Tulsa Economic Outlook 2020 Fall Update

The local, state, and national economies continue to recover from the losses associated with the COVID-19 pandemic. By September, Tulsa recovered approximately thirty-one percent of the nonfarm wage and salary jobs lost to the pandemic, while the nation and Oklahoma recovered forty-eight percent and forty-three percent of the lost jobs. This leaves Tulsa employment in the third quarter of 2020 at a level 5.7 percent below that in the third quarter of 2019, which compares to 4.9 percent for Oklahoma and 6.9 percent for the nation. Although the local and state economies fared better than the nation's during the onset of the pandemic, weakness in the energy sector continues to provide significant headwinds to the recovery.

As shown in Figure 1, Tulsa's total nonfarm wage and salary employment is forecast not to reach its second quarter 2019 peak of approximately four hundred and sixty-three thousand until the second quarter of 2023. The recovery in employment initially begins to look like a V but then quickly transforms to mimic the logo of Nike. The employment recoveries in the state and nation are initially somewhat more V-shaped, in which the state's recovery slows more than the nation's because of weakness in the energy sector (Figure 2). The U.S. Energy Information Administration forecasts the West Texas Intermediate oil price to finish 2020 slightly below 40 dollars, before increasing to the mid-40s by the middle of 2021 and remaining there for the rest of the year, providing a slight boost to energy sector employment later in the year and into 2022.

Figure 1. Tulsa Nonfarm Wage and Salary Employment

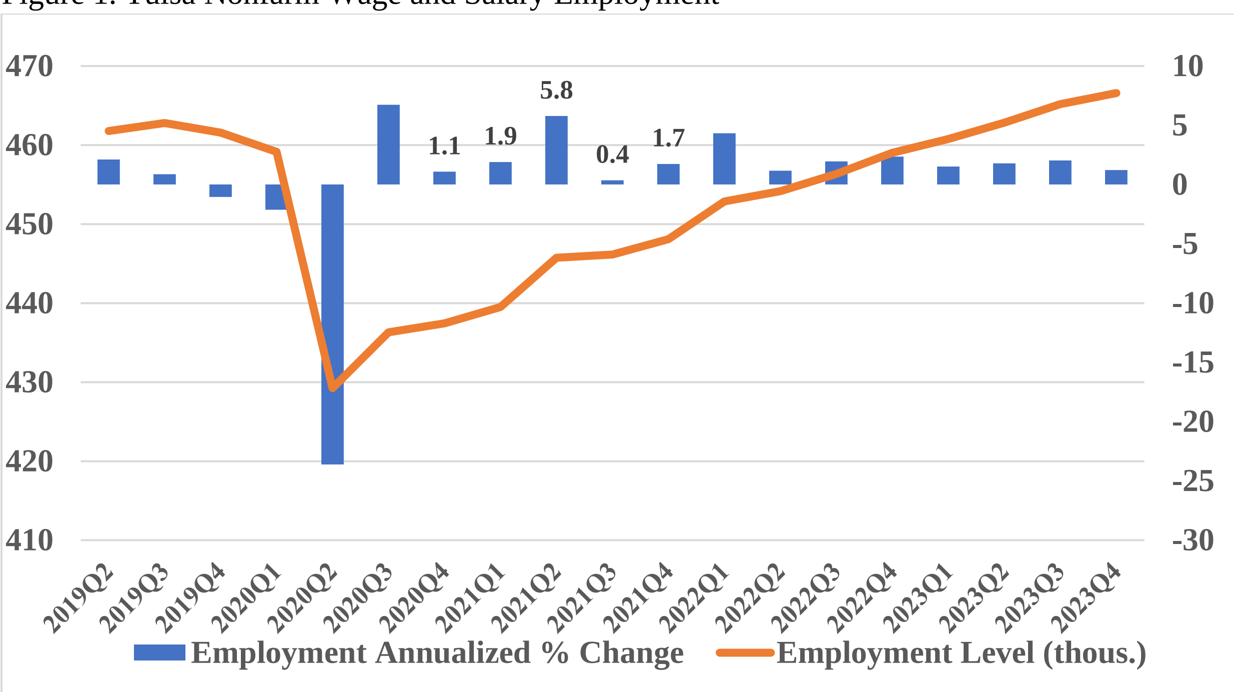
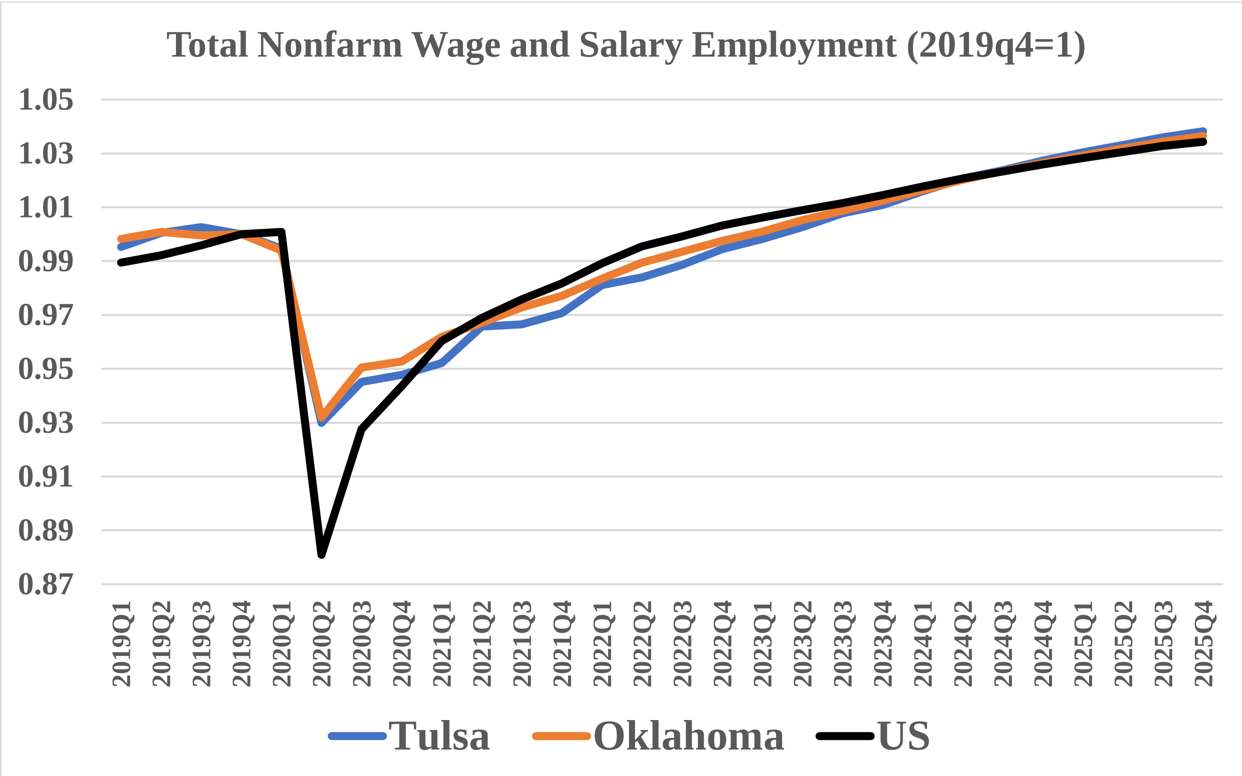


Figure 2. Comparison of Employment Recoveries



The Bureau of Labor Statistics sectors suffering rates of decline in employment in excess of ten percent from 2019q3 to 2020q3 are Educational Services, State Government, Manufacturing, Mining and Logging, Transportation, Warehousing, and Public Utilities, and Professional and Business Services. The largest projected increases from 2020q3 to 2021q3 are for Educational Services, Leisure and Hospitality Services, and Professional and Business Services. Notable declines in excess of three percent over the period are forecast for Mining and Logging, Transportation, Warehousing, and Public Utilities, and Information Services

There are both upside and downside risks to the forecasts. On the upside, the baseline forecast does not include additional federal fiscal stimulus because of the current political gridlock. The provision of additional fiscal stimulus would significantly boost personal income and employment. On the downside, the baseline forecast anticipates widespread distribution of COVID-19 vaccines by the spring and summer of 2021. If there is a delay in the distribution of the vaccine or use of the vaccine by the public, the pandemic could last longer and hinder economic recovery. The current national surge in COVID-19 cases could lead to further short-term restrictions on businesses in parts of the nation and increase reluctance of people to frequent businesses involving face-to-face contact. Slowing economic activity nationwide and elsewhere in the world could dampen the demand for oil, impeding the recovery in oil prices. The Federal Reserve has speculated that the economy will not return to its pre-pandemic structure, which may leave significant segments of the labor force unemployed or under employed.

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