

U.S. and Oklahoma Economic Outlook

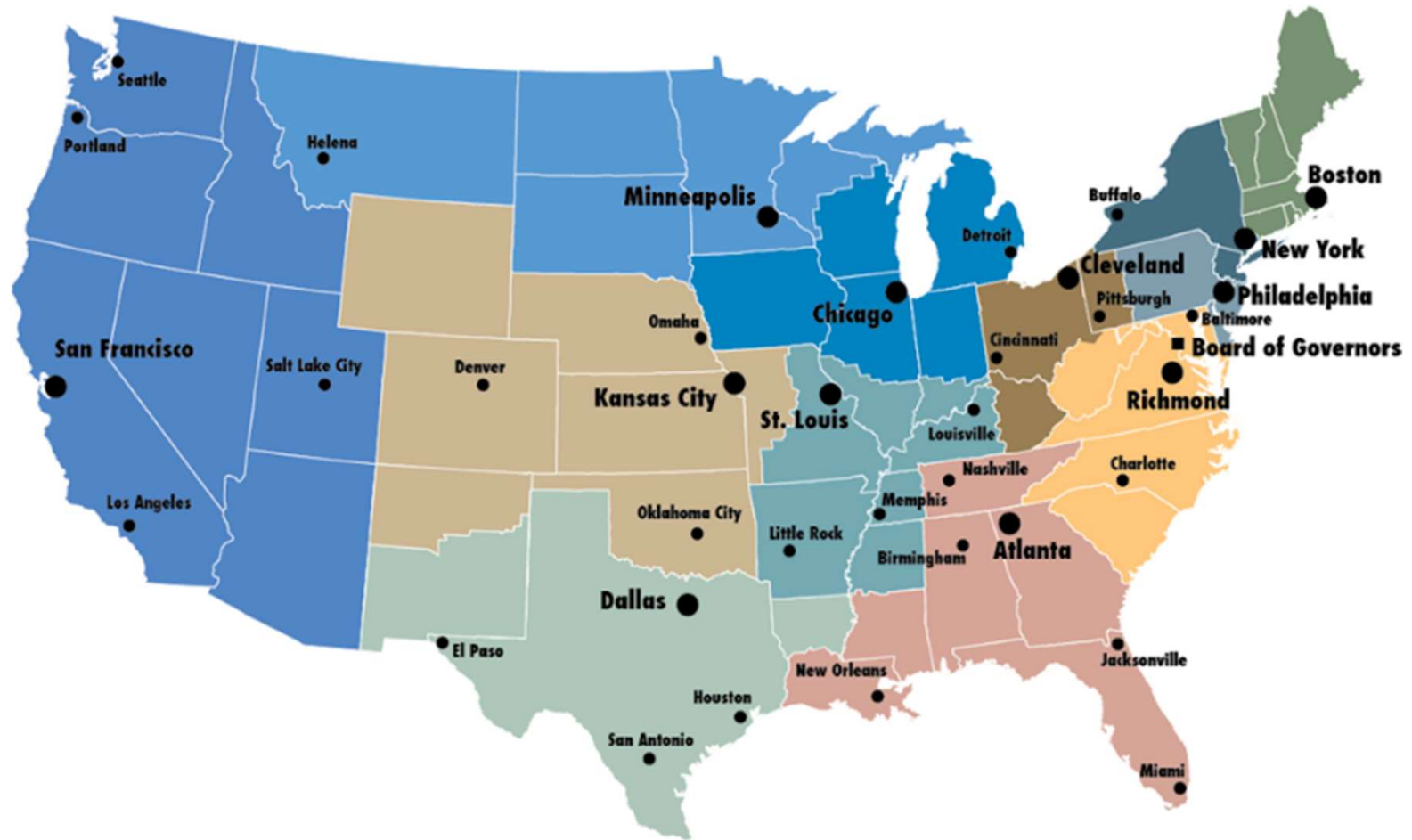
*Norman Business Association
May 14, 2021*

Chad Wilkerson
Vice President and 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



The “Fed” consists of three main entities:

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent by design
- Federal Open Market Committee: 19 members; 12 voting

Primary responsibility areas:

- Monetary policy
- Bank regulation
- Financial services



The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity

OKC BRANCH 100

- **2020 was our Centennial**
- **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 programming for low and moderate income groups, workforce focus
 - Economic education and public outreach programming
- **2021 OKC Fed Branch Board of Directors**
 - **Tina Patel (chair)**, Co-Owner & CFO, Promise Hotels, Tulsa
 - **Walt Duncan**, President, Duncan Oil Properties, Oklahoma City
 - **Susan Plumb**, Chair & CEO, Bank of Cherokee County, Tahlequah
 - **Brady Sidwell**, Principal, Sidwell Strategies, Enid
 - **Chris Turner**, President & CFO, First State Bank, Oklahoma City
 - **Katrina Washington**, Owner/Broker, Stratos Realty, Oklahoma City
 - **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



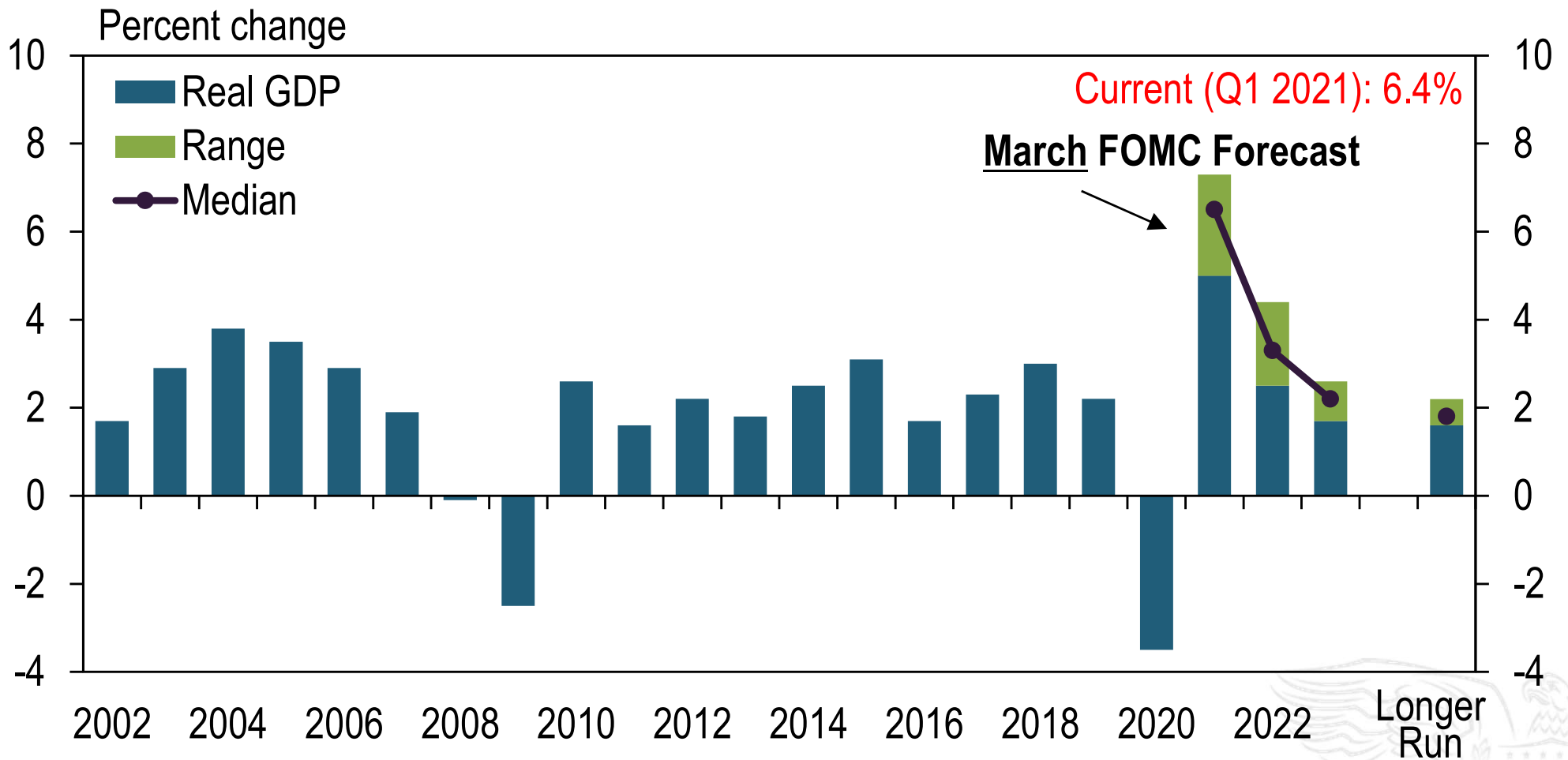
Overview

- The U.S. and Oklahoma economies are growing solidly again after stalling at the end of last year, and unemployment in the Norman area is down to 3.5%
- The pace and trajectory of economic recovery is still linked to pandemic and vaccine risks, but a strong bounce-back may continue
- Most sectors are growing in Oklahoma, but jobs remain below pre-pandemic levels, especially lower-paying ones



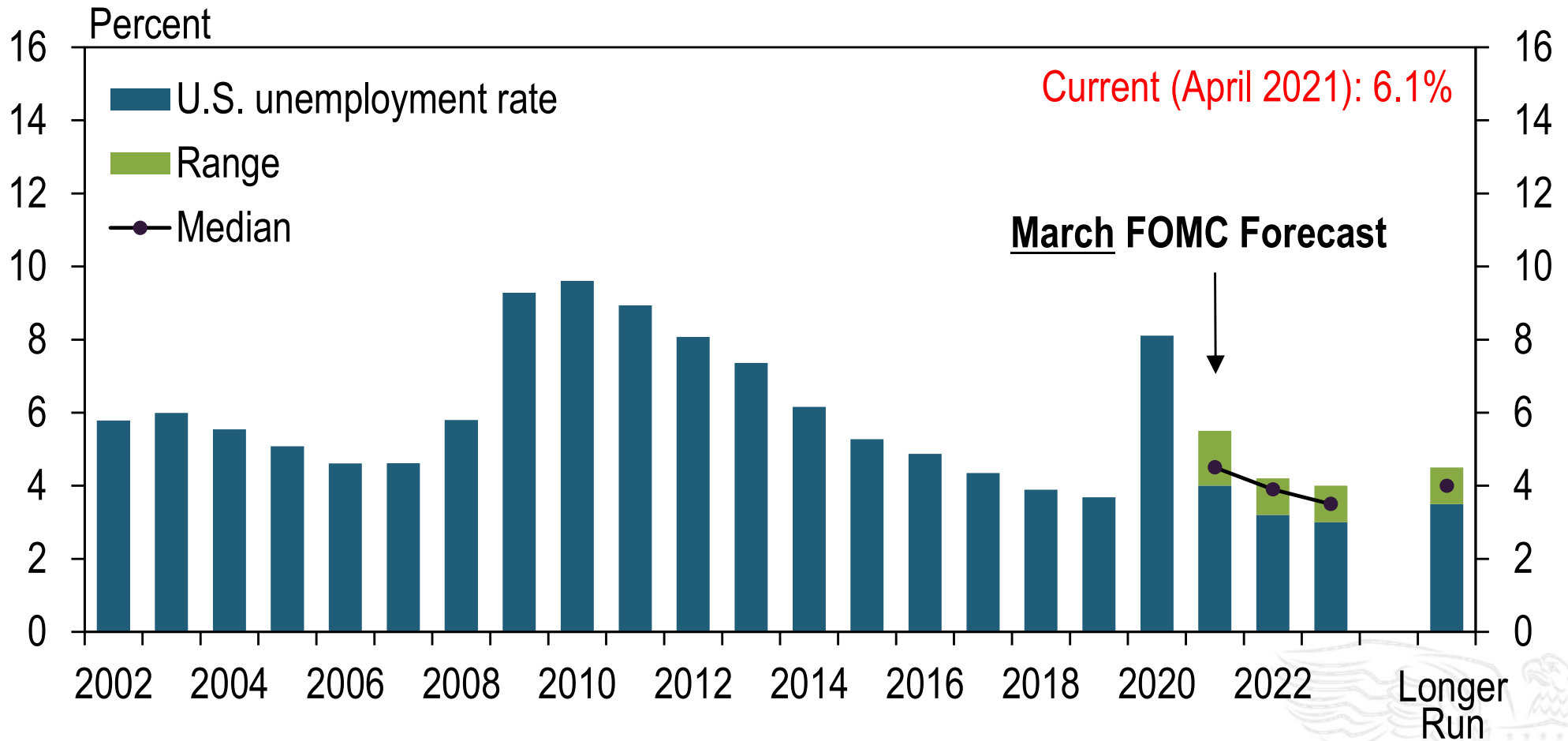
Apr. FOMC: “Amid progress on vaccinations and strong policy support... economic activity [has] strengthened.”

Change in Real GDP



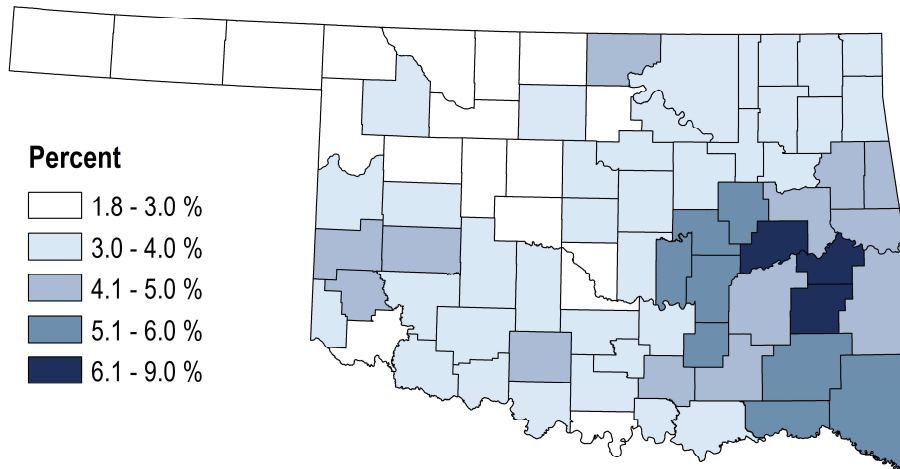
Apr. FOMC: “The ongoing public health crisis continues to weigh on... employment... [with] considerable risks.”

U.S. Unemployment Rate

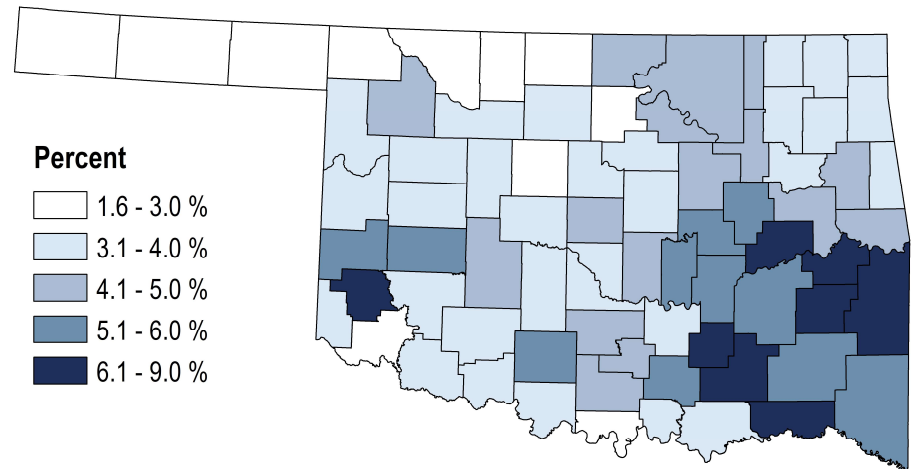


Oklahoma unemployment is down to nearly 4%, and 90% of counties have lower unemployment than the U.S.

**Unemployment Rates
March 2020**



**Unemployment Rates
March 2021**



March 2020

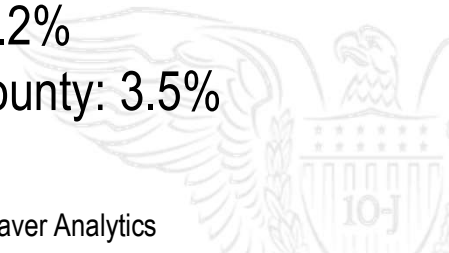
U.S.: 4.5%
 Oklahoma: 3.2%
 Cleveland County: 2.7%

April 2020 (Peak)

U.S.: 14.8%
 Oklahoma: 13.0%
 Cleveland County: 12.5%

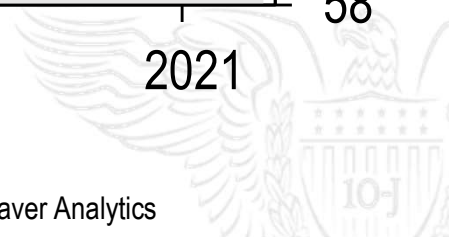
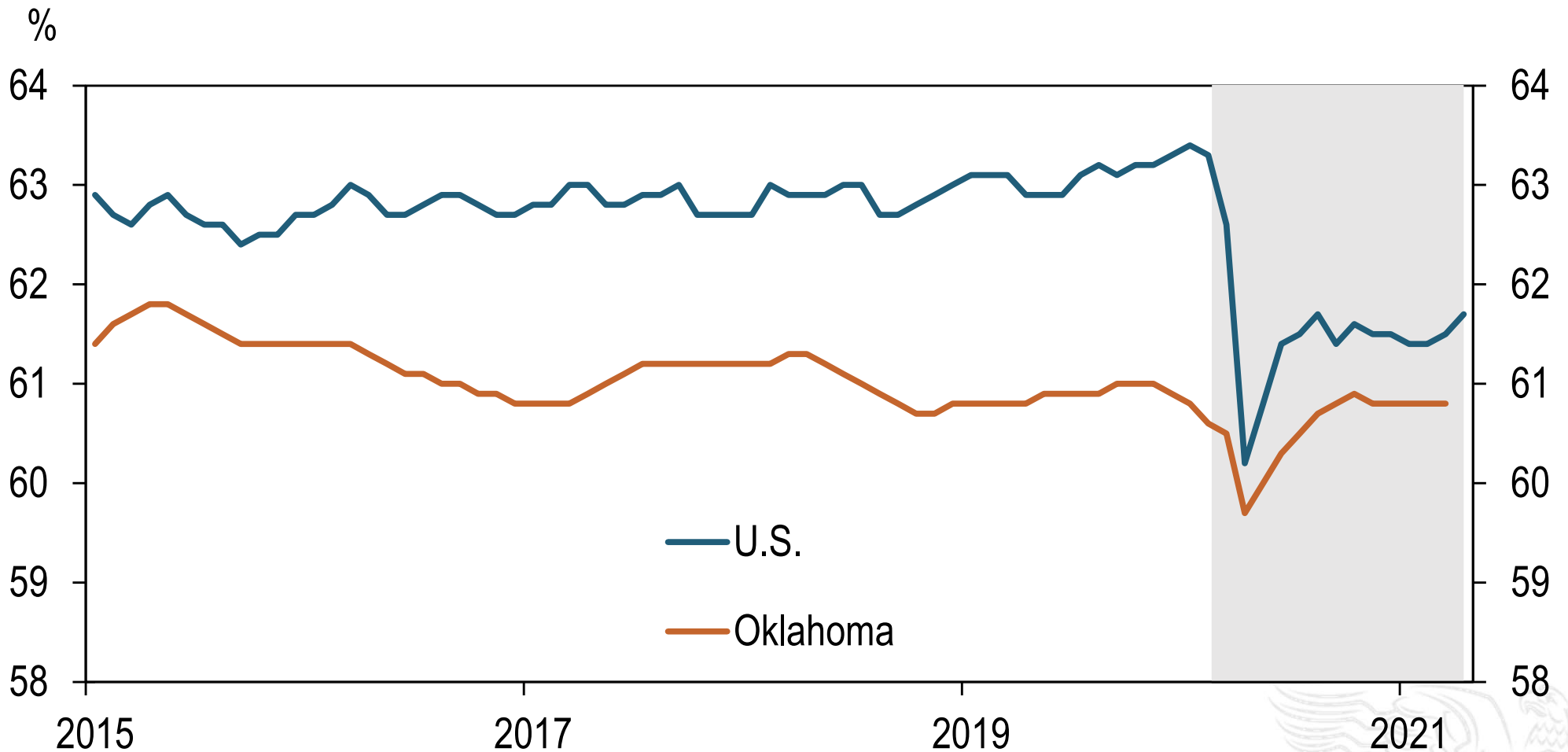
March 2021

U.S.: 6.0%
 Oklahoma: 4.2%
 Cleveland County: 3.5%



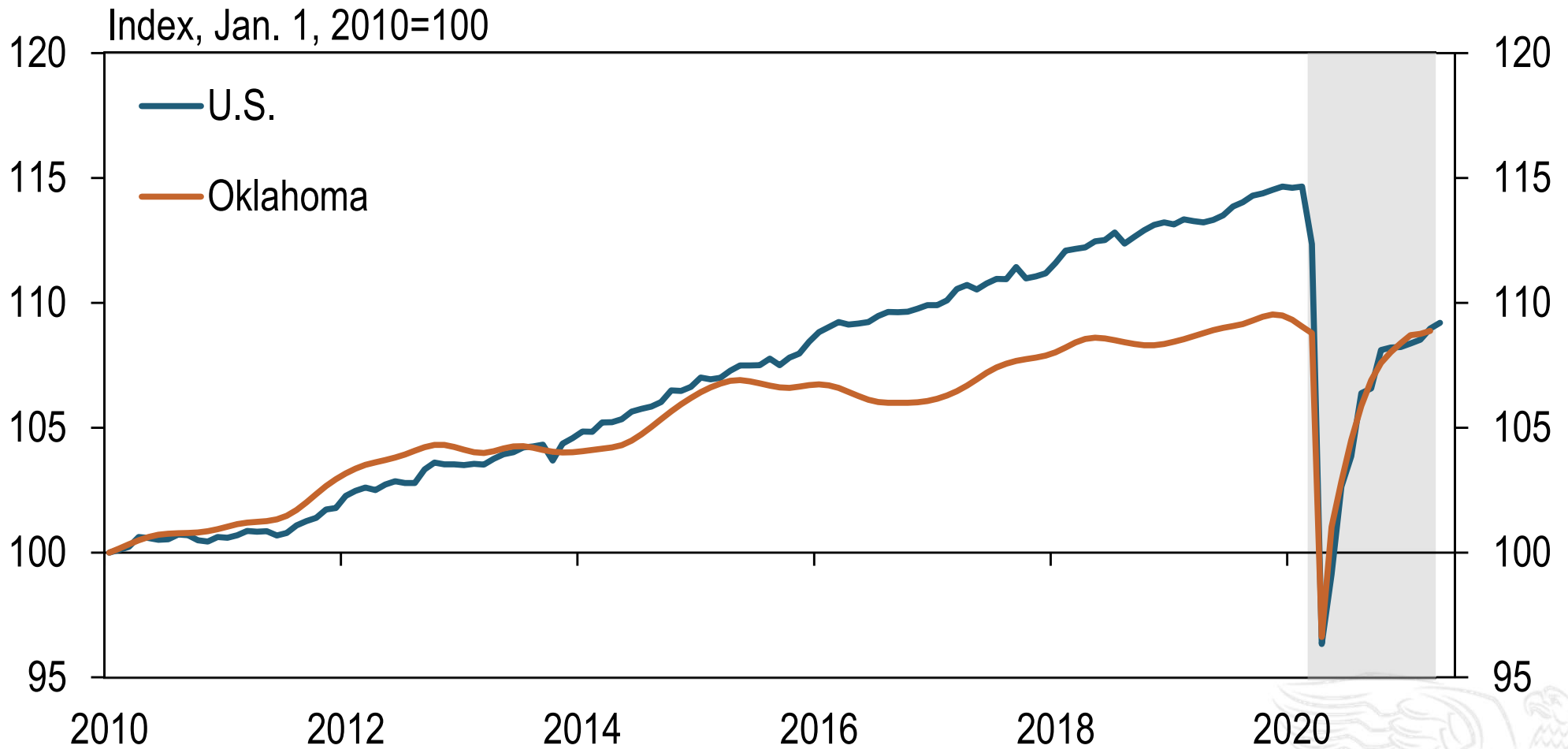
The state's labor force participation rate was only slightly below pre-pandemic levels, but down from 2015

Labor Force Participation Rates, SA



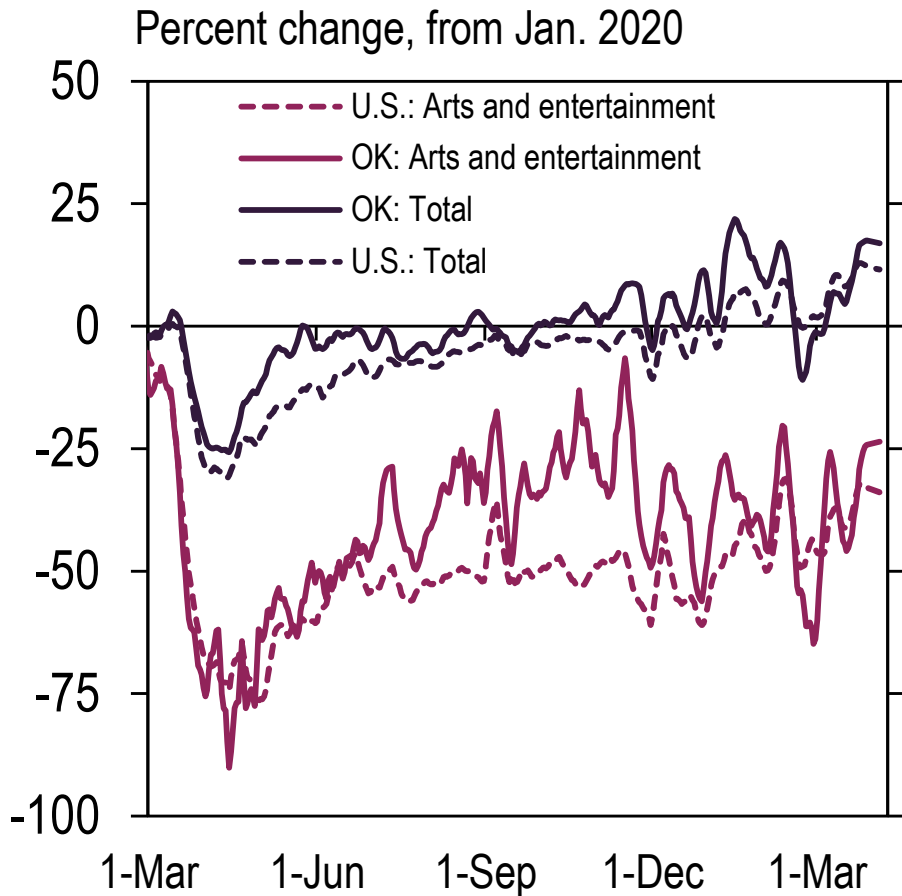
Still, jobs remain down from a year ago in both the nation and state

Nonfarm Payroll Employment Growth

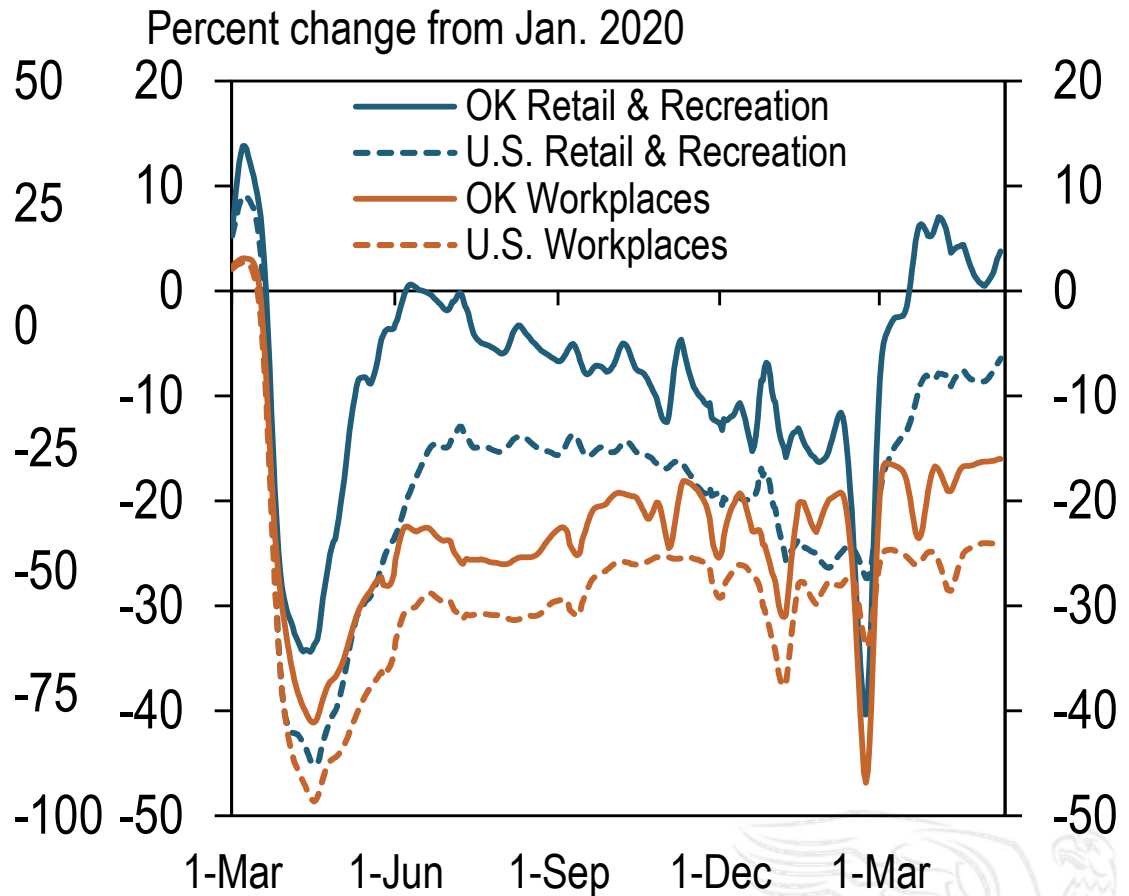


Consumer spending and retail and recreation foot traffic have rebounded in Oklahoma, but unevenly

Consumer Spending

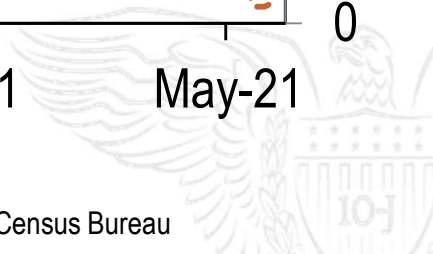
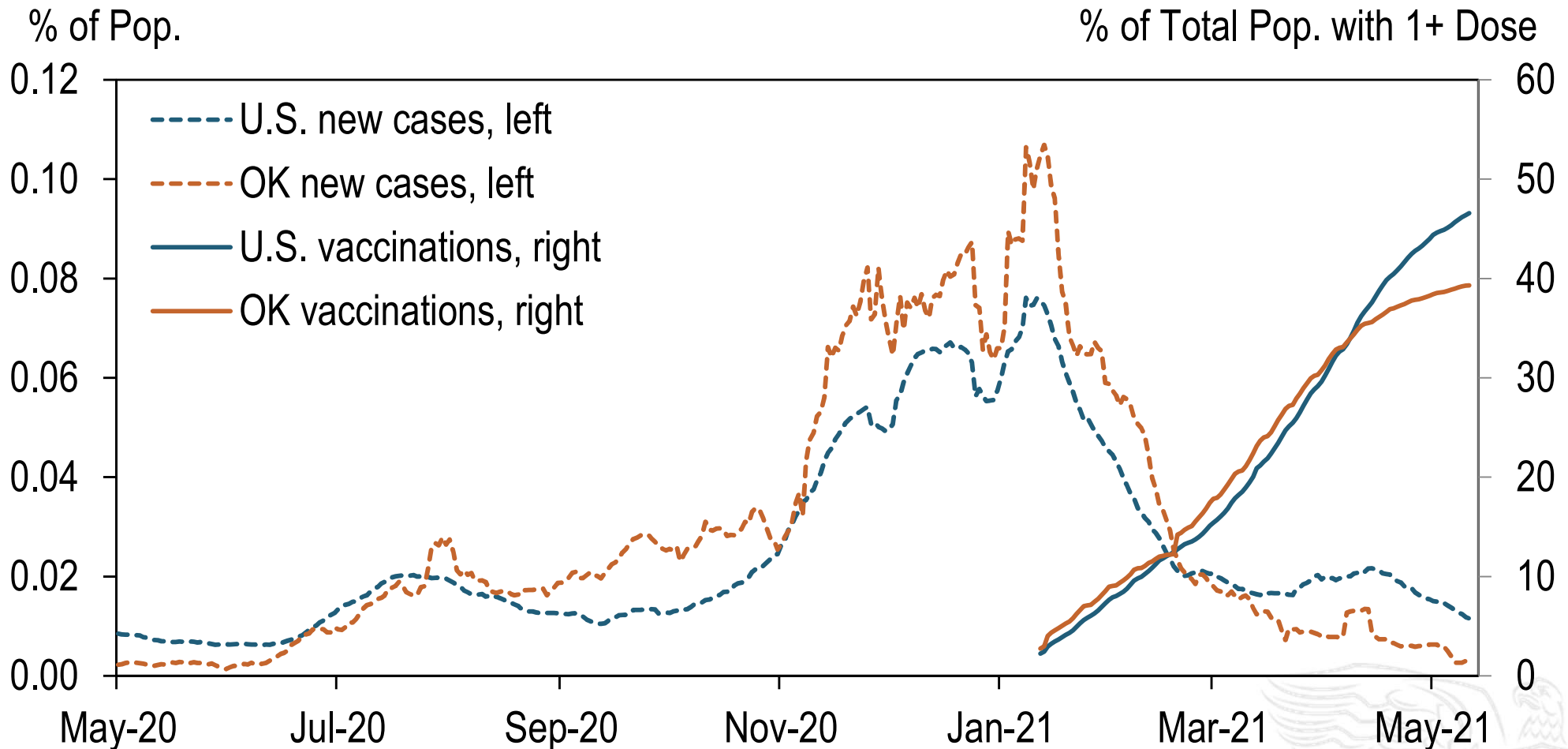


Google Mobility Data



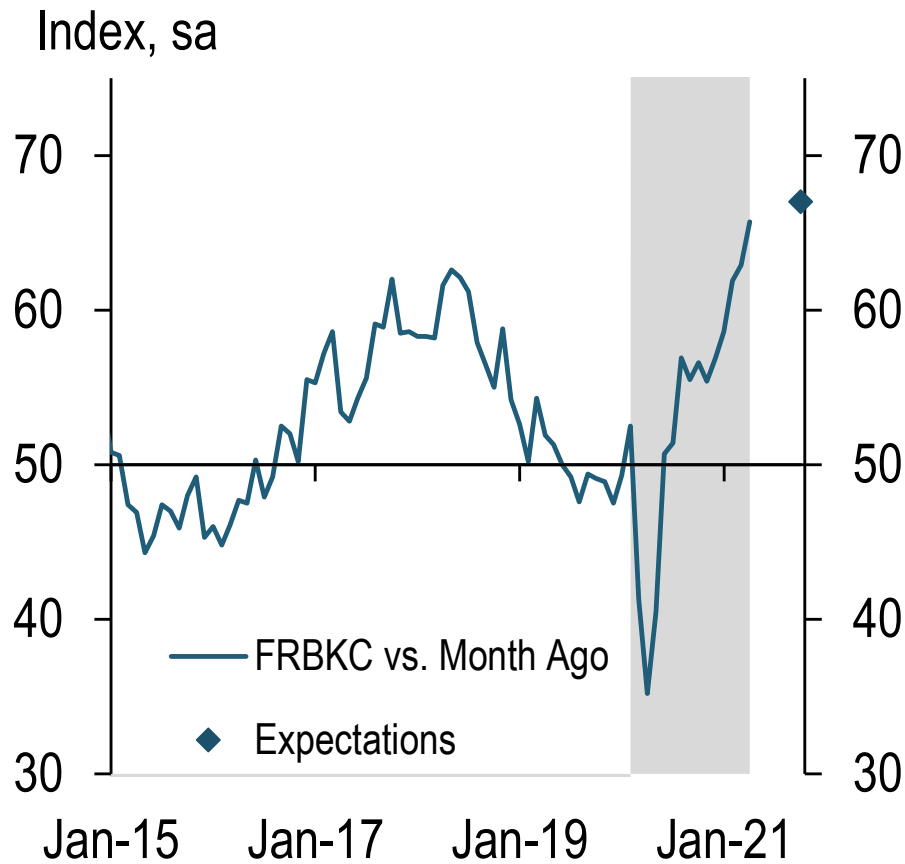
The vaccination rollout in Oklahoma has leveled off more than in the U.S., but cases are down considerably

Cases and Vaccination Rates by Population, May 11, 2021

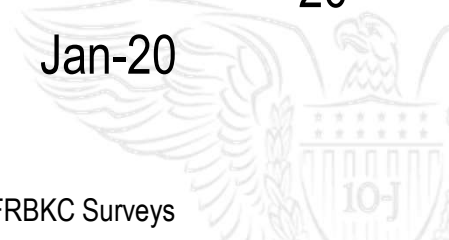
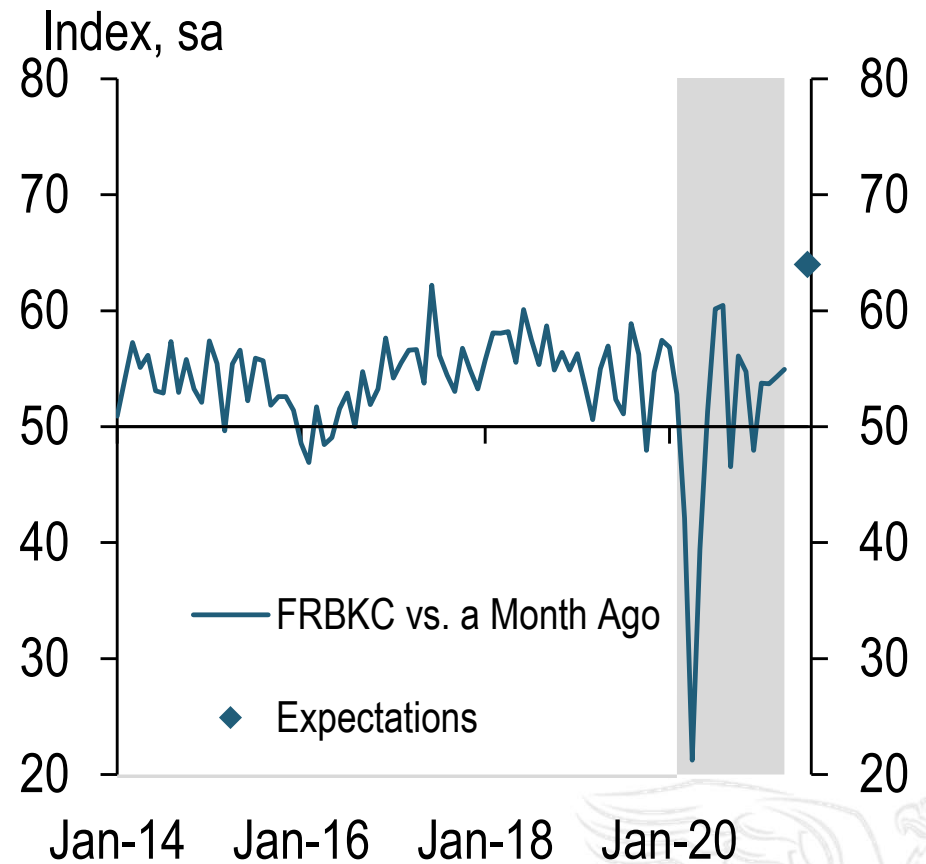


Regional factory and services activity are up, and future expectations are high, especially in manufacturing

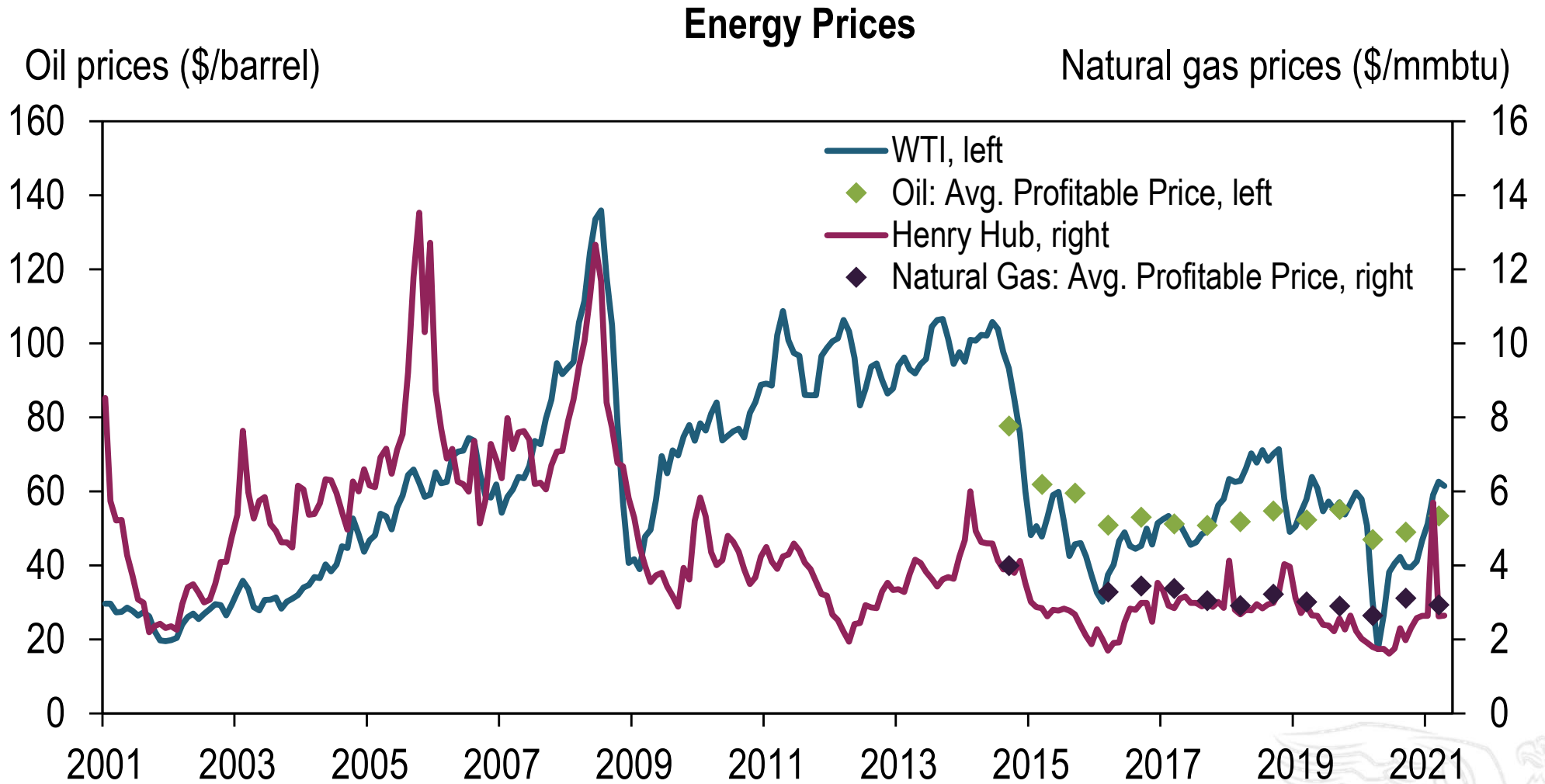
Manufacturing Survey Composite Indexes



Services Survey Composite Indexes

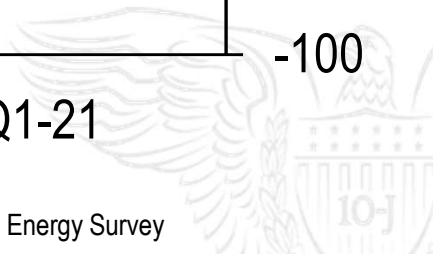
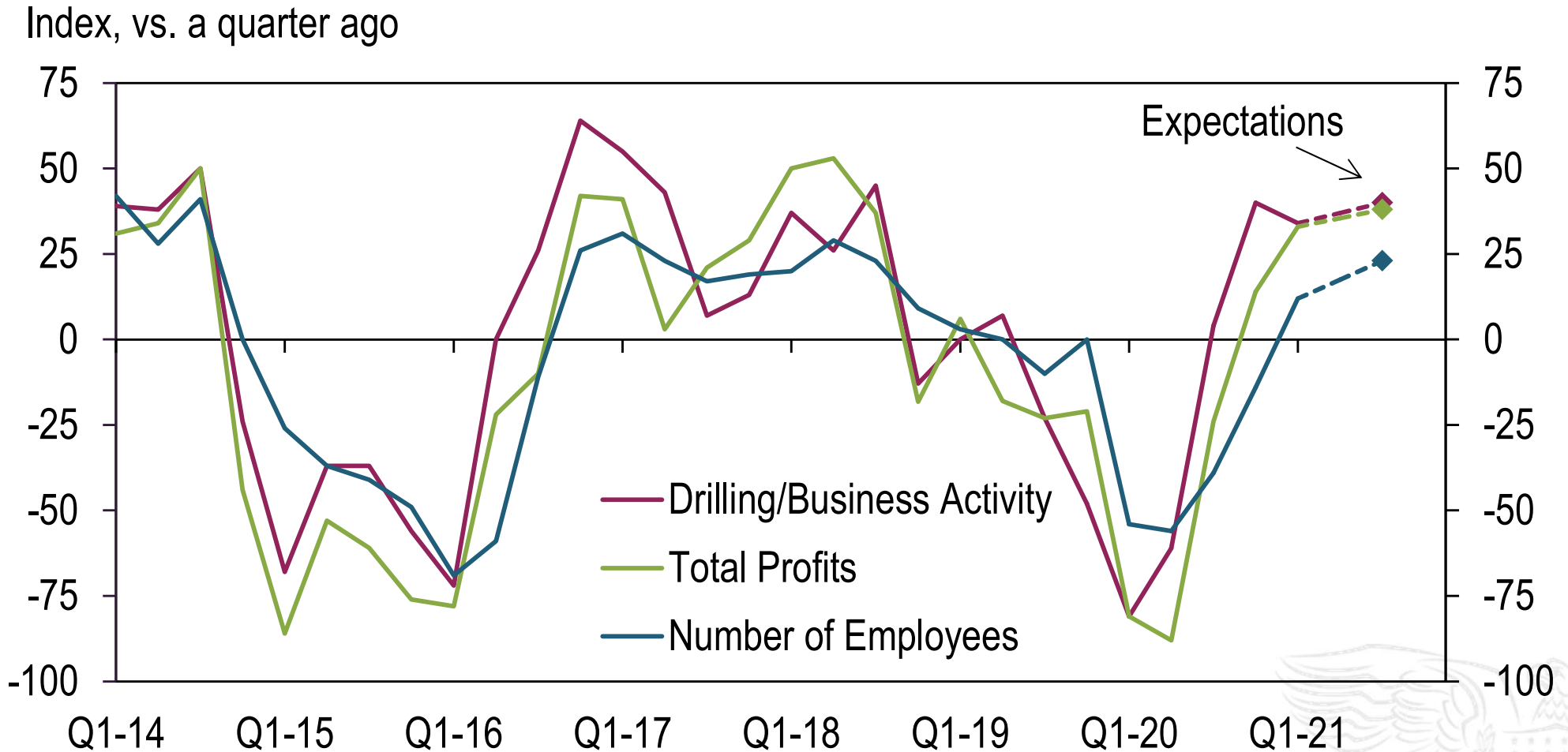


Oil prices have recently returned to profitable levels for most regional firms, while gas prices have stabilized



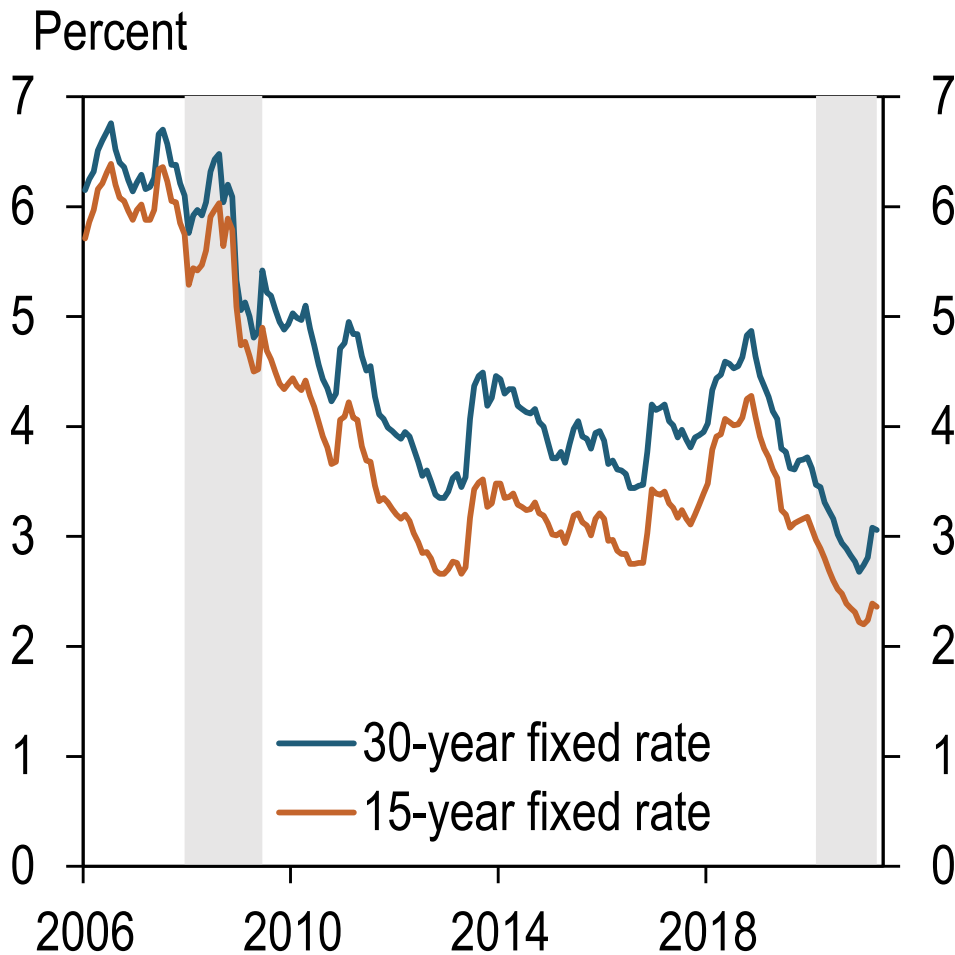
COVID-19 hurt oil and gas activity in the region, but firms have become more optimistic about 2021

FRBKC Energy Survey Indexes

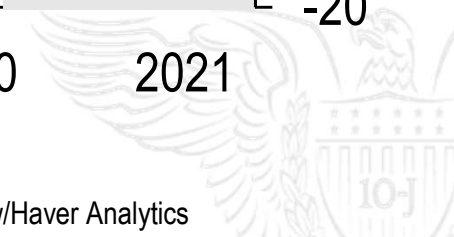
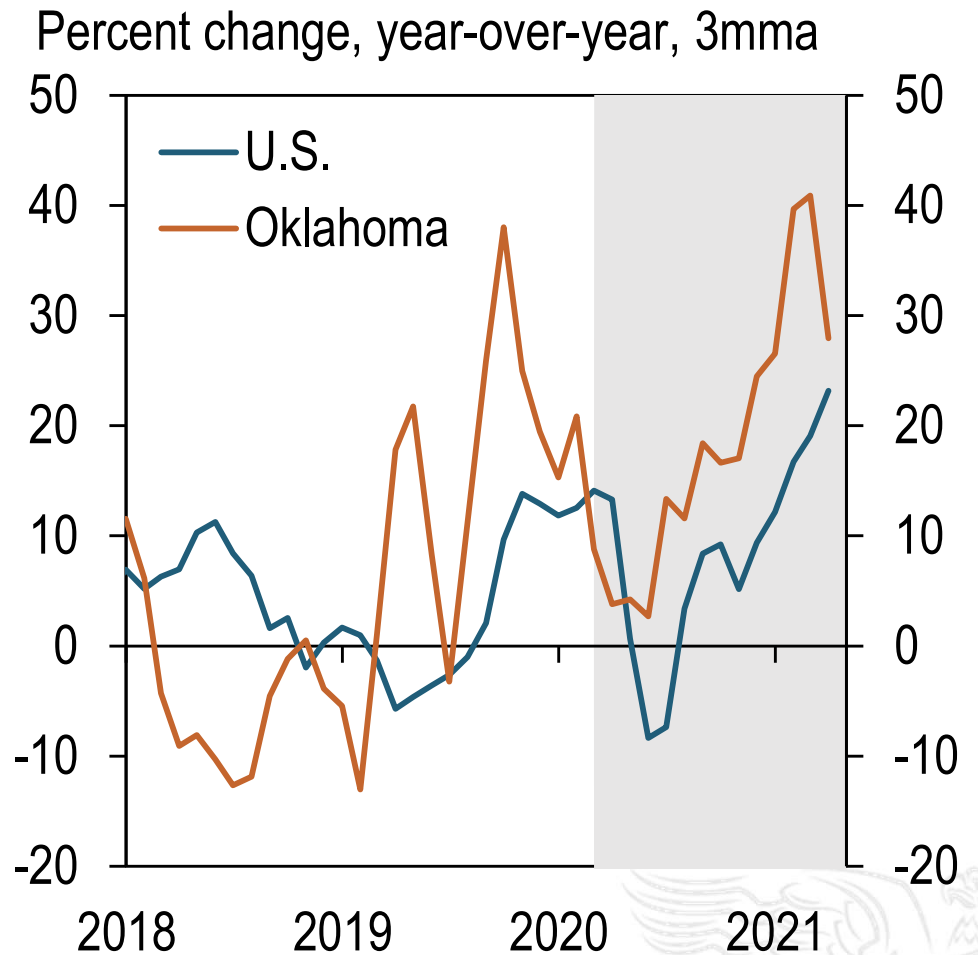


Low mortgage rates have contributed to strong housing activity in Oklahoma since last spring as well

Mortgage Rates

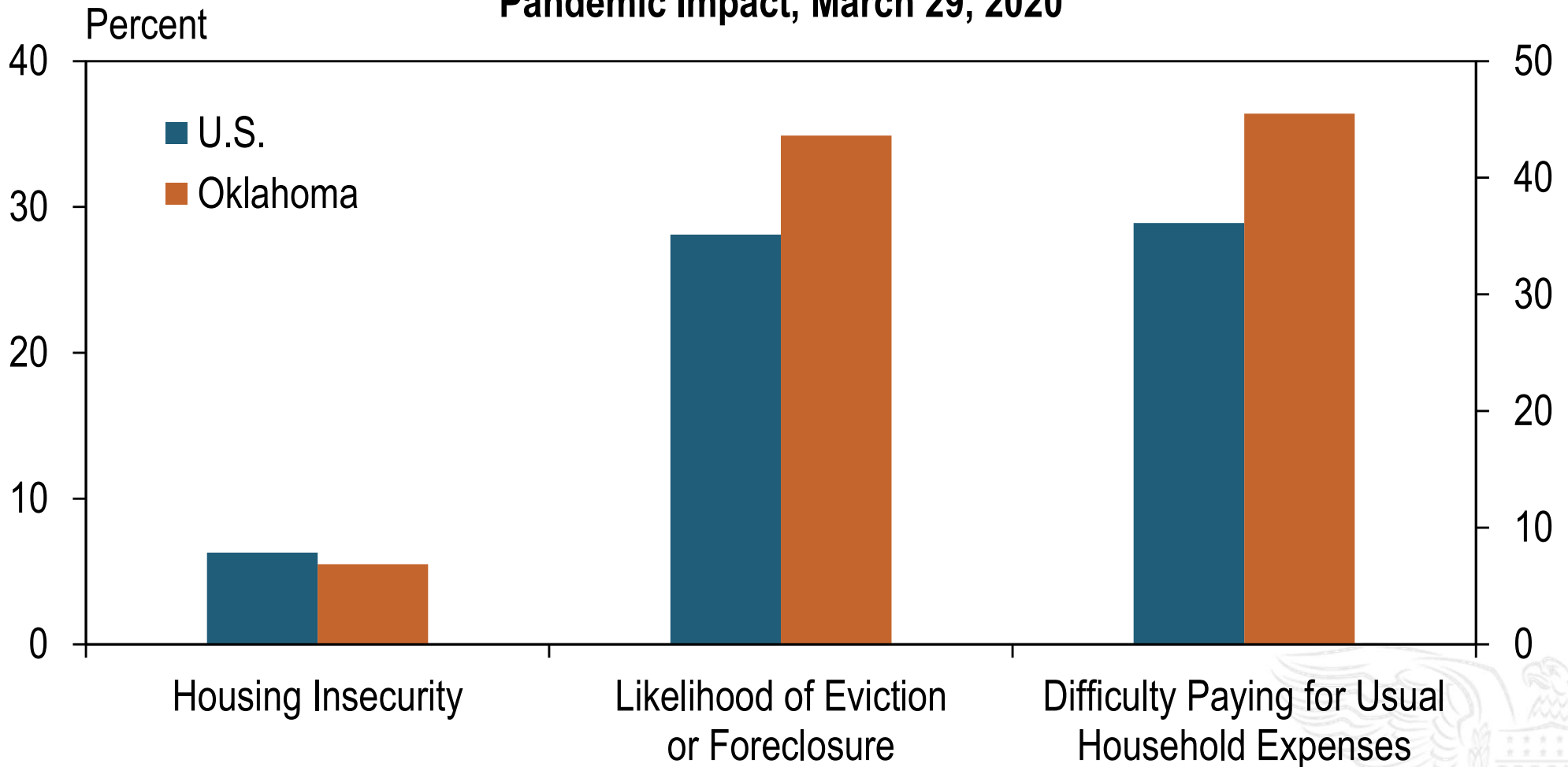


New Housing Permits



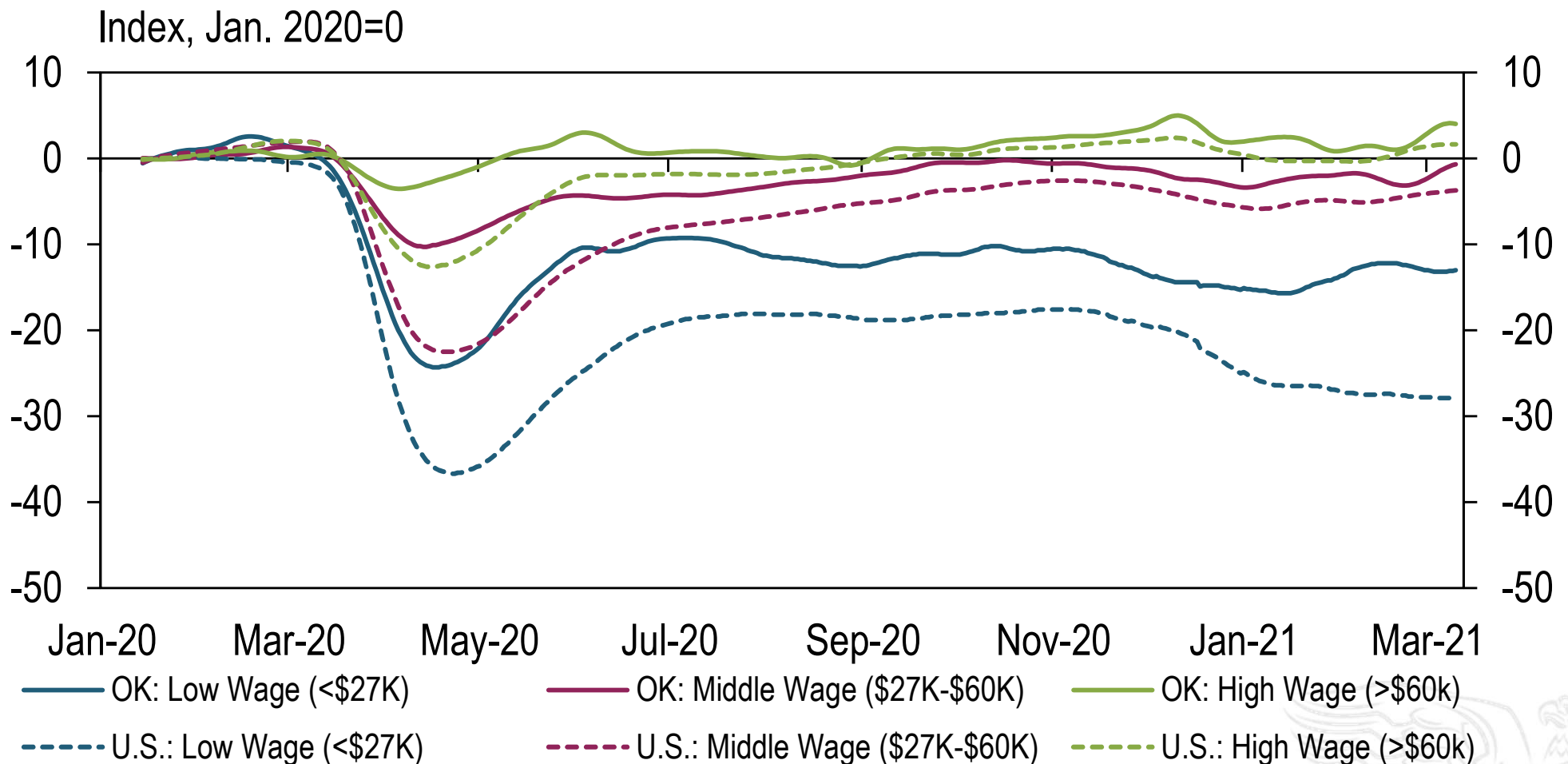
Still, many Oklahomans are at risk of eviction and are struggling to pay household expenses

Household Pulse Survey
Pandemic Impact, March 29, 2020



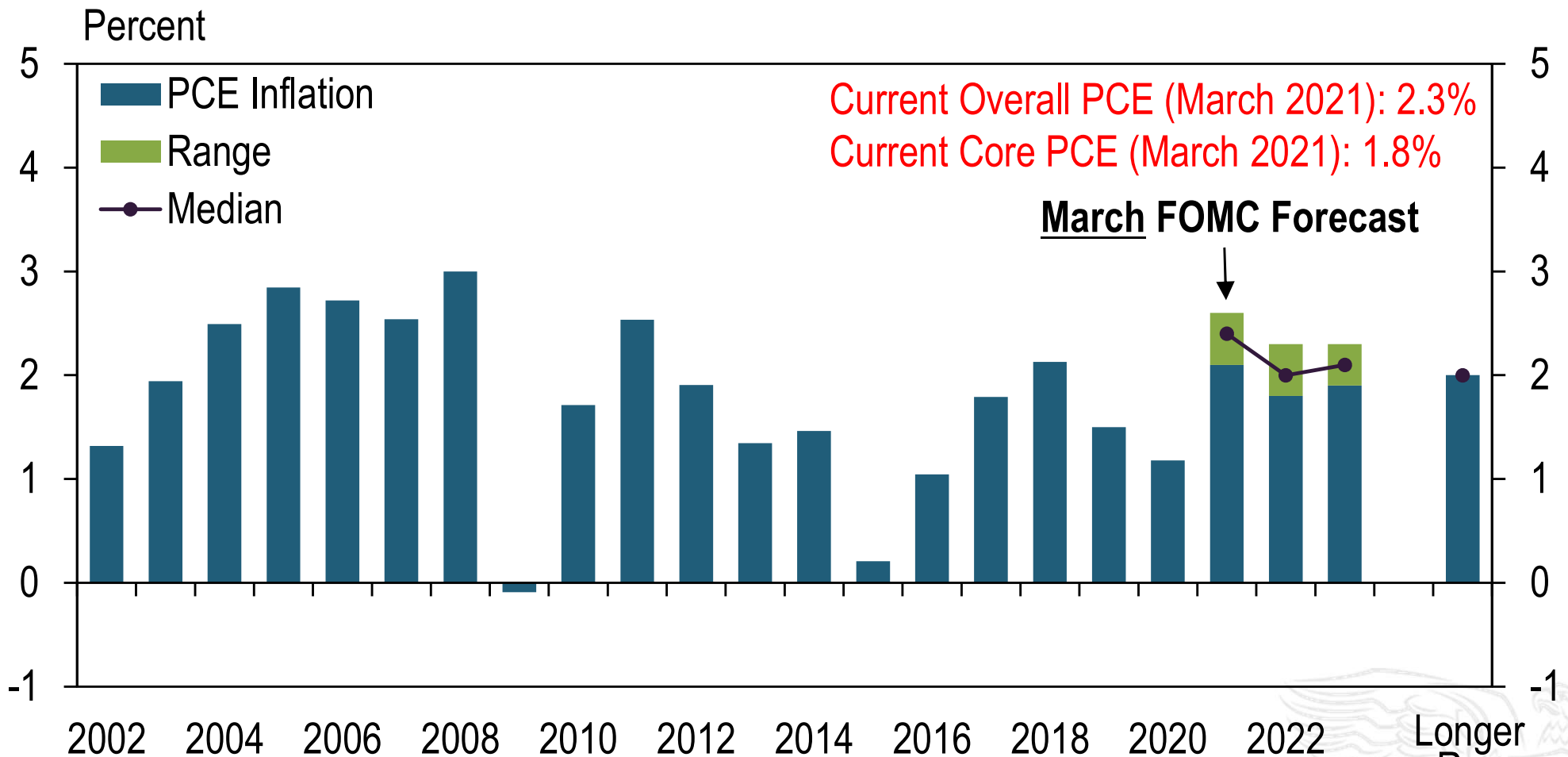
Job growth continues to vary widely by wage level, with the lowest-paying jobs down the most

Employment by Income Level



Apr. FOMC: “Inflation has risen, largely reflecting transitory factors.”

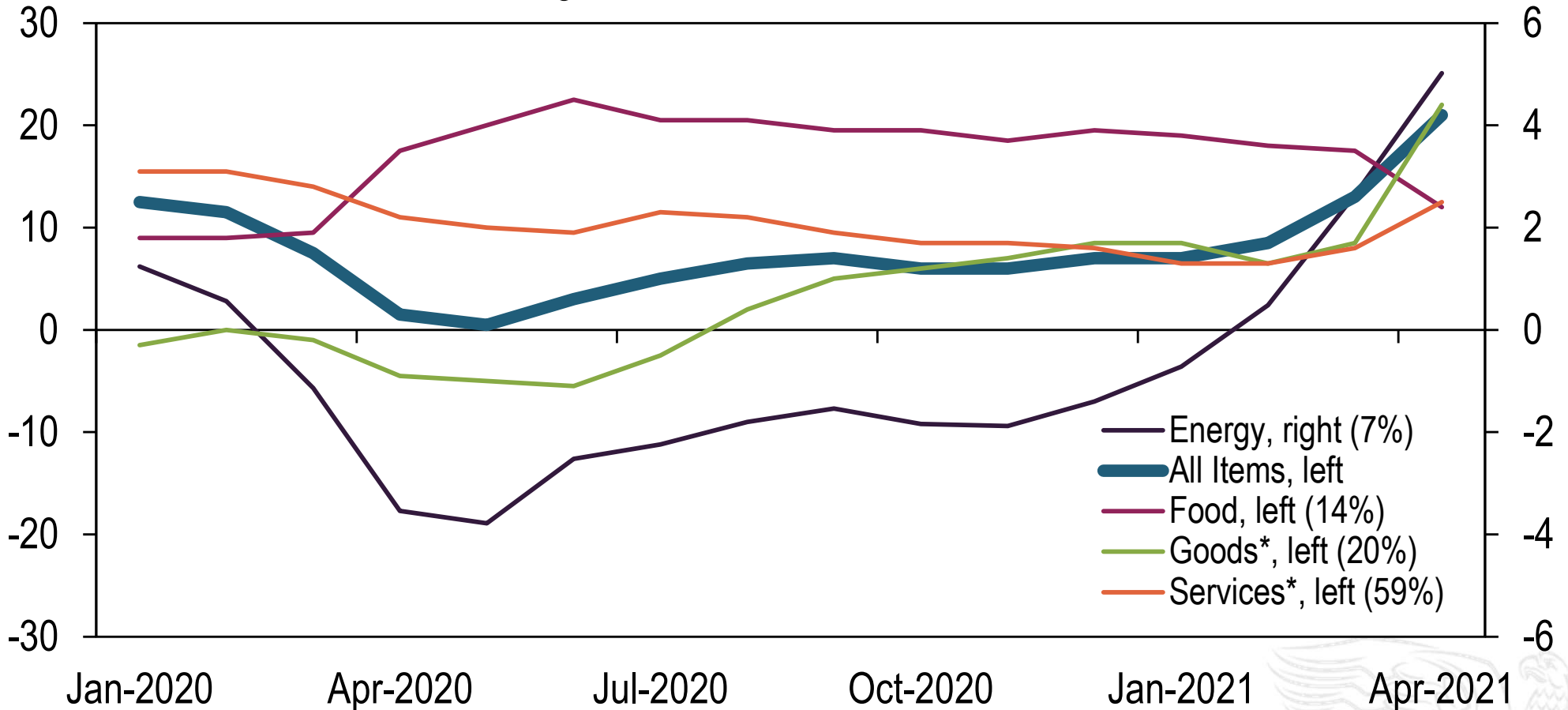
PCE Inflation Index



Energy prices increased the most as a component of inflation recently, and other components have risen too

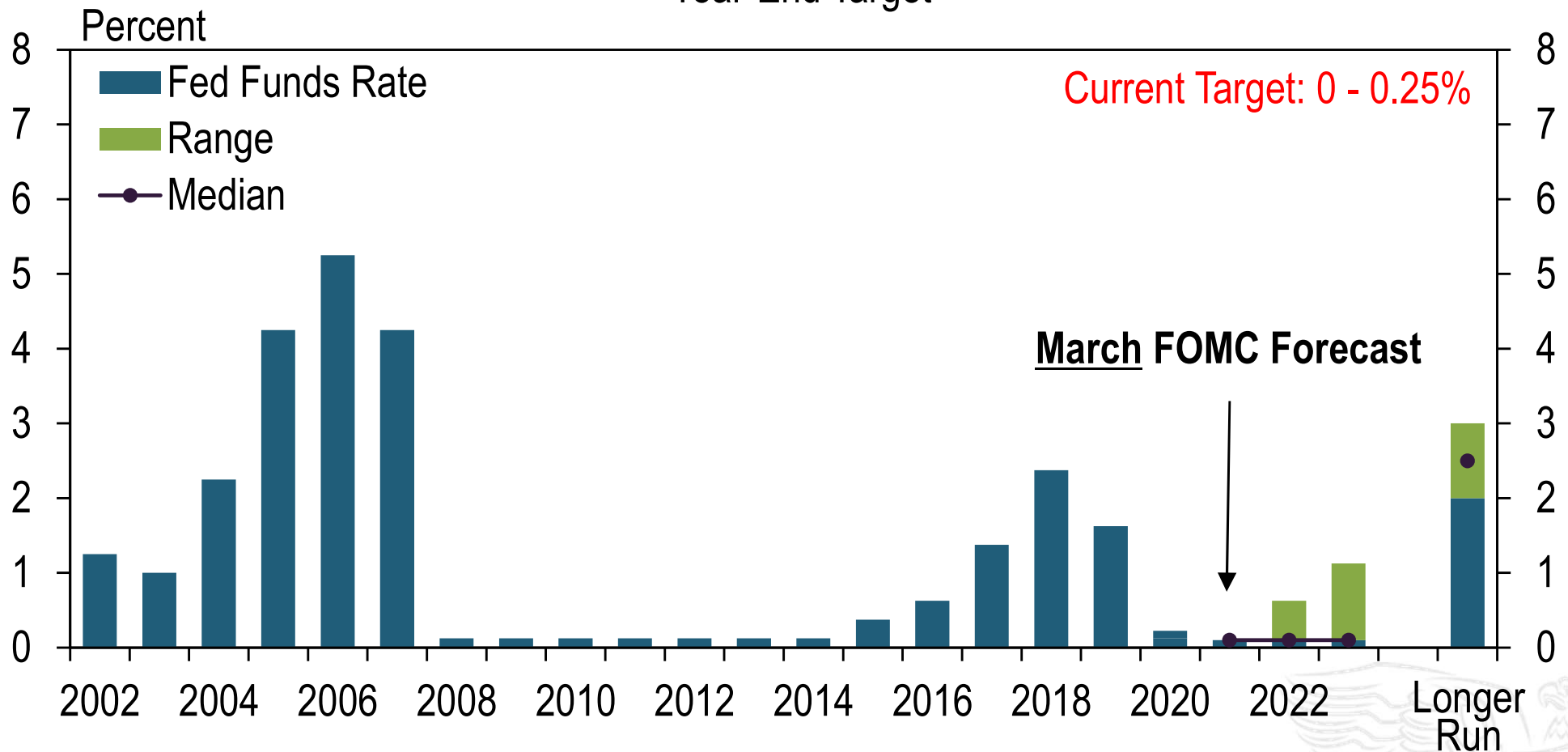
Consumer Price Index

Index, 1982-1984=100, Y/Y % Chg



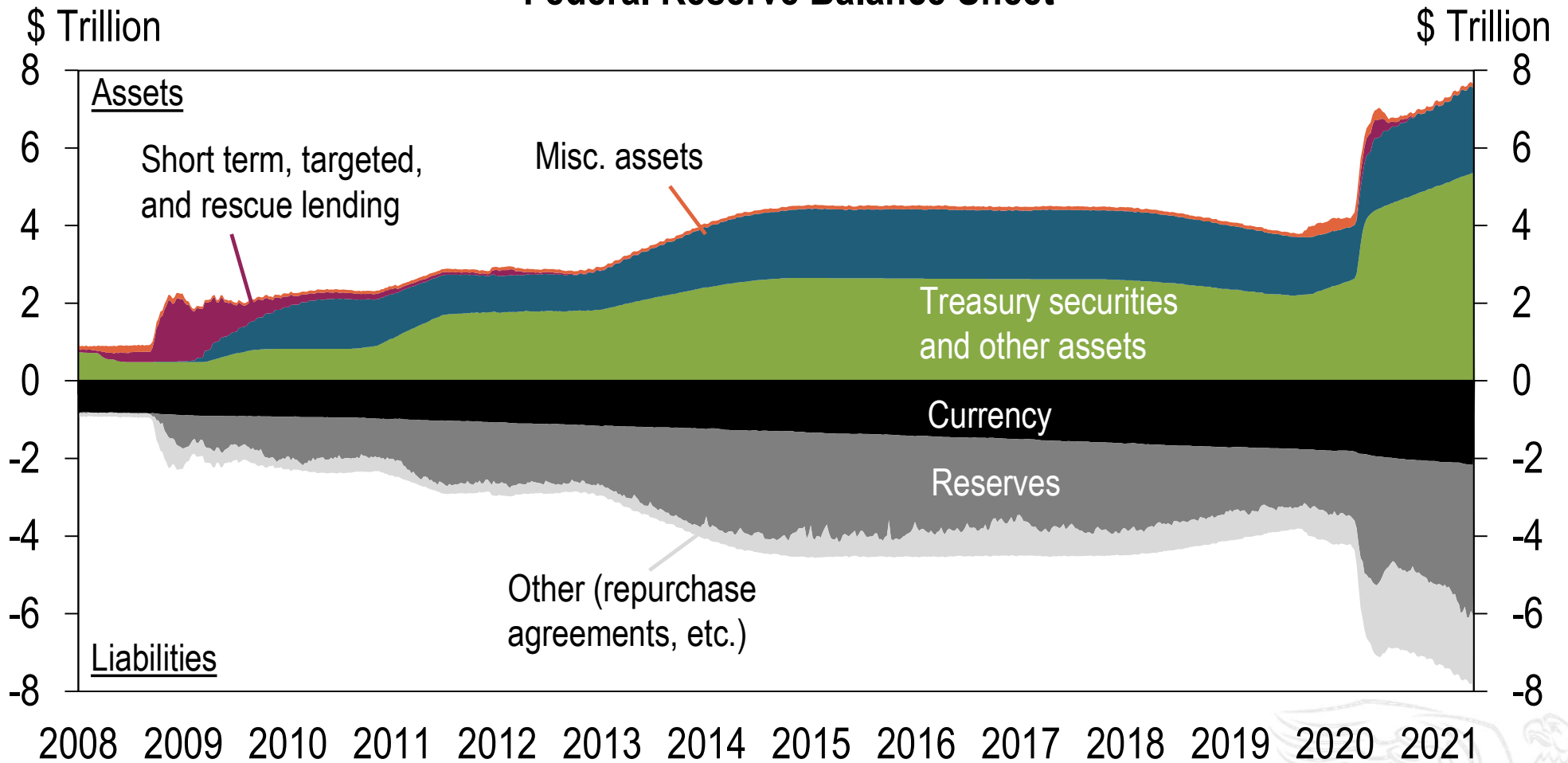
Apr. FOMC: “The [FOMC] decided to... maintain this target until... maximum empl. and inflation... on track.”

Federal Funds Rate
Year-End Target



The Fed's balance sheet continues to steadily increase

Federal Reserve Balance Sheet



Summary

- The U.S. and Oklahoma economies are growing solidly again after stalling at the end of last year, and unemployment in the Norman area is down to 3.5%
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Questions?

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