

U.S. and Oklahoma Economic Outlook

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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.



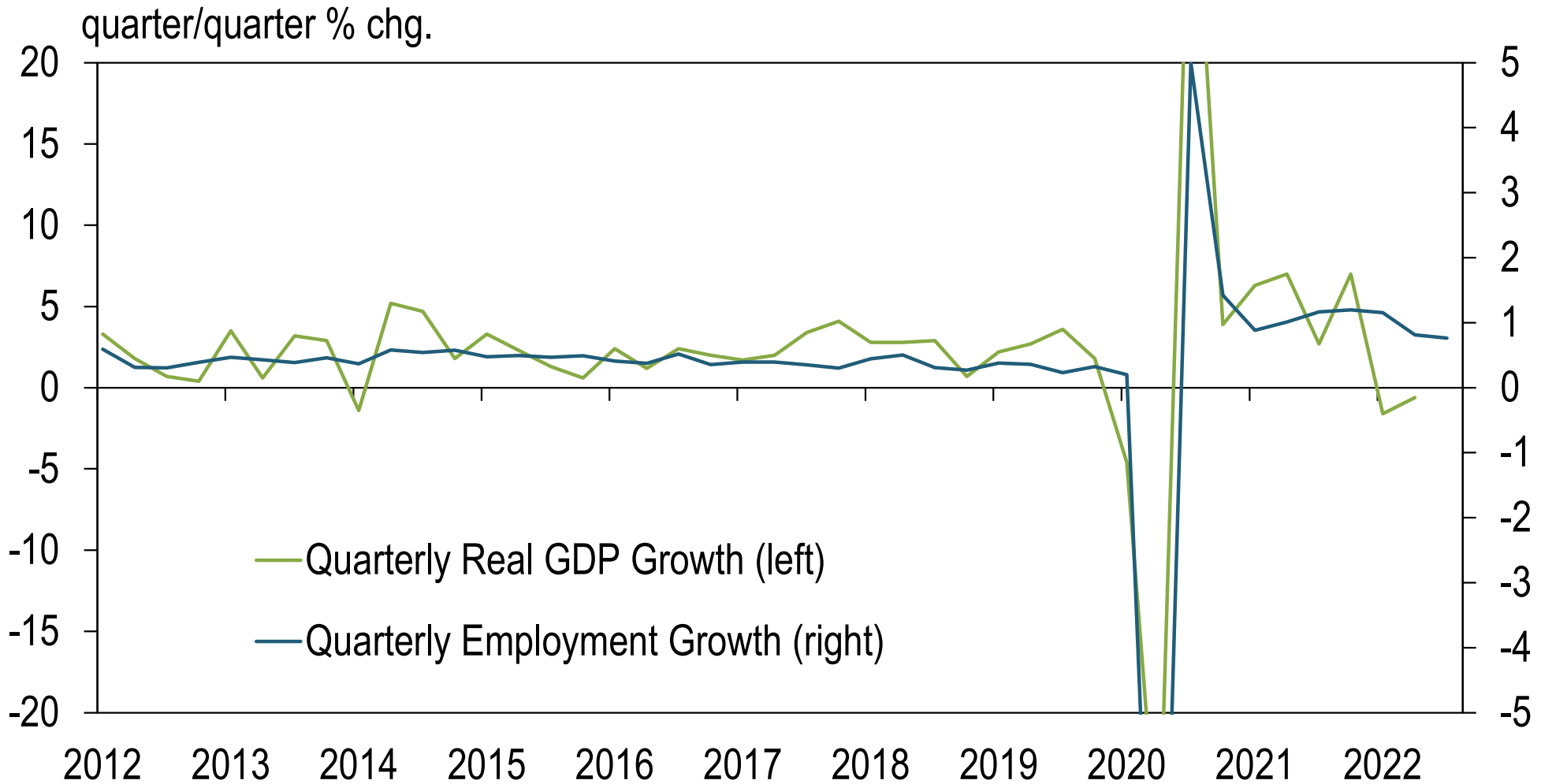
Overview

- U.S. economic indicators are mixed, with solid job growth but sluggish output, while inflation remains too high
- Several factors have boosted inflation since last year, and several factors should help bring it back down
- Oklahoma's economy continues to recover, energy activity has expanded solidly in 2022, and state population is growing
- However, jobs remain well below pre-pandemic levels in some sectors, and Oklahoma farm activity is hurting from drought



GDP growth has been modestly negative for 2 quarters, while job growth remains well above pre-COVID pace

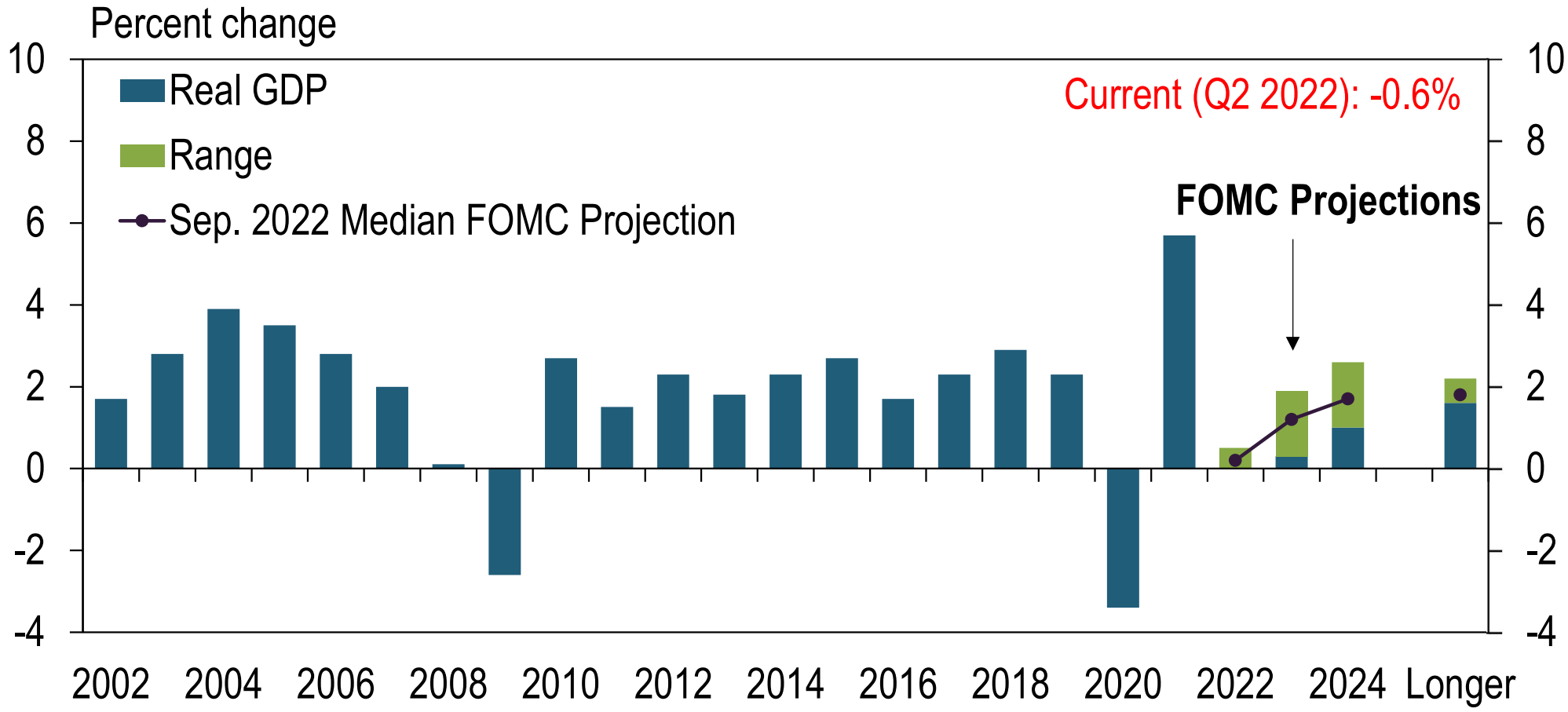
Quarterly U.S. Economic Growth



Sources: BEA, BLS/Haver Analytics

GDP growth is expected to be below trend this year before moving to its long-term trend in coming years

Change in Real GDP



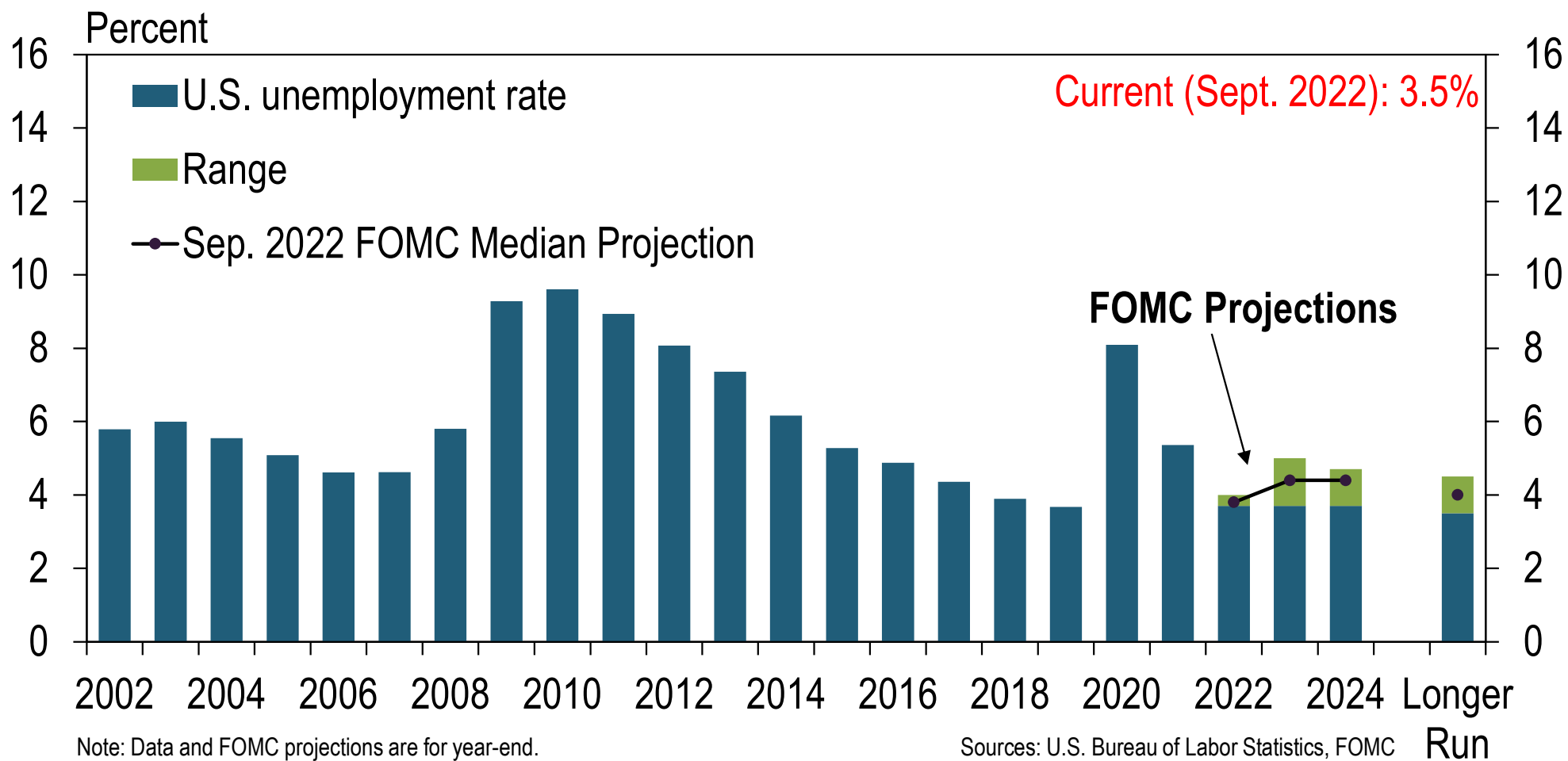
Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC



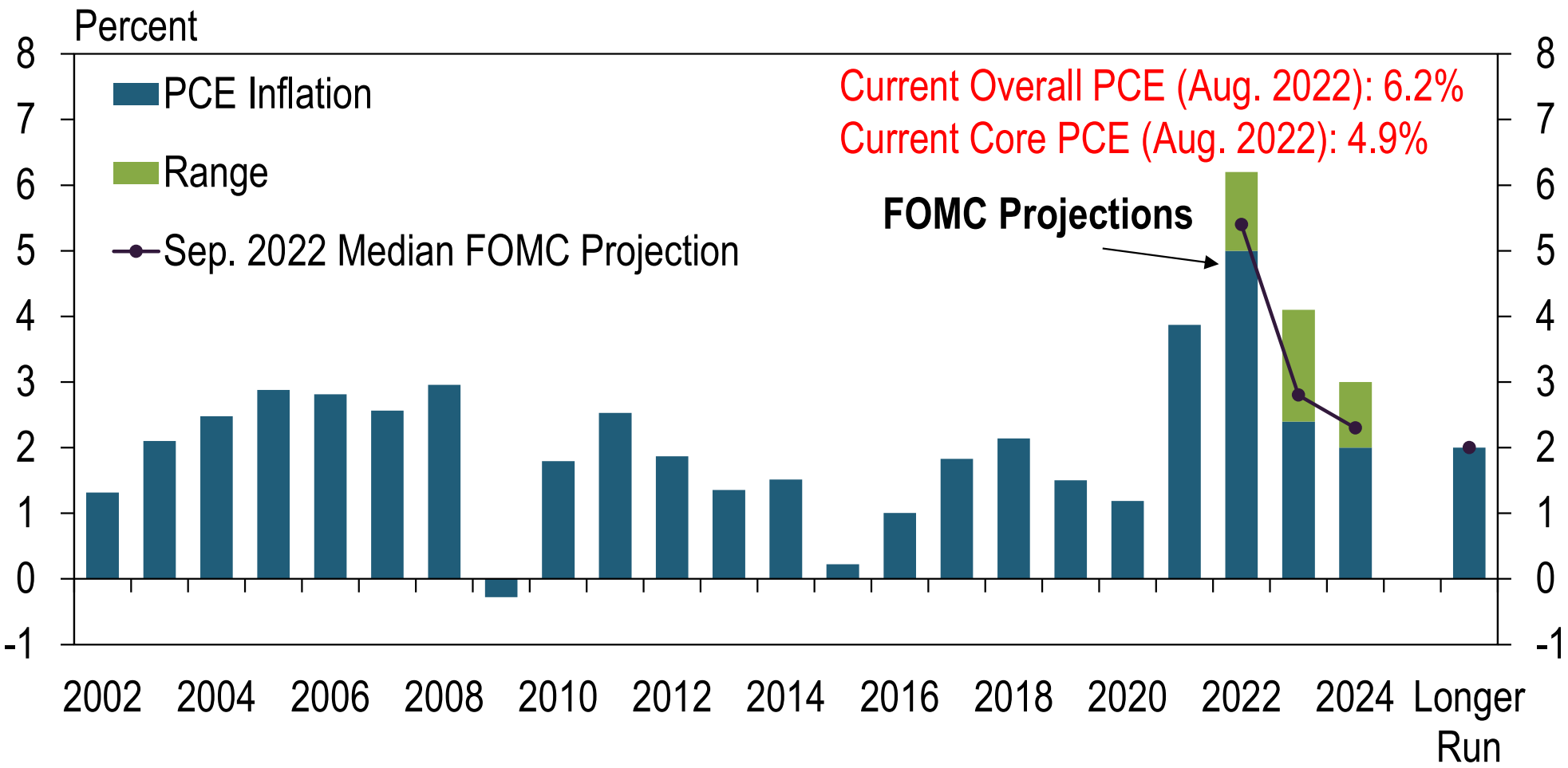
U.S. unemployment remains historically low and is projected to edge up only slightly in coming years

U.S. Unemployment Rate



Meanwhile, inflation has moved well above the Fed's 2% target but is expected to ease heading forward

PCE Inflation Index



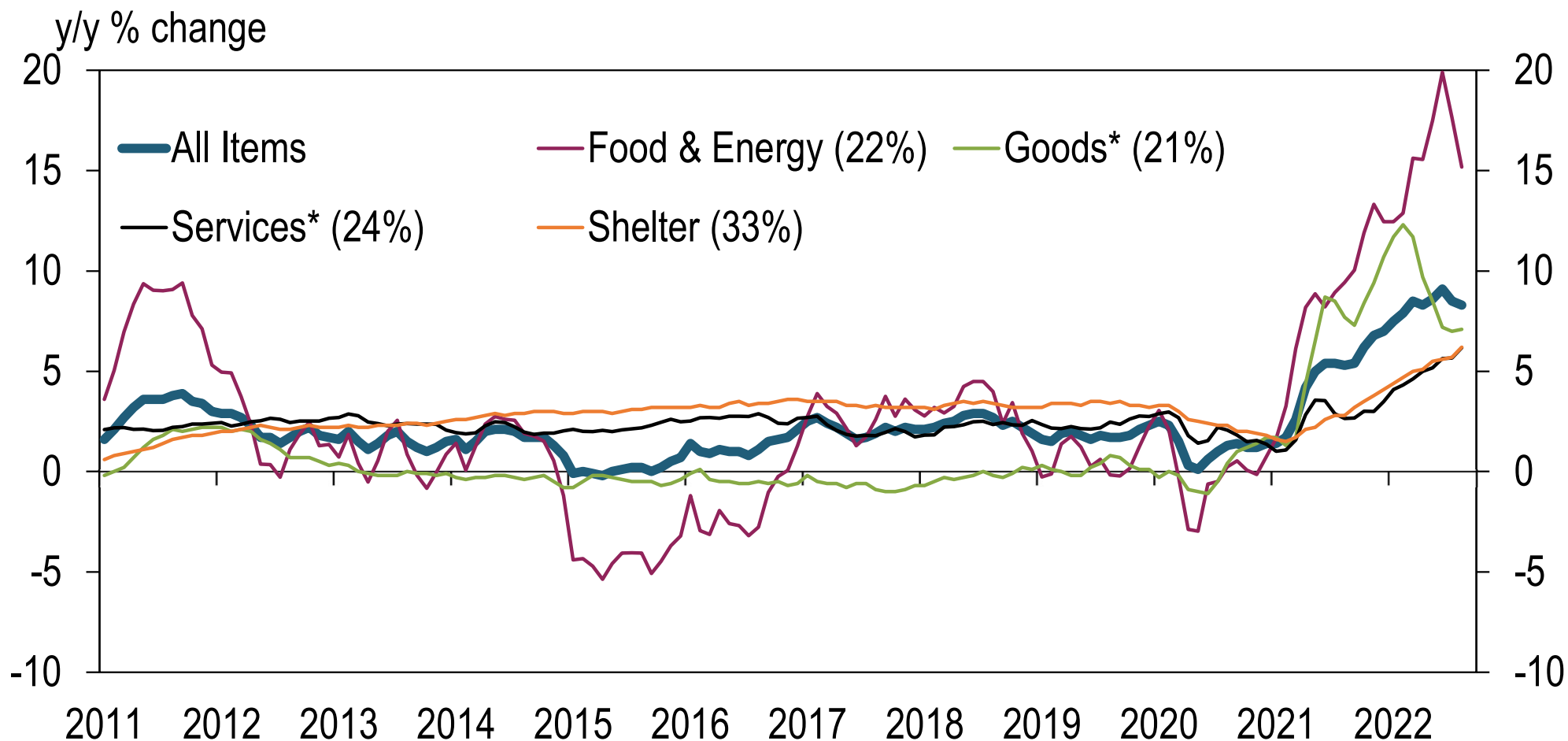
Note: Data and FOMC projections are for year-end.

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



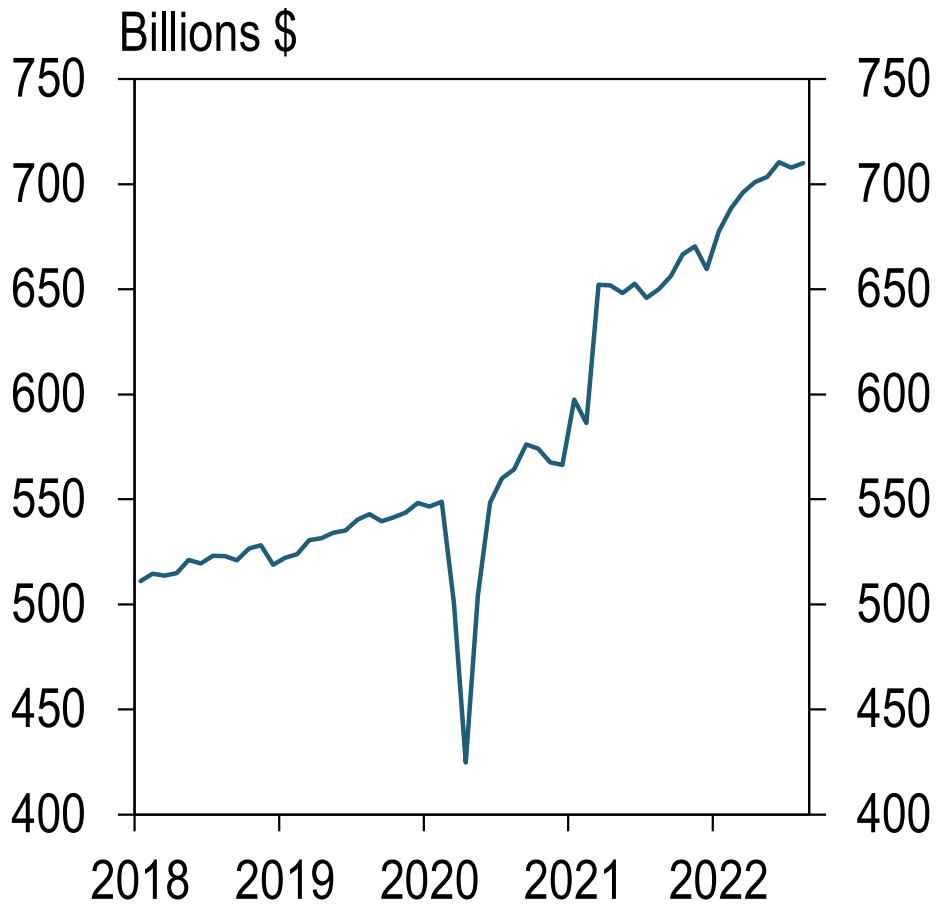
*Goods excluding Food; Services excluding Energy.

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, wages and wealth, while supply is tight

U.S. Retail Sales and Food Services



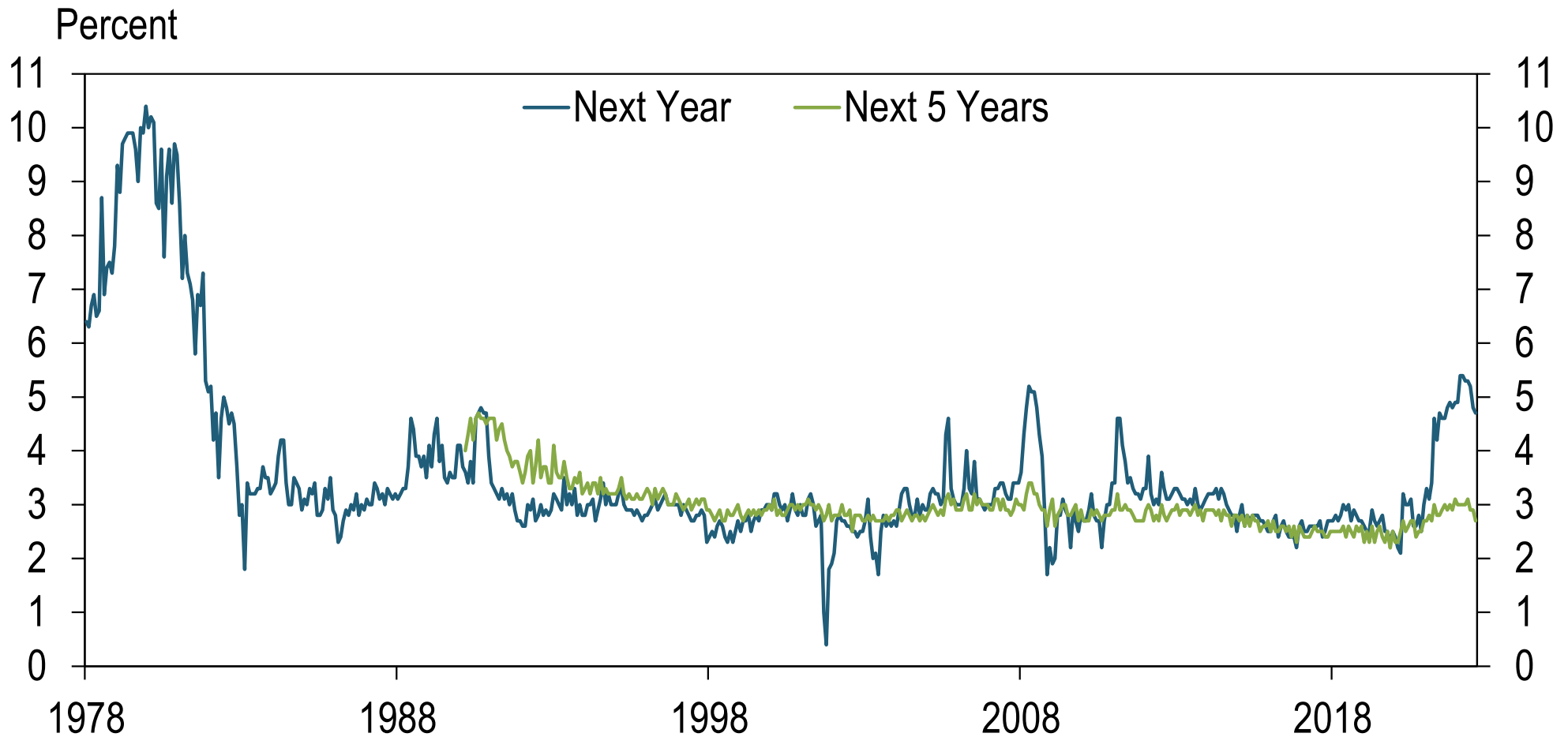
U.S. Wage Growth



Sources: BEA, FRB Atlanta

Where is inflation going? Longer-term inflation expectations remain around their 20-year average

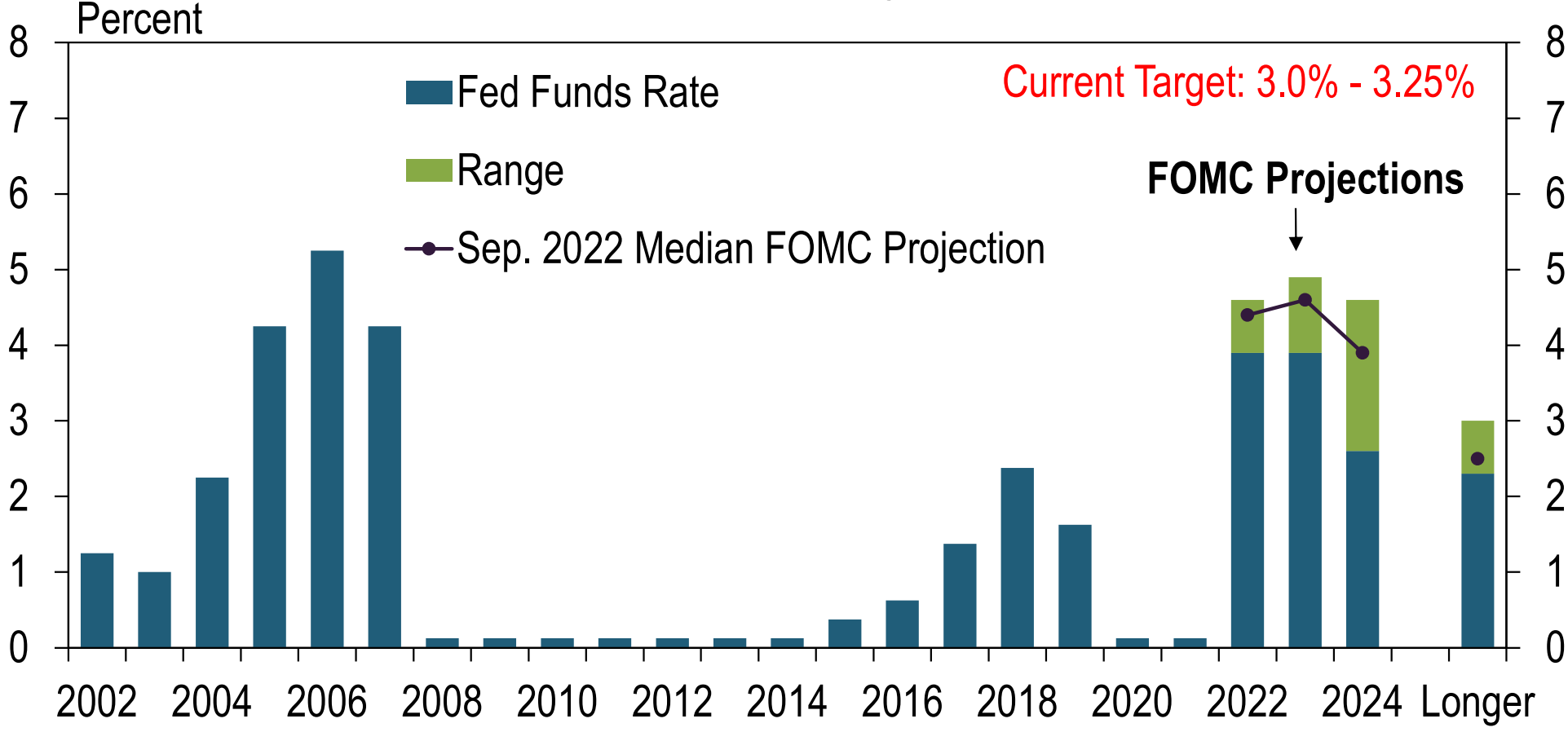
Expected Inflation Rate



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



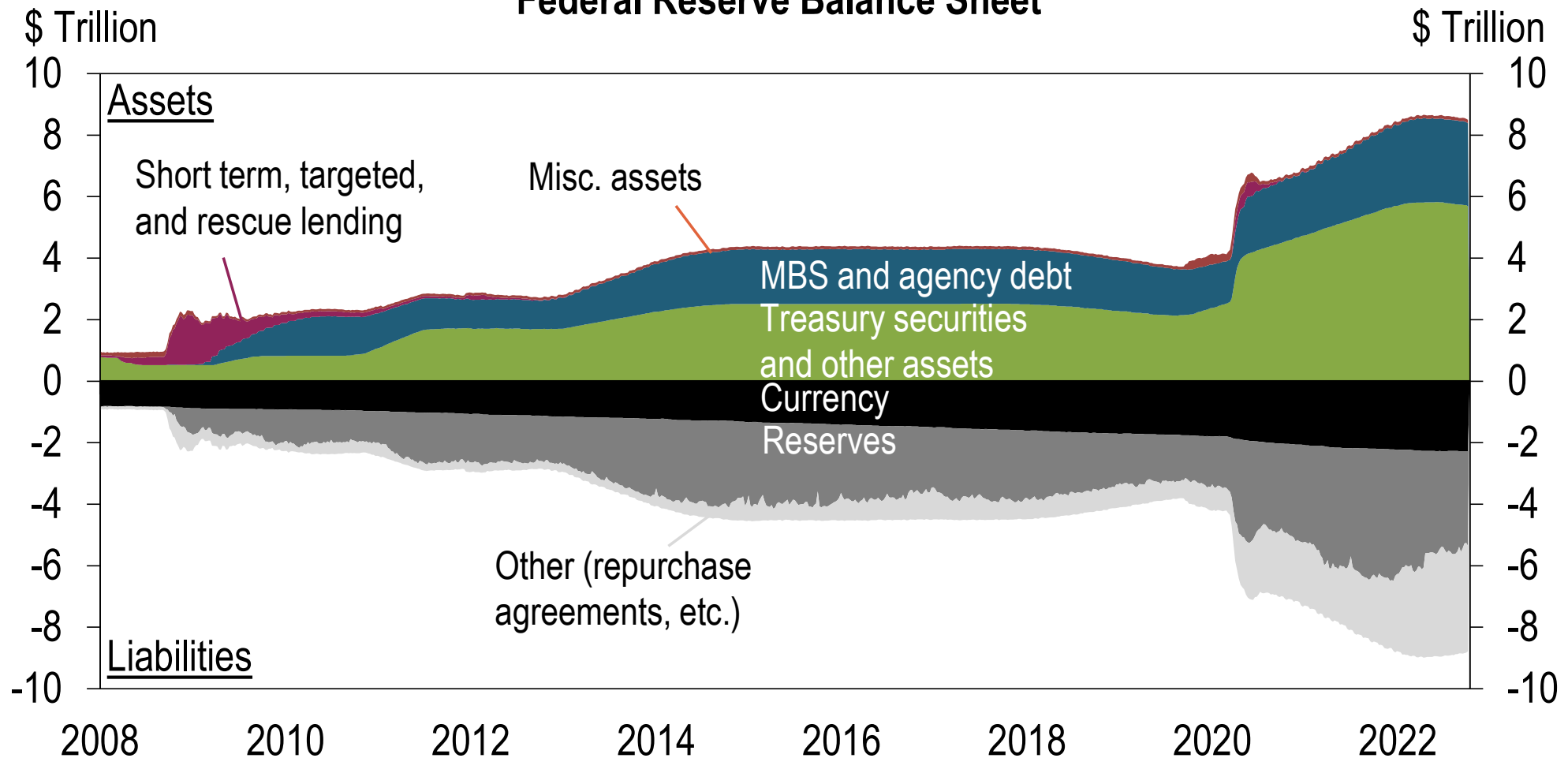
Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC



The Fed has also begun to reduce its balance sheet of securities, further tightening monetary policy

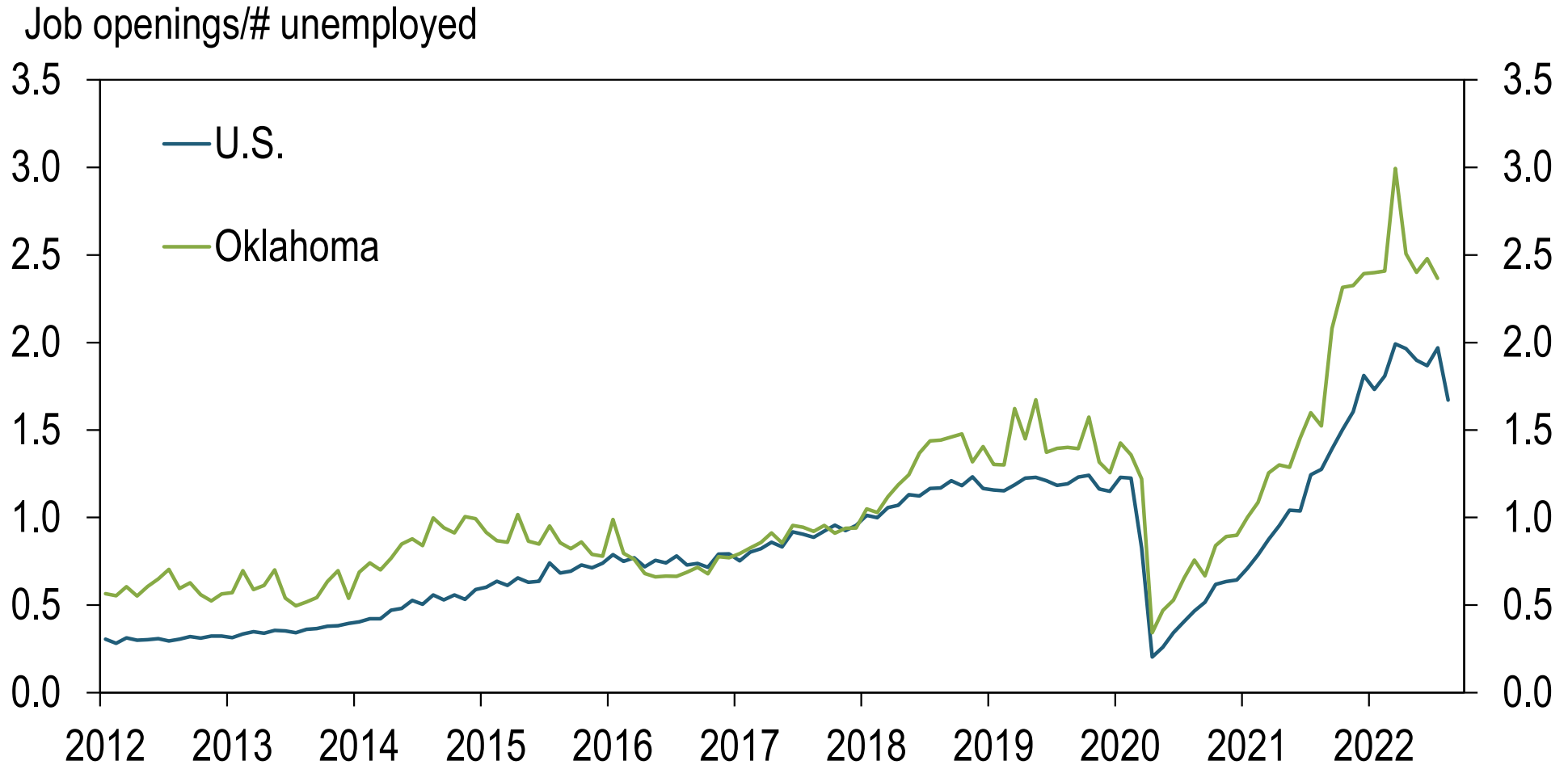
Federal Reserve Balance Sheet



Source: Federal Reserve Board

Job openings still greatly exceed unemployed workers in the U.S. and OK, but dropped nationally last month

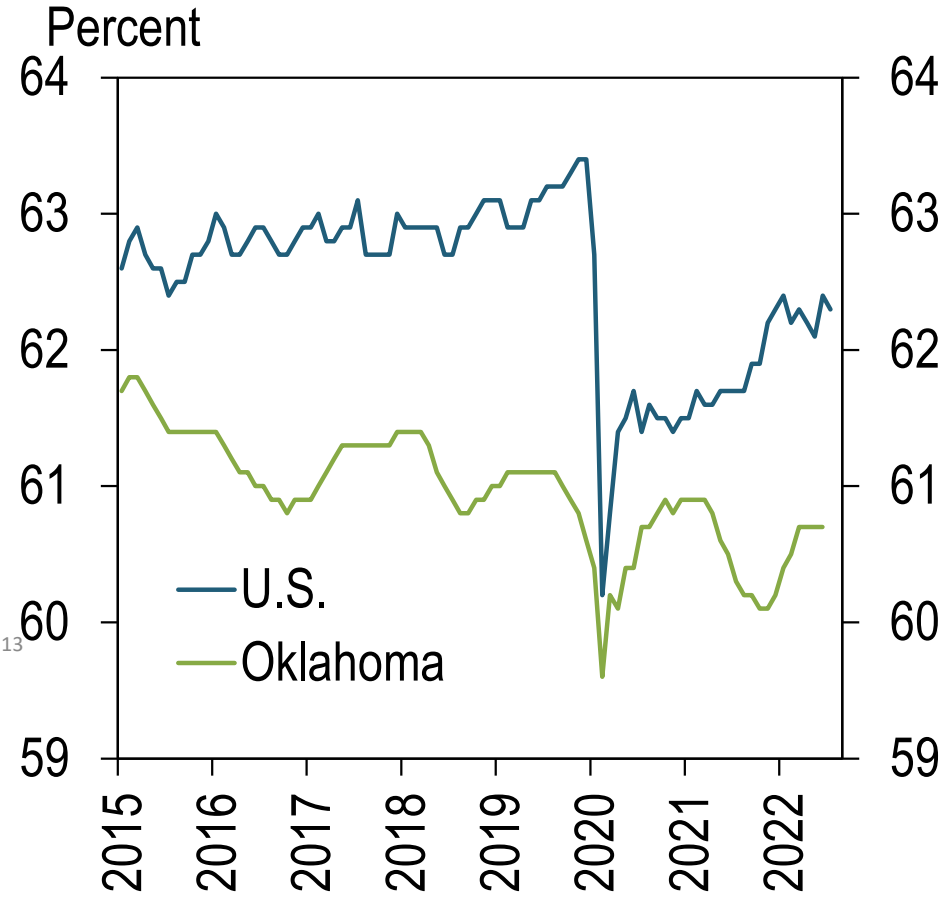
Job Openings/Unemployment Ratios



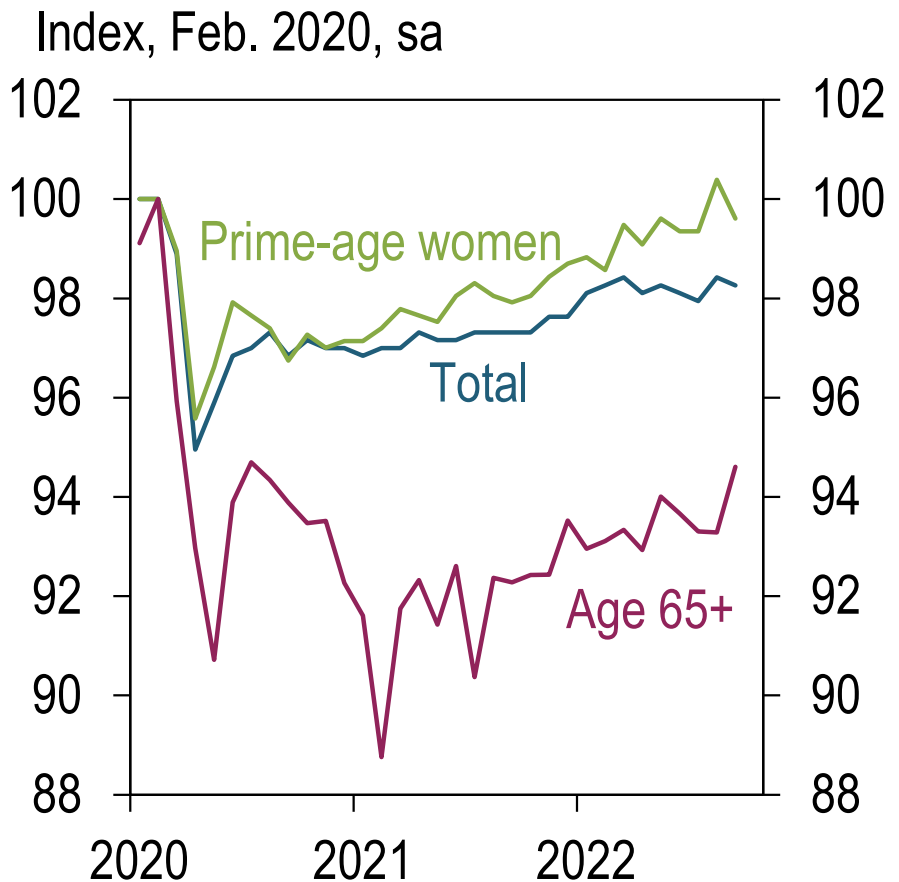
Source: Bureau of Labor Statistics

Labor force participation has improved in the nation and state, but lags pre-COVID due to older workers

Labor Force Participation Rate



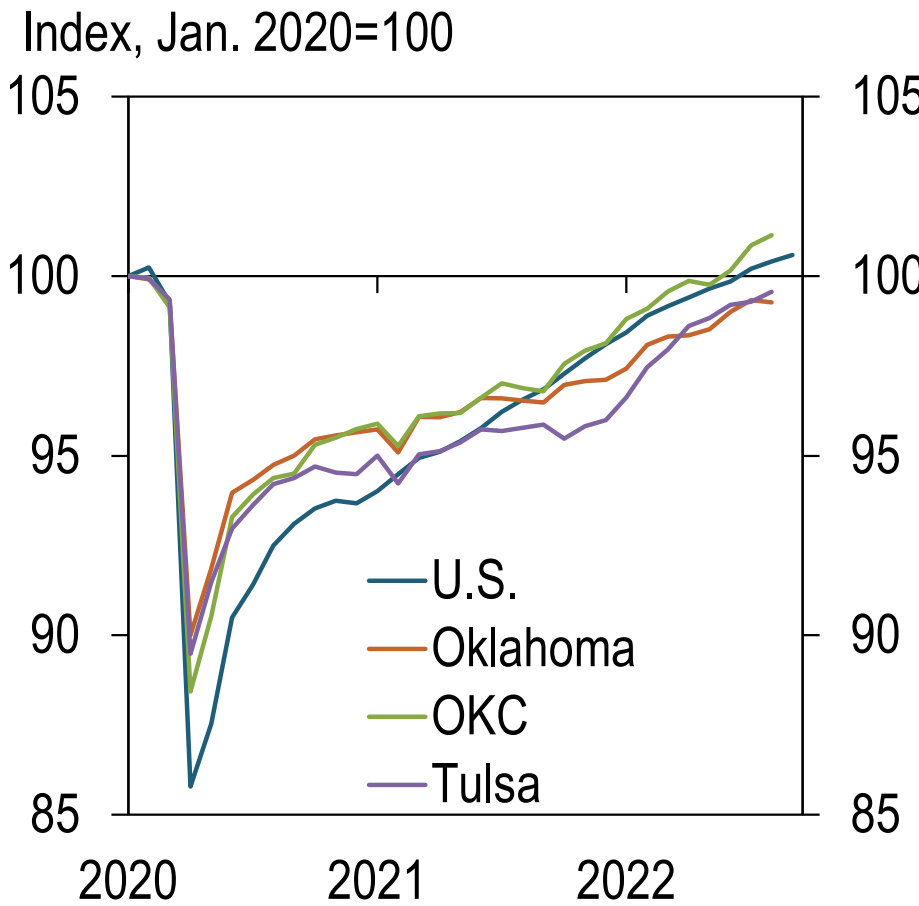
U.S. Labor Force Participation Rate



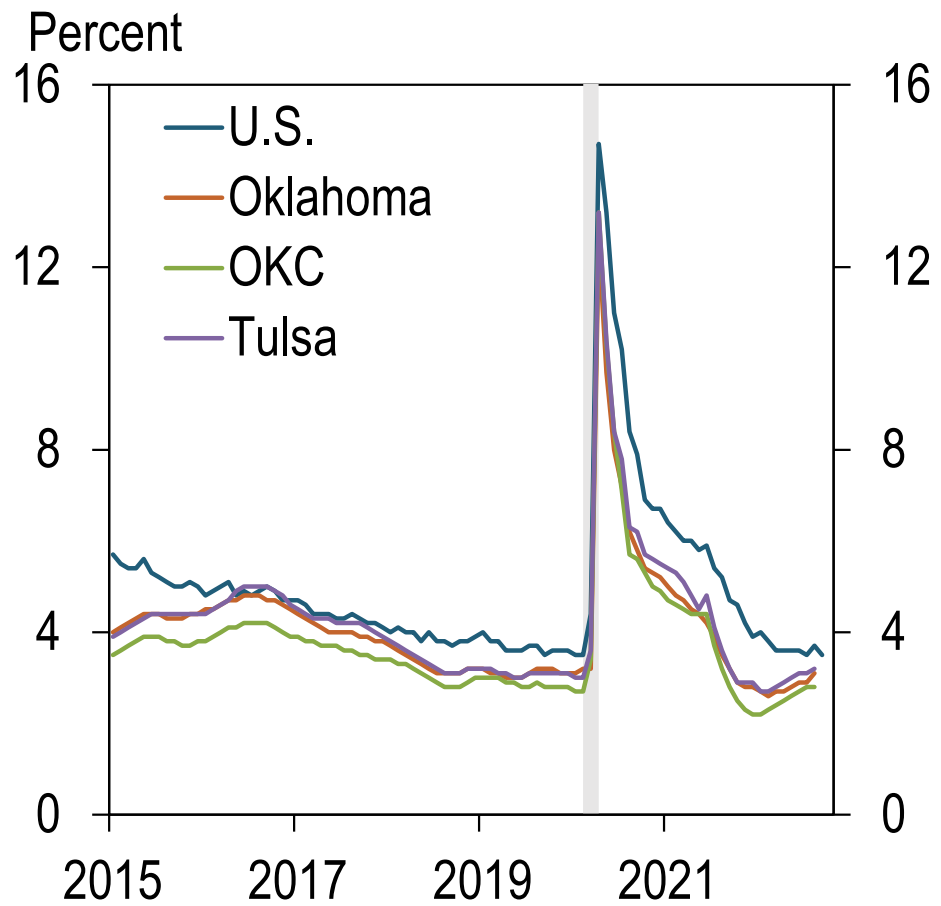
Source: BLS/Haver Analytics

Jobs in Oklahoma are back to around pre-COVID levels, and unemployment has ticked up but is still very low

Non-Farm Payroll Employment



Unemployment Rate



Source: U.S. Bureau of Labor Statistics



Warehouse and finance-related jobs are well above pre-COVID levels, as are many retail and restaurant jobs

Oklahoma Industries Adding the Most Jobs Since 2019

Industry Name	July 2022 Oklahoma Employment	Oklahoma Empl. Change Since July 2019	Percent Change in Oklahoma Employment				Oklahoma Avg. Annual Pay 2021
			Since July 2019	July 2012 to July 2019	Since July 2012	Since July 2021	
Transportation & Warehousing (excl. Truck Transp.)	50,400	16,000	47%	50%	119%	7%	\$48,919
Employment Services	49,700	7,300	17%	3%	21%	21%	\$42,530
Retail Trade (excl. Autos, Food/Beverage, General Merch.)	92,900	6,300	7%	5%	13%	3%	\$31,870
Limited Service Restaurants & Other Eating Places	74,500	5,300	8%	17%	26%	7%	\$17,508
Indian Tribes	54,200	4,000	8%	26%	36%	10%	\$52,346
Accounting, Tax Prep., Bookkeeping, & Payroll Services	17,800	2,500	16%	26%	47%	5%	\$73,133
Food Manufacturing	19,500	1,800	10%	16%	27%	8%	\$48,376
Credit Intermediation & Related Activities	33,800	1,700	5%	0%	6%	6%	\$68,217
Building Equipment Contractors	28,100	1,600	6%	22%	29%	7%	\$54,473
Insurance Carriers & Related Activities	22,800	1,600	8%	-4%	4%	7%	\$69,274

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 Oklahoma employment is still down from pre-COVID levels in energy and office support-related industries

Oklahoma Industries Shedding the Most Jobs Since 2019

Industry Name	July 2022 Oklahoma Employment	Oklahoma Empl. Change Since July 2019	Percent Change in Oklahoma Employment				Oklahoma Avg. Annual Pay 2021
			Since July 2019	July 2012 to July 2019	Since July 2012	Since July 2021	
Support Activities for Mining	17,000	-12,300	-42%	-12%	-49%	24%	\$76,446
Machinery Manufacturing	22,300	-5,000	-18%	-9%	-26%	2%	\$66,618
Other Admin., Support, & Waste Mgmt. Services	23,600	-4,600	-16%	17%	-2%	-10%	\$52,700
Other Mining & Logging (excl. Support Activities)	14,900	-4,000	-21%	-29%	-44%	9%	\$137,359
Other Private Services	50,800	-4,000	-7%	22%	13%	0%	\$42,173
Heavy & Civil Engineering Construction	16,600	-3,600	-18%	36%	11%	2%	\$59,563
Nursing & Residential Care Facilities	31,300	-3,500	-10%	1%	-9%	-1%	\$32,832
Fabricated Metal Manufacturing	21,000	-3,100	-13%	0%	-13%	4%	\$59,069
Information	16,800	-3,000	-15%	-12%	-26%	-7%	\$65,990
Local Government (excl. Educ. & Indian Tribes)	73,600	-3,000	-4%	2%	-2%	1%	\$48,172

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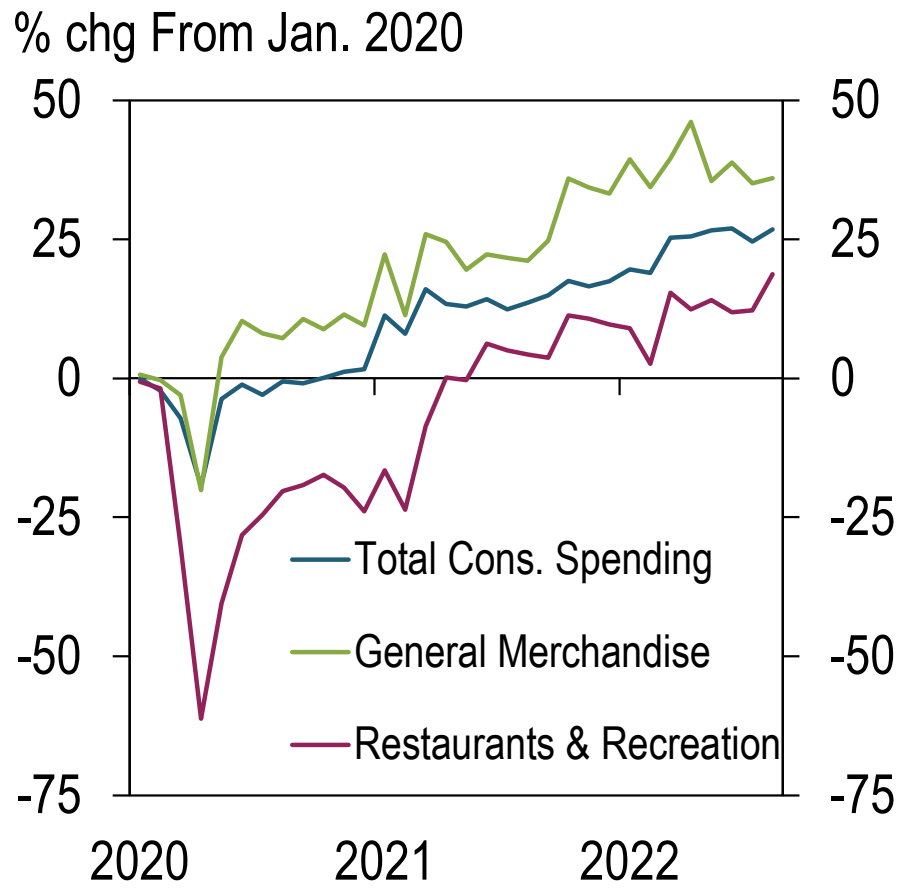
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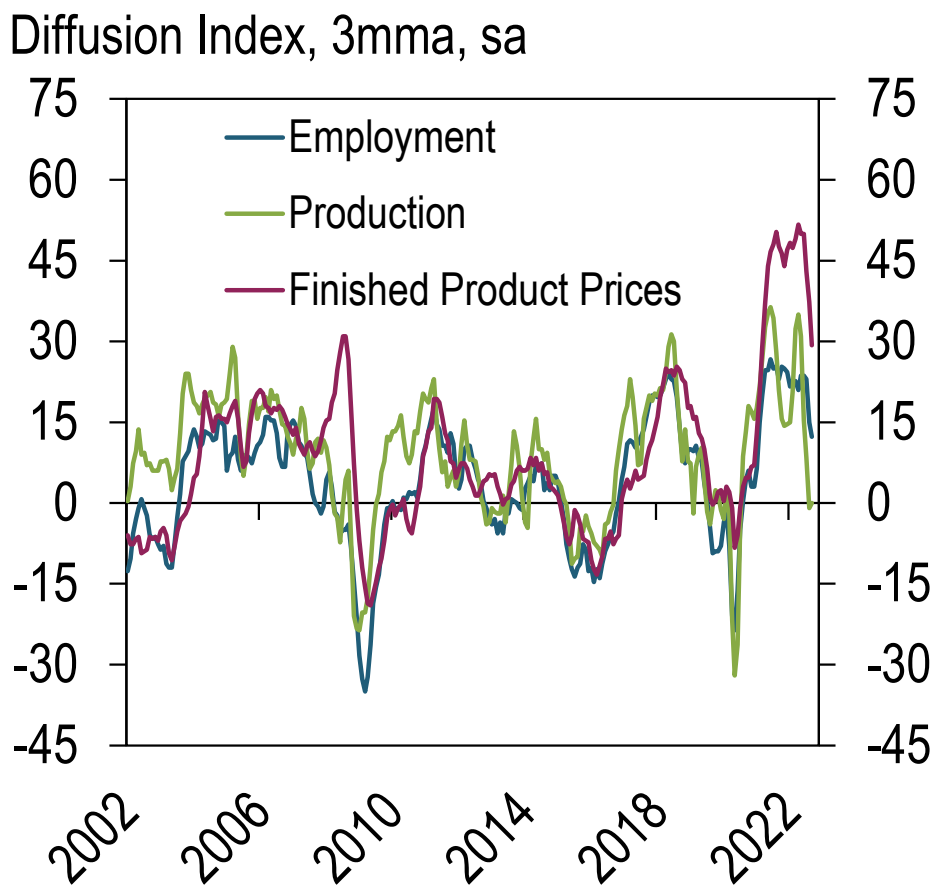
Source: U.S. Bureau of Labor Statistics

OK consumer spending continues to rise, while regional factory production has slowed

Oklahoma Consumer Spending



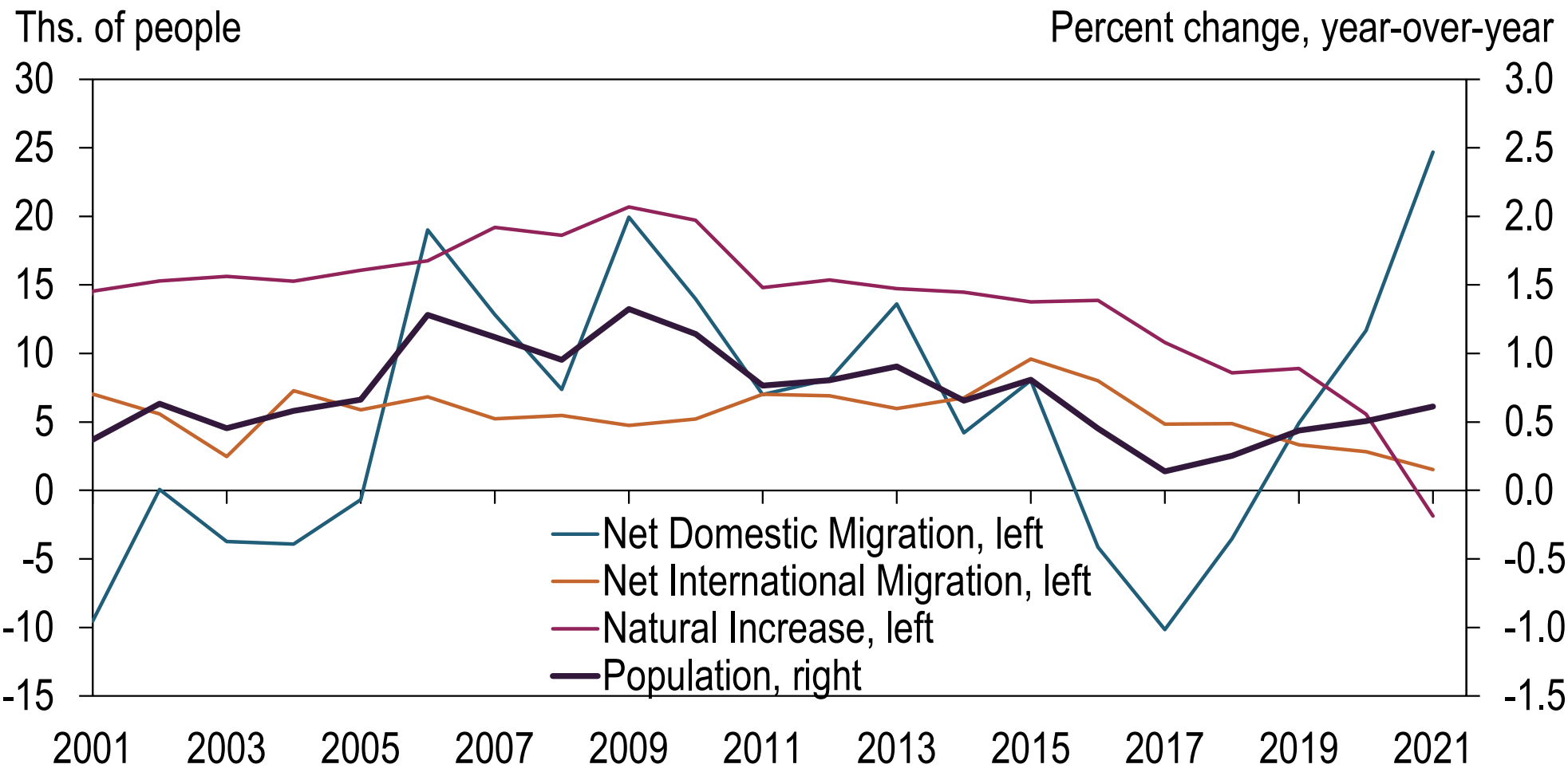
KC Fed Manufacturing Survey



Sources: Affinity/Track the Recovery, FRBKC Surveys

Oklahoma's population grew in 2021 despite a historic increase in deaths, due to massive in-migration

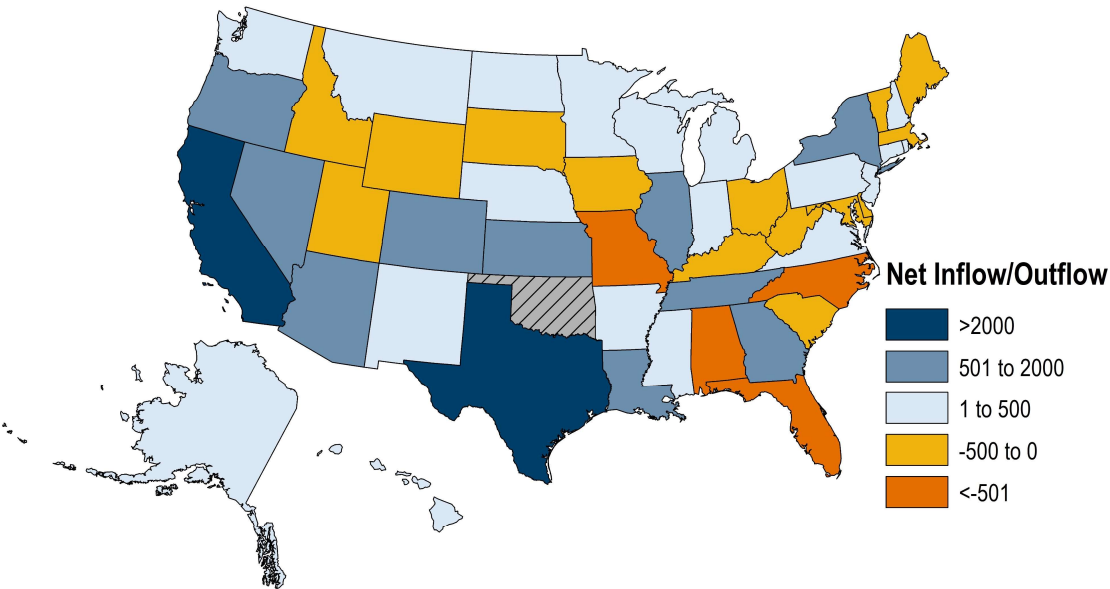
Oklahoma Population Changes by Component, 2001-2021



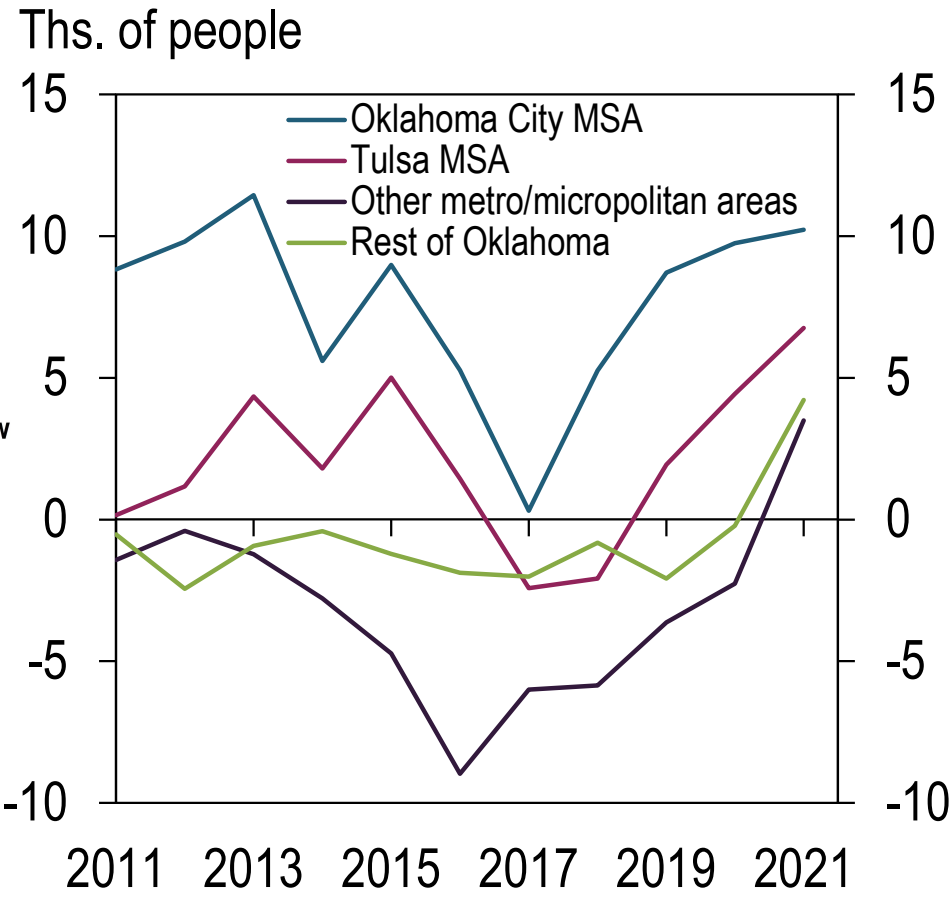
Source: U.S. Census Bureau

Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

Net Domestic Migration to Oklahoma
2020 and 2021



Oklahoma Net Domestic Migration



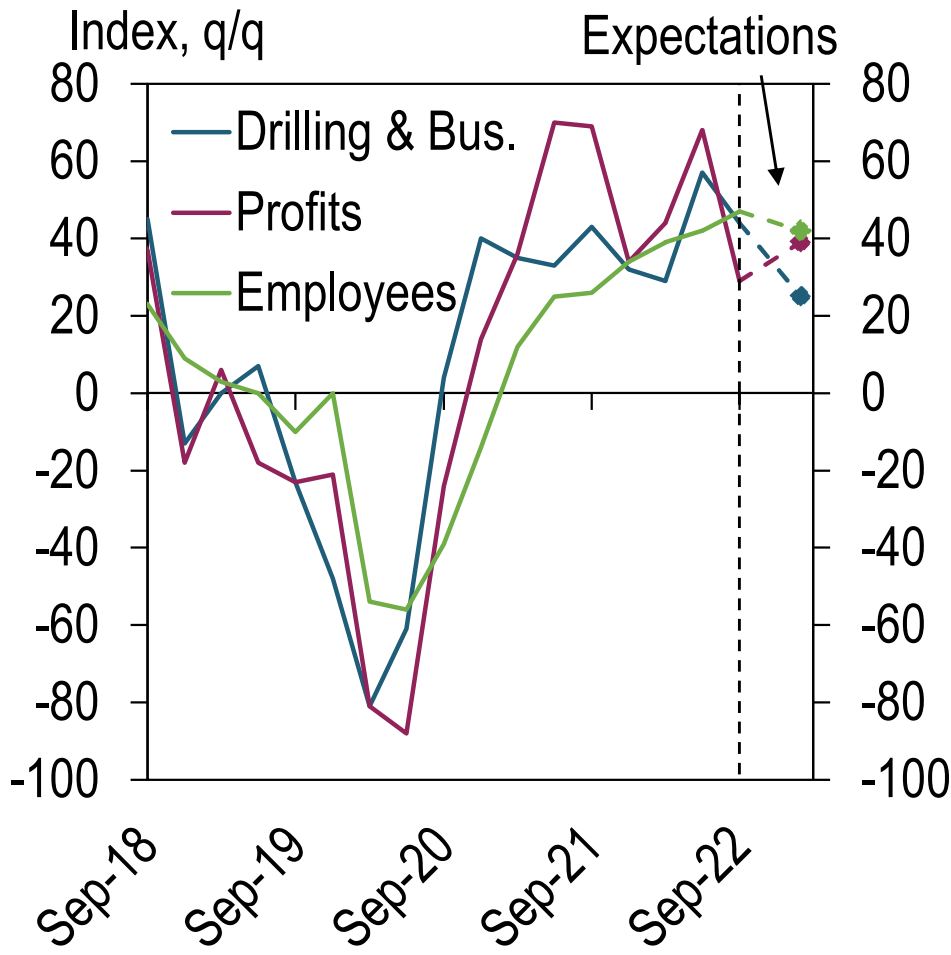
Note: Vintage 2020 population estimates through 2020.

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

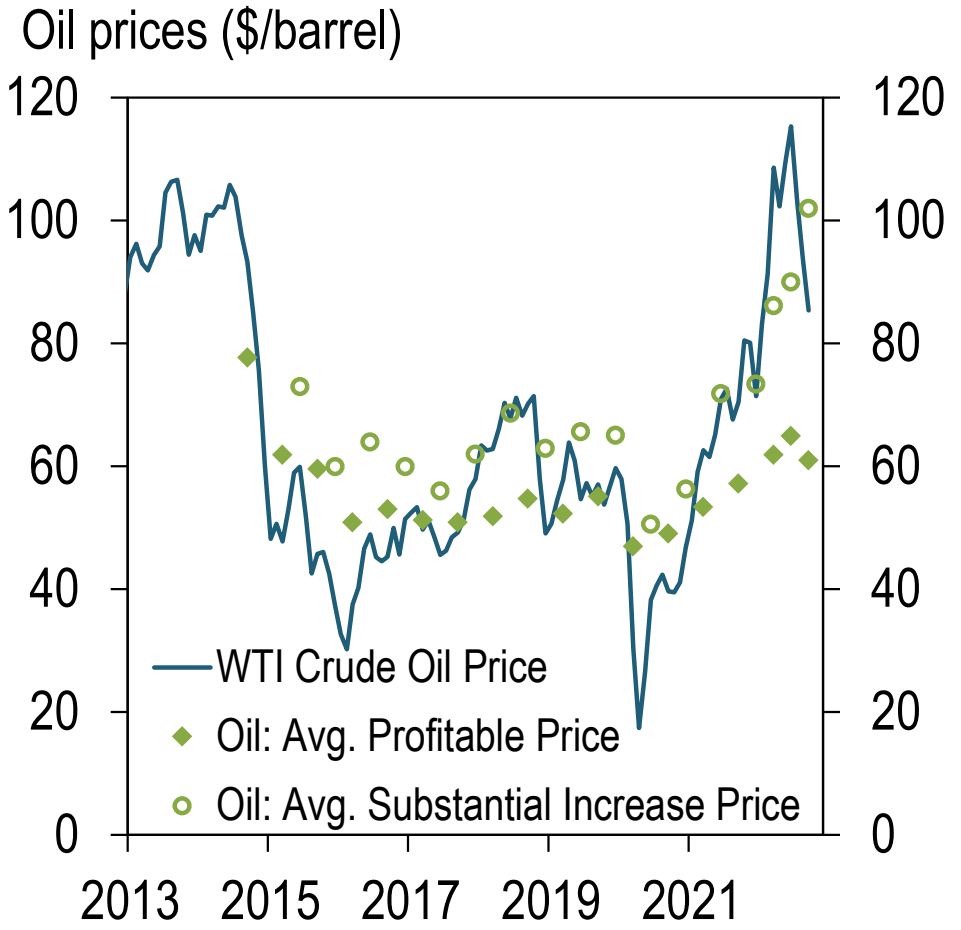


Energy activity grew solidly in Q3, but growth may slow in coming months with oil slightly less profitable

Energy Survey Indexes

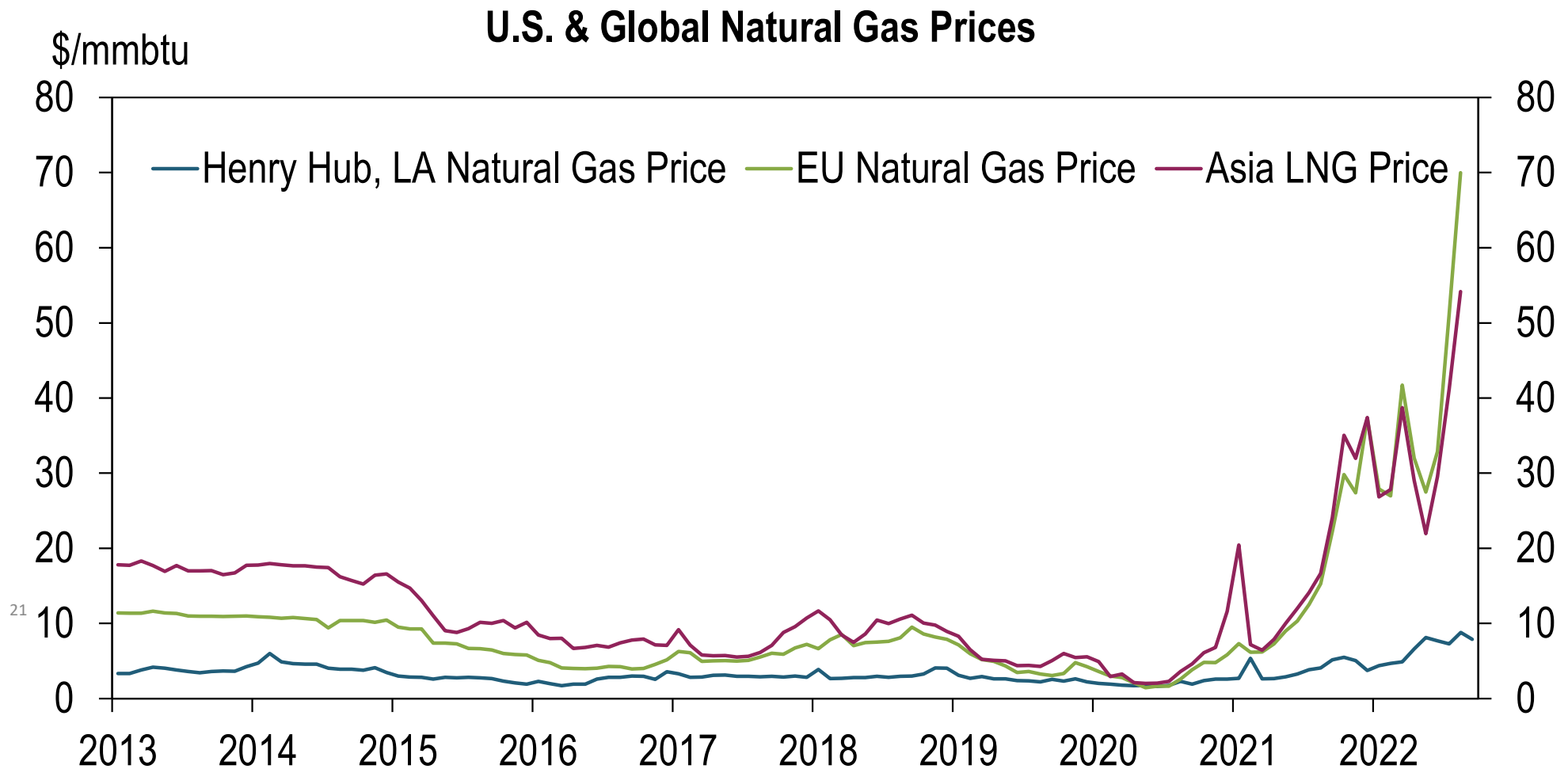


Energy Prices



Source: FRBKC Energy Survey

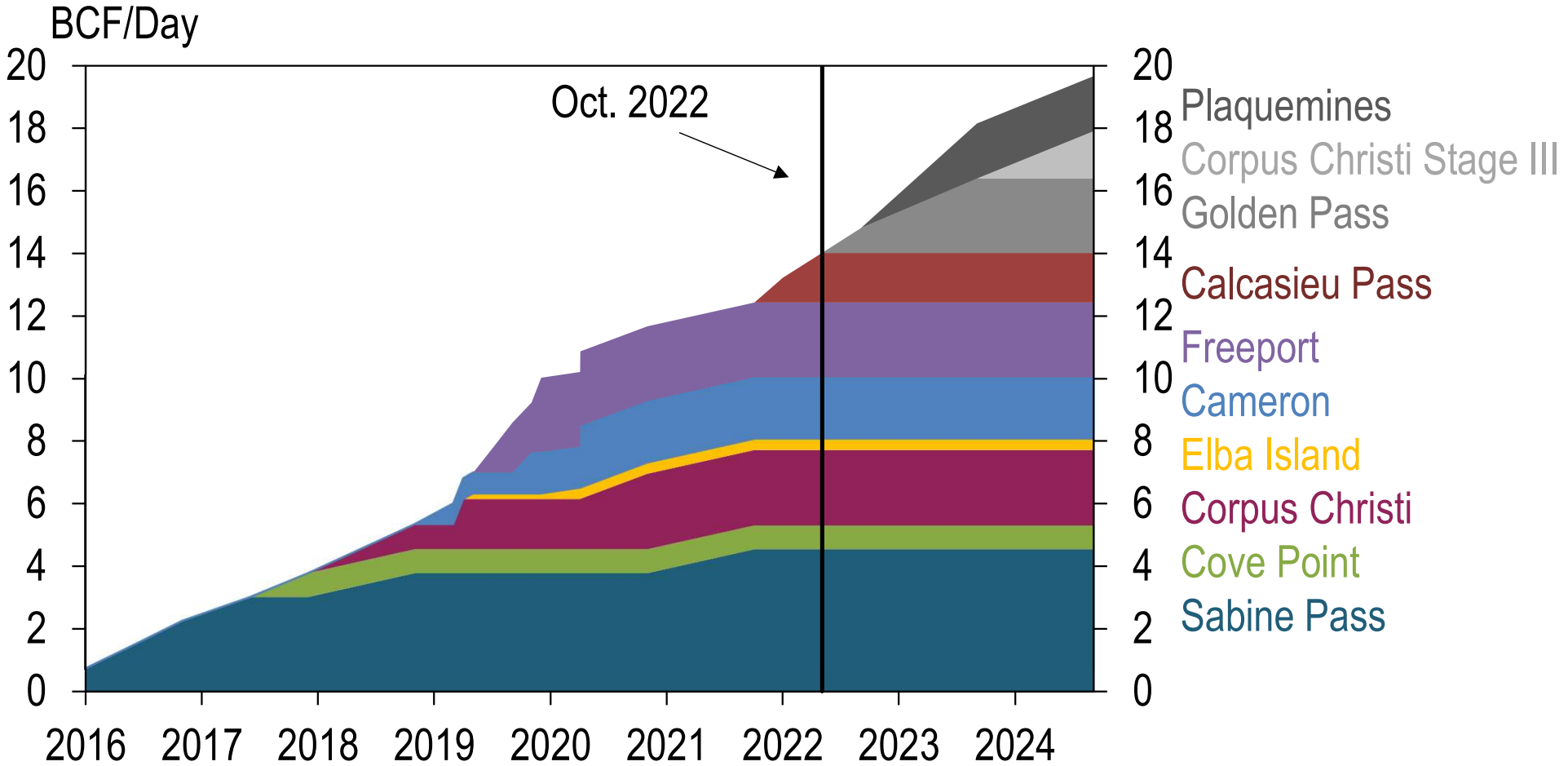
The sharp rise in U.S. natural gas prices this year pales in comparison to European and Asian prices



Sources: EIA, IMF, St. Louis Fed

U.S. liquified natural gas export capacity is set to increase with international demand in coming years

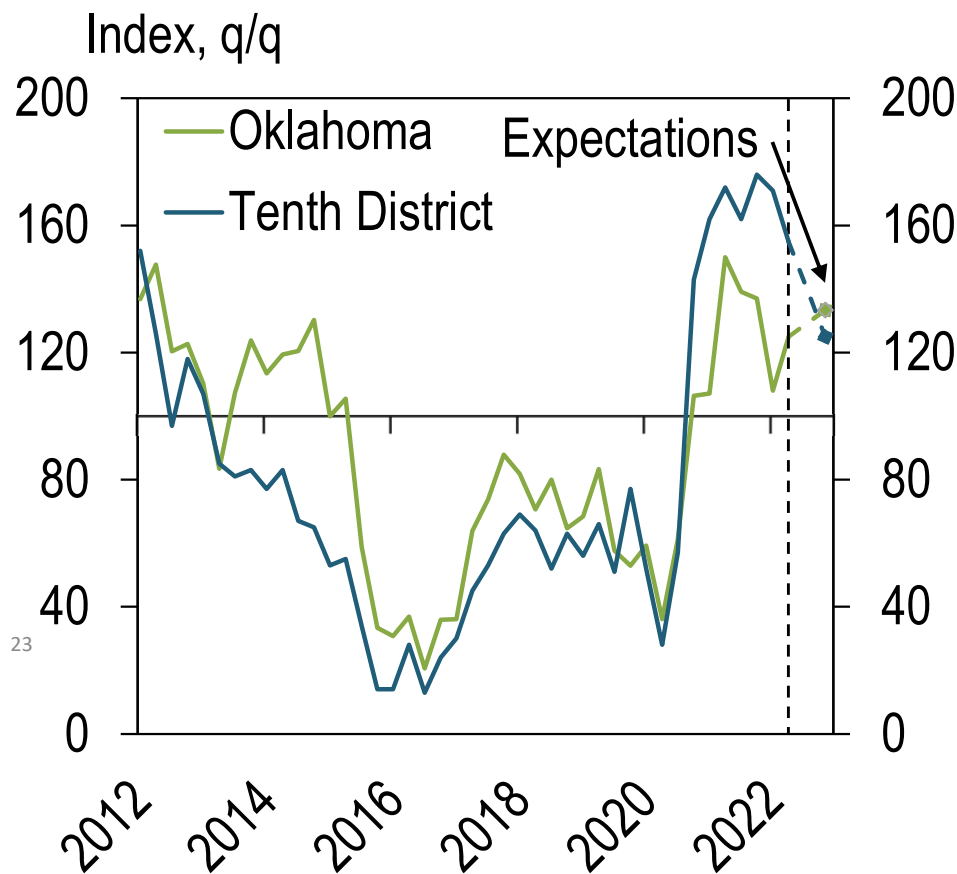
U.S. LNG Export Capacity by Project



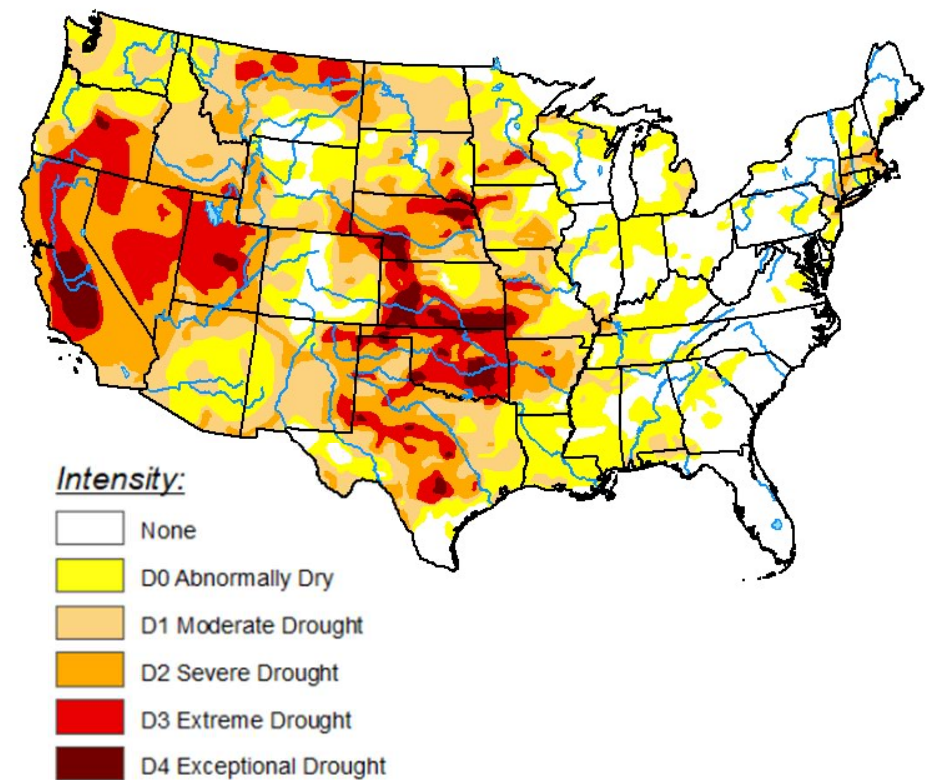
Source: EIA

Oklahoma farm income has been moderately positive since late 2020 but drought is having an impact in 2022

Farm Income



U.S. Drought Map



Source: FRBKC Ag Credit Survey, UNL/NOAA/CPC

Summary

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