U.S. and Oklahoma Economic Outlook

Commercial Real Estate Council
May 9, 2024

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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.
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

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• **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 and economic education programming for low/moderate income groups and students

• **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 Enterprises, Enid
Overview

- U.S. economic growth has slowed but remains solid in 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, including to rural areas
U.S. GDP growth slowed in Q1, and employment growth eased in April.

Quarterly U.S. Economic Growth

Real GDP Growth
Employment Growth

Sources: BEA, BLS/Haver Analytics
U.S. unemployment remains historically low and is projected to remain low in coming years.

U.S. Unemployment Rate

Current (Apr. 2024): 3.9%

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.

PCE Inflation Index

Current Overall PCE (Mar. 2024): 2.7%
Current Core PCE (Mar. 2024): 2.8%

Note: Data and FOMC projections are for year-end.
Sources: Bureau of Economic Analysis, FOMC
CPI inflation ticked up again to 3.5% in March, as goods prices fell but energy and services prices rose and shelter remains elevated.
Wage growth is a key factor keeping services inflation high, and has come down moderately from recent highs.
The Fed held the federal funds rate steady again in May, after raising future projections somewhat in March.
The Fed also continues to reduce its balance sheet of high-quality securities, but diminished the planned pace in May.
Banks have tightened lending standards more for commercial loans than consumer loans, but conditions eased somewhat in Q1

Source: FRB Senior Loan Officer Opinion Survey
Job openings still exceed unemployed workers, but have returned to near pre-pandemic levels

Source: Bureau of Labor Statistics
The ability to find work has been good for lower income communities and job quality has improved, but most other conditions have been poor.
Jobs in Oklahoma have continued to grow in 2024, while unemployment remains very low.
Most OK sectors added jobs over the past year but the pace of job growth has slowed, driven by less energy, transportation, and professional services activity.
Oklahoma home sales and price growth have slowed over the past 2 years with higher rates, and supply has increased slightly from very low levels.
CRE activity has deteriorated in the region, but office vacancy rates in Oklahoma have not risen like in neighboring markets.
Oil and gas drilling has fallen in Oklahoma as oil prices remain high while natural gas prices have sunk this year.

Source: Baker Hughes, EIA/Haver Analytics, FRBKC Surveys
Oklahoma’s population grew again in 2023, primarily due to elevated domestic migration, but also with increases in other components.

Source: U.S. Census Bureau
Almost all the migration to OK was from the western U.S., especially CA and TX, and the state had “brain gain” for the first time in a decade.

Migration to Oklahoma During 2020 - 2023

Oklahoma Net Domestic Migration by Education

Note: Sample shown in map is limited to age 25+.
All industries and occupations had a net gain of residents since 2020, reversing some previous trends, with sizable numbers of college grads.
Summary

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Questions?

Oklahoma City branch information

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