

U.S. and Oklahoma Economic Outlook

Economic Affairs

February 19, 2026

Cortney Cowley

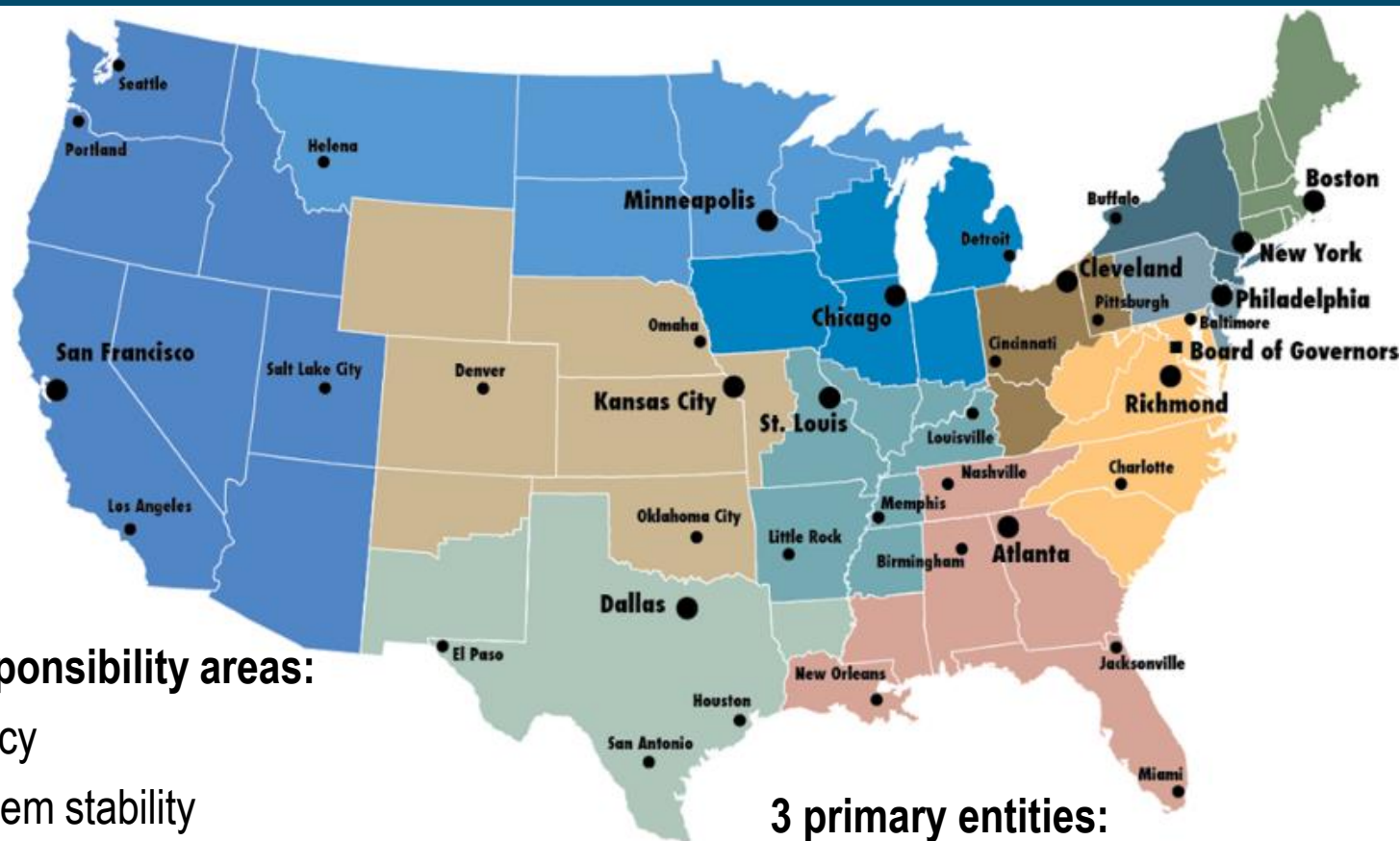
Oklahoma City Branch Executive and AVP

*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**

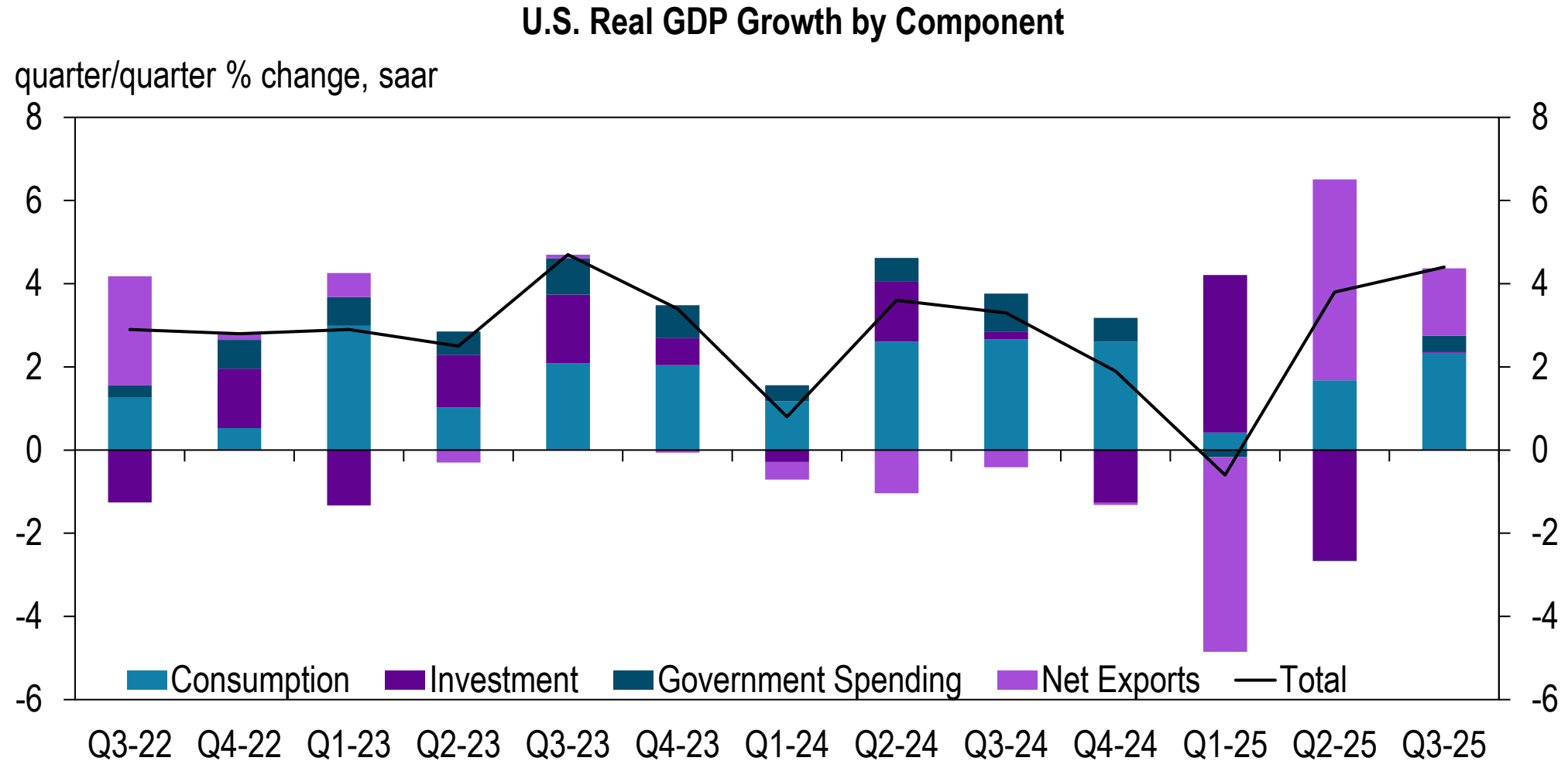
- **Rhonda Hooper (chair)**, President & CEO, Jordan Advertising, OKC
- **Mark Burrage**, CEO, FirstBank, Antlers/Atoka
- **Scott Case**, President, Case & Associates Properties, Tulsa
- **Jason A. Garner**, President, Crawley Petroleum Corporation, OKC
- **Terry Salmon**, President, Computer System Designers, OKC
- **Brady Sidwell**, Principal, Sidwell Enterprises, Enid
- **Rebecca Thompson**, CFO, Treasurer, & VP Finance, AAON, Inc., Tulsa



Overview

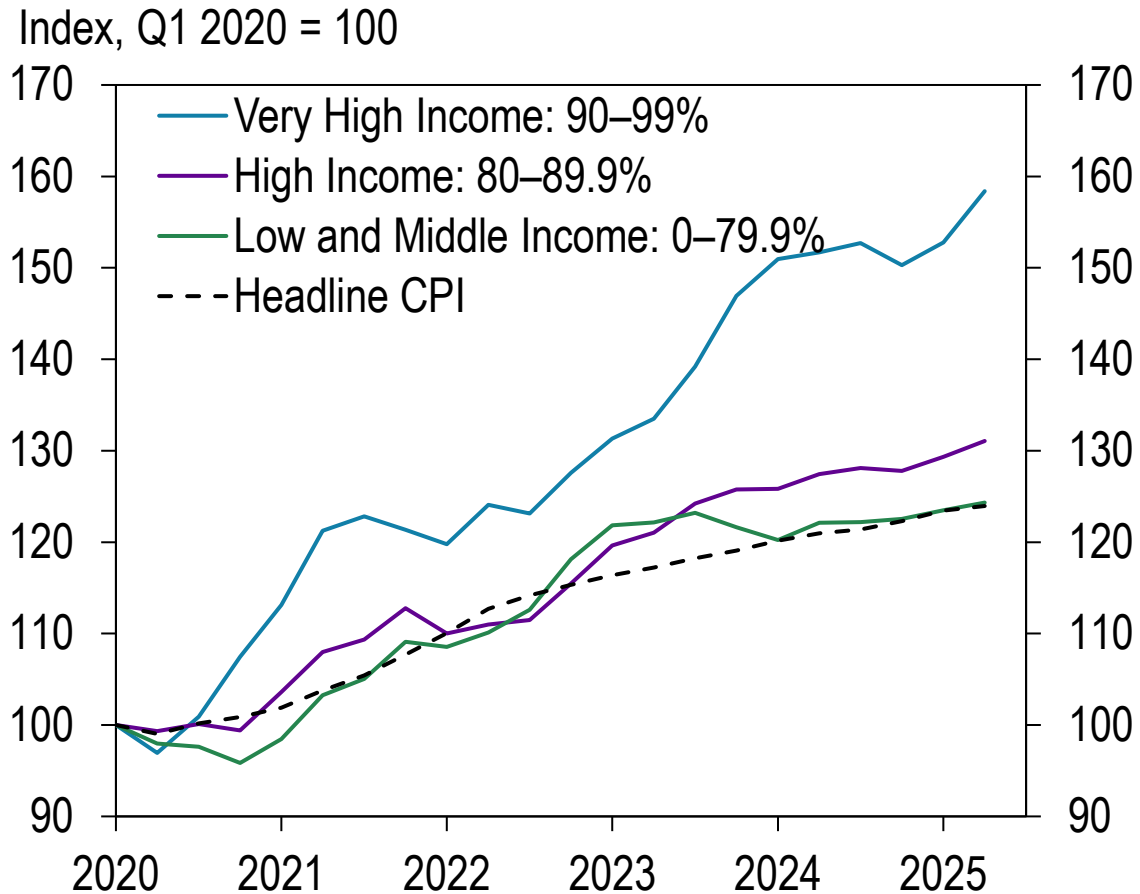
- U.S. economic growth remains solid, but is concentrated in certain sectors and segments of the population
- The labor market is balanced, but softening, as labor supply and demand fall together. Unemployment is up slightly but remains near long-term averages.
- Inflation has come closer to the Fed's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

U.S. GDP growth grew 4.4% in Q3 as consumption remained strong

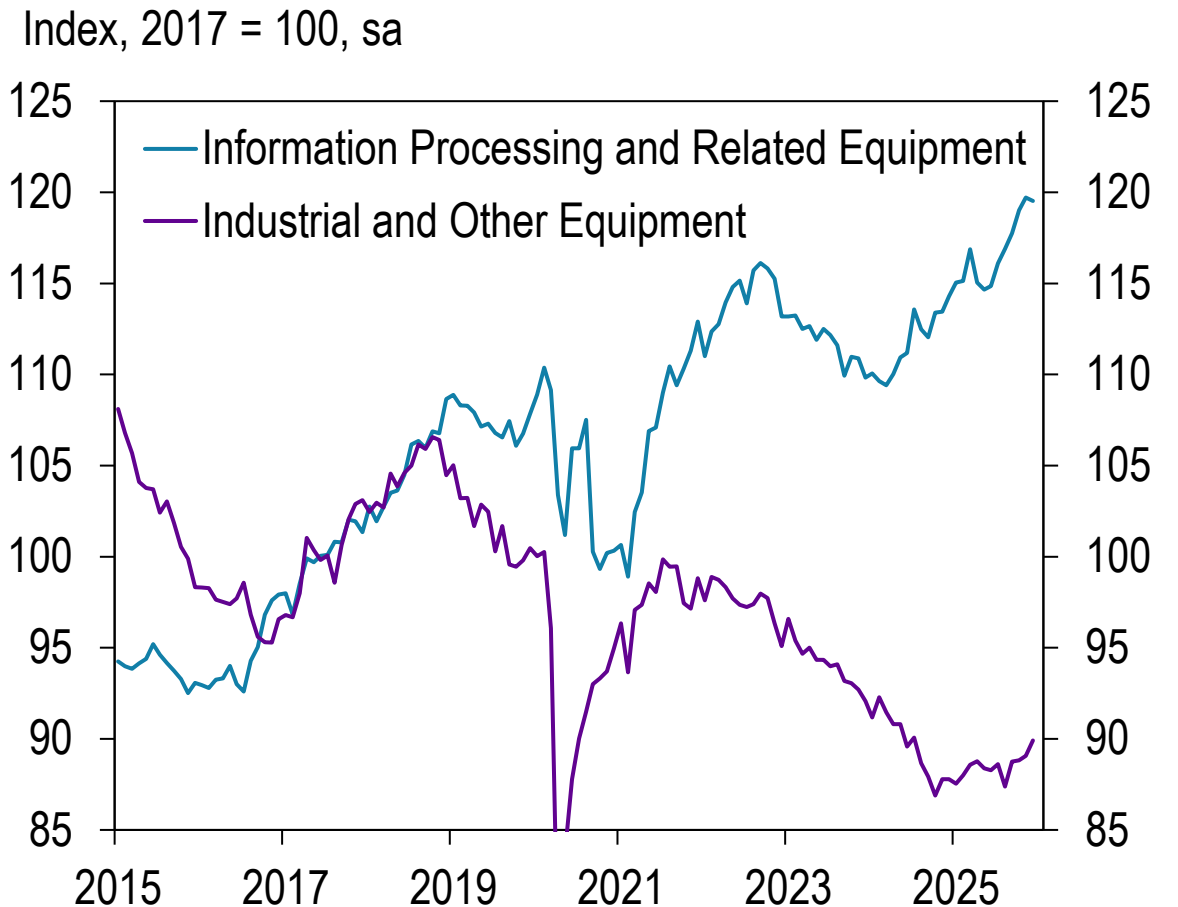


Current economic growth is supported by consumer spending from high earners and investment in tech-related sectors

U.S. Consumer Spending by Income

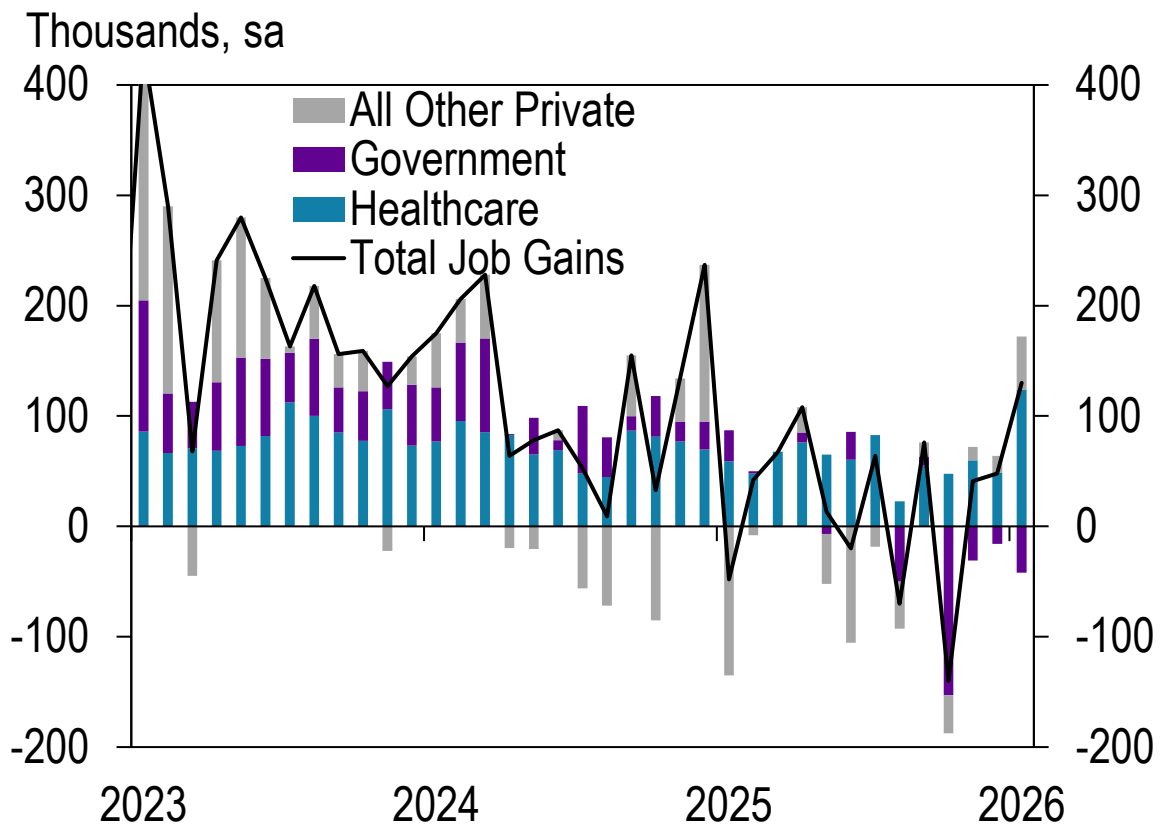


U.S. Industrial Production

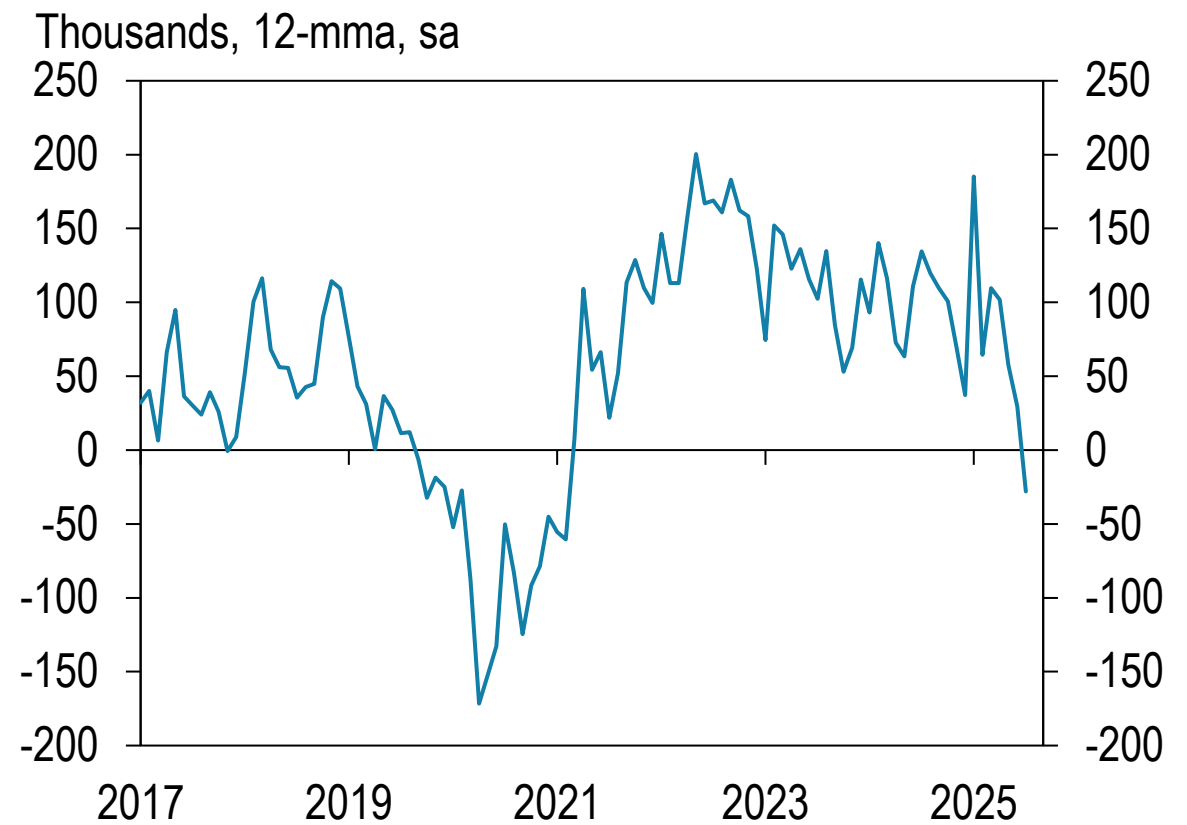


U.S. job gains have slowed in recent months and are largely concentrated in healthcare, partially due to reduced labor supply from immigration

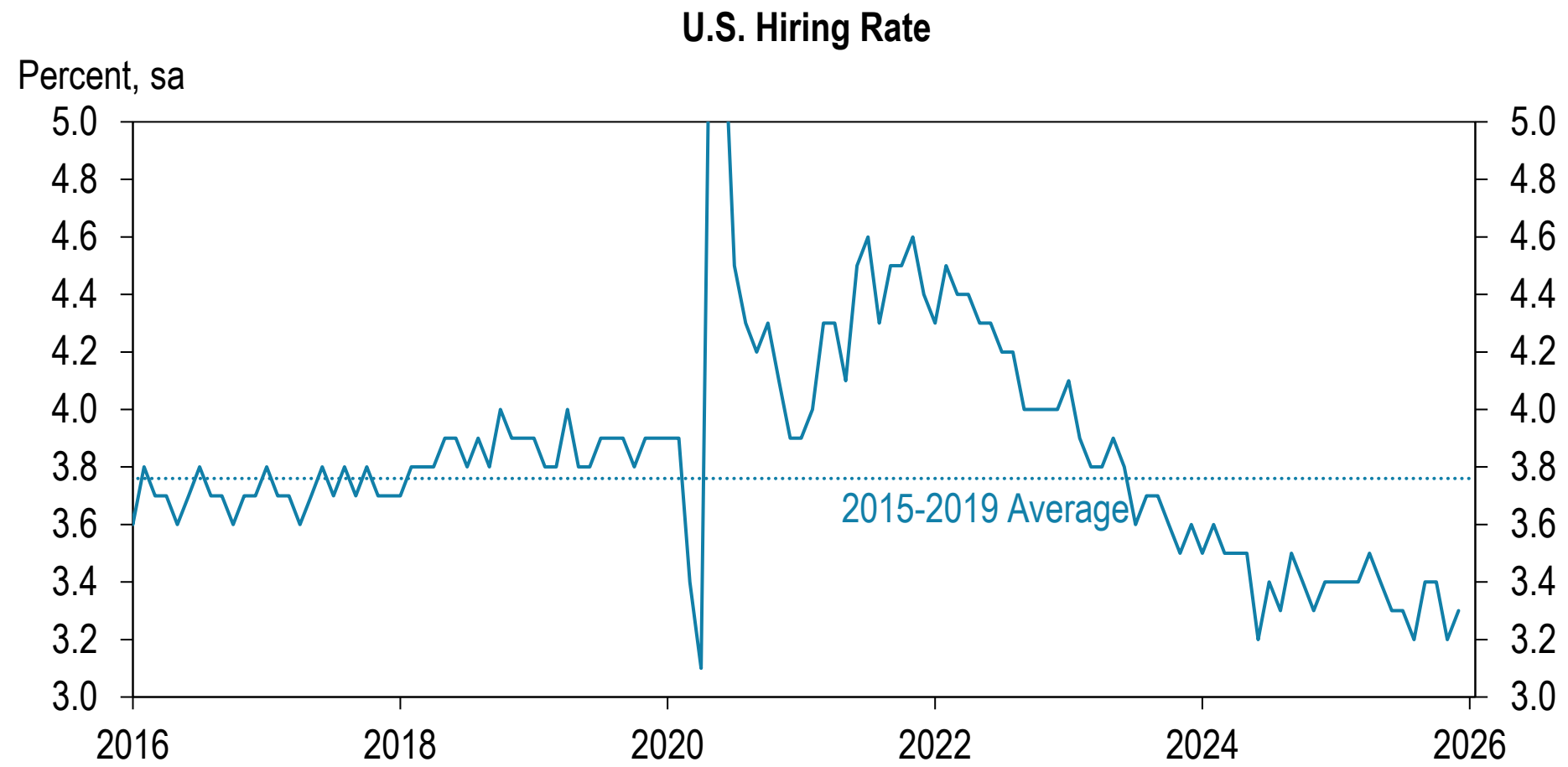
U.S. Net Monthly Job Gains



U.S. Net Immigration



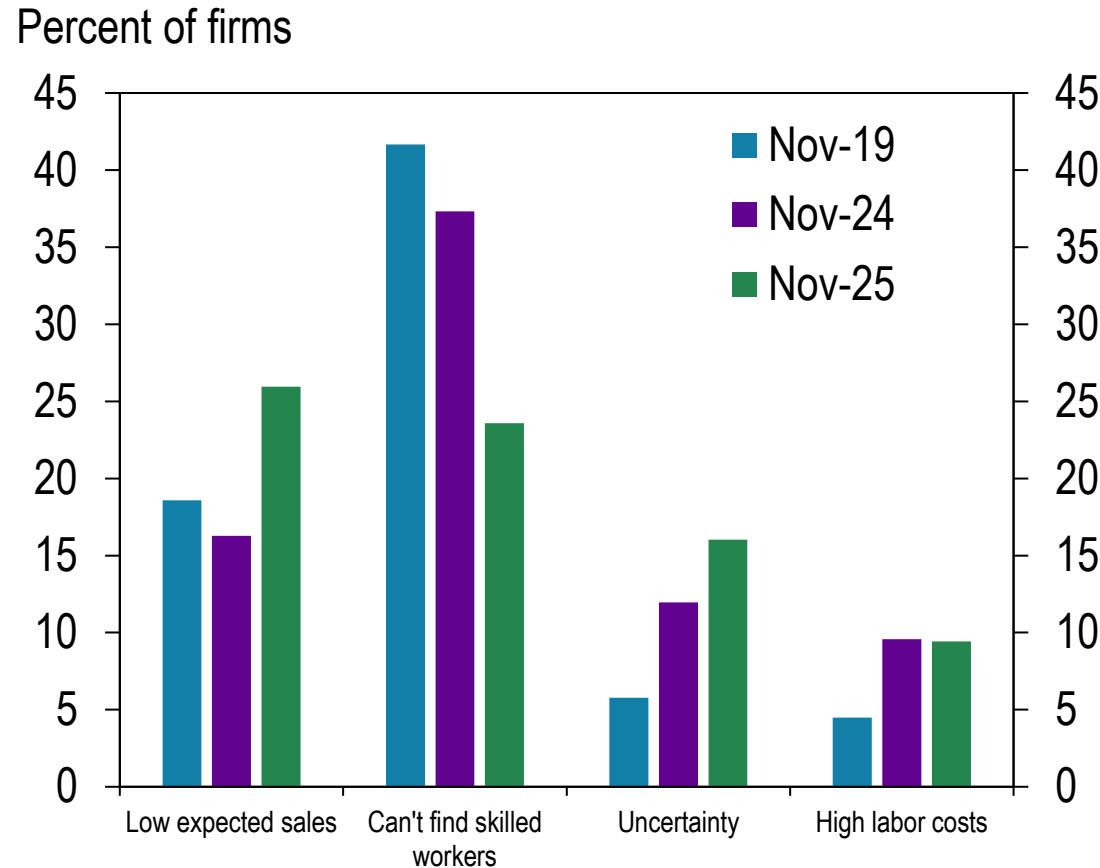
U.S. hiring has stayed below pre-pandemic levels over the last year



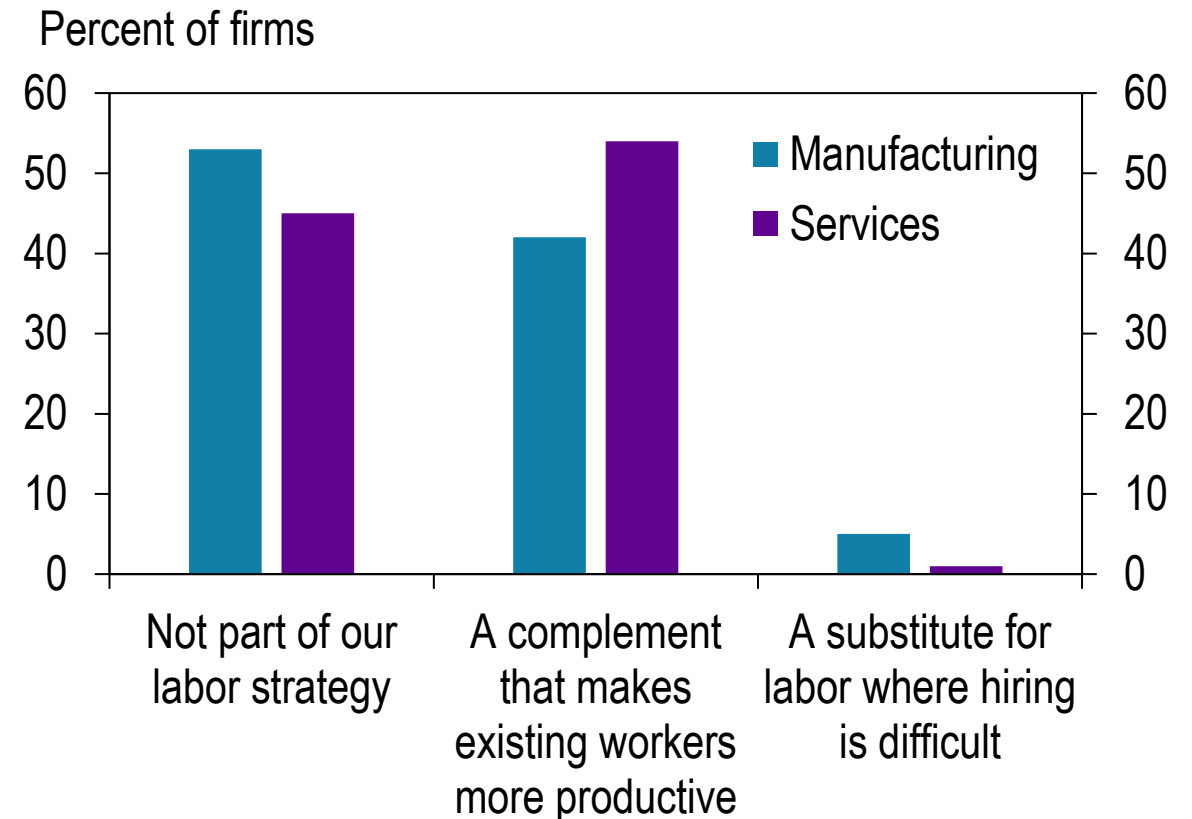
Sources: BLS/Haver Analytics

Low expected demand and uncertainty have increased as the top factor restraining hiring, and firms do not cite AI as a replacement for labor

Tenth District Firms' Top Factors Restraining Hiring

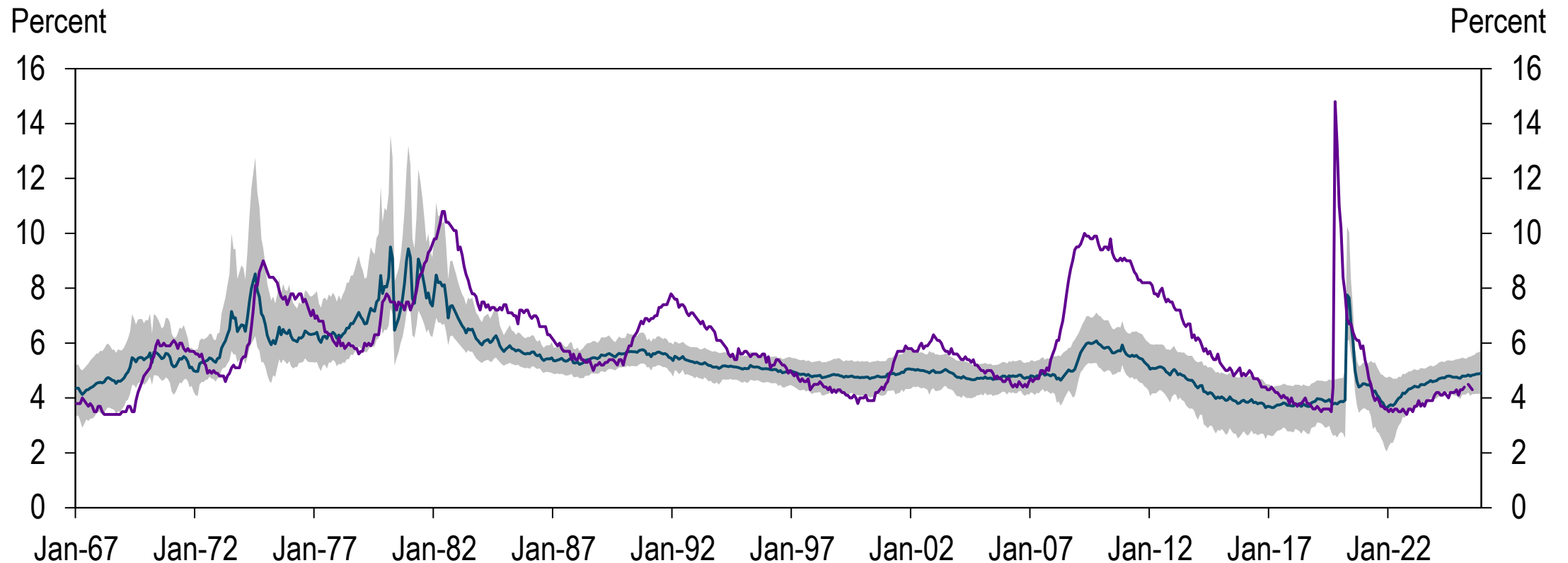


Jan. 2026: Which best describes how AI or technology fits into your firm's labor strategy?



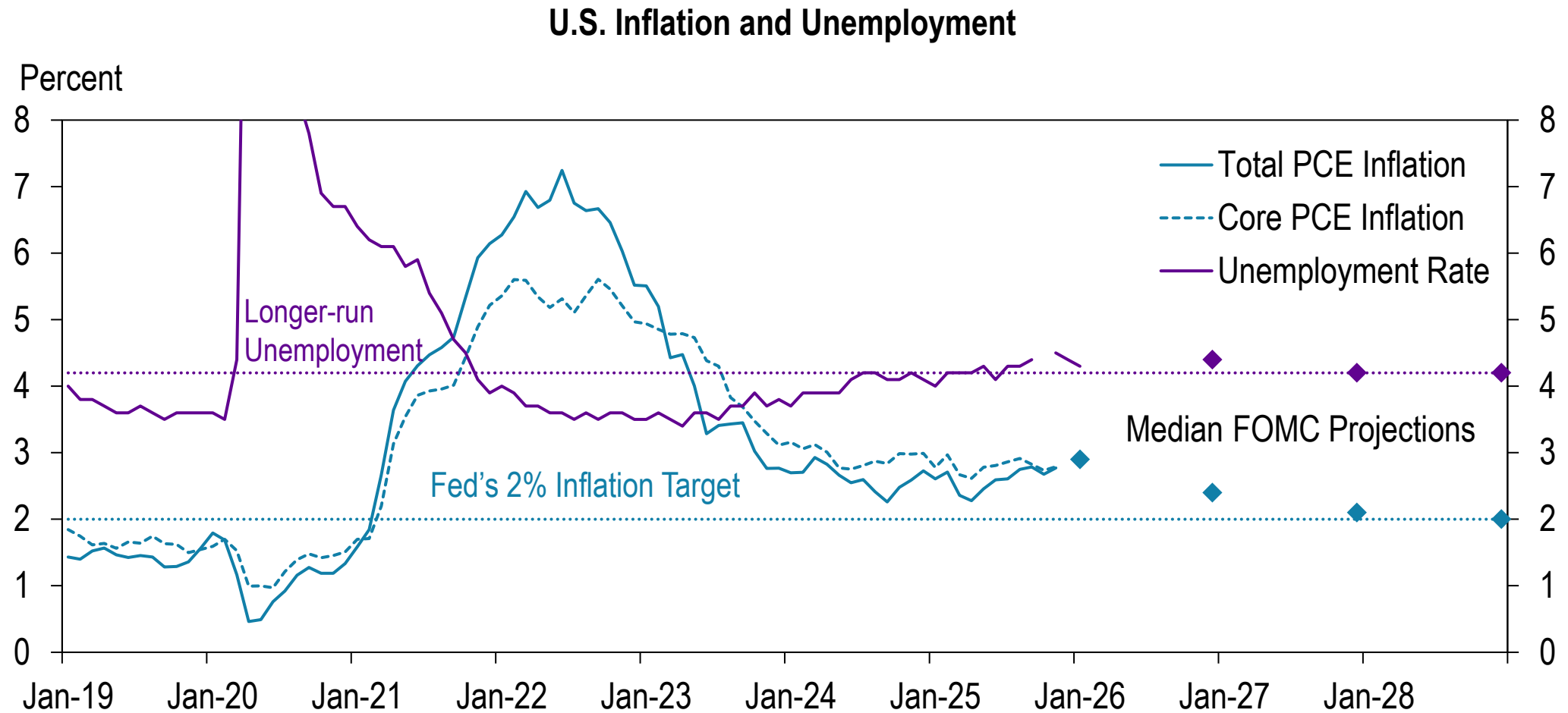
Estimates suggest that unemployment has been below its natural rate since mid-2022, when labor markets were tighter than at any time since the late 1990s.

Kansas City Fed Model-Based Natural Unemployment Rate (u^*)

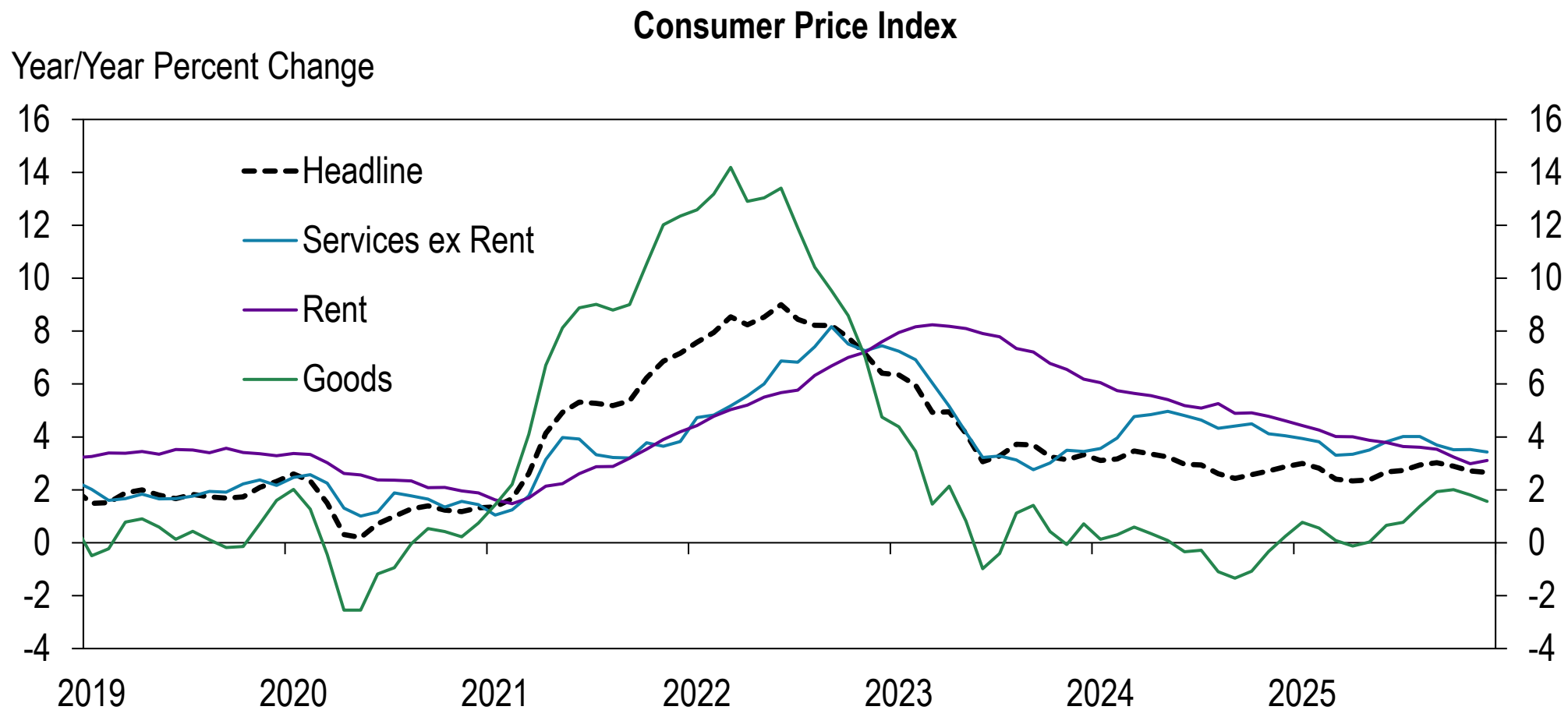


Sources: BLS and Glover, Andrew, and Johnson Oliyide. 2026. "Introducing New Monthly Estimates of the Natural Rate of Interest and Natural Unemployment Rate." Federal Reserve Bank of Kansas City, *Economic Bulletin*, February 2.

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

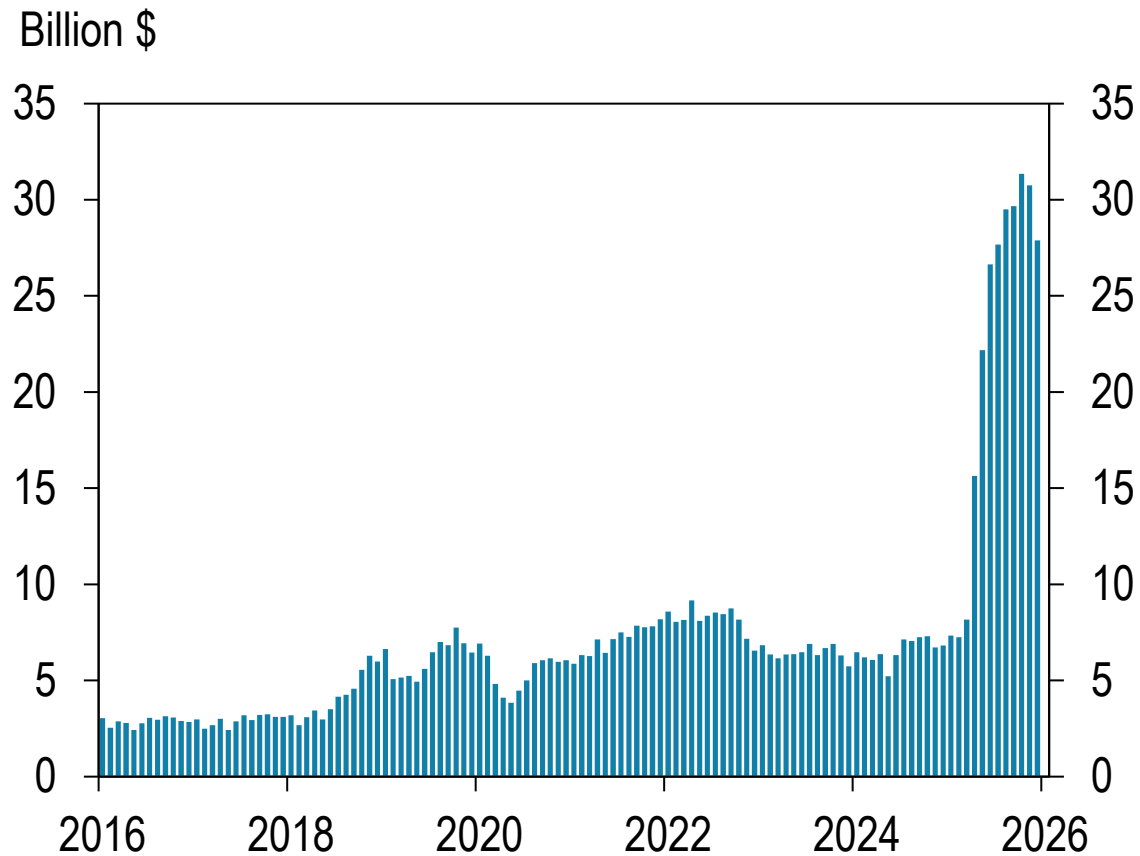


CPI inflation stayed at 2.7% in December, as goods inflation remains elevated

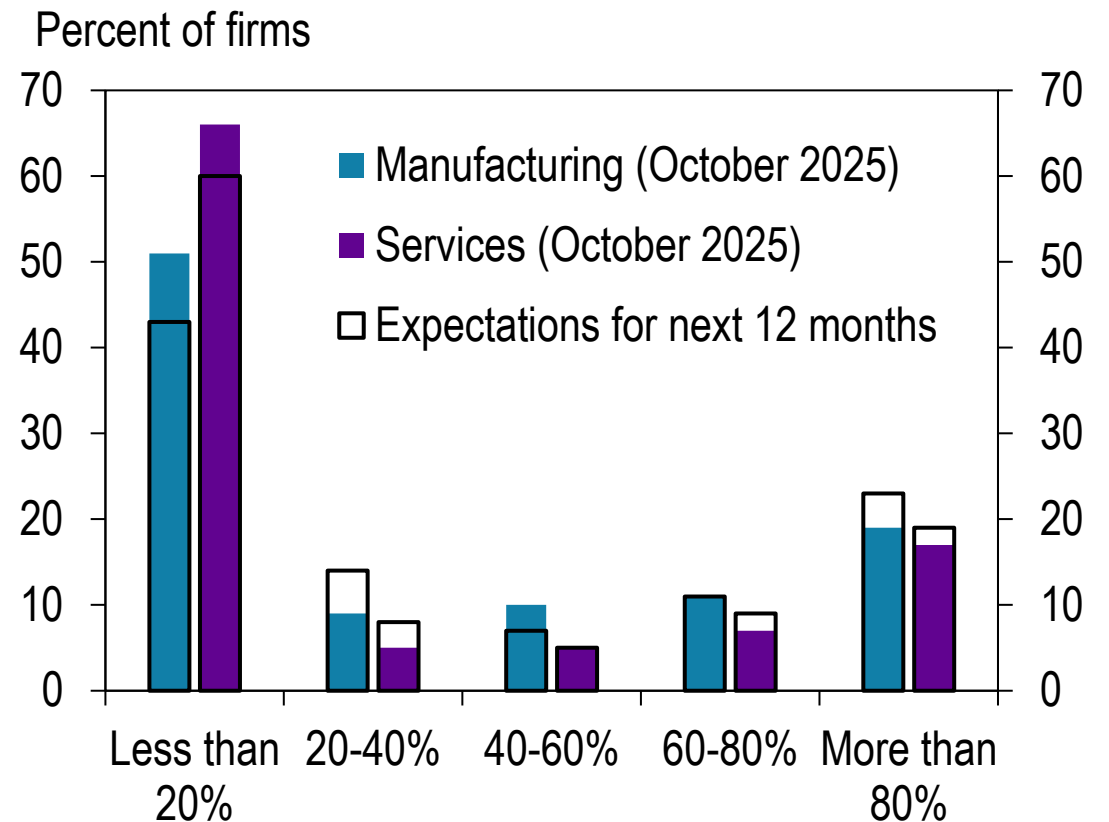


Someone is paying the tariffs, but their impact on consumer prices depends on the extent to which firms pass through cost increases

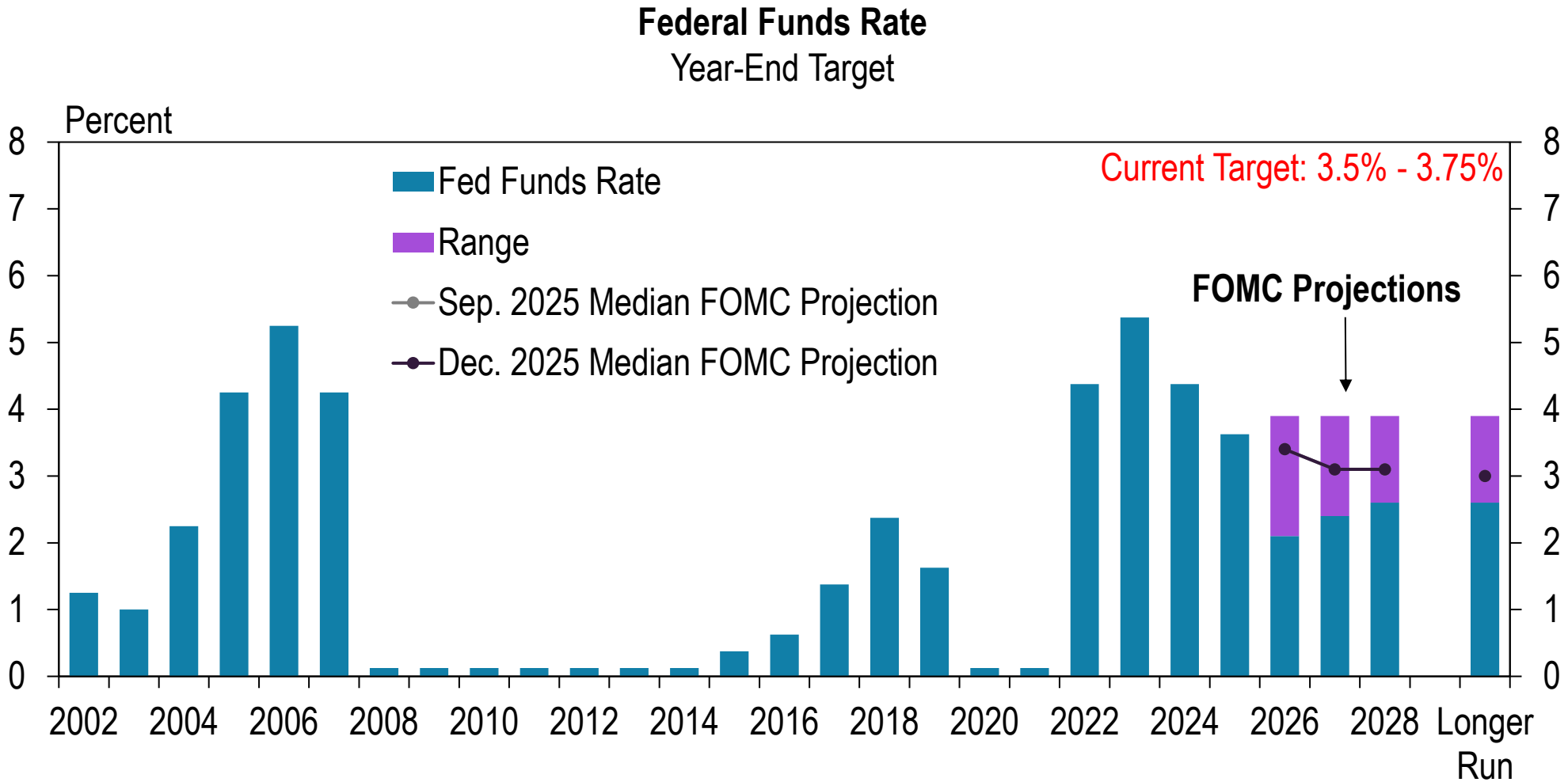
U.S. Customs Taxes Collected



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



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

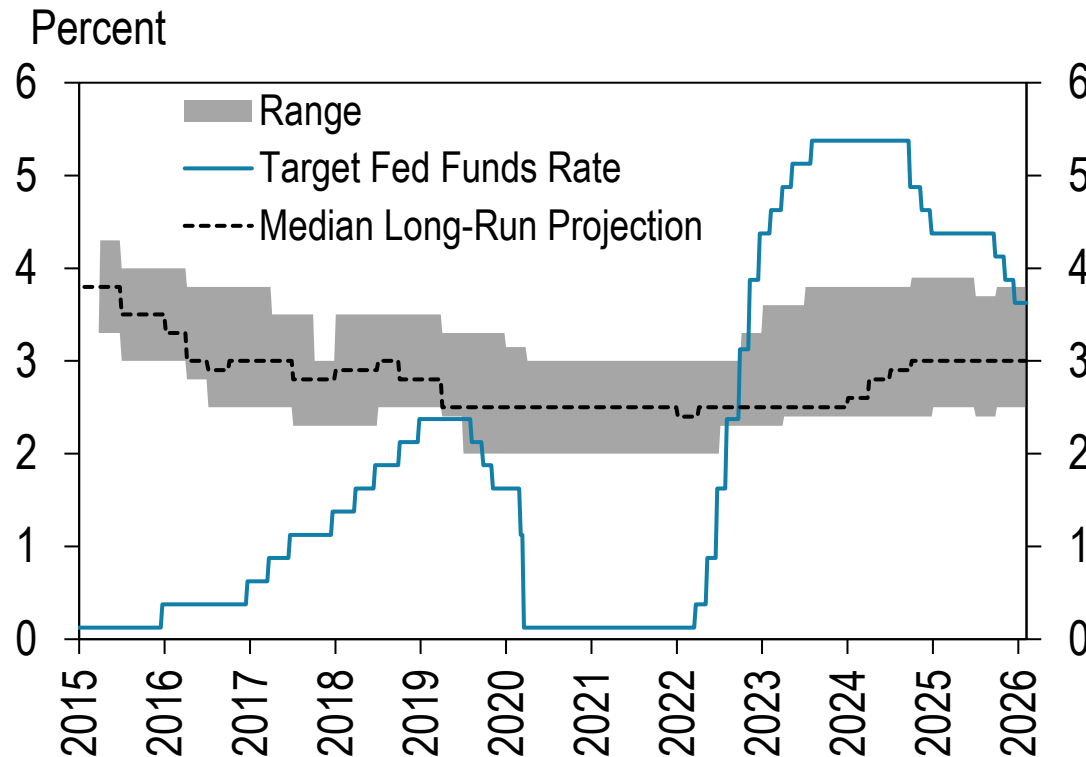


Note: Data and FOMC projections are for year-end.

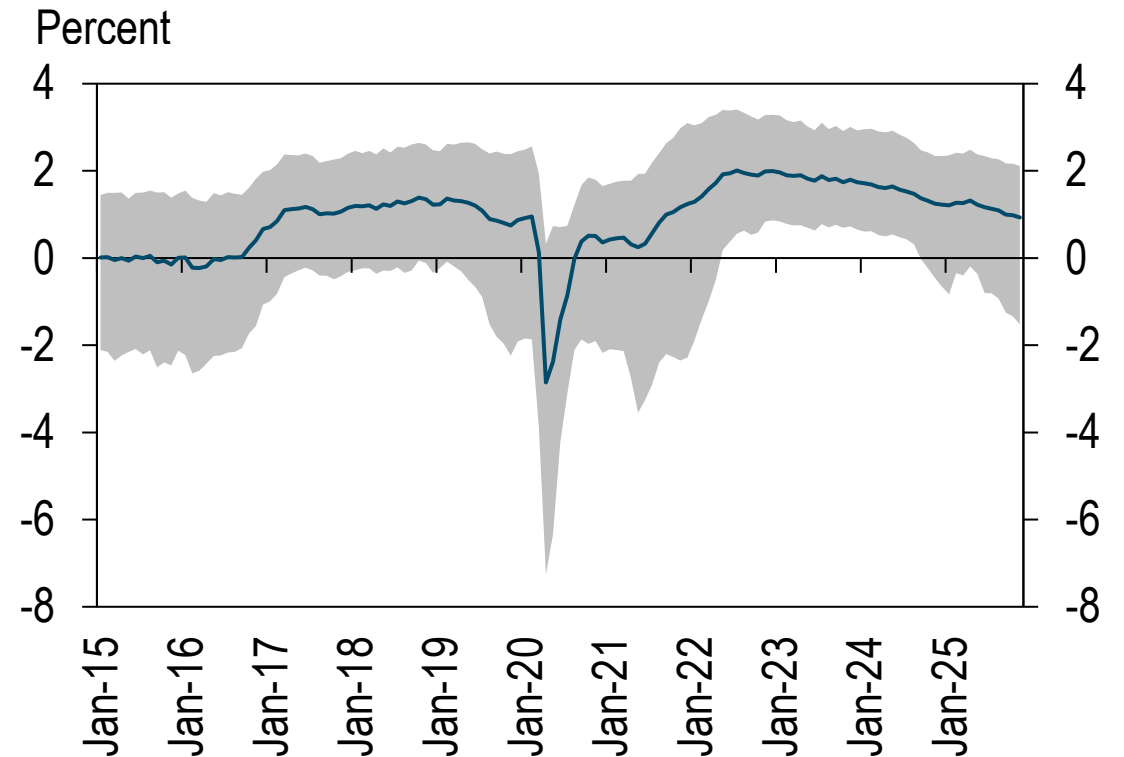
Source: FOMC

Monetary policy is likely restrictive, but perhaps only modestly

Target Federal Funds Rate and Long-Run Rate

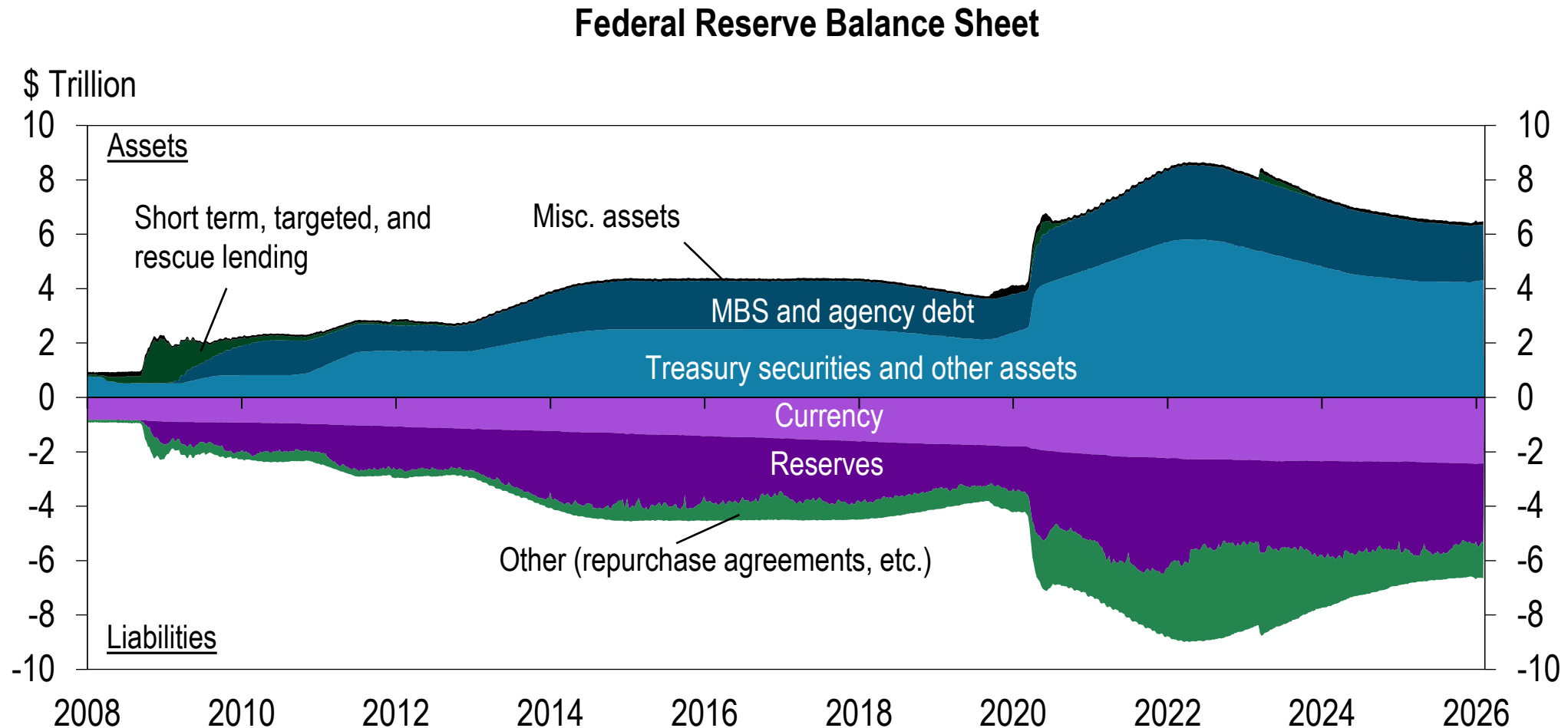


Kansas City Fed Model-Based Natural Rate of Interest (r^*)

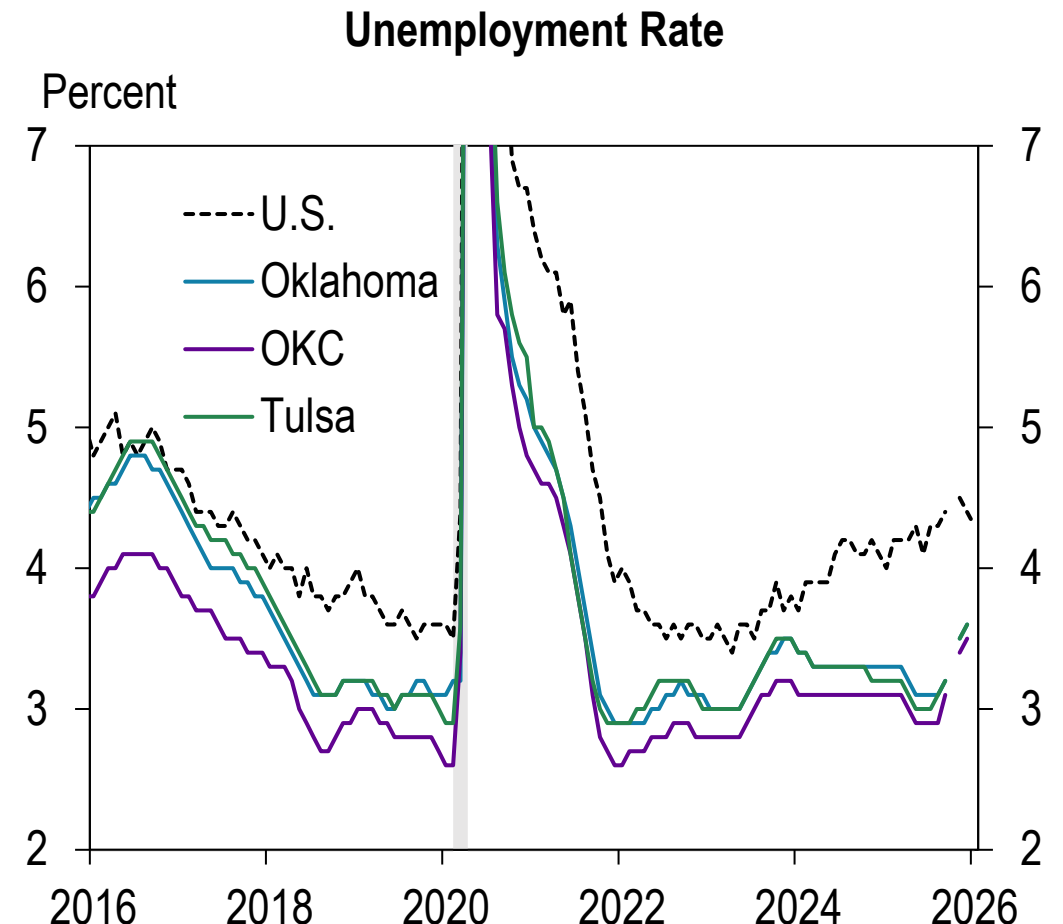
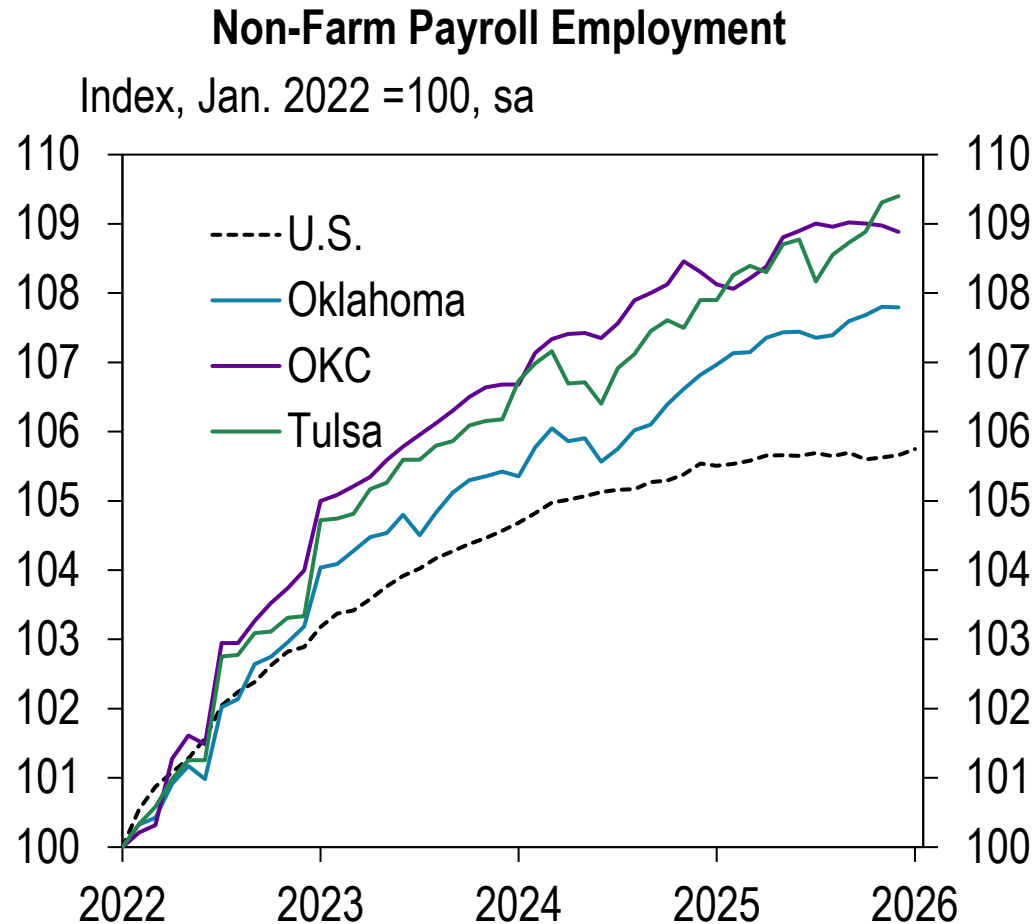


Sources: FOMC and Glover, Andrew, and Johnson Oliyide. 2026. "Introducing New Monthly Estimates of the Natural Rate of Interest and Natural Unemployment Rate." Federal Reserve Bank of Kansas City, *Economic Bulletin*, February 2.

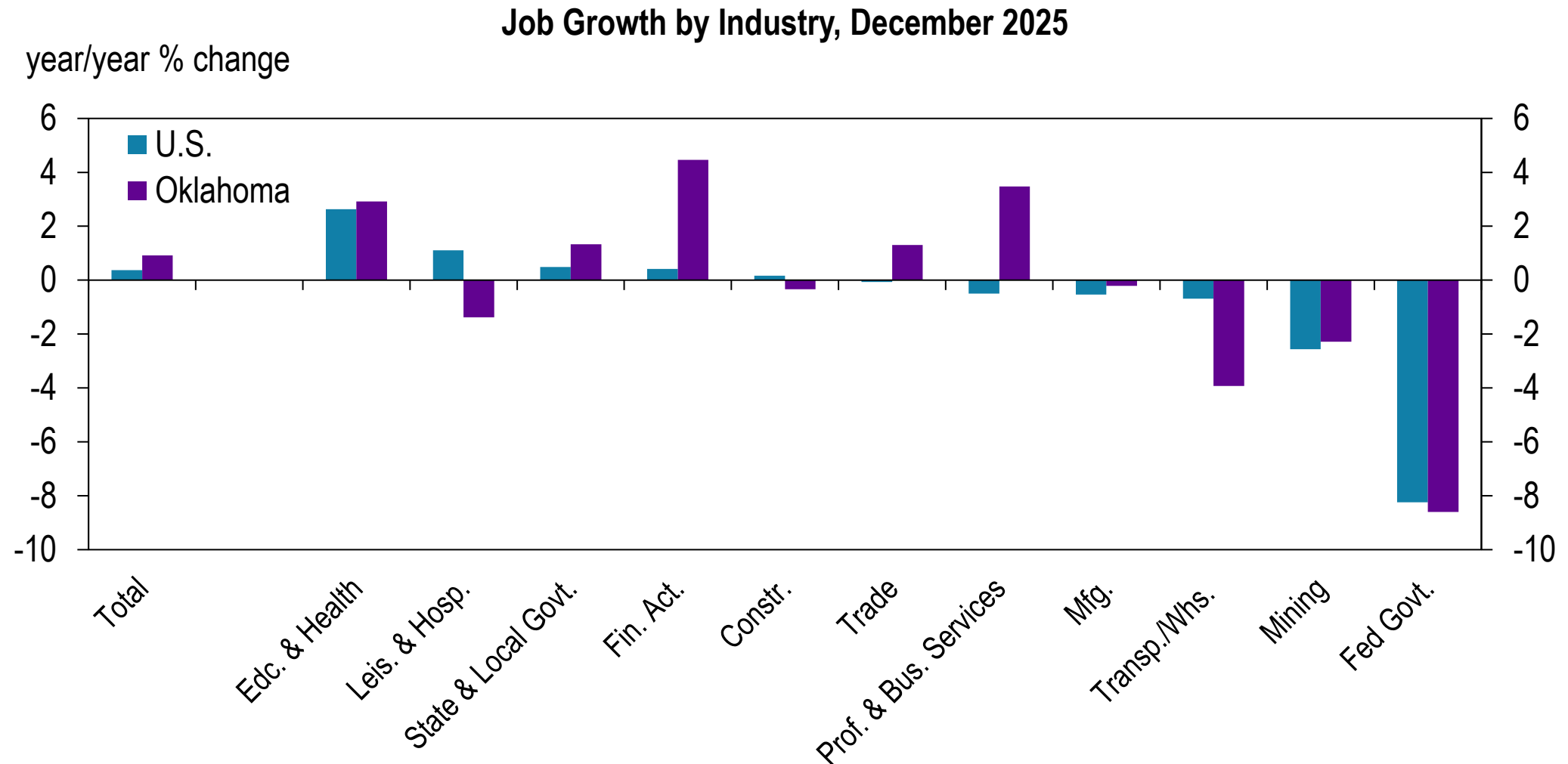
The FOMC also started purchases of short-term Treasury securities to maintain an ample supply of bank reserves



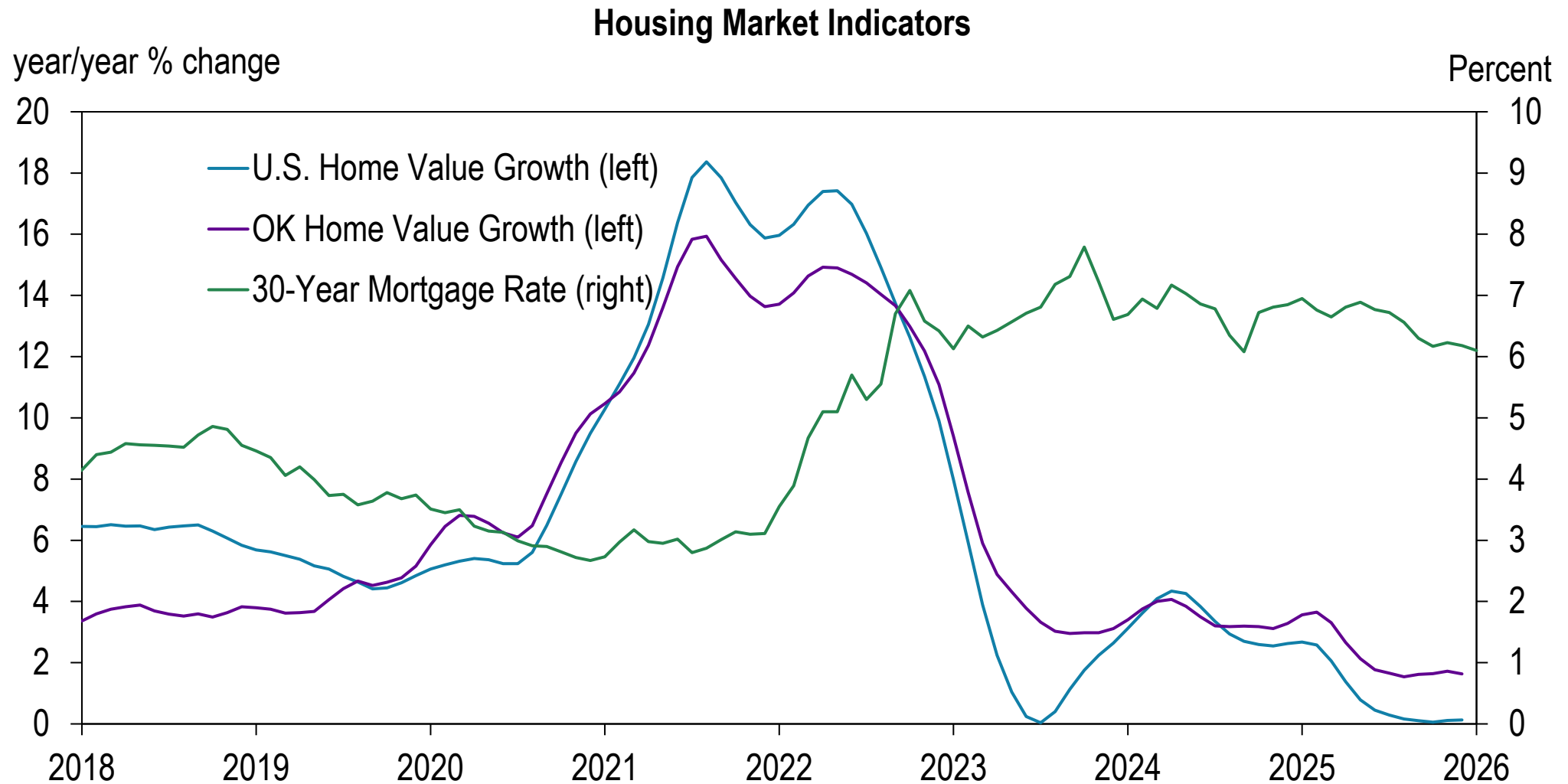
Jobs in Oklahoma have grown, but gains are leveling off, and unemployment remains very low



Oklahoma's job growth slightly outperformed the nation's over the past year, driven by construction, business services, and retail



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

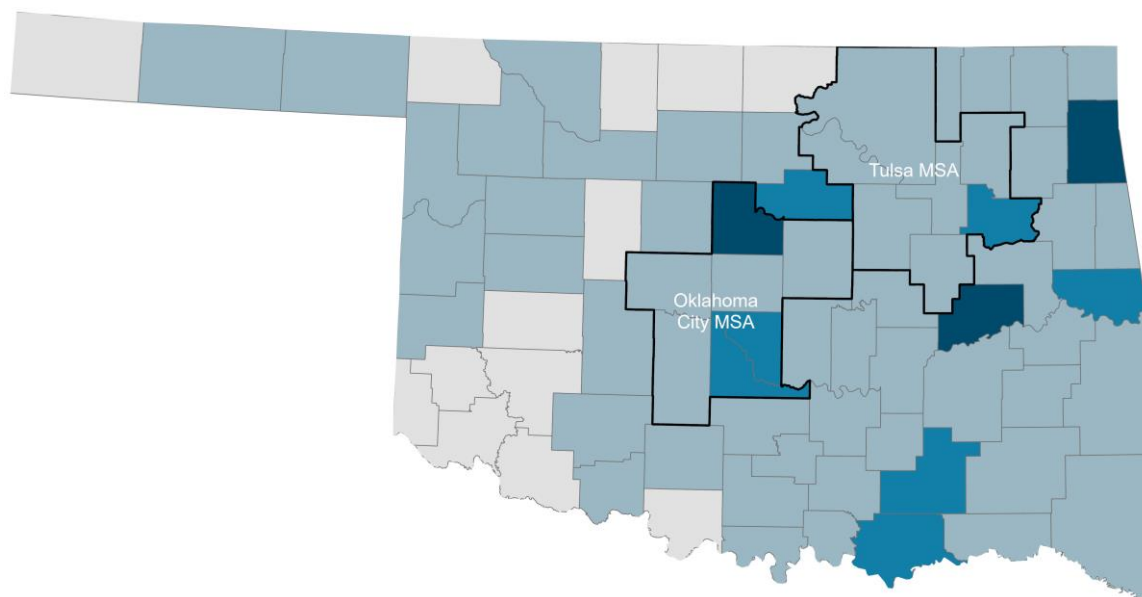


Sources: Freddie Mac, Zillow/Haver Analytics

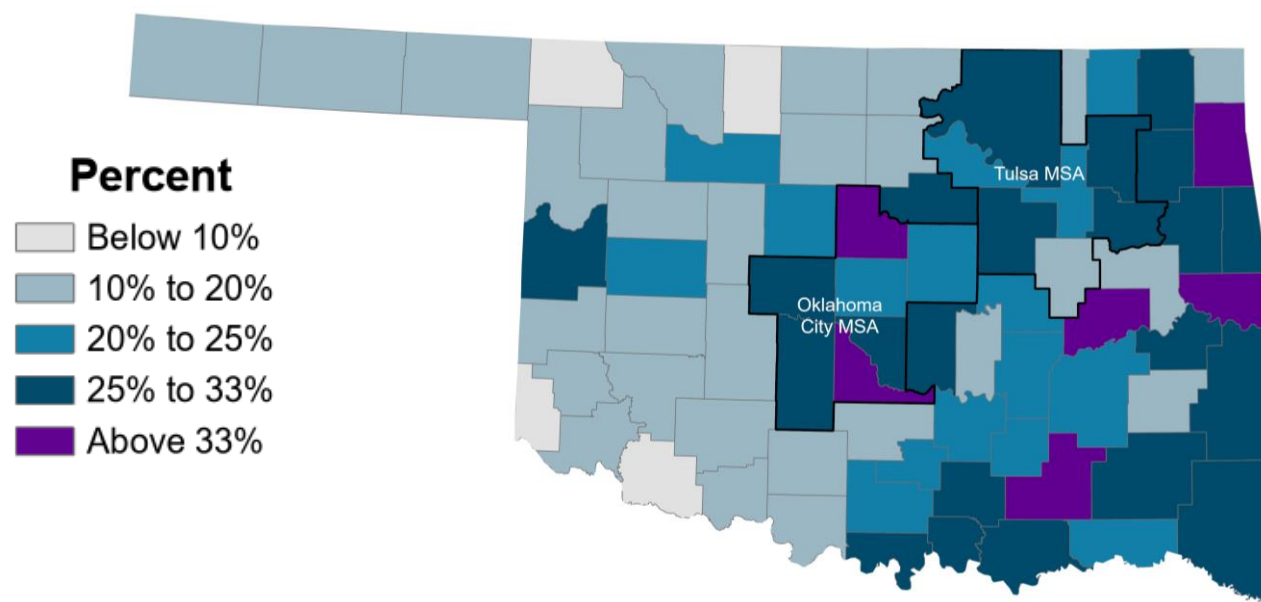
Homeownership for first-time buyers became less affordable across Oklahoma in recent years

First-Time Homeownership Costs as a Share of Household Income

2018-2019

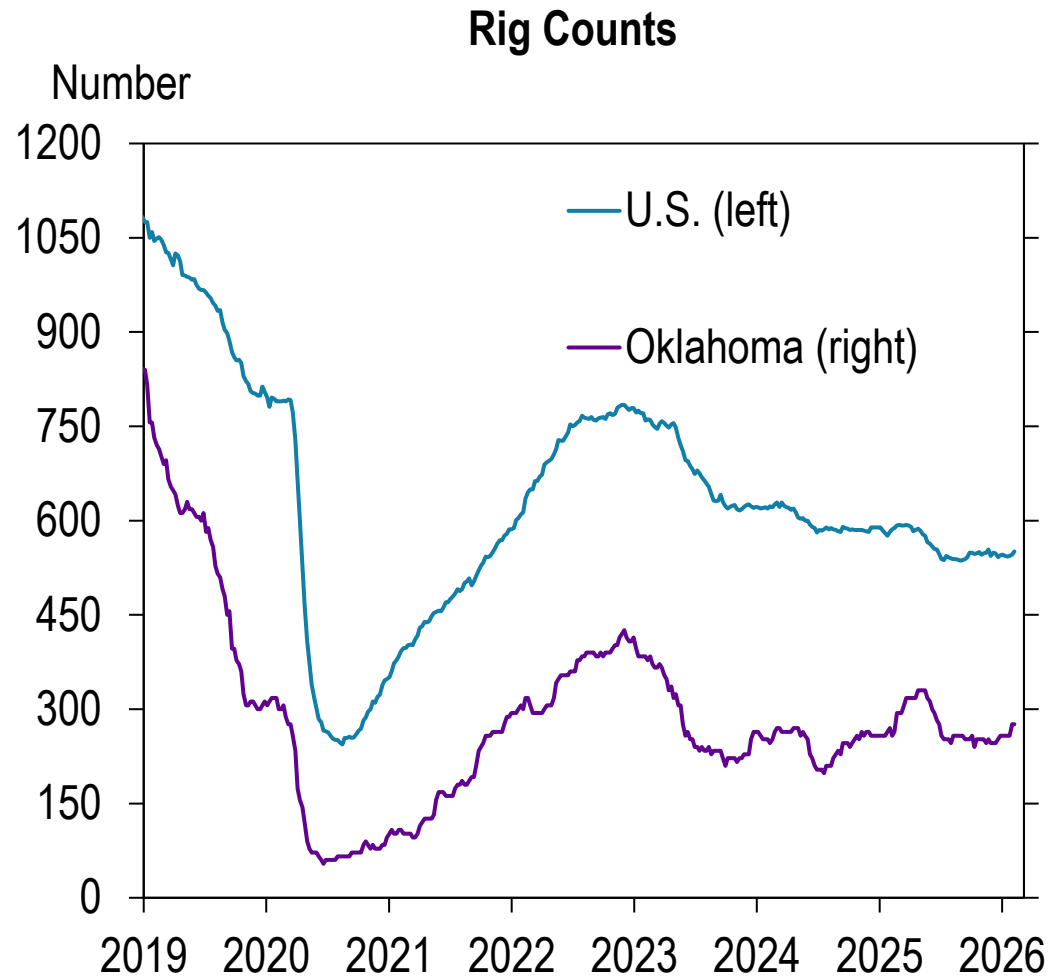


2024

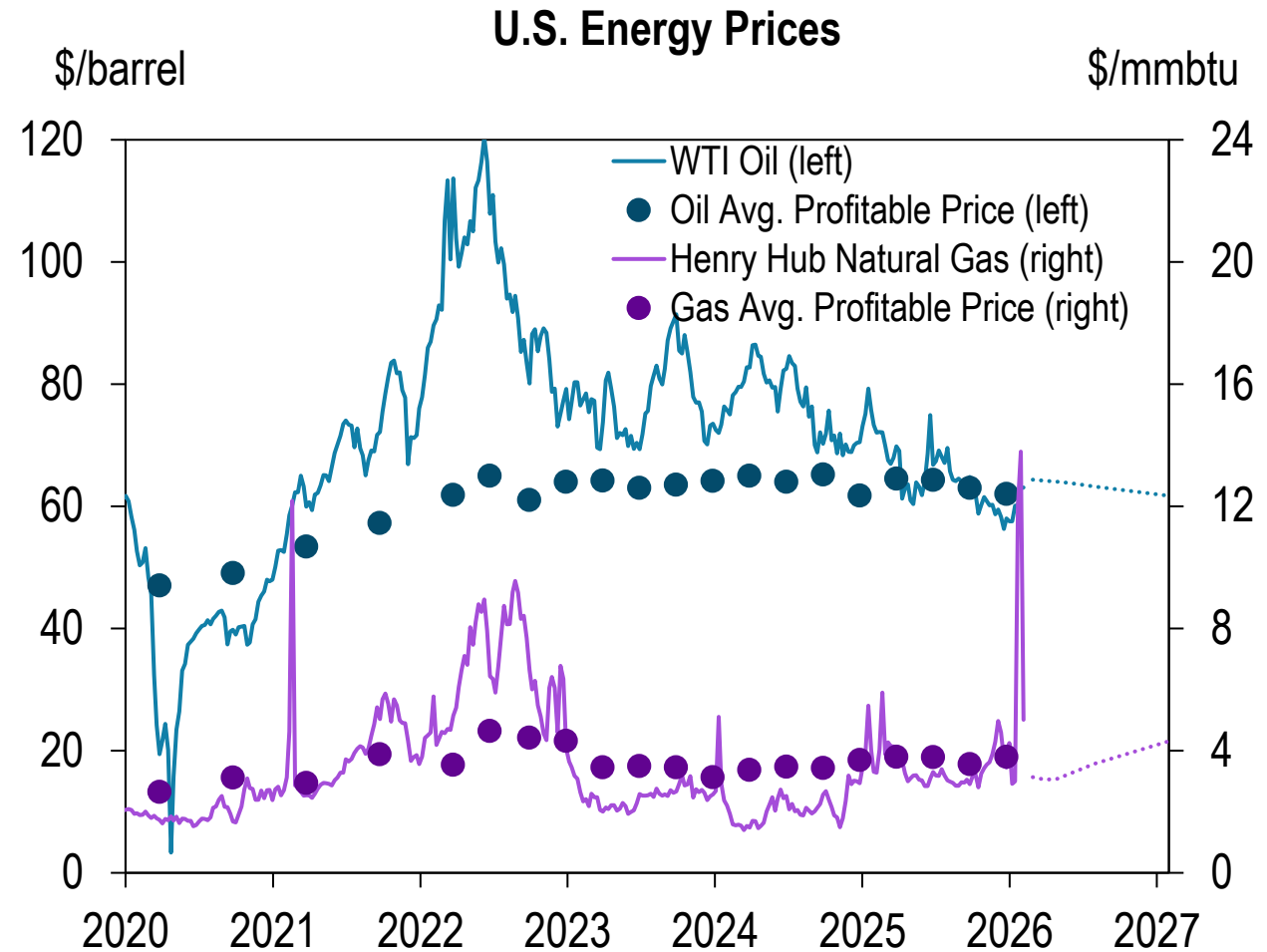


Notes: Costs include mortgage payment, insurance, and maintenance. 2024 data through October.
Sources: Zillow, BLS, U.S. Census Bureau (IPUMS NHGIS), WSJ (Haver Analytics), staff calculations

Drilling activity is mostly flat in Oklahoma as both oil and natural gas prices are near their breakeven levels



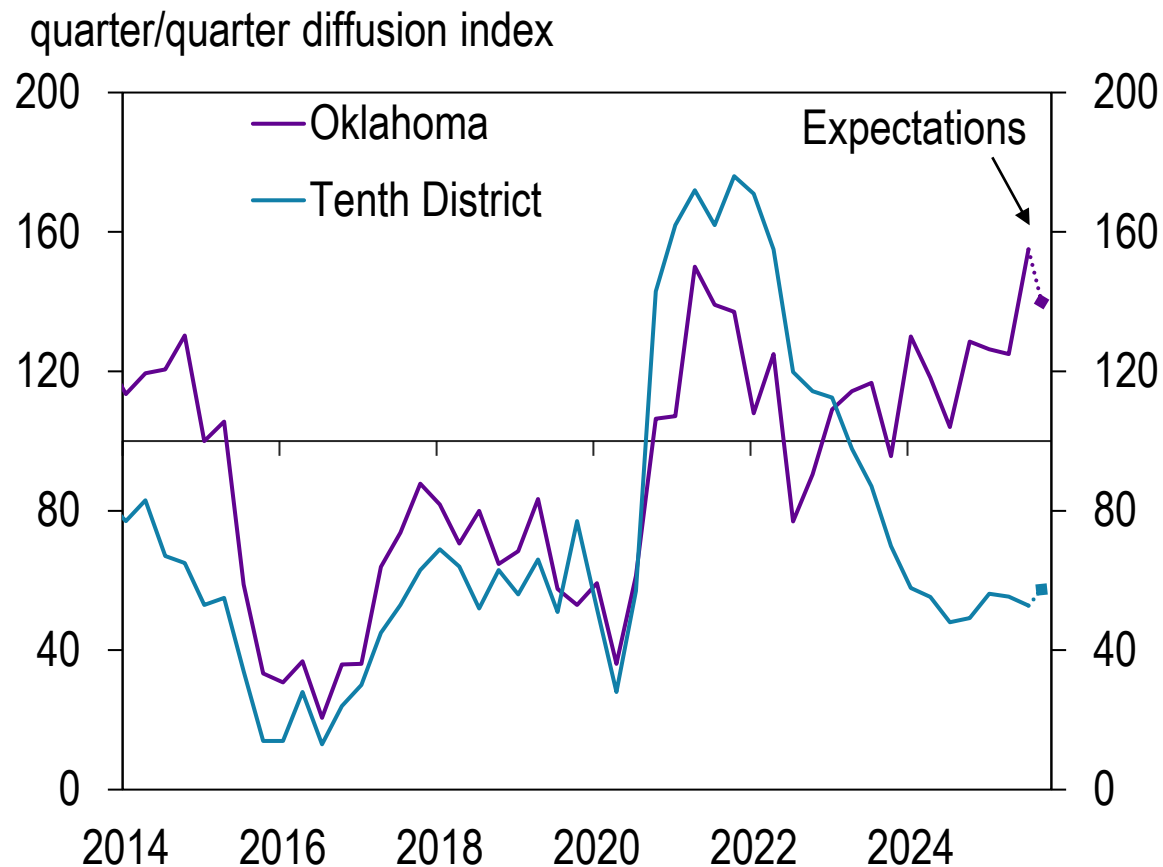
Source: Baker Hughes, EIA/Haver Analytics, FRBKC Surveys



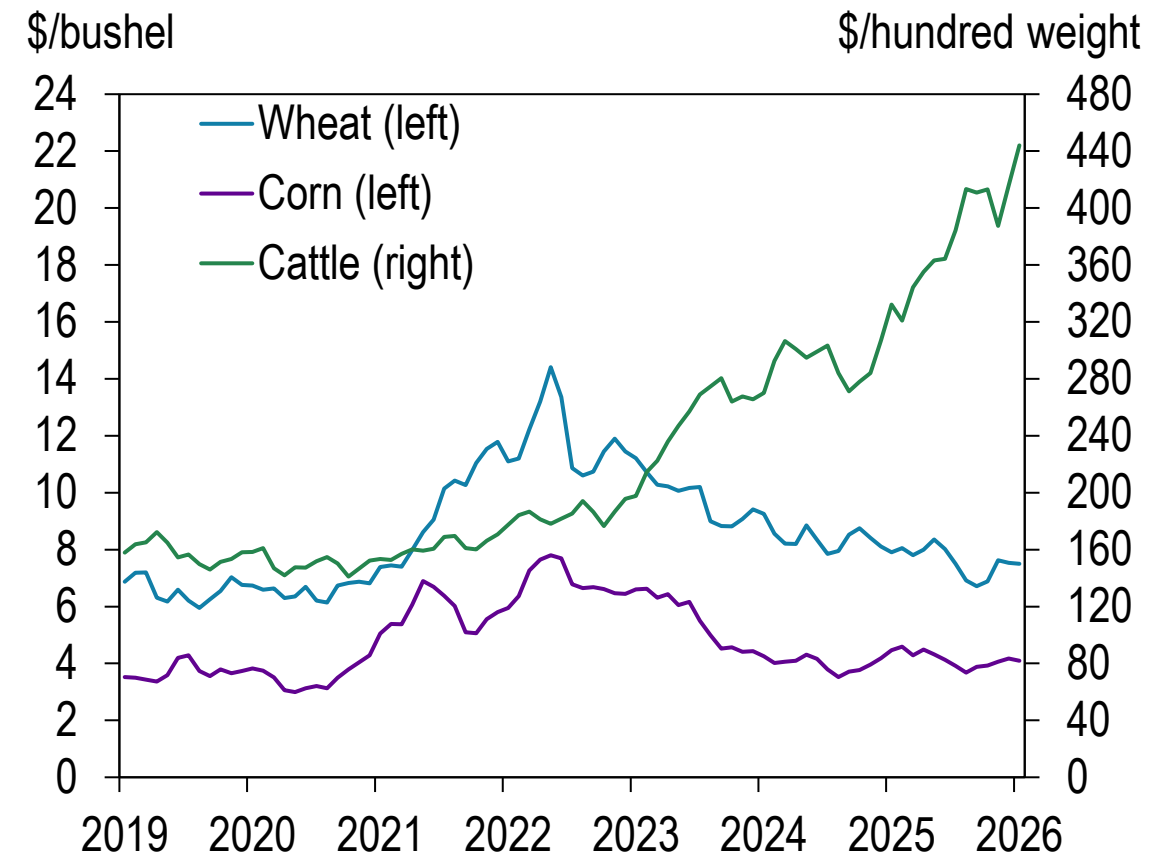
Note: Dotted lines show NYM futures prices.

Oklahoma farm income grew in Q3 while it declined in other District states, partially due to higher cattle prices

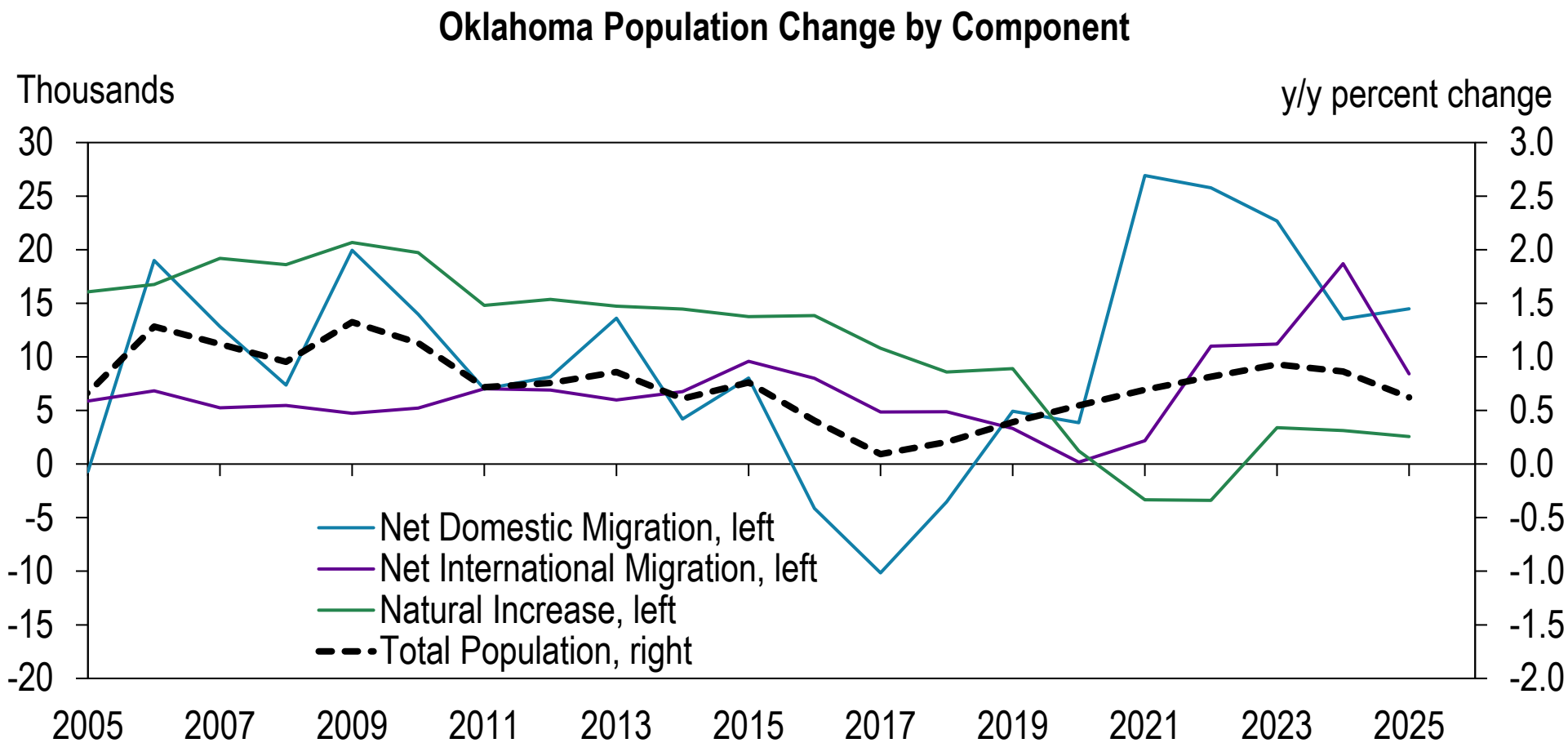
Farm Income



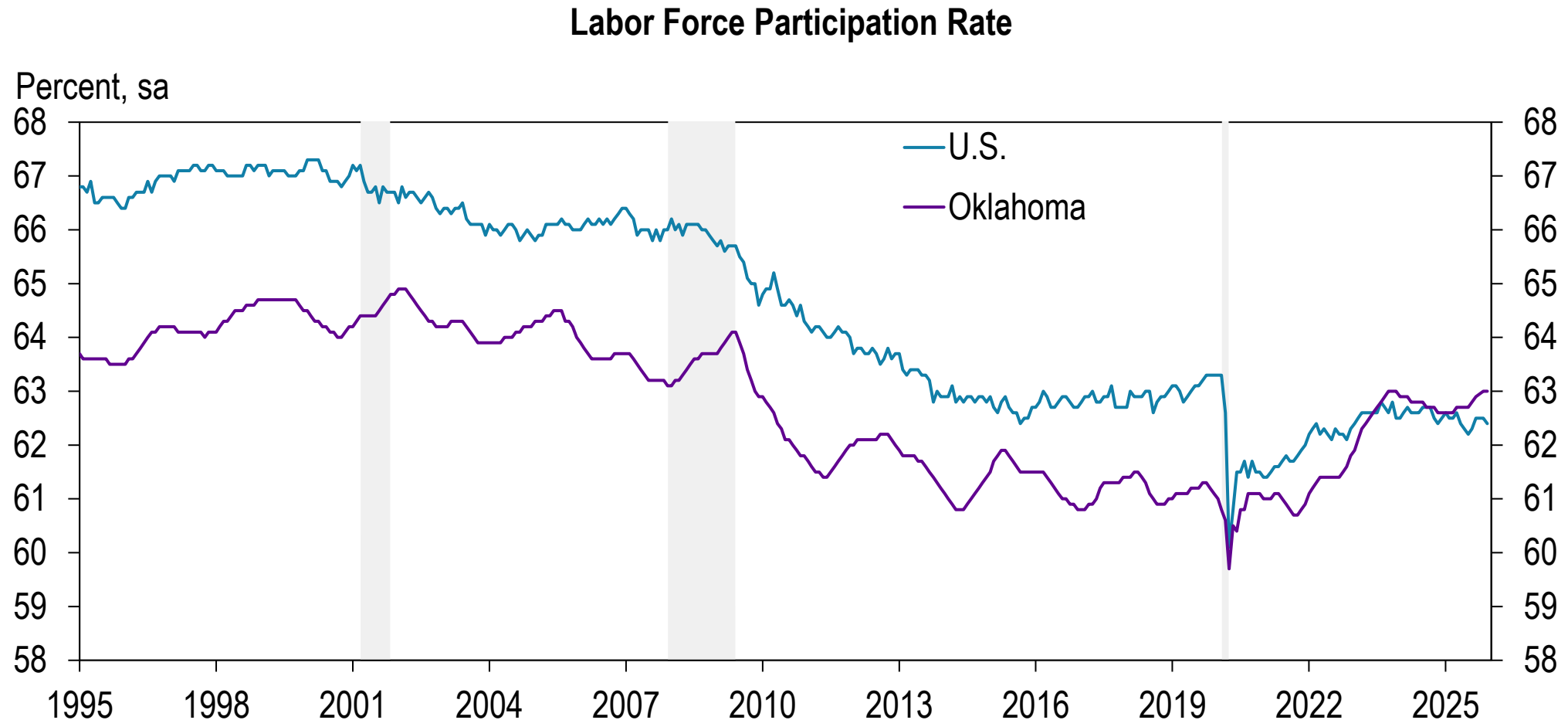
Agricultural Commodity Prices



Oklahoma's population grew at a slightly slower pace in 2025, as net international migration cooled near historical norms



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

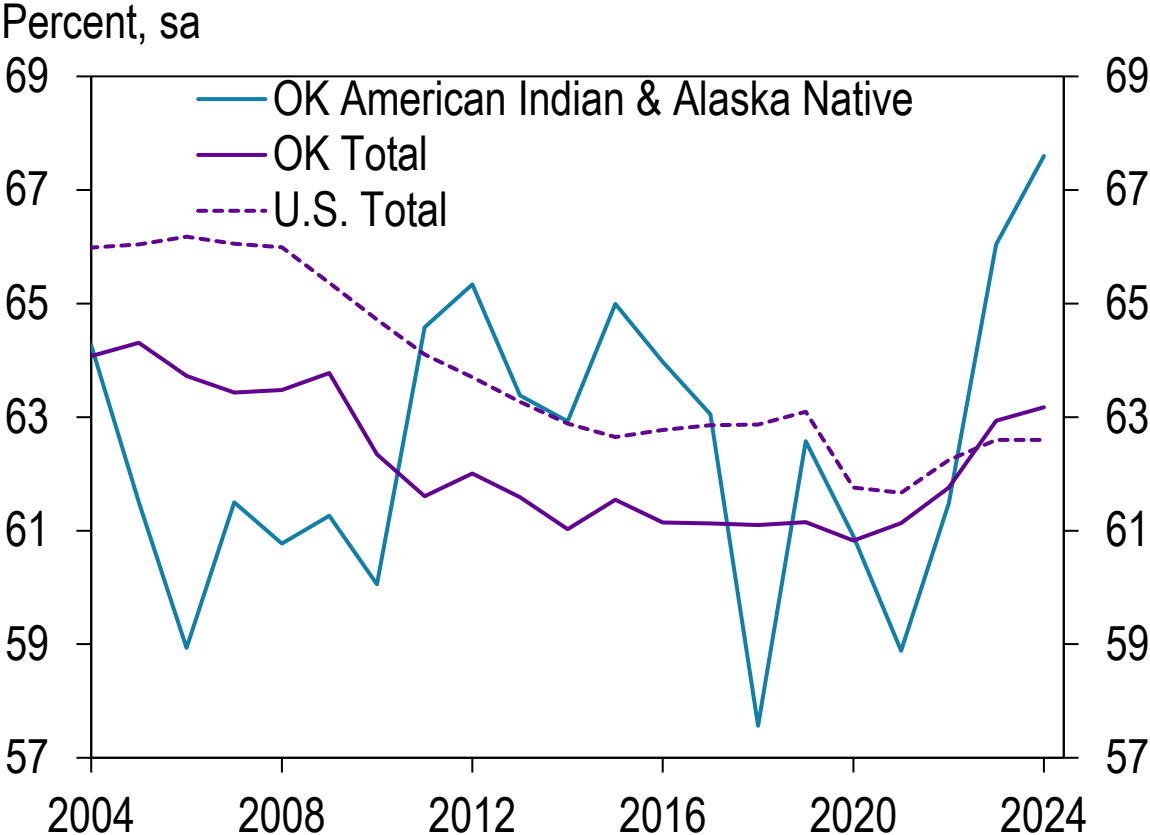


Note: Shading denotes NBER-defined recessions.

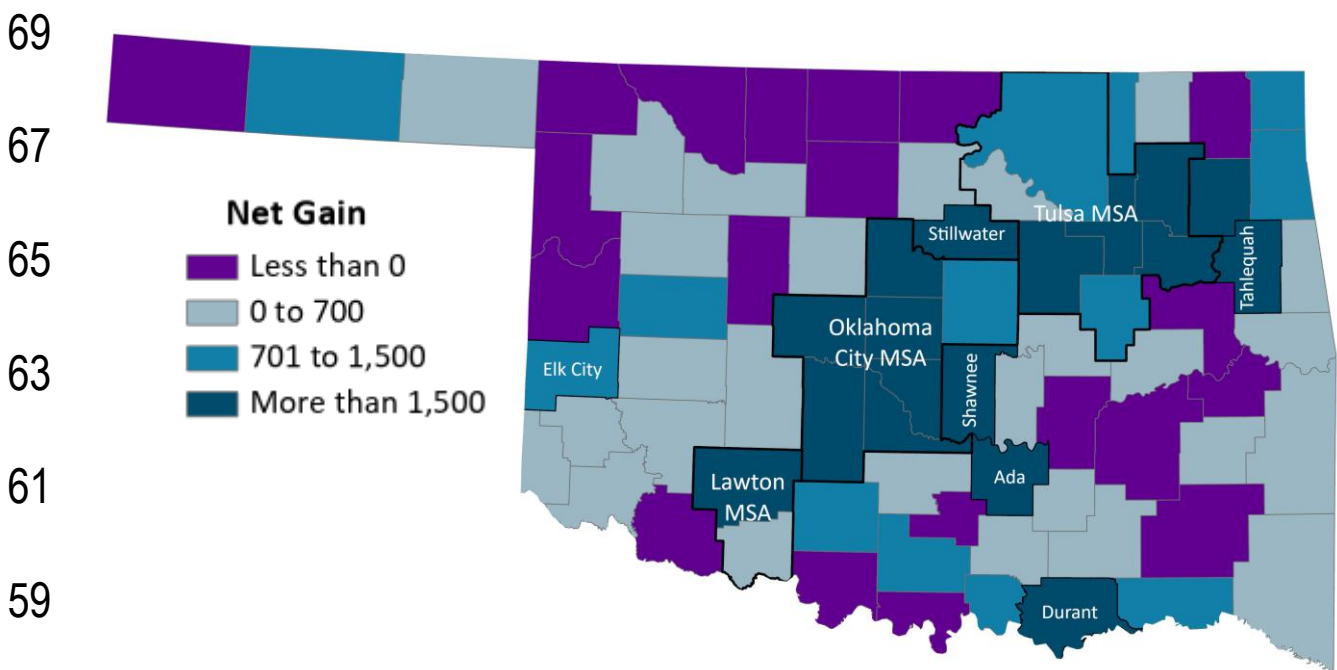
Sources: BLS, NBER/Haver Analytics

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 2025



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

Sources: BLS, CPS, staff calculations

Questions?

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