

U.S. and Oklahoma Economic Outlook

OKC Risk Management Association

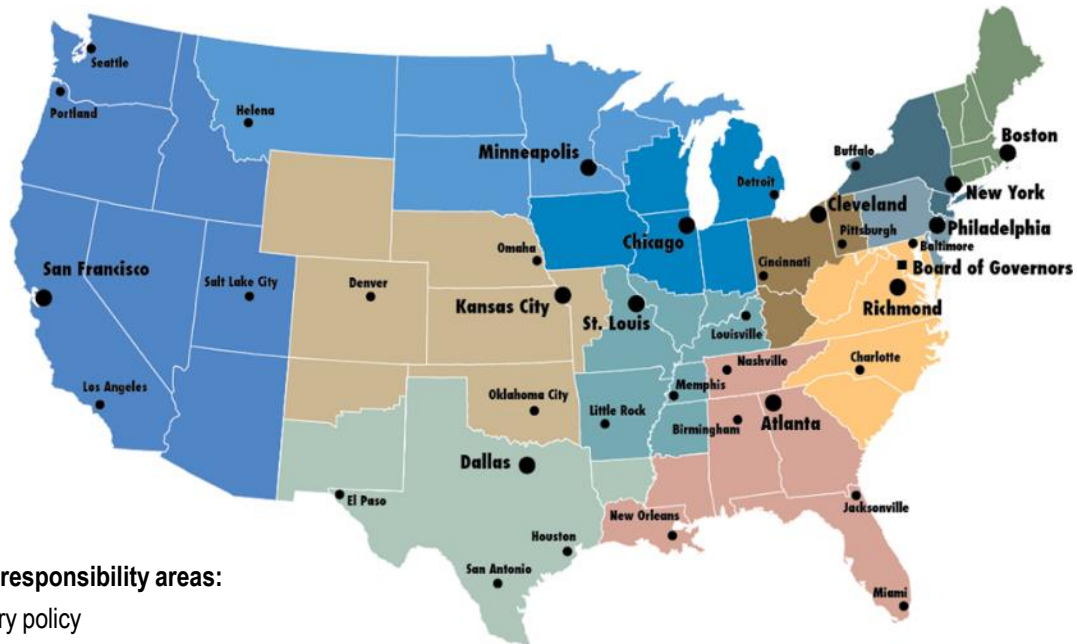
March 1, 2023

Chad Wilkerson
SVP & 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.



Structure & Functions of the Federal Reserve



5 primary responsibility areas:

- Monetary policy
- Financial system stability
- Bank supervision & regulation
- Payment system safety & efficiency
- Consumer protection & community development

3 primary entities:

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent
- Federal Open Market Committee: 19 members; 12 voting



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
- **2023 OKC Branch Board of Directors**
 - **Katrina Washington (chair)**, Exec. Dir., Neighborhood Housing Services, OKC
 - **Mark Burrage**, CEO, FirstBank, Atoka
 - **Walt Duncan**, President, Duncan Oil Properties, OKC
 - **Rhonda Hooper**, President & CEO, Jordan Advertising, OKC
 - **Terry Salmon**, President, Computer System Designers, OKC
 - **Brady Sidwell**, Principal, Sidwell Strategies, Enid
 - **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



Oklahomans on Districtwide Fed Advisory Councils

- **Federal Advisory Council (FAC):**
 - **Jill Castilla**, CEO, Citizens Bank, Edmond
- **Economic Advisory Council (EAC):**
 - **Scott Case**, President, Case & Associates Properties, Tulsa
 - **Clay Gaspar**, COO, Devon Energy, Oklahoma City
 - **Rebecca Thompson**, CFO, AAON, Inc., Sand Springs
- **Community Development Advisory Council (CDAC):**
 - **Michelle Bish**, Executive Director, Northeast Workforce Development Board, Catoosa
 - **Quintin Hughes, Sr.**, Program Director, Northeast Oklahoma City Renaissance, Inc., Oklahoma City
 - **Cindy Logsdon**, Executive Director/CEO, Citizen Potawatomi Community Development Corp., Shawnee
- **Community Depository Inst. Advisory Council (CDIAC):**
 - **Alicia Wade**, President, Valliance Bank, Oklahoma City



Overview

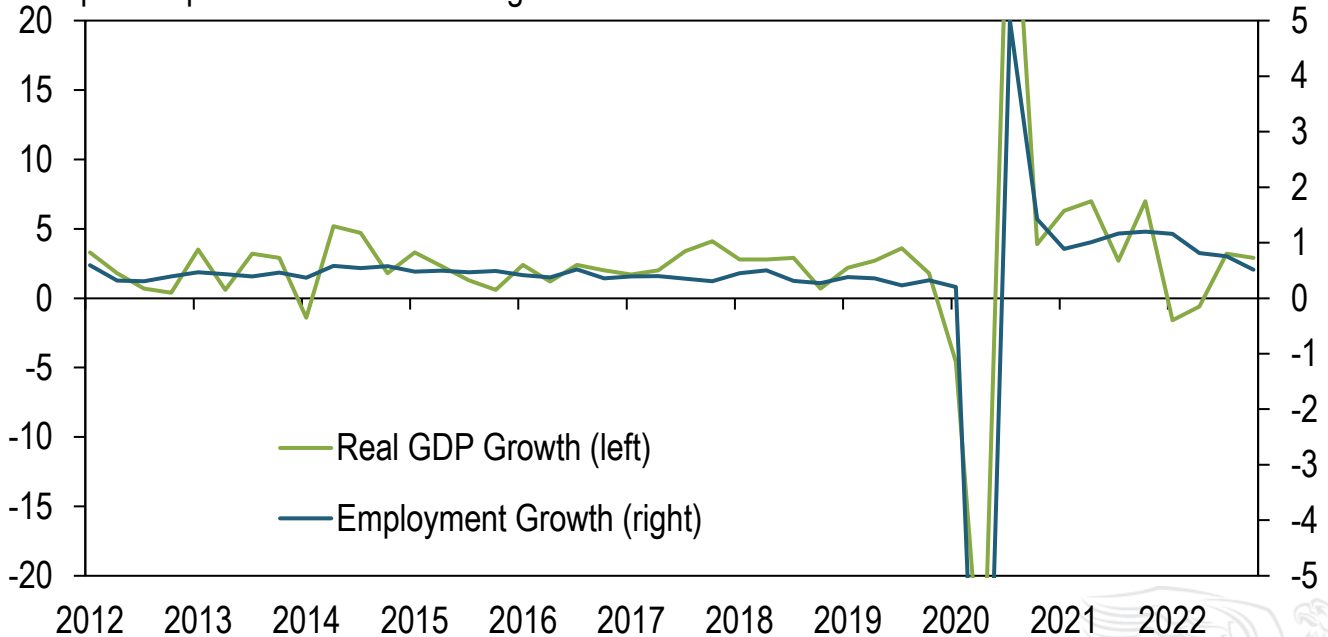
- U.S. economic growth was solid in late 2022 and early 2023
- Inflation has eased but remains too high, with continued high wage gains in a tight labor market now a key contributor
- Oklahoma's economy continues to recover, but jobs remain below pre-pandemic levels in some sectors, especially energy
- Oklahoma's population growth has outpaced the nation in recent years, driven by strong domestic in-migration



U.S. GDP and employment growth were solid in the second half of 2022, at or above pre-pandemic levels

Quarterly U.S. Economic Growth

quarter/quarter annualized % chg.

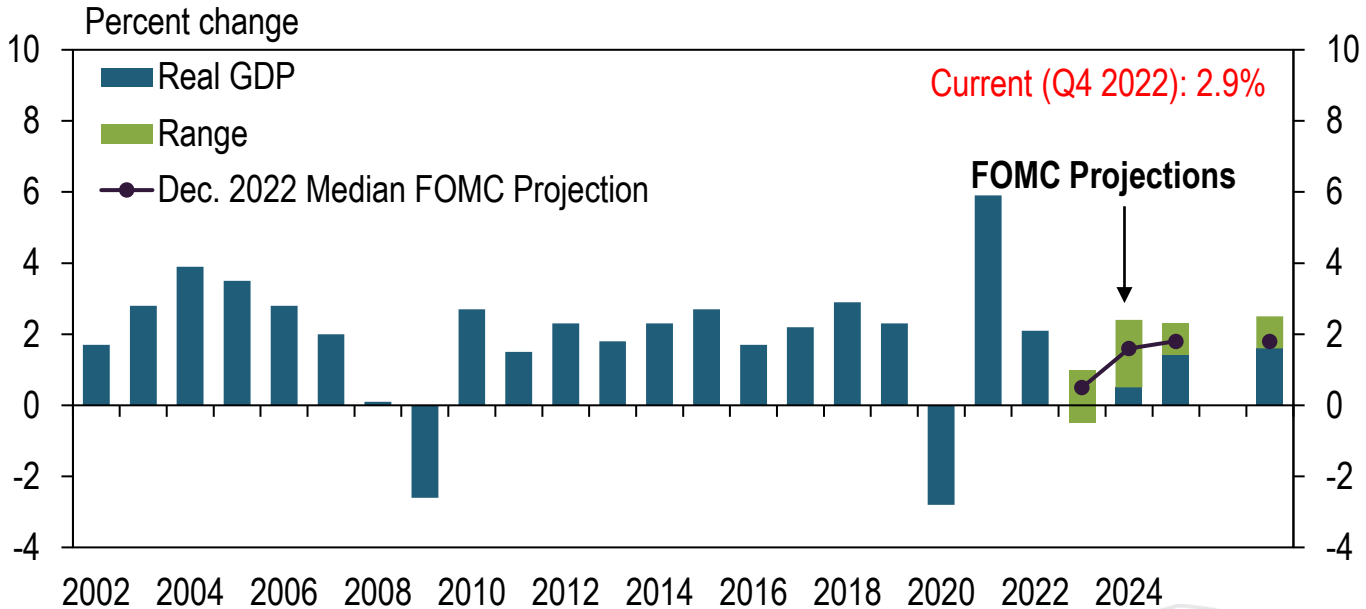


Sources: BEA, BLS/Haver Analytics



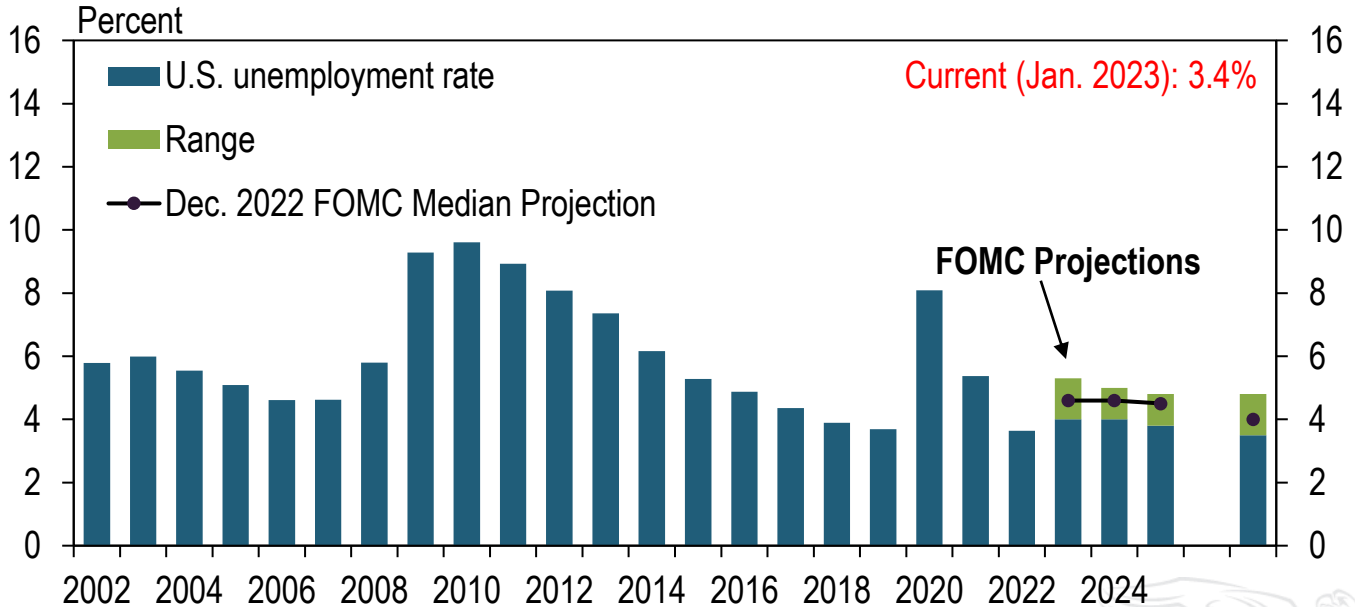
GDP growth is expected to be somewhat sluggish in 2023 before rebounding to trend in 2024 and 2025

Change in Real GDP



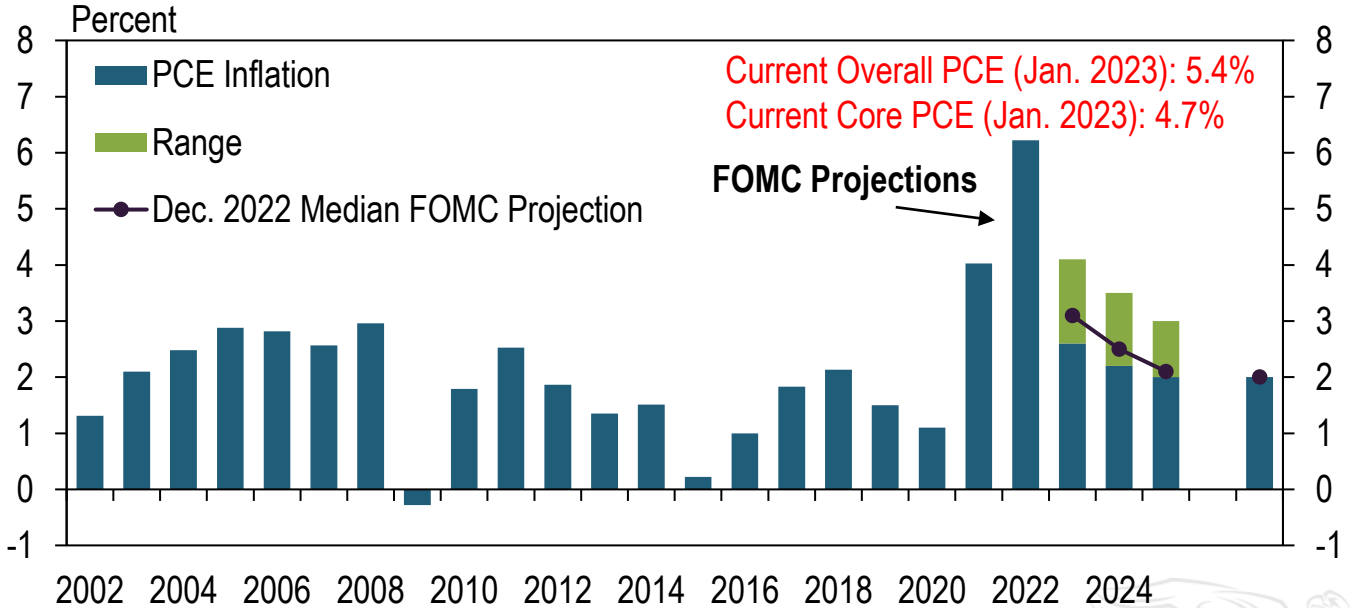
U.S. unemployment remains historically low and is projected to rise only slightly in coming years

U.S. Unemployment Rate



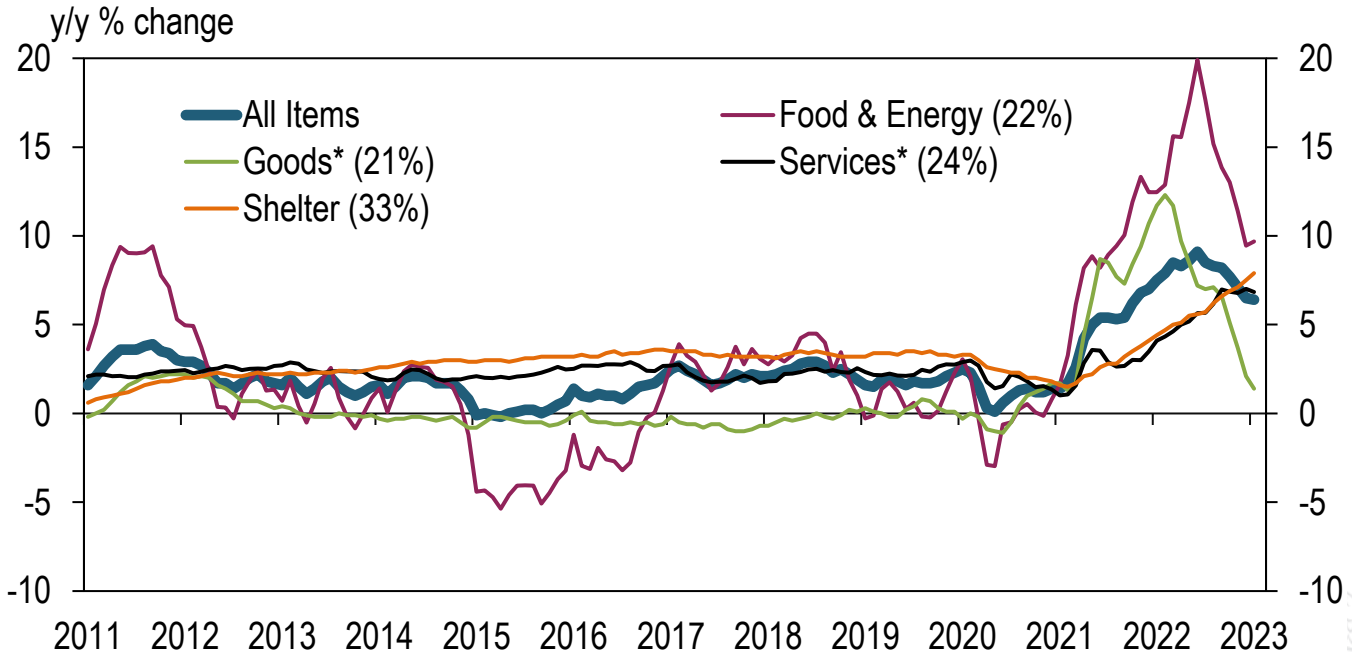
Meanwhile, although inflation has come down from its 2022 peaks, it remains elevated on year-over-year basis

PCE Inflation Index



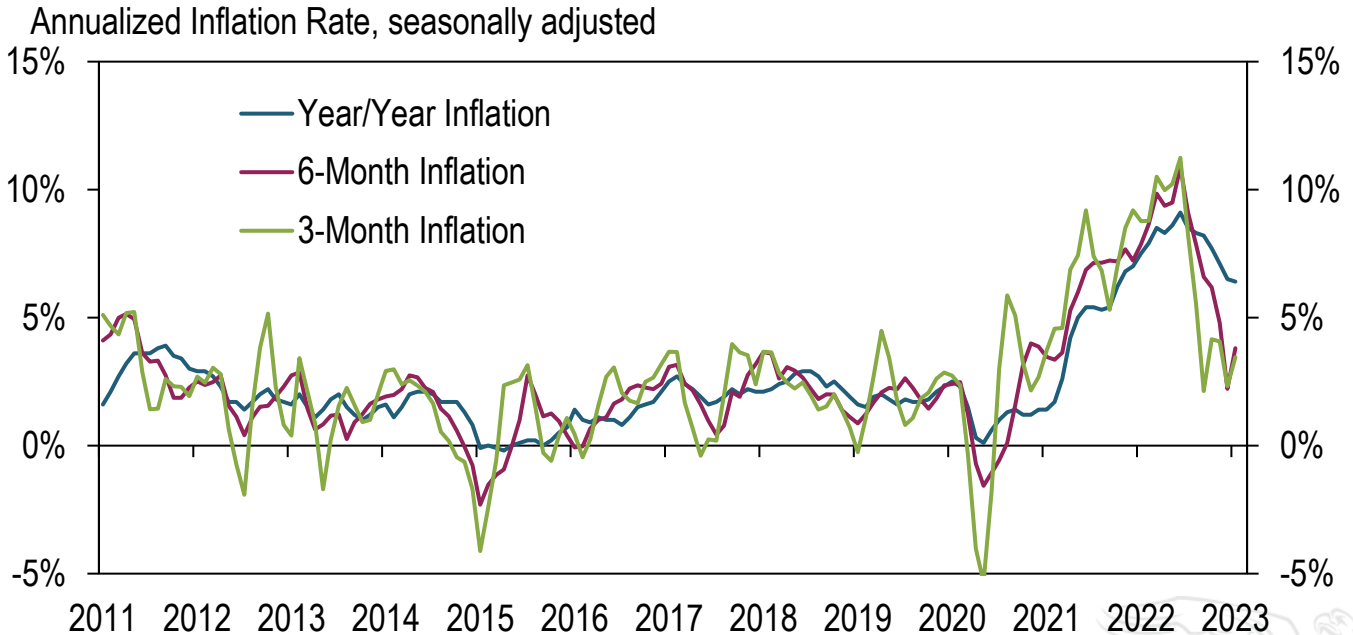
CPI inflation eased again in January to 6.4% as goods prices fell further, but services inflation remains high

Consumer Price Index



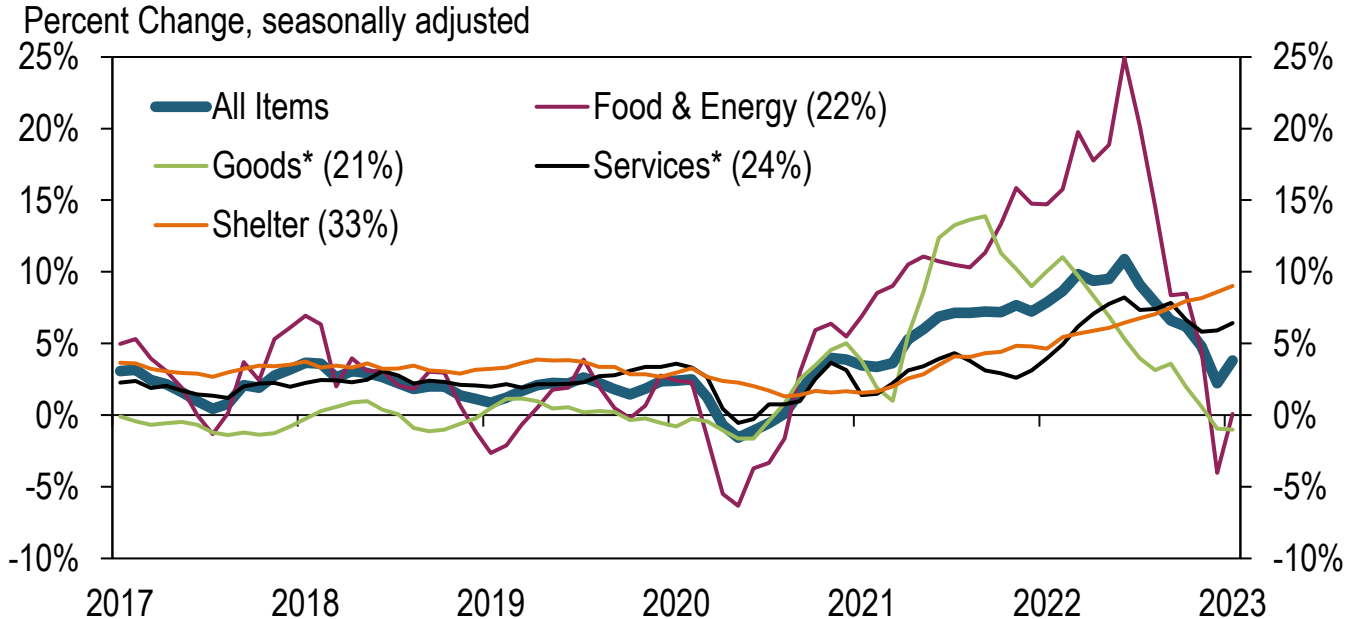
3- and 6-month inflation rates have come down by a larger amount, but moved back up a bit in January

CPI Inflation



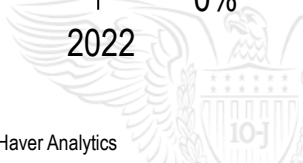
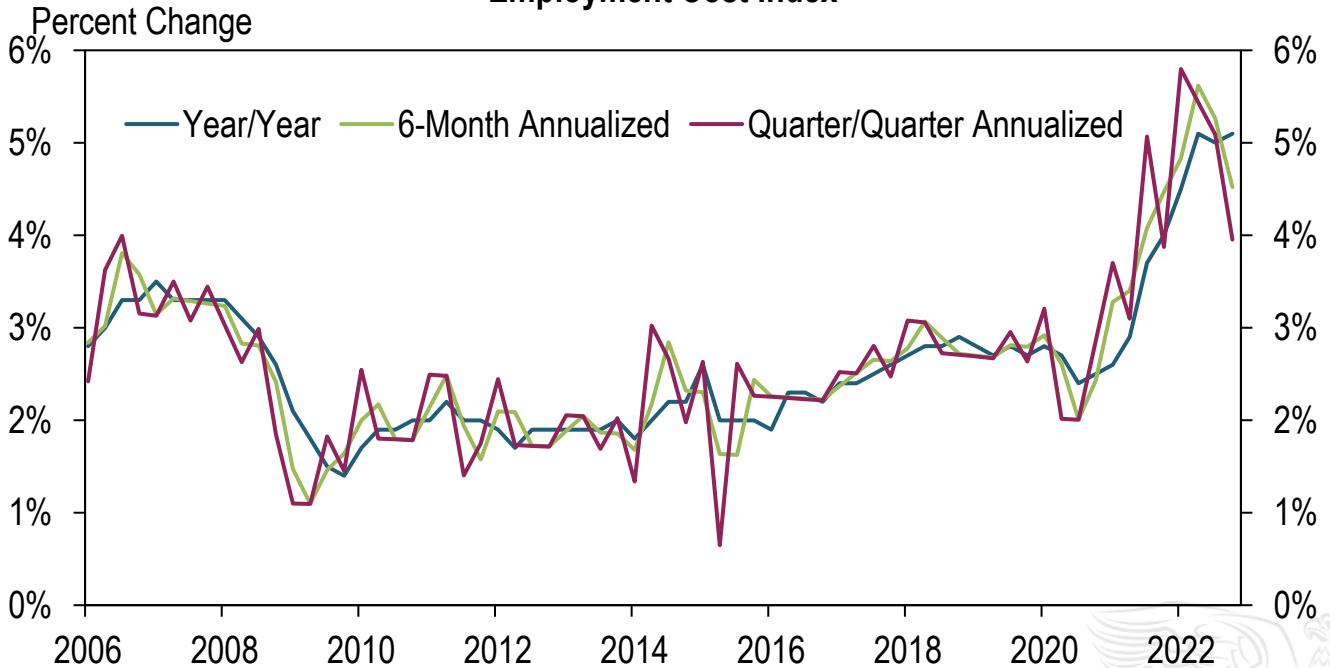
Over the past 6 months, shelter and services inflation have been the main drivers, and are stubbornly high

CPI 6-Month Annualized Inflation



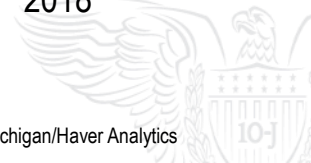
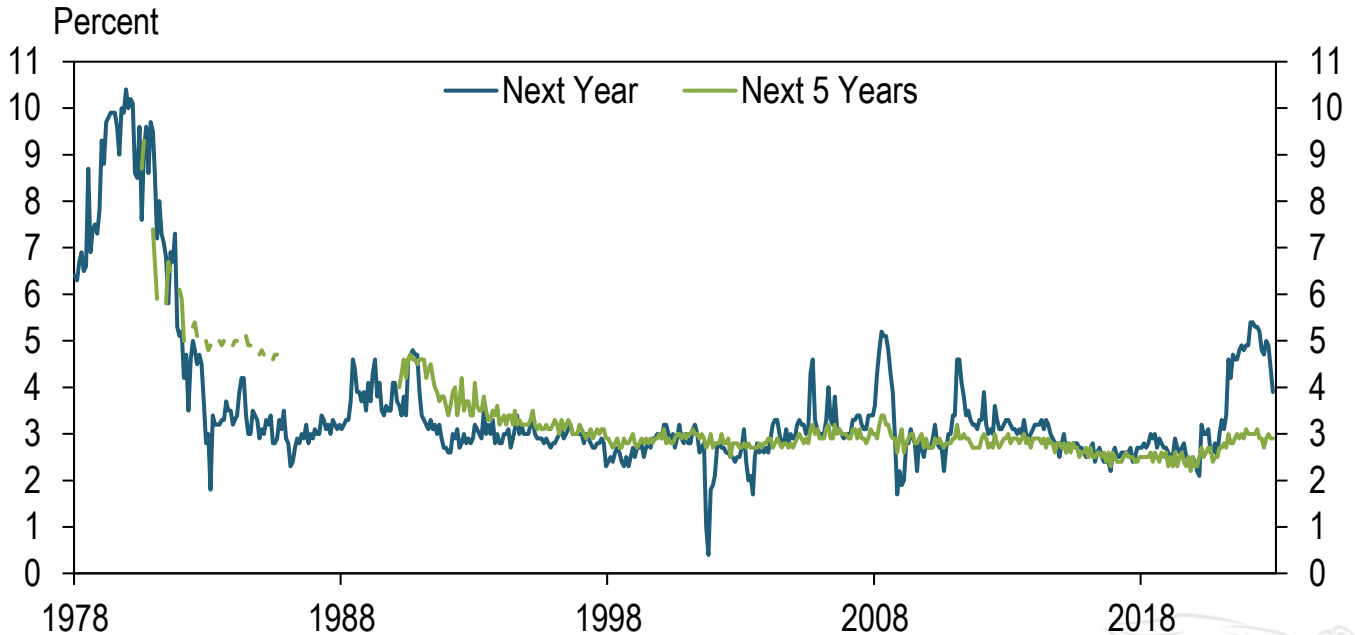
Wage growth is a key factor keeping services inflation high, but has come down from highs in recent months

Employment Cost Index



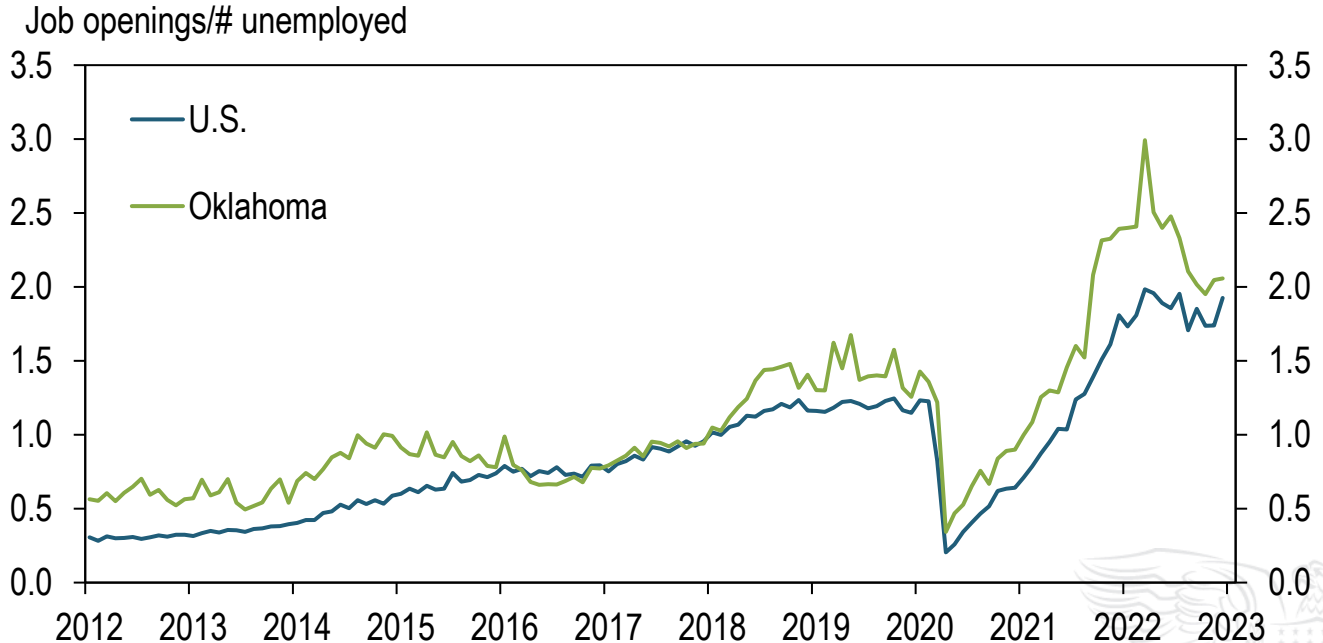
Longer-term inflation expectations remain anchored around their 20-year average

Expected Inflation Rate



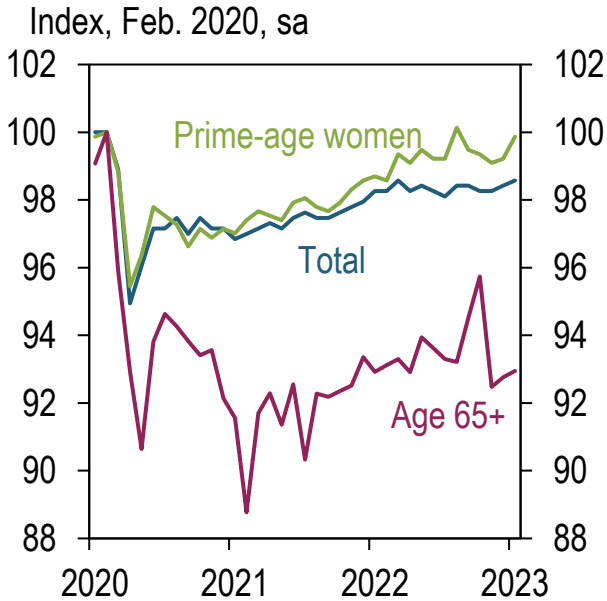
Job openings still greatly exceed unemployed workers, keeping wage pressures from easing much

Job Openings/Unemployment Ratios

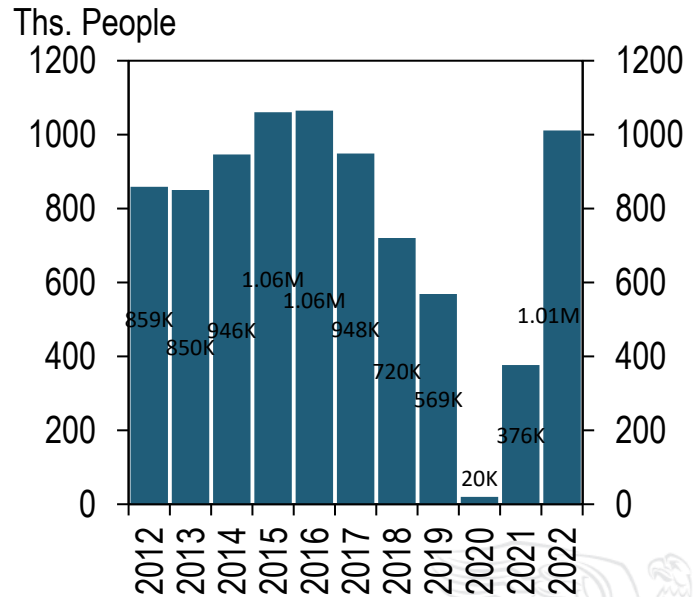


Labor force participation still lags due to older workers, while immigration rebounded after several low years

U.S. Labor Force Participation Rate

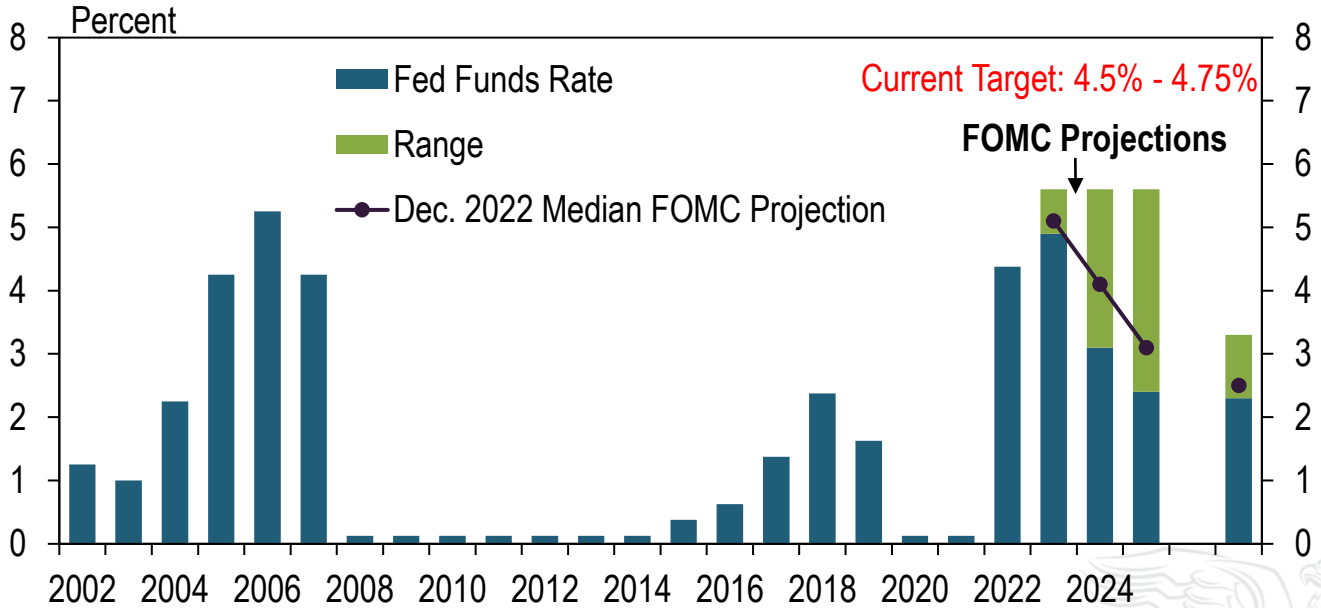


Net International Migration to the U.S.



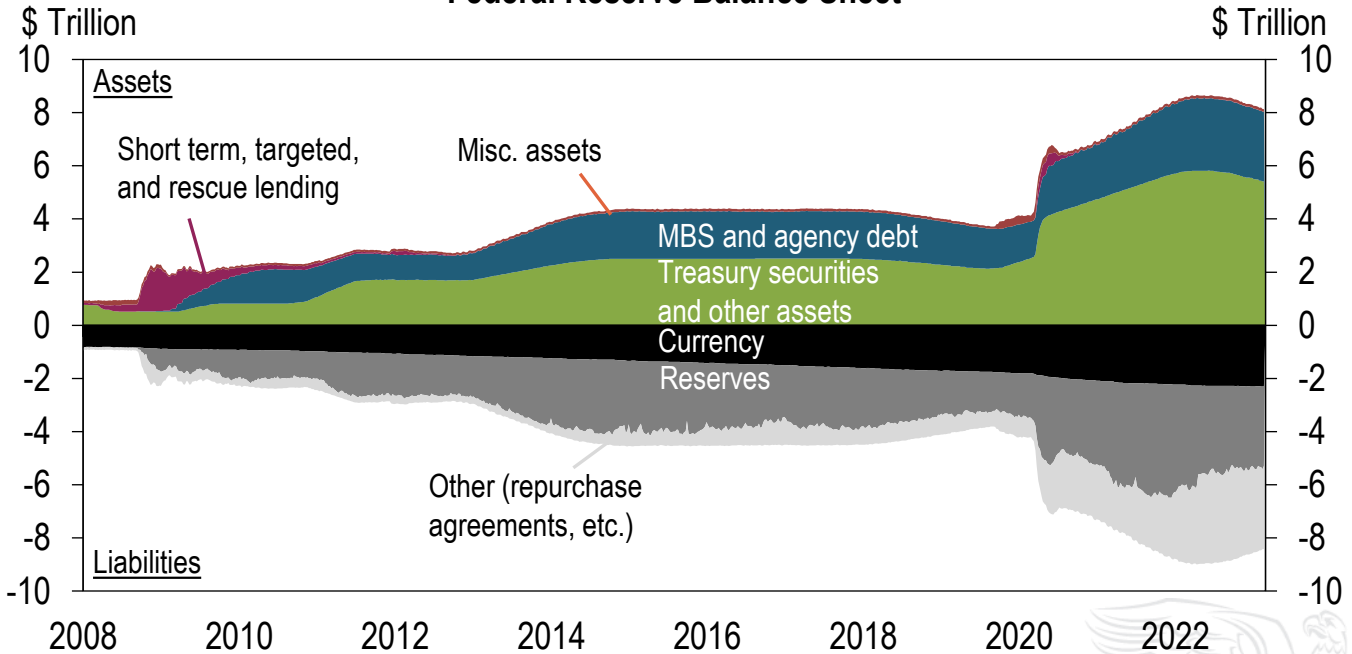
The Fed raised the federal funds rate by 25 basis points in January, and the latest FOMC projections are shown

Federal Funds Rate
Year-End Target



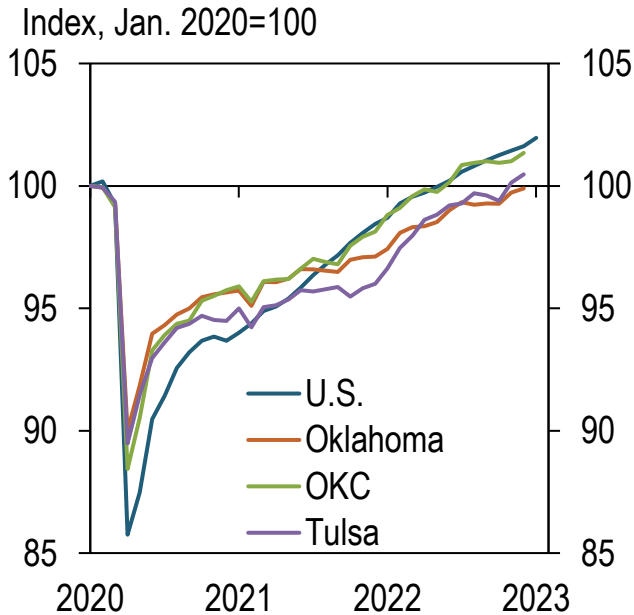
The Fed has also been reducing its balance sheet of securities, further tightening policy

Federal Reserve Balance Sheet

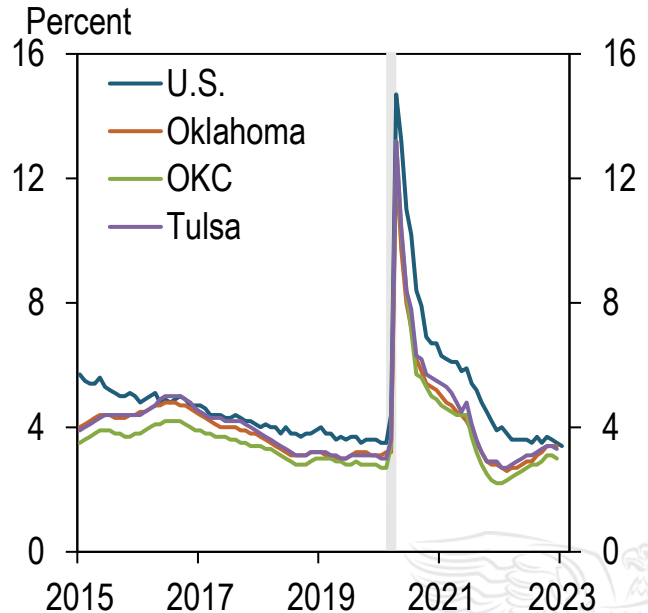


Jobs in Oklahoma were back to pre-COVID levels in December, while unemployment stays low

Non-Farm Payroll Employment

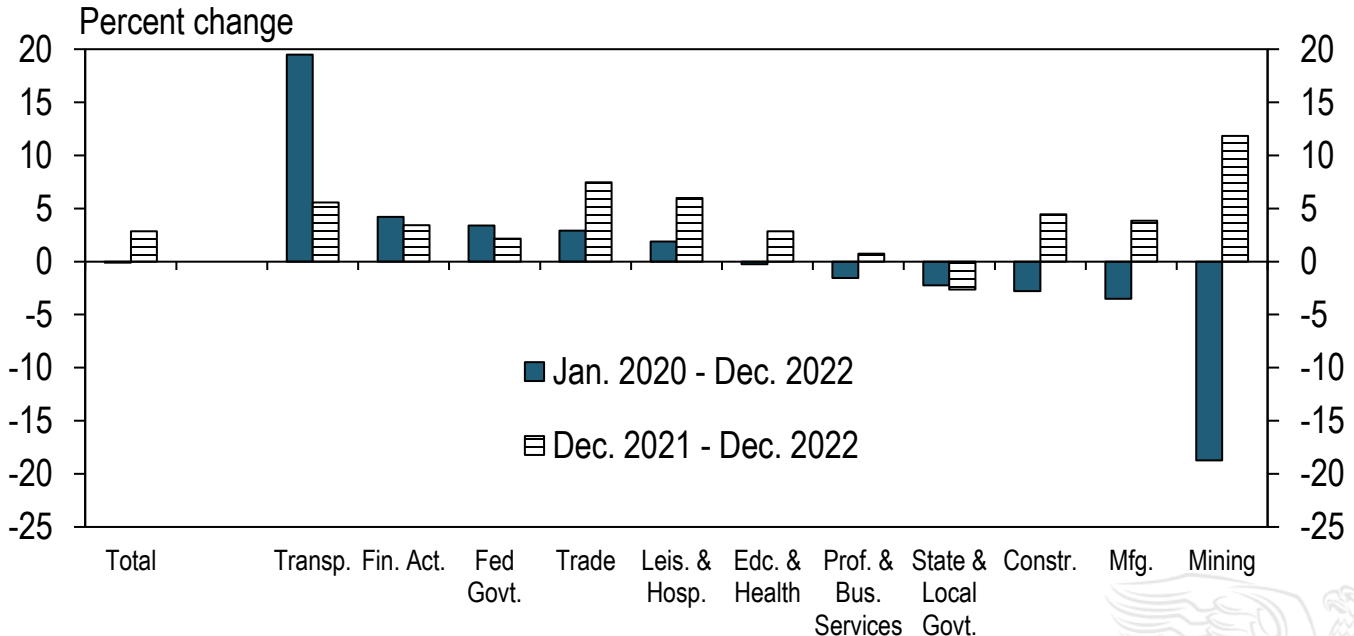


Unemployment Rate



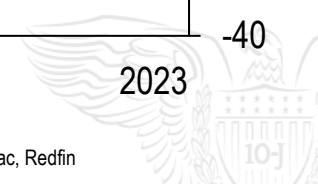
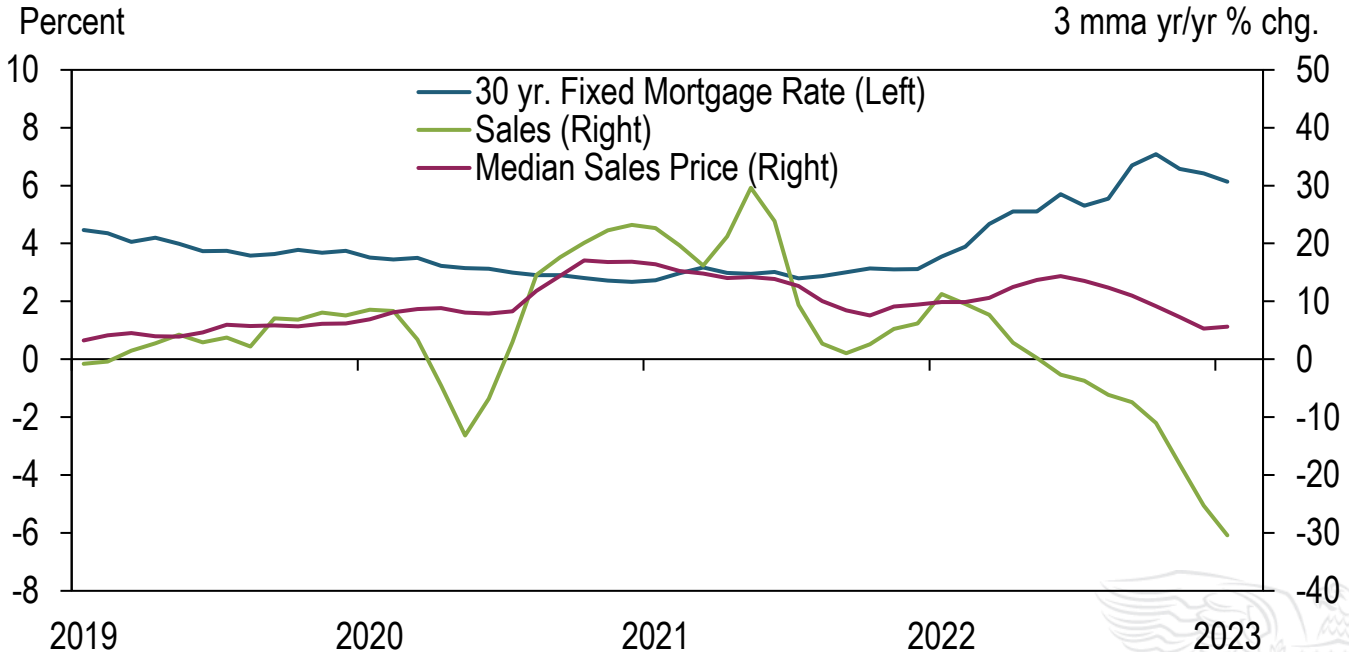
Energy, manufacturing, and construction jobs in OK are still below pre-pandemic but up during the past year

Oklahoma Job Growth by Industry



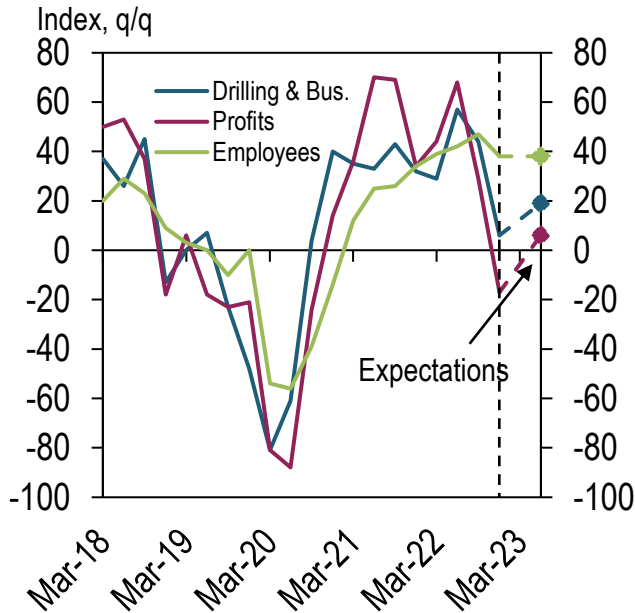
The Oklahoma housing market has eased with rising interest rates

Oklahoma Housing Market Indicators

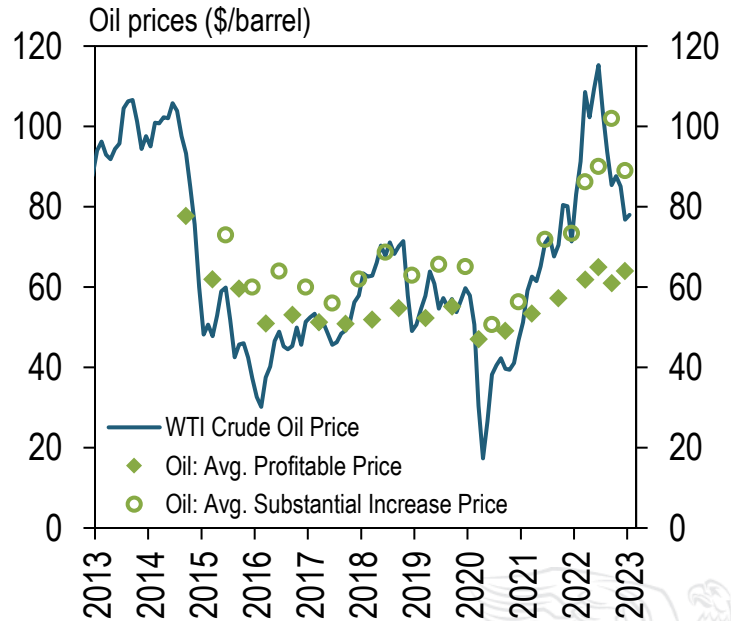


Energy activity cooled slightly in Q4, with profitability falling for the first time in two years

Energy Survey Indexes

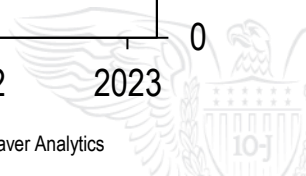
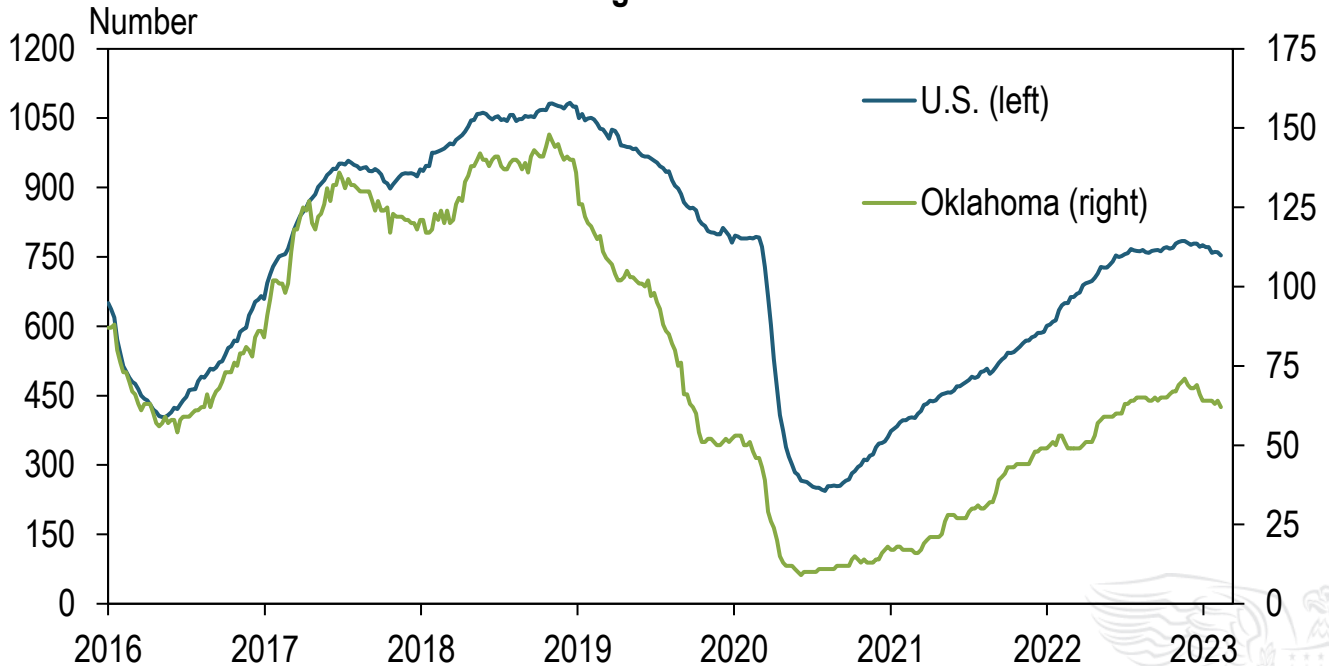


Energy Prices



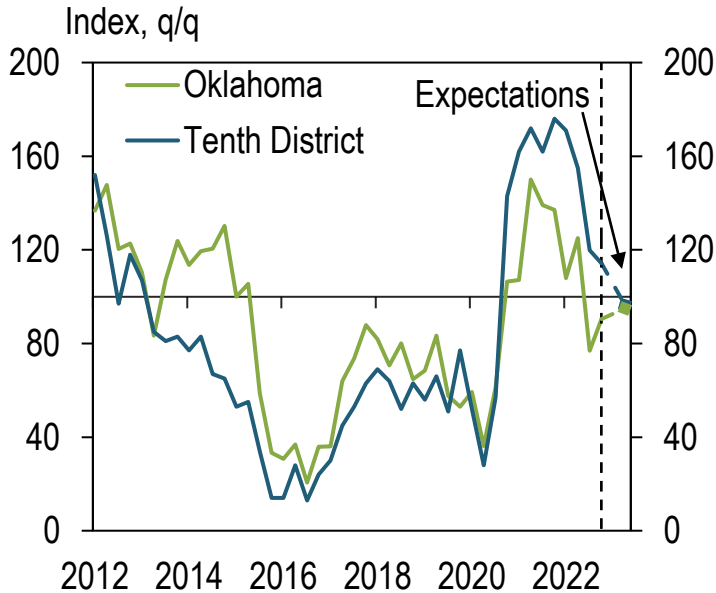
Drilling rig counts have begun to edge down in Oklahoma and the nation with lower profitability

Rig Counts

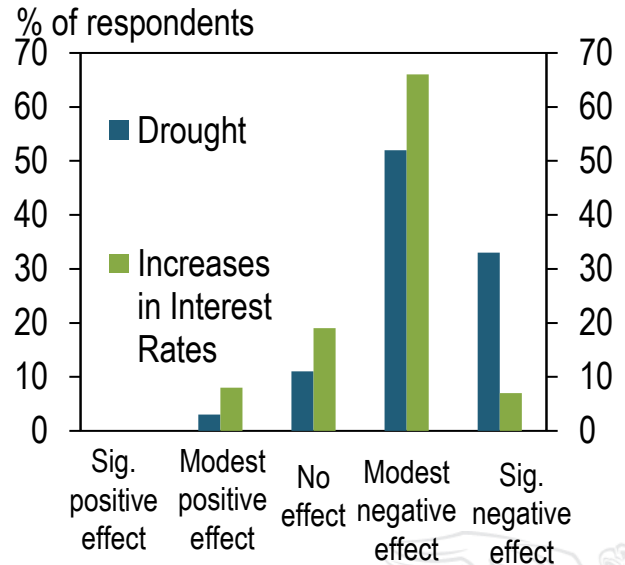


Oklahoma farm income continued to decline in Q4 2022, partially due to drought and higher interest rates

Farm Income

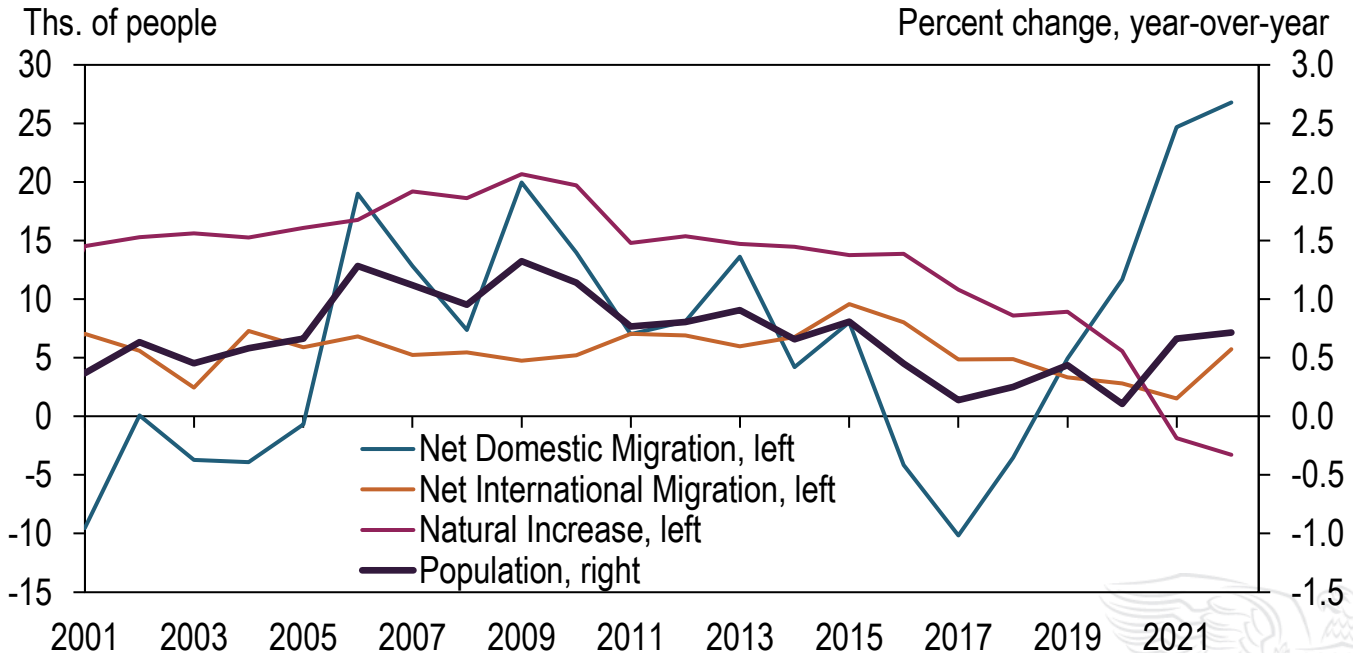


Effects of Drought & Interest Rates on Financial Conditions of Farm Borrowers



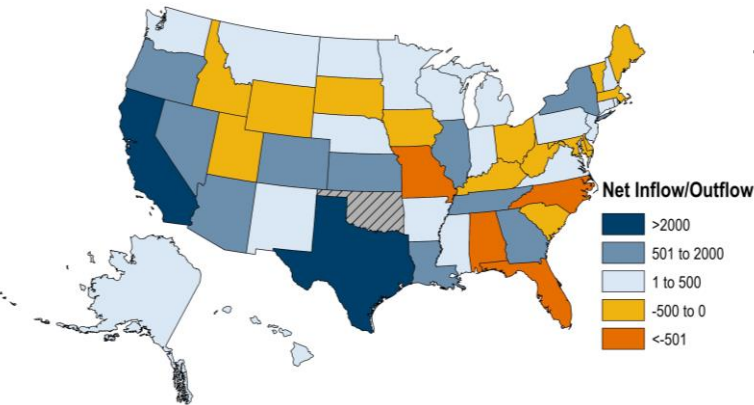
Oklahoma's population grew in 2021 & 2022, despite a historic increase in deaths, due to massive in-migration

Oklahoma Population Changes by Component, 2001-2022

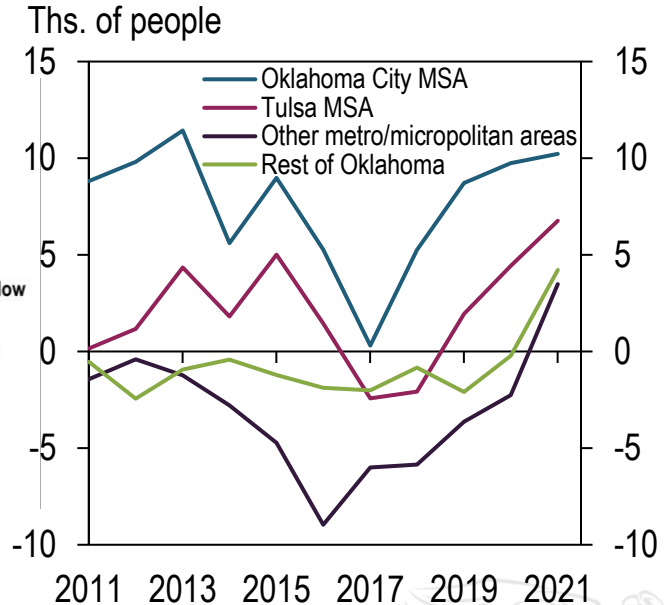


Many people have moved to OK from CA and TX, mostly to the metros but also to other parts of the state

Net Domestic Migration to Oklahoma
2020 and 2021



Oklahoma Net Domestic Migration



Summary

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- Inflation has eased but remains too high, with continued high wage gains in a tight labor market now a key contributor
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- Oklahoma's population growth has outpaced the nation in recent years, driven by strong domestic in-migration



Questions?

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