

U.S. and Oklahoma Economic Outlook

Central Oklahoma Manufacturers' Association

April 15, 2025

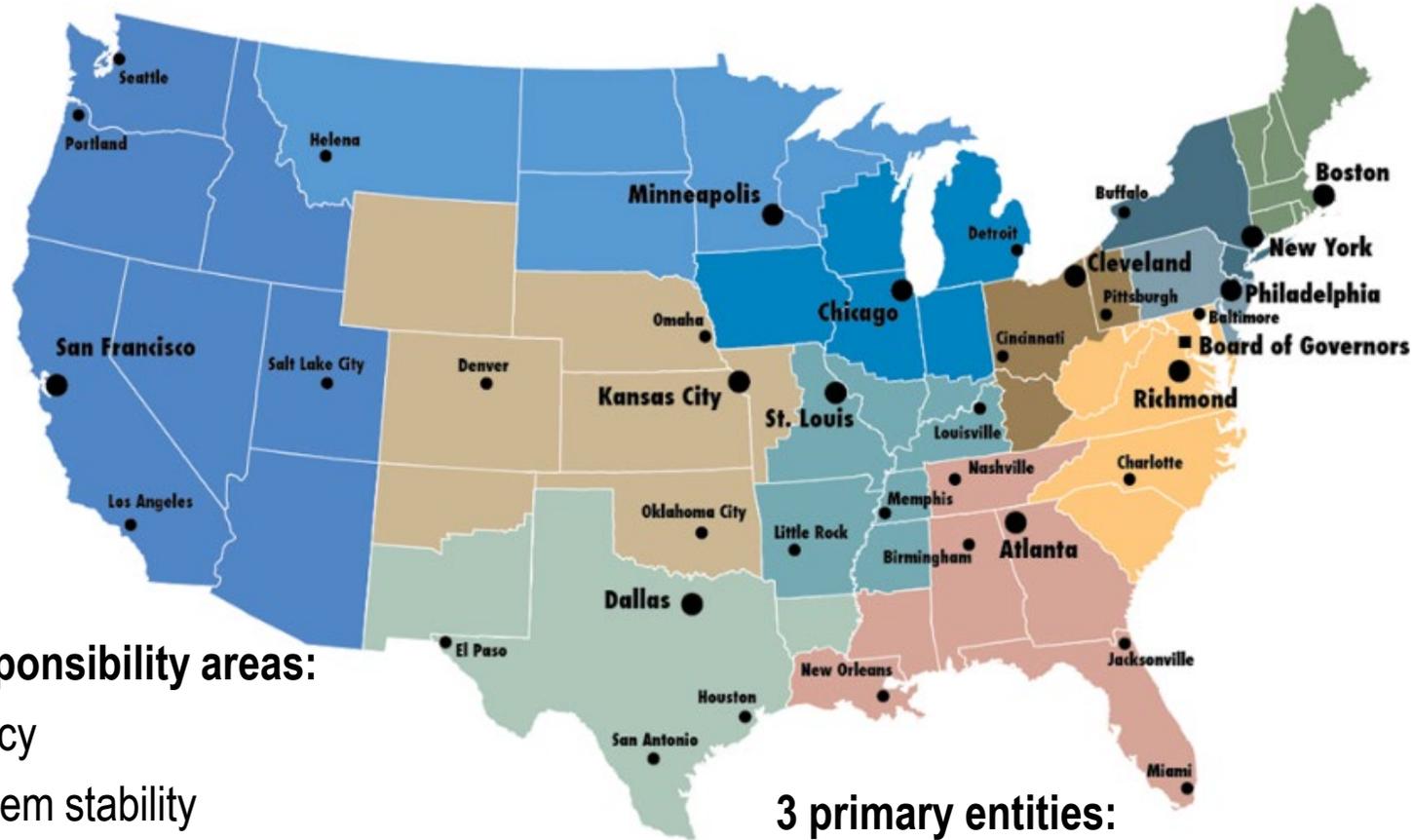
Cortney Cowley
AVP & Oklahoma City Branch Executive

*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.



Denver / Oklahoma City / Omaha

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

- **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
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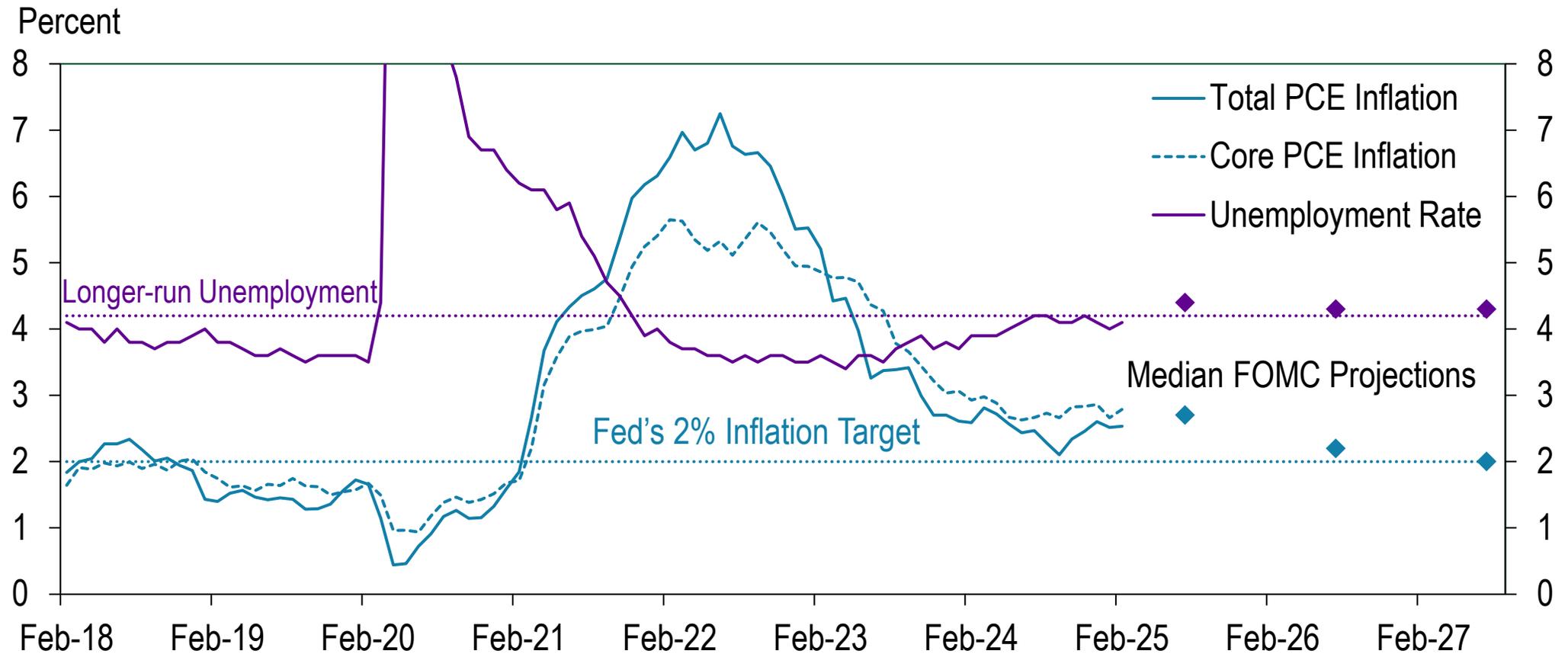


Overview

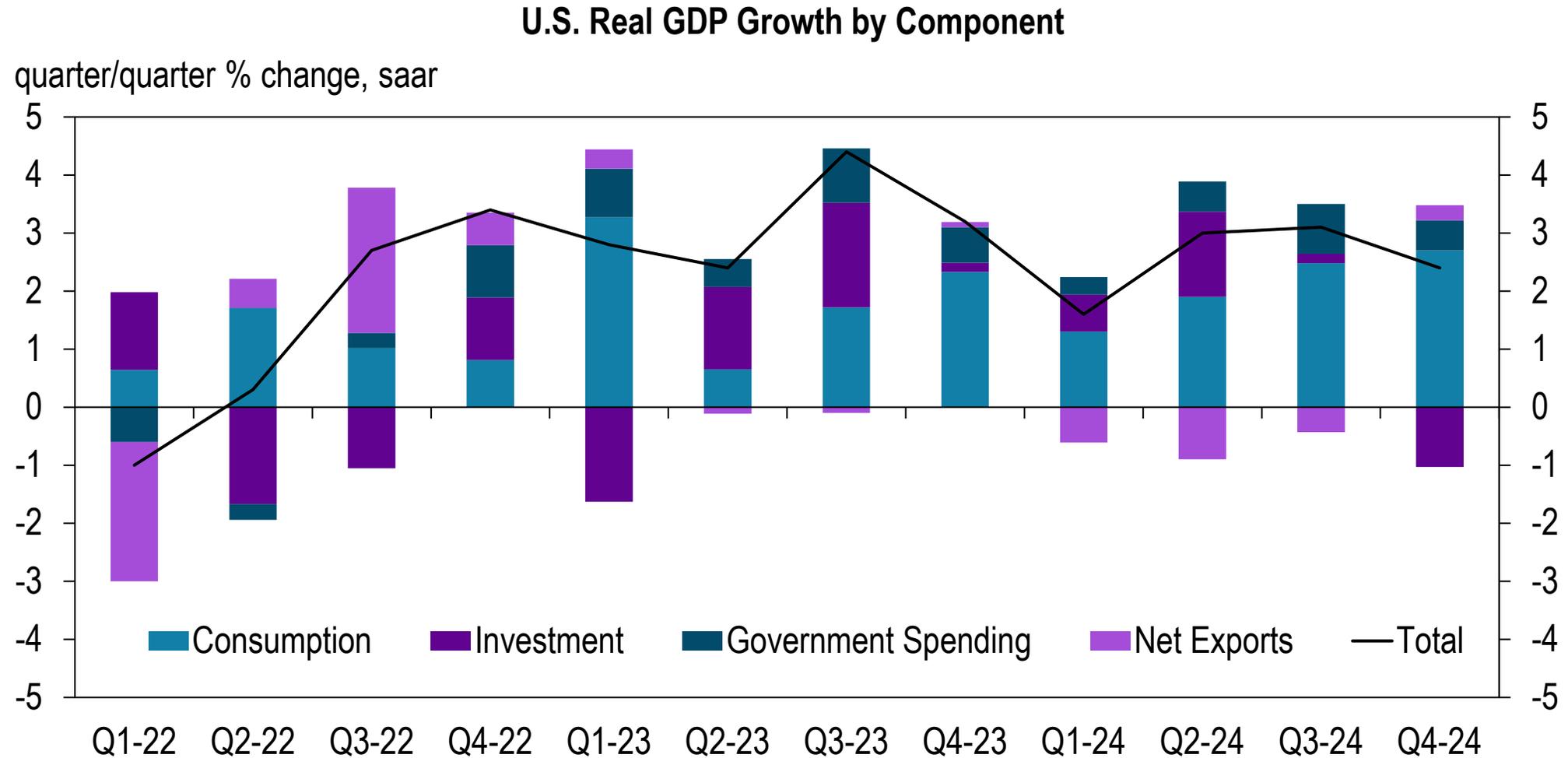
- U.S. economic growth has slowed but remained solid in 2024, and unemployment is up slightly but remains near long-term averages
- Inflation has come down to near 2%, and the labor market remains strong
 - But upside risks have increased for both
- Oklahoma's economy also continues to grow, and unemployment is low
- Although manufacturing firms in the region are not heavily exposed to trade, most believe recent policies will increase costs and are adapting

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

U.S. Inflation and Unemployment

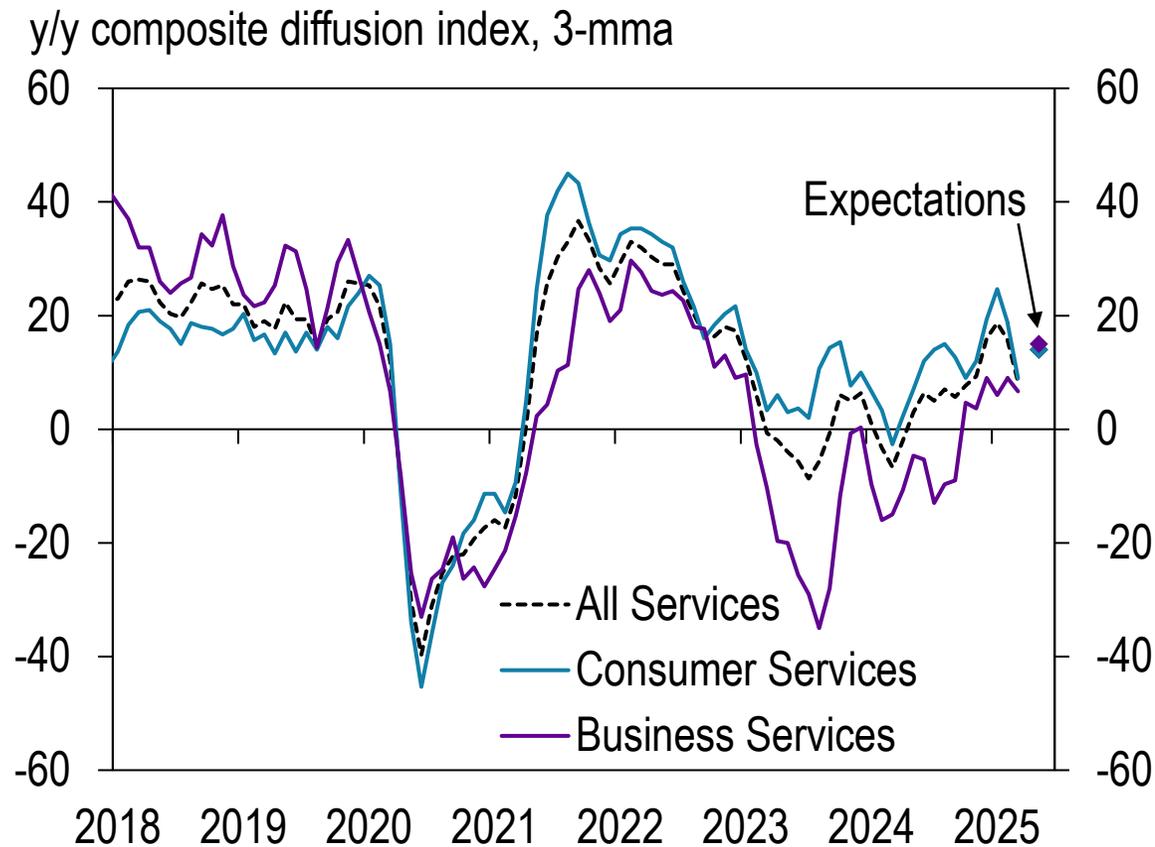


U.S. economic growth remains healthy, primarily driven by consumption

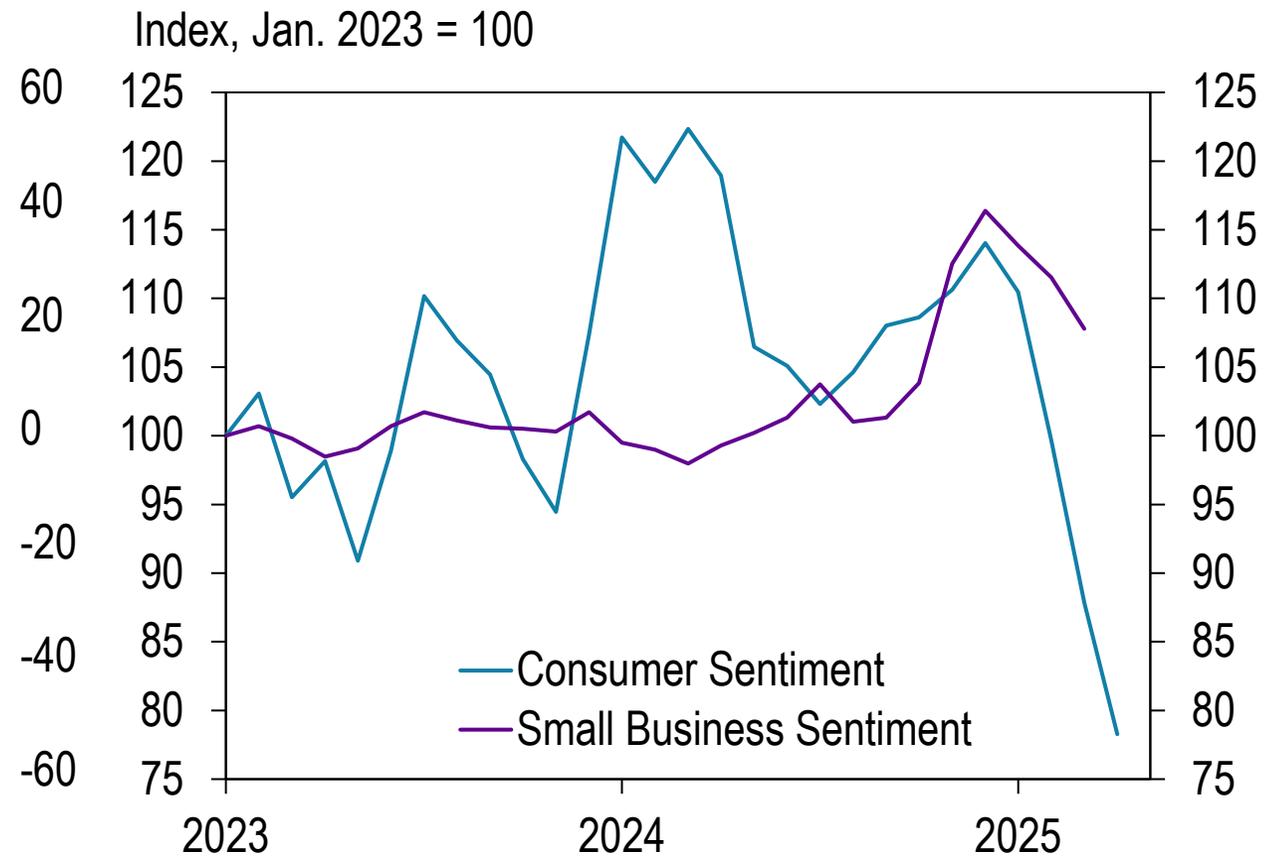


Consumers have driven recent strength in the services sector, but their confidence has waned recently

KC Fed Services Composite Indexes

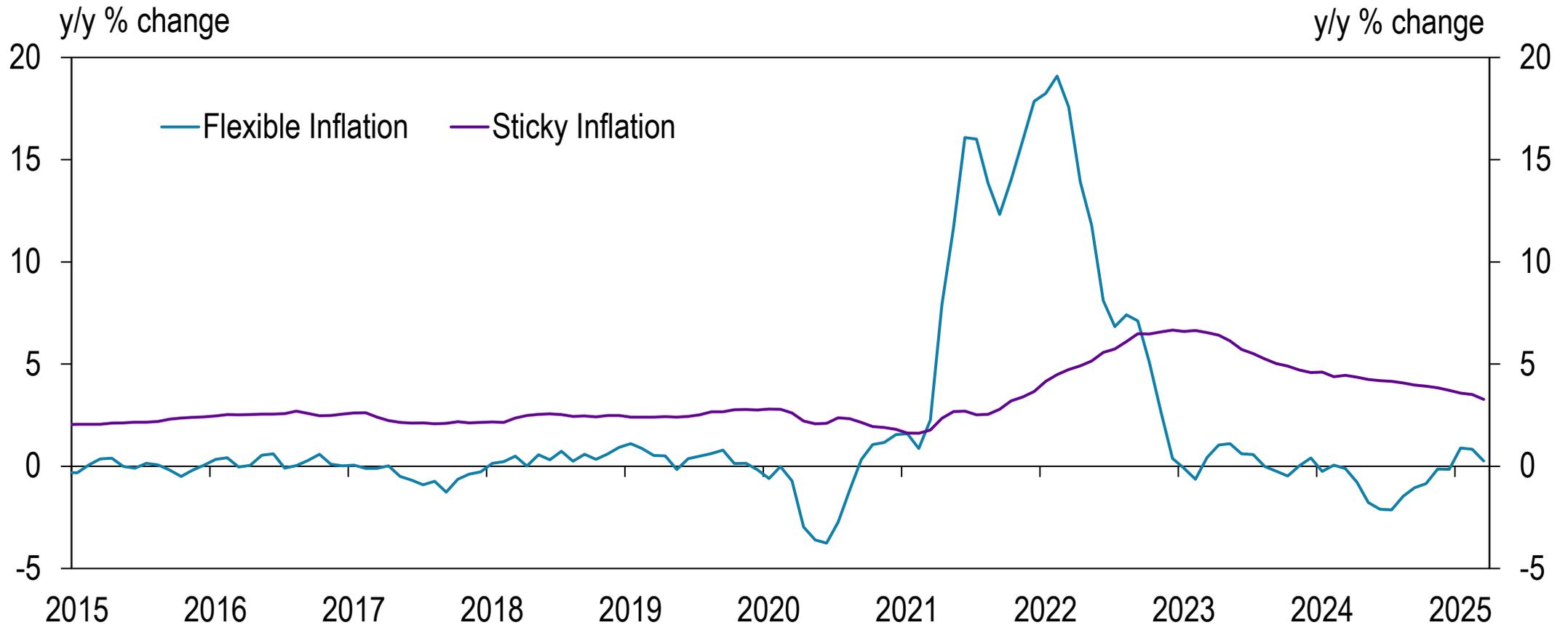


U.S. Consumer and Business Sentiment



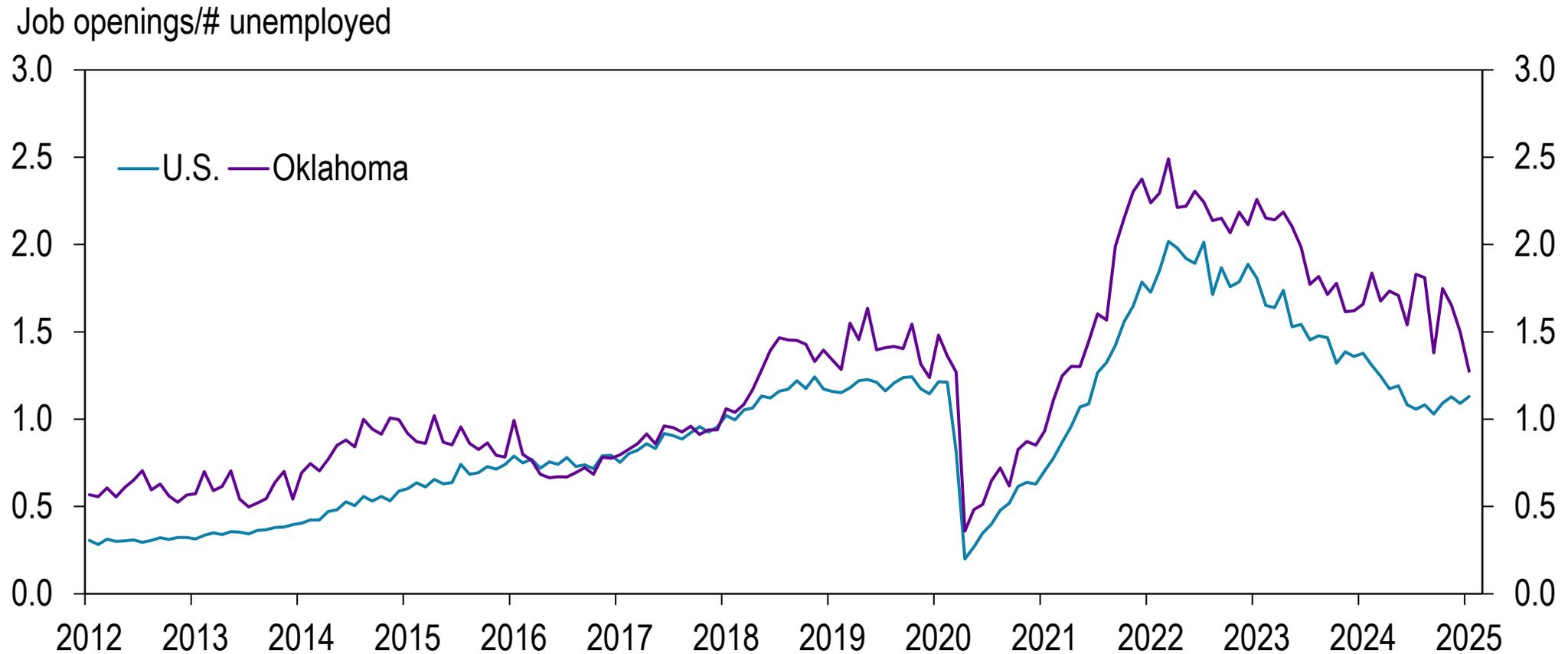
CPI inflation eased to 2.4% in March, as services and energy prices cooled

Consumer Price Index by Component

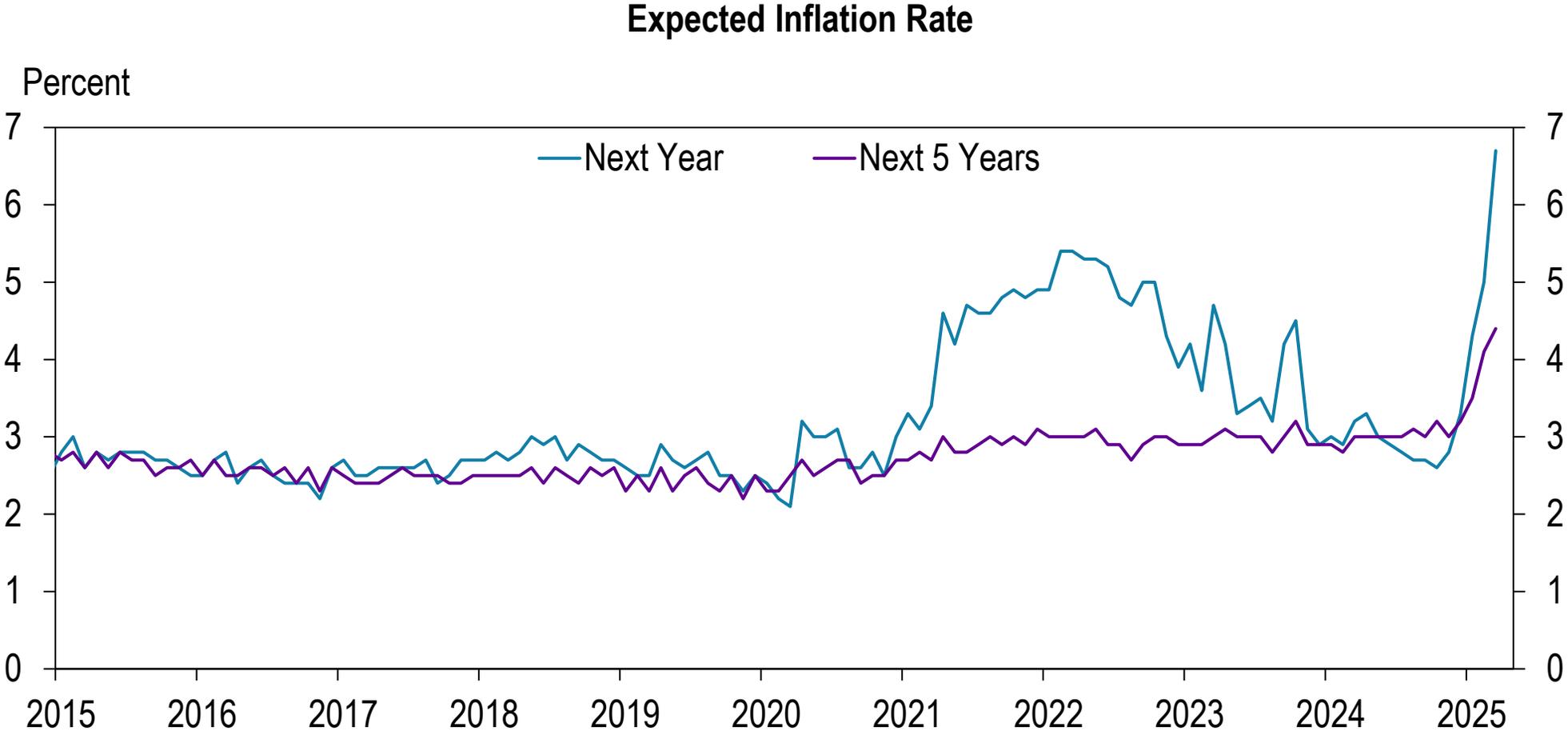


Job openings still exceed unemployed workers, but have returned to near pre-pandemic levels

Job Openings/Unemployment Ratio



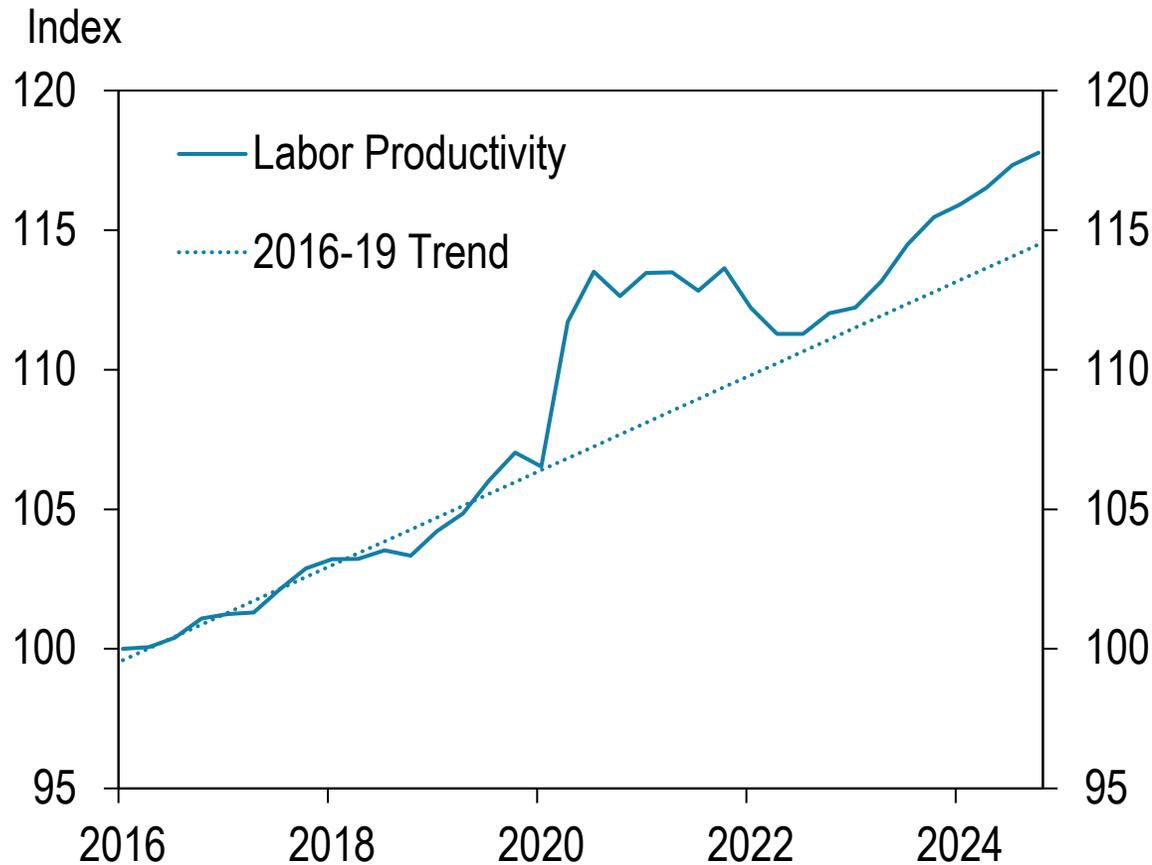
Consumer inflation expectations have risen



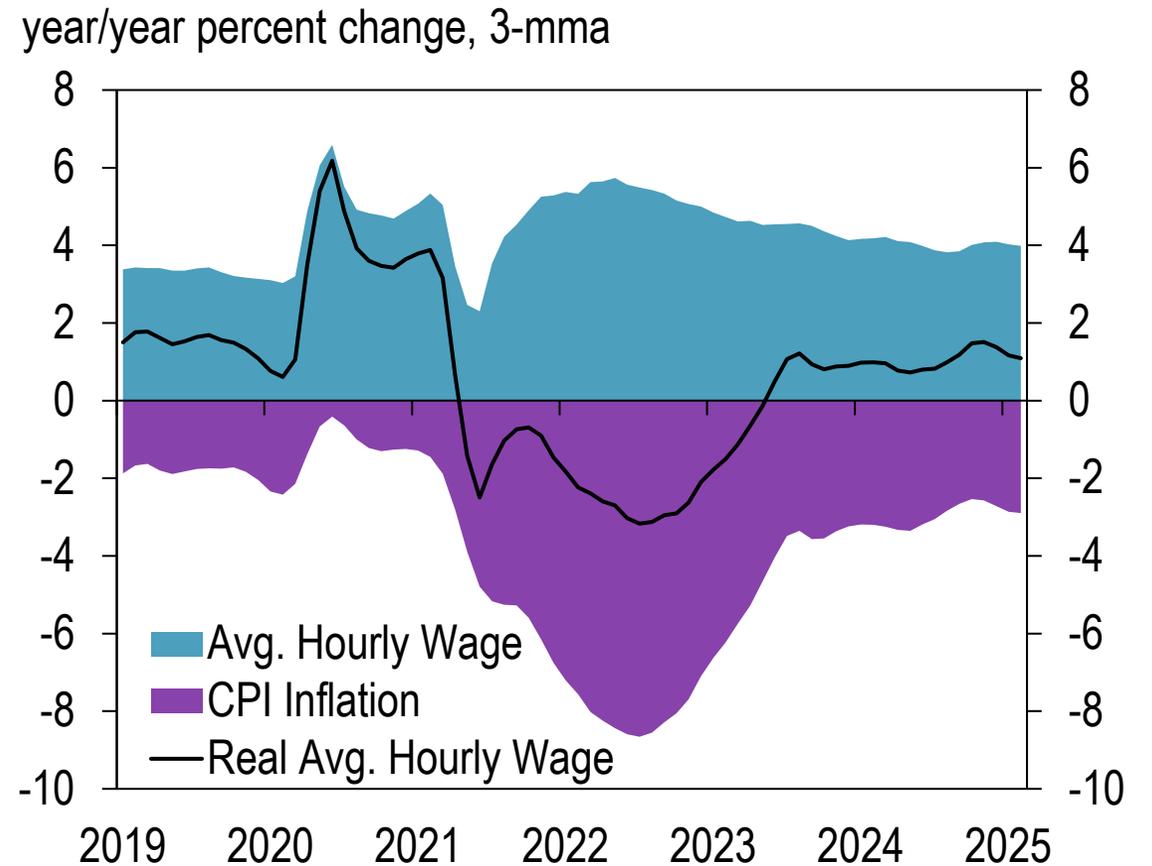
Source: University of Michigan/Haver Analytics

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

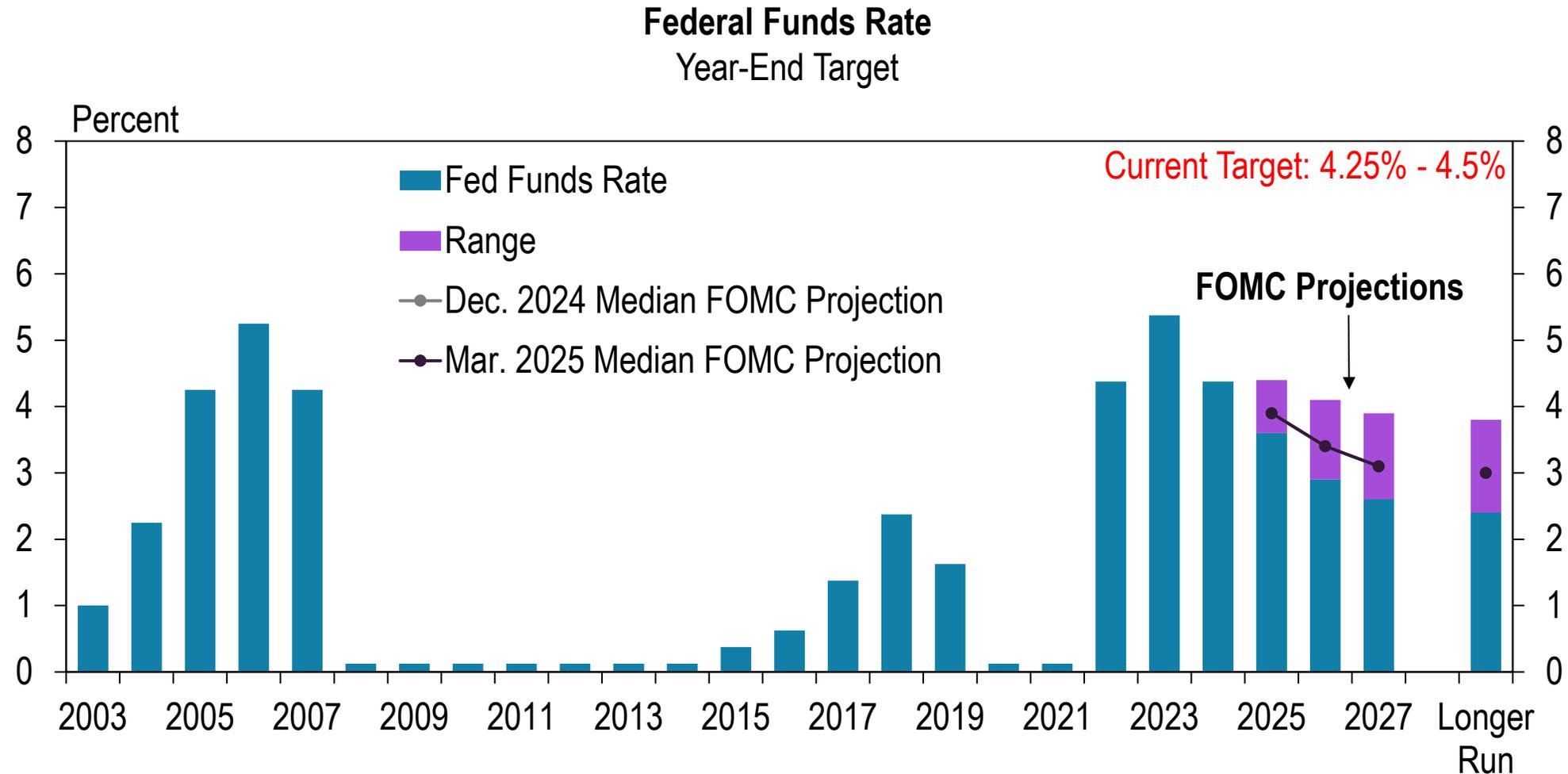
U.S. Real Output Per Hour



U.S. Real Wage Growth



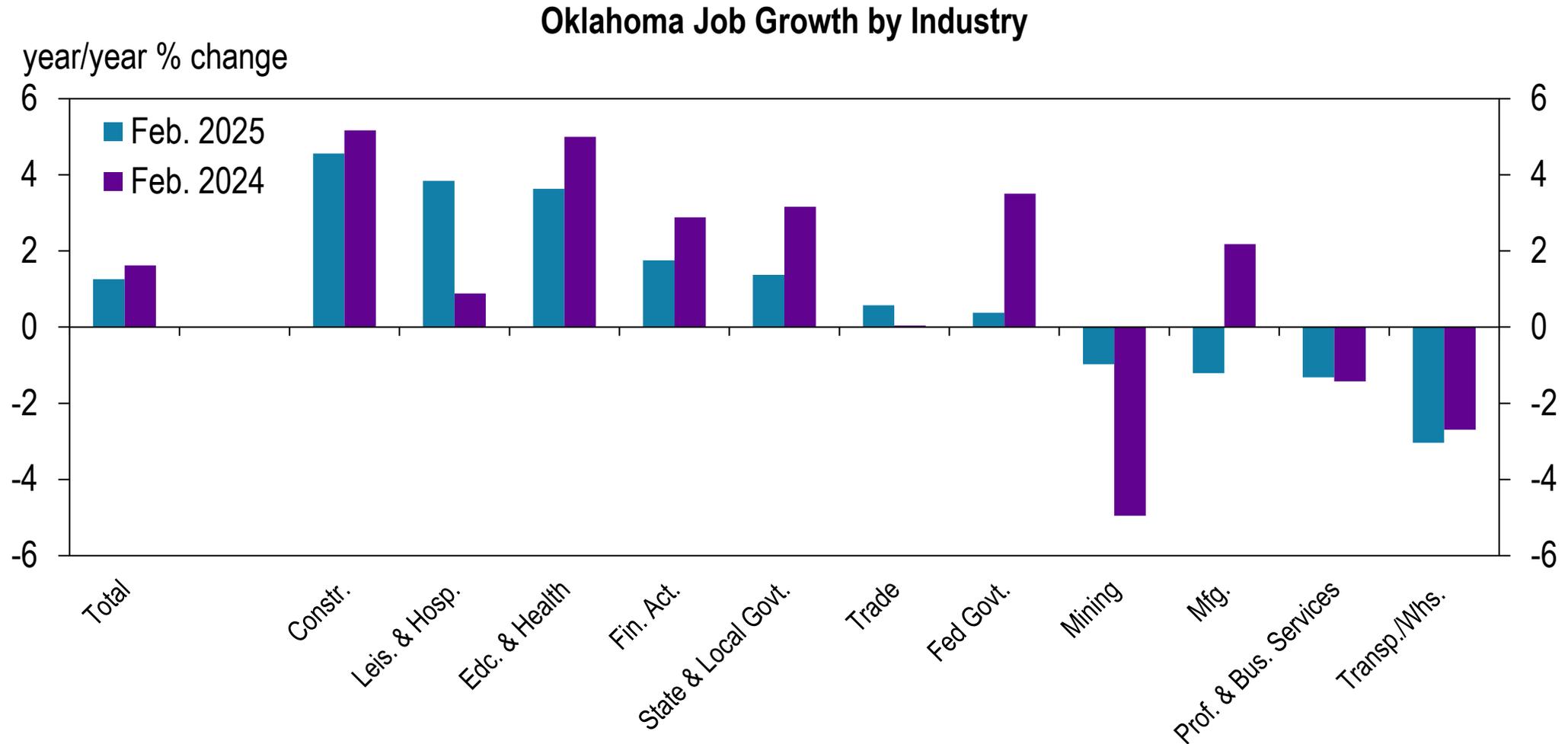
The Fed held the federal funds rate steady in March, and the median projection was unchanged



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

Sources: Bureau of Economic Analysis, FOMC

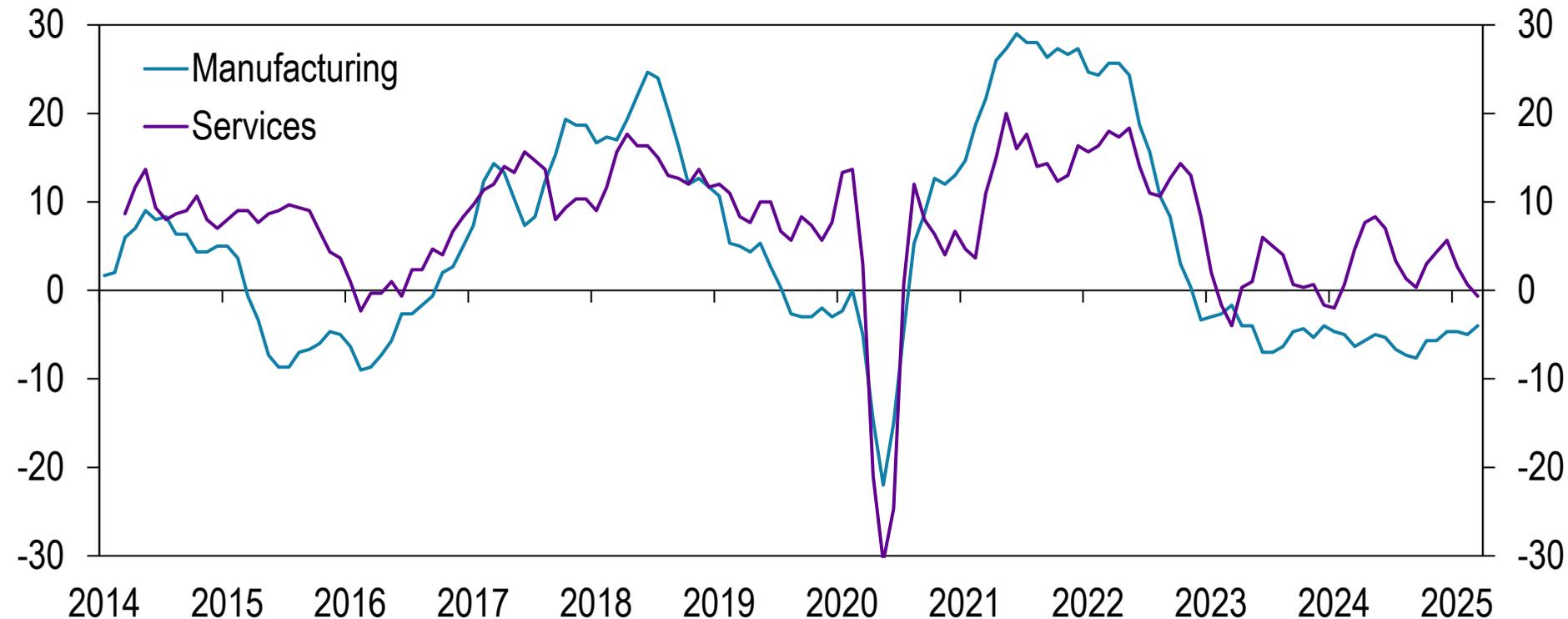
Most sectors in Oklahoma added jobs over the past year, with strength in construction, education & health, and leisure & hospitality



The manufacturing sector has seen mild declines since 2023, while the services sector has grown

KC Fed Manufacturing & Services Activity Indexes

month/month composite diffusion index, 3-mma



Sign up to become a respondent here:

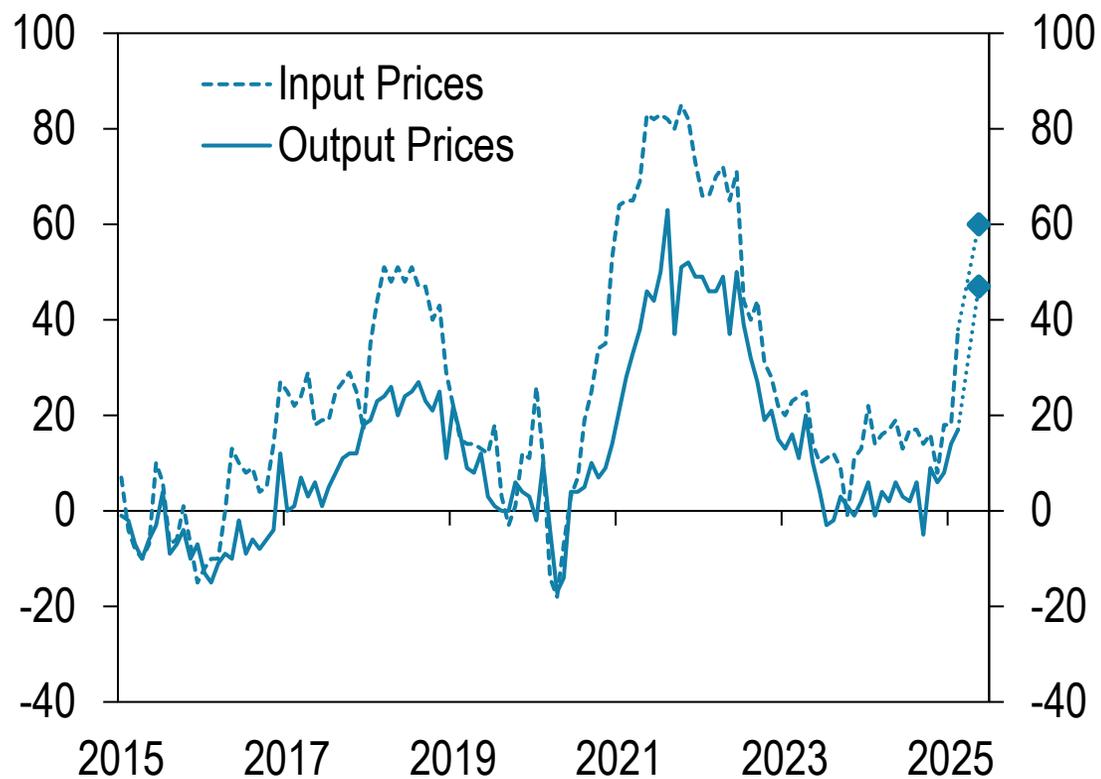


Firms are expecting higher prices

Kansas City Fed Price Indexes

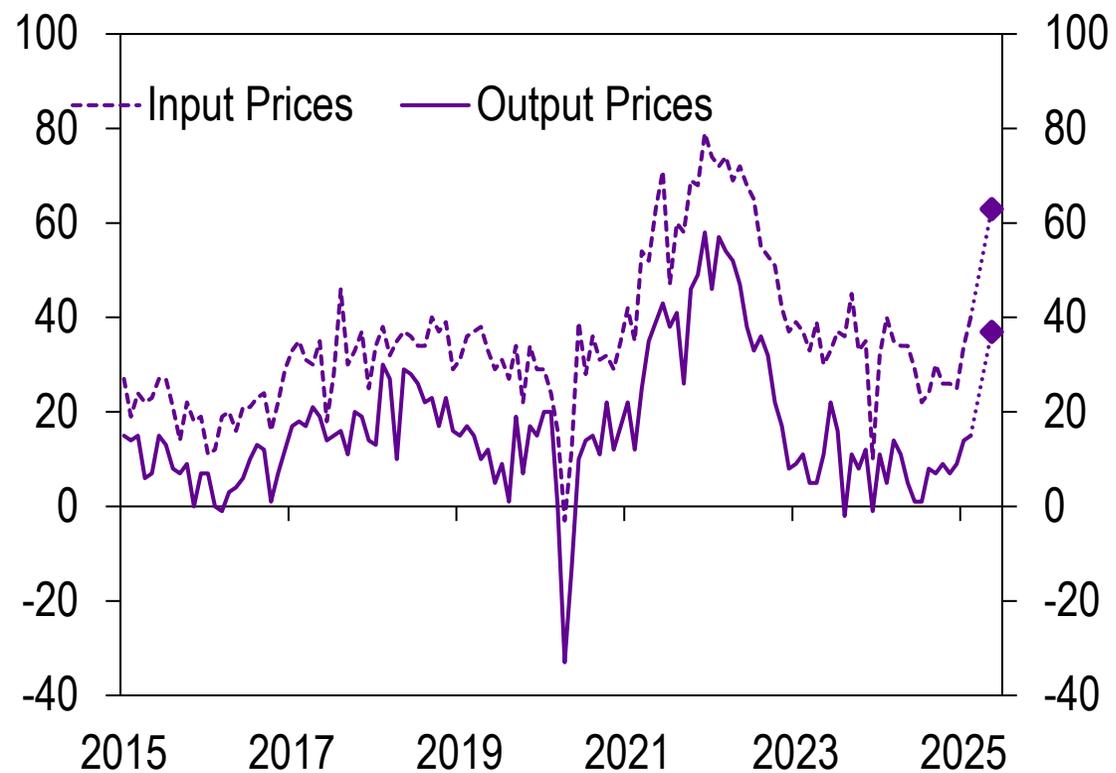
Manufacturing Firms

m/m diffusion index, sa



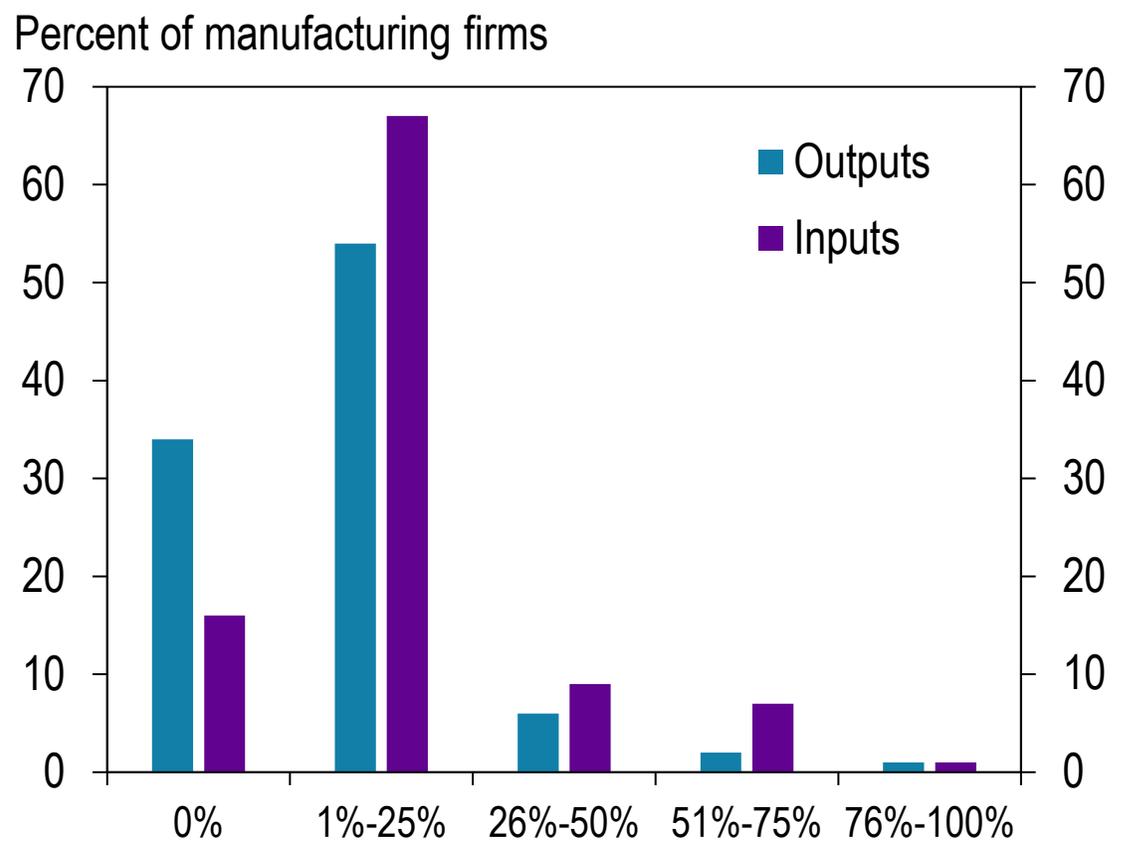
Services Firms

m/m diffusion index, sa

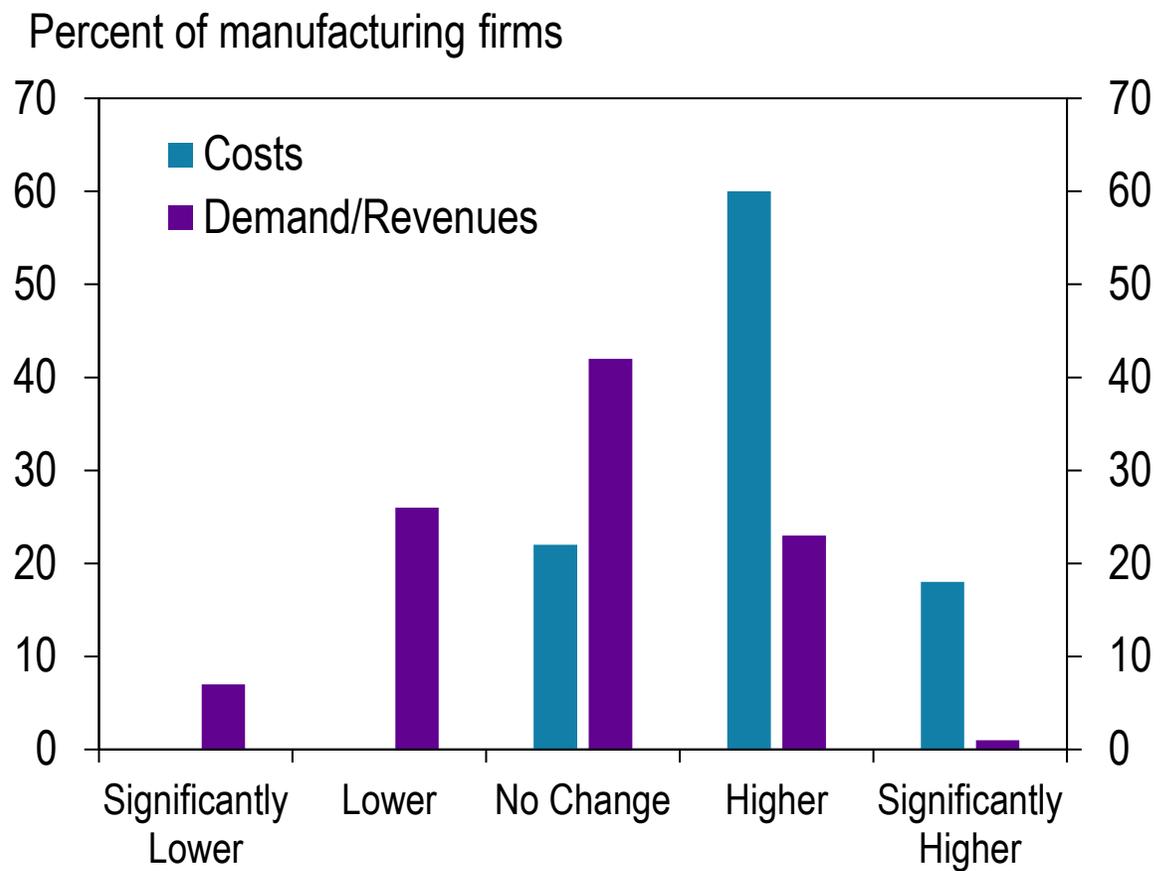


Tenth District manufacturing firms are not heavily exposed to trade, and while most believe recent policies will increase costs, the outlook for demand is mixed

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

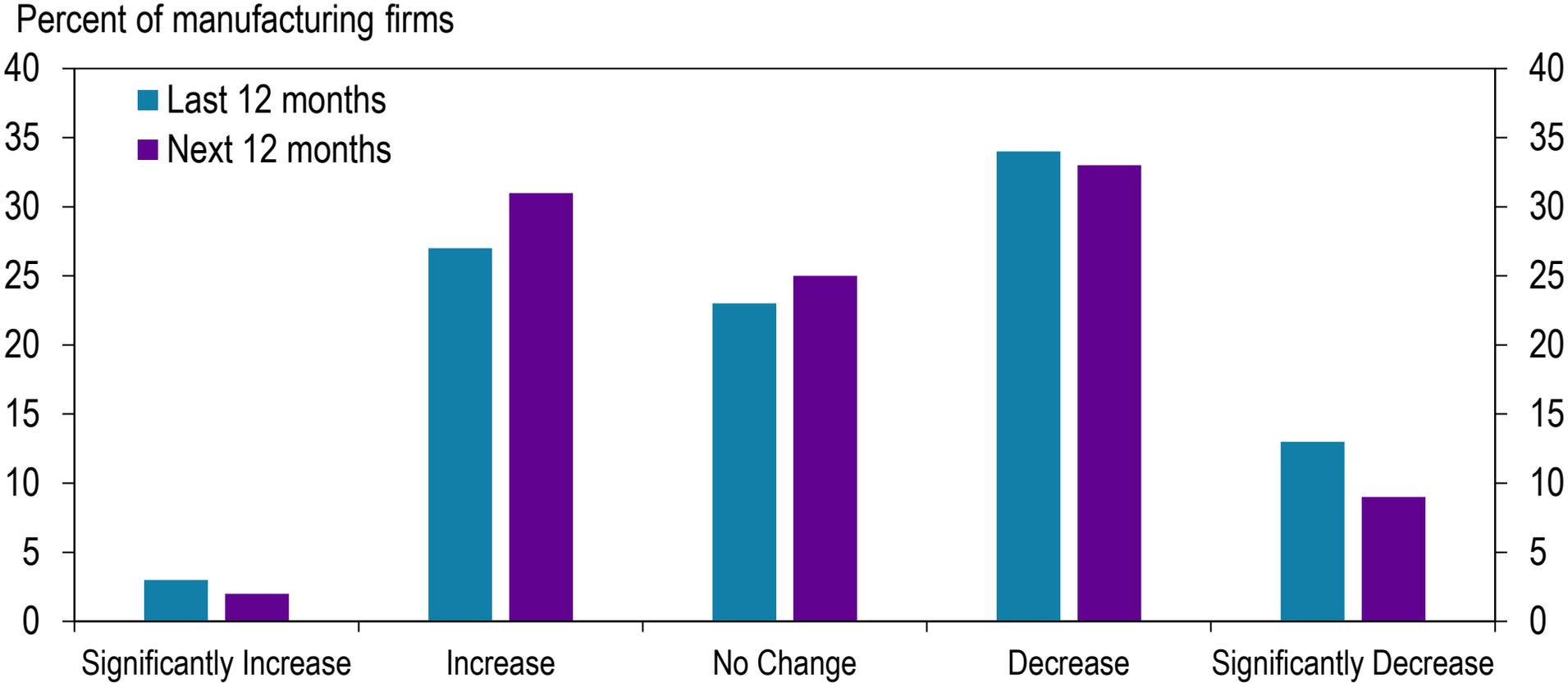


Feb-25: How do you believe recent trade policy changes will affect costs and demand/revenues for your business over the next year?



Despite cost pressures, District manufacturing firms' expectations for their profit margins are also mixed

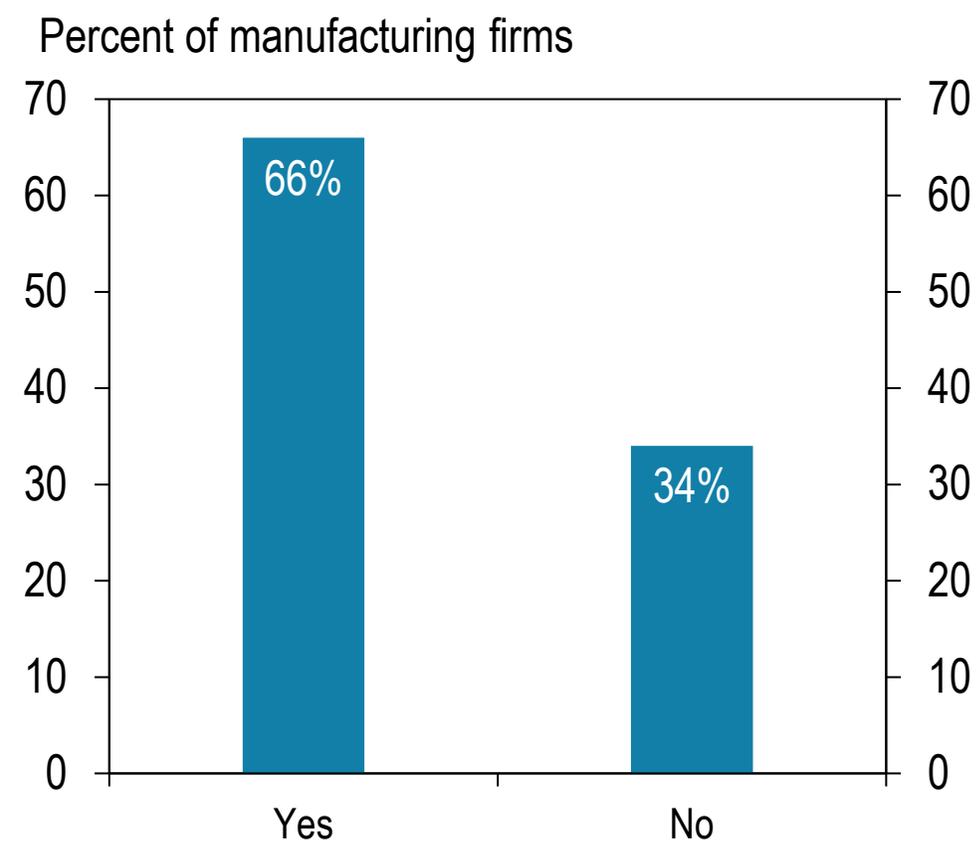
Mar-25: How did profit margins change for your firm over the last 12 months, and how do you expect them to change over the next 12 months?



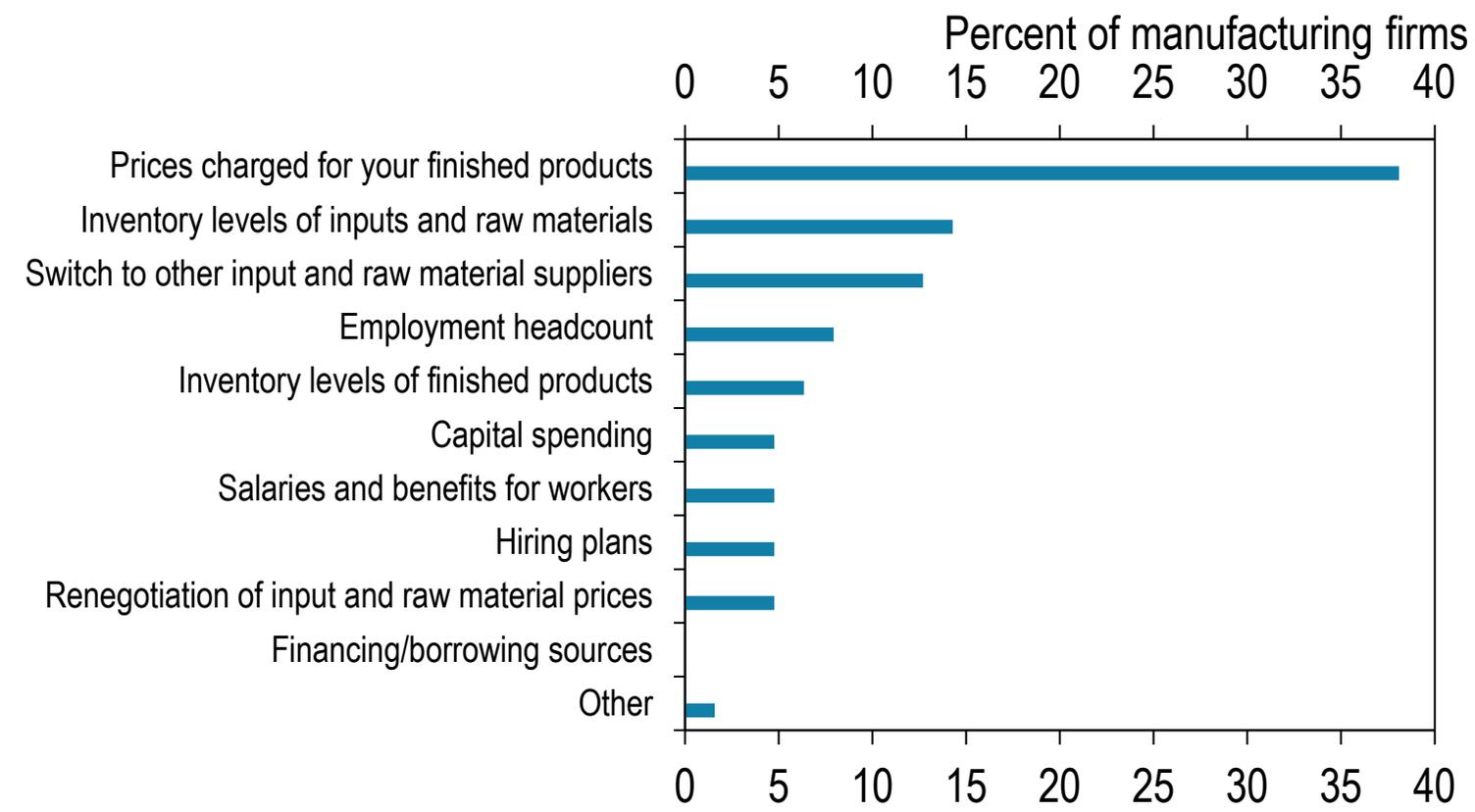
Source: FRBKC

Many Tenth District manufacturing firms are considering changes to finished product prices, inventories, and suppliers to adapt to economic conditions

Mar-25: Is your firm considering any changes in strategy, management, sourcing of materials, or pricing to adapt to economic conditions this year?

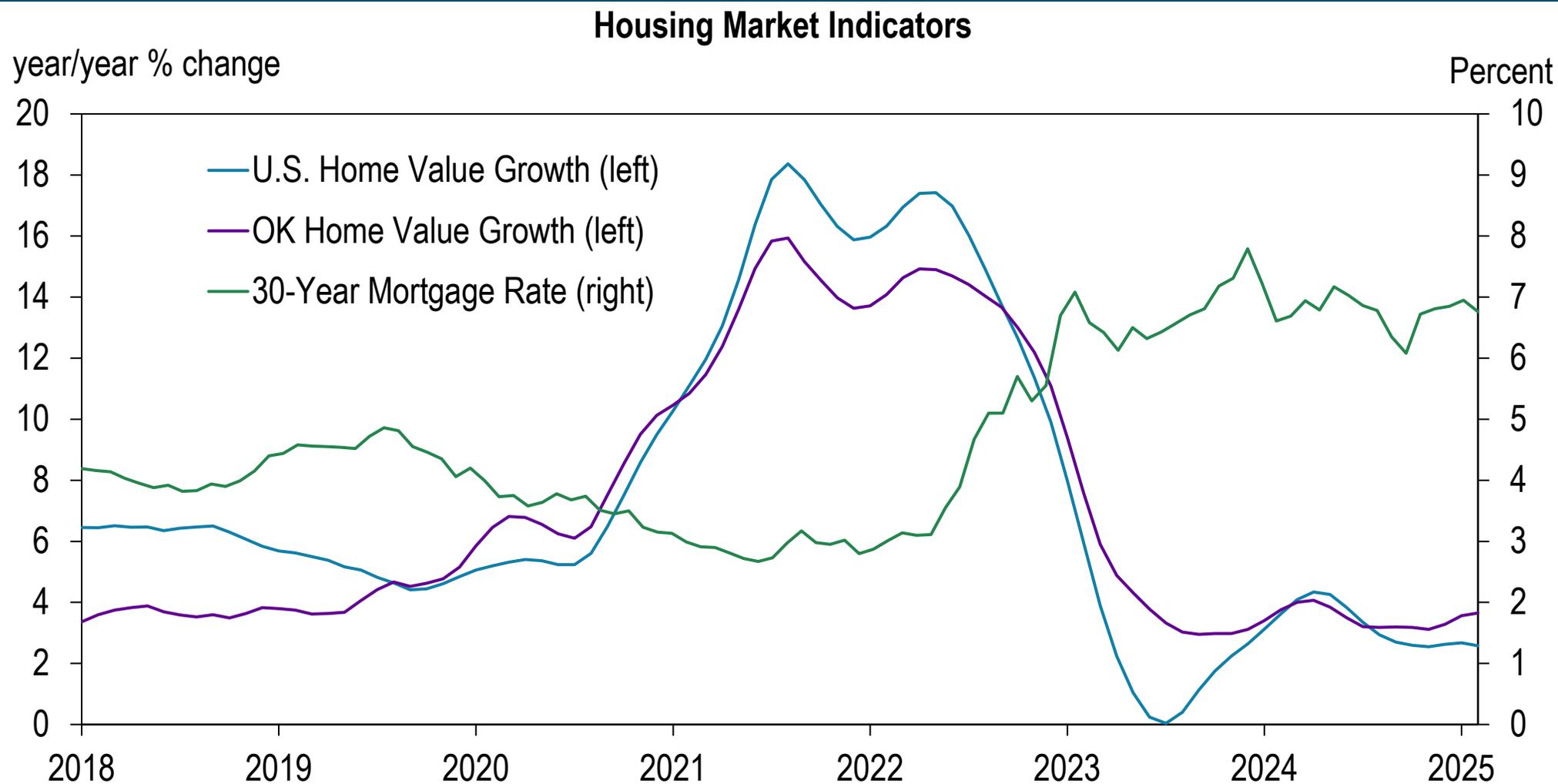


Mar-25: What change is your firm most likely to implement to adapt to economic conditions this year?



Source: Kansas City Fed

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

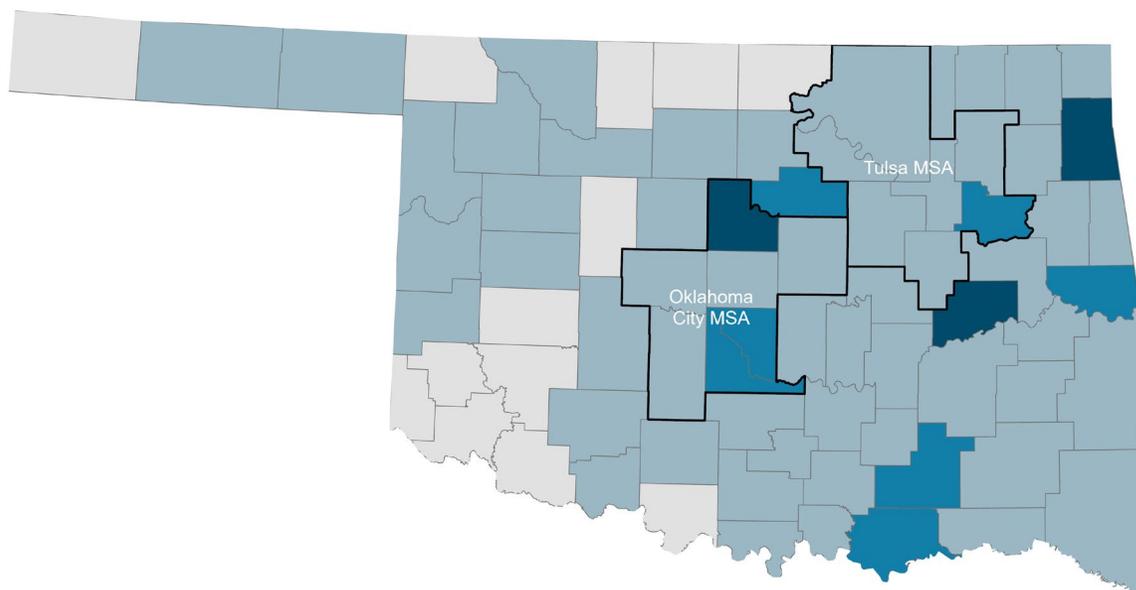


Sources: Freddie Mac, Zillow/Haver Analytics

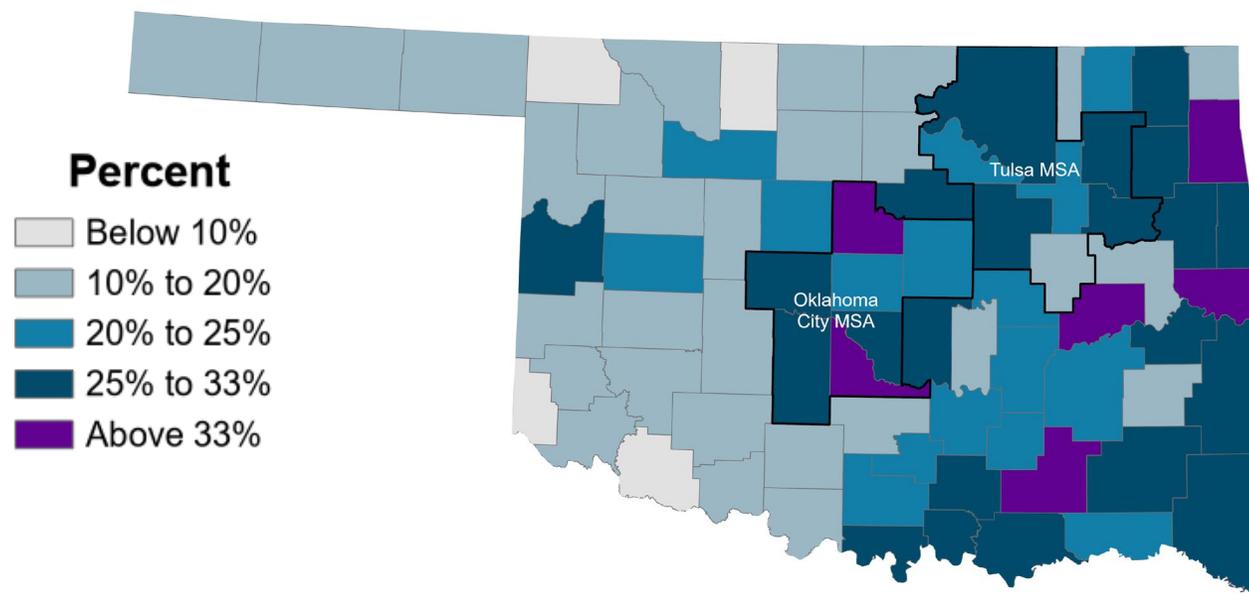
Homeownership for first-time buyers became less affordable across Oklahoma in recent years

First-Time Homeownership Costs as a Share of Household Income

2018-2019



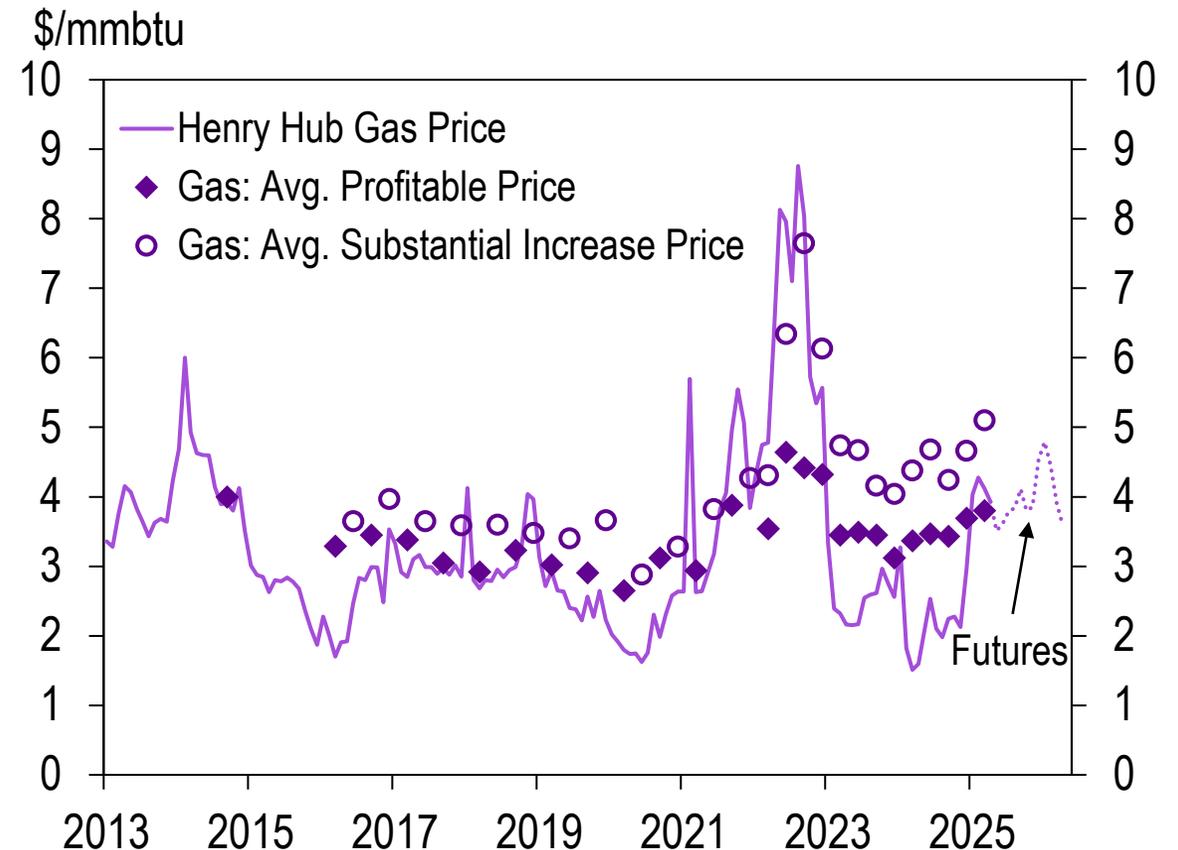
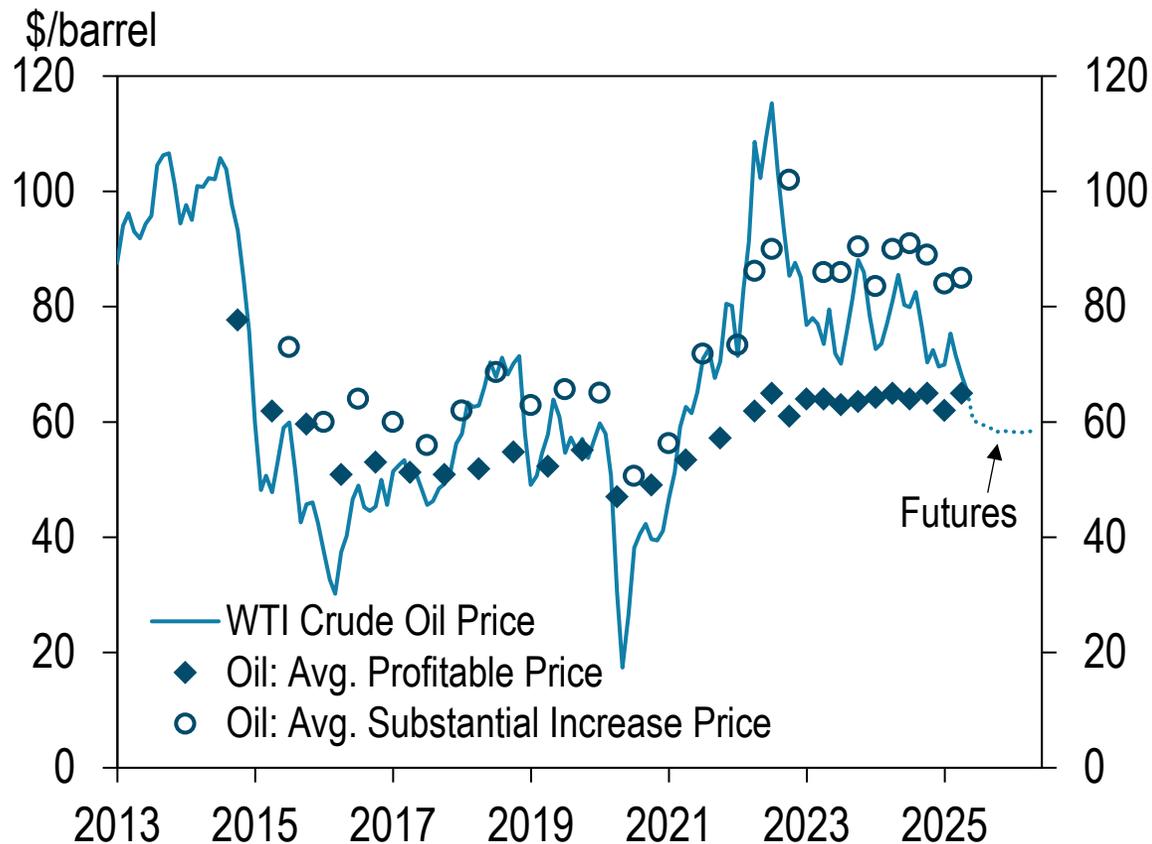
2024



Notes: Costs include mortgage payment, insurance, and maintenance. 2024 data through October.
Sources: Zillow, BLS, U.S. Census Bureau (IPUMS NHGIS), WSJ (Haver Analytics), staff calculations

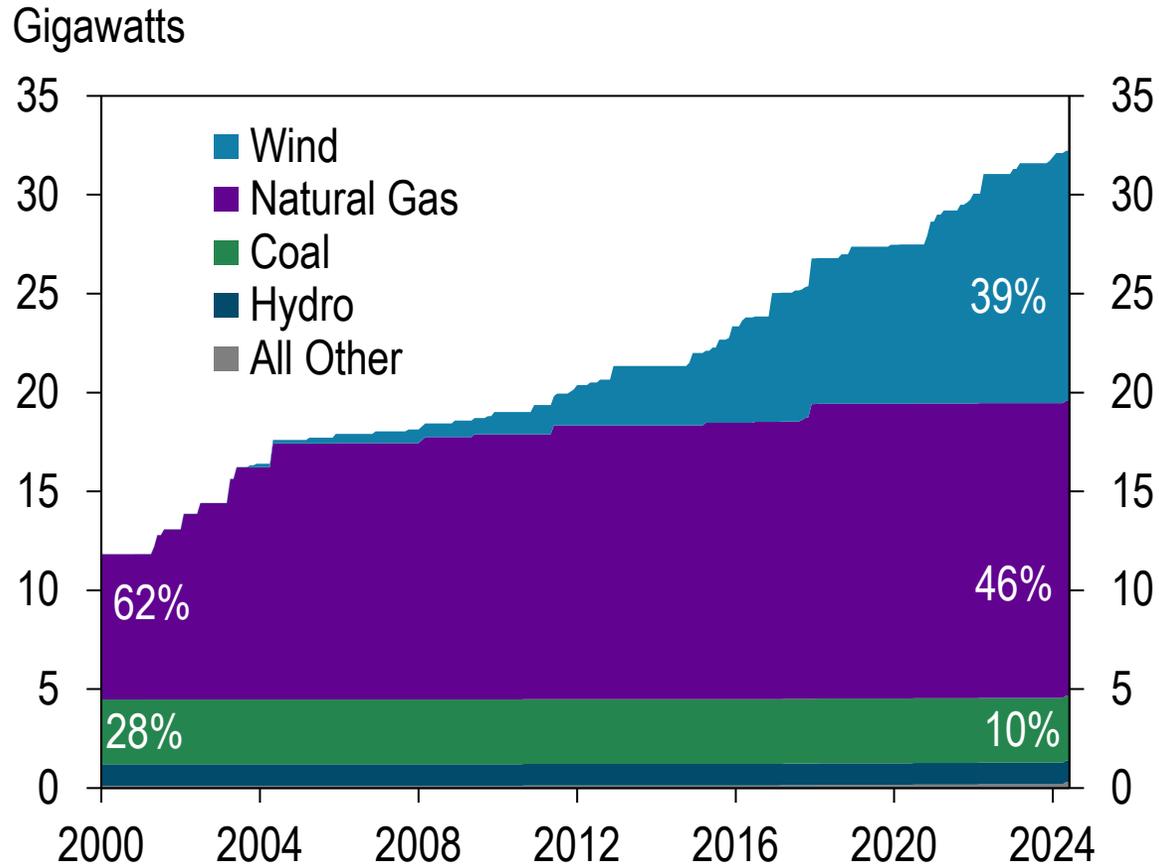
Oil prices have stayed rangebound but fell recently, while natural gas prices rose above profitable levels

U.S. Energy Prices

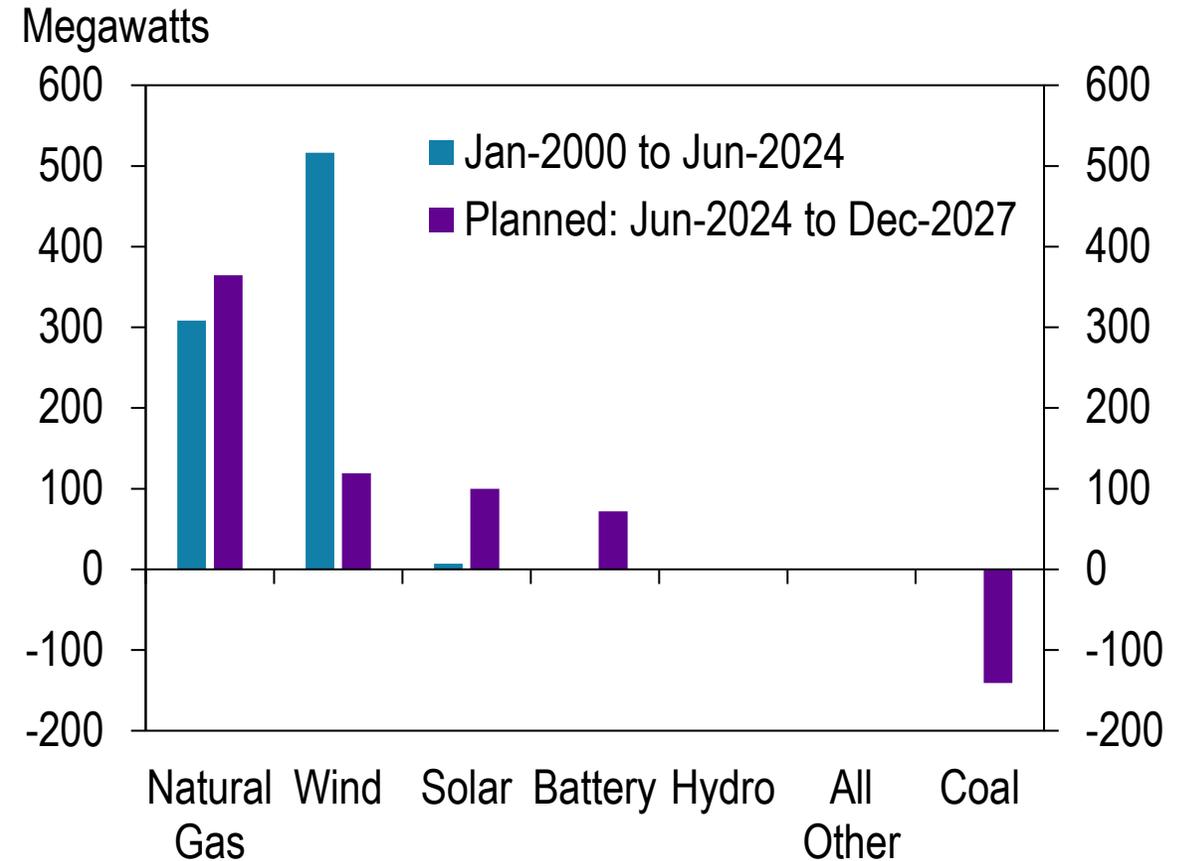


Wind energy has greatly increased Oklahoma's electricity generation capacity, but the pace of planned projects has slowed

Oklahoma Electricity Generation Capacity

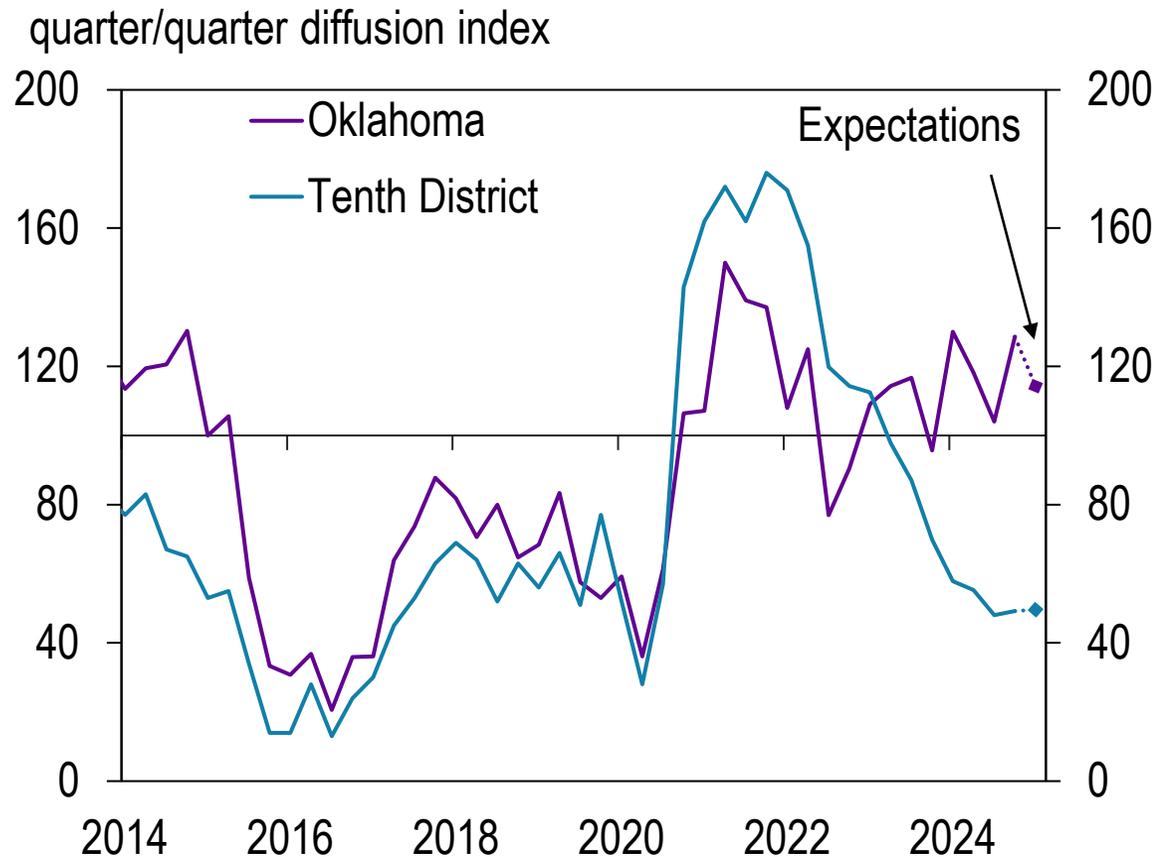


Oklahoma Annualized Net Capacity Additions

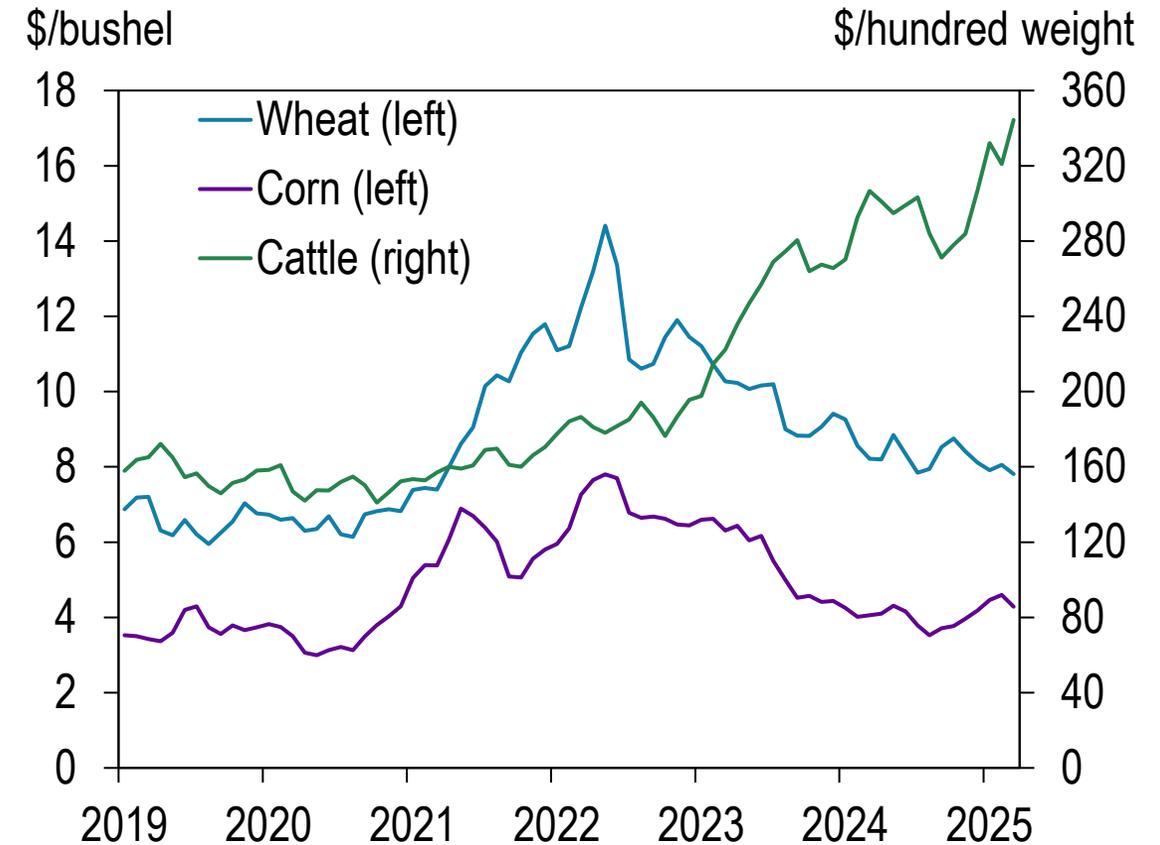


Oklahoma farm income grew in Q4 while it declined in other District states, partially due to higher cattle prices

Farm Income



Agricultural Commodity Prices



Summary

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Questions?

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