U.S. Economic Outlook

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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**
  - 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
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  - 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 strong demand in many sectors and low unemployment, 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

Percent

U.S. unemployment rate
Range
Sept. 2021 Median Projection
Dec. 2021 Median Projection
March 2022 Median Projection

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 residential real estate loans fell

Demand for Financing: Residential Real Estate

Net percentage reporting higher

- Subprime mortgage loans
- Jumbo mortgages
- GSE mortgages

Source: FRB
Inflation has moved well above the Fed’s 2% target but is expected to ease heading forward.

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

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 rising wages and healthy household balance sheets.
Why is inflation high? Supply is constrained by a shift in consumption and disruptions to labor supply

Sources: BEA, BLS/Haver Analytics
Where is inflation going? Demand easing as stimulus fades and consumers react to higher prices

Fiscal Policy Contribution to Real GDP Growth

Buying Conditions for Large Household Goods

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 rates 50 bp in May, with more rate increases expected in 2022 and 2023.

Federal Funds Rate
Year-End Target

Current Target: 0.75% - 1.00%

Projections

Sources: Bureau of Economic Analysis, FOMC

Note: Data and FOMC projections are for year-end.
The Fed also plans to reduce its balance sheet
Oklahoma jobs are growing but still below pre-COVID levels, despite record low unemployment in the state

Non-Farm Payroll Employment

Unemployment Rate

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

Sources: CDC, U.S. Census Bureau
Oil and natural gas prices have risen considerably, and remain highly profitable for most regional firms.

Sources: EIA/Haver Analytics, FRBKC Energy Survey
Energy activity has continued to increase moderately, along with higher profits and costs

**Energy Survey Indexes**

![Energy Survey Indexes Graph](image-url)
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

Source: FRBKC Energy Survey
Oklahoma’s population grew in 2021, despite a historic increase in deaths, due to massive in-migration.

[Graph showing Oklahoma Population Changes by Component, 2001-2021]

Net Domestic Migration, left
Net International Migration, left
Natural Increase, left
Population, right

Source: U.S. Census Bureau
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.
Domestic migration trends shifted greatly across the U.S. during 2020 and 2021

Population Gain or Loss and Major Component of Change: 2020-21

Source: U.S. Census Bureau
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Questions?

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