

U.S. and Oklahoma Economic Update

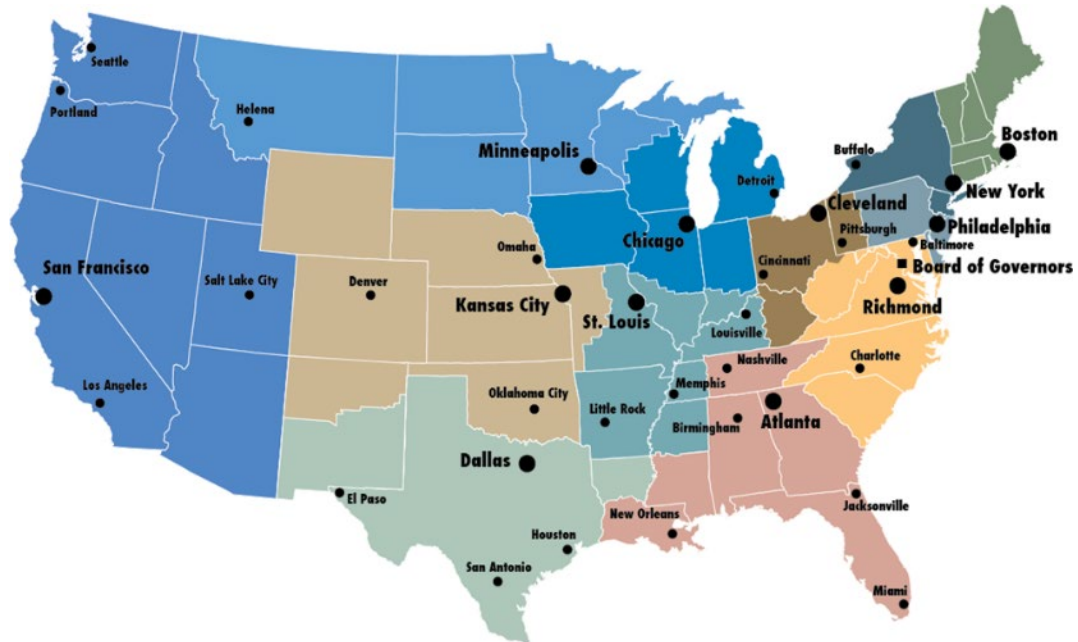
Oklahoma Tax Commission
February 2, 2022

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/moderate income groups, workforce focus
 - Economic education and public outreach programming
- **2022 OKC Fed Branch Board of Directors**
 - **Katrina Washington (chair)**, Owner/Broker, Stratos Realty, Oklahoma City
 - **Walt Duncan**, President, Duncan Oil Properties, Oklahoma City
 - **Rhonda Hooper**, President & CEO, Jordan Advertising, Oklahoma City
 - **Susan Plumb**, Chair & CEO, Bank of Cherokee County, Tahlequah
 - **Brady Sidwell**, Principal, Sidwell Strategies, Enid
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 - **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



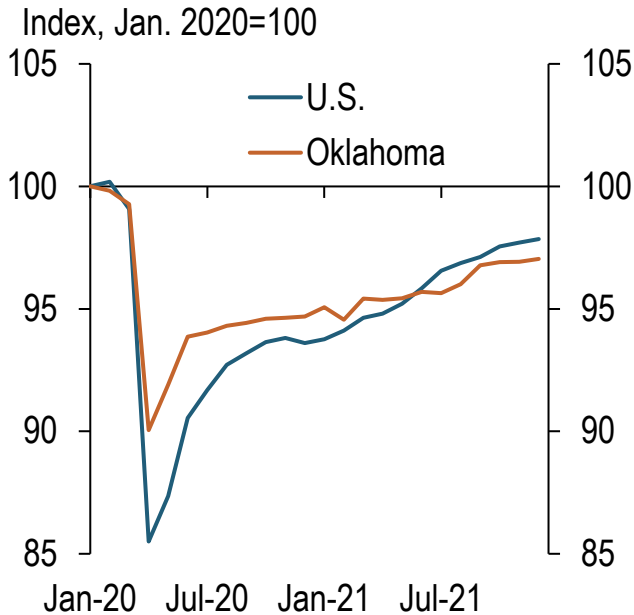
Overview

- Employment continues to slowly recover in Oklahoma, but a gap remains compared to pre-pandemic, especially in energy
- Businesses are optimistic, but Omicron related disruptions have hampered activity at many firms so far in 2022
- Energy activity is improving, but the sector's regional footprint is changing with the growth of renewables
- Inflation has exceeded expectations, but is expected to ease along with Fed rate increases and end of asset purchases

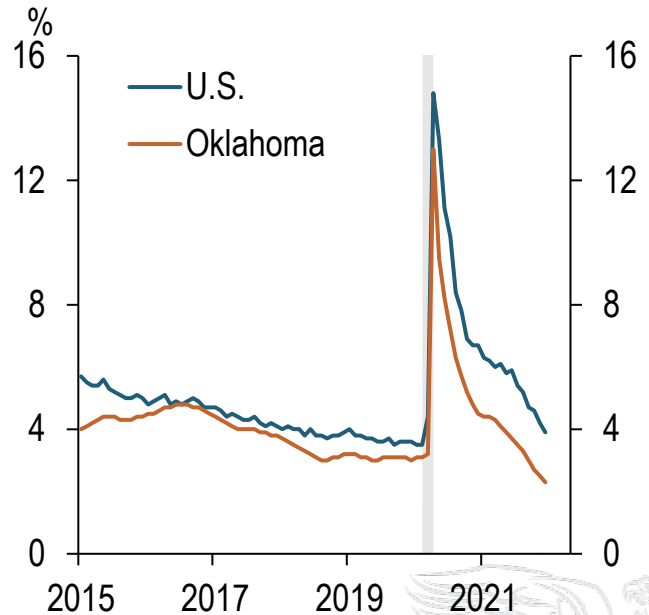


The number of jobs in Oklahoma is still down, despite record low unemployment

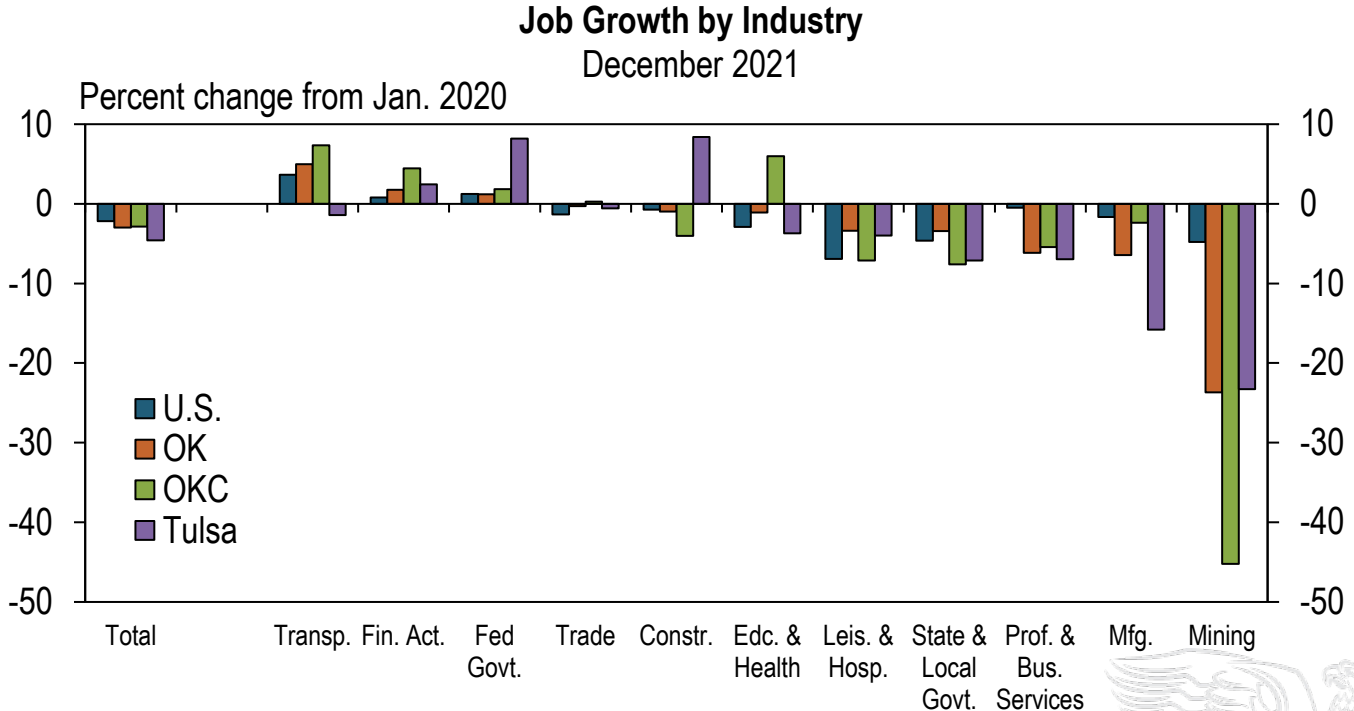
Non-Farm Payroll Employment



Unemployment Rate

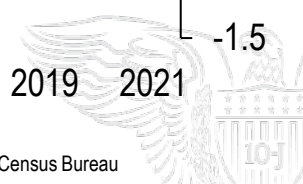
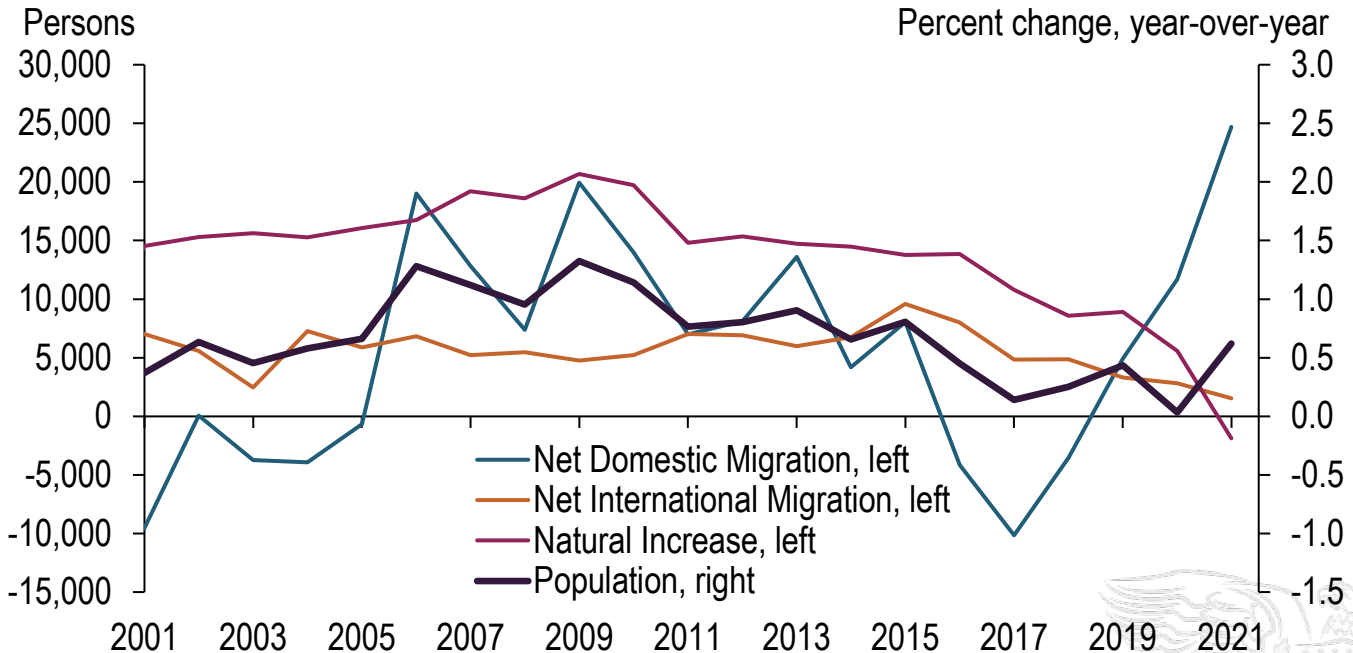


Energy jobs in Oklahoma are still down the most, by far, especially in the Oklahoma City metro



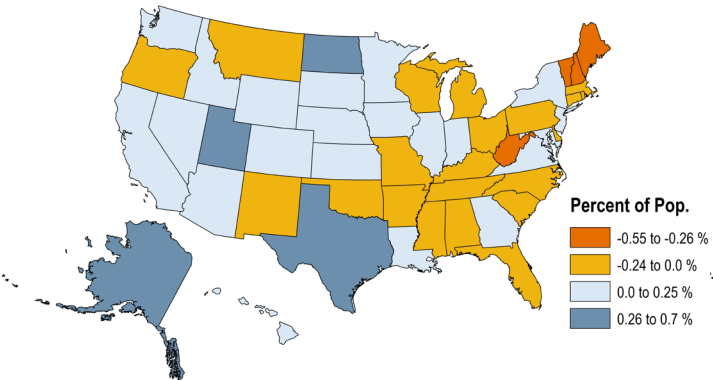
In-migration to Oklahoma drove state population growth in 2021, despite a historic increase in deaths

Oklahoma Population Changes by Component, 2001-2021

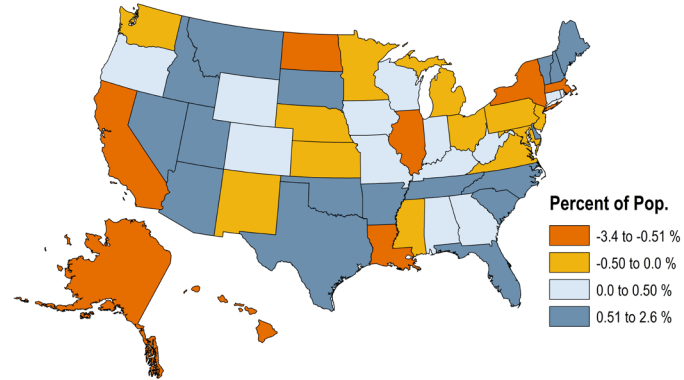


Oklahoma ranked in the top half of states in deaths per capita but the top third in domestic in-migration

Natural Pop. Increase (births – deaths) 2020-2021

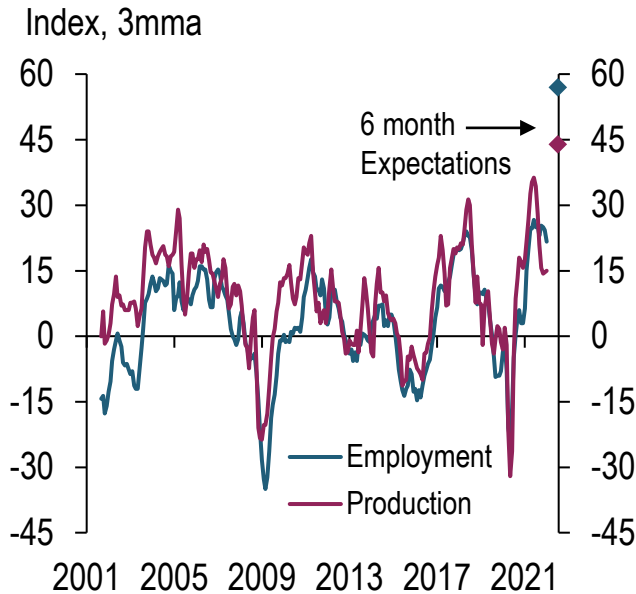


Net Domestic In-Migration 2020-2021

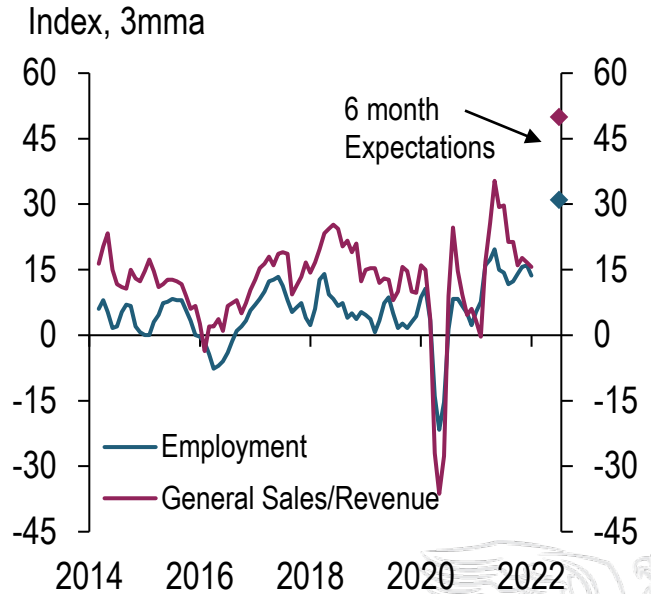


Across the region, manufacturing and business growth has remained strong, with solid outlooks

KC Fed Manufacturing Survey

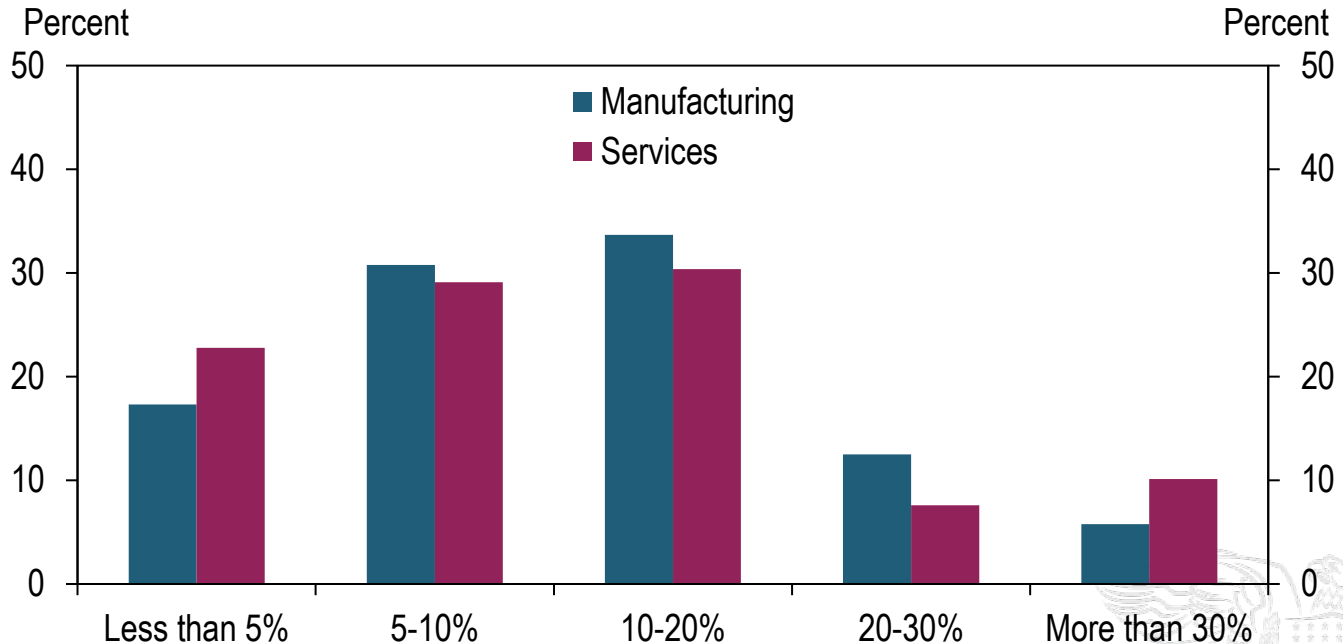


KC Fed Services Survey



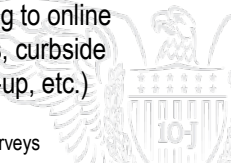
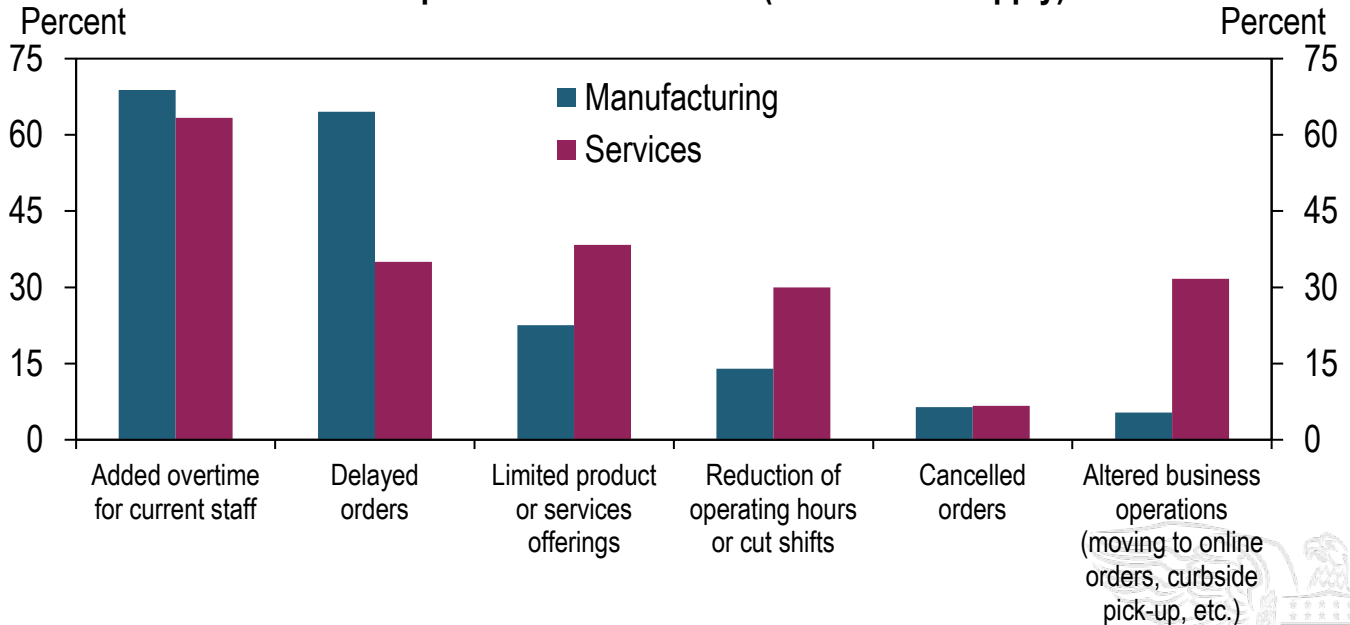
Still, half of firms surveyed in January reported 10% or more of their workforce missed work due to COVID

January 2022 Survey SQ: "What percentage of your work force has missed work in the month of January due to COVID?"



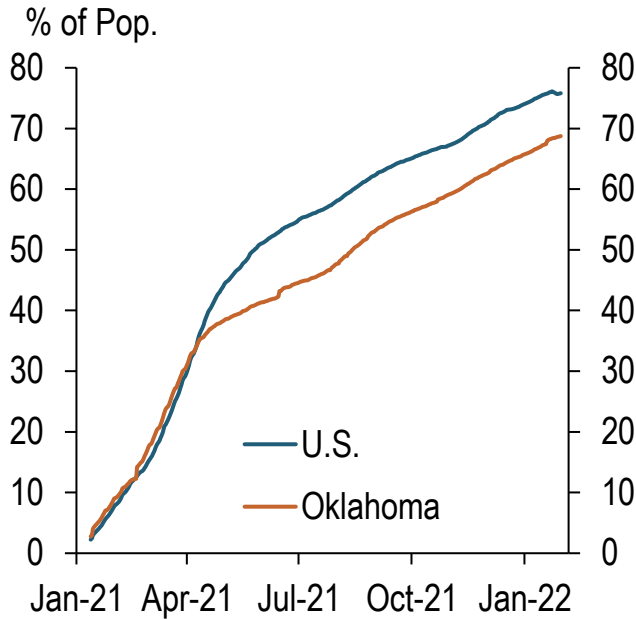
Due to labor shortages in January, many firms added overtime hours, delayed orders, and limited offerings

January 2022 Survey SQ: "If your company is facing labor shortages or staffing issues (COVID-related or otherwise), which of the following strategies has your business implemented as a result? (check all that apply)"

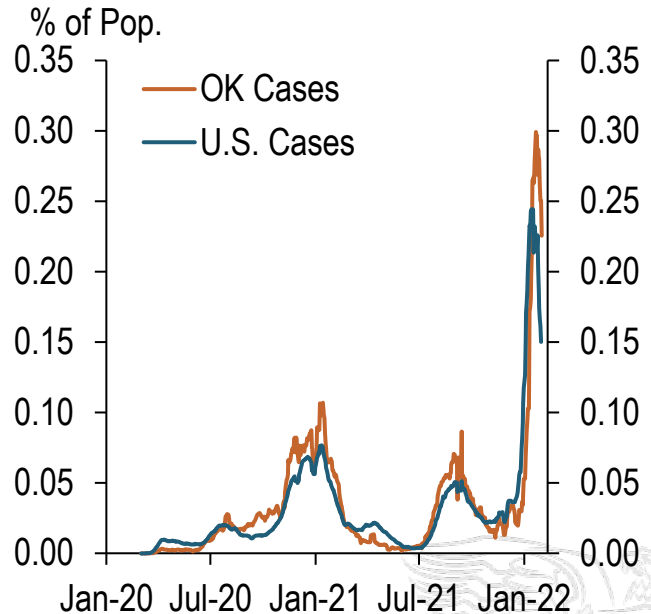


Vaccinations have increased but continue to lag the U.S., and cases have declined recently but remain high

Vaccinations (at least 1 dose)

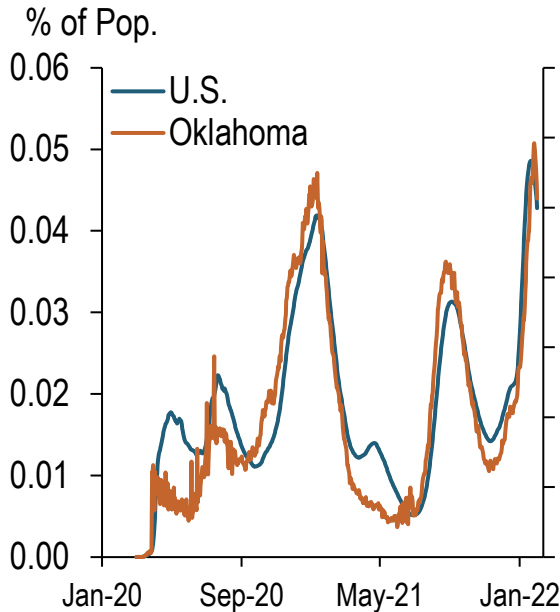


Number of New COVID Cases

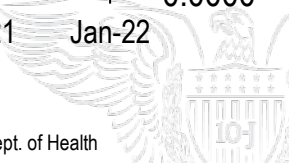
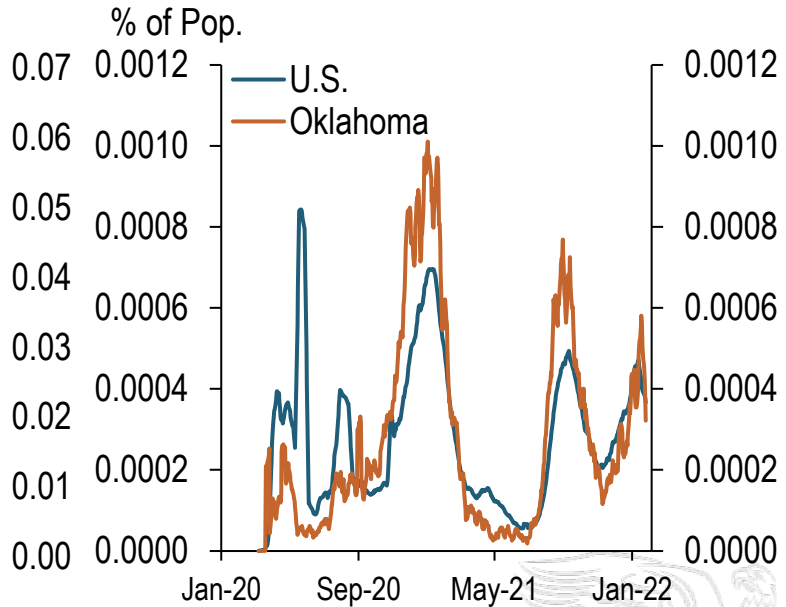


Hospitalizations have eased just slightly but remain near record highs, with fewer deaths from this wave

Hospitalizations



Deaths

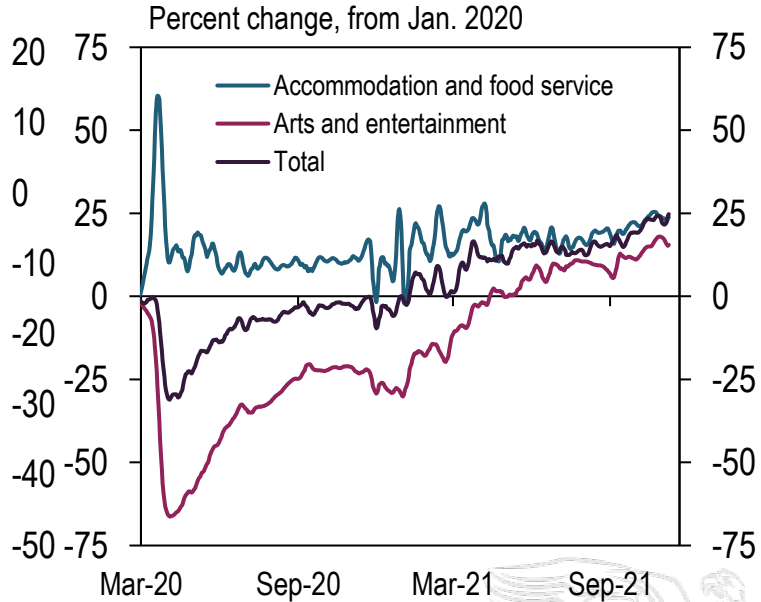


Retail and workplace mobility declined in January, but spending had held up through late 2021

Oklahoma Google Mobility Data

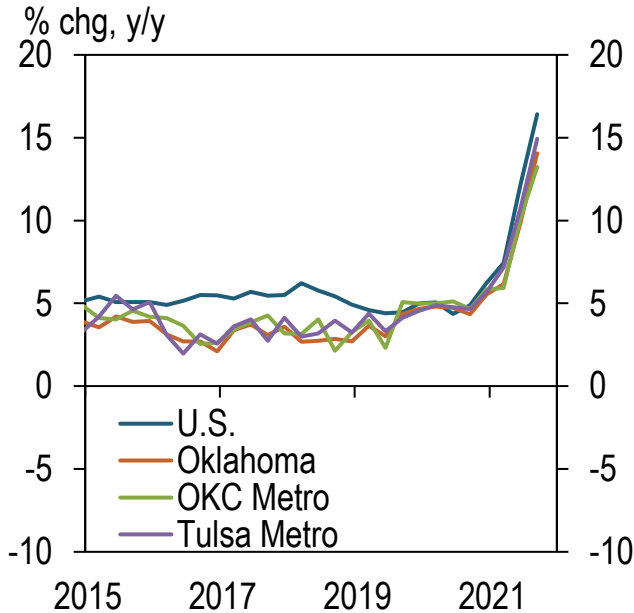


Oklahoma Credit Card Spending

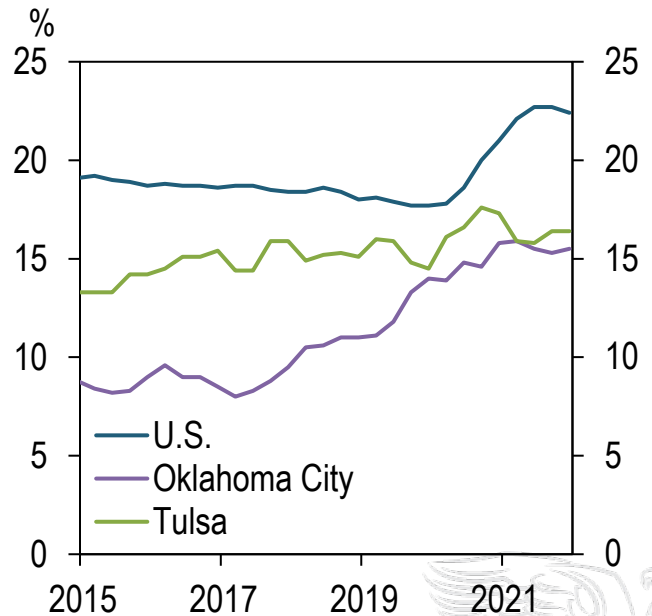


Home prices have continued to increase, while office vacancy remained steady in Oklahoma metros in 2021

FHFA Housing Price Indexes

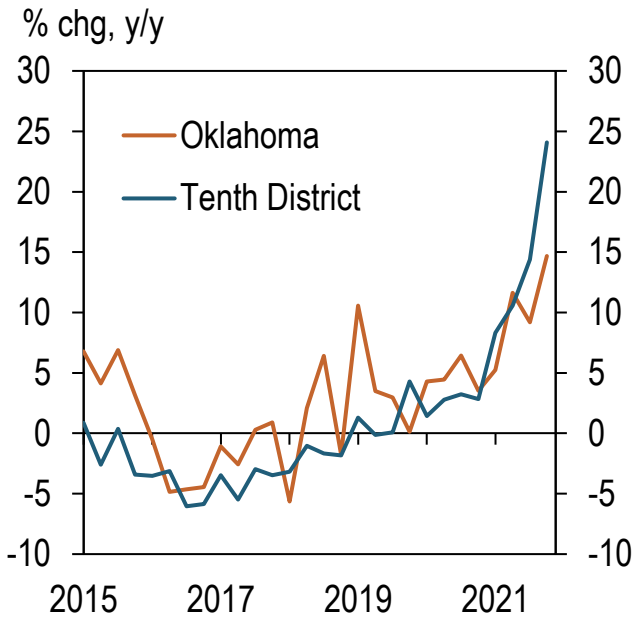


Office Vacancy Rates

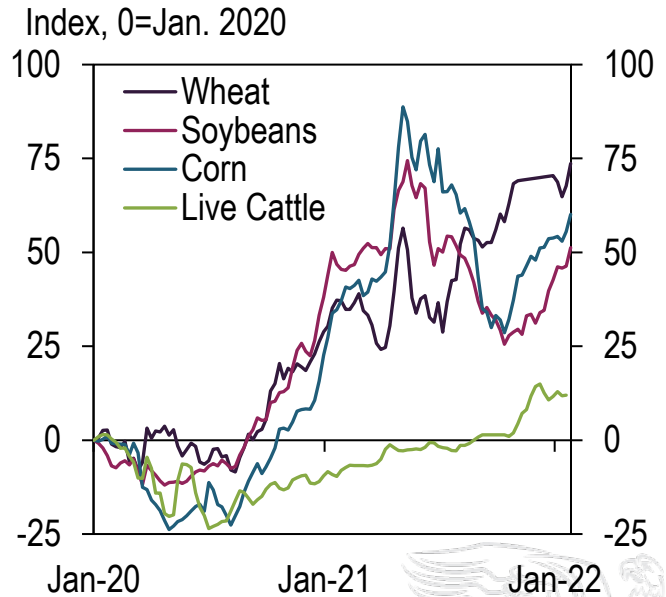


Farm real estate in Oklahoma has been strong but has grown slightly slower than the rest of the District

Nonirrigated Cropland Values

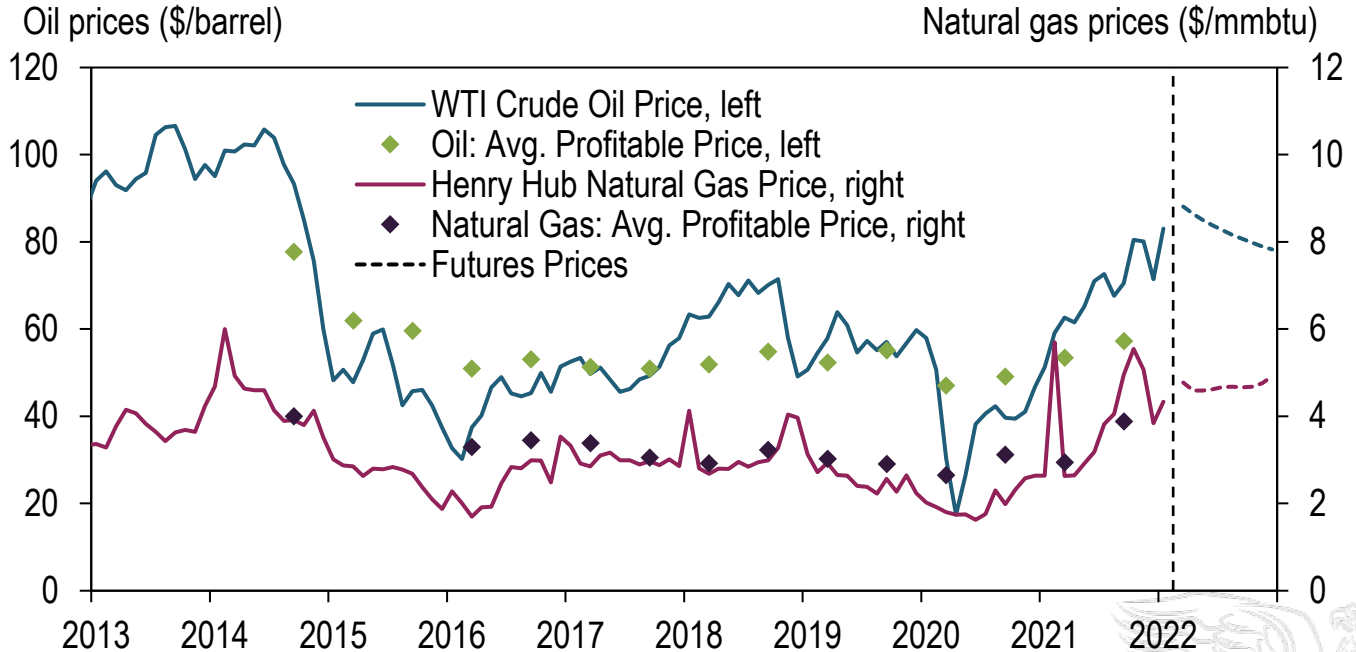


Commodity Prices



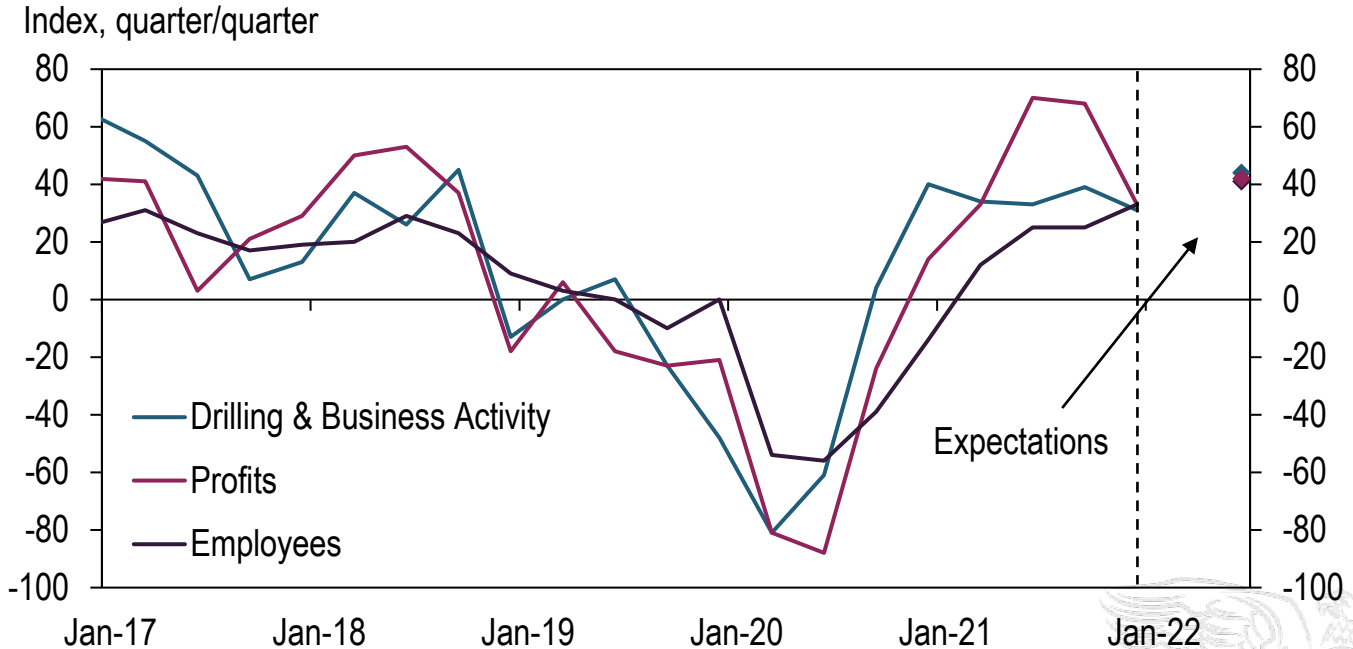
Oil and natural gas prices have risen considerably, and remain profitable for most regional firms

Energy Prices



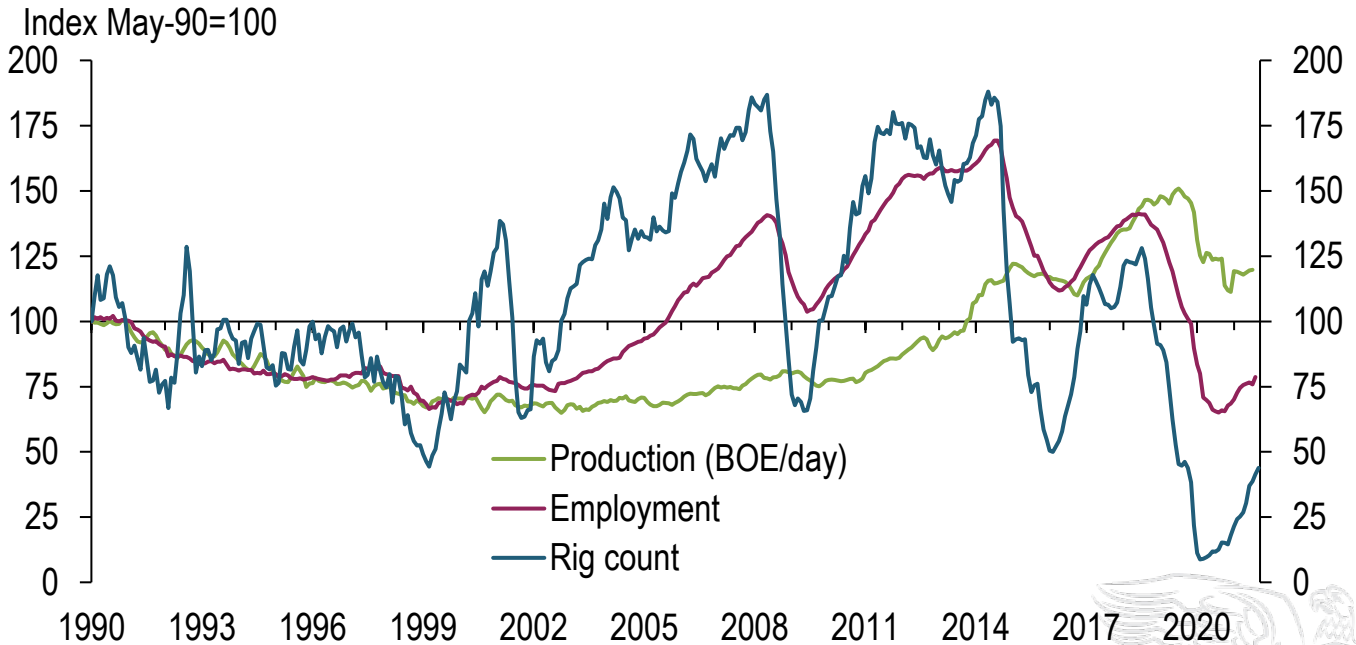
Regional energy activity continued to increase through early January, with a solid outlook for future growth

Energy Survey Indexes



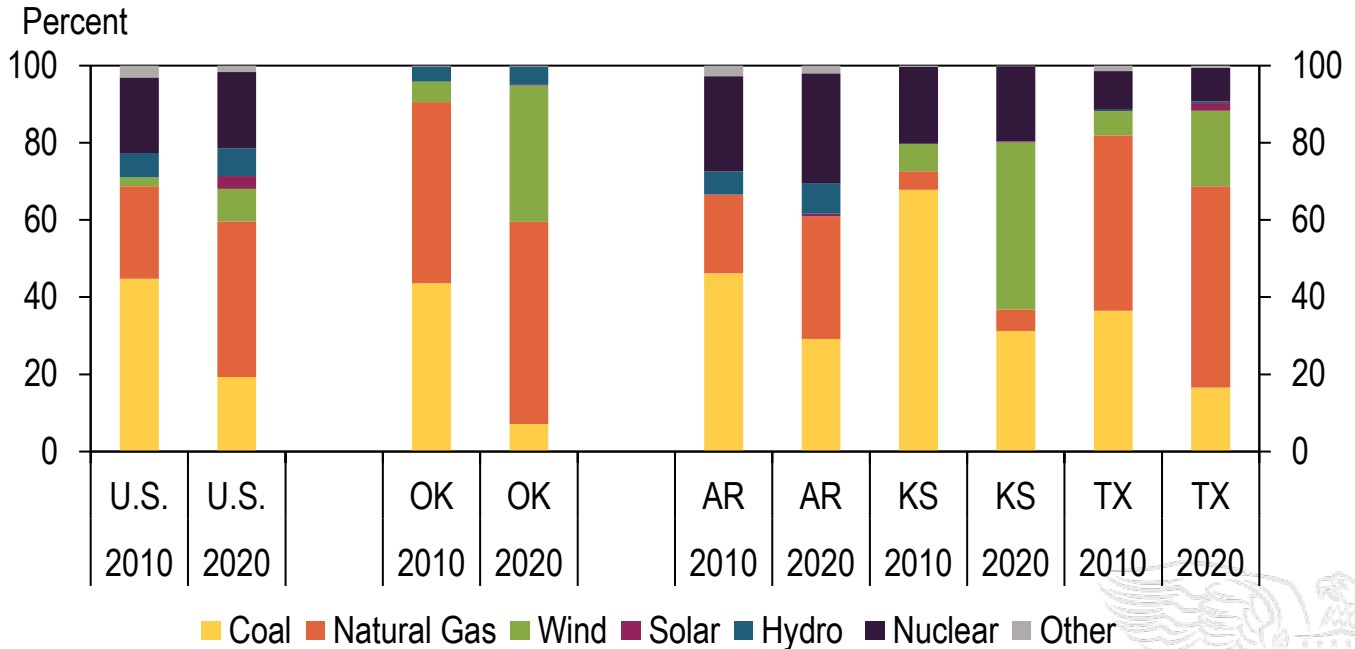
The pandemic accelerated a pre-COVID energy trend of firms producing more with fewer rigs and workers

Oklahoma Oil & Gas Rig Count, Employment, and Production



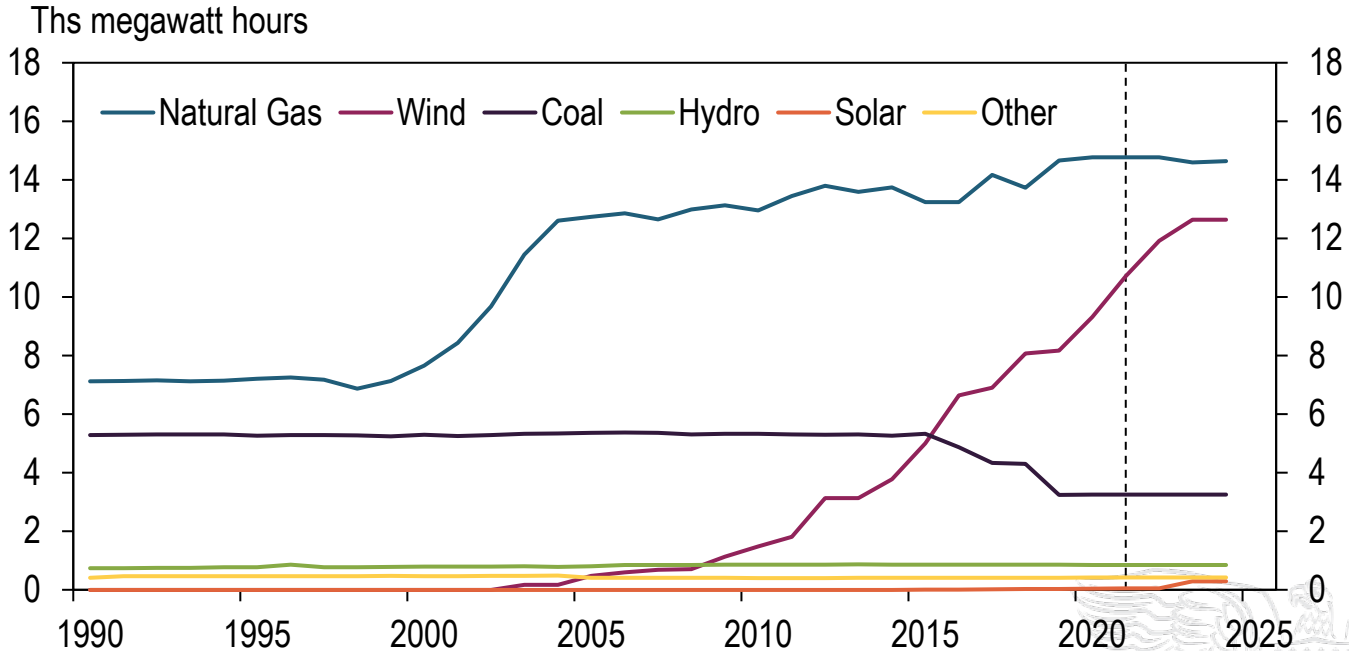
Renewable energy has grown as a share of total electricity generation for OK and surrounding states

Share of Total Electricity Generation



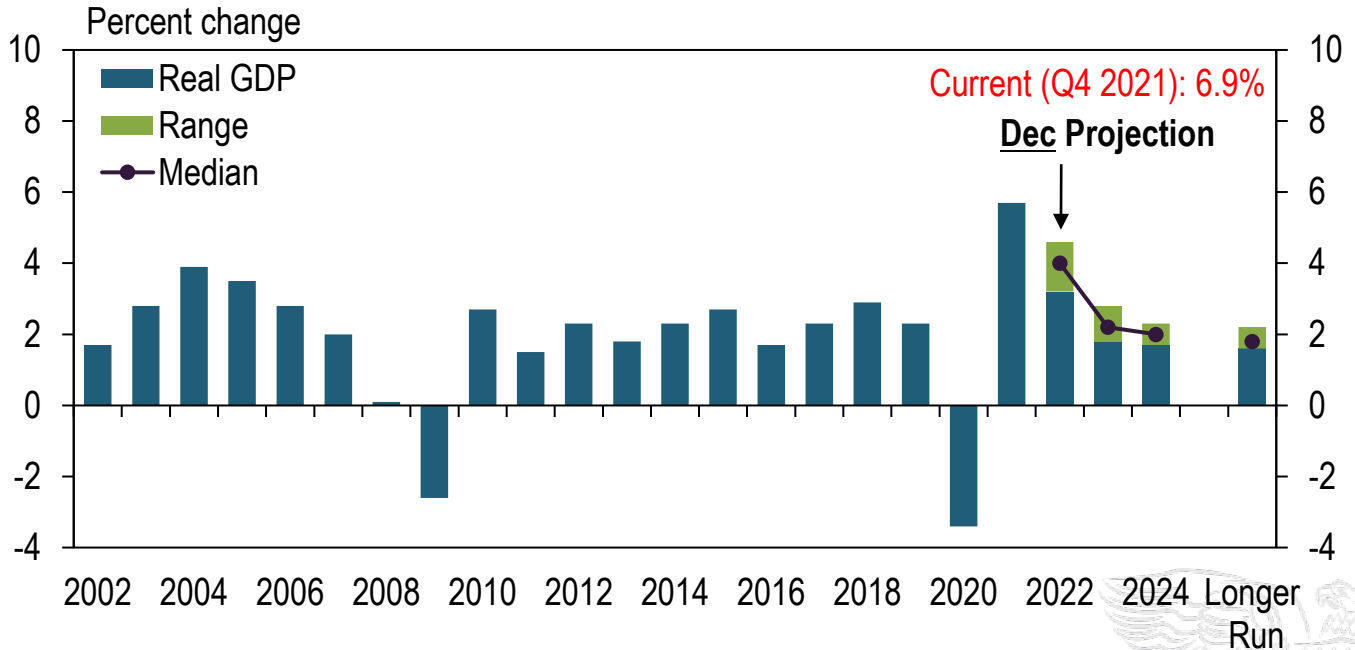
Further moderate expansion is planned for renewable activity over the next several years

Oklahoma's Electricity Capacity & Plans through 2025



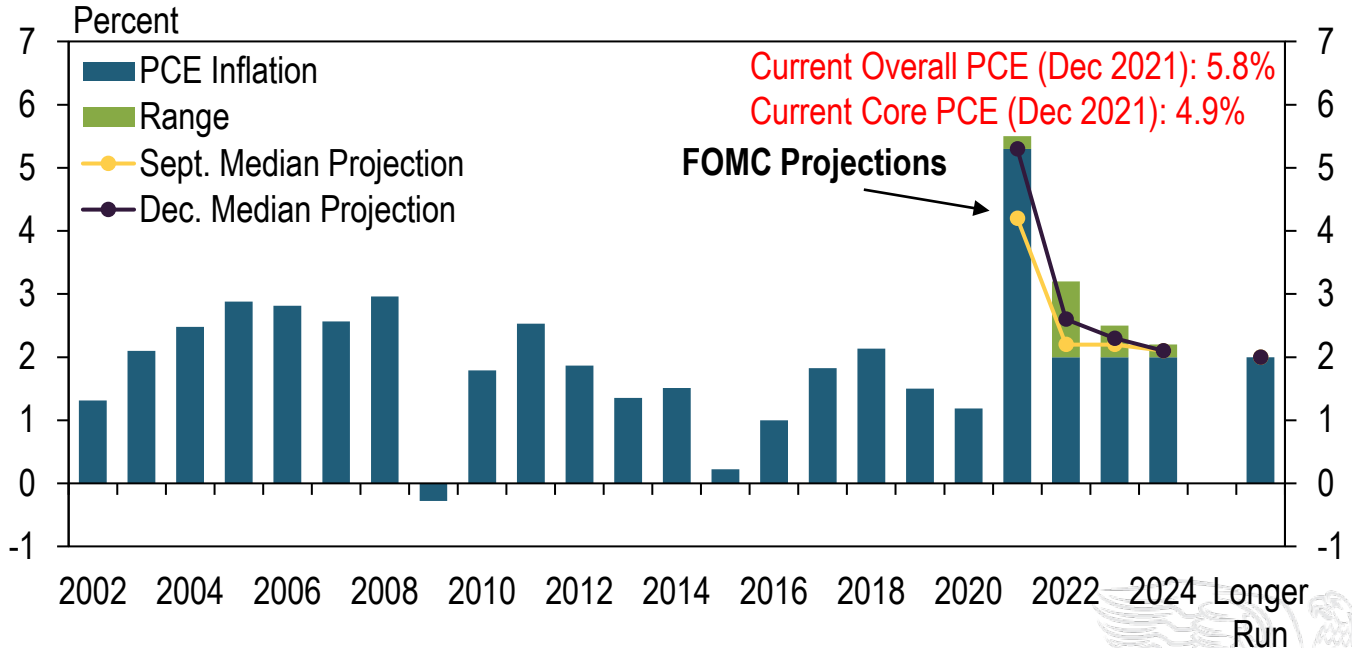
GDP recovered strongly in 2021, including in Q4, with more moderate growth expected in 2022

Change in Real GDP



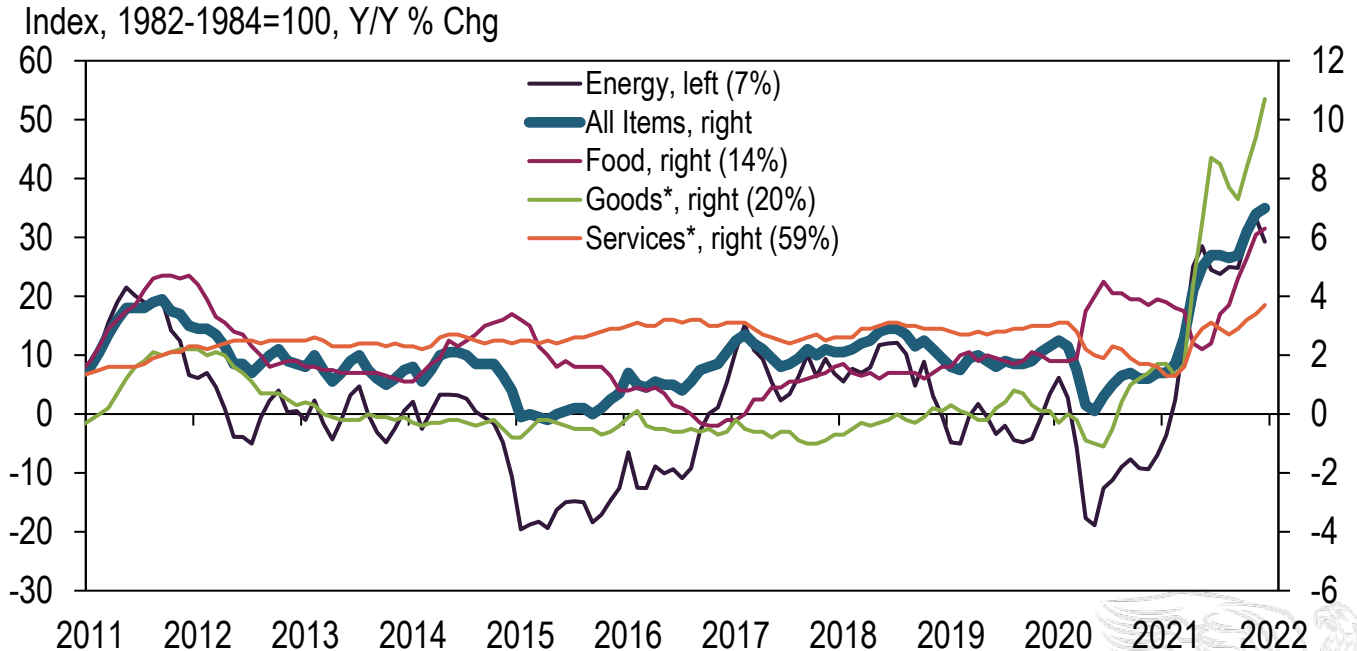
High inflation rates are expected to ease by year-end

PCE Inflation Index



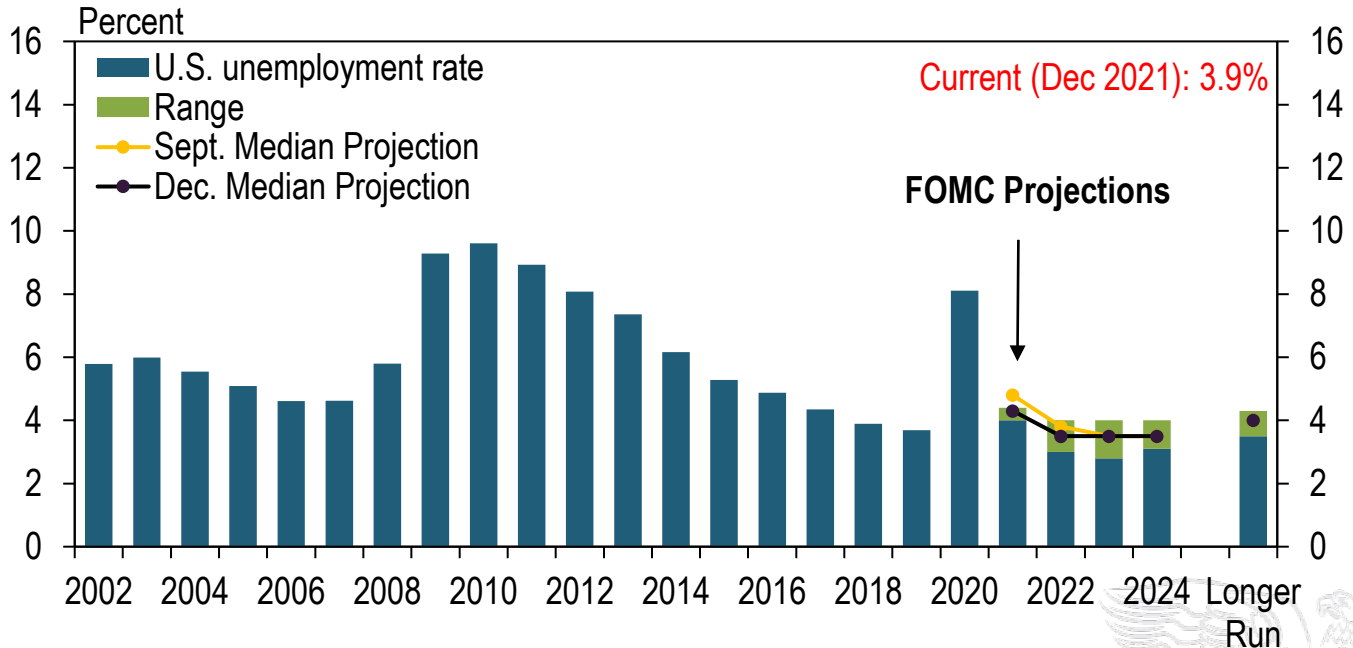
After leveling around 5.0-5.5% over the summer, year-over-year CPI growth rose to 7% in December

Consumer Price Index



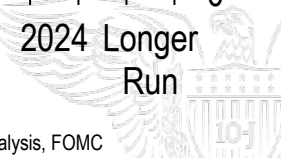
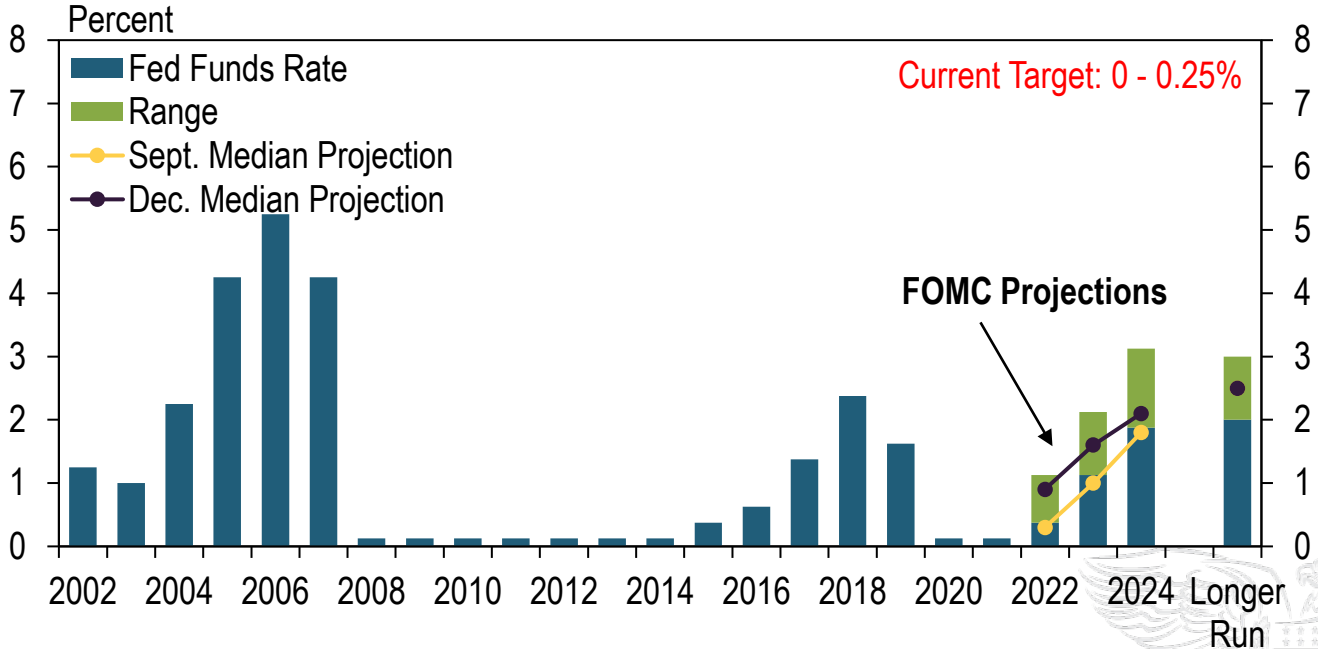
U.S. unemployment remains historically low and is projected to drop further

U.S. Unemployment Rate



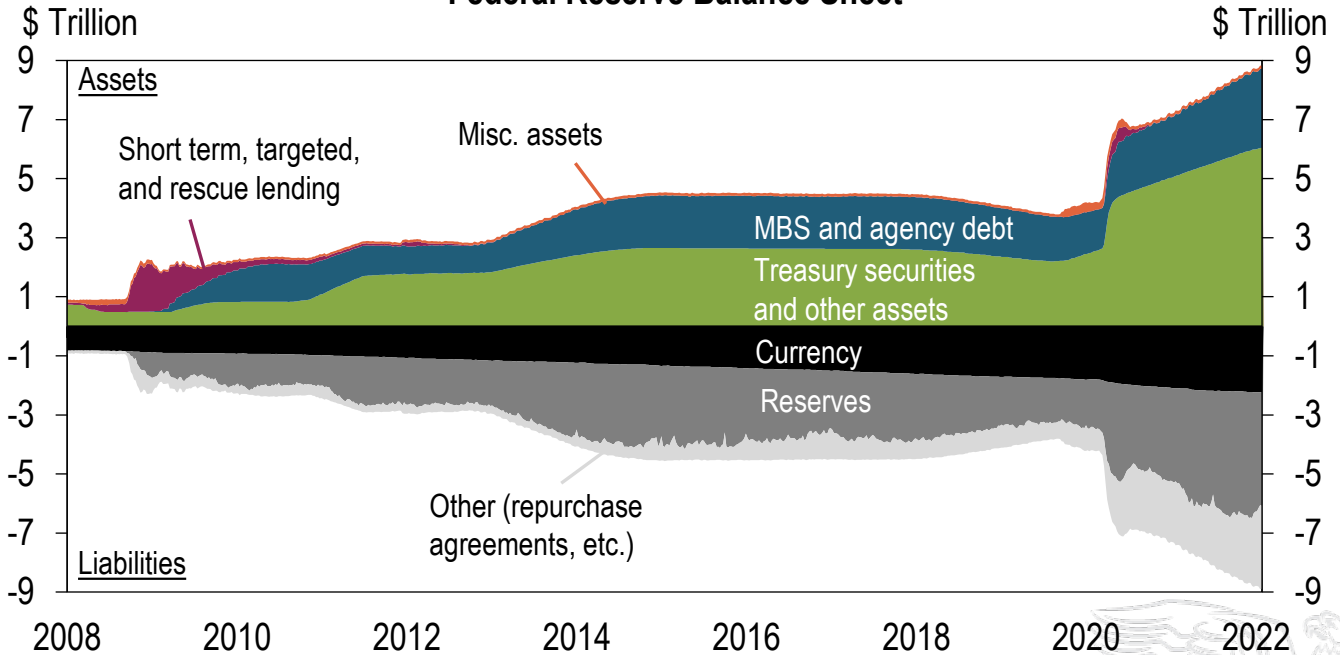
Several rate increases are now expected in 2022 and coming years

Federal Funds Rate
Year-End Target



The pace of asset purchases will slow moving forward

Federal Reserve Balance Sheet



Summary

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Questions?

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