

Oklahoma Economic Outlook

Updated: March 19, 2020

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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.



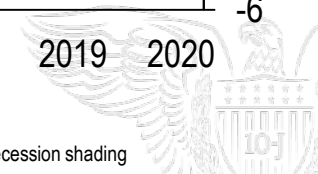
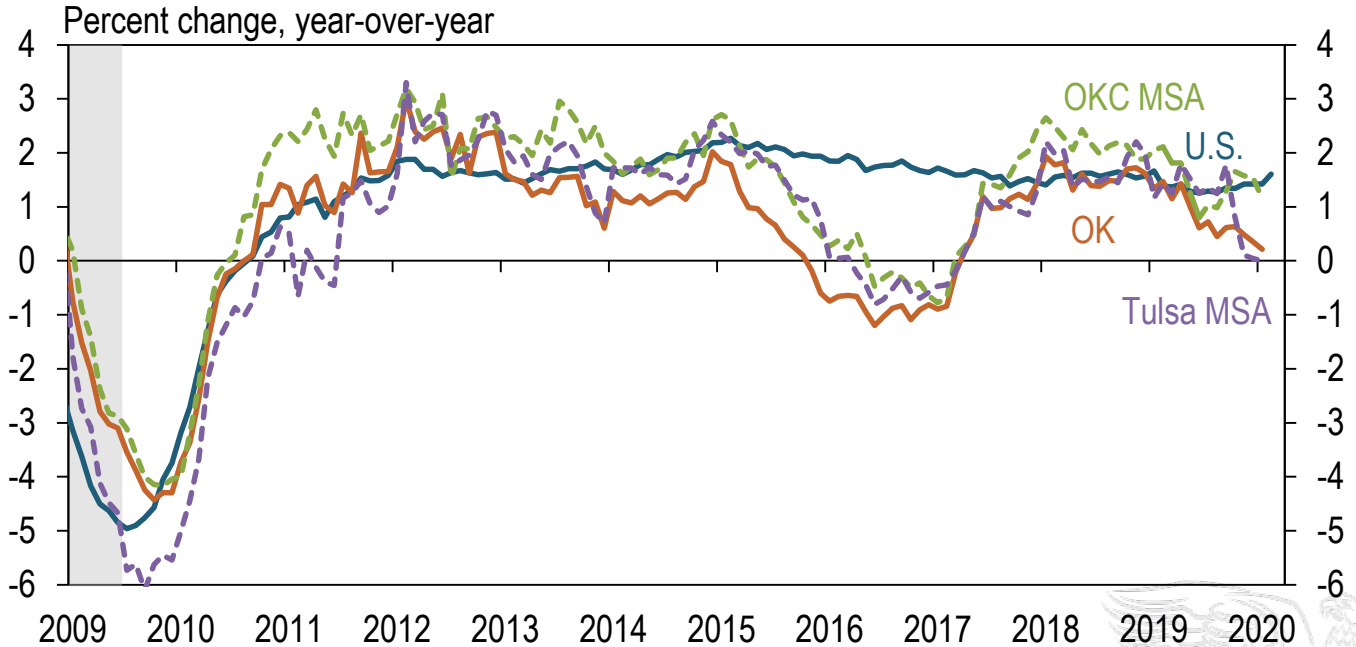
Overview

- Oklahoma's economy slowed steadily in 2019 and by January no longer appeared to be growing at all, as weak energy activity spread to other sectors
- The spread of COVID-19 and associated restrictions, along with the Saudi-Russia oil price war, present significant challenges for the state
- Oklahoma began the year with very low unemployment and good banking conditions, though, which could help in weathering the storm

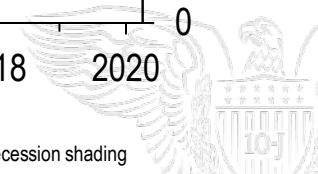
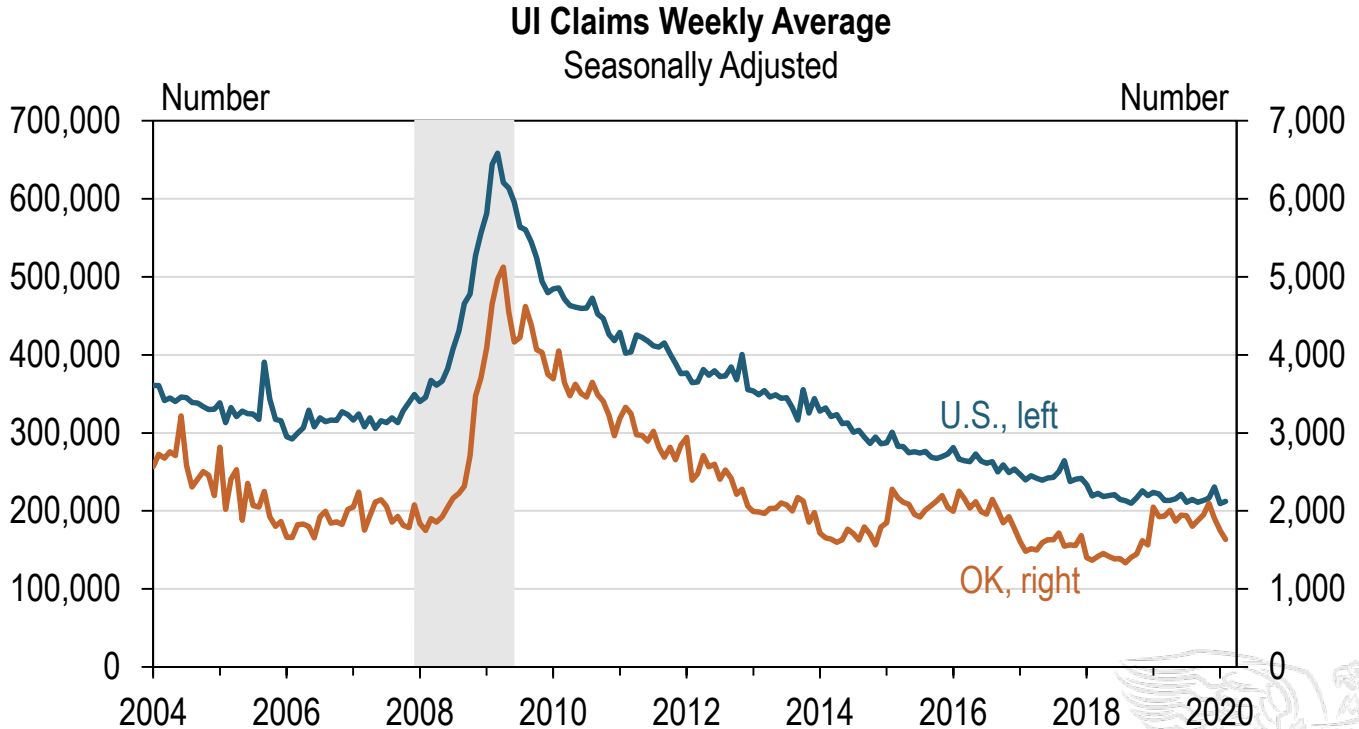


The pace of Oklahoma job growth slowed steadily in 2019 and was close to zero by January 2020

Nonfarm Payroll Employment Growth

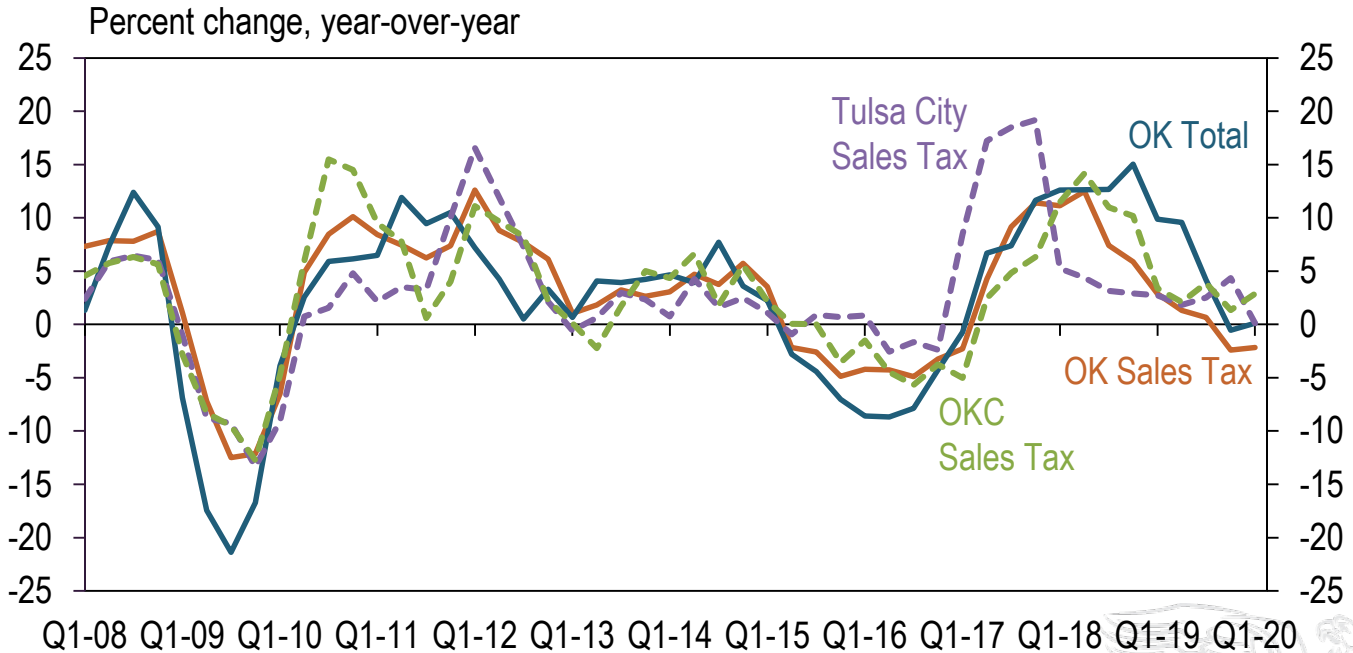


Weekly initial jobless claims in the state ran near 2015-16 levels in 2019, but improved slightly in early 2020



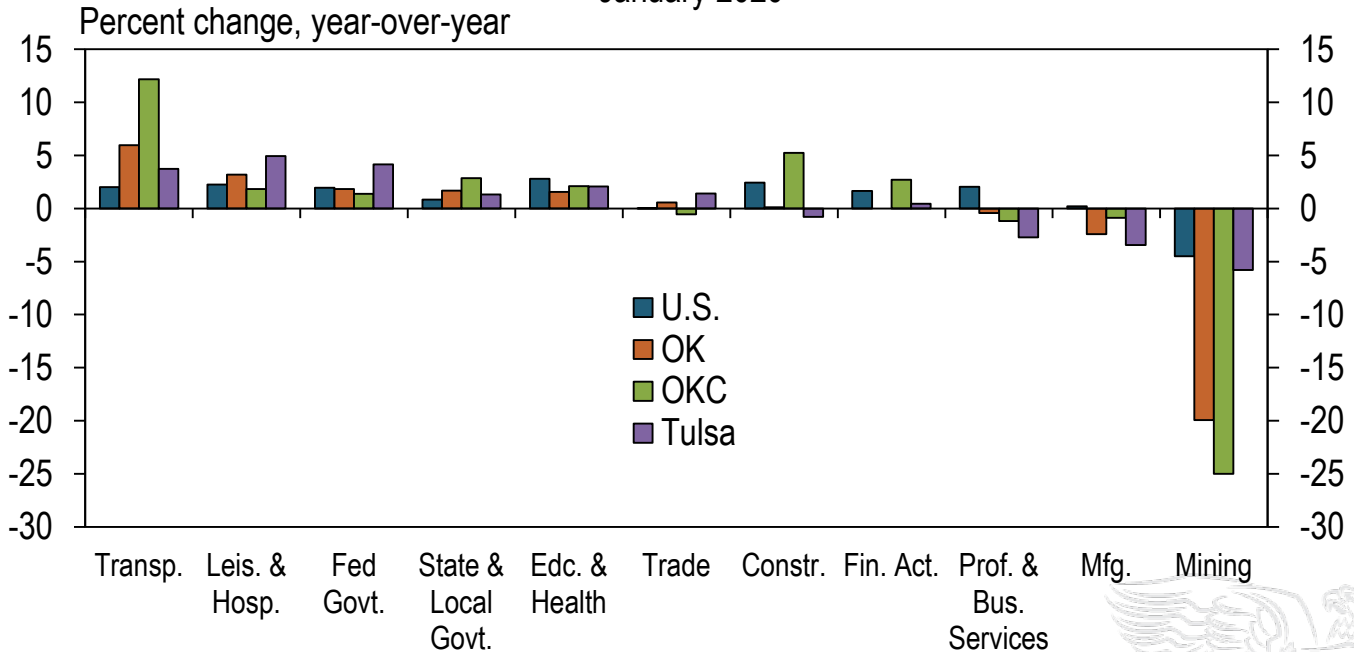
State and city tax receipts were down to around year-ago levels through February

Oklahoma Tax Revenues



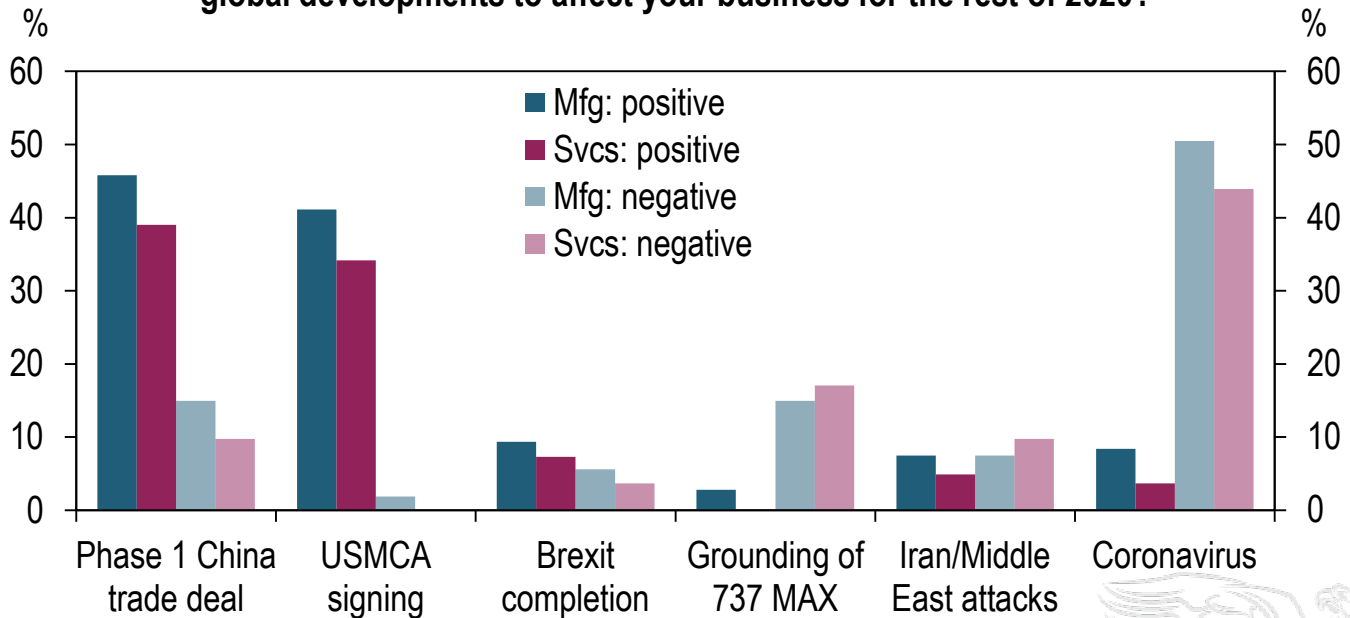
Job losses were very steep in energy in January, while employment across other sectors was mixed

Job Growth by Industry
January 2020



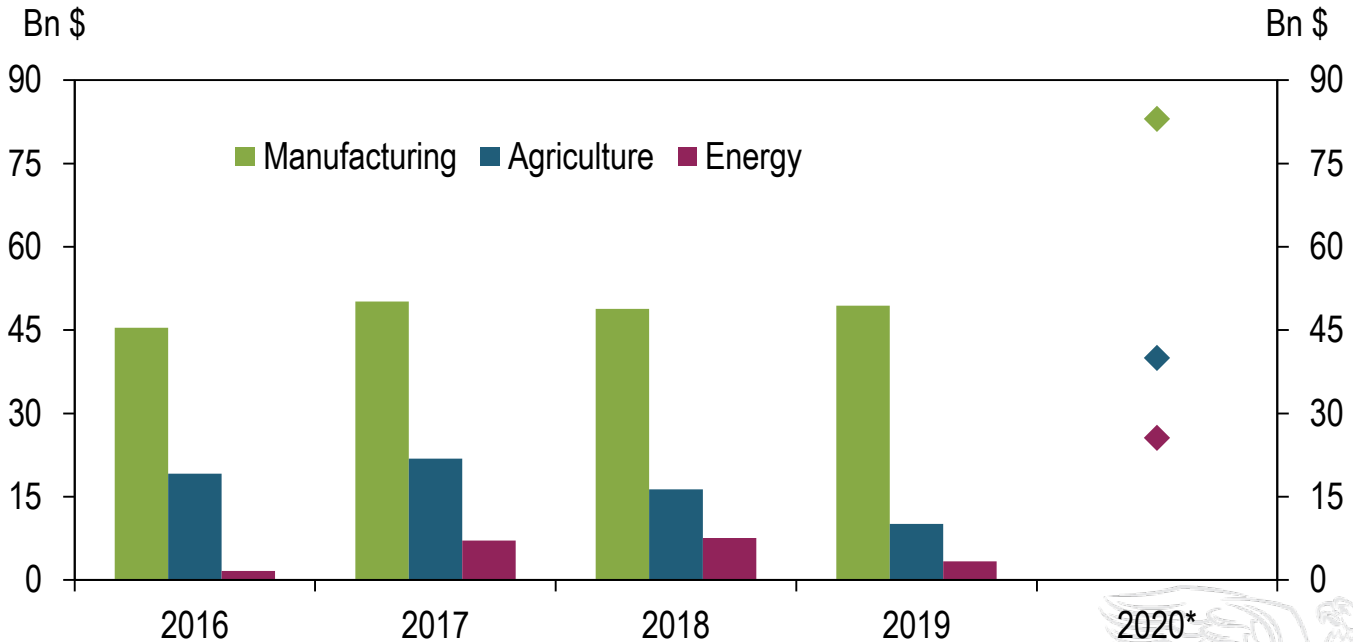
In February, many firms anticipated negative affects from COVID-19, but were pleased with trade deals

FRBKC February Surveys Special Question: How do you expect the following global developments to affect your business for the rest of 2020?



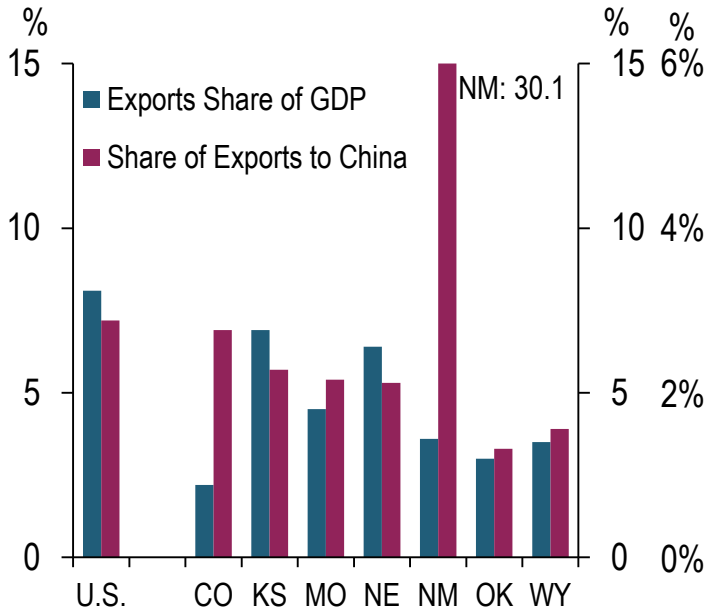
Phase 1 commitments were likely way too high, but were providing increased optimism for producers

U.S. Exports to China

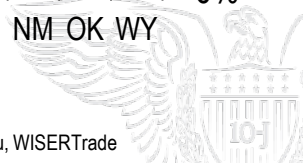
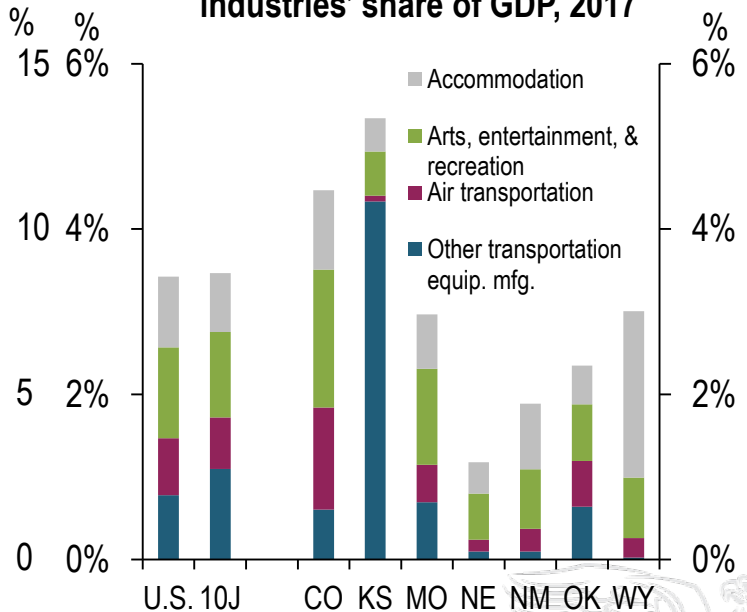


Our District and Oklahoma are less exposed to trade, China, and travel compared to the rest of the nation

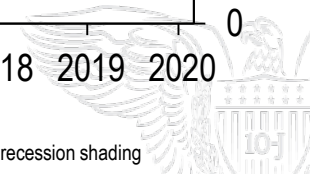
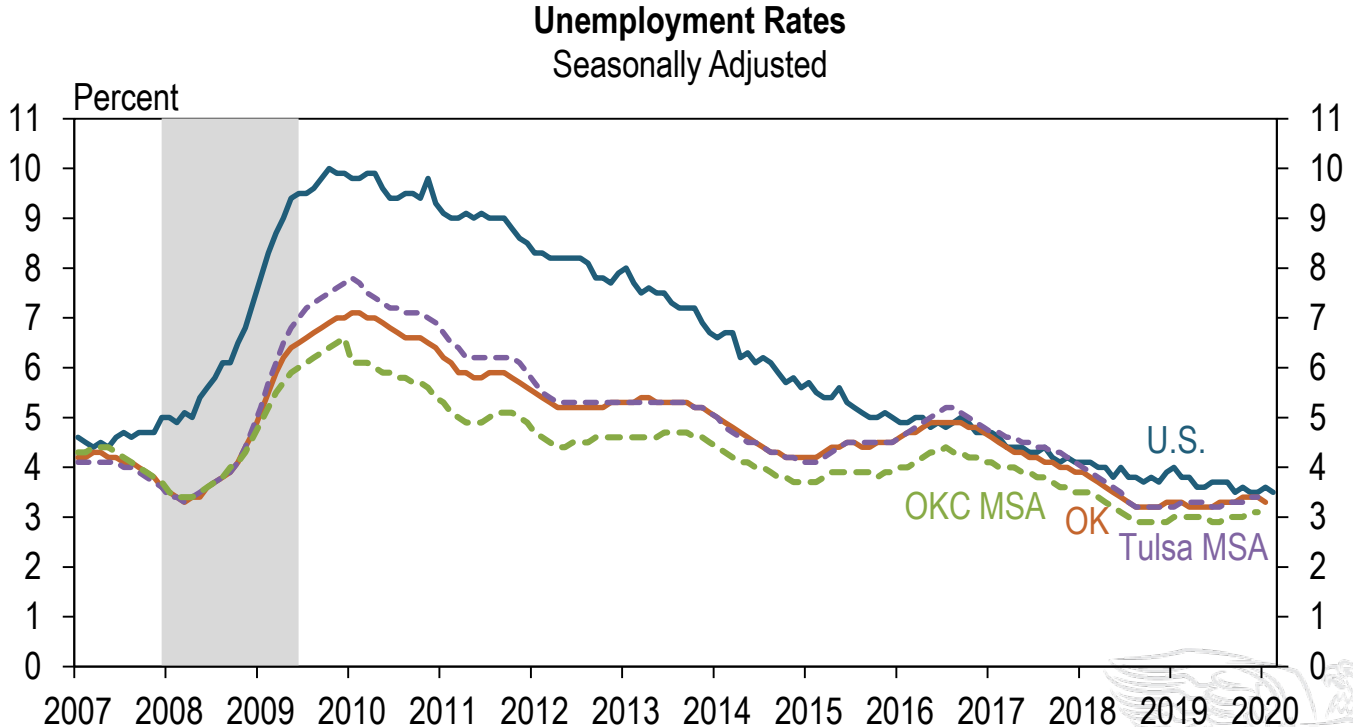
Goods Exports, 2018



Air travel and tourism industries' share of GDP, 2017

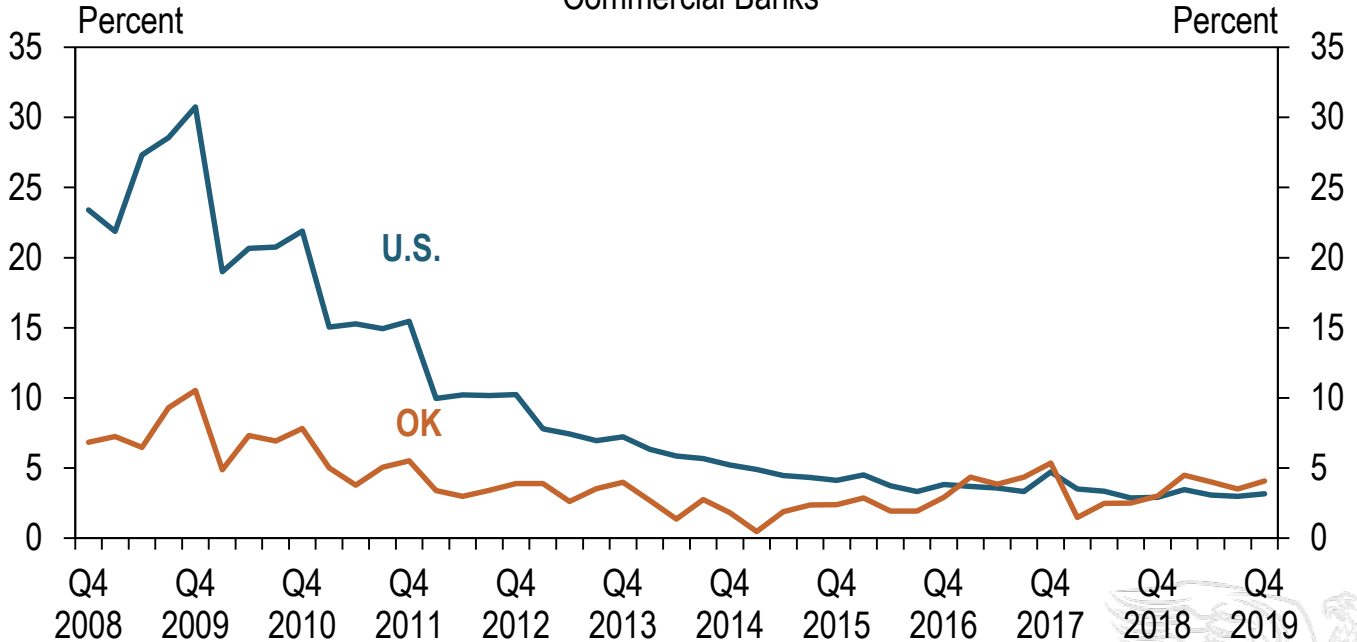


Unemployment in Oklahoma remains low



Banking conditions in Oklahoma also remain good, similar to in the nation

Share of Banks Not Making a Profit
Commercial Banks



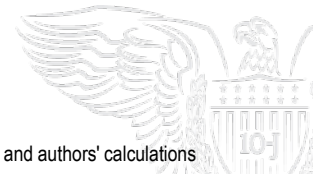
While Oklahoma job growth has lagged the nation, some industries in the state have outpaced the U.S.

Oklahoma Job Growth vs. U.S., 2013-2018

Rank	Industries Adding the Most Jobs	OK Empl. Change	OK Empl. % Change	U.S. Empl. % Change	Location Quotient 2013	Location Quotient 2018	Avg. Wage 2018
1	Warehousing and storage	8,148	153%	61%	0.7	1.1	\$34,694
2	Aerospace product and parts manufacturing	6,314	94%	1%	1.2	2.4	\$88,464
3	Gambling industries*	3,729	21%	-13%	11.1	16.4	\$36,163
4	Executive, legislative and general government*	3,439	12%	3%	0.9	1.1	\$40,084
5	Outpatient care centers	3,074	48%	37%	0.8	0.9	\$51,703
6	Management of companies and enterprises	2,647	16%	13%	0.7	0.7	\$83,511
7	Other amusement and recreation industries	2,324	25%	18%	0.7	0.8	\$16,771
8	Computer systems design and related services	2,018	27%	25%	0.4	0.4	\$75,516
9	Accounting and bookkeeping services	2,011	15%	8%	1.2	1.4	\$61,444
10	Offices of other health practitioners	2,008	26%	23%	0.9	1.0	\$40,019

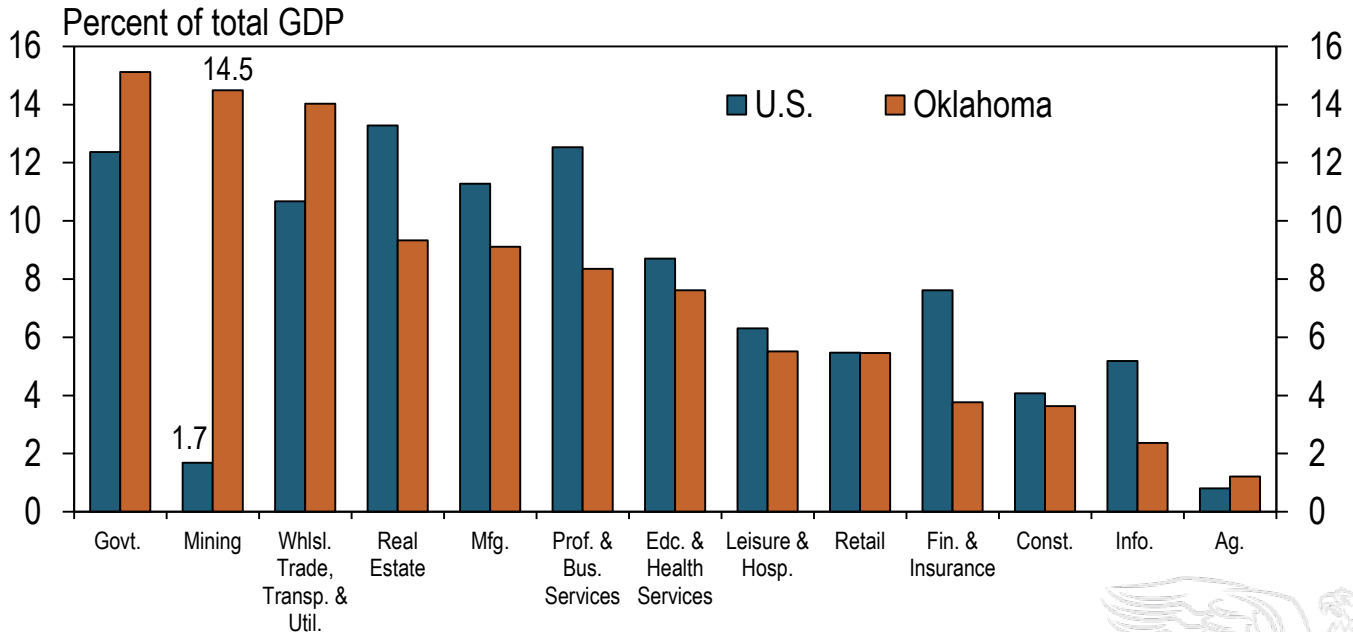
* Local Government Sector

Note: Only includes industries with data disclosed for both 2013 and 2018 that grew faster than the nation. A sizeable portion of the growth in aerospace product and parts manufacturing (NAICS 3364) jobs in Oklahoma in recent years appears to be due to the reclassification of several thousand jobs in air transportation (NAICS 481) to that sector.



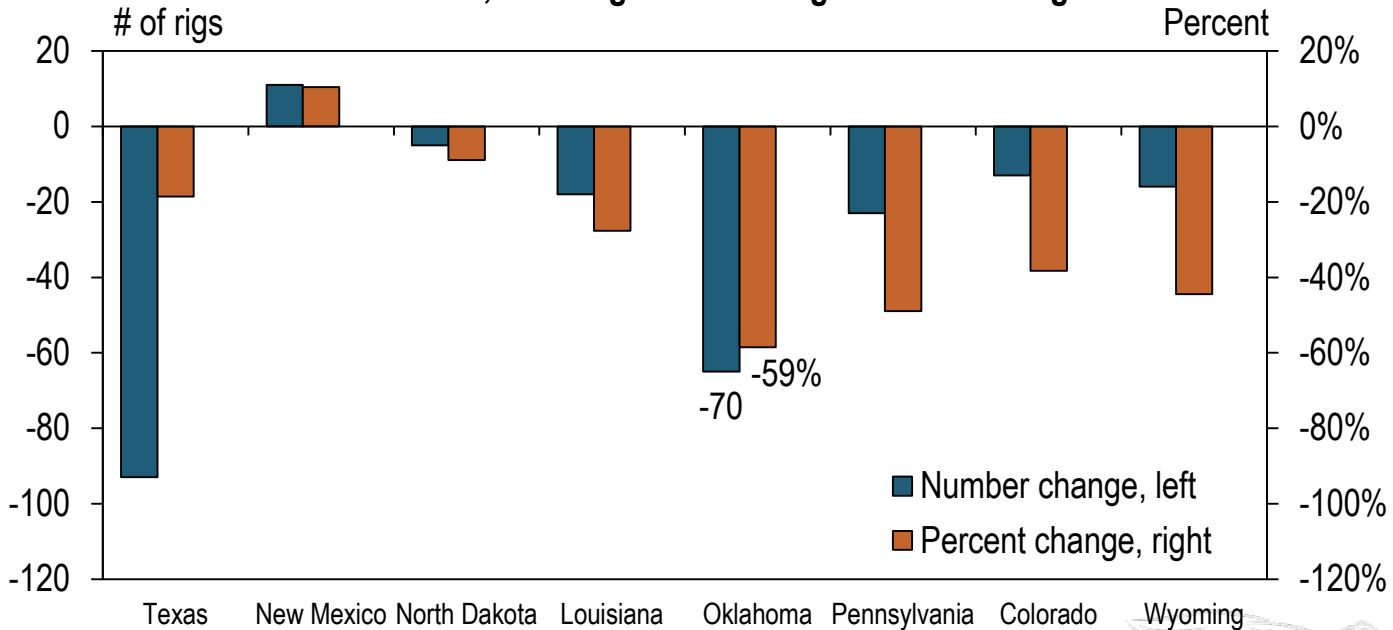
Oklahoma's main difference from the nation in terms of industrial structure is its very sizable energy sector

Industry Share of GDP, 2018



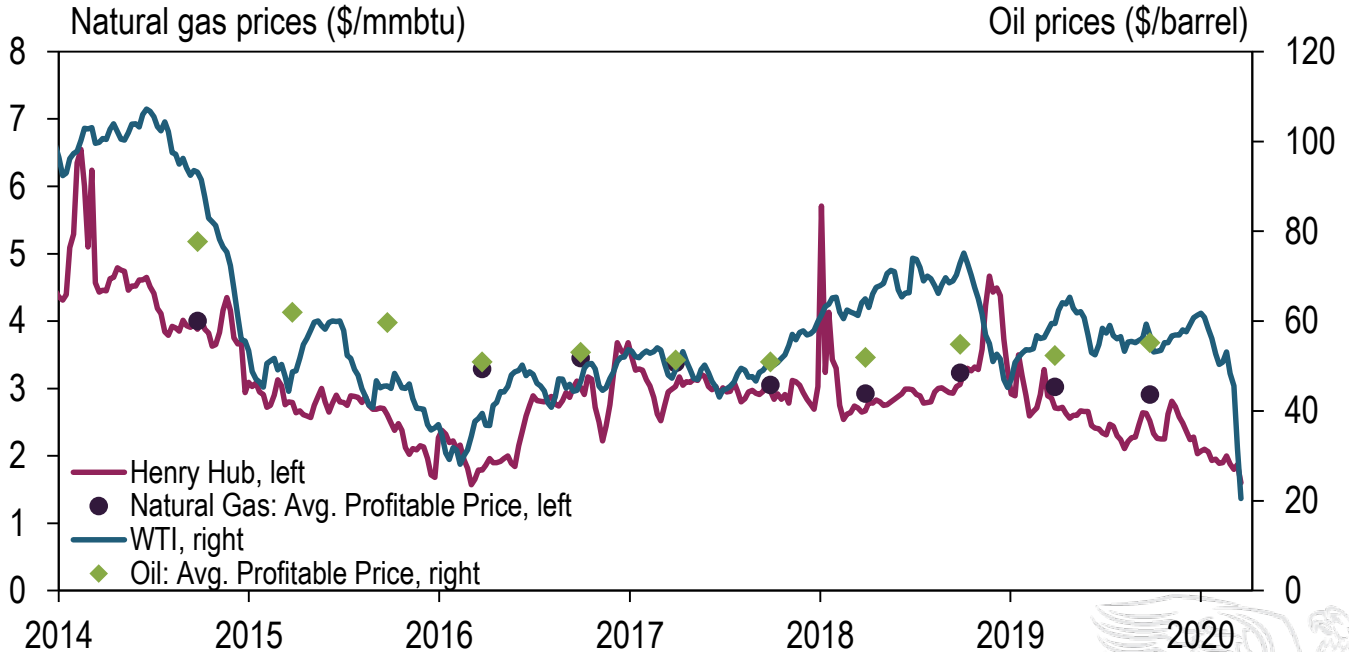
Oklahoma's percentage drop in rigs has been the largest among the top 8 oil- and gas-producing states

March 13, 2020 Rig Count Change from a Year Ago



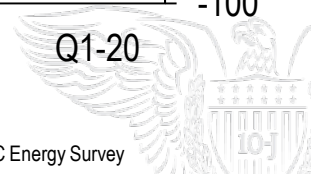
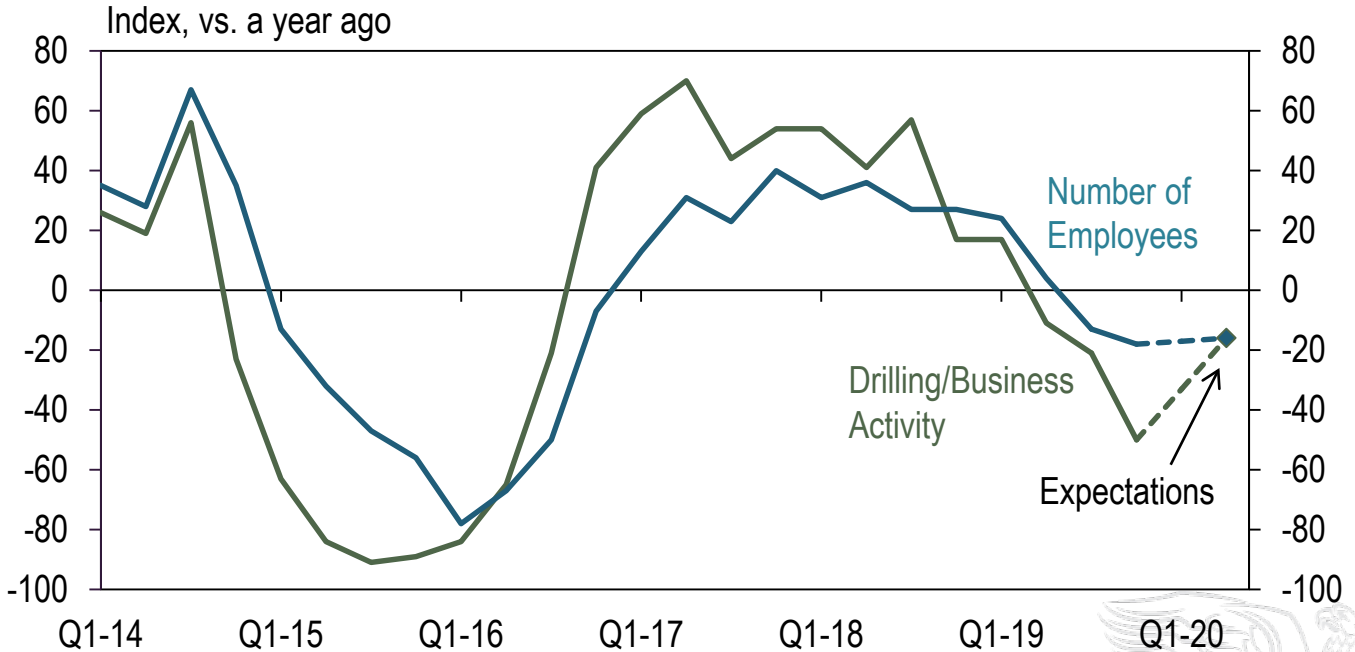
Energy prices are increasingly problematic

Oil & Natural Gas Profitability and Prices



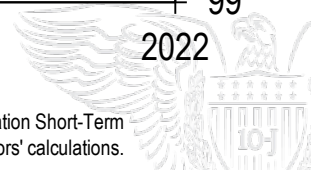
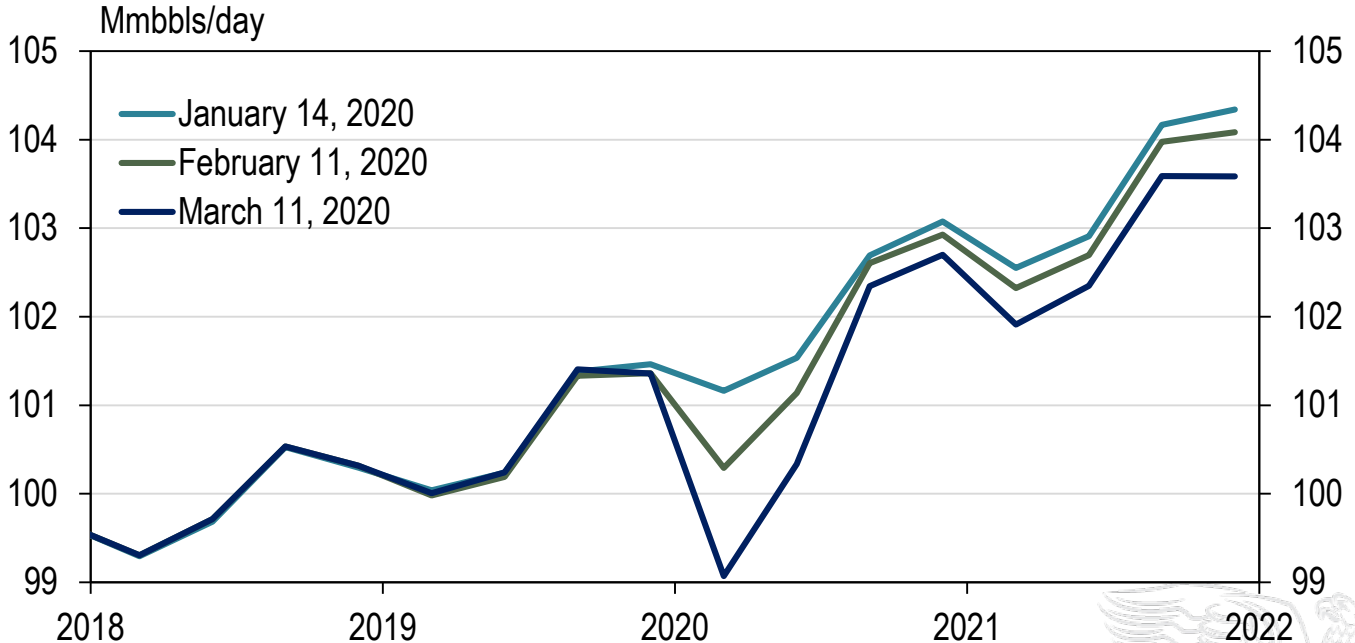
In late December, regional energy firms expected drilling activity to drop further, with continued job cuts

Kansas City Fed Energy Indexes



Since then, forecasts for world oil demand have weakened, following the coronavirus outbreak

World Petroleum Demand Forecasts



Summary

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