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Meinders School of Business



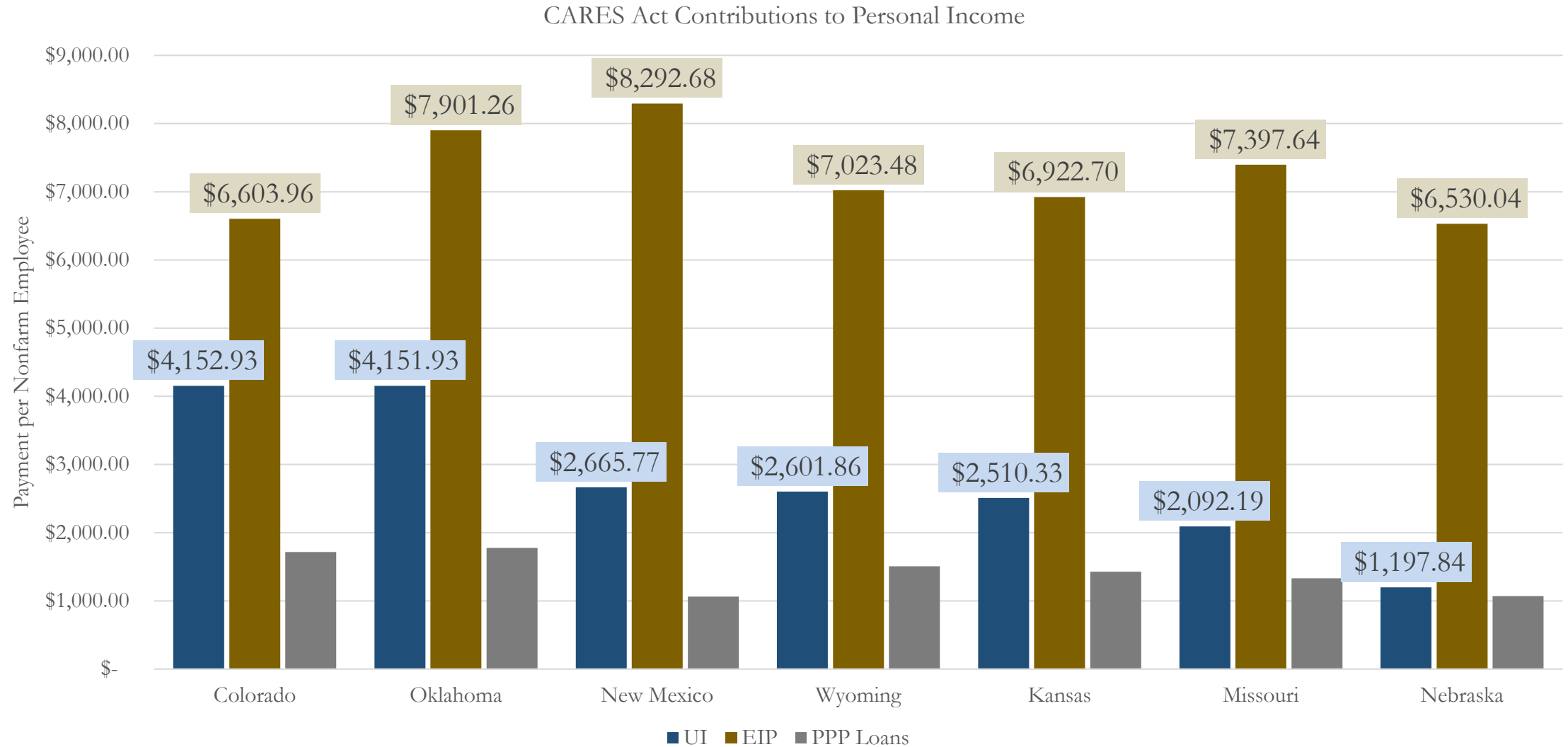
Meinders School of Business ranks in the top 4.5% of Business Schools in the World.

Theme of 2022 Outlook:
Things We Know, and Things We Don't

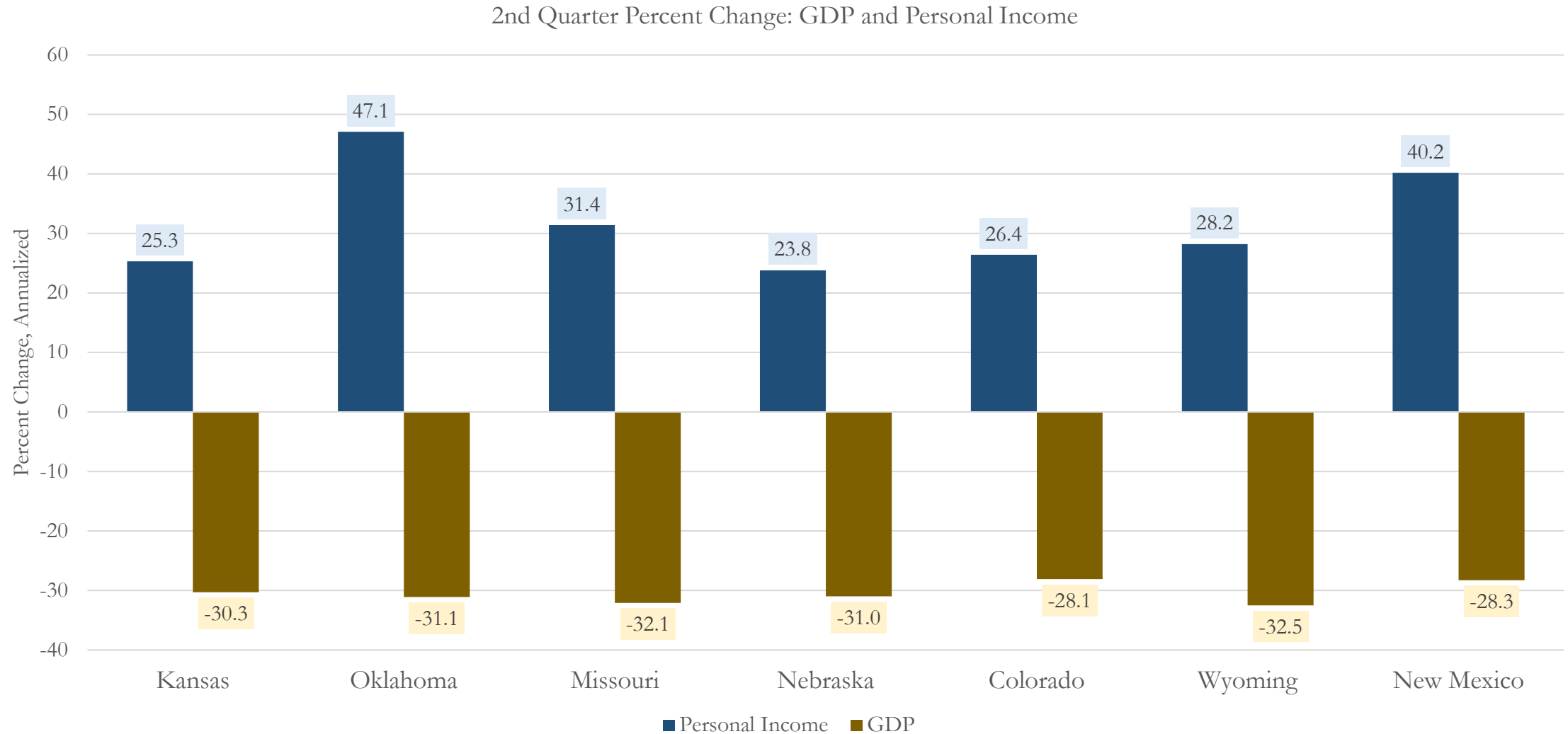


Meinders School of Business ranks in the top 4.5% of Business Schools in the World.

WE KNOW...Policy is creating an artificial sense of economic strength



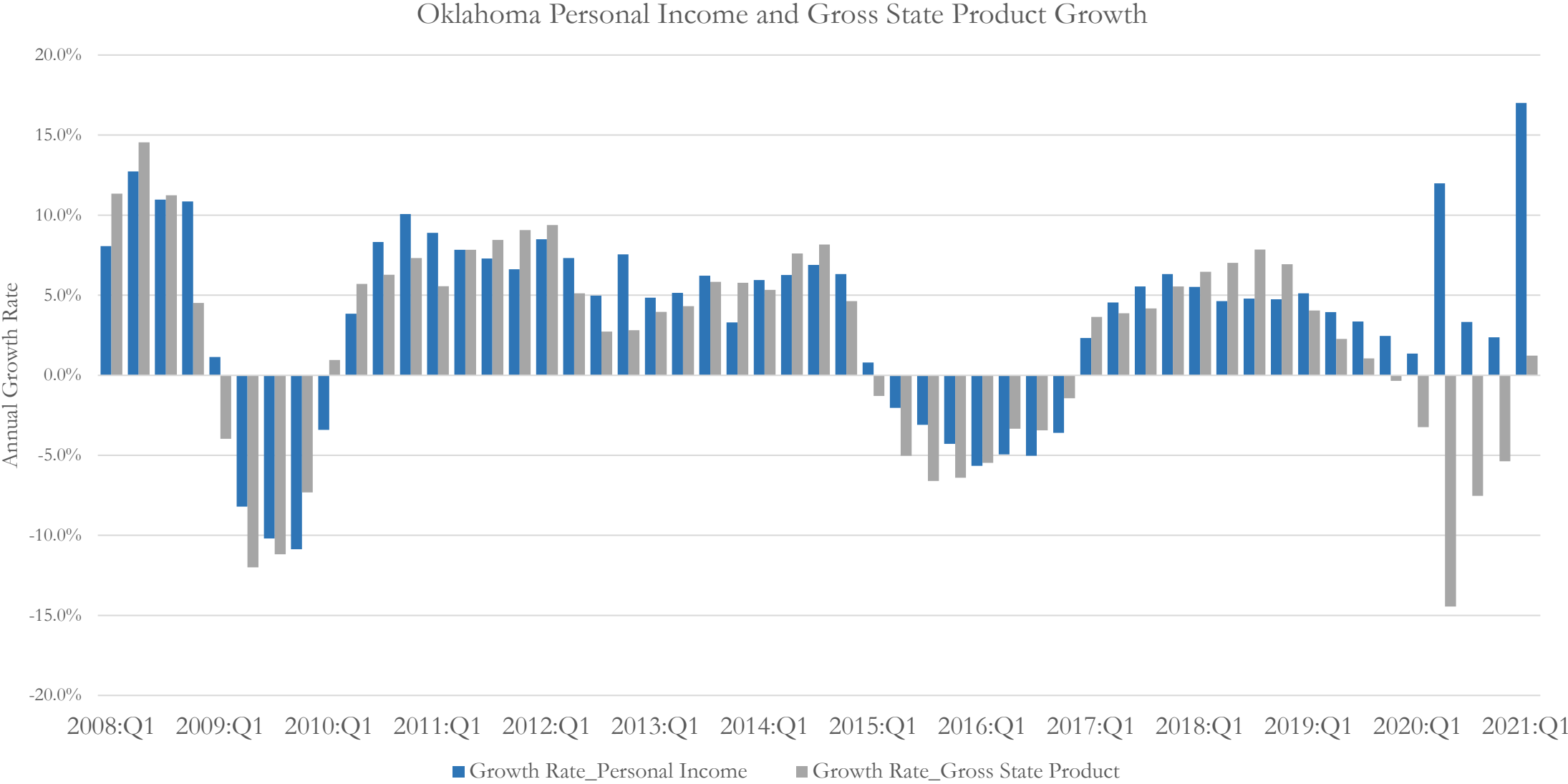
WE KNOW...Policy is creating an artificial sense of economic strength



WE KNOW...Data series will confound traditional econometric forecasts

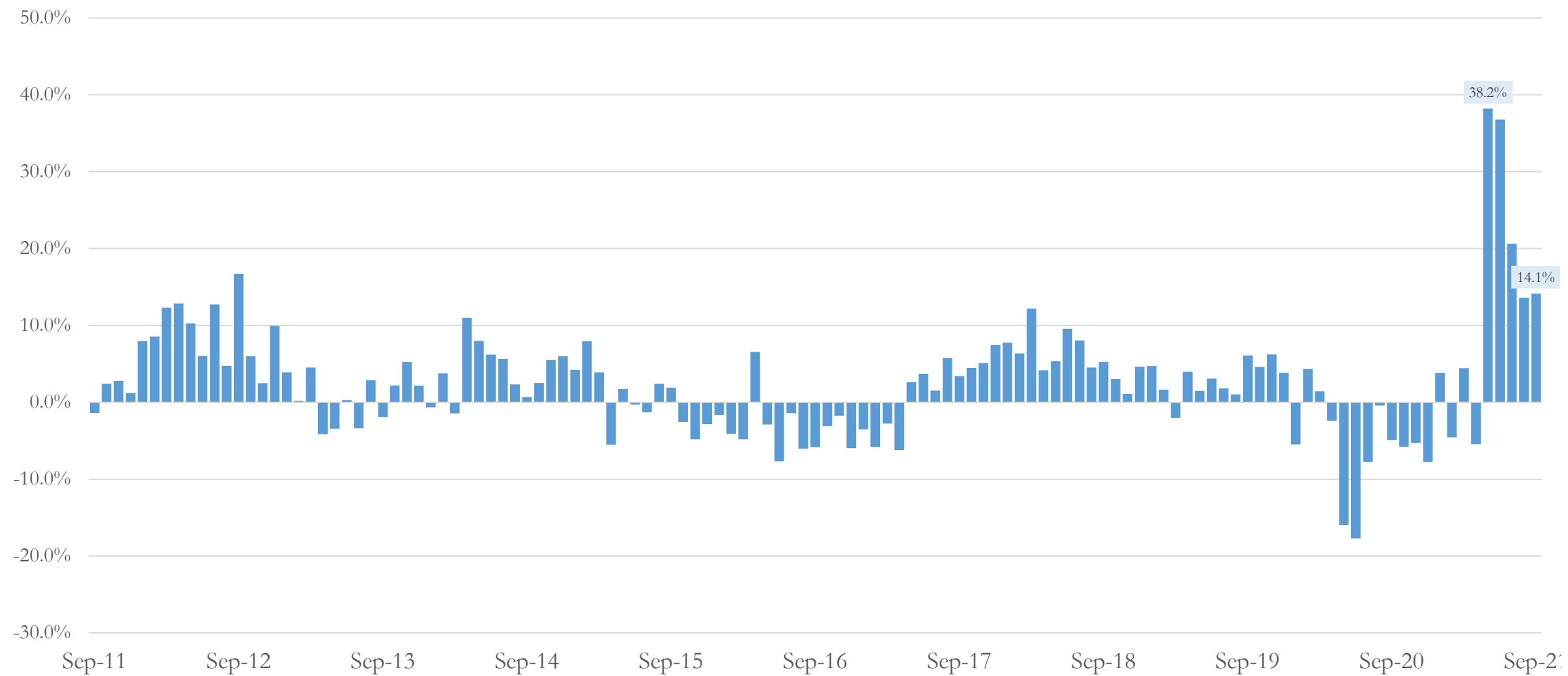
- Every time series can be decomposed into four influences:
 - An underlying time trend
 - Seasonal fluctuations
 - Cyclical fluctuations
 - Inherent Randomness
- Forecasting involves:
 - Using statistical techniques to control for underlying trends and seasonal fluctuations
 - Developing a statistical model that learns from previous cyclical fluctuations to predict the future path of an economic variable while
 - Minimizing model randomness
- The economic policy response to the pandemic has blown up this approach!!

WE KNOW...Data series will confound traditional econometric forecasts



WE KNOW...Data series will confound traditional econometric forecasts

OKC Sales Tax Growth



U.S. Economic and Policy Outlook

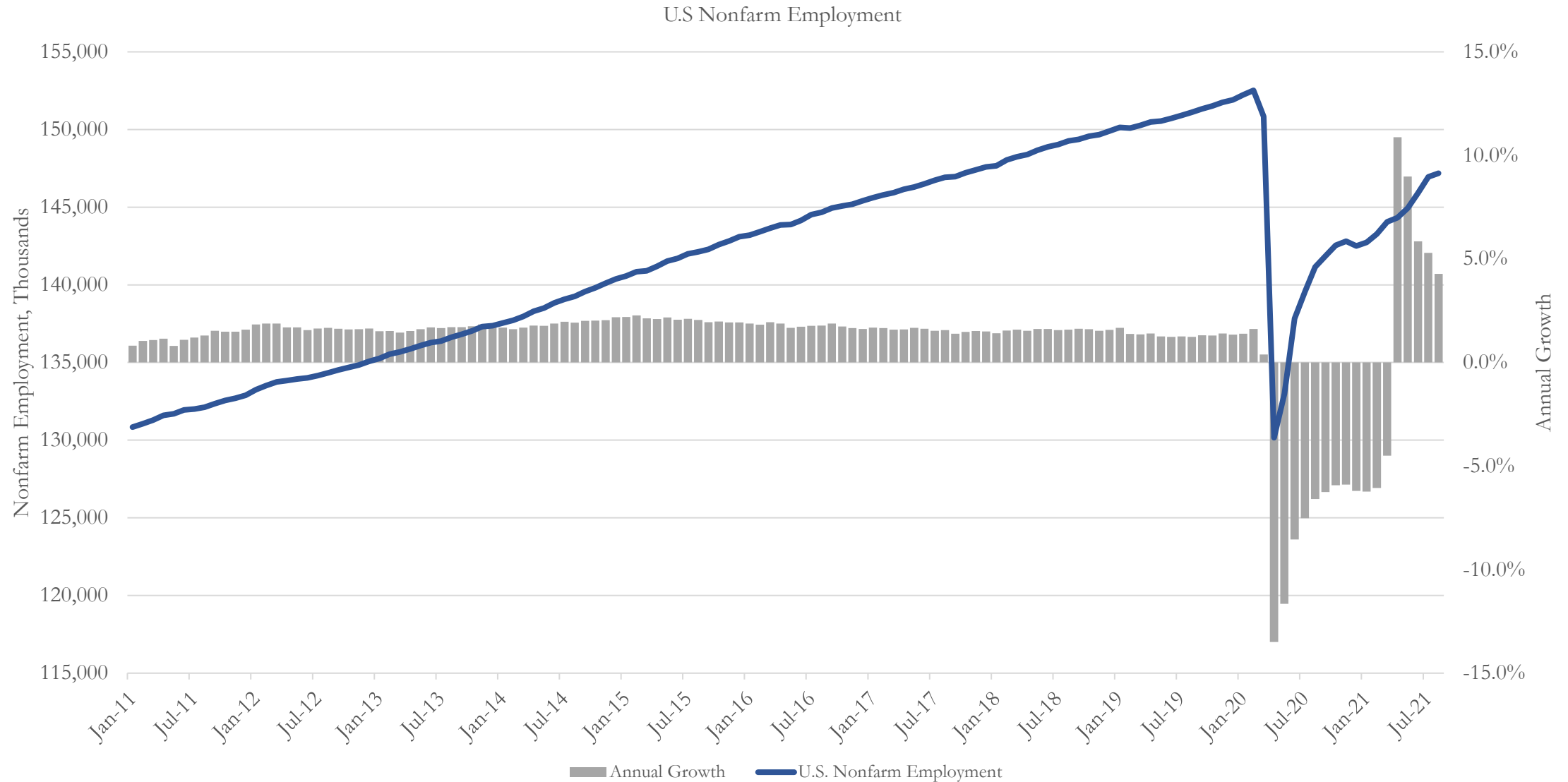
- Delta variant expected to slow rather than stall economic recovery
- GDP has recovered pre-pandemic levels a quarter earlier than expected
- U.S. employment won't recover pre-pandemic levels until mid to late 2022
- Inflation is well outside of the policy target...
 - Is it temporary and transitory as supply chain disruptions resolve?
 - Is it consistent with the new policy guidance of inflation averaging?
 - Will a full and inclusive recovery increase production and give dollars more goods to chase?
 - Is the Fed risking the efforts of the last 40 years to anchor inflation expectations?
- The true state of our economic health is still unknown but maybe the policy fueled appearance of economic strength is our new true state

WE KNOW...Real GDP recovered to pre-pandemic level earlier than expected but

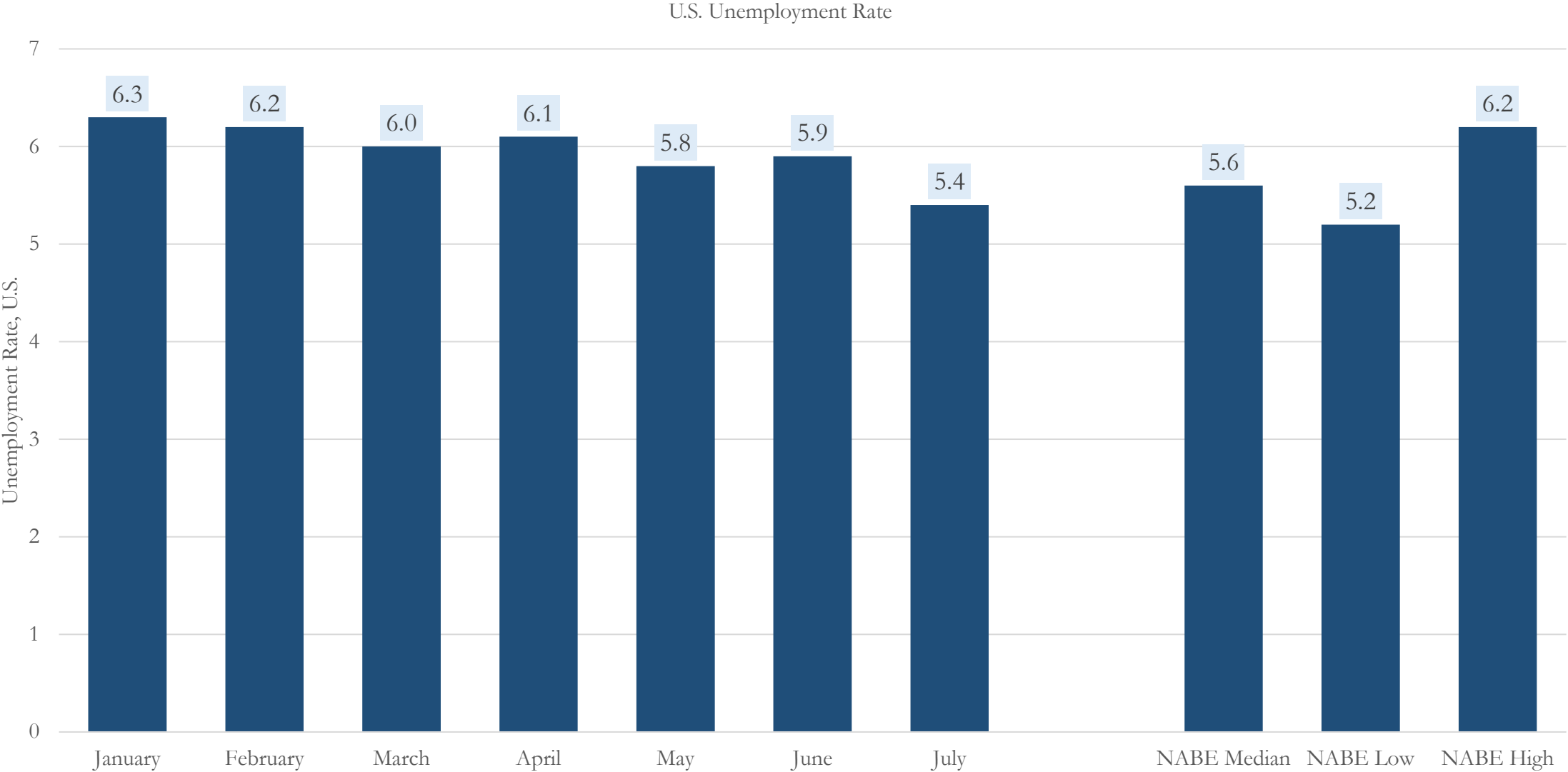
U.S. Gross Domestic Product



WE DON'T KNOW...How long it will take for nonfarm employment to return to pre-pandemic level

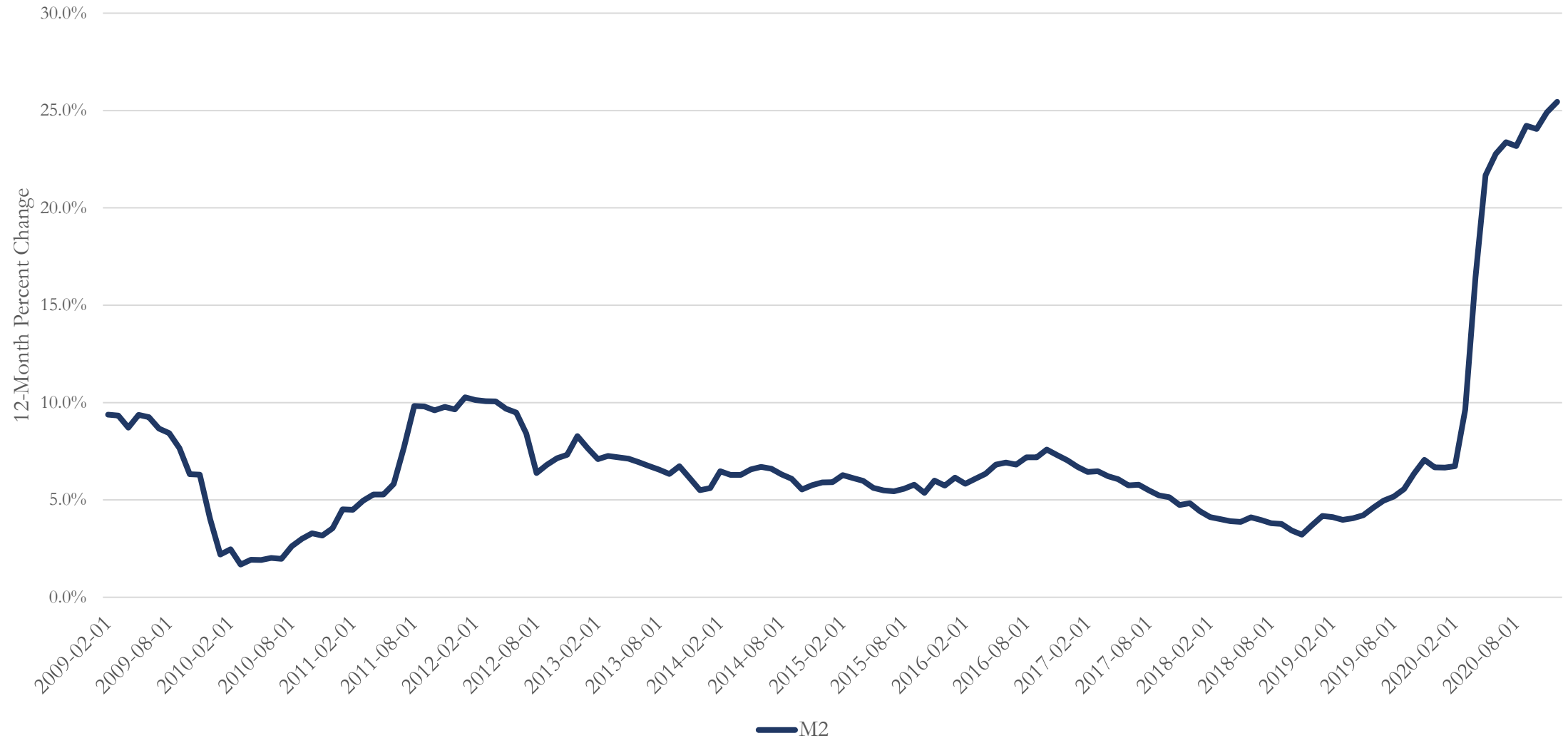


WE KNOW...National forecasters don't expect the delta variant to derail the recovery

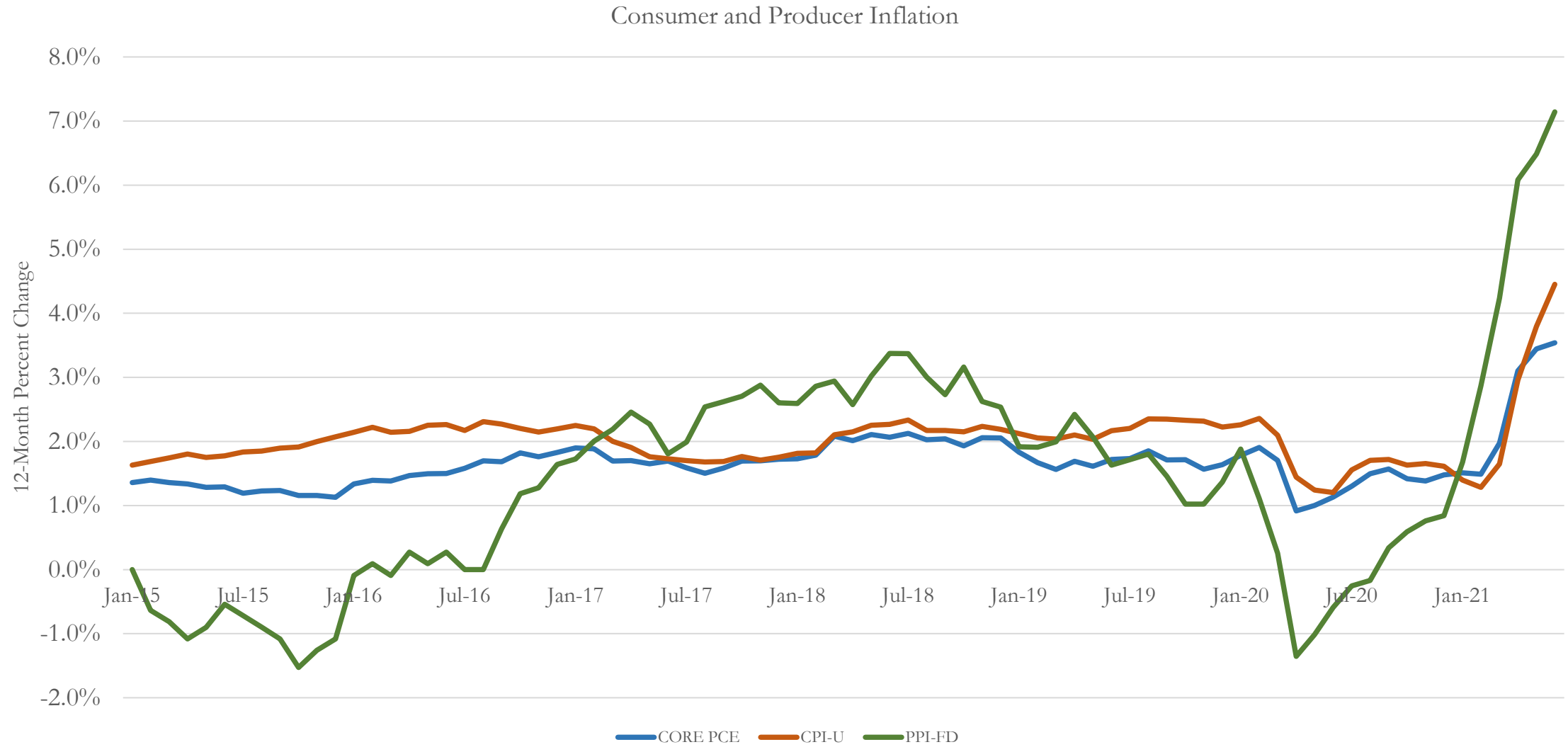


WE DON'T KNOW...What the relationship is between monetary aggregates and economic growth

Money Stock, M2



WE DON'T KNOW...If inflationary pressures are temporary and transitory



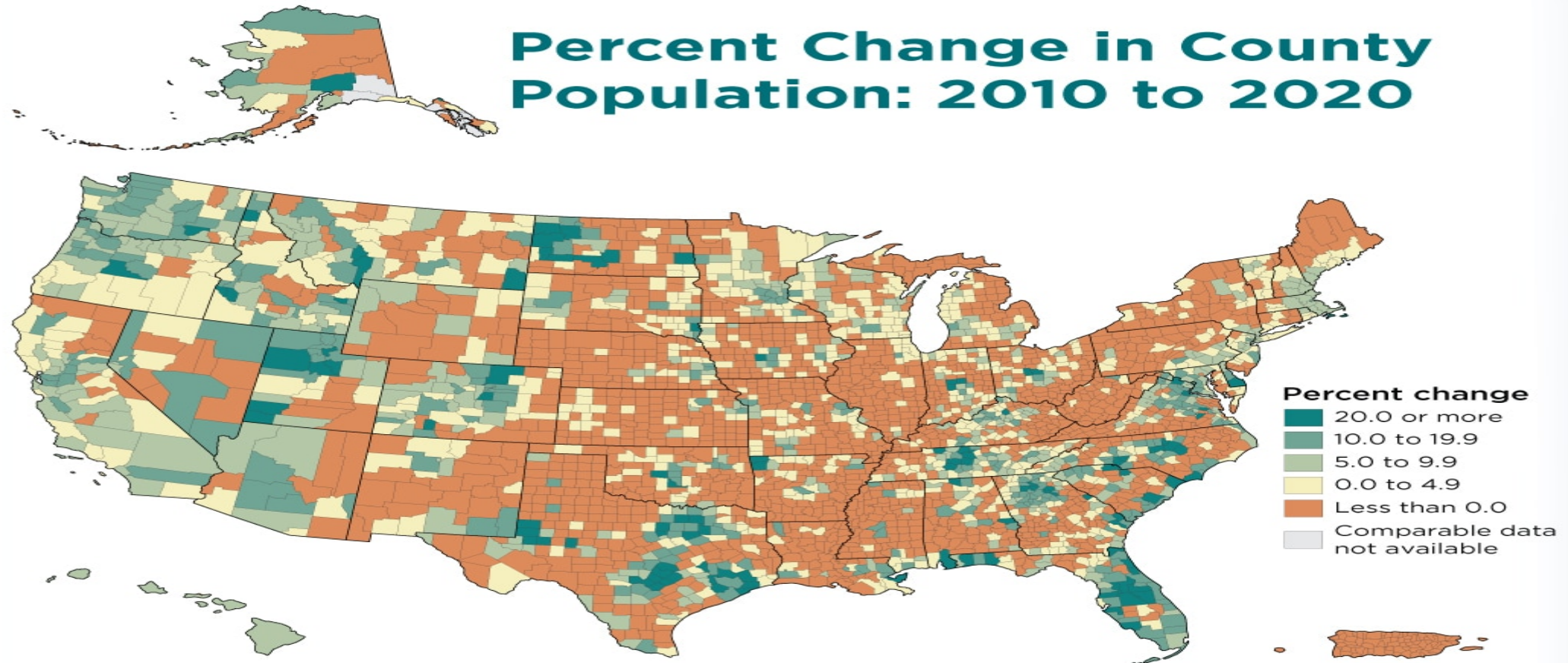
WE DON'T KNOW...What future policy might bring

- A \$3.5 trillion infrastructure package?
 - What makes the package? When does that spending start? Will the spending be entirely debt supported or partially financed through tax increases?
- Absent additional policy support economic growth will slow considerably in 2022
 - What impact will slower growth have on mid-term elections?
 - Can another round of recovery policy be expected?
- Abrupt changes to monetary policy?
 - Will quantitative easing taper? Will inflation expectations remain anchored? Can policy hold short-term rates near zero through 2022? Will the Fed's balance sheet ever normalize or is the current size and composition of assets the new normal balance sheet?

Regional Economic Outlook

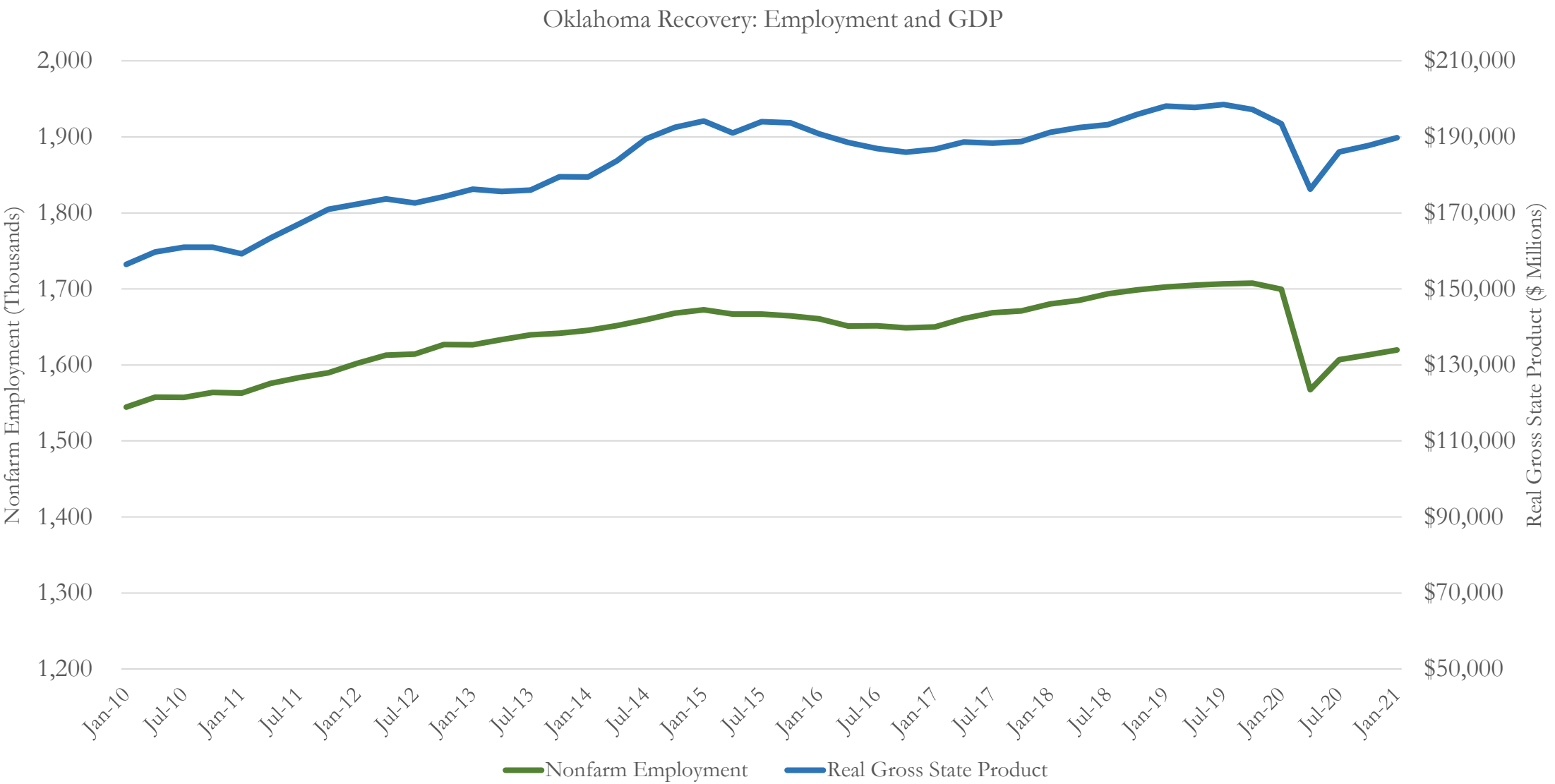
- Some things are still true (if a little less true)
 - Geography still moving people and activity south and west
 - Falling transaction costs encourage urbanization
 - Growing divide both within rural areas and between urban and rural areas
- People are rethinking how they engage the formal economy
 - Won't be easy to return to pre-pandemic employment
 - Will be a lingering preference shift toward home production
- Oklahoma's identity as an energy state is slowly fading
 - There is no easy path back to robust oilfield activity without significant policy support
 - It's not clear that support exists

WE KNOW...Economic activity and population continues to move south and west to urban corridors

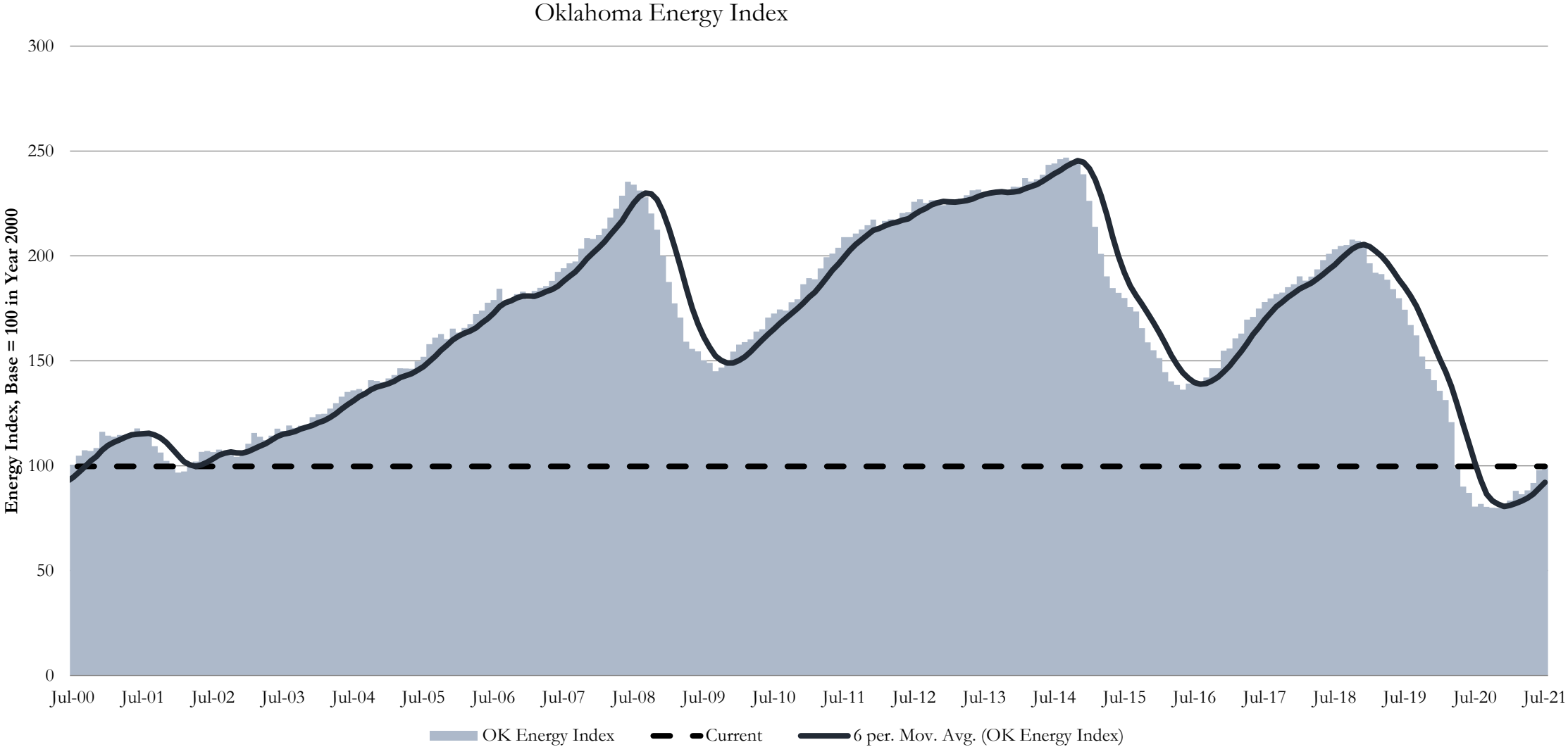


Note: Bedford city, VA, was changed to town status and added to Bedford County, VA, effective July 1, 2013. For purposes of presenting data, Bedford County is treated as if Bedford city were included in it at the time of the 2010 census.

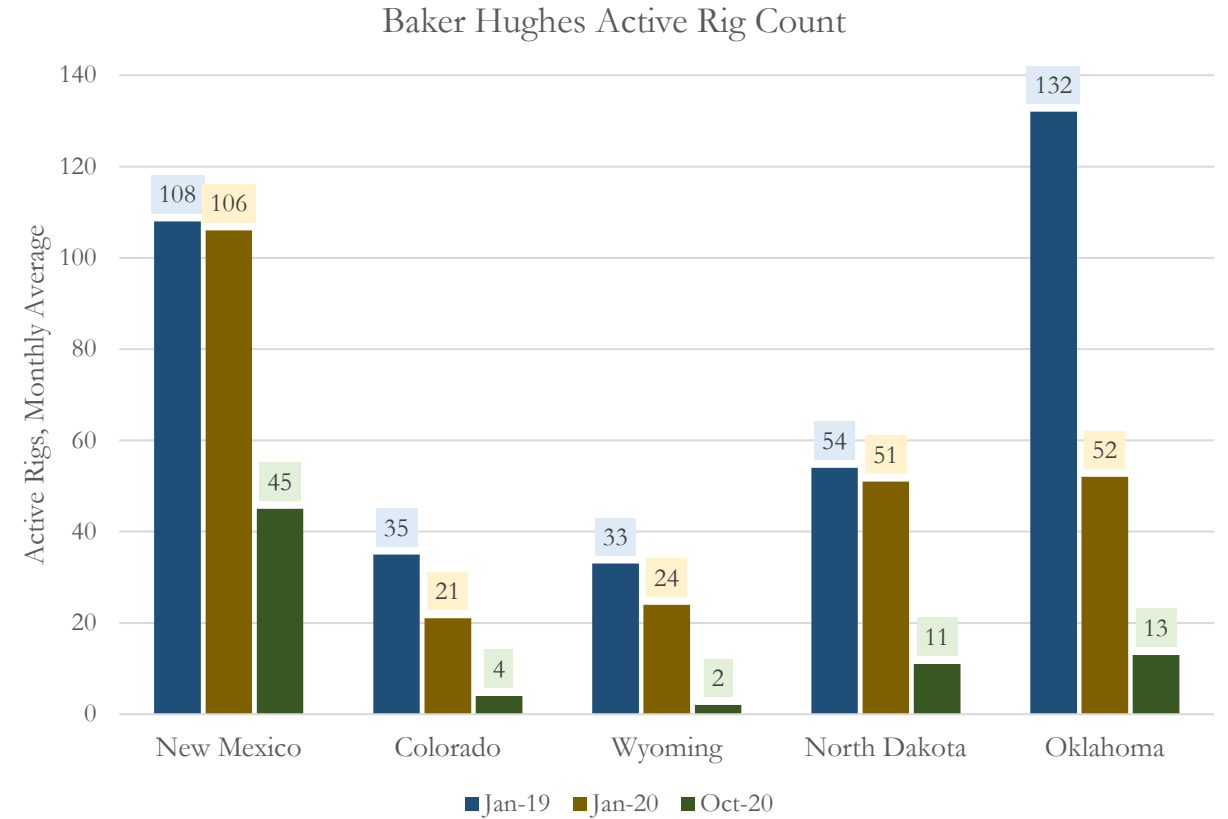
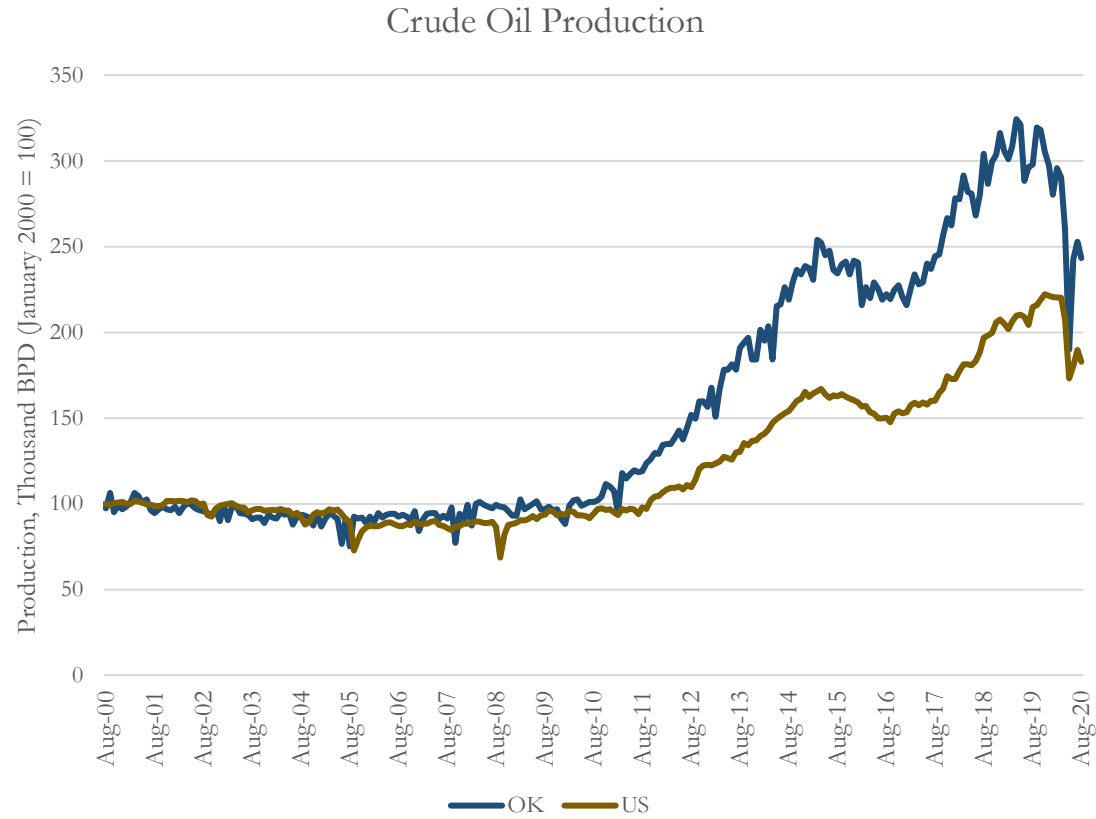
WE KNOW...Oklahoma has a way to go to return to pre-pandemic economic activity



WE DON'T KNOW...If Oklahoma's identity as an energy state is fading



WE DON'T KNOW...If Oklahoma's identity as an energy state is fading



Outlook Summary

- Forming an outlook for 2022 requires a reconciliation of those things we know with those we don't; unfortunately there is much we don't know!
- Almost certainly, the current economic headlines (unemployment rate, job creation, sales tax collections, etc.) overstate the true health of the economy
- Absent additional policy, support should ease through middle of next year bringing less headline making economic activity
- It's not yet clear if Oklahoma is recovering from an oil bust or transitioning to a new paradigm with a fading identity as an energy state
- It's likely 2023 before we see pre-pandemic levels of economic activity across the board with pre-pandemic levels of policy support