Oklahoma Economic Snapshot

Updated: April 27, 2020

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Vice President and Oklahoma City Branch Executive

*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.

Nonfarm Payroll Employment Growth

Percent change, year-over-year

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

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
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

- Transp. Fed Govt.
- State & Local Govt.
- Educ. & Health
- Trade
- Prof. & Bus. Services
- Constr.
- Mfg.
- Mining

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.

**Confirmed Cases**

- U.S.: US: 0.29%
- Oklahoma: OK: 0.08%

**Cases on Log Scale**

Source: The COVID Tracking Project
Total March tax receipts were around year-ago levels, but OK sales taxes declined further and city sales eased.

Oklahoma Monthly Tax Revenues

Percent change, year-over-year

Source: OK Tax Commission
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 18, 2020

Source: U.S. Department of Labor
Regional factory activity in April fell to the lowest reading in survey history (since 1994)

Manufacturing Composite Index

Sources: FRBKC Surveys, ISM, NBER recession shading
District services activity also dropped further in April
Many firms reported taking advantage of the SBA PPP program and other emergency funds

FRBKC April Survey Special Question: Has your firm taken any measures listed below to cover shortfalls in revenues experienced as a result of the COVID-19 pandemic? (check all that apply)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Manufacturing</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtained a temporary reprieve on loan or rent payments</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Drawn down cash reserves</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Dipped into savings/personal funds</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Made increased use of a credit line or taken out a new loan</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>SBA EIDL program</td>
<td>70%</td>
<td>70%</td>
</tr>
<tr>
<td>SBA PPP program</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>No actions</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: FRBKC Surveys
Many firms also reported employment changes in response to coronavirus

FRBKC April Survey Special Question: What steps regarding employment has your firm taken in response to COVID-19? (check all that apply)

Source: FRBKC Surveys
Around 20.2% of Oklahoma workers are employed in sectors directly affected by COVID-19 shutdowns

Share of Employment in Most Exposed Sectors by State

Sectors:
- Restaurants and Bars
- Travel and Transportation
- Entertainment (e.g., casinos and amusement parks)
- Personal Services (e.g., dentists, daycare providers, barbers)
- Other Sensitive Retail (e.g., department stores and car dealers)
- Sensitive Manufacturing (e.g., aircraft and car manufacturing)

Oklahoma’s main difference from the nation in terms of industrial structure is its very sizable energy sector.
In late March, regional energy firms expected drilling activity to keep declining, with more job cuts.
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.
Even with the planned OPEC+ supply cuts, energy prices remain extremely problematic.

**Oil & Natural Gas Profitability and Prices**

- **Natural gas prices ($/mmbtu)**
- **Oil prices ($/barrel)**

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

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.
Summary

• Oklahoma’s economy slowed steadily in 2019 and turned slightly negative in early March

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Questions?

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