

U.S. and Oklahoma Economic Outlook

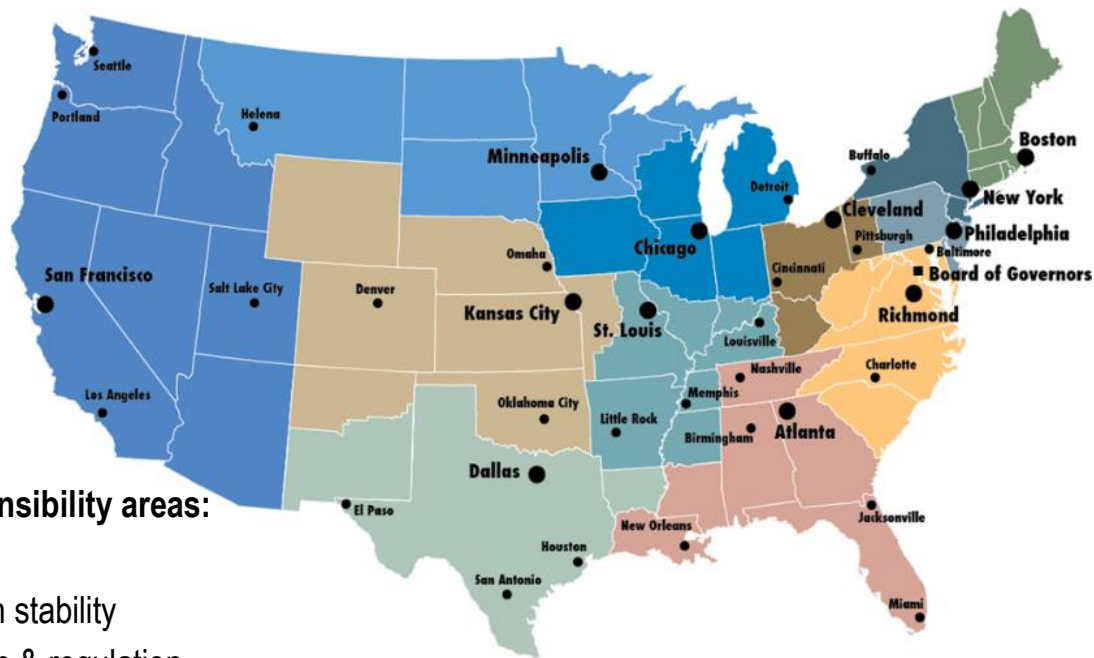
Weatherford Economic Forum
August 17, 2023

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SVP & 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



5 primary responsibility areas:

- Monetary policy
- Financial system stability
- Bank supervision & regulation
- Payment system safety & efficiency
- Consumer protection & community development

3 primary entities:

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent
- Federal Open Market Committee: 19 members; 12 voting



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)**, Exec. Dir., Neighborhood Housing Services, OKC
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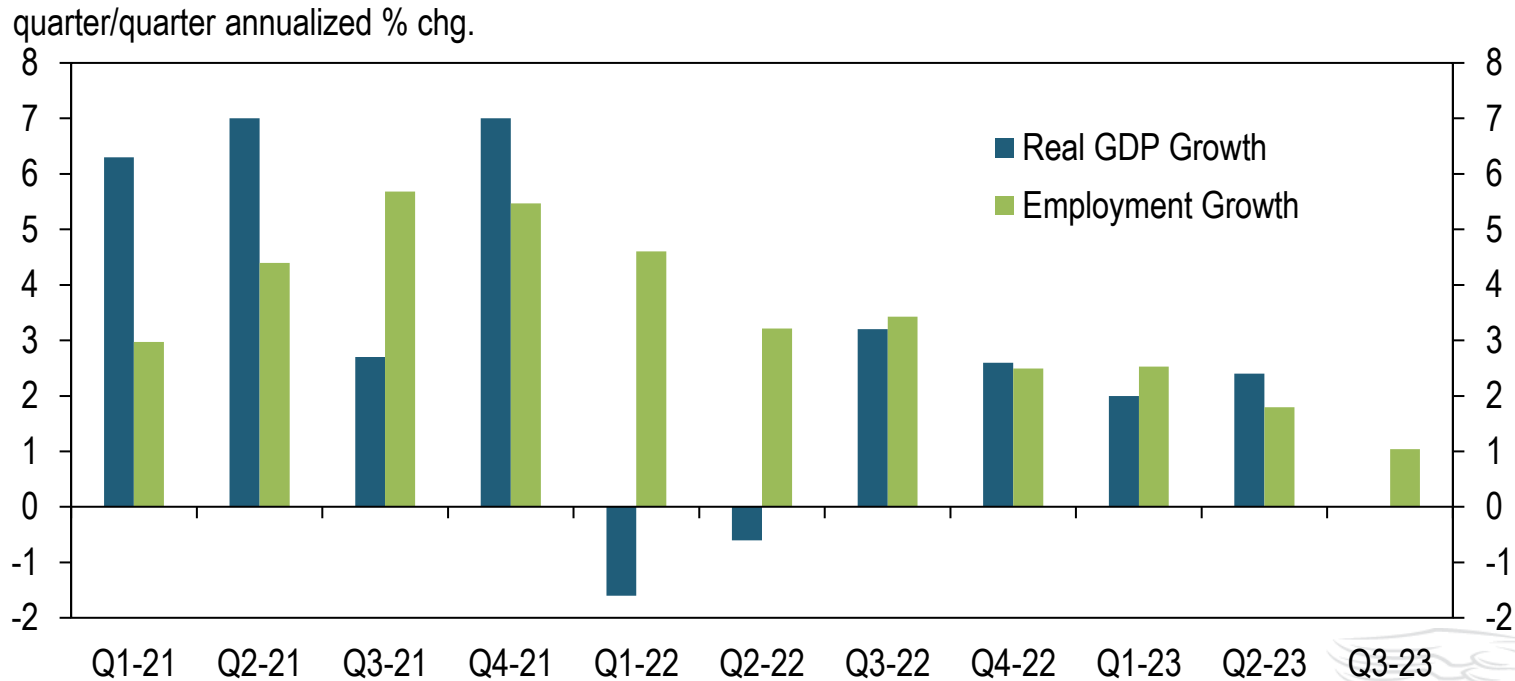
Overview

- U.S. economic growth has slowed in 2023 but remains positive, and unemployment remains very low
- Inflation remains too high, despite coming down from 2022 peaks
- The Fed has raised the overnight interest rate to more than 5%
- Oklahoma's economy continues to recover, but jobs remain below pre-pandemic levels in some sectors, especially energy
- Custer County's economy remains solid with low unemployment and solid GDP growth over the past decade



U.S. GDP and employment have slowed but remained positive through mid-2023

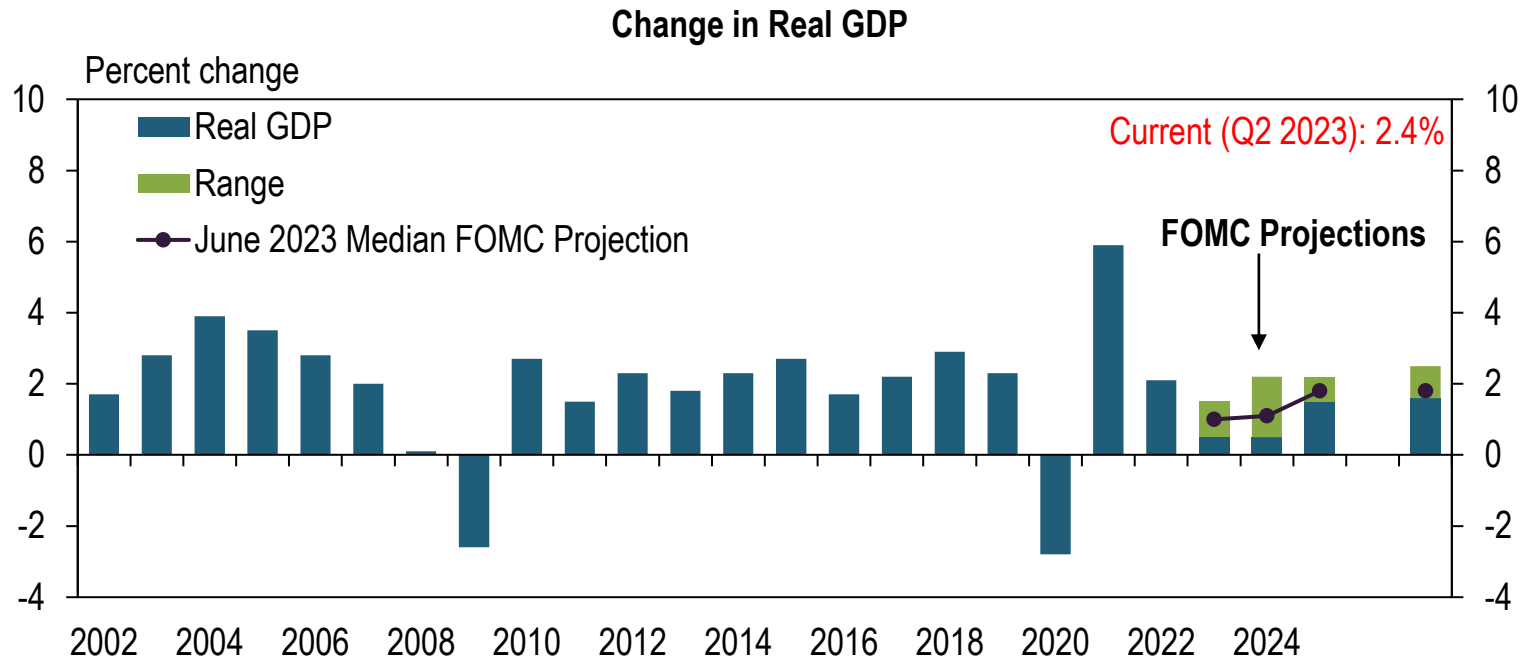
Quarterly U.S. Economic Growth



Sources: BEA, BLS/Haver Analytics

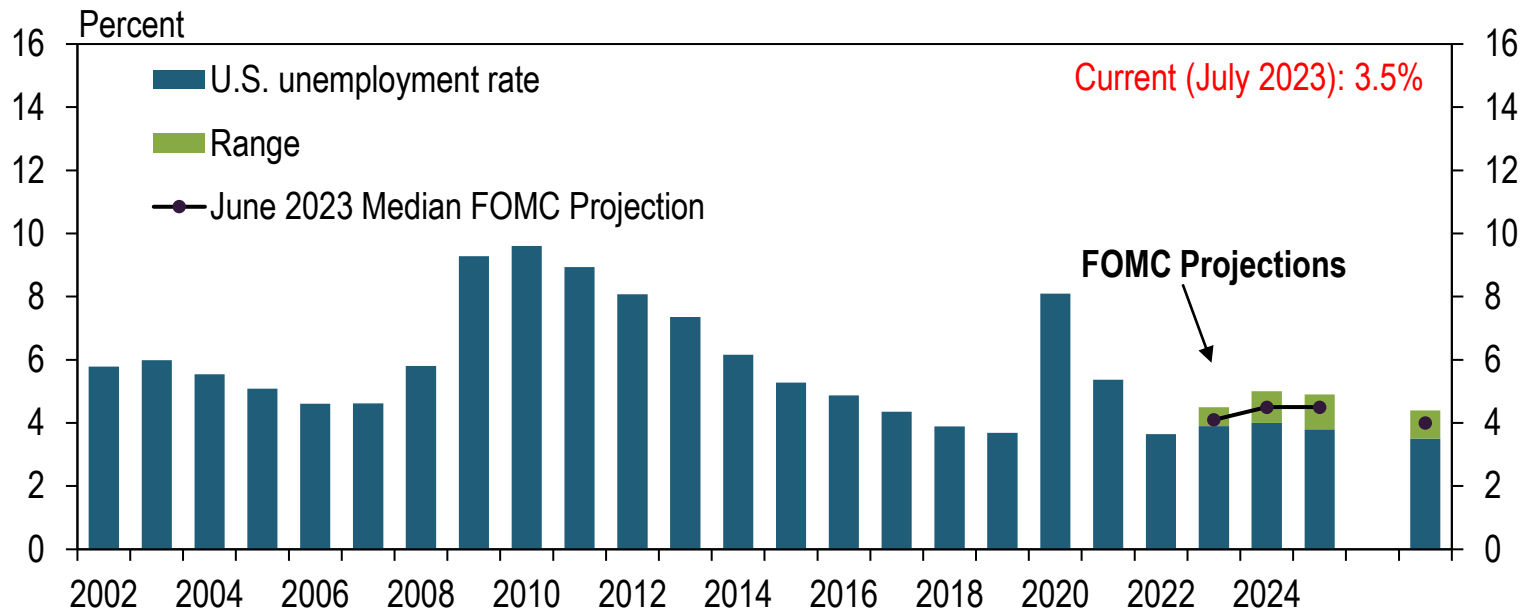


GDP growth is expected to be somewhat sluggish in 2023 and 2024 before rebounding to near trend in 2025

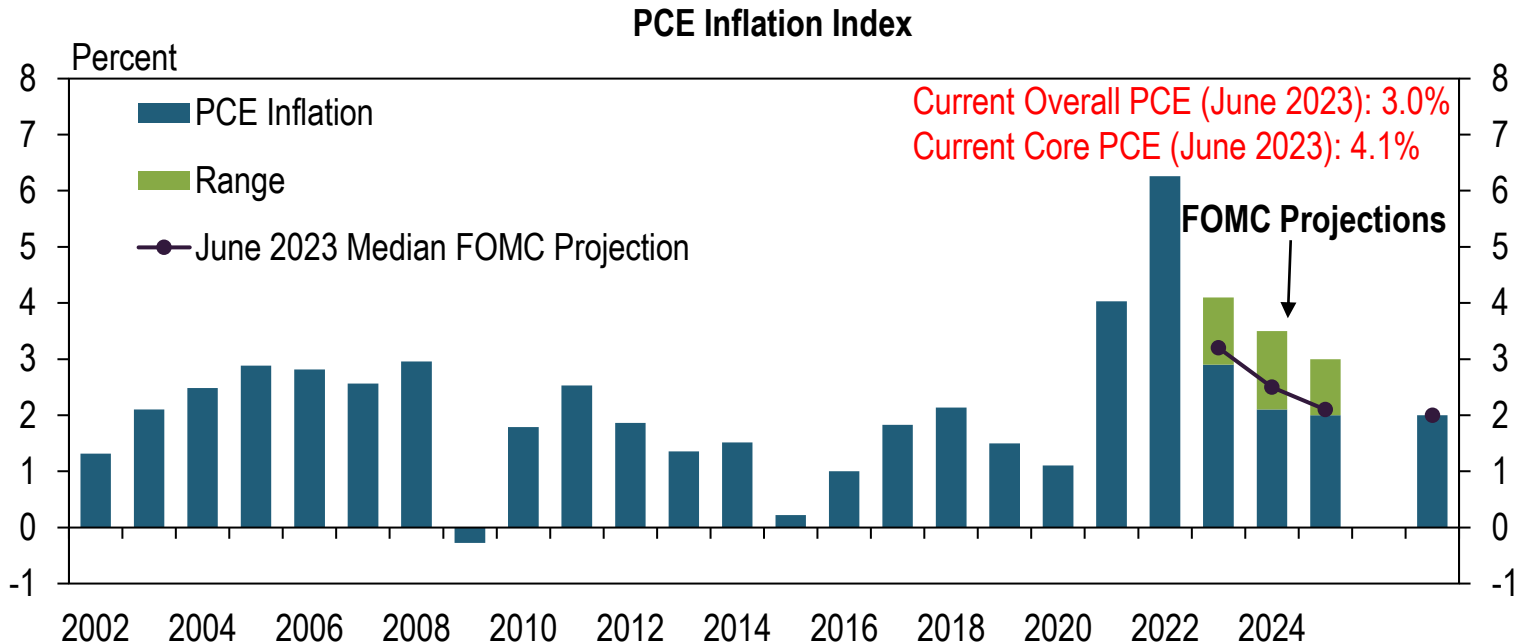


U.S. unemployment remains historically low and is projected to rise only moderately in coming years

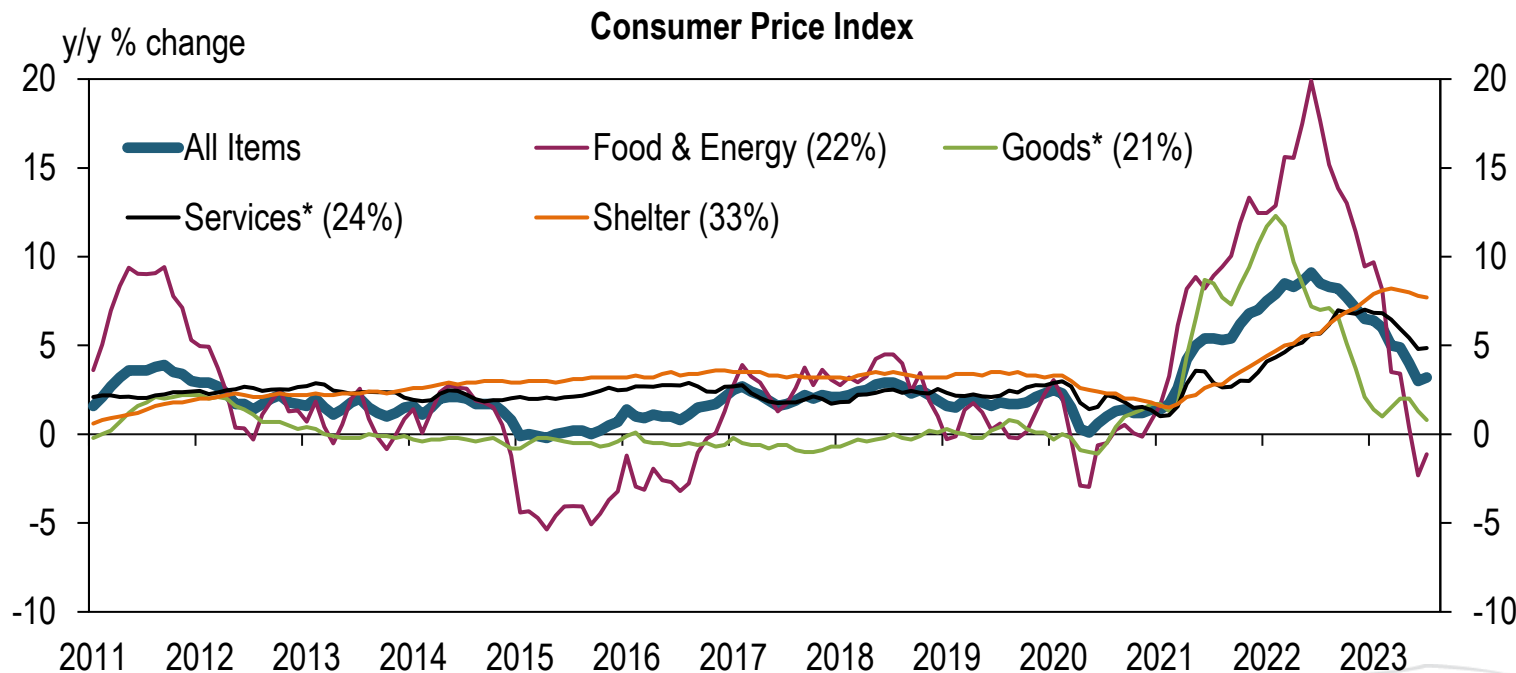
U.S. Unemployment Rate



Although inflation has come down from 2022 peaks and is expected to fall further, it remains elevated



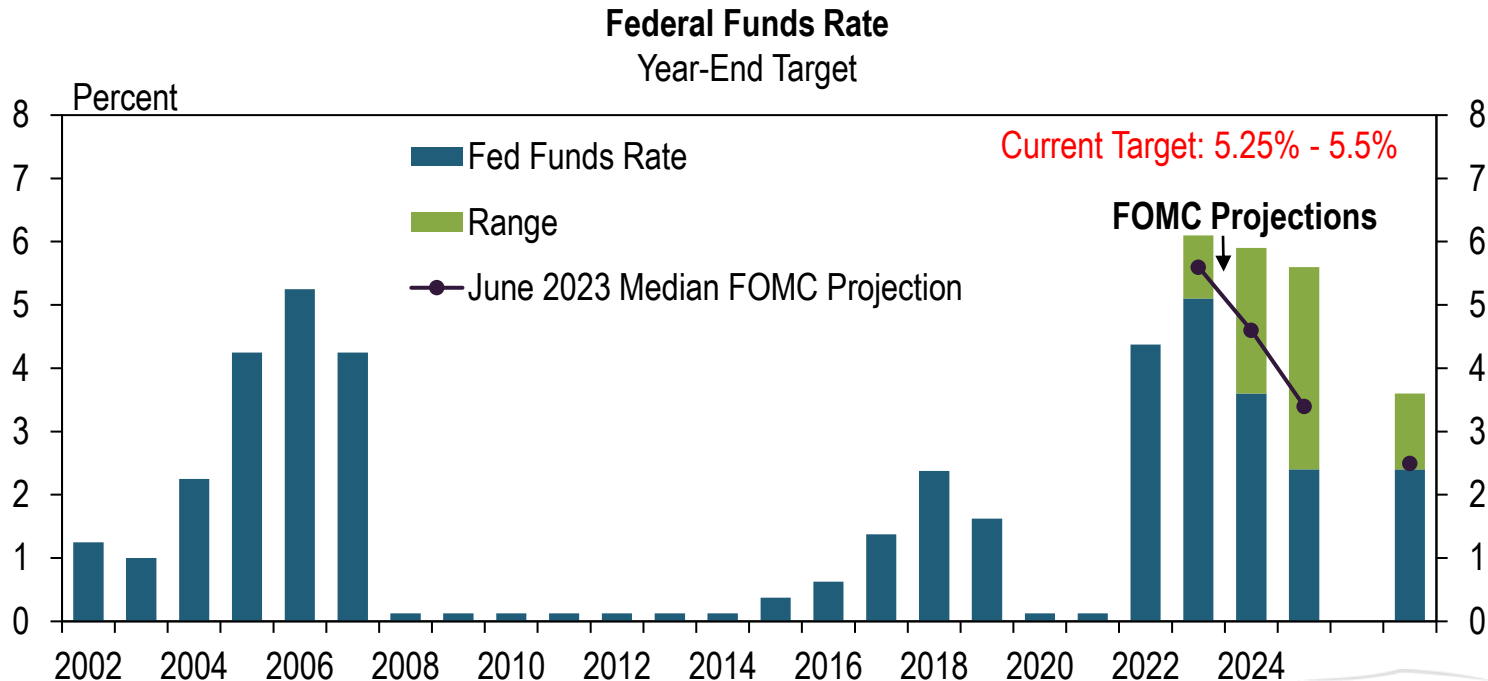
CPI inflation ticked up slightly from 3.0% to 3.2% in July, with shelter and services inflation still high



*Goods excluding Food; Services excluding Energy.
 Note: Relative Importance as Share of CPI shown in parenthesis.



The Fed raised the federal funds rate by 25 bps in July, and the latest projections are shown



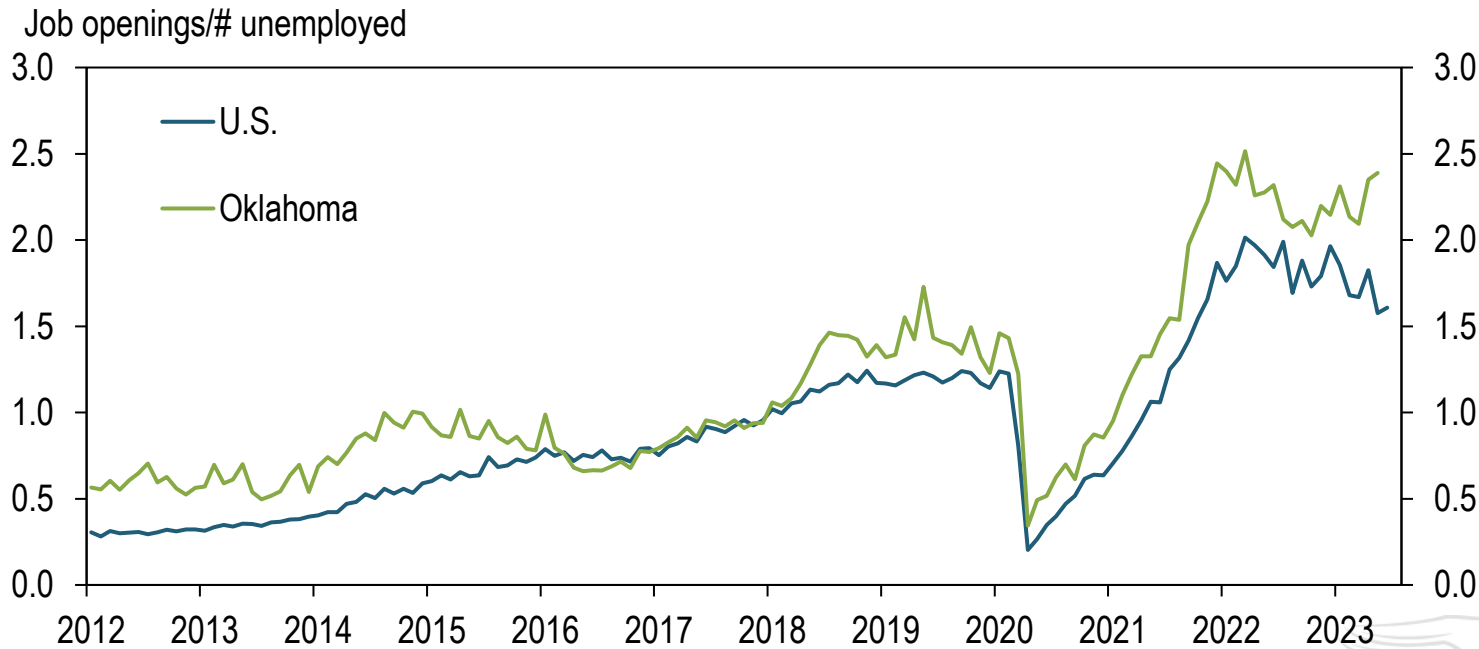
Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC



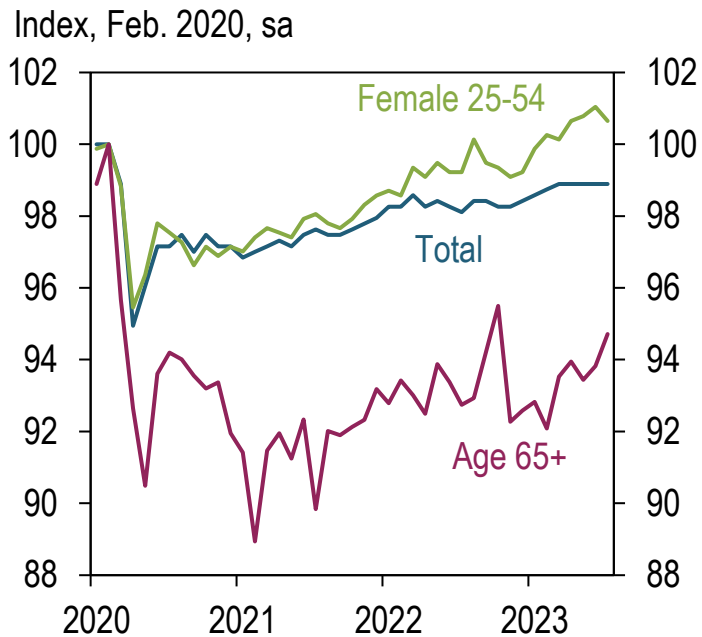
Job openings still greatly exceed unemployed workers, but have fallen slightly at the national level, helping ease wage pressures

Job Openings/Unemployment Ratio

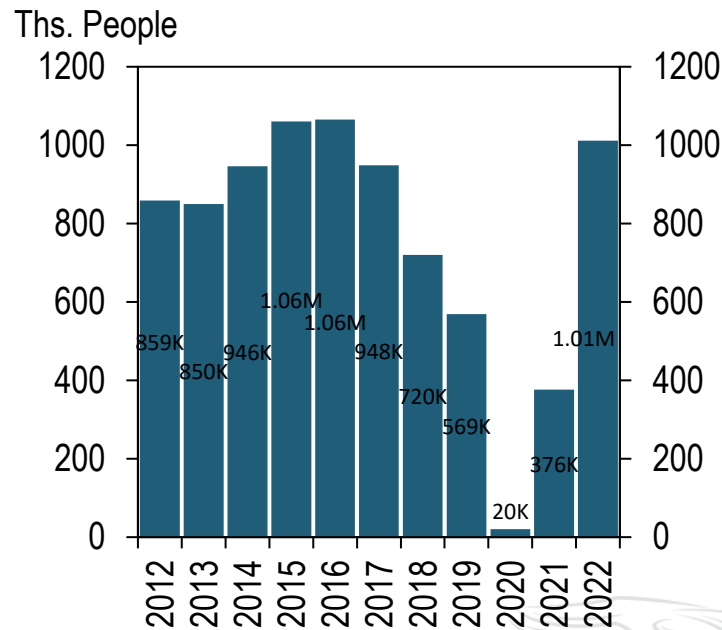


Labor force participation still lags, mostly due to older workers, while immigration rebounded last year after several low years

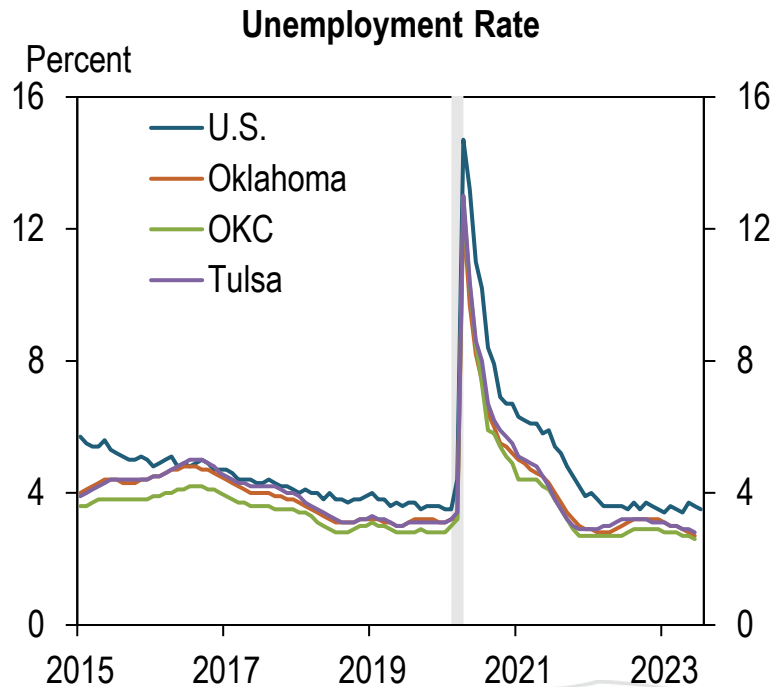
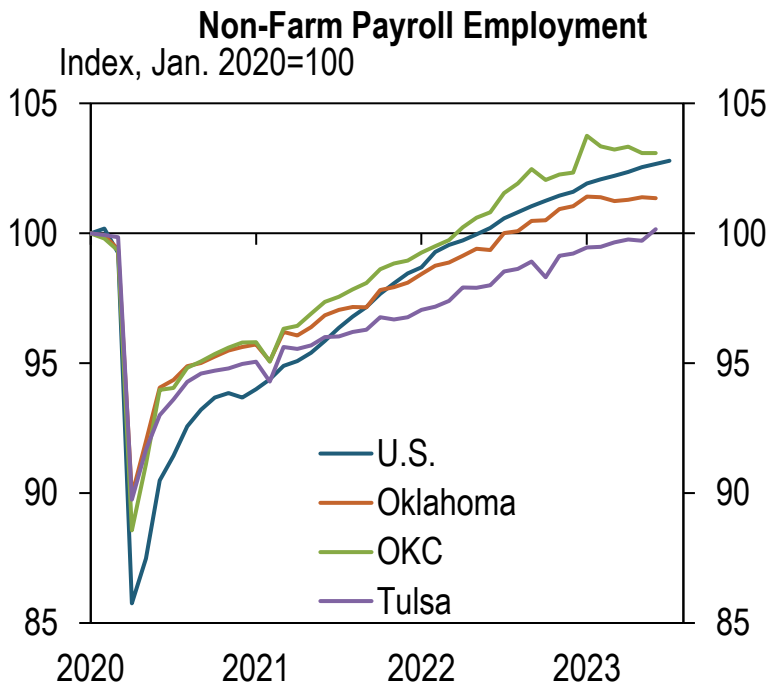
U.S. Labor Force Participation Rate



Net International Immigration to the U.S.

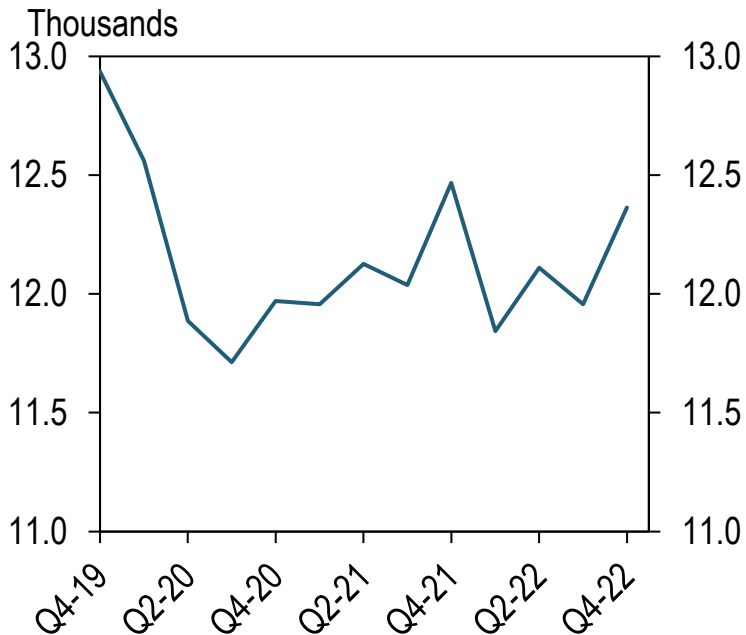


Jobs in Oklahoma have leveled off in recent months at above pre-pandemic levels, while unemployment remains low

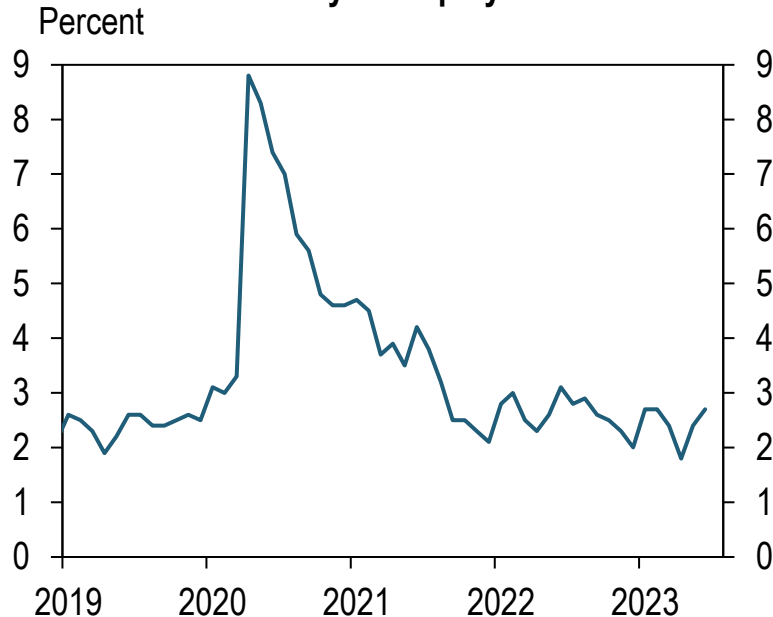


Jobs in Custer County have yet to fully recover since COVID, but unemployment has been back to pre-pandemic lows since late 2021

Custer County Total Payroll Employment

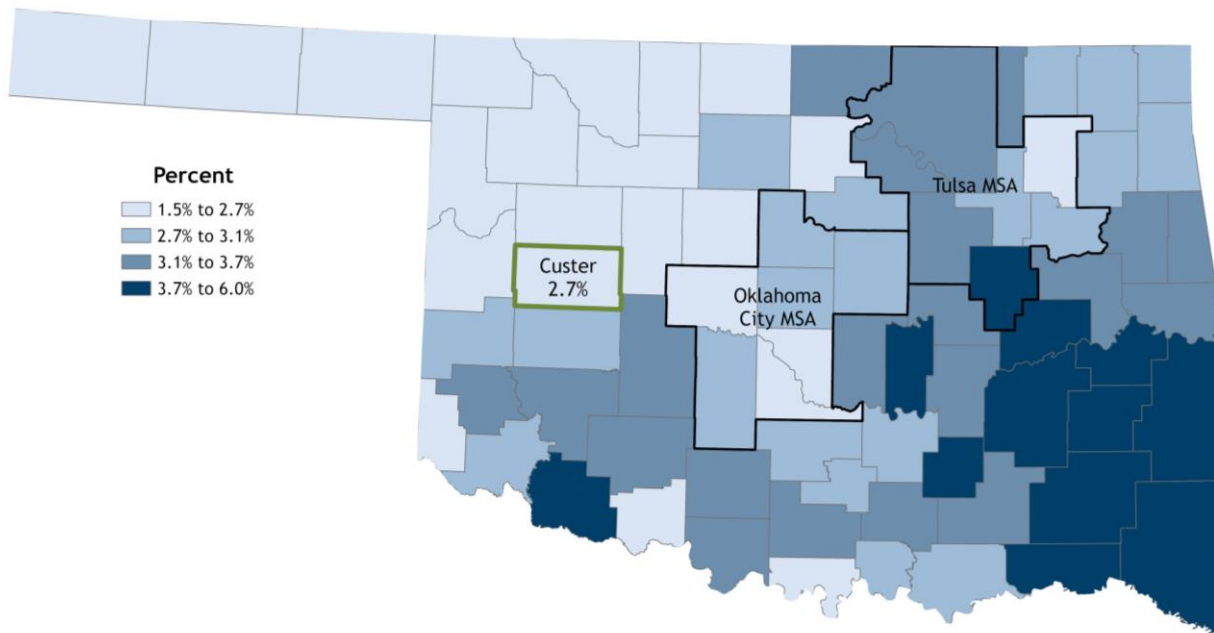


Custer County Unemployment Rate



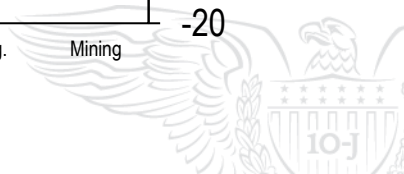
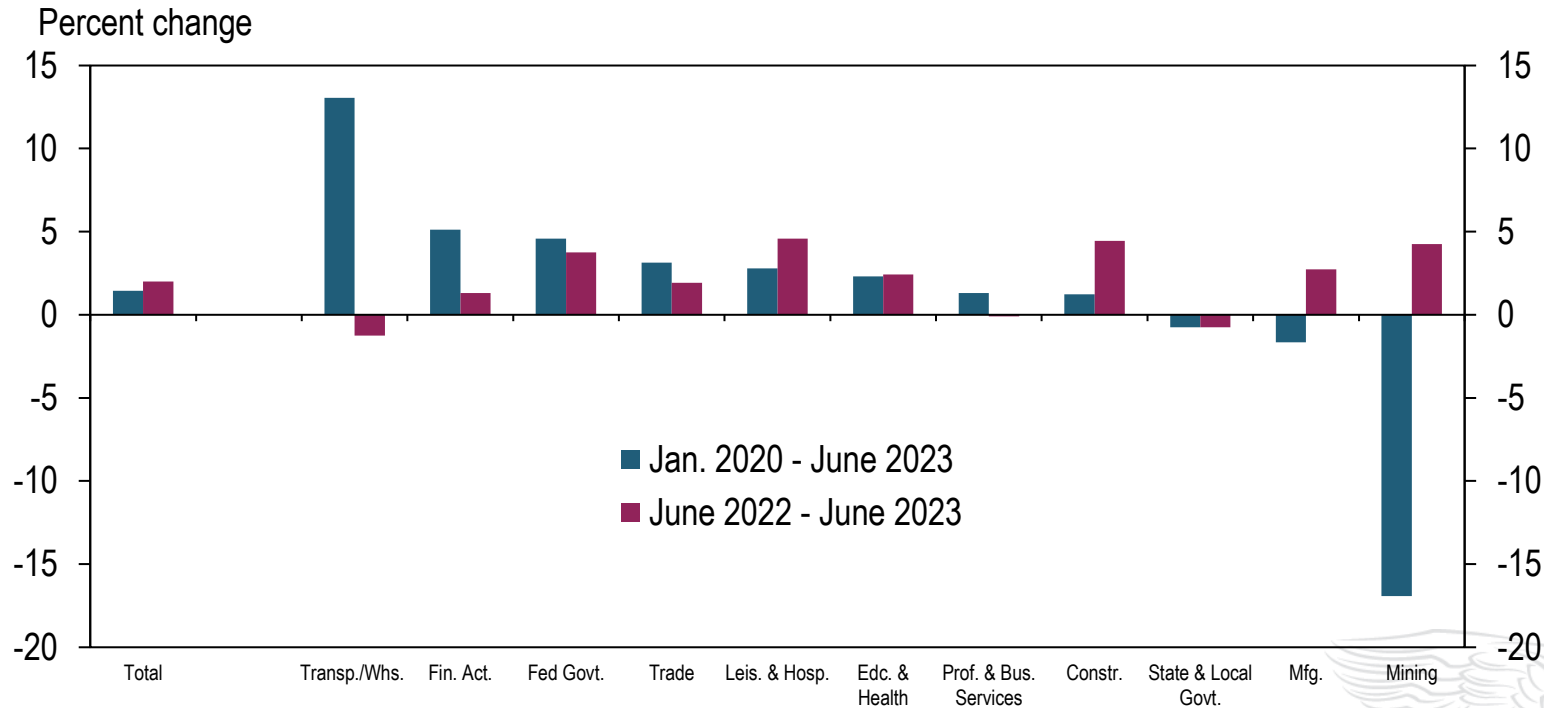
Custer County was in the lowest quartile of unemployment rates for the state in June, at 2.7%

June 2023 Unemployment Rate by County



Most Oklahoma sectors added jobs over the past year, but job growth varies widely relative to pre-pandemic levels

Oklahoma Job Growth by Industry



Custer County jobs remained highly concentrated in mining, utilities, and wholesale trade in 2022, but less so than in 2019

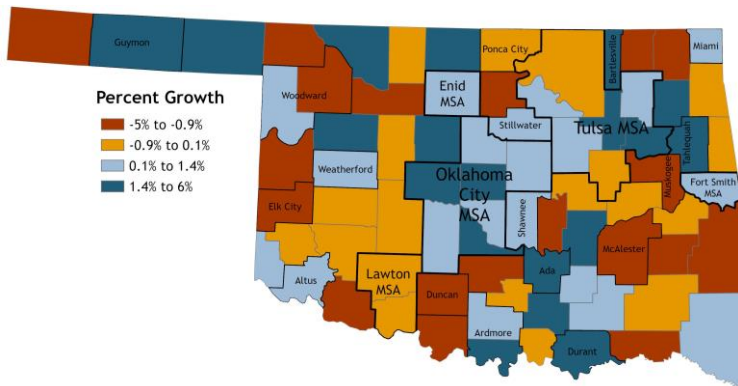
Custer County Industry Location Quotients

Industry	2022	2019
Mining, quarrying, and oil and gas extraction	17.1	21.0
Utilities	3.9	4.4
Wholesale trade	1.7	2.4
Arts, entertainment, and recreation	1.4	1.2
Retail trade	1.2	1.2
Real estate and rental and leasing	1.1	1.2
Accommodation and food services	1.0	0.9
Construction	1.0	0.9
Manufacturing	0.9	0.7
Other services (except public administration)	0.9	0.7
Agriculture, forestry, fishing and hunting	0.8	0.4
Finance and insurance	0.8	0.8
Health care and social assistance	0.8	0.8
Transportation and warehousing	0.7	0.7
Information	0.6	0.5
Professional, scientific, and technical services	0.4	-
Private Educational services	0.02	0.02



Weatherford's GDP grew over the past decade, especially during the oil boom from 2011 to 2015

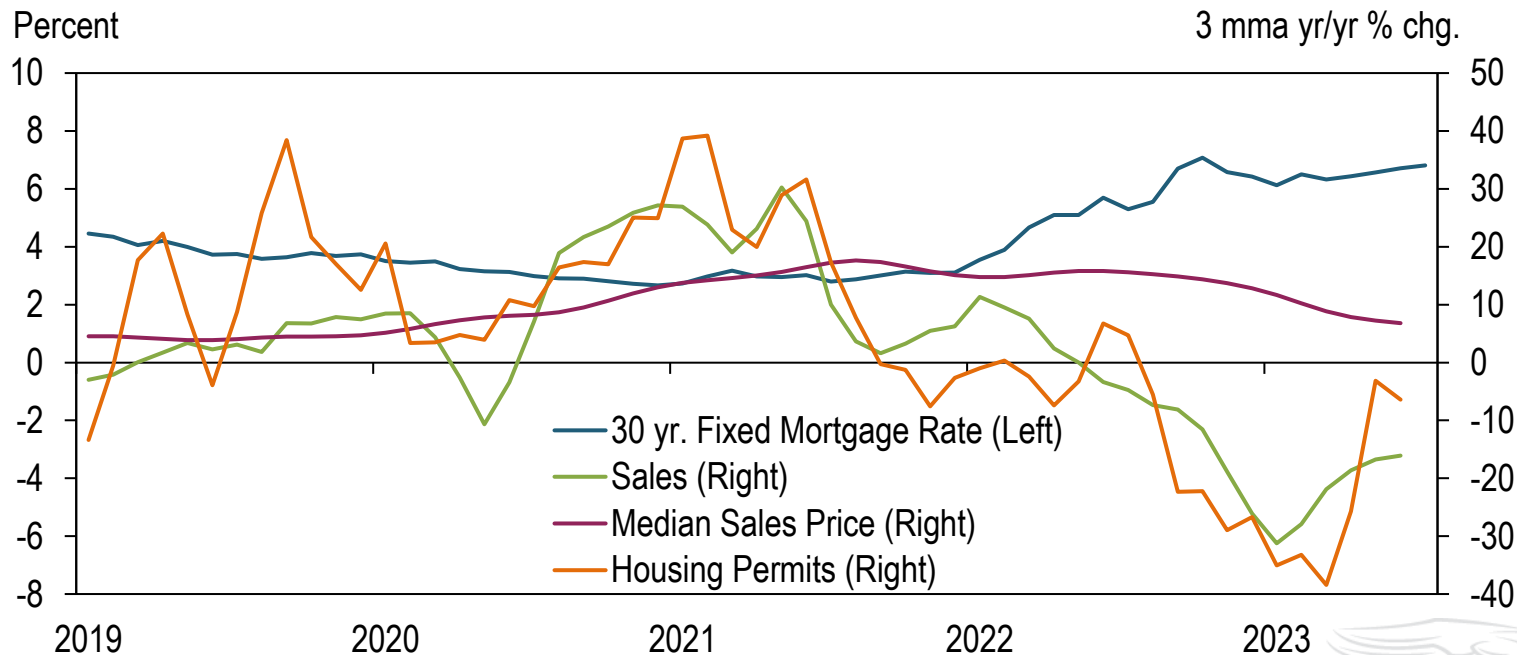
2011 to 2021 Annualized Real GDP Growth by County



Area	Annualized Real GDP Growth			
	2011-2021	2011-2015	2015-2019	2019-2021
Guymon	5.3%	10.6%	3.6%	-1.3%
Bartlesville	4.2%	13.9%	3.0%	-10.8%
Durant	3.9%	3.0%	4.6%	4.2%
Ada	2.1%	1.5%	3.8%	-0.1%
Tahlequah	1.5%	0.3%	0.4%	6.3%
Shawnee	1.4%	2.1%	0.8%	1.2%
Altus	1.0%	-0.4%	1.3%	3.1%
Ardmore	0.8%	2.7%	2.0%	-5.2%
Weatherford	0.6%	3.2%	0.8%	-4.7%
Fort Smith	0.6%	-0.5%	1.6%	0.6%
Enid	0.4%	8.8%	-7.3%	0.3%
Miami	0.3%	0.0%	0.8%	-0.1%
Stillwater	0.2%	-0.3%	1.1%	-0.7%
Ponca City	0.0%	-1.2%	0.6%	1.0%
Lawton	-0.5%	-0.4%	-0.8%	-0.4%
McAlester	-1.1%	0.9%	-0.2%	-6.5%
Woodward	-1.2%	-0.1%	-0.3%	-4.9%
Muskogee	-1.4%	0.1%	-3.3%	-0.4%
Duncan	-1.8%	-0.3%	-2.8%	-2.7%
Elk City	-3.5%	-0.8%	-4.1%	-7.7%

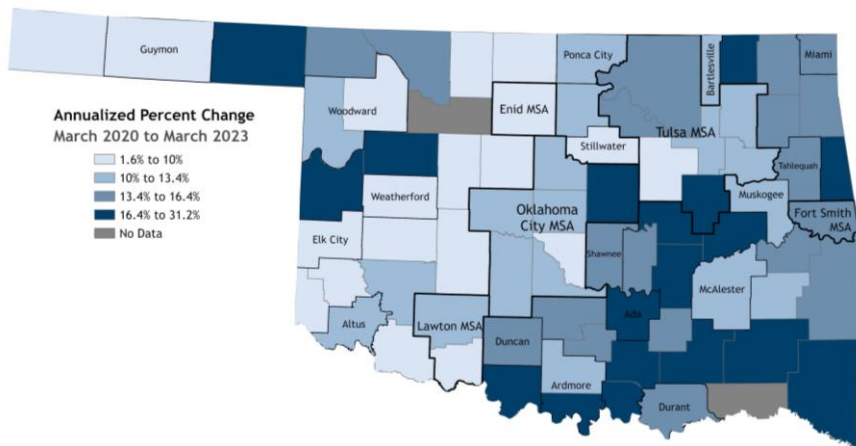
The Oklahoma housing market eased with higher interest rates, but home prices have held up and permits have risen

Oklahoma Housing Market Indicators

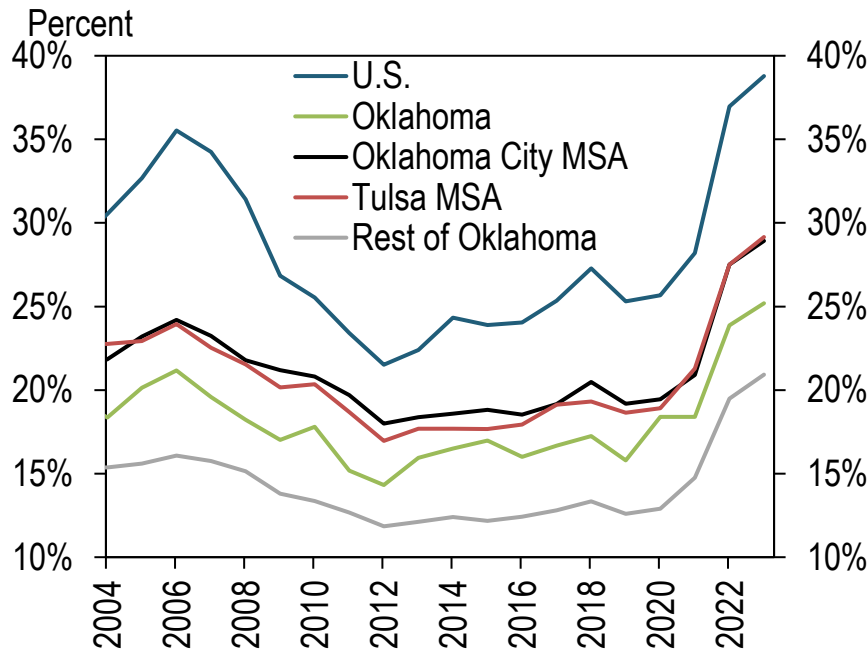


Home prices in some parts of rural Oklahoma have grown the most, but remain more affordable than the metros, including in Custer County

Typical Home Value Growth by County



Mortgage Payment to Income Ratio

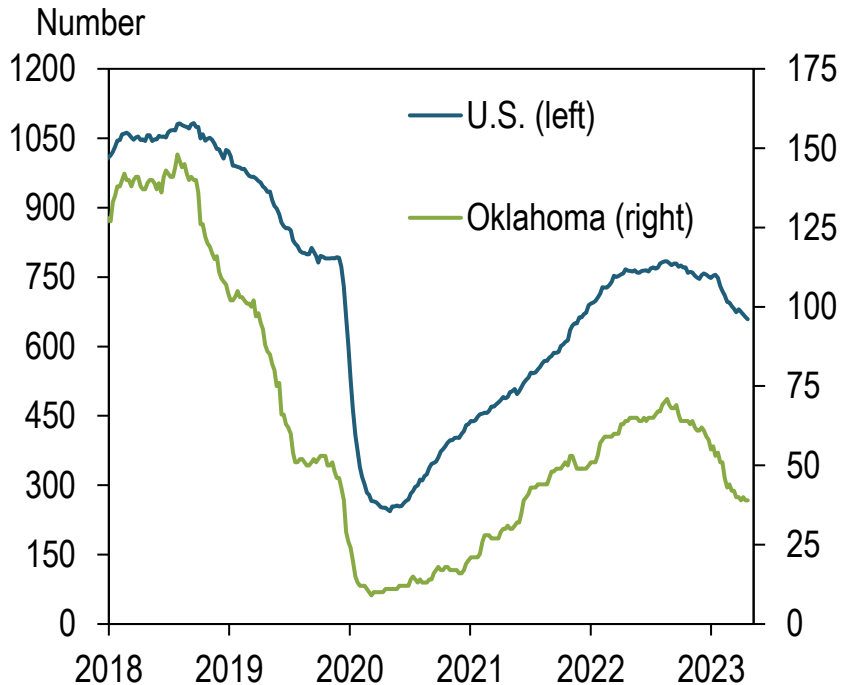


Notes: Median income for 2022 and 2023 is projected. 2023 data are from Q1. The mortgage payment assumes a 30-year mortgage with a 20% down payment and additional annual costs and taxes equaling 3% of the current home value.

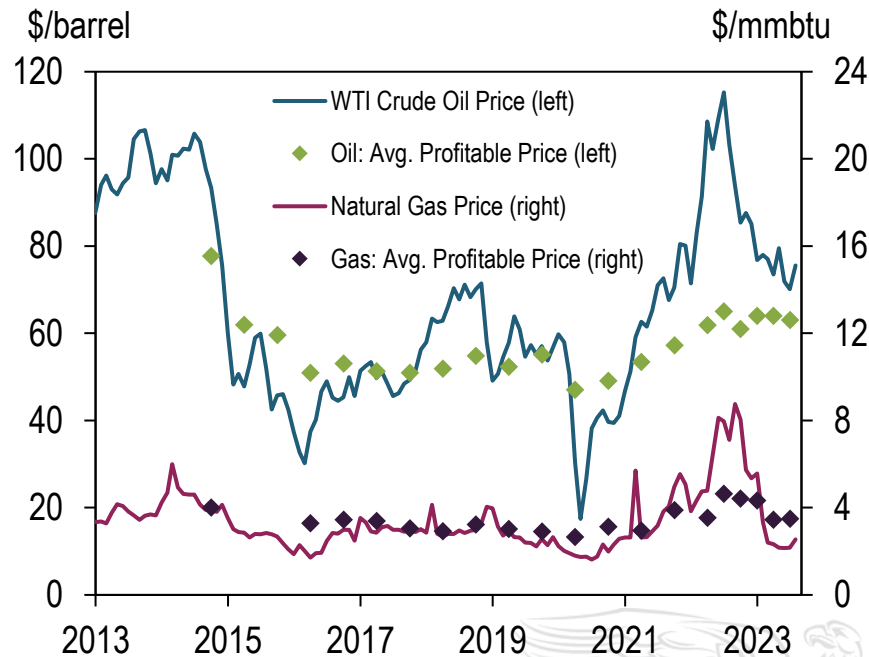
Sources: Zillow, Freddie Mac, Census Bureau, BLS/Haver Analytics, authors' calculations

Oil and gas drilling has fallen in Oklahoma with lower profitability, moreso than in the nation

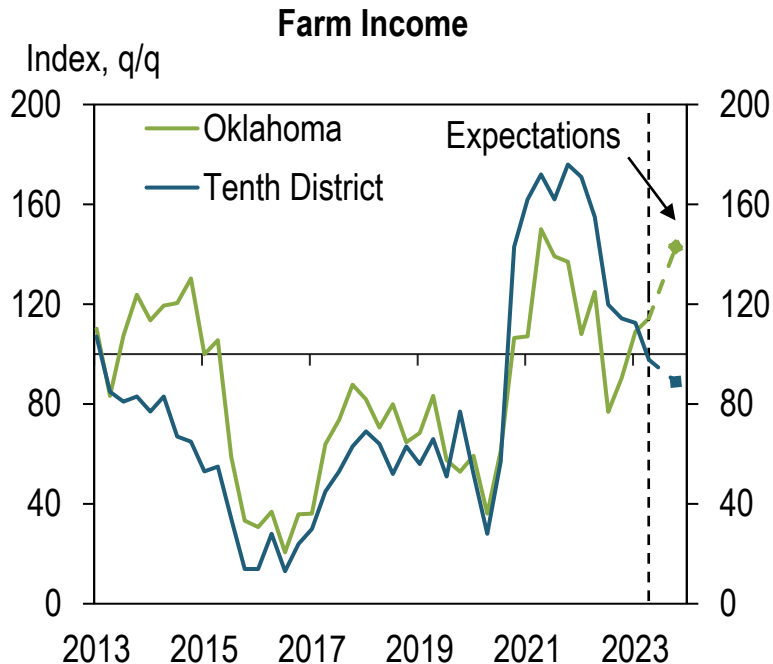
Rig Counts



U.S. Energy Prices

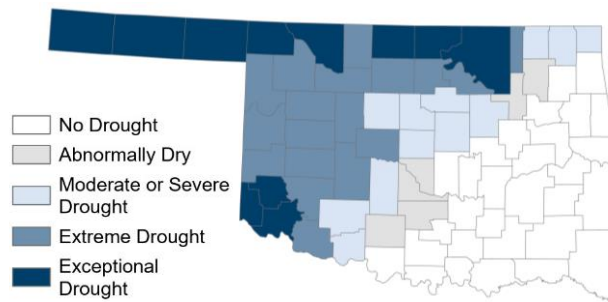


Oklahoma farm income increased in Q2 2023 and was expected to rise further, as drought conditions improved

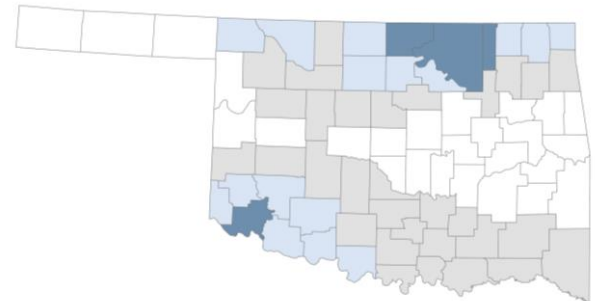


Oklahoma Drought Map

5/16/2023



8/8/2023



Summary

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