

Recession and Recovery in the U.S. and Oklahoma



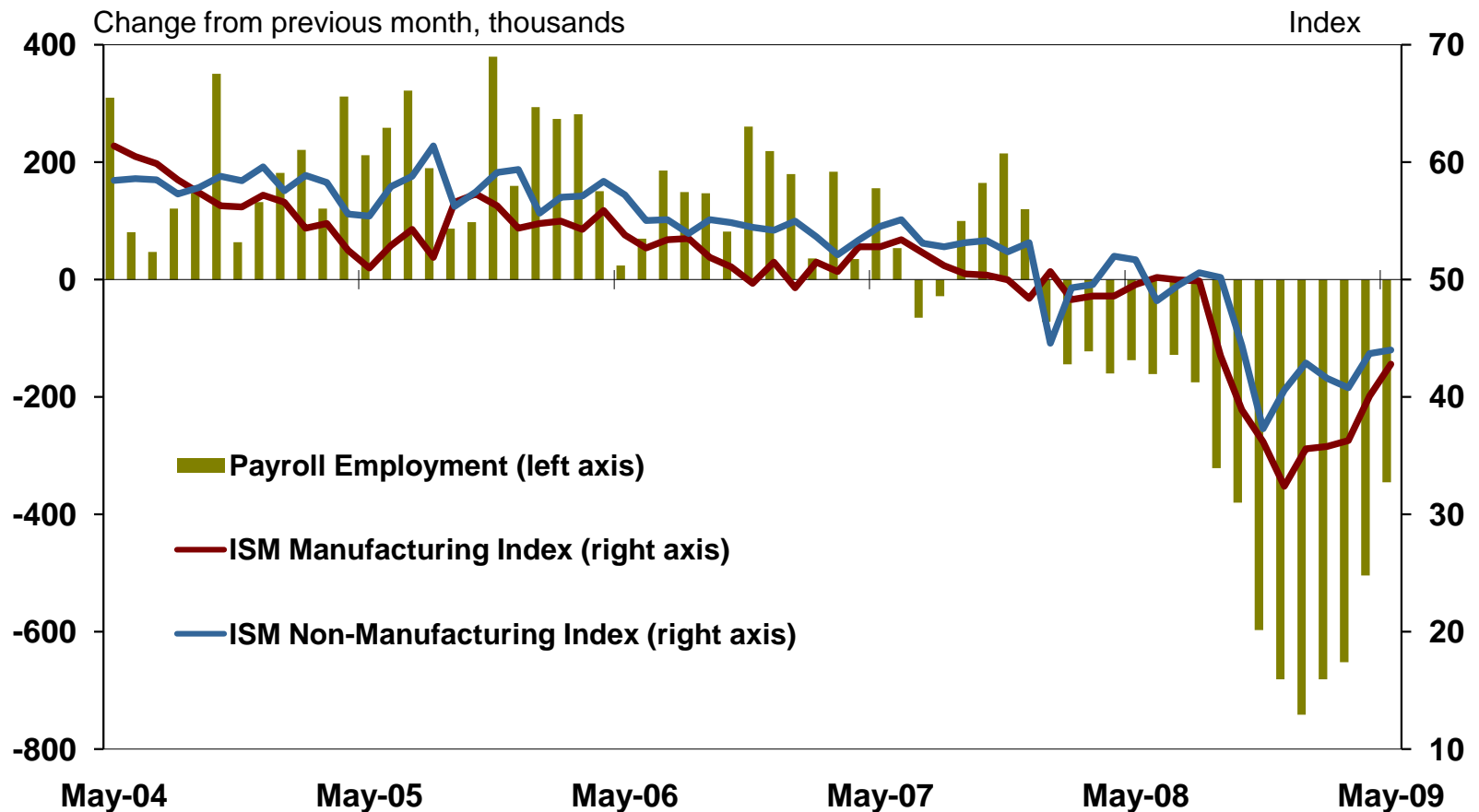
Chad Wilkerson

Vice President & Oklahoma City Branch Executive

Federal Reserve Bank of Kansas City

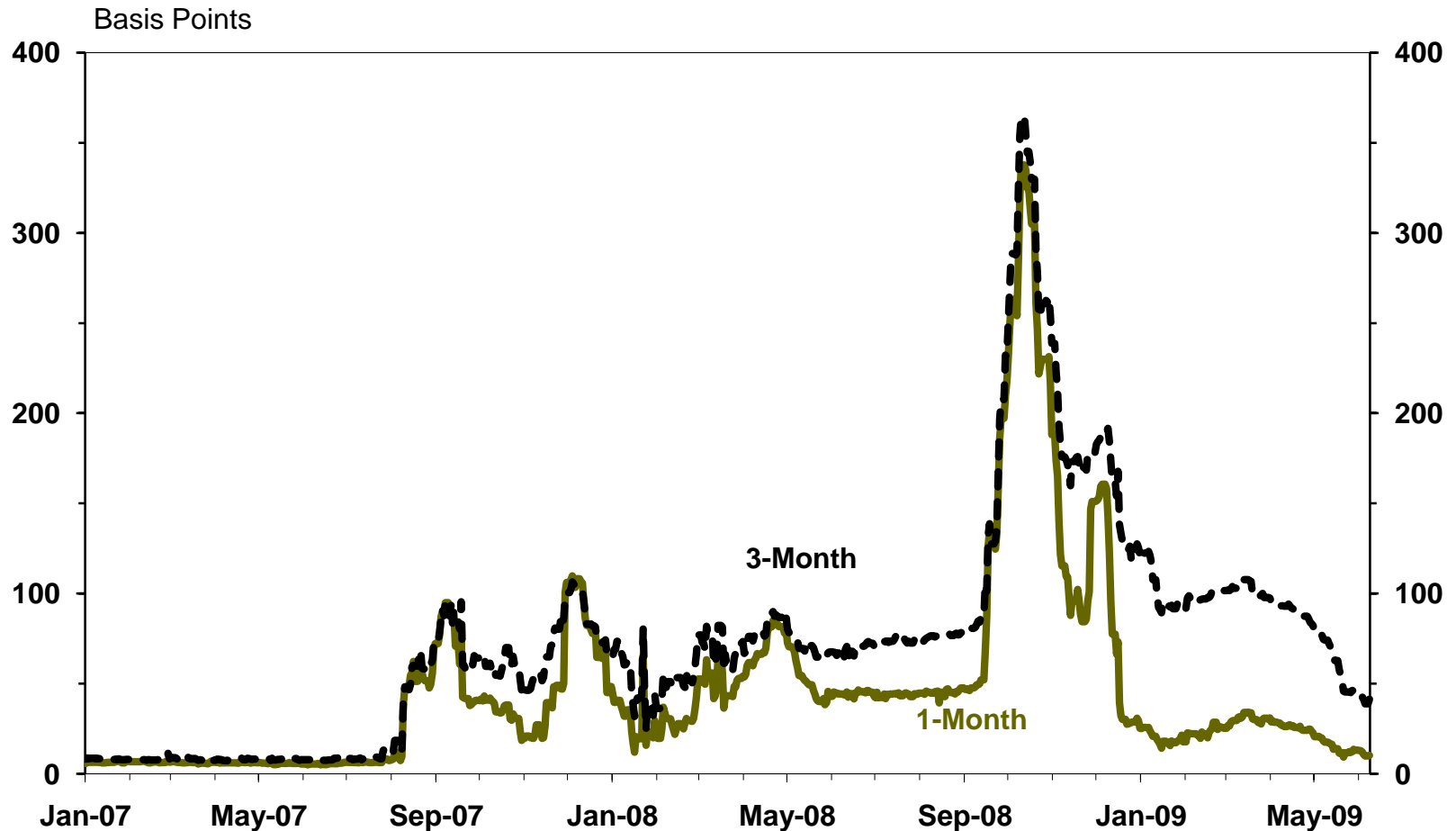
Following 2 very bad quarters, declines in the U.S. economy have been smaller in Q2 2009

National Business Indexes and Payroll Employment



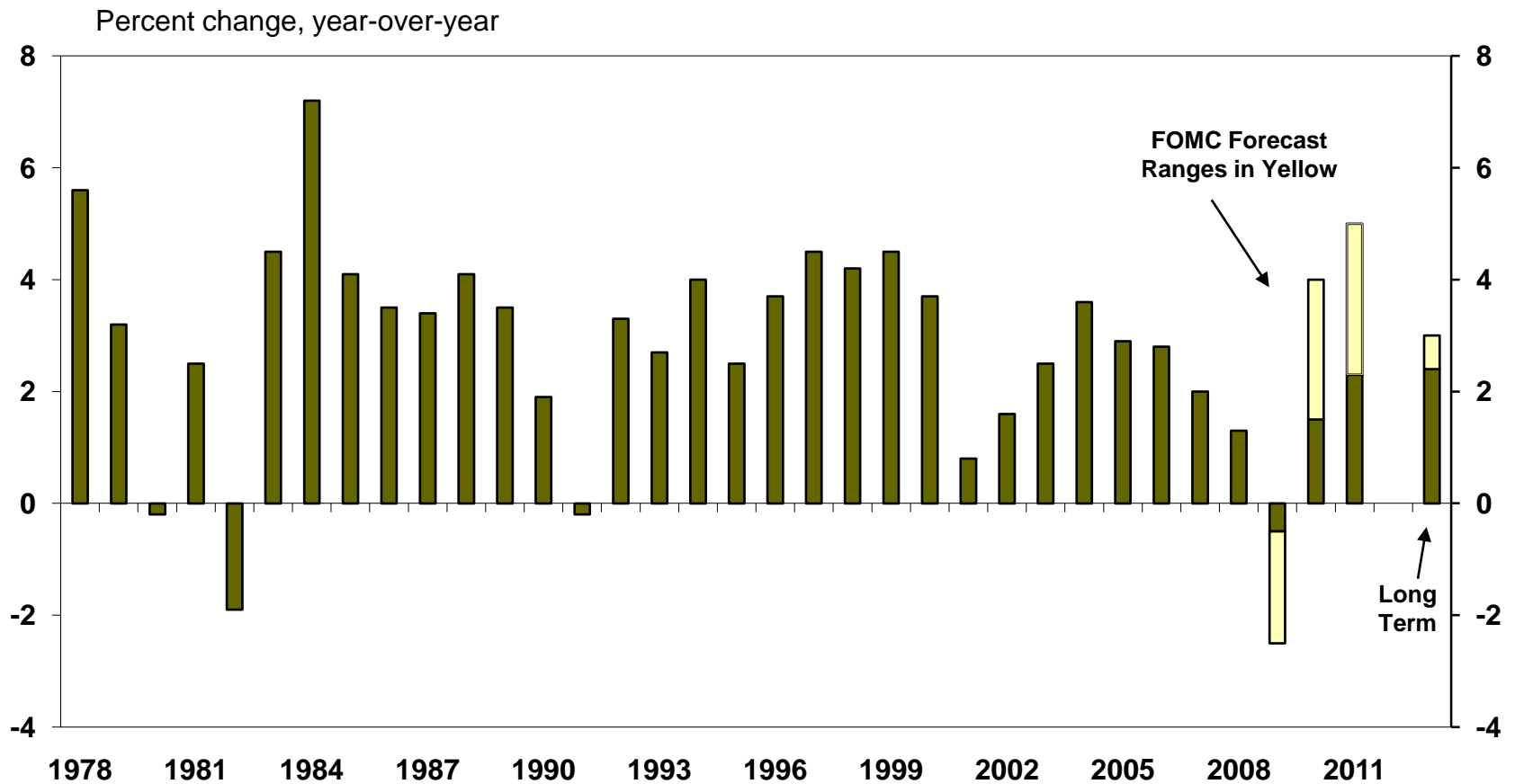
Credit market conditions have improved but remain somewhat strained

LIBOR-OIS Spread



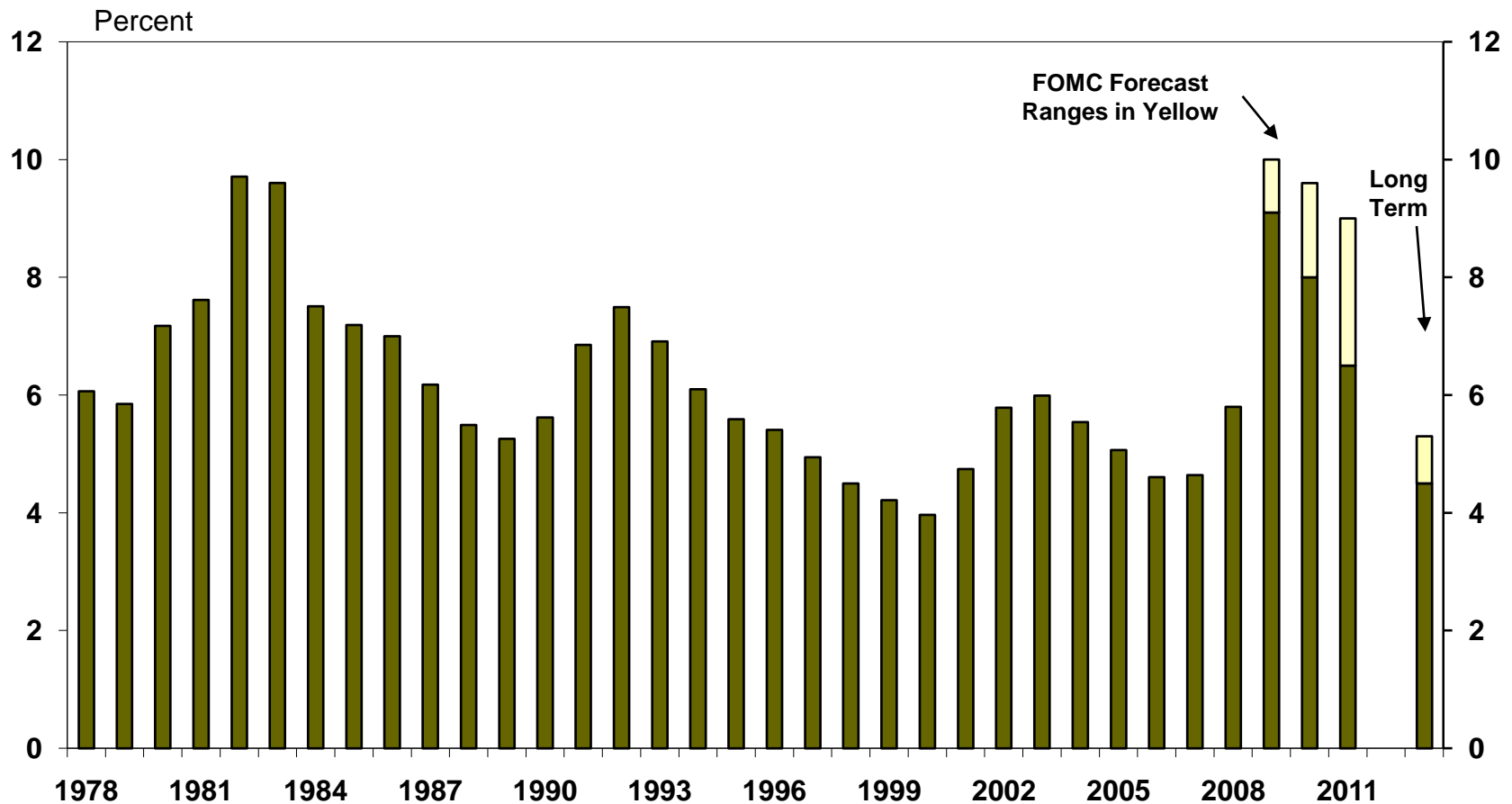
Heading forward, policy makers generally expect a gradual recovery

Gross Domestic Product



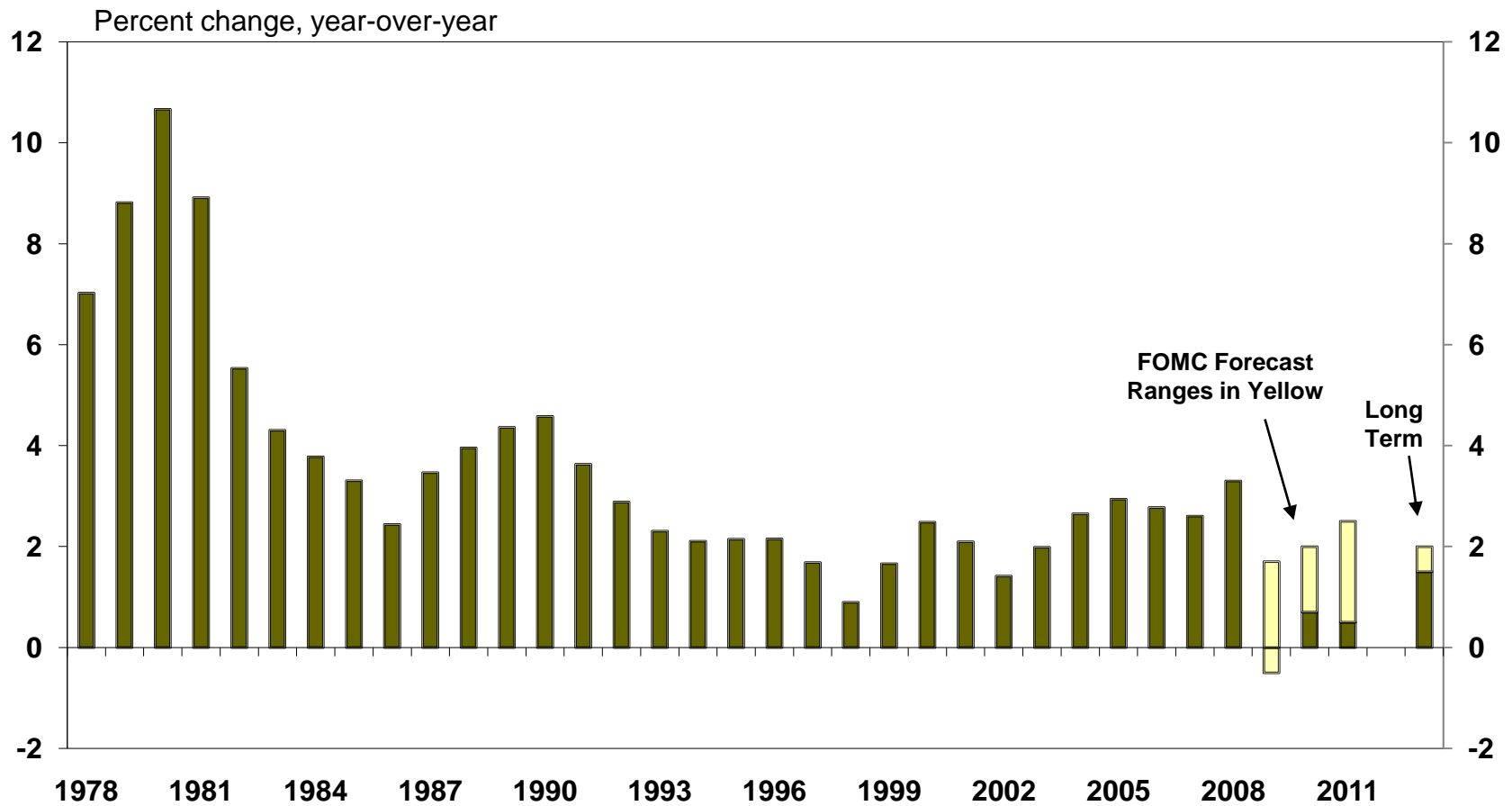
But U.S. unemployment is expected to remain elevated for some time

Unemployment Rate
Seasonally Adjusted



Meanwhile, inflation is expected to remain fairly moderate in coming years

PCE Inflation Index



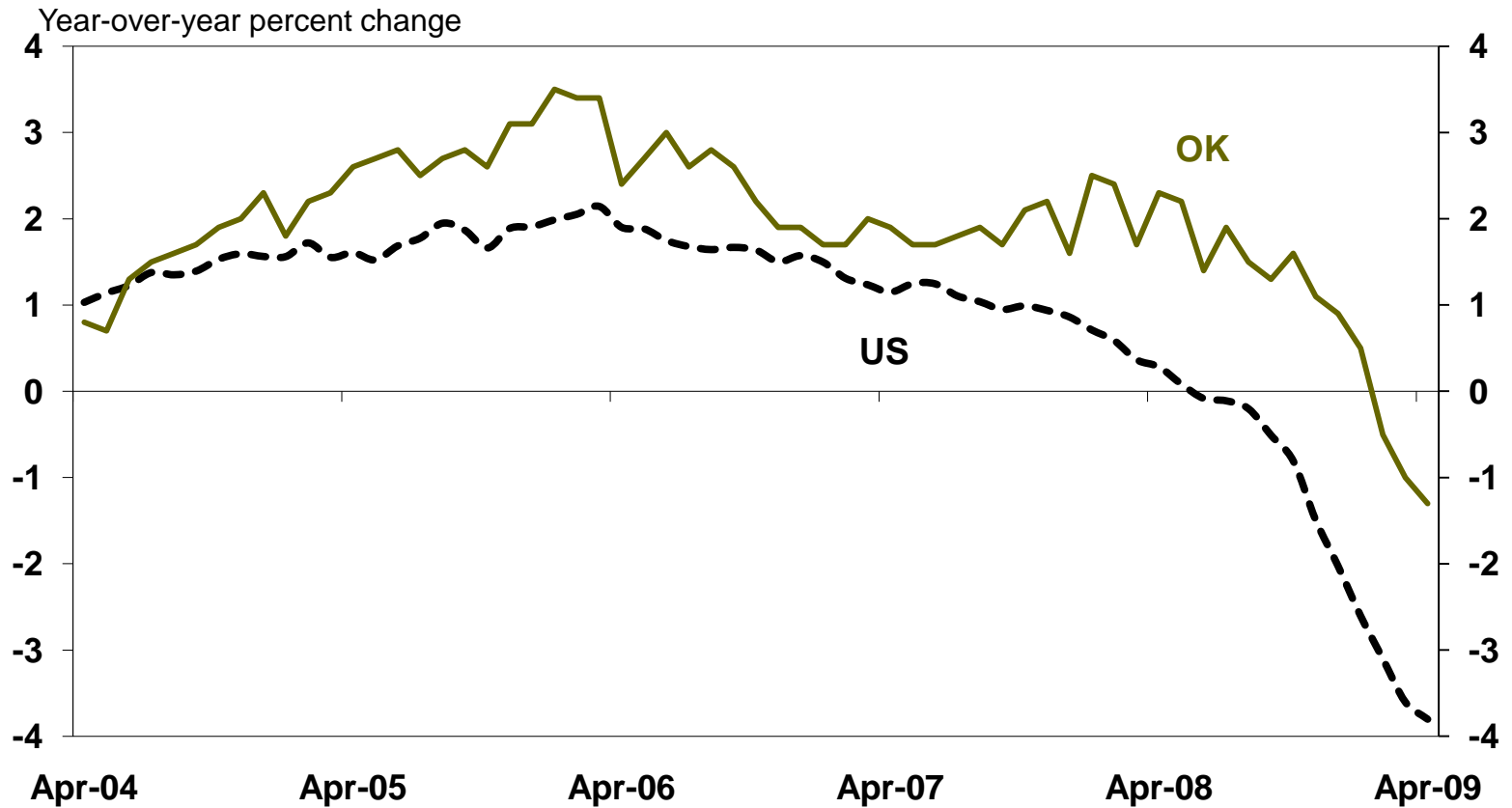
Unemployment remains relatively low in Oklahoma and most nearby states

Unemployment Rate, April 2009



But jobs are now well below year-ago levels in Oklahoma, following a long boom

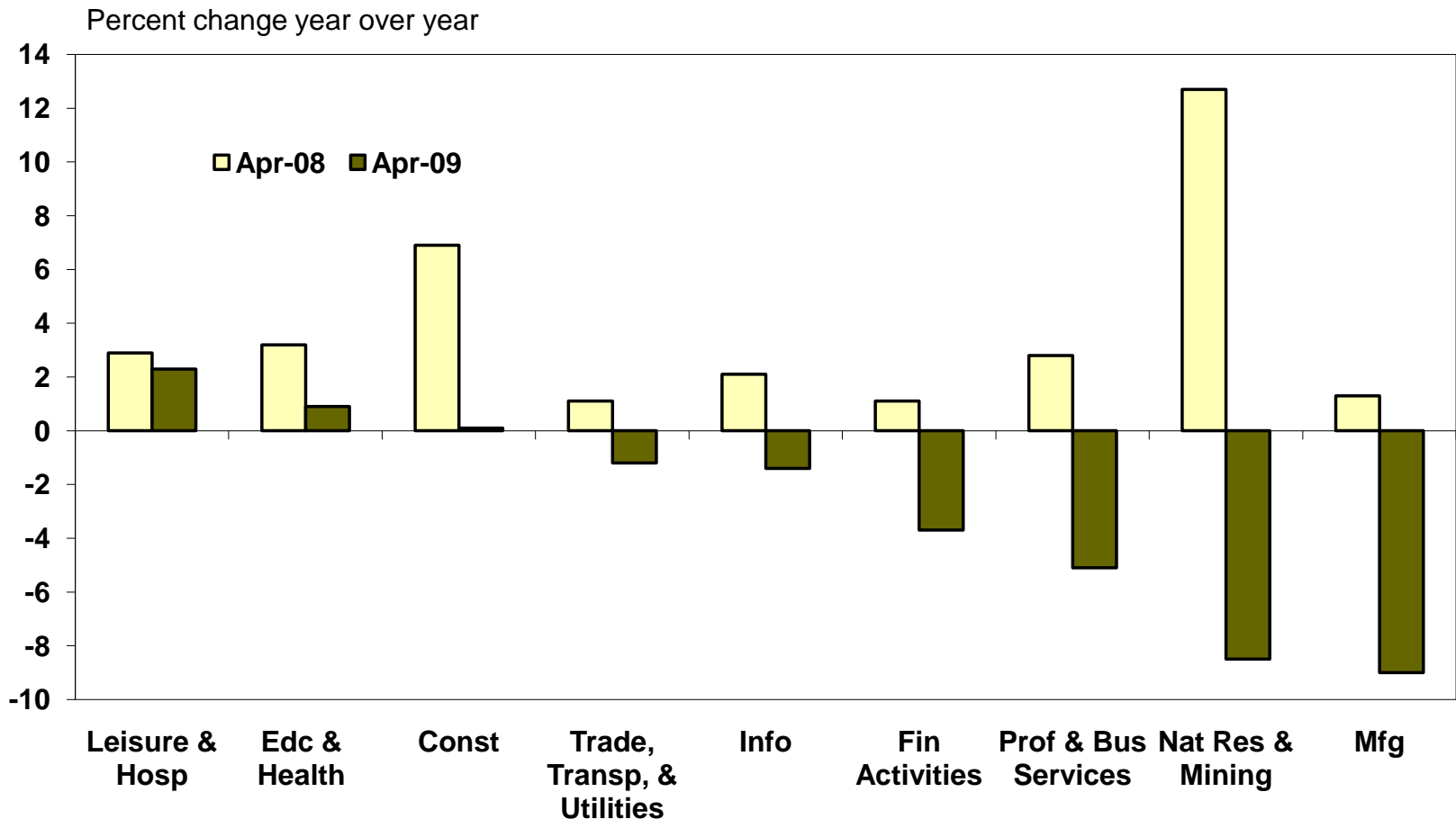
Nonfarm Payroll Employment Growth



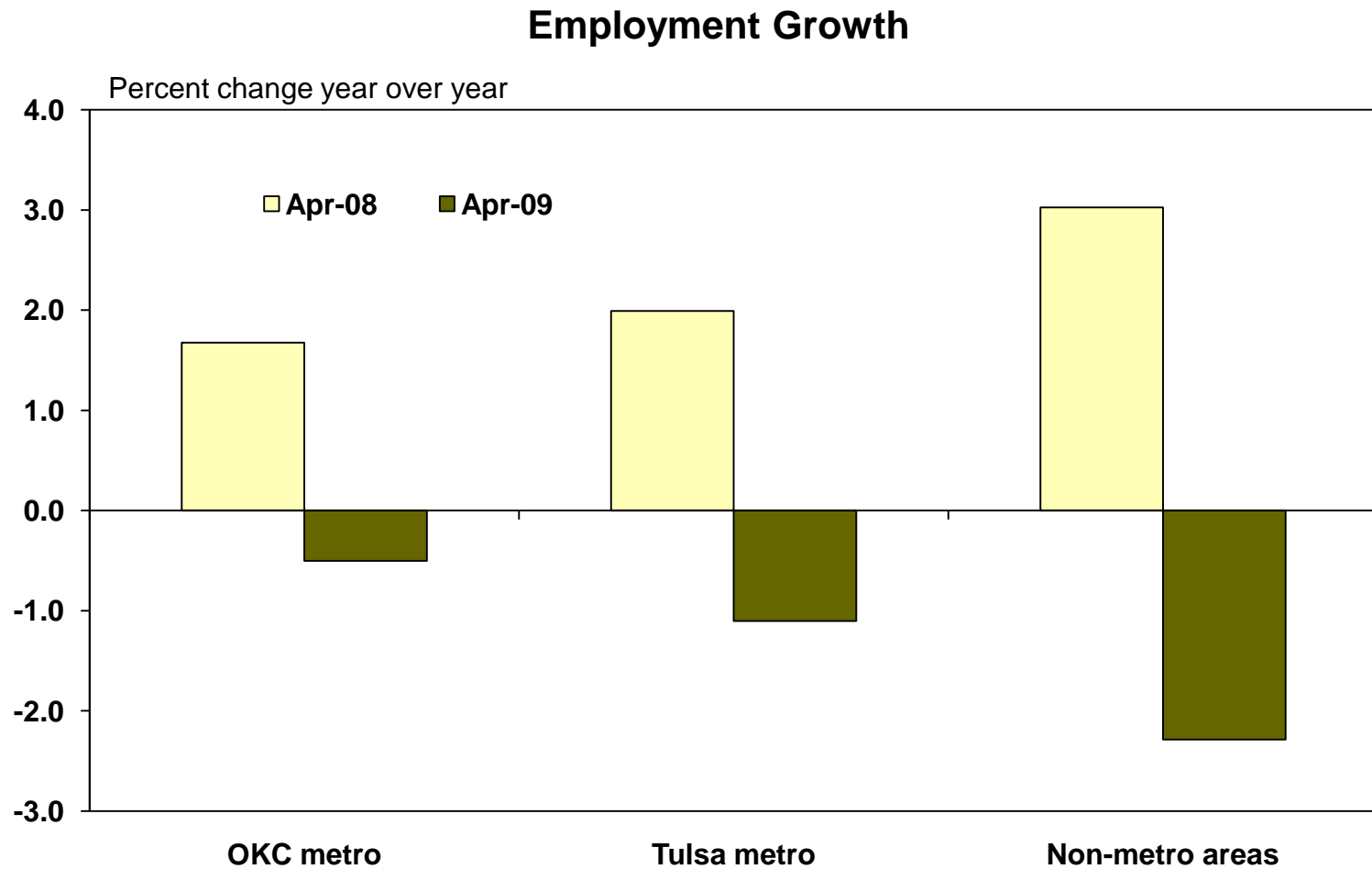
Source: U.S. Bureau of Labor Statistics

Employment is down in most industries in the state, especially energy and manufacturing

Oklahoma Employment Growth by Industry

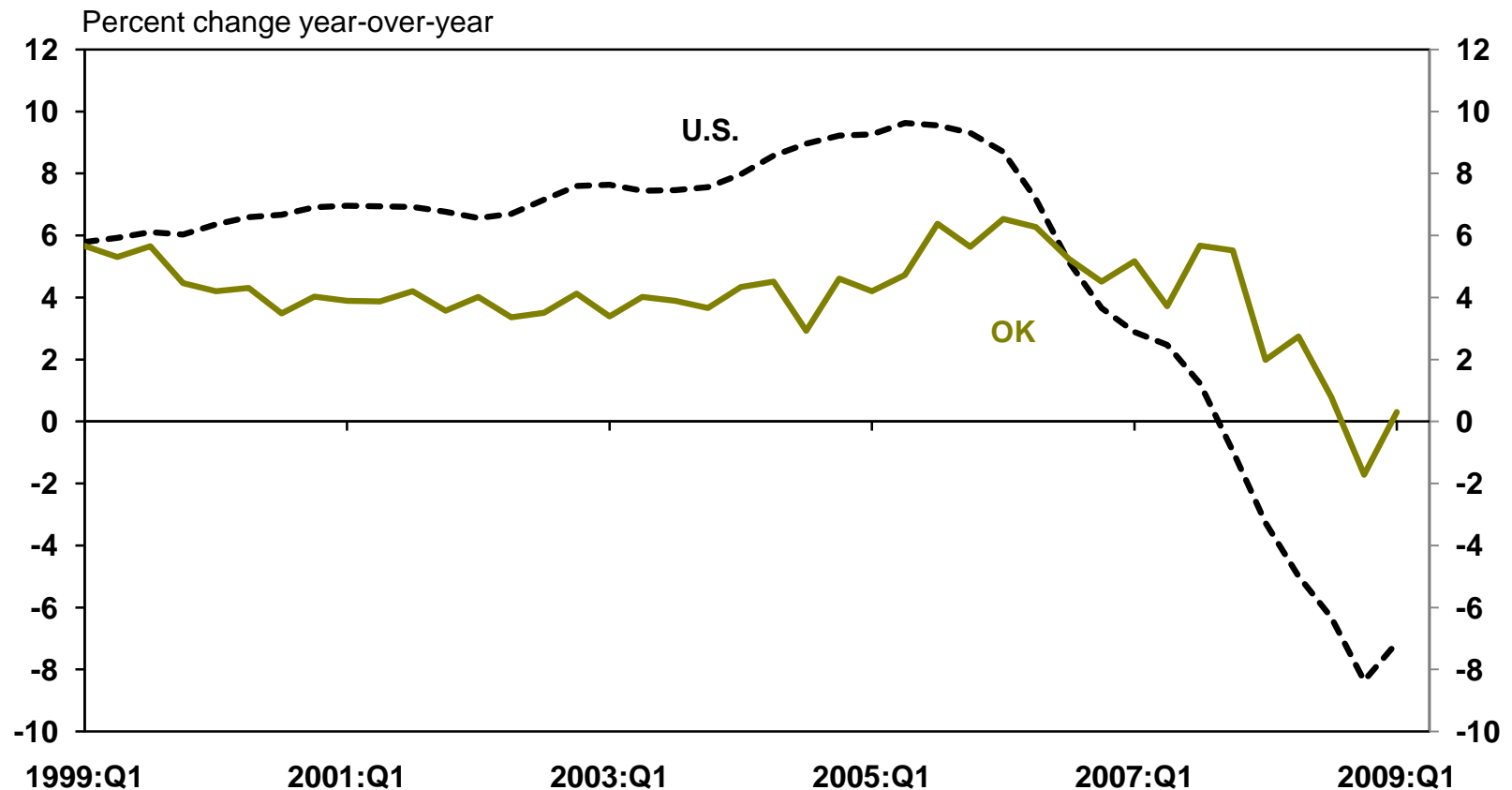


The decline in jobs has been sharpest in the state's non-metro areas



Unlike the nation, Oklahoma home prices remain similar to a year ago

Quality-Adjusted Home Price Growth Purchase-Only



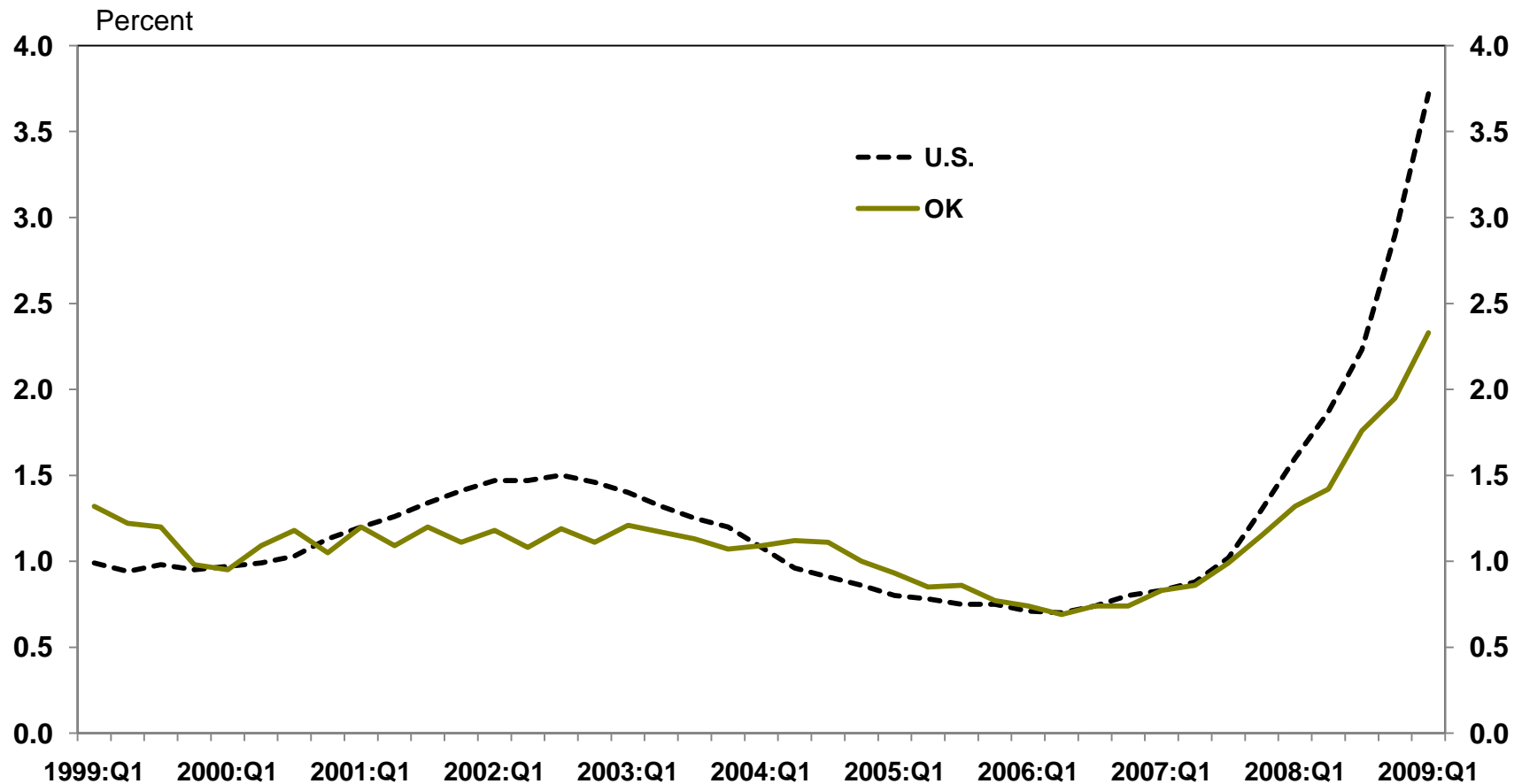
And home foreclosures have remained relatively low in the state

Foreclosure Rates, April 2009



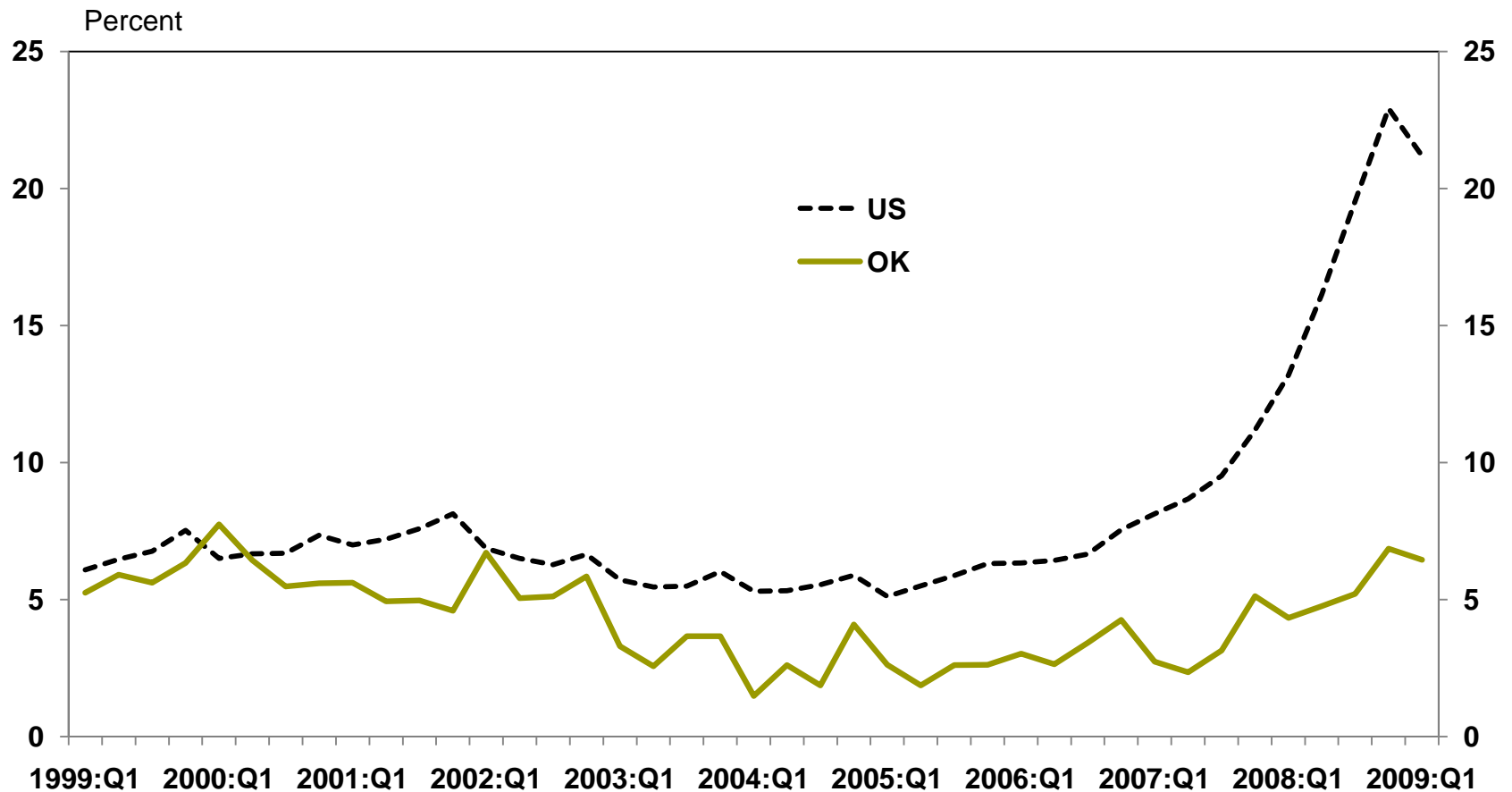
Past due loans have risen at Oklahoma banks, but much less than in the nation

Noncurrent Loans as a Share of Total Loans
Commercial Banks



The number of unprofitable banks has risen only marginally in OK

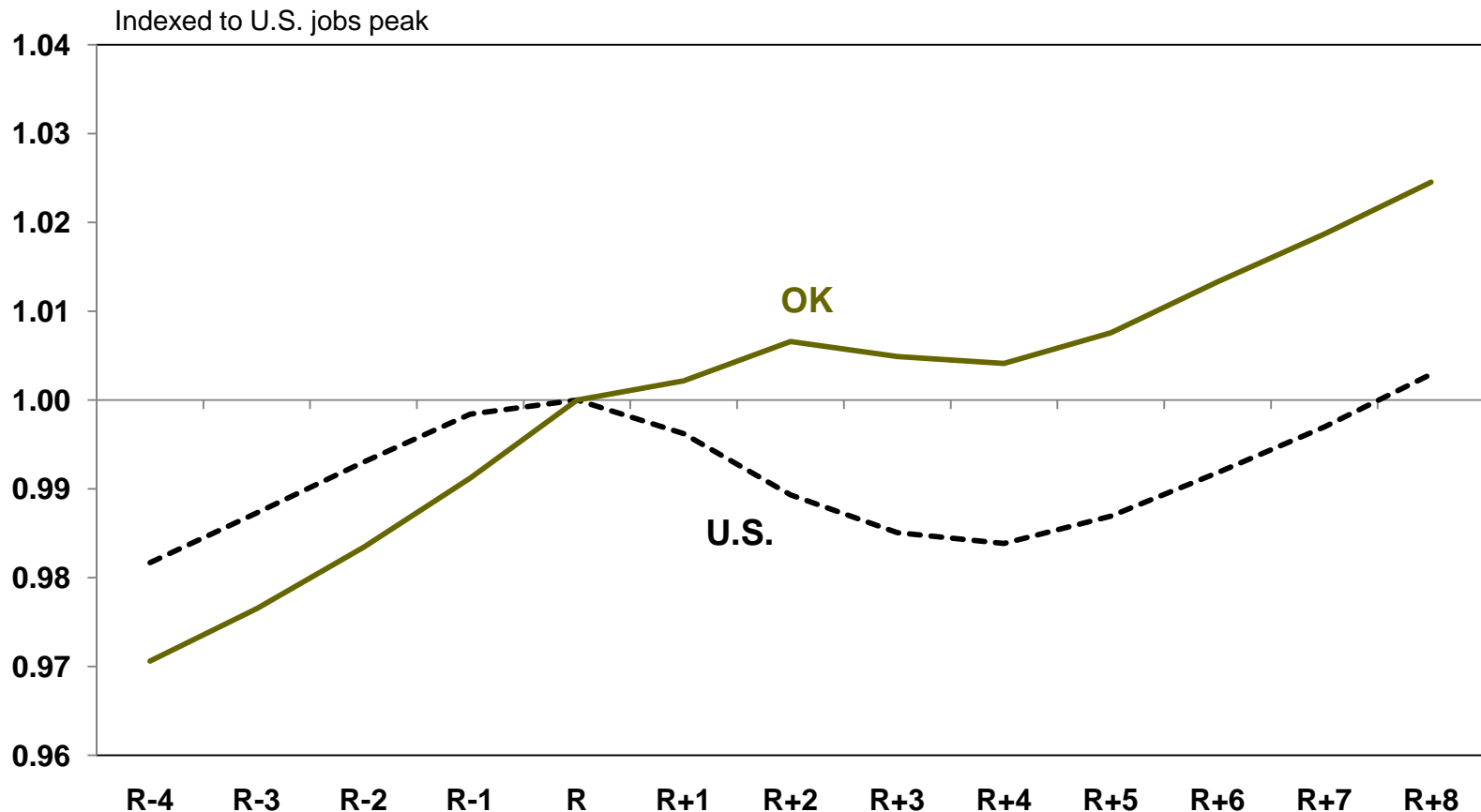
Share of Banks Unprofitable in the Quarter
Commercial Banks



Oklahoma usually enters recessions later than the nation but exits about the same time

Average Recession Path, 1956-2006

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

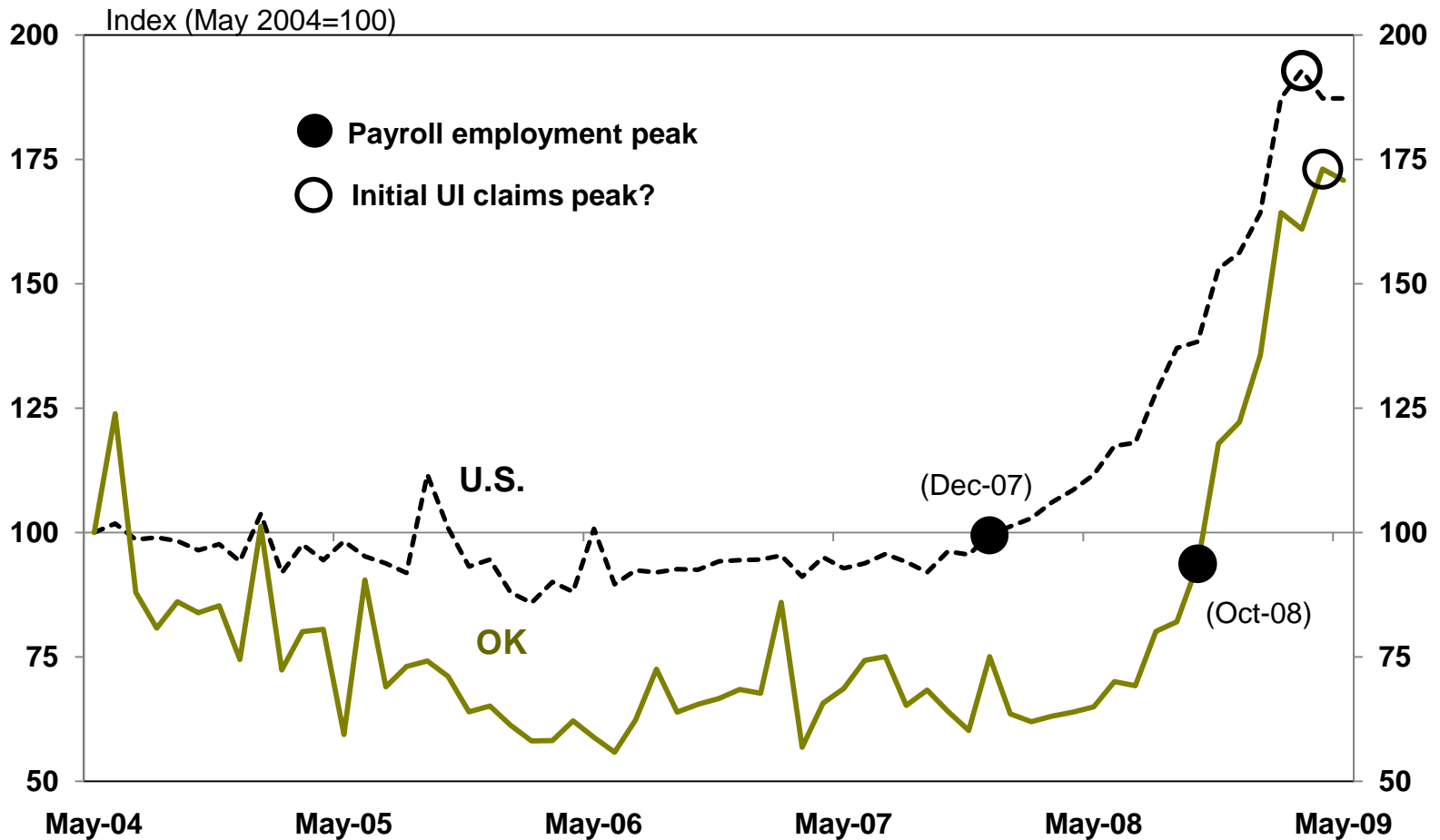


With the shorter duration, Oklahoma's job losses in U.S. recessions are usually smaller



So far, the state is largely following its usual pattern during U.S. recessions

Initial Claims for Unemployment Insurance



Summary

- The U.S. economy may be bottoming, but credit conditions are still somewhat strained and recovery is expected to be modest
- As usual, Oklahoma entered the recession later than the nation, but very recent data suggest the state may also be near bottom