U.S. and Oklahoma Economic Outlook

Chad Wilkerson
SVP & OKC 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.
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.
U.S. unemployment remains historically low and is projected to remain low in coming years

**U.S. Unemployment Rate**

- Current (Apr. 2024): 3.9%
- FOMC Projections
  - Dec. 2023 Median FOMC Projection
  - Mar. 2024 Median FOMC Projection

**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 up again to 3.5% in March, as goods prices fell but energy and services prices rose and shelter remains elevated.

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

Sources: BLS/Haver Analytics
Wage growth is a key factor keeping services inflation high, and has come down moderately from recent highs.

**Wage Growth**

- Employment Cost Index
- Avg. Hourly Earnings

Note: Employment Cost Index data are interpolated between quarters

Sources: BLS/Haver Analytics
The Fed held the federal funds rate steady again in May, after raising future projections somewhat in March.

**Federal Funds Rate**

**Year-End Target**

Current Target: 5.25% - 5.5%

**FOMC Projections**

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, but diminished the planned pace in May.
Job openings still exceed unemployed workers, but have returned to near pre-pandemic levels.

Source: Bureau of Labor Statistics
Jobs in Oklahoma have continued to grow in 2024, while unemployment remains very low.

**Non-Farm Payroll Employment**

*Index, Jan. 2020=100*

**Unemployment Rate**

*Percent*

Source: U.S. Bureau of Labor Statistics
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 Job Growth by Industry**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Mar. 2023</th>
<th>Mar. 2024</th>
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<tbody>
<tr>
<td>Total</td>
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<tr>
<td>Mining</td>
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<td>Educ. &amp; Health</td>
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<td>Leis. &amp; Hosp.</td>
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<td>Fin. Act.</td>
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<td>Trade</td>
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<td>Fed Govt.</td>
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<td>Transp./Wks.</td>
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</tbody>
</table>

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
The ability to find work has been good for lower income communities and job quality has improved, but most other conditions have been poor.

### Tenth District Low- and Moderate-Income Community Conditions, 2nd Half 2023

#### Current
- **Economic mobility**
- **Finding work**
- **Job quality**
- **Renter housing**
- **Owner housing**
- **Financial stability**
- **Personal credit**
- **Business credit**
- **Healthcare access**
- **Human services**

#### Past 6 Months
- **Economic mobility**
- **Finding work**
- **Job quality**
- **Renter housing**
- **Owner housing**
- **Financial stability**
- **Personal credit**
- **Business credit**
- **Healthcare access**
- **Human services**

#### Next 6 Months
- **Economic mobility**
- **Finding work**
- **Job quality**
- **Renter housing**
- **Owner housing**
- **Financial stability**
- **Personal credit**
- **Business credit**
- **Healthcare access**
- **Human services**

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*Source: FRBKC Community Conditions Survey*
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.
Oklahoma farm income declined less than border states in Q423, partially due to higher cattle prices.
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.
Since 2020, many non-metropolitan areas of Oklahoma and nearby states experienced net inflows of new residents for the first time in two decades.
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**

- **In-migrants**
- **All Oklahomans**

**OK Net Domestic Migration by Industry and Time Period**

- 2015 - 2019
- 2020 - 2022

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**

**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.
Summary

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