Oklahoma Economic Outlook in the Midst of COVID-19 and Low Oil Prices

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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.
Overview

- Oklahoma’s economy was already slowing in late 2019 and early 2020, due largely to difficulties in the state’s important energy sector.

- COVID initially spread less quickly here, PPP takeup was strong, and some indicators were normalizing by June, but many have leveled off at less than year-ago levels.

- The state’s economic and energy sector outlooks continue to depend on how the virus evolves and affects consumer and business activity.
COVID-19 initially spread much less in Oklahoma, but then new cases outpaced the U.S., and still remain high.

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

Nonfarm Payroll Employment Growth

Index, Jan. 1, 2010=100

Sources: U.S. Bureau of Labor Statistics, NBER recession shading
Oklahoma mining job losses far outweighed those in the U.S. through July, but hospitality job cuts were less
OK unemployment rose slightly to 7.1% in July, while the U.S. rate declined to 8.4% in August.

Foot traffic at Oklahoma businesses rose steadily through mid-June, but evened out in July & August

Sources: Google Mobility Data, Open Table, Track the Recovery, Authors’ calculations
Consumer spending in some segments has closely resembled the nation, and exceeded it in others.

Oklahoma vs. U.S. Consumer Spending

Percent change, from Jan. 2020

Sources: Affinity Solutions, Track the Recovery, Authors’ calculations
Regional factory and services activity expanded further in August, and expectations were positive.

Sources: FRBKC Surveys, ISM
State ag incomes continued to decline in Q2 2020, but land values have held up and prices have risen some.
Oil prices have rebounded somewhat, but remain below profitable drilling levels for most regional firms.

Sources: EIA, FRBKC Energy Survey
Rig counts in energy states have decreased dramatically across the U.S., especially in Oklahoma.

Active Drilling Rig Count, Top 8 Oil- and Gas-Producing States

Percent change, year-over-year

Source: Baker Hughes/Haver Analytics
Energy city office markets were already struggling before COVID, but retail vacancy was still low in Q2.

Metro Vacancy Rates

- Office: U.S.
- Retail: U.S.
- Office: Oklahoma City
- Retail: Oklahoma City
- Office: Tulsa
- Retail: Tulsa

Source: CBRE
Through July, housing prices and new building permits in Oklahoma continued to rise faster than the U.S.

Housing Price Index

Percent change, year-over-year

New Housing Permits

Percent change, year-over-year, 3mma

Sources: Zillow/Haver Analytics
Through Q2, mortgage delinquencies also increased, though more in the U.S. overall than Oklahoma.

Sources: Mortgage Bankers Association/Haver Analytics
Summary

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- COVID initially spread less quickly here, PPP takeup was strong, and some indicators were normalizing by June, but many have leveled off at less than year-ago levels.

- The state’s economic and energy sector outlooks continue to depend on how the virus evolves and affects consumer and business activity.
Questions?

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