Overview

• Oklahoma’s economy slowed steadily in 2019 and by February no longer appeared to be growing at all, as weak energy activity spread to other sectors.

• Since then, COVID-19 and the Saudi-Russia oil price war have presented significant challenges for the state economy and unemployment has surged.

• But low initial unemployment, good banking conditions, and strong national policy response should help during the storm.
In Oklahoma, job growth slowed steadily in 2019 and was essentially flat by February 2020.
State energy job losses were steep by February, while employment across other sectors was mixed.

Job Growth by Industry
February 2020

Percent change, year-over-year

-21 -18 -15 -12 -9 -6 -3 0 3 6

TRANSP.  EDUC. & HEALTH  LEIS. & HOSP.  STATE & LOCAL GOVT.  FED GOVT.  FIN. ACT.  TRADE  PROF. & BUS. SERVICES  CONSTR.  MFG.  MINING

U.S.  OK

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
In March, COVID-19 hit the nation, and Oklahoma has followed.
However, our regional factory activity in March dropped to the lowest level since April 2009.
District services activity also fell sharply in March due to effects from COVID-19
And new claims for unemployment insurance surged past record highs in the second half of March.
Total March tax receipts were around year-ago levels, but OK sales taxes declined further and metro sales eased.
Oklahoma’s main difference from the nation in terms of industrial structure is its very sizable energy sector.

Industry Share of GDP, 2018

Percent of total GDP

<table>
<thead>
<tr>
<th>Industry</th>
<th>U.S.</th>
<th>Oklahoma</th>
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<tbody>
<tr>
<td>Govt.</td>
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Source: Bureau of Economic Analysis
In late March, regional energy firms expected drilling activity to keep declining, with more job cuts.

Source: FRBKC Energy Survey
Oklahoma’s percentage drop in rigs has been the largest among the top 8 oil- and gas-producing states.
Forecasts for world oil demand have weakened dramatically, following the coronavirus outbreak

World Petroleum Demand Forecasts

Sources: Energy Information Association Short-Term Energy Outlook, authors' calculations.
And Saudi Arabia and Russia’s planned increases in oil supply have made energy prices increasingly problematic.
Energy firms expect solvency issues to grow considerably if prices stay low very long

FRBKC Q1 2020 Energy Special Question: If the WTI price of oil were to stay at $30/bbl or $40/bbl for an extended period of time, what share of firms in your industry would remain solvent (in the time periods referenced below)?

EIA April 7 WTI forecast: $29.34/bbl in 2020, $41.12/bbl in 2021
Oklahoma’s overall unemployment rate was very low in February at just 3.2%
Additionally, banking conditions in Oklahoma remained good at the end of 2019, similar to in the nation.

![Graph of Share of Banks Not Making a Profit](image)

Source: FDIC
Summary

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Questions?

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