U.S. and Oklahoma Economic Outlook

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

Current Overall PCE (Apr. 2022): 6.3%
Current Core PCE (Apr. 2022): 4.9%

Note: Data and FOMC projections are for year-end.
Sources: Bureau of Economic Analysis, FOMC
CPI inflation rose again in May to 8.6%, the highest rate in around 40 years.

*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
Demand has been supported by rising wages and healthy household balance sheets

Sources: BLS, FRB Atlanta/Haver Analytics
Why is inflation high? Supply is constrained by a shift in consumption and disruptions to labor supply.
Interest rates have increased this year, with 30-year mortgage rates now at the highest level since 2008.
The Fed raised rates 75 bp in June, with more rate increases expected in 2022 and 2023.

Federal Funds Rate
Year-End Target

Current Target: 1.50% - 1.75%

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.

Federal Reserve Balance Sheet

Assets
- Short term, targeted, and rescue lending
- Misc. assets
- MBS and agency debt
- Treasury securities and other assets
- Currency

Liabilities
- Reserves
- Other (repurchase agreements, etc.)

Source: Federal Reserve Board
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
- March 2022 Median Projection

Current (May 2022): 3.6%

Projections

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Oklahoma City jobs are at pre-COVID levels while other areas continue to lag, despite low unemployment rates.

Source: U.S. Bureau of Labor Statistics
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.

Oklahoma Job Growth by Industry

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
Energy activity was higher in Q2, and expectations are fairly solid as well.
Oil 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
Regional factory activity has remained strong, with expectations for more growth despite high prices.
With a closer look, activity may not be as strong as the composite index suggests.
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.

Net Domestic Migration to Oklahoma 2020 and 2021

Oklahoma Net Domestic Migration

Note: Vintage 2020 population estimates through 2020.

Sources: FRBNY CCP/Equifax, 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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