

# U.S. and Oklahoma Economic Outlook

*Newmark Robinson Park*

*November 30, 2022*

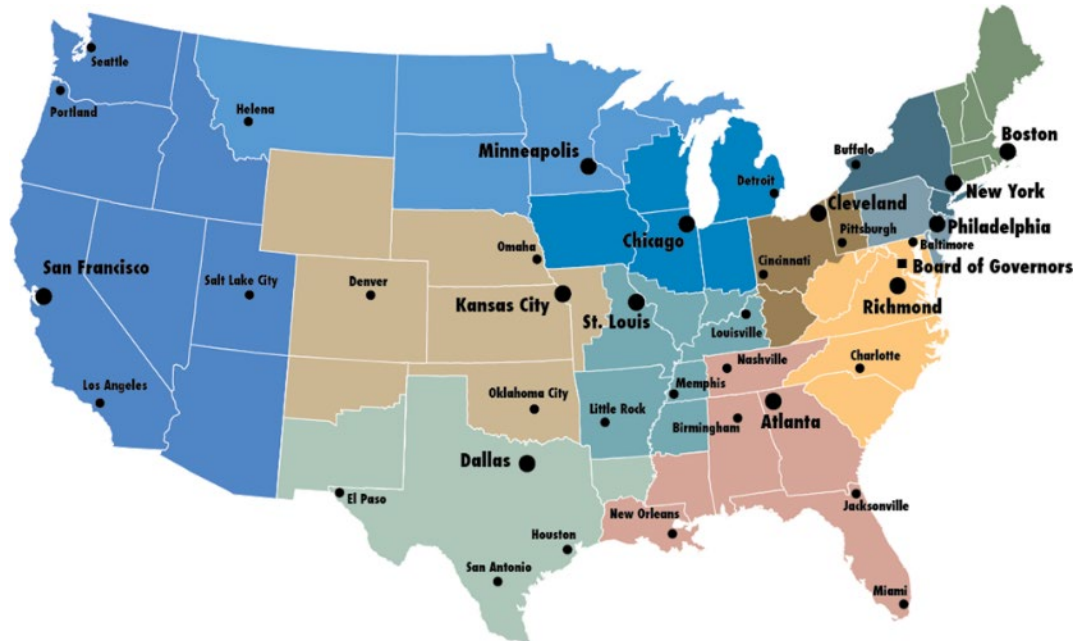
Chad Wilkerson

Vice President & 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



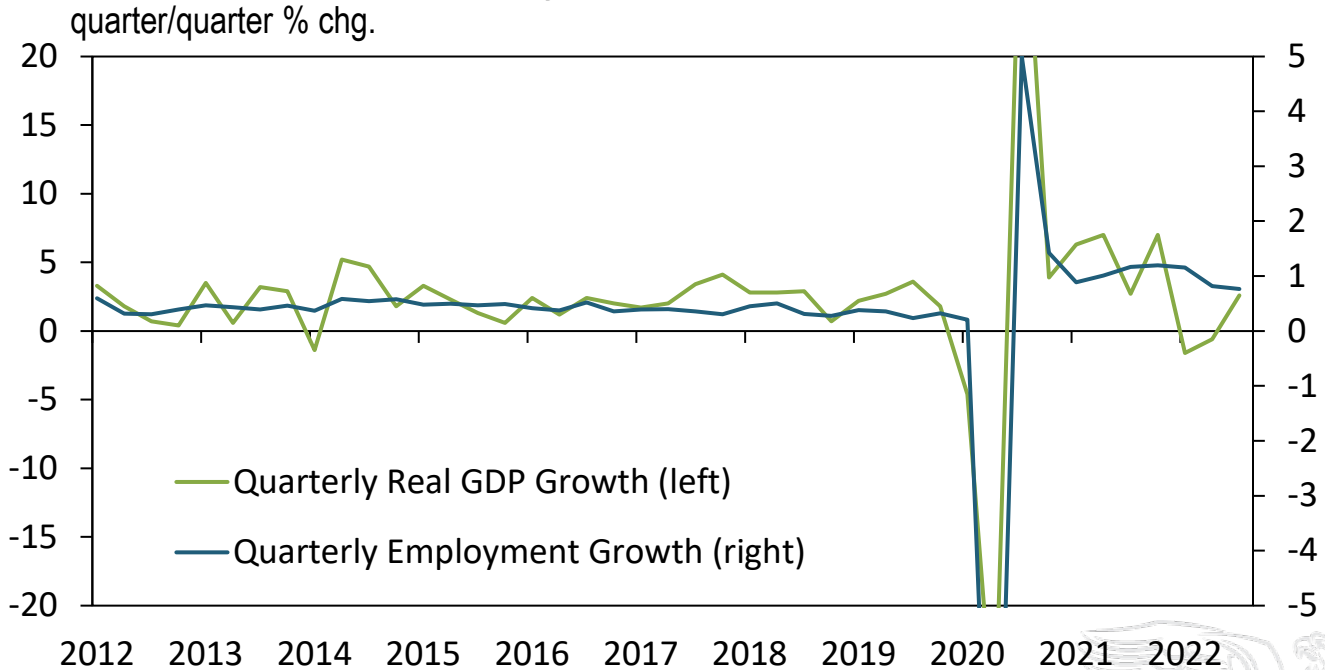
# Overview

- U.S. economic indicators are mixed, with solid job growth but sluggish output, while inflation remains too high
- Tight supply and robust demand have pushed up prices, and the Fed has responded with tighter monetary policy
- Oklahoma's economy continues to recover, and population is growing but jobs are lower than pre-pandemic in some sectors
- Oklahoma energy activity has expanded solidly in 2022, as oil and gas prices remain elevated, while drought is hurting ag



# GDP growth turned back positive in Q3, but job growth has greatly outpaced it in 2022

Quarterly U.S. Economic Growth

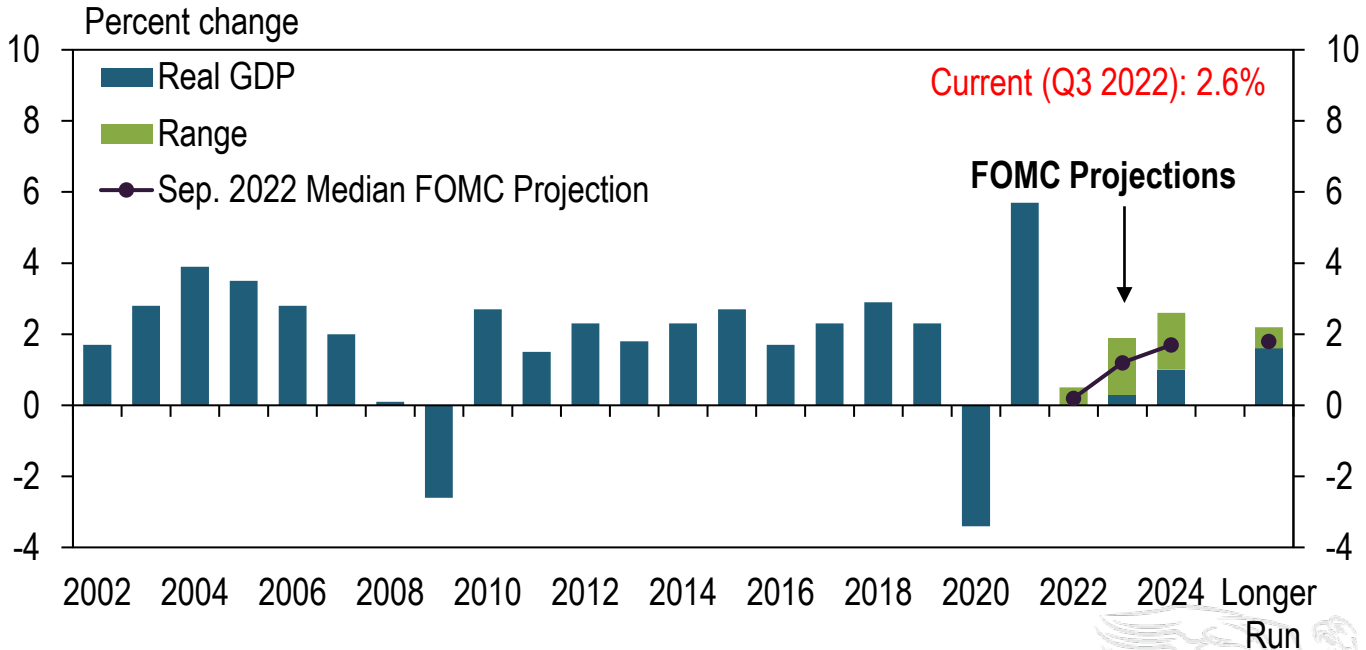


Sources: BEA, BLS/Haver Analytics



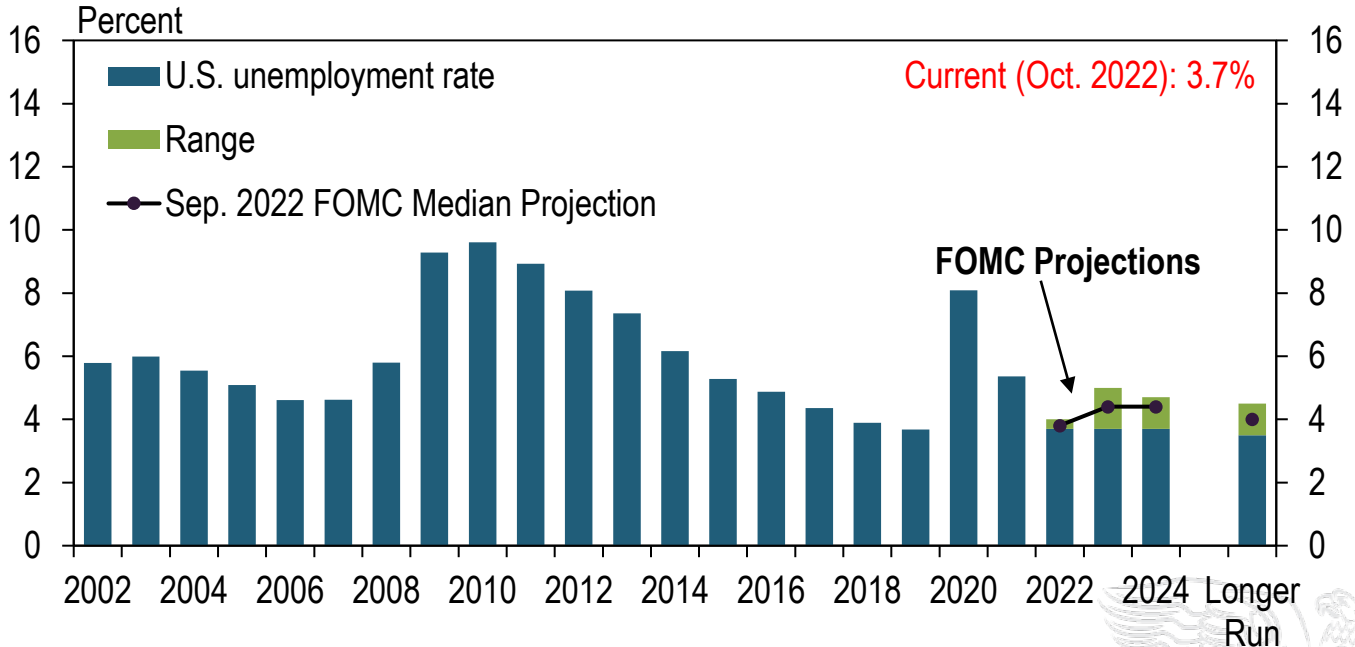
# GDP growth is expected to be below trend this year before moving to its long-term trend in coming years

## Change in Real GDP



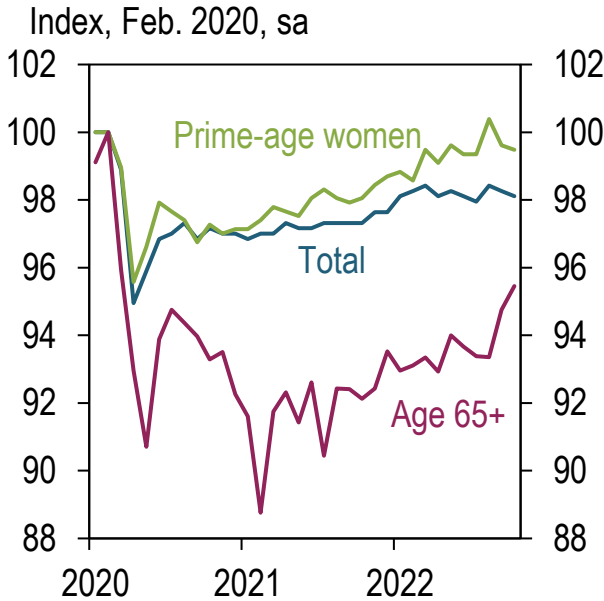
# U.S. unemployment remains historically low and is projected to edge up only slightly in coming years

U.S. Unemployment Rate

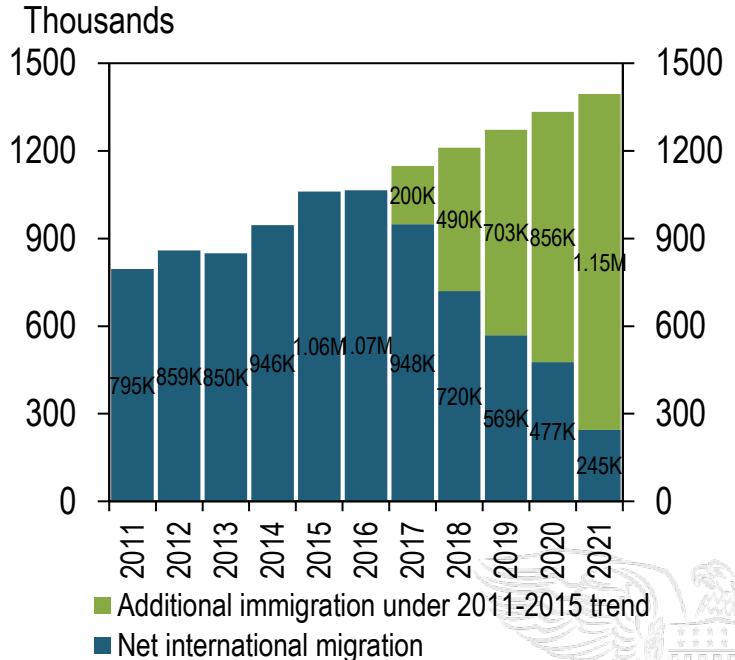


# Labor force participation has improved somewhat but lags due to older workers, and immigration has slowed

## U.S. Labor Force Participation Rate



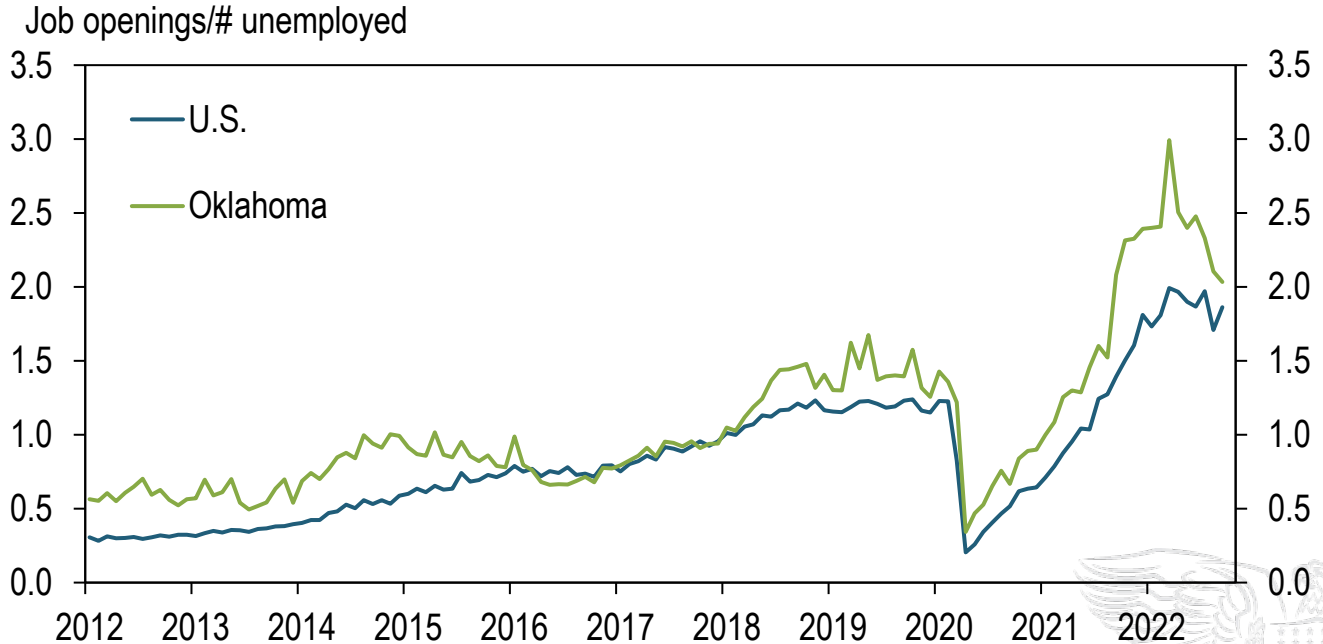
## Immigration to the U.S.





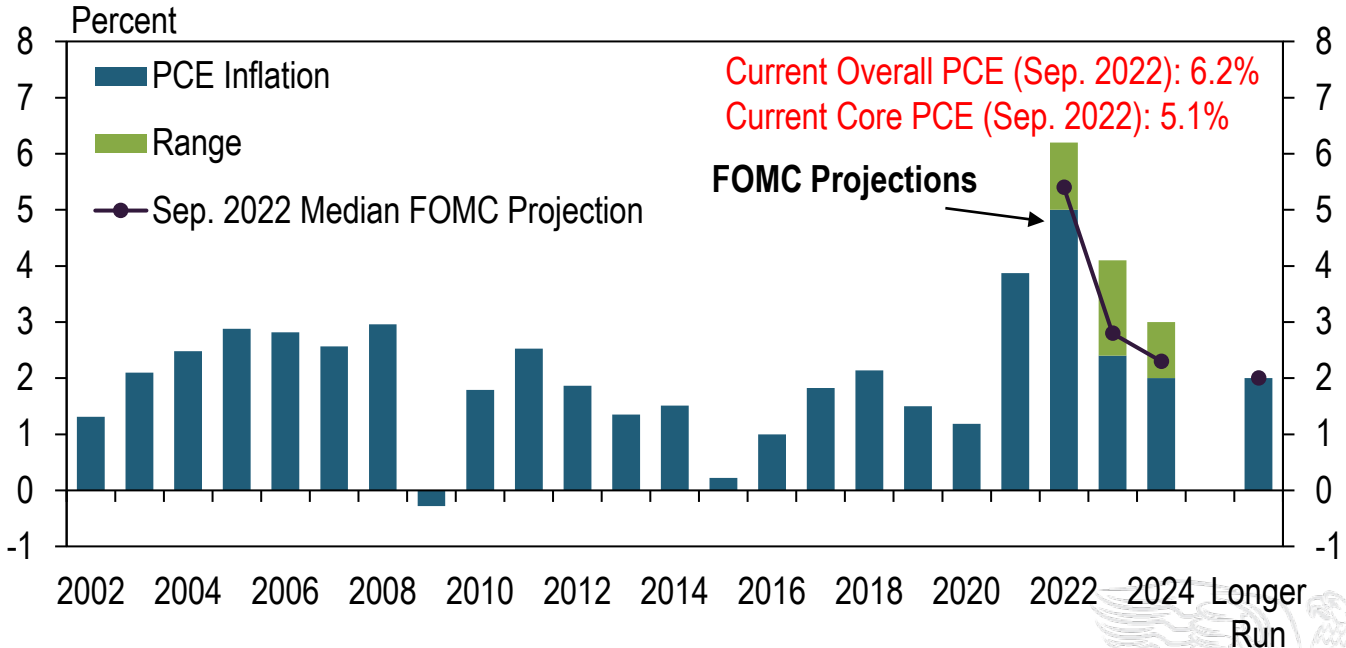
# Job openings still greatly exceed unemployed workers, but potentially could fall without many layoffs

## Job Openings/Unemployment Ratios



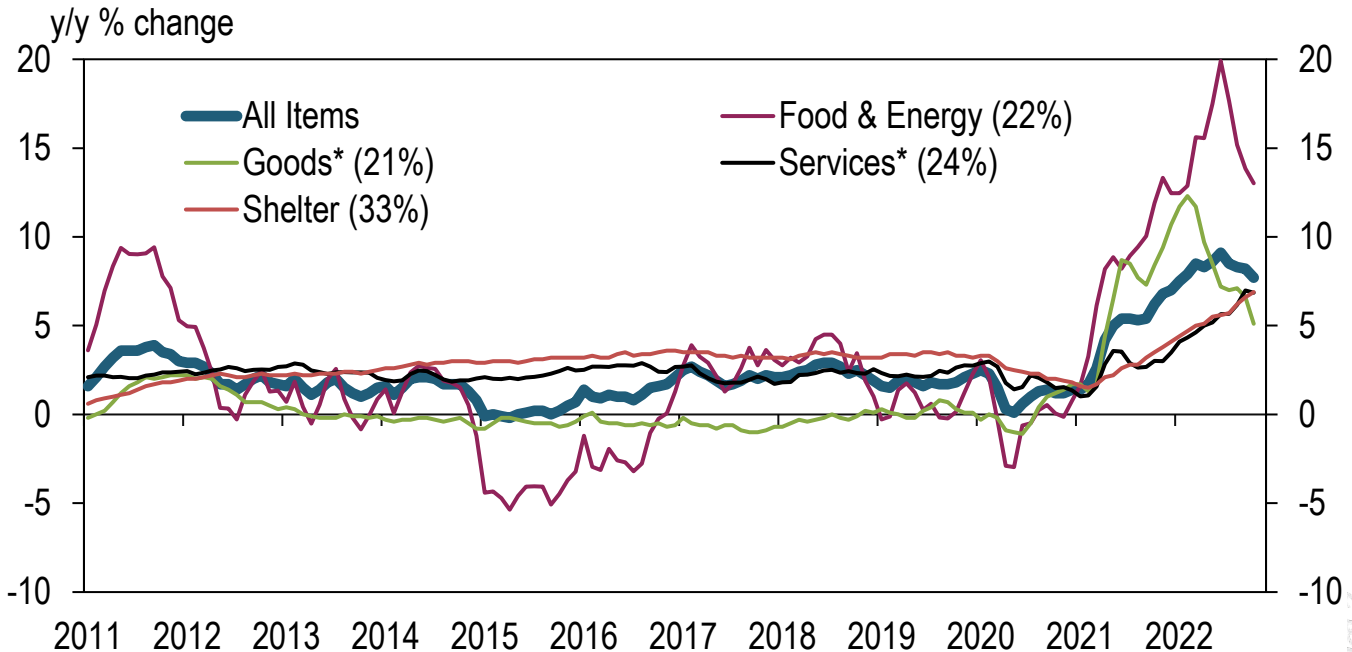
# Inflation has moved well above the Fed's 2% target but is expected to ease heading forward

PCE Inflation Index



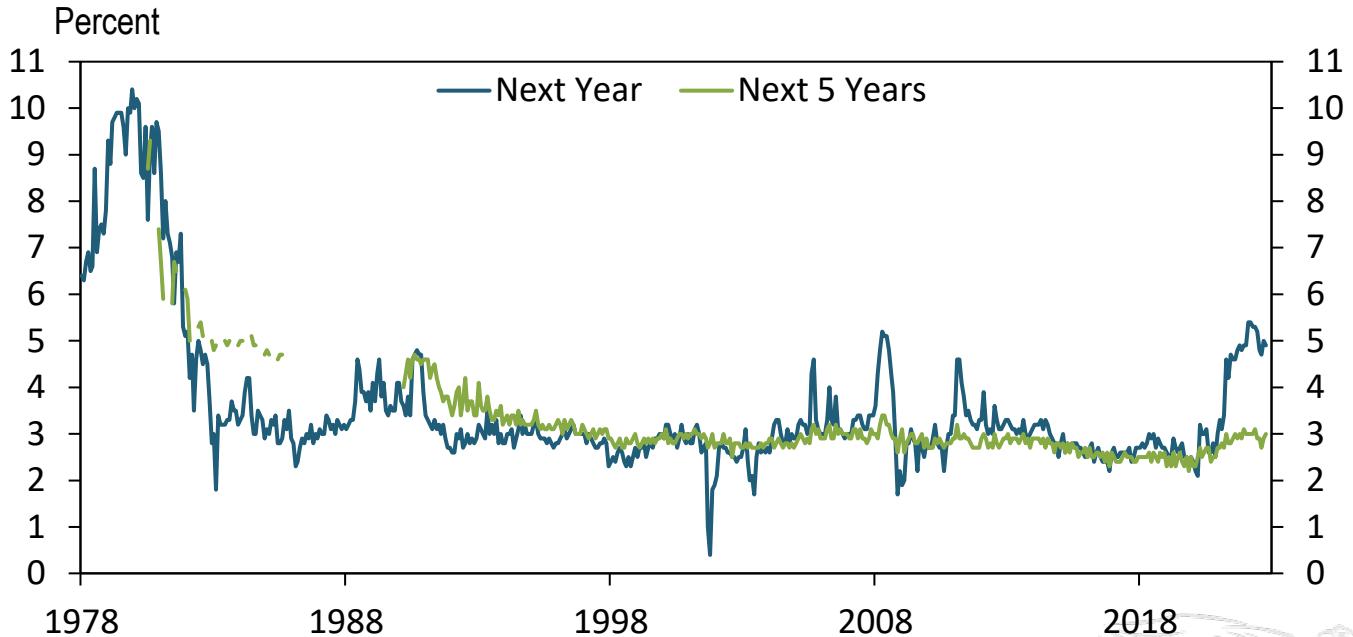
# CPI inflation eased again in October to 7.7% as goods and energy inflation fell, but other prices rose further

Consumer Price Index



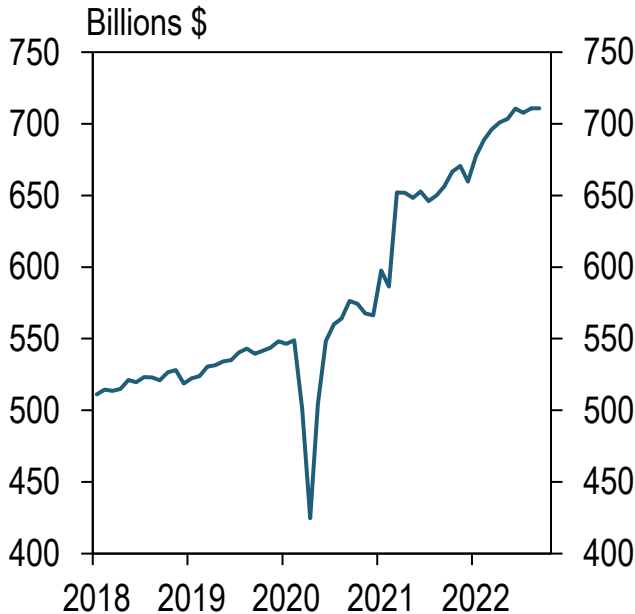
# So far, longer-term inflation expectations remain anchored around their 20-year average

## Expected Inflation Rate



# Why is inflation high? Supply constraints, but demand has also been robust, driven by strong incomes

U.S. Retail Sales and Food Services

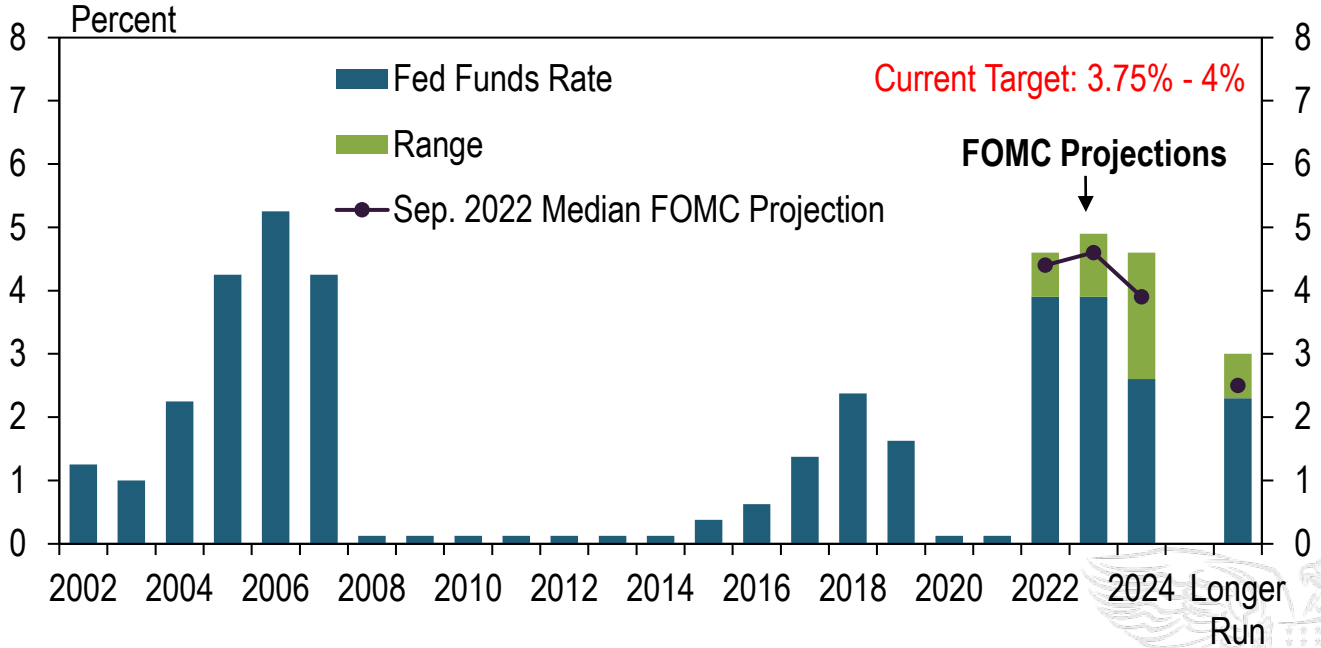


U.S. Wage Growth



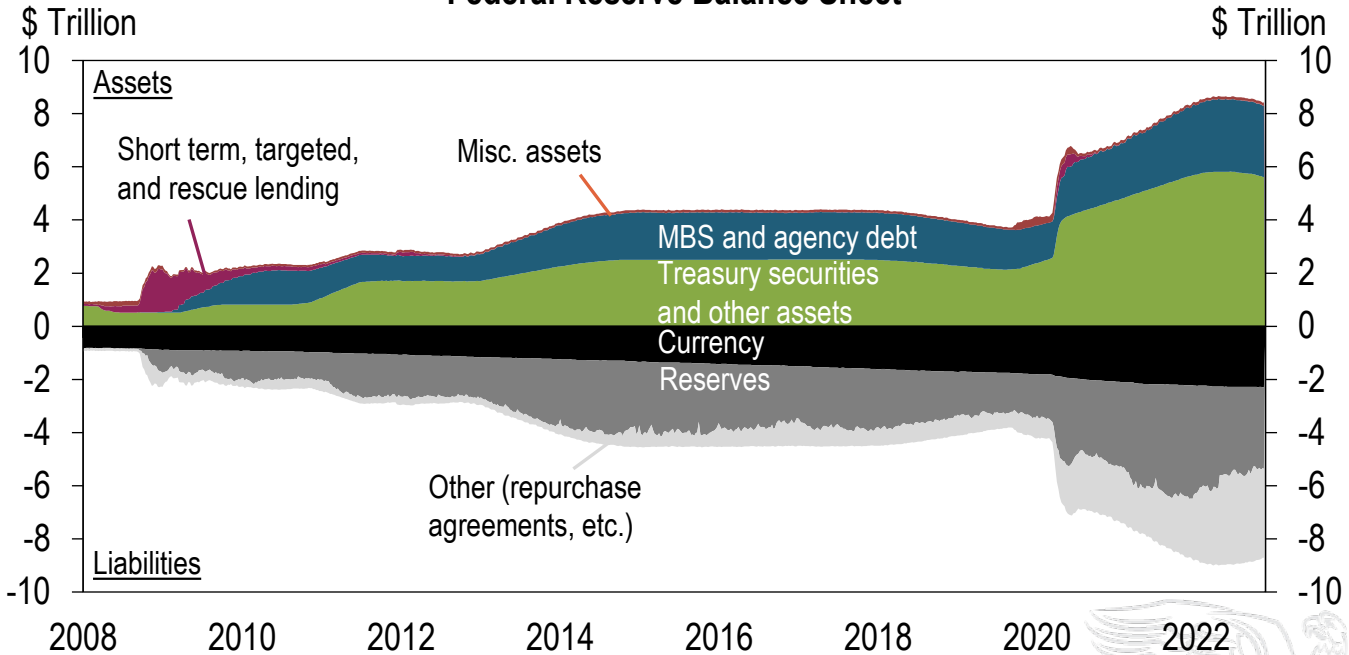
# The Fed raised the federal funds rate by 75 basis points in November, with more increases expected

Federal Funds Rate  
Year-End Target



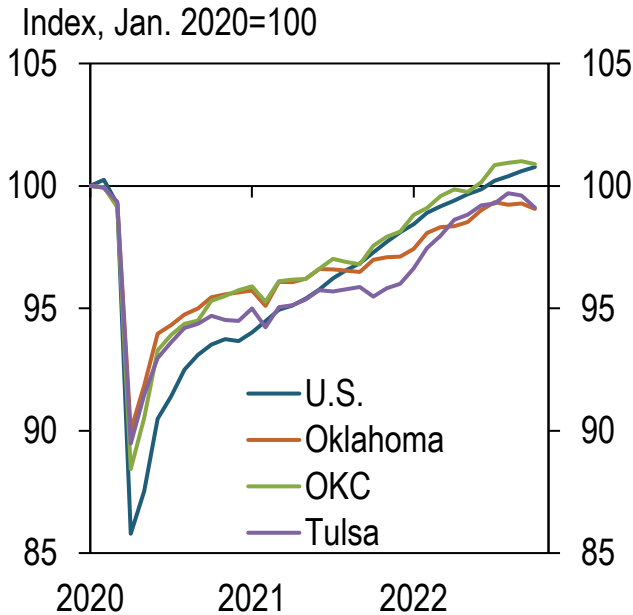
# The Fed has also continued to reduce its balance sheet of longer-term securities, further tightening policy

Federal Reserve Balance Sheet

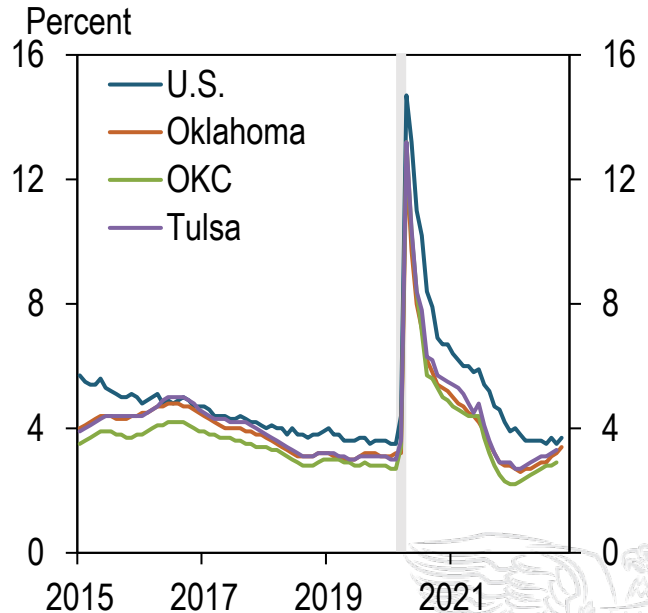


# Jobs in Oklahoma are back to pre-COVID levels but have levelled off, while unemployment has ticked up

### Non-Farm Payroll Employment



### Unemployment Rate





# Some Oklahoma industries have many more jobs than pre-COVID, including warehouses, tribes, and finance

## 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>

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 Oklahoma employment is still well below pre-COVID levels in energy and office support 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%	<b>\$76,446</b>
Machinery Manufacturing	22,300	-5,000	-18%	-9%	-26%	2%	<b>\$66,618</b>
Other Admin., Support, & Waste Mgmt. Services	23,600	-4,600	-16%	17%	-2%	-10%	<b>\$52,700</b>
Other Mining & Logging (excl. Support Activities)	14,900	-4,000	-21%	-29%	-44%	9%	<b>\$137,359</b>
Other Private Services	50,800	-4,000	-7%	22%	13%	0%	<b>\$42,173</b>
Heavy & Civil Engineering Construction	16,600	-3,600	-18%	36%	11%	2%	<b>\$59,563</b>
Nursing & Residential Care Facilities	31,300	-3,500	-10%	1%	-9%	-1%	<b>\$32,832</b>
Fabricated Metal Manufacturing	21,000	-3,100	-13%	0%	-13%	4%	<b>\$59,069</b>
Information	16,800	-3,000	-15%	-12%	-26%	-7%	<b>\$65,990</b>
Local Government (excl. Educ. & Indian Tribes)	73,600	-3,000	-4%	2%	-2%	1%	<b>\$48,172</b>

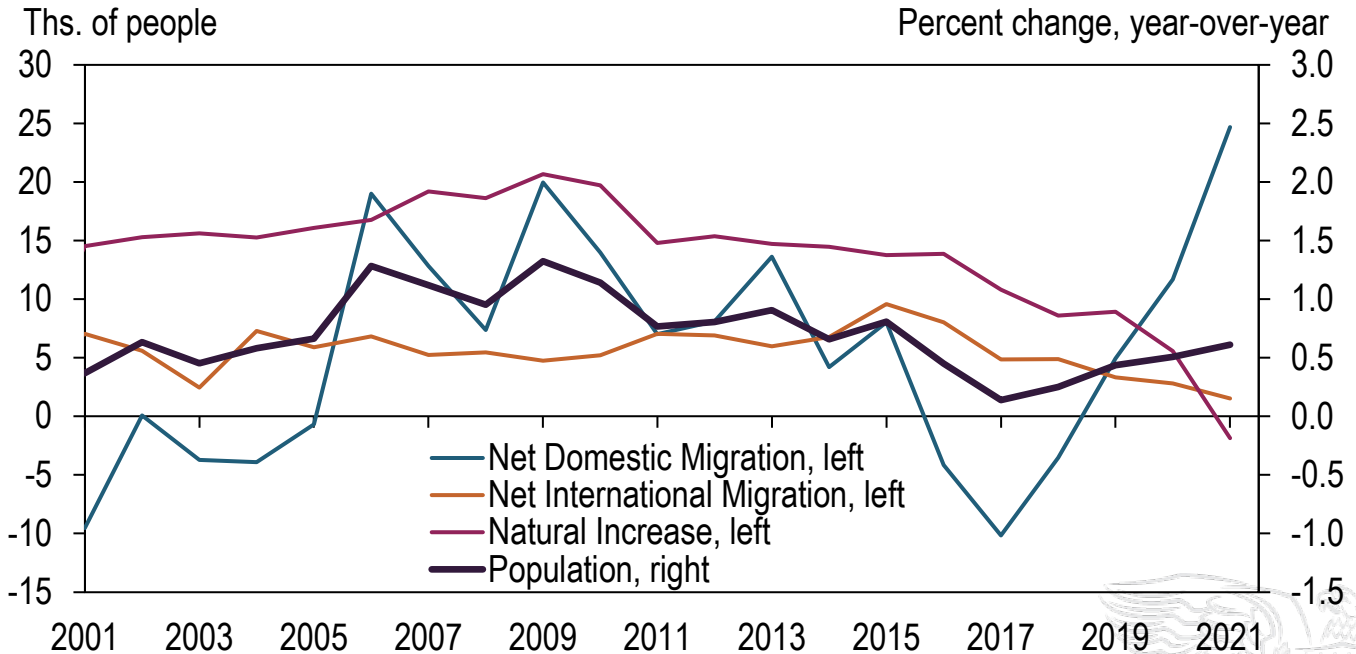
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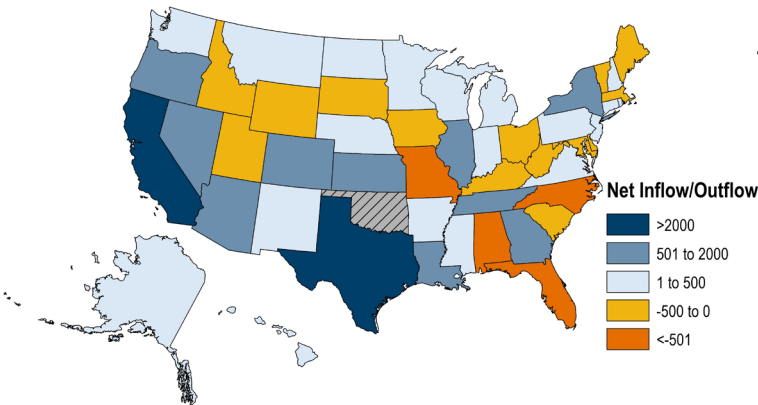
# Oklahoma's population grew in 2021 despite a historic increase in deaths, due to massive domestic migration

Oklahoma Population Changes by Component, 2001-2021

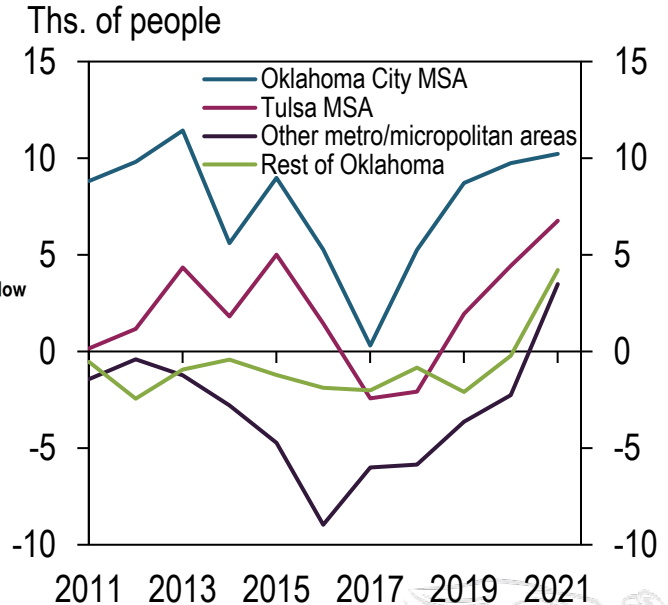


# Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

Net Domestic Migration to Oklahoma  
2020 and 2021

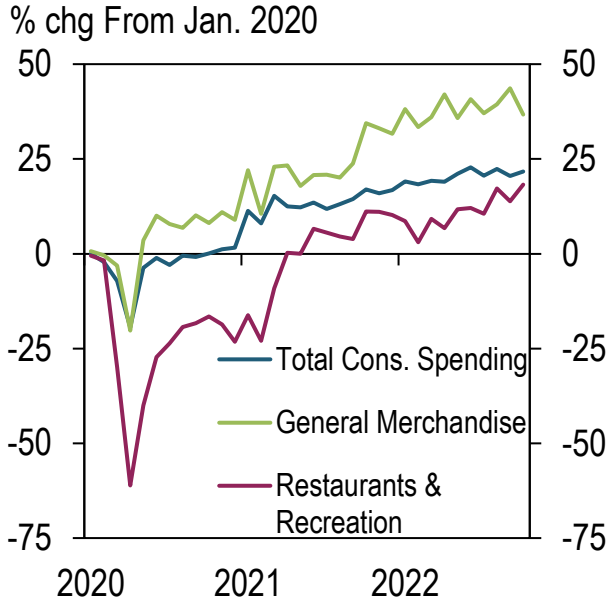


Oklahoma Net Domestic Migration

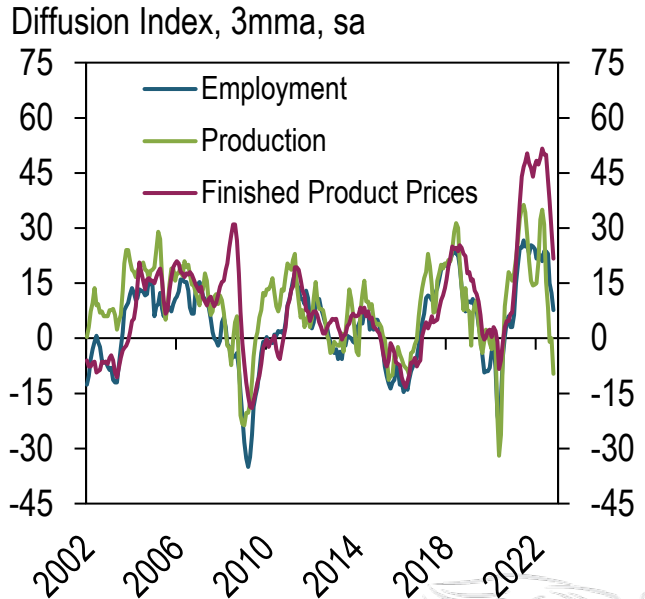


# OK consumer spending continues to rise, while regional factory production has slowed

## Oklahoma Consumer Spending

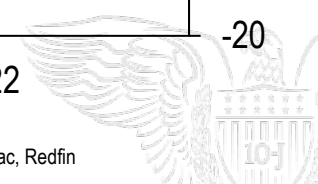
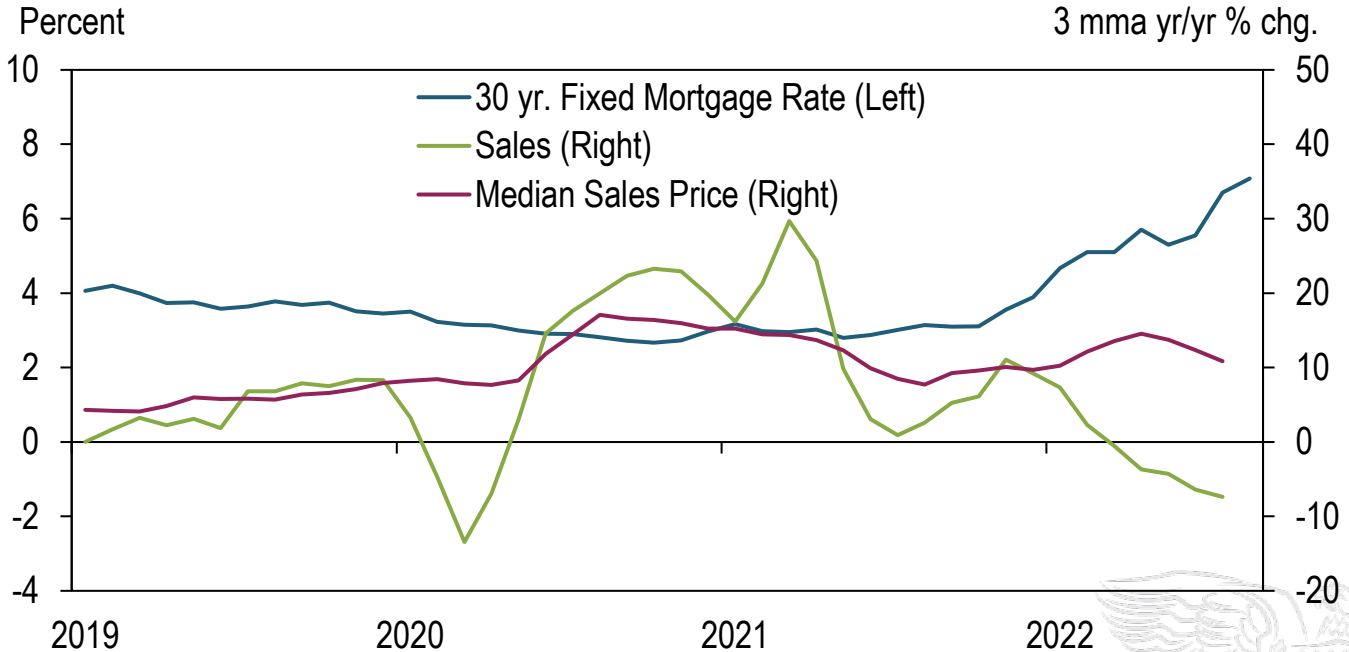


## KC Fed Manufacturing Survey



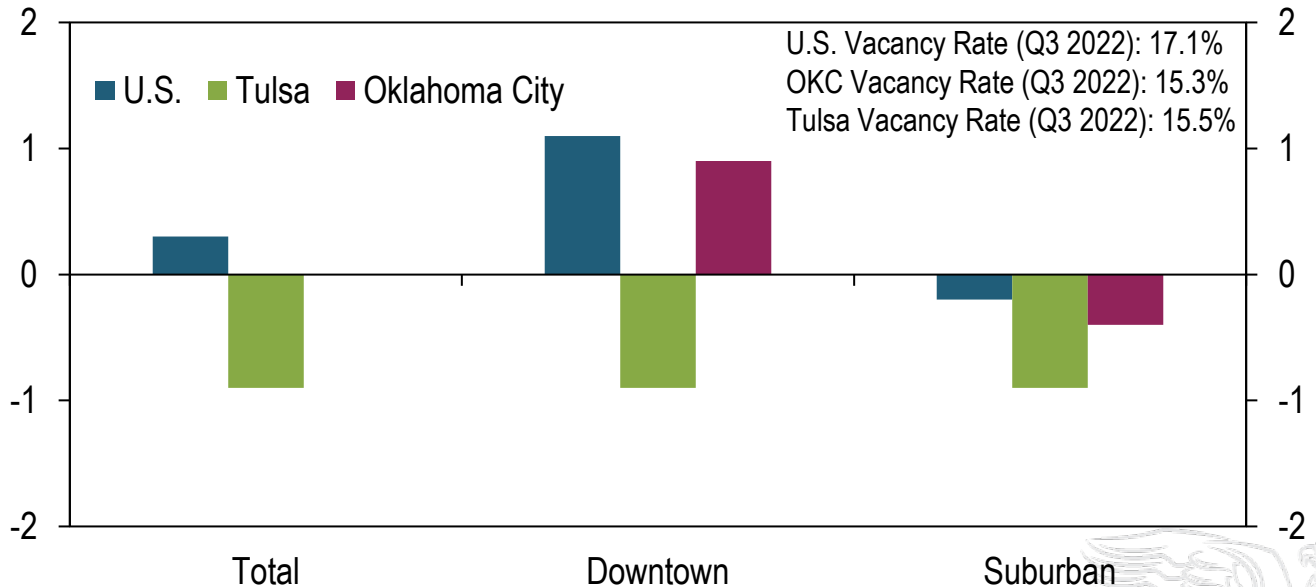
# The Oklahoma housing market has eased with rising interest rates

## Oklahoma Housing Market Indicators



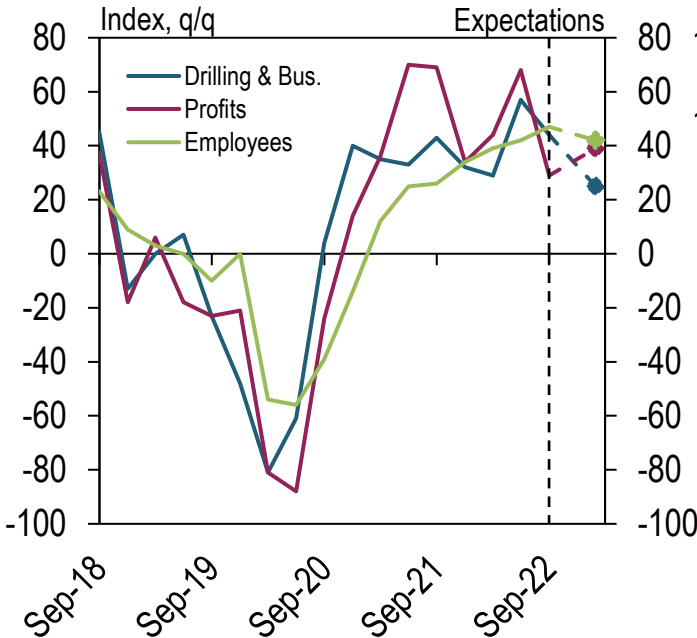
# Tulsa office market absorption has improved, while the OKC downtown market has weakened

**Office Vacancy Rates**  
 Percentage Point Change, Q3 2021 to Q3 2022

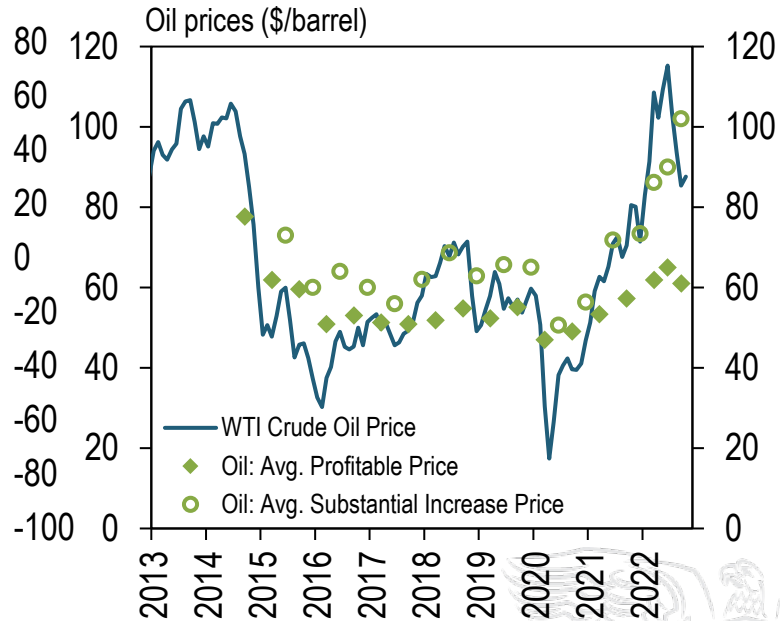


# Energy activity grew solidly in Q3, but growth may slow in coming months with oil slightly less profitable

## Energy Survey Indexes



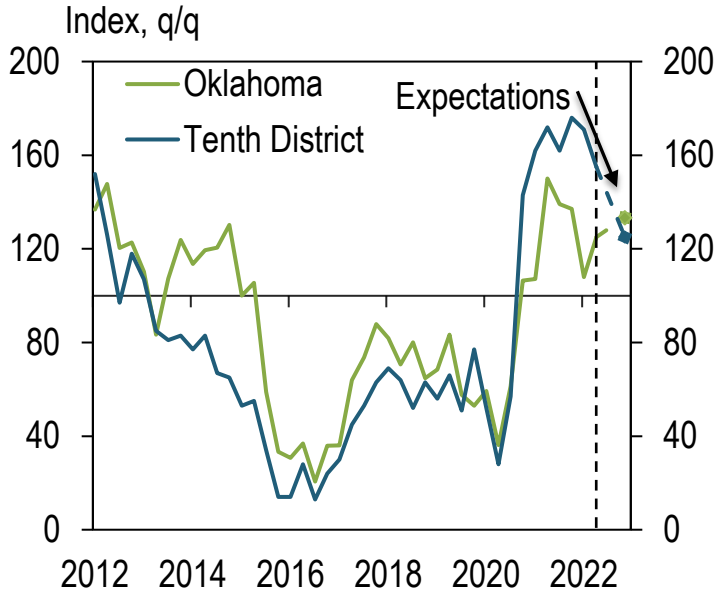
## Energy Prices



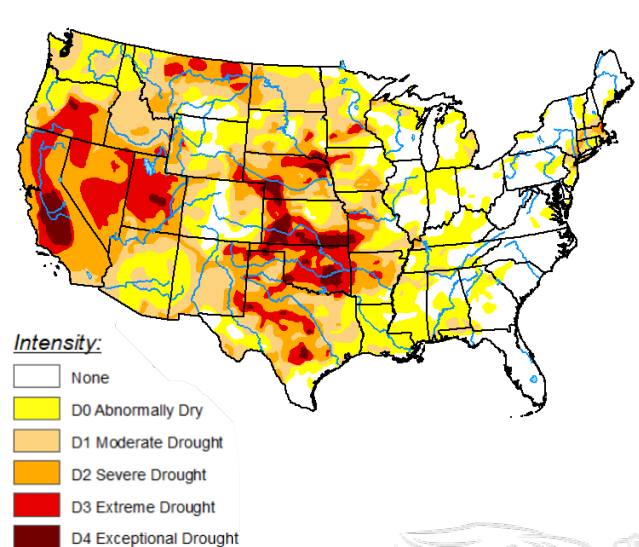


# Oklahoma farm income has been moderately positive since late 2020 but drought is having an impact in 2022

Farm Income



U.S. Drought Map



# Summary

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