

U.S. and Oklahoma Economic Outlook

Tulsa Economic Forum
April 2, 2025

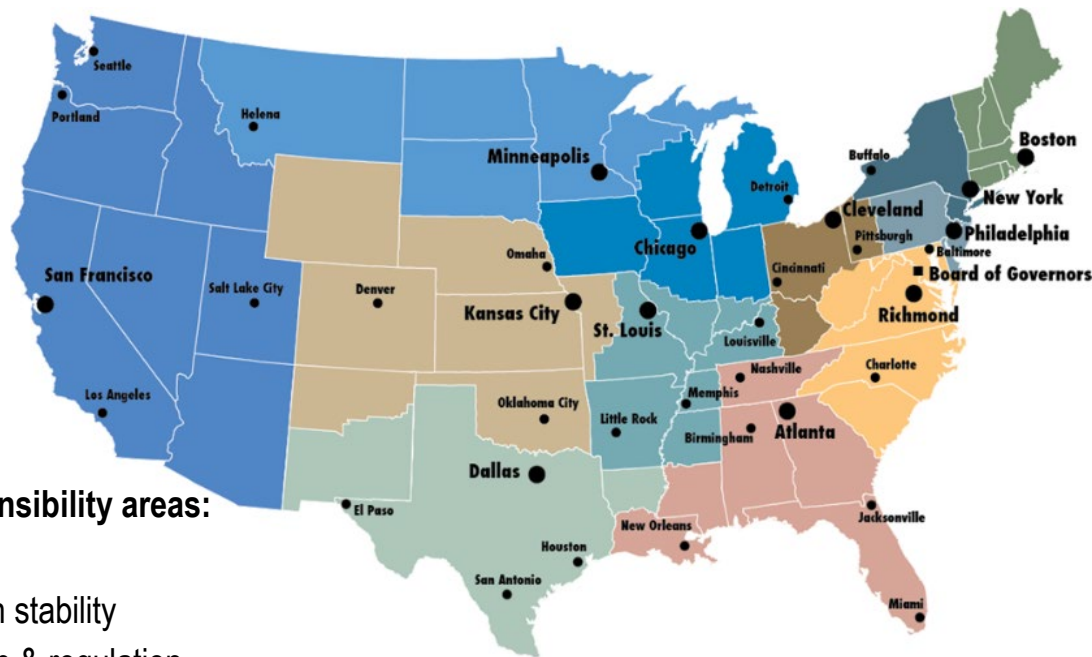


Cortney Cowley
AVP & Oklahoma City Branch Executive

*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
 - **Terry Salmon**, President, Computer System Designers, OKC
 - **Brady Sidwell**, Principal, Sidwell Enterprises, Enid
 - **Rebecca Thompson**, CFO, Treasurer, & VP Finance, AAON, Inc., Tulsa



Oklahomans on National and Regional Fed Advisory Councils

- **Kansas City Head Office Board of Directors (10th District):**
 - **Susan Chapman Plumb**, Board Chair & CEO, Local Bank, Tahlequah, OK
- **Community Advisory Council (National):**
 - **Bruce Shultz**, VP of Community Development Banking, Gateway First Bank, Tulsa
- **Economic Advisory Council (10th District):**
 - **Pancho Gonzalez**, CEO, Lopez Dorada Foods, Inc., Oklahoma City
 - **David Nimmo**, CEO, Chickasaw Nation Industries, Norman
- **Community Development Advisory Council (10th District):**
 - **Michelle Bish**, Executive Director, Northeast Oklahoma Regional Alliance, Tahlequah
 - **Quintin Hughes, Sr.**, Program Director, Northeast Oklahoma City Renaissance, Inc., Oklahoma City
- **Community Depository Inst. Advisory Council (10th District):**
 - **Barry Anderson**, President, F&M Bank, Guthrie
 - **Jerold Phillips**, COO, Citizens Bank, Ardmore

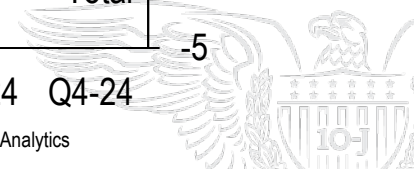
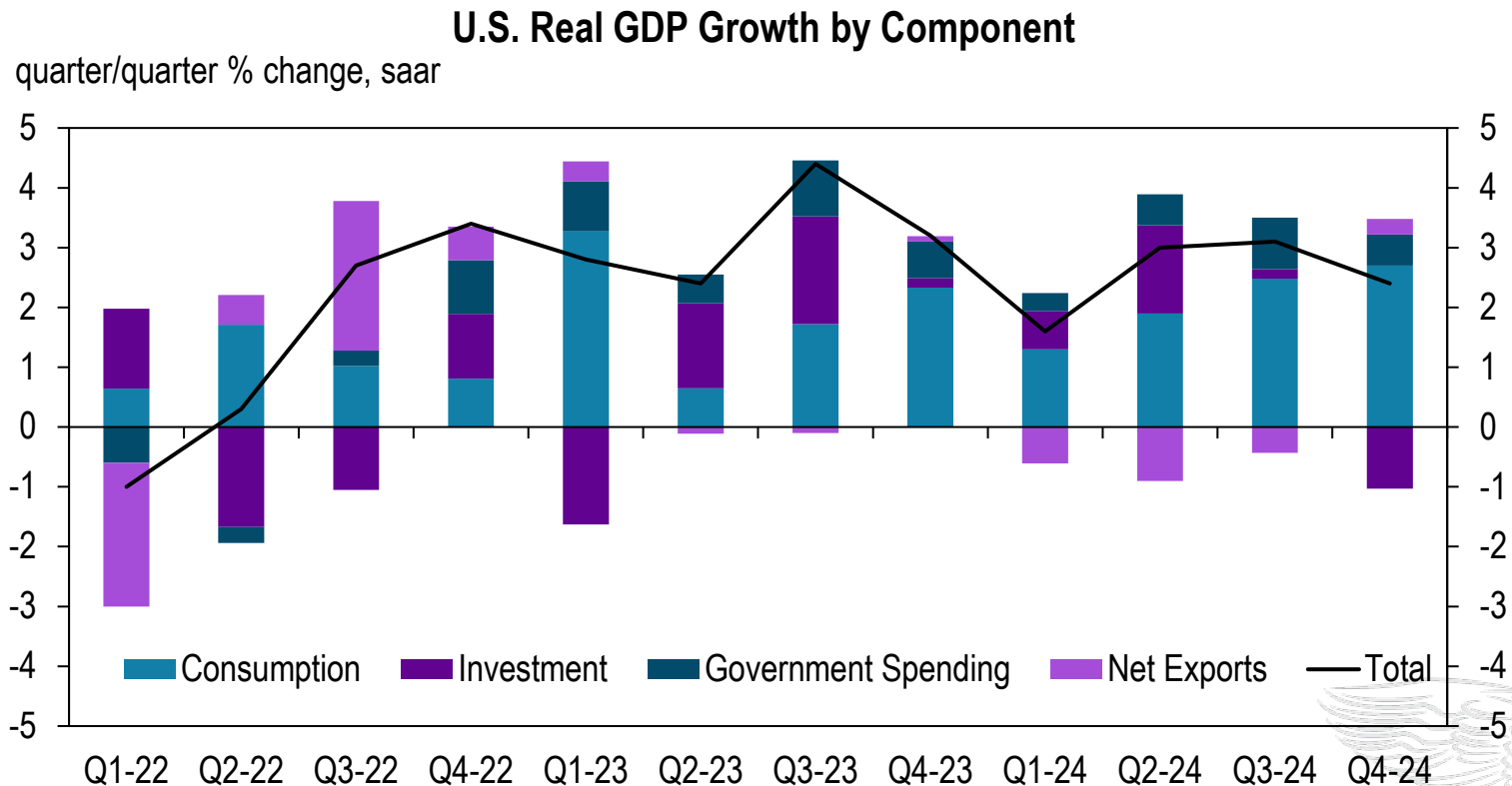


Overview

- U.S. economic growth has slowed but remained solid in 2024, and unemployment is up slightly but remains near long-term averages
- Inflation has come down to near 2%, and the labor market remains strong
 - But upside risks have increased for both
- Oklahoma's economy also continues to grow, and unemployment is low
- Oklahoma's labor force participation rate met the national average for the first time in over three decades, driven primarily by Native Americans

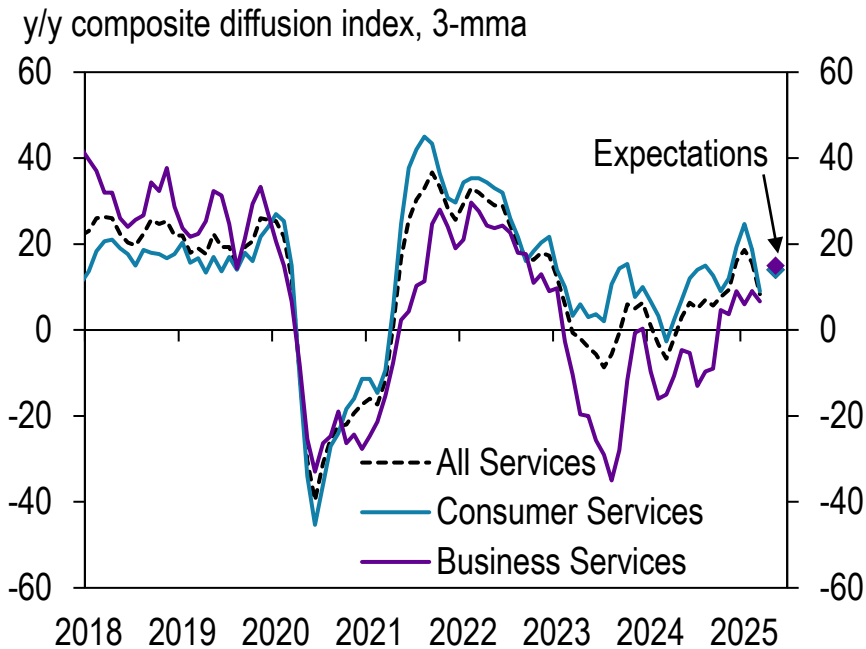


U.S. economic growth remains healthy, primarily driven by consumption

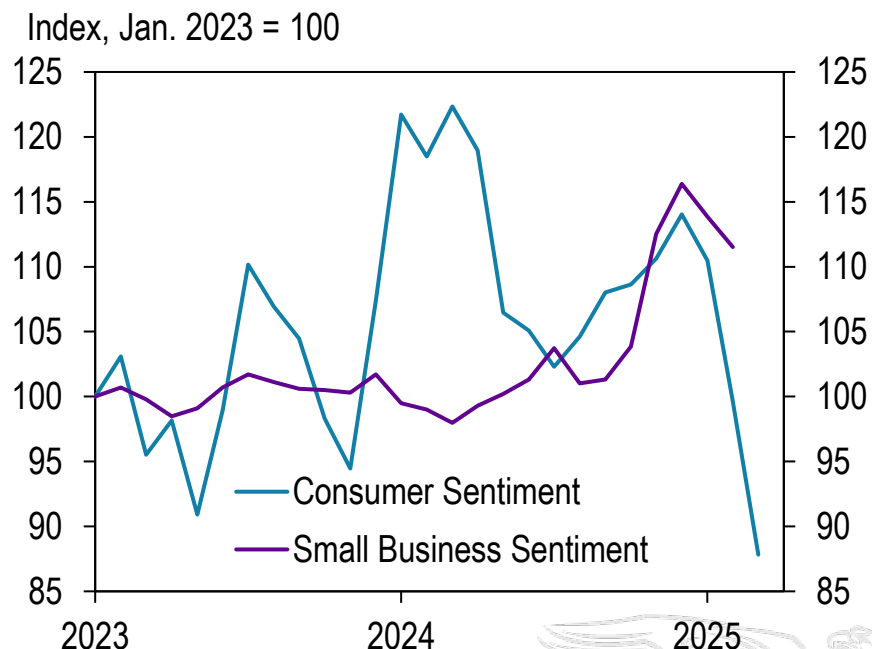


Consumers have driven recent strength in the services sector, but their confidence has waned recently

KC Fed Services Composite Indexes

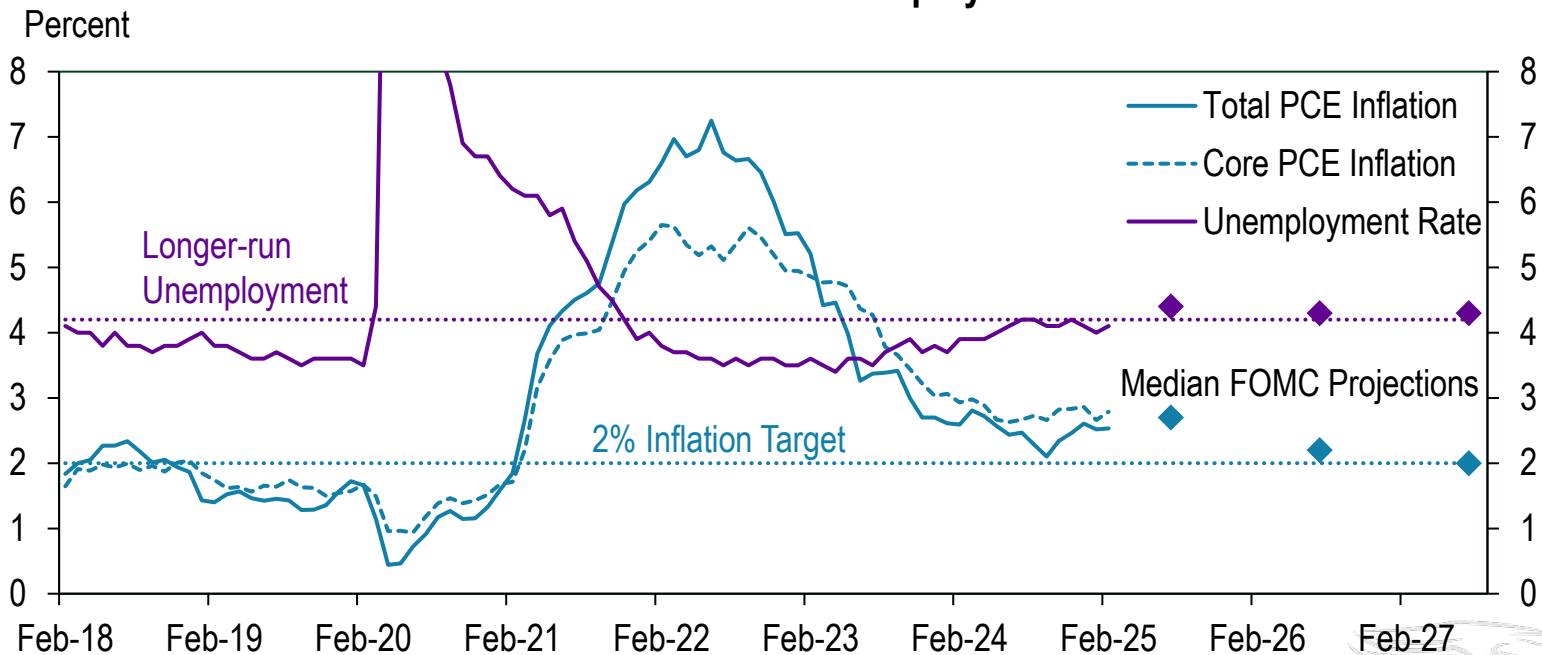


U.S. Consumer and Business Sentiment



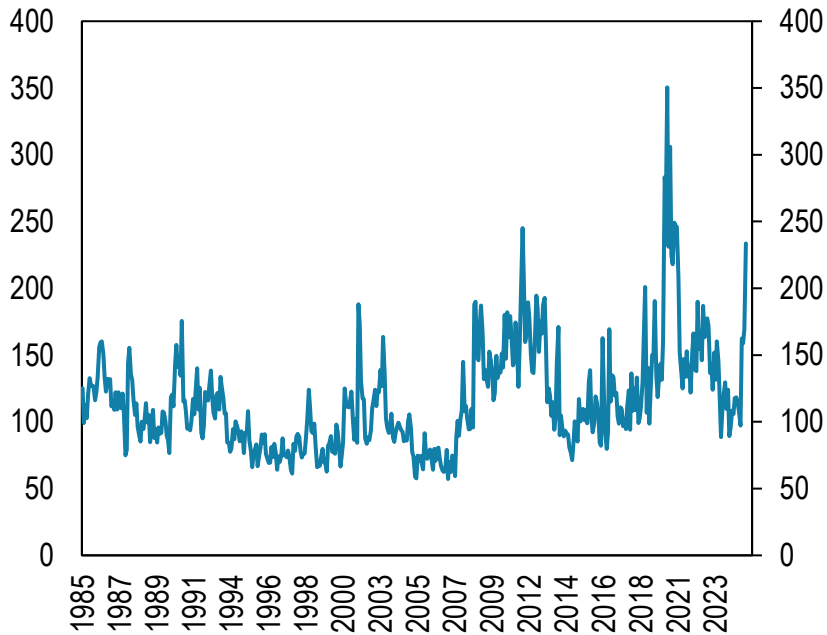
Inflation and unemployment have come closer to the Fed's targets, but there are upside risks to both

U.S. Inflation and Unemployment

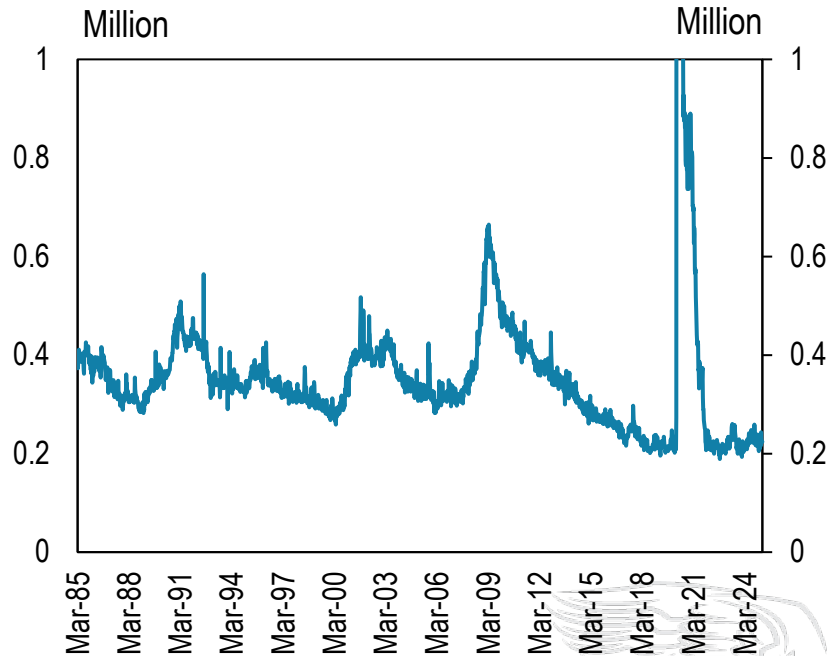


Uncertainty has increased, but the labor market holds

Economic Policy Uncertainty Index

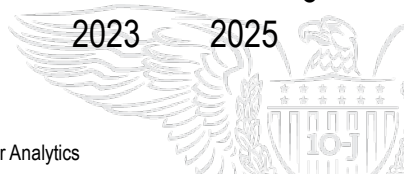
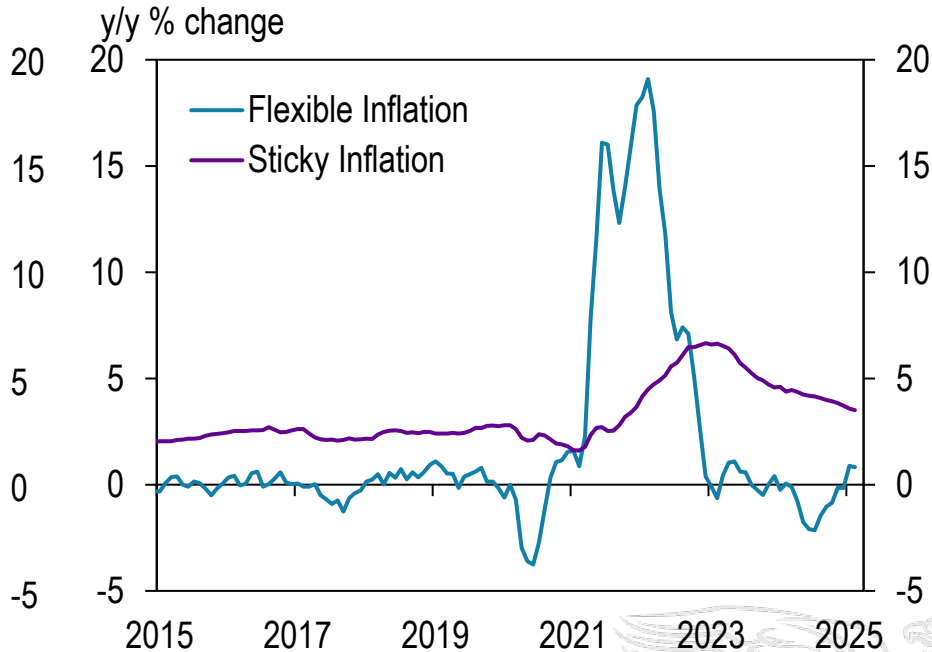
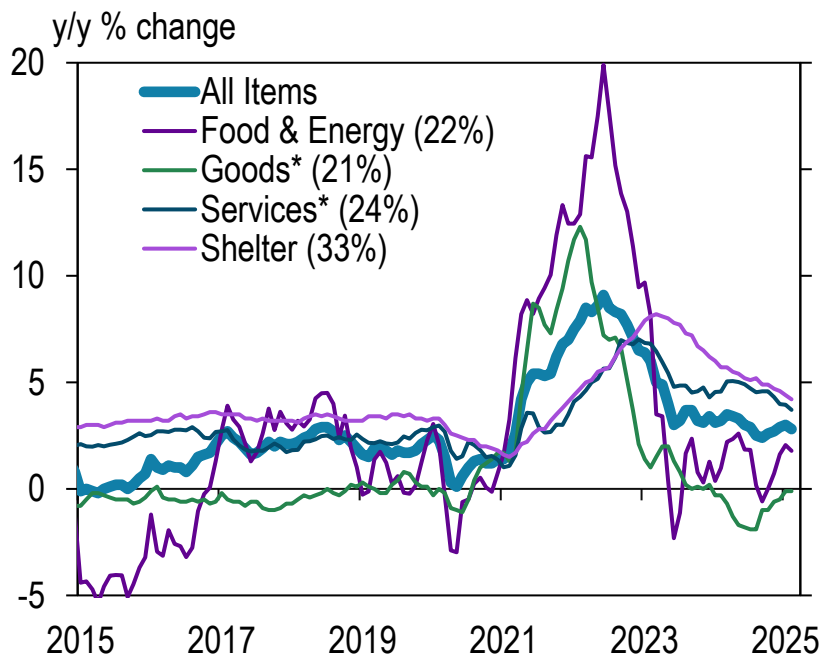


Initial Unemployment Claims



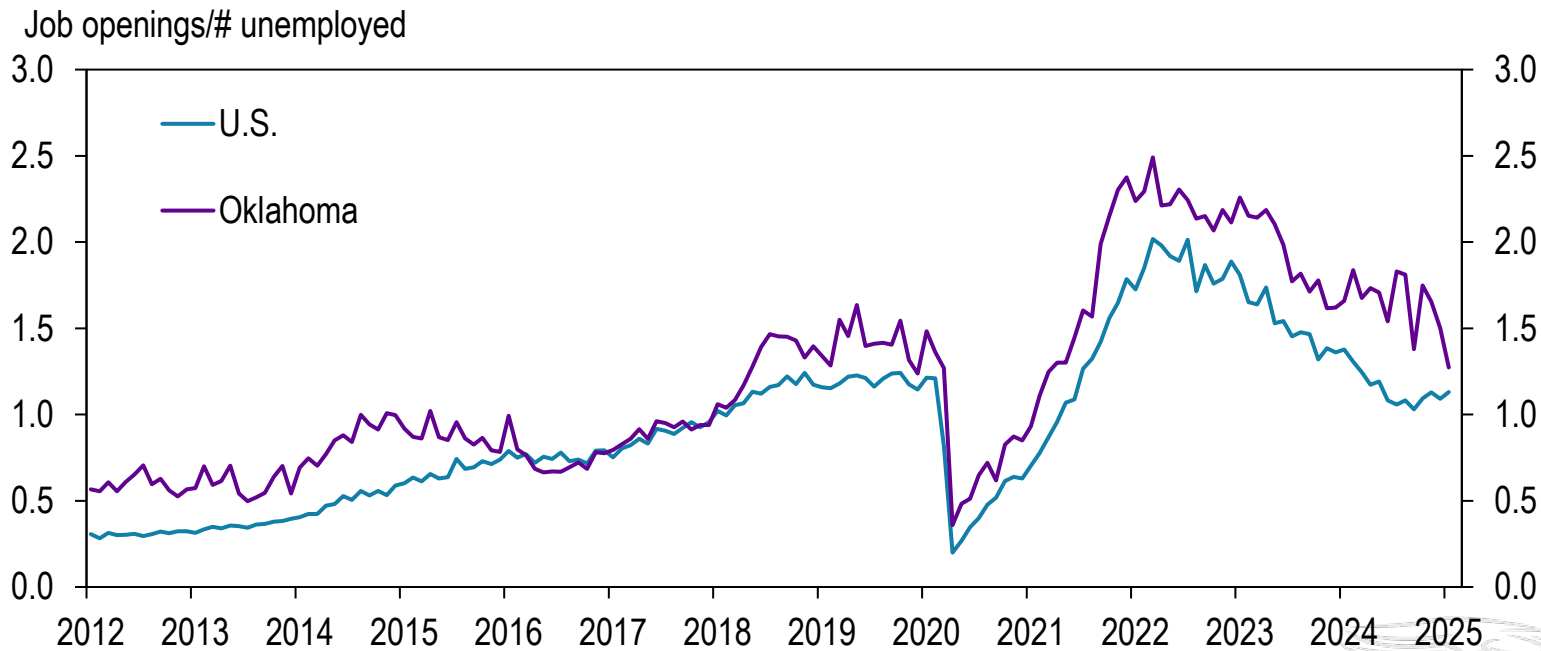
CPI inflation ticked down to 2.8% in February, as services and shelter remain elevated and flexible inflation trends upward

Consumer Price Index by Component



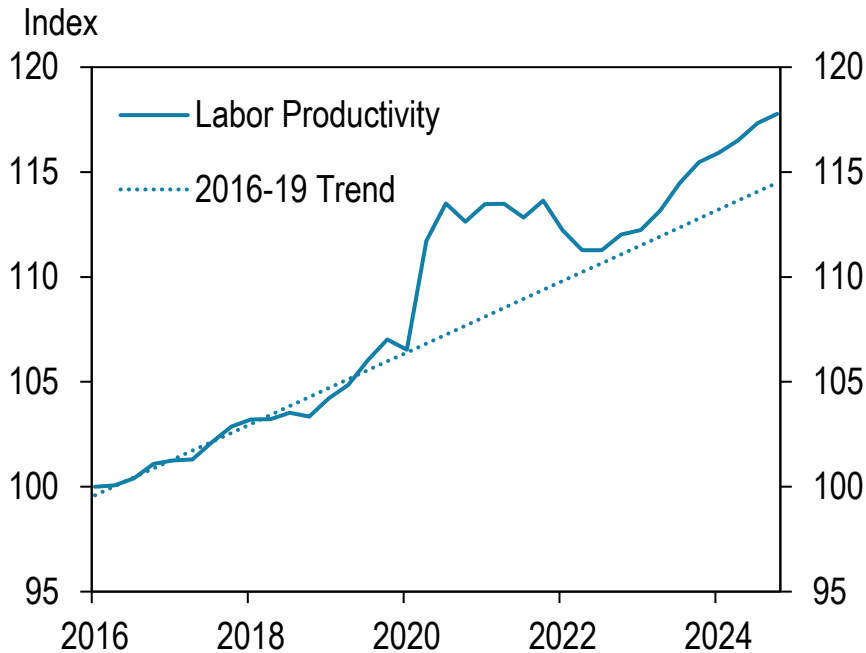
Job openings still exceed unemployed workers, but have returned to near pre-pandemic levels

Job Openings/Unemployment Ratio

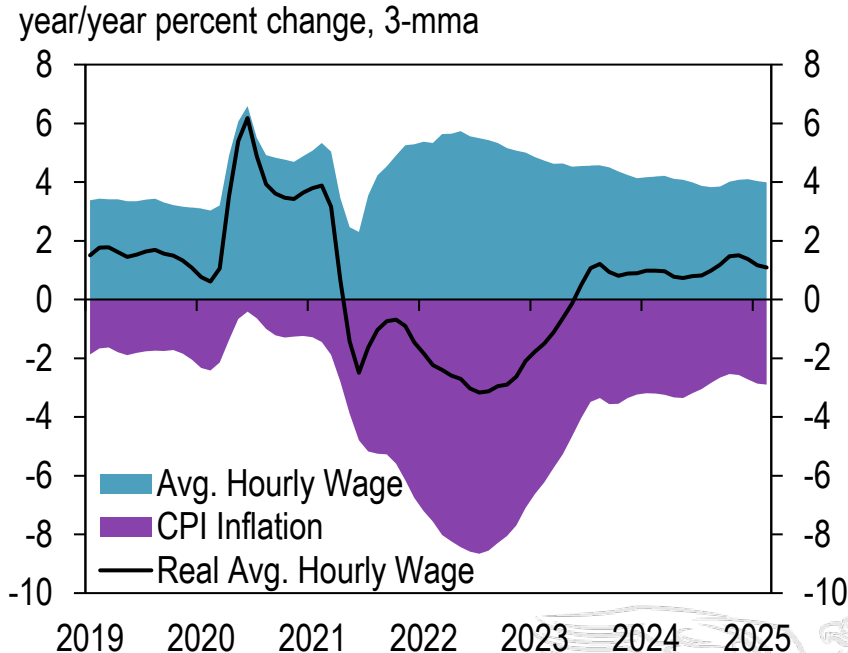


A balanced labor market supported by above-trend productivity has generated real wage gains

U.S. Real Output Per Hour



U.S. Real Wage Growth

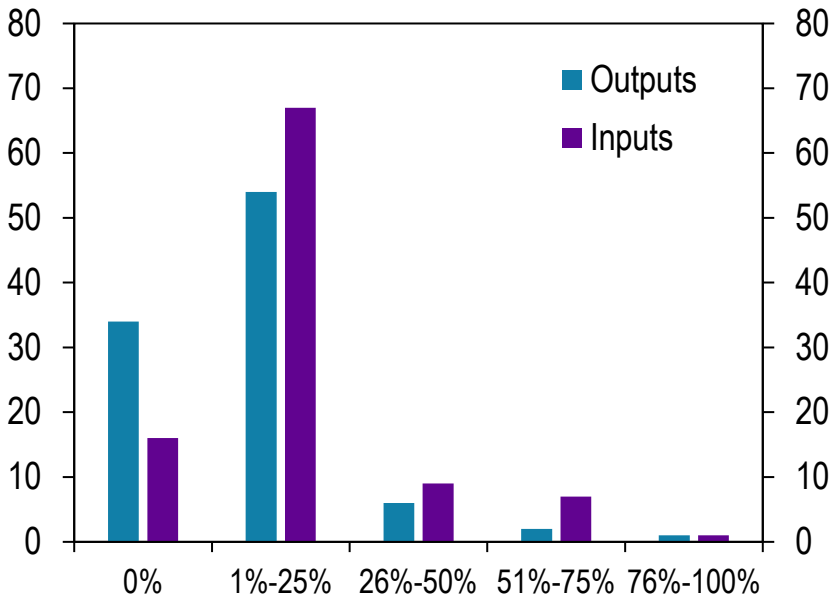


Tenth District firms' exposure to trade is relatively small, with more firms sourcing inputs from other countries than selling their outputs internationally

Jan-25: About what share of your inputs/outputs do you source/sell outside the United States?

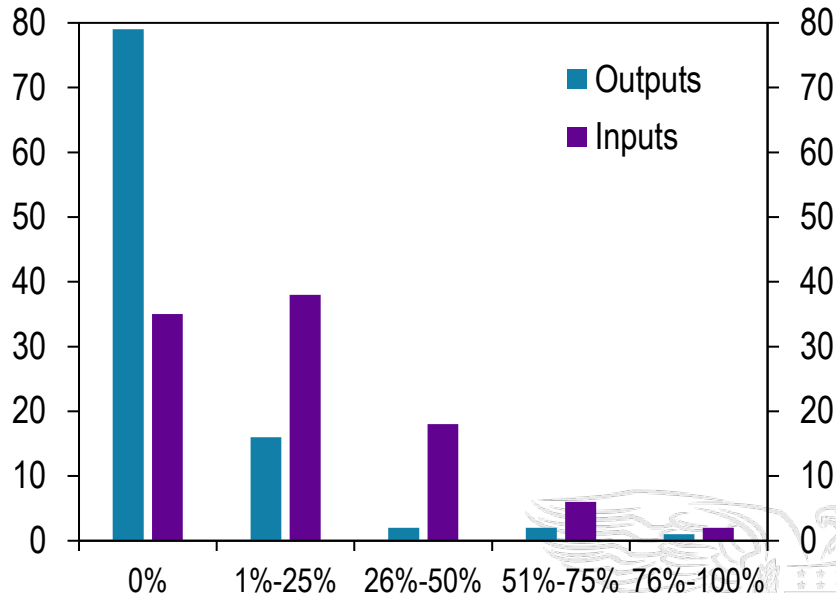
Manufacturing Firms

Percent of firms



Services Firms

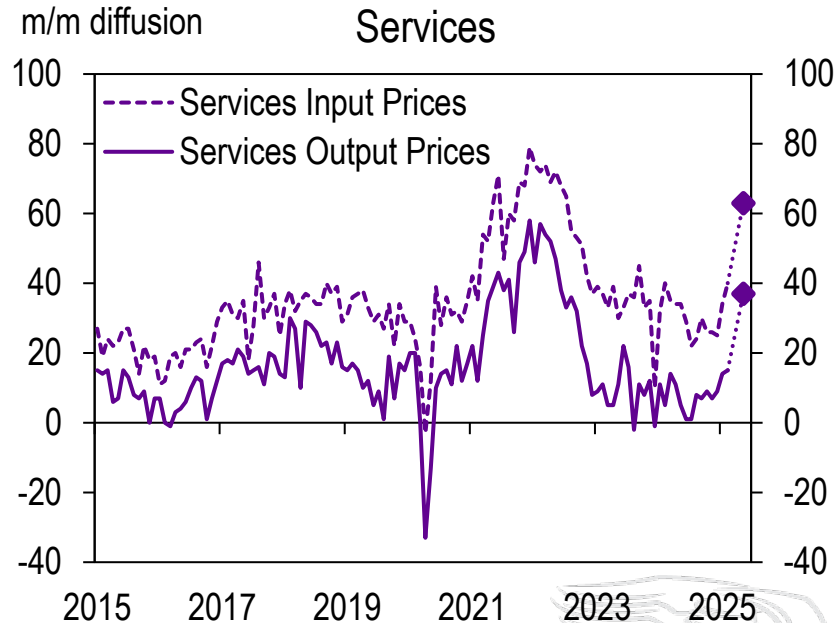
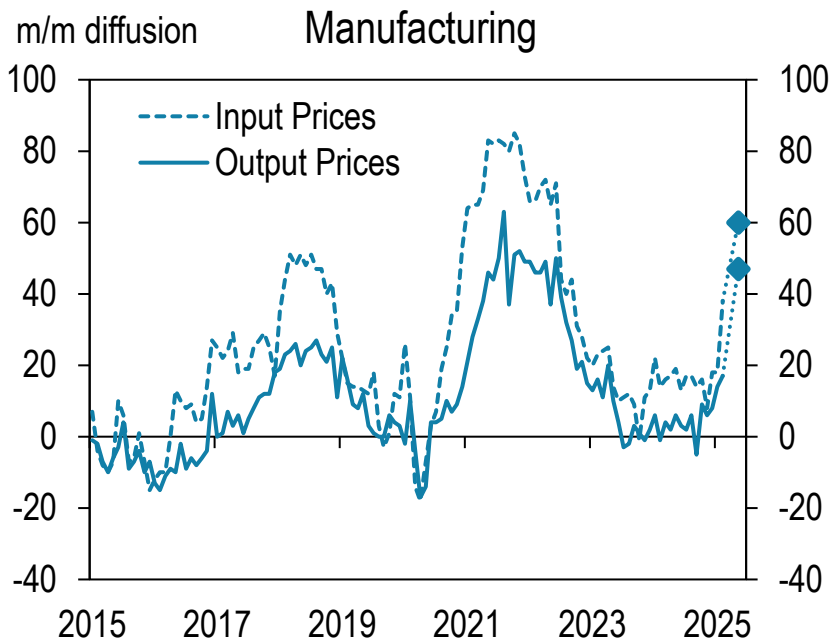
Percent of firms



Source: Kansas City Fed

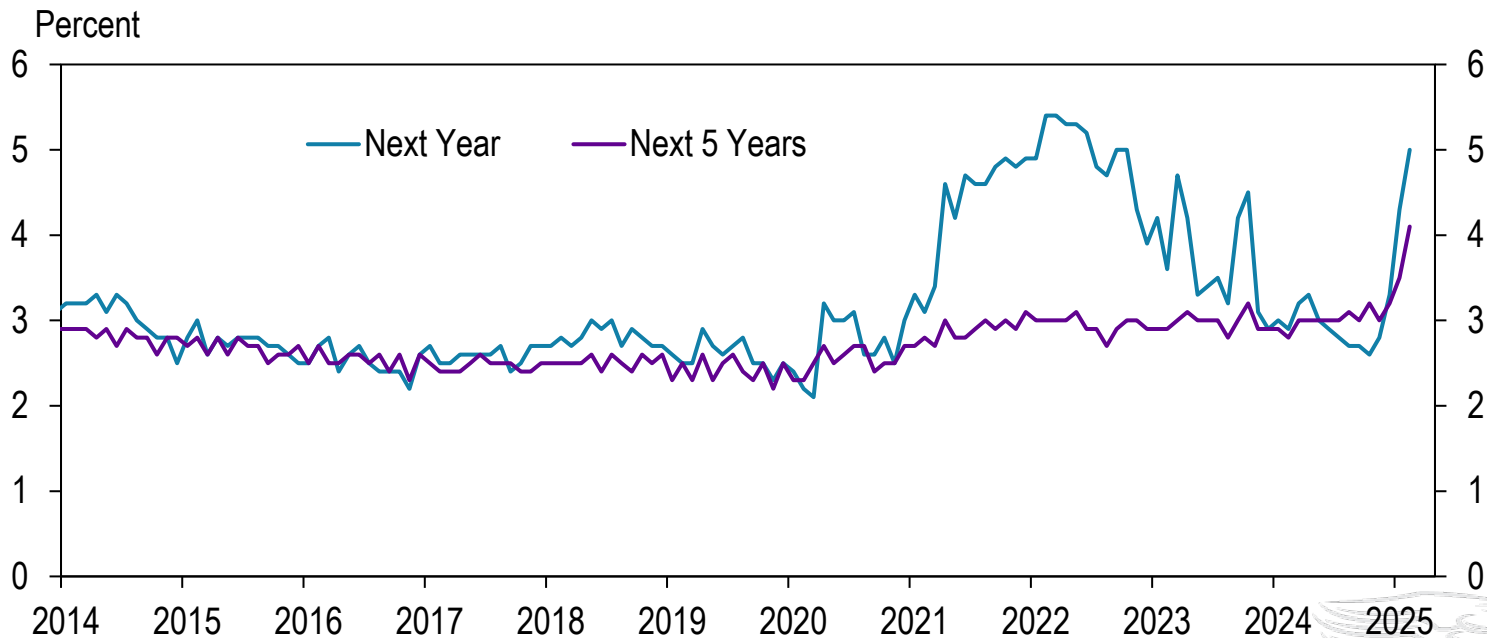
But firms are expecting higher prices

Kansas City Fed Price Indexes

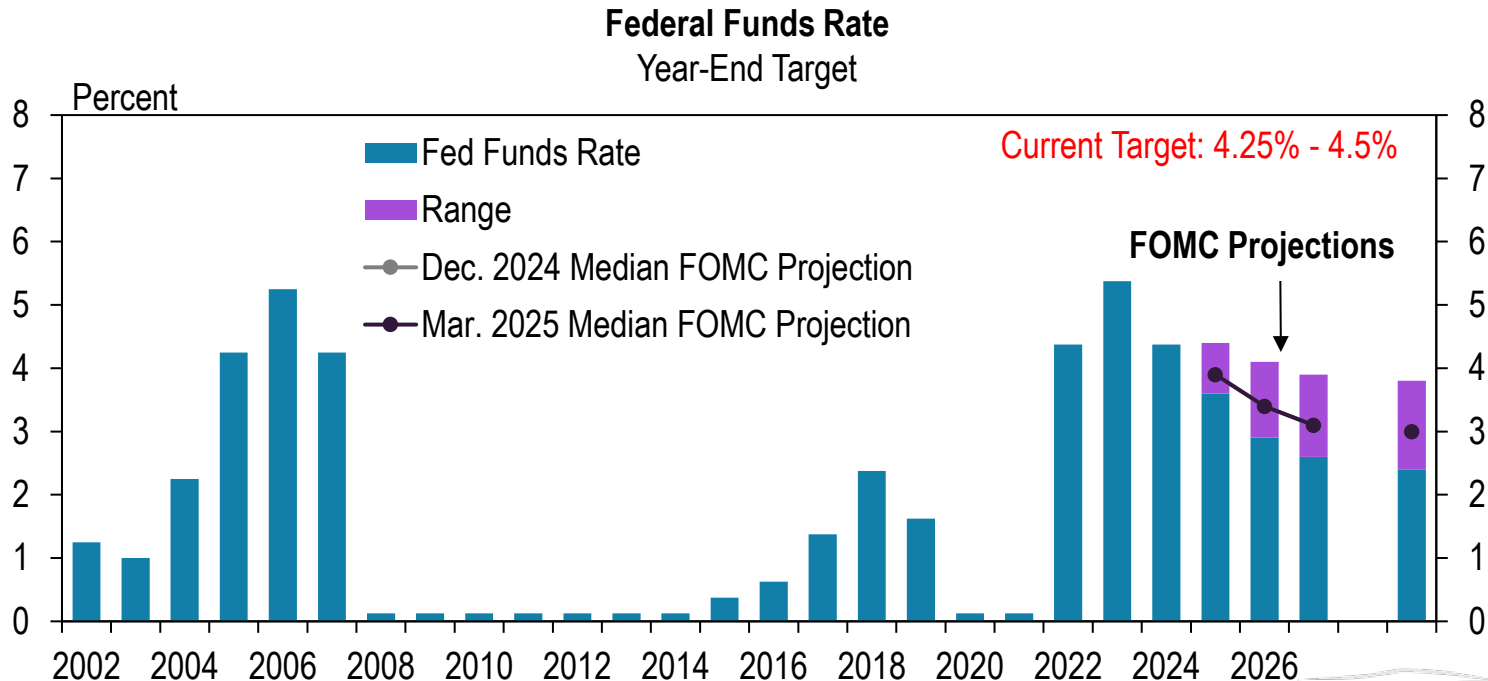


Consumer inflation expectations have risen.

Expected Inflation Rate

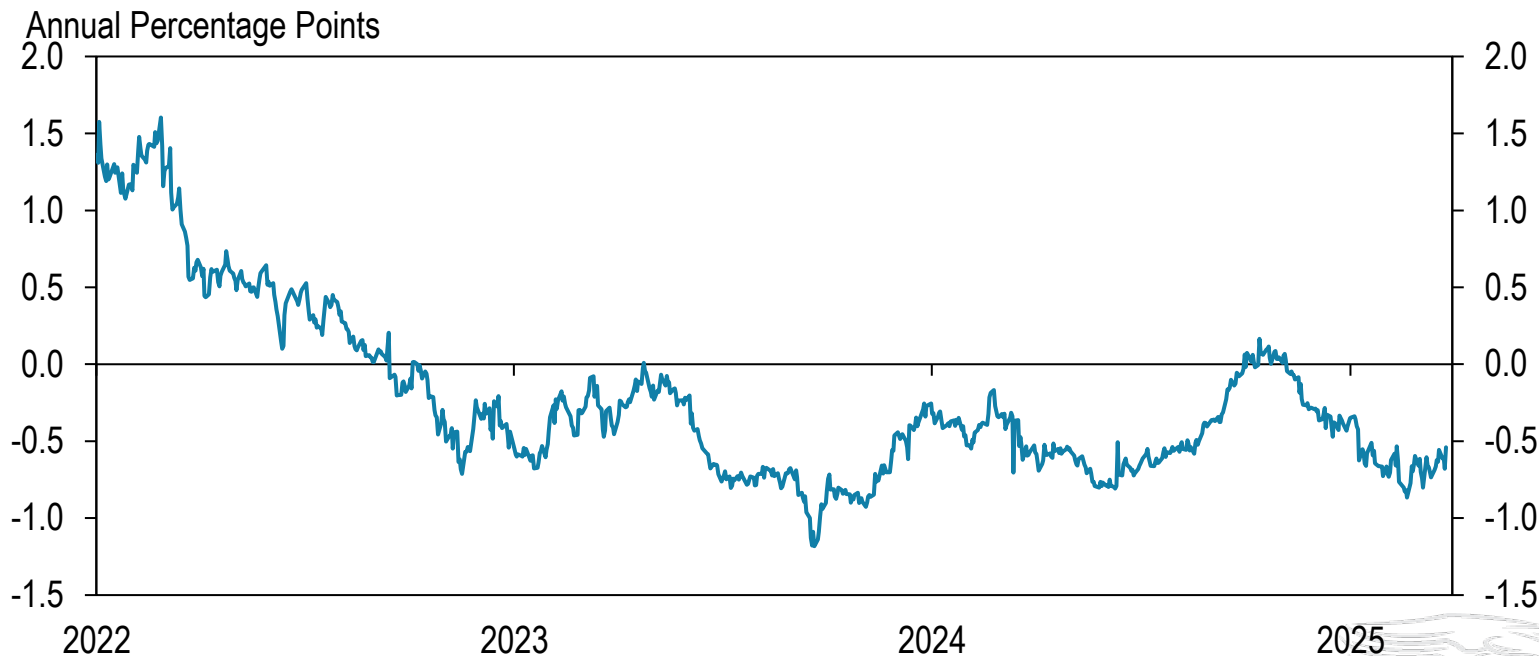


The Fed held the federal funds rate steady in March, and the median projection was unchanged



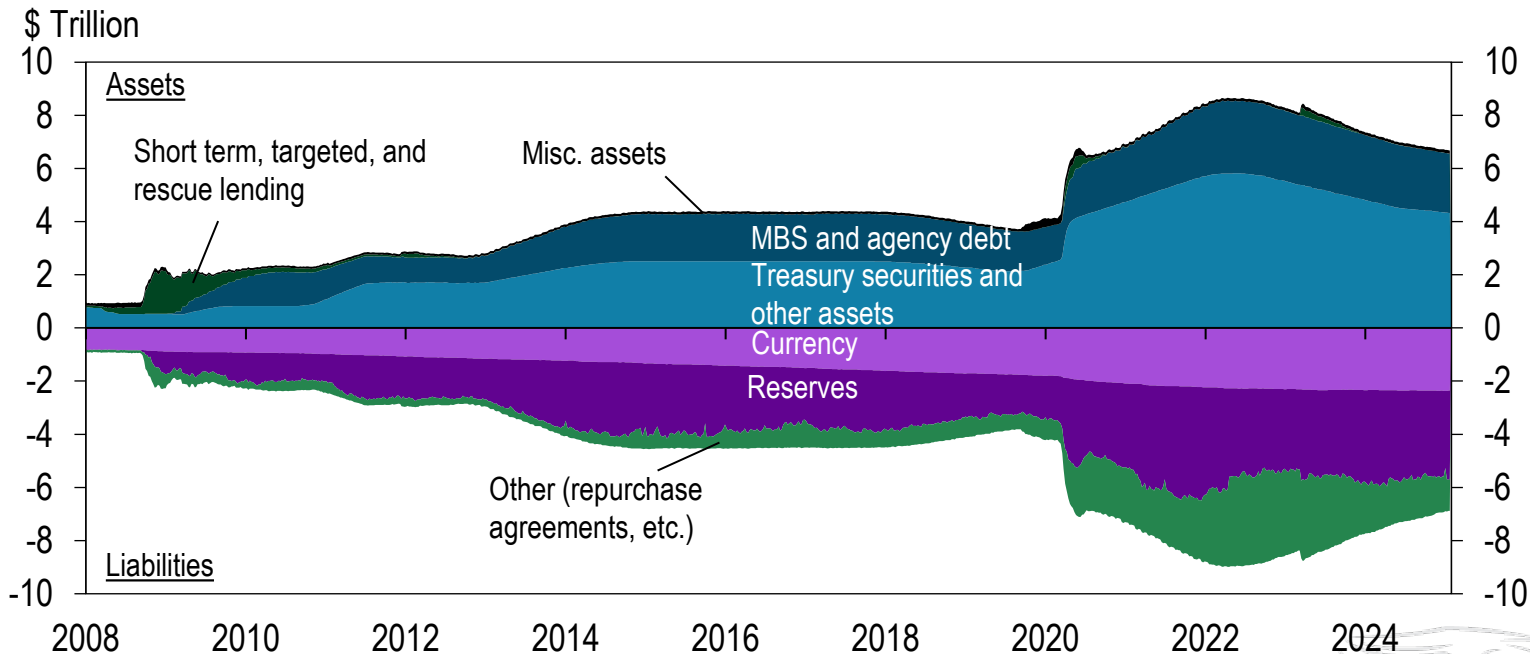
Markets see an increasing chance of rate cuts, suggesting growth concerns

Kansas City Fed Policy Rate Skew

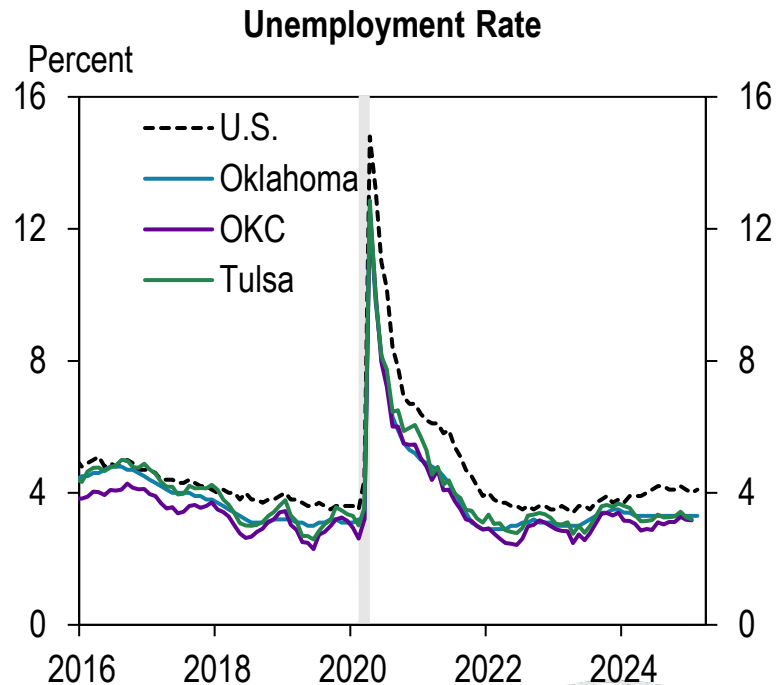
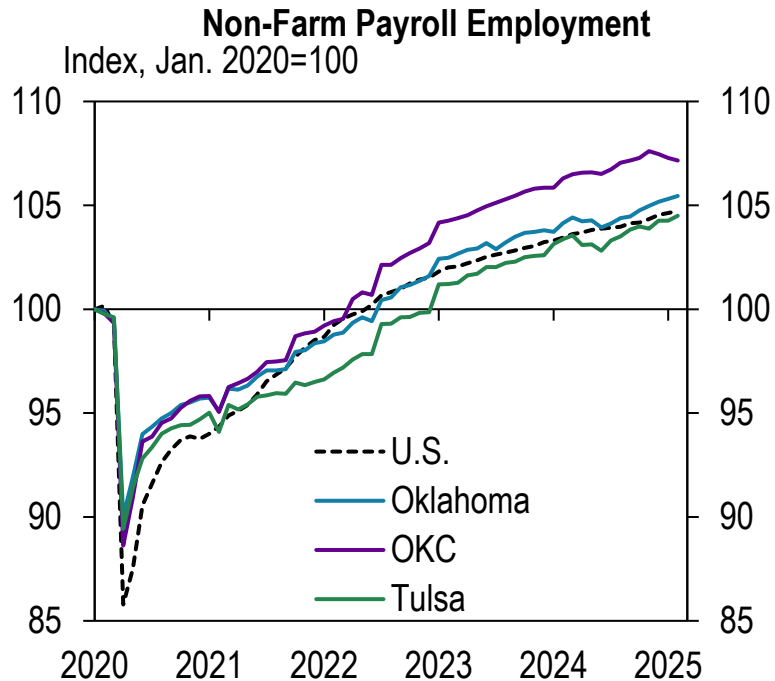


The Fed also continues to reduce its balance sheet of high-quality securities, but will begin further slowing the pace of reduction for Treasuries in April

Federal Reserve Balance Sheet

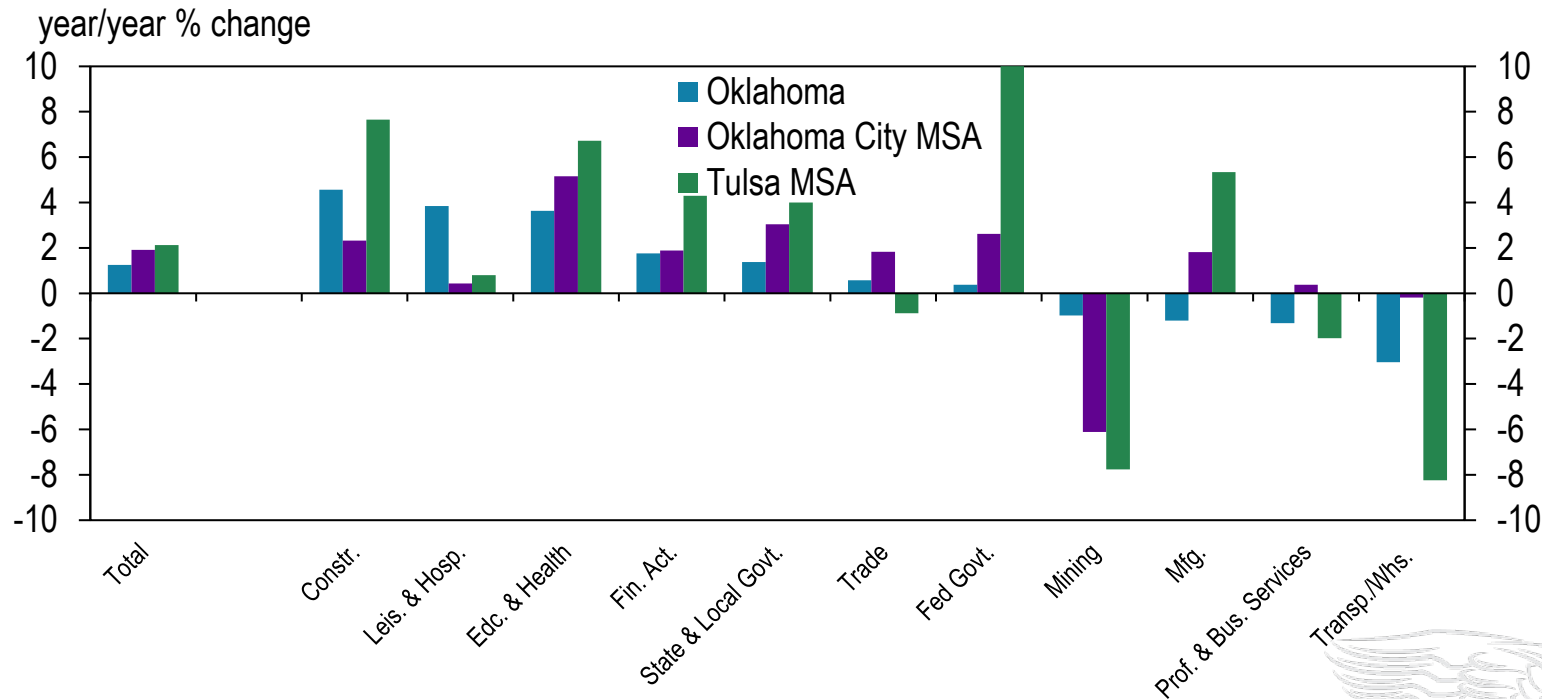


Jobs in Oklahoma have continued to grow in 2024, while unemployment remains very low



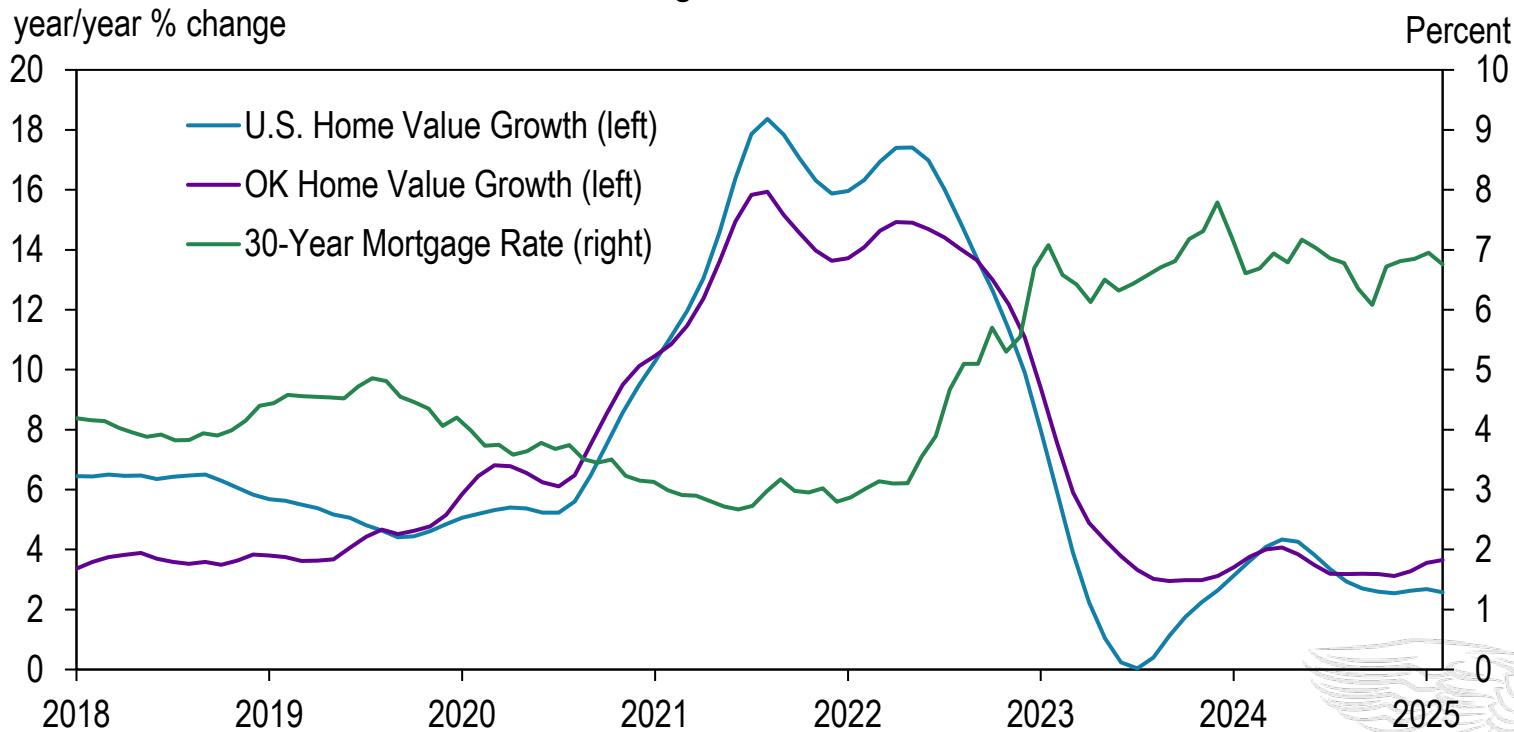
Tulsa's job gains outpaced the state average over the past year, driven by construction, education/health, finance, and manufacturing

Job Growth by Industry, February 2024



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

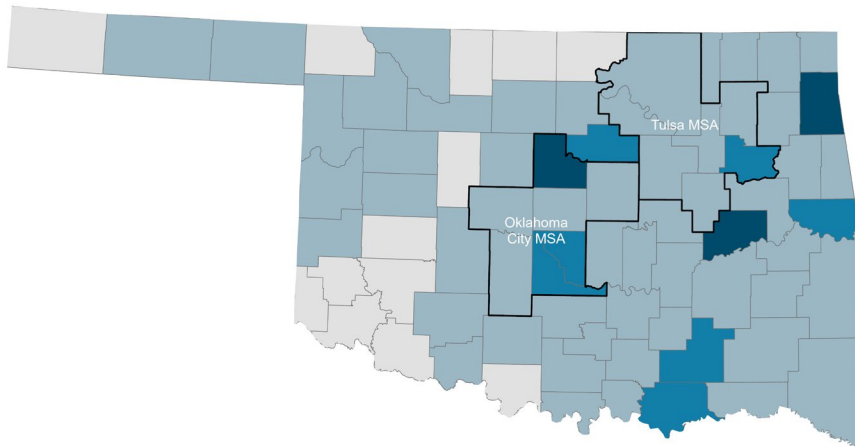
Housing Market Indicators



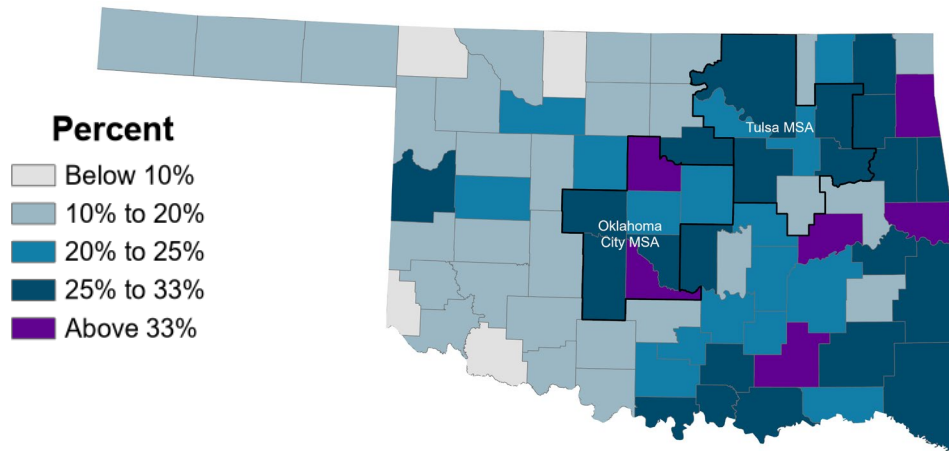
Homeownership for first-time buyers became less affordable across Oklahoma in recent years

First-Time Homeownership Costs as a Share of Household Income

2018-2019

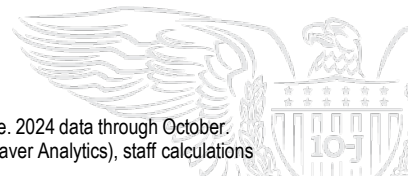


2024



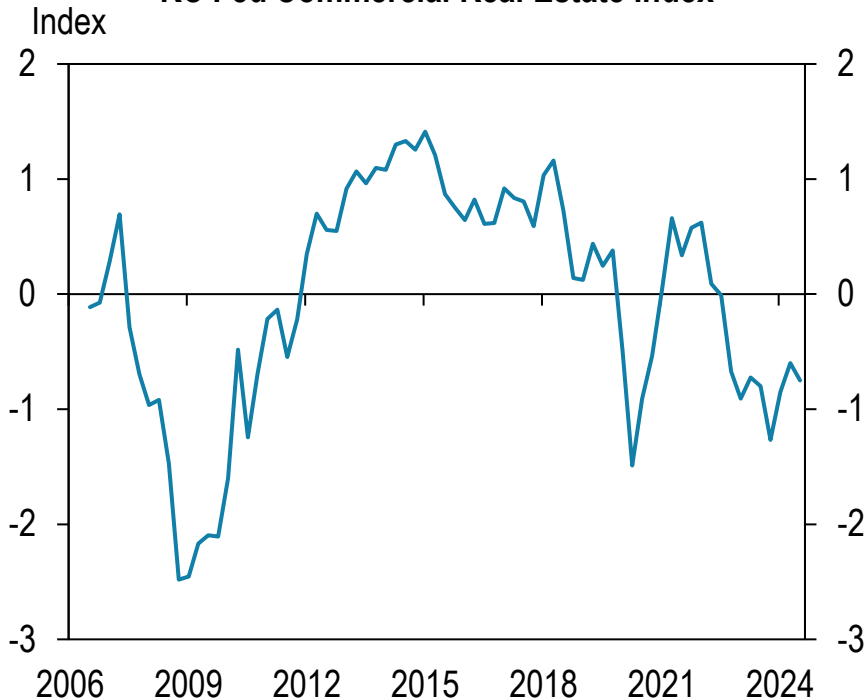
Percent

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

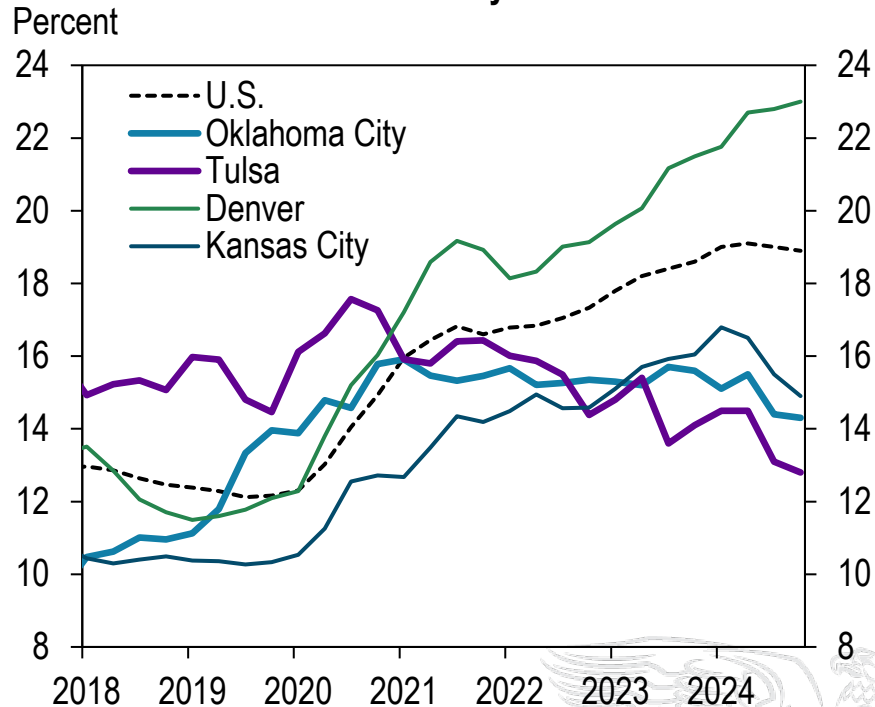


CRE activity has deteriorated in the region, but office vacancy rates in Oklahoma have not risen like in neighboring markets

KC Fed Commercial Real Estate Index

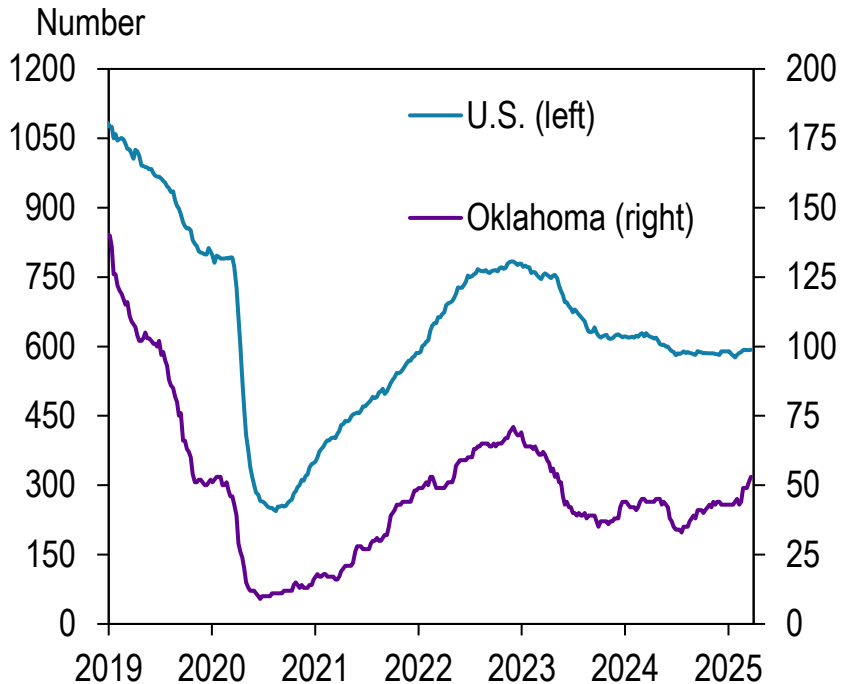


Office Vacancy Rates

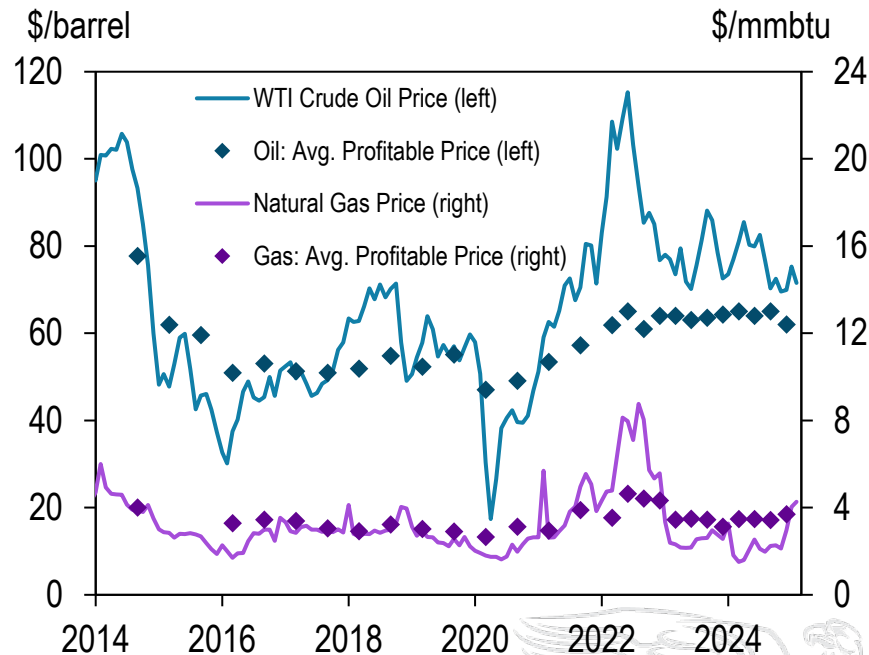


Oil and gas drilling has picked up somewhat in Oklahoma as natural gas prices rise from all-time lows

Rig Counts

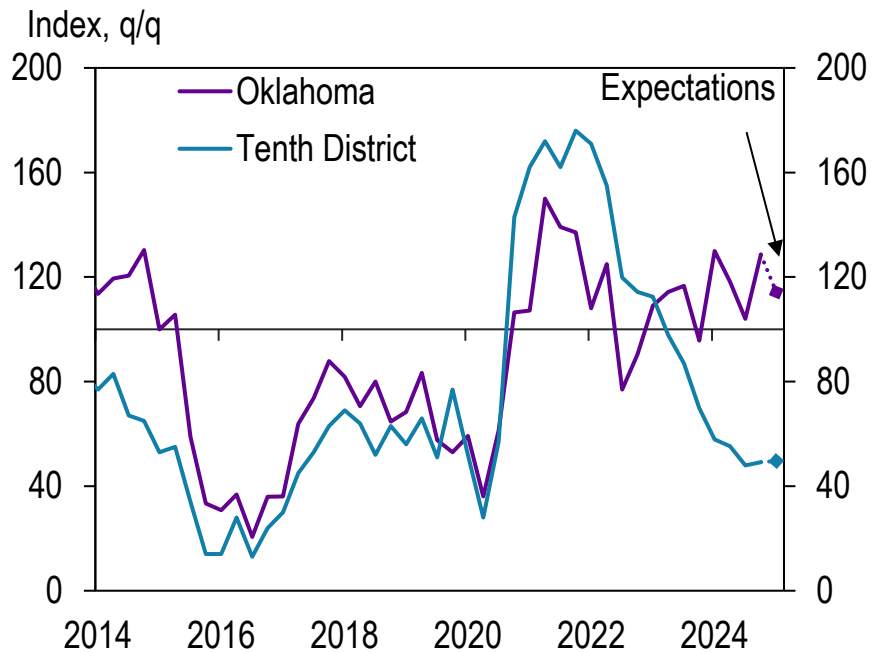


U.S. Energy Prices

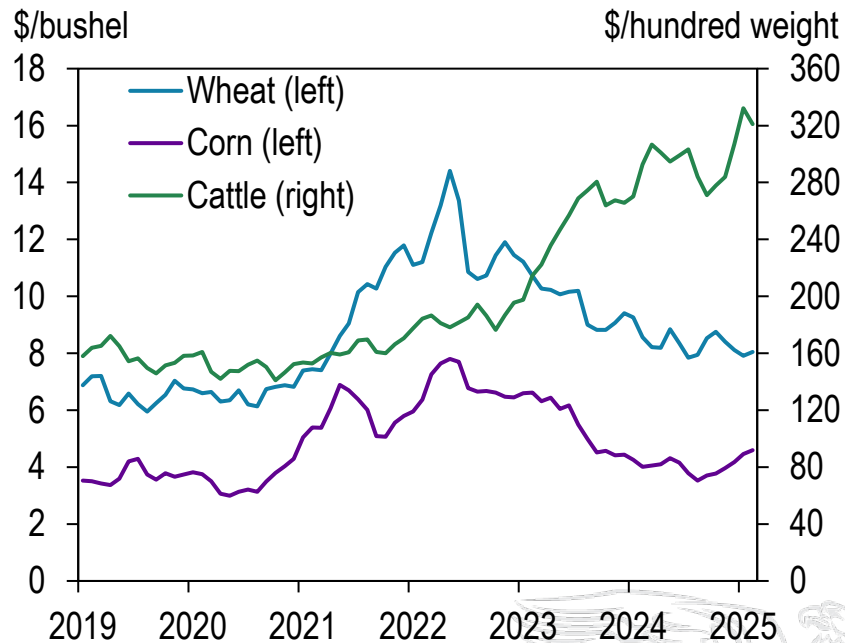


Oklahoma farm income grew in Q4 while it declined in other District states, partially due to higher cattle prices

Farm Income

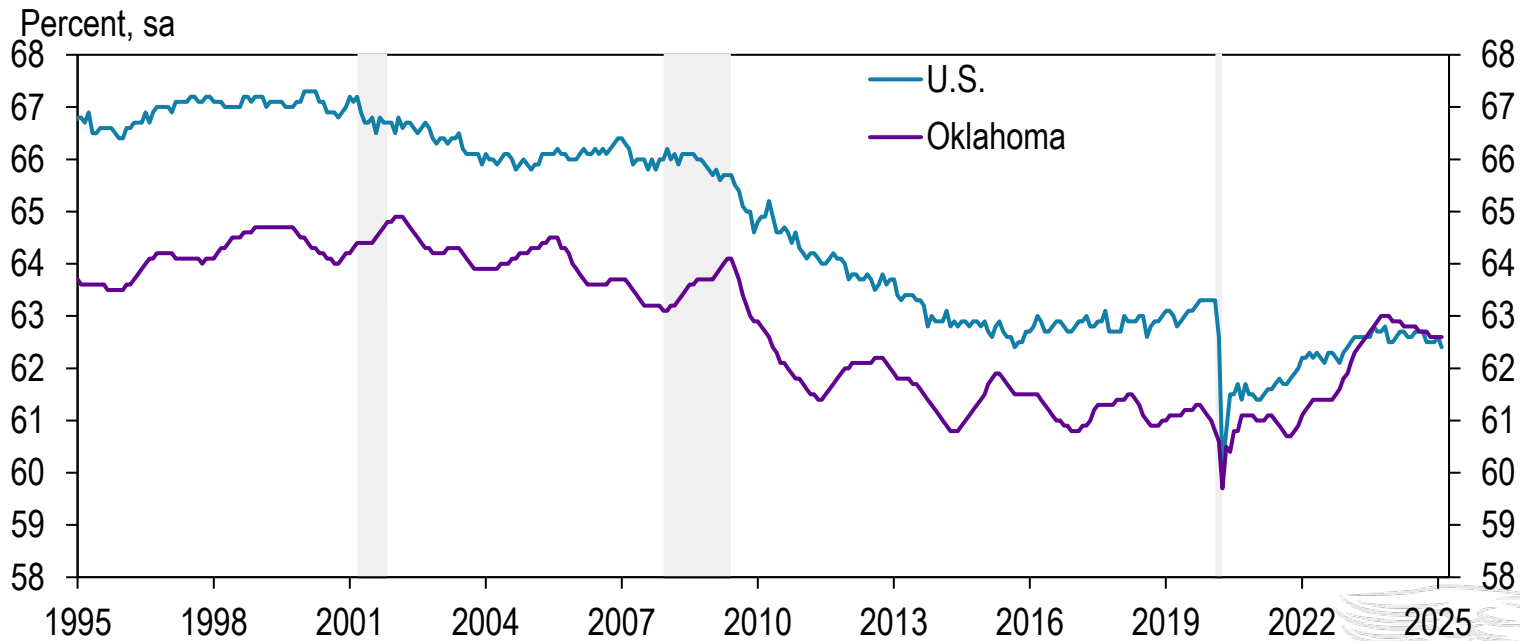


Agricultural Commodity Prices



Oklahoma's labor force participation rate has been higher than the U.S. since June 2023

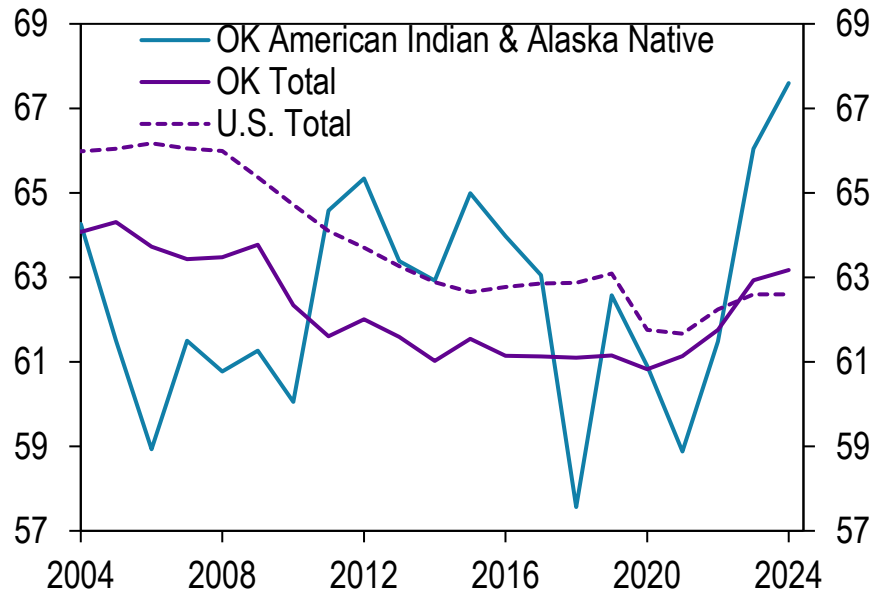
Labor Force Participation Rate



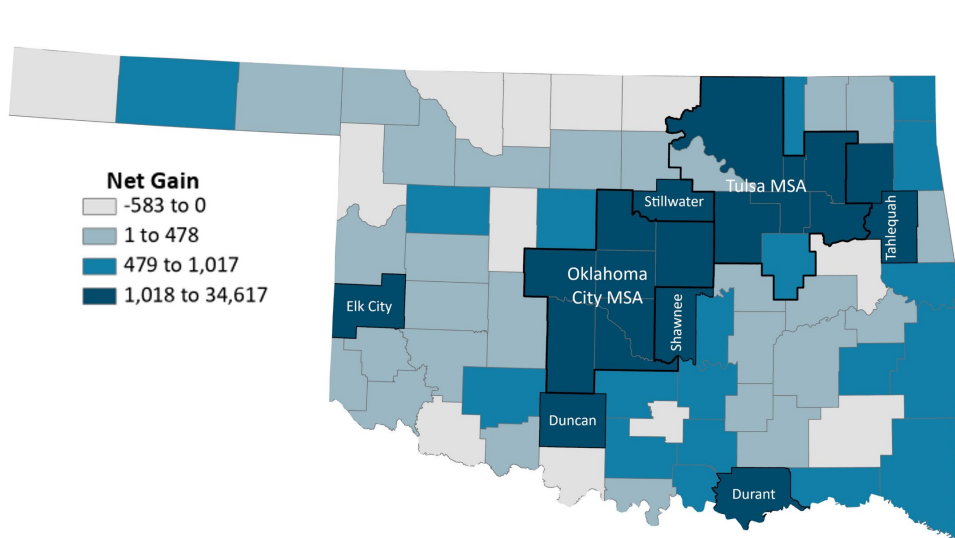
Oklahoma's Native American participation reached its highest level in over two decades, and the tribal-heavy southeastern corner of the state gained workers

Labor Force Participation Rate

Percent, sa

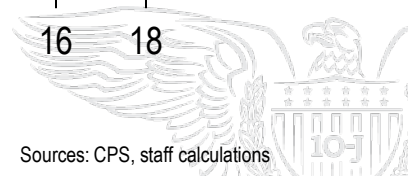
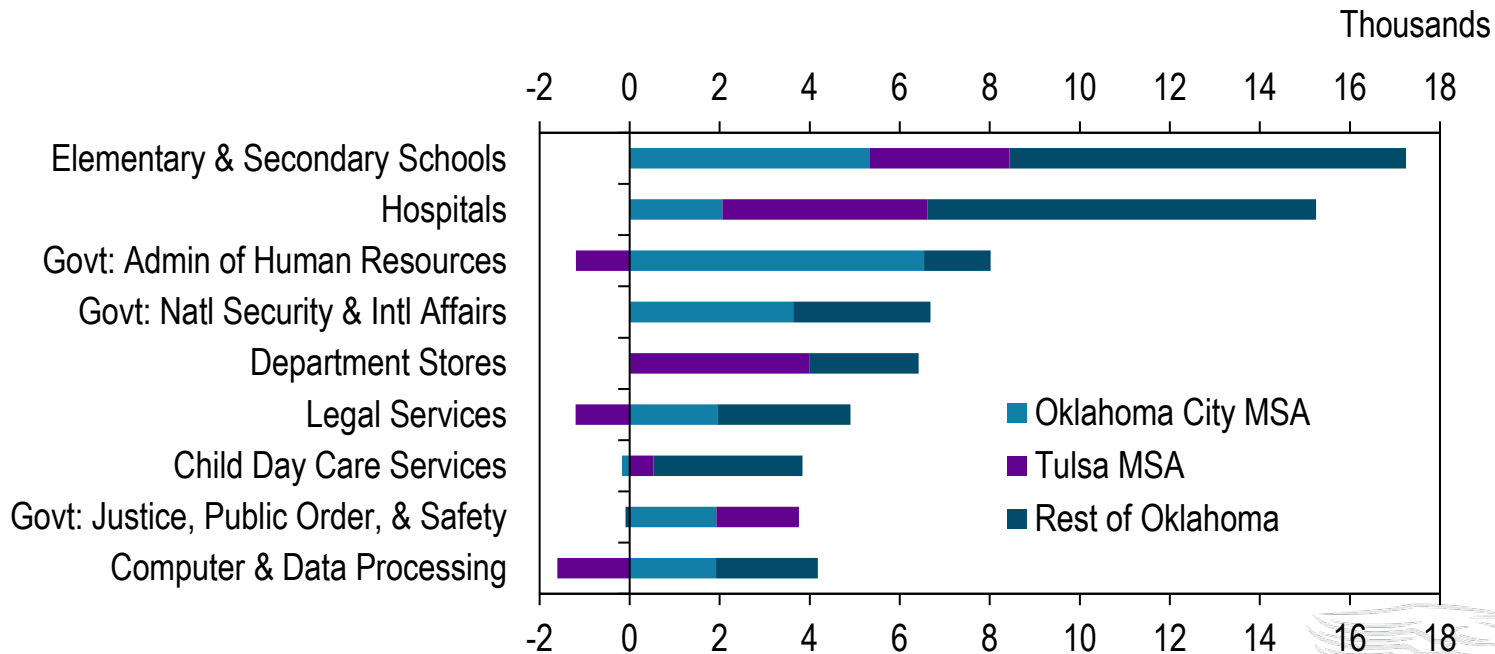


Labor Force Gains by County, 2021-H1 2024



Job gains for Native Americans have primarily been concentrated in schools, hospitals, and government since 2021

OK American Indian/Alaska Native Job Gains in Top Industries by Area, 2021-H1 2024



Summary

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- Inflation has come down to near 2%, and the labor market remains strong
 - But upside risks have increased for both
- Oklahoma's economy also continues to grow, and unemployment is low
- Oklahoma's labor force participation rate met the national average for the first time in over three decades, driven primarily by Native Americans



Questions?

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