

# Economic Update: US, OK, and Ag

*Farm Credit Summer Loan Officer Conference*

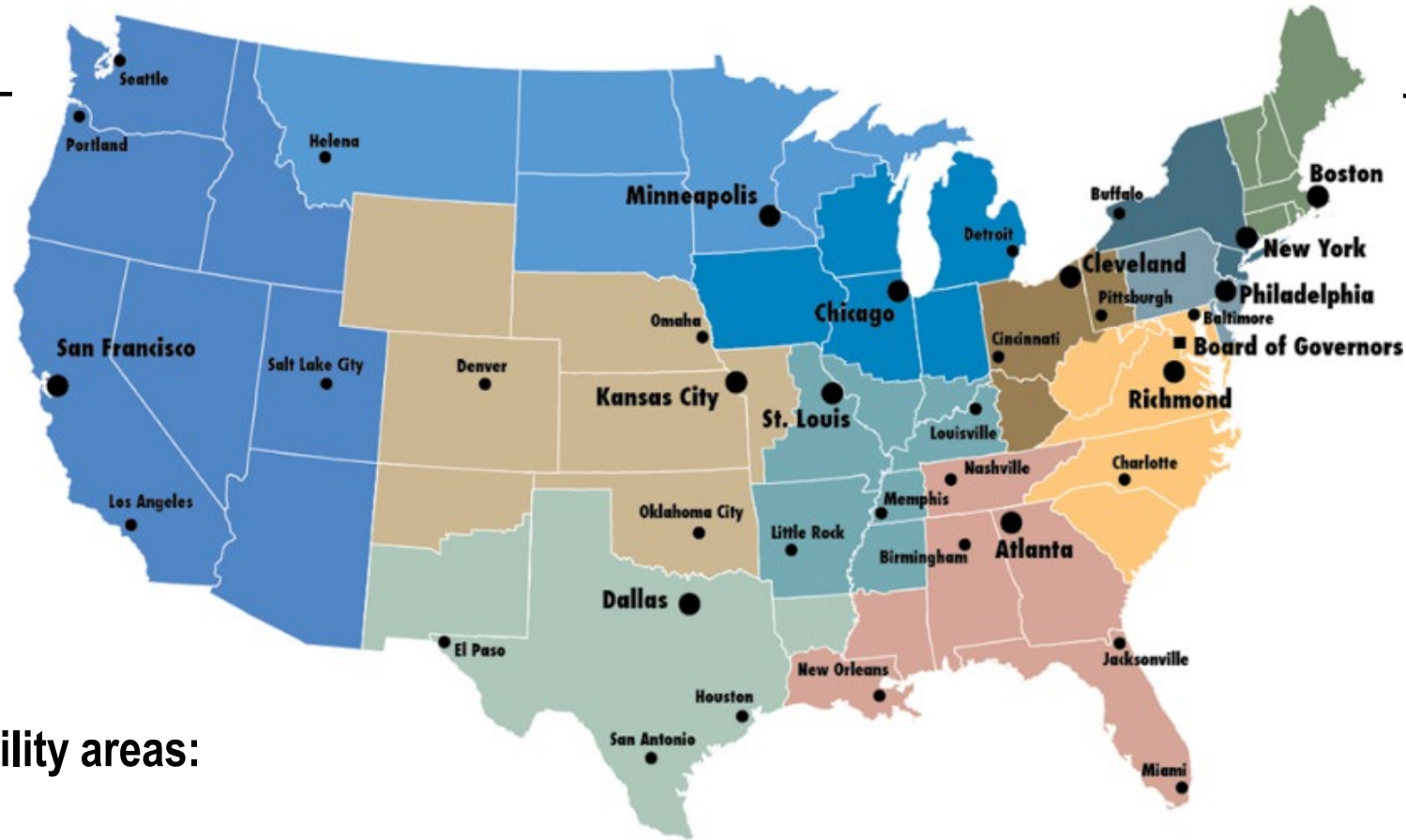
*September 25, 2024*

The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

**Cortney Cowley**  
Senior Economist



# Structure and Functions of the Federal Reserve

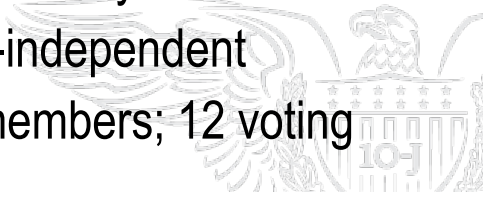


## Five primary responsibility areas:

- Monetary policy
- Financial system stability
- Bank supervision & regulation
- Payment system safety & efficiency
- Consumer protection & community development

## Three 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 and economic education programming for low/moderate income groups and students

- **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 Enterprises, Enid



# Oklahomans on National and Regional Fed Advisory Councils

- **Kansas City Head Office Board of Directors (10<sup>th</sup> District):**

- Susan Chapman Plumb, Board Chair & CEO, Local Bank, Tahlequah, OK

- **Federal Advisory Council (National):**

- Jill Castilla, CEO, Citizens Bank, Edmond

- **Community Advisory Council (National):**

- Bruce Shultz, VP of Community Development Banking, Gateway First Bank, Tulsa

- **Economic Advisory Council (10<sup>th</sup> District):**

- Jason Garner, President, Crawley Petroleum, Oklahoma City
- David Nimmo, CEO, Chickasaw Nation Industries, Norman
- Rebecca Thompson, CFO, AAON, Inc., Tulsa

- **Community Development Advisory Council (10<sup>th</sup> District):**

- Michelle Bish, Executive Director, Northeast Oklahoma Regional Alliance, Tahlequah
- Quintin Hughes, Sr., Program Director, Northeast Oklahoma City Renaissance, Inc., Oklahoma City
- Cindy Logsdon, Executive Director/CEO, Citizen Potawatomi Community Development Corp., Shawnee

- **Community Depository Inst. Advisory Council (10<sup>th</sup> District):**

- Barry Anderson, President, F&M Bank, Guthrie
- Jerold Phillips, COO, Citizens Bank, Ardmore

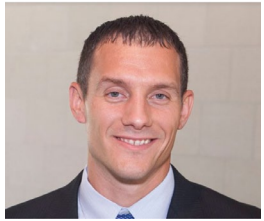
**OK Participants in FRB KC Business Surveys:**

- Survey of Agricultural Credit Conditions
  - Farm Credit: 4
  - Commercial Banks: 50
- Energy: 55
- Manufacturing Survey: 62
- Services Survey: 60

**To learn more or sign-up  
for the Ag Credit Survey:**



# The “Ag Team” at the Federal Reserve Bank of Kansas City



- We lead agricultural **research**, policy analysis, and outreach for the Federal Reserve Bank of Kansas City and the Federal Reserve System.

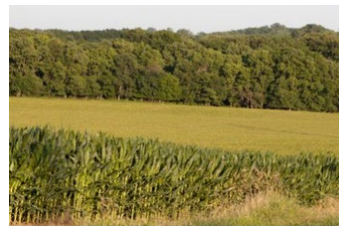
Nate Kauffman, SVP, Omaha Branch Exec, and Economist Me, Senior Economist, OKC

Francisco Scott (Ag), Economist, Kansas City

Ty Kreitman, Associate Economist (Ag), Omaha

John McCoy, Associate Economist (Regional), Omaha

Todd Kuethe (Purdue), Part-Time Research Contributor



August 11, 2022  
Ag Credit Survey

[Solid Farm Economy, but Signs of Slowing](#)



August 11, 2022  
Ag Bulletin

[Second Quarter Ag Bulletin](#)



May 23, 2022  
Agriculture

[Turmoil in Commodity Markets Following Russia's Invasion of Ukraine](#)



September 23, 2022  
Economic Bulletin

[Commodity Prices Have Limited Influence on U.S. Food Inflation](#)



September 01, 2022  
Ag Finance Update

[Real Estate Lending Pushes Farm Debt Higher](#)

For more info:



# Overview

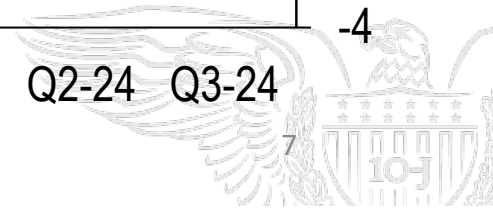
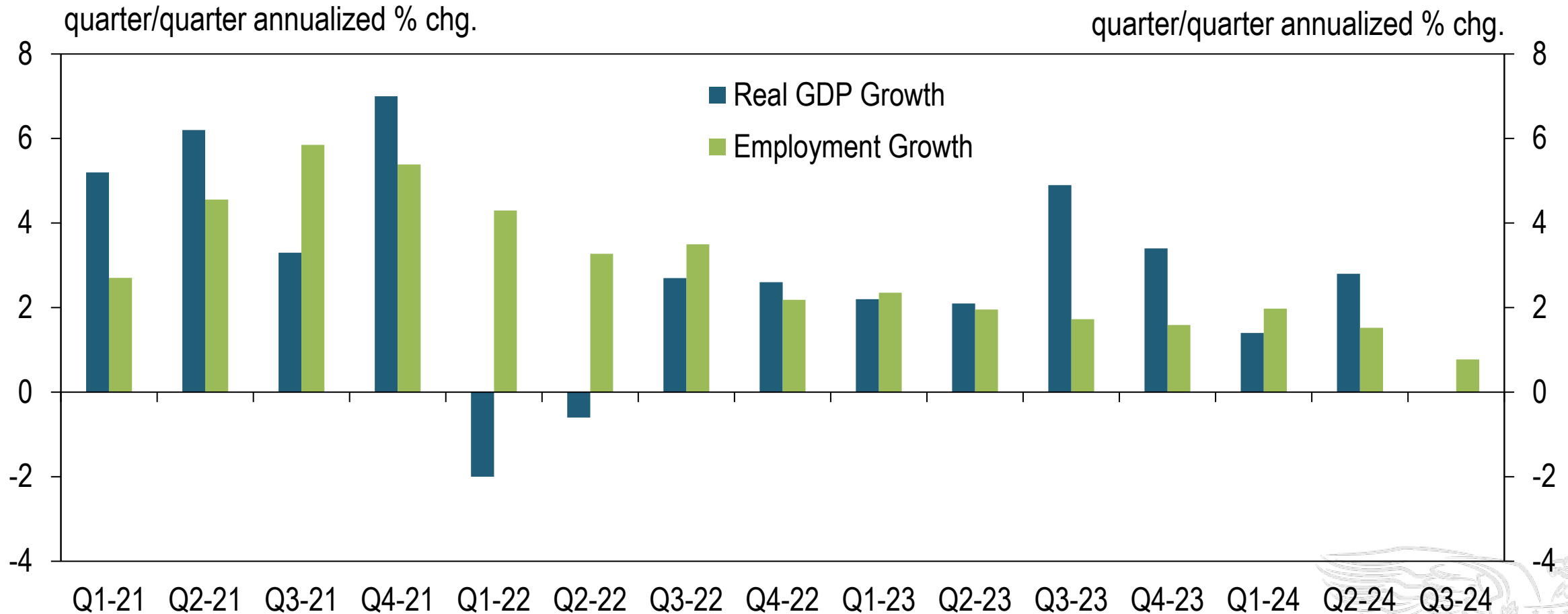
---

- U.S. economic growth has slowed but remains solid, and unemployment is up slightly but remains near long-term averages
- Inflation remains elevated, despite coming down from 2022 peaks
- The Fed has lowered the overnight interest rate for the first time in four years in September.
- Oklahoma's economy also continues to grow, and unemployment is low.
- Financial conditions in the farm economy have shown signs of weakness.
- Farm debt has also grown notably alongside production expenses that remain elevated, but overall, loan quality remains strong.



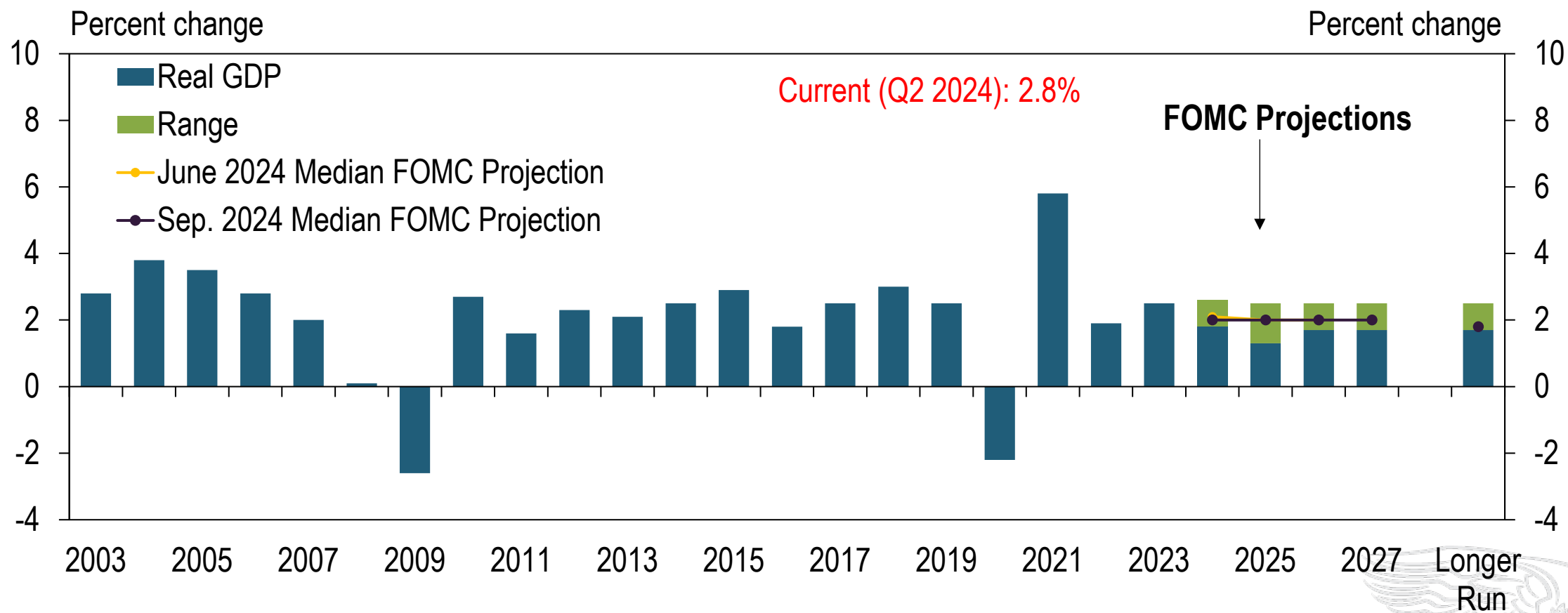
# U.S. GDP growth reaccelerated in Q2 and employment growth eased further in July

## Quarterly U.S. Economic Growth



# U.S. GDP growth is still expected to remain solid in 2024 and be around the longer-term trend in 2025 and 2026

## Change in Real GDP



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

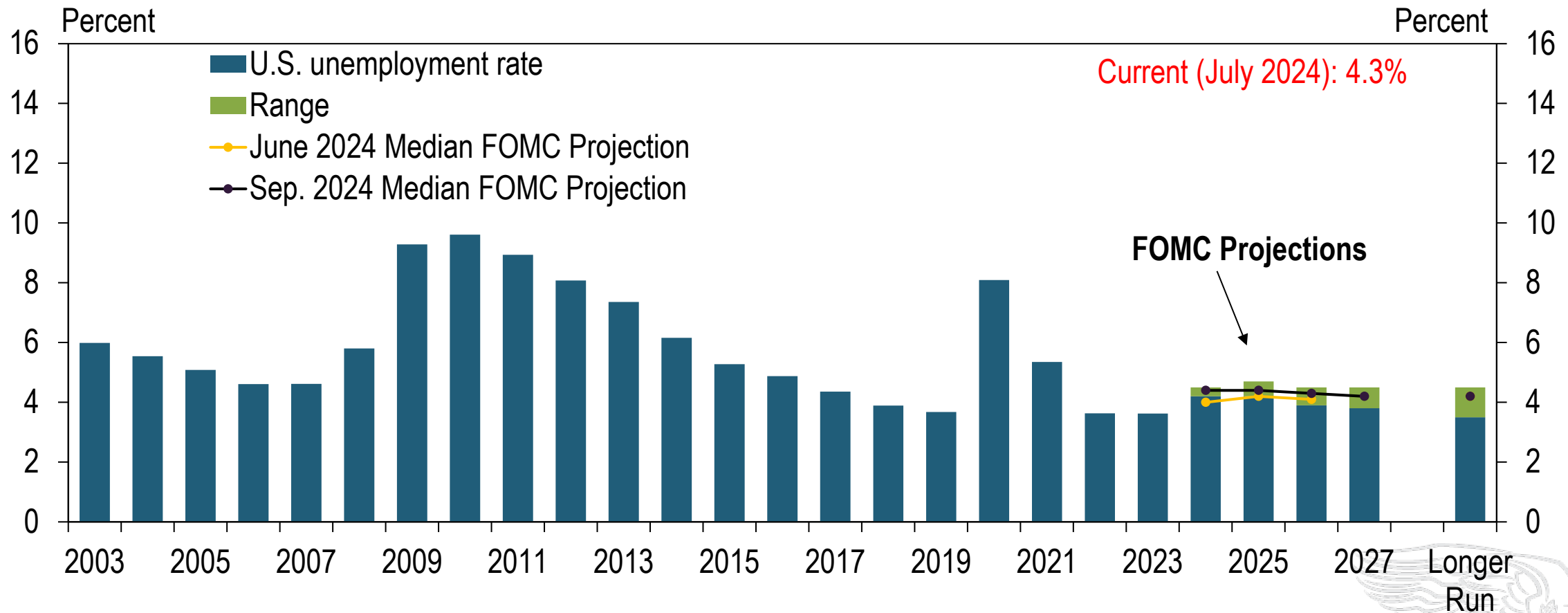
Sources: Bureau of Economic Analysis, FOMC





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

## U.S. Unemployment Rate



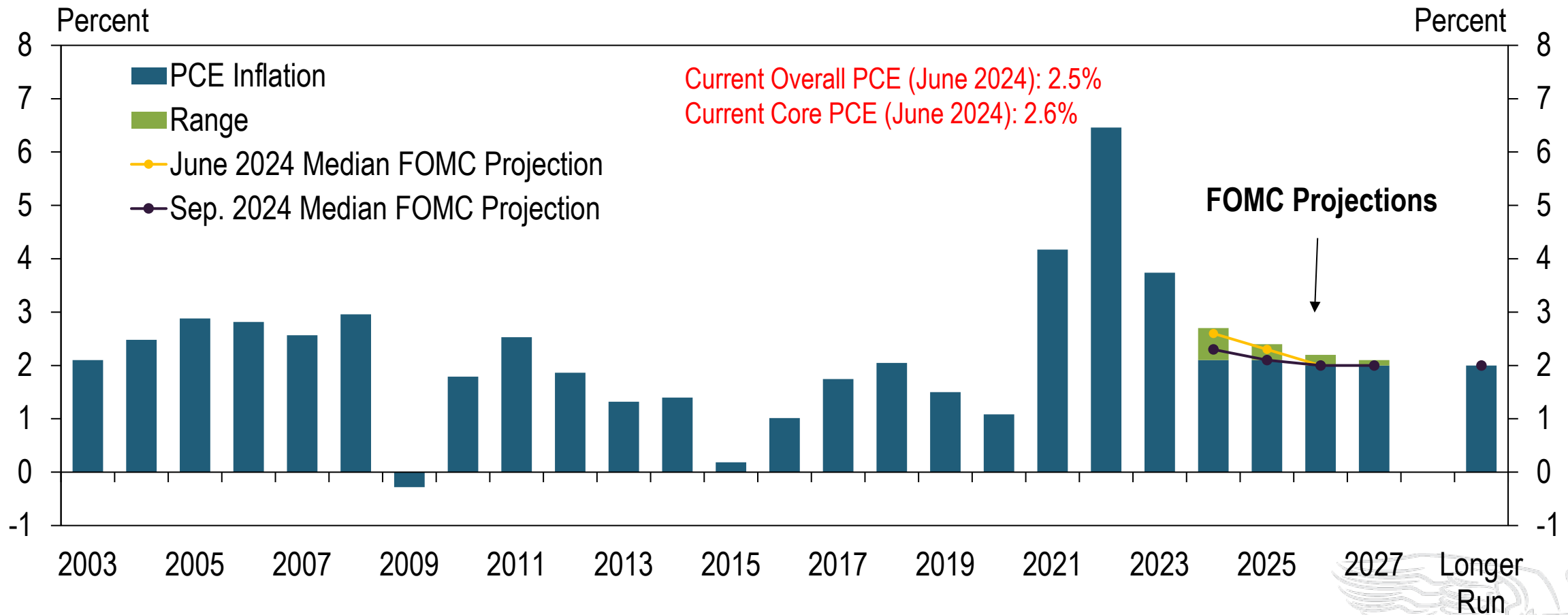
Note: Data and FOMC projections are for year-end.

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

## PCE Inflation Index



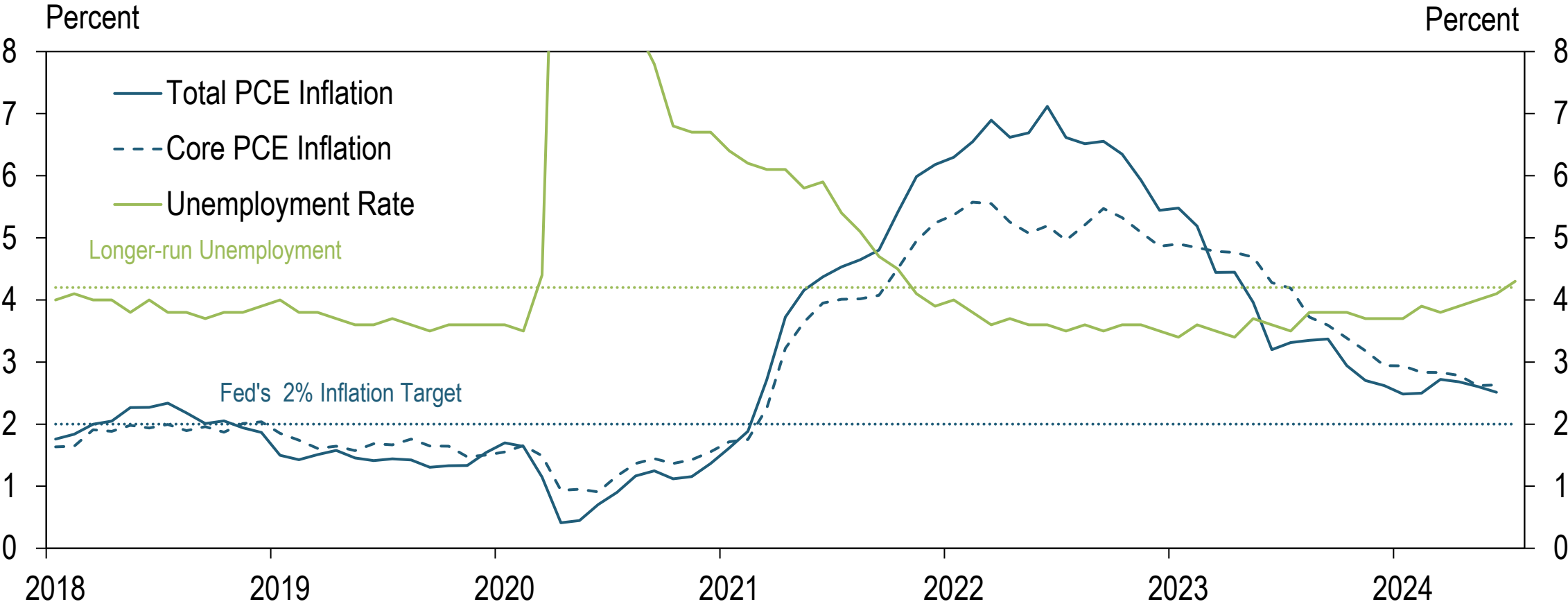
Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC



# The balance of risks in the Fed's dual mandate has shifted slightly in recent months as the economy normalizes

## U.S. Inflation and Unemployment

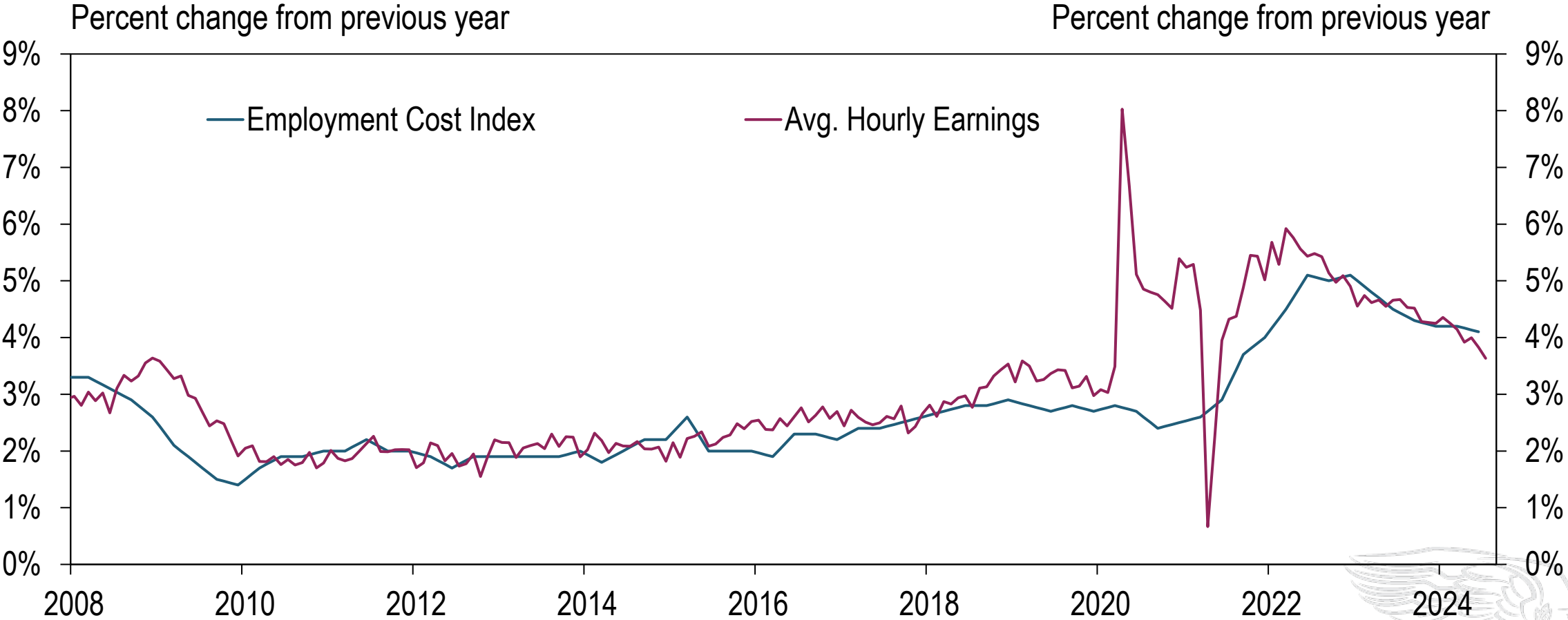


Sources: BEA, BLS, FRB/Haver Analytics



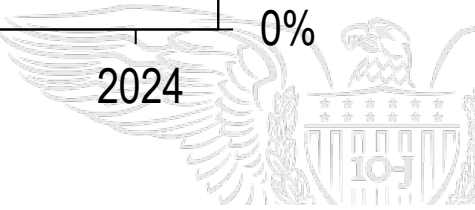
# Wage growth is a key factor keeping services inflation high, and has come down moderately from recent highs

## Wage Growth



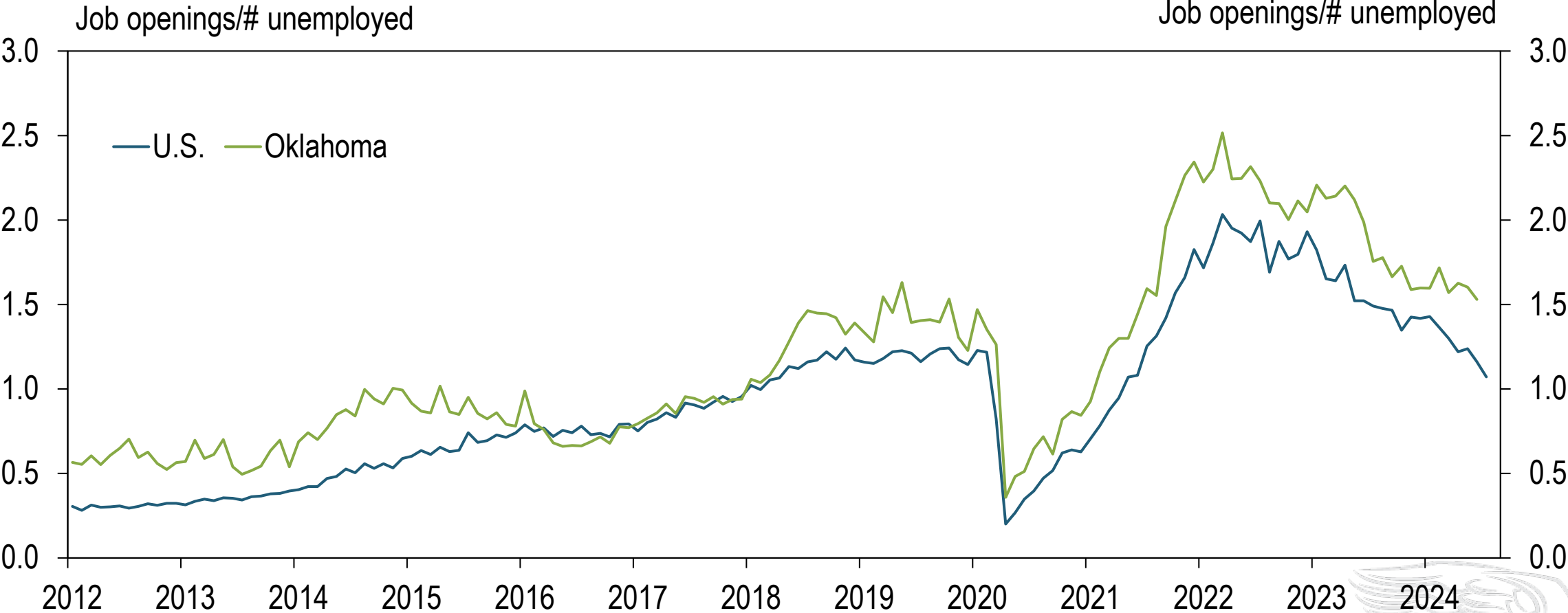
Note: Employment Cost Index data are interpolated between quarters

Sources: BLS/Haver Analytics



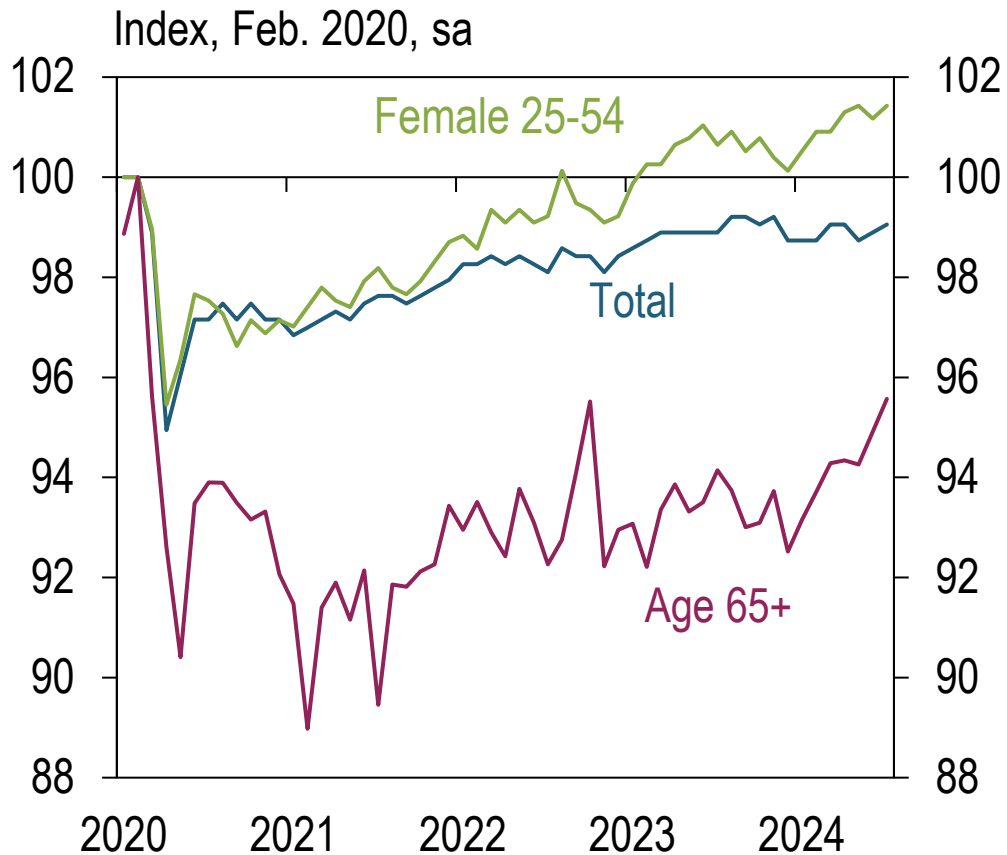
# Job openings still exceed unemployed workers, but have returned to near pre-pandemic levels

## Job Openings/Unemployment Ratio

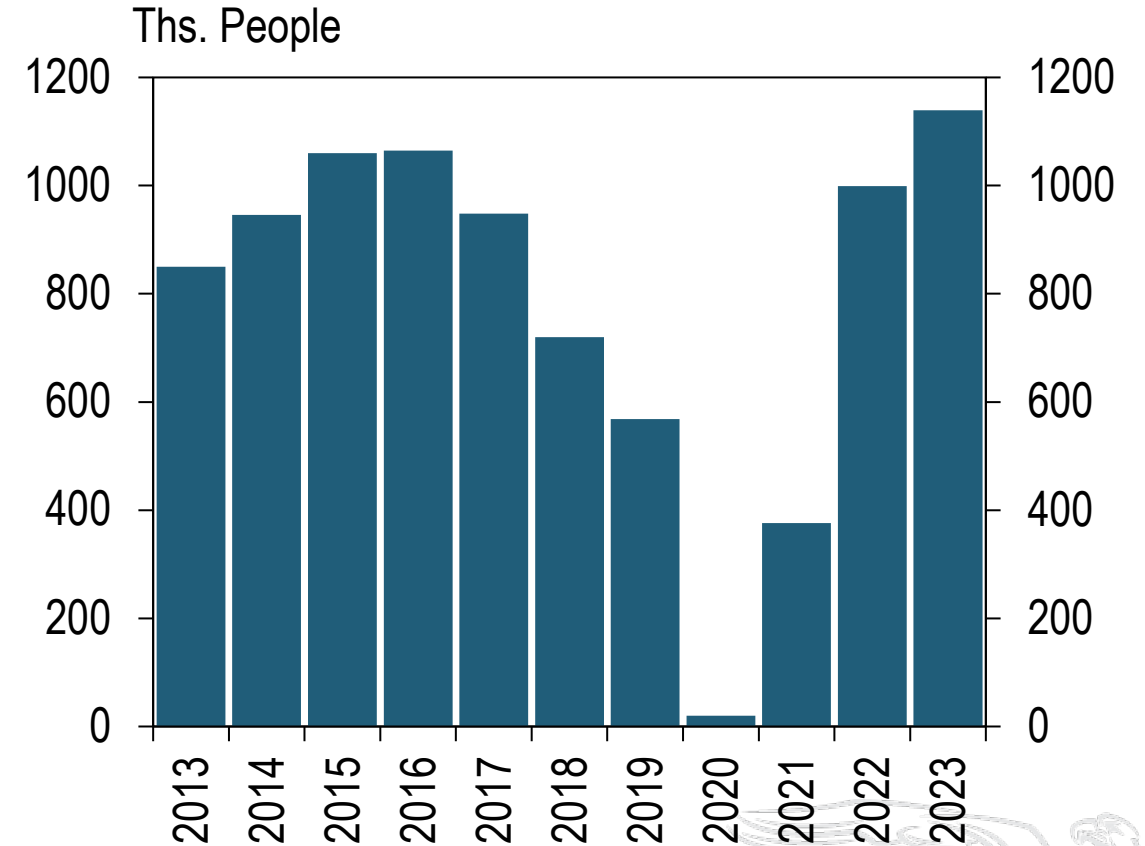


# Labor force participation still lags, mostly due to older workers, while immigration rebounded last year after several low years

## U.S. Labor Force Participation Rate

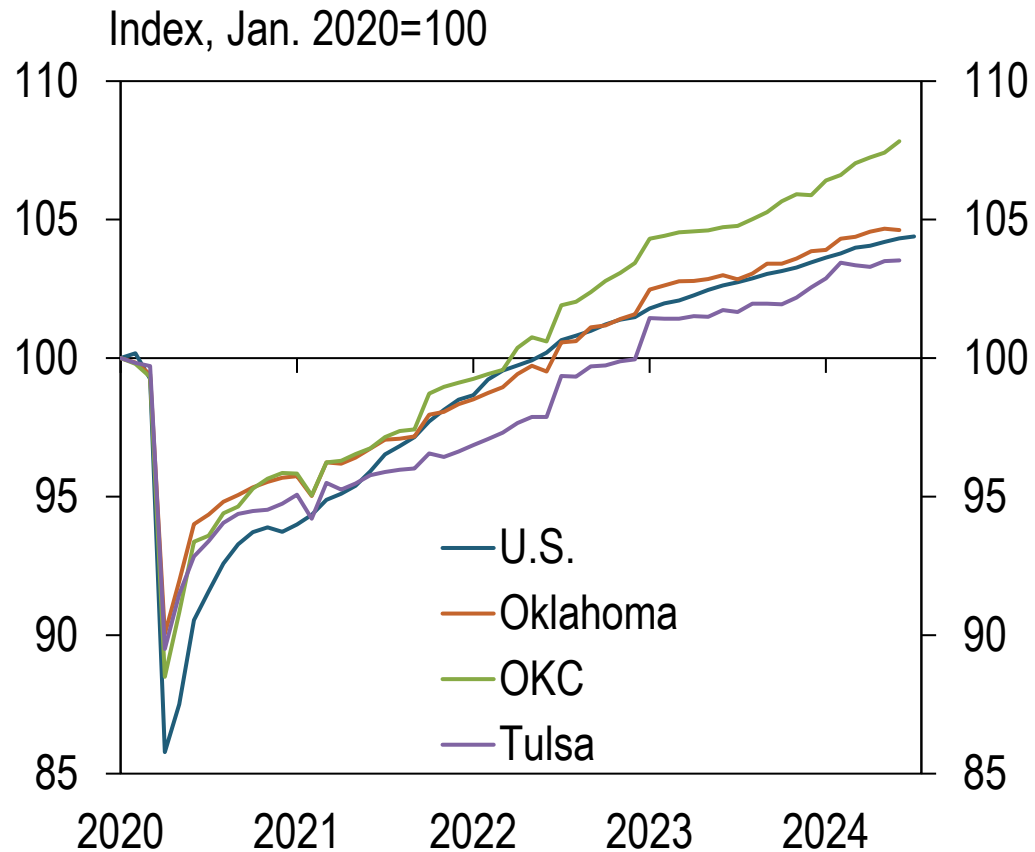


## Net International Immigration to the U.S.

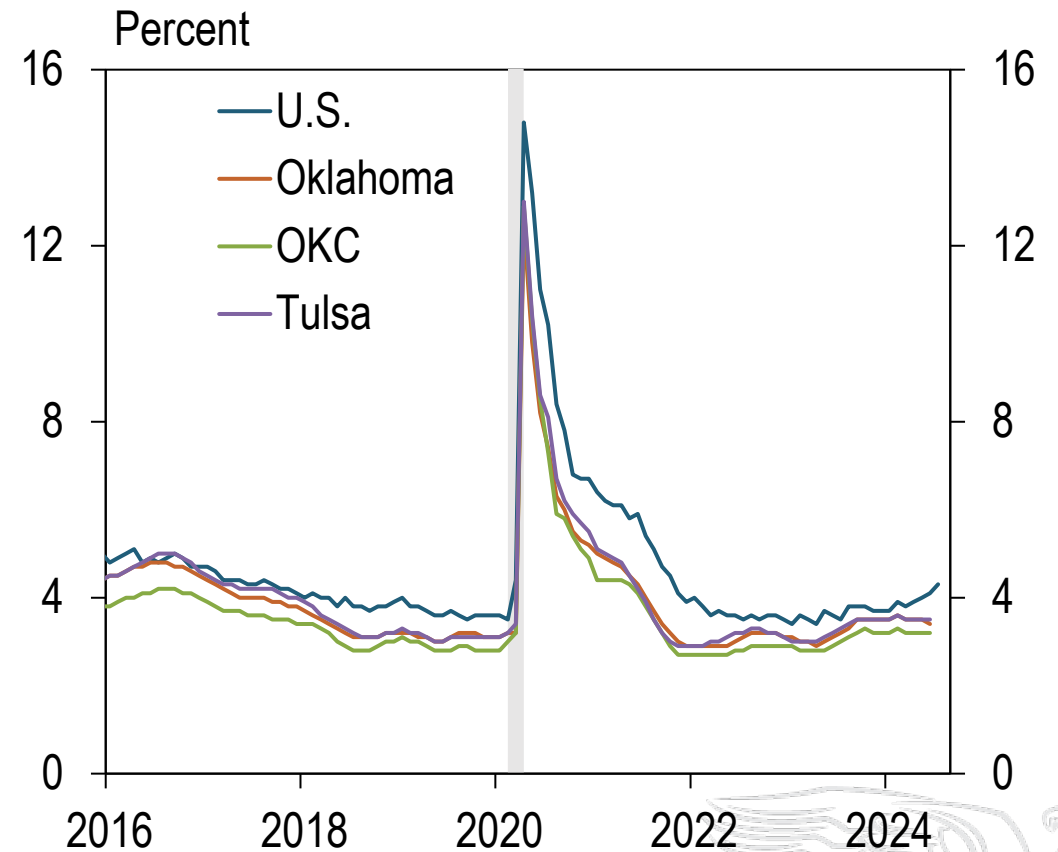


# Jobs in Oklahoma have continued to grow in 2024, while unemployment remains very low

## Non-Farm Payroll Employment

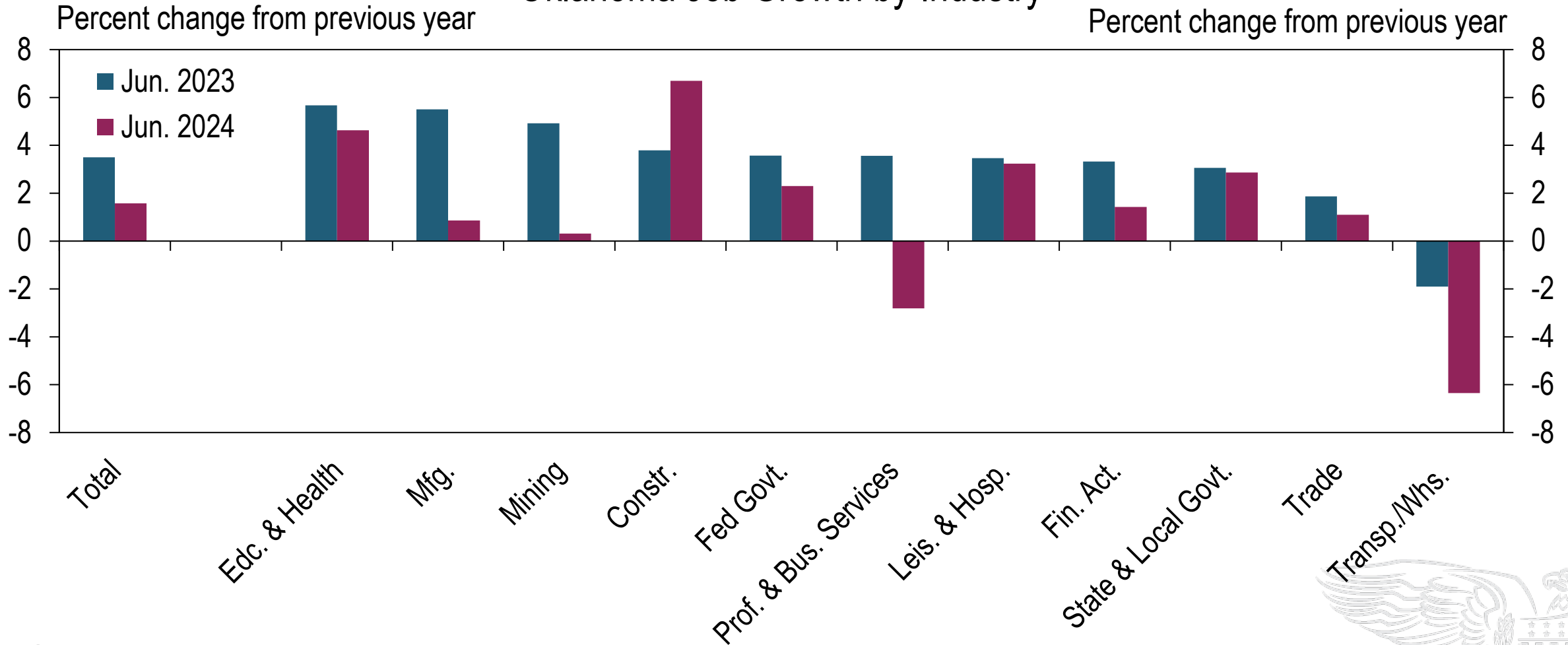


## Unemployment Rate



# 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.

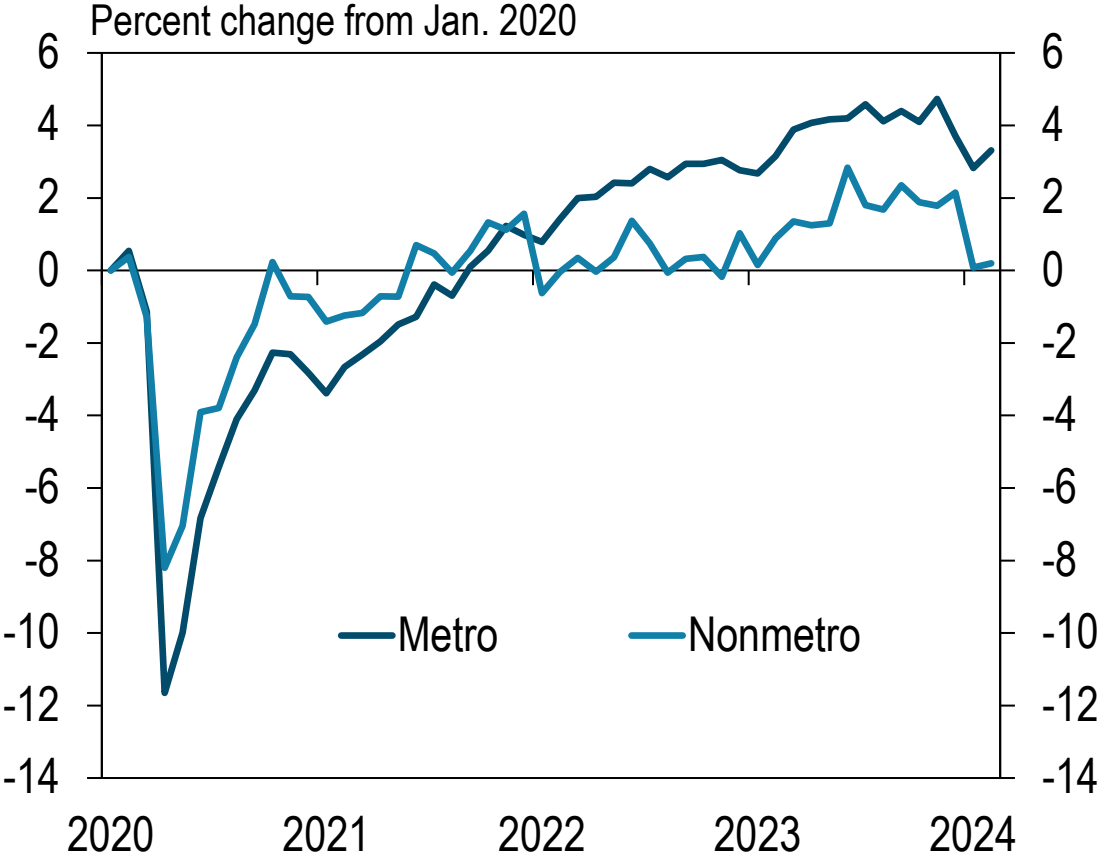
## Oklahoma Job Growth by Industry



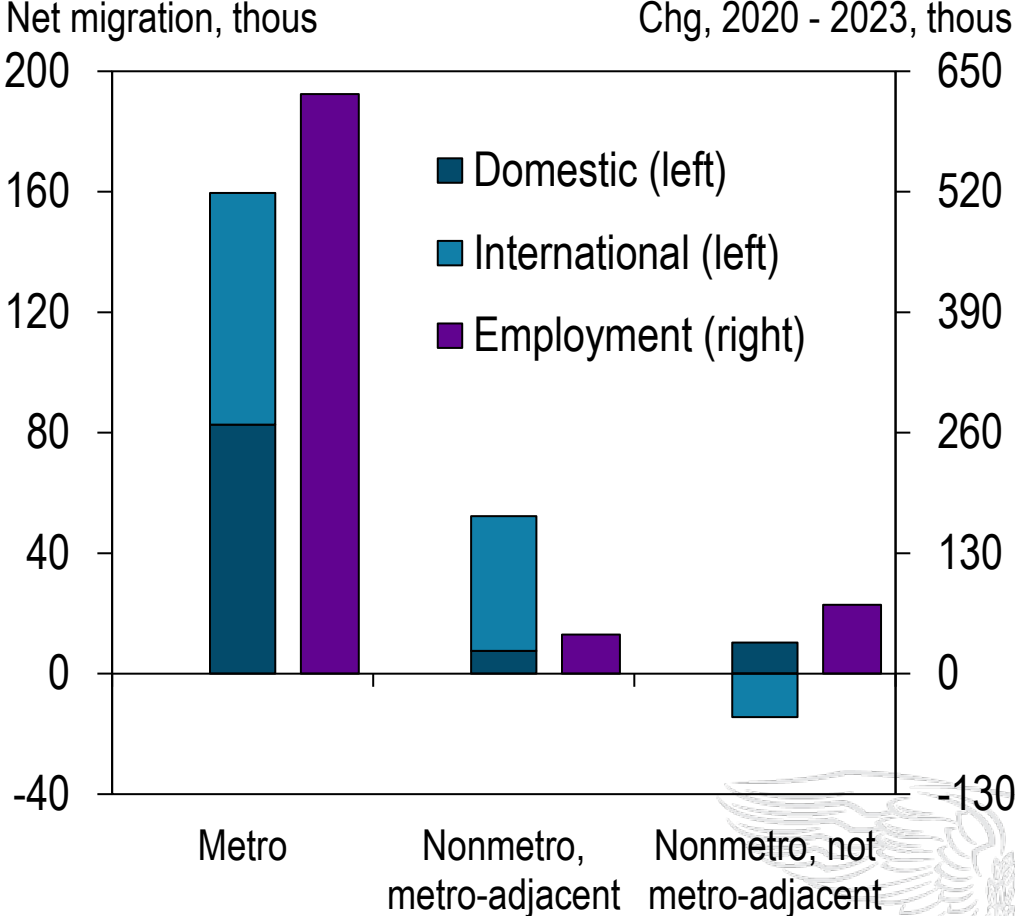


# Employment growth has slowed more in nonmetro areas, and migration could be one reason for relative strength in metro areas.

Tenth District Metro and Nonmetro Employment



Migration and Employment by Location

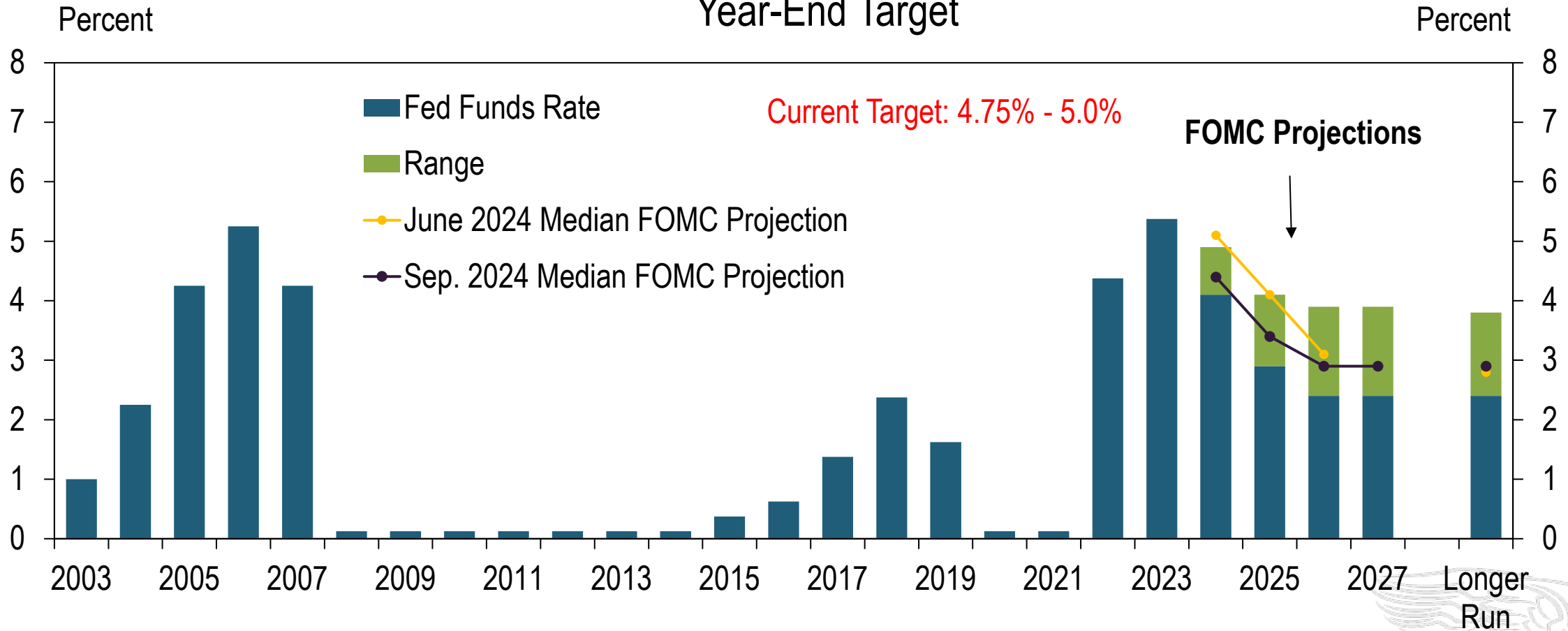


Sources: U.S. Census Bureau and BLS (Haver)



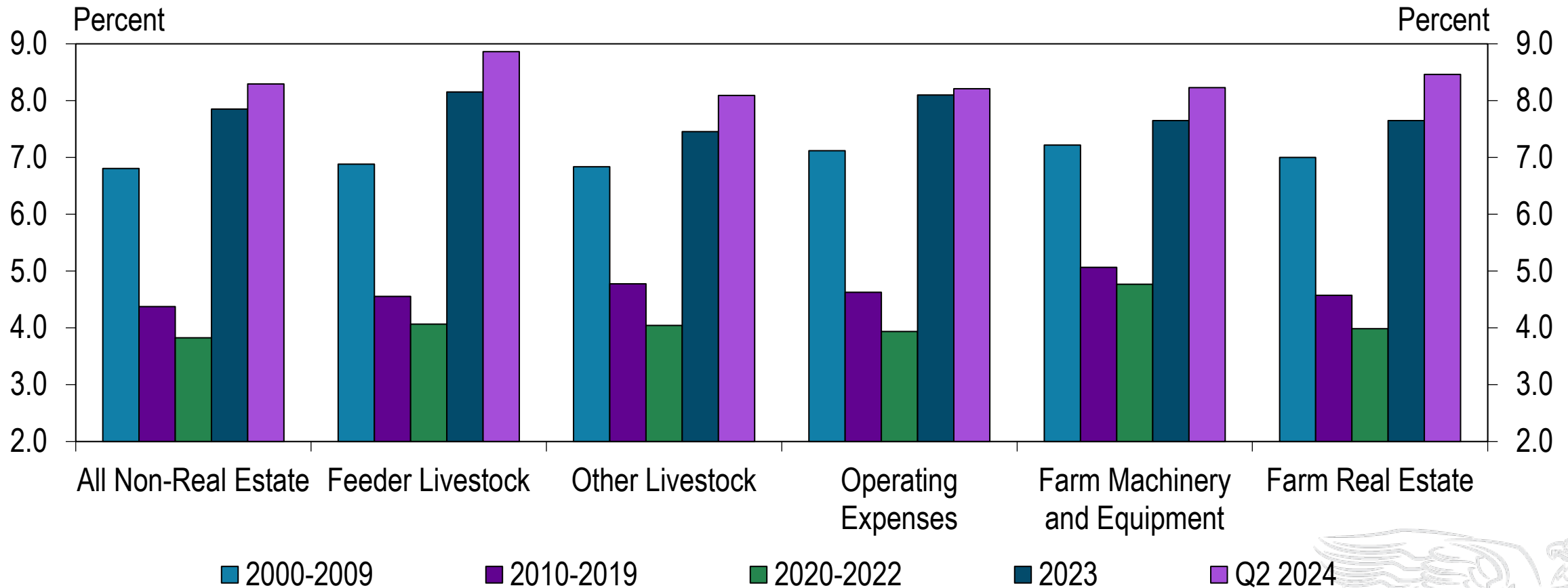
# The Fed lowered the federal funds rate in September, and the latest projections are shown

## Federal Funds Rate Year-End Target



# Interest rates on farm loans continued to increase through the first half of 2024.

## Average Interest Rates on Farm Loans by Loan Type



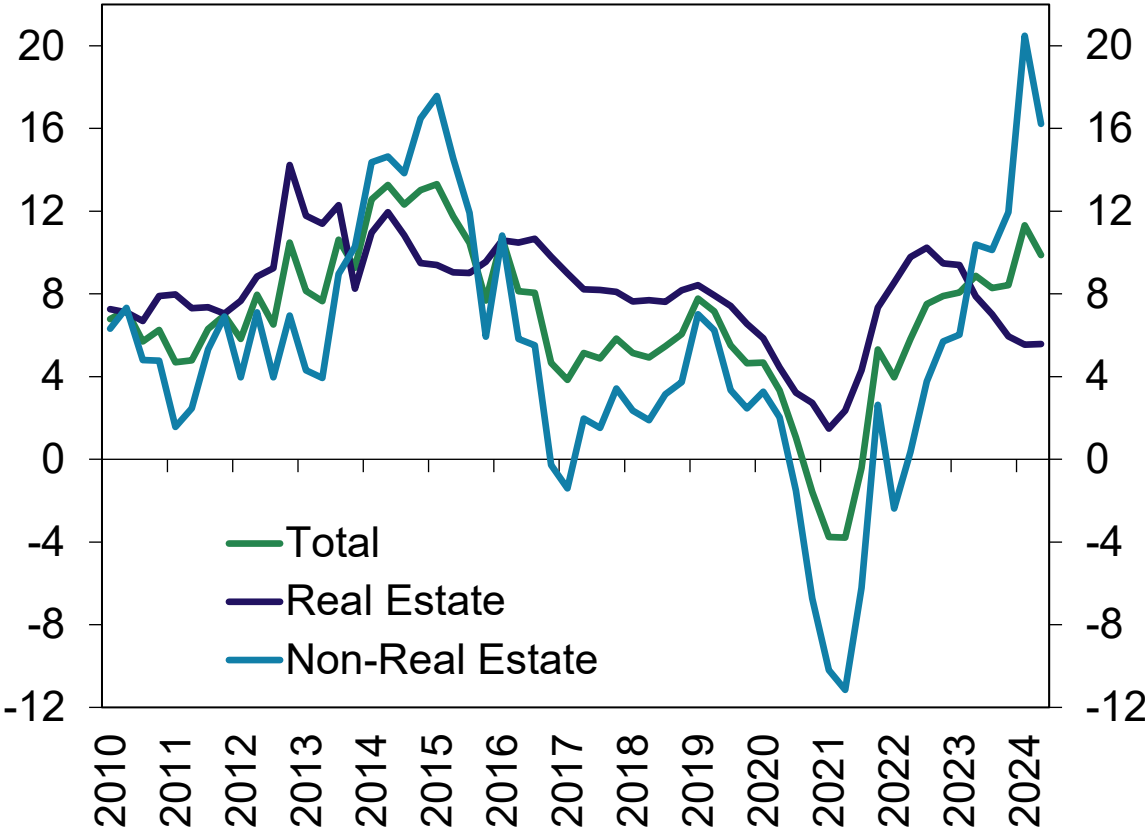
Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City.



# Farm debt has risen at a historical pace in 2024.

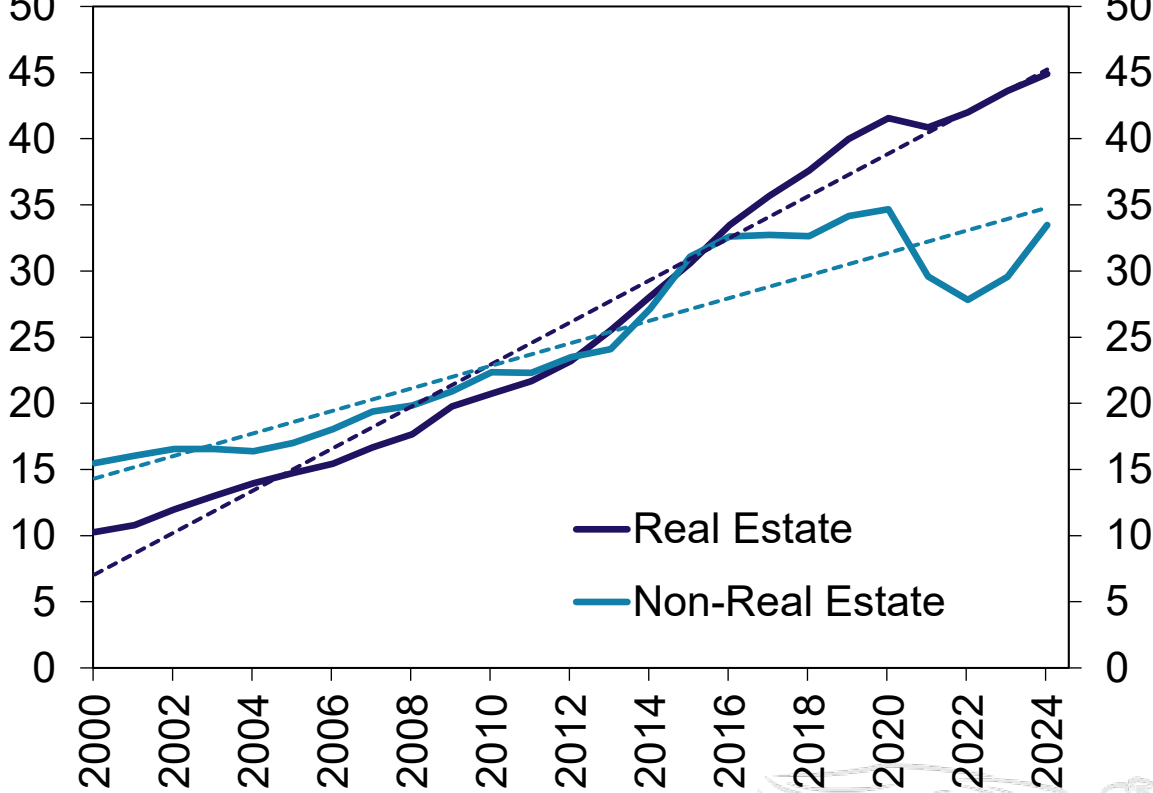
## Change in Farm Debt Outstanding at Ag Banks

Percent change from previous year



## Balance of Farm Debt Outstanding at Ag Banks, Q2

Billion 2024\$

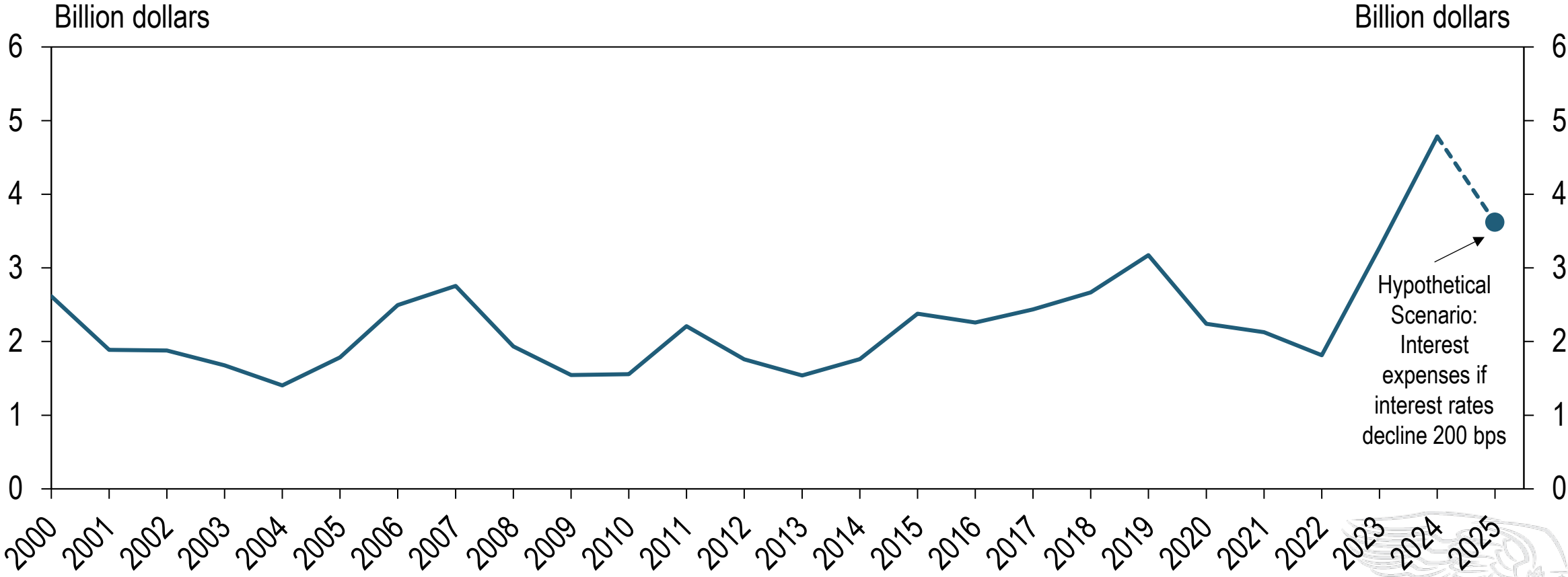


Note: Agricultural Banks are defined as banks with total agricultural loans comprising at least 25% of total loans. Figures above are calculated using the same 968 agricultural banks from Q2 2024 in every quarter.  
Sources: Reports of Condition and Income and Federal Reserve Board of Governors



# Interest expenses have risen to the highest levels since the 1980s.

## Estimated Interest Expenses on U.S. Farm Operating Loans

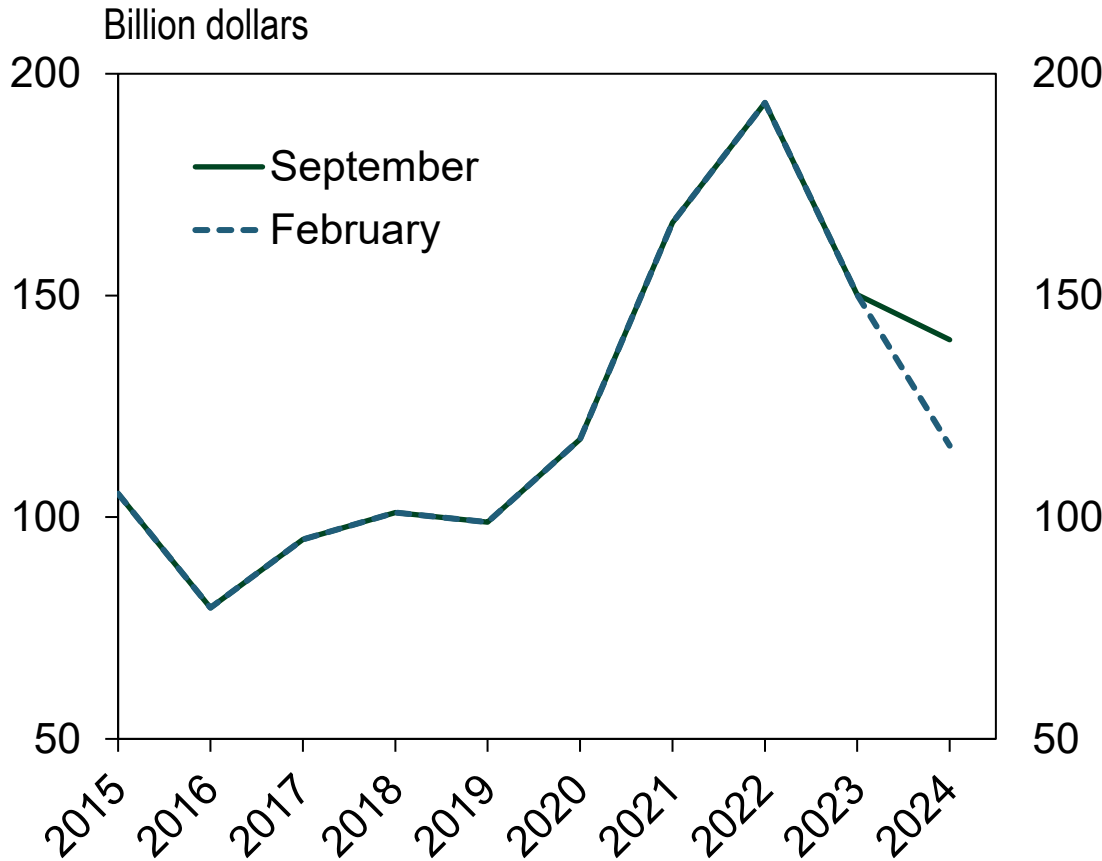


Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City.

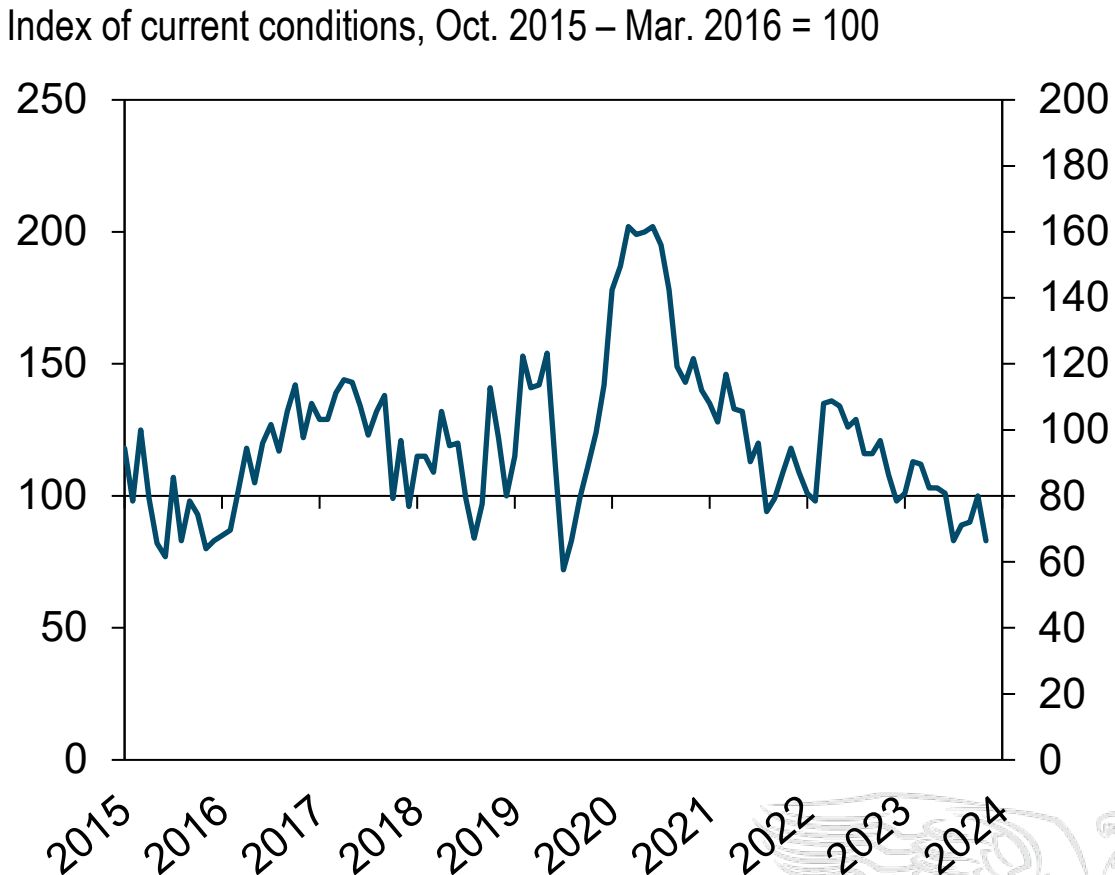


# Farmer sentiment dropped in August, and farm income is expected to decline this year, though not by as much as previously expected.

### Farm Income



### Farmer Sentiment

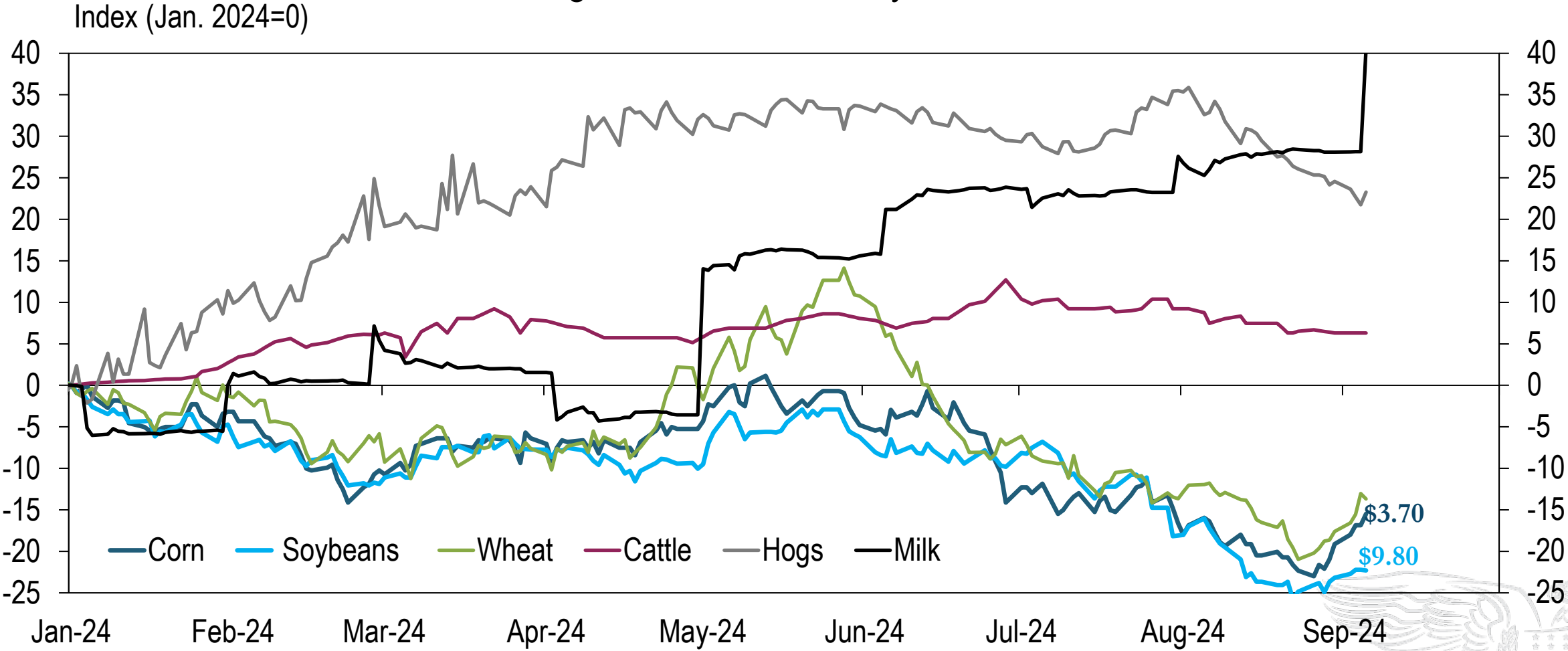


Sources: USDA and Purdue University



# Lower crop prices have weighed on farmer sentiment, but livestock prices remain strong.

## Agricultural Commodity Prices

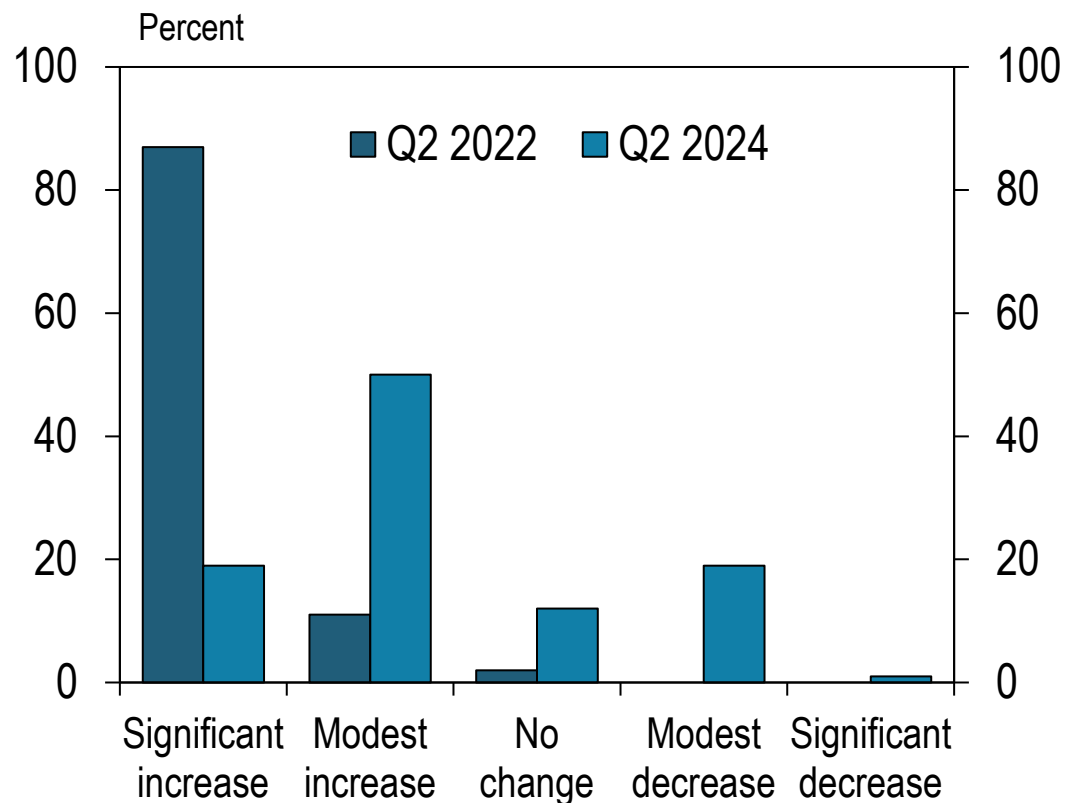


Source: The Wall Street Journal (Haver)

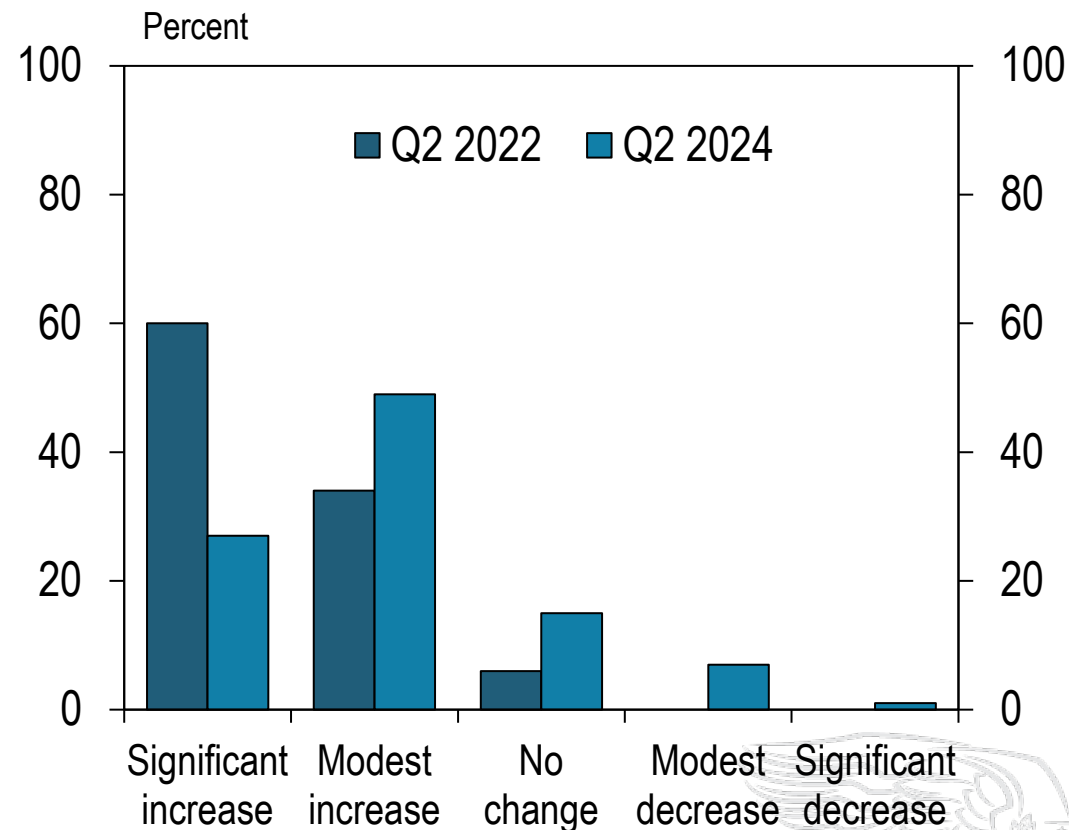


# On the cost side of income, production expenses have eased compared to two years ago but remain elevated.

## Change in Production Expenses for Crop Producers



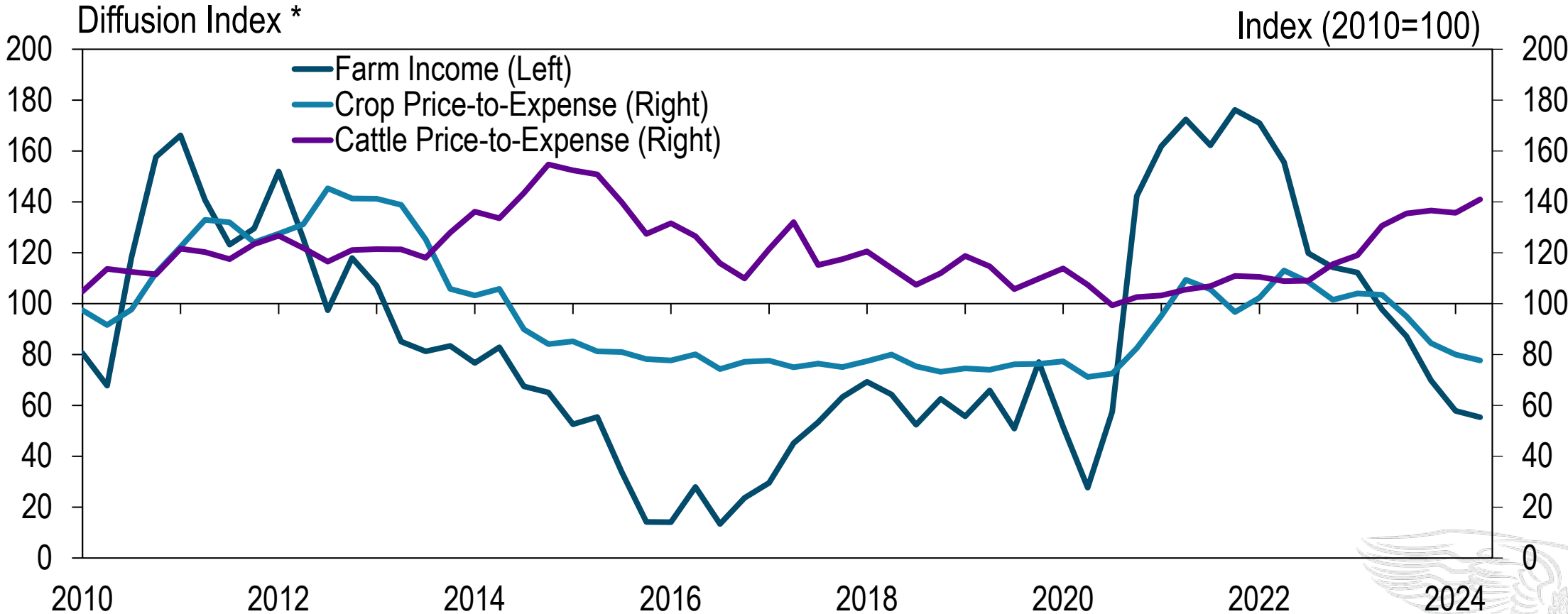
## Change in Production Expenses for Livestock Producers



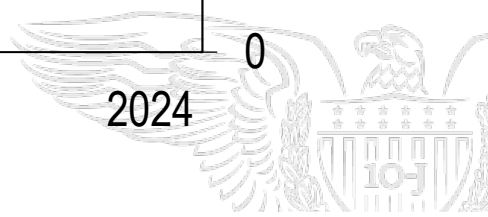


# Lower crop prices relative to production expenses have weighed on farm income.

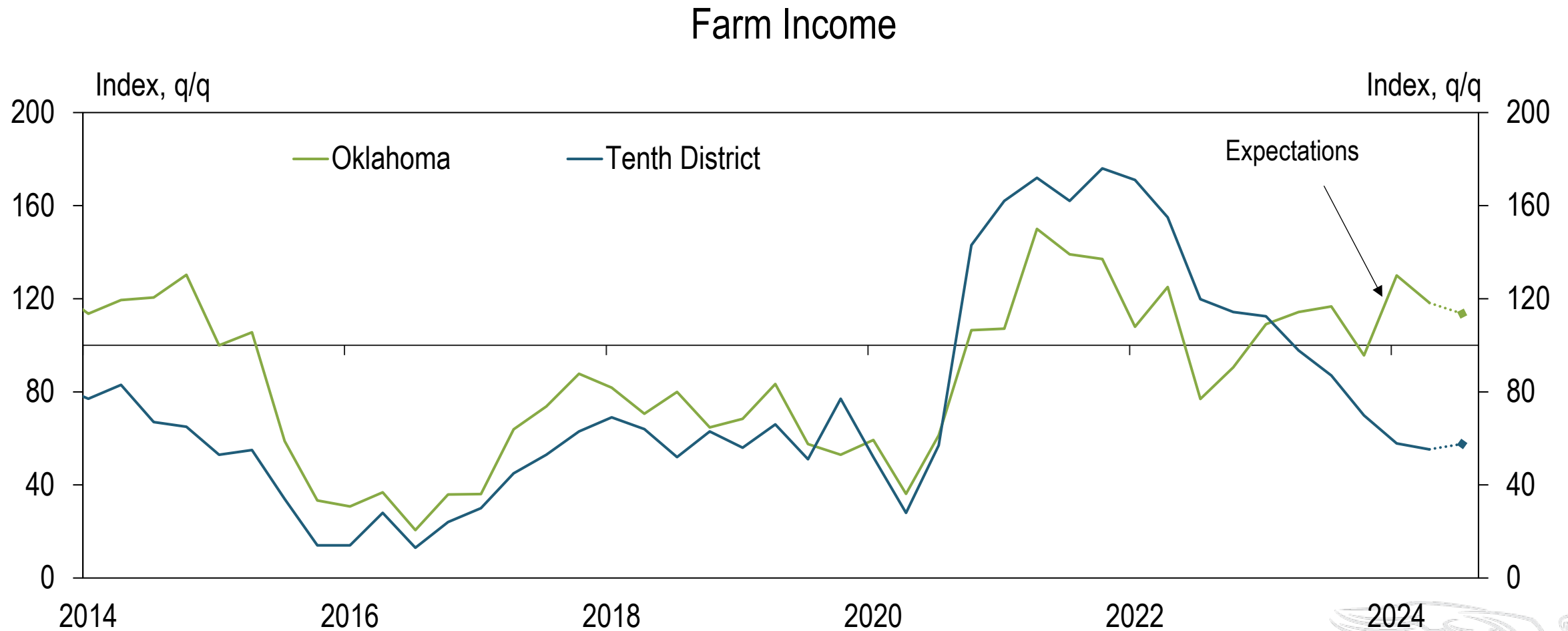
## Tenth District Farm Income and U.S. Farm Price-to-Total Production Expenses



Sources: FRBKC Ag Credit Survey, USDA, Haver, and staff calculations.

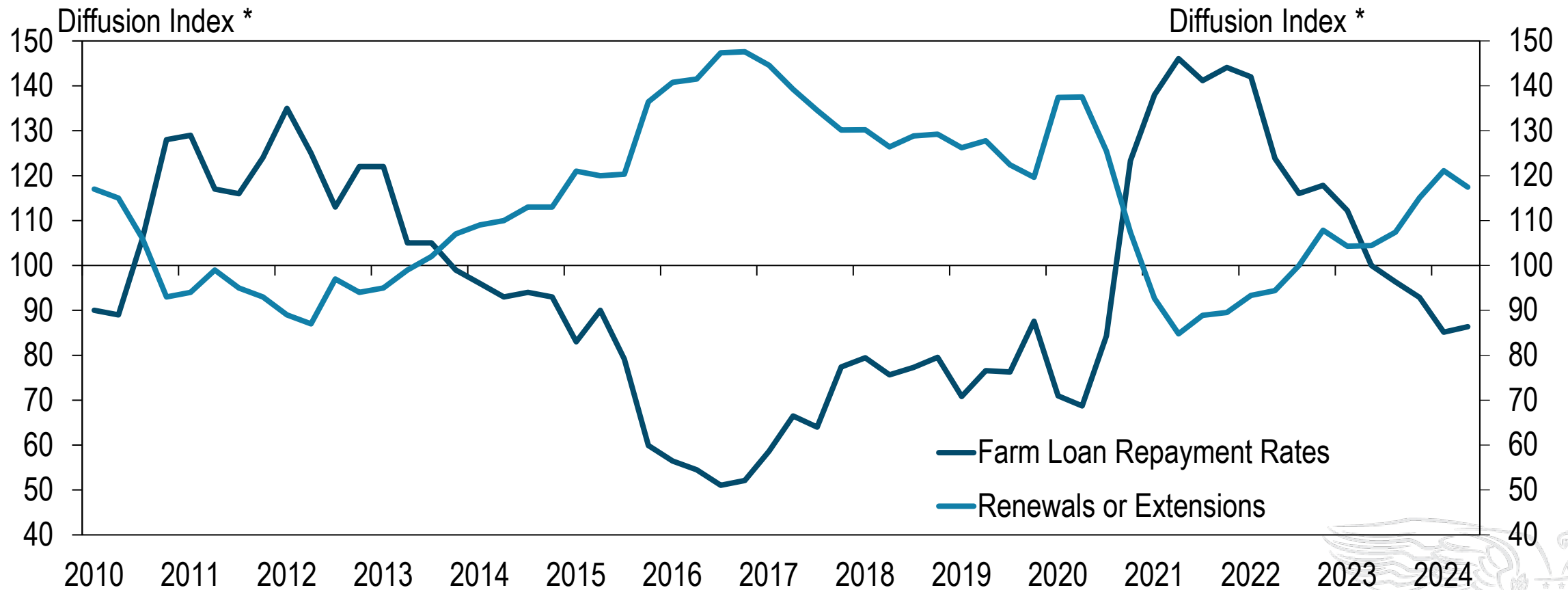


# Oklahoma farm income grew in Q2 while it declined in border states, partially due to higher cattle prices.

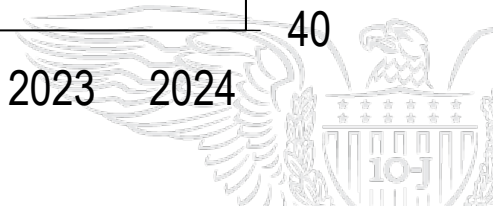


# Alongside lower farm income, repayment rates have declined, and demand for renewals or extensions has increased.

## Select Tenth District Credit Conditions

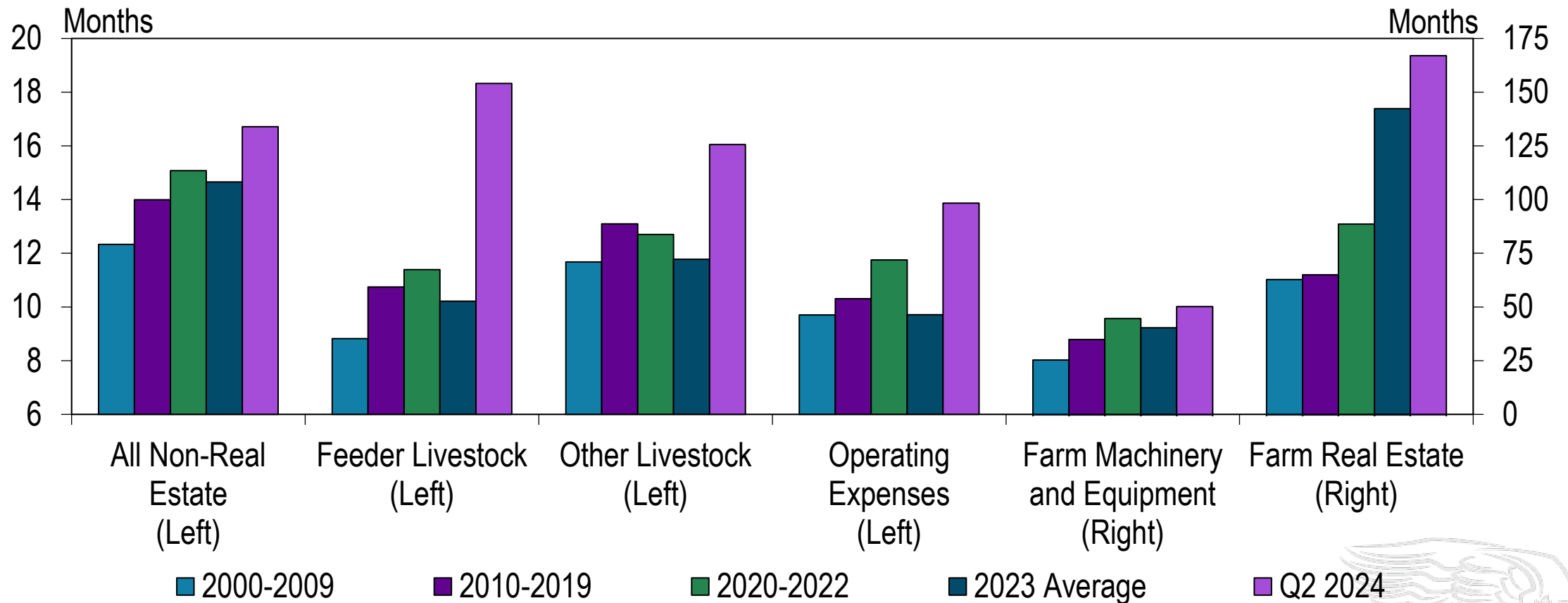


Sources: FRBKC Ag Credit Survey



# And average maturities on loans have expanded.

## Average Maturity by Loan Type

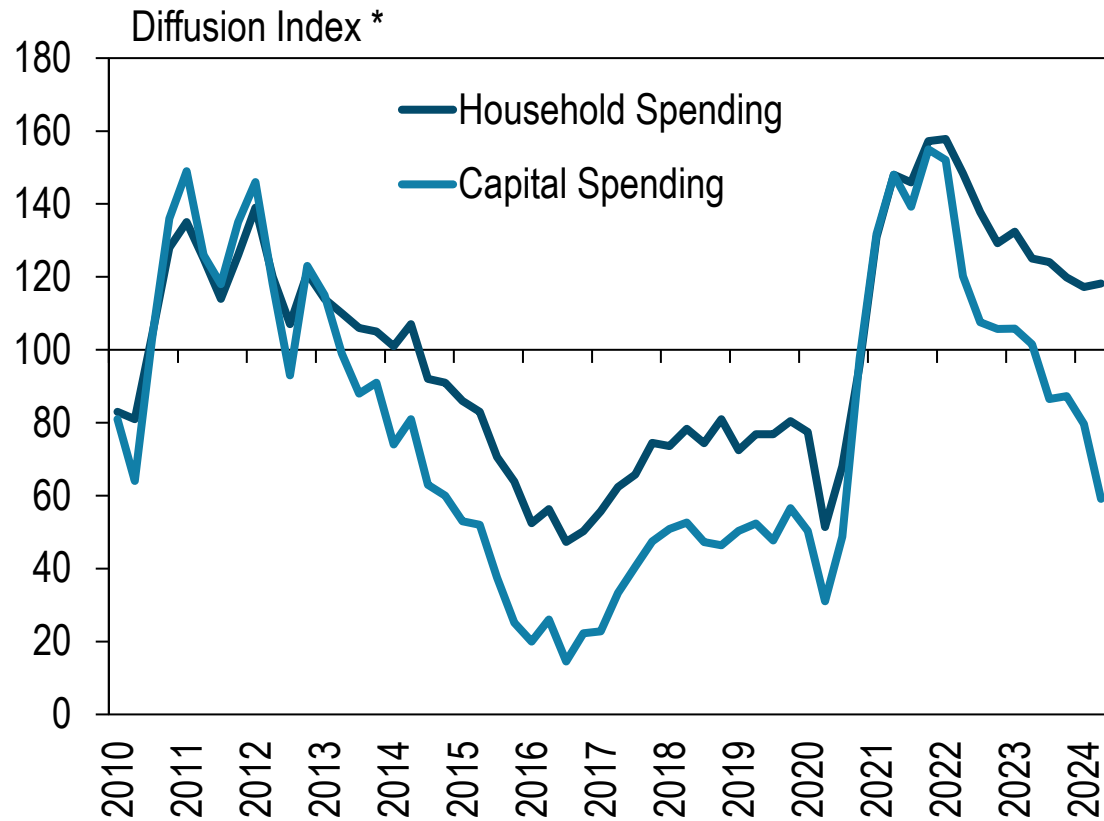


Sources: Survey of Terms of Lending to Farmers and Federal Reserve Bank of Kansas City.

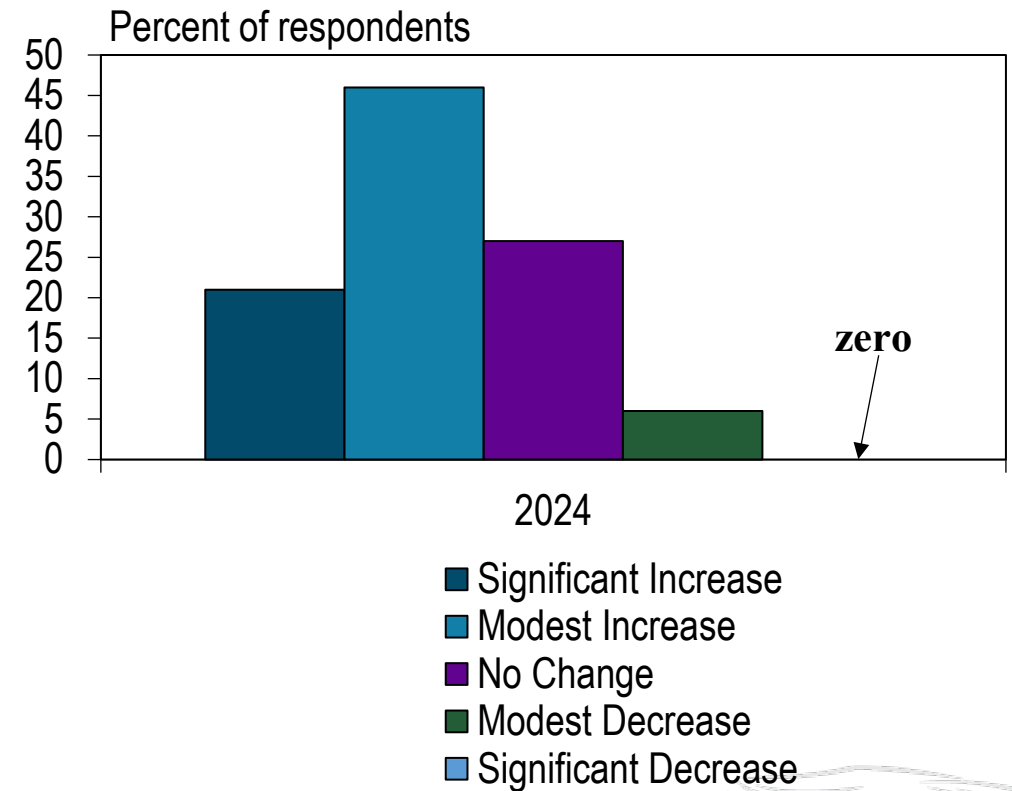


# Farm household spending remains elevated.

## Household and Capital Spending

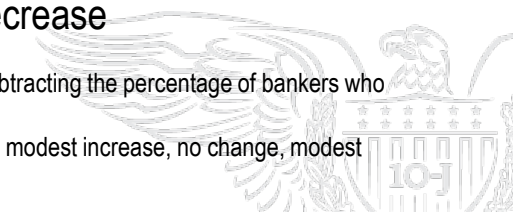


## Change in Household Living Expenses, Q2 2024



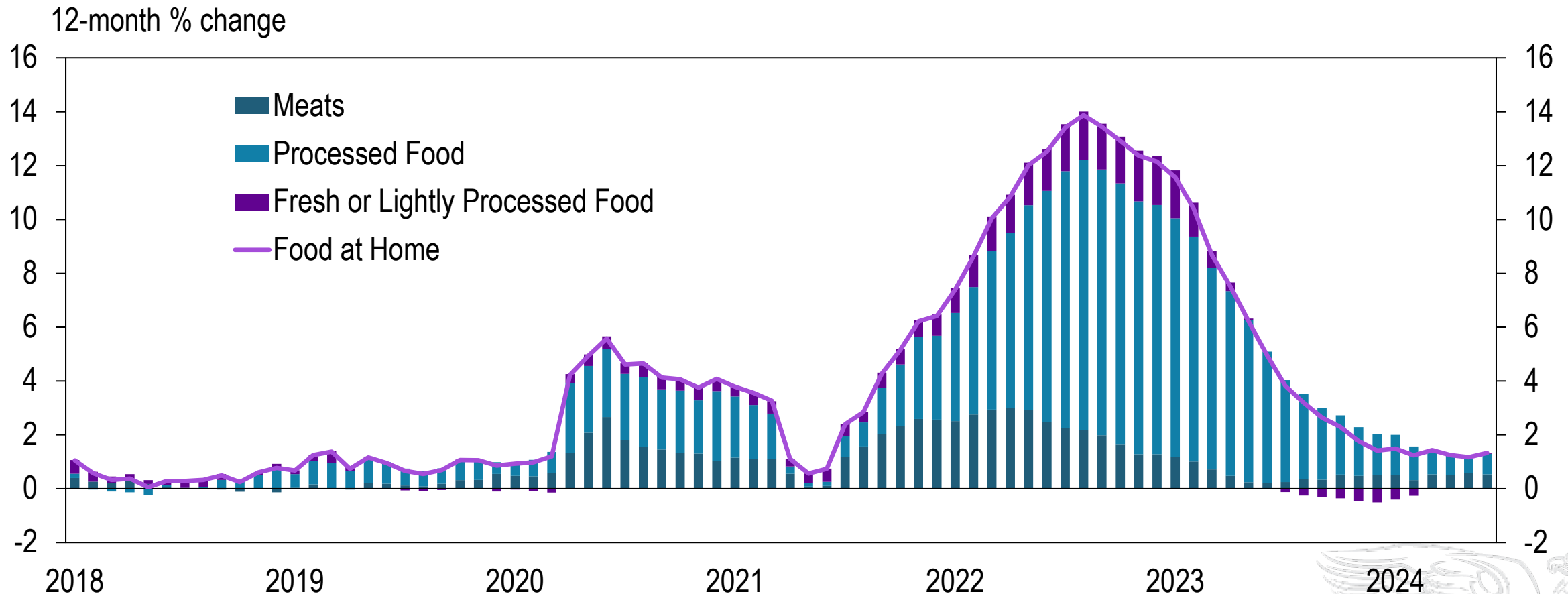
\*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

Note: Bankers responded to the following question: How have year-to-date and planned household living expenses changed for farm households in your area relative to one year ago? (significant increase, modest increase, no change, modest decrease, significant decrease). Source: FRB KC Ag Credit Survey.



# Inflation in processed food was a key driver of overall food inflation in 2022 and 2023.

## Annual Changes in PCE Prices for Food at Home

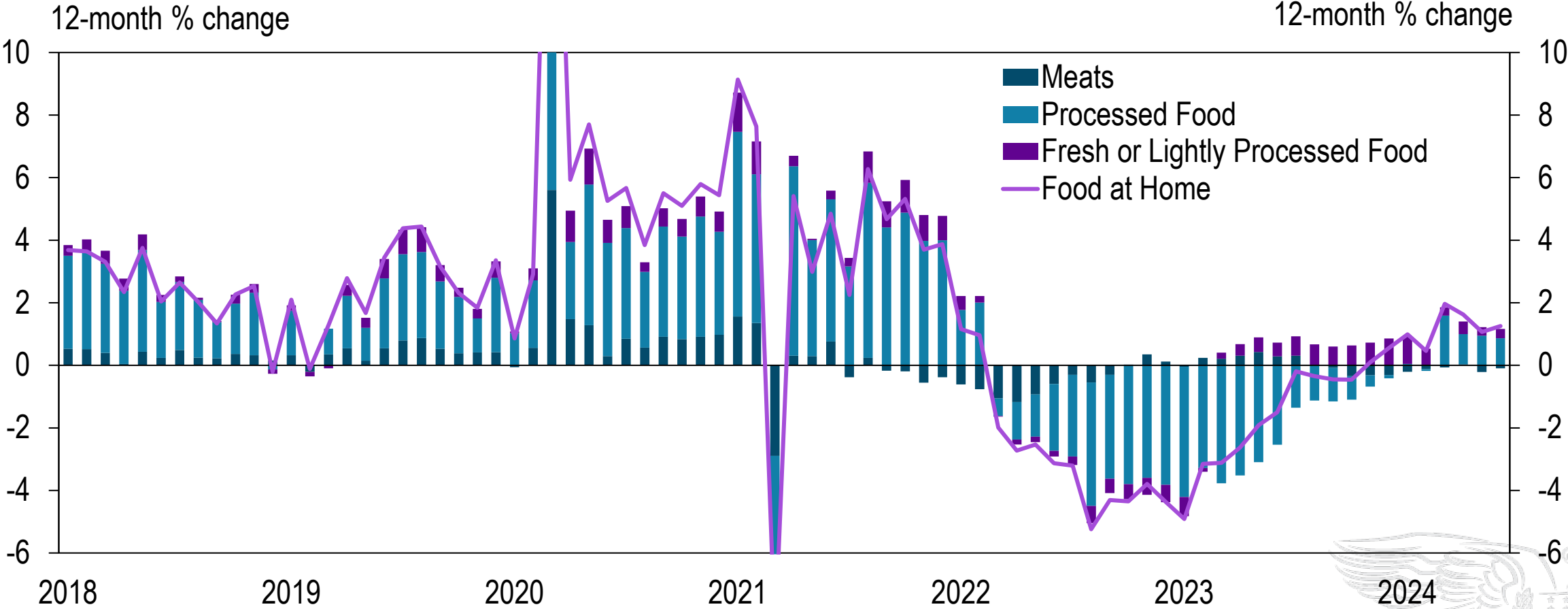


Sources: BEA and staff calculations

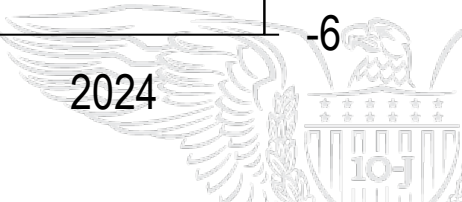


The increase in prices from 2022 to the first quarter of 2023 was accompanied by a decline in quantities relative to the prior year.

Annual Changes in PCE Quantities for Food at Home

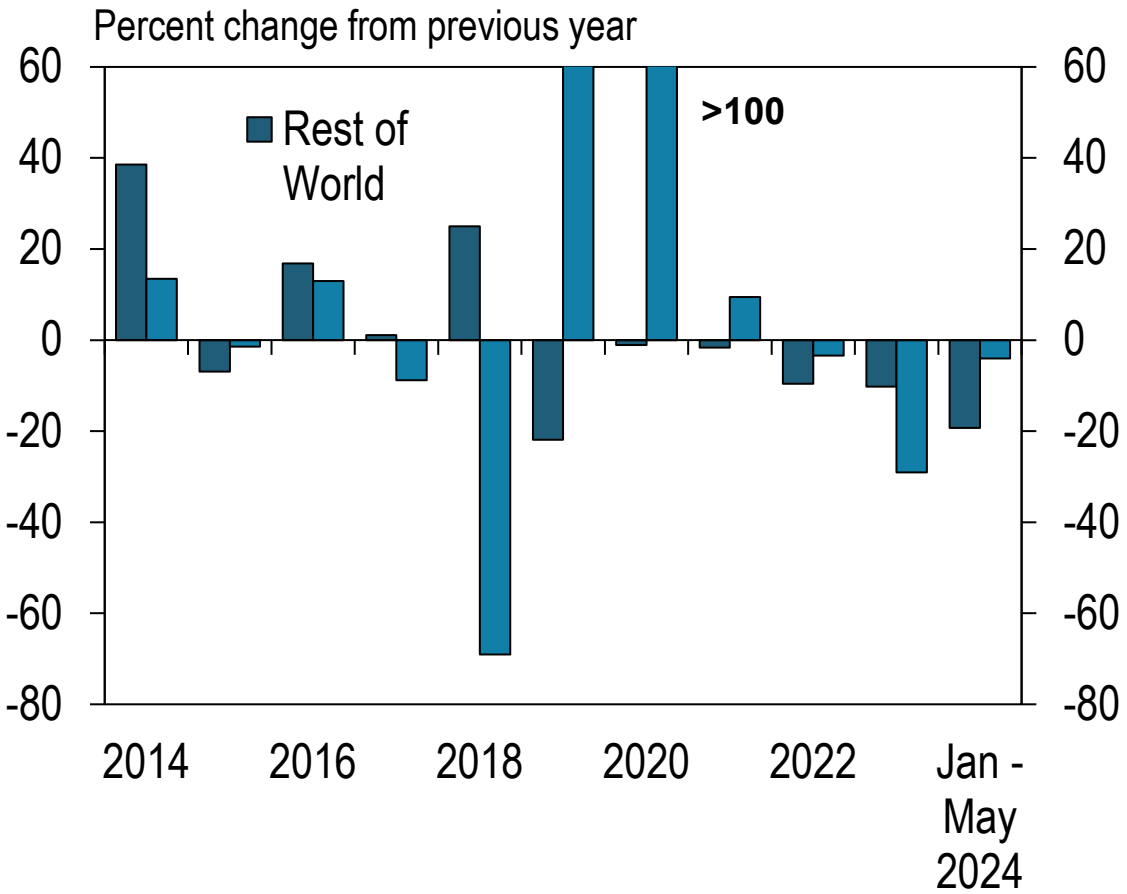


Sources: BEA and staff calculations

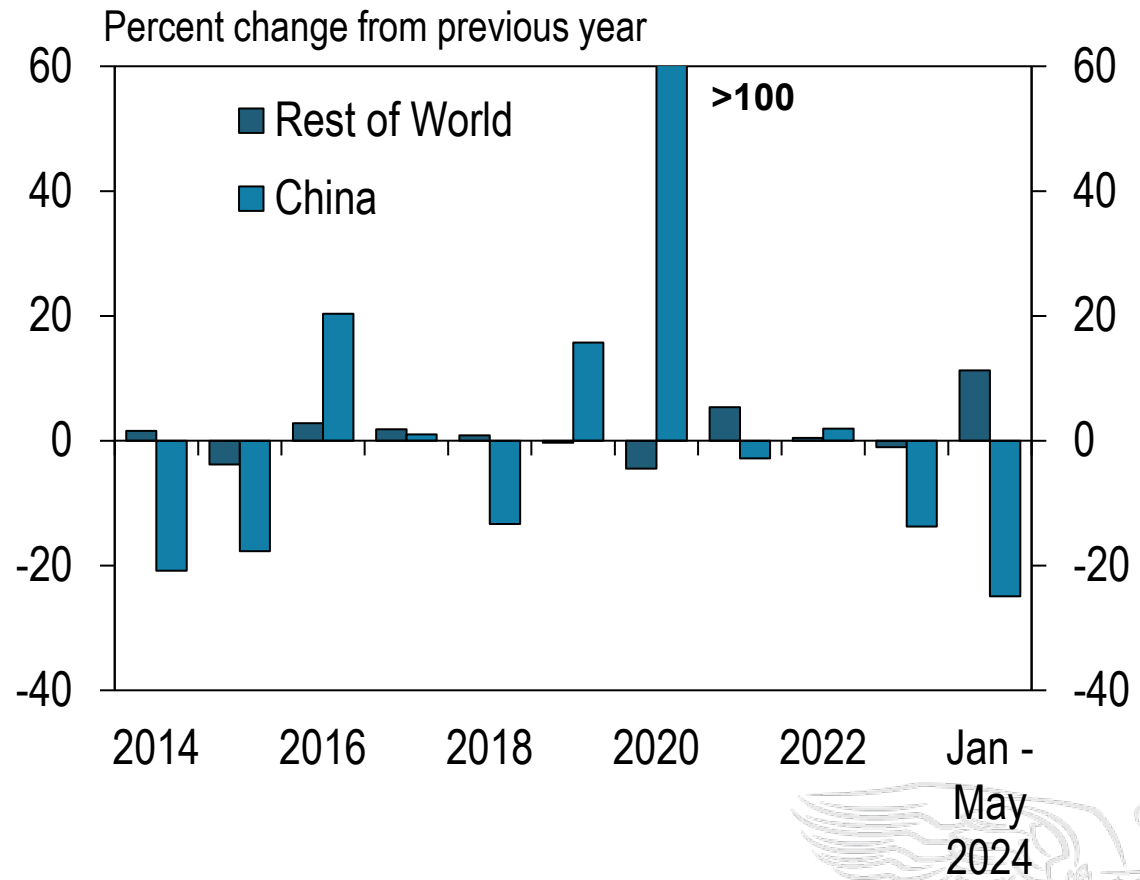


# Supplies are expected to be larger than the last few years due to good crop conditions, while exports have slowed, particularly to China

Exports: Bulk Commodities



Exports: Value-Added Products

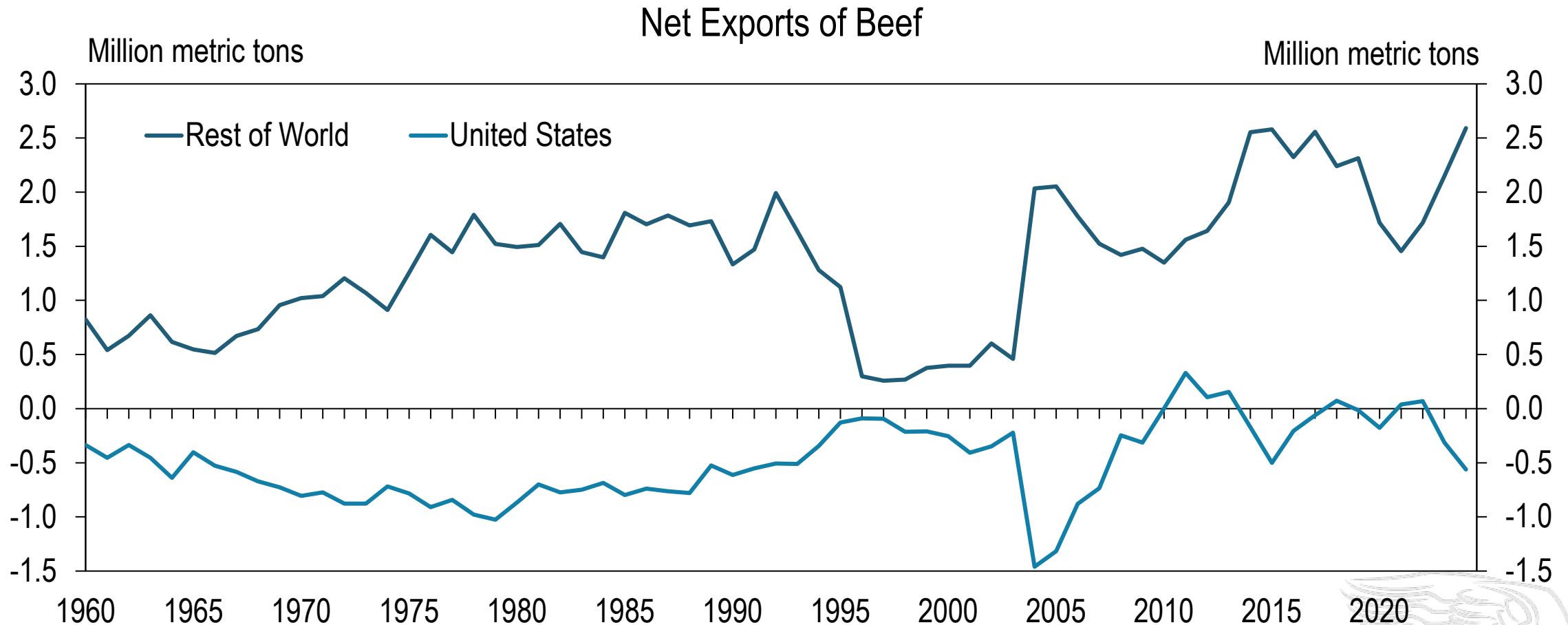


Sources: USDA

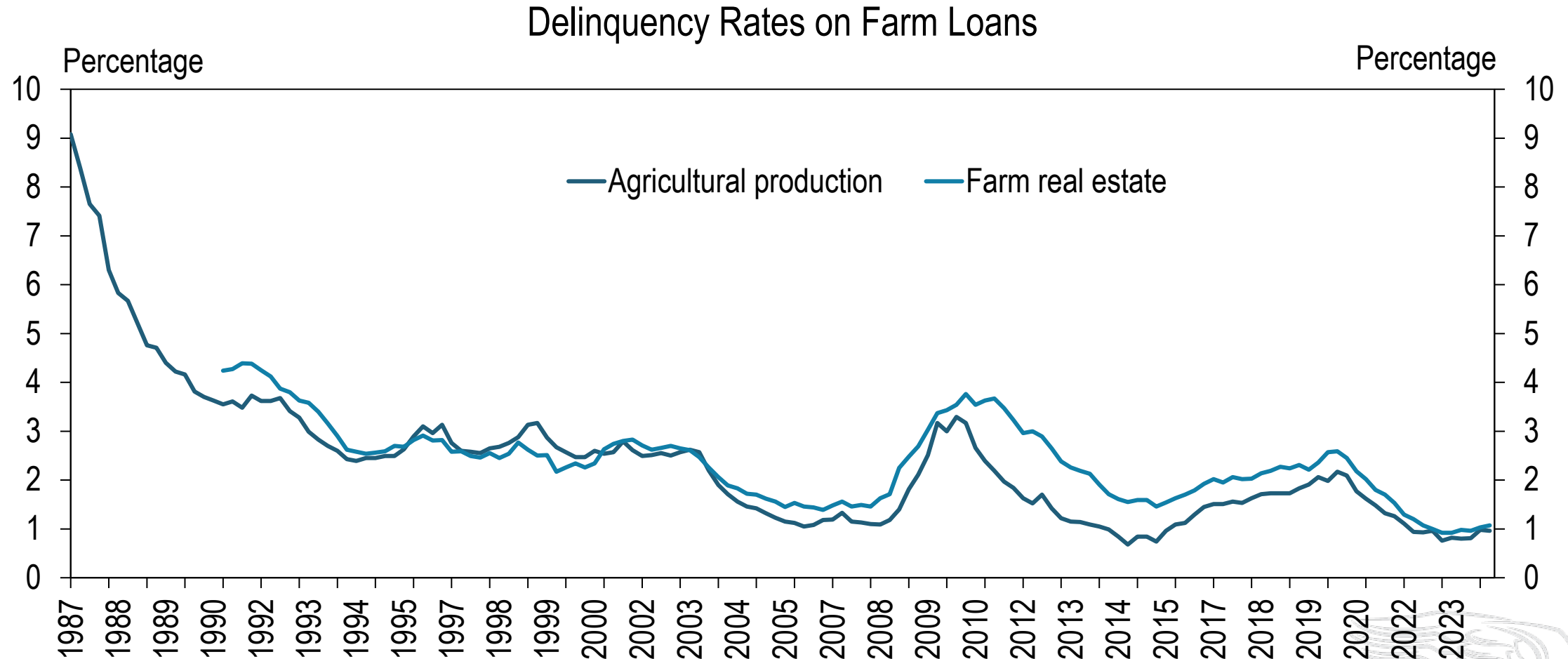




**U.S. beef exports have weakened as imports of beef have increased, likely due to high prices, the strong dollar, and lower domestic cattle inventories.**



# Despite numerous recent headwinds, farm finances, overall, remain very strong.



Sources: Board of Governors of the Federal Reserve System.



# Conclusion

---

- U.S. economic growth has slowed but remains solid, and unemployment is up slightly but remains near long-term averages
- Inflation remains elevated, despite coming down from 2022 peaks
- The Fed has lowered the overnight interest rate for the first time in four years in September.
- Oklahoma's economy also continues to grow, and unemployment is low.
- Financial conditions in the farm economy have shown signs of weakness.
- Farm debt has also grown notably alongside production expenses that remain elevated, but overall, loan quality remains strong.



# Questions?

---

Thank you!

**Cortney Cowley**

Cortney.Cowley@kc.frb.org

<https://www.kansascityfed.org/agriculture>

Also connect with me on **LinkedIn** and **Instagram**.

Sign-up for Kansas City  
Fed Ag E-Alerts:



Visit [kansascityfed.org/lealert](https://www.kansascityfed.org/lealert) to subscribe!

