

# U.S. and Oklahoma Economic Outlook

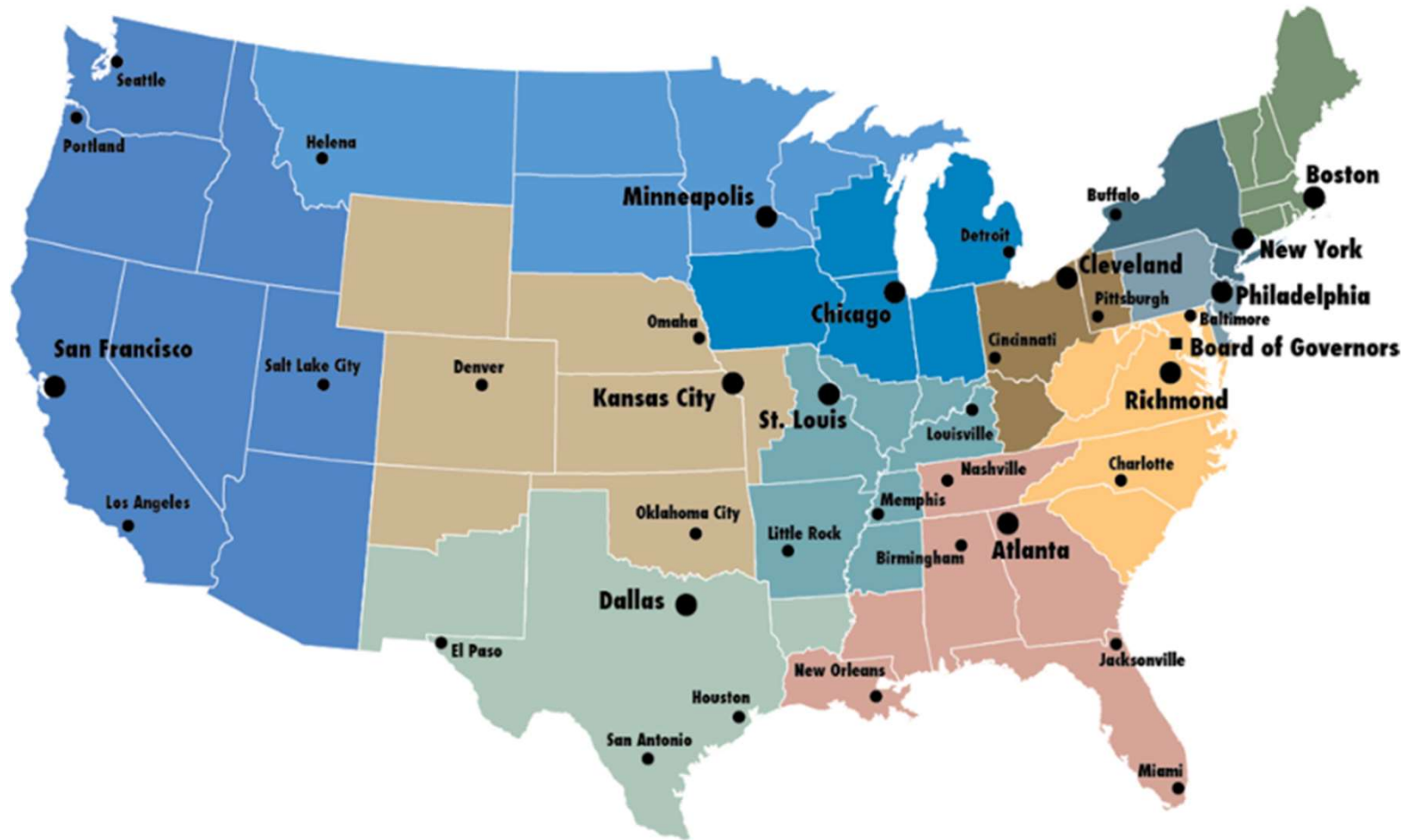
*OKC Assn. of Landmen  
October 3, 2022*

**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](http://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
- **Susan Plumb**, Chair & CEO, Bank of Cherokee Co., Tahlequah
- **Brady Sidwell**, Principal, Sidwell Strategies, Enid
- **Chris Turner**, COO, First National Bank, Shawnee/OKC
- **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



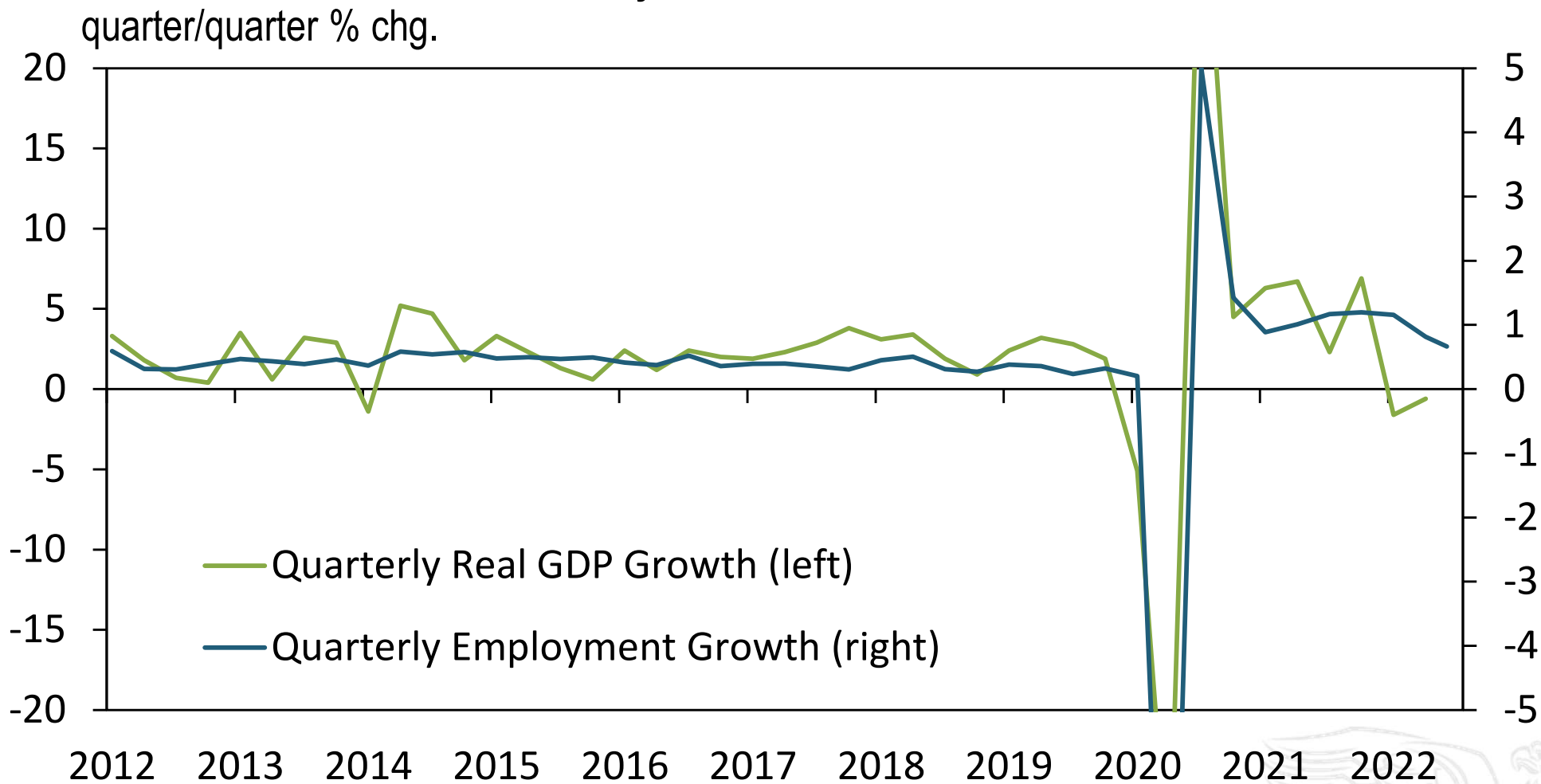
# Overview

- 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

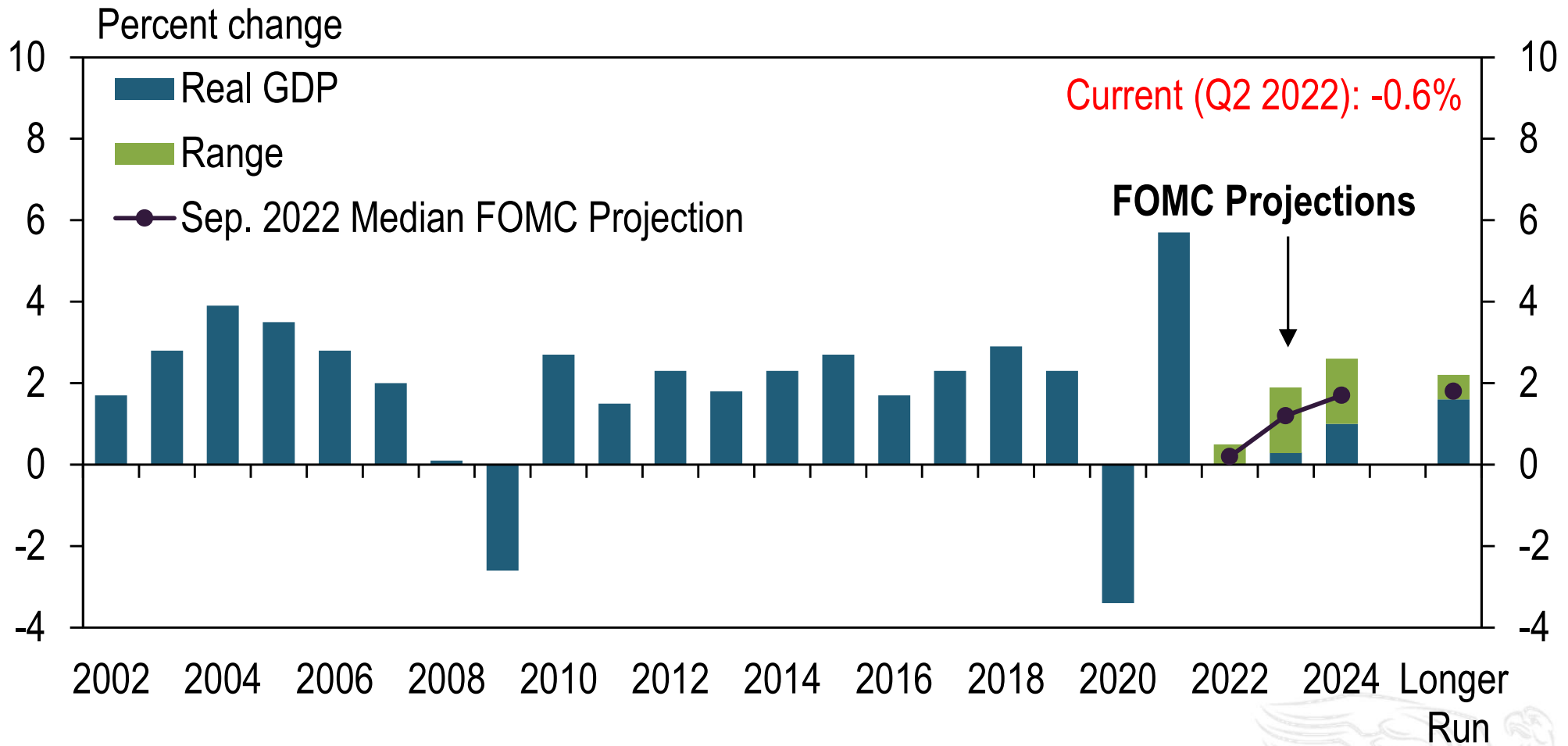


Sources: BEA, BLS/Haver Analytics



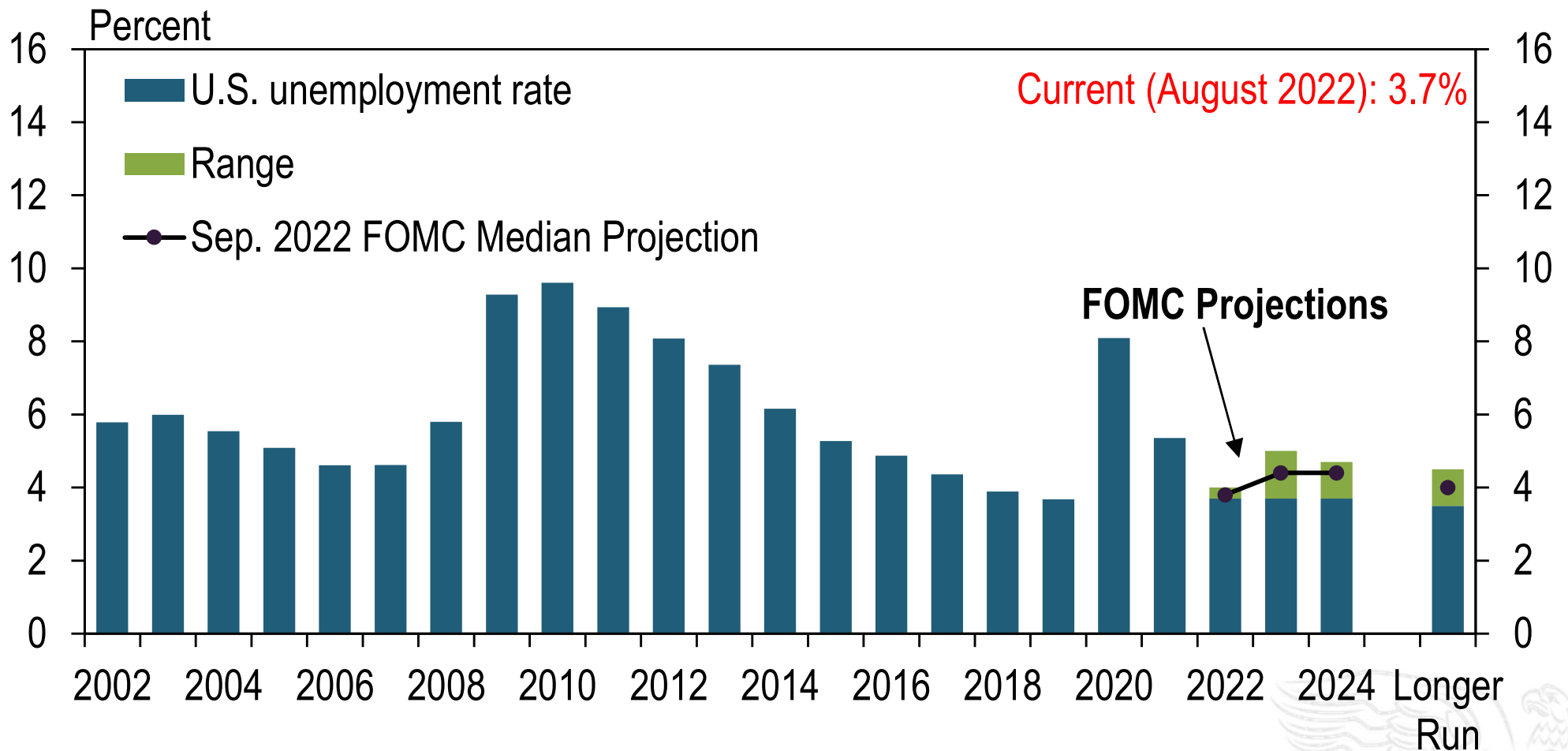
# GDP growth is expected to be below trend this year before moving to its long-term trend in coming years

## Change in Real GDP



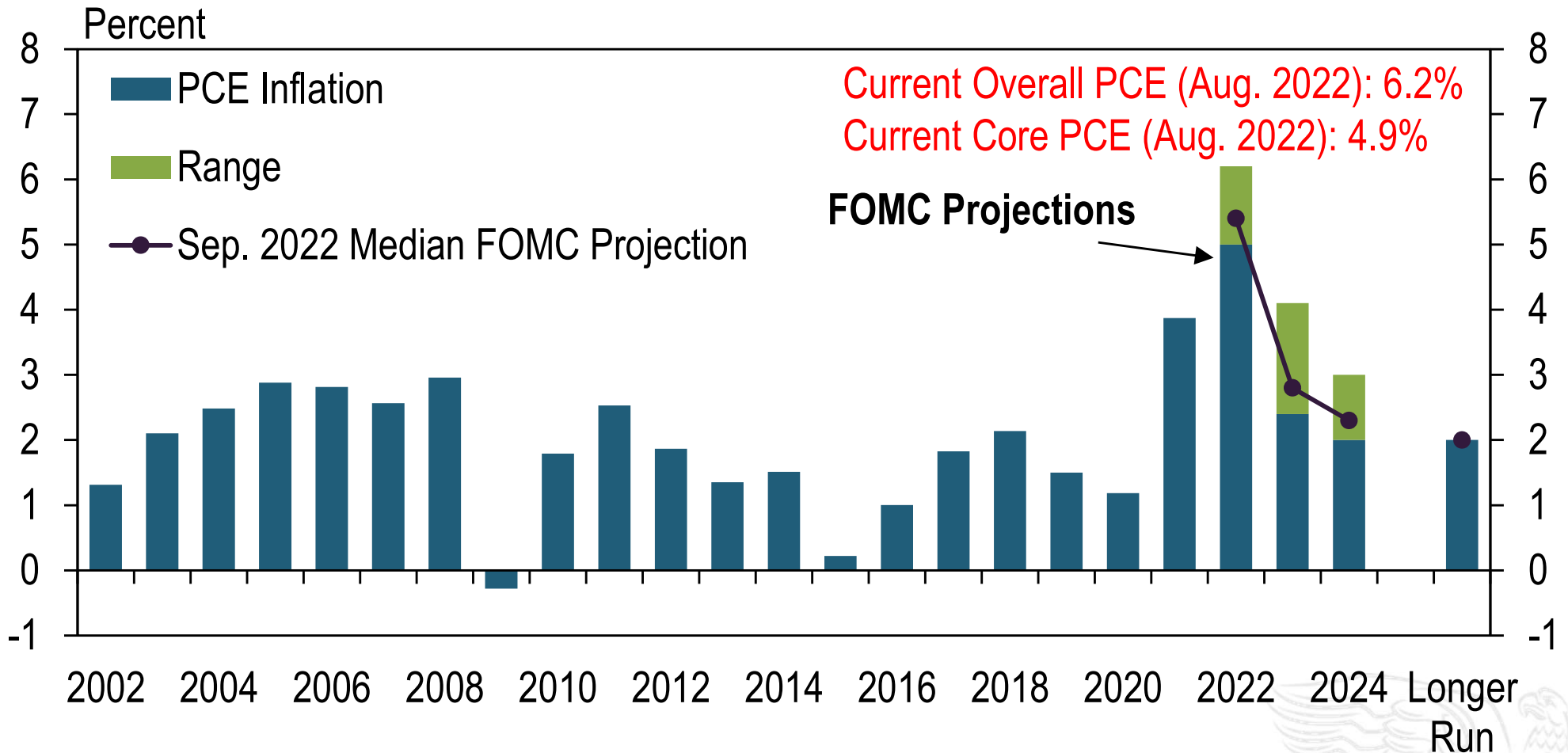
# U.S. unemployment remains historically low and is projected to edge up only slightly in coming years

## U.S. Unemployment Rate



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

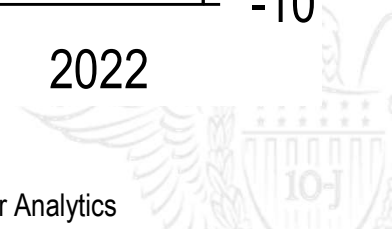
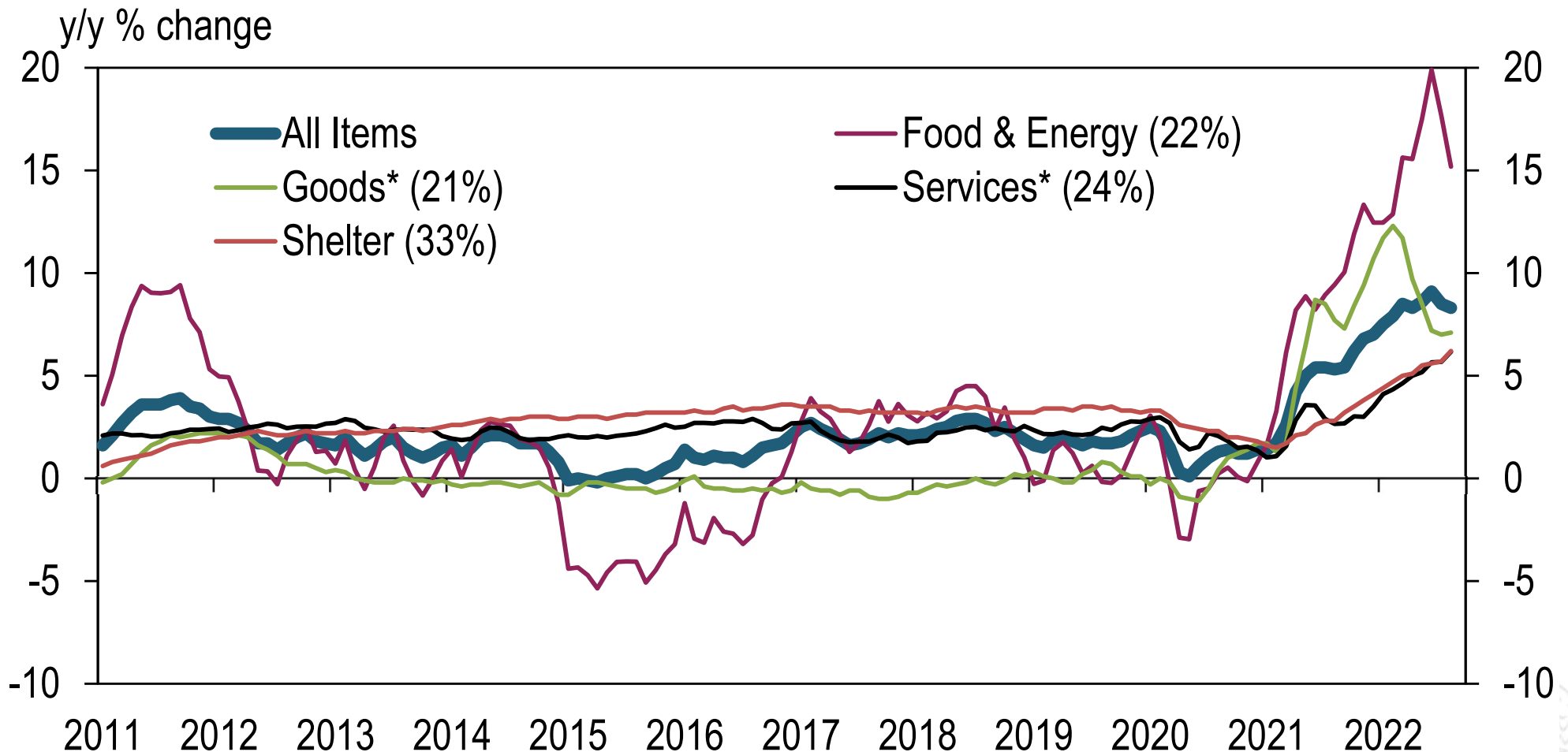
PCE Inflation Index





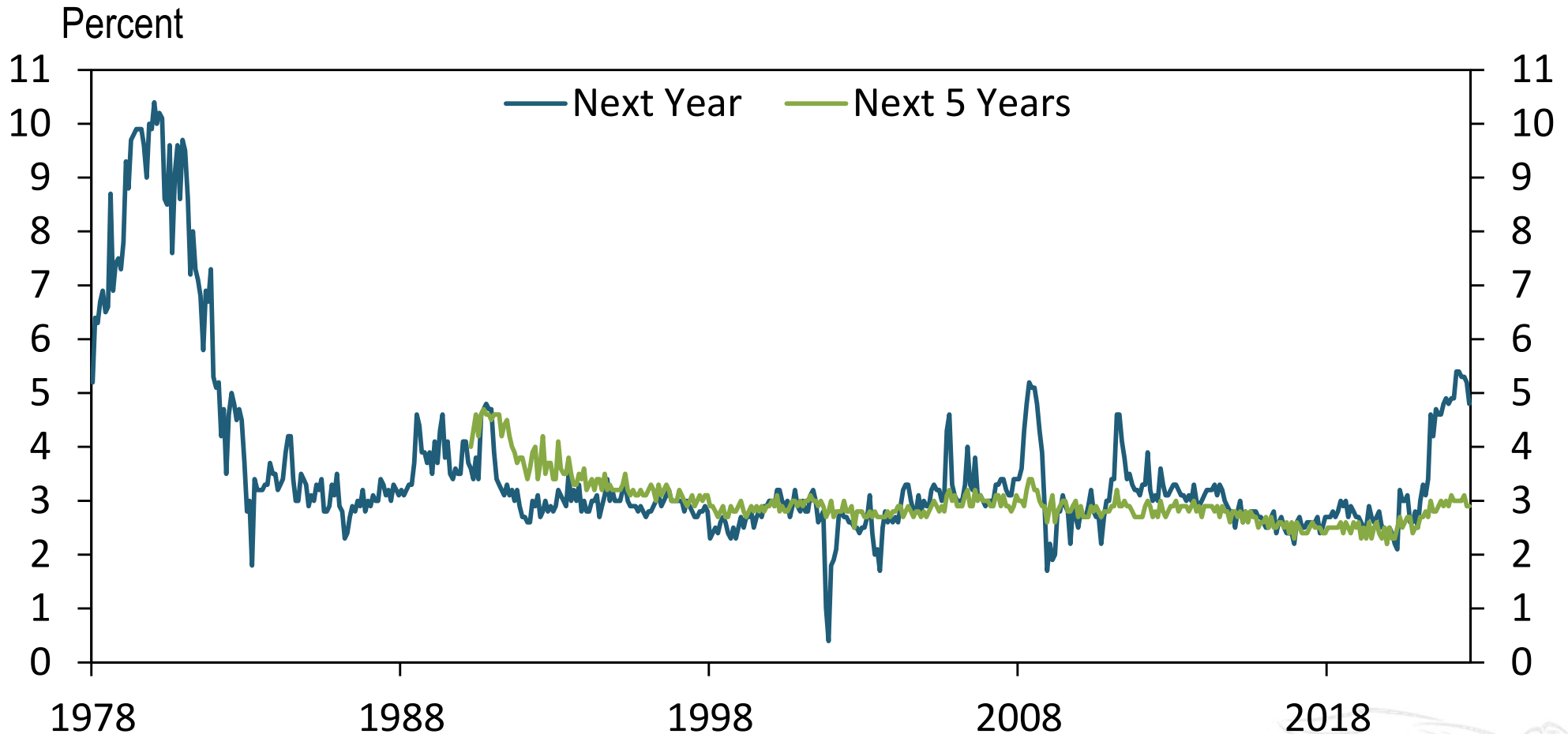
# CPI inflation did ease slightly in July/August as goods and energy prices fell, but other prices kept rising

## Consumer Price Index



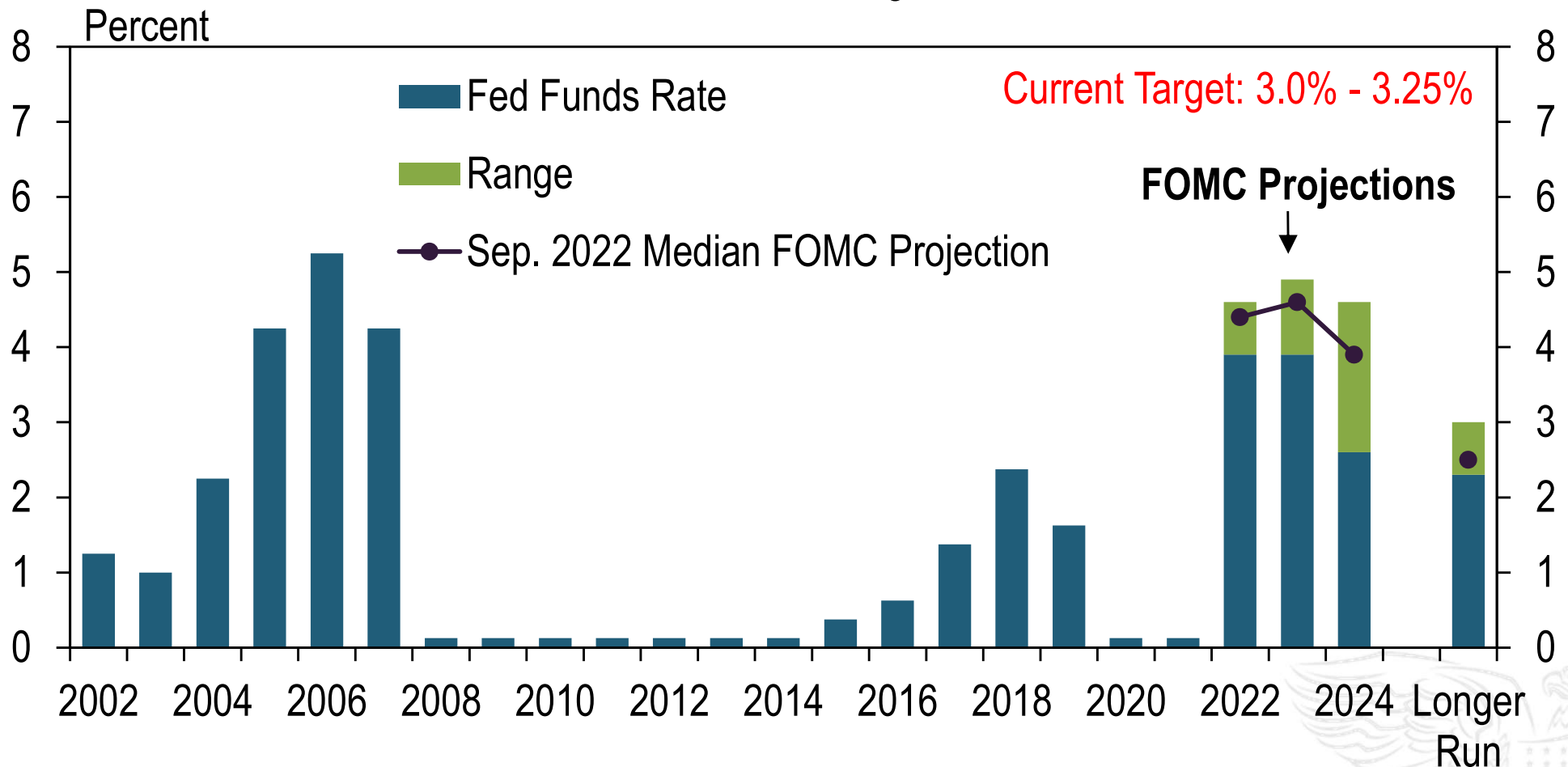
# Where is inflation going? Longer-term inflation expectations remain around their 20-year average

## Expected Inflation Rate



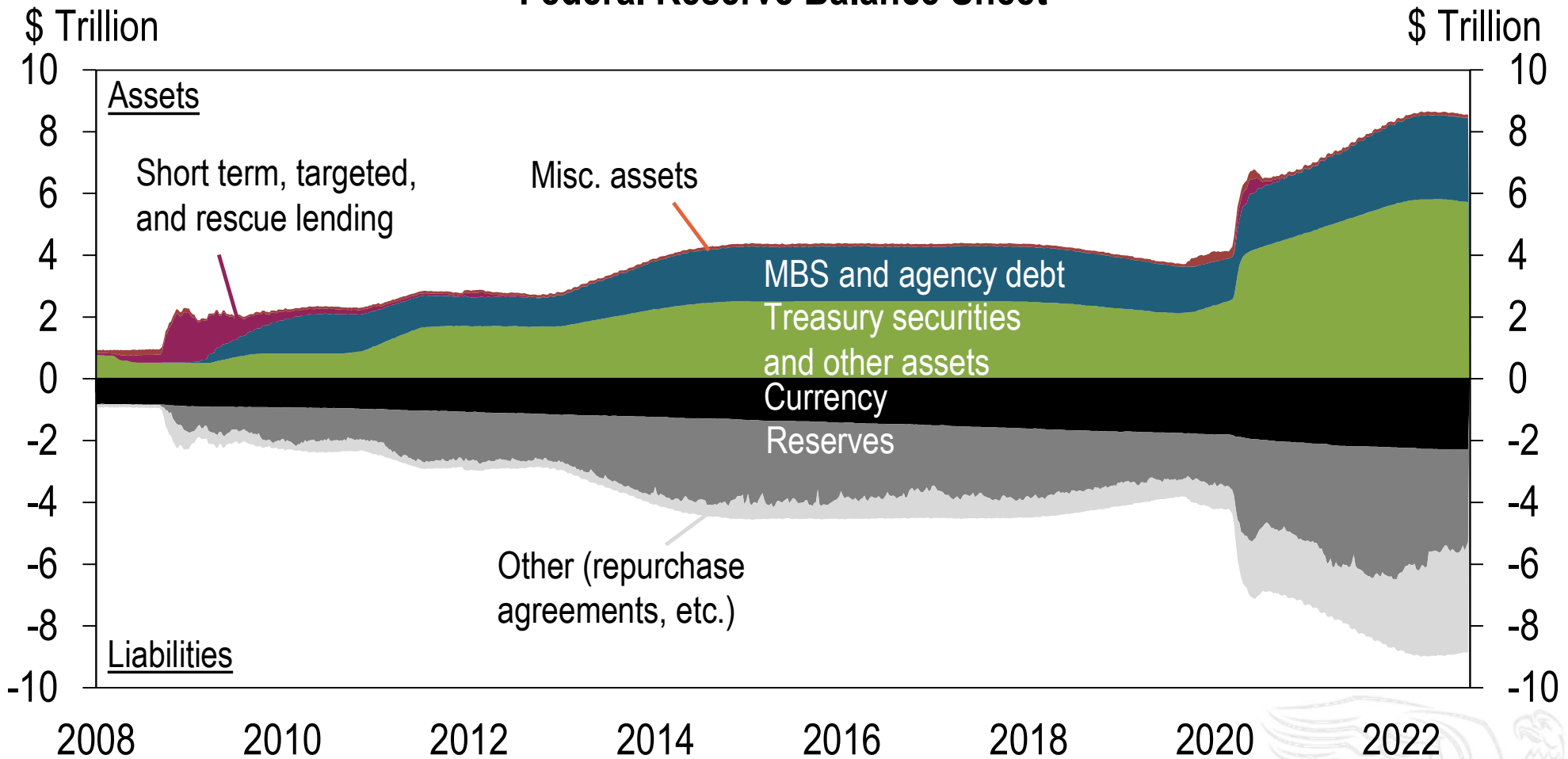
# The Fed raised the federal funds rate by 75 basis points in September, with more increases expected

Federal Funds Rate  
Year-End Target



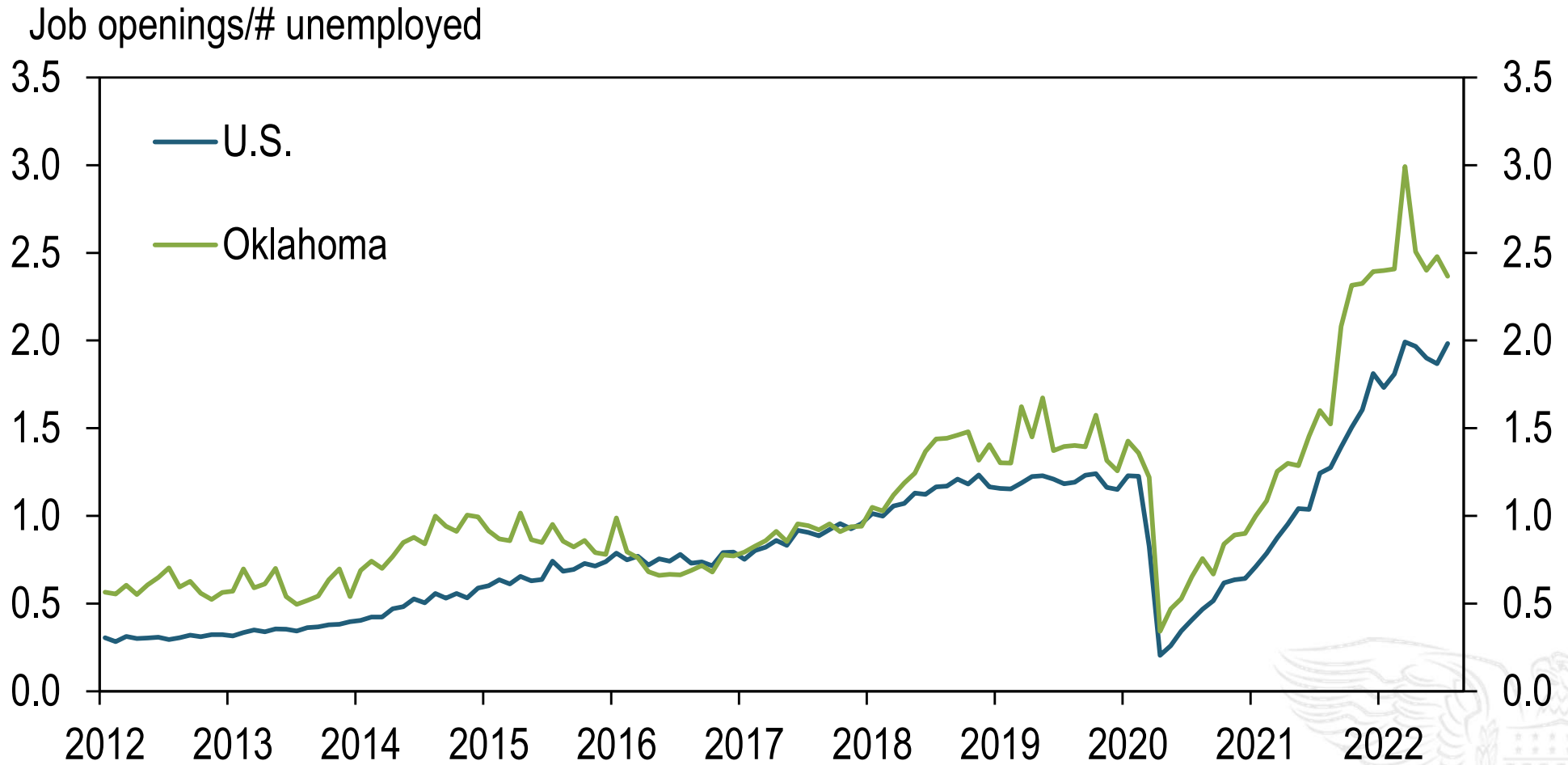
# The Fed has also begun to reduce its balance sheet of securities, further tightening policy

Federal Reserve Balance Sheet



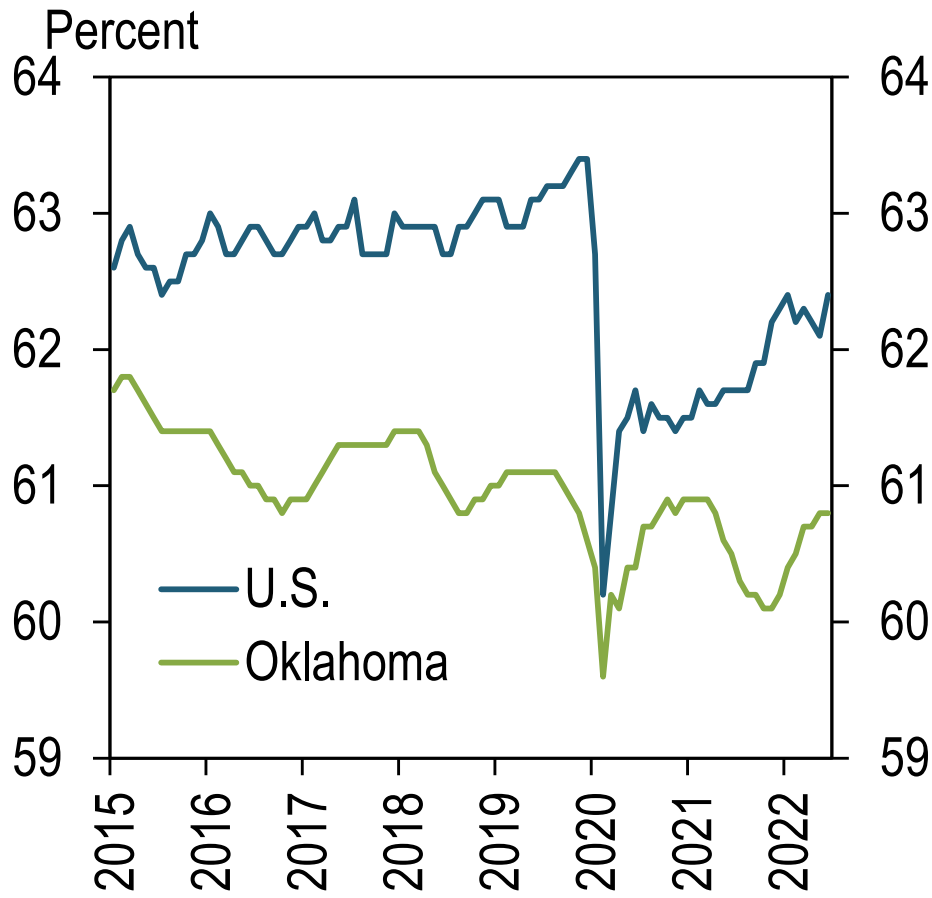
# The number of job openings still greatly exceeds the number of unemployed workers but has leveled off

## Job Openings/Unemployment Ratios

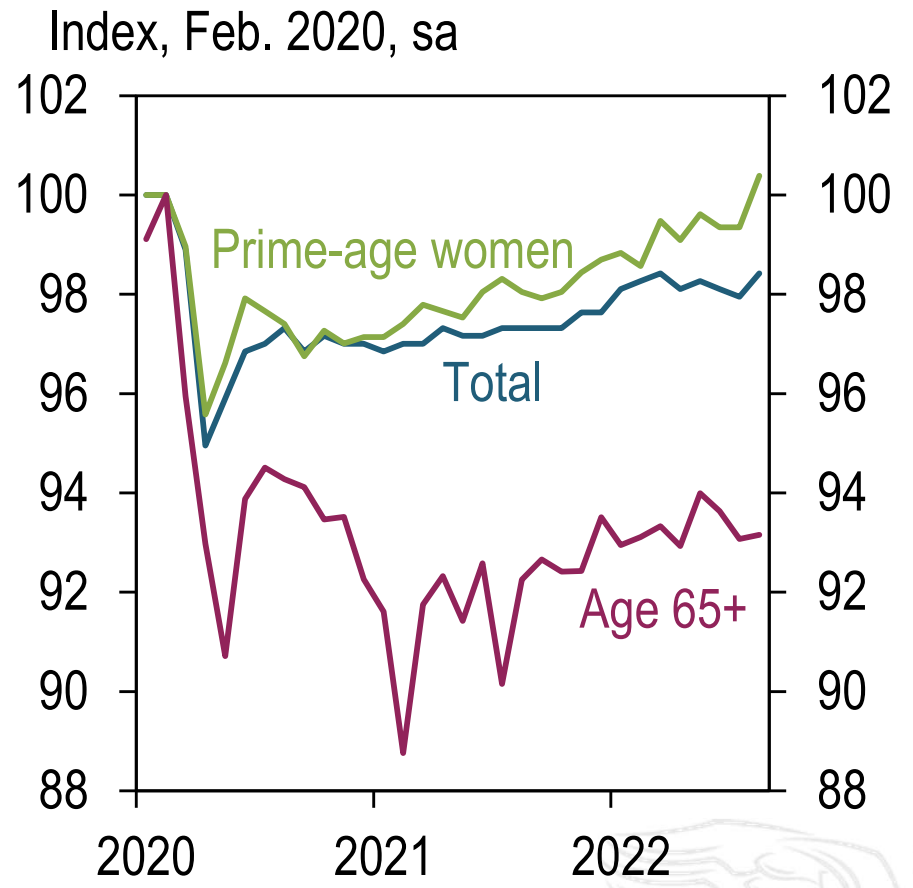


# Labor force participation has improved in the nation and state, but lags pre-COVID due to older workers

### Labor Force Participation Rate

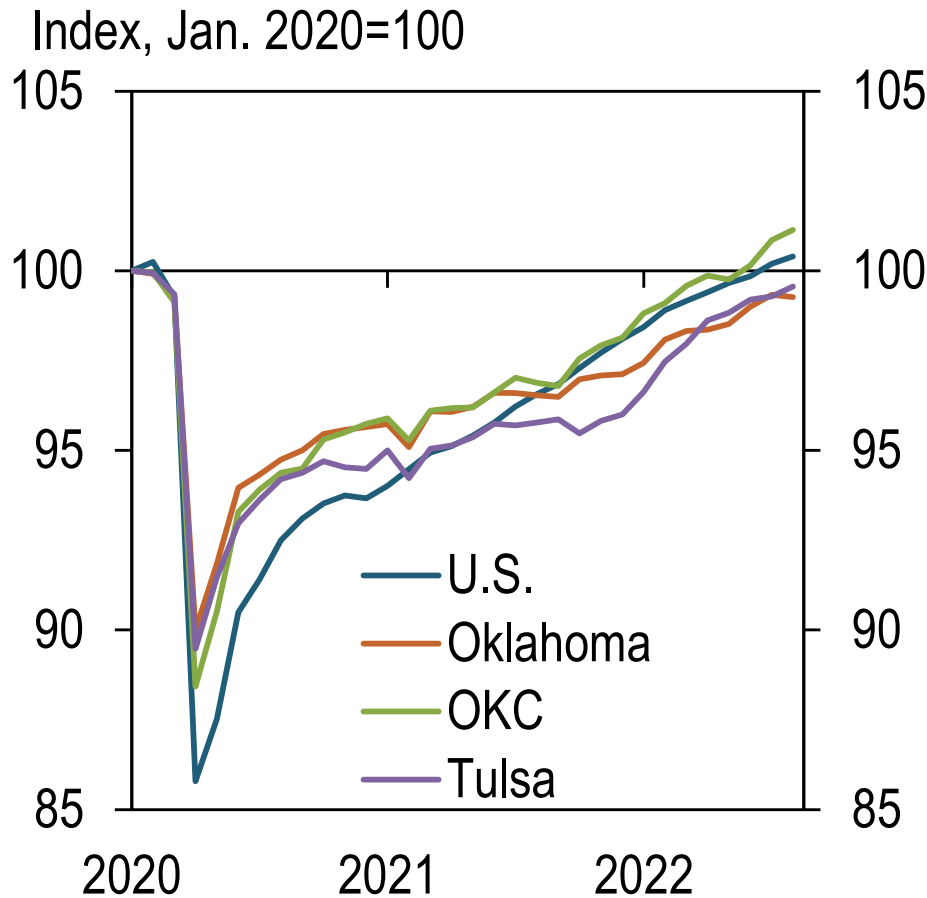


### U.S. Labor Force Participation Rate

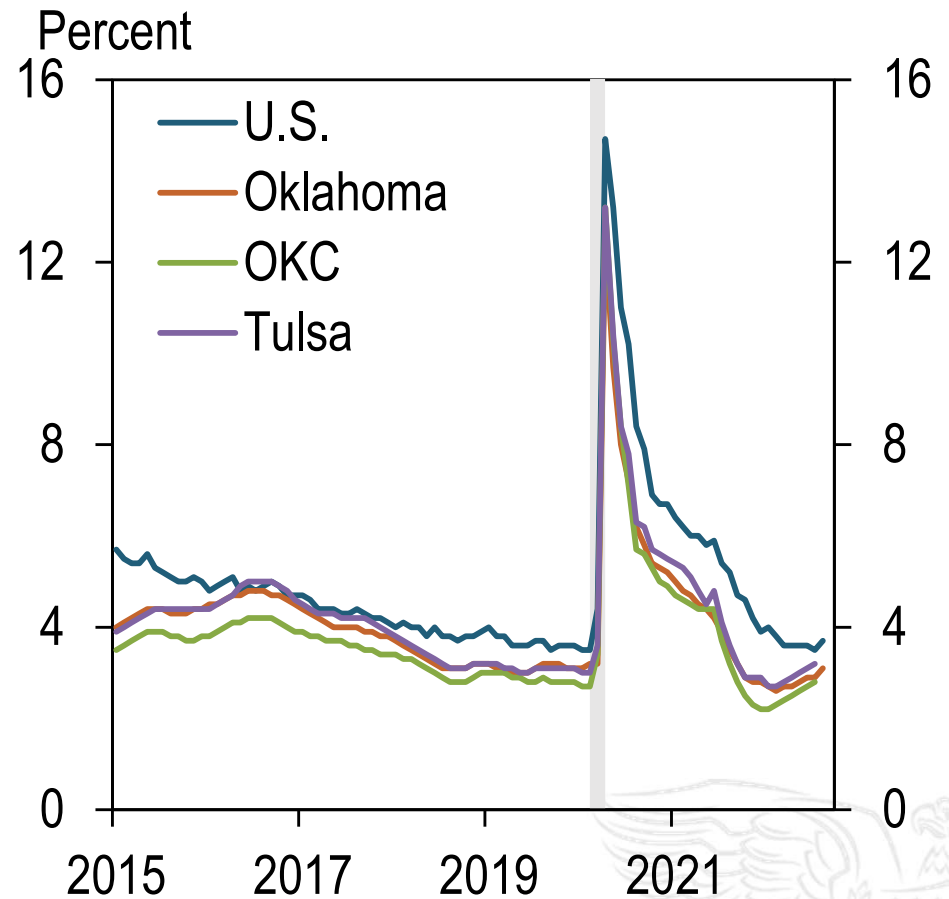


# Jobs in Oklahoma are back to around pre-COVID levels, and unemployment has ticked up but is still very low

### 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%	<b>\$48,919</b>
Employment Services	49,700	7,300	17%	3%	21%	21%	<b>\$42,530</b>
Retail Trade (excl. Autos, Food/Beverage, General Merch.)	92,900	6,300	7%	5%	13%	3%	<b>\$31,870</b>
Limited Service Restaurants & Other Eating Places	74,500	5,300	8%	17%	26%	7%	<b>\$17,508</b>
Indian Tribes	54,200	4,000	8%	26%	36%	10%	<b>\$52,346</b>
Accounting, Tax Prep., Bookkeeping, & Payroll Services	17,800	2,500	16%	26%	47%	5%	<b>\$73,133</b>
Food Manufacturing	19,500	1,800	10%	16%	27%	8%	<b>\$48,376</b>
Credit Intermediation & Related Activities	33,800	1,700	5%	0%	6%	6%	<b>\$68,217</b>
Building Equipment Contractors	28,100	1,600	6%	22%	29%	7%	<b>\$54,473</b>
Insurance Carriers & Related Activities	22,800	1,600	8%	-4%	4%	7%	<b>\$69,274</b>

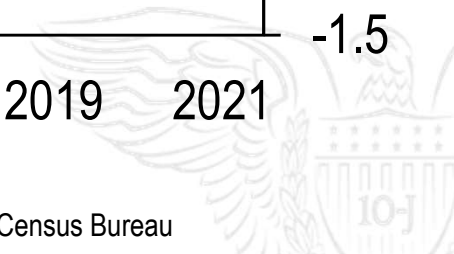
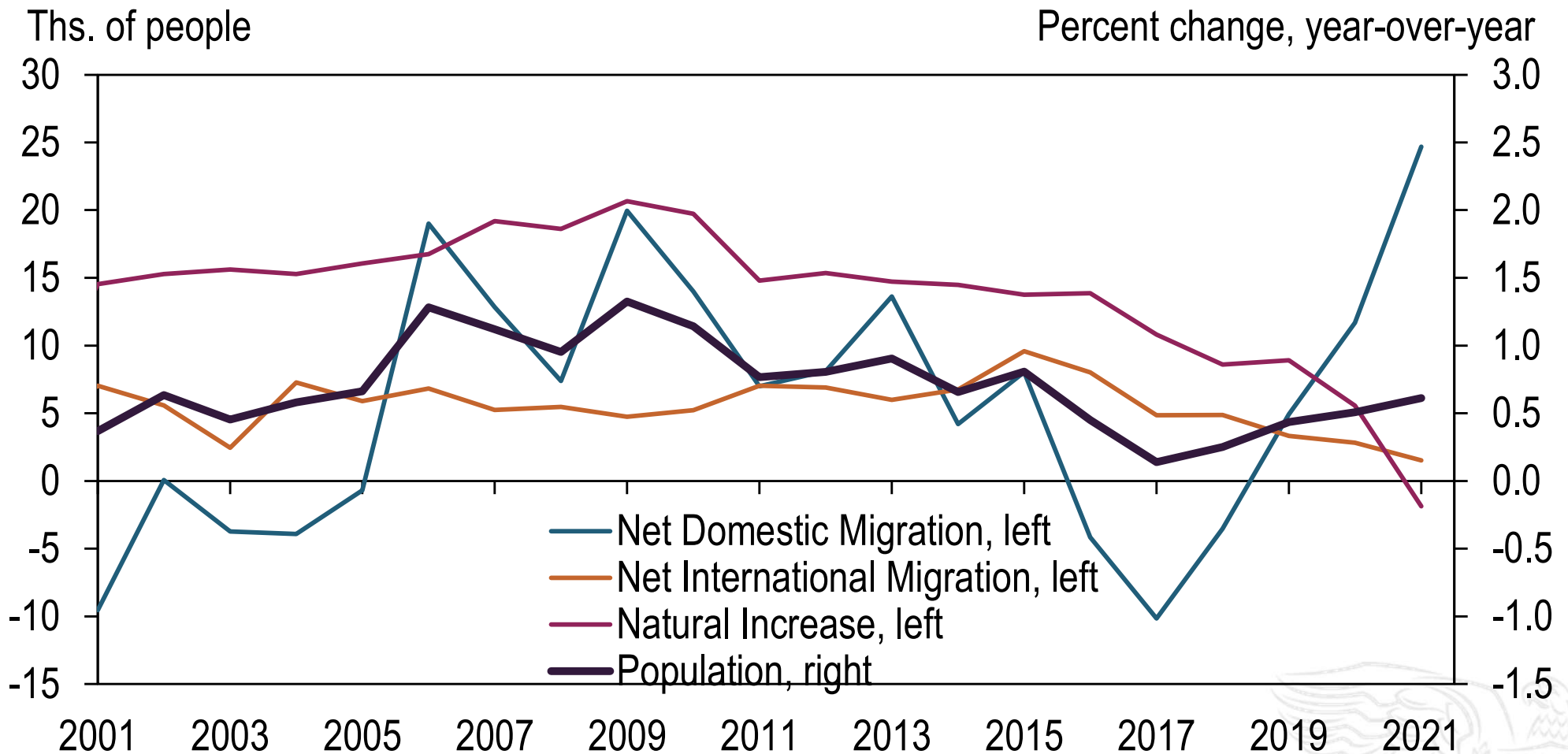
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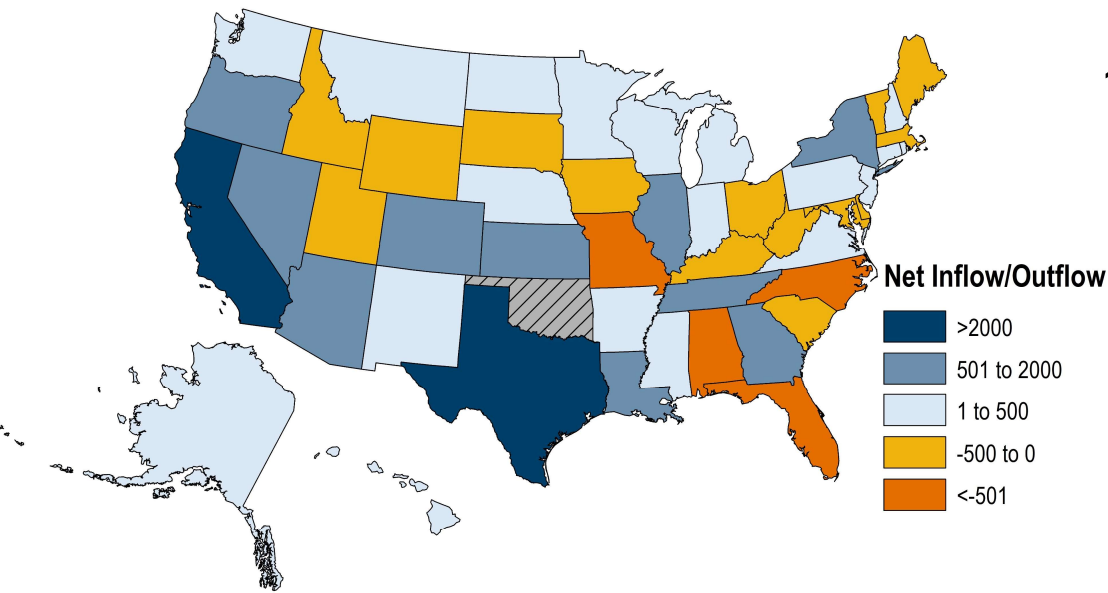
# Oklahoma's population grew in 2021 despite a historic increase in deaths, due to massive in-migration

Oklahoma Population Changes by Component, 2001-2021

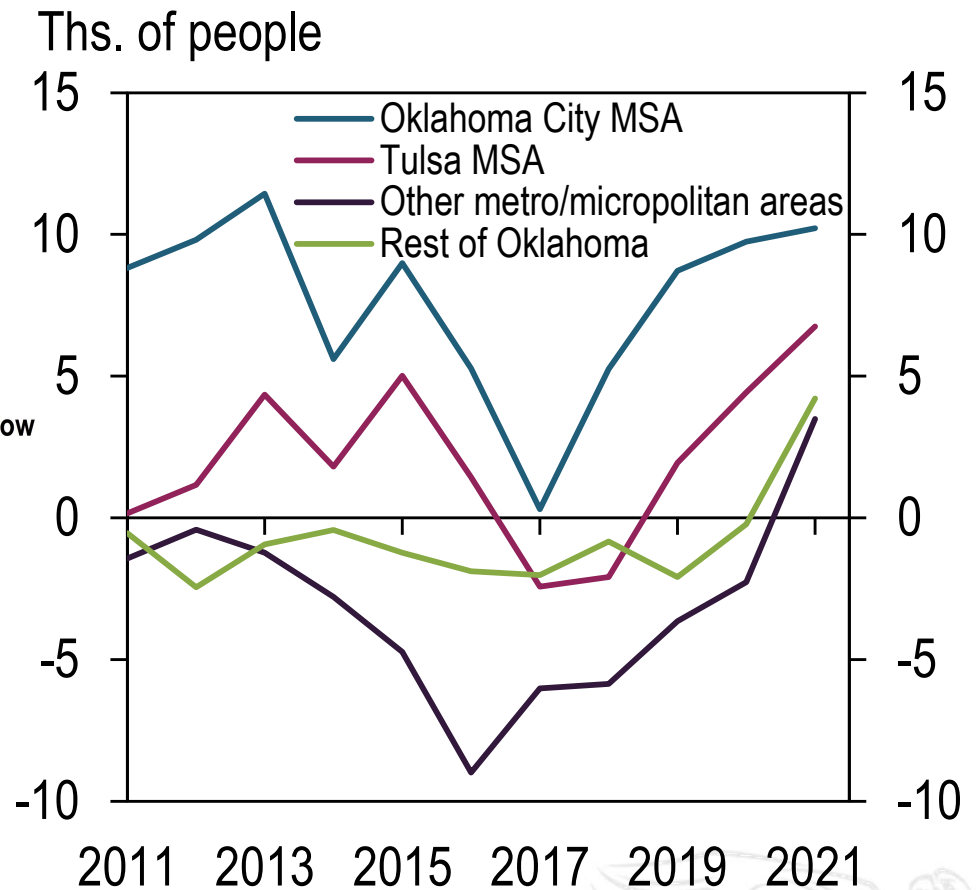


# Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

Net Domestic Migration to Oklahoma  
2020 and 2021

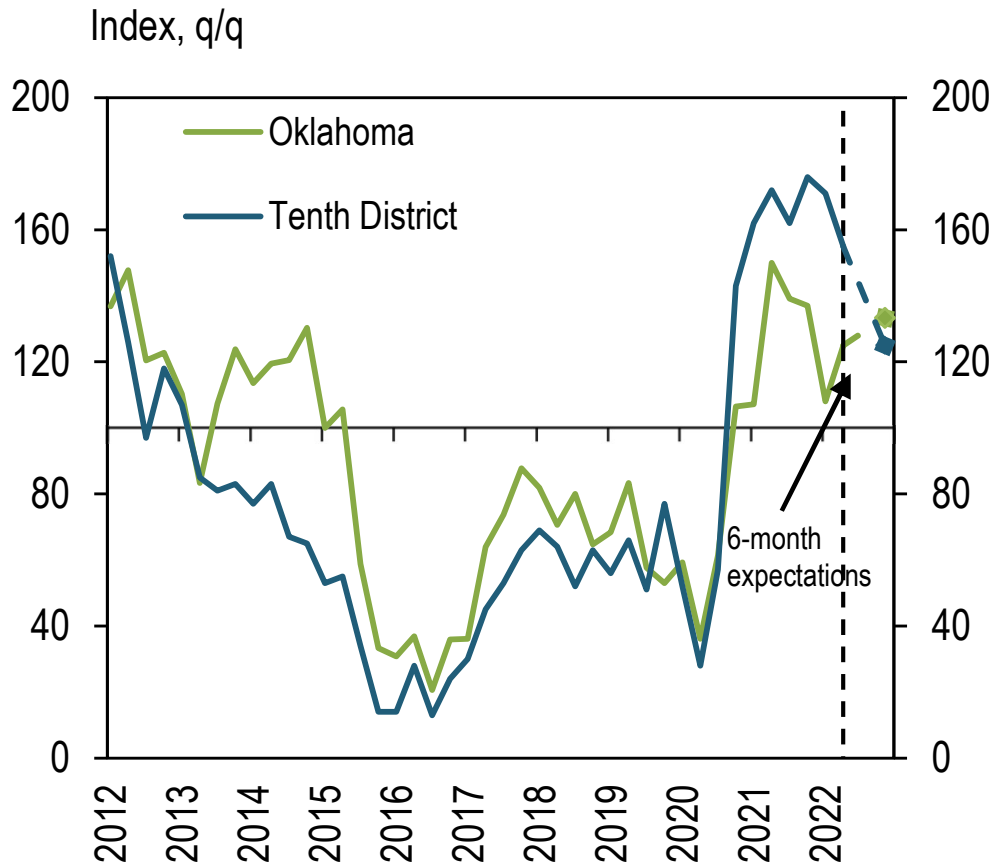


Oklahoma Net Domestic Migration

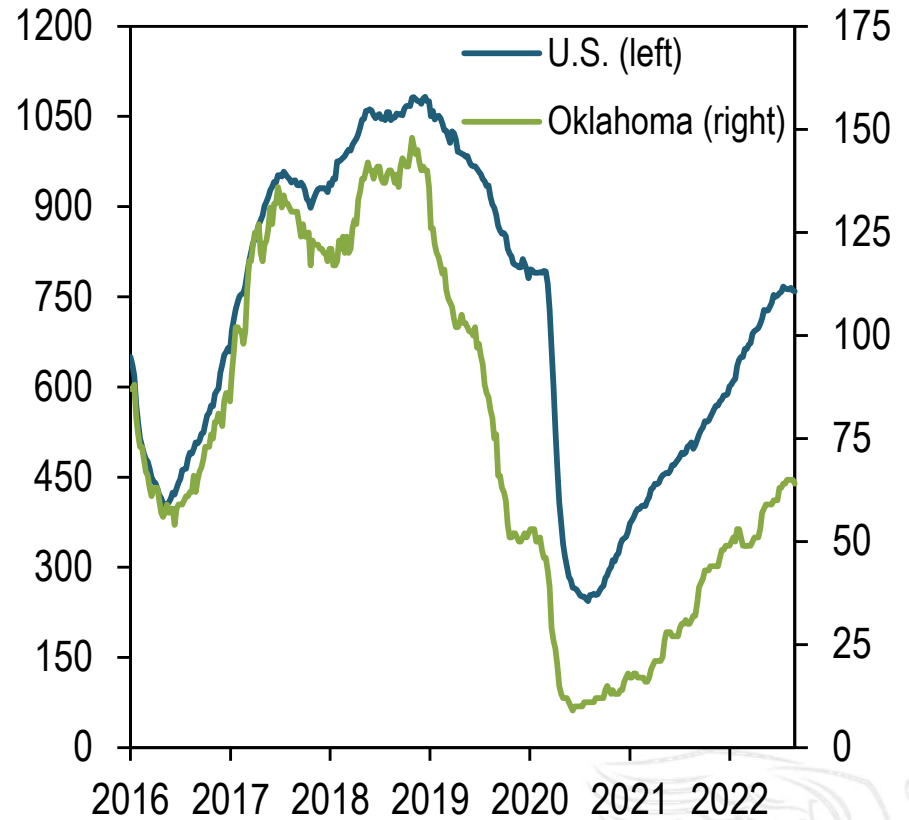


# Oklahoma farm income has been moderately positive while energy activity continues to rise with high prices

## Farm Income

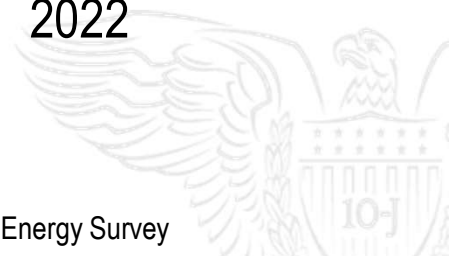
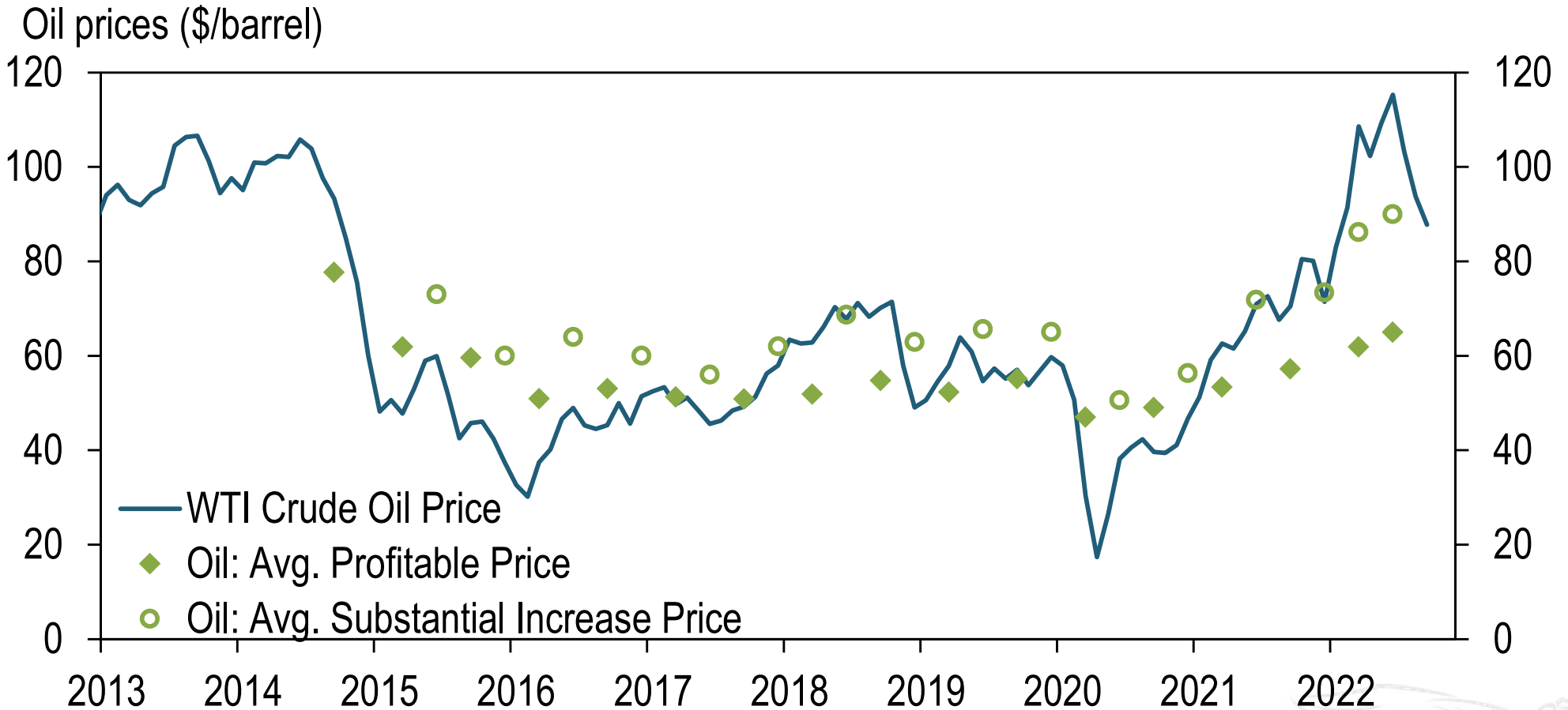


## Drilling Rig Counts



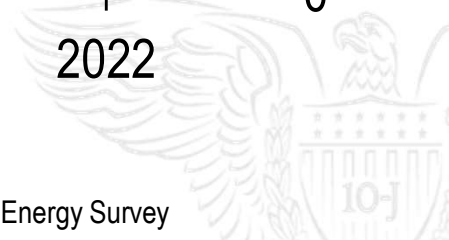
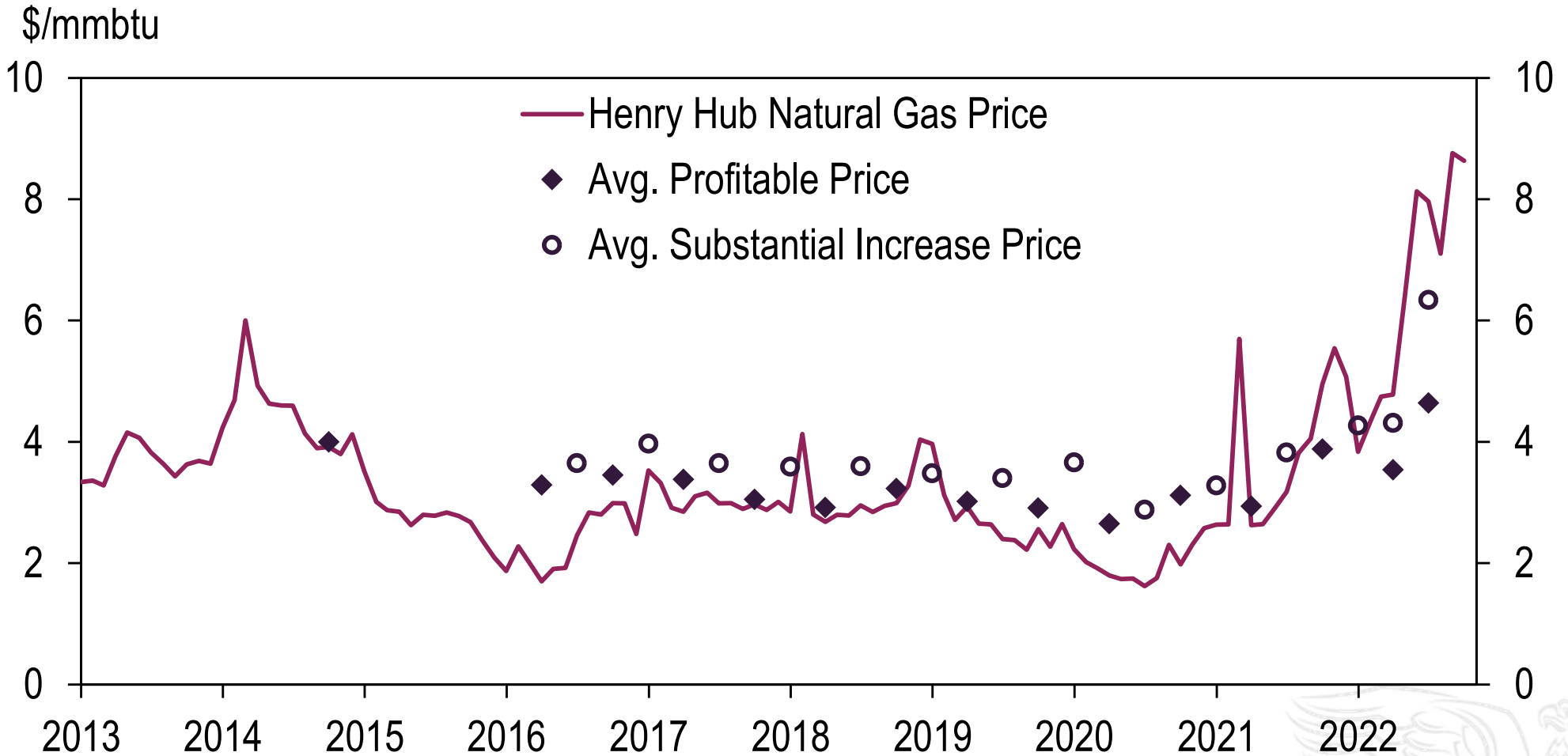
# Oil prices have eased lately but remain highly profitable for most regional firms

Energy Prices

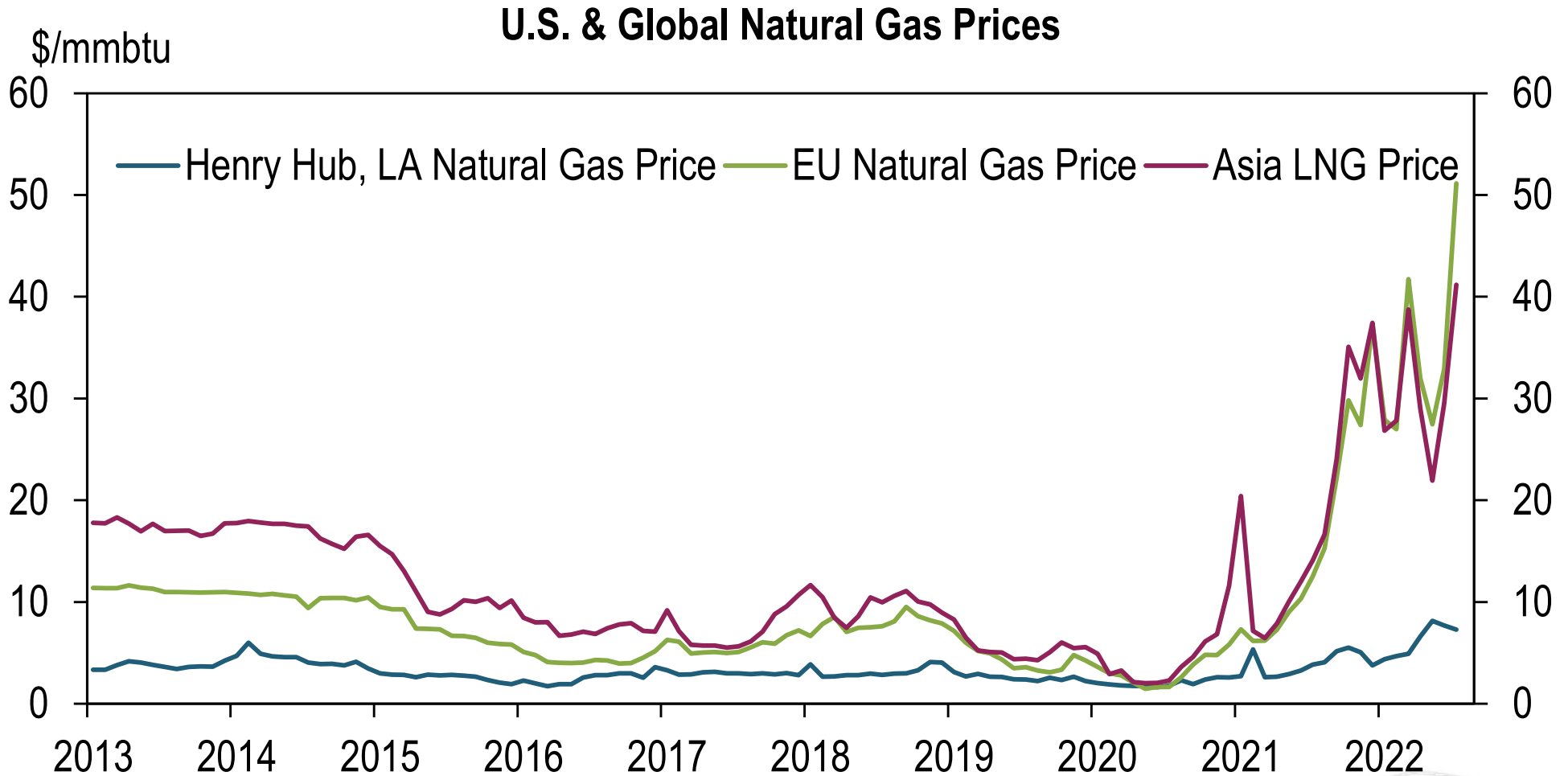


# Natural gas prices have eased lately as well, but remain highly profitable for most regional firms

## U.S. Natural Gas Prices

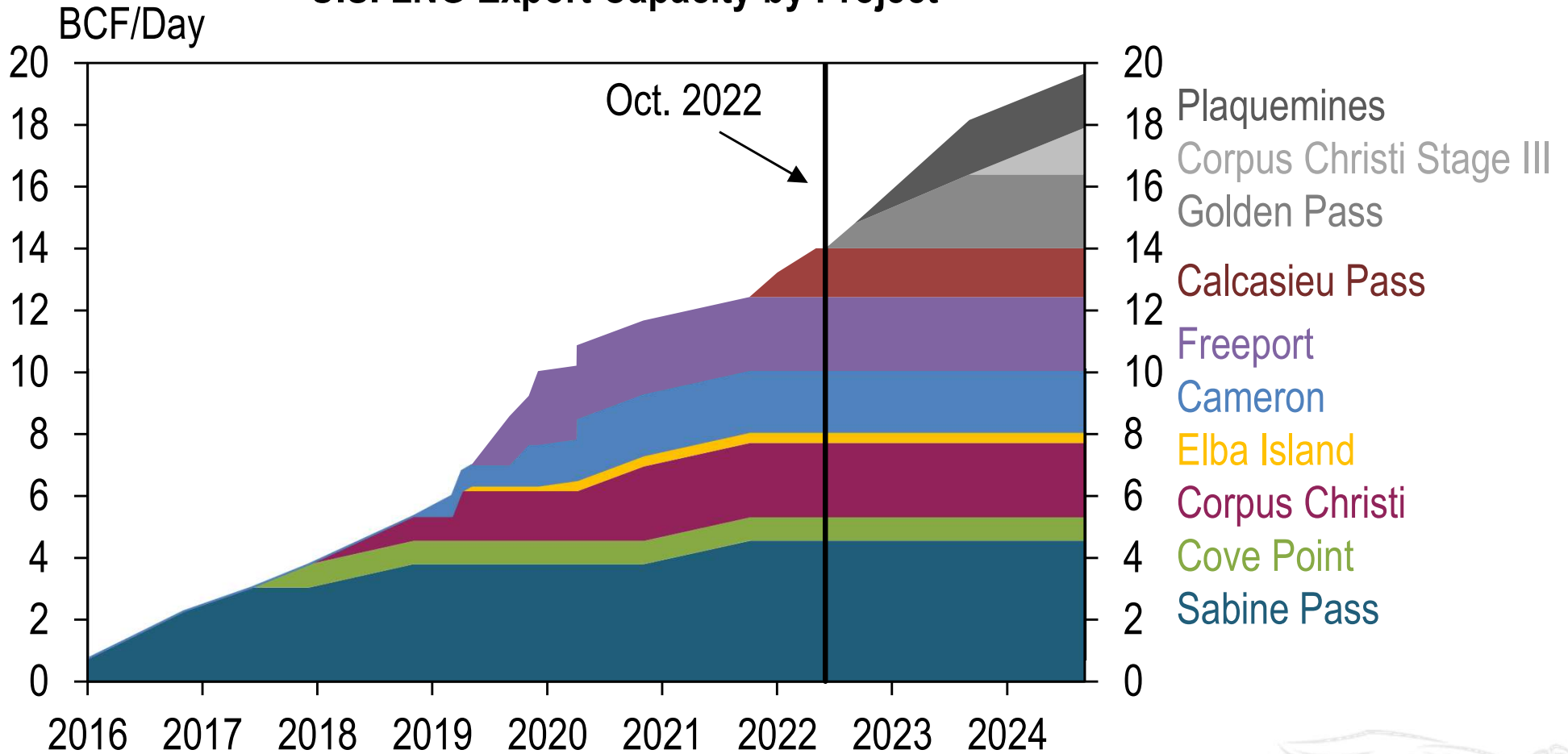


# The sharp rise in U.S. natural gas prices pales in comparison to European and Asian prices



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

U.S. LNG Export Capacity by Project





# Summary

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# Questions?

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