Economic Outlook

2025 FTA Revenue Estimation and Tax Research Conference

September 29, 2025

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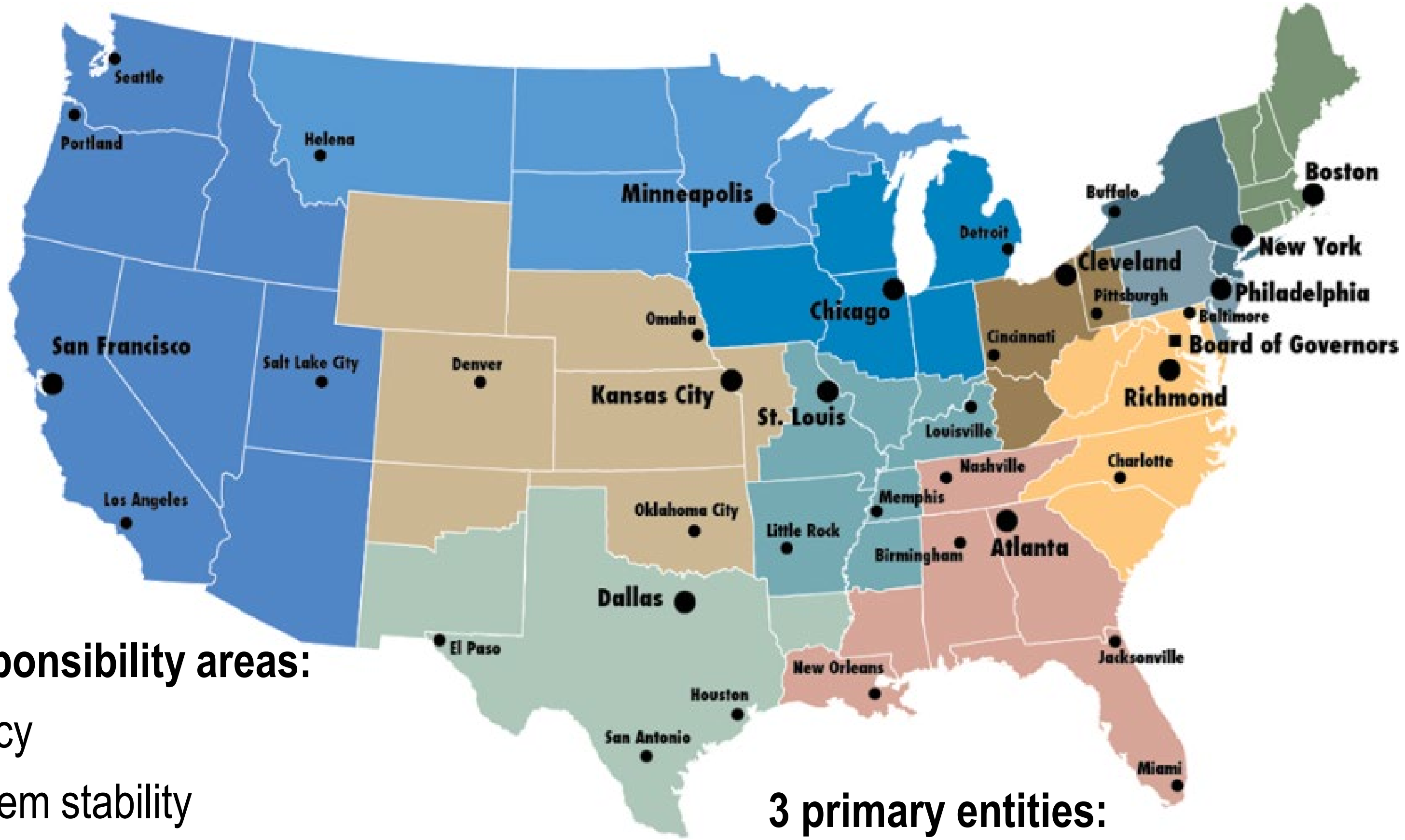
AVP & Oklahoma City Branch Executive

*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.

FEDERAL RESERVE BANK OF KANSAS CITY

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

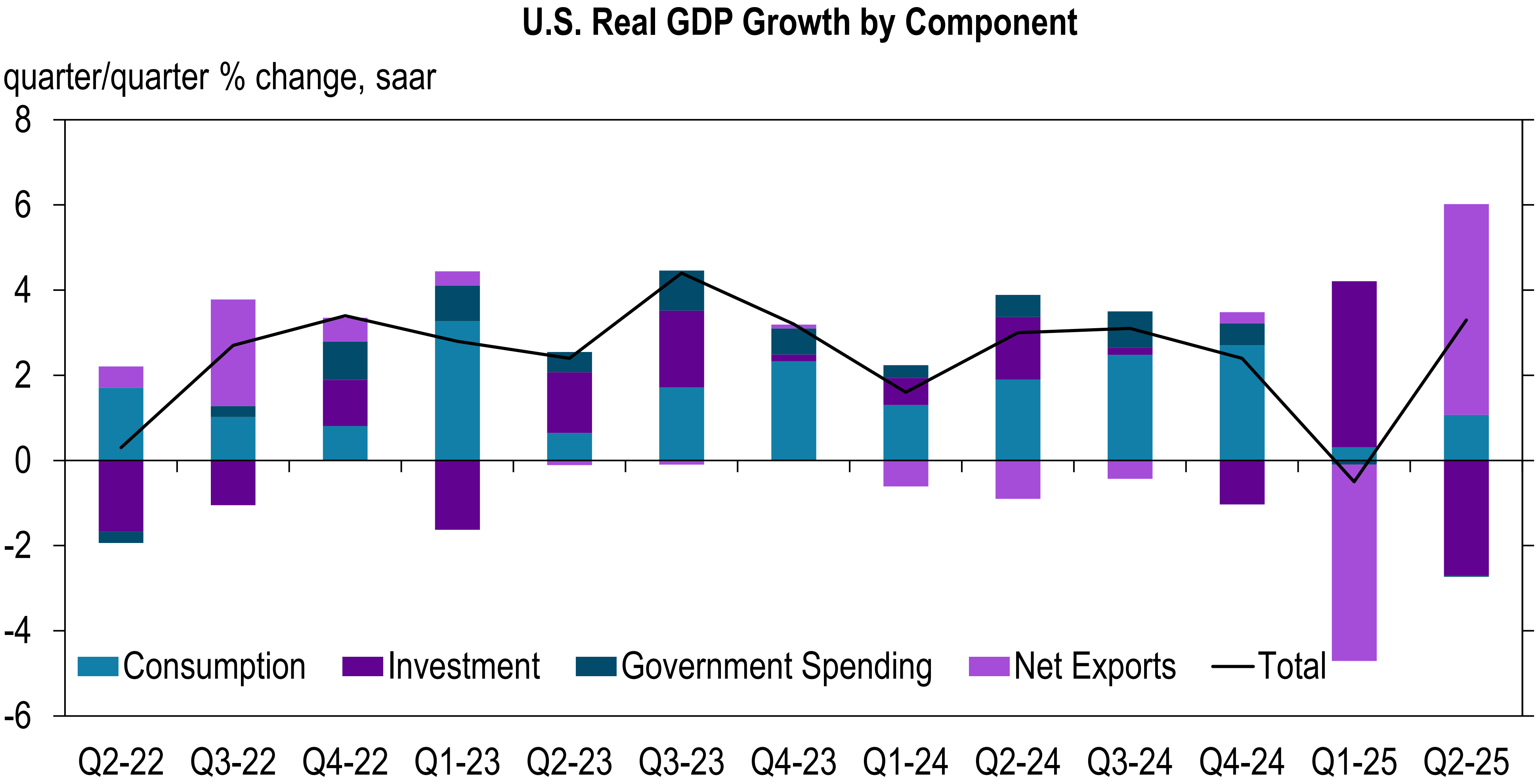
- **Functions and purposes ~ 50 staff**
  - Research on U.S. and Oklahoma economies; energy sector and business survey focus
  - Examinations of Oklahoma financial institutions (~45 banks, ~175 holding cos.)
  - Risk analysis and IT development for bank exams; exam assistance for other Fed offices
  - 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**, President, Crawley Petroleum Corporation, OKC
  - **Terry Salmon**, President, Computer System Designers, OKC
  - **Brady Sidwell**, Principal, Sidwell Enterprises, Enid
  - **Rebecca Thompson**, CFO, Treasurer, & VP Finance, AAON, Inc., Tulsa

Oklahomans on National and Regional Fed Advisory Councils

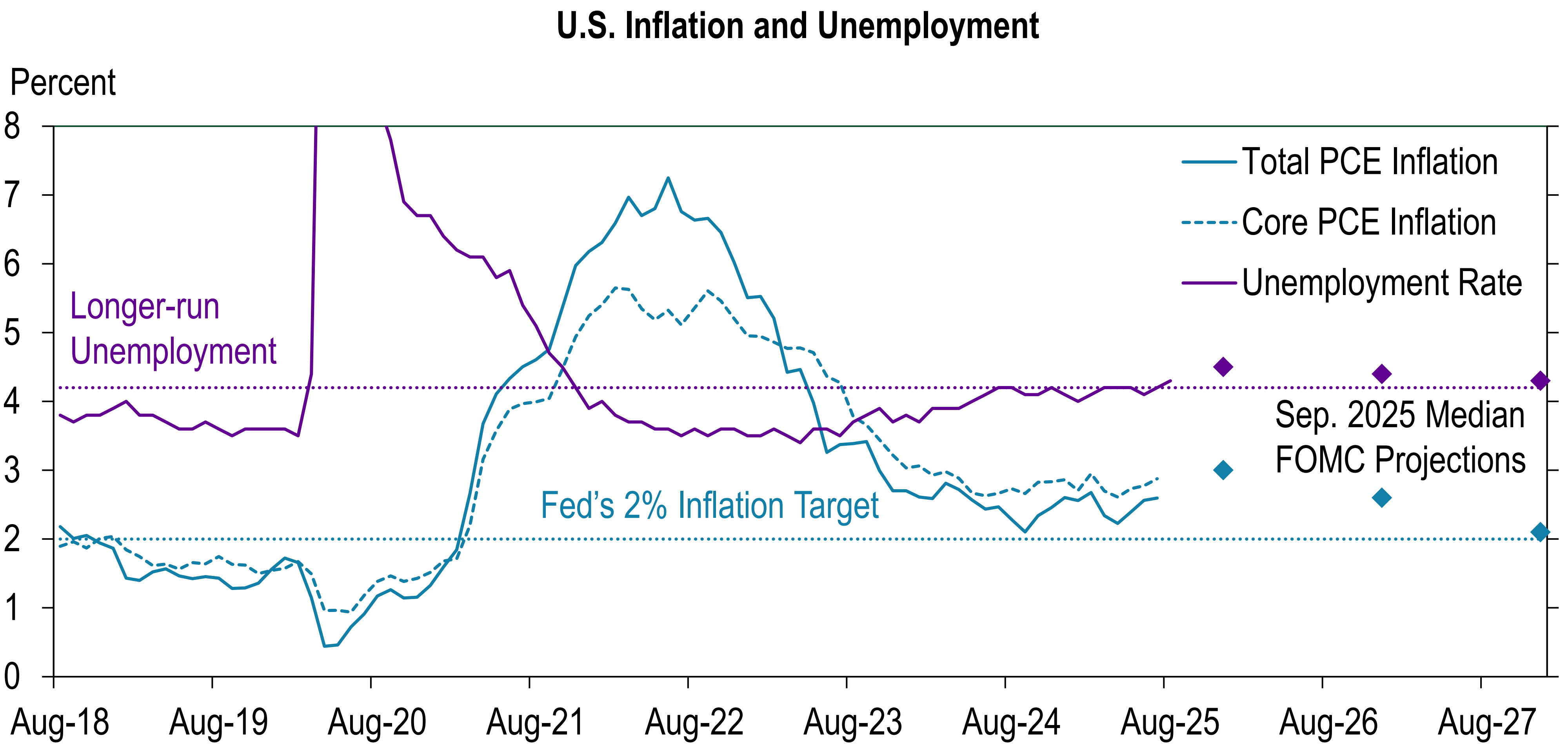
- **Kansas City Head Office Board of Directors (10th District):**
  - **Susan Chapman Plumb**, Board Chair & CEO, Local Bank, Tahlequah, OK
- **Community Advisory Council (National):**
  - **Bruce Shultz**, VP of Community Development Banking, Gateway First Bank, Tulsa
- **Economic Advisory Council (10th District):**
  - **Pancho Gonzalez**, CEO, Lopez Dorada Foods, Inc., Oklahoma City
  - **David Nimmo**, CEO, Chickasaw Nation Industries, Norman
- **Community Development Advisory Council (10th District):**
  - **Michelle Bish**, Executive Director, Northeast Oklahoma Regional Alliance, Tahlequah
  - **Quintin Hughes, Sr.**, Program Director, Northeast Oklahoma City Renaissance, Inc., Oklahoma City
- **Community Depository Inst. Advisory Council (10th District):**
  - **Barry Anderson**, President, F&M Bank, Guthrie
  - **Jerold Phillips**, COO, Citizens Bank, Ardmore

U.S. GDP growth grew 3.3% in Q2 following contraction in Q1 due to rebounds in next exports and consumption growth



Sources: BEA/Haver Analytics

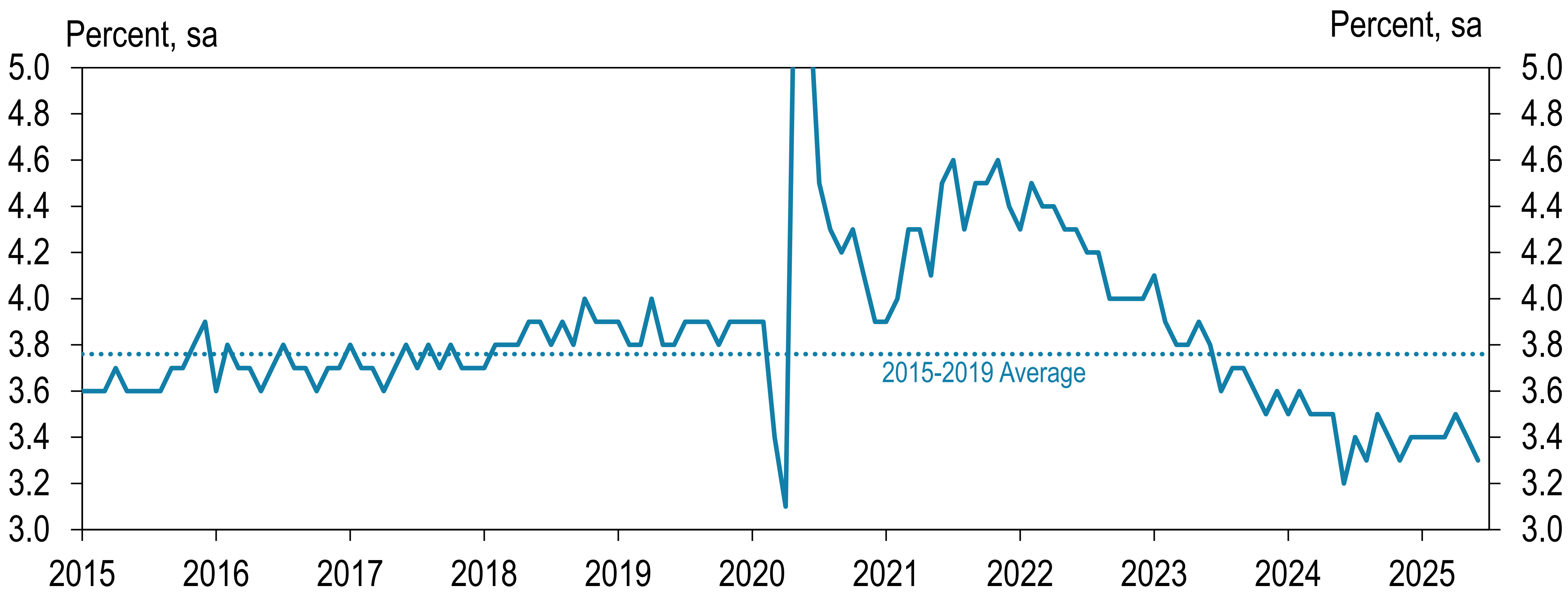
Inflation and unemployment have come closer to the Fed's targets in recent years, but there are upside risks to both



Sources: BEA, BLS, FRB/Haver Analytics

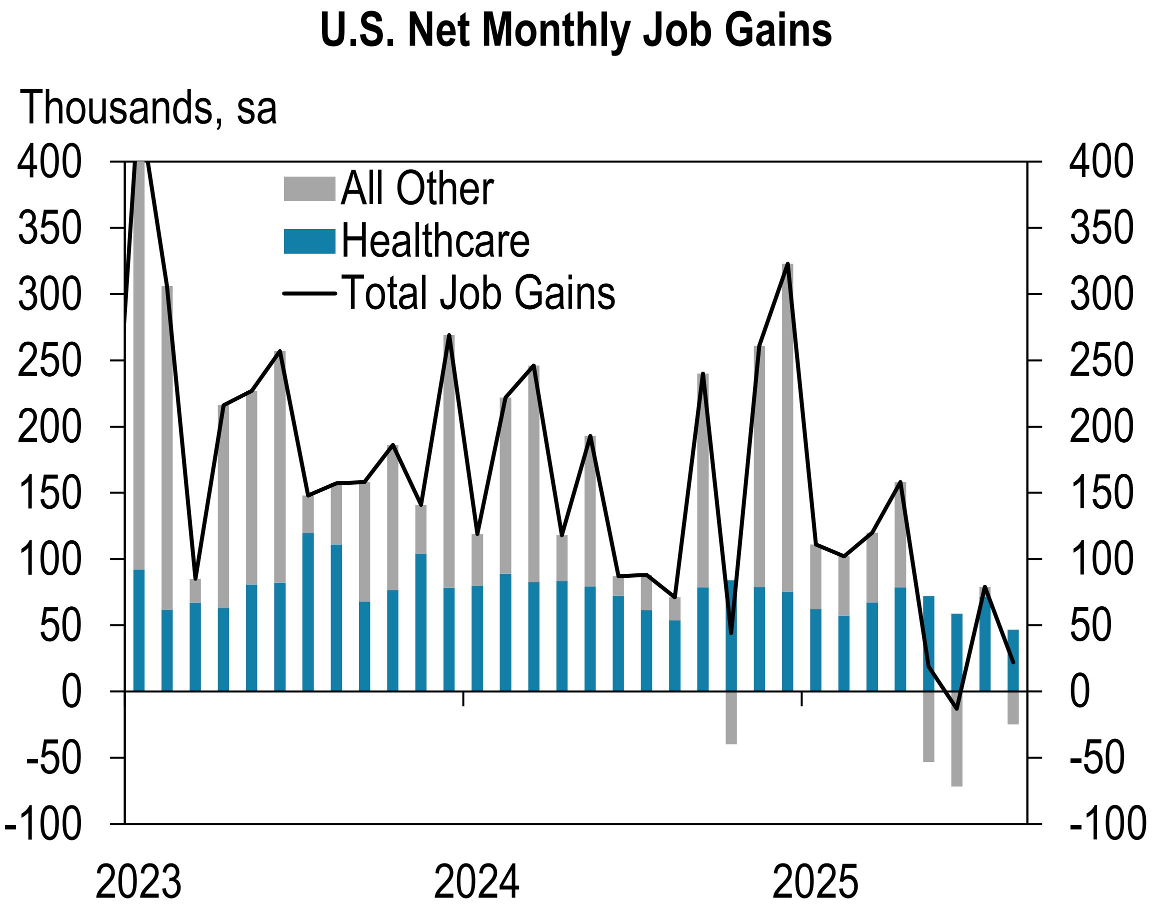
Hiring in the United States has stayed steadily below pre-pandemic levels over the last year.

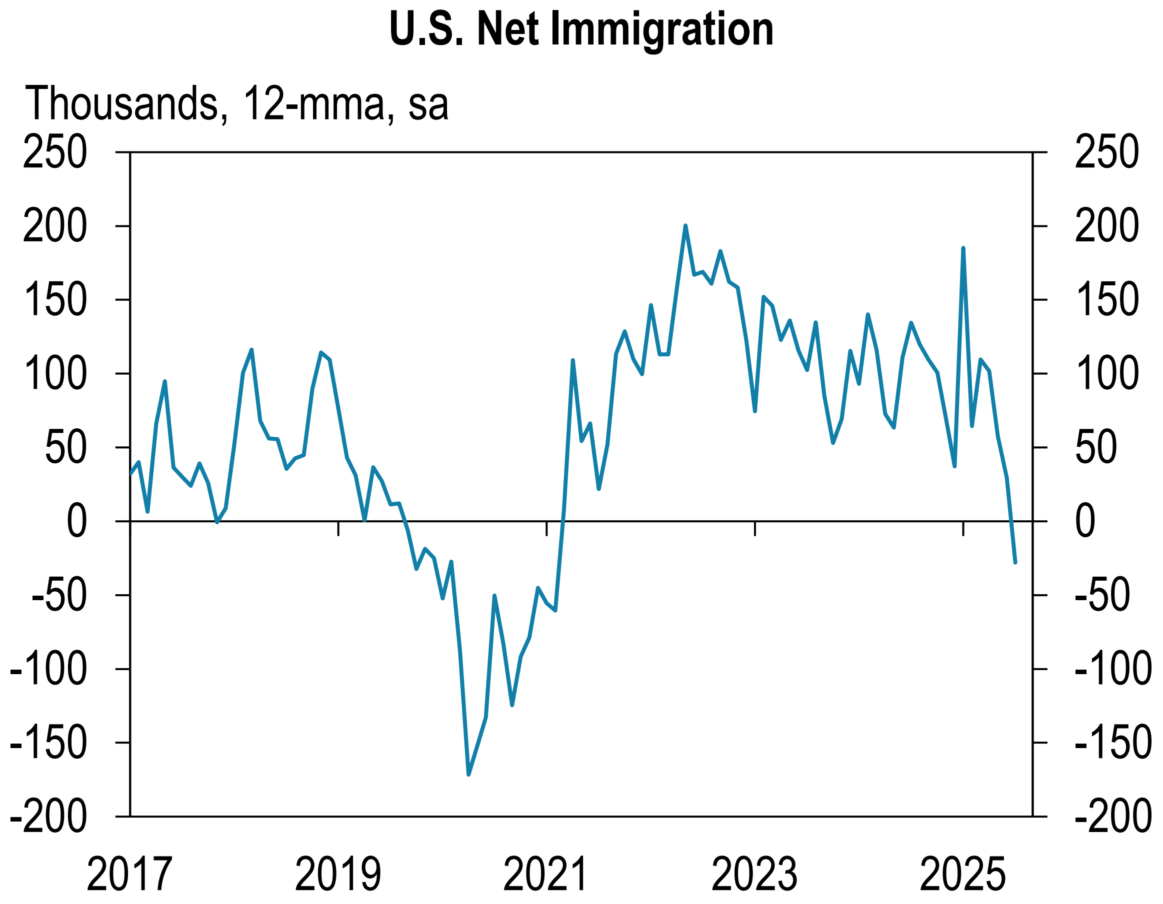
U.S. Hiring Rate



Sources: BLS, Atlanta Fed/Haver Analytics, Federal Reserve Bank of Kansas City

U.S. job gains have slowed in recent months and are largely concentrated in healthcare, partially due to less labor supply from immigration

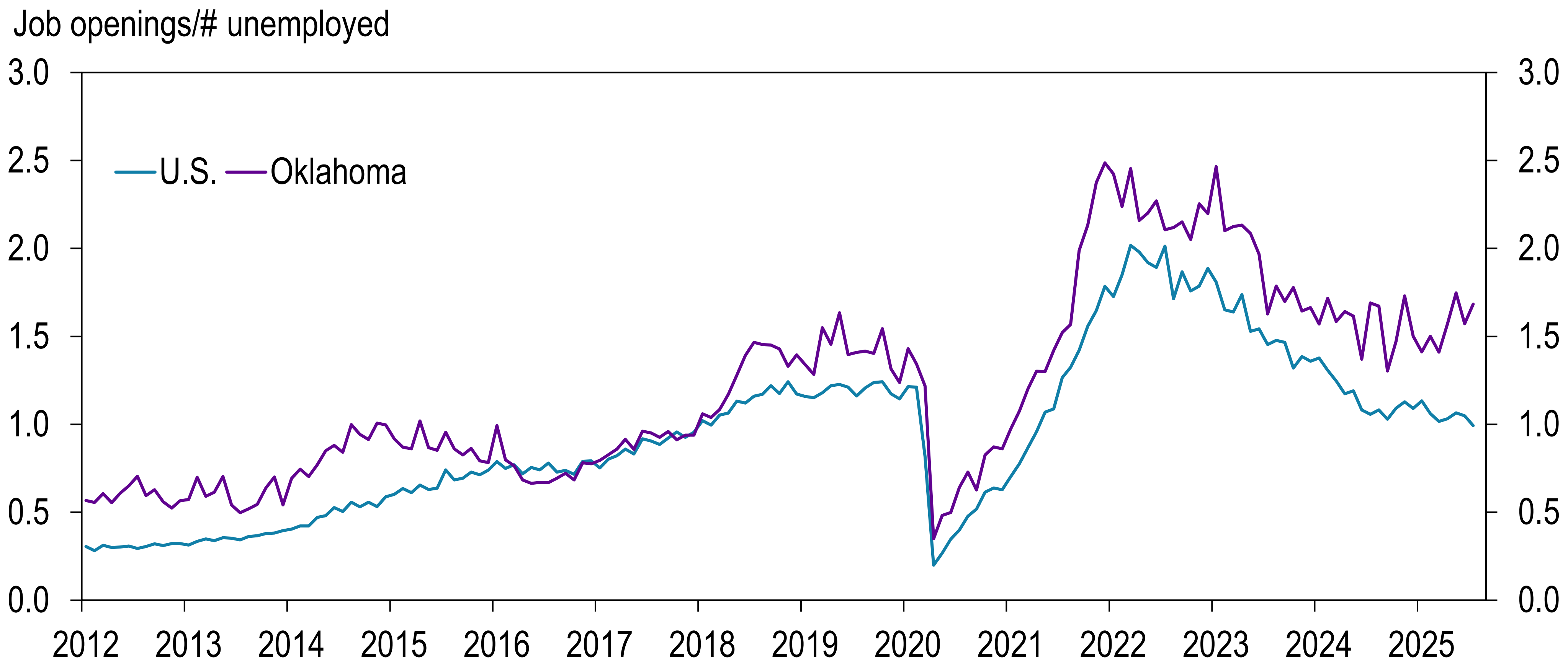




Sources: BLS/Haver Analytics, CPS, staff calculations

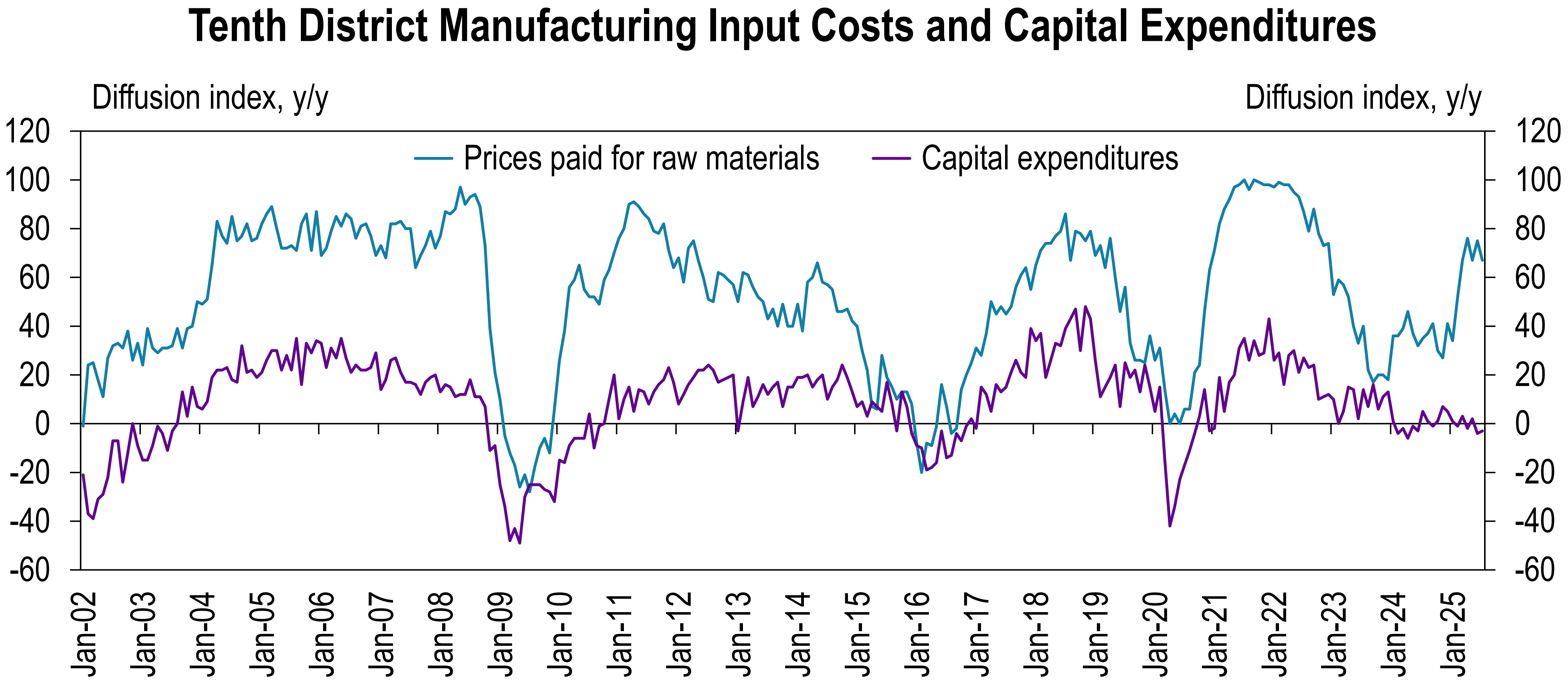
The labor market is balanced, but softening. Job openings still exceed unemployed workers in Oklahoma but have returned to near pre-pandemic levels

Job Openings/Unemployment Ratio



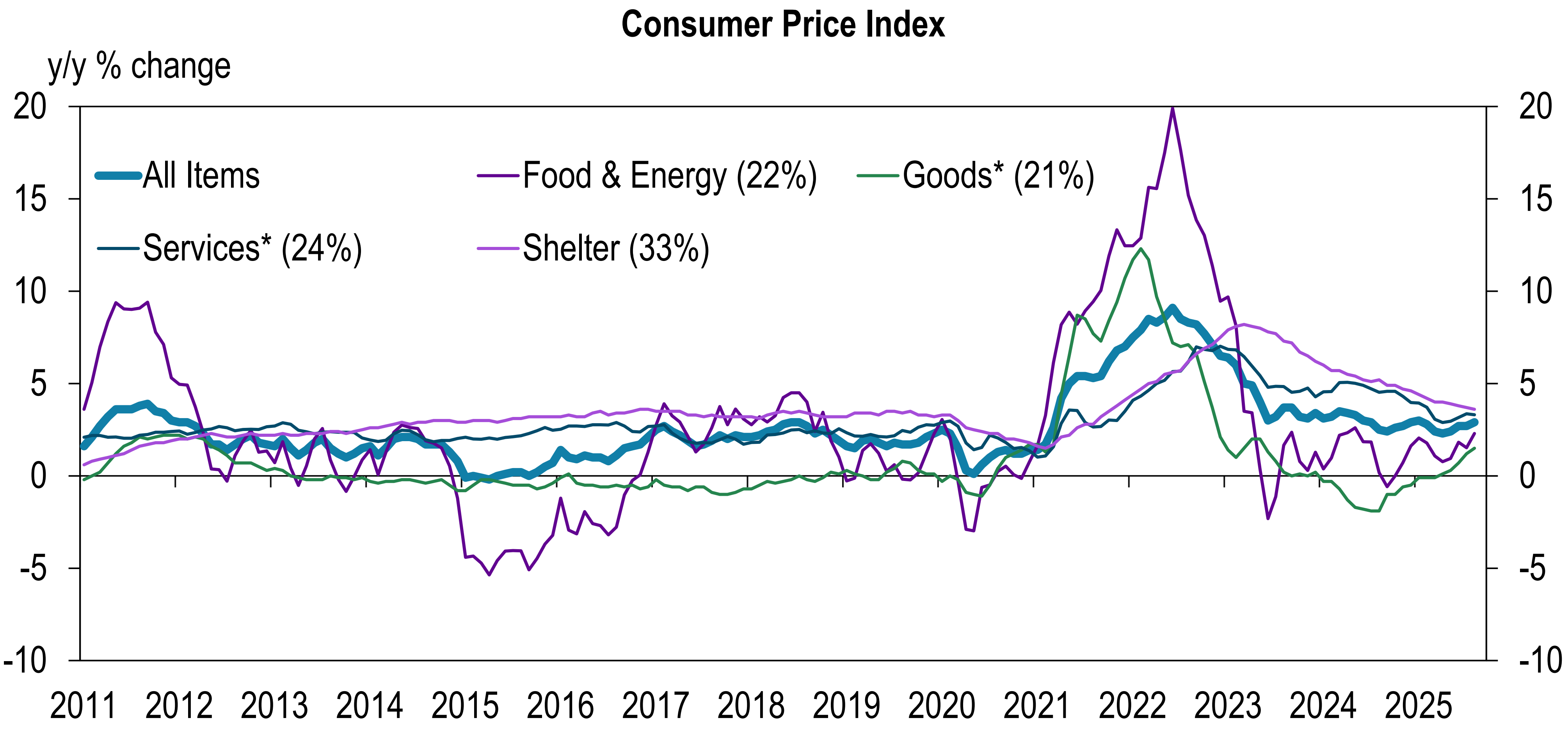
Source: U.S. Bureau of Labor Statistics/Haver Analytics

Capital expenditures, which typically move with input costs, have slowed.



Source: Federal Reserve Bank of Kansas City

CPI inflation ticked up to 2.9% in August, driven by increases in goods and energy prices

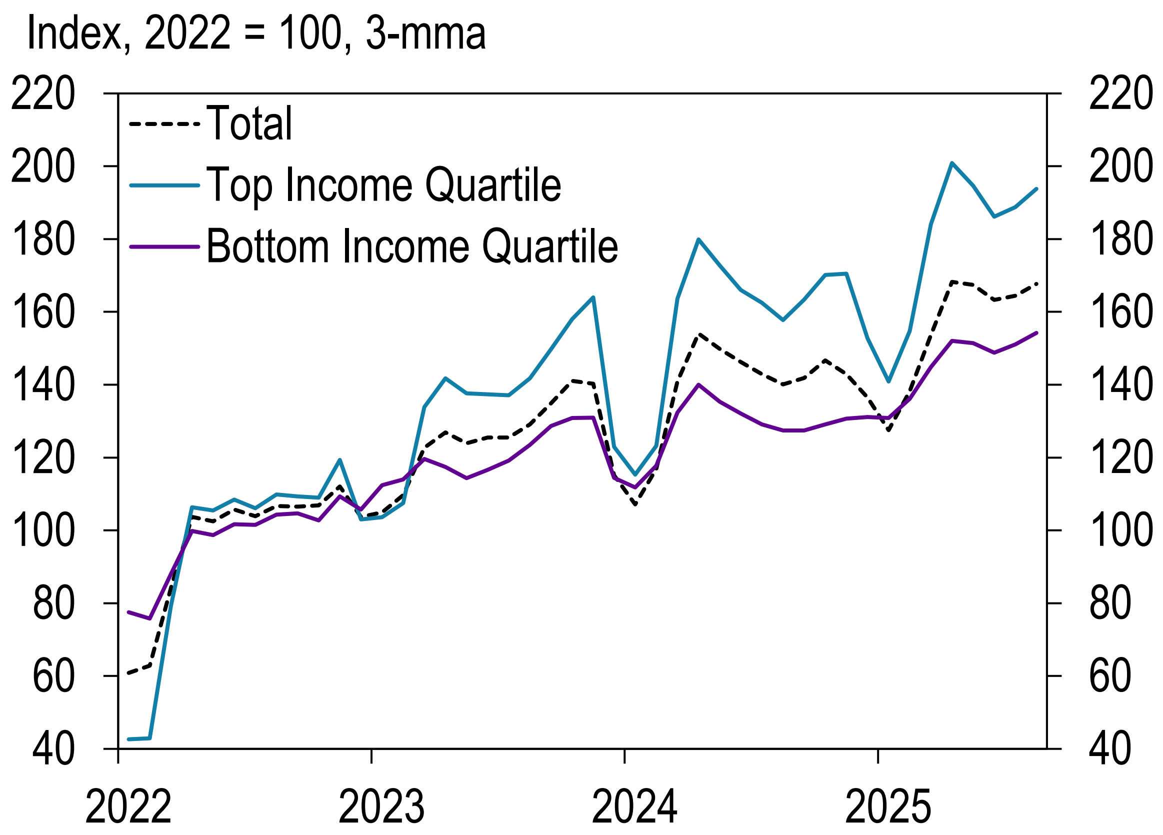


*Goods excluding Food; Services excluding Energy.
Note: Relative Importance as Share of CPI shown in parenthesis.

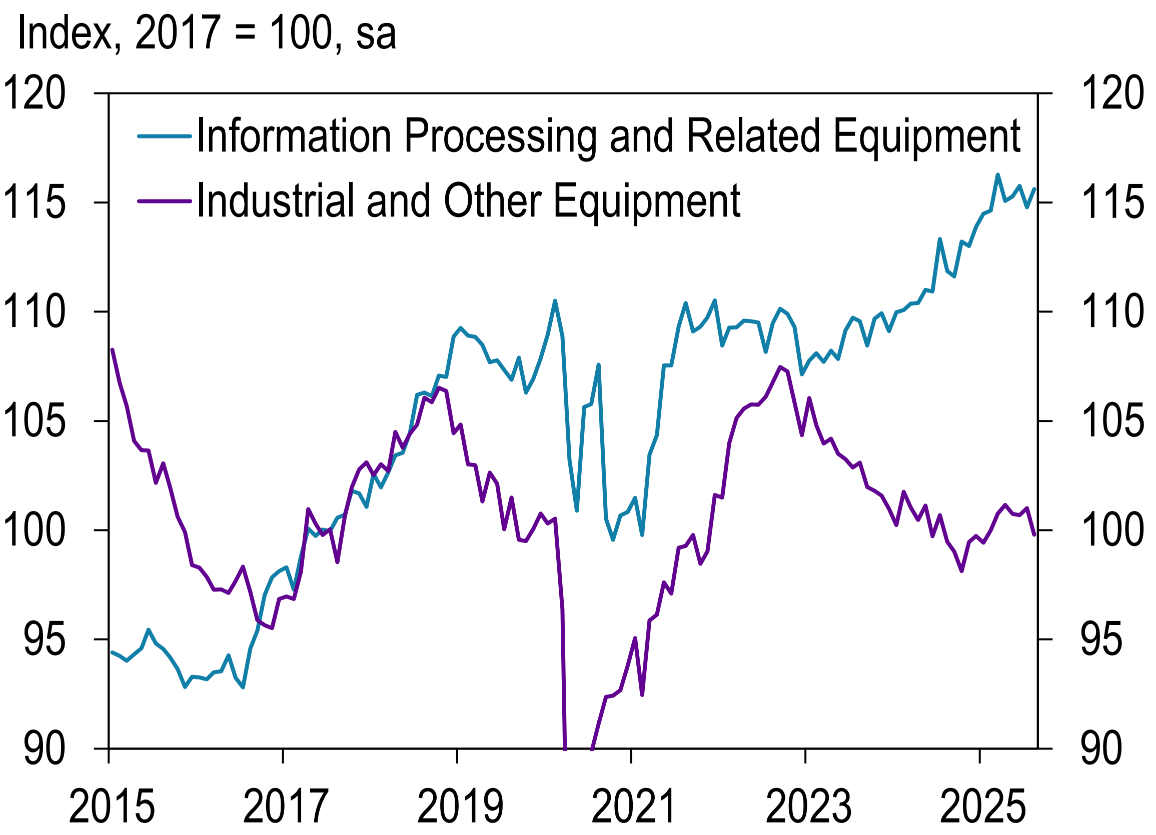
Sources: BLS/Haver Analytics

Current economic growth is supported by consumer spending from high earners and investment in tech-related sectors

U.S. Credit Card Consumer Spending by Income



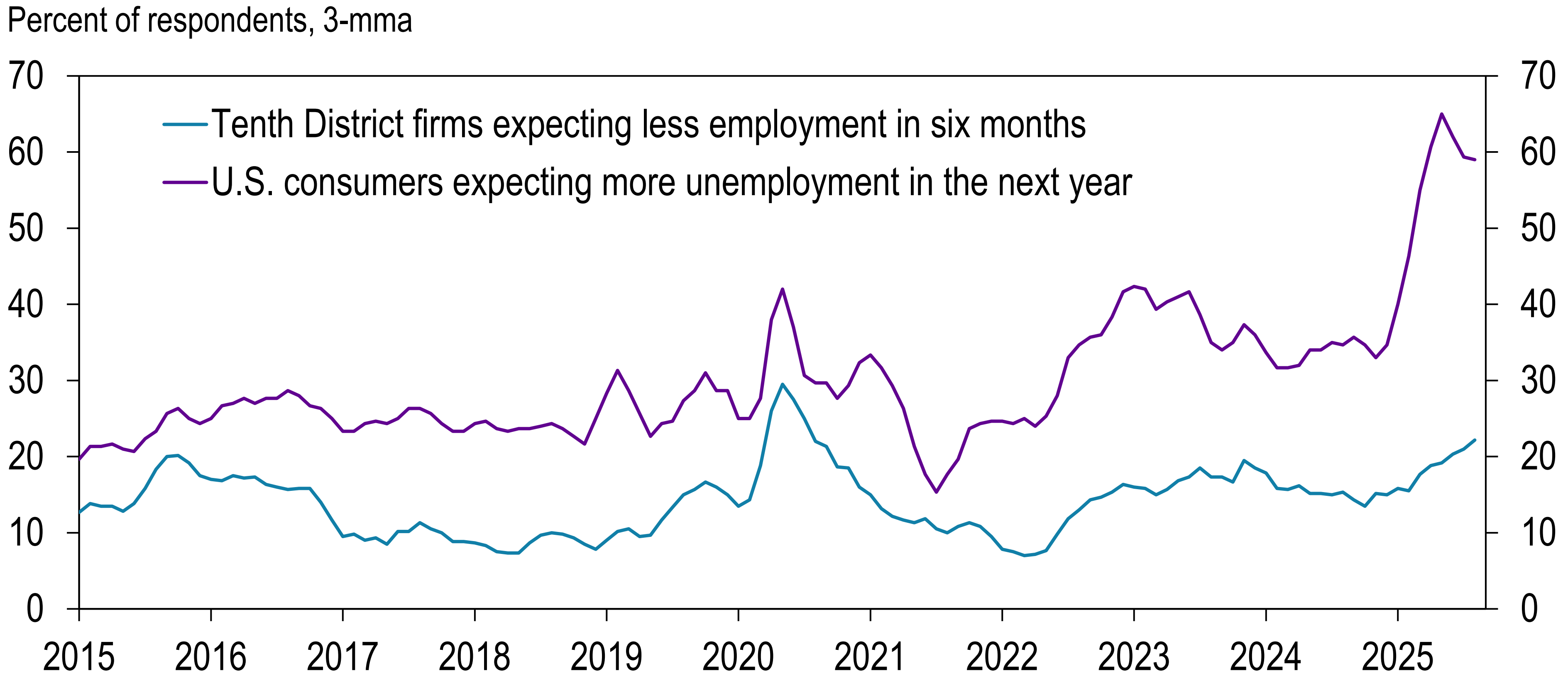
U.S. Industrial Production



Sources: Affinity Solutions/Opportunity Insights, Federal Reserve Board/Haver Analytics

A rising share of consumers and businesses alike expect a weaker labor market in the coming months

Firm and Consumer Labor Market Expectations

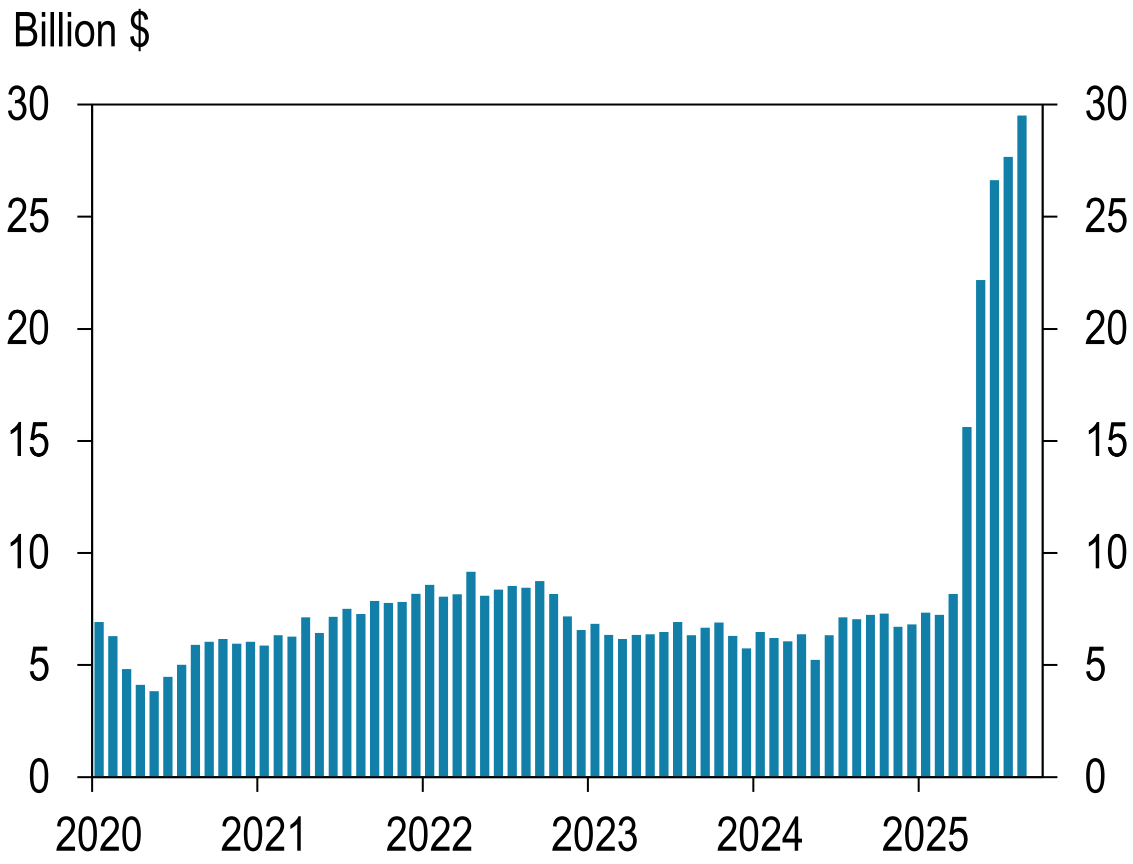


Note: The blue line averages results from manufacturing and services firms.

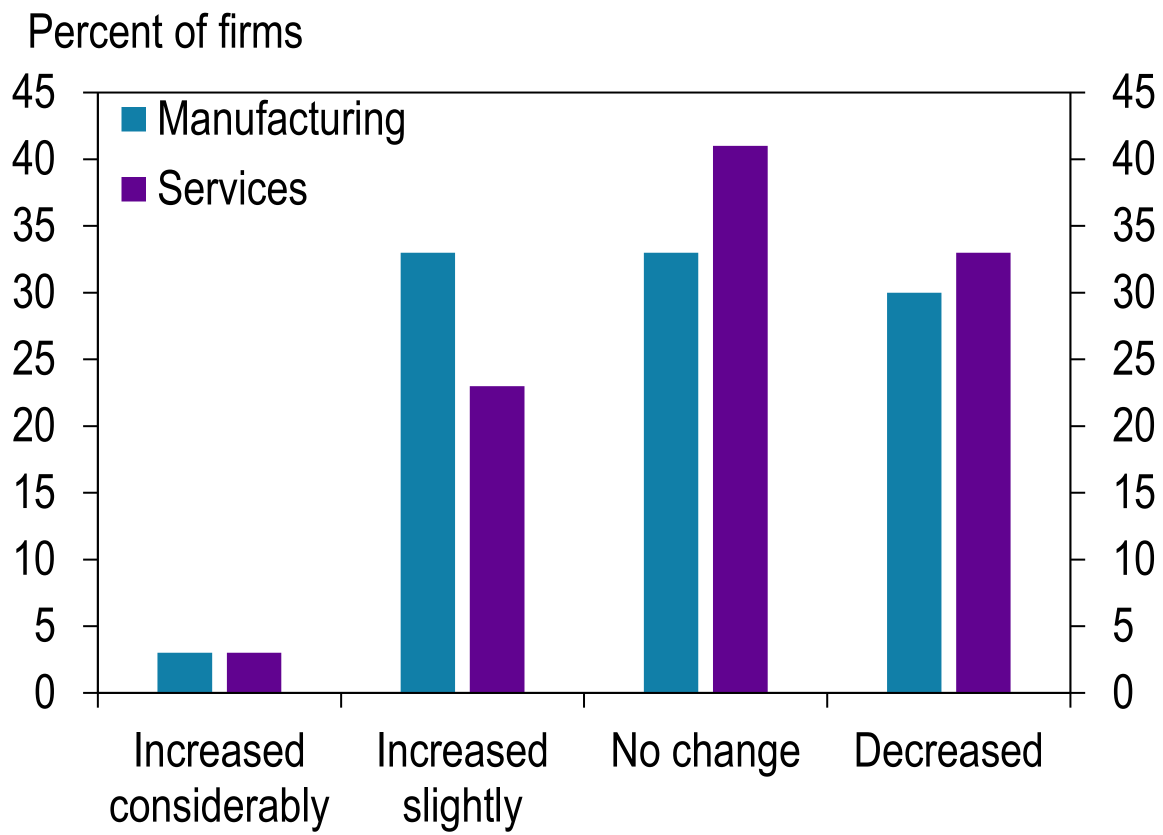
Sources: Federal Reserve Bank of Kansas City, University of Michigan/Haver Analytics

Someone is paying the tariffs, but their impact on consumer prices depends on the extent to which firms pass through cost increases

U.S. Customs Taxes Collected

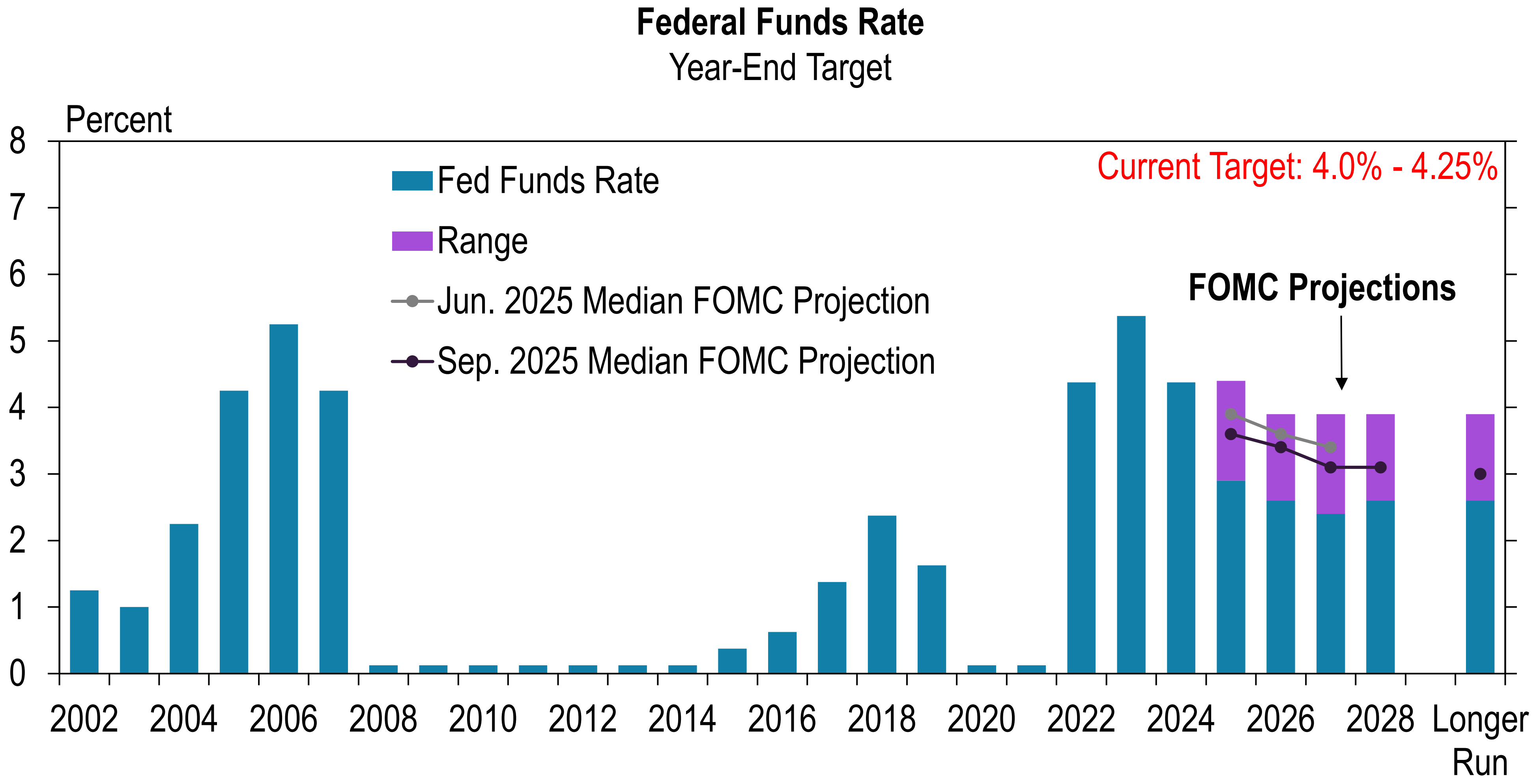


July-25: How has your firm's ability to pass through rising input prices changed in the last few months?



Sources: U.S. Treasury/Haver Analytics, Federal Reserve Bank of Kansas City

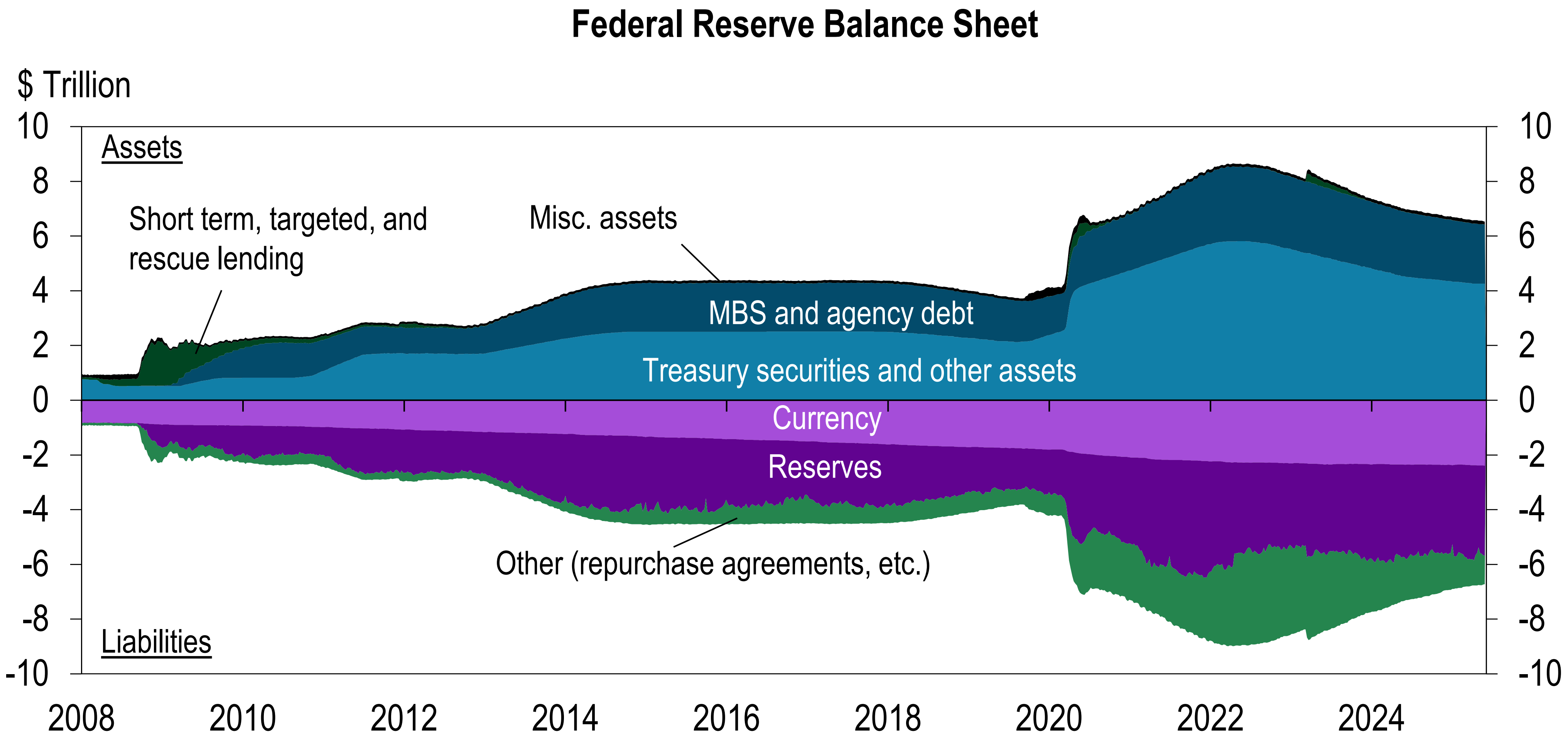
The Fed cut the federal funds rate by 25 basis points in September and lowered future projections



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

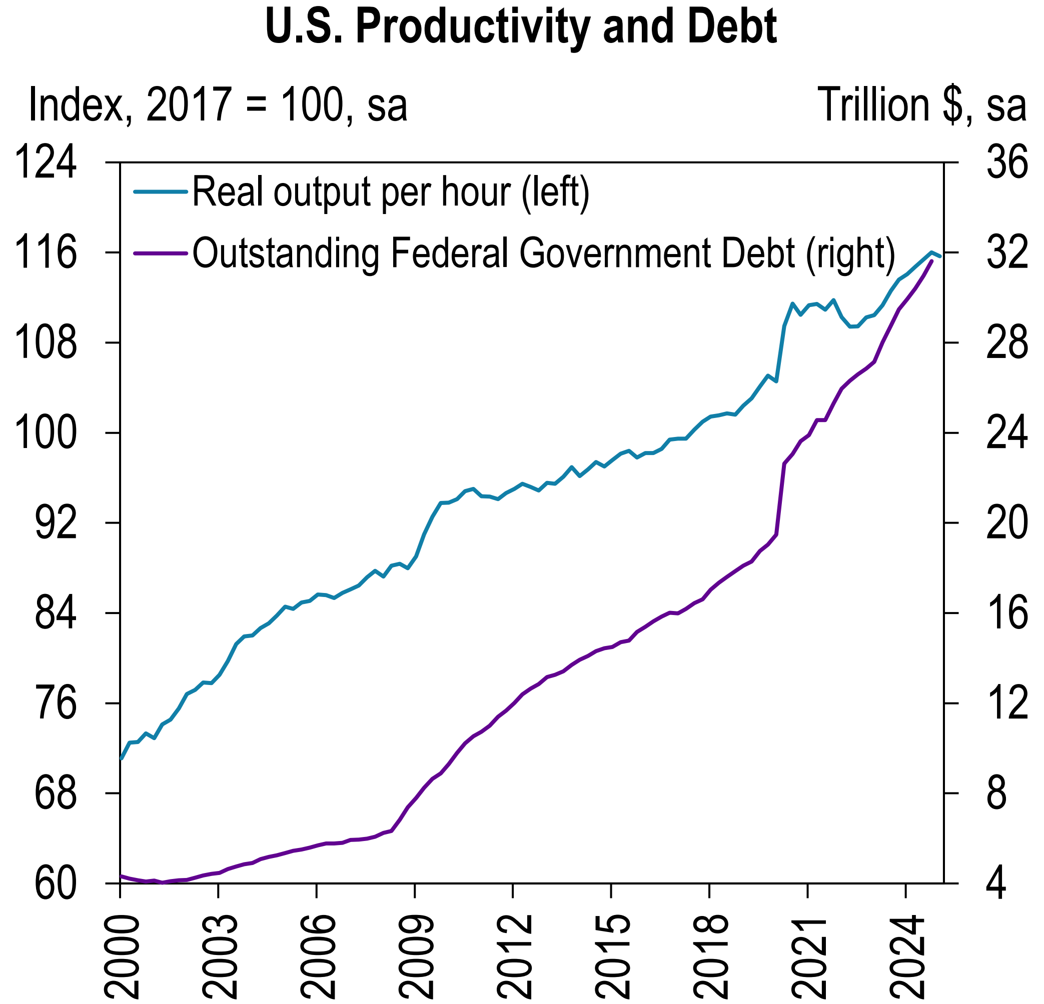
Sources: FOMC/Haver Analytics

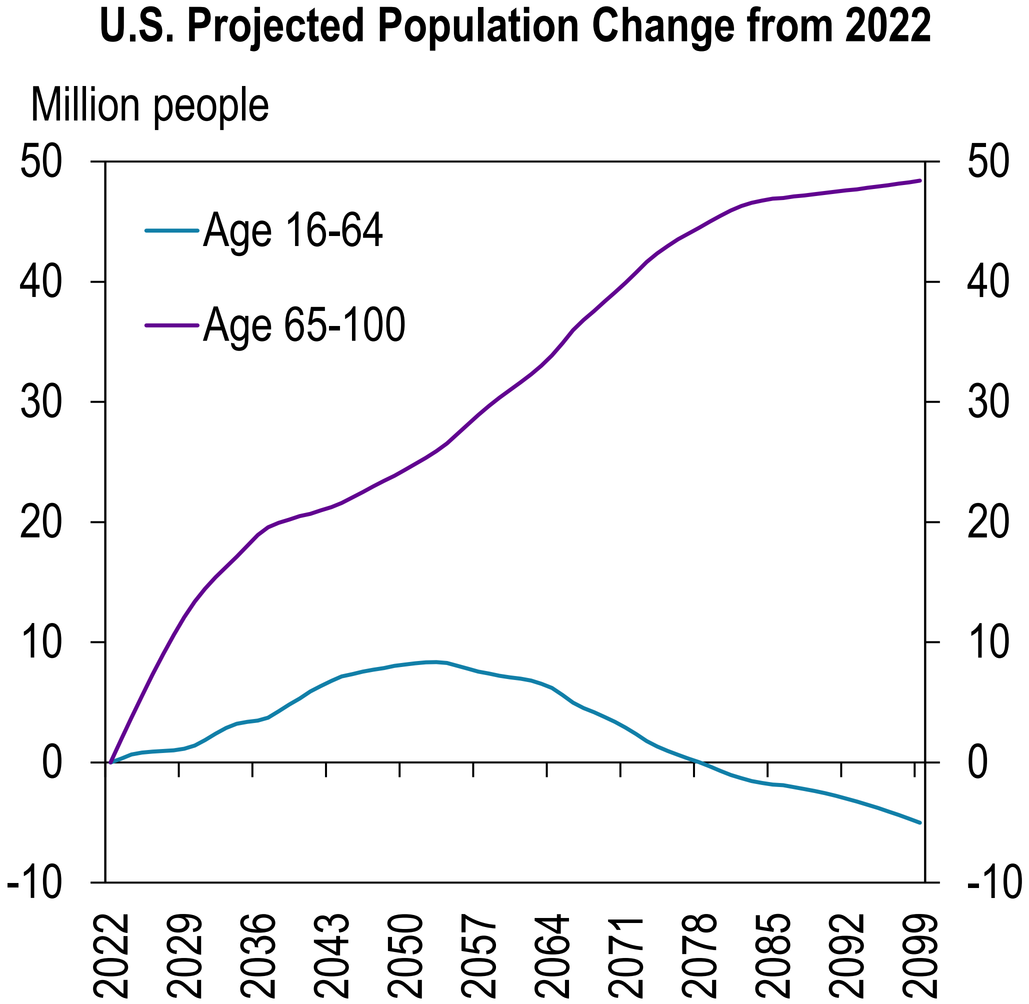
The Fed also continues to reduce its balance sheet of high-quality securities, but began further slowing the pace of reduction for Treasuries in April



Source: Federal Reserve Board

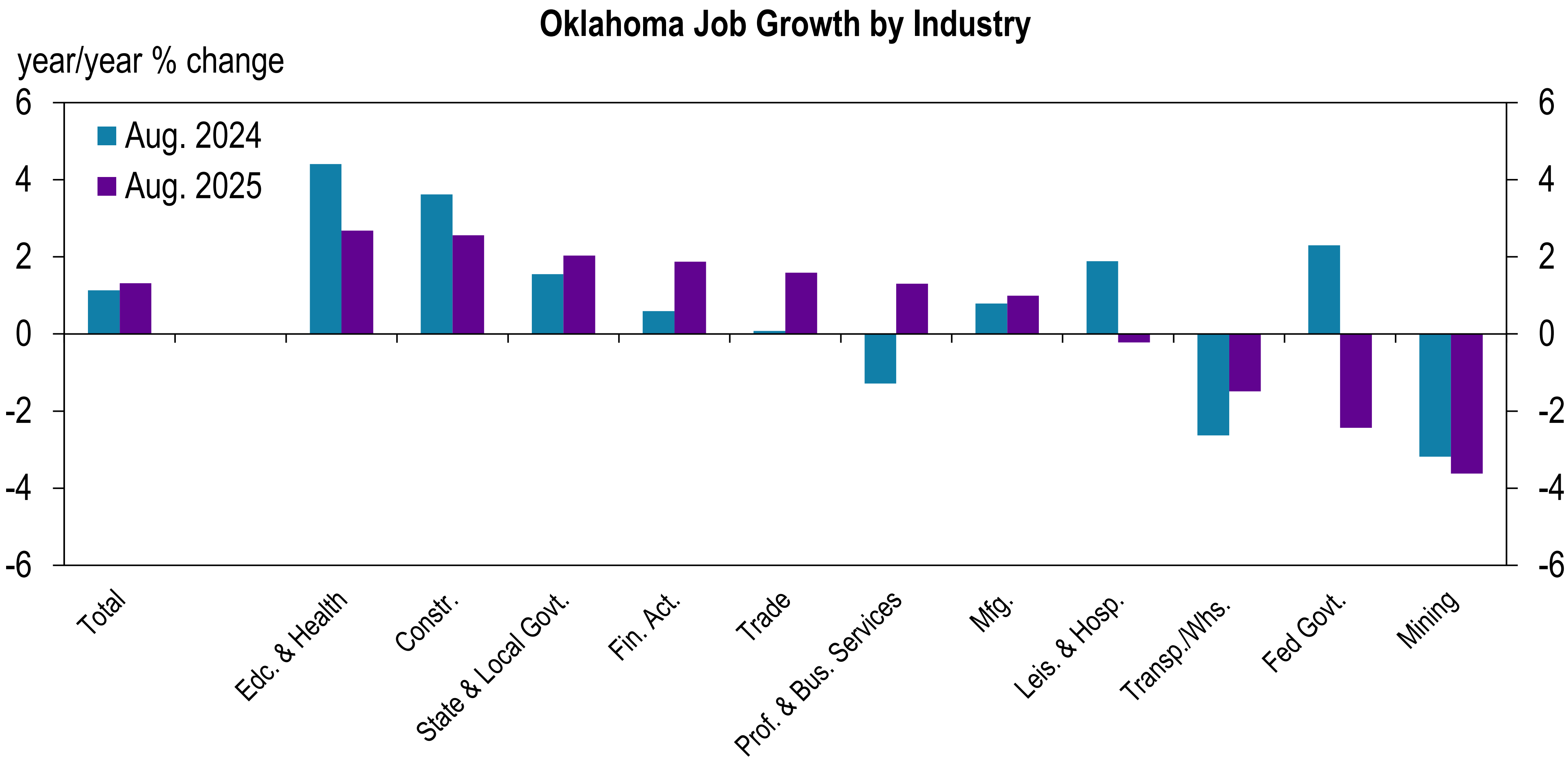
Long-term, productivity and government debt could push interest rates higher, but demographic trends could push them lower





Source: U.S. Bureau of Labor Statistics, Federal Reserve Board, Census Bureau/Haver Analytics

Oklahoma has added jobs over the past year, largely in the healthcare, construction, retail, and professional services sectors

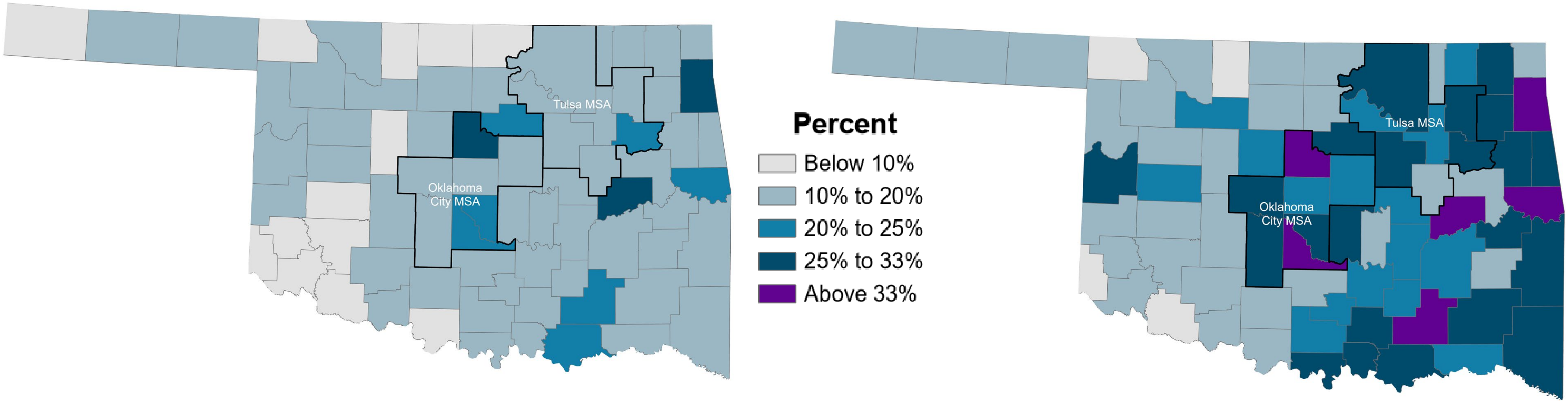


Sources: U.S. Bureau of Labor Statistics/Haver Analytics

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

First-Time Homeownership Costs as a Share of Household Income

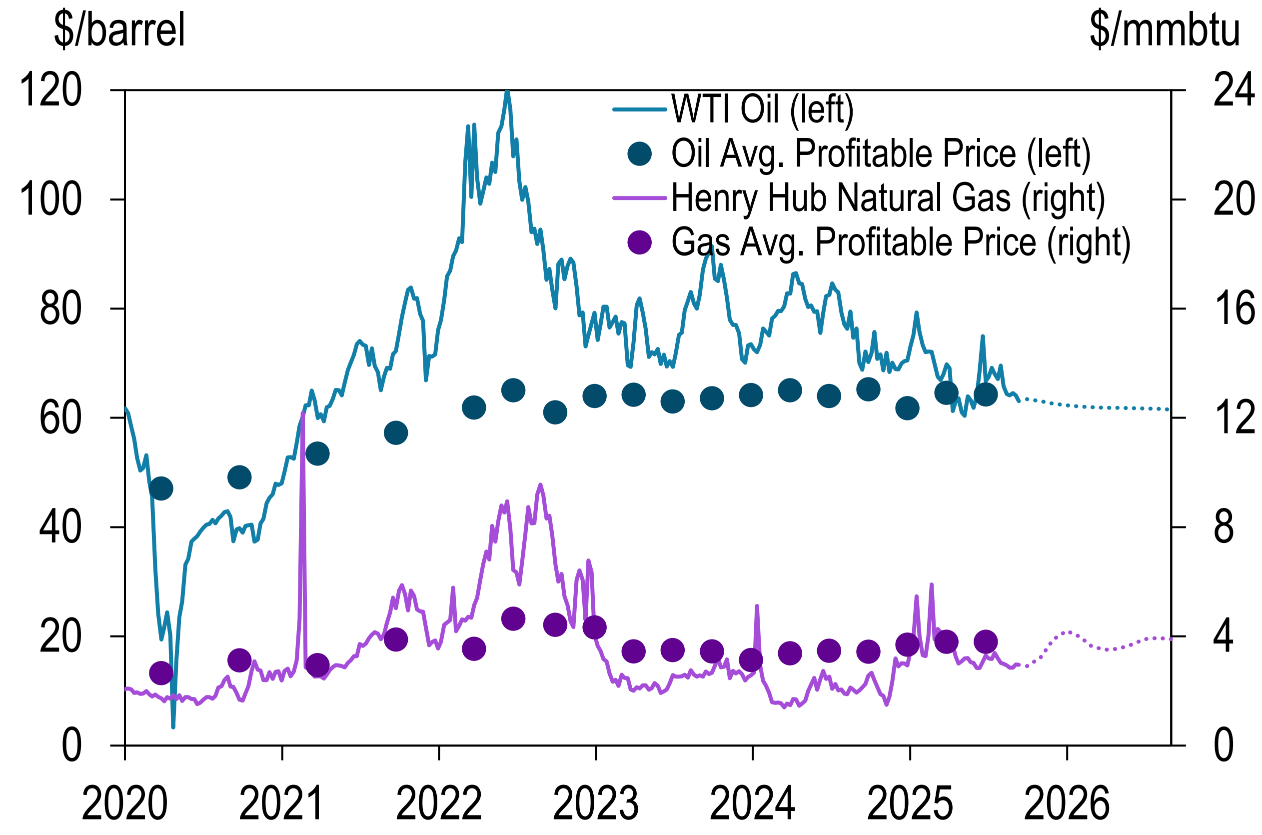
2018-2019 **2024**



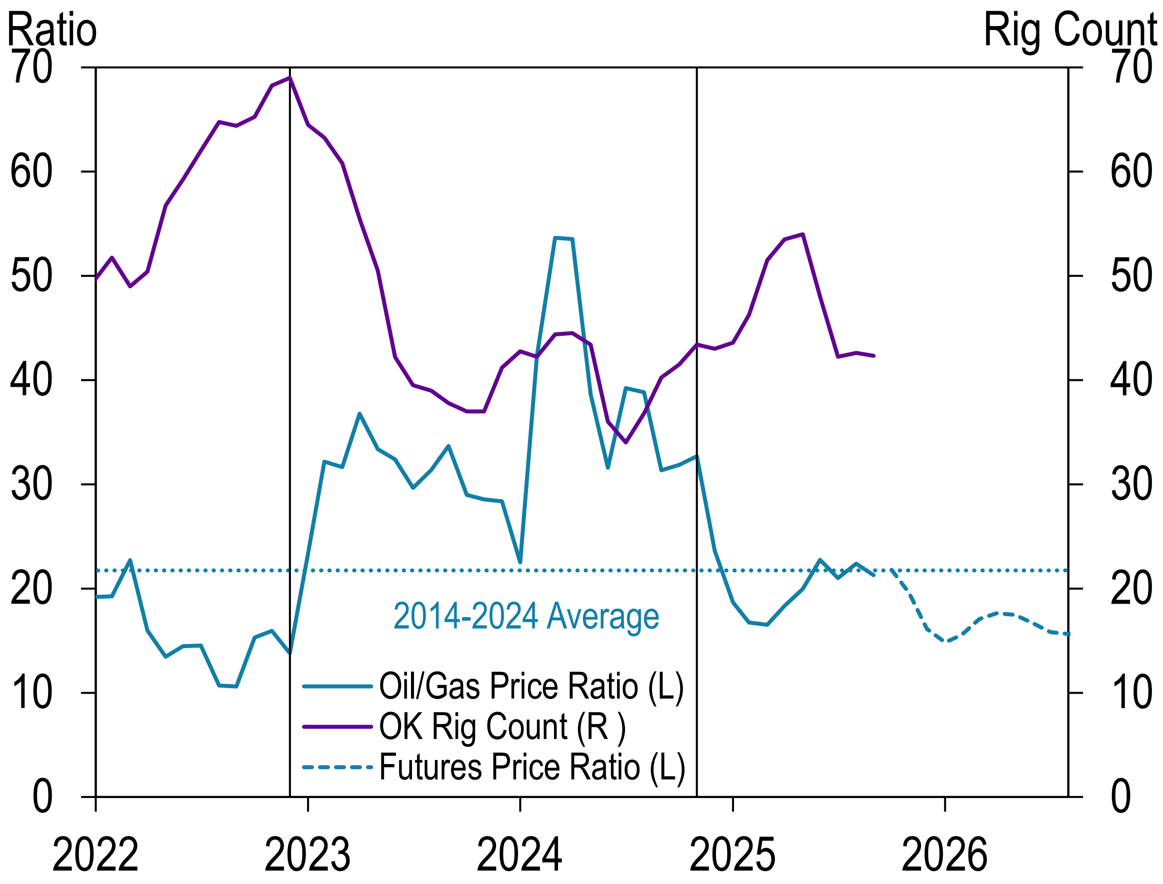
Notes: Costs include mortgage payment, insurance, and maintenance. 2024 data through October.
Sources: Zillow, BLS, U.S. Census Bureau (IPUMS NHGIS), WSJ (Haver Analytics), staff calculations

Drilling activity increased in Oklahoma in H1 2025 as gas price rose relative to oil, but has cooled more recently as this trend reversed

U.S. Energy Prices



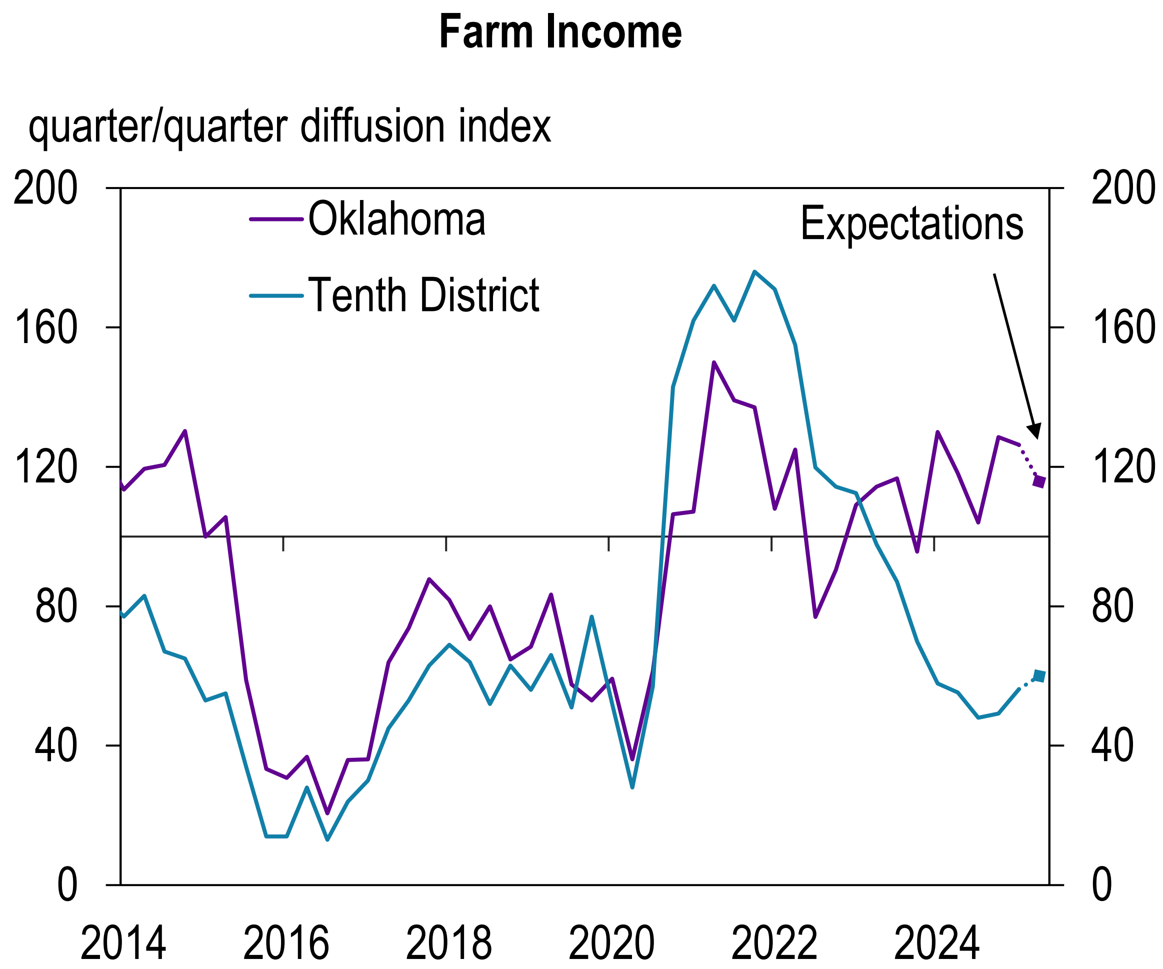
Oil & Gas Price Ratio and Oklahoma Rig Count

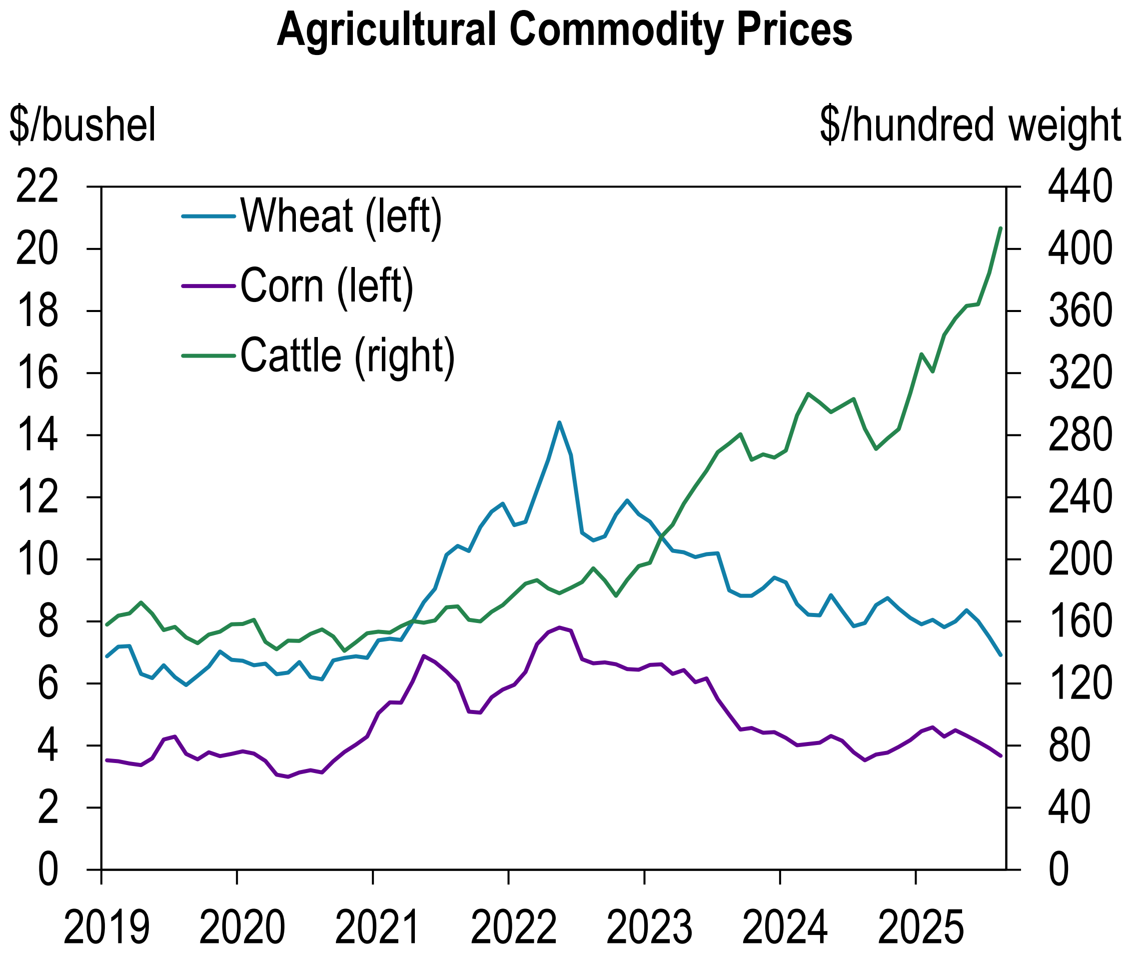


Note: Dashed lines show NYM futures prices.

Source: Baker Hughes, EIA/Haver Analytics

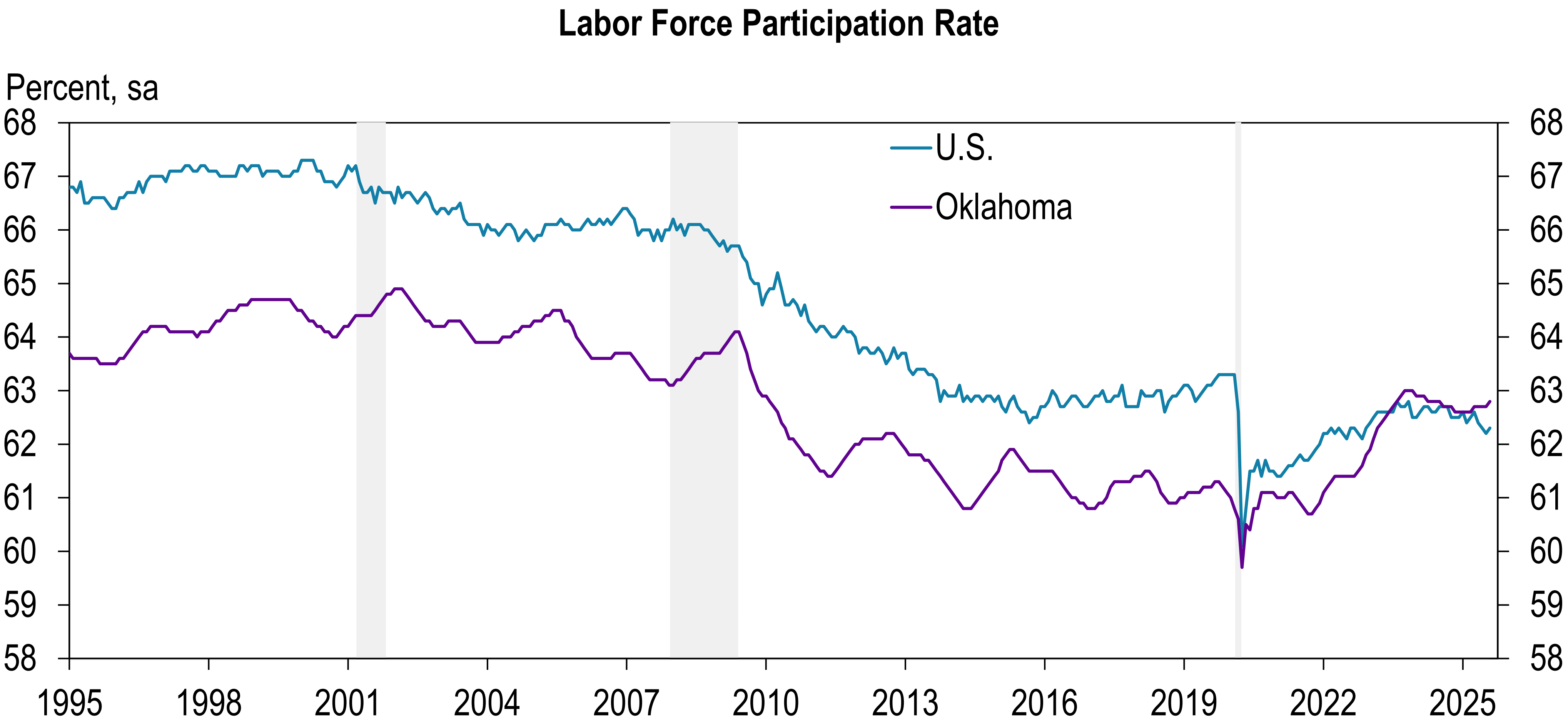
Oklahoma farm income grew in Q1 while it declined in other District states, partially due to higher cattle prices





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

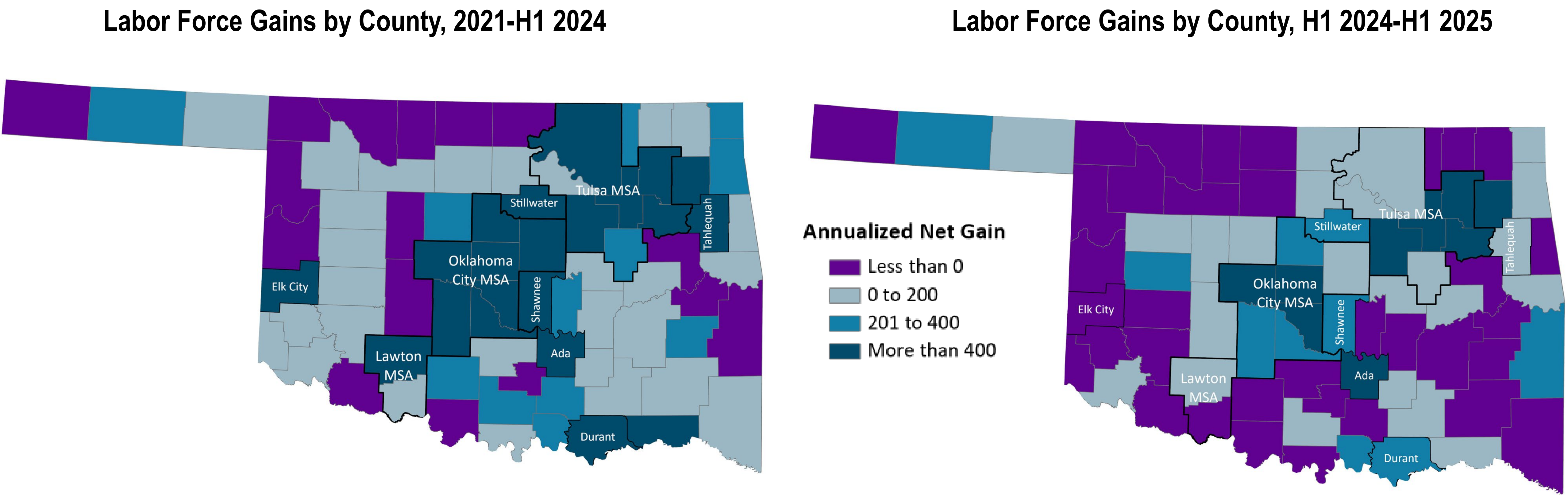
Oklahoma’s labor force participation rate has been higher than the U.S. since June 2023



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



Sources: BLS, CPS, staff calculations

Summary

- U.S. economic growth remains solid, but is concentrated in certain sectors and segments of the population
- The labor market is balanced, but softening, as labor supply and demand fall together. Unemployment is up slightly but remains near long-term averages.
- Inflation has come closer to the Fed’s target, but goods inflation is rising
- Oklahoma job growth is solid but leveling off, 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

Questions?

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