U.S. and Oklahoma Economic Outlook

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*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 “Fed” consists of three main entities:
- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent by design
- Federal Open Market Committee: 19 members; 12 voting

Primary responsibility areas:
- Monetary policy
- Bank regulation
- Financial services
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity

• 2020 was our Centennial
• 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

• 2021 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 national economy continues to recover, with strong GDP and job growth in 2021, but above normal inflation

• Regional businesses are optimistic, despite rising prices and labor shortages, and energy activity is up

• Oklahoma jobs are still down from pre-pandemic levels, though, especially in energy

• The latest surge in COVID cases and hospitalizations has not resulted in much slowdown in economic activity
Sept FOMC: “Indicators of economic activity and employment have continued to strengthen.”

Change in Real GDP

Percent change

- Real GDP
- Range
- Median

Current (Q2 2021): 6.6%

Sept FOMC Forecast

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

Sources: Bureau of Economic Analysis, FOMC
Surveys show that business activity in Oklahoma’s region has expanded further, with strong outlooks.
This is despite input and output prices continuing to rise near record high rates.
Sept FOMC: “Inflation is elevated, largely reflecting transitory factors.”

PCE Inflation Index

- Current Overall PCE (July 2021): 4.2%
- Current Core PCE (July 2021): 3.6%

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

Sources: Bureau of Economic Analysis, FOMC
Year-over-year CPI growth leveled in July and August, at just over 5%, following sizable previous increases.

*Goods excluding Food; Services excluding Energy.

Note: Relative Importance as Share of CPI shown in parenthesis.
The median FOMC projection is for U.S. unemployment to fall to 4.8% by year-end

U.S. Unemployment Rate

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Unemployment in Oklahoma has fallen more, and metro jobless rates were near pre-COVID levels in August.
Labor force participation is also almost at pre-pandemic levels in Oklahoma, although it has eased recently.

Still, jobs in some sectors, especially manufacturing and mining, remain down considerably from early 2020.
Oil and natural gas prices have risen considerably, and are highly profitable for most regional firms.

Energy Prices

- WTI, left
- Oil: Avg. Profitable Price, left
- Henry Hub, right
- Natural Gas: Avg. Profitable Price, right
- Sept. STEO Forecast

Sources: EIA/Haver Analytics, FRBKC Surveys
As a result, energy activity is rising again, and expectations for future activity remain solid.
COVID-19 cases, hospitalizations, and deaths have declined slightly from a few weeks ago but remain high.

**Number of New COVID Cases & Hospitalizations**

- U.S. Cases
- Oklahoma
- U.S. Hospitalizations
- OK Hospitalizations

**Current COVID-19 Deaths**

- U.S. deaths
- Oklahoma deaths

Note: All series shown as 7-day moving average.

Sources: Dept. Human Services, Johns Hopkins, Our World in Data
Our vaccination rate lags markedly, though has moved up, while retail foot traffic has eased in September.

**Fully Vaccinated**
(Share of Total Population)

- U.S.
- Oklahoma

**Google Mobility Data**

- OK Retail & Recreation
- U.S. Retail & Recreation
- OK Workplaces
- U.S. Workplaces

Note: Mobility shown as 7-day moving average.

Sources: Dept. Human Services, Johns Hopkins, Google Mobility Data/Track the Recovery
Consumer spending and sales tax receipts have held up with online purchases and stimulus

Note: Spending shown as 7-day moving average.

Sources: Affinity/Track the Recovery, Oklahoma Treasury, Authors’ calculations
Sept FOMC: “The [FOMC] decided to... maintain this target until... maximum empl. and inflation... on track.”

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

Sources: Bureau of Economic Analysis, FOMC
The Fed’s balance sheet continues to steadily increase

Source: Federal Reserve Board
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Questions?

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