

U.S. and Oklahoma Economic Outlook

South OKC Chamber

May 20, 2025

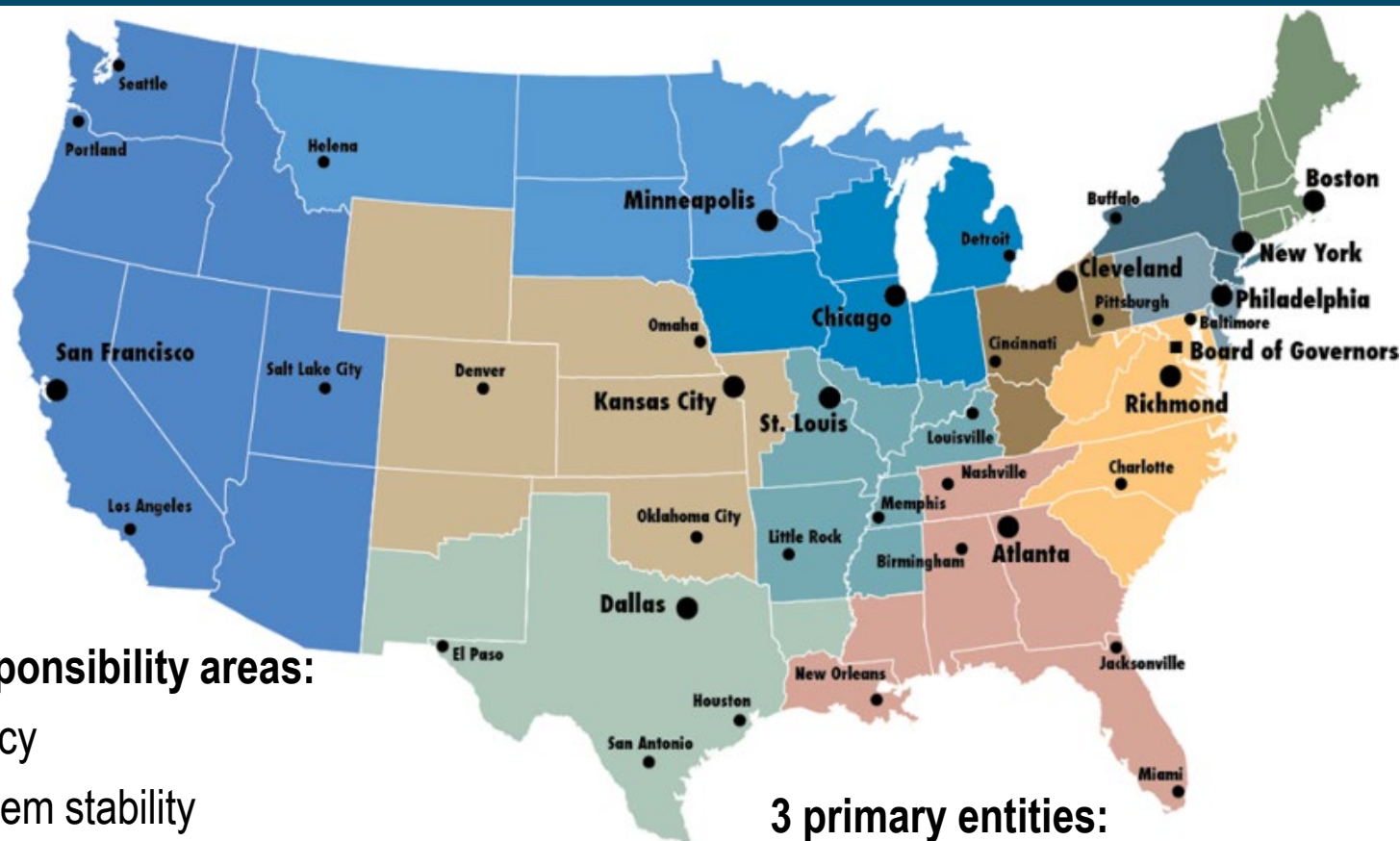
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Research Associate

*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.



Denver / Oklahoma City / Omaha

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

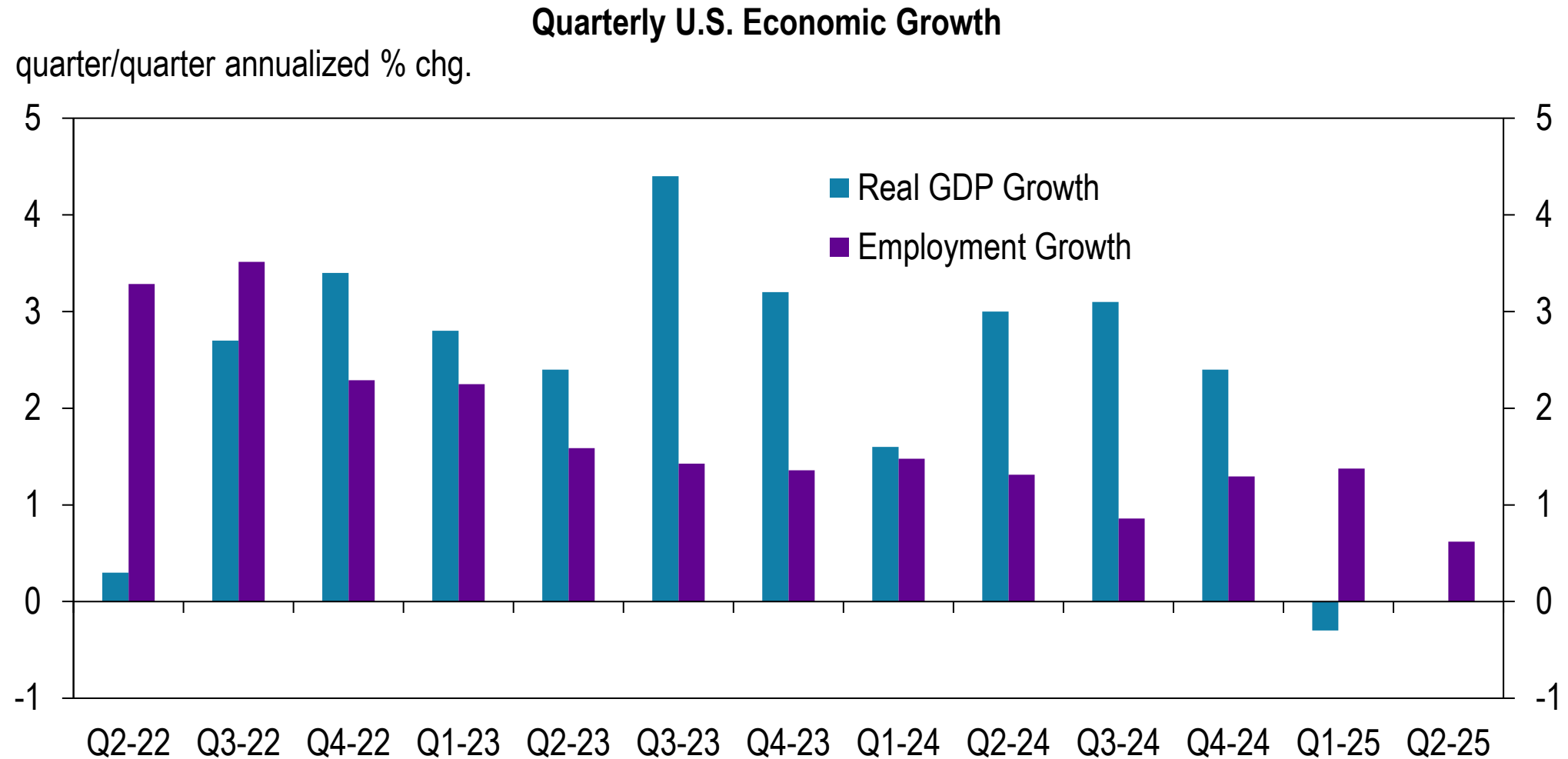
- **2025 OKC Branch Board of Directors**

- **Rhonda Hooper (chair)**, President & CEO, Jordan Advertising, OKC
- **Mark Burrage**, CEO, FirstBank, Antlers/Atoka
- **Scott Case**, President, Case & Associates Properties, Tulsa
- **Jason A. Garner**, Crawley Petroleum Corporation, OKC
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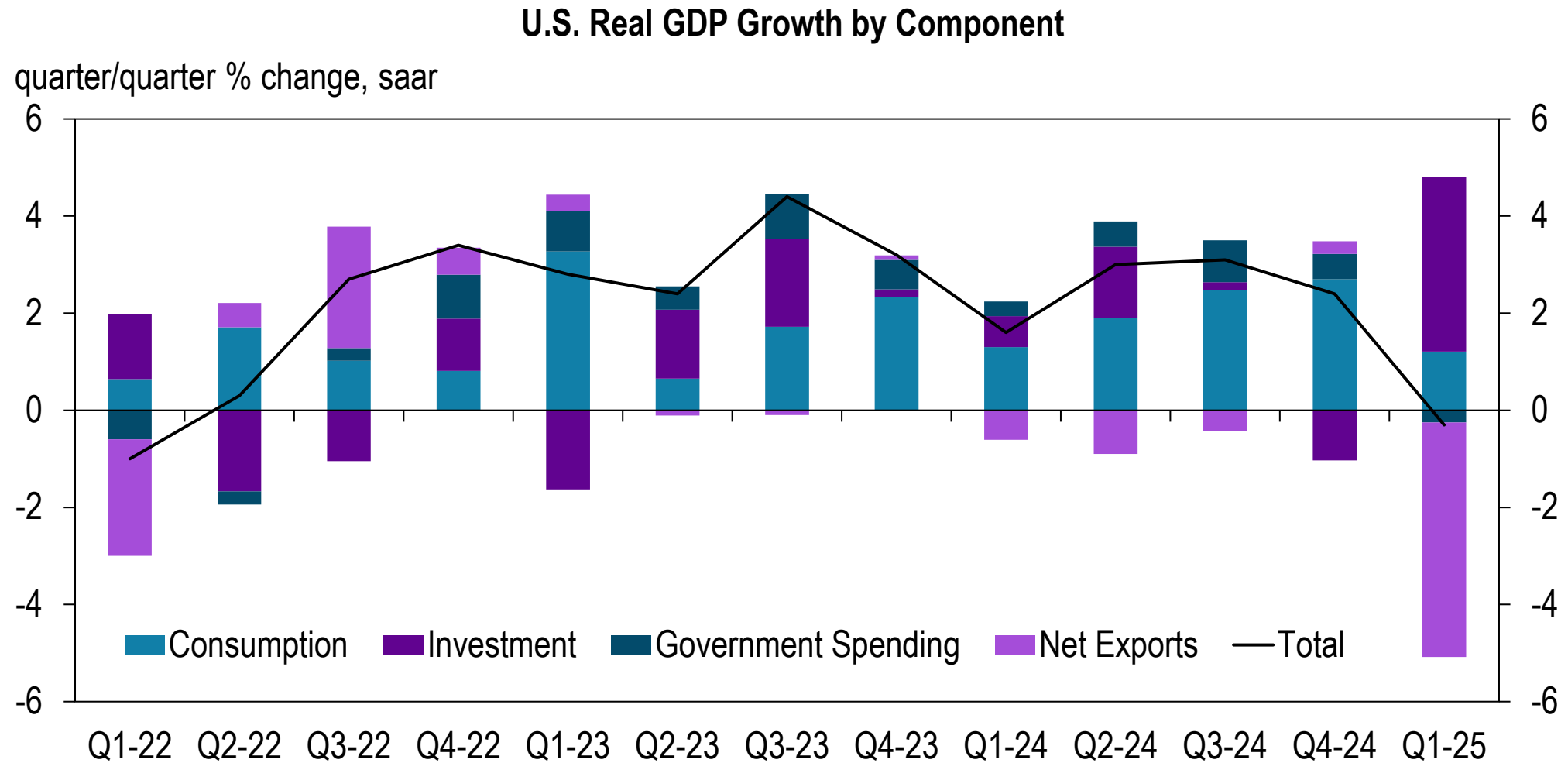
Overview

- U.S. GDP fell slightly in Q1 as firms front-loaded imports, and unemployment is up slightly but remains near long-term averages
- Inflation has come down to near 2%, and the labor market remains strong
- Oklahoma's economy also continues to grow, and unemployment is low
- Oklahoma's labor force participation rate met the national average for the first time in over three decades, driven primarily by Native Americans

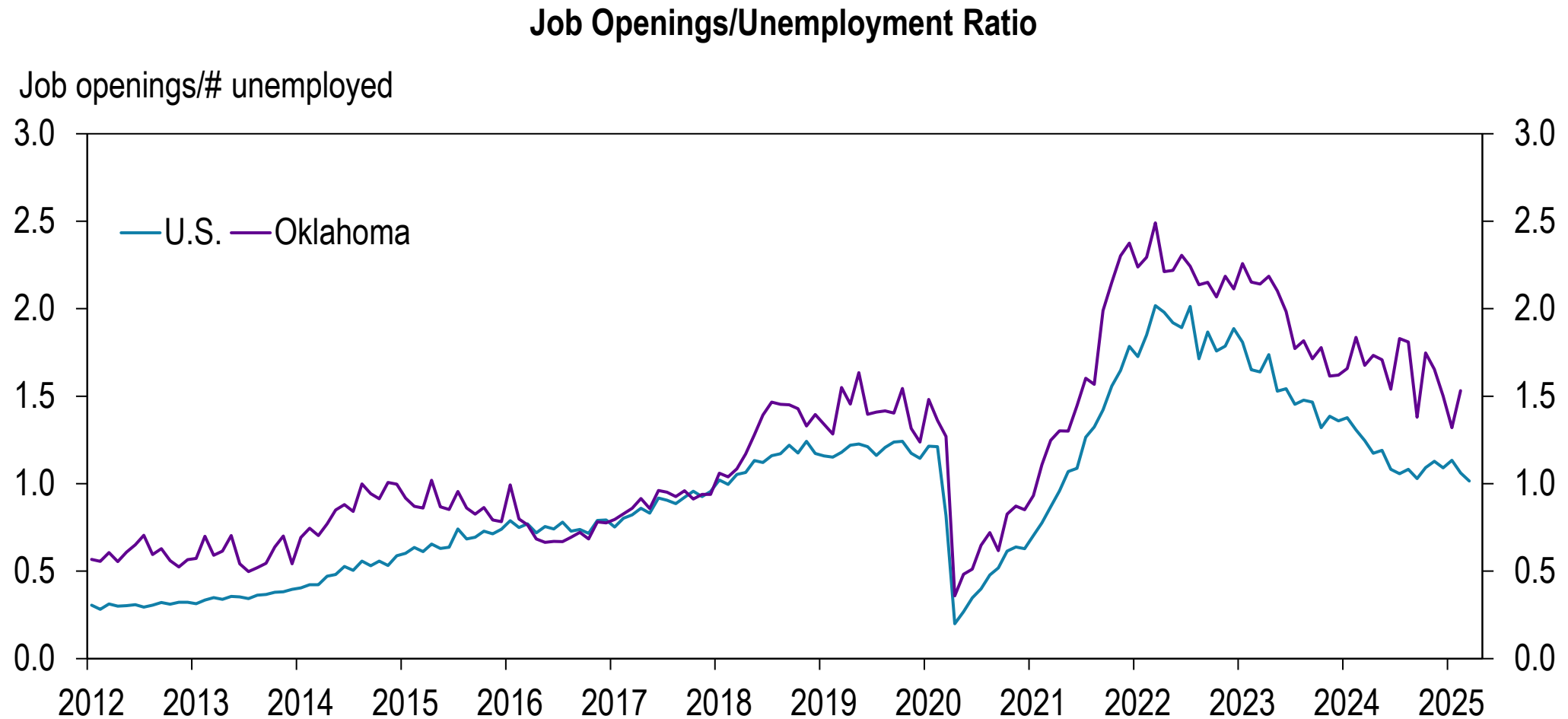
U.S. GDP fell slightly in Q1, and employment growth has cooled but stayed positive in Q2



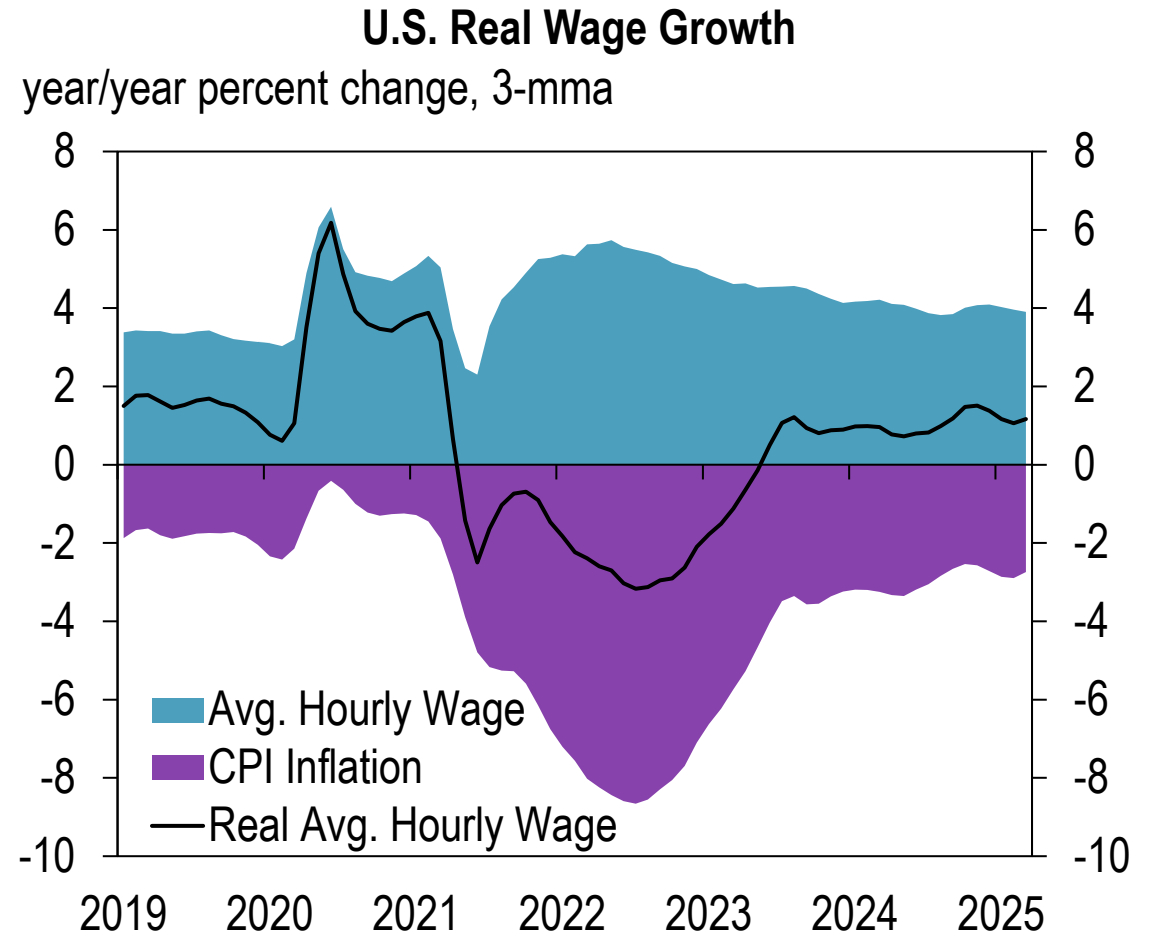
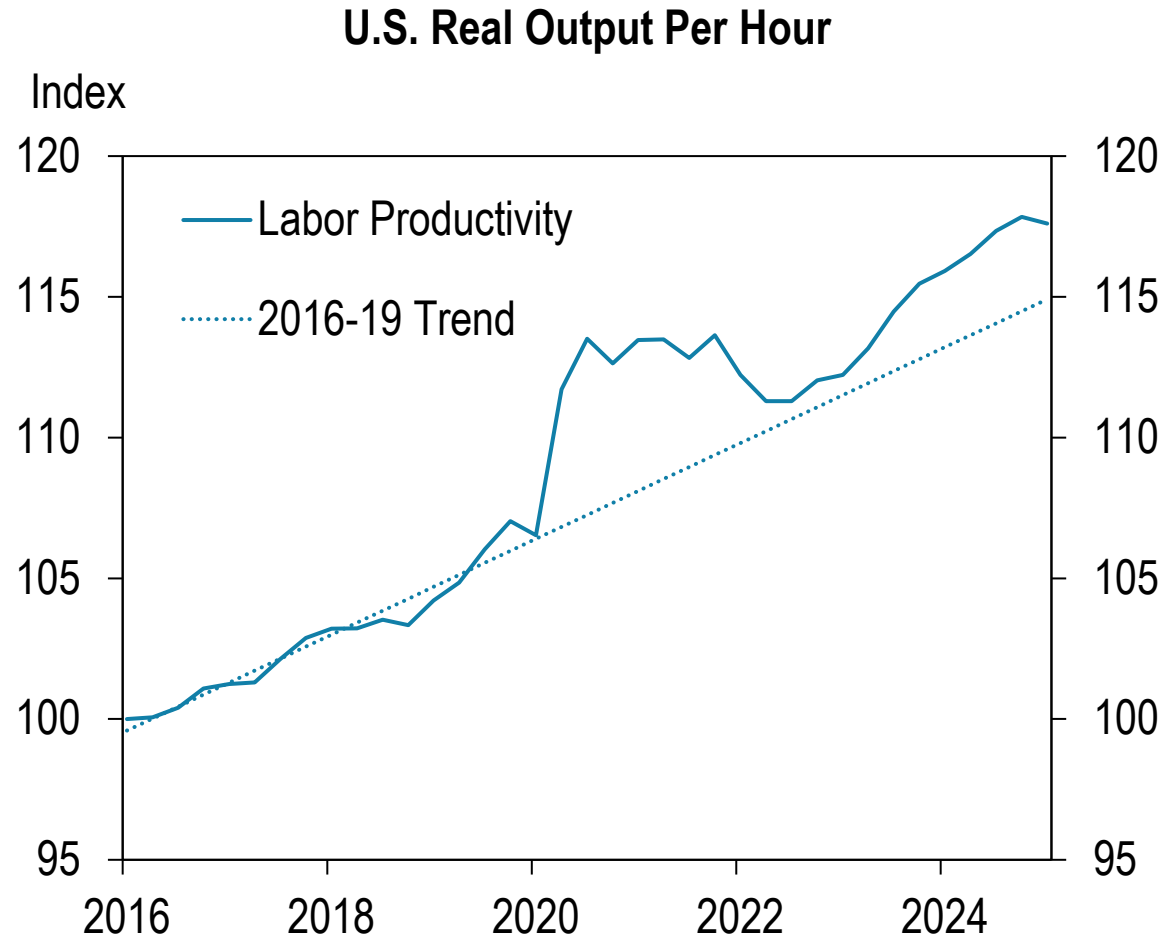
U.S. GDP growth fell by 0.3% in Q1 as firms front-loaded imports in light of tariffs, and consumption growth eased



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

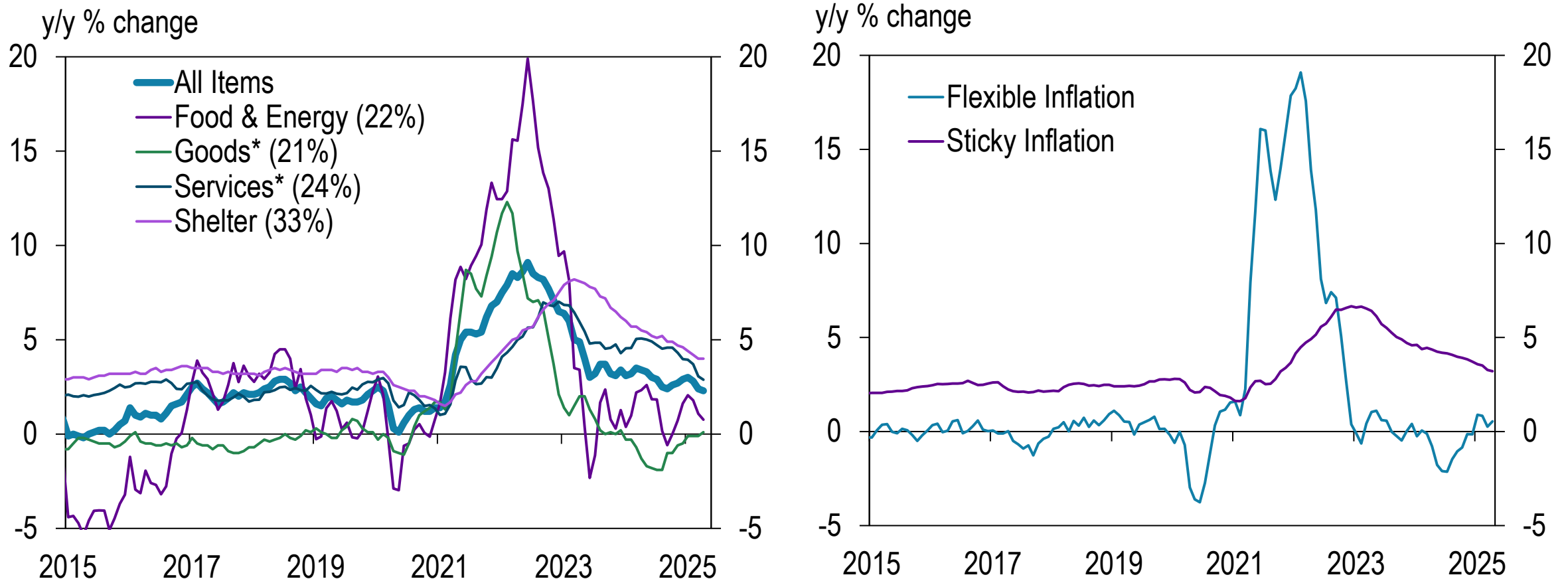


A balanced labor market supported by above-trend productivity has generated real wage gains



CPI inflation eased to 2.3% in April, as services and energy cooled and flexible inflation stays mostly flat

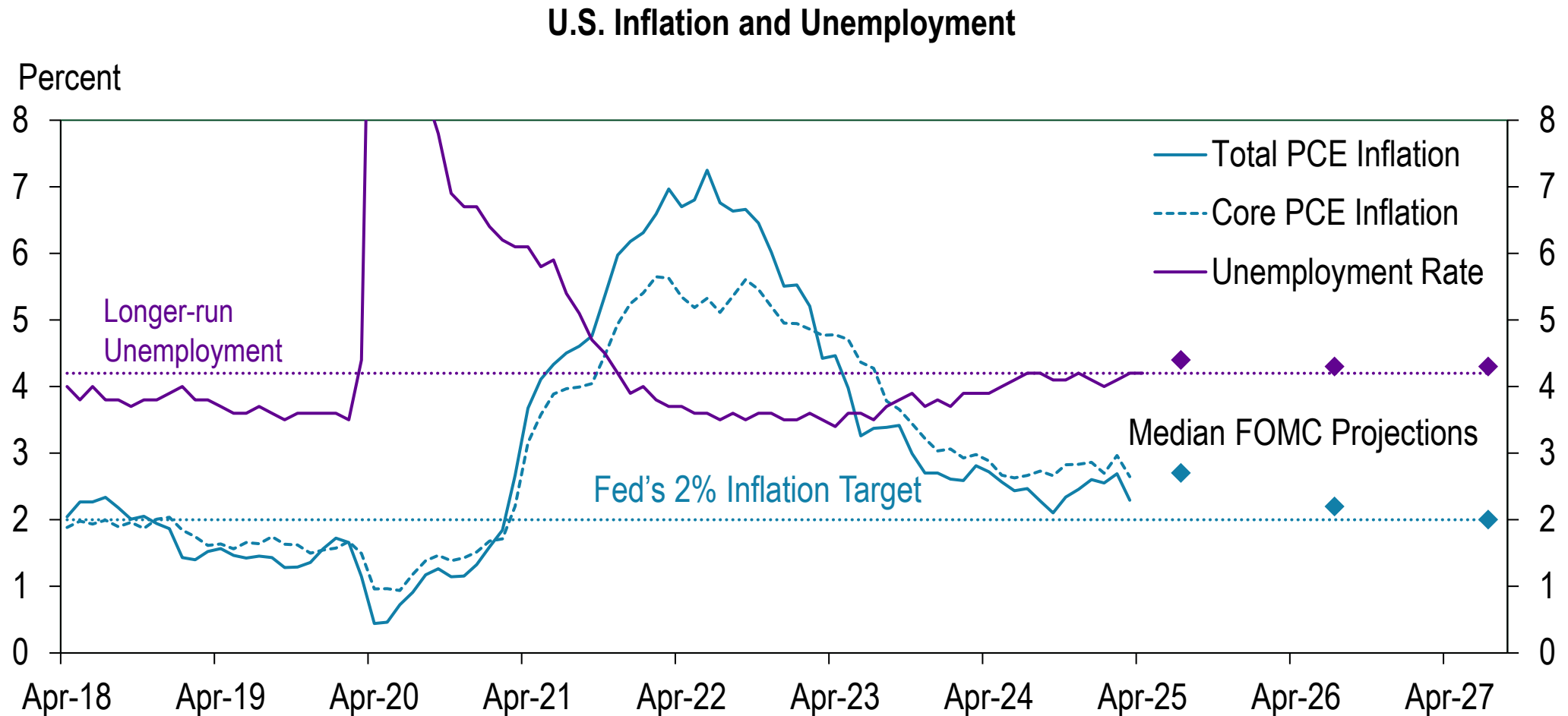
Consumer Price Index by Component



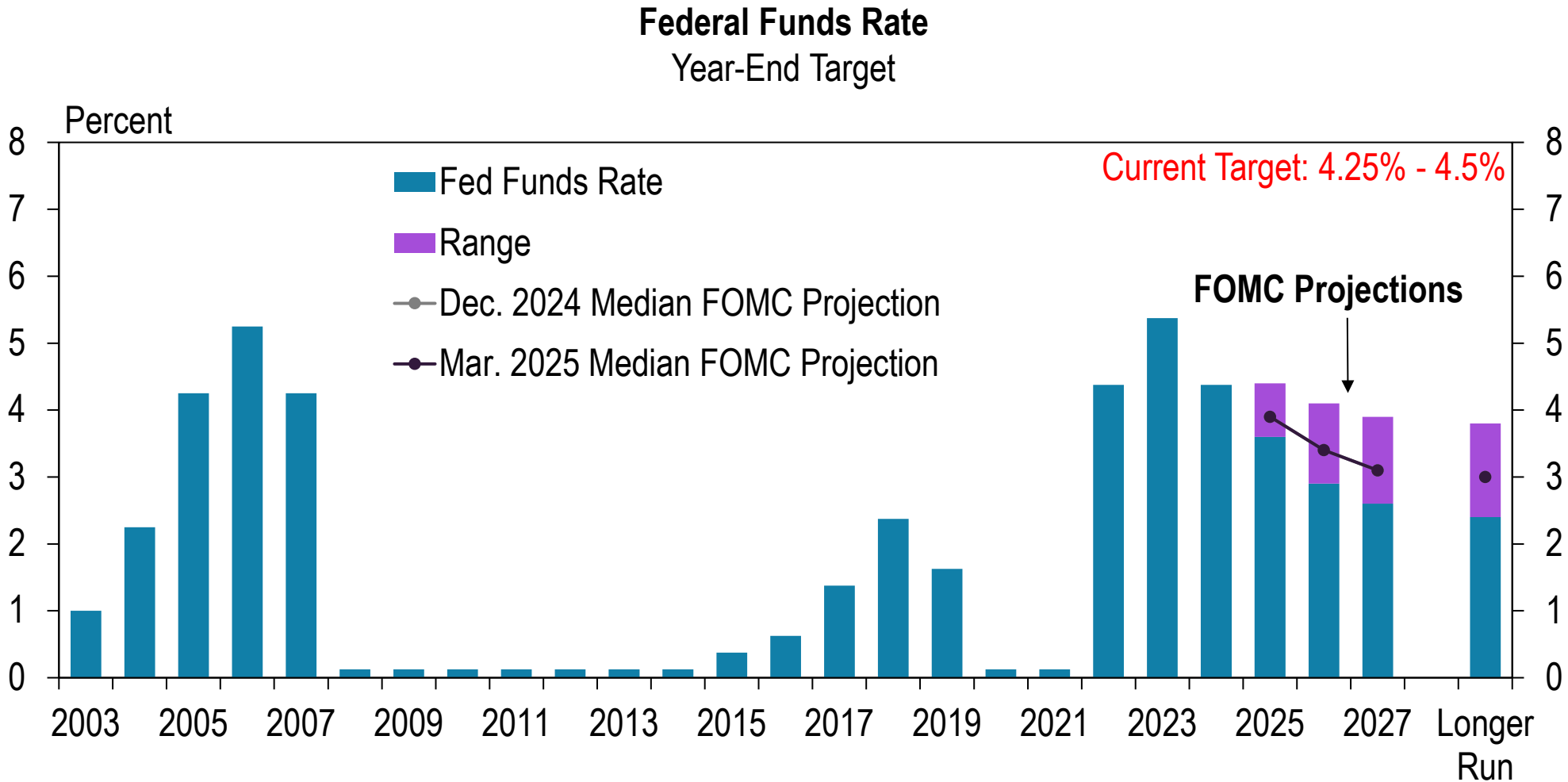
*Goods excluding Food; Services excluding Energy.
Note: Relative Importance as Share of CPI shown in parenthesis.

Sources: BLS, Atlanta Fed/Haver Analytics

Inflation and unemployment have come closer to the Fed's targets, but there are upside risks to both



The Fed held the federal funds rate steady in May, and the latest projections are shown

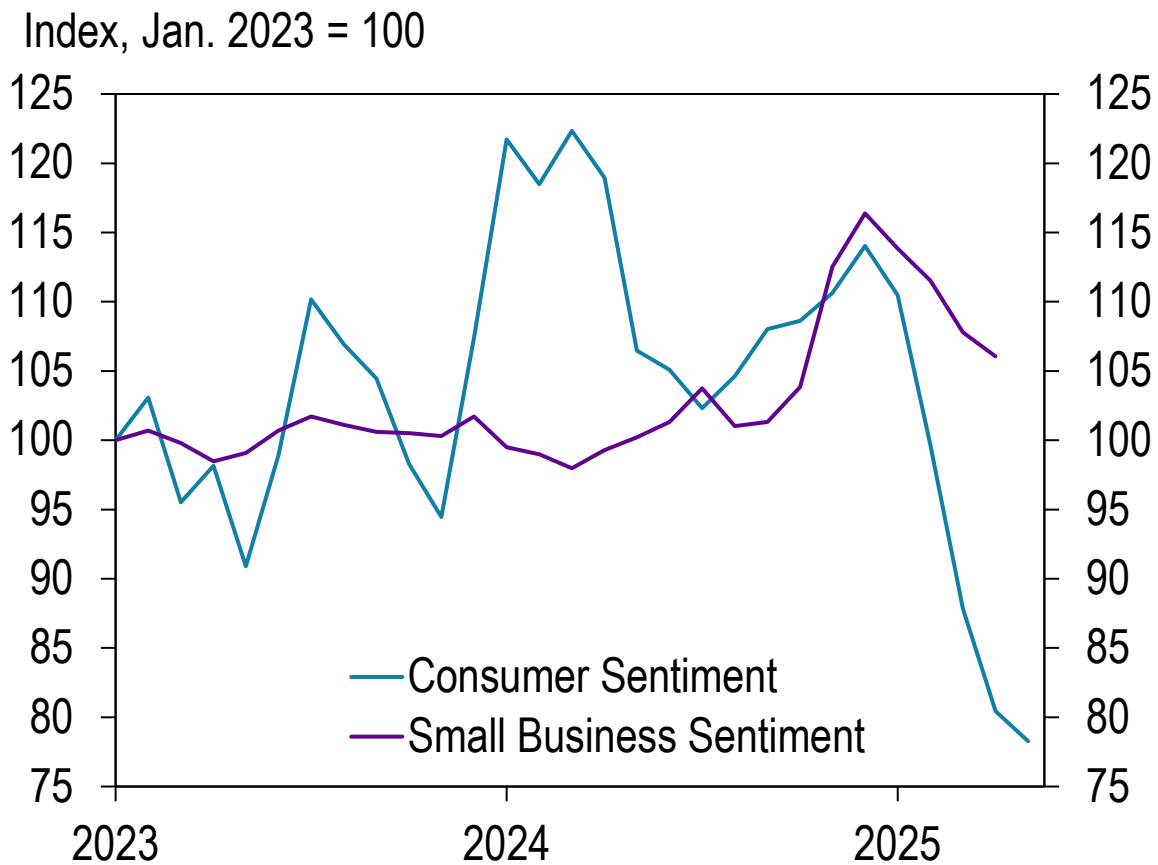


Note: Data and FOMC projections are for year-end.

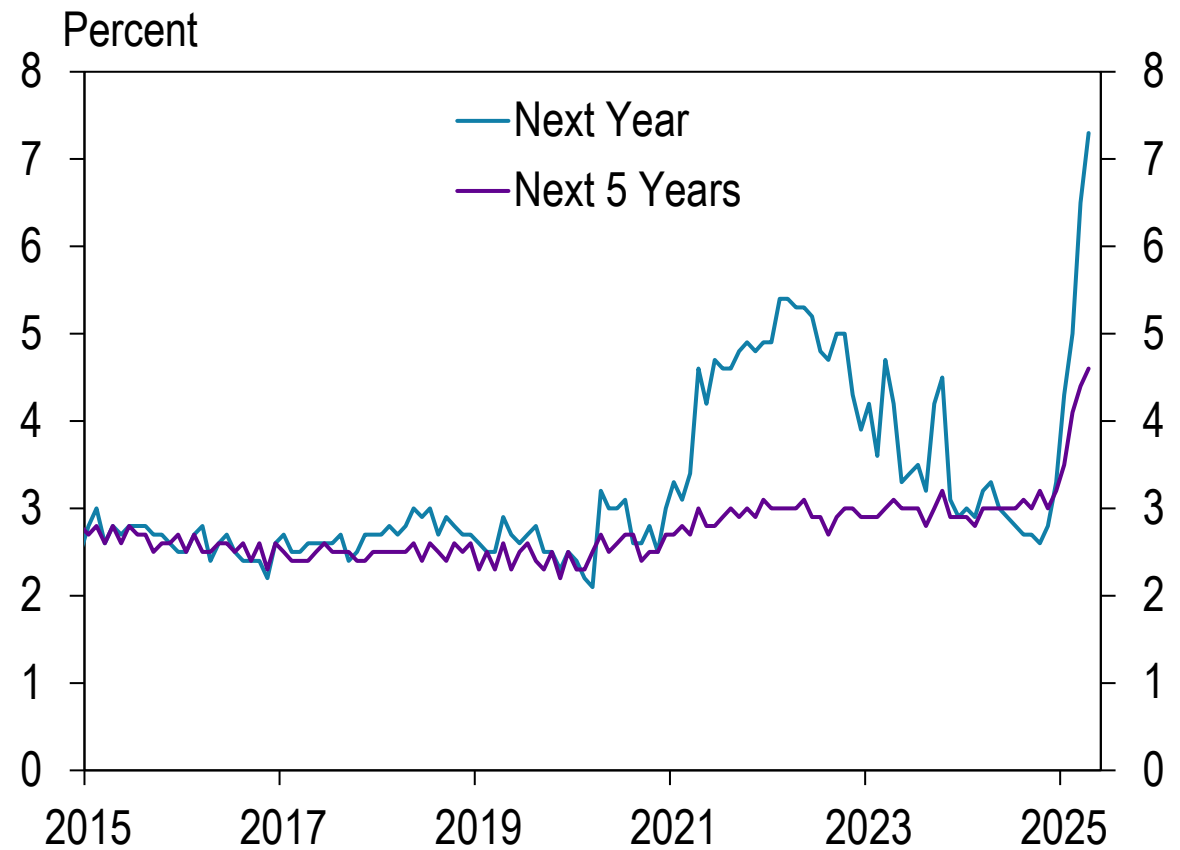
Sources: Bureau of Economic Analysis, FOMC

Consumer confidence has fallen sharply, while inflation expectations reached 40-year highs

U.S. Consumer and Business Sentiment



Expected Inflation Rate

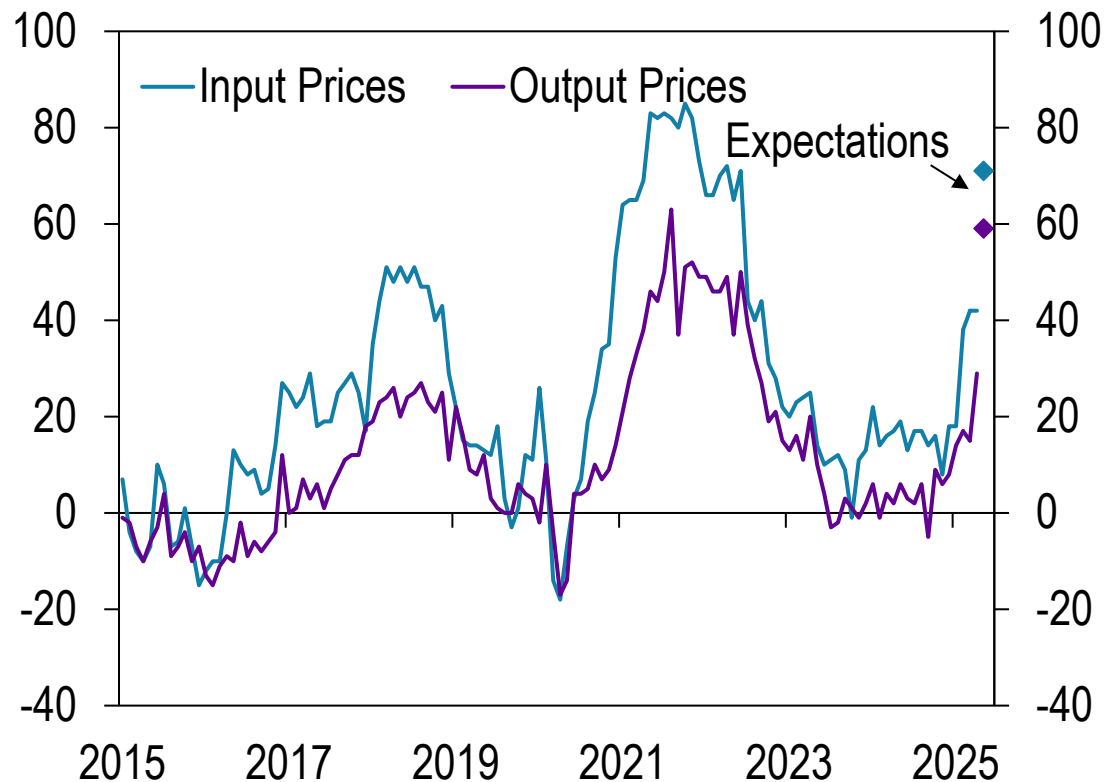


Tenth District firms have faced higher costs, and some have raised output prices accordingly

Kansas City Fed Price Indexes

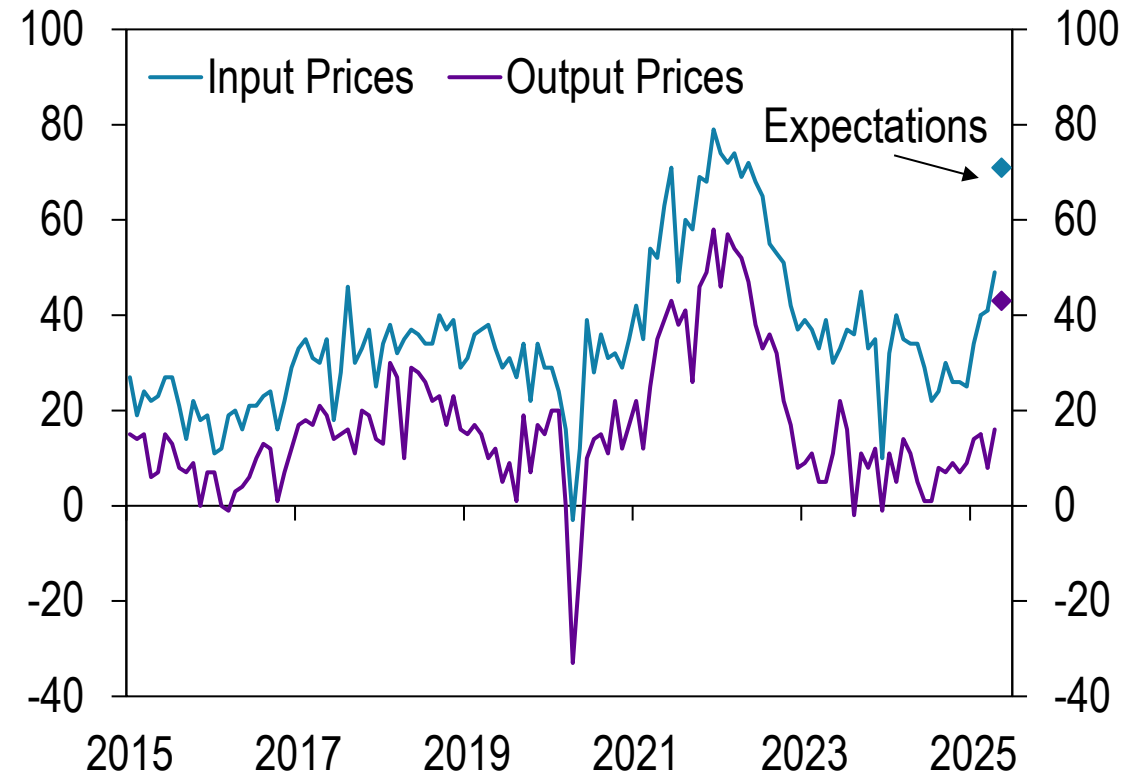
Manufacturing Firms

m/m diffusion index, sa



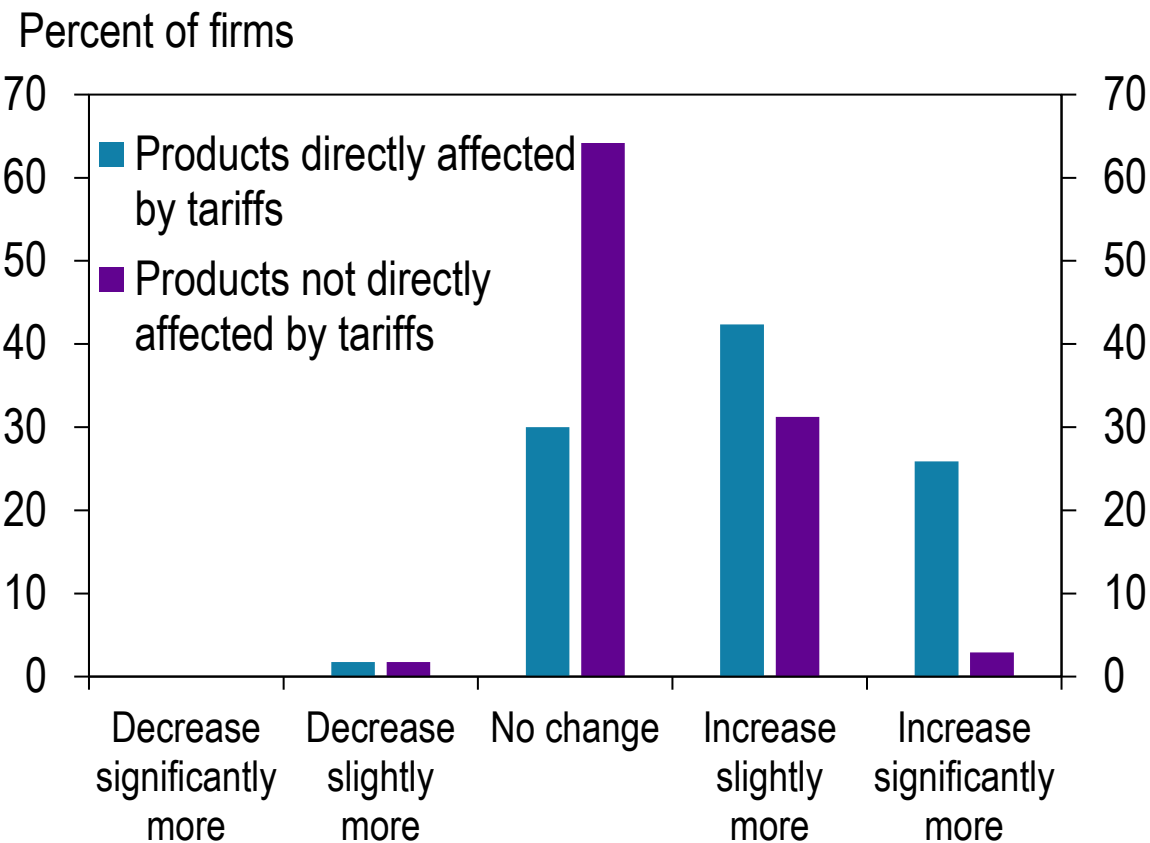
Services Firms

m/m diffusion index, sa

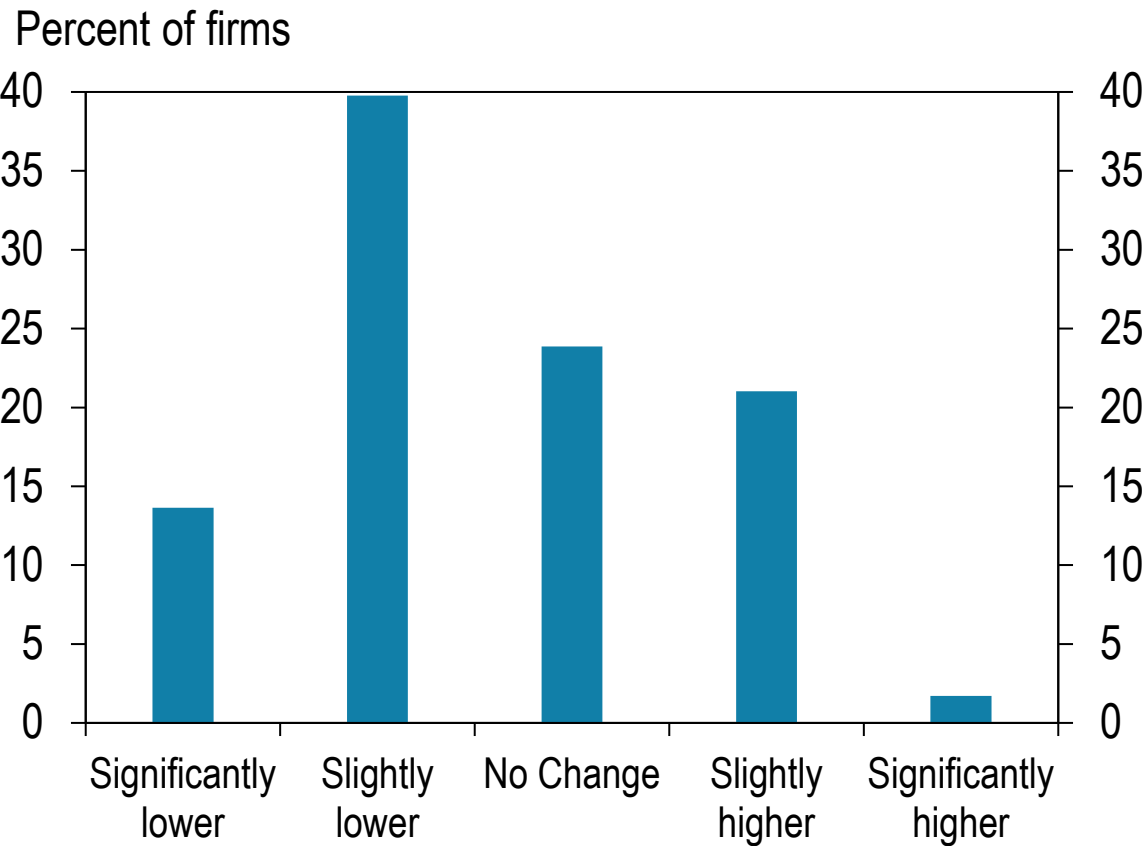


Most Tenth District firms expect to increase prices further due to recent trade policy, but their outlook for demand is still mixed

Apr-25: How do you expect to adjust prices this year compared to your pricing strategy at the beginning of the year?

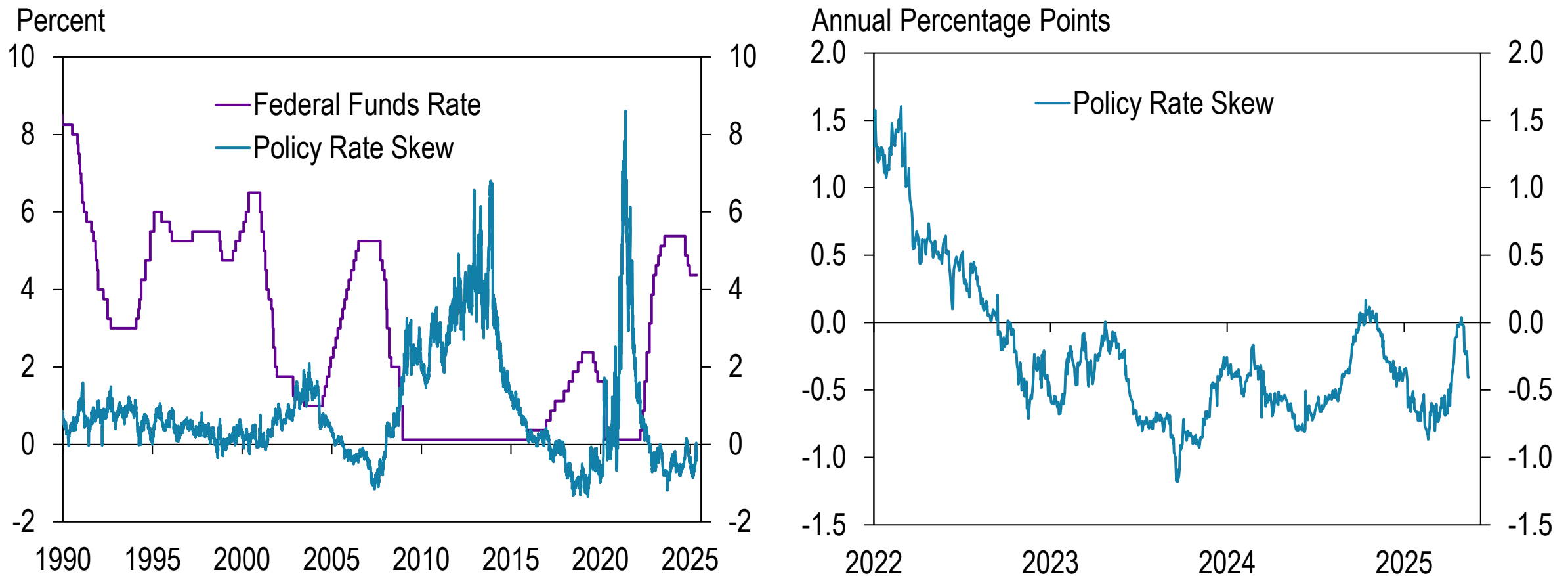


Apr-25: What are your expectations for demand for your firm's products in 2025 compared to a few months ago?



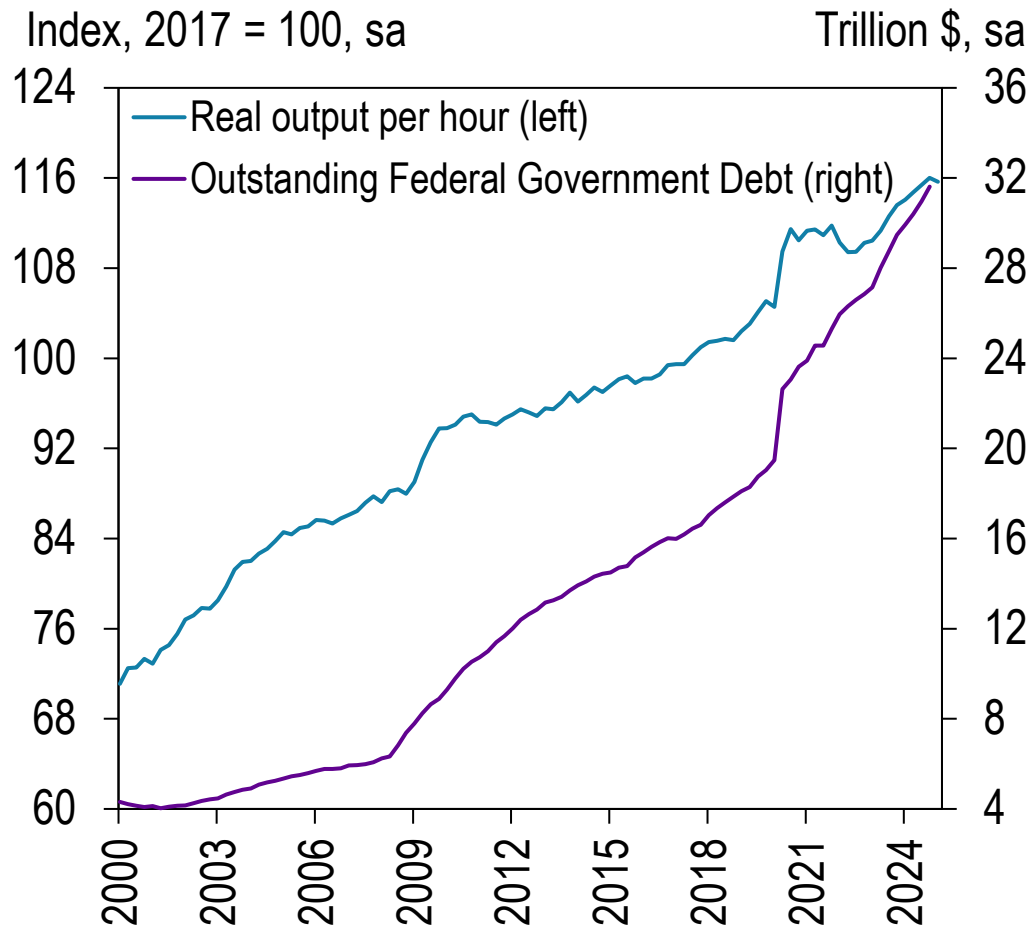
Markets see a chance of rate cuts, suggesting growth concerns and uncertainty

Kansas City Fed Policy Rate Skew

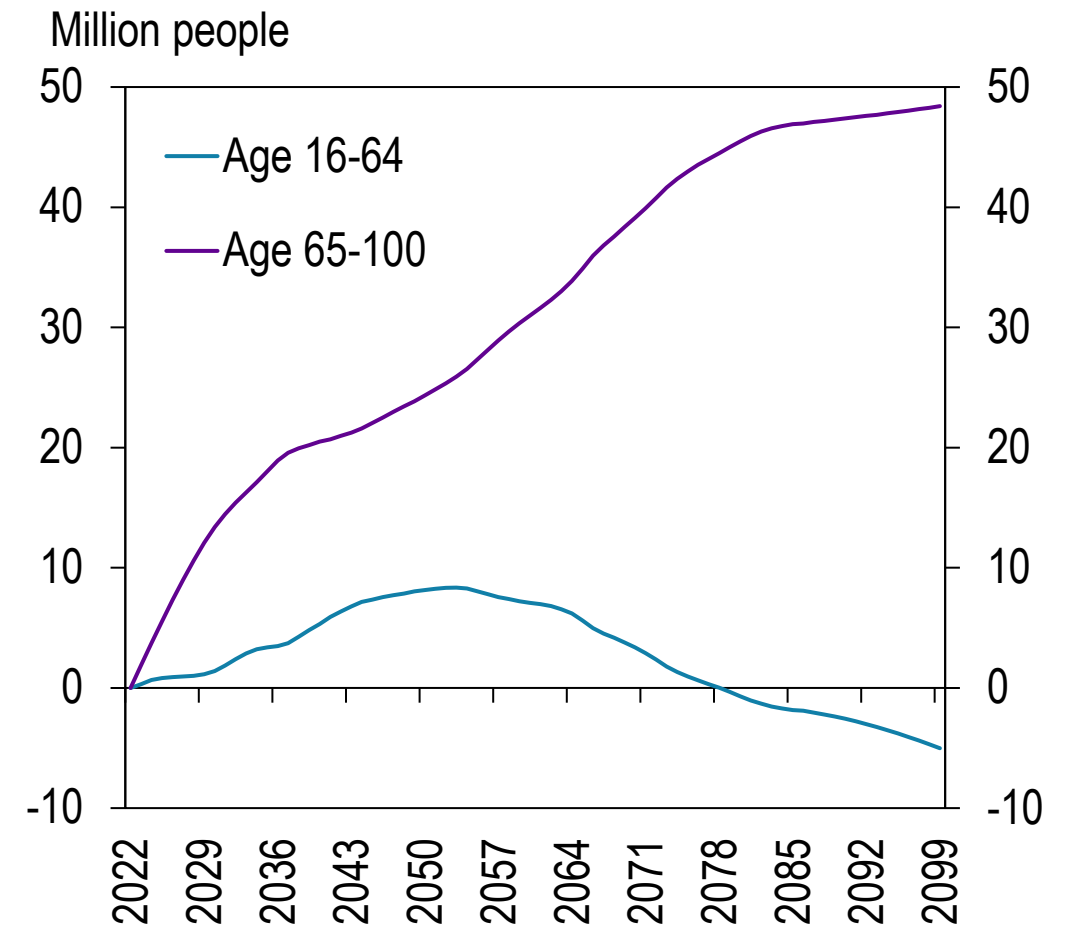


Long-term, productivity and government debt could push interest rates higher, but demographic trends could push them lower

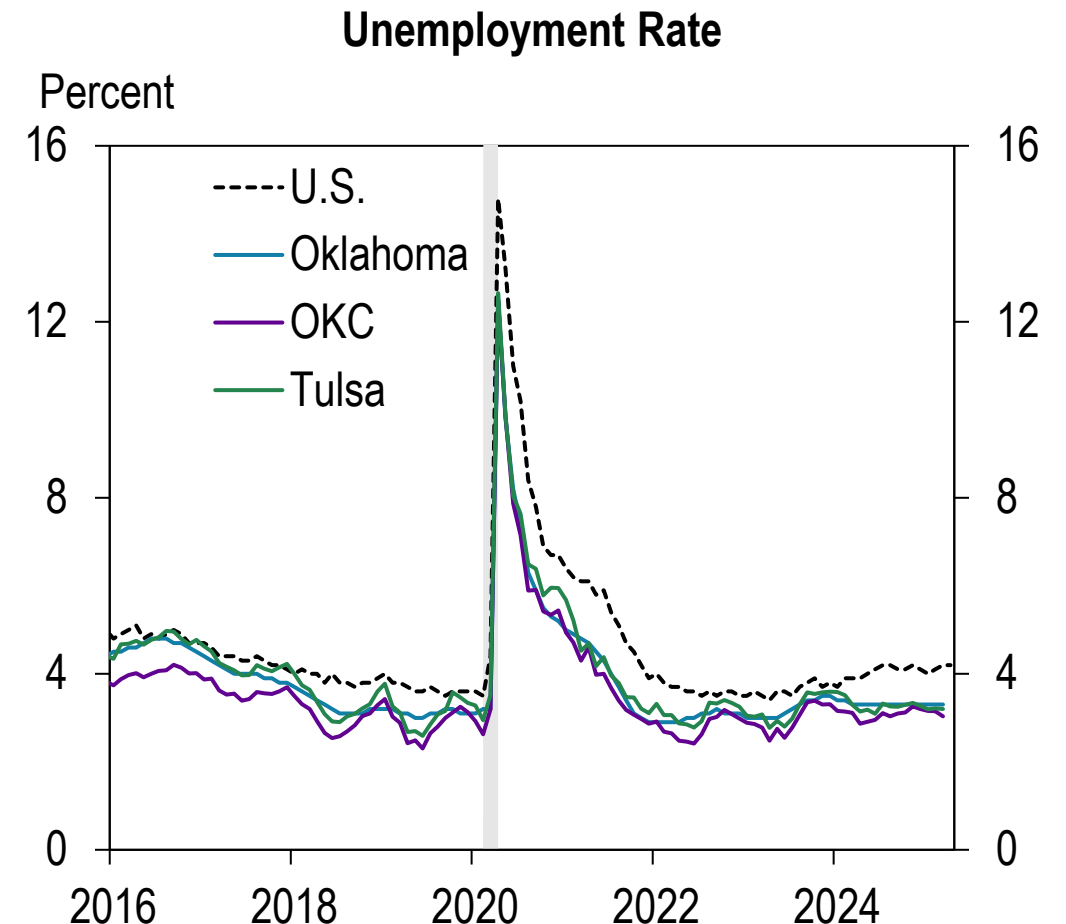
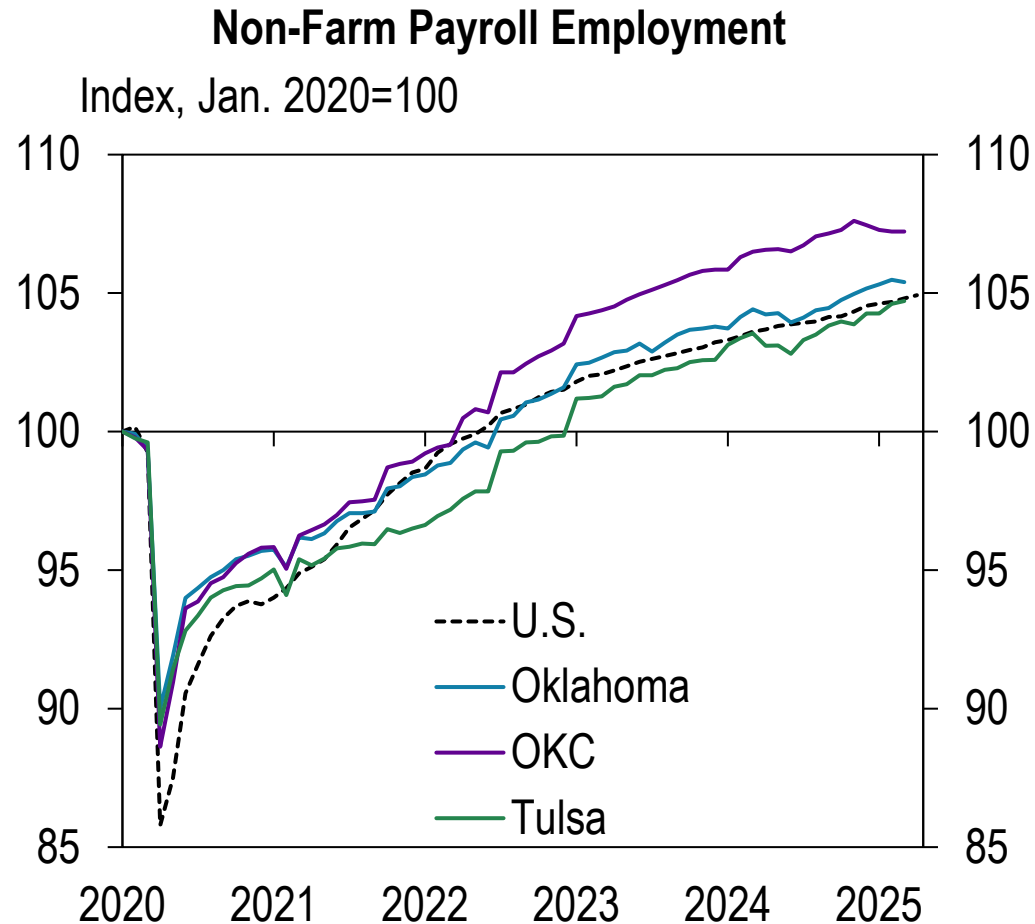
U.S. Productivity and Debt



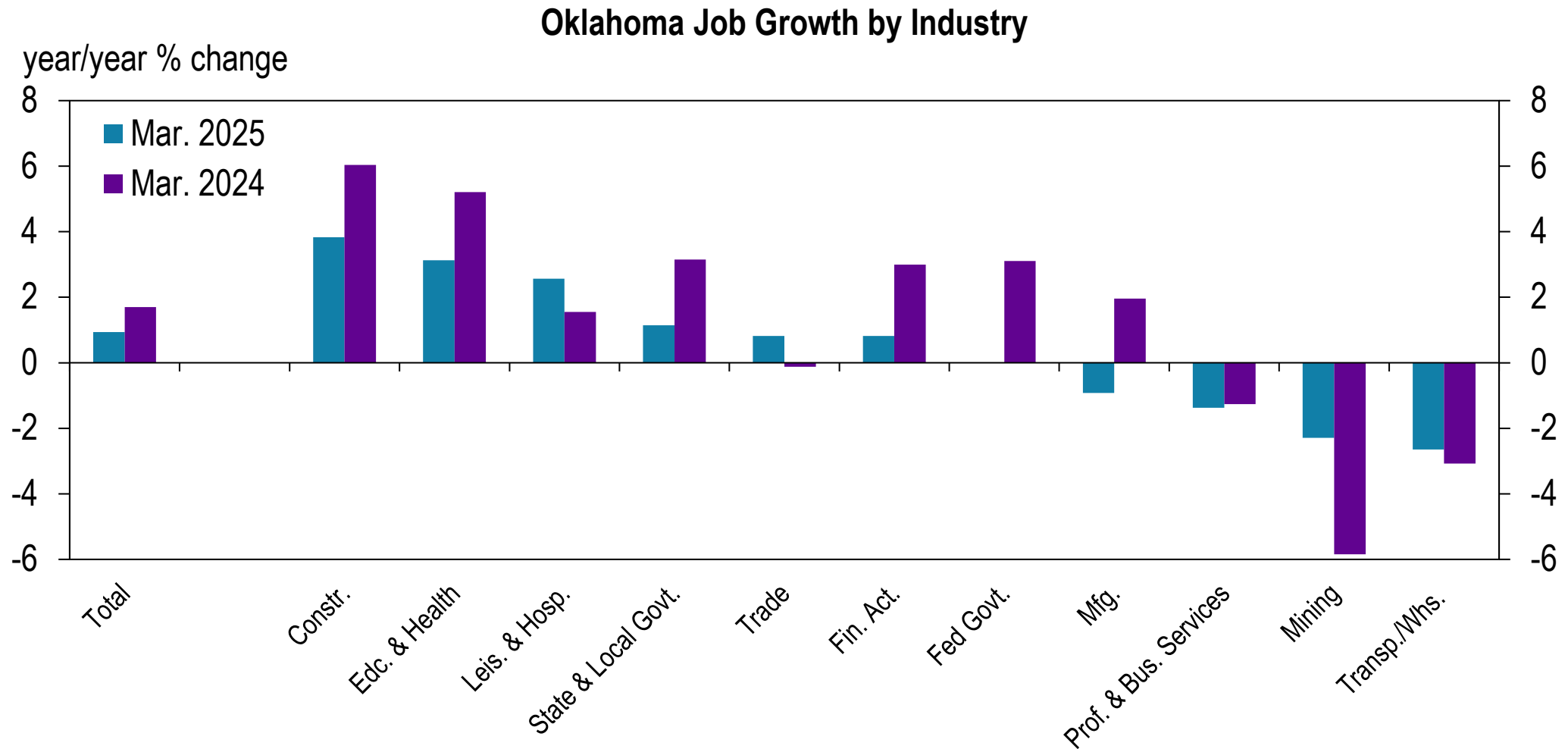
U.S. Projected Population Change from 2022



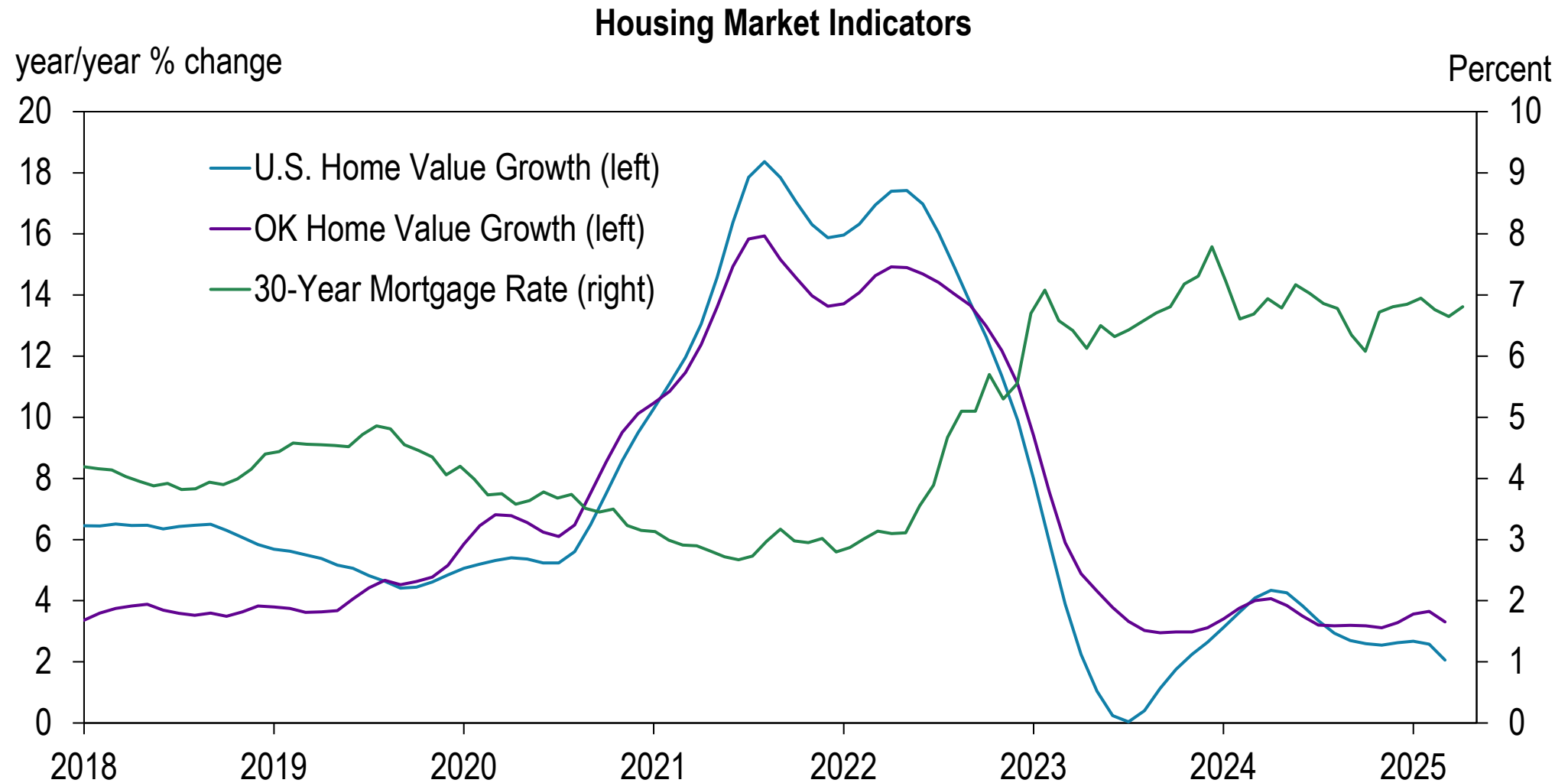
Jobs in Oklahoma have continued to grow in 2024, while unemployment remains very low



Oklahoma's job growth has slowed over the past year but remained positive, as gains in construction and education/health have eased



Home values spiked following the pandemic, but growth has eased with higher interest rates

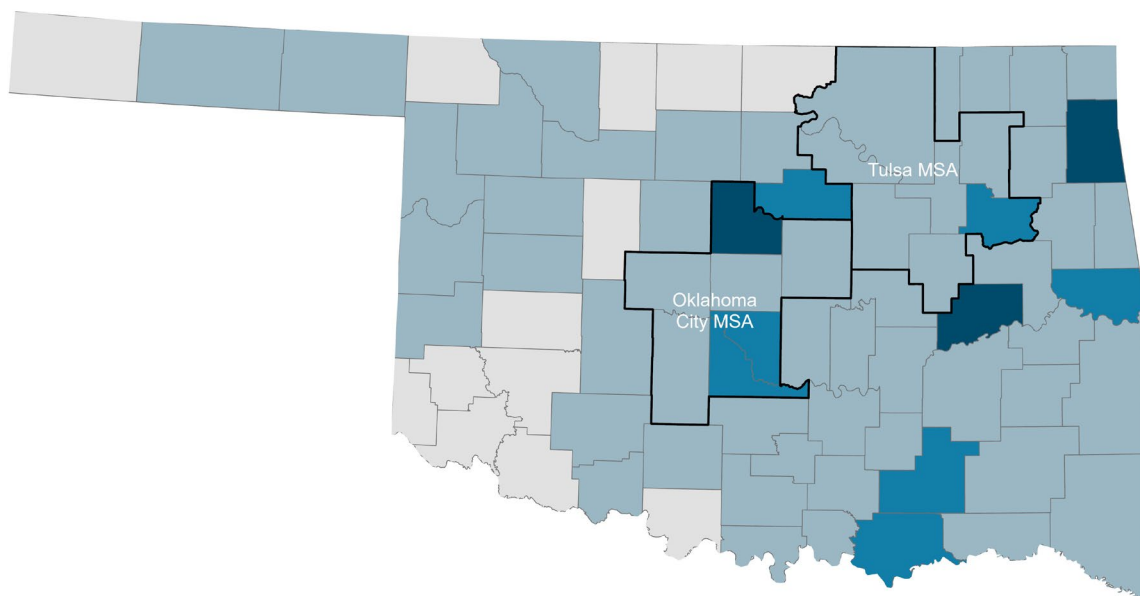


Sources: Freddie Mac, Zillow/Haver Analytics

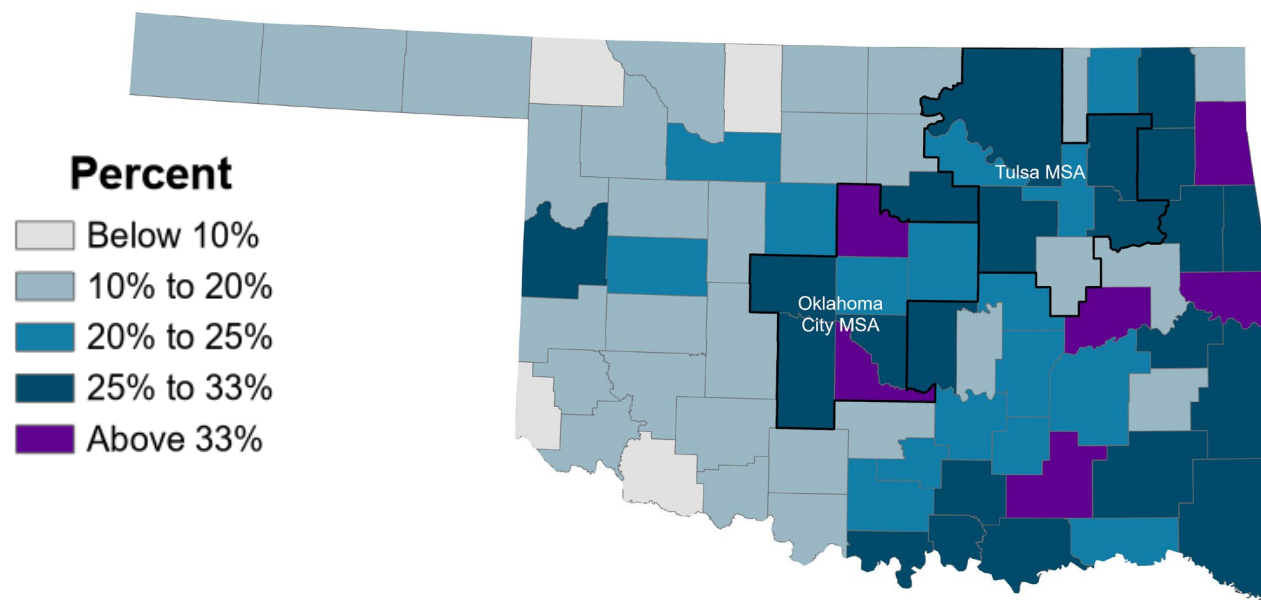
Homeownership for first-time buyers became less affordable across Oklahoma in recent years

First-Time Homeownership Costs as a Share of Household Income

2018-2019



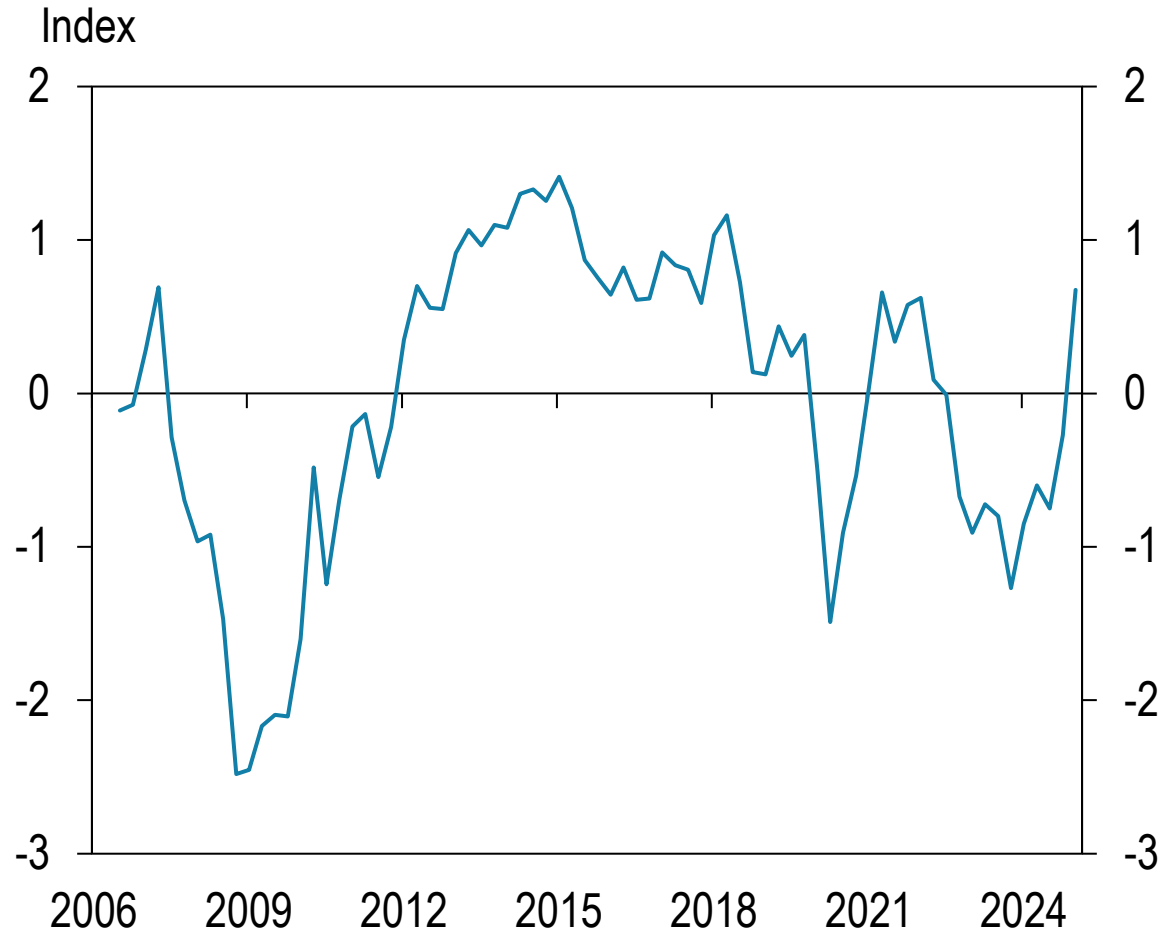
2024



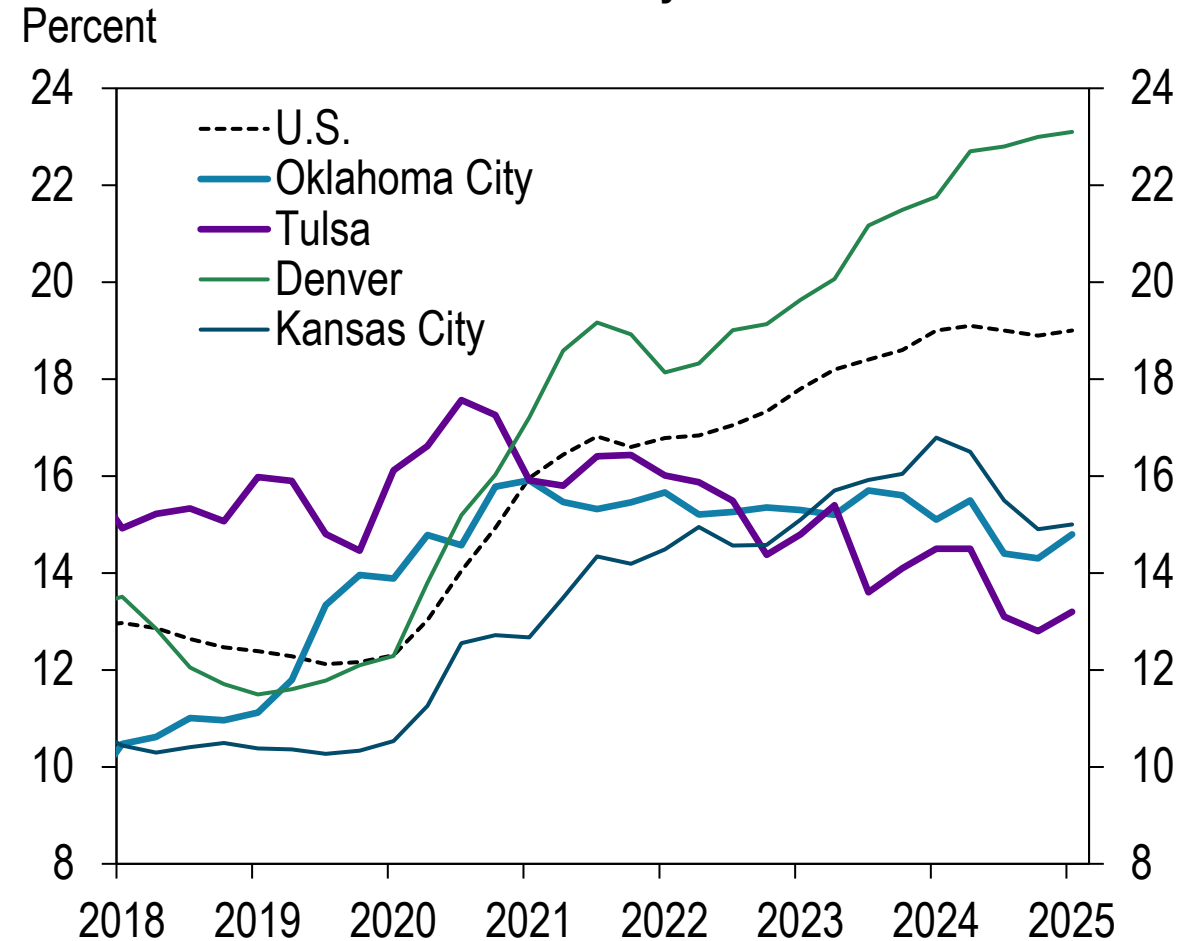
Notes: Costs include mortgage payment, insurance, and maintenance. 2024 data through October.
Sources: Zillow, BLS, U.S. Census Bureau (IPUMS NHGIS), WSJ (Haver Analytics), staff calculations

CRE activity in the region recovered in Q1, and office vacancy rates in Oklahoma have not risen like in neighboring markets

KC Fed Commercial Real Estate Index

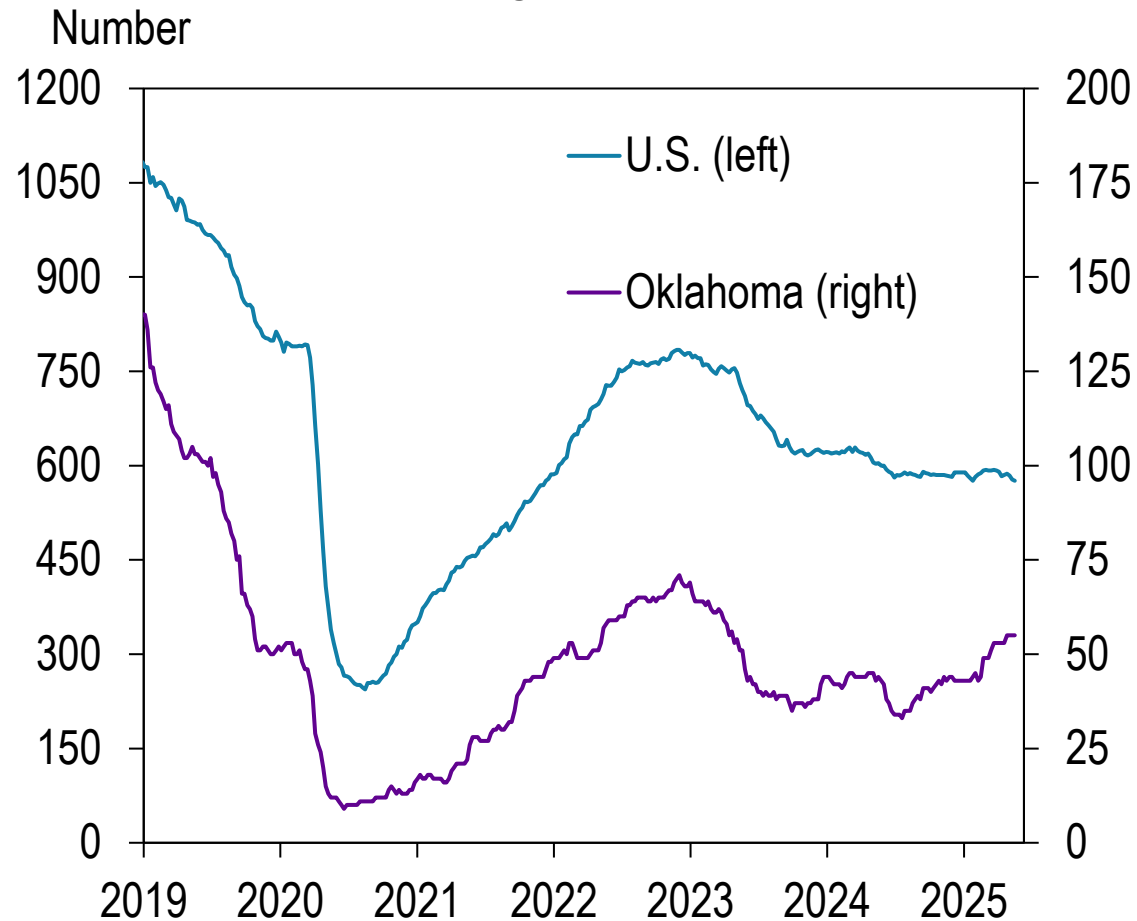


Office Vacancy Rates

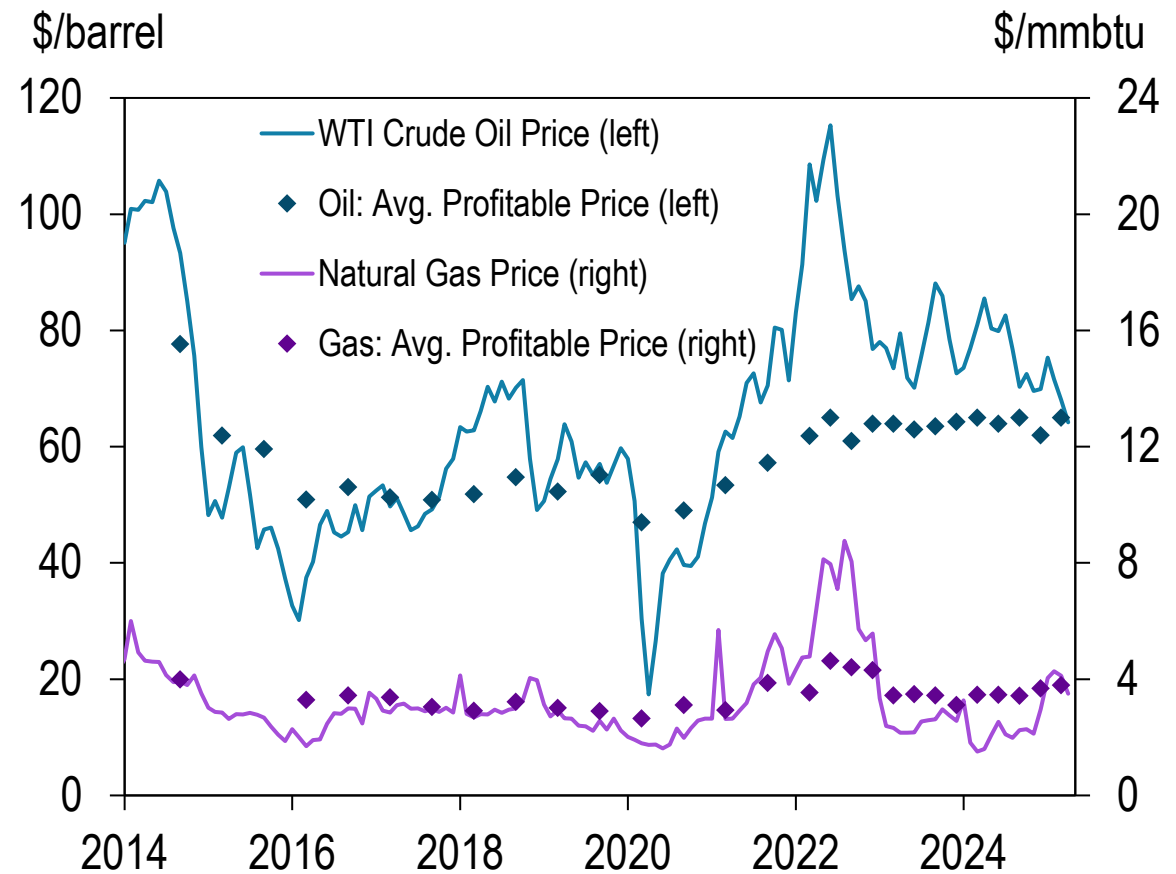


Oil and gas drilling has picked up somewhat in Oklahoma as natural gas prices rise from all-time lows

Rig Counts

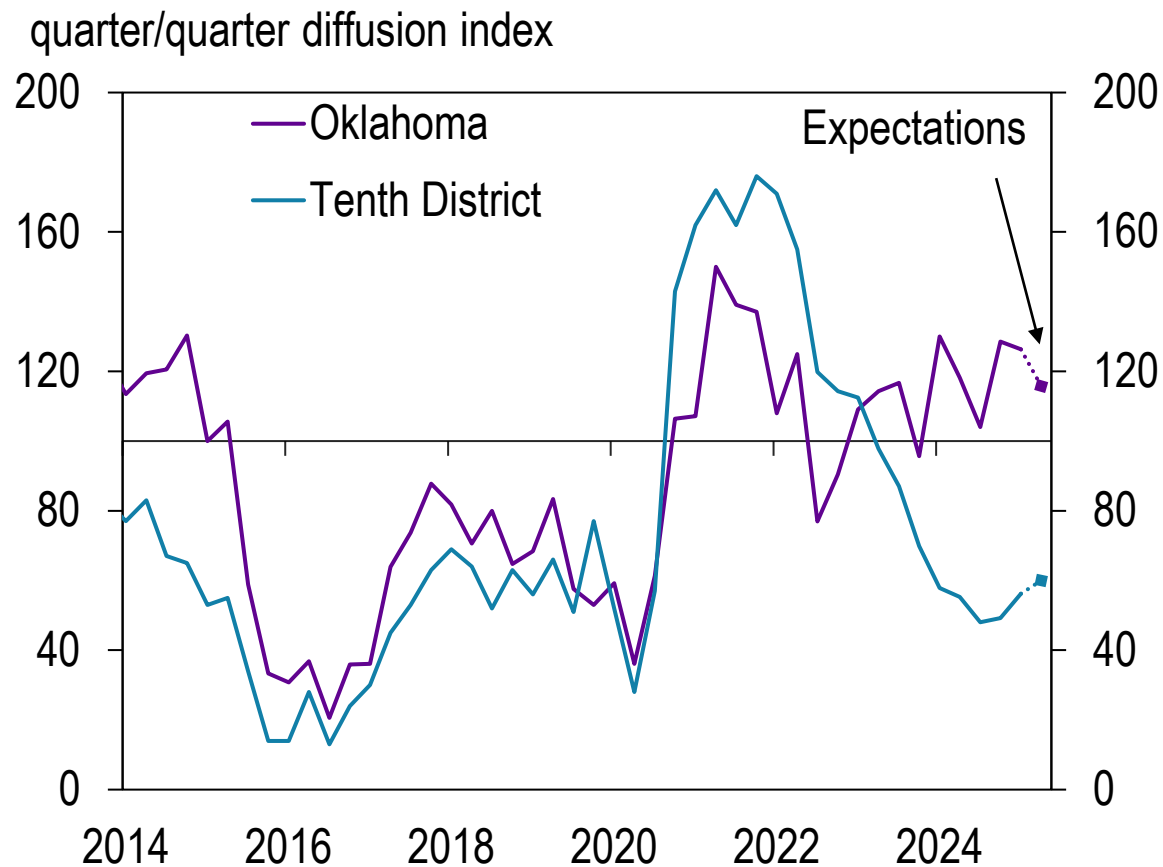


U.S. Energy Prices

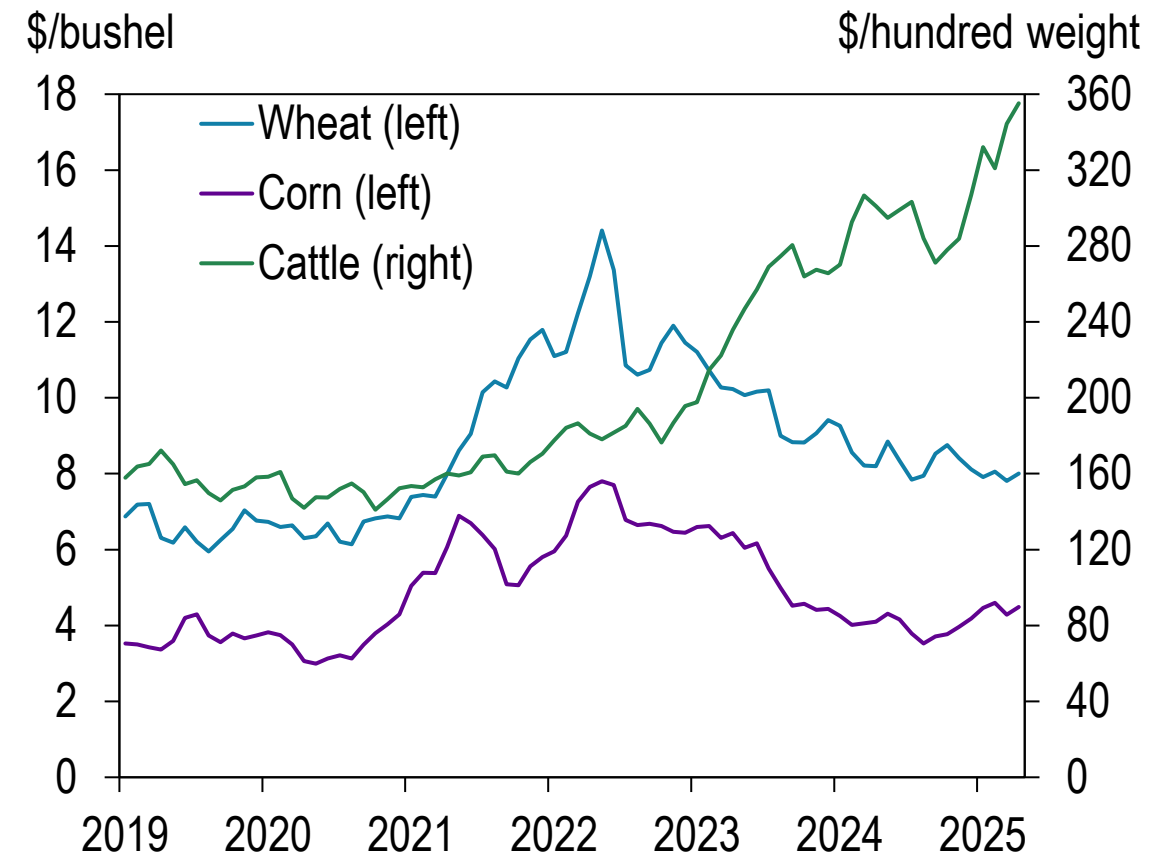


Oklahoma farm income grew in Q1 while it declined in other District states, partially due to higher cattle prices

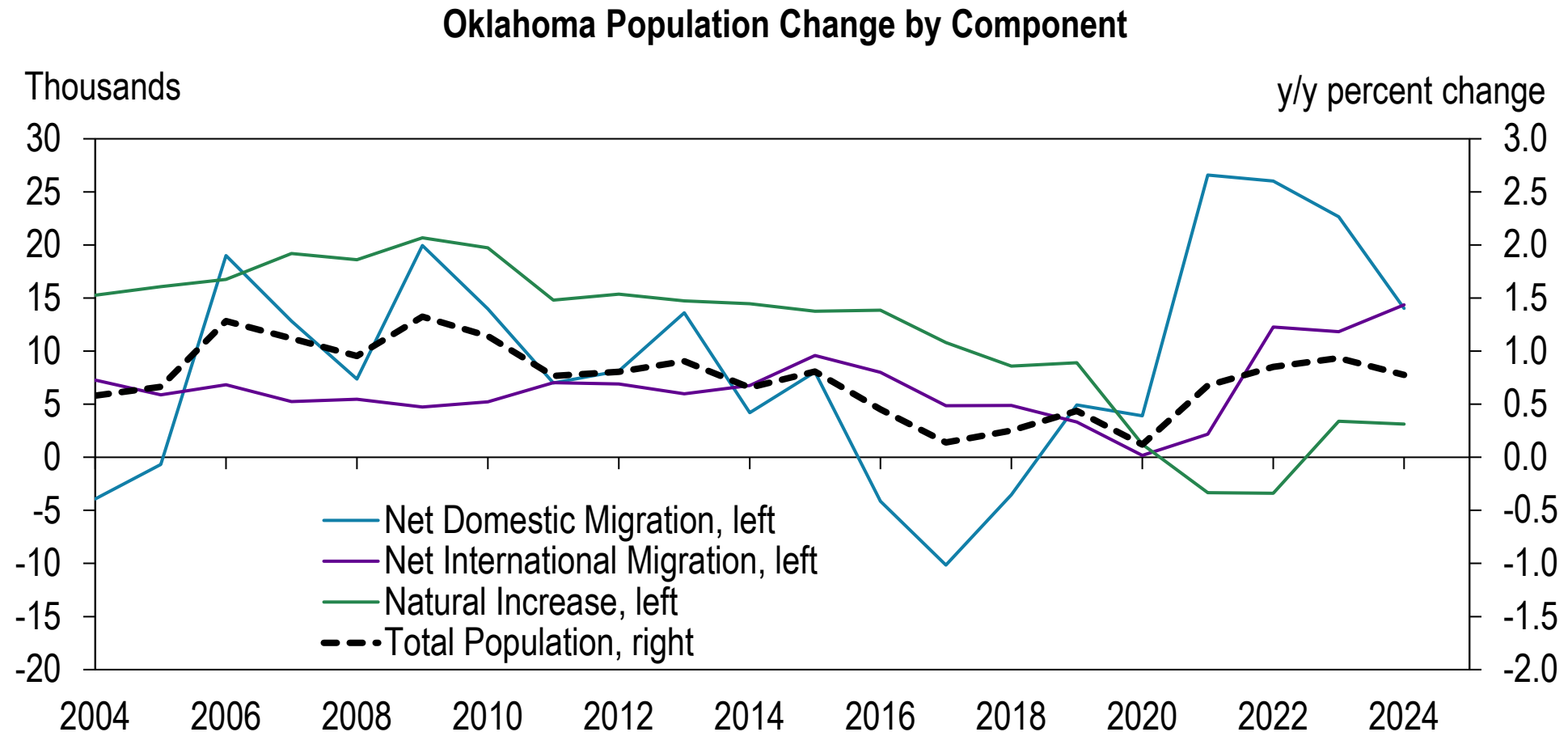
Farm Income



Agricultural Commodity Prices

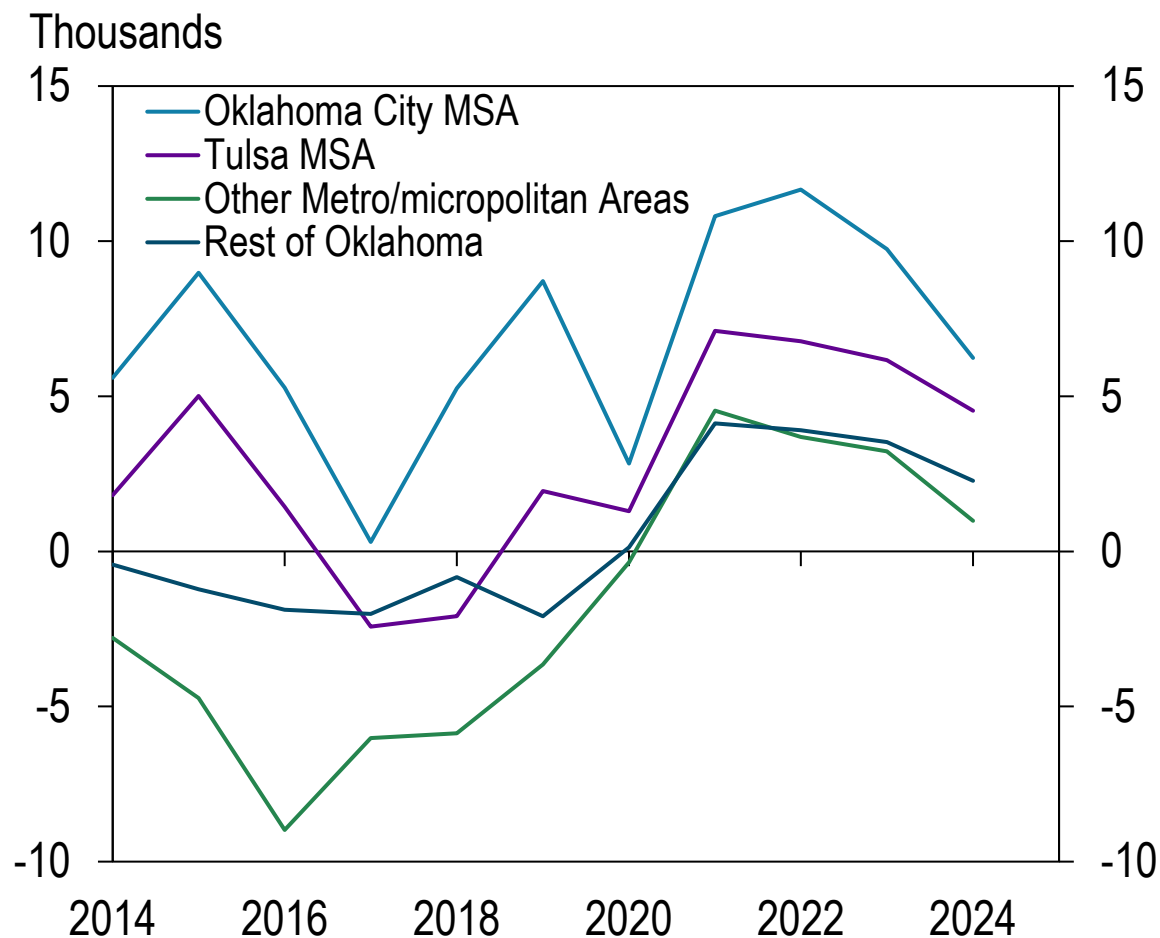


Oklahoma's population grew at a slightly slower pace in 2024, as net domestic migration slowed from pandemic-era highs

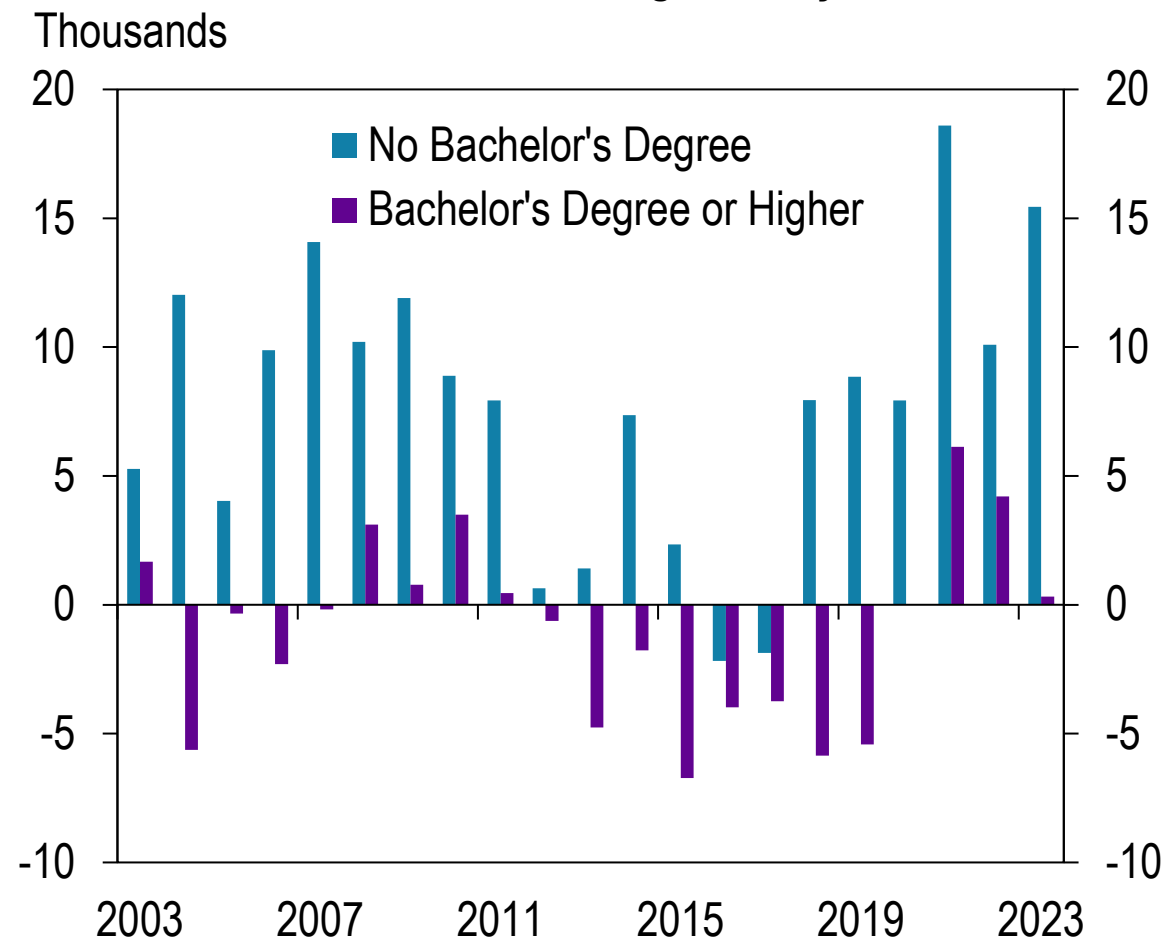


Both metropolitan and rural areas have gained residents on net, and the surge of college graduates into the state cooled in 2023

Oklahoma Net Domestic Migration



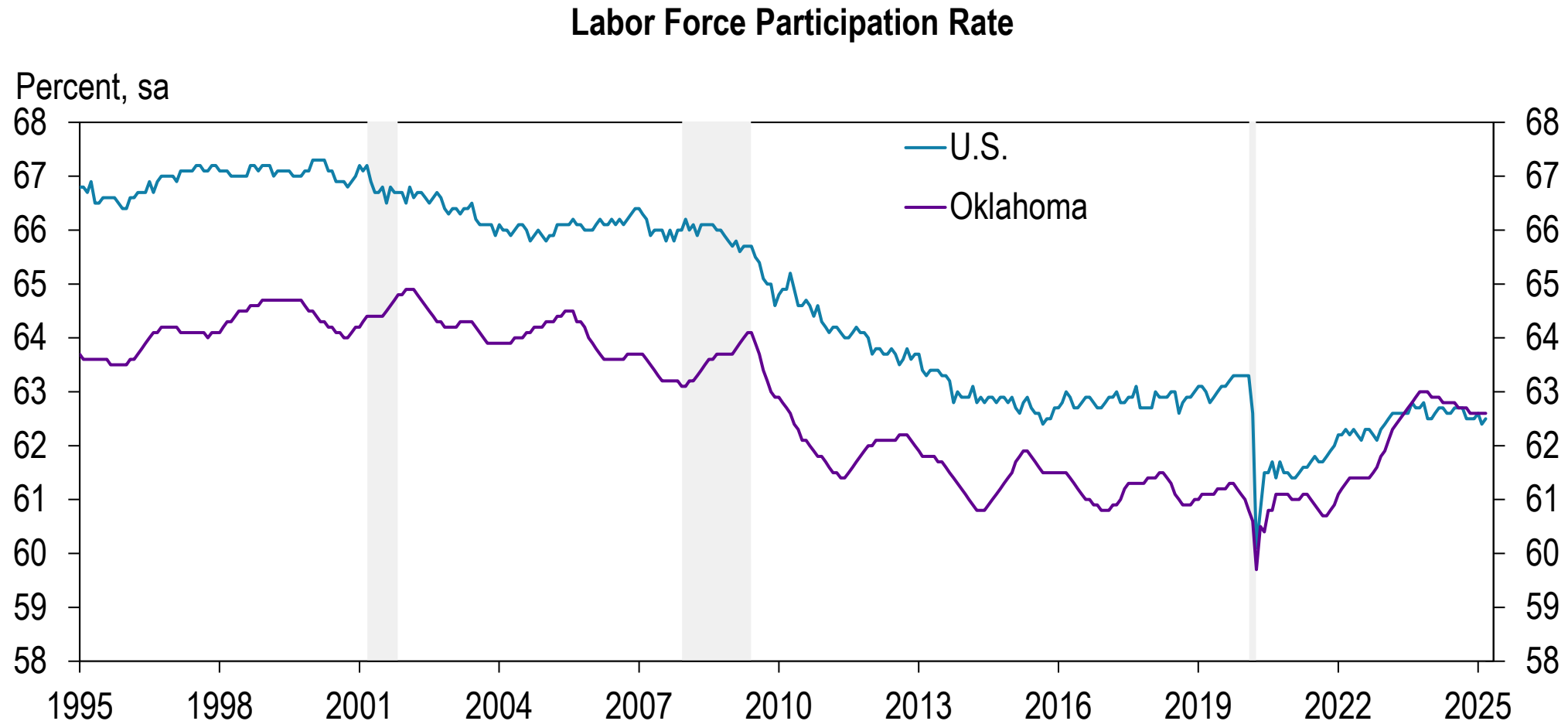
Oklahoma Net Domestic Migration by Education



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

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

Oklahoma's labor force participation rate has been higher than the U.S. since June 2023

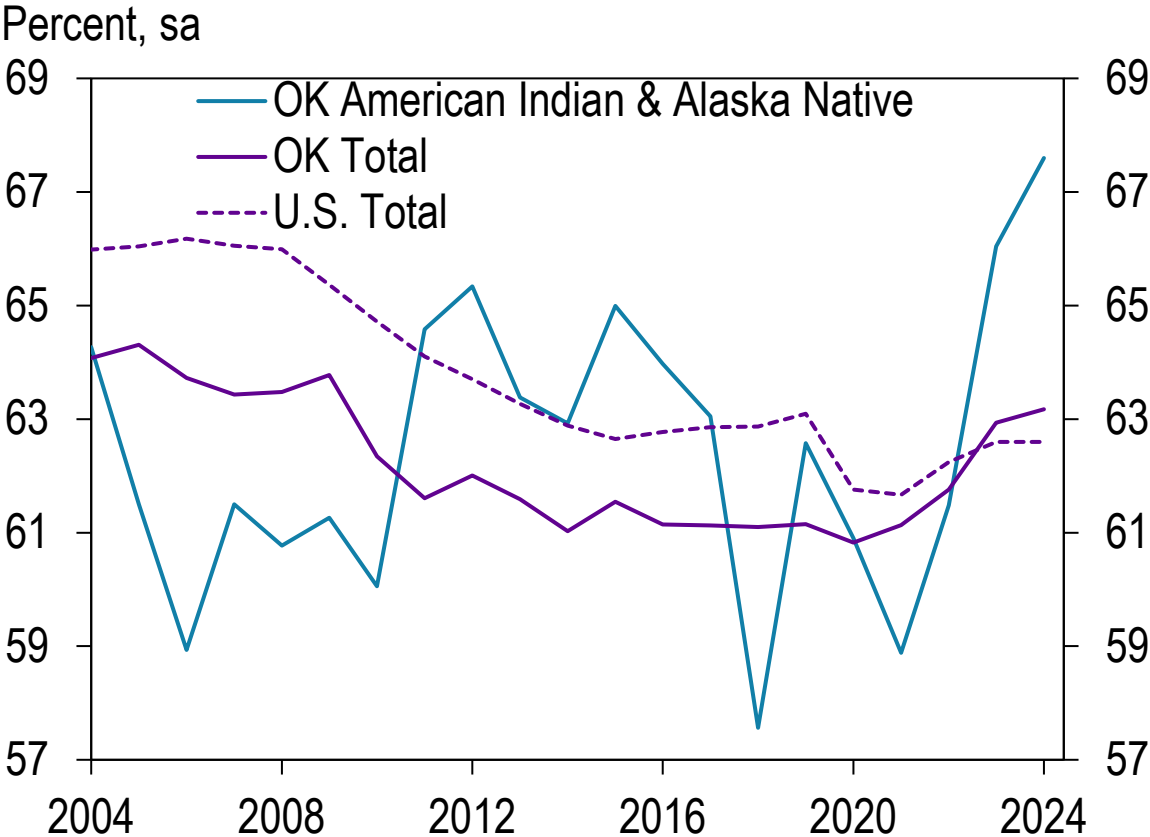


Note: Shading denotes NBER-defined recessions.

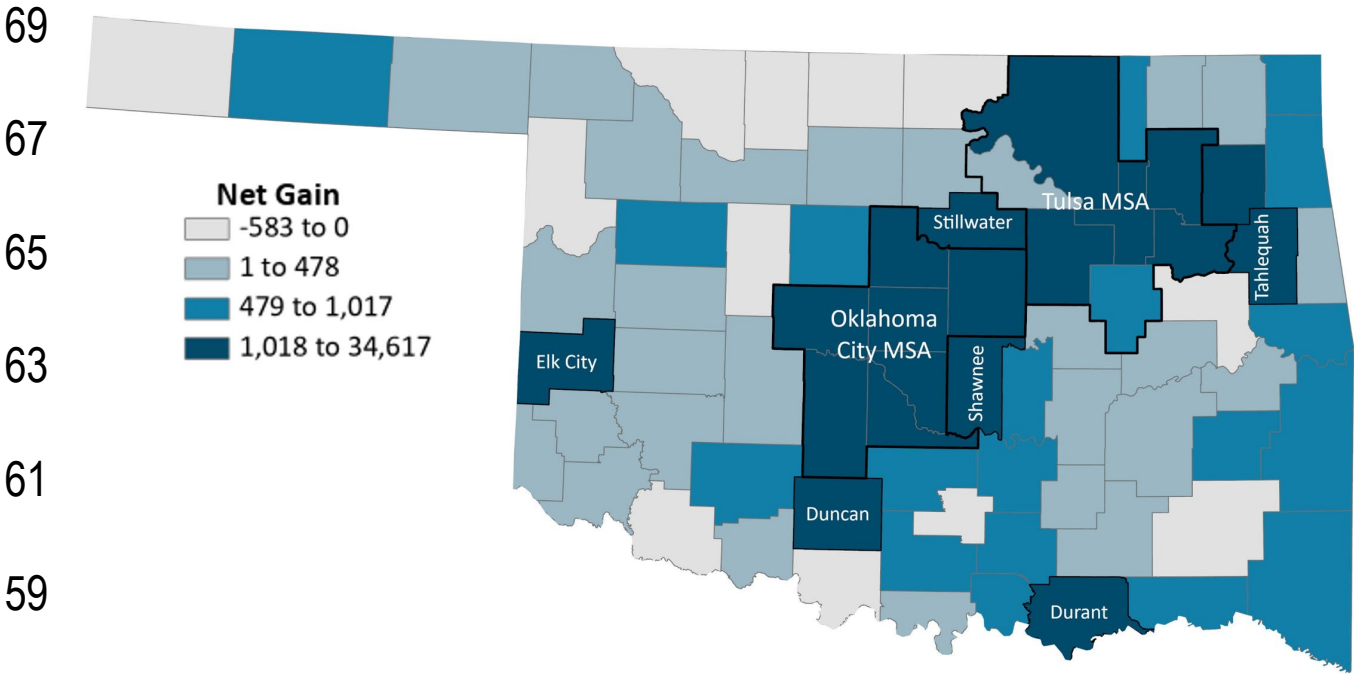
Sources: BLS, NBER/Haver Analytics

Oklahoma's Native American participation reached its highest level in over two decades, and the tribal-heavy southeastern corner of the state gained workers

Labor Force Participation Rate



Labor Force Gains by County, 2021-H1 2024

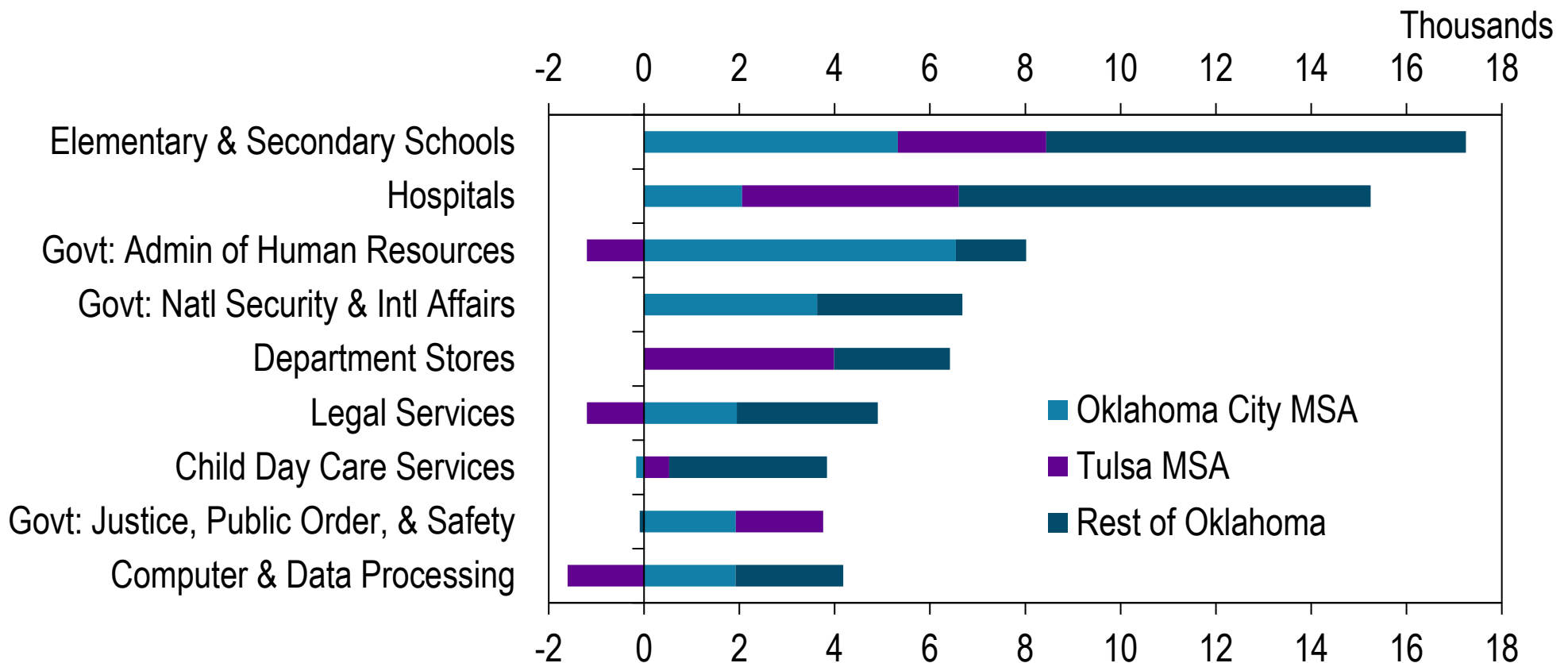


Note: 2024 rates are the average monthly rate for H1 2024 (January to June).

Sources: BLS, CPS, staff calculations

Job gains for Native Americans have primarily been concentrated in schools, hospitals, and government since 2021

OK American Indian/Alaska Native Job Gains in Top Industries by Area, 2021-H1 2024



Notes: Industries are based off the Census Bureau's 1990 Industry Classification. Elementary & Secondary Schools (SIC code 8211) include private and public schools. Administration of human resources (SIC code 94) entails government agencies that administer educational, public health, social, and veterans' resources.

Sources: CPS, staff calculations

Summary

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- Oklahoma's economy also continues to grow, and unemployment is low
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Questions?

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