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

Edmond Economic Development Authority
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Chad Wilkerson
Oklahoma City Branch Executive & Economist

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- 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 Oklahoma City Branch of the Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity

- 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
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  - Chris Turner, President & CFO, First State Bank, Oklahoma City
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  - 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 higher in Oklahoma than the nation, opposite of the spring

• 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

Current (Oct 2020): 6.9%

Sources: U.S. Bureau of Labor Statistics, FOMC

Note: Data and FOMC projections are for year-end.
Nov FOMC: “Weaker demand and earlier declines in oil prices have been holding down consumer price inflation.”

Current Overall PCE (Aug 2020): 1.4%
Current Core PCE (Aug 2020): 1.6%

Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC
Nov FOMC: “Economic activity… continued to recover but remain[s] well below… the beginning of the year.”

Change in Real GDP

Percent change

Real GDP
Range
Median

Current (Q3 2020): 33.1%


Percent change

Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC
Nov FOMC: “the [FOMC] decided to... maintain this target range until... maximum empl. and inflation... is on track.”

Federal Funds Rate
Year-End Target

Current Target: 0 - 0.25%

Sept FOMC Forecast

Note: Data and FOMC projections are for year-end.

Sources: Bureau of Economic Analysis, FOMC
Nov FOMC: “The [Fed] will increase its holdings…to sustain…the flow of credit to households and businesses”
COVID-19 initially spread less in Oklahoma, but then new cases outpaced the U.S. and still remain higher.

Sources: The COVID Tracking Project, Authors’ calculations.
As a share of the population, COVID-19 hospitalizations and ICU patients are higher in OK, but deaths are lower.
Case counts as a share of the population are higher in Edmond than OK and the U.S., but deaths are lower.
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

Index, Jan. 1, 2010=100

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
Oklahoma’s year-over-year drop in employment was less than some areas in September, though still over 5%.
Oklahoma’s jobs recovery has stalled in energy, manufacturing, construction, and transportation.

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
Oklahoma unemployment decreased to 5.3% in September, while the U.S. rate was 6.9% in October.
State and metro sales tax receipts were below a year ago in October, but Edmond sales receipts were higher.

Oklahoma Monthly Tax Revenues

Percent change, year-over-year

-25 -20 -15 -10 -5 0 5 10 15 20 25


Edmond Sales Tax
OK Sales Tax
Tulsa City Sales Tax
OKC Sales Tax

Source: OK Tax Commission
Foot traffic at Oklahoma businesses rose steadily through mid-June, but remains below pre-COVID levels.
Consumer spending has remained around pre-COVID levels despite less hospitality & entertainment spending

Oklahoma vs. U.S. Consumer Spending

Percent change, from Jan. 2020

Sources: Affinity Solutions, Track the Recovery, Authors’ calculations
Energy city office markets were already struggling before COVID, but retail vacancy was still low in Q3.
Through September, housing prices and new building permits in OK continued to rise faster than the U.S.

Sources: Zillow/Haver Analytics
Still, about a third of Oklahomans are having difficulty paying household expenses and are at risk of eviction.
Through Q2, mortgage delinquencies also increased, though more in the U.S. overall than Oklahoma.

All Mortgages Past Due

Percent

- U.S.
- Oklahoma

Sources: Mortgage Bankers Association/Haver Analytics
State ag incomes remained depressed through the summer, but grain prices have rebounded considerably.

Oklahoma Farm Income and Farmland Values

Commodity Prices

Sources: CME/Haver Analytics, FRBKC Ag Credit Survey, WSJ
Energy prices have been stable since summer but still below profitable levels according to most firms.

Sources: EIA, FRBKC Energy Survey
The KC Fed’s quarterly energy survey, released Oct 9, showed stabilization in activity but not in jobs.
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?

Source: FRBKC Energy Survey
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Questions?

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