U.S. and Oklahoma Economic Outlook

CBAO Horizon Bankers Conference
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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., Tulsa

- **Community Depository Institution Advisory Council (CDIAC):**
  - Barry Anderson, President, F&M Bank, Guthrie
  - Alicia Wade, President, Valliance Bank, Oklahoma City

- **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
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 2023 but remain positive

Quarterly U.S. Economic Growth

Sources: BEA, BLS/Haver Analytics
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 moderately in coming years

U.S. Unemployment Rate

Current (June 2023): 3.6%

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Most Americans would not call the economy good or excellent, but generally consider their own finances to be OK.

Assessment of Financial & Economic Well-Being

<table>
<thead>
<tr>
<th>Percent</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
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<tbody>
<tr>
<td>2017</td>
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<td>2021</td>
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<td>2022</td>
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Financial Well-Being by Income (October 2022)

<table>
<thead>
<tr>
<th>Family Income</th>
<th>Percent doing at least okay financially</th>
<th>Percent able to pay this month’s bills</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2022</td>
<td></td>
</tr>
<tr>
<td>Less than $25,000</td>
<td>51</td>
<td>54</td>
</tr>
<tr>
<td>$25,000 to $49,999</td>
<td>66</td>
<td>61</td>
</tr>
<tr>
<td>$50,000 to $99,999</td>
<td>84</td>
<td>78</td>
</tr>
<tr>
<td>$100,000 or more</td>
<td>95</td>
<td>93</td>
</tr>
</tbody>
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Source: Survey of Household Economics and Decision Making, Federal Reserve Board (released May 2023)
Although inflation has come down from 2022 peaks and is expected to fall further, it remains elevated.

- Current Overall PCE (May 2023): 3.8%
- Current Core PCE (May 2023): 4.6%

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

Sources: Bureau of Economic Analysis, FOMC
CPI inflation eased again in May to 4.0%, but shelter and services inflation remains above 5%.
Wage growth is a key factor keeping services inflation high, but it has come down moderately from recent highs.

Note: Employment Cost Index data are interpolated between quarters
Labor force participation still lags, mostly due to older workers, while immigration rebounded last year after several low years.
Job openings still greatly exceed unemployed workers, keeping wage pressures from easing much, but have trended down in U.S. 

Source: Bureau of Labor Statistics
Longer-term inflation expectations remain anchored around their 20-year average.

Expected Inflation Rate

Source: University of Michigan/Haver Analytics
The Fed held the federal funds rate steady in June, but still projects further rate increases.
The Fed has also continued to reduce its balance sheet of securities, further tightening policy.
Banks have tightened lending standards, especially for commercial loans.
Jobs in Oklahoma have mostly continued to grow, while unemployment stays low.

**Non-Farm Payroll Employment**

Index, Jan. 2020=100

- **U.S.**
- **Oklahoma**
- **OKC**
- **Tulsa**

**Unemployment Rate**

Percent

- **U.S.**
- **Oklahoma**
- **OKC**
- **Tulsa**

Source: U.S. Bureau of Labor Statistics
Energy and manufacturing jobs in OK are still below pre-pandemic but up during the past year

Oklahoma Job Growth by Industry

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
The Oklahoma housing market eased with higher interest rates, but home prices have held on and permits are up, given limited supply.
Much higher mortgage rates and home prices than a few years ago have greatly increased housing costs, but Oklahoma is still relatively affordable.

**Housing Affordability Indicators**

- Typical Home Value (left)
- Typical Monthly Mortgage Payment (right)

**Share of Affordable Homes**

Sources: Zillow, FHLMC/Haver Analytics, NAHB/Wells Fargo Housing Opportunity Index, authors’ calculations
Home prices in parts of rural Oklahoma have grown the most, but remain more affordable than the metros.

**Typical Home Value Growth by County**

**Mortgage Payment to Income Ratio**

Notes: Median income for 2022 and 2023 is projected. 2023 data are from Q1. The mortgage payment assumes a 30-year mortgage with a 20% down payment and additional annual costs and taxes equaling 3% of the current home value.

Sources: Zillow, Freddie Mac, Census Bureau, BLS/Haver Analytics, authors’ calculations.
Many homebuyers purchased homes above their list prices as supply waned during the pandemic, but that has eased in 2023.
Oil and gas drilling has fallen in Oklahoma with lower profitability, even moreso than in the nation.

**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 increased in Q1 2023, but is expected to decline due to drought and higher interest rates, although drought has eased.

Sources: FRBKC Ag Credit Survey, UNL/NOAA/CPC

Farm Income

Oklahoma Drought Map
5/16/2023

7/4/2023
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.

Net Domestic Migration to Oklahoma 2020 and 2021

2019-22 Net Domestic In-Migration by County
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.
Questions?

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