

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

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Federal Reserve Bank of Kansas City

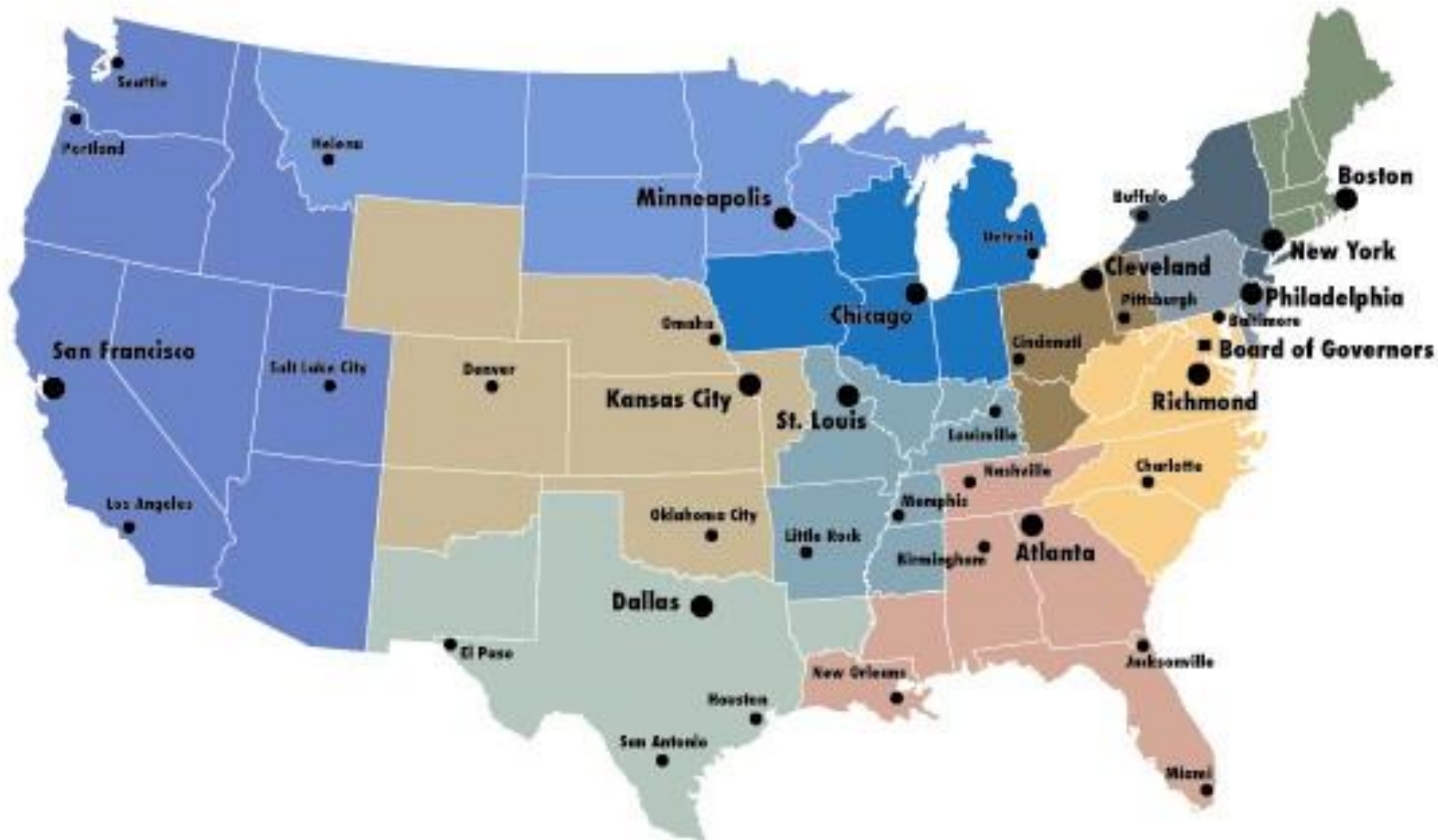
# Purposes and Structure of the Federal Reserve System

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- **Overall purposes of the Fed are to promote:**
  - Maximum employment
  - Low and stable inflation
  - National financial stability
- **The primary functional areas of the Fed are:**
  - Monetary policy – most visible role to the public, usually
  - Bank regulation – including lender of last resort
  - 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 are voting members, on a rotating basis).

# Federal Reserve Districts and Office Locations

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# The Kansas City and Oklahoma City Offices

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- **Headquarters 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, Oklahoma City
- **Terry Almon**, President, Oklahoma Community Capital Corp., Broken Arrow
- **Bill Anoatubby**, Governor, Chickasaw Nation, Ada
- **Jim Dunn**, Chairman, Mill Creek Lumber & Supply Co., Tulsa
- **Fred Ramos**, COO, Latino Community Development Agency, Oklahoma City
- **Doug Tippens**, President and CEO, Canadian State Bank, Yukon
- **K. Vasudevan**, Chairman, Service and Technology Corp., Bartlesville

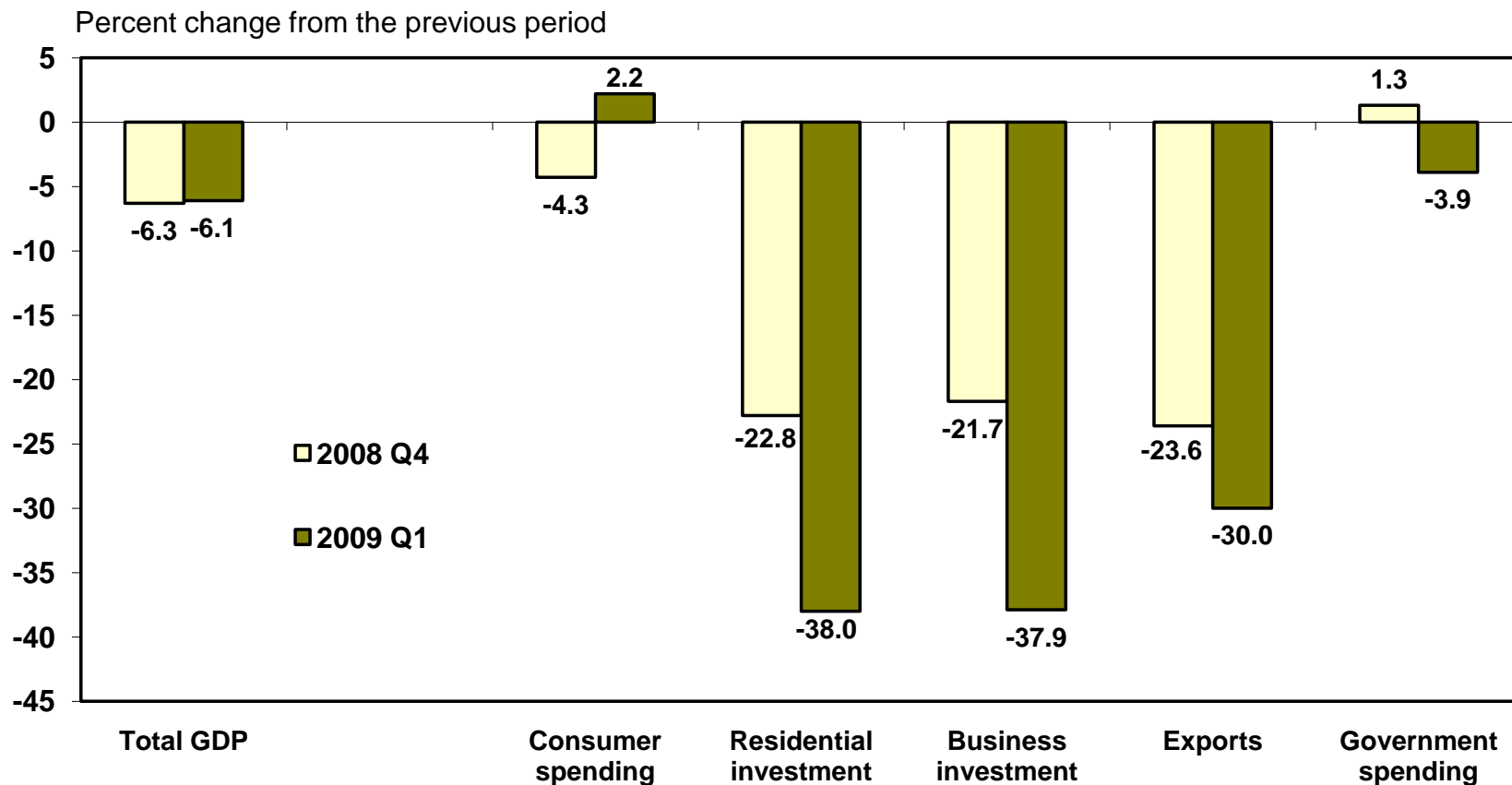
# The U.S. Economy

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- The U.S. economy is still declining but may be nearing a bottom
- The strength of recovery will depend in part on better functioning credit markets
- Inflation has eased and is expected to remain tame in the near term

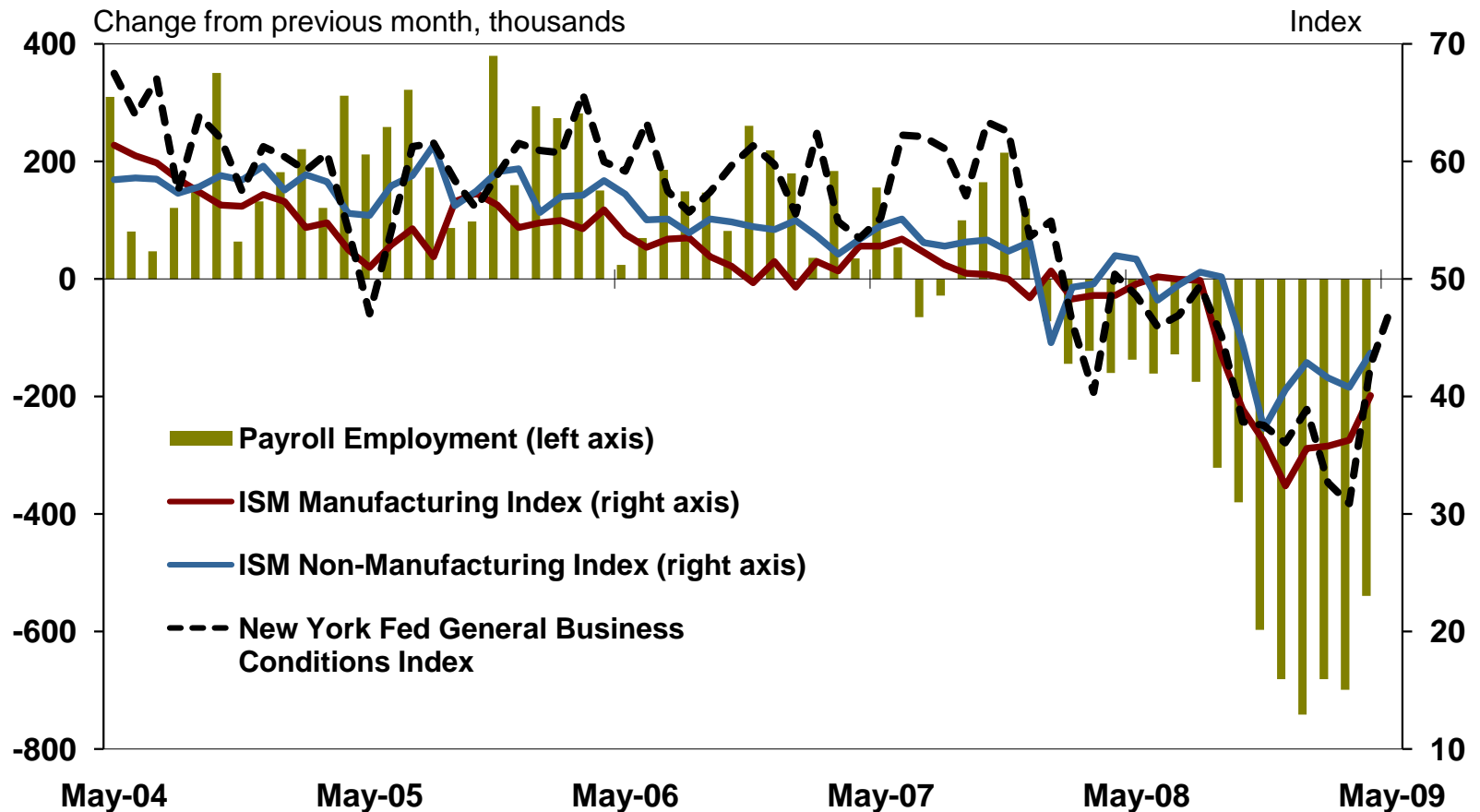
# Consumer spending was positive in the first quarter, but other measures weakened further

## Growth in Components of GDP



# Weak business activity has continued into Q2, but the declines are getting smaller

## National Business Indexes and Payroll Employment



# The U.S. policy response has been broad

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## □ Federal Reserve

- Lowered the Fed Funds rate
- Implemented numerous liquidity facilities
- Purchased long-term securities

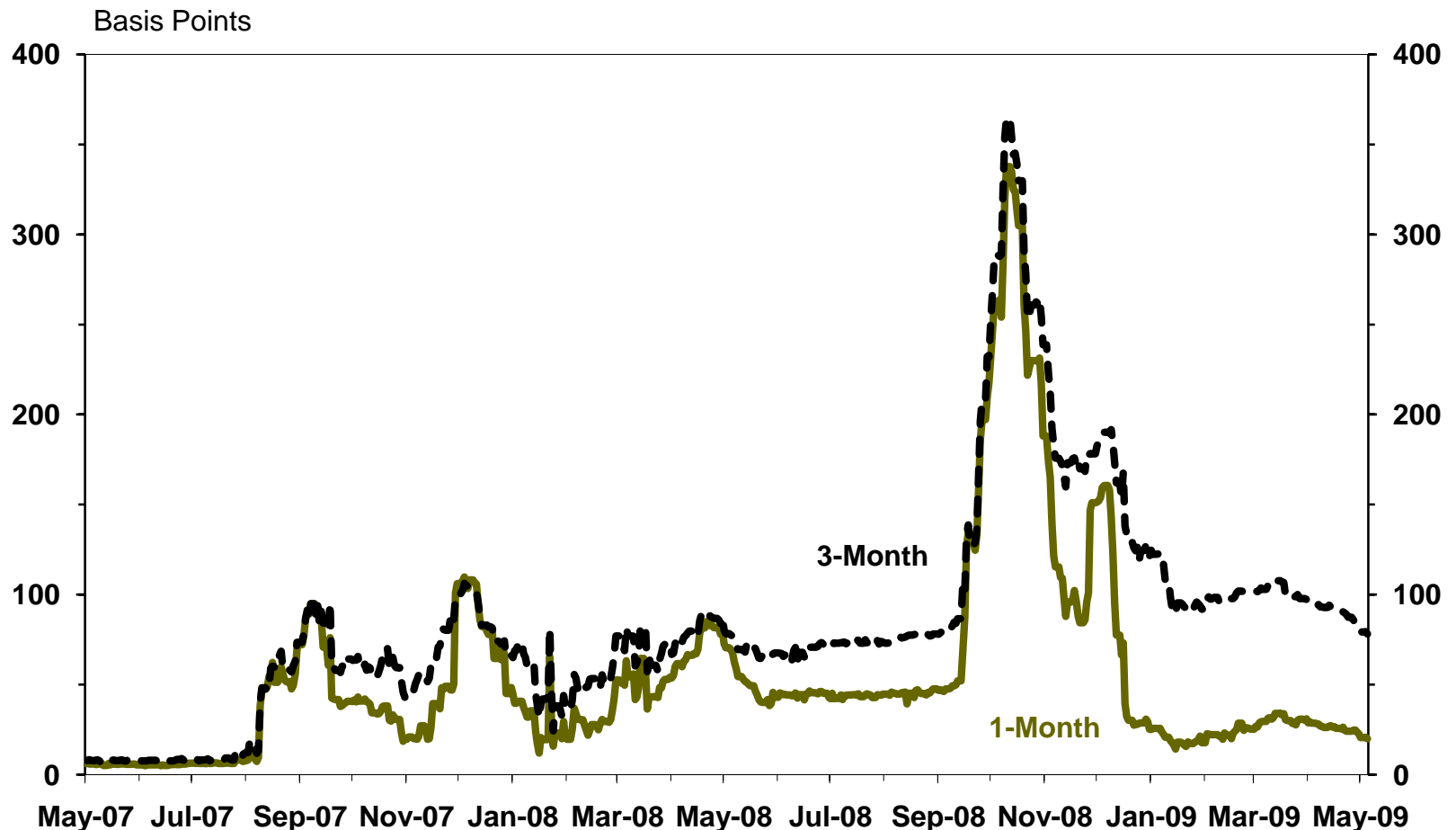
## □ U.S. Treasury and Congress

- TARP
- Fiscal stimulus
- Foreclosure prevention policies



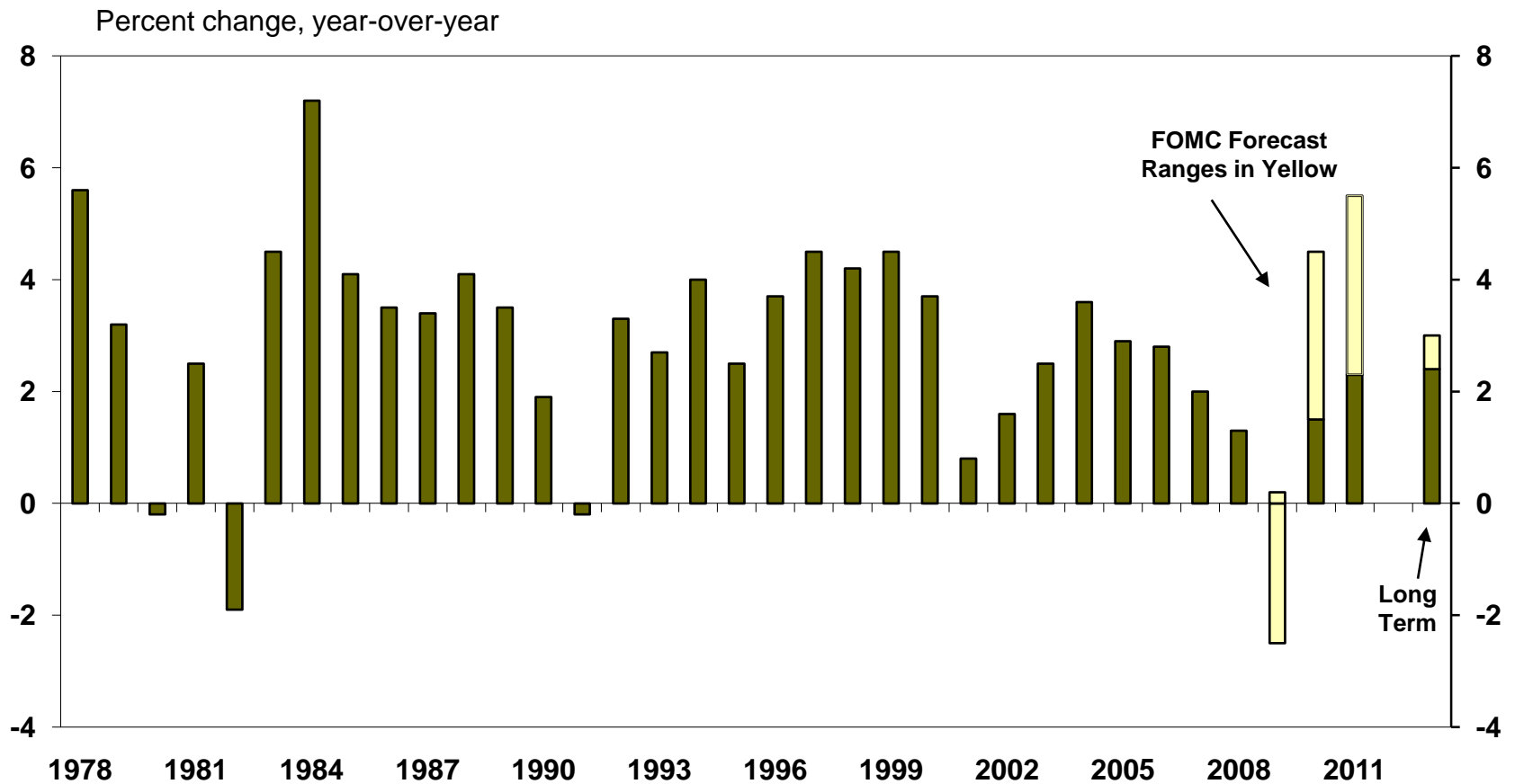
# Interbank lending conditions have improved since the fall, but remain somewhat strained

## LIBOR-OIS Spread



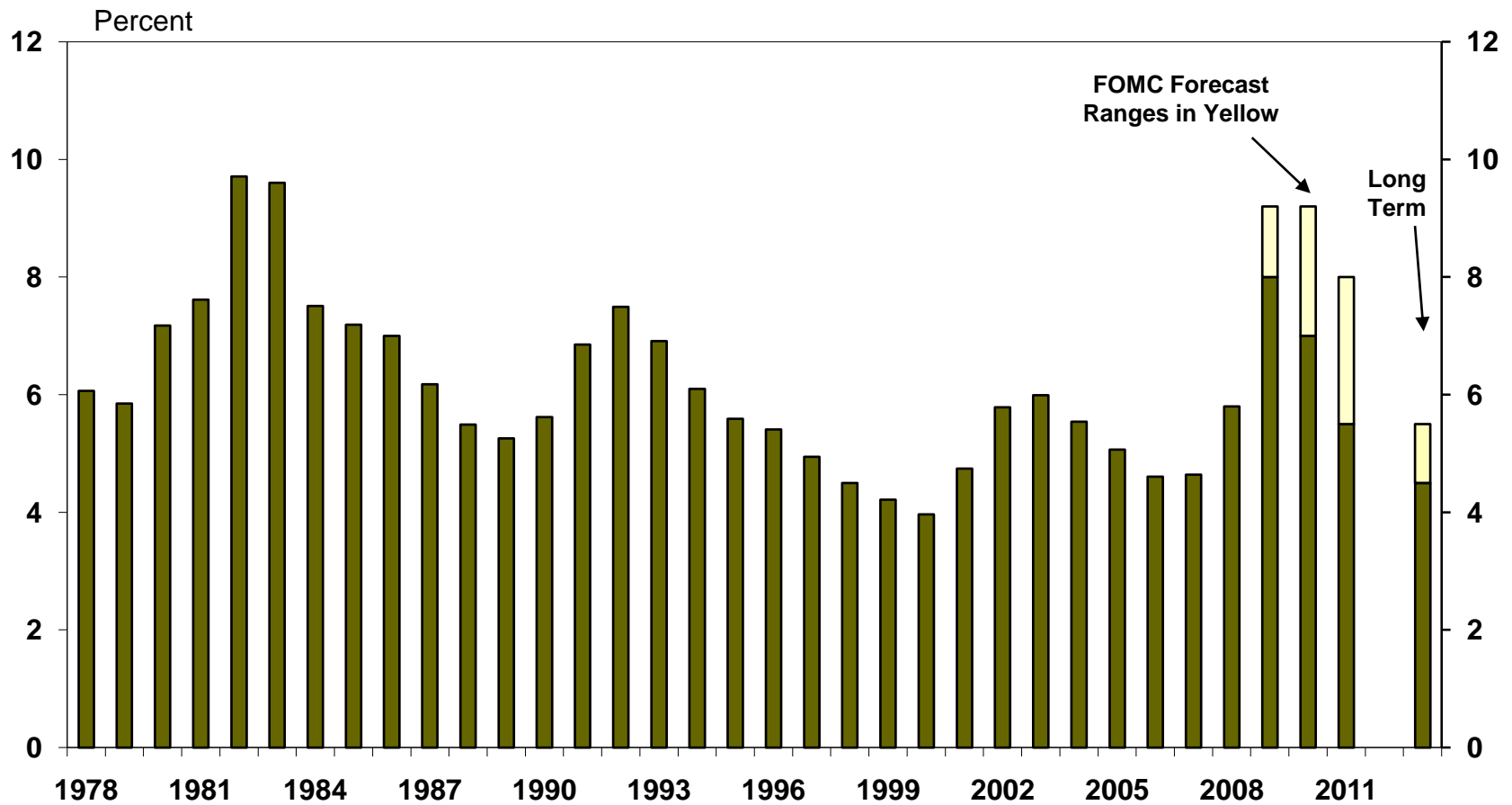
# Heading forward, policy makers generally expect a gradual recovery

## Gross Domestic Product



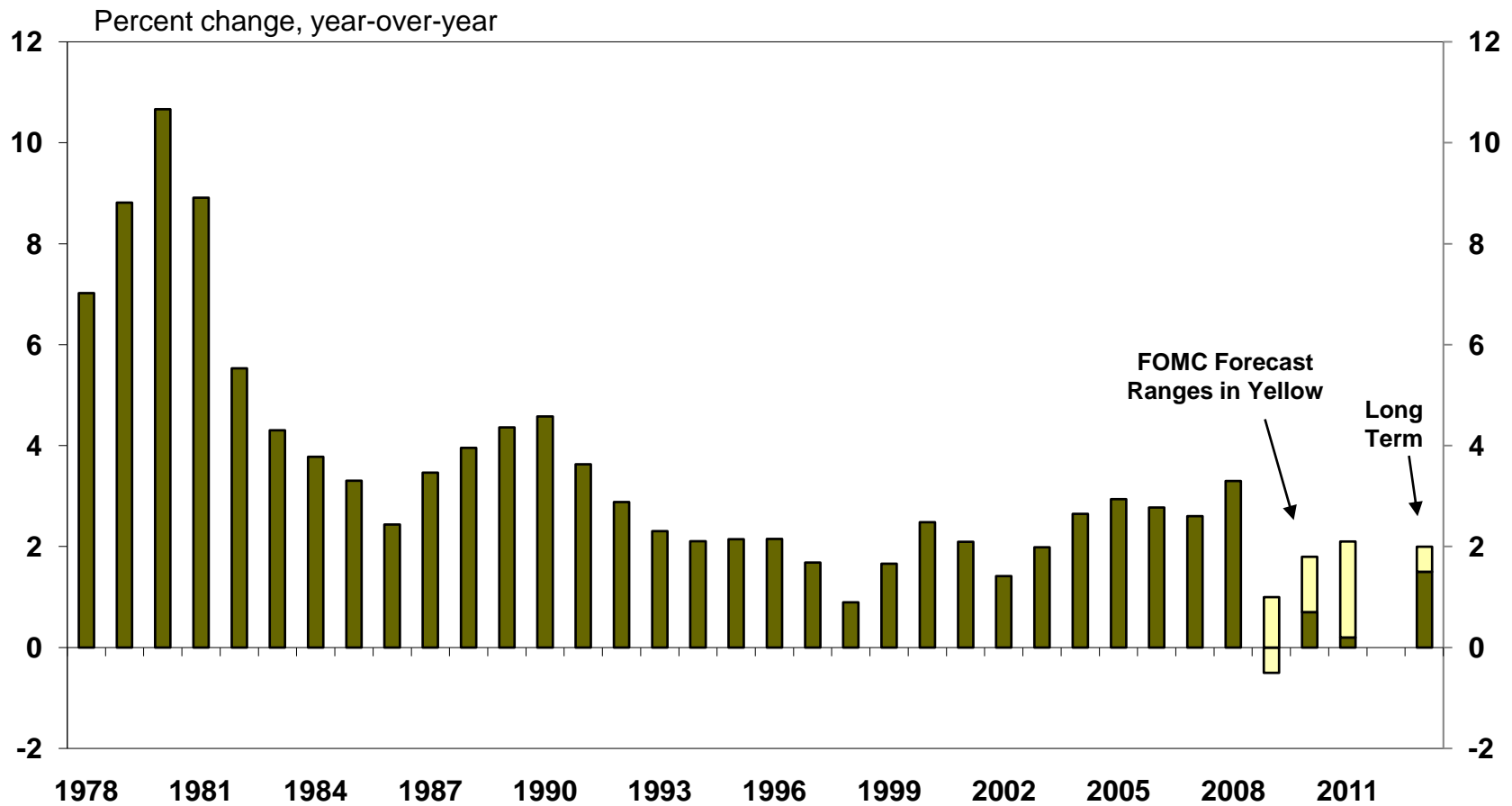
# But U.S. unemployment is expected to rise further

**Unemployment Rate**  
Seasonally Adjusted



# Meanwhile, inflation is expected to moderate after rising in 2008

## PCE Inflation Index



# The Oklahoma Economy

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- The state's economy and housing sector remain stronger than in the nation
- But the recent downturn in energy activity has dragged the state into recession
- Efforts to boost the U.S. economy are coming at a good time for Oklahoma

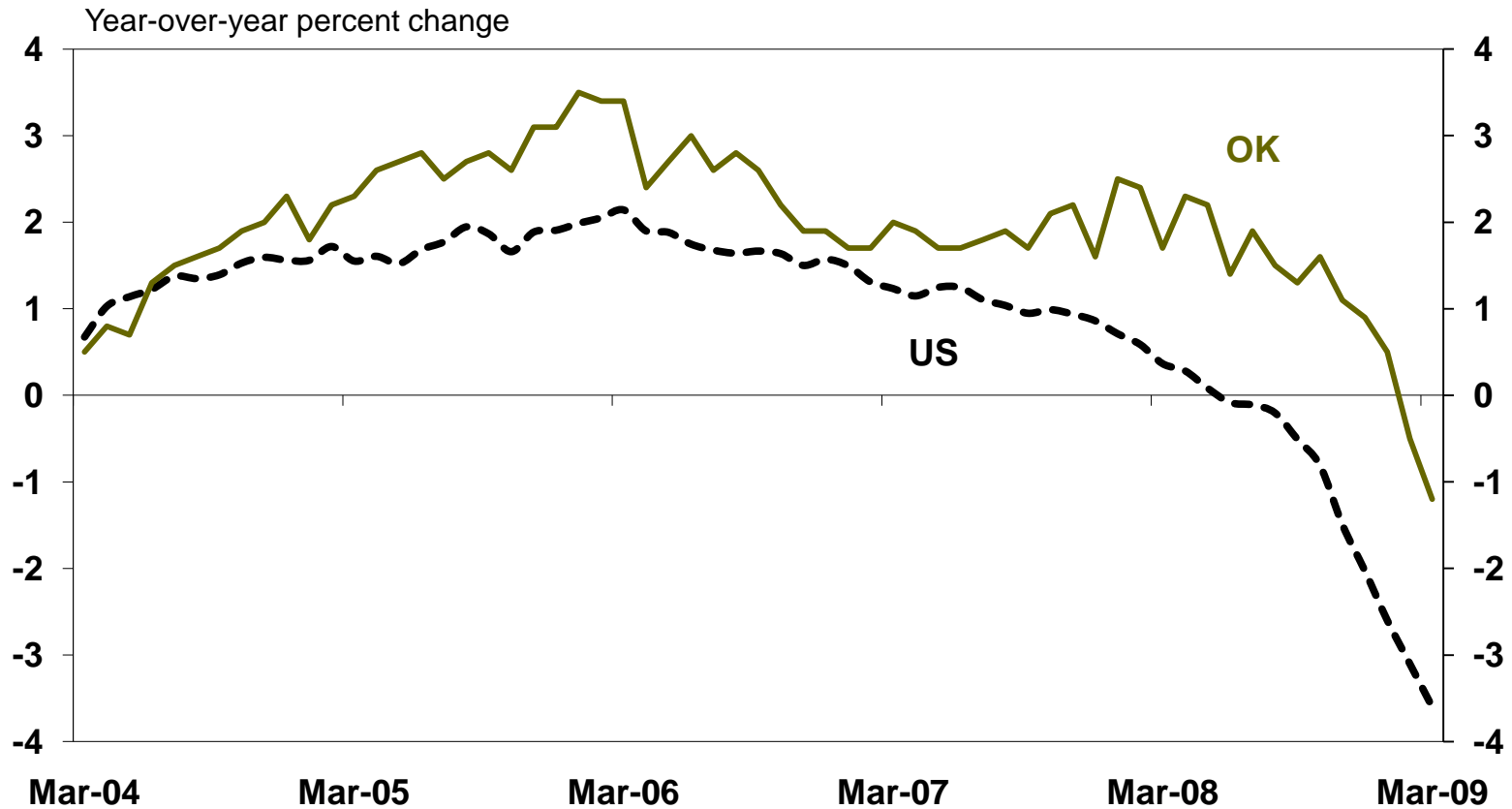
# Unemployment remains relatively low in Oklahoma and most nearby states

Unemployment Rate, March 2009

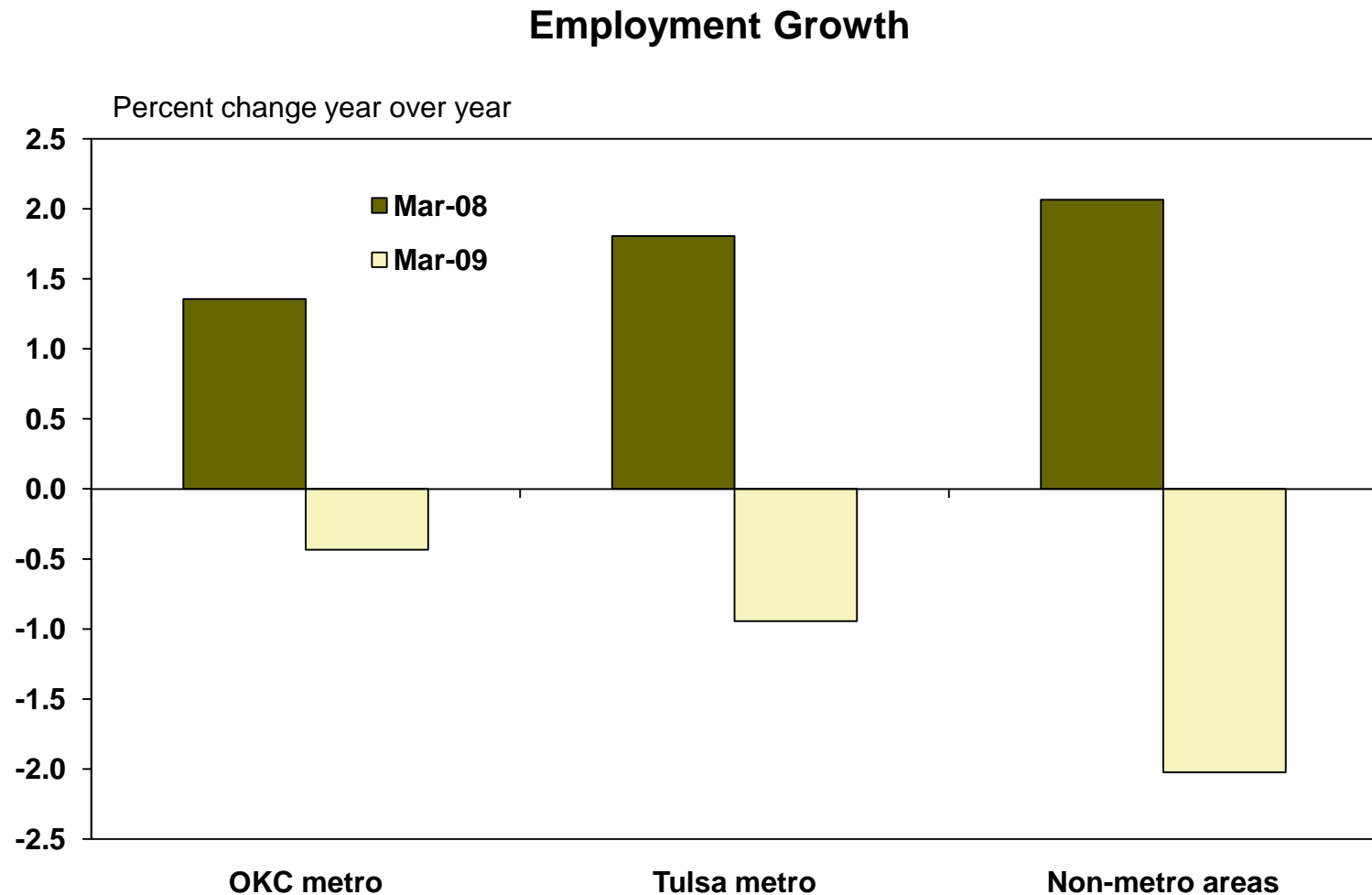


# But jobs are now vanishing rapidly in Oklahoma, following a long boom

## Nonfarm Payroll Employment Growth



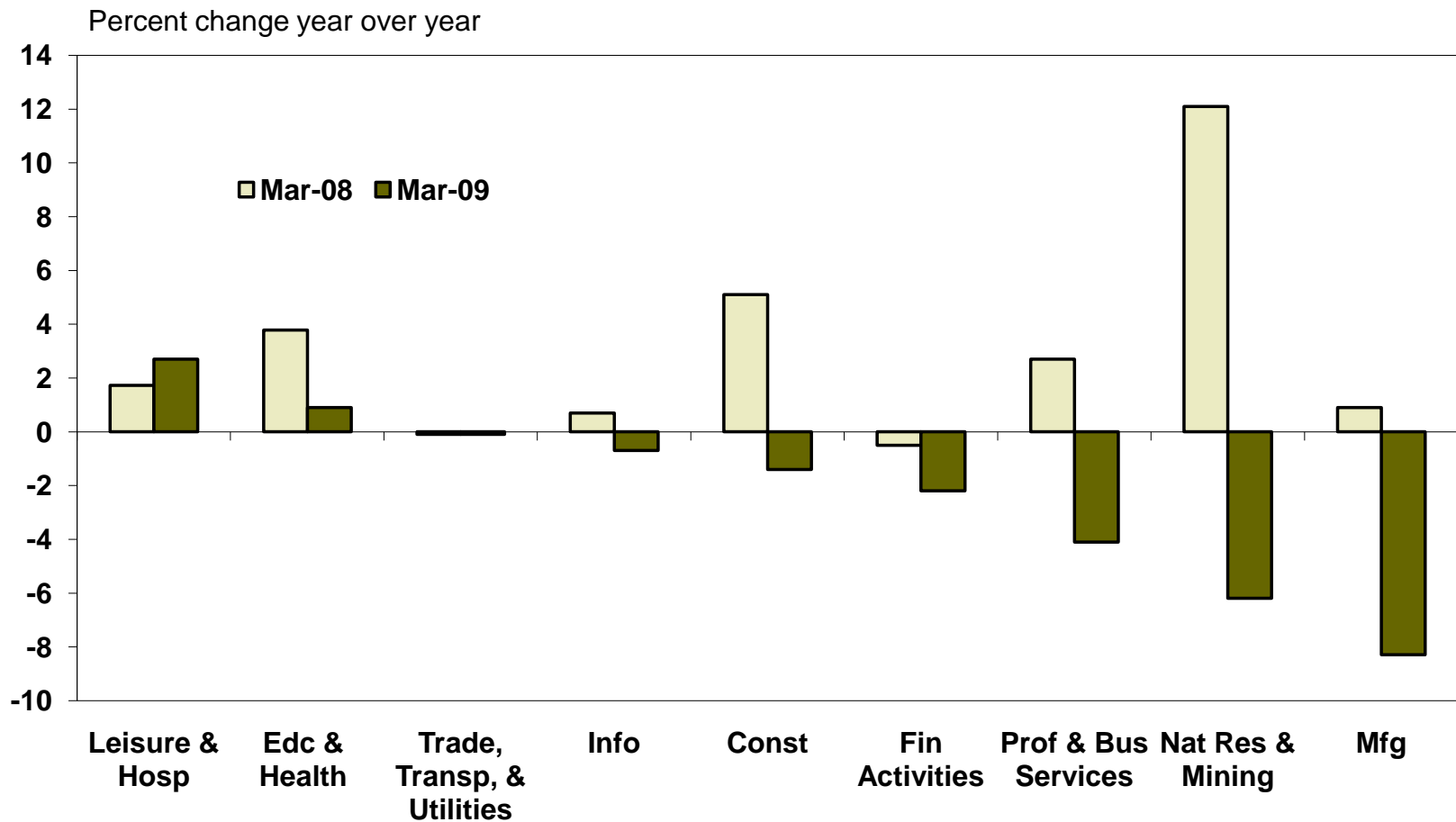
# The decline in state job growth has been sharpest in non-metro areas





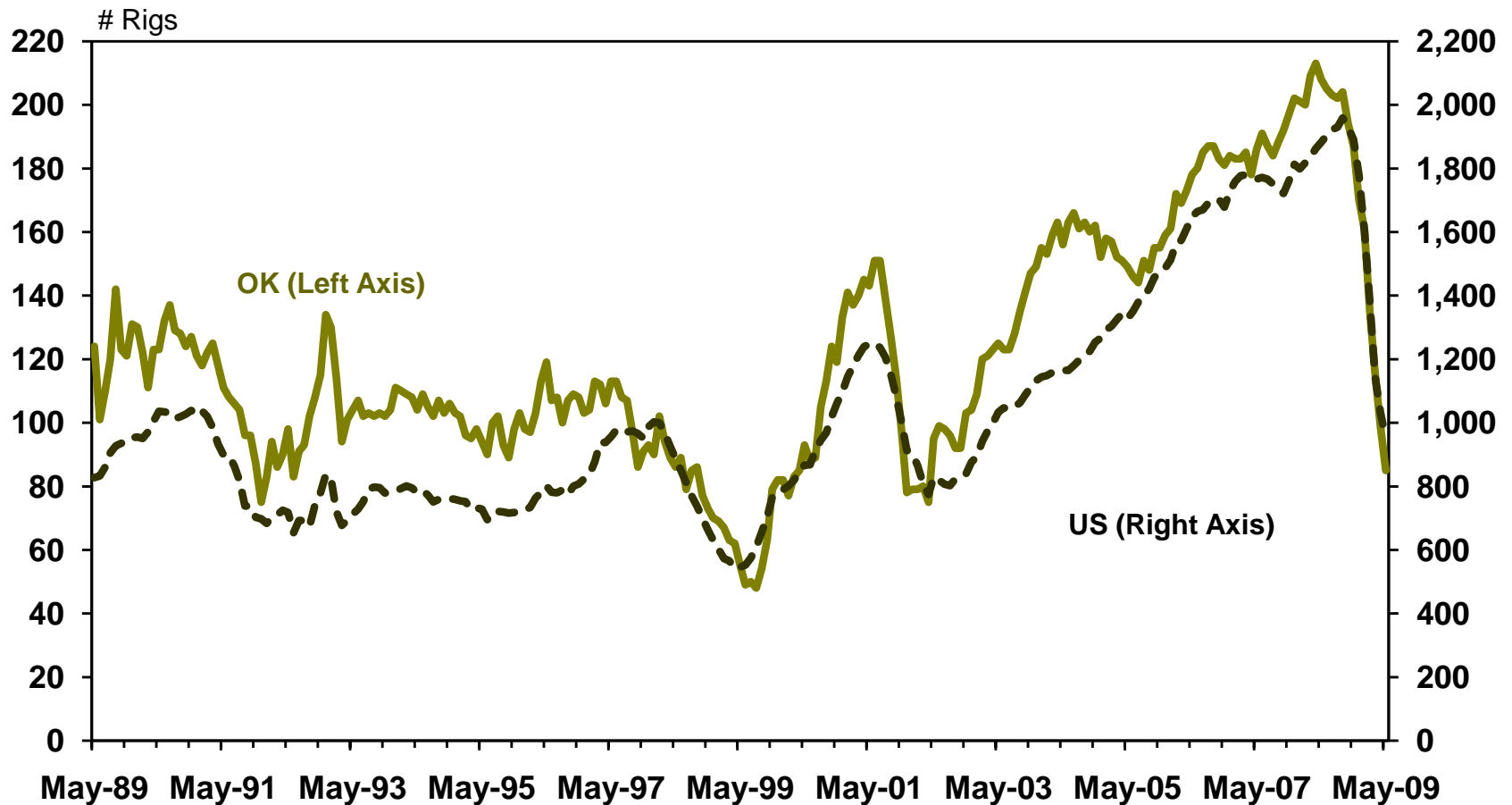
# Jobs are now down from a year ago in most Oklahoma industries

## Oklahoma Employment Growth by Industry



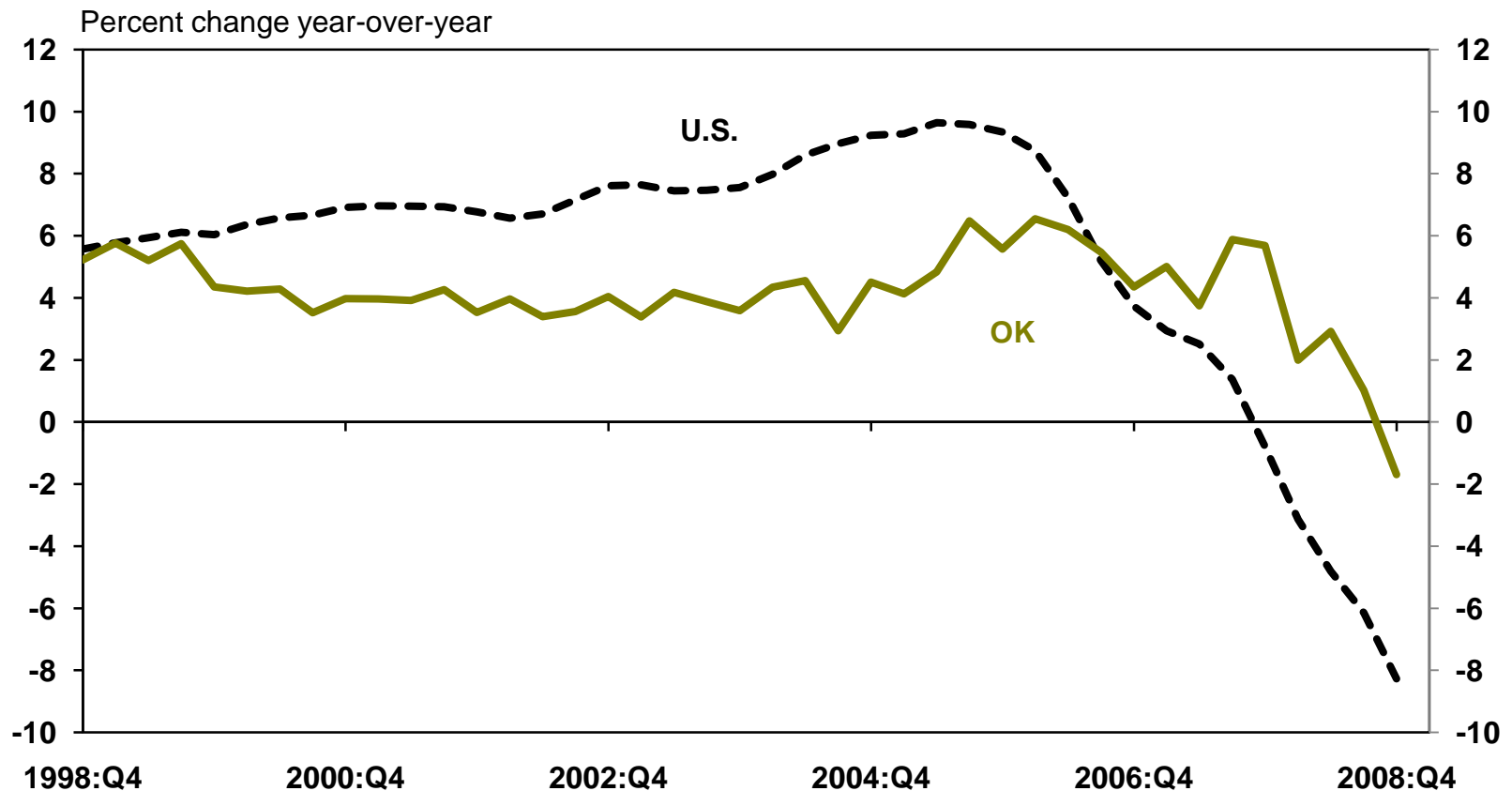
# The state's energy sector is seeing a particularly sharp decline in activity

## Count of Active Drilling Rigs



# State home prices have held up better than in the nation, but are now easing

Quality-Adjusted Home Price Growth  
Purchase-Only



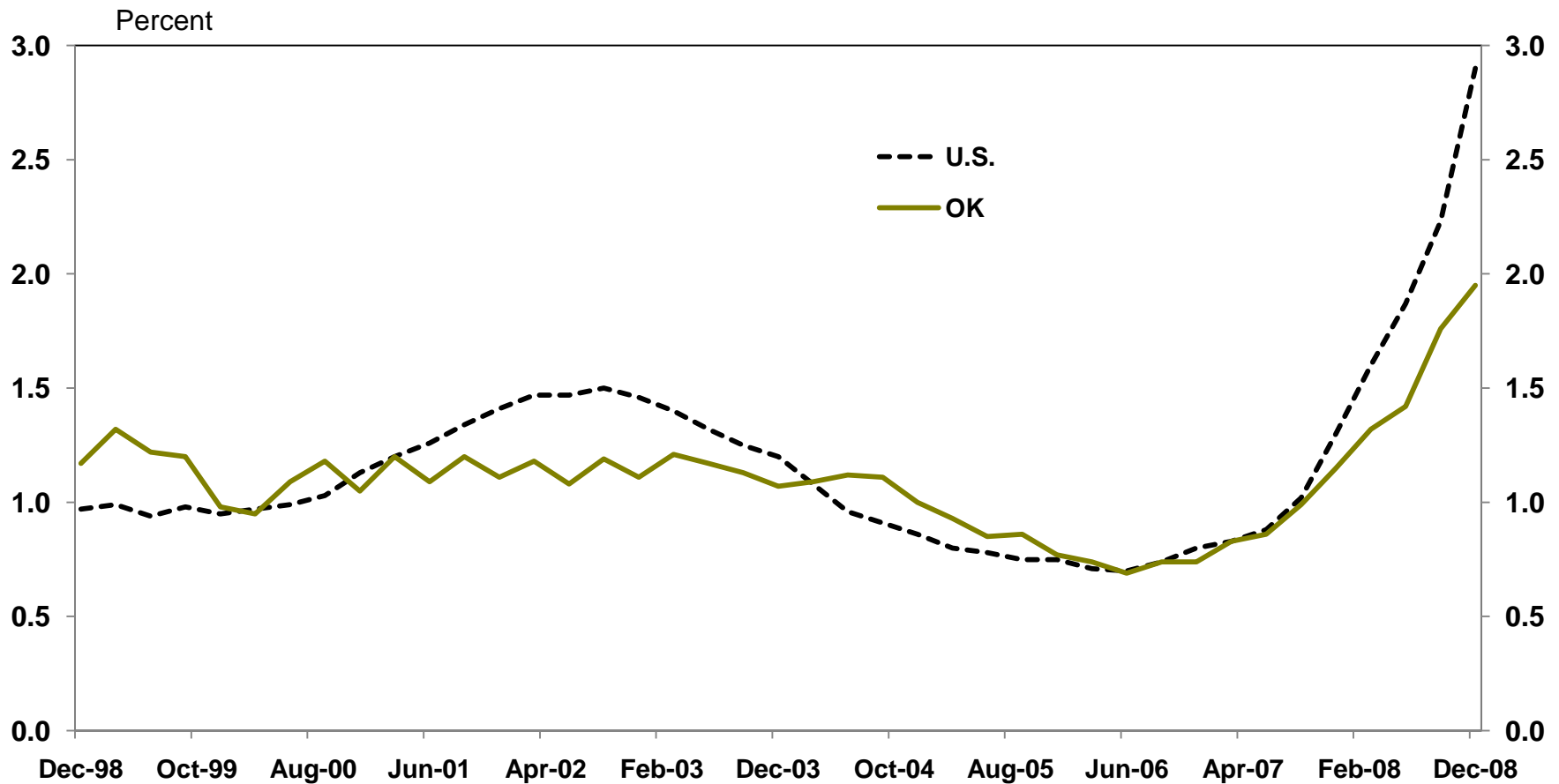
# So far, home foreclosures have remained relatively low in the state

Foreclosure Rates, April 2009



# Delinquent loans have risen in Oklahoma, but less than in the nation

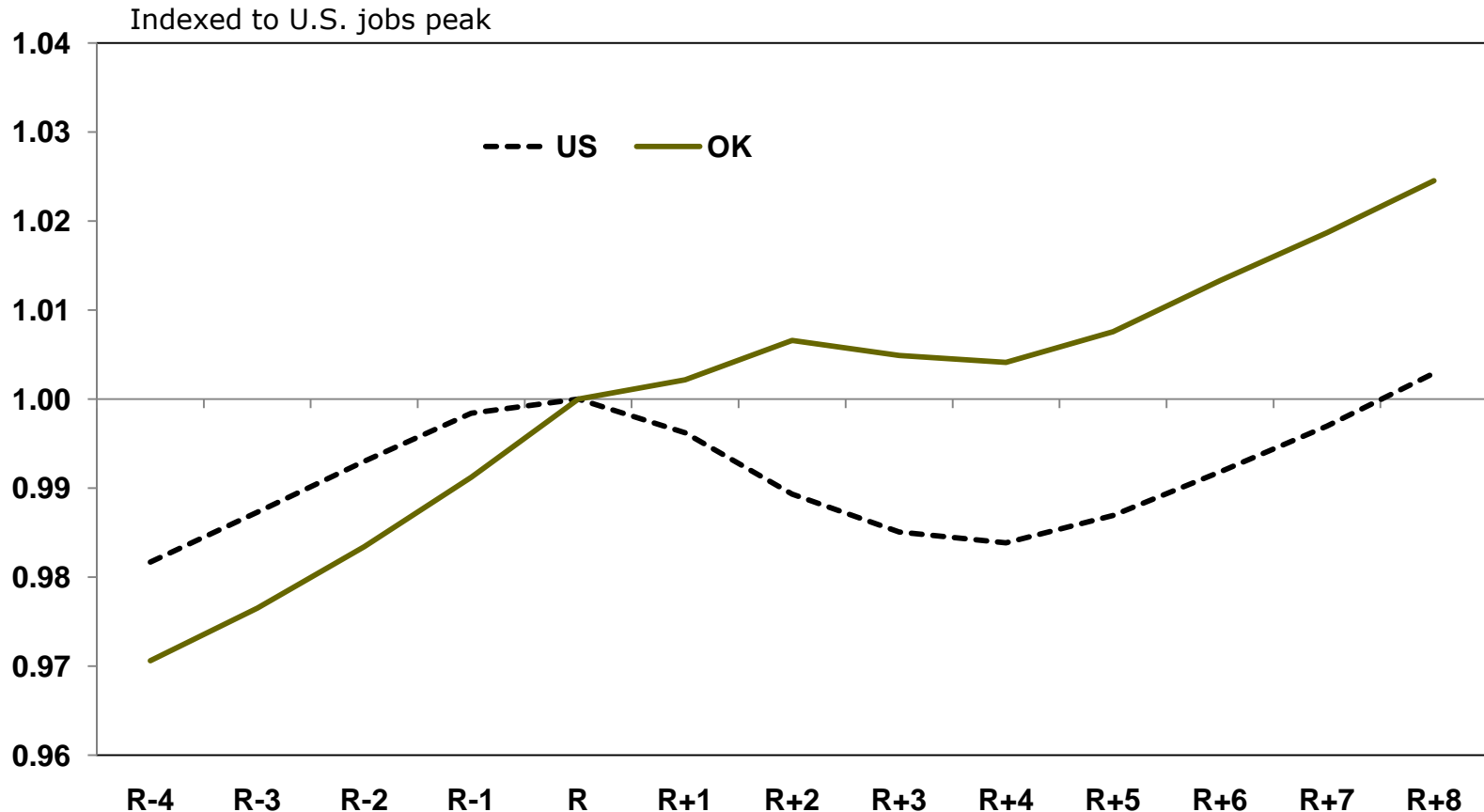
**Noncurrent Loans and Leases as a Share of Total Commercial Banks**



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

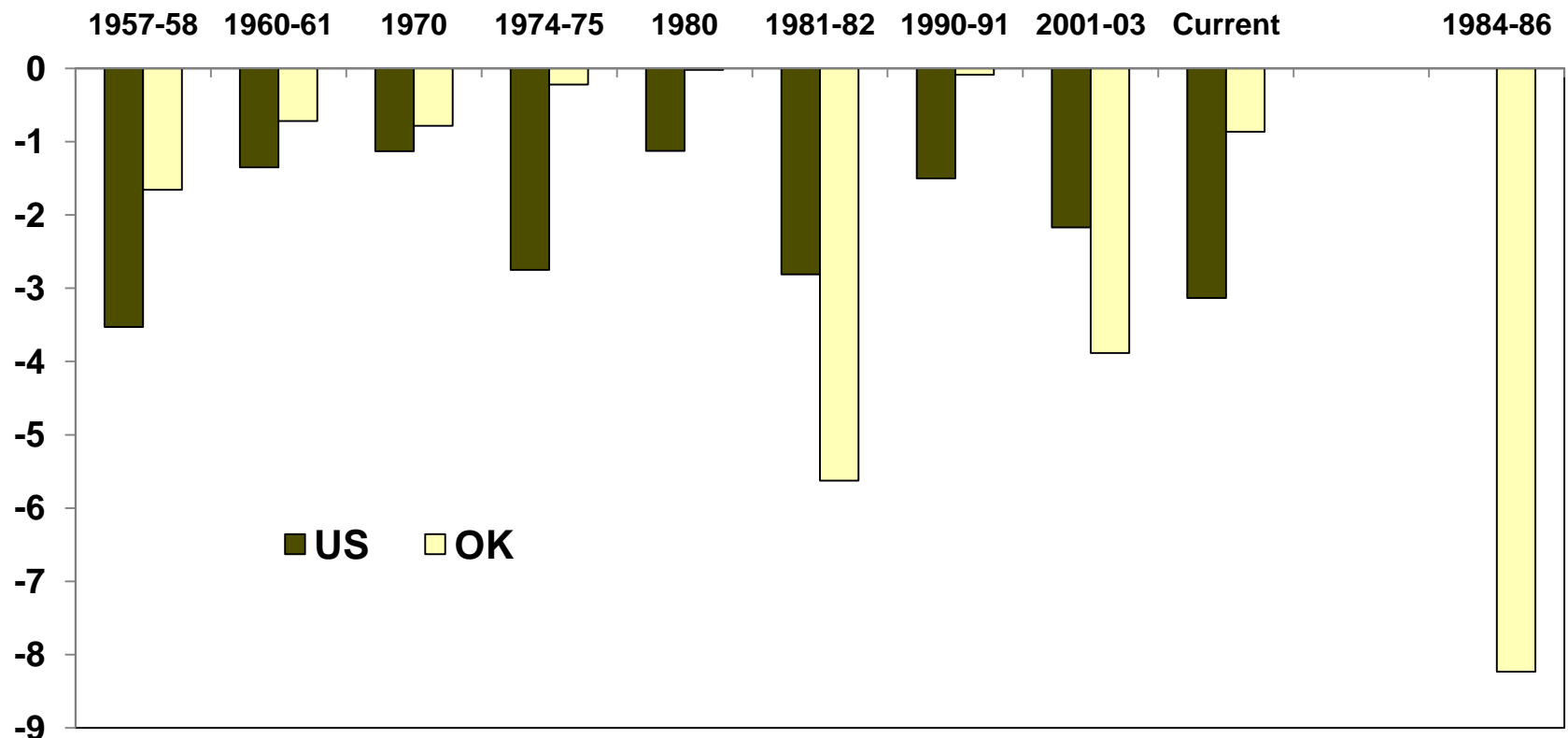
## Average Recession Path, 1956-2006

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

Job Losses in Recessions, 1956-present  
Percent



# Summary

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- ❑ The U.S. economy may be near a bottom, but recovery will depend on improved credit markets
- ❑ With the steep recent declines in energy activity, Oklahoma has finally entered the recession
- ❑ Efforts to boost U.S. growth in 2009 and 2010 should benefit Oklahoma as well