Oklahoma Economic Outlook

Updated: March 19, 2020

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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.
Overview

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

- The spread of COVID-19 and associated restrictions, along with the Saudi-Russia oil price war, present significant challenges for the state.

- Oklahoma began the year with very low unemployment and good banking conditions, though, which could help in weathering the storm.
The pace of Oklahoma job growth slowed steadily in 2019 and was close to zero by January 2020.

Nonfarm Payroll Employment Growth

Percent change, year-over-year

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
Weekly initial jobless claims in the state ran near 2015-16 levels in 2019, but improved slightly in early 2020.

Sources: U.S. Department of Labor, NBER recession shading.

UI Claims Weekly Average
Seasonally Adjusted

Number

U.S., left
OK, right

Number


Sources: U.S. Department of Labor, NBER recession shading.
State and city tax receipts were down to around year-ago levels through February

Oklahoma Tax Revenues

Percent change, year-over-year

Note: Q1 2020 data through February.

Source: OK Tax Commission
Job losses were very steep in energy in January, while employment across other sectors was mixed.
In February, many firms anticipated negative affects from COVID-19, but were pleased with trade deals

FRBKC February Surveys Special Question: How do you expect the following global developments to affect your business for the rest of 2020?

Source: FRBKC Surveys
Phase 1 commitments were likely way too high, but were providing increased optimism for producers

*2020 Phase 1 commitments

Sources: U.S. Census Bureau, USDA, WISERTrade
Our District and Oklahoma are less exposed to trade, China, and travel compared to the rest of the nation.

**Goods Exports, 2018**

- Exports Share of GDP
- Share of Exports to China

**Air travel and tourism industries’ share of GDP, 2017**

- Accommodation
- Arts, entertainment, & recreation
- Air transportation
- Other transportation equip. mfg.

Sources: Bureau of Economic Analysis, U.S. Census Bureau, WISERTrade
Unemployment in Oklahoma remains low

Unemployment Rates
Seasonally Adjusted

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
Banking conditions in Oklahoma also remain good, similar to in the nation.

**Share of Banks Not Making a Profit**

*Commercial Banks*

- **U.S.**
- **OK**

Source: FDIC
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
Oklahoma’s main difference from the nation in terms of industrial structure is its very sizable energy sector.
Oklahoma’s percentage drop in rigs has been the largest among the top 8 oil- and gas-producing states.

March 13, 2020 Rig Count Change from a Year Ago

- Texas: -120%
- New Mexico: -80%
- North Dakota: -60%
- Louisiana: -40%
- Oklahoma: -59%
- Pennsylvania: -20%
- Colorado: -100%
- Wyoming: -120%

Source: Baker Hughes/Haver Analytics
Energy prices are increasingly problematic

Oil & Natural Gas Profitability and Prices

Natural gas prices ($/mmBtu)  Oil prices ($/barrel)

Sources: EIA, FRBKC Energy Survey
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.

Sources: Energy Information Association Short-Term Energy Outlook, authors' calculations.
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Questions?

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