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, 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

Current (Apr. 2022): 3.6%

Projections

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Inflation has moved well above the Fed’s 2% target but is expected to ease heading forward

PCE Inflation Index

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%, but remains near a 40-year high

*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

U.S. Retail Sales and Food Services

Billions $

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
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</thead>
<tbody>
<tr>
<td>Value</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Oklahoma Consumer Spending

% chg from Jan. 2020

<table>
<thead>
<tr>
<th>Category</th>
<th>Jan-20</th>
<th>Jan-21</th>
<th>Jan-22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Consumer Spending</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General merchandise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recreation and Restaurants</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Bureau of Economic Analysis, Affinity/Track the Recovery
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

Index

Sources: Hutchins Center, BEA, University of Michigan, WSJ/Haver Analytics
Interest rates have increased, and 30-year mortgage rates are at the highest levels since 2010.

Sources: FRB, WSJ/Haver Analytics
The Fed raised rates 50 bp in May, with more rate increases expected in 2022 and 2023.

Federal Funds Rate
Year-End Target

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

Sources: Bureau of Economic Analysis, FOMC
The Fed also plans to reduce its balance sheet more moving forward.
Oklahoma jobs are still below pre-COVID levels, but Logan County jobs have more than recovered.
Energy and manufacturing jobs in Oklahoma are still down compared to pre-pandemic, but have grown.

Oklahoma Job Growth by Industry

Percent change

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
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

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

Oklahoma Population Changes by Component, 2001-2021

Source: 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

Sources: CDC, U.S. Census Bureau
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, and positively for Logan Co.

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

• 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
Questions?

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Oklahoma’s economy

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