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

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
  • **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 some sectors, especially energy

• Consumer spending remains strong, but reductions in government support may limit the ability of households to keep up with costs.
U.S. GDP growth exceeded estimates in Q3, and employment growth has slowed but remained positive.

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

Current (Sep. 2023): 3.8%

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.

Current Overall PCE (Sep. 2023): 3.4%
Current Core PCE (Sep. 2023): 3.7%

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

Sources: Bureau of Economic Analysis, FOMC
CPI inflation stayed at 3.7% in September, with shelter and services inflation and energy prices rising.

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

Sources: BLS/Haver Analytics
Wage growth is a key factor keeping services inflation elevated, and has come down moderately from recent highs.
Job openings still greatly exceed unemployed workers but have fallen slightly at the national level, helping ease wage pressures.
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
The Fed held the federal funds rate steady again in October, and the latest projections are shown.

Federal Funds Rate
Year-End Target

Current Target: 5.25% - 5.5%
FOMC Projections

Note: Data and FOMC projections are for year-end.
Most Americans would not call the economy good or excellent, and their own financial well-being fell last year and varies widely by income.

**Assessment of Financial & Economic Well-Being**

- **Own finances (doing at least okay)**
  - 2017: 70%
  - 2018: 60%
  - 2019: 50%
  - 2020: 40%
  - 2021: 50%
  - 2022: 60%

- **Local economy (good or excellent)**
  - 2017: 60%
  - 2018: 50%
  - 2019: 40%
  - 2020: 30%
  - 2021: 40%
  - 2022: 50%

- **National economy (good or excellent)**
  - 2017: 50%
  - 2018: 40%
  - 2019: 30%
  - 2020: 20%
  - 2021: 30%
  - 2022: 40%

**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></td>
<td>2019</td>
<td>2022</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>
</table>

Source: Survey of Household Economics and Decision Making, Federal Reserve Board (released May 2023)
Risks are growing, especially for low- and moderate-income households, as costs remain high and government support recedes.

Household Food, Fuel, and Housing Expenditures in the Tenth District

Methods Used by Low-Income Households to Meet Spending Needs
Jobs in Oklahoma have leveled off in recent months at above pre-pandemic levels, while unemployment remains very low.
Most Oklahoma sectors added jobs over the past year, but job growth varies widely relative to pre-pandemic levels.
OK consumer spending continues to rise, while regional factory production has slowed.
We have started to see some slowing in sales relative to a year ago, but businesses are reluctant to let go of workers.

Manufacturing New Orders and Employment

Source: Federal Reserve Bank of Kansas City
Much higher rental rates and home prices than a few years ago have greatly increased housing costs, but Oklahoma is still relatively affordable.
Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too.
The OKC and Tulsa metros—along with several eastern and southern nonmetro counties—have grown the most.
Activity & rig counts have begun to edge down in Oklahoma and the nation with lower profitability.

Sources: FRBKC Energy Survey, EIA/Haver Analytics
Oklahoma farm income increased in Q2 2023 and was expected to rise further, as drought conditions improved in the panhandle.
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Questions?

For more analysis of the Oklahoma economy, regional manufacturing conditions and regional energy conditions, subscribe to receive e-mail alerts from the KANSAS CITY FED.

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