U.S. and Oklahoma Economic Outlook

ODOT-ACEC
September 9, 2022

Chad Wilkerson
Vice President and Oklahoma City Branch Executive

*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 Branch Board of Directors
  • Katrina Washington (chair), Owner/Broker, Stratos Realty, OKC
  • Walt Duncan, President, Duncan Oil Properties, OKC
  • Rhonda Hooper, President & CEO, Jordan Advertising, OKC
  • Susan Plumb, Chair & CEO, Bank of Cherokee Co., Tahlequah
  • Brady Sidwell, Principal, Sidwell Strategies, Enid
  • Chris Turner, COO, First National Bank, Shawnee/OKC
  • Dana Weber, Chair & CEO, Webco Industries, Sand Springs
Oklahomans are also well represented on Districtwide Fed Boards and Councils

- **Kansas City Head Office Board:**
  - Doug Stussi, Executive Advisor, Love Family of Companies, Oklahoma City

- **Economic Advisory Council (EAC):**
  - Clay Gaspar, COO, Devon Energy, Oklahoma City
  - Peggy Simmons, President, Public Services Company of Oklahoma, Tulsa

- **Community Development Advisory Council (CDAC):**
  - Raúl Font, President, Latino Community Development Agency, Oklahoma City
  - Cindy Logsdon, CEO, Citizen Potawatomi Community Development Corporation, Oklahoma City

- **Community Depository Inst. Advisory Council (CDIAC):**
  - Mark Burrage, CEO, FirstBank, Antlers
  - Alicia Wade, President, Valliance Bank, Oklahoma City
GDP growth has been modestly negative for 2 quarters, while job growth remains well above pre-COVID pace.

Quarterly U.S. Economic Growth

Quarterly Real GDP Growth (left)
Quarterly Employment Growth (right)

Sources: BEA, BLS/Haver Analytics
GDP growth is expected to be near its long-term trend level in coming years

Change in Real GDP

Percent change

Real GDP
Range
June 2022 Median Projection

Current (Q2 2022): -0.6%

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

Sources: Bureau of Economic Analysis, FOMC
U.S. unemployment remains historically low and is projected to edge up only slightly in coming years.

U.S. Unemployment Rate

Current (August 2022): 3.7%

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

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

![PCE Inflation Index](chart.png)

- Current Overall PCE (July 2022): 6.3%
- Current Core PCE (July 2022): 4.6%

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

Sources: Bureau of Economic Analysis, FOMC
CPI inflation did ease slightly in July, to 8.5%, as goods inflation continued to drop and food/energy prices fell.

*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, driven by stimulus, higher wages and higher household wealth.

**U.S. Retail Sales and Food Services**

- Billions $

**U.S. Wage Growth**

- Year/year % change

Sources: BEA, FRB Atlanta
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
Where is inflation going? Demand is easing as stimulus fades and consumers react to higher prices.
Where is inflation going? Longer-term inflation expectations remain relatively low

Expected Inflation Rate

Source: University of Michigan/Haver Analytics
The Fed raised the federal funds rate target by 75 bp in July, with more increases expected.
The Fed has also begun to reduce its balance sheet of securities, further tightening monetary policy.
The number of job openings still greatly exceeds the number of unemployed workers but has leveled off.

Job Openings/Unemployment Ratios

Job openings/# unemployed

Source: Bureau of Labor Statistics
Jobs in Oklahoma are back to around pre-COVID levels, and unemployment is very low in the state.
The Oklahoma labor force participation rate is nearly back to pre-COVID levels, while the U.S. rate still lags.

Source: U.S. Bureau of Labor Statistics
Oklahoma’s population grew in 2021 despite a historic increase in deaths, due to massive in-migration.
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
All private sectors in Oklahoma have added jobs the past year, but several remain below pre-COVID levels

Oklahoma Job Growth by Industry

Percent change

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
Oklahoma employment is still down from pre-pandemic levels in energy and office support-related industries

Oklahoma Industries Shedding the Most Jobs Since 2019

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Support Activities for Mining</td>
<td>17,000</td>
<td>-12,300</td>
<td>-42%</td>
<td>$76,446</td>
</tr>
<tr>
<td>Machinery Manufacturing</td>
<td>22,300</td>
<td>-5,000</td>
<td>-18%</td>
<td>$66,618</td>
</tr>
<tr>
<td>Other Admin., Support, &amp; Waste Mgmt. Services</td>
<td>23,600</td>
<td>-4,600</td>
<td>-16%</td>
<td>$52,700</td>
</tr>
<tr>
<td>Other Mining &amp; Logging (excl. Support Activities)</td>
<td>14,900</td>
<td>-4,000</td>
<td>-21%</td>
<td>$137,359</td>
</tr>
<tr>
<td>Other Private Services</td>
<td>50,800</td>
<td>-4,000</td>
<td>-7%</td>
<td>$42,173</td>
</tr>
<tr>
<td>Heavy &amp; Civil Engineering Construction</td>
<td>16,600</td>
<td>-3,600</td>
<td>-18%</td>
<td>$59,563</td>
</tr>
<tr>
<td>Nursing &amp; Residential Care Facilities</td>
<td>31,300</td>
<td>-3,500</td>
<td>-10%</td>
<td>$32,832</td>
</tr>
<tr>
<td>Fabricated Metal Manufacturing</td>
<td>21,000</td>
<td>-3,100</td>
<td>-13%</td>
<td>$59,069</td>
</tr>
<tr>
<td>Information</td>
<td>16,800</td>
<td>-3,000</td>
<td>-15%</td>
<td>$65,990</td>
</tr>
<tr>
<td>Local Government (excl. Educ. &amp; Indian Tribes)</td>
<td>73,600</td>
<td>-3,000</td>
<td>-4%</td>
<td>$48,172</td>
</tr>
</tbody>
</table>

Note:  **Green** indicates jobs paid above overall Oklahoma average pay of $51,350 in 2021.  
**Red** indicates jobs paid below overall Oklahoma average pay of $51,350 in 2021.

Source: U.S. Bureau of Labor Statistics
But warehouse and finance-related jobs are above pre-COVID levels, as are many retail and restaurant jobs

**Oklahoma Industries Adding the Most Jobs Since 2019**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation &amp; Warehousing (excl. Truck Transp.)</td>
<td>50,400</td>
<td>16,000</td>
<td>47% 50% 119% 7%</td>
<td>$48,919</td>
</tr>
<tr>
<td>Employment Services</td>
<td>49,700</td>
<td>7,300</td>
<td>17% 3% 21% 21%</td>
<td>$42,530</td>
</tr>
<tr>
<td>Retail Trade (excl. Autos, Food/Beverage, General Merch.)</td>
<td>92,900</td>
<td>6,300</td>
<td>7% 5% 13% 3%</td>
<td>$31,870</td>
</tr>
<tr>
<td>Limited Service Restaurants &amp; Other Eating Places</td>
<td>74,500</td>
<td>5,300</td>
<td>8% 17% 26% 7%</td>
<td>$17,508</td>
</tr>
<tr>
<td>Indian Tribes</td>
<td>54,200</td>
<td>4,000</td>
<td>8% 26% 36% 10%</td>
<td>$52,346</td>
</tr>
<tr>
<td>Accounting, Tax Prep., Bookkeeping, &amp; Payroll Services</td>
<td>17,800</td>
<td>2,500</td>
<td>16% 26% 47% 5%</td>
<td>$73,133</td>
</tr>
<tr>
<td>Food Manufacturing</td>
<td>19,500</td>
<td>1,800</td>
<td>10% 16% 27% 8%</td>
<td>$48,376</td>
</tr>
<tr>
<td>Credit Intermediation &amp; Related Activities</td>
<td>33,800</td>
<td>1,700</td>
<td>5% 0% 6% 6%</td>
<td>$68,217</td>
</tr>
<tr>
<td>Building Equipment Contractors</td>
<td>28,100</td>
<td>1,600</td>
<td>6% 22% 29% 7%</td>
<td>$54,473</td>
</tr>
<tr>
<td>Insurance Carriers &amp; Related Activities</td>
<td>22,800</td>
<td>1,600</td>
<td>8% -4% 4% 7%</td>
<td>$69,274</td>
</tr>
</tbody>
</table>

**Note:**  Green indicates jobs paid above overall Oklahoma average pay of $51,350 in 2021

**Red** indicates jobs paid below overall Oklahoma average pay of $51,350 in 2021

Source: U.S. Bureau of Labor Statistics
OK consumer spending continued to grow in August, while regional factory activity slowed.
Oklahoma farm income has been moderately positive since late 2020 but has lagged the rest of the region.

Source: FRBKC Ag Credit Survey
Energy activity was higher in Q2, and expectations were solid for the second half of the year as well.

Energy Survey Indexes

Source: FRBKC Energy Survey
Oil prices have eased lately but remain profitable for most regional firms.

Sources: EIA/Haver Analytics, FRBKC Energy Survey
The sharp rise in U.S. natural gas prices pales in comparison to European and Asian prices.

Sources: EIA, IMF, St. Louis Fed
Summary

- U.S. economic indicators are mixed, with strong job growth but sluggish output, while inflation remains 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 in some sectors, especially energy

- Oklahoma had record in-migration in 2021, helping offset record deaths and hopefully boosting the future workforce
Questions?

RECEIVE REGULAR UPDATES ABOUT
Oklahoma's economy

For more analysis of the Oklahoma economy, regional manufacturing conditions and regional energy conditions, subscribe to receive e-mail alerts from the KANSAS CITY FED.

Visit kansascityfed.org/ealert to subscribe!