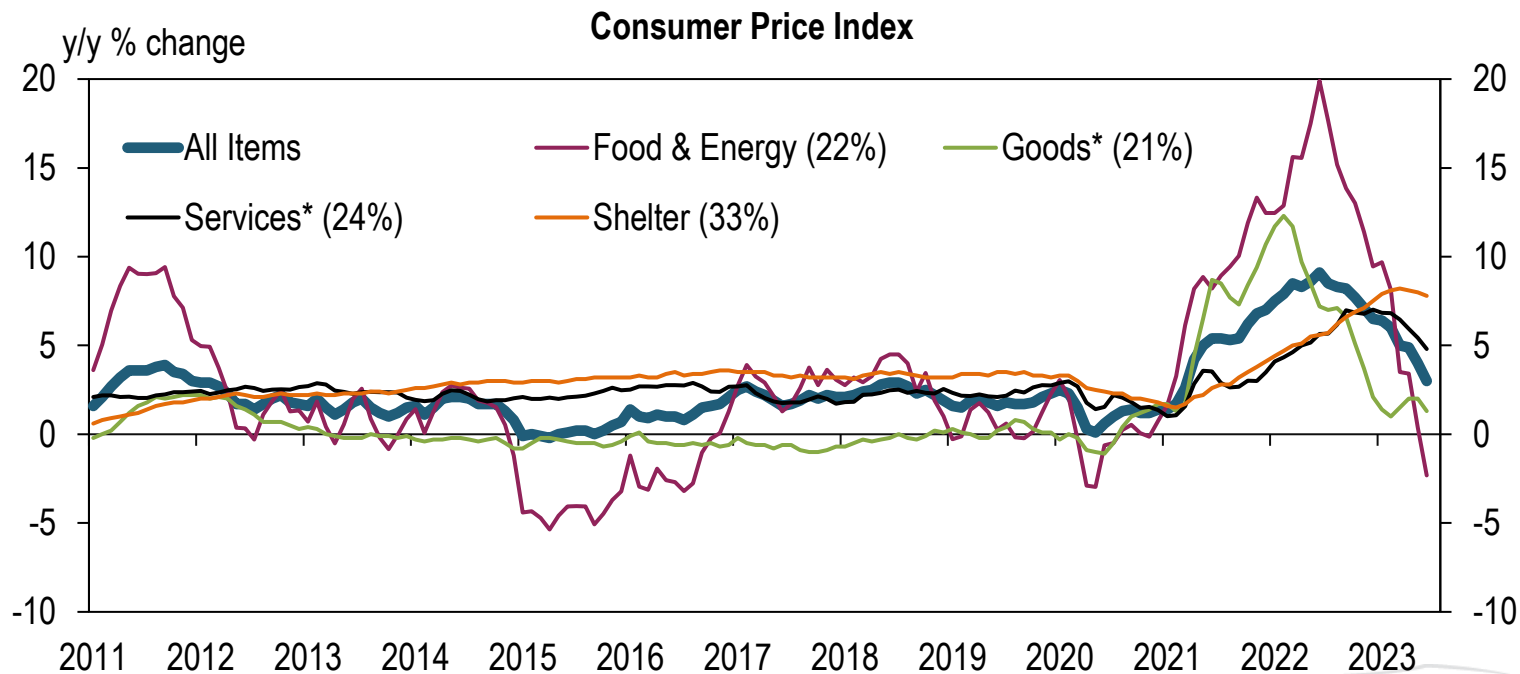
Percent

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

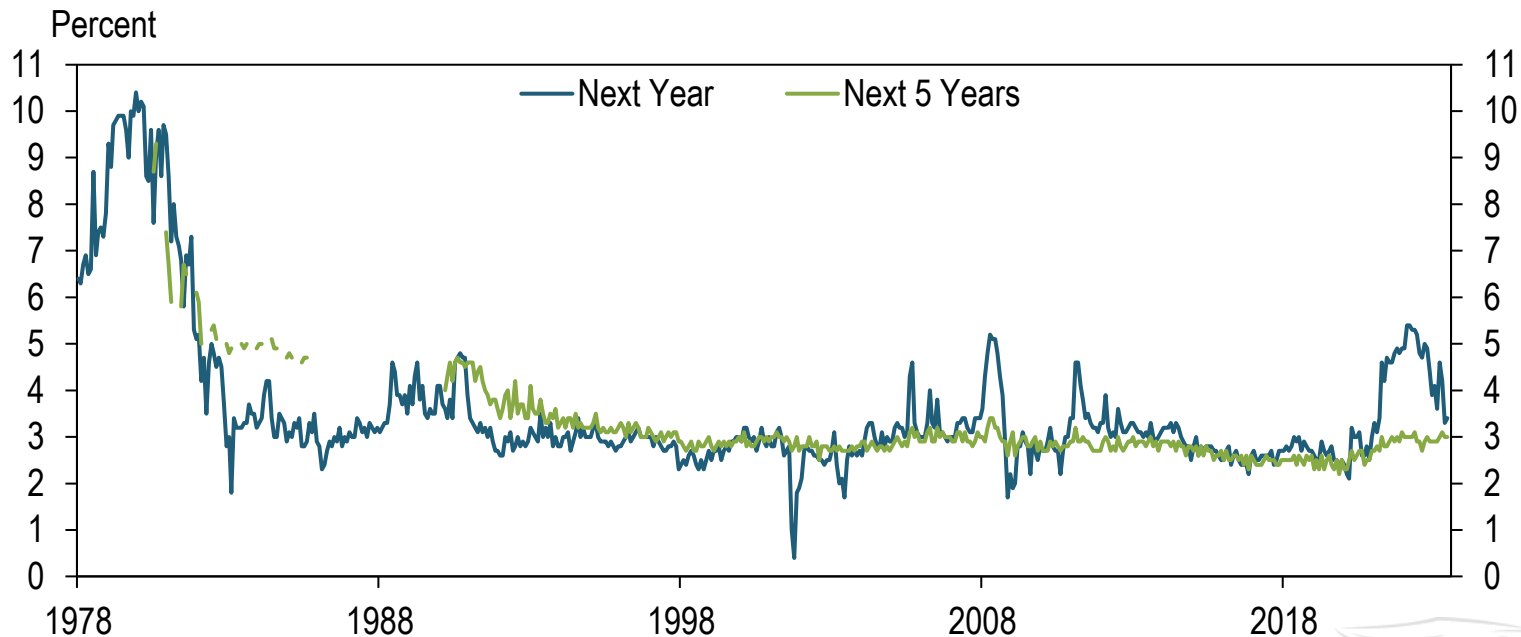


# CPI inflation eased again in June to 3.0%, but shelter and services inflation remain elevated

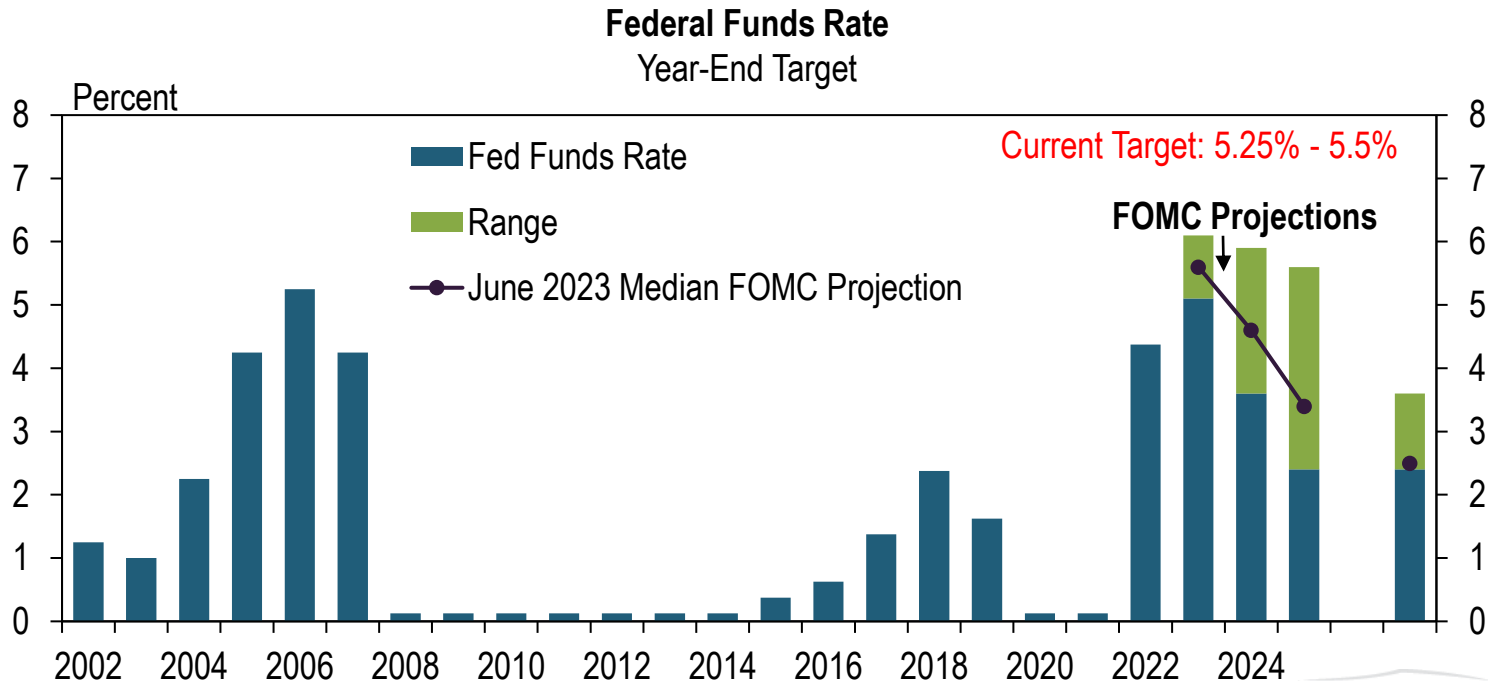


# Longer-term inflation expectations remain anchored around their 20-year average, but consumers expect high inflation next year

**Expected Inflation Rate**

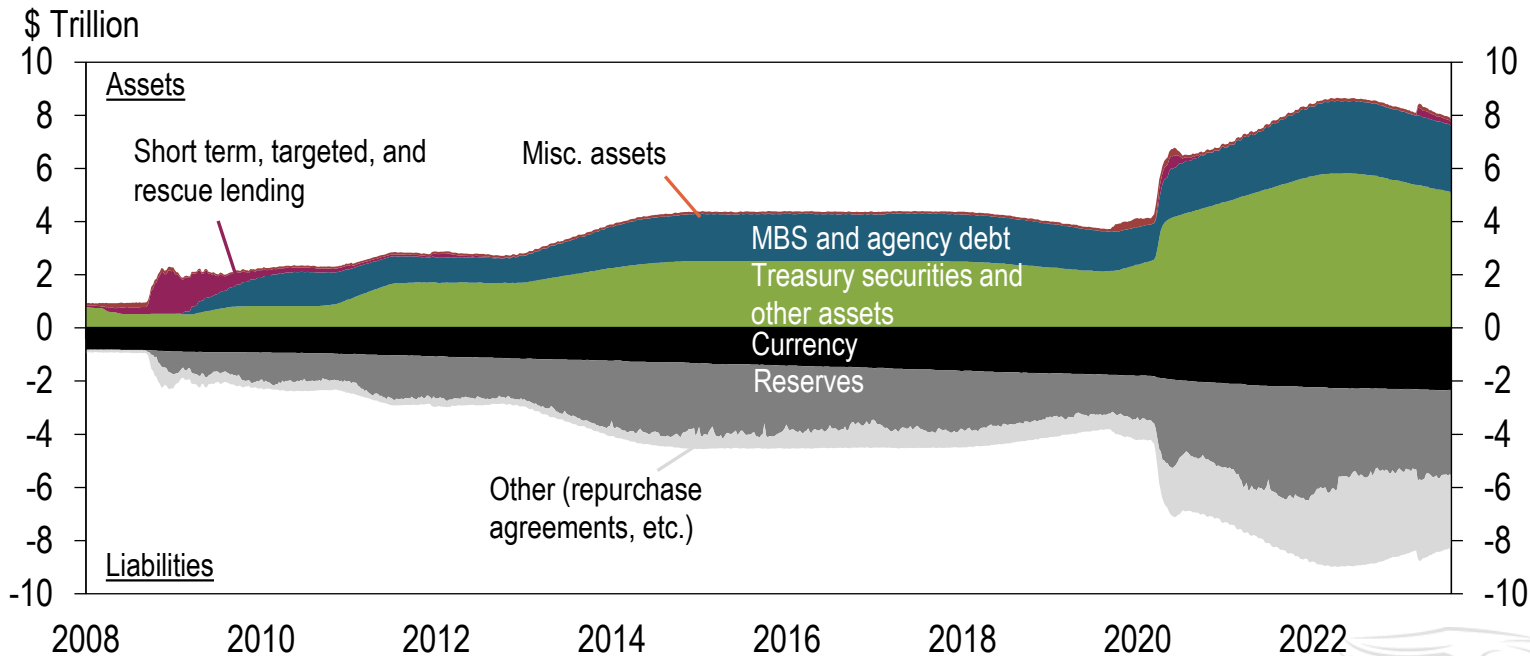


# The Fed raised the federal funds rate by 25 bps in July, and the latest projections are shown



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

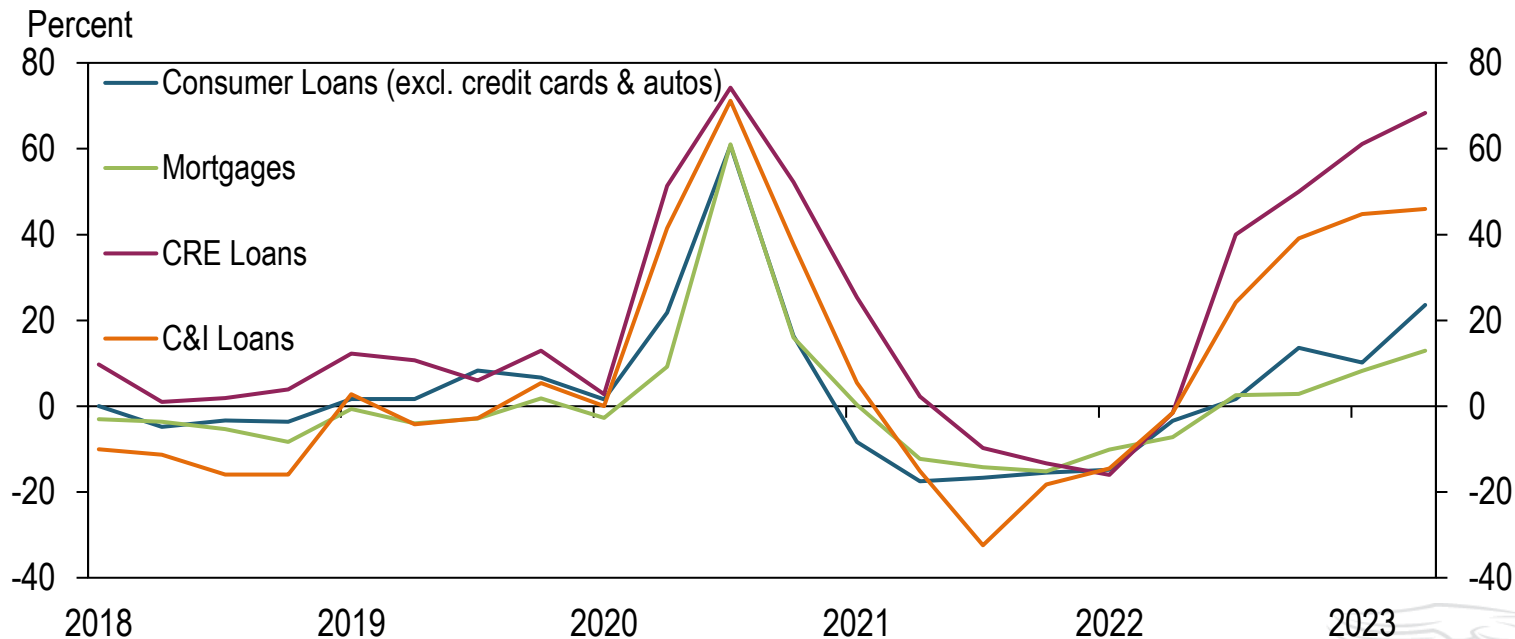
**Federal Reserve Balance Sheet**



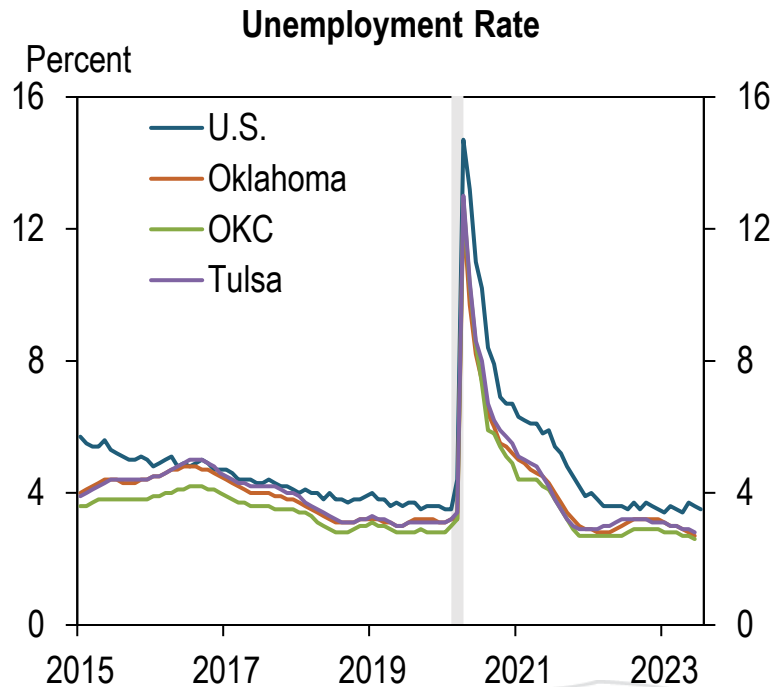
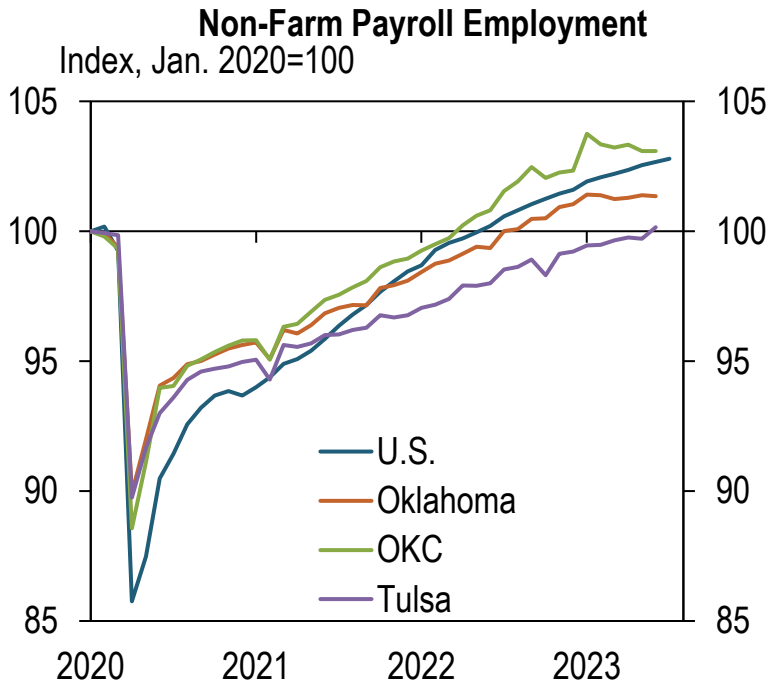


# Banks have tightened lending standards more for commercial loans than consumer loans

**Net Percent of Banks Tightening Standards**

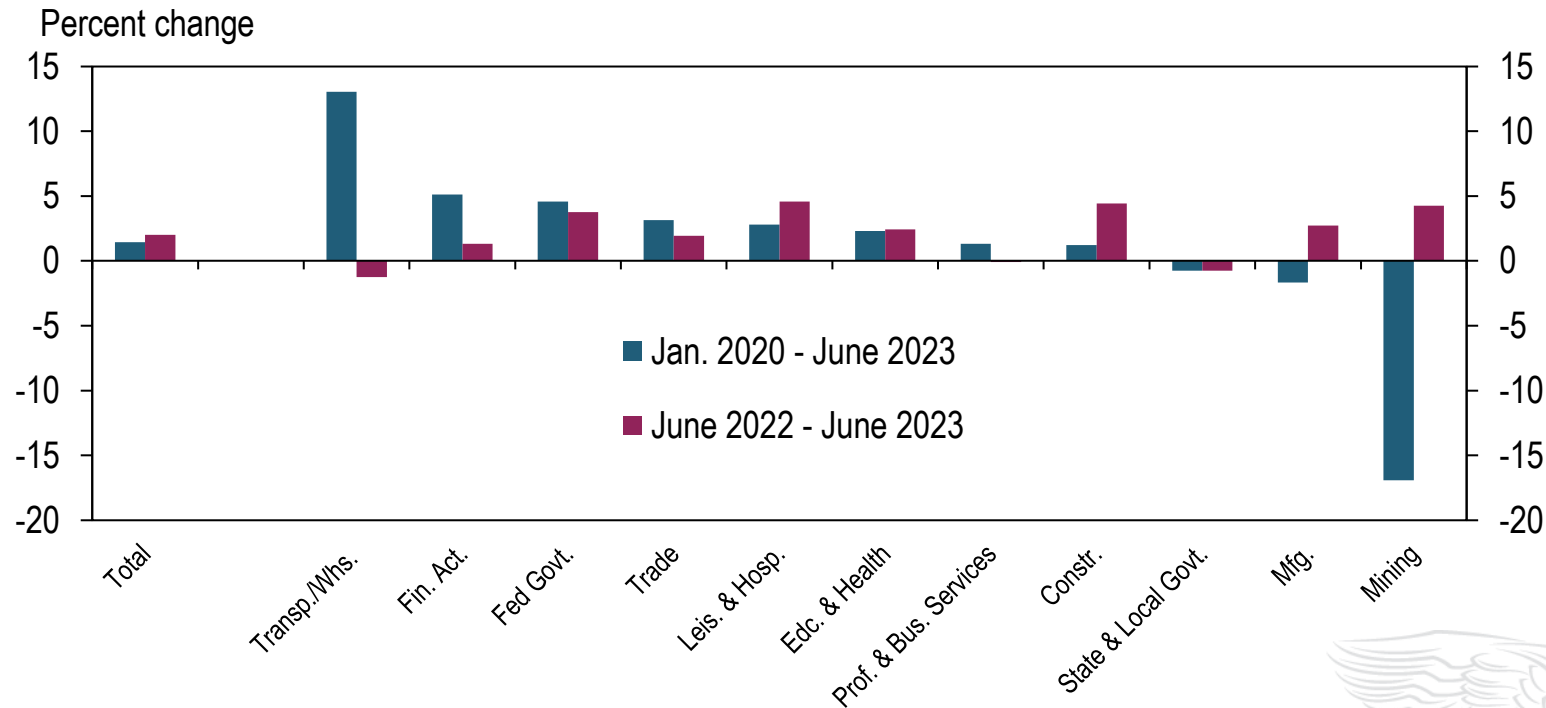


# Jobs in Oklahoma have mostly continued to grow, while unemployment stays low



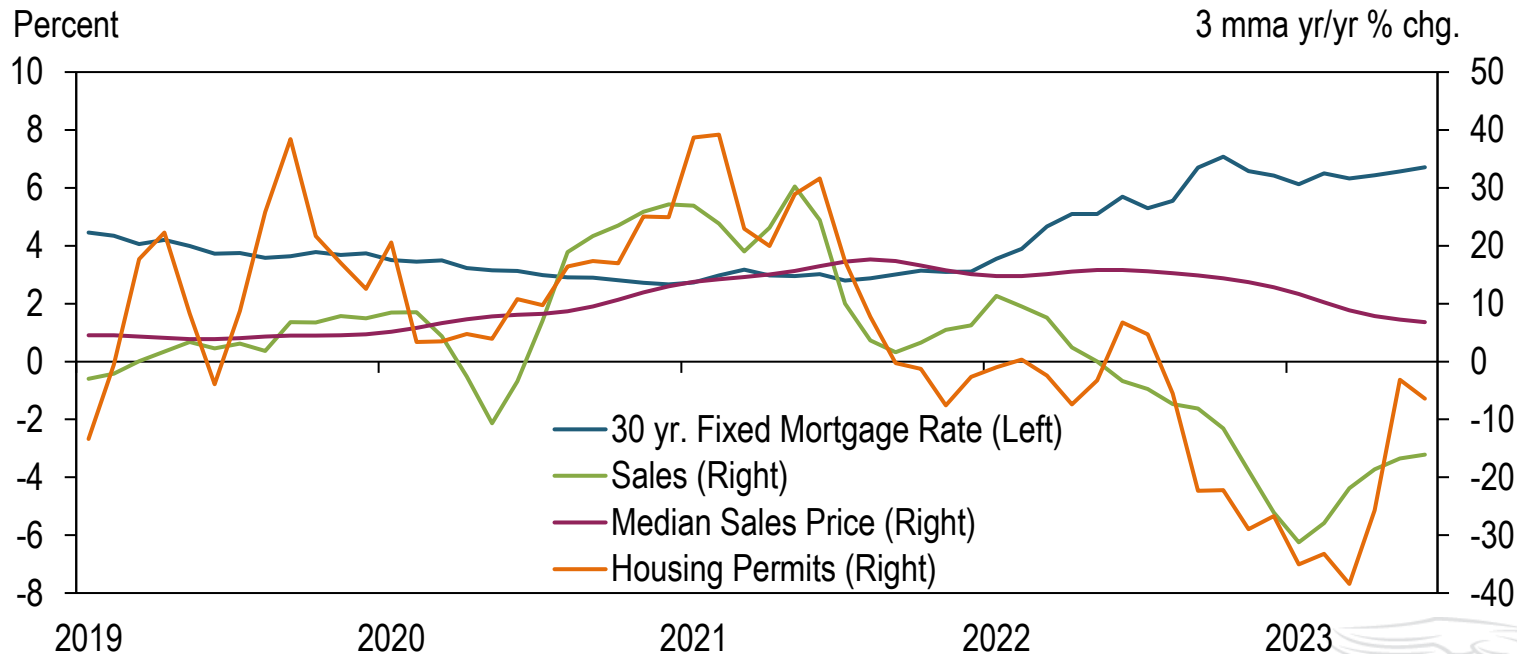
# Energy and manufacturing jobs in OK are still below pre-pandemic but up during the past year

Oklahoma Job Growth by Industry



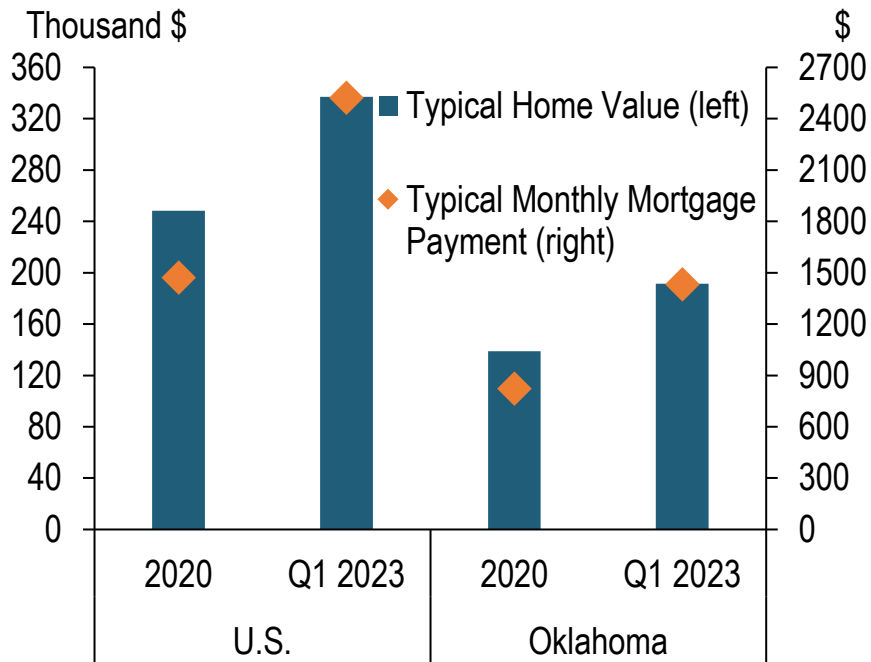
# The Oklahoma housing market eased with higher interest rates, but home prices have held on and permits are up, given limited supply

Oklahoma Housing Market Indicators

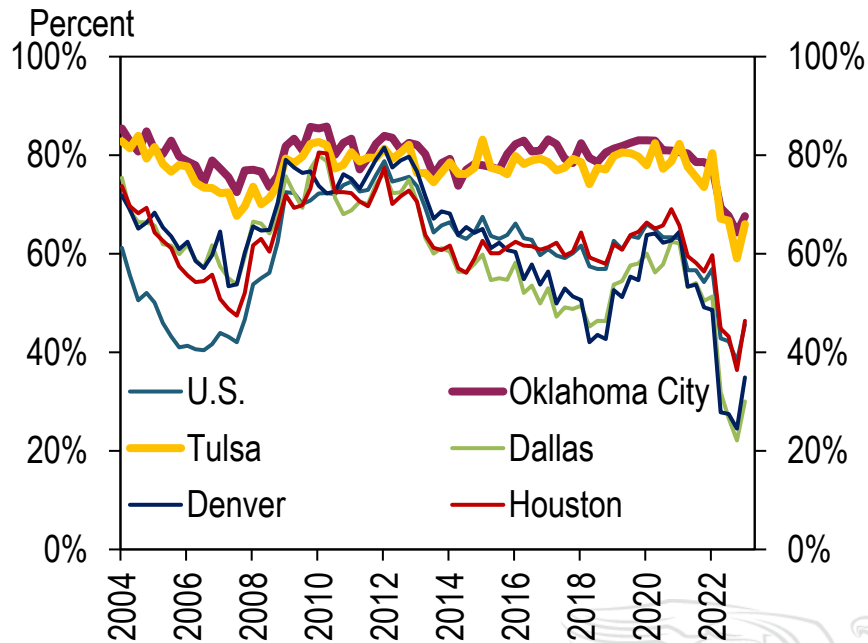


# Much higher mortgage rates and home prices than a few years ago have greatly increased housing costs, but Oklahoma is still relatively affordable

### Housing Affordability Indicators

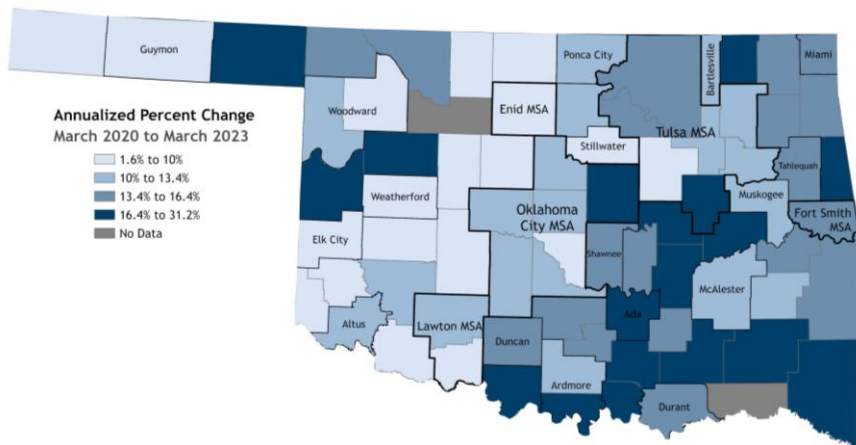


### Share of Affordable Homes

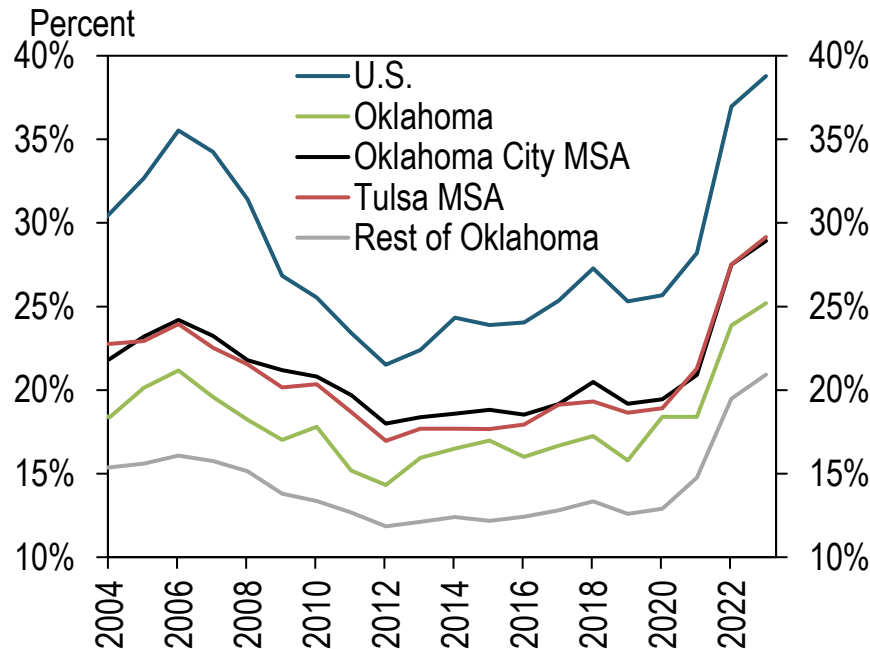


# Home prices in parts of rural Oklahoma have grown the most, but remain more affordable than the metros

### Typical Home Value Growth by County



### Mortgage Payment to Income Ratio

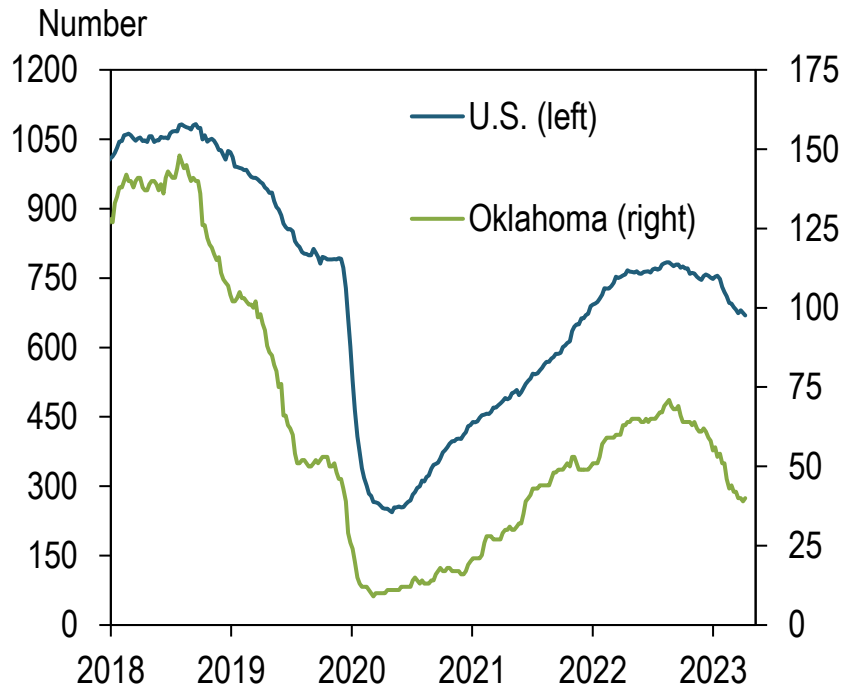


Notes: Median income for 2022 and 2023 is projected. 2023 data are from Q1. The mortgage payment assumes a 30-year mortgage with a 20% down payment and additional annual costs and taxes equaling 3% of the current home value.

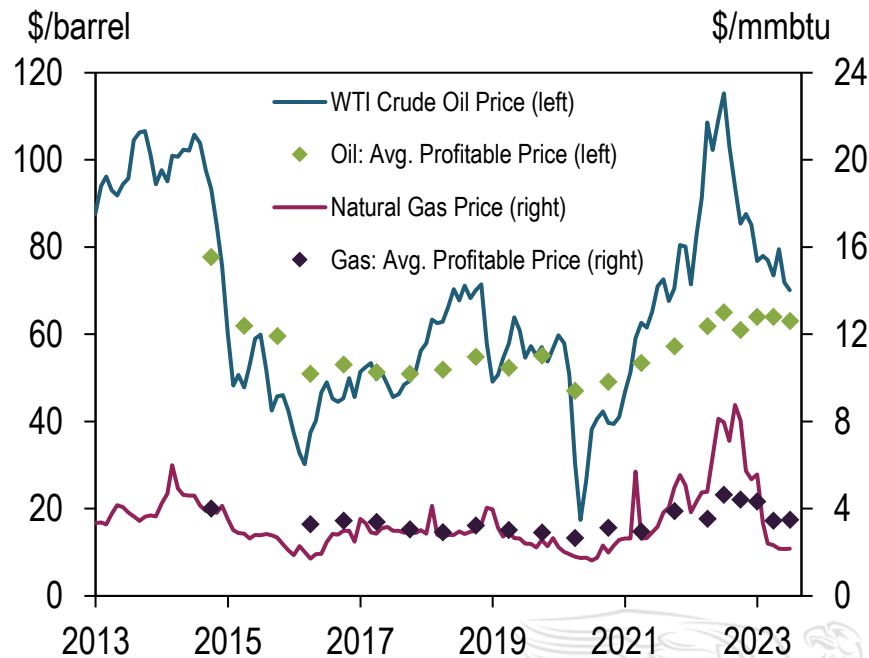
Sources: Zillow, Freddie Mac, Census Bureau, BLS/Haver Analytics, authors' calculations

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

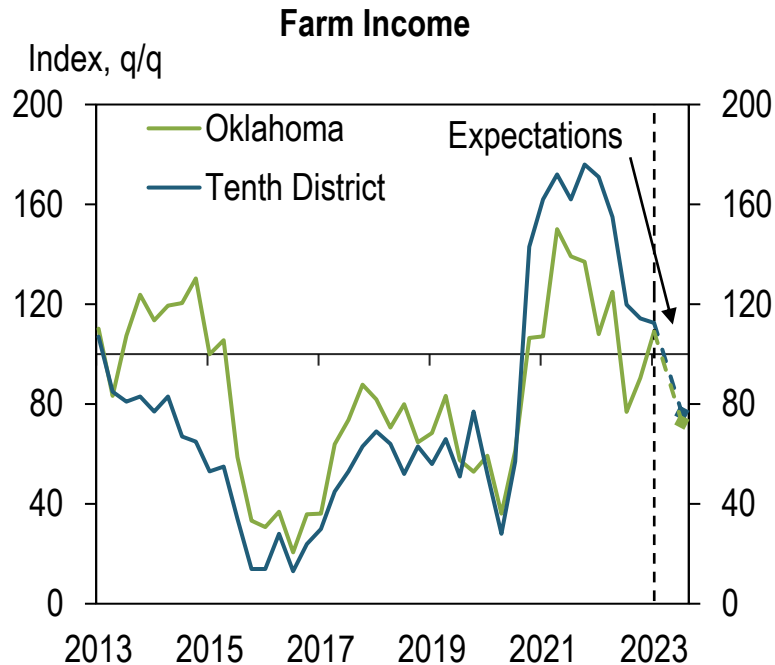
### Rig Counts



### U.S. Energy Prices

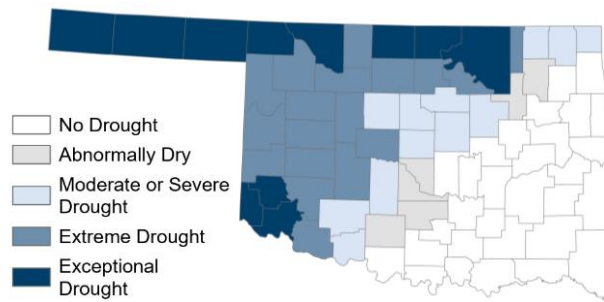


# Oklahoma farm income increased in Q1 2023, but is expected to decline, and drought has improved in the north and west

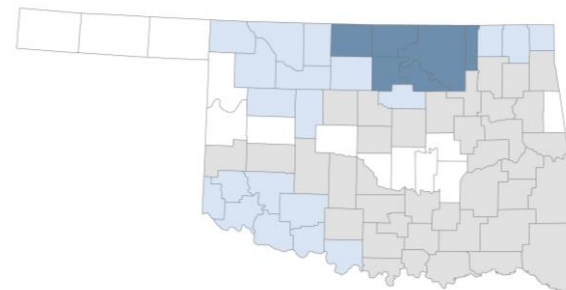


### Oklahoma Drought Map

5/16/2023



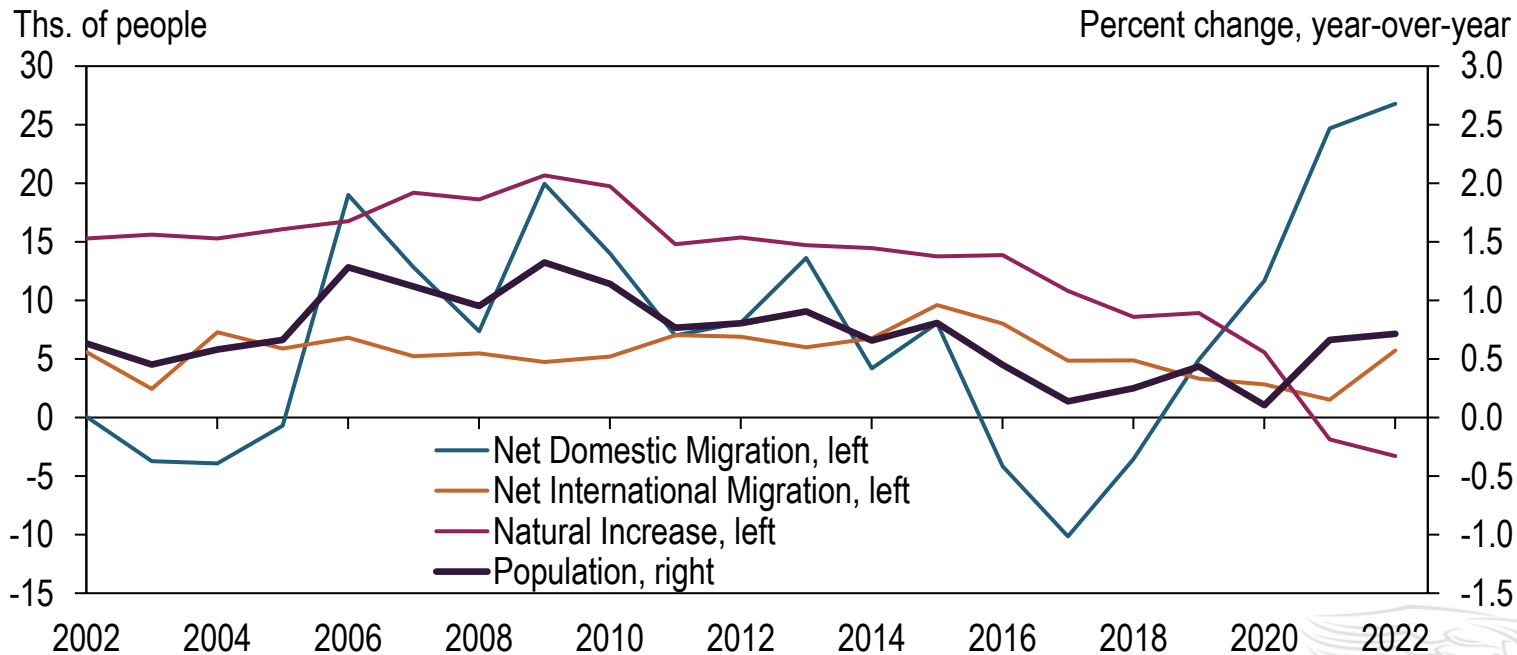
7/25/2023





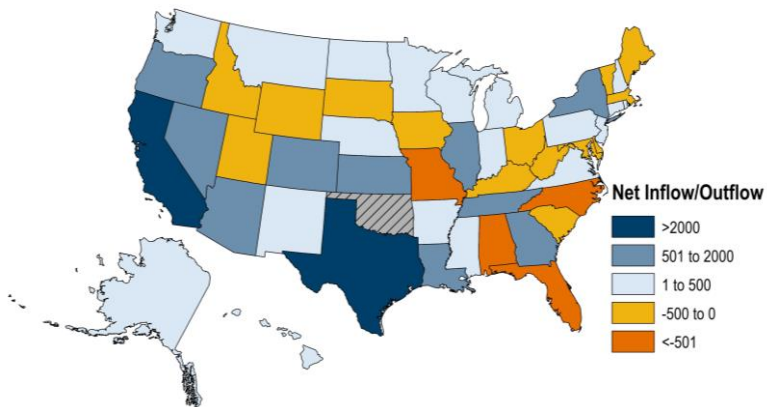
# Oklahoma's population grew in 2021 & 2022, despite a historic increase in deaths, due to massive in-migration

Oklahoma Population Changes by Component, 2001-2022

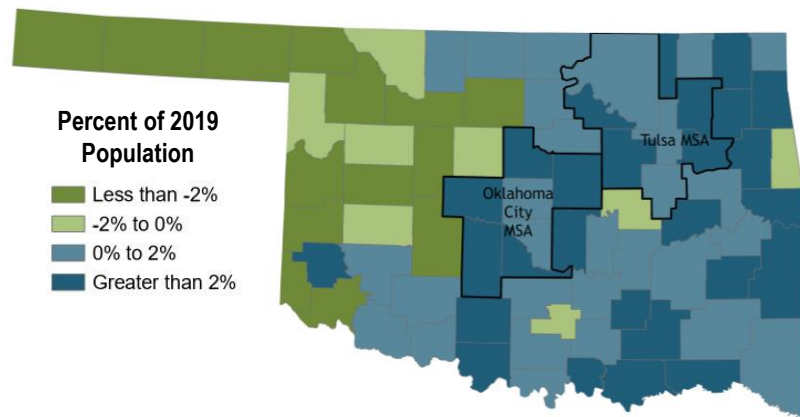


# Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

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



**2019-22 Net Domestic Migration by County**



## Summary

- U.S. economic growth has slowed in 2023 but remains positive, and unemployment remains very low
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- Oklahoma's population growth has outpaced the nation in recent years, driven by strong domestic in-migration



# Questions?

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