U.S. and Oklahoma Economic Outlook

BancFirst Presidents’ Roundtable
August 8, 2023
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
Oklomans 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):**
  - Barry Anderson, President, F&M Bank, Guthrie
  - Alicia Wade, President, Valliance Bank, Oklahoma City
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

• The Fed has raised interest rates over 500 basis points

• 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 but remained positive through mid-2023

Quarterly U.S. Economic Growth

Real GDP Growth
Employment 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 (July 2023): 3.5%

U.S. unemployment rate

Range

June 2023 Median FOMC Projection

FOMC Projections

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Job openings still greatly exceed unemployed workers, keeping wage pressures from easing much, but have fallen slightly.
Labor force participation still lags, mostly due to older workers, while immigration rebounded last year after several low years.

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

- Index, Feb. 2020, sa
- **Female 25-54**
- **Total**
- **Age 65+**

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

- Ths. People
- Source: BLS, Census Bureau/Haver Analytics
Most Americans would not call the economy good or excellent, and their own financial well-being fell last year and varies widely by income.
Although inflation has come down from 2022 peaks and is expected to fall further, it remains elevated.

PCE Inflation Index

- Current Overall PCE (June 2023): 3.0%
- Current Core PCE (June 2023): 4.1%

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

Sources: Bureau of Economic Analysis, FOMC
CPI inflation eased again in June to 3.0%, but shelter and services inflation remain elevated

*Goods excluding Food; Services excluding Energy.
Note: Relative Importance as Share of CPI shown in parenthesis.
Longer-term inflation expectations remain anchored around their 20-year average, but consumers expect high inflation next year.

Source: University of Michigan/Haver Analytics
The Fed raised the federal funds rate by 25 bps in July, and the latest projections are shown.
The Fed has also begun to reduce its balance sheet of securities, further tightening policy.

Source: Federal Reserve Board
Banks have tightened lending standards more for commercial loans than consumer loans.
Jobs in Oklahoma have mostly continued to grow, while unemployment stays low.

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.
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
Oil and gas drilling has fallen in Oklahoma with lower profitability, even more so than in the nation.

Source: Baker Hughes, EIA/Haver Analytics, FRBKC Surveys.
Oklahoma farm income increased in Q1 2023, but is expected to decline, and drought has improved in the north and west.
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.
Summary

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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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