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.

- But low initial unemployment, good banking conditions, and strong national policy response will help during the storm.
In Oklahoma, job growth slowed steadily in 2019 and was essentially flat by February 2020.

Nonfarm Payroll Employment Growth

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
State and local tax receipts were also around year-ago levels in February, after slowing steadily the past year.
State energy job losses were steep by February, while employment across other sectors was mixed.
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 China trade deal: Mfg: positive
- USMCA signing: Svcs: positive
- Brexit completion: Mfg: negative
- Grounding of 737 MAX: Svcs: negative
- Iran/Middle East attacks: Mfg: positive
- Coronavirus: Svcs: negative

Source: FRBKC Surveys
Our Fed District and Oklahoma are mostly less exposed to trade, China, and travel compared with the nation.

Goods Exports, 2018

- Exports Share of GDP
- Share of Exports to China

Air travel and tourism industries’ share of GDP, 2017

- Accommodation
- Arts, entertainment, & recreation
- Air transportation
- Other transportation equip. mfg.

Sources: Bureau of Economic Analysis, U.S. Census Bureau, WISERTrade
However, regional factory activity in March dropped to the lowest level since April 2009.

Manufacturing Composite Index

Sources: FRBKC Surveys, ISM, NBER recession shading
Services activity also fell sharply in March due to effects from COVID-19

Sources: FRBKC Surveys, ISM
And new claims for unemployment insurance surged past record highs in March.
Many firms also anticipated further negative effects from COVID-19 on activity moving forward

FRBKC March Surveys Special Question: How has the Coronavirus (COVID-19) outbreak and recent market volatility changed your firm's outlook for 2020?
Oklahoma’s main difference from the nation in terms of industrial structure is its very sizable energy sector.
In late December, regional energy firms expected drilling activity to drop further, with continued job cuts.

Kansas City Fed Energy Indexes

Index, vs. a year ago

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

Drilling/Business Activity

Number of Employees

Expectations

Source: FRBKC Energy Survey
Since then, forecasts for world oil demand have weakened, following the coronavirus outbreak.
And Saudi Arabia and Russia’s planned increases in oil supply have made energy prices increasingly problematic.

Oil & Natural Gas Profitability and Prices

Natural gas prices ($/mmbtu) vs. Oil prices ($/barrel)

- Henry Hub, left
- Natural Gas: Avg. Profitable Price, left
- WTI, right
- Oil: Avg. Profitable Price, right

Sources: EIA, FRBKC Energy Survey
Oklahoma’s percentage drop in rigs has been the largest among the top 8 oil- and gas-producing states.

March 27, 2020 Rig Count Change from a Year Ago

Source: Baker Hughes/Haver Analytics
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.
Summary

• 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.

• But low initial unemployment, good banking conditions, and strong national policy response will help during the storm.
Questions?

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