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
• 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
Overview

- U.S. economic growth was solid in late 2022 and early 2023
- Inflation remains too high, despite coming down from 2022 peaks as the Fed has raised interest rates
- Higher interest rates have created some challenges for banks
- 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
GDP growth is expected to be somewhat sluggish in 2023 before rebounding to trend in 2024 and 2025.
U.S. unemployment remains historically low and is projected to rise only slightly in coming years.

**U.S. Unemployment Rate**

Current (Mar. 2023): 3.5%

FOMC Projections

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Meanwhile, although inflation has come down from its 2022 peaks, it remains elevated on year-over-year basis.

Current Overall PCE (Feb. 2023): 5.0%
Current Core PCE (Feb. 2023): 4.6%

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

Sources: Bureau of Economic Analysis, FOMC
CPI inflation eased again in March to 5.0% as food & energy prices fell further, but services and shelter inflation remain high.
Wage growth is a key factor keeping services inflation high, but has come down from highs in recent months.

**Wage Growth**

- **Employment Cost Index**
- **Avg. Hourly Earnings**

*Note: Employment Cost Index data are interpolated between quarters*

Sources: BLS/Haver Analytics
Labor force participation still lags due to older workers, while immigration rebounded after several low years.

**U.S. Labor Force Participation Rate**

- Index, Feb. 2020, sa

**Net International Migration to the U.S.**

- Ths. People

Source: BLS, Census Bureau/Haver Analytics
Job openings still greatly exceed unemployed workers, keeping wage pressures from easing much
The Fed raised the federal funds rate by 25 basis points again this month, and the latest FOMC projections are shown.

Federal Funds Rate
Year-End Target

Current Target: 4.75% - 5.00%

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

Sources: Bureau of Economic Analysis, FOMC
What Sparked the Banking Turmoil in 2023?

• Following the pandemic, bank deposits soared due to stimulus payments and quantitative easing

• Most banks purchased low-risk, longer maturity securities, which declined in value as interest rates rose

• In early March, banks servicing the tech and crypto industries experienced rapid deposit outflows

• As tech focused banks collapsed, depositors reviewed their own banks’ financials

• A risk: small bank deposits moving to “too big to fail” large banks

• Failed banks were placed into FDIC receivership

• The Federal Reserve offers loans collateralized by credit-risk-free securities

• Treasury has brokered regional bank support via deposits from large banks
Jobs in Oklahoma are back to pre-COVID levels and rose further in January, while unemployment stays low.
Energy and manufacturing jobs in OK are still below pre-pandemic but up during the past year

Oklahoma Job Growth by Industry

Percent change

-25 -20 -15 -10 -5 0 5 10 15 20

Jan. 2020 - Feb. 2023
Feb. 2022 - Feb. 2023


Sources: U.S. Bureau of Labor Statistics/Haver Analytics
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)
- Housing Permits (Right)

Sources: Freddie Mac, Redfin, U.S. Census Bureau
Drilling rig counts have begun to edge down in Oklahoma and the nation with lower profitability.

**Rig Counts**

- **U.S. (left)**
- **Oklahoma (right)**

**U.S. Energy Prices**

- **WTI Crude Oil Price (left)**
- **Oil: Avg. Profitable Price (left)**
- **Natural Gas Price (right)**
- **Gas: Avg. Profitable Price (right)**

Source: Baker Hughes, EIA/Haver Analytics, FRBKC Surveys
Oklahoma farm income continued to decline in Q4 2022, partially due to drought and increases in interest rates.
Oklahoma’s population grew in 2021 & 2022, despite a historic increase in deaths, due to massive in-migration.
OKC, Tulsa, panhandle, and border counties have seen largest population increases; largely driven by domestic migration

2019-22 County Population Change
Percent Change

2019-22 Natural Population Increase by County
Percent of 2019 Population

2019-22 Net Domestic Migration by County
Percent of 2019 Population

2019-22 Net International Migration by County
Percent of 2019 Population

Legend
- Less than -3%
- -3% to 0%
- 0% to 3%
- Greater than 3%

Source: U.S. Census Bureau
Summary

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