U.S. and Oklahoma Economic Outlook

Norman Chamber of Commerce
February 11, 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 the 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 a vaccine have provided some stabilization.

• The Norman area economy has rebounded a bit more than the nation and state, but challenges remain.

• The timing and pace of recovery is still uncertain with pandemic and vaccine risks, but there could be a strong bounce-back.
Only half of U.S. and OK job losses have returned, while OKC and Norman have seen more recovery.
Jan. FOMC: “The ongoing public health crisis continues to weigh on… employment… [with] considerable risks.”

U.S. Unemployment Rate

Current (Jan 2021): 6.3%

Dec FOMC Forecast

Note: Data and FOMC projections are for year-end. Sources: U.S. Bureau of Labor Statistics, FOMC
Unemployment remains higher than a year ago across the state, although is down to 5% in Cleveland County.

**County Unemployment Rates**

**Dec. 2019**

- U.S.: 3.6%
- Oklahoma: 3.4%
- Cleveland County: 3.3%

**Dec. 2020**

- U.S.: 6.7%
- Oklahoma: 5.3%
- Cleveland County: 5.0%

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
State energy, manufacturing, and transportation cuts were bigger than in the U.S., leisure & hospitality less
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

- Drilling/Business Activity
- Total Profits
- Number of Employees

Source: FRBKC Energy Survey
Low mortgage rates have contributed to strong housing activity in Oklahoma since last spring

Mortgage Rates

Percent change, year-over-year, 3mma

New Housing Permits

Percent change, year-over-year, 3mma

Sources: Freddie Mac, Zillow/Haver Analytics
Housing prices were a bright spot in 2020, with prices up for all home sizes and price tiers.
Despite strong housing, 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
Through Q3, mortgage delinquencies increased more in Oklahoma than in the U.S. overall.
While higher wage jobs bounced back, low wage job growth remains down, though slightly less so in OK.
And although consumer spending has held up, foot traffic at Oklahoma businesses remains flat to down.
Manufacturing in the region is finally back to year-ago levels, and while services lag, firms are optimistic.

Manufacturing Survey Composite Indexes

Index, sa

Jan-15 Jan-17 Jan-19 Jan-21

FRBKC vs. Month Ago
FRBKC vs. Year Ago
Expectations

Sources: FRBKC Surveys
U.S. savings remain elevated and inventories have room to grow, setting the stage for a strong rebound.
New COVID-19 cases have decreased recently, but new cases in Oklahoma are still higher than last fall

**Confirmed Cases**

- **% of Pop.**
  - U.S.: 8%
  - OK: 10%

**Number of New Cases 7-day Average**

- **% of Pop.**
  - 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., including Cleveland County.

Confirmed COVID-19 Cases by Population
Feb. 10, 2021

Cases as Share of Pop.
- 11.6 - 20.0%
- 10.6 - 11.5%
- 9.6 - 10.5%
- 8.6 - 9.5%
- 5.6 - 8.5%
- Cleveland County

U.S. Rate: 8.2%
Oklahoma Rate: 10.2%
Cleveland County: 9.6%

Sources: Oklahoma Department of Health, U.S. Census Bureau, Authors' calculations
COVID-19 hospitalizations and ICU patients have also declined from their peaks, but deaths have continued.

Sources: The COVID Tracking Project, Authors’ calculations
Despite higher case counts than the nation, only 22 Oklahoma counties have higher COVID-19 death rates.
COVID-19 cases in Oklahoma have disproportionately been among young adults, but more lethal for elderly populations.

**COVID-19 and Oklahoma Demographics**

- **Percent**
- **OK Pop.**, **Cases**, **Deaths**, **Vaccine**

<table>
<thead>
<tr>
<th>Age Range</th>
<th>OK Pop.</th>
<th>Cases</th>
<th>Deaths</th>
<th>Vaccine</th>
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<td>&gt; 65</td>
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<td>65-70%</td>
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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

- OK Pop.
- Cases
- Deaths
- Vaccine

Sources: Oklahoma Department of Health, U.S. Census Bureau
Despite delays in the vaccine rollout, 10.9% of Oklahomans have 1+ dose, vs. the 9.4% U.S. average.
And 3.8% of Oklahomans have received both vaccine doses, which is also above the 2.8% U.S. average.
In Cleveland county, 11.5% of residents over 16 and 39.3% of those 65+ have had their first dose

Percent of Residents 16+ Received Prime Dose
Feb. 2, 2021
Jan. FOMC: “Weaker demand and earlier declines in oil prices have been holding down consumer price inflation.”

PCE Inflation Index

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

Dec FOMC Forecast

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
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Questions?

For more analysis of the Oklahoma economy, regional manufacturing conditions and regional energy conditions, subscribe to receive e-mail alerts from the KANSAS CITY FED.

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