

Oklahoma Economic Snapshot

Updated: June 12, 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.

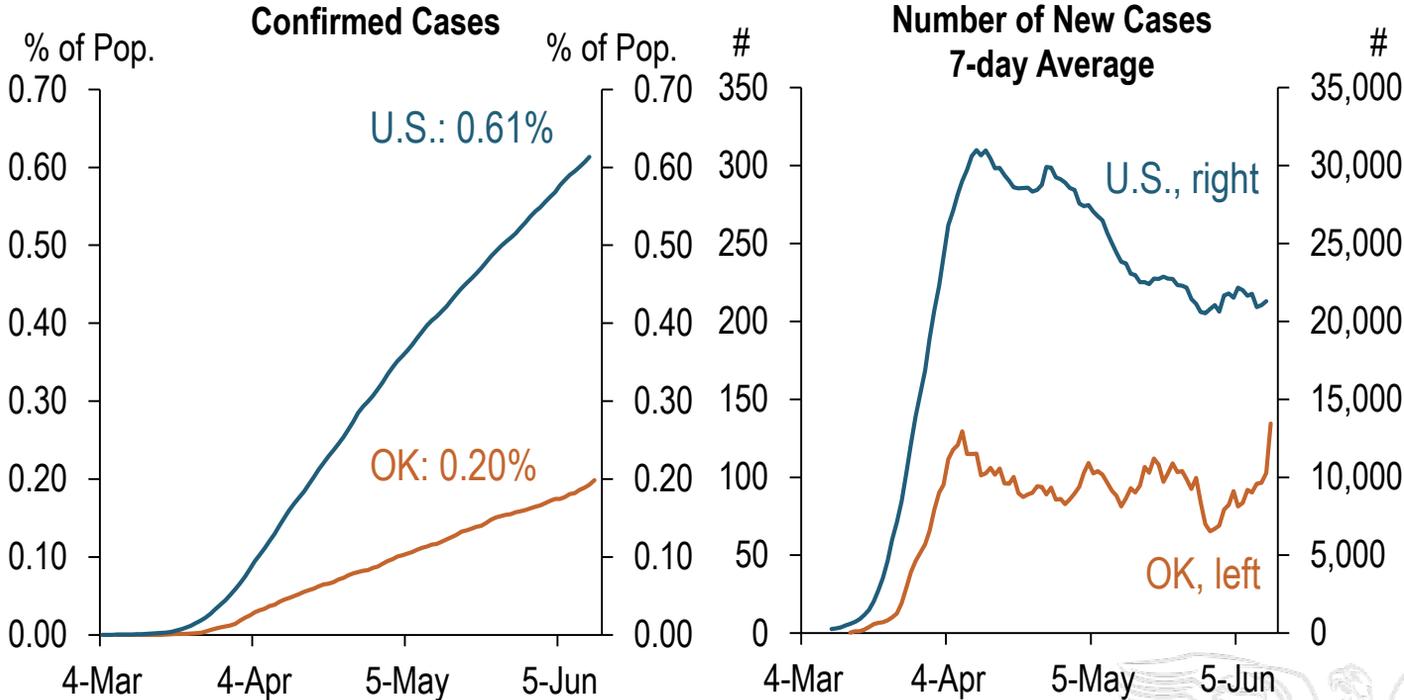


Overview

- Since March, COVID-19 and the collapse in commodity prices have presented significant challenges for the state and U.S. economies.
- Oklahoma employment has fallen sharply, especially in hospitality and energy, while tax collections have dropped, and many businesses worry about survival.
- However, state economic activity is starting to pick up and a strong national policy response should help.

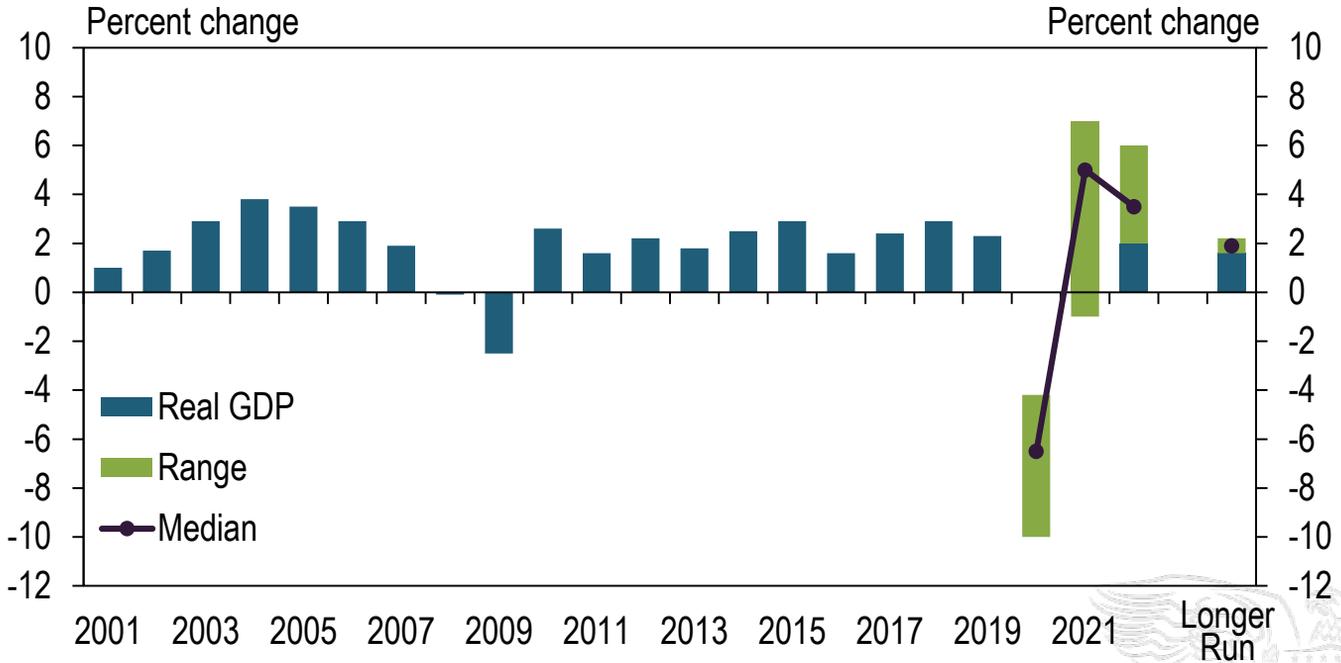


Since March, cases of COVID-19 spread rapidly across the nation, and cases in Oklahoma have risen recently



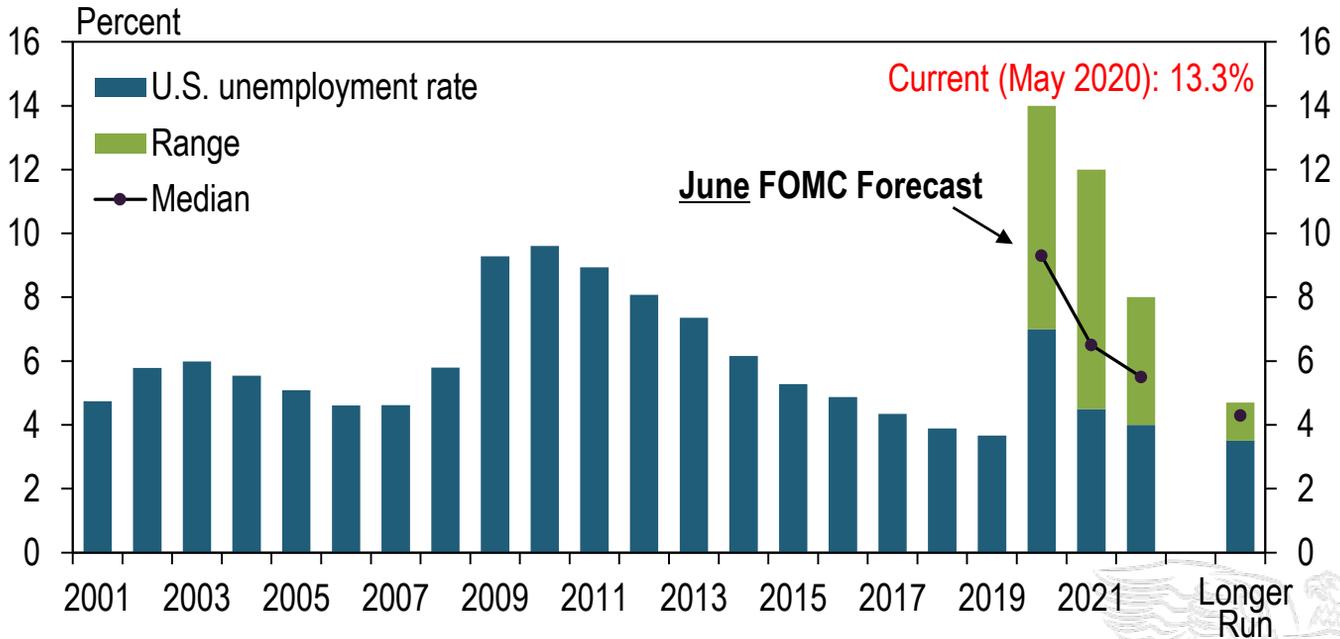
June FOMC: “The ongoing public health crisis will weigh heavily on economic activity... in the near term.”

Change in Real GDP



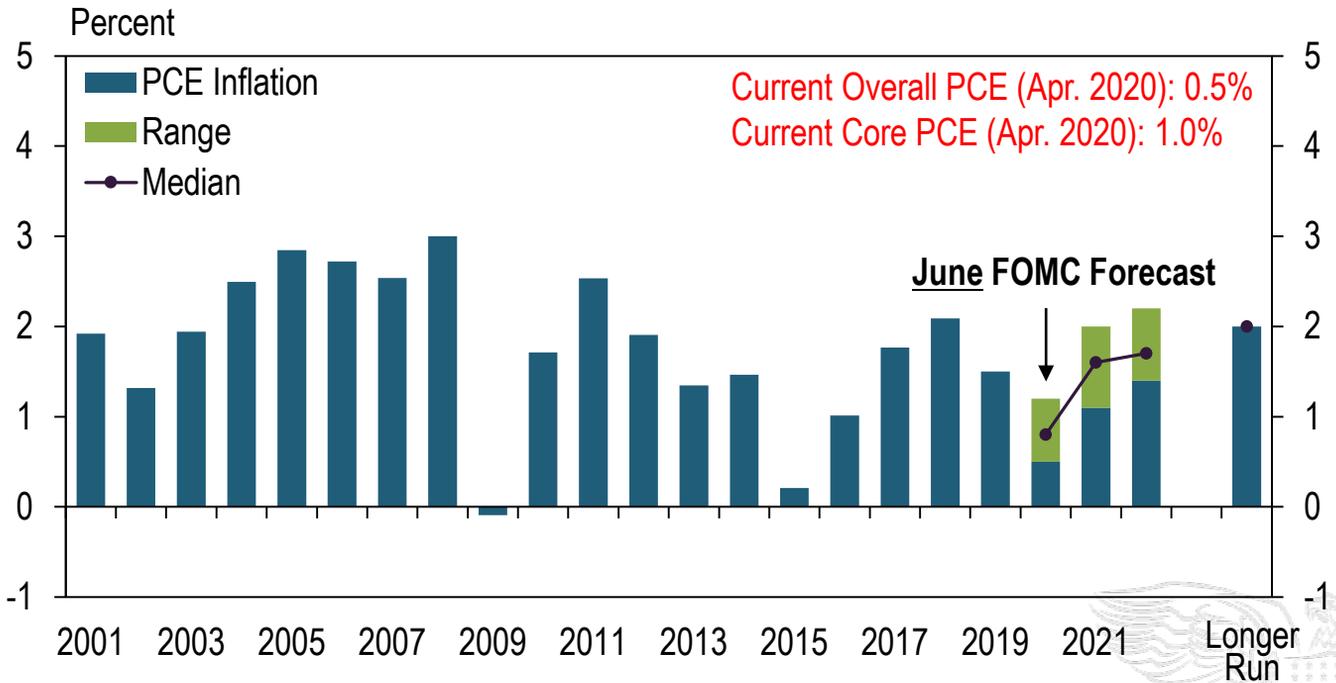
June FOMC: “The virus and the measures taken to protect public health have induced...a surge in job losses.”

U.S. Unemployment Rate



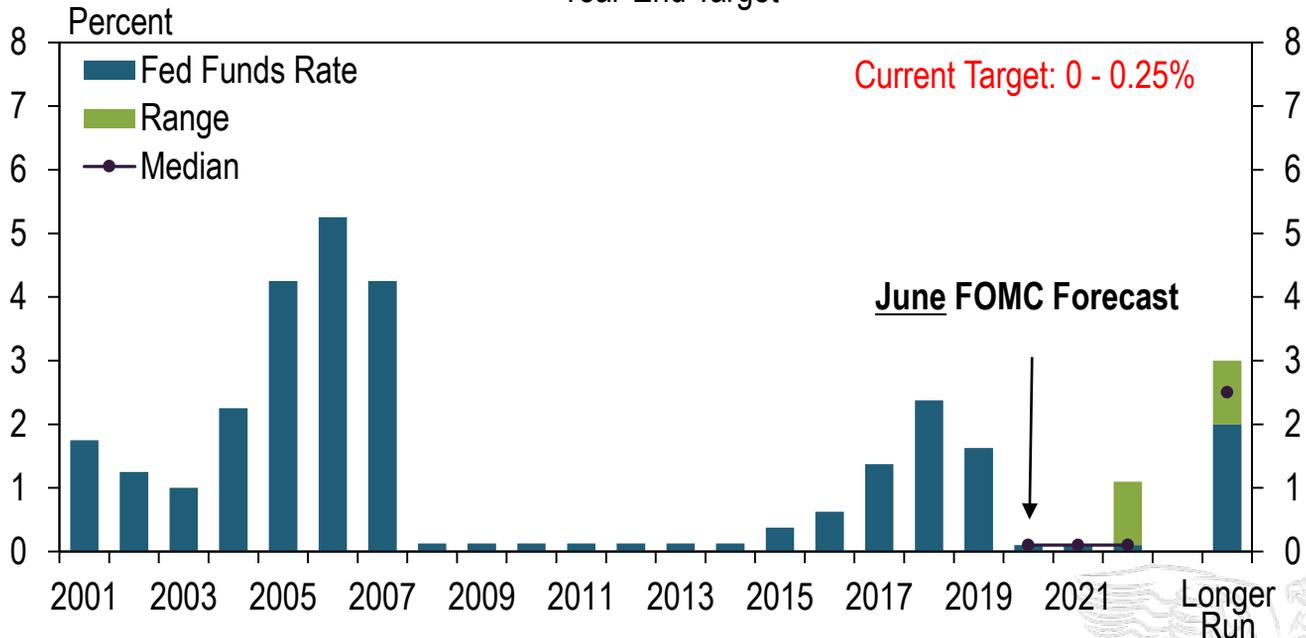
June FOMC: “Weaker demand and significantly lower oil prices are holding down consumer price inflation.”

PCE Inflation Index



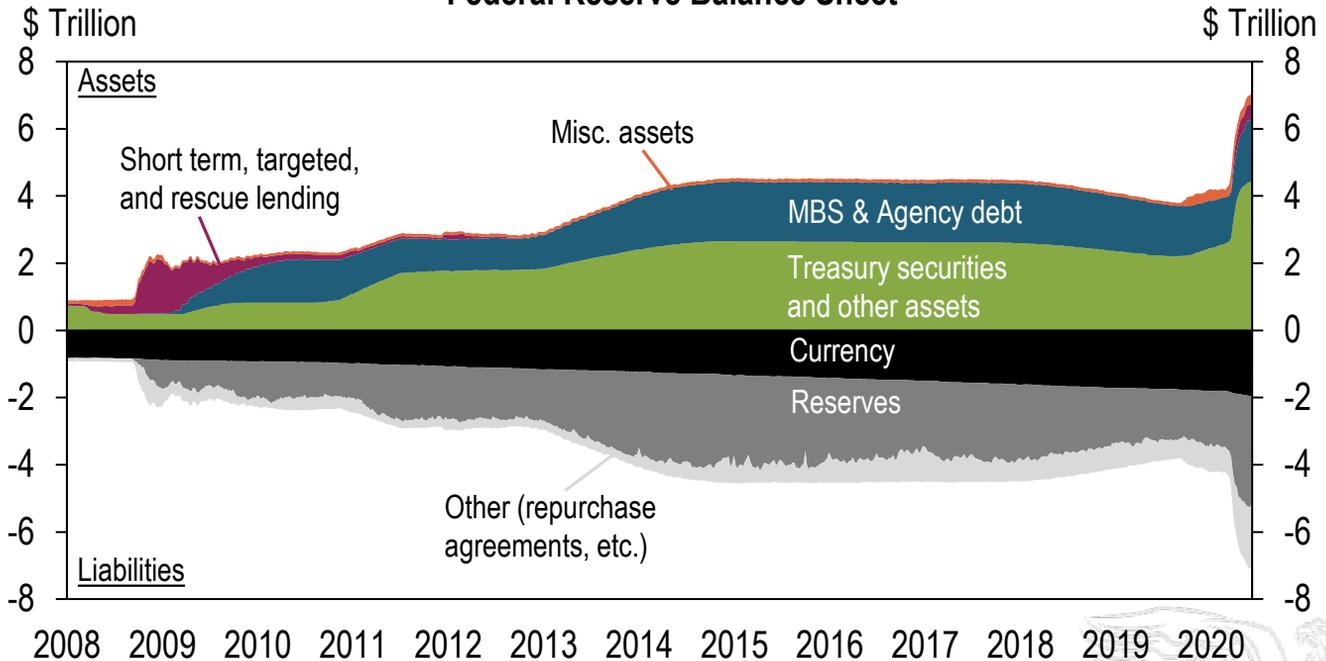
June FOMC: “the [FOMC] decided to maintain this target range until...the economy has weathered recent events.”

Federal Funds Rate
Year-End Target



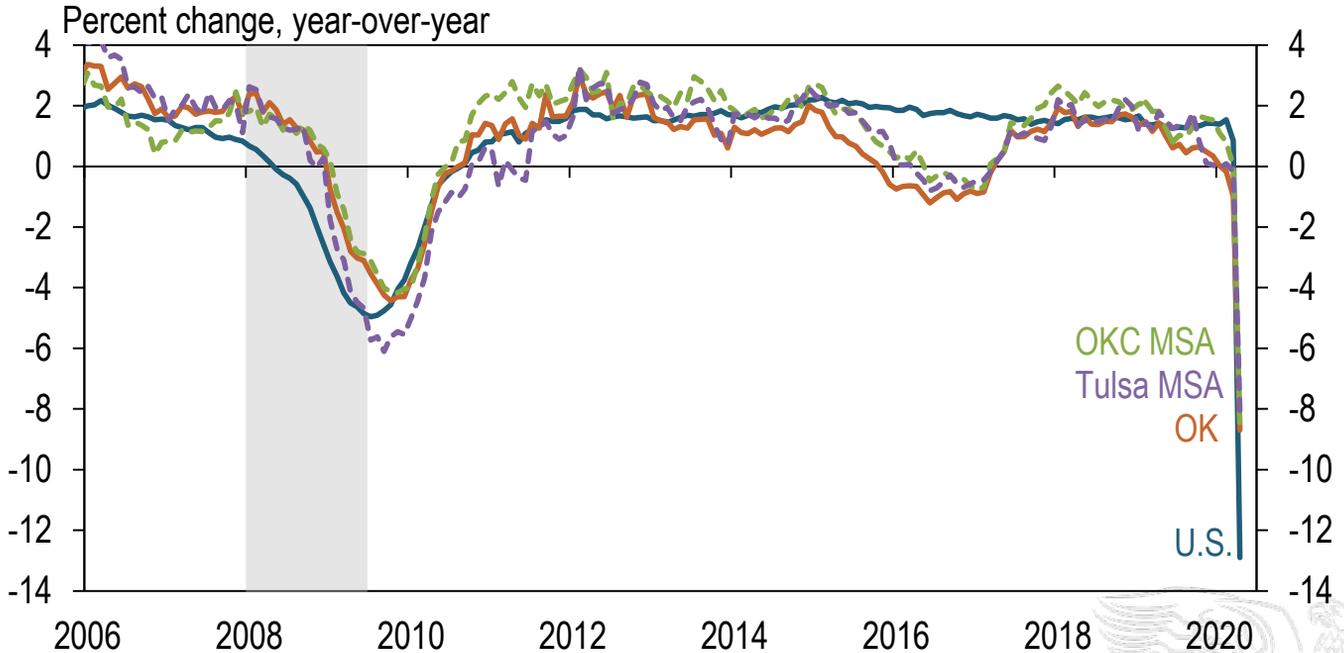
June FOMC: “To support the flow of credit to households and businesses...[the Fed] will increase its holdings.”

Federal Reserve Balance Sheet



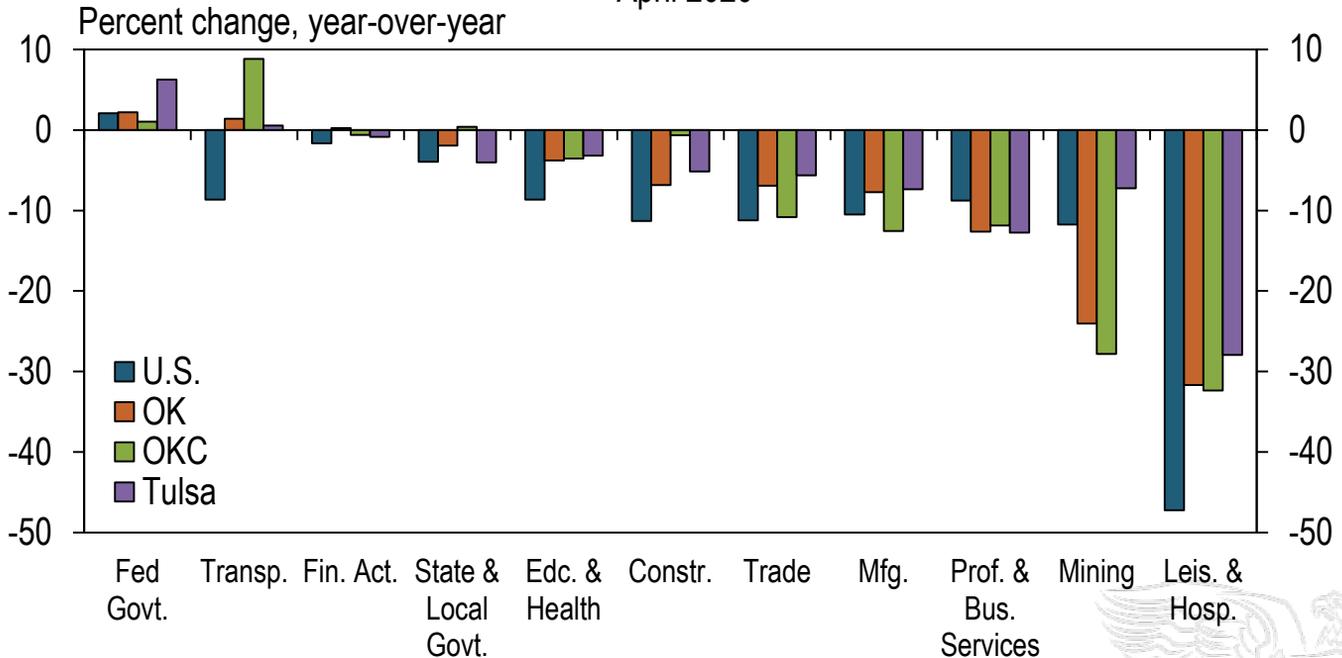
In Oklahoma, job growth fell by 8.7% in April, with similar sharp drops in OKC and Tulsa

Nonfarm Payroll Employment Growth



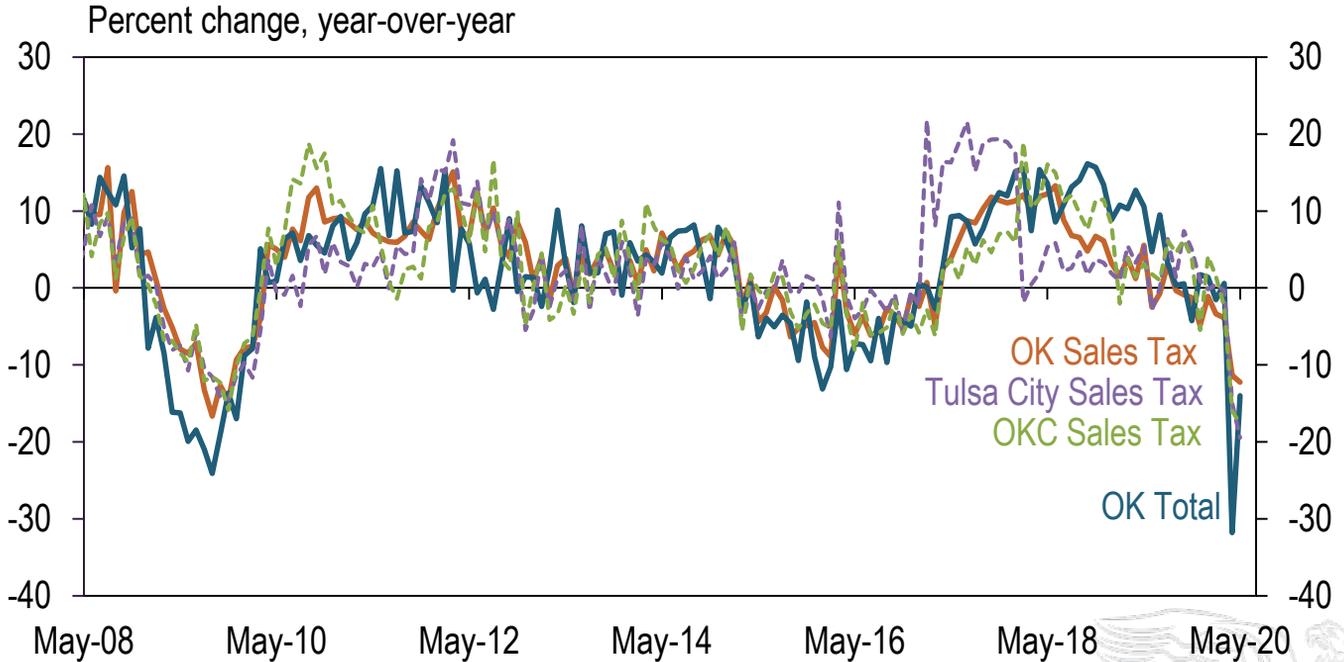
State and metro hospitality job losses were less than in the nation, but energy cuts were bigger

Job Growth by Industry
April 2020



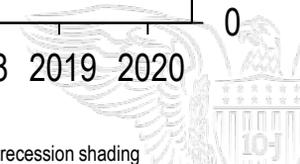
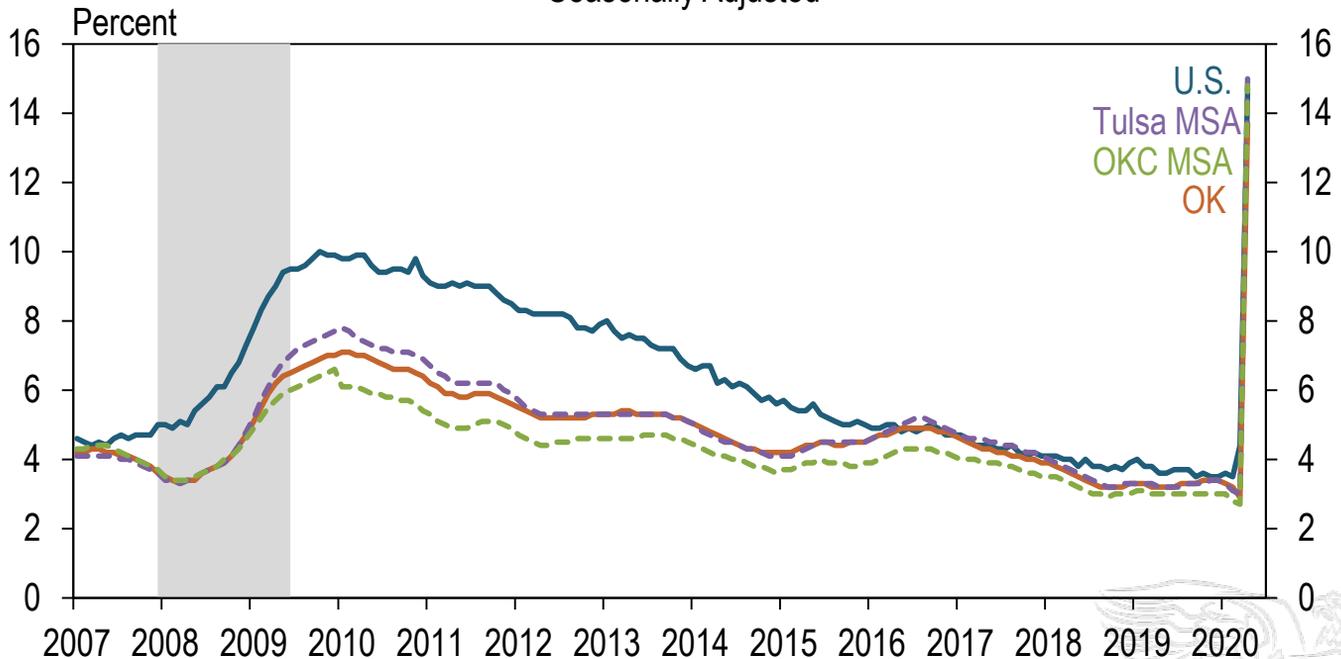
State sales tax collections were down more than 10% in May, and city sales tax receipts were down even more

Oklahoma Monthly Tax Revenues

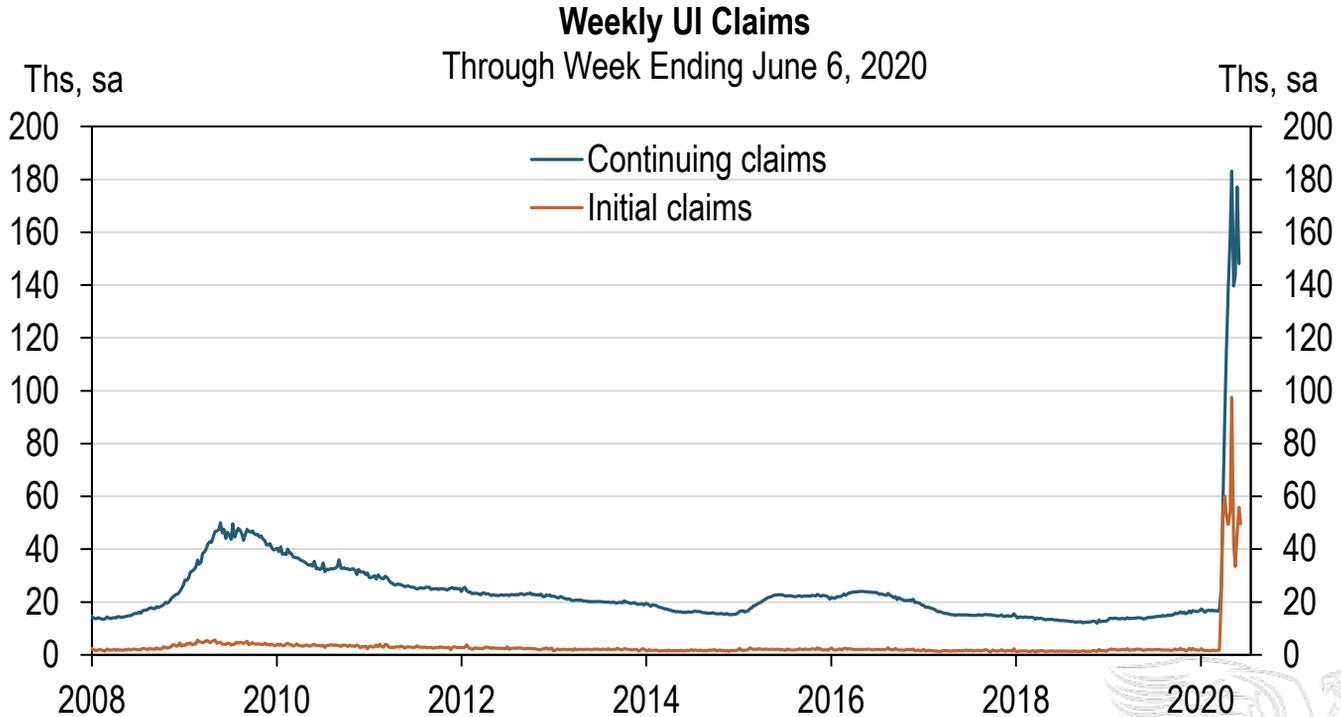


Oklahoma's state and metro unemployment rates jumped in April, similar to the U.S. rate of 14.7%

Unemployment Rates
Seasonally Adjusted

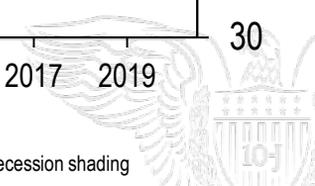
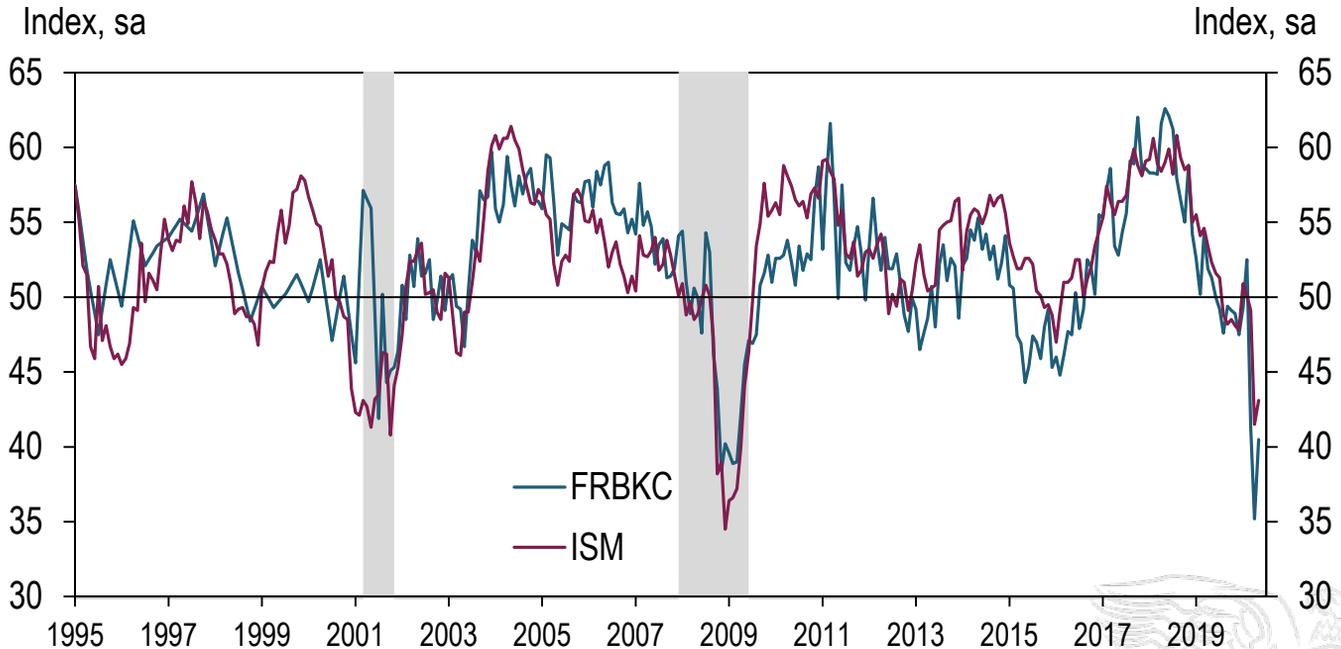


New state claims for unemployment insurance eased some in May, but continuing claims are historically high



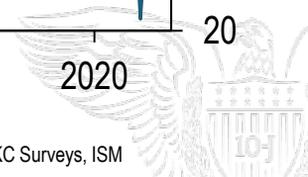
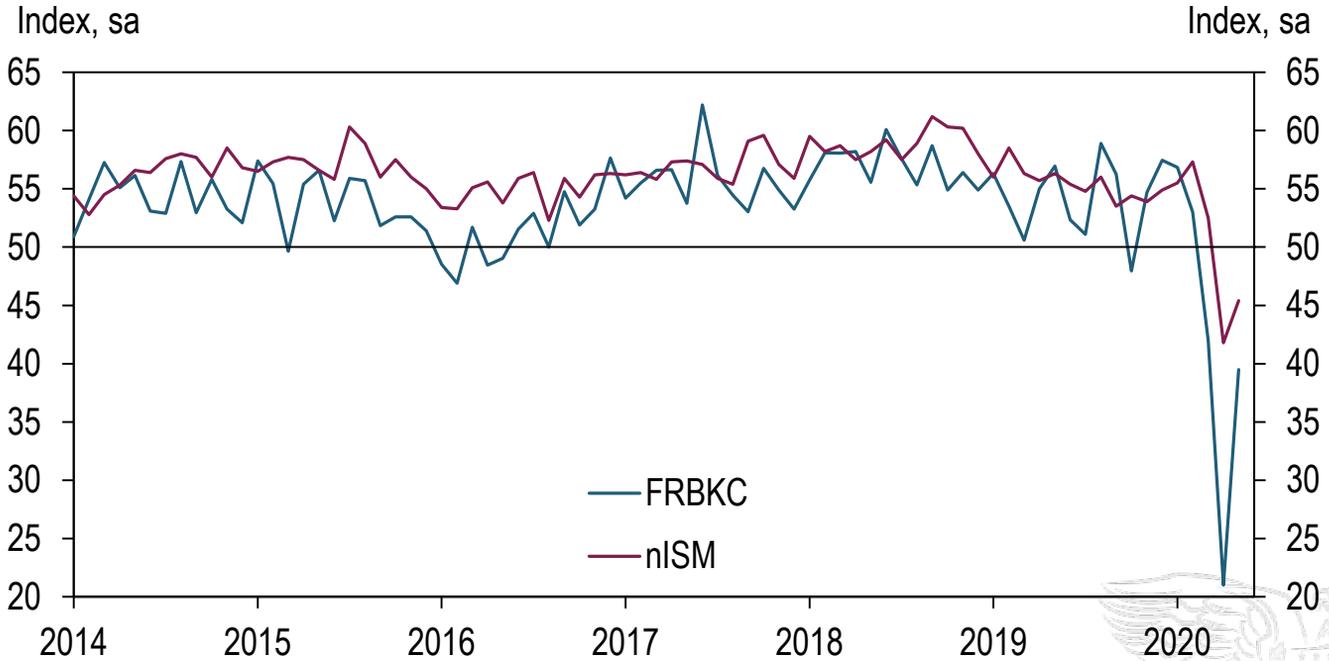
Regional factory activity continued to decline in May, but not as sharply compared to last month's record low

Manufacturing Composite Index



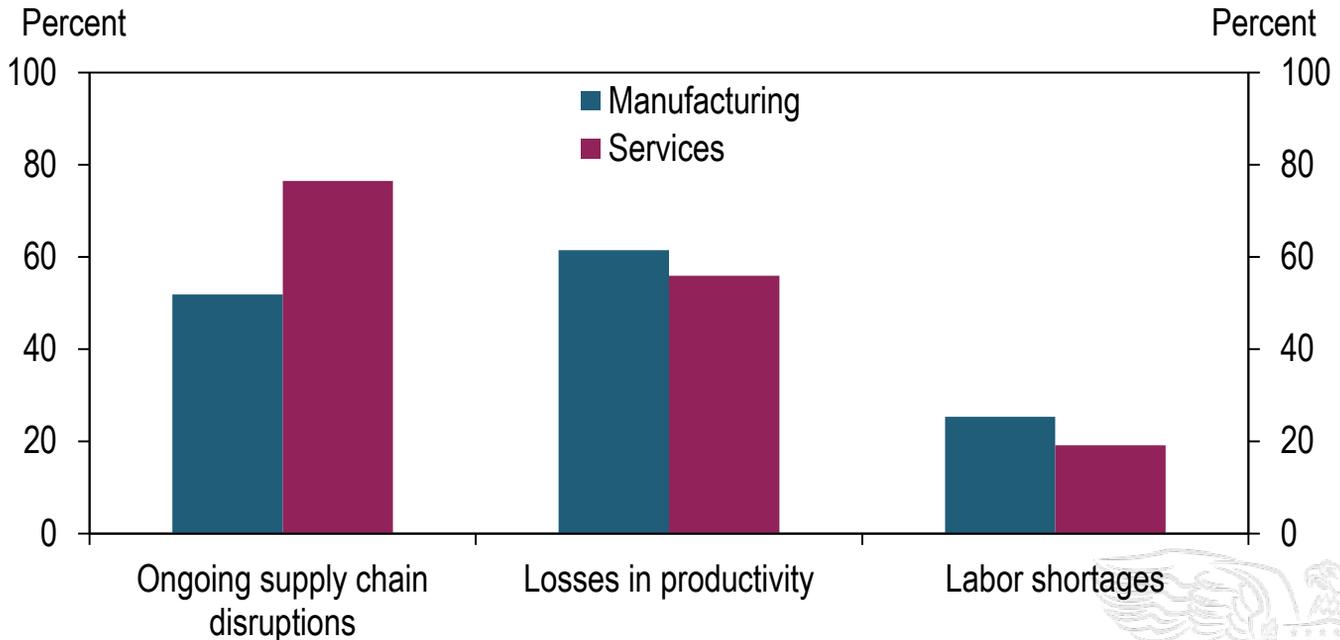
District services activity also decreased at a slower pace in May

Services Composite Index



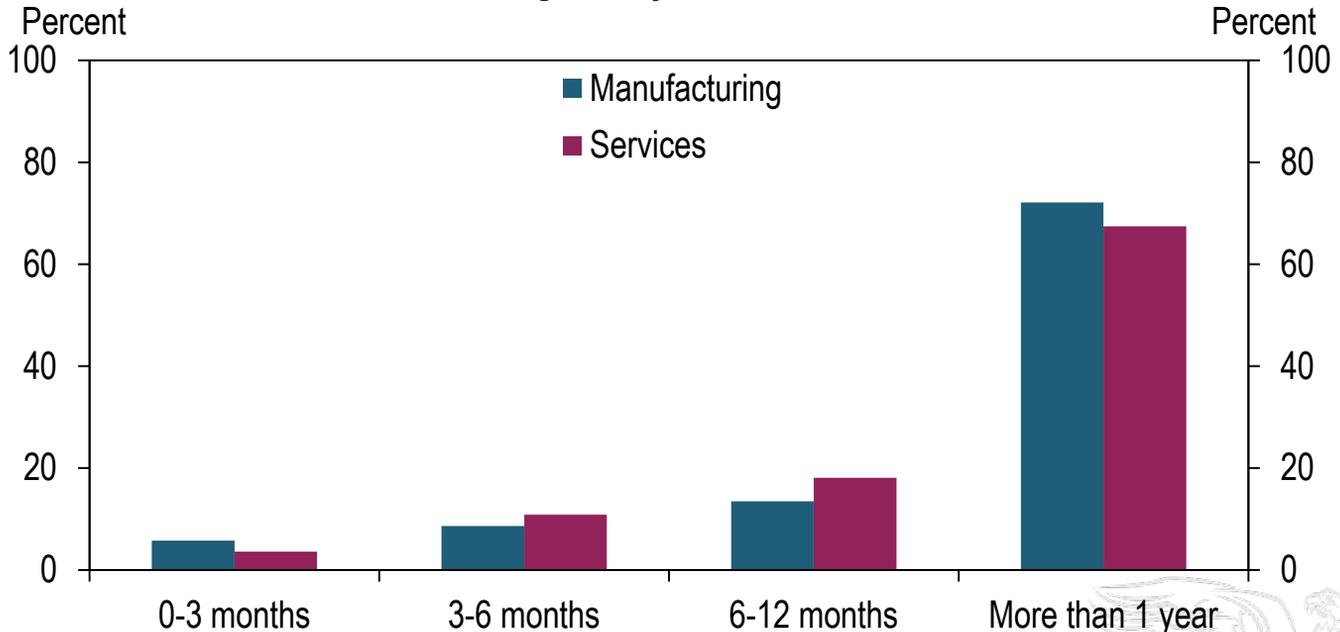
Most firms have experienced ongoing supply chain disruptions and losses in productivity

FRBKC May Survey Special Question: Is your firm experiencing any of the following as a result of the COVID-19 pandemic (please check all that apply)?



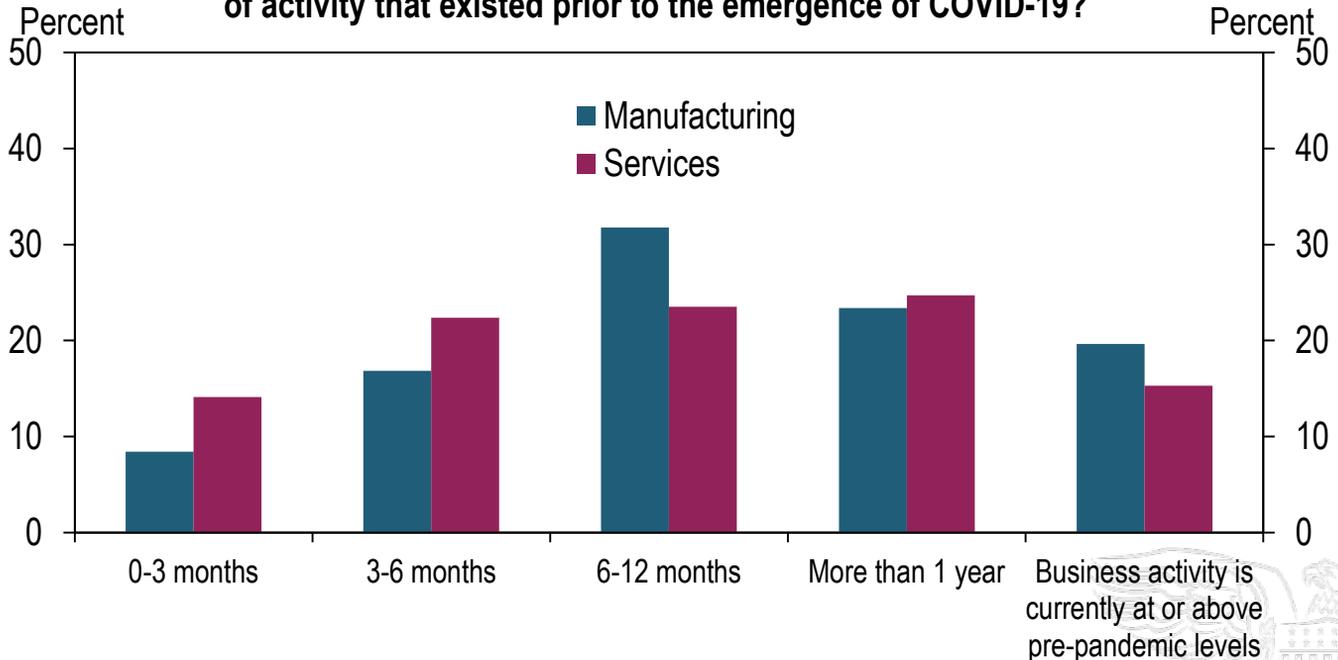
Nearly a third of firms indicated they could not survive one year at current revenue levels, and some less than that

FRBKC May Survey Special Question: If current revenues were to continue, how long could your firm survive?



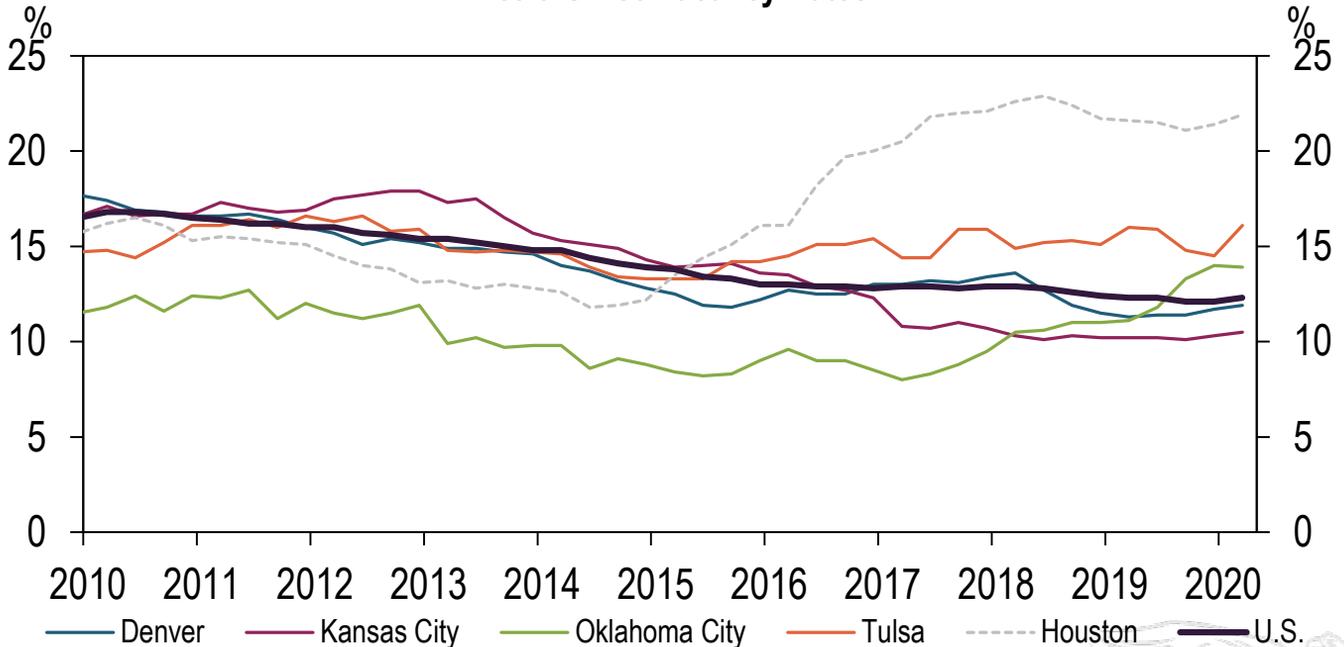
Most firms expect business activity to rebound within a year, and some have already

FRBKC May Survey Special Question: Once restrictions are lifted, 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?



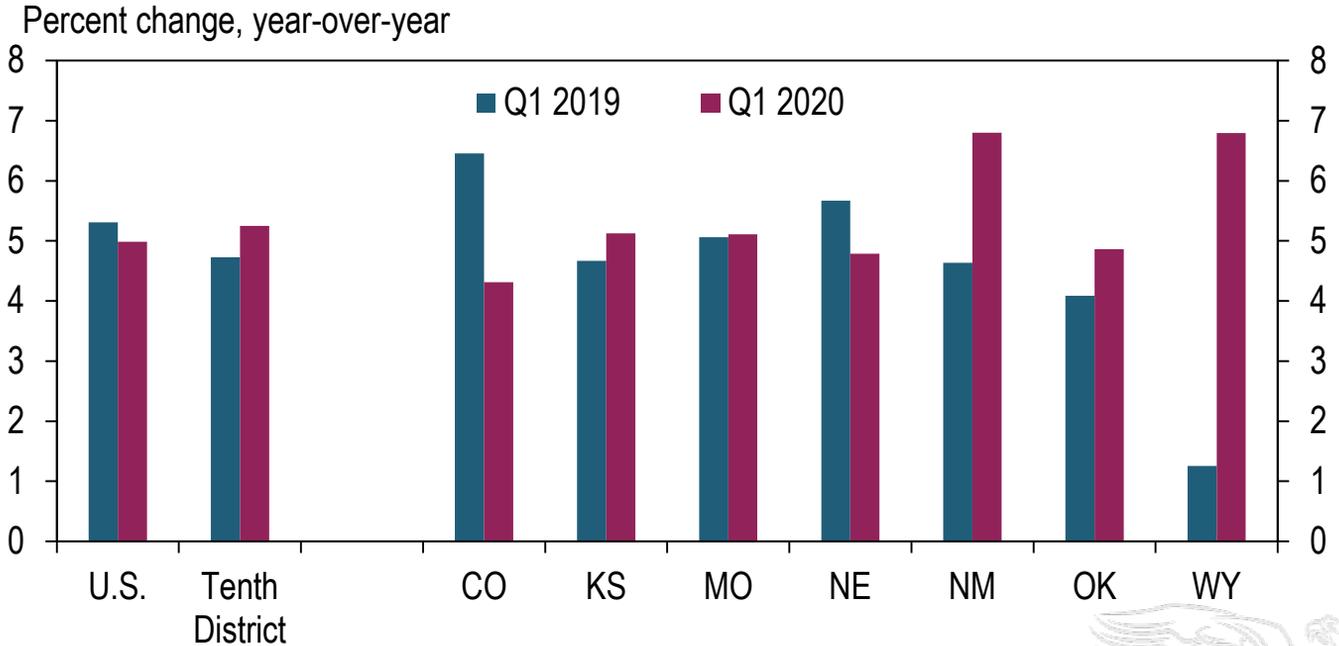
Energy city office markets were already struggling somewhat before COVID-19

Metro Office Vacancy Rates



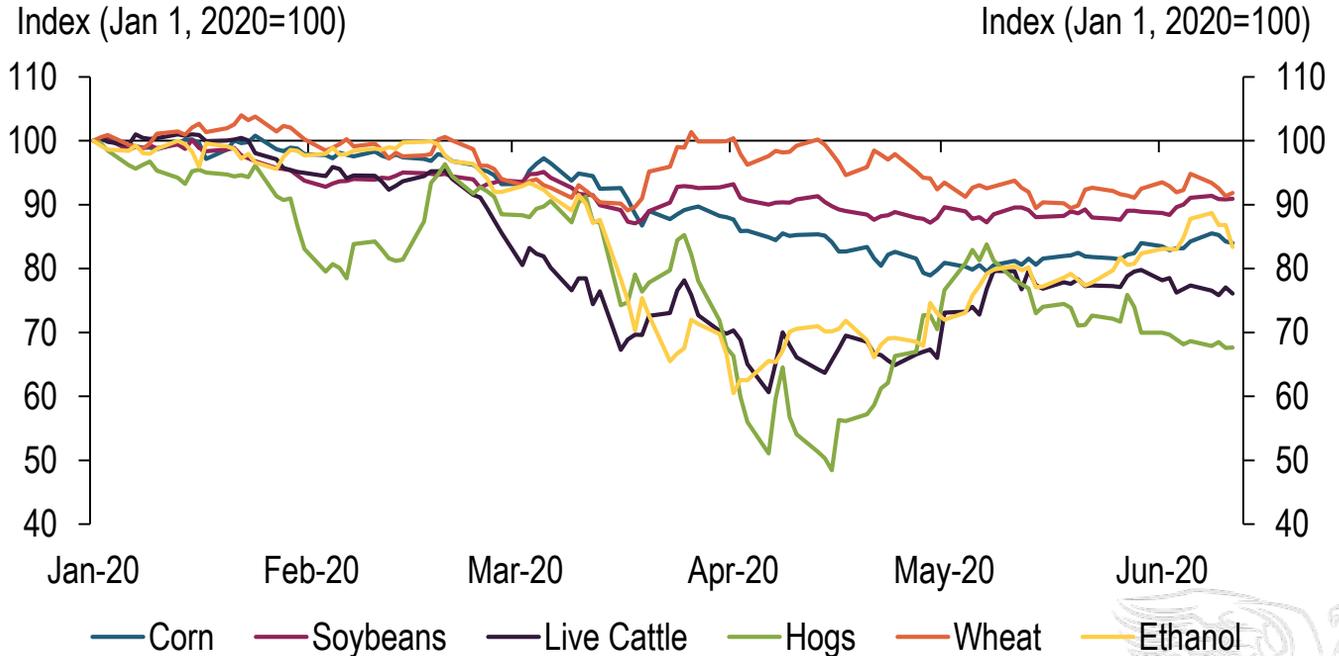
Regional housing prices continued to expand at a steady pace in early 2020

Housing Price Index



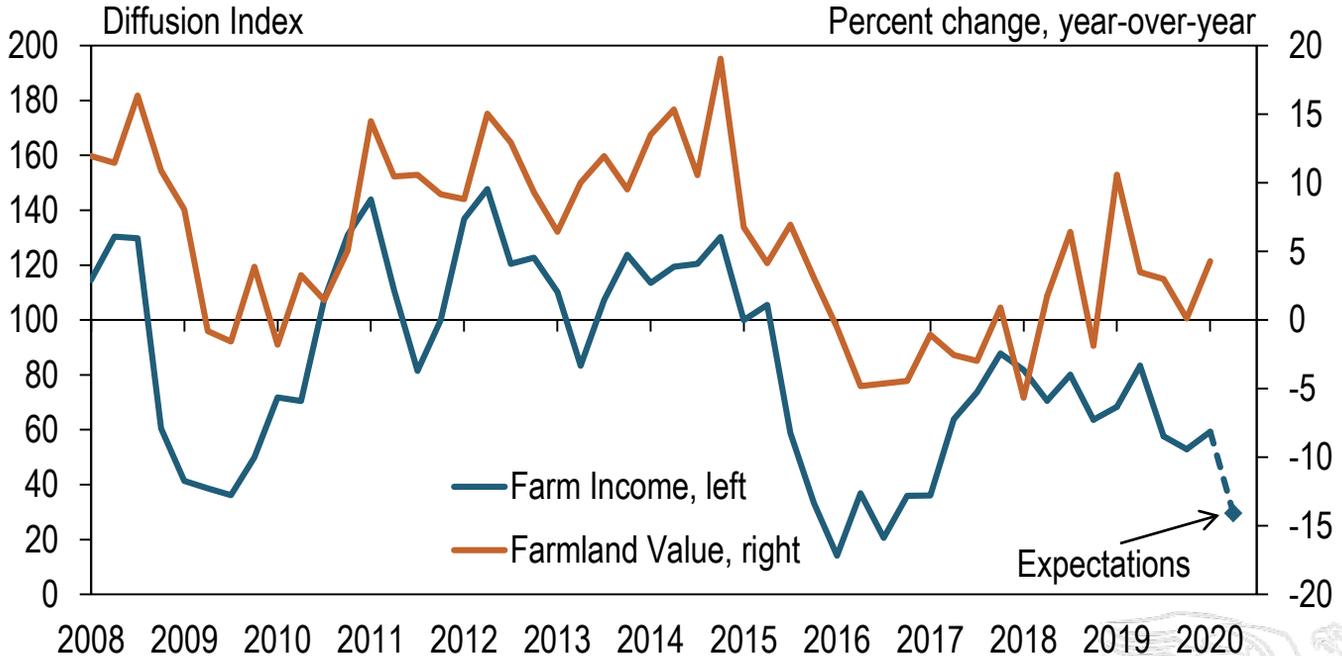
Agricultural commodity prices remain lower than several months ago

Commodity Prices



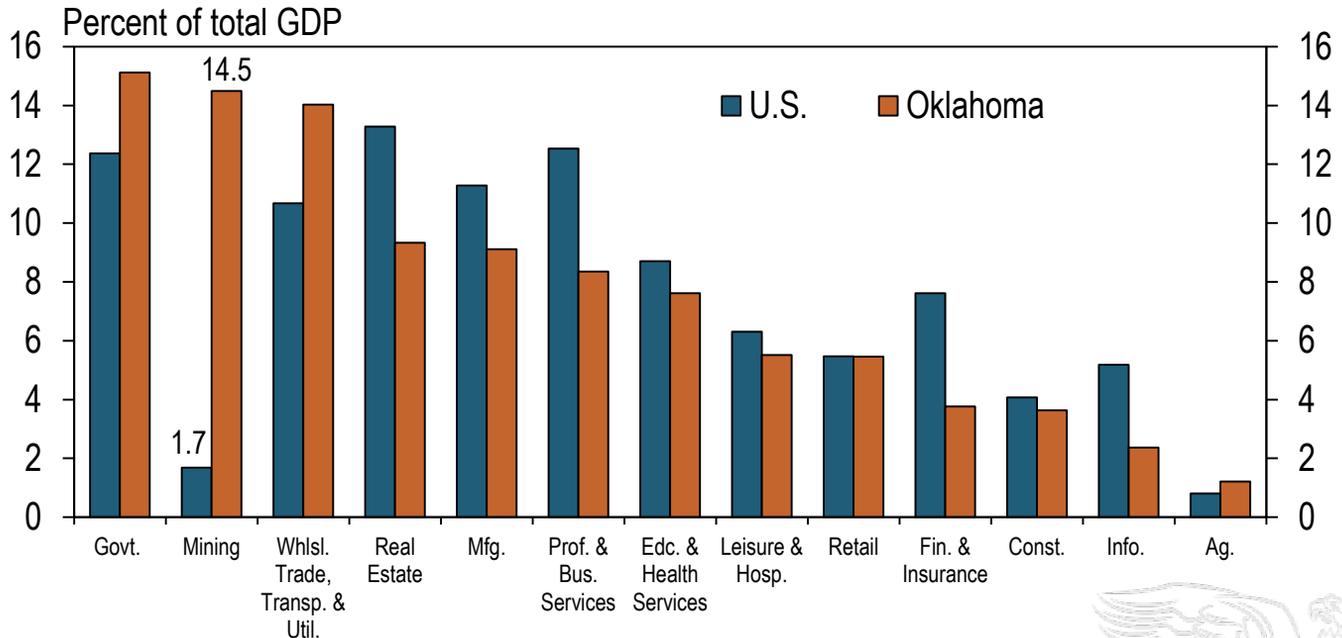
In agriculture, incomes have continued to decline, but land values have held

Oklahoma Farm Income and Farmland Values



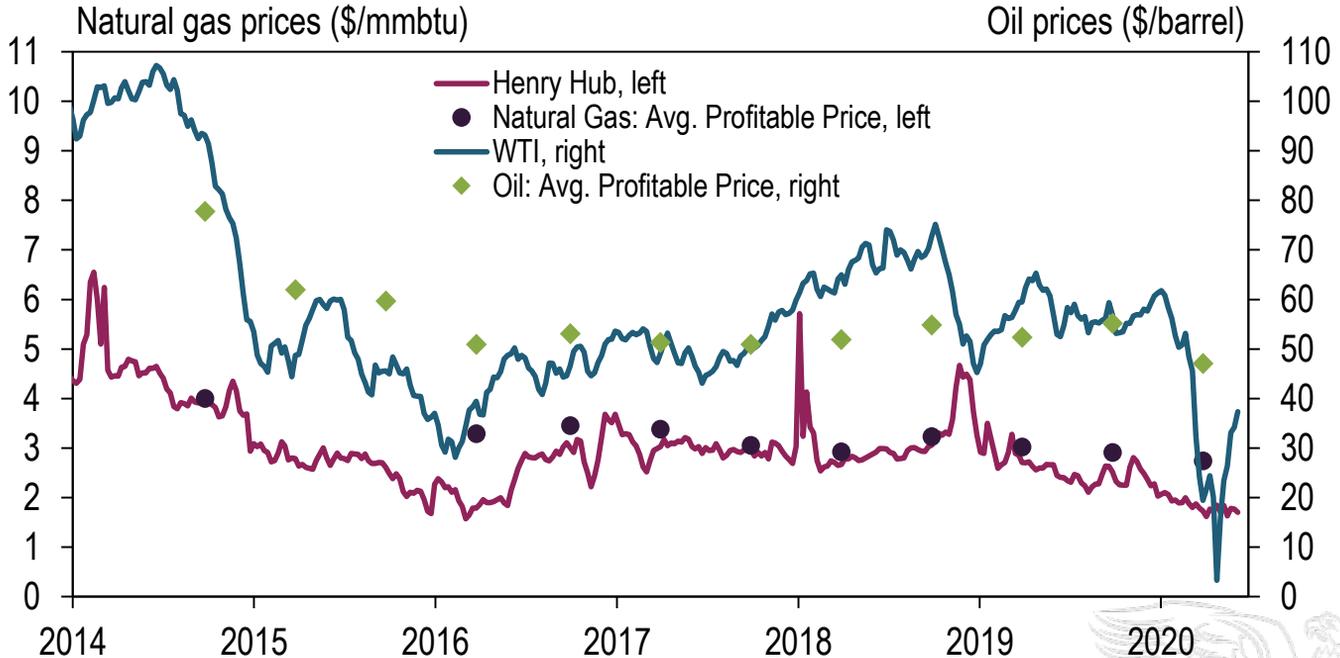
Oklahoma's main difference from the nation in terms of industrial structure is its very sizable energy sector

Industry Share of GDP, 2018



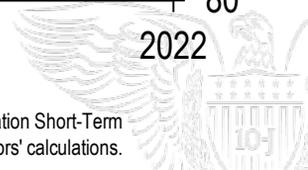
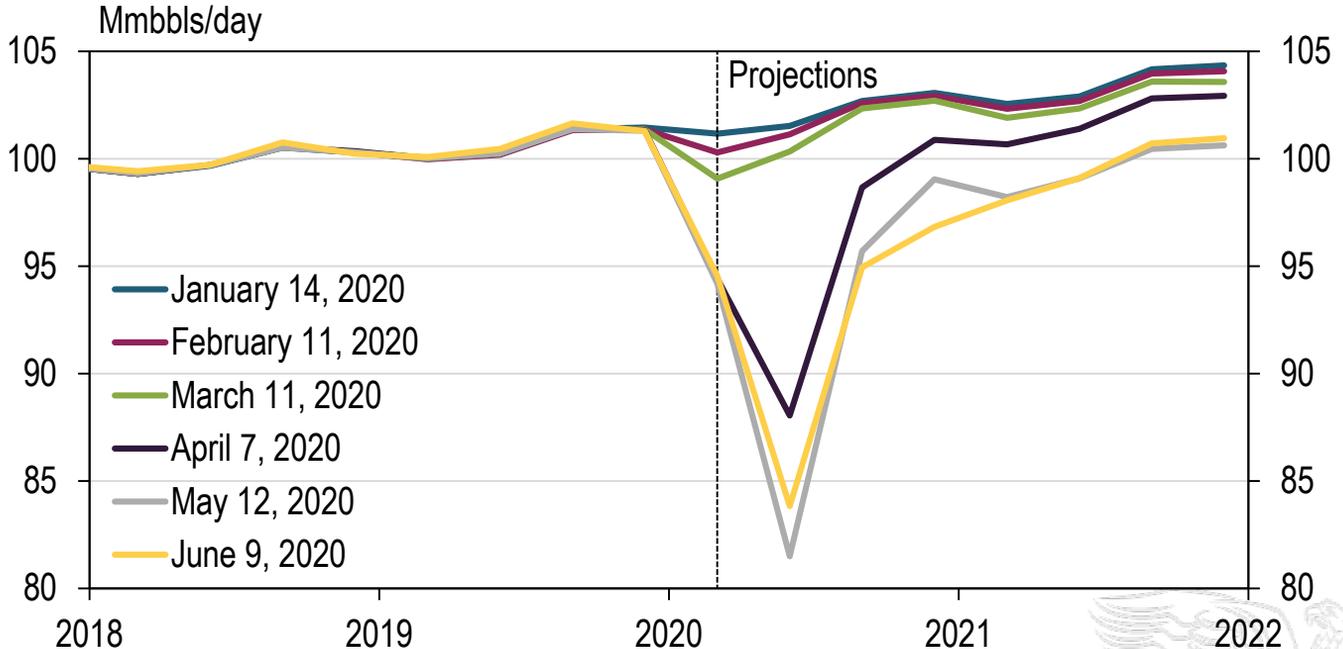
Oil prices have rebounded somewhat, but remain below profitable drilling levels for most regional firms

Oil & Natural Gas Profitability and Prices



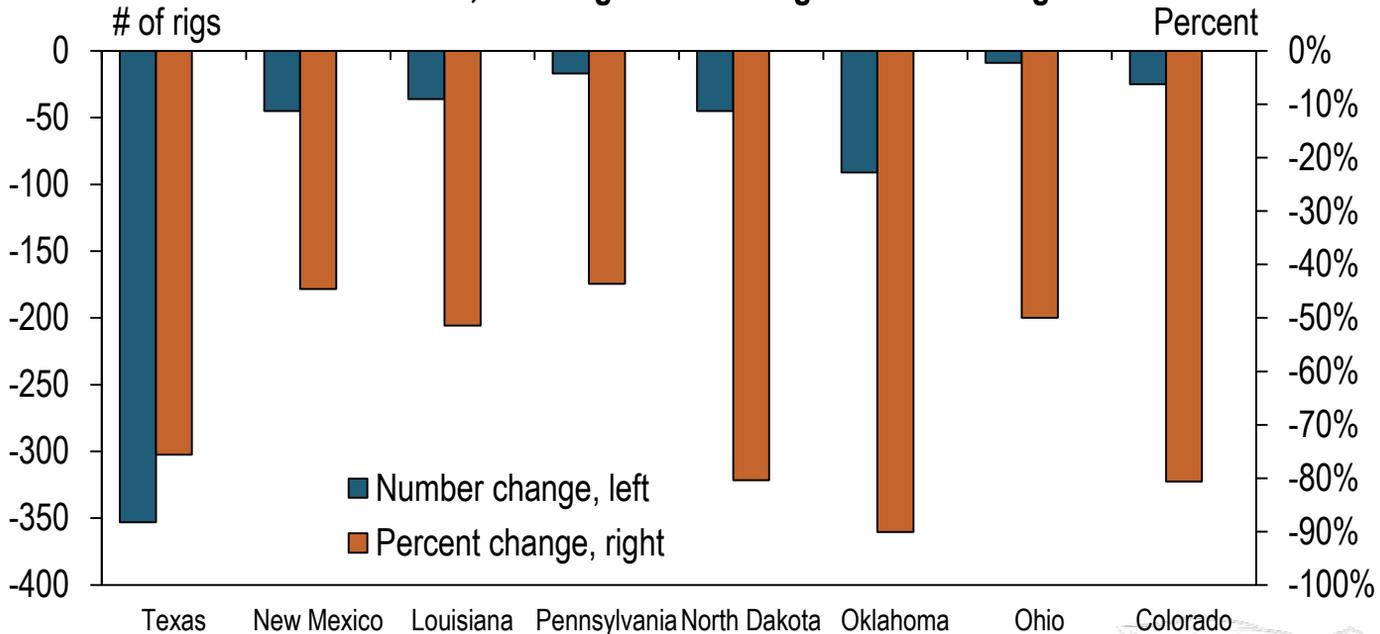
Forecasts for world oil demand fell dramatically in April and May but stabilized in June

World Petroleum Demand Forecasts



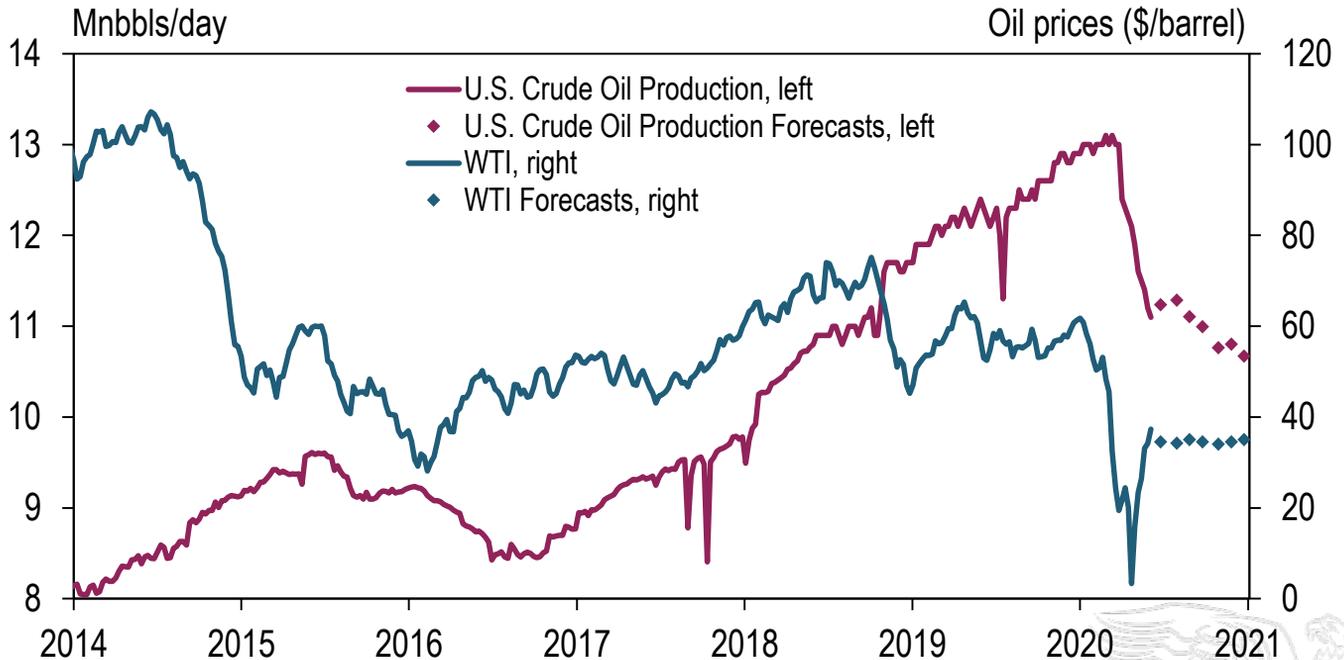
Rig counts in Oklahoma and other energy states have decreased dramatically

June 12, 2020 Rig Count Change from a Year Ago



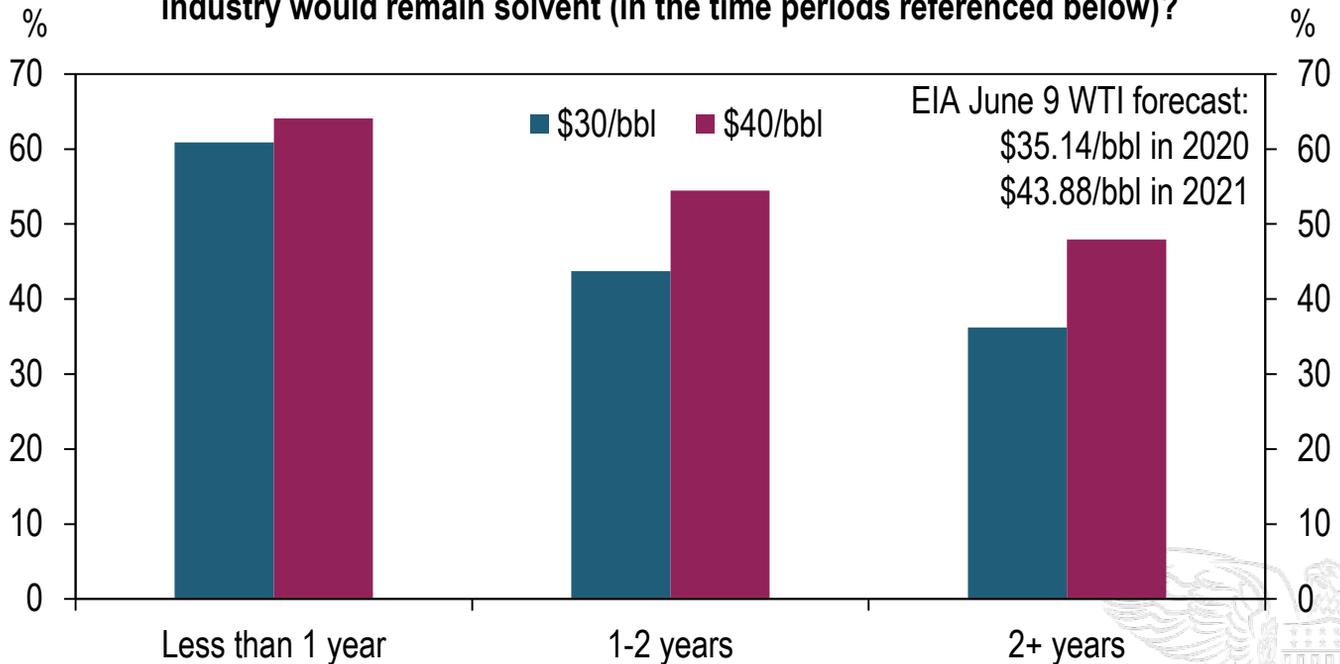
U.S. oil production has continued to decrease since March following the oil price collapse

Oil Production & Prices



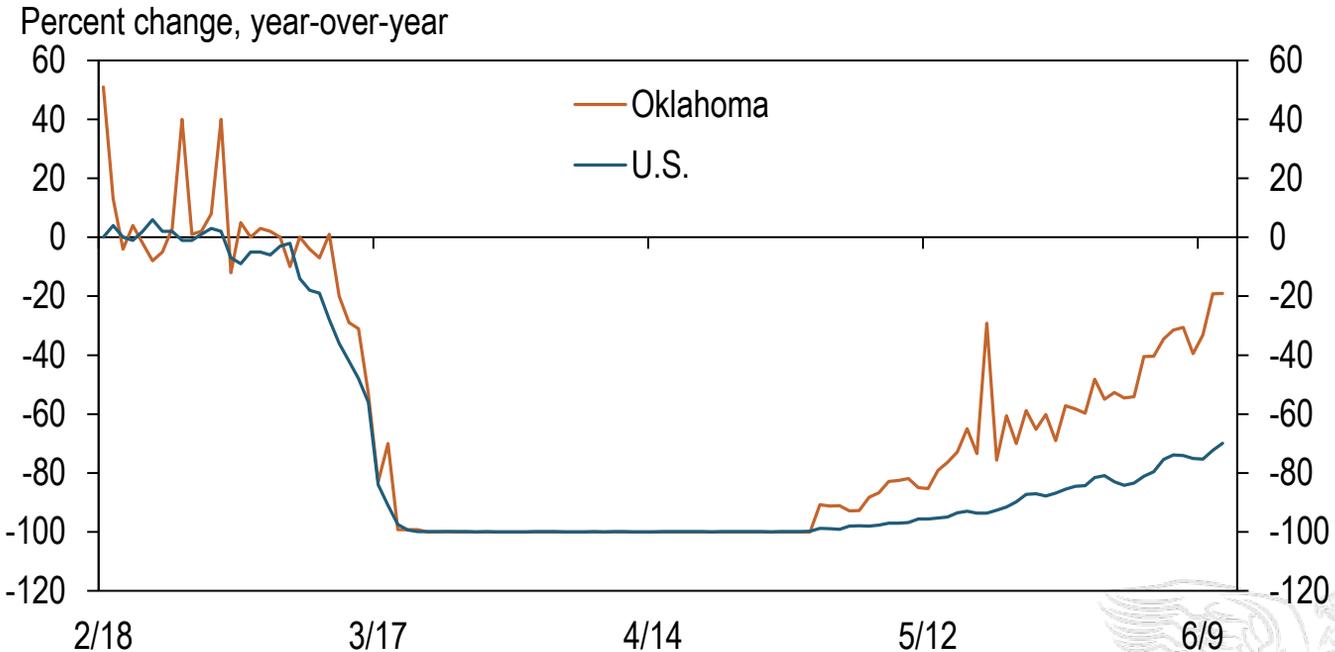
Energy firms expect solvency issues to grow considerably if prices stay low very long

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)?



Traffic at Oklahoma restaurants has started to pick back up, more than in the nation

Seated Diners at Restaurants



Summary

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Questions?

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