

U.S. and Oklahoma Economic Outlook

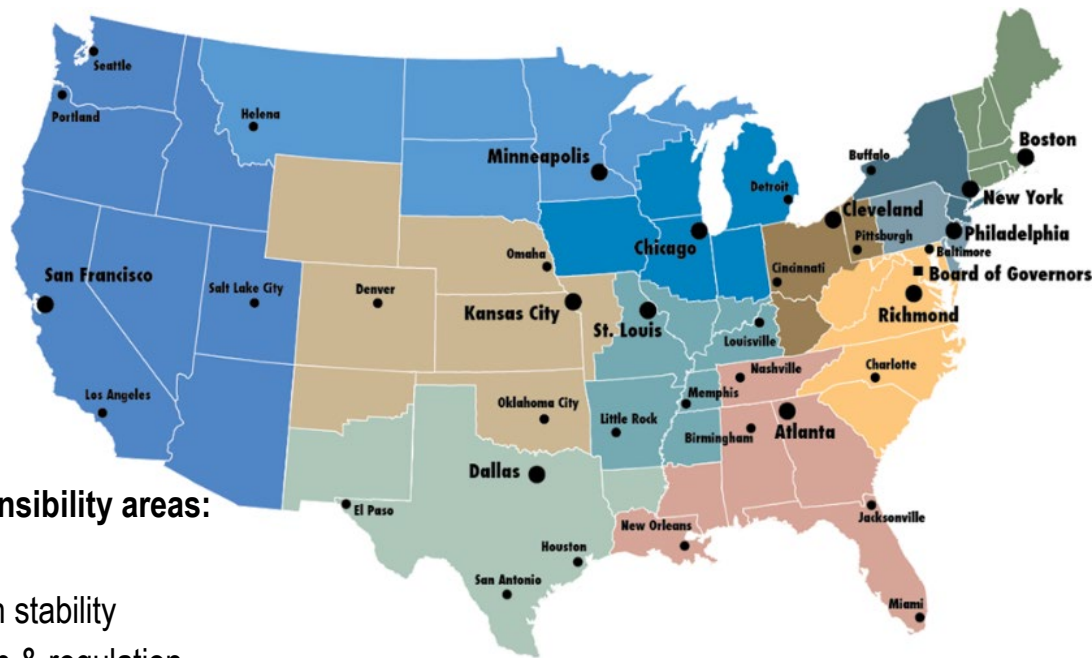
*Tulsa Economic Forum
September 5, 2024*

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.



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

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 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



Northeastern Oklahoma is also well-represented on several other Fed councils

- **Tenth Fed District Head Office (Kansas City) Board of Directors:**
 - **Susan Chapman Plumb**, Board Chair & CEO, Local Bank, Tahlequah
- **Tenth Fed District Economic Advisory Council:**
 - **Rebecca Thompson**, CFO, AAON, Inc., Tulsa
- **Tenth Fed District Community Development Advisory Council:**
 - **Michelle Bish**, Executive Director, Northeast Oklahoma Regional Alliance, Tahlequah
- **Federal Reserve Community Advisory Council (national):**
 - **Bruce Shultz**, VP of Community Development Banking, Gateway First Bank, Tulsa



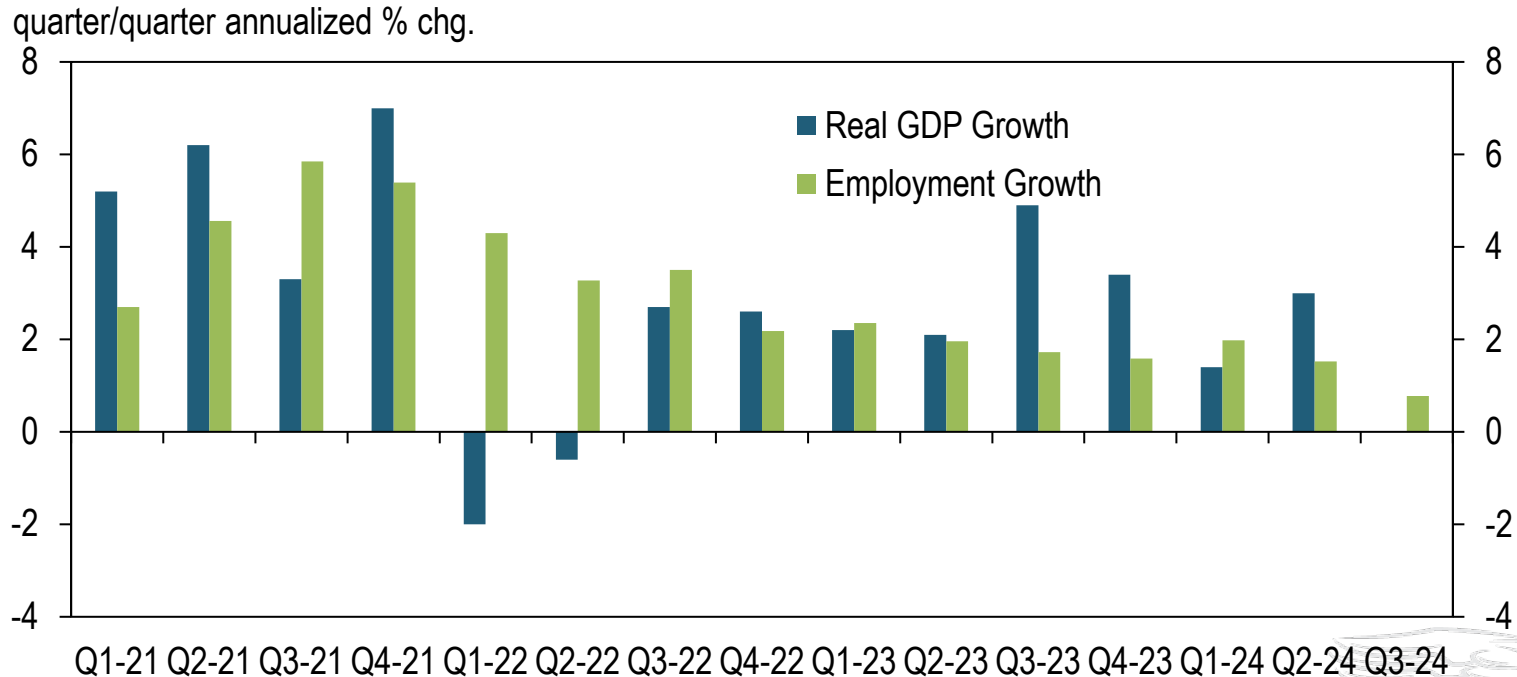
Overview

- U.S. economic growth has slowed but remains solid in early 2024, and unemployment is up slightly but remains near long-term averages
- Inflation has come down considerably from 2022 peaks
- The Fed has raised the overnight interest rate to over 5%
- The Oklahoma and Tulsa area economies have also seen slower job growth in 2024, but unemployment remains very low
- Oklahoma's population growth has outpaced the nation in recent years, driven by strong domestic in-migration, including to rural areas



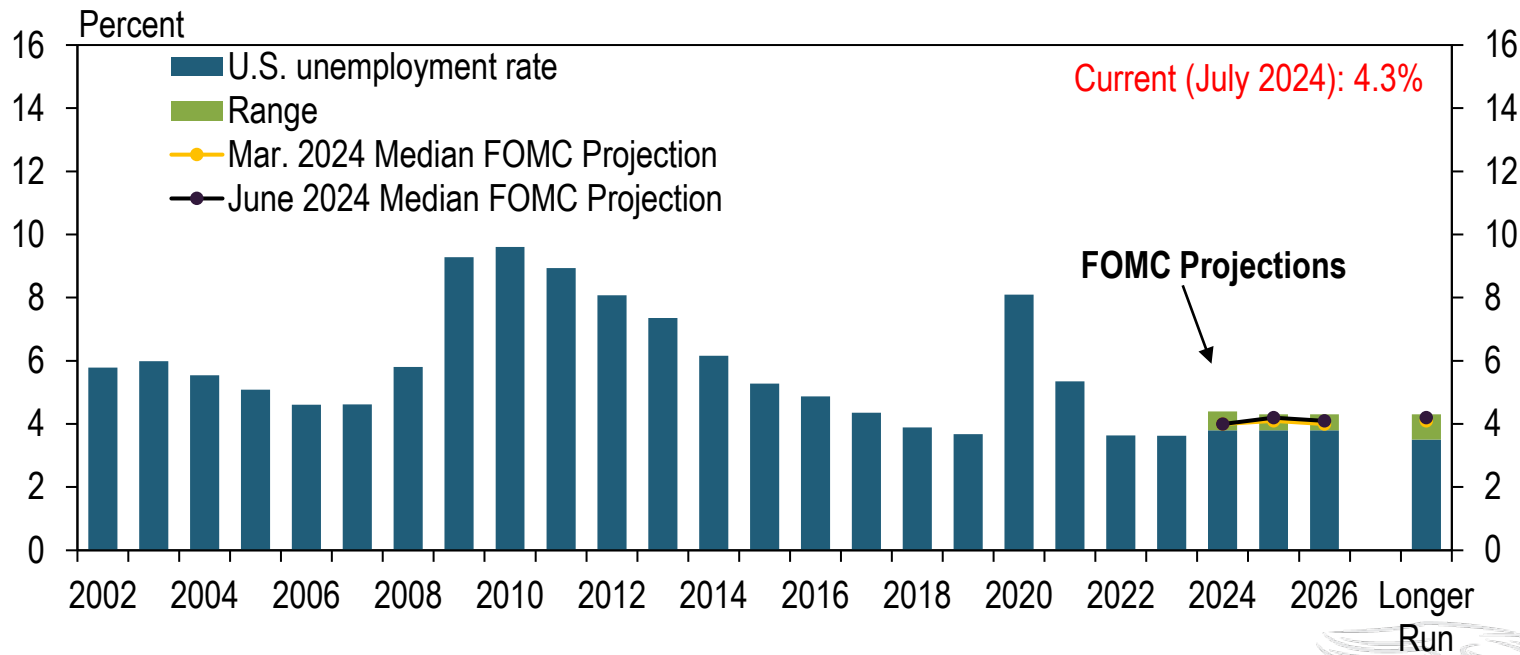
U.S. GDP growth reaccelerated in Q2 while employment growth eased further in July but was still positive

Quarterly U.S. Economic Growth

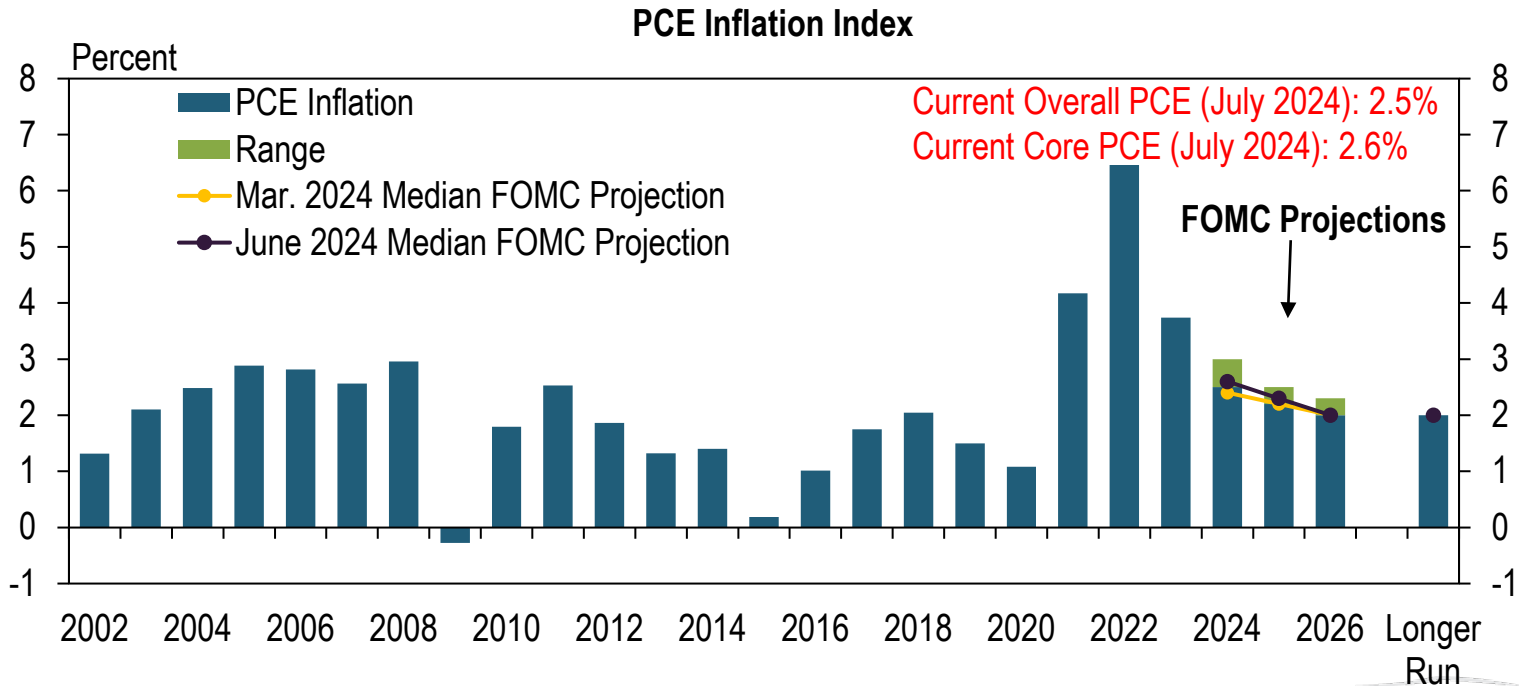


U.S. unemployment remains historically low and is projected to remain low in coming years

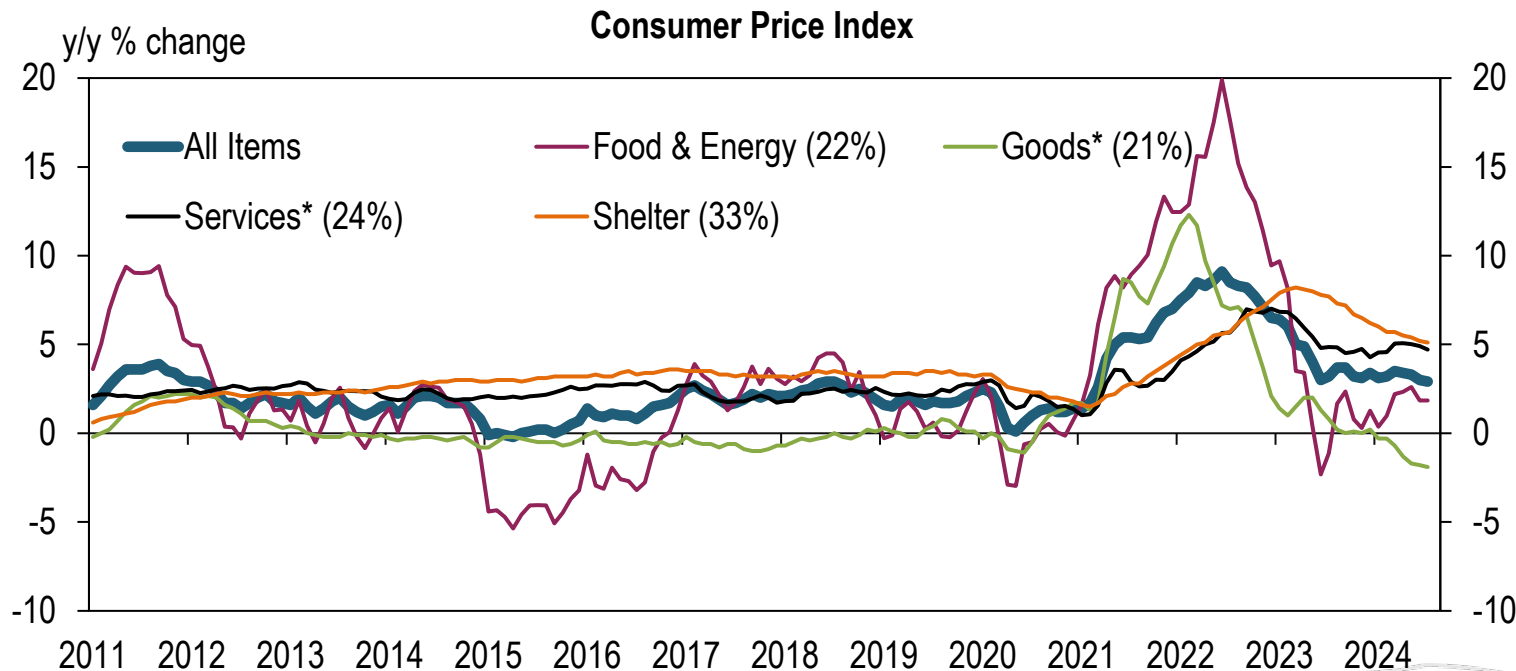
U.S. Unemployment Rate



Inflation has come down considerably from 2022 peaks and is expected to fall further, but it still remains above the Fed's 2% target



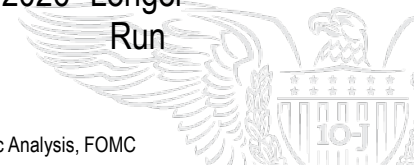
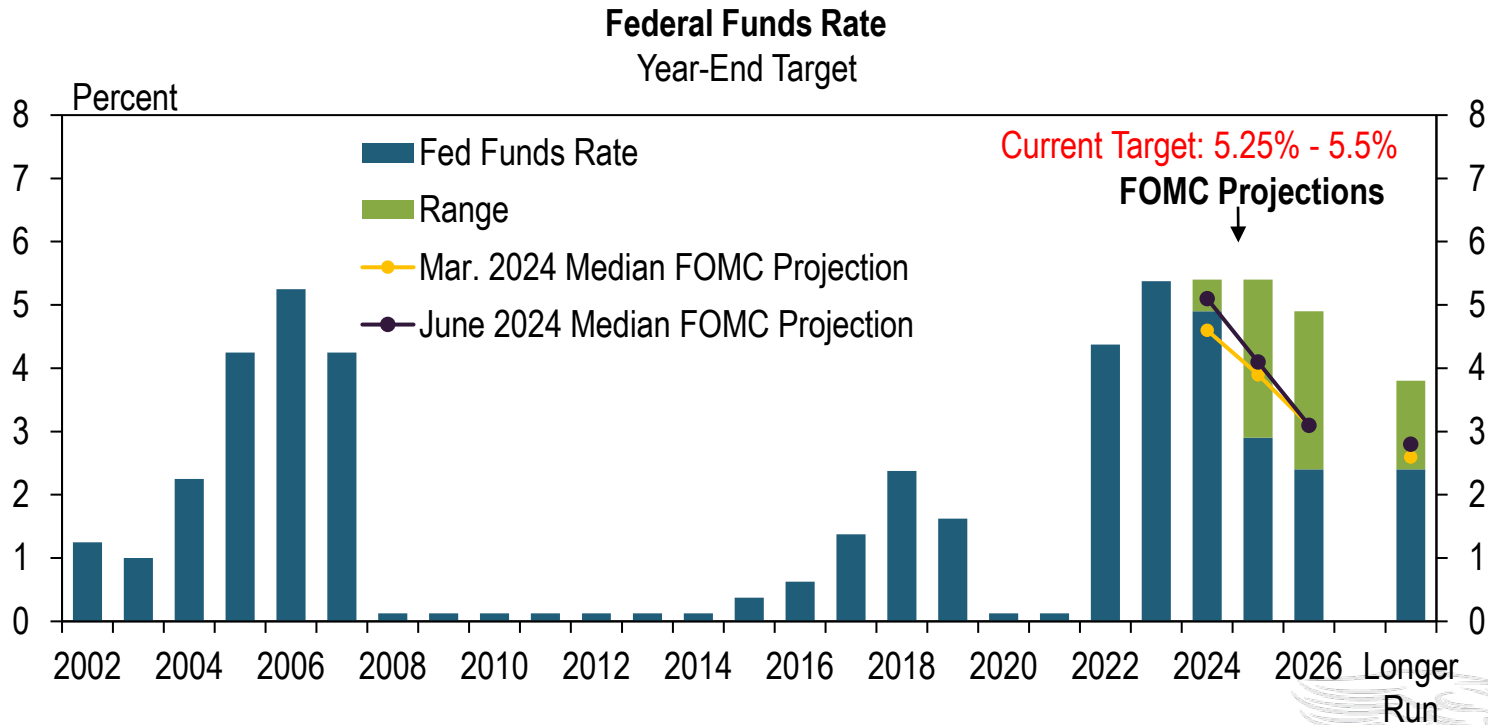
CPI inflation ticked down under 3% in July, as goods prices fell and as services and shelter eased slightly from elevated levels



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

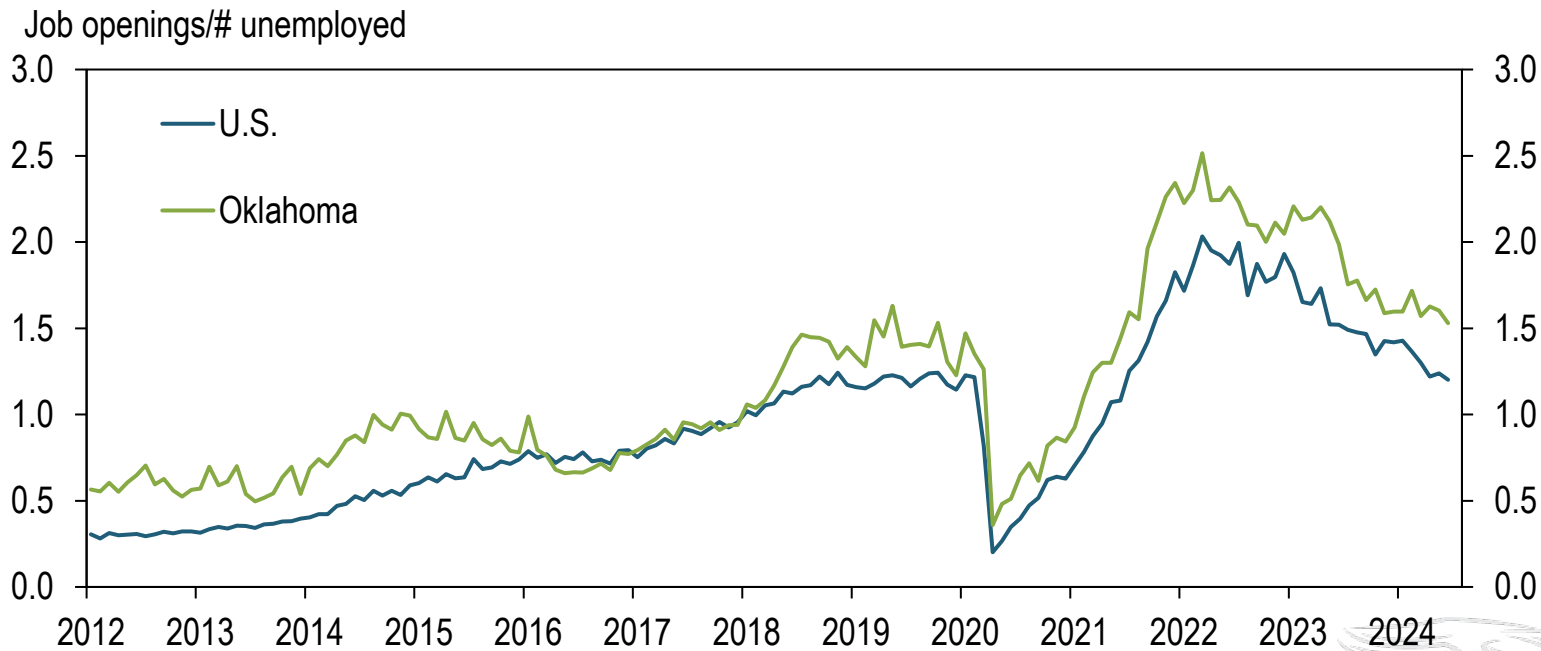


The Fed held the federal funds rate steady again in July, and their latest projections (from June) for 2024 to 2026 are shown

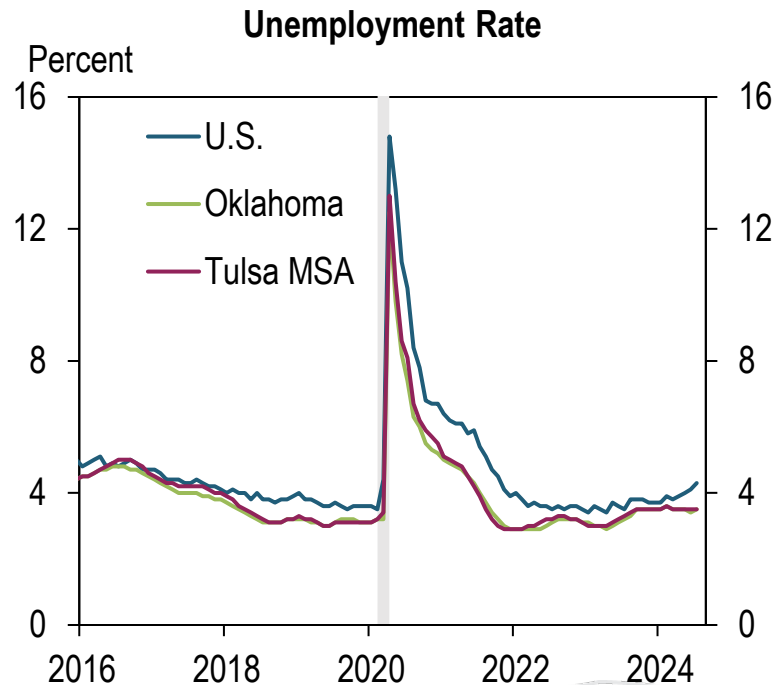
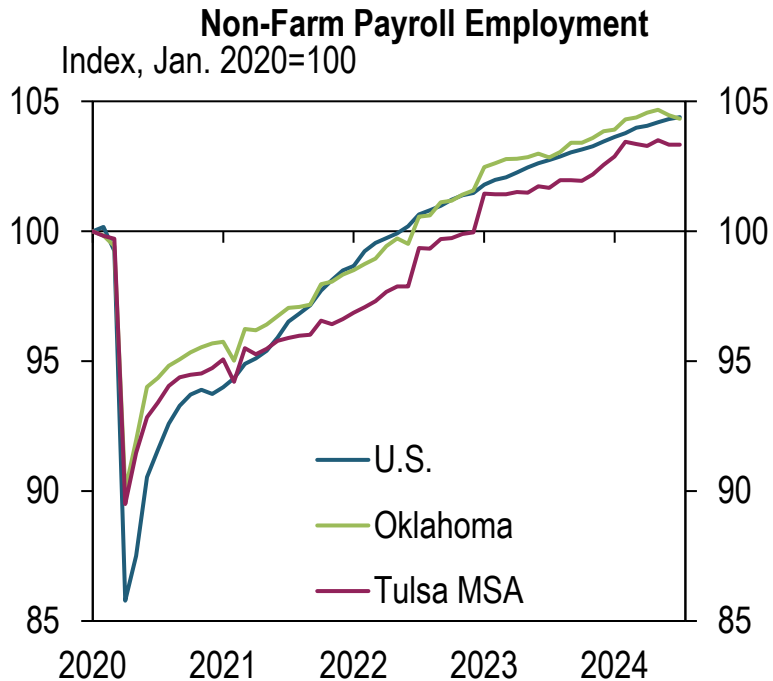


Job openings still exceed unemployed workers, but have returned to near pre-pandemic levels in the nation

Job Openings/Unemployment Ratio

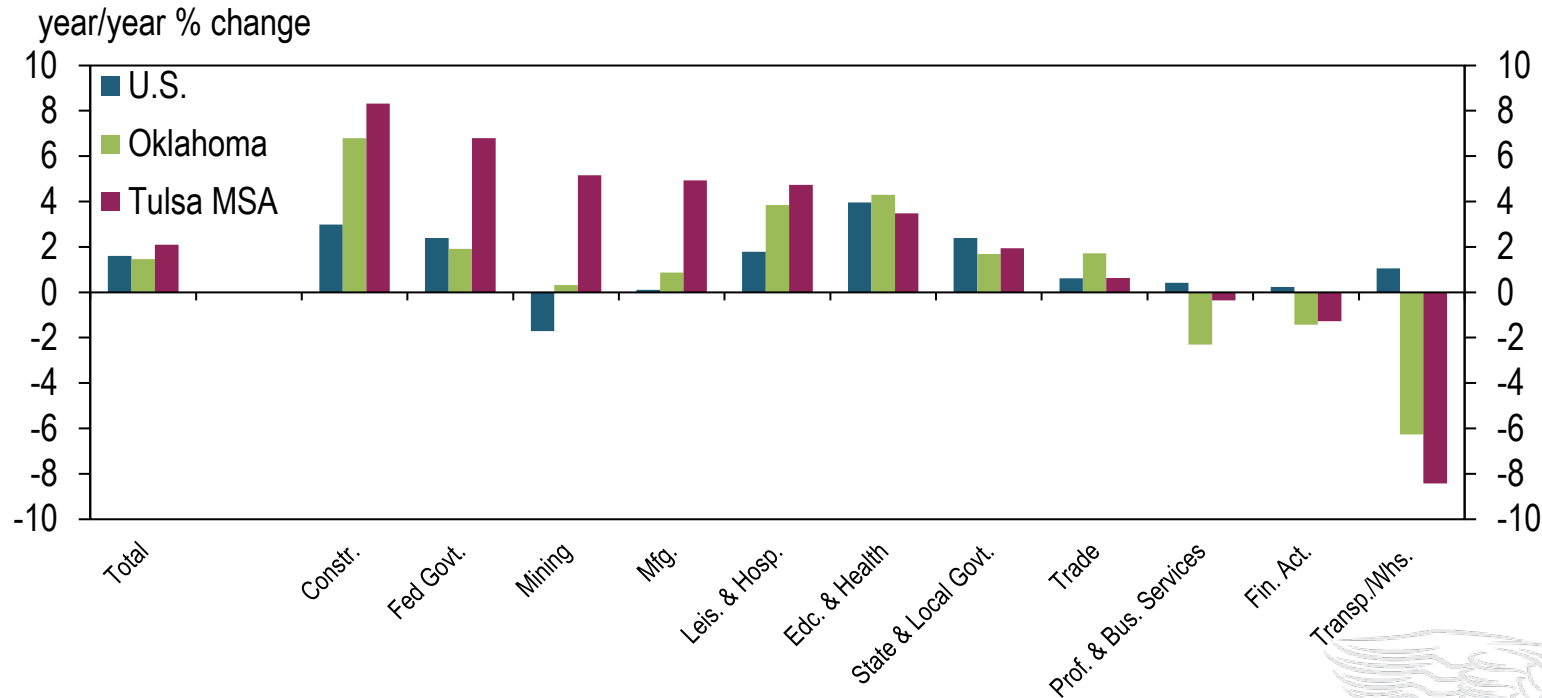


Job growth in the Tulsa metro has leveled off in recent months after solid growth the past 3 years, while local unemployment remains very low



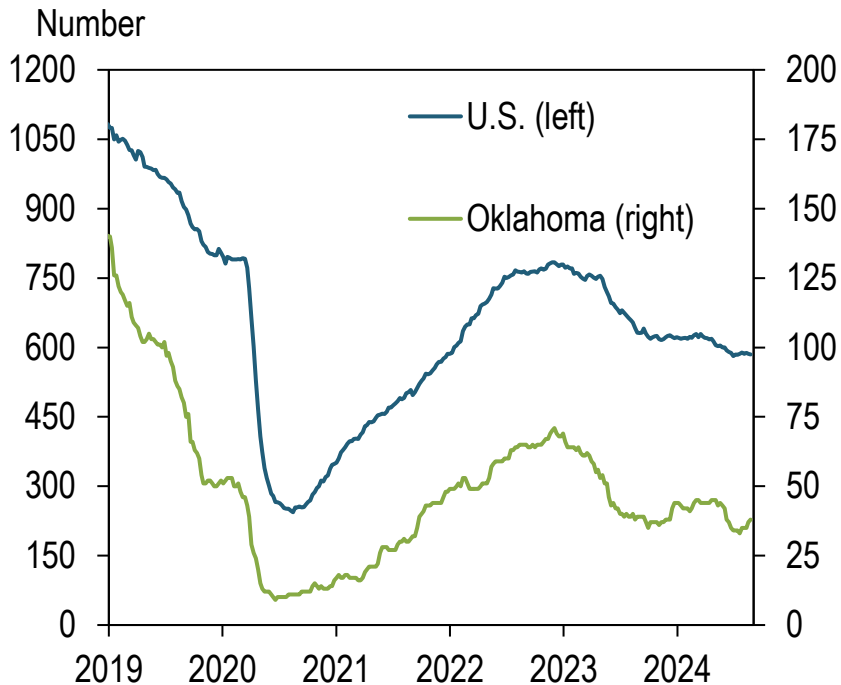
Tulsa has seen strong job growth from a year ago in many industries, even as transportation and warehousing jobs have cooled from high levels

Job Growth by Industry, July 2024

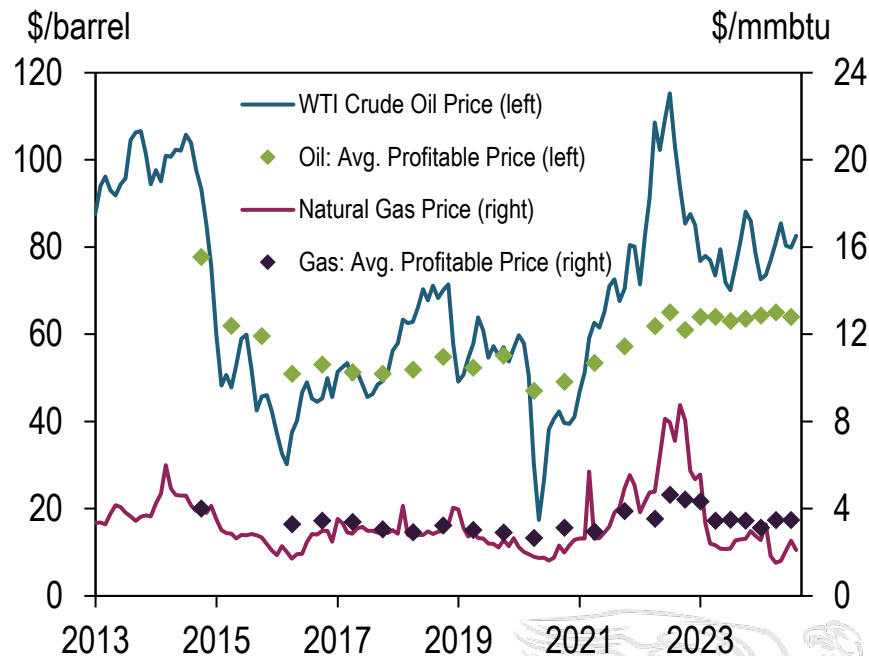


Oil and gas drilling has been mostly stable in Oklahoma this year as oil prices remain profitable but natural gas prices reached new lows

Rig Counts

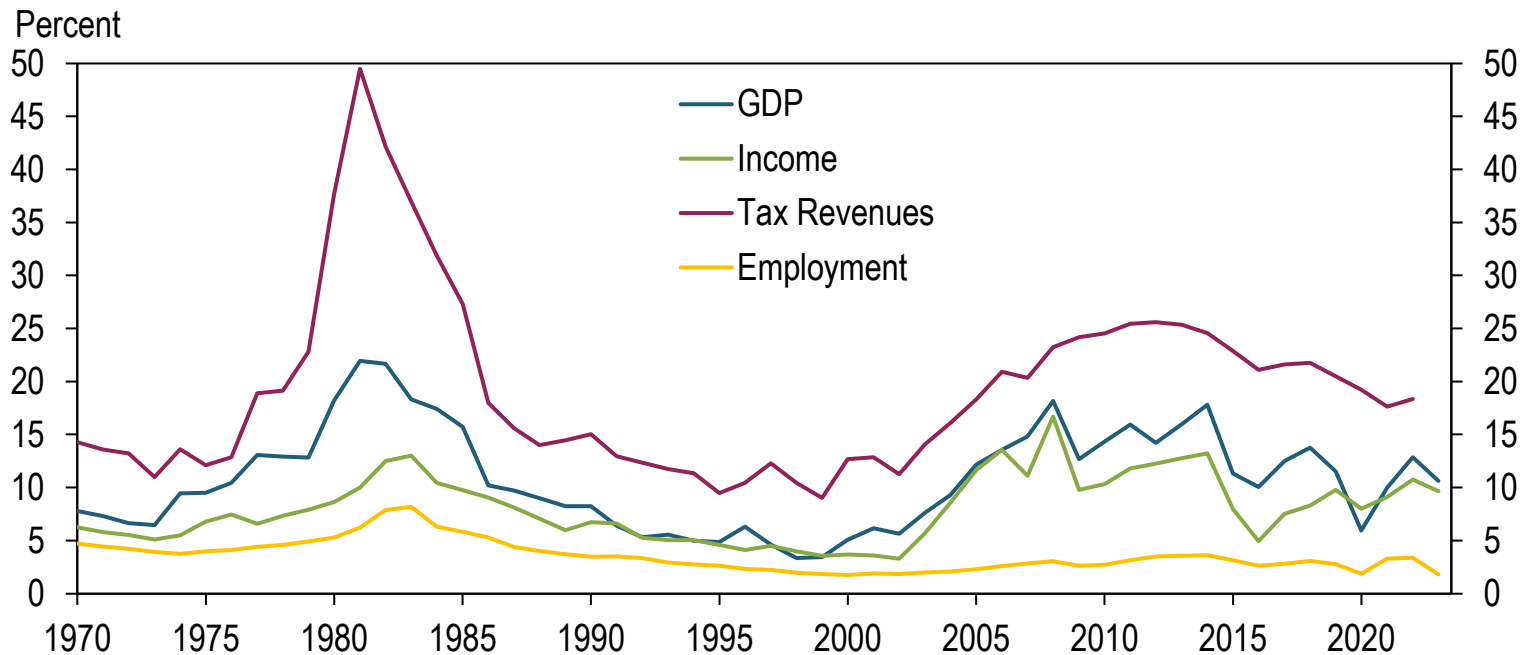


U.S. Energy Prices



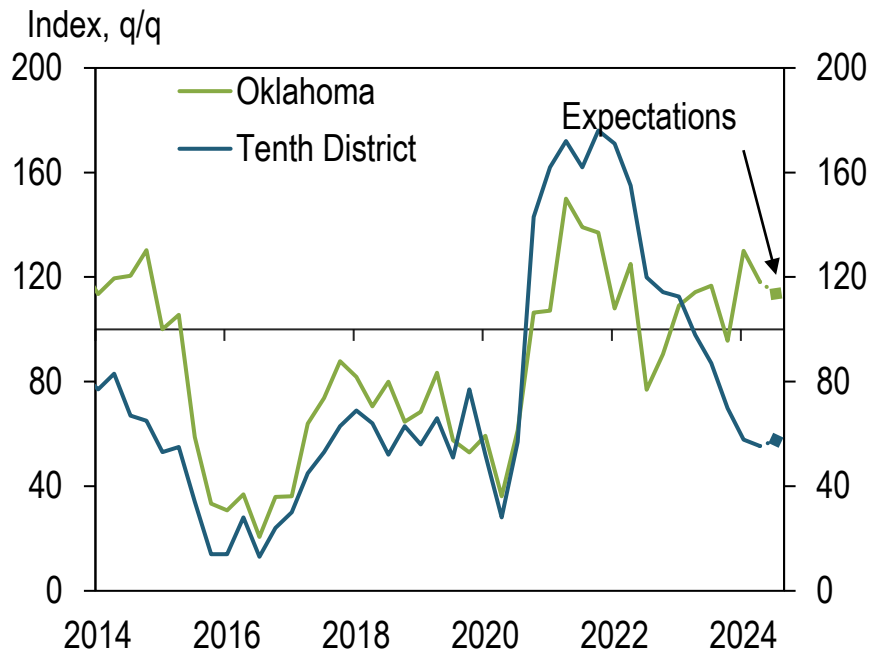
The oil & gas sector's share of Oklahoma's economic output has decreased slightly over the past decade, and employment's share is down even more

Oil & Gas Share of Oklahoma Economy

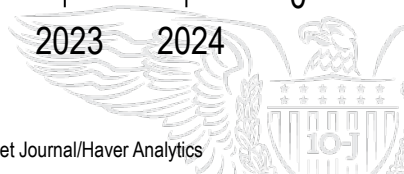
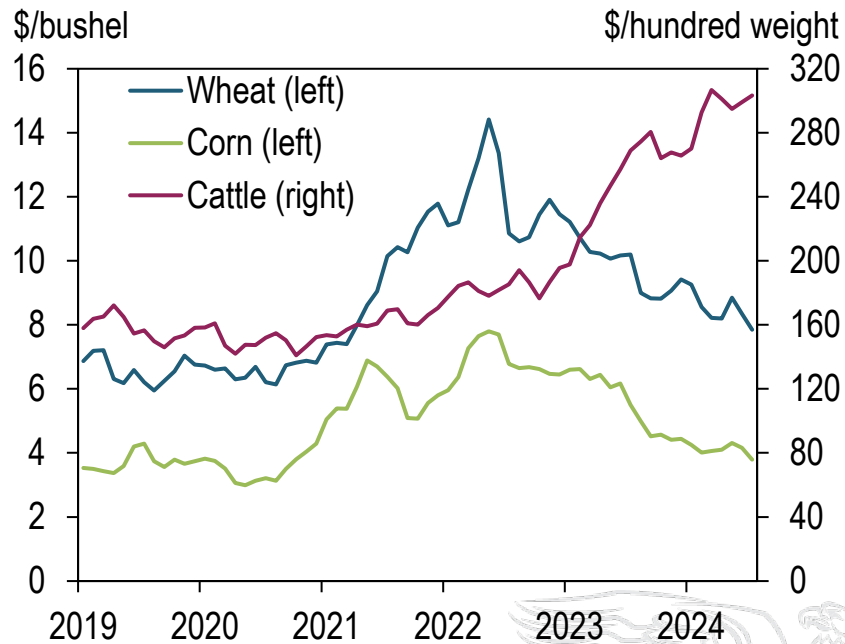


Oklahoma farm income grew in Q2 while it declined in other Tenth Fed District states, partially due to higher cattle prices

Farm Income

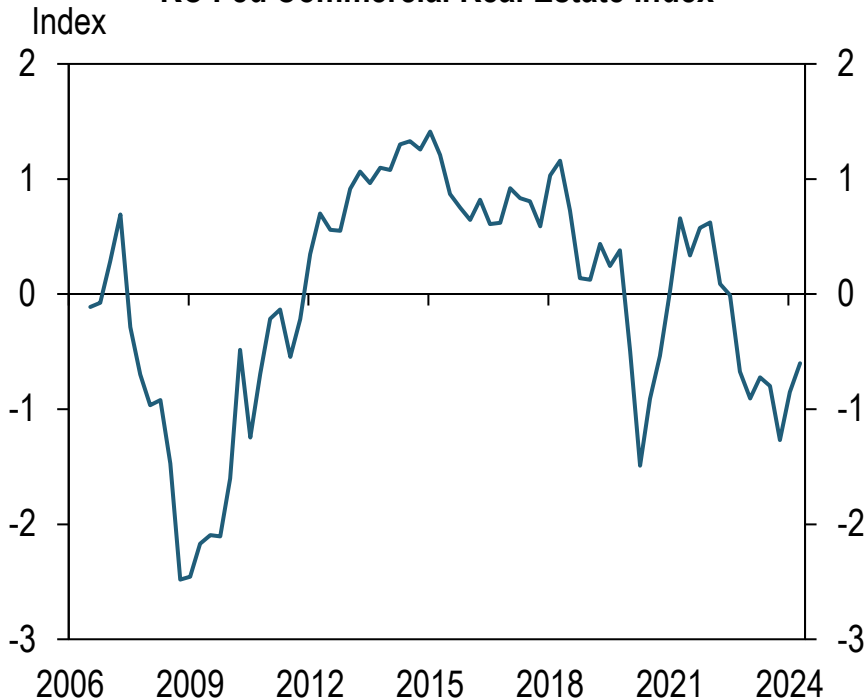


Agricultural Commodity Prices

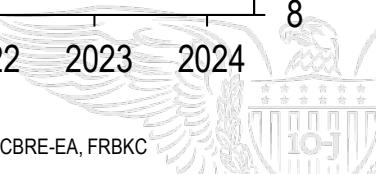
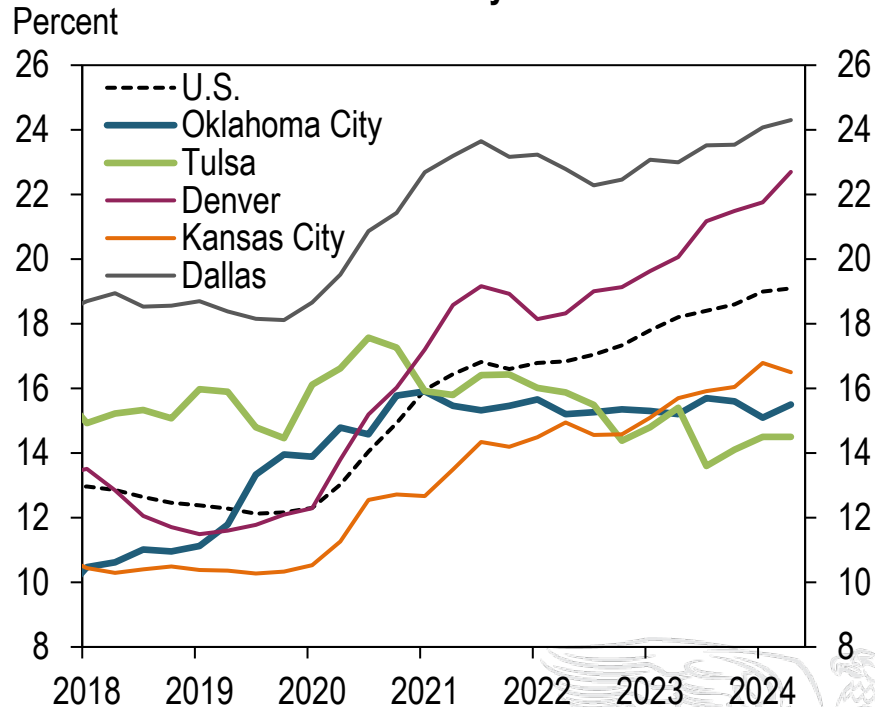


Commercial real estate activity has deteriorated in the region, but office vacancy rates in Oklahoma have not risen like in neighboring markets

KC Fed Commercial Real Estate Index

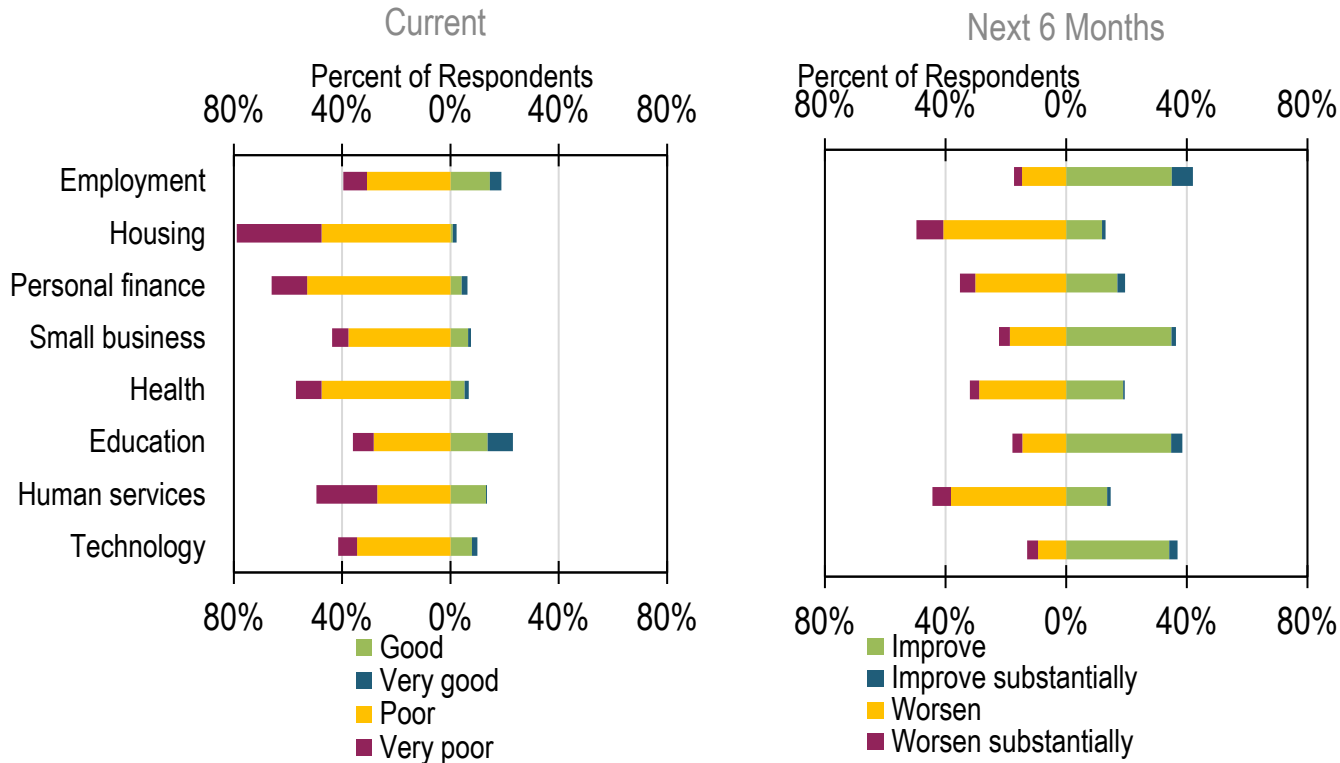


Office Vacancy Rates



Overall conditions have been poor for LMI communities, and are expected to remain challenging in housing and human services, but better for jobs

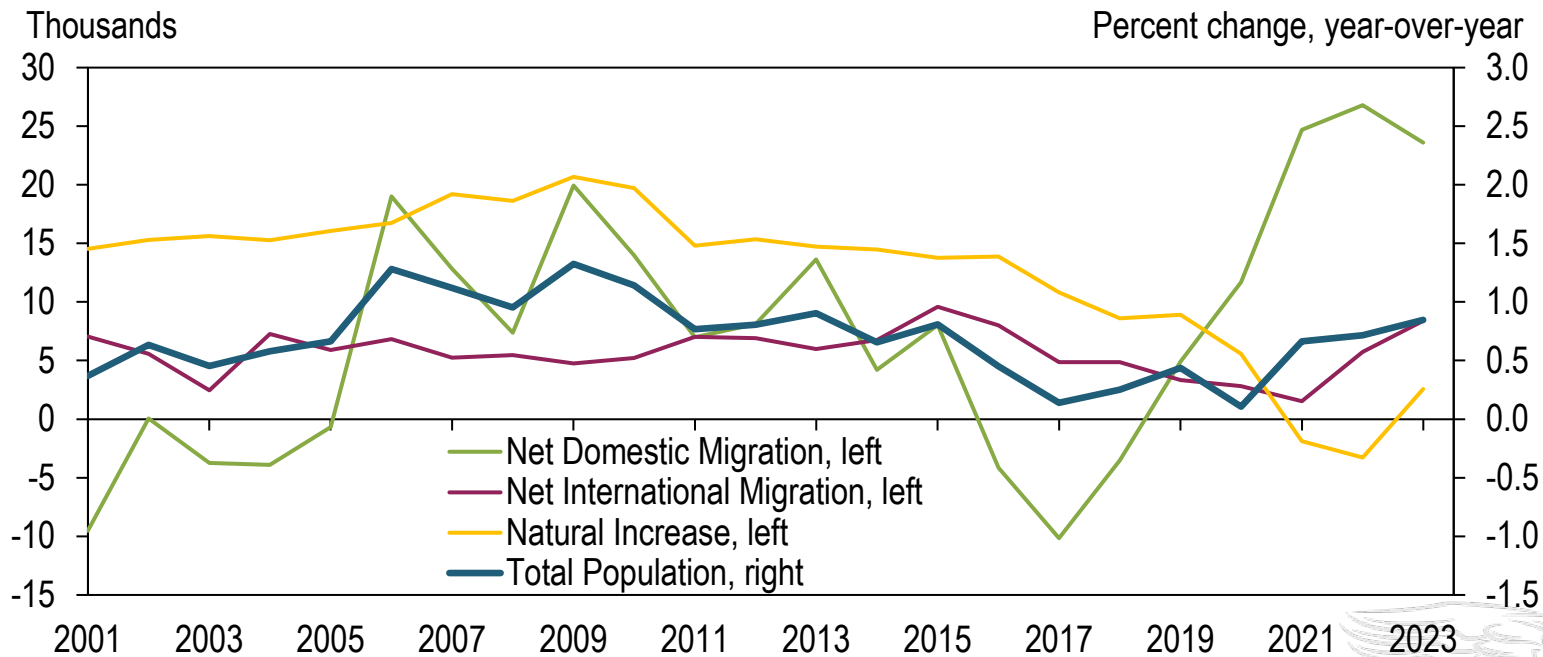
U.S. Low- and Moderate-Income Community Conditions, April 2024



Source: FRS Community Conditions Survey

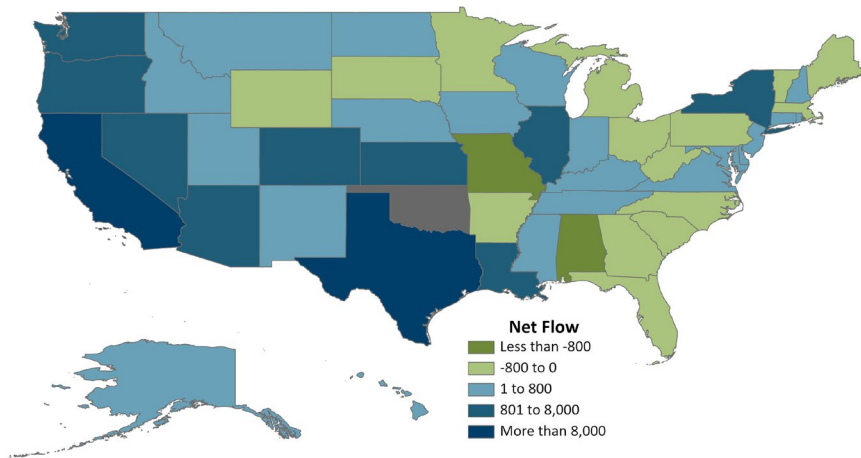
Oklahoma's population grew again in 2023, primarily due to elevated domestic migration, but also with some increases in other components

Oklahoma Population Change by Component

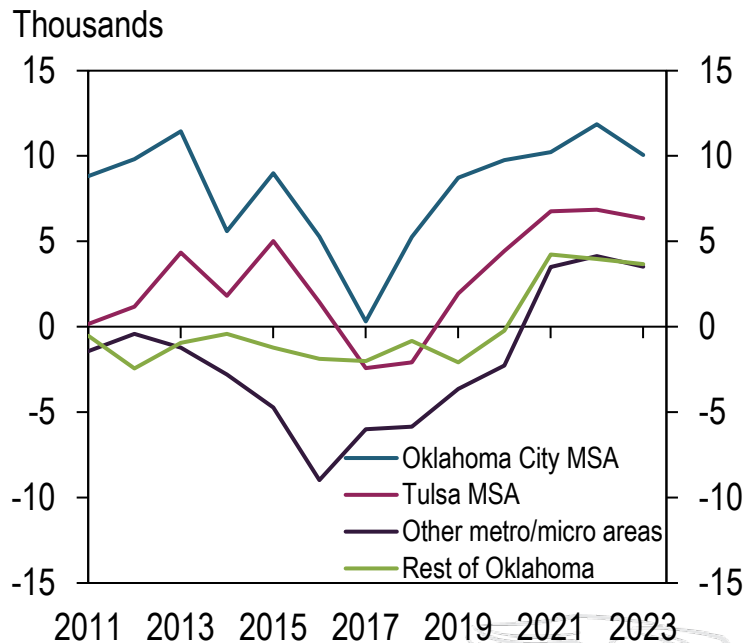


Many people moved to OK from CA and TX since the pandemic, mostly to the metros but to many other parts of the state, too

Migration to Oklahoma During 2020 - 2023

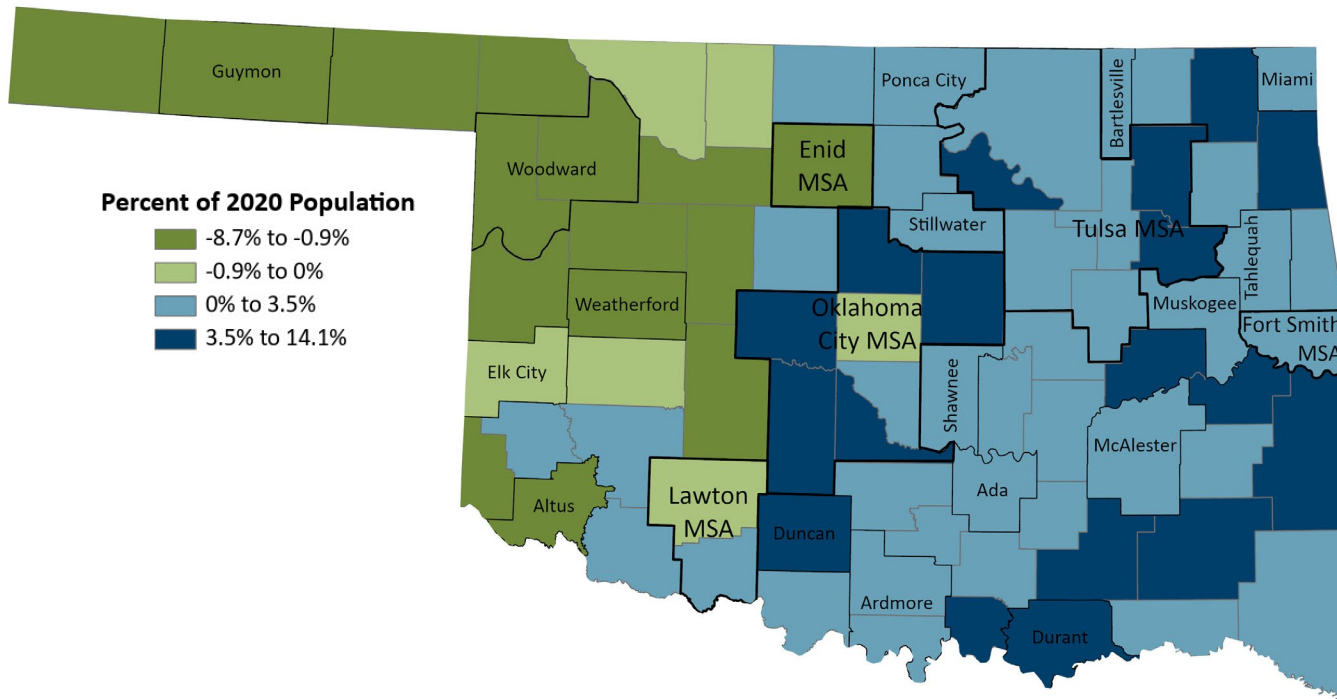


Oklahoma Net Domestic Migration



All of eastern Oklahoma has seen net in-migration from other states since 2020, including urban, suburban, and rural areas

2020 – 2023 Net Domestic Migration by County

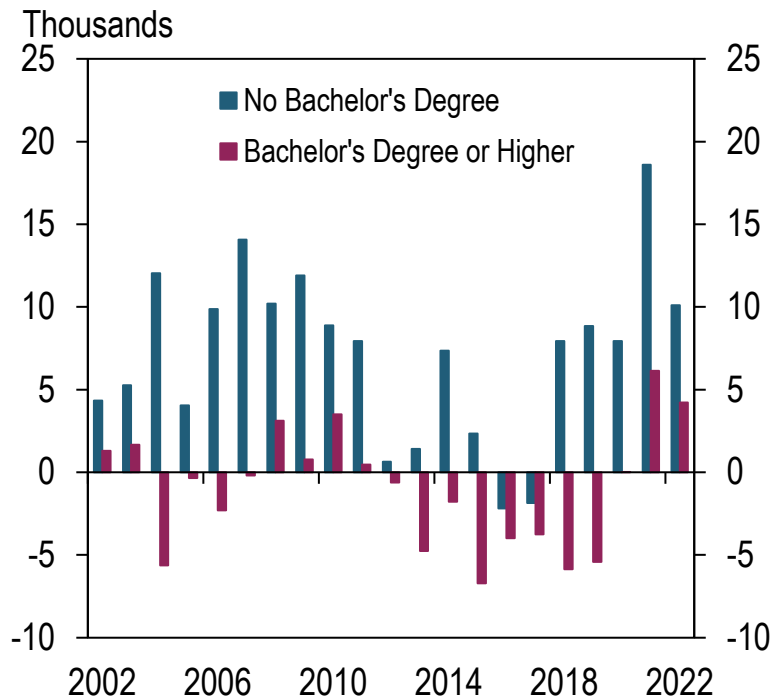


Source: U.S. Census Bureau, author's calculations

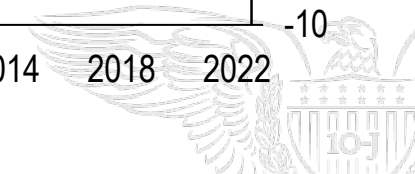
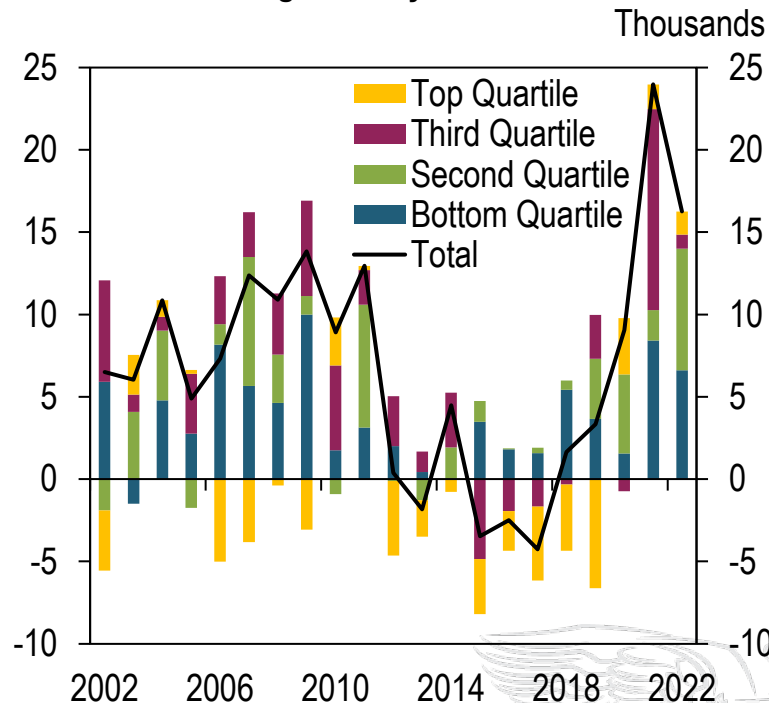


Oklahoma also finally had net inflow of college graduates with higher incomes in recent years, partly reversing the negative trends of the previous decade

Net Domestic Migration by Educational Attainment

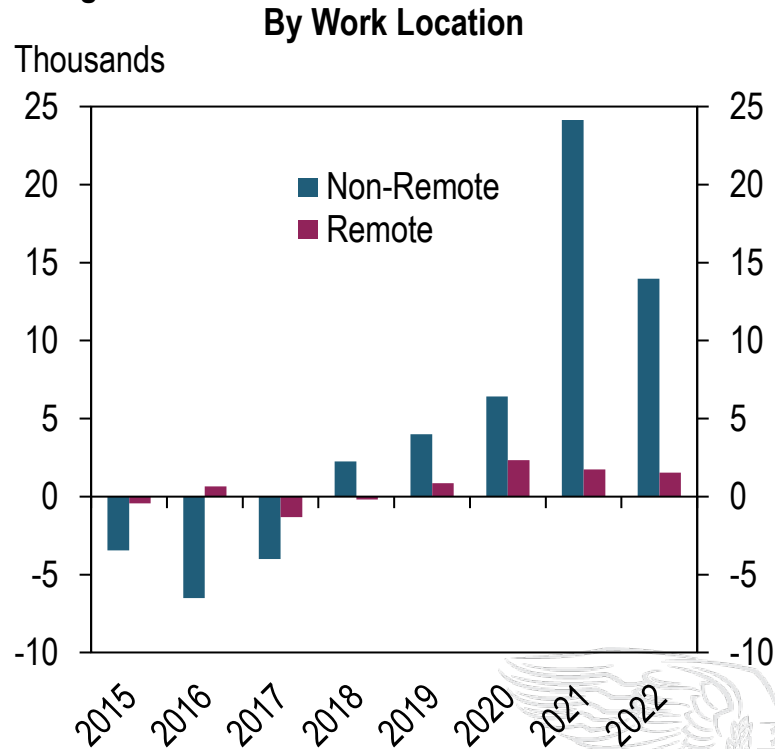
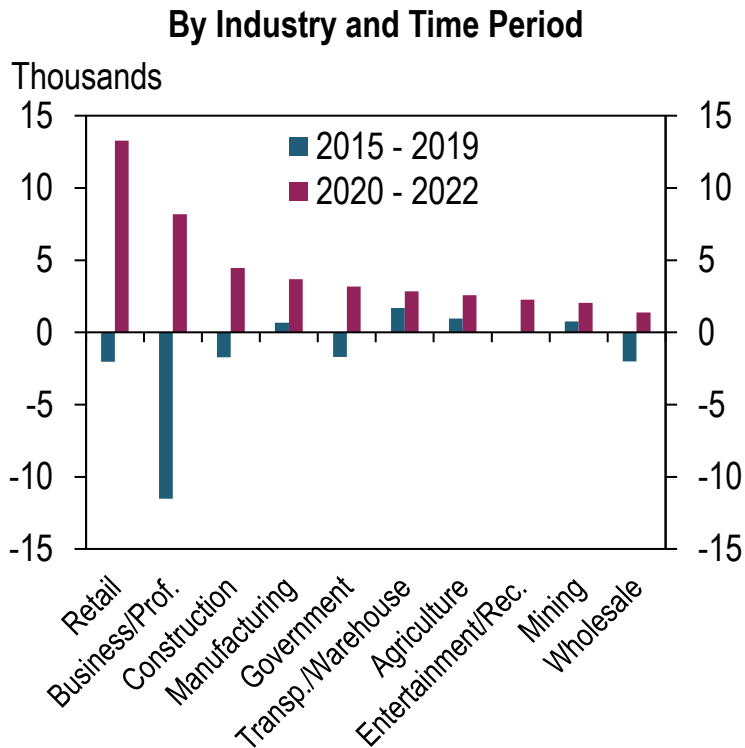


Migration by Income



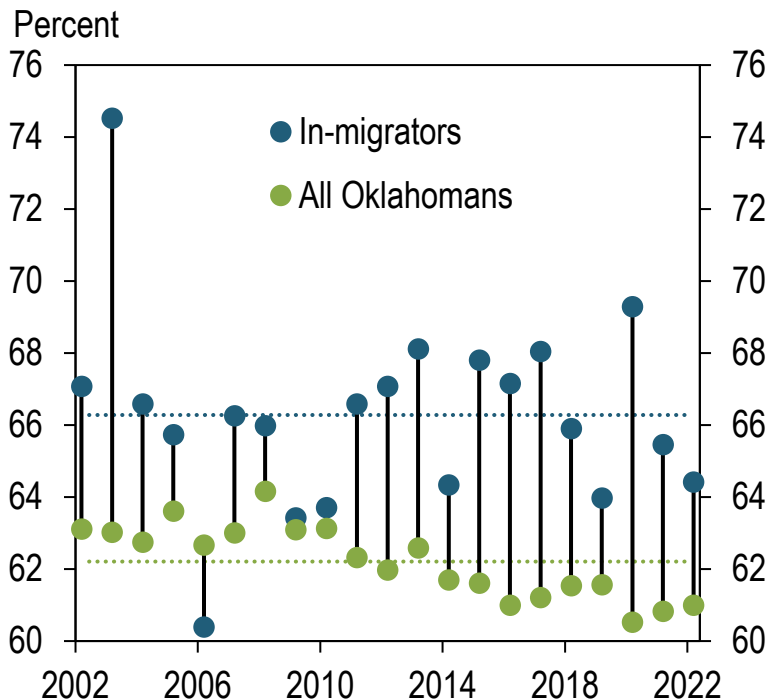
All Oklahoma industries had a net gain of residents since 2020, also reversing some previous trends, and most new residents work within the state

Oklahoma Net Domestic Migration

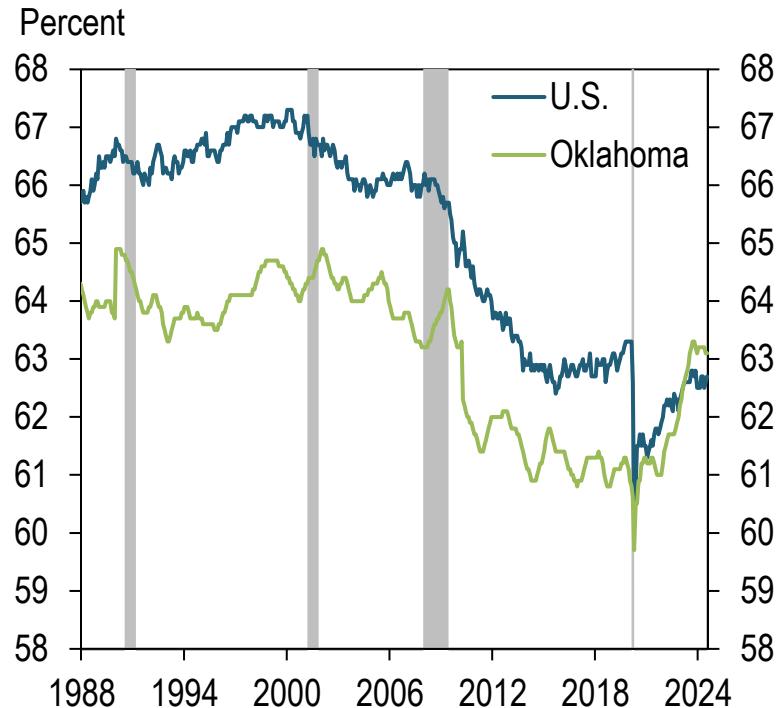


Most new Oklahoma residents have been employed, which has partially contributed to the state's higher labor force participation rate

Oklahoma Average Labor Force Participation Rate



Labor Force Participation Rate



24 Note: Sample is limited to those age 25+ who reported employment status. Dotted lines indicate average rates. Shaded areas denote NBER recessions.
Sources: ACS 1-year estimates/IPUMS USA, BLS, NBER, authors' calculations



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