

# U.S. and Oklahoma Economic Outlook in the Midst of COVID-19 and Low Oil Prices

*Economic Forum*

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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.

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- **2020 is our Centennial** **OKC BRANCH 100** 
- **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
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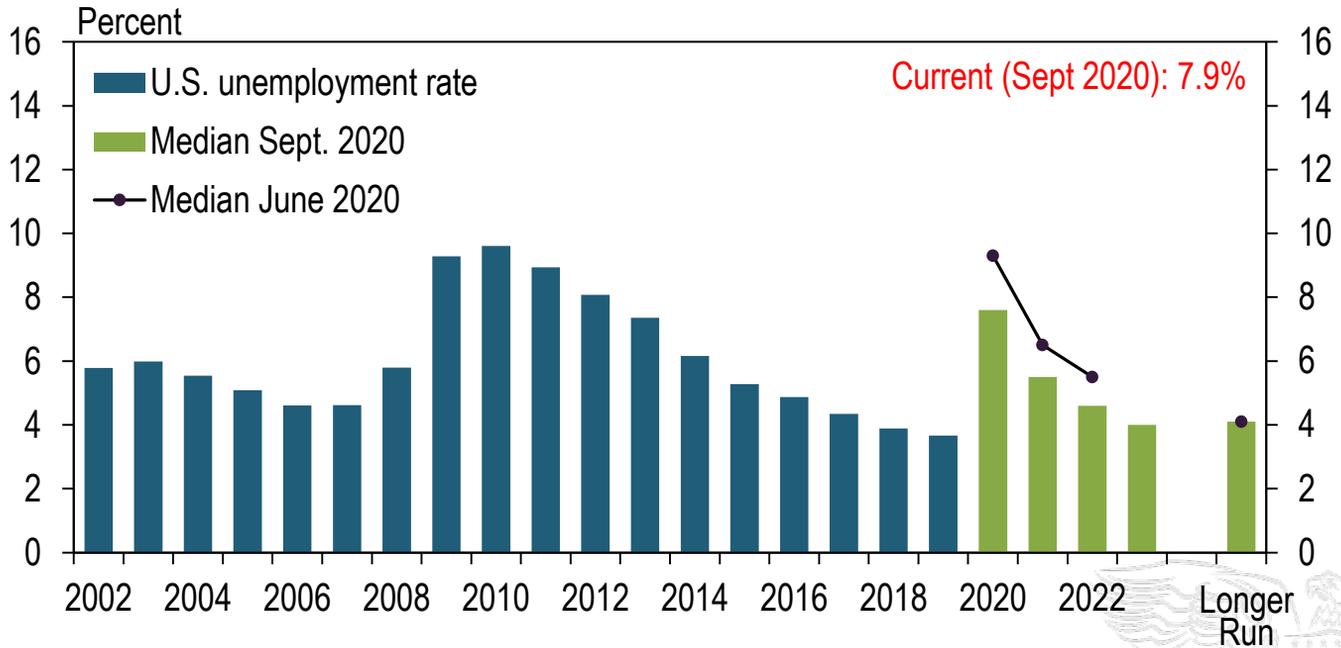
# Overview

- The U.S. and Oklahoma economies were hit hard by COVID in the spring but saw fairly solid recovery by summer
- Unprecedented government and Fed support was taken in response to the pandemic, helping maintain incomes and stability
- Since our July 2020 Economic Forum, COVID cases and hospitalizations have been lower in the nation but higher in Oklahoma
- After initially recovering more quickly, job growth in Oklahoma has been slower than in the nation in recent months
- Future conditions in the U.S. and Oklahoma economies and in the energy sector will continue to depend on the path of the virus



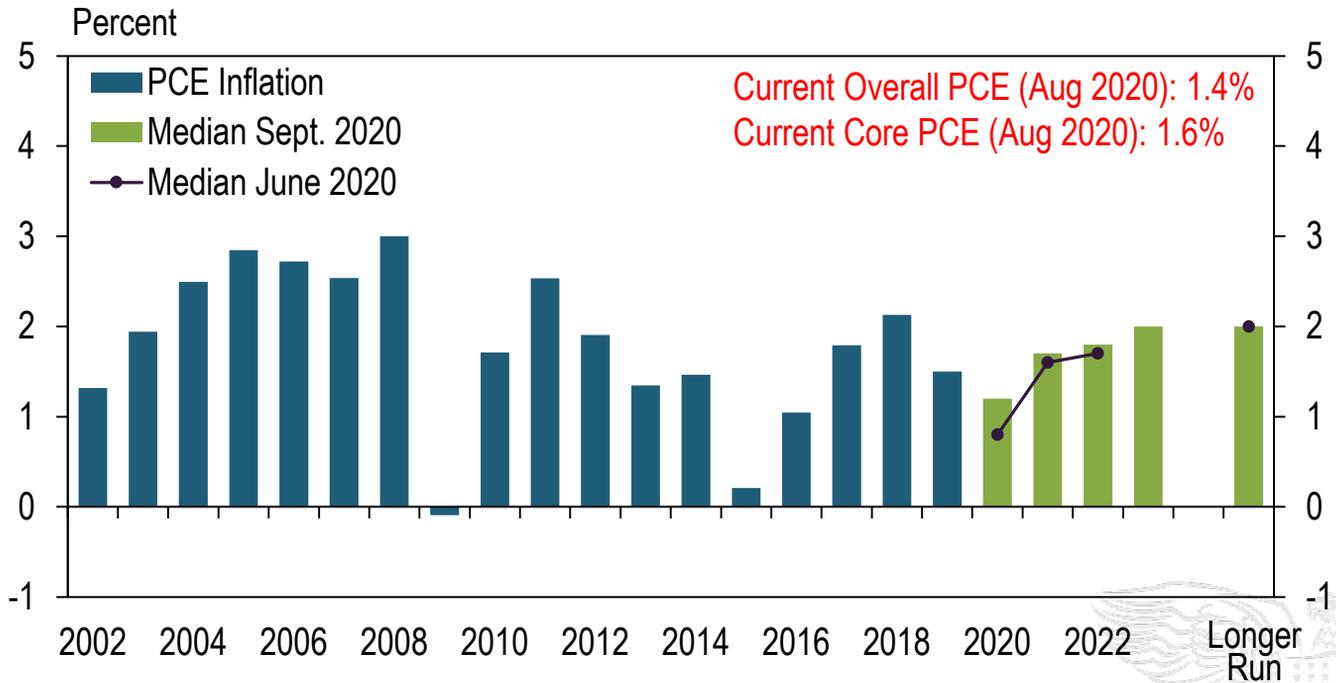
# Sept FOMC: “Employment [has] picked up in recent months but remain[s] well below...the beginning of the year.”

## U.S. Unemployment Rate



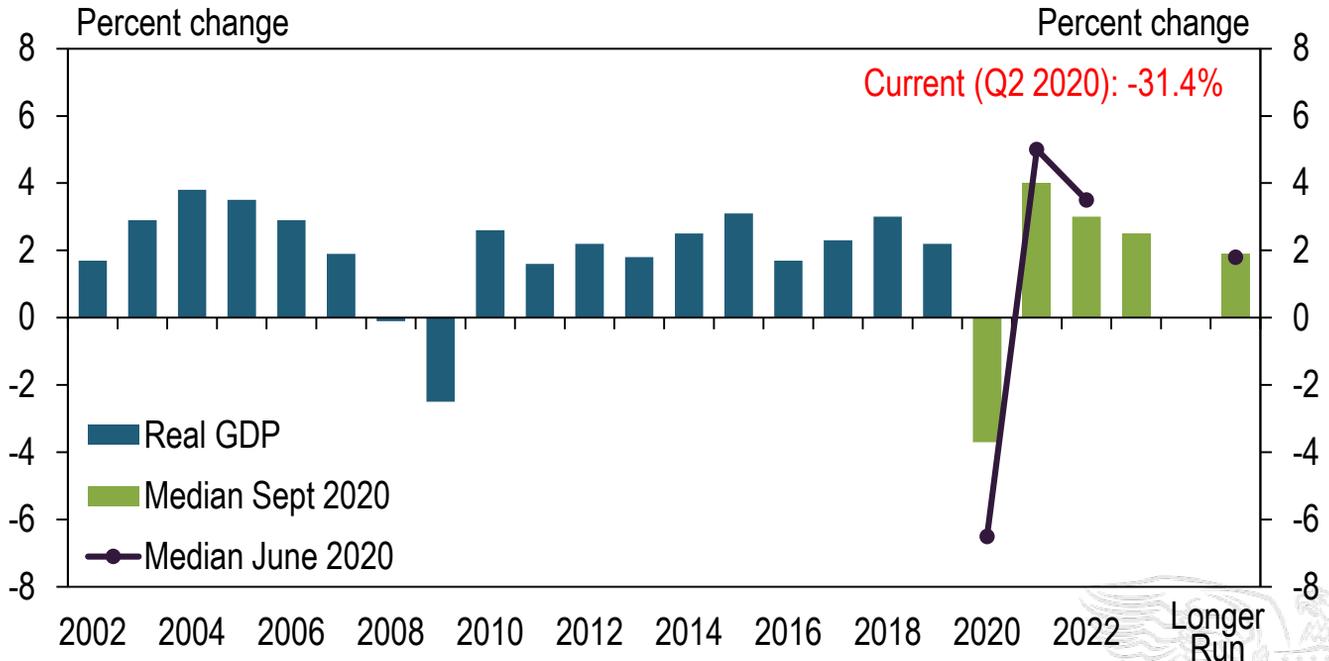
# Sept FOMC: “Weaker demand and significantly lower oil prices are holding down consumer price inflation.”

PCE Inflation Index



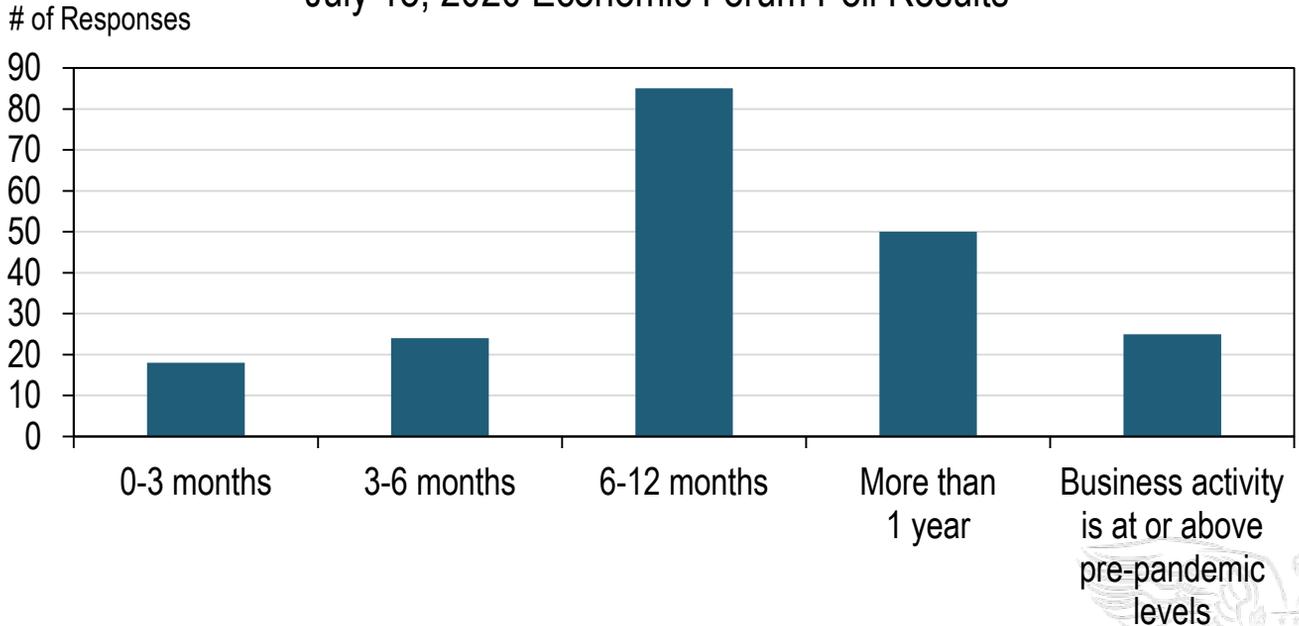
# Sept FOMC: “The path of the economy will depend significantly on the course of the virus.”

Change in Real GDP



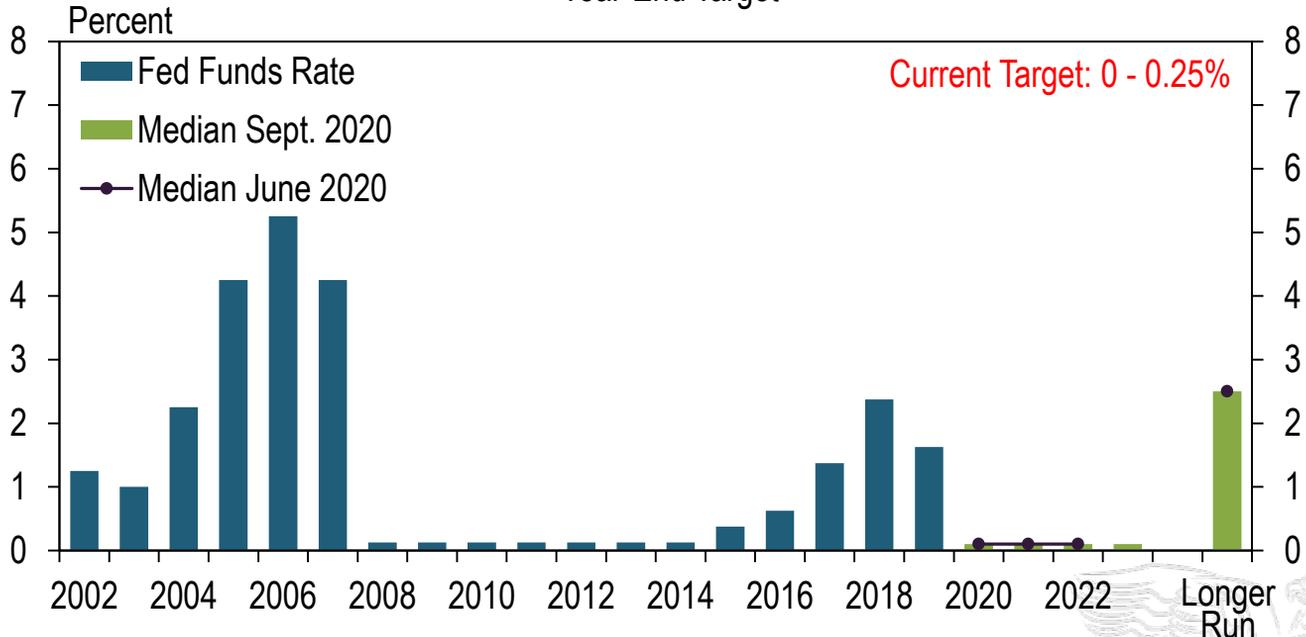
# Poll: How much time do you anticipate will be necessary for business activity at your firm to return to the level of activity that existed prior to the emergence of COVID-19?

July 15, 2020 Economic Forum Poll Results



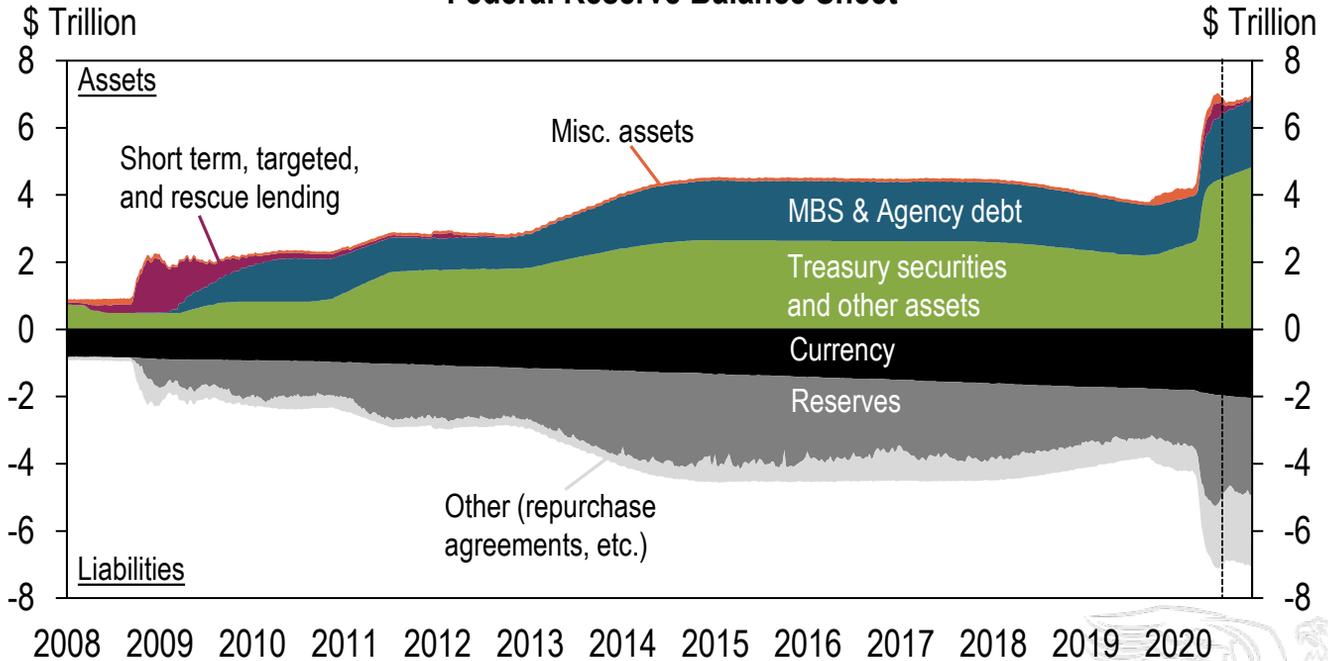
# Sept FOMC: “the [FOMC] decided to...maintain this target range until...maximum empl. and inflation...is on track.”

Federal Funds Rate  
Year-End Target



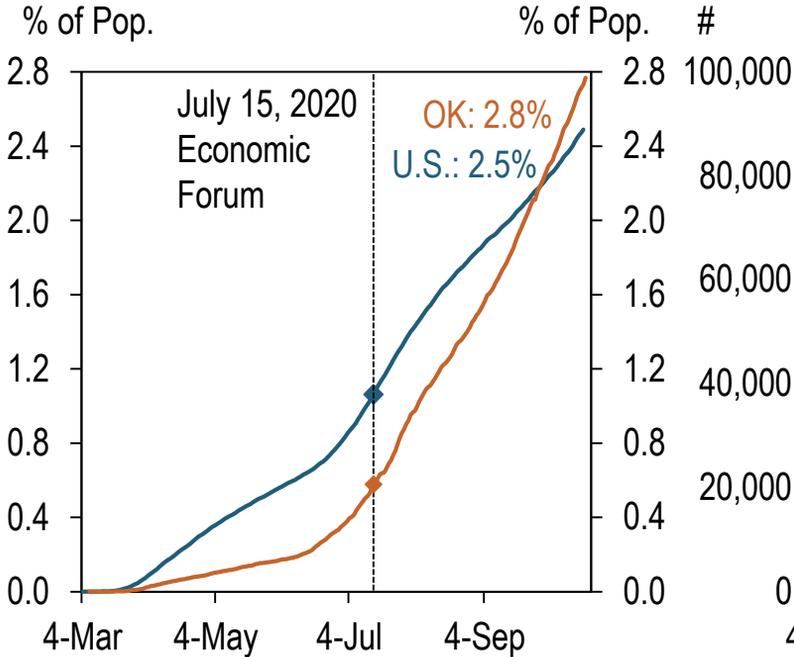
# Sept FOMC: “The [Fed] will increase its holdings...to sustain...the flow of credit to households and businesses”

Federal Reserve Balance Sheet

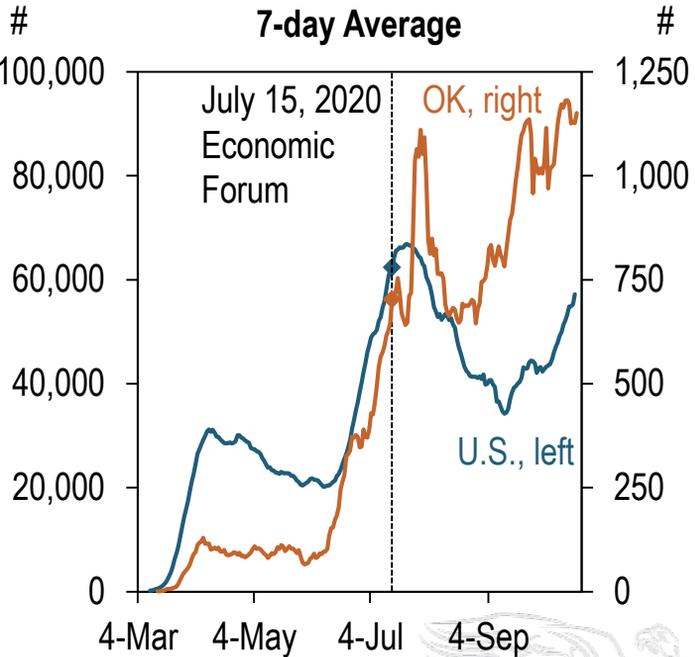


# COVID-19 initially spread less in Oklahoma, but then new cases outpaced the U.S. and still remain higher

**Confirmed Cases**

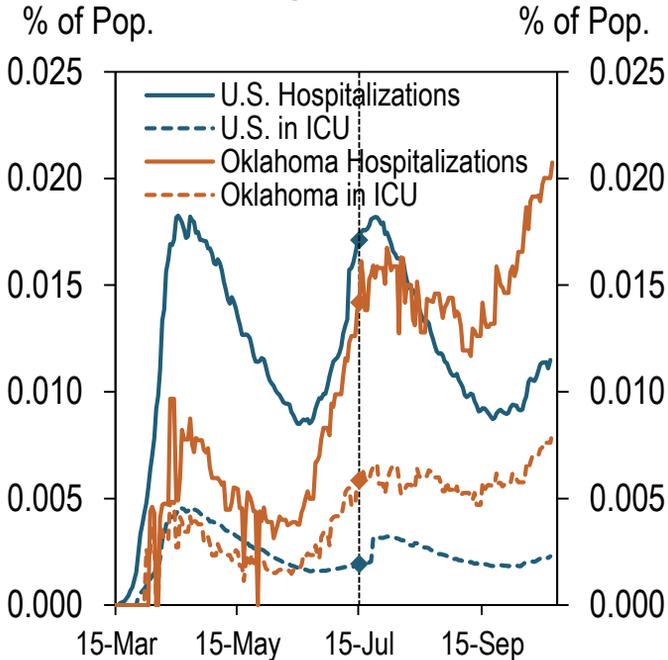


**Number of New Cases  
7-day Average**

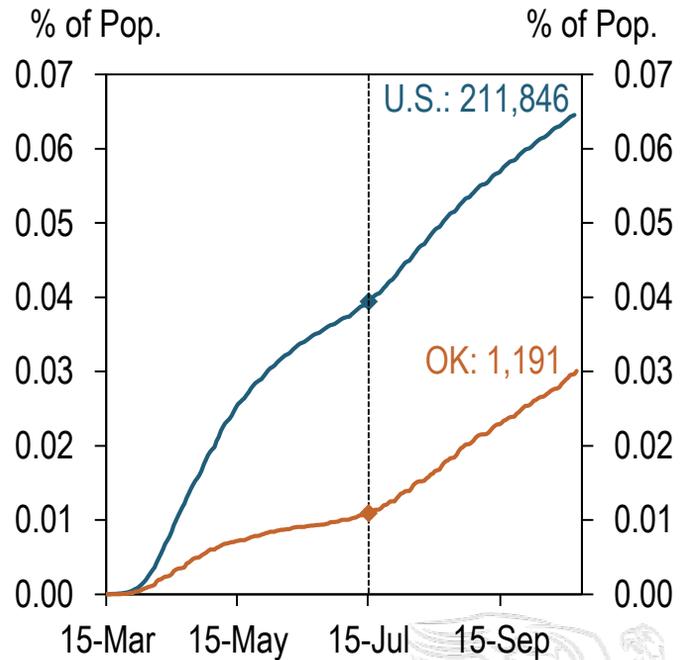


# As a share of the population, COVID-19 hospitalizations and ICU patients are higher in OK, but deaths are lower

### Current Hospitalizations & ICU

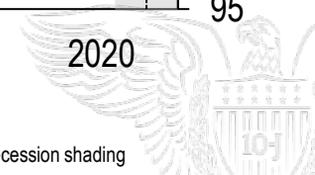
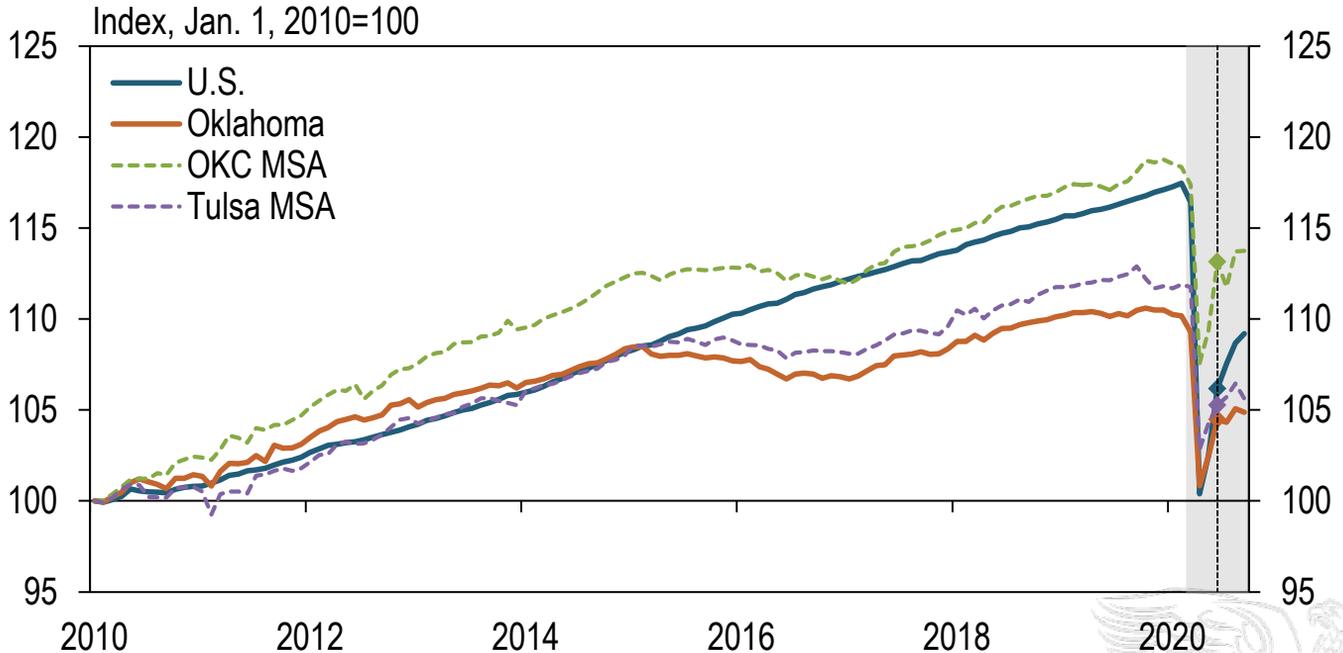


### COVID-19 Deaths



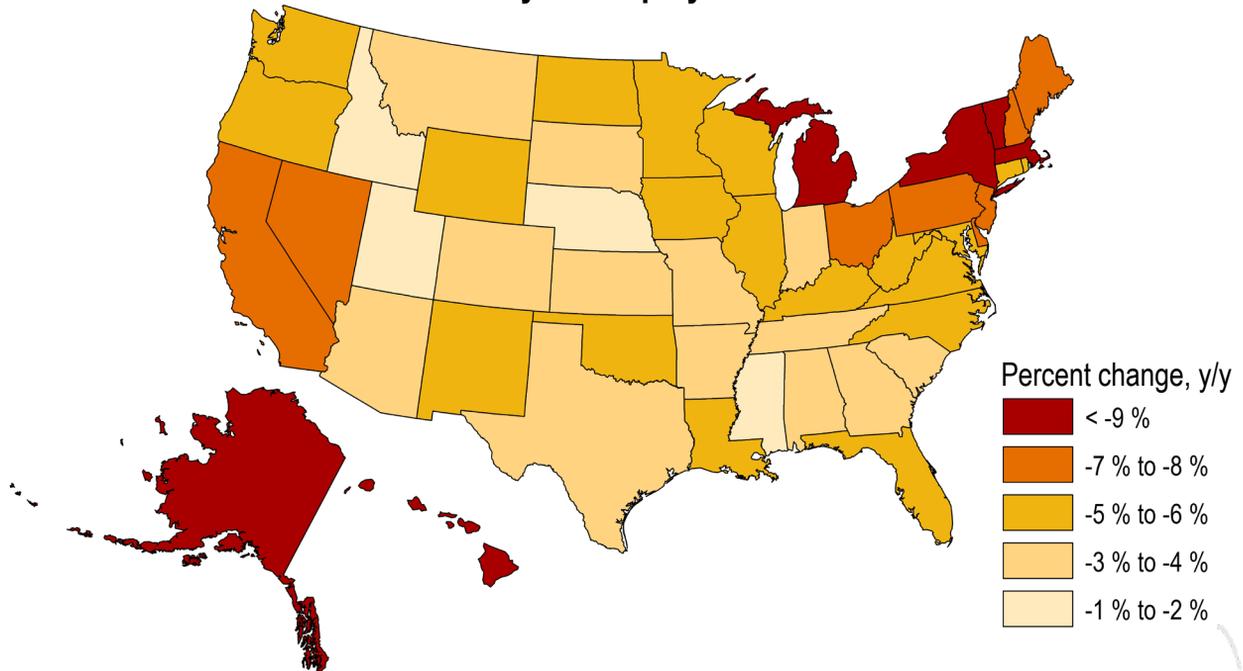
# 10 years of U.S. and Oklahoma job growth were lost in March/April, but there has been some recovery since

Nonfarm Payroll Employment Growth



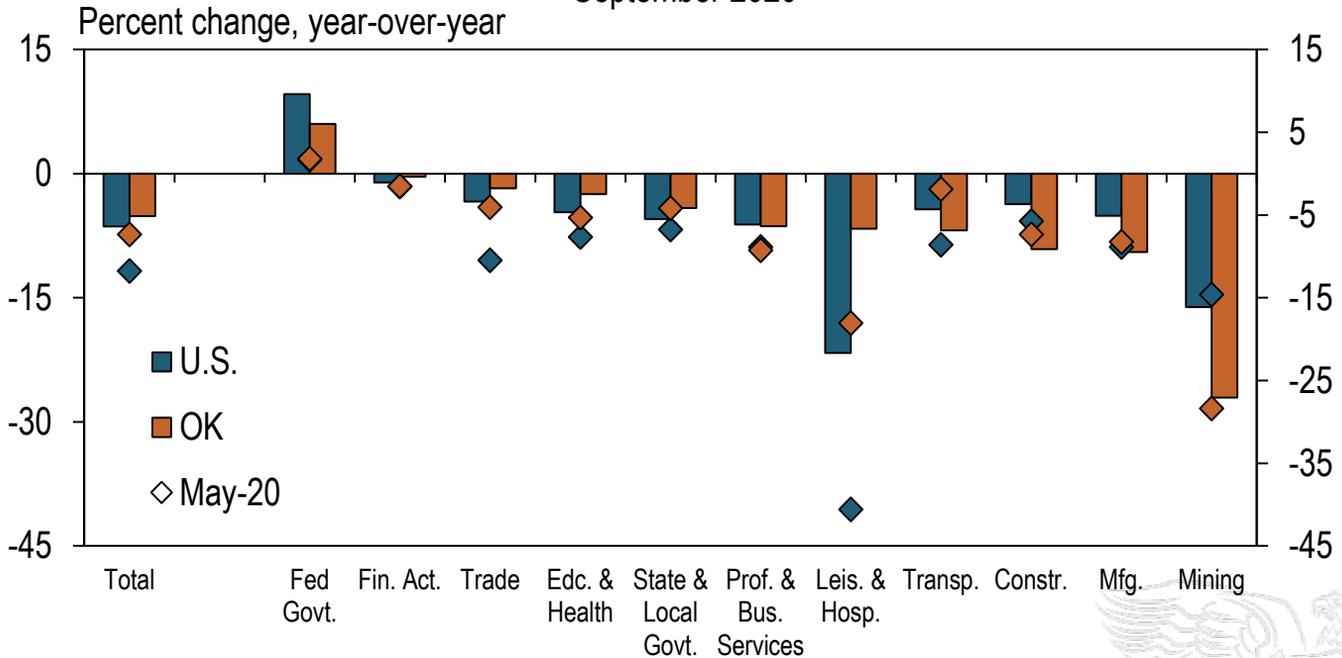
# Oklahoma's year-over-year drop in employment was less than some areas in September, though still over 5%

Nonfarm Payroll Employment Growth



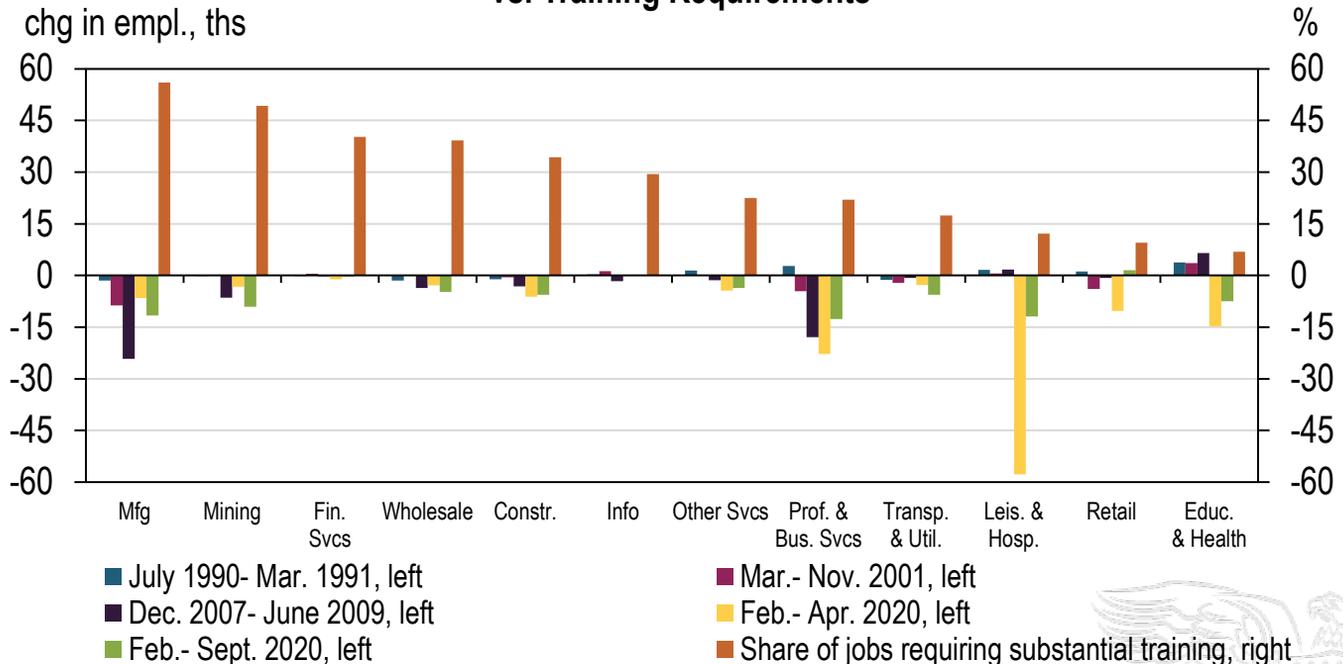
# Oklahoma's jobs recovery has stalled in energy, manufacturing, construction, and transportation

Job Growth by Industry  
September 2020



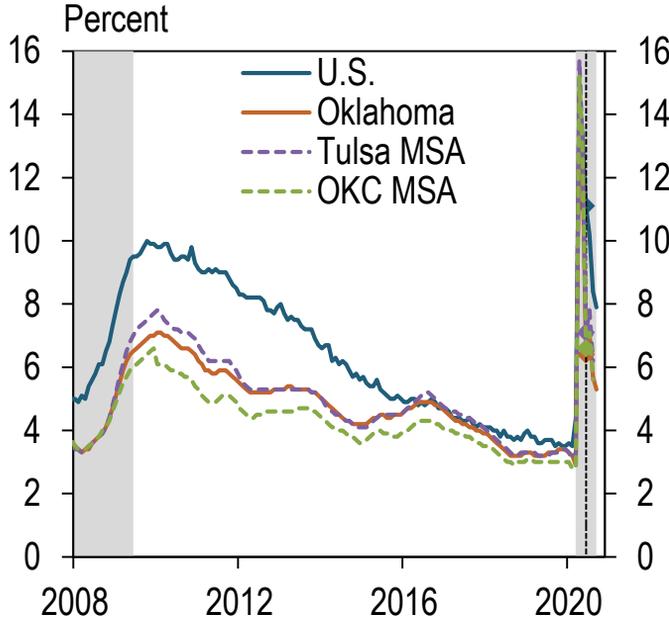
# Job losses in previous recessions were concentrated in occupations with more on-the-job training requirements

## Oklahoma Recession Job Losses vs. Training Requirements

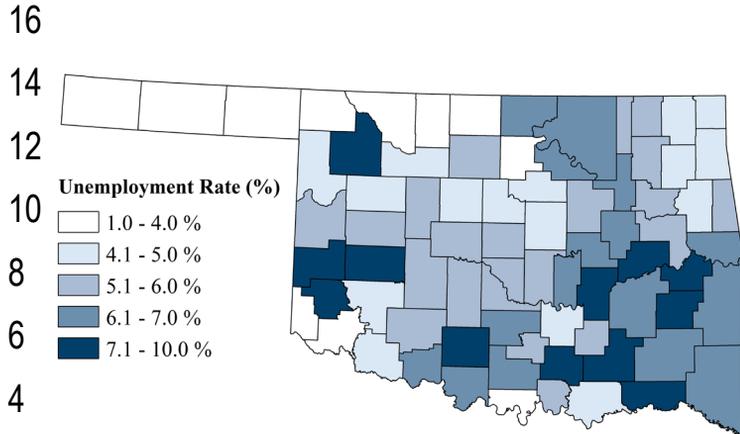


# OK unemployment decreased to 5.3% in September, lower than the U.S. rate of 7.9%

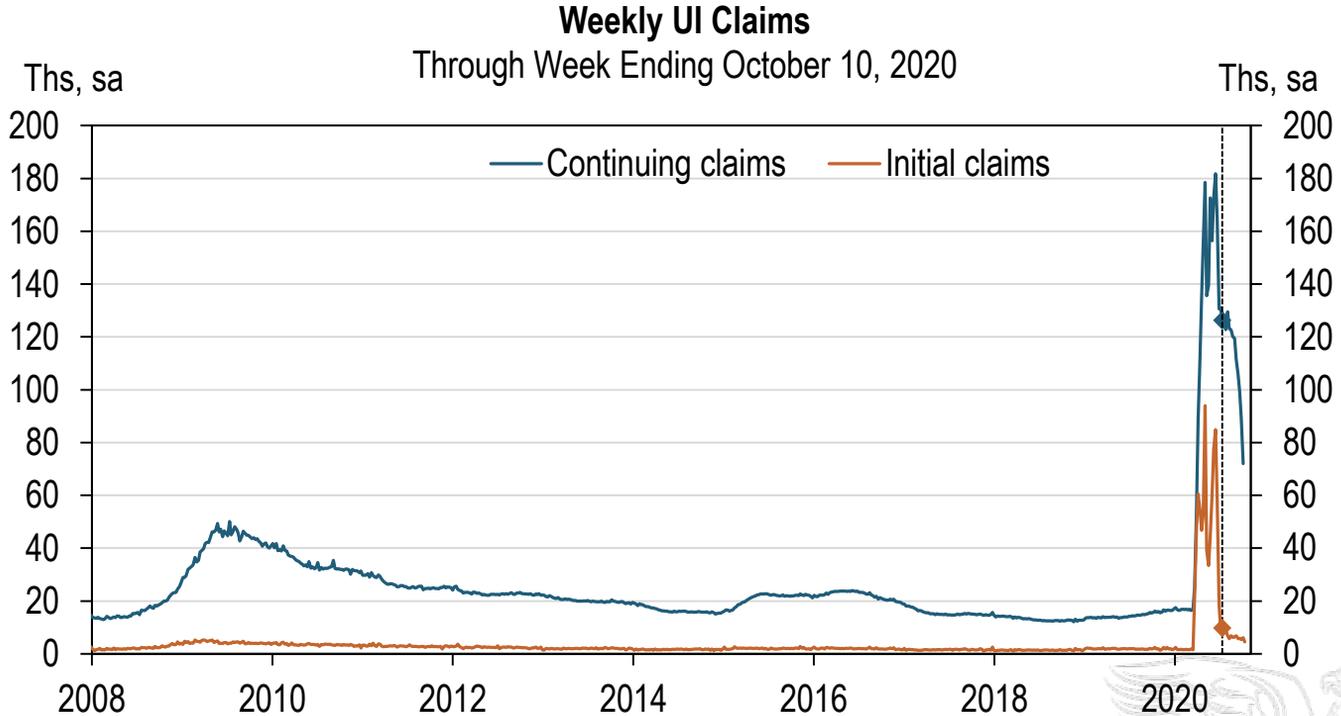
**Unemployment Rates**  
Seasonally Adjusted



**County Unemployment Rates**  
Seasonally Adjusted



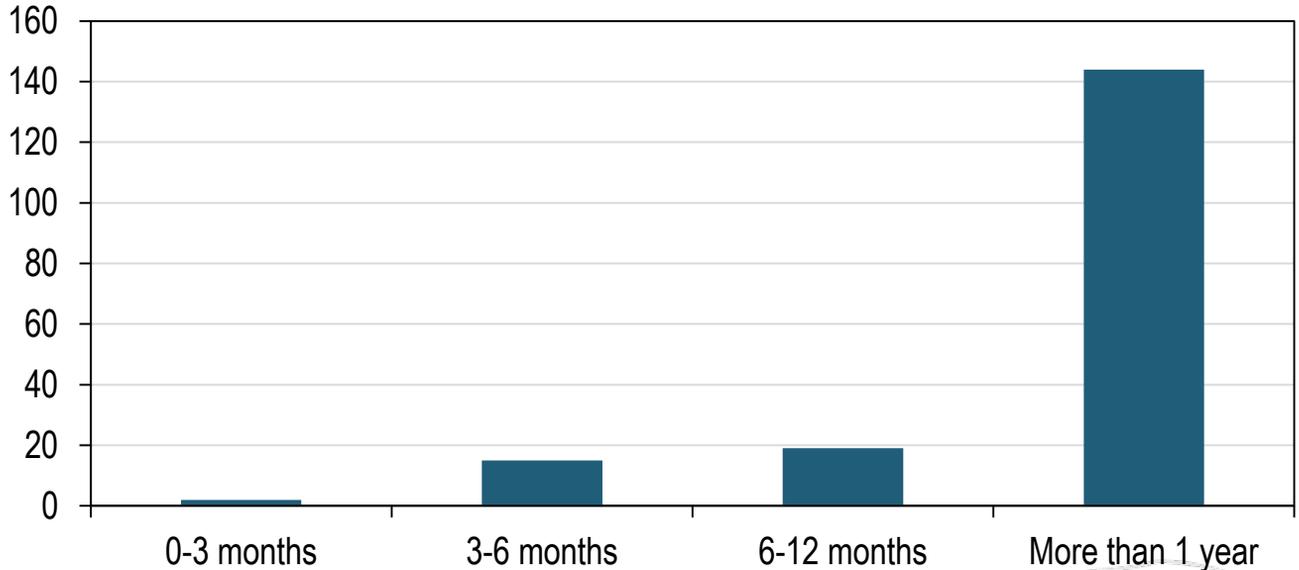
# New and continuing state UI claims have continued to come down since June but remain historically high



# Poll: If current revenues were to continue how long could your firm survive?

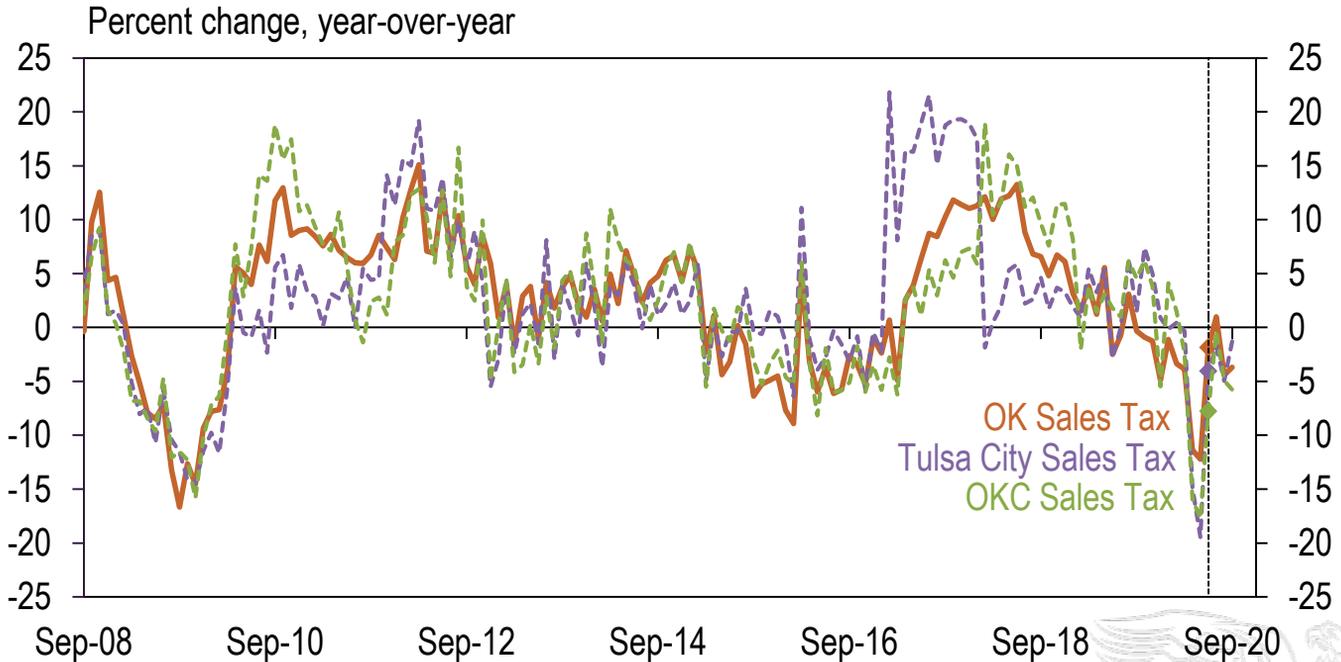
July 15, 2020 Economic Forum Poll Results

# of Responses



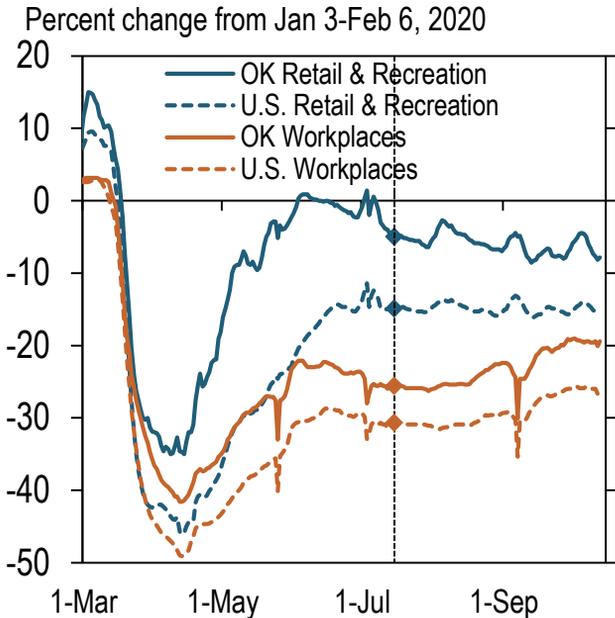
# State and city sales tax receipts were lower again in September after rebounding some over the summer

## Oklahoma Monthly Tax Revenues

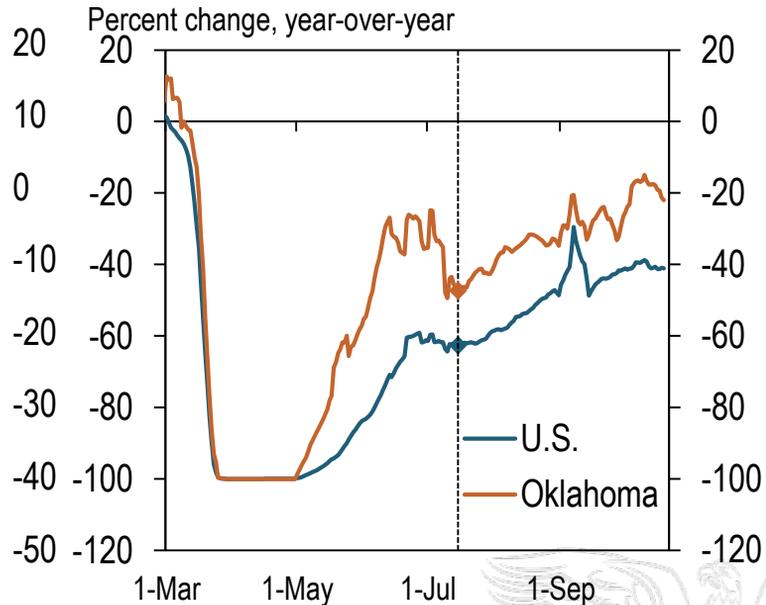


# Foot traffic at Oklahoma businesses rose steadily through mid-June, but remains below pre-COVID levels

Google Mobility Data



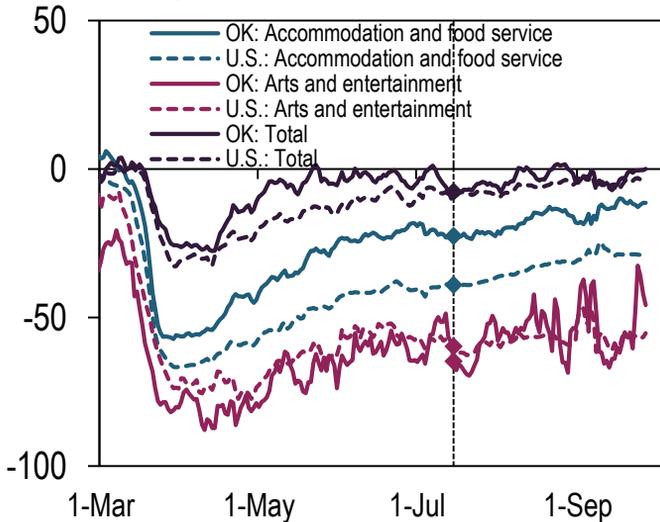
Seated Diners at Restaurants  
7-day Average



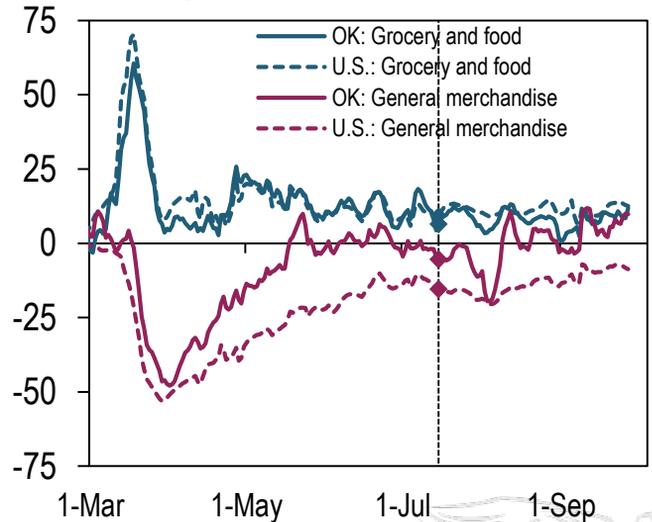
# Consumer spending has remained around pre-COVID levels despite less hospitality & entertainment spending

## Oklahoma vs. U.S. Consumer Spending

Percent change, from Jan. 2020

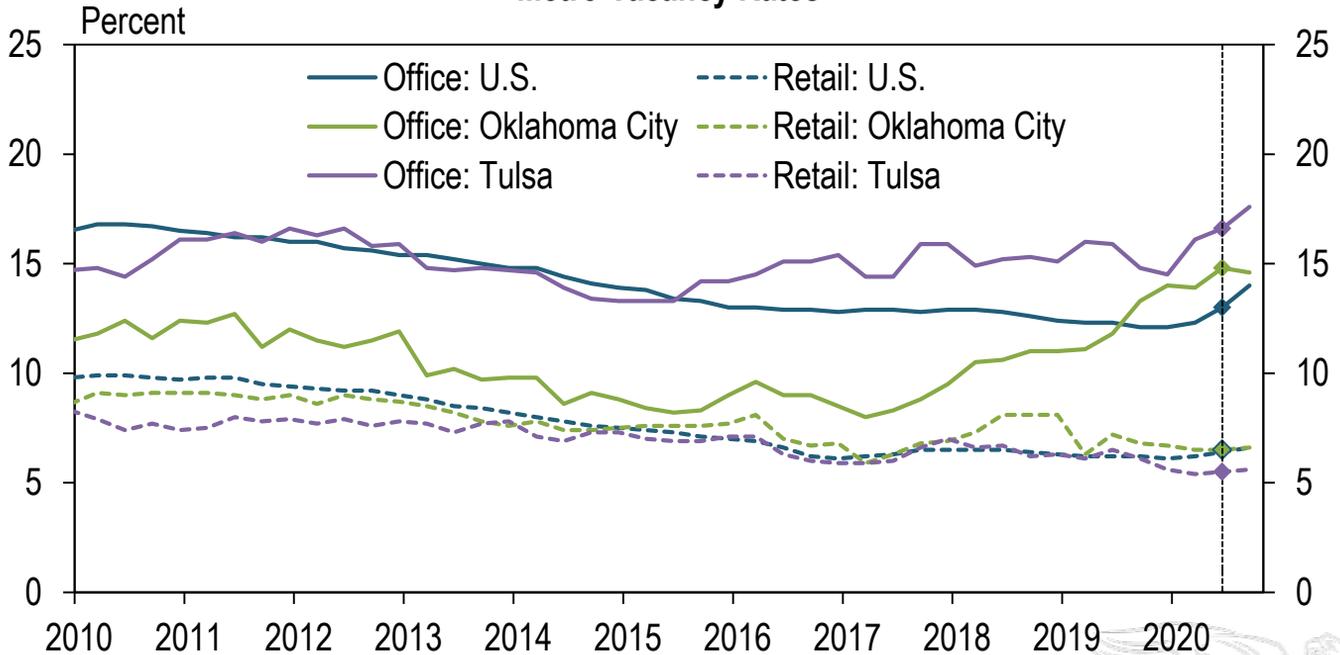


Percent change, from Jan. 2020



# Energy city office markets were already struggling before COVID, but retail vacancy was still low in Q3

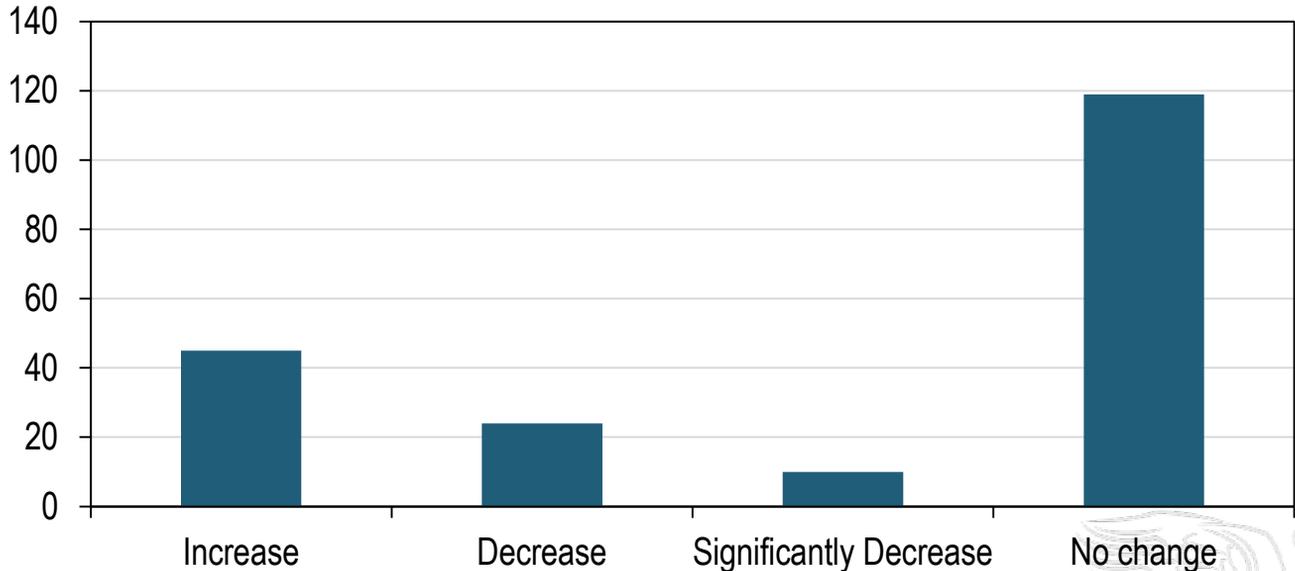
Metro Vacancy Rates



# Poll: Over the medium term (1-2 years), how do you anticipate your firm's need for physical infrastructure (e.g., real estate, office space, etc.) will change?

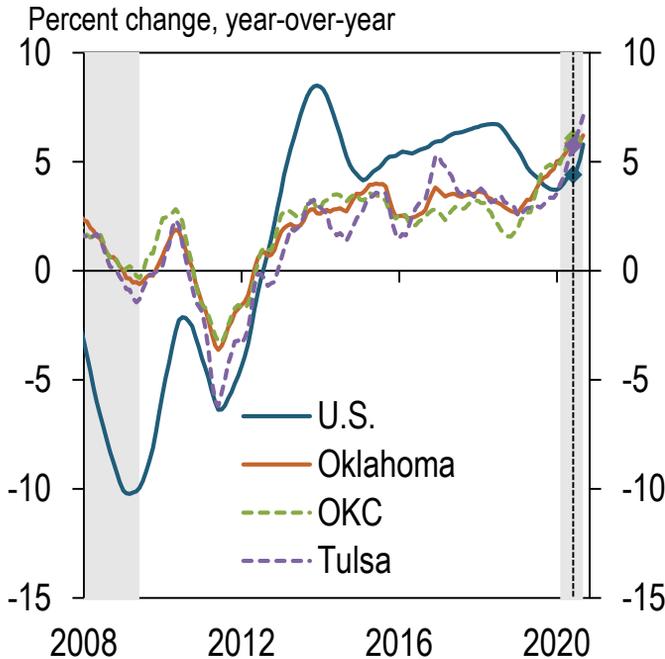
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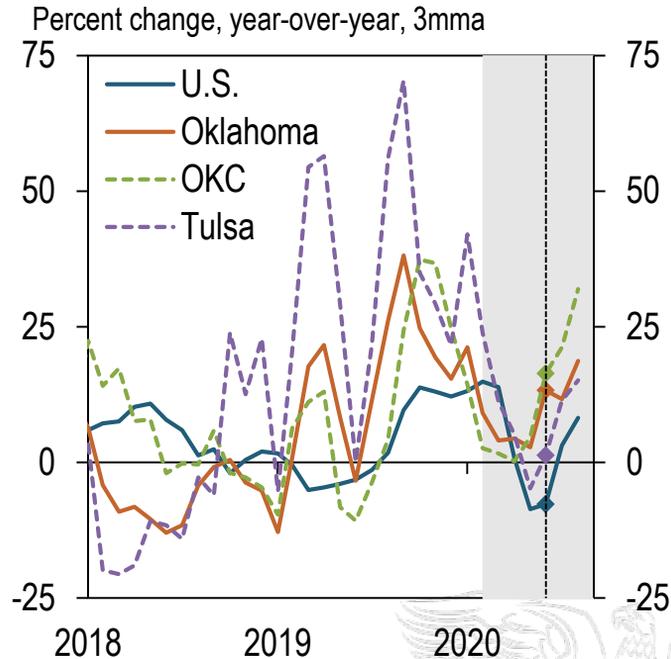


# Through August, housing prices and new building permits in OK continued to rise faster than the U.S.

## Housing Price Index

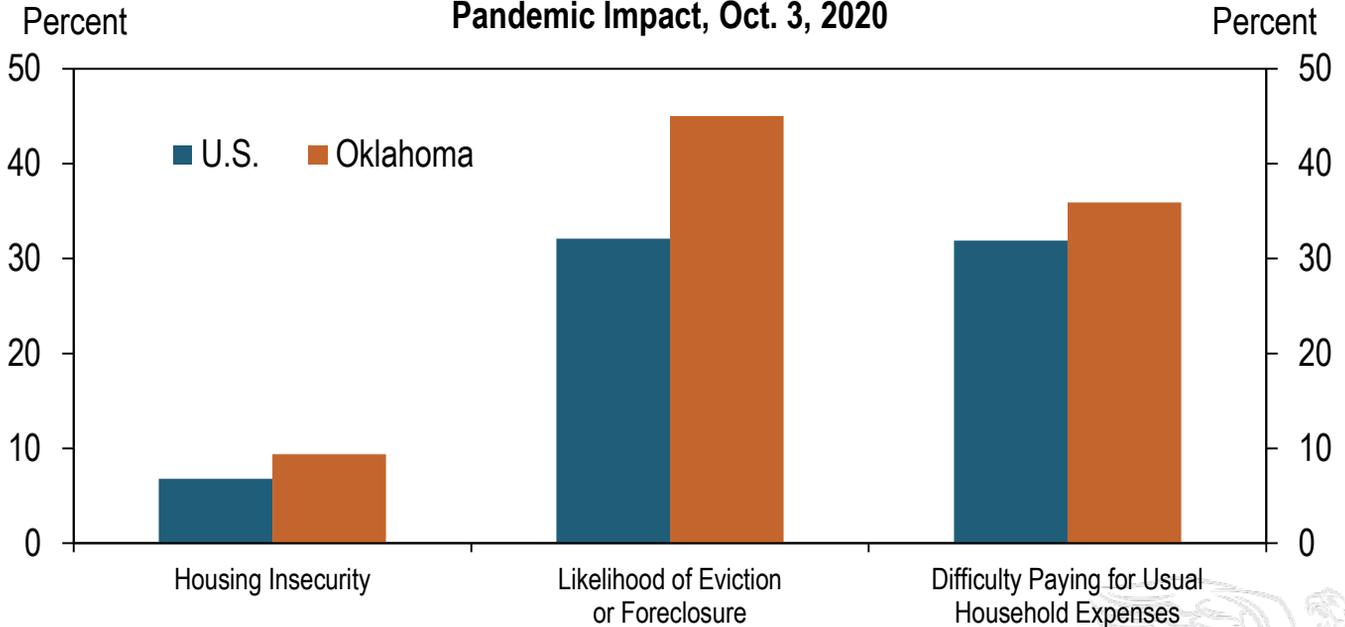


## New Housing Permits



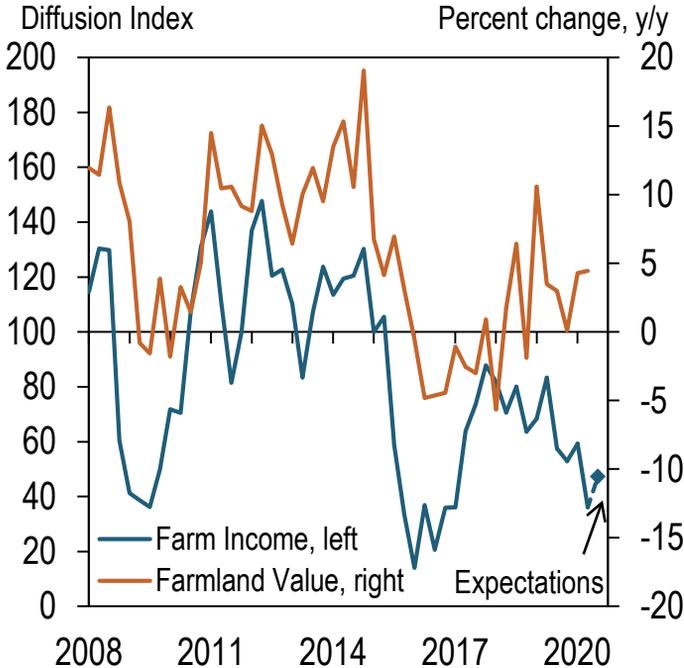
# But a higher share of Oklahomans are having difficulty paying household expenses and are at risk of eviction

Household Pulse Survey  
 Pandemic Impact, Oct. 3, 2020

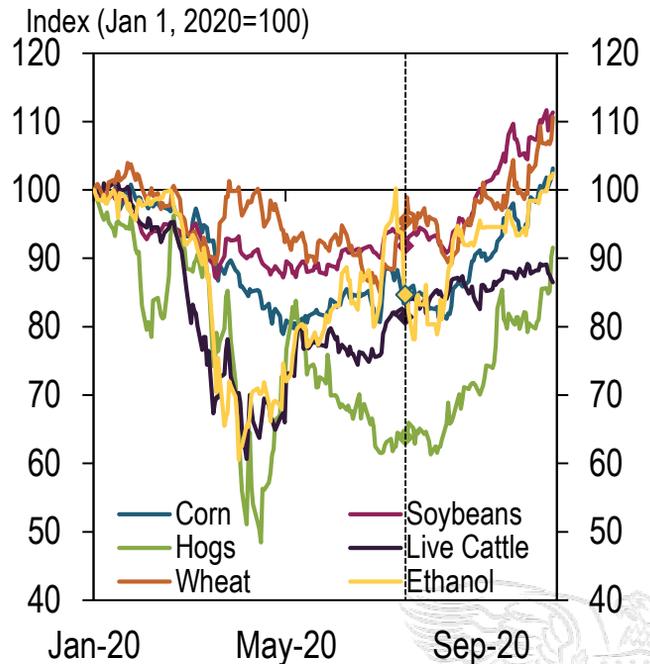


# State ag incomes remained depressed through the summer, but grain prices have rebounded considerably

## Oklahoma Farm Income and Farmland Values

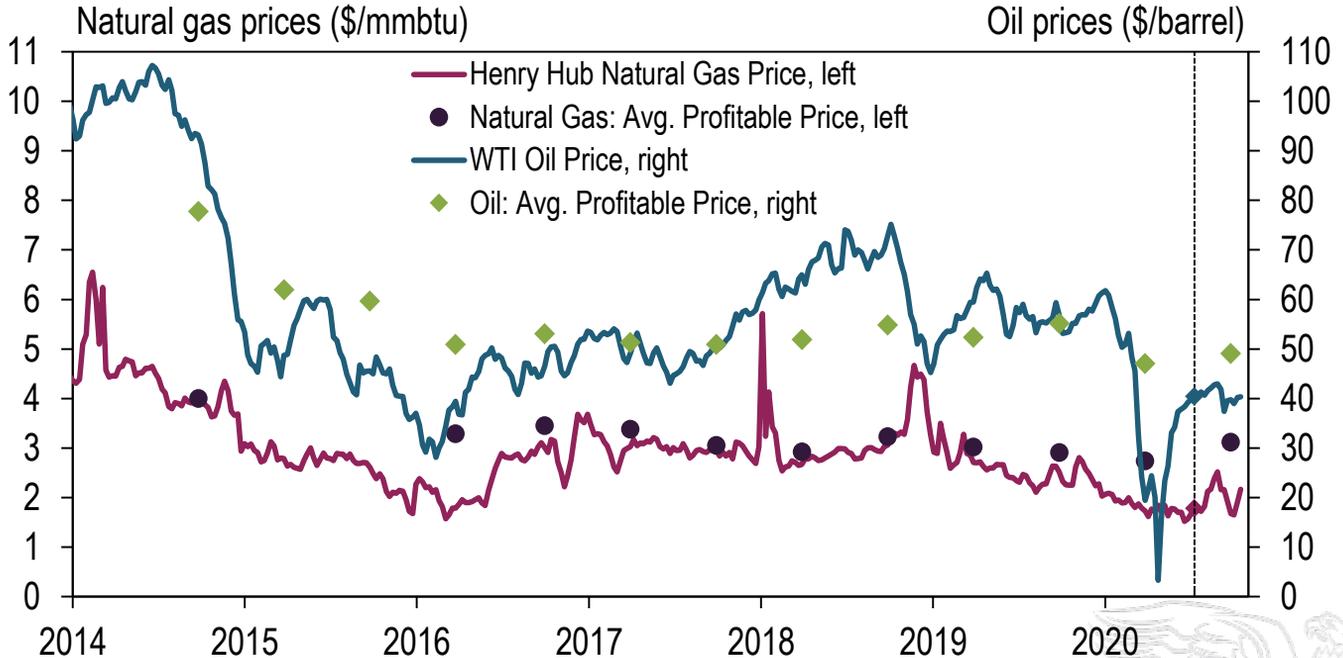


## Commodity Prices



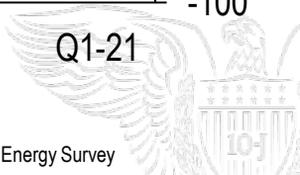
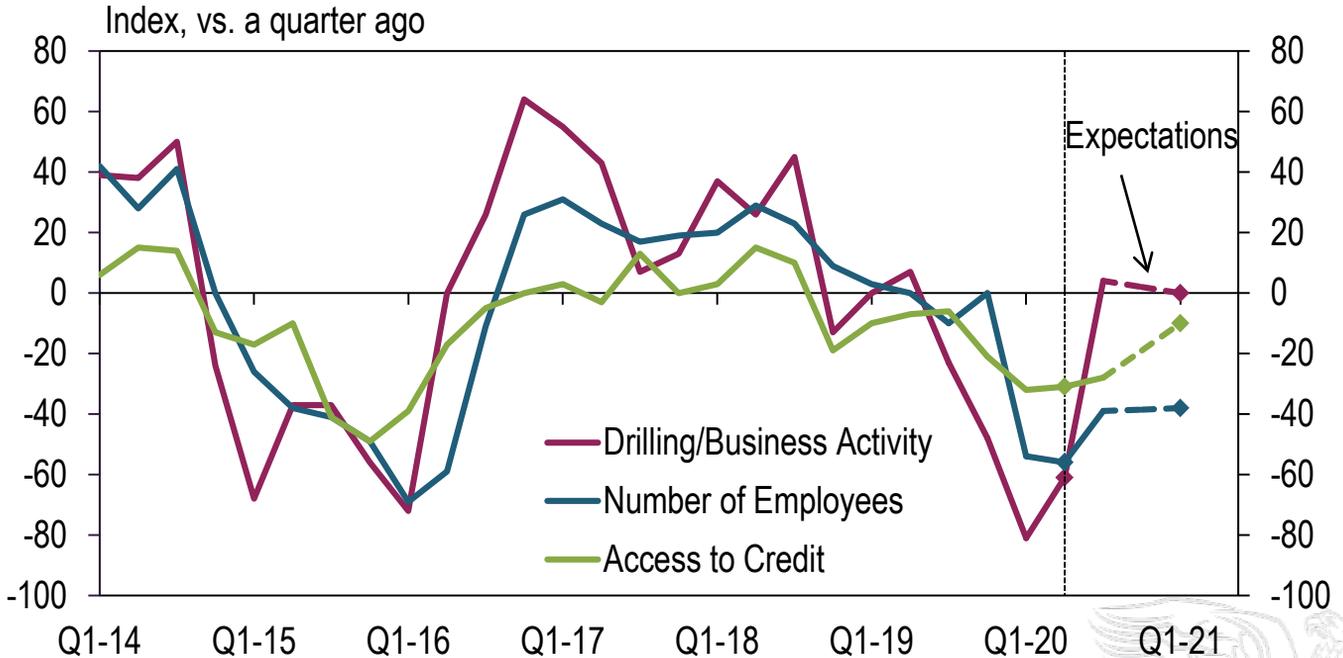
# Energy prices have been stable since summer but still below profitable levels according to most firms

## Oil & Natural Gas Profitability and Prices



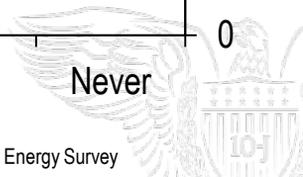
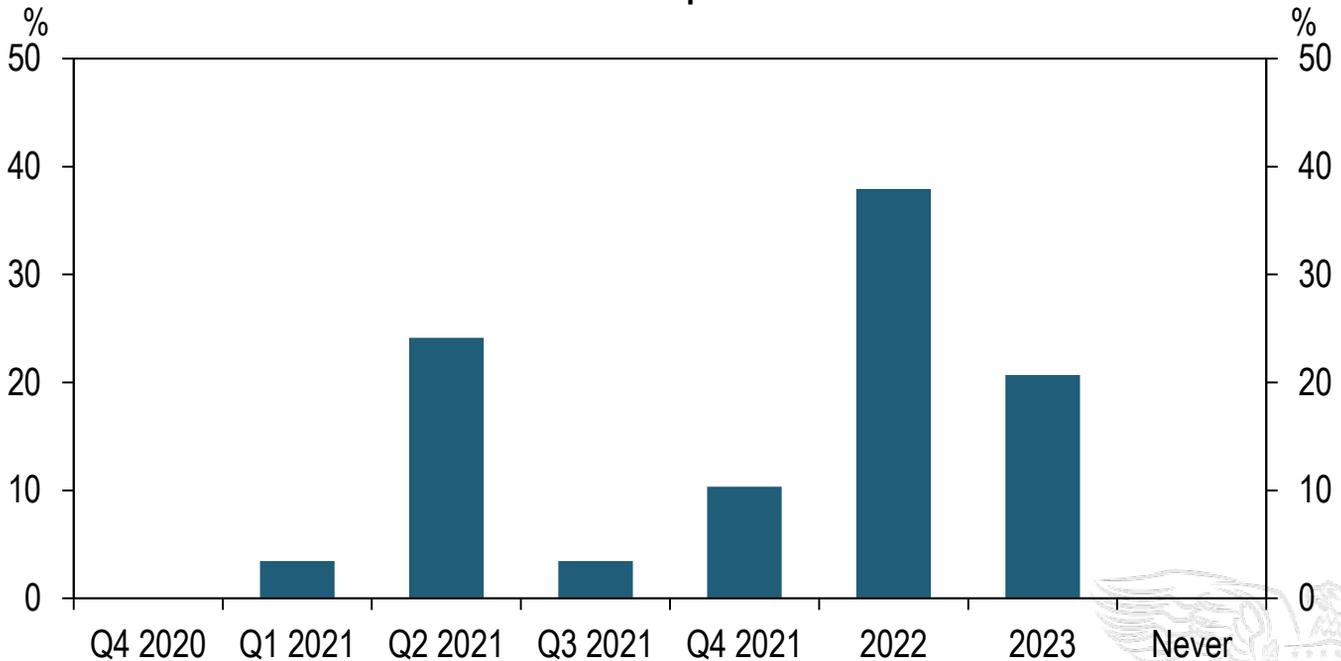
# The KC Fed's quarterly energy survey, released Oct 9, showed stabilization in activity but not in jobs

## Kansas City Fed Energy Indexes



# A quarter of firms expect global oil demand to rebound by next summer, but 60% expect it to take a few years

FRBKC Q3 2020 Energy Special Question: When does your firm expect global oil demand to return to pre-COVID levels?



# **New Poll Question: What longer-term changes do you expect for your business after risks from the pandemic dissipate?**

- **Increase in Labor Force**
- **Decrease in Labor Force**
- **Permanent changes in scheduling**
- **Continual Health Screening for Workforce**
- **Implementation of permanent work from home policies (for at least some staff)**
- **Diversify suppliers**
- **Increased Need for physical space**
- **Decrease Need for physical space**
- **Move towards on-line**
- **Reduced Travel**



# Summary

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# Questions?

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