U.S. and Oklahoma Economic Outlook

Oklahoma Workforce Board
November 17, 2022

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*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
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  • 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 broader Tenth Fed District Boards and Councils

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

- **Federal Advisory Council (FAC):**
  - Jill Castilla, CEO, Citizens Bank, Edmond

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

- **Community Depository Inst. Advisory Council (CDIAC):**
  - Mark Burrage, CEO, FirstBank, Antlers
  - Alicia Wade, President, Valliance Bank, Oklahoma City

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

• U.S. economic indicators are mixed, with solid job growth but sluggish output, while inflation remains too high

• Tight supply and robust demand have pushed up prices, and the Fed has responded with tighter monetary policy

• Oklahoma’s economy continues to recover, and population is growing but jobs are lower than pre-pandemic in some sectors

• Oklahoma energy activity has expanded solidly in 2022, as oil and gas prices remain elevated, while drought is hurting ag
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

Percent change

- Real GDP
- Range
- Sep. 2022 Median FOMC Projection

Current (Q3 2022): 2.6%

FOMC Projections

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.

U.S. Unemployment Rate

Current (Oct. 2022): 3.7%

Sources: U.S. Bureau of Labor Statistics, FOMC

Note: Data and FOMC projections are for year-end.
Meanwhile, inflation has moved well above the Fed’s 2% target but is expected to ease heading forward.

PCE Inflation Index

- Current Overall PCE (Sep. 2022): 6.2%
- Current Core PCE (Sep. 2022): 5.1%

Note: Data and FOMC projections are for year-end.
CPI inflation eased again in October to 7.7% as goods/energy inflation fell but other prices kept rising.

**Consumer Price Index**

y/y % change

- All Items
- Food & Energy (22%)
- Goods* (21%)
- Services* (24%)
- Shelter (33%)

Sources: BLS/Haver Analytics

*Goods excluding Food; Services excluding Energy. Note: Relative Importance as Share of CPI shown in parenthesis.
So far, longer-term inflation expectations remain around their 20-year average.

Source: University of Michigan/Haver Analytics
Why is inflation high? Supply constraints, but demand has been robust, driven by stimulus, wages and wealth.

U.S. Retail Sales and Food Services

U.S. Wage Growth

Sources: BEA, FRB Atlanta
The Fed raised the federal funds rate by 75 basis points in November, with more increases expected.

Federal Funds Rate
Year-End Target

Current Target: 3.75% - 4%

FOMC Projections

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

Sources: Bureau of Economic Analysis, FOMC
The Fed has also continued to reduce its balance sheet of longer-term securities, further tightening policy.
Job openings still greatly exceed unemployed workers, pressuring inflation, but could fall without many layoffs.

Source: Bureau of Labor Statistics
Labor force participation has improved somewhat but lags due to older workers, and immigration has slowed.

U.S. Labor Force Participation Rate

- Prime-age women
- Total
- Age 65+

Immigration to the U.S.

- Additional immigration under 2011-2015 trend
- Net international migration

Source: BLS/Haver Analytics
Jobs in Oklahoma and the OKC metro are back to pre-COVID levels and rising, and unemployment is low

Non-Farm Payroll Employment

Index, Jan. 2020=100

Unemployment Rate

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
- Total Cons. Spending
- General Merchandise
- Restaurants & Recreation

**KC Fed Manufacturing Survey**
- Diffusion Index, 3mma, sa
- Employment
- Production
- Finished Product Prices

Sources: Affinity/Track the Recovery, FRBKC Surveys
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
Oklahoma farm income has been moderately positive since late 2020 but drought is having an impact in 2022.

**Farm Income**

- **Index, q/q**
  - Oklahoma
  - Tenth District

**U.S. Drought Map**

*Intensity:*
- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought

*Source:* FRBKC Ag Credit Survey, UNL/NOAA/CPC
Oklahoma’s population grew in 2021 despite a historic increase in deaths, due to massive domestic migration.

Oklahoma Population Changes by Component, 2001-2021

- Net Domestic Migration, left
- Net International Migration, left
- Natural Increase, left
- Population, right

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
Some Oklahoma industries have many more jobs than pre-COVID, including warehouses, tribes, and finance

### Oklahoma Industries Adding the Most Jobs Since 2019

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<thead>
<tr>
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</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>
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<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>
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<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>
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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>
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<tr>
<td>Building Equipment Contractors</td>
<td>28,100</td>
<td>1,600</td>
<td>6% 22% 29% 7%</td>
<td>$54,473</td>
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<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
But Oklahoma employment is still well below pre-COVID levels in energy and office support industries

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

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<tr>
<td>Support Activities for Mining</td>
<td>17,000</td>
<td>-12,300</td>
<td>-42%  -12%  -49%  24%</td>
<td>$76,446</td>
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<tr>
<td>Machinery Manufacturing</td>
<td>22,300</td>
<td>-5,000</td>
<td>-18%  -9%  -26%  2%</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%  17%  -2%  -10%</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%  -29%  -44%  9%</td>
<td>$137,359</td>
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<tr>
<td>Other Private Services</td>
<td>50,800</td>
<td>-4,000</td>
<td>-7%  22%  13%  0%</td>
<td>$42,173</td>
</tr>
<tr>
<td>Heavy &amp; Civil Engineering Construction</td>
<td>16,600</td>
<td>-3,600</td>
<td>-18%  36%  11%  2%</td>
<td>$59,563</td>
</tr>
<tr>
<td>Nursing &amp; Residential Care Facilities</td>
<td>31,300</td>
<td>-3,500</td>
<td>-10%  1%  -9%  -1%</td>
<td>$32,832</td>
</tr>
<tr>
<td>Fabricated Metal Manufacturing</td>
<td>21,000</td>
<td>-3,100</td>
<td>-13%  0%  -13%  4%</td>
<td>$59,069</td>
</tr>
<tr>
<td>Information</td>
<td>16,800</td>
<td>-3,000</td>
<td>-15%  -12%  -26%  -7%</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%  2%  -2%  1%</td>
<td>$48,172</td>
</tr>
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Source: U.S. Bureau of Labor Statistics
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