

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

*Moore Rotary Club
September 30, 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.



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):**

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- **Randal K. Quarles**, Vice Chairman of Supervision
- **Lael Brainard**
- **Michelle W. Bowman**
- **Open**
- **Open**



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*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

- **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



2020 is the Oklahoma City Branch's Centennial!

OKC BRANCH 100

- Our branch opened August 2, 1920, as the 3rd branch of the Kansas City Fed (Omaha 1917; Denver 1919), just 13 years after Oklahoma became a state
- Despite our newness as a state, an Oklahoman was one of the founders of the Fed in 1913—Senator Robert L. Owen, Chairman of the Banking Committee
- The branch's functions have evolved along with the economy and financial system, but we remain Oklahoma's connection to the nation's central bank
- For more information about our centennial, go to:
<https://www.kansascityfed.org/oklahomacity/oklahomacitybranchcentennial>



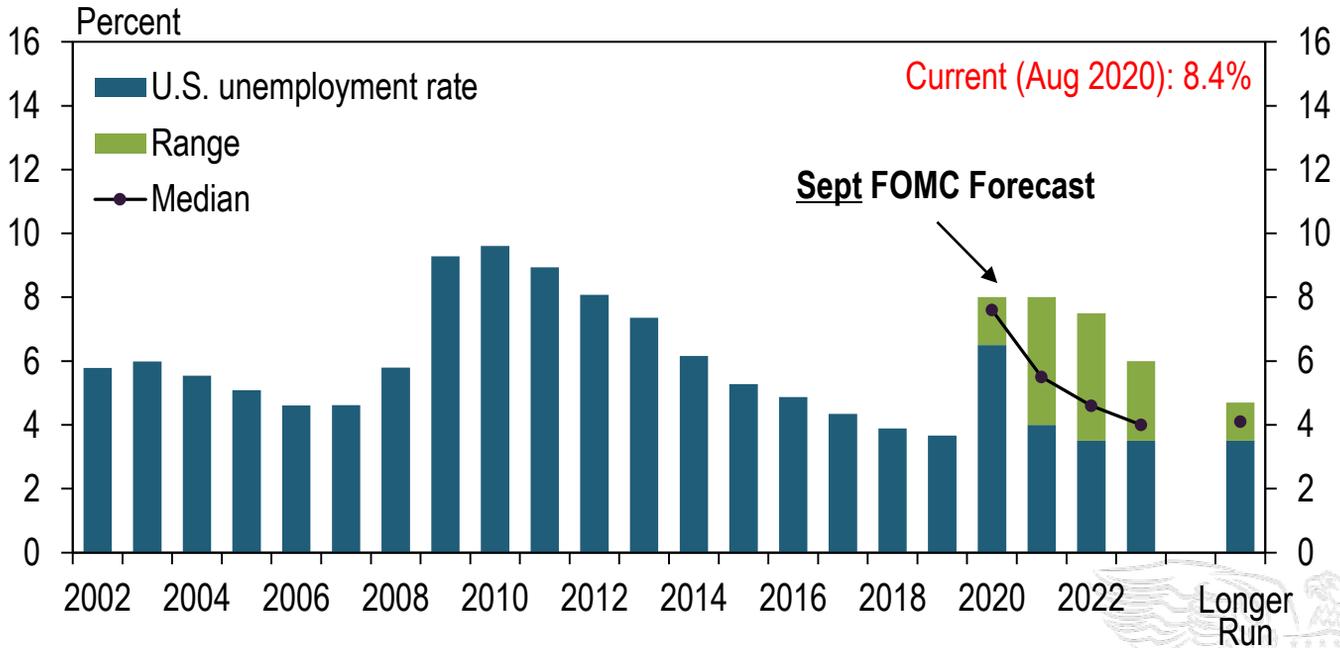
Overview

- The U.S. and Oklahoma economies have been hit hard by COVID and Oklahoma's economy was already slowing in early 2020, due to difficulties in the energy sector
- The government and Fed response was sizable and quick, but full recovery will likely depend on the path of the virus
- COVID initially spread less quickly in Oklahoma, PPP takeup was strong, and some indicators were normalizing by June. But some sectors continue to see weaker activity.



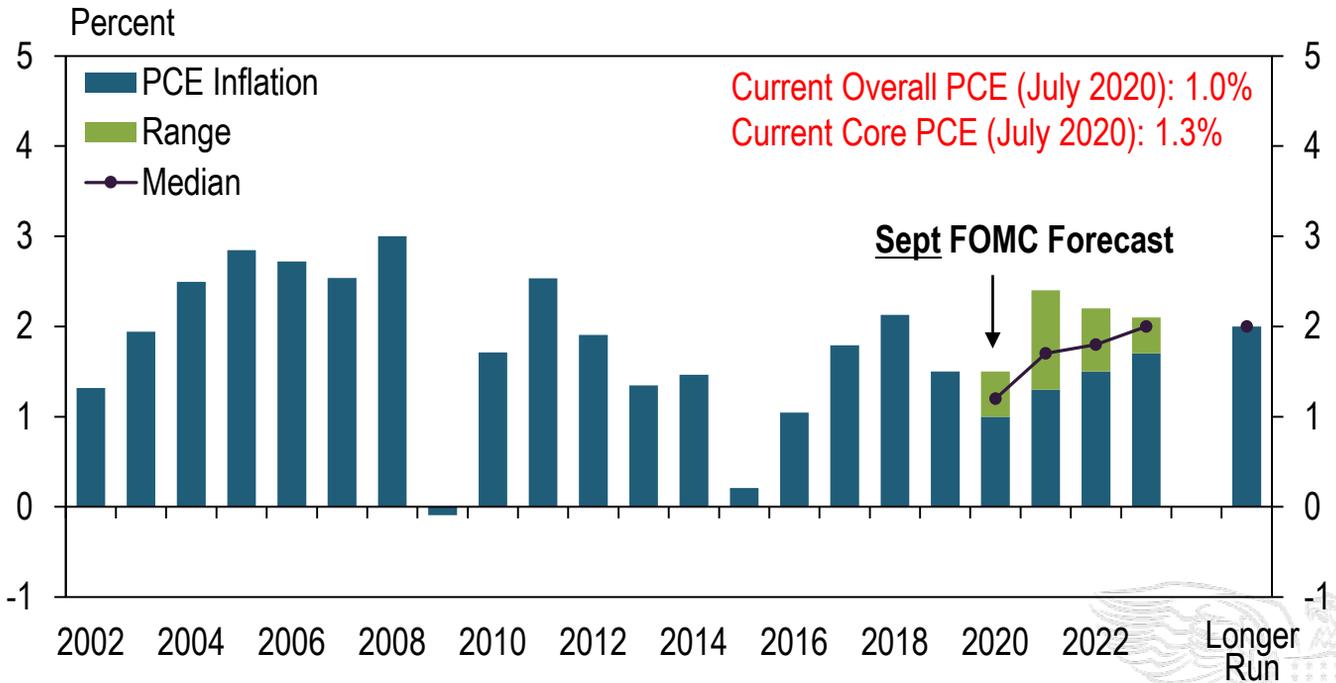
Sept FOMC: “Economic activity and employment have picked up...but remain...below...the beginning of the year.”

U.S. Unemployment Rate



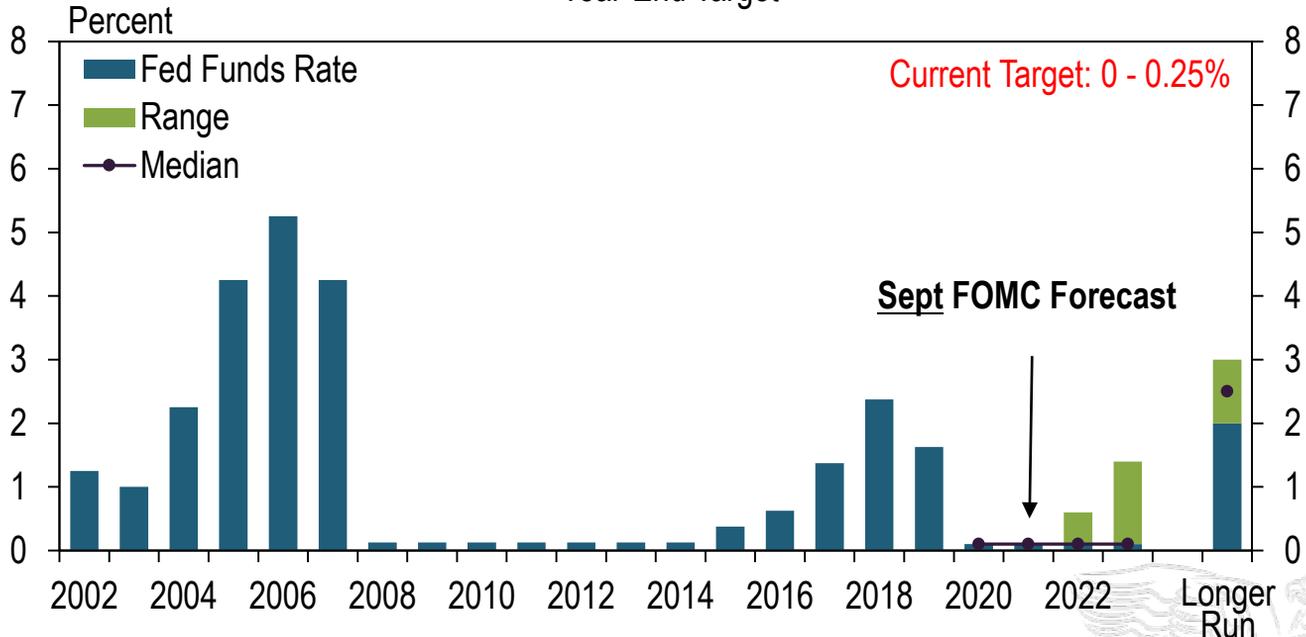
Sept FOMC: “Weaker demand and significantly lower oil prices are holding down consumer price inflation.”

PCE Inflation Index



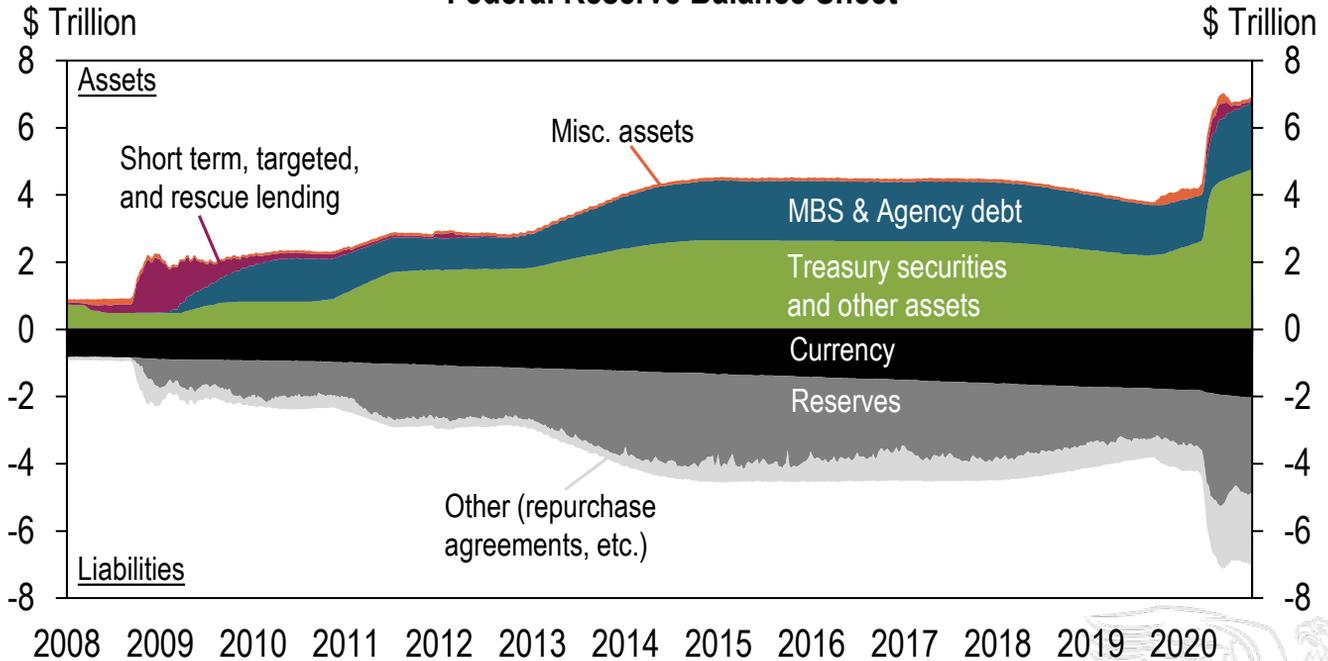
Sept FOMC: “the [FOMC] decided to...maintain this target range until...maximum empl. and inflation...is on track.”

Federal Funds Rate
Year-End Target



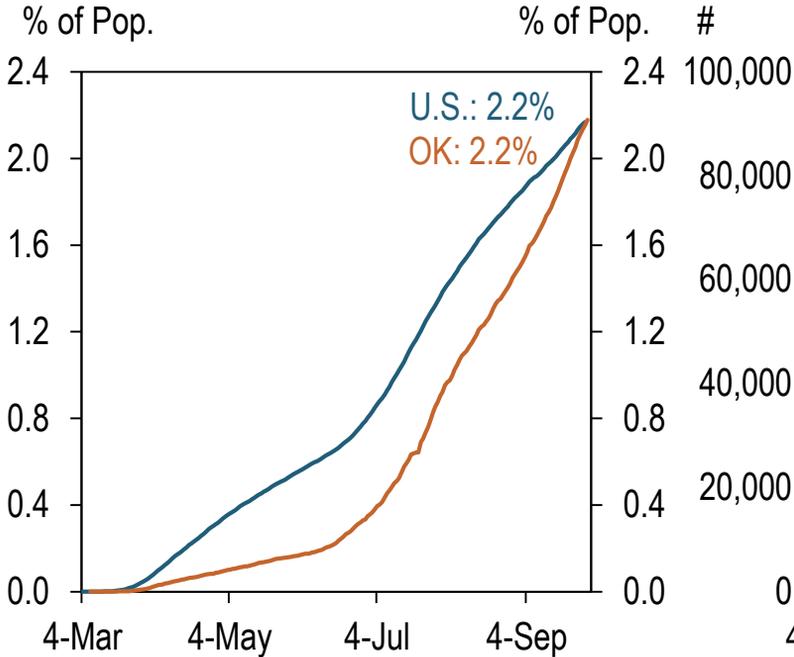
Sept FOMC: “The [Fed] will increase its holdings...to sustain...the flow of credit to households and businesses”

Federal Reserve Balance Sheet

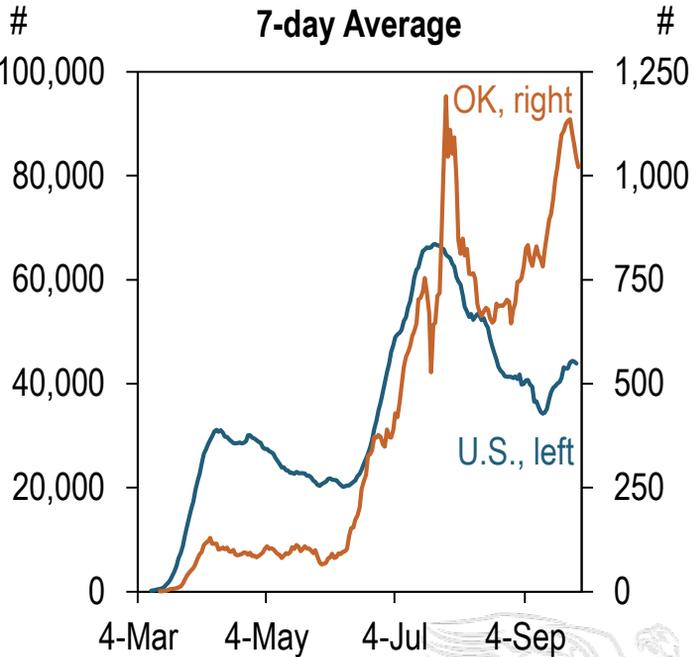


COVID-19 initially spread much less in Oklahoma, but then new cases outpaced the U.S.

Confirmed Cases

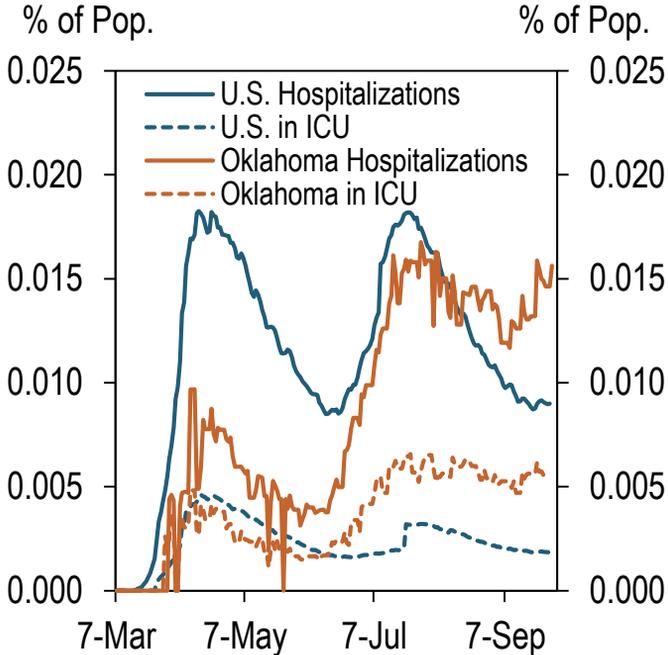


Number of New Cases
7-day Average

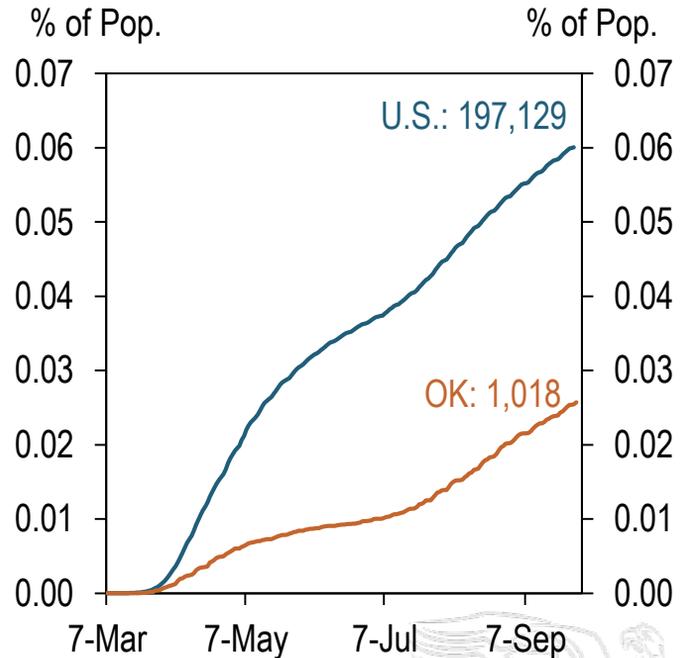


As a share of the population, COVID-19 hospitalizations and ICU patients are higher in OK, but deaths are lower

Current Hospitalizations & ICU

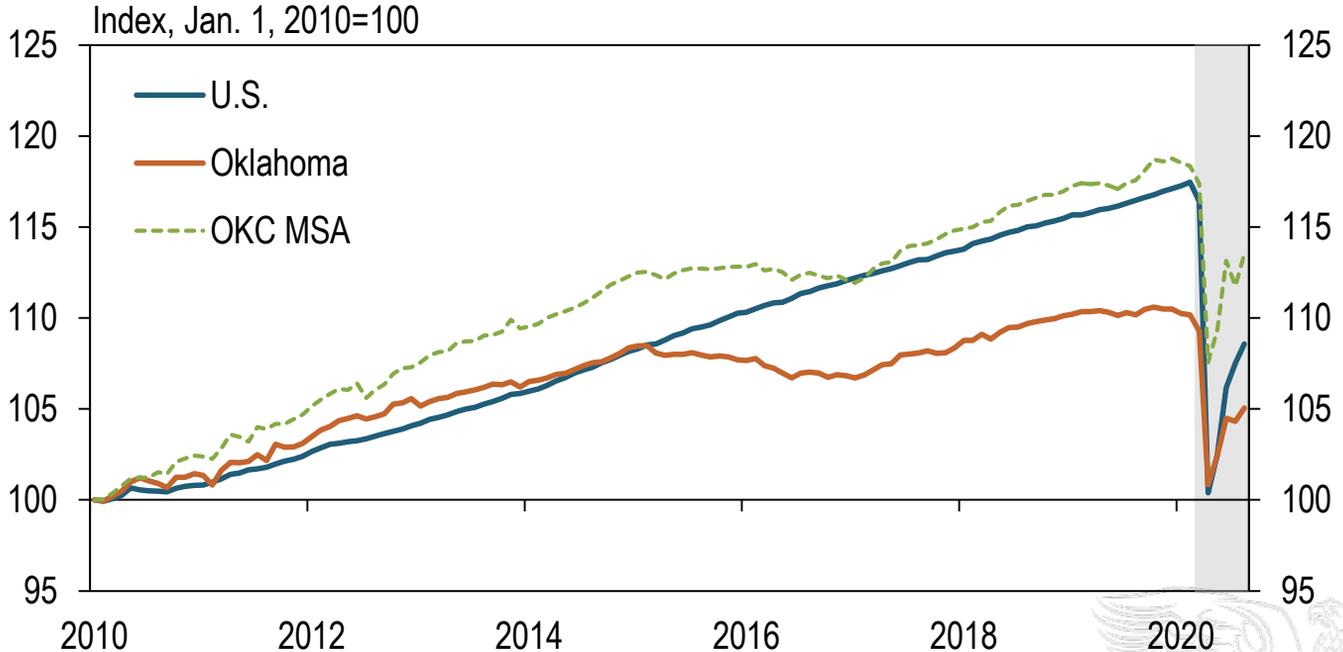


COVID-19 Deaths



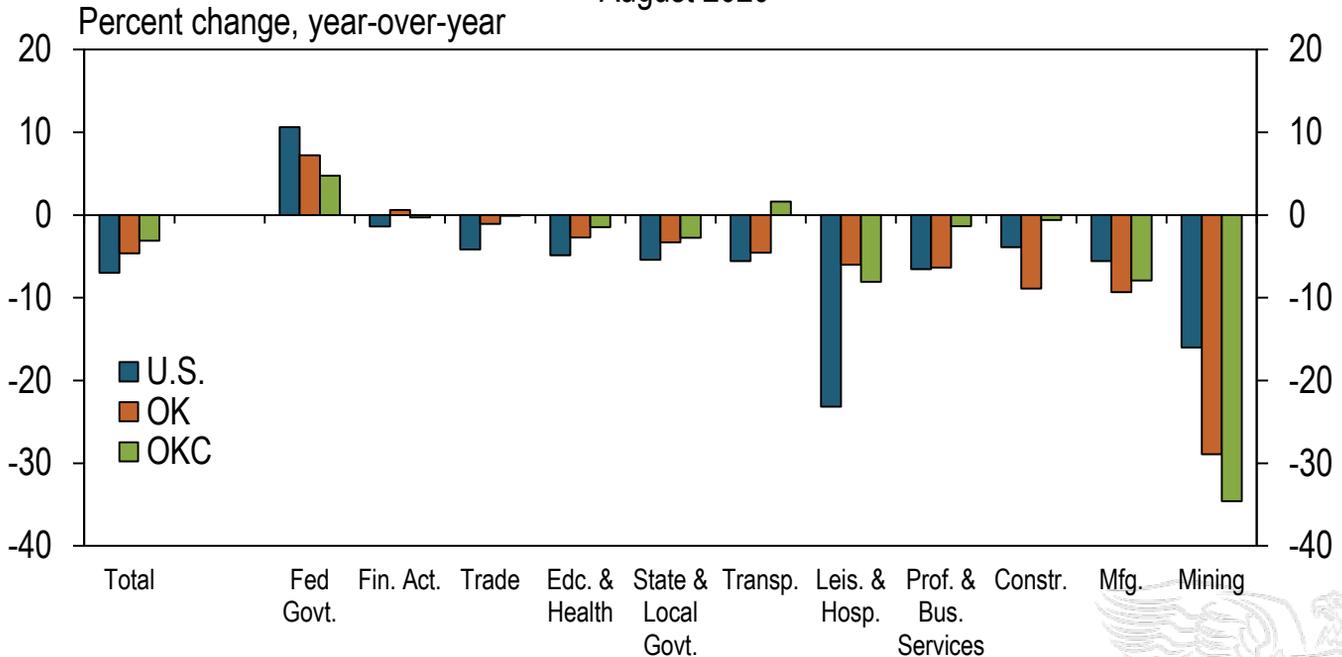
10 years of U.S. and Oklahoma job growth were lost in March/April, but there has been some recovery since

Nonfarm Payroll Employment Growth



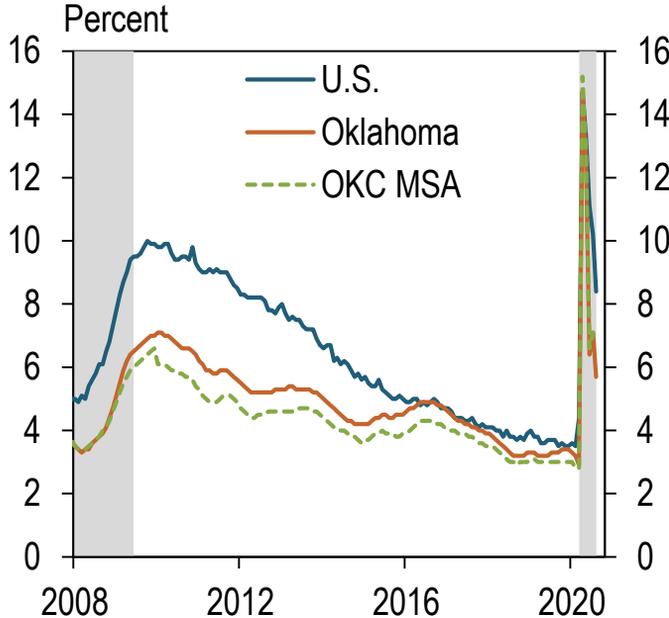
Oklahoma mining job losses far outweighed those in the U.S. in August, but hospitality job cuts were less

Job Growth by Industry
August 2020

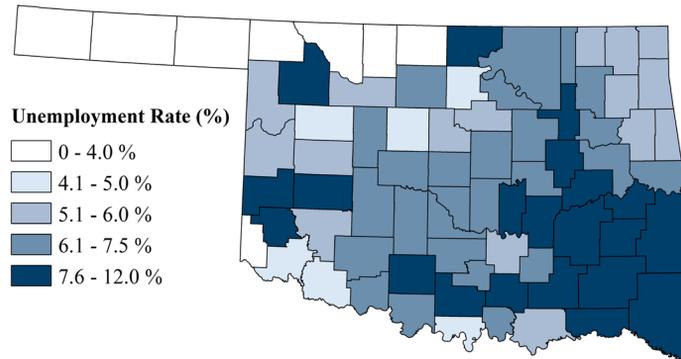


OK unemployment decreased to 5.7% in August, lower than the U.S. rate of 8.4%

Unemployment Rates
Seasonally Adjusted

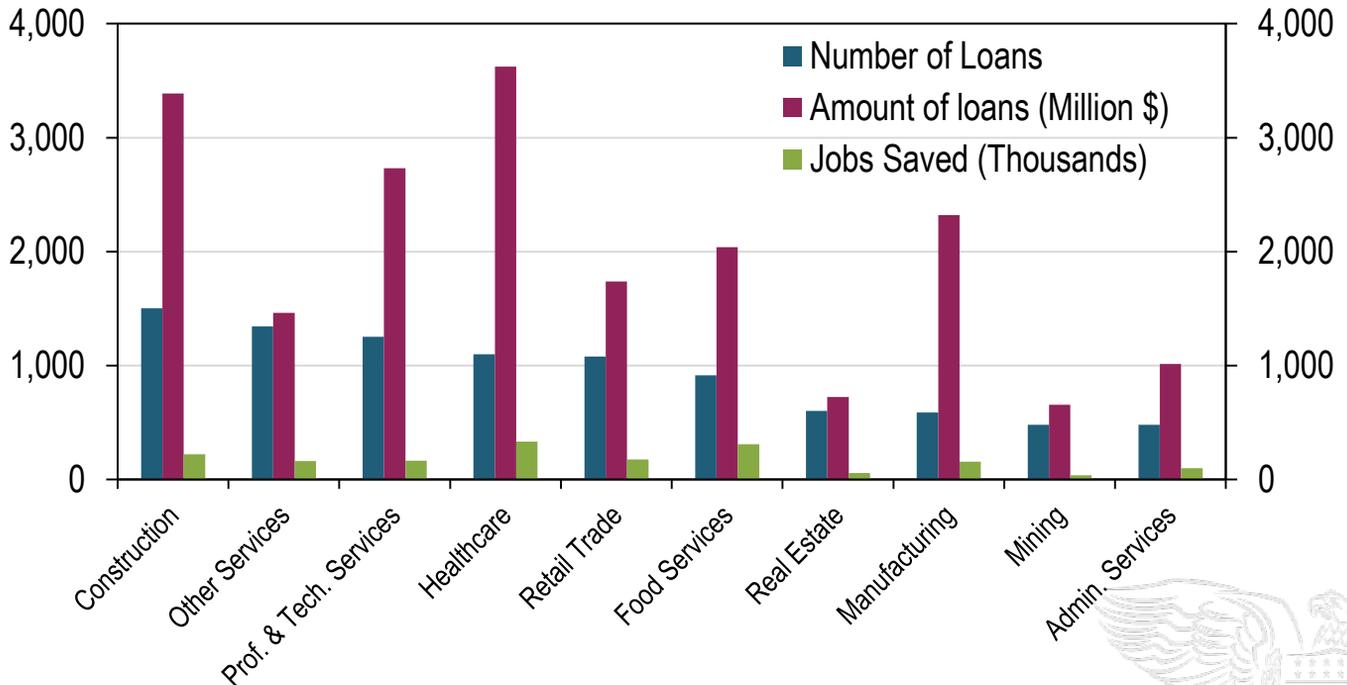


County Unemployment Rates
Seasonally Adjusted



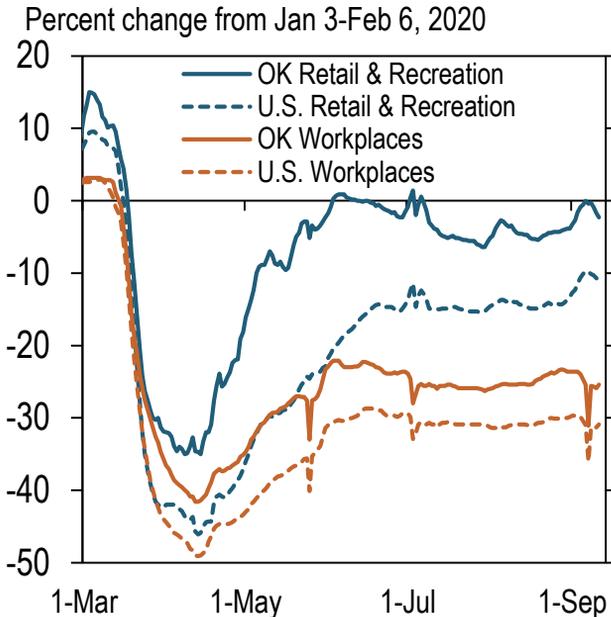
Through the end of June, Oklahoma PPP takeup was very strong across a variety of industries

Oklahoma PPP Loans by Industry



Foot traffic at Oklahoma businesses rose steadily through mid-June, but evened out in July & August

Google Mobility Data

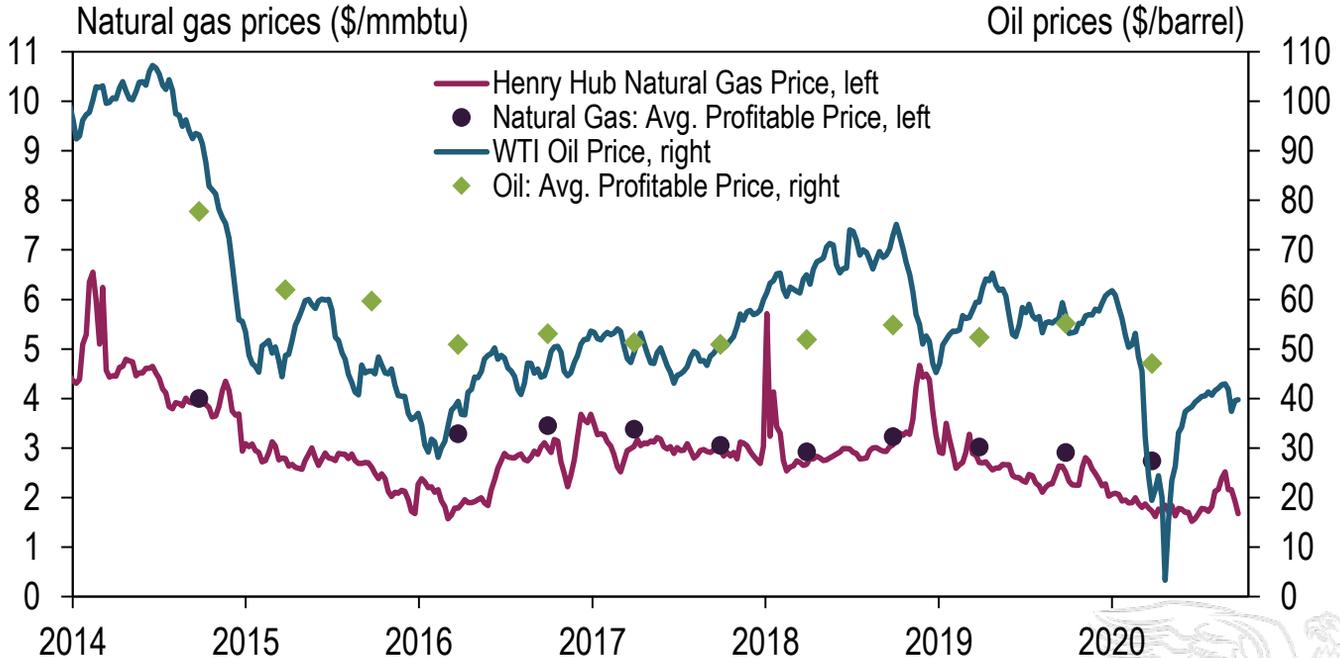


Seated Diners at Restaurants
7-day Average



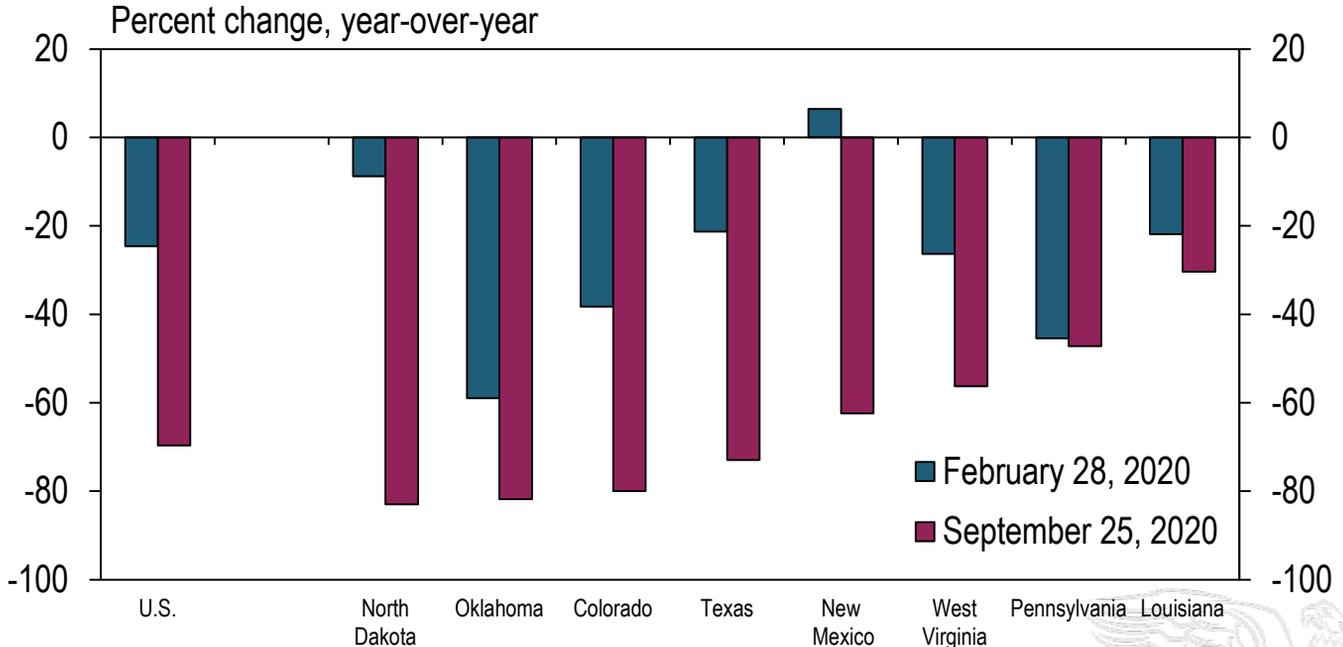
Oil prices have rebounded somewhat, but remain below profitable drilling levels for most regional firms

Oil & Natural Gas Profitability and Prices



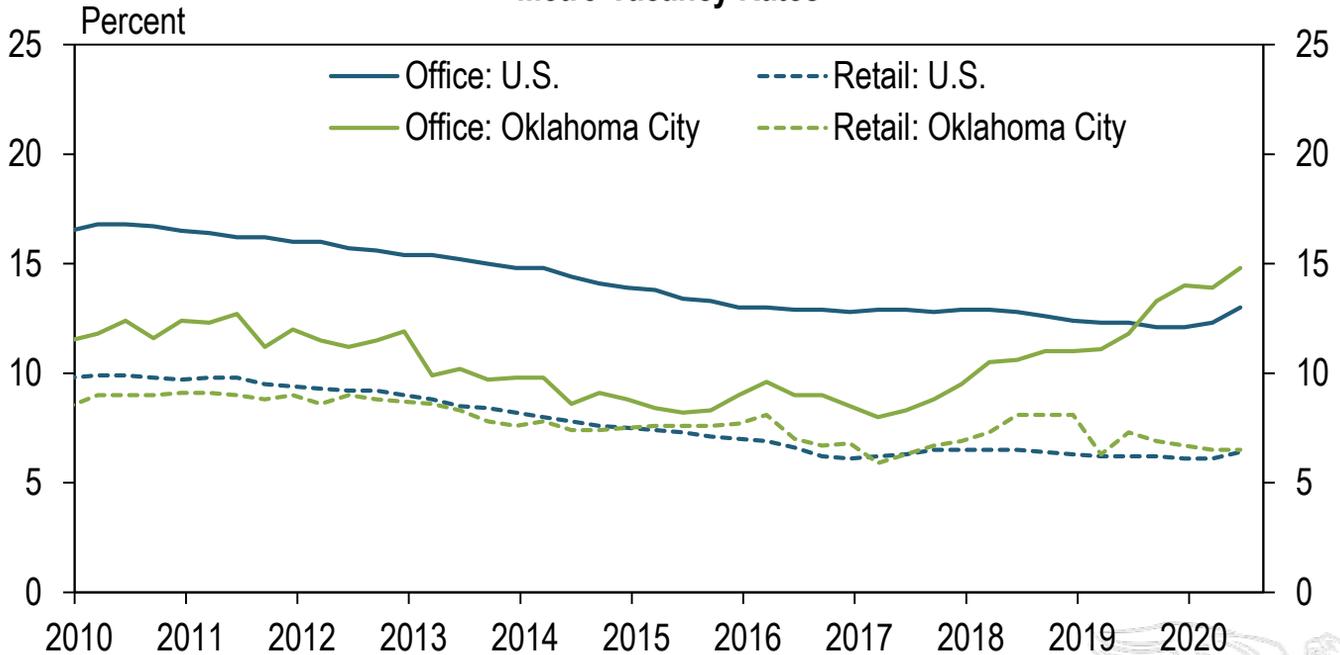
Rig counts in energy states have decreased dramatically across the U.S.

Active Drilling Rig Count, Top 8 Oil- and Gas-Producing States



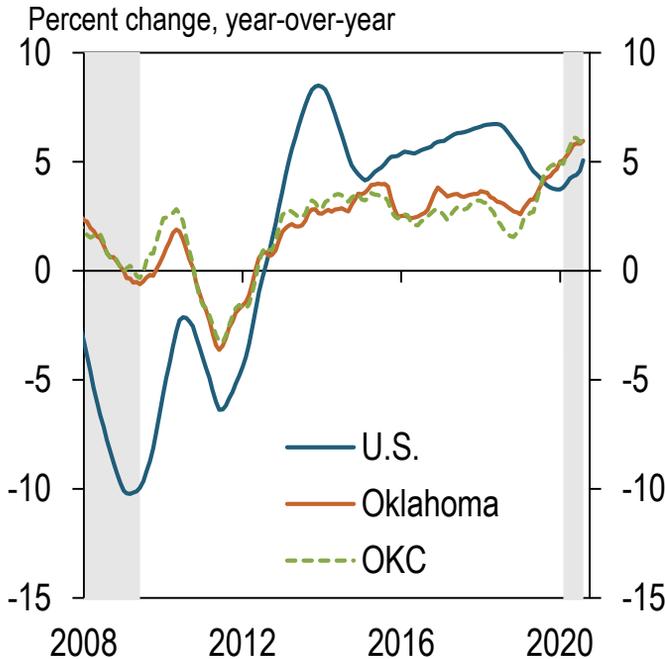
Energy city office markets were already struggling before COVID, but retail vacancy was still low in Q2

Metro Vacancy Rates

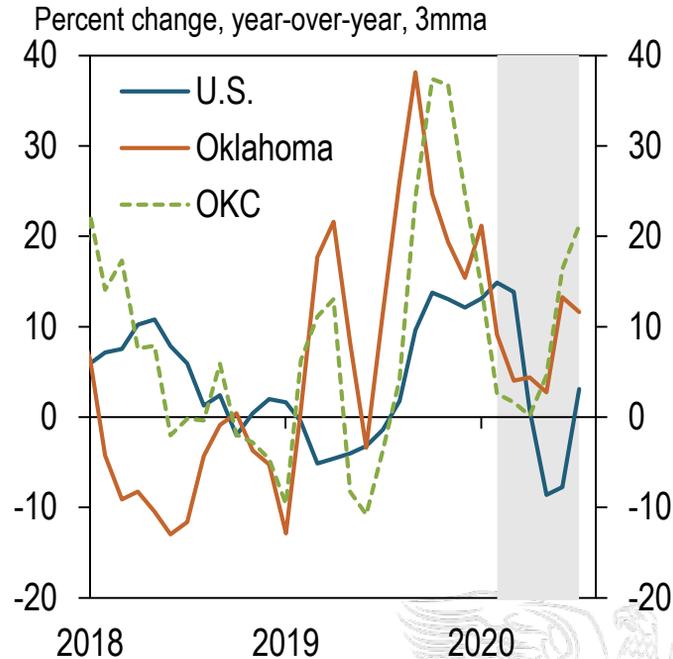


Residential real estate activity and prices have been a relative positive in an otherwise difficult period

Housing Price Index

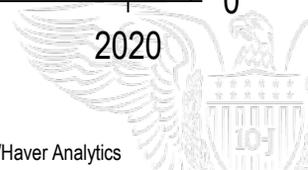
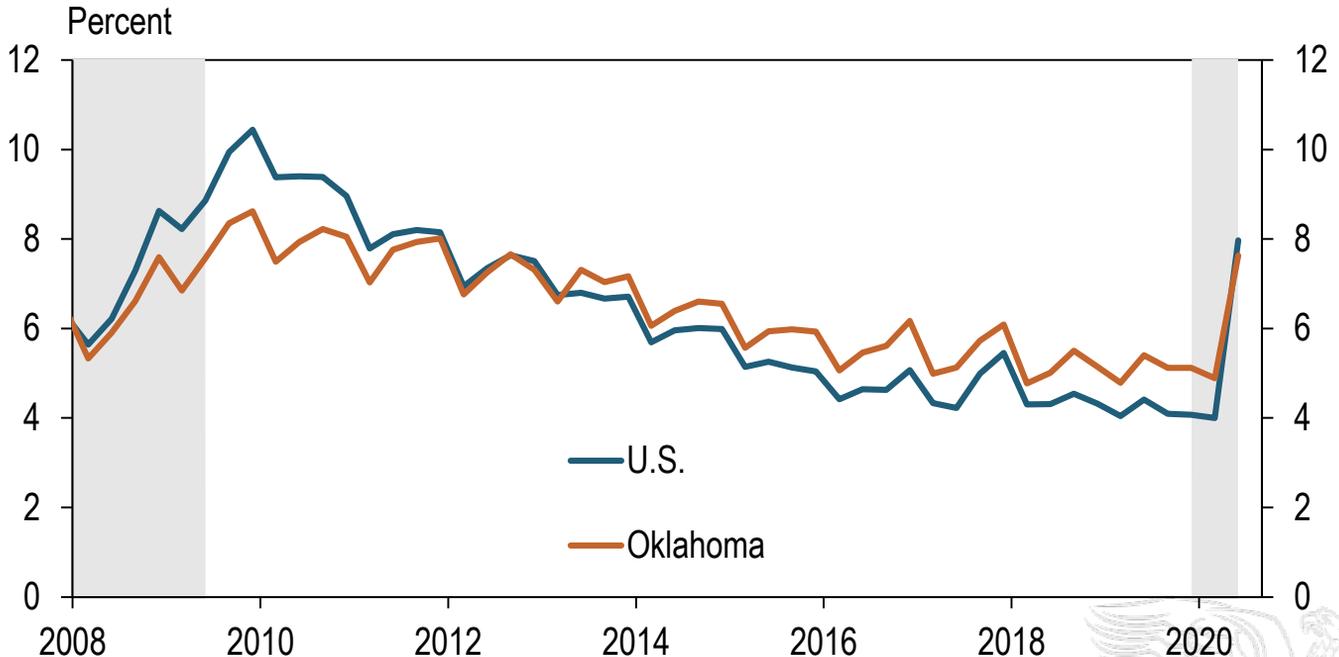


New Housing Permits



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

All Mortgages Past Due



Summary

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- The government and Fed response was sizable and quick, but full recovery will likely depend on the path of the virus
- COVID initially spread less quickly in Oklahoma, PPP takeup was strong, and some indicators were normalizing by June. But some sectors continue to see weaker activity.



Questions?

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