Oklahoma Economic Outlook

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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

- Oklahoma’s economy slowed steadily in 2019 and by February no longer appeared to be growing at all, as weak energy activity spread to other sectors.

- Since then, COVID-19 and the Saudi-Russia oil price war 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.
In Oklahoma, job growth slowed steadily in 2019 and was essentially flat by February 2020.

State and local tax receipts were also around year-ago levels in February, but state sales taxes declined in Mar.

Note: City sales tax data only through Feb. 2020.

Source: OK Tax Commission
State energy job losses were steep by February, while employment across other sectors was mixed.

Job Growth by Industry
February 2020

Percent change, year-over-year

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
In February, many firms anticipated negative affects from COVID-19, but were pleased with trade deals.
Our Fed District and Oklahoma are mostly less exposed to trade, China, and travel compared with the nation.
However, our regional factory activity in March dropped to the lowest level since April 2009.
District services activity also fell sharply in March due to effects from COVID-19.
And new claims for unemployment insurance surged past record highs in March
Many firms also anticipated further negative effects from COVID-19 on activity moving forward.

FRBKC March Surveys Special Question: How has the Coronavirus (COVID-19) outbreak and recent market volatility changed your firm's outlook for 2020?
Oklahoma’s main difference from the nation in terms of industrial structure is its very sizable energy sector.
In late December, regional energy firms expected drilling activity to drop further, with continued job cuts.
Since then, forecasts for world oil demand have weakened, following the coronavirus outbreak.

World Petroleum Demand Forecasts

Sources: Energy Information Association Short-Term Energy Outlook, authors' calculations.
And Saudi Arabia and Russia’s planned increases in oil supply have made energy prices increasingly problematic.
Oklahoma’s percentage drop in rigs has been the largest among the top 8 oil- and gas-producing states.
Oklahoma’s overall unemployment rate was very low in February at just 3.2%
Additionally, banking conditions in Oklahoma remained good at the end of 2019, similar to in the nation.
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Questions?

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