U.S. and Oklahoma Economic Outlook

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Chad Wilkerson
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.
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
• U.S. economic growth has continued in 2023, and unemployment remains low

• But inflation remains too high, despite coming down from 2022 peaks, and 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
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 (Oct. 2023):** 3.9%
- **Sep. 2023 Median FOMC Projection:**
- **FOMC Projections:**
- **Range:**

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

**Sources:** U.S. Bureau of Labor Statistics, FOMC
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
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

<table>
<thead>
<tr>
<th>Percent</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own finances (doing at least okay)</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
<td>70%</td>
<td>60%</td>
</tr>
<tr>
<td>Local economy (good or excellent)</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>National economy (good or excellent)</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>40%</td>
</tr>
</tbody>
</table>

### 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)
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 fell to 3.2% in October, with shelter and energy price growth easing.
Wage growth is a key factor keeping services inflation high, but has come down moderately in 2023.

Wage Growth

y/y % chg.

Employment Cost Index

Avg. Hourly Earnings

Note: Employment Cost Index data are interpolated between quarters

Sources: BLS/Haver Analytics
The Fed held the federal funds rate steady again in November, and the latest projections are shown.

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

Sources: Bureau of Economic Analysis, FOMC
The Fed also continues to reduce its balance sheet of high-quality securities
Banks have tightened commercial lending standards

Net Percent of Banks Tightening Standards

Source: FRB Senior Loan Officer Opinion Survey
Job openings still greatly exceed unemployed workers, but have fallen slightly at the national level, helping ease wage pressures.

Source: Bureau of Labor Statistics
Jobs in Oklahoma continue to grow, while unemployment remains very low

**Non-Farm Payroll Employment**

Index, Jan. 2020=100

2020 2021 2022 2023

**Unemployment Rate**

Percent

2015 2017 2019 2021 2023

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.

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.
Oklahoma and Colorado have had outsized declines in mining jobs in recent years, in part due to high concentrations of natural gas.

**Mining Employment Growth by State**

- **U.S.**
- **OK**
- **CO**
- **LA**
- **TX**
- **NM**
  - Oct. 2022 - Oct. 2023: 5%
- **ND**
  - Oct. 2022 - Oct. 2023: 5%

**2023 Average Oil & Gas Production Composition**

- **U.S. Average**
  - Share of Natural Gas: 80%
  - Share of Crude Oil: 20%
- **LA**
  - Share of Natural Gas: 70%
  - Share of Crude Oil: 30%
- **OK**
  - Share of Natural Gas: 70%
  - Share of Crude Oil: 30%
- **CO**
  - Share of Natural Gas: 60%
  - Share of Crude Oil: 40%
- **TX**
  - Share of Natural Gas: 50%
  - Share of Crude Oil: 50%
- **NM**
  - Share of Natural Gas: 40%
  - Share of Crude Oil: 60%
- **ND**
  - Share of Natural Gas: 30%
  - Share of Crude Oil: 70%

Note: Mining employment includes Logging.
Sources: BLS CES, EIA/Haver Analytics
Tenth District oil and gas activity continued to decline in Q3, but expectations rose as oil prices increased.
The Oklahoma housing market eased with higher interest rates, but home prices have held up and permits have risen.
Much higher mortgage rates and home prices than a few years ago have greatly increased housing costs, but Oklahoma is still relatively affordable.
Office vacancy rates in Oklahoma have not risen like they have in the nation, and dropped in Tulsa in Q3
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

- U.S. economic growth has continued in 2023, and unemployment remains low.
- But inflation remains too high, despite coming down from 2022 peaks, and 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.
Questions?

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