

U.S. and Oklahoma Economic Outlook

Midwest City Rotary

August 1, 2022

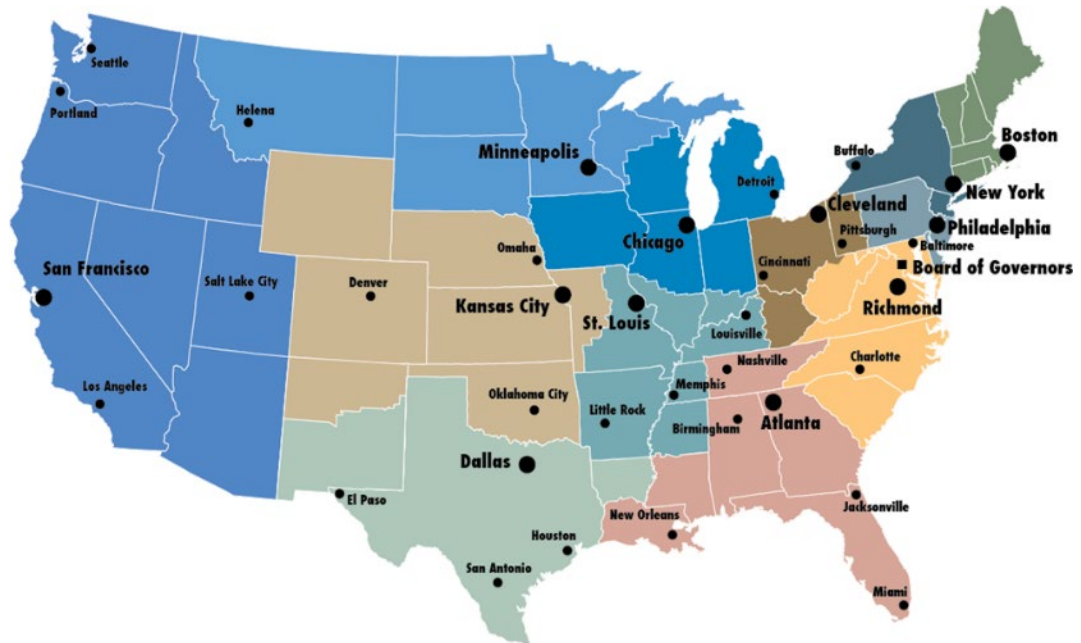
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*The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



Structure & Functions of the Federal Reserve



The “Fed” consists of three main entities:

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent by design
- Federal Open Market Committee: 19 members; 12 voting

Primary responsibility areas:

- Monetary policy
- Bank regulation
- Financial services



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

- **2022 OKC Fed Branch Board of Directors**

- **Katrina Washington (chair)**, Owner/Broker, Stratos Realty, Oklahoma City
- **Walt Duncan**, President, Duncan Oil Properties, Oklahoma City
- **Rhonda Hooper**, President & CEO, Jordan Advertising, Oklahoma City
- **Susan Plumb**, Chair & CEO, Bank of Cherokee County, Tahlequah
- **Brady Sidwell**, Principal, Sidwell Strategies, Enid
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- **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



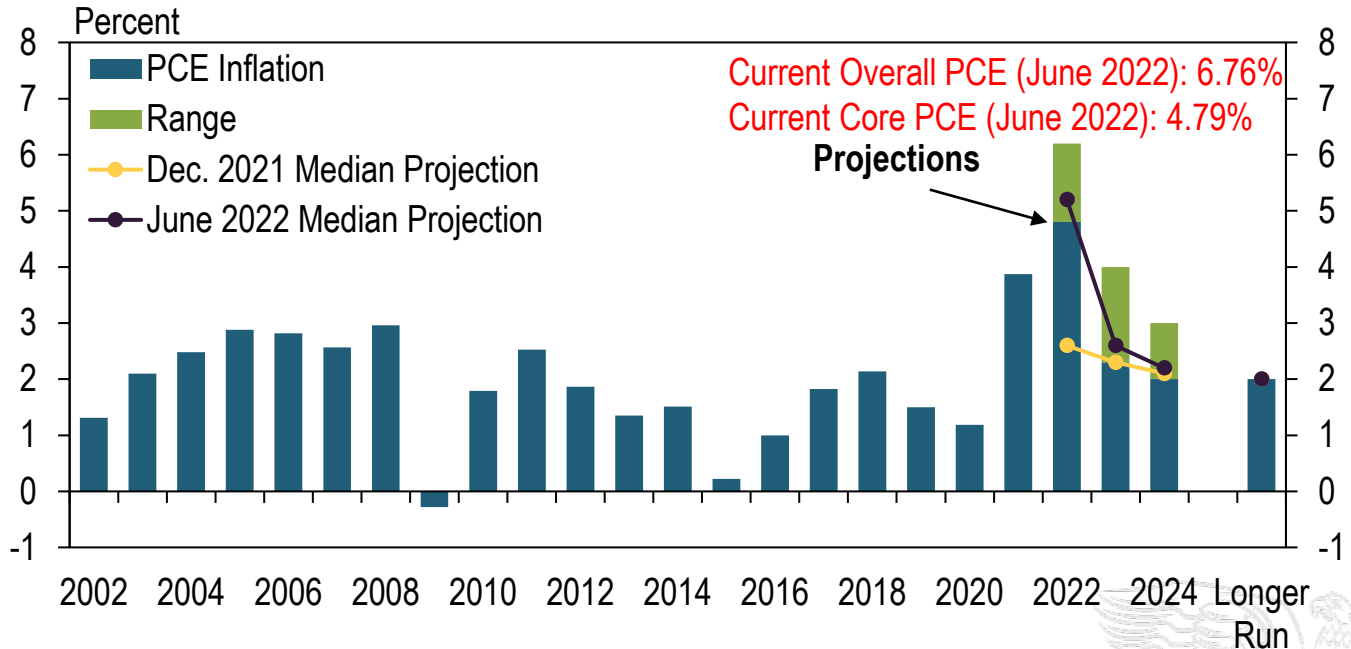
Overview

- The U.S. economy is solid, with strong demand in many sectors and low unemployment, but inflation is too high
- Several factors have boosted inflation over the past year, and several factors should help bring it back down
- Oklahoma's economy continues to recover, but jobs remain below pre-pandemic levels, especially in energy
- Oklahoma had record in-migration in 2021, helping offset record deaths and hopefully boosting the future workforce



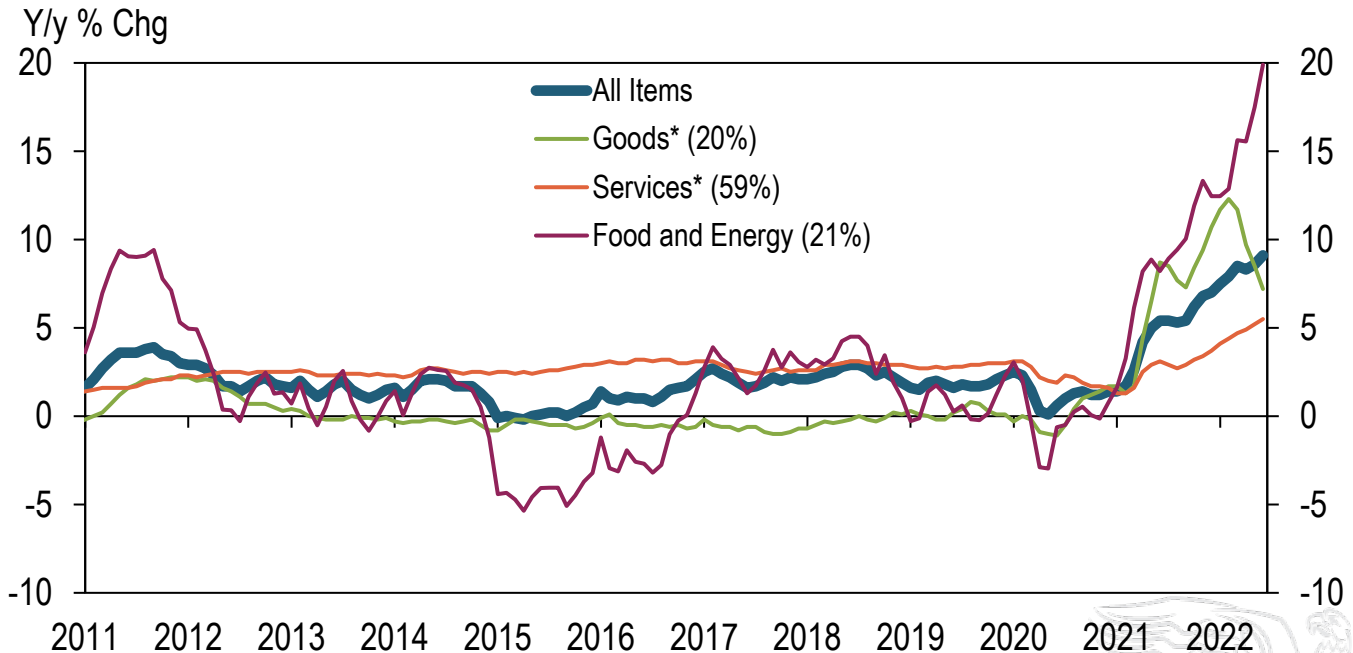
Inflation has moved well above the Fed's 2% target but is expected to ease heading forward

PCE Inflation Index



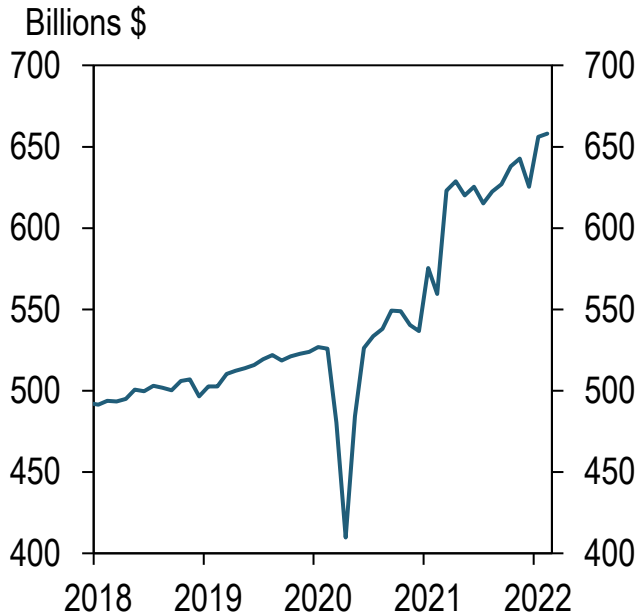
CPI inflation rose again in June to 9.1%, the highest rate in around 40 years

Consumer Price Index

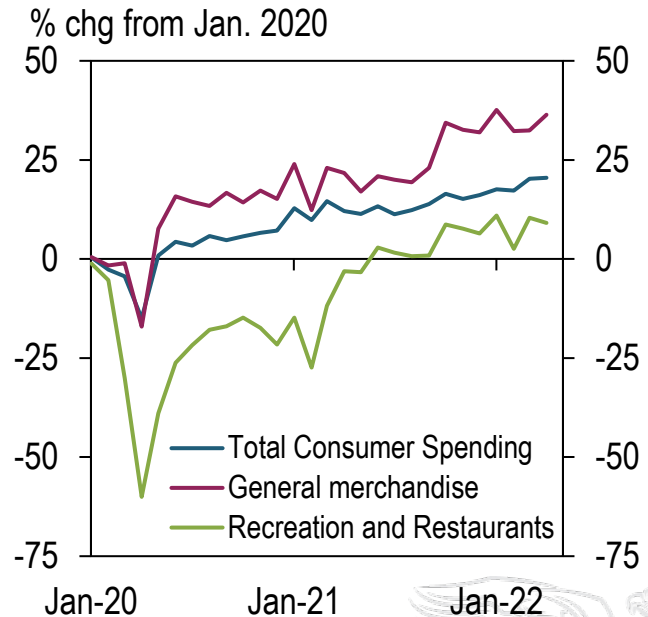


Why is inflation high? Demand has been strong

U.S. Retail Sales and Food Services

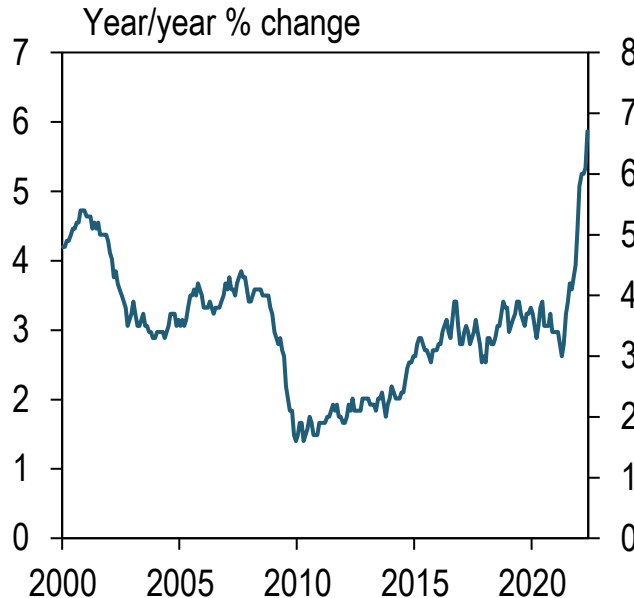


Oklahoma Consumer Spending

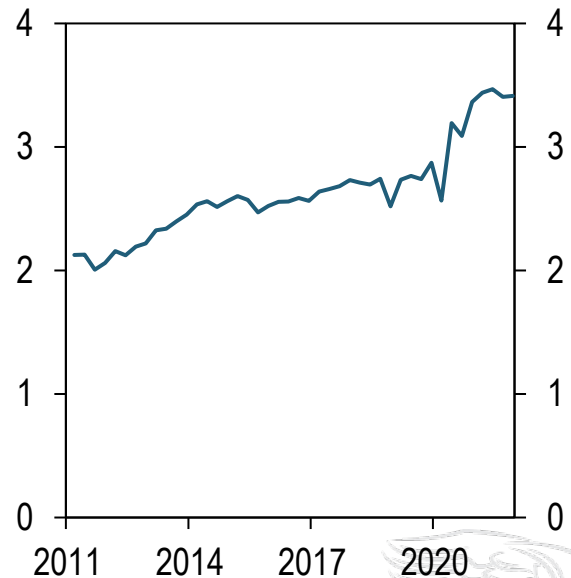


Demand has been supported by rising wages and healthy household balance sheets

U.S. Wage Growth

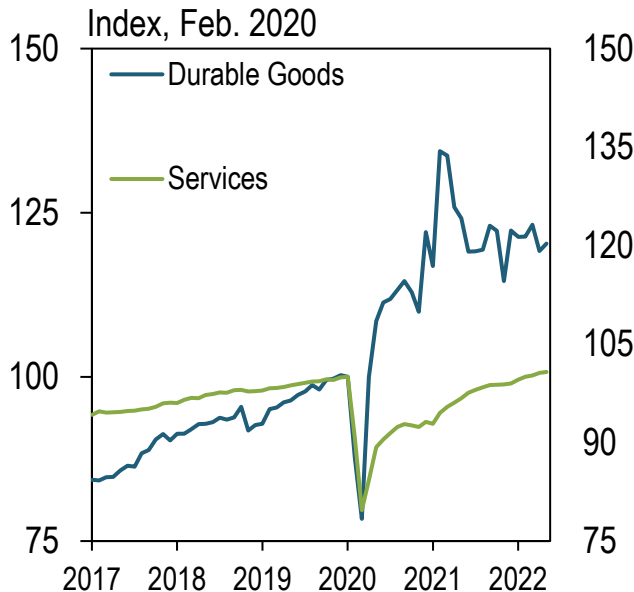


U.S. Household Net Worth/GDP

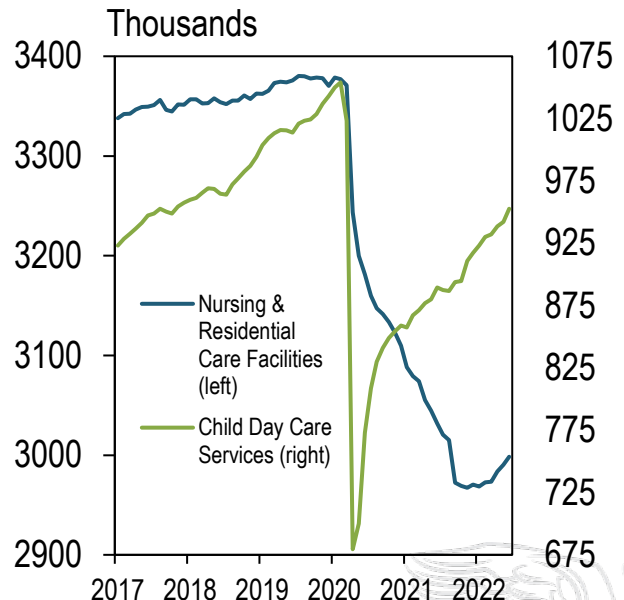


Why is inflation high? Supply is constrained by a shift in consumption and disruptions to labor supply

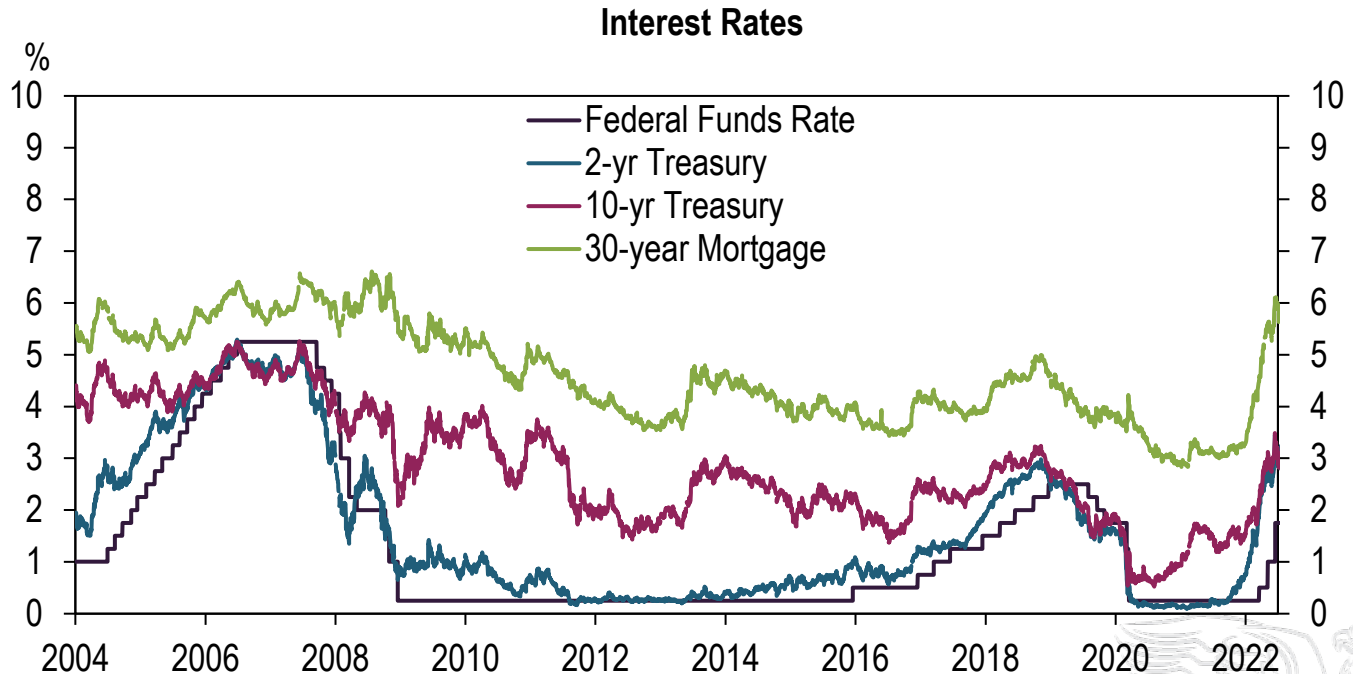
U.S. Consumption



U.S. Employment

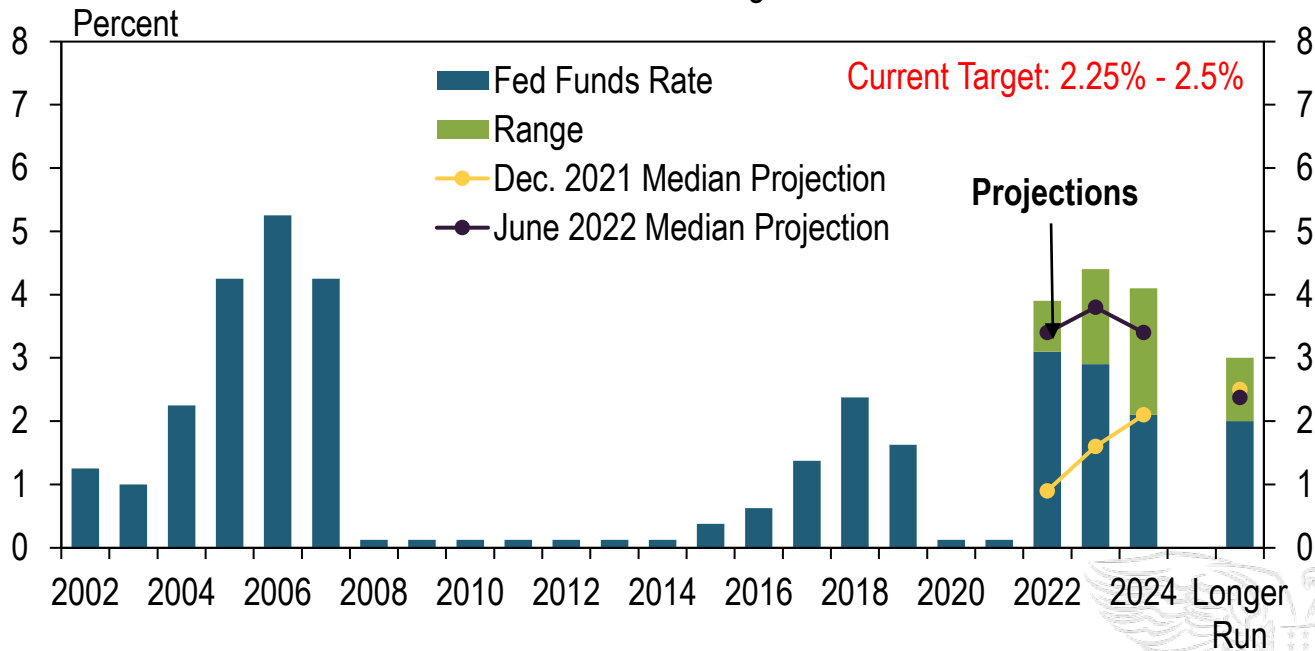


Interest rates have increased this year, with 30-year mortgage rates now at the highest level since 2008



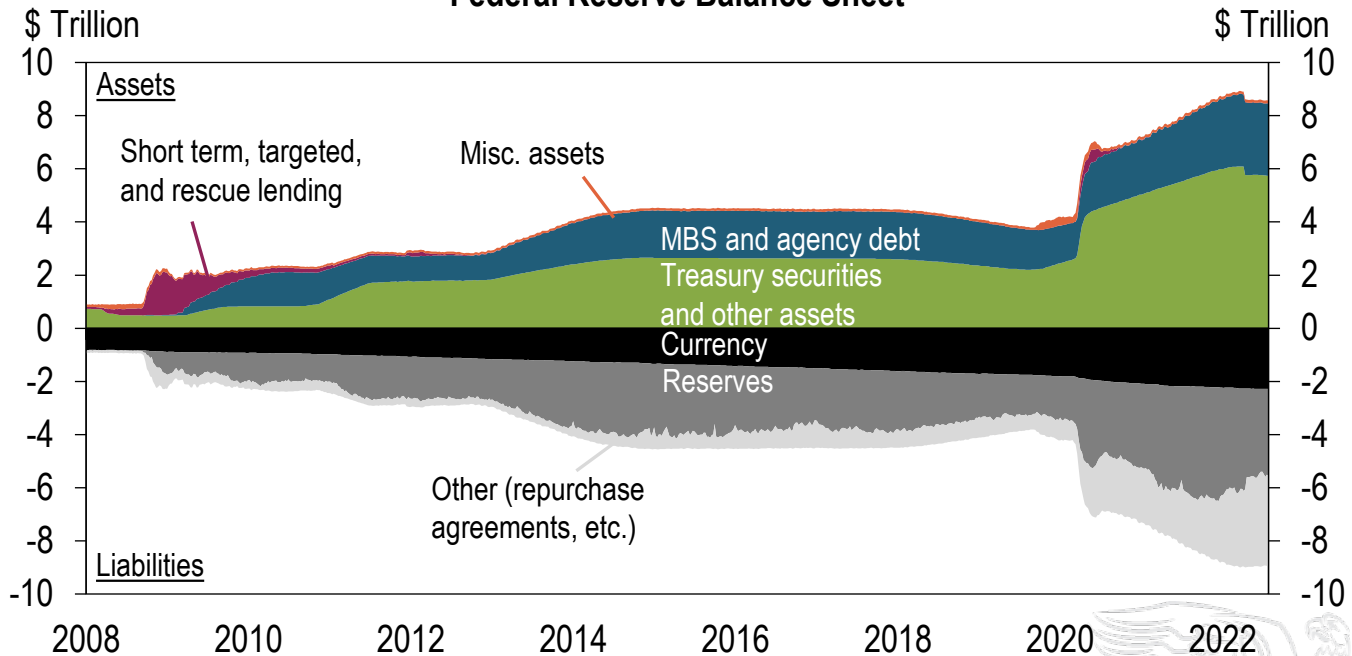
The Fed raised rates 75 bp in July, with more rate increases expected in 2022 and 2023

Federal Funds Rate
Year-End Target



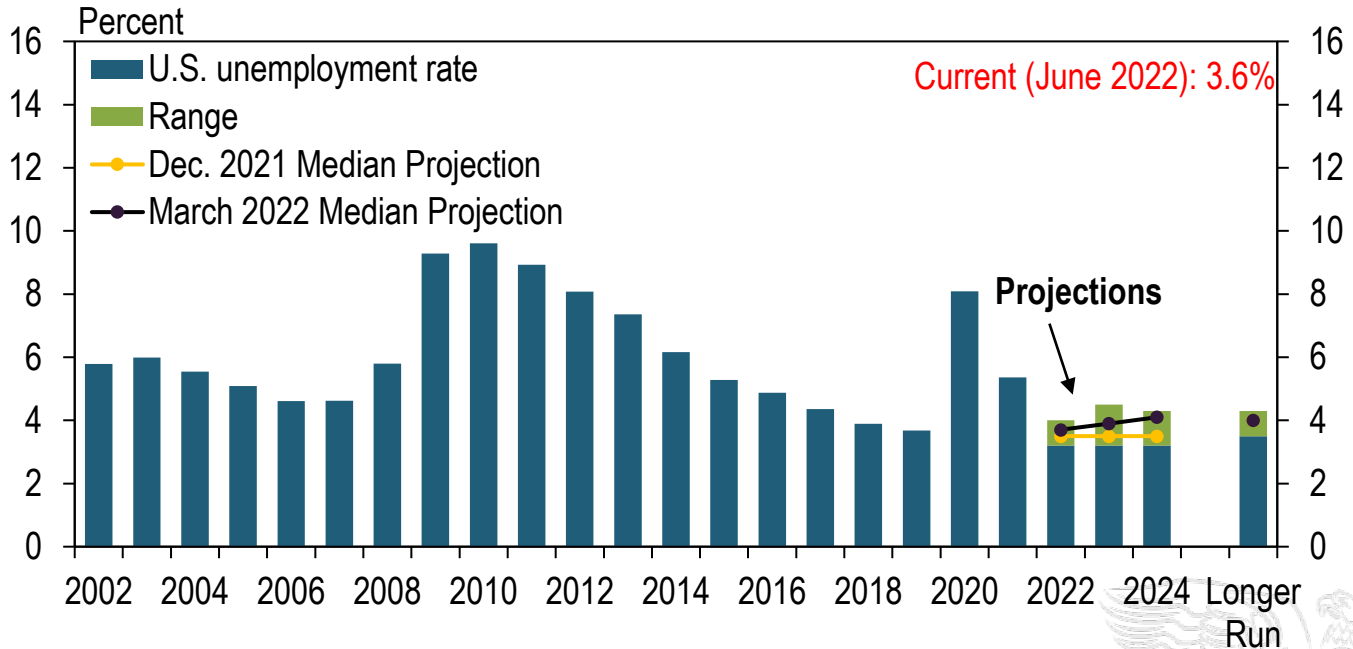
The Fed also plans to reduce its balance sheet more moving forward

Federal Reserve Balance Sheet



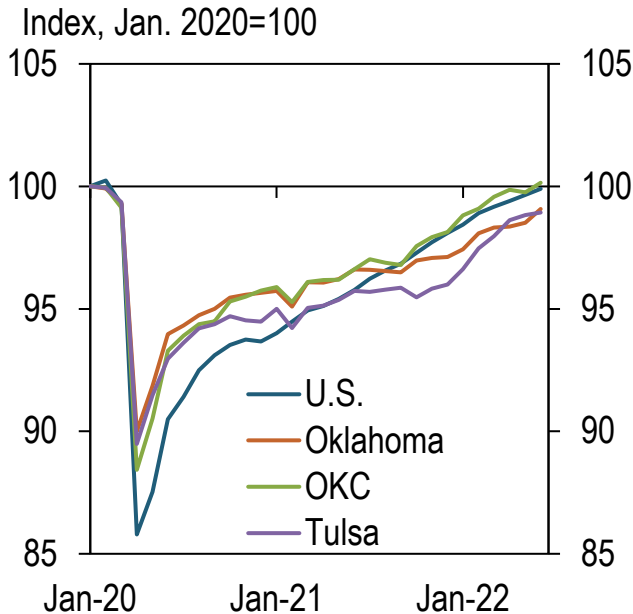
U.S. unemployment remains historically low and is projected to remain very low in coming years

U.S. Unemployment Rate

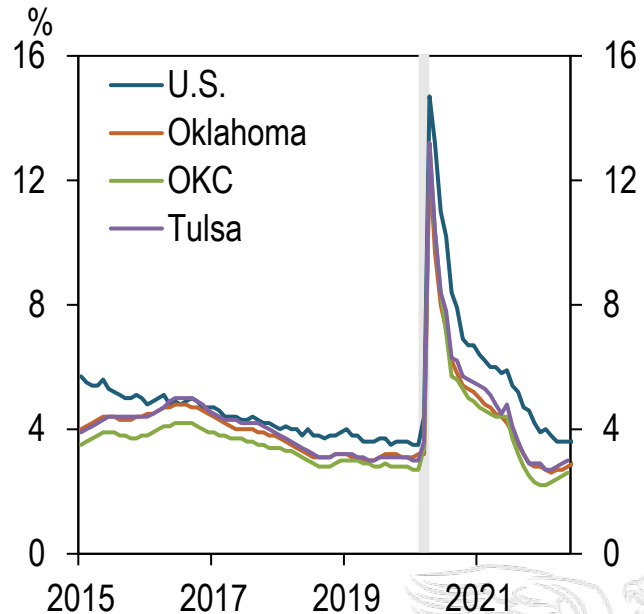


Oklahoma City jobs are at pre-COVID levels while other areas continue to lag, despite low unemployment rates

Non-Farm Payroll Employment

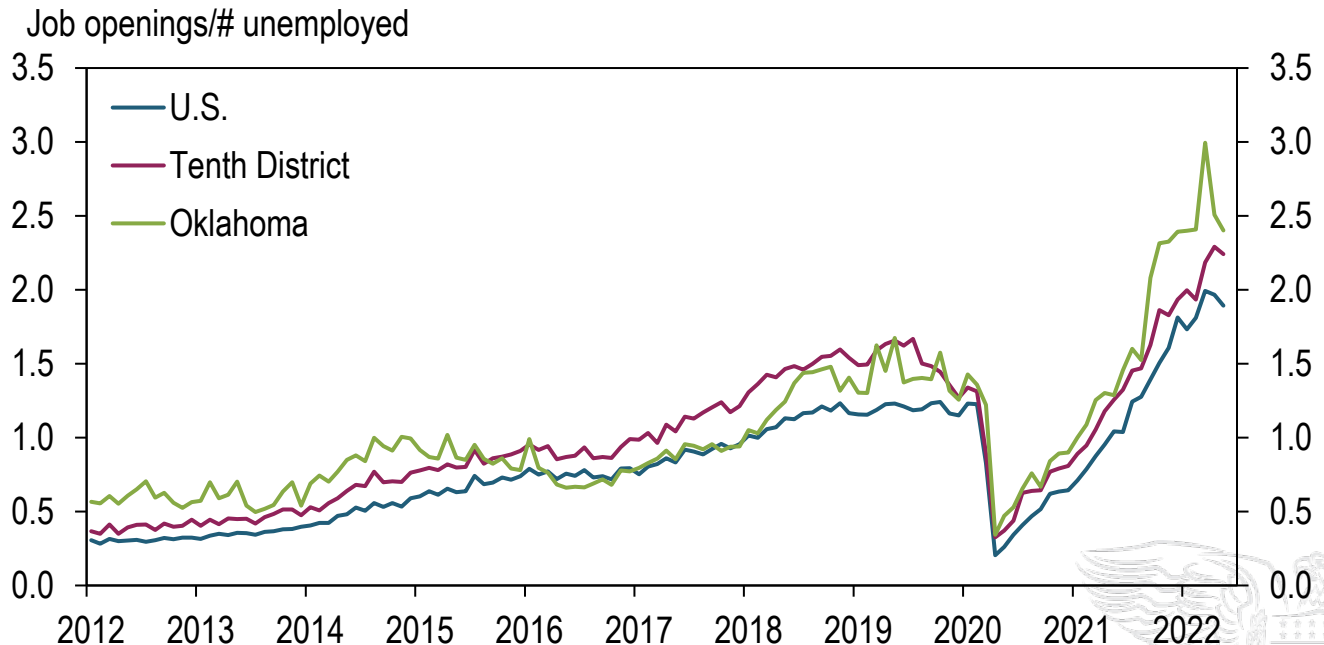


Unemployment Rate



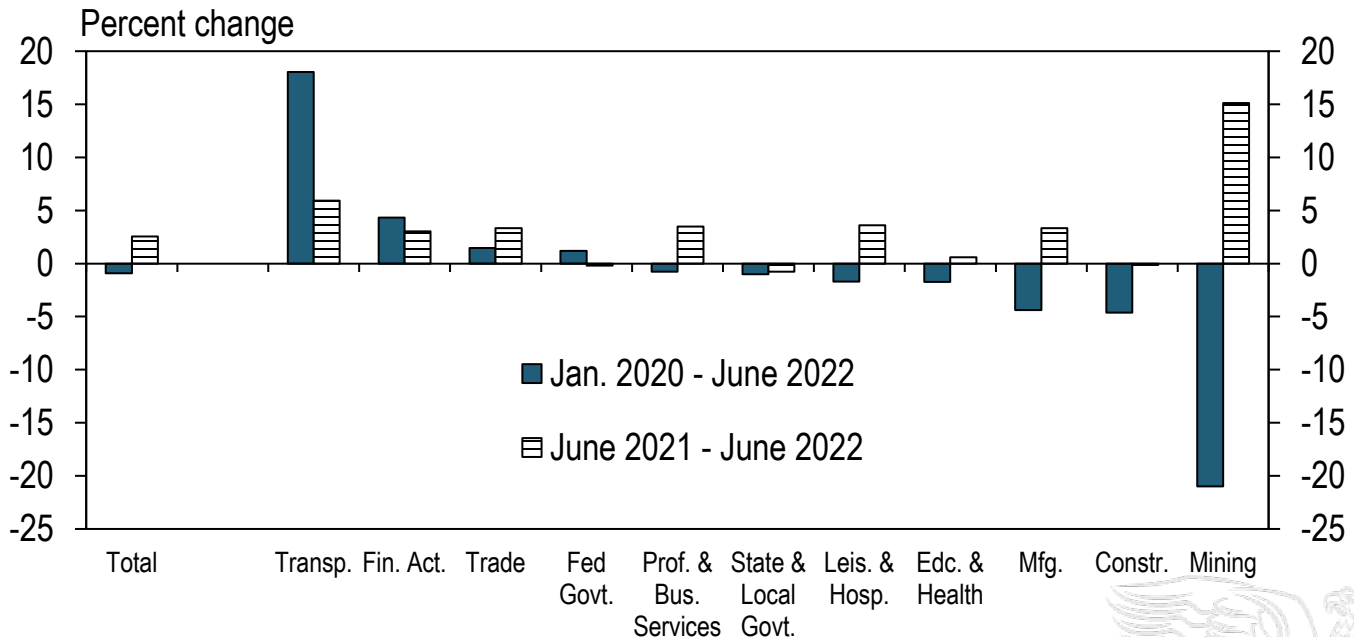
The number of job openings greatly exceeds the number of unemployed workers

Job Openings/Unemployment Ratios



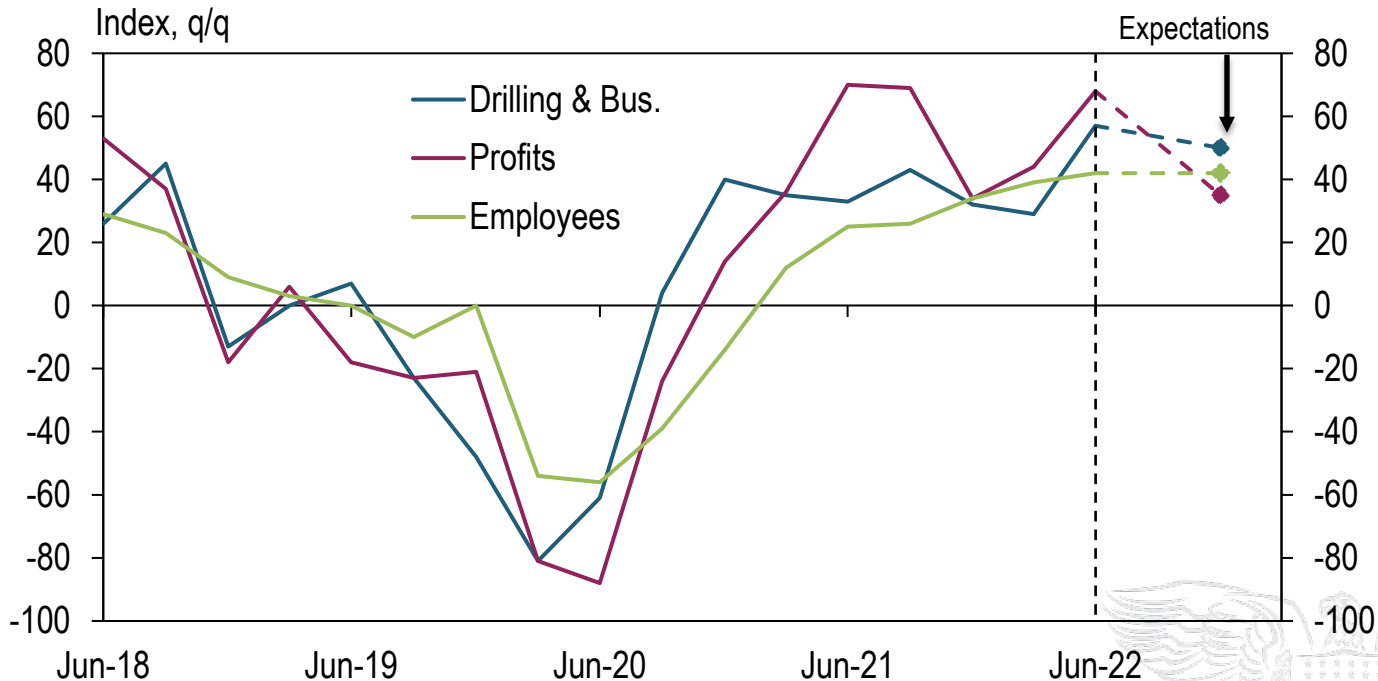
Energy and manufacturing jobs in Oklahoma are still down compared to pre-pandemic, but have grown

Oklahoma Job Growth by Industry



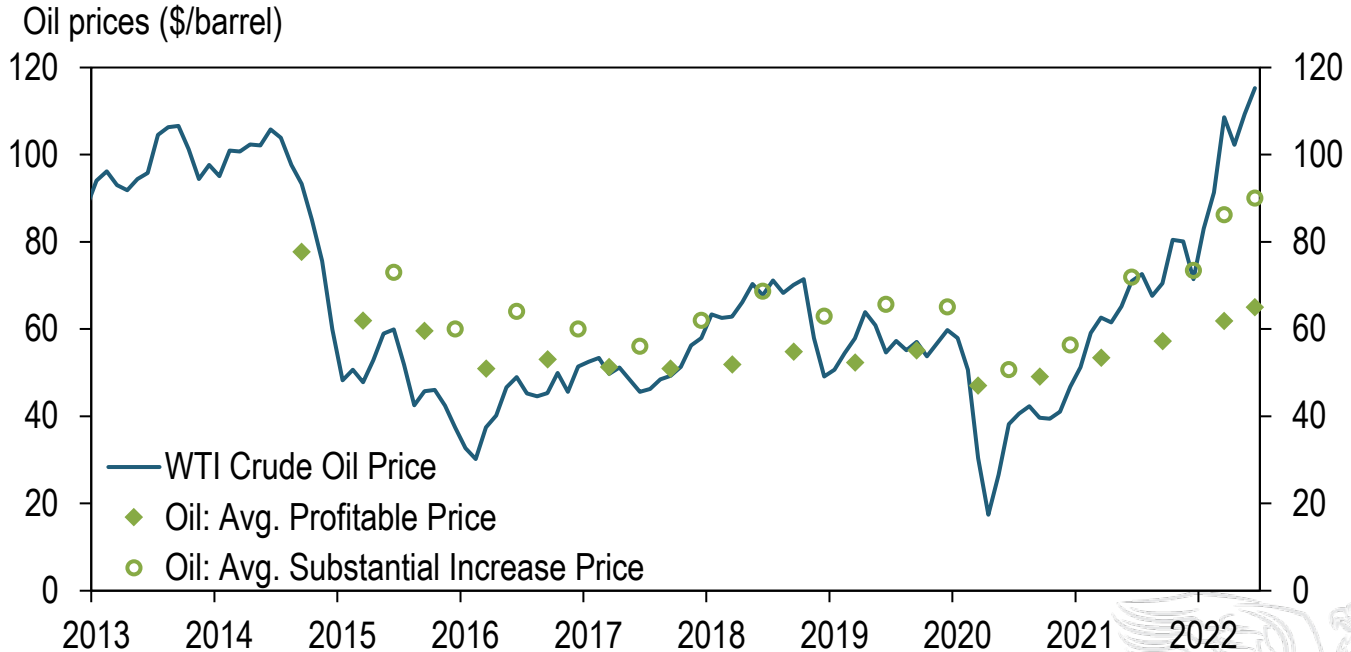
Energy activity was higher in Q2, and expectations are fairly solid as well.

Energy Survey Indexes



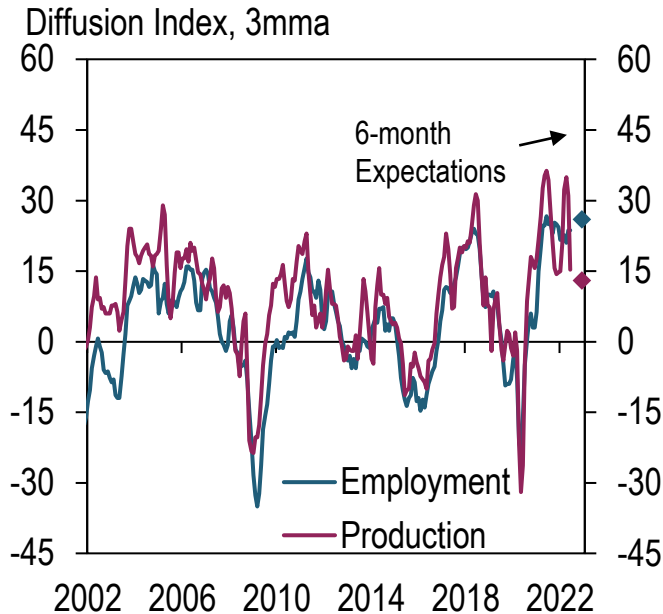
Oil prices have risen considerably, and remain highly profitable for most regional firms

Energy Prices

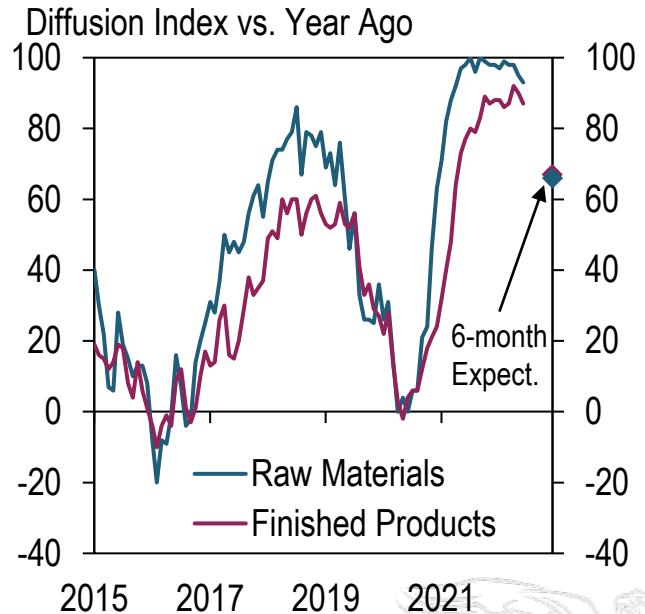


Regional factory activity has remained strong, with expectations for more growth despite high prices

KC Fed Manufacturing Survey

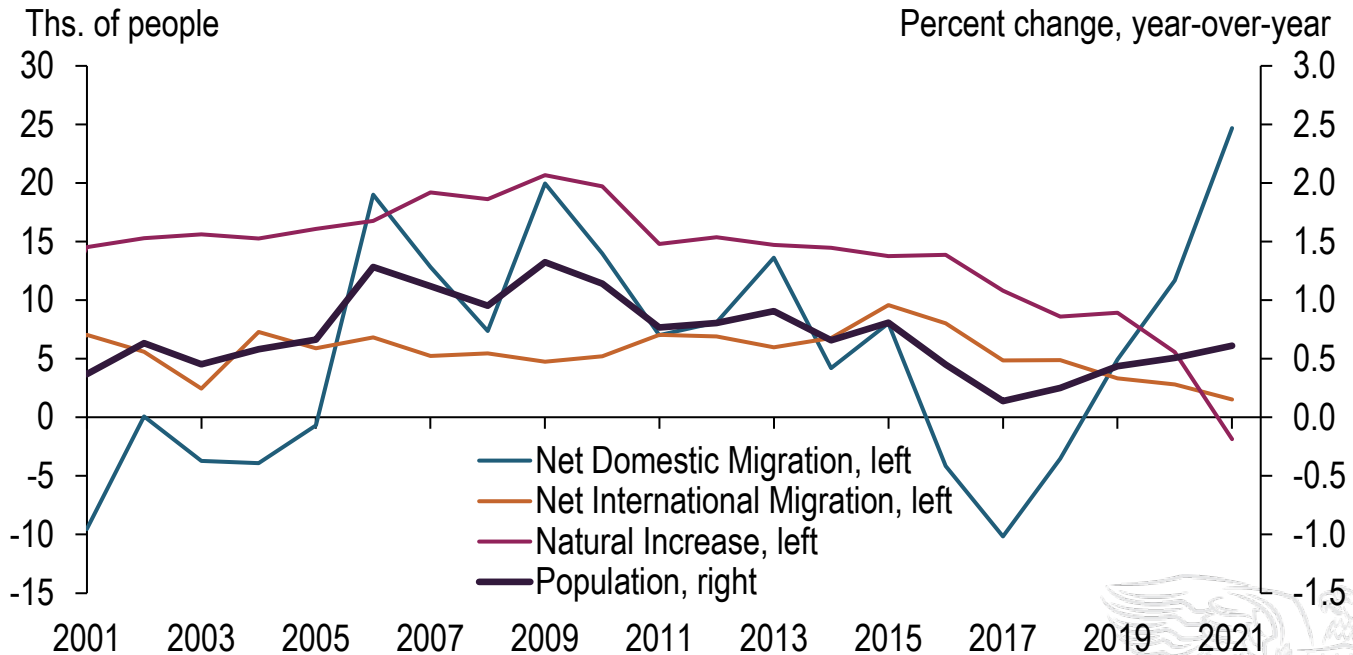


Manufacturing Survey Price Indexes



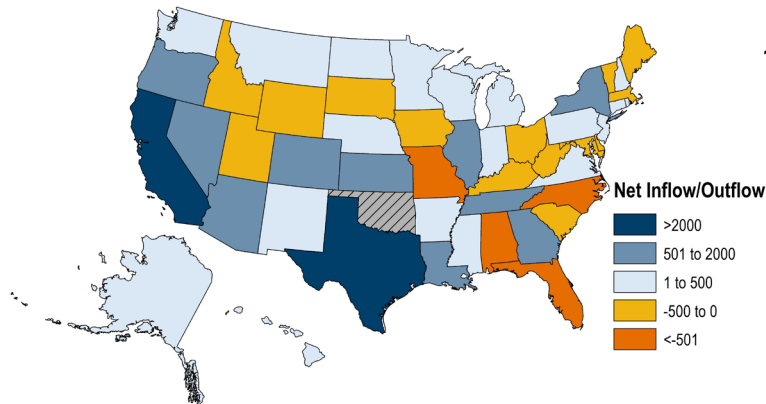
Oklahoma's population grew in 2021, despite a historic increase in deaths, due to massive in-migration

Oklahoma Population Changes by Component, 2001-2021

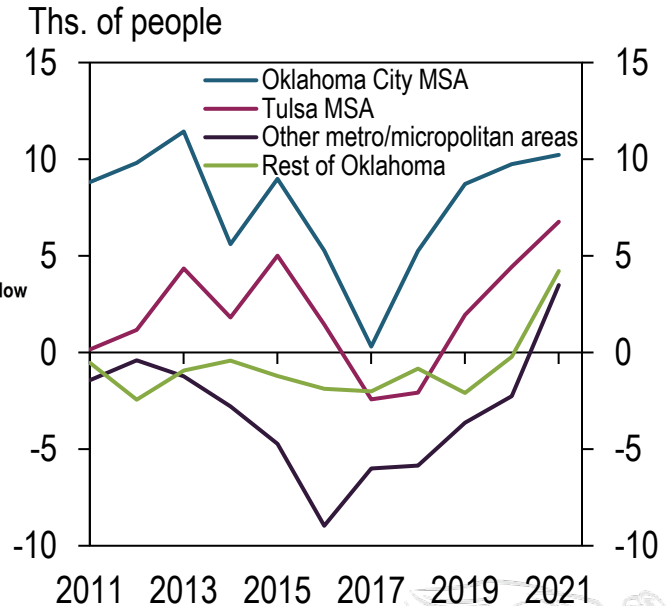


Many people moved to OK from CA and TX, mostly to the metros but some other parts of the state, too

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



Oklahoma Net Domestic Migration



Summary

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Questions?

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