

Economic Conditions

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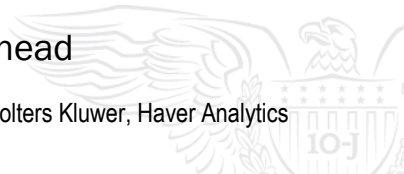
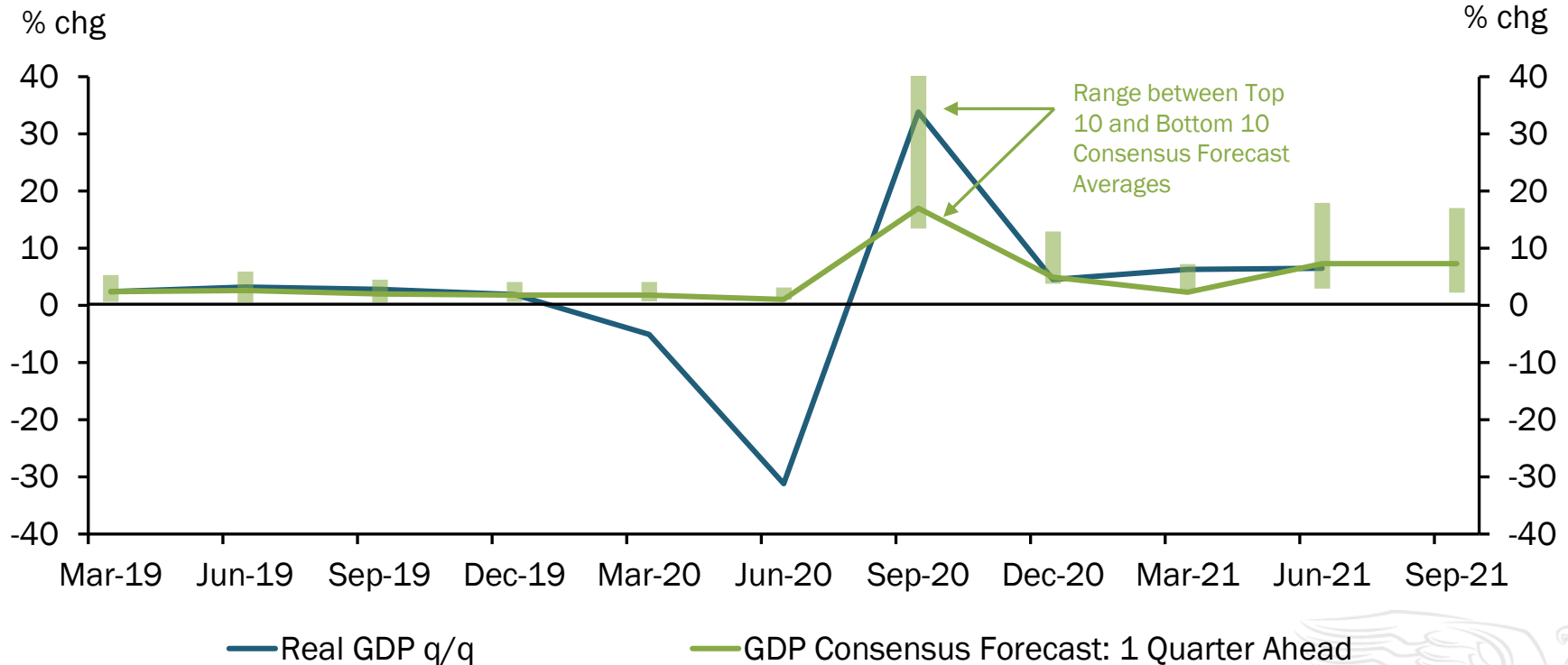


Outlook themes

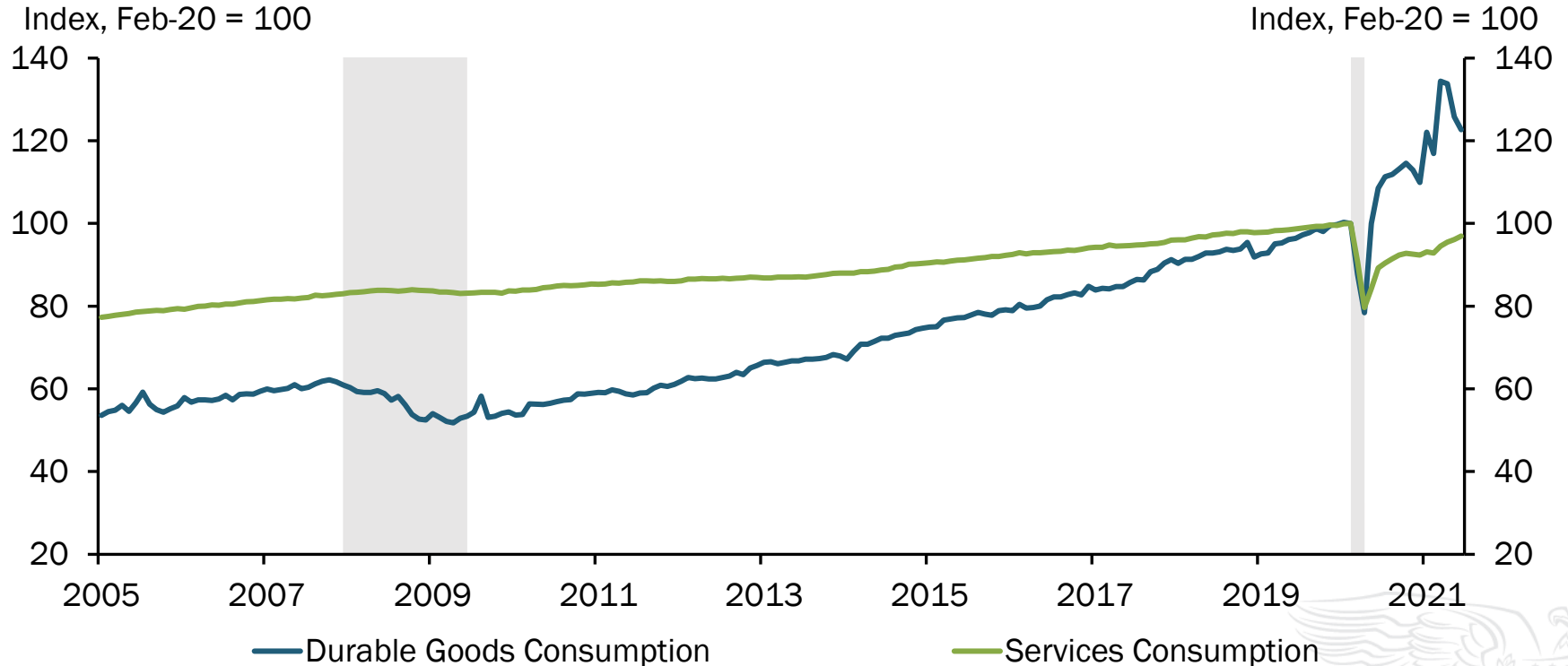
- After several months of sustained economic recovery, the outlook is again tied to the uncertain path of the pandemic
- The influence of the pandemic on both consumer demand and supply disruptions remained substantial into this summer
- Labor shortages continue to challenge businesses, particularly for lower wage occupations
- Recovery in employment has been uneven between small and large businesses, as well as across demographic groups
- Cost pressures are elevated and inflation is currently running above 2 percent



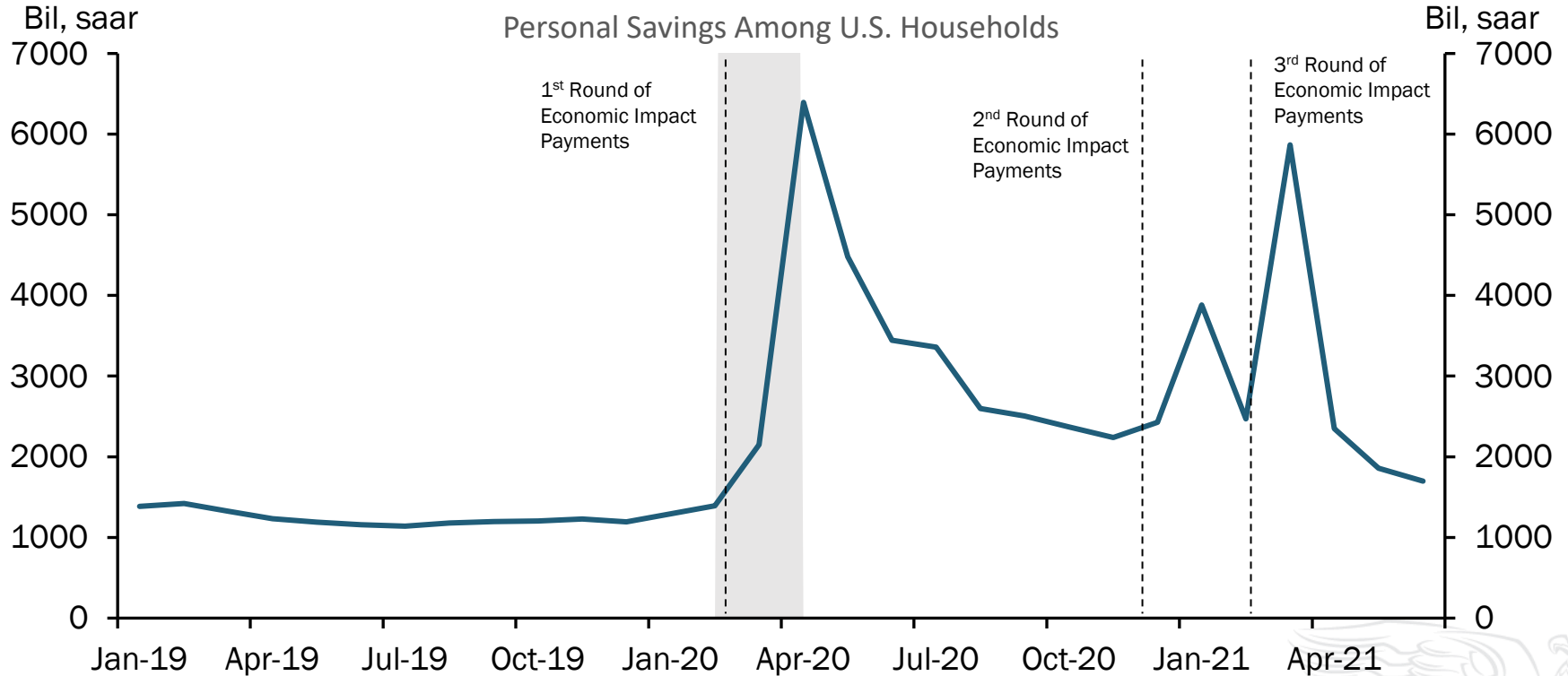
Overall economic activity has returned to pre-pandemic levels, but uncertainty about the outlook is growing amid rising COVID cases



Consumer spending on goods is moderating from its surge during the pandemic, while spending on services is still recovering



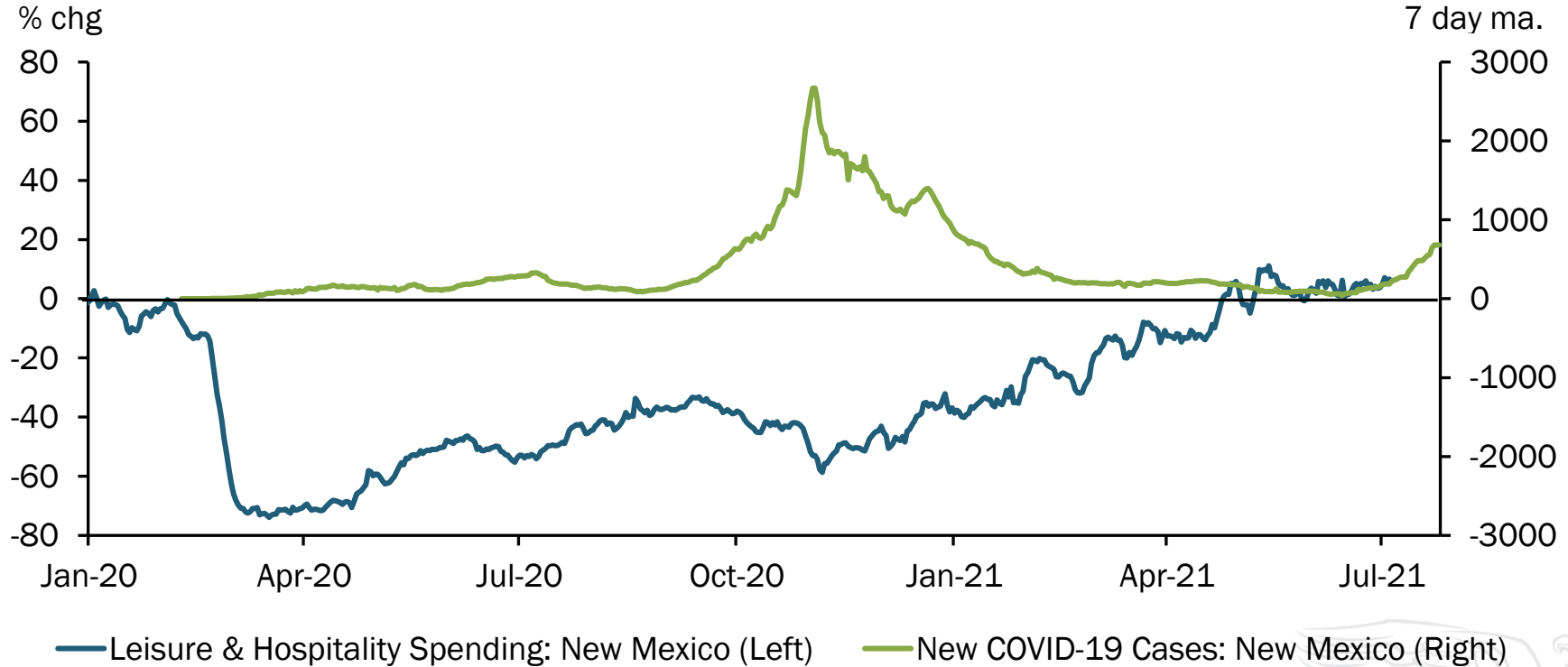
Household savings and improving labor market conditions will support moderate recovery in consumer spending



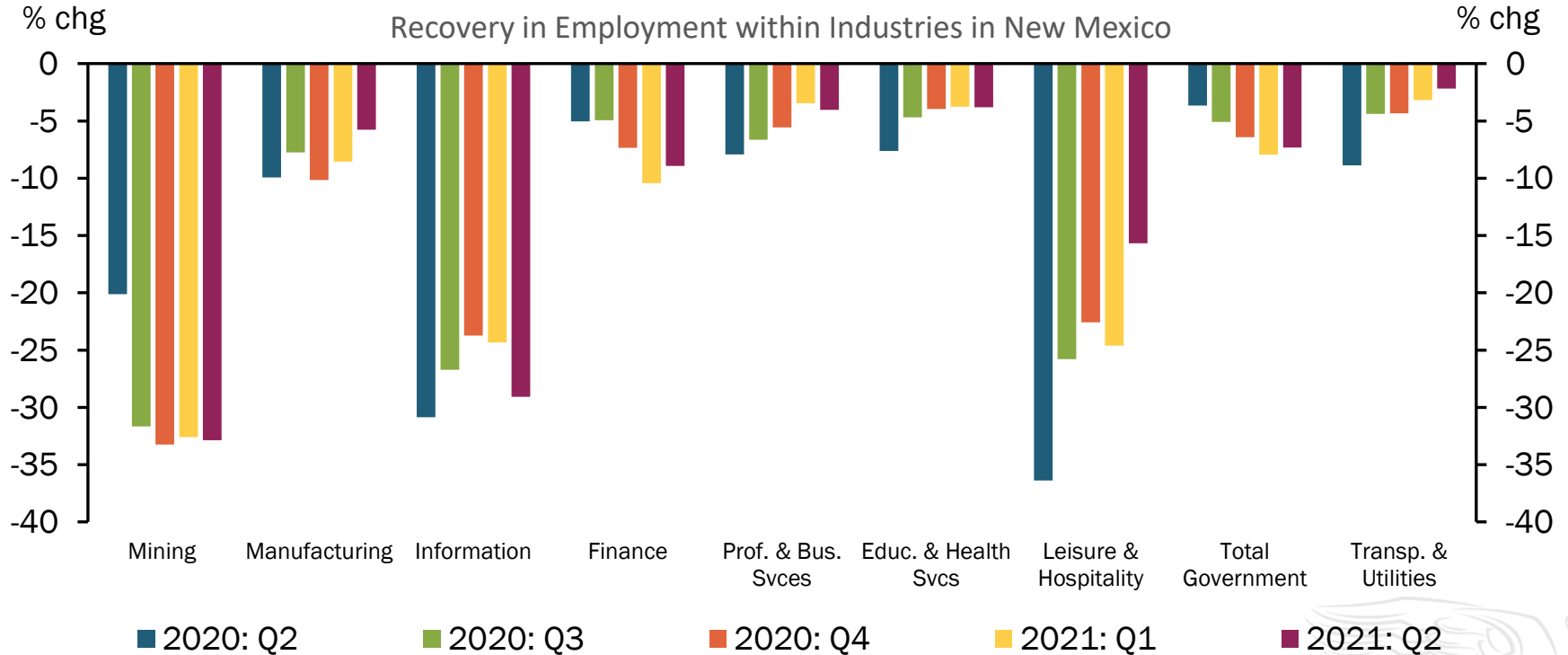
Sources: BEA, NBER

Notes: Grey bars indicate recession shading

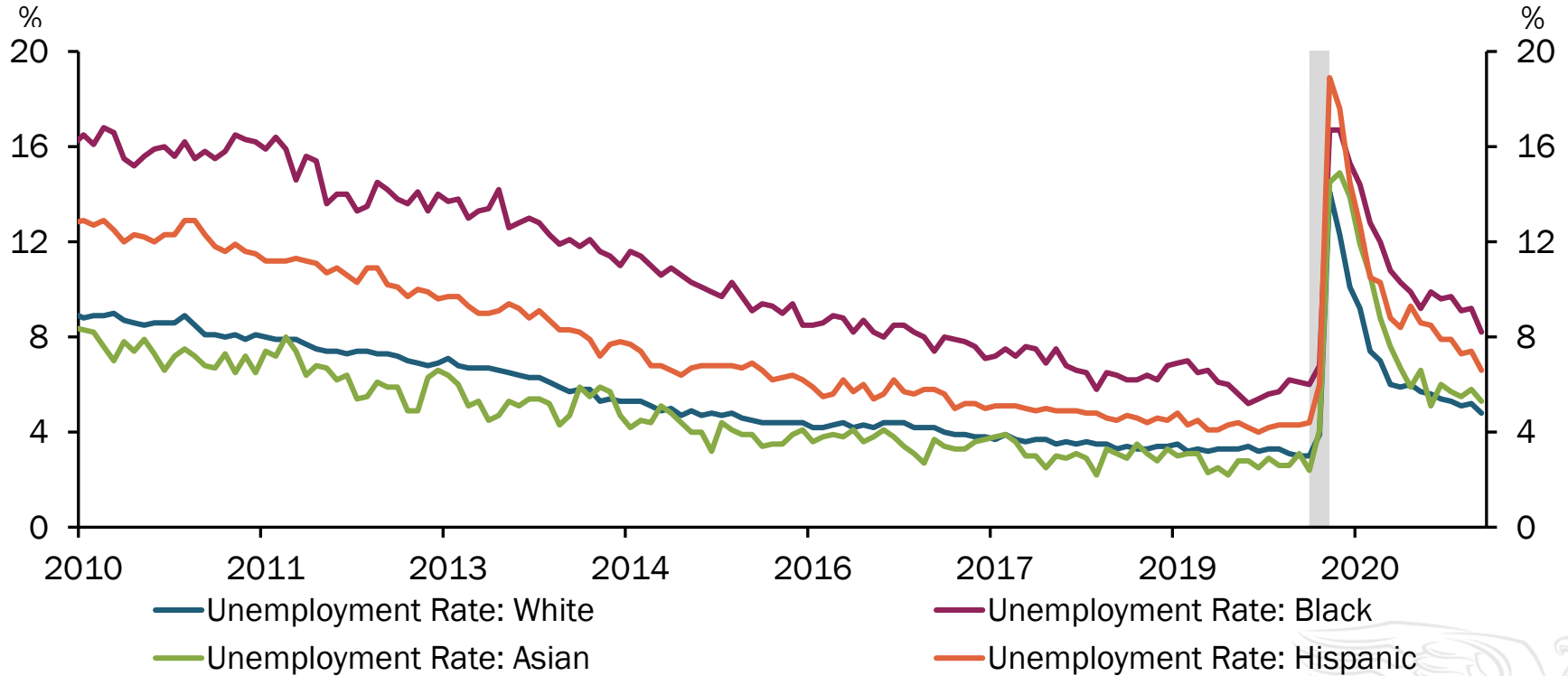
Consumer demand for services will depend on the path of the pandemic; responses to the recent surge in cases remains uncertain



The recovery in employment in New Mexico has been mixed across industries and somewhat delayed relative to the rest of the U.S.

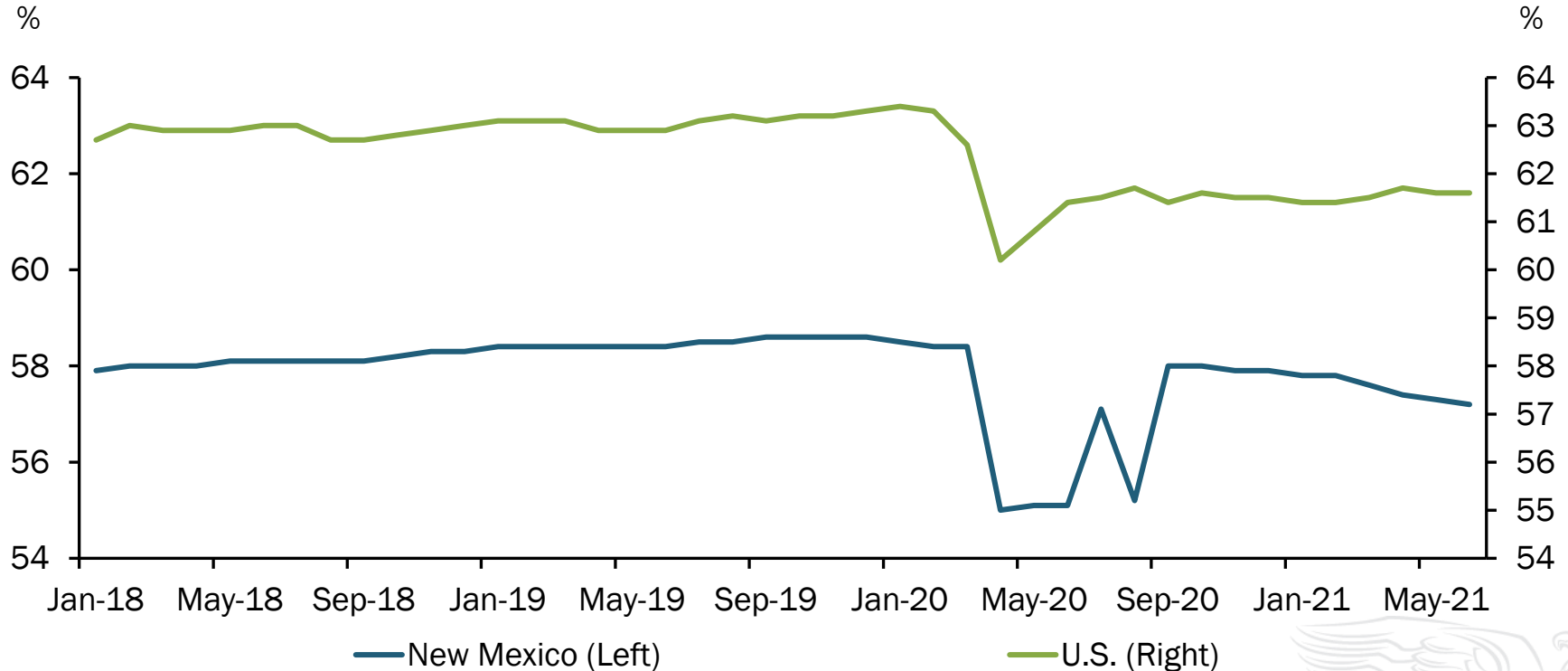


Overall unemployment continues to decline quickly but remains elevated, particularly for minority workers

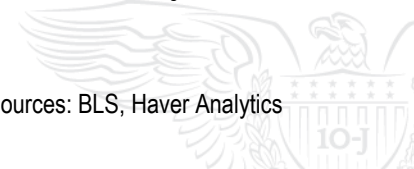


Sources: BLS, Haver Analytics
 Notes: Grey bars indicate recession shading

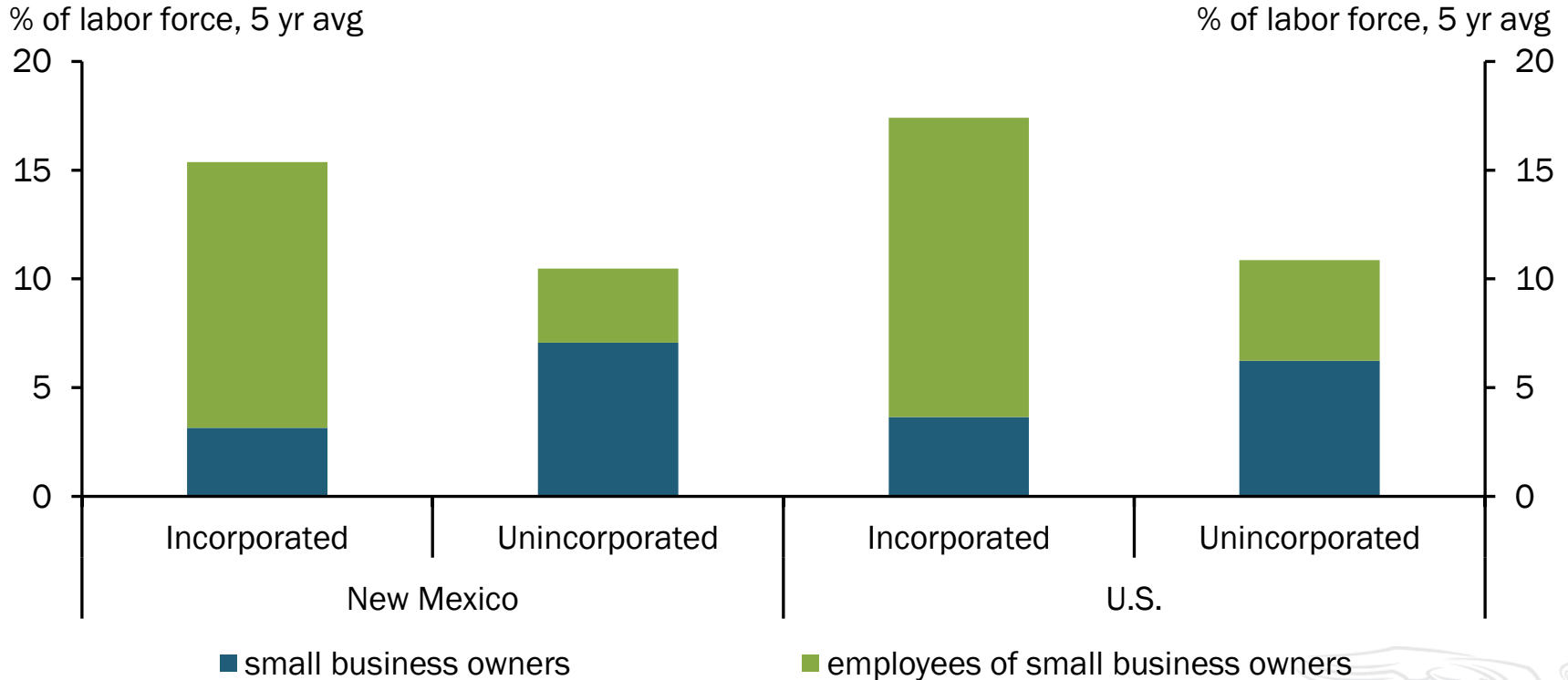
While labor force participation in New Mexico has recovered to near pre-pandemic levels, it remains low compared to the rest of the nation



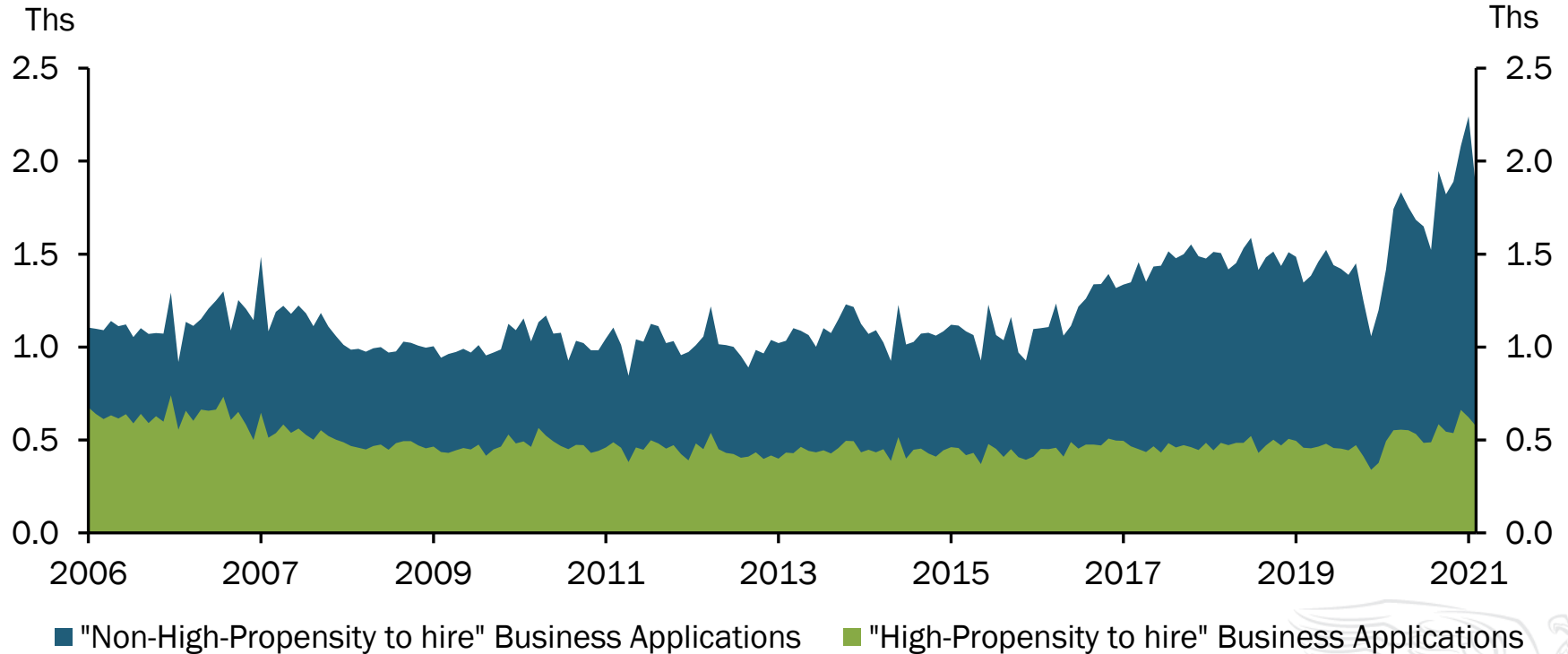
Sources: BLS, Haver Analytics



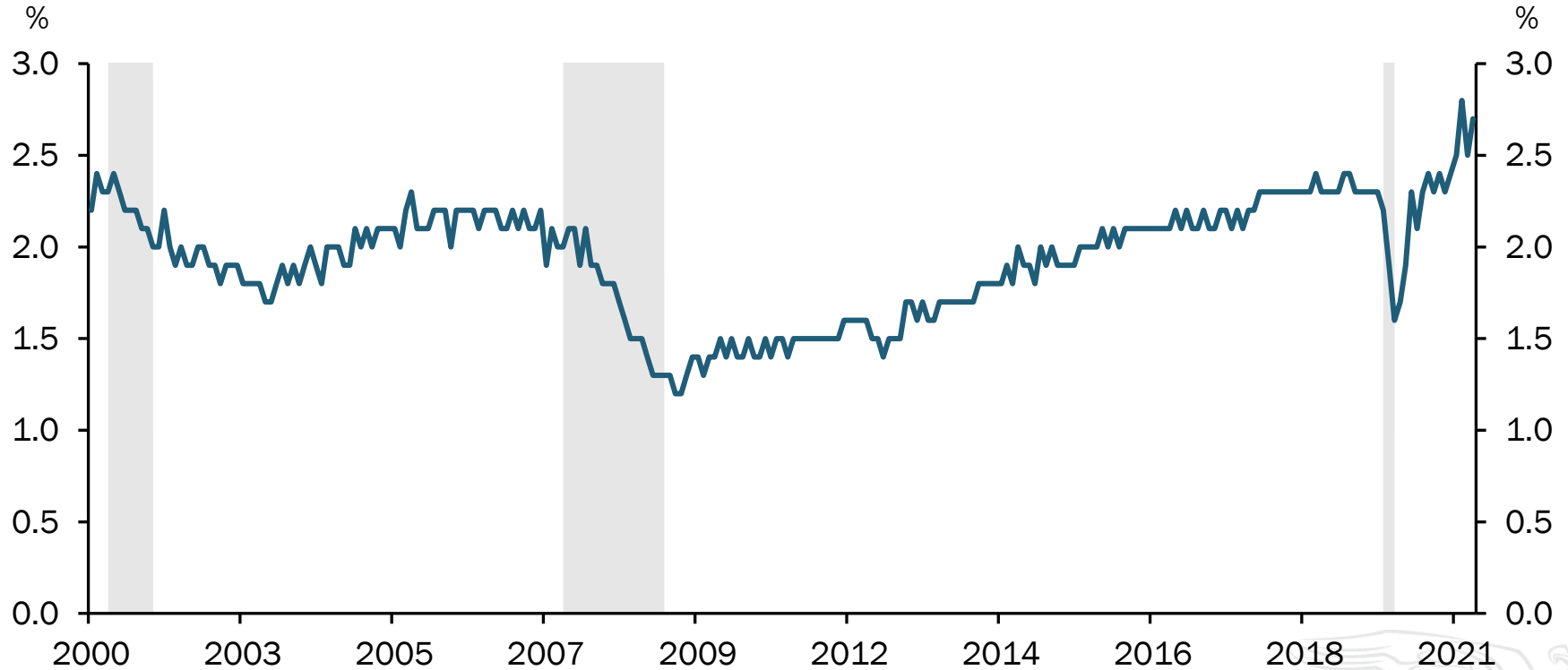
Small Businesses account for a large share of overall hiring



Although applications for new small businesses surged in New Mexico last year, relatively few of these business are likely to hire employees

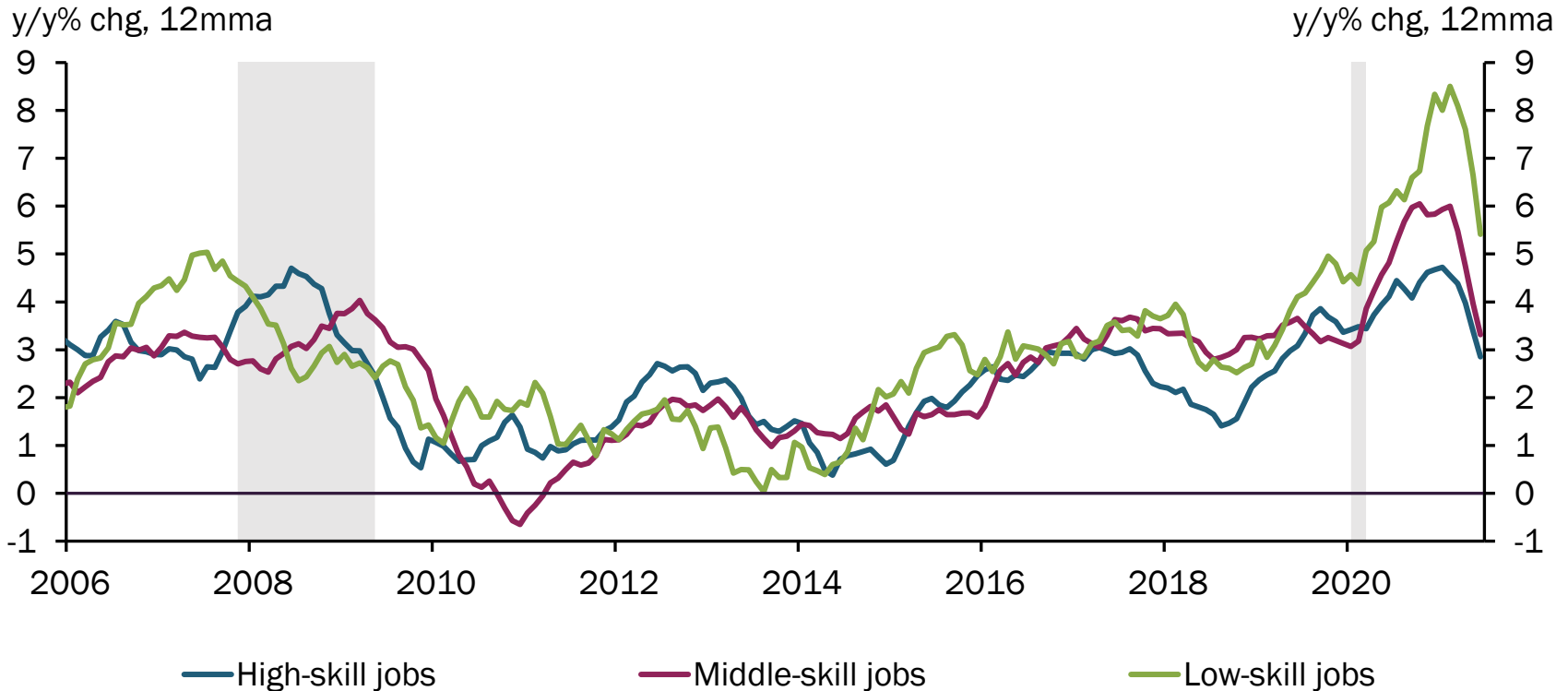


Workers feel confident about seeking new employment opportunities and are quitting their current jobs at historic rates



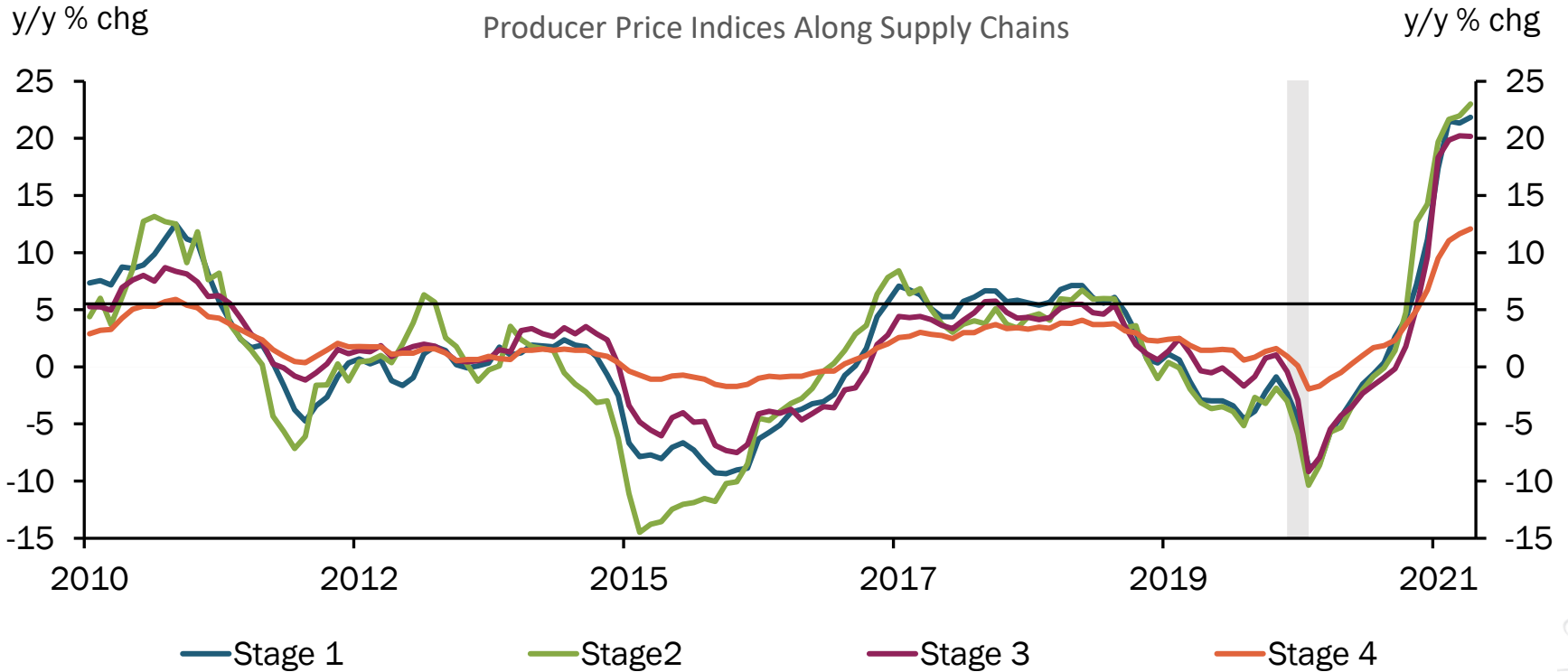
Sources: BLS, NBER, Haver Analytics
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Wage growth is showing some signs of moderating generally, but remains elevated for low-skill jobs by historical standards

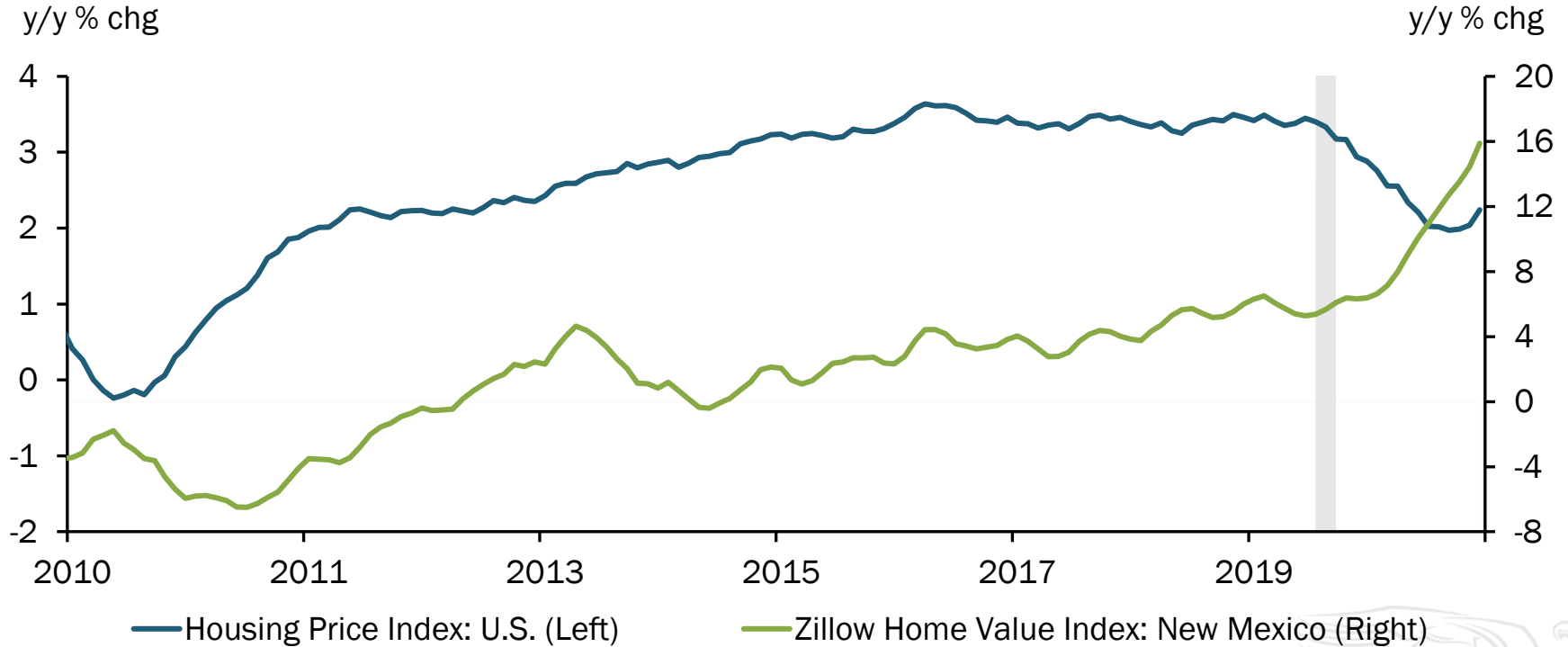


Sources: Current Population Survey, Staff, NBER, Haver Analytics
 Notes: Grey bars indicate recession shading

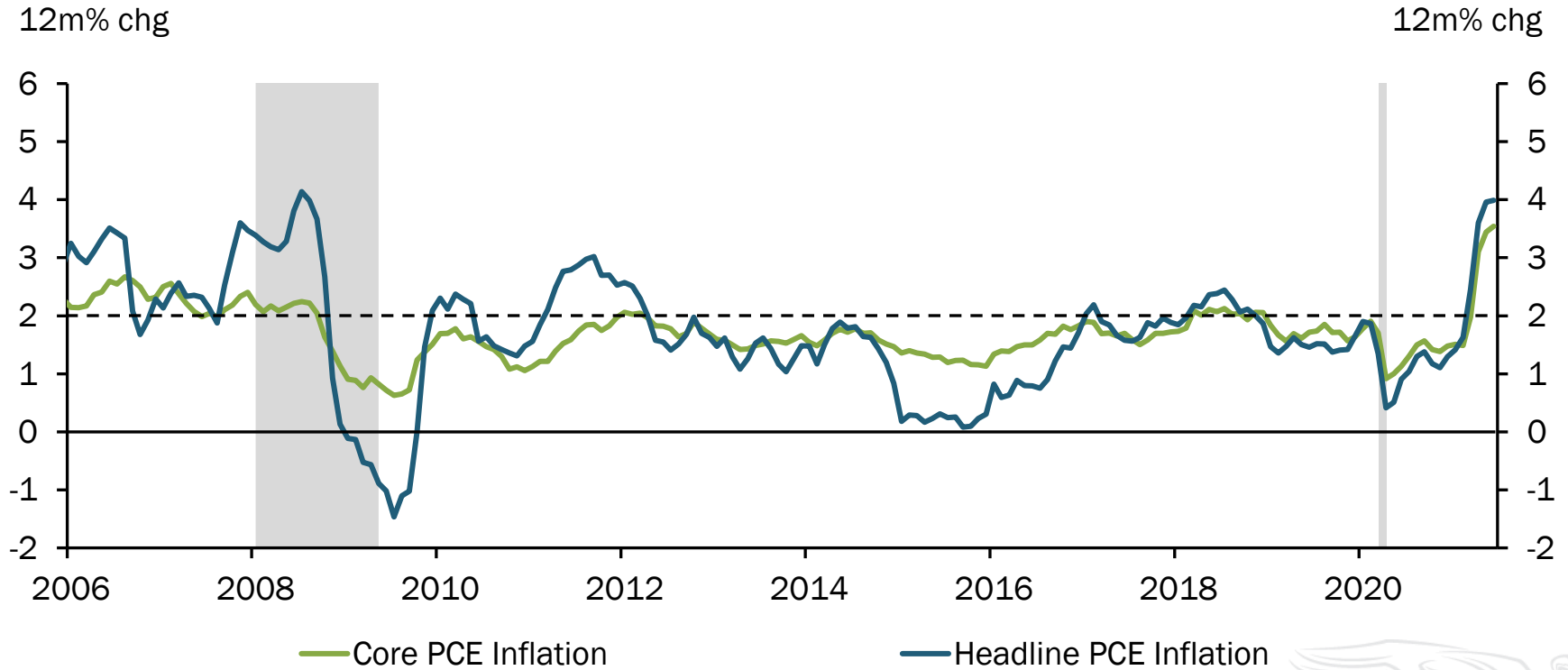
In addition to wage pressures, cost pressures for materials at various stages of production are elevated due to supply constraints



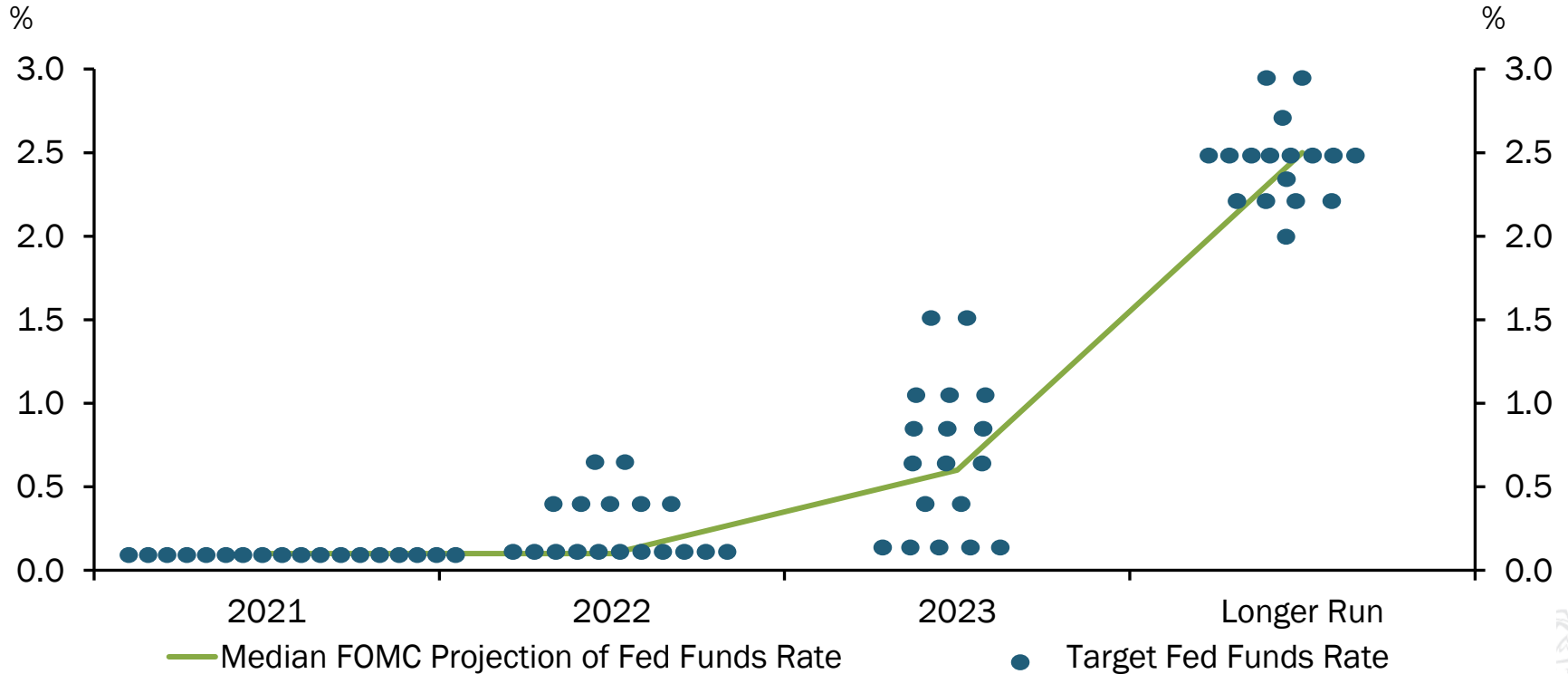
House prices continue to rise while overall housing cost indices are growing at subdued rates



Inflation currently exceeds the Federal Reserve's 2 percent target



Recent projections from the FOMC for the median participant indicate expectations for stability in the rate environment through 2022



Looking forward

- Uncertainty about the outlook is rising, potential leading to some precautionary behavior that will moderate the speed of the recovery
- Although household savings and business cash holdings are somewhat elevated, risks remain tilted to the downside
- The stance of monetary policy remains accommodative



