Following 2 very bad quarters, declines in the U.S. economy have been smaller in Q2 2009.
Credit market conditions have improved but remain somewhat strained.

LIBOR-OIS Spread

Source: Bloomberg
Heading forward, policy makers generally expect a gradual recovery.

Source: U.S. Bureau of Economic Analysis, FOMC
But U.S. unemployment is expected to remain elevated for some time.
Meanwhile, inflation is expected to remain fairly moderate in coming years.
Unemployment remains relatively low in Oklahoma and most nearby states.
But jobs are now well below year-ago levels in Oklahoma, following a long boom.
Employment is down in most industries in the state, especially energy and manufacturing.

Oklahoma Employment Growth by Industry

Percent change year over year

Source: U.S. Bureau of Labor Statistics
The decline in jobs has been sharpest in the state’s non-metro areas.

Employment Growth

Percent change year over year

Source: U.S. Bureau of Labor Statistics
Unlike the nation, Oklahoma home prices remain similar to a year ago.
And home foreclosures have remained relatively low in the state.

Foreclosure Rates, April 2009

Share of Households
- 0.5 to 1.5%
- 0.2 to 0.5%
- 0.1 to 0.2%
- 0.0 to 0.1%

Source: Realty Trac
Past due loans have risen at Oklahoma banks, but much less than in the nation.
The number of unprofitable banks has risen only marginally in OK.

Share of Banks Unprofitable in the Quarter
Commercial Banks

Source: FDIC
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

Indexed to U.S. jobs peak

Source: U.S. Bureau of Labor Statistics
With the shorter duration, Oklahoma’s job losses in U.S. recessions are usually smaller.

Source: Bureau of Labor Statistics
So far, the state is largely following its usual pattern during U.S. recessions.
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.