Oklahoma Economic Snapshot

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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 oil prices have presented significant challenges for the state economy.

- In April, employment in leisure and hospitality and most other industries fell sharply. Tax collections decreased, and unemployment continued to surge. Rig counts dropped further in May and energy prices remain low.

- However, Oklahoma’s banking conditions were solid in Q4 2019, 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.: 0.50%**
- **OK: 0.15%**

**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.

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 and metro job losses were very steep in April in the leisure and hospitality sector, but less than the U.S.

Job Growth by Industry
April 2020

Percent change, year-over-year

Note: March BLS establishment and household surveys ran March 8-14.
Sources: U.S. Bureau of Labor Statistics/Haver Analytics
April tax receipts fell considerably compared with a year ago, in part because the April 15 due date was delayed.

Source: OK Tax Commission
Oklahoma’s unemployment rate jumped to 13.7% the week of April 12-18, slightly below the U.S. rate of 14.7%.
New state claims for unemployment insurance have come down some, but remain historically high.

Weekly Initial UI Claims
Through Week Ending May 16, 2020

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

Oklahoma Initial April UI Claims

- Accommodation & Food Services
- Health Care & Social Assistance
- Manufacturing
- Retail Trade
- Admin. & Waste Management
- Wholesale Trade
- Construction
- Arts, Entertainment, & Recreation
- Mining
- Prof., Scientific, Tech Services
- Other Services
- Transportation & Warehouse
- Educational Services
- Finance & Insurance
- Real Estate, Rental & Leasing
- Public Administration
- Information
- Management of Companies
- Ag, Forestry, Fishing, Hunting
- Utilities

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

Manufacturing Composite Index

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

Services Composite Index

Index, sa


FRBKC
nISM

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)

- Layoffs
- Furloughs
- PTO
- Part-time/reduced staffing levels
- Reduced wages
- Other

Source: FRBKC Surveys
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

Percent of total GDP

- Govt.: 1.7
- Mining: 14.5
- Real Estate
- Mfg.
- Prof. & Bus. Services
- Edc. & Health Services
- Leisure & Hosp.
- Retail
- Fin. & Insurance
- Const.
- Info.
- Ag.

Source: Bureau of Economic Analysis
In late March, regional energy firms expected drilling activity to keep declining, with more job cuts.

Kansas City Fed Energy Indexes

Index, vs. a year ago

Q1-14 Q1-15 Q1-16 Q1-17 Q1-18 Q1-19 Q1-20

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

Sources: Energy Information Association Short-Term Energy Outlook, authors' calculations.
Energy prices have rebounded somewhat, but remain below profitable levels for most regional firms.

**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**

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)?

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**EIA May 12 WTI forecast:**
- $30.10/bbl in 2020
- $43.31/bbl in 2021

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Sources: EIA, FRBKC Energy Survey
However, banking conditions in Oklahoma were solid at the end of 2019, similar to in the nation.
Summary

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Questions?

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