

# Is Oklahoma's Economy Still Growing?

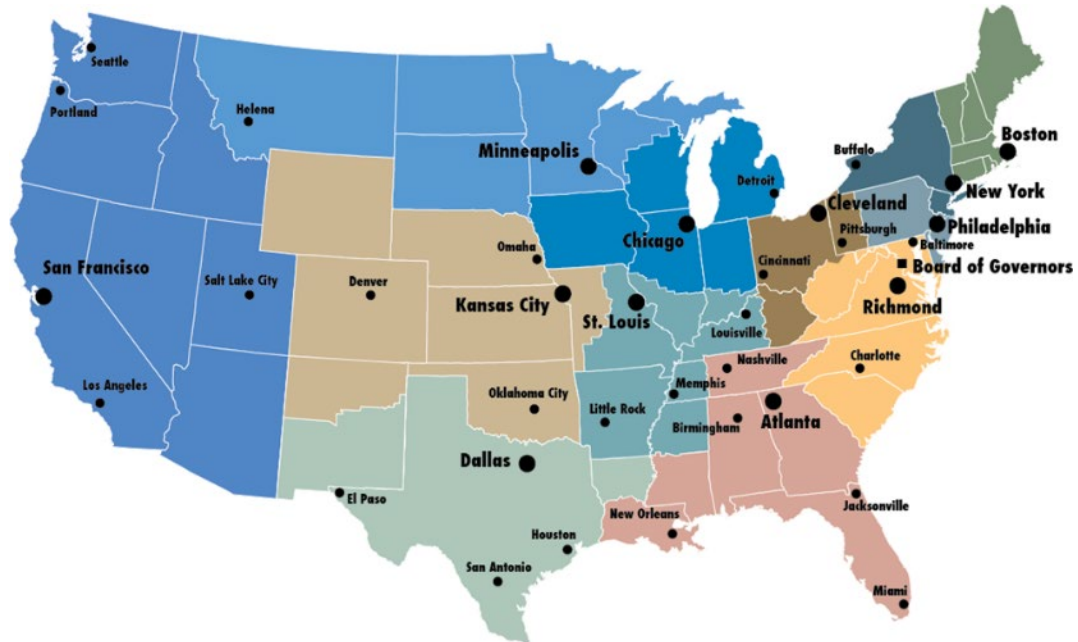
*Oklahoma State Senate Retreat  
Stillwater, OK  
November 21, 2019*

**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

- **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.)
  - Community development programming for low and moderate income groups, workforce focus
  - Economic education and public outreach programming
- **2019 OKC Fed Branch Board of Directors**
  - **Clint Abernathy (chair)**, Owner, Abernathy Farms, Inc., Altus
  - **Susan Chapman Plumb**, Chair & CEO, Bank of Cherokee County, Tahlequah
  - **Walt Duncan**, President, Duncan Oil Properties, Oklahoma City
  - **Tina Patel**, Co-Owner & CFO, Promise Hotels, Tulsa
  - **Chris Turner**, President & CFO, First State Bank, Oklahoma City
  - **Katrina Washington**, Owner/Broker, Stratos Realty, Oklahoma City
  - **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



# The Federal Reserve's Role in Monetary Policy

- **Dual Mandate from U.S. Congress:**

- 1) Maximum employment
- 2) Price stability

- **Federal Open Market Committee (FOMC):**

## Board of Governors

- **Jerome H. Powell**, Chairman
- **Richard H. Clarida**, Vice Chairman
- **Randal K. Quarles**, Vice Chairman of Supervision
- **Lael Brainard**
- **Michelle W. Bowman**
- **Open**
- **Open**



## Reserve Bank Presidents

- **John C. Williams**, New York, Vice Chairman
- **James Bullard**, St. Louis
- **Charles L. Evans**, Chicago
- **Esther L. George**, Kansas City
- **Eric Rosengren**, Boston
- **Patrick T. Harker**, Philadelphia
- **Robert S. Kaplan**, Dallas
- **Neel Kashkari**, Minneapolis
- **Loretta J. Mester**, Cleveland
- **Thomas I. Barkin**, Richmond
- **Raphael W. Bostic**, Atlanta
- **Mary C. Daly**, San Francisco

\*Permanent voters in bold; 2019 rotating voters in red; 2020 rotating voters in blue

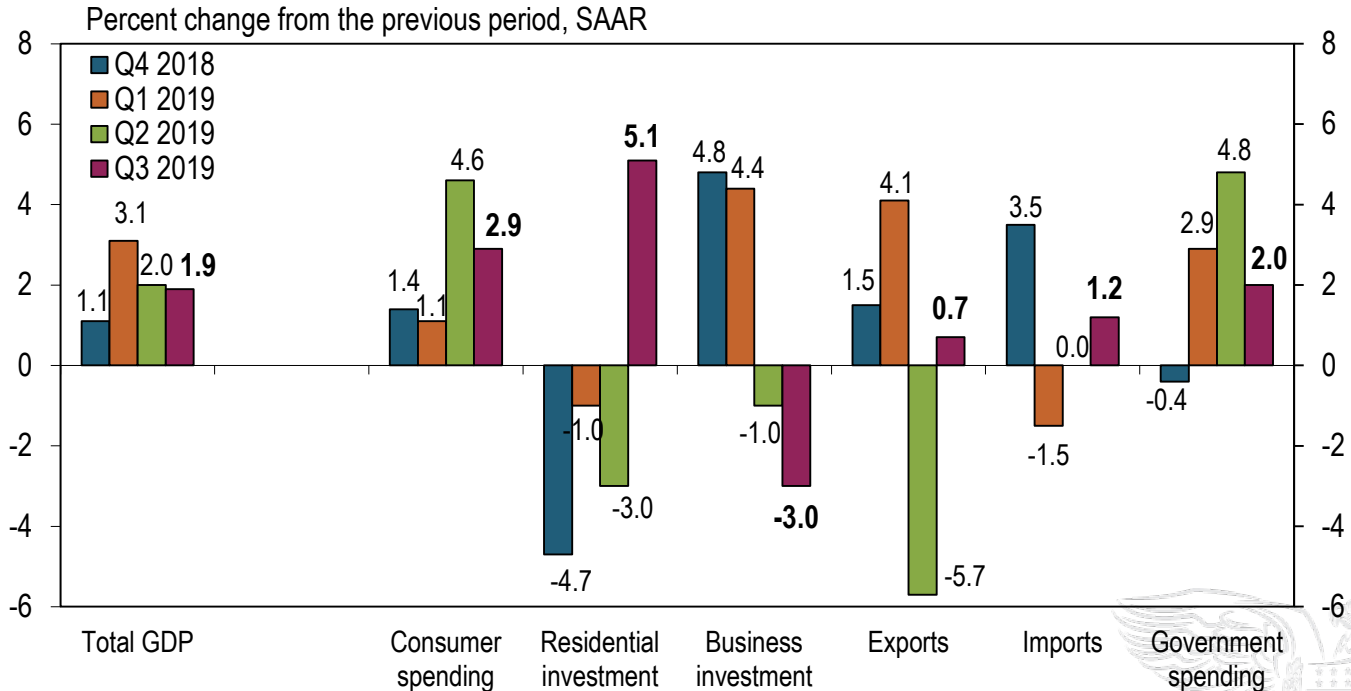


# **U.S. Economic Outlook and Monetary Policy**



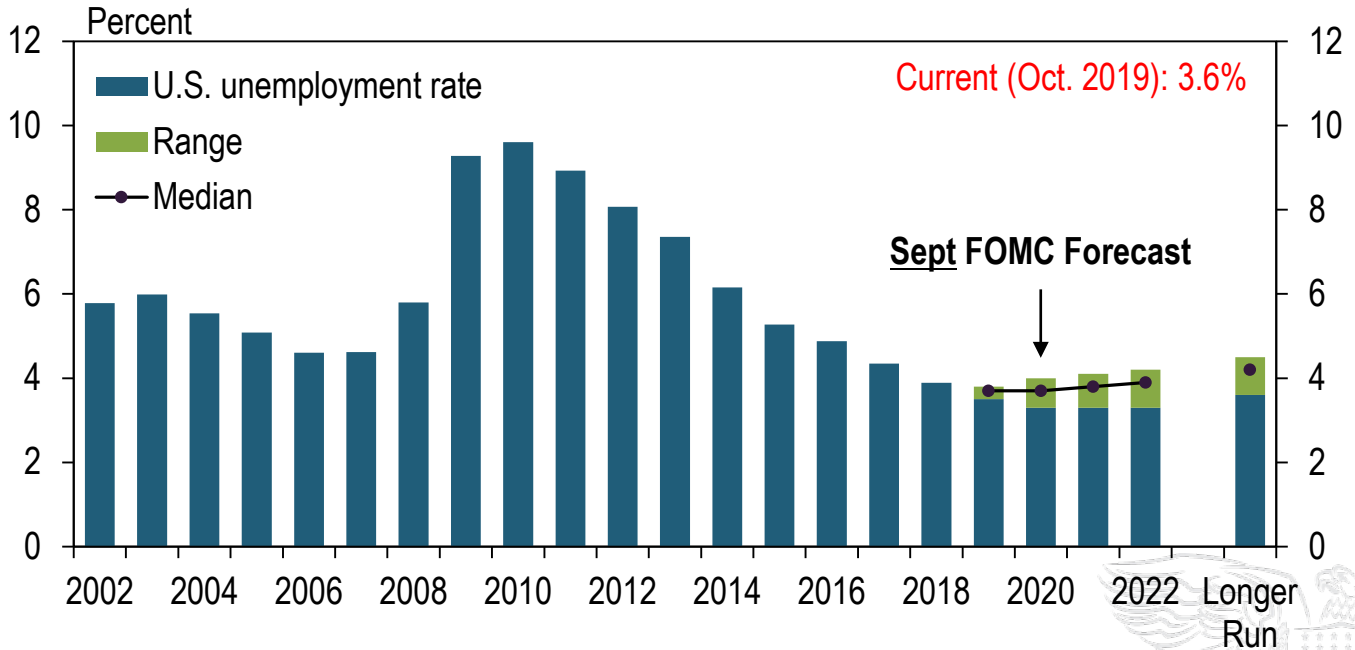
# Oct. FOMC: “Economic activity has been rising at a moderate rate...household spending has been...strong”

## Contributions to Percent Change in Real GDP



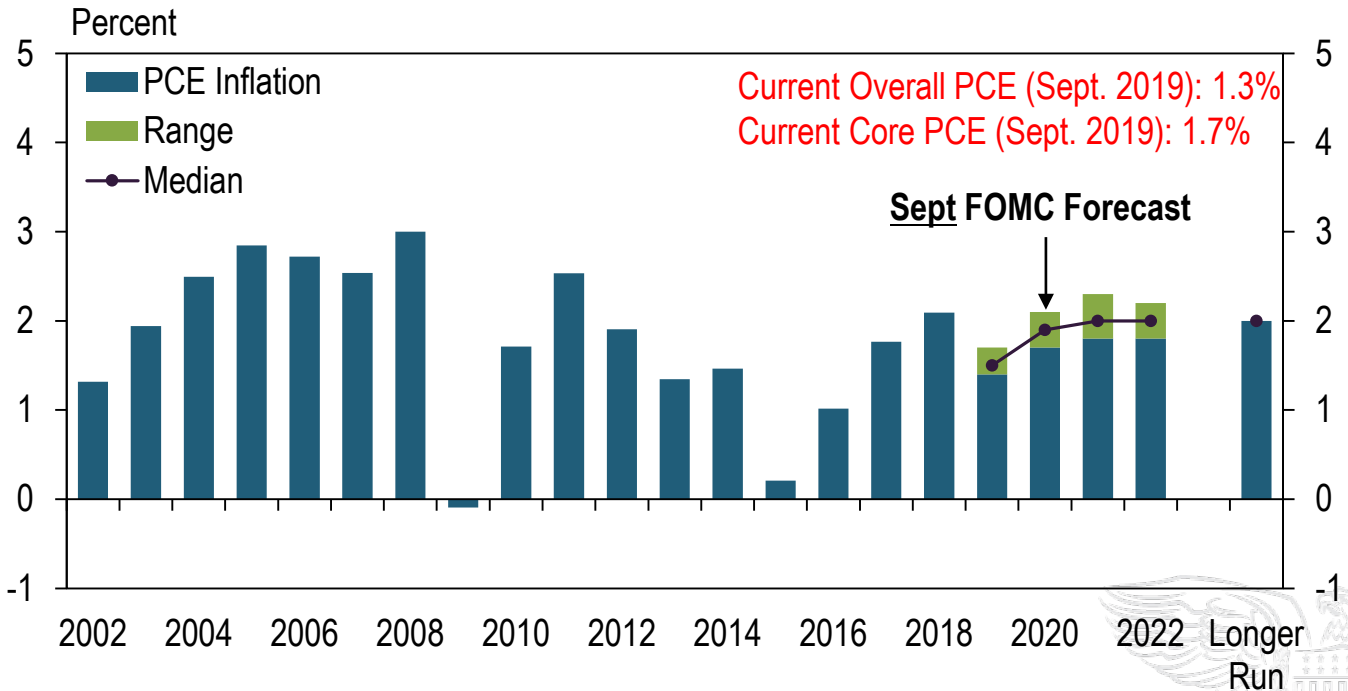
# Oct. FOMC: “The labor market remains strong...the unemployment rate has remained low.”

U.S. Unemployment Rate



# Oct. FOMC: “Overall inflation and inflation for items other than food and energy are running below 2%.”

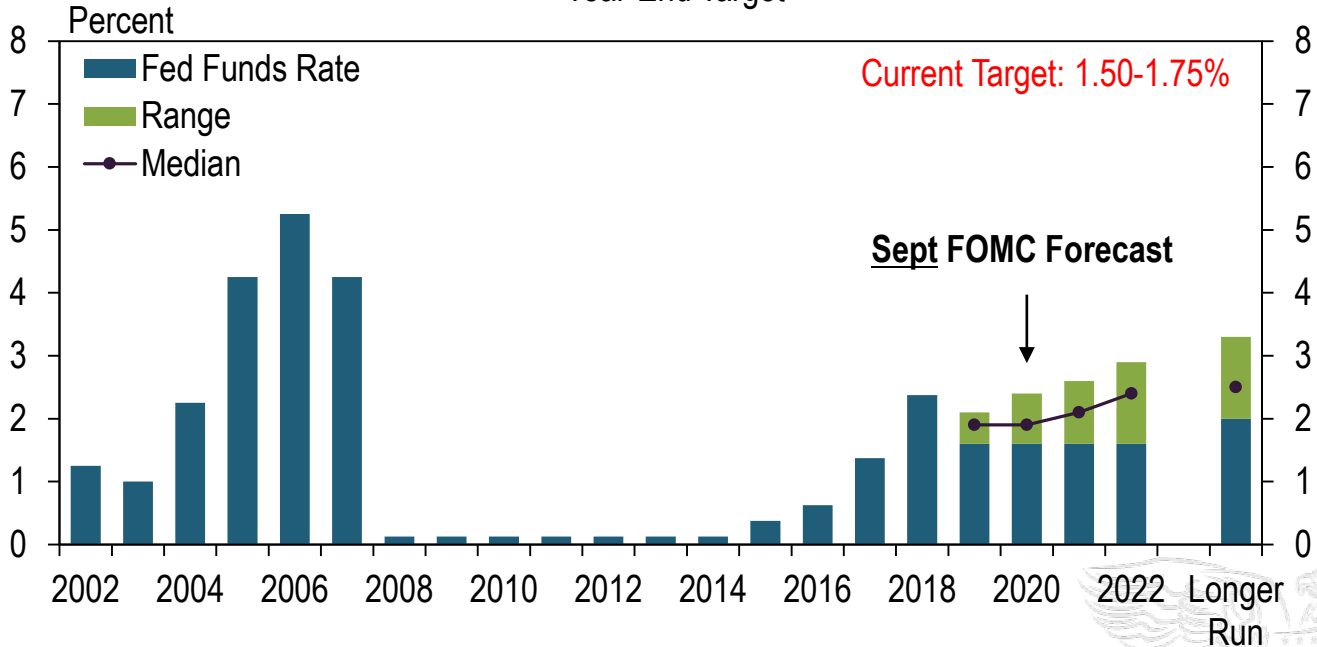
PCE Inflation Index





# Oct. FOMC: “In light of... global developments... muted inflation... the [FOMC] decided to lower the... rate.”

Federal Funds Rate  
Year-End Target

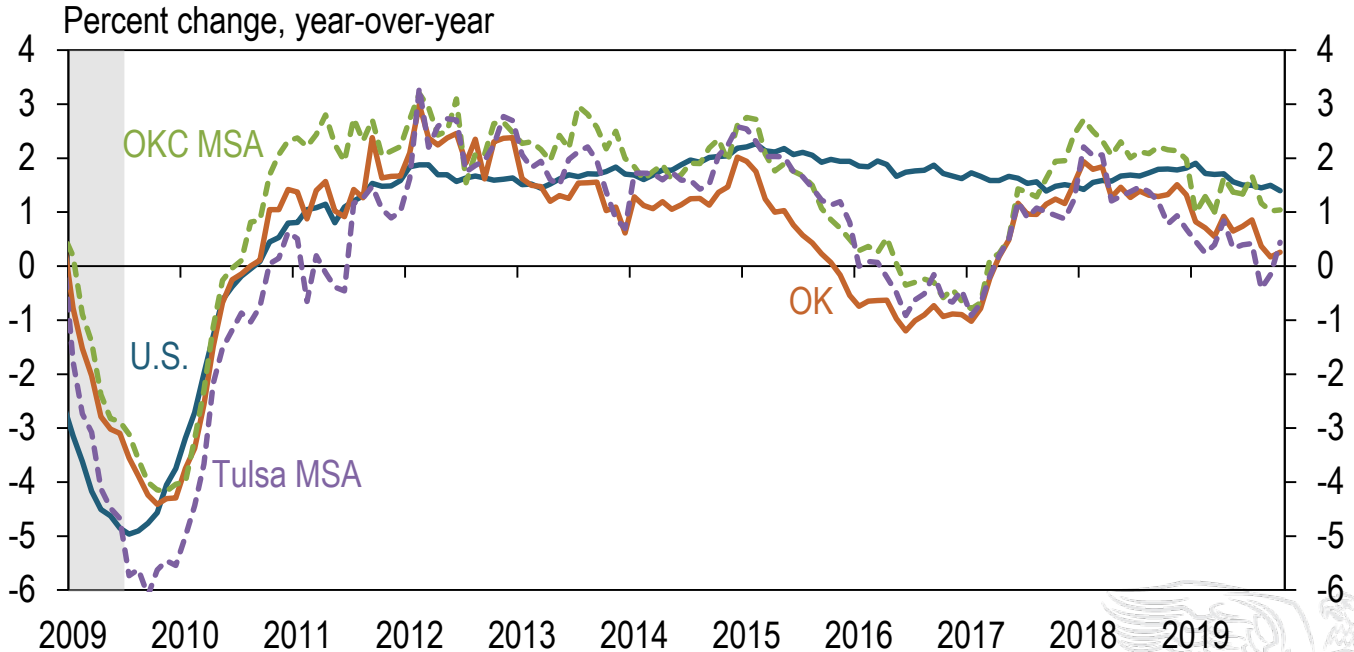


# Oklahoma Economic Outlook



# The pace of Oklahoma job growth has slowed steadily in 2019, and is now up only slightly from a year ago

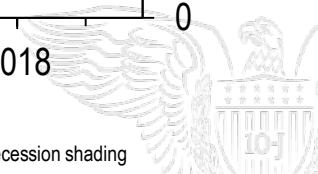
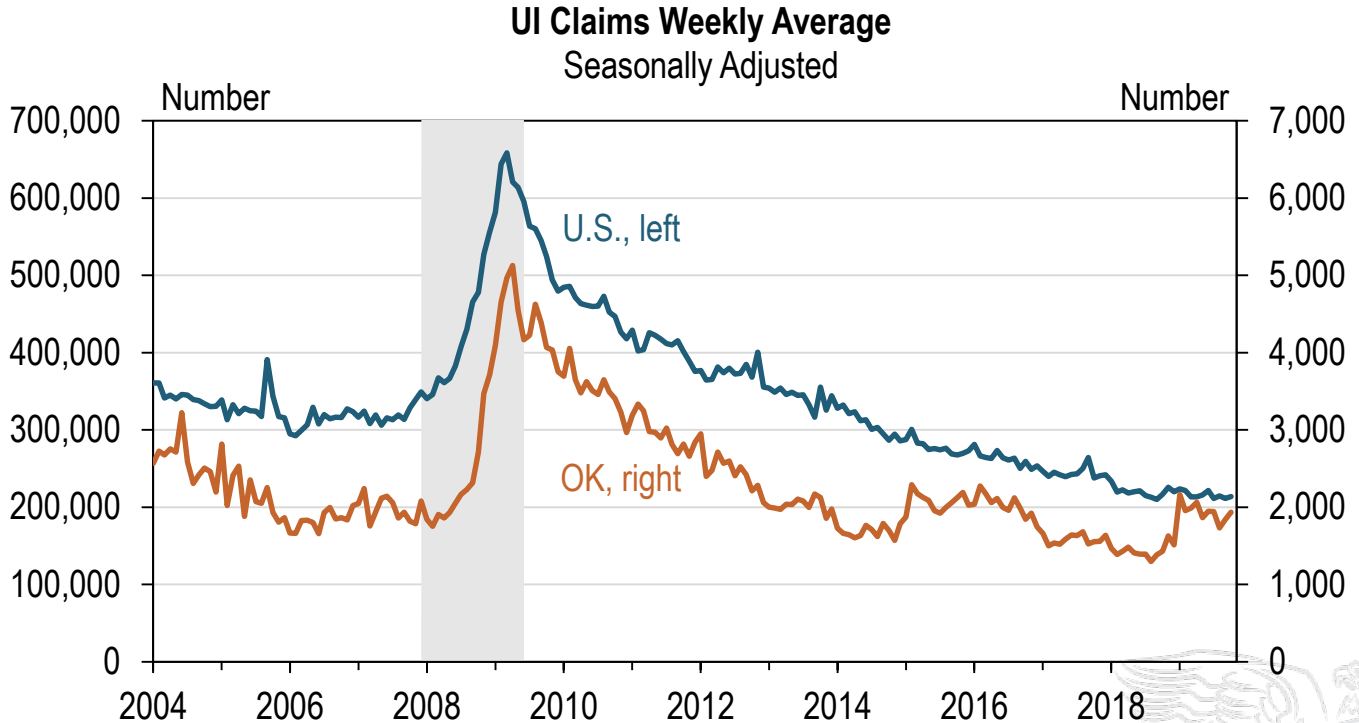
## Nonfarm Payroll Employment Growth



Sources: U.S. Bureau of Labor Statistics, NBER recession shading

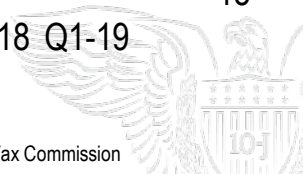
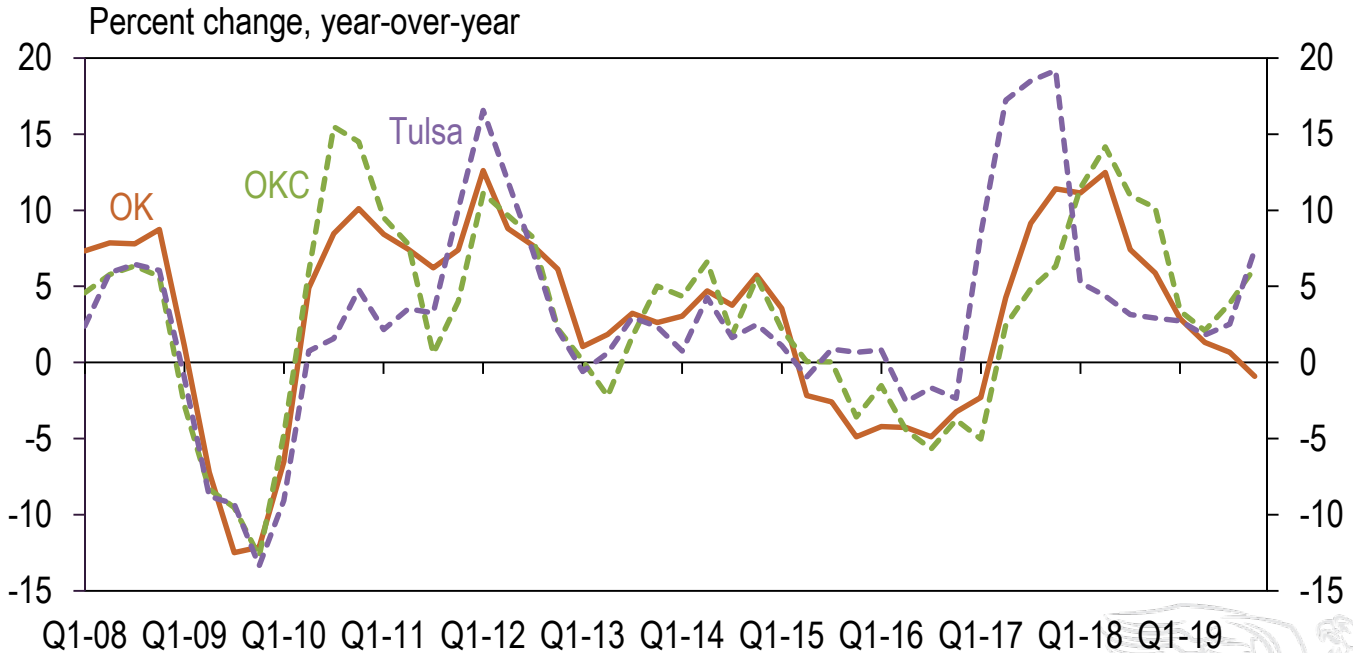


# Weekly initial claims for unemployment insurance have also been running at nearly 2015-16 levels in 2019



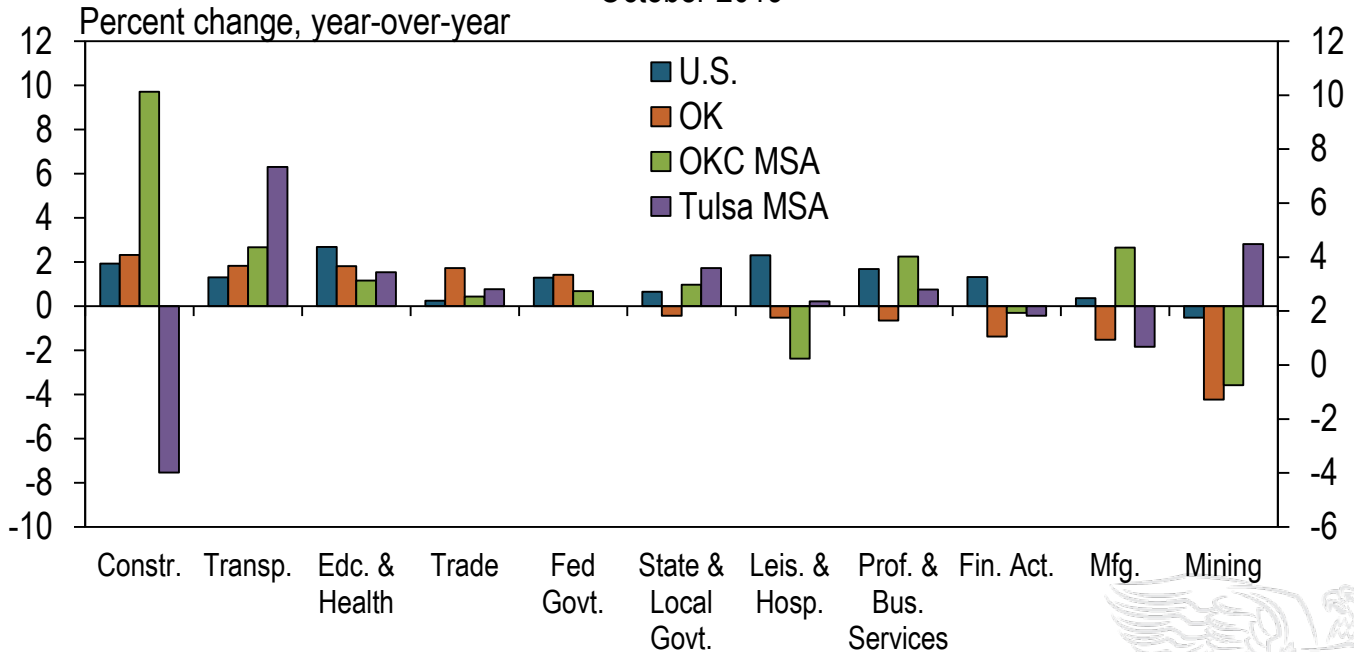
# State sales tax receipts are now below year-ago levels, though sales in the 2 large cities have picked up a bit

## Oklahoma and Metro Sales Tax Revenues



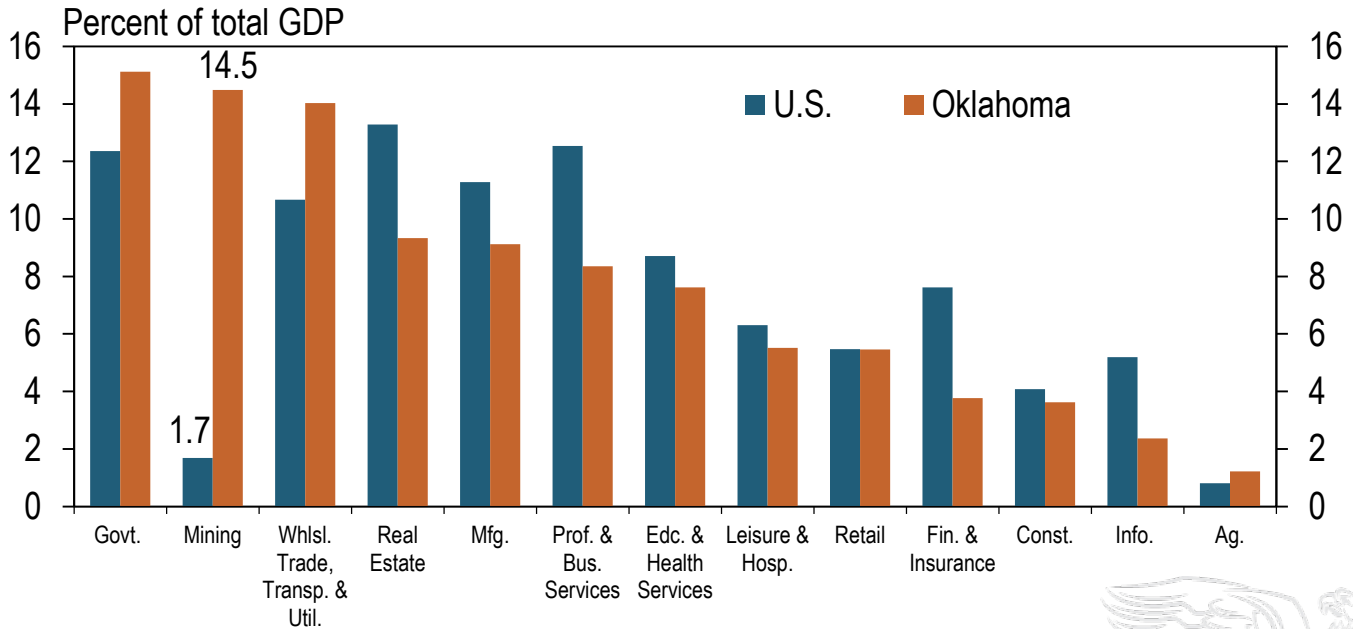
# The slower state job growth in 2019 has been driven mainly by job losses in energy and related sectors

Job Growth by Industry  
October 2019



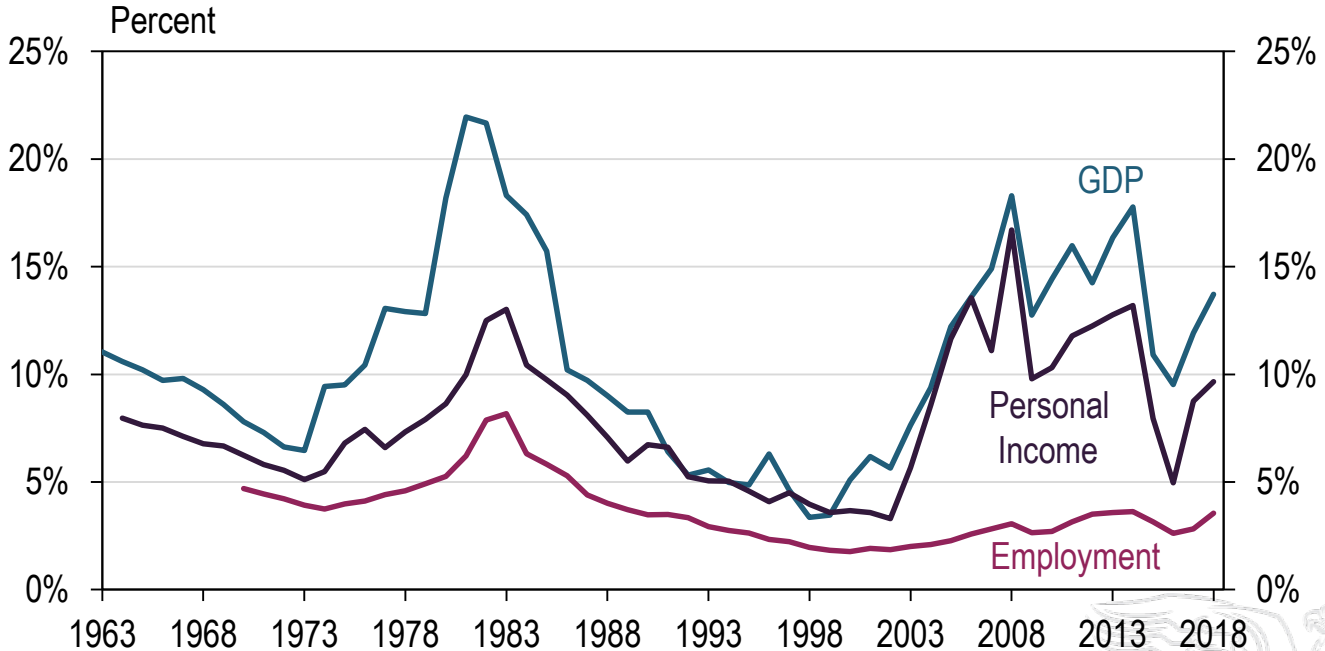
# Oklahoma's main difference from the nation in terms of industrial structure is its very sizable energy sector

Industry Share of GDP, 2018



# Oil and gas's share of Oklahoma's economy has fluctuated over time, but is currently still very high

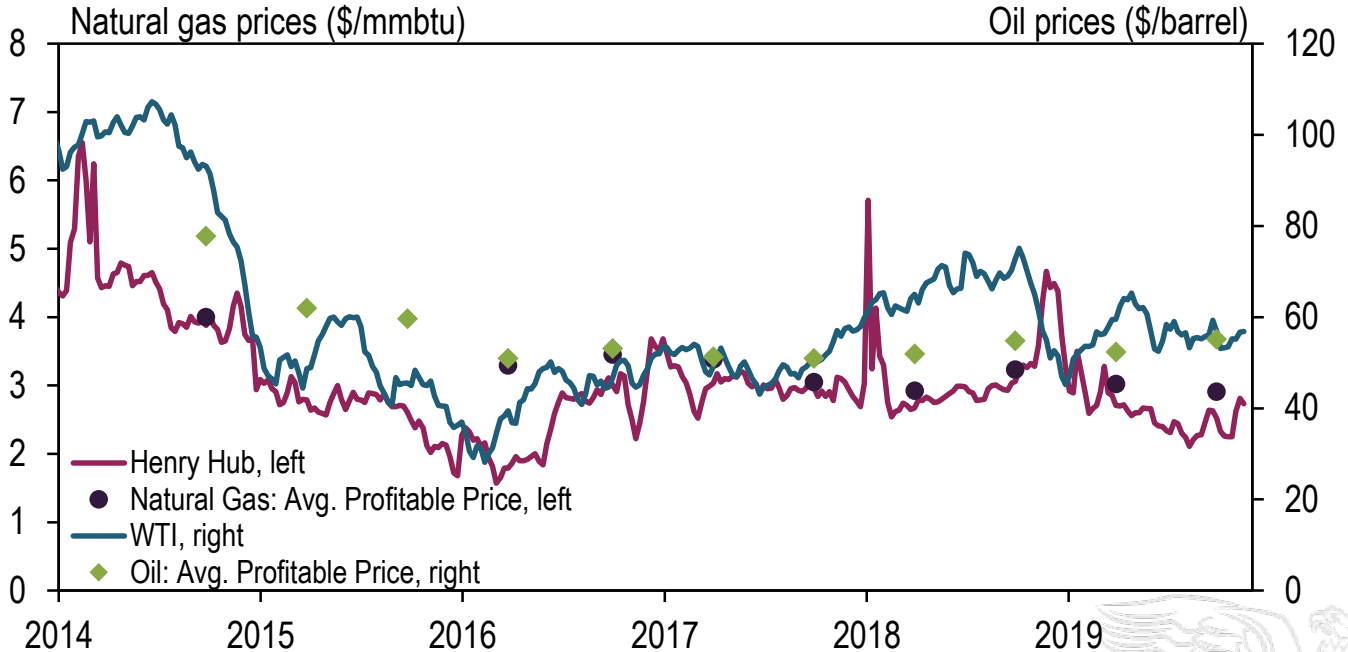
## Mining Sector Share of Oklahoma Economic Activity





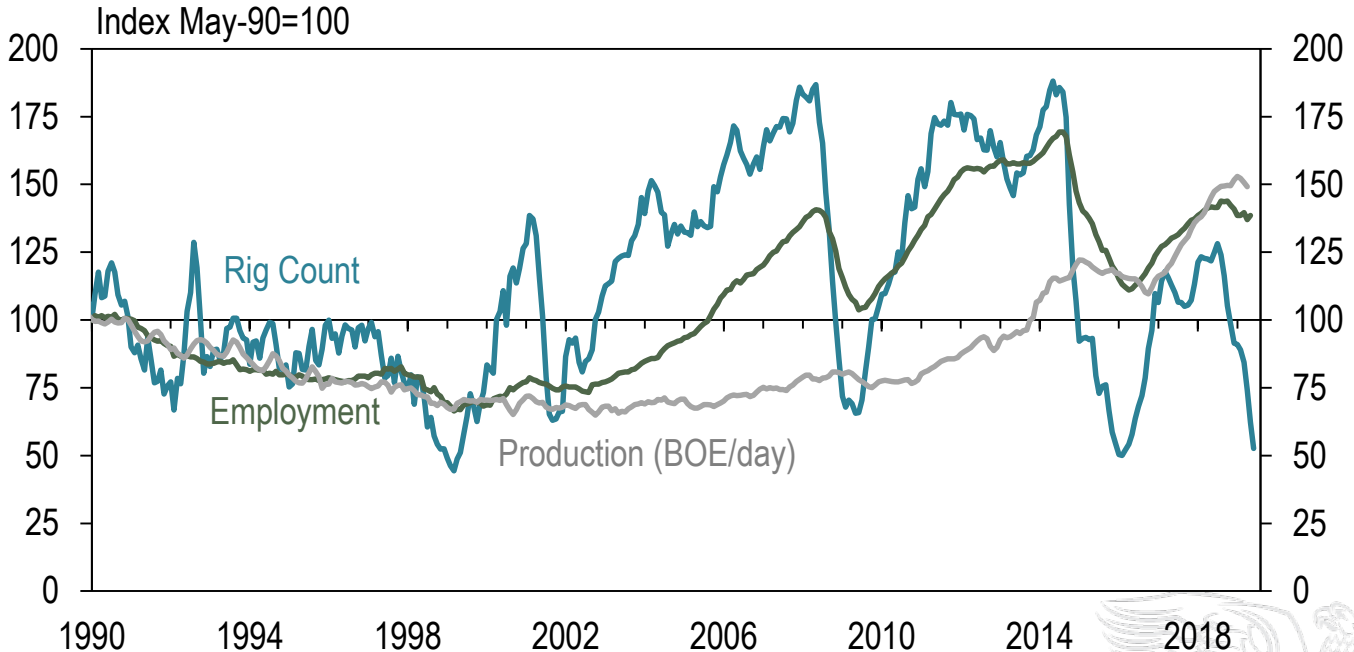
# Marginally profitable oil prices since spring, plus low natural gas prices, have contributed to slower activity

## Oil & Natural Gas Profitability and Prices



# Firms have also been able to find considerably more oil and gas with fewer rigs and workers than in the past

## Oklahoma Oil & Gas Rig Count, Employment, and Production



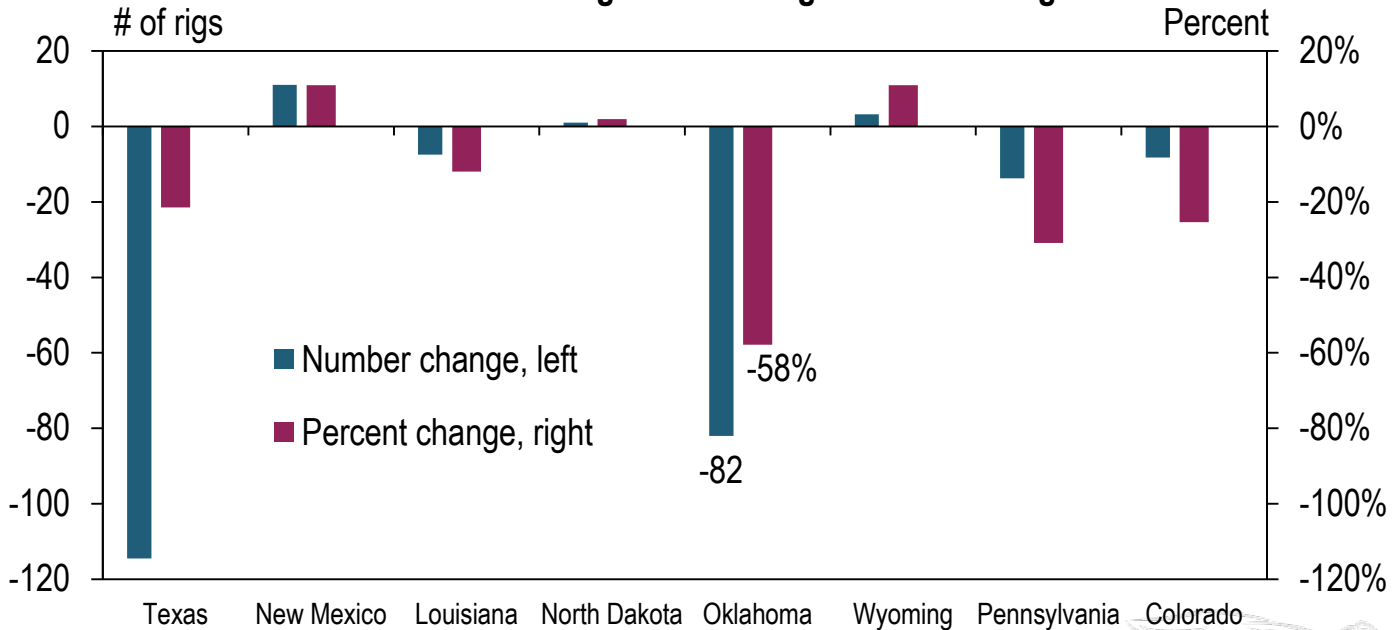
Note: Employment is for total mining and logging, which in Oklahoma is almost completely oil and gas related. Production is shown as a 3-month moving average.

Sources: Baker Hughes, U.S. Energy Information Administration



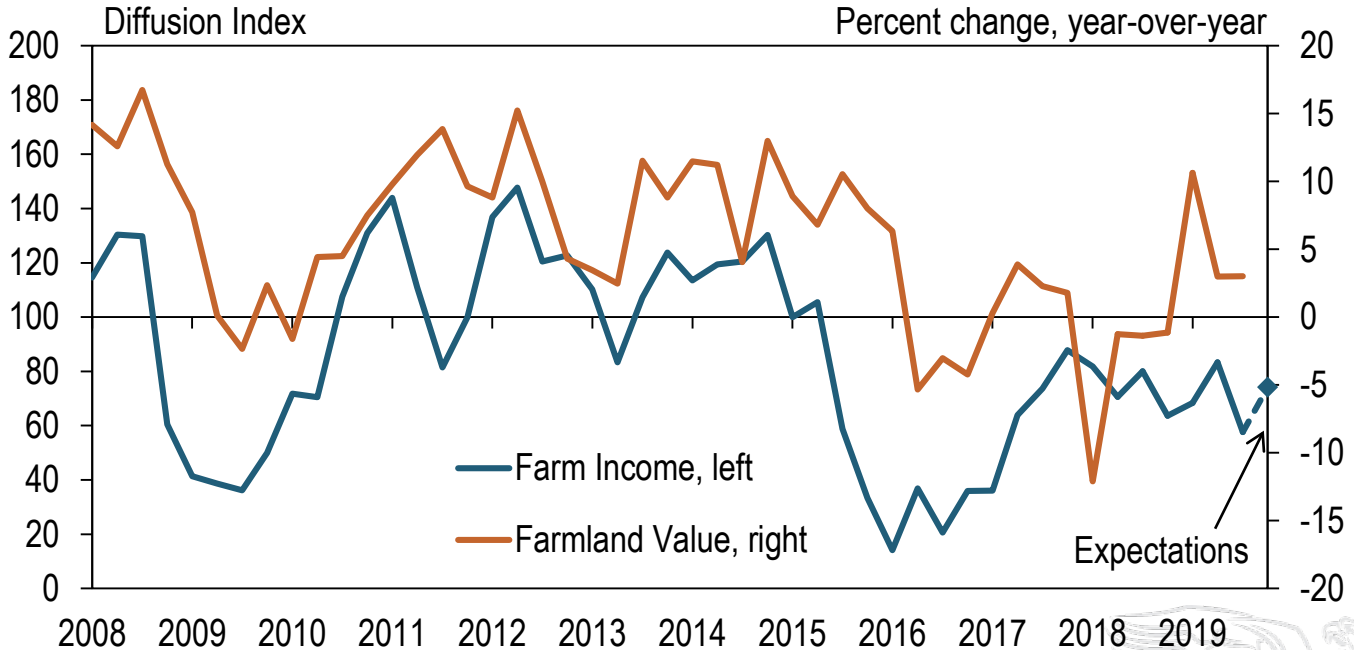
# Oklahoma's percentage drop in rigs is easily the largest among the top 8 oil- and gas-producing states

October 2019 Rig Count Change from a Year Ago



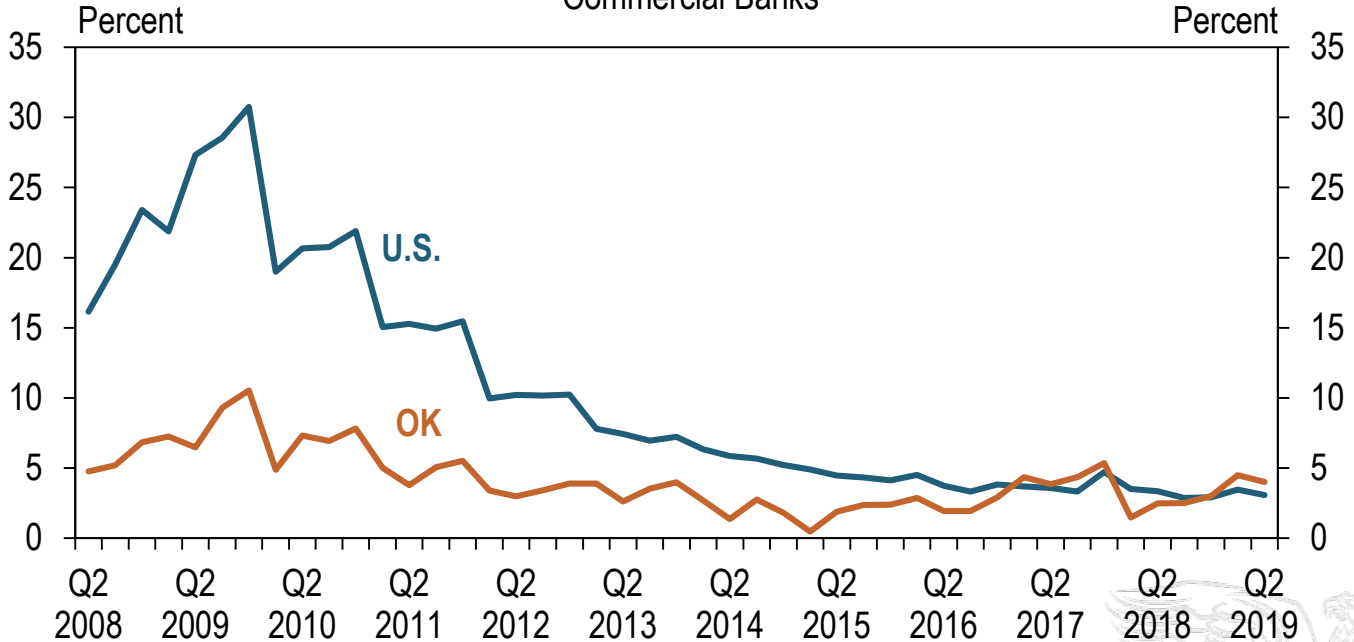
# In agriculture, incomes have continued to decline, but by less than in recent years, and land values have held

Oklahoma Farm Income and Farmland Values



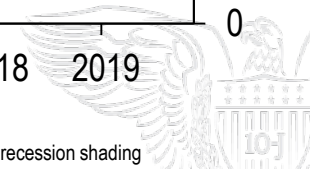
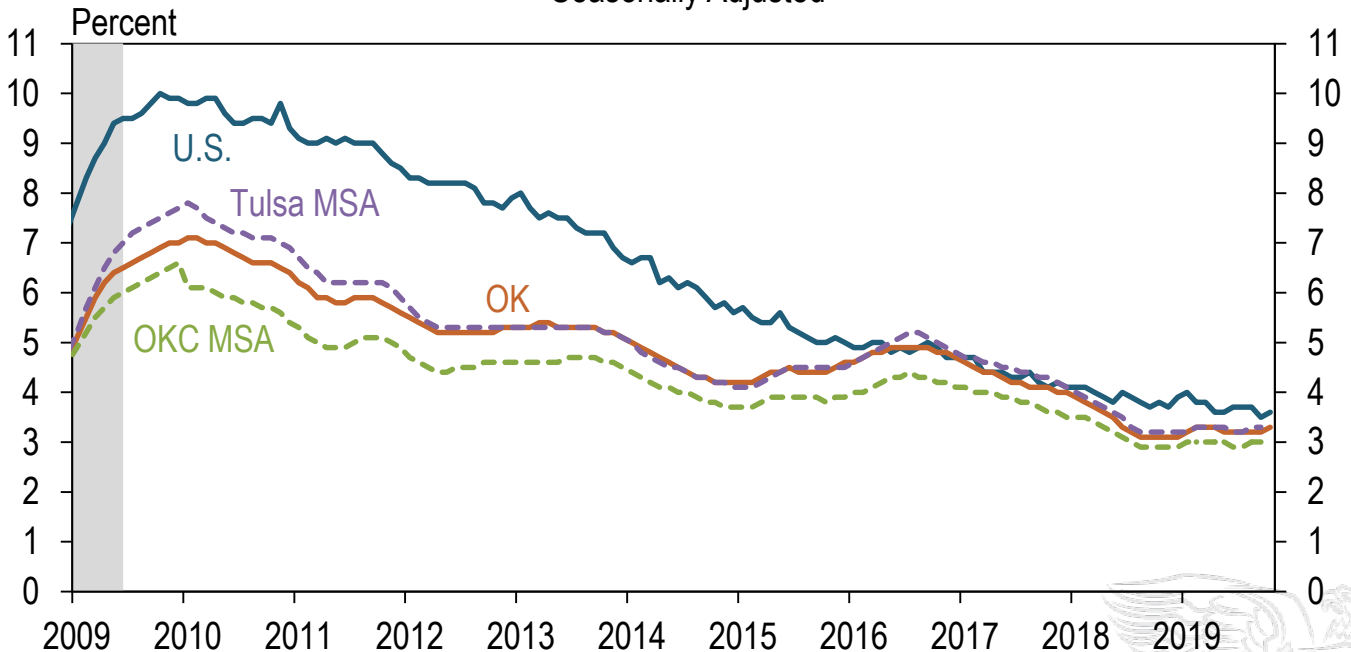
# Banking conditions in Oklahoma remain very good

Share of Banks Not Making a Profit  
Commercial Banks



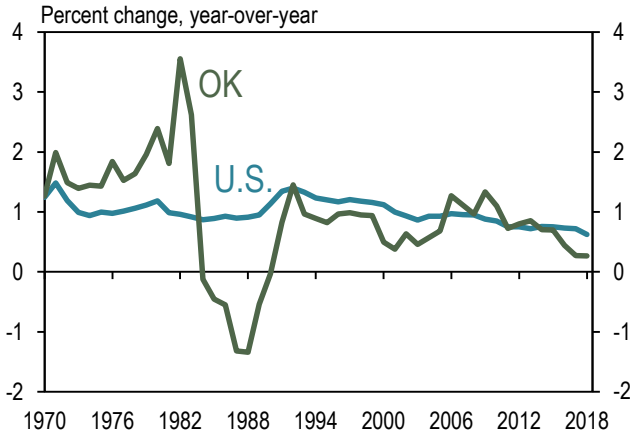
# And despite slower job growth and rising UI claims this year, unemployment remains low across the state

Unemployment Rates  
Seasonally Adjusted

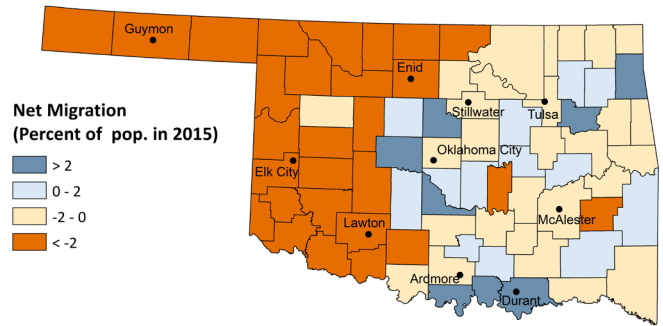


# One reason unemployment is low is because more people have been moving out than moving in recently

U.S. vs. Oklahoma population growth, 1970-2018

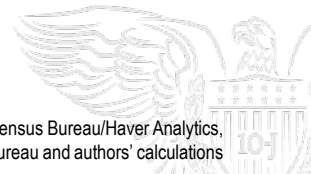


Net Domestic Migration by County, 2015-2018



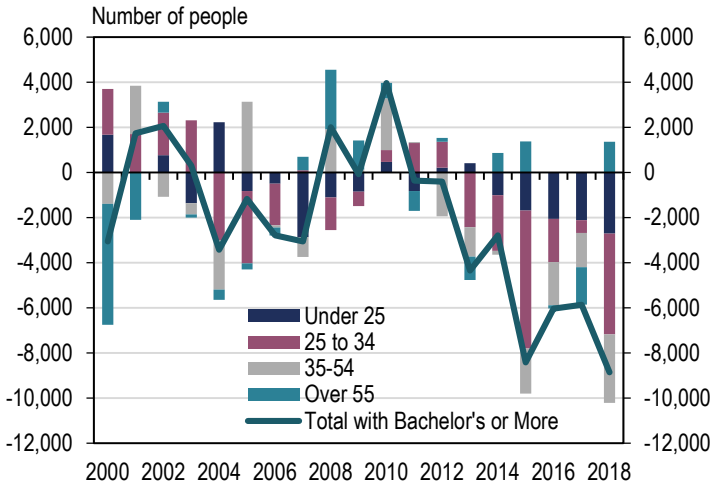
Note: Annual BEA population data used through 2017, Census population data used for the most recent year.

Sources: Bureau of Economic Analysis, Census Bureau/Haver Analytics, Population and Housing Unit Estimates – Census Bureau and authors' calculations

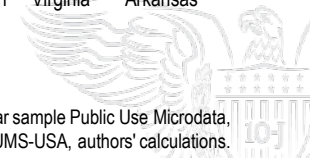
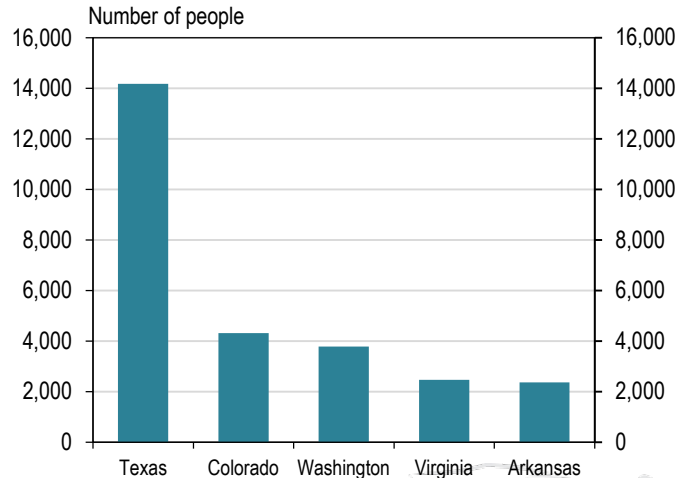


# Highly educated Oklahomans of most age groups have been leaving the state, especially for Texas

**Oklahoma Net Domestic Migration of Those with a Bachelor's Degree or More by Age**



**States Gaining the Most Oklahomans with a Bachelor's or More on Net 2013-2018**

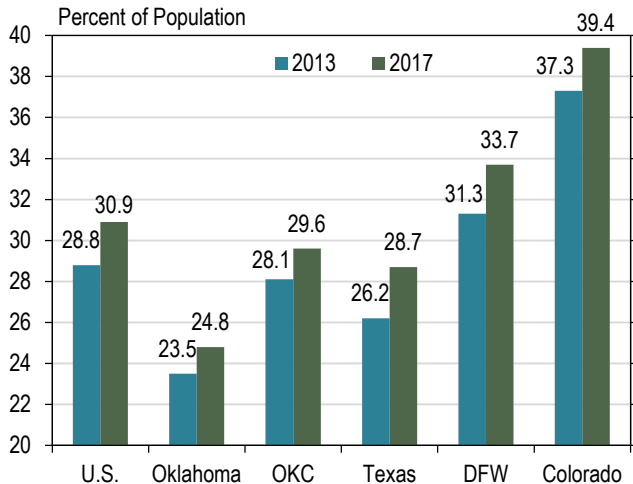




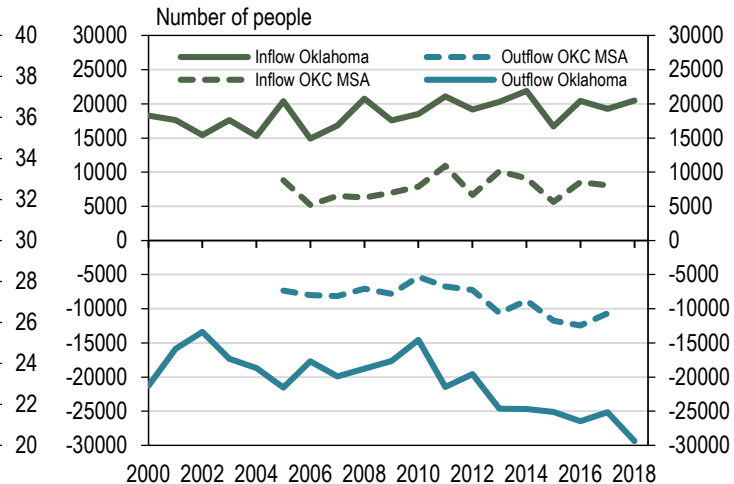
# Consequence: Educational attainment is growing less

## Silver lining?: People keep coming, just more have left

**Educational Attainment as the Share of Population Over 25 with a Bachelor's or More**



**Oklahoma Domestic Migration Flows of Those with a Bachelor's or More**



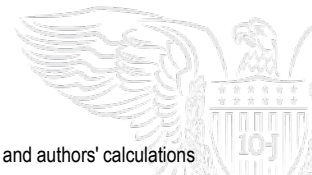
# While Oklahoma job growth has lagged the nation, some industries in the state have outpaced the U.S.

## 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.



# Summary

- The national economy continues to grow, with low unemployment, but business investment has slowed
- Oklahoma's economy has slowed in 2019, as lower oil and gas prices hurt, but unemployment remains very low
- A longer-term trend worth watching is the state's switch in net domestic migration flows in recent years, as more highly educated Oklahomans have been moving out
- At the same time, some industries in the state have continued to thrive, many of which pay good wages



# Questions?

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