

# Economic Update

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A magnifying glass is positioned over a bar chart. The chart has a y-axis with values 10000, 20000, 30000, 40000, 50000, and 60000. The x-axis is labeled with months: May, Jun, Jul, Sep, Oct, Nov, Dec. A legend in the top right corner identifies four data series: Sales 1 (dark blue), Sales 2 (medium blue), Sales 3 (light blue), and Sales 4 (very light blue). A line graph is overlaid on the bars, showing an upward trend. The text 'BANKING & SUPERVISION FORUM' is printed in large, bold, black letters across the bottom of the chart area, with 'FEDERAL RESERVE BANK OF KANSAS CITY' in smaller letters below it.

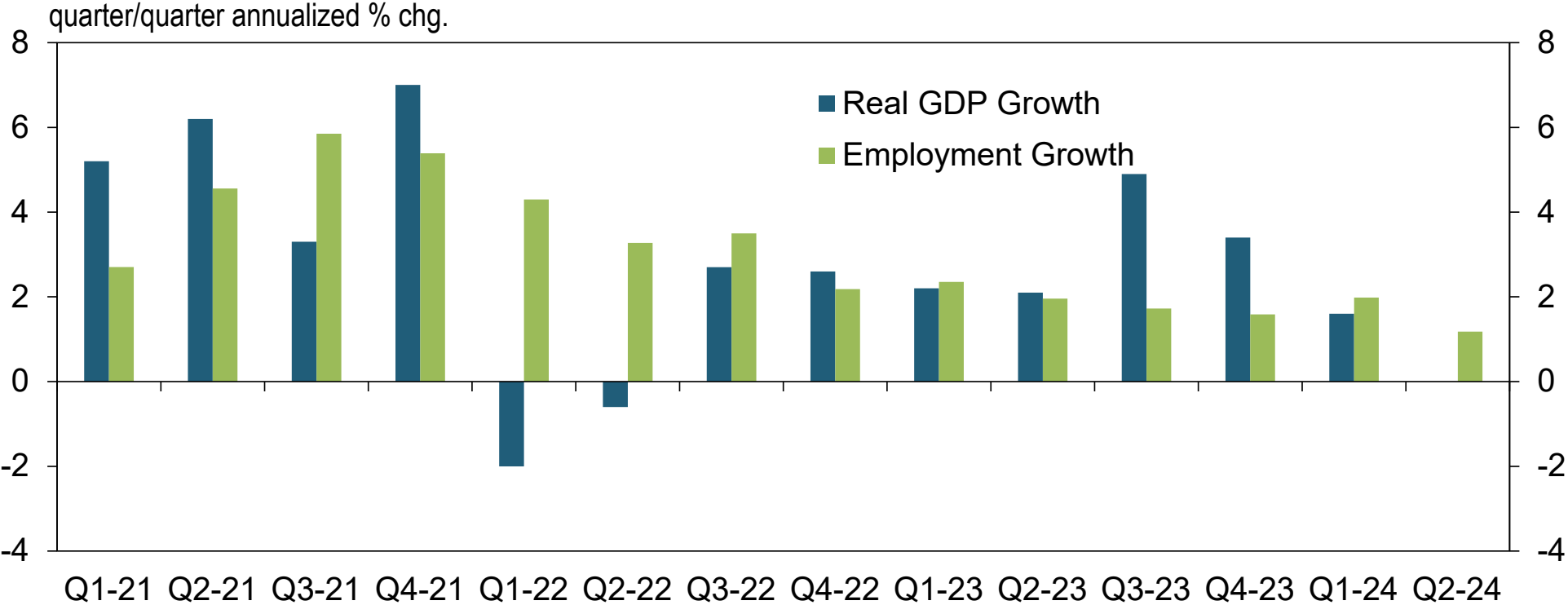
**BANKING & SUPERVISION FORUM**  
FEDERAL RESERVE BANK OF KANSAS CITY

# 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

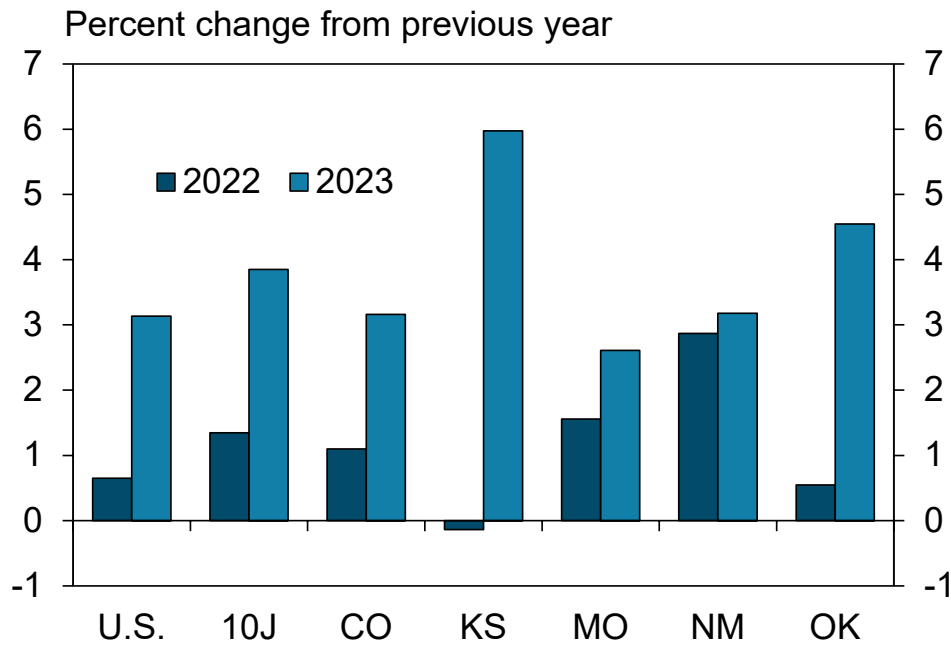
## Quarterly U.S. Economic Growth



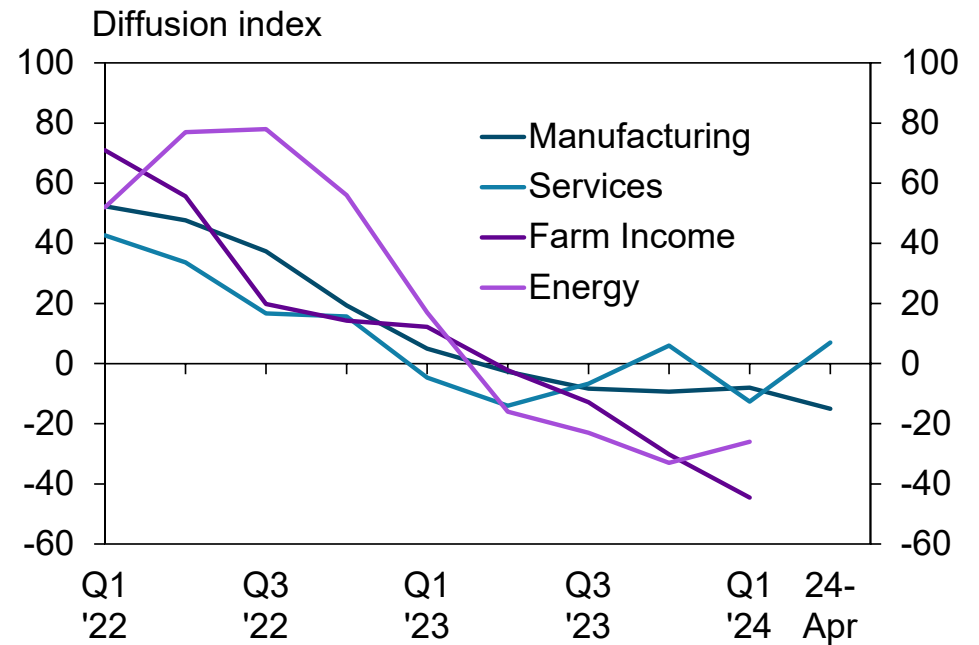
Sources: BEA, BLS/Haver Analytics

# Despite strength in headline indicators, surveys have shown some softening in industries important to the Oklahoma economy.

Real Gross Domestic Product, Q4



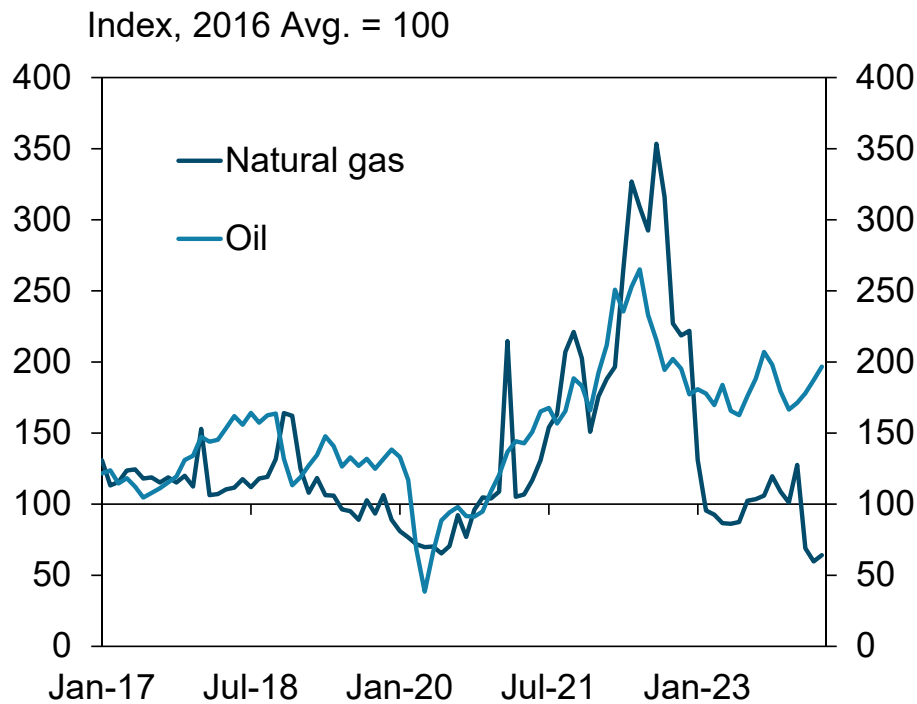
KC Fed Survey Economic Indicators



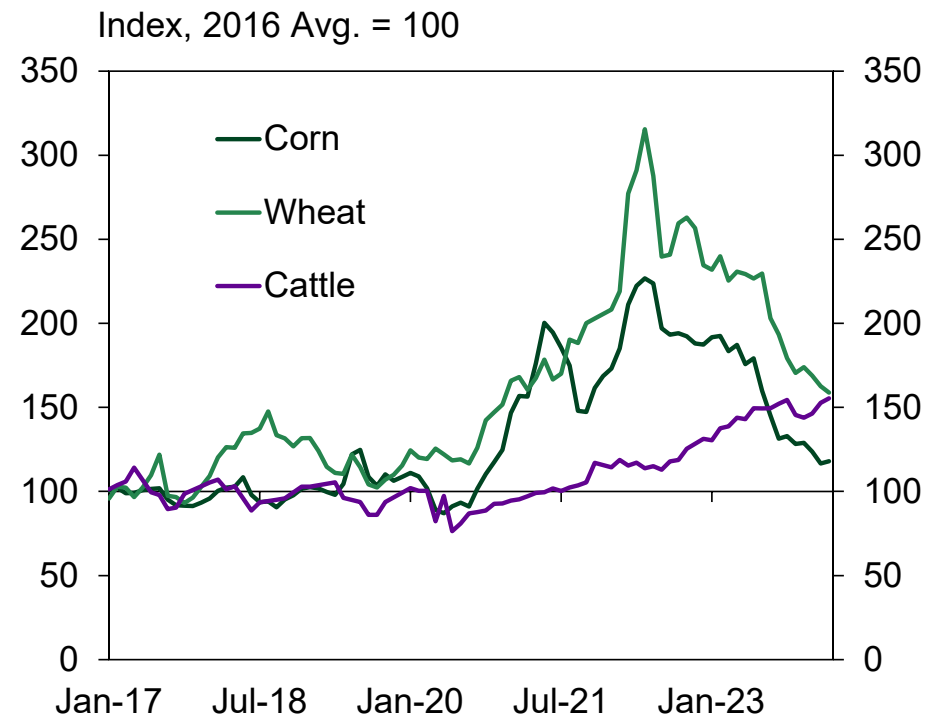
Sources: U.S. Bureau of Economic Analysis (Haver) and Federal Reserve Bank of Kansas City

# Survey results reflect diverging developments in prices for energy and agricultural commodities.

## Energy Prices



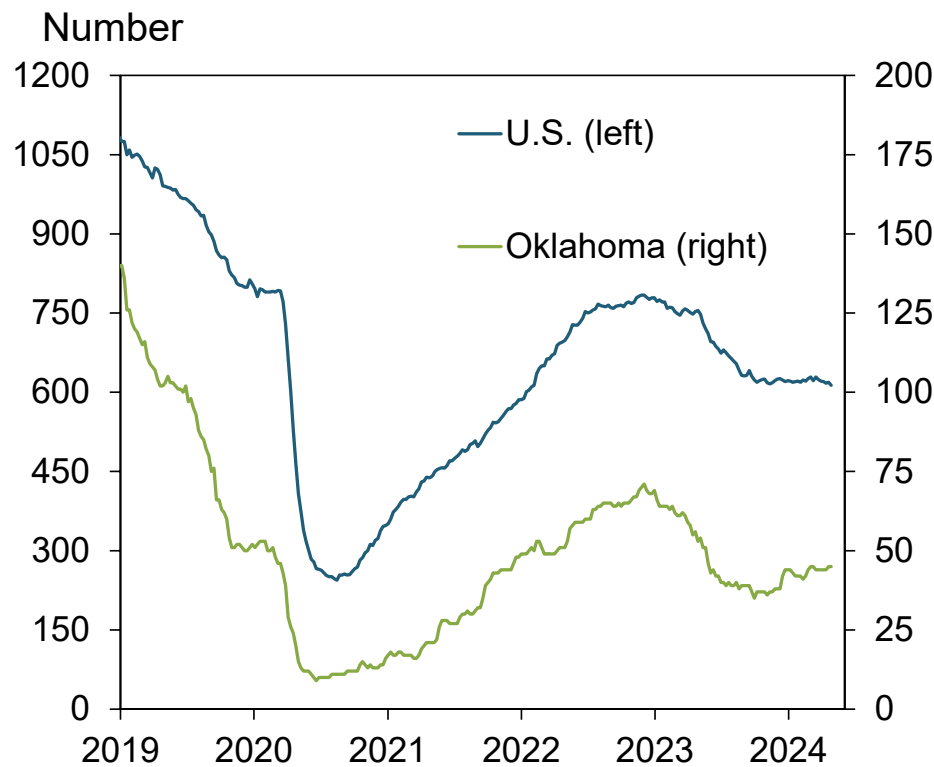
## Agricultural Prices



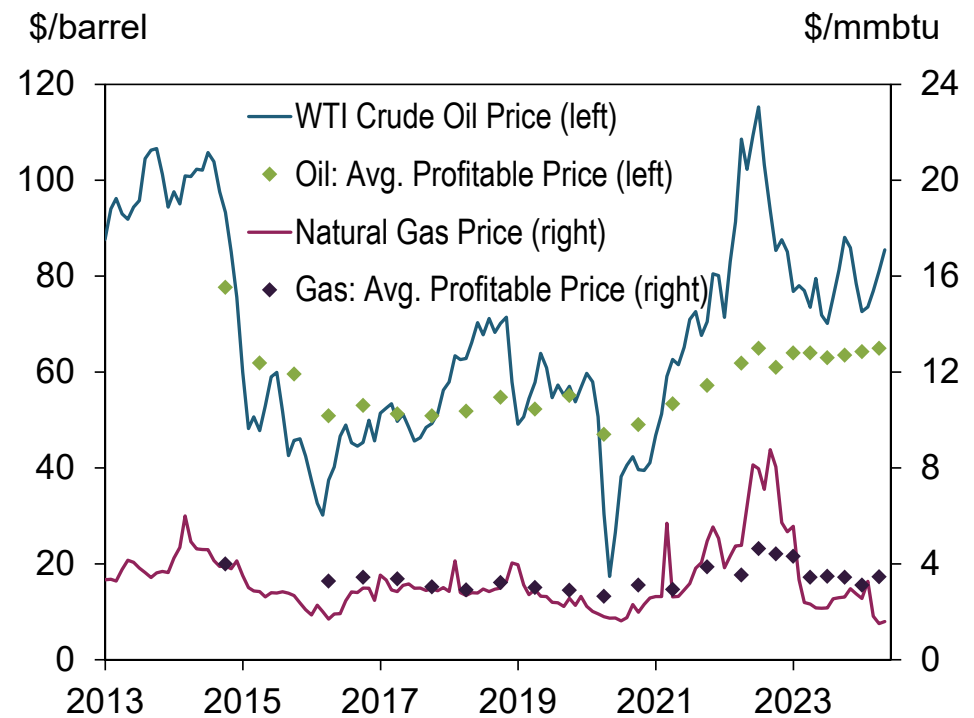
Sources: EIA, CME, and *The Wall Street Journal* (Haver)

# Oil and gas drilling has fallen in Oklahoma as oil prices remain high while natural gas prices have sunk this year

## Rig Counts

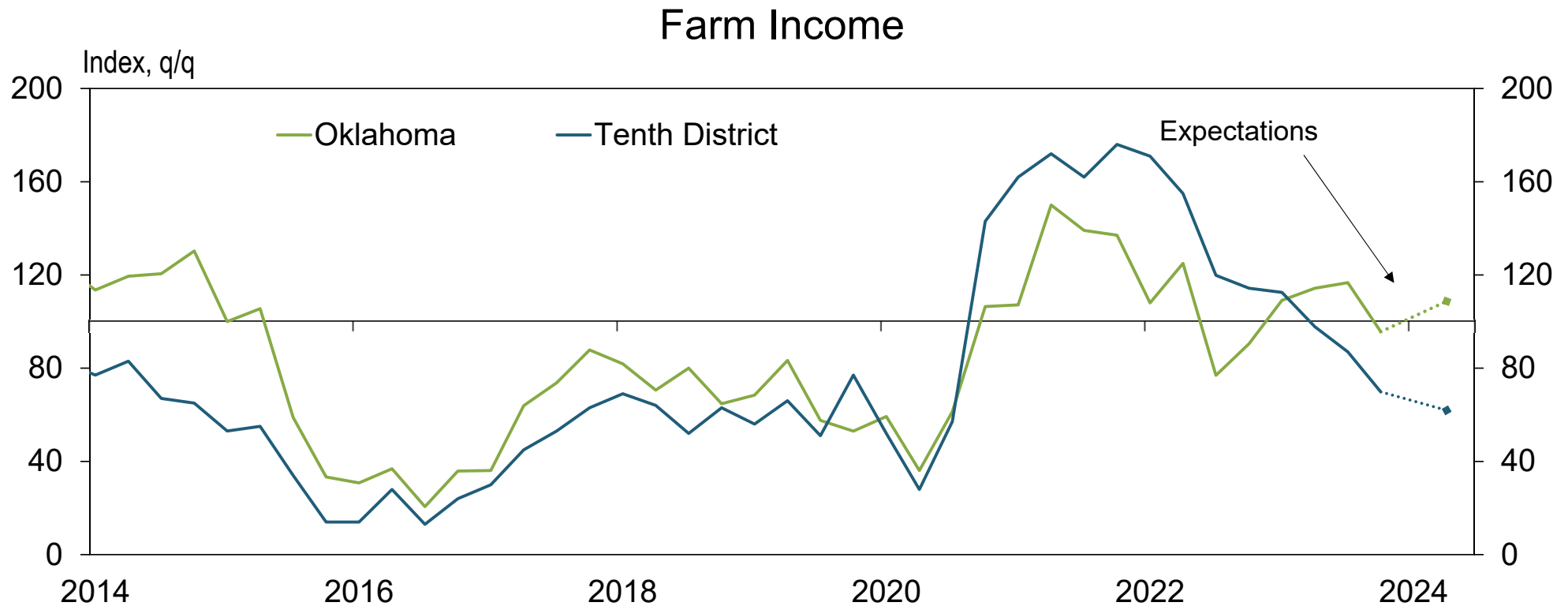


## U.S. Energy Prices



Source: Baker Hughes, EIA/Haver Analytics, FRBKC Surveys

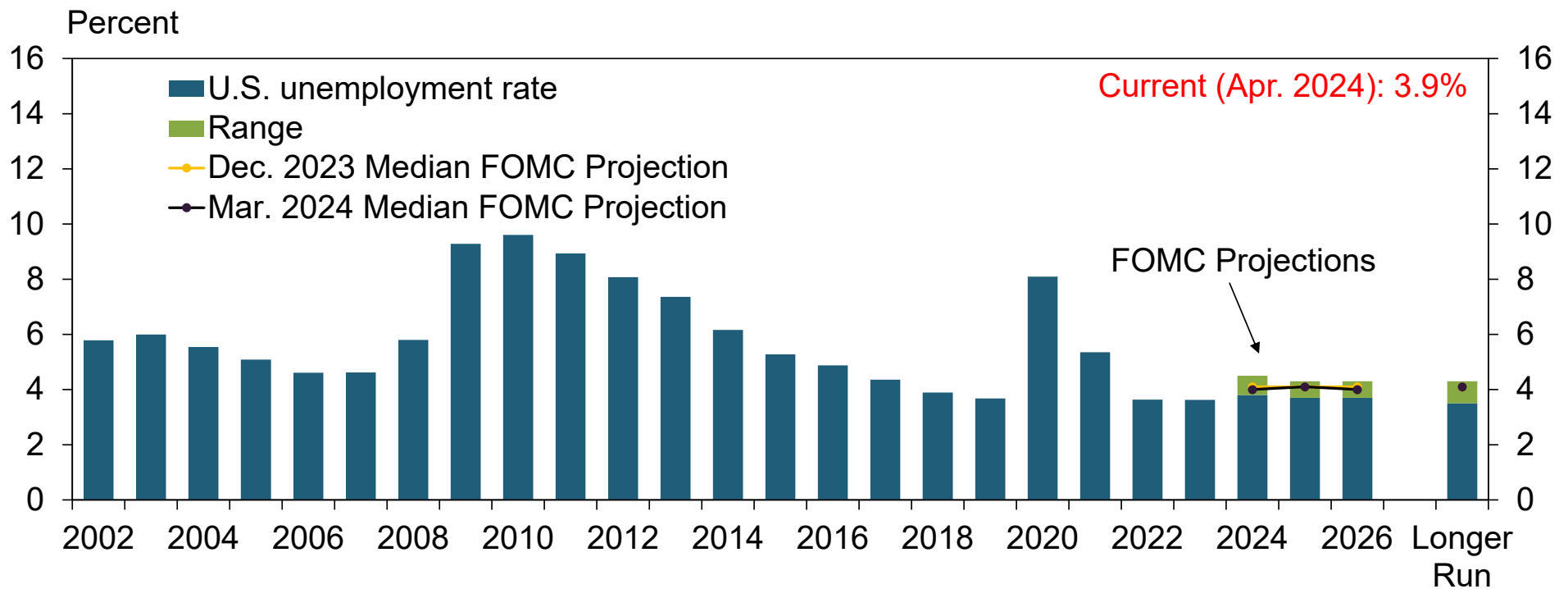
# Oklahoma farm income declined less than border states in Q423, partially due to higher cattle prices



Sources: FRBKC Ag Credit Survey, Wall Street Journal/Haver Analytics

# U.S. unemployment remains historically low and is projected to remain low in coming years

## U.S. Unemployment Rate



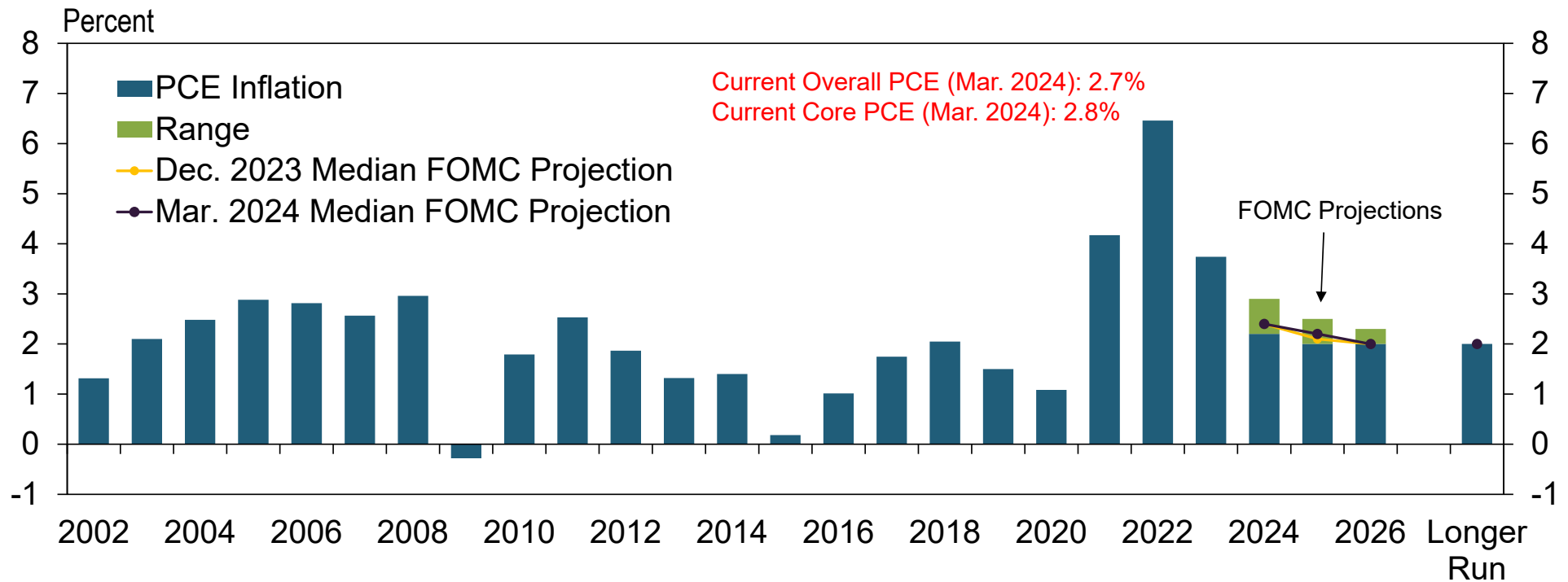
Note: Data and FOMC projections are for year-end.

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

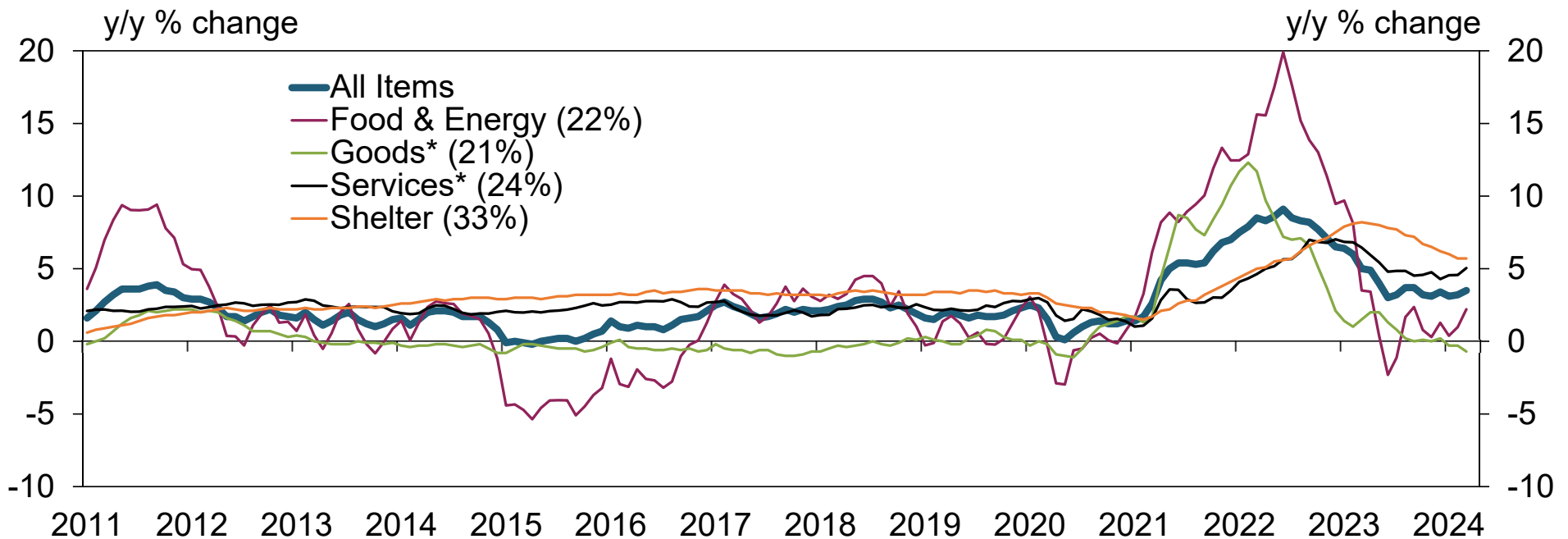


Sources: Bureau of Economic Analysis, FOMC

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

# CPI inflation ticked up again to 3.5% in March, as goods prices fell but energy and services prices rose and shelter remains elevated

## Consumer Price Index

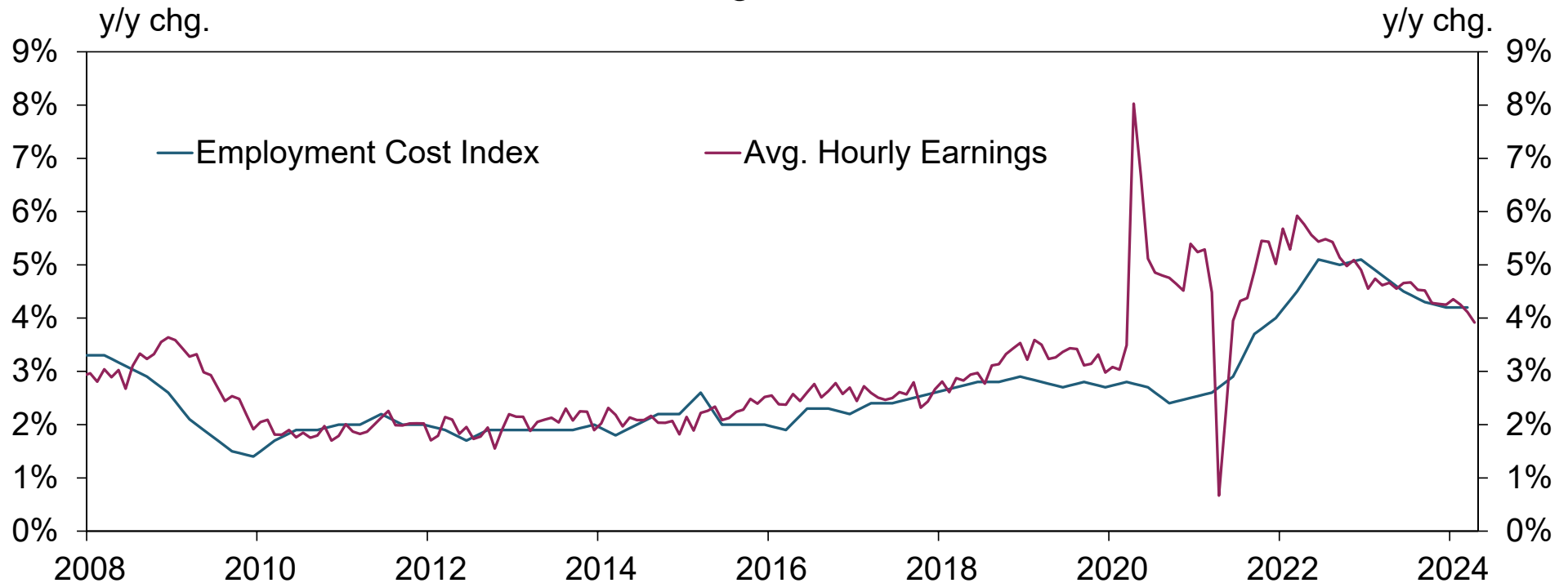


Sources: BLS/Haver Analytics

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

# Wage growth is a key factor keeping services inflation high, and has come down moderately from recent highs

## Wage Growth

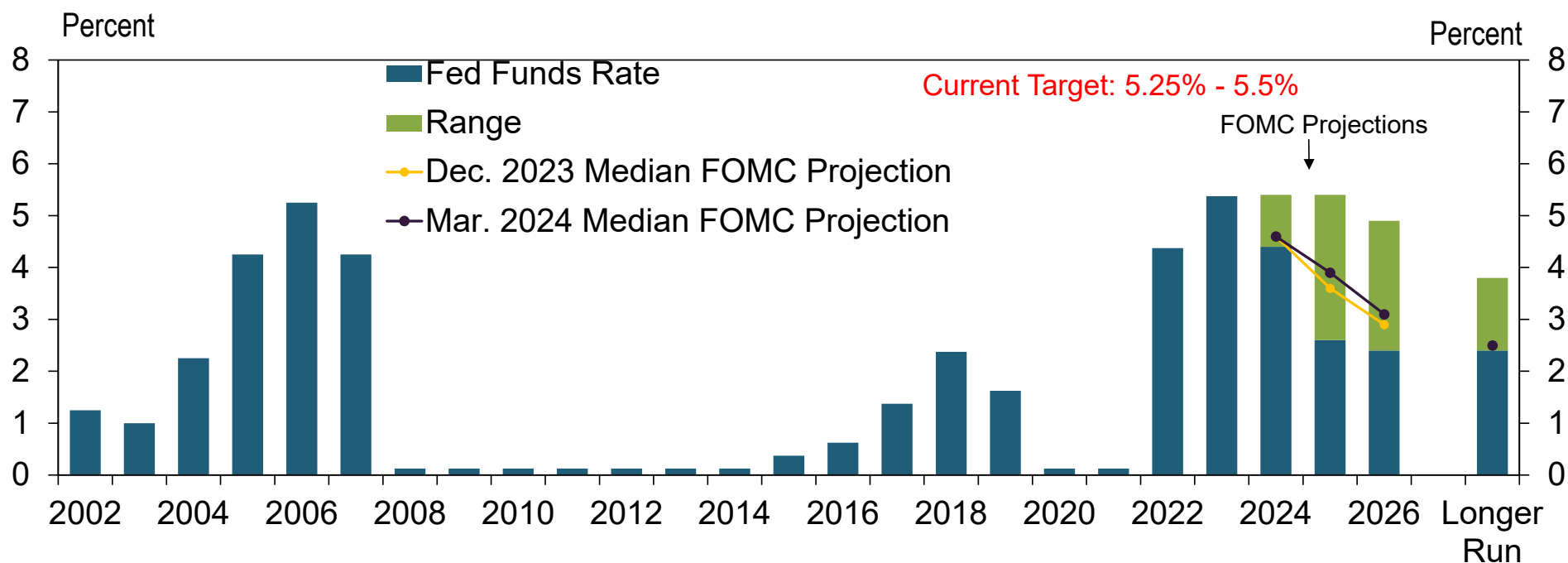


Sources: BLS/Haver Analytics

Note: Employment Cost Index data are interpolated between quarters

# The Fed held the federal funds rate steady again in May, after raising future projections somewhat in March

Federal Funds Rate  
Year-End Target

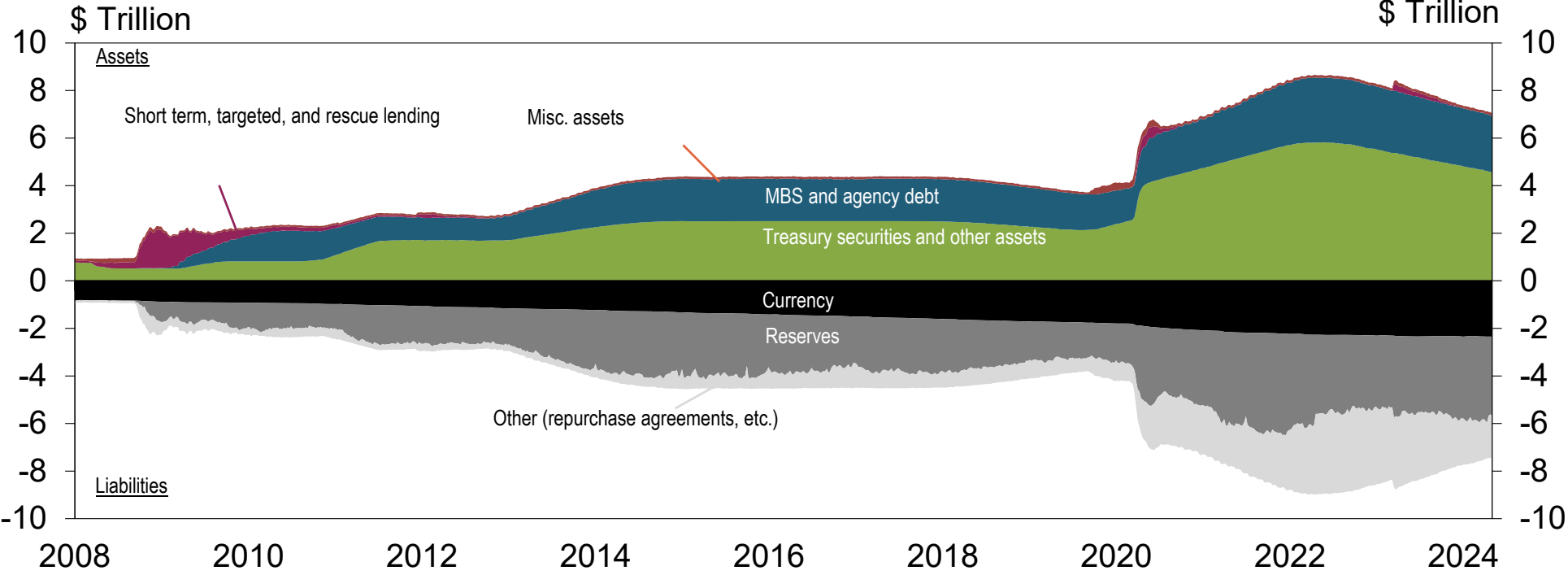


Sources: Bureau of Economic Analysis, FOMC

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

# The Fed also continues to reduce its balance sheet of high-quality securities, but diminished the planned pace in May

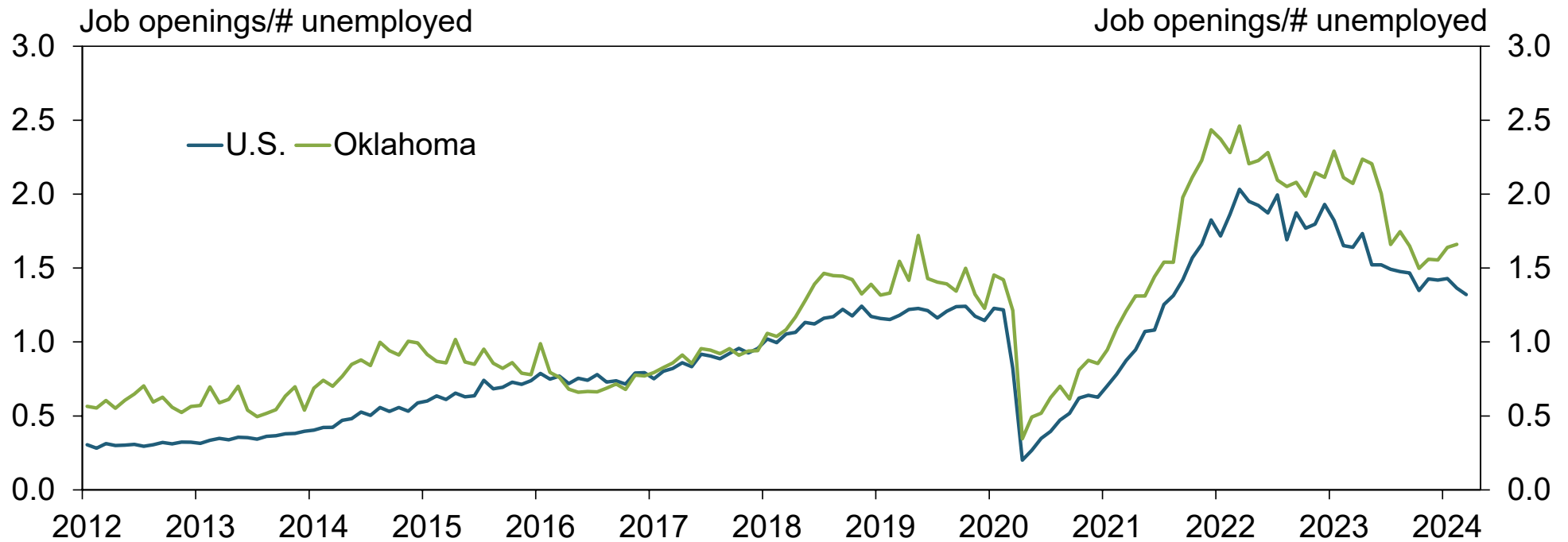
## Federal Reserve Balance Sheet



Source: Federal Reserve Board

# Job openings still exceed unemployed workers, but have returned to near pre-pandemic levels

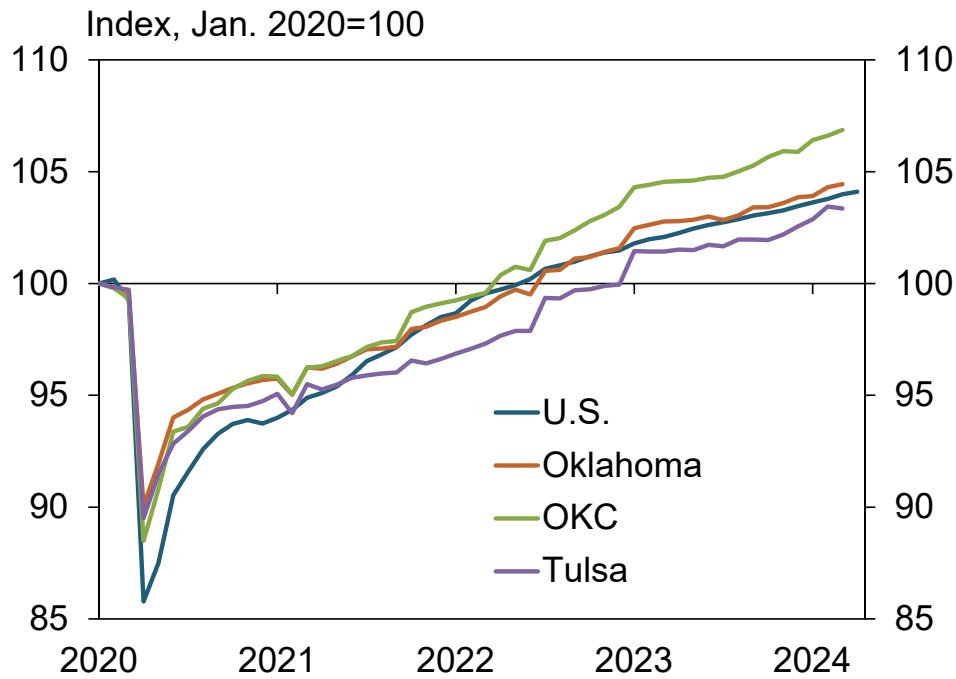
## Job Openings/Unemployment Ratio



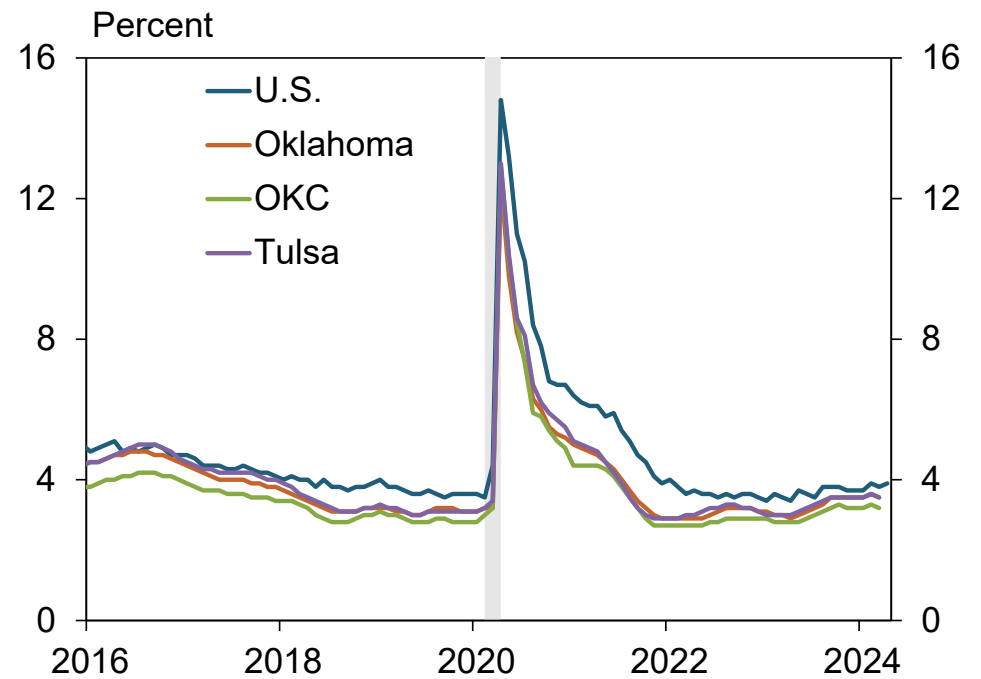
Source: Bureau of Labor Statistics

# Jobs in Oklahoma have continued to grow in 2024, while unemployment remains very low

## Non-Farm Payroll Employment



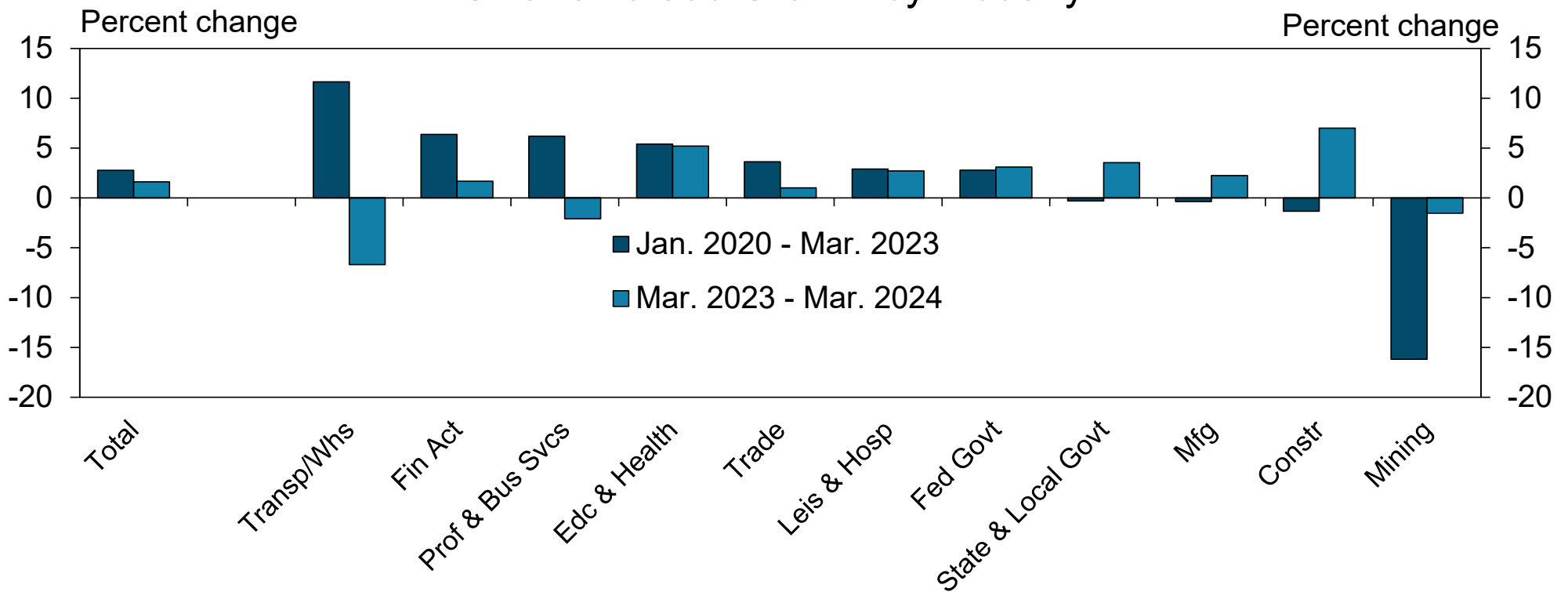
## Unemployment Rate



Source: U.S. Bureau of Labor Statistics

**Most OK sectors added jobs over the past year, but the pace of growth has slowed, driven by less energy, transportation, and professional services activity.**

Oklahoma Job Growth by Industry

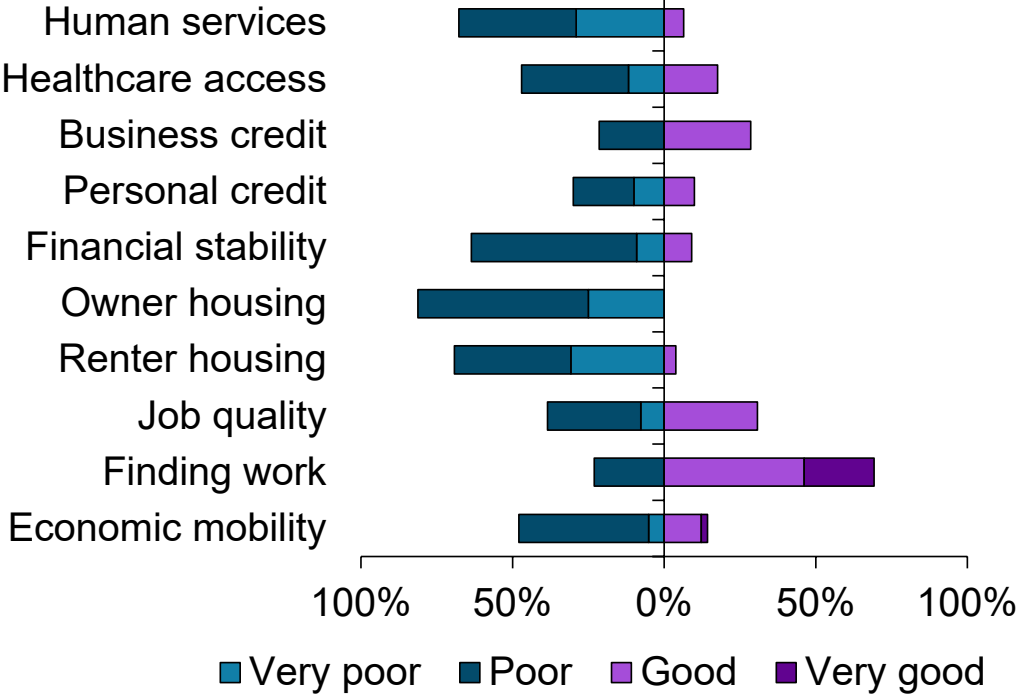


Sources: U.S. Bureau of Labor Statistics (Haver)

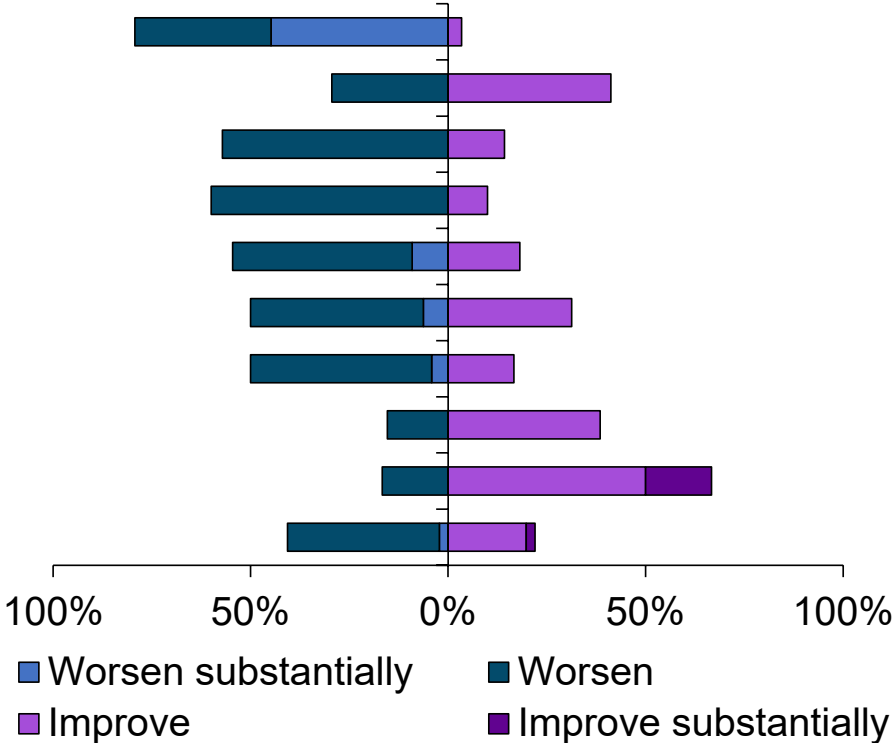


# Jobs have been plentiful for lower income communities, but most other conditions have been poor.

Community Conditions: January 2024



Next Six Months

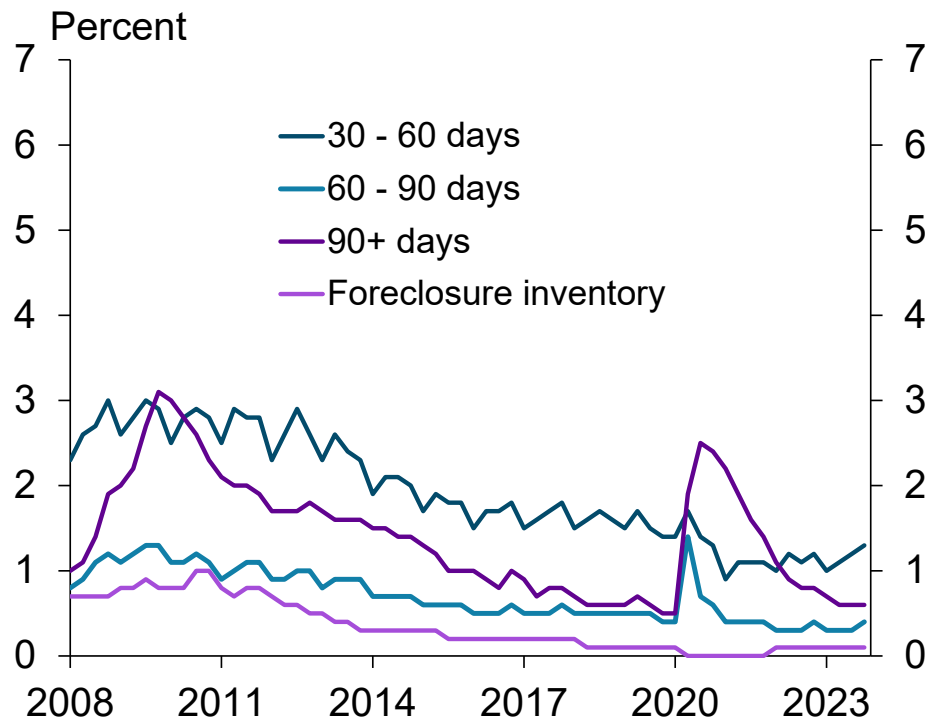


Source: Federal Reserve Bank of Kansas City Community Conditions Survey

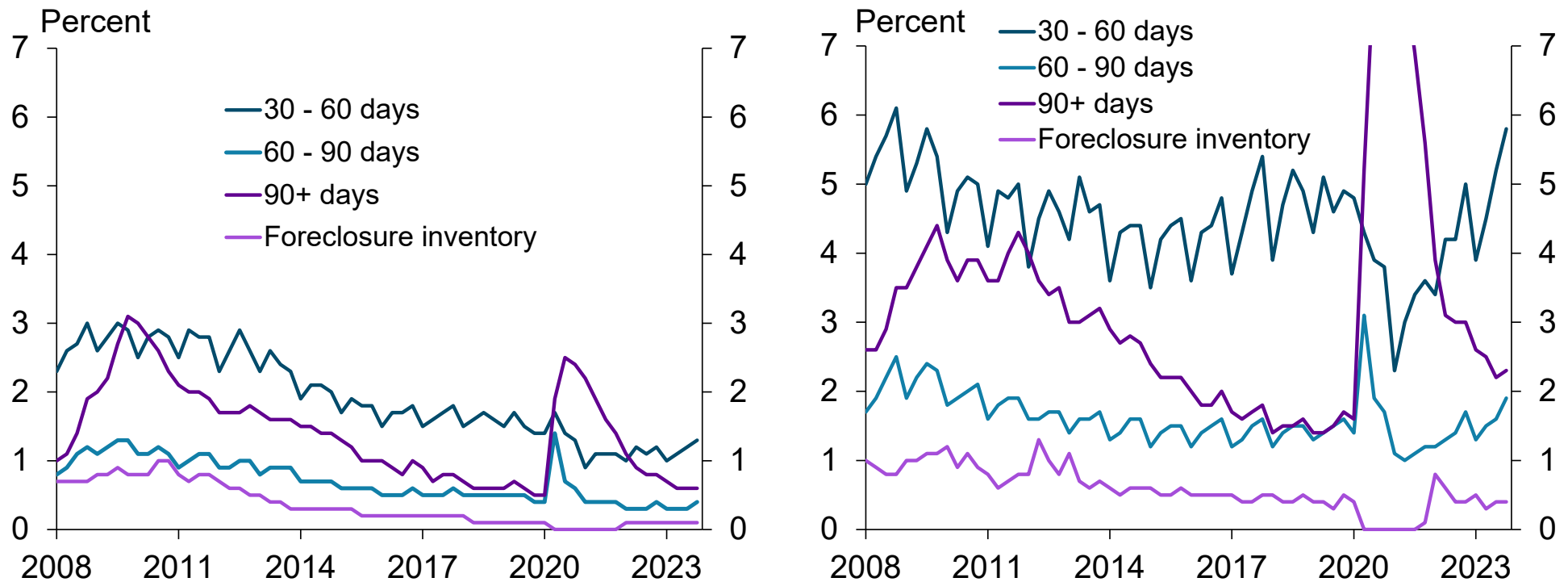


# Higher prices and interest rates have made mortgage loan repayment and paying for household expenses more difficult.

## Conventional Mortgages



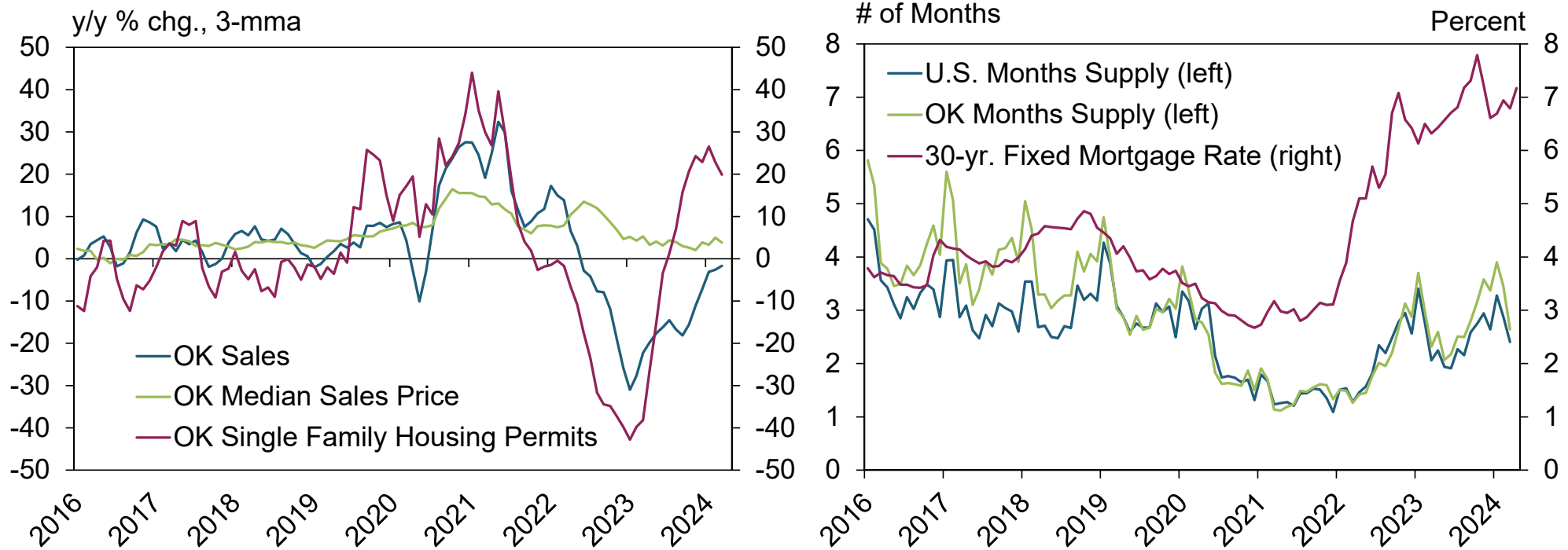
## FHA Mortgages



Source: MBA

# 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

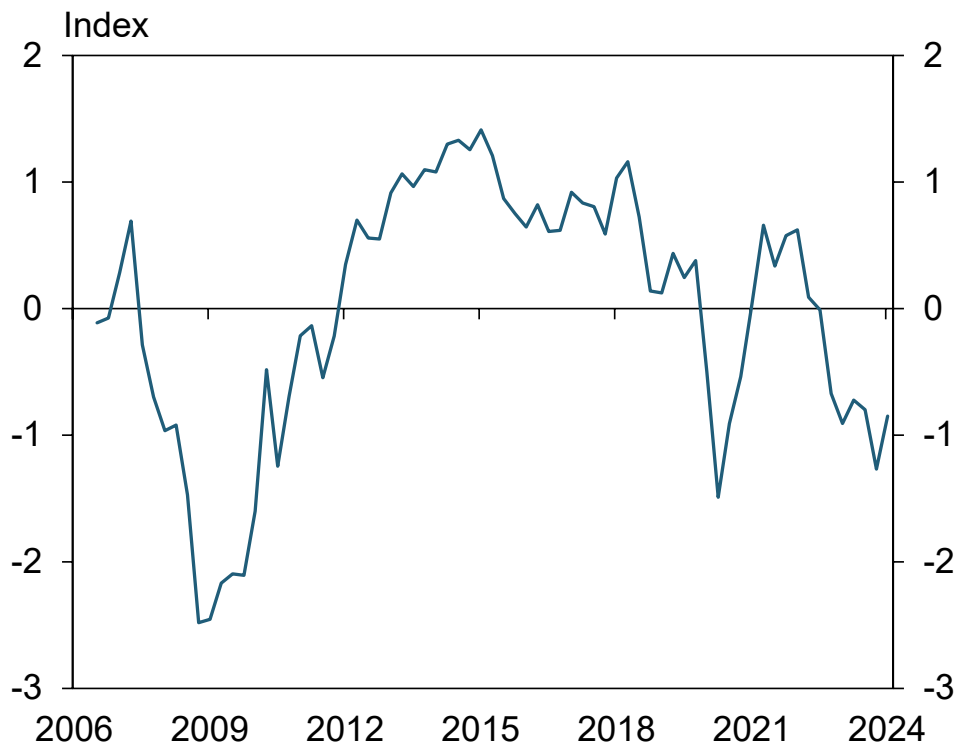
## Oklahoma Housing Market Indicators



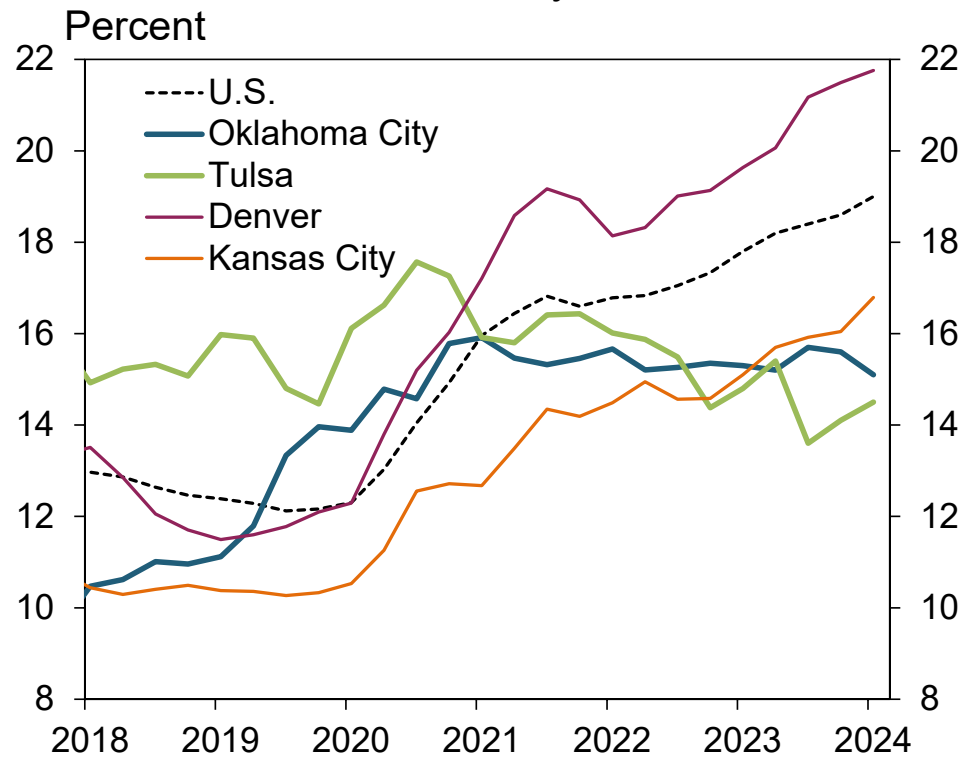
Sources: Freddie Mac, Redfin, U.S. Census Bureau

# CRE activity has deteriorated in the region, but office vacancy rates in Oklahoma have not risen like in neighboring markets

### KC Fed Commercial Real Estate Index



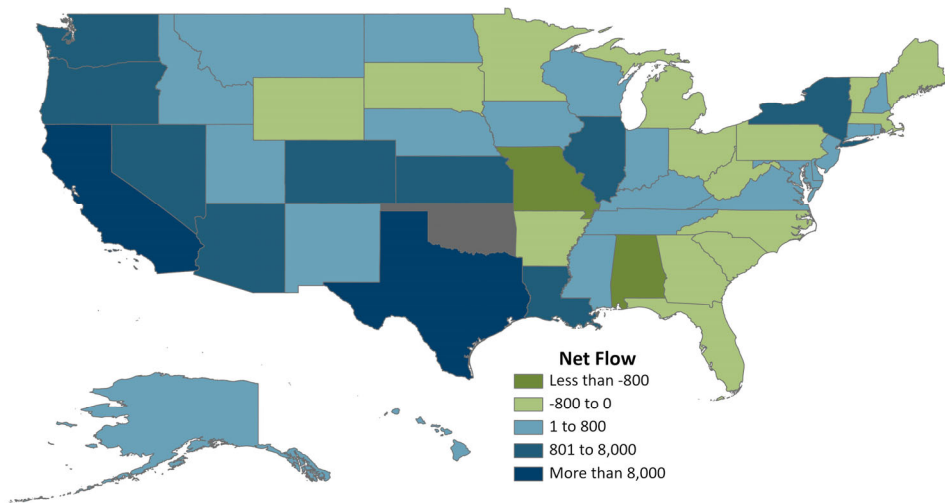
### Office Vacancy Rates



Sources: CBRE-EA, FRBKC

# Almost all the migration to OK was from the western US, especially CA and TX, and the state had “brain gain” for the first time in a decade

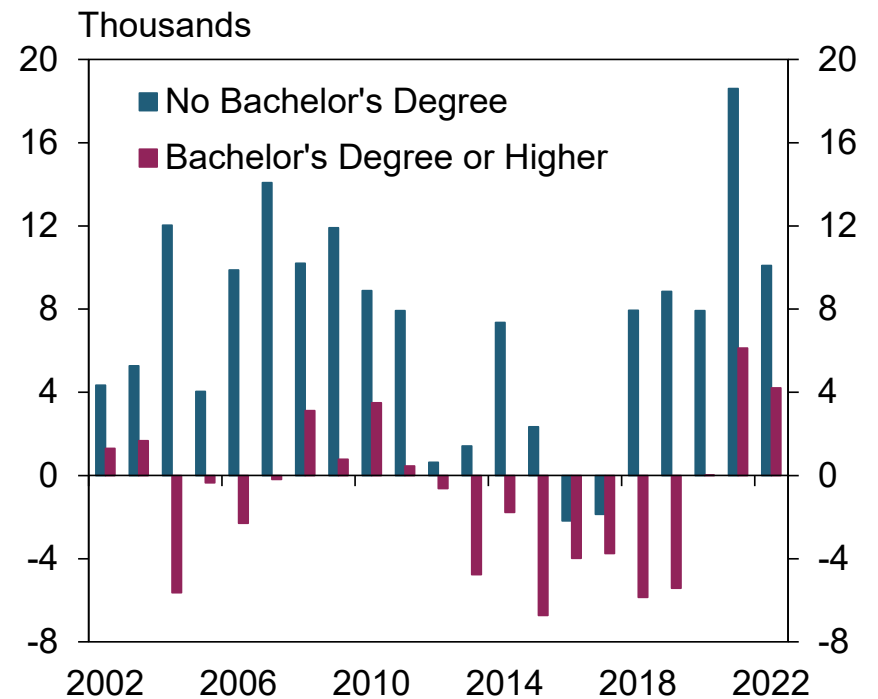
Migration to Oklahoma During  
2020 - 2023



Note: Sample shown in map is limited to age 25+.

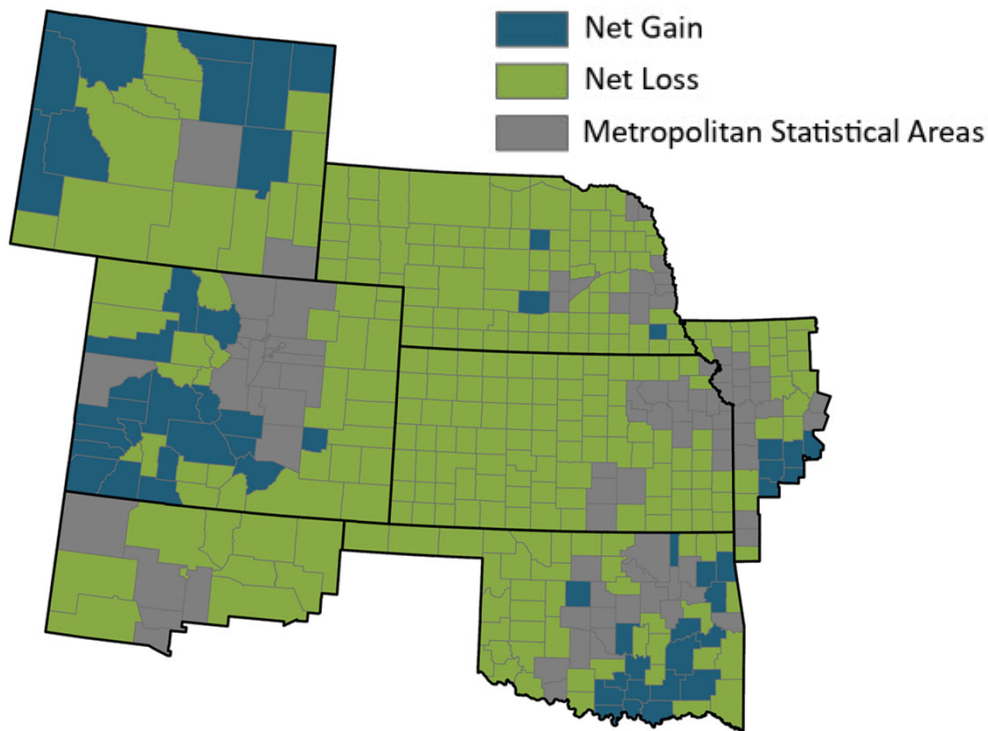
Sources: FRBNY CCP/Equifax, ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors' calculations

Oklahoma Net Domestic Migration by  
Education

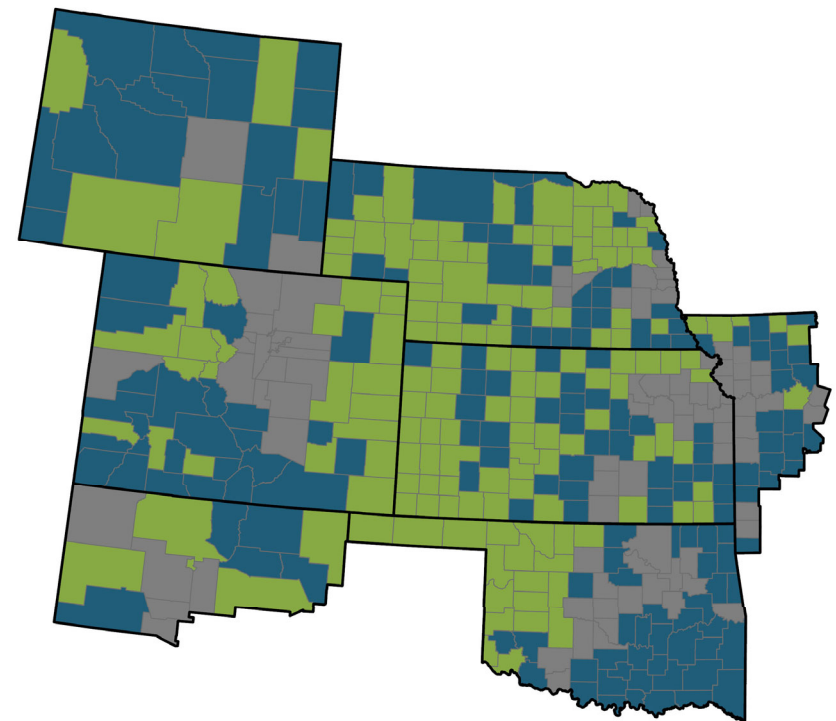


# Since 2020, many non-metro areas of OK and nearby states had net inflows of new residents for the first time in two decades

Net Domestic Migration, 2000 to 2020



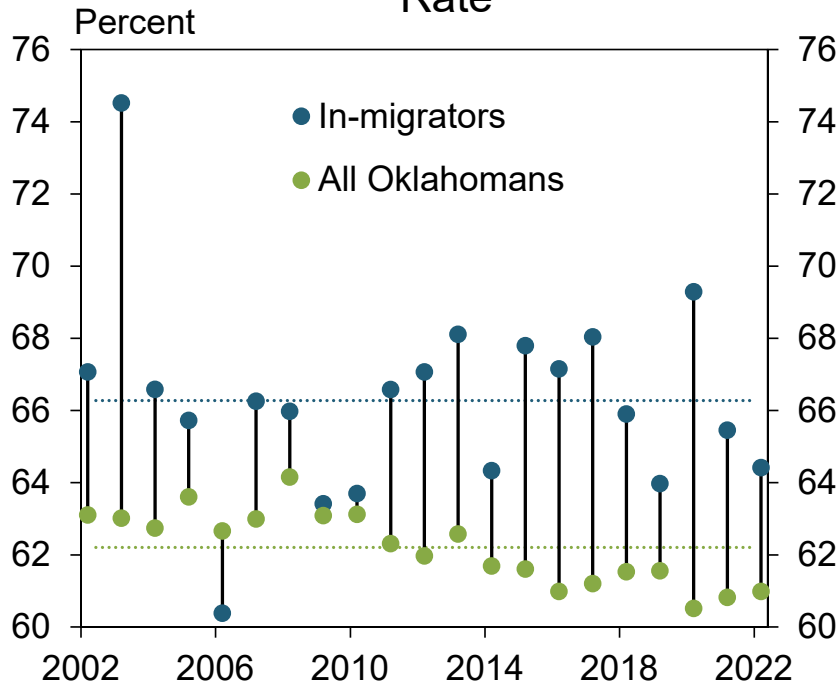
Net Domestic Migration, 2020 to 2023



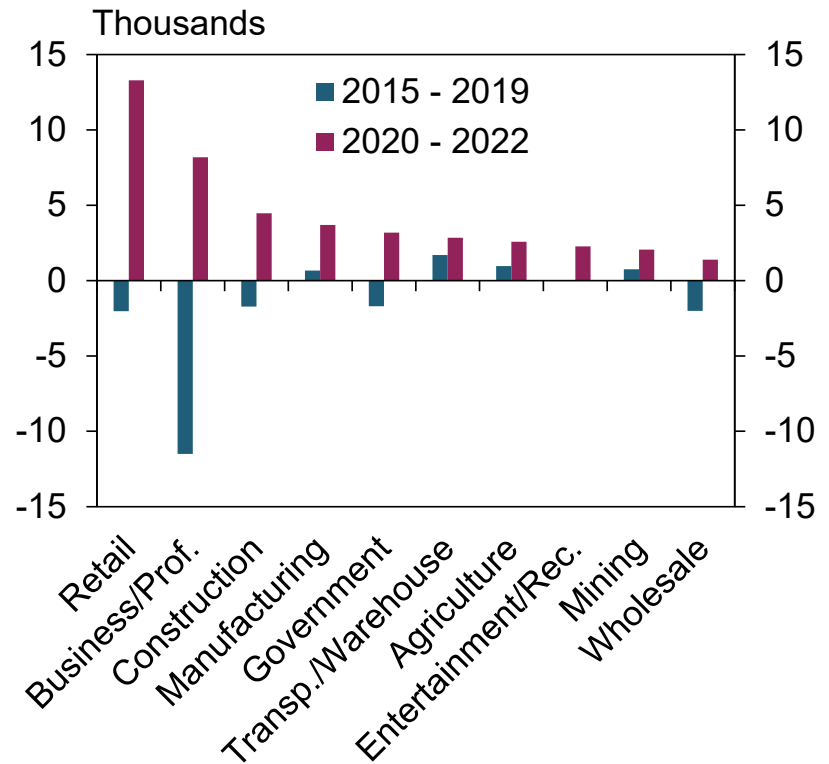
Sources: U.S. Census Bureau, authors' calculations

# Most new in-migrators are employed and every industry had a net gain of residents since 2020, reversing some previous trends

OK Average Labor Force Participation Rate



OK Net Domestic Migration by Industry and Time Period

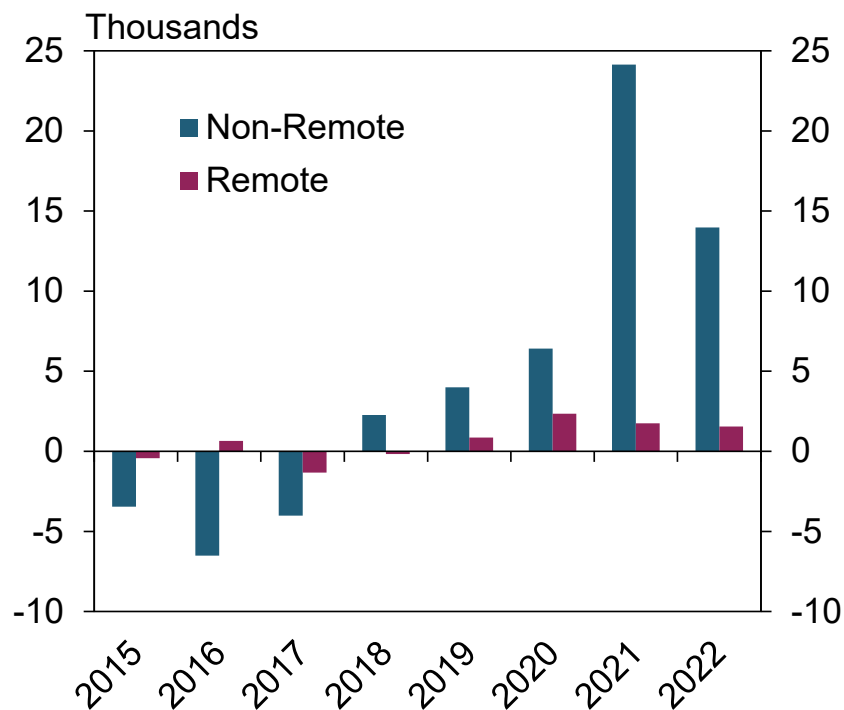


Note: Sample is limited to employed individuals age 25+.  
Sources: ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors' calculations

# Remote workers were part of the gains since 2020, but not the driving factor, and Oklahoma also stopped losing high earners to other states

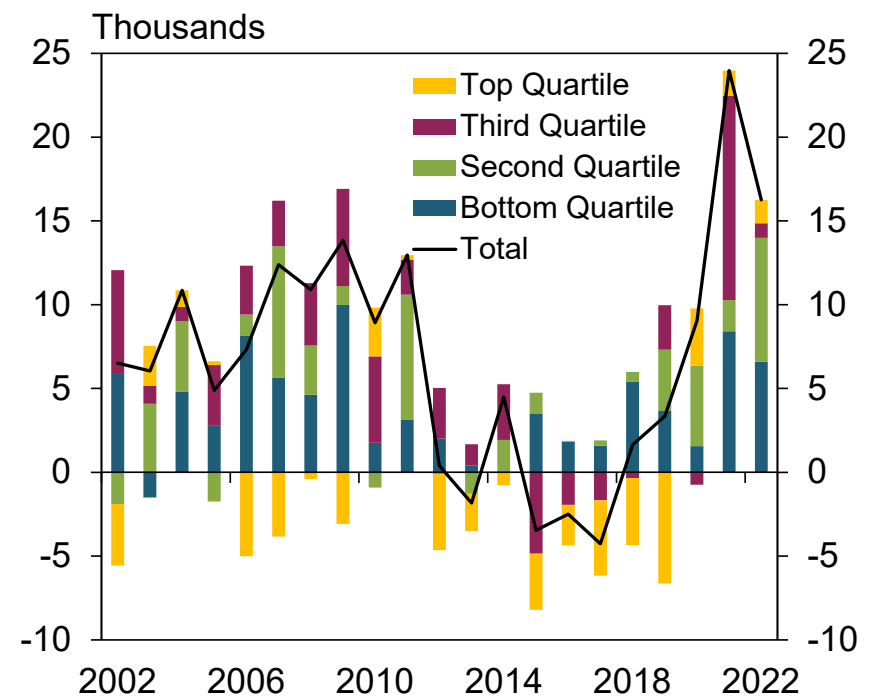
## Oklahoma Net Domestic Migration

### Migration by Work Location



Note: Sample is limited to individuals age 25+.

### Migration by Income



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



# Summary

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# Questions?

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