

Regional Economic Outlook

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The views herein are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Kansas City or the Federal Reserve System

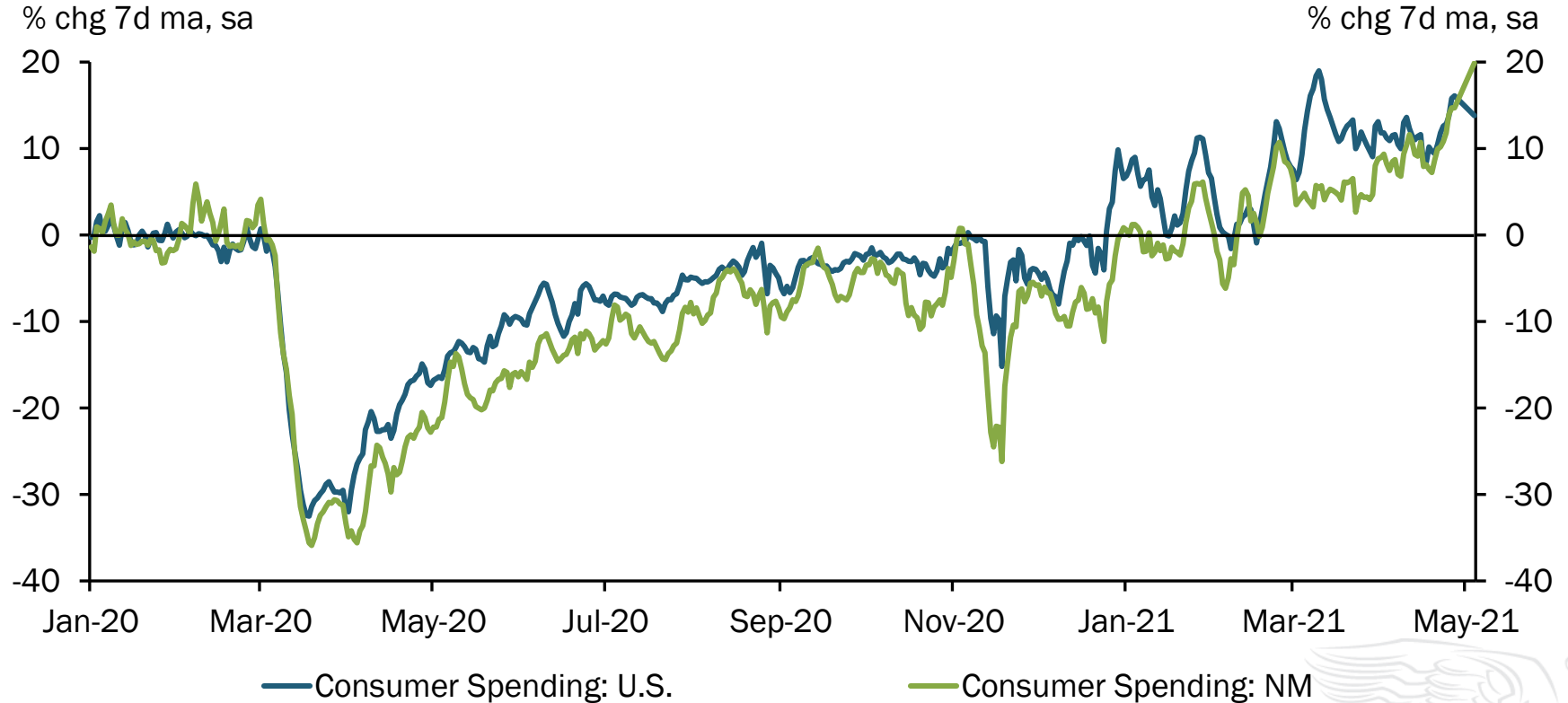


Outlook themes

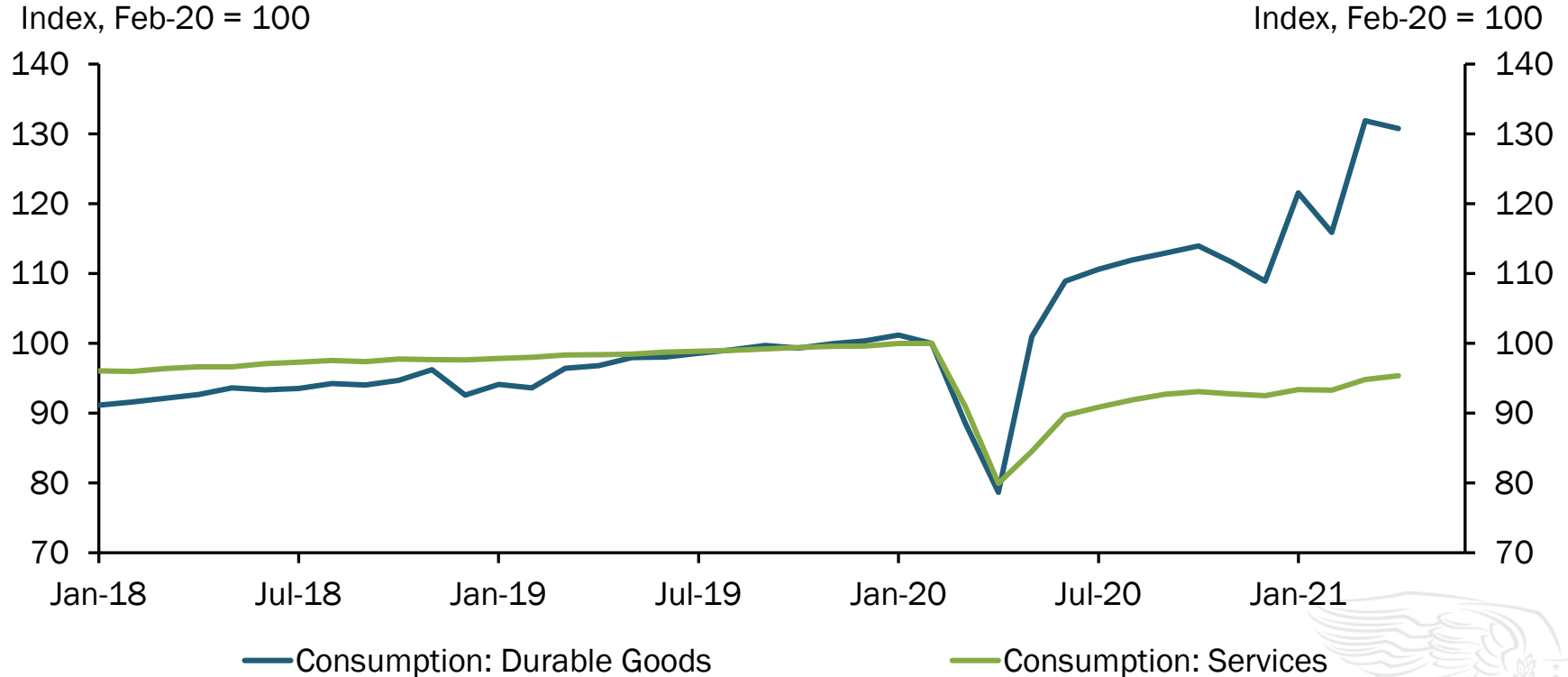
- Consumers' pent-up demand and business investment activity are poised to drive faster-than-trend growth in the near term
- The balance of consumer spending between goods and services has begun to normalize somewhat, with demand for services picking up recently
- Labor force participation has not fully recovered in New Mexico and improvement has stalled in recent months. Recruiting workers is a key challenge for many businesses.
- Readings of inflation picked up recently due to a variety of factors, many of which that will likely fade in the near term



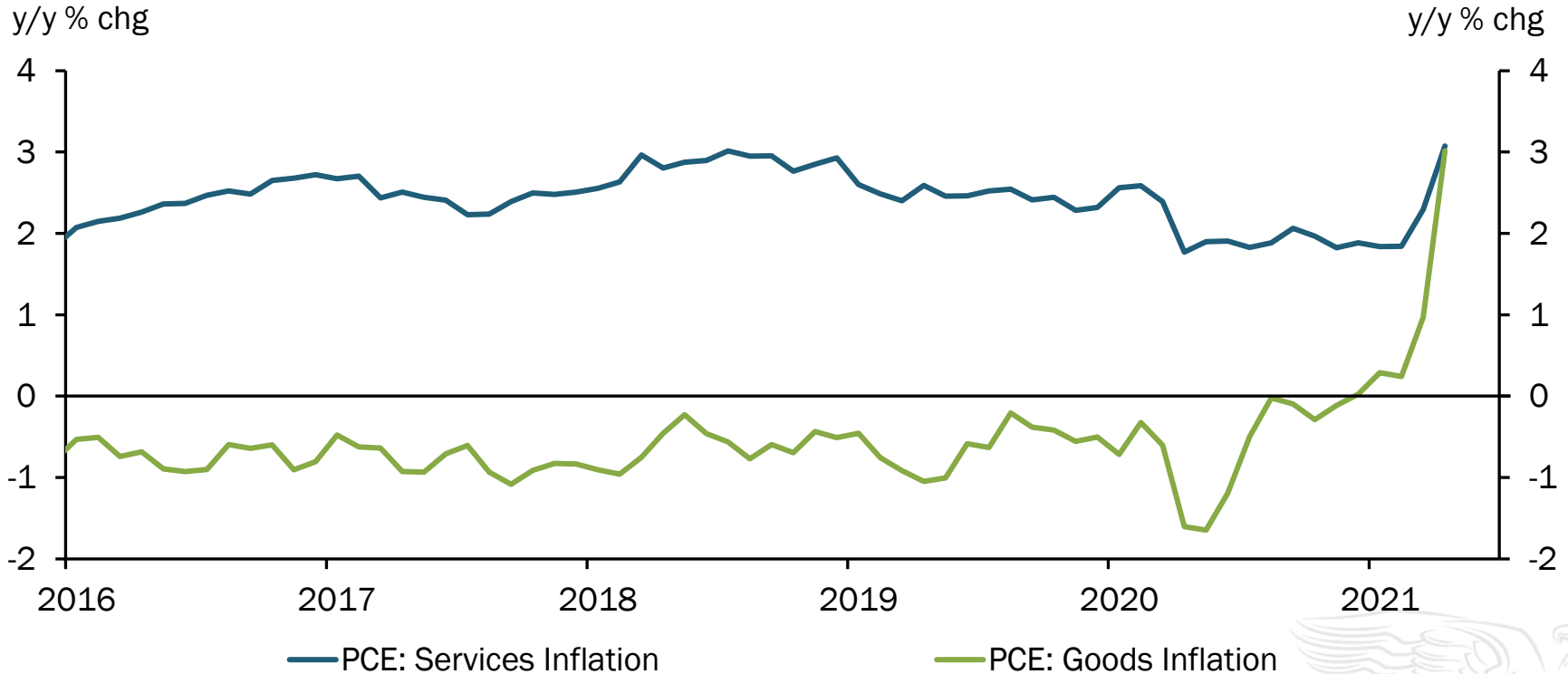
Consumer spending in New Mexico now exceeds pre-pandemic levels



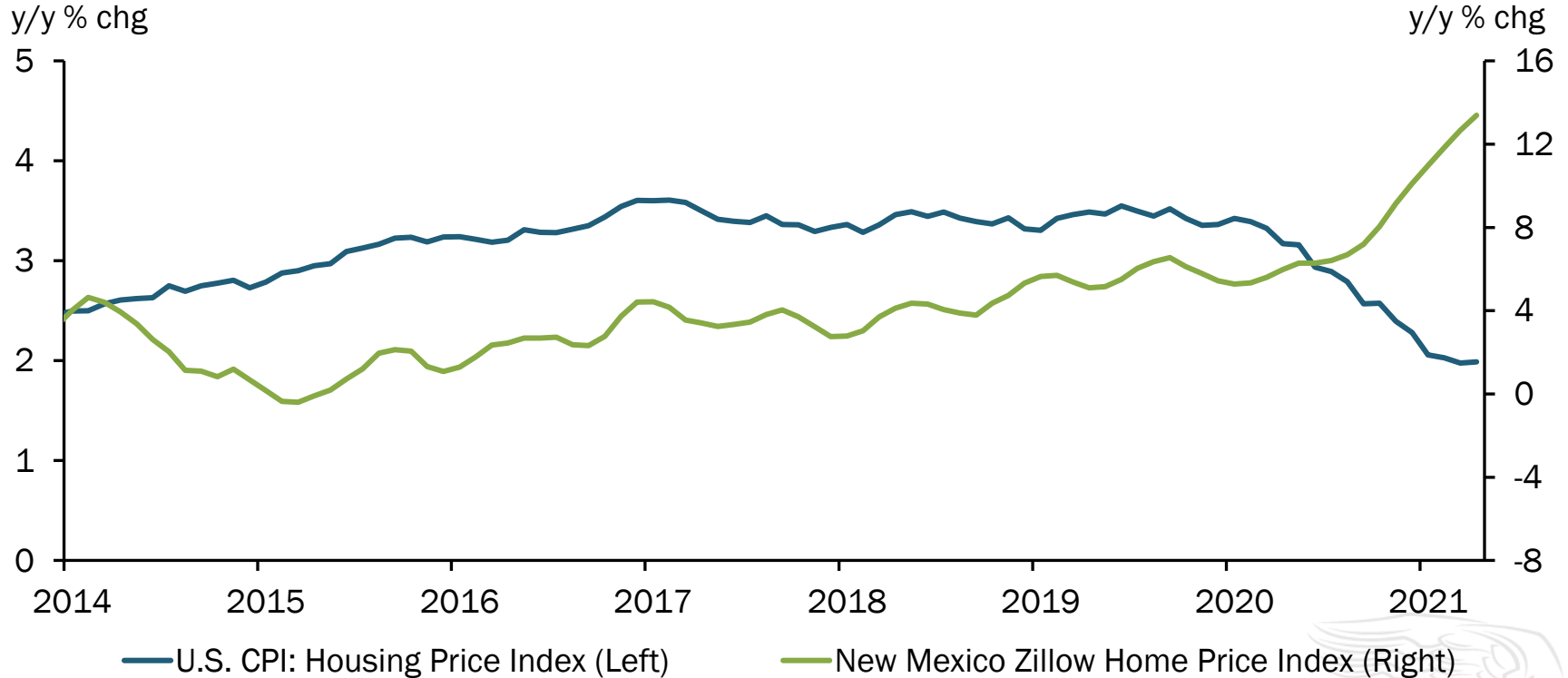
Demand for durable goods surged over the past year, while demand for services has only recently begun to show signs of recovery



Growth in the price of services has been the primary driver of overall inflation over the last decade

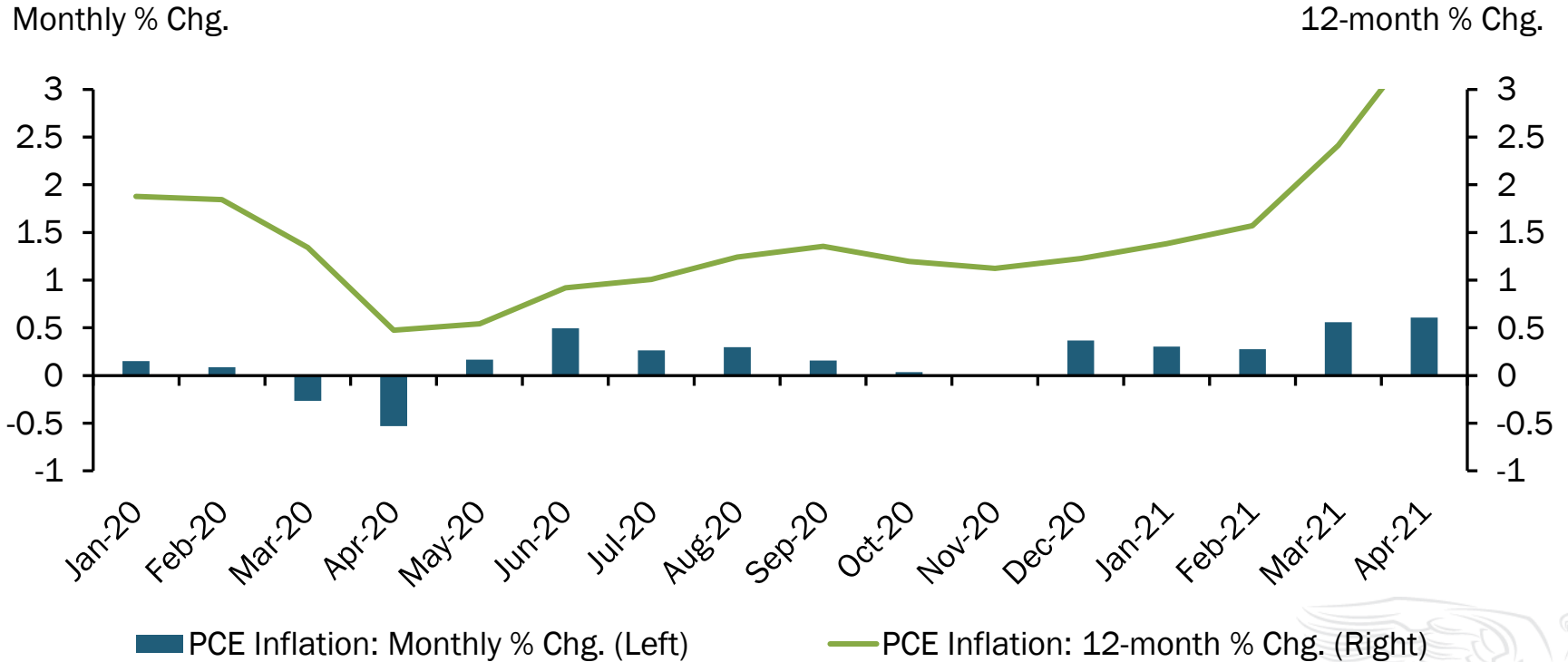


House prices continue to rise in New Mexico, while overall housing cost indices are growing at subdued rates as rent growth remains low

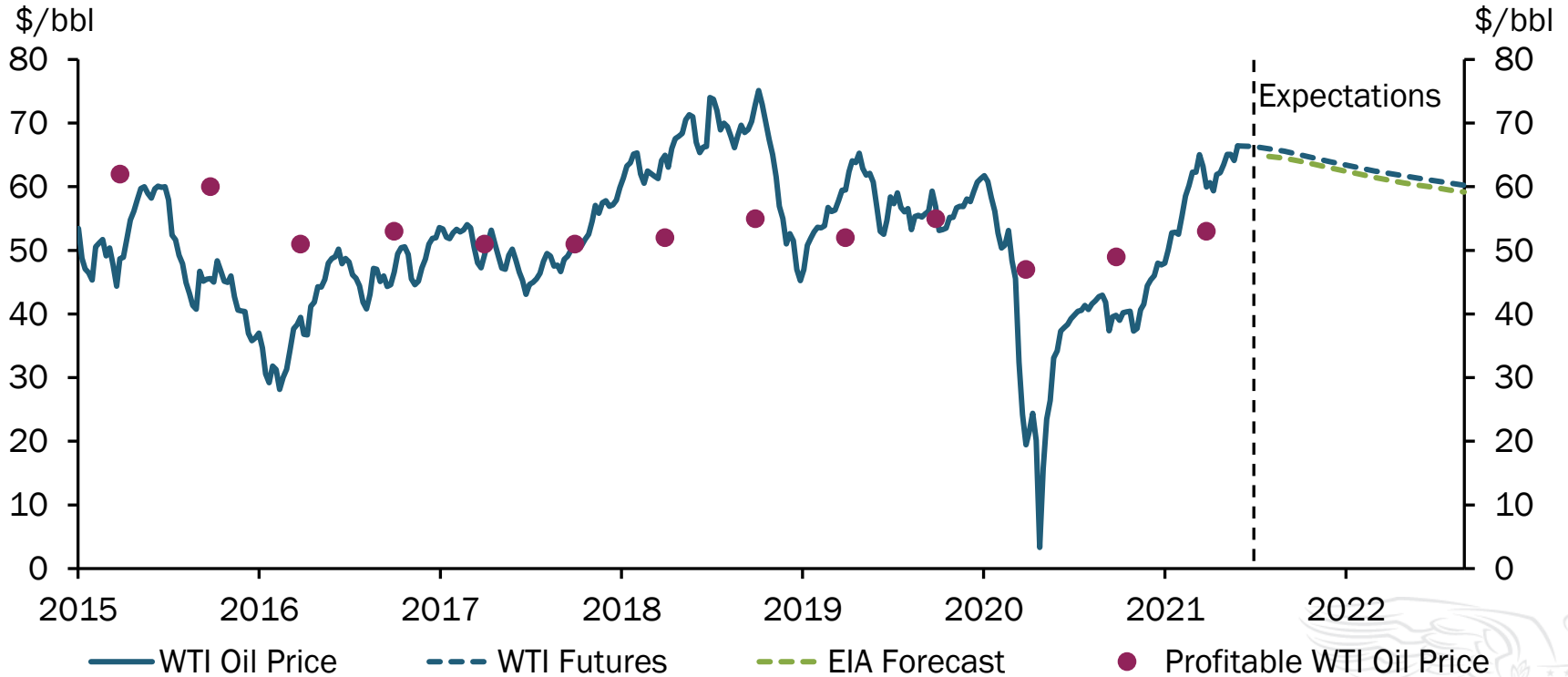


Sources: BEA, Zillow, Haver Analytics

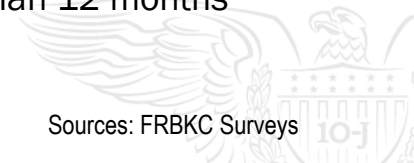
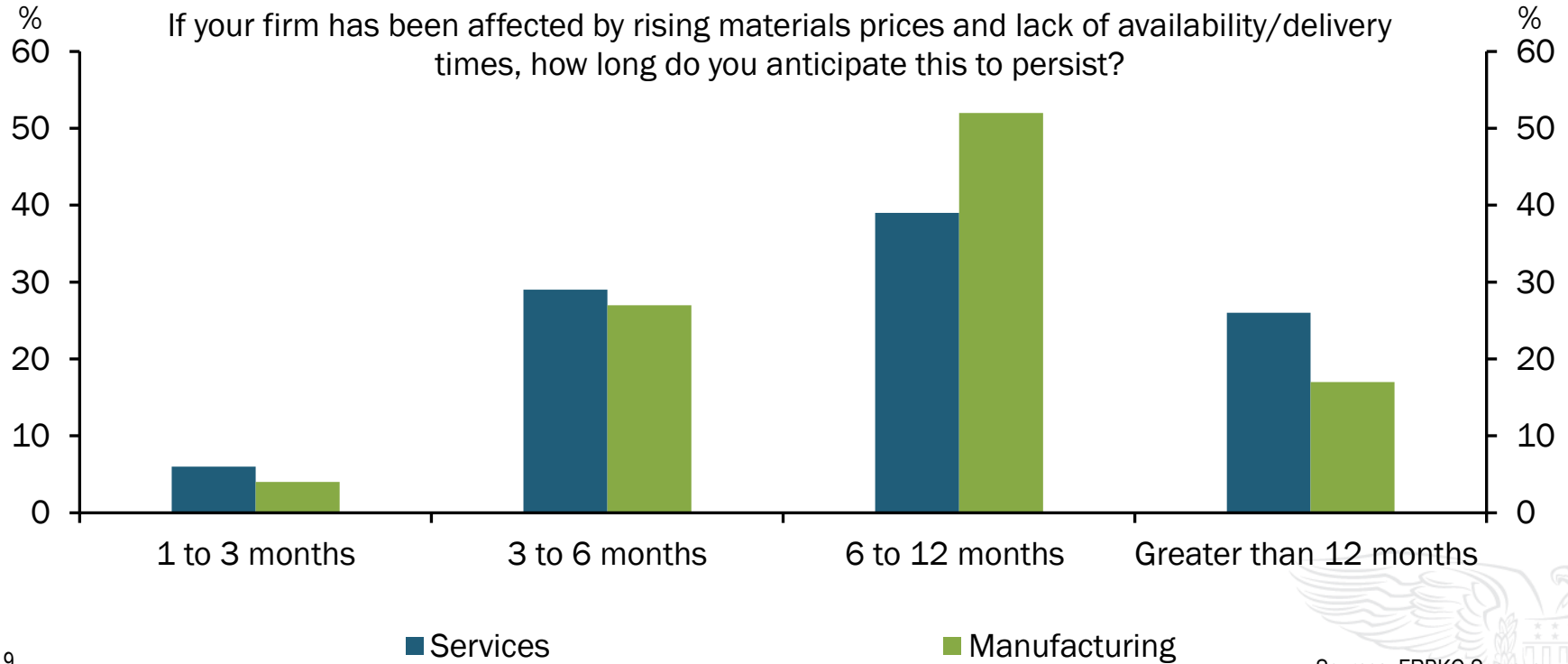
As the initial months of the pandemic move out of annual measures of inflation, price indices will move higher temporarily overall



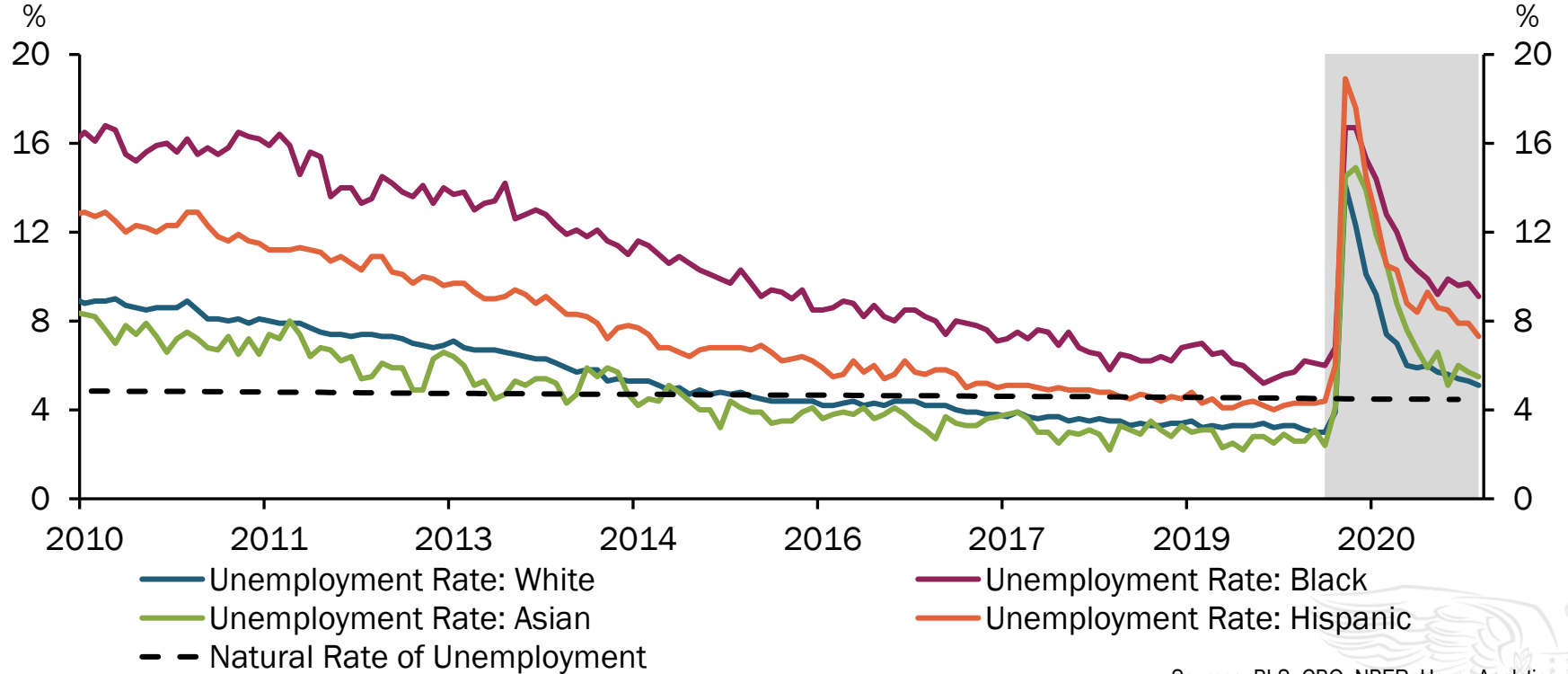
Oil prices are above profitable levels, with New Mexico among the best positioned to grow drilling activity



Many firms expect rising materials prices to persist into the medium term

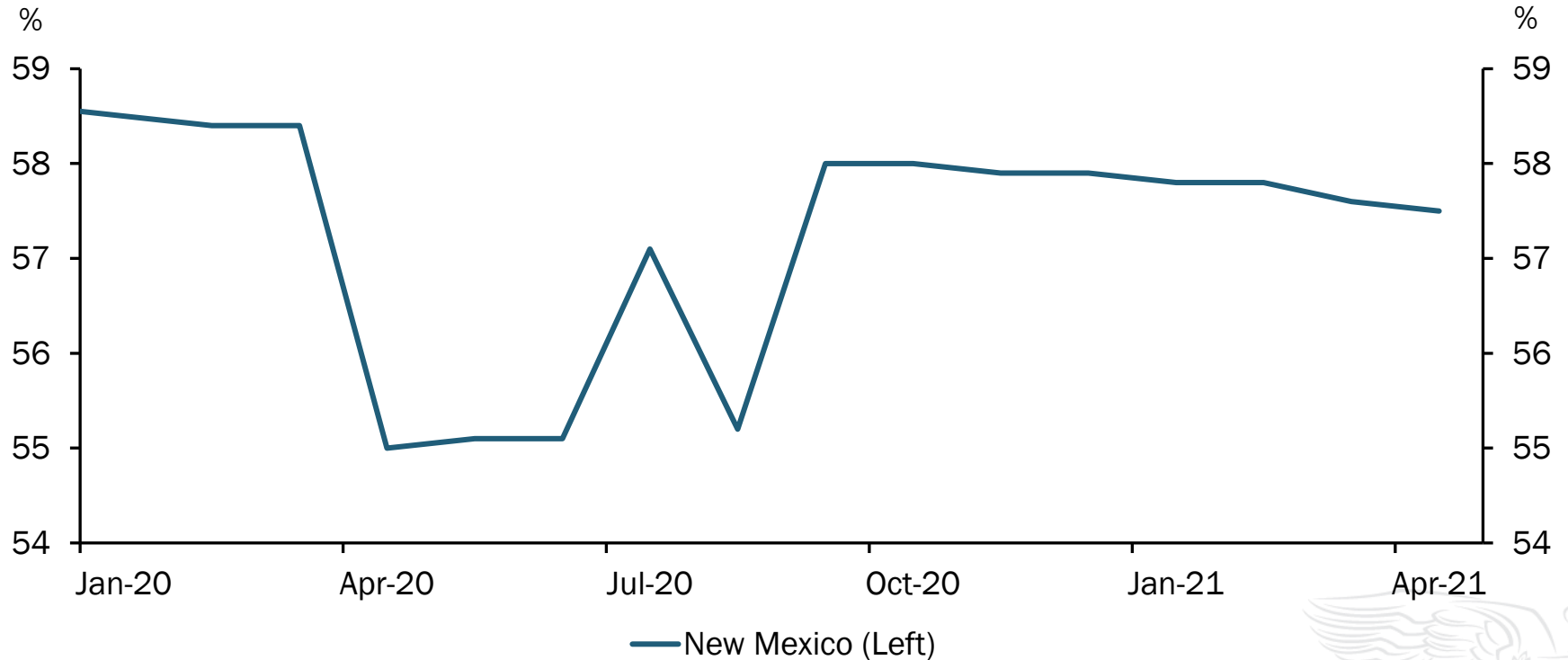


Unemployment continues to decline, though it remains elevated for some minority workers

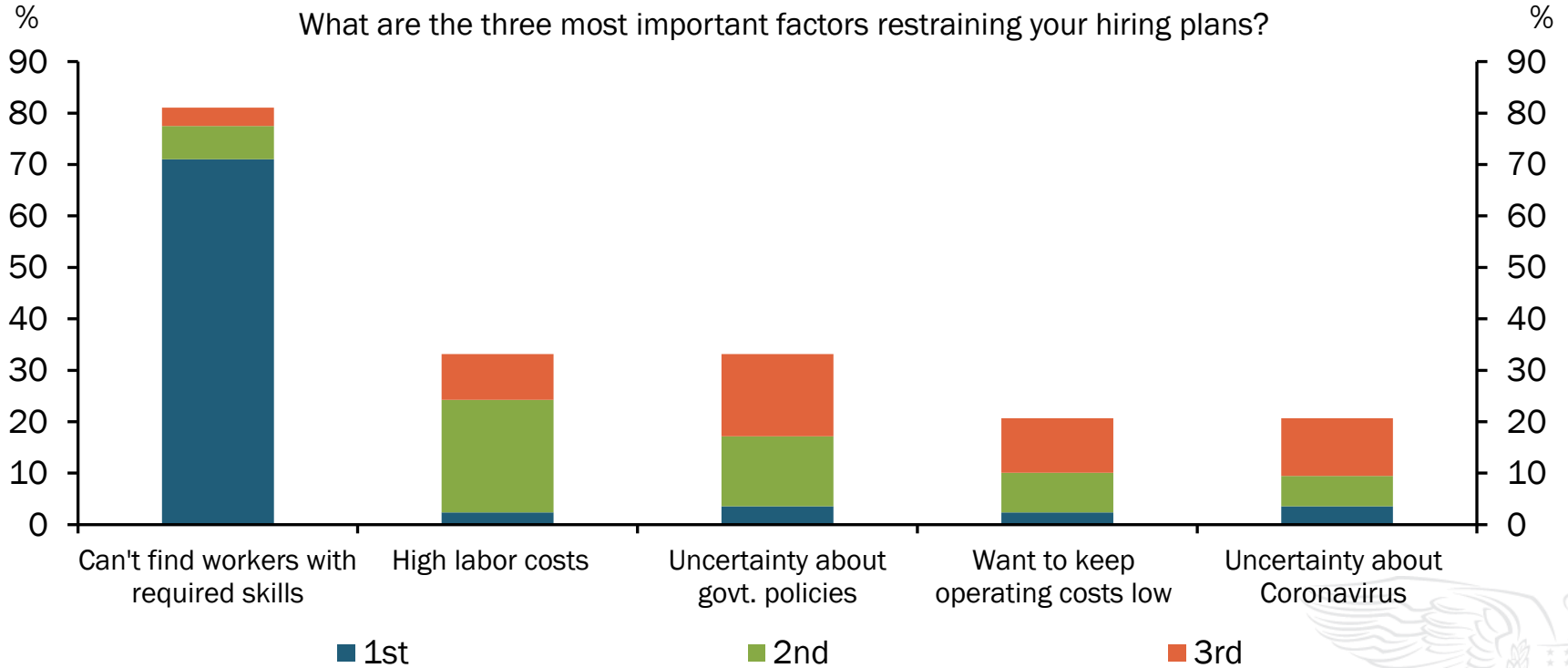


Sources: BLS, CBO, NBER, Haver Analytics
 Note: Grey bar indicates recession shading

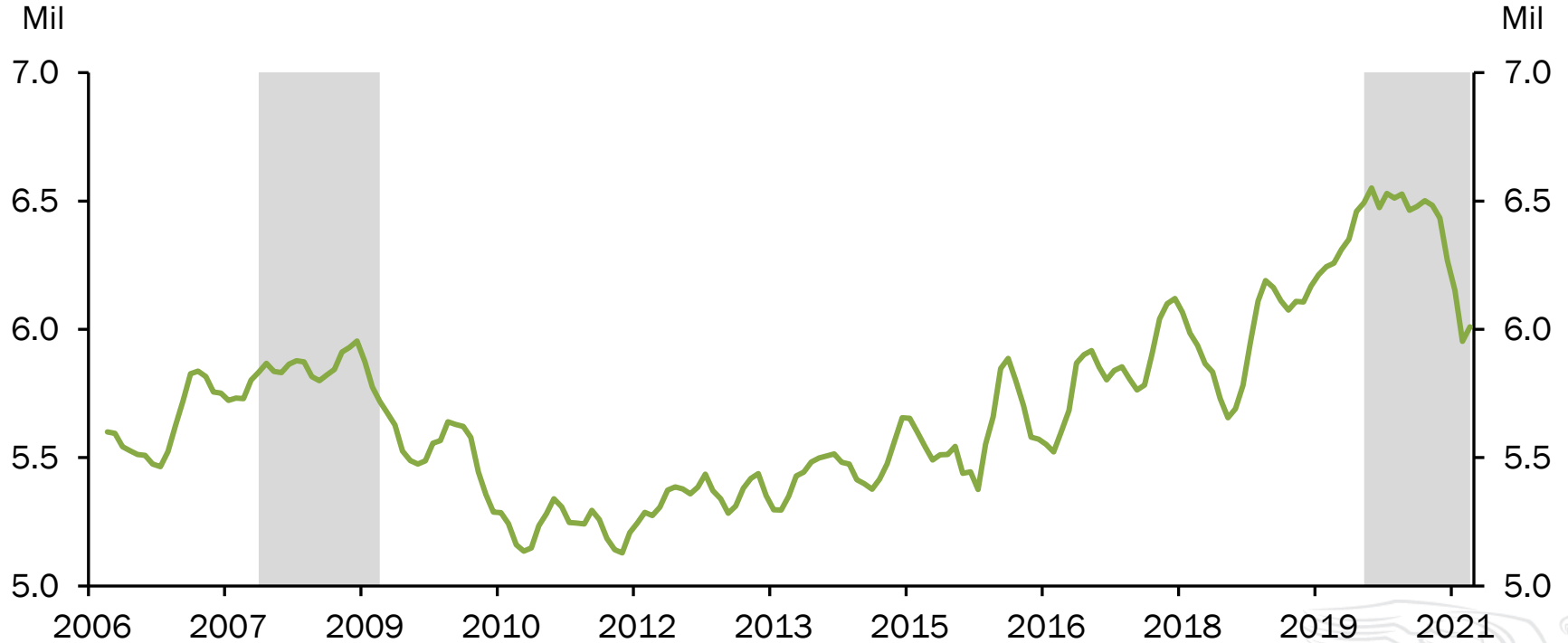
New Mexico's labor force participation rate approached pre-pandemic levels last year, but declined somewhat in recent months



Many firms report that their inability to find qualified workers is negatively impacting their hiring plans



As labor markets recovered from the initial phases of the pandemic, small owner-operated businesses struggled during the pandemic



Looking forward

- Private demand from consumers and businesses are going to be drivers of the outlook moving forward
- Supply disruptions and materials costs pressures have emerged as near-term headwinds for businesses throughout the region. Low labor supply may pose a more persistent headwind.
- The recovery thus far has been swift but uneven, with smaller employers and minority workers still facing more adverse conditions than before the pandemic.
- The stance of monetary policy remains accommodative.



