U.S. and Oklahoma Economic Outlook

Tulsa Risk Management Association
February 13, 2024

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.
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

• 2024 OKC Branch Board of Directors
  • Dana Weber (chair), Chair & CEO, Webco Industries, Sand Springs
  • Mark Burrage, CEO, FirstBank, Antlers/Atoka
  • Scott Case, President, Case & Associates Properties, Tulsa
  • 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
Overview

- U.S. economic growth remained solid in late 2023 and early 2024, and unemployment is near 50-year lows
- Inflation remains too high, despite coming down from 2022 peaks
- The Fed has raised the overnight interest rate to over 5%
- Oklahoma’s economy also continues to grow, and unemployment is low
- Oklahoma’s population growth has outpaced the nation in recent years, driven by strong domestic in-migration
U.S. GDP growth exceeded estimates in Q4, and employment growth has slowed but remained positive.
U.S. GDP growth is expected to slow slightly in 2024 before rebounding to near trend in 2025 and 2026

Change in Real GDP

Percent change

- Real GDP
- Range
- Sep. 2023 Median Projection
- Dec. 2023 Median FOMC Projection

Current (Q4 2023): 3.3%

FOMC Projections

Sources: Bureau of Economic Analysis, FOMC

Note: Data and FOMC projections are for year-end.
U.S. unemployment remains historically low and is projected to rise only moderately in coming years.

U.S. Unemployment Rate

Current (Jan. 2024): 3.7%

Sources: U.S. Bureau of Labor Statistics, FOMC

Note: Data and FOMC projections are for year-end.
Although inflation has come down from 2022 peaks and is expected to fall further, it remains above longer-run levels.

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

Sources: Bureau of Economic Analysis, FOMC
CPI inflation ticked back up to 3.4% in December, as energy price growth rose and shelter inflation eased.
Wage growth is a key factor keeping services inflation high, and has come down moderately from recent highs.

Note: Employment Cost Index data are interpolated between quarters.
The Fed held the federal funds rate steady again in January, after lowering future projections somewhat in December.
The Fed also continues to reduce its balance sheet of high-quality securities

Federal Reserve Balance Sheet

Source: Federal Reserve Board
Job openings still greatly exceed unemployed workers, but have fallen slightly, helping ease wage pressures.

Source: Bureau of Labor Statistics
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**

Index, Feb. 2020, sa

- **Female 25-54**
- **Total**
- **Age 65+**

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

Ths. People

Source: BLS, Census Bureau/Haver Analytics
Jobs in Oklahoma have leveled off in recent months above pre-pandemic levels, while unemployment remains very low.

**Non-Farm Payroll Employment**

Index, Jan. 2020=100

**Unemployment Rate**

Percent

Source: U.S. Bureau of Labor Statistics
Most Oklahoma sectors added jobs over the past year, but job growth still varies widely relative to pre-pandemic levels.

Oklahoma Job Growth by Industry

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
Consumer spending on “experiences” in Oklahoma remains strong while purchases of goods have slowed, as has housing.

**Oklahoma Nominal Consumer Spending Growth**

- **Experiences**
- **Durable Goods**

Note: Experiences consumer spending growth is calculated as an average of Accommodation & Food Service and Arts, Entertainment, & Recreation spending growth weighted by Personal Consumption Expenditures.

**Oklahoma Housing Market Indicators**

- 30 yr. Fixed Mortgage Rate (Left)
- Sales (Right)
- Median Sales Price (Right)
- Housing Permits (Right)

Sources: Affinity Solutions/Track the Recovery, BEA, Freddie Mac, Zillow, Redfin, U.S. Census Bureau, authors’ calculations.
Office vacancy rates in Oklahoma have not risen like in the nation, but rig counts have fallen more here since last year’s peaks.
Oklahoma’s population grew in 2023 again, primarily due to elevated domestic migration, but also with increases in other components.
Many people moved to OK from CA and TX since the pandemic, mostly to the metros but also to many other parts of the state.
Oklahoma also finally had net inflow of prime-age college graduates in recent years, but has not yet fully made up for “brain drain” losses from the 2010s.

Net Domestic Migration by Educational Attainment

Average Labor Force Participation Rate

Notes: The sample is limited to those age 25+ who reported educational attainment. Cumulative change is relative to 2000.
Source: ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors’ calculations
All industries and occupations had a net gain of residents since 2020, reversing some previous trends, with sizable numbers of college grads.

Note: Sample is limited to employed individuals age 25+.

Sources: ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors’ calculations.
Summary

- U.S. economic growth remained solid in late 2023 and early 2024, and unemployment is near 50-year lows
- Inflation remains too high, despite coming down from 2022 peaks
- The Fed has raised the overnight interest rate to over 5%
- Oklahoma’s economy also continues to grow, and unemployment is low
- Oklahoma’s population growth has outpaced the nation in recent years, driven by strong domestic in-migration
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/ealert to subscribe!