U.S. and Oklahoma Economic Outlook

Oklahoma Banking Association
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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.
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 new stimulus should boost growth in 2021.

• The timing and pace of recovery is still uncertain given the pandemic and vaccine rollout, but with a possibility of a strong bounce-back in some sectors.

• Monetary policy is likely to remain accommodative for some time, with the Federal Reserve providing guidance on asset purchases.
Dec FOMC: “The ongoing public health crisis will continue to weigh on... employment... in the near term”

U.S. Unemployment Rate

Note: Data and FOMC projections are for year-end. Sources: U.S. Bureau of Labor Statistics, FOMC
Dec FOMC: “Weaker demand and earlier declines in oil prices have been holding down consumer price inflation.”

Current Overall PCE (Nov 2020): 1.1%
Current Core PCE (Nov 2020): 1.4%

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

Sources: Bureau of Economic Analysis, FOMC
Dec FOMC: “Economic activity… continued to recover but remain[s] well below… the beginning of the year.”

Change in Real GDP

- Percent change
- Real GDP
- Range
- Median

Current (Q3 2020): 33.4%

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

Sources: Bureau of Economic Analysis, FOMC
COVID-19 initially spread less in Oklahoma, but then new cases outpaced the U.S.

Sources: The COVID Tracking Project, Authors’ calculations
10 years of U.S. and Oklahoma job growth were lost in March/April, but there has been some recovery since.

Index, Jan. 1, 2010=100

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
State and metro hospitality energy, manufacturing, and transportation cuts were bigger than in the nation.

Job Growth by Industry
November 2020

Percent change, year-over-year

Sources: U.S. Bureau of Labor Statistics/Haver Analytics
In the U.S., women, most minorities, and lower wage jobs have been hit harder by the economic downturn.

Unemployment Rate by Race

- White
- Black
- Asian
- Hispanic

Employment by Wage Category

- High Wage (> $60k)
- Middle Wage ($27K-$60K)
- Low Wage (< $27K)

Sources: BLS, Opportunity Insights Track the Recovery, Earnin, Intuit, Kronos, Paychex
Foot traffic at Oklahoma businesses was low through Dec. 13, but in-person dining rose over the holidays.

Sources: Google Mobility Data, Open Table, Track the Recovery, Authors’ calculations
Consumer spending has remained around pre-COVID levels despite less hospitality & entertainment spending.

Oklahoma vs. U.S. Consumer Spending

Percent change, from Jan. 2020

Sources: Affinity Solutions, Track the Recovery, Authors’ calculations
Manufacturing and business activity continues to lag year ago levels, but the outlook has improved.
Energy prices have returned to near profitable levels for most regional firms

**Oil and Natural Gas Prices**

- **$/barrel**
  - WTI oil, left
  - Oil: Avg. Profitable Price, left
  - Henry Hub natural gas, right
  - Natural Gas: Avg. Profitable Price, right

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<th>Henry Hub Natural Gas</th>
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Sources: FRBKC Surveys, EIA/Haver Analytics
Across the district, energy activity and profitability have increased but with fewer employees.
Ag income remains down, but farmland value has held up and prices have risen

District Ag Credit Conditions

Commodity Prices

Sources: FRBKC Ag Credit Survey, WSJ/Haver Analytics
Housing has been a more stable, bright sector in 2020 and prices have grown for all home sizes and price tiers.

Sources: Zillow/Haver Analytics, NBER recession shading
Mortgage rates are low, and new building permits in Oklahoma continued to rise faster than the U.S. in Nov

![Mortgage Rates Graph]

![New Housing Permits Graph]

Sources: Freddie Mac, Zillow/Haver Analytics
Still, a third of Oklahomans are at risk of eviction, and even more have difficulties paying household expenses.
Through Q3, mortgage delinquencies increased more in Oklahoma than in the U.S. overall

Sources: Mortgage Bankers Association/Haver Analytics
Savings remain elevated and inventories have room to grow, setting the stage for a strong rebound.

Sources: BEA/Haver Analytics
Vaccination rollout has lagged expectations so far, but still obviously provides future optimism

Vaccination Rates by Population, Jan. 13, 2020
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Questions?

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