

U.S. and Oklahoma Economic Outlook

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FEDERAL RESERVE BANK OF KANSAS CITY

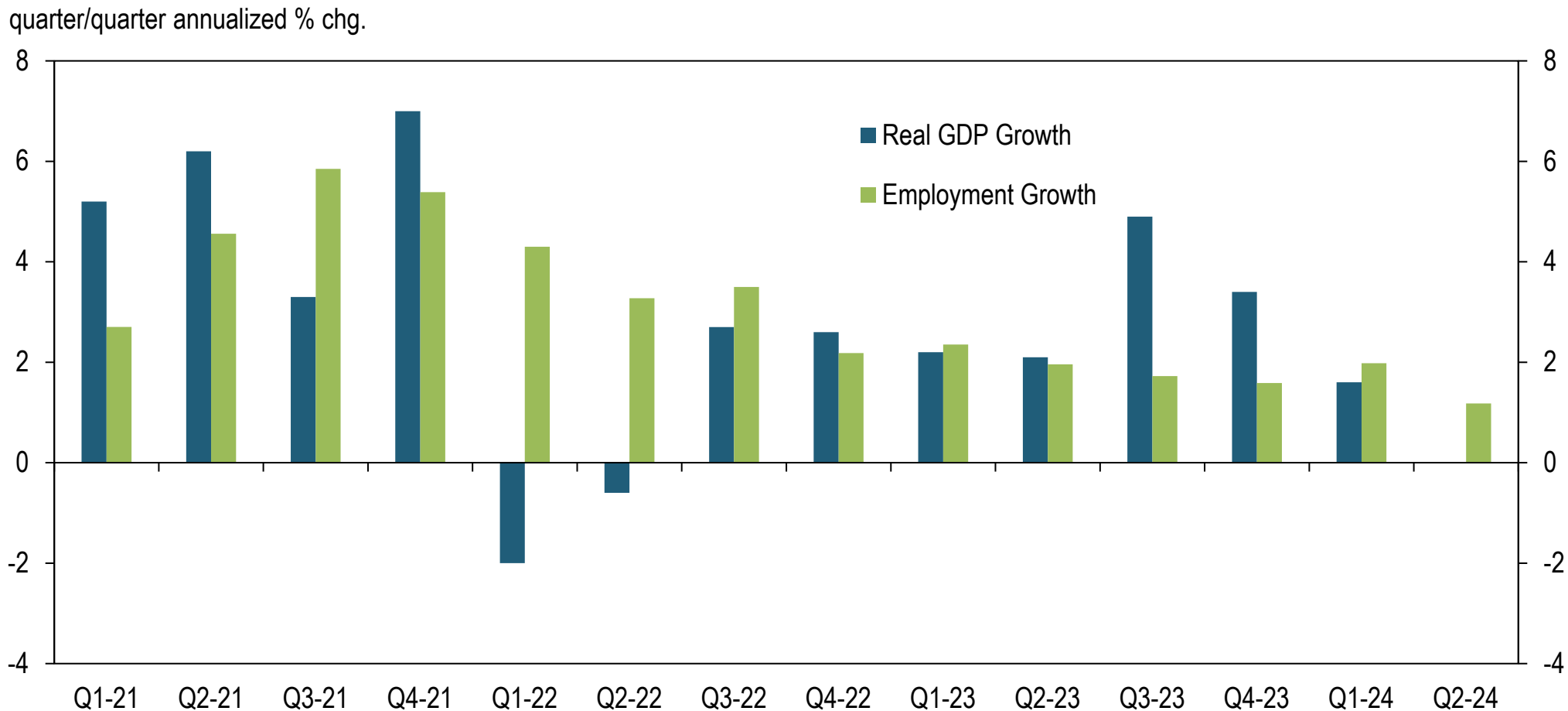
*The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Overview

- U.S. economic growth has slowed but remains solid in early 2024, and unemployment is near 50-year lows
- 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, including to rural areas

U.S. GDP growth slowed in Q1, and employment growth eased in April

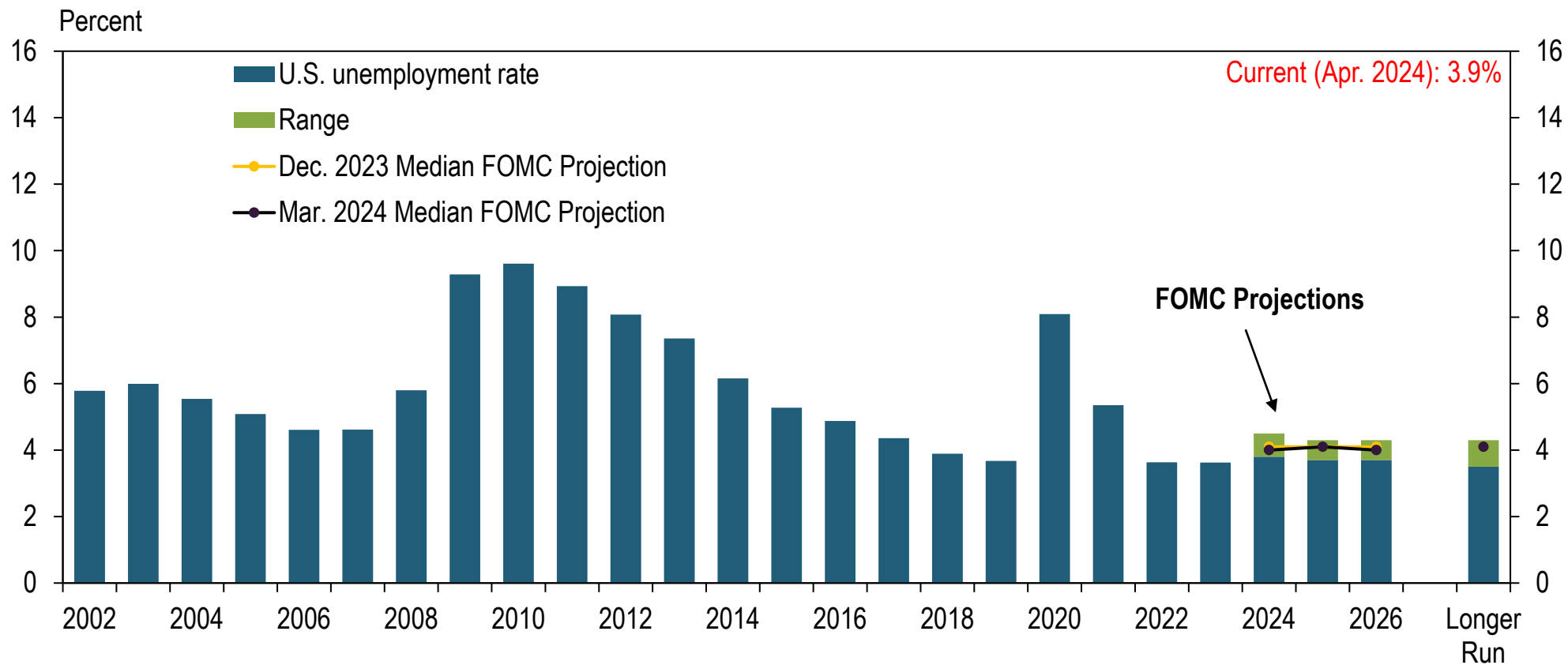
Quarterly U.S. Economic Growth



Sources: BEA, BLS/Haver Analytics

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

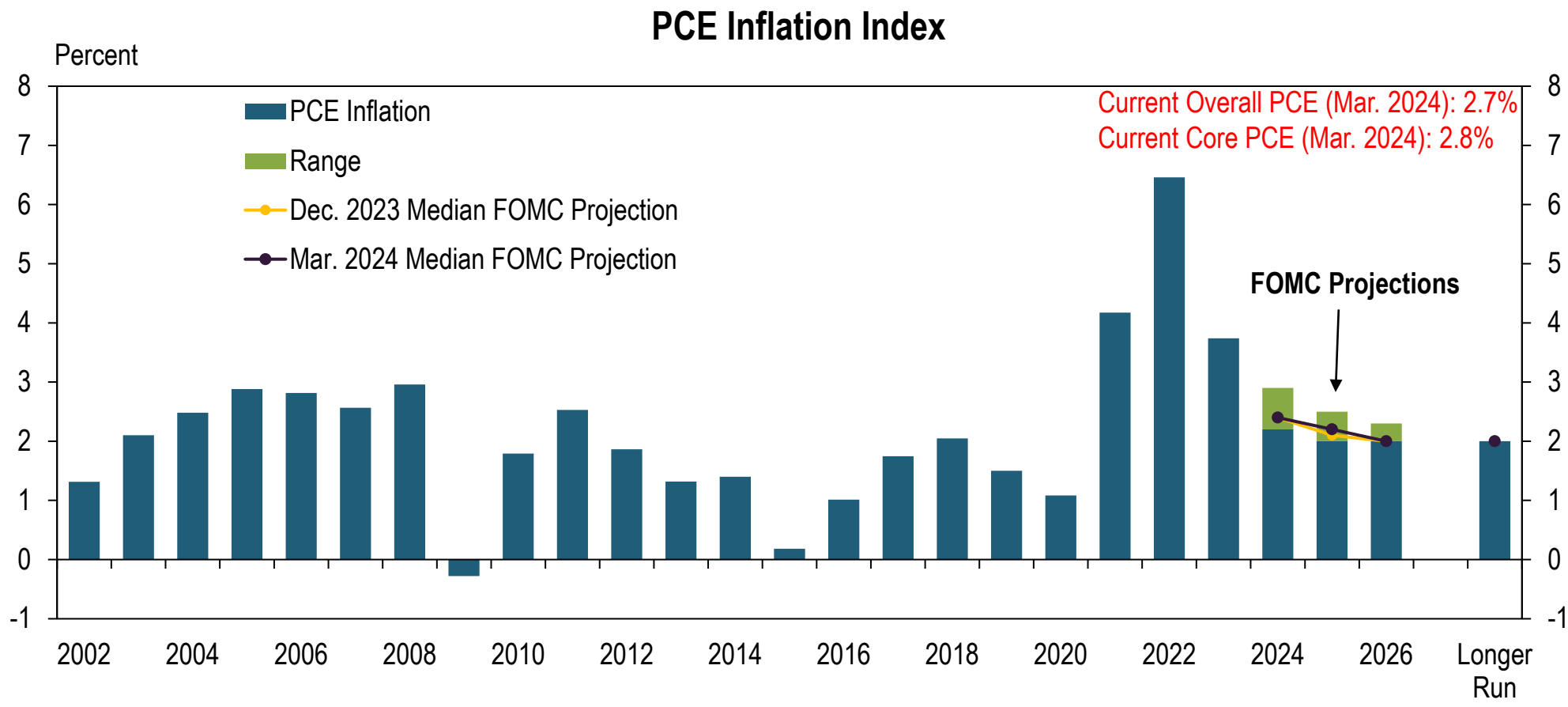
U.S. Unemployment Rate



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

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

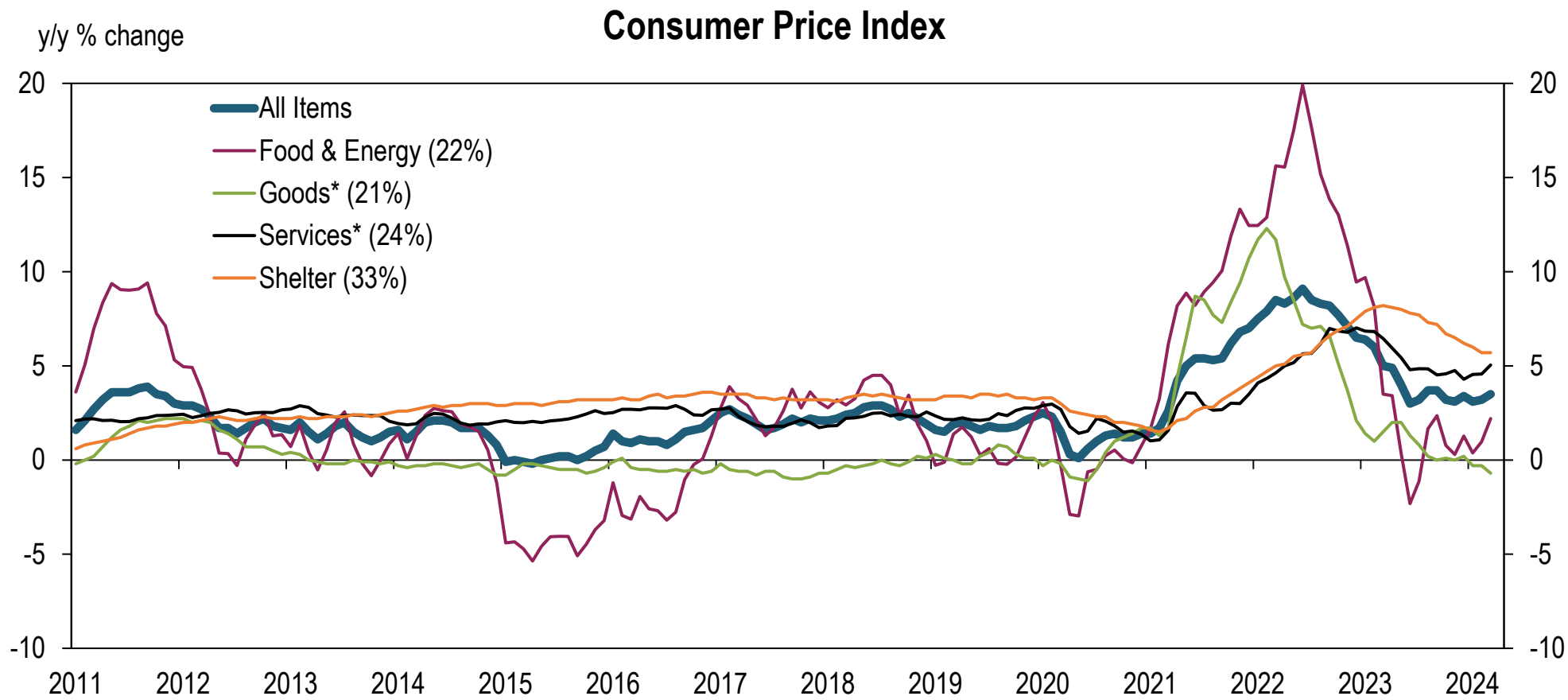
Although inflation has come down from 2022 peaks and is expected to fall further, it remains above longer-run levels



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

Sources: Bureau of Economic Analysis, FOMC

CPI inflation ticked up again to 3.5% in March, as goods prices fell but energy and services prices rose and shelter remains elevated

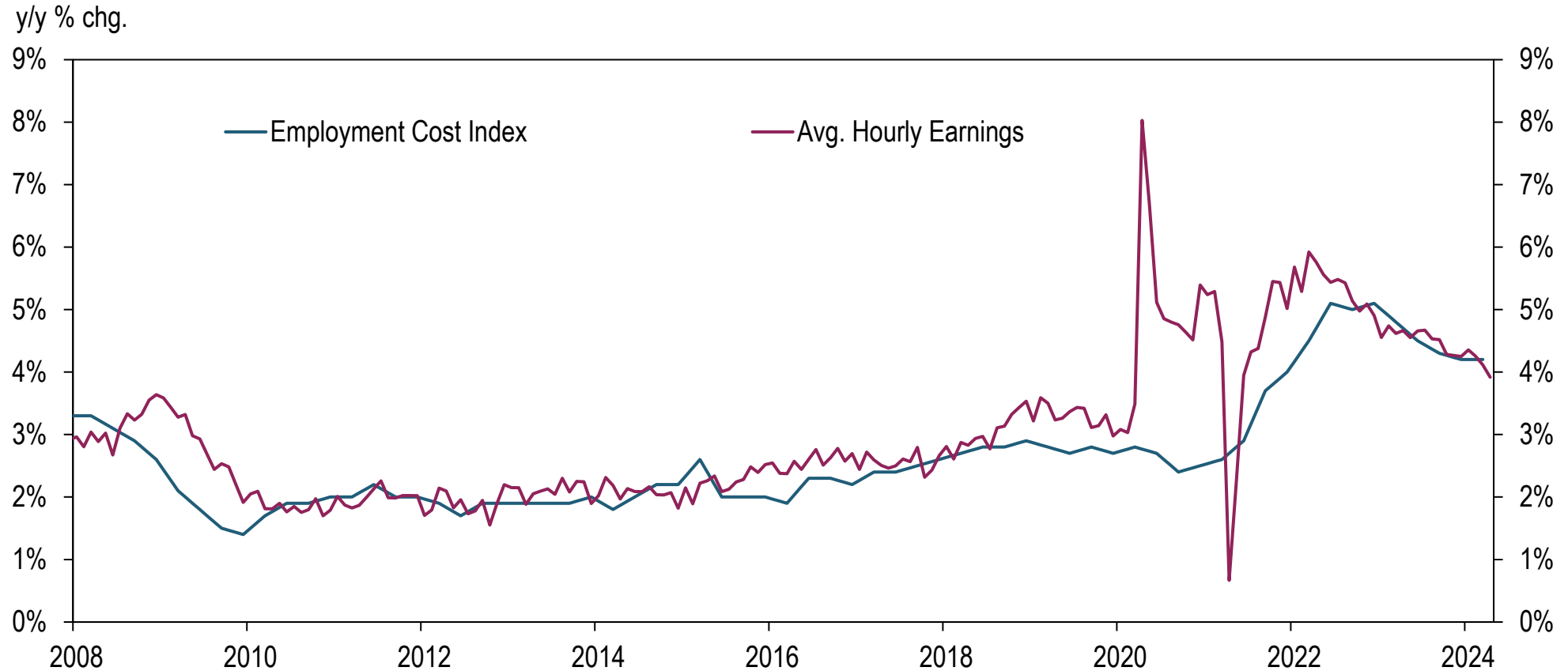


*Goods excluding Food; Services excluding Energy.
Note: Relative Importance as Share of CPI shown in parenthesis.

Sources: BLS/Haver Analytics

Wage growth is a key factor keeping services inflation high, and has come down moderately from recent highs

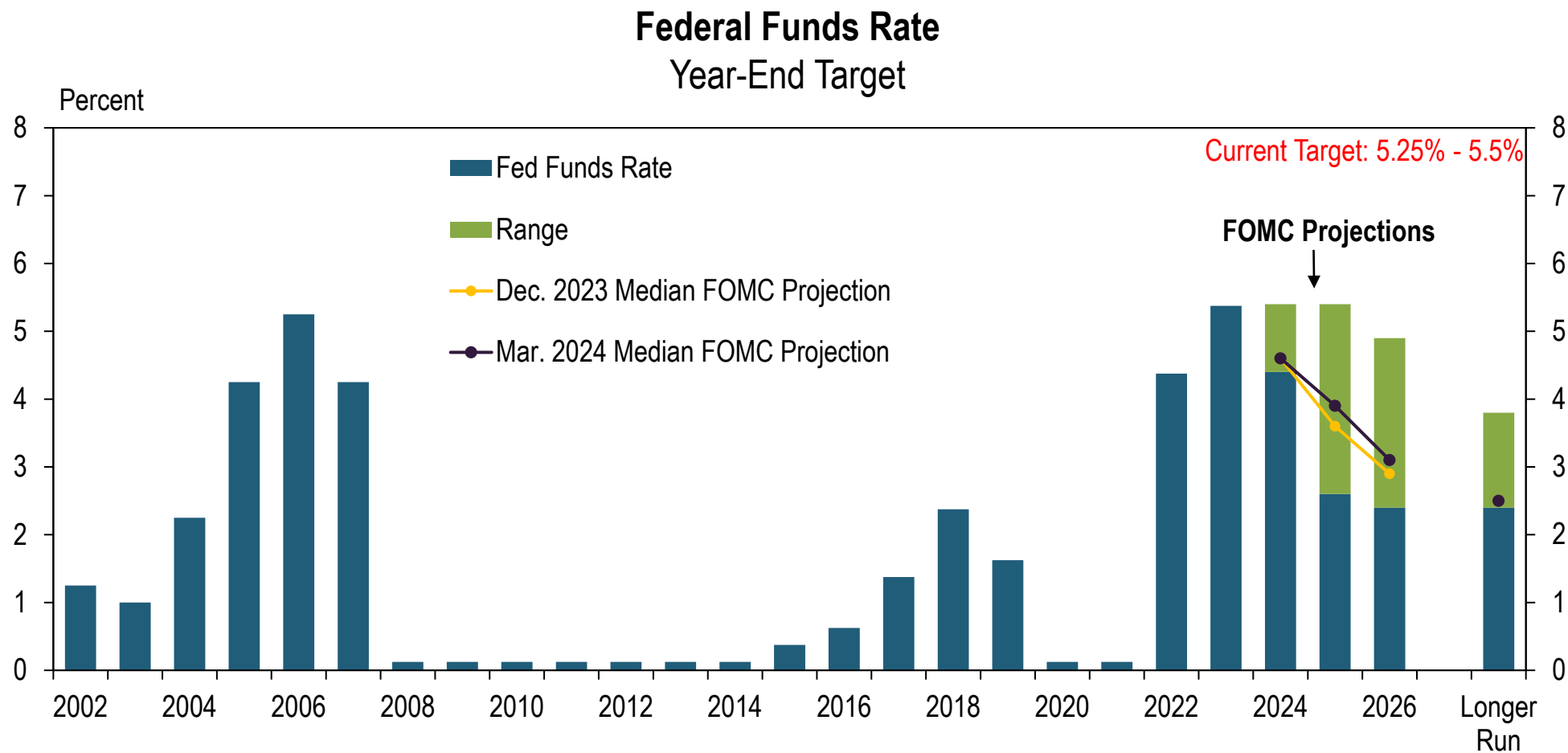
Wage Growth



Note: Employment Cost Index data are interpolated between quarters

Sources: BLS/Haver Analytics

The Fed held the federal funds rate steady again in May, after raising future projections somewhat in March

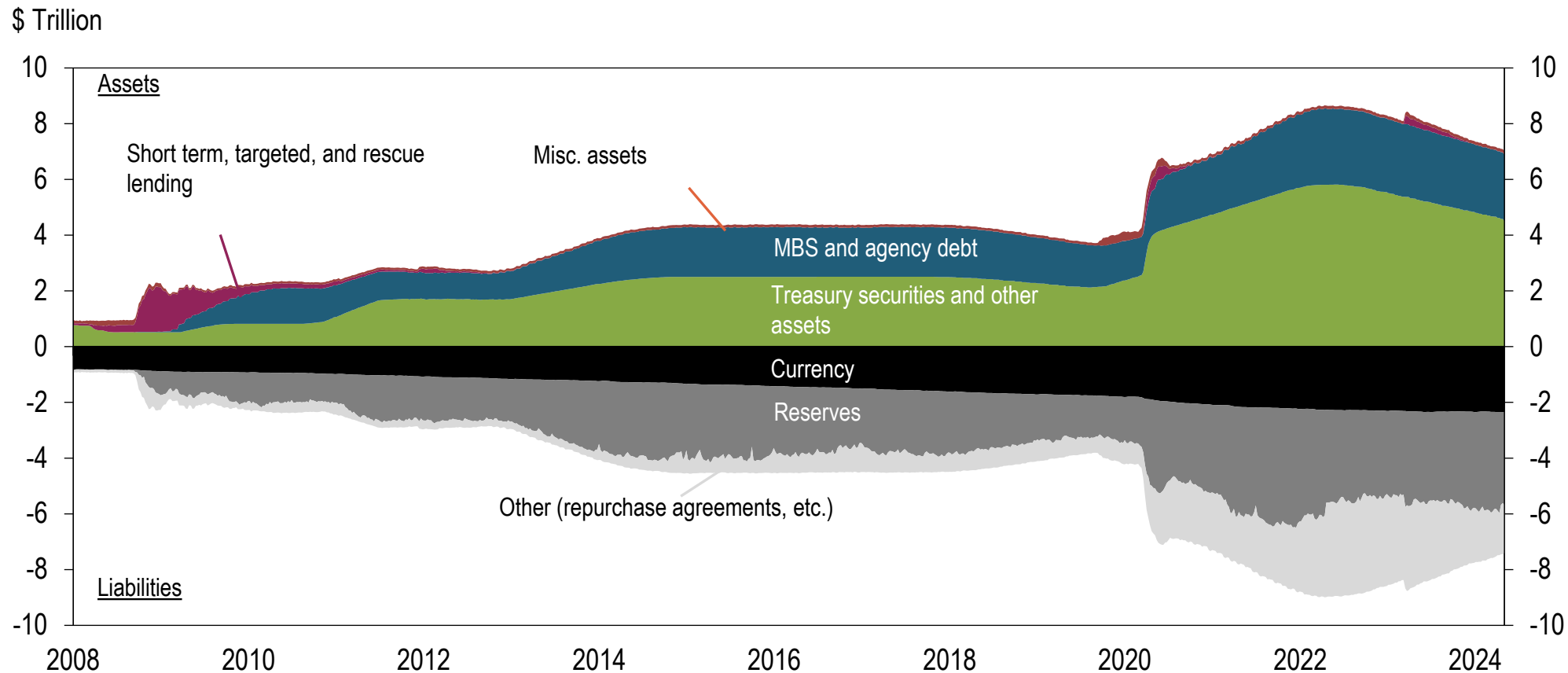


Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC

The Fed also continues to reduce its balance sheet of high-quality securities, but diminished the planned pace in May

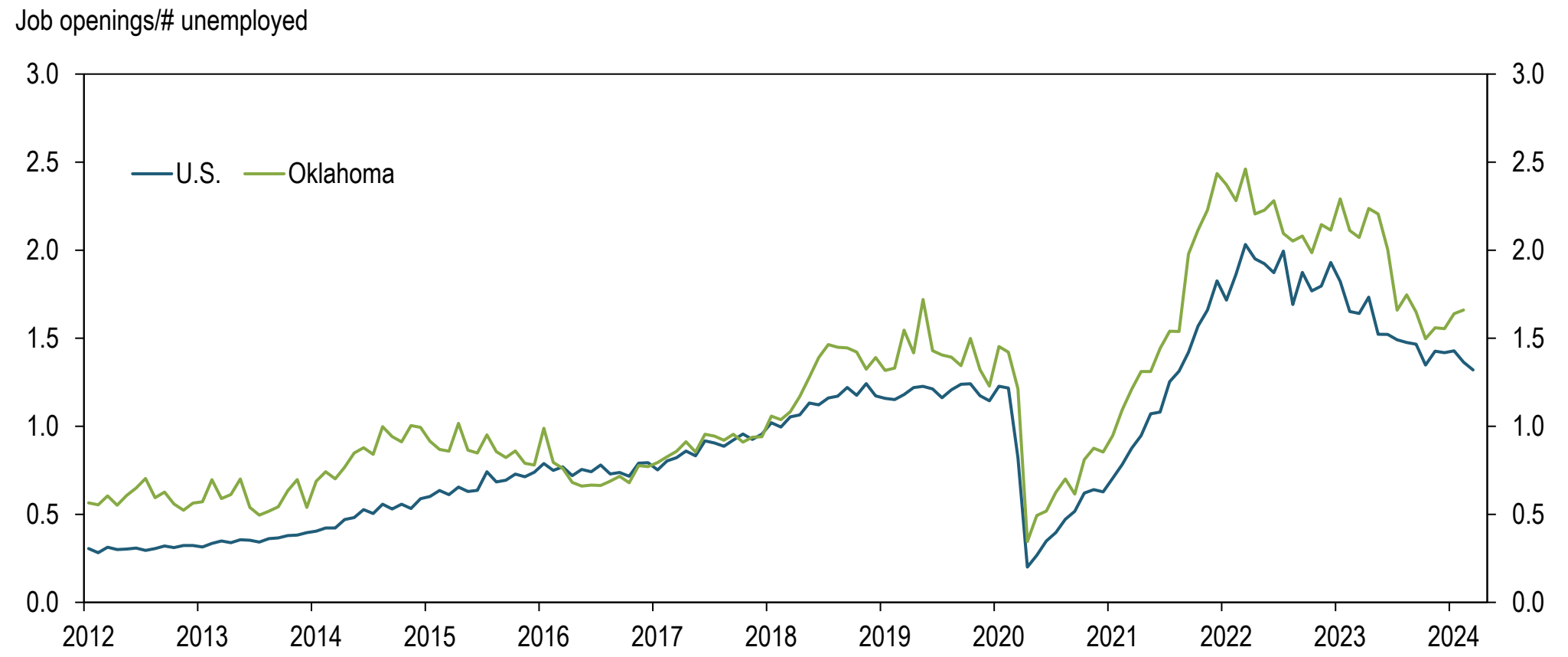
Federal Reserve Balance Sheet



Source: Federal Reserve Board

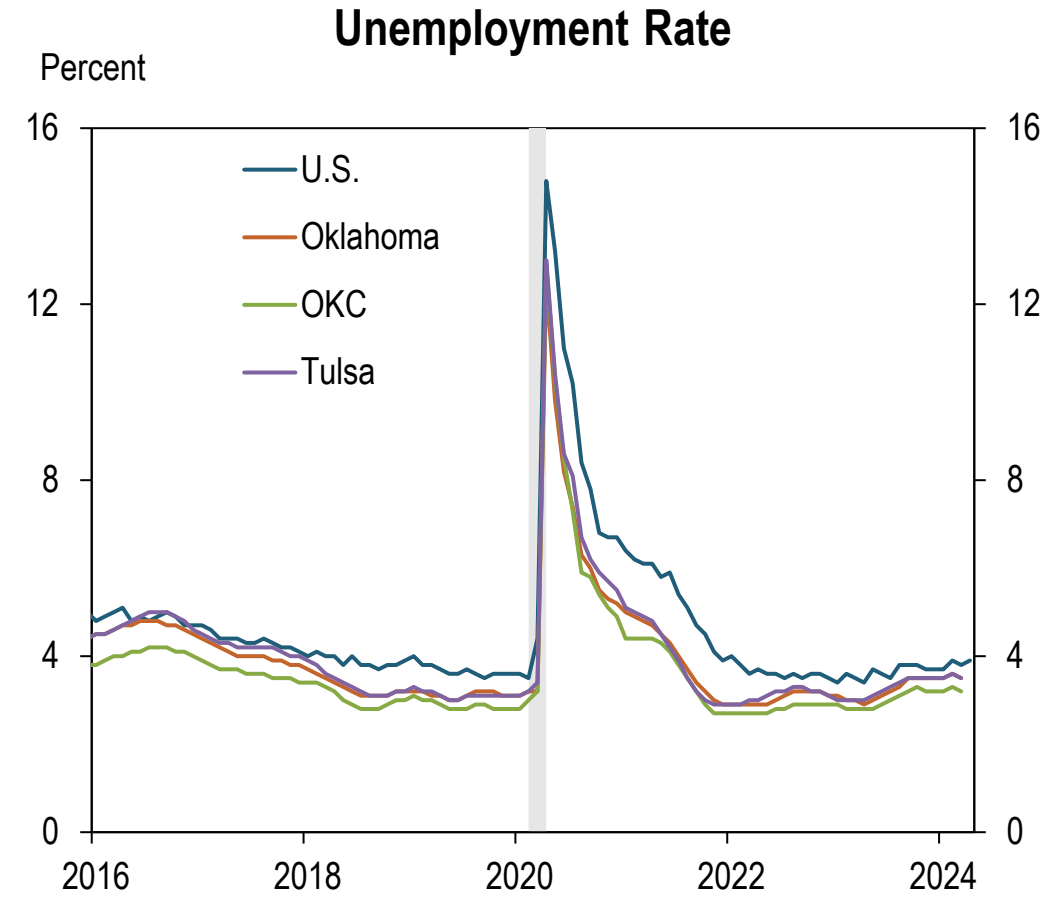
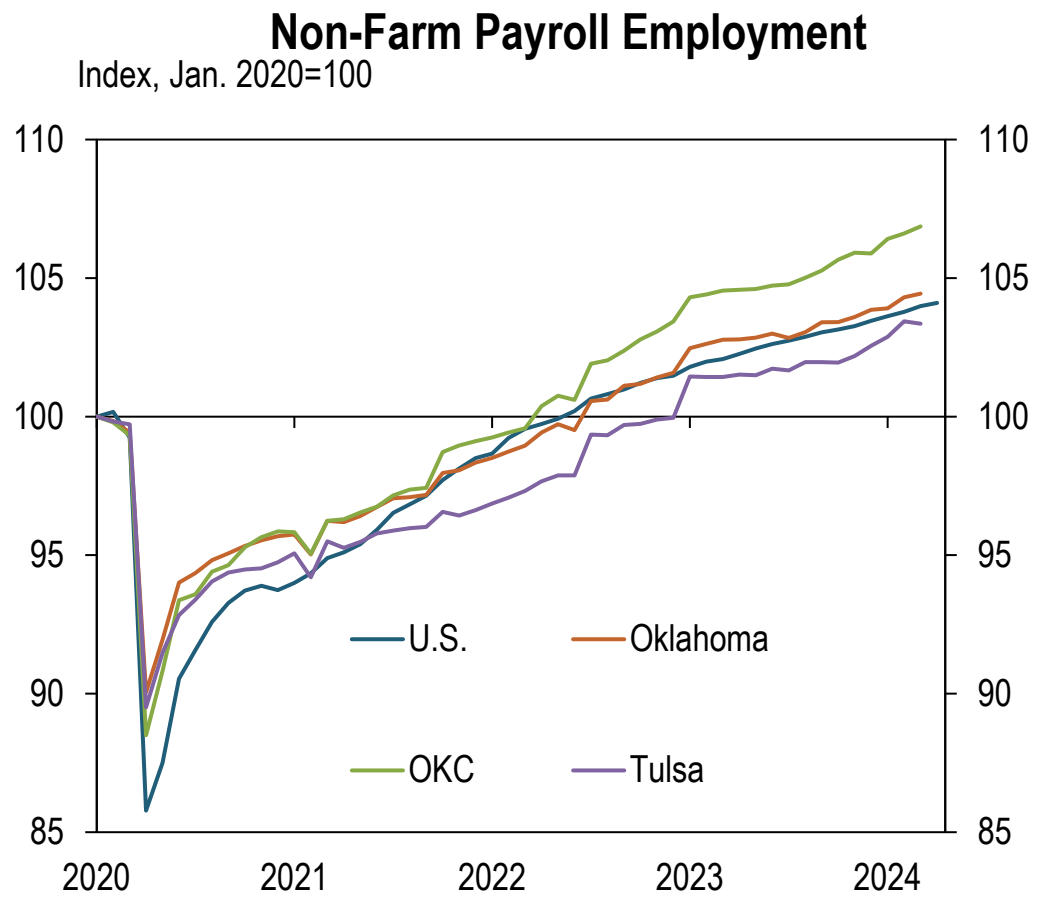
Job openings still exceed unemployed workers, but have returned to near pre-pandemic levels

Job Openings/Unemployment Ratio



Source: Bureau of Labor Statistics

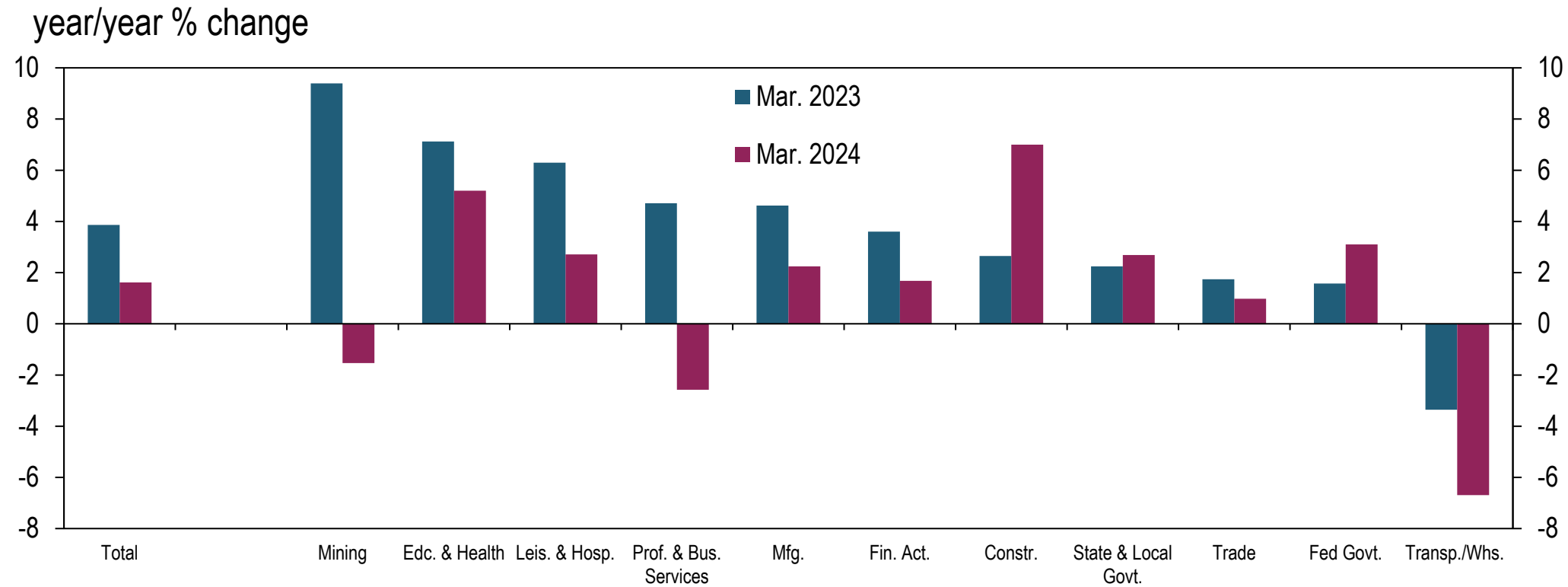
Jobs in Oklahoma have continued to grow in 2024, while unemployment remains very low



Source: U.S. Bureau of Labor Statistics

Most OK sectors added jobs over the past year but the pace of job growth has slowed, driven by less energy, transportation, and professional services activity

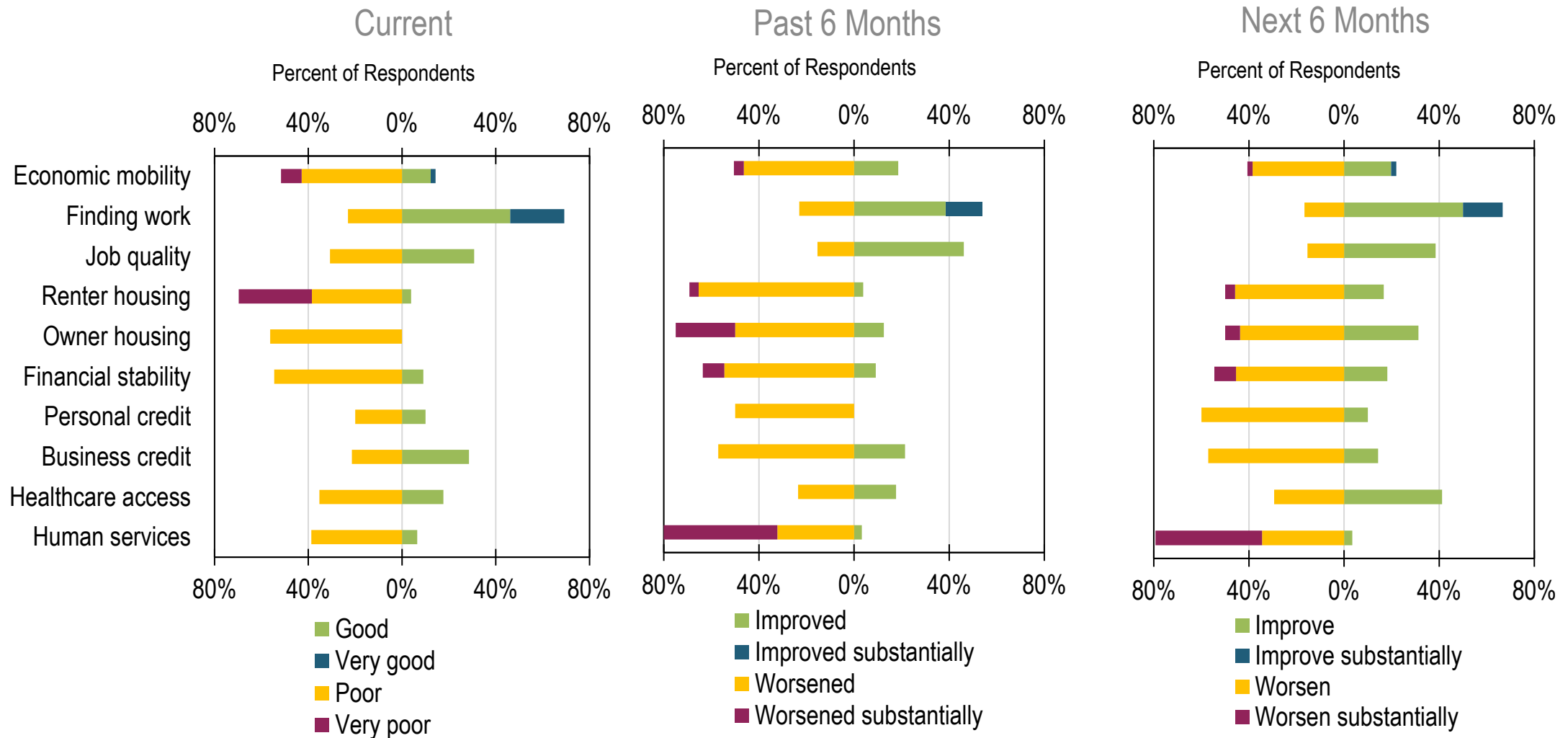
Oklahoma Job Growth by Industry



Sources: U.S. Bureau of Labor Statistics/Haver Analytics

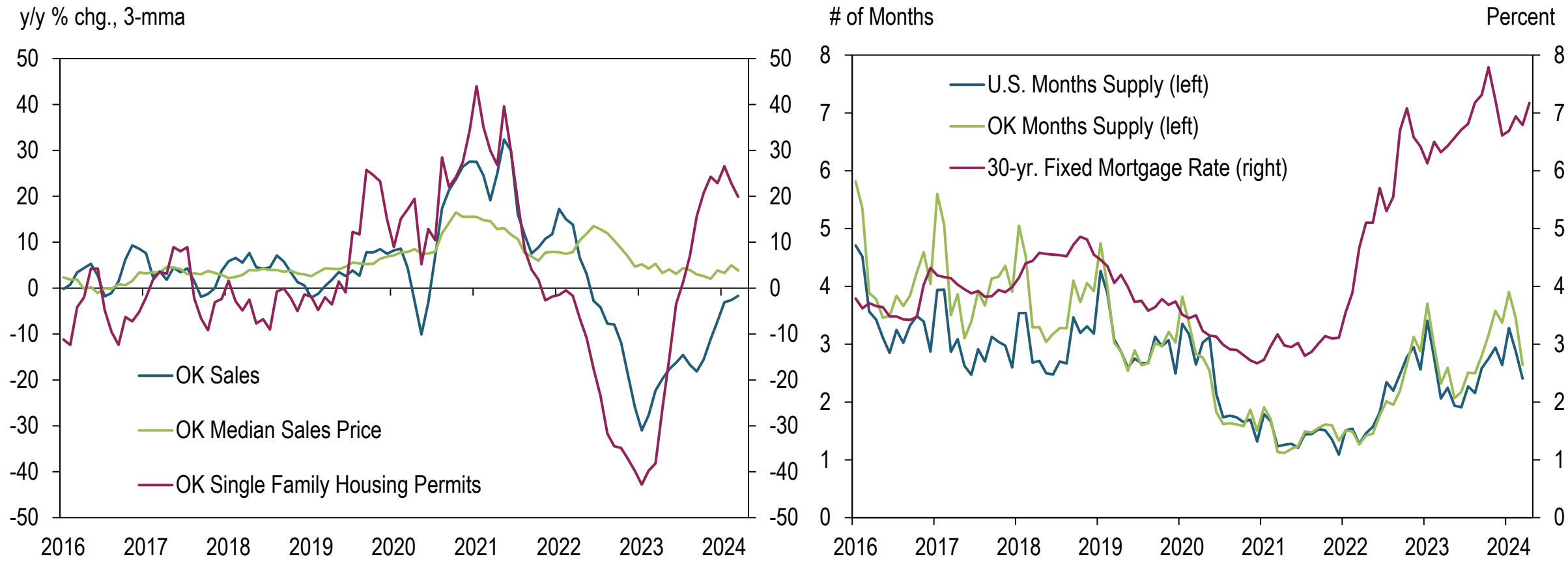
The ability to find work has been good for lower income communities and job quality has improved, but most other conditions have been poor

Tenth District Low- and Moderate-Income Community Conditions, 2nd Half 2023



Oklahoma home sales and price growth have slowed over the past 2 years with higher rates, and supply has increased slightly from very low levels

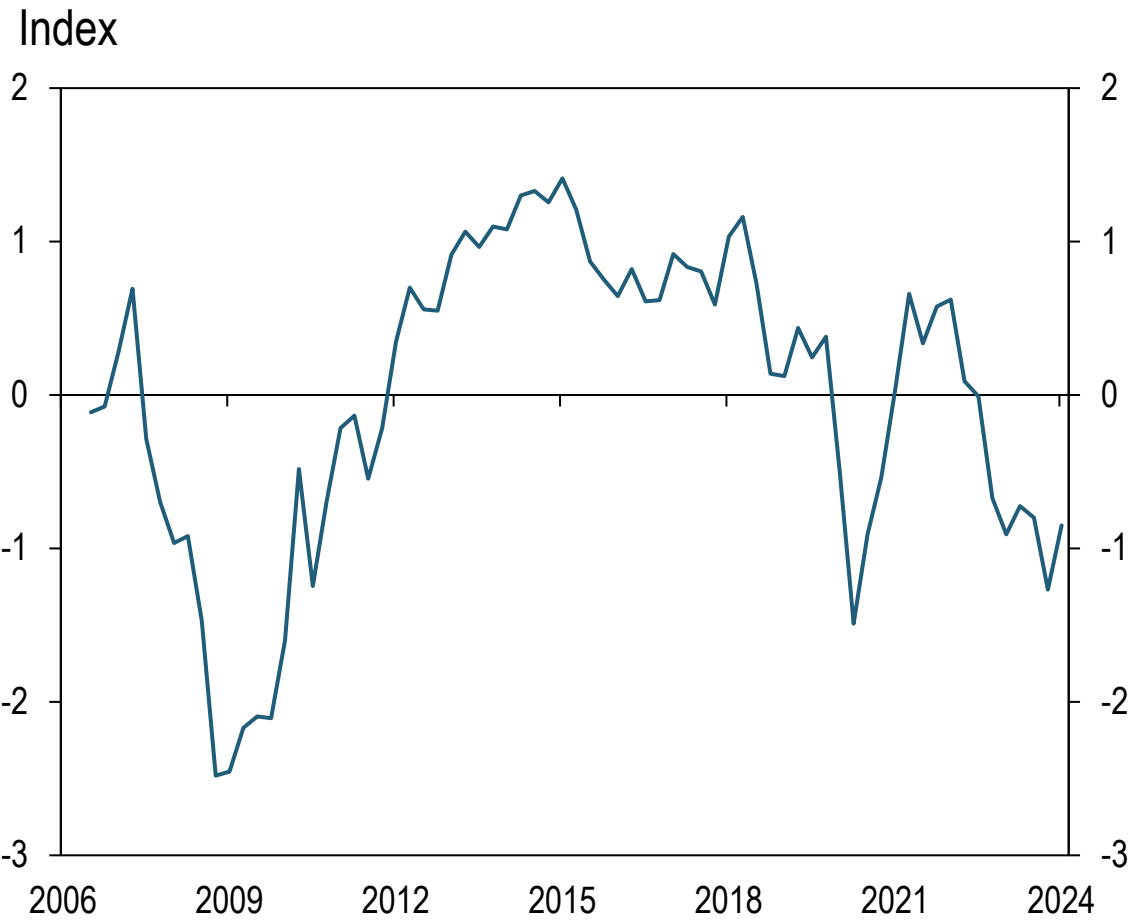
Oklahoma Housing Market Indicators



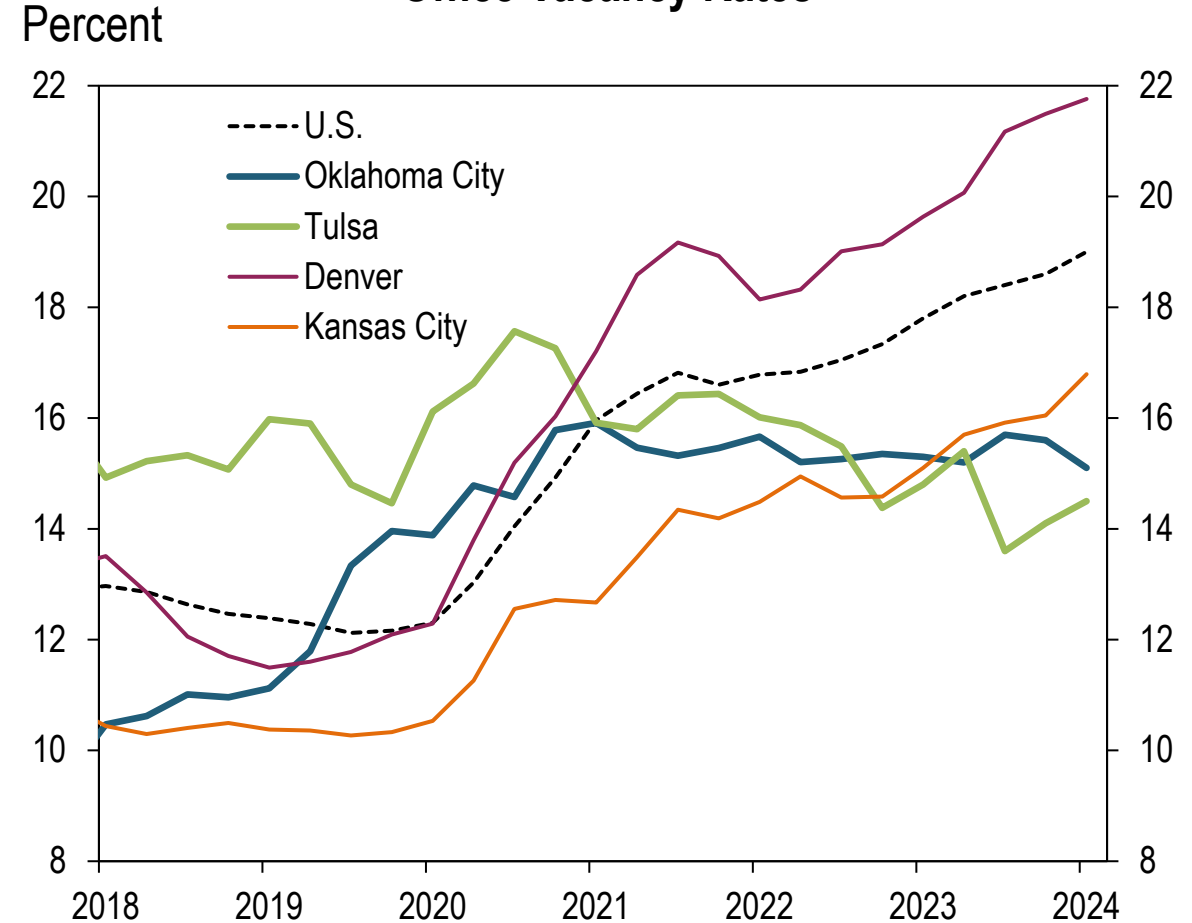
Sources: Freddie Mac, Redfin, U.S. Census Bureau

CRE activity has deteriorated in the region, but office vacancy rates in Oklahoma have not risen like in neighboring markets

KC Fed Commercial Real Estate Index



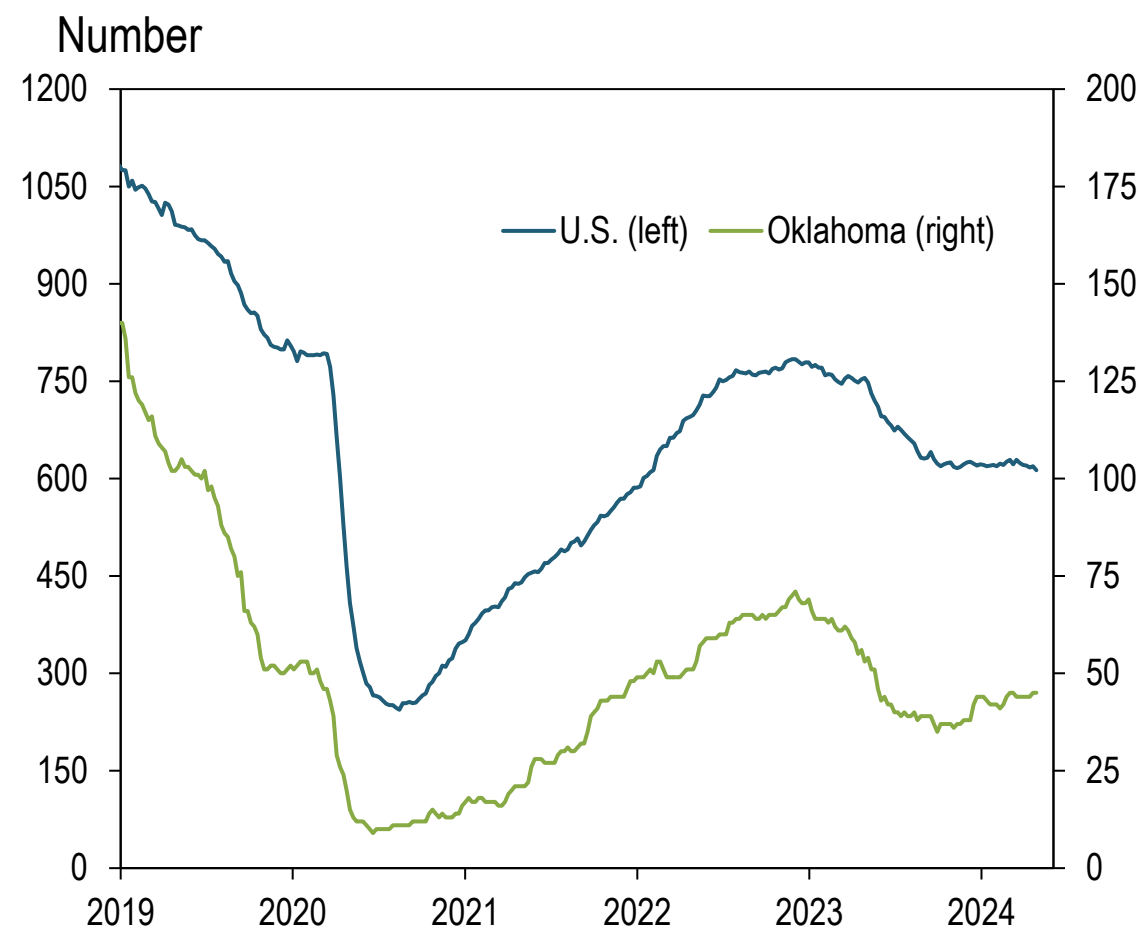
Office Vacancy Rates



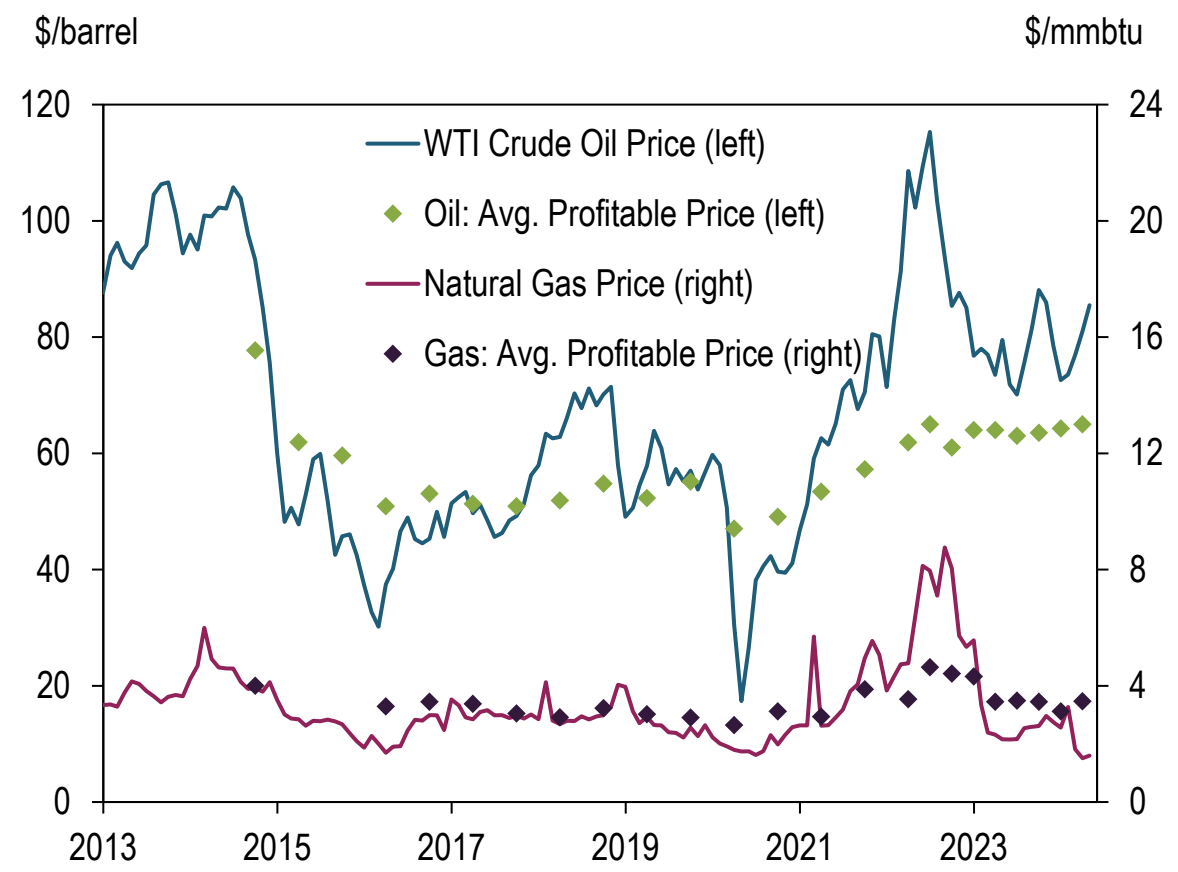
Sources: CBRE-EA, FRBKC

Oil and gas drilling has fallen in Oklahoma as oil prices remain high while natural gas prices have sunk this year

Rig Counts



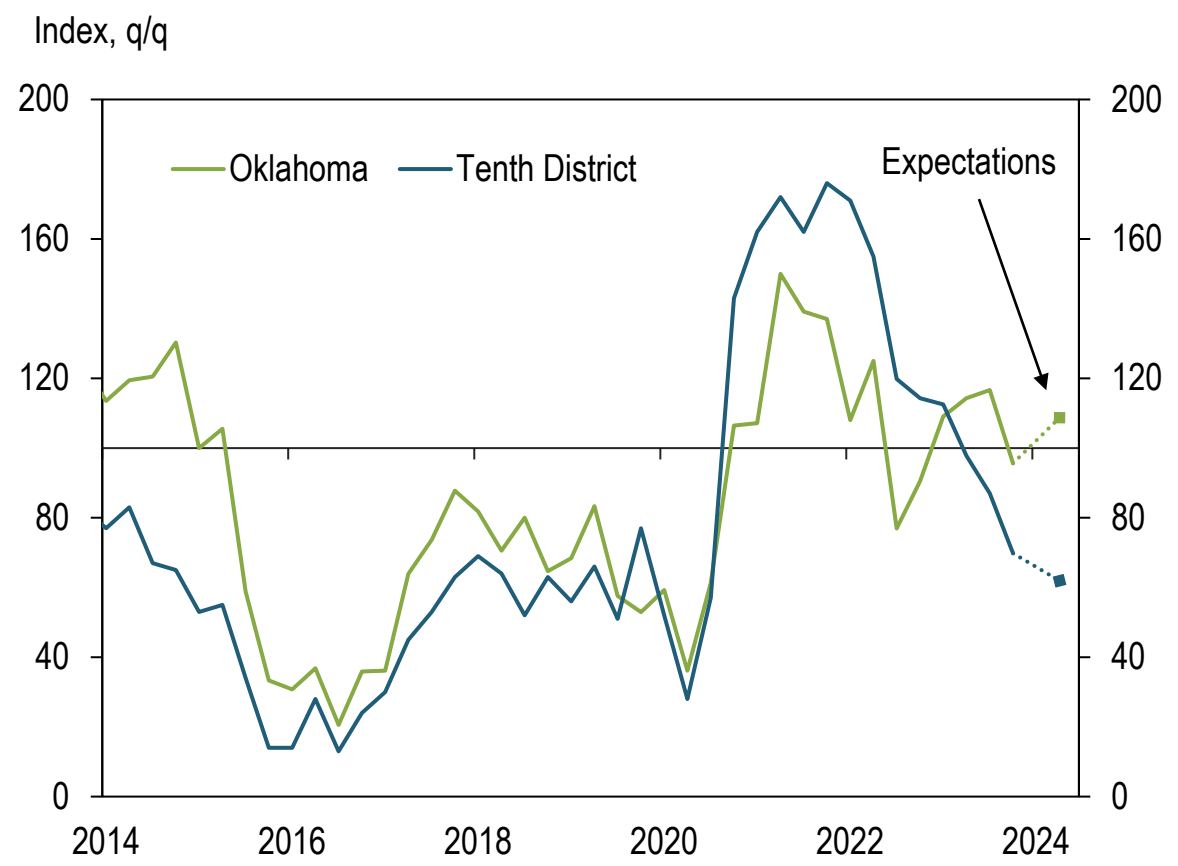
U.S. Energy Prices



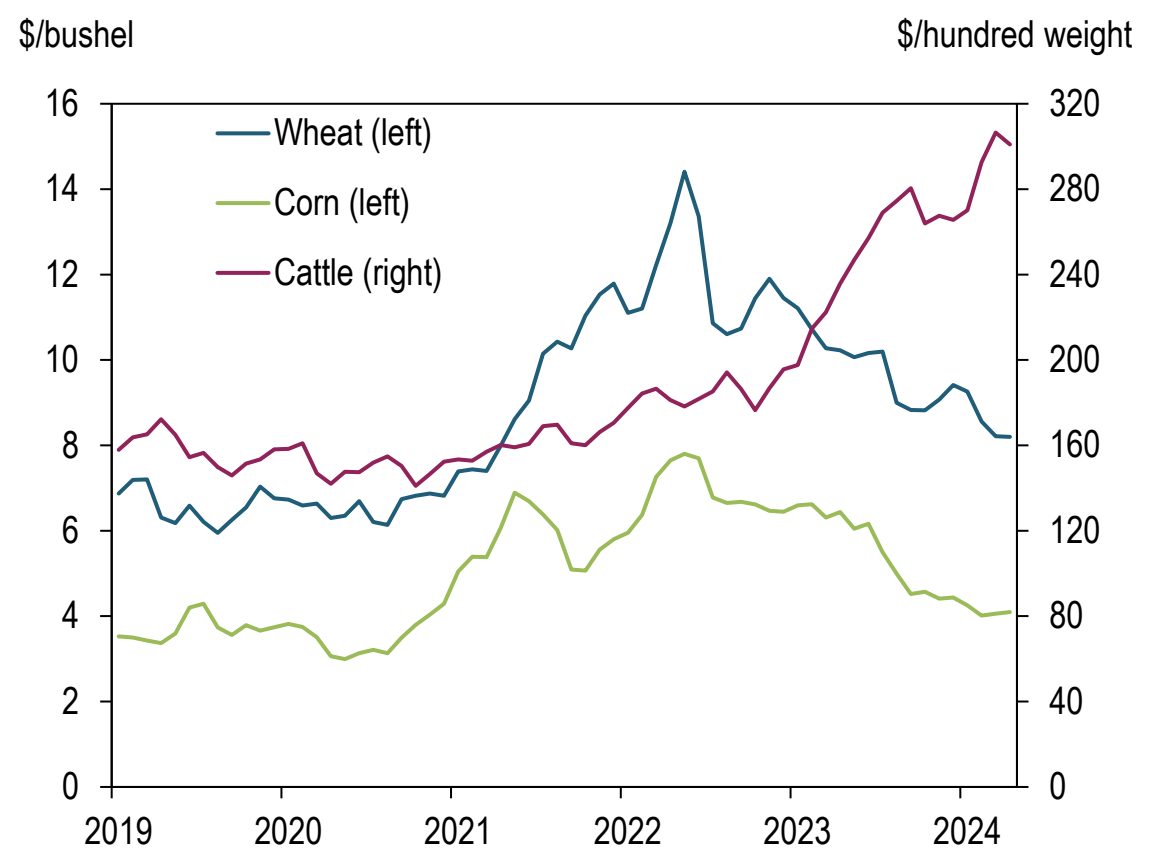
Source: Baker Hughes, EIA/Haver Analytics, FRBKC Surveys

Oklahoma farm income declined less than border states in Q423, partially due to higher cattle prices

Farm Income



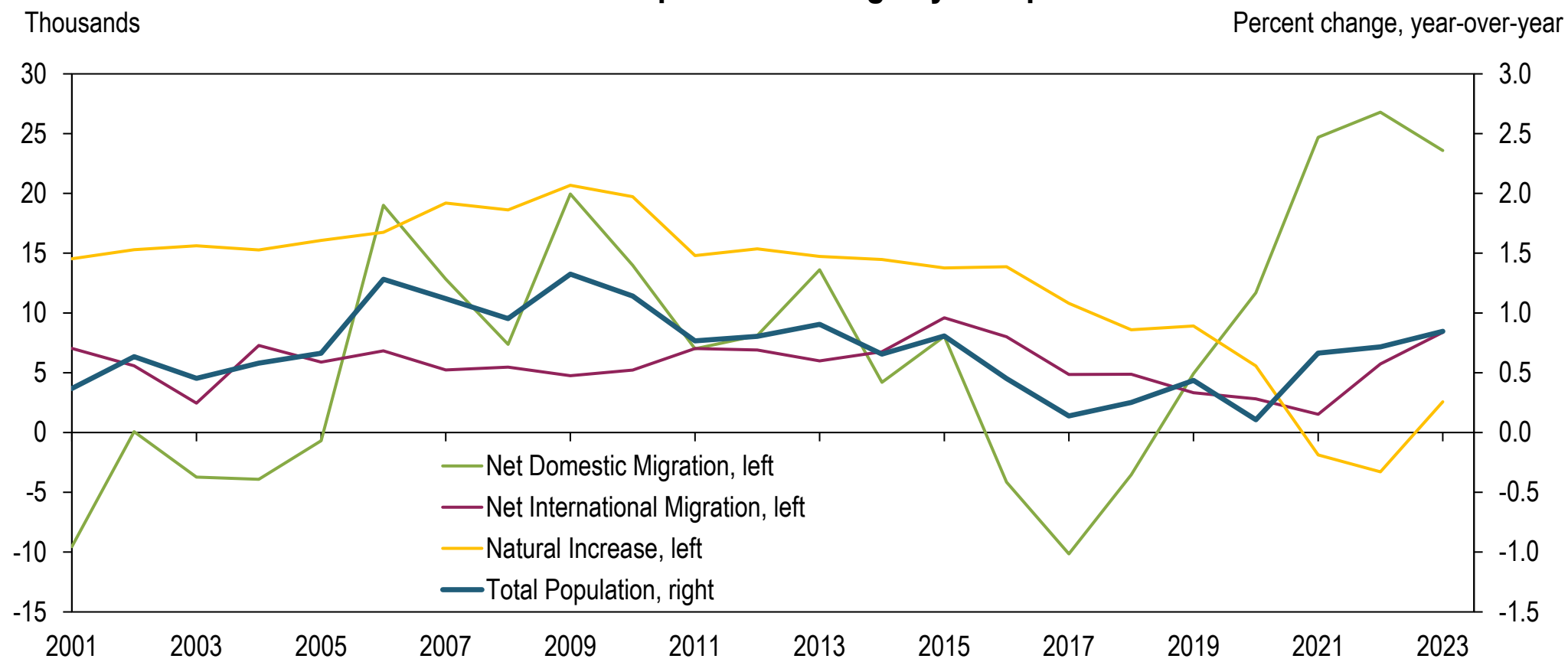
Agricultural Commodity Prices



Sources: FRBKC Ag Credit Survey, Wall Street Journal/Haver Analytics

Oklahoma's population grew again in 2023, primarily due to elevated domestic migration, but also with increases in other components

Oklahoma Population Change by Component

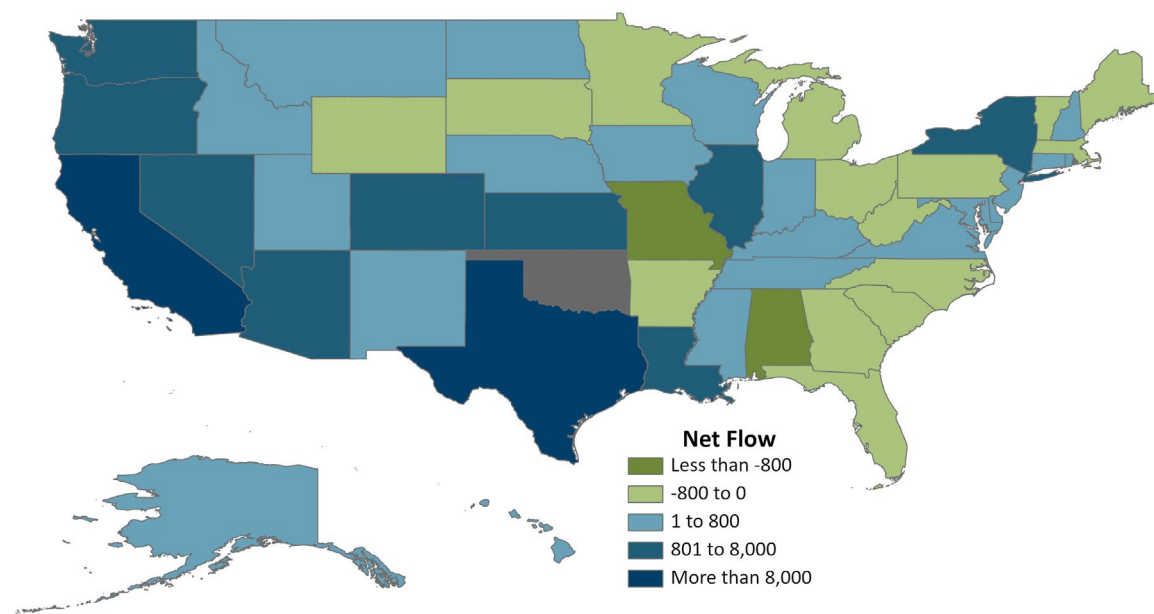


Source: U.S. Census Bureau



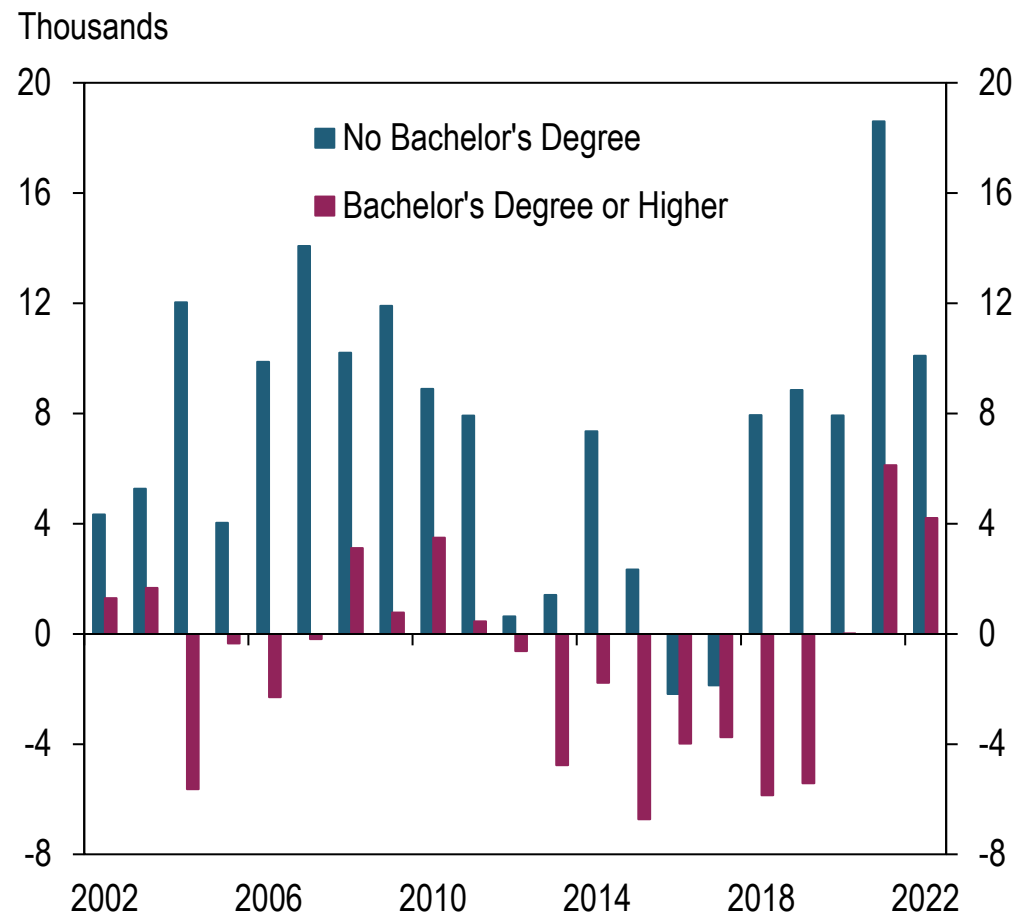
Almost all the migration to OK was from the western U.S., especially CA and TX, and the state had “brain gain” for the first time in a decade

Migration to Oklahoma During 2020 - 2023



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

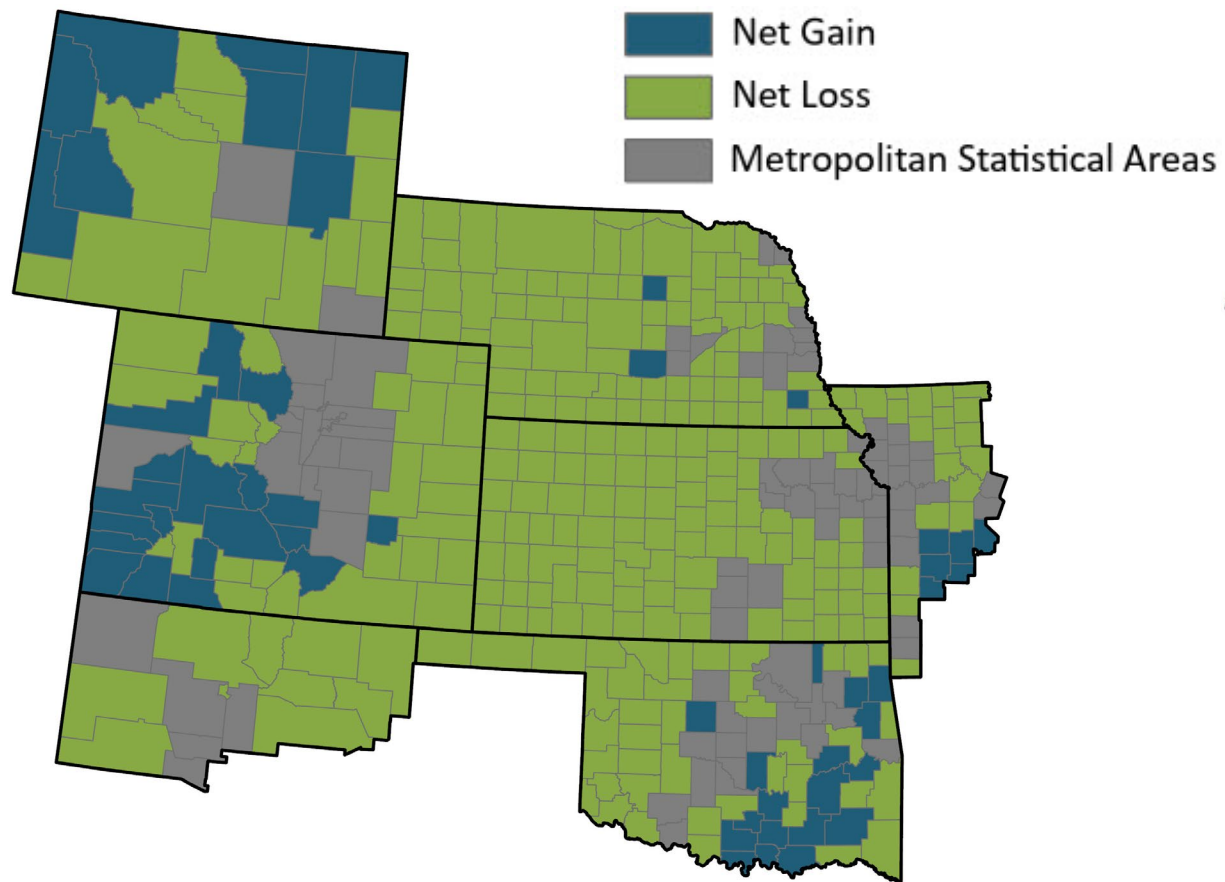
Oklahoma Net Domestic Migration by Education



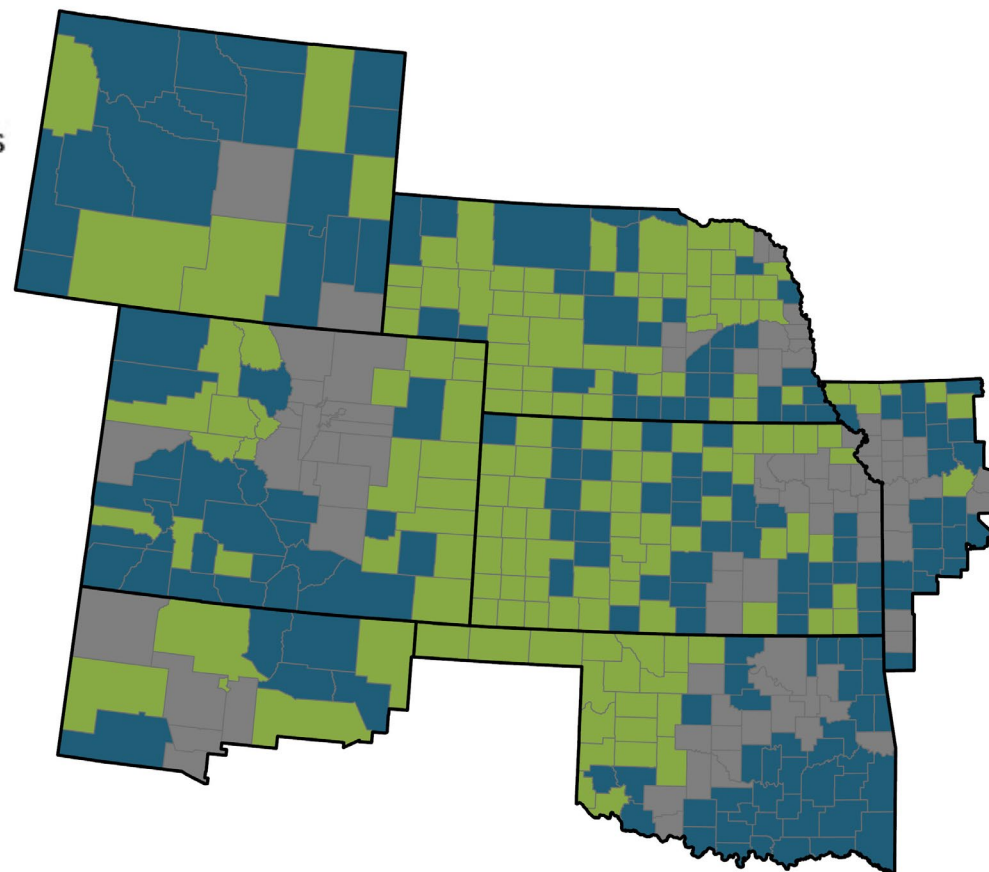
Sources: FRBNY CCP/Equifax, ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors' calculations

Since 2020, many non-metropolitan areas of Oklahoma and nearby states experienced net inflows of new residents for the first time in two decades

Net Domestic Migration, 2000 to 2020



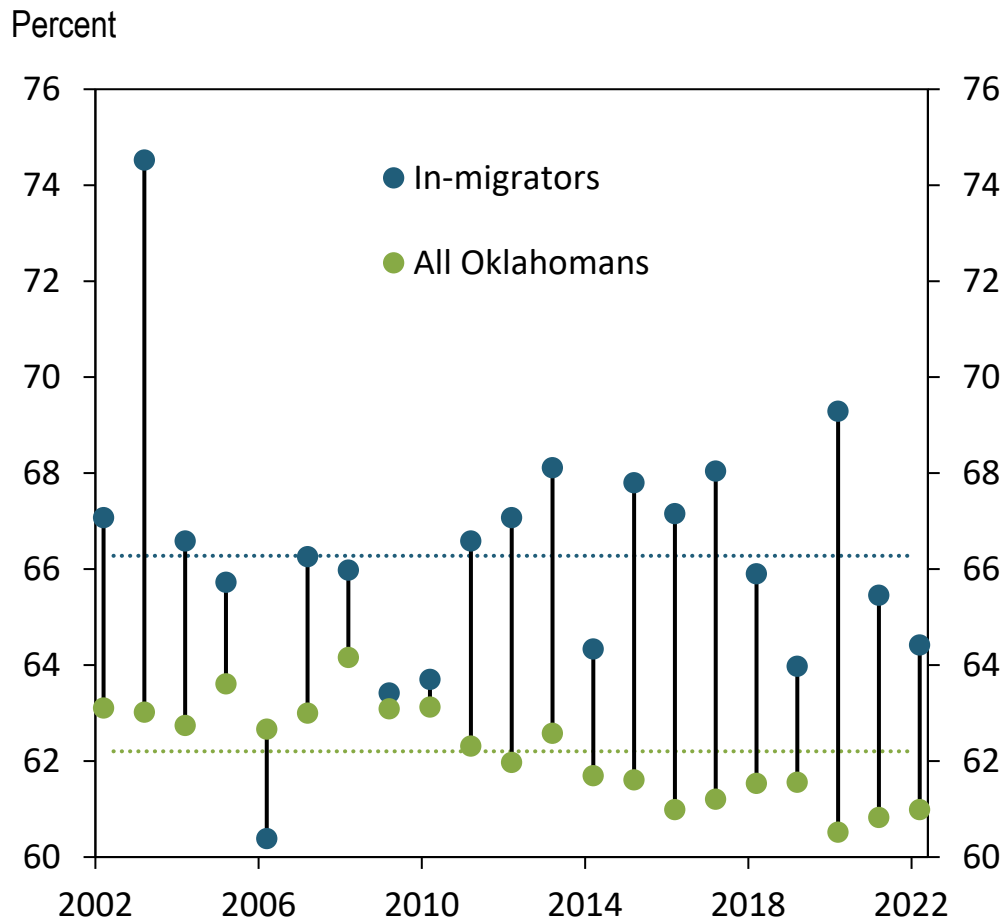
Net Domestic Migration, 2020 to 2023



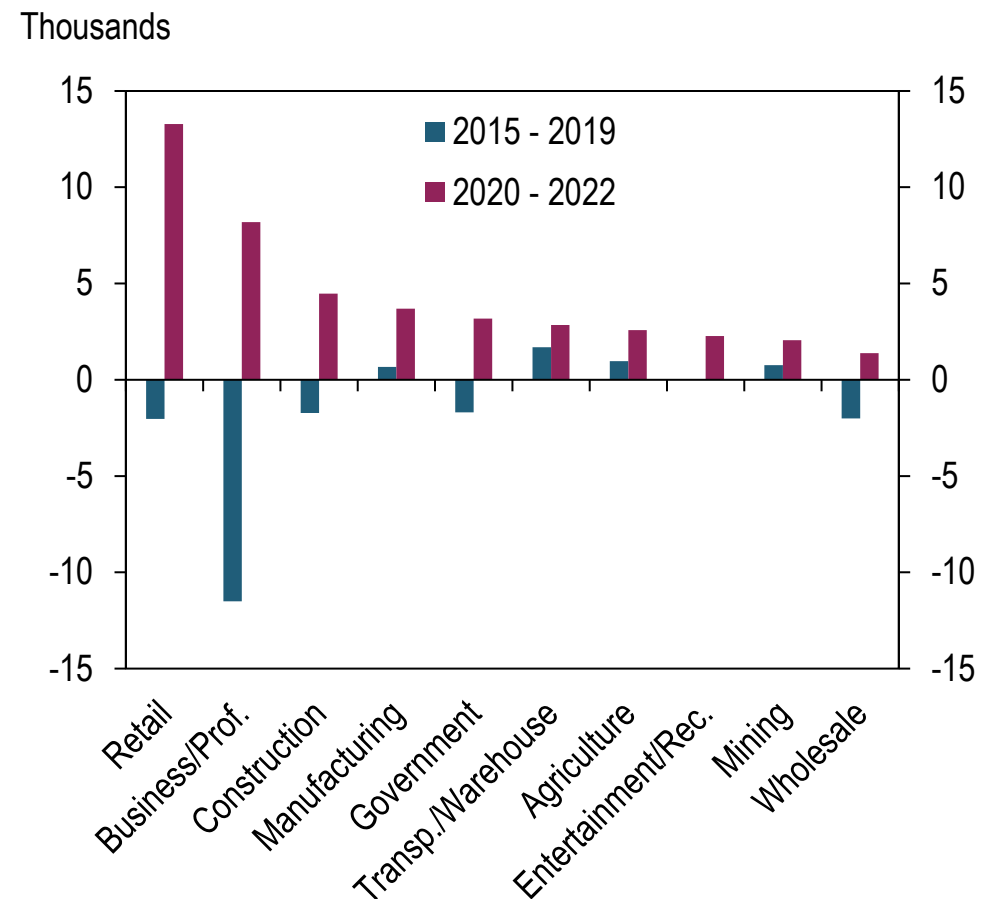
Sources: U.S. Census Bureau, authors' calculations

Most new in-migrators are employed and every industry had a net gain of residents since 2020, reversing some previous trends

OK Average Labor Force Participation Rate



OK Net Domestic Migration by Industry and Time Period



21

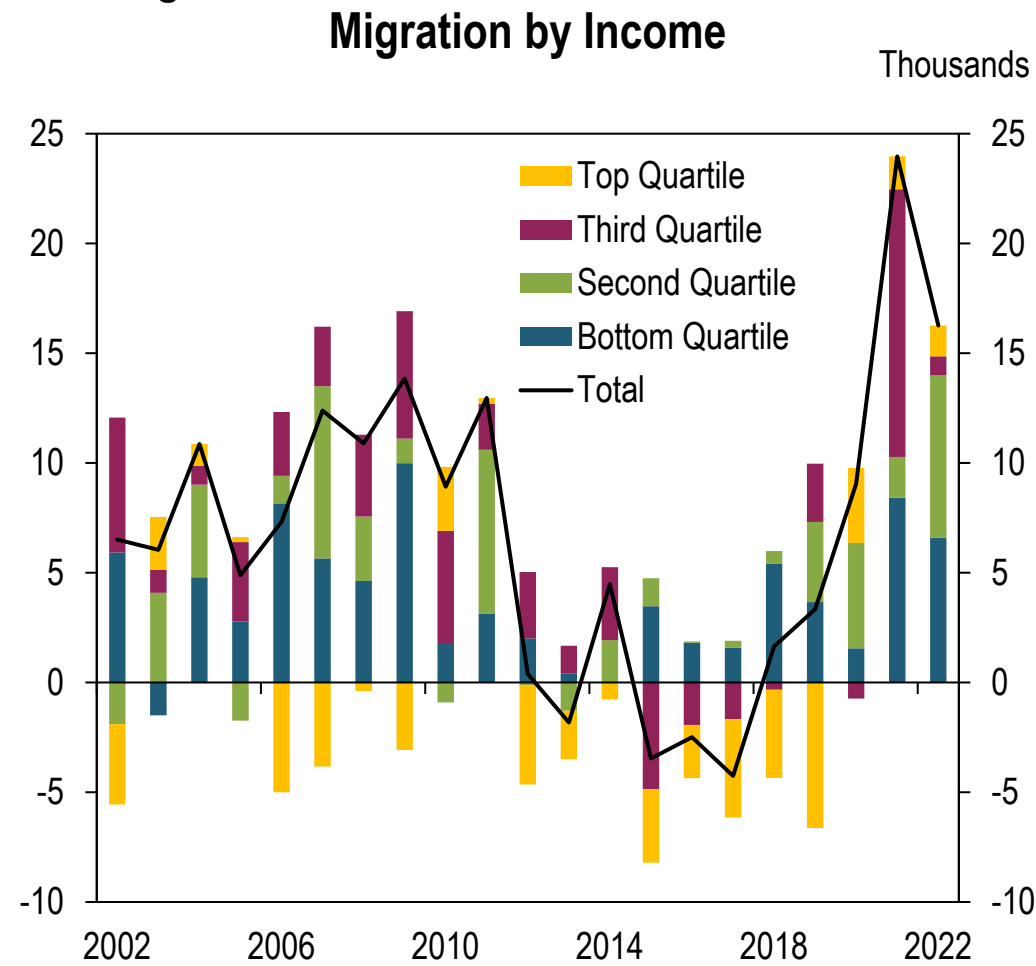
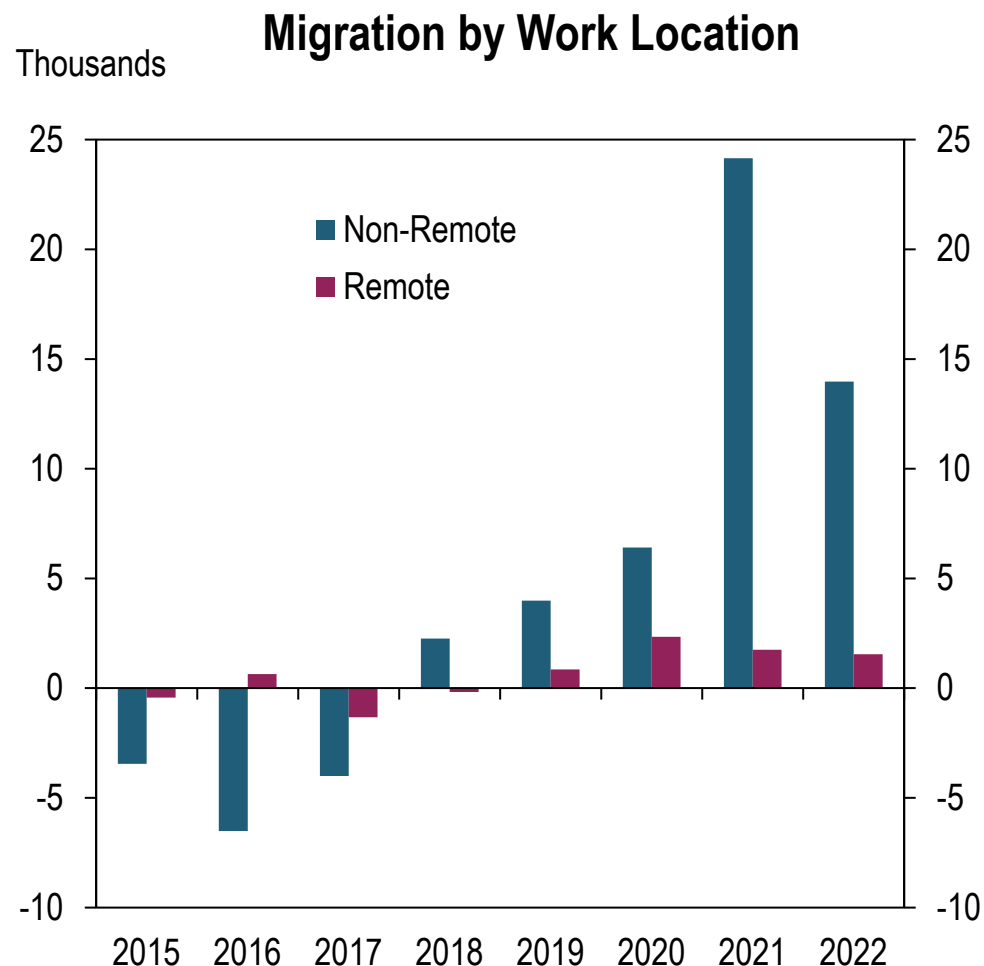
Note: Sample is limited to employed individuals age 25+.

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

Oklahoma Net Domestic Migration



Note: Sample is limited to individuals age 25+.

Sources: ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors' calculations



Summary

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Questions?

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