U.S. and Oklahoma Economic Update

Central Oklahoma Manufacturer’s Association
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Vice President and Oklahoma City Branch Executive

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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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  • Brady Sidwell, Principal, Sidwell Strategies, Enid
  • Chris Turner, President & CFO, First State Bank, Oklahoma City
  • Dana Weber, Chair & CEO, Webco Industries, Sand Springs
Overview

• Oklahoma’s population grew more in 2021 than any year since 2015 despite a big increase in deaths, due to in-migration

• Businesses are optimistic, but Omicron related disruptions hampered activity somewhat at many firms in January

• Employment continues to slowly recover in Oklahoma, but a gap remains compared to pre-pandemic, especially in energy

• Inflation has exceeded expectations, but is expected to ease along with Fed rate increases and end of asset purchases
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 bottom half of states in natural population growth but top 25% in domestic in-migration.
Vaccinations have increased but continue to lag the U.S., while new cases have plummeted since late Jan.

**Vaccinations (at least 1 dose)**

<table>
<thead>
<tr>
<th>% of Pop.</th>
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<tbody>
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<td>Jan-21</td>
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<tr>
<td>U.S.</td>
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**Number of New COVID Cases**

<table>
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<tr>
<th>% of Pop.</th>
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<tr>
<td>Jan-20</td>
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<tr>
<td>OK Cases</td>
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Note: All series shown on 7-day moving average.

Sources: CDC, U.S. Dept. of Health
Hospitalizations have also eased over the past week or so, and there have been fewer deaths in this wave.

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

Source: U.S. Dept. of Health
Retail and workplace mobility slowed in January, but spending had held up through late 2021.

Sources: Google Mobility Data, Affinity Solutions, Track the Recovery.

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

Percent

Manufacturing
Services

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
Delivery time and order backlog indexes remain very high in the region but are expected to ease slightly.
Nearly all firms reported higher input prices through January, but some expect fewer increases in the future.

Survey Price Indexes

Net share of firms reporting higher index prices vs. a year ago

Source: FRBKC Surveys
Despite some slowdown in recent months, regional manufacturing and services outlooks are very strong.
The number of jobs in Oklahoma is still down, despite record low unemployment.

Non-Farm Payroll Employment

Index, Jan. 2020=100

U.S. | Oklahoma

Unemployment Rate

%

Source: U.S. Bureau of Labor Statistics
Energy jobs in Oklahoma are still down the most, by far, especially in OKC, while manufacturing lags in Tulsa.
Home prices have continued to increase, while office vacancy remained steady in Oklahoma metros in 2021.

**FHFA Housing Price Indexes**

- % chg, y/y

**Office Vacancy Rates**

- %

Sources: CBRE, FHFA/Haver Analytics
Farm real estate in Oklahoma has been strong but has grown slightly slower than the rest of the District.

### Nonirrigated Cropland Values

- **Oklahoma**
- **Tenth District**

### Commodity Prices

- **Index, 0=Jan. 2020**
  - Wheat
  - Soybeans
  - Corn
  - Live Cattle

Sources: FRBKC Ag Credit Survey, WSJ/Haver Analytics
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.

Source: FRBKC Energy Survey
Renewable energy has grown as a share of total electricity generation for OK and surrounding states.

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

U.S. Unemployment Rate

Current (Jan 2022): 4.0%

FOMC Projections

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

Sources: U.S. Bureau of Labor Statistics, FOMC
High inflation rates are expected to ease by year-end as pandemic related disruptions begin to improve.
Most inflation pressure has been in goods, food and energy, but services prices are also rising.

**Consumer Price Index**

- All Items
- Goods* (20%)
- Services* (59%)
- Food and Energy (21%)

*Goods excluding Food; Services excluding Energy.
Note: Relative Importance as Share of CPI shown in parenthesis.
Several rate increases are now expected in 2022 and following years

Federal Funds Rate
Year-End Target

Note: Data and FOMC projections are for year-end.
Sources: Bureau of Economic Analysis, FOMC
The Fed’s asset purchases will also level off in coming months

Federal Reserve Balance Sheet


$ Trillion

-9 -7 -5 -3 -1 1 3 5 7 9

Assets

Currency
Reserves
Misc. assets
MBS and agency debt
Treasury securities and other 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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