U.S. and Oklahoma Economic Update

First National Bank Advisory Board
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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

- **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**
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Overview

- With low unemployment and high inflation, several Fed rate increases and balance sheet reductions are projected in 2022.

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

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

- Businesses are optimistic about future growth, though input price increases and supply chain issues remain.
U.S. unemployment remains historically low and is projected to remain very low in coming years.

U.S. Unemployment Rate

Current (Feb. 2022): 3.8%

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.

Current Overall PCE (Jan. 2022): 6.1%
Current Core PCE (Jan. 2022): 5.2%

Note: Data and FOMC projections are for year-end.
Sources: Bureau of Economic Analysis, FOMC
Most inflation pressure has been in goods, food and energy, but services prices are also rising.

*Goods excluding Food; Services excluding Energy.
Note: Relative Importance as Share of CPI shown in parenthesis.
Sources: BLS/Haver Analytics
More rate increases are now expected in 2022 and 2023

Federal Funds Rate
Year-End Target

Current Target: 0.25% - 0.5%

Percent
Fed Funds Rate
Range
Dec. Median Projection
March Median Projection

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

Sources: Bureau of Economic Analysis, FOMC
The Fed also plans to begin reducing its balance sheet

Federal Reserve Balance Sheet

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

Liabilities

Source: Federal Reserve Board
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 highly in both COVID deaths per capita and net domestic in-migration in 2020 and 2021

COVID-19 Death Rate
Jan. 2020 - March 2022

Net Domestic Migration
2020 - 2021
The number of jobs in Oklahoma is still down compared to pre-COVID, 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, while transportation jobs have grown.
Manufacturing and services activity has increased in recent months, with strong outlooks.

**KC Fed Manufacturing Survey**

- Index, 3mma
- Employment
- Production

**KC Fed Services Survey**

- Index, 3mma
- Employment
- General Sales/Revenue

6 month Expectations

Source: FRBKC Surveys
Nearly all firms reported higher input prices through February, but some expect fewer increases in the future.

Survey Price Indexes

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

- Manufacturing: raw materials
- Manufacturing: finished product
- Services: input
- Services: selling

6-month Expectations

Source: FRBKC Surveys
Oil and natural gas prices have risen considerably, and remain highly profitable for most regional firms.
Summary

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- Businesses are optimistic about future growth, though input price increases and supply chain issues remain.
Questions?

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