U.S. and Oklahoma Economic Outlook

Builders Association of South Central Oklahoma
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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

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  - **Mark Burrage**, Director & CEO, Firstbank, Antlers
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  - **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.

Change in Real GDP

Percent change
- Real GDP
- Range
- Dec. 2022 Median FOMC Projection

Current (Q3 2022): 2.6%

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

Percent

- U.S. unemployment rate
- Range
- Dec. 2022 FOMC Median Projection

Current (Dec. 2022): 3.5%

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 (Nov. 2022): 5.5%
Current Core PCE (Nov. 2022): 4.7%

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

Sources: Bureau of Economic Analysis, FOMC
CPI inflation eased again in November to 7.1% as goods and energy inflation fell

Consumer Price Index

y/y % change

-10 -5 0 5 10 15 20


*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

Source: University of Michigan/Haver Analytics
Why is inflation high? Supply constraints, but demand has also been robust, driven by strong incomes.

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

- Billions $

**U.S. Wage Growth**

- Year/year % change

Sources: BEA, FRB Atlanta
The Fed raised the federal funds rate by 50 basis points in December, with more increases expected.
Job openings still greatly exceed unemployed workers, pressuring inflation, but has fallen in Oklahoma

Job Openings/Unemployment Ratios

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 and rose further in November, while unemployment stays low.

Source: U.S. Bureau of Labor Statistics
The Oklahoma housing market has eased with rising interest rates

Oklahoma Housing Market Indicators

Sources: Freddie Mac, Redfin
New housing construction began to slow in 2022 in the U.S. and Oklahoma.

Total Building Permits for Privately Owned Housing

3mma y/y % chg., sa

Source: U.S. Census Bureau/Haver Analytics
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

Sources: EIA, FRBKC Energy Survey
Oklahoma farm income fell sharply in Q3 2022, partially due to drought and interest rates.

Effects of Drought & Interest Rates on Financial Conditions of Farm Borrowers

Source: FRBKC Ag Credit Survey
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>
<tbody>
<tr>
<td>Transportation &amp; Warehousing (excl. Truck Transp.)</td>
<td>50,400</td>
<td>16,000</td>
<td>47%</td>
<td>50%</td>
<td>119%</td>
<td>$48,919</td>
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<tr>
<td>Employment Services</td>
<td>49,700</td>
<td>7,300</td>
<td>17%</td>
<td>3%</td>
<td>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%</td>
<td>5%</td>
<td>13%</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%</td>
<td>17%</td>
<td>26%</td>
<td>$17,508</td>
</tr>
<tr>
<td>Indian Tribes</td>
<td>54,200</td>
<td>4,000</td>
<td>8%</td>
<td>26%</td>
<td>36%</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%</td>
<td>26%</td>
<td>47%</td>
<td>$73,133</td>
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<tr>
<td>Food Manufacturing</td>
<td>19,500</td>
<td>1,800</td>
<td>10%</td>
<td>16%</td>
<td>27%</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%</td>
<td>0%</td>
<td>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%</td>
<td>22%</td>
<td>29%</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%</td>
<td>-4%</td>
<td>4%</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
But Oklahoma employment is still well below pre-COVID levels in energy and office support industries

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</thead>
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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>
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<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>
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<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>
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<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>
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<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>
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<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
Oklahoma’s population grew in 2021 & 2022, 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.
Summary

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