Oklahoma Economic Snapshot

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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.*
Overview

• Oklahoma’s economy slowed steadily in 2019 and turned slightly negative by mid-March

• Since then, COVID-19 and the collapse in oil prices 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 slightly negative in February and mid-March.

Note: March BLS establishment and household surveys ran March 8-14.

State energy job losses were steep by mid-March, and employment across other sectors was mixed.

Job Growth by Industry
March 2020

Percent change, year-over-year

Note: March BLS establishment and household surveys ran March 8-14.

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
Since then, cases of COVID-19 spread rapidly across the nation, and cases in Oklahoma have risen.

Source: The COVID Tracking Project
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

Sources: FRBKC Surveys, ISM
And new claims for unemployment insurance surged past record highs in late March and early April.

Weekly Initial UI Claims, Not Seasonally Adjusted
Through Week Ending April 11, 2020

Source: U.S. Department of Labor
Total March tax receipts were around year-ago levels, but OK sales taxes declined further and city sales eased.

Source: OK Tax Commission
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

Source: Bureau of Economic Analysis
In late March, regional energy firms expected drilling activity to keep declining, with more job cuts.

Kansas City Fed Energy Indexes

Index, vs. a year ago

Drilling/Business Activity

Number of Employees

Expectations

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

Source: Baker Hughes/Haver Analytics
Forecasts for world oil demand have weakened dramatically, following the coronavirus outbreak.

**World Petroleum Demand Forecasts**

- **January 14, 2020**
- **February 11, 2020**
- **March 11, 2020**
- **April 7, 2020**

Sources: Energy Information Association Short-Term Energy Outlook, authors' calculations.
Even with the planned OPEC+ supply cuts, energy prices remain problematic

Sources: EIA, FRBKC Energy Survey
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

Sources: EIA, FRBKC Energy Survey
Oklahoma’s overall unemployment rate was still very low when measured March 8-14, at just 3.1%
Additionally, banking conditions in Oklahoma remained good at the end of 2019, similar to in the nation.
Oklahoma’s economy slowed steadily in 2019 and turned slightly negative in early March.

Since then, COVID-19 and the collapse in oil prices 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.

Summary
Questions?

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