U.S. and Oklahoma Economic Outlook

Financial Planning Association of Central Oklahoma
November 30, 2022

Megan Williams
Associate Economist & Manager, Oklahoma City Branch

*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.
Structure & Functions of the Federal Reserve

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

- 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 turned positive in Q3, 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.
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%

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.

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

**Sources:** Bureau of Economic Analysis, FOMC
CPI inflation eased again in October to 7.7% as goods and energy inflation fell

**Consumer Price Index**

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

*Goods excluding Food; Services excluding Energy.
Note: Relative Importance as Share of CPI shown in parenthesis.

Sources: BLS/Haver Analytics
So far, longer-term inflation expectations remain anchored around their 20-year average.

Expected Inflation Rate

Source: University of Michigan/Haver Analytics
Why is inflation high? Supply constraints, but demand has also been robust, driven by strong incomes.
The Fed raised the federal funds rate by 75 basis points in November, with more increases expected.
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.
Jobs in Oklahoma are back to pre-COVID levels but fell slightly in October, while unemployment stays low.
OK consumer spending continues to rise, while regional factory production has slowed.
The Oklahoma housing market has eased with rising interest rates

Oklahoma Housing Market Indicators

- 30 yr. Fixed Mortgage Rate (Left)
- Sales (Right)
- Median Sales Price (Right)

Sources: Freddie Mac, Redfin
Tulsa office market absorption has improved, while the OKC downtown market has weakened.
Energy activity grew solidly in Q3, but growth may slow in coming months with oil slightly less profitable.

Energy Survey Indexes

- Drilling & Bus.
- Profits
- Employees

Energy Prices

- WTI Crude Oil Price
- Oil: Avg. Profitable Price
- Oil: Avg. Substantial Increase Price

Source: FRBKC Energy Survey
Oklahoma farm income has been moderately positive since late 2020 but drought is having an impact in 2022.

Source: FRBKC Ag Credit Survey, UNL/NOAA/CPC
Some Oklahoma industries have many more jobs than pre-COVID, including warehouses, tribes, and finance.

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
But Oklahoma employment is still well below pre-COVID levels in energy and office support 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% -12% -49% 24%</td>
<td>$76,446</td>
</tr>
<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>
</tr>
<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>
</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
Oklahoma’s population grew in 2021 despite a historic increase in deaths, due to massive domestic migration.
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
Summary

- 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