

Regional Economic Outlook

Economic Seminar Exclusive for Survey Participants

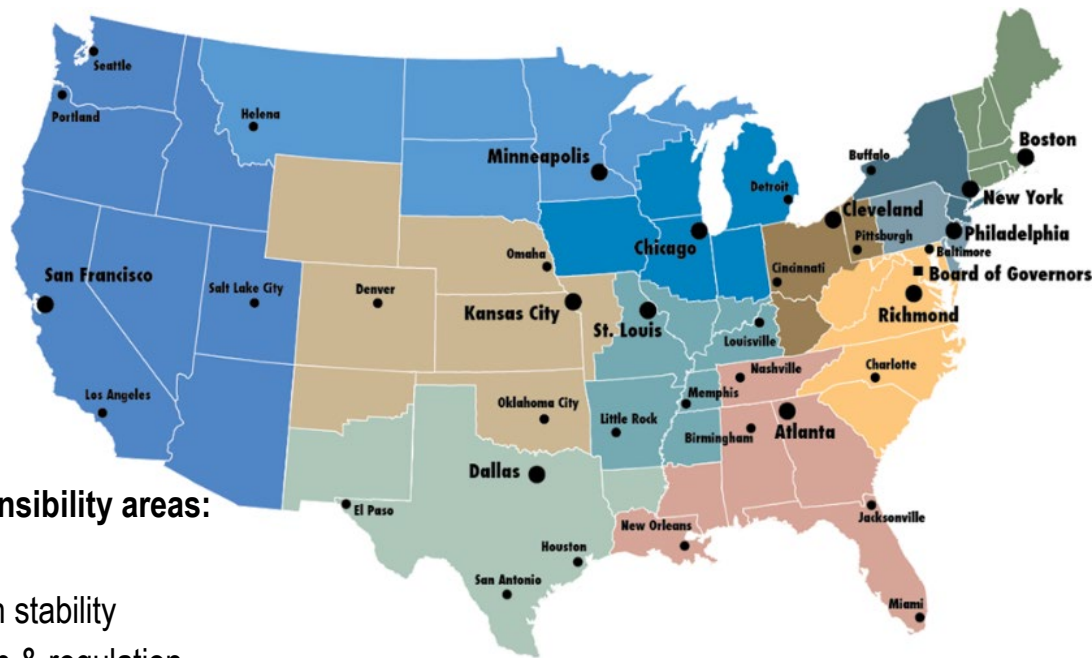
October 3, 2023

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



Overview

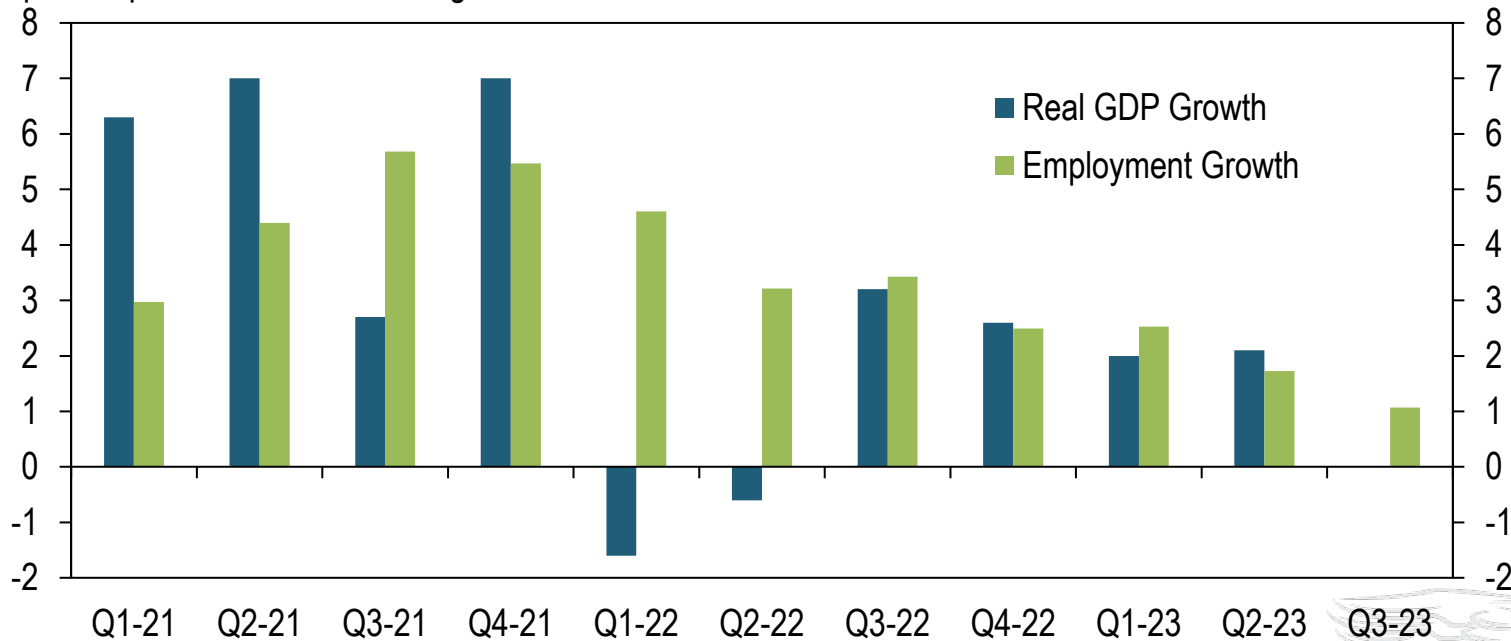
- U.S. economic growth has slowed in 2023 but remains positive, and unemployment remains very low
- Inflation remains too high, despite coming down from 2022 peaks
- The Fed has raised the overnight interest rate to over 5%
- Manufacturing has declined in recent months nationally and in the Tenth District, and growth in services activity has moderated
- Firms have generally retained or added to workforces and expect more increases in the future, despite slower growth and price pressures



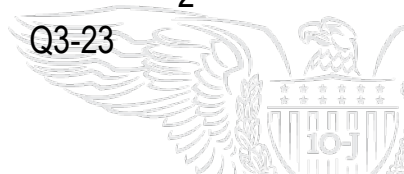
U.S. GDP and employment have slowed but remained positive through mid-2023

Quarterly U.S. Economic Growth

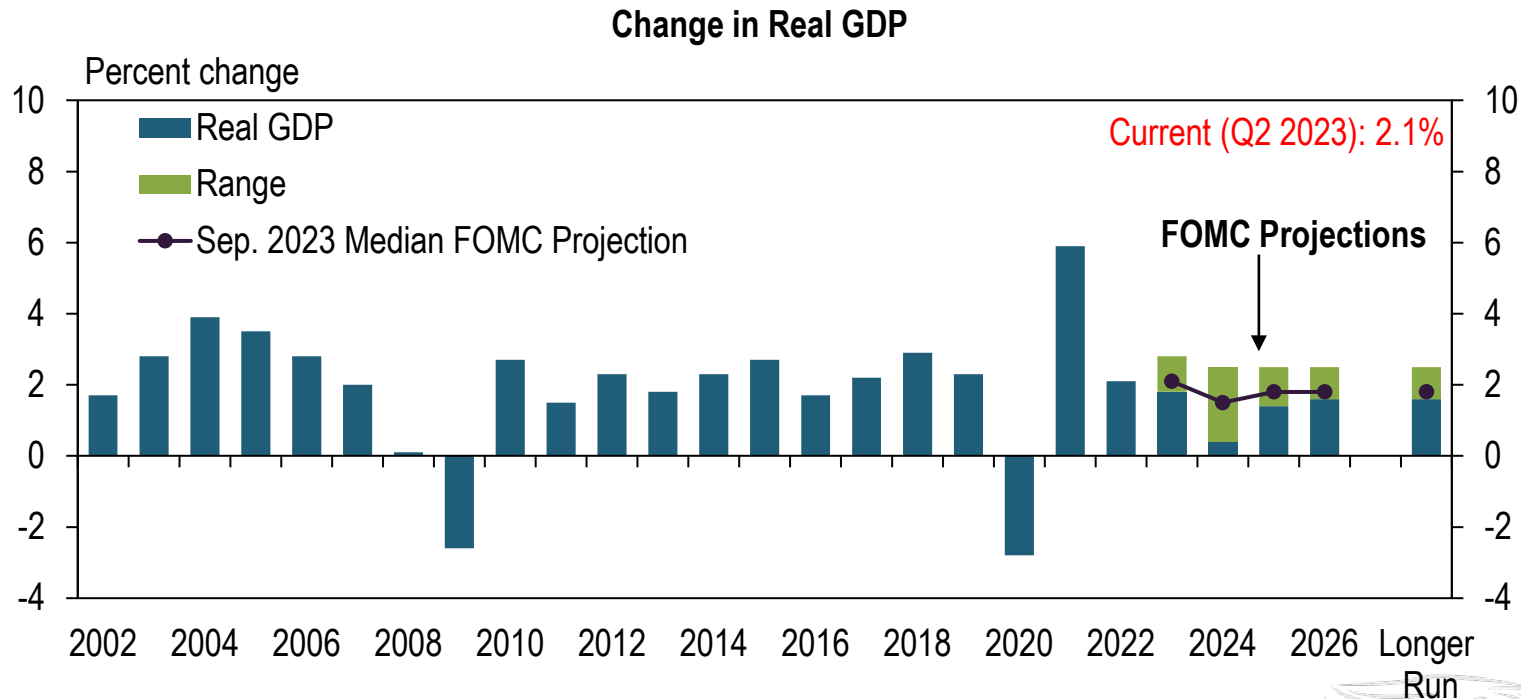
quarter/quarter annualized % chg.



Sources: BEA, BLS/Haver Analytics

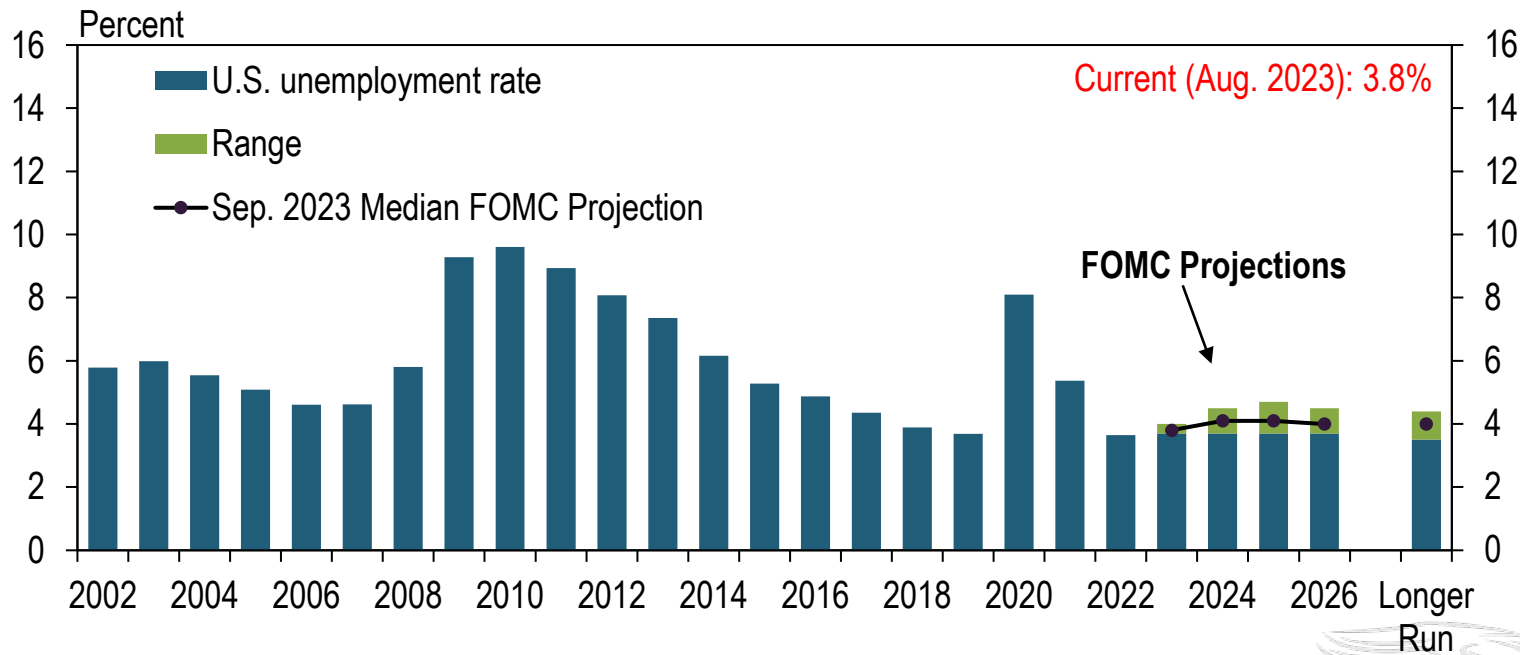


GDP growth is expected to slow in 2024 before rebounding to near trend in 2025 and 2026

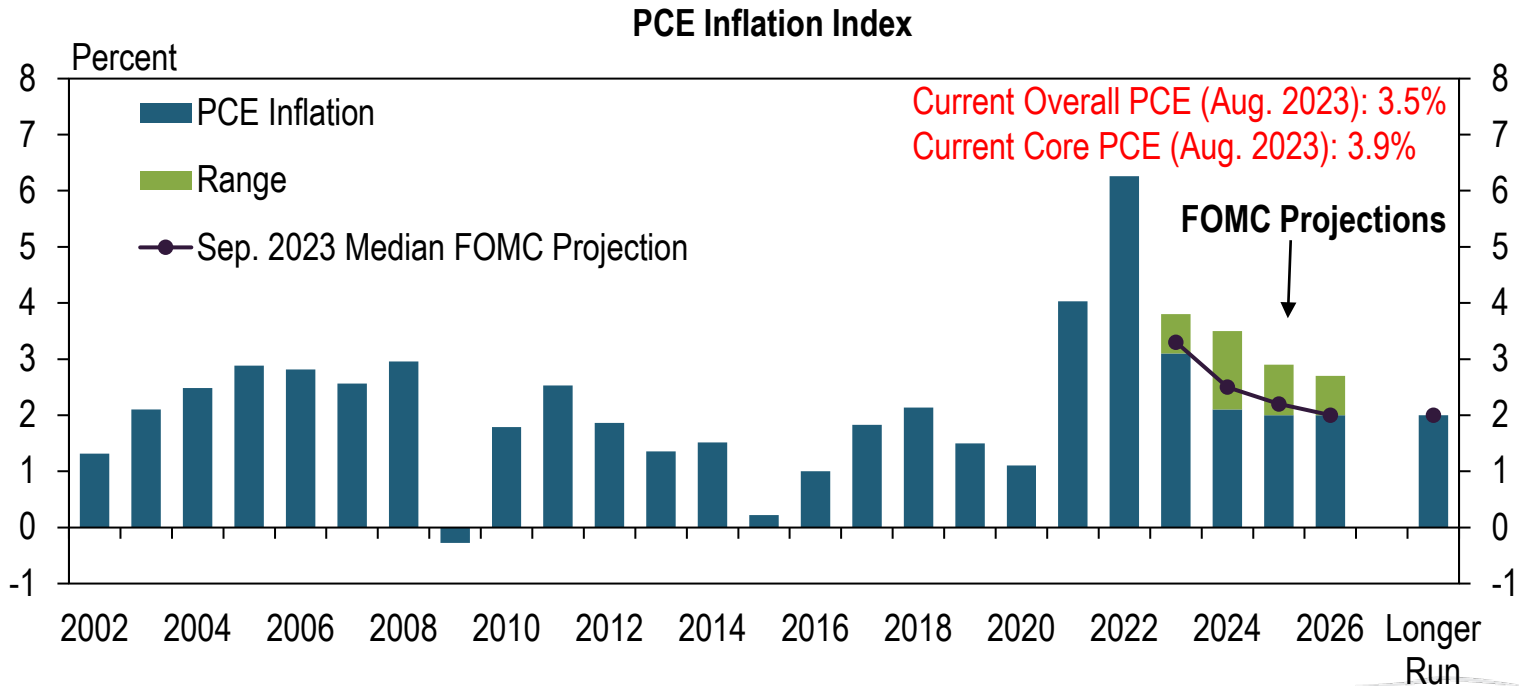


U.S. unemployment remains historically low and is projected to rise only moderately in coming years

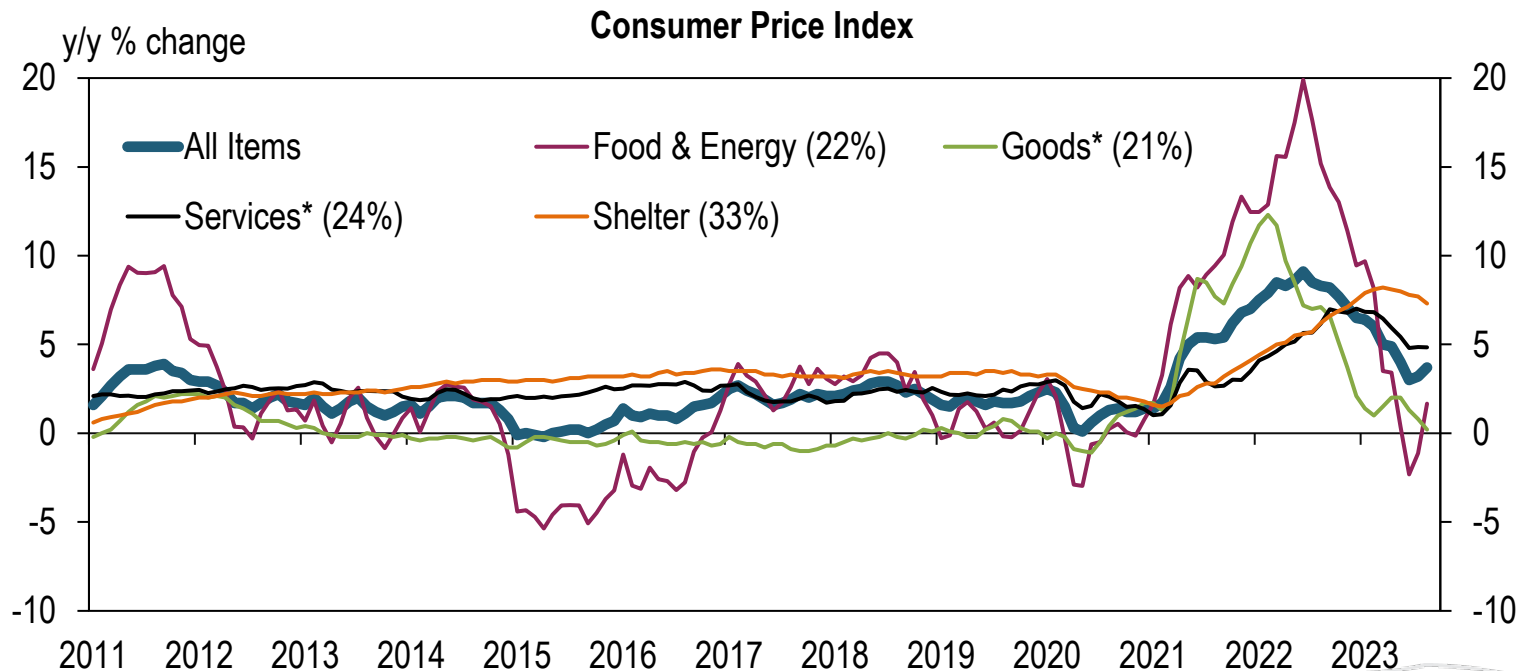
U.S. Unemployment Rate



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



CPI inflation ticked up from 3.2% to 3.7% in August, with shelter and services elevated and energy prices rising again

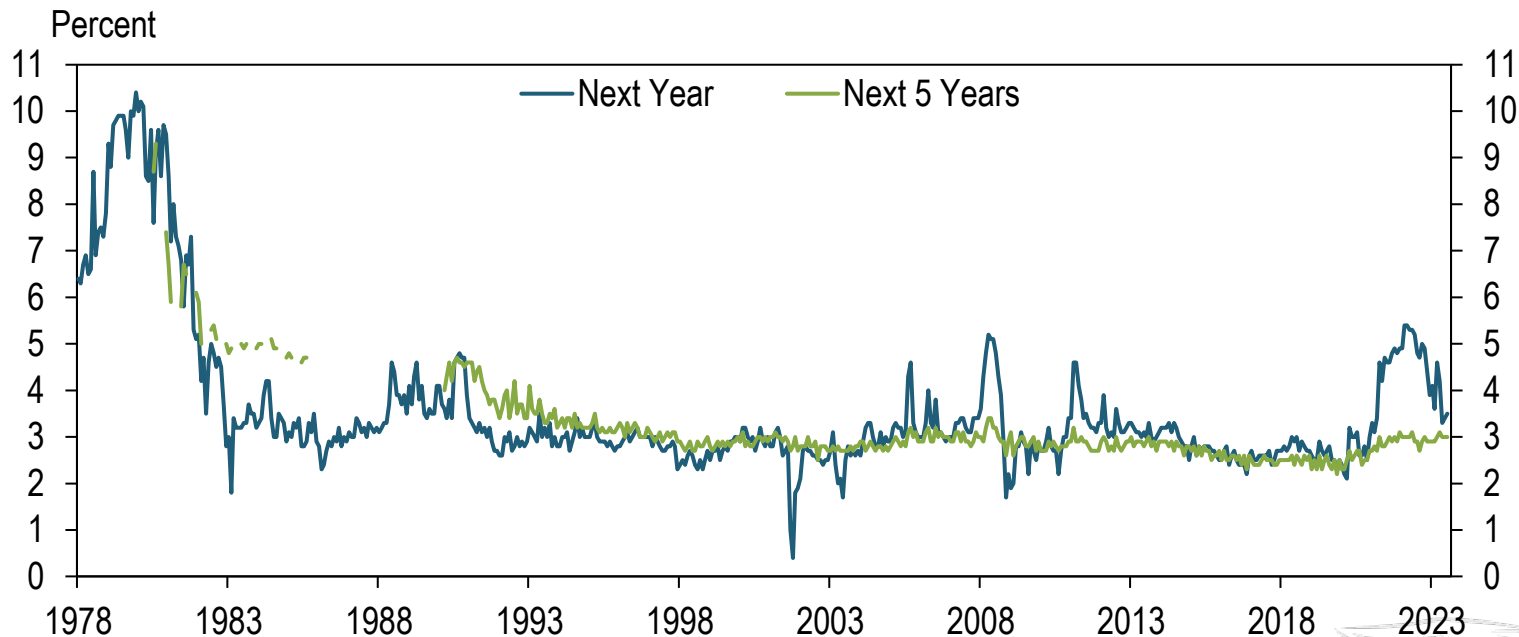


*Goods excluding Food; Services excluding Energy.
 Note: Relative Importance as Share of CPI shown in parenthesis.

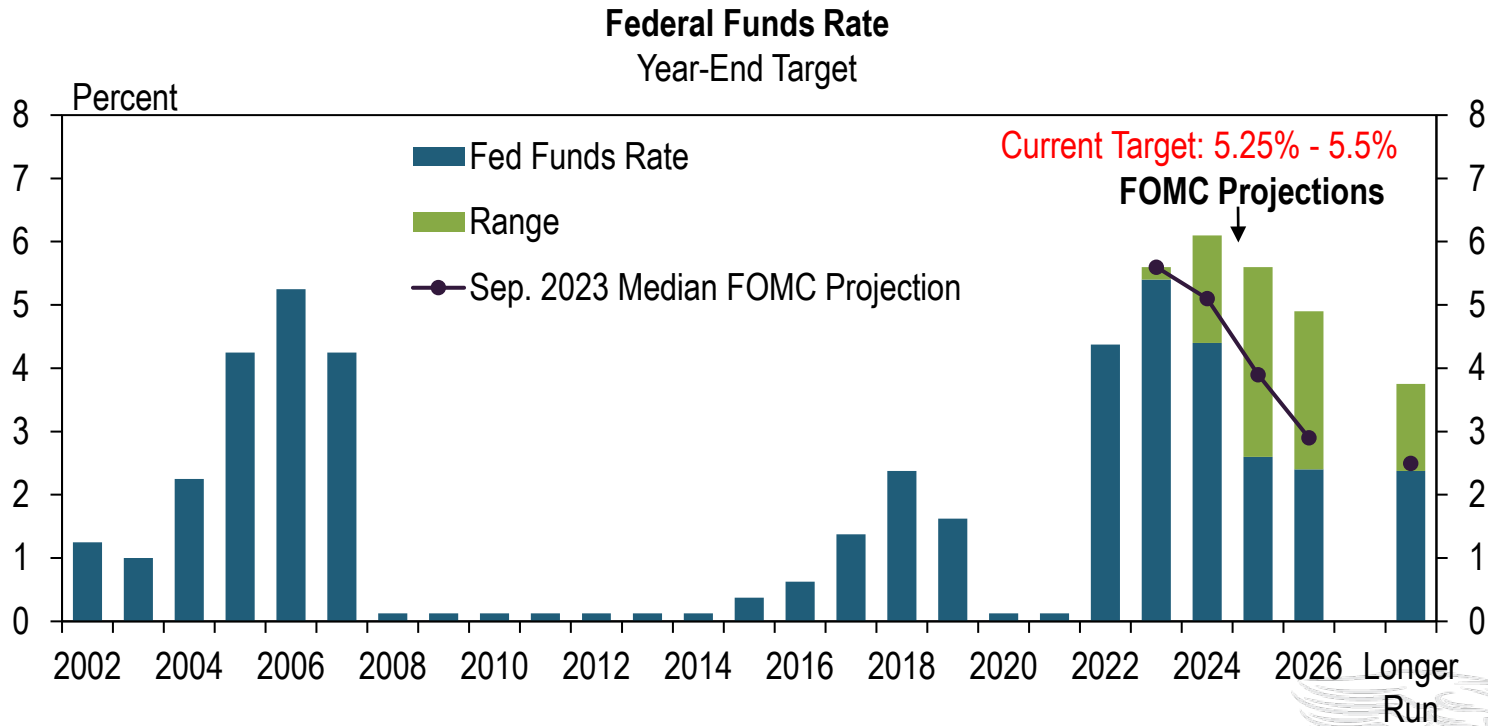


Longer-term inflation expectations remain anchored around their 20-year average, but consumers expect high inflation next year

Expected Inflation Rate



The Fed held the federal funds rate steady in September, and the latest projections are shown



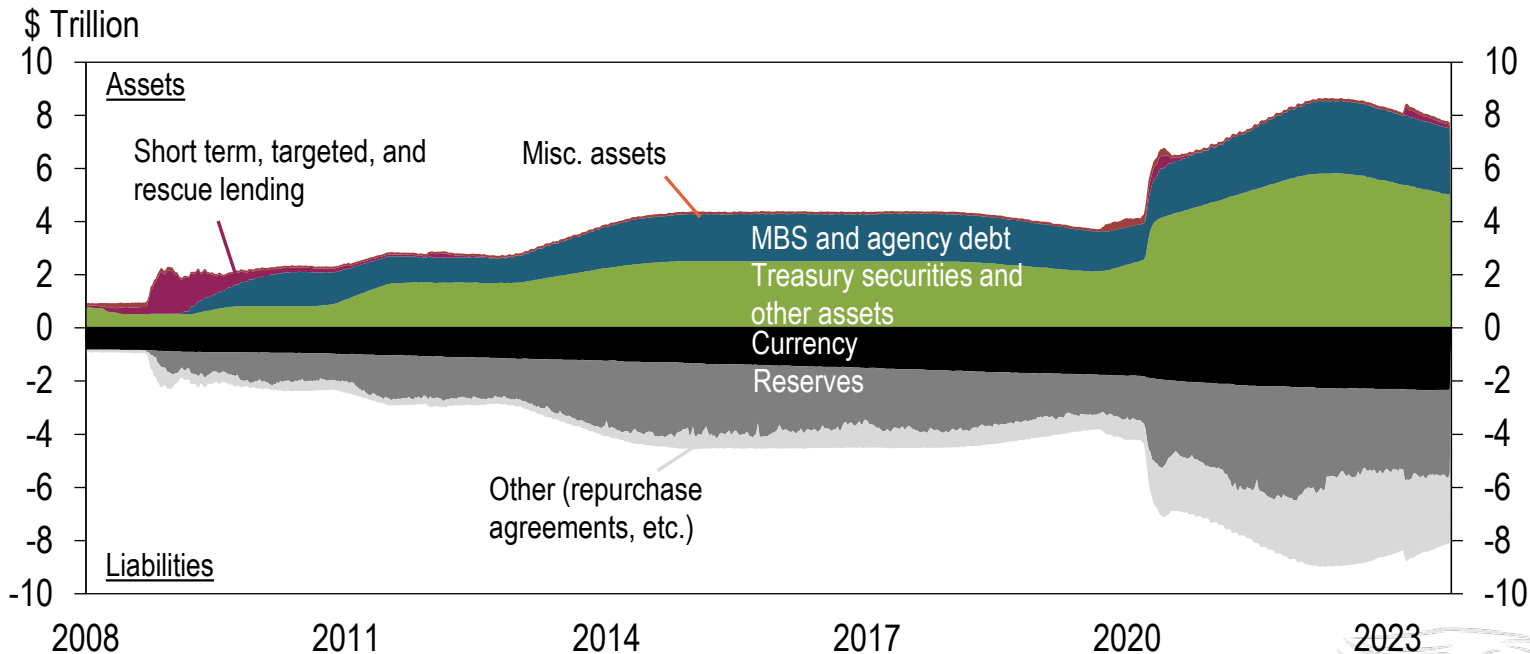
Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC



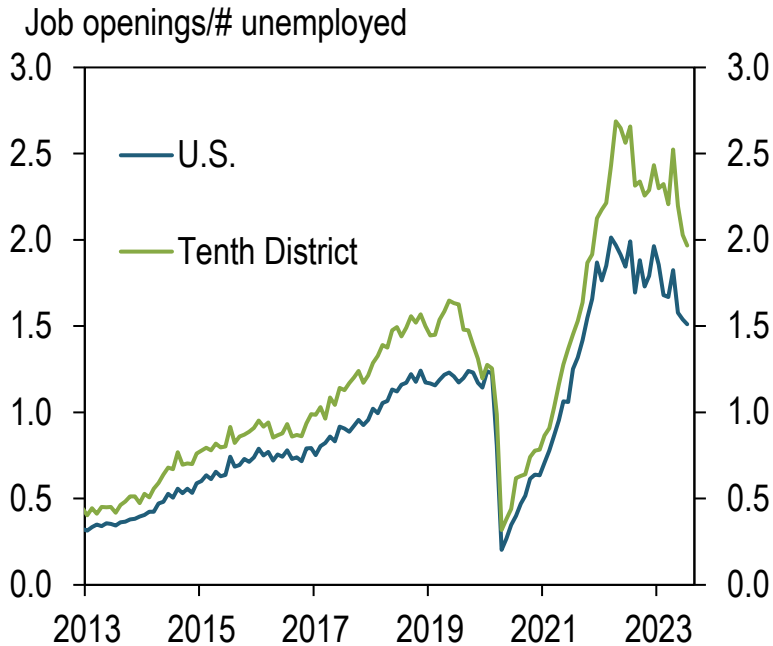
The Fed also continues to reduce its balance sheet of high-quality securities

Federal Reserve Balance Sheet

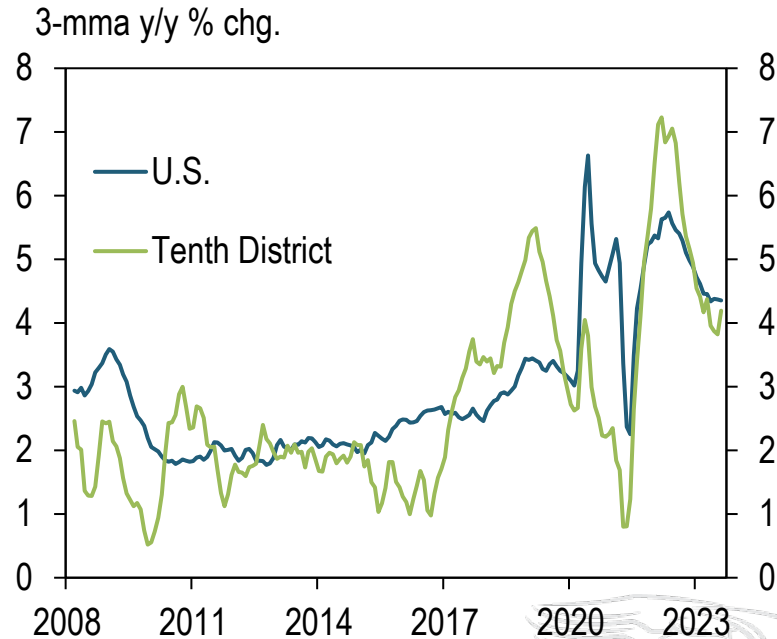


Job openings still greatly exceed unemployed workers, but have edged down lately, helping ease wage pressures

Job Openings/Unemployment Ratio

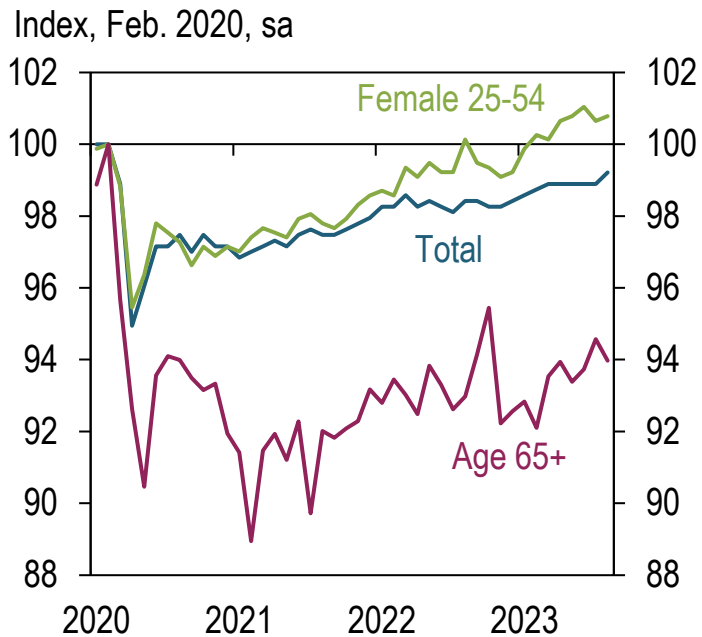


Average Hourly Earnings Growth

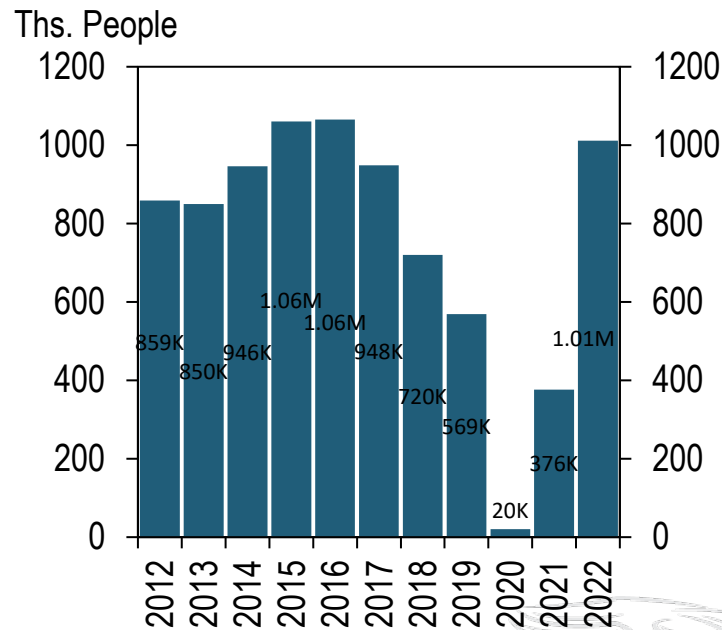


Labor force participation still lags, mostly due to older workers, while immigration rebounded last year after several low years

U.S. Labor Force Participation Rate

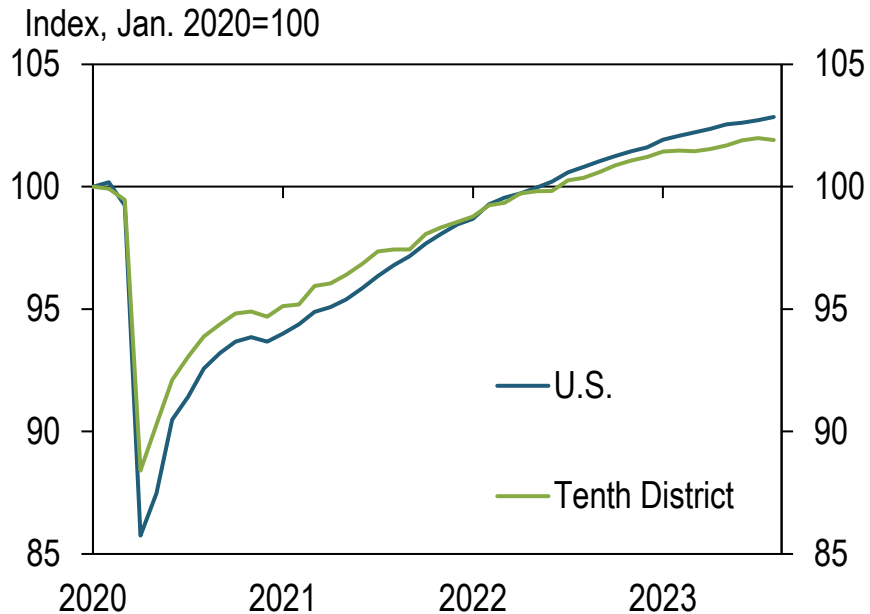


Net International Immigration to the U.S.

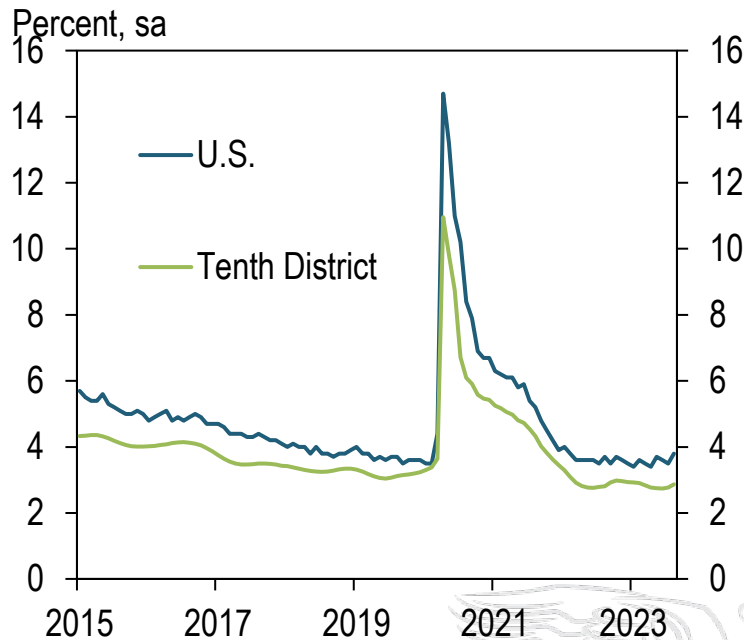


Jobs in Tenth District states have exceeded pre-COVID levels, and unemployment remains very low

Non-Farm Payroll Employment

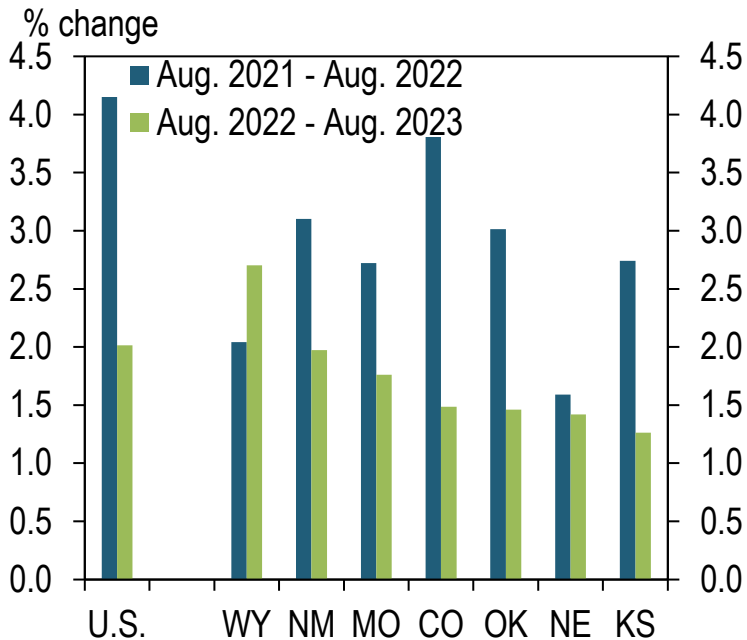


Unemployment Rate

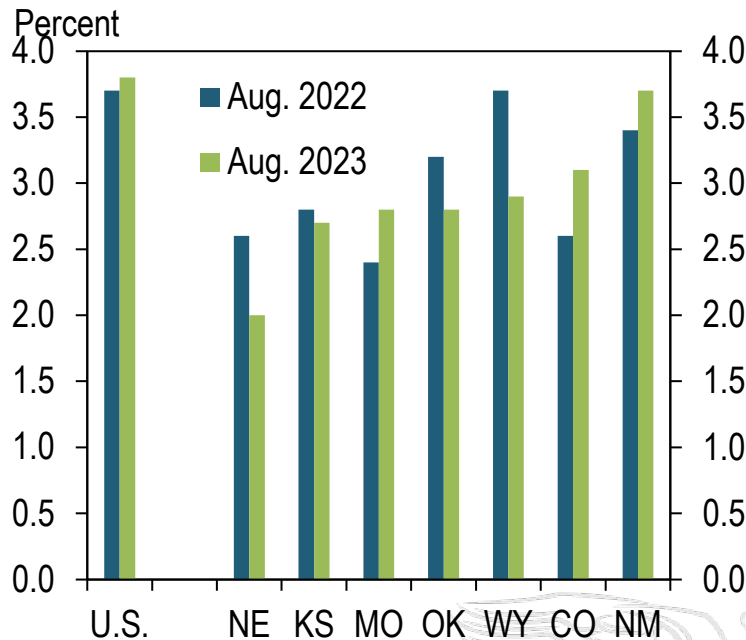


Employment growth in District states has mostly lagged the nation recently, but unemployment remains lower than the national average

Non-Farm Payroll Employment Growth

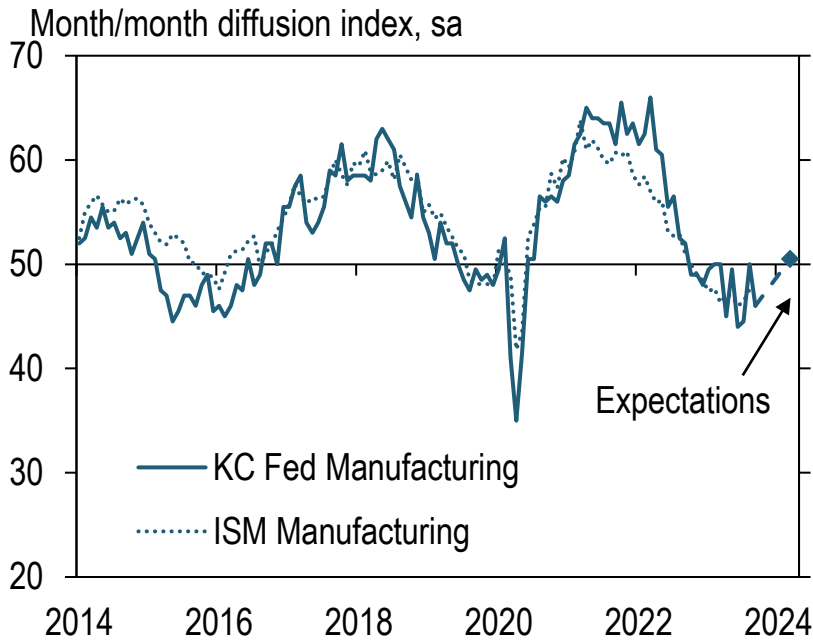


Unemployment Rate

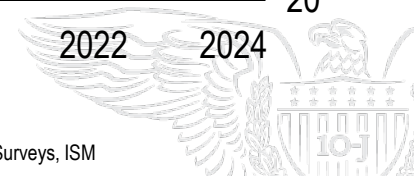
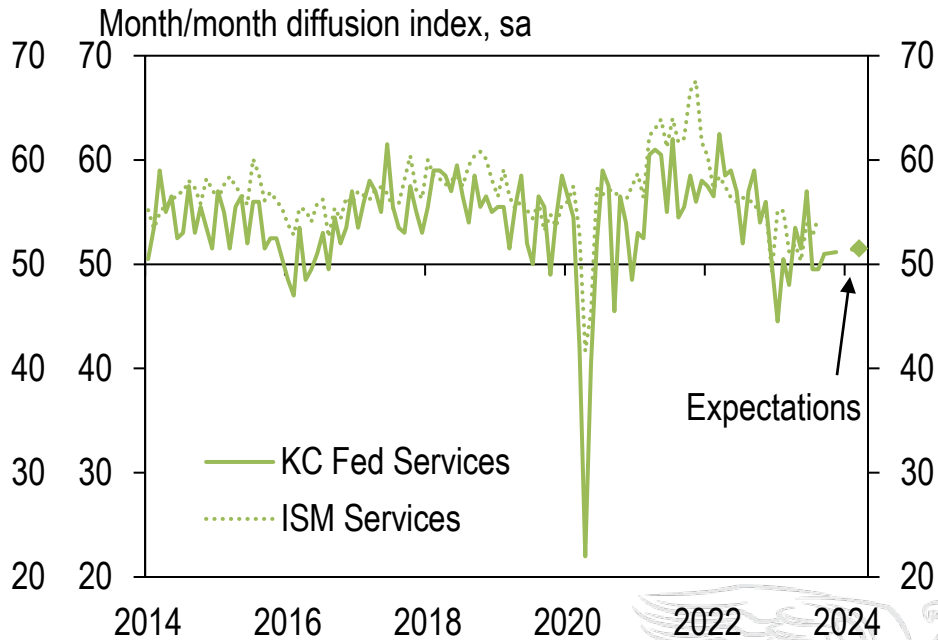


Manufacturing has declined in recent months nationally and in the Tenth District, and growth in services activity has moderated

Manufacturing Survey Activity Indexes



Services Survey Activity Indexes

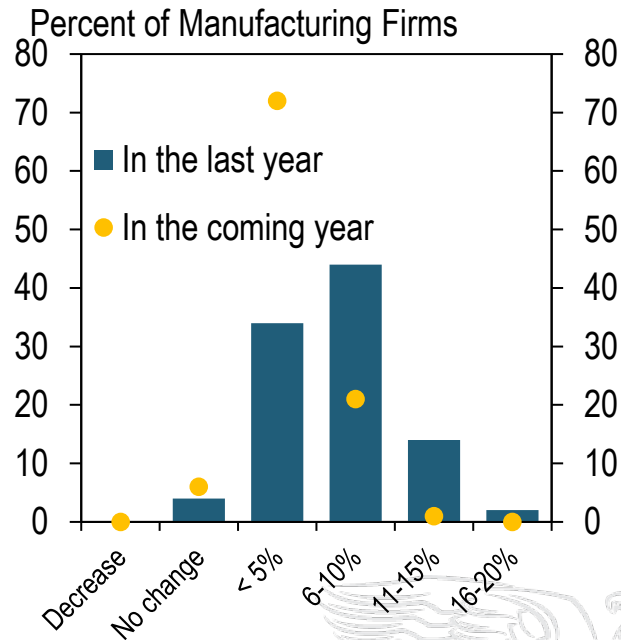


In manufacturing, despite falling orders for the past year, firms have held on to or even added employees, maintaining some wage pressures

KC Fed Manufacturing Indexes

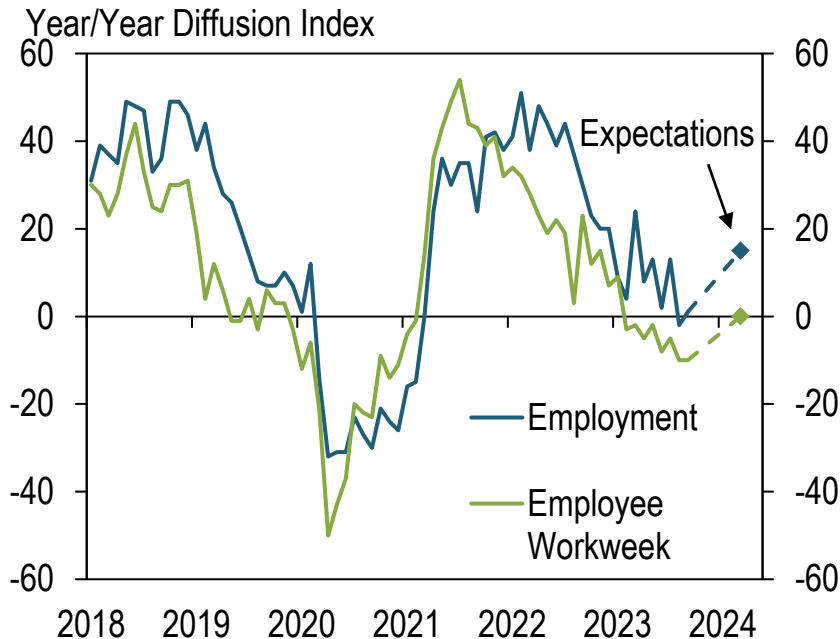


Aug. 2023 Special Question: How much have wages changed overall for your workforce?

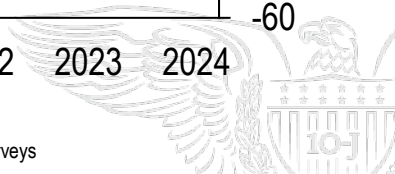
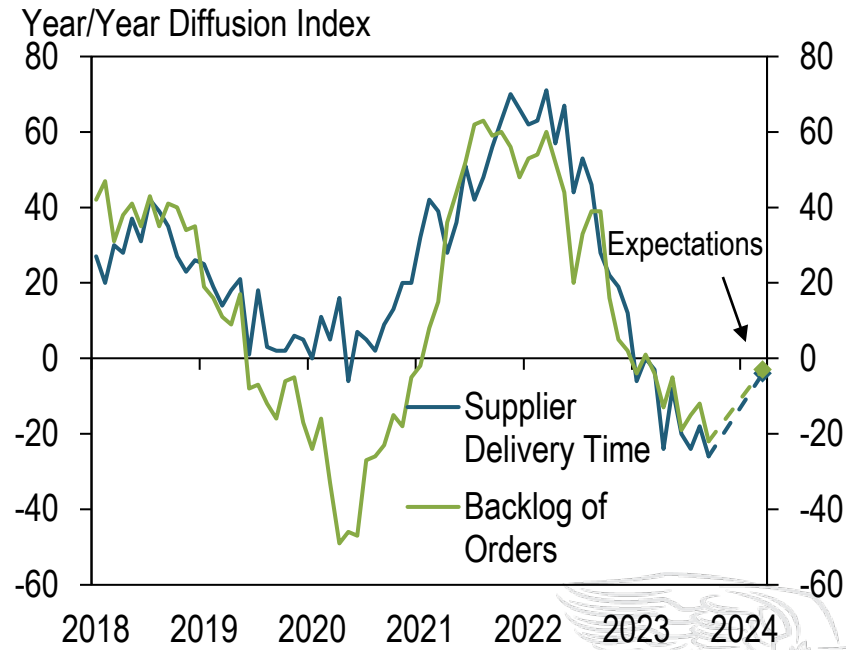


Manufacturing employees' hours have declined modestly as firms work through their backlog, and supplier delivery time has decreased

Manufacturing Employment Indexes

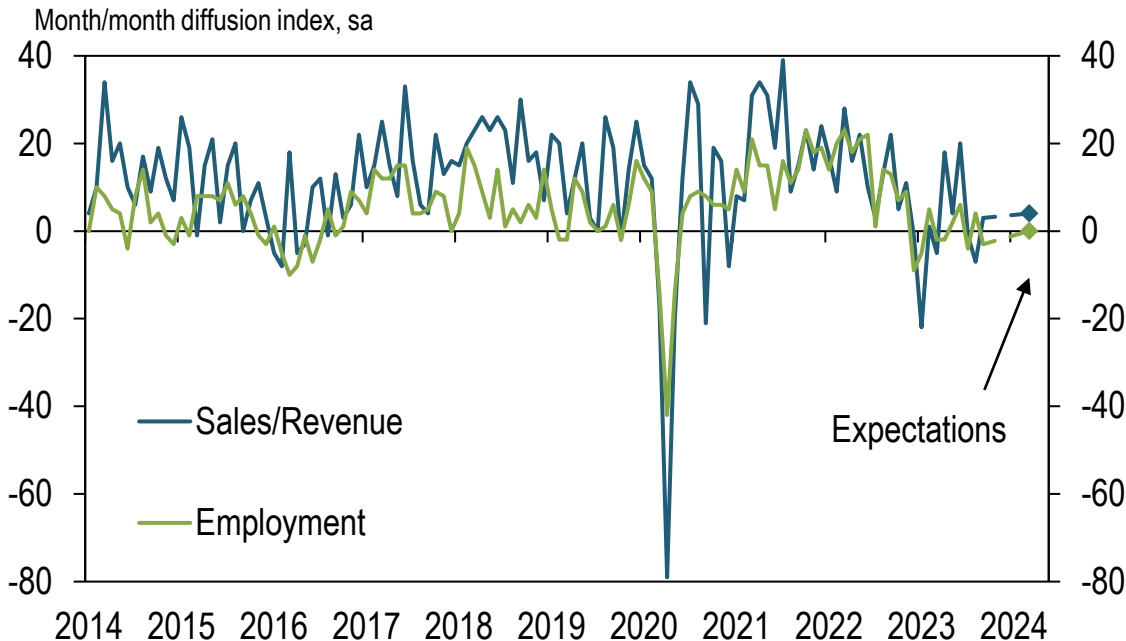


Manufacturing Indicators

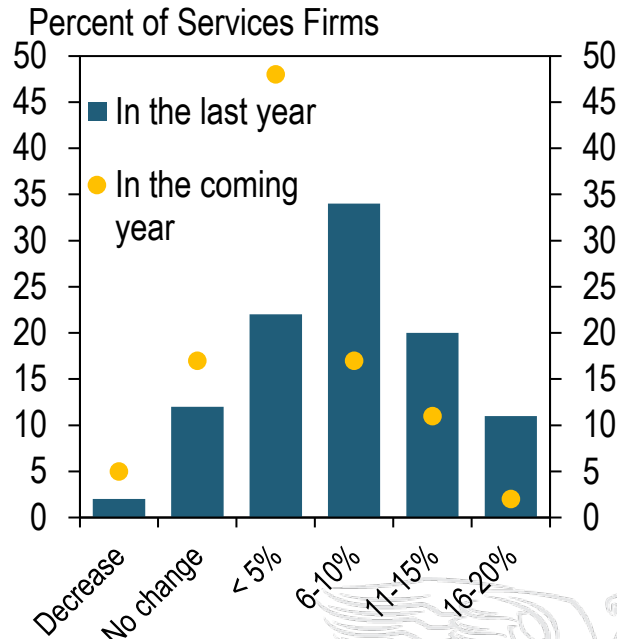


Regional services employment has also mostly held up while sales have been mixed, and services wage inflation is expected to ease

KC Fed Services Indexes

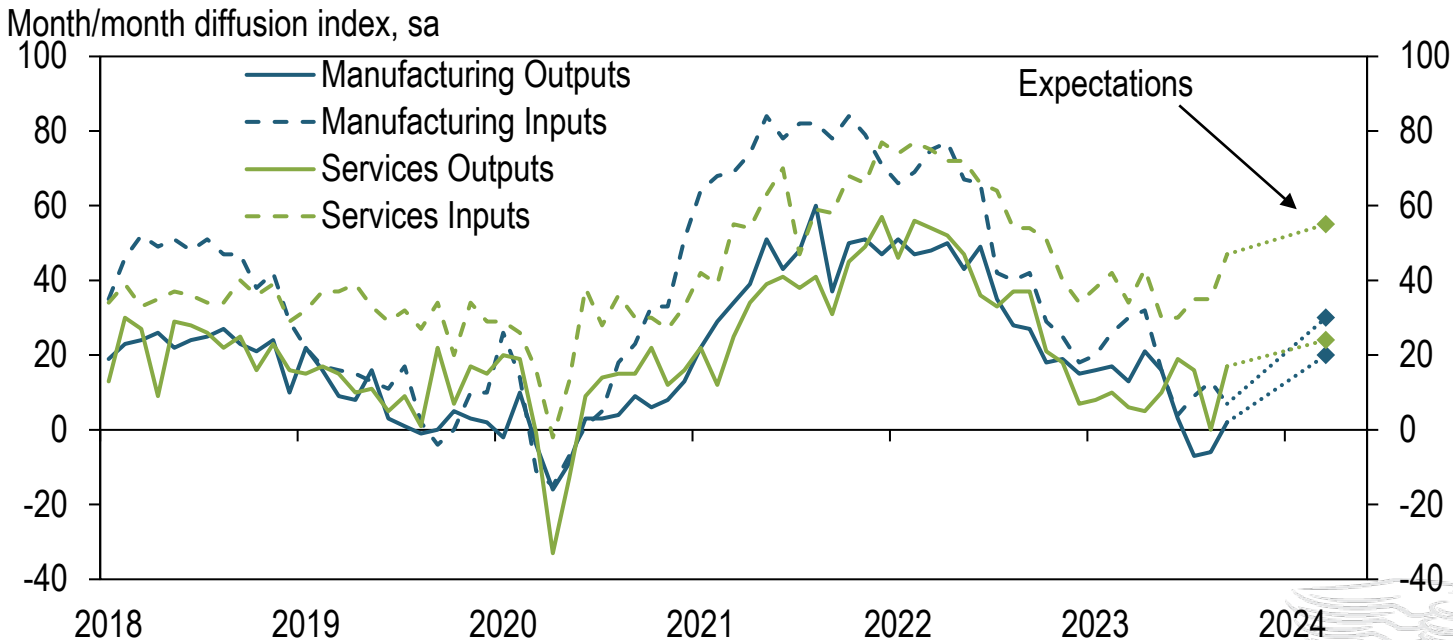


Aug. 2023 Special Question: How much have wages changed overall for your workforce?



Producer price increases have generally eased, but are expected to continue rising

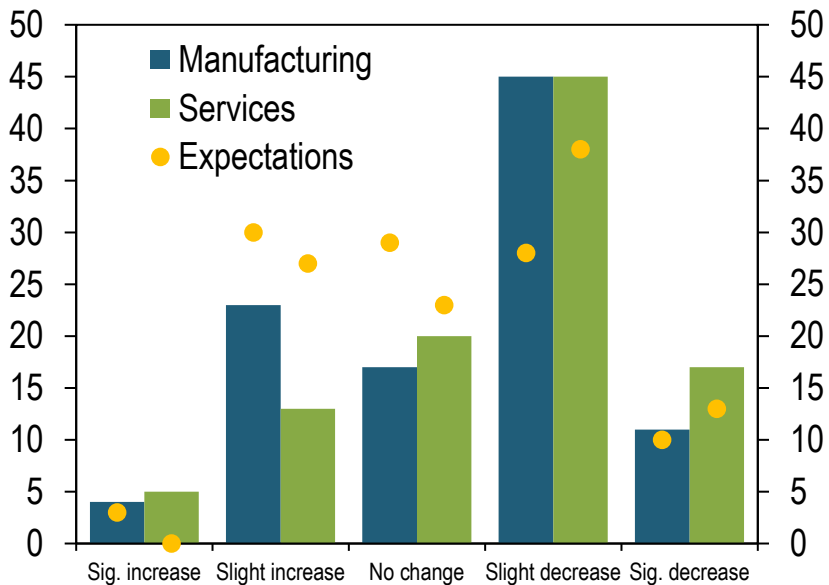
KC Fed Price Indexes



Profit margins have decreased but are expected to recover slightly, and a majority of firms report their applicants are just as qualified as six months ago

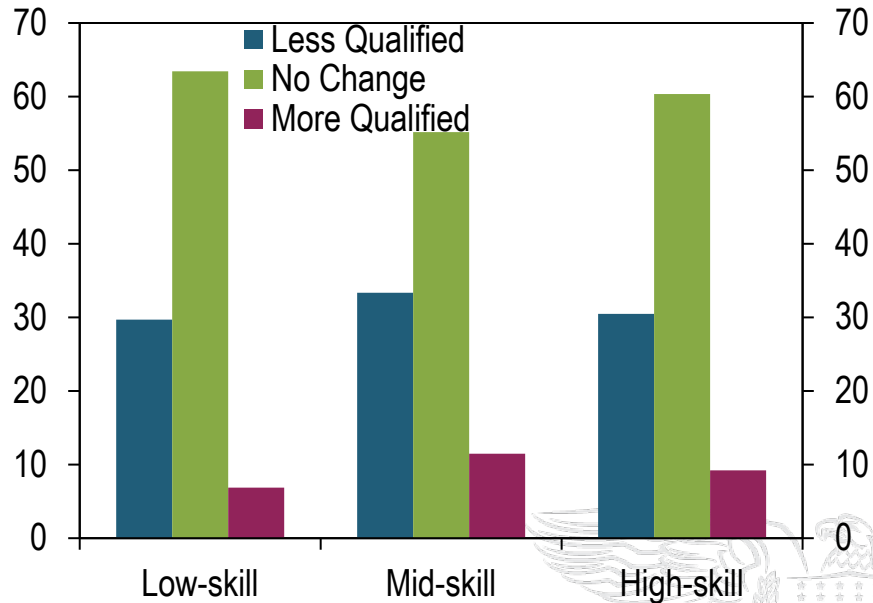
July 2023 Special Question: Given current price pressures, how have profit margins changed for your firm since the beginning of the year?

Percent of Firms



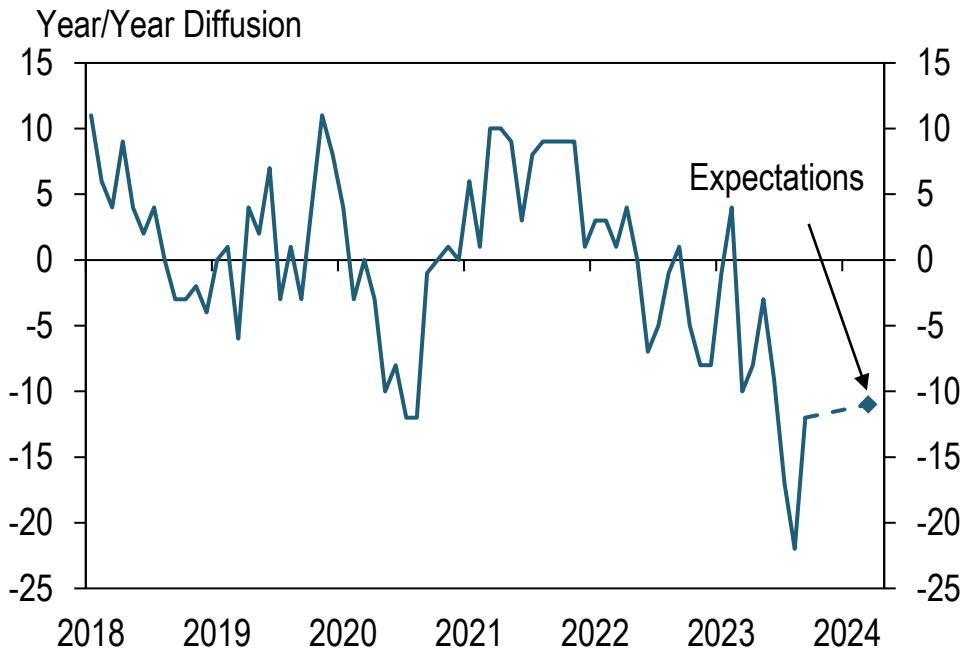
Sept. 2023 Special Question: How have the overall qualifications of applicants for open positions changed in the following job categories over the last 6 months?

Percent of Firms

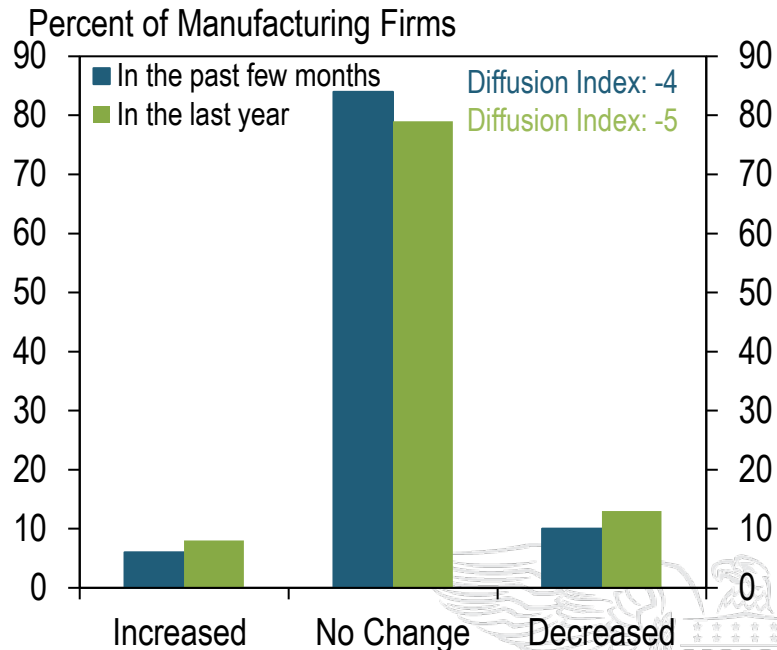


Access to credit has decreased slightly more for services firms than manufacturing firms since March 2023

KC Fed Services Access to Credit Indexes

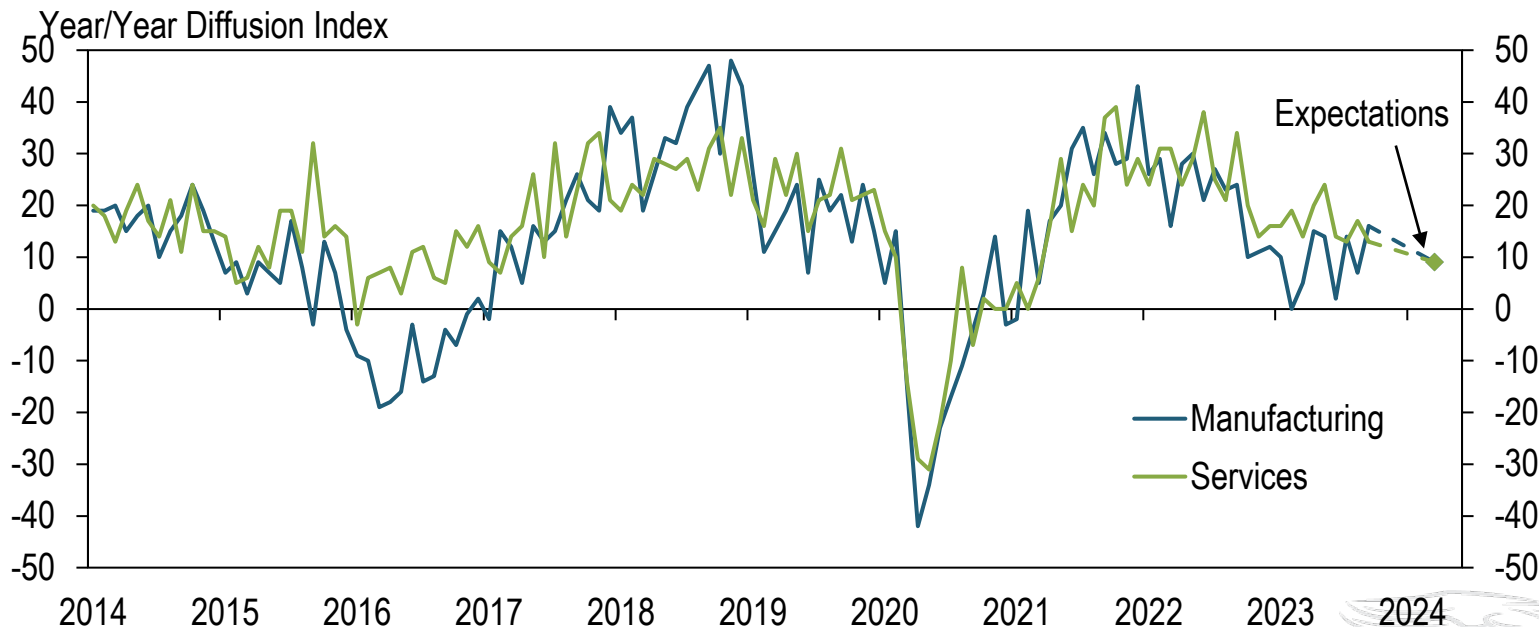


Sept. 2023 Mfg. Special Question: How has your firm's access to credit changed?



Through it all, District firms have mostly continued to make moderate expansions to capital investment

KC Fed Capital Expenditures Indexes



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
- The Fed has raised the overnight interest rate to over 5%
- Manufacturing has declined in recent months nationally and in the Tenth District, and growth in services activity has moderated
- Firms have generally retained or added to workforces and expect more increases in the future, despite slower growth and price pressures



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!

