U.S. and Oklahoma Economic Update

Oklahoma Tax Commission
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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
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  - Chris Turner, President & CFO, First State Bank, Oklahoma City
  - 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

Index, Jan. 2020=100

Unemployment Rate

Source: U.S. Bureau of Labor Statistics
Energy jobs in Oklahoma are still down the most, by far, especially in the Oklahoma City metro.

Job Growth by Industry
December 2021

Percent change from Jan. 2020

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

Sources: U.S. Census Bureau
Oklahoma ranked in the top half of states in deaths per capita but the top third in domestic in-migration.
Across the region, manufacturing and business growth has remained strong, with solid outlooks.
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?"

Source: FRBKC Surveys
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)"

- Added overtime for current staff
- Delayed orders
- Limited product or services offerings
- Reduction of operating hours or cut shifts
- Cancelled orders
- Altered business operations (moving to online orders, curbside pick-up, etc.)

**Source:** FRBKC Surveys
Vaccinations have increased but continue to lag the U.S., and cases have declined recently but remain high.
Hospitalizations have eased just slightly but remain near record highs, with fewer deaths from this wave.

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

Source: U.S. Dept. of Health
Retail and workplace mobility declined in January, but spending had held up through late 2021.
Home prices have continued to increase, while office vacancy remained steady in Oklahoma metros in 2021.

**FHFA Housing Price Indexes**

- U.S.
- Oklahoma
- OKC Metro
- Tulsa Metro

**Office Vacancy Rates**

- U.S.
- Oklahoma City
- Tulsa

Sources: CBRE, FHFA/Haver Analytics
Farm real estate in Oklahoma has been strong but has grown slightly slower than the rest of the District.
Oil and natural gas prices have risen considerably, and remain profitable for most regional firms.
Regional energy activity continued to increase through early January, with a solid outlook for future growth.
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

Index May-90=100

- Production (BOE/day)
- Employment
- Rig count

Note: Employment is for total mining. Production shown on 3-month moving average.

Source: FRBKC Energy Survey
Renewable energy has grown as a share of total electricity generation for OK and surrounding states.
Further moderate expansion is planned for renewable activity over the next several years.

Oklahoma’s Electricity Capacity & Plans through 2025

Note: Sum of summer capacity shown. 2021-2025 data shown as net additions and retirements.

Source: EIA, Authors’ calculations
GDP recovered strongly in 2021, including in Q4, with more moderate growth expected in 2022

Change in Real GDP

Percent change

- Real GDP
- Range
- Median

Current (Q4 2021): 6.9%

Dec Projection

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

Sources: Bureau of Economic Analysis, FOMC
High inflation rates are expected to ease by year-end

Current Overall PCE (Dec 2021): 5.8%
Current Core PCE (Dec 2021): 4.9%

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

Sources: Bureau of Economic Analysis, FOMC
After leveling around 5.0-5.5% over the summer, year-over-year CPI growth rose to 7% in December

*Goods excluding Food; Services excluding Energy.
Note: Relative Importance as Share of CPI shown in parenthesis.

Sources: BLS/Haver Analytics
U.S. unemployment remains historically low and is projected to drop further

U.S. Unemployment Rate

Current (Dec 2021): 3.9%

FOMC Projections

Range

Sept. Median Projection

Dec. Median Projection

Percent

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Several rate increases are now expected in 2022 and coming years

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

Sources: Bureau of Economic Analysis, FOMC
The pace of asset purchases will slow moving forward.

Federal Reserve Balance Sheet

- **Assets**
  - Treasury securities and other assets
  - MBS & agency debt
  - Currency
  - Reserves
  - Misc. assets
  - Short term, targeted, and rescue lending
  - Other (repurchase agreements, etc.)

- **Liabilities**

Source: Federal Reserve Board
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Questions?

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