U.S. and Oklahoma Economic Outlook

Logan County Economic Development Council
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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.
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
Overview

- U.S. economic growth has slowed in 2023 but remains positive, and unemployment remains very low
- Inflation remains too high, despite coming down from 2022 peaks
- 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
U.S. GDP and employment growth have slowed in early 2023, but remain positive

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 in 2024 and 2025.

Change in Real GDP

Percent change

-4 -2 0 2 4 6 8 10

Real GDP
Range
Mar. 2023 Median FOMC Projection

Current (Q1 2023): 1.1%

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 rise only moderately in coming years.
Meanwhile, although inflation has come down from its 2022 peaks and is expected to fall further, it remains elevated.
CPI inflation eased again in April to 4.9%, but shelter and services inflation remains above 5%
Wage growth is a key factor keeping services inflation high, and has come down moderately from recent highs.

Note: Employment Cost Index data are interpolated between quarters.

Sources: BLS/Haver Analytics
Longer-term inflation expectations remain anchored around their 20-year average, but consumers expect high inflation next year.

Expected Inflation Rate

Source: University of Michigan/Haver Analytics
The Fed raised the federal funds rate by 25 basis points again this month, and the latest FOMC projections are shown.
Banks have tightened lending standards in recent quarters, more for commercial loans than for consumer loans.
Job openings still greatly exceed unemployed workers, keeping wage pressures from easing much, but have fallen slightly.

Source: Bureau of Labor Statistics
Labor force participation still lags due to older workers, while immigration rebounded after several low years

Source: BLS, Census Bureau/Haver Analytics
Jobs in Oklahoma have exceeded pre-Covid levels, while unemployment stays low.

Source: U.S. Bureau of Labor Statistics
Logan County and other OKC metro counties were in the second quartile of unemployment rates for the state at 2.8% in March.

March 2023 Unemployment Rate by County

Sources: U.S. Bureau of Labor Statistics
Energy and manufacturing jobs in OK are still below pre-pandemic but up during the past year.
Oil and gas drilling has begun to fall in Oklahoma with lower profitability, moreso than in the nation.
Oklahoma farm income increased in Q1 2023, but is expected to decline due to drought and increases in interest rates.

Q3 2022: Effects of Drought & Interest Rates on Financial Conditions of Farm Borrowers

Source: FRBKC Ag Credit Survey
Oklahoma’s population grew in 2021 & 2022, despite a historic increase in deaths, due to massive in-migration.

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

2019-22 Net Domestic Migration by County

Note: Vintage 2020 population estimates through 2020.

Sources: FRBNY CCP/Equifax, U.S. Census Bureau
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Questions?

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