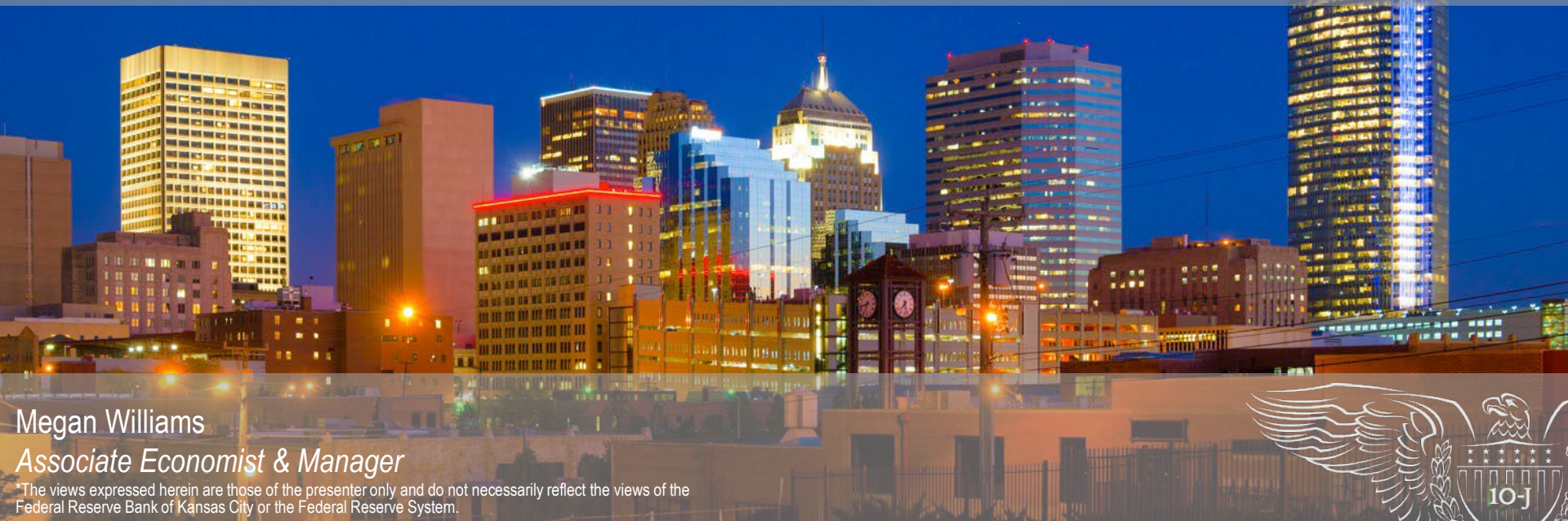


# U.S. and Oklahoma Economic Outlook

*North Central Oklahoma Home Builders Association*

*April 11, 2023*

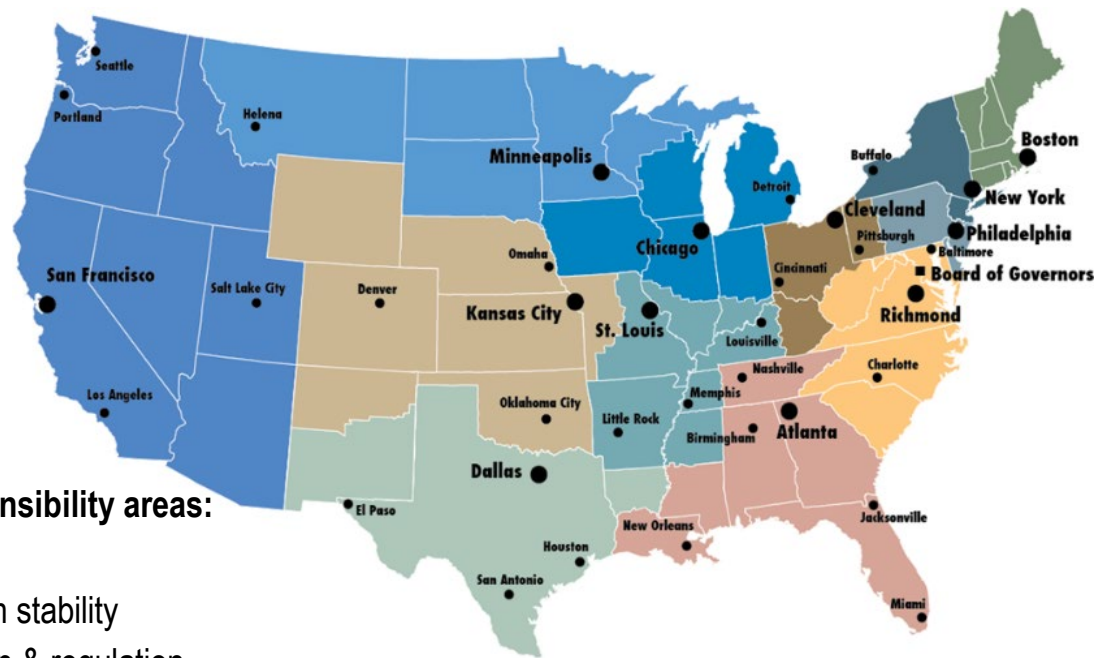


Megan Williams  
*Associate Economist & Manager*



\*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](http://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, 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

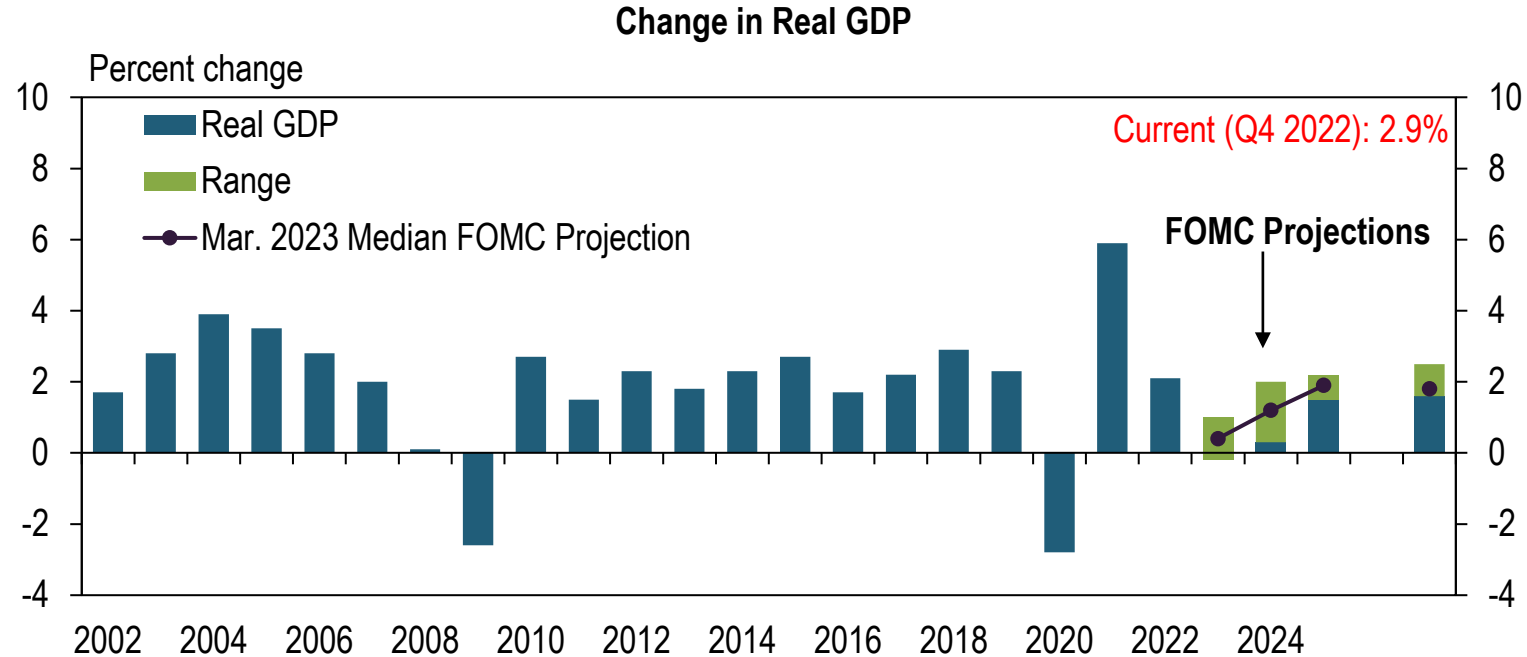


## Overview

- U.S. economic growth was solid in late 2022 and early 2023
- Inflation remains too high, despite coming down from 2022 peaks as the Fed has raised interest rates
- Higher interest rates have created some challenges for banks
- 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

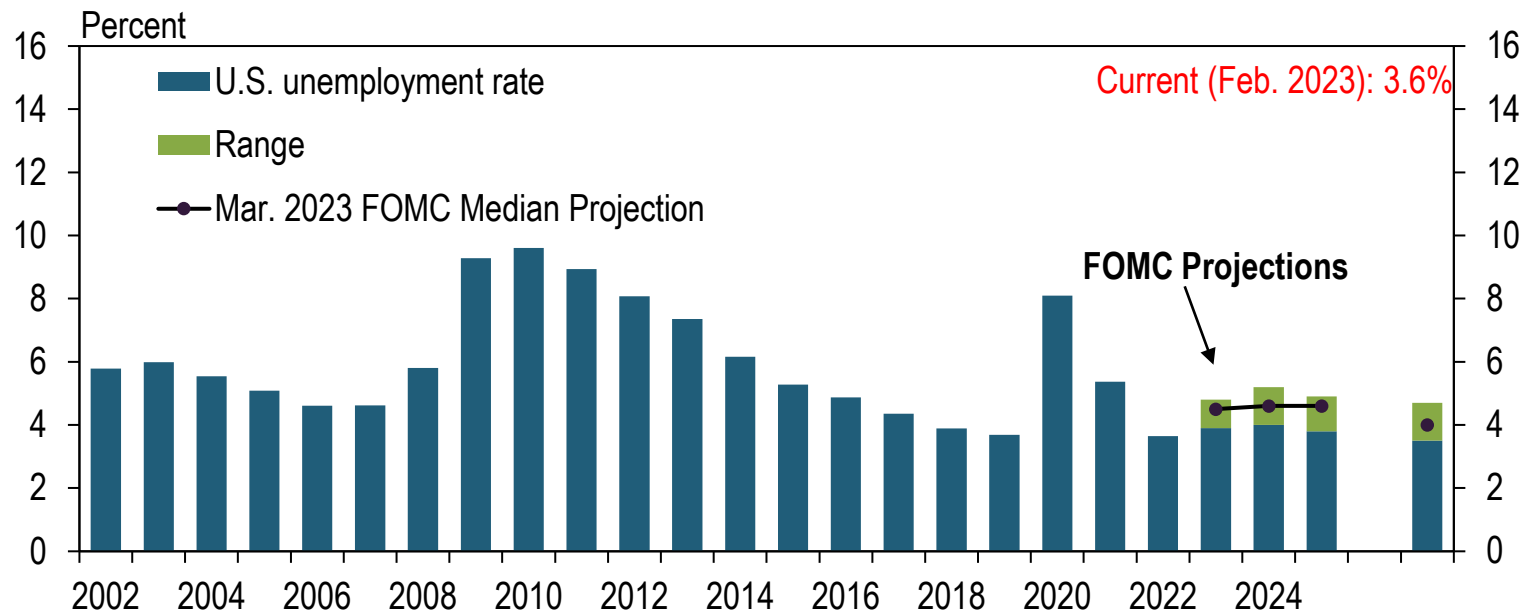


# GDP growth is expected to be somewhat sluggish in 2023 before rebounding to trend in 2024 and 2025

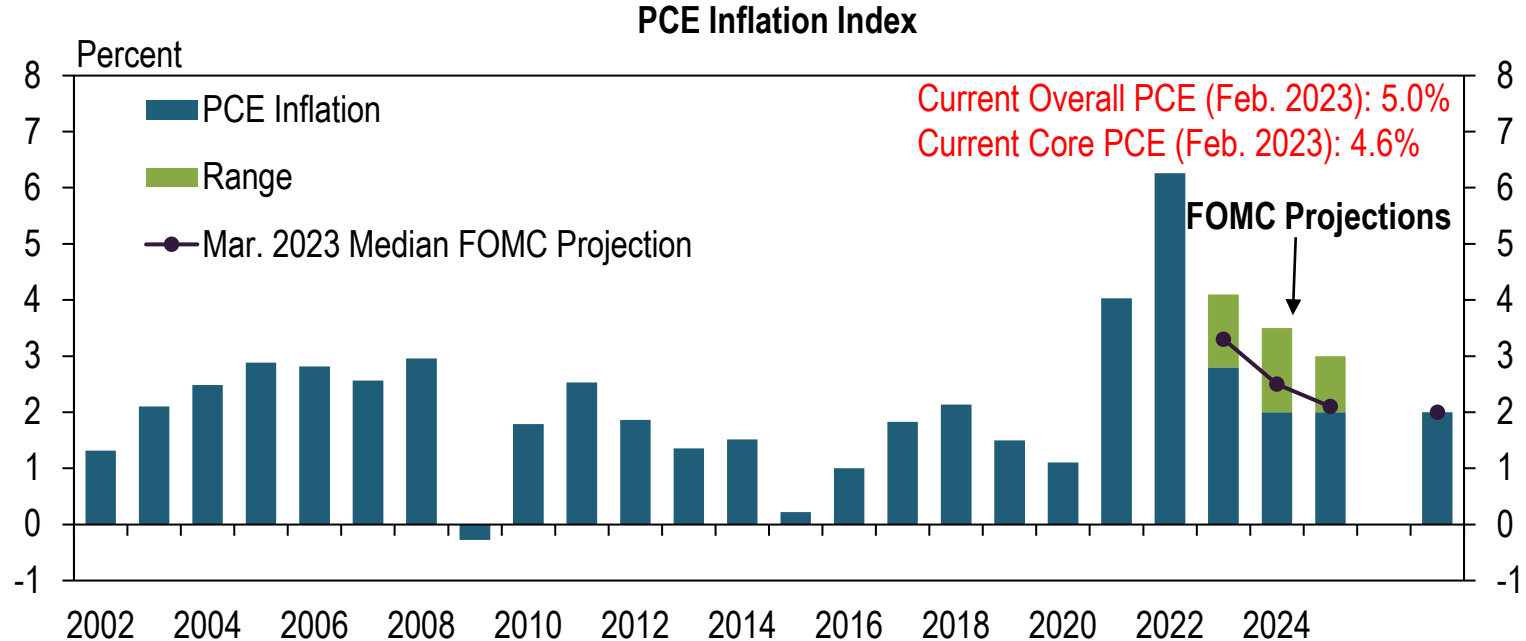


# U.S. unemployment remains historically low and is projected to rise only slightly in coming years

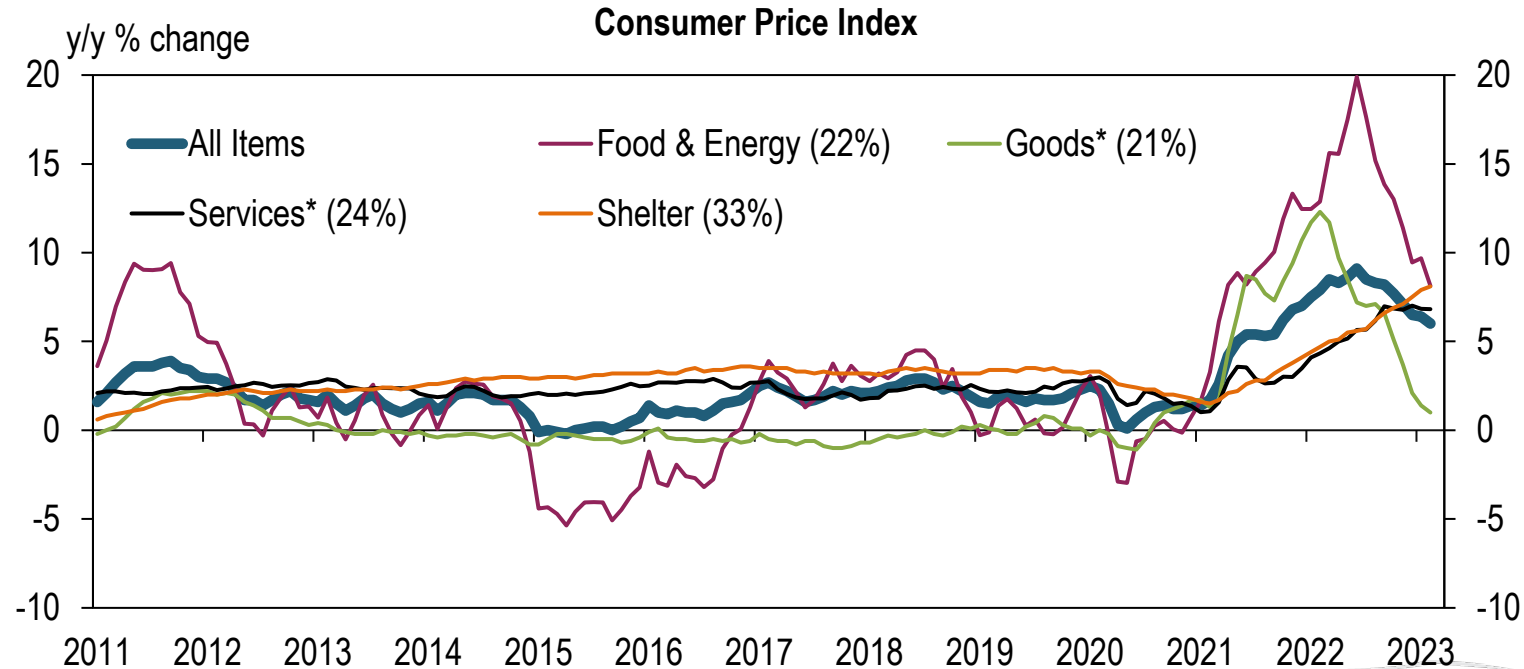
## U.S. Unemployment Rate



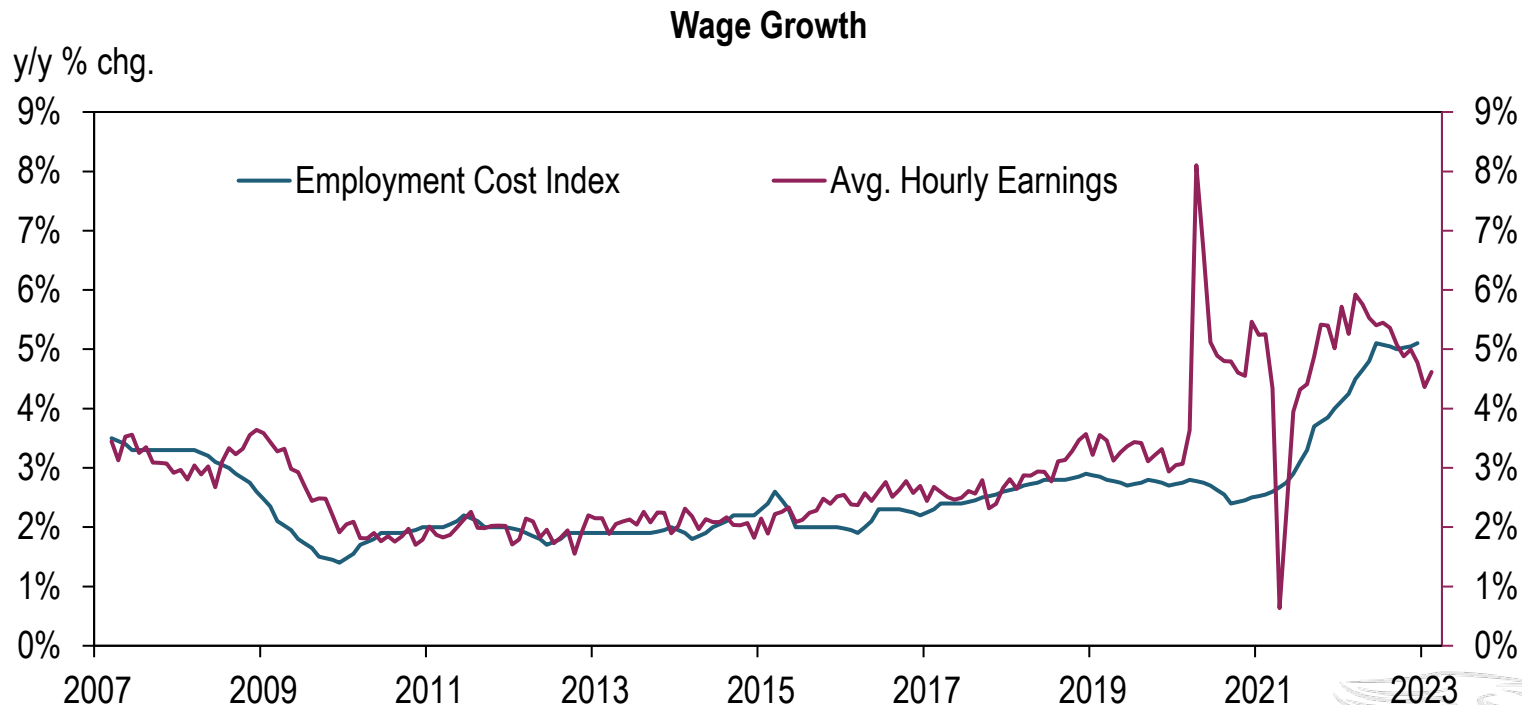
Meanwhile, although inflation has come down from its 2022 peaks, it remains elevated on year-over-year basis



# CPI inflation eased again in February to 6.0% as goods prices fell further, but services and shelter inflation remain high



# Wage growth is a key factor keeping services inflation high, but has come down from highs in recent months

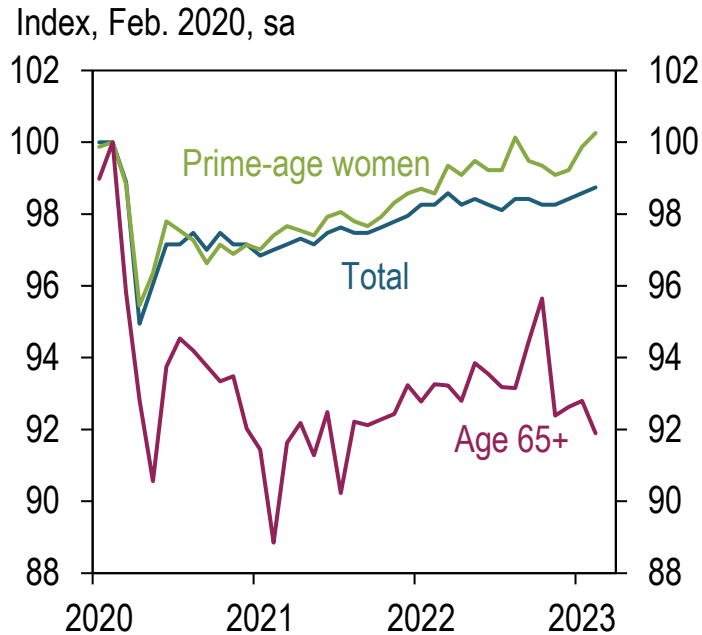


Note: Employment Cost Index data are interpolated between quarters

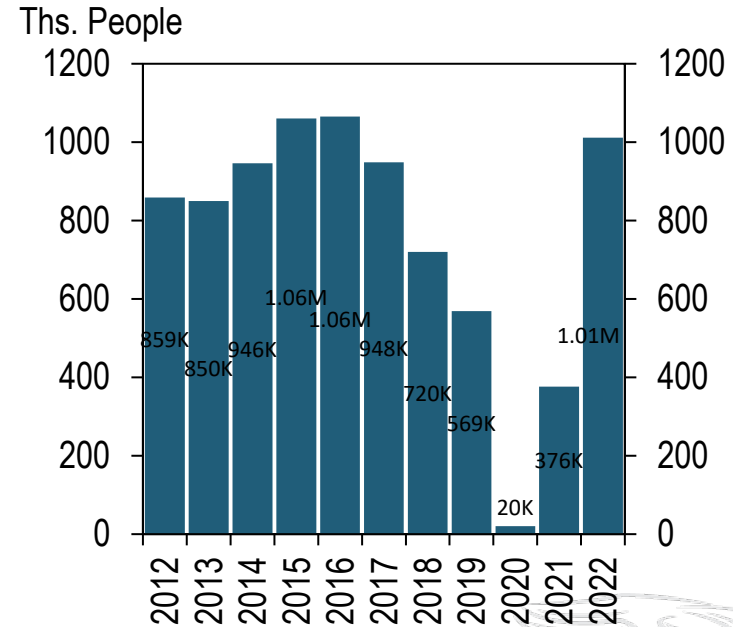
Sources: BLS/Haver Analytics

# Labor force participation still lags due to older workers, while immigration rebounded after several low years

## U.S. Labor Force Participation Rate

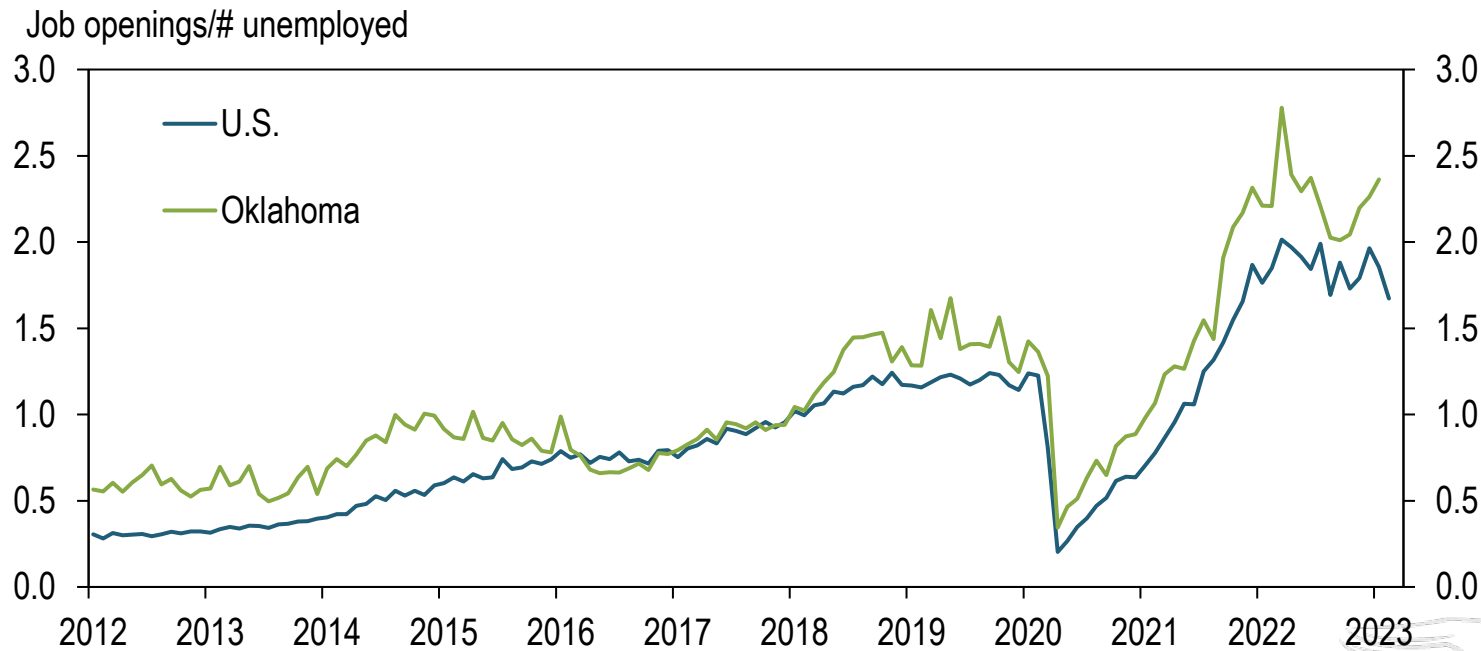


## Net International Migration to the U.S.

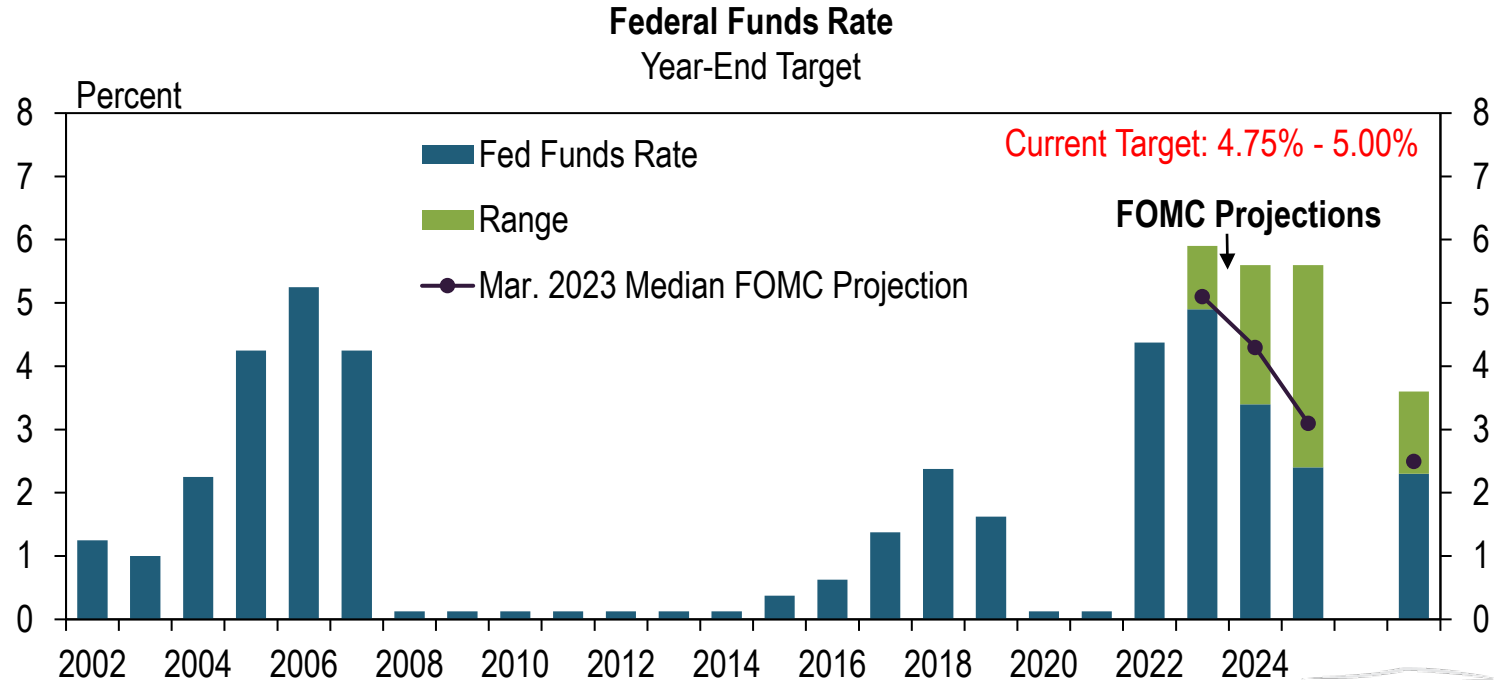


# Job openings still greatly exceed unemployed workers, keeping wage pressures from easing much

## Job Openings/Unemployment Ratios



The Fed raised the federal funds rate by 25 basis points again this month, and the latest FOMC projections are shown



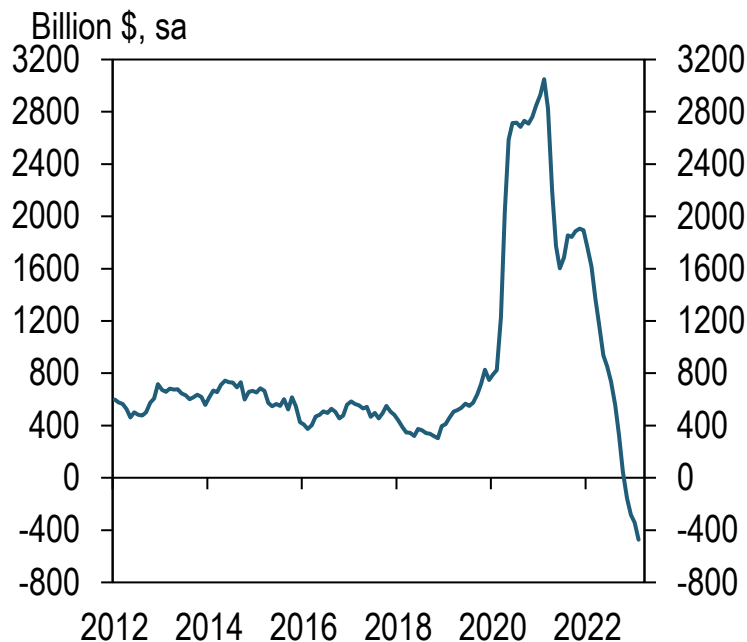
## What Sparked the Banking Turmoil in 2023?

- Following the pandemic, bank deposits soared due to stimulus payments and quantitative easing
- Most banks purchased low-risk, longer maturity securities, which declined in value as interest rates rose
- In early March, banks servicing the tech and crypto industries experienced rapid deposit outflows
- As tech focused banks collapsed, depositors reviewed their own banks' financials
- A risk: small bank deposits moving to “too big to fail” large banks
- Failed banks were placed into FDIC receivership
- The Federal Reserve offers loans collateralized by credit-risk-free securities
- Treasury has brokered regional bank support via deposits from large banks

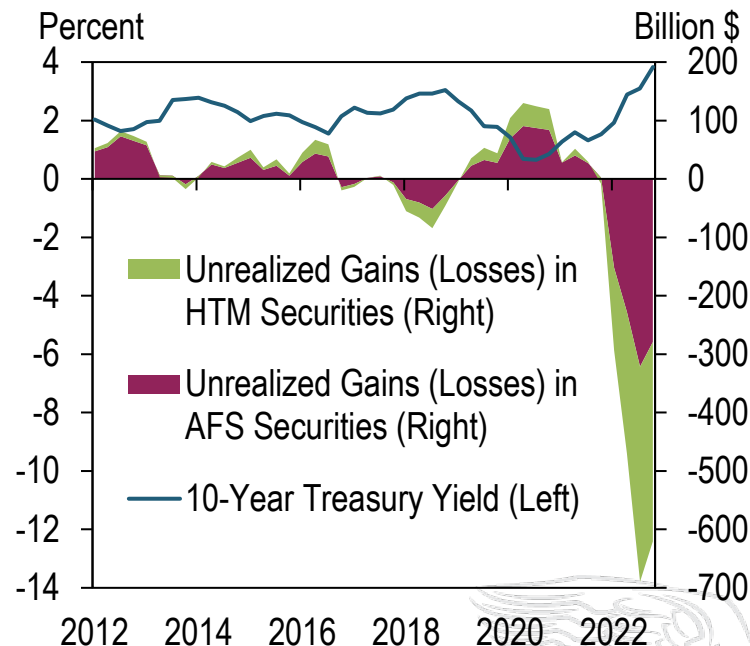


# Following the pandemic, deposit flows reversed and unrealized losses grew as interest rates increased

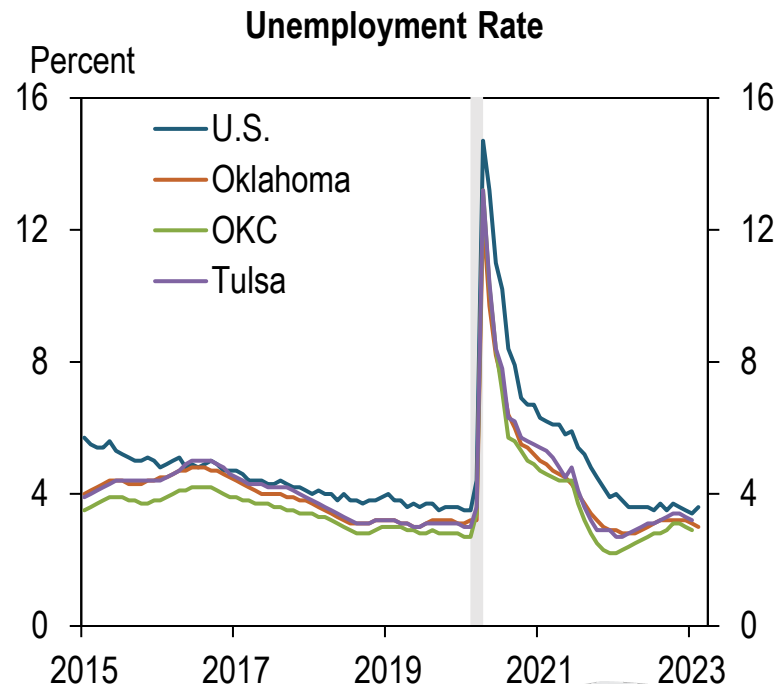
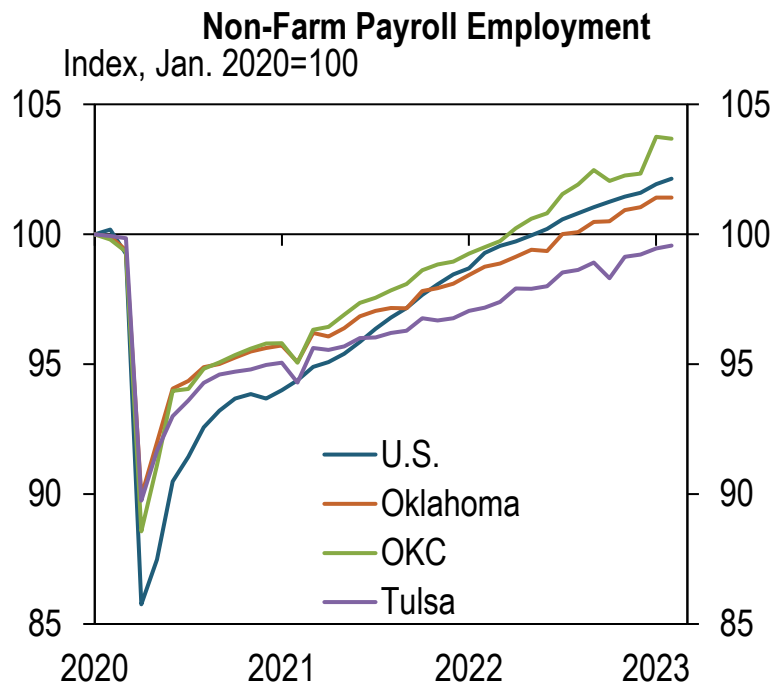
## Year/Year Change in Commercial Bank Deposits



## Interest Rates and Unrealized Gains (Losses)

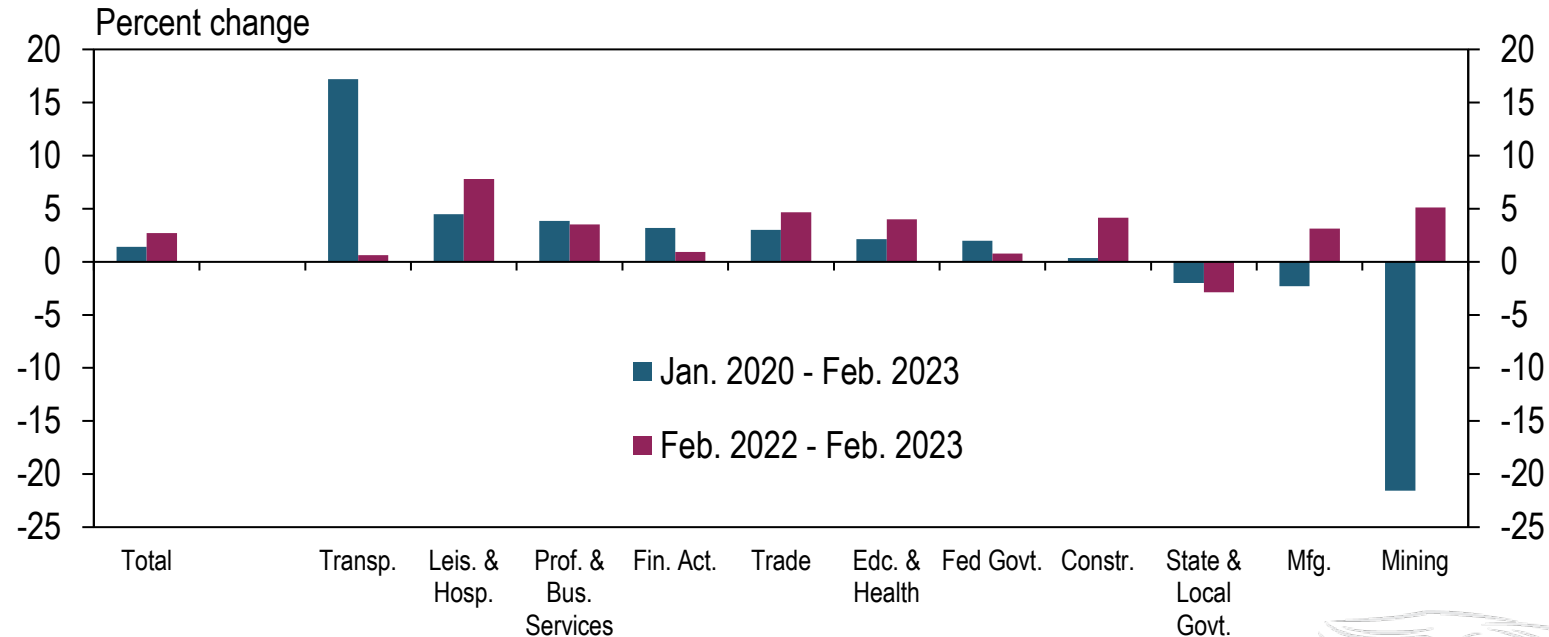


# Jobs in Oklahoma are back to pre-COVID levels and rose further in January, while unemployment stays low



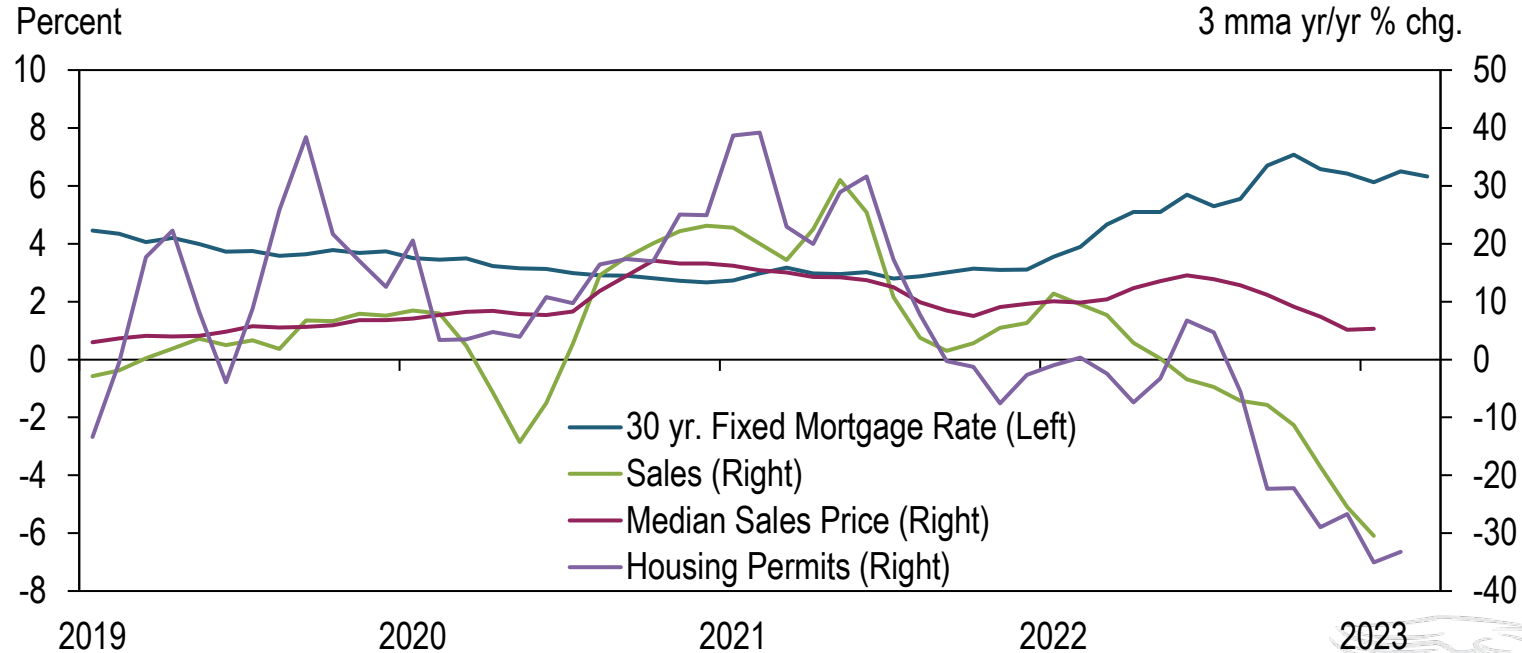
# Energy and manufacturing jobs in OK are still below pre-pandemic but up during the past year

## Oklahoma Job Growth by Industry



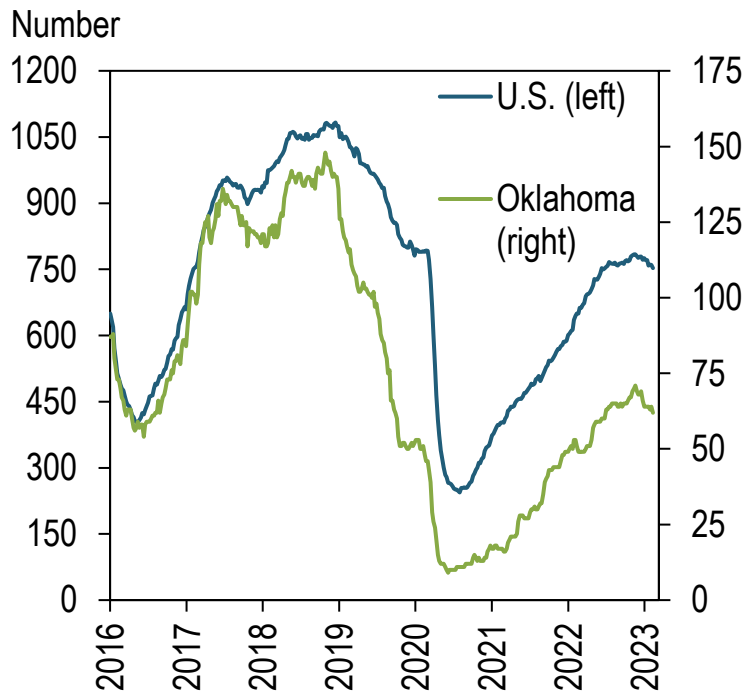
# The Oklahoma housing market has eased with rising interest rates

## Oklahoma Housing Market Indicators

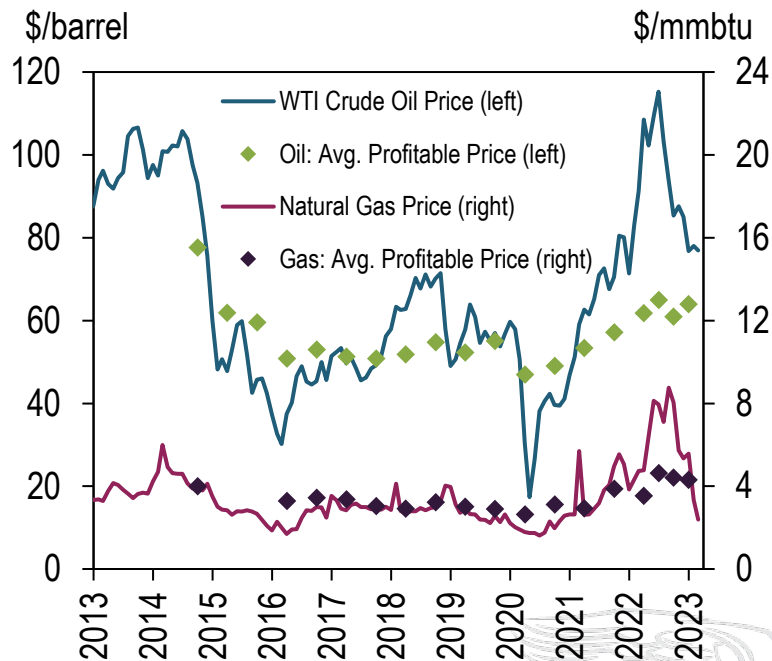


# Drilling rig counts have begun to edge down in Oklahoma and the nation with lower profitability

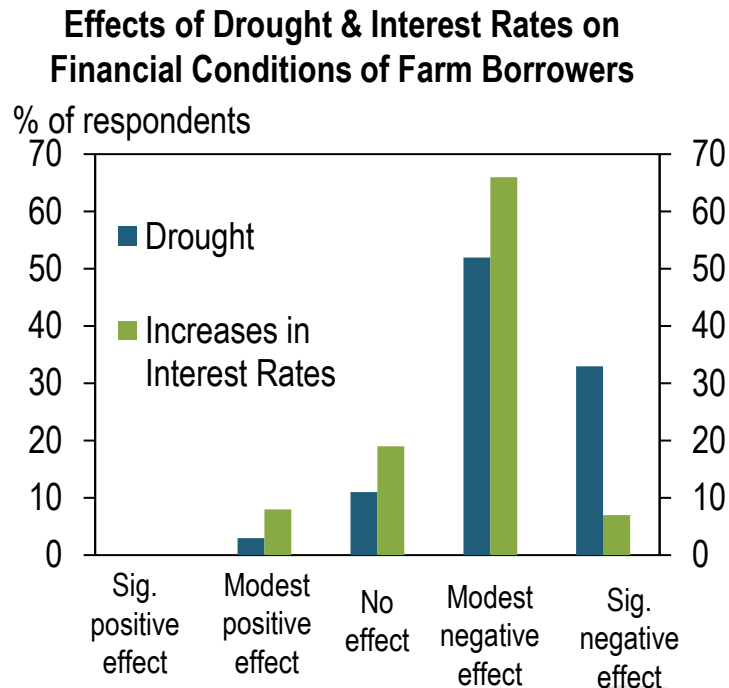
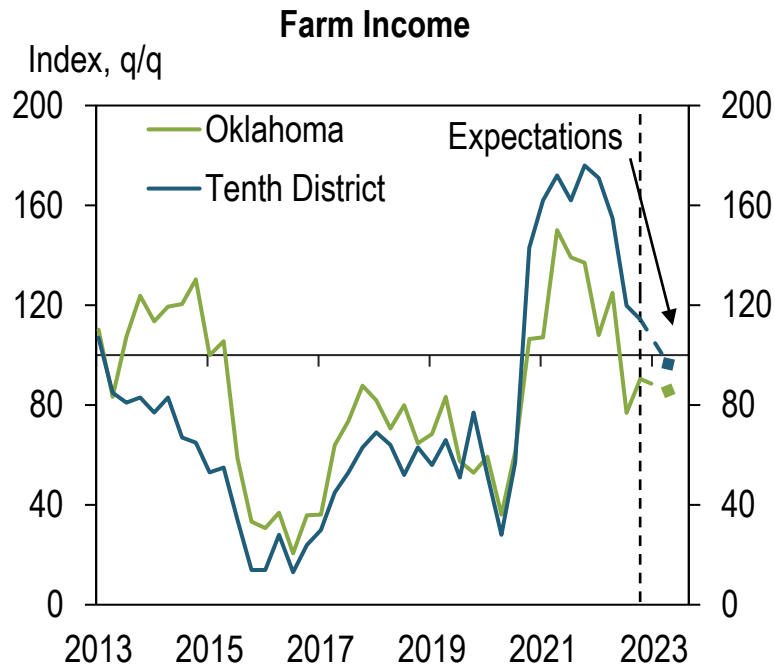
## Rig Counts



## U.S. Energy Prices

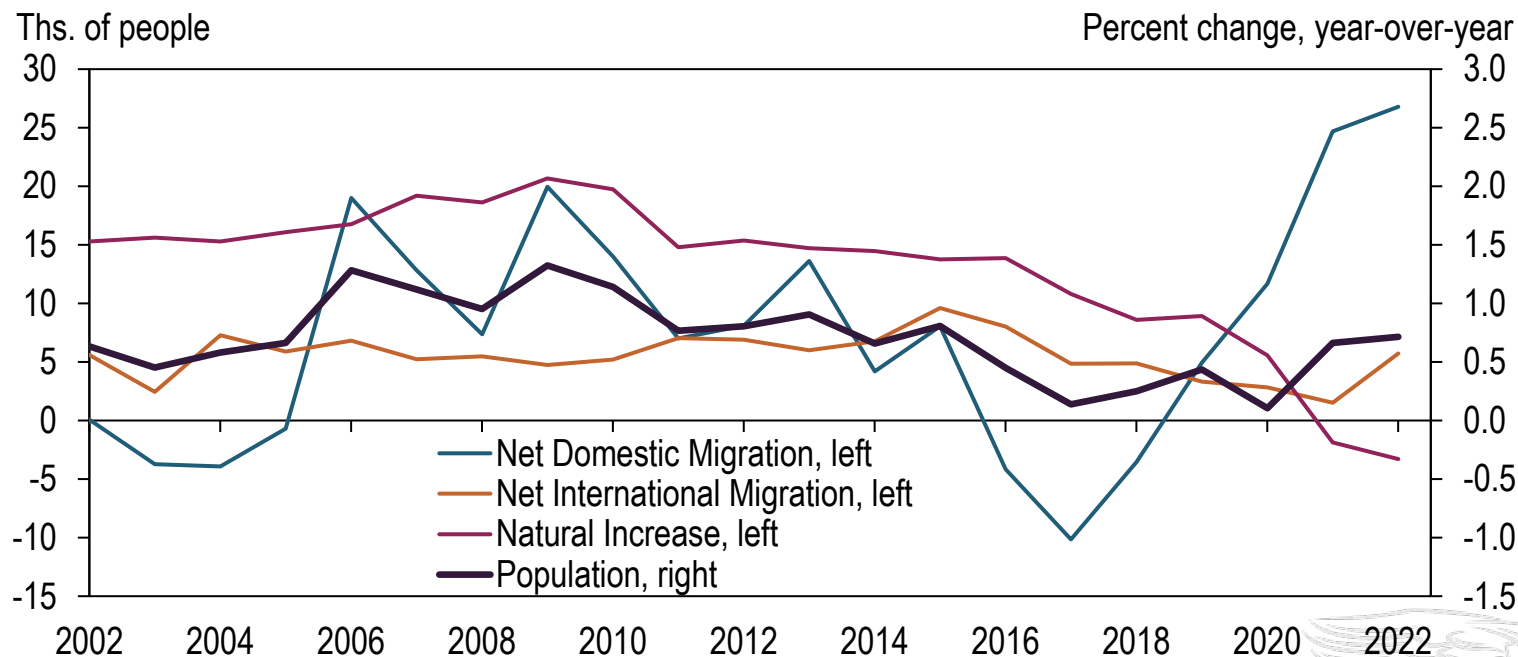


# Oklahoma farm income continued to decline in Q4 2022, partially due to drought and increases in interest rates



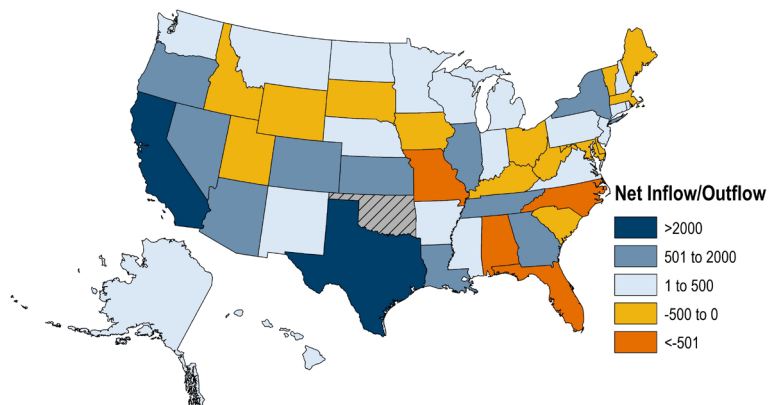
# Oklahoma's population grew in 2021 & 2022, despite a historic increase in deaths, due to massive in-migration

## Oklahoma Population Changes by Component, 2001-2022

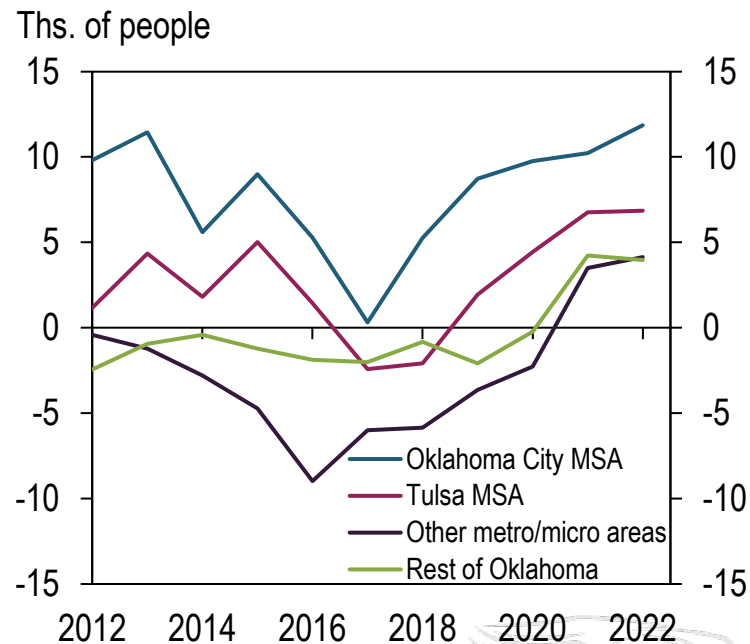


# Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

## Net Domestic Migration to Oklahoma 2020 and 2021

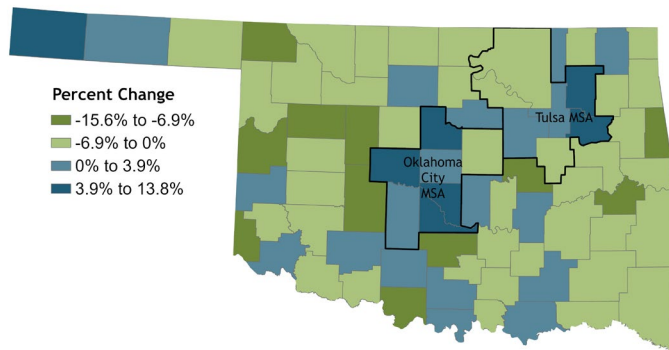


## Oklahoma Net Domestic Migration

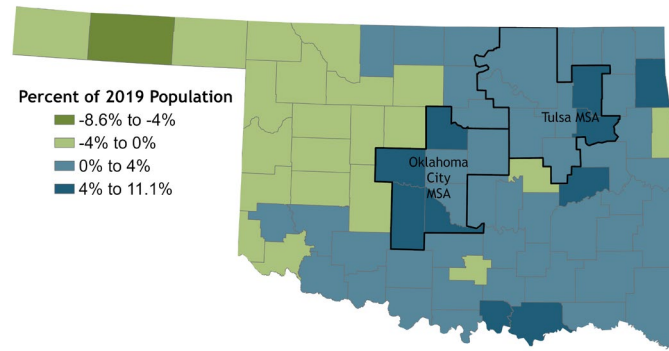


# OKC, Tulsa, panhandle, and border counties have seen largest population increases; largely driven by domestic migration

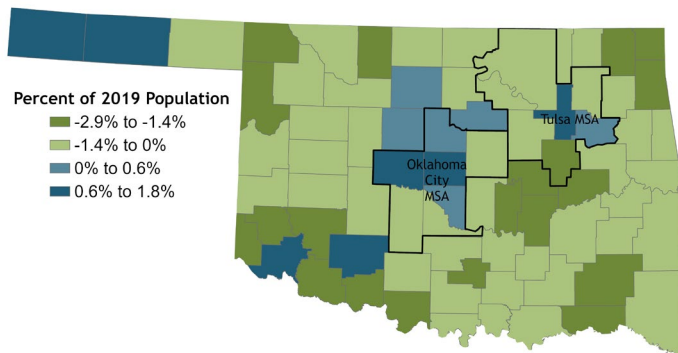
## 2019-22 County Population Change



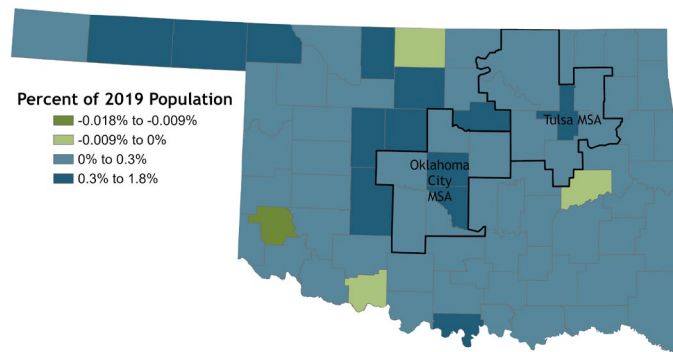
## 2019-22 Net Domestic Migration by County



## 2019-22 Natural County Population Increase



## 2019-22 Net International Migration by County



## Summary

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# Questions?

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