

U.S. and Oklahoma Economic Outlook

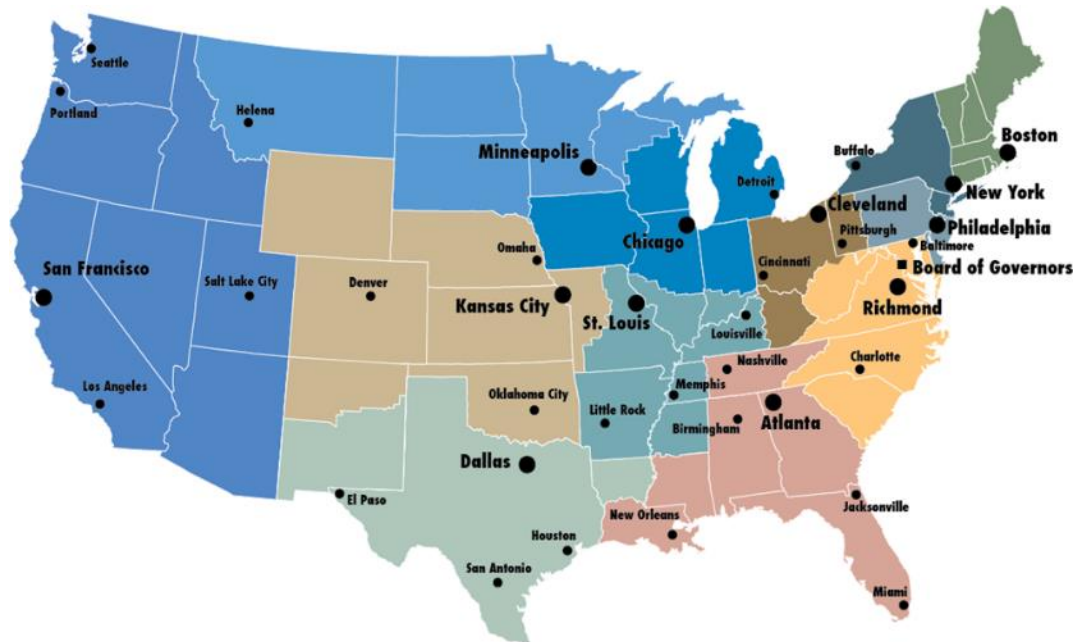
*Commercial Real Estate Council
February 9, 2023*

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
- **2023 OKC Branch Board of Directors**
 - **Katrina Washington (chair)**, Owner/Broker, Stratos Realty, OKC
 - **Mark Burrage**, CEO, FirstBank, Atoka
 - **Walt Duncan**, President, Duncan Oil Properties, OKC
 - **Rhonda Hooper**, President & CEO, Jordan Advertising, OKC
 - **Terry Salmon**, President, Computer System Designers, OKC
 - **Brady Sidwell**, Principal, Sidwell Strategies, Enid
 - **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



Overview

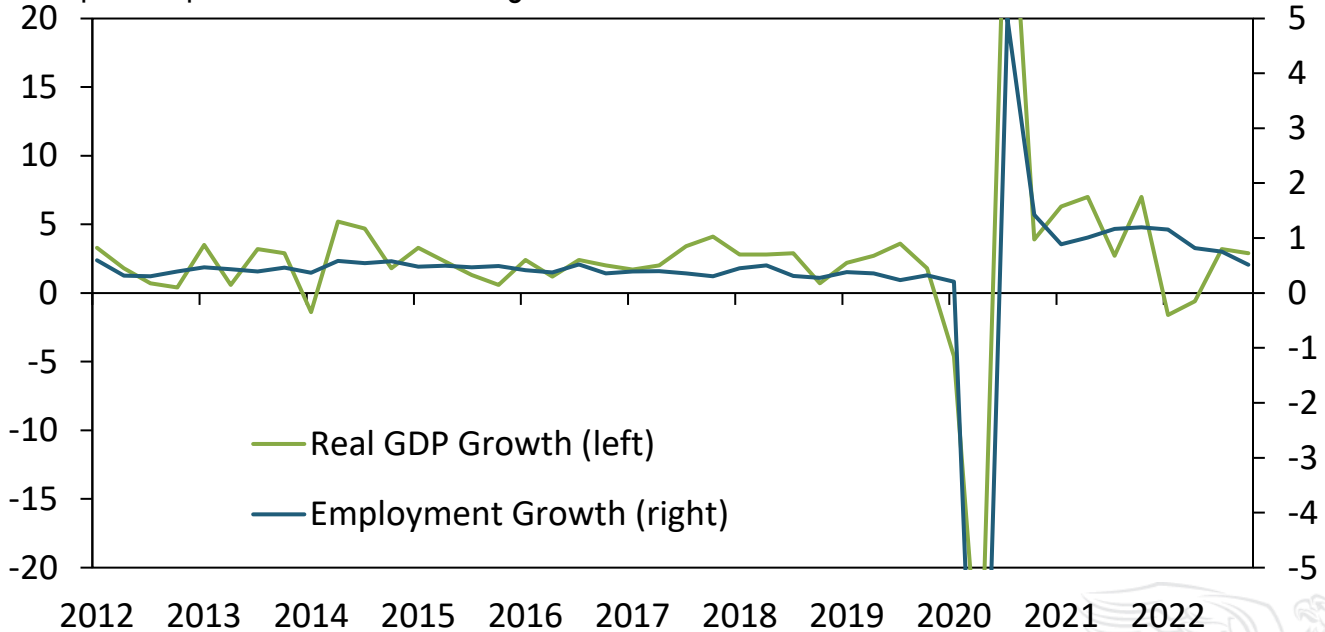
- U.S. economic growth was solid in late 2022 and early 2023
- Inflation has eased but remains too high, with continued high wage gains in a tight labor market now a key contributor
- Oklahoma's economy continues to recover, but jobs remain below pre-pandemic levels in some sectors, especially energy
- Oklahoma energy activity expanded solidly in 2022, but profitability has been squeezed and begun to affect growth



U.S. GDP and employment growth were solid in the second half of 2022, at or above pre-pandemic levels

Quarterly U.S. Economic Growth

quarter/quarter annualized % chg.

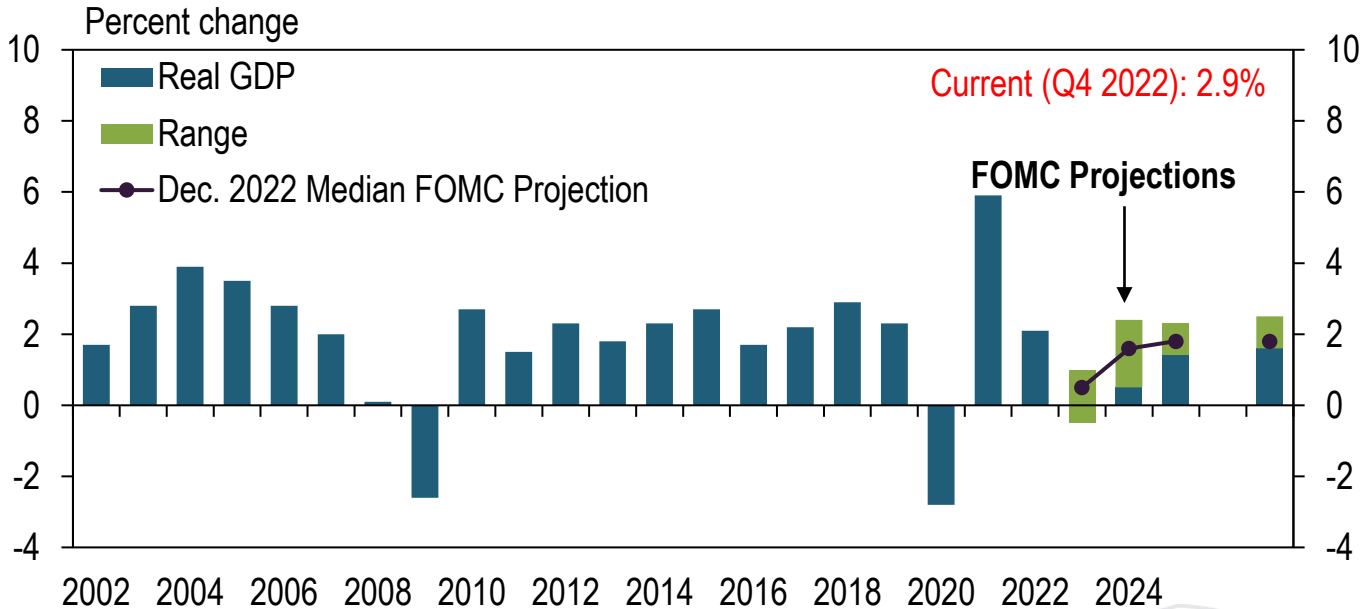


Sources: BEA, BLS/Haver Analytics



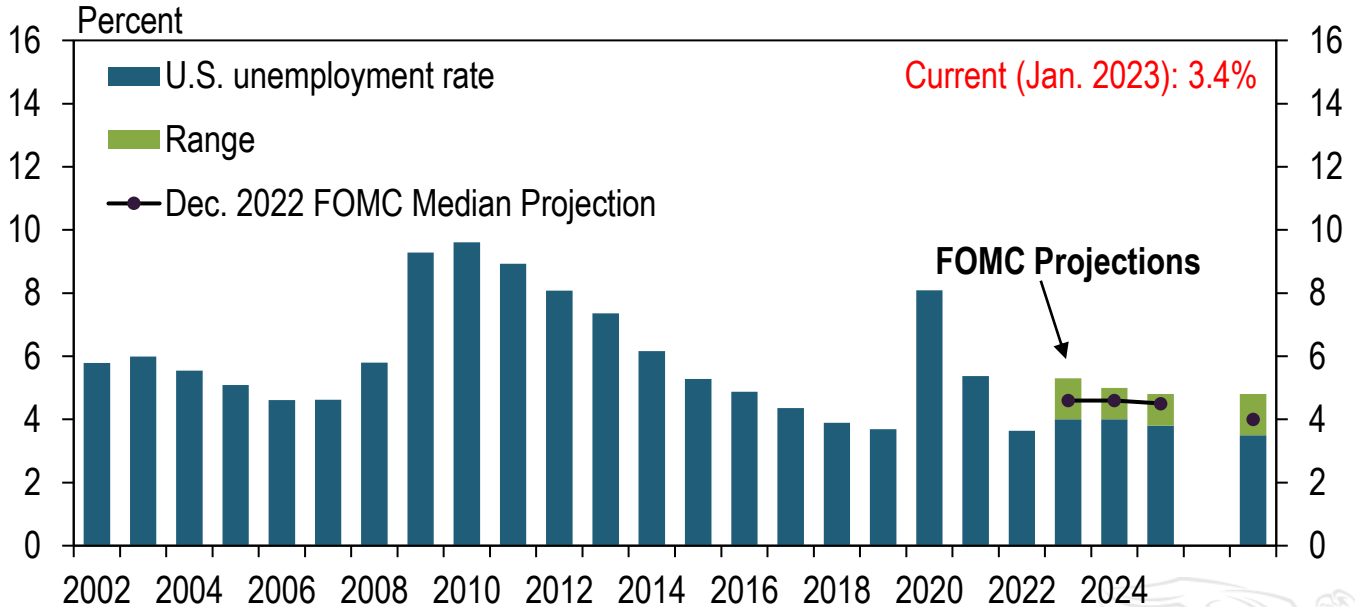
GDP growth is expected to be somewhat sluggish in 2023 before rebounding to trend in 2024 and 2025

Change in Real GDP



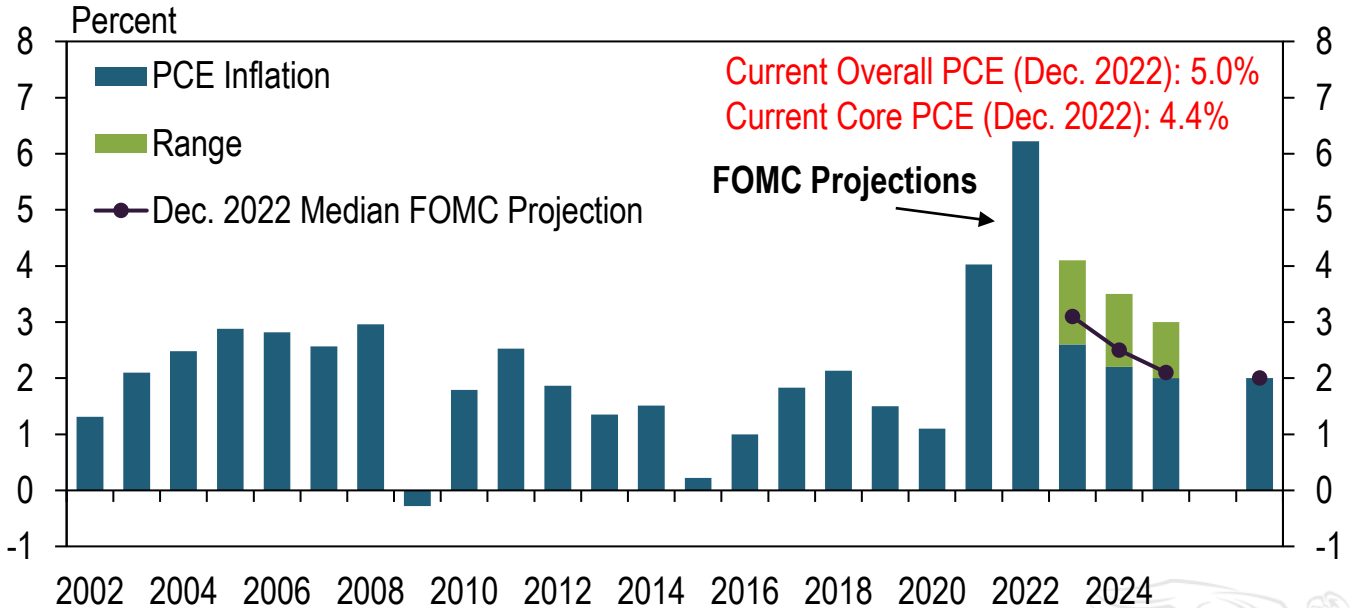
U.S. unemployment remains historically low and is projected to rise only slightly in coming years

U.S. Unemployment Rate



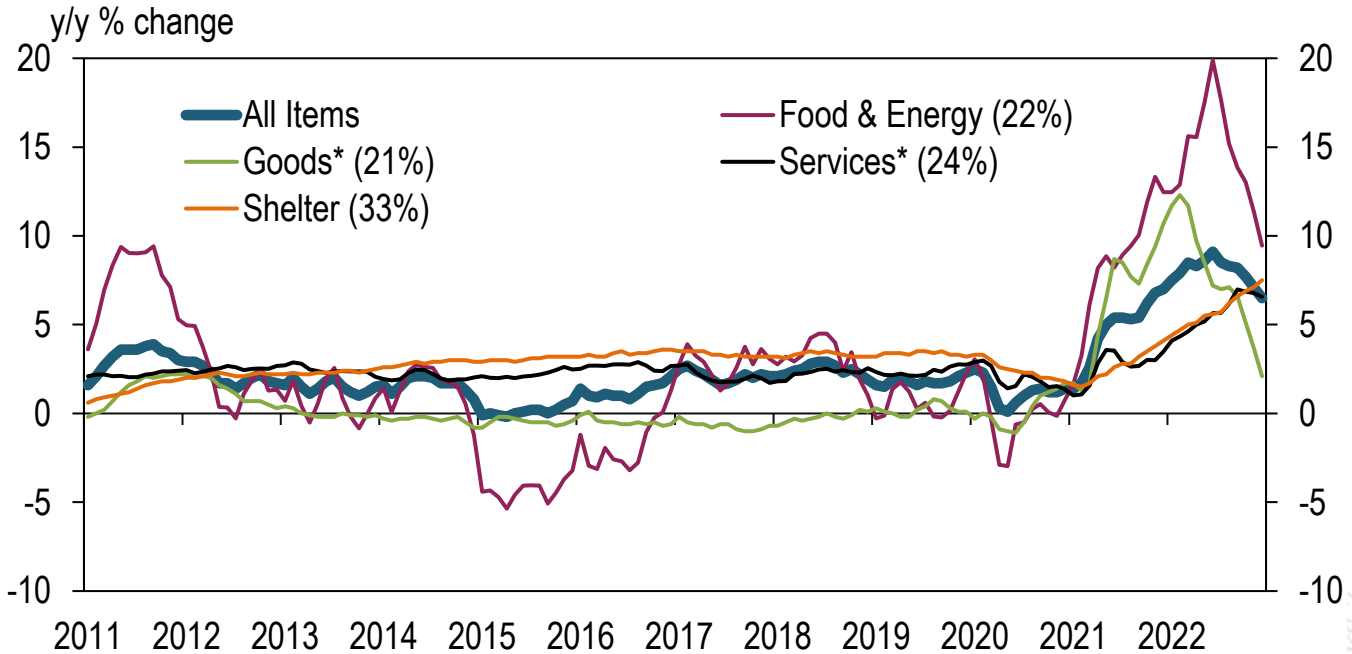
Meanwhile, although inflation has come down from its 2022 peaks, it remains elevated on year-over-year basis

PCE Inflation Index



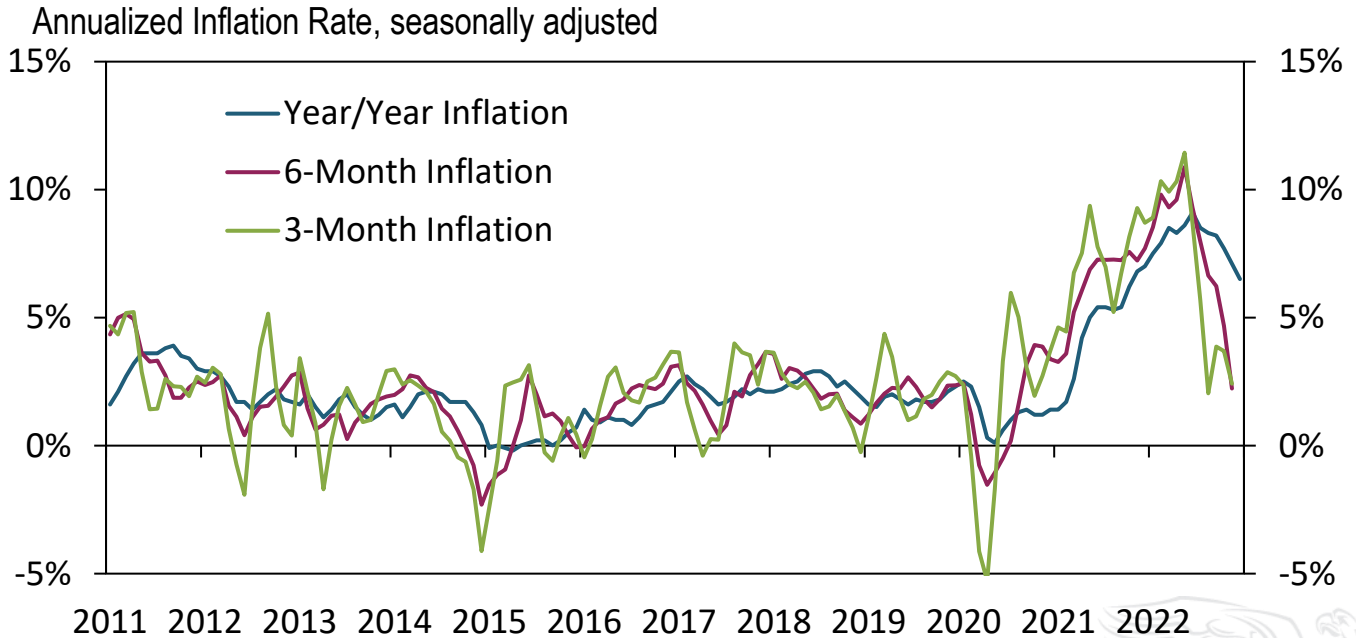
CPI inflation eased again in December to 6.5% as goods and energy inflation fell

Consumer Price Index



Three- and six-month inflation rates ended 2022 near 2%

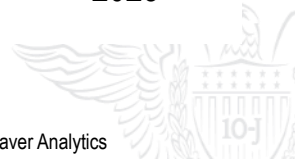
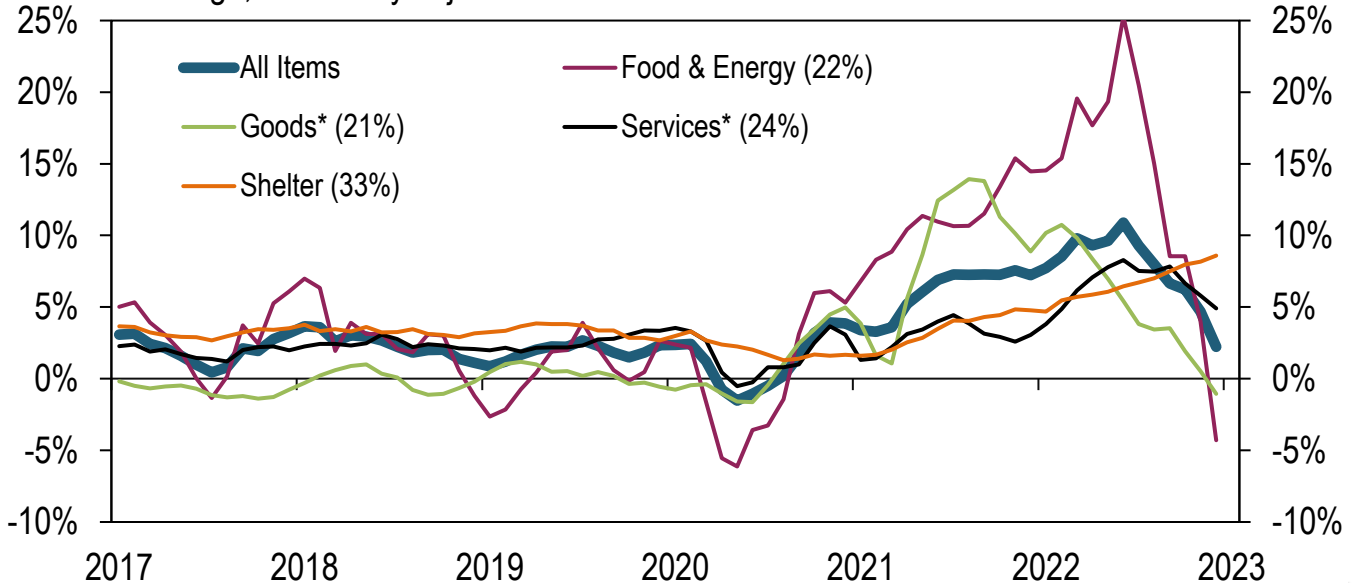
CPI Inflation



Services inflation, a key indicator, began to fall in the second half of 2022

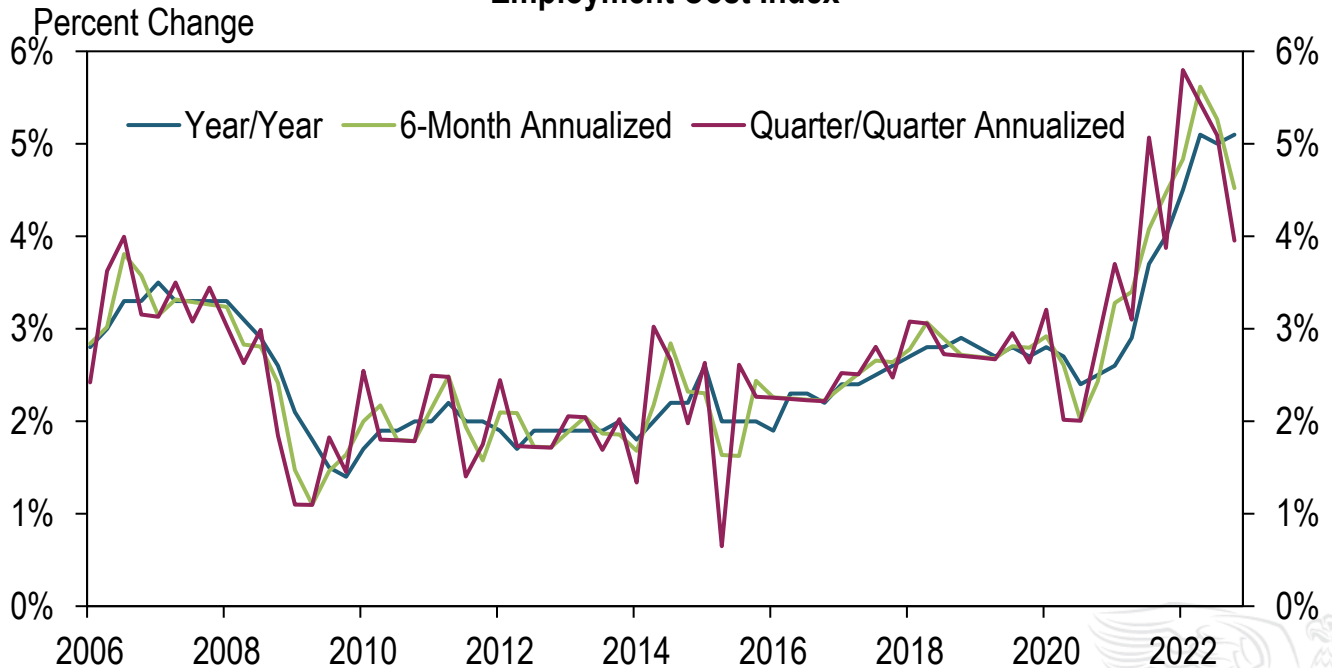
CPI 6-Month Annualized Inflation

Percent Change, seasonally adjusted



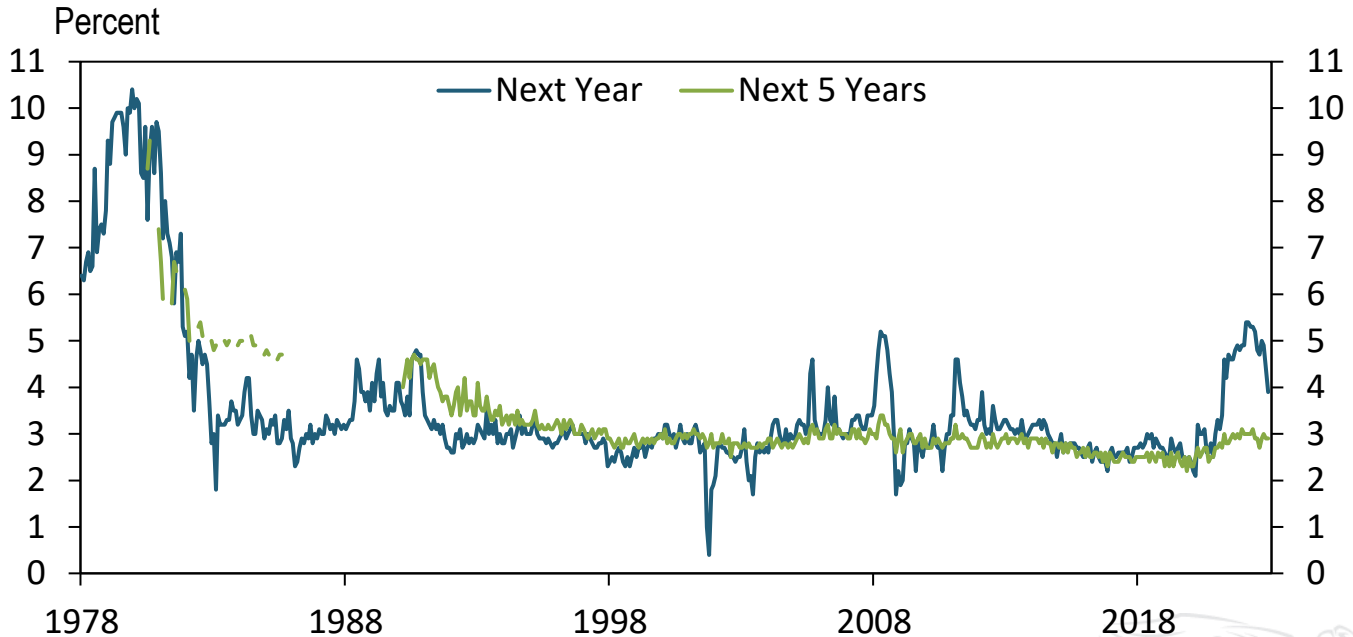
Wage growth is a key factor keeping services inflation high, but has come down from highs in recent months

Employment Cost Index



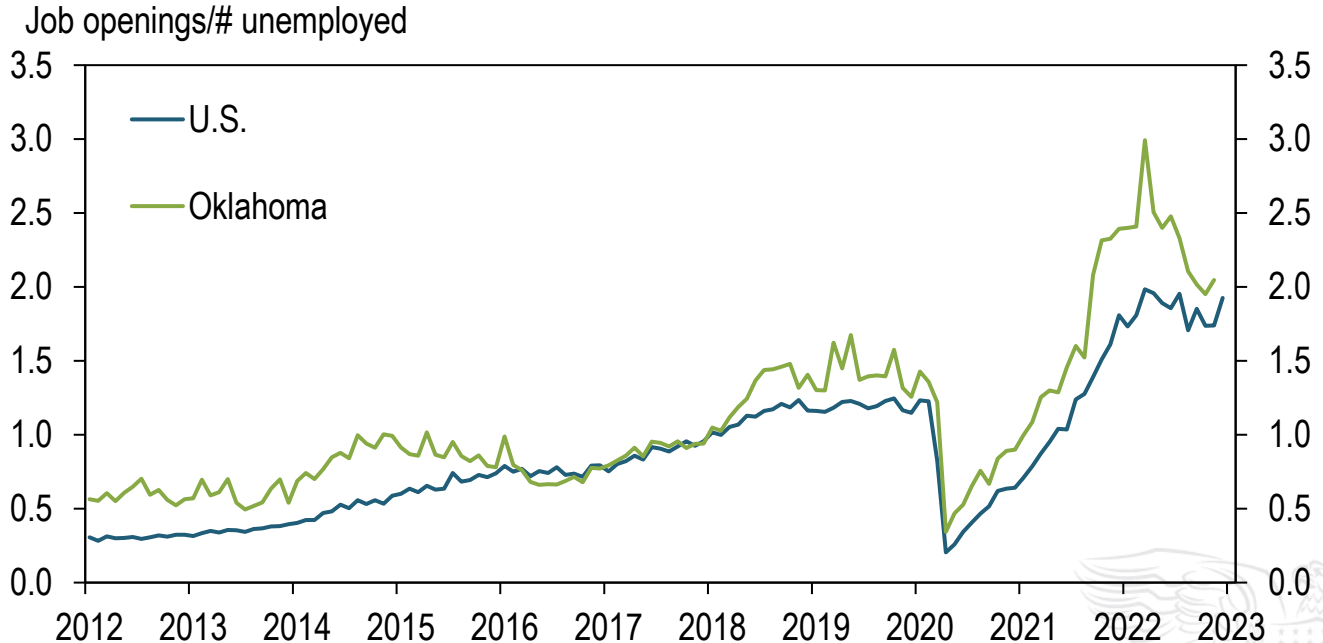
Longer-term inflation expectations remain anchored around their 20-year average

Expected Inflation Rate



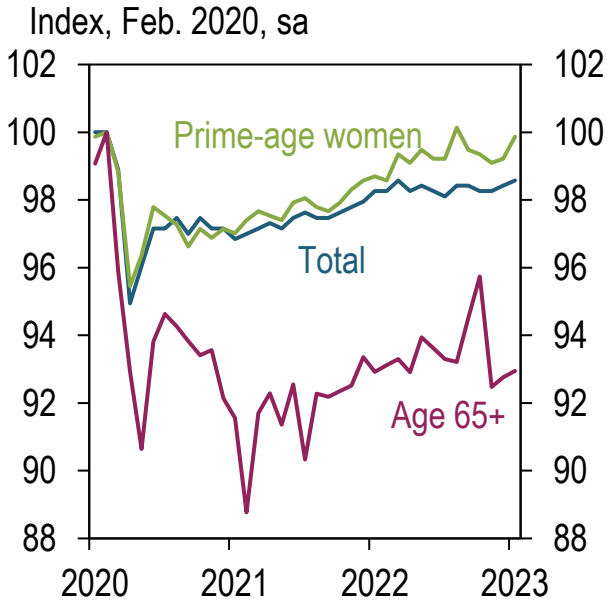
Job openings still greatly exceed unemployed workers, keeping wage pressures from easing much

Job Openings/Unemployment Ratios

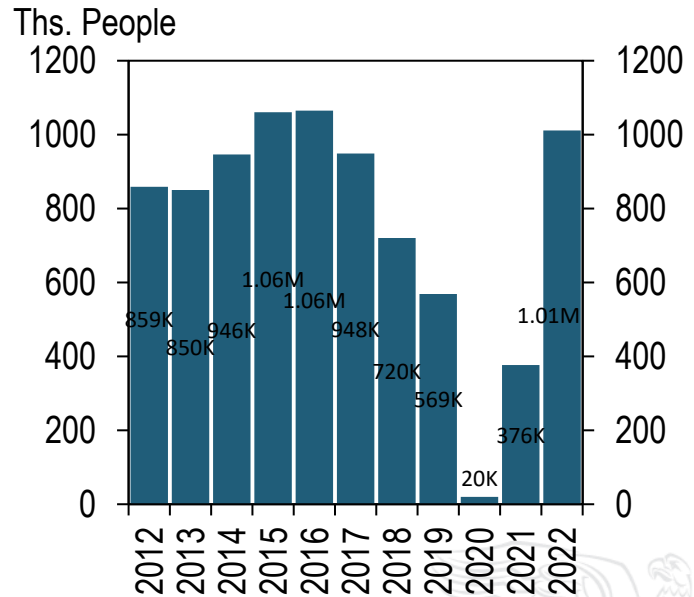


Labor force participation still lags due to older workers, while immigration rebounded after several low years

U.S. Labor Force Participation Rate

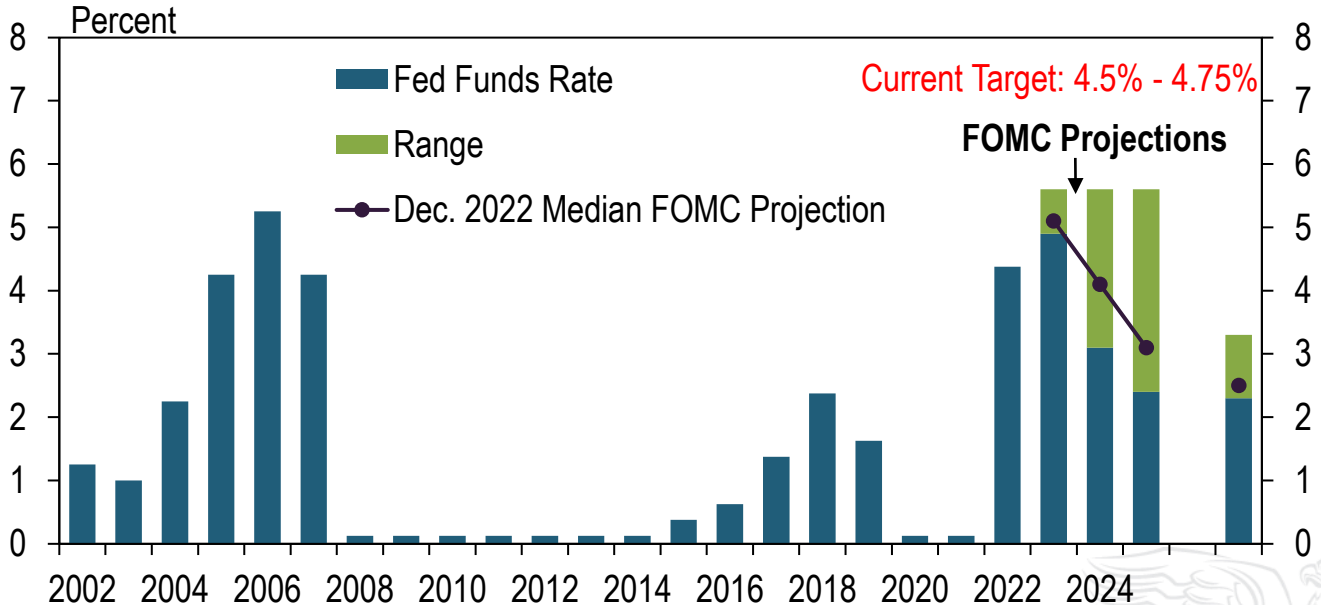


Net International Migration to the U.S.



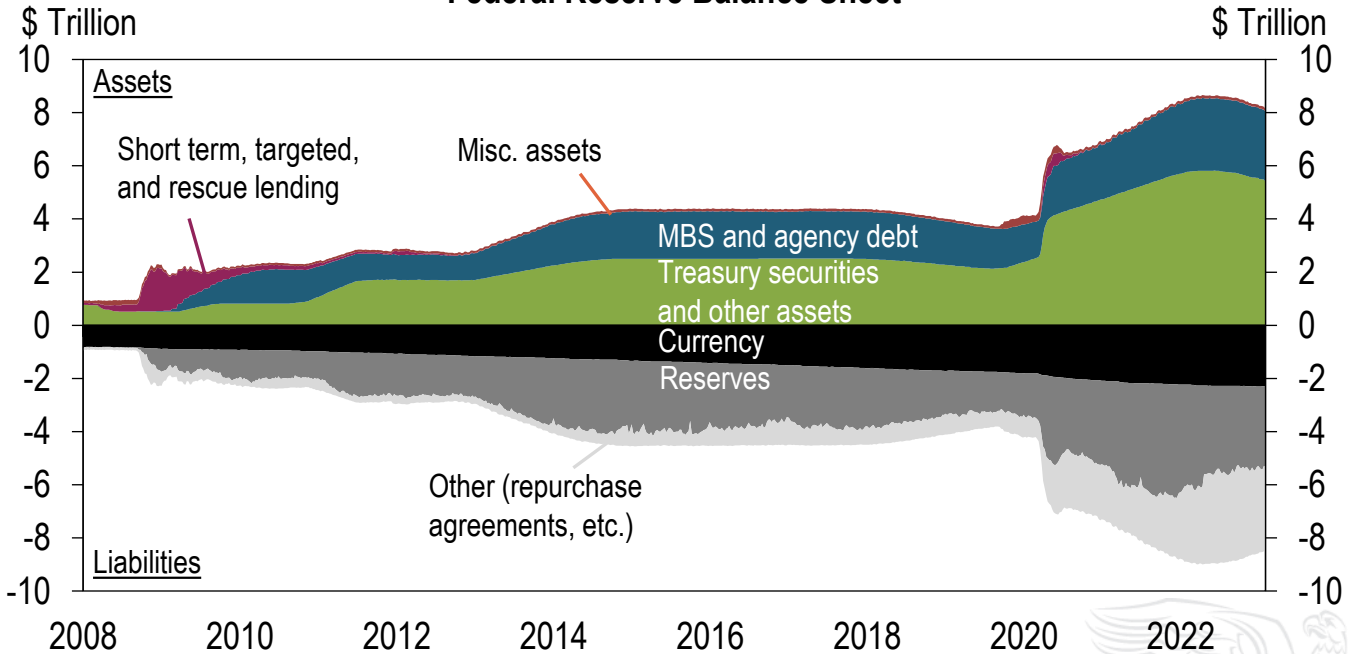
The Fed raised the federal funds rate by 25 basis points in January, to a target of 4.5-4.75%

Federal Funds Rate
Year-End Target



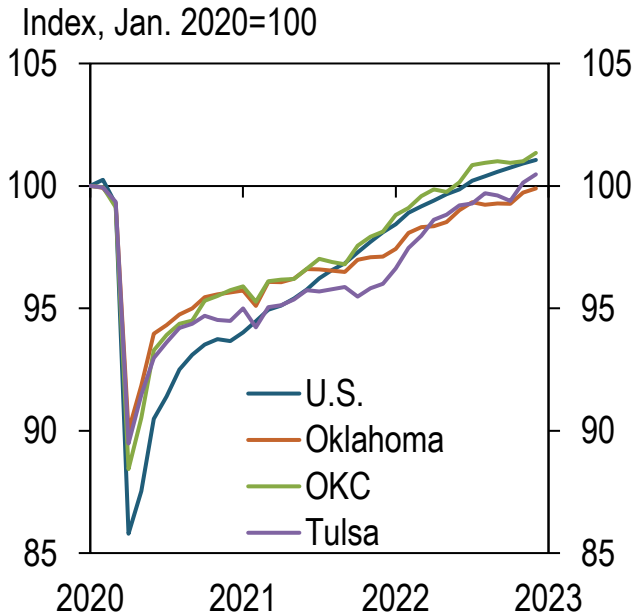
The Fed has also been reducing its balance sheet of securities, further tightening policy

Federal Reserve Balance Sheet

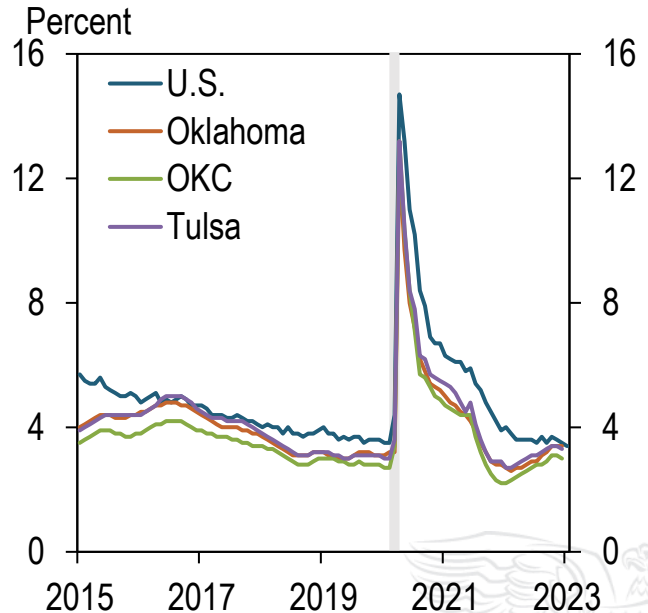


Jobs in Oklahoma are back to pre-COVID levels and rose further in December, while unemployment stayed low

Non-Farm Payroll Employment

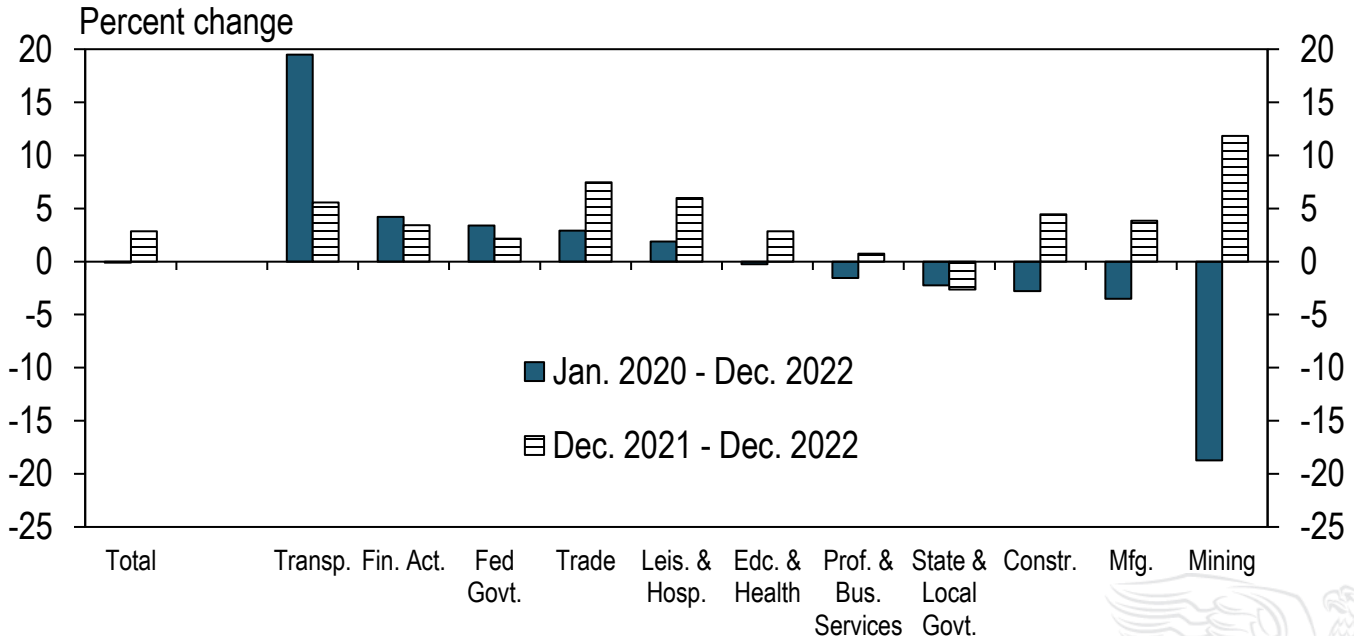


Unemployment Rate



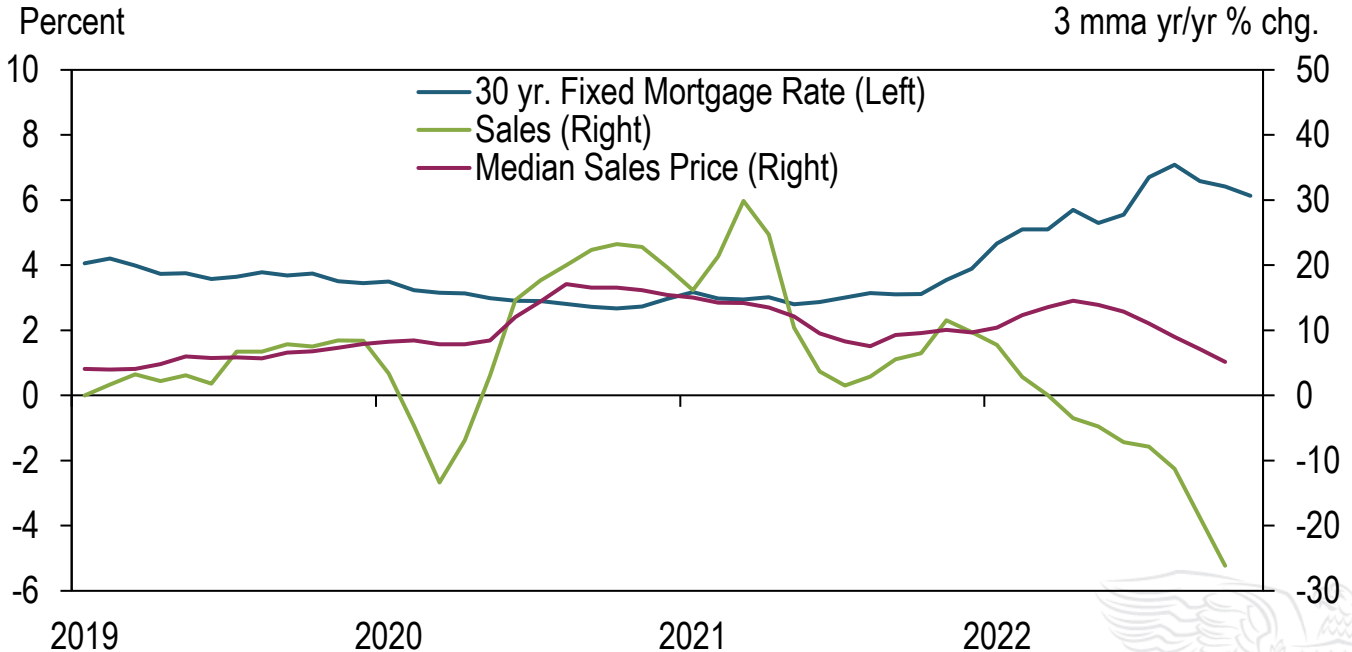
Energy, manufacturing, and construction jobs in OK are still below pre-pandemic but up during the past year

Oklahoma Job Growth by Industry



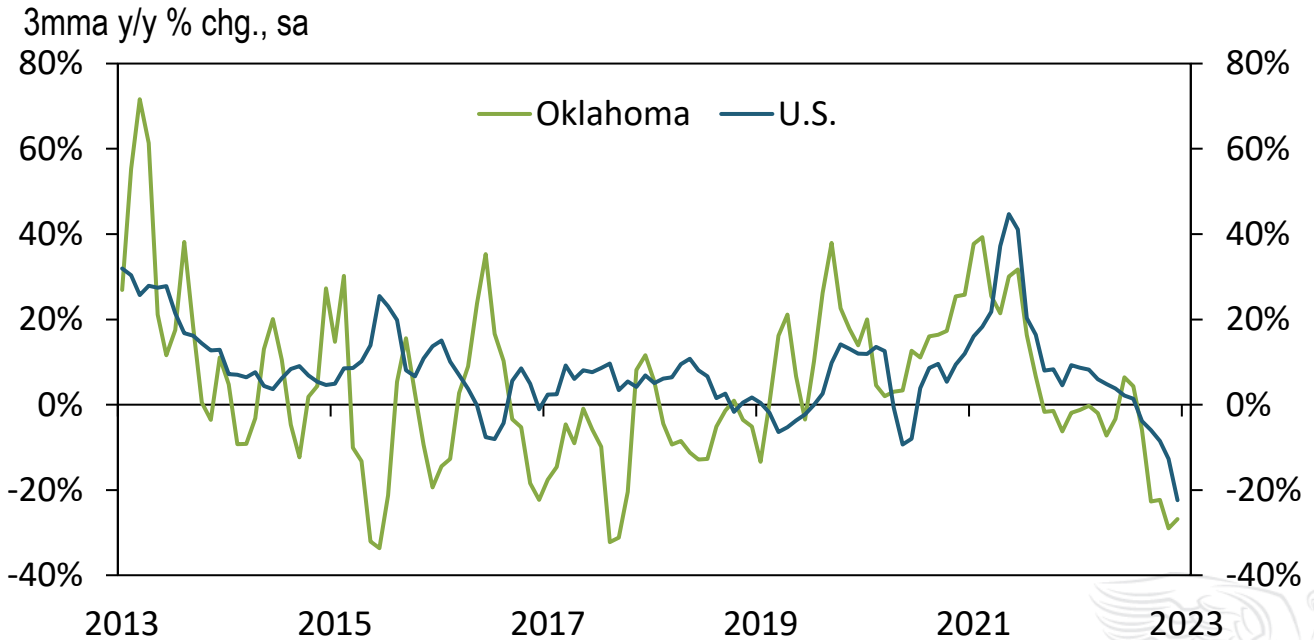
The Oklahoma housing market has eased with higher mortgage rates

Oklahoma Housing Market Indicators



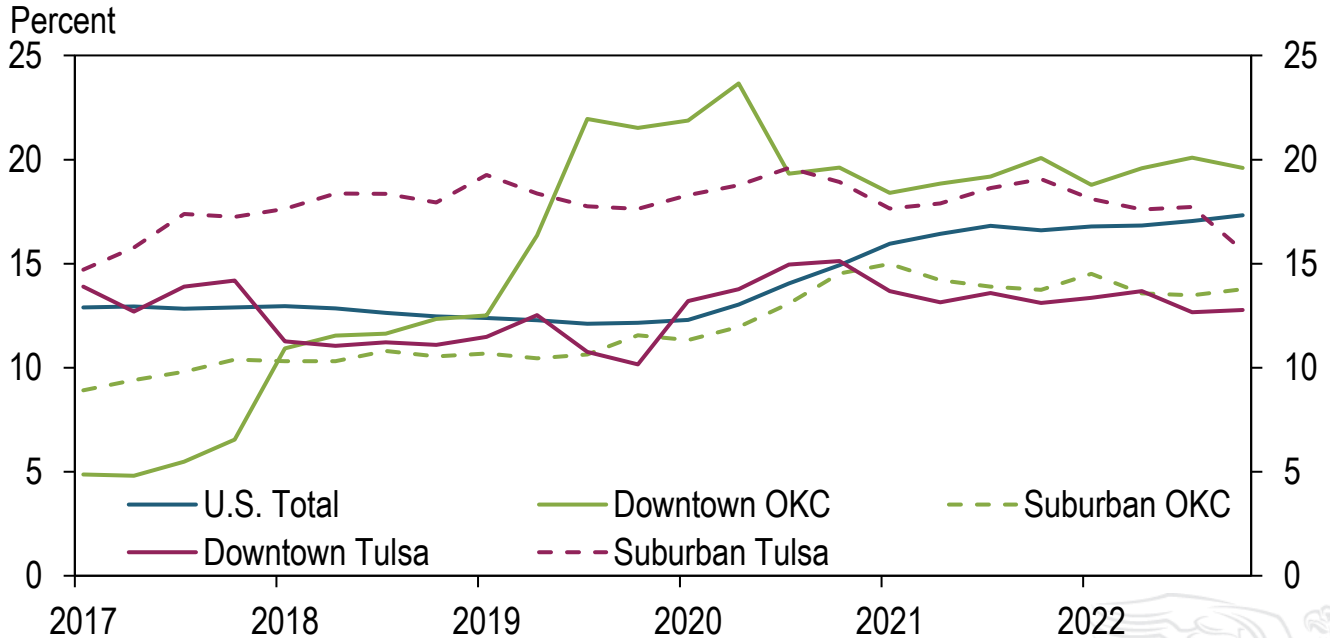
New housing construction began to decline in 2022 in the U.S. and Oklahoma

Total Building Permits for Privately Owned Housing



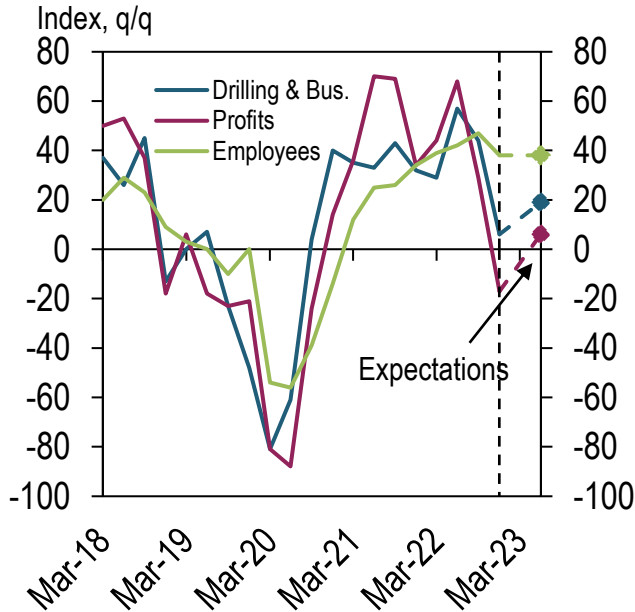
Office vacancy rates differ across the two large metros in terms of downtown vs suburban trends

Office Vacancy Rates

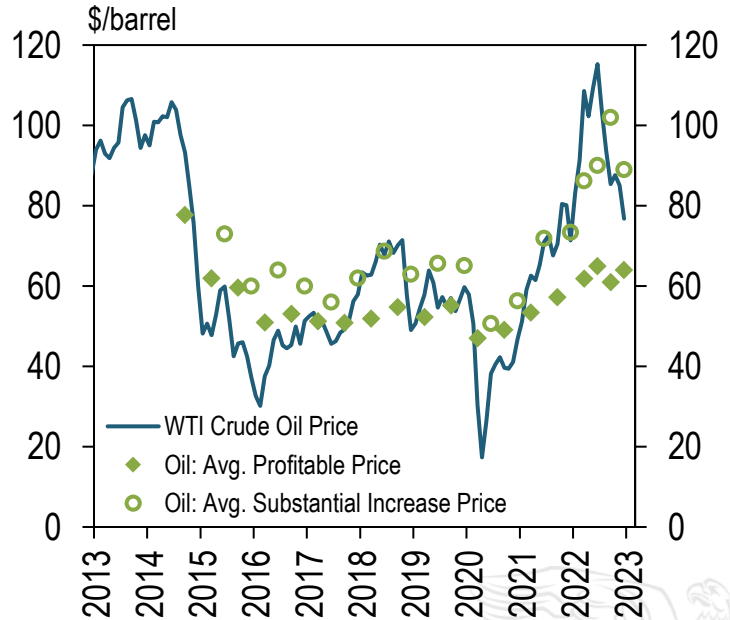


Energy activity cooled slightly in Q4, with profitability falling for the first time in two years

Energy Survey Indexes

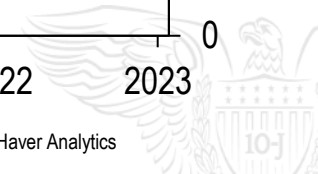
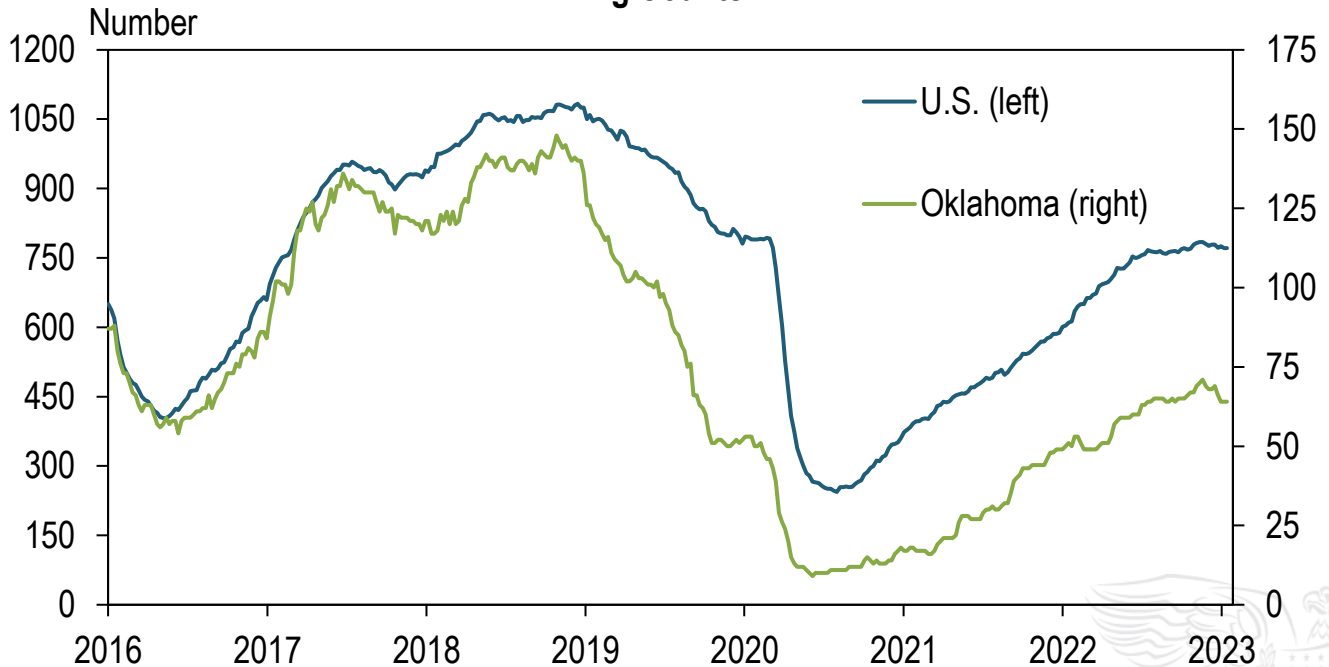


Oil Prices



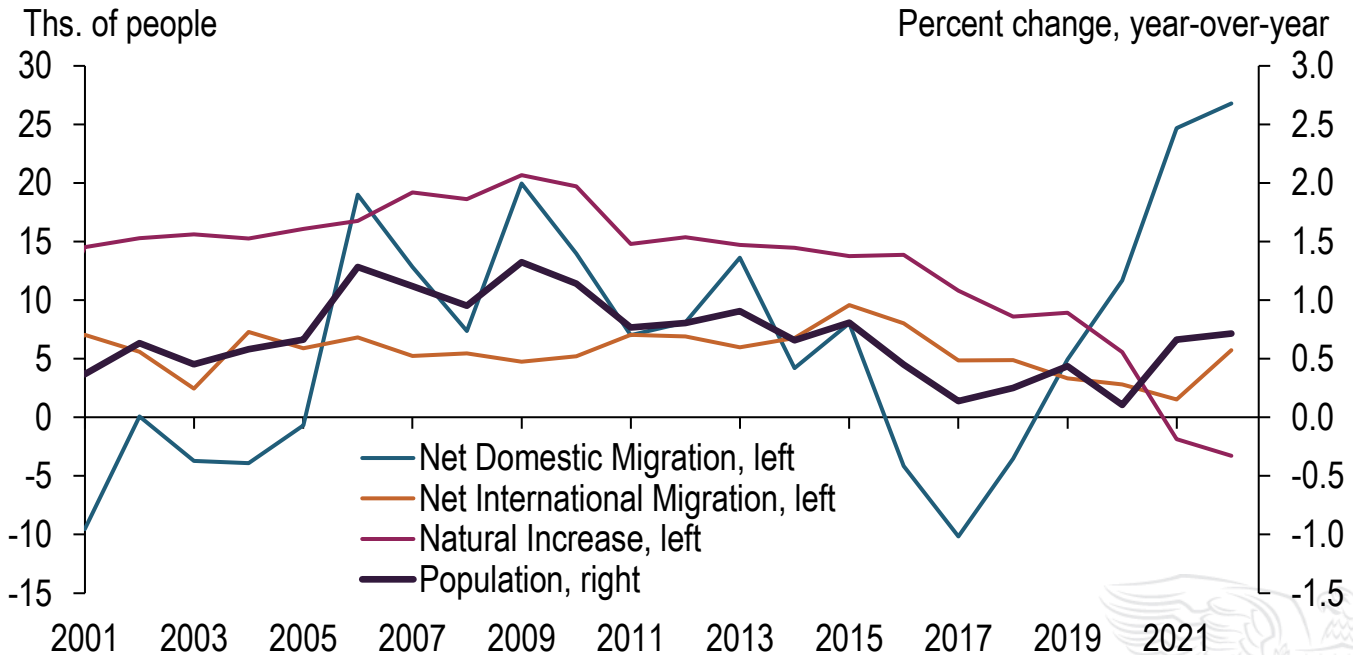
Drilling rig counts have begun to edge down in Oklahoma and the nation with lower profitability

Rig Counts



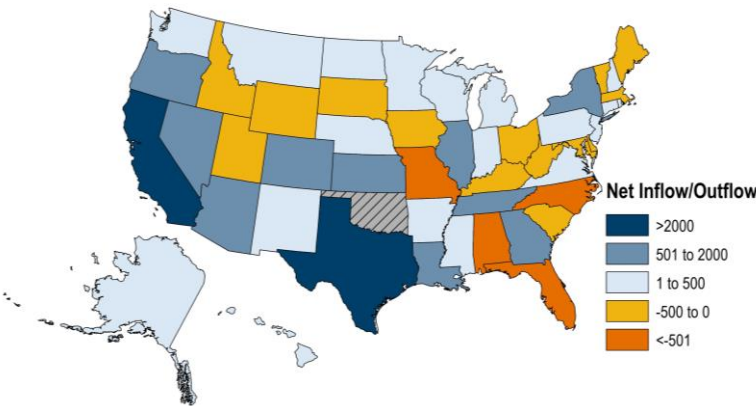
Oklahoma's population grew in 2021 & 2022, despite a historic increase in deaths, due to massive in-migration

Oklahoma Population Changes by Component, 2001-2022

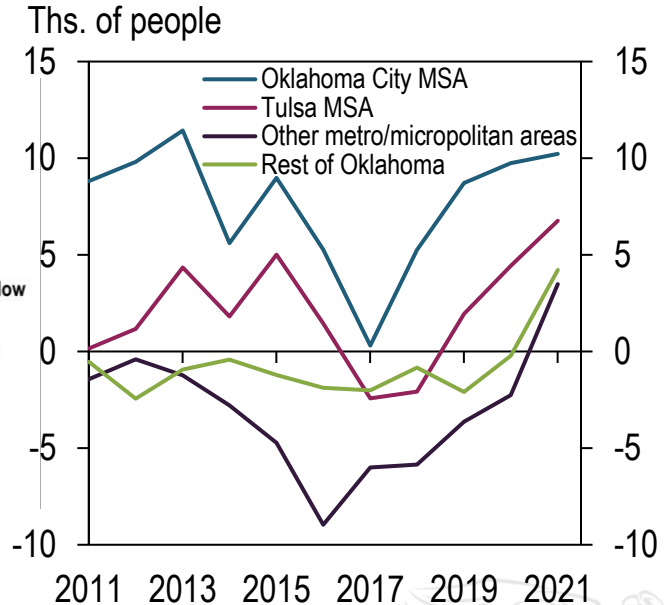


Many people moved to OK from CA and TX, mostly to the metros but to many other parts of the state, too

Net Domestic Migration to Oklahoma
2020 and 2021



Oklahoma Net Domestic Migration



Summary

- U.S. economic growth was solid in late 2022 and early 2023
- Inflation has eased but remains too high, with continued high wage gains in a tight labor market now a key contributor
- Oklahoma's economy continues to recover, but jobs remain below pre-pandemic levels in some sectors, especially energy
- Oklahoma energy activity expanded solidly in 2022, but profitability has been squeezed and begun to affect growth



Questions?

RECEIVE REGULAR UPDATES ABOUT
Oklahoma's economy

For more analysis of the Oklahoma economy, regional manufacturing conditions and regional energy conditions, subscribe to receive e-mail alerts from the KANSAS CITY FED.

Visit *kansascityfed.org/lealert* to subscribe!

