U.S. and Oklahoma Economic Outlook

Oklahoma Coalition for Affordable Housing
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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

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- **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

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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.
Demand for consumer credit was high in Q1 2022, while business financing also remained in high demand.
Demand for commercial real estate financing slowed slightly in Q1, while residential demand declined.

**Demand for Financing: Commercial Real Estate**

Net percentage reporting higher

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

**Demand for Financing: Residential Real Estate**

Net percentage reporting higher

- Subprime mortgage loans
- Jumbo mortgages
- GSE mortgages

Source: FRB
U.S. unemployment remains historically low and is projected to remain very low in coming years.
Inflation has moved well above the Fed’s 2% target but is expected to ease heading forward.
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

Oklahoma Consumer Spending

Sources: Bureau of Economic Analysis, Affinity/Track the Recovery
Demand has been supported by rising wages and healthy household balance sheets

**U.S. Wage Growth**

**U.S. Household Net Worth/GDP**

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

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%

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 growing but still below pre-COVID levels, despite a very low unemployment rate of 2.7%.
The number of job openings greatly exceeds the number of unemployed workers

Job Openings/Unemployment Ratios

Job openings/# unemployed

- U.S.
- Tenth District
- Oklahoma

Source: FRBKC Surveys
Energy and manufacturing jobs in Oklahoma are still down compared to pre-pandemic, but have grown.
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
Regional factory activity has remained strong, with expectations for more growth over the next 6 months.
The war in Ukraine has contributed to some additional supply chain disruptions

March 2022 Survey Special Question: "How has the Russia/Ukraine conflict affected the following for your business?"

- Input prices
- Supply chain issues
- Inventories
- Demand
- Hiring
- Capital spending

Sources: FRBKC Surveys
Nearly all firms reported higher input prices through April, and supplier delivery time remains high.
Oklahoma’s population grew in 2021, despite a historic increase in deaths, due to massive in-migration.

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.

**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

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

Source: U.S. Census Bureau
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• Oklahoma had record in-migration in 2021, helping offset record deaths and hopefully boosting the future workforce
Questions?

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