Is Oklahoma’s Economy Still Growing?

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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 Oklahoma City Branch of the Federal Reserve Bank of Kansas City

- 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.)
  - Community development programming for low and moderate income groups, workforce focus
  - Economic education and public outreach programming

- 2019 OKC Fed Branch Board of Directors
  - Clint Abernathy (chair), Owner, Abernathy Farms, Inc., Altus
  - Susan Chapman Plumb, Chair & CEO, Bank of Cherokee County, Tahlequah
  - Walt Duncan, President, Duncan Oil Properties, Oklahoma City
  - Tina Patel, Co-Owner & CFO, Promise Hotels, Tulsa
  - 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
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
  • James Bullard, St. Louis
  • Charles L. Evans, Chicago
  • Esther L. George, Kansas City
  • Eric Rosengren, Boston
  • 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

*Permanent voters in bold; 2019 rotating voters in red; 2020 rotating voters in blue
U.S. Economic Outlook and Monetary Policy
Oct. FOMC: “Economic activity has been rising at a moderate rate...household spending has been...strong”

Contributions to Percent Change in Real GDP

Percent change from the previous period, SAAR

Source: U.S. Bureau of Economic Analysis
Oct. FOMC: “The labor market remains strong...the unemployment rate has remained low.”

U.S. Unemployment Rate

Current (Oct. 2019): 3.6%

Sept FOMC Forecast

Sources: U.S. Bureau of Labor Statistics, FOMC
Oct. FOMC: “Overall inflation and inflation for items other than food and energy are running below 2%.”

Current Overall PCE (Sept. 2019): 1.3%
Current Core PCE (Sept. 2019): 1.7%

Sept FOMC Forecast

Sources: U.S. Bureau of Labor Statistics, FOMC
Oct. FOMC: “In light of... global developments... muted inflation... the [FOMC] decided to lower the... rate.”

Federal Funds Rate
Year-End Target

Fed Funds Rate
Range
Median
Current Target: 1.50-1.75%

Sept FOMC Forecast

Sources: U.S. Bureau of Labor Statistics, FOMC
Oklahoma Economic Outlook
The pace of Oklahoma job growth has slowed steadily in 2019, and is now up only slightly from a year ago.
Weekly initial claims for unemployment insurance have also been running at nearly 2015-16 levels in 2019.

Sources: U.S. Department of Labor, NBER recession shading
State sales tax receipts are now below year-ago levels, though sales in the 2 large cities have picked up a bit.
The slower state job growth in 2019 has been driven mainly by job losses in energy and related sectors.
Oklahoma’s main difference from the nation in terms of industrial structure is its very sizable energy sector.
Oil and gas’s share of Oklahoma’s economy has fluctuated over time, but is currently still very high.
Marginally profitable oil prices since spring, plus low natural gas prices, have contributed to slower activity.
Firms have also been able to find considerably more oil and gas with fewer rigs and workers than in the past.

Note: Employment is for total mining and logging, which in Oklahoma is almost completely oil and gas related. Production is shown as a 3-month moving average.

Sources: Baker Hughes, U.S. Energy Information Administration.
Oklahoma’s percentage drop in rigs is easily the largest among the top 8 oil- and gas-producing states.

October 2019 Rig Count Change from a Year Ago

- Oklahoma: -82 (-82%)
- Texas: -42 (-20%)
- New Mexico: -20 (-20%)
- Louisiana: -10 (-10%)
- North Dakota: -8 (-8%)
- Wyoming: -6 (-6%)
- Pennsylvania: -4 (-4%)
- Colorado: 0 (0%)

Source: Baker Hughes/Haver Analytics
In agriculture, incomes have continued to decline, but by less than in recent years, and land values have held.
Banking conditions in Oklahoma remain very good

Share of Banks Not Making a Profit
Commercial Banks

Source: FDIC
And despite slower job growth and rising UI claims this year, unemployment remains low across the state.
One reason unemployment is low is because more people have been moving out than moving in recently.

U.S. vs. Oklahoma population growth, 1970-2018

Net Domestic Migration by County, 2015-2018

Note: Annual BEA population data used through 2017, Census population data used for the most recent year.

Sources: Bureau of Economic Analysis, Census Bureau/Haver Analytics, Population and Housing Unit Estimates – Census Bureau and authors’ calculations
Highly educated Oklahomans of most age groups have been leaving the state, especially for Texas.

Note: Metro area timeseries data was harmonized in IPUMS using the 2013 OMB delineations. Metro level data not available prior to 2005.

Sources: U.S. Census Bureau ACS 1-year sample Public Use Microdata, IPUMS-USA, authors' calculations.
Consequence: Educational attainment is growing less
Silver lining?: People keep coming, just more have left

Educational Attainment as the Share of
Population Over 25 with a Bachelor's or More

<table>
<thead>
<tr>
<th>Region</th>
<th>2013</th>
<th>2017</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>28.8</td>
<td>28.1</td>
<td>28.6</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>24.8</td>
<td>26.2</td>
<td>28.7</td>
</tr>
<tr>
<td>OKC</td>
<td>28.1</td>
<td>29.6</td>
<td>31.3</td>
</tr>
<tr>
<td>Texas</td>
<td></td>
<td></td>
<td>26.2</td>
</tr>
<tr>
<td>DFW</td>
<td></td>
<td></td>
<td>33.7</td>
</tr>
<tr>
<td>Colorado</td>
<td></td>
<td></td>
<td>39.4</td>
</tr>
</tbody>
</table>

Oklahoma Domestic Migration Flows of
Those with a Bachelor's or More

Sources: U.S. Census Bureau ACS 5-year estimates, ACS 1-year sample
Public Use Microdata, IPUMS-USA, authors' calculations.
While Oklahoma job growth has lagged the nation, some industries in the state have outpaced the U.S.

Oklahoma Job Growth vs. U.S., 2013-2018

<table>
<thead>
<tr>
<th>Rank</th>
<th>Industries Adding the Most Jobs</th>
<th>OK Empl. Change</th>
<th>OK Empl. % Change</th>
<th>U.S. Empl. % Change</th>
<th>Location Quotient 2013</th>
<th>Location Quotient 2018</th>
<th>Avg. Wage 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Warehousing and storage</td>
<td>8,148</td>
<td>153%</td>
<td>61%</td>
<td>0.7</td>
<td>1.1</td>
<td>$34,694</td>
</tr>
<tr>
<td>2</td>
<td>Aerospace product and parts manufacturing</td>
<td>6,314</td>
<td>94%</td>
<td>1%</td>
<td>1.2</td>
<td>2.4</td>
<td>$88,464</td>
</tr>
<tr>
<td>3</td>
<td>Gambling industries*</td>
<td>3,729</td>
<td>21%</td>
<td>-13%</td>
<td>11.1</td>
<td>16.4</td>
<td>$36,163</td>
</tr>
<tr>
<td>4</td>
<td>Executive, legislative and general government*</td>
<td>3,439</td>
<td>12%</td>
<td>3%</td>
<td>0.9</td>
<td>1.1</td>
<td>$40,084</td>
</tr>
<tr>
<td>5</td>
<td>Outpatient care centers</td>
<td>3,074</td>
<td>48%</td>
<td>37%</td>
<td>0.8</td>
<td>0.9</td>
<td>$51,703</td>
</tr>
<tr>
<td>6</td>
<td>Management of companies and enterprises</td>
<td>2,647</td>
<td>16%</td>
<td>13%</td>
<td>0.7</td>
<td>0.7</td>
<td>$83,511</td>
</tr>
<tr>
<td>7</td>
<td>Other amusement and recreation industries</td>
<td>2,324</td>
<td>25%</td>
<td>18%</td>
<td>0.7</td>
<td>0.8</td>
<td>$16,771</td>
</tr>
<tr>
<td>8</td>
<td>Computer systems design and related services</td>
<td>2,018</td>
<td>27%</td>
<td>25%</td>
<td>0.4</td>
<td>0.4</td>
<td>$75,516</td>
</tr>
<tr>
<td>9</td>
<td>Accounting and bookkeeping services</td>
<td>2,011</td>
<td>15%</td>
<td>8%</td>
<td>1.2</td>
<td>1.4</td>
<td>$61,444</td>
</tr>
<tr>
<td>10</td>
<td>Offices of other health practitioners</td>
<td>2,008</td>
<td>26%</td>
<td>23%</td>
<td>0.9</td>
<td>1.0</td>
<td>$40,019</td>
</tr>
</tbody>
</table>

* Local Government Sector

Note: Only includes industries with data disclosed for both 2013 and 2018 that grew faster than the nation. A sizeable portion of the growth in aerospace product and parts manufacturing (NAICS 3364) jobs in Oklahoma in recent years appears to be due to the reclassification of several thousand jobs in air transportation (NAICS 481) to that sector.

Sources: Bureau of Labor Statistics QCEW data and authors' calculations
Summary

• The national economy continues to grow, with low unemployment, but business investment has slowed.

• Oklahoma’s economy has slowed in 2019, as lower oil and gas prices hurt, but unemployment remains very low.

• A longer-term trend worth watching is the state’s switch in net domestic migration flows in recent years, as more highly educated Oklahomans have been moving out.

• At the same time, some industries in the state have continued to thrive, many of which pay good wages.
Questions?

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