

# Oklahoma Economic Snapshot

*Updated: May 18, 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.



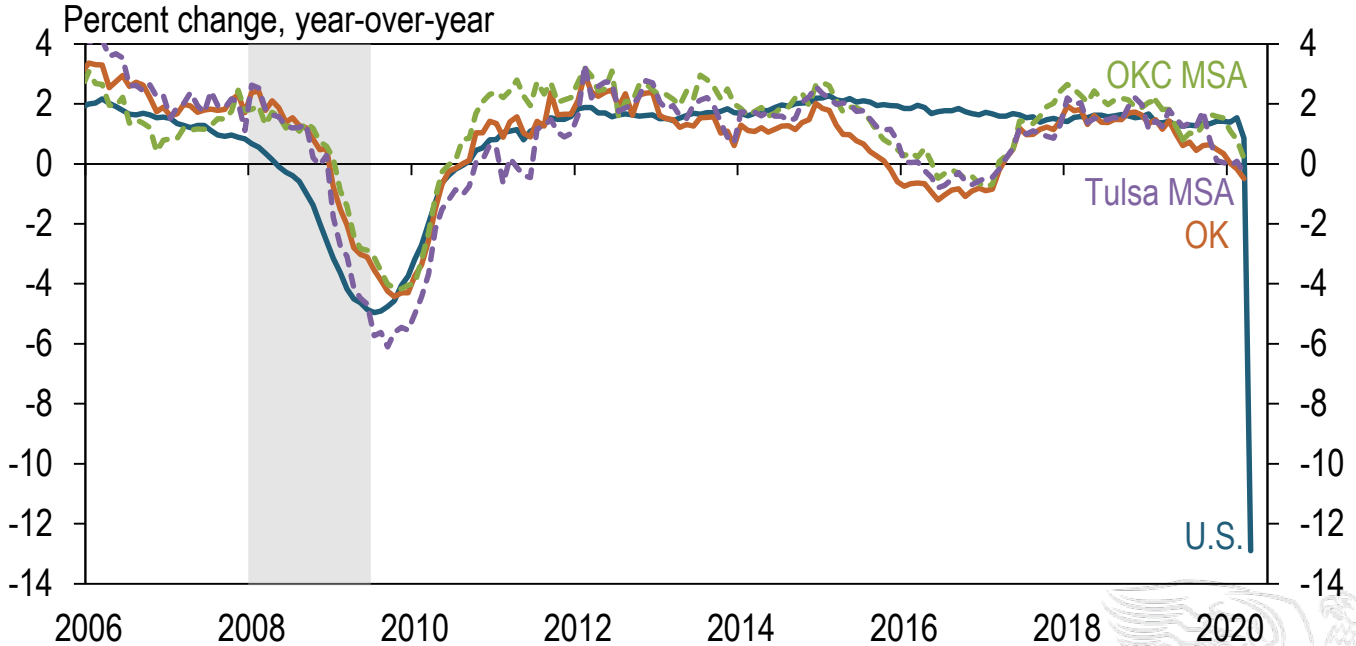
# Overview

- 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, as tax collections decreased and unemployment surged
- But low initial unemployment, good banking conditions, and strong national policy response should help during the storm



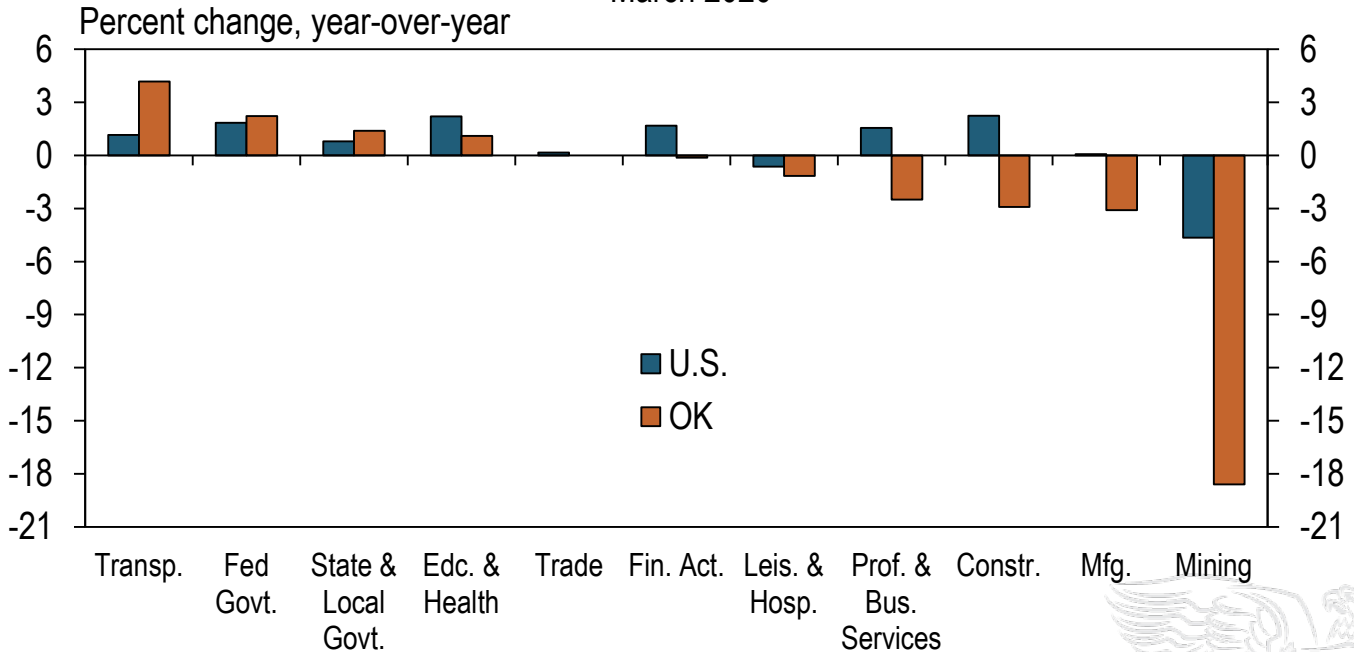
# In Oklahoma, job growth slowed steadily in 2019 and was slightly negative in February and mid-March

## Nonfarm Payroll Employment Growth

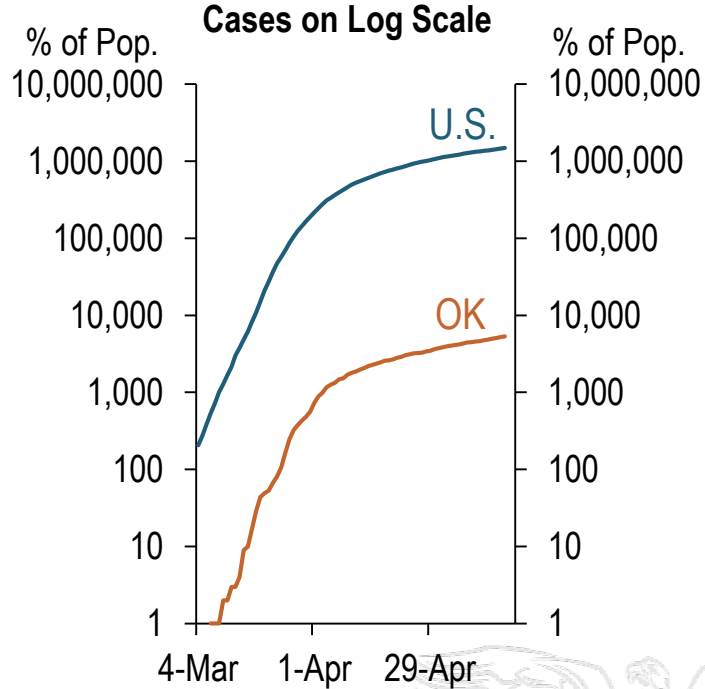
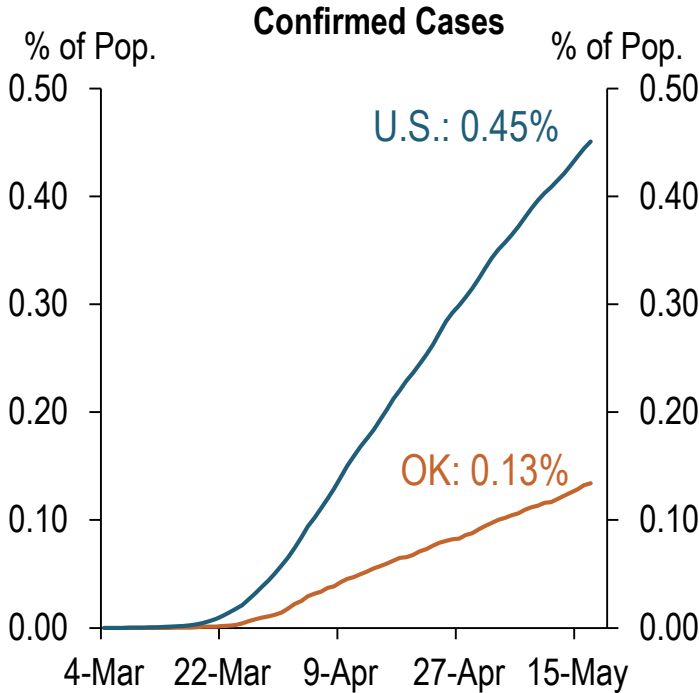


# State energy job losses were steep by mid-March, and employment across other sectors was mixed

Job Growth by Industry  
March 2020

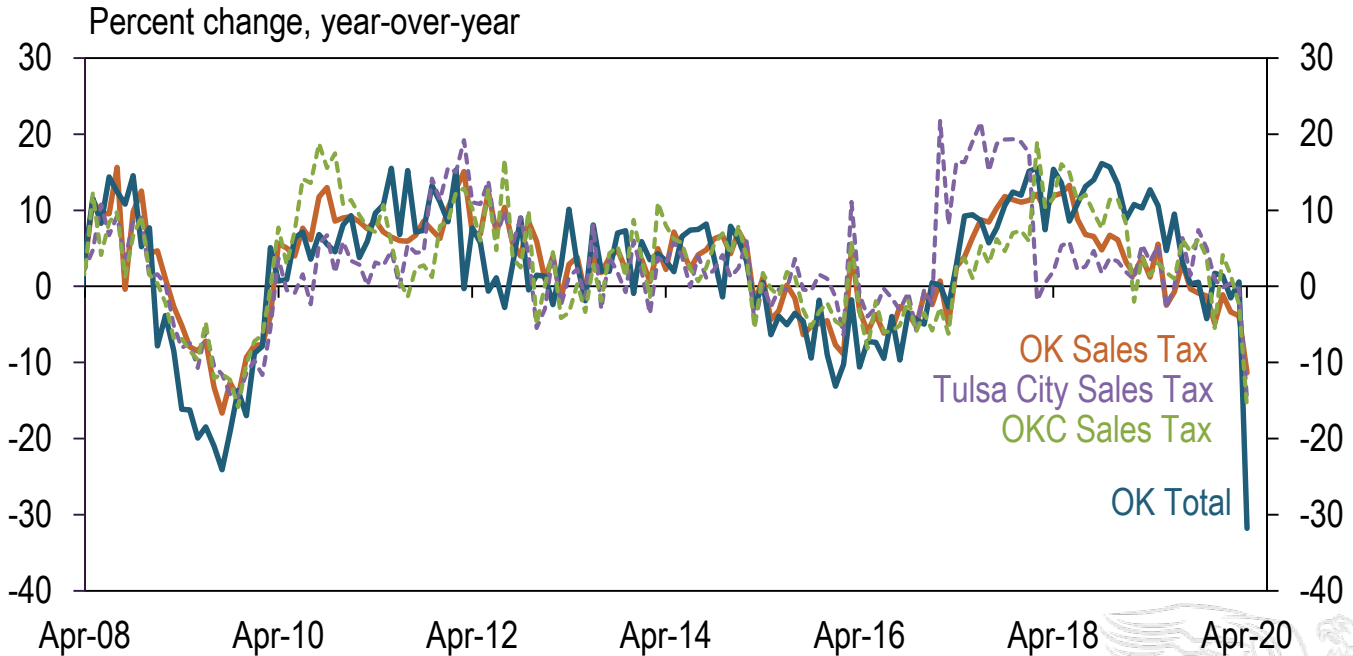


# Since then, cases of COVID-19 spread rapidly across the nation, and cases in Oklahoma have risen



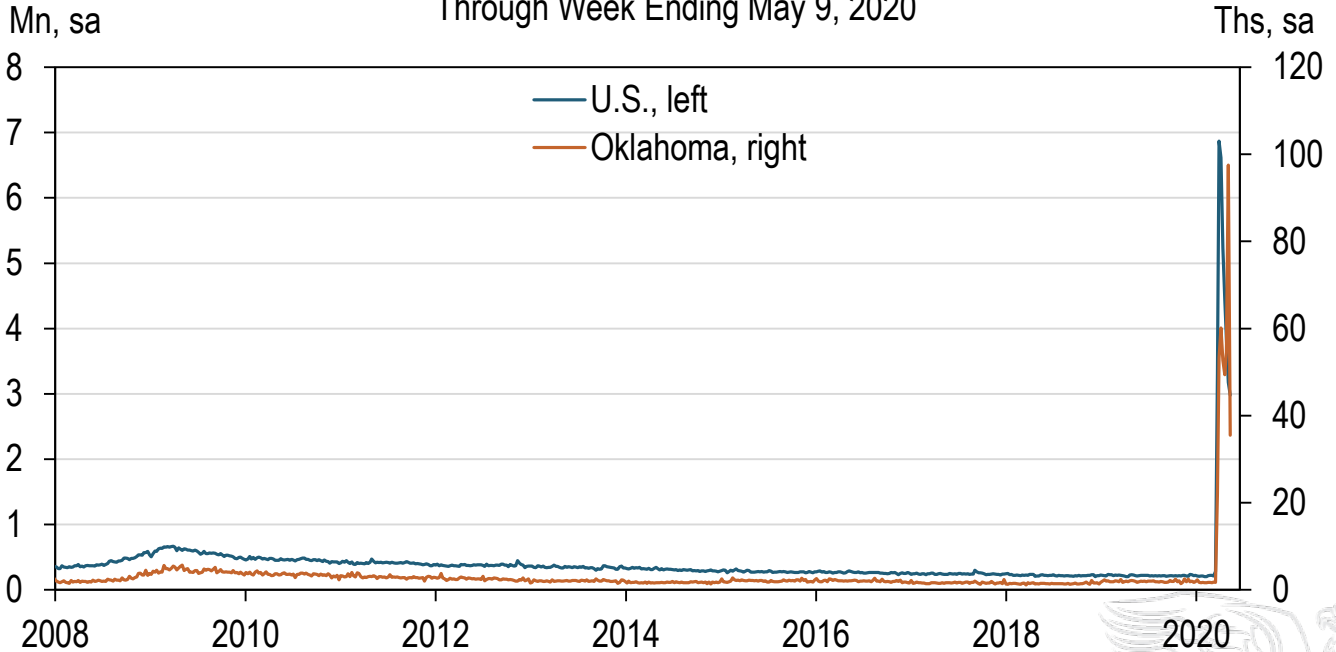
# April tax receipts fell considerably compared with a year ago, in part because the April 15 due date was delayed

Oklahoma Monthly Tax Revenues



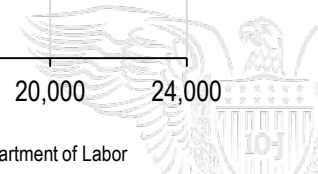
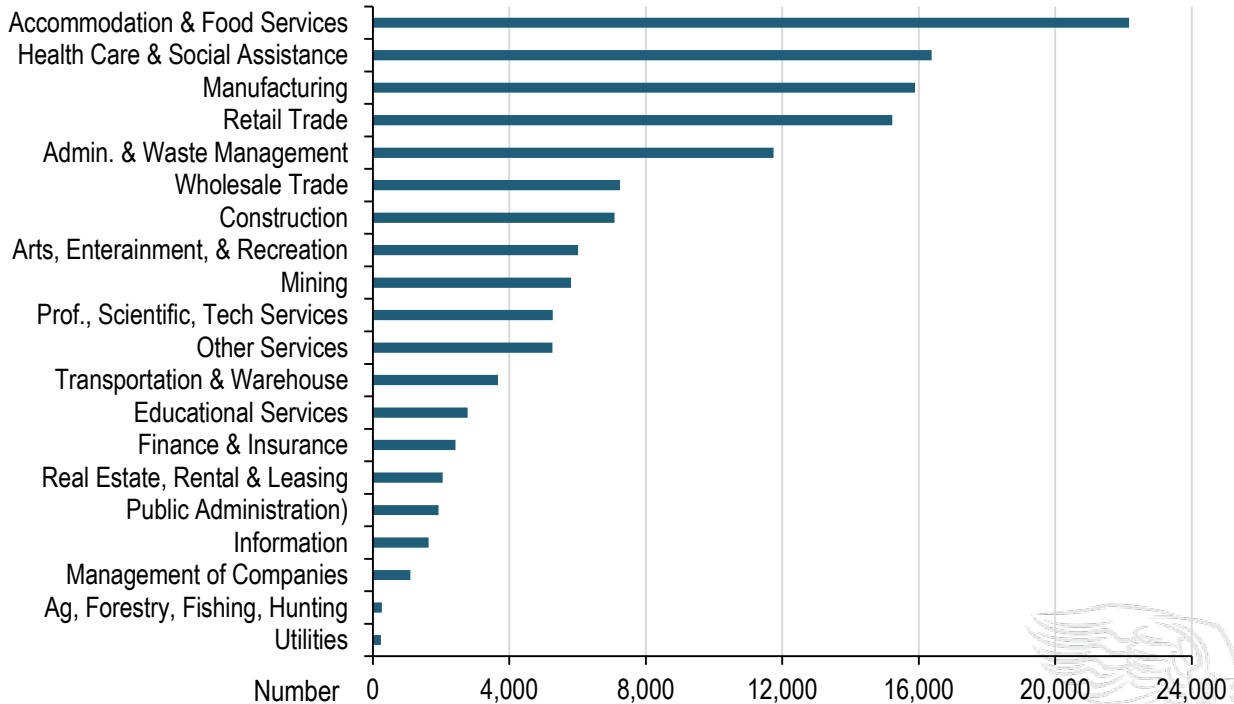
# New state claims for unemployment insurance have come down some, but remain historically high

**Weekly Initial UI Claims**  
Through Week Ending May 9, 2020



# Most initial unemployment insurance claims in April were filed by workers in the hospitality & food industry

Oklahoma Initial April UI Claims

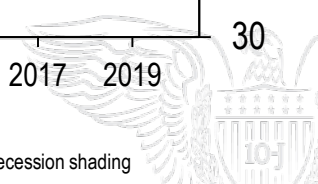
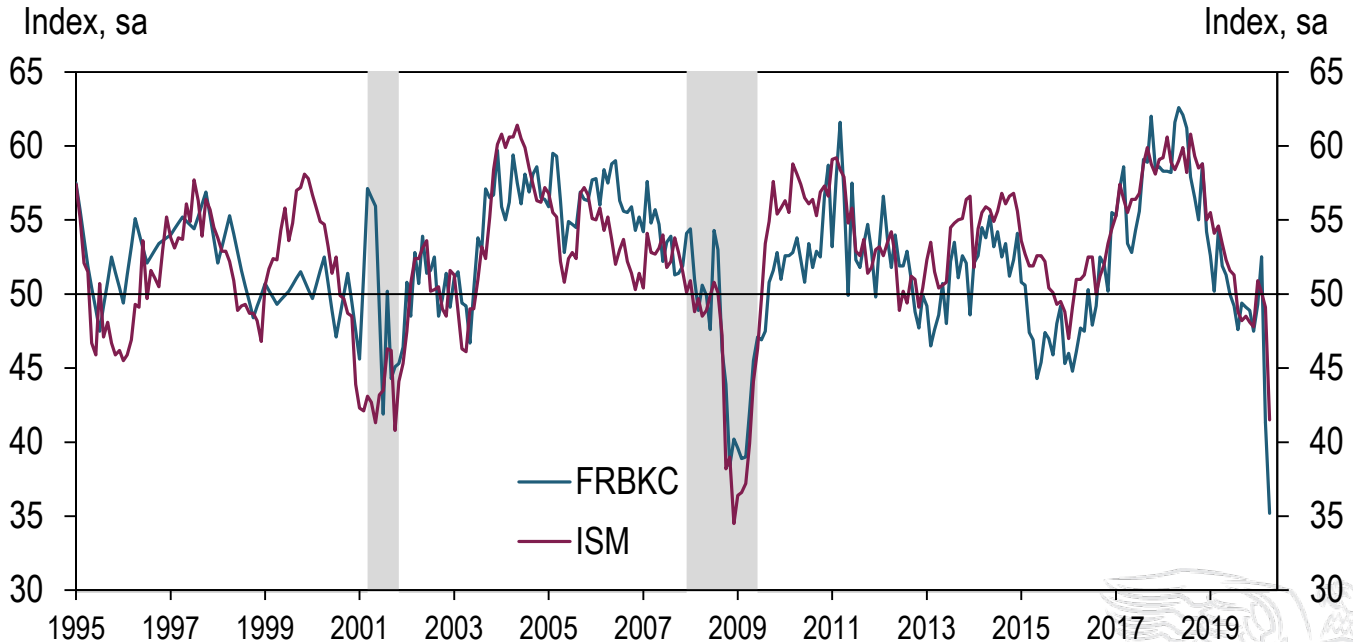


Source: U.S. Department of Labor



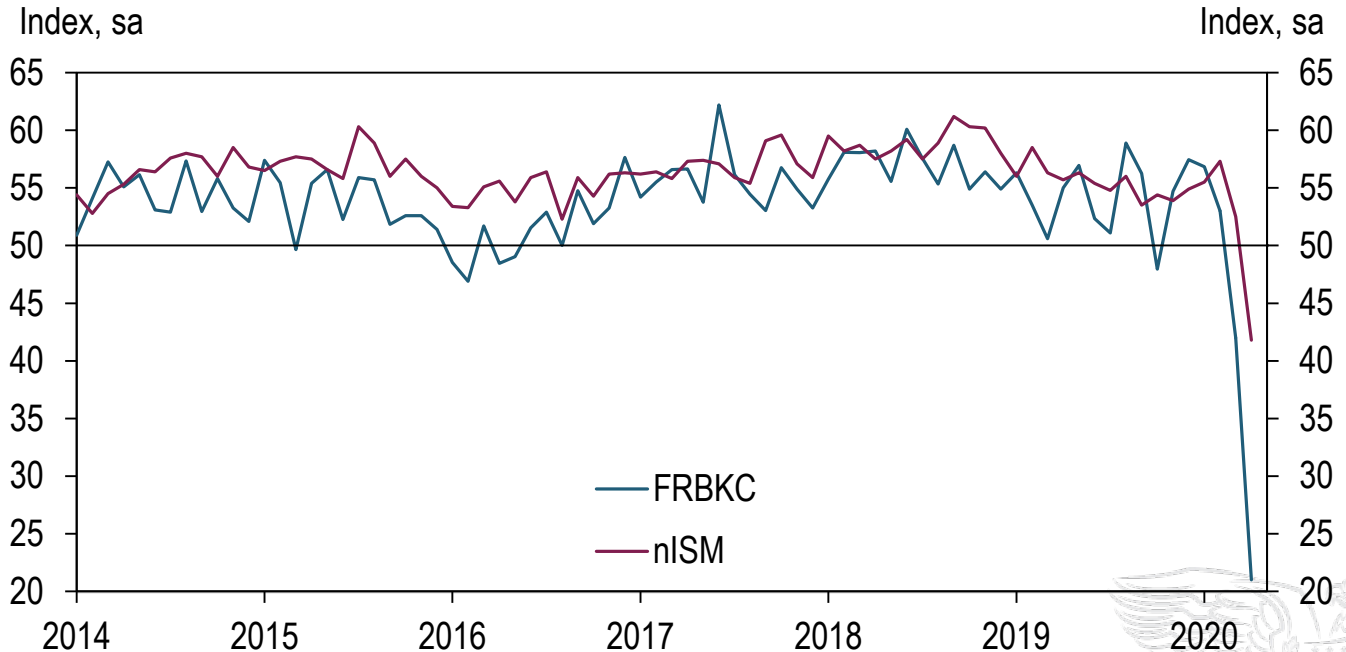
# Regional factory activity in April fell to the lowest reading in survey history (since 1994)

## Manufacturing Composite Index



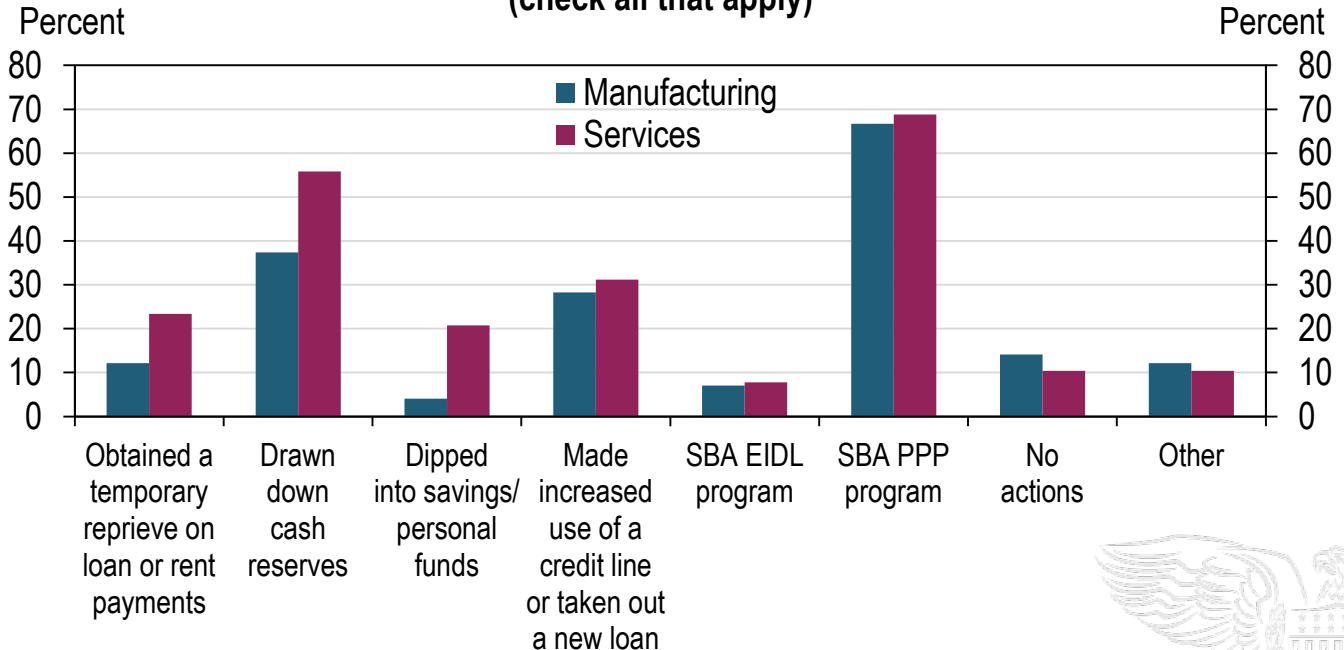
# District services activity also dropped further in April

## Services Composite Index



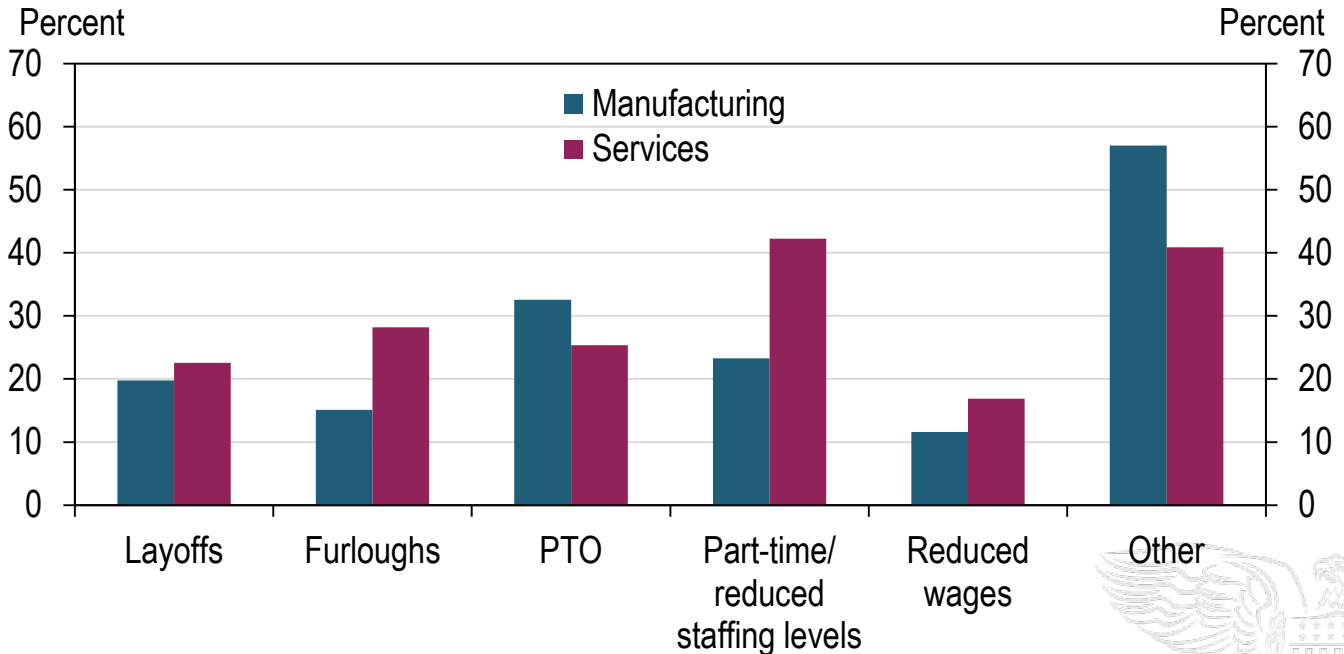
# Many firms reported taking advantage of the SBA PPP program and other emergency funds

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)



# 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)

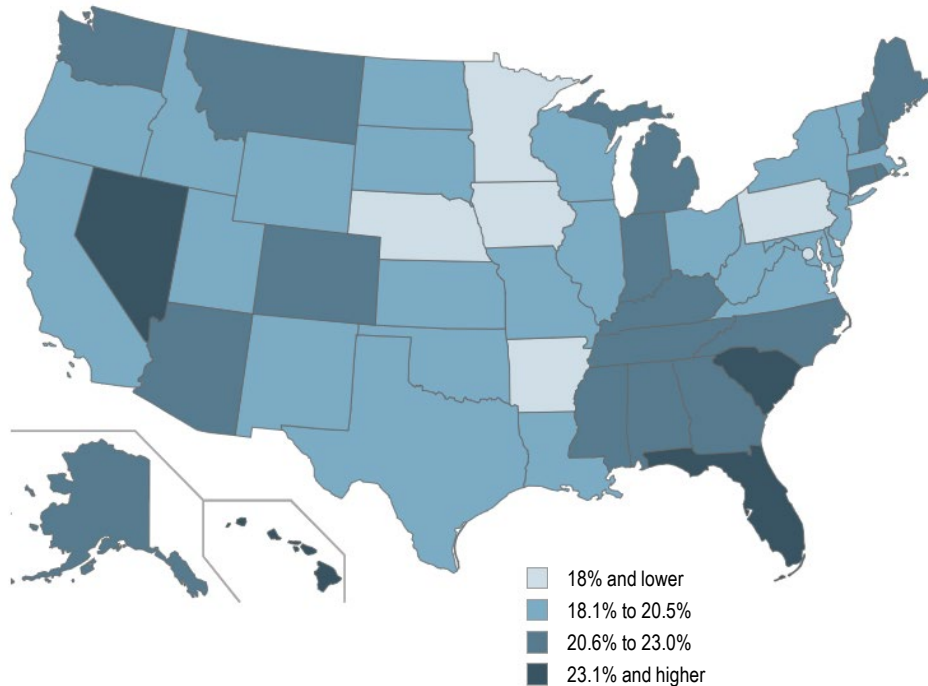


# Around 20.2% of Oklahoma workers are employed in sectors directly affected by COVID-19 shutdowns

## Share of Employment in Most Exposed Sectors by State

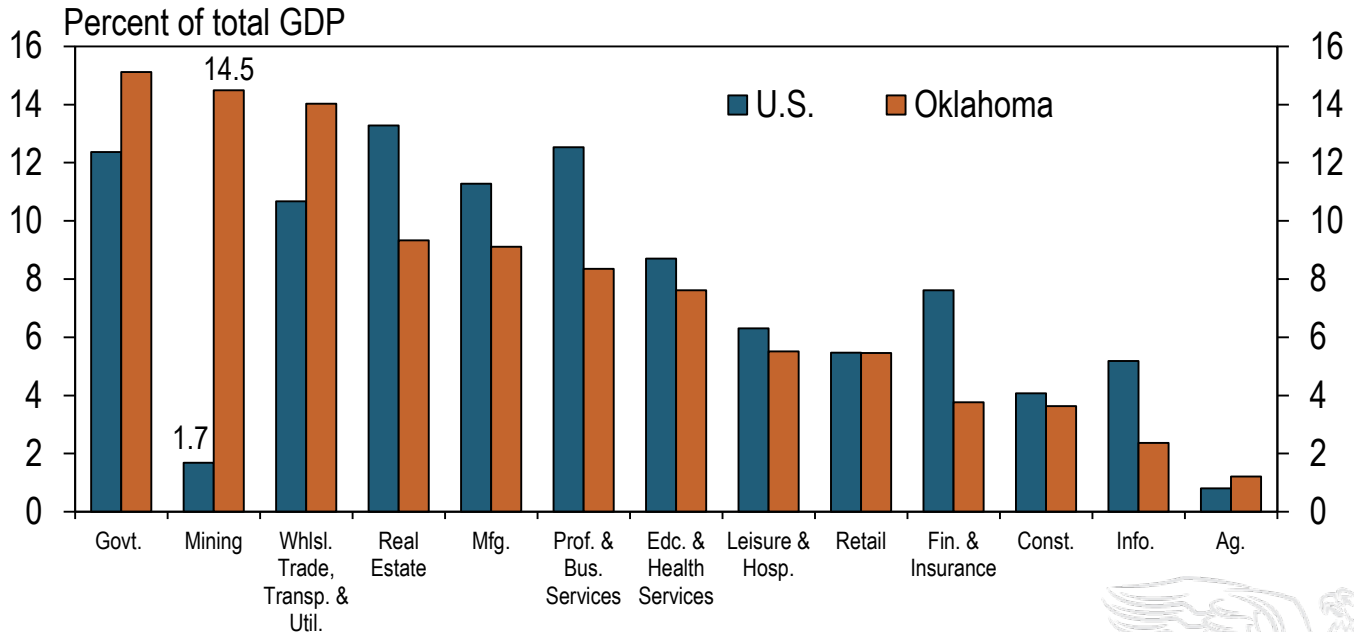
### Sectors:

- 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)



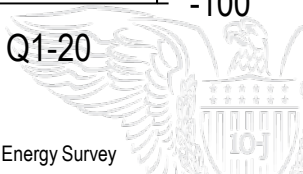
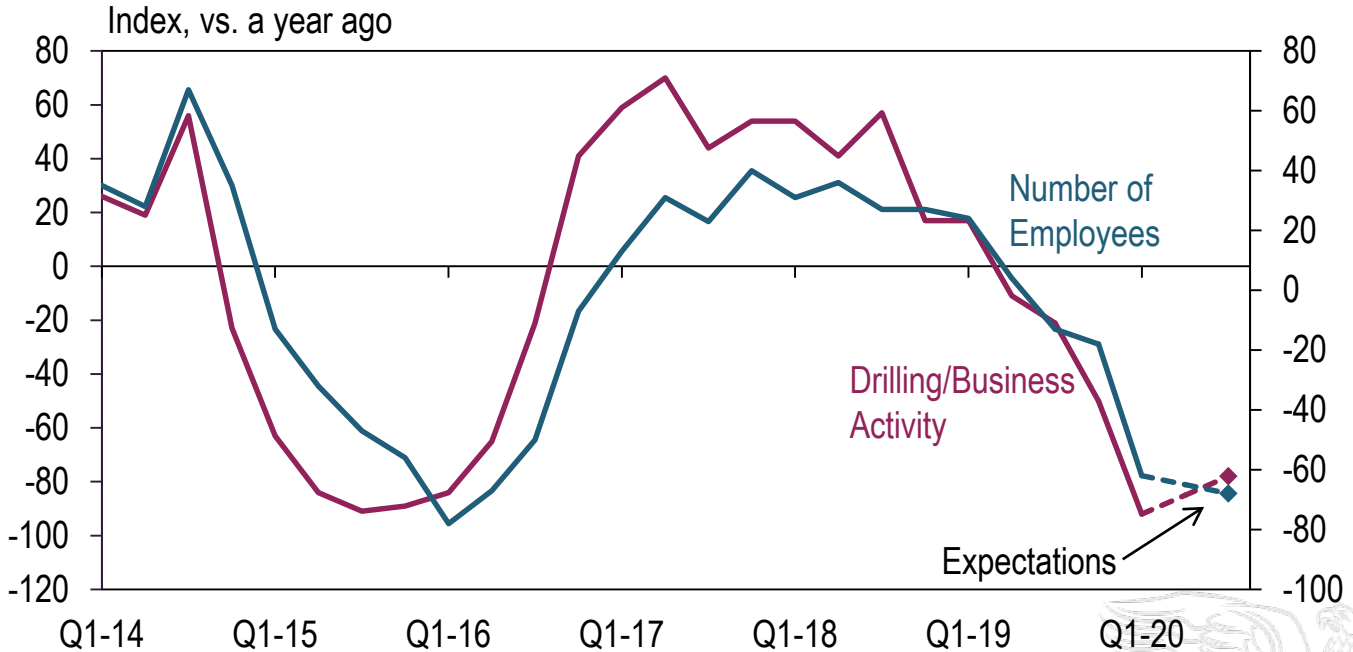
# Oklahoma's main difference from the nation in terms of industrial structure is its very sizable energy sector

Industry Share of GDP, 2018



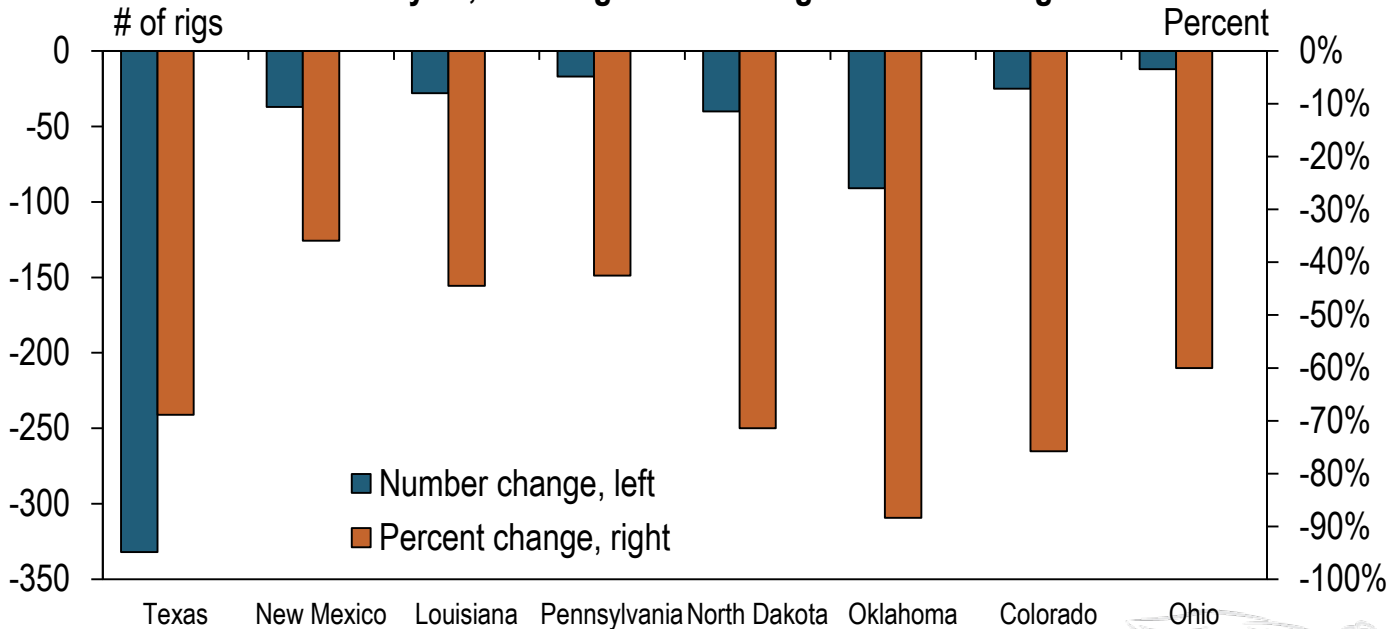
# In late March, regional energy firms expected drilling activity to keep declining, with more job cuts

Kansas City Fed Energy Indexes



# Rig counts in Oklahoma and other energy states have decreased dramatically as firms started well shut-ins

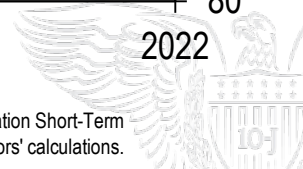
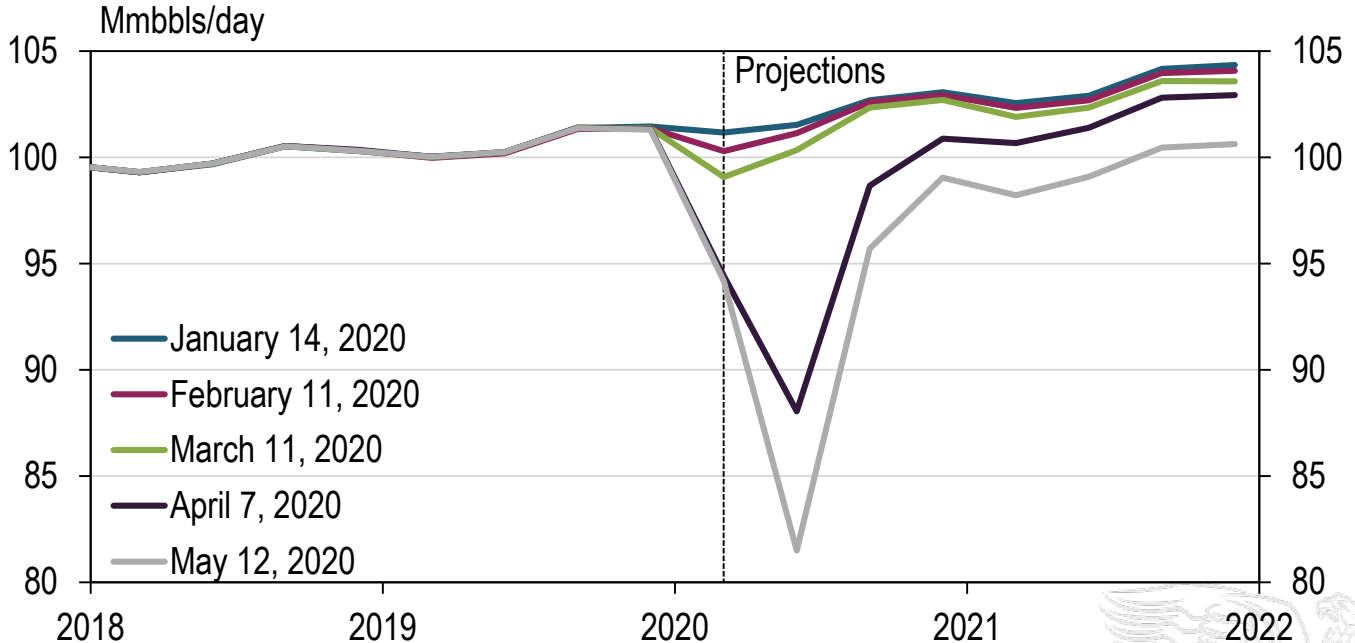
May 15, 2020 Rig Count Change from a Year Ago





# Forecasts for world oil demand have weakened dramatically, following the coronavirus outbreak

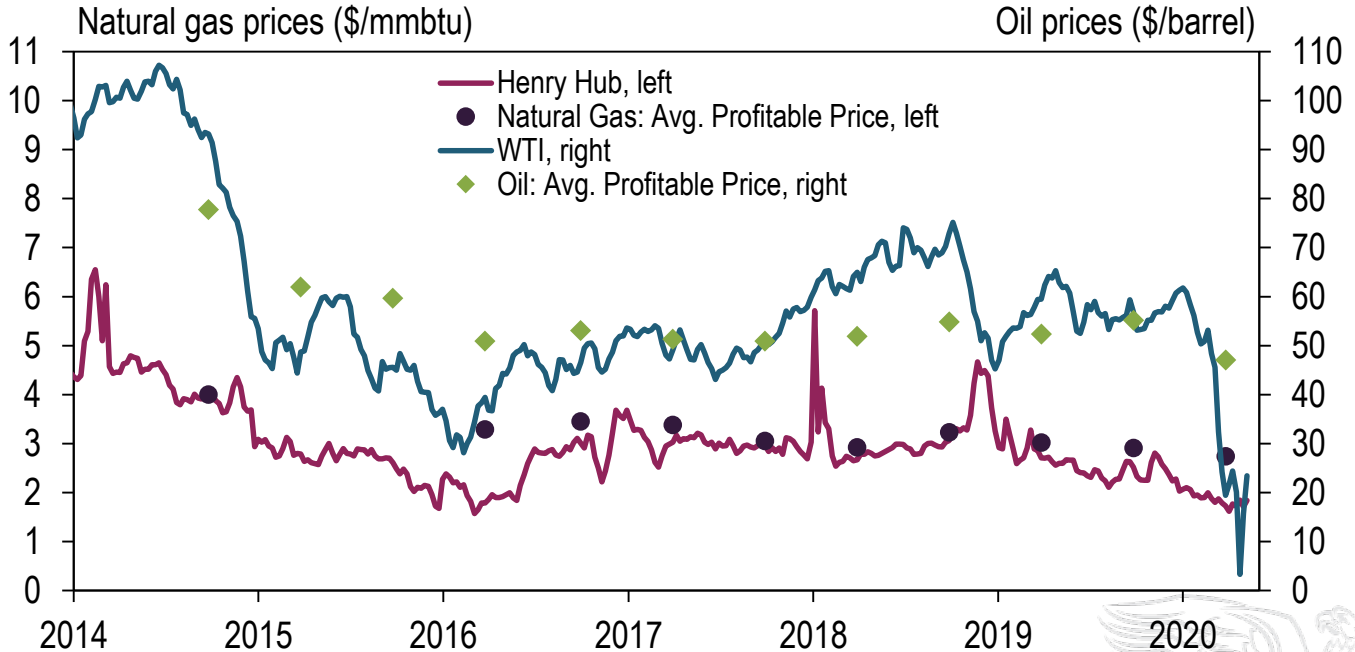
## World Petroleum Demand Forecasts



Sources: Energy Information Association Short-Term Energy Outlook, authors' calculations.

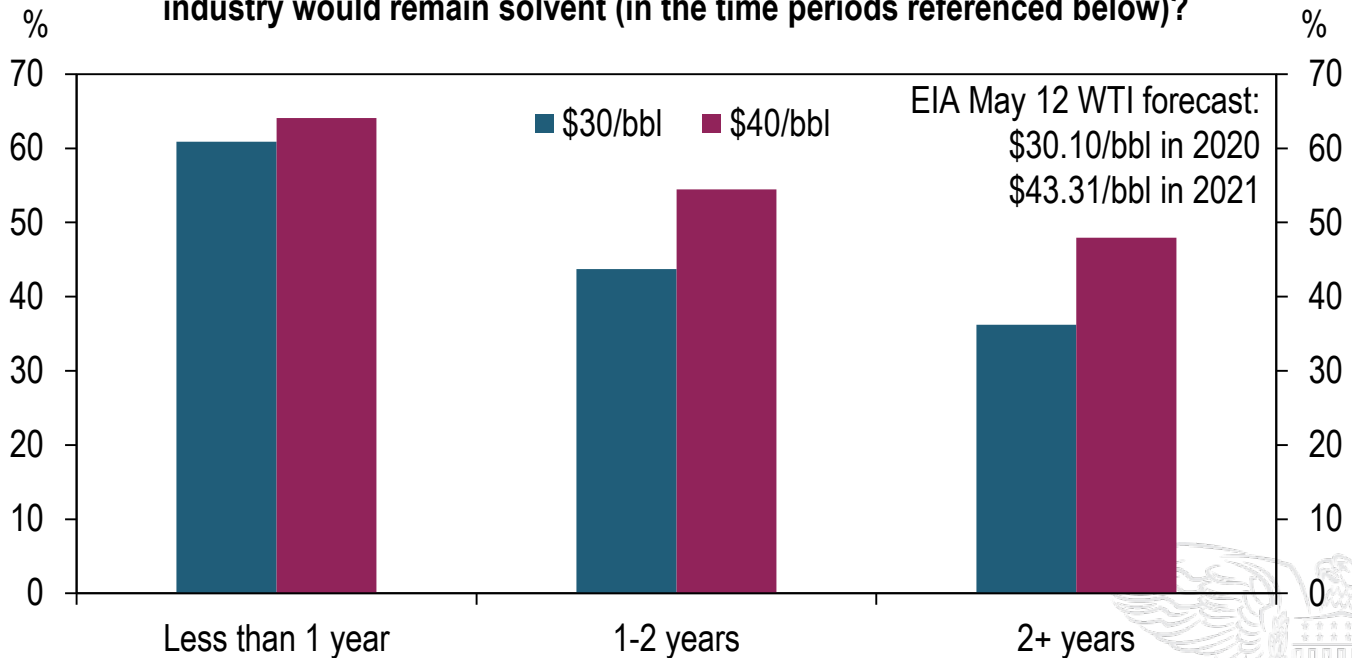
# Even with the planned OPEC+ supply cuts, energy prices remain extremely problematic

## Oil & Natural Gas Profitability and Prices



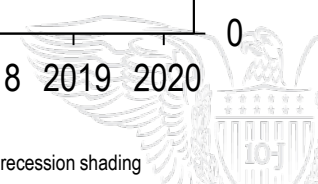
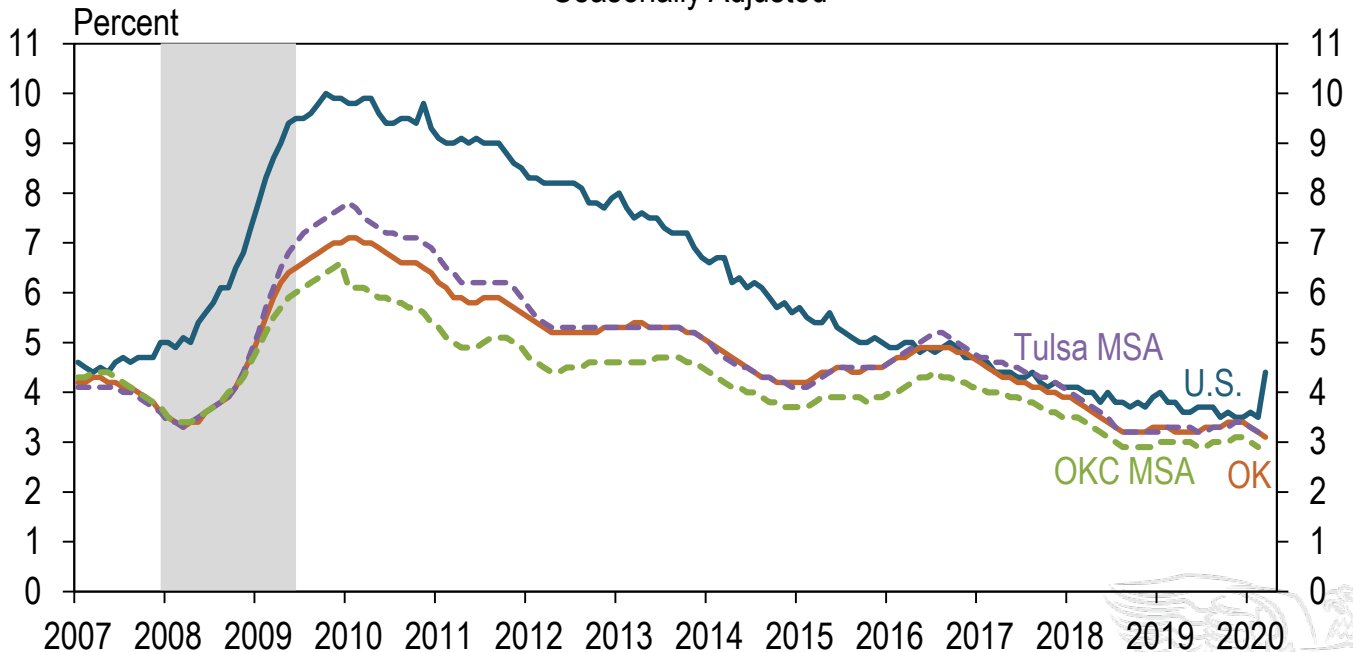
# Energy firms expect solvency issues to grow considerably if prices stay low very long

**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)?**



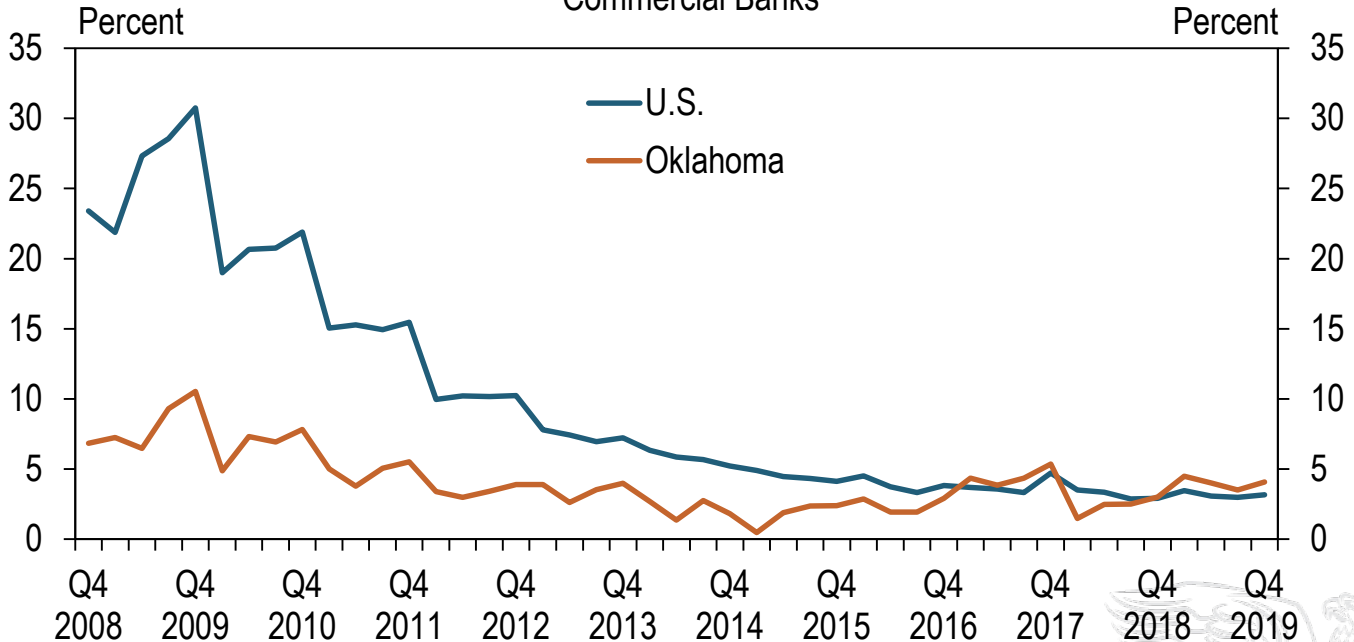
# Oklahoma's overall unemployment rate was still very low when measured March 8-14, at just 3.1%

Unemployment Rates  
Seasonally Adjusted



# Additionally, banking conditions in Oklahoma remained good at the end of 2019, similar to in the nation

Share of Banks Not Making a Profit  
Commercial Banks



# Summary

- 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



# 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/lealert](https://kansascityfed.org/lealert)* to subscribe!

