Landscape of the Economic Forecast for our Region

Northeast Oklahoma Regional Alliance
February 2, 2021

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Vice President and Oklahoma City Branch Executive

*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 “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
  - Christopher J. Waller
  - Open

  **Reserve Bank Presidents**
  - John C. Williams, New York, Vice Chairman
  - 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
  - Loretta J. Mester, Cleveland
  - Eric Rosengren, Boston
  - Patrick T. Harker, Philadelphia
  - Robert S. Kaplan, Dallas
  - Neel Kashkari, Minneapolis

*Permanent voters in bold; 2021 rotating voters in red; 2022 rotating voters in blue*
The Oklahoma City Branch of the Federal Reserve Bank of Kansas City

www.kansascityfed.org/oklahomacity

• 2020 was 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 stalled at the end of last year with the surging virus and fading policy support, but stimulus and vaccinations should boost growth in 2021.

- The timing and pace of recovery is still uncertain due to risks with the pandemic and vaccine rollout, but with a possibility of a solid bounce-back in some sectors.

- Northeast Oklahoma’s economy has rebounded a bit more than the nation and state, but unemployment remains elevated and challenges in some sectors remain.
Only half of U.S. and OK job losses have returned, while northeast Oklahoma has seen more recovery

Nonfarm Payroll Employment Growth

Index, Jan. 1, 2010=100

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
Jan. FOMC: “The ongoing public health crisis continues to weigh on... employment... [with] considerable risks.”

U.S. Unemployment Rate

Percent

- U.S. unemployment rate
- Range
- Median

Current (Dec 2020): 6.7%

Dec FOMC Forecast

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

Sources: U.S. Bureau of Labor Statistics, FOMC
Unemployment remains elevated in northeast OK, but less so than in the U.S. and OK compared with last year.

U.S.: 3.5%
Oklahoma: 3.4%
14-counties: 4.0%

U.S.: 6.7%
Oklahoma: 6.1%
14-counties: 6.2%
State energy, manufacturing, and transportation cuts were bigger than in the U.S., leisure & hospitality less

Job Growth by Industry
November 2020

Percent change, year-over-year
Foot traffic at Oklahoma businesses slowed after the holidays, but total consumer spending has held up.

Sources: Google Mobility Data, Open Table, Track the Recovery, Authors’ calculations.
Manufacturing in the Tenth Fed District is back to year-ago levels while services lag, but firms are optimistic.
U.S. savings remain elevated and inventories have room to grow, setting the stage for a strong rebound.

Sources: BEA/Haver Analytics
COVID-19 initially spread less in Oklahoma, but then new cases outpaced the U.S., and still remain higher.

**Confirmed Cases**
- **OK:** 9.8%
- **U.S.:** 7.8%

**Number of New Cases**
- **7-day Average**
  - **U.S.**
  - **Oklahoma**

Sources: The COVID Tracking Project, Authors’ calculations
Oklahoma has 73 counties with higher rates of COVID-19 compared to the U.S.; 3 counties double the U.S. rate

Confirmed COVID-19 Cases by Population
Feb. 1, 2021

Oklahoma Department of Health, U.S. Census Bureau, Authors’ calculations
Hospitals remain very full across parts of the U.S.

Share of All Inpatient Beds Occupied
Feb. 1, 2021

U.S.
72% of all beds occupied
14% COVID-19 patients

Oklahoma
67% of all beds occupied
14% COVID-19 patients

Source: Health and Human Services
COVID-19 hospitalizations and ICU patients have declined from their peaks, but deaths have continued.
Despite higher case counts, only 18 Oklahoma counties have higher COVID-19 death rates compared to the U.S.

Confirmed COVID-19 Deaths by Population
Feb. 1, 2021

Deaths as Share of Pop.
- 0.17 - 0.25%
- 0.11 - 0.15%
- 0.09 - 0.10%
- 0.07 - 0.08%
- 0.03 - 0.06%
- 14-counties

U.S. Rate: 0.13%
Oklahoma Rate: 0.09%
14-counties: 0.10%

Sources: Oklahoma Department of Health, U.S. Census Bureau, Authors’ calculations
COVID-19 cases in Oklahoma have disproportionately been among the young, but more lethal for the elderly.

COVID-19 and Oklahoma Demographics

![COVID-19 and Oklahoma Demographics chart]

Sources: Oklahoma Department of Health, U.S. Census Bureau
Trends in Oklahoma COVID-19 cases, deaths, and vaccinations also vary by race and ethnicity

COVID-19 and Oklahoma Demographics

Percent

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>OK Pop.</th>
<th>Cases</th>
<th>Deaths</th>
<th>Vaccine</th>
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<td>American Indian and Alaska Native</td>
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<tr>
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</tr>
<tr>
<td>White</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Sources: Oklahoma Department of Health, U.S. Census Bureau
Despite delays in the vaccine rollout, 9.1% of Oklahomans have 1+ dose, vs. the 7.4% U.S. average.
And 2.0% of Oklahomans have received both vaccine doses, which is also above the 1.7% U.S. average.
State vaccinations are very high in some counties: 19% of Mayes residents over 16 have had their first dose

Source: Oklahoma State Department of Health
Low mortgage rates have contributed to rising new building permits in Oklahoma since last spring.

Sources: Freddie Mac, Zillow/Haver Analytics

Mortgage Rates

- 30-year fixed rate
- 15-year fixed rate

New Housing Permits

Percent change, year-over-year, 3mma

- U.S.
- Oklahoma

2006 2010 2014 2018

Sources: Freddie Mac, Zillow/Haver Analytics
Housing prices were a bright spot in 2020, with prices up for all home sizes and price tiers

**Housing Price Indexes**

**Bottom Tier (5th-35th percentile)**

Percent change, year-over-year

- U.S.
- Oklahoma
- Tulsa

**Top Tier (65th-95th percentile)**

Percent change, year-over-year

- U.S.
- Oklahoma
- Tulsa

Sources: Zillow/Haver Analytics, NBER recession shading
However, many Oklahomans are at risk of eviction and struggling to pay household expenses.

Household Pulse Survey
Pandemic Impact, Jan. 18, 2020

- Housing Insecurity
- Likelihood of Eviction or Foreclosure
- Difficulty Paying for Usual Household Expenses

Source: U.S. Census Bureau
While high wage jobs bounced back, low wage job growth remains down, although less so in Oklahoma.

**Employment by Income Level**

Index, Jan. 2020=0

Jan-20  Feb-20  Mar-20  Apr-20  May-20  Jun-20  Jul-20  Aug-20  Sep-20  Oct-20

- **OK: Low Wage (<$27K)**
- **OK: Middle Wage ($27K-$60K)**
- **OK: High Wage (> $60k)**
- **U.S.: Low Wage (<$27K)**
- **U.S.: Middle Wage ($27K-$60K)**
- **U.S.: High Wage (> $60k)**

Sources: Paychex, Intuit, Earnin, Kronos, Track the Recovery, Authors’ calculations
Through Q3, mortgage delinquencies increased more in Oklahoma than in the U.S. overall.

Sources: Mortgage Bankers Association/Haver Analytics
Oil prices have returned to profitable levels for most Tenth Fed District energy firms, but natural gas lags.
Across the Tenth Fed District, energy activity and profitability have increased but with fewer employees.

FRBKC Energy Survey Indexes

Index, vs. a quarter ago

-100  -75  -50  -25  0  25  50  75
Q1-14  Q1-15  Q1-16  Q1-17  Q1-18  Q1-19  Q1-20  Q1-21

-100  -75  -50  -25  0  25  50  75

Drilling/Business Activity
Total Profits
Number of Employees

Expectations

Source: FRBKC Energy Survey
Ag income was still sluggish through Q3, but farmland value has held up and grain prices have surged lately.

Sources: FRBKC Ag Credit Survey, WSJ/Haver Analytics
Jan. FOMC: “Weaker demand and earlier declines in oil prices have been holding down consumer price inflation.”

Current Overall PCE (Dec 2020): 1.3%
Current Core PCE (Dec 2020): 1.5%

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

Sources: Bureau of Economic Analysis, FOMC
Jan. 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%

Dec FOMC Forecast

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Sources: Bureau of Economic Analysis, FOMC
Summary

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Questions?

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