

# U.S. and Oklahoma Economic Outlook

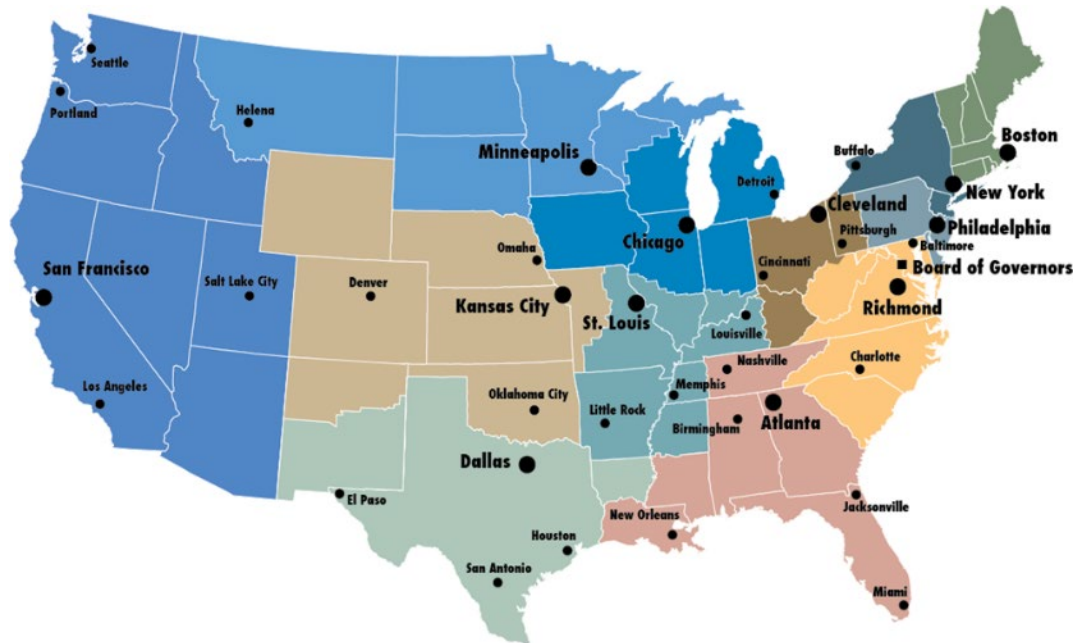
*Tulsa Chapter of Oklahoma Society of Certified Public Accountants  
March 12, 2020*

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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.



# Structure & Functions of the Federal Reserve



## 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

- **2020 Is Our Centennial! OKC BRANCH 100** 
- **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
- **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



# 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
- **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
- **Charles L. Evans**, Chicago
- **James Bullard**, St. Louis
- **Esther L. George**, Kansas City
- **Eric Rosengren**, Boston



\*Permanent voters in bold; 2020 rotating voters in red; 2021 rotating voters in blue

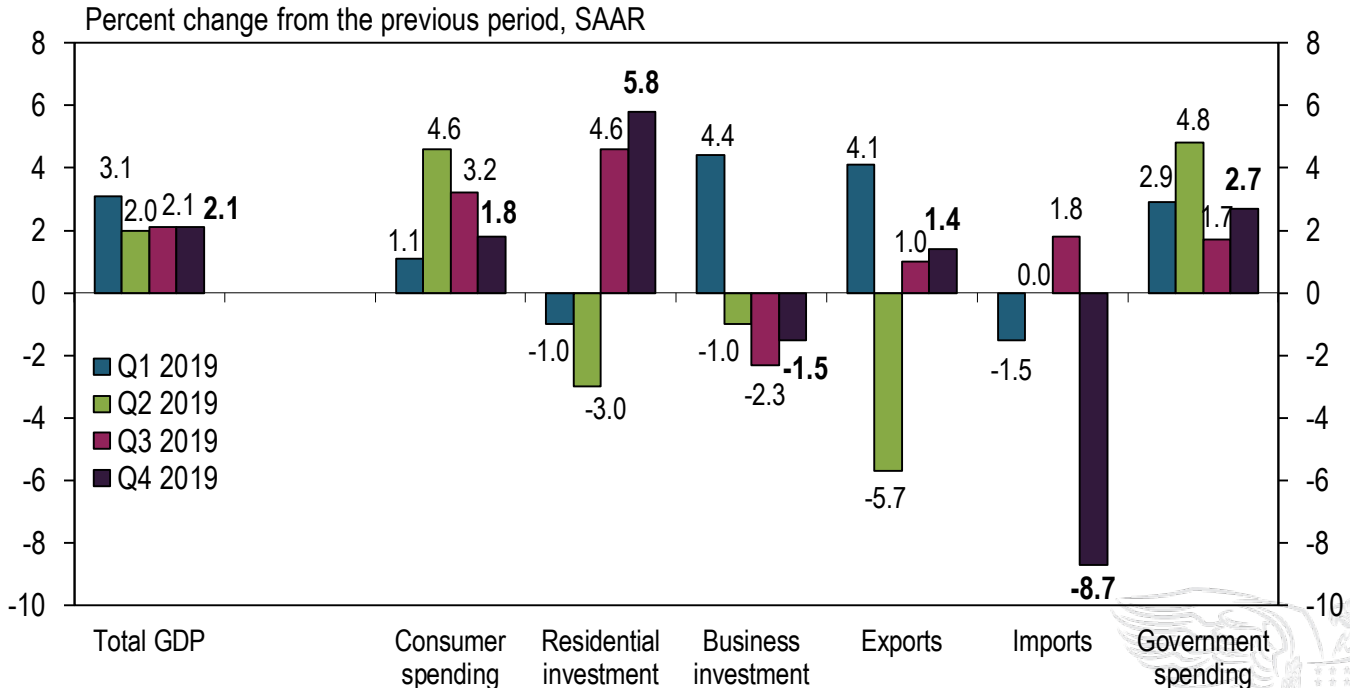


# U.S. Economic Outlook



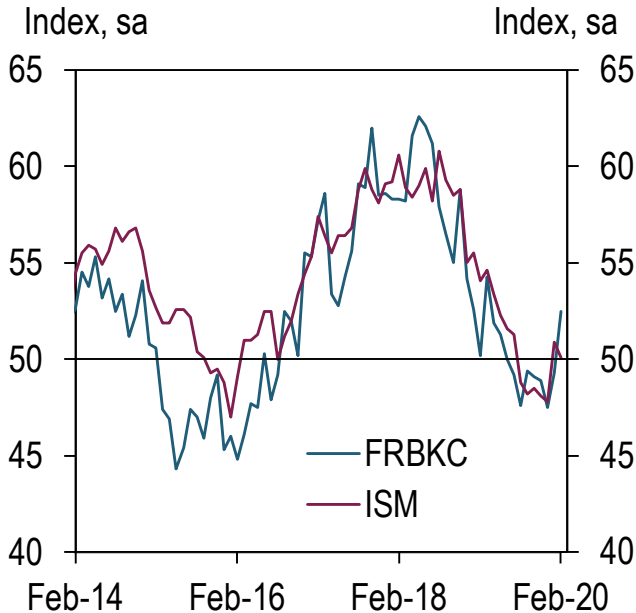
# Jan. FOMC: “Economic activity has been rising at a moderate rate...household...rising...business...weak”

## Percent Change in Components of Real GDP

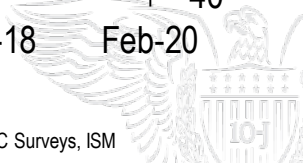
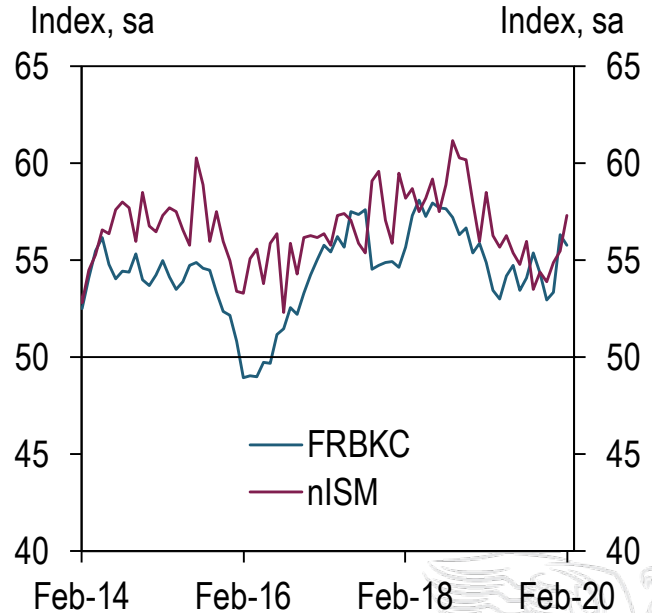


# U.S. and regional factory activity grew in February, and services remained solid, despite early COVID effects

## Manufacturing

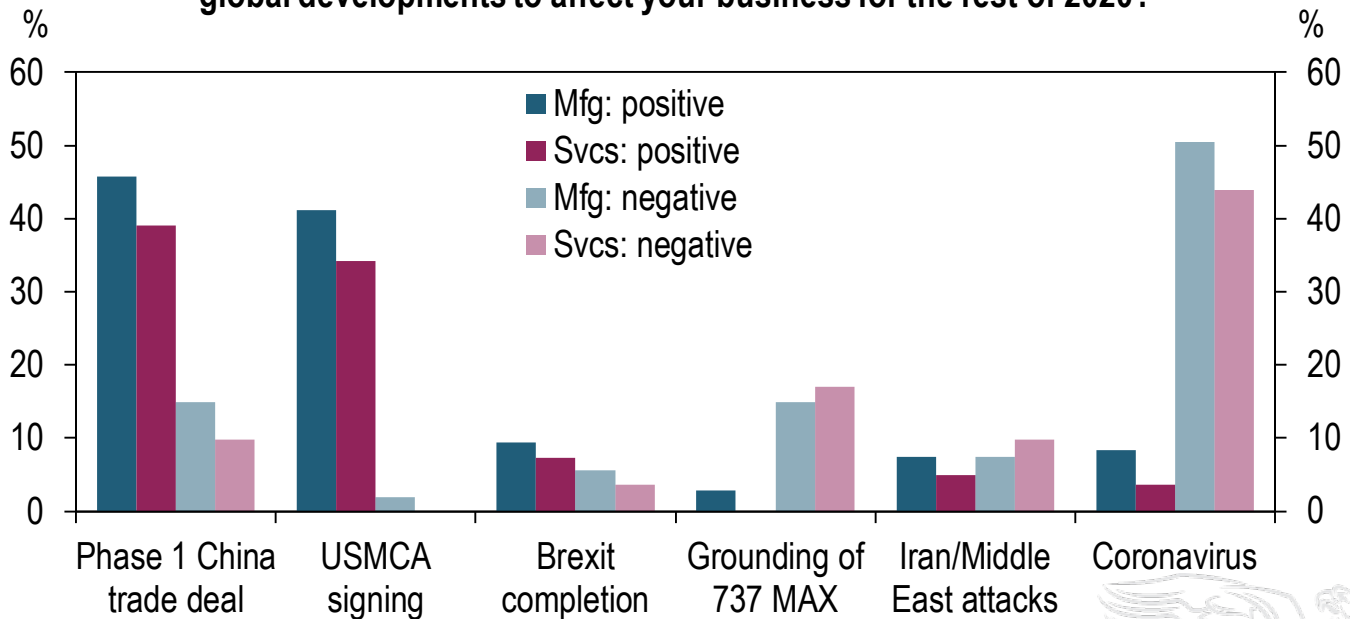


## Services



# Many factories and service firms anticipate negative affects from COVID-19, but are pleased with trade deals

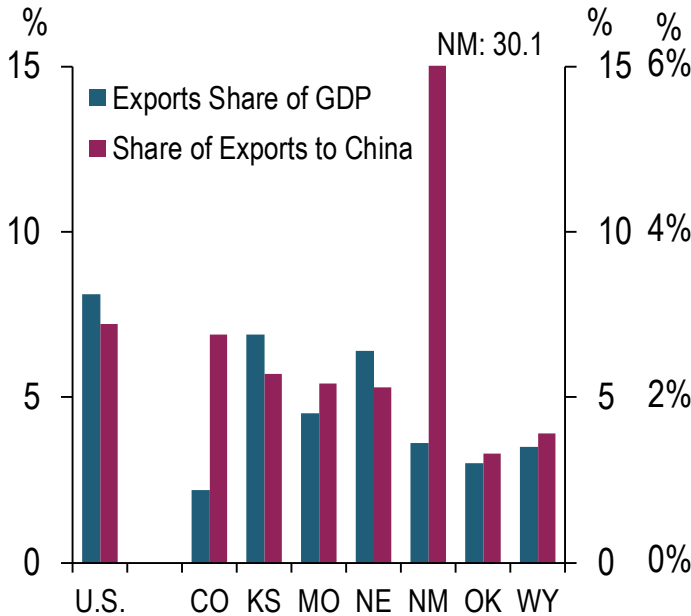
FRBKC February Surveys Special Question: How do you expect the following global developments to affect your business for the rest of 2020?



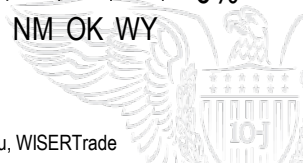
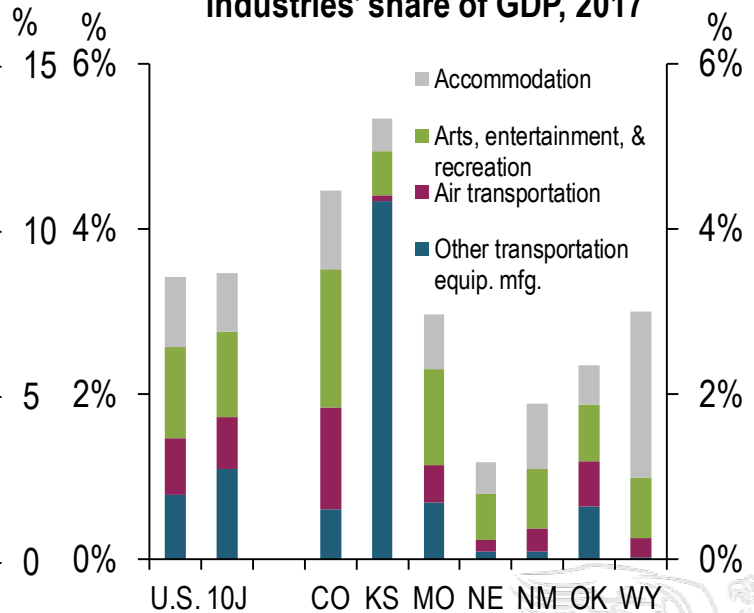


# However, our District is less exposed to trade, China, and travel relative to the rest of the nation

U.S. Goods Exports, 2018



Air travel and tourism industries' share of GDP, 2017

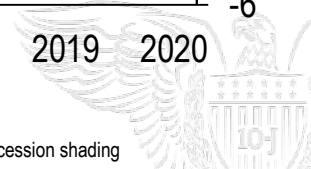
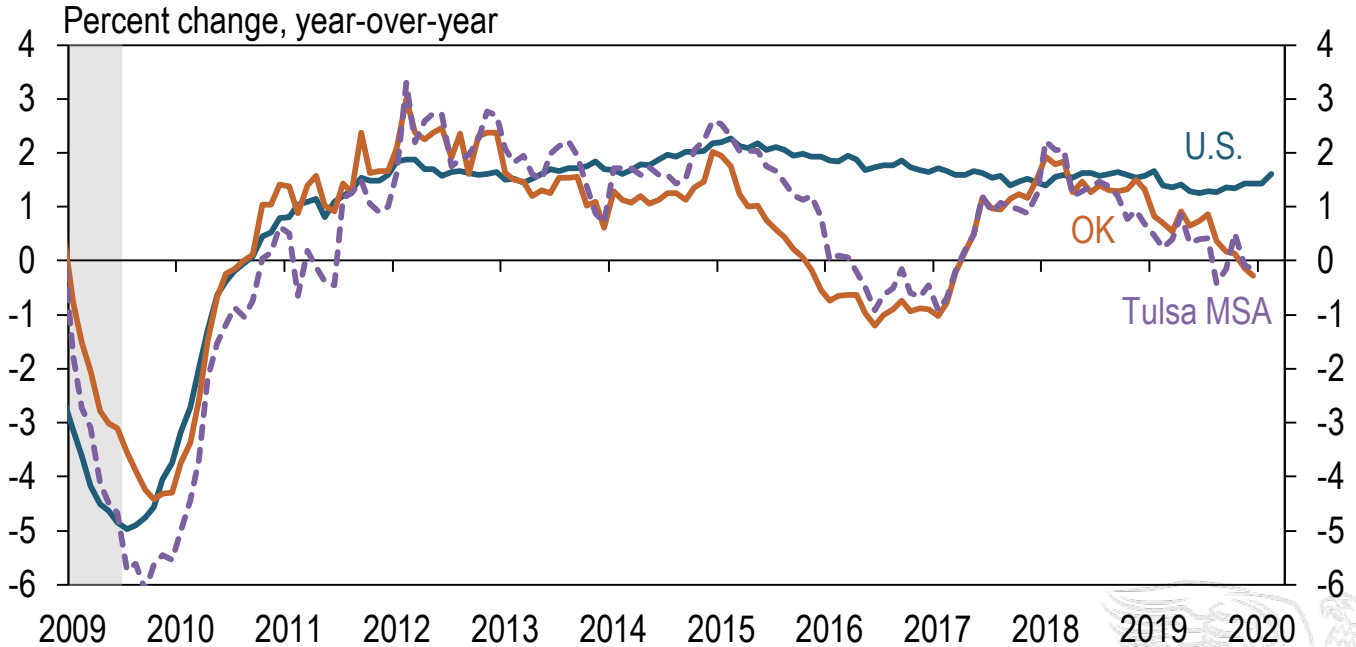


# Oklahoma Economic Outlook

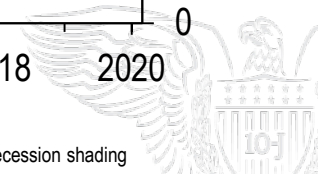
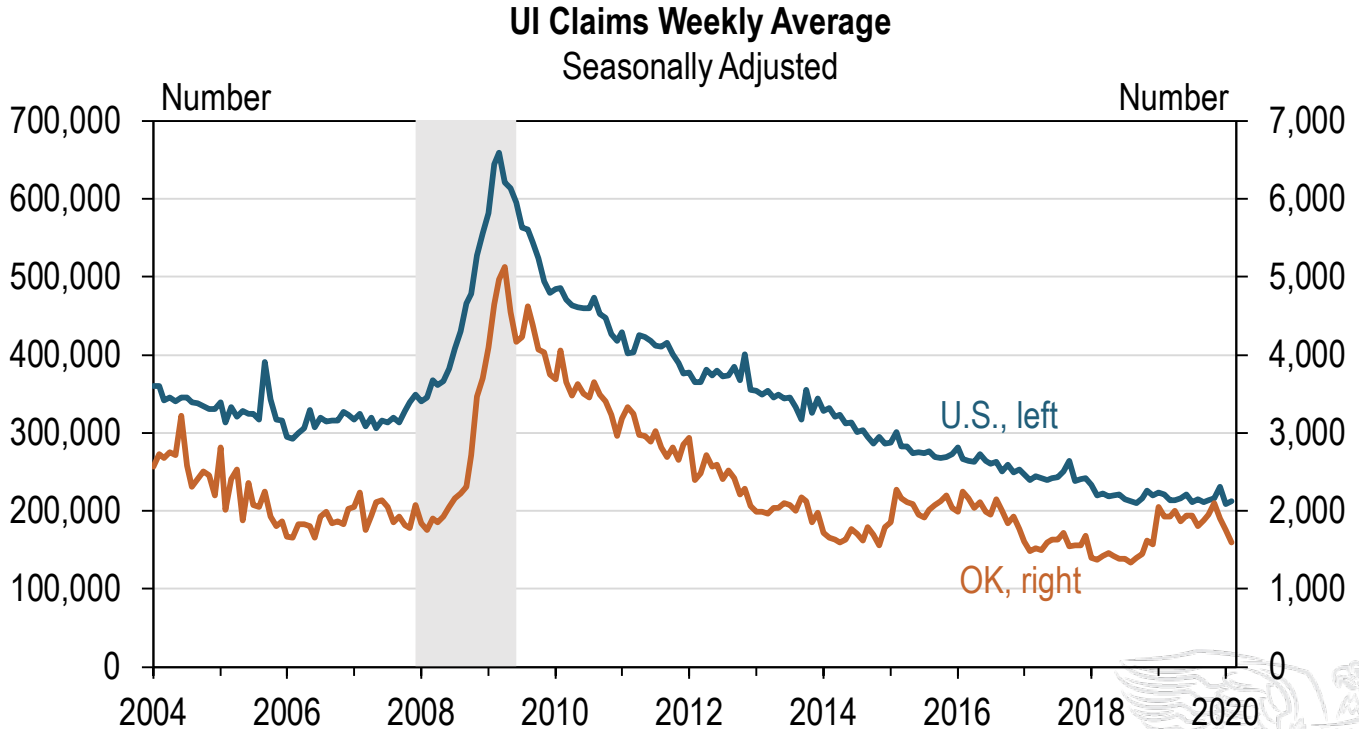


# The pace of Oklahoma job growth slowed steadily in 2019, and was negative in November and December

## Nonfarm Payroll Employment Growth

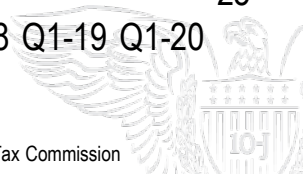
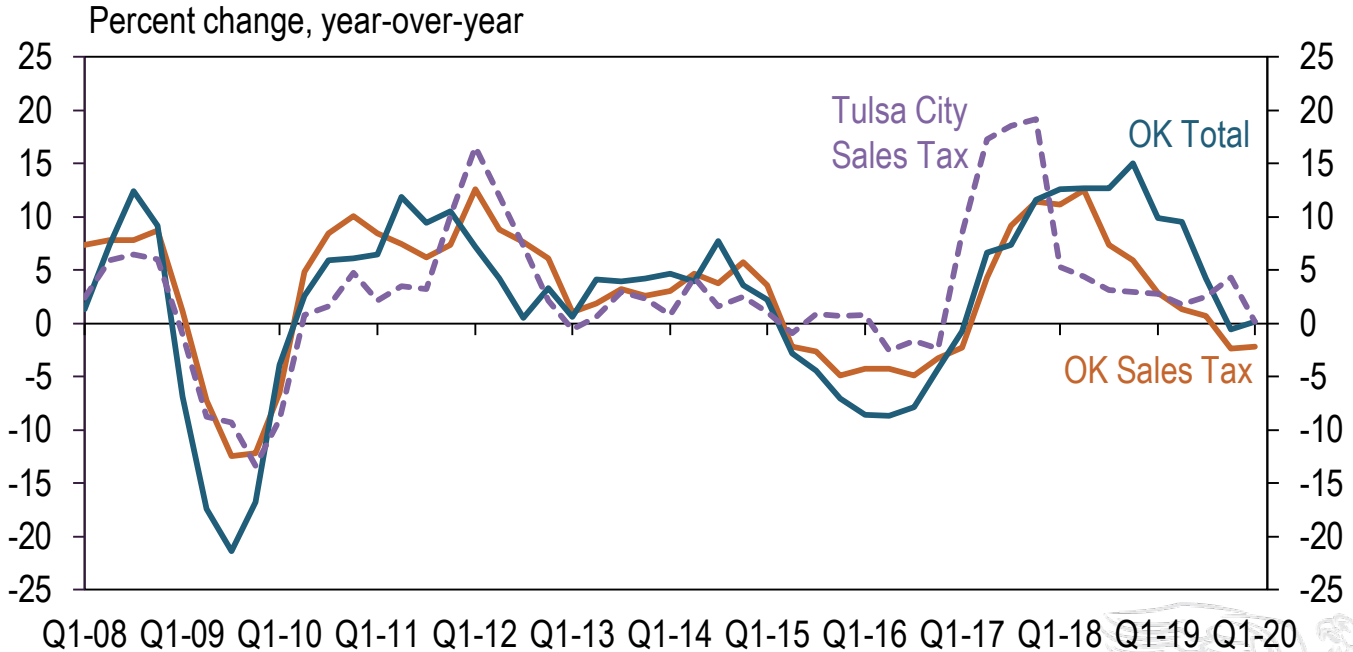


# Weekly initial jobless claims in the state ran near 2015-16 levels in 2019, but improved slightly so far in 2020



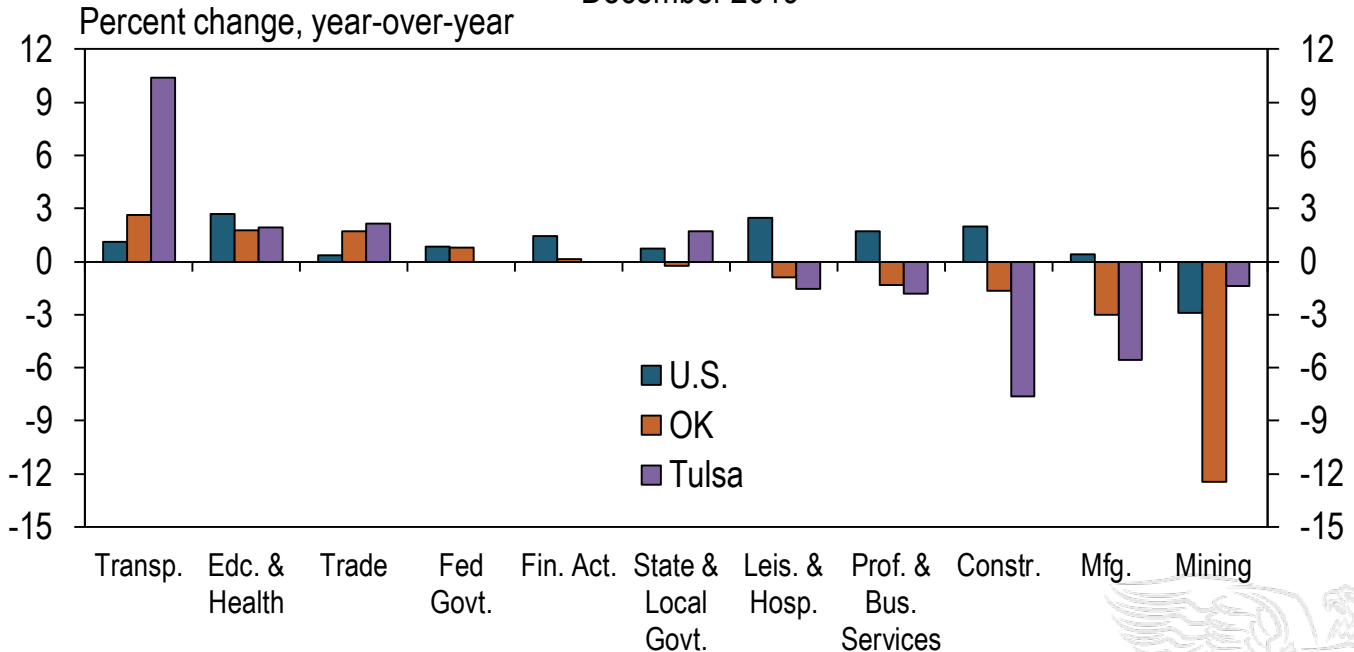
# Total state tax receipts also rose slightly in January, but sales tax revenues are still below year-ago levels

## Oklahoma Tax Revenues

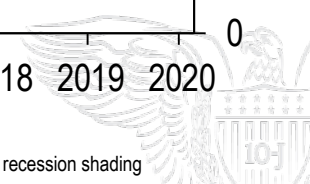
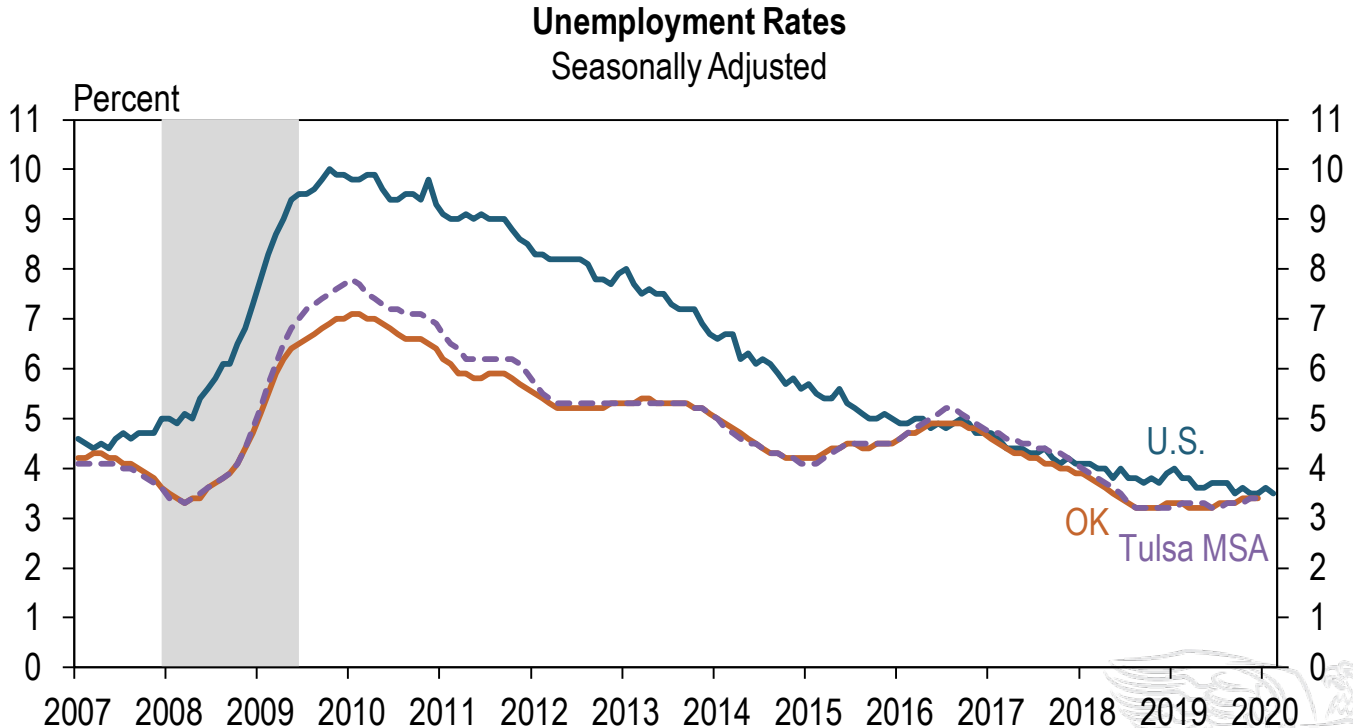


# The slower state job growth in 2019 has been driven mainly by job losses in energy and related sectors

Job Growth by Industry  
December 2019

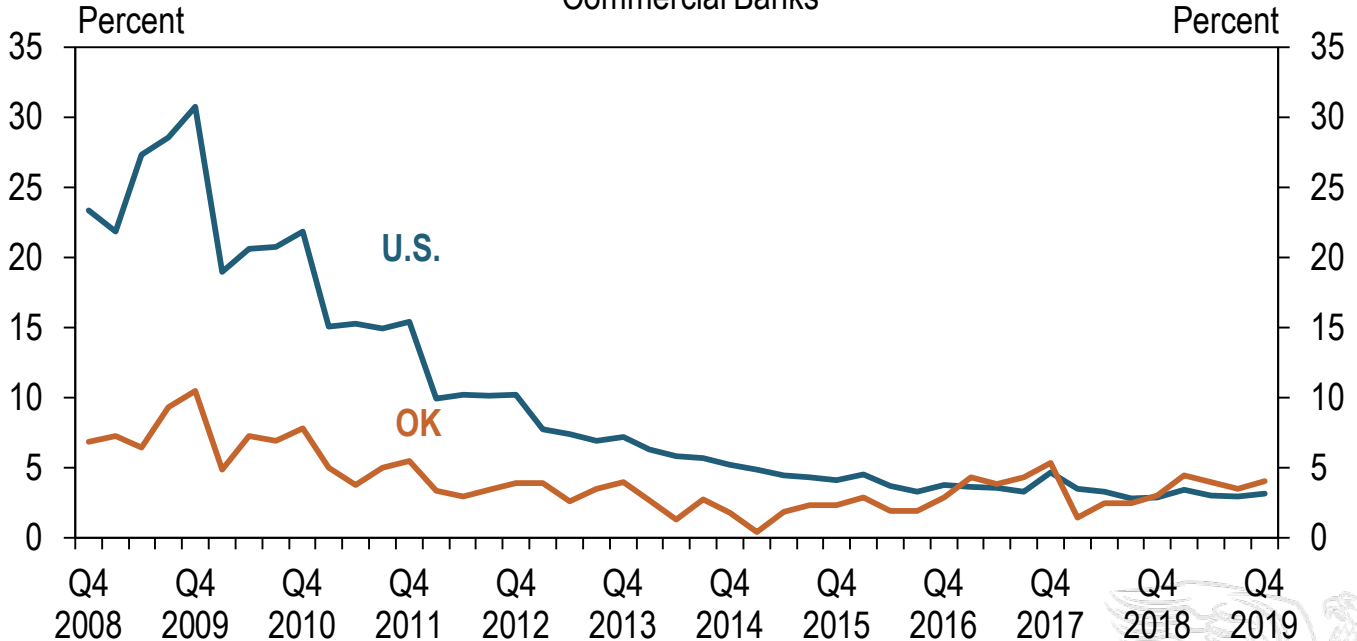


# Despite slower job growth and elevated UI claims, unemployment in Oklahoma remains low



# Banking conditions in Oklahoma also remain very good, similar to in the nation

Share of Banks Not Making a Profit  
Commercial Banks





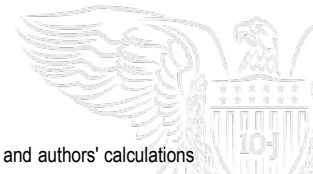
# While Oklahoma job growth has lagged the nation, some industries in the state have outpaced the U.S.

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

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

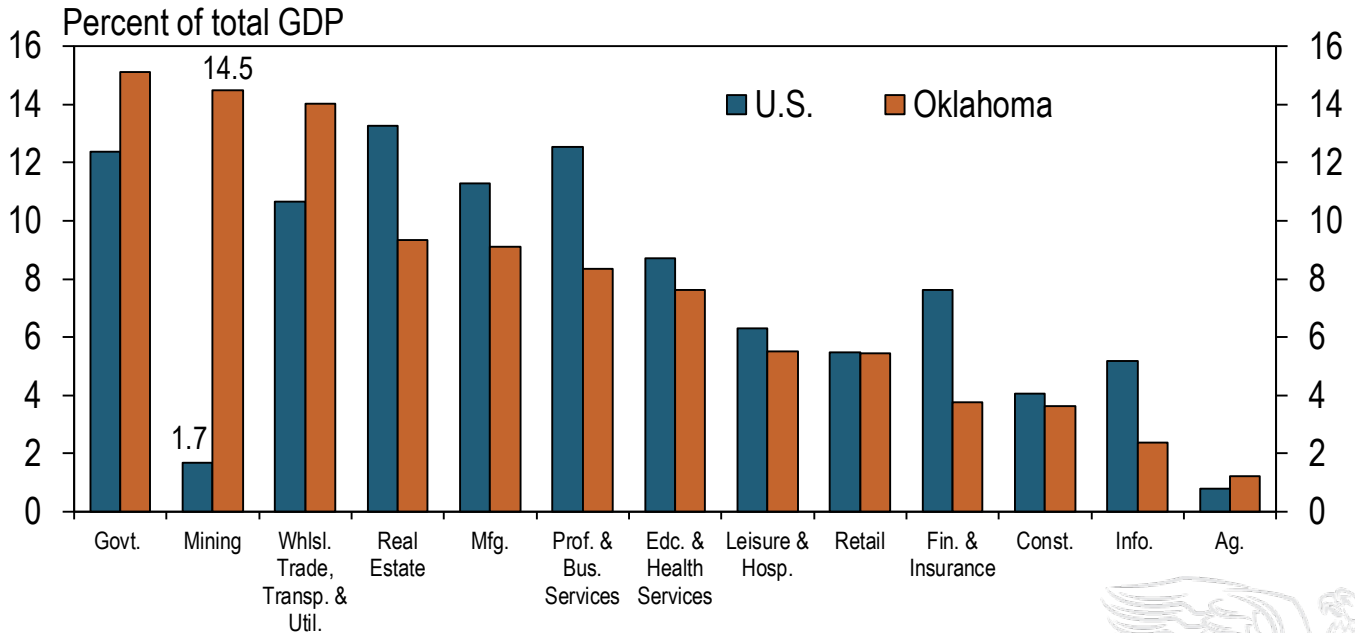
\* Local Government Sector

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.



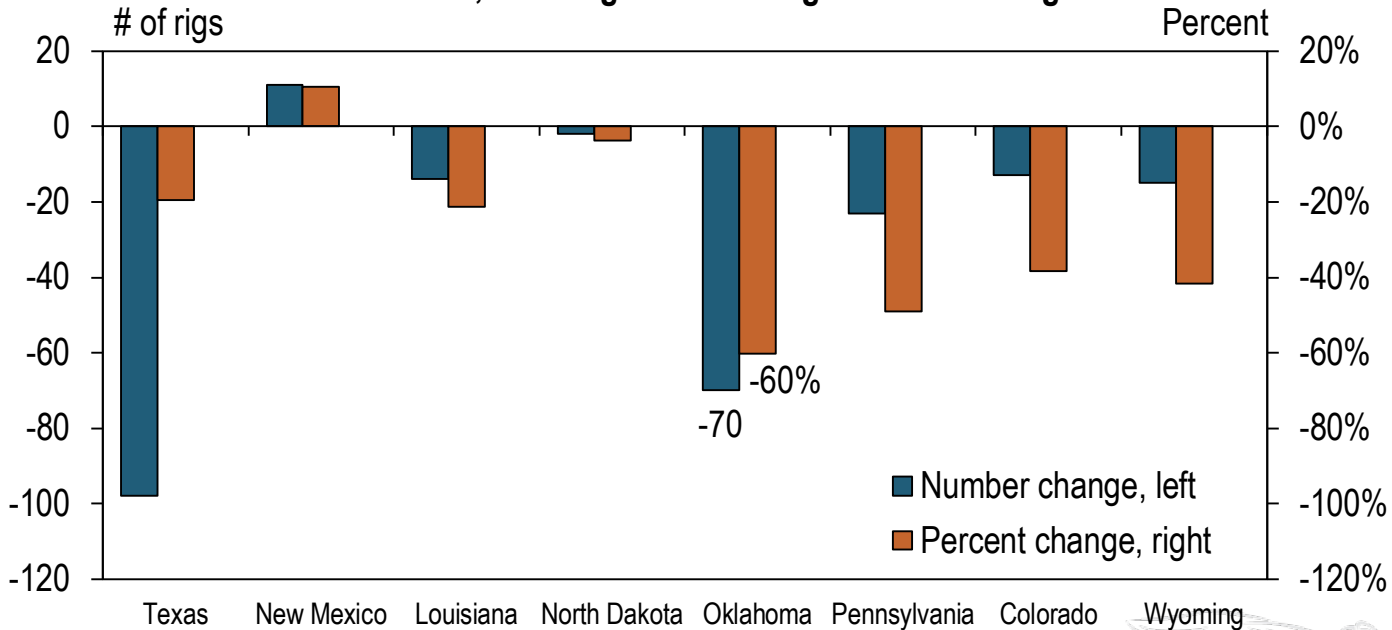
# Oklahoma's main difference from the nation in terms of industrial structure is its very sizable energy sector

Industry Share of GDP, 2018



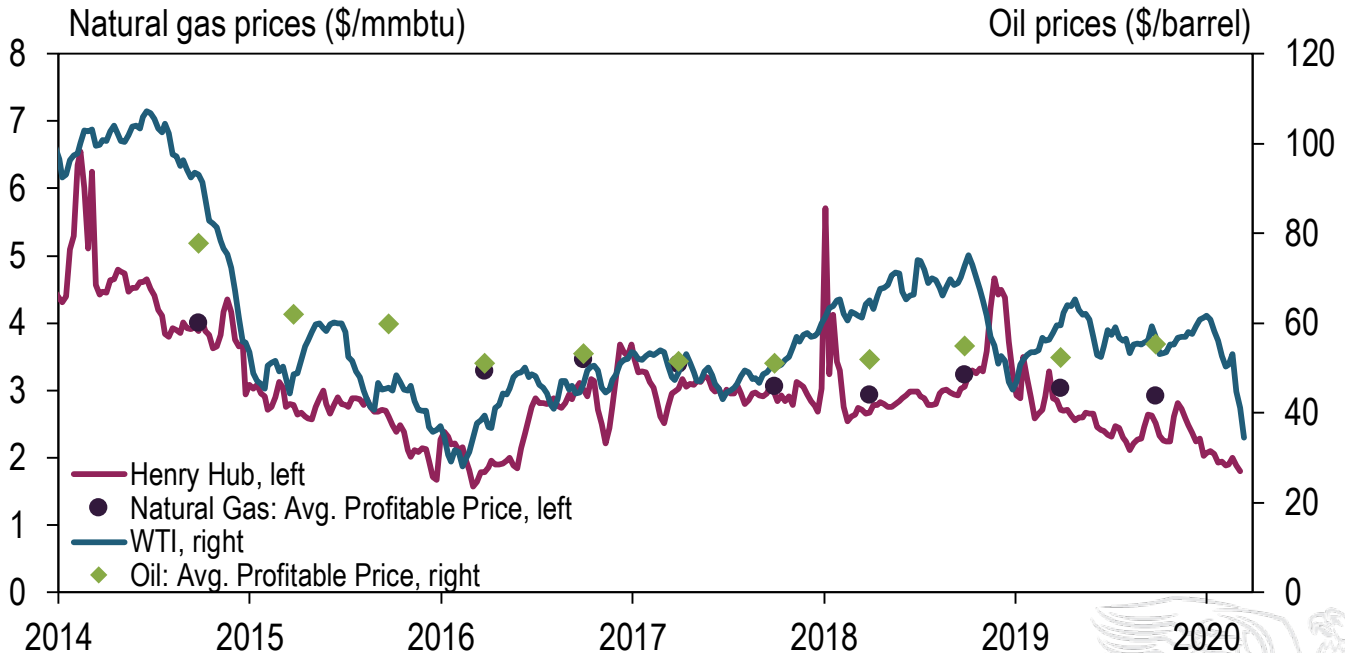
# Oklahoma's percentage drop in rigs has been the largest among the top 8 oil- and gas-producing states

March 6, 2020 Rig Count Change from a Year Ago



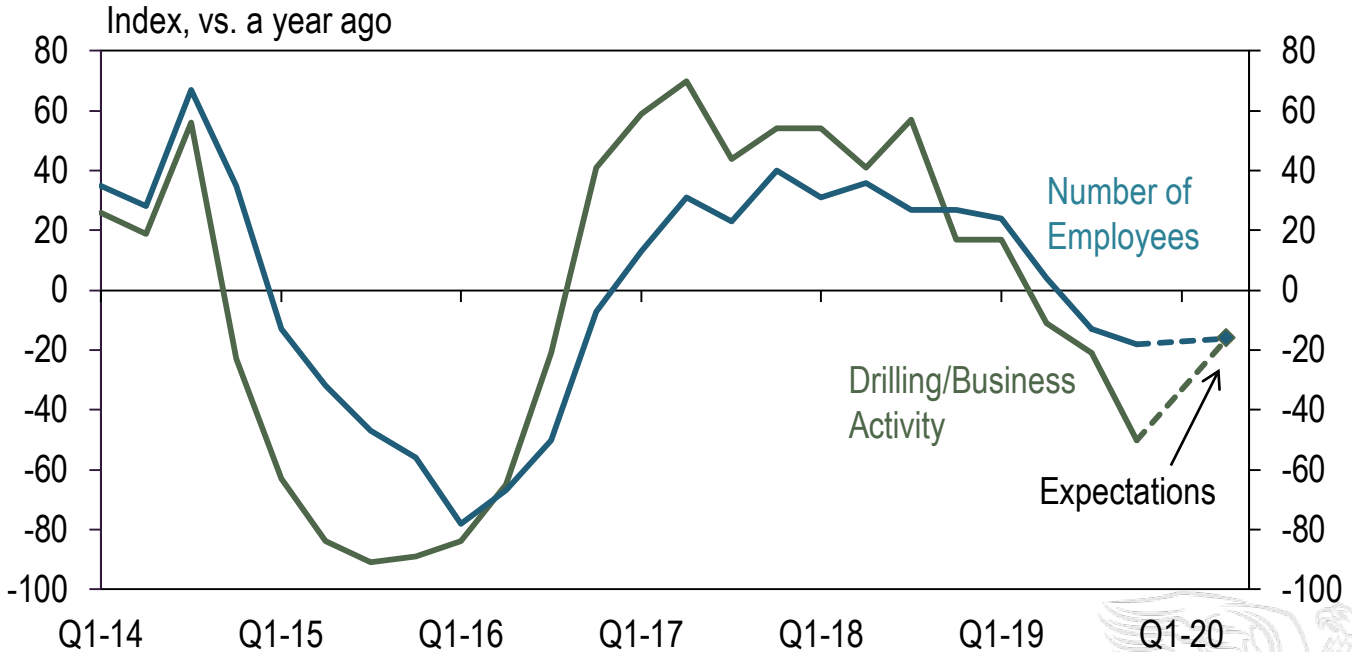
# Lower natural gas and oil prices have contributed to slower activity

## Oil & Natural Gas Profitability and Prices



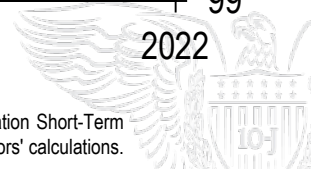
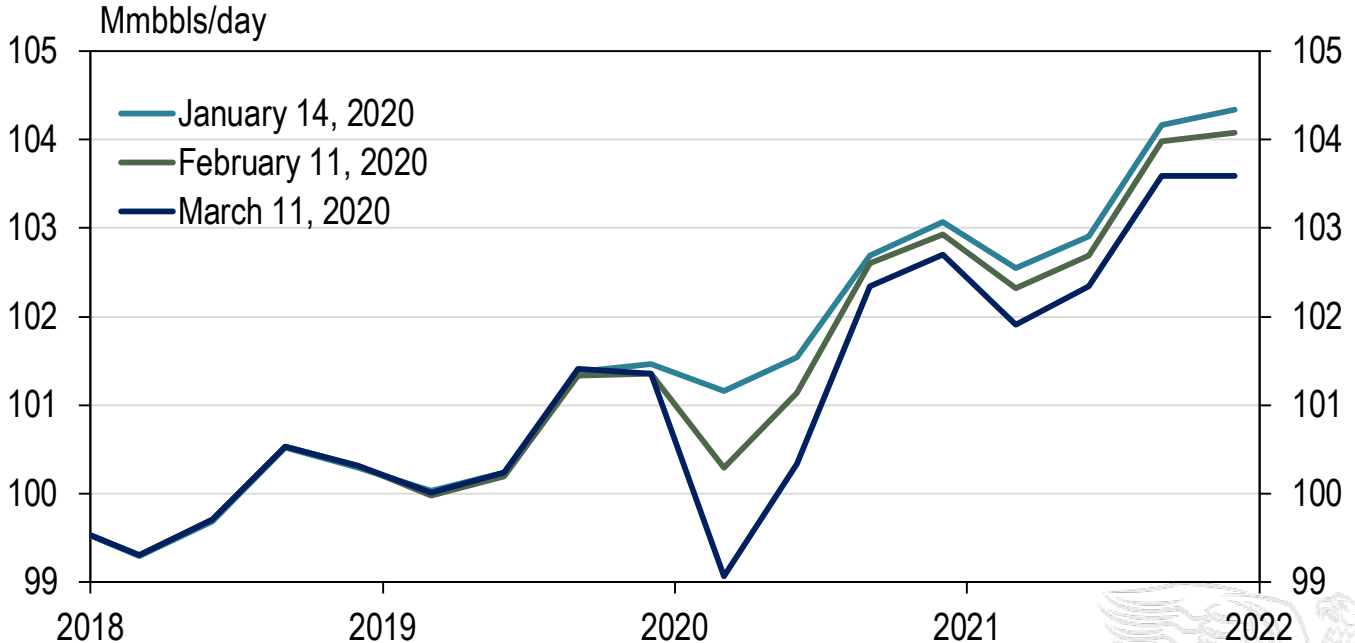
# In late December, regional energy firms expected drilling activity to drop further, with continued job cuts

Kansas City Fed Energy Indexes



# Since then, forecasts for world oil demand have weakened, following the coronavirus outbreak

## World Petroleum Demand Forecasts



# Summary

- The national economy continues to grow, with low unemployment, but business investment has slowed
- Oklahoma's economy slowed in 2019 and by the end of the year no longer appeared to be growing overall, as weak energy activity spread to some other sectors
- Still, unemployment remains low and banking conditions are good, which should help the state if further economic deterioration occurs



# Questions?

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