

U.S. and Oklahoma Economic Outlook

Credit Union Real Estate Network
October 18, 2023

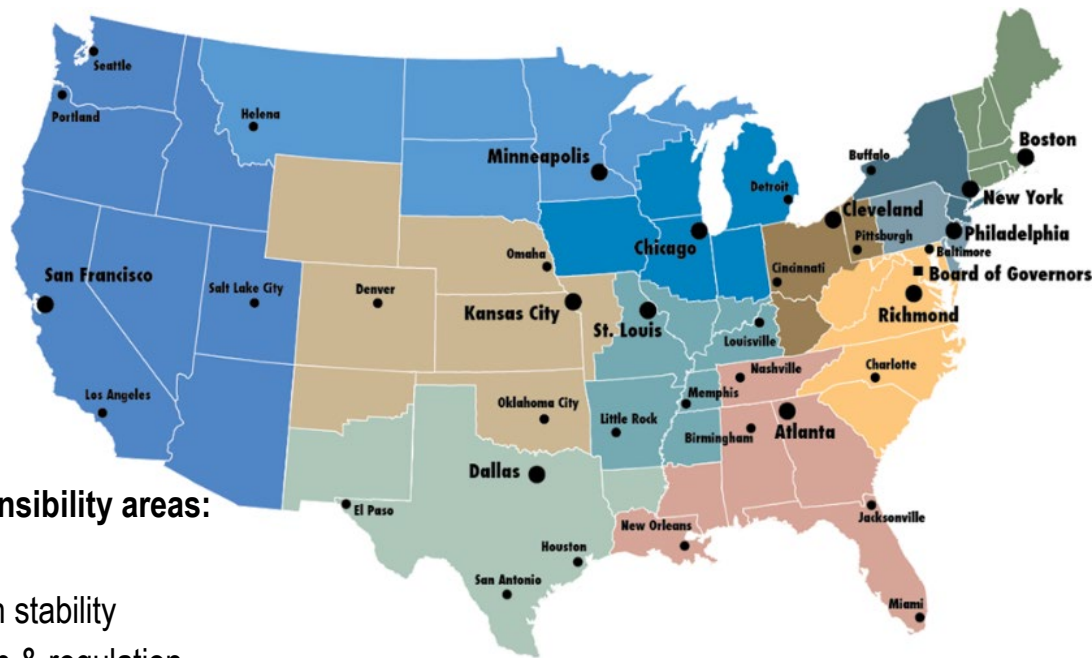
Megan Williams

Senior Manager and Associate Economist

*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, Antlers/Atoka
- **Walt Duncan**, President, Duncan Oil Properties, OKC
- **Rhonda Hooper**, President & CEO, Jordan Advertising, OKC
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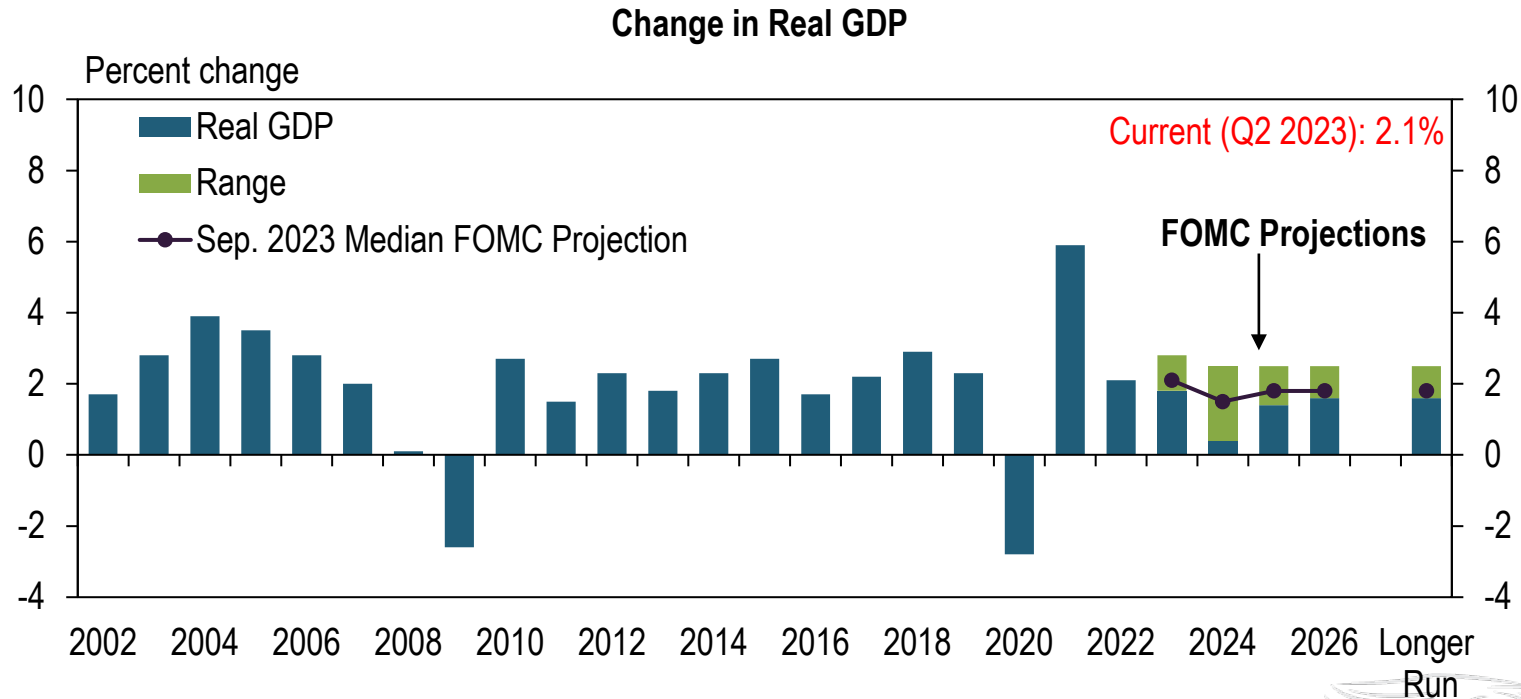


Overview

- 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 some sectors, especially energy
- Oklahoma's population growth has outpaced the nation in recent years, driven by strong domestic in-migration

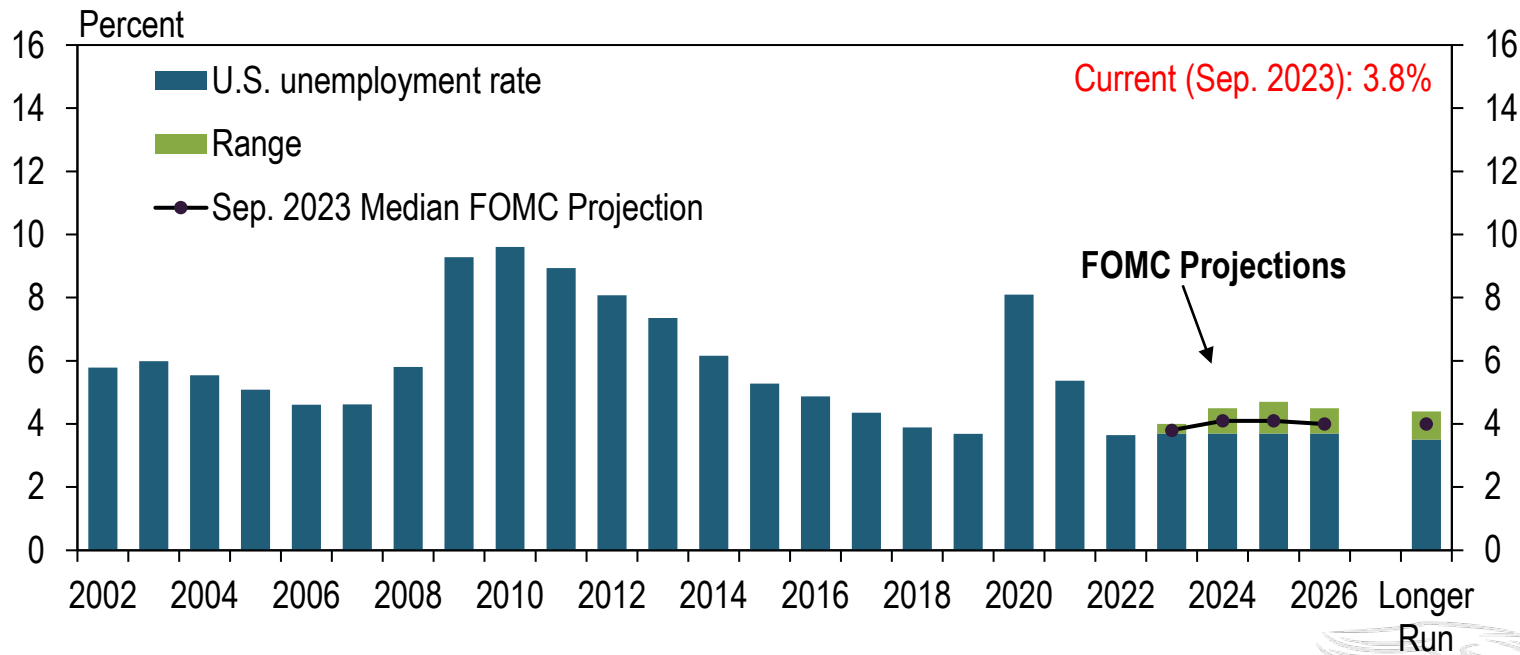


GDP growth is expected to slow in 2024 before rebounding to near trend in 2025 and 2026

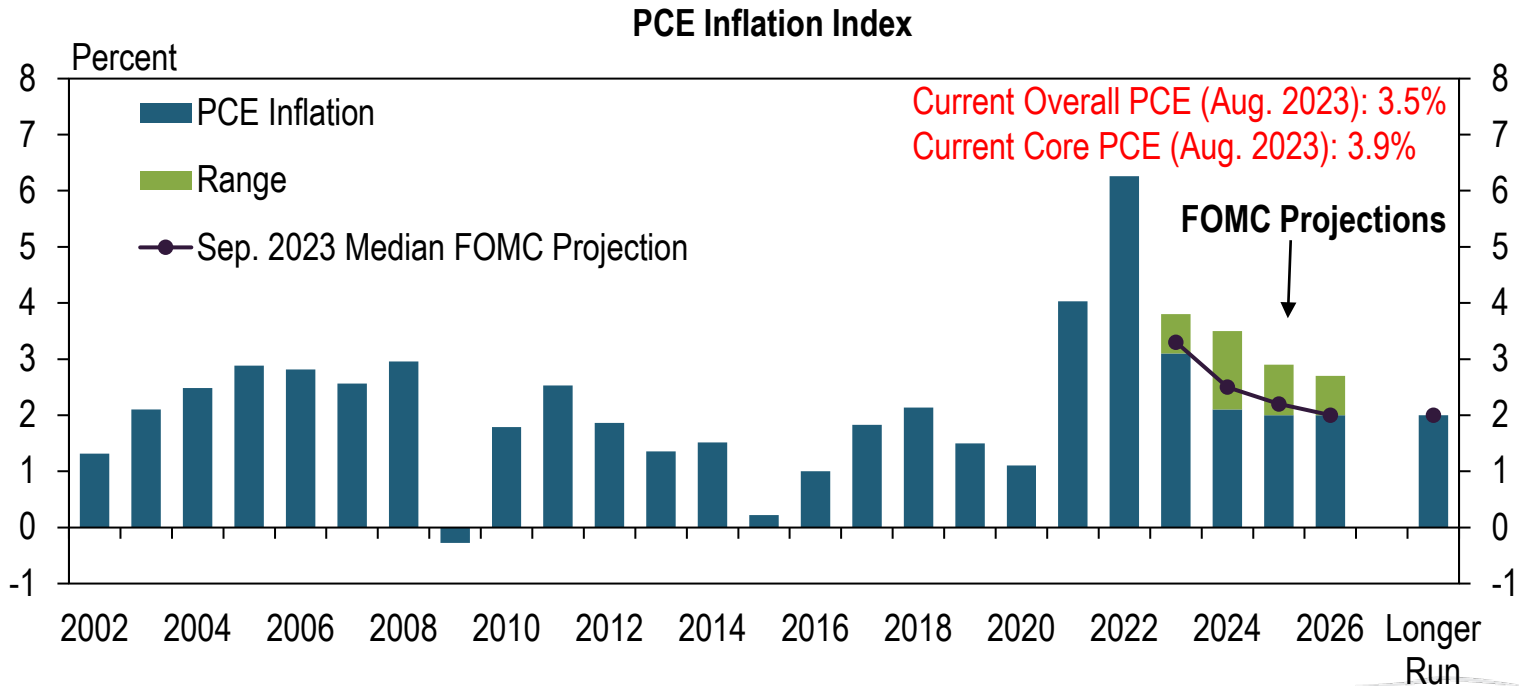


U.S. unemployment remains historically low and is projected to rise only moderately in coming years

U.S. Unemployment Rate

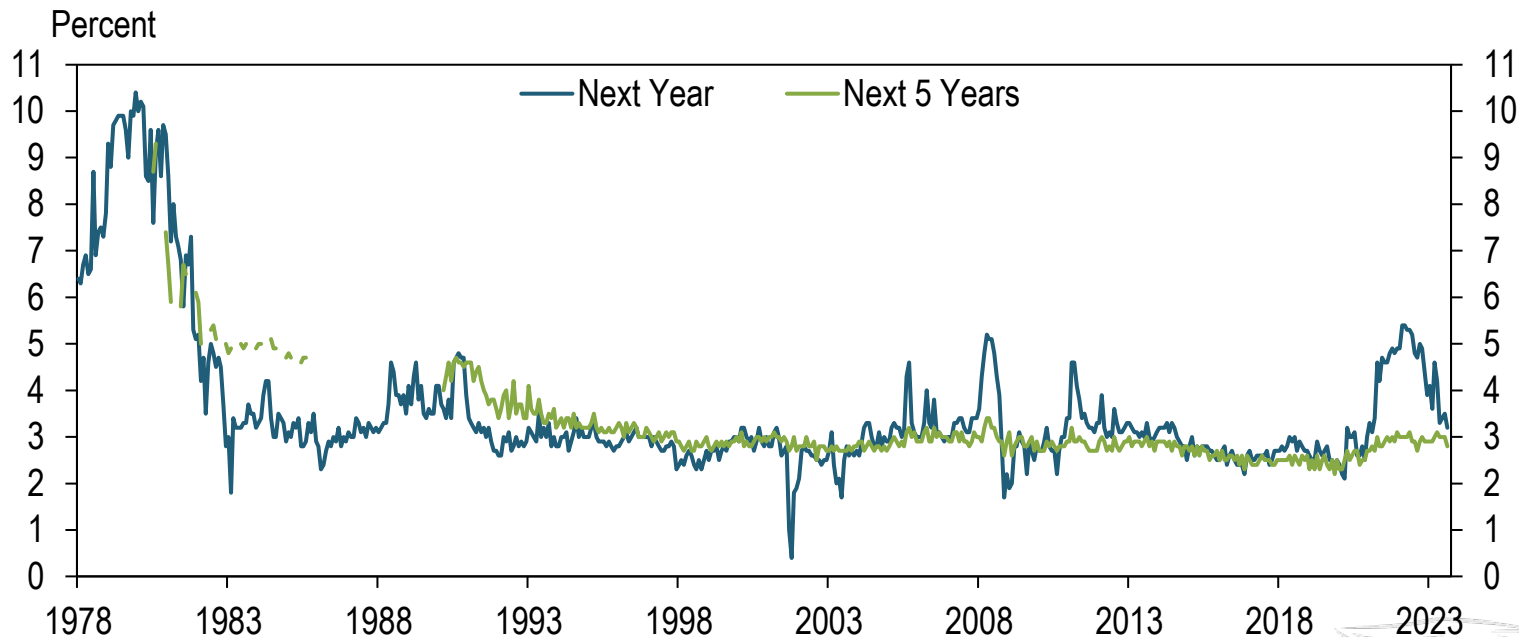


Although inflation has come down from 2022 peaks and is expected to fall further, it remains elevated

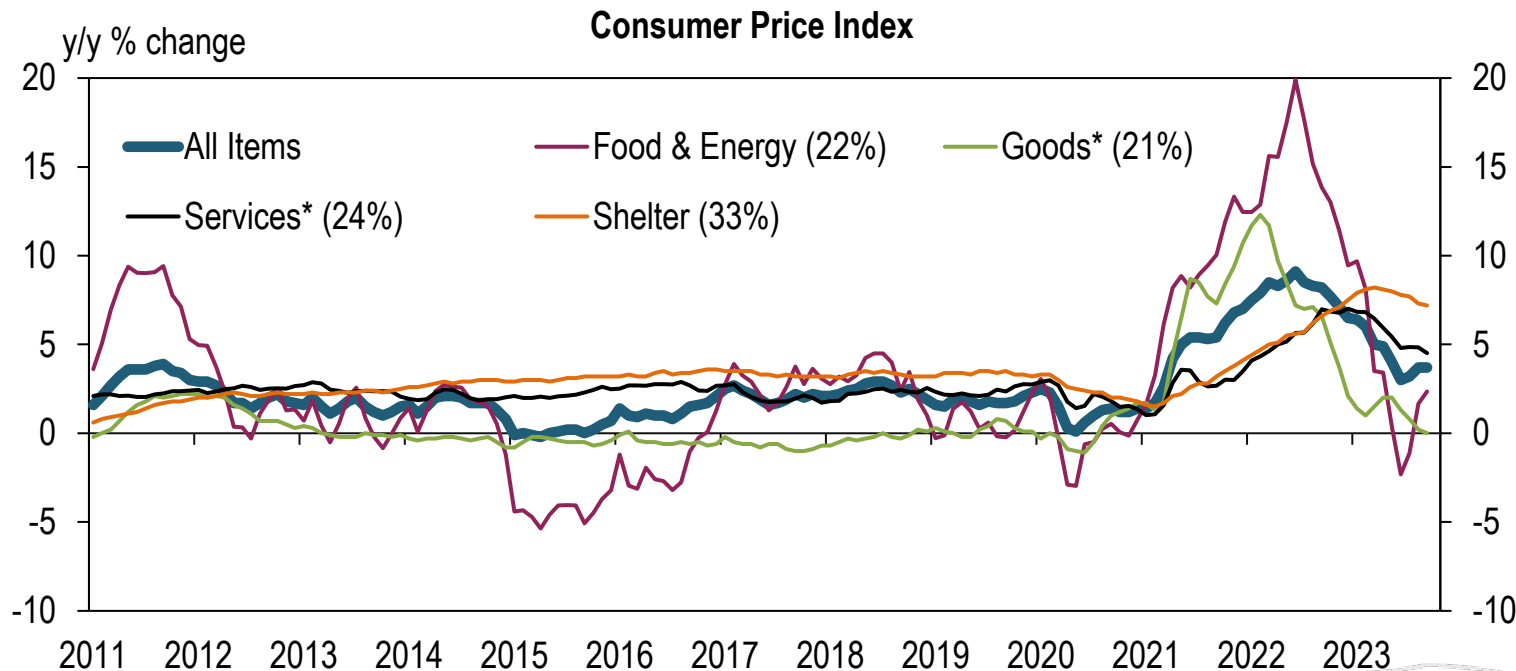


Longer-term inflation expectations remain anchored around their 20-year average, but consumers expect high inflation next year

Expected Inflation Rate



CPI inflation stayed at 3.7% in September, with shelter and services inflation still high and food prices rising

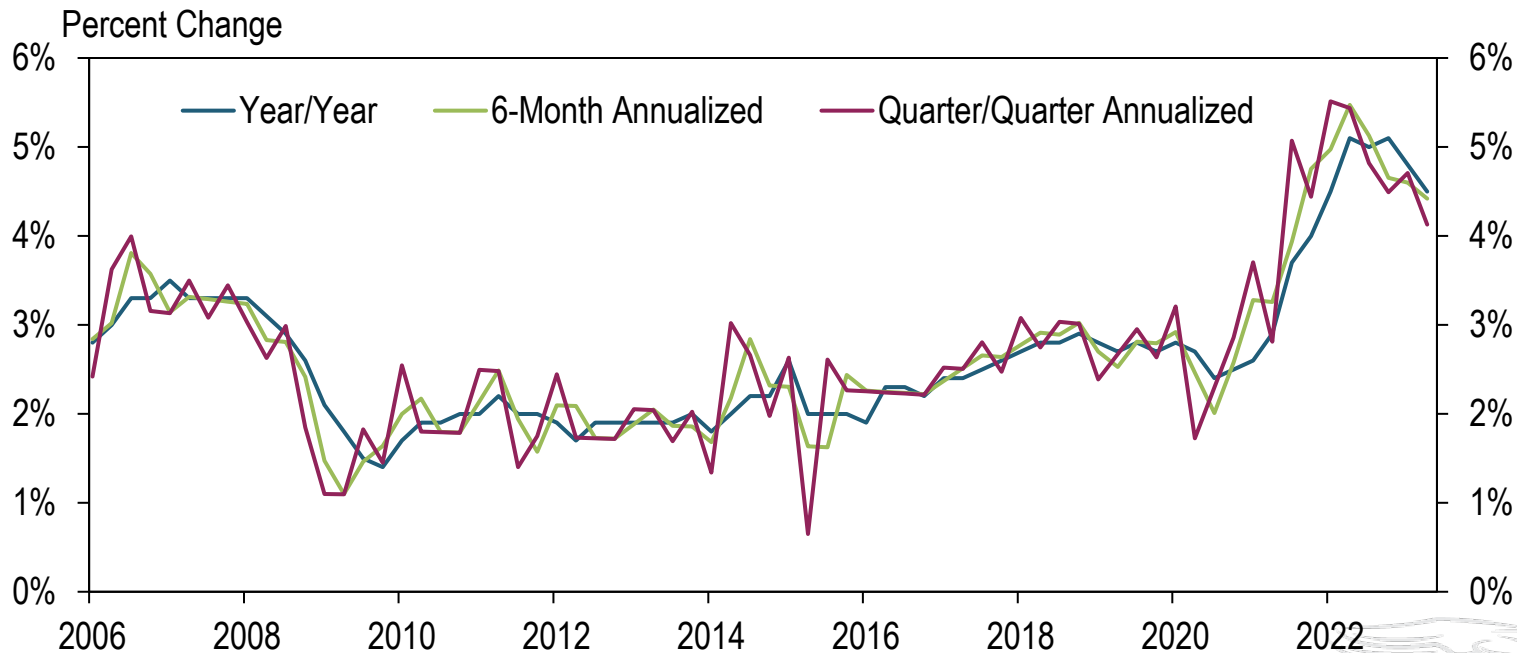


*Goods excluding Food; Services excluding Energy.
 Note: Relative Importance as Share of CPI shown in parenthesis.

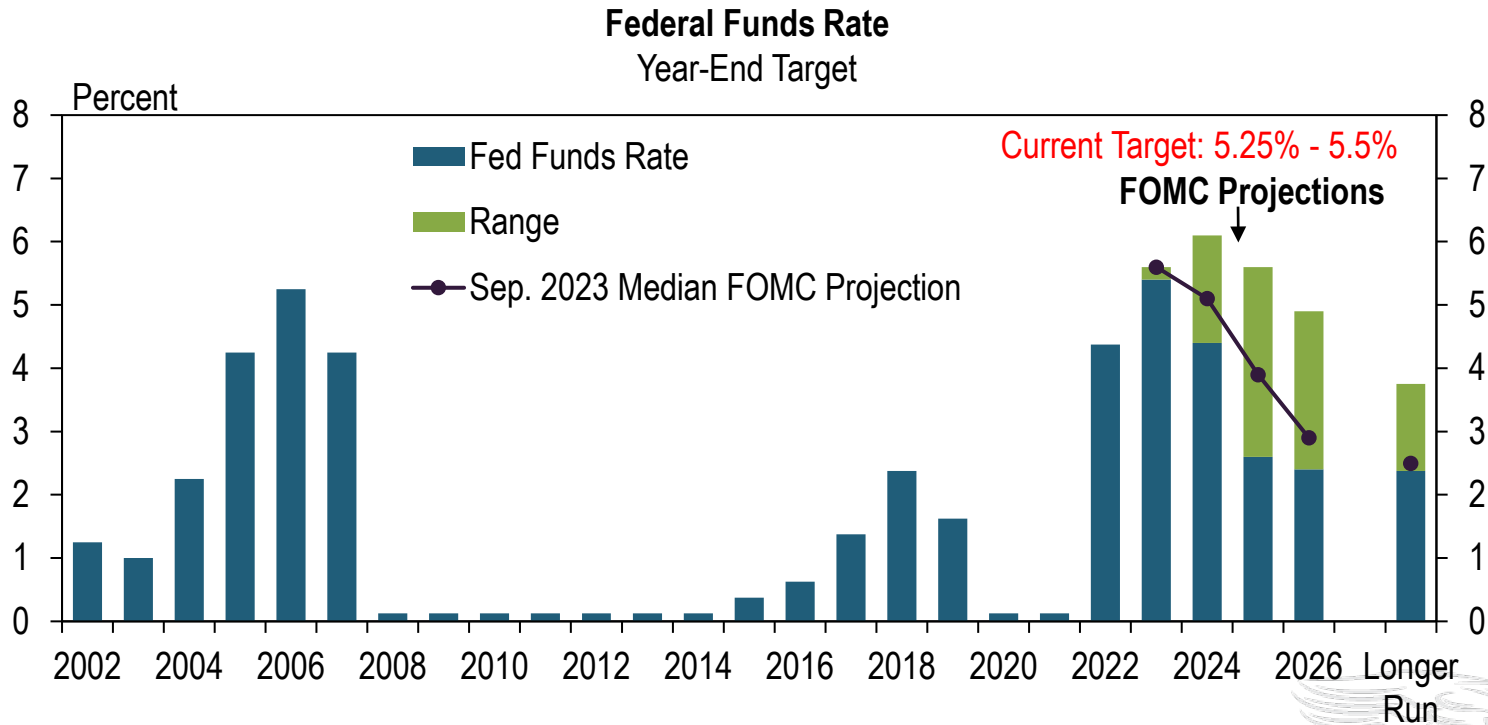


Wage growth is a key factor keeping services inflation high, but has come down from highs in recent months

Employment Cost Index



The Fed held the federal funds rate steady in September, and the latest projections are shown



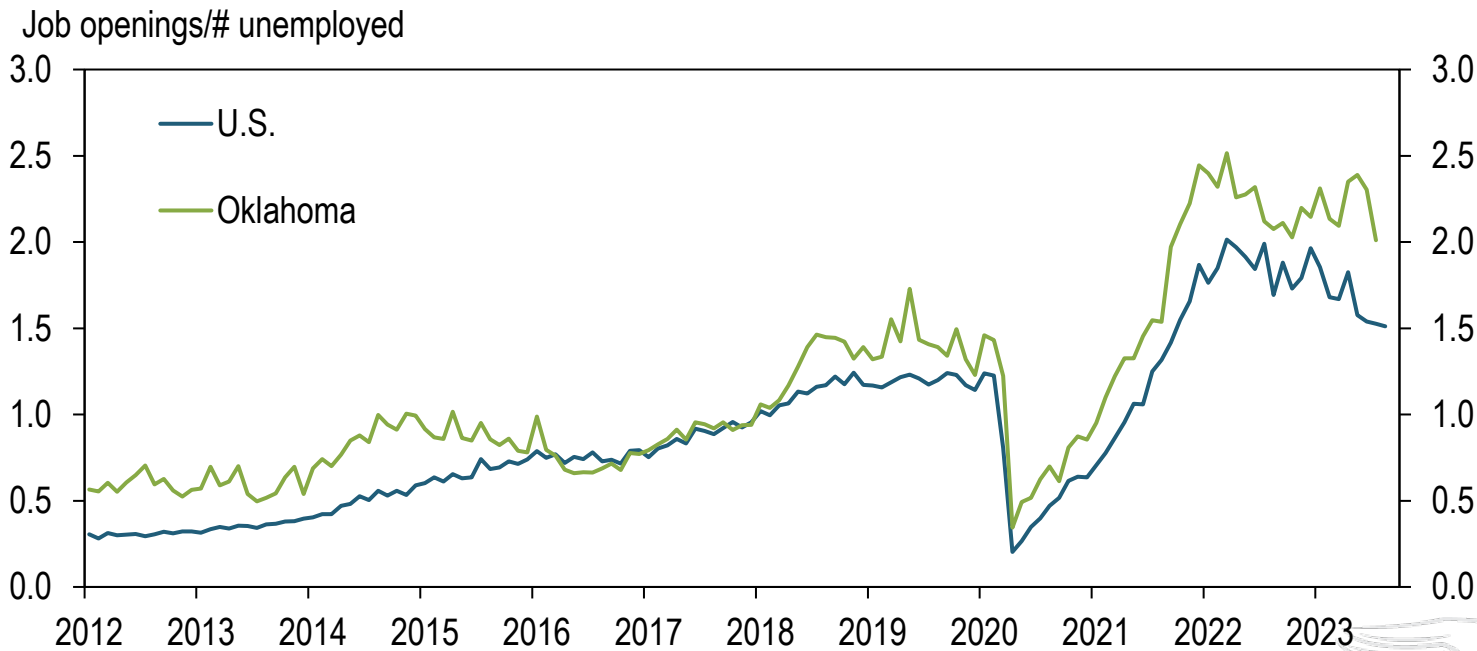
Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC



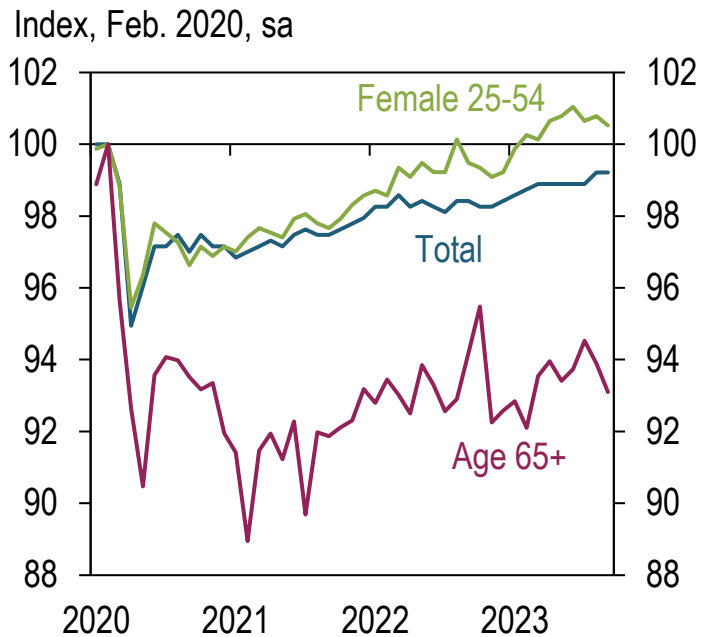
Job openings still greatly exceed unemployed workers, but have fallen slightly at the national level, helping ease wage pressures

Job Openings/Unemployment Ratio

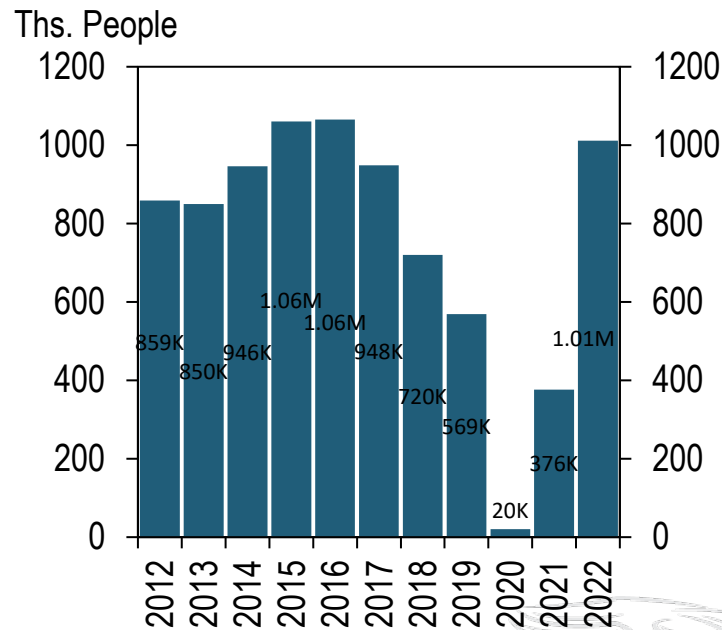


Labor force participation still lags, mostly due to older workers, while immigration rebounded last year after several low years

U.S. Labor Force Participation Rate

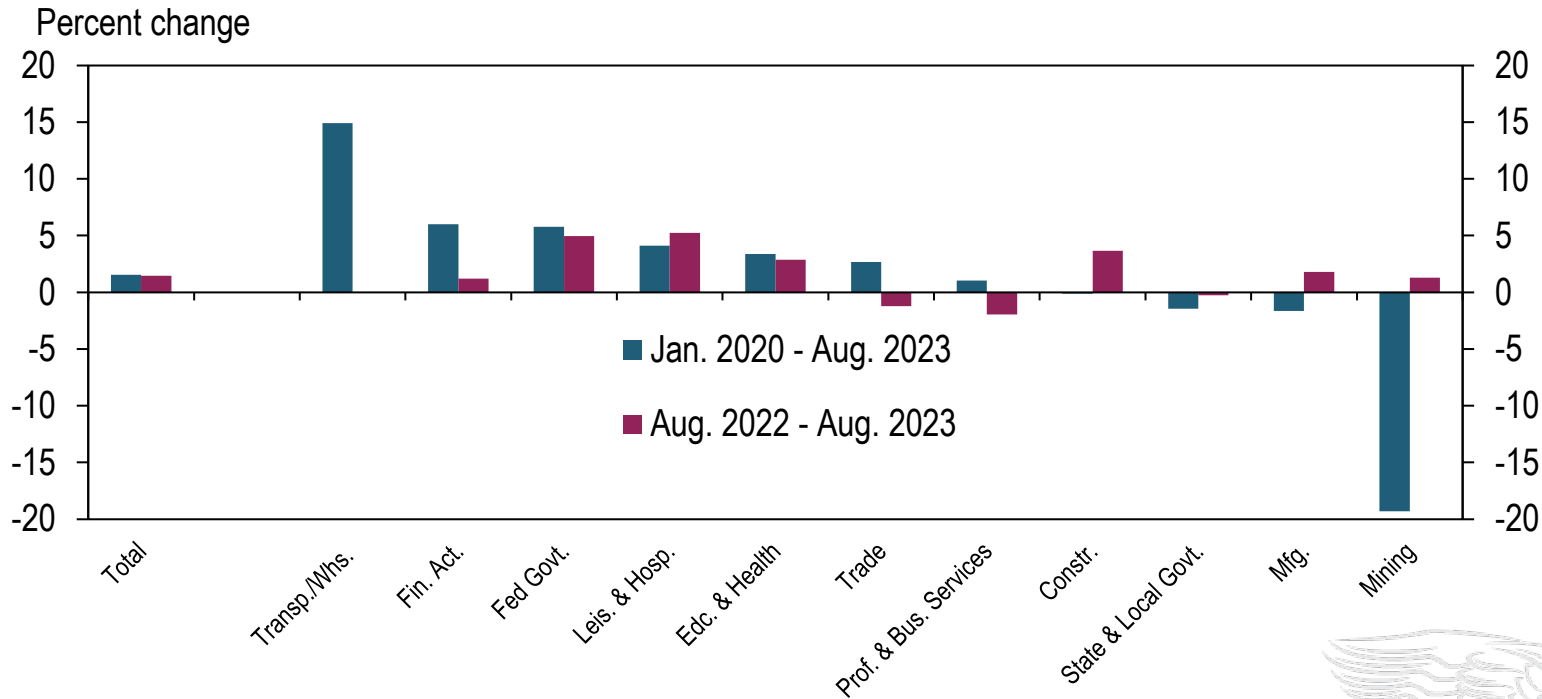


Net International Immigration to the U.S.



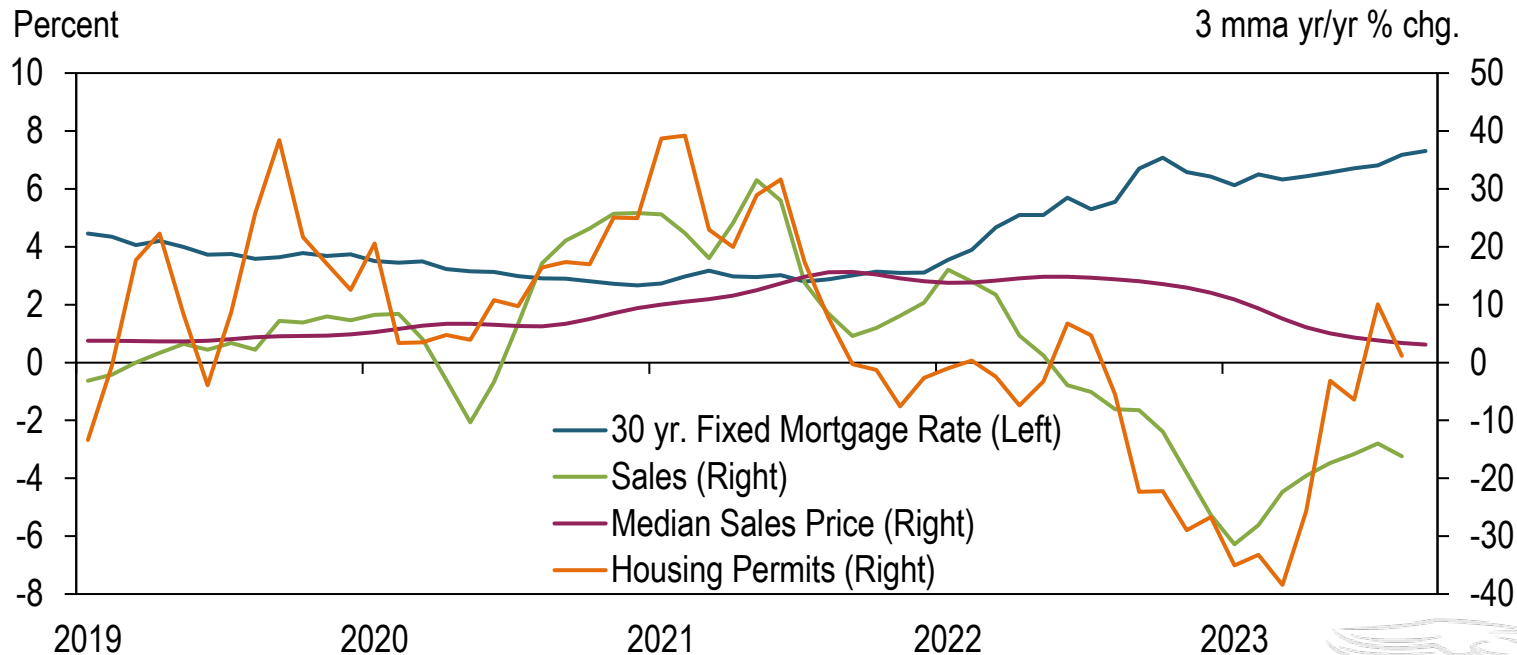
Most Oklahoma sectors added jobs over the past year, but job growth varies widely relative to pre-pandemic levels

Oklahoma Job Growth by Industry



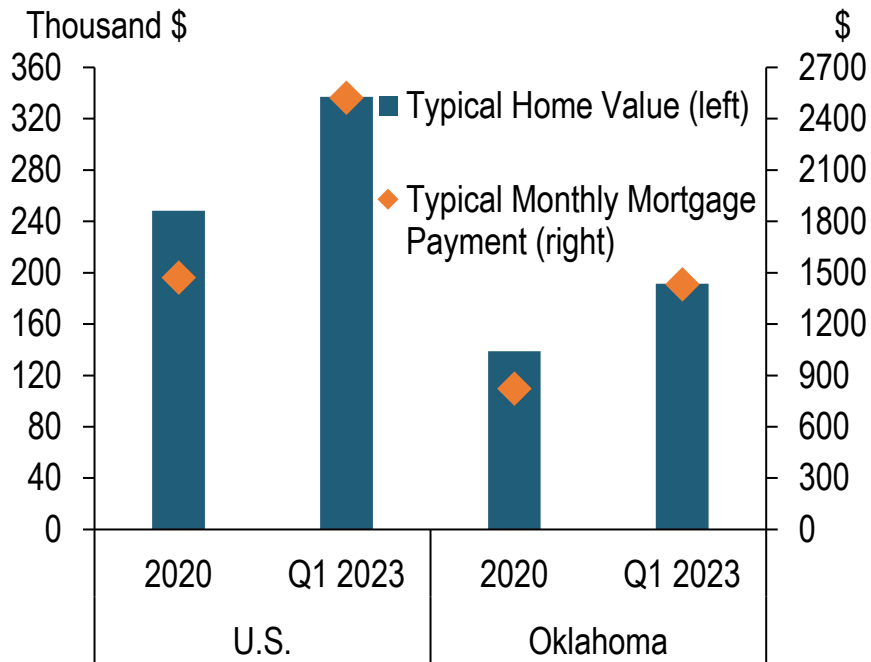
The Oklahoma housing market eased with higher interest rates, but home prices have held up and permits have risen

Oklahoma Housing Market Indicators

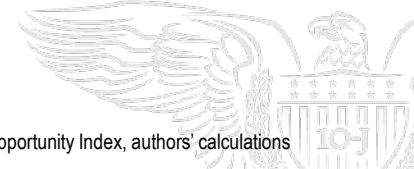
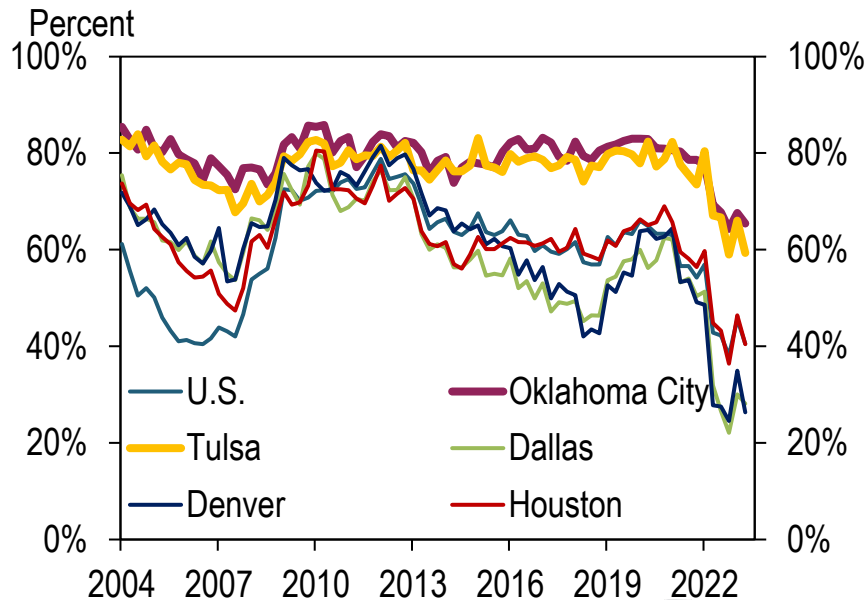


Much higher mortgage rates and home prices than a few years ago have greatly increased housing costs, but Oklahoma is still relatively affordable

Housing Affordability Indicators

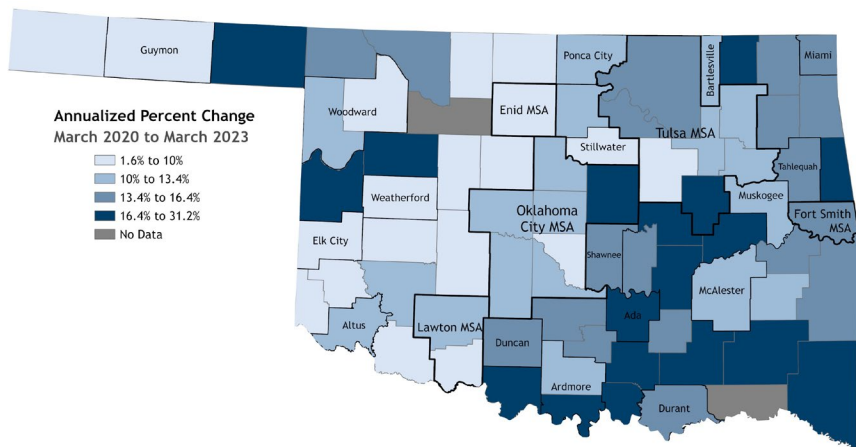


Share of Affordable Homes

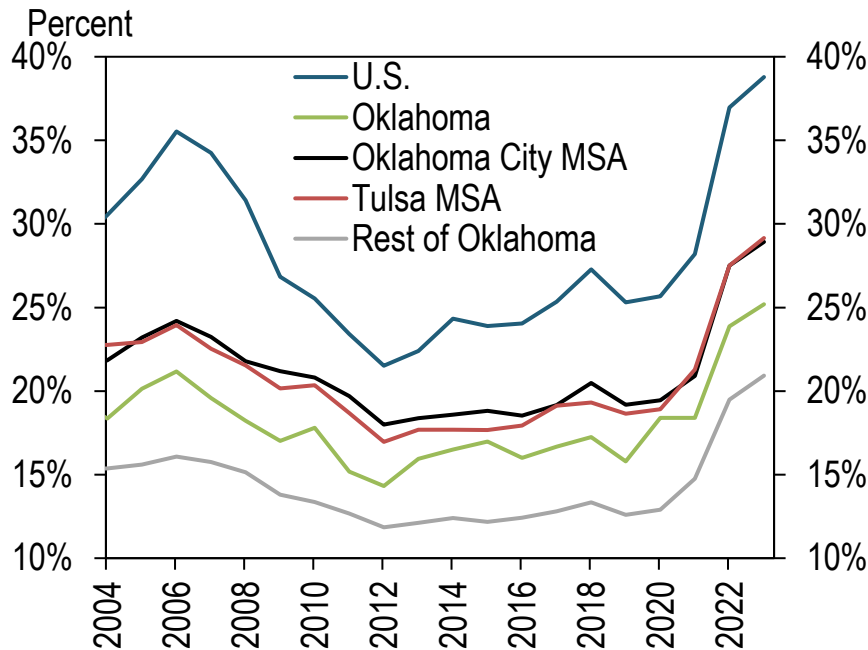


Home prices in parts of rural Oklahoma have grown the most, but remain more affordable than the metros

Typical Home Value Growth by County



Mortgage Payment to Income Ratio

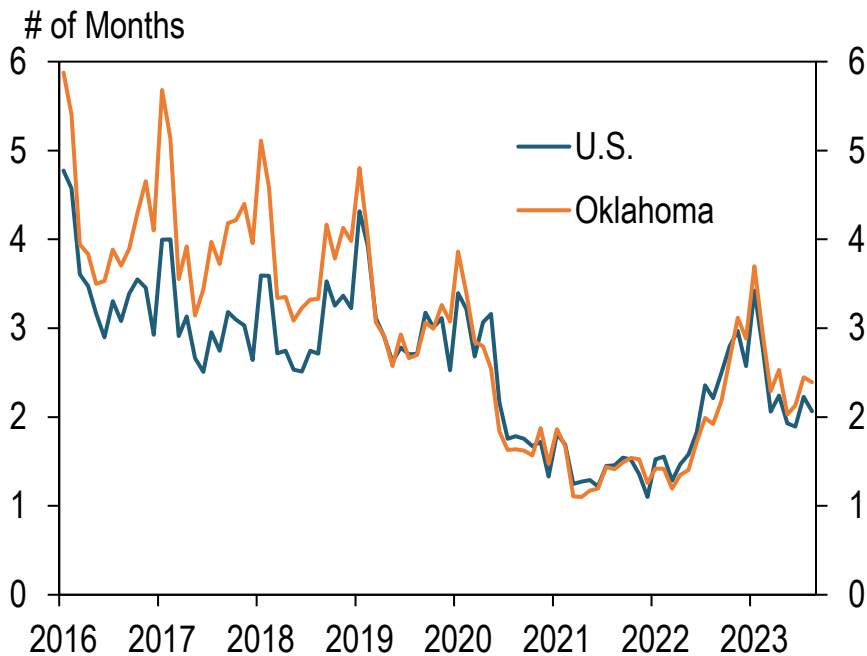


Notes: Median income for 2022 and 2023 is projected. 2023 data are from Q1. The mortgage payment assumes a 30-year mortgage with a 20% down payment and additional annual costs and taxes equaling 3% of the current home value.

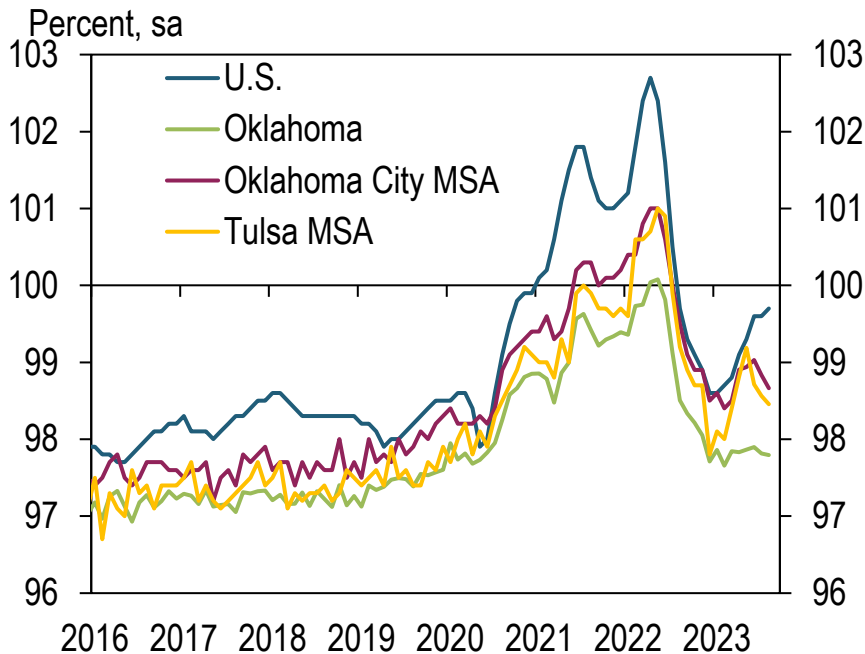
Sources: Zillow, Freddie Mac, Census Bureau, BLS/Haver Analytics, authors' calculations

Many homebuyers purchased homes above their list prices as supply waned during the pandemic

Months of Supply of Unsold Homes

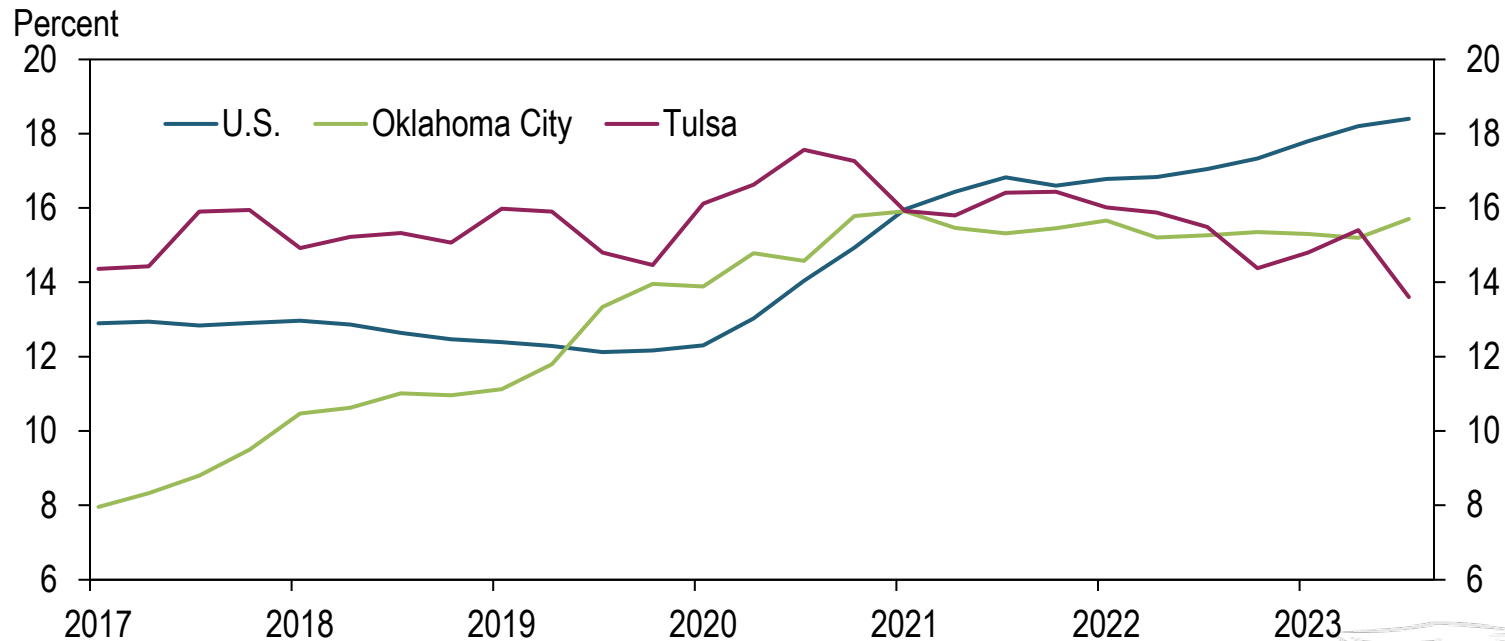


Average Sale to List Price Ratio



Office vacancy rates in Oklahoma have not risen like they have in the nation, and dropped in Tulsa in Q3

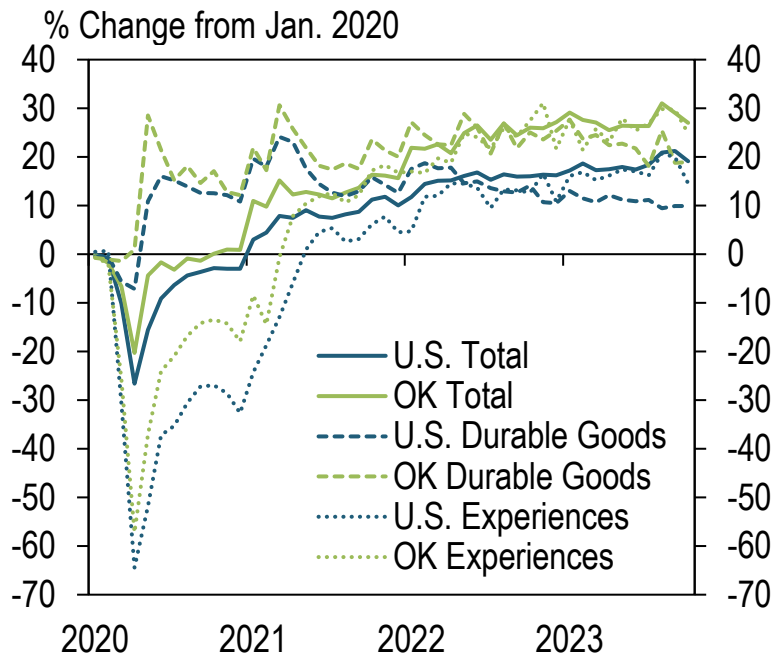
Office Vacancy Rates



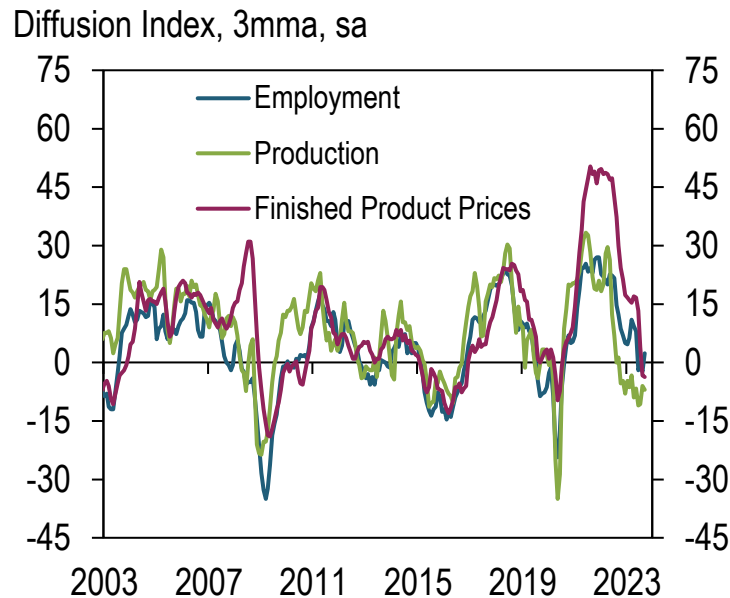
Source: CBRE-EA

OK consumer spending continues to rise at a slower pace, while regional factory production has stagnated

Oklahoma Consumer Spending

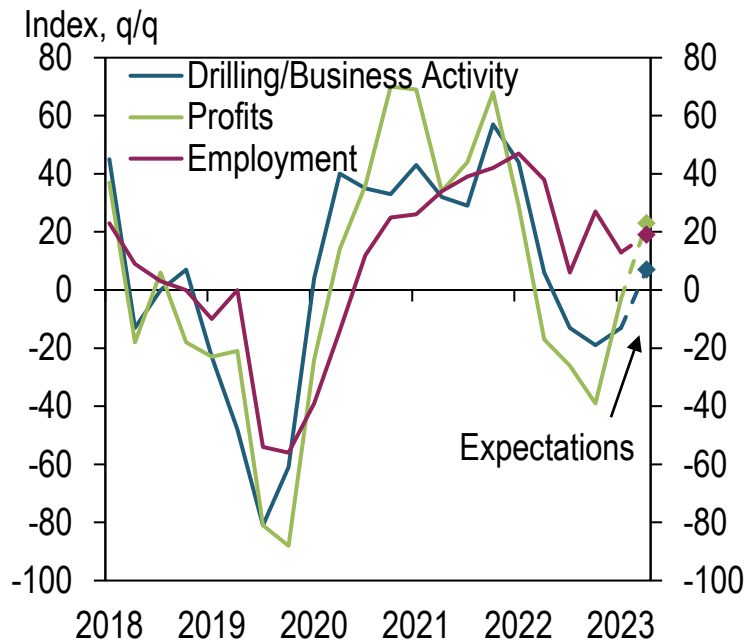


KC Fed Manufacturing Survey

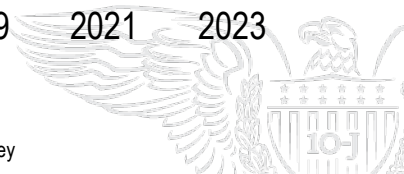
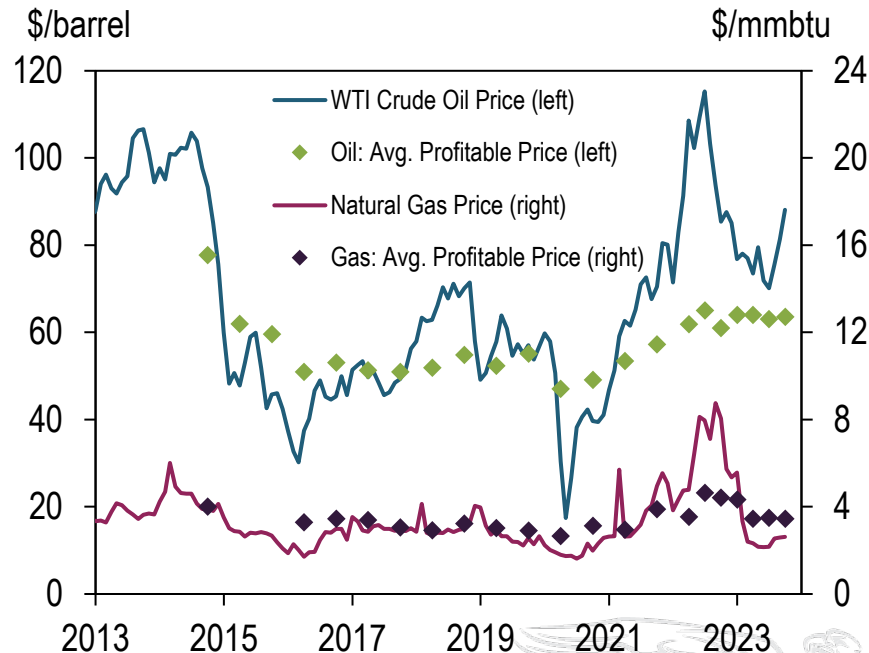


Energy activity declined further in Q3, but firms' sentiment for the future has improved in light of increased commodity prices

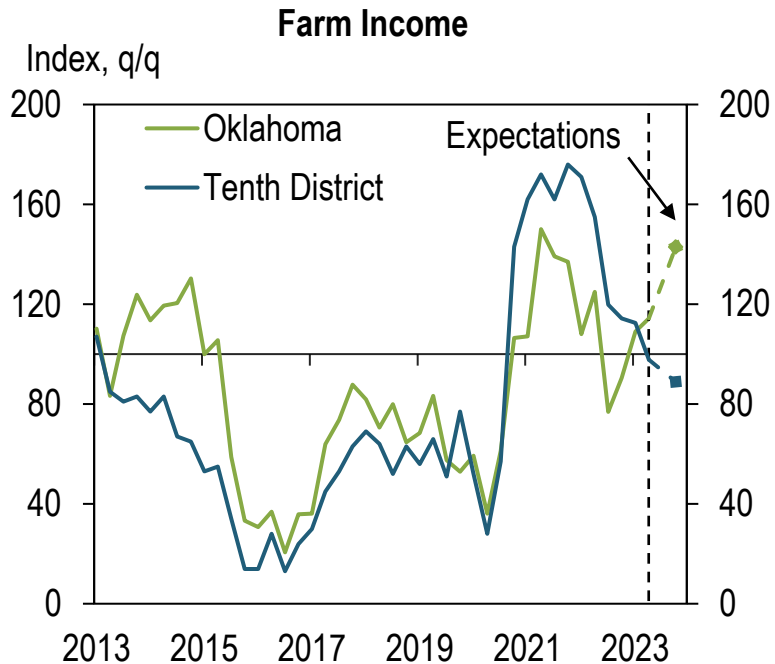
Energy Survey Indexes



U.S. Energy Prices

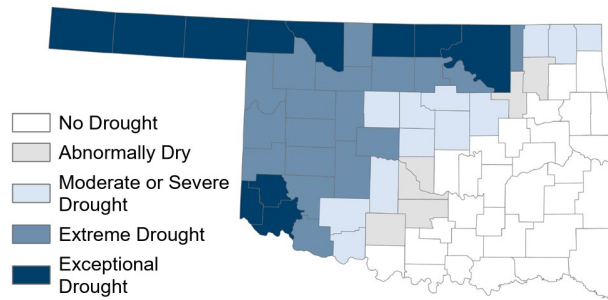


Oklahoma farm income increased in Q2 2023 and was expected to rise further, as drought conditions improved in the panhandle

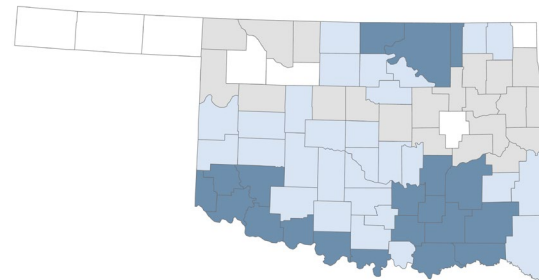


Oklahoma Drought Map

5/16/2023

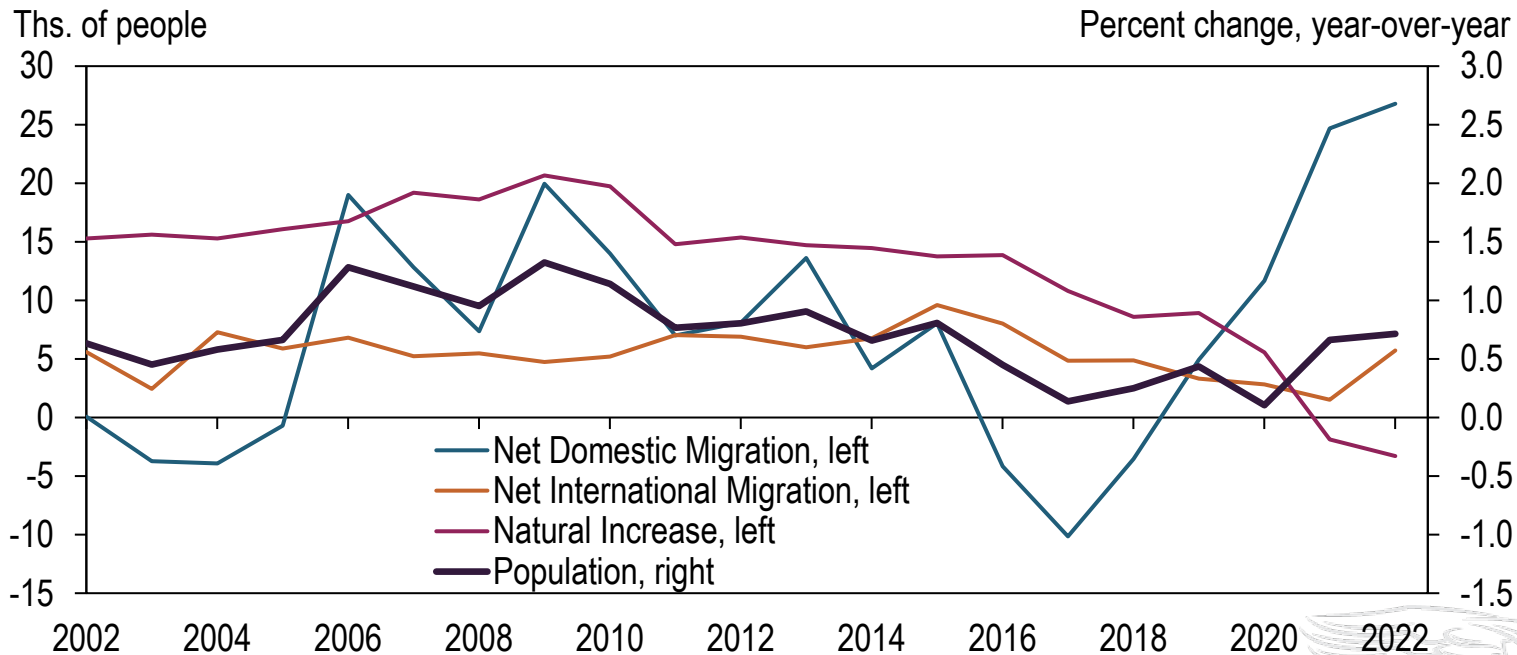


10/10/2023



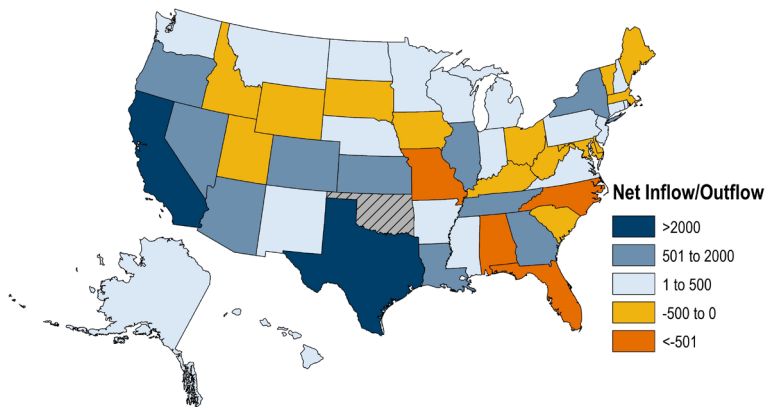
Oklahoma's population grew in 2021 & 2022, despite a historic increase in deaths, due to massive in-migration

Oklahoma Population Changes by Component, 2001-2022

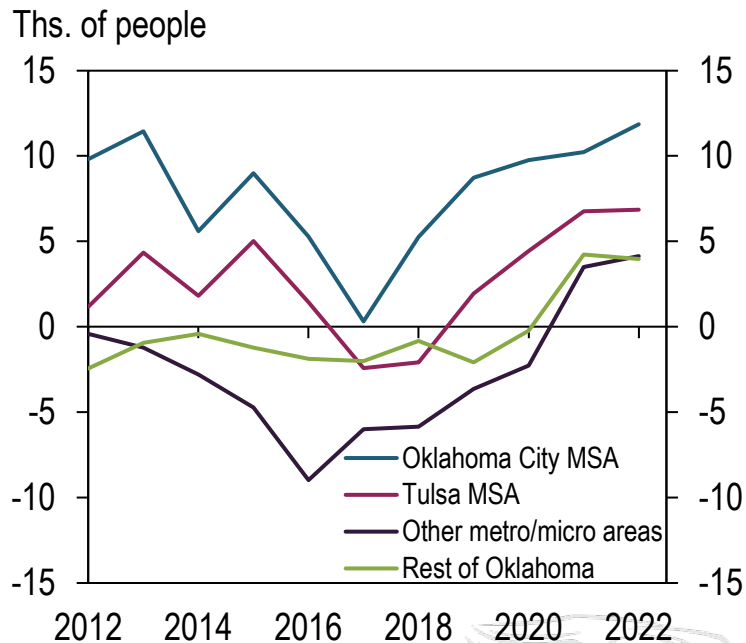


Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

**Net Domestic Migration to Oklahoma
2020 and 2021**



Oklahoma Net Domestic Migration



Summary

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Questions?

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