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.*
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

• 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 stayed strong in 2023 and, while employment growth has cooled somewhat, unemployment remains 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 also continues to grow, and unemployment is low
• Oklahoma’s population growth has outpaced the nation in recent years, driven by strong domestic in-migration
U.S. GDP growth exceeded estimates in Q4, and employment growth has slowed but remained positive.
U.S. GDP growth is expected to slow slightly 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 (Dec. 2023): 3.7%

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

Note: Data and FOMC projections are for year-end.
Although inflation has come down from 2022 peaks and is expected to fall further, it remains above longer-run levels.

Current Overall PCE (Dec. 2023): 2.6%
Current Core PCE (Dec. 2023): 2.9%

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.

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**Consumer Price Index**

- All Items
- Food & Energy (22%)
- Goods* (21%)
- Services* (24%)
- Shelter (33%)

*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.

**Wage Growth**

Note: Employment Cost Index data are interpolated between quarters.

Sources: BLS/Haver Analytics
The Fed held the federal funds rate steady again in January, after lowering future projections somewhat in December.
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

Source: Bureau of Labor Statistics
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
Jobs in Oklahoma have leveled off in recent months above pre-pandemic levels, while unemployment remains very low.

**Non-Farm Payroll Employment**

Index, Jan. 2020=100

- U.S.
- Oklahoma
- OKC
- Tulsa

**Unemployment Rate**

Percent

- U.S.
- Oklahoma
- OKC
- Tulsa

Source: U.S. Bureau of Labor Statistics
Most Oklahoma sectors added jobs over the past year, but job growth still varies widely relative to pre-pandemic levels.

Oklahoma Job Growth by Industry

Percent change

Jan. 2020 - Dec. 2022
Dec. 2022 - Dec. 2023

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
Consumer spending on “experiences” in Oklahoma remains strong while purchases of goods have slowed, as has housing.

Oklahoma Nominal Consumer Spending Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
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</thead>
<tbody>
<tr>
<td>Durable Goods</td>
<td>% Change from Jan. 2020</td>
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<tr>
<td>Experiences</td>
<td>Percent</td>
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</tbody>
</table>

Oklahoma Housing Market Indicators

<table>
<thead>
<tr>
<th>Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
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<tbody>
<tr>
<td>30 yr. Fixed Mortgage Rate (Left)</td>
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<tr>
<td>Sales (Right)</td>
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<tr>
<td>Median Sales Price (Right)</td>
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<tr>
<td>Housing Permits (Right)</td>
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</tbody>
</table>

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: Affinity Solutions/Track the Recovery, BEA, Freddie Mac, Zillow, Redfin, U.S. Census Bureau, authors' calculations.
Office vacancy rates in Oklahoma have not risen like in the nation, but rig counts have fallen more here since last year’s peaks.

Sources: CBRE-EA, Baker Hughes
Oklahoma’s population grew in 2023 again, primarily due to elevated domestic migration, but also with increases in other components.
Many people moved to OK from CA and TX since the pandemic, mostly to the metros but also to many other parts of the state.

Migration to Oklahoma During 2020 - 2023

Oklahoma Net Domestic Migration

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

Note: Sample shown in map is limited to age 25+.

Sources: FRBNY CCP/Equifax, U.S. Census Bureau
Oklahoma also finally had net inflow of prime-age college graduates in recent years, but has not yet fully made up for “brain drain” losses from the 2010s.

Oklahoma Net Domestic Migration by Educational Attainment

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

No Bachelor's Yearly, left
Bachelor's or Higher Yearly, left
No Bachelor's Cumulative, right
Bachelor's or Higher Cumulative, right

Migration of Bachelor's Holders by Age

25 to 54
55+
Total

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.
Most new Oklahoma residents have been employed, and this has helped raise the state's labor force participation rate slightly.

Oklahoma Net Domestic Migration by Employment Status

- Not in Labor Force
- Unemployed
- Employed
- Total

Oklahoma Average Labor Force Participation Rate

- In-migrators
- All Oklahomans

Note: Sample is limited to those age 25+ who reported employment status. Dotted lines in right chart indicate average rates.

Sources: ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors' calculations.
All industries and occupations had a net gain of residents since 2020, reversing some previous trends, with sizable numbers of college grads.

Oklahoma Net Domestic Migration

In-migration by Industry and Time Period

- Thousands
- 2015 - 2019
- 2020 - 2022

In-migration by Occupation and Education, 2020 - 2022

- Thousands
- No Bachelor's
- Bachelor's or Higher

Note: Sample is limited to employed individuals age 25+. Sources: ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors’ calculations.
Remote workers were part of the gains since 2020, but not the driving factor, and Oklahoma also stopped losing high earners to other states.
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Questions?

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