U.S. and Oklahoma Economic Outlook

Oklahoma Society of CPA's
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*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.
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 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
  - Christopher J. Waller
  - Open

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

*Permanent voters in bold; 2021 rotating voters in red; 2022 rotating voters in blue*
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity

- 2020 was our Centennial
- 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 and moderate income groups, workforce focus
  - Economic education and public outreach programming

- 2020 OKC Fed Branch Board of Directors
  - Tina Patel (chair), Co-Owner & CFO, Promise Hotels, Tulsa
  - Walt Duncan, President, Duncan Oil Properties, Oklahoma City
  - Susan Plumb, Chair & CEO, Bank of Cherokee County, Tahlequah
  - Brady Sidwell, Principal, Sidwell Strategies, Enid
  - 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
Overview

• The U.S. and Oklahoma economies stalled at the end of last year with the surging virus and fading policy support, but stimulus and a vaccine have provided some stabilization.

• The timing and pace of recovery is still uncertain with pandemic and vaccine risks, but there could be a strong bounce-back.

• Monetary policy is likely to remain accommodative for some time, with the Federal Reserve providing guidance on asset purchases.
Only half of U.S. and OK job losses have returned, OKC has seen more recovery, Tulsa less so.
Jan. FOMC: “The ongoing public health crisis continues to weigh on... employment... [with] considerable risks.”

U.S. Unemployment Rate

Current (Jan 2021): 6.3%

Dec FOMC Forecast

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Unemployment remains higher than a year ago, but 75% of OK counties have lower unemployment than the U.S.

**County Unemployment Rates**

**Dec. 2019**

- U.S.: 3.6%
- Oklahoma: 3.4%

**County Unemployment Rates**

**Dec. 2020**

- U.S.: 6.7%
- Oklahoma: 5.3%

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
State energy, manufacturing, and transportation cuts were bigger than in the U.S., leisure & hospitality less.
Oil prices have returned to profitable levels for most Tenth Fed District energy firms, but natural gas lags.
Across the Tenth Fed District, energy activity and profitability have increased but with fewer employees.

FRBKC Energy Survey Indexes

Index, vs. a quarter ago

Q1-14  Q1-15  Q1-16  Q1-17  Q1-18  Q1-19  Q1-20  Q1-21

Drilling/Business Activity
Total Profits
Number of Employees

Expectations

Source: FRBKC Energy Survey
Ag income rebounded in late 2020, and non-cattle prices have continued to rise

District Ag Credit Conditions

Commodity Prices

Sources: FRBKC Ag Credit Survey, WSJ/Haver Analytics
Low mortgage rates have contributed to strong housing activity in Oklahoma since last spring.
Housing prices were a bright spot in 2020, with prices up for all home sizes and price tiers.
Despite strong housing, many Oklahomans are at risk of eviction and struggling to pay household expenses.
Through Q3, mortgage delinquencies increased more in Oklahoma than in the U.S. overall.
While higher wage jobs bounced back, low wage job growth remains down, though slightly less so in OK.
And although consumer spending has held up, foot traffic at Oklahoma businesses remains flat to down.

Note: All series shown as 7-day moving average.

Sources: Google Mobility Data, Open Table, Track the Recovery, Authors’ calculations
Manufacturing in the region is finally back to year-ago levels, and while services lag, firms are optimistic.

Sources: FRBKC Surveys
U.S. savings remain elevated and inventories have room to grow, setting the stage for a strong rebound.
New COVID-19 cases have decreased considerably, but new cases in Oklahoma are still higher than last fall.
Oklahoma has 73 counties with higher cumulative cases of COVID-19 compared to the U.S.

Confirmed COVID-19 Cases by Population
Feb. 17, 2021

Cases as Share of Pop.
- 12.1 - 25.0%
- 11.1 - 12.0%
- 10.1 - 11.0%
- 8.5 - 10.0%
- 5.6 - 8.5%

U.S. Rate: 8.3%
Oklahoma Rate: 10.4%

Sources: Oklahoma Department of Health, U.S. Census Bureau, Authors' calculations
COVID-19 hospitalizations and ICU patients have also declined from their peaks, but deaths have continued.
COVID-19 cases in Oklahoma have disproportionately been among young adults, but more lethal for elderly

COVID-19 and Oklahoma Demographics

Percent

0-17 18-35 36-49 50-64 > 65

OK Pop. Cases Deaths Vaccine

Sources: Oklahoma Department of Health, U.S. Census Bureau
Trends in Oklahoma COVID-19 cases, deaths, and vaccinations also vary by race and ethnicity

COVID-19 and Oklahoma Demographics

Percent

- American Indian and Alaska Native
- Asian or Pacific Islander
- Black or African American
- Hispanic
- Two or More Races
- White

Sources: Oklahoma Department of Health, U.S. Census Bureau
Despite delays in the vaccine rollout, 12.3% of Oklahomans have 1+ dose, vs. the 11.5% U.S. average.
And 5.2% of Oklahomans have received both vaccine doses, which is also above the 4.4% U.S. average.
Vaccination rates have varied somewhat across the state, with some counties lagging U.S. rates.

Percent of Residents 16+ Received Prime Dose
Feb. 11, 2021

Source: Oklahoma State Department of Health
Jan. FOMC: “Weaker demand and earlier declines in oil prices have been holding down consumer price inflation.”

PCE Inflation Index

- Current Overall PCE (Dec 2020): 1.3%
- Current Core PCE (Dec 2020): 1.5%

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

Sources: Bureau of Economic Analysis, FOMC
Jan. FOMC: “the [FOMC] decided to... maintain this target range until... maximum emp. and inflation... is on track.”

Federal Funds Rate
Year-End Target

Current Target: 0 - 0.25%

Dec FOMC Forecast

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

Sources: Bureau of Economic Analysis, FOMC
The Fed’s balance sheet began increasing in size again in late 2019, and has increased further in 2021.
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Questions?

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