U.S. and Oklahoma Economic Outlook

Central Oklahoma Financial Planning Association
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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

- **2024 OKC Branch Board of Directors**
  - Dana Weber (chair), Chair & CEO, Webco Industries, Sand Springs
  - Mark Burrage, CEO, FirstBank, Antlers/Atoka
  - Scott Case, President, Case & Associates Properties, Tulsa
  - 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
Overview

- U.S. economic growth 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
U.S. GDP growth is expected to slow in 2024 before rebounding to near trend in 2025 and 2026

Change in Real GDP

Percent change

Real GDP
Range
Sep. 2023 Median Projection
Dec. 2023 Median FOMC Projection

Current (Q3 2023): 4.9%

Sources: Bureau of Economic Analysis, FOMC

Note: Data and FOMC projections are for year-end.
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
- Dec. 2023 Median FOMC Projection

Current (Dec. 2023): 3.7%

FOMC Projections

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 (Nov. 2023): 2.6%
- Current Core PCE (Nov. 2023): 3.2%

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

Sources: Bureau of Economic Analysis, FOMC
CPI inflation ticked back up to 3.4% in December, as energy price growth rose and shelter inflation eased.

*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 high, and has come down moderately from recent highs.
The Fed held the federal funds rate steady again in December, and lowered future projections somewhat.
The Fed also continues to reduce its balance sheet of high-quality securities
Job openings still greatly exceed unemployed workers, but have fallen slightly, helping ease wage pressures

Job Openings/Unemployment Ratio

Source: Bureau of Labor Statistics
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.

Source: BLS, Census Bureau/Haver Analytics
Jobs in Oklahoma have leveled off in recent months 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.

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 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.
Tenth District oil and gas activity continued to decline in Q3, but expectations rose as oil prices increased.
Oklahoma farm income increased in Q3 2023 and was expected to rise further, as drought conditions improved in the panhandle.

Sources: FRBKC Ag Credit Survey, UNL/NOAA/CPC
Oklahoma’s population grew in 2023 again, primarily due to elevated domestic migration, also with increases in other components.
Oklahoma had the 12th highest rate of domestic migration post-pandemic and in 2023, gaining the most residents from California and Texas.

Net Domestic Migration by State

Migration by State, 2020 to 2023

Migration to Oklahoma During 2020 - Q3 2023

Percent of 2020 Population
-4.03% to -0.7%
-0.7% to 0%
0% to 1.82%
1.82% to 3.16%

Net Flow
Less than -800
-800 to 0
1 to 800
801 to 8,000
More than 8,000

Notes: Categories shown in lefthand map are quartiles, with the 50th Percentile slightly altered to be 0. Migration to Oklahoma (righthand map) is limited to age 25+. Sources: U.S. Census Bureau, FRBNY Consumer Credit Panel/Equifax, authors’ calculations.
The state had net inflow of prime-age college graduates since the pandemic, but has not yet fully made up previous “brain drain” losses from the 2010s.

Oklahoma Net Domestic Migration by Educational Attainment

Bachelor’s Degree vs. Non-Bachelor’s Degree

Migration of Bachelor’s Holders by Age

Thousands

Notes: The sample is limited to those age 25+ who reported educational attainment. Cumulative change is relative to 2000.

Source: ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors’ calculations.
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Questions?

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