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
  • Chris Turner, EVP & COO, First National Bank, Shawnee/OKC
  • Dana Weber, Chair & CEO, Webco Industries, Sand Springs
Overview

• The U.S. economy is solid, with low unemployment and strong demand in many sectors, but inflation is too high

• Several factors have boosted inflation over the past year, and several factors should help bring it back down

• Oklahoma’s economy continues to recover, but jobs remain below pre-pandemic levels, especially in energy

• Oklahoma had record in-migration in 2021, helping offset record deaths and hopefully boosting the future workforce
U.S. unemployment remains historically low and is projected to remain very low in coming years

U.S. Unemployment Rate

Current (Apr. 2022): 3.6%

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Demand for consumer credit remained high through Q1 2022

**Demand for Financing: Consumers**

Net percentage reporting higher

- Auto loans
- Credit card loans
- Other consumer loans

Source: FRB
Business financing also remained in high demand

Demand for Financing: Business

Net percentage reporting higher

C&I loans to large & middle-market firms

C&I loans to small firms

Source: FRB
The pace of growth in demand for commercial real estate financing slowed some in Q1 2022

![Demand for Financing: Commercial Real Estate](chart)

Net percentage reporting higher

- CRE loans for CLD
- CRE loans for multifamily
- CRE for nonresidential

Source: FRB
Demand for residential real estate loans fell

Demand for Financing: Residential Real Estate

- Net percentage reporting higher
- Subprime mortgage loans
- Jumbo mortgages
- GSE mortgages

Source: FRB
High inflation is expected to ease heading forward

PCE Inflation Index

Current Overall PCE (Mar. 2022): 6.6%
Current Core PCE (Mar. 2022): 5.2%

Projections

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

Sources: Bureau of Economic Analysis, FOMC
CPI inflation finally edged down in April, to 8.3%

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

Sources: BLS/Haver Analytics
Why is inflation high? Demand has been strong

Retail Sales and Food Services

Billions $

Source: Bureau of Economic Analysis
Demand has been supported by a strong labor market, rising wages, and healthy household balance sheets.

### Wage Growth

- **Year/Year %**

### Household Net Worth/GDP

- **Year/Year %**

Sources: BLS, FRB Atlanta/Haver Analytics
Why is inflation high? Supply is constrained by a shift in consumption and disruptions to labor supply.
Where is inflation going? Demand easing as stimulus fades and consumers react to higher prices

**Fiscal Policy Contribution to Real GDP Growth**

ppt, 4-quarter moving

**Buying Conditions for Large Household Goods**

Index

Sources: Hutchins Center, BEA, University of Michigan, WSJ/Haver Analytics
Interest rates have increased this year, with 30-year mortgage rates now at the highest level since 2010.
The Fed raised the federal funds rate 50 bp in May, with more rate increases expected in 2022 and 2023.
The Fed also plans to reduce its balance sheet of longer-term securities holdings.
Oklahoma jobs are growing but still below pre-COVID levels, despite record low unemployment in the state.

**Non-Farm Payroll Employment**

- **Index, Jan. 2020=100**
- **Jan-20** 105
- **Jan-21** 100
- **Jan-22** 95

**Unemployment Rate**

- **%**
- **2015** 4
- **2017** 4
- **2019** 4
- **2021** 16

**Source:** U.S. Bureau of Labor Statistics
The number of job openings greatly exceeds the number of unemployed workers.

Job Openings/Unemployment Ratios

Source: FRBKC Surveys
The jobs recovery gap is largest in the mining (energy) sector in Oklahoma

10J Employment by Industry Compared to Pre-Pandemic

% chg, Jan. 2020 - March 2022

-4 -3 -2 -1 0 1 2

U.S. Tenth District CO MO NE OK NM WY KS

Mining Leis. & Hosp. Mfg Constr. Total
Govt. Prof. Bus. Svcs Other Trade & Transp.

Sources: CDC, U.S. Census Bureau
Energy activity has continued to increase moderately, along with higher profits and costs.
Oil and natural gas prices have risen considerably, and remain highly profitable for most regional firms.
But regional energy production is restrained by labor and more fiscal discipline for public companies

Q1 2022 Energy Survey Special Question: “Which of the following are the top reasons restraining growth for your firm despite high oil prices? (rank)”

- Difficulty finding labor
- Investor pressure to maintain capital discipline
- Price uncertainty
- Supply chain issues/lack of materials
- Regulatory concerns
- Delayed maintenance/insufficient equipment
- Lack of access to financing
- Other

# of firms

Source: FRBKC Energy Survey
Oklahoma City and Tulsa office and industrial vacancy rates are slightly below the national average.
Oklahoma’s population grew in 2021, despite a historic increase in deaths, due to massive in-migration
Oklahoma ranked highly in both COVID deaths per capita and net domestic in-migration in 2020 and 2021.
Many people moved to OK from CA and TX, mostly to the metros but some other parts of the state, too
Summary

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• Oklahoma had record in-migration in 2021, helping offset record deaths and hopefully boosting the future workforce
Questions?

For more analysis of the Oklahoma economy, regional manufacturing conditions and regional energy conditions, subscribe to receive e-mail alerts from the KANSAS CITY FED.

Visit kansascityfed.org/ealert to subscribe!