U.S. and Oklahoma Economic Outlook

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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

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

5 primary responsibility areas:
- Monetary policy
- Financial system stability
- Bank supervision & regulation
- Payment system safety & efficiency
- Consumer protection & community development
• **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, Antlers/Atoka
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  • 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
- The Fed has raised the overnight interest rate to over 5%
- Oklahoma’s economy continues to recover, but jobs remain below pre-pandemic levels in energy
- Oklahoma’s population growth has outpaced the nation in recent years, driven by strong domestic in-migration
U.S. GDP and employment have slowed but remained positive through mid-2023

Quarterly U.S. Economic Growth

Sources: BEA, BLS/Haver Analytics
GDP growth is expected to slow in 2024 before rebounding to near trend in 2025 and 2026
U.S. unemployment remains historically low and is projected to rise only moderately in coming years.

U.S. Unemployment Rate

Percent

- U.S. unemployment rate
- Range
- Sep. 2023 Median FOMC Projection

Current (Aug. 2023): 3.8%

FOMC Projections

Range

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Although inflation has come down from 2022 peaks and is expected to fall further, it remains elevated.

PCE Inflation Index

- Current Overall PCE (July 2023): 3.3%
- Current Core PCE (July 2023): 4.2%

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

Sources: Bureau of Economic Analysis, FOMC
CPI inflation ticked up from 3.2% to 3.7% in July, with shelter and services inflation still elevated and energy prices rising again.
The Fed held the federal funds rate steady in September, and the latest projections are shown.
The Fed also continues to reduce its balance sheet of high-quality securities.

Federal Reserve Balance Sheet

- Short term, targeted, and rescue lending
- Misc. assets
- MBS and agency debt
- Treasury securities and other assets
- Currency
- Reserves
- Other (repurchase agreements, etc.)
Job openings still greatly exceed unemployed workers, but have edged down lately, helping ease wage pressures.
Labor force participation still lags, mostly due to older workers, while immigration rebounded last year after several low years.

Source: BLS, Census Bureau/Haver Analytics
Job growth in Oklahoma has slowed in recent months but is above pre-pandemic levels, while unemployment remains very low.

Source: U.S. Bureau of Labor Statistics
Most Oklahoma sectors added jobs over the past year, but job growth varies widely relative to pre-pandemic levels.
The warehousing industry has boomed in Oklahoma over the past decade as consumers spent more on goods, but has cooled a bit.

Sources: BLS QCEW, Affinity Solutions/Track the Recovery, BEA, authors’ calculations

Oklahoma Transportation, Warehousing, & Utilities Employment

Oklahoma Consumer Spending Growth

Note: Warehousing jobs are defined as all jobs in the NAICS 49 category, which include the private Postal Service (491), Messengers & Couriers (492), and Warehousing & Storage (493).

Note: Experiences consumer spending growth is calculated as an average of Accommodation & Food Service and Arts, Entertainment, & Recreation spending growth weighted by Personal Consumption Expenditures.

Sources: BLS QCEW, Affinity Solutions/Track the Recovery, BEA, authors’ calculations
Energy activity continued to decline in Q2 as profit margins have been squeezed.

Sources: EIA, FRBKC Energy Survey
Oklahoma farm income increased in Q2 2023 and was expected to rise further, as drought conditions improved in some areas.
The Oklahoma housing market eased with higher interest rates, but home prices have held up and permits have risen.
Home prices in parts of rural Oklahoma have grown the most, but remain more affordable than the metros.

### Typical Home Value Growth by County

![Home Value Growth Map](image)

### Mortgage Payment to Income Ratio

![Mortgage Payment Graph](image)

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
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 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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