

U.S. and Oklahoma Economic Outlook

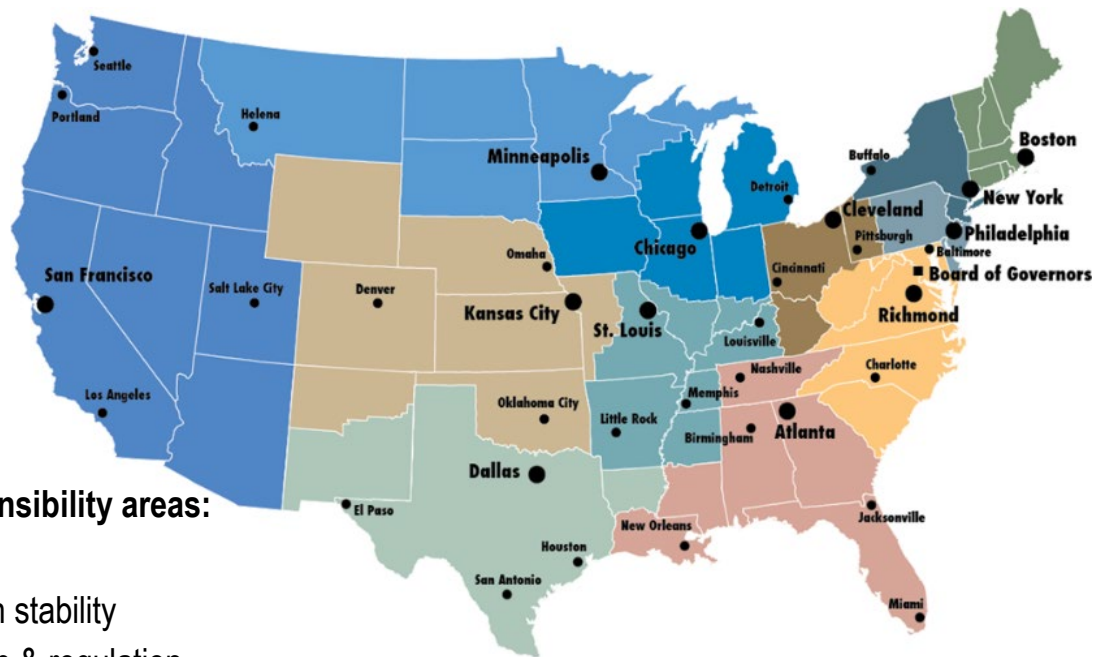
*Tulsa RMA
February 4, 2025*

Cortney Cowley
AVP & Oklahoma City Branch Executive

*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

- **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
- **2025 OKC Branch Board of Directors**
 - **Rhonda Hooper (chair)**, President & CEO, Jordan Advertising, OKC
 - **Mark Burrage**, CEO, FirstBank, Antlers/Atoka
 - **Scott Case**, President, Case & Associates Properties, Tulsa
 - **Jason A. Garner**, Crawley Petroleum Corporation, OKC
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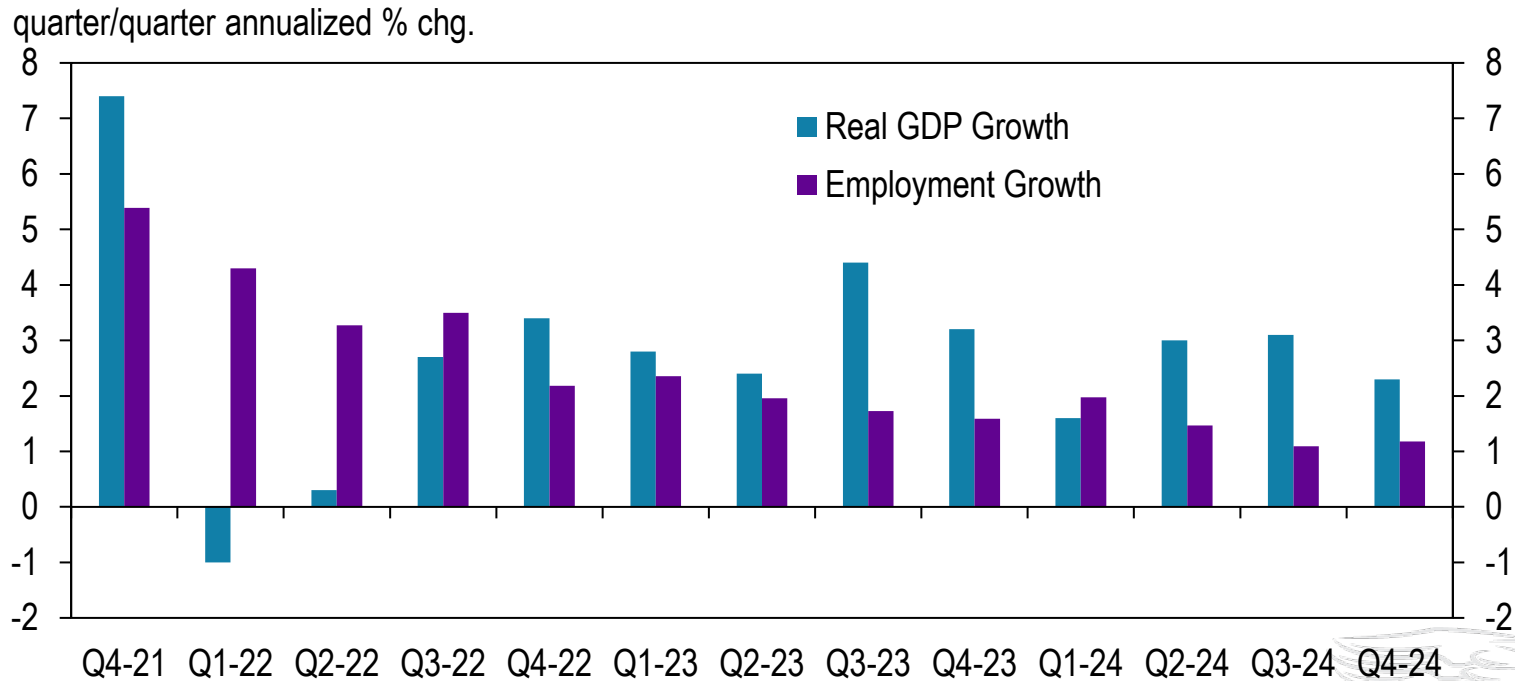
Overview

- U.S. economic growth has slowed but remains solid in 2024, and unemployment is up slightly but remains near long-term averages
- Inflation has come down to near 2%, and the Fed has lowered interest rates
- 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

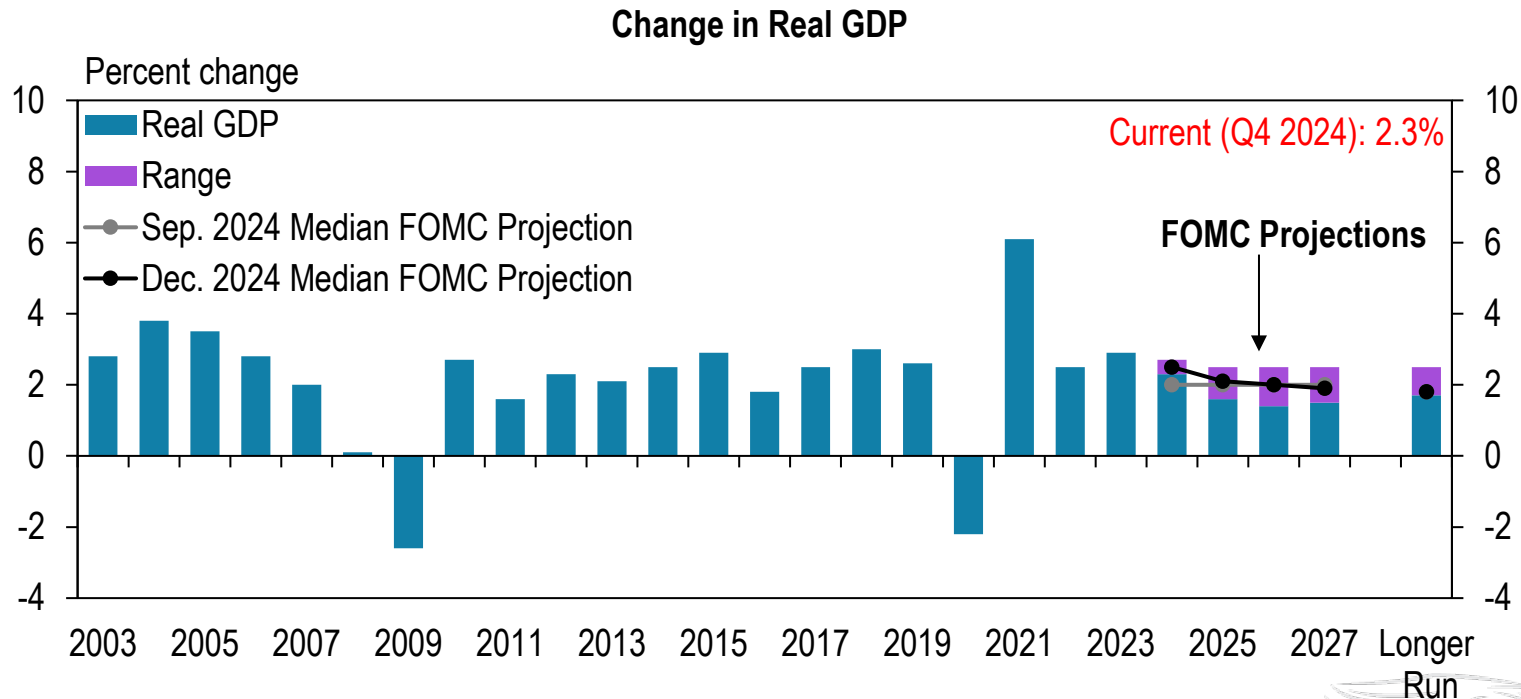


U.S. GDP continues to grow while employment growth has cooled slightly

Quarterly U.S. Economic Growth

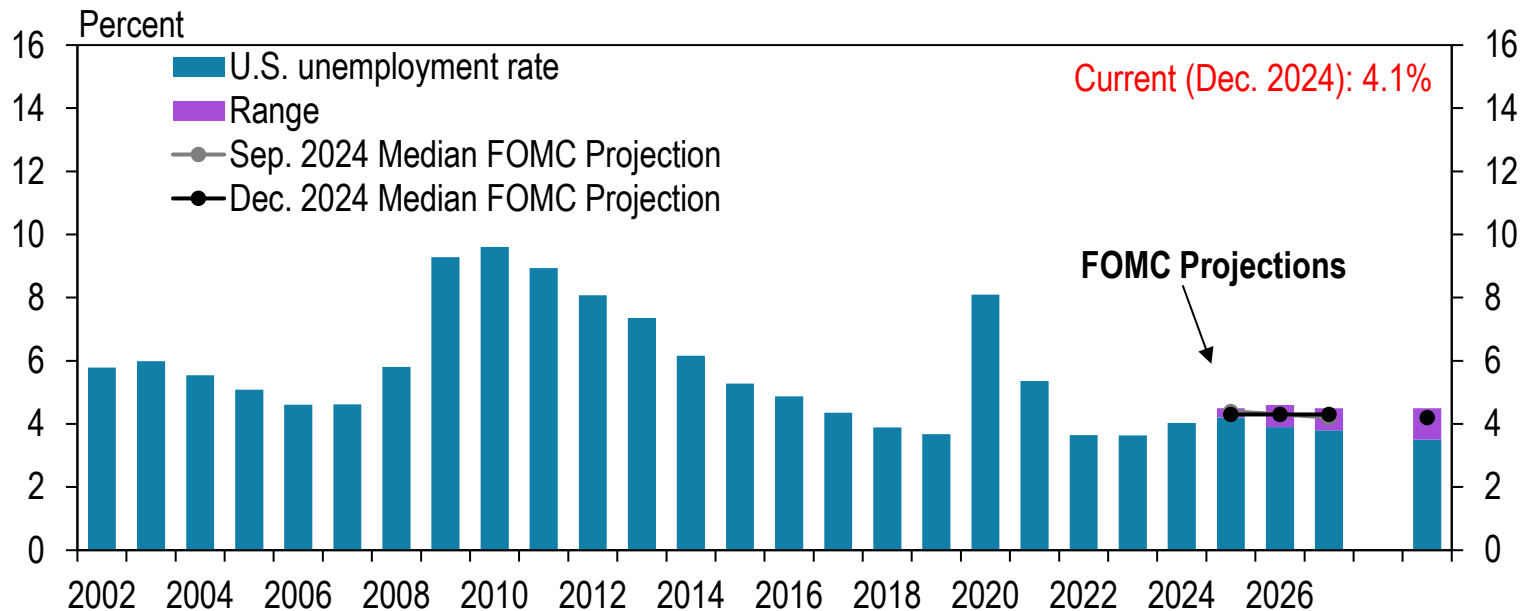


U.S. GDP growth is still expected to remain solid in the coming years



U.S. unemployment remains historically low and is projected to remain low moving forward

U.S. Unemployment Rate

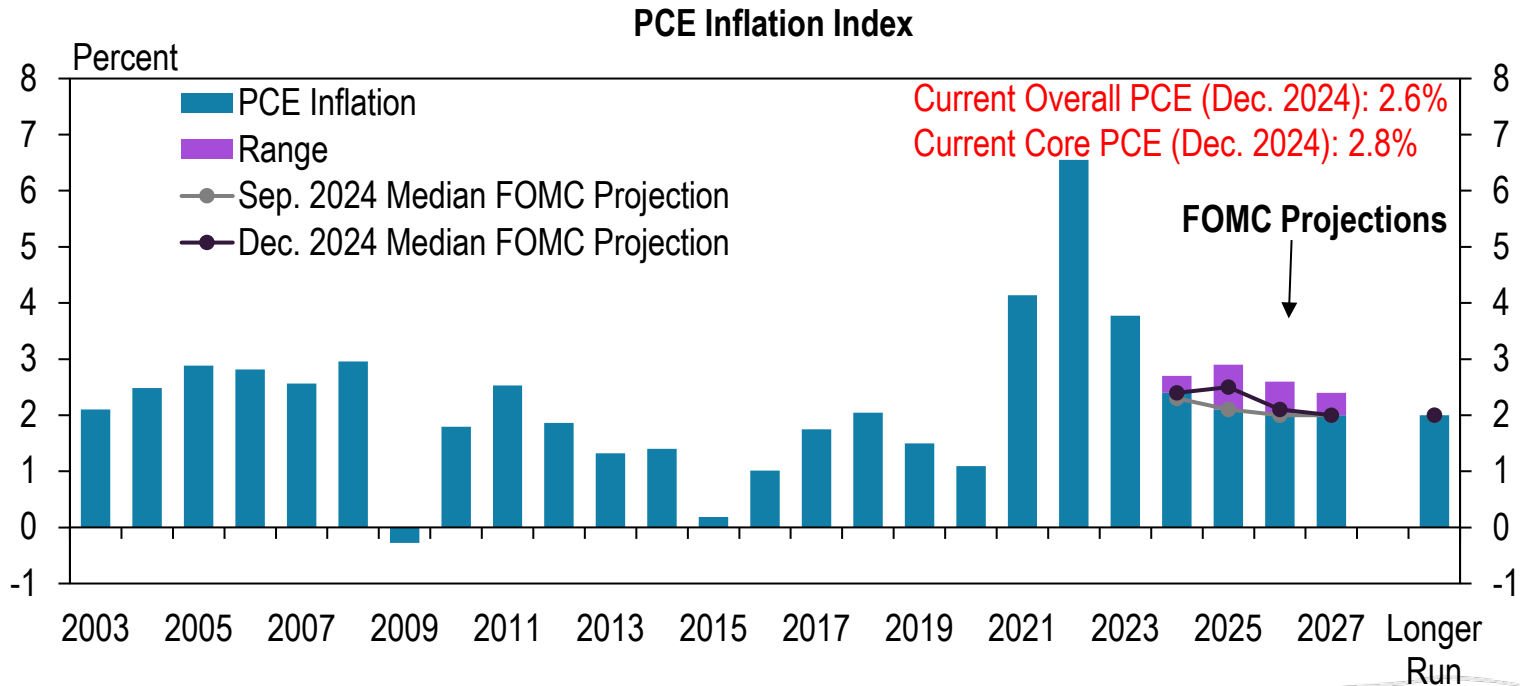


Note: Data and FOMC projections are for year-end.

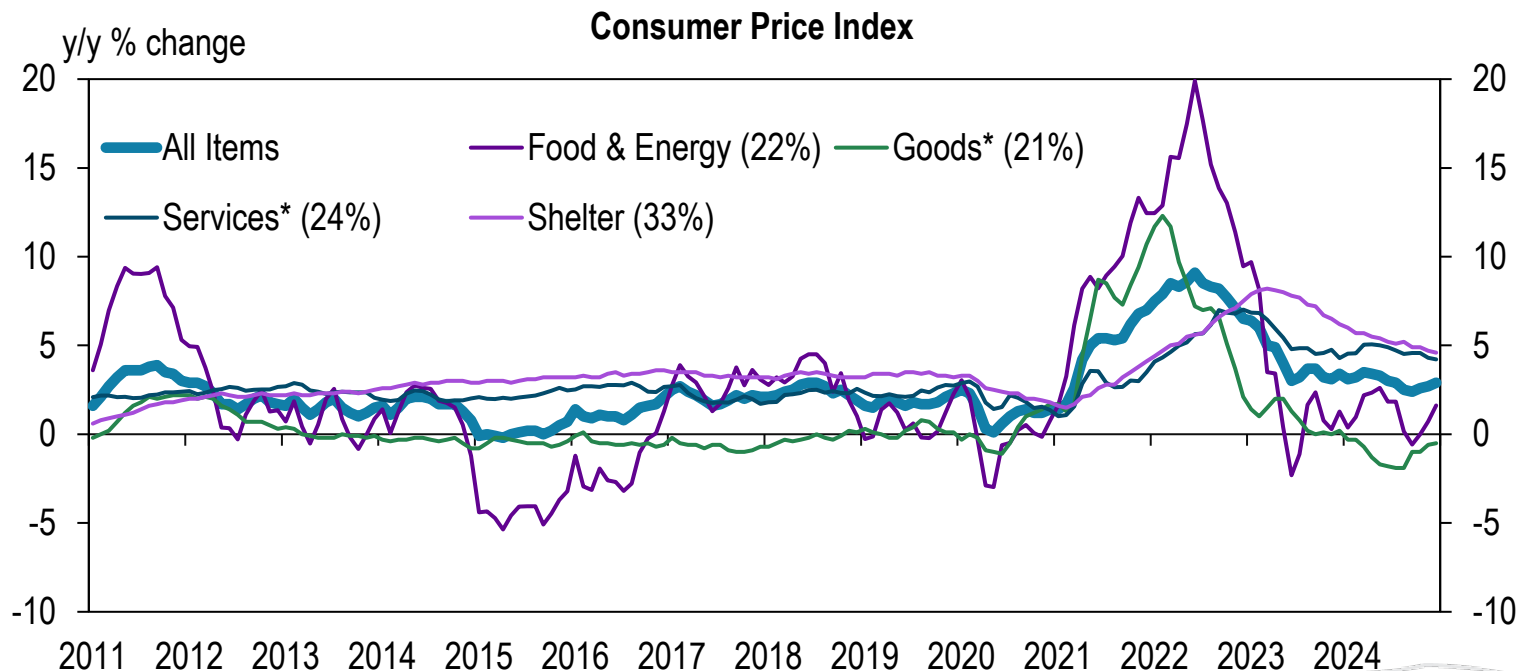
Sources: U.S. Bureau of Labor Statistics, FOMC



Although inflation has come down from 2022 peaks, it has remained more elevated than previously projected



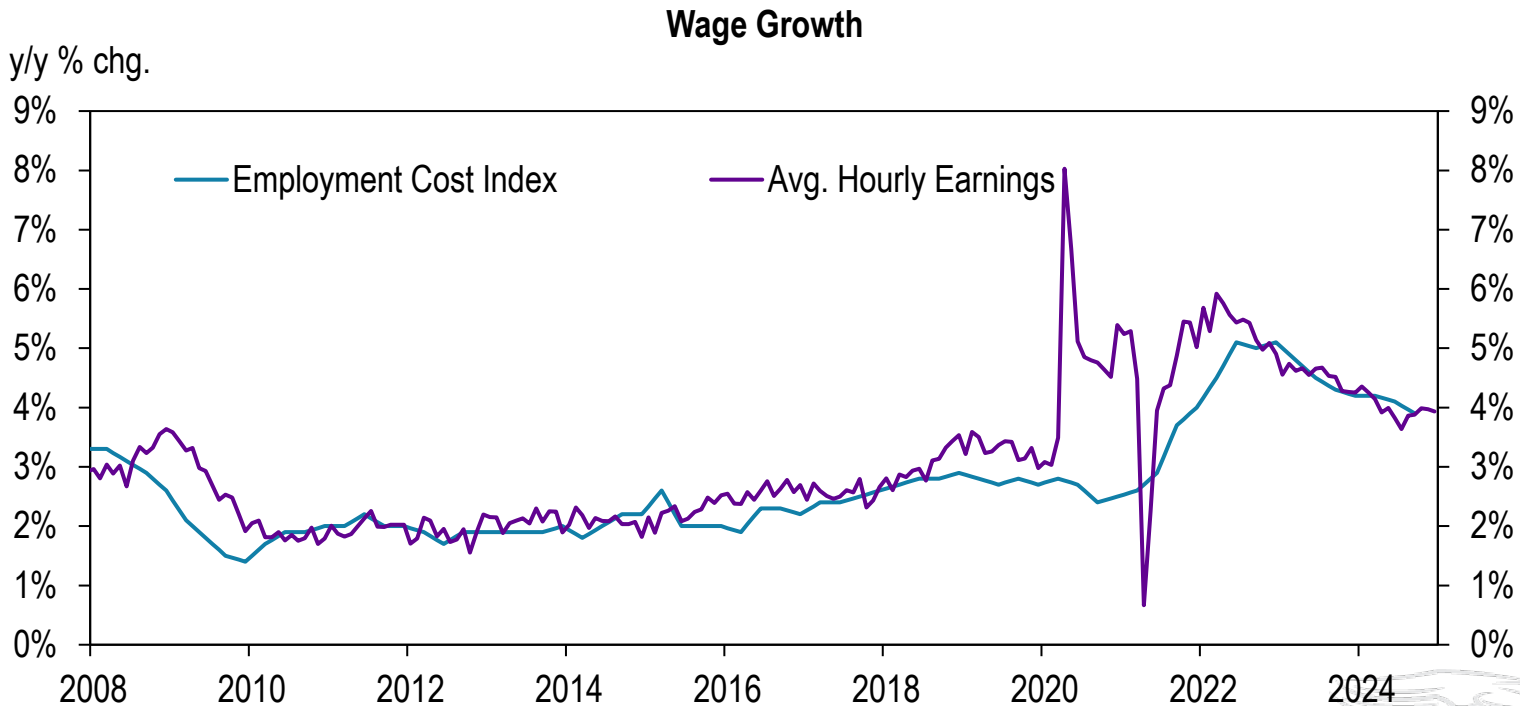
CPI inflation ticked up to 2.9% in December, as commodity prices rebounded while services and shelter remain elevated



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

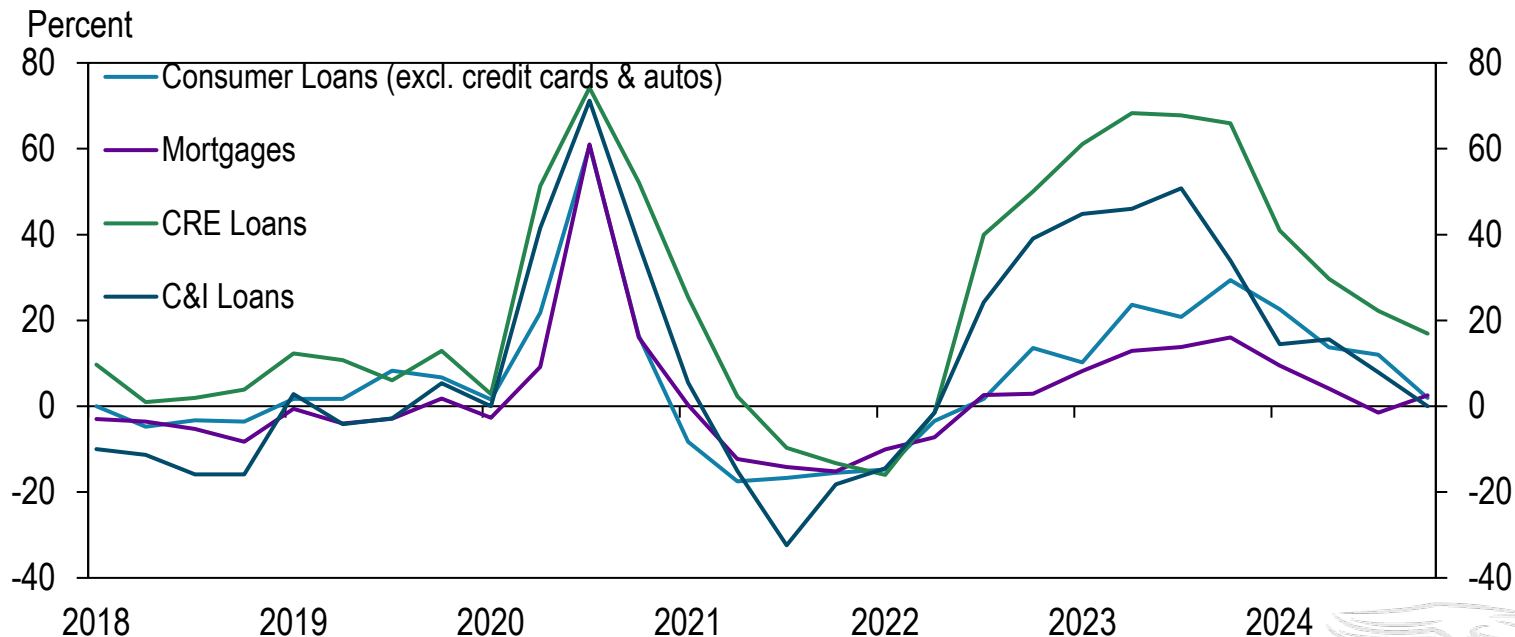


Wage growth is a key factor keeping services inflation high, and has come down moderately from recent highs

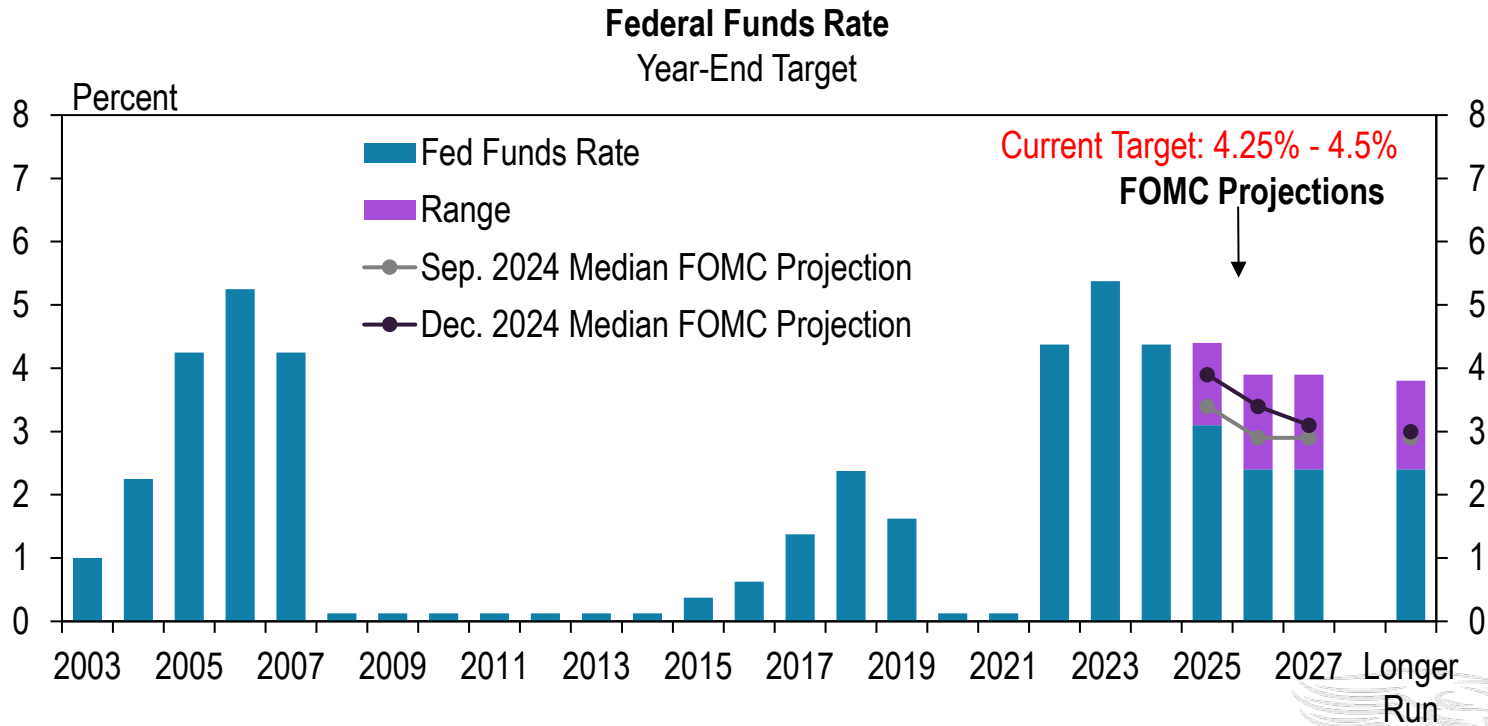


Banks lending standards have only tightened slightly in 2024

Net Percent of Banks Tightening Standards

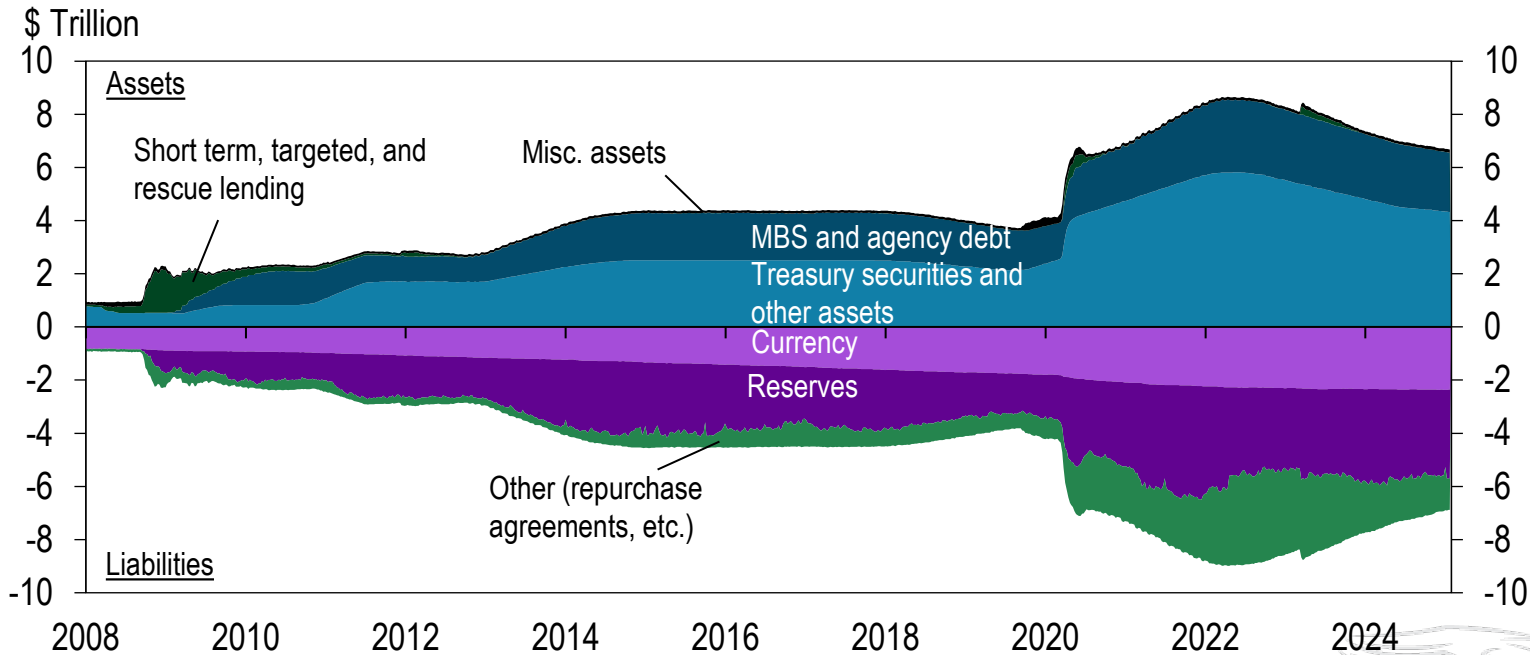


The Fed lowered the federal funds rate again in December, but revised their projections to only two cuts in 2025



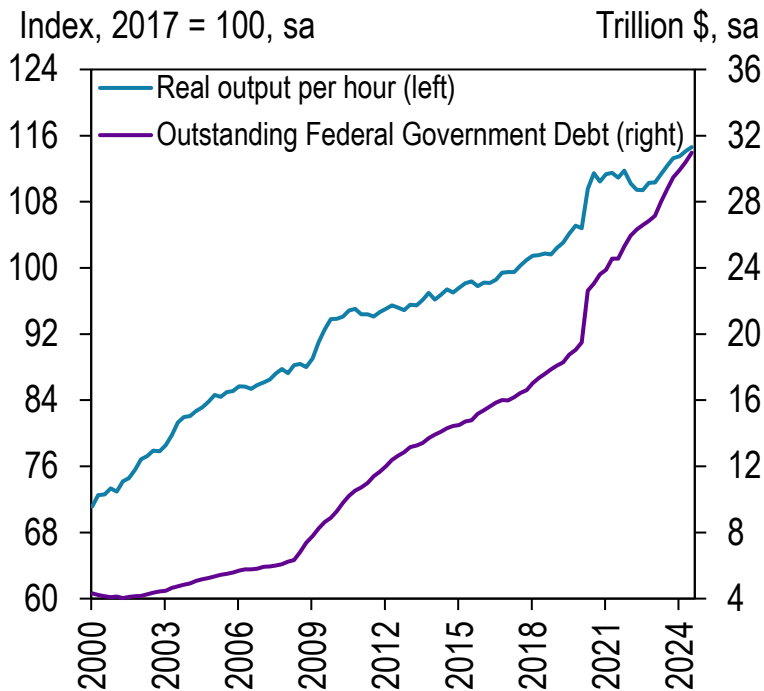
The Fed also continues to reduce its balance sheet of high-quality securities, but diminished the planned pace in May

Federal Reserve Balance Sheet

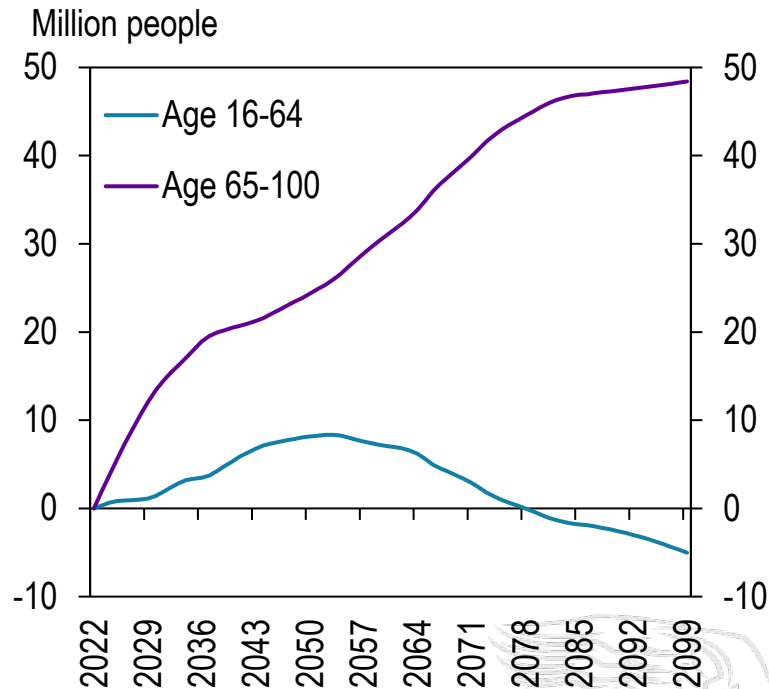


Long-term, productivity and government debt could push interest rates higher, but demographic trends could push them lower

U.S. Productivity and Debt

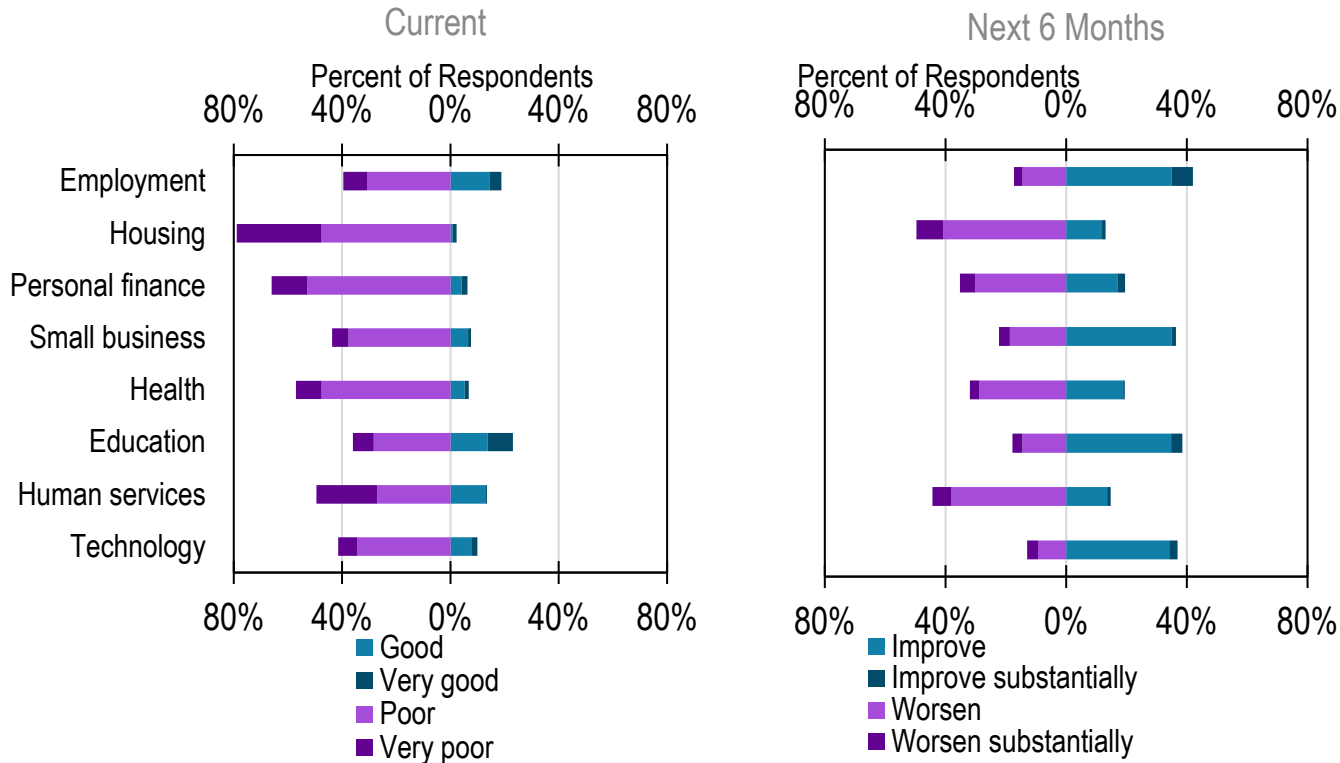


U.S. Projected Population Change from 2022



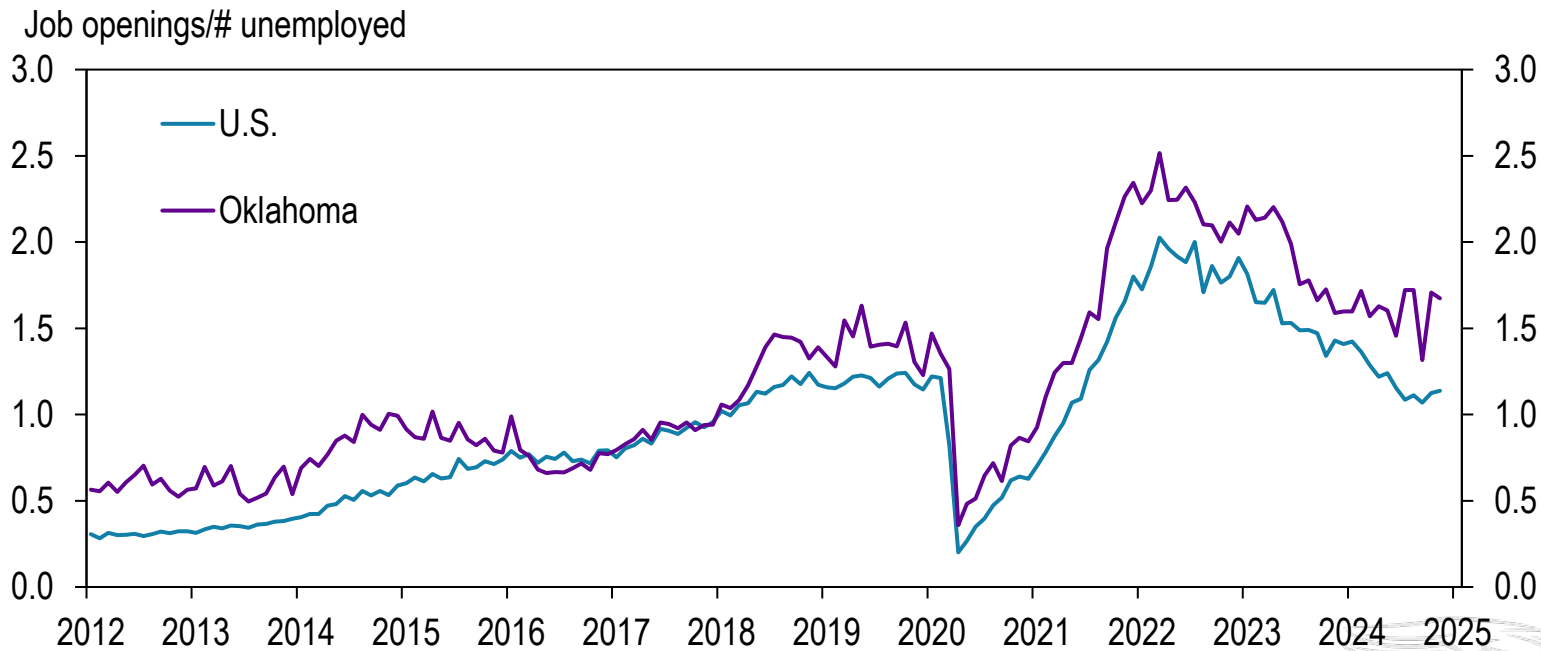
Overall conditions have been poor for LMI communities, but employment, small business, education, and tech conditions are expected to improve

U.S. Low- and Moderate-Income Community Conditions, April 2024



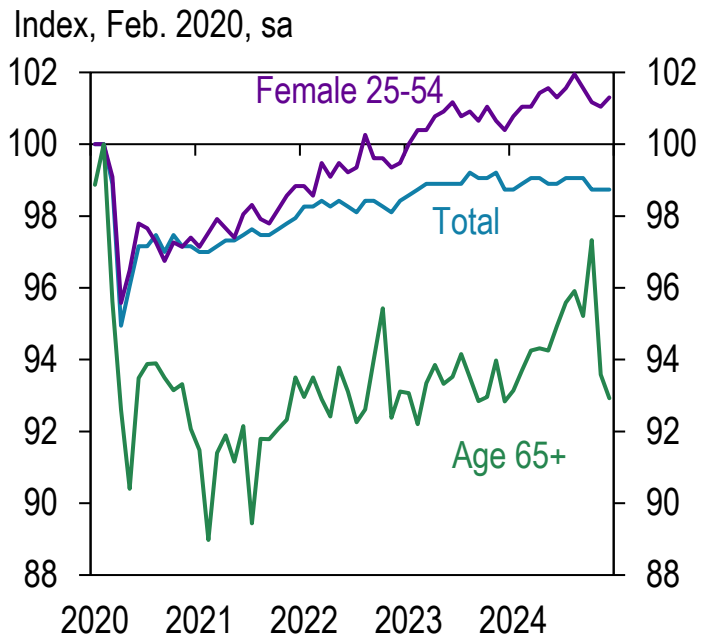
Job openings still exceed unemployed workers, but have returned to near pre-pandemic levels

Job Openings/Unemployment Ratio

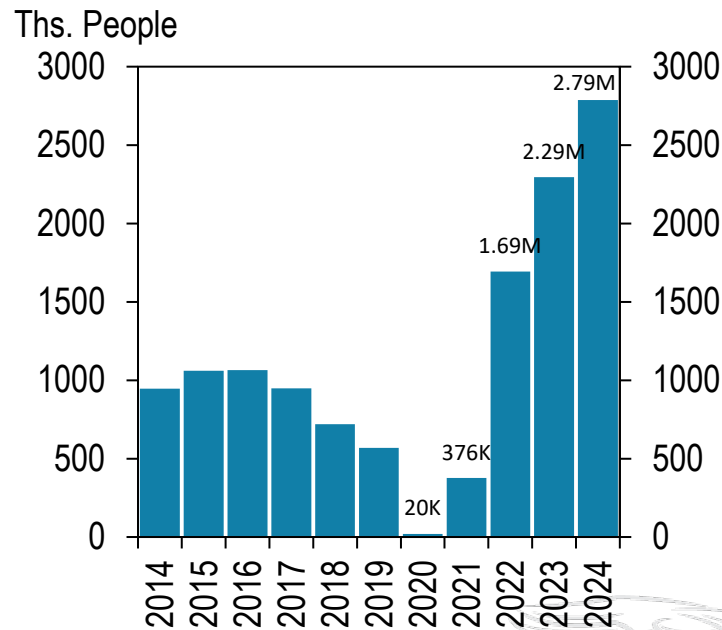


Labor force participation still lags, mostly due to older workers, while immigration rebounded last year after several low years

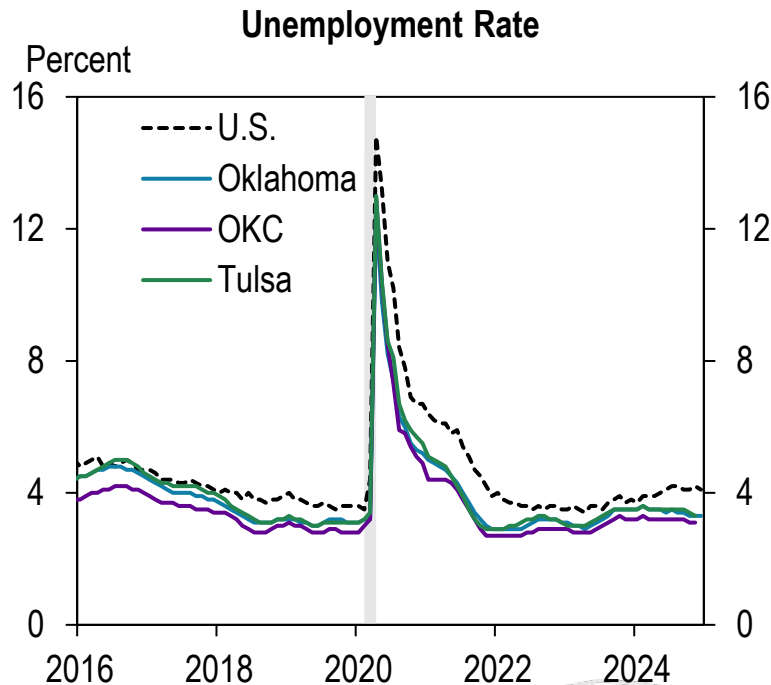
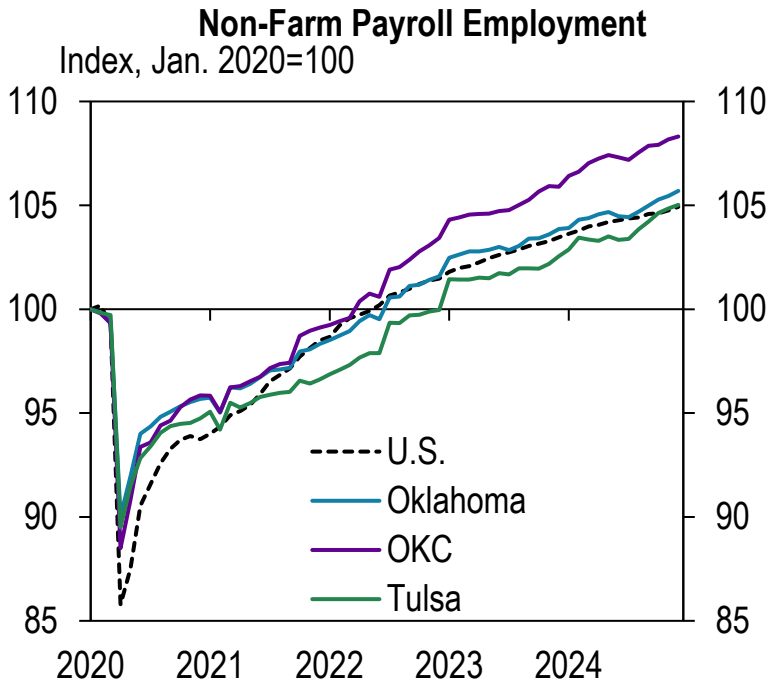
U.S. Labor Force Participation Rate



Net International Immigration to the U.S.

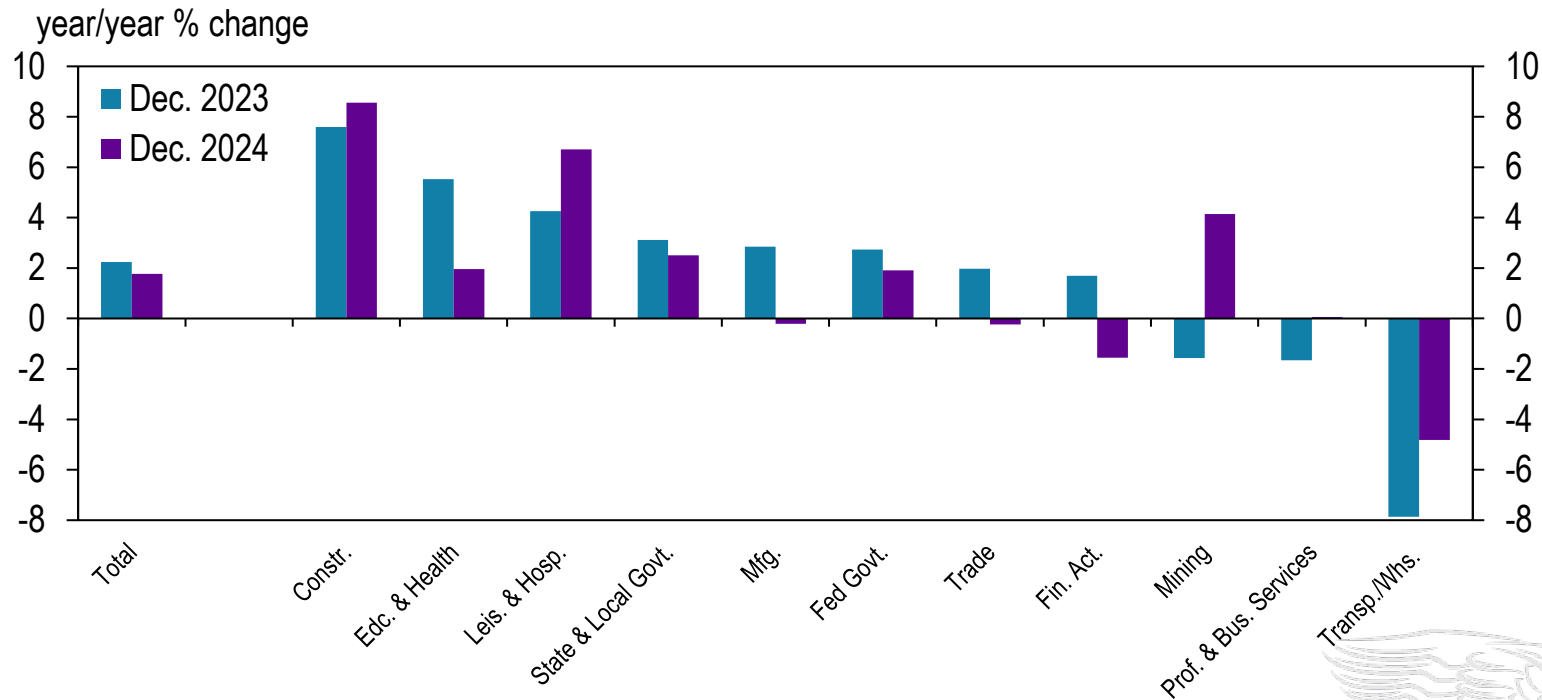


Jobs in Oklahoma have continued to grow in 2024, while unemployment remains very low



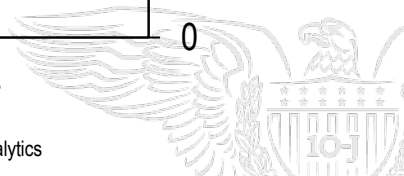
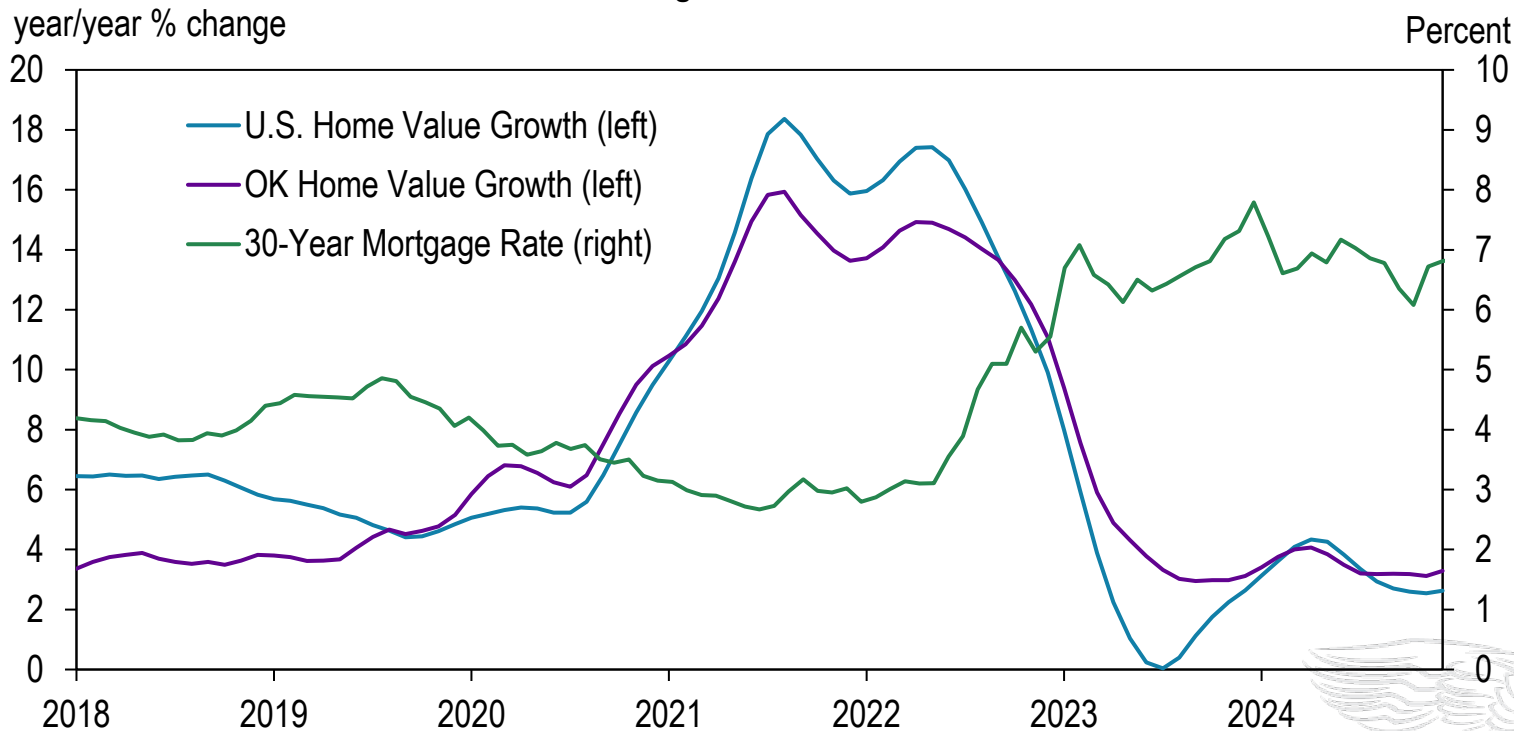
Most OK sectors added jobs over the past year but the pace of job growth has slowed, driven by less energy, transportation, and professional services activity

Oklahoma Job Growth by Industry



Home values spiked following the pandemic, but growth has eased with higher interest rates

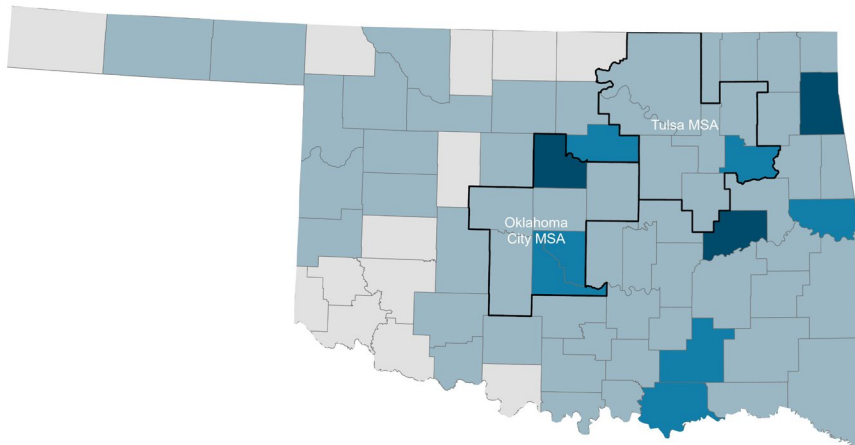
Housing Market Indicators



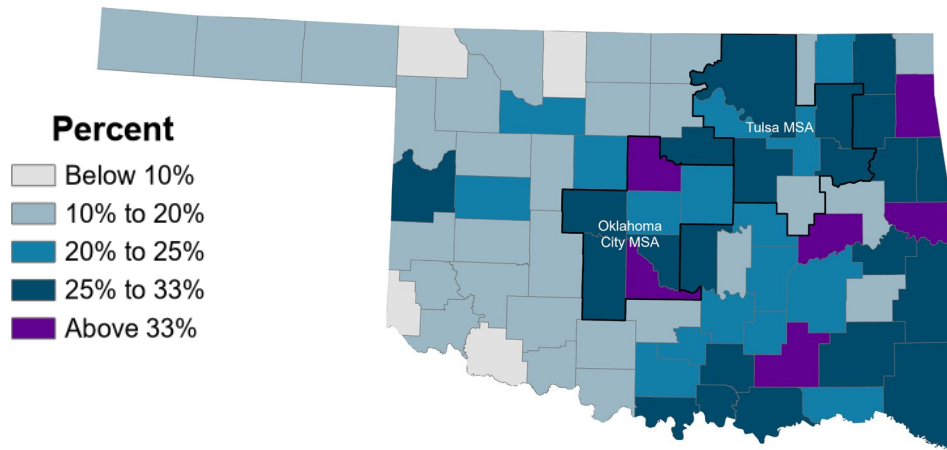
Homeownership for first-time buyers became less affordable across Oklahoma in recent years

First-Time Homeownership Costs as a Share of Household Income

2018-2019

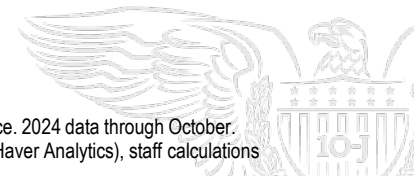


2024



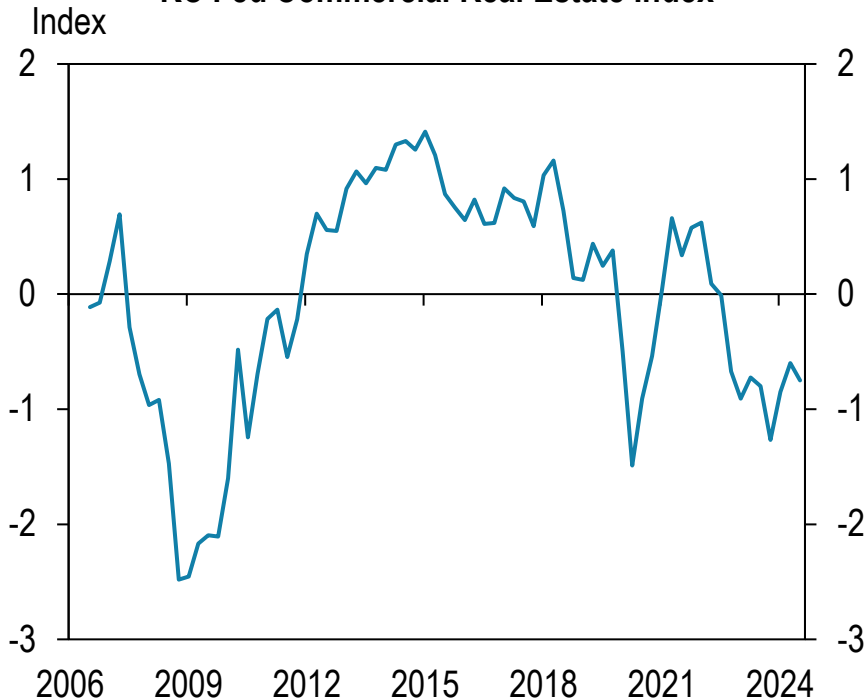
Percent

- Below 10%
- 10% to 20%
- 20% to 25%
- 25% to 33%
- Above 33%

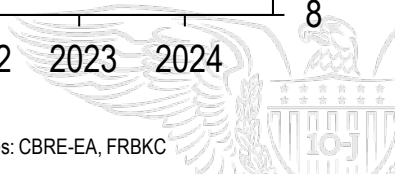
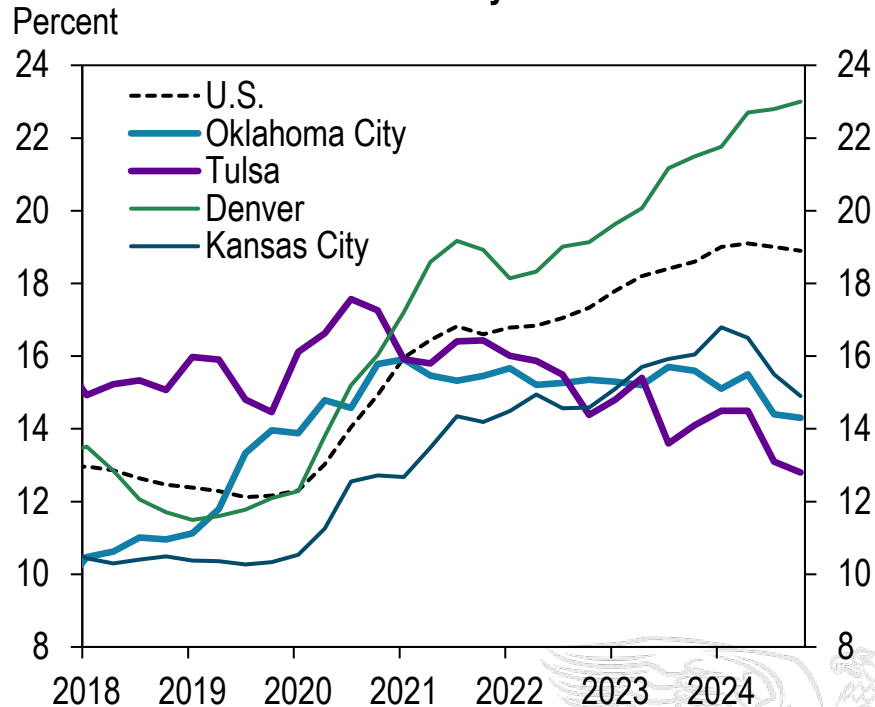


CRE activity has deteriorated in the region, but office vacancy rates in Oklahoma have not risen like in neighboring markets

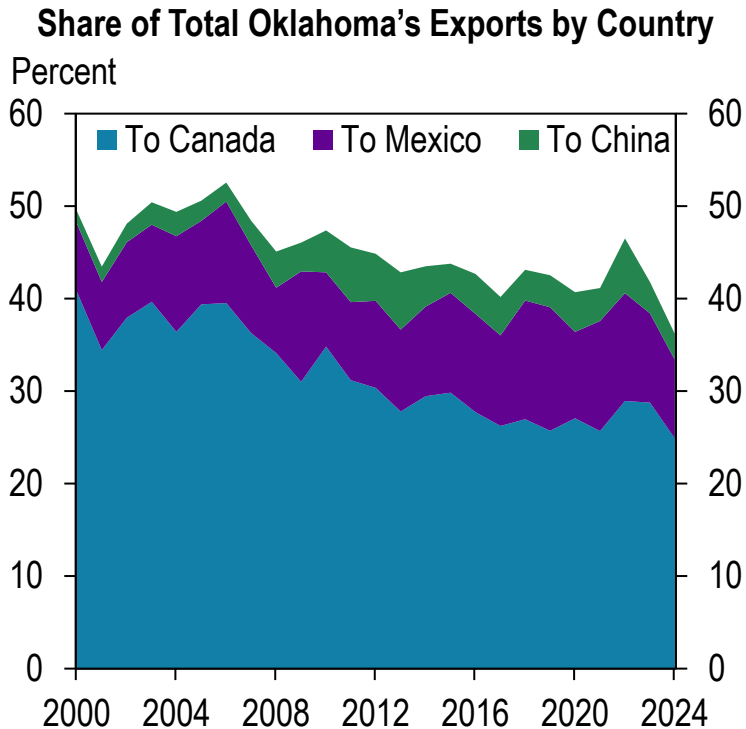
KC Fed Commercial Real Estate Index



Office Vacancy Rates

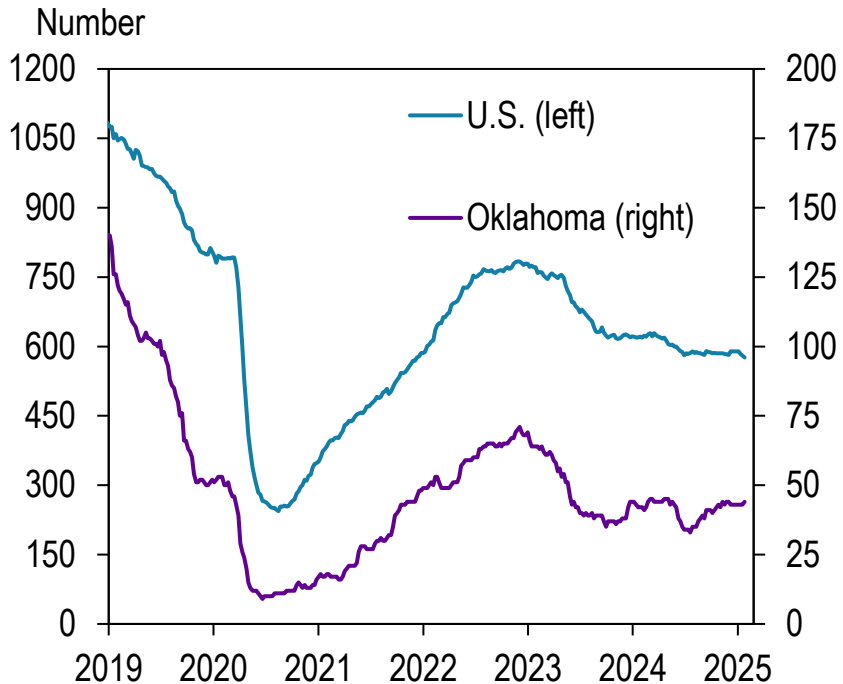


Over a third of Oklahoma's exports go to Canada, Mexico, or China, but the share has fallen in recent years, and export values are small relative to GDP

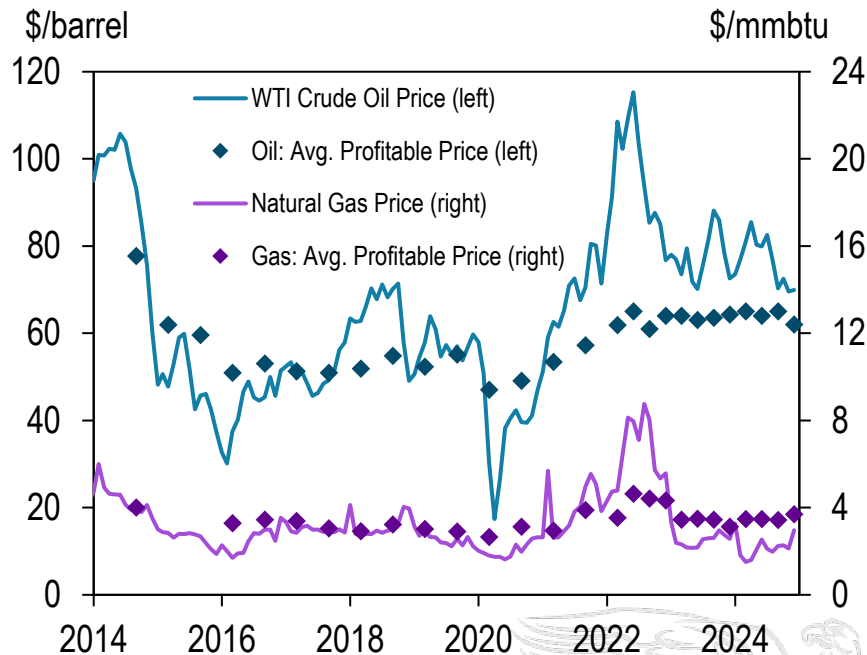


Oil and gas drilling has picked up somewhat in Oklahoma as natural gas prices rise from all-time lows

Rig Counts

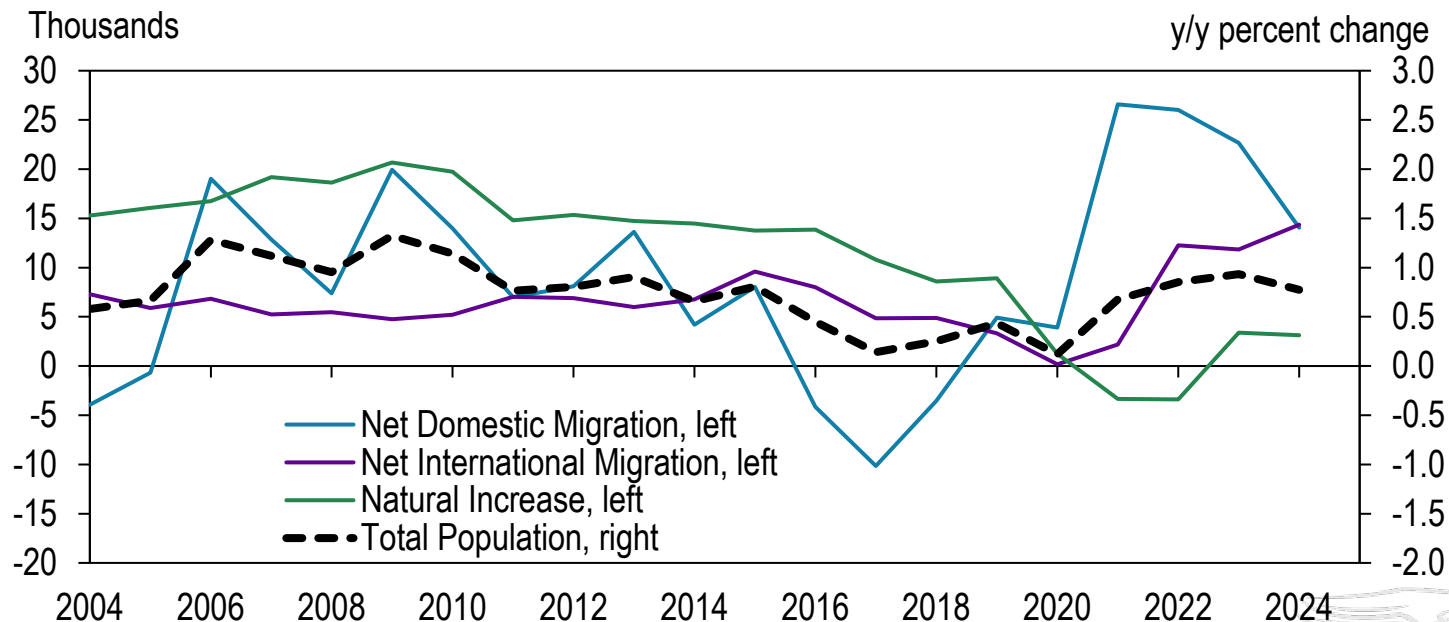


U.S. Energy Prices



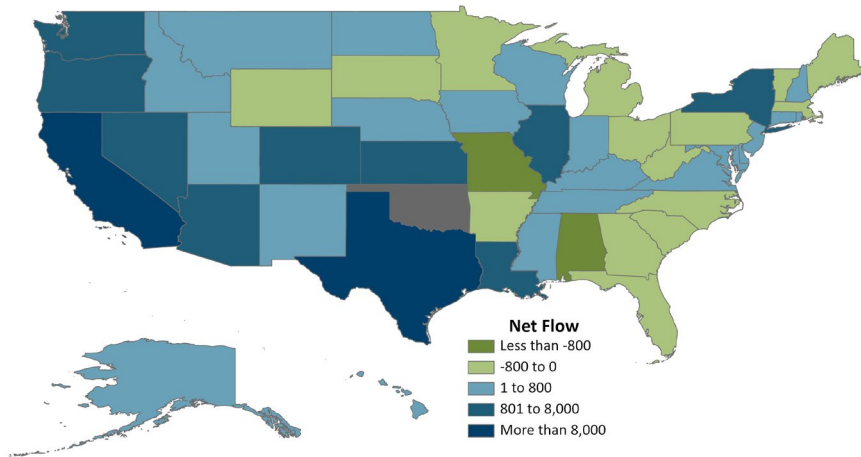
Oklahoma's population grew at a slightly slower pace in 2024, as net domestic migration slowed from pandemic-era highs

Oklahoma Population Change by Component

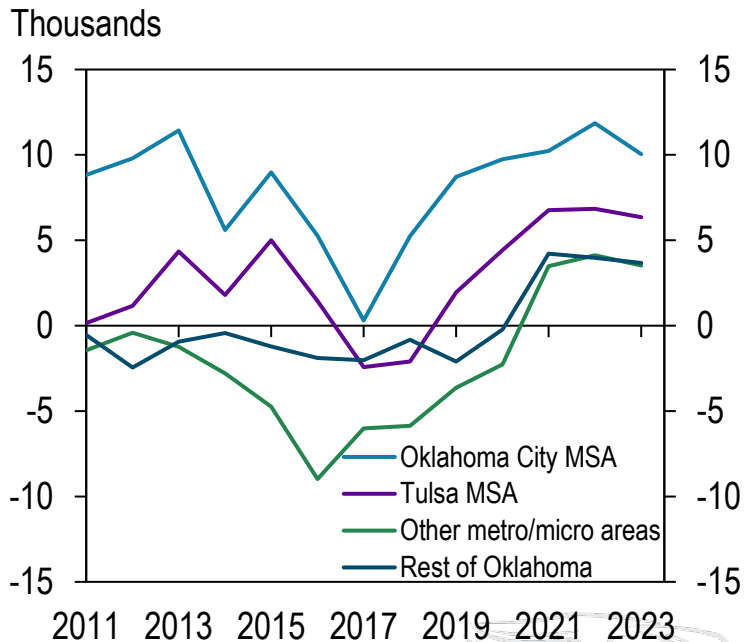


Many people moved to OK from CA and TX since the pandemic, mostly to the metros but to many other parts of the state, too

Migration to Oklahoma During 2020 - 2023

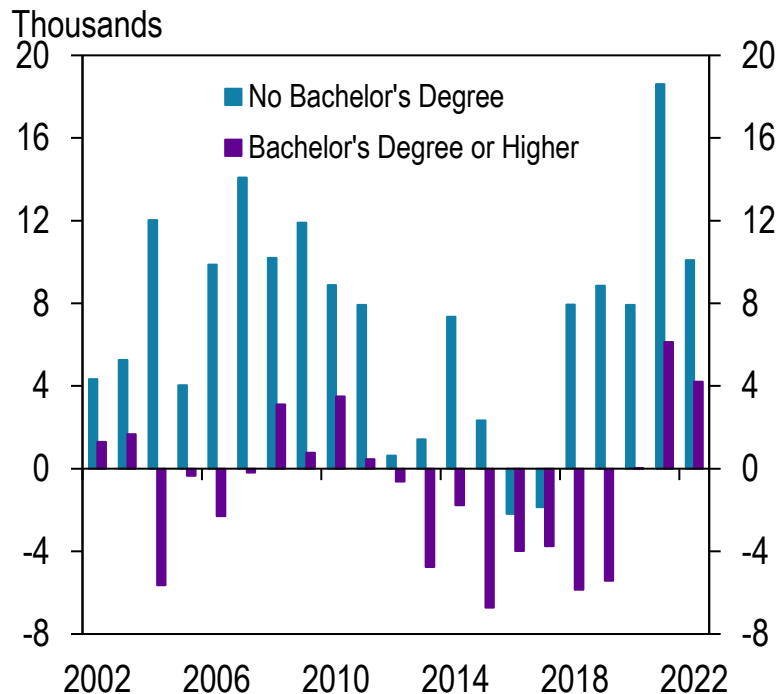


Oklahoma Net Domestic Migration

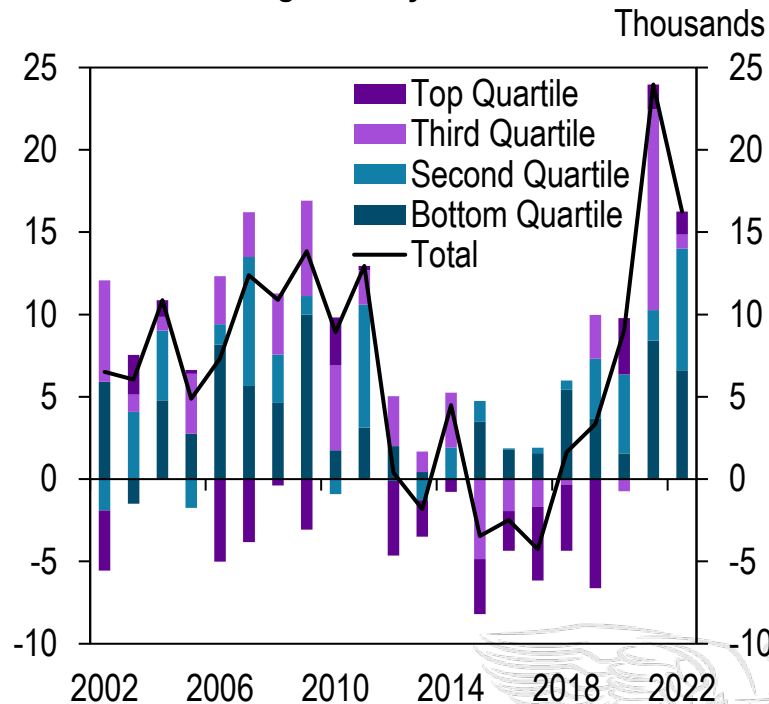


Oklahoma also finally had net inflow of prime-age college graduates with higher incomes in recent years, but has not yet fully made up for losses from the 2010s

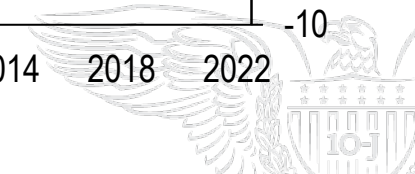
Net Domestic Migration by Educational Attainment



Migration by Income



Notes: The sample is limited to those age 25+ who reported educational attainment. Cumulative change is relative to 2000.
 Source: ACS 1-year estimates/IPUMS USA, University of Minnesota, www.ipums.org, authors' calculations



Summary

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Questions?

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