

# Recession and Recovery in Oklahoma: Lessons from History

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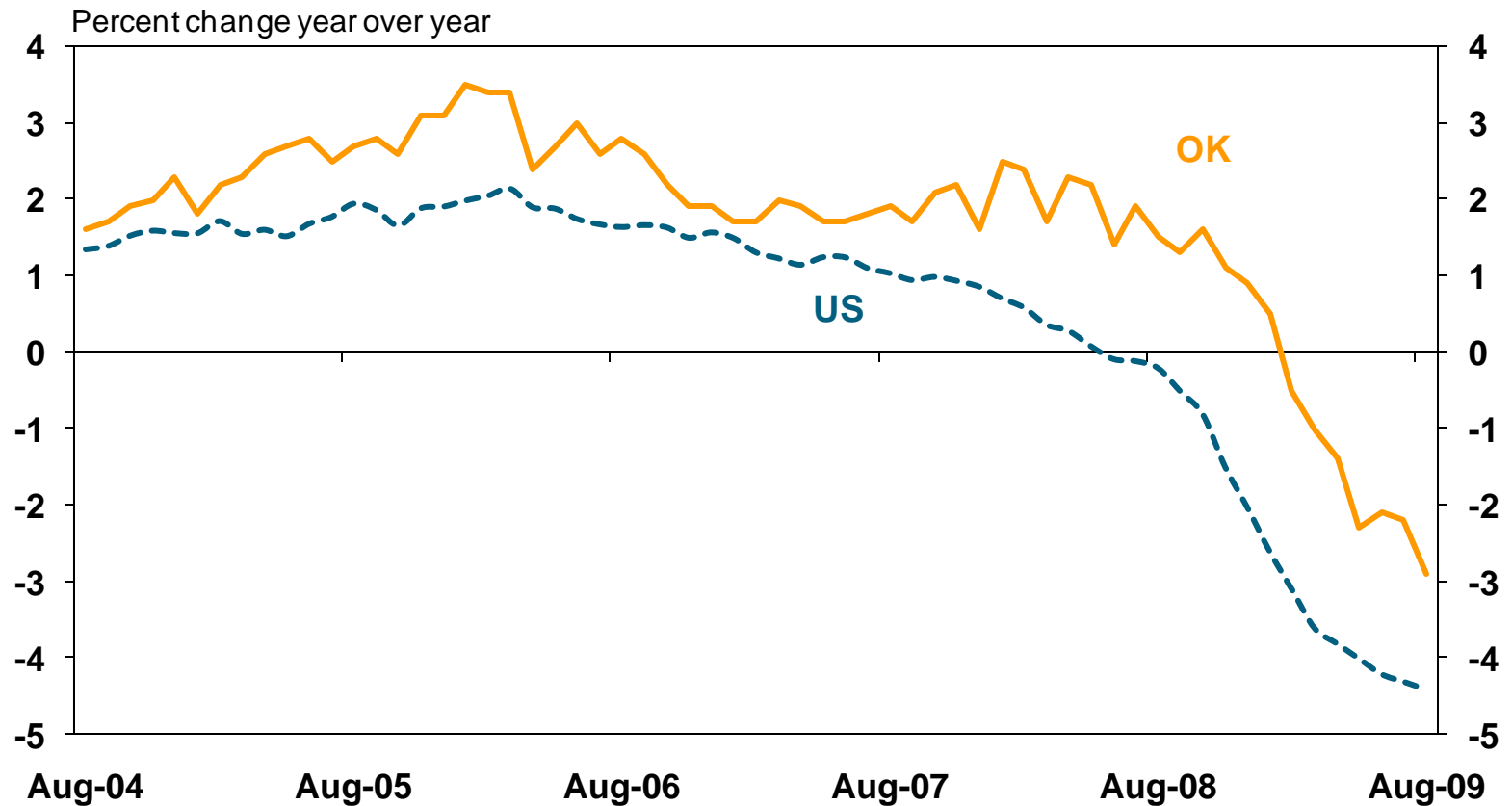
# The Oklahoma Economy through Summer 2009

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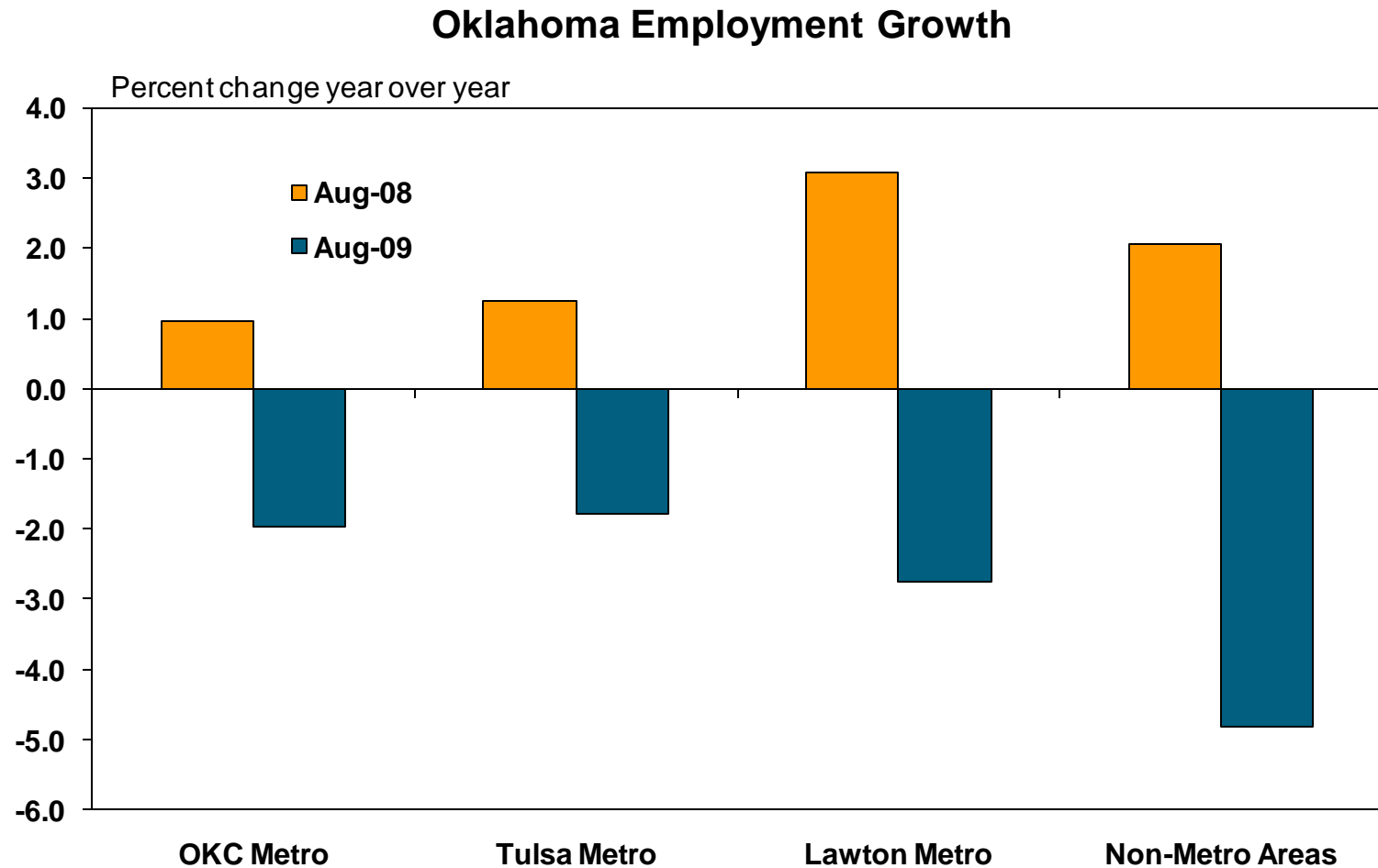
- Oklahoma entered this recession late, but quickly joined the party over the past year
- As in the nation, the state's economy showed some signs of stabilization this summer
- Conditions remain at a better level than in the nation, but energy activity has not stabilized

# Oklahoma entered this recession late, but has shed jobs rapidly in 2009

## Nonfarm Payroll Employment Growth

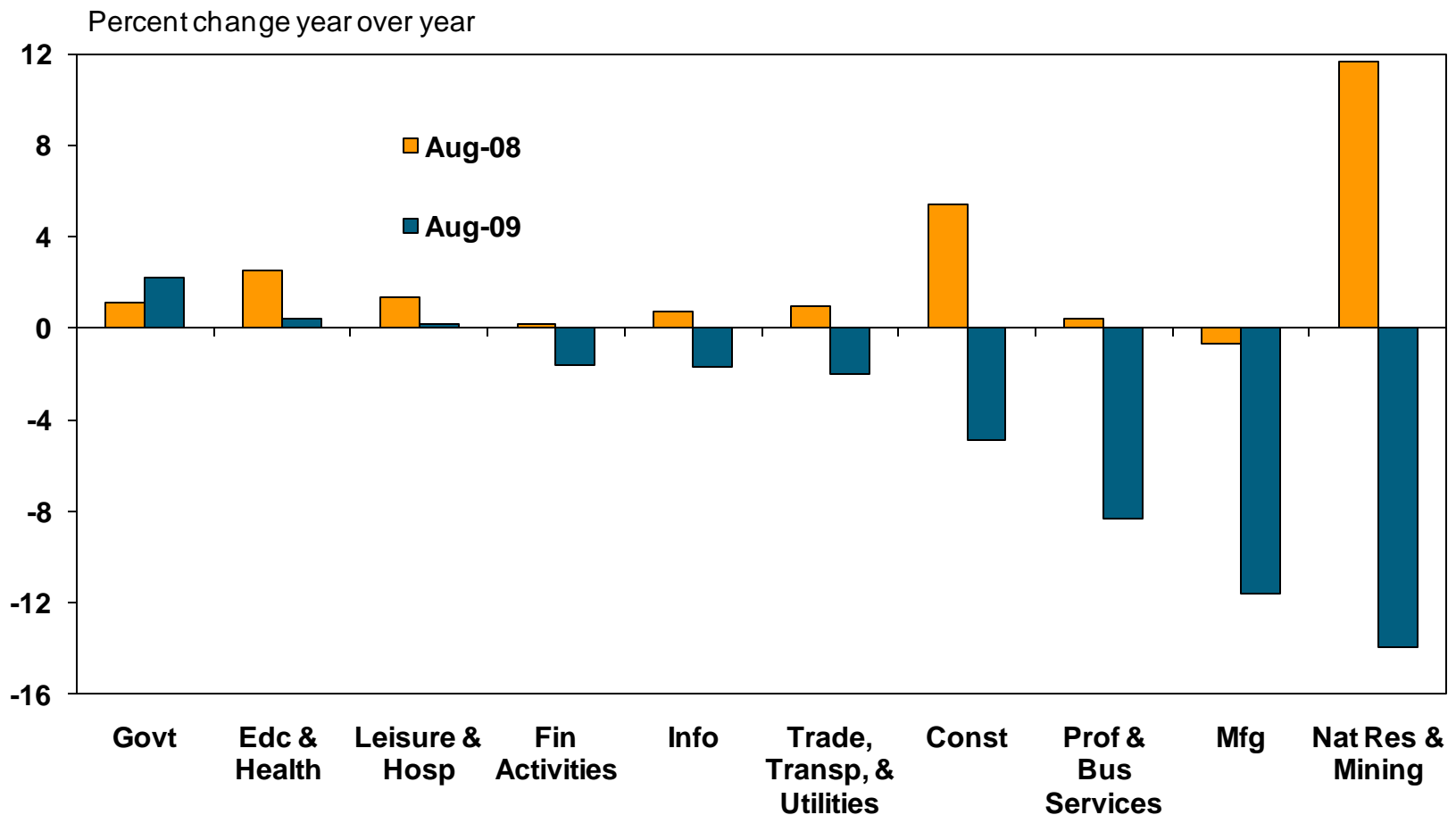


# The decline in jobs has been especially sharp in non-metro areas of the state



# The biggest job losses have been in energy, manufacturing, and related services

## Oklahoma Employment Growth by Industry



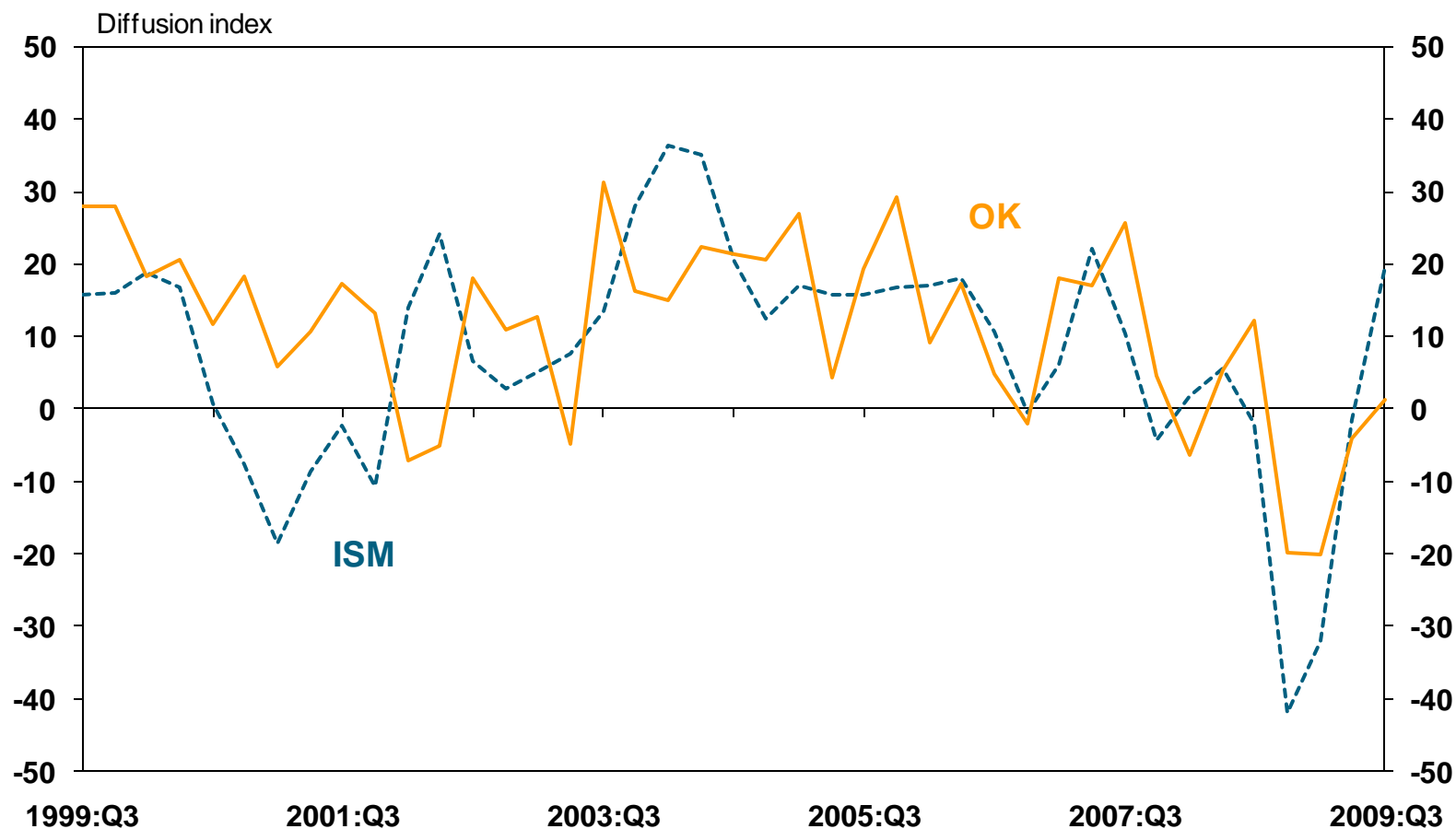
# Still, unemployment remains relatively low in Oklahoma and most nearby states

Unemployment Rate, August 2009



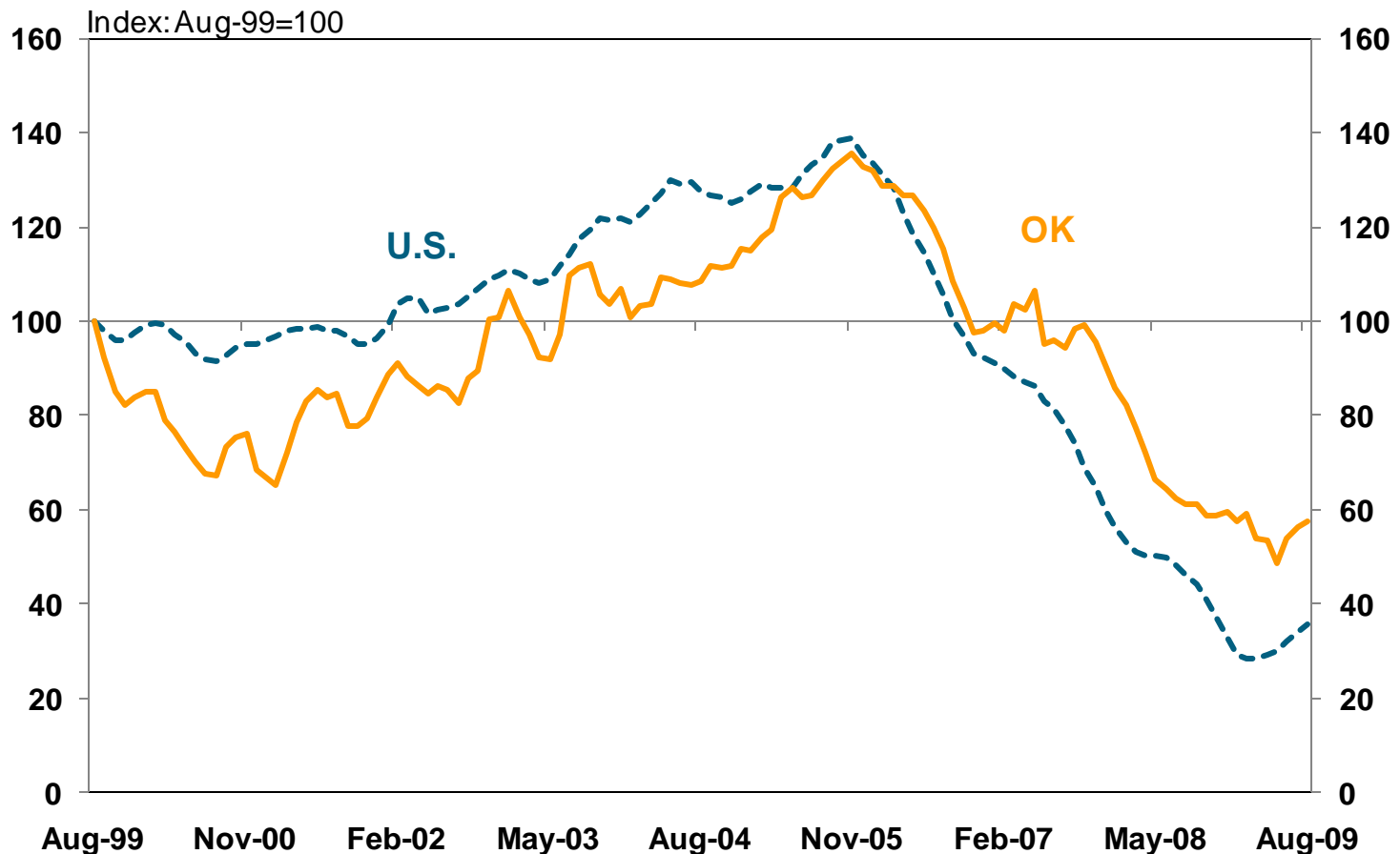
# As in the nation, manufacturing indexes for the state stabilized in Q3 2009

**Manufacturing Production Indexes**  
Seasonally adjusted



# State housing activity also appears to have stabilized following a long decline

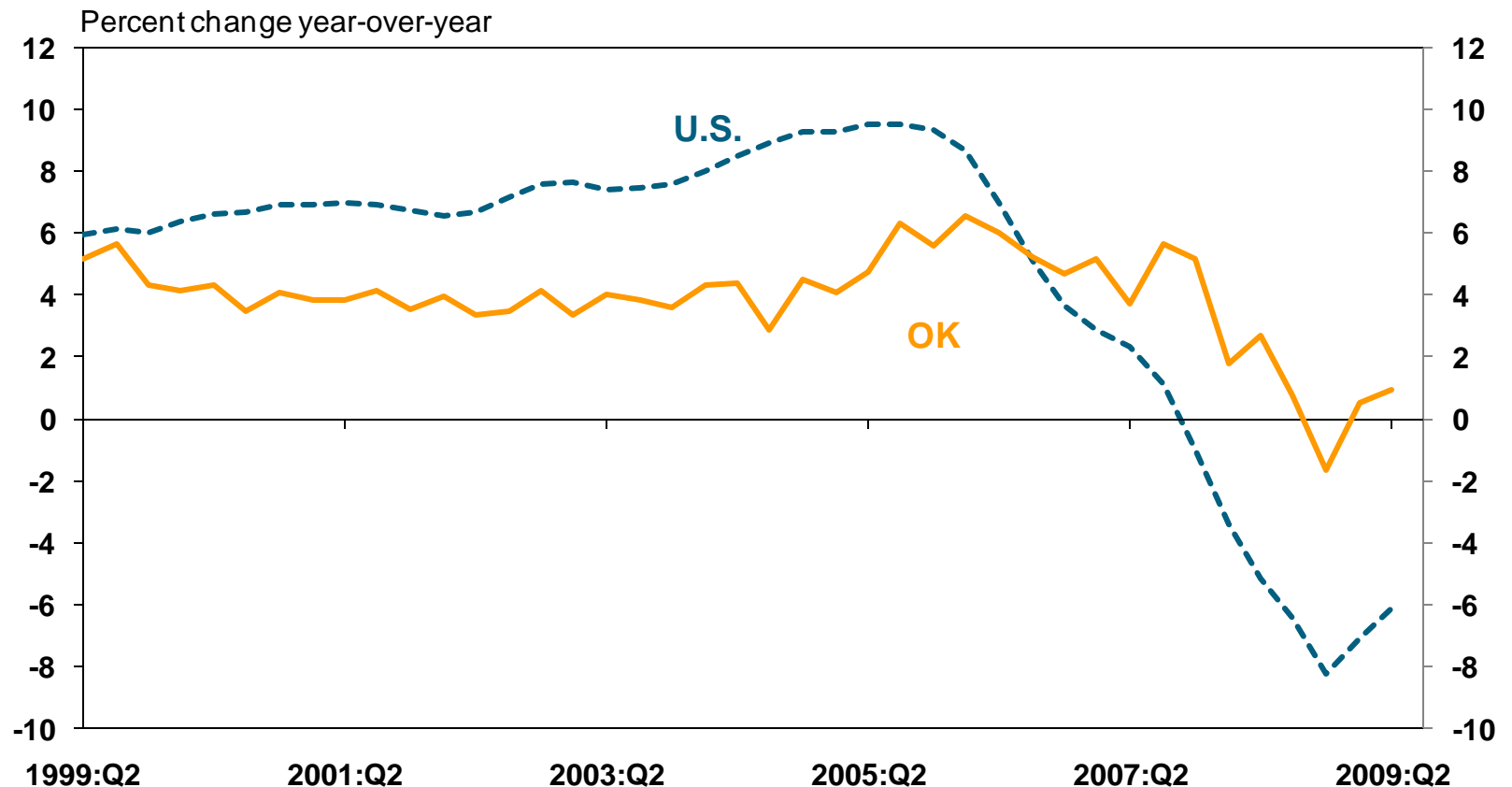
**Single-Family Housing Permits**  
Seasonally adjusted, 3-month moving avg.





# Unlike the nation, Oklahoma home prices have held up relatively well in recent years

Quality-Adjusted Home Price Growth  
Purchase-Only

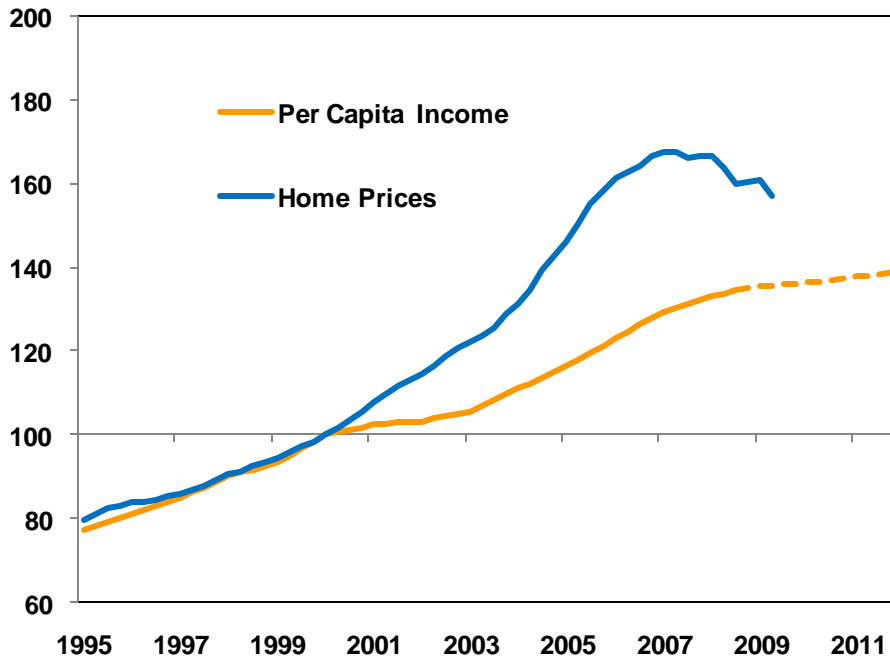


# And home prices here appear to be better in line with fundamentals

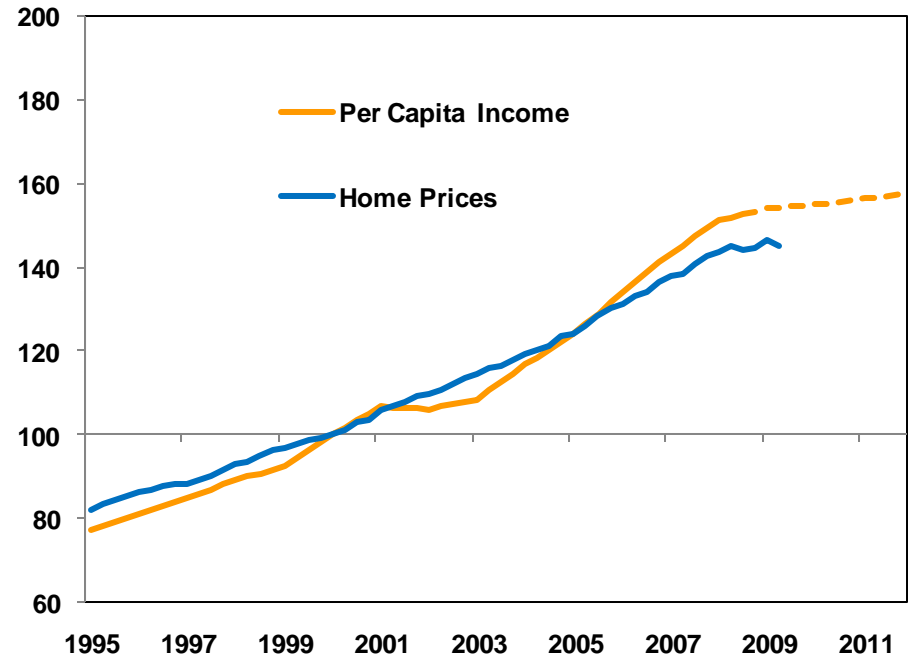
## Home Prices and Per Capita Income Levels\*

Index: 2000=100

U.S.



Oklahoma



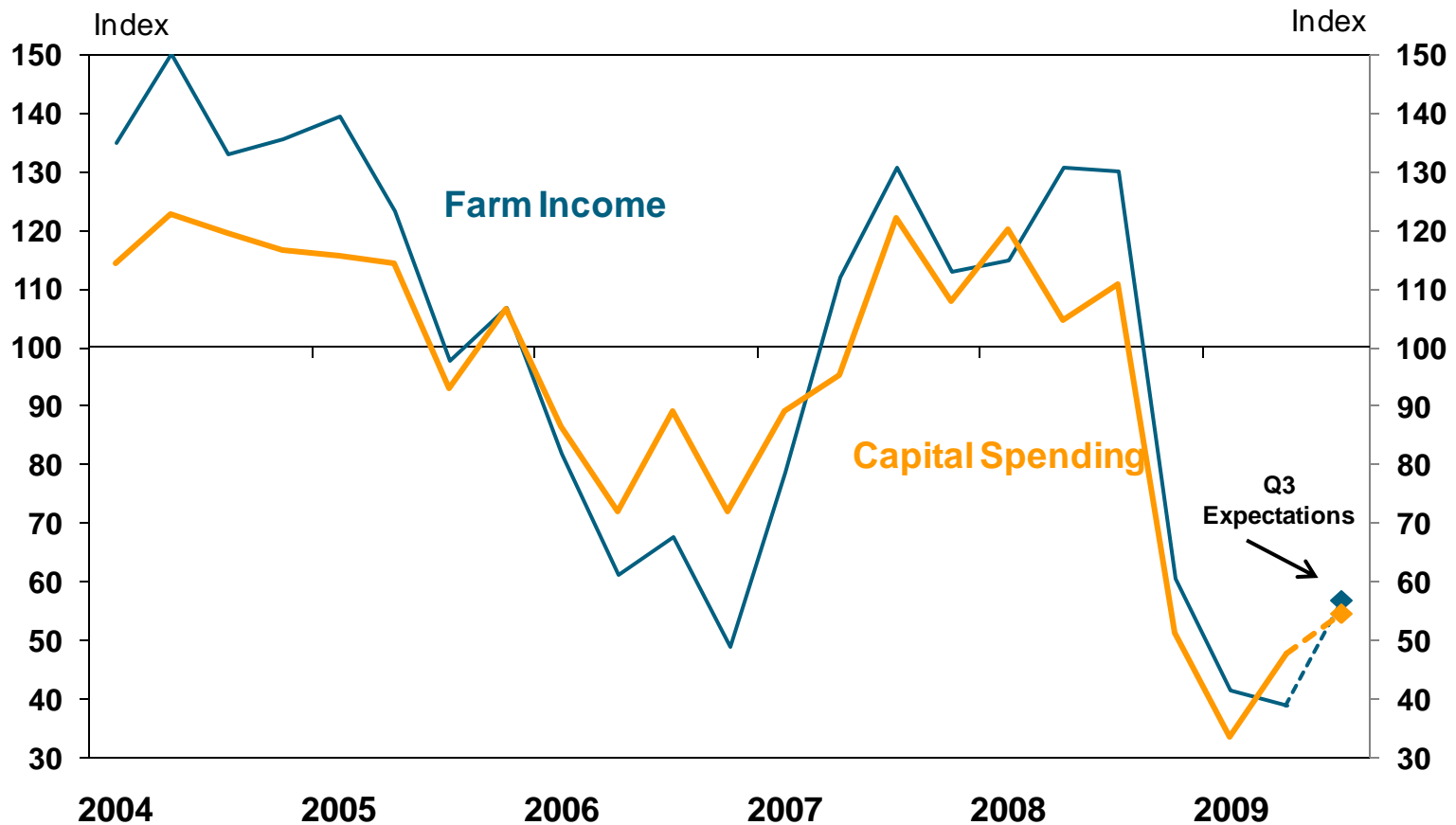
\*Home price indexes are quarterly, seasonally adjusted. Per capita income indexes are annual, and actual through 2008. For 2009-11, Macroeconomic Advisers' forecast for U.S. per capita income growth is used as an estimate.

Source: FHFA, BEA



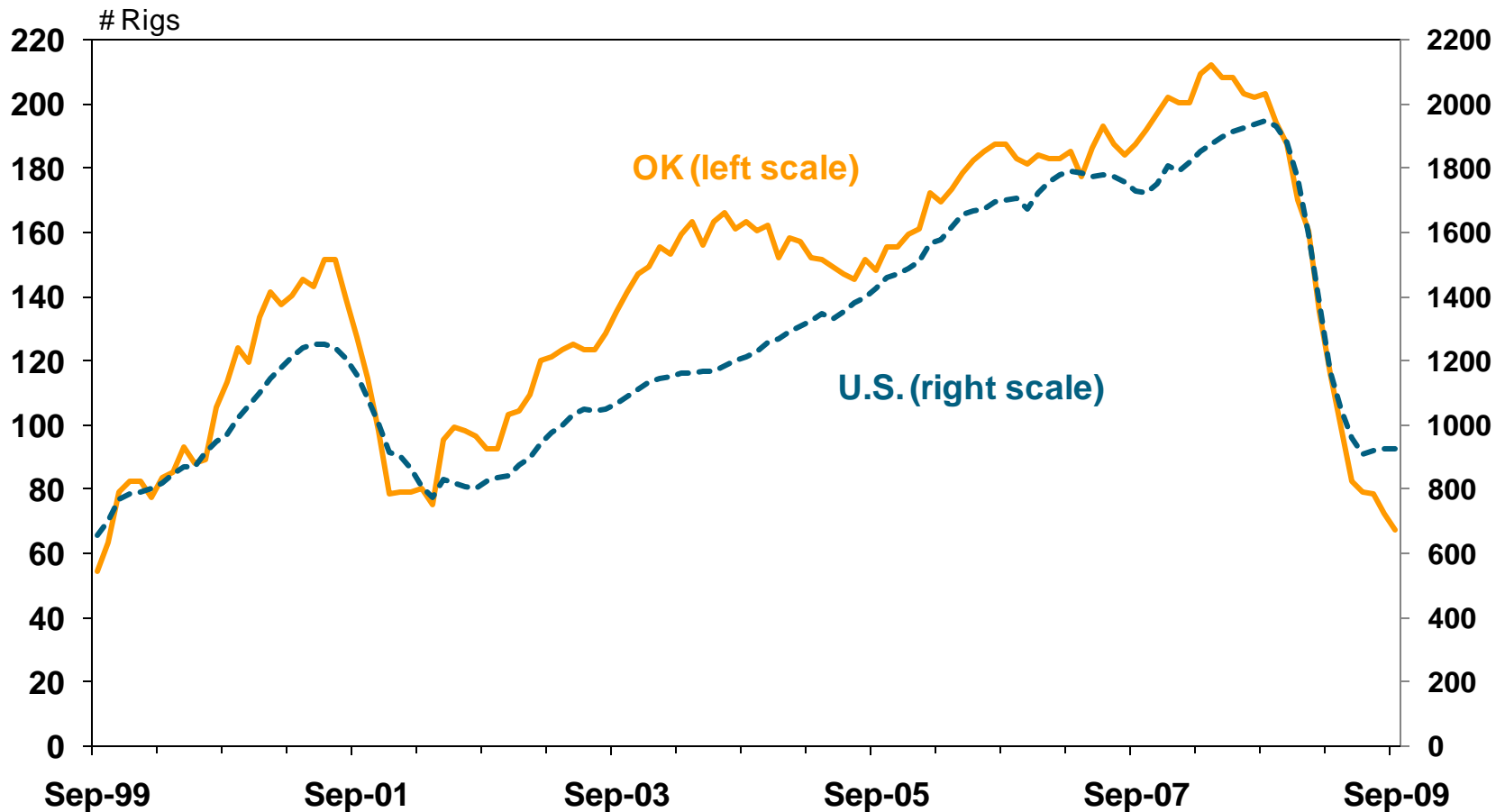
# Agricultural conditions in the state remain rather weak, but the bottom may be past

## Oklahoma Agricultural Conditions



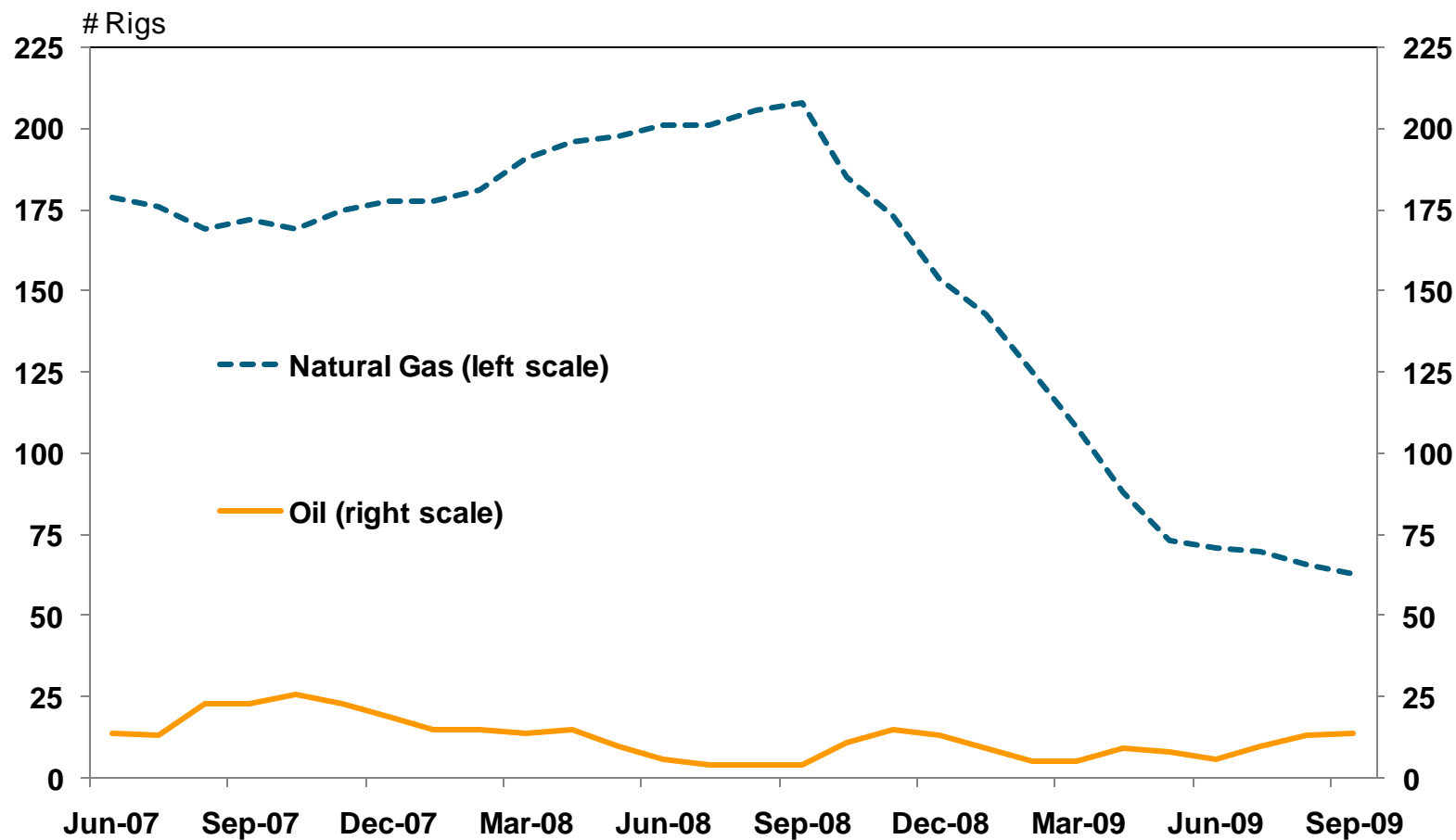
# But while energy activity has slowed its free fall, it continues to edge down in the state

## Rig Count



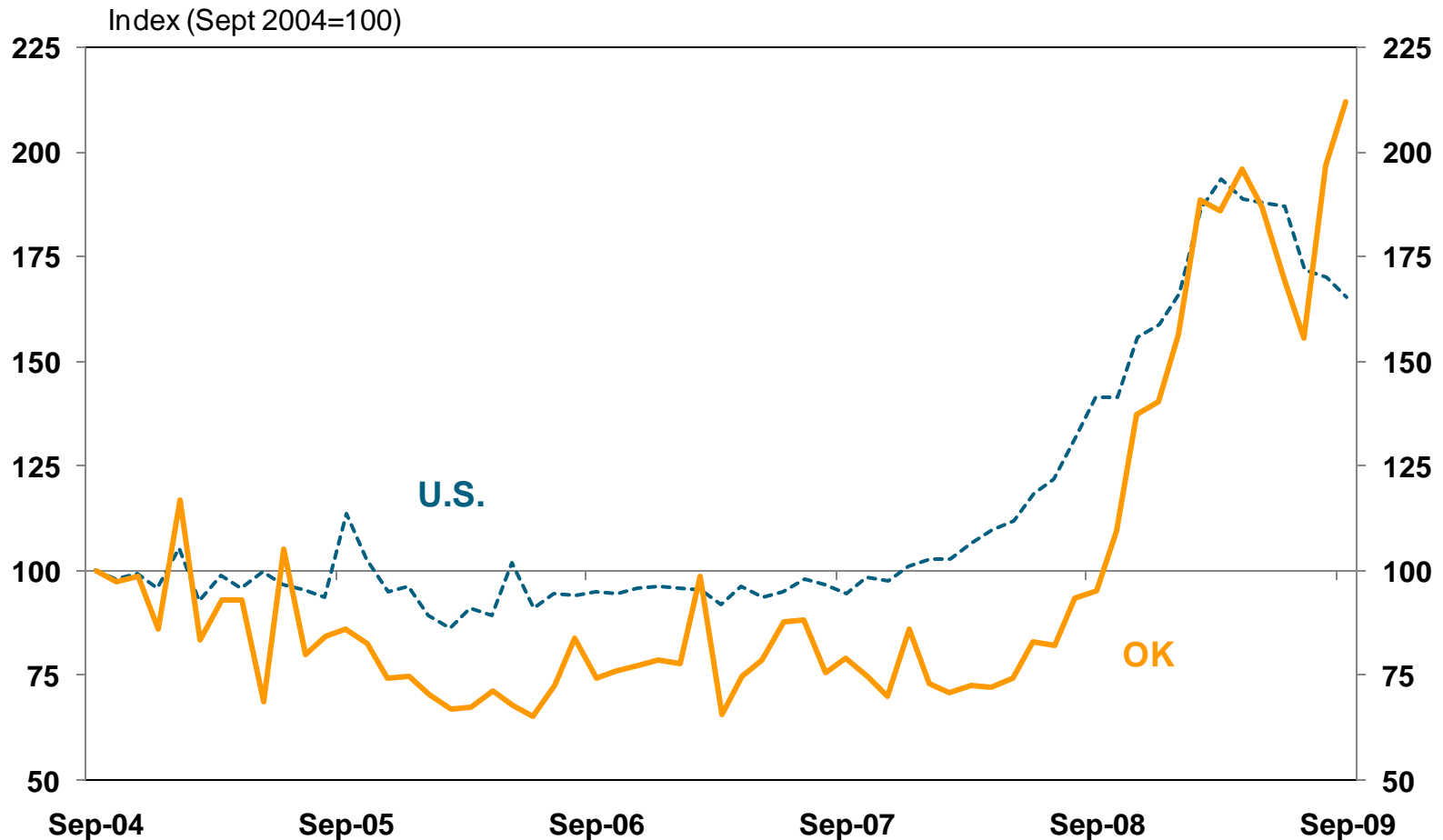
# Oil drilling has edged up recently, but the more sizable natural gas sector is still easing

## Oklahoma Rig Count by Type



# With energy activity still at low levels, new jobless claims are rising again in Oklahoma

## Initial Claims for Unemployment Insurance



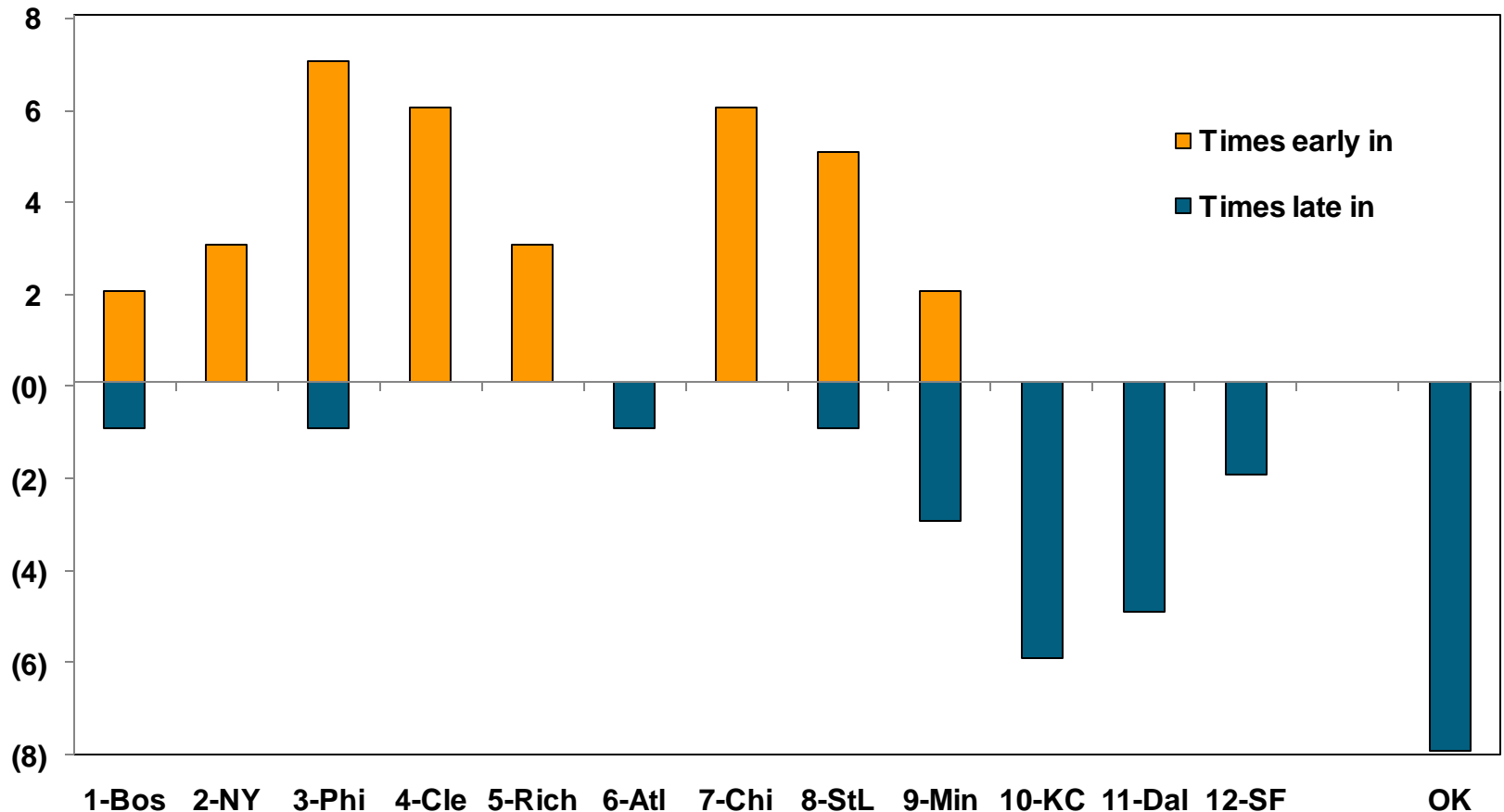
# Lessons from History

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- Through summer, Oklahoma's performance in this recession was fairly "normal"
- But renewed dependence on the energy sector presents some new/old risks
- Energy price prospects and state banking conditions look more sound than in the past

# Oklahoma has been late to every U.S. recession in the postwar period

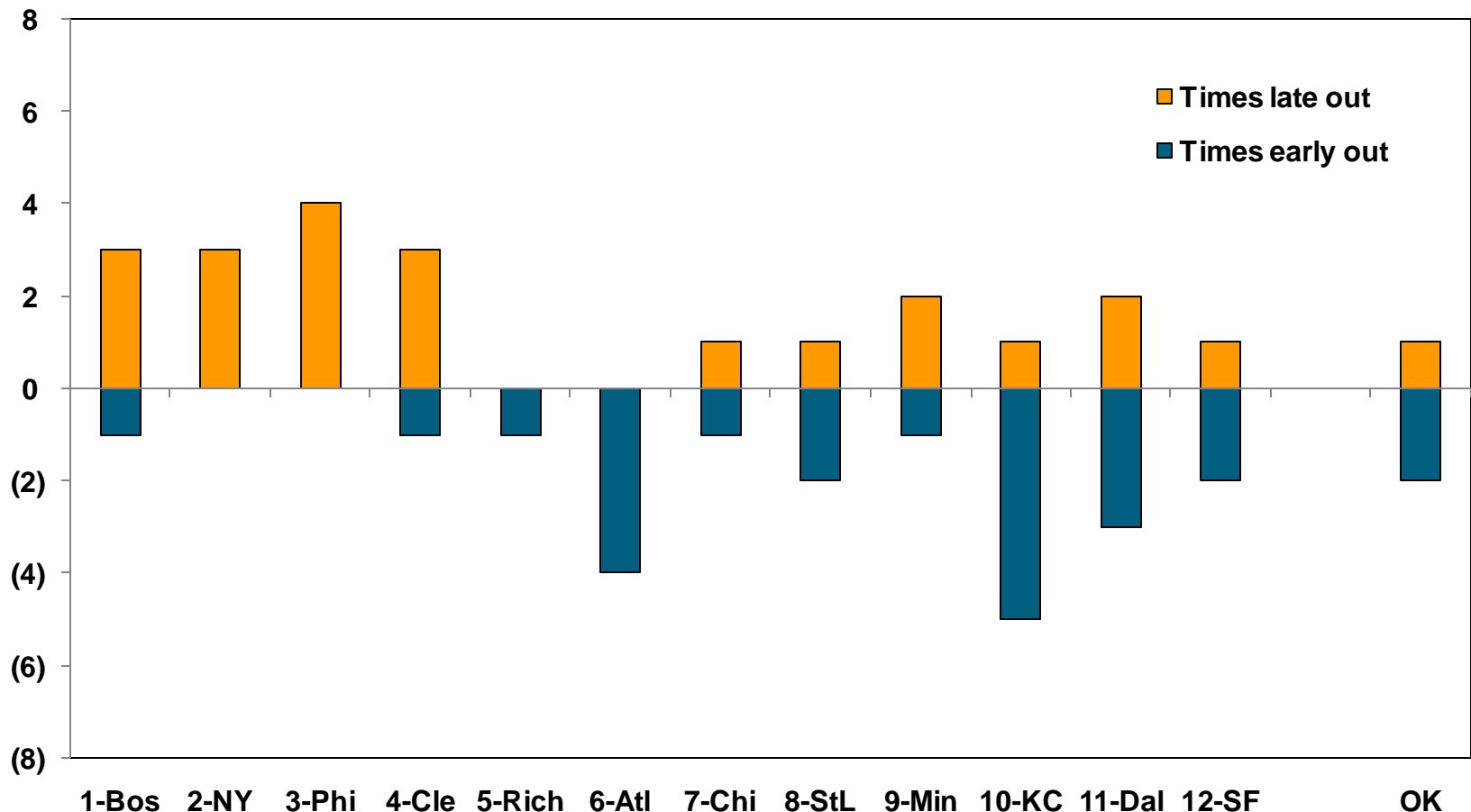
**Historical Timing of Entry from Recessions by Fed District**  
For the eight U.S. recessions from 1957-2003





# We have exited recessions in different quarters than the nation 3 times—but only once late

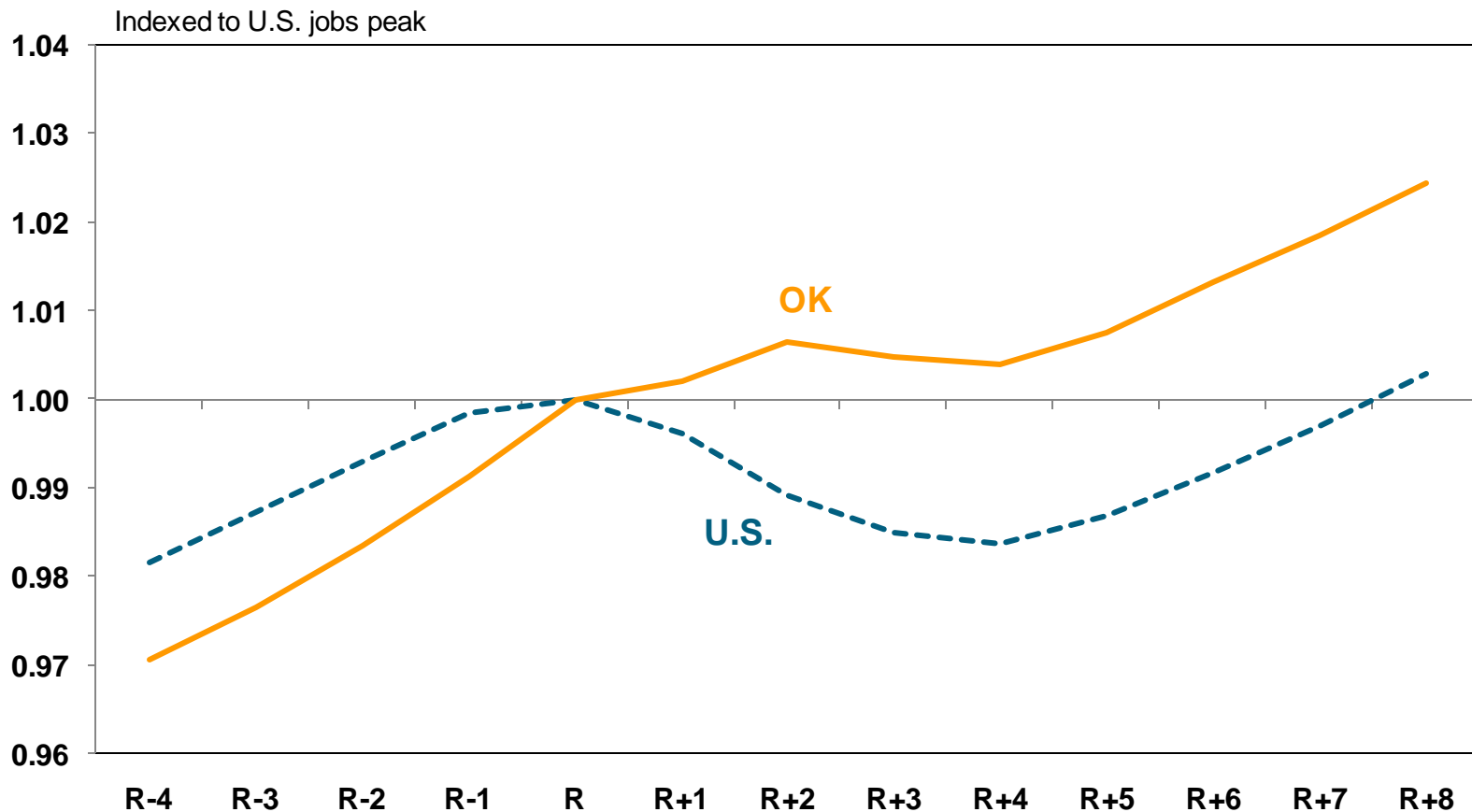
**Historical Timing of Exit from Recessions by Fed District**  
For the eight U.S. recessions from 1957-2003



# So on average, Oklahoma's recessions have been two quarters shorter than the nation's

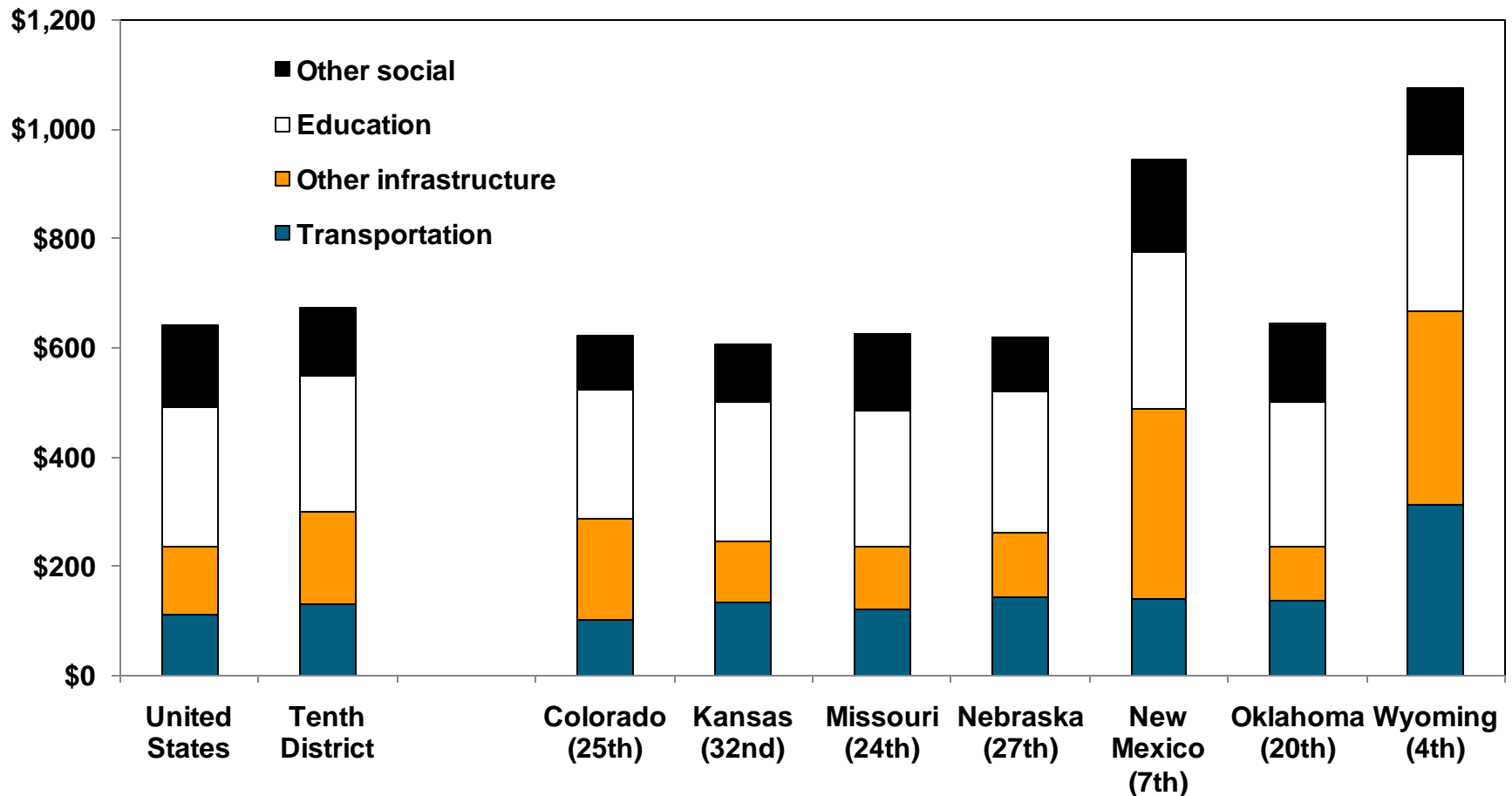
## Average Recession Path, 1956-2006

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



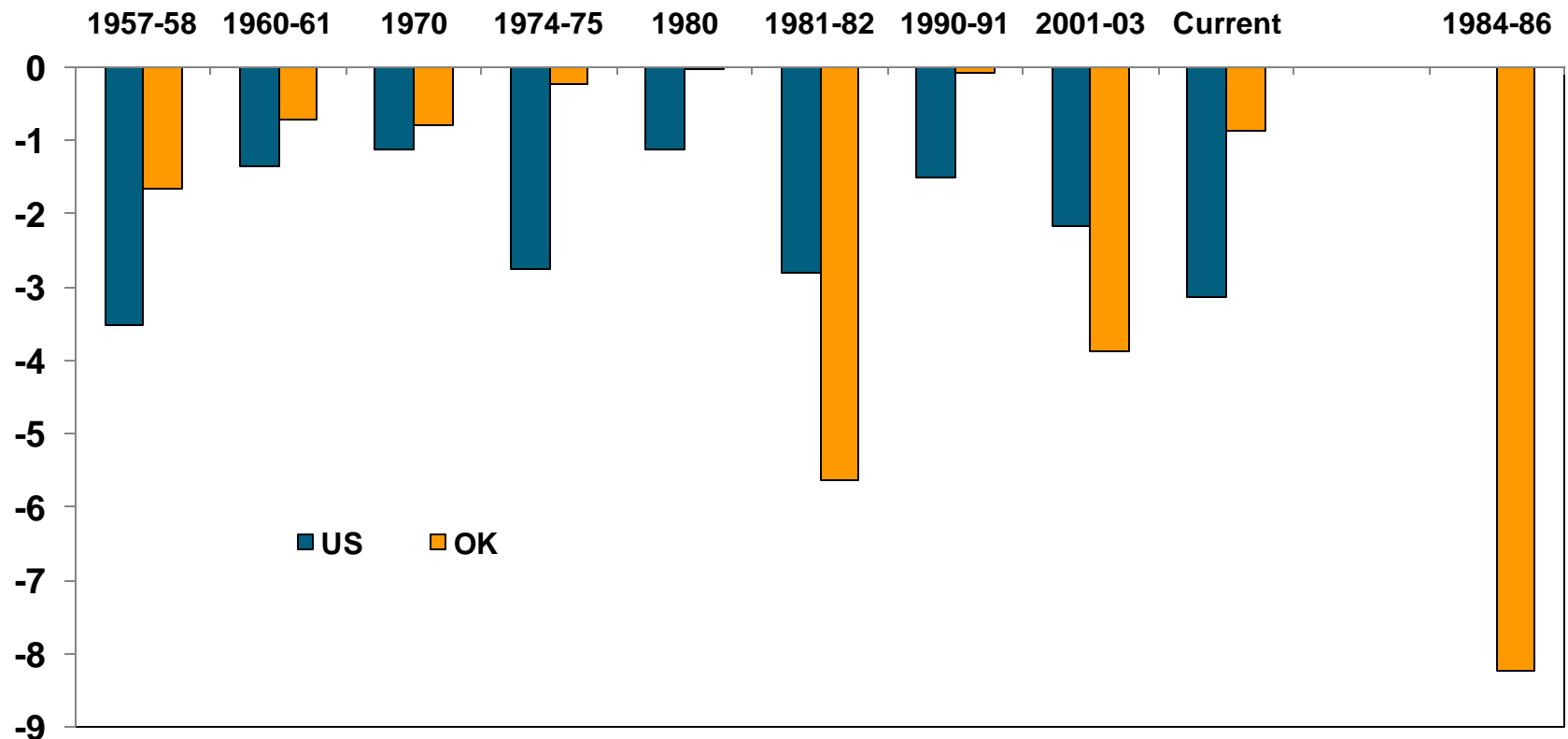
# Fiscal stimulus is kicking in at a good time for the state, in similar amounts as the nation

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



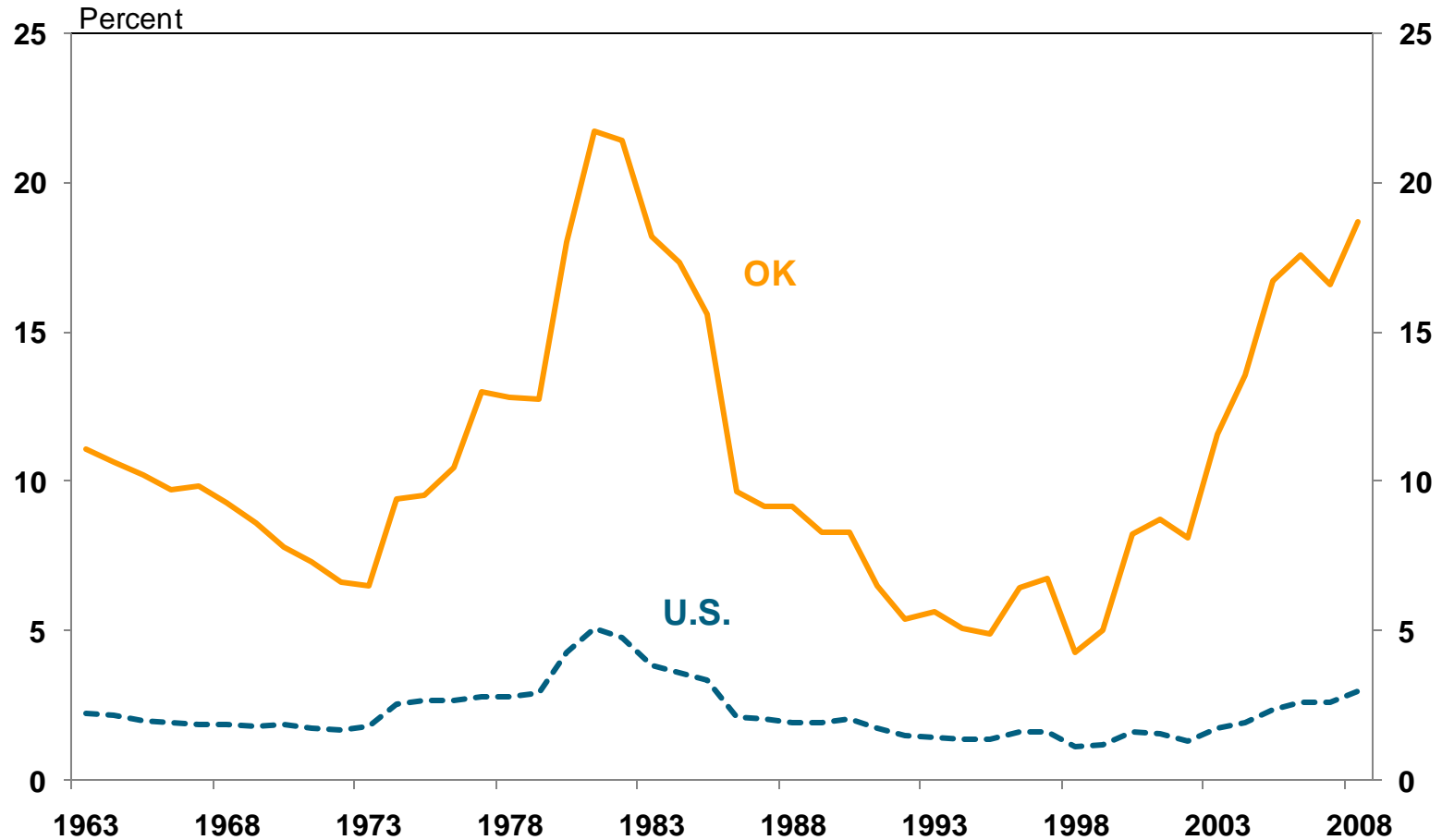
# But not all recessions are average, and there has been one especially notable exception

Job Losses in Recessions, 1956-present  
Percent



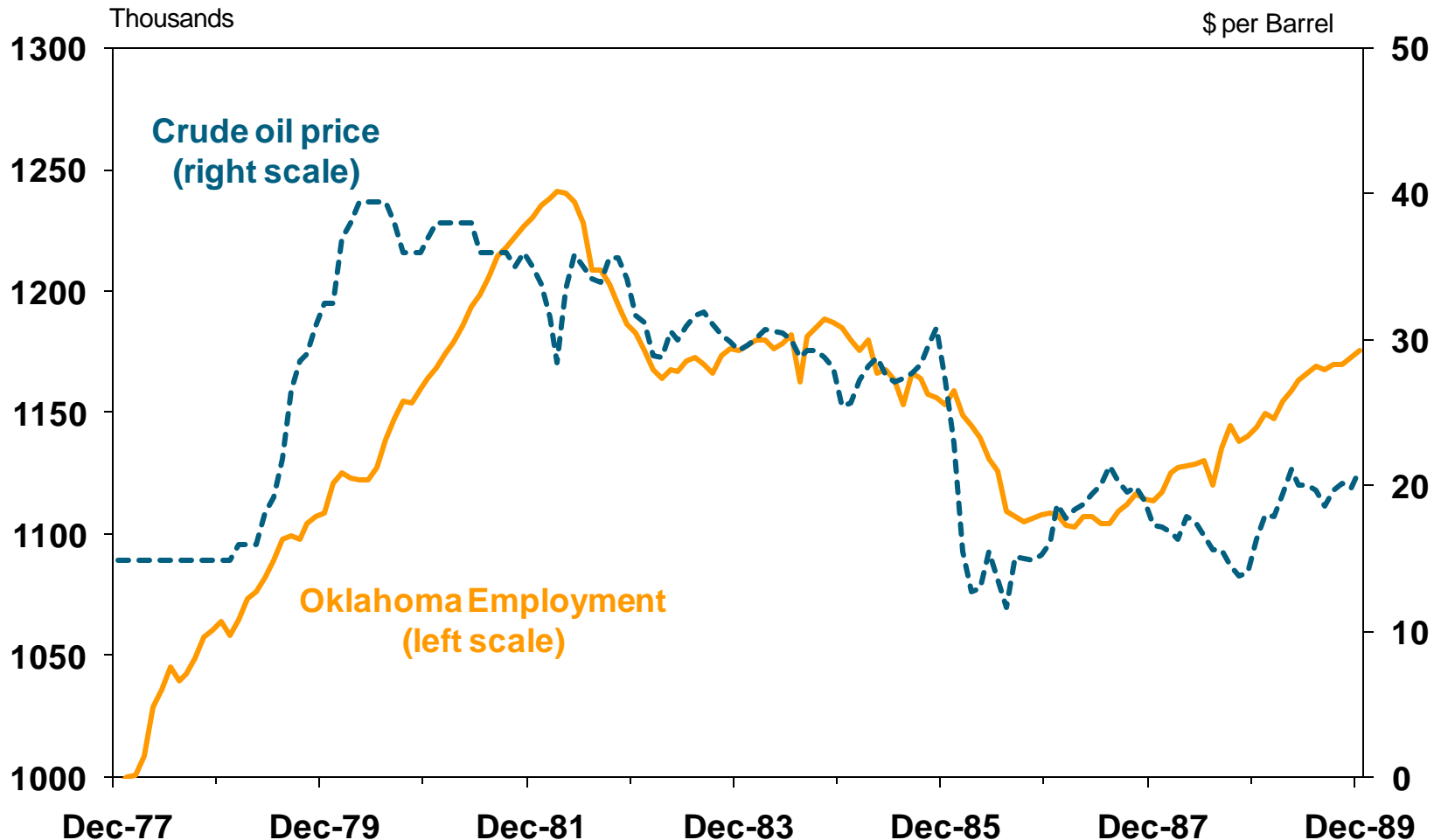
# In the past five years, Oklahoma's economy has become much less diversified

Energy Sector's Share of GDP, 1963-2008

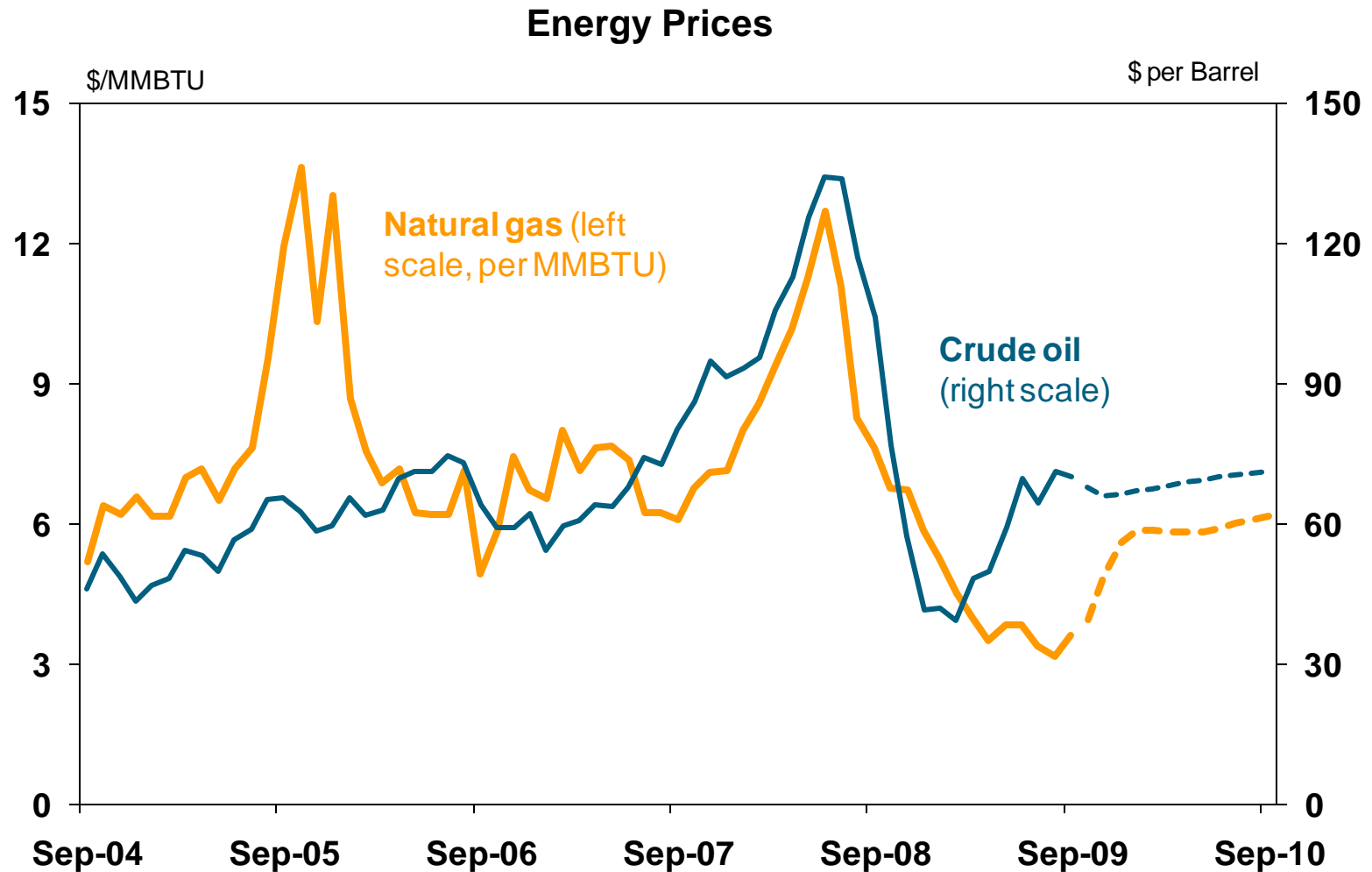


# Energy prices never came back in the 1980s, following multiple supply shocks

## Oil Price vs. Oklahoma Employment

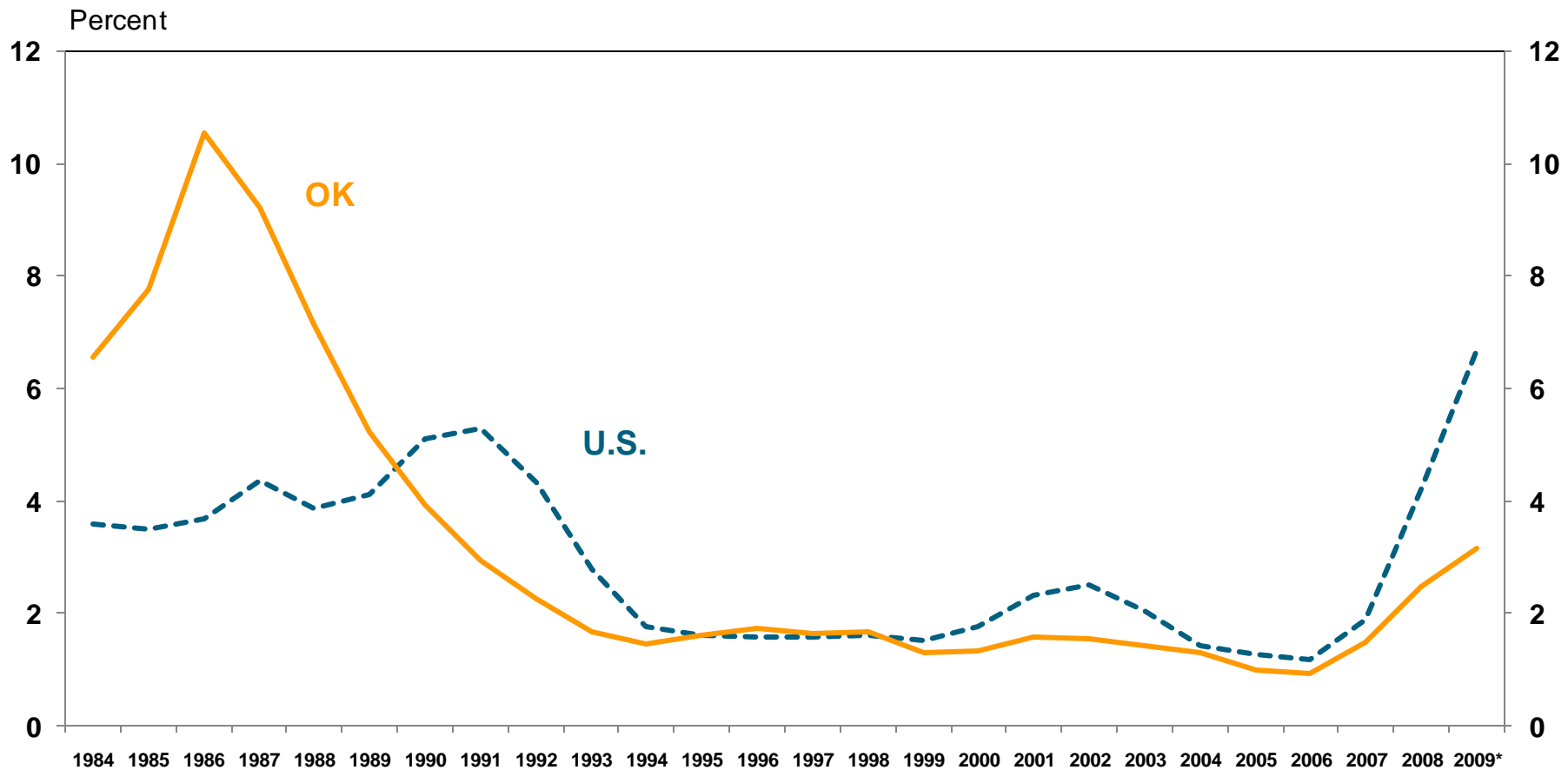


# After surging and then crashing last year, oil and gas prices have diverged in 2009



# While problem loans are rising in Oklahoma, our banks are in better relative shape today

**Charge-offs and Noncurrent Loans as a Share of Total Loans**  
Commercial Banks





# Summary

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- As usual, Oklahoma entered this recession later than most of the rest of the nation
- Some recent signs of stabilization have emerged, and stimulus is kicking in
- Future energy prices present a risk, but probably less so than in the past