

U.S. and Oklahoma Economic Outlook

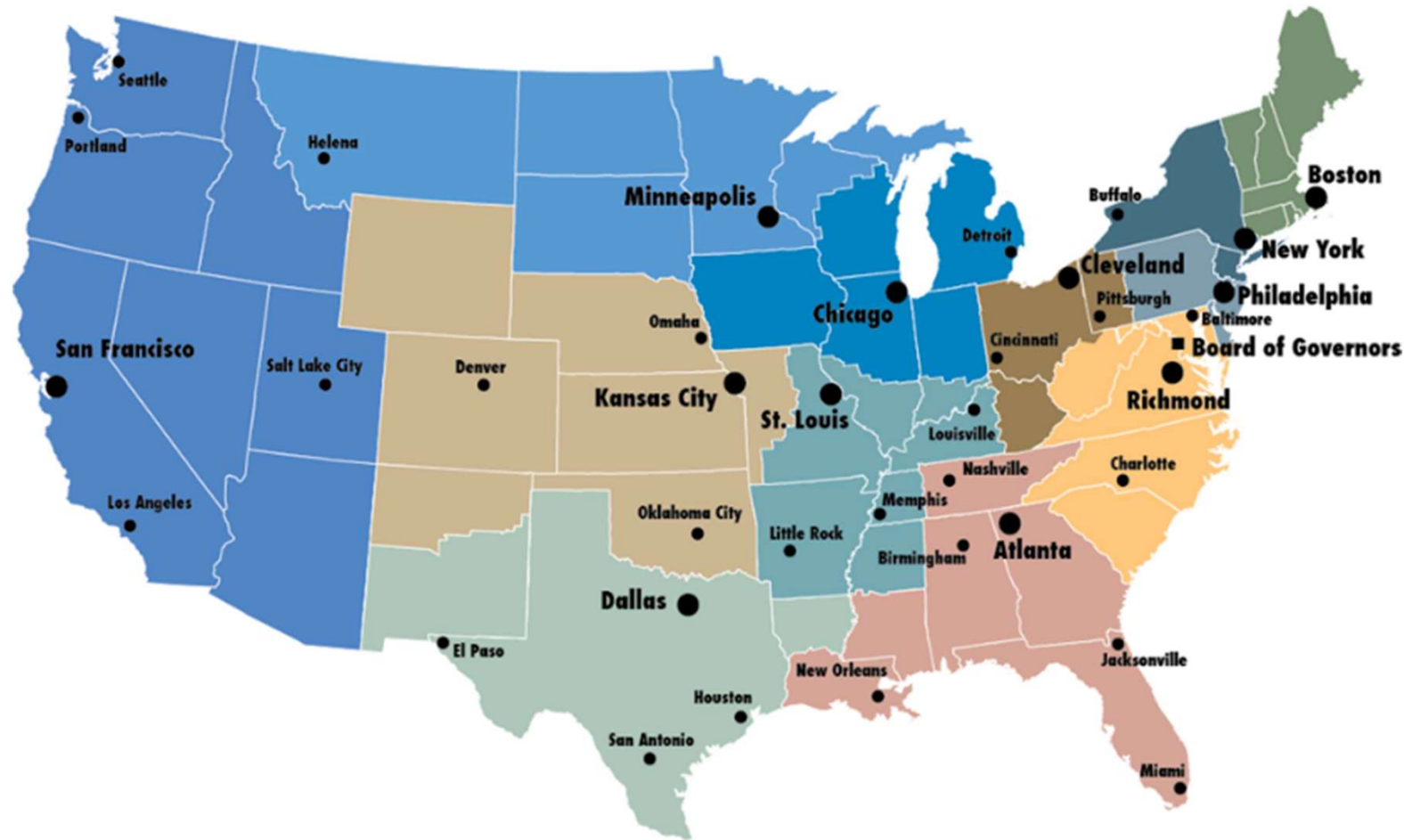
*OGE Energy Board of Directors
September 26, 2022*

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

- **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

- **2022 OKC Branch Board of Directors**

- **Katrina Washington (chair)**, Owner/Broker, Stratos Realty, OKC
- **Walt Duncan**, President, Duncan Oil Properties, OKC
- **Rhonda Hooper**, President & CEO, Jordan Advertising, OKC
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- **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



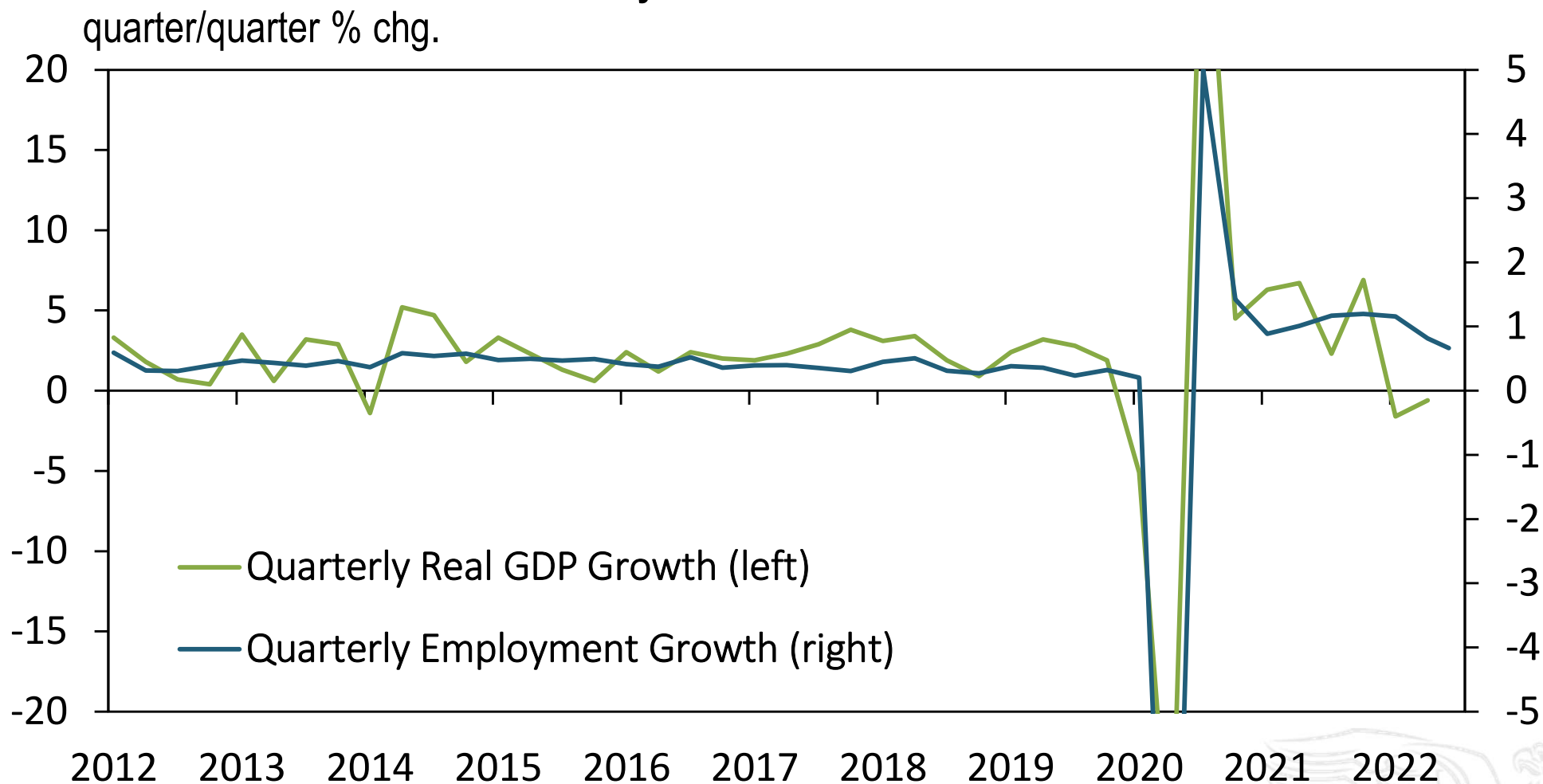
Overview

- U.S. economic indicators are mixed, with solid job growth but sluggish output, while inflation remains 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 in some sectors, especially energy
- Oklahoma energy activity has expanded solidly in 2022, as oil and gas prices remain elevated, and population is growing



GDP growth has been modestly negative for 2 quarters, while job growth remains well above pre-COVID pace

Quarterly U.S. Economic Growth

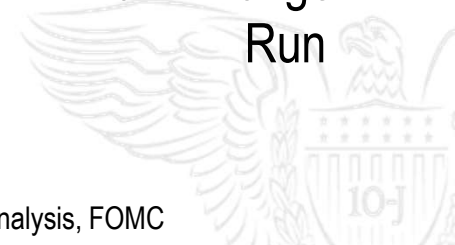
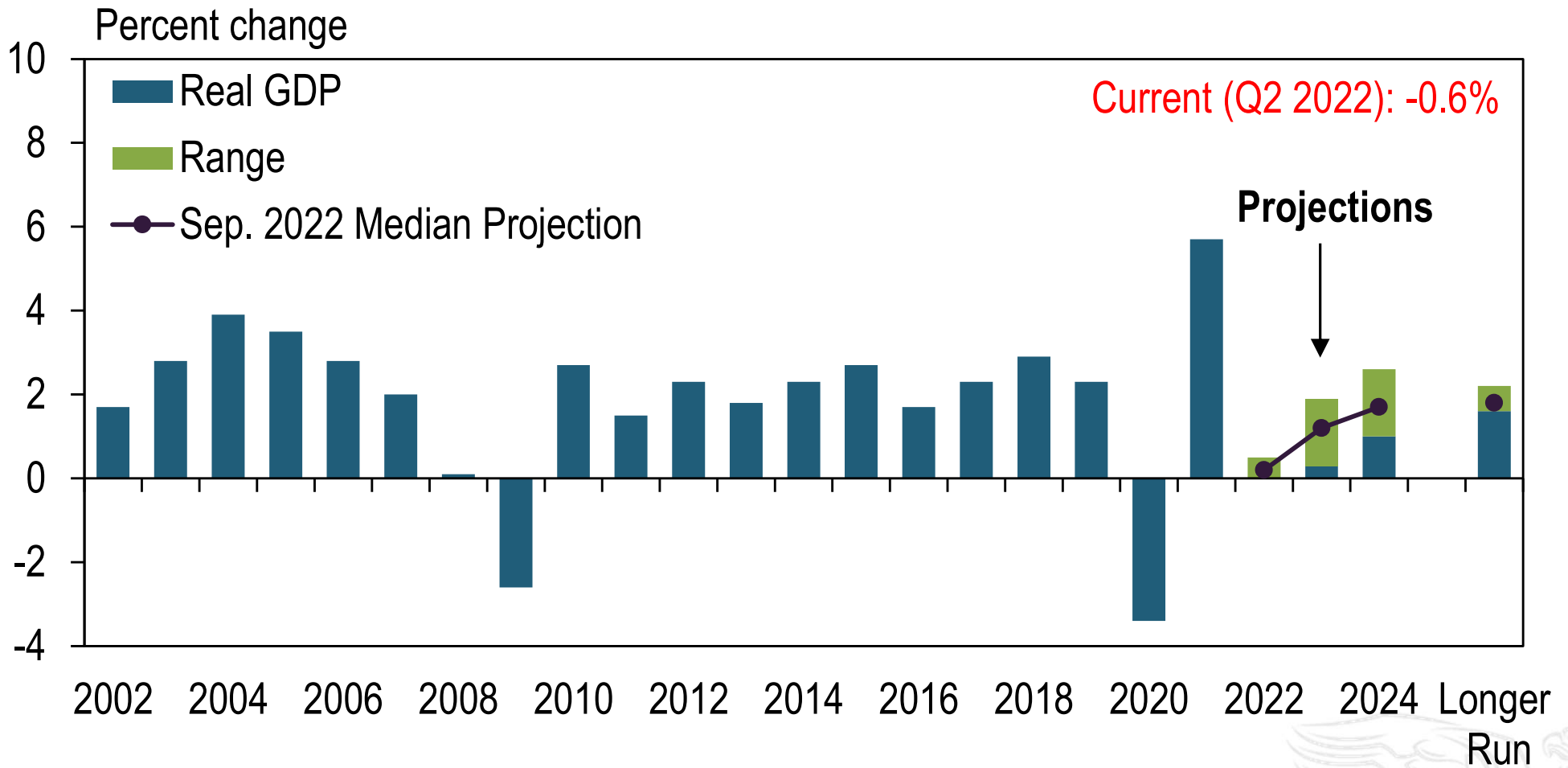


Sources: BEA, BLS/Haver Analytics



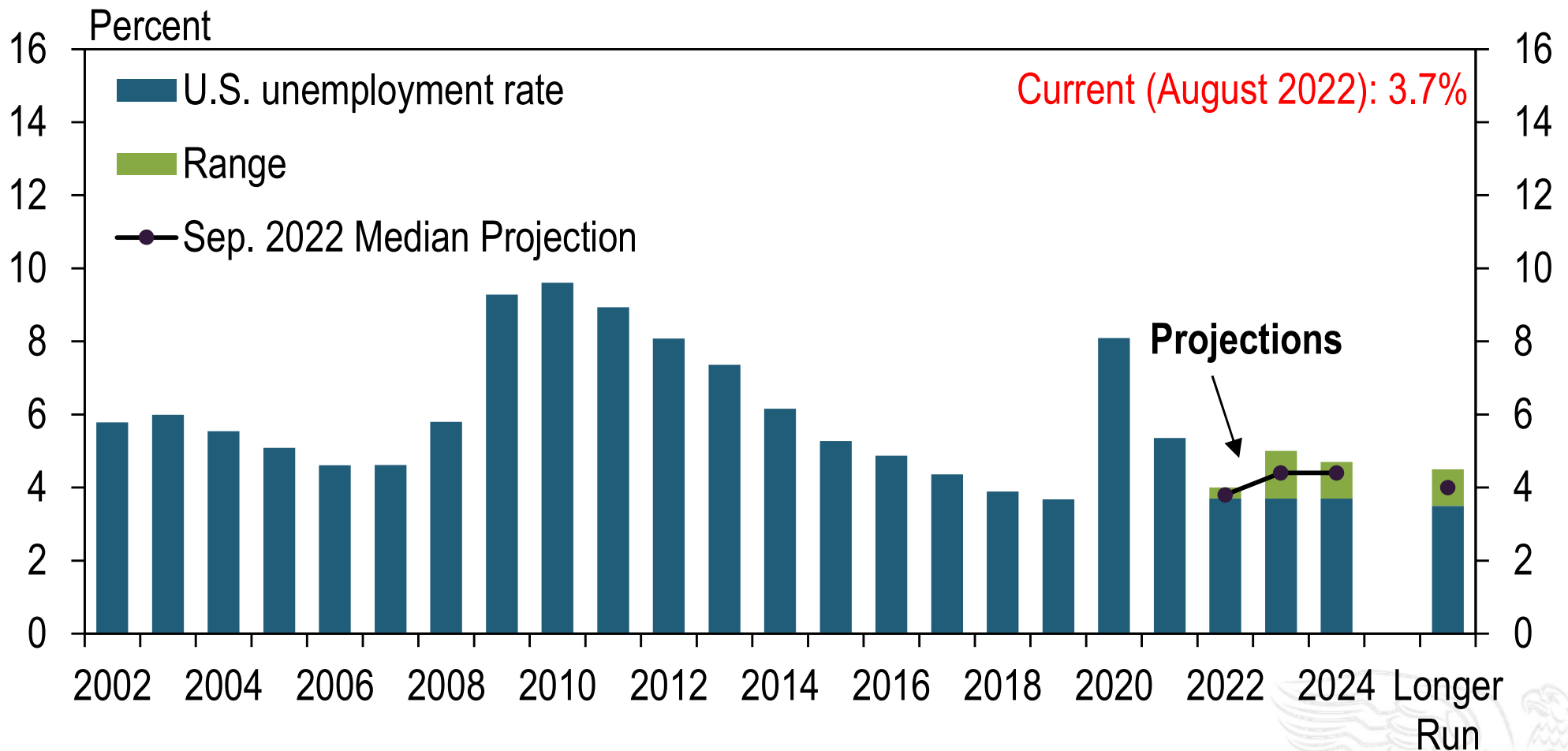
GDP growth is expected to be below trend this year, before moving to its long-term trend in coming years

Change in Real GDP



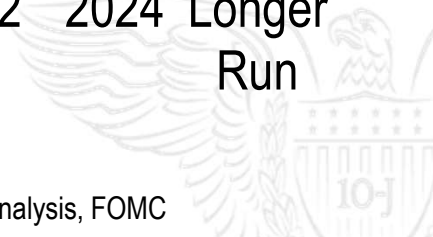
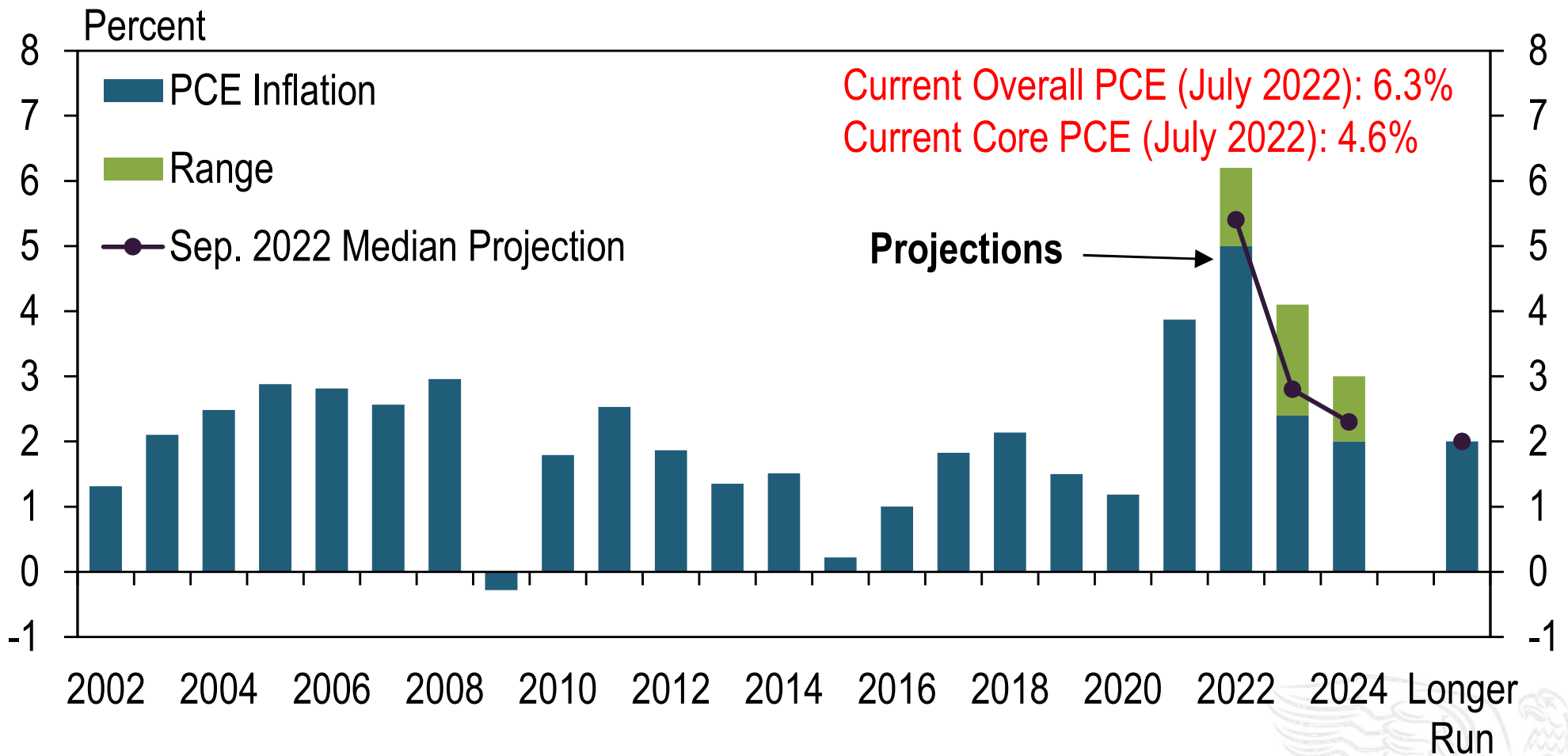
U.S. unemployment remains historically low and is projected to edge up only slightly in coming years

U.S. Unemployment Rate



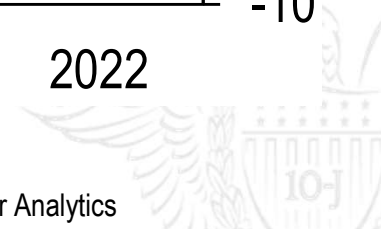
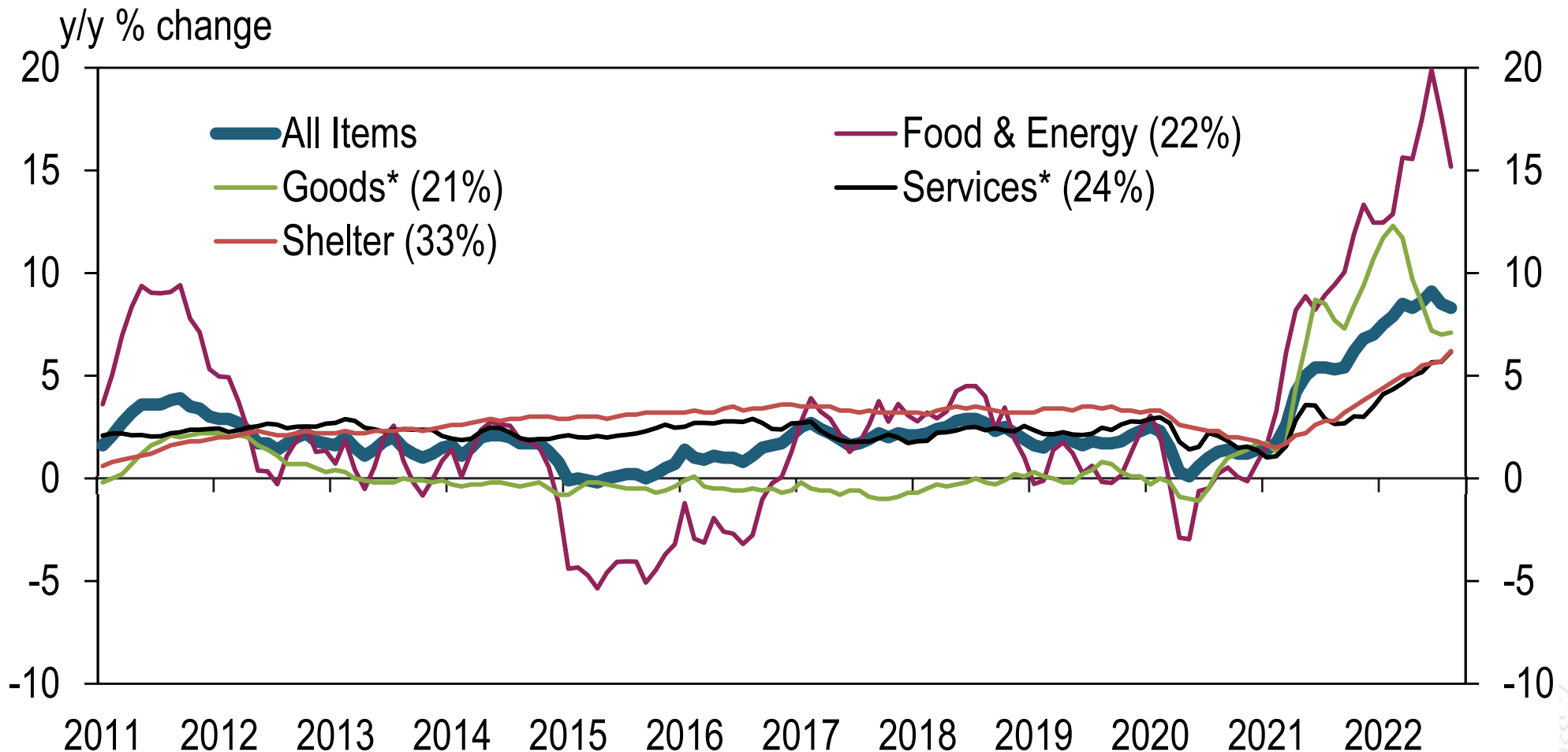
Meanwhile, inflation has moved well above the Fed's 2% target but is expected to ease heading forward

PCE Inflation Index



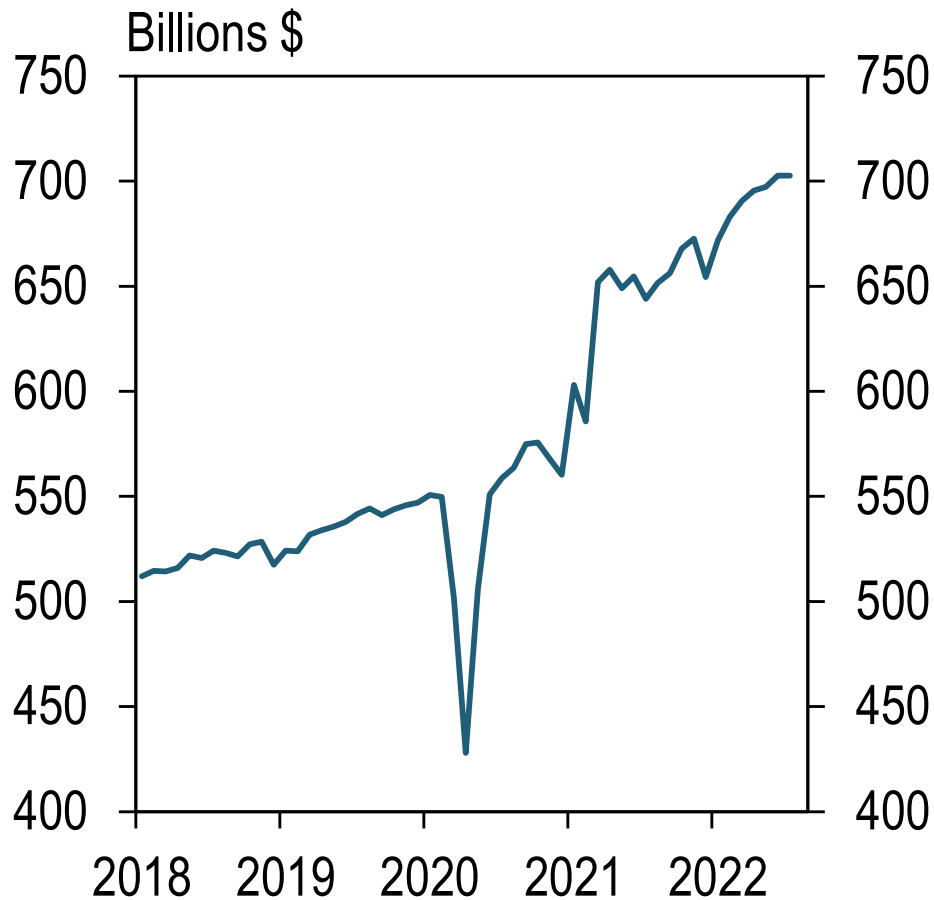
CPI inflation did ease slightly in July/August as goods and energy prices fell, but other prices kept rising

Consumer Price Index

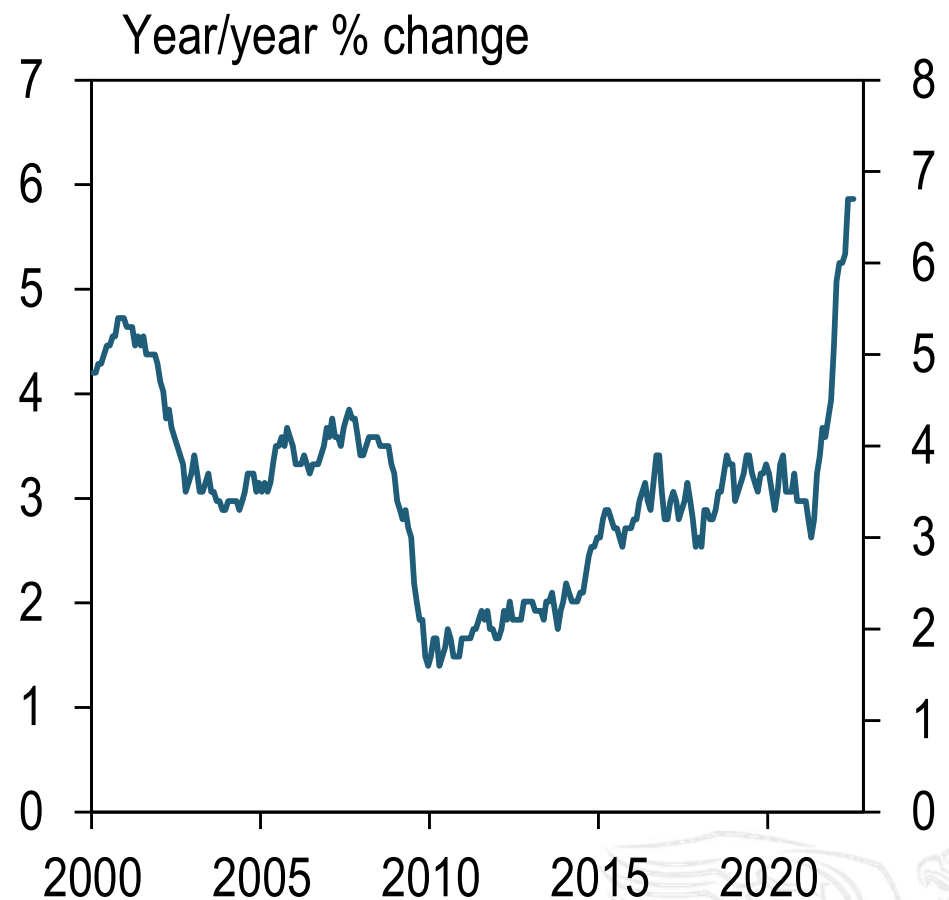


Why is inflation high? Demand has been strong, driven by stimulus, higher wages and higher household wealth

U.S. Retail Sales and Food Services

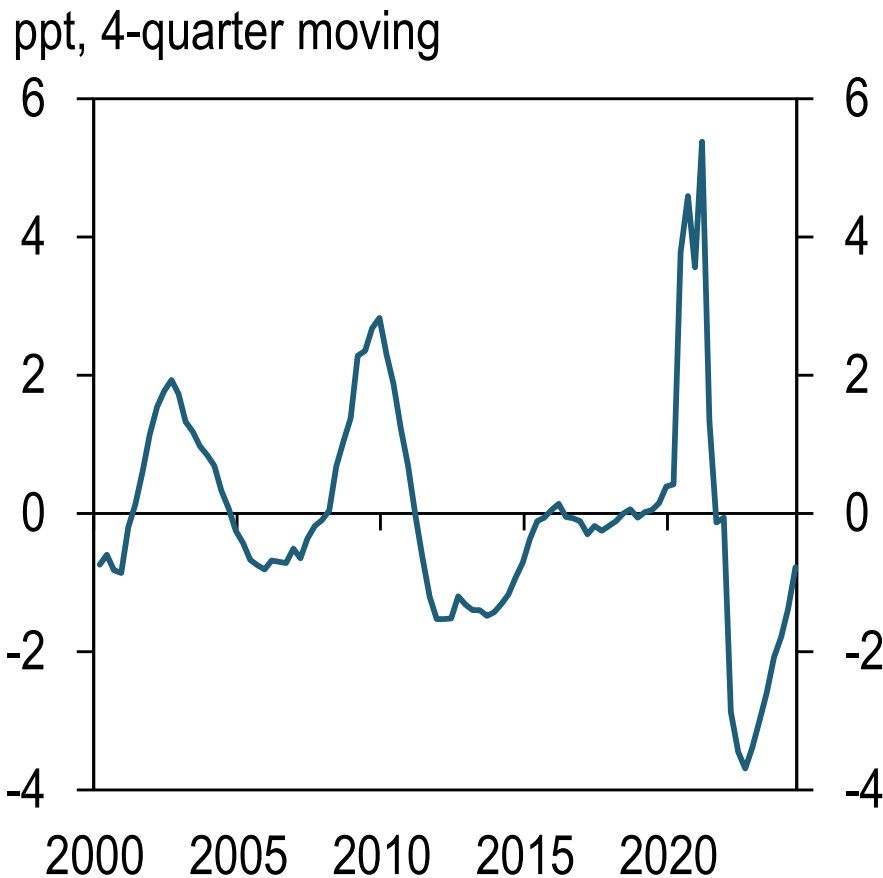


U.S. Wage Growth

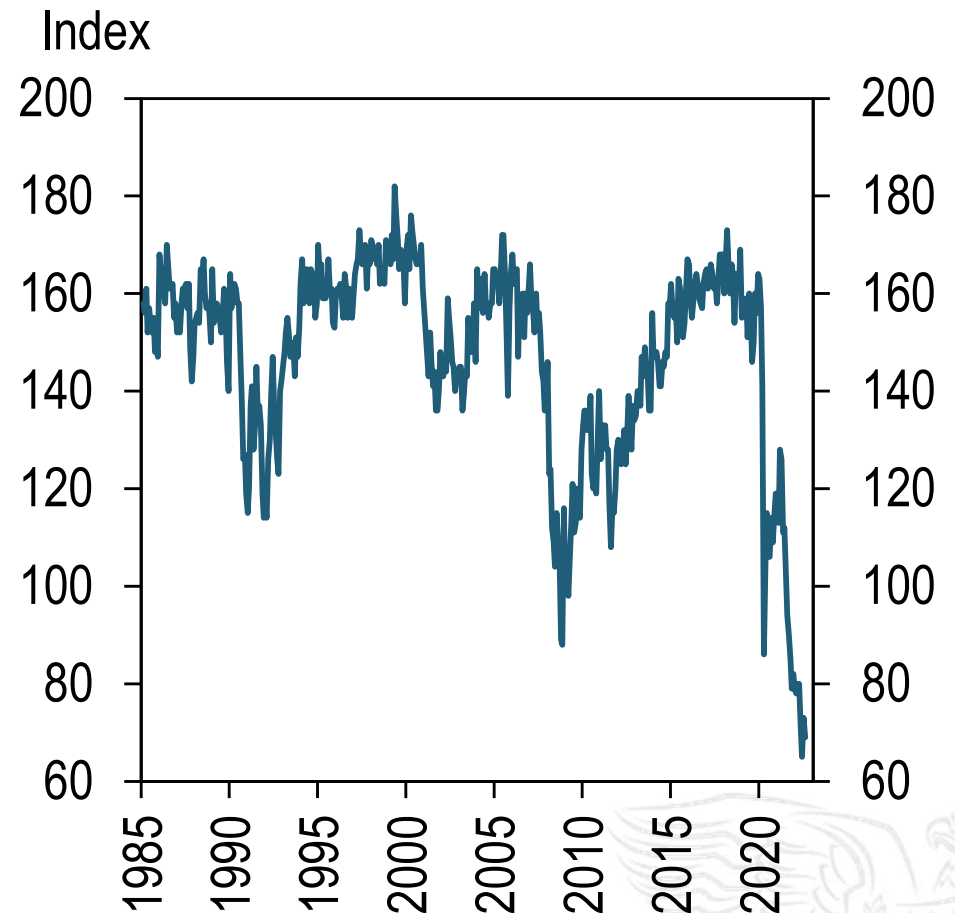


Where is inflation going? Demand is easing as stimulus fades and consumers react to higher prices

Fiscal Policy Contribution to Real GDP Growth

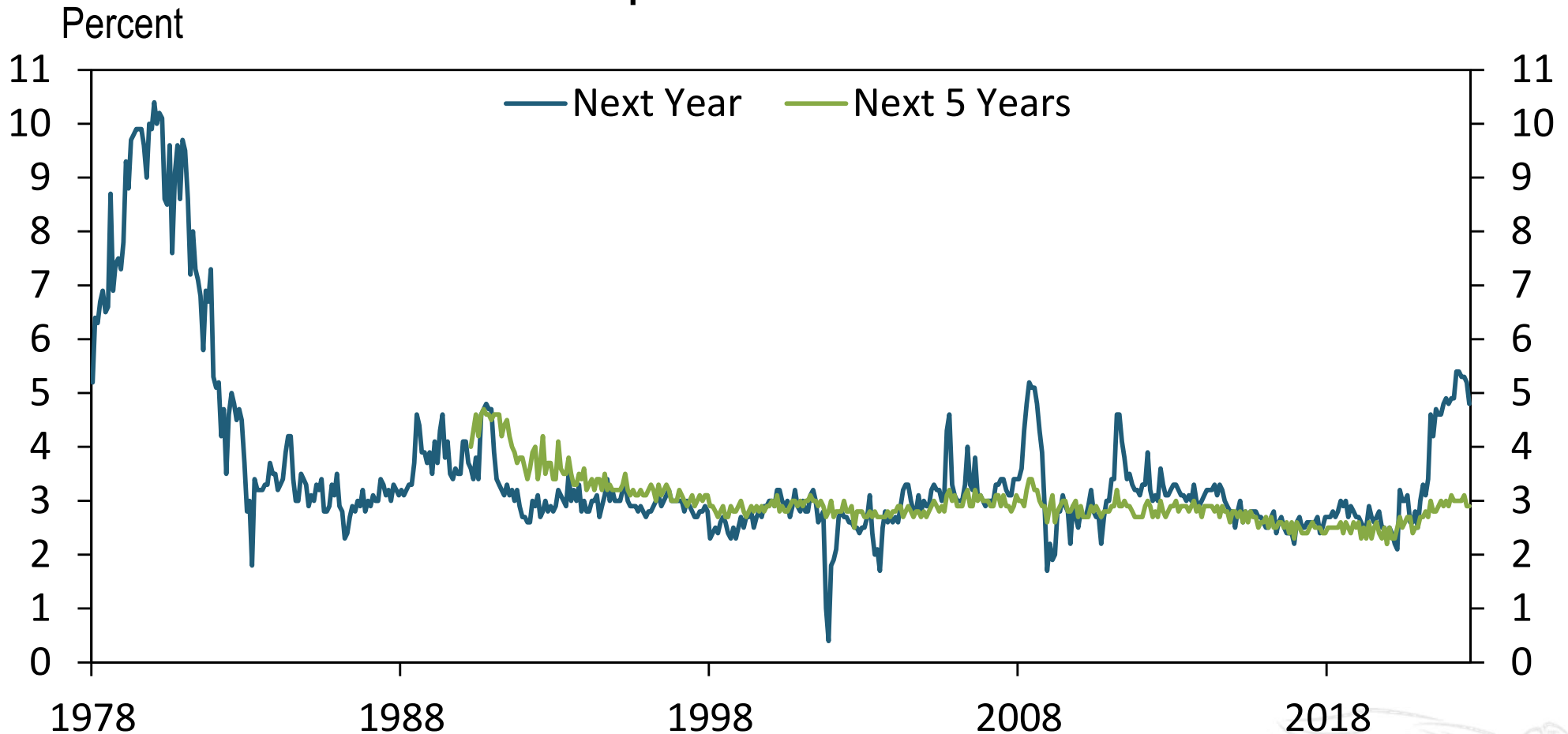


Buying Conditions for Large Household Goods



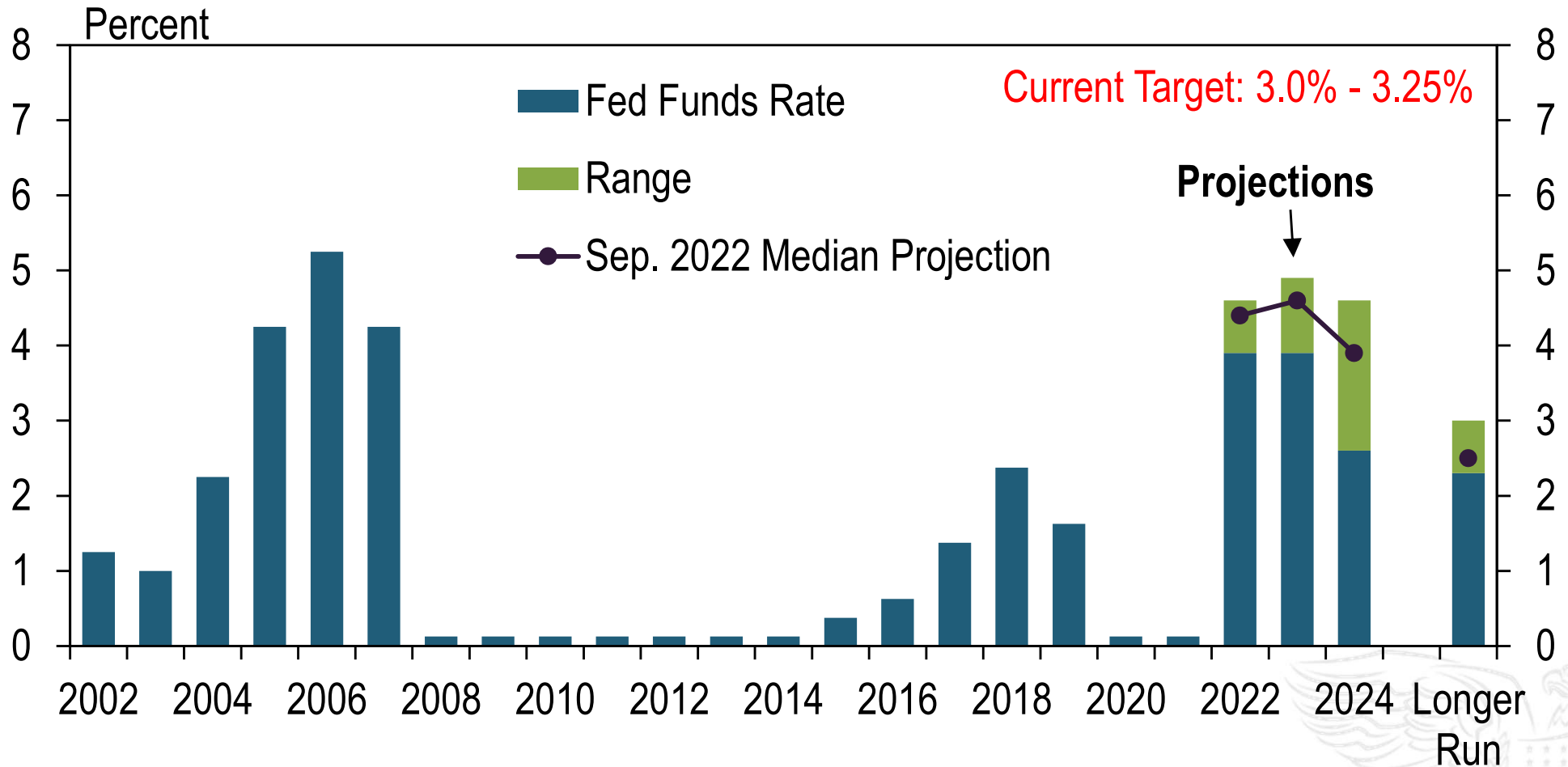
Where is inflation going? Longer-term inflation expectations remain around their 20-year average

Expected Inflation Rate



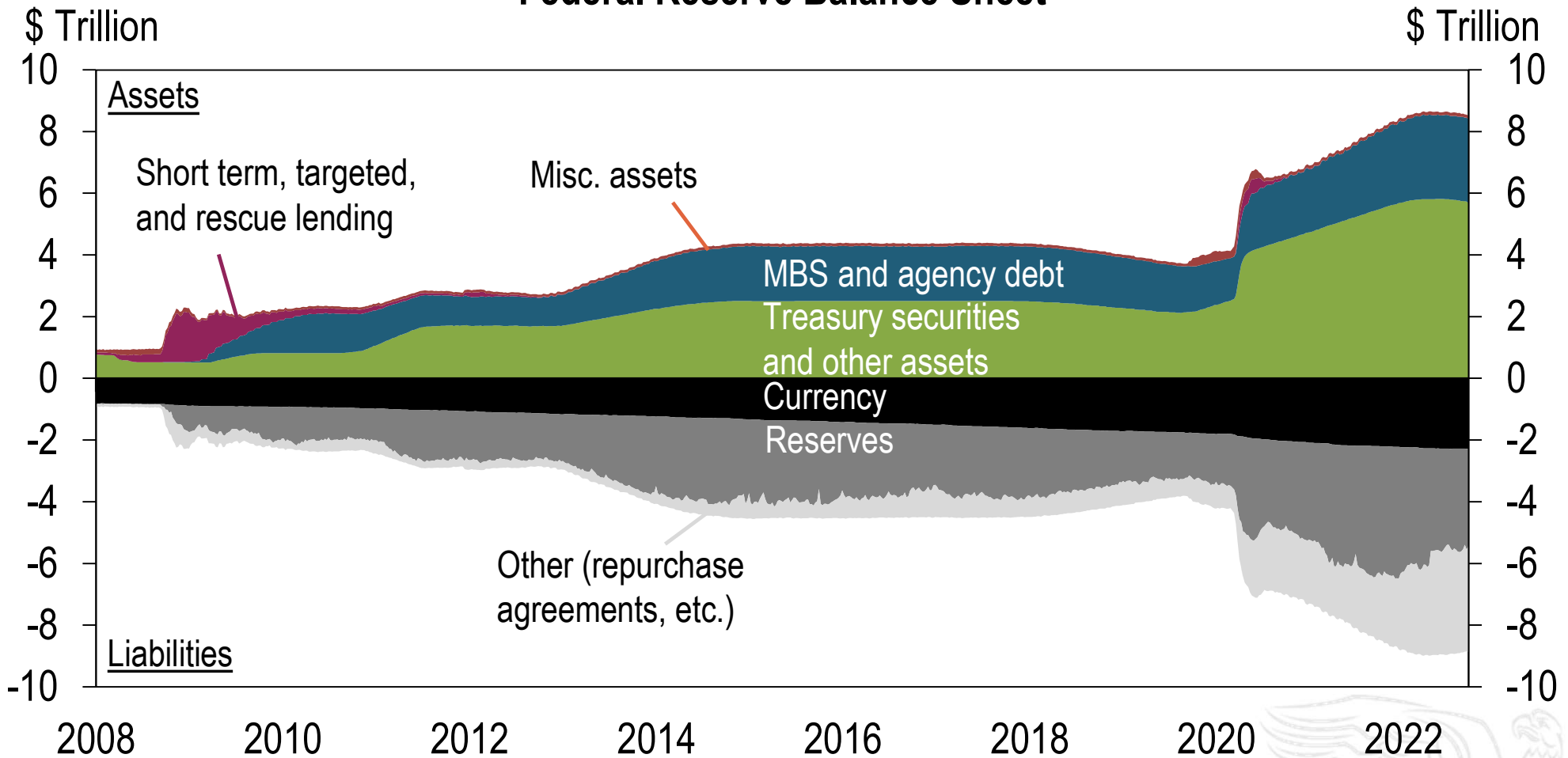
The Fed raised the federal funds rate by 75 basis points in September, with more increases expected

Federal Funds Rate
Year-End Target



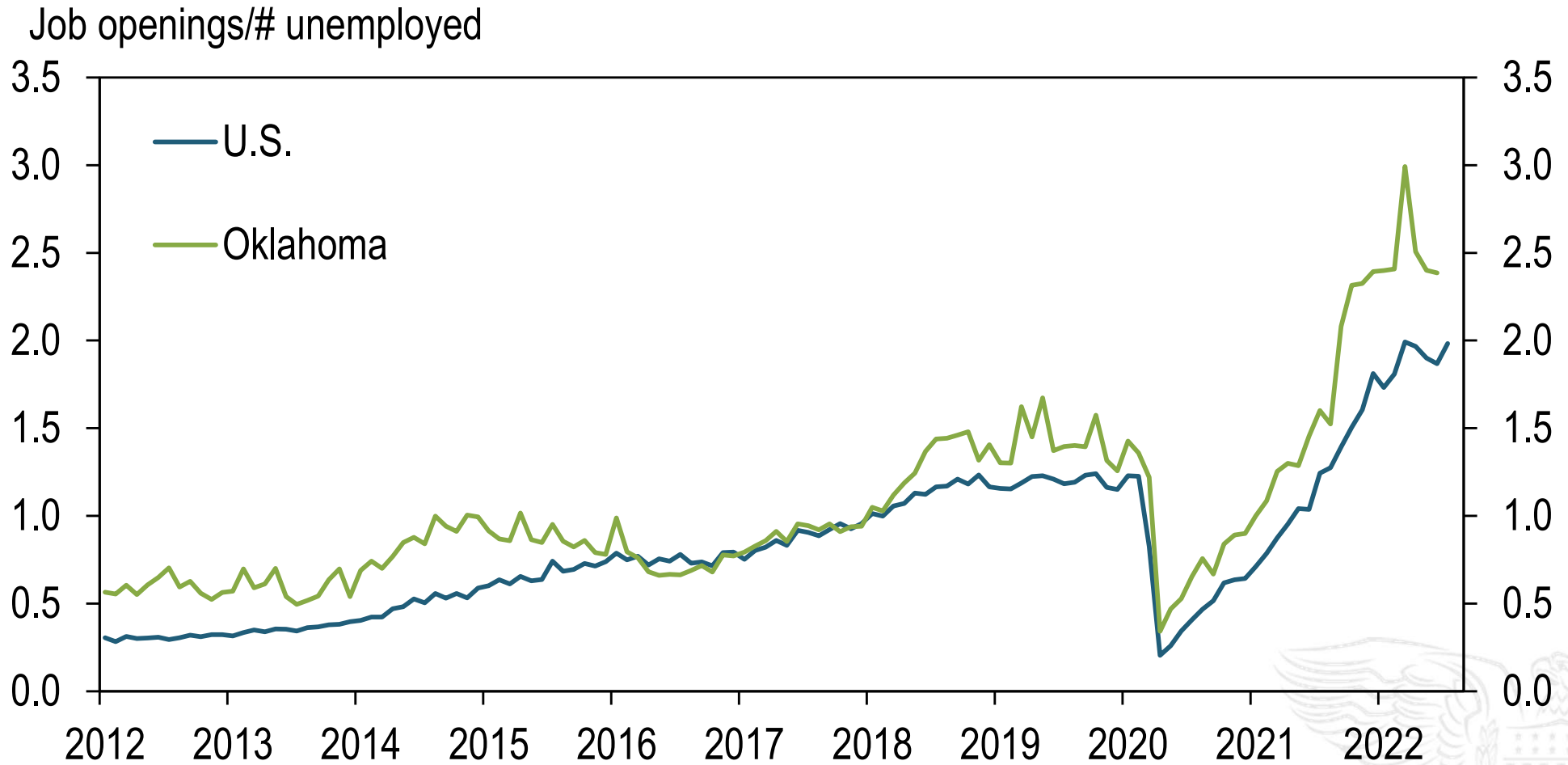
The Fed has also begun to reduce its balance sheet of securities, further tightening policy

Federal Reserve Balance Sheet



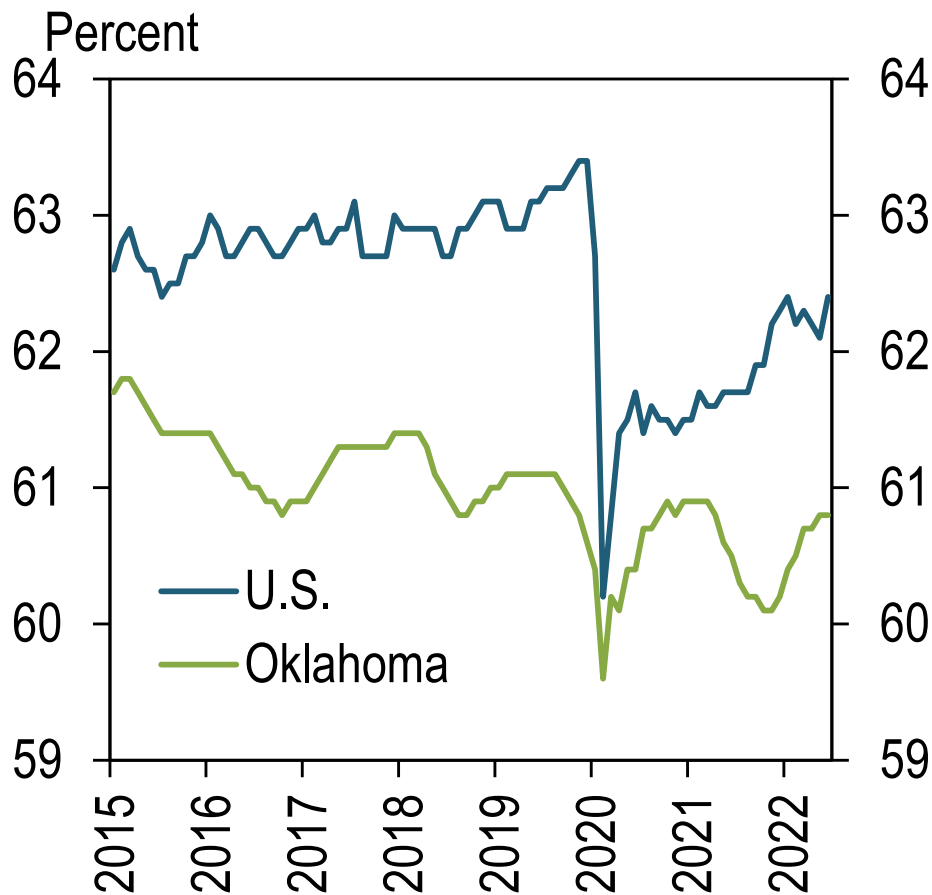
The number of job openings still greatly exceeds the number of unemployed workers but has leveled off

Job Openings/Unemployment Ratios

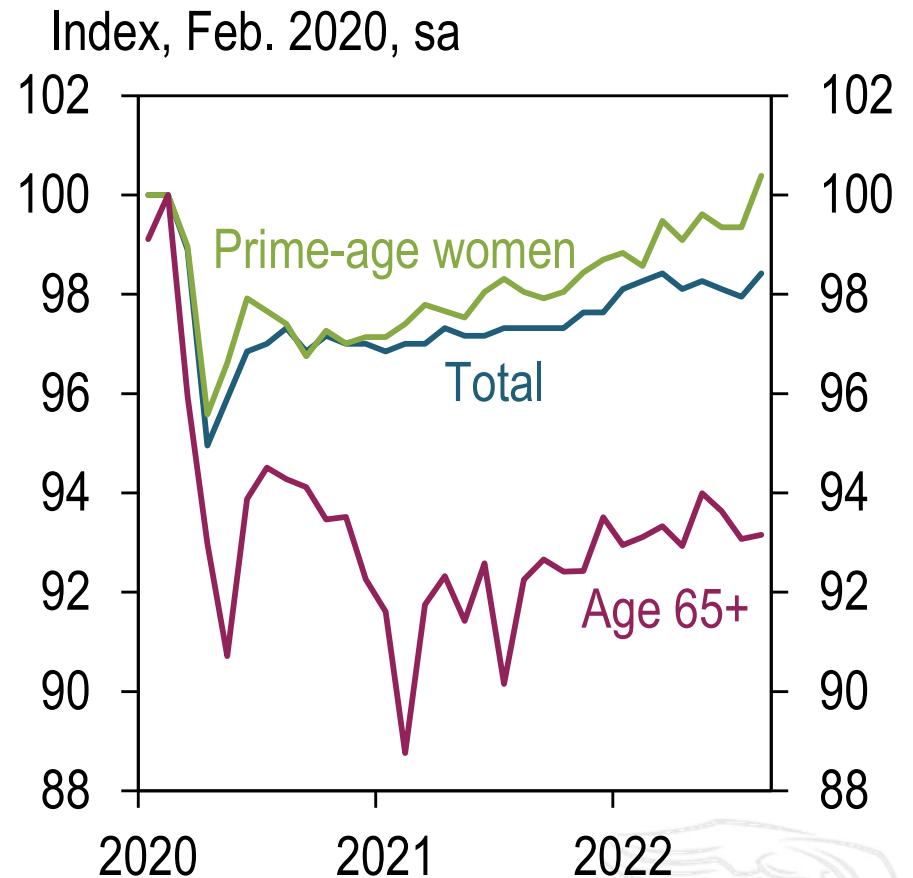


Labor force participation has improved in the nation and state, but lags pre-COVID due to older workers

Labor Force Participation Rate

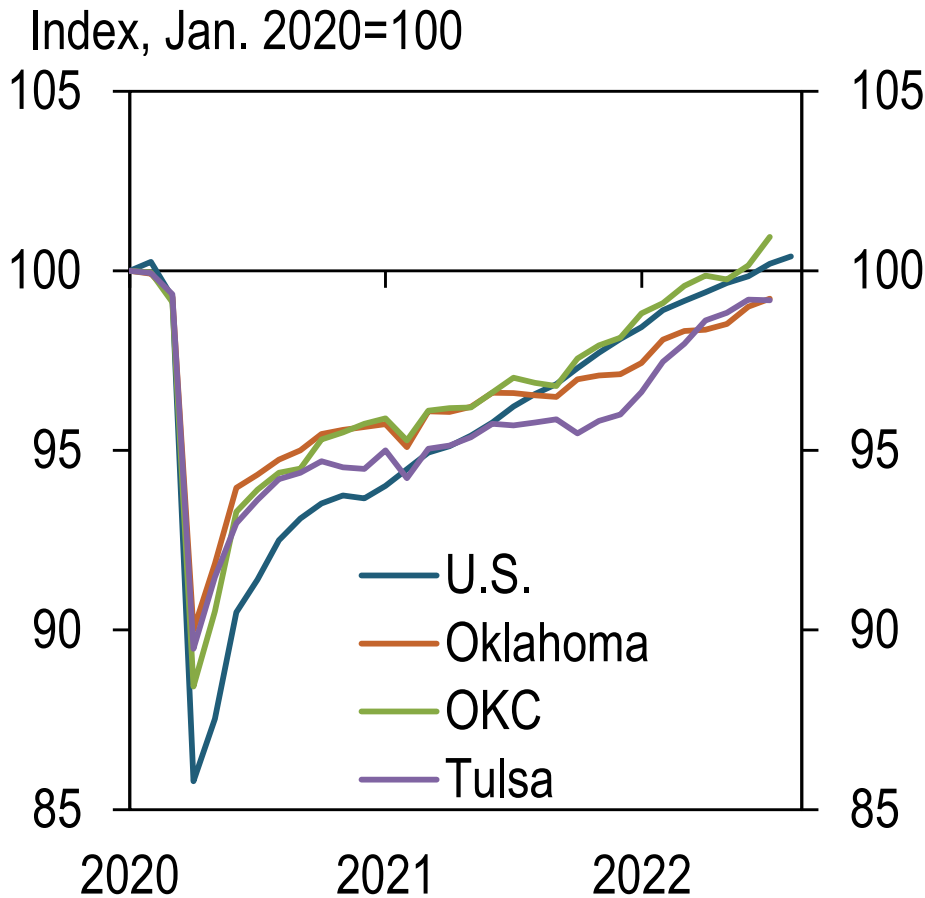


U.S. Labor Force Participation Rate

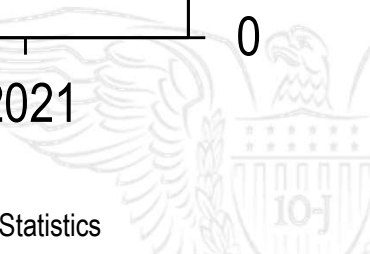
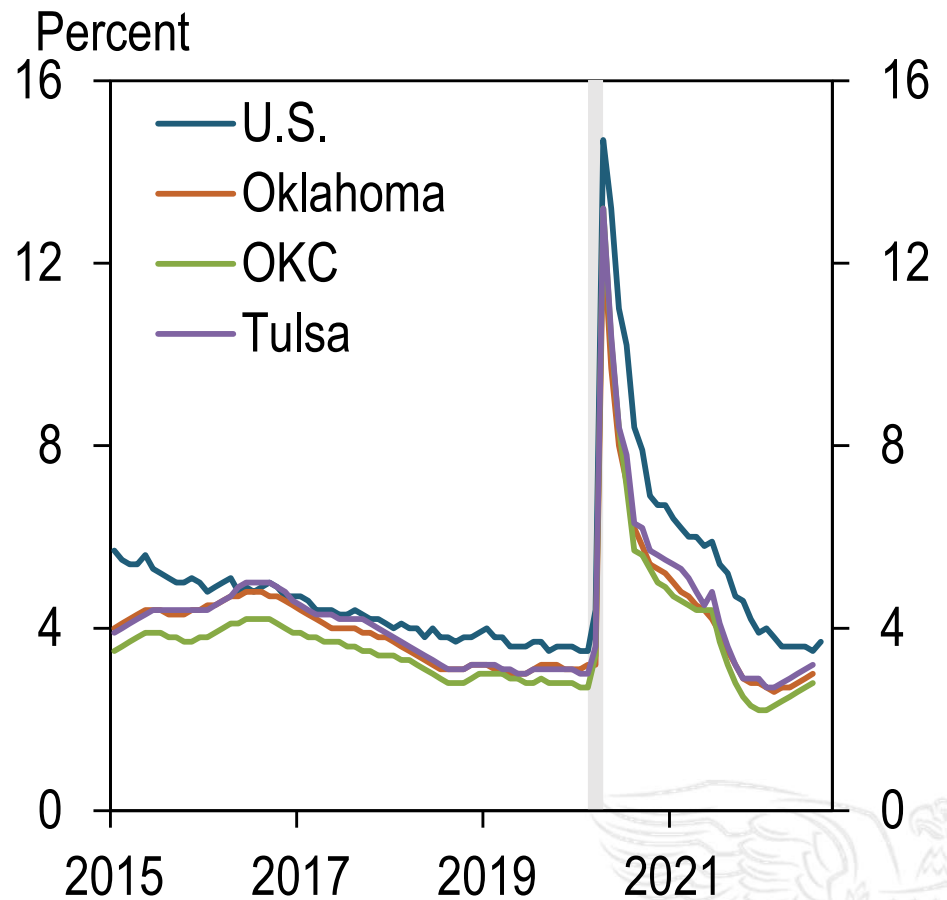


Jobs in Oklahoma are back to around pre-COVID levels, while unemployment has ticked up but is still very low

Non-Farm Payroll Employment



Unemployment Rate



Oklahoma employment is still down from pre-COVID levels in energy and office support-related industries

Oklahoma Industries Shedding the Most Jobs Since 2019

Industry Name	July 2022 Oklahoma Employment	Oklahoma Empl. Change Since July 2019	Percent Change in Oklahoma Employment				Oklahoma Avg. Annual Pay 2021
			Since July 2019	July 2012 to July 2019	Since July 2012	Since July 2021	
Support Activities for Mining	17,000	-12,300	-42%	-12%	-49%	24%	\$76,446
Machinery Manufacturing	22,300	-5,000	-18%	-9%	-26%	2%	\$66,618
Other Admin., Support, & Waste Mgmt. Services	23,600	-4,600	-16%	17%	-2%	-10%	\$52,700
Other Mining & Logging (excl. Support Activities)	14,900	-4,000	-21%	-29%	-44%	9%	\$137,359
Other Private Services	50,800	-4,000	-7%	22%	13%	0%	\$42,173
Heavy & Civil Engineering Construction	16,600	-3,600	-18%	36%	11%	2%	\$59,563
Nursing & Residential Care Facilities	31,300	-3,500	-10%	1%	-9%	-1%	\$32,832
Fabricated Metal Manufacturing	21,000	-3,100	-13%	0%	-13%	4%	\$59,069
Information	16,800	-3,000	-15%	-12%	-26%	-7%	\$65,990
Local Government (excl. Educ. & Indian Tribes)	73,600	-3,000	-4%	2%	-2%	1%	\$48,172

Note: **Green** indicates jobs paid above overall Oklahoma average pay of \$51,350 in 2021

Red indicates jobs paid below overall Oklahoma average pay of \$51,350 in 2021



But warehouse and finance-related jobs are above pre-COVID levels, as are many retail and restaurant jobs

Oklahoma Industries Adding the Most Jobs Since 2019

Industry Name	July 2022 Oklahoma Employment	Oklahoma Empl. Change Since July 2019	Percent Change in Oklahoma Employment				Oklahoma Avg. Annual Pay 2021
			Since July 2019	July 2012 to July 2019	Since July 2012	Since July 2021	
Transportation & Warehousing (excl. Truck Transp.)	50,400	16,000	47%	50%	119%	7%	\$48,919
Employment Services	49,700	7,300	17%	3%	21%	21%	\$42,530
Retail Trade (excl. Autos, Food/Beverage, General Merch.)	92,900	6,300	7%	5%	13%	3%	\$31,870
Limited Service Restaurants & Other Eating Places	74,500	5,300	8%	17%	26%	7%	\$17,508
Indian Tribes	54,200	4,000	8%	26%	36%	10%	\$52,346
Accounting, Tax Prep., Bookkeeping, & Payroll Services	17,800	2,500	16%	26%	47%	5%	\$73,133
Food Manufacturing	19,500	1,800	10%	16%	27%	8%	\$48,376
Credit Intermediation & Related Activities	33,800	1,700	5%	0%	6%	6%	\$68,217
Building Equipment Contractors	28,100	1,600	6%	22%	29%	7%	\$54,473
Insurance Carriers & Related Activities	22,800	1,600	8%	-4%	4%	7%	\$69,274

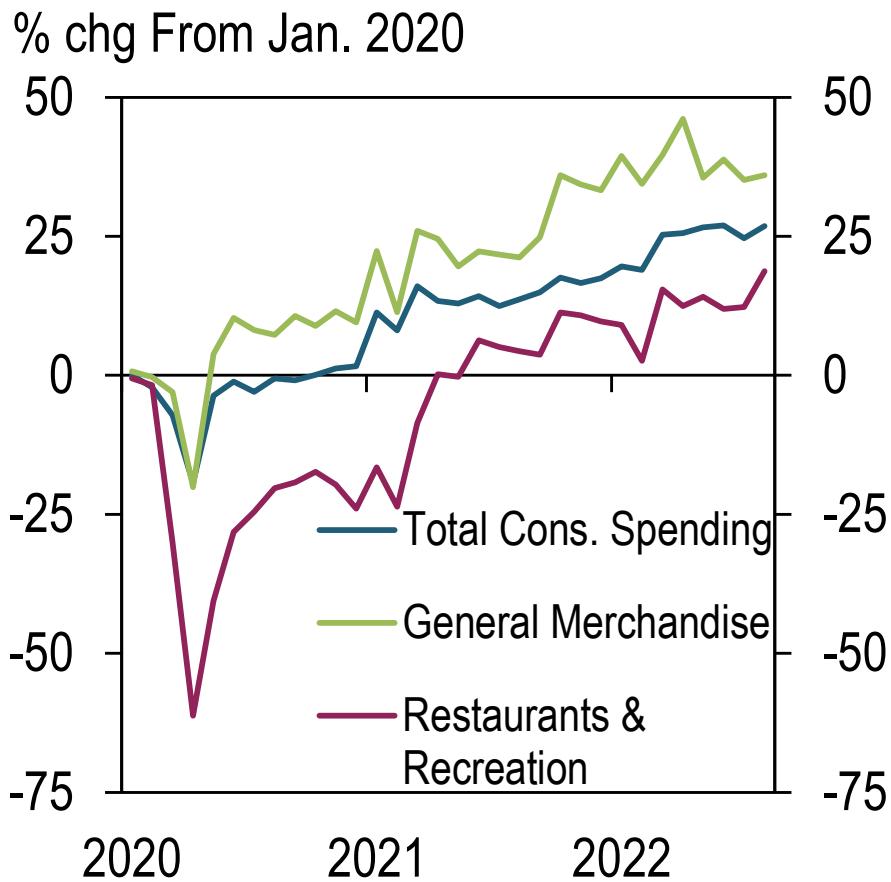
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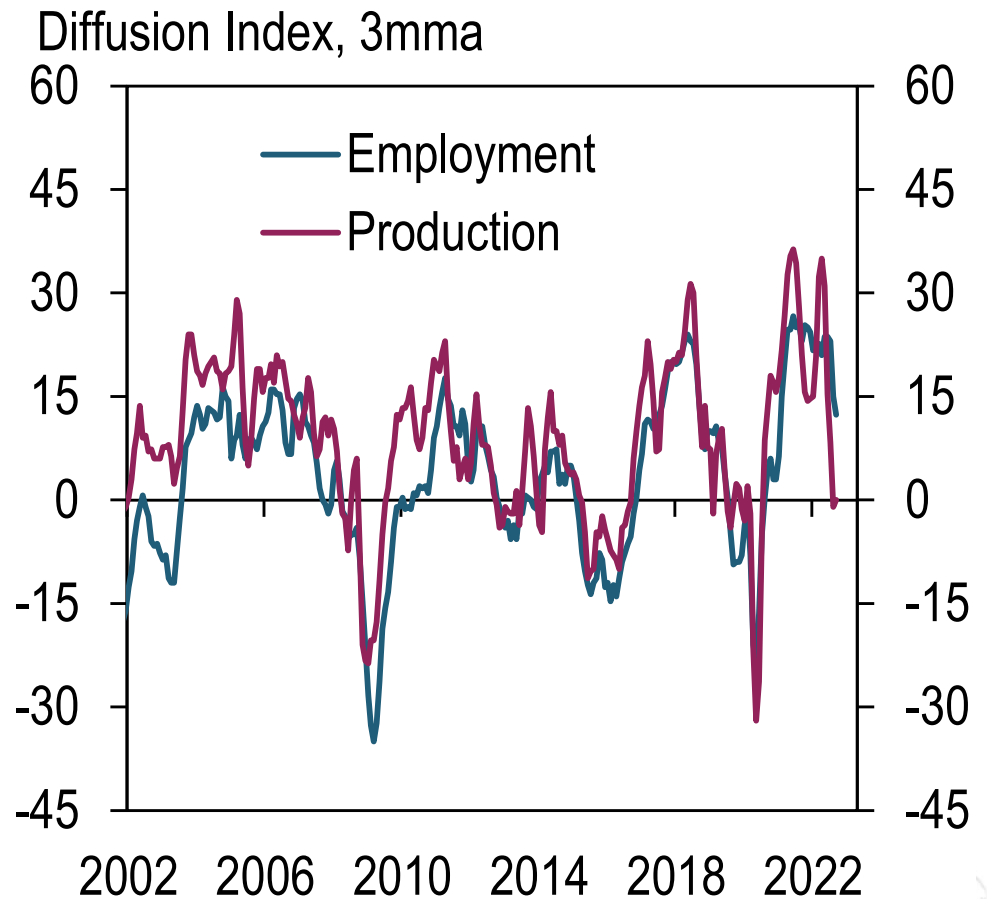


OK consumer spending continues to rise, while regional factory production has slowed

Oklahoma Consumer Spending

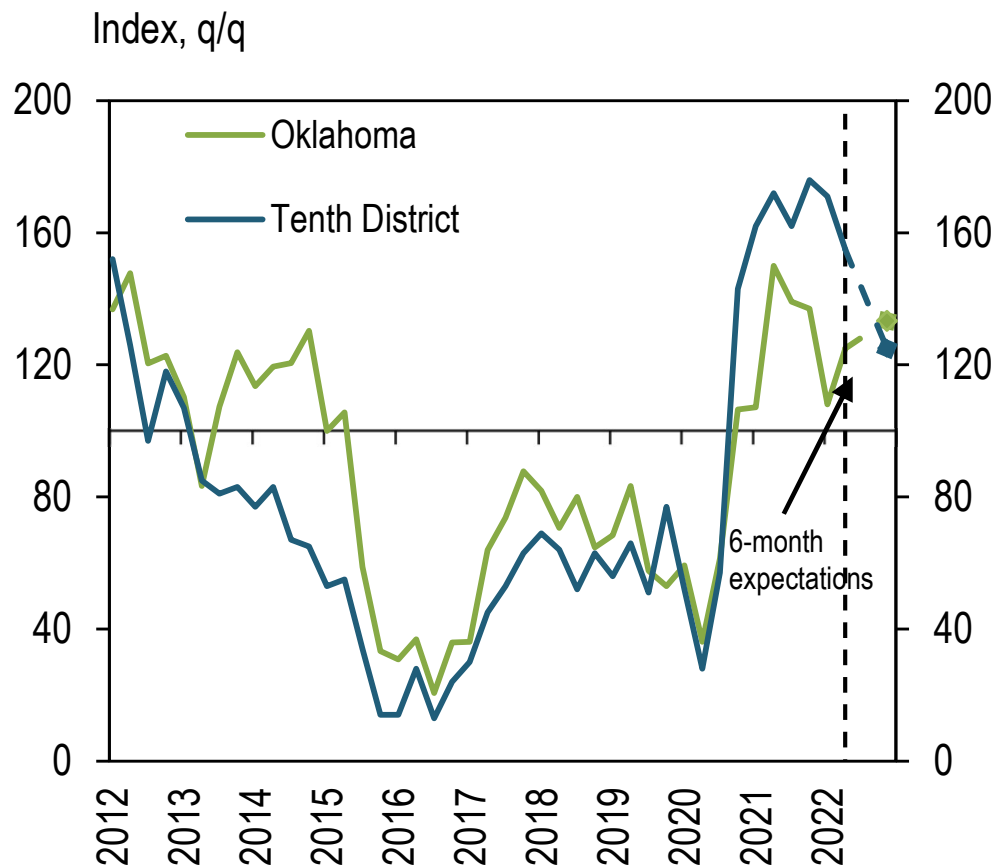


Manufacturing Survey Price Indexes

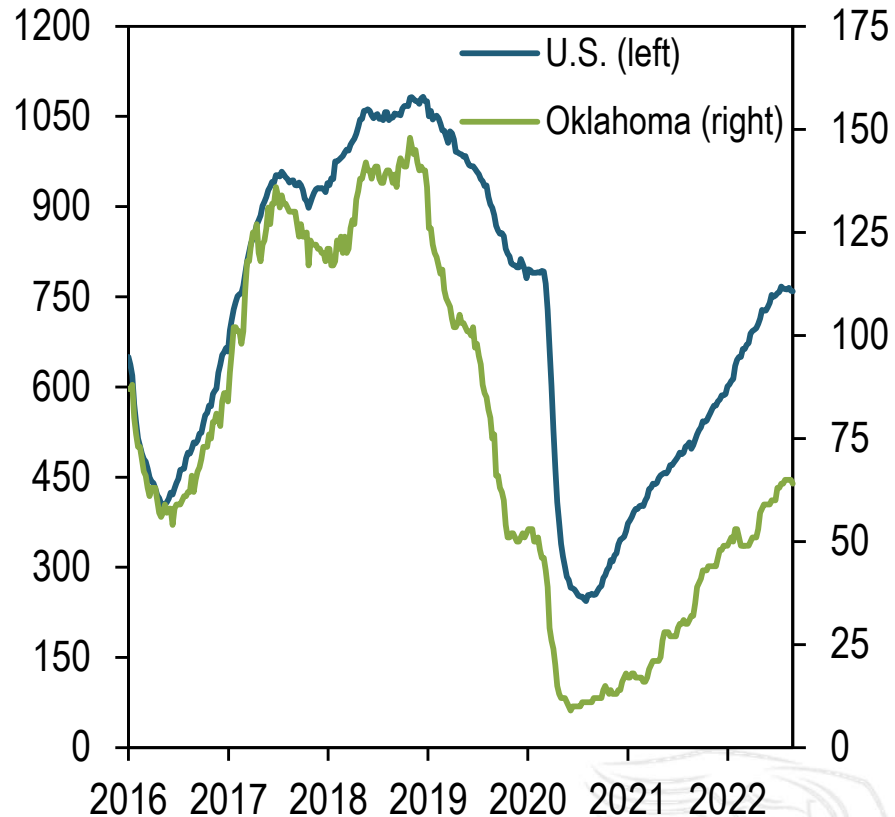


Oklahoma farm income has been moderately positive while energy activity continues to rise with high prices

Farm Income

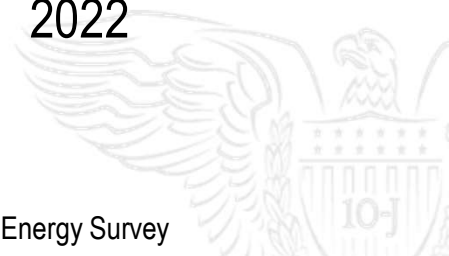
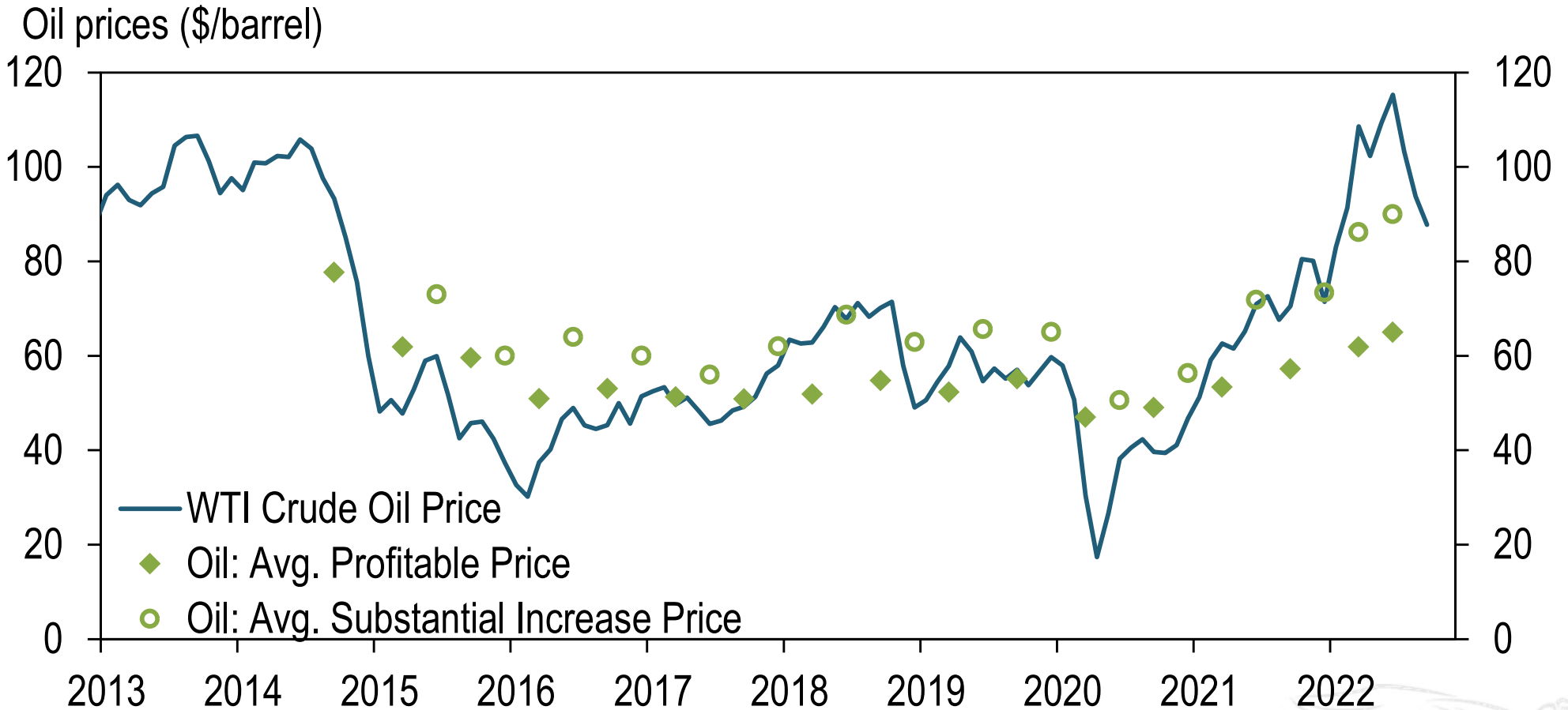


Drilling Rig Counts



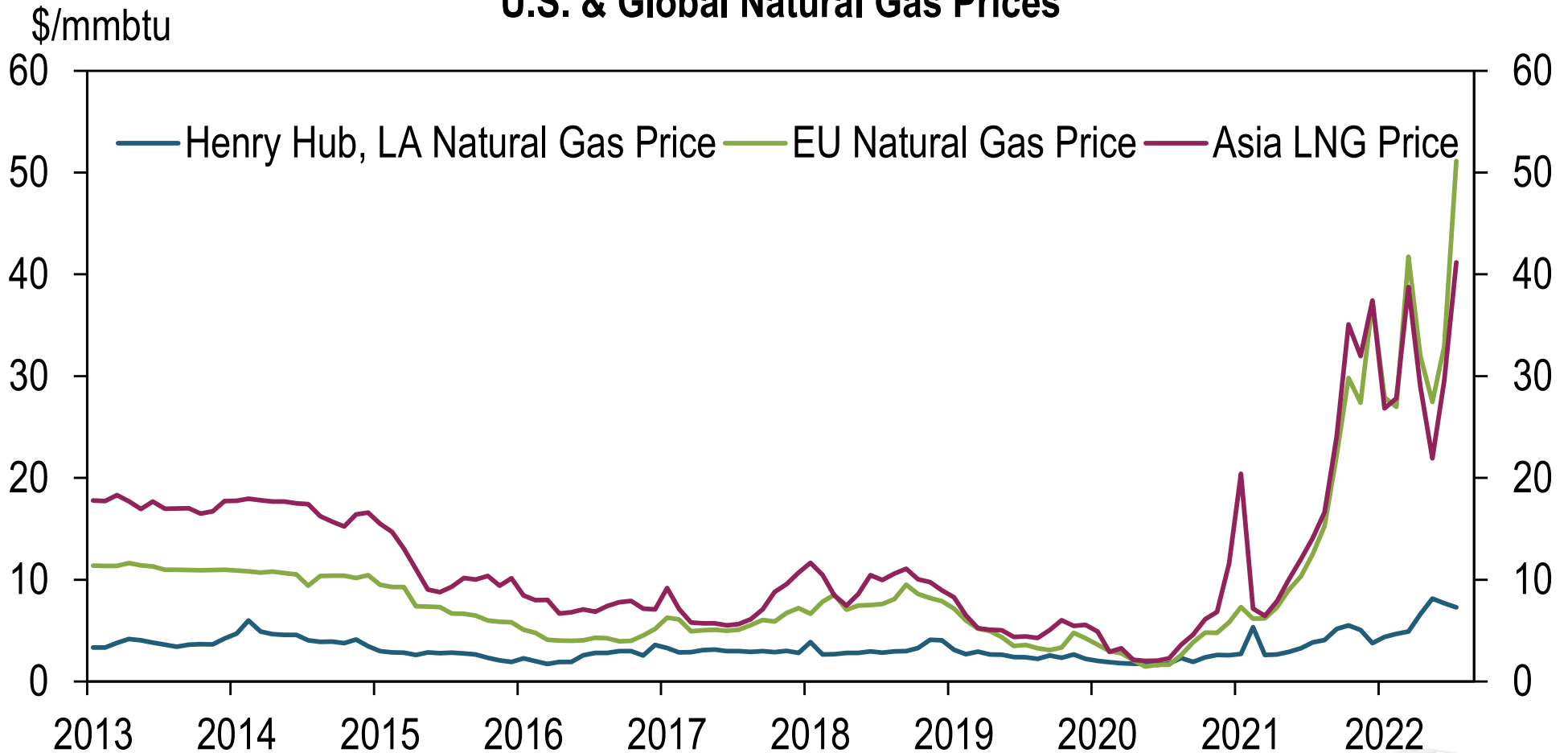
Oil prices have eased lately but remain highly profitable for most regional firms

Energy Prices



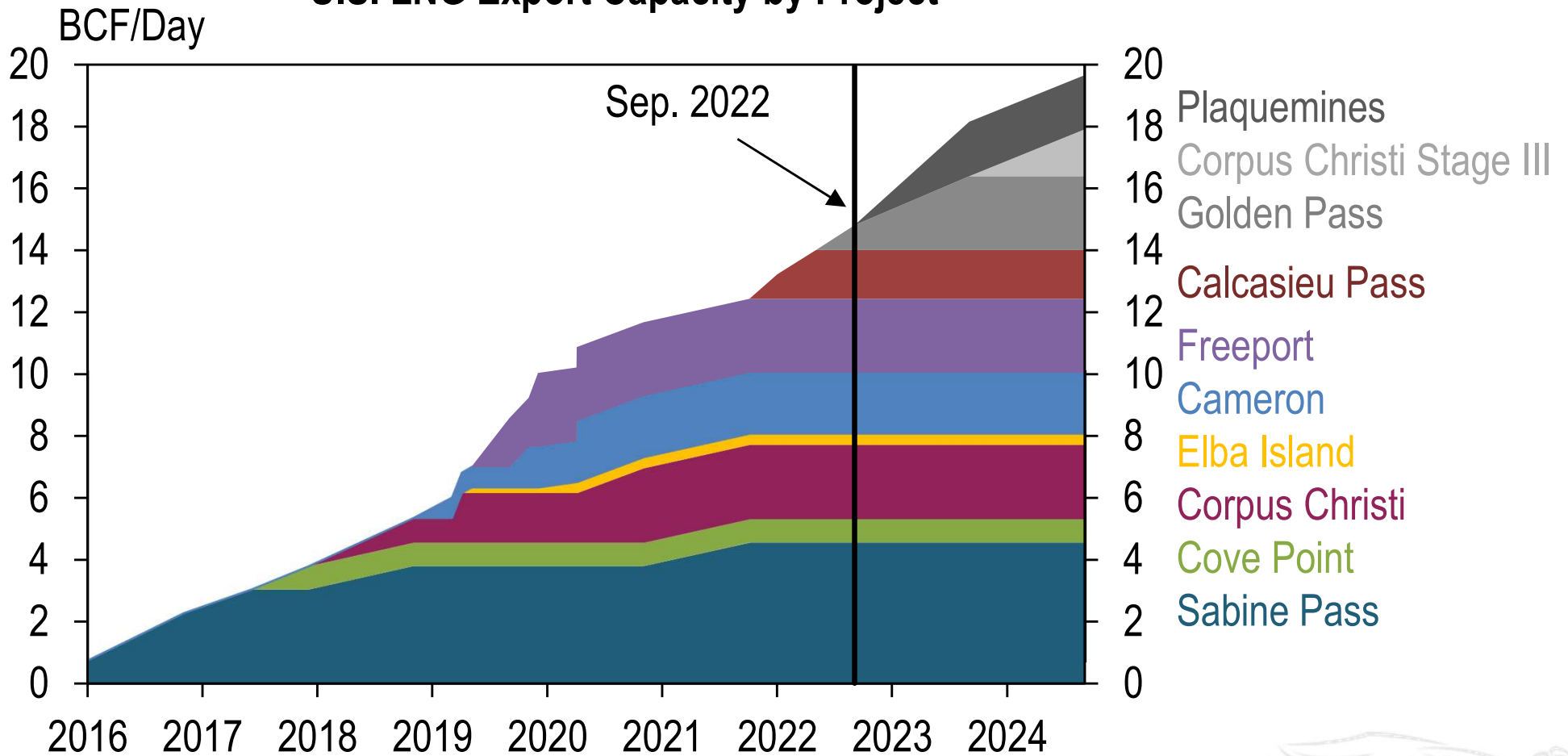
U.S. natural gas prices also remain elevated and profitable, but pale compared to Europe and Asia

U.S. & Global Natural Gas Prices



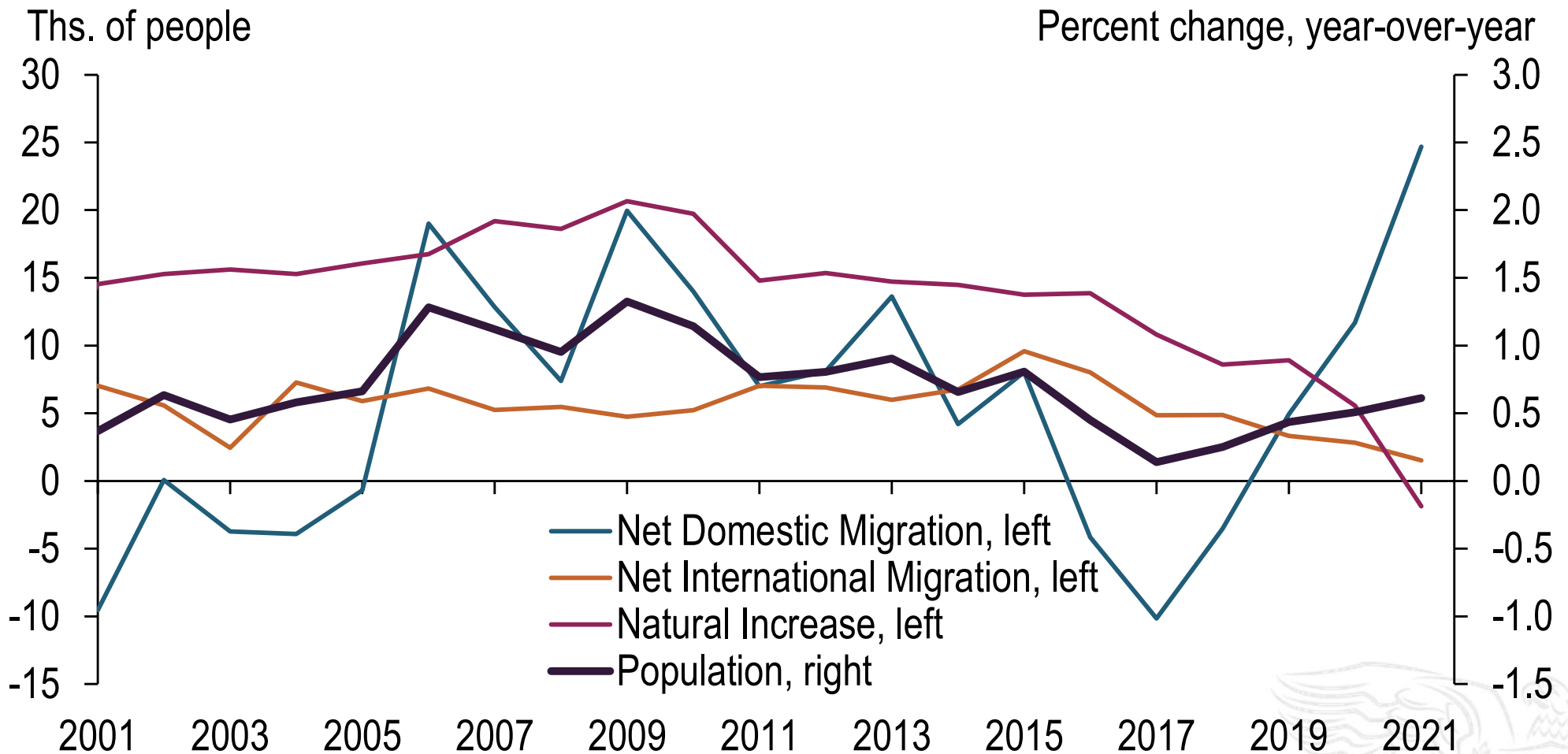
U.S. liquified natural gas export capacity is set to increase with international demand in coming years

U.S. LNG Export Capacity by Project



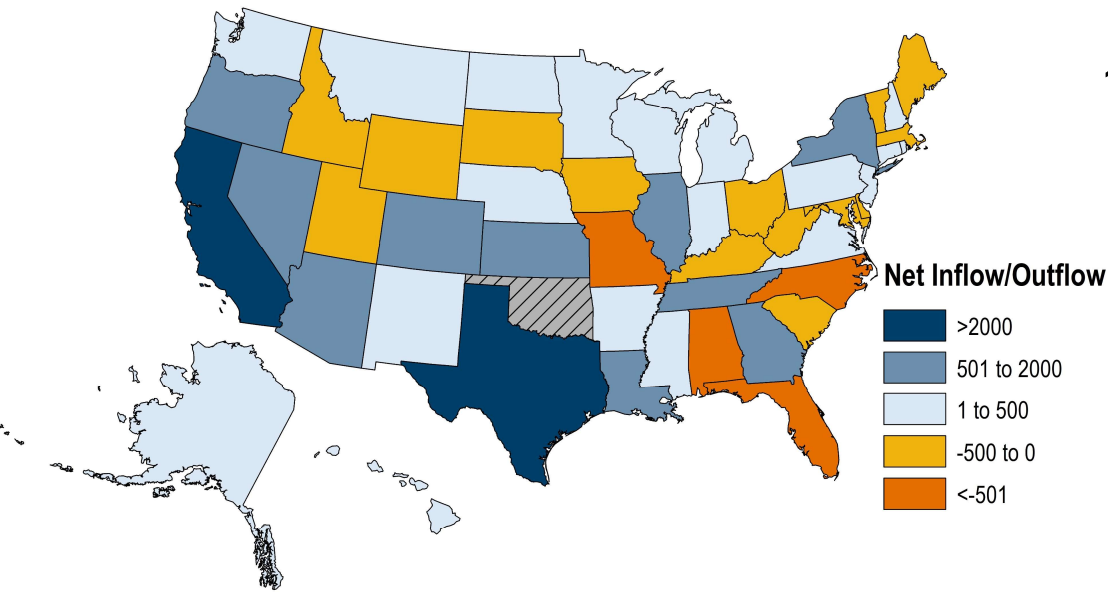
Oklahoma's population grew in 2021 despite a historic increase in deaths, due to massive in-migration

Oklahoma Population Changes by Component, 2001-2021

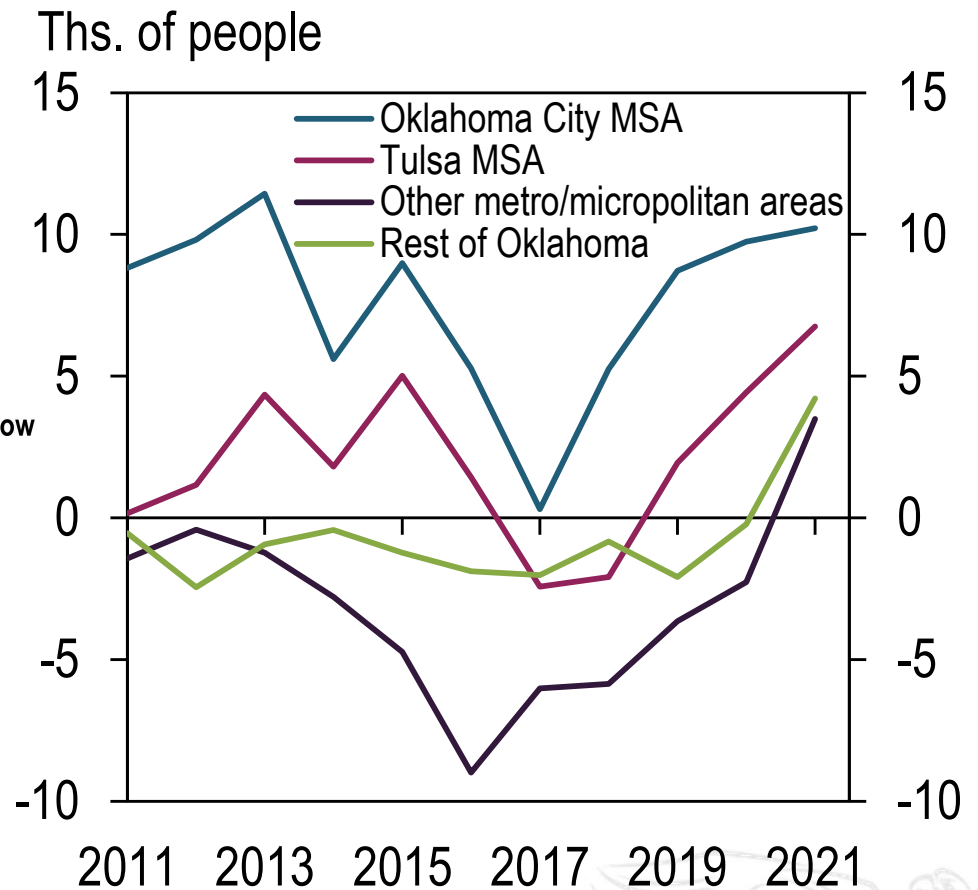


Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

Net Domestic Migration to Oklahoma
2020 and 2021



Oklahoma Net Domestic Migration



Summary

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- Oklahoma energy activity has expanded solidly in 2022, as oil and gas prices remain elevated, and population is growing



Questions?

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