U.S. and Oklahoma Economic Outlook

OKC Association of Professional Landmen
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*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.*
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

5 primary responsibility areas:
- Monetary policy
- Financial system stability
- Bank supervision & regulation
- Payment system safety & efficiency
- Consumer protection & community development
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

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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 is expected to slow slightly 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**

Current (Jan. 2024): 3.7%

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Although inflation has come down from 2022 peaks and is expected to fall further, it remains above longer-run levels.
CPI inflation ticked down to 3.1% in January, as energy price growth eased and goods prices fell

*Goods excluding Food; Services excluding Energy.
Note: Relative Importance as Share of CPI shown in parenthesis.
The Fed held the federal funds rate steady again in January, after lowering future projections somewhat in December.

Federal Funds Rate
Year-End Target

Fed Funds Rate
Range
Sep. 2023 Median FOMC Projection
Dec. 2023 Median FOMC Projection

Current Target: 5.25% - 5.5%
FOMC Projections

Note: Data and FOMC projections are for year-end.
Sources: Bureau of Economic Analysis, FOMC
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.
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

- U.S.
- Oklahoma
- OKC
- Tulsa

**Unemployment Rate**

Percent

- U.S.
- Oklahoma
- OKC
- Tulsa

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

Oklahoma Job Growth by Industry

Percent change

Jan. 2020 - Dec. 2022
Dec. 2022 - Dec. 2023

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
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**

- **Typical Home Value (left)**
- **Typical Monthly Mortgage Payment (right)**

**Share of Affordable Homes**

Sources: Zillow, FHLMC/Haver Analytics, NAHB/Wells Fargo Housing Opportunity Index, staff calculations
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
Office vacancy rates in Oklahoma have not risen like they have in the nation.
OK consumer spending continues to rise at a slower pace, while regional factory production has stagnated.

**Consumer Spending**

% Change from Jan. 2020

**KC Fed Manufacturing Survey**

M/M Diffusion Index, 3mma, sa

Sources: Affinity/Track the Recovery, FRBKC Surveys
Oil prices have held up fairly well, but prices for natural gas remain well below profitable levels.
Tenth District oil and gas activity declined sharply in Q4, but expectations rose as oil prices increased and rig counts were stable.
Oklahoma farm income declined less than border states in Q4 and is expected to rise, as drought conditions improved in the panhandle.
Oklahoma’s population grew in 2023 again, primarily due to elevated domestic migration, 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.
The state had net inflow of prime-age college graduates since the pandemic, but has not yet fully made up previous “brain drain” losses from the 2010s.

**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.

**Oklahoma Net Domestic Migration**

**Migration by Industry and Time Period**

- 2015 - 2019
- 2020 - 2022

**Migration by Occupation and Education, 2020 - 2022**

- No Bachelor’s
- Bachelor’s or Higher

Note: Sample is limited to employed individuals age 25+.
Sources: ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors’ calculations.
Remote workers were part of the gains since 2020, but not the driving factor, and Oklahoma also stopped losing high earners to other states.

**Oklahoma Net Domestic Migration**

**Migration by Remote Work**

**Migration by Income**

Note: Sample is limited to individuals age 25+.
Sources: ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors’ calculations.
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Questions?

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