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
Overview

• U.S. economic indicators are mixed, with solid 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 energy activity has expanded solidly in 2022, as oil and gas prices remain elevated, and population is growing
GDP growth has been modestly negative for 2 quarters, while job growth remains well above pre-COVID pace.
GDP growth is expected to be below trend this year, before moving to its long-term trend in coming years.

Sources: Bureau of Economic Analysis, FOMC

Note: Data and FOMC projections are for year-end.
U.S. unemployment remains historically low and is projected to edge up only slightly in coming years.

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**

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

**Projections**

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

Sources: Bureau of Economic Analysis, FOMC
CPI inflation did ease slightly in July/August as goods and energy prices fell, but other prices kept rising.

Consumer Price Index

y/y % change

-10 -5 0 5 10 15 20


All Items
Goods* (21%)
Services* (24%)
Shelter (33%)

Food & Energy (22%)

*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 $

2018 2019 2020 2021 2022

U.S. Wage Growth

Year/year % change


Sources: BEA, FRB Atlanta
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 around their 20-year average

Source: University of Michigan/Haver Analytics
The Fed raised the federal funds rate by 75 basis points in September, with more increases expected.

Federal Funds Rate
Year-End Target

Current Target: 3.0% - 3.25%

Note: Data and FOMC projections are for year-end.
Sources: Bureau of Economic Analysis, FOMC
The Fed has also begun to reduce its balance sheet of securities, further tightening policy.

Source: Federal Reserve Board
The number of job openings still greatly exceeds the number of unemployed workers but has leveled off.
Labor force participation has improved in the nation and state, but lags pre-COVID due to older workers

Source: BLS/Haver Analytics
Jobs in Oklahoma are back to around pre-COVID levels, while unemployment has ticked up but is still very low.
Oklahoma employment is still down from pre-COVID levels in energy and office support-related industries

### Oklahoma Industries Shedding the Most Jobs Since 2019

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<thead>
<tr>
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</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

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<tr>
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</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>
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<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>
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<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>

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Source: U.S. Bureau of Labor Statistics
OK consumer spending continues to rise, while regional factory production has slowed.

Oklahoma Consumer Spending

% chg From Jan. 2020

-75 -50 -25 0 25 50

2020 2021 2022

Total Cons. Spending
General Merchandise
Restaurants & Recreation

Manufacturing Survey Price Indexes

Diffusion Index, 3mma

-45 -30 -15 0 15 30 45 60


Employment
Production

Sources: Affinity/Track the Recovery, FRBKC Surveys
Oklahoma farm income has been moderately positive while energy activity continues to rise with high prices.

**Farm Income**

Index, q/q

- **Oklahoma**
- **Tenth District**

**Drilling Rig Counts**

- **U.S. (left)**
- **Oklahoma (right)**

Source: FRBKC Ag Credit Survey; Baker Hughes
Oil prices have eased lately but remain highly profitable for most regional firms
U.S. natural gas prices also remain elevated and profitable, but pale compared to Europe and Asia.

![U.S. & Global Natural Gas Prices Graph](image)

Sources: EIA, IMF, St. Louis Fed
U.S. liquified natural gas export capacity is set to increase with international demand in coming years

U.S. LNG Export Capacity by Project

Source: EIA
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 to many other parts of the state, too.

Note: Vintage 2020 population estimates through 2020.

Sources: FRBNY CCP/Equifax, U.S. Census Bureau
Summary

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Questions?

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