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

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


-21 -18 -15 -12 -9 -6 -3 0 3 6

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.
April tax receipts fell considerably compared with a year ago, in part because the April 15 due date was delayed.
New state claims for unemployment insurance have come down some, but remain historically high.

Weekly Initial UI Claims
Through Week Ending May 9, 2020

Source: U.S. Department of Labor
Most initial unemployment insurance claims in April were filed by workers in the hospitality & food industry.

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

Sources: FRBKC Surveys, ISM, NBER recession shading
District services activity also dropped further in April

![Chart showing the Services Composite Index, with a sharp decline in 2020. The index for FRBKC and nISM are represented by different lines.]

Sources: FRBKC Surveys, ISM
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)

- Obtained a temporary reprieve on loan or rent payments
- Drawn down cash reserves
- Dipped into savings/personal funds
- Made increased use of a credit line or taken out a new loan
- SBA EIDL program
- SBA PPP program
- No actions
- Other

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)
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.

Source: FRBKC Energy Survey
Rig counts in Oklahoma and other energy states have decreased dramatically as firms started well shut-ins.
Forecasts for world oil demand have weakened dramatically, following the coronavirus outbreak.

World Petroleum Demand Forecasts

- January 14, 2020
- February 11, 2020
- March 11, 2020
- April 7, 2020
- May 12, 2020

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

- 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 May 12 WTI forecast:
- $30.10/bbl in 2020
- $43.31/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%.

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

- U.S.
- Oklahoma

Source: FDIC
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?

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