

U.S. and Oklahoma Economic Outlook

*Oklahoma Society of CPA's
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Vice President and 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.



The Federal Reserve's Role in Monetary Policy

- **Dual Mandate from U.S. Congress:**

- 1) Maximum employment
- 2) Price stability

- **Federal Open Market Committee (FOMC):**

Board of Governors

- **Jerome H. Powell**, Chairman
- **Richard H. Clarida**, Vice Chairman
- **Randal K. Quarles**, Vice Chairman of Supervision
- **Lael Brainard**
- **Michelle W. Bowman**
- **Christopher J. Waller**
- **Open**



Reserve Bank Presidents

- **John C. Williams**, New York, Vice Chairman
- **Thomas I. Barkin**, Richmond
- **Raphael W. Bostic**, Atlanta
- **Mary C. Daly**, San Francisco
- **Charles L. Evans**, Chicago
- **James Bullard**, St. Louis
- **Esther L. George**, Kansas City
- **Loretta J. Mester**, Cleveland
- **Eric Rosengren**, Boston
- **Patrick T. Harker**, Philadelphia
- **Robert S. Kaplan**, Dallas
- **Neel Kashkari**, Minneapolis



*Permanent voters in bold; 2021 rotating voters in red; 2022 rotating voters in blue

The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity

- **2020 was our Centennial OKC BRANCH 100**
- **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 programming for low and moderate income groups, workforce focus
 - Economic education and public outreach programming
- **2020 OKC Fed Branch Board of Directors**
 - **Tina Patel (chair)**, Co-Owner & CFO, Promise Hotels, Tulsa
 - **Walt Duncan**, President, Duncan Oil Properties, Oklahoma City
 - **Susan Plumb**, Chair & CEO, Bank of Cherokee County, Tahlequah
 - **Brady Sidwell**, Principal, Sidwell Strategies, Enid
 - **Chris Turner**, President & CFO, First State Bank, Oklahoma City
 - **Katrina Washington**, Owner/Broker, Stratos Realty, Oklahoma City
 - **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



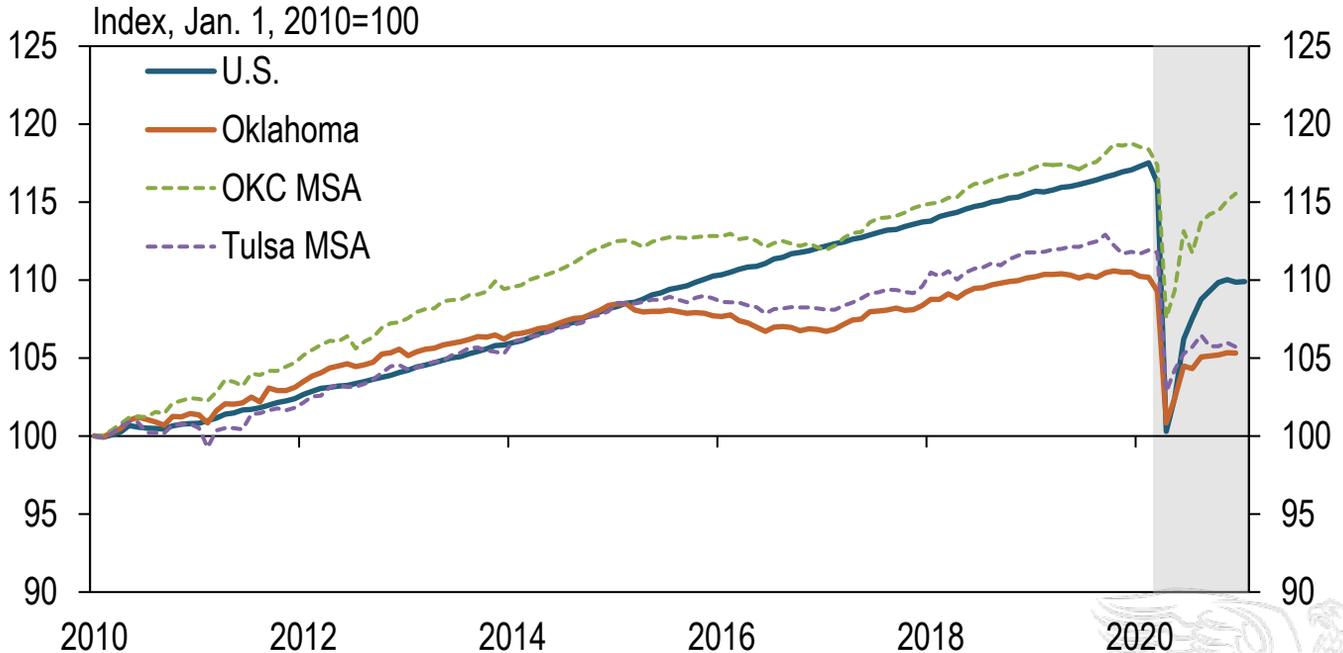
Overview

- The U.S. and Oklahoma economies stalled at the end of last year with the surging virus and fading policy support, but stimulus and a vaccine have provided some stabilization
- The timing and pace of recovery is still uncertain with pandemic and vaccine risks, but there could be a strong bounce-back
- Monetary policy is likely to remain accommodative for some time, with the Federal Reserve providing guidance on asset purchases



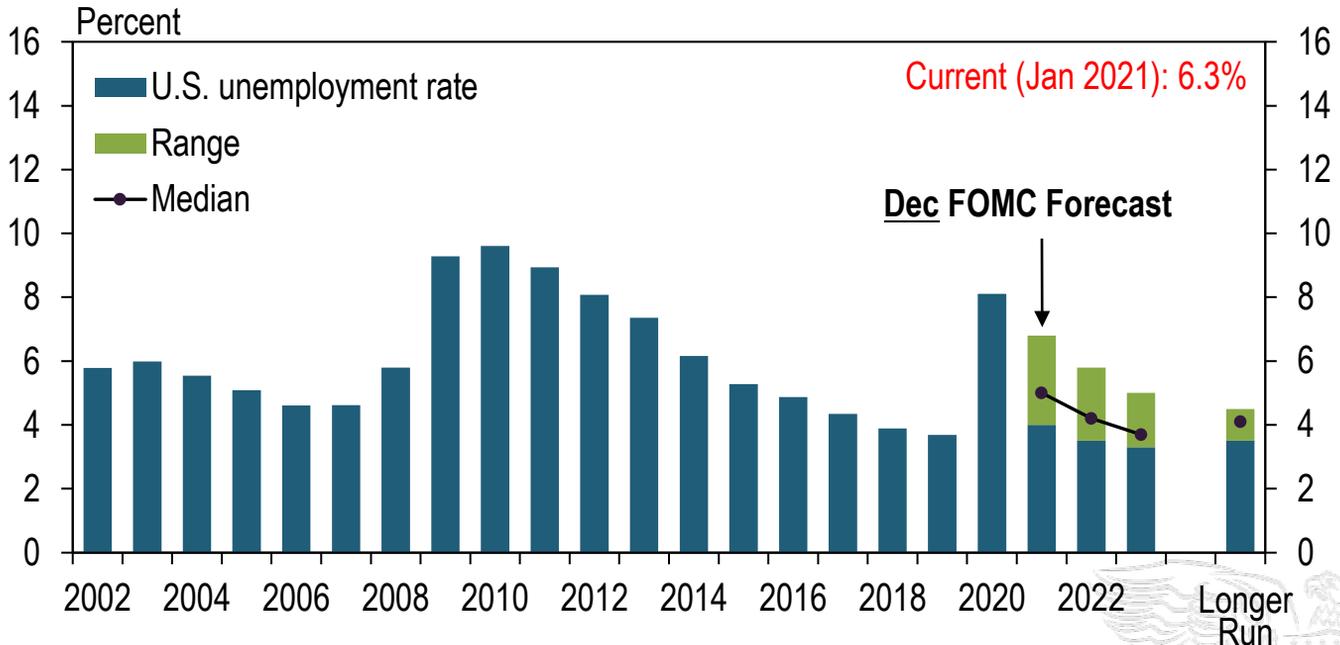
Only half of U.S. and OK job losses have returned, OKC has seen more recovery, Tulsa less so

Nonfarm Payroll Employment Growth



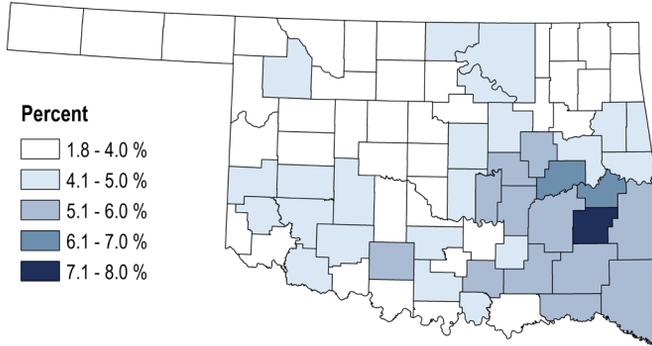
Jan. FOMC: “The ongoing public health crisis continues to weigh on... employment... [with] considerable risks.”

U.S. Unemployment Rate



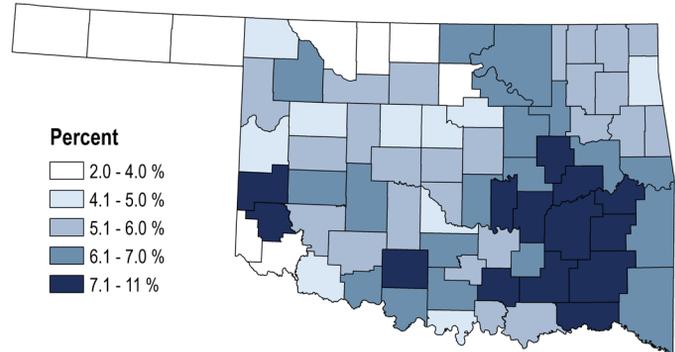
Unemployment remains higher than a year ago, but 75% of OK counties have lower unemployment than the U.S.

**County Unemployment Rates
Dec. 2019**



U.S.: 3.6%
Oklahoma: 3.4%

**County Unemployment Rates
Dec. 2020**

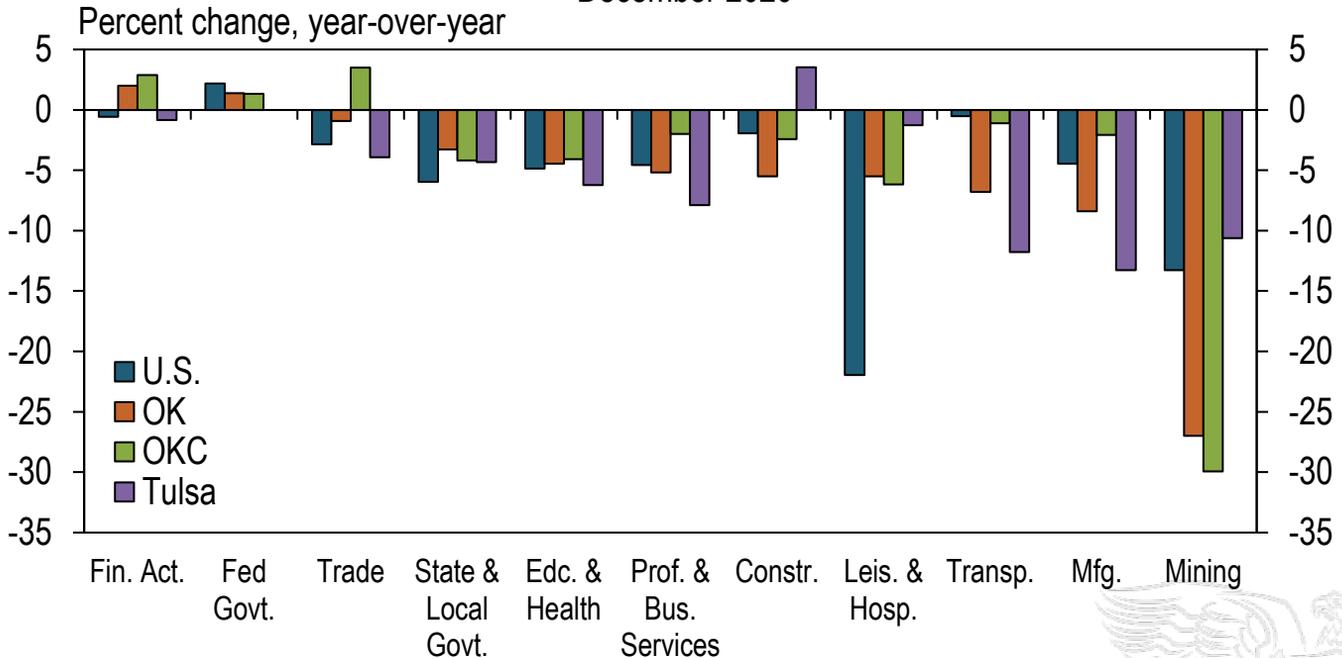


U.S.: 6.7%
Oklahoma: 5.3%



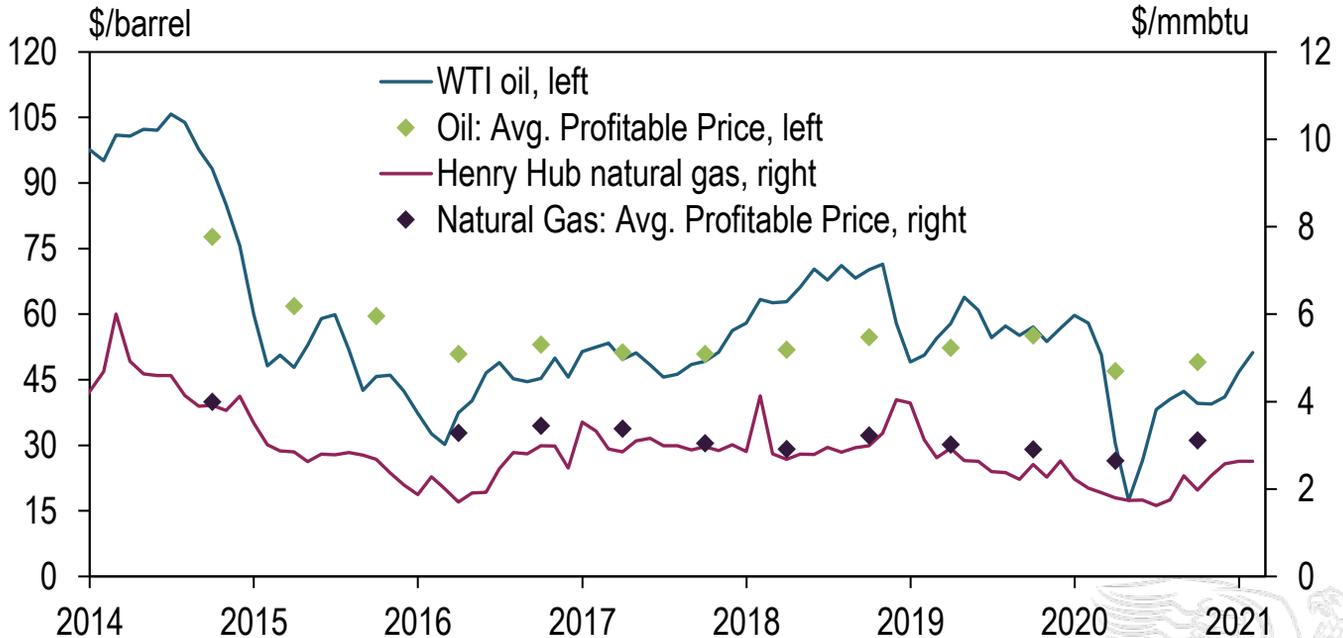
State energy, manufacturing, and transportation cuts were bigger than in the U.S., leisure & hospitality less

Job Growth by Industry
December 2020



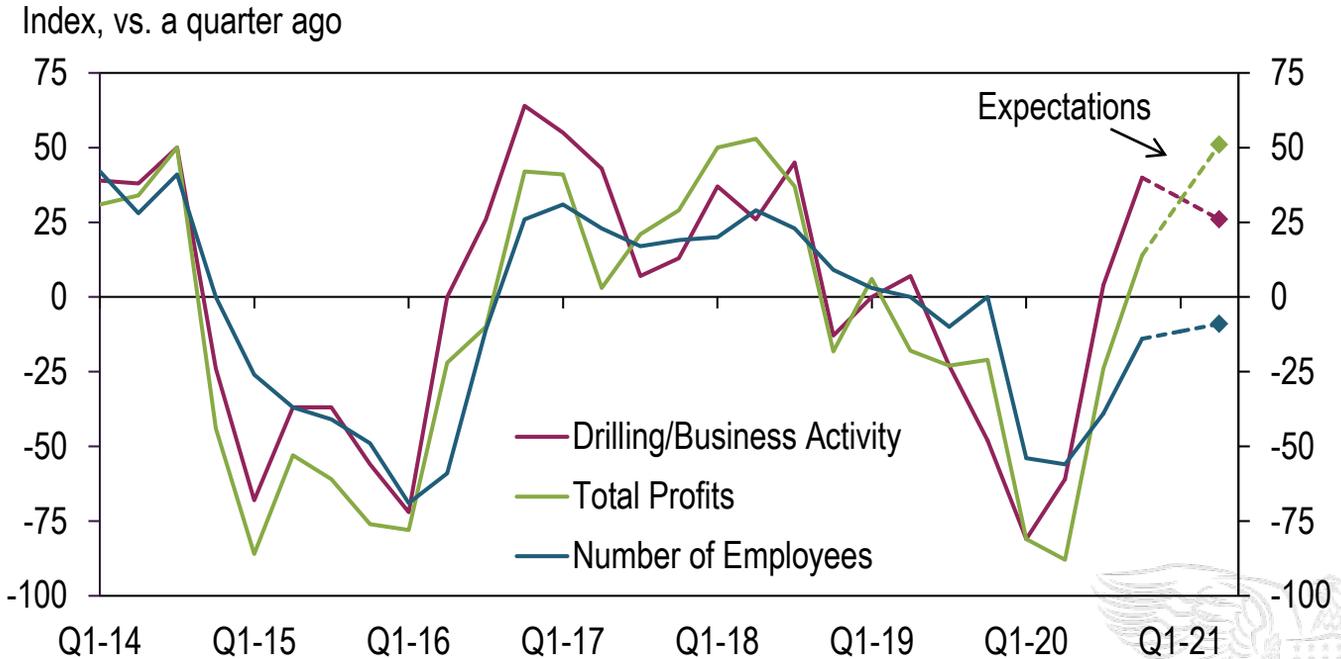
Oil prices have returned to profitable levels for most Tenth Fed District energy firms, but natural gas lags

Oil and Natural Gas Prices



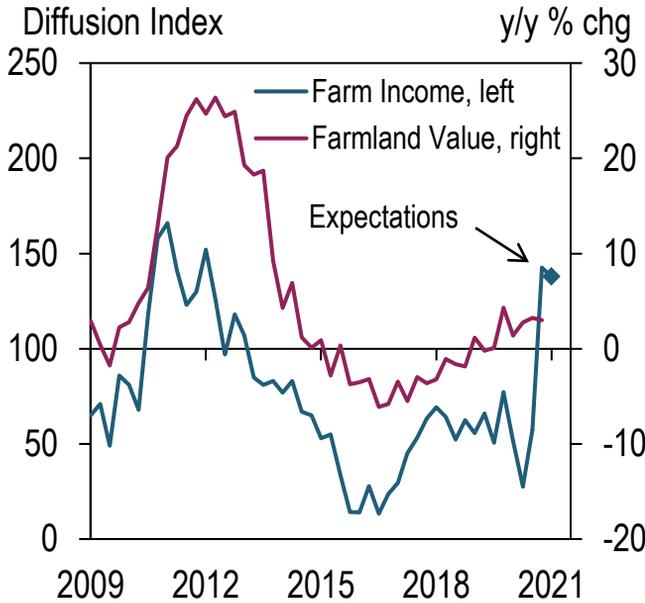
Across the Tenth Fed District, energy activity and profitability have increased but with fewer employees

FRBKC Energy Survey Indexes

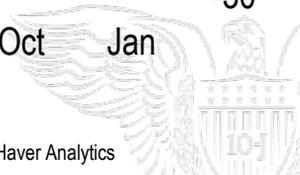
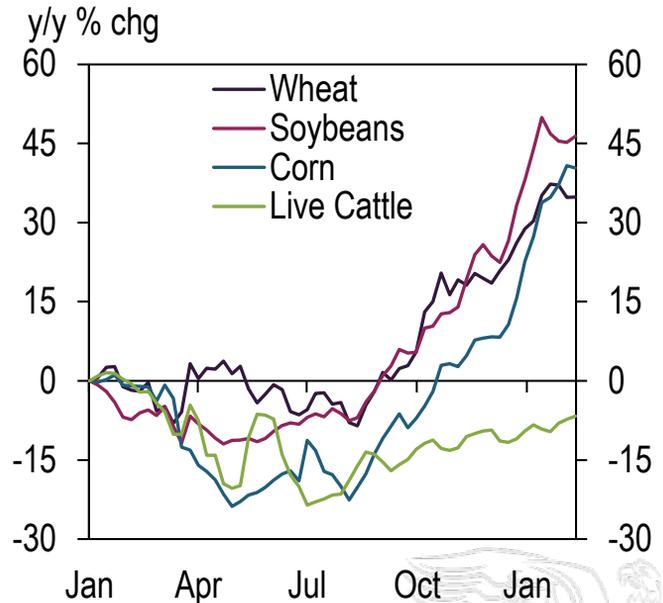


Ag income rebounded in late 2020, and non-cattle prices have continued to rise

District Ag Credit Conditions

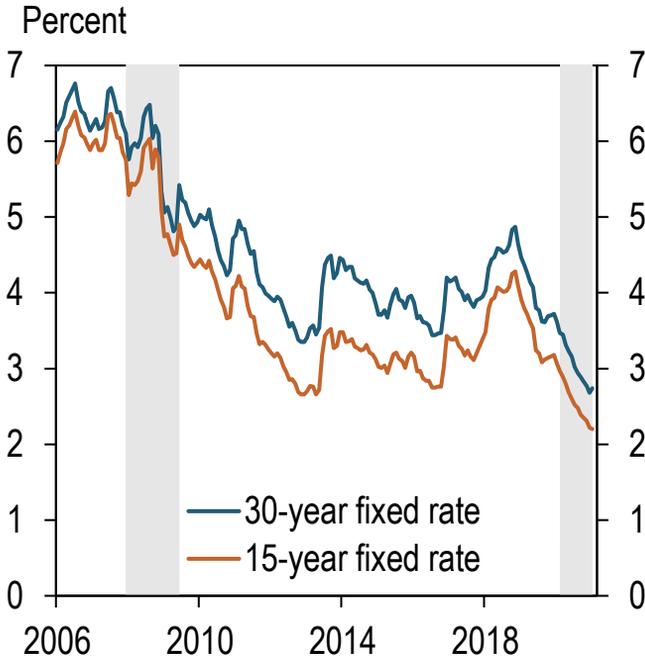


Commodity Prices

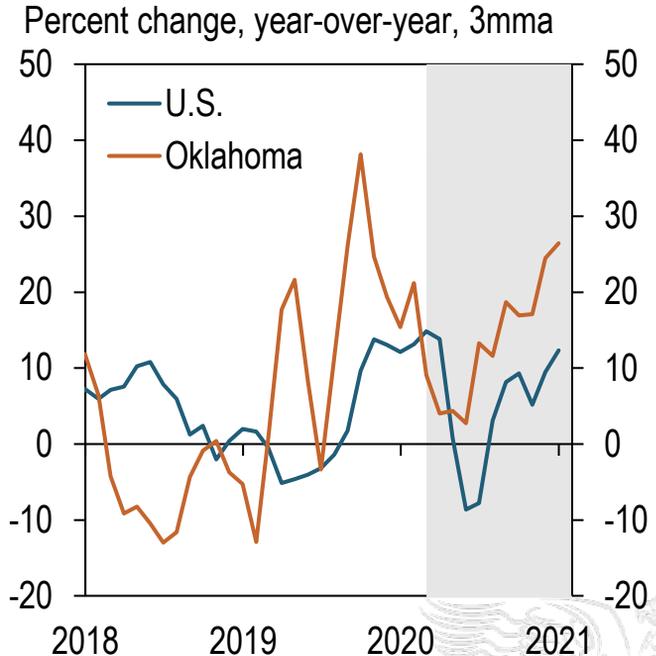


Low mortgage rates have contributed to strong housing activity in Oklahoma since last spring

Mortgage Rates

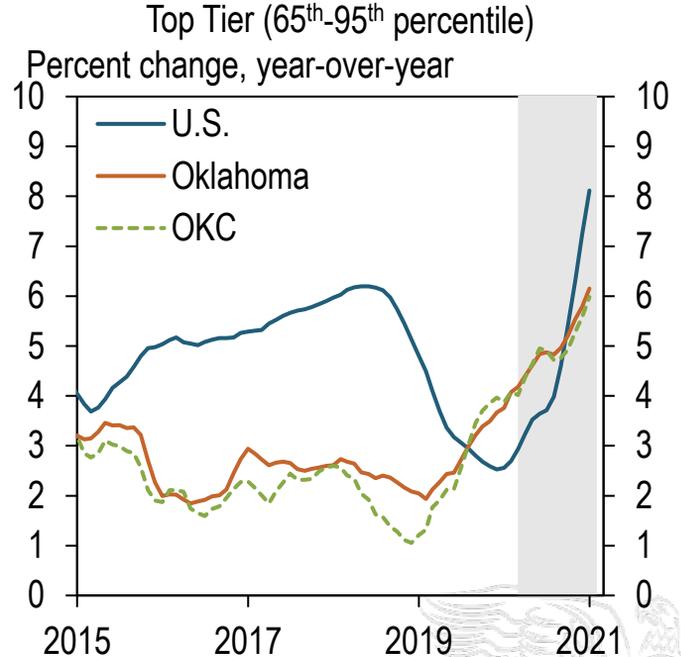
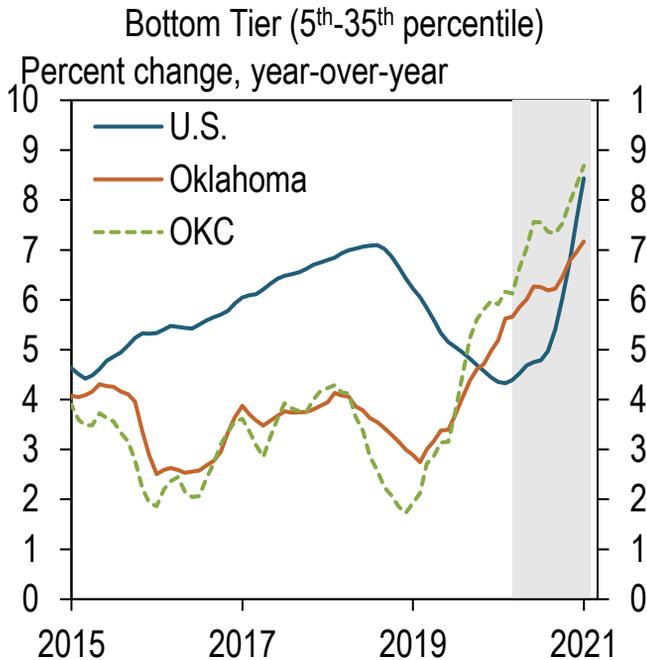


New Housing Permits



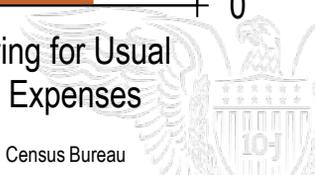
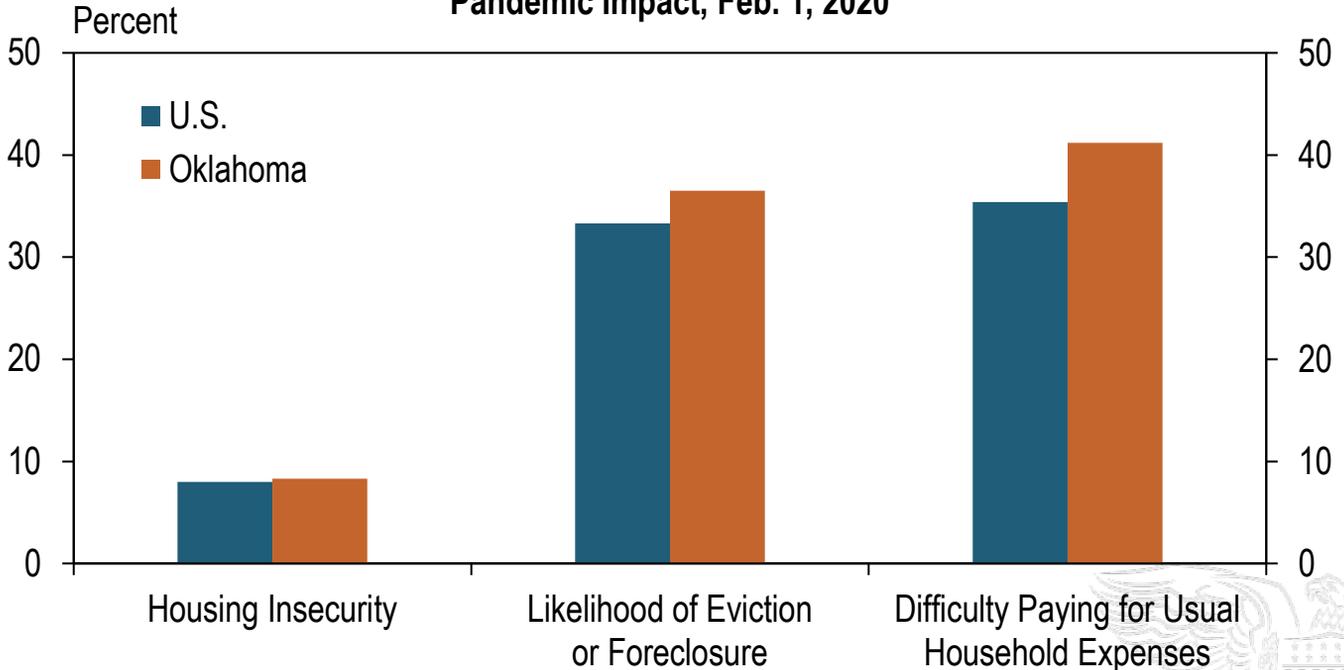
Housing prices were a bright spot in 2020, with prices up for all home sizes and price tiers

Housing Price Indexes



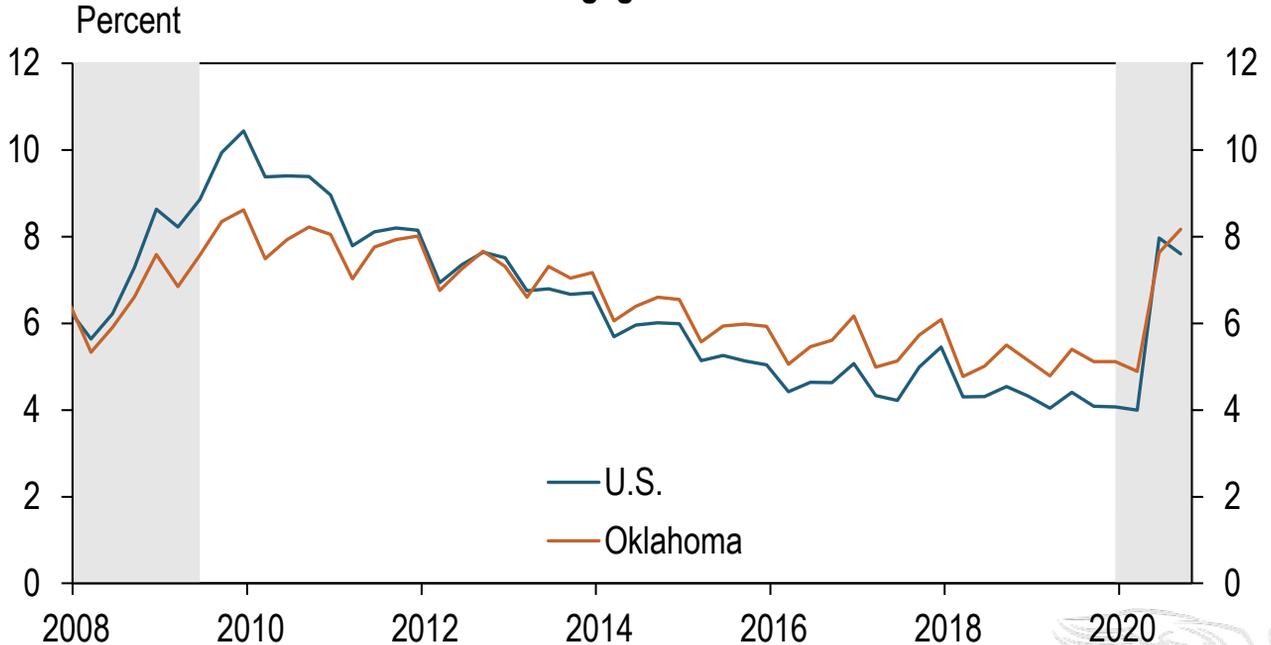
Despite strong housing, many Oklahomans are at risk of eviction and struggling to pay household expenses

Household Pulse Survey
 Pandemic Impact, Feb. 1, 2020



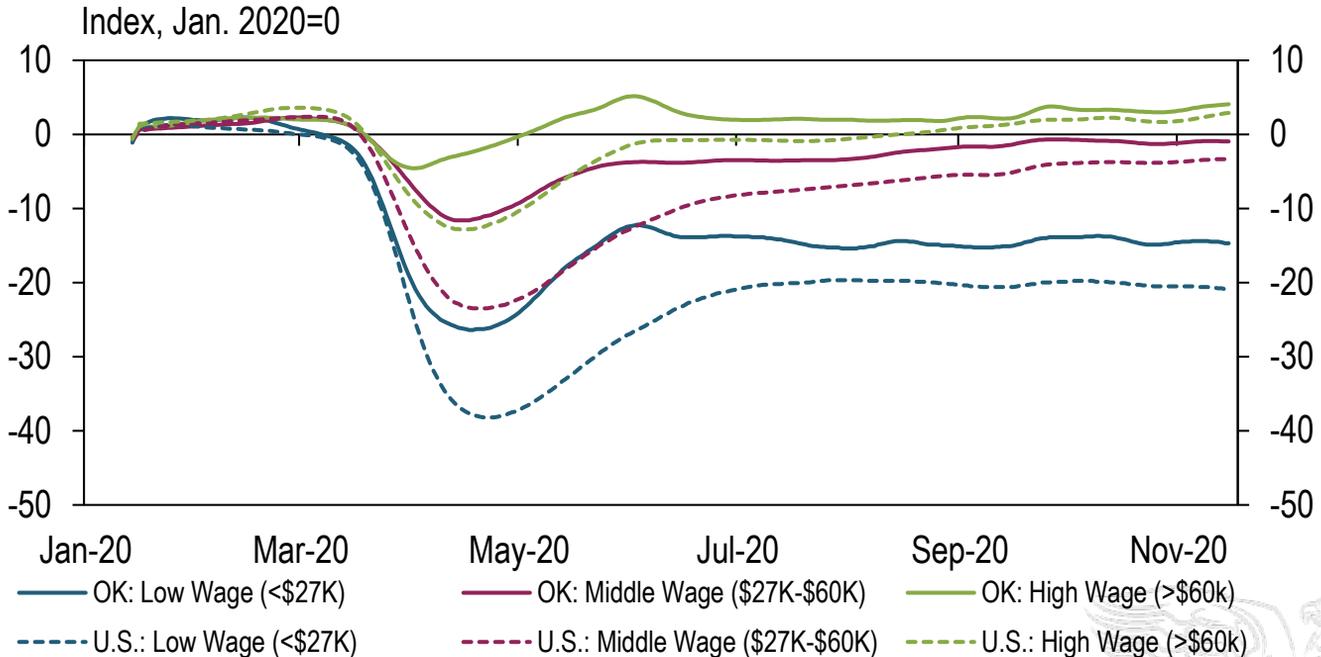
Through Q3, mortgage delinquencies increased more in Oklahoma than in the U.S. overall

All Mortgages Past Due



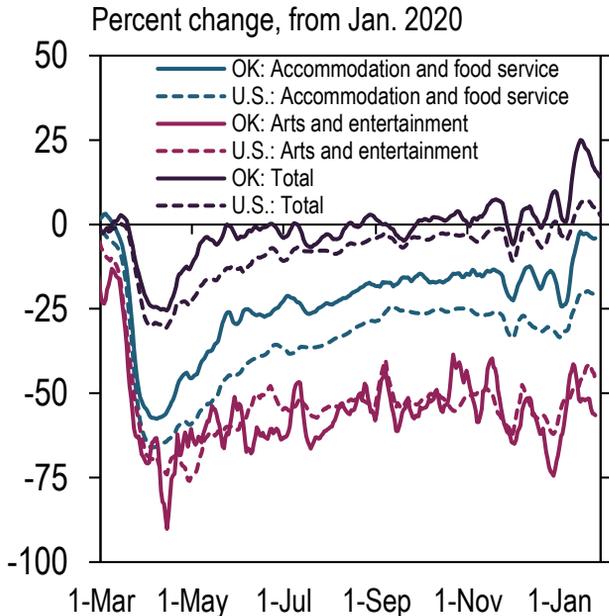
While higher wage jobs bounced back, low wage job growth remains down, though slightly less so in OK

Employment by Income Level

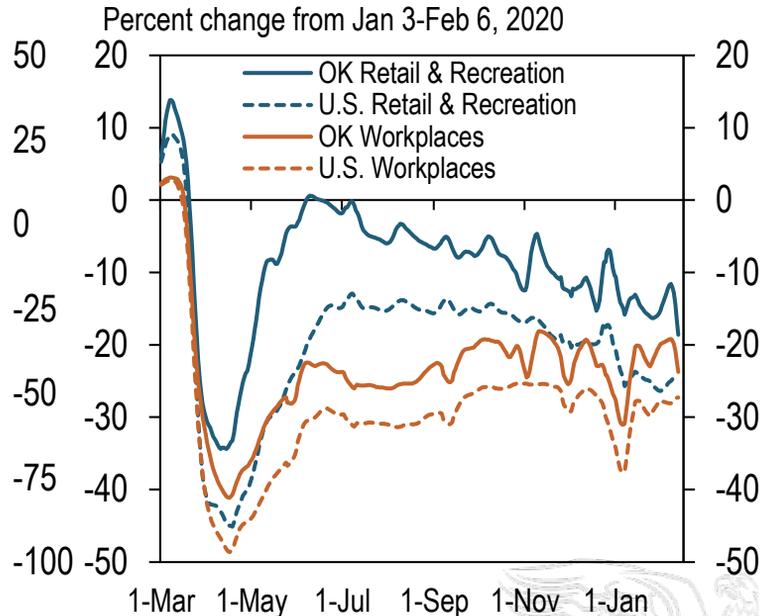


And although consumer spending has held up, foot traffic at Oklahoma businesses remains flat to down

Consumer Spending

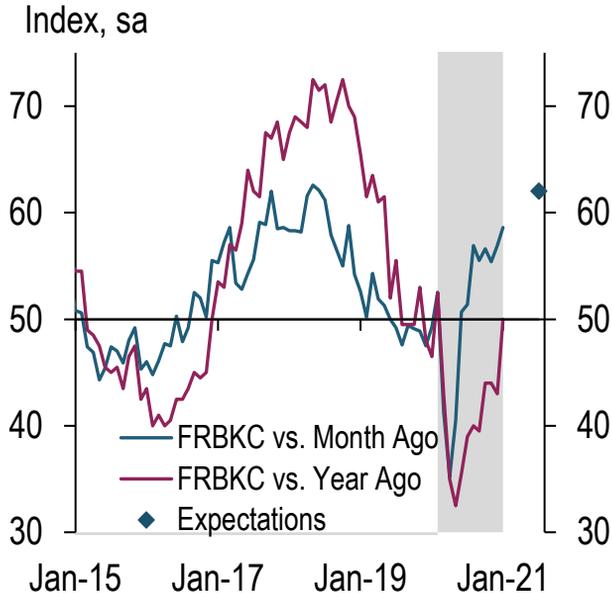


Google Mobility Data

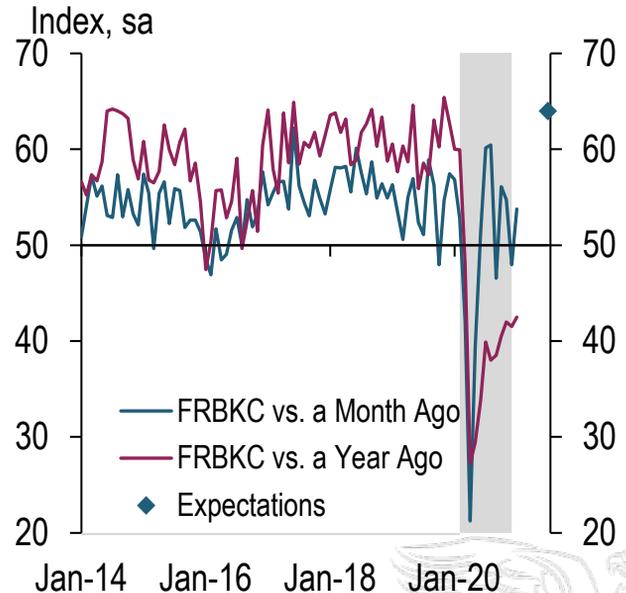


Manufacturing in the region is finally back to year-ago levels, and while services lag, firms are optimistic

Manufacturing Survey Composite Indexes

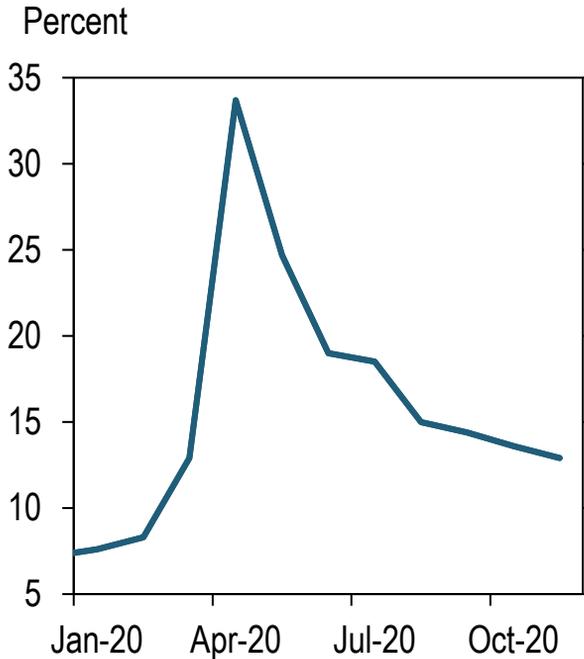


Services Survey Composite Indexes

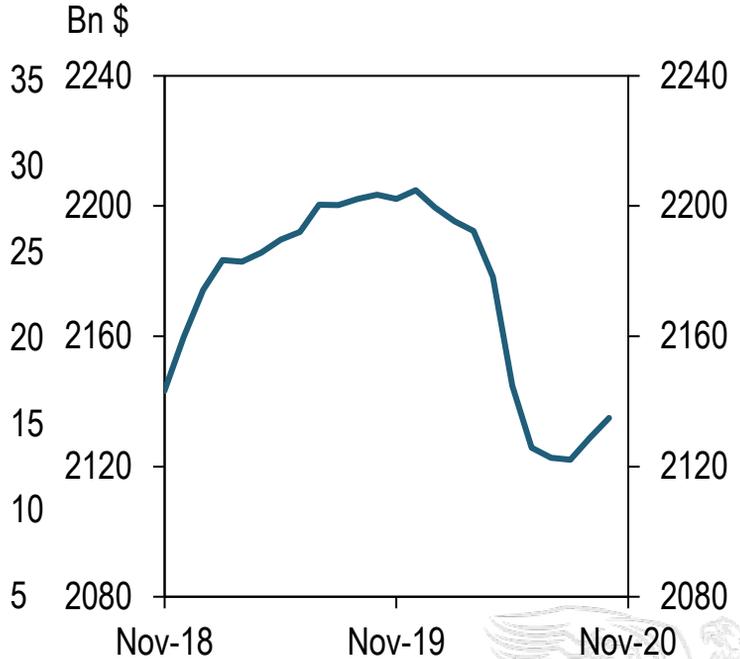


U.S. savings remain elevated and inventories have room to grow, setting the stage for a strong rebound

Personal Savings Rate

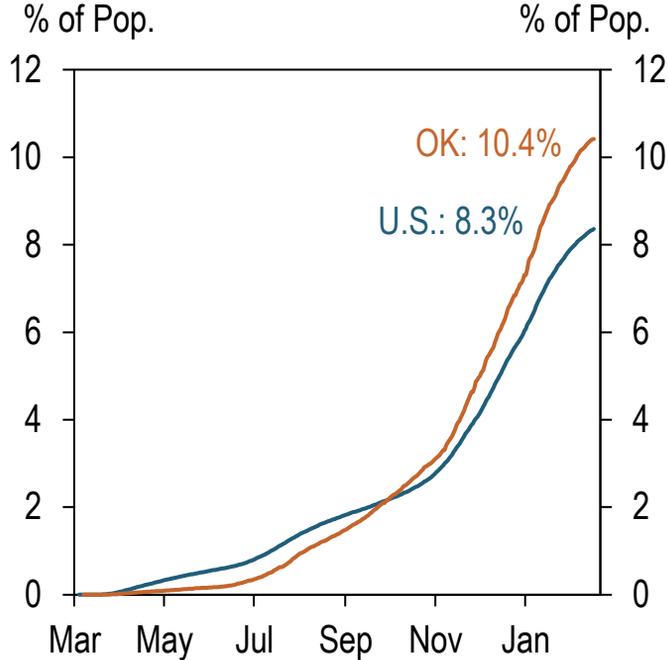


Manufacturing and Trade Inventories

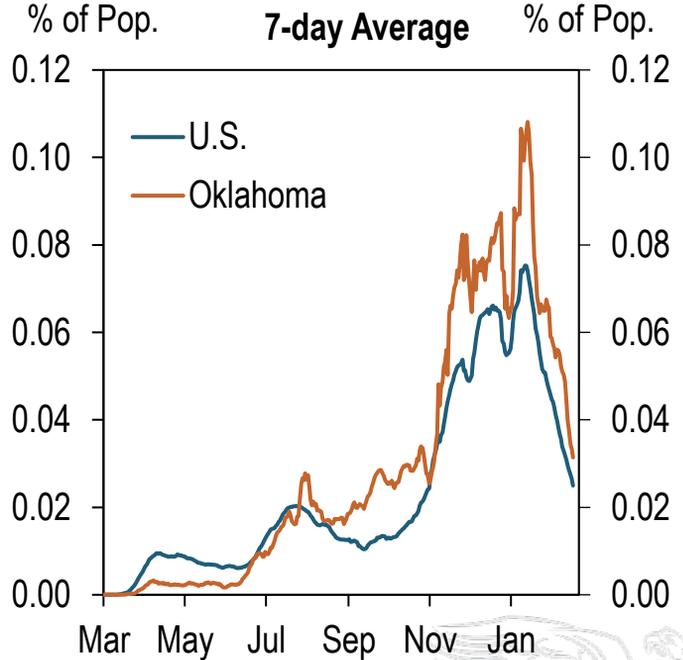


New COVID-19 cases have decreased considerably, but new cases in Oklahoma are still higher than last fall

Confirmed Cases

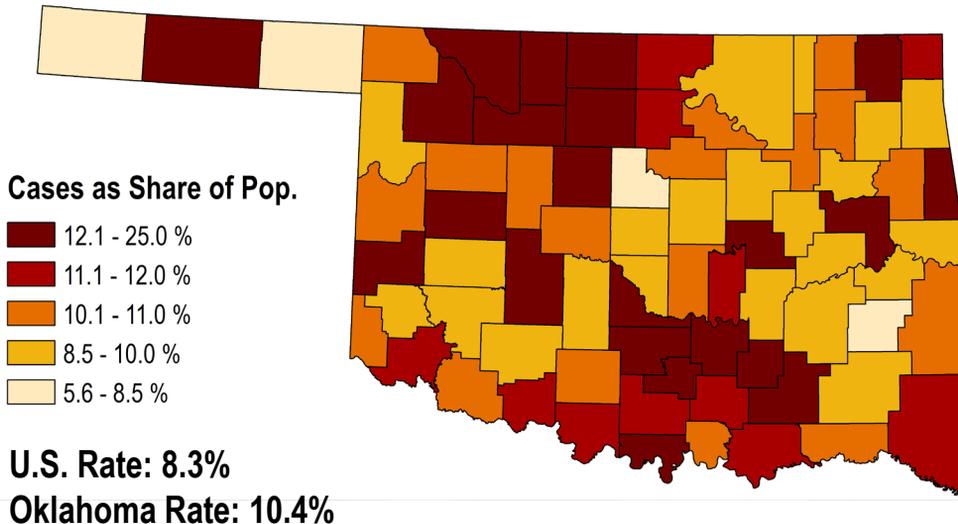


Number of New Cases



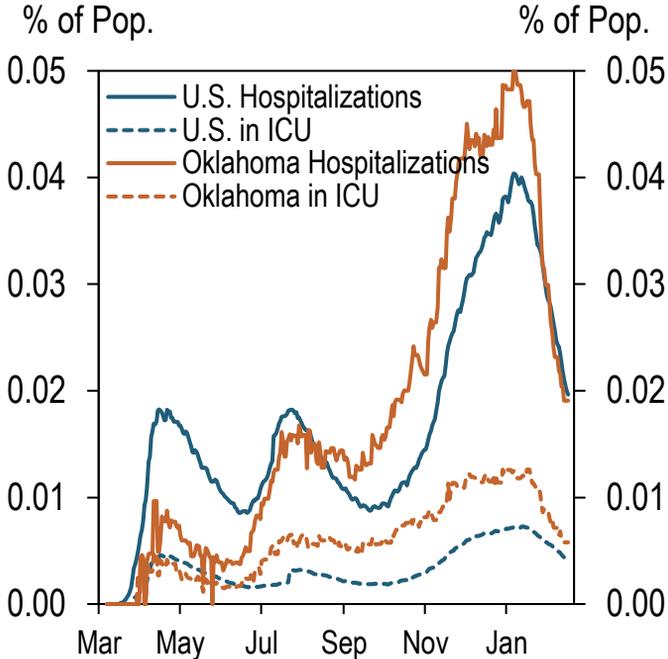
Oklahoma has 73 counties with higher cumulative cases of COVID-19 compared to the U.S.

Confirmed COVID-19 Cases by Population
Feb. 17, 2021

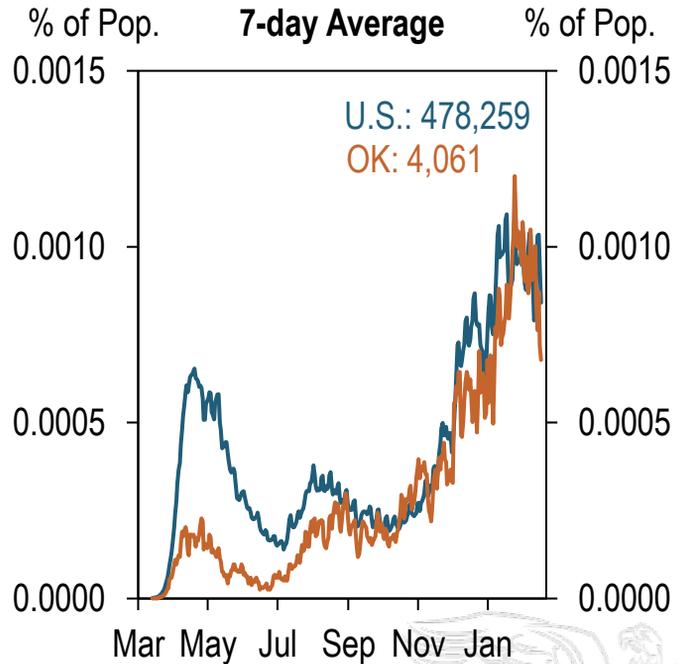


COVID-19 hospitalizations and ICU patients have also declined from their peaks, but deaths have continued

Current Hospitalizations & ICU

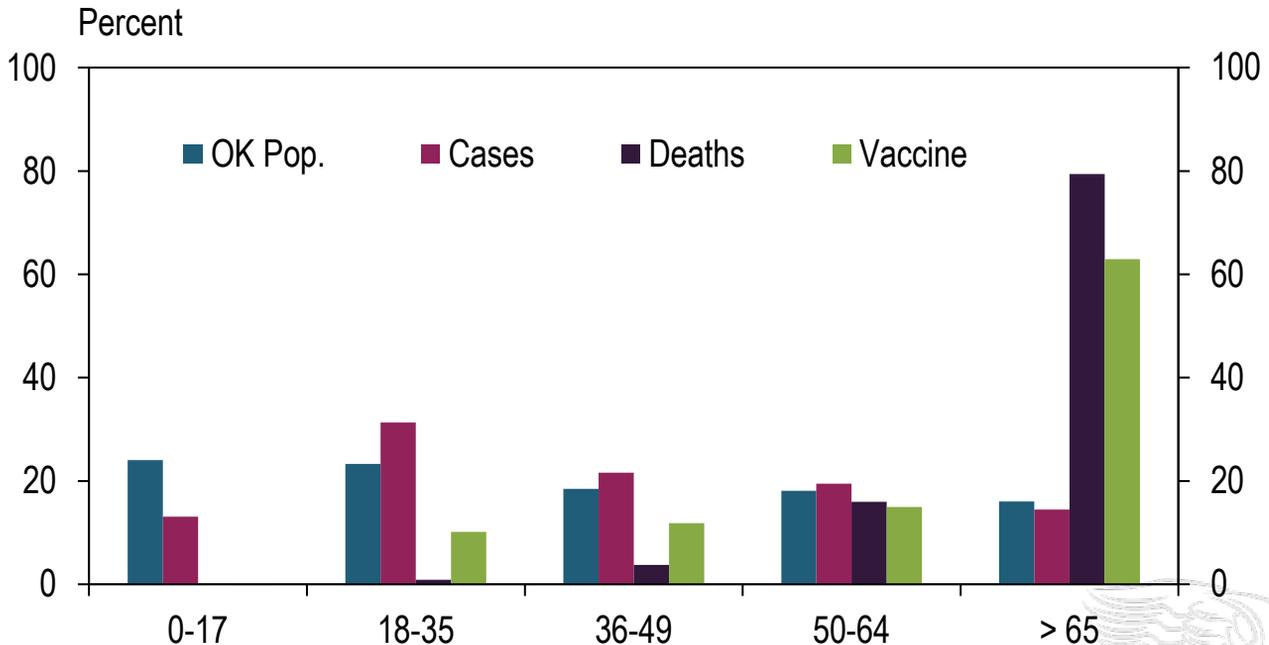


New COVID-19 Deaths



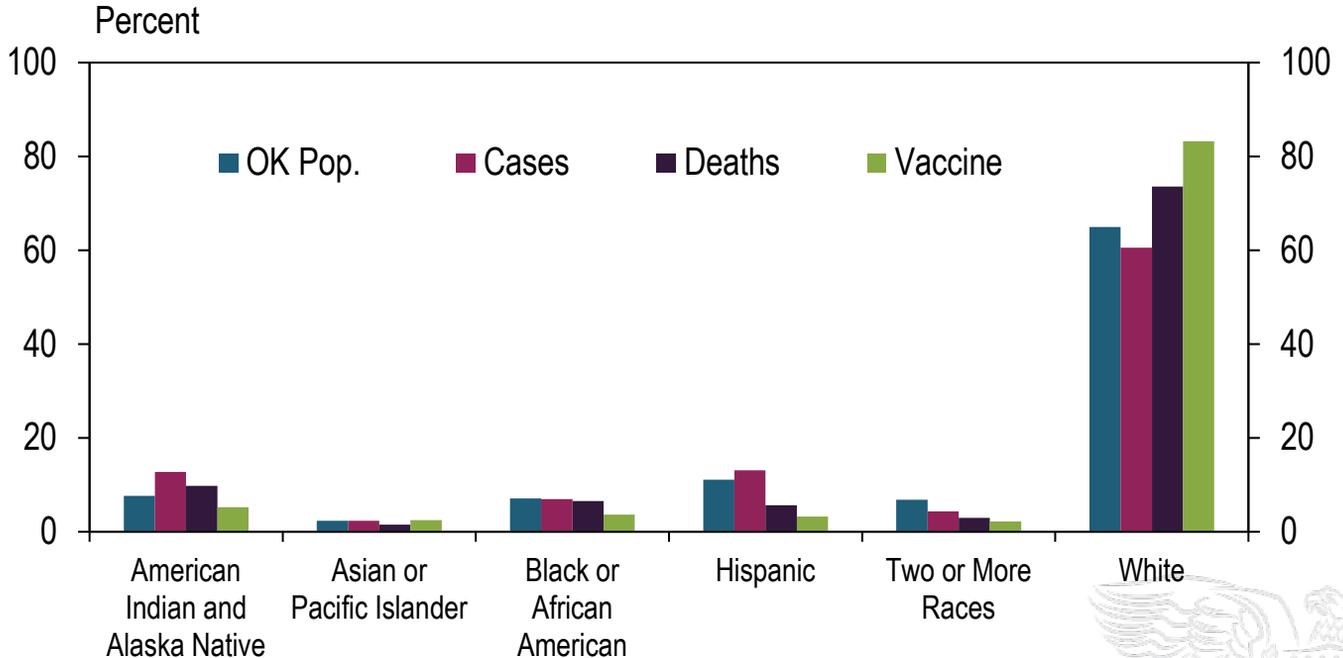
COVID-19 cases in Oklahoma have disproportionately been among young adults, but more lethal for elderly

COVID-19 and Oklahoma Demographics



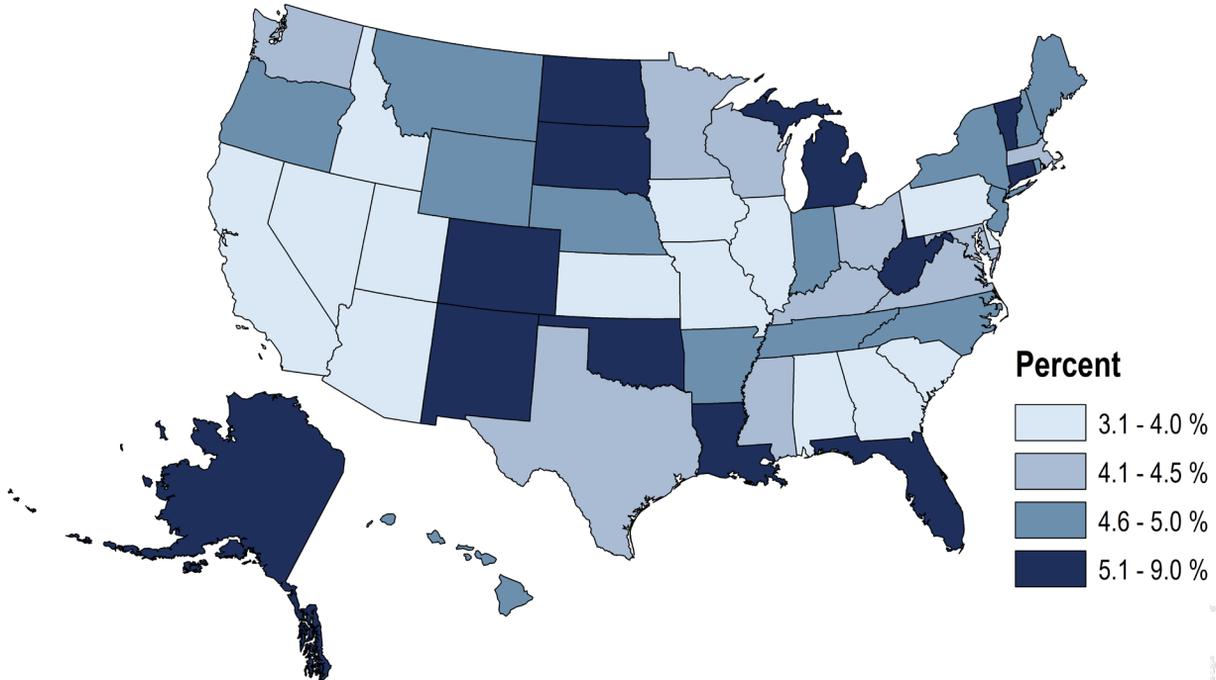
Trends in Oklahoma COVID-19 cases, deaths, and vaccinations also vary by race and ethnicity

COVID-19 and Oklahoma Demographics



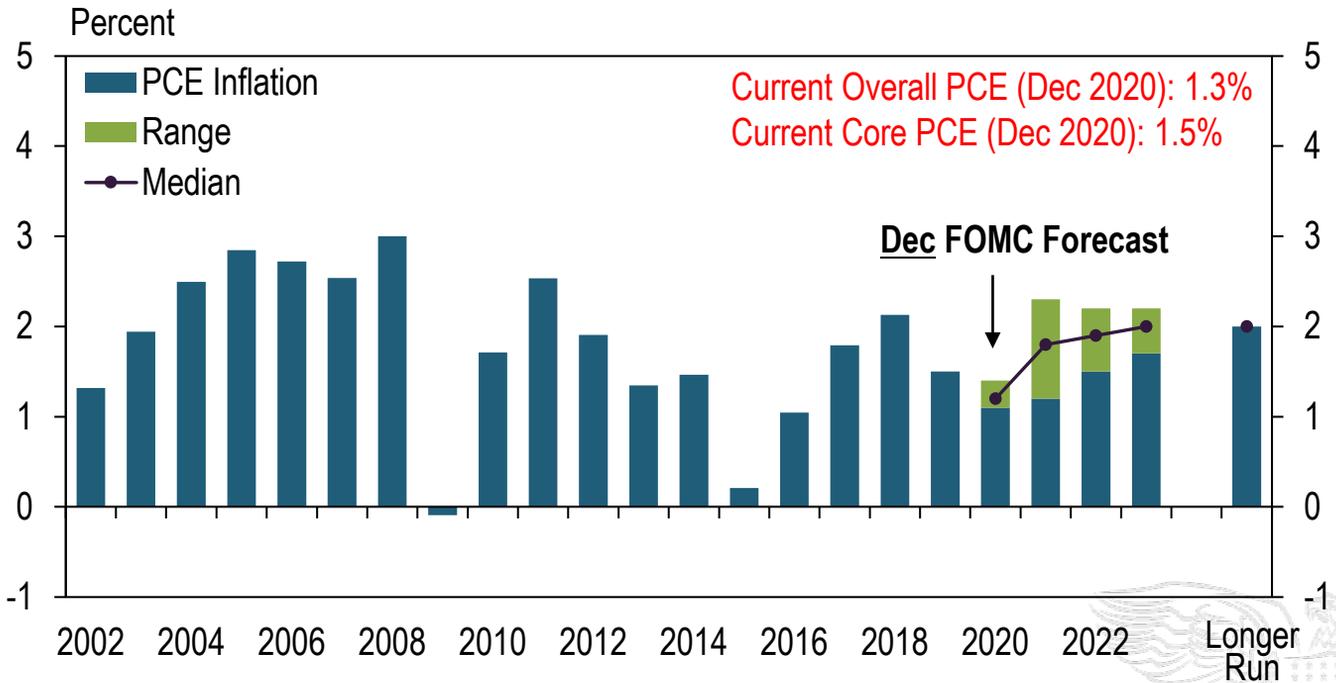
And 5.2% of Oklahomans have received both vaccine doses, which is also above the 4.4% U.S. average

Vaccination Rates by Population, Feb. 17, 2020



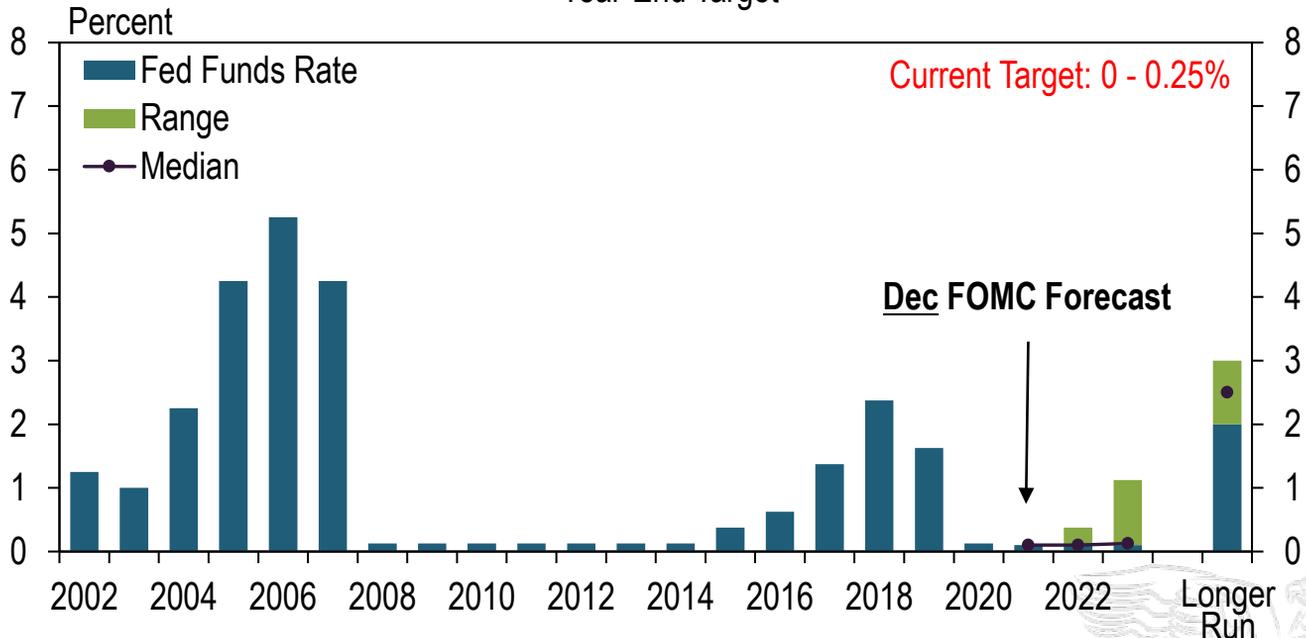
Jan. FOMC: “Weaker demand and earlier declines in oil prices have been holding down consumer price inflation.”

PCE Inflation Index



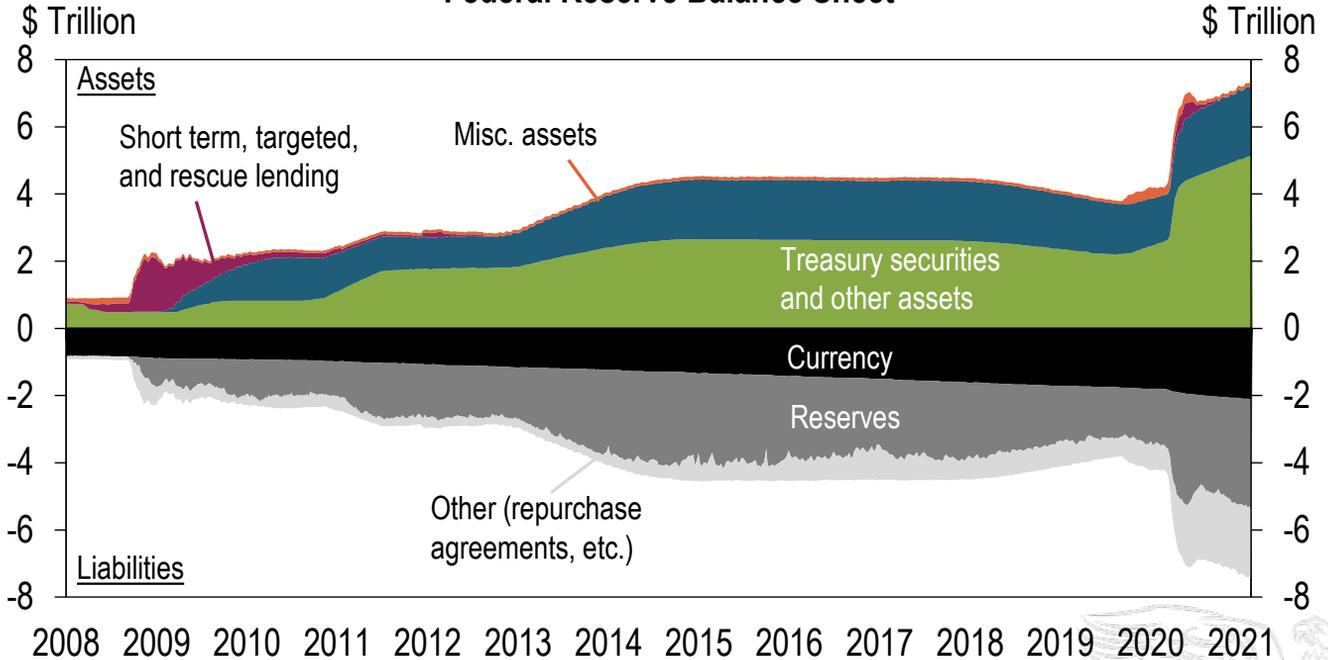
Jan. FOMC: “the [FOMC] decided to... maintain this target range until... maximum empl. and inflation... is on track.”

Federal Funds Rate
Year-End Target



The Fed's balance sheet began increasing in size again in late 2019, and has increased further in 2021

Federal Reserve Balance Sheet



Summary

- The U.S. and Oklahoma economies stalled at the end of last year with the surging virus and fading policy support, but stimulus and a vaccine have provided some stabilization
- The timing and pace of recovery is still uncertain with pandemic and vaccine risks, but there could be a strong bounce-back
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Questions?

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