

Oil & Gas Market Update

OSU Oil & Gas Accounting Conference

November 21, 2025

Cortney Cowley

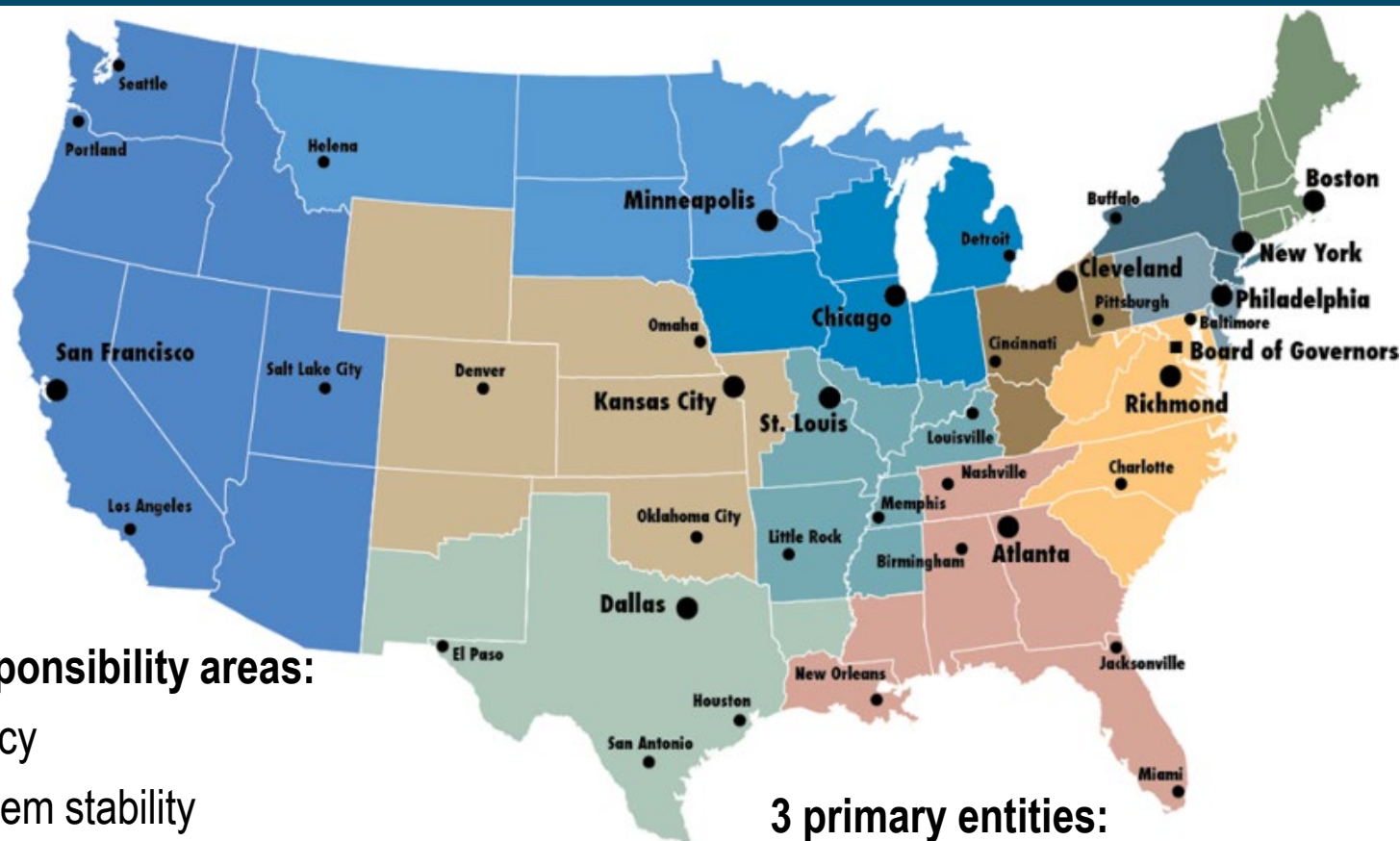
AVP & Oklahoma City Branch Executive

*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.



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**

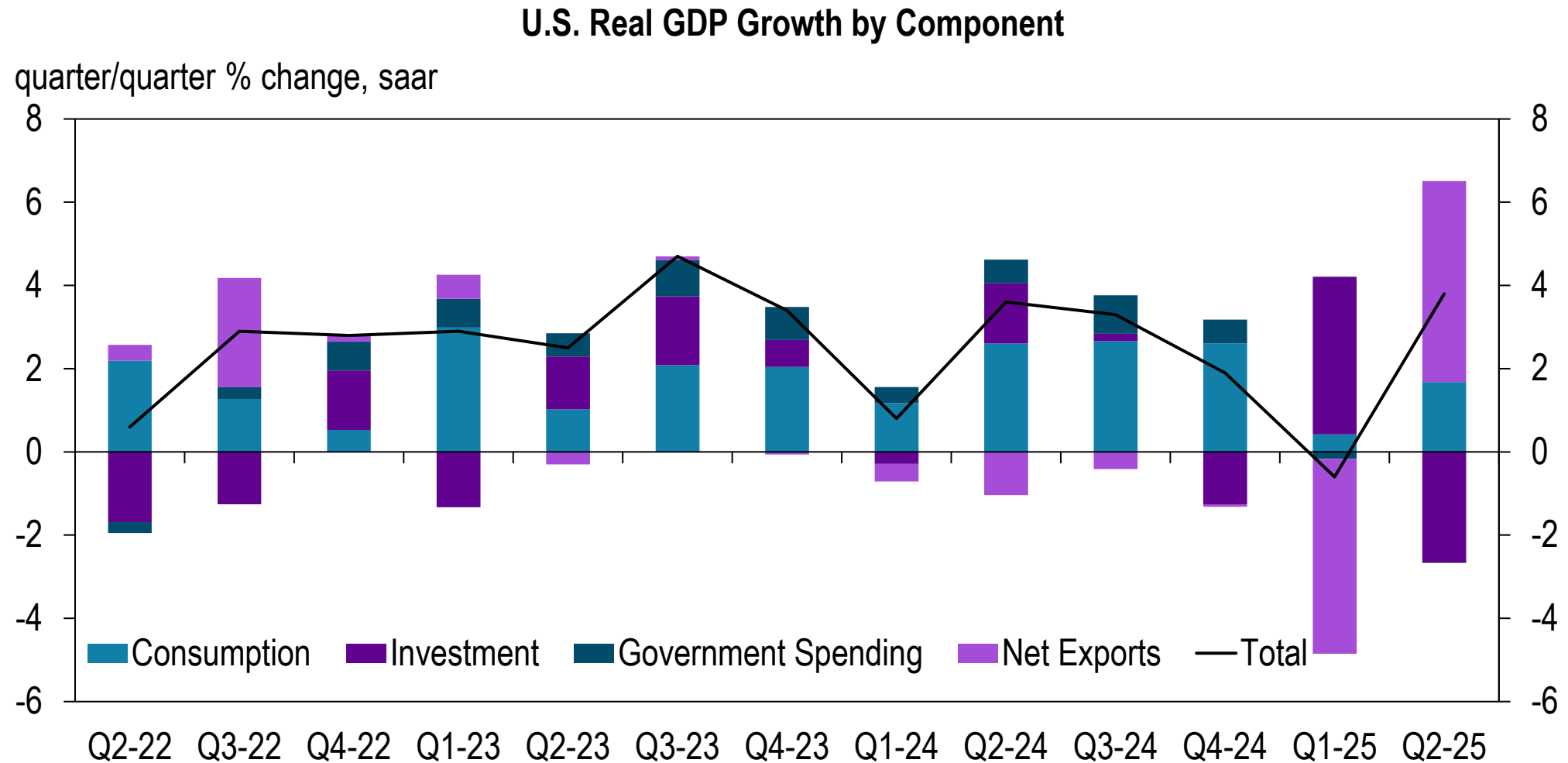
- Research on U.S. and Oklahoma economies; energy sector and business survey focus
- Examinations of Oklahoma financial institutions (~45 banks, ~175 holding cos.)
- Risk analysis and IT development for bank exams; exam assistance for other Fed offices
- Community development and economic education programming 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

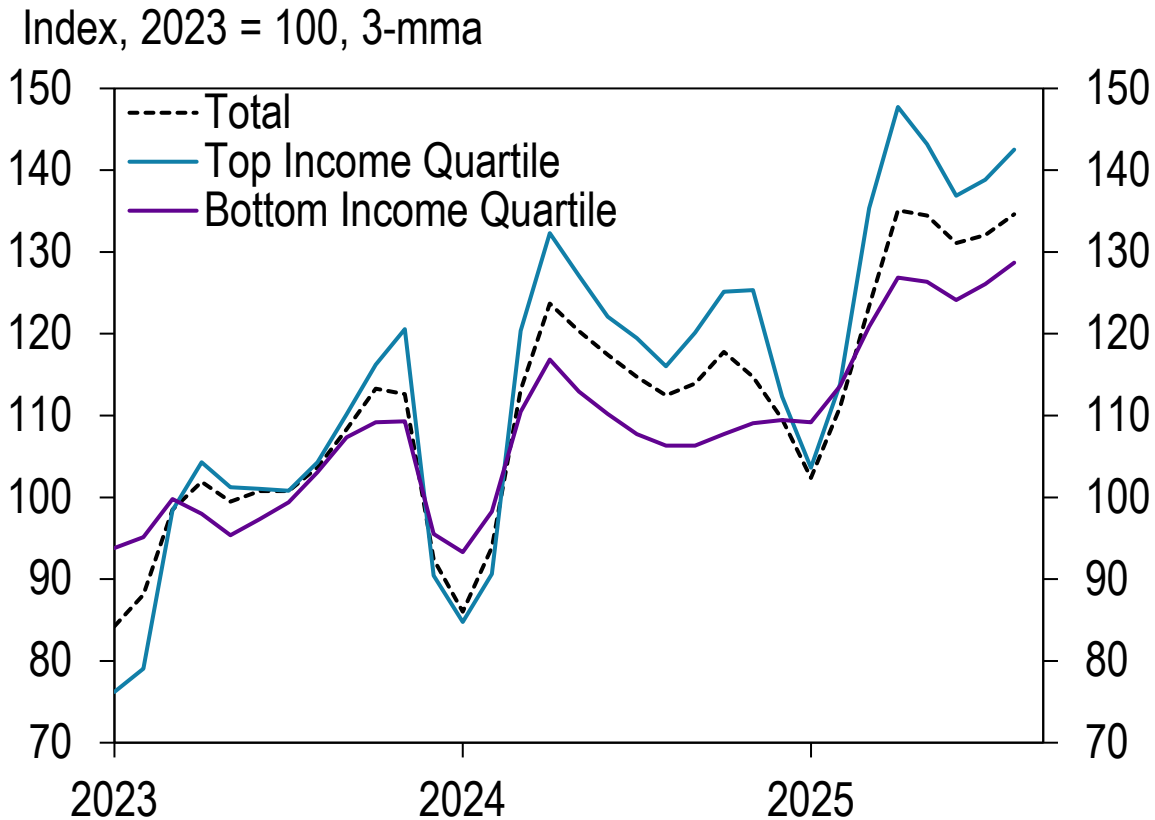


U.S. GDP growth grew 3.8% in Q2 following contraction in Q1 due to rebounds in next exports and consumption growth

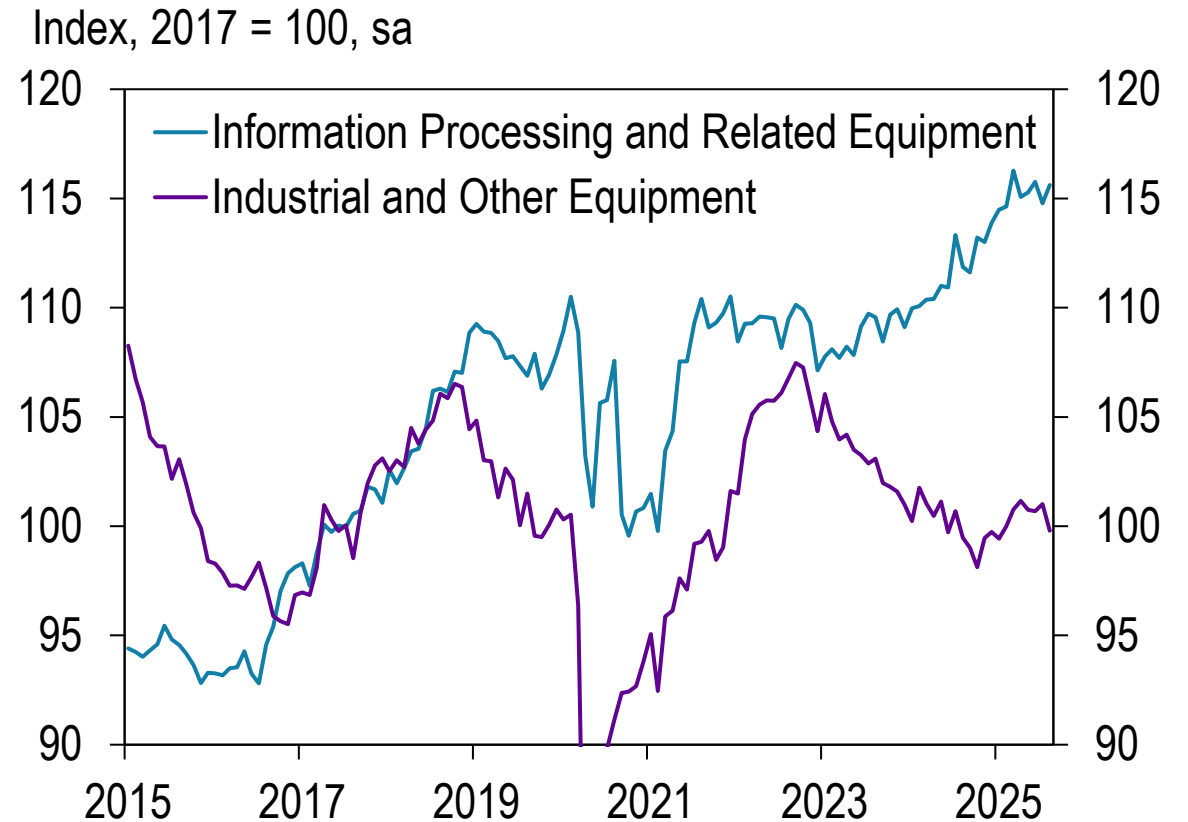


Current economic growth is supported by consumer spending from high earners and investment in tech-related sectors

U.S. Credit Card Consumer Spending by Income

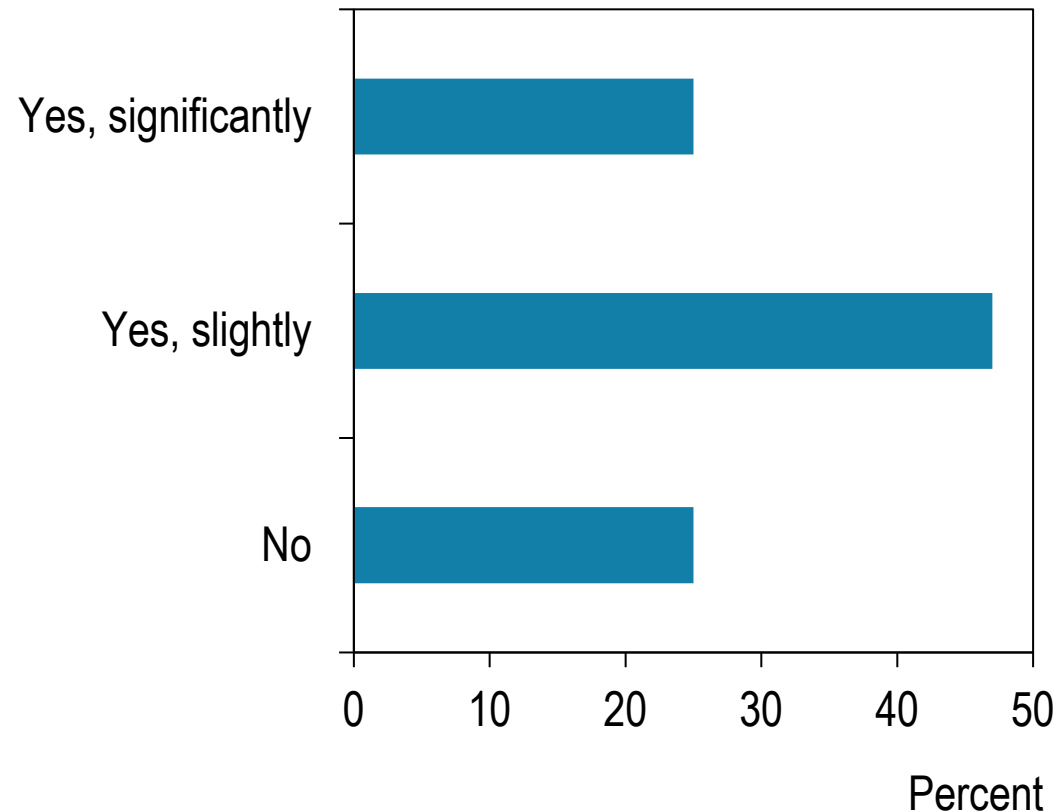


U.S. Industrial Production

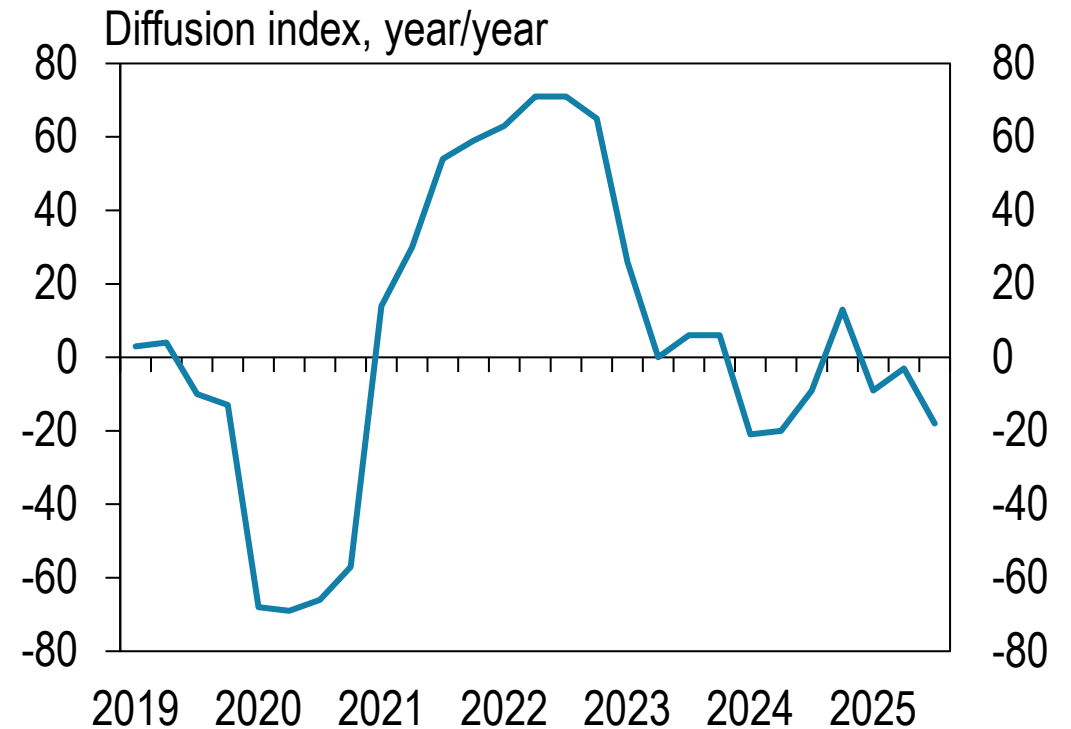


Investment in the energy sector has slowed this year.

Energy Firms That Delayed Investment Decisions This Year in Response to Heightened Uncertainty

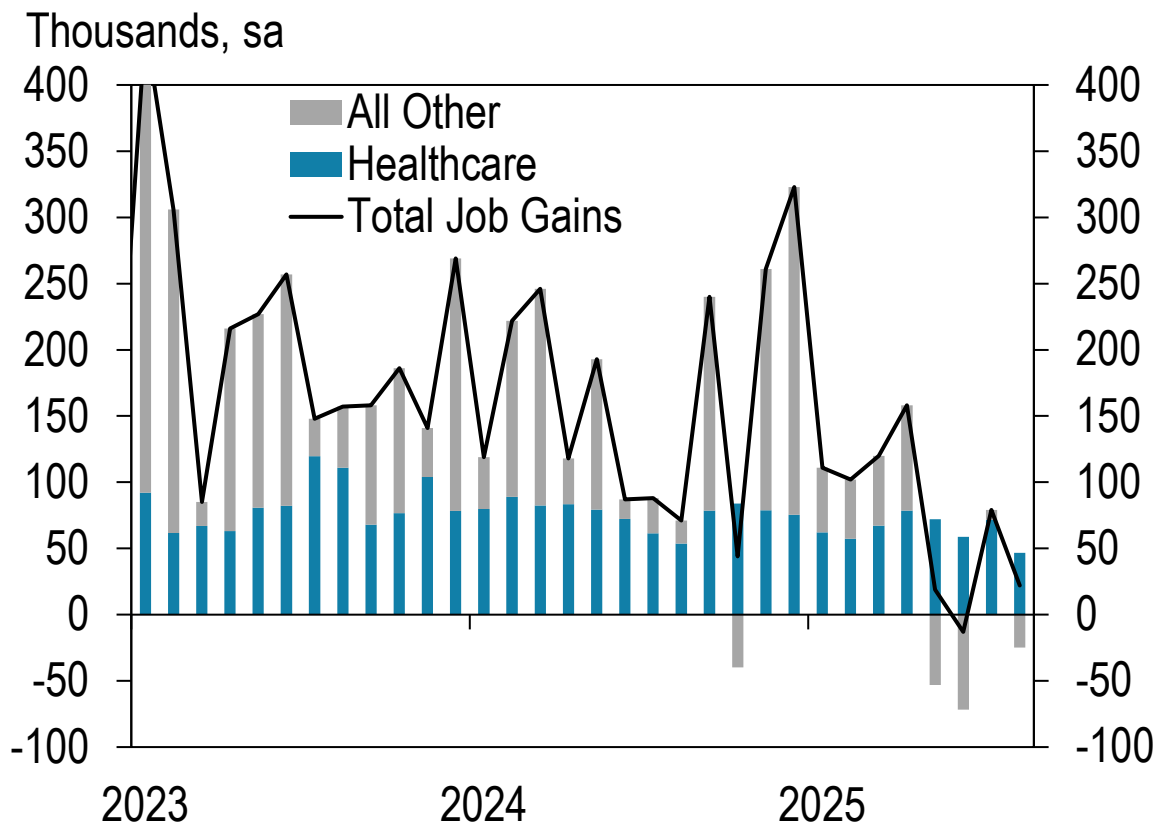


Capital Expenditures at Energy Firms in the Tenth District

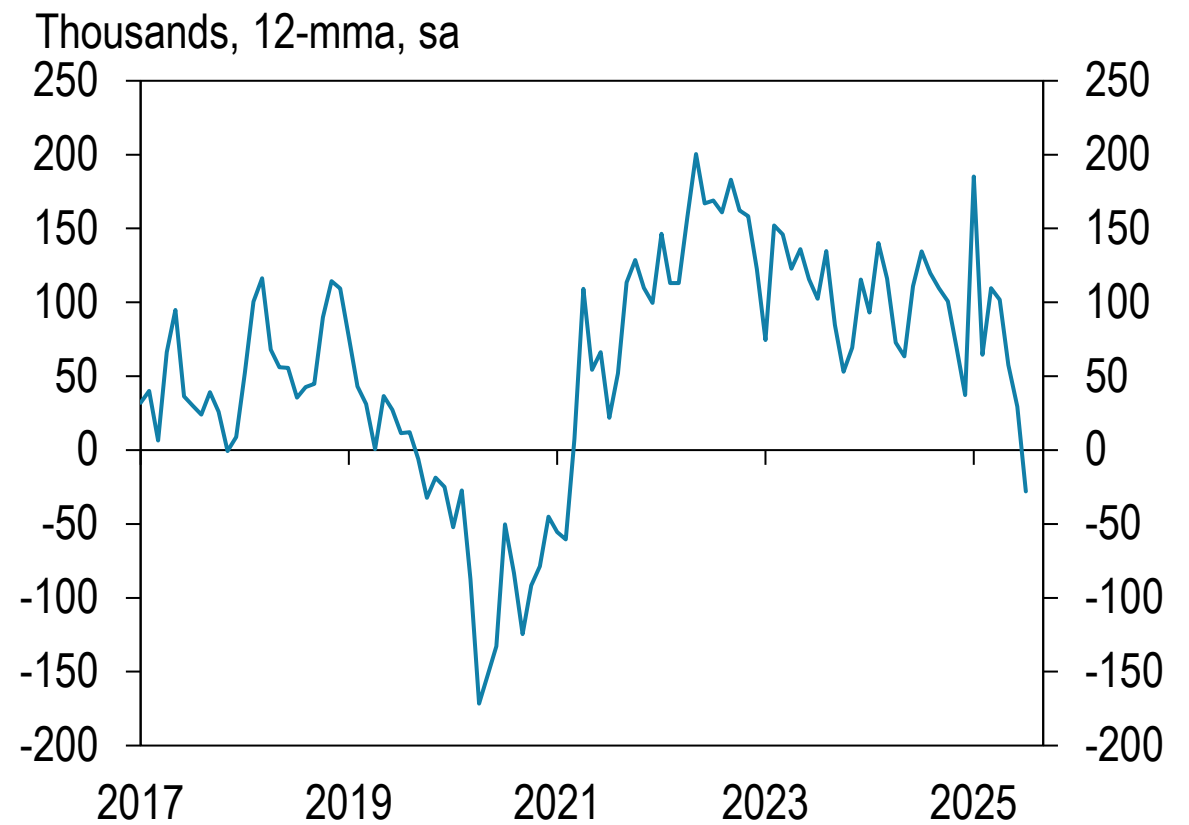


U.S. job gains have slowed in recent months and are largely concentrated in healthcare, partially due to reduced labor supply from immigration

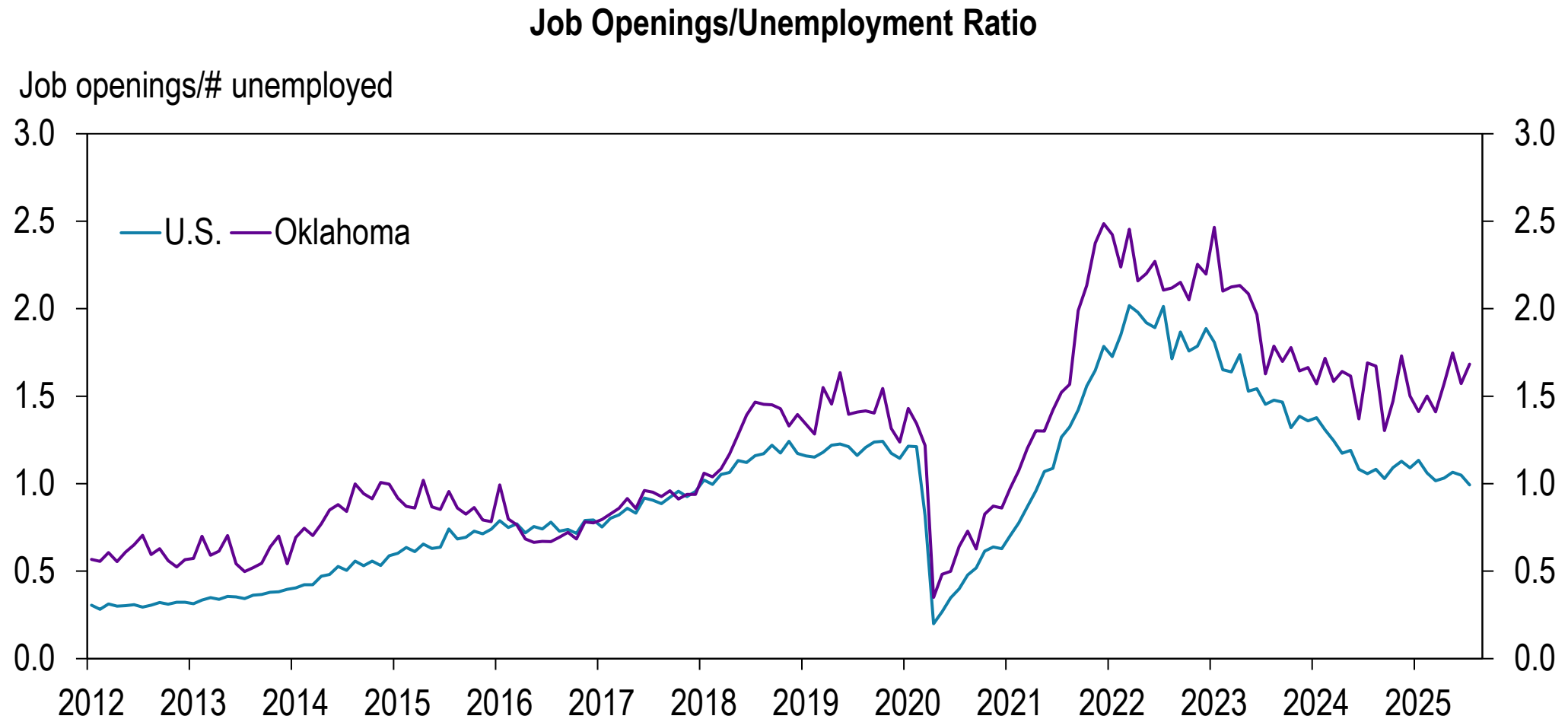
U.S. Net Monthly Job Gains



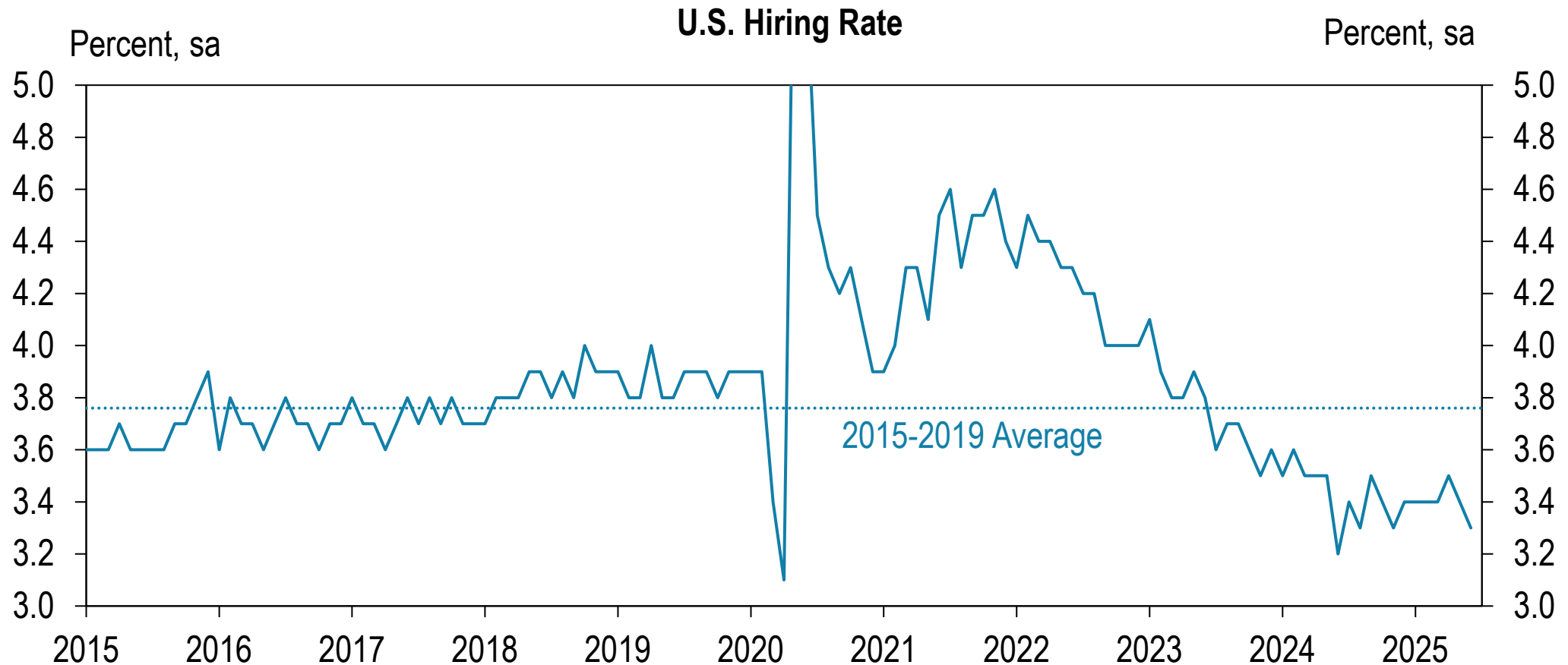
U.S. Net Immigration



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

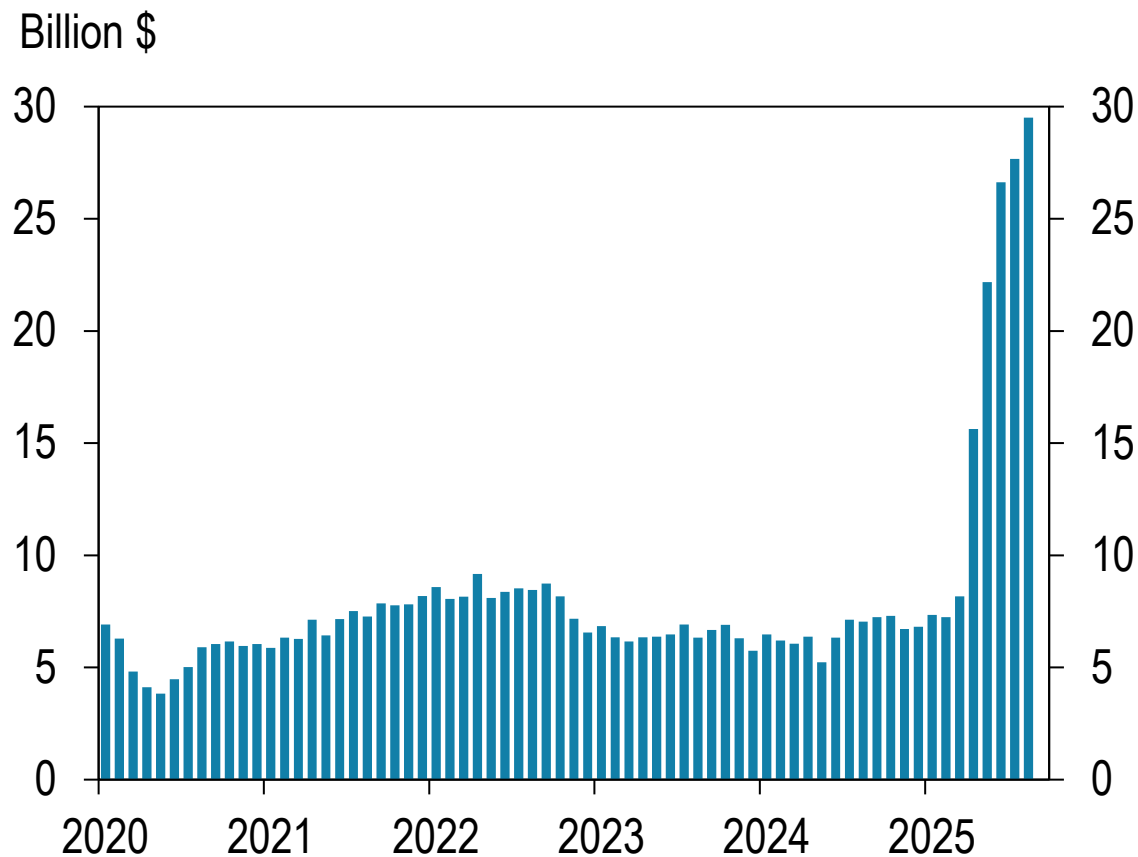


Hiring in the United States has stayed steadily below pre-pandemic levels over the last year.

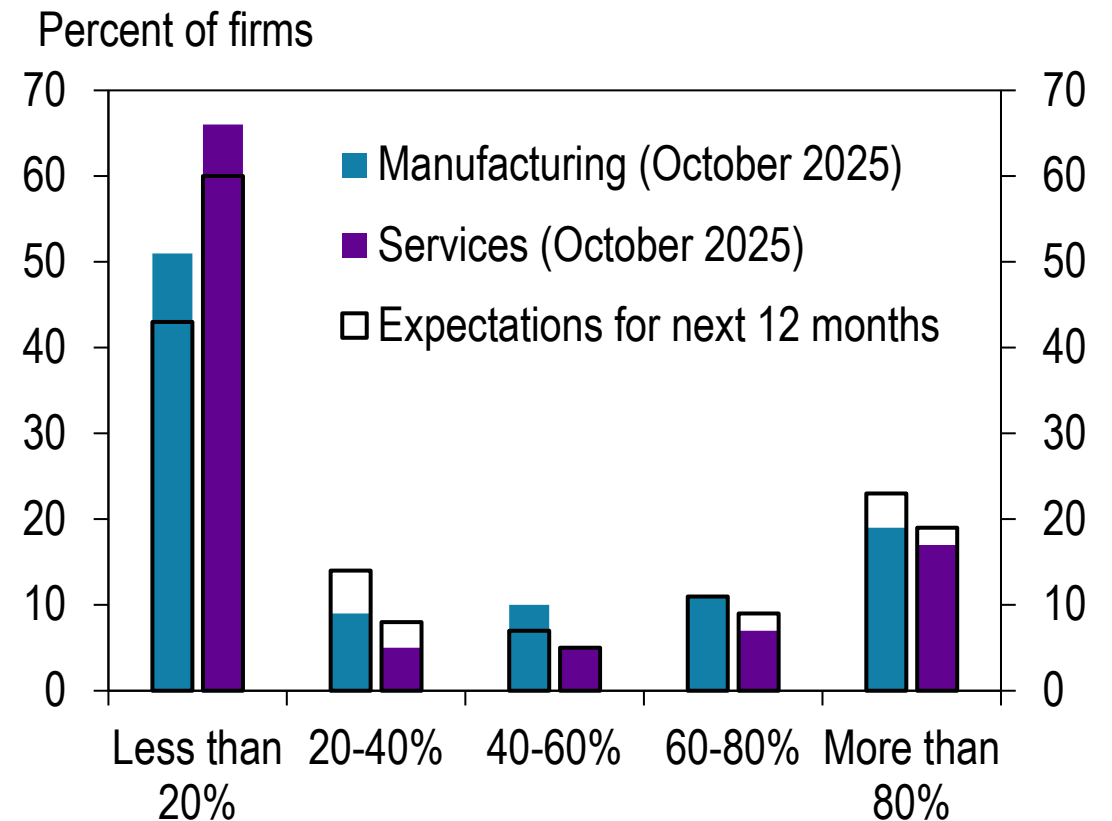


Someone is paying the tariffs, but their impact on consumer prices depends on the extent to which firms pass through cost increases

U.S. Customs Taxes Collected



Oct-25: If your firm is facing rising input costs, how much are you able to pass through to the customer?

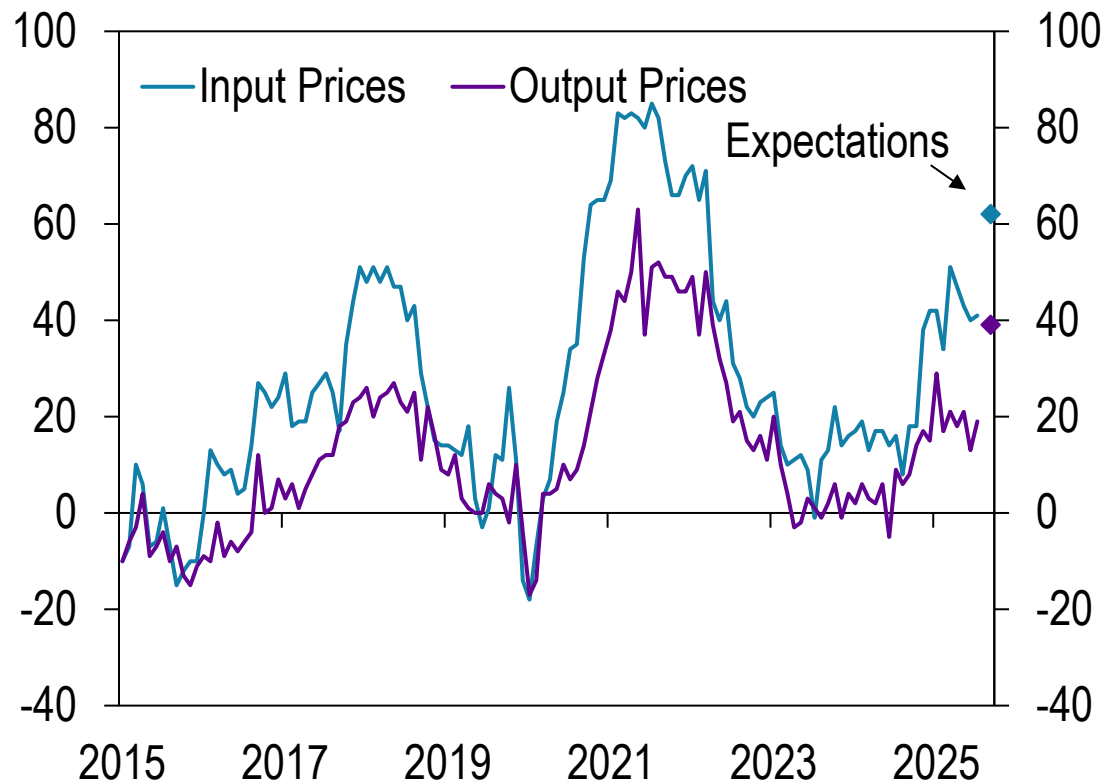


Tenth District firms have faced higher costs, and some have raised output prices accordingly

Kansas City Fed Price Indexes

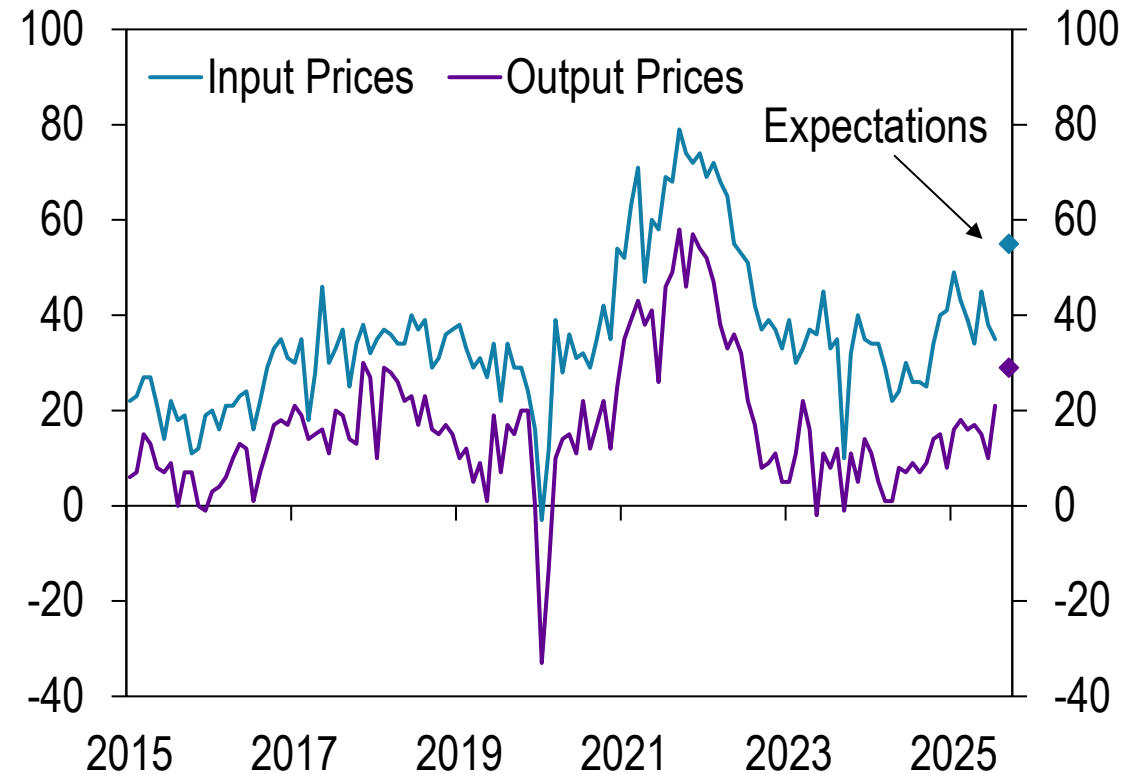
Manufacturing Firms

m/m diffusion index, sa



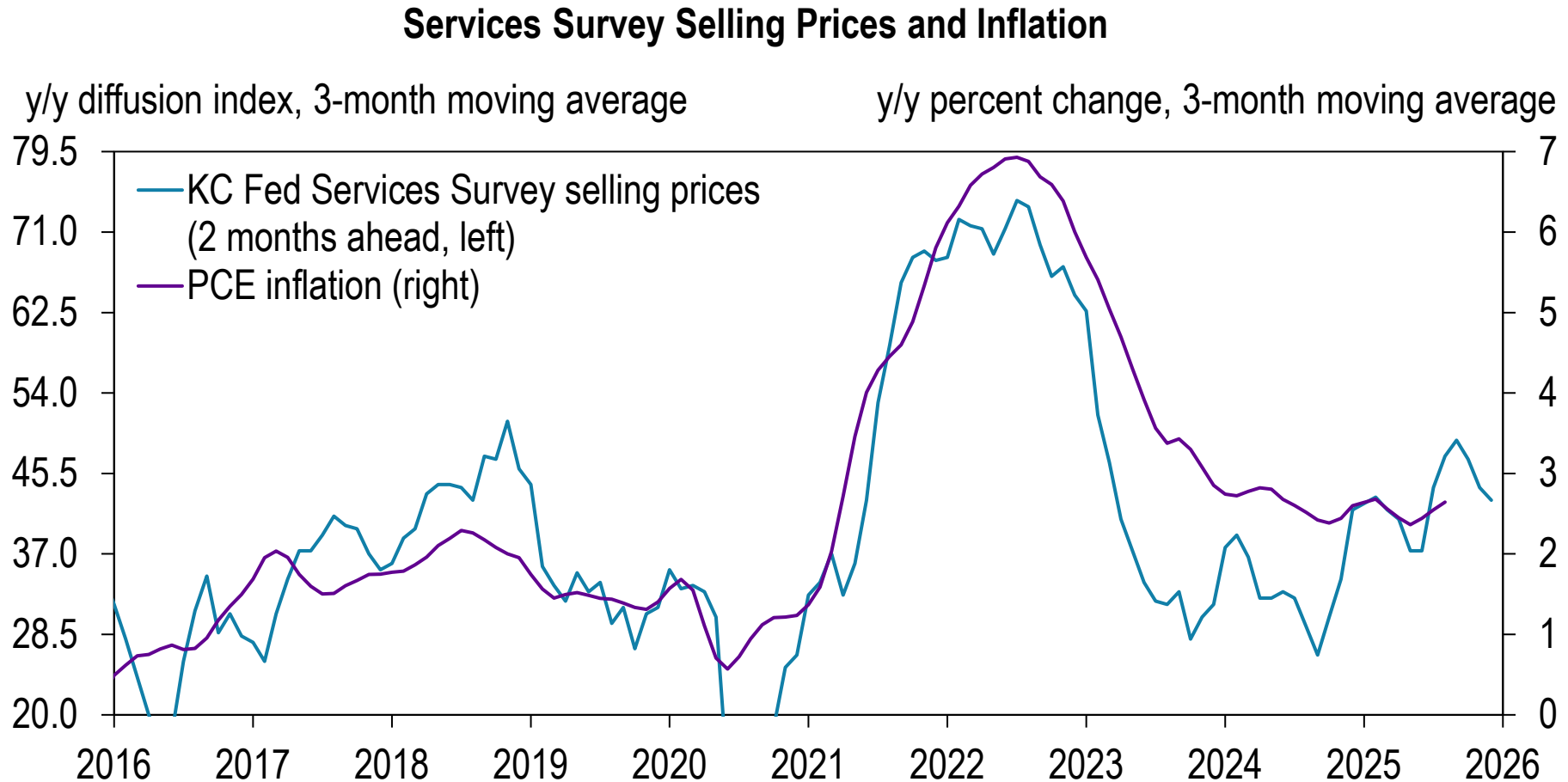
Services Firms

m/m diffusion index, sa



Source: Kansas City Fed

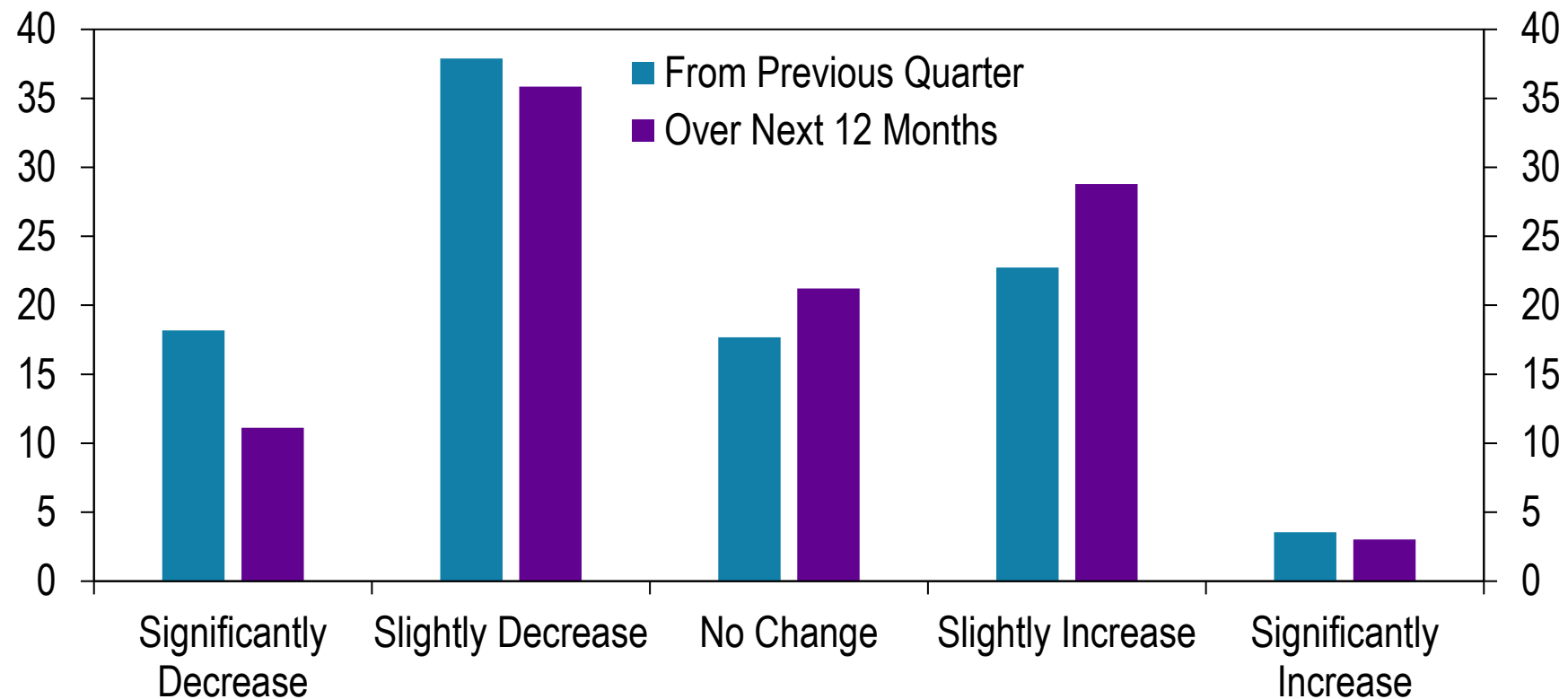
The Kansas City Fed's services selling prices index could indicate some upside risk for inflation



Tenth District firms report lower profit margins amid cost increases, and do not expect much relief in the coming months

July 2025: How did profit margins change for your firm over the previous quarter, and how will they change in the next 12 months?

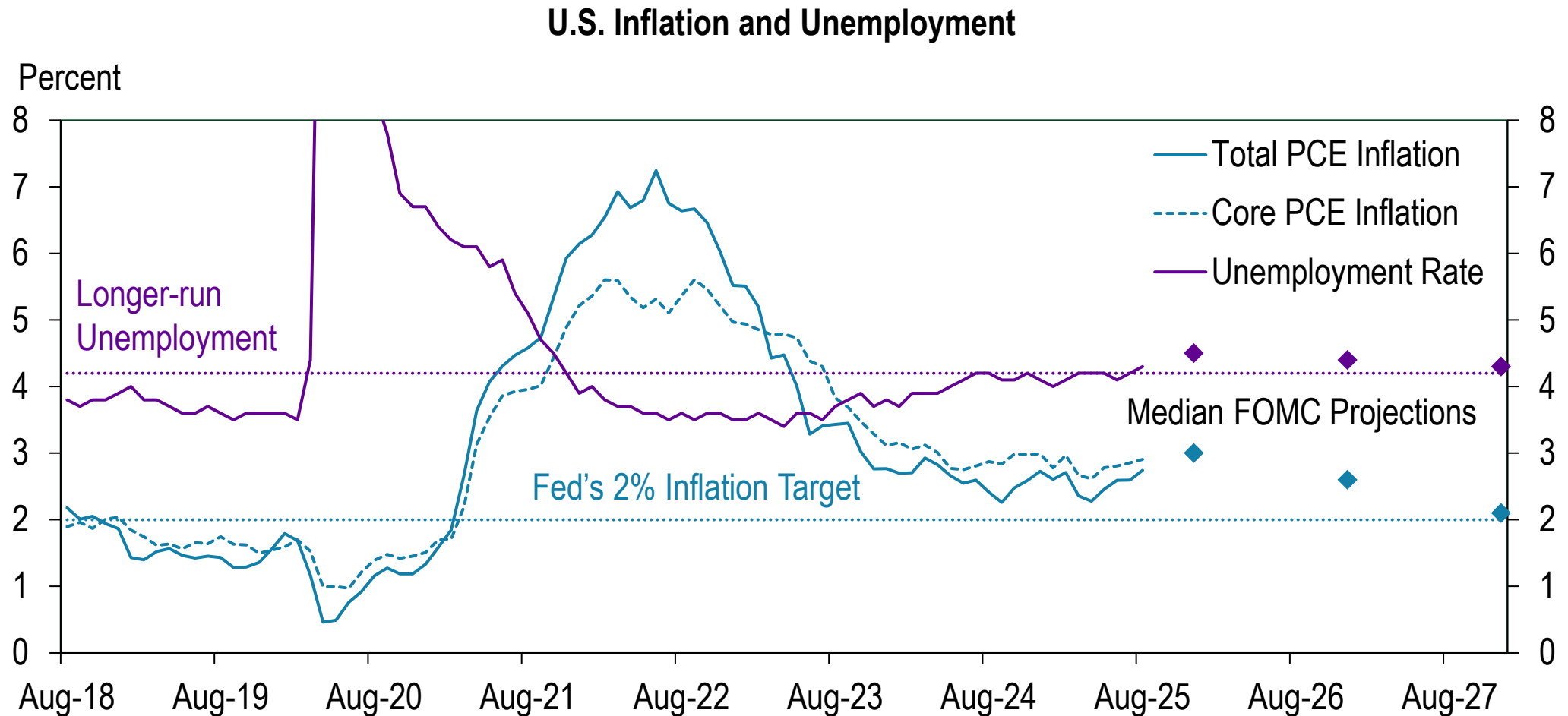
Percent of firms



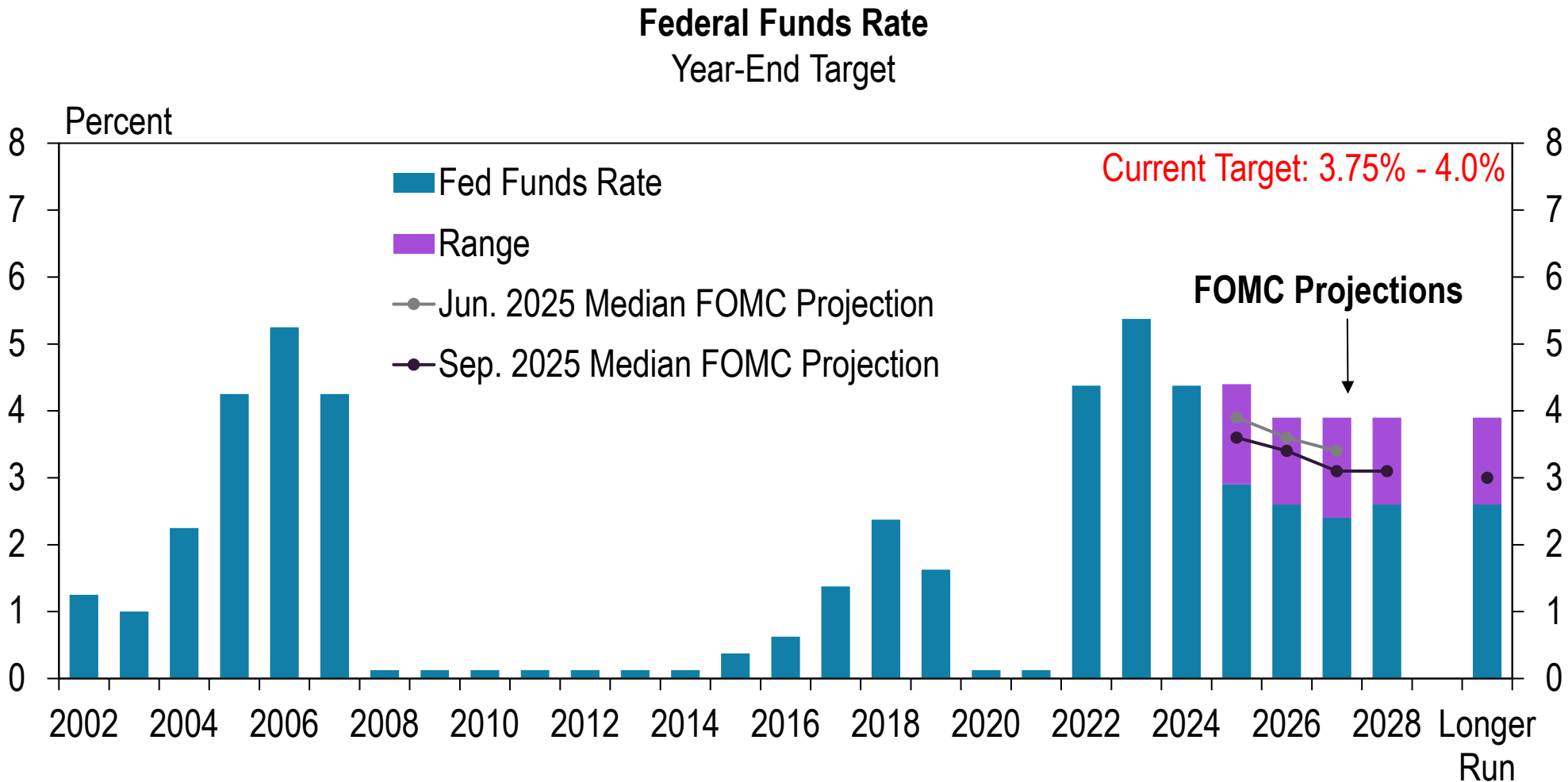
Note: Responses aggregate manufacturing and services firms.

Source: Federal Reserve Bank of Kansas City

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



The Fed cut the federal funds rate by 25 basis points in October and the latest projections are shown

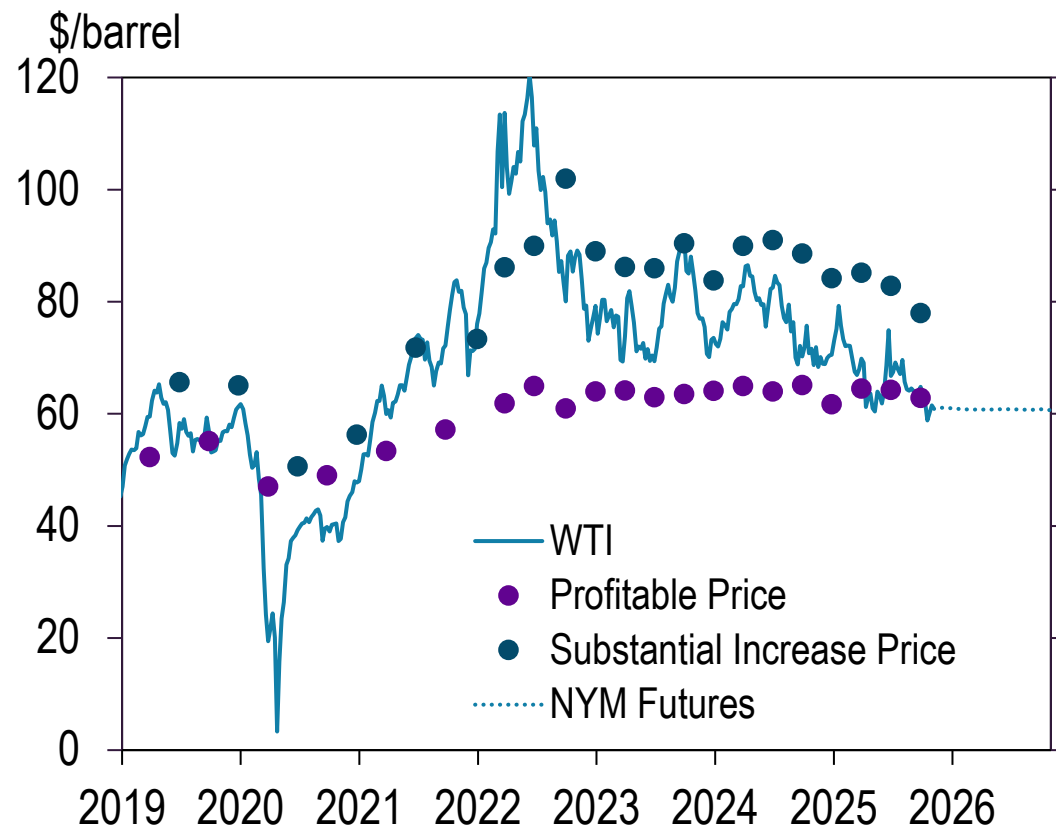


Note: Data and FOMC projections are for year-end.

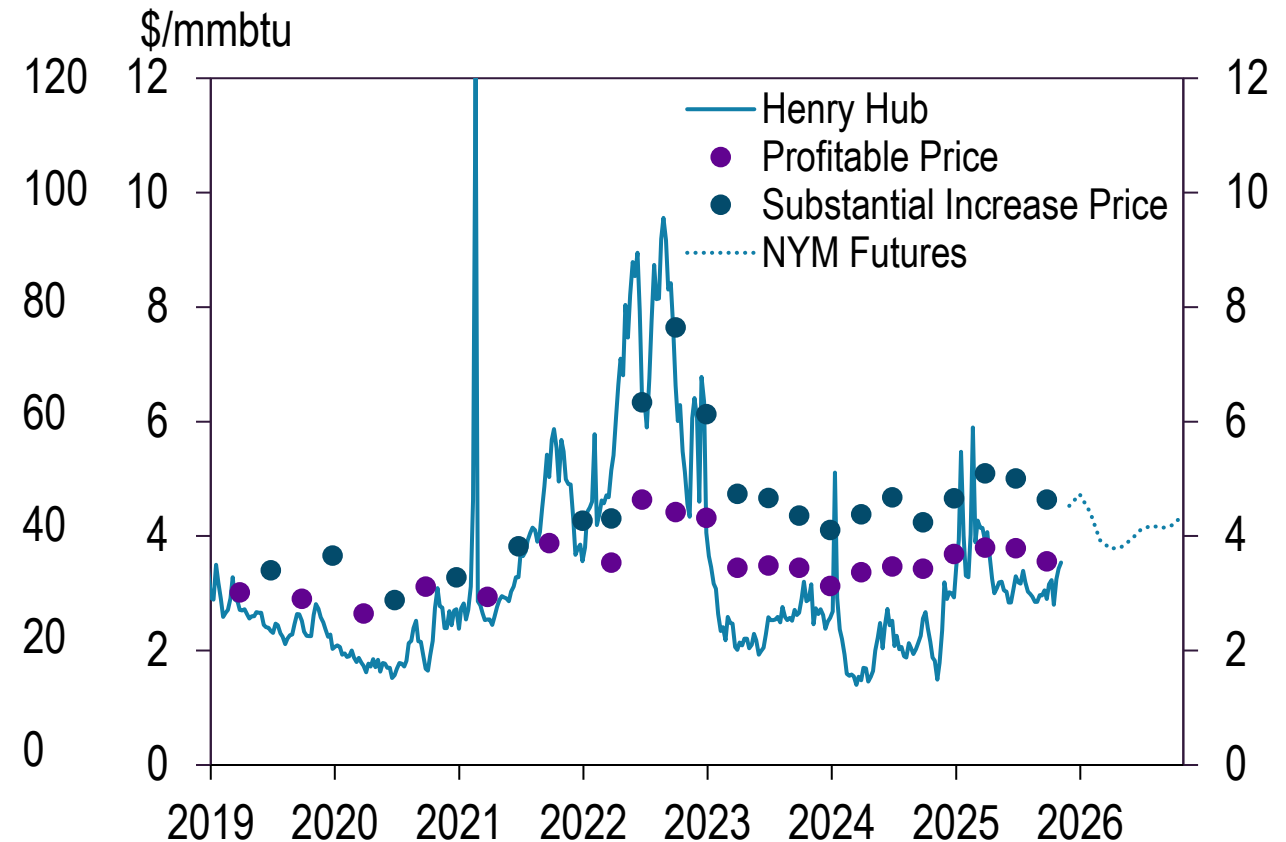
Sources: Bureau of Economic Analysis, FOMC

Oil prices have fallen to meet firms' breakeven price recently, while natural gas prices remain unprofitable but are expected to rise

U.S. Oil Prices

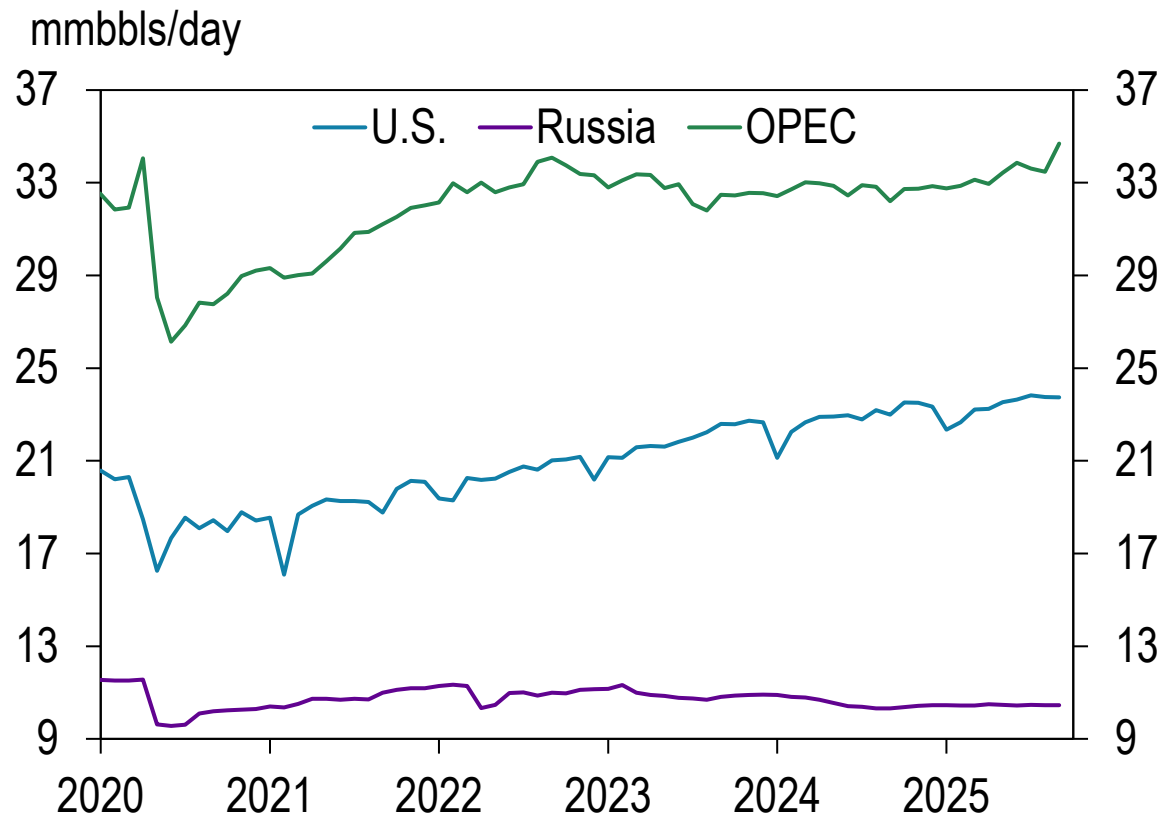


U.S. Natural Gas Prices

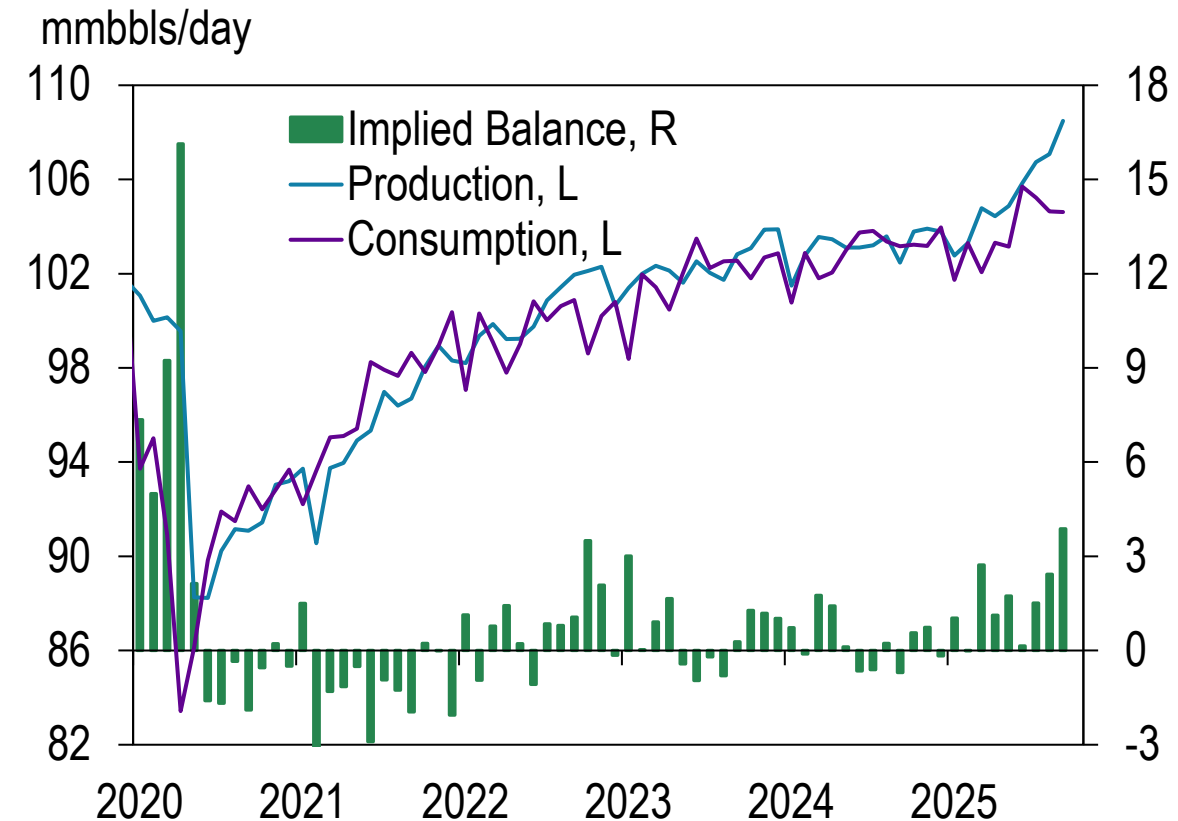


OPEC supply increases along with weaker global oil consumption have lowered prices

Crude Oil Production

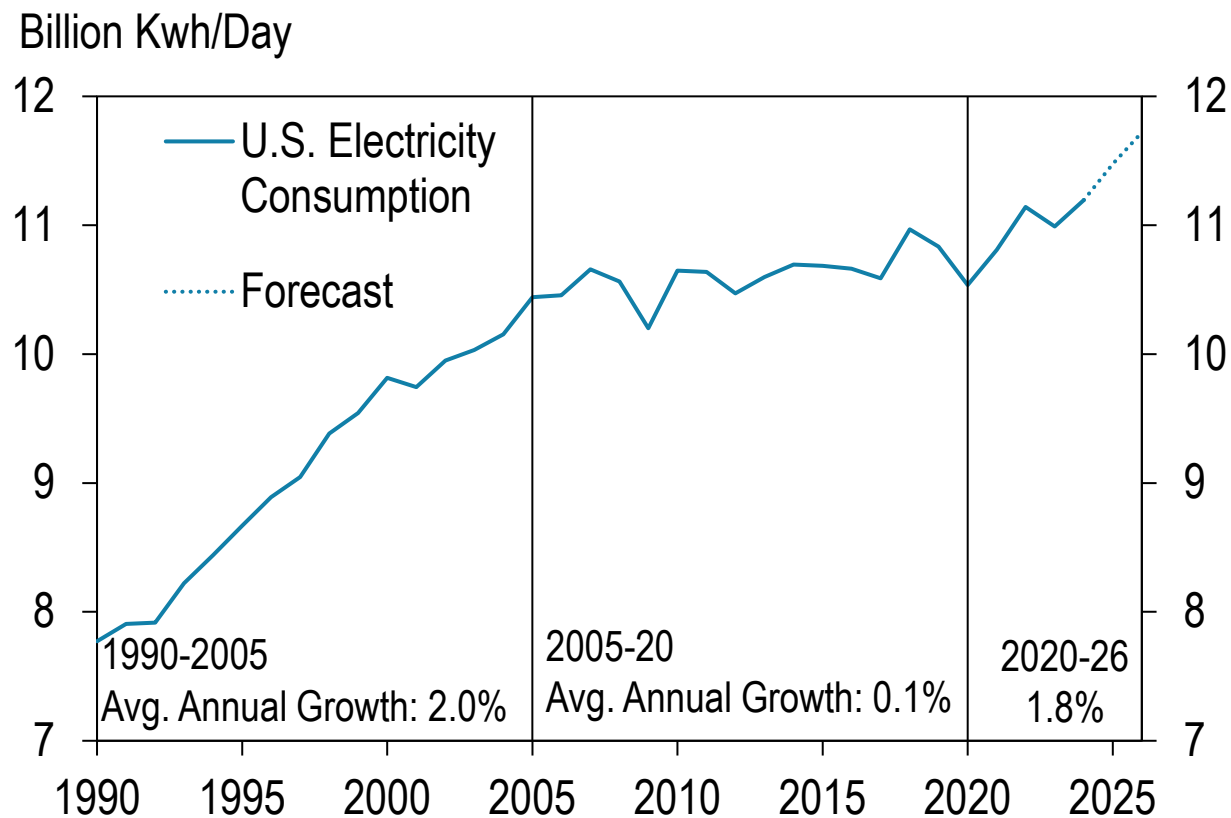


Monthly Global Petroleum Balance

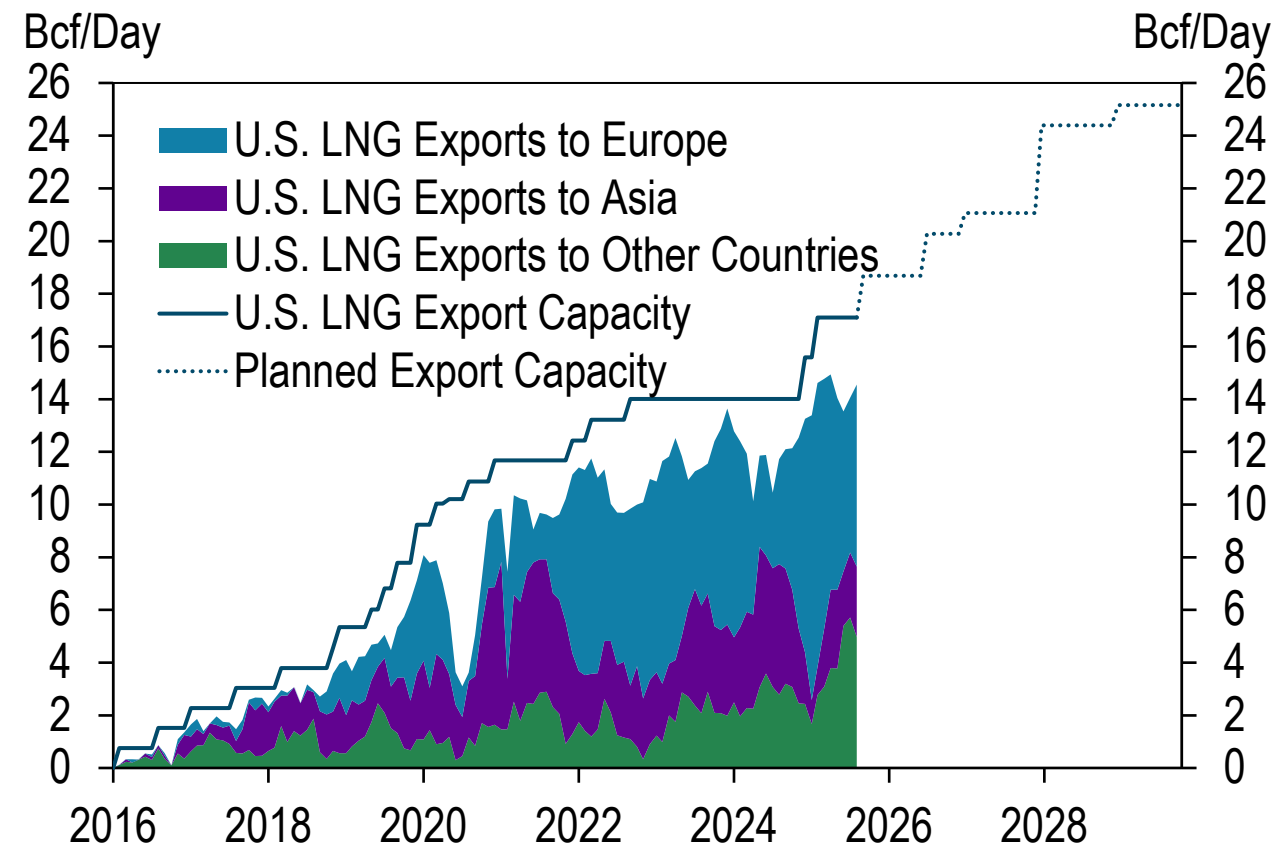


U.S. natural gas can supply rising electricity demand domestically and abroad, boosting the outlook for natural gas prices

U.S. Electricity Consumption

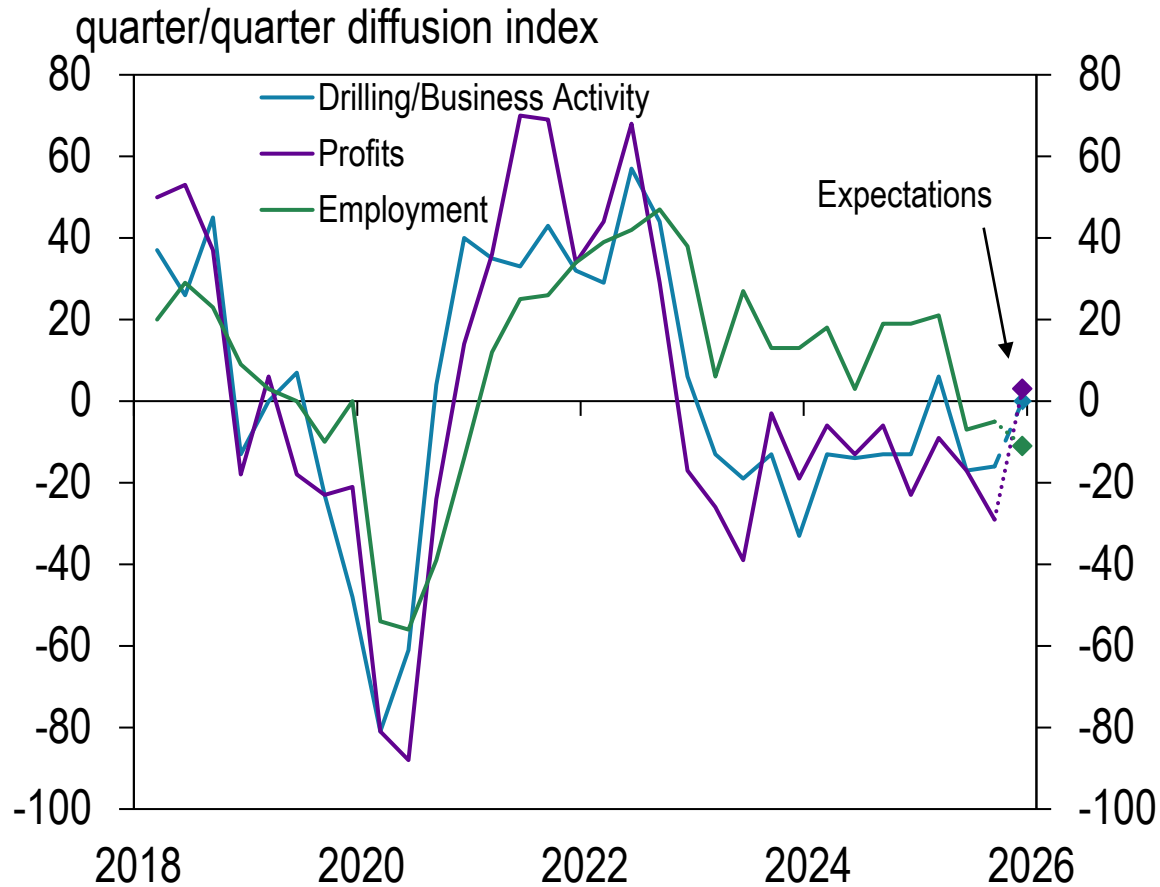


U.S. Liquefied Natural Gas Exports

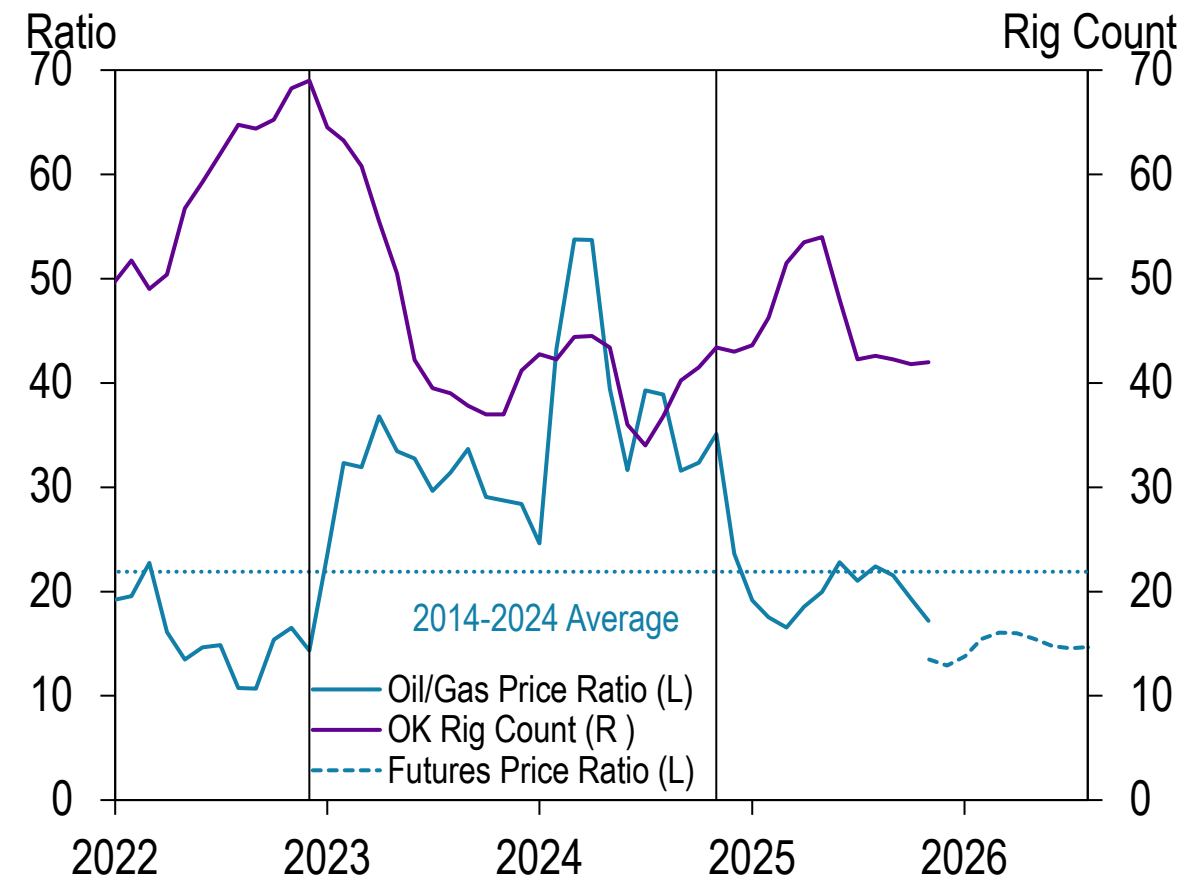


Drilling activity has declined in the Tenth District in recent years, but increased in Oklahoma in H1 2025 as gas prices rose relative to oil, with further increases priced in

KC Fed Energy Survey Indexes

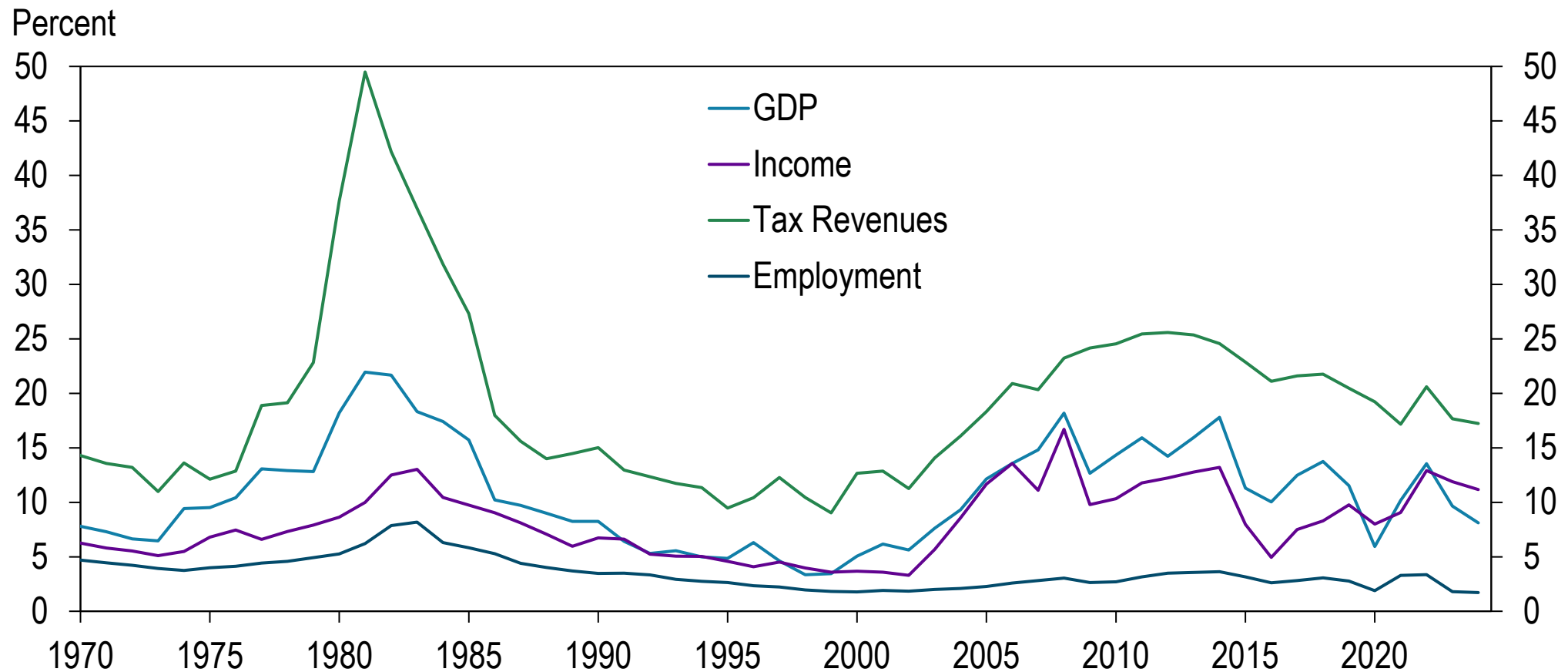


Oil & Gas Price Ratio and Oklahoma Rig Count

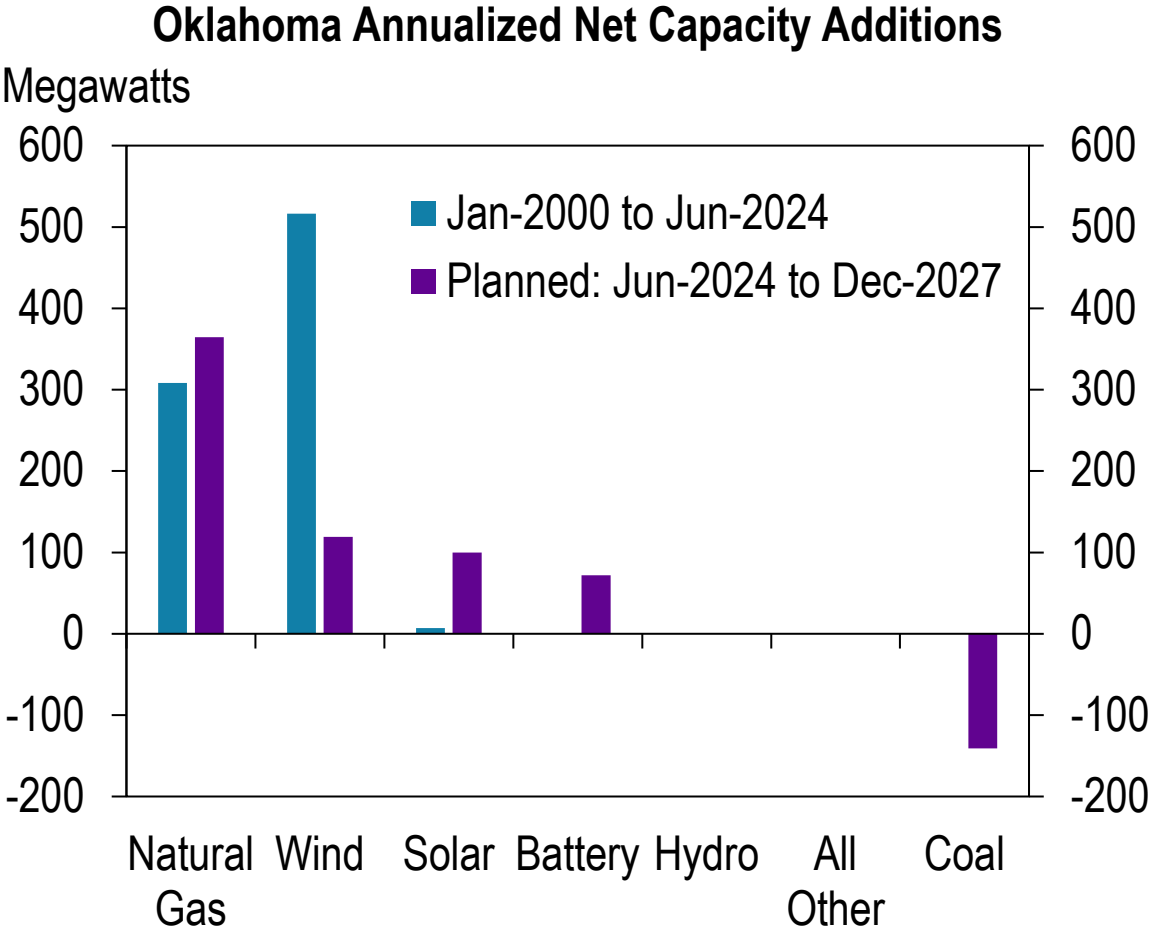
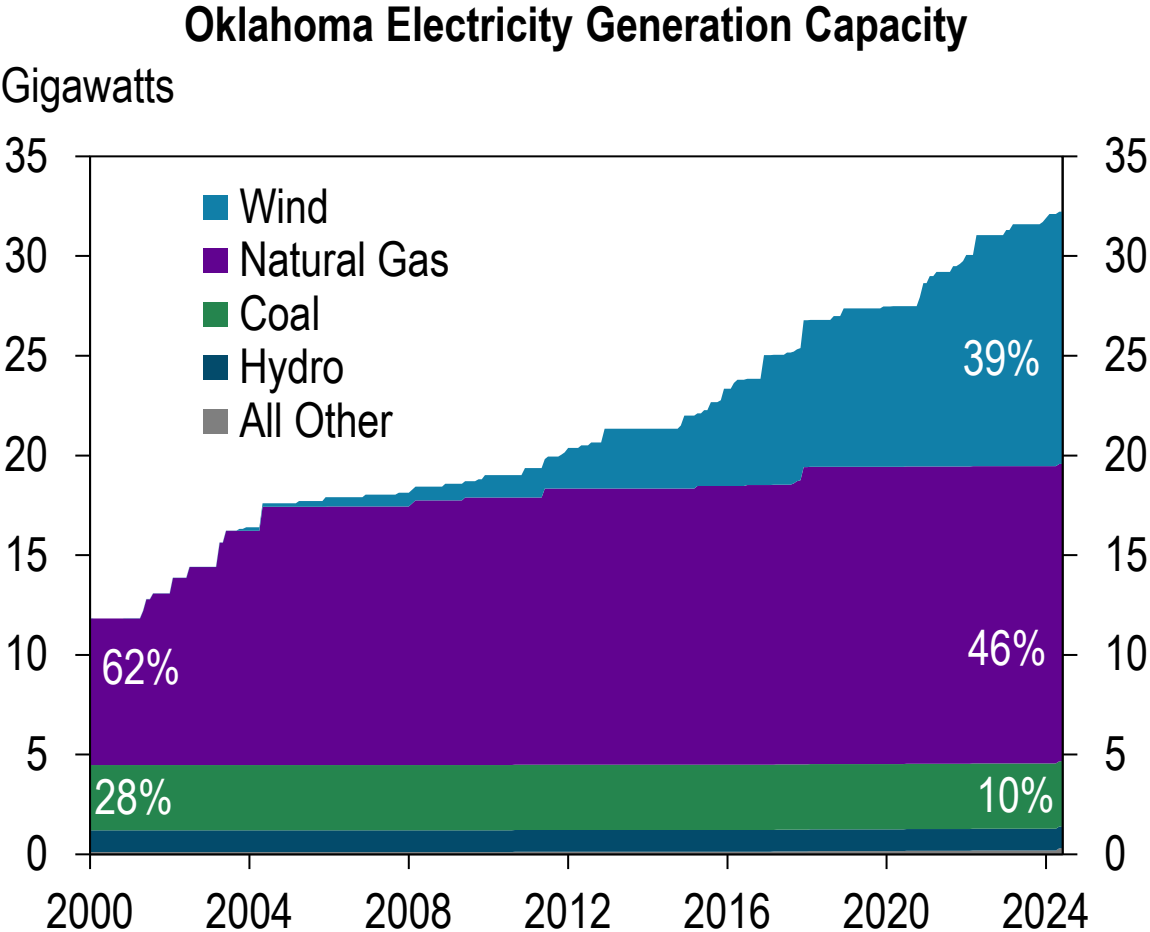


The oil & gas sector's share of Oklahoma's economic output has decreased only slightly in the past two decades

Oil & Gas Share of Oklahoma Economy

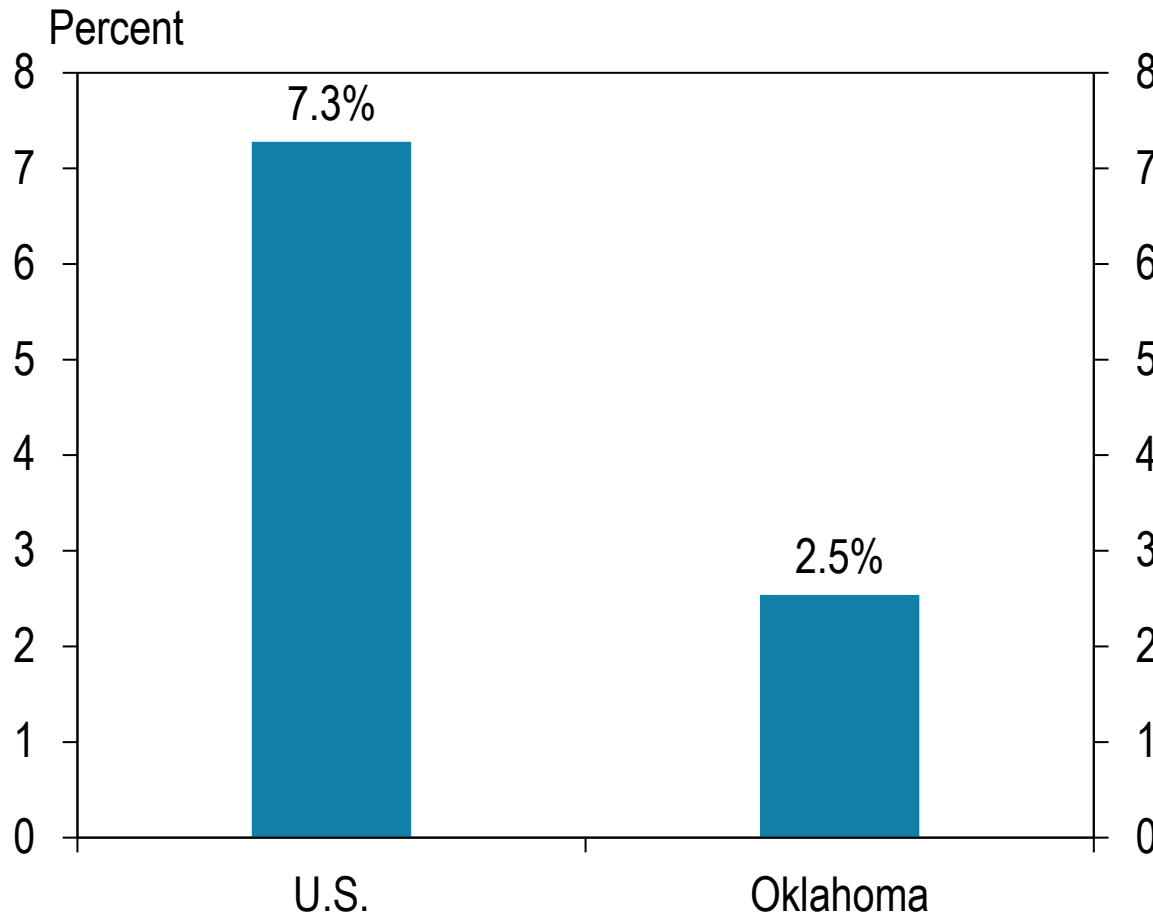


Wind energy has greatly increased Oklahoma's electricity generation capacity, but the pace of planned projects has slowed

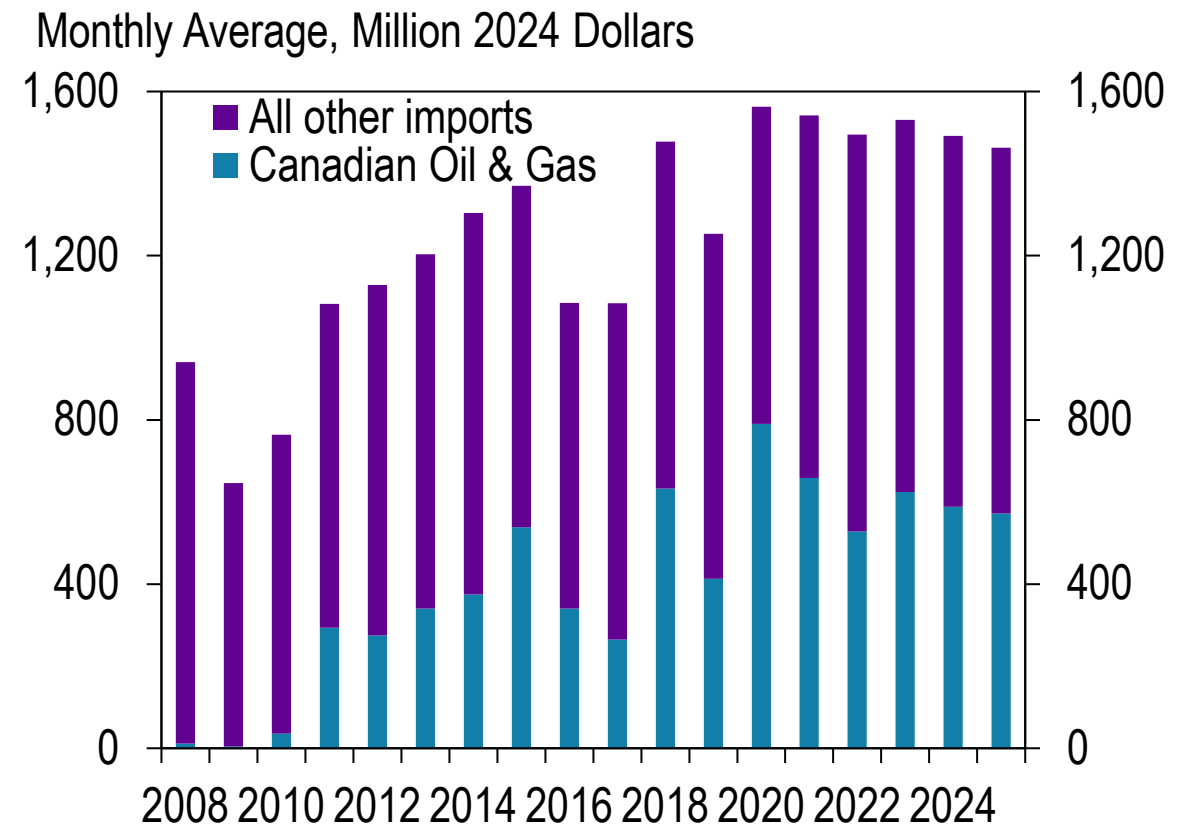


Oklahoma exports less of its goods than the nation, but is exposed to Canadian oil imports

Export Value as a Share of GDP, 2023



Oklahoma Imports



Questions?

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