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

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**
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Overview

- The U.S. economy is solid, with strong demand in many sectors and low unemployment, but inflation is still 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.

PCE Inflation Index

- Current Overall PCE (June 2022): 6.76%
- Current Core PCE (June 2022): 4.79%

Note: Data and FOMC projections are for year-end. Sources: Bureau of Economic Analysis, FOMC
CPI inflation rose again in June to 9.1%, 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

U.S. Retail Sales and Food Services

Oklahoma Consumer Spending

Billions $

\begin{align*}
\text{2018} & \quad \text{2019} & \quad \text{2020} & \quad \text{2021} & \quad \text{2022} \\
400 & \quad 450 & \quad 500 & \quad 550 & \quad 600 & \quad 650 & \quad 700 \\
-75 & \quad -50 & \quad -25 & \quad 0 & \quad 25 & \quad 50 & \quad 75
\end{align*}

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

Year/year % change

Sources: BLS, FRB Atlanta/Haver Analytics
Why is inflation high? Supply is constrained by a shift in consumption and disruptions to labor supply

U.S. Consumption

Index, Feb. 2020

- Durable Goods
- Services

U.S. Employment

Thousands

Sources: BEA, BLS/Haver Analytics
Interest rates have increased this year, with 30-year mortgage rates now at the highest level since 2008.

Interest Rates

- Federal Funds Rate
- 2-yr Treasury
- 10-yr Treasury
- 30-year Mortgage

Sources: FRB, WSJ/Haver Analytics
The Fed raised rates 75 bp in July, with more rate increases expected in 2022 and 2023.
The Fed also plans to reduce its balance sheet more moving forward.

Source: Federal Reserve Board
U.S. unemployment remains historically low and is projected to remain very low in coming years.

**U.S. Unemployment Rate**

- **Current (June 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.

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
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.

Energy Prices

Oil prices ($/barrel)

Sources: EIA/Haver Analytics, FRBKC Energy Survey
Regional factory activity has remained strong, with expectations for more growth despite high prices.
Oklahoma farm income growth has lagged the rest of the region

Farm Income

Index, q/q

- Oklahoma
- Tenth District

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

Source: 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.
Summary

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- 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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