Oklahoma Economic Snapshot

Updated: June 4, 2020

Chad Wilkerson
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 oil prices have presented significant challenges for the state economy.

- 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 back up and a strong national policy response should help during the storm.
Since March, cases of COVID-19 spread rapidly across the nation, and cases in Oklahoma have risen.

**Confirmed Cases**

- **U.S.: 0.56%**
- **OK: 0.17%**

**Number of New Cases**

- **U.S., right**
- **OK, left**

Source: The COVID Tracking Project
In Oklahoma, job growth fell by 8.7% in April, with similar sharp drops in OKC and Tulsa.
State and metro hospitality job losses were less than in the nation, but energy cuts were bigger

Job Growth by Industry
April 2020

Percent change, year-over-year

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

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%
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

Sources: FRBKC Surveys, ISM, NBER recession shading
District services activity also decreased at a slower pace in May.
Traffic at Oklahoma restaurants has started to pick back up, more than in the nation.
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?

- 0-3 months: Manufacturing and Services
- 3-6 months: Manufacturing and Services
- 6-12 months: Manufacturing and Services
- More than 1 year: Manufacturing and Services

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?

- 0-3 months
- 3-6 months
- 6-12 months
- More than 1 year

Business activity is currently at or above pre-pandemic levels

Source: FRBKC Surveys
Energy city office markets were already struggling somewhat before COVID-19

![Metro Office Vacancy Rates Graph]

Source: CBRE
Regional housing prices continued to expand at a steady pace in early 2020
In agriculture, incomes have continued to decline, but land values have held.
Oklahoma’s main difference from the nation in terms of industrial structure is its very sizable energy sector.
Energy prices have rebounded somewhat, but remain below profitable drilling levels for most regional firms.

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

**Sources:** EIA, FRBKC Energy Survey

**Oil & Natural Gas Profitability and Prices**

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

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

**Henry Hub, left**

**Natural Gas: Avg. Profitable Price, left**

**WTI, right**

**Oil: Avg. Profitable Price, right**

**Graph Notes:**
- Prices are shown on the y-axis, with years on the x-axis from 2014 to 2020.
- Key indicators include Henry Hub, Natural Gas Avg. Profitable Price, WTI, and Oil Avg. Profitable Price.

**Sources:** EIA, FRBKC Energy Survey
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.
- **Projections**

The graph shows the decline in petroleum demand projections following the coronavirus outbreak. The forecasts are presented for various dates, indicating a significant drop in demand compared to earlier projections.
Rig counts in Oklahoma and other energy states have decreased dramatically

May 29, 2020 Rig Count Change from a Year Ago

- Texas
- New Mexico
- Louisiana
- Pennsylvania
- North Dakota
- Oklahoma
- Ohio
- West Virginia

Source: Baker Hughes/Haver Analytics
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 May 12 WTI forecast:
- $30.10/bbl in 2020
- $43.31/bbl in 2021

Sources: EIA, FRBKC Energy Survey
Summary

• Since March, COVID-19 and the collapse in oil prices have presented significant challenges for the state economy.

• 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 back up and a strong national policy response should help during the storm.
Questions?

RECEIVE REGULAR UPDATES ABOUT
Oklahoma’s economy

For more analysis of the Oklahoma economy, regional manufacturing conditions and regional energy conditions, subscribe to receive e-mail alerts from the KANSAS CITY FED.

Visit kansascityfed.org/ealert to subscribe!