



*Emerging Trends in the  
U.S. & New Mexico Economies*

Sam Chapman

Assistant Economist

Federal Reserve Bank of Kansas City

Denver Branch

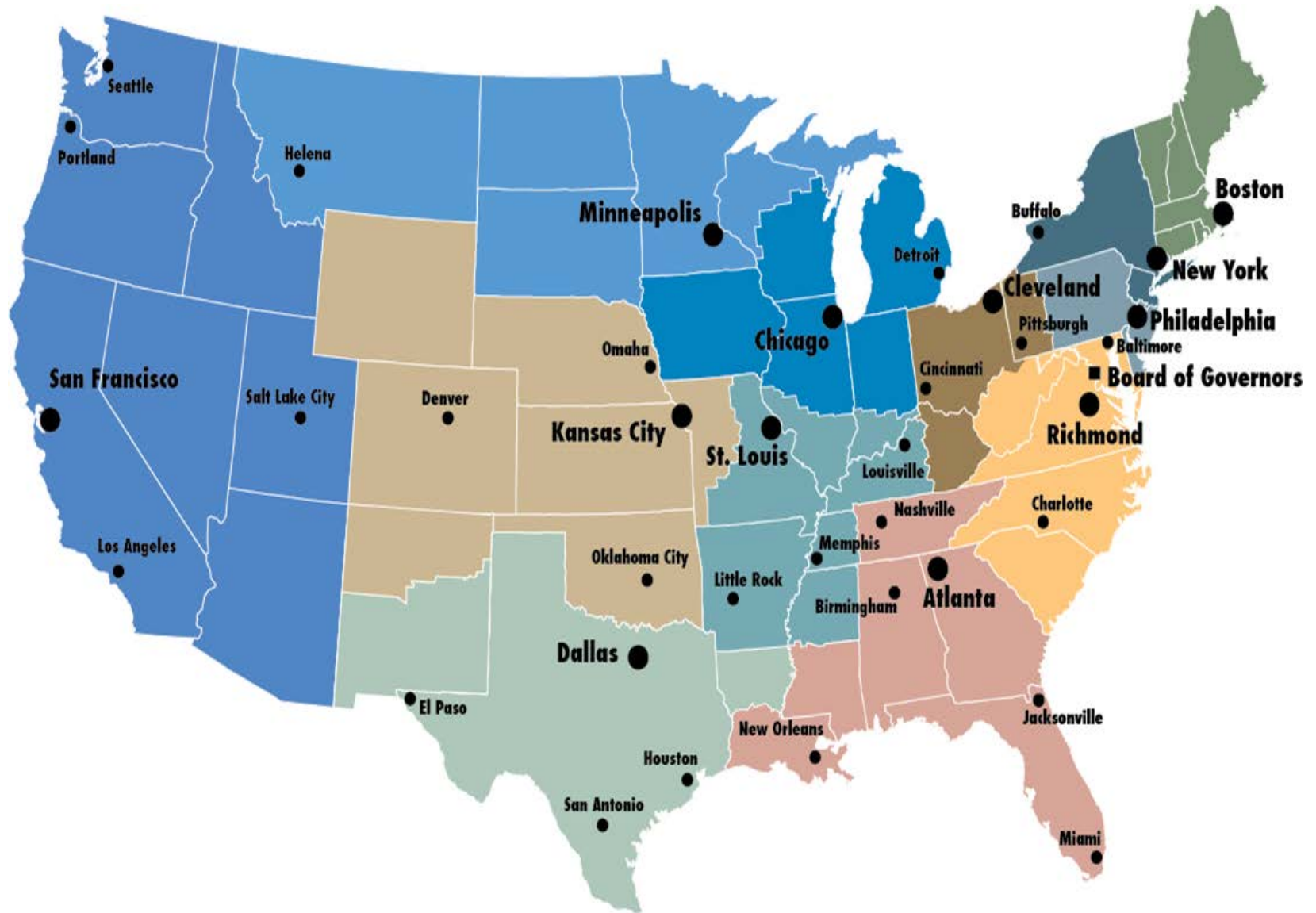
*The views expressed are those of the presenter and do not necessarily reflect  
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

# Overview of the Federal Reserve System



- **Primary Functions**
  - **Monetary Policy:** promote maximum employment and price stability
  - **Financial Services:** bank for banks; bank for the federal government
  - **Banking Supervision and Regulation:** ensure safety and soundness of banks and ensure that banks provide fair and equitable services to consumers.
- **Structure**
  - **Board of Governors**
    - Consists of seven members who are appointed by the President and confirmed by the Senate to serve 14-year terms.
  - **Federal Reserve Banks**
    - There are 12 Regional Reserve Banks, each serving a unique district. These are semi-independent by design.
  - **Federal Open Market Committee (FOMC)**
    - Comprised of the 7 members of the Board of Governors and the 12 Reserve Bank Presidents (only 5 presidents are voting members on a rotating basis).
    - Charged with conducting monetary policy to promote economic growth and price stability.

# Regional Federal Reserve Banks and Branch Locations





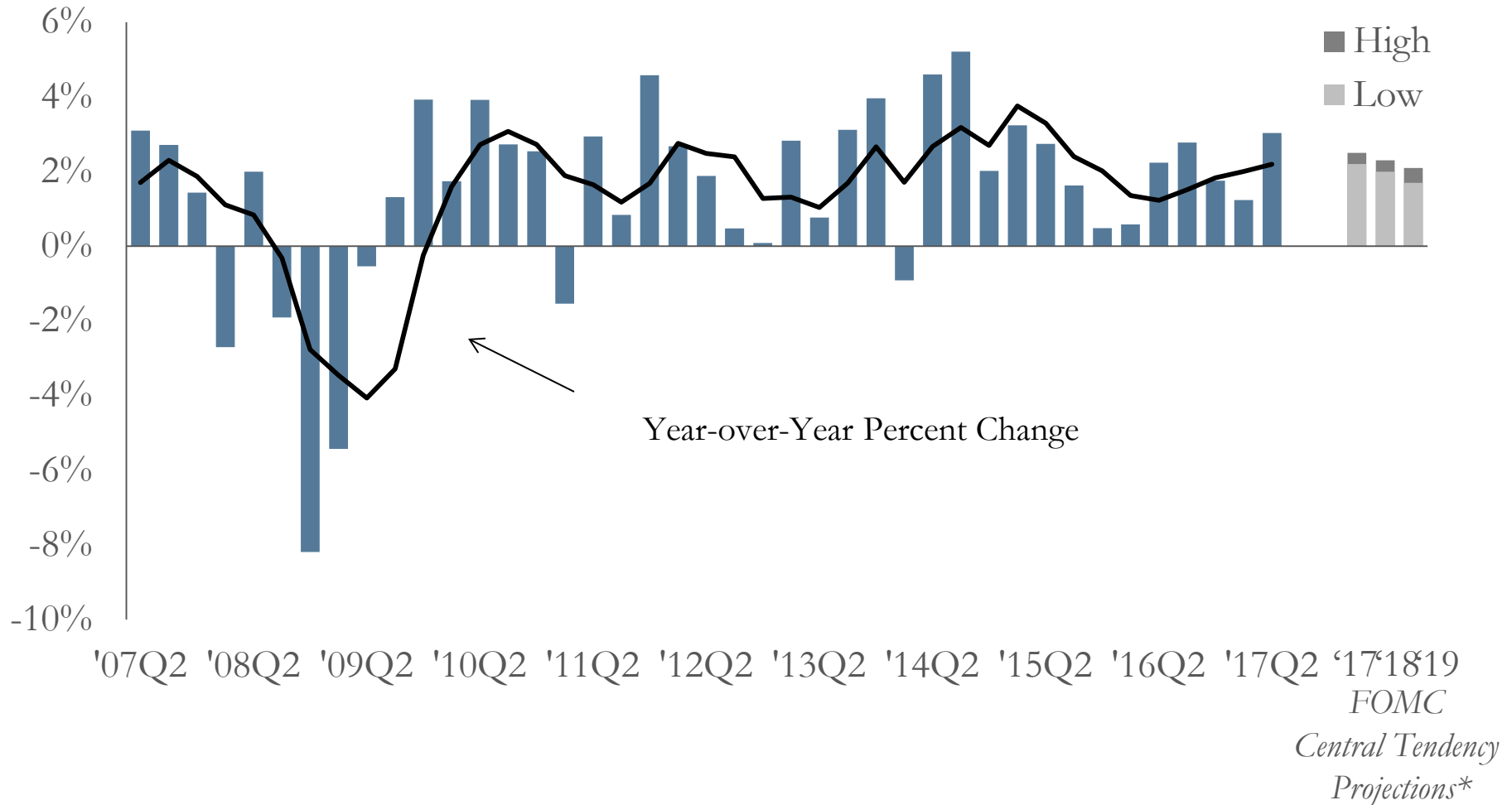
- Functions – around 160 staff
  - Regional research covering the economies of Colorado, New Mexico and Wyoming
  - Economic, financial education, and community development outreach
  - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
  - Cash processing and distribution
  - Money Museum
- 2017 Denver Board of Directors
  - Richard Lewis (Chair): President and CEO of RTL Networks, Inc.
  - Ashley Burt: President of The Gunnison Bank and Trust Company
  - Gary DeFrangé: President and COO of Winter Park Resort
  - Taryn Edwards: Senior Vice President of Saunders Construction
  - Edmond Johnson: President and Owner of Premier Manufacturing, Inc.
  - Jeff Wallace: CEO of Wyoming Bank and Trust
  - Katharine Winograd: President of Central New Mexico Community College

# The U.S. economy continues to expand at a moderate pace.



## REAL U.S. GROSS DOMESTIC PRODUCT

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



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

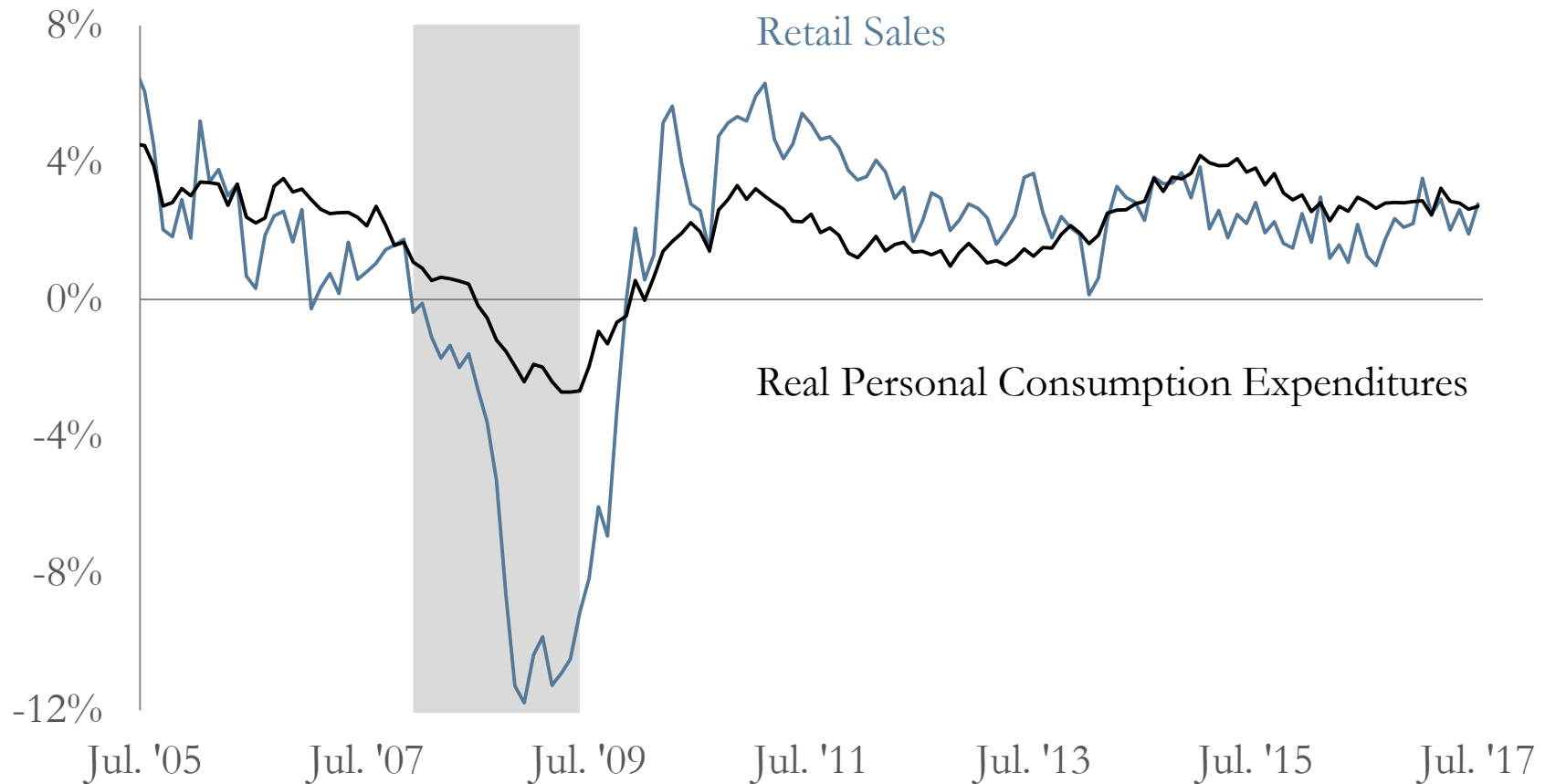
\*Projections as of September FOMC meeting

# Consumer spending continues to expand at a solid pace.



## REAL CONSUMER SPENDING

*Seasonally Adjusted, Year-over-Year Percent Change*



*Note: Gray bar indicates recession.*

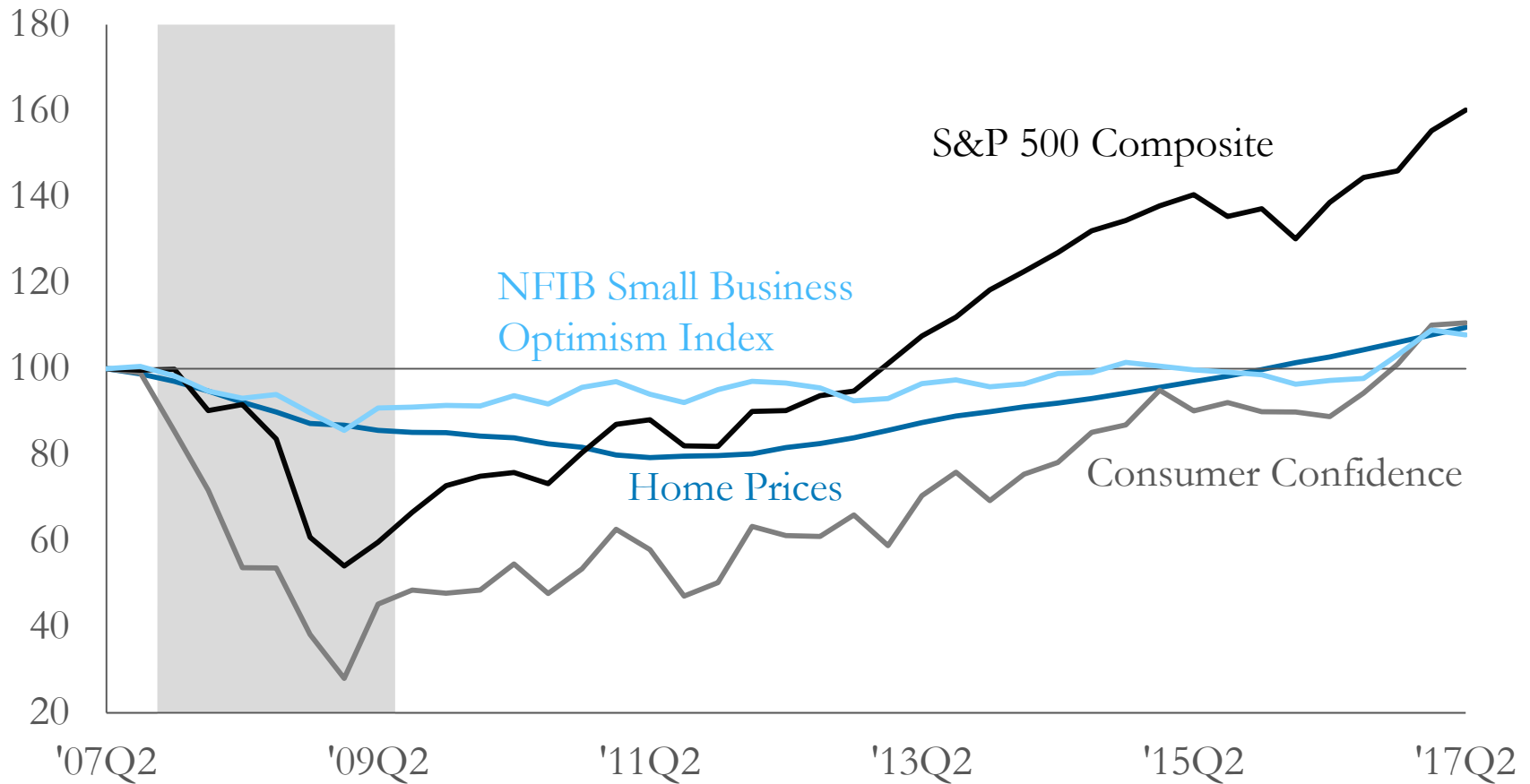
*Sources: Census Bureau, Bureau of Economic Analysis & Haver Analytics*

Improved labor markets, higher stock prices and higher home prices have contributed to an increase in consumer confidence.



## CONSUMER CONFIDENCE AND FACTORS CONTRIBUTING TO HOUSEHOLD WEALTH

*Index 100 = 2<sup>nd</sup> Quarter, 2007*



*Note: Gray bar indicates recession.*

*Source: Standard and Poor, Conference Board, Federal Housing Finance Authority*

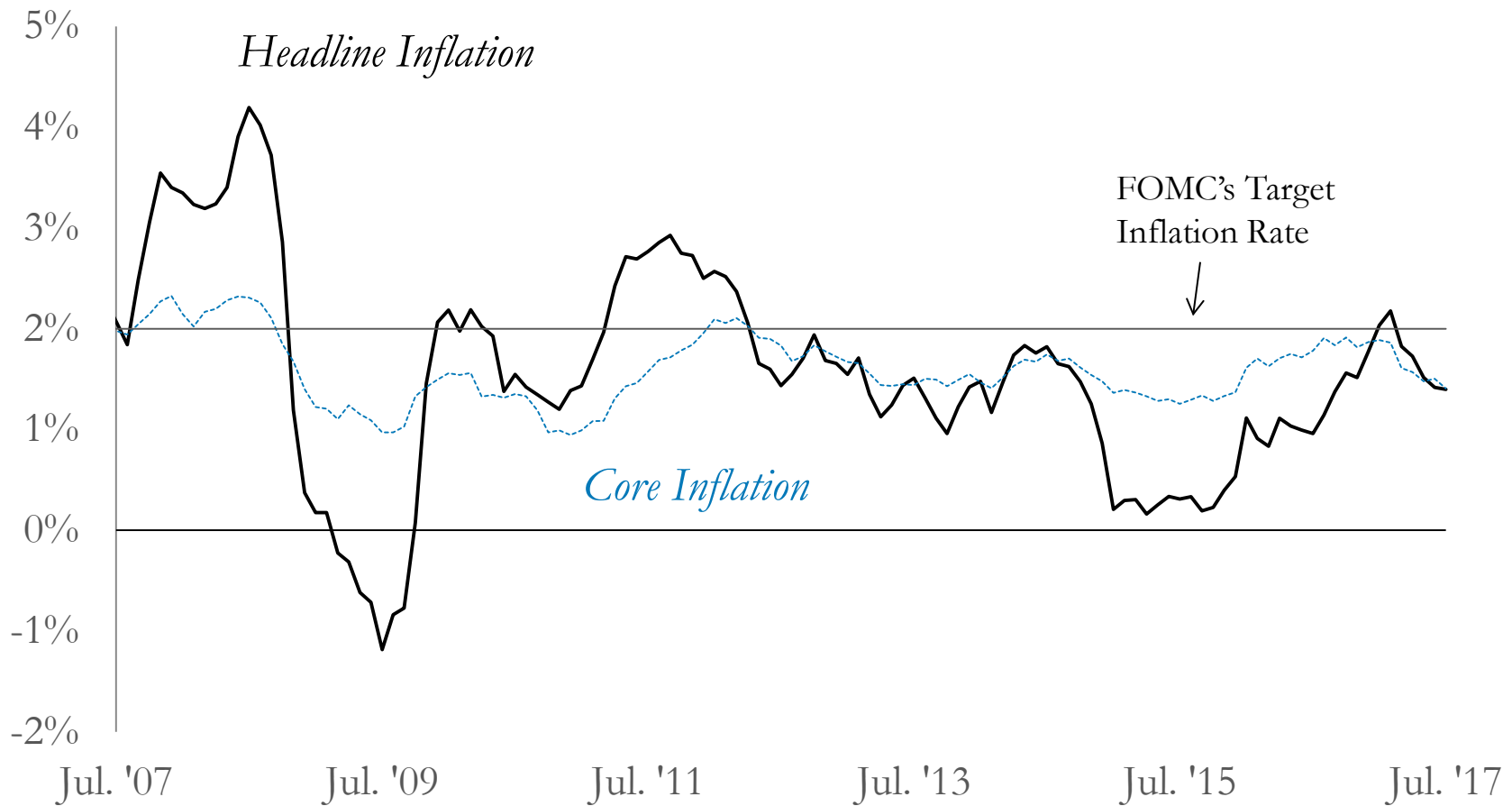


# Inflation is near the FOMC's two percent target.



## PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

*Percent Change Year-over-Year*



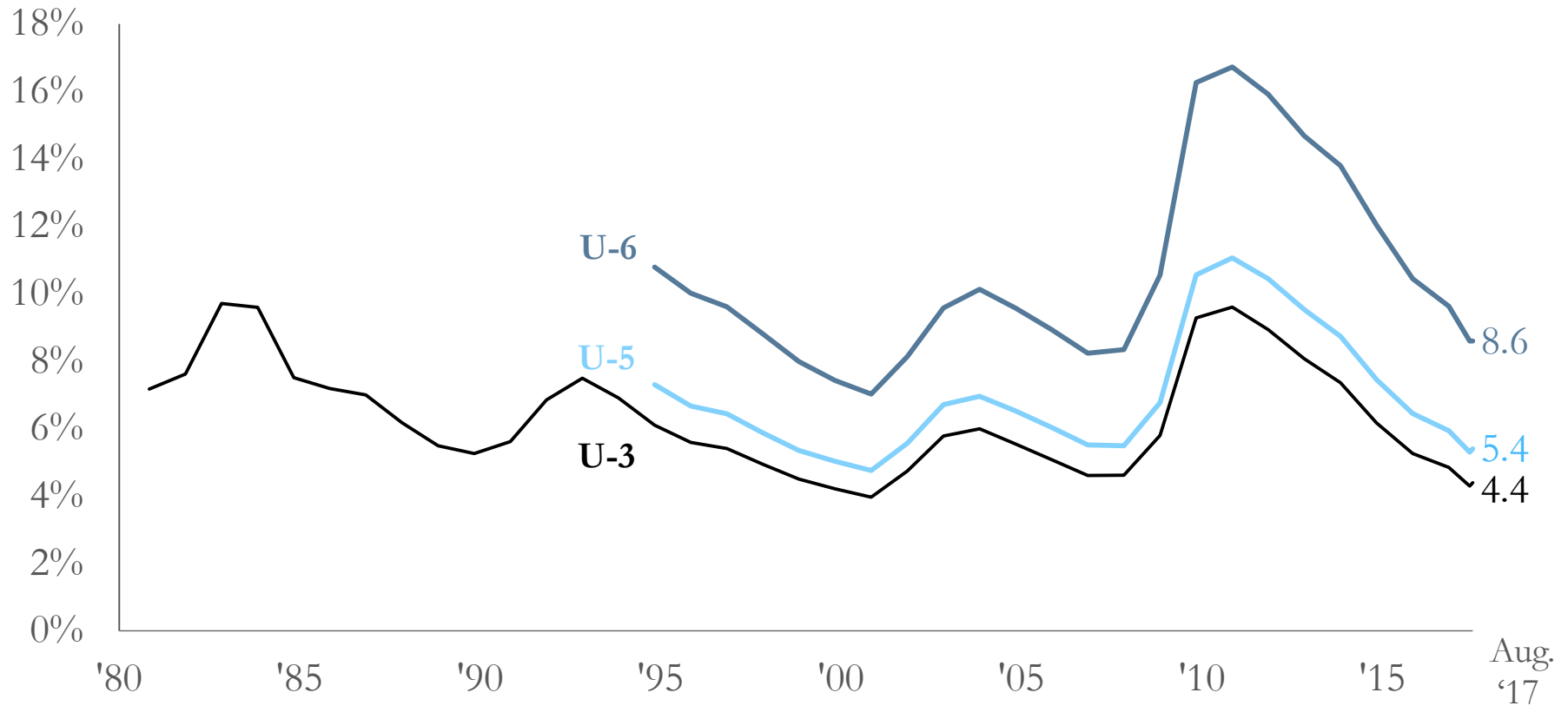


Measures of unemployment and under-employment have declined steadily over the past seven years.



## U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

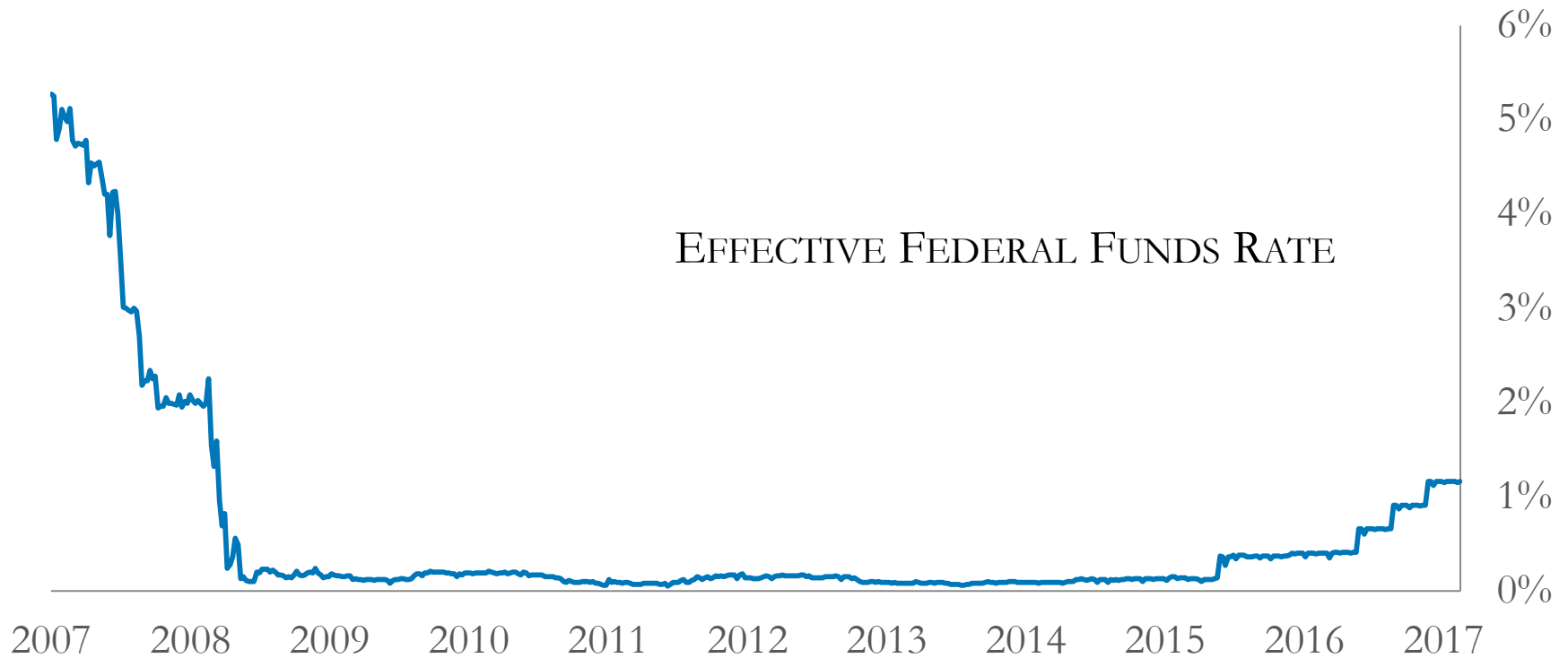
*Seasonally Adjusted*





“In view of realized and expected labor market conditions and inflation, the Committee decided to maintain the target range for the federal funds rate at 1 to 1-1/4 percent. The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a sustained return to 2 percent inflation.”

- *September 2017 FOMC Statement*

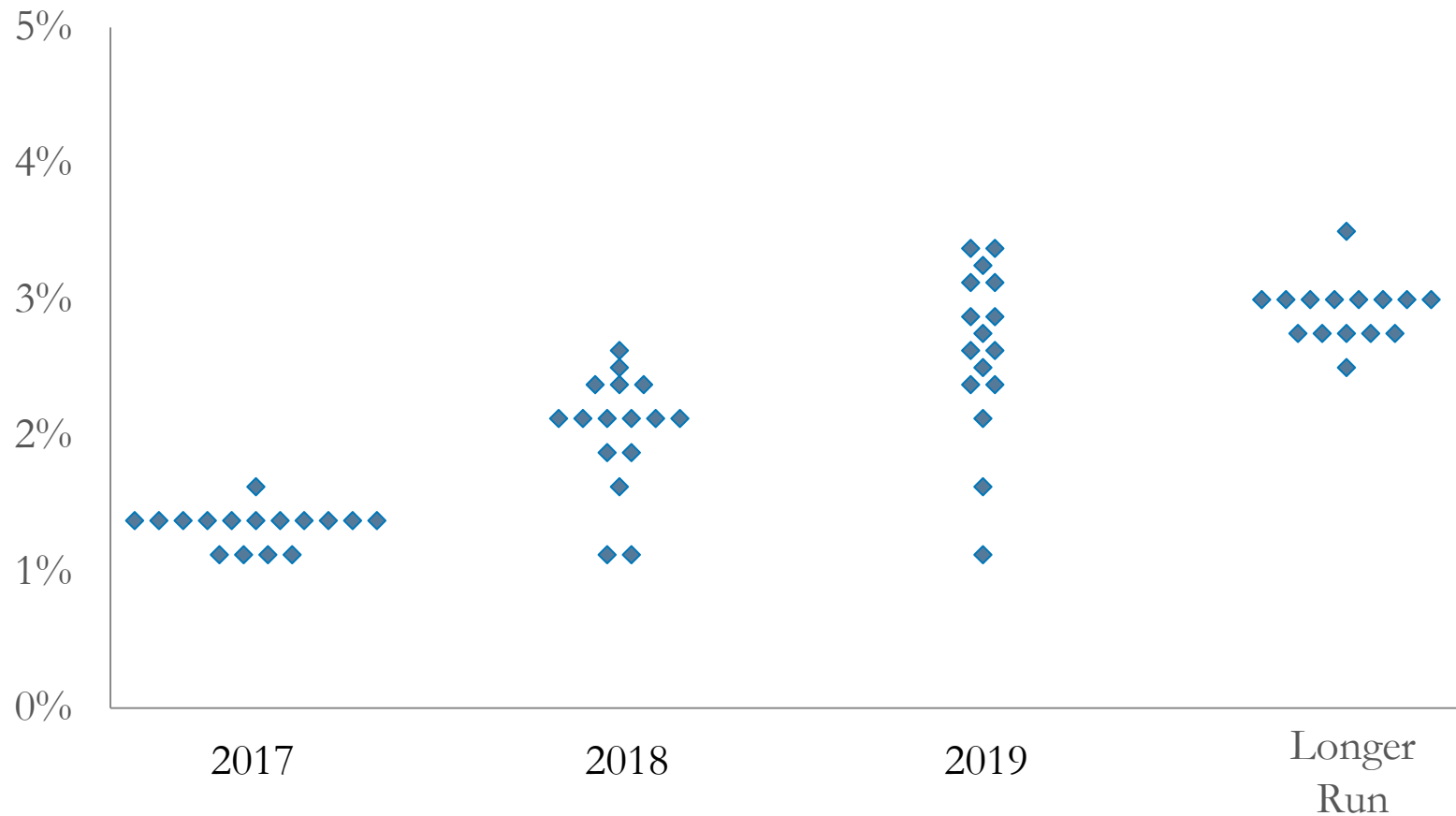


# FOMC expects steady rate increases over the coming years.



## FOMC PARTICIPANTS' ASSESSMENT OF APPROPRIATE MONETARY POLICY

*Midpoint of Target Range or Target Level for the Federal Funds Rate*

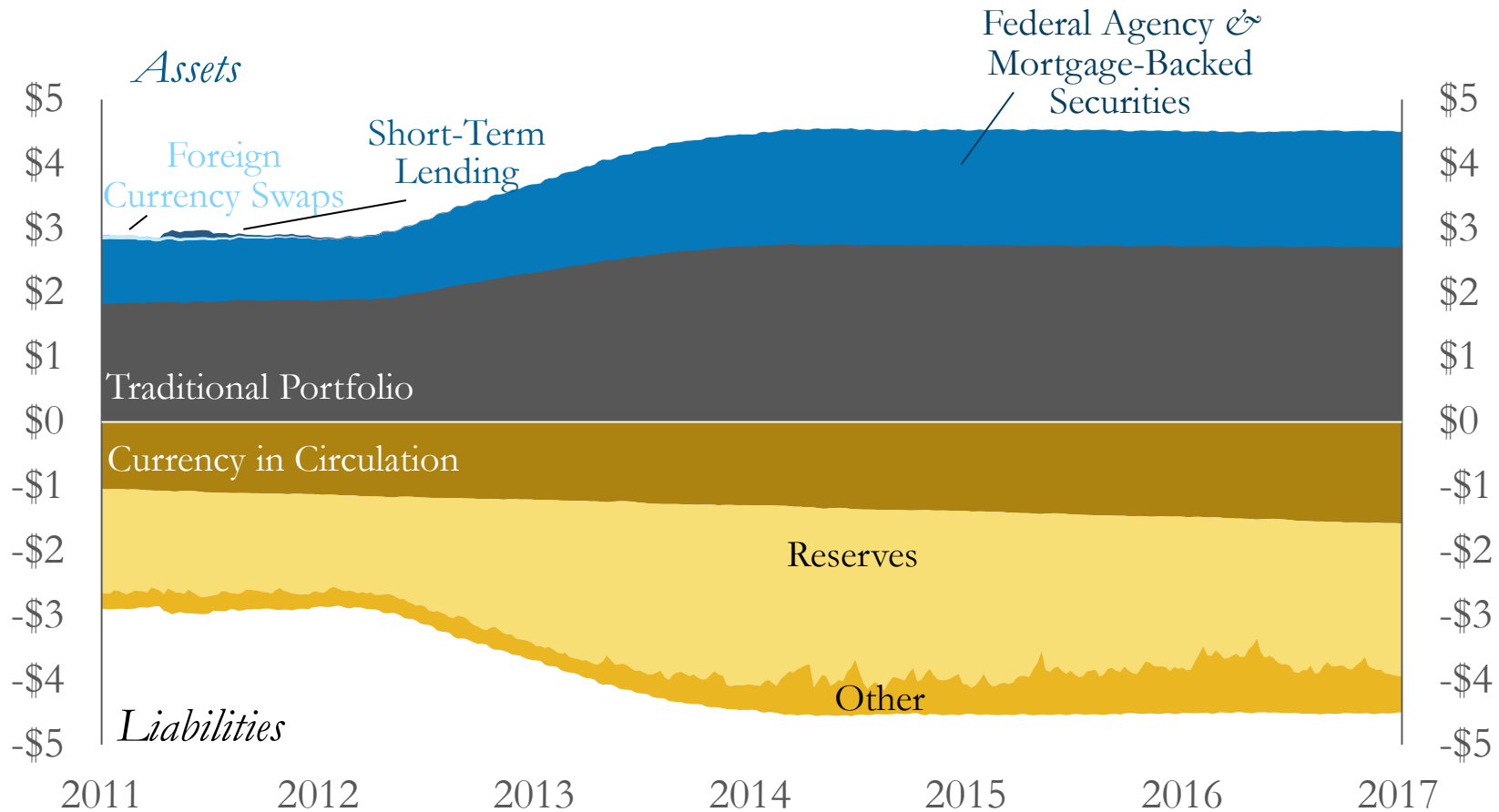


The FOMC has announced in September that it will begin to cease reinvestment of a portion of its assets beginning in October.



## FEDERAL RESERVE BALANCE SHEET

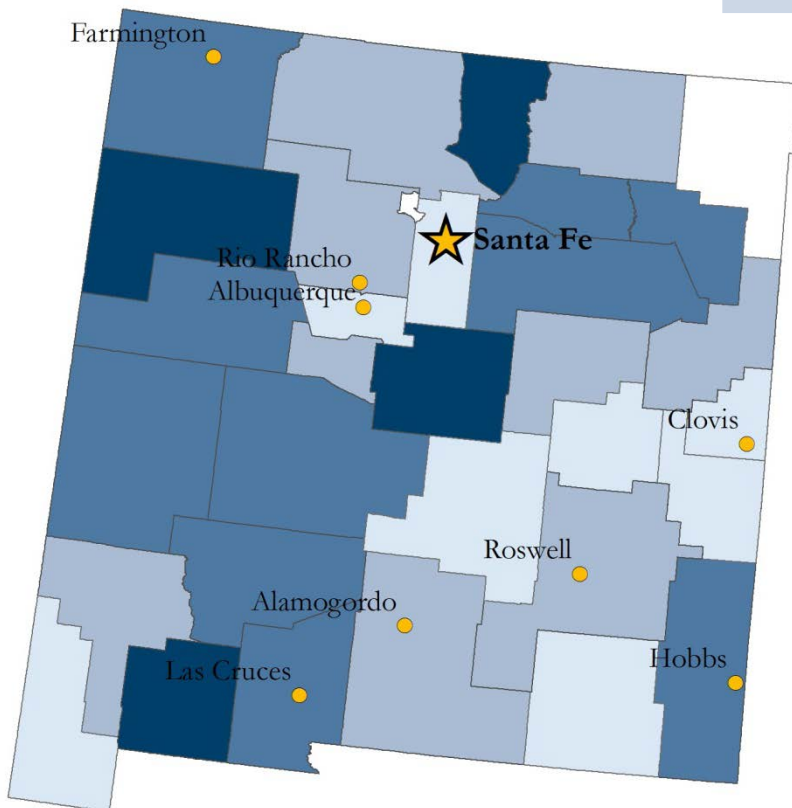
*Trillions*



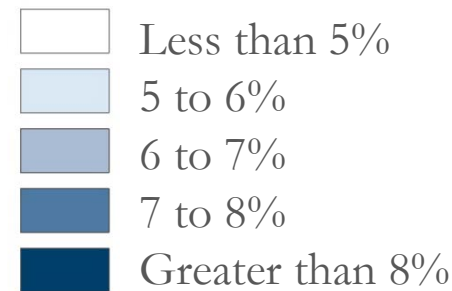
# Unemployment rates are above national rates across most of New Mexico.

## UNEMPLOYMENT RATES *July 2017, Seasonally Adjusted*

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States (Aug. '17)	4.4%	5.4%	8.6%
New Mexico (Aug. '17)	6.3%	8.1%	12.6%
Albuquerque (July '17)	5.8%		



*\*U-5 and U-6 values are 12-month moving averages as of Q2 2017 for New Mexico and are for August, 2017 for the United States.*



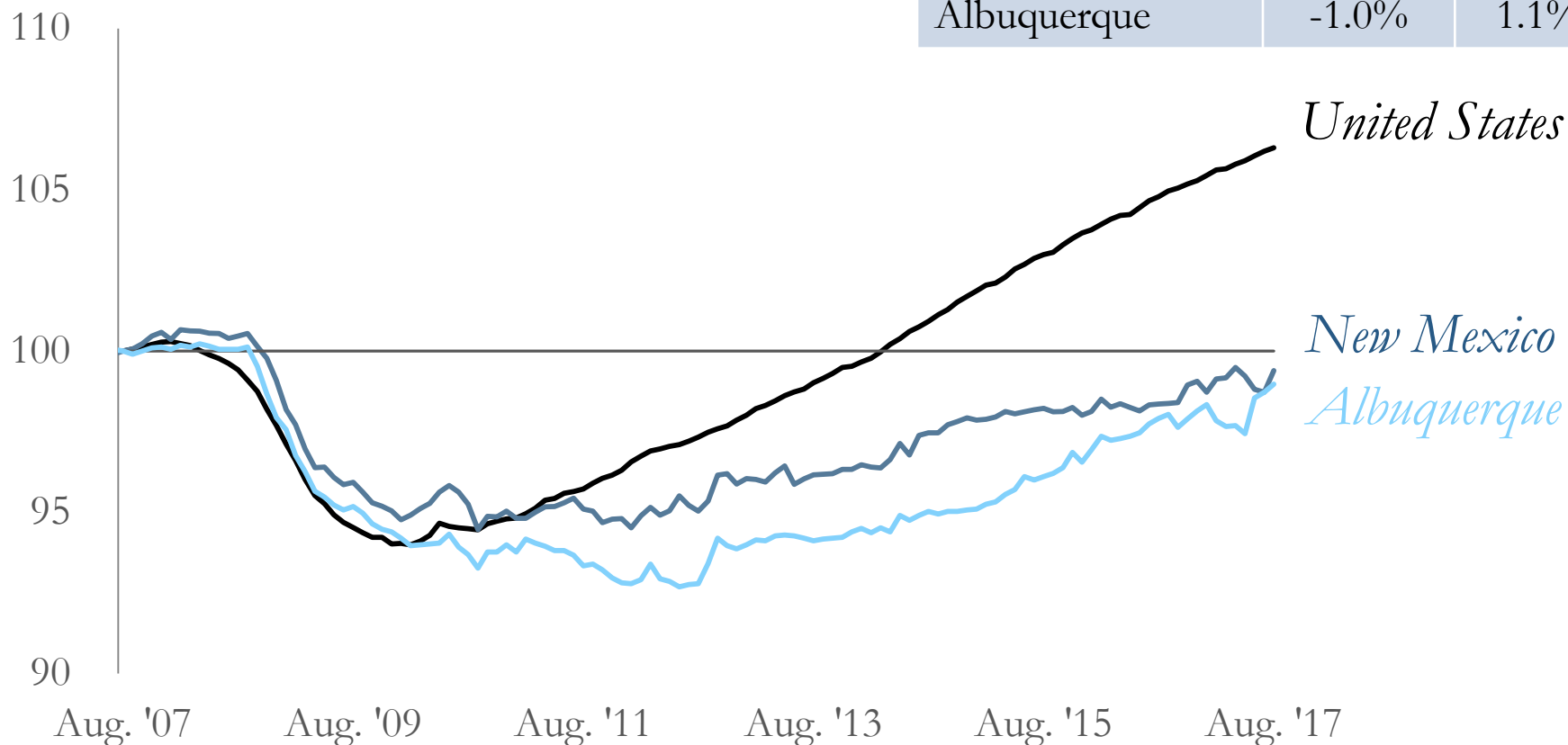
Employment has been increasing in New Mexico and the nation, although growth has been weaker in New Mexico.



## PAYROLL EMPLOYMENT GROWTH

*Index 100 = August, 2007, Seasonally Adjusted*

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S.	6.2%	1.5%
New Mexico	-0.6%	1.1%
Albuquerque	-1.0%	1.1%



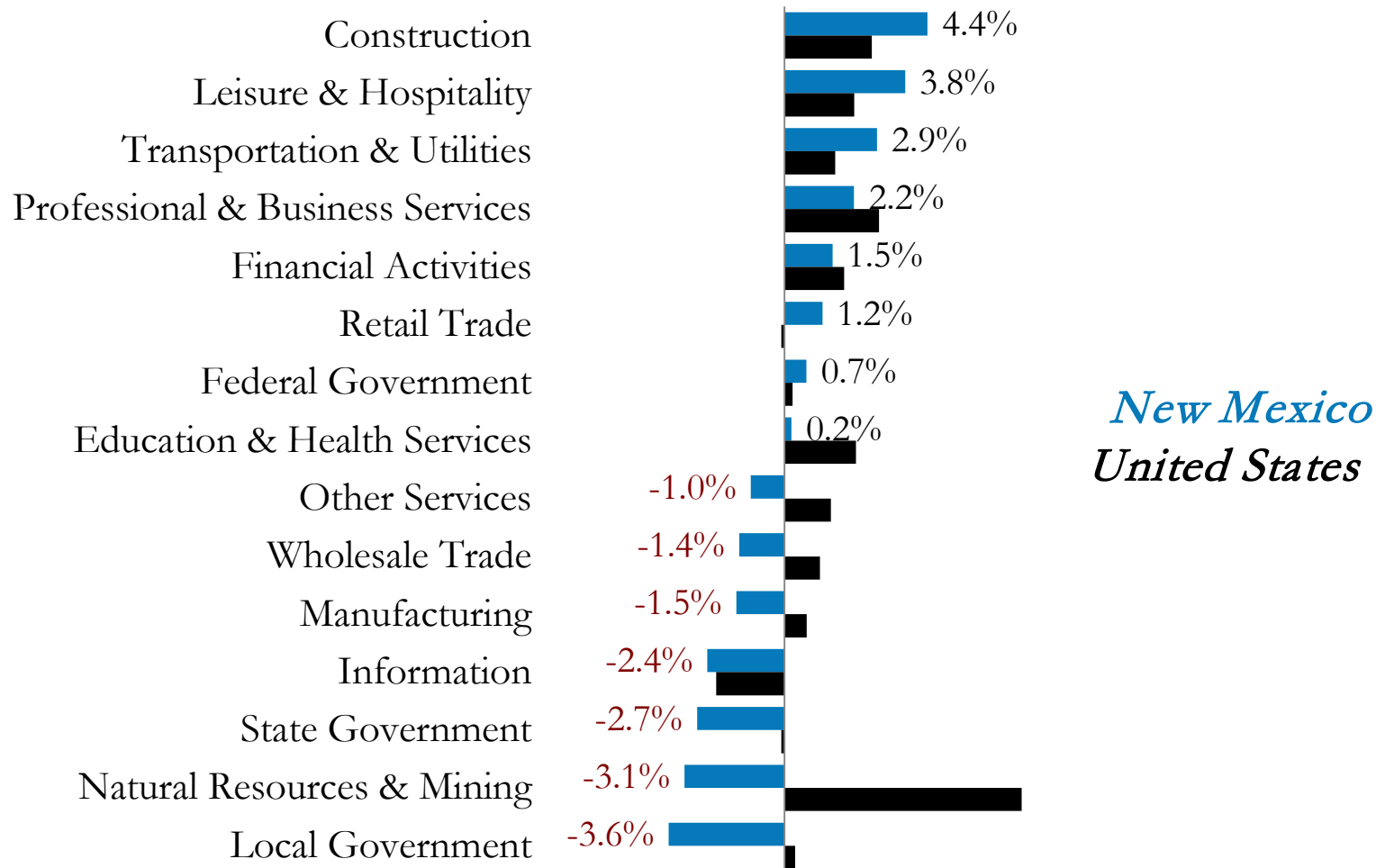
# Employment growth in New Mexico remains mixed across industries.



## CHANGE IN PAYROLL EMPLOYMENT, AUGUST 2017

*Seasonally Adjusted*

*Percent Change Year-over-Year*



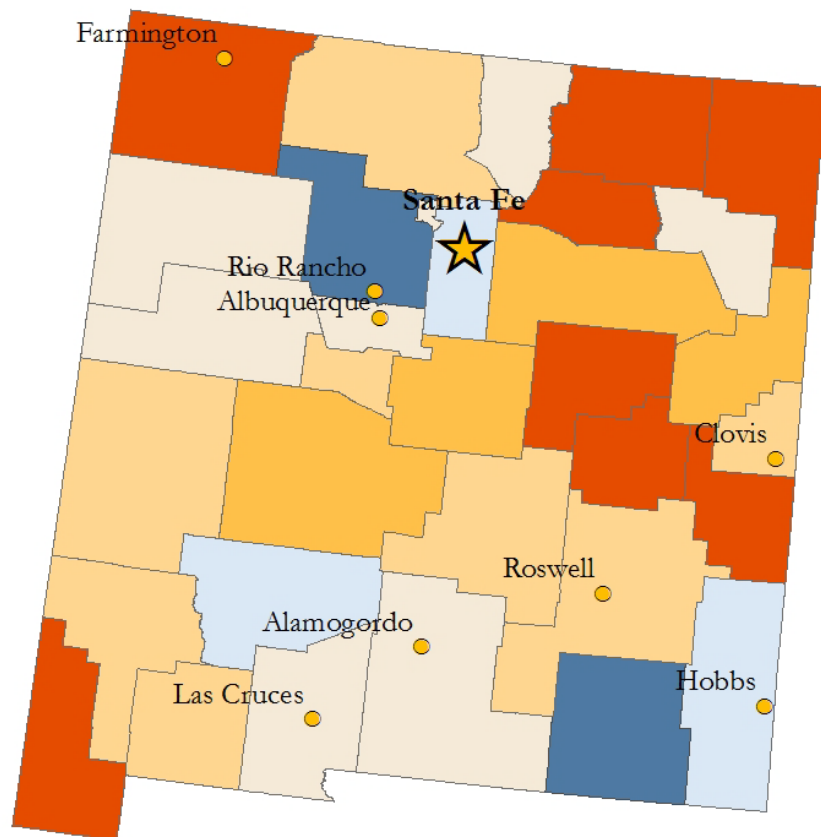


Most counties across New Mexico are experiencing a decline in net migration.

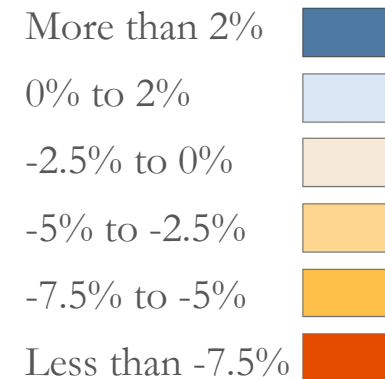


## NET MIGRATION

*Total 2016 Net Migration as a Percentage of 2016 Population*



<i>Annual Percent Change</i>	<i>2016</i>
United States	0.3%
New Mexico	-0.3%
Bernalillo County	-0.5%



# Residential construction activity has remained relatively flat in New Mexico.



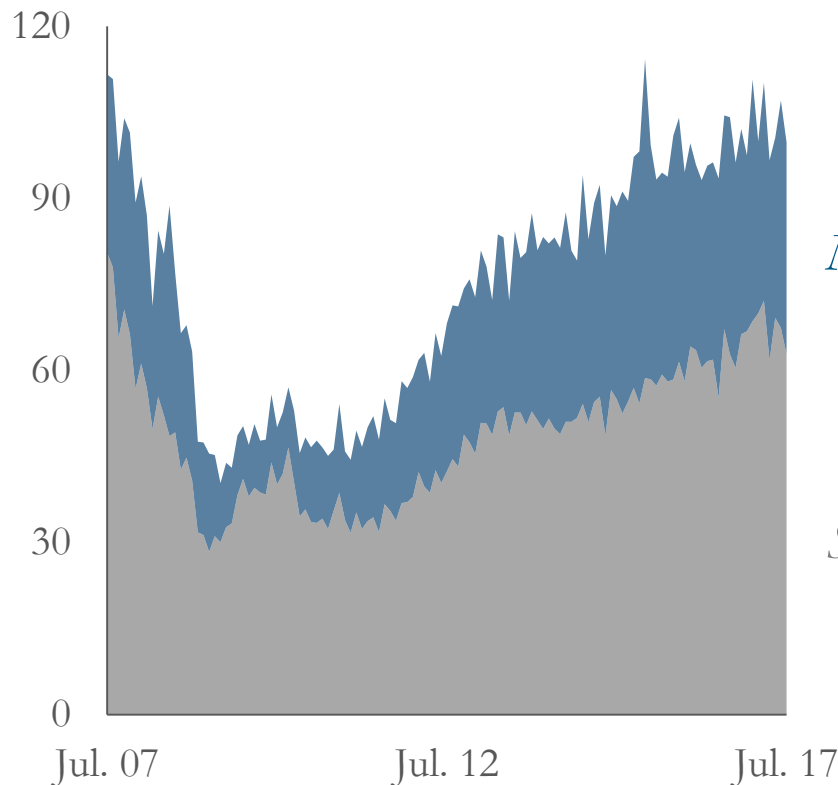
## RESIDENTIAL PERMITS

*Seasonally Adjusted*

United States

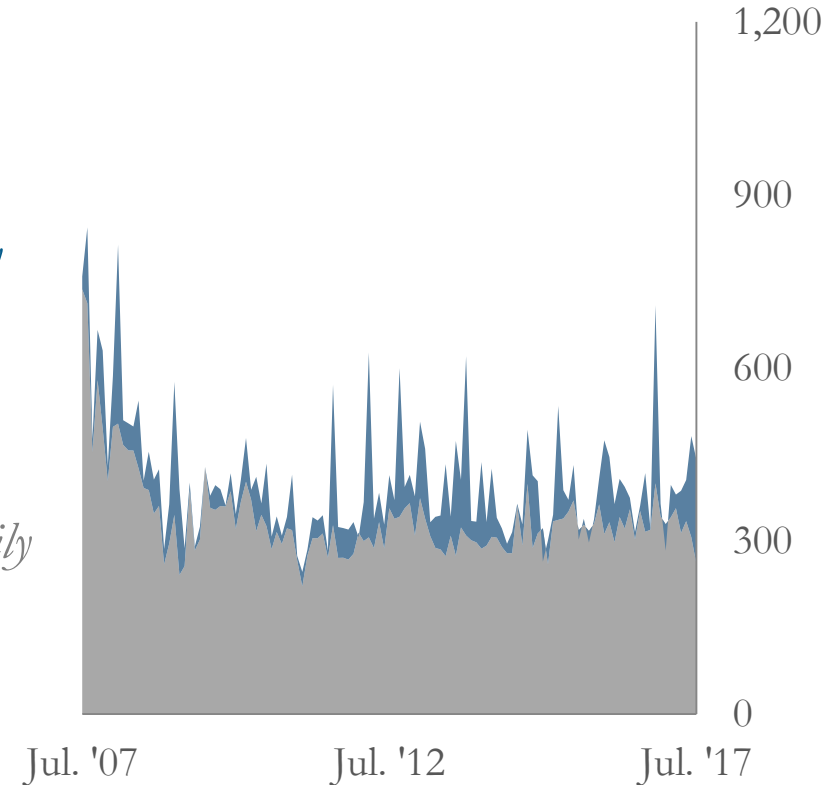
New Mexico

Thousands



*Multifamily*

*Single Family*

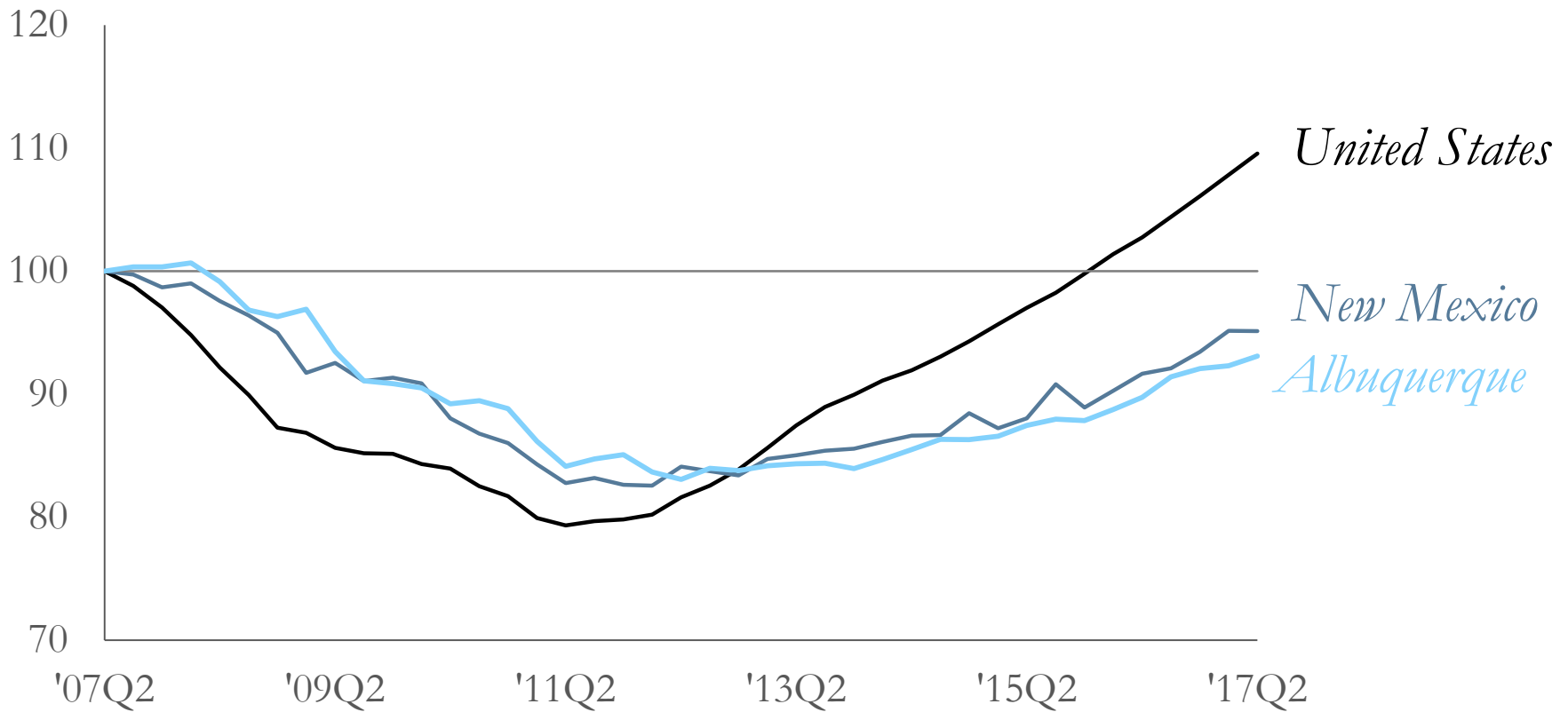


Home prices have increased in New Mexico, but growth remains below that of the United States.



## HOME PRICES

*Seasonally Adjusted, Index 100 = Q2:2007*

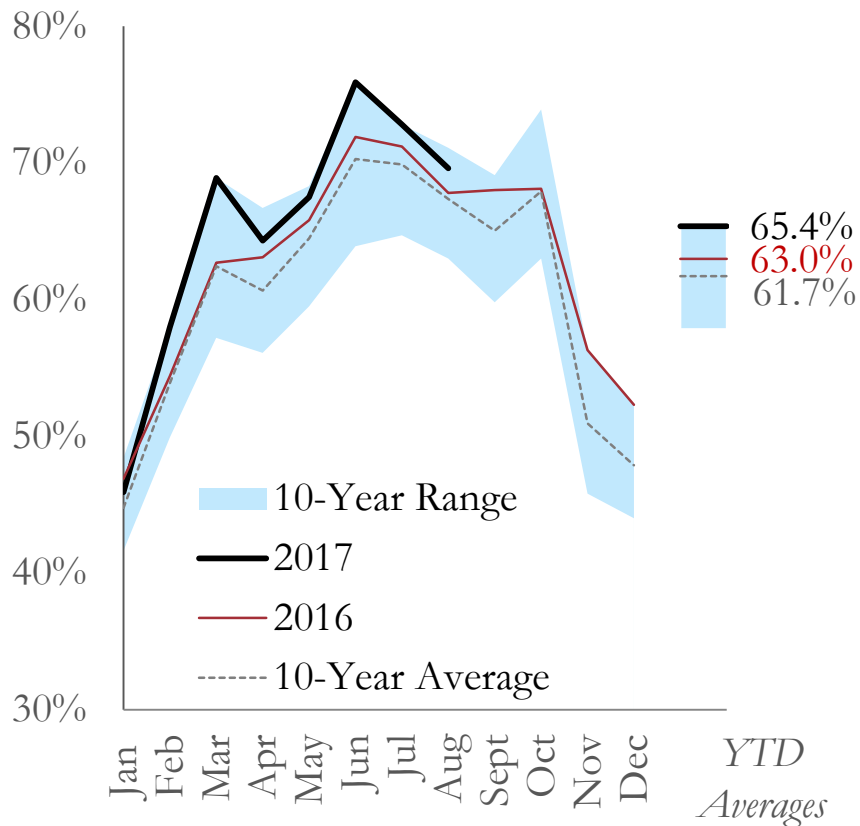


# Tourism activity has been strong in New Mexico over the past few years.



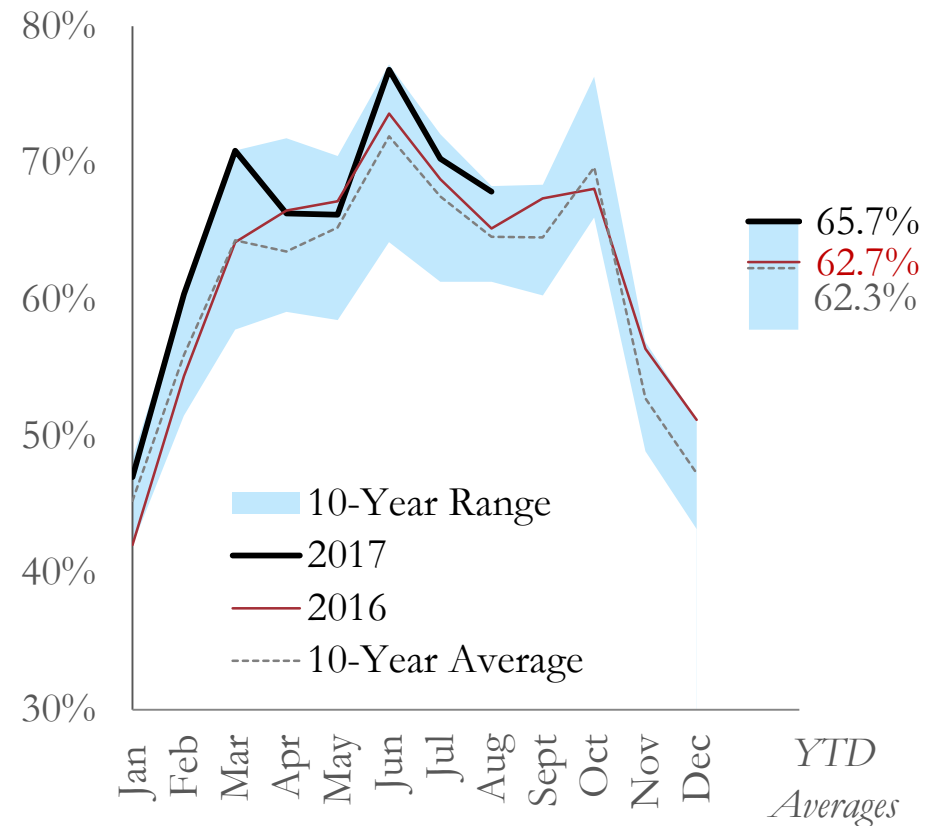
## HOTEL OCCUPANCY RATES

*New Mexico*



## HOTEL OCCUPANCY RATES

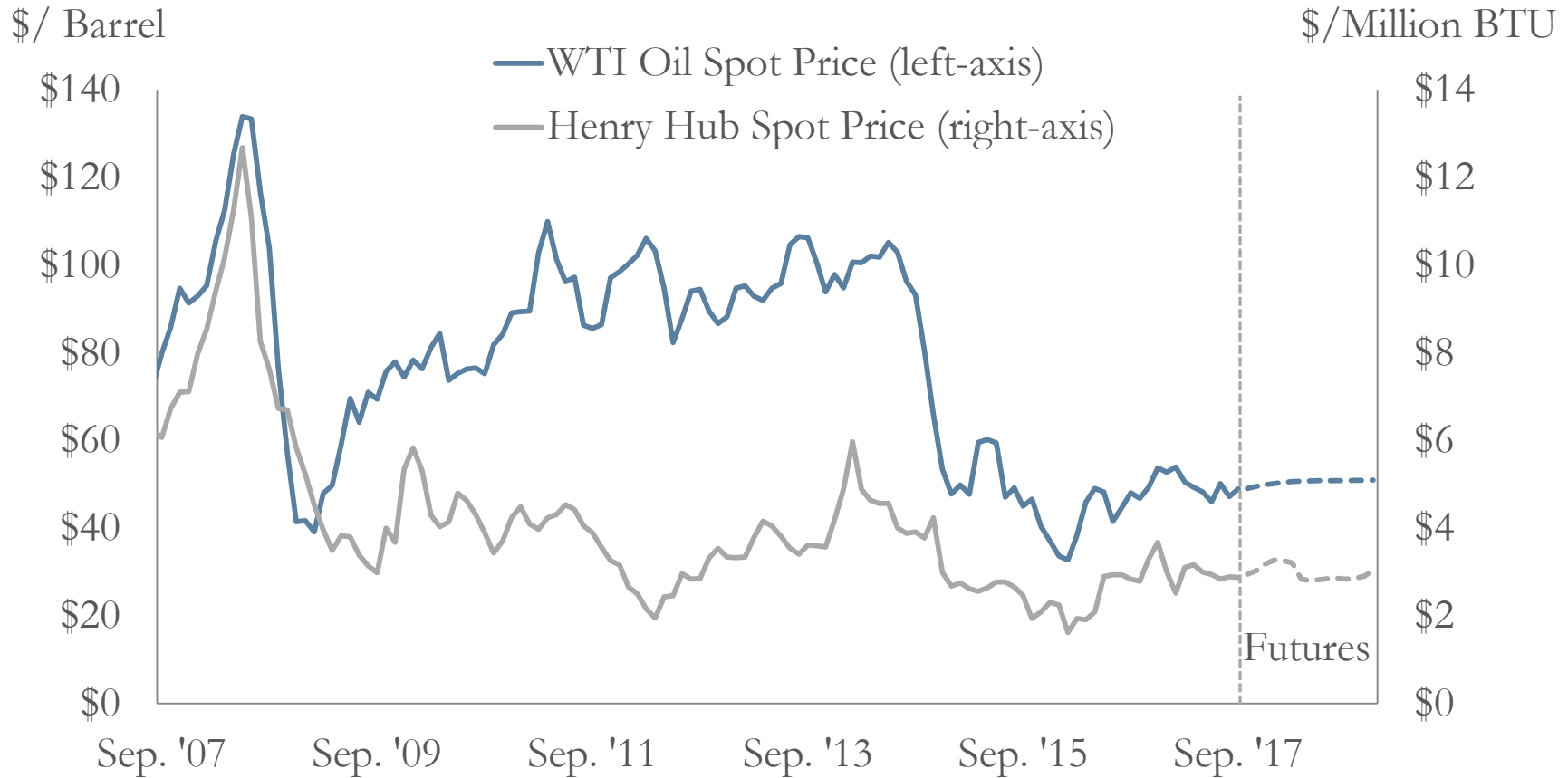
*Albuquerque*



Oil and natural gas prices have increased since February 2016, but additional gains are expected to be gradual.



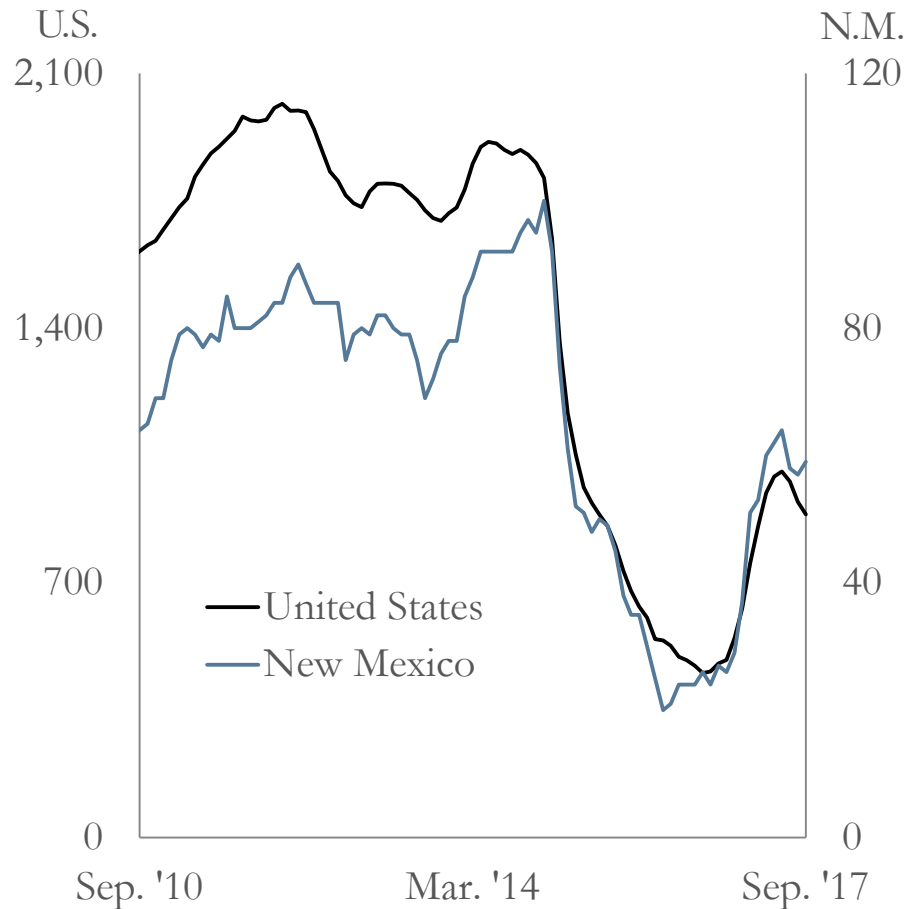
## ENERGY PRICES



Energy activity has picked up in response to higher oil prices.

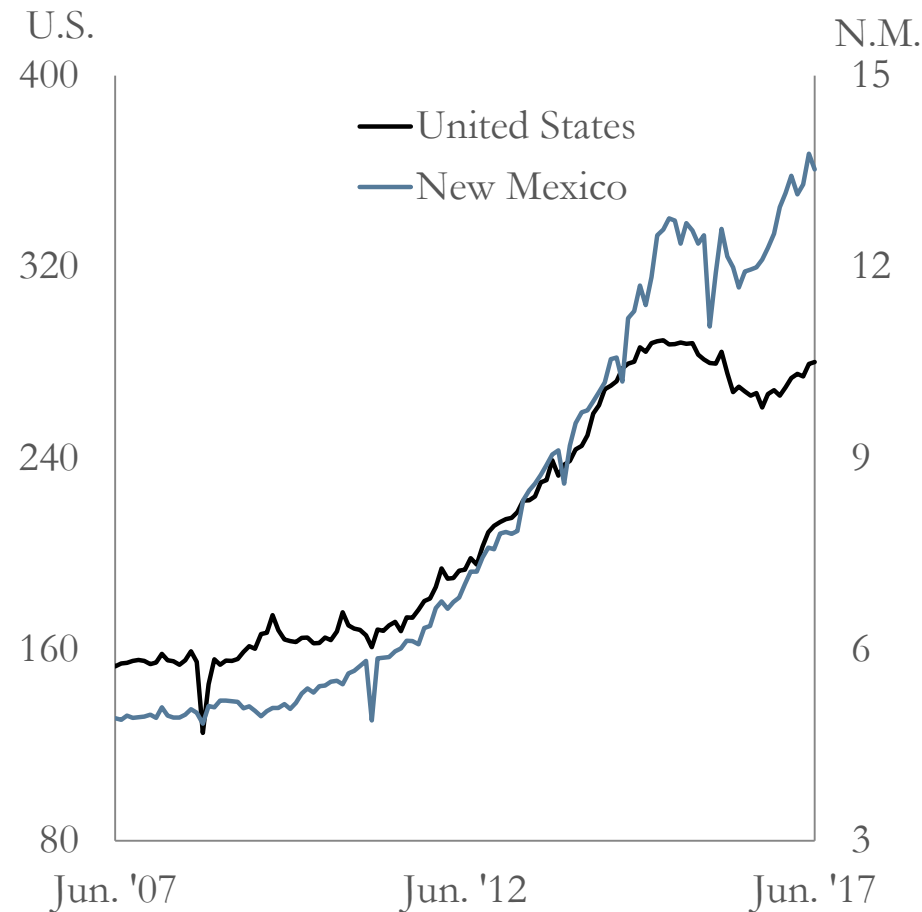


### TOTAL RIG COUNT



### CRUDE OIL PRODUCTION

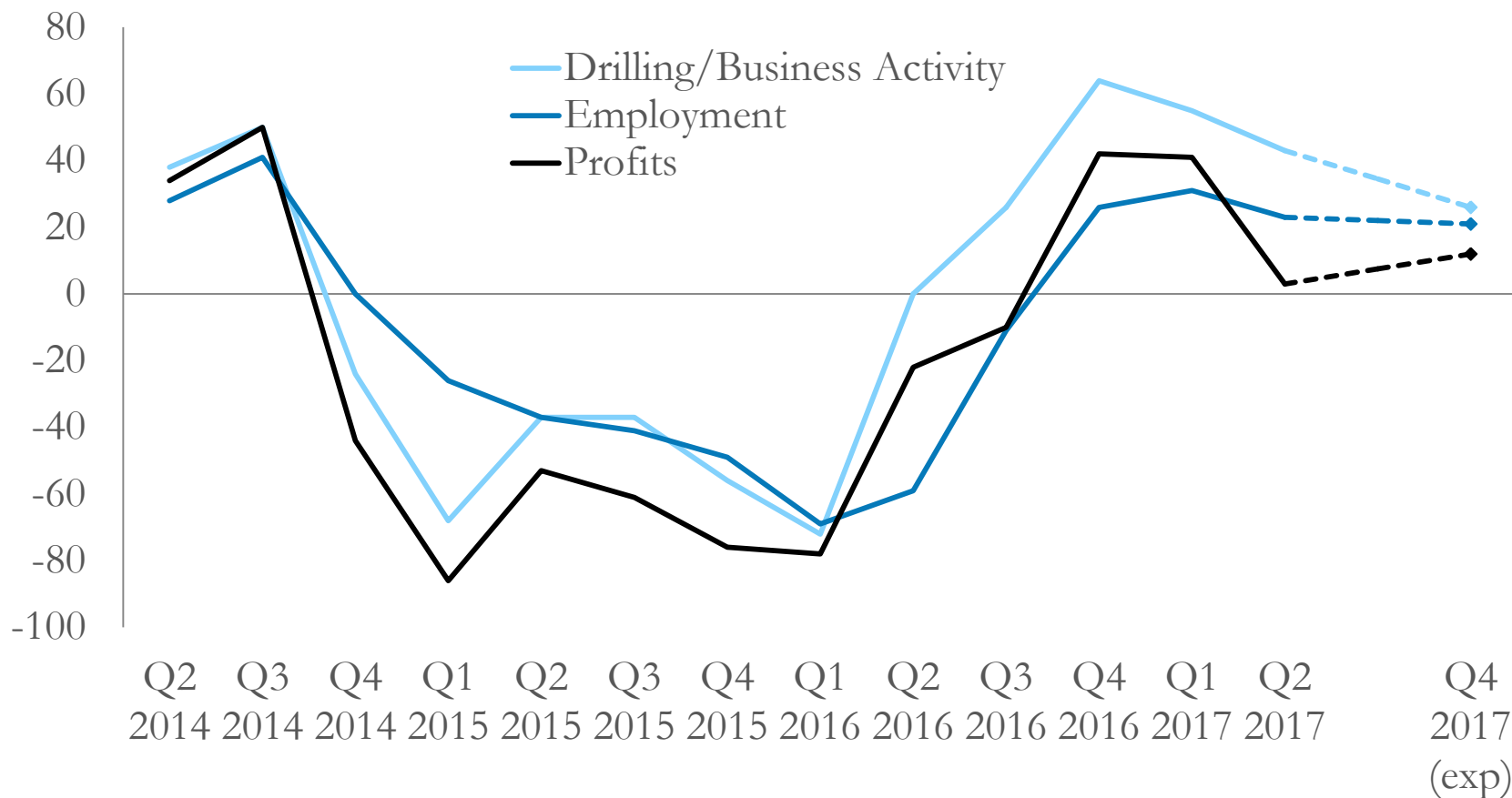
*Millions of Barrels, Monthly,  
Seasonally Adjusted*



Energy contacts in the Tenth District expect the sector to expand slightly in the second half of this year.

## FRBKC ENERGY SURVEY

*Quarterly Diffusion Indexes*



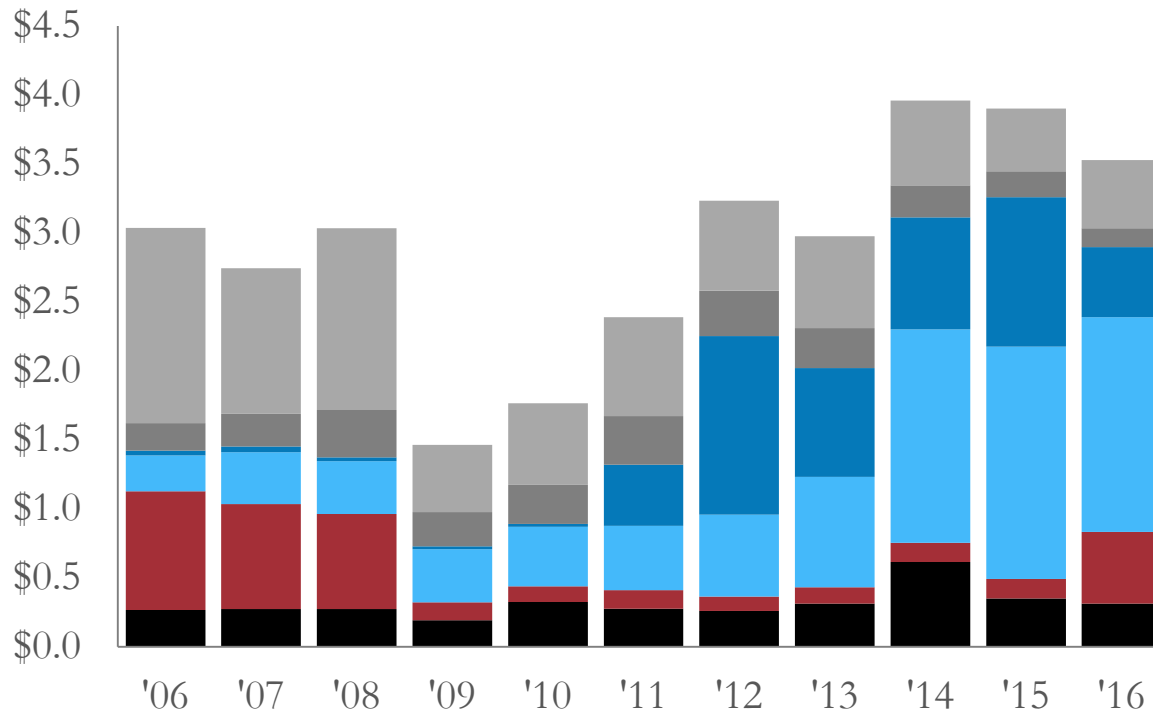


# New Mexico exports have been trending down over the past few years.



## NEW MEXICO EXPORTS BY TRADING PARTNER

*Billions*

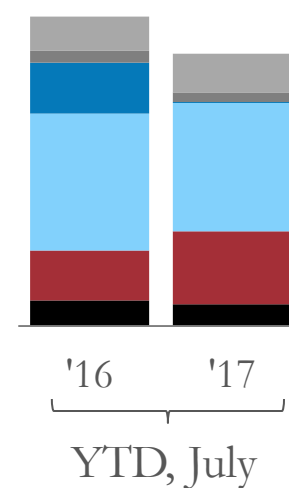


JULY 2017

*Percent Change, Year-to-Date*

Trading Partner	Percent Change	SHARE*
Total Trade	-12.0%	SHARE*
All Other	13.5	16.4%
Canada	-18.3	3.8
Israel	-97.9	14.0
Mexico	-6.3	42.9
China	46.1	14.3
Eurozone	-15.1	8.6

*\*Share is for 2016*



For additional information on the regional economy:  
<http://www.KansasCityFed.org/Denver>

