

# U.S. and Oklahoma Economic Outlook

*Oklahoma Society of Association Executives*  
*July 12, 2022*

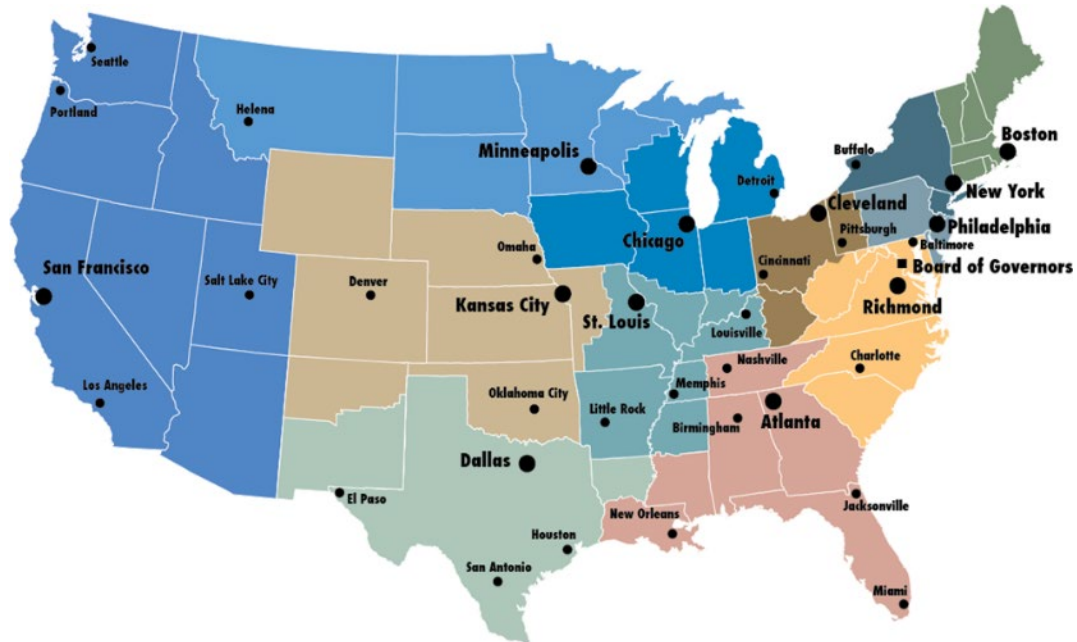
Megan Williams

*Assistant Economist and Manager, Oklahoma City Branch*

\*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](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
- **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
  - **Chris Turner**, COO, First National Bank, Shawnee/OKC
  - **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



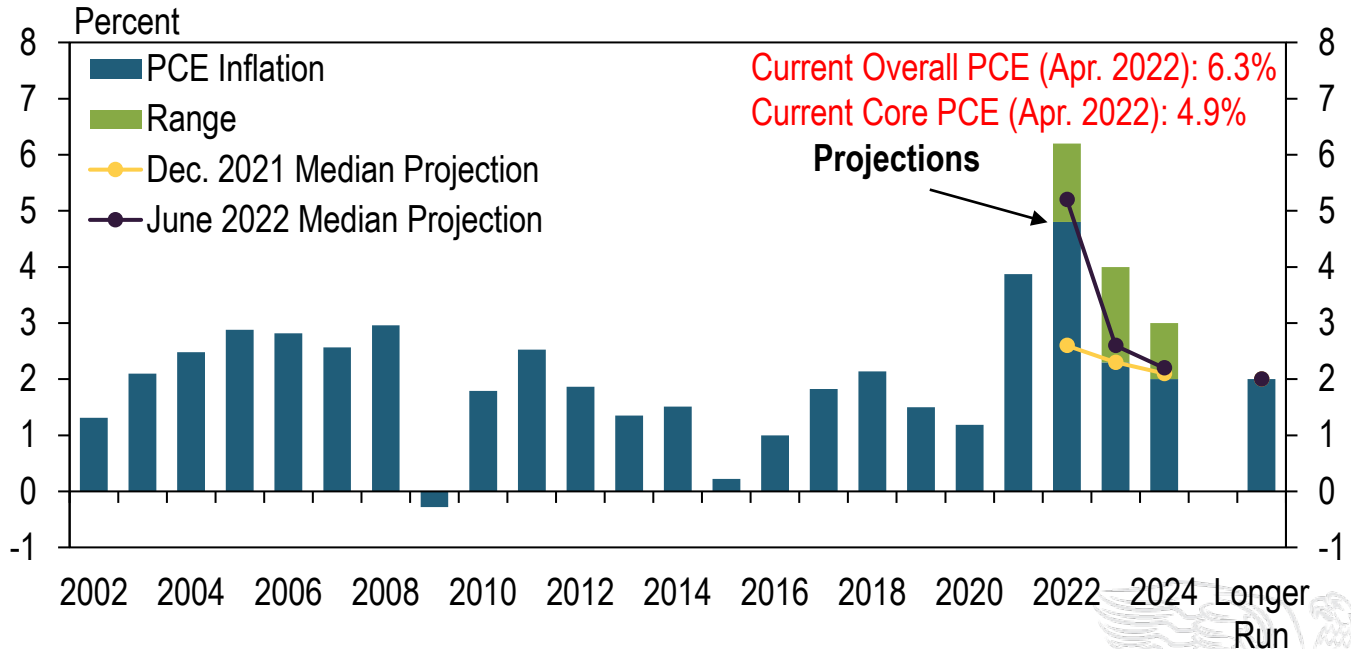
# Overview

- 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



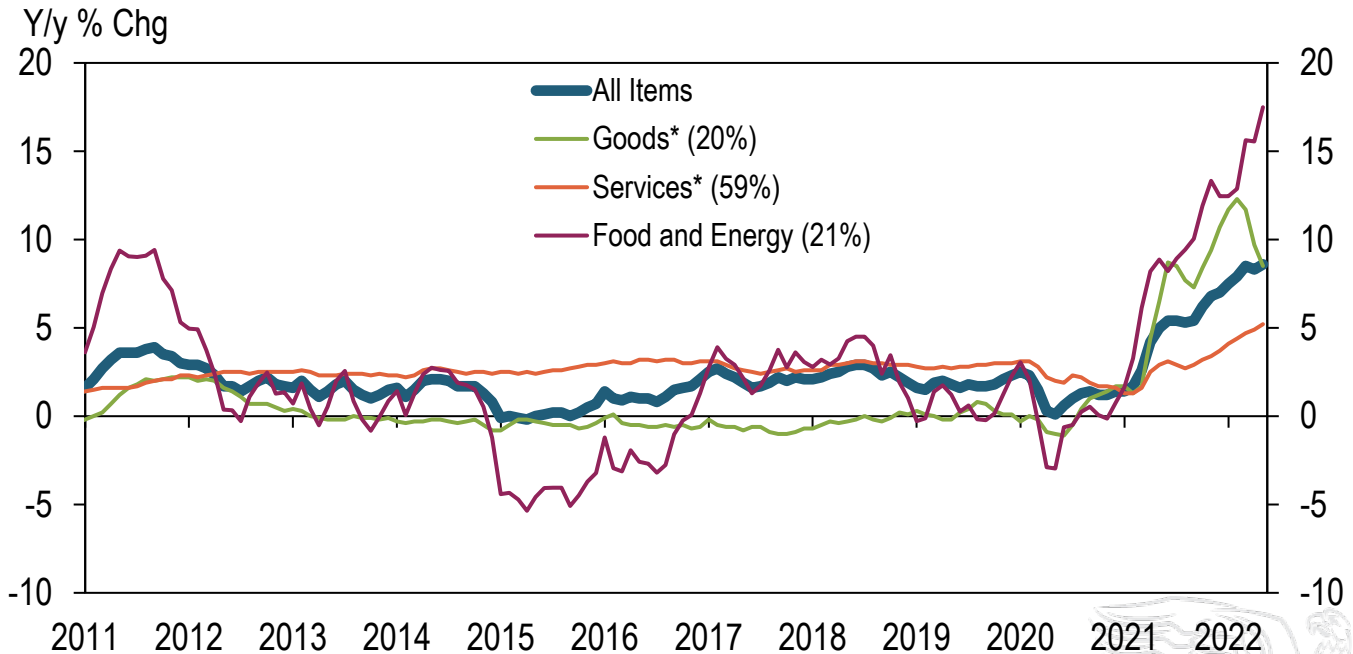
# Inflation has moved well above the Fed's 2% target but is expected to ease heading forward

## PCE Inflation Index



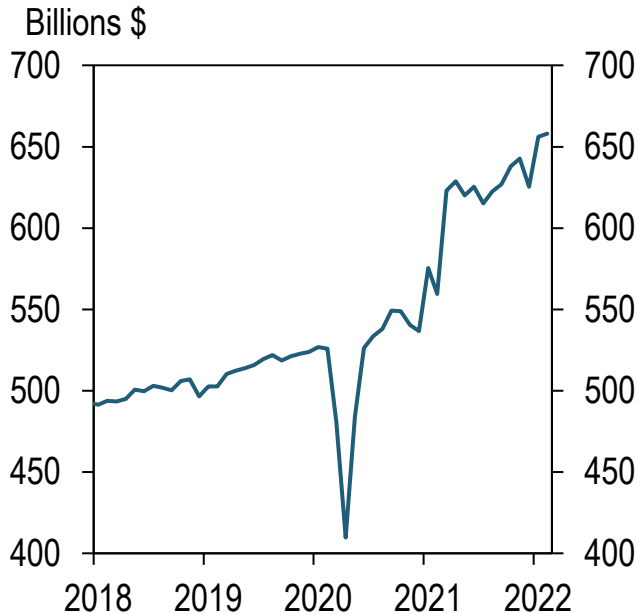
# CPI inflation rose again in May to 8.6%, the highest rate in around 40 years

## Consumer Price Index

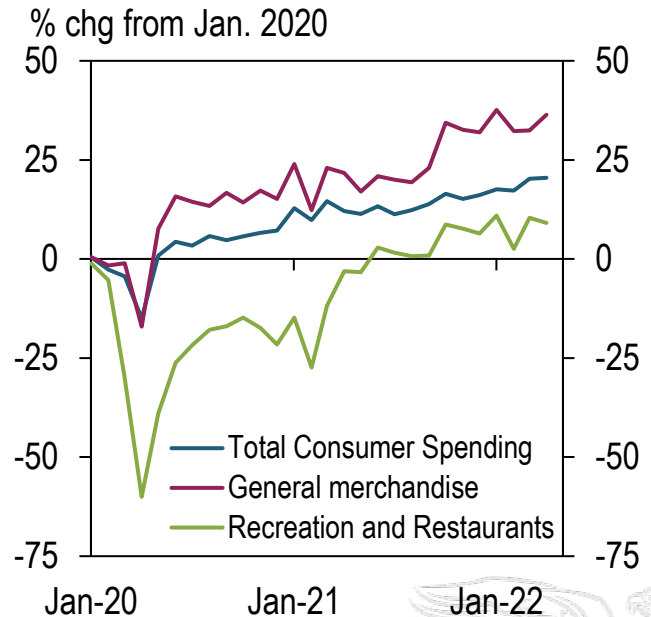


# Why is inflation high? Demand has been strong

## U.S. Retail Sales and Food Services

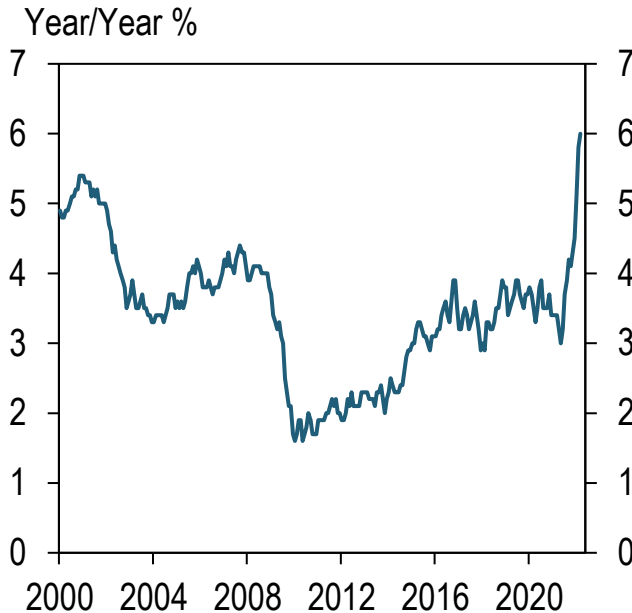


## Oklahoma Consumer Spending

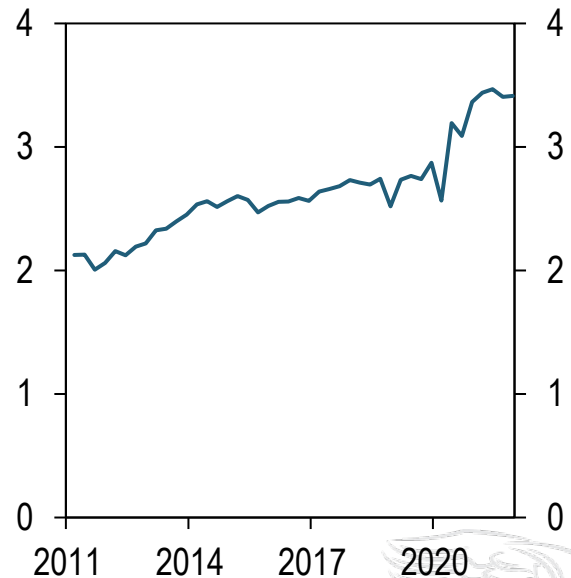


# Demand has been supported by rising wages and healthy household balance sheets

## U.S. Wage Growth

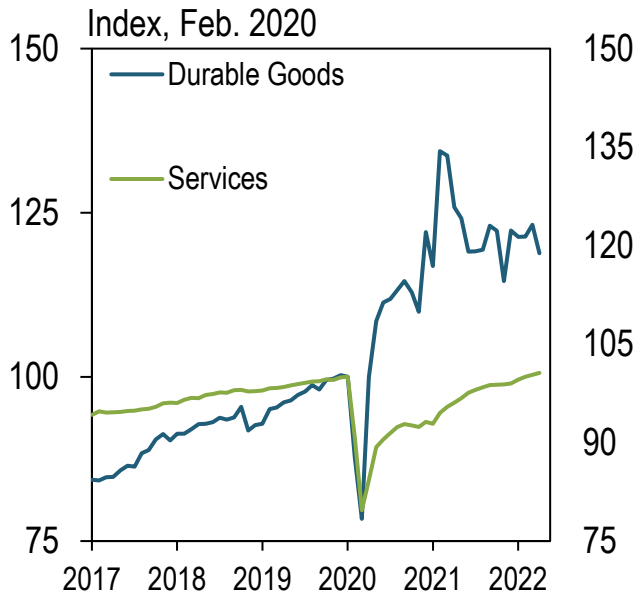


## U.S. Household Net Worth/GDP

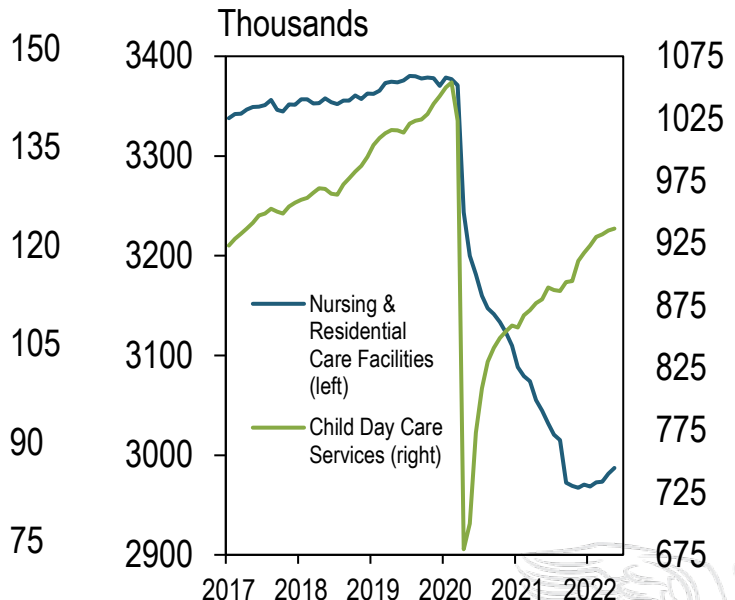


# Why is inflation high? Supply is constrained by a shift in consumption and disruptions to labor supply

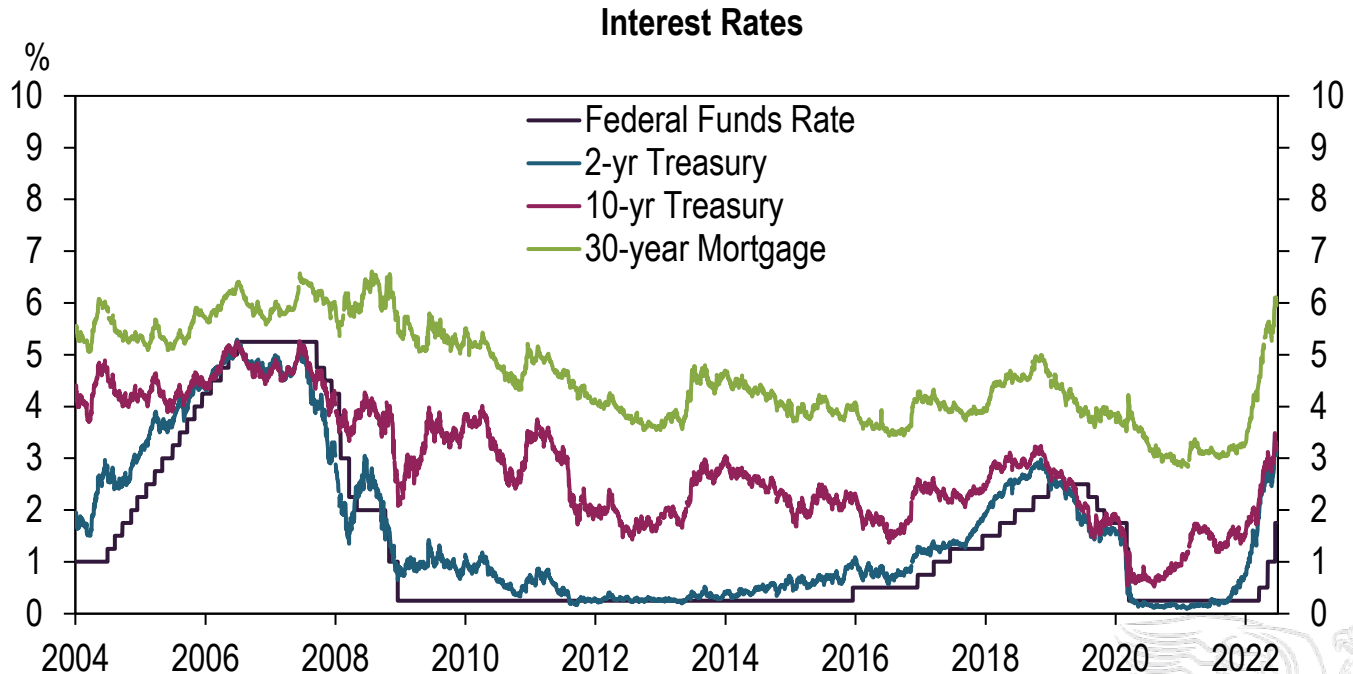
## U.S. Consumption



## U.S. Employment

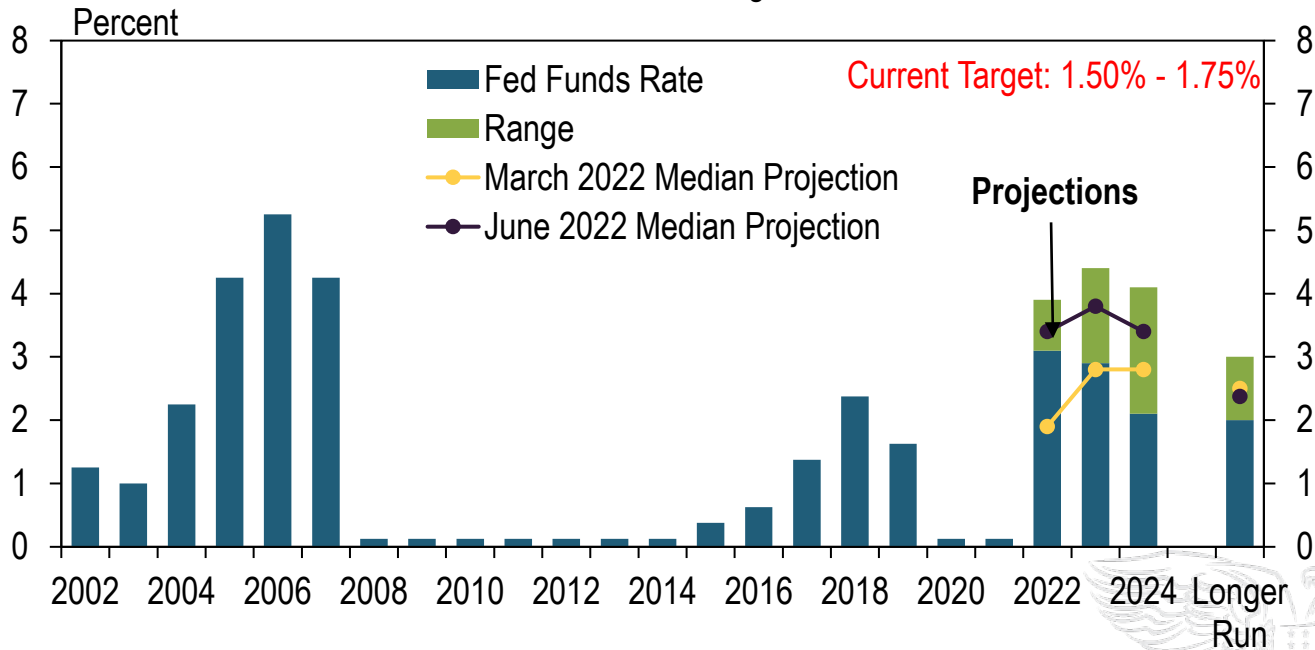


# Interest rates have increased this year, with 30-year mortgage rates now at the highest level since 2008



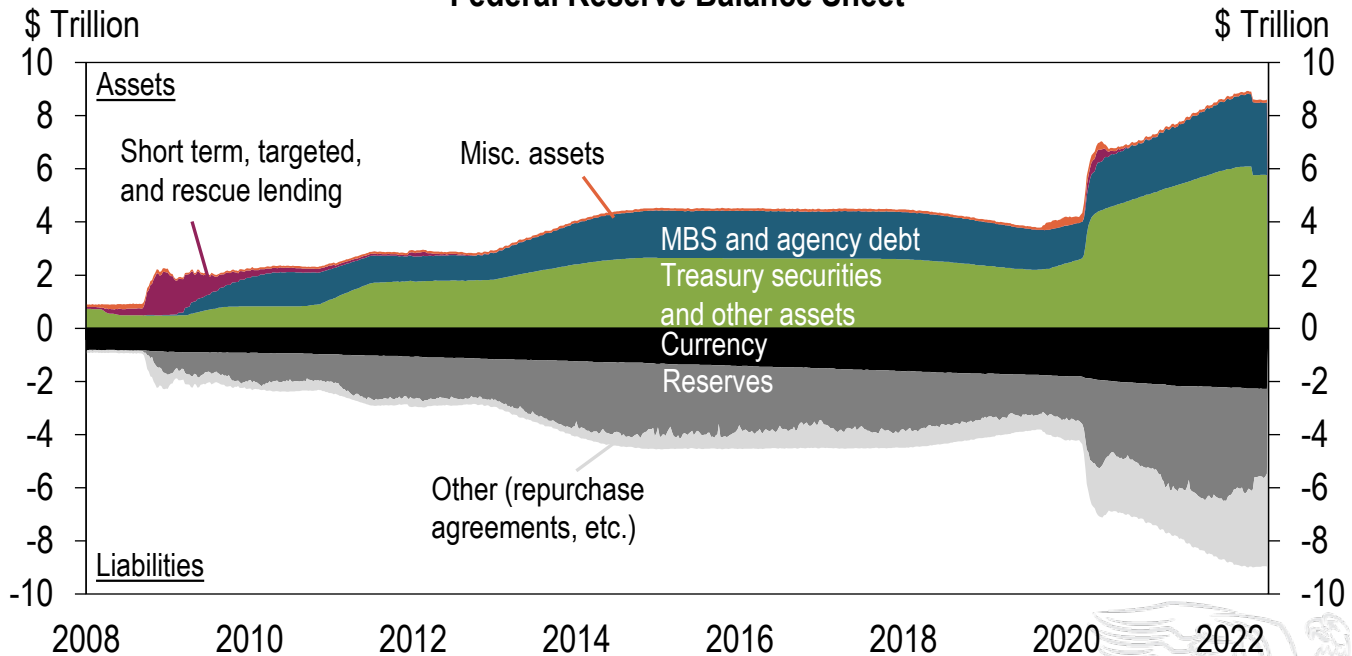
# The Fed raised rates 75 bp in June, with more rate increases expected in 2022 and 2023

Federal Funds Rate  
Year-End Target



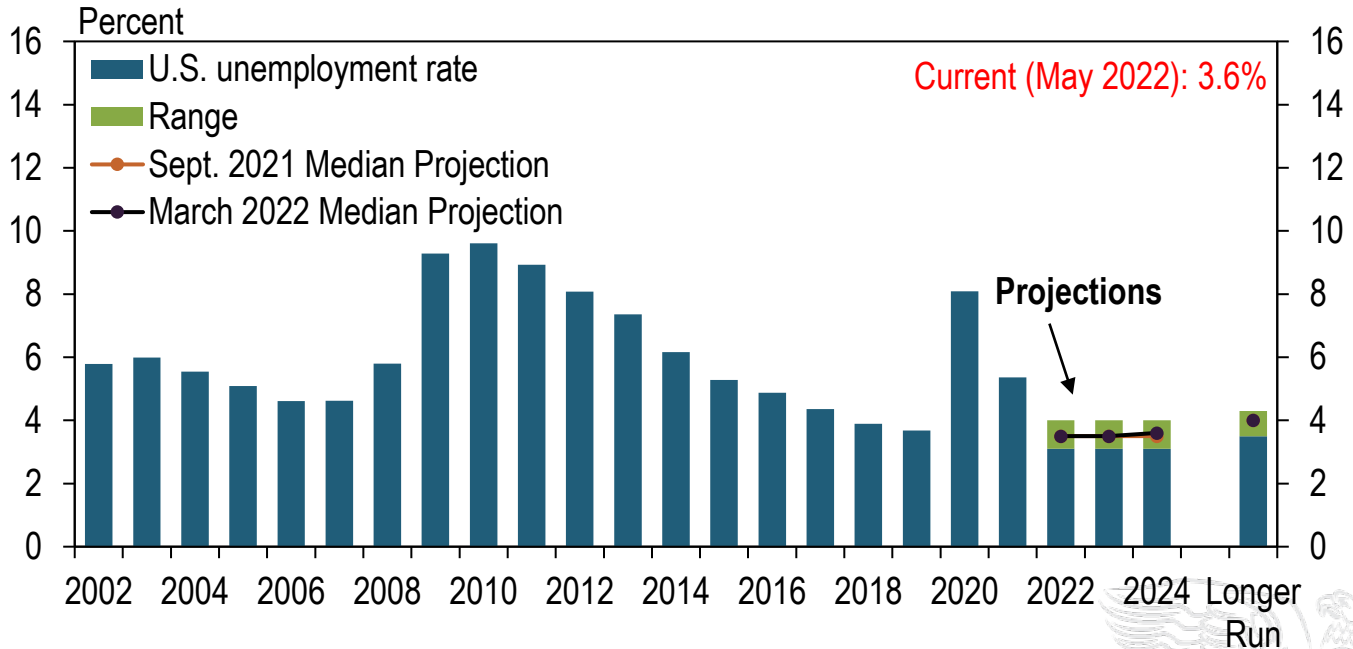
# The Fed also plans to reduce its balance sheet more moving forward

## Federal Reserve Balance Sheet



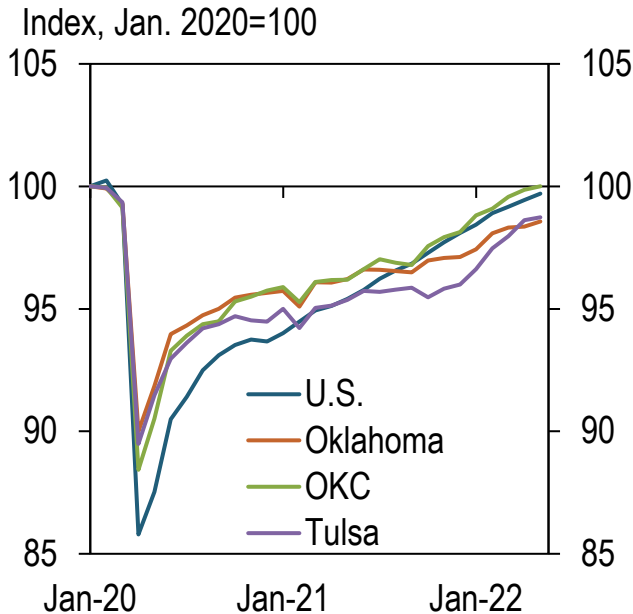
# U.S. unemployment remains historically low and is projected to remain very low in coming years

## U.S. Unemployment Rate

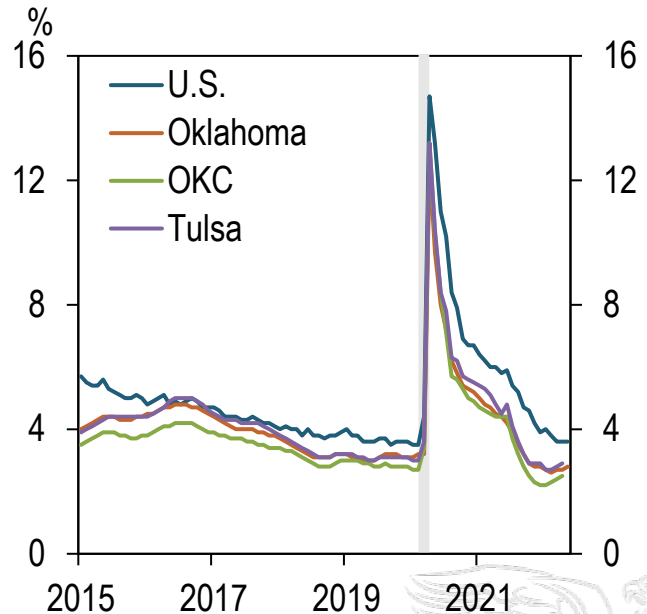


# Oklahoma City jobs are at pre-COVID levels while other areas continue to lag, despite low unemployment rates

## Non-Farm Payroll Employment

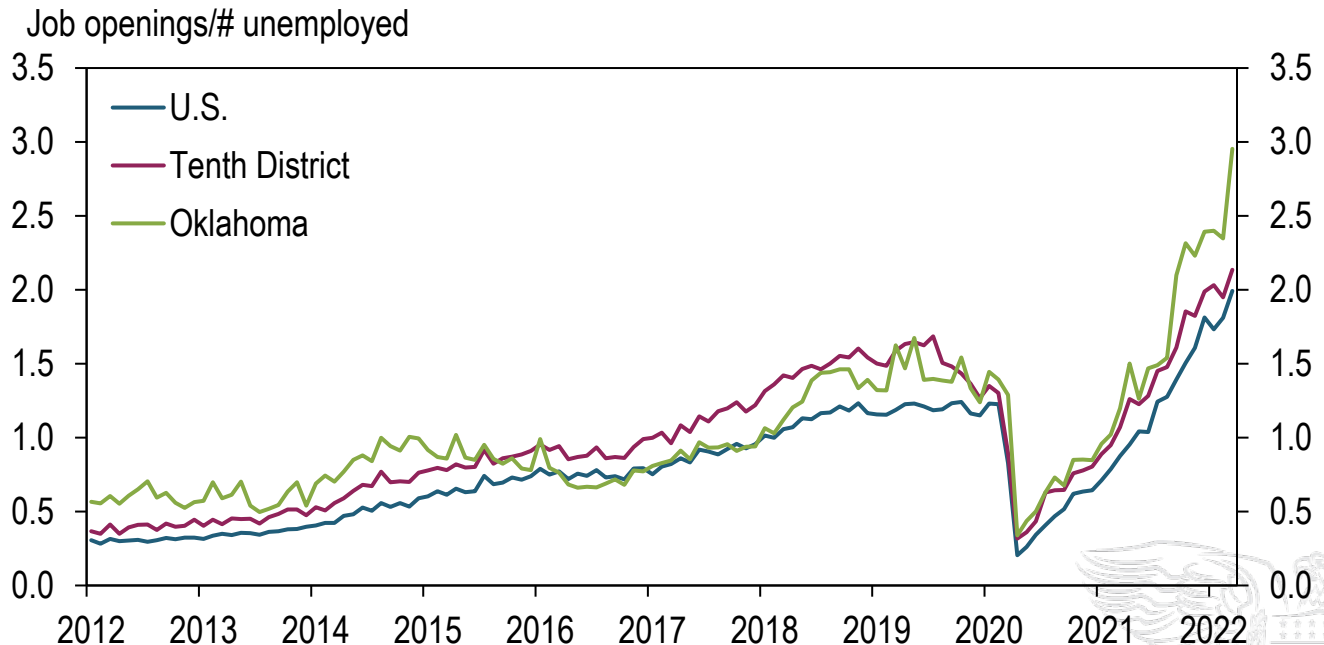


## Unemployment Rate



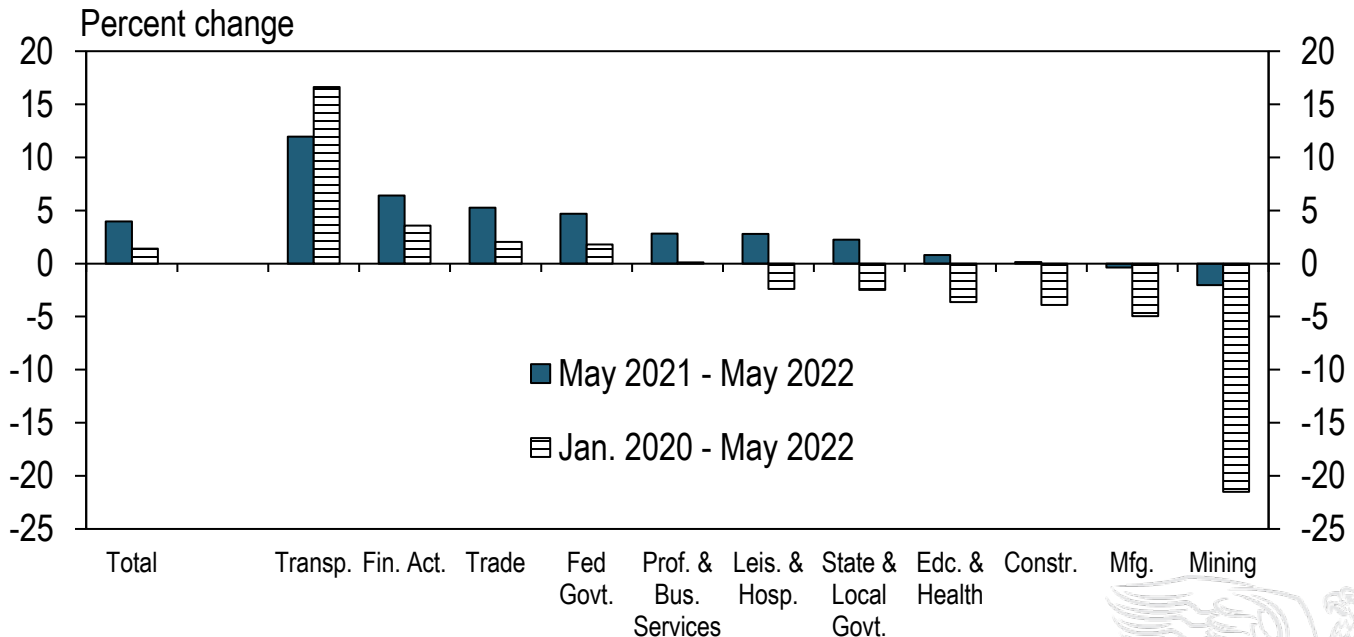
# The number of job openings greatly exceeds the number of unemployed workers

## Job Openings/Unemployment Ratios



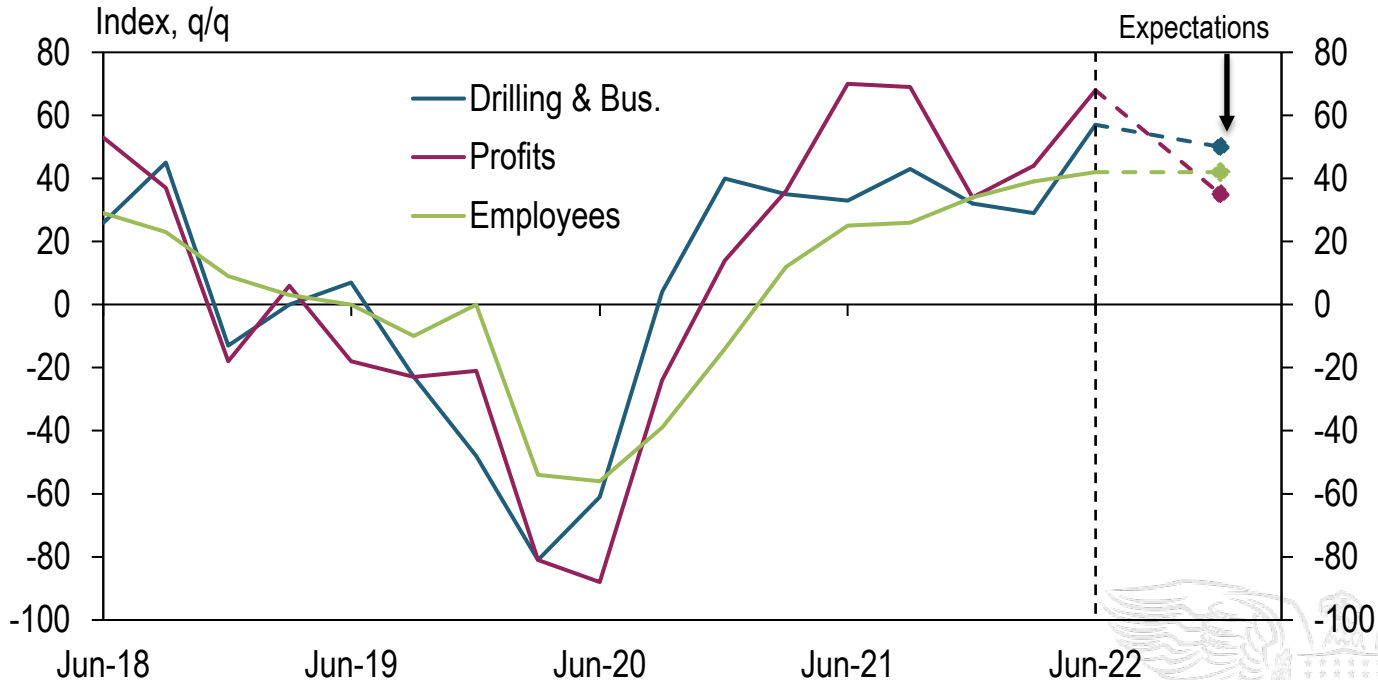
# Energy and manufacturing jobs in Oklahoma are still down compared to pre-pandemic, but have grown

## Oklahoma Job Growth by Industry



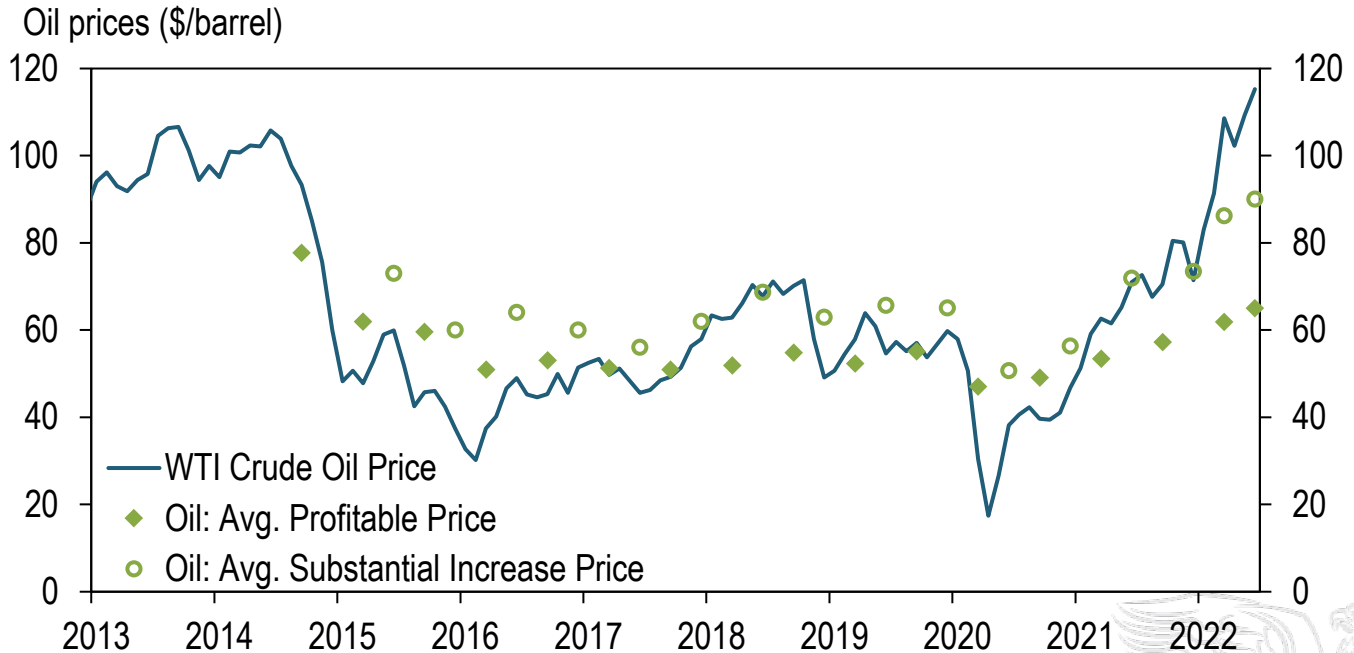
**Energy activity was higher in Q2, and expectations are fairly solid as well.**

**Energy Survey Indexes**



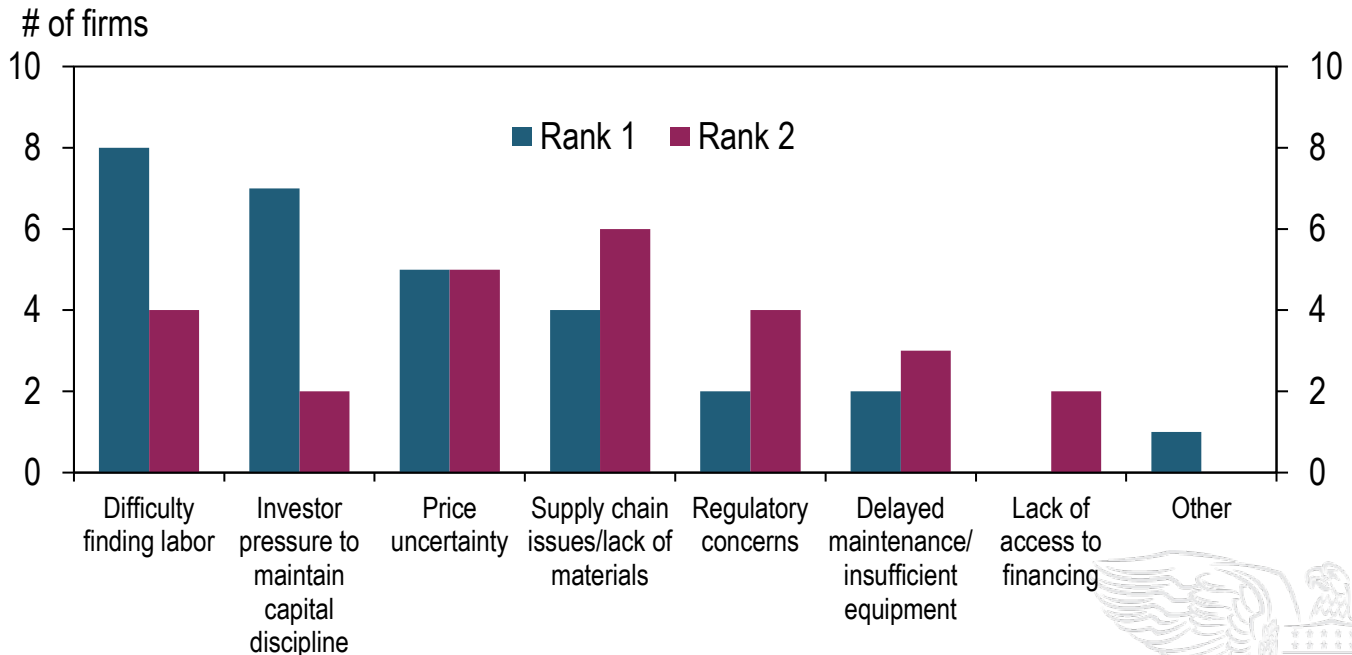
# Oil prices have risen considerably, and remain highly profitable for most regional firms

## Energy Prices



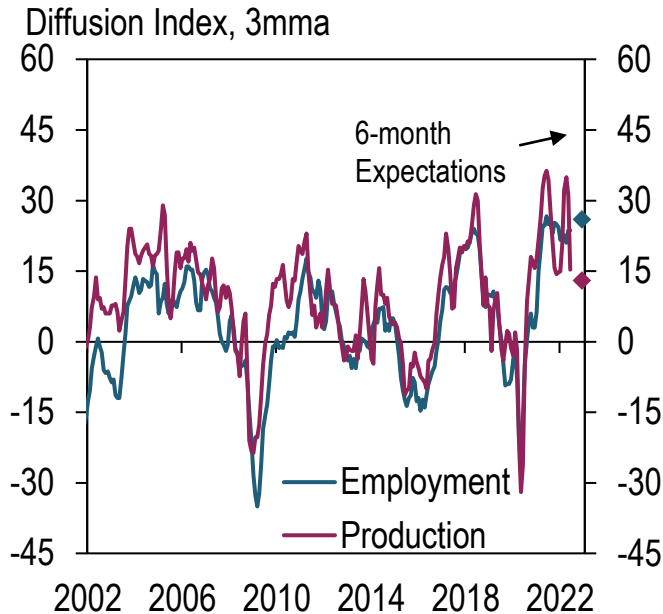
# But regional energy production is restrained by labor and more fiscal discipline for public companies

**Q1 2022 Energy Survey Special Question: “Which of the following are the top reasons restraining growth for your firm despite high oil prices? (rank)”**

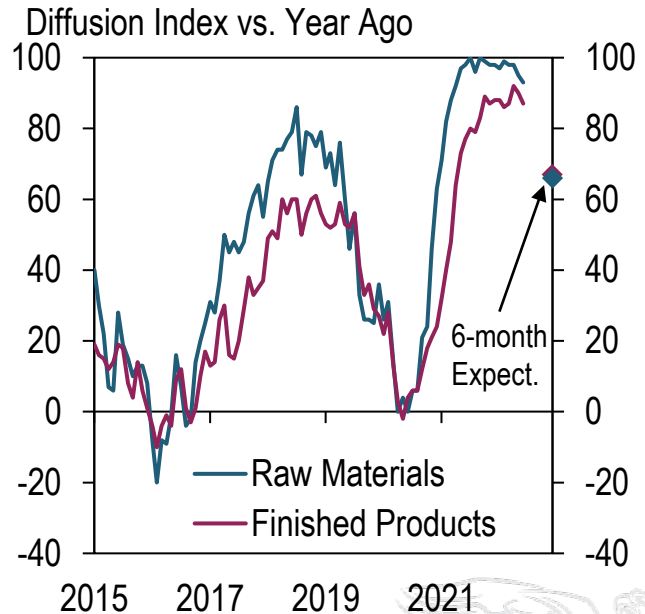


# Regional factory activity has remained strong, with expectations for more growth despite high prices

## KC Fed Manufacturing Survey



## Manufacturing Survey Price Indexes



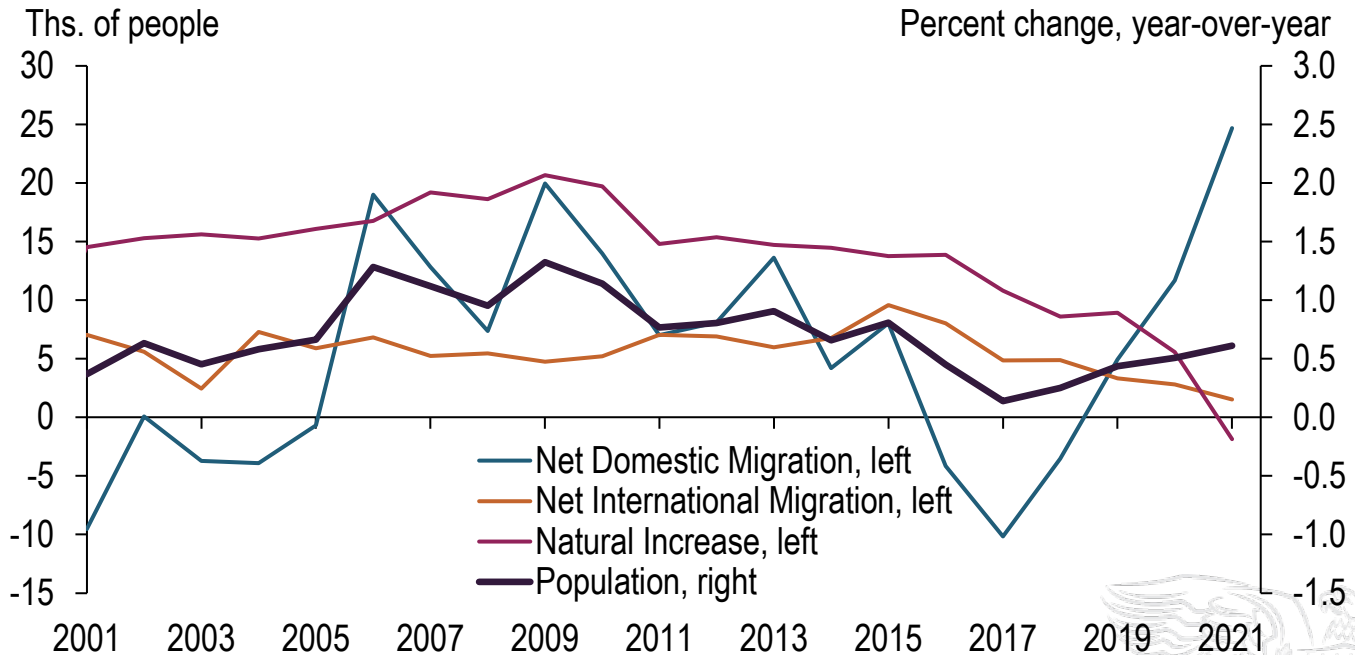
# With a closer look, activity may not be as strong as the composite index suggests

## Manufacturing Survey Components Index



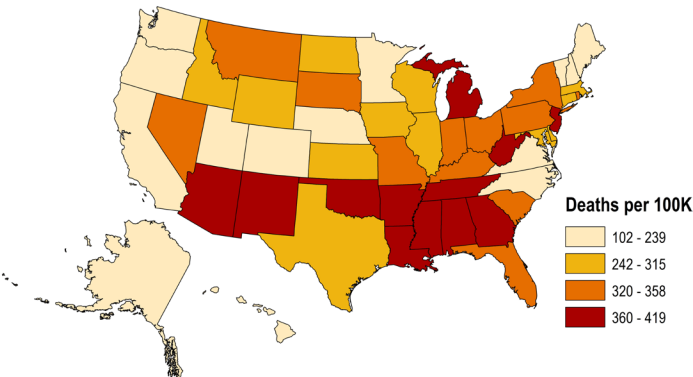
# Oklahoma's population grew in 2021, despite a historic increase in deaths, due to massive in-migration

## Oklahoma Population Changes by Component, 2001-2021

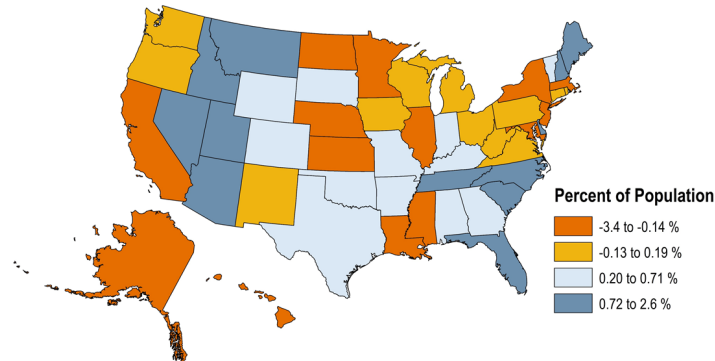


# Oklahoma ranked highly in both COVID deaths per capita and net domestic in-migration in 2020 and 2021

**COVID-19 Death Rate**  
Jan. 2020 - May 2022

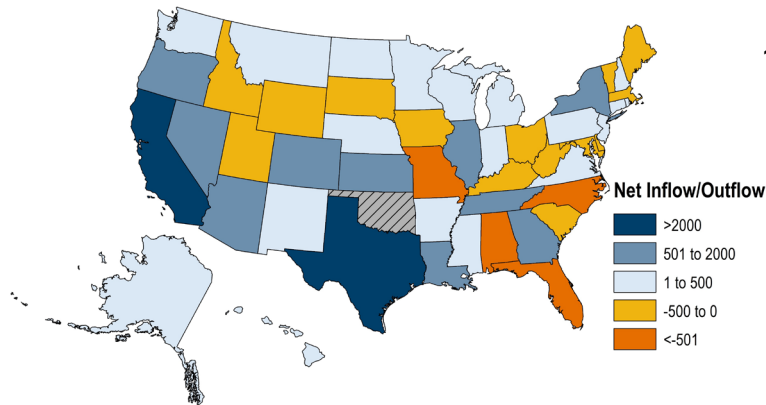


**Net Domestic Migration**  
2020 - 2021

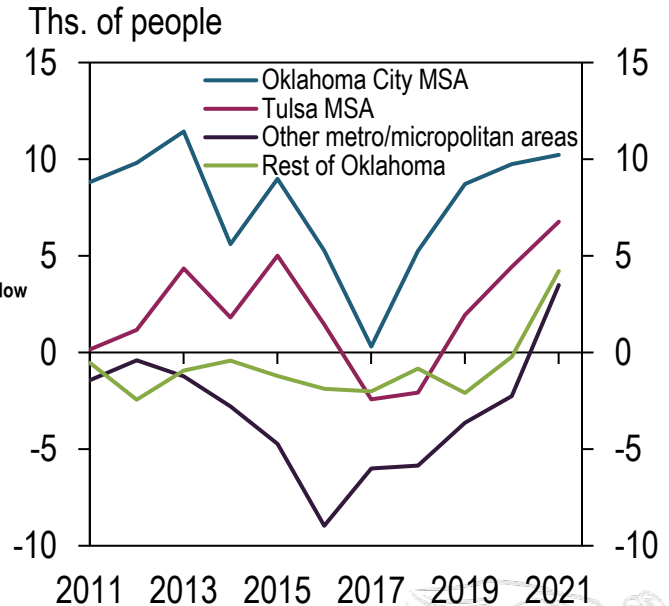


# Many people moved to OK from CA and TX, mostly to the metros but some other parts of the state, too

Net Domestic Migration to Oklahoma  
2020 and 2021



Oklahoma Net Domestic Migration



# Summary

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# Questions?

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