Oklahoma Economic Snapshot

Updated: June 12, 2020

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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

• 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.

**Confirmed Cases**
- **U.S.: 0.61%**
- **OK: 0.20%**

**Number of New Cases**
- 7-day Average
- **U.S., right**
- **OK, left**

Source: The COVID Tracking Project
June FOMC: “The ongoing public health crisis will weigh heavily on economic activity... in the near term.”
June FOMC: “The virus and the measures taken to protect public health have induced...a surge in job losses.”

U.S. Unemployment Rate

Current (May 2020): 13.3%

Note: Data and FOMC projections are for year-end.

Sources: U.S. Bureau of Labor Statistics, FOMC
June FOMC: “Weaker demand and significantly lower oil prices are holding down consumer price inflation.”
June FOMC: “the [FOMC] decided to maintain this target range until…the economy has weathered recent events.”

Federal Funds Rate
Year-End Target

Current Target: 0 - 0.25%

June FOMC Forecast

Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC
June FOMC: “To support the flow of credit to households and businesses...[the Fed] will increase its holdings.”
In Oklahoma, job growth fell by 8.7% in April, with similar sharp drops in OKC and Tulsa.

Nonfarm Payroll Employment Growth

Percent change, year-over-year

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
State and metro hospitality job losses were less than in the nation, but energy cuts were bigger.

Job Growth by Industry

April 2020

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
State sales tax collections were down more than 10% in May, and city sales tax receipts were down even more

Oklahoma Monthly Tax Revenues

Percent change, year-over-year

Source: OK Tax Commission
Oklahoma’s state and metro unemployment rates jumped in April, similar to the U.S. rate of 14.7%

Unemployment Rates
Seasonally Adjusted

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

Sources: FRBKC Surveys, ISM, NBER recession shading
District services activity also decreased at a slower pace in May

Services Composite Index

Sources: FRBKC Surveys, ISM
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)?

- Ongoing supply chain disruptions
- Losses in productivity
- Labor shortages

Source: FRBKC Surveys
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?

Source: FRBKC Surveys
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

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

Housing Price Index

Percent change, year-over-year

Source: CBRE
Agricultural commodity prices remain lower than several months ago

Sources: CME, WSJ, Haver Analytics
In agriculture, incomes have continued to decline, but land values have held steady.
Oklahoma’s main difference from the nation in terms of industrial structure is its very sizable energy sector.

Source: Bureau of Economic Analysis
Oil prices have rebounded somewhat, but remain below profitable drilling levels for most regional firms.

Sources: EIA, FRBKC Energy Survey
Forecasts for world oil demand fell dramatically in April and May but stabilized in June.

World Petroleum Demand Forecasts

- Projections for Mmbbls/day from January 14, 2020 to June 9, 2020, showing a significant drop in 2020 and stabilization in 2021.

Sources: Energy Information Association Short-Term Energy Outlook, authors’ calculations.
Rig counts in Oklahoma and other energy states have decreased dramatically

June 12, 2020 Rig Count Change from a Year Ago

- Texas: -400
- New Mexico: -350
- Louisiana: -300
- Pennsylvania: -250
- North Dakota: -200
- Oklahoma: -150
- Ohio: -100
- Colorado: -50

Source: Baker Hughes/Haver Analytics
U.S. oil production has continued to decrease since March following the oil price collapse.
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 June 9 WTI forecast:
- $35.14/bbl in 2020
- $43.88/bbl in 2021

Sources: EIA, FRBKC Energy Survey
Traffic at Oklahoma restaurants has started to pick back up, more than in the nation

Seated Diners at Restaurants

Percent change, year-over-year

Source: OpenTable
Summary

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Questions?

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