

U.S. and Oklahoma Economic Outlook

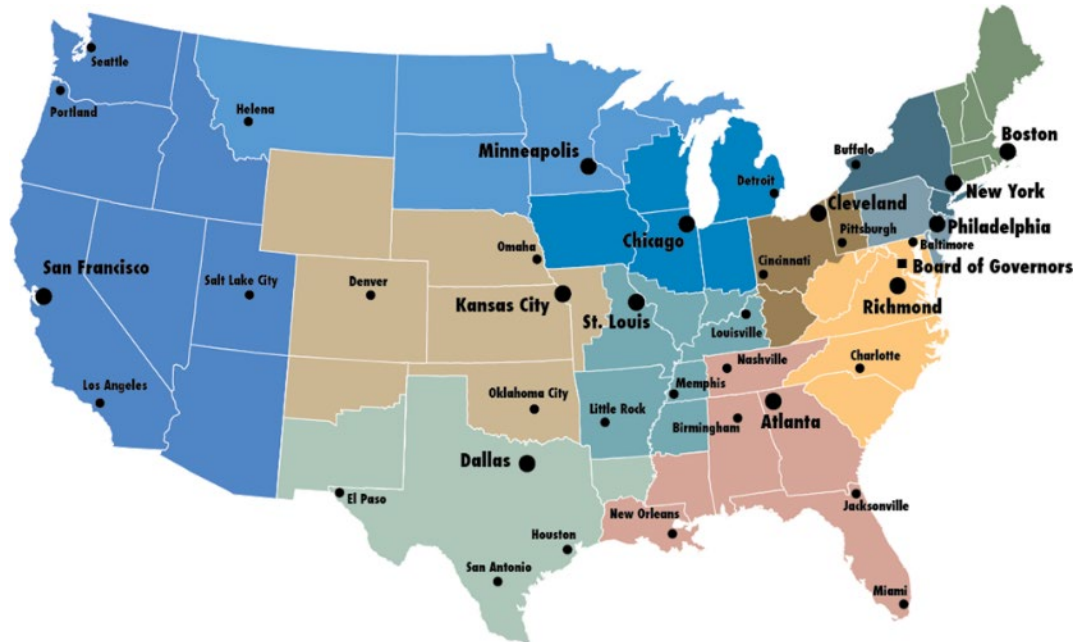
*Risk Management Association
November 16, 2021*

Chad Wilkerson
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.



Structure & Functions of the Federal Reserve



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

- **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



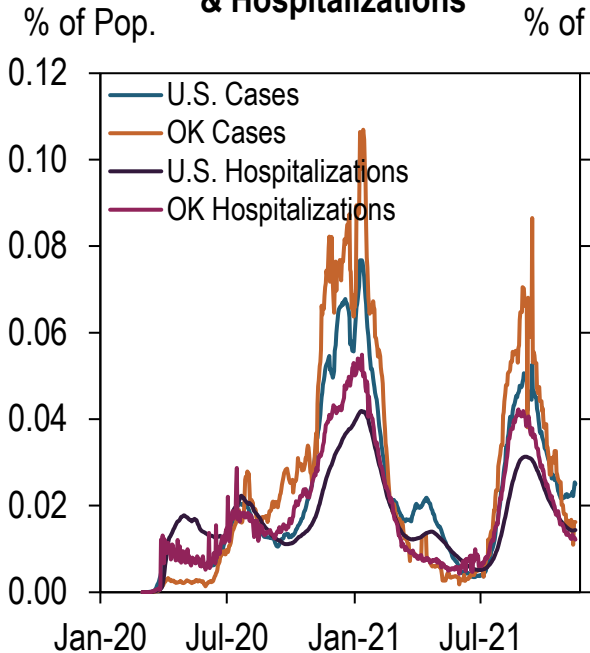
Overview

- As the pandemic has eased, state, regional, and national economies have continued to recover, with strong outlooks
- This is despite rising prices and labor shortages creating challenges and disruptions for many businesses
- While labor is tight, Oklahoma jobs are still down from pre-pandemic levels, especially in energy
- The Fed continues to monitor economic conditions for asset purchases and interest rate decisions

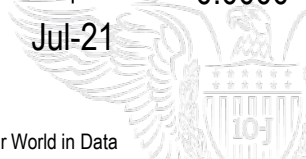
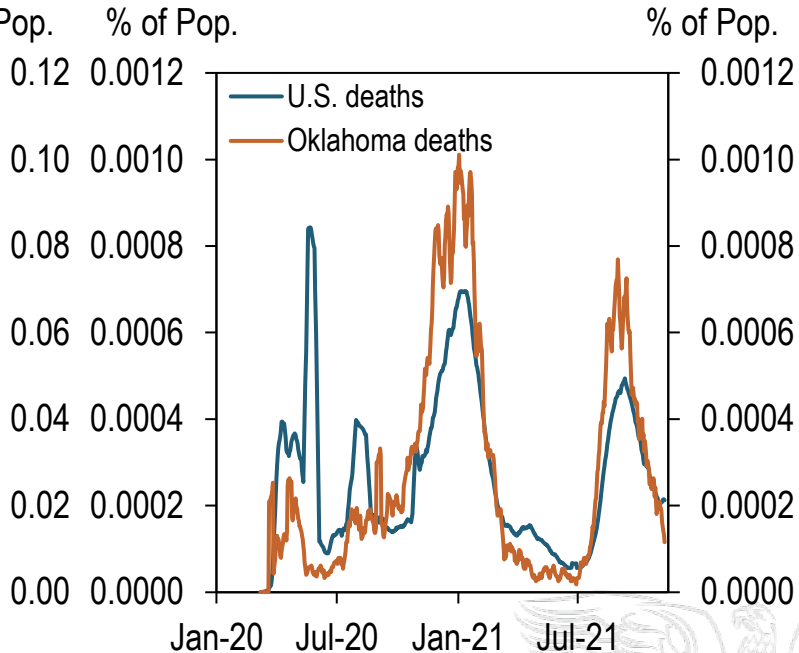


COVID-19 cases, hospitalizations, and death rates have come down considerably in the U.S. and Oklahoma

Number of New COVID Cases & Hospitalizations

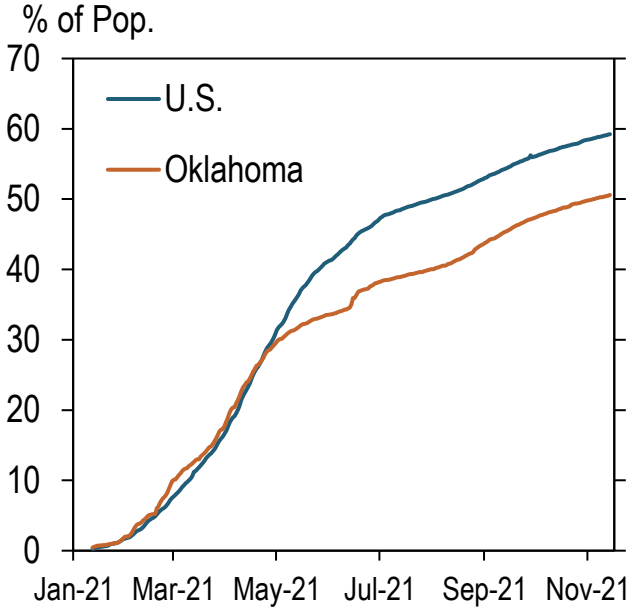


Current COVID-19 Deaths

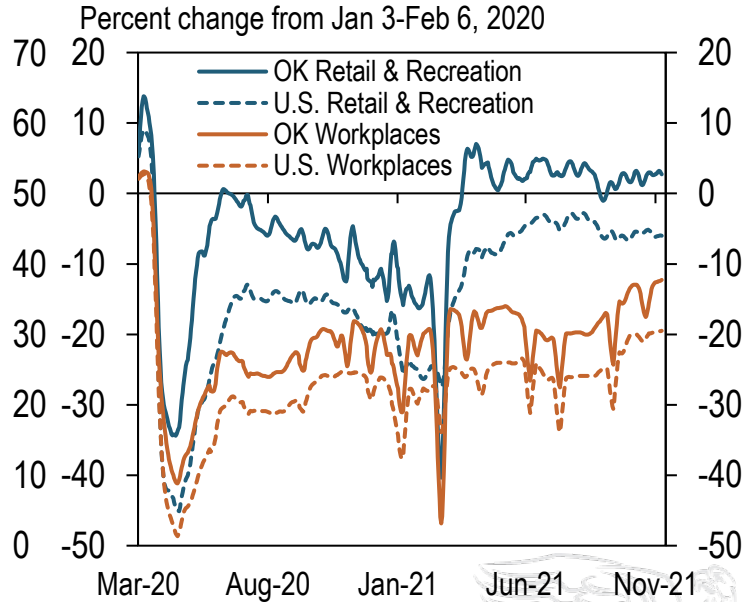


Our vaccination rate still lags markedly, leaving us at greater risk, but workplace foot traffic is finally rising

Fully Vaccinated
(Share of Total Population)



Google Mobility Data



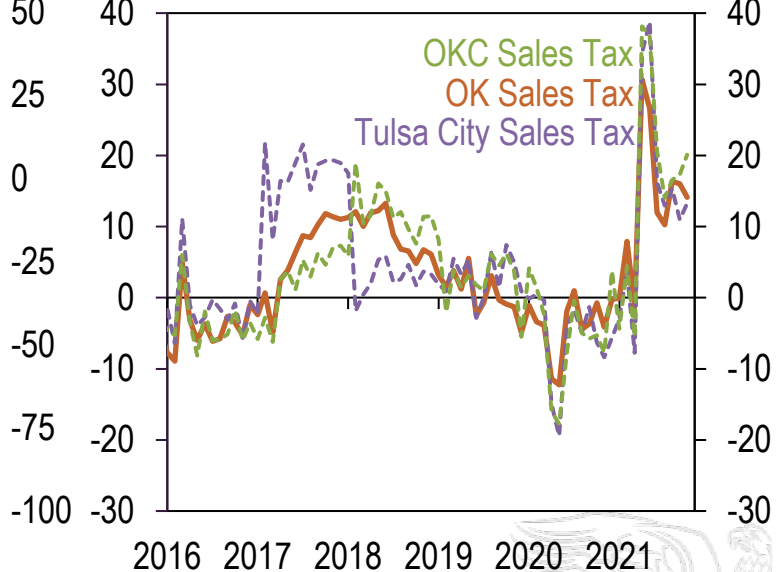
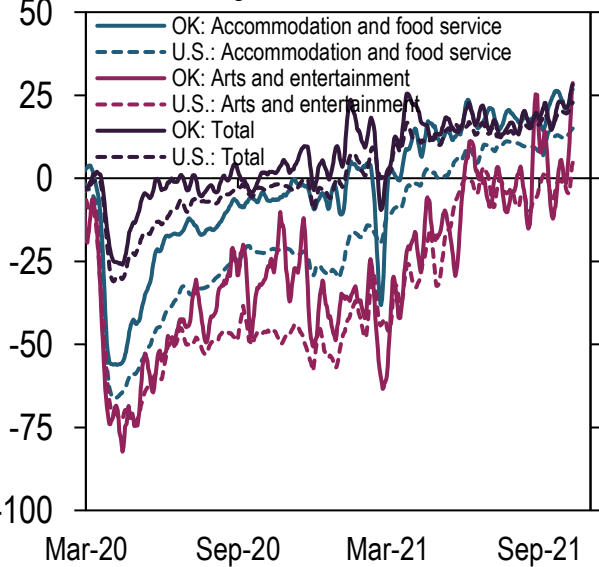
Consumer spending and sales tax receipts have held up through Oct. with online purchases and stimulus

Consumer Spending

Oklahoma Monthly Tax Revenues

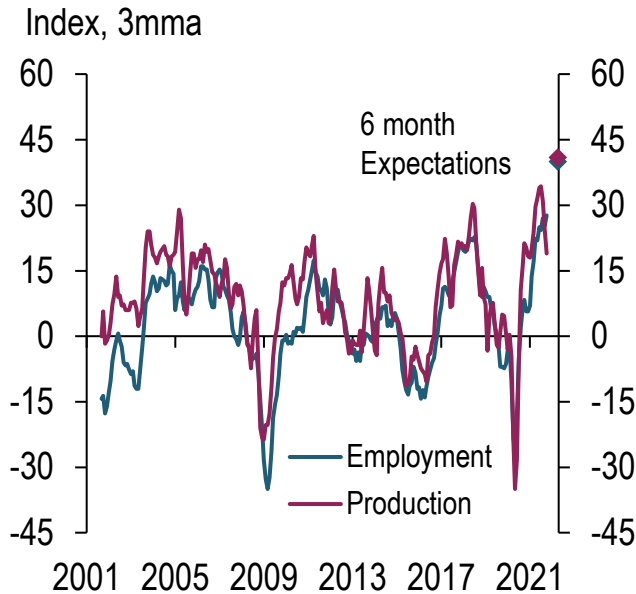
Percent change, from Jan. 2020

Percent change, year-over-year

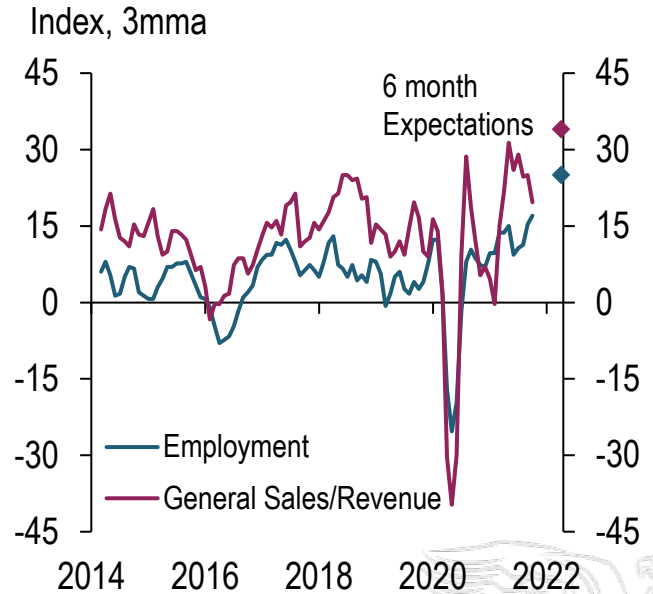


Surveys show that business activity in Oklahoma's region is also rising solidly, with strong outlooks

KC Fed Manufacturing Survey

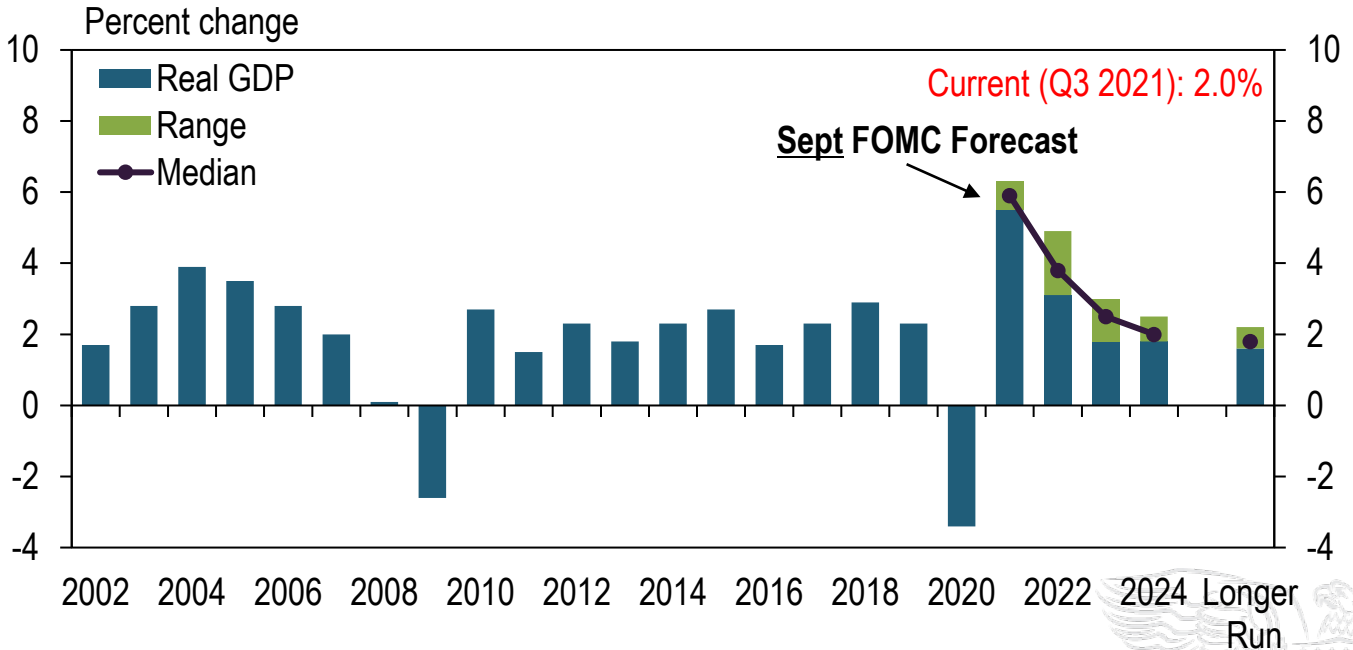


KC Fed Services Survey



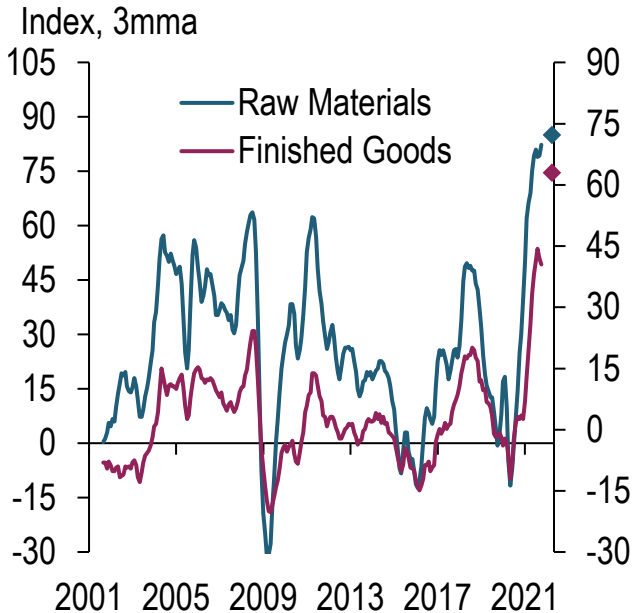
Nov FOMC: “Indicators of economic activity ... have continued to strengthen.”

Change in Real GDP

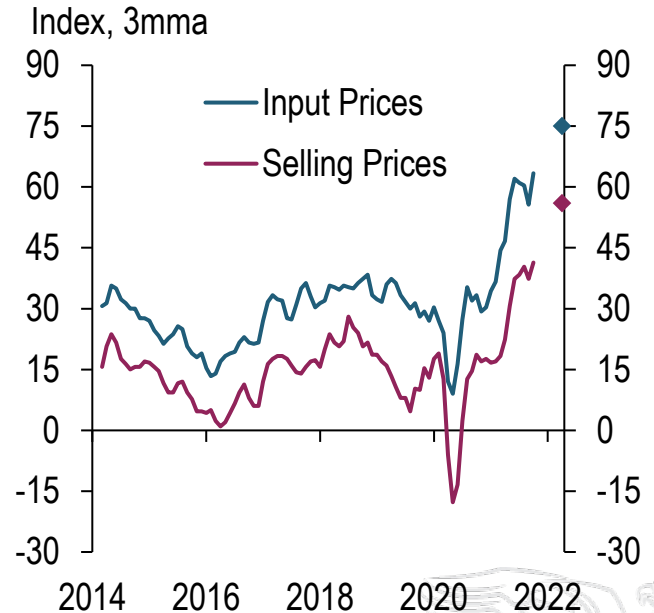


This is despite input and output prices continuing to increase at record high rates in the region

Manufacturing Survey

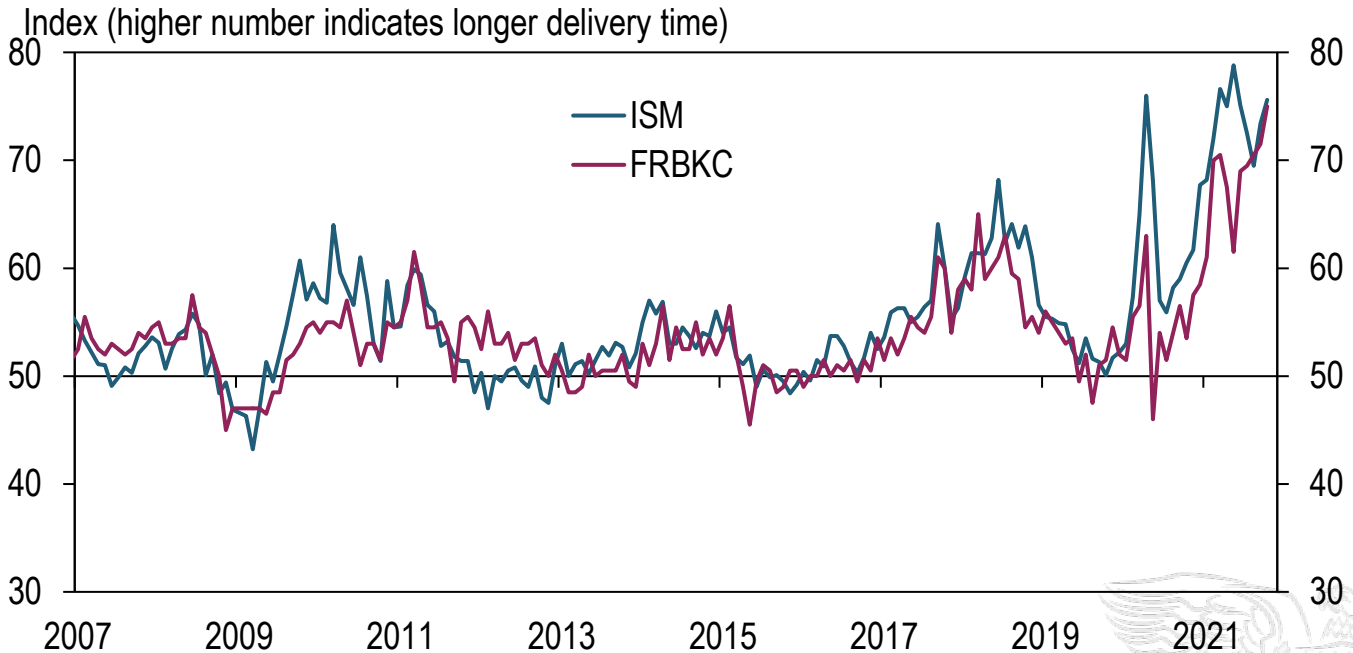


Services Survey



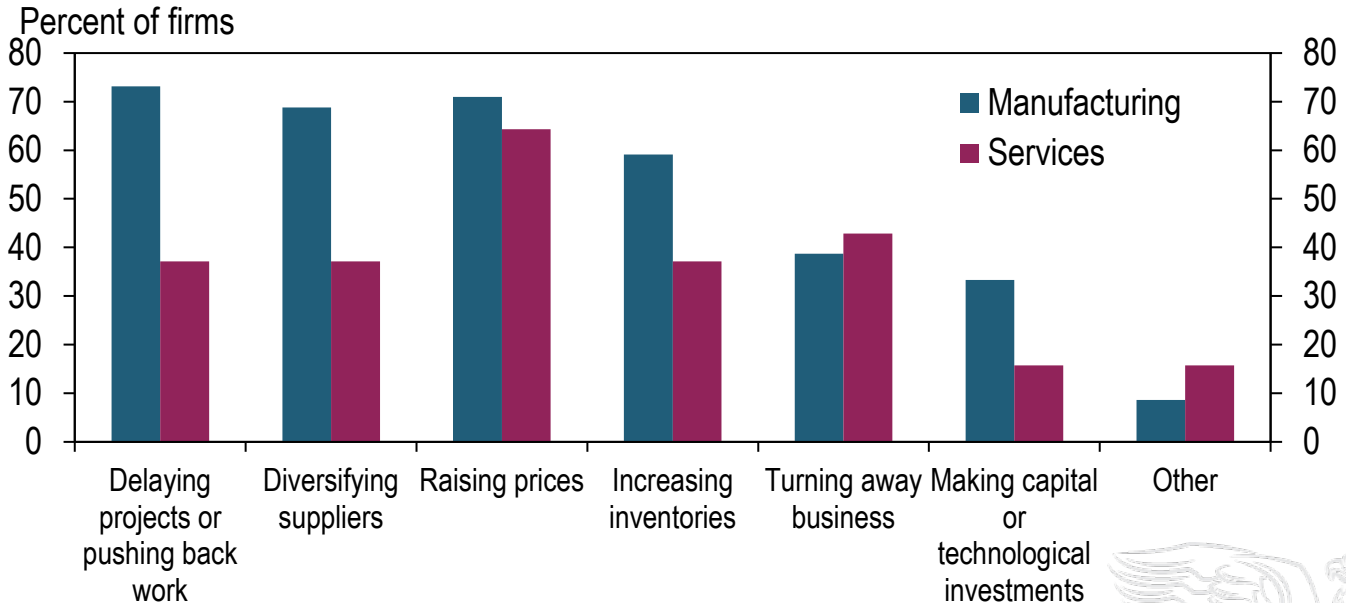
Manufacturers have been reporting the longest supplier delivery times in our survey's history

Manufacturing Supplier Delivery Indexes



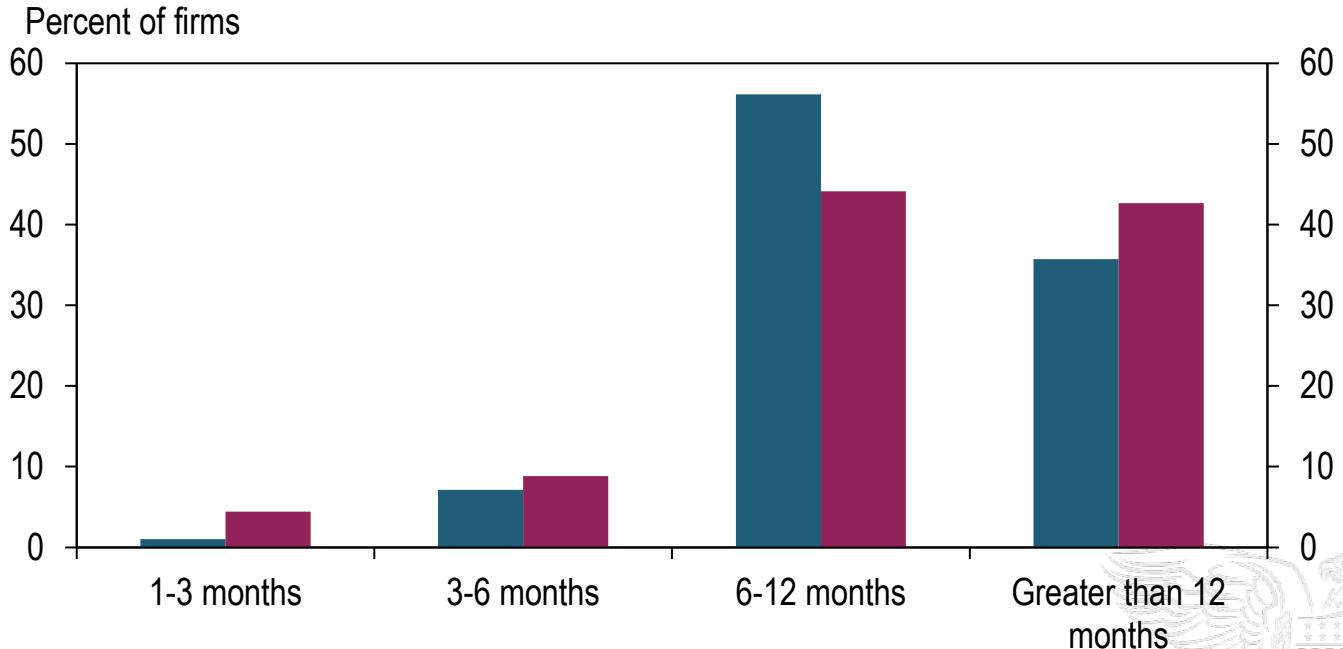
Many firms have delayed projects, diversified suppliers, and raised prices as a result of supply chain issues

October 2021 Survey SQ: "If your firm is facing supply chain disruptions and shortages, how is your firm managing those challenges? (check all that apply)"



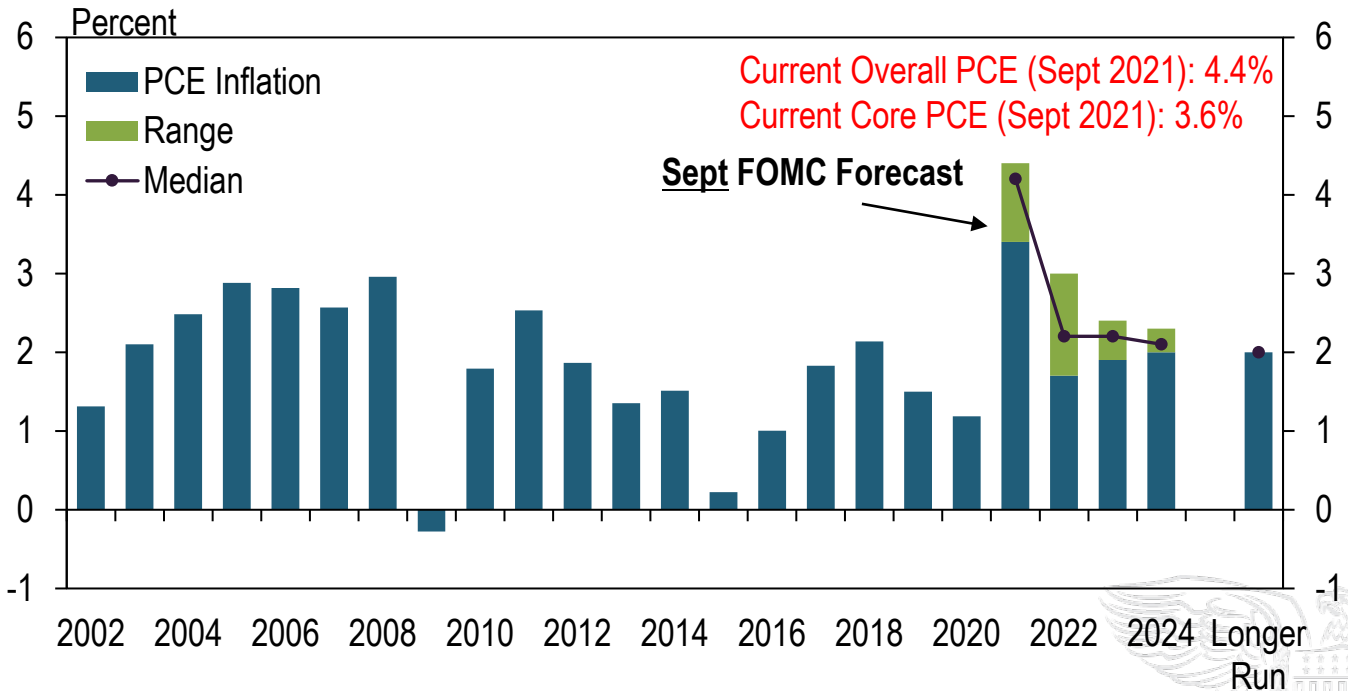
Most firms expect supply chain issues to persist for at least the next six months

October 2021 Survey SQ: "If your firm has been affected by rising materials prices and lack of availability/delivery times, how long do you expect this to persist?"



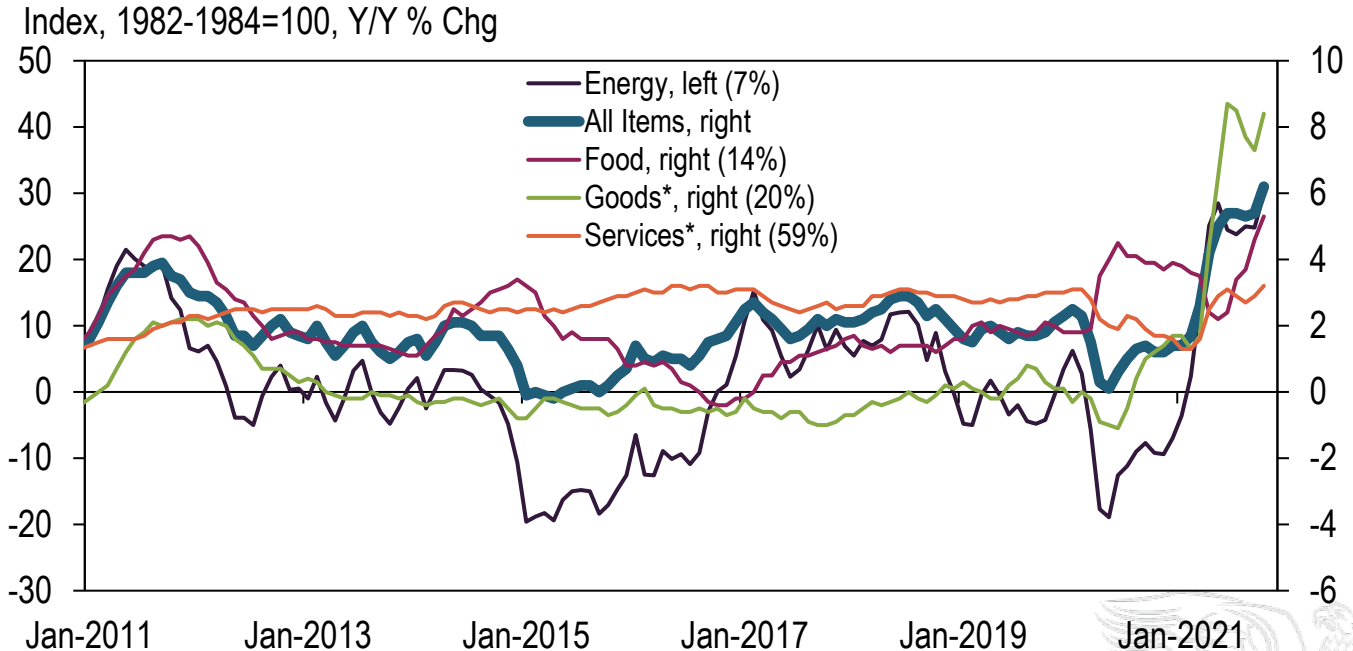
Nov FOMC: “Supply and demand imbalances... have contributed to sizable price increases in some sectors.”

PCE Inflation Index



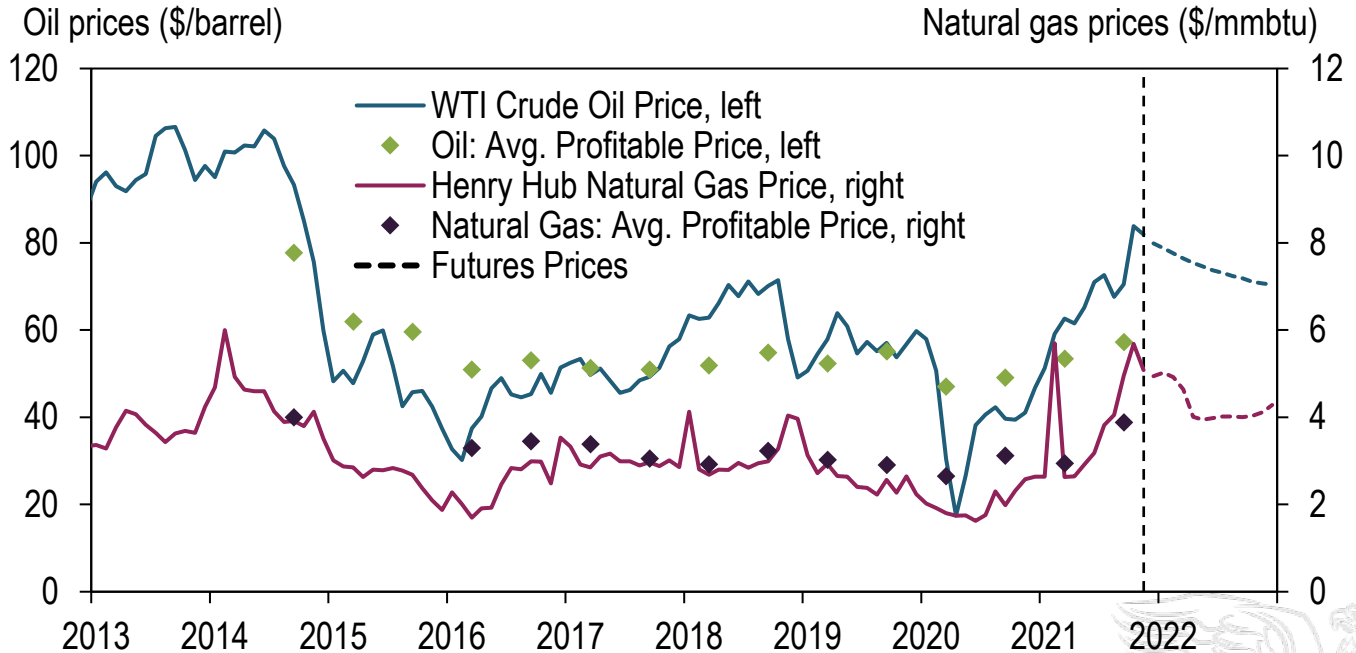
After leveling around 5.0-5.5% over the summer, year-over-year CPI growth rose to 6.2% in October

Consumer Price Index

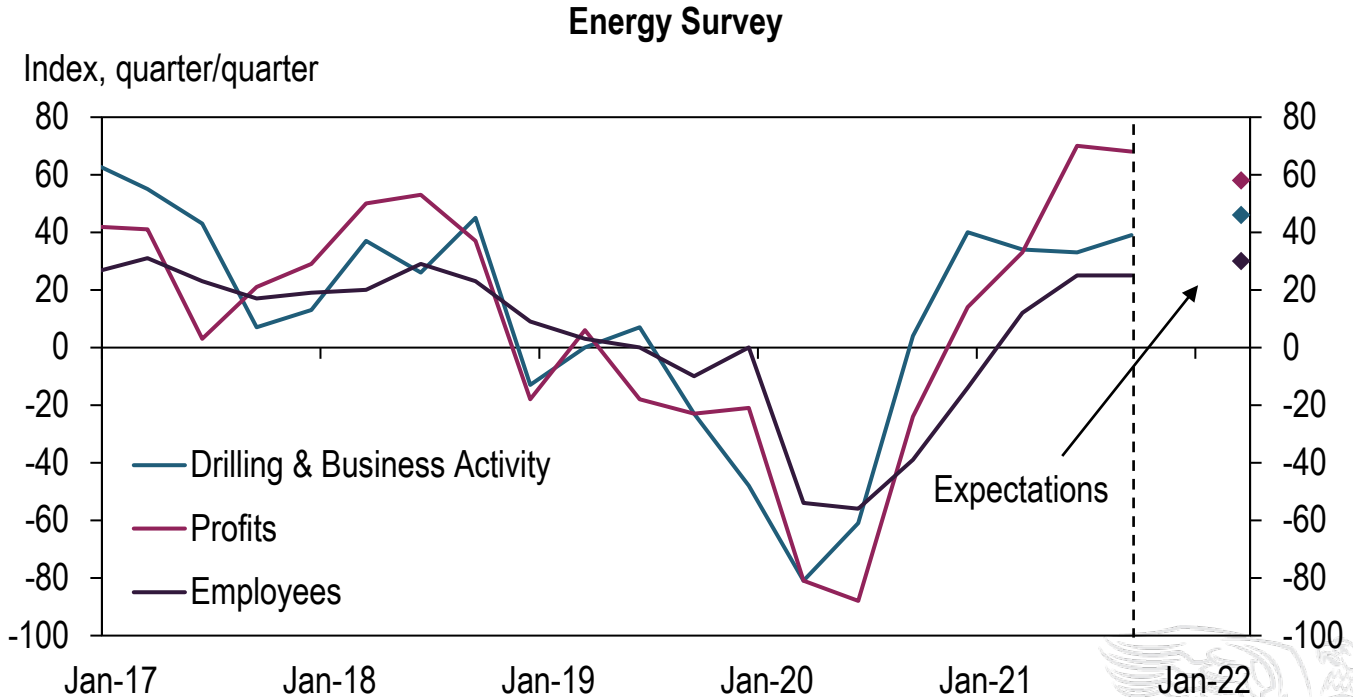


Oil and natural gas prices have risen considerably, and are highly profitable for most regional firms

Energy Prices

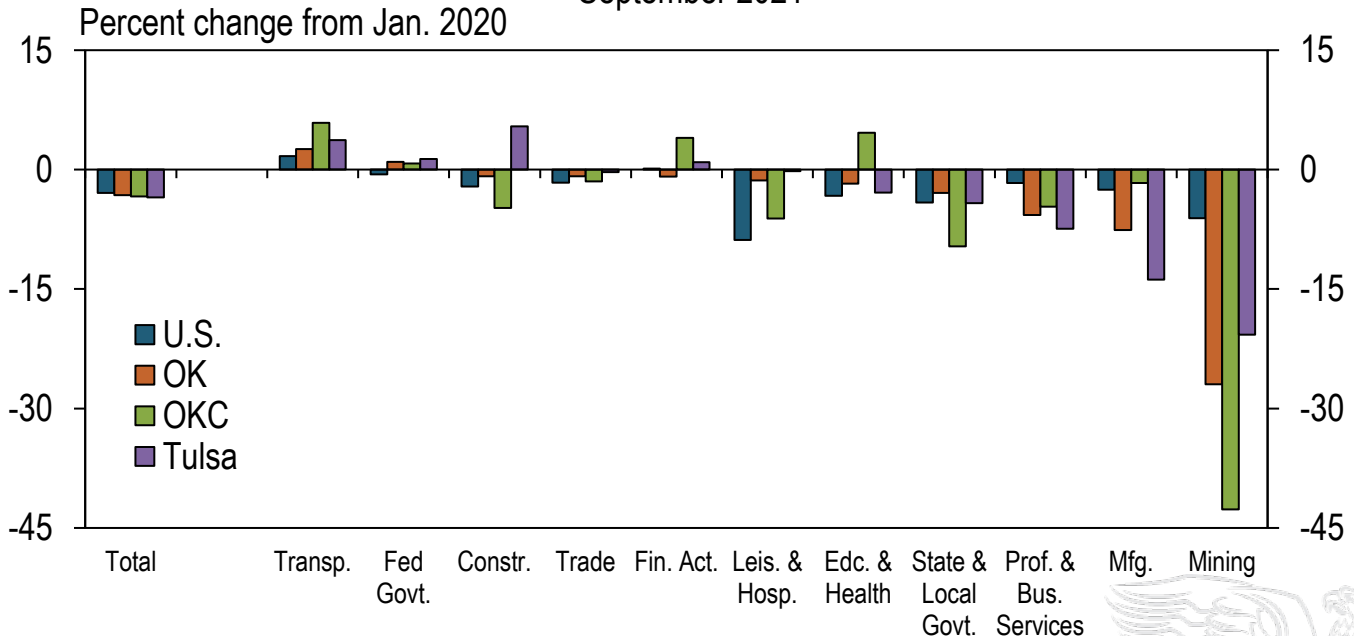


As a result, energy activity is rising and expectations are solid, but employment gains have been modest



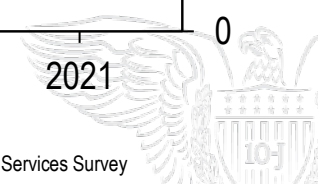
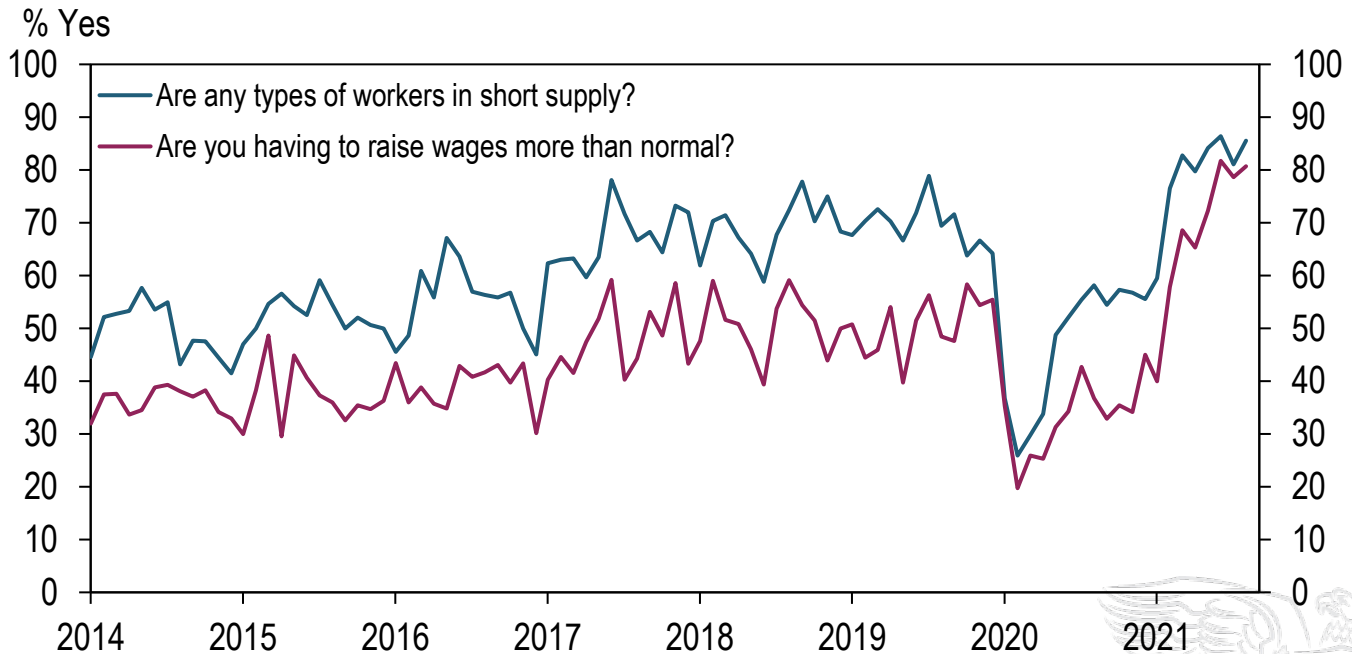
As in the U.S., overall employment in Oklahoma remains below pre-COVID levels, especially in energy

Job Growth by Industry
September 2021



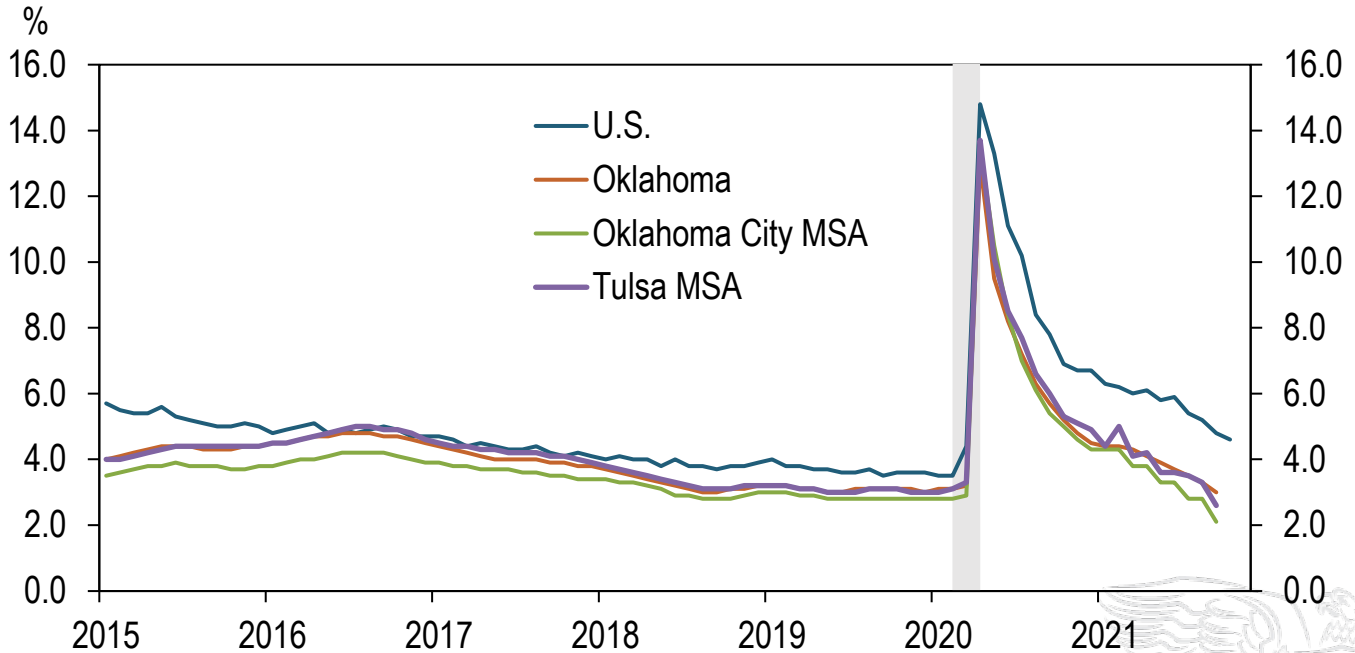
Still, firms in our services survey report labor shortages and wage pressures have risen to record highs

Services Survey Labor Shortages and Wage Pressures



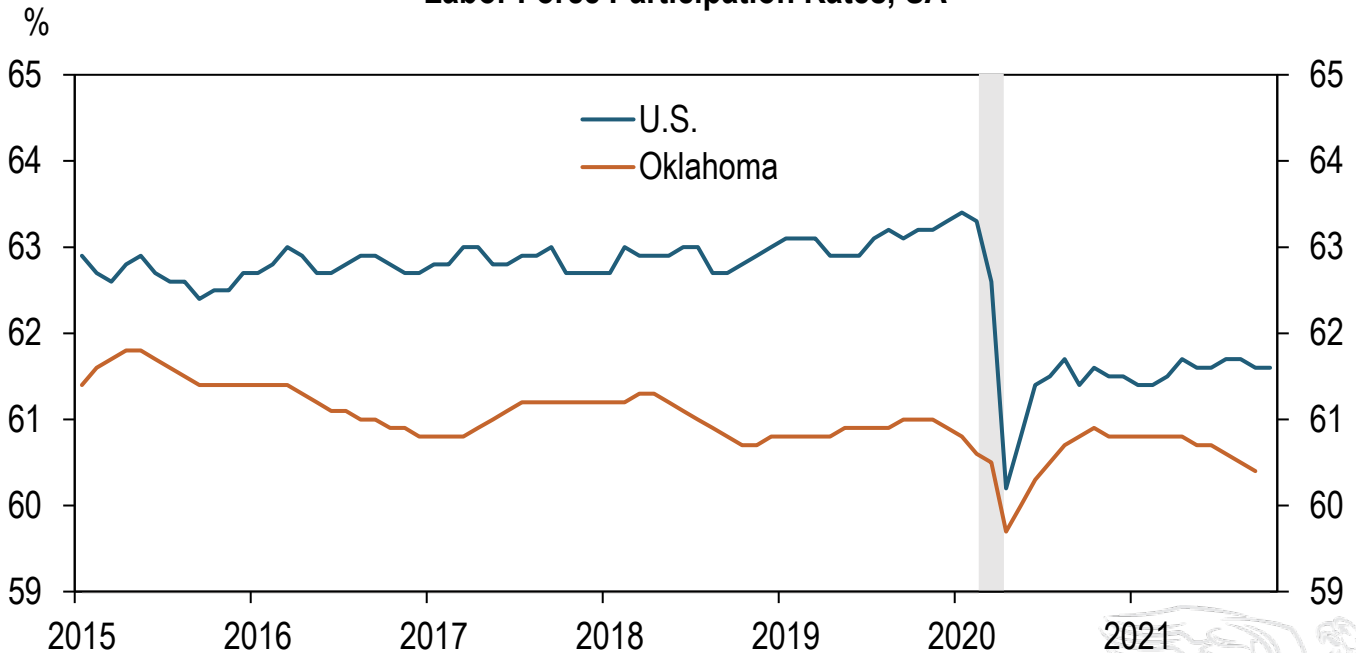
Unemployment in the nation has steadily come down, and is below pre-COVID levels in Oklahoma's metros

Unemployment Rate



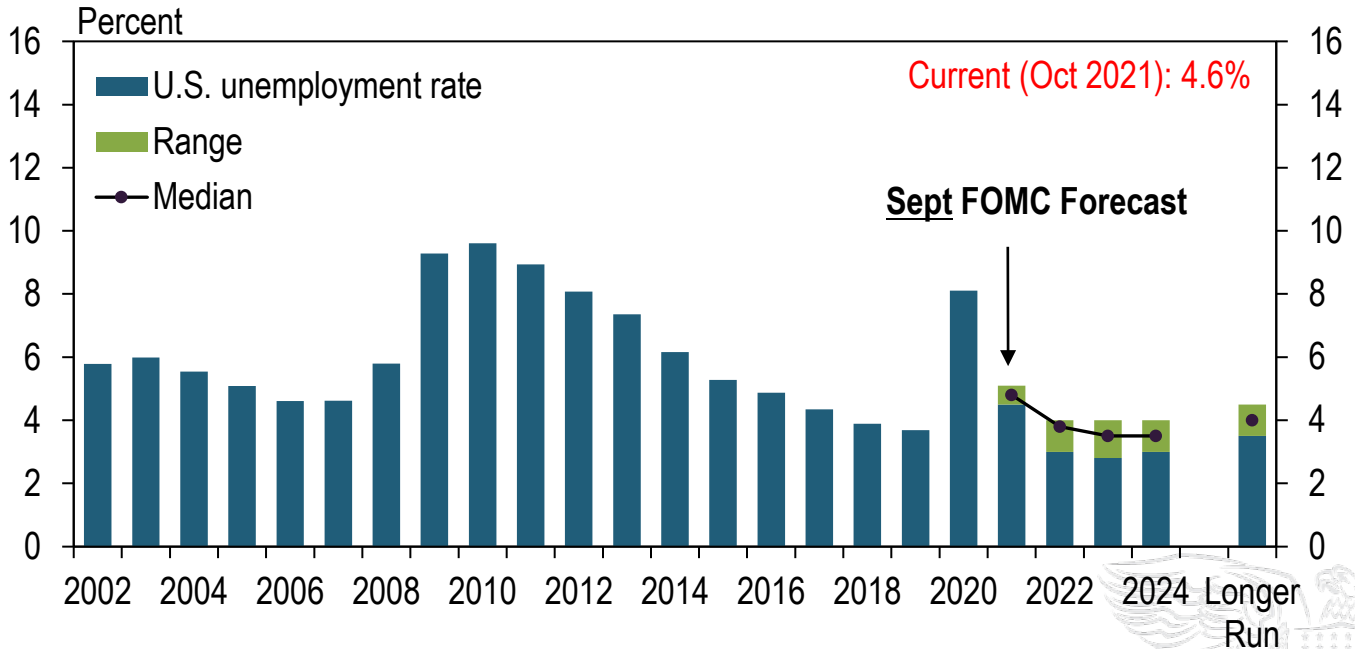
Labor force participation is also near pre-pandemic levels in Oklahoma, although it has eased recently

Labor Force Participation Rates, SA



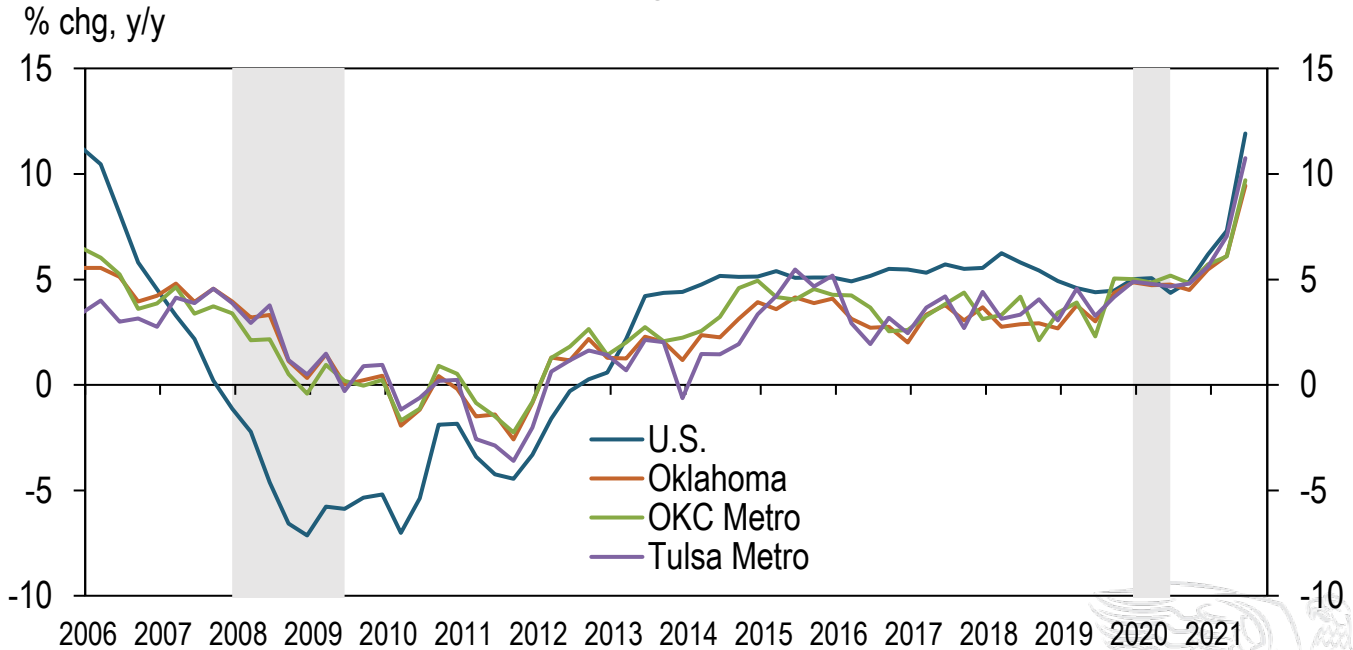
The median FOMC is for unemployment to be at or below longer run levels in coming years

U.S. Unemployment Rate



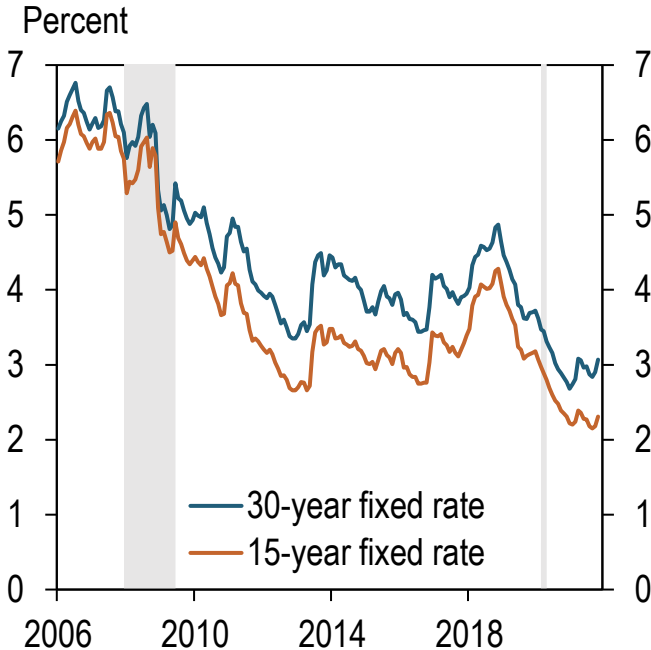
Housing prices have surged in the U.S. and Oklahoma, with strong demand, tight supply, and low rates

FHFA Housing Price Indexes

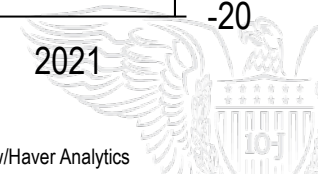
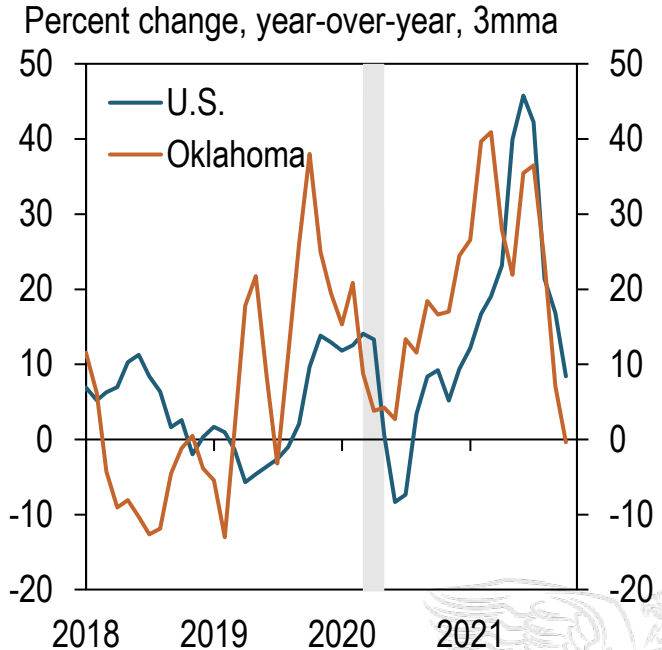


Mortgage rates remain historically low, but growth in building has slowed

Mortgage Rates

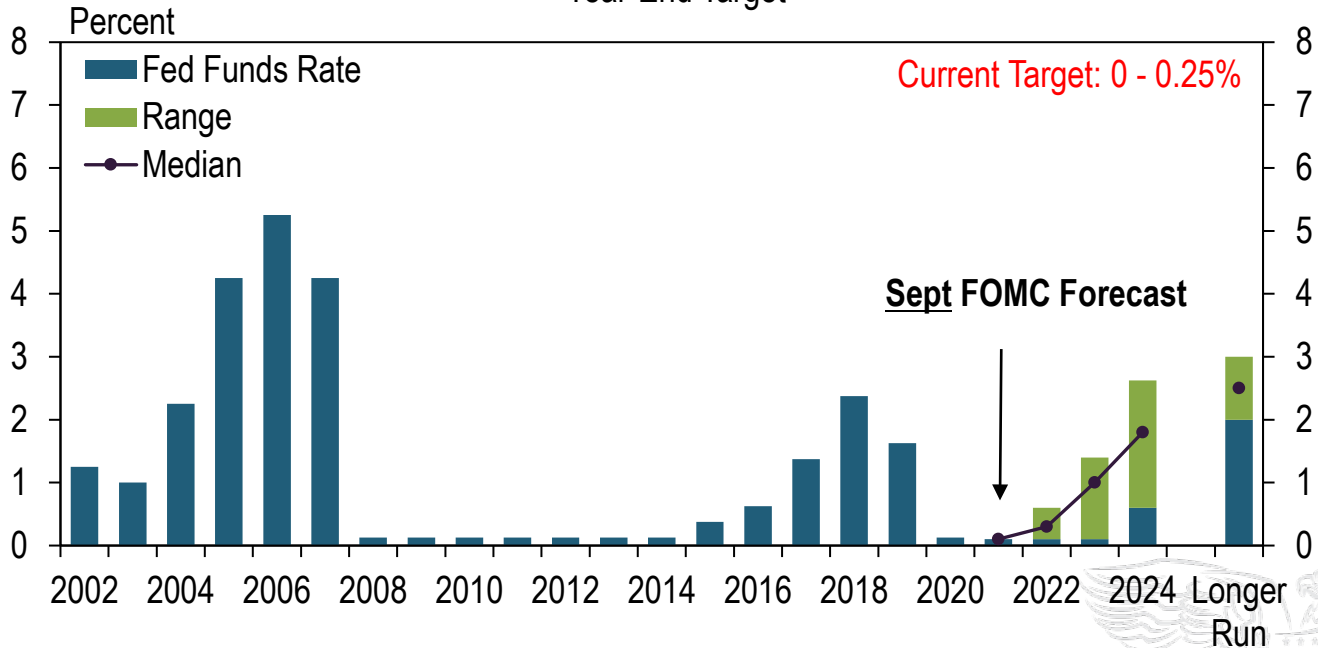


New Housing Permits



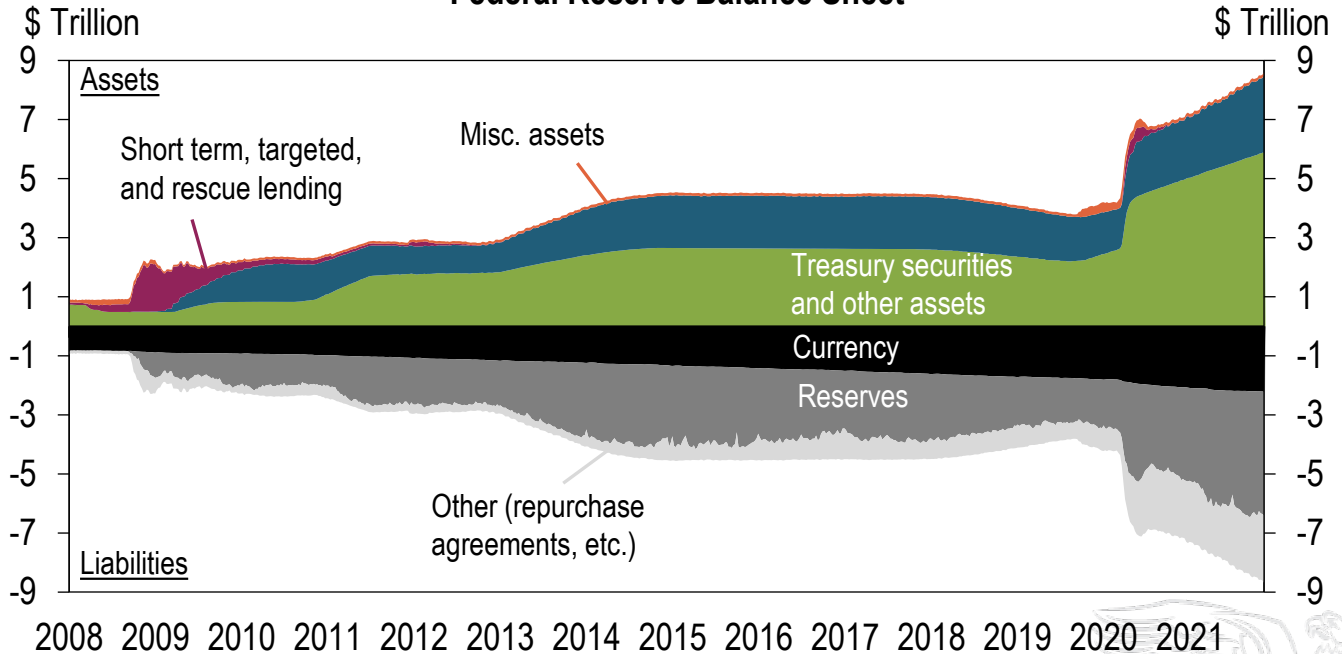
Nov FOMC: “The [FOMC] decided to... maintain this target until... maximum empl. and inflation... on track.”

Federal Funds Rate
Year-End Target



Nov FOMC: “The [FOMC] decided to begin reducing the monthly pace of its net asset purchases... this month”

Federal Reserve Balance Sheet



Summary

- As the pandemic has eased, state, regional, and national economies have continued to recover, with strong outlooks
- This is despite rising prices and labor shortages creating challenges and disruptions for many businesses
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- The Fed continues to monitor economic conditions for asset purchases and interest rate decisions



Questions?

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