

# Recession and Recovery in the U.S. and Oklahoma

---



**Chad Wilkerson**

**Vice President & Oklahoma City Branch Executive  
Federal Reserve Bank of Kansas City**

# Purposes and Structure of the Federal Reserve System

---

- **Overall purposes of the Fed are to promote:**
  - Price stability
  - Maximum employment
  - National financial stability
- **The primary functional areas of the Fed are:**
  - Monetary policy – adjusting overnight interest rate to affect economy
  - Bank regulation – bank holding companies, state member banks
  - Payments systems – cash, checks, electronic payments
- **The Federal Reserve System consists of:**
  - Board of Governors: 7 members who are appointed by the U.S. President and confirmed by the Senate to serve 14-year terms.
  - Federal Reserve Banks: 12 Banks, each serving a unique district.
  - Federal Open Market Committee (FOMC): Comprised of the 7 Governors and the 12 Reserve Bank presidents (only 5 presidents vote).

# Federal Reserve Districts and Office Locations



# The Kansas City and Oklahoma City Offices

---

- **Headquarters office in Kansas City**

- Nearly **1,000 staff** involved in all mission areas
- **New building** officially opened in June 2008

- **Oklahoma City branch office**

- **Staff and functions** – 35 staff involved in economic research, bank examinations, and public and community affairs
- **Branch board of directors** – 7 members from around the state; provide anecdotal information in advance of each FOMC meeting

- **Oklahoma City branch board of directors**

- *Chairman* **Steve Agee**, President, Agee Energy, and Professor, OCU, OKC
- **Bill Anoatubby**, Governor, Chickasaw Nation, Ada
- **Jim Dunn**, Chairman, Mill Creek Lumber & Supply Co., Tulsa
- **Jacque Fiegel**, Senior EVP & COO, Coppermark Bank, OKC
- **Fred Ramos**, COO, Latino Community Development Agency, OKC
- **Doug Tippens**, President and CEO, Canadian State Bank, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville

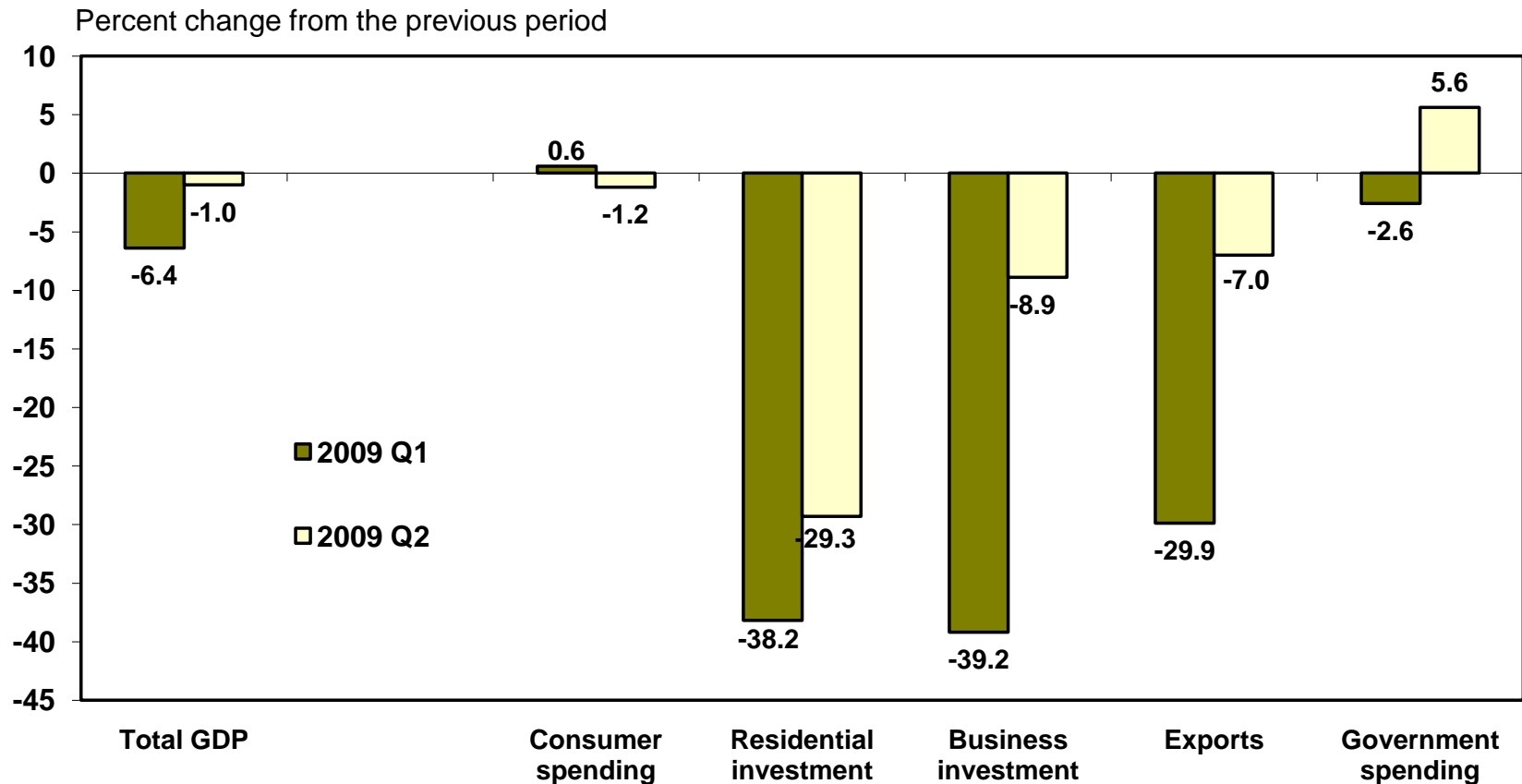
# The U.S. Economy

---

- The U.S. economy appears to have stabilized, with help from massive monetary and fiscal stimulus
- But the strength of recovery is likely to be modest, due to a number of factors
- With modest growth, inflation is expected to remain tame in the near term

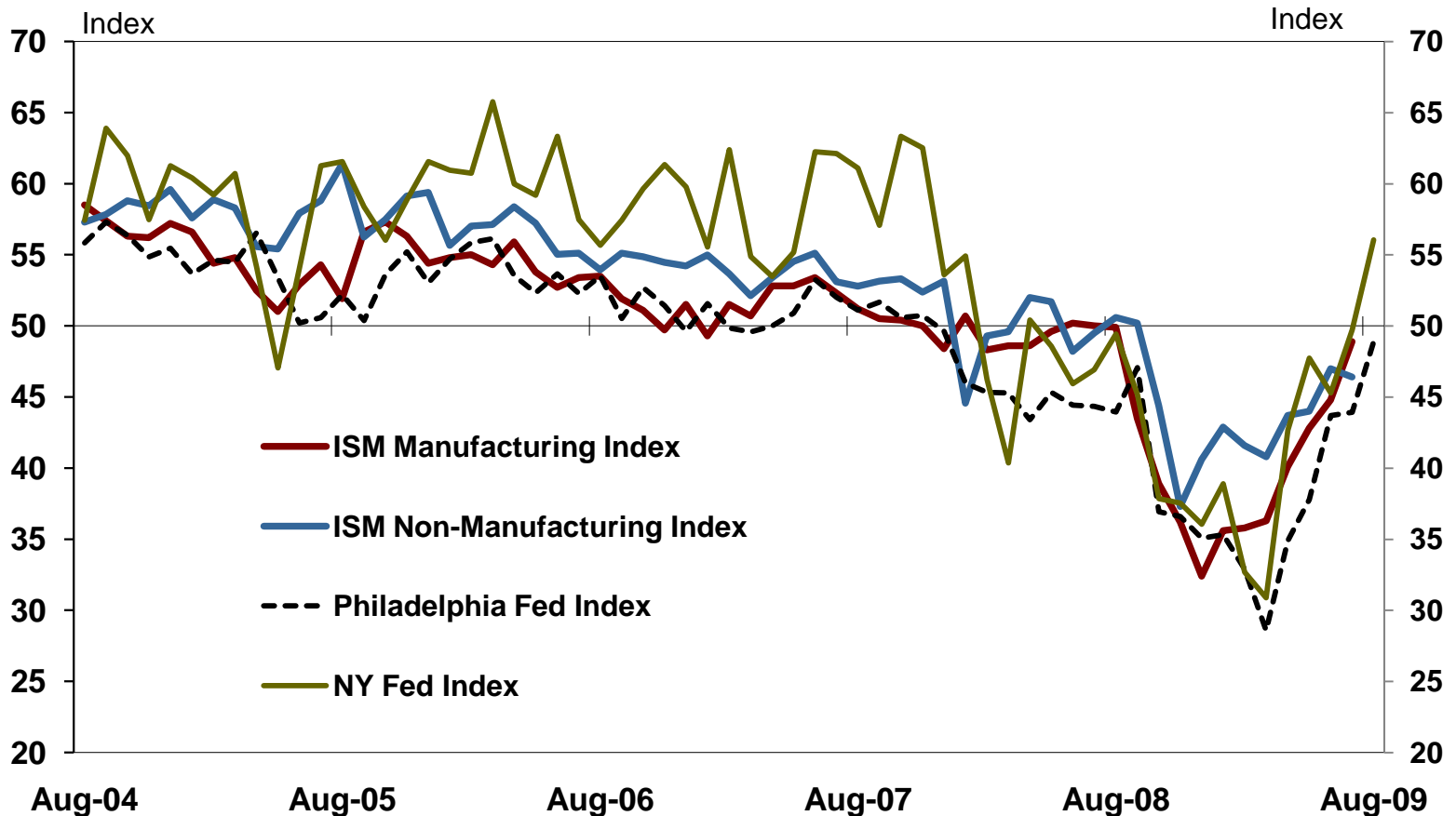
# Second quarter growth was much less negative, boosted by government spending

## Growth in Components of GDP



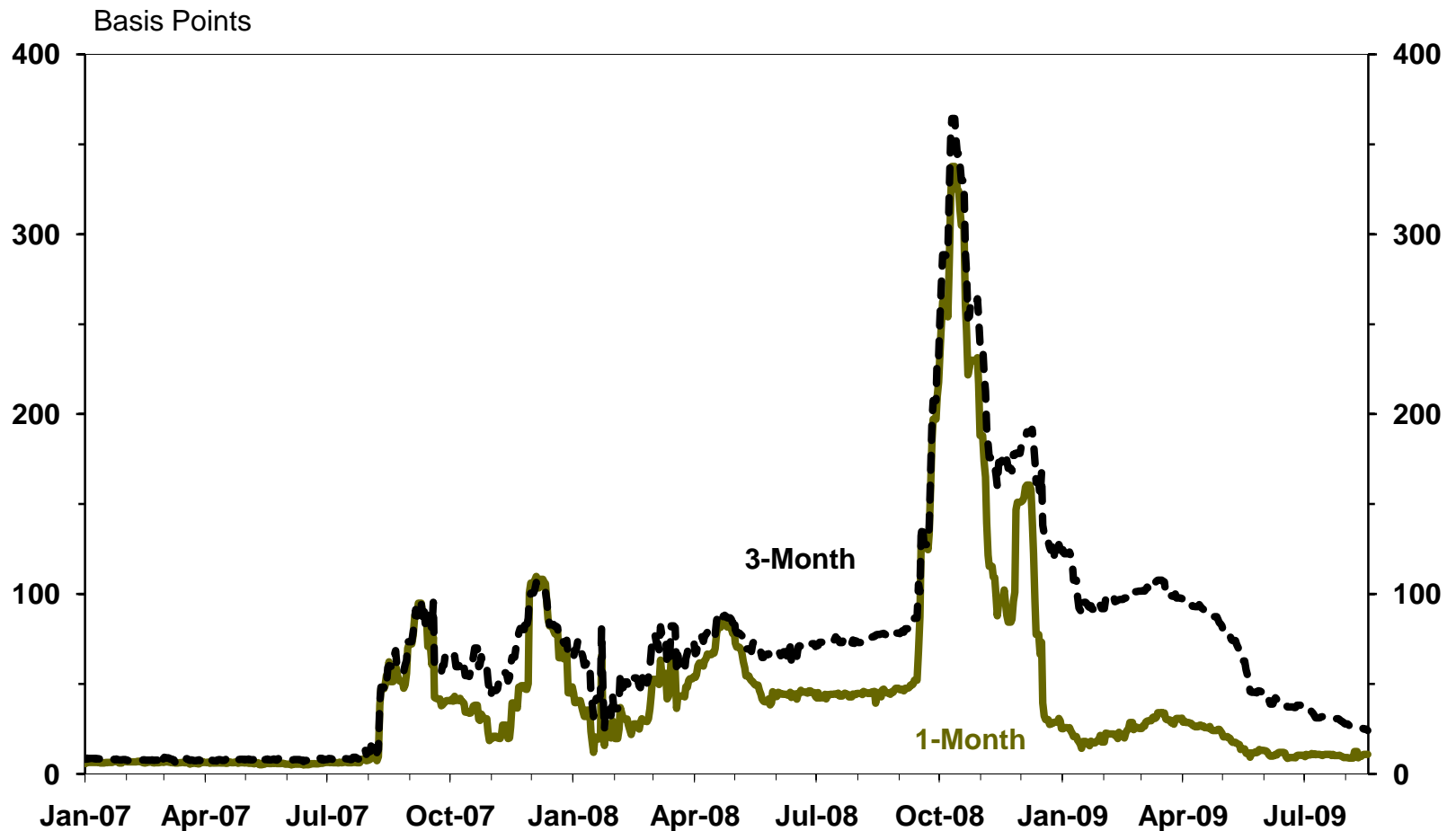
# Recent survey indicators suggest declines in the U.S. economy may be over

## National Business Indexes



# Credit market conditions have continued to stabilize in recent months as well

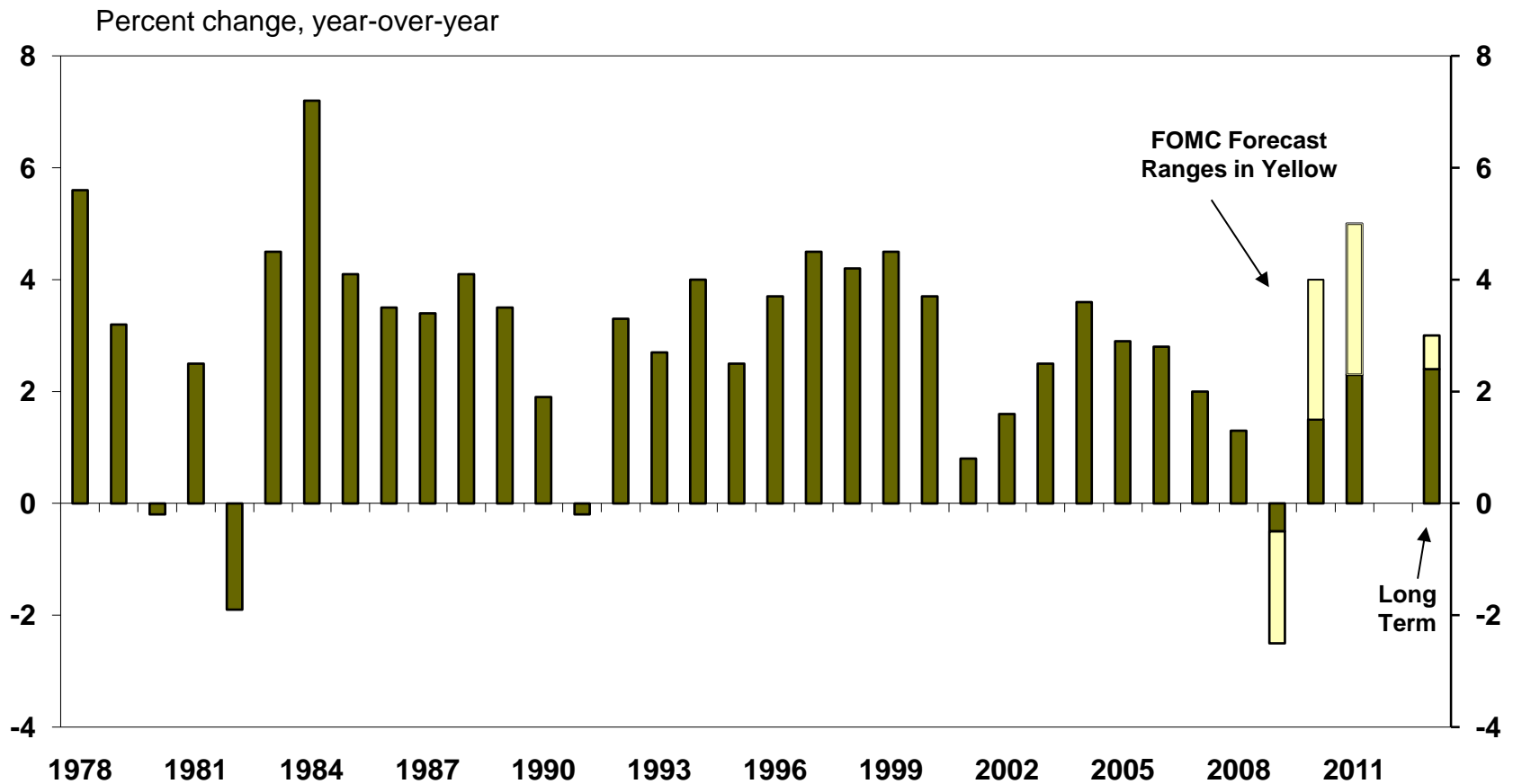
## LIBOR-OIS Spread





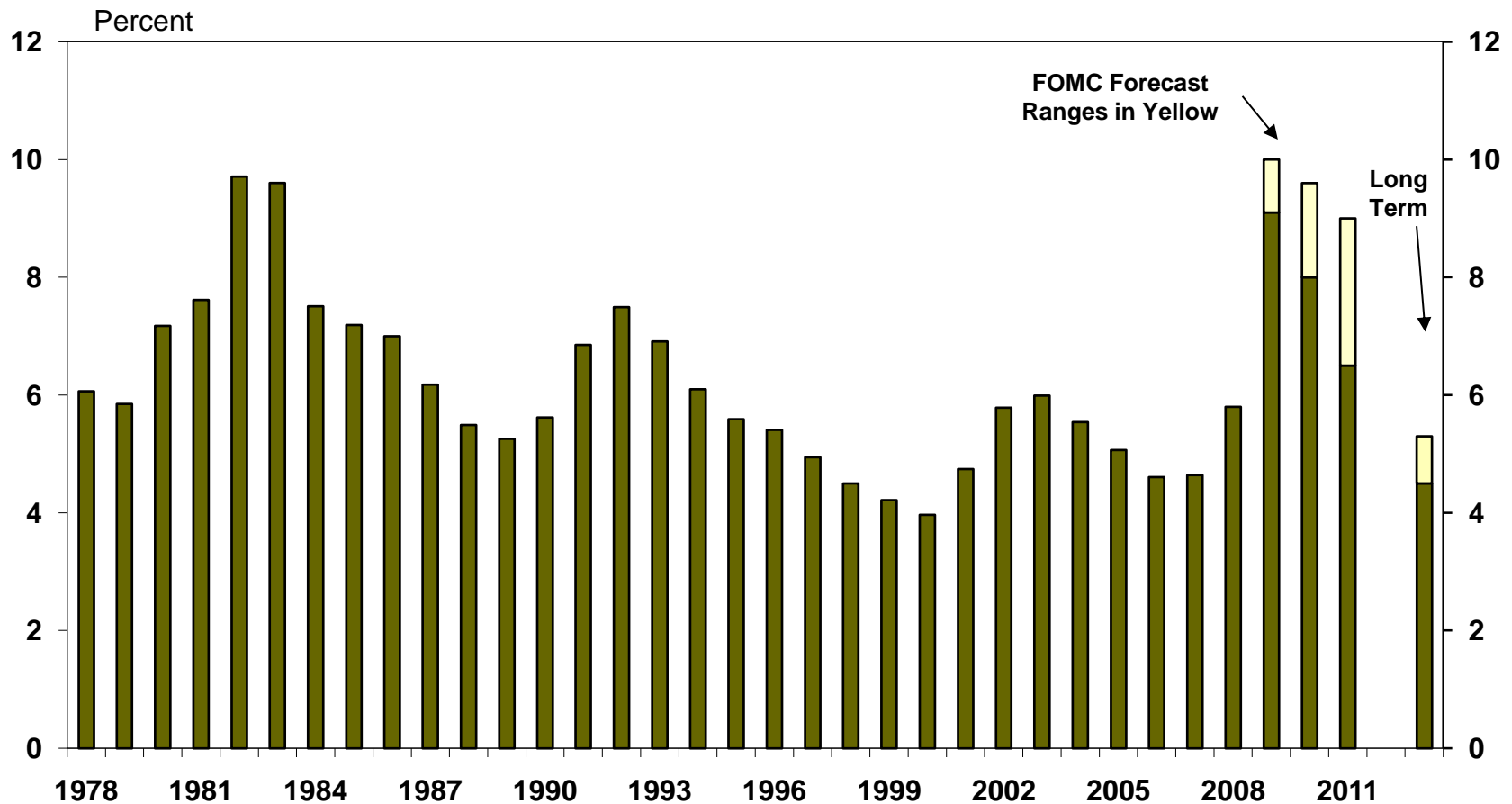
# Heading forward, policy makers generally expect a gradual recovery

## Gross Domestic Product



# But U.S. unemployment is expected to remain elevated for some time

**Unemployment Rate**  
Seasonally Adjusted



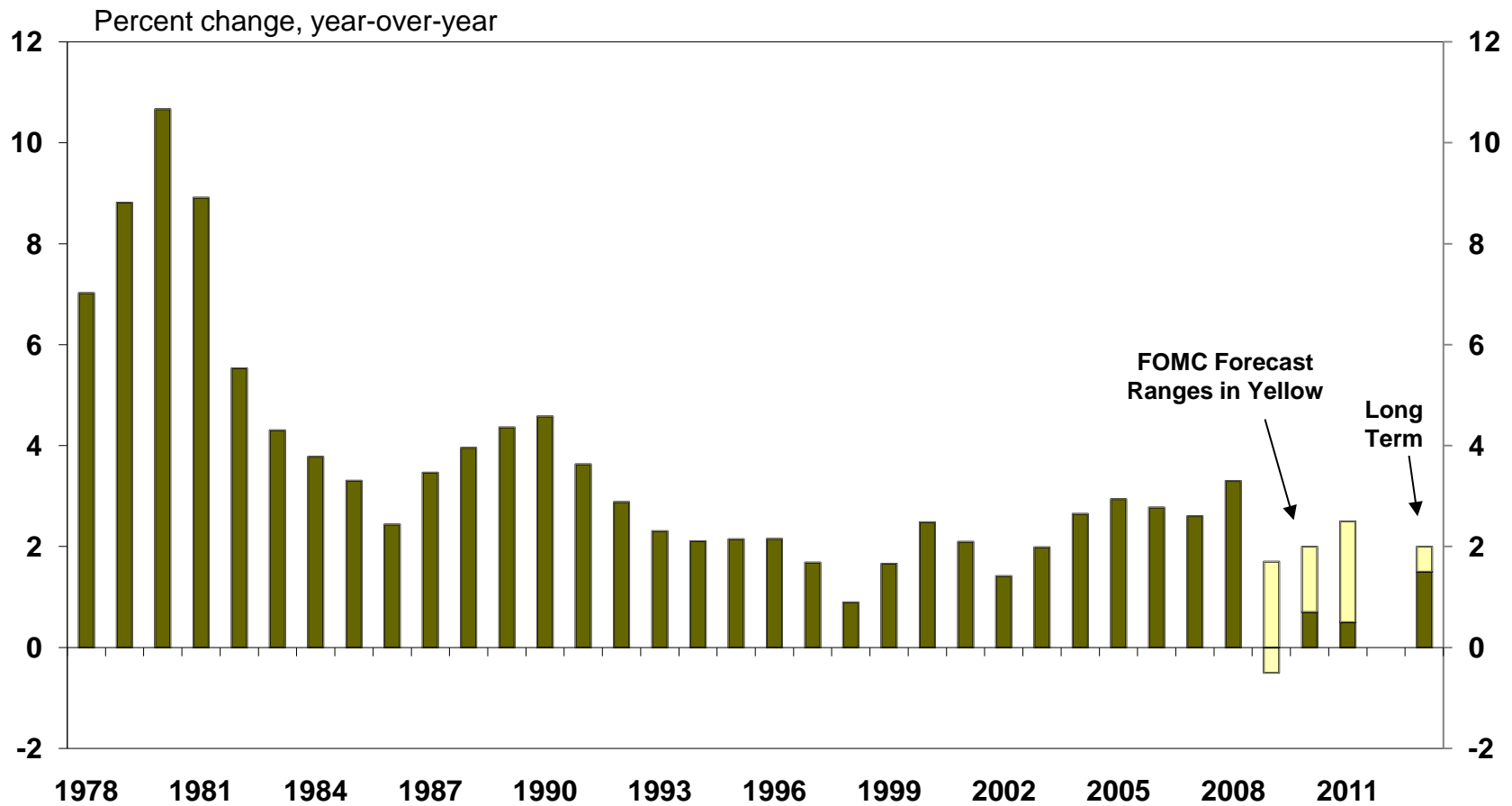
# A list of reasons why U.S. recovery speed could be modest

---

- ❑ Consumers are focused on repairing balance sheets and rebuilding wealth, not spending
- ❑ Foreclosures continue to weigh on housing
- ❑ Problems in commercial real estate and general caution could restrain business investment
- ❑ A weakened global economy could limit exports
- ❑ Some credit markets remain strained

# With modest growth, inflation is expected to remain fairly moderate in coming years

## PCE Inflation Index



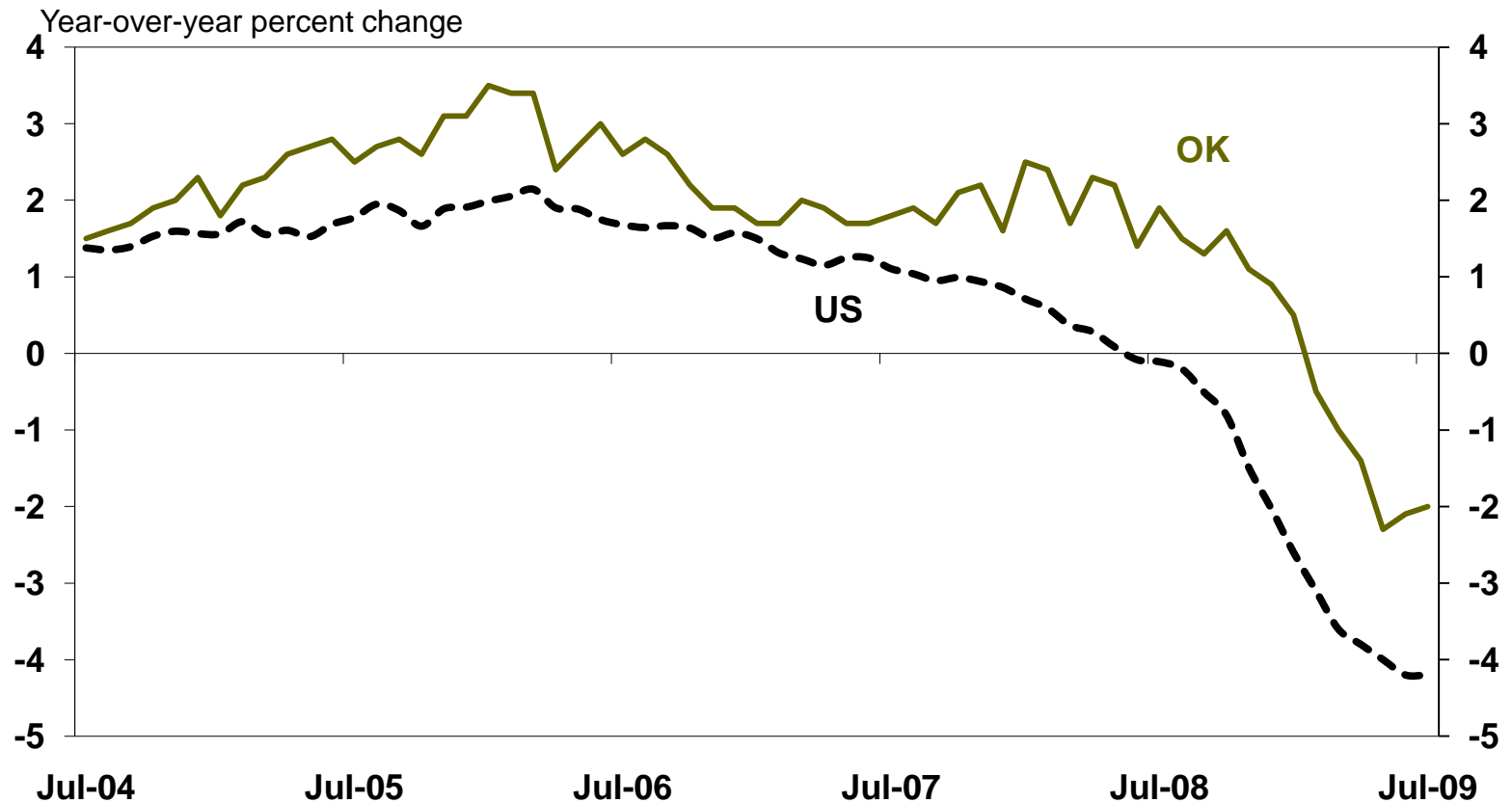
# The Oklahoma Economy

---

- As in the nation, the state's economy appears to have stabilized, and at a better level
- The state's performance in this recession is typical of most post-war recessions, so far
- However, several risks remain in the state, though they appear smaller than in the nation

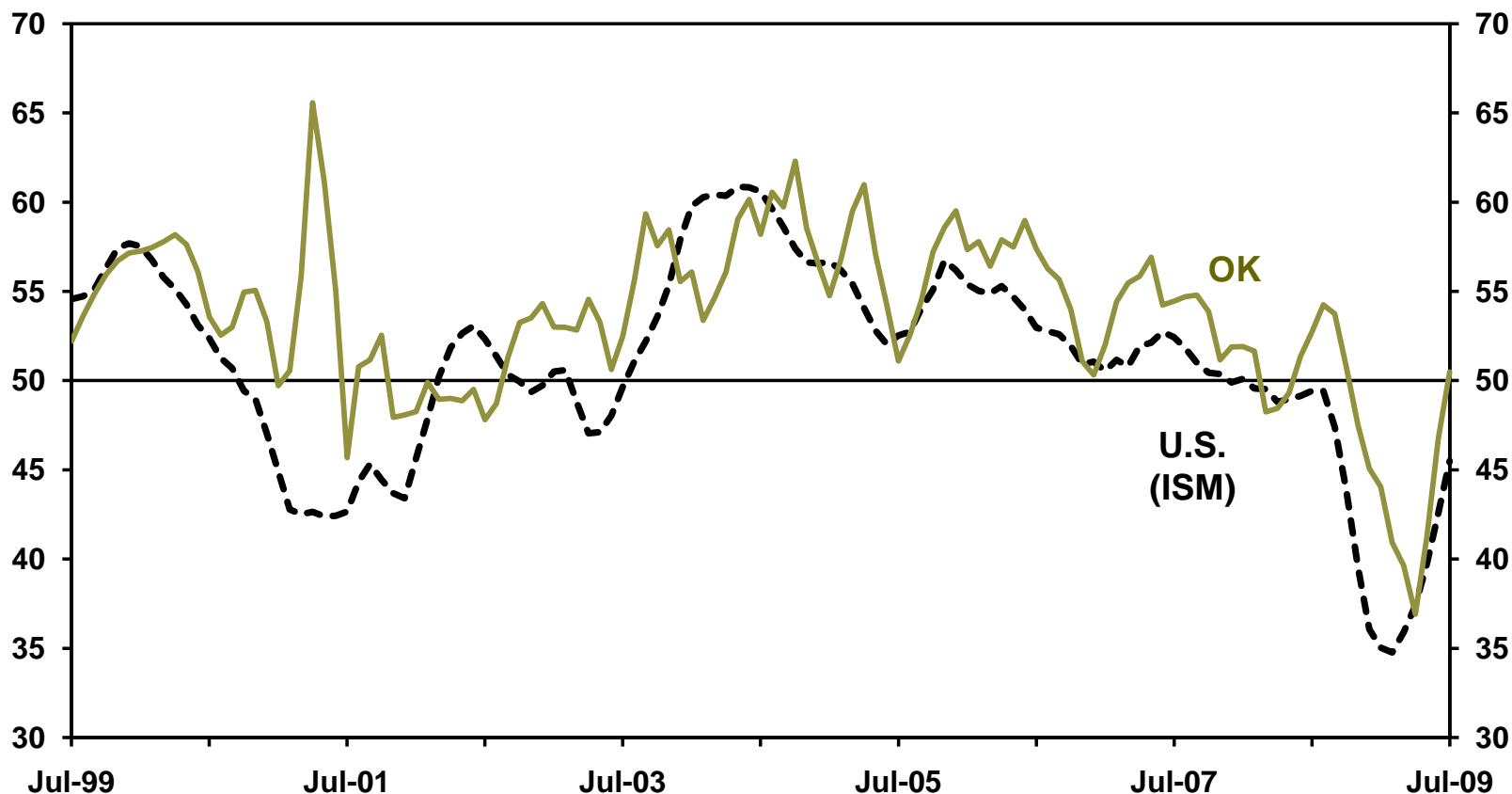
# Oklahoma entered this recession later, but is also showing signs of stabilization

## Nonfarm Payroll Employment Growth



# Manufacturing indexes for the state also show later entry but recent stabilization

**Manufacturing PMI Indexes**  
Seasonally adjusted, 3-month moving avg.



Note: OK index is computed on ISM basis (50 = zero change)

Source: ISM, FRBKC Manufacturing Survey

# Unemployment is still relatively low in Oklahoma and most nearby states

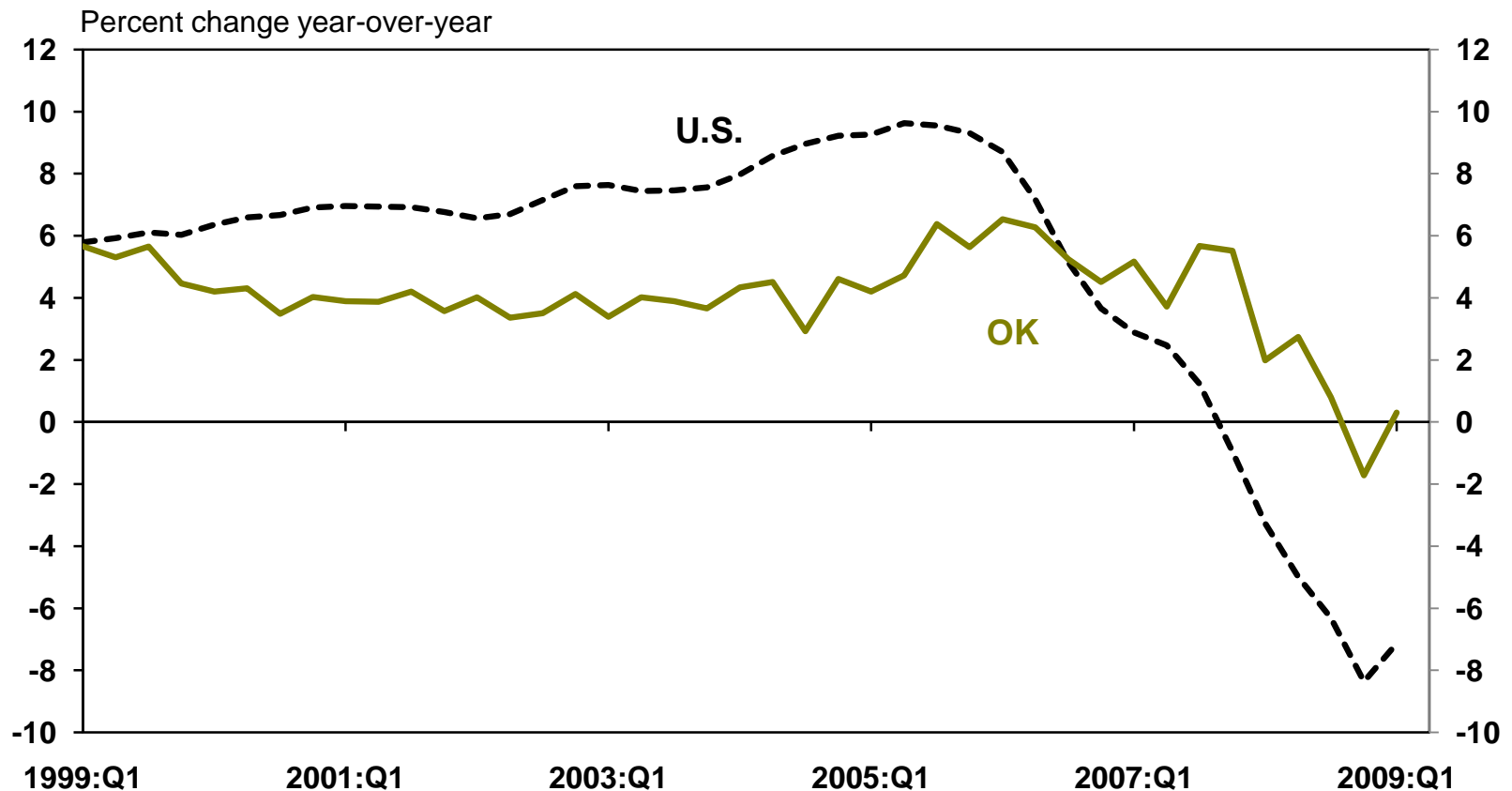
Unemployment Rate, July 2009





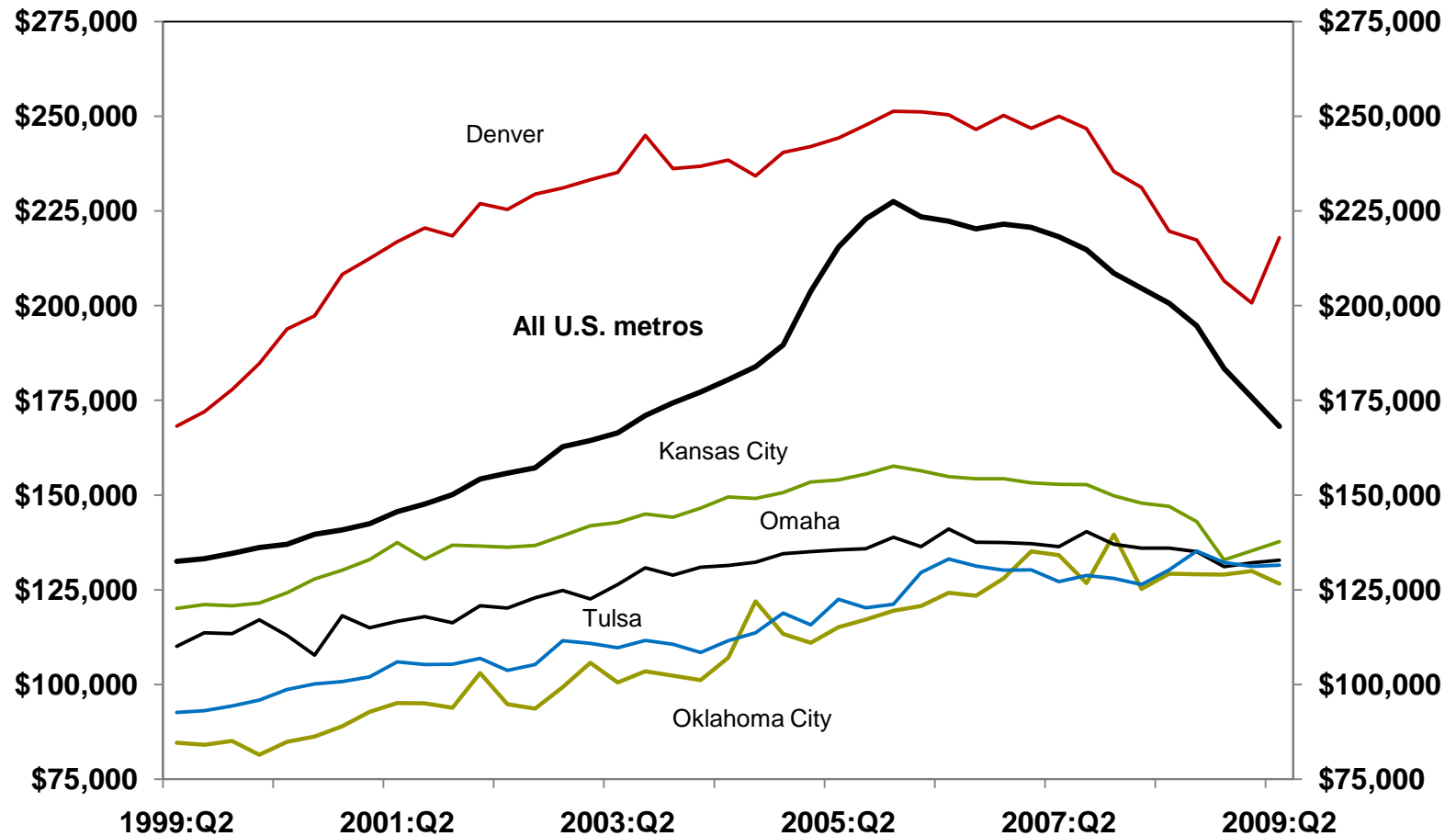
# Unlike the nation, Oklahoma home prices have also held up relatively well

Quality-Adjusted Home Price Growth  
Purchase-Only



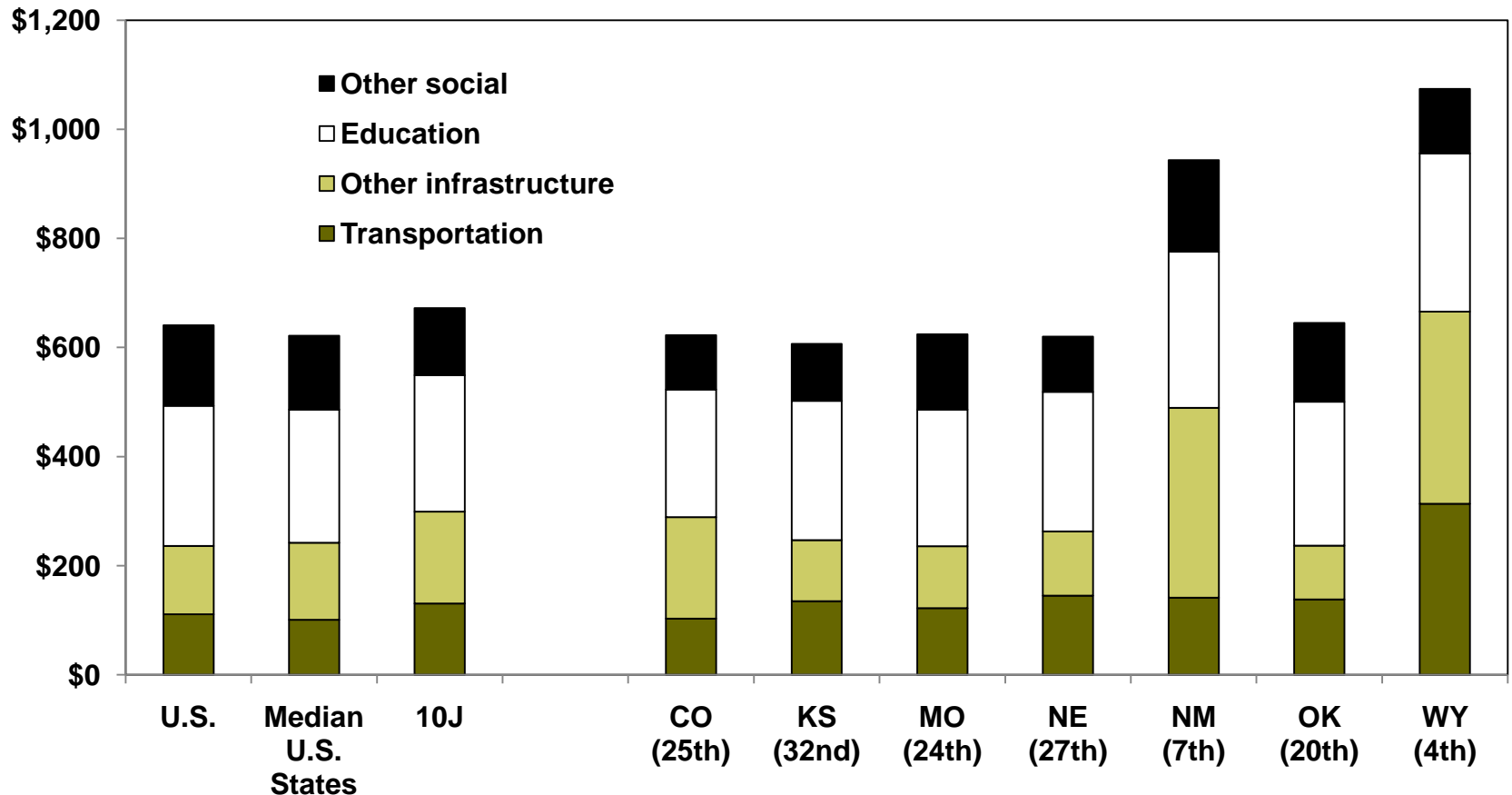
# Indeed, OKC and Tulsa home prices have caught up with some other regional cities

## Median Home Prices in U.S. and Five Largest Tenth District Cities



# And Oklahoma is receiving about as much fiscal stimulus as the nation

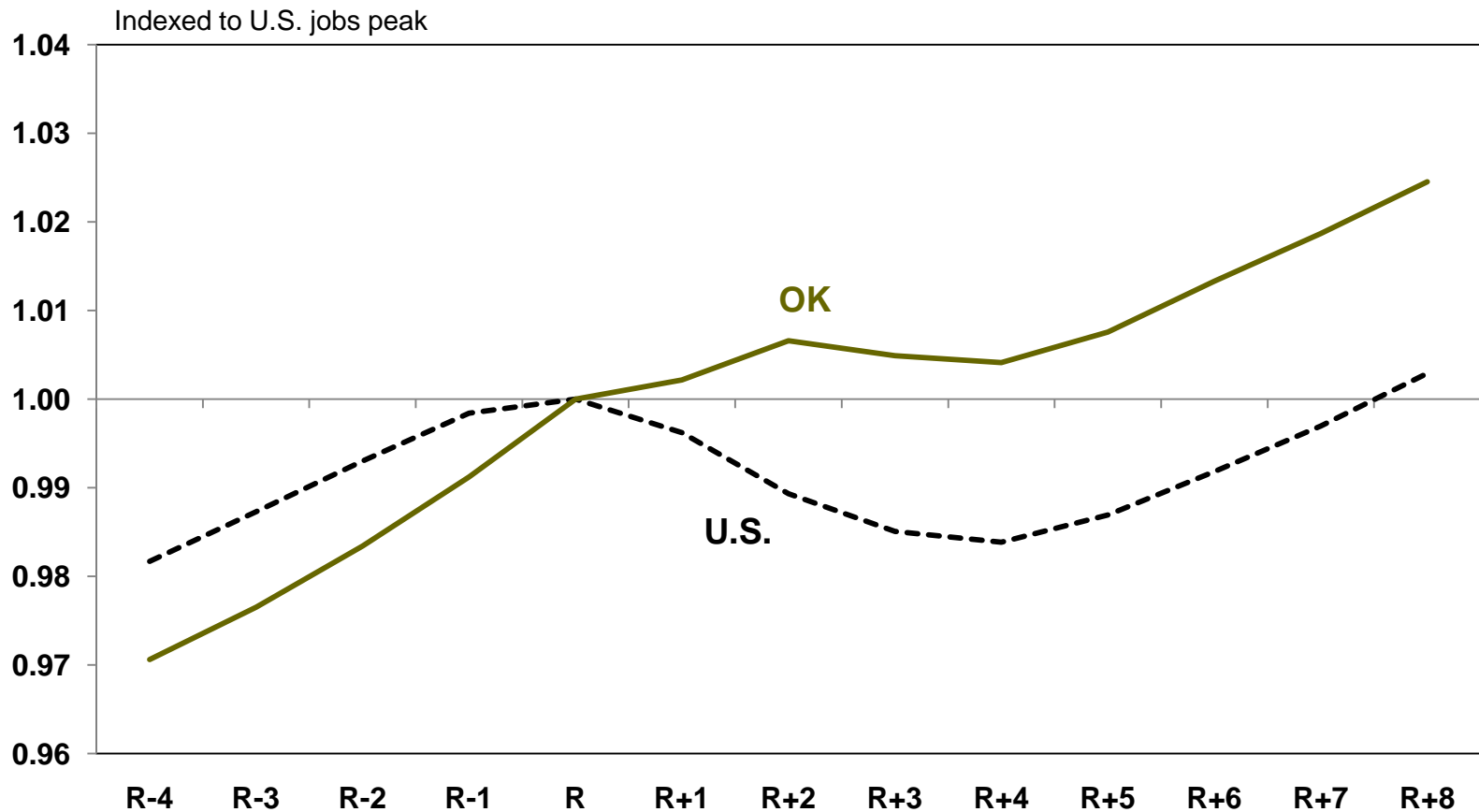
**Per Capita Stimulus Package Spending**  
U.S. and Tenth District



# Overall, Oklahoma's performance in this recession appears to be fairly typical

## Average Recession Path, 1956-2006

Employment level 4 quarters before and 8 quarters after U.S. jobs peak

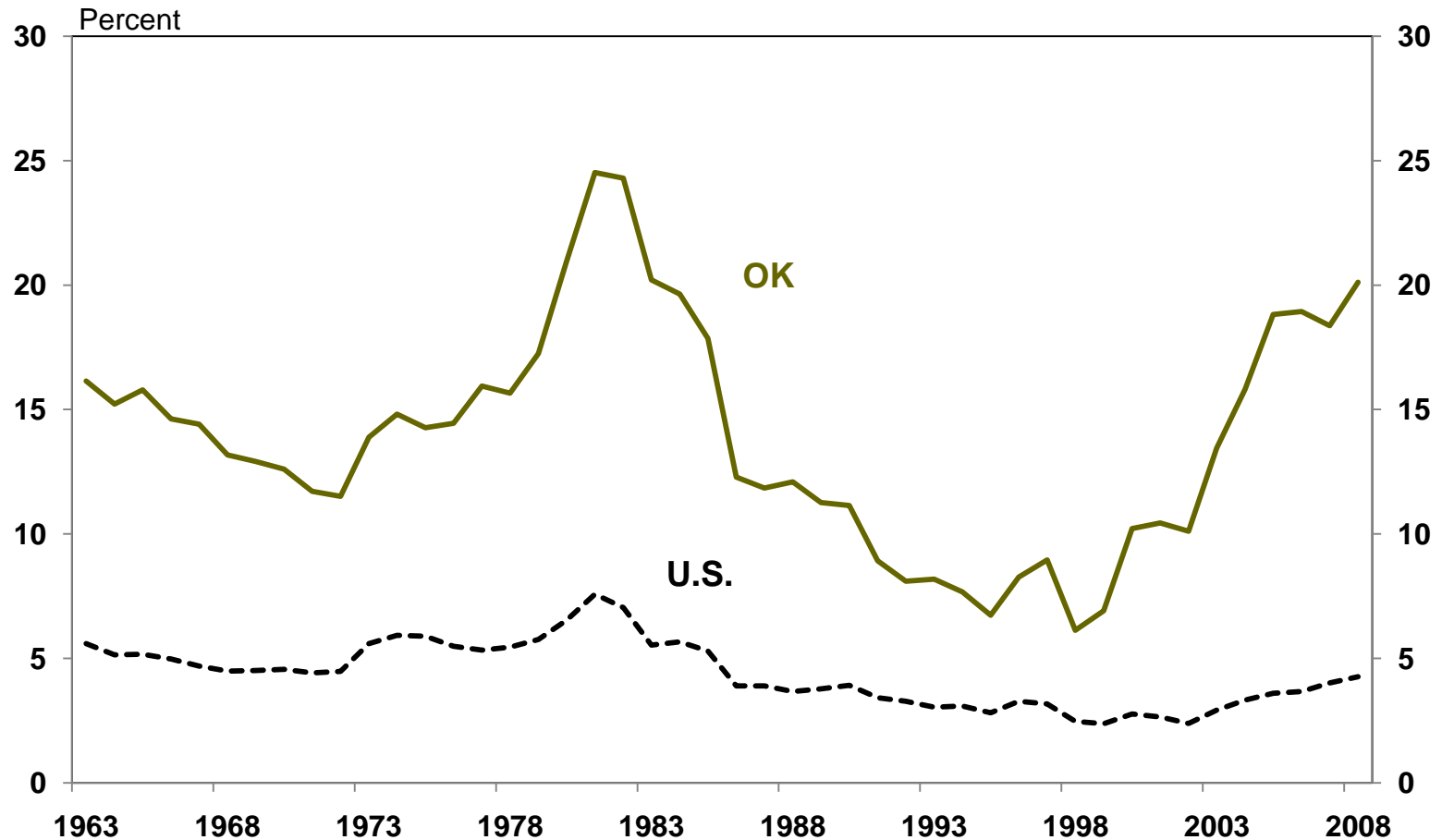


# With their shorter duration, Oklahoma's job losses in U.S. recessions are usually smaller

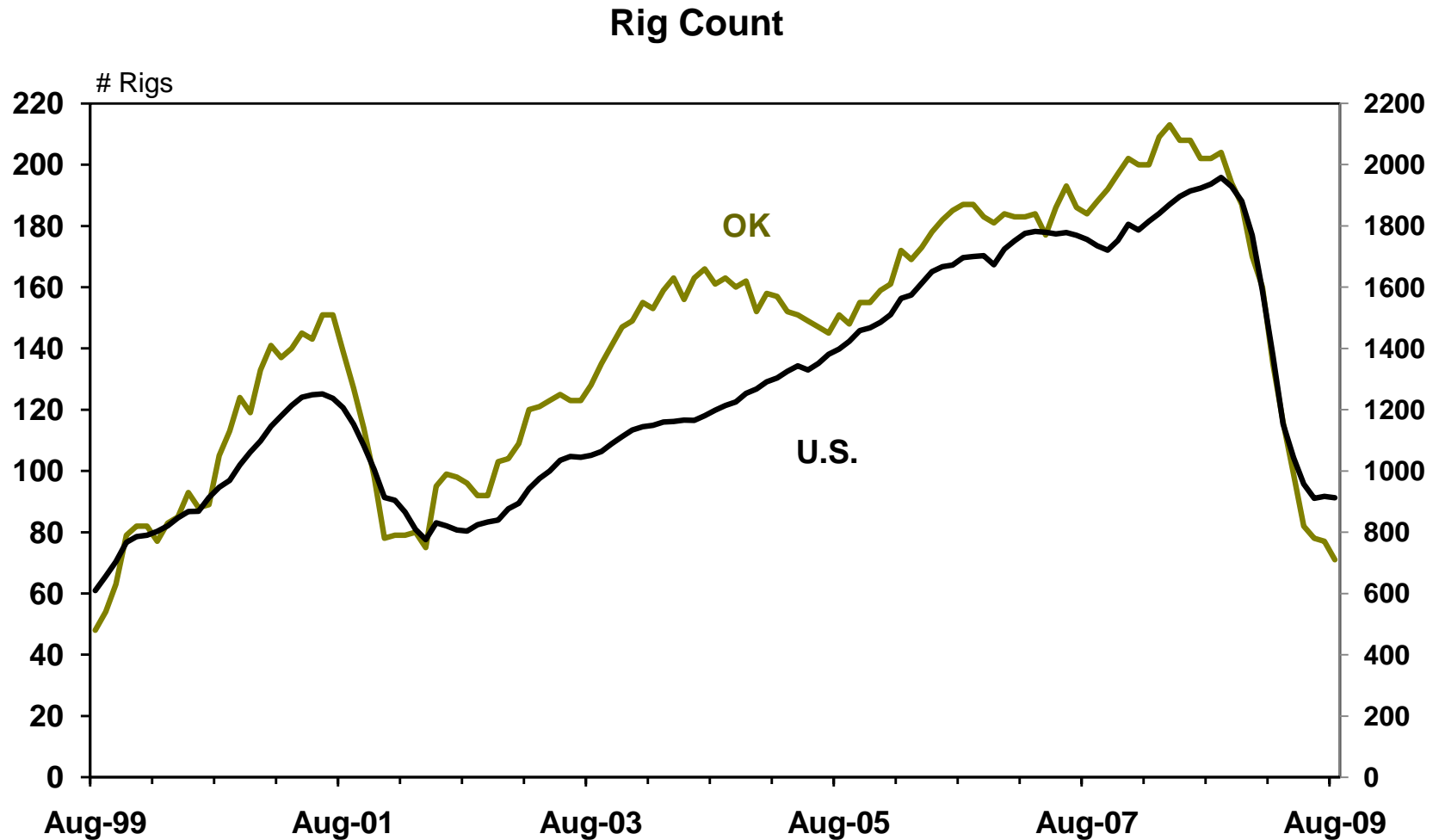


# But in the past five years, Oklahoma's economy has become much less diversified

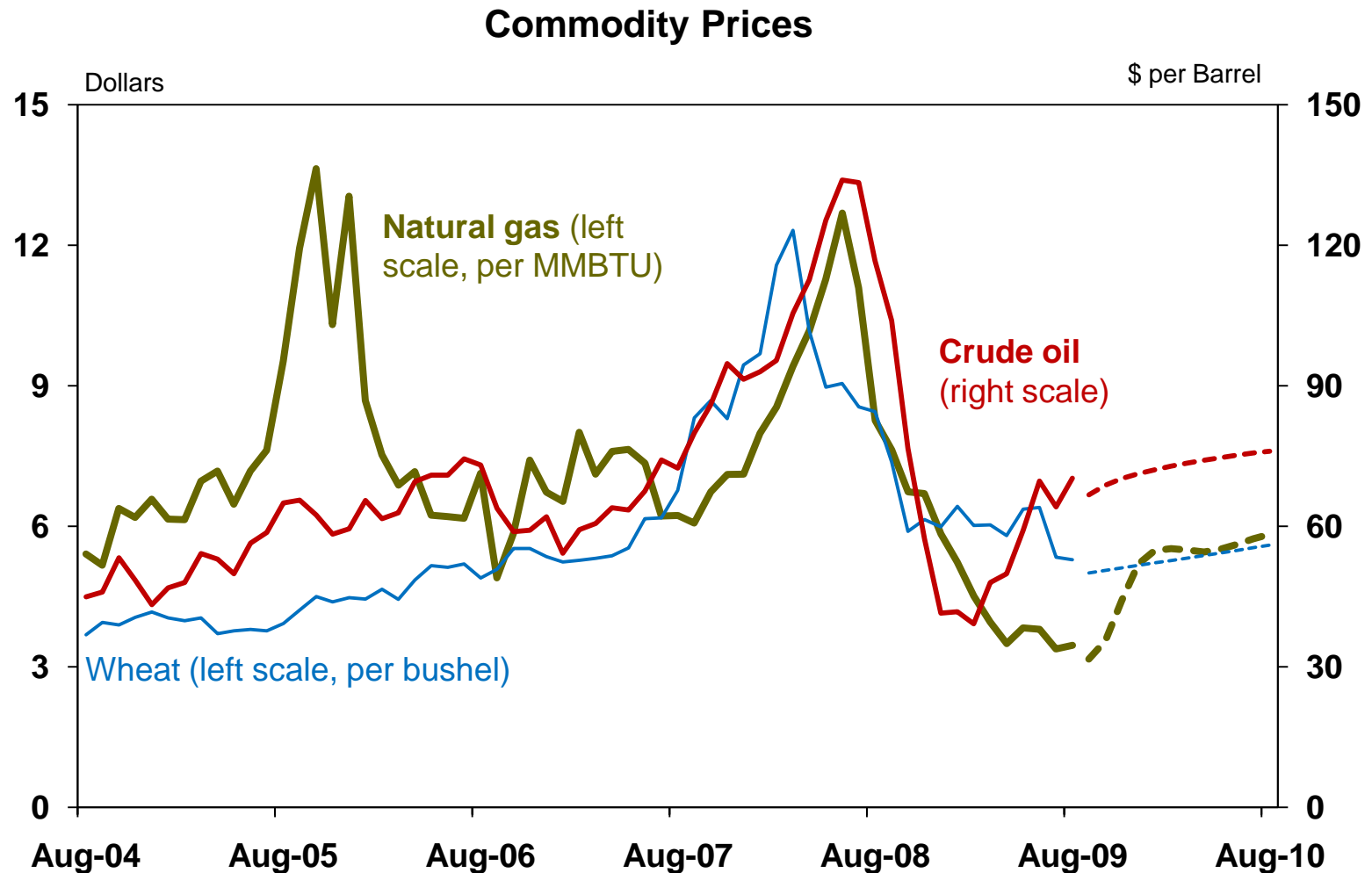
Energy and Agriculture's Share of GDP, 1963-2008



# The rig count has slowed its freefall but continues to edge down in the state



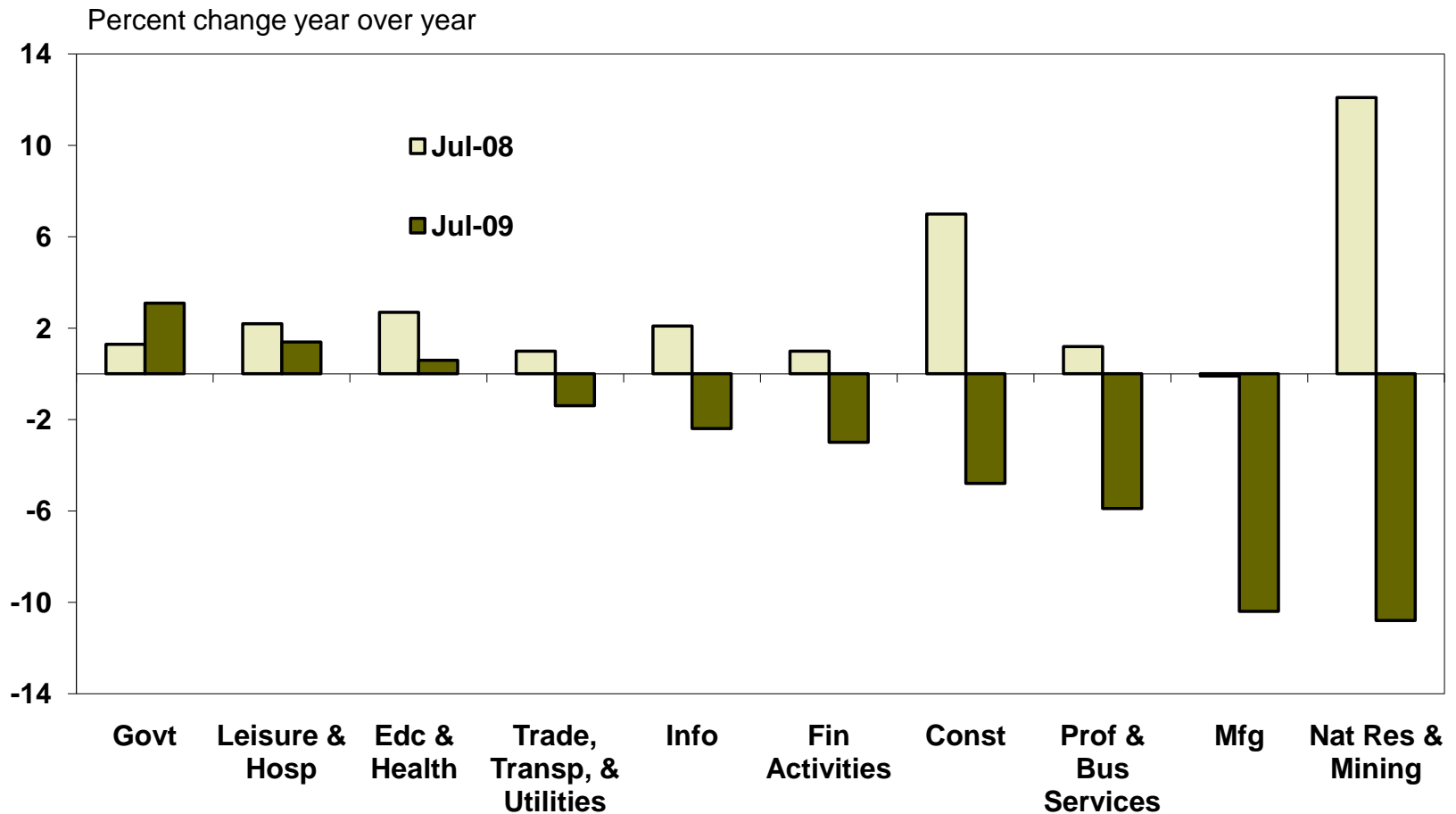
# After peaking last year, important commodity prices are now going in different directions



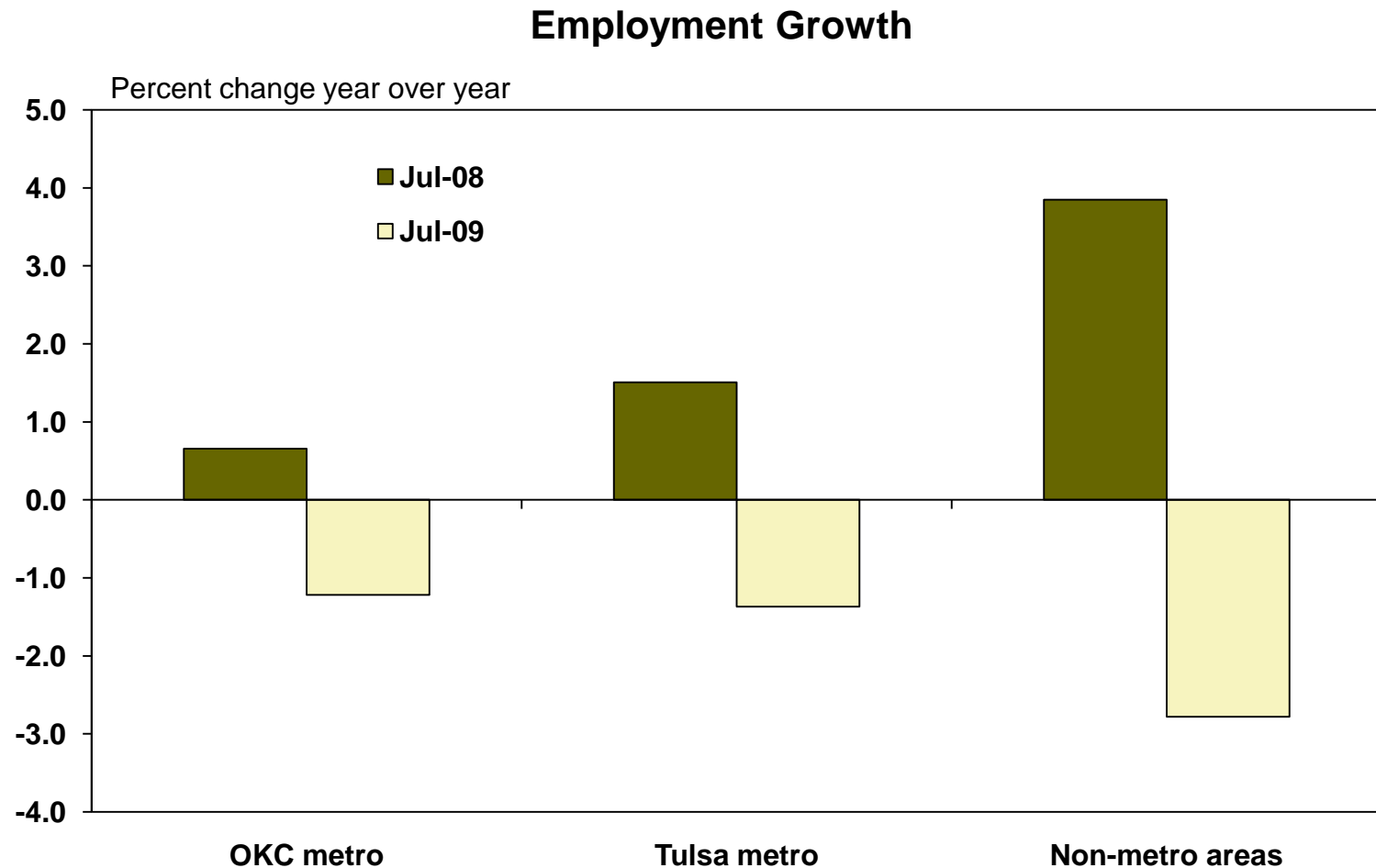


# Jobs are still down markedly from a year ago in several of the state's industries

## Oklahoma Employment Growth by Industry



# And the decline in jobs has been especially sharp in non-metro areas of the state



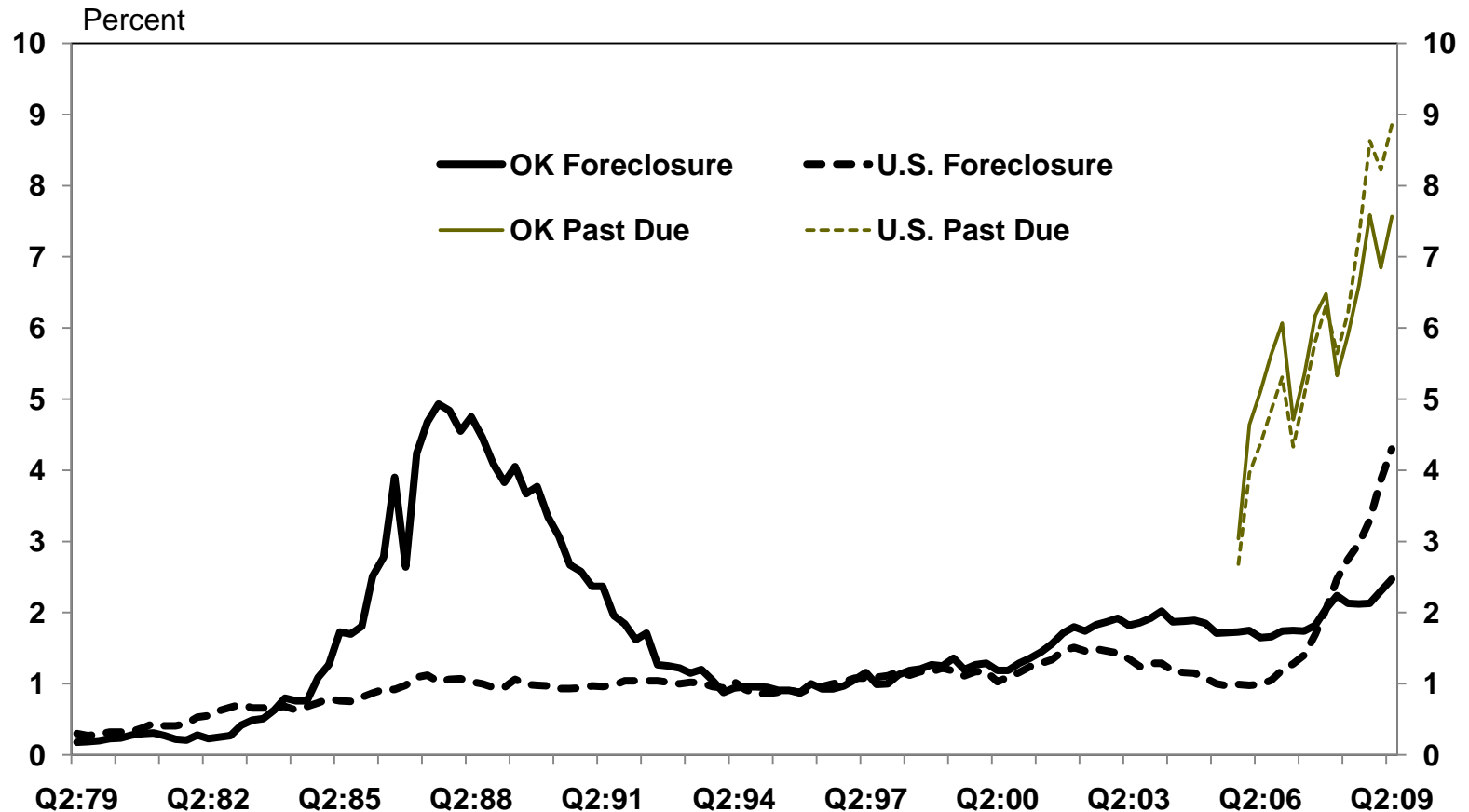
# Foreclosures remain relatively low away from the western sunbelt, Florida, and Great Lakes

Foreclosure Rates, 2009 Q2



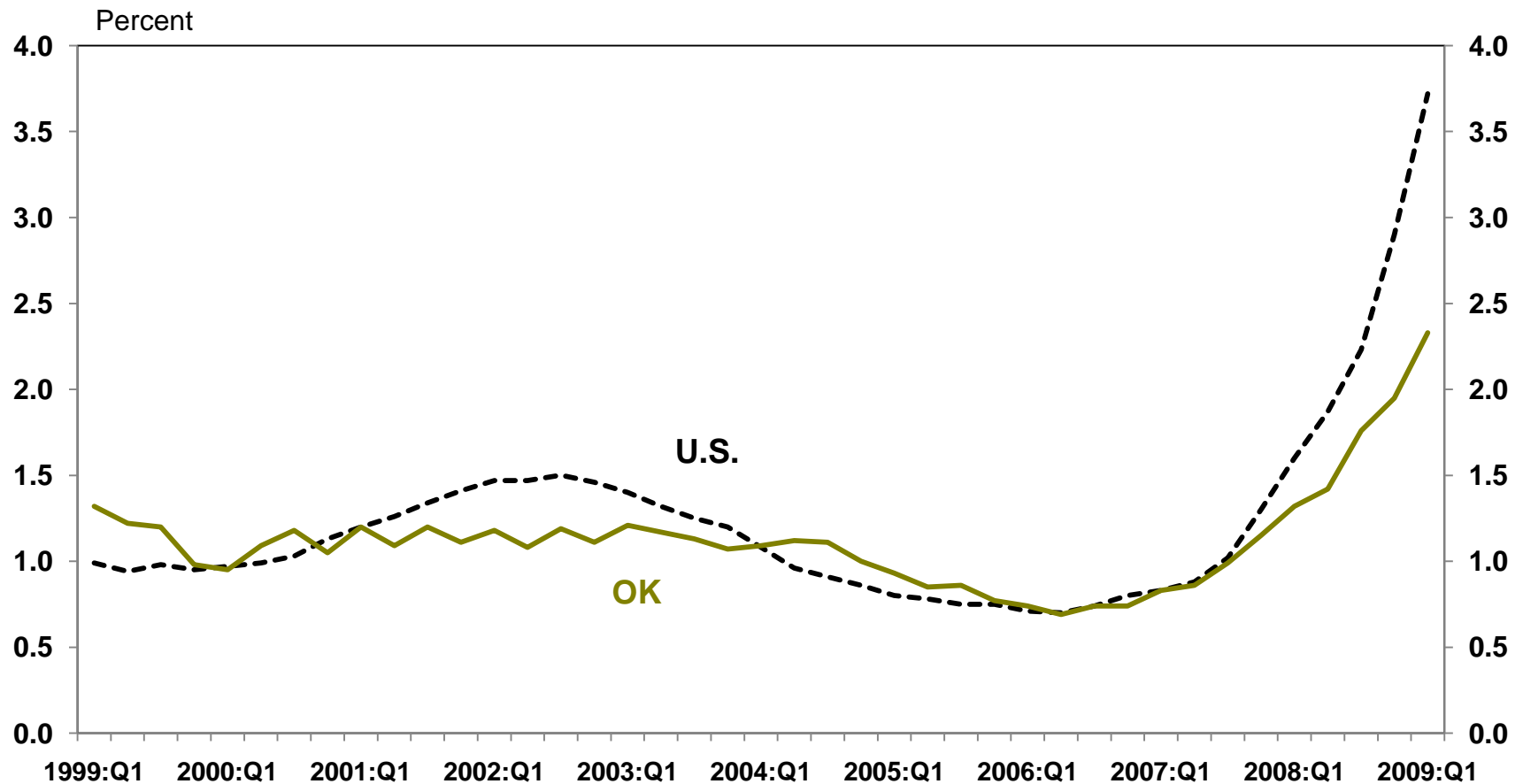
# But while our mortgage problems are smaller than the nation's, they are increasing

**Foreclosure and Past Due Mortgage Rates**  
U.S. vs. Oklahoma



# Overall past due loans are also rising at Oklahoma banks, but less than in the nation

**Noncurrent Loans as a Share of Total Loans**  
Commercial Banks



# Summary

---

- The U.S. economy appears to have stabilized, but recovery is expected to be modest
- Oklahoma, after entering the recession much later, also appears to have stabilized
- Still, a number of risks to growth remain in the state, including especially energy prices