

# U.S. and Oklahoma Economic Outlook in the Midst of COVID-19 and Low Oil Prices

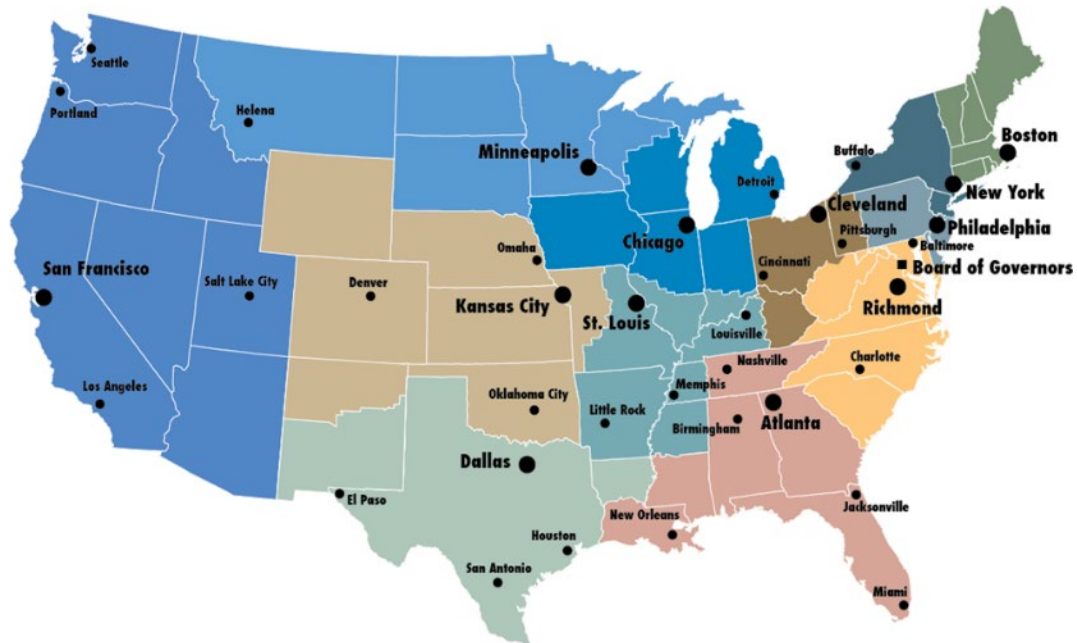
*Central Oklahoma Chapter of the Financial Planning Association  
November 10, 2020*

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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.



# Structure & Functions of the Federal Reserve



## The “Fed” consists of three main entities:

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent by design
- Federal Open Market Committee: 19 members; 12 voting

## Primary responsibility areas:

- Monetary policy
- Bank regulation
- Financial services



# The Federal Reserve's Role in Monetary Policy

- **Dual Mandate from U.S. Congress:**

- 1) Maximum employment
- 2) Price stability

- **Federal Open Market Committee (FOMC):**

## Board of Governors

- **Jerome H. Powell**, Chairman
- **Richard H. Clarida**, Vice Chairman
- **Randal K. Quarles**, Vice Chairman of Supervision
- **Lael Brainard**
- **Michelle W. Bowman**
- **Open**
- **Open**



## Reserve Bank Presidents

- **John C. Williams**, New York, Vice Chairman
- **Patrick T. Harker**, Philadelphia
- **Robert S. Kaplan**, Dallas
- **Neel Kashkari**, Minneapolis
- **Loretta J. Mester**, Cleveland
- **Thomas I. Barkin**, Richmond
- **Raphael W. Bostic**, Atlanta
- **Mary C. Daly**, San Francisco
- **Charles L. Evans**, Chicago
- **James Bullard**, St. Louis
- **Esther L. George**, Kansas City
- **Eric Rosengren**, Boston



\*Permanent voters in bold; 2020 rotating voters in red; 2021 rotating voters in blue



# The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

[www.kansascityfed.org/oklahomacity](http://www.kansascityfed.org/oklahomacity)

## OKC BRANCH 100

- **2020 is our Centennial**
- **Functions and purposes ~ 50 staff**
  - Research on U.S. and Oklahoma economies; energy sector and business survey focus
  - Examinations of Oklahoma financial institutions (~45 banks, ~175 holding cos.)
  - Risk analysis and IT development for bank exams; exam assistance for other Fed offices
  - Community development programming for low and moderate income groups, workforce focus
  - Economic education and public outreach programming
- **2020 OKC Fed Branch Board of Directors**
  - **Tina Patel (chair)**, Co-Owner & CFO, Promise Hotels, Tulsa
  - **Walt Duncan**, President, Duncan Oil Properties, Oklahoma City
  - **Susan Plumb**, Chair & CEO, Bank of Cherokee County, Tahlequah
  - **Brady Sidwell**, Principal, Sidwell Strategies, Enid
  - **Chris Turner**, President & CFO, First State Bank, Oklahoma City
  - **Katrina Washington**, Owner/Broker, Stratos Realty, Oklahoma City
  - **Dana Weber**, Chair & CEO, Webco Industries, Sand Springs



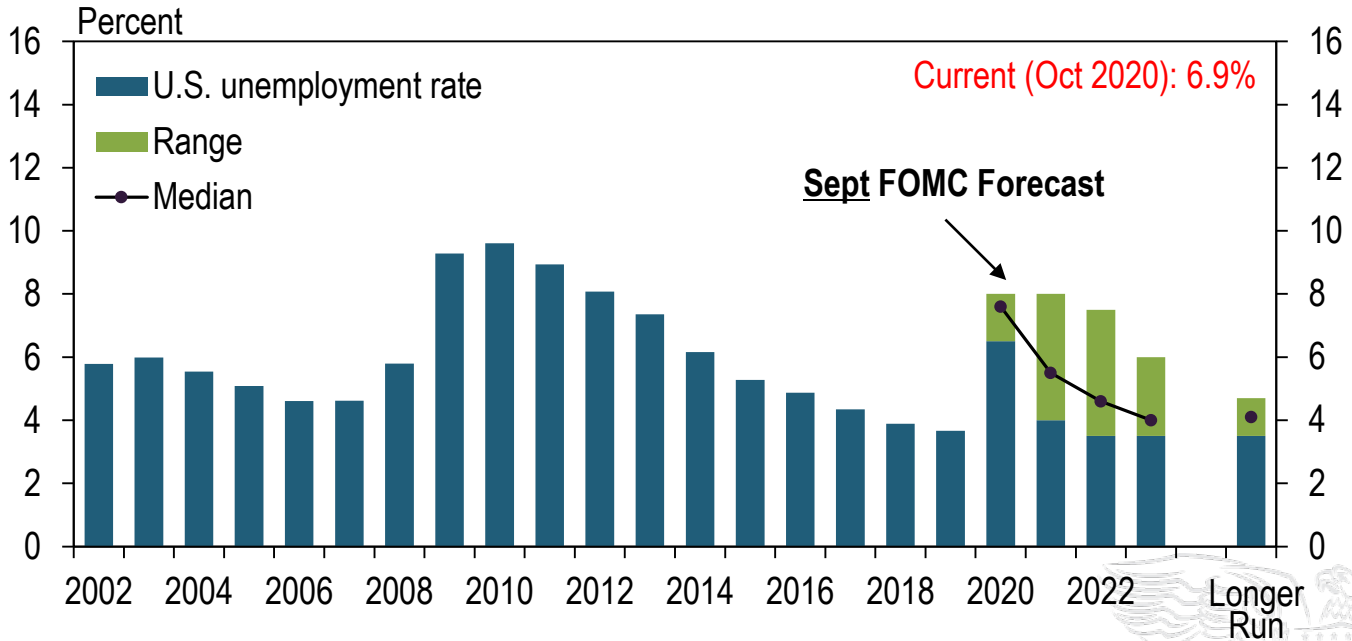
# Overview

- The U.S. and Oklahoma economies were hit hard by COVID in the spring but saw fairly solid recovery by summer
- Unprecedented government and Fed support was taken in response to the pandemic, helping maintain incomes and stability
- Since the summer, COVID cases and hospitalizations have been lower in the nation but higher in Oklahoma
- After initially recovering more quickly, job growth in Oklahoma has been slower than in the nation in recent months
- Future conditions in the U.S. and Oklahoma economies and in the energy sector will continue to depend on the path of the virus



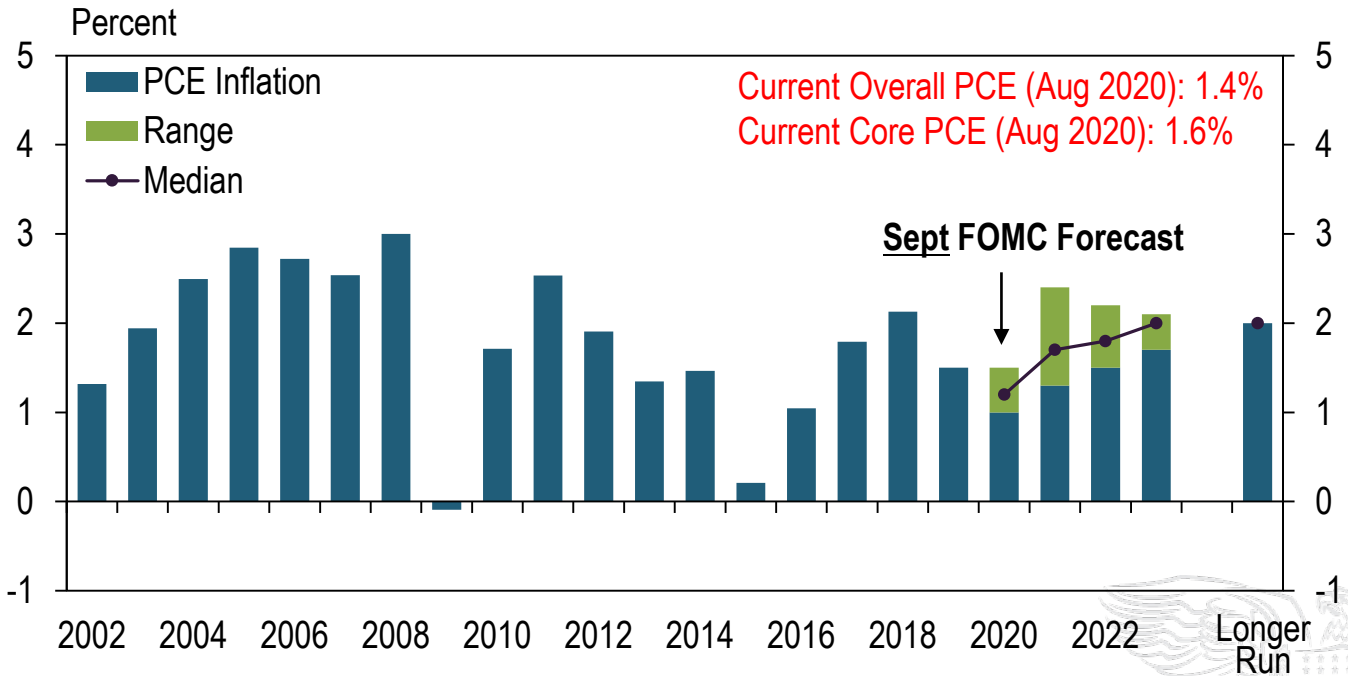
# Nov FOMC: “The ongoing public health crisis will continue to weigh on... employment... in the near term”

## U.S. Unemployment Rate



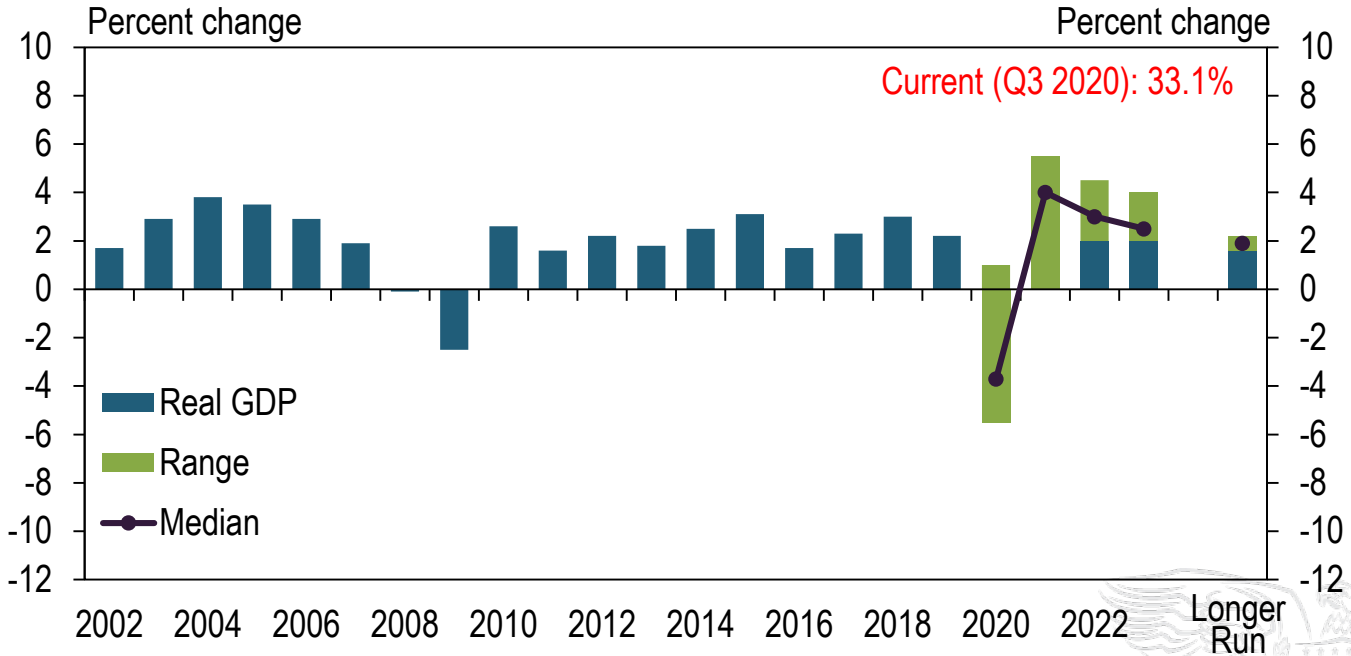
# Nov FOMC: “Weaker demand and earlier declines in oil prices have been holding down consumer price inflation.”

PCE Inflation Index



# Nov FOMC: “Economic activity... continued to recover but remain[s] well below... the beginning of the year.”

Change in Real GDP

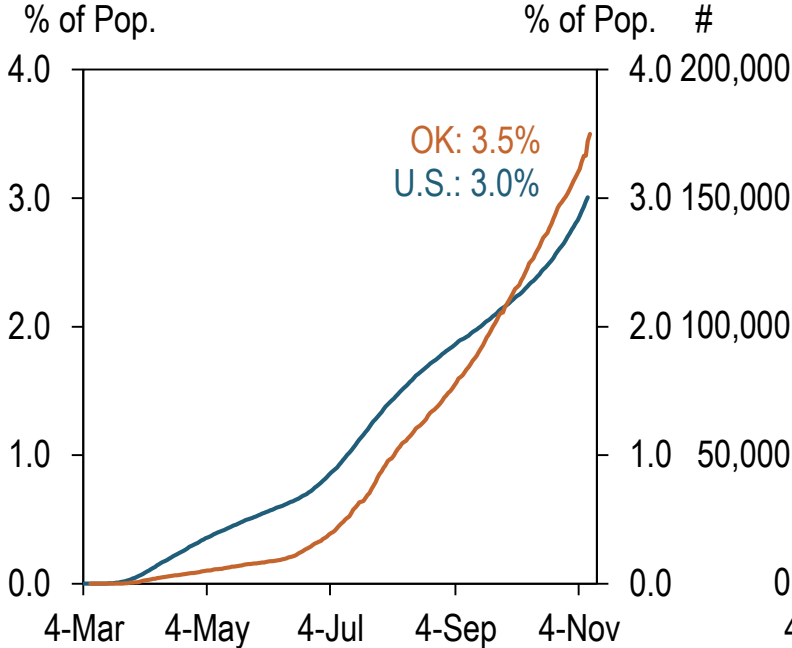


Longer Run

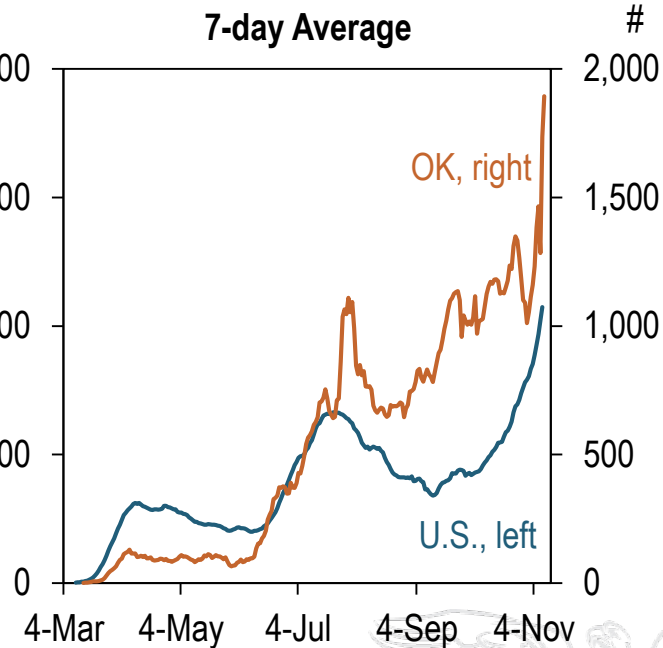


# COVID-19 initially spread less in Oklahoma, but then new cases outpaced the U.S. and still remain higher

**Confirmed Cases**

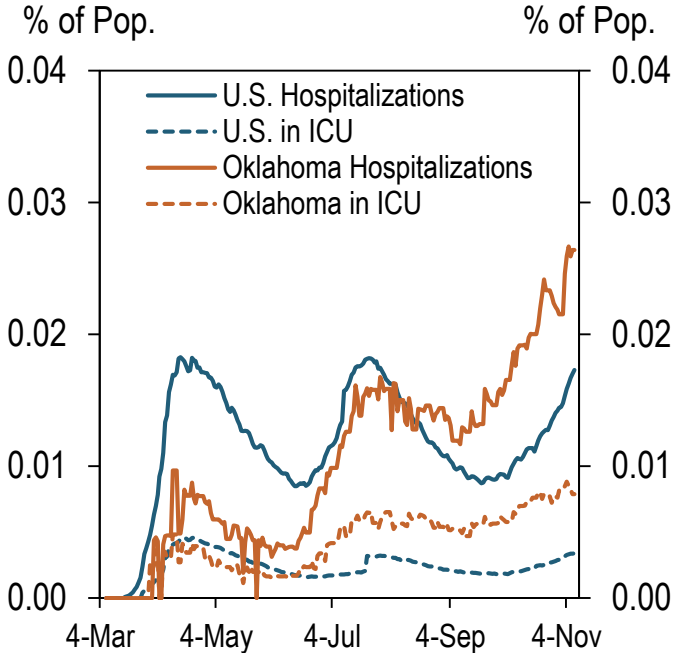


**Number of New Cases  
7-day Average**

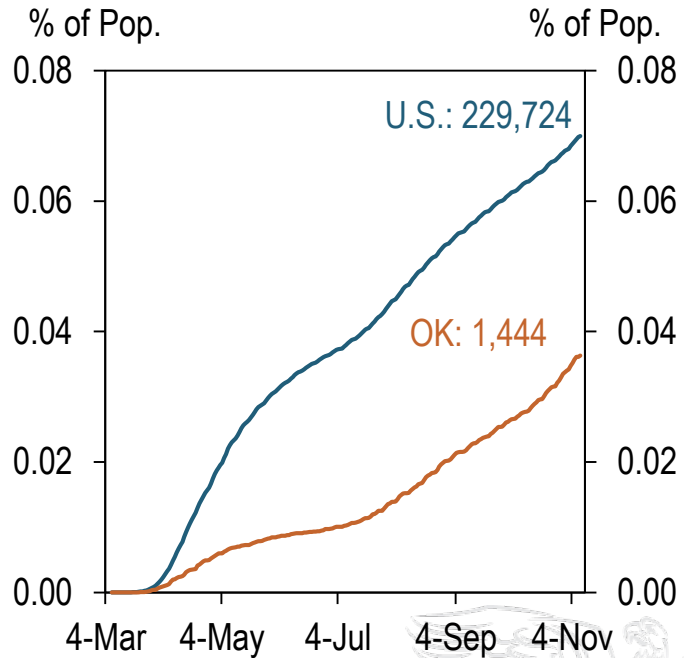


# As a share of the population, COVID-19 hospitalizations and ICU patients are higher in OK, but deaths are lower

### Current Hospitalizations & ICU

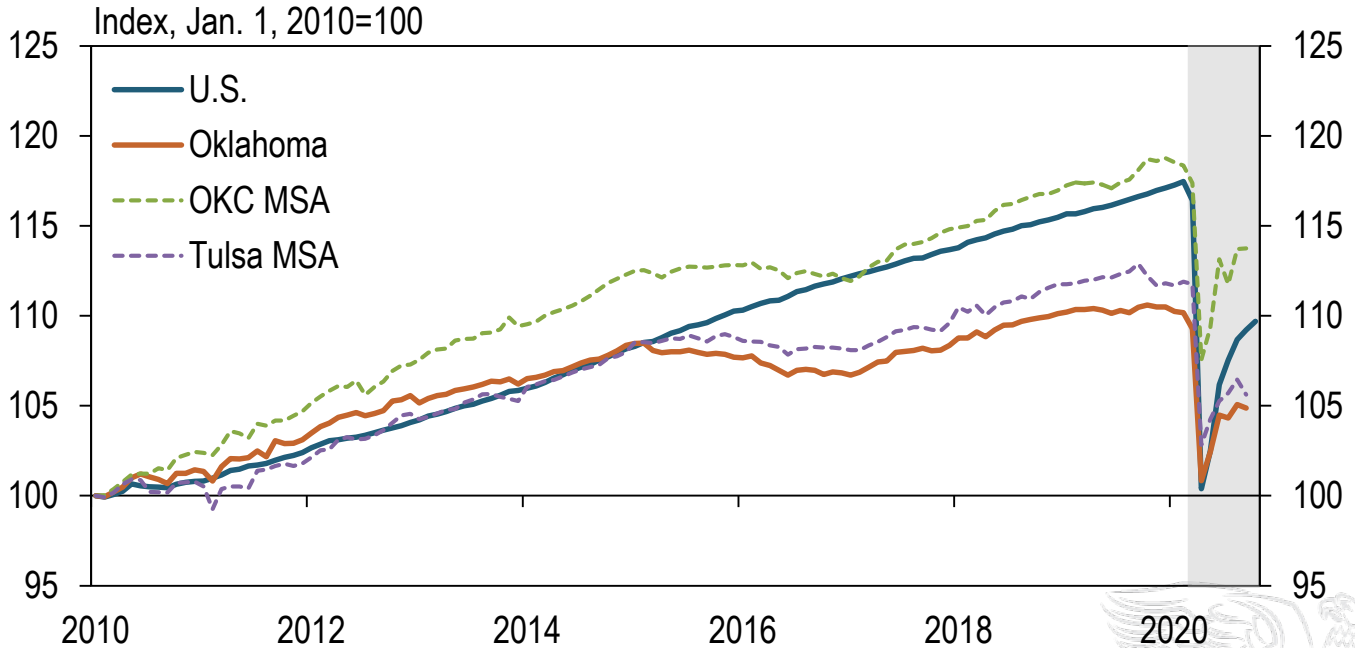


### COVID-19 Deaths



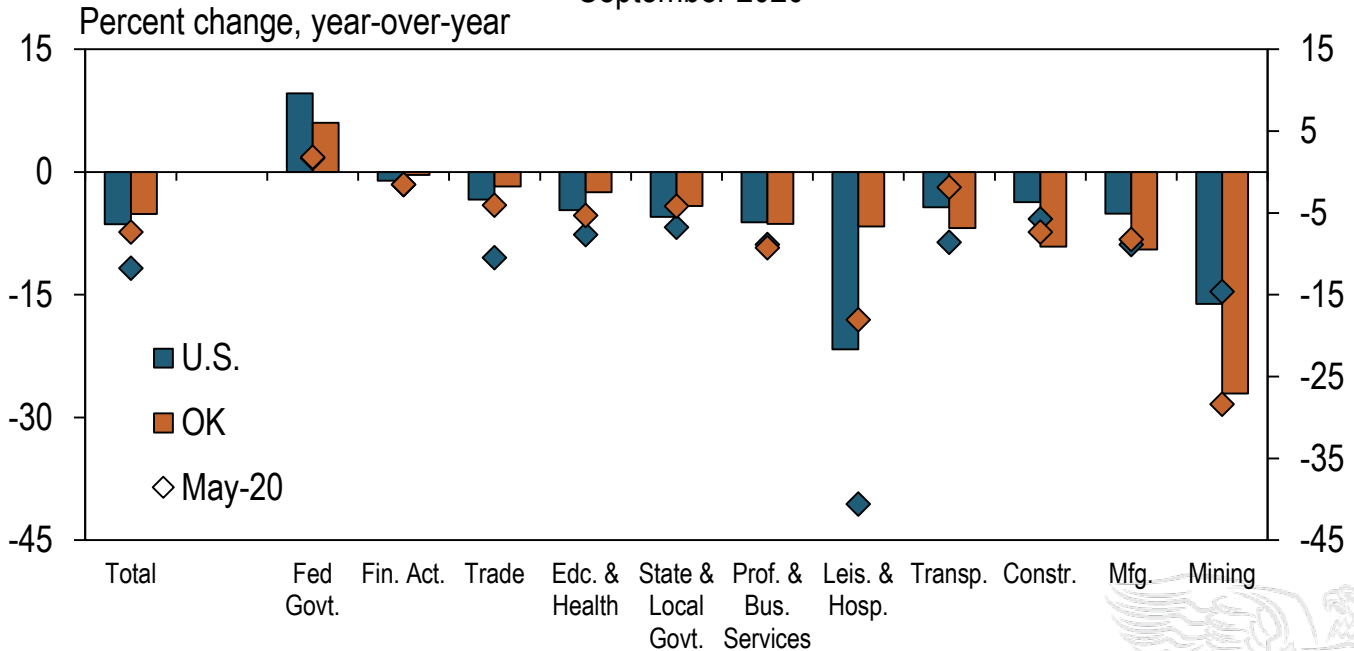
# 10 years of U.S. and Oklahoma job growth were lost in March/April, but there has been some recovery since

Nonfarm Payroll Employment Growth



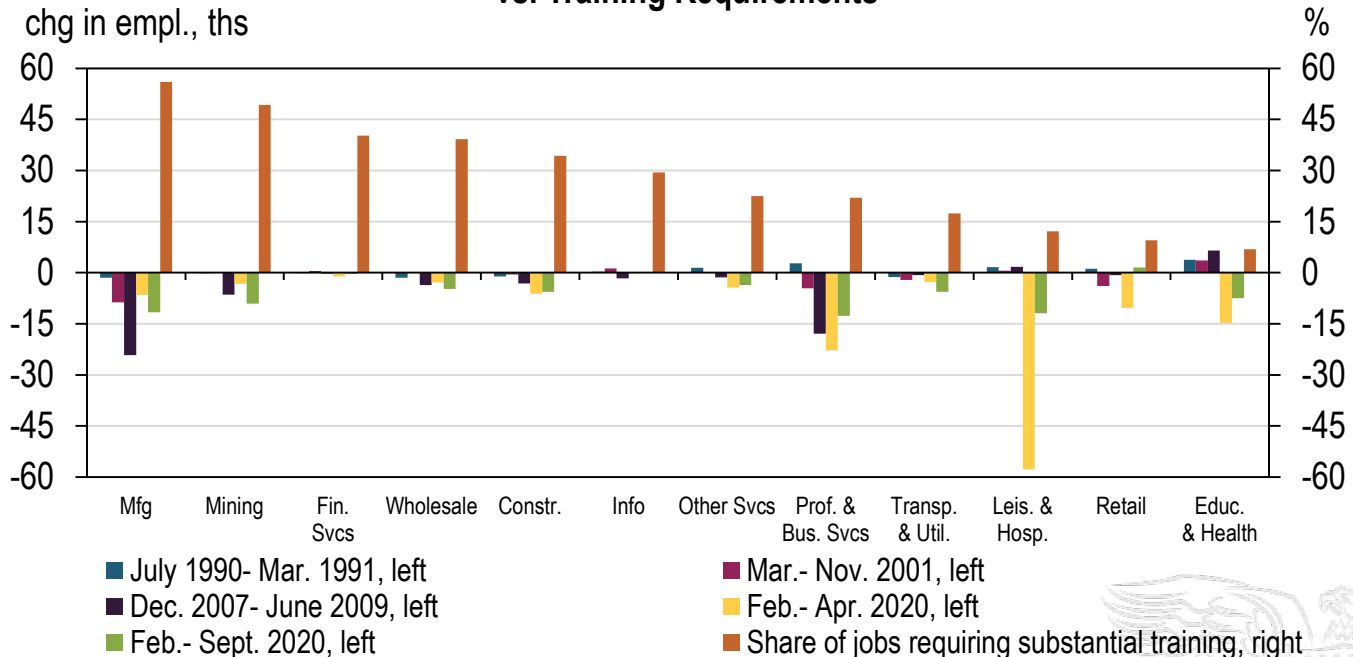
# Oklahoma's jobs recovery has stalled in energy, manufacturing, construction, and transportation

Job Growth by Industry  
September 2020



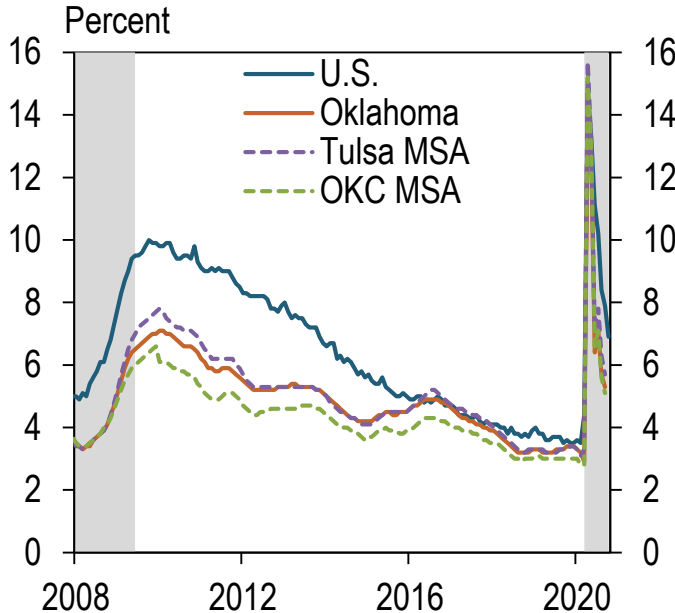
# Job losses in previous recessions were concentrated in occupations with more on-the-job training requirements

## Oklahoma Recession Job Losses vs. Training Requirements

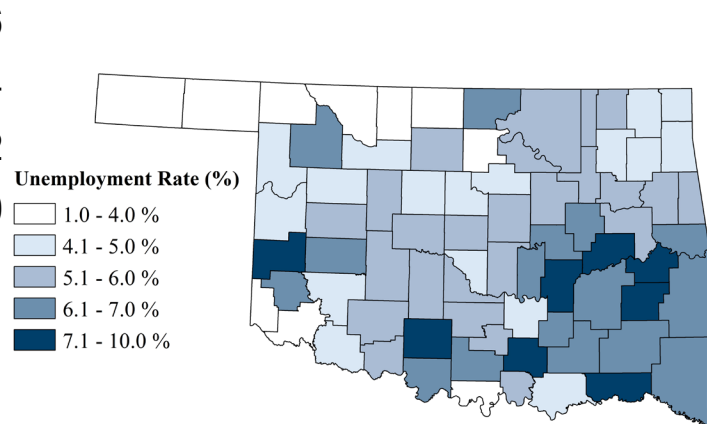


# Oklahoma unemployment decreased to 5.3% in September, while the U.S. rate was 6.9% in October

**Unemployment Rates**  
Seasonally Adjusted

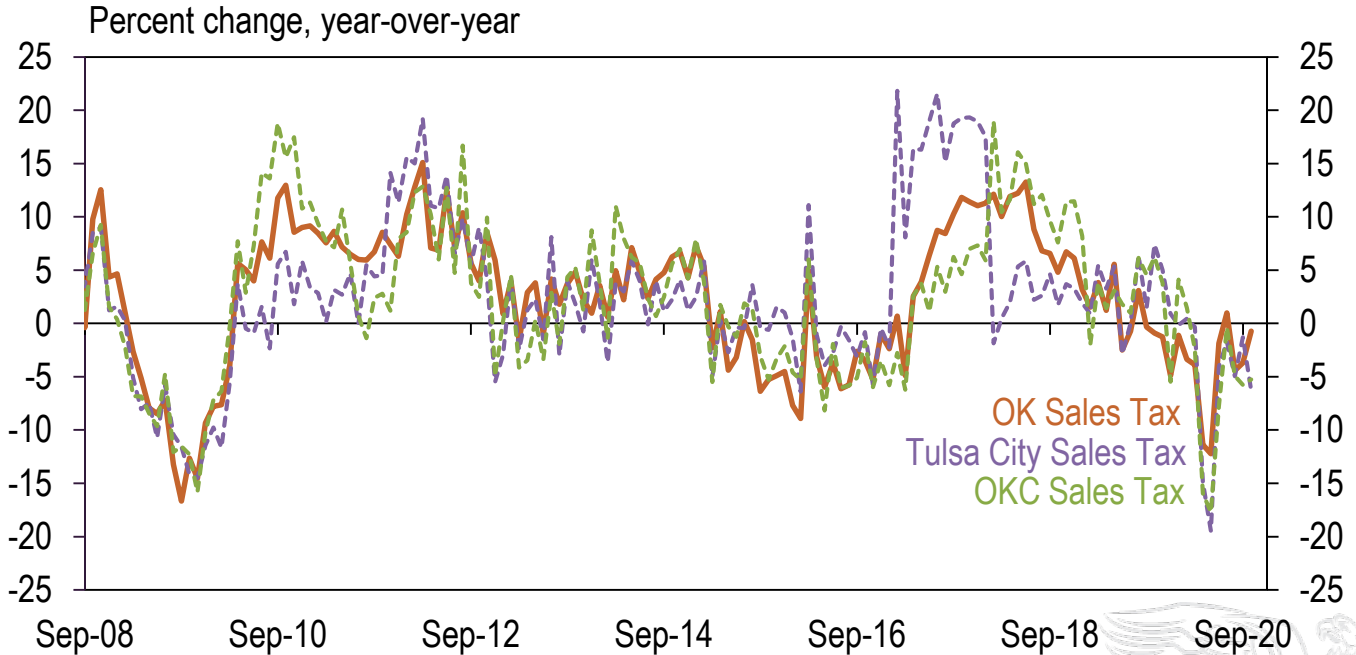


**County Unemployment Rates**  
Seasonally Adjusted



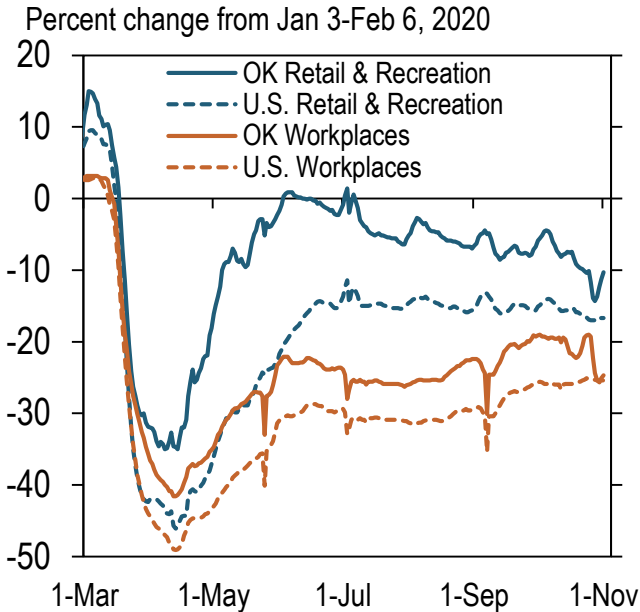
# State and city sales tax receipts were lower again in October after rebounding some over the summer

Oklahoma Monthly Tax Revenues

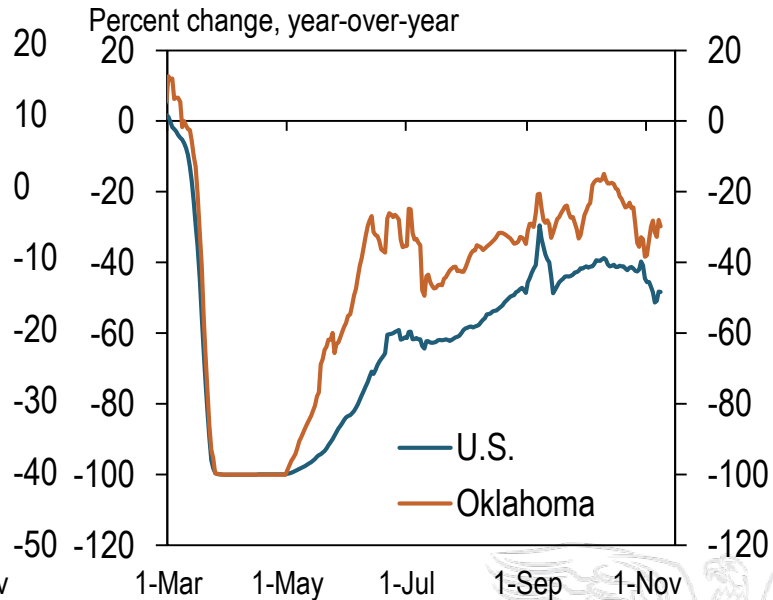


# Foot traffic at Oklahoma businesses rose steadily through mid-June, but remains below pre-COVID levels

Google Mobility Data



Seated Diners at Restaurants  
7-day Average

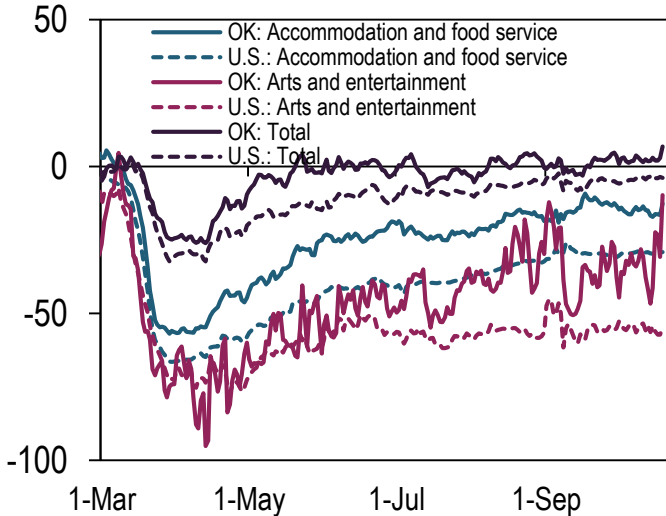




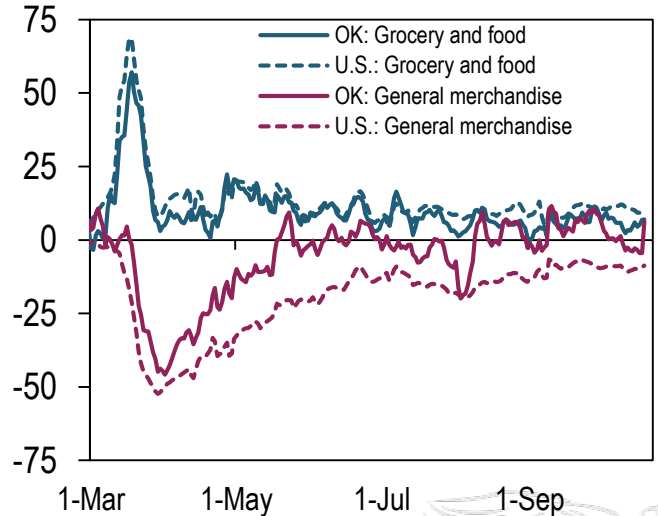
# Consumer spending has remained around pre-COVID levels despite less hospitality & entertainment spending

## Oklahoma vs. U.S. Consumer Spending

Percent change, from Jan. 2020

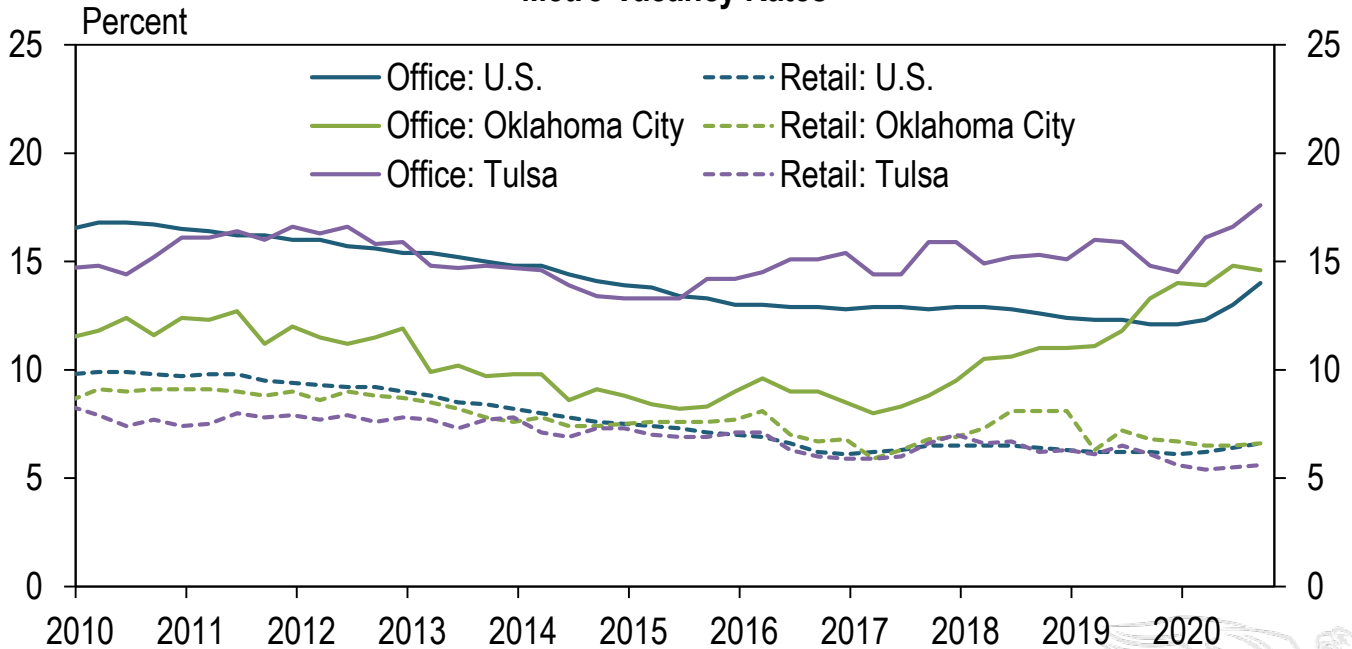


Percent change, from Jan. 2020



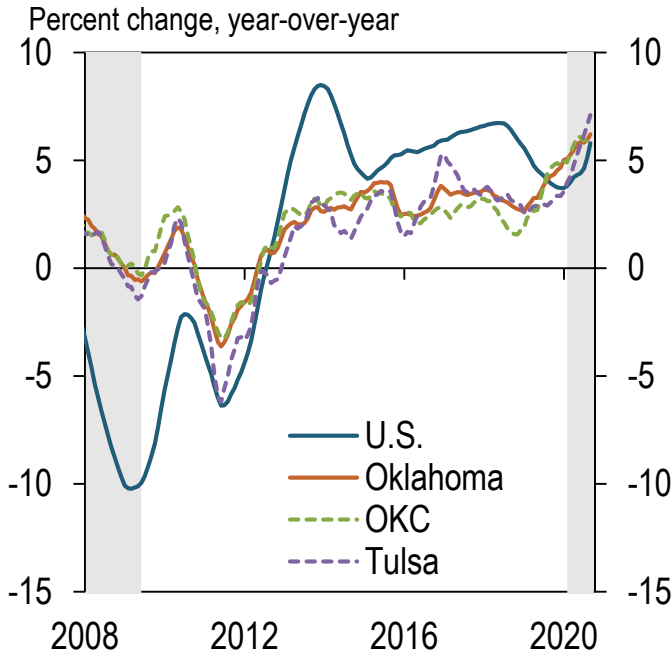
# Energy city office markets were already struggling before COVID, but retail vacancy was still low in Q3

Metro Vacancy Rates

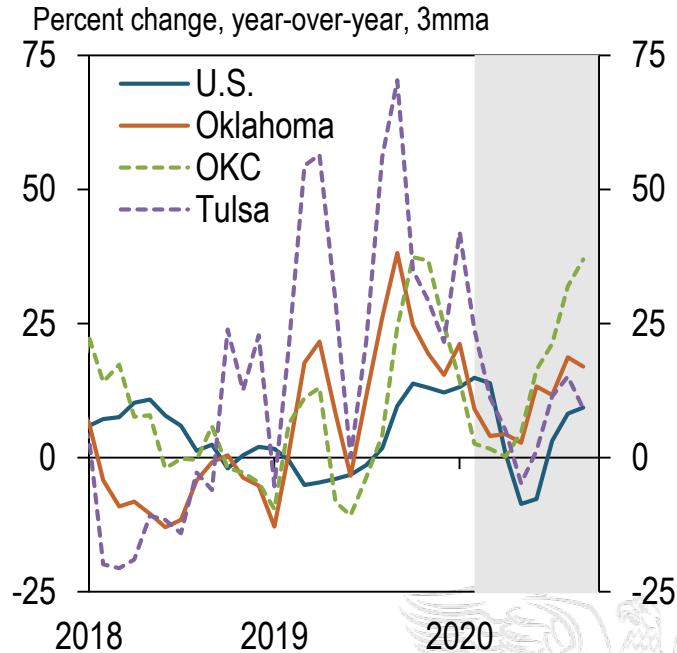


# Through September, housing prices and new building permits in OK continued to rise faster than the U.S.

## Housing Price Index

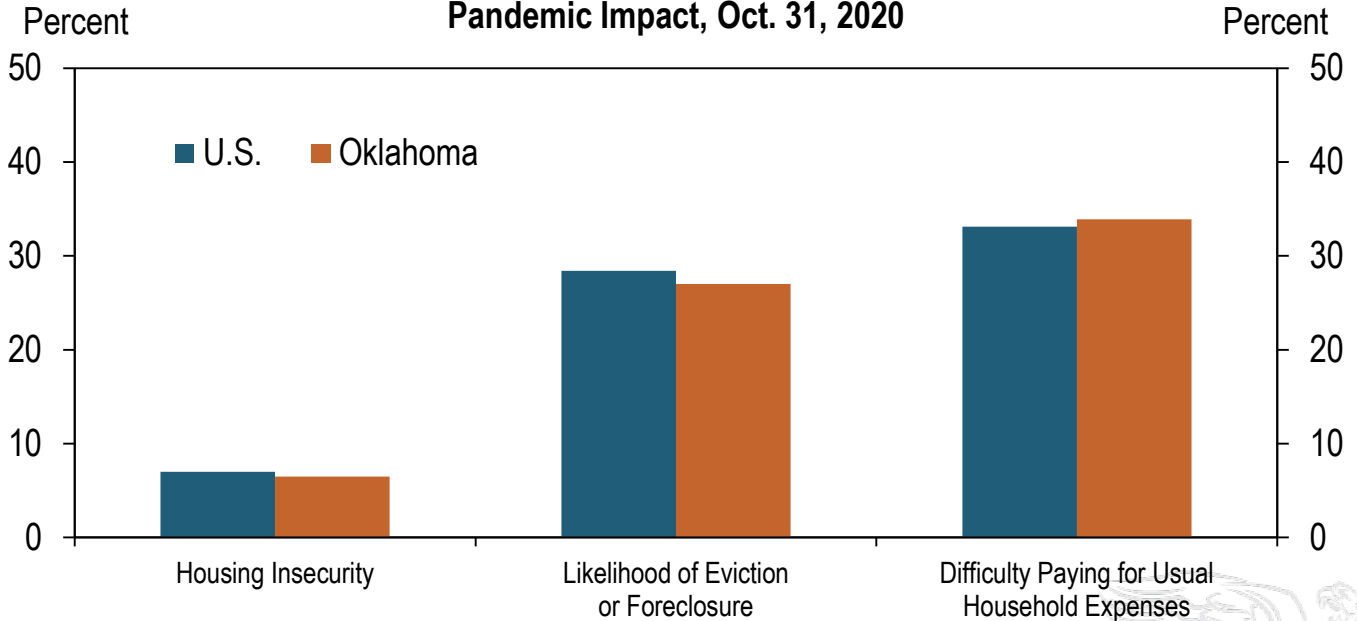


## New Housing Permits



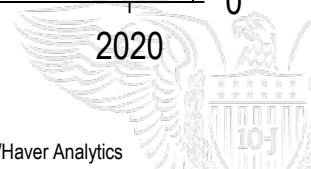
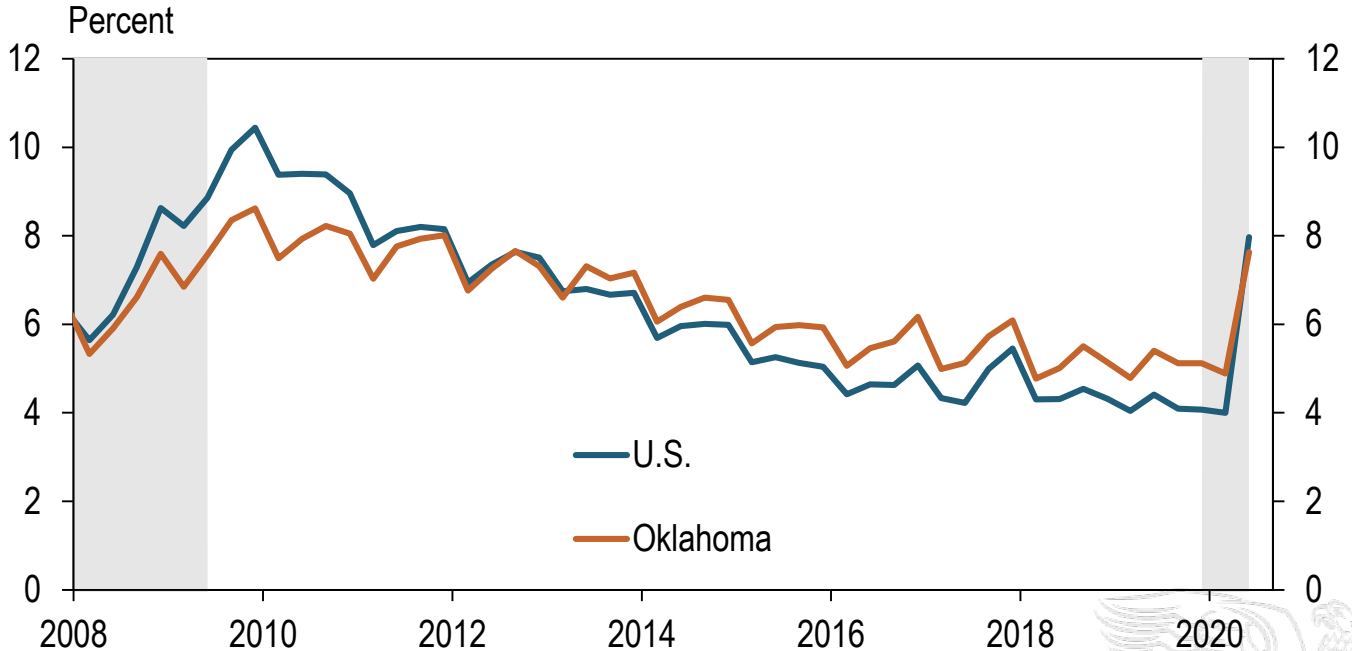
# Still, about a third of Oklahomans are having difficulty paying household expenses and are at risk of eviction

Household Pulse Survey  
Pandemic Impact, Oct. 31, 2020



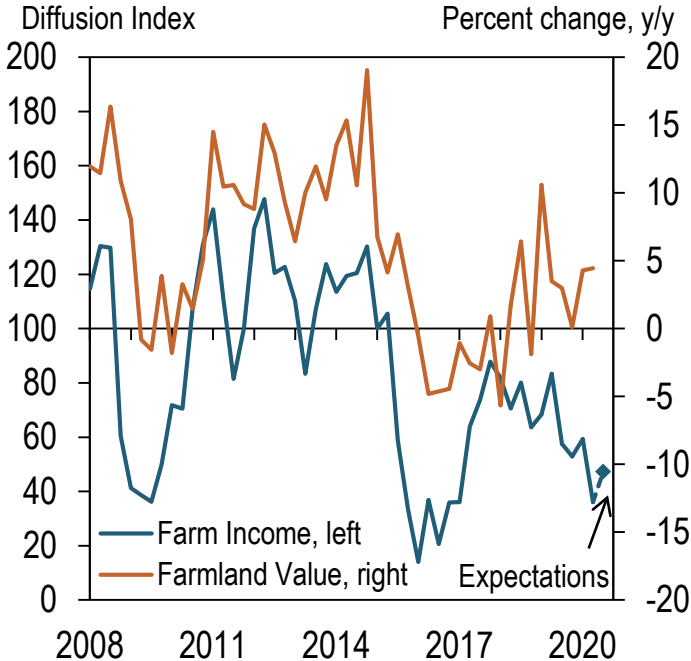
# Through Q2, mortgage delinquencies also increased, though more in the U.S. overall than Oklahoma

All Mortgages Past Due

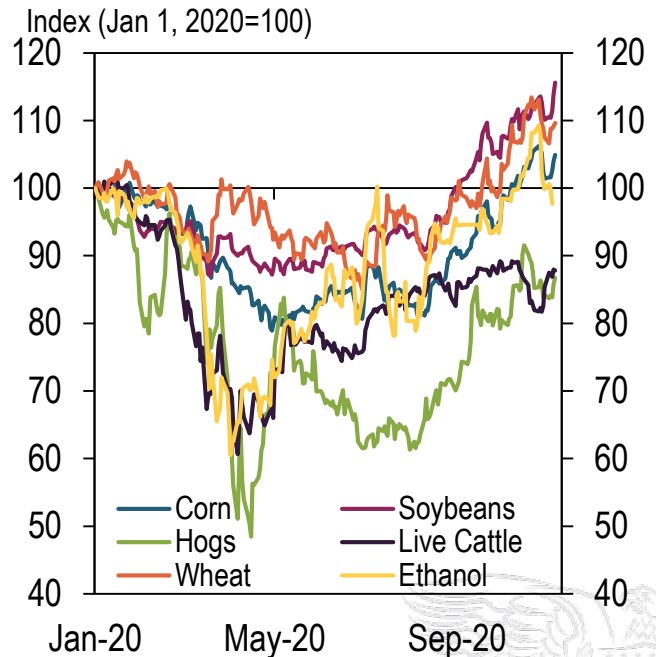


# State ag incomes remained depressed through the summer, but grain prices have rebounded considerably

## Oklahoma Farm Income and Farmland Values

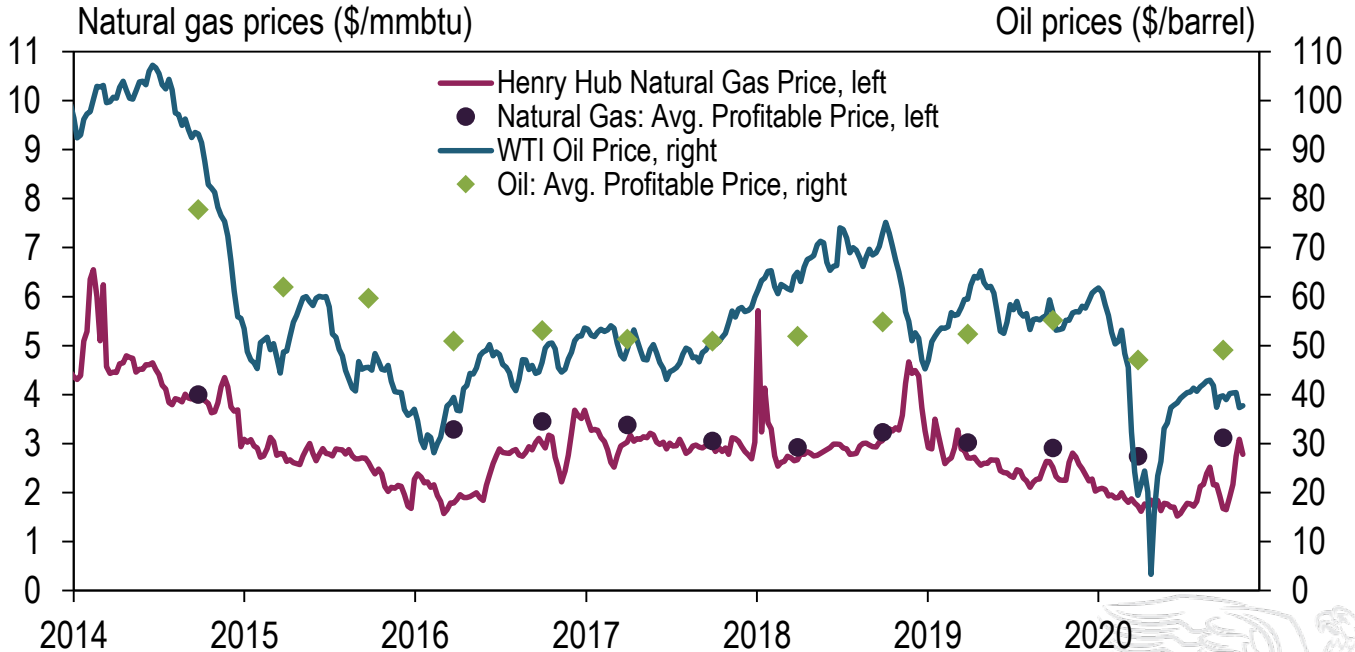


## Commodity Prices



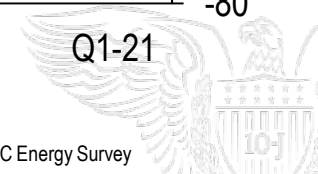
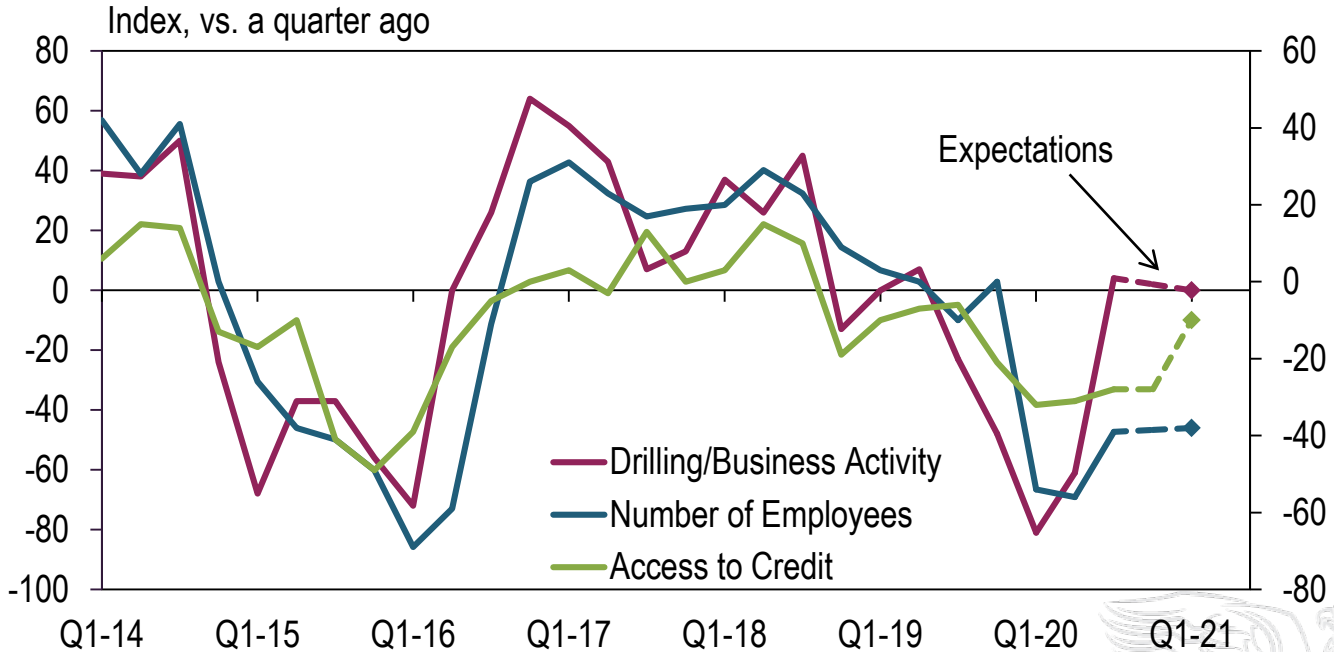
# Energy prices have been stable since summer but still below profitable levels according to most firms

## Oil & Natural Gas Profitability and Prices



# The KC Fed's quarterly energy survey, released Oct 9, showed stabilization in activity but not in jobs

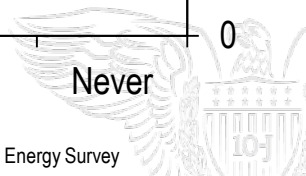
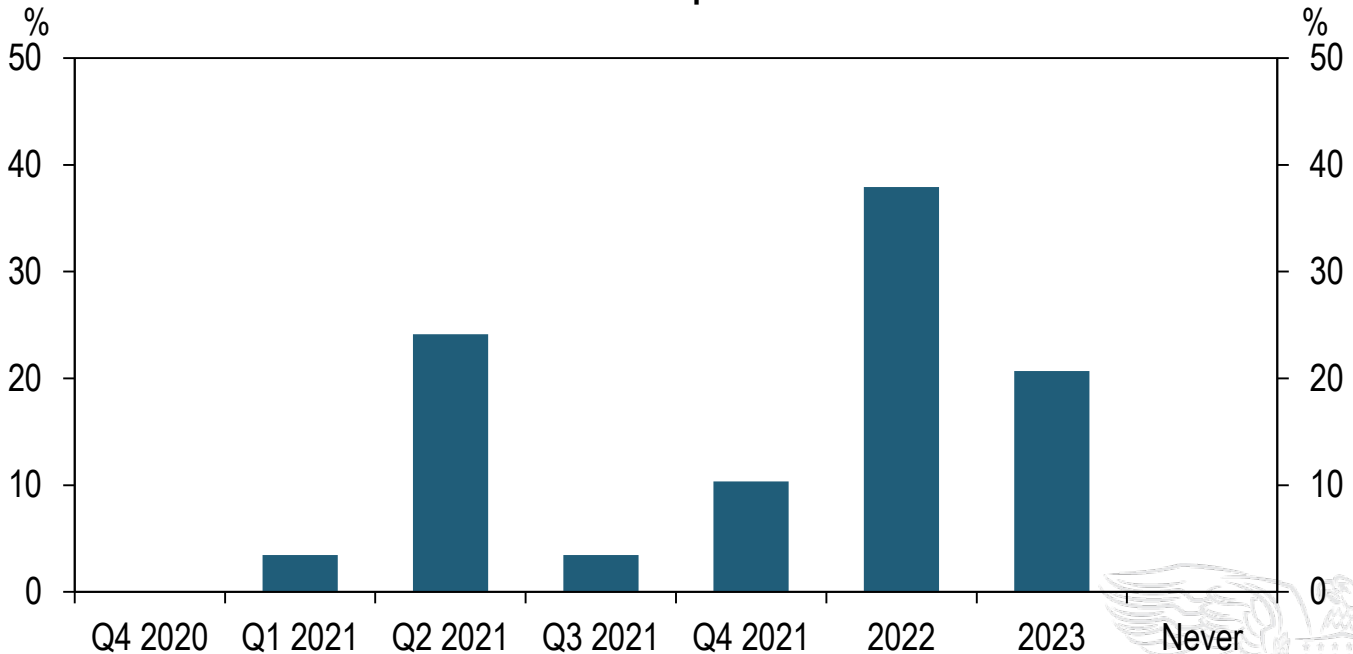
Kansas City Fed Energy Indexes





# A quarter of firms expect global oil demand to rebound by next summer, but 60% expect it to take a few years

FRBKC Q3 2020 Energy Special Question: When does your firm expect global oil demand to return to pre-COVID levels?



# Summary

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- Unprecedented government and Fed support was taken in response to the pandemic, helping maintain incomes and stability
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# Questions?

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