

U.S. and Oklahoma Economic Outlook

Oklahoma Coalition for Affordable Housing
May 25, 2022

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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.



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

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- **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/moderate income groups, workforce focus
 - Economic education and public outreach programming
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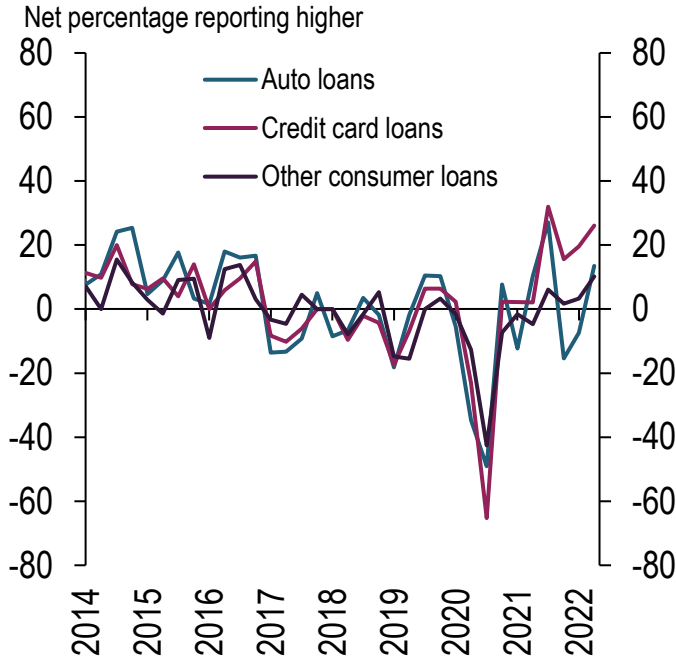
Overview

- The U.S. economy is solid, with strong demand in many sectors and low unemployment, but inflation is too high
- Several factors have boosted inflation over the past year, and several factors should help bring it back down
- Oklahoma's economy continues to recover, but jobs remain below pre-pandemic levels, especially in energy
- Oklahoma had record in-migration in 2021, helping offset record deaths and hopefully boosting the future workforce

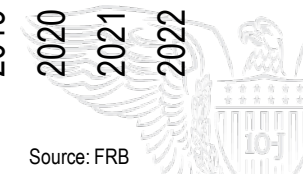
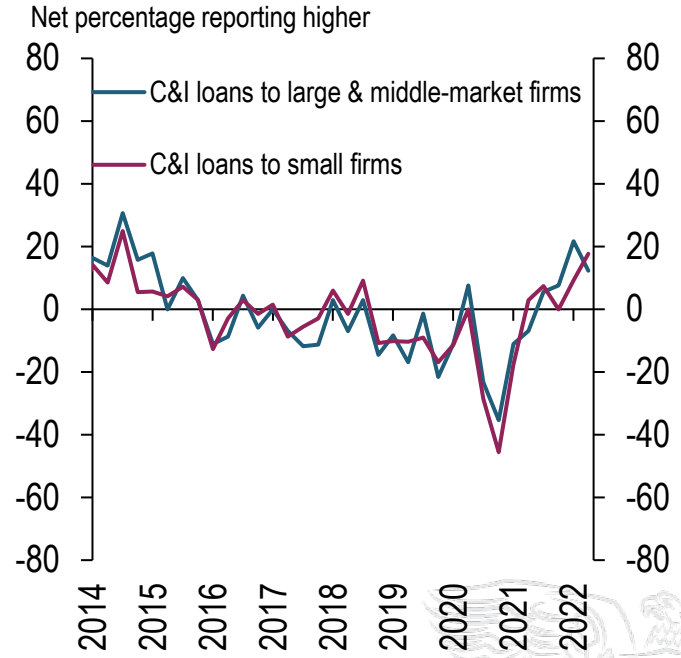


Demand for consumer credit was high in Q1 2022, while business financing also remained in high demand

Demand for Financing: Consumers

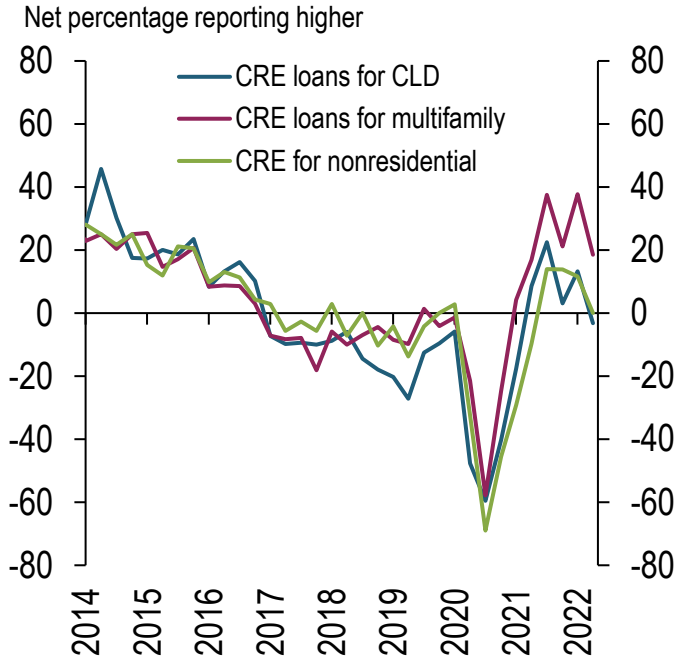


Demand for Financing: Business

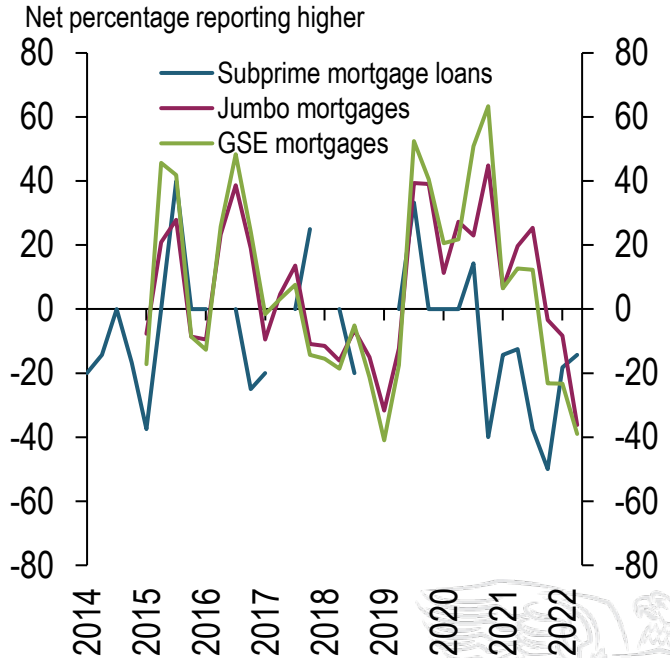


Demand for commercial real estate financing slowed slightly in Q1, while residential demand declined

Demand for Financing: Commercial Real Estate

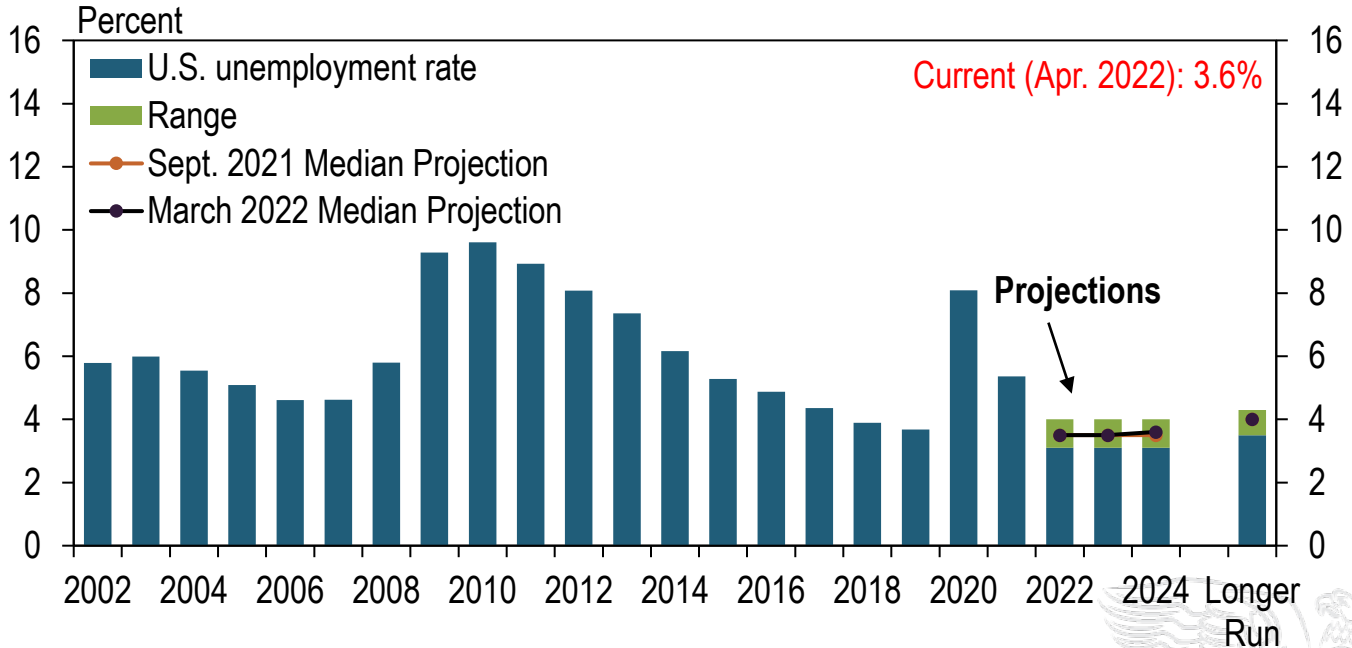


Demand for Financing: Residential Real Estate



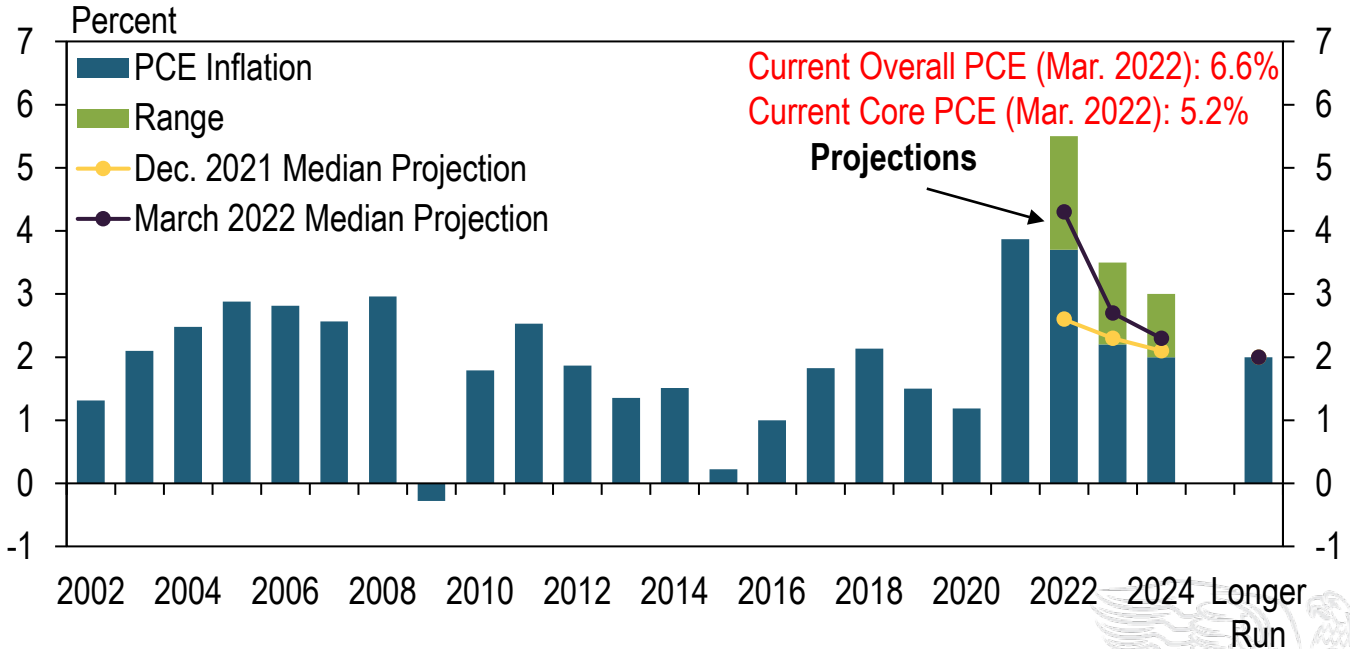
U.S. unemployment remains historically low and is projected to remain very low in coming years

U.S. Unemployment Rate



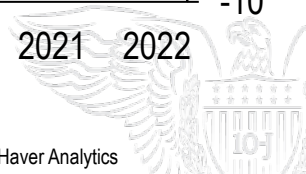
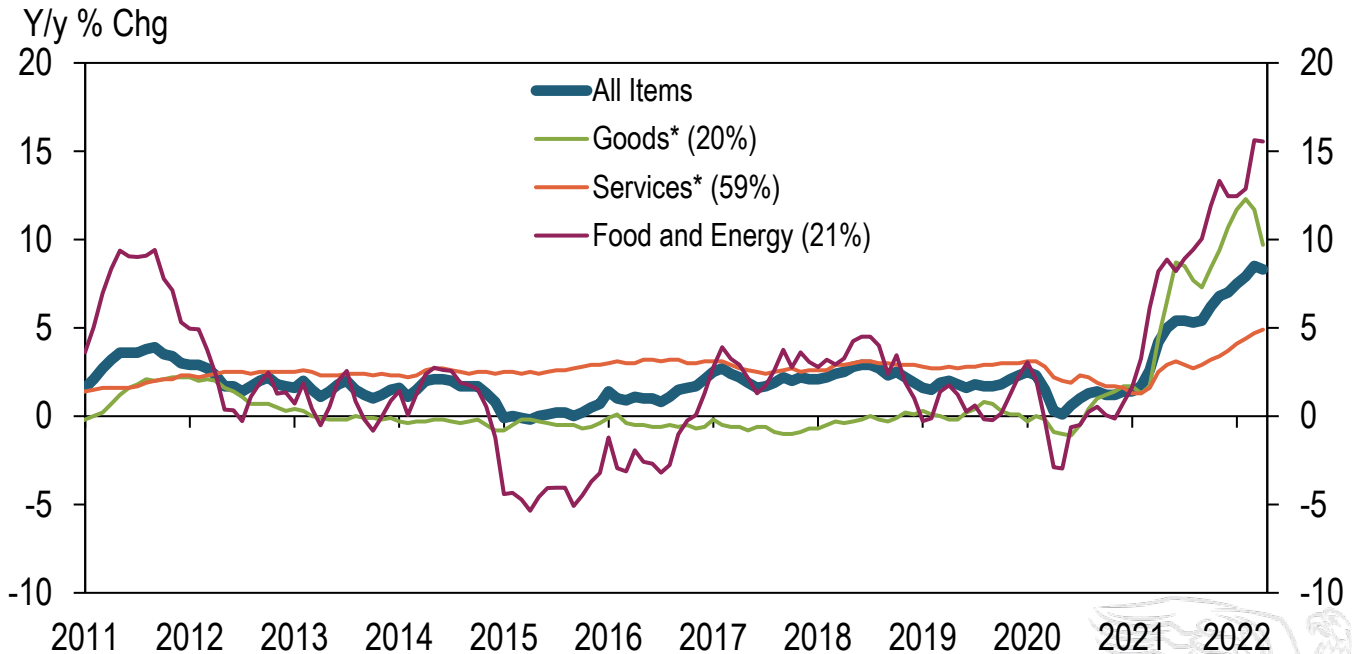
Inflation has moved well above the Fed's 2% target but is expected to ease heading forward

PCE Inflation Index



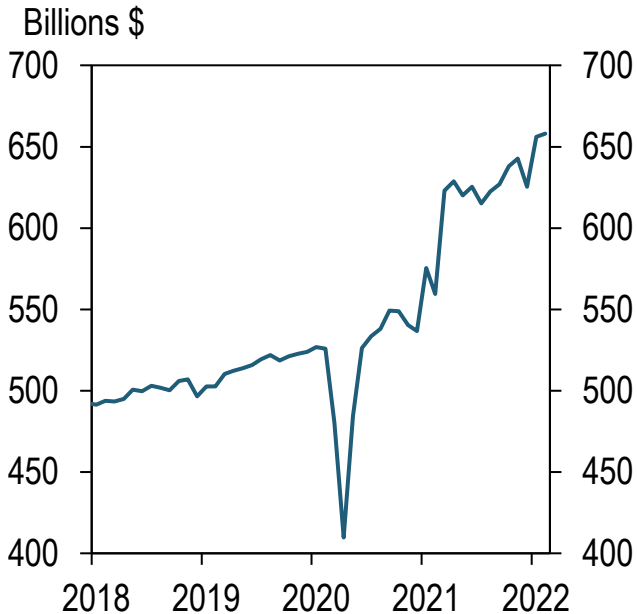
CPI inflation finally edged down in April, to 8.3%, but remains near a 40-year high

Consumer Price Index

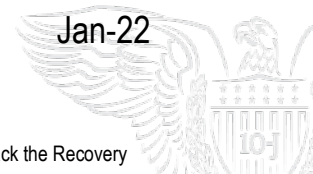
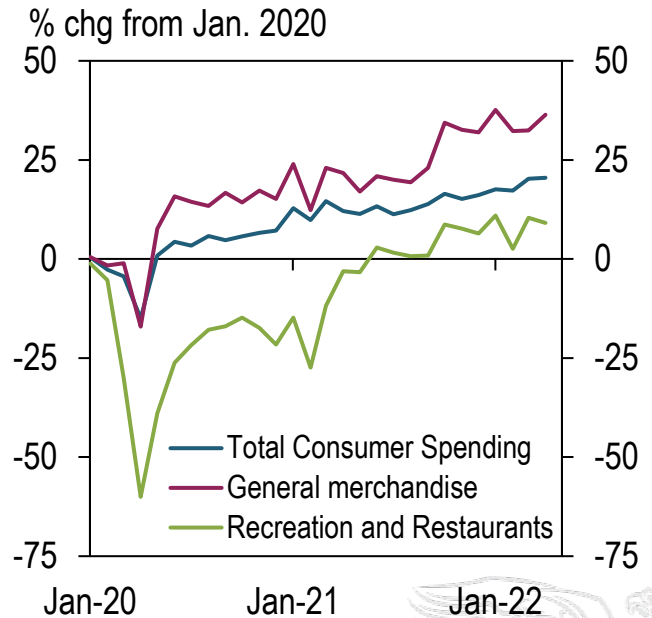


Why is inflation high? Demand has been strong

U.S. Retail Sales and Food Services

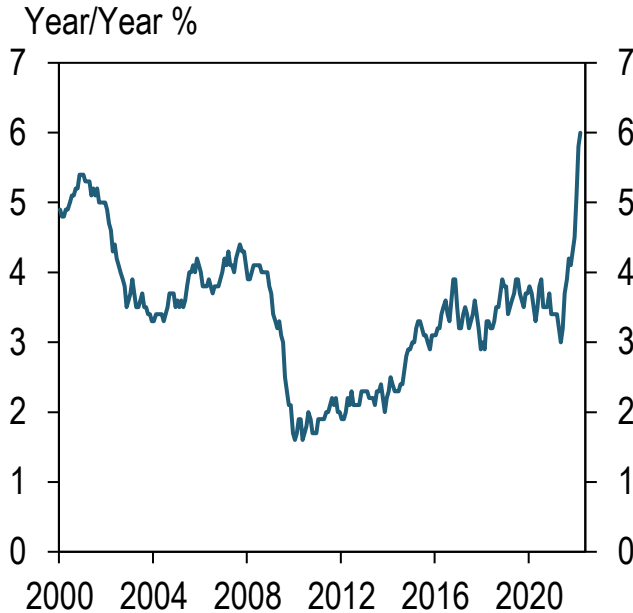


Oklahoma Consumer Spending

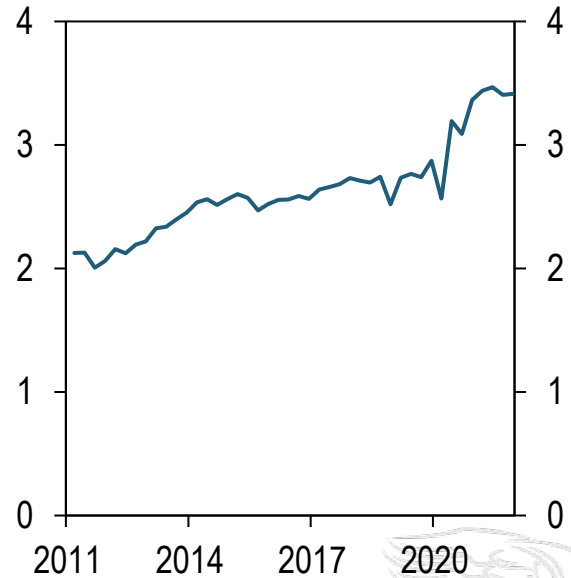


Demand has been supported by rising wages and healthy household balance sheets

U.S. Wage Growth

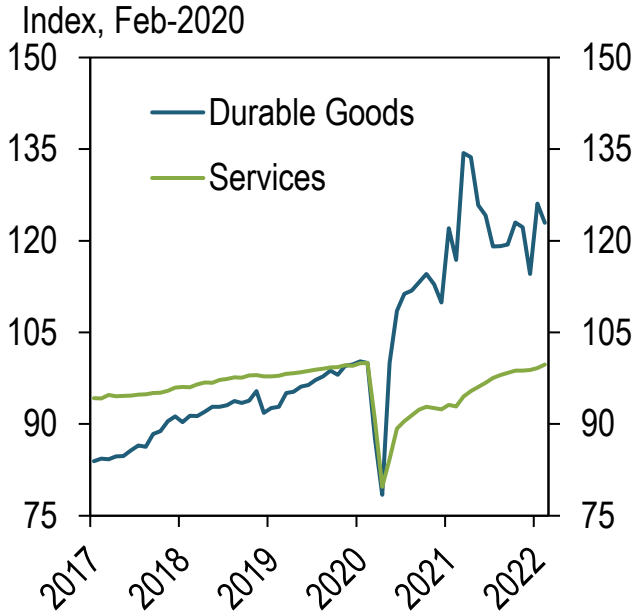


U.S. Household Net Worth/GDP

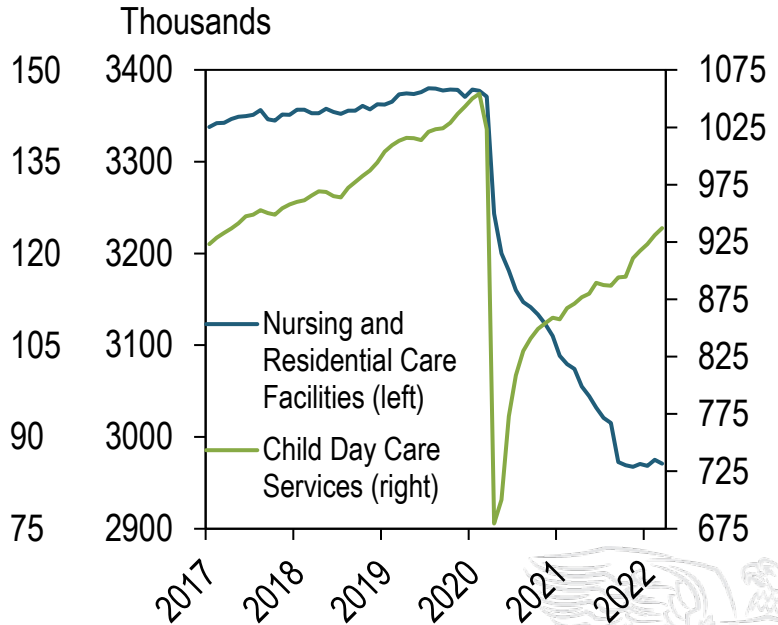


Why is inflation high? Supply is constrained by a shift in consumption and disruptions to labor supply

U.S. Consumption

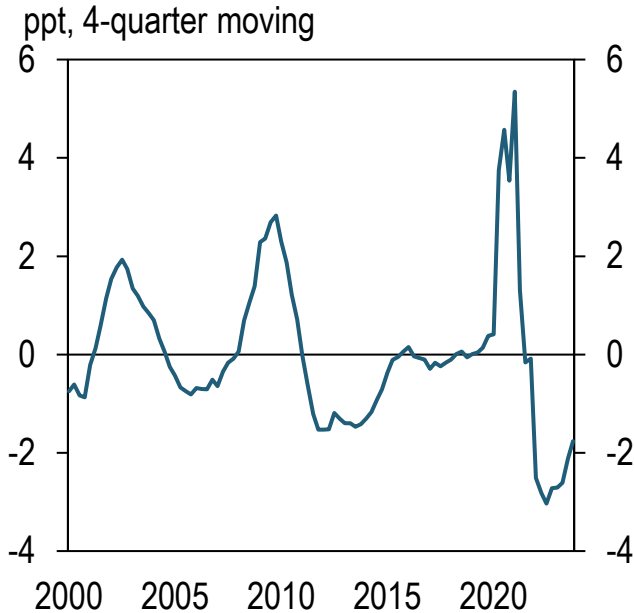


U.S. Employment

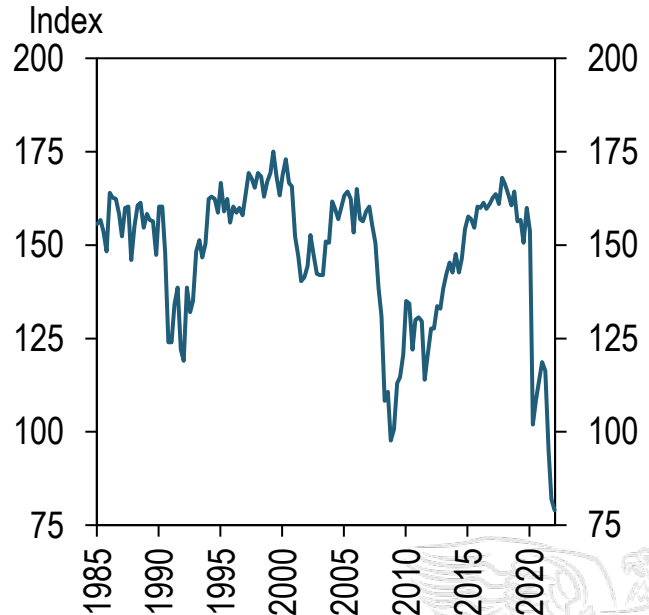


Where is inflation going? Demand easing as stimulus fades and consumers react to higher prices

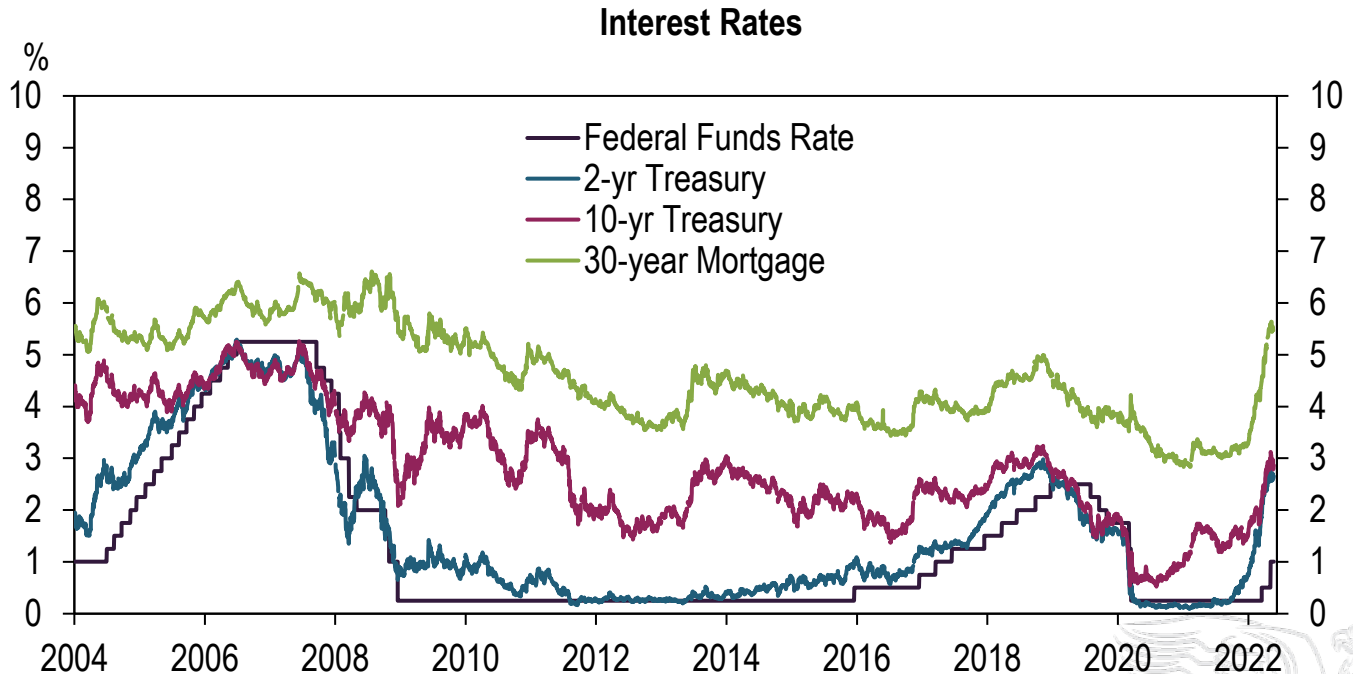
Fiscal Policy Contribution to Real GDP Growth



Buying Conditions for Large Household Goods

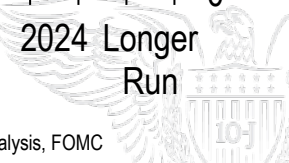
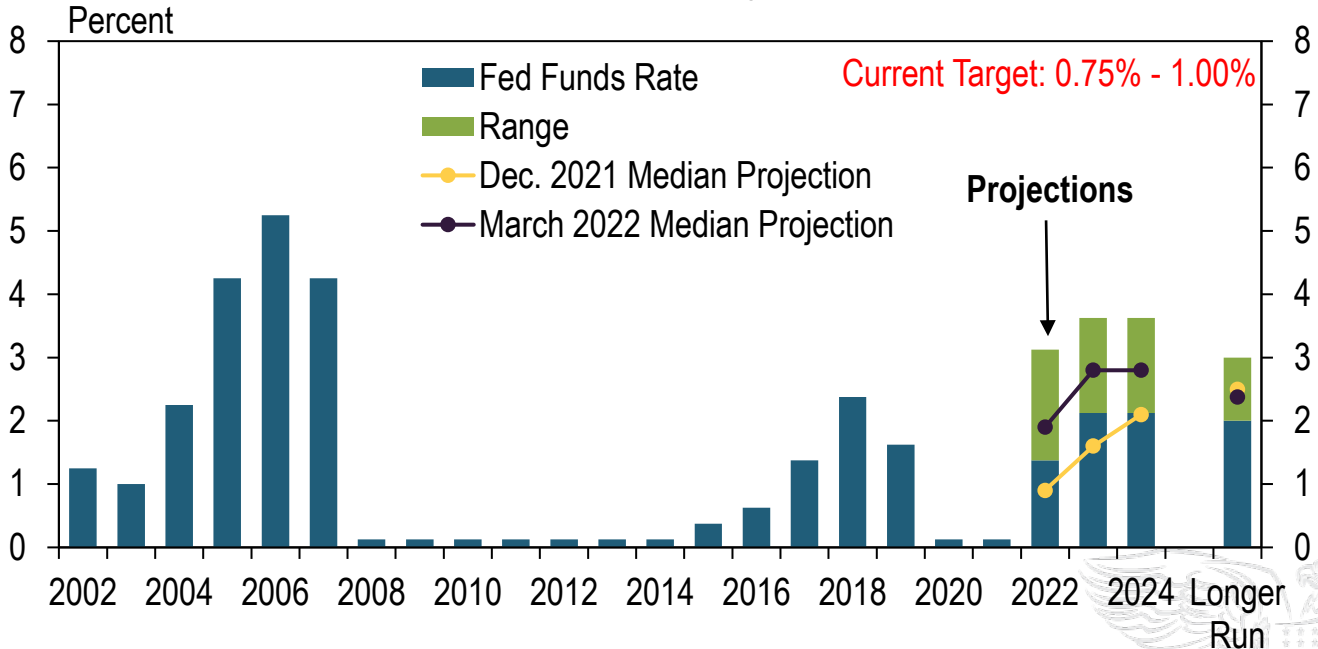


Interest rates have increased this year, with 30-year mortgage rates now at the highest level since 2010



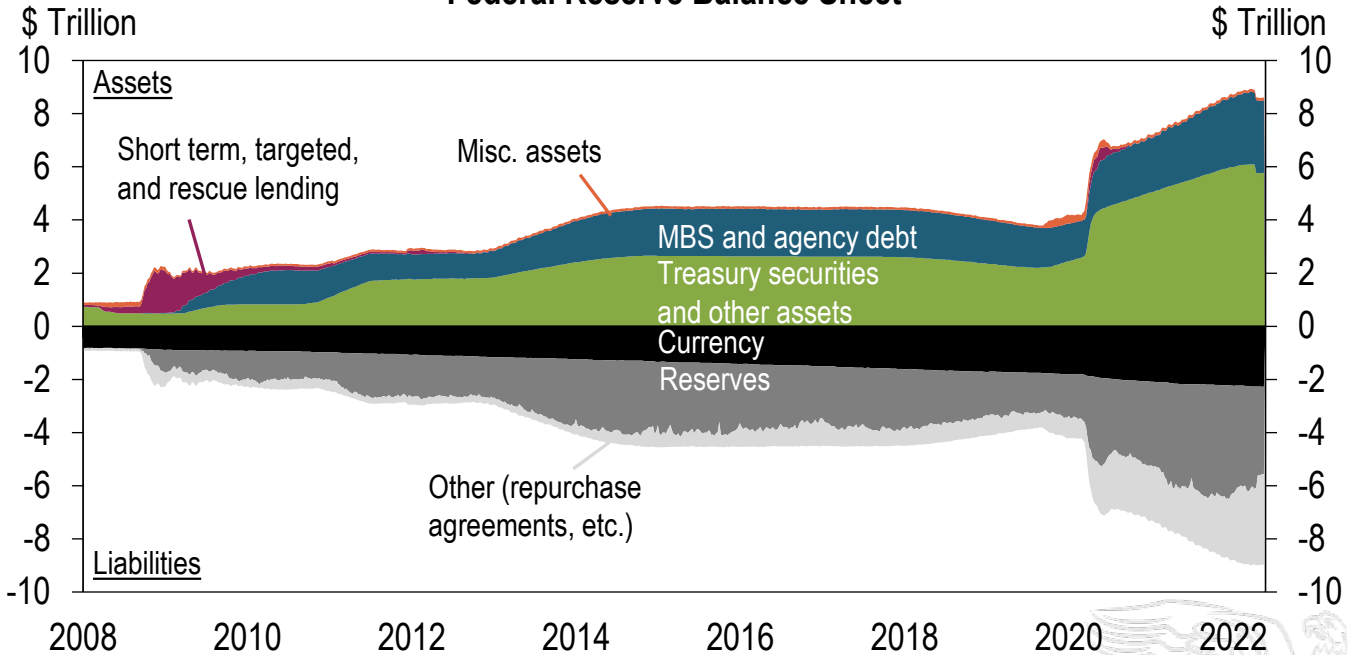
The Fed raised rates 50 bp in May, with more rate increases expected in 2022 and 2023

Federal Funds Rate
Year-End Target



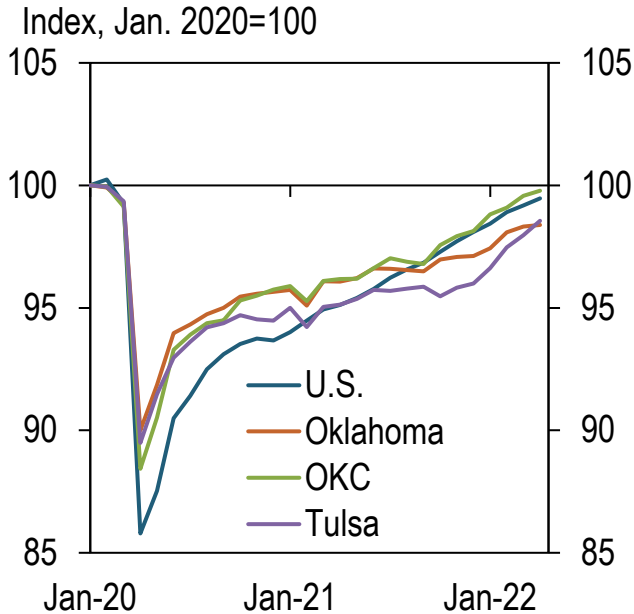
The Fed also plans to reduce its balance sheet more moving forward

Federal Reserve Balance Sheet

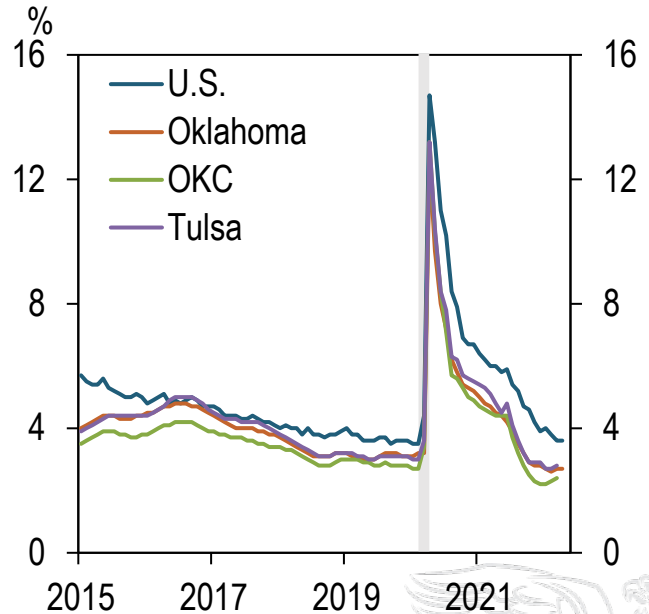


Oklahoma jobs are growing but still below pre-COVID levels, despite a very low unemployment rate of 2.7%

Non-Farm Payroll Employment

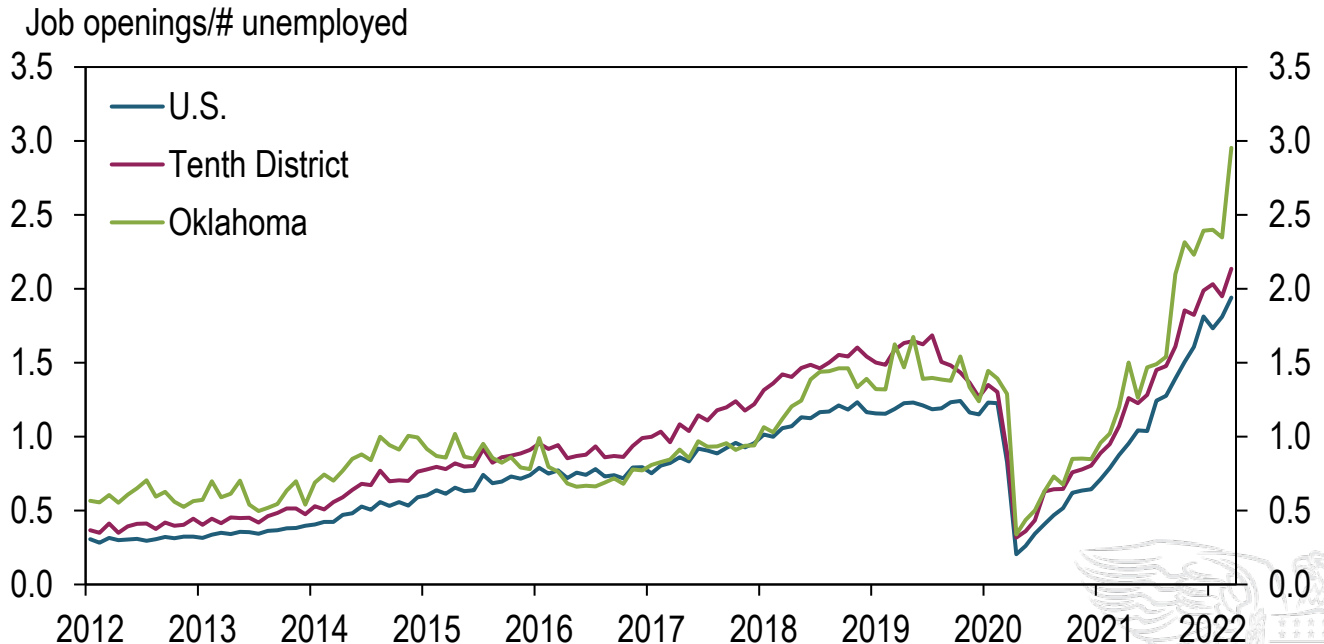


Unemployment Rate



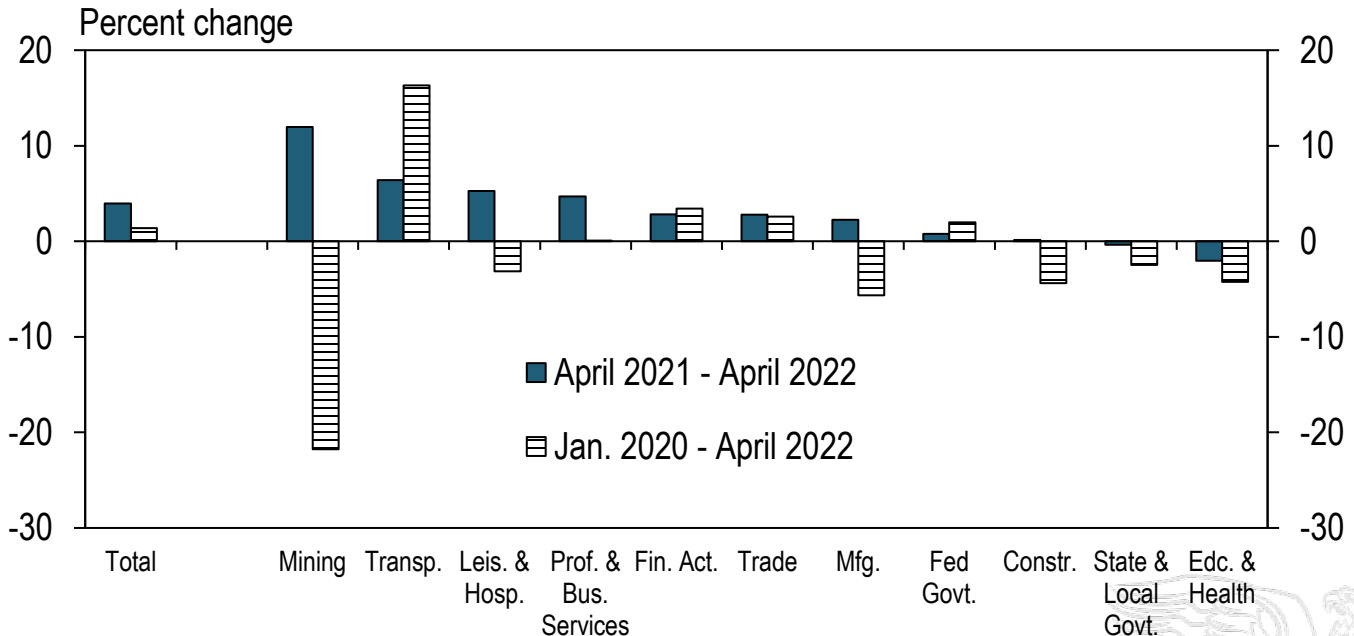
The number of job openings greatly exceeds the number of unemployed workers

Job Openings/Unemployment Ratios



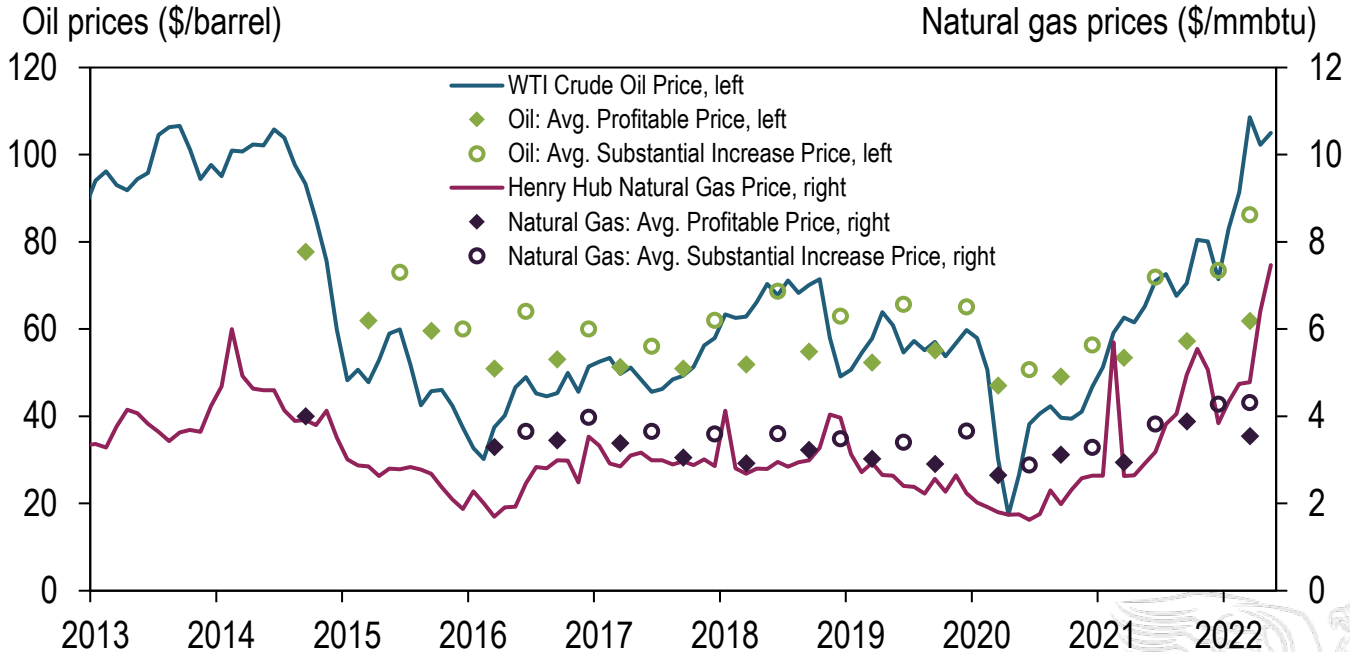
Energy and manufacturing jobs in Oklahoma are still down compared to pre-pandemic, but have grown

Oklahoma Job Growth by Industry



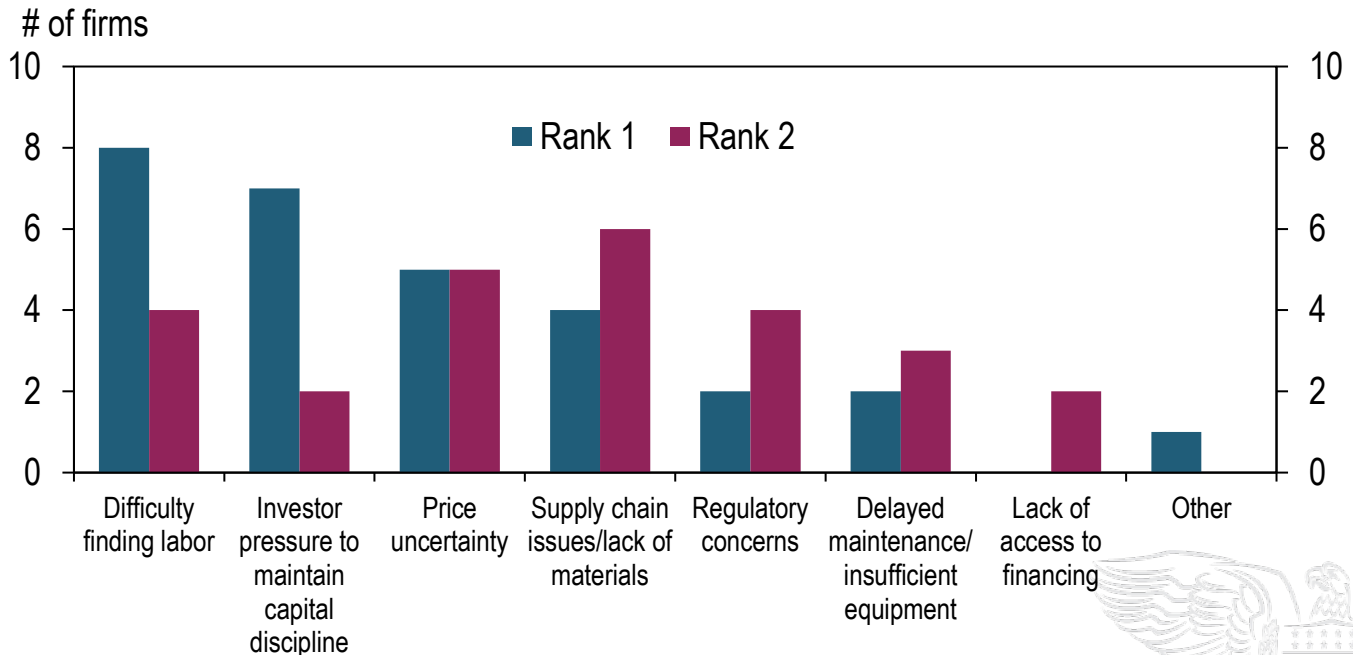
Oil and natural gas prices have risen considerably, and remain highly profitable for most regional firms

Energy Prices



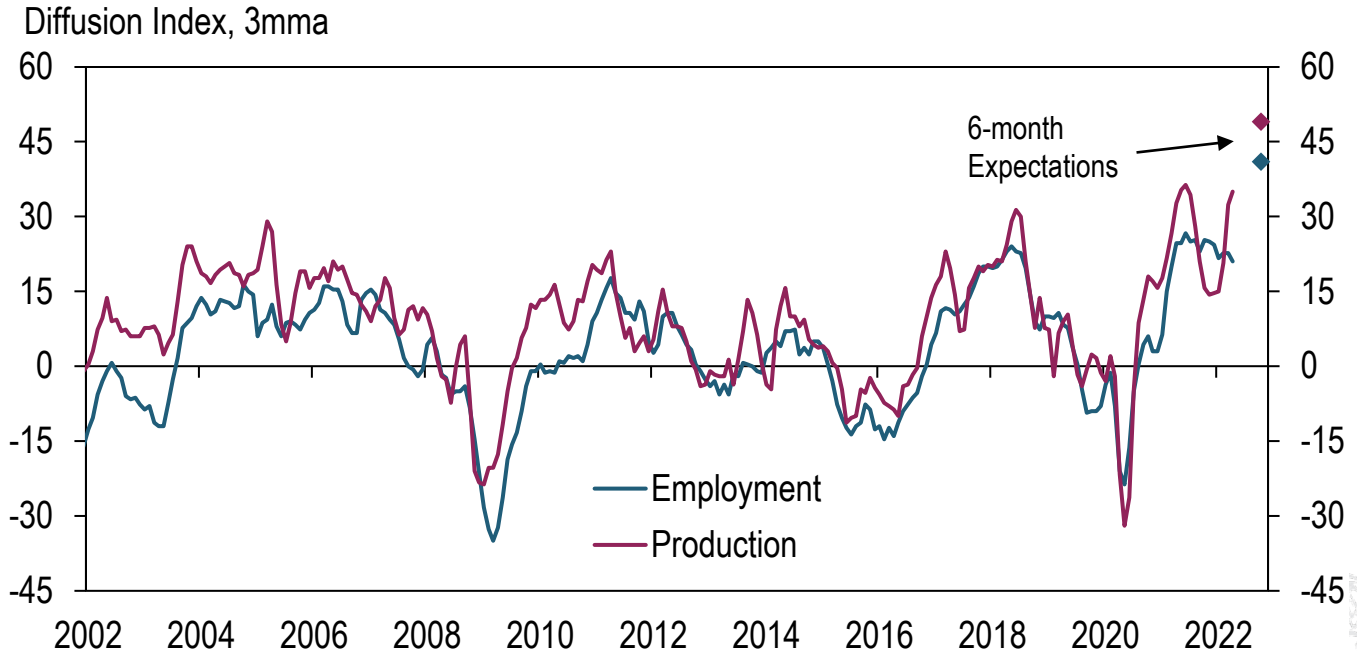
But regional energy production is restrained by labor and more fiscal discipline for public companies

Q1 2022 Energy Survey Special Question: “Which of the following are the top reasons restraining growth for your firm despite high oil prices? (rank)”



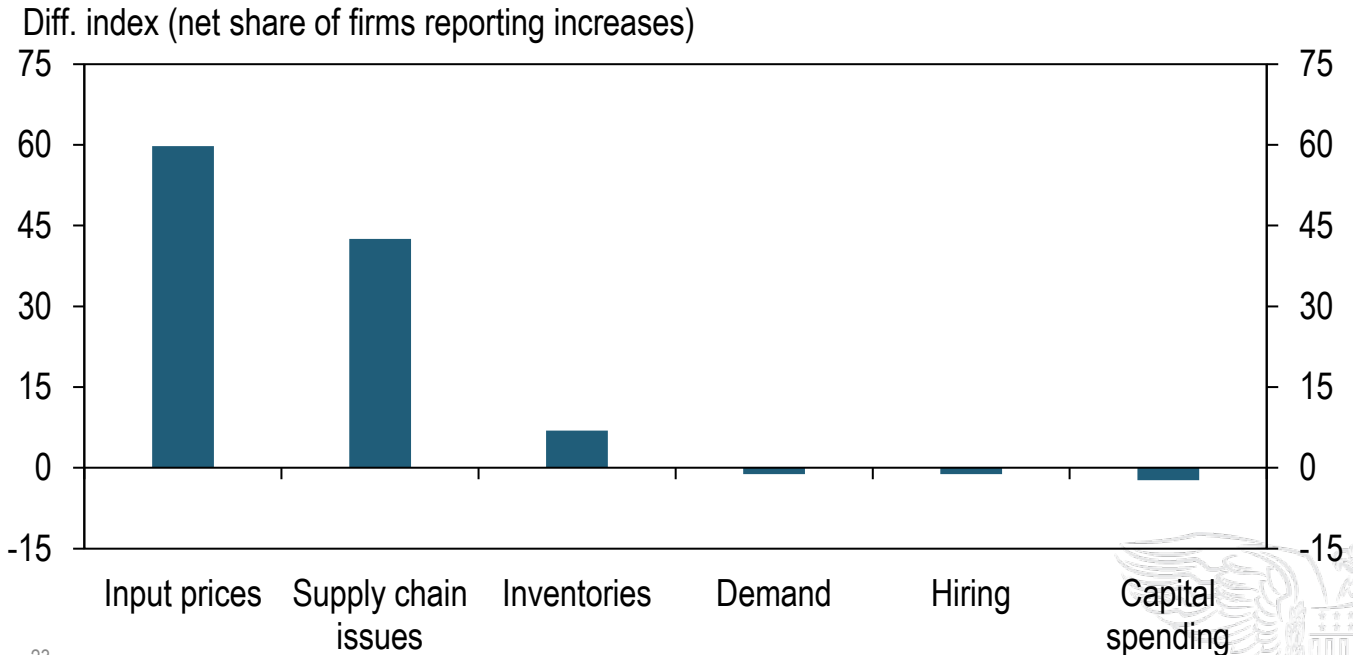
Regional factory activity has remained strong, with expectations for more growth over the next 6 months

KC Fed Manufacturing Survey



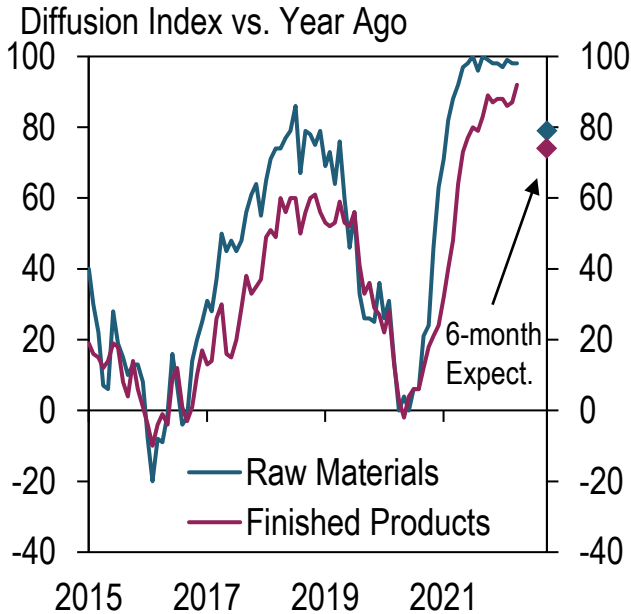
The war in Ukraine has contributed to some additional supply chain disruptions

March 2022 Survey Special Question: "How has the Russia/Ukraine conflict affected the following for your business?"

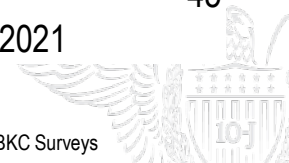
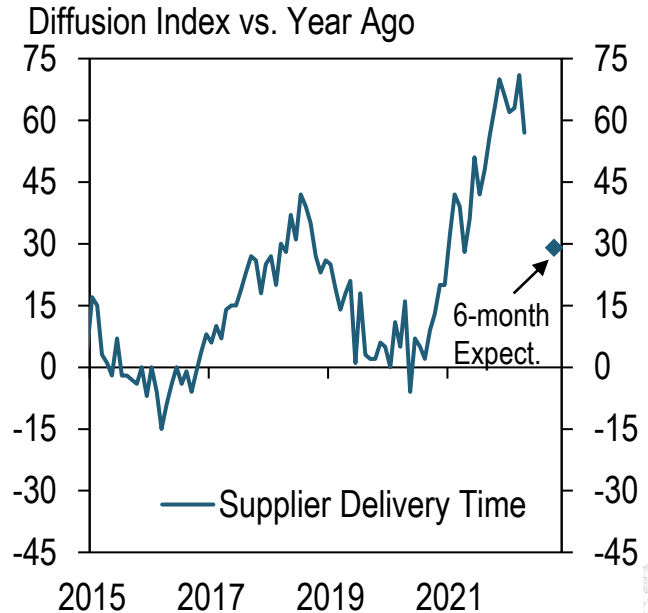


Nearly all firms reported higher input prices through April, and supplier delivery time remains high

Manufacturing Survey Price Indexes

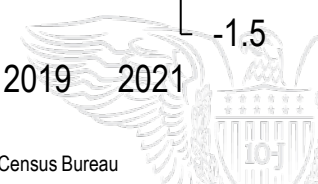
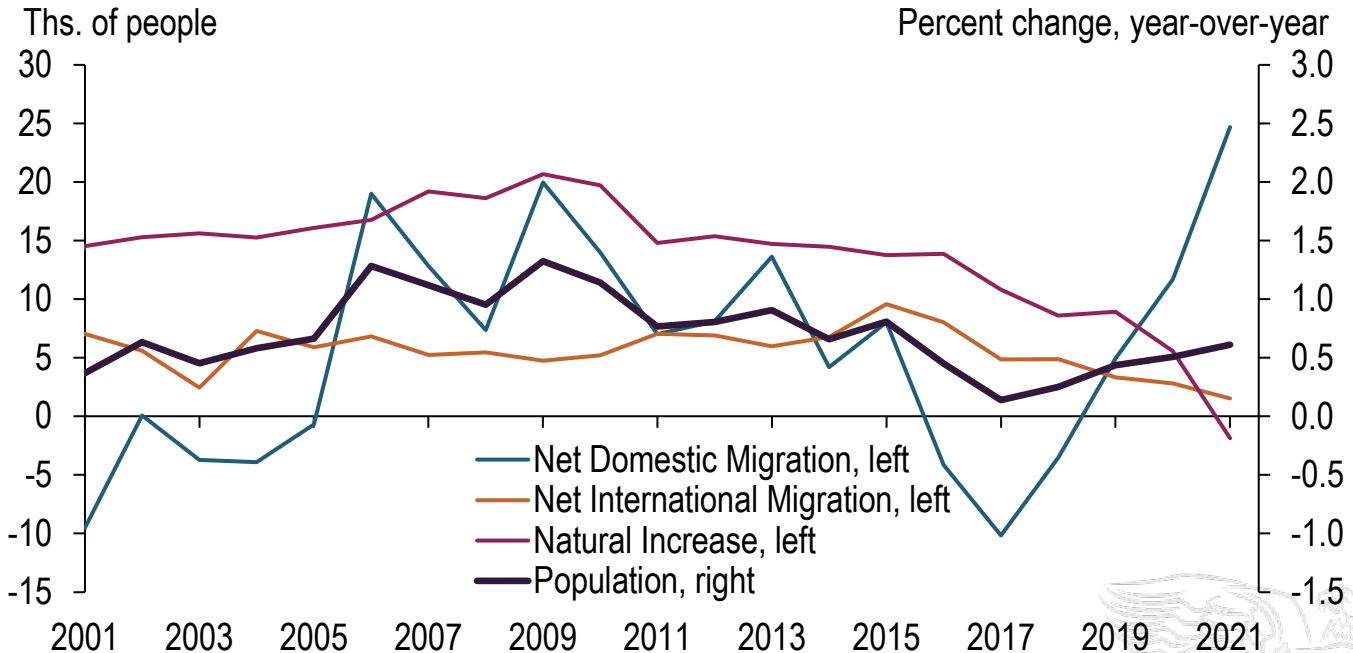


Manufacturing Survey Indexes



Oklahoma's population grew in 2021, despite a historic increase in deaths, due to massive in-migration

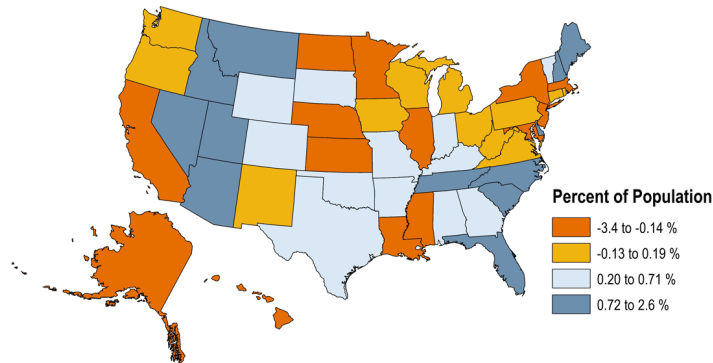
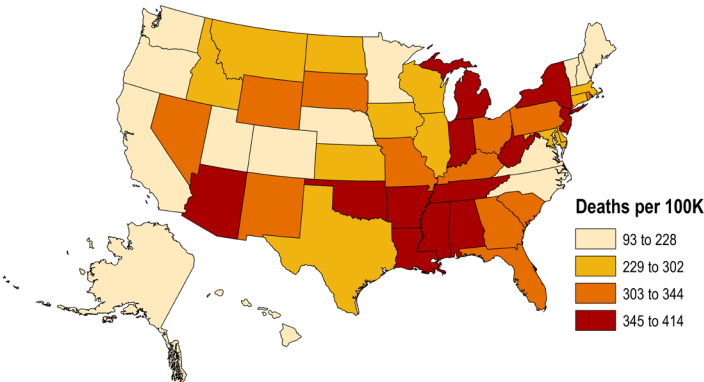
Oklahoma Population Changes by Component, 2001-2021



Oklahoma ranked highly in both COVID deaths per capita and net domestic in-migration in 2020 and 2021

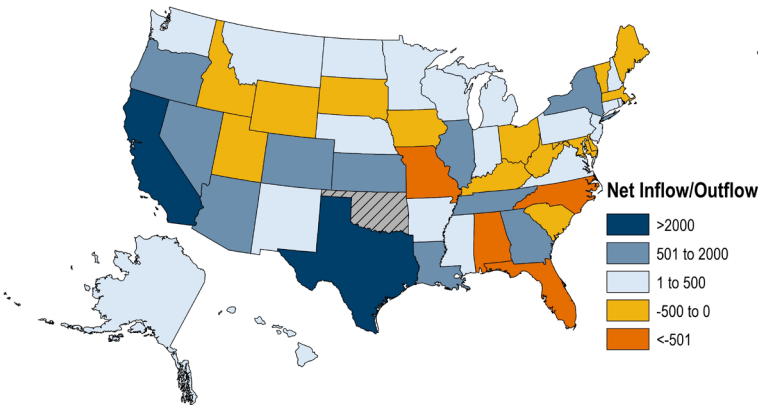
COVID-19 Death Rate
Jan. 2020 - March 2022

Net Domestic Migration
2020 - 2021

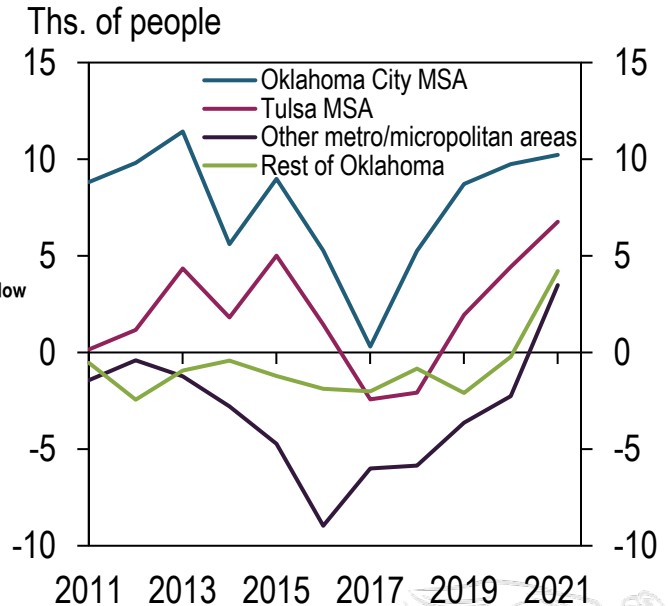


Many people moved to OK from CA and TX, mostly to the metros but some other parts of the state, too

Net Domestic Migration to Oklahoma
2020 and 2021

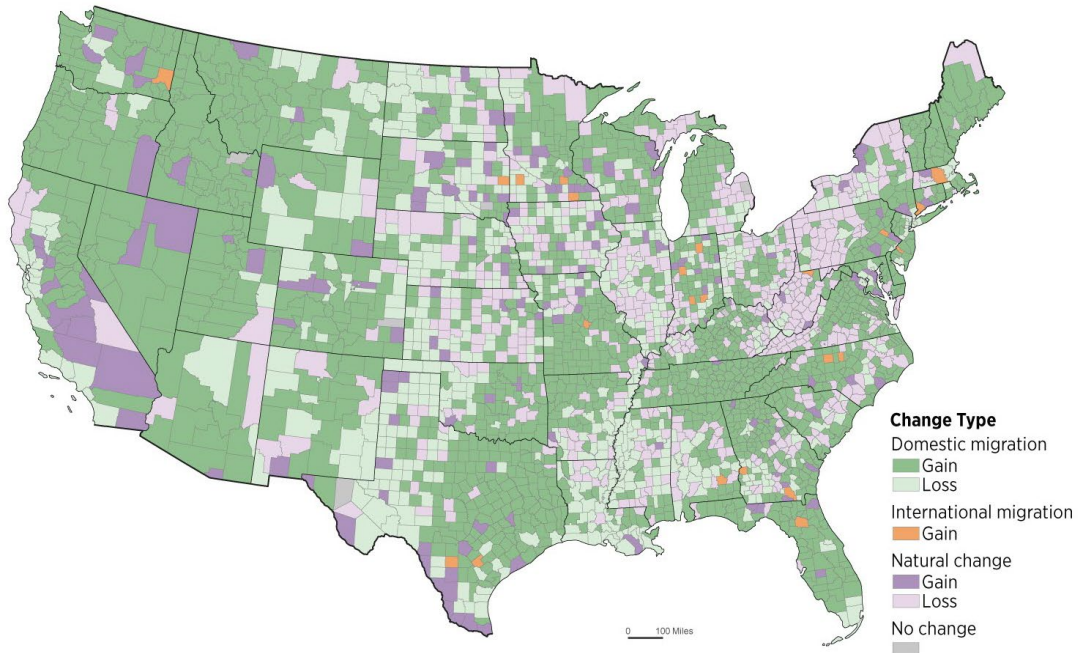


Oklahoma Net Domestic Migration



Domestic migration trends shifted greatly across the U.S. during 2020 and 2021

Population Gain or Loss and Major Component of Change: 2020-21



Summary

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Questions?

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