The U.S. economy is expected to grow at a moderate pace over the next two years.

**REAL U.S. GROSS DOMESTIC PRODUCT**

*Percent Change from Previous Quarter at Seasonally Adjusted Annualized Rates*

![Bar chart showing real U.S. GDP growth rates from 2011Q3 to 2015.](chart.png)

Source: Bureau of Economic Analysis and Federal Open Market Committee (FOMC)/Haver Analytics

*Note: Projections as of September FOMC meeting*
Consumer spending and private investment have driven growth over the past year.

**Contributions to Real GDP**

*Percent Change at Seasonally Adjusted Annualized Rates*

Source: Bureau of Economic Analysis / Haver Analytics
Unemployment rates have declined but remain elevated.

**Unemployment Rates**

*Seasonally Adjusted*

**United States**

**New Mexico**

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>New Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>9.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td>2007</td>
<td>8.2%</td>
<td>3.9%</td>
</tr>
<tr>
<td>2008</td>
<td>9.6%</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>8.2%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>7.3%</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>7.3%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>Aug 2013</td>
<td>FOMC Central Tendency Projections*</td>
<td>6.2%</td>
</tr>
<tr>
<td>Sep 2013</td>
<td></td>
<td>7.1%</td>
</tr>
<tr>
<td>Oct 2013</td>
<td></td>
<td>6.4%</td>
</tr>
</tbody>
</table>

*Source: Bureau of Labor Statistics & Federal Reserve Board  
*September 2013 Projections.*
Inflation remains below the FOMC’s two percent target.

PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)
Percent Change Year-over-Year

Headline Inflation
Core Inflation

Source: Bureau of Economic Analytics
“...the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored.”

- October 2013 FOMC Statement
“...the Committee decided to continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month.”

- October 2013 FOMC Statement
Most states experienced positive job growth over the past year.

August 2013 Nonfarm Employment
Year-over-Year Percent Change, Seasonally Adjusted

United States
1.7%

Over 3%
2 to 3
1 to 2
0 to 1
-1 to 0

Source: Bureau of Labor Statistics
The economic recovery in New Mexico has lagged the nation, but employment growth has picked up over the past year.

PAYROLL EMPLOYMENT GROWTH

Index 100 = October 2003, Seasonally Adjusted

Percent Change | Past 10 Years | Past Year | Peak to Current
--- | --- | --- | ---
U.S. | 4.9% | 1.7% | -1.1%
NM* | 4.3% | 1.1% | -4.6%

*New Mexico data is through August 2013

Source: Bureau of Labor Statistics
New Mexico employment has increased more than 5 percent over the past year in the leisure and hospitality sector and the financial services sector.

**CHANGE IN PAYROLL EMPLOYMENT, AUGUST 2013**
*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Industry</th>
<th>New Mexico</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>6.3%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>2.7%</td>
<td>2.5%</td>
</tr>
<tr>
<td>State Government</td>
<td>2.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Construction</td>
<td>1.8%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>0.9%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Other Services</td>
<td>0.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>-1.5%</td>
<td>-2.3%</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>-2.7%</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>-3.3%</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Government</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Top Performing Industries*

*Worst Performing Industries*

*Source: Bureau of Labor Statistics*
Despite recent increases, employment remains below pre-recession levels in most industries.

**Change in Payroll Employment, August 2013**

*Seasonally Adjusted*

- Natural Resources & Mining: +23.2%
- Education & Health Services: +10.5%
- Leisure & Hospitality: +3.7%
- Federal Government: -0.2%
- Financial Activities: -0.7%
- Other Services: -1.1%
- Local Government: -2.0%
- Retail Trade: -3.6%
- Transportation & Utilities: -7.1%
- Professional & Business Services: -7.8%
- Wholesale Trade: -10.6%
- Information: -13.6%
- Manufacturing: -19.3%
- Construction: -20.3%
- State Government: -30.9%

**Top Performing Industries**

- Natural Resources & Mining
- Education & Health Services
- Leisure & Hospitality

**Worst Performing Industries**

- State Government
- Federal Government
- Local Government
- Retail Trade
- Transportation & Utilities
- Professional & Business Services
- Wholesale Trade
- Information
- Manufacturing
- Construction

Source: Bureau of Labor Statistics
Residential construction activity has slowed slightly in recent months in New Mexico.

**Value of Residential Construction**

*Index 100 = September 2003, Seasonally Adjusted Three-Month Moving Average*

<table>
<thead>
<tr>
<th>Percent Change Year-to-Date</th>
<th>Past Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>27.7%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>-6.6%</td>
</tr>
</tbody>
</table>

Source: McGraw Hill/F.W. Dodge
Residential permitting activity has increased, but activity remains well below peak levels.

2013 Residential Permits by County
Number Issued Year-to-Date through August

Percent Change Year-to-Date | Past Year | Peak to Current*
--- | --- | ---
United States | 22.1% | -55.4%
New Mexico | 2.5% | -64.7%

Source: Census Bureau
*Peak year-to-date over the past 10 years.
Home prices are rising in the U.S. and New Mexico, but remain below pre-recession levels.

**FHFA Purchase-Only Home Price Index (2013:Q2)**

*Index 100 = 2003:Q2, Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Percent Change</th>
<th>Year-Over-Year</th>
<th>2007:Q1 to Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>7.2%</td>
<td>-11.7%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>1.0%</td>
<td>-12.9%</td>
</tr>
</tbody>
</table>

Source: Federal Housing Finance Agency
Commercial construction activity has been slow to recover.

Value of Commercial Construction

Index 100 = September 2003, Seasonally Adjusted Three-Month Moving Average

Source: McGraw Hill/F.W. Dodge
Tenth District manufacturing activity has expanded in recent months after contracting in early 2013.

MANUFACTURING ACTIVITY
Diffusion Index, Seasonally Adjusted, Month-over-Month

Source: Institute for Supply Management & Federal Reserve Bank of Kansas City
Manufacturers expect further gains over the next six months.

Tenth District Manufacturing Expectations
Seasonally Adjusted, six months ahead

Index

Source: Federal Reserve Bank of Kansas City
Exports have decreased slightly in 2013 due primarily to fewer exports to Israel.

**New Mexico Exports by Trading Partner**

**Year-to-Date August 2013**

*Percent Change Year-over-Year*

<table>
<thead>
<tr>
<th>Total Trade</th>
<th>-11.7%</th>
<th>SHARE**</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Other</td>
<td>13.0%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Canada</td>
<td>-8.3%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Mexico</td>
<td>29.0%</td>
<td>20.3%</td>
</tr>
<tr>
<td>Israel</td>
<td>-43.9%</td>
<td>43.6%</td>
</tr>
<tr>
<td>China*</td>
<td>18.4%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Eurozone</td>
<td>16.2%</td>
<td>8.8%</td>
</tr>
</tbody>
</table>

*Source: Census Bureau*  
*Note: Eurozone includes the 27 EU member countries. *Includes Hong Kong, Taiwan & Macau. **2012.*
Expectations for higher crop yields have led to a sharp decline in crop prices.

U.S Crop Prices

\[ \text{Dollars per Bushel} \]

- Corn (Left Scale)
- Soybeans (Right Scale)

Futures prices as of November 7, 2013

Source: CRB and CBOT
Oil drilling has increased sharply over the past few years, but natural gas drilling has declined.

**ACTIVE DRILLING RIG COUNTS**

**UNITED STATES**

- **Crude Oil**
- **Natural Gas**

**NEW MEXICO**

**Source: Baker Hughes**
U.S. & New Mexico
Economic Update

Alison Felix
Alison.Felix@kc.frb.org

This presentation will be available at: http://www.KansasCityFed.org/Denver/