

Economic Conditions and Outlook

May 10, 2023 – New Mexico Briefing

Nicholas Sly

Vice President, Economist and Denver Branch Executive

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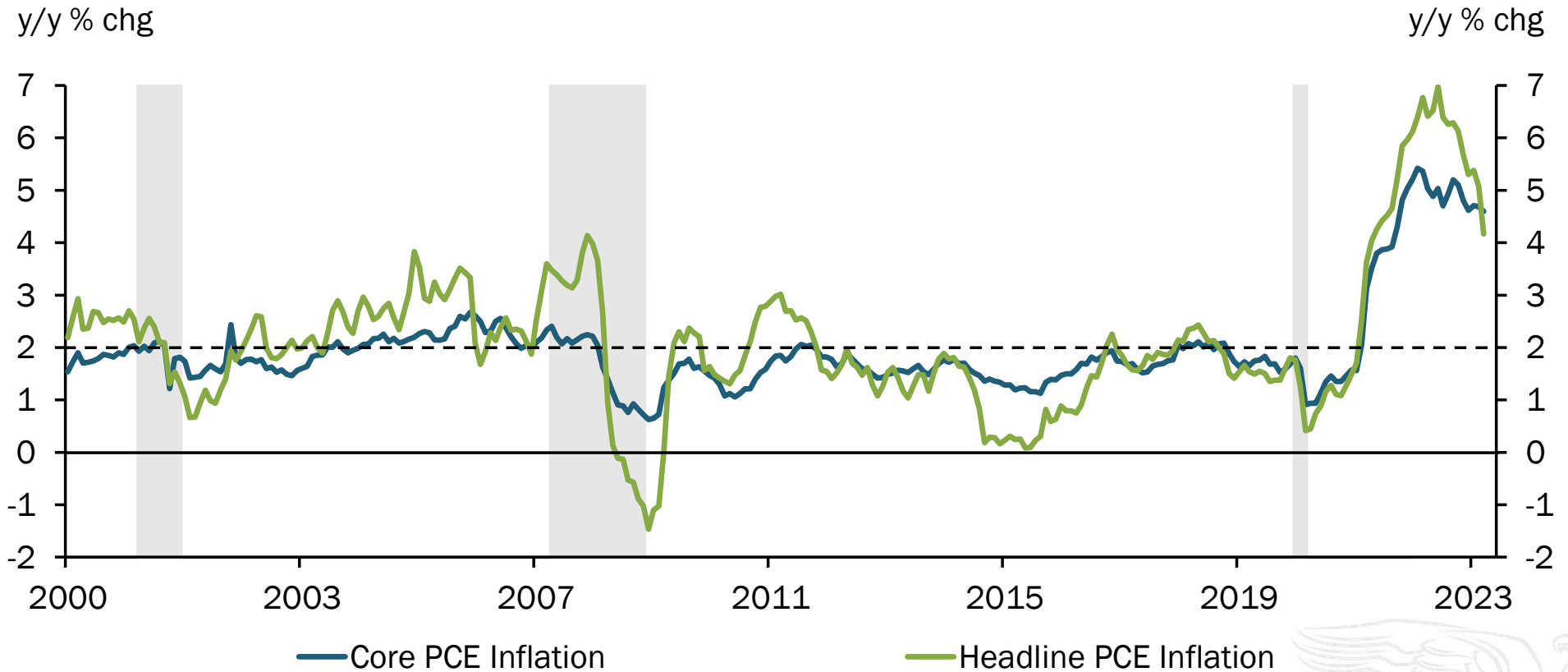


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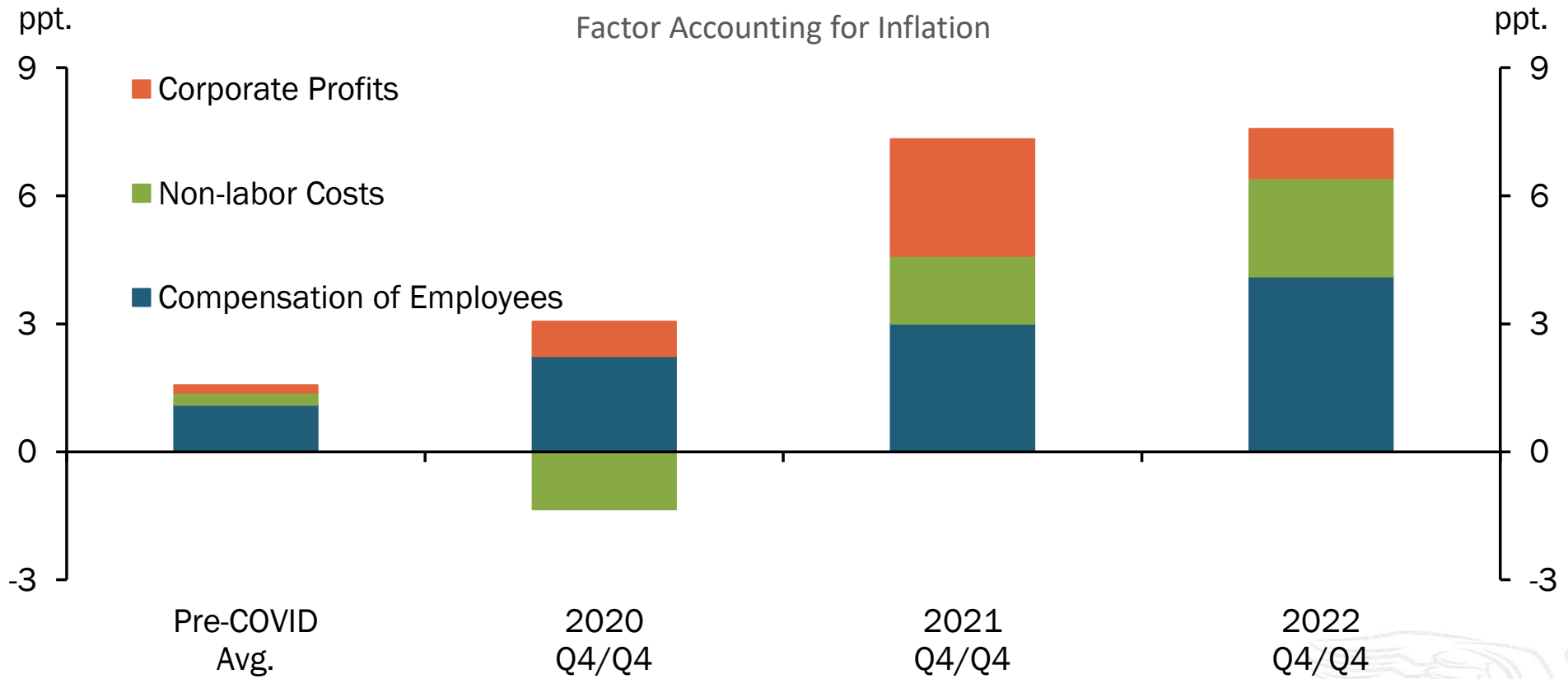
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- Banks expect to further tighten their credit standards over the medium term



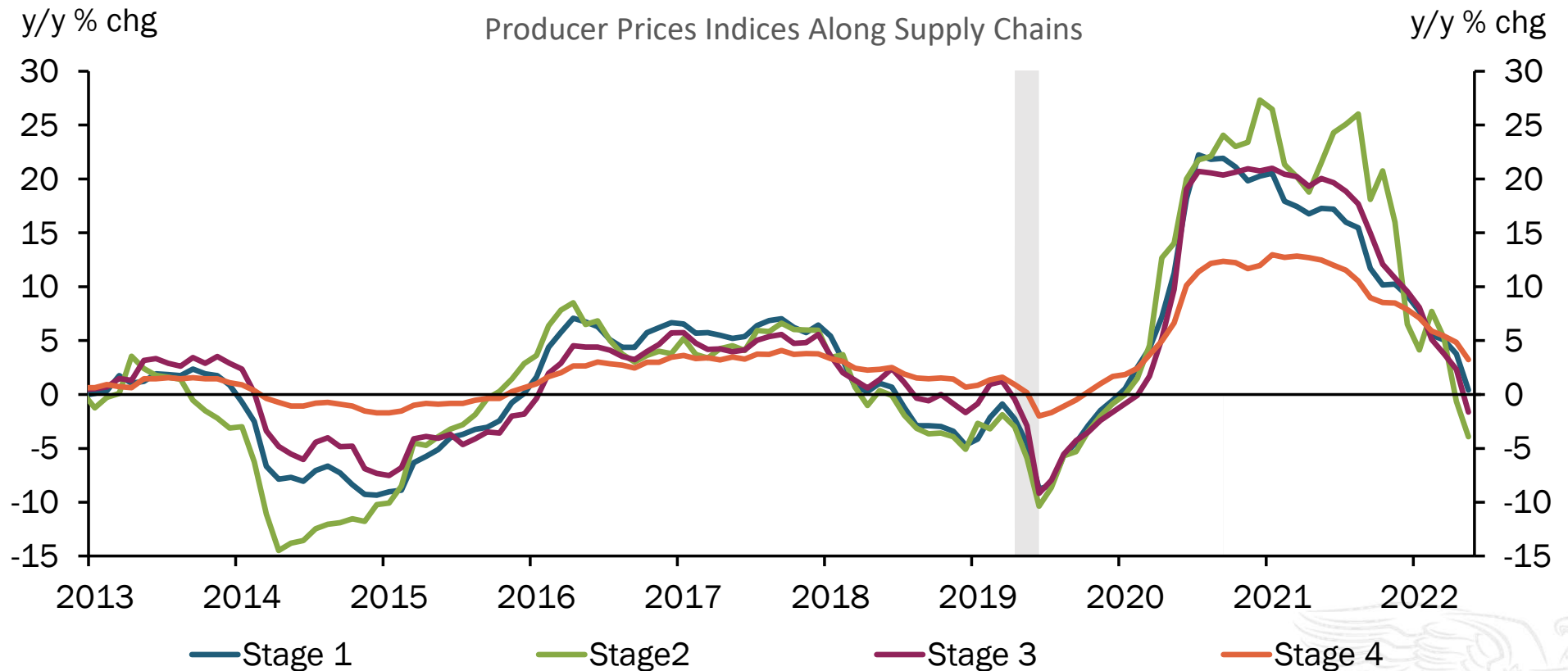
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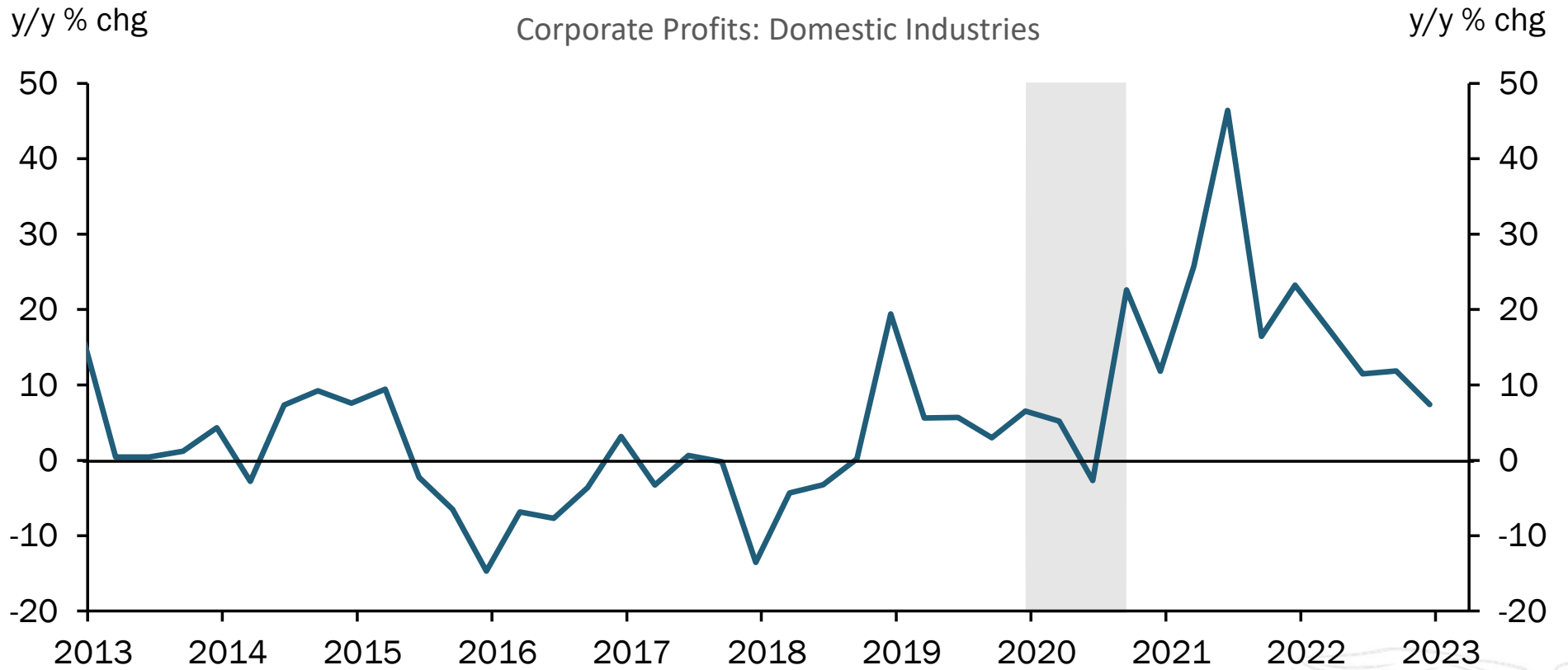
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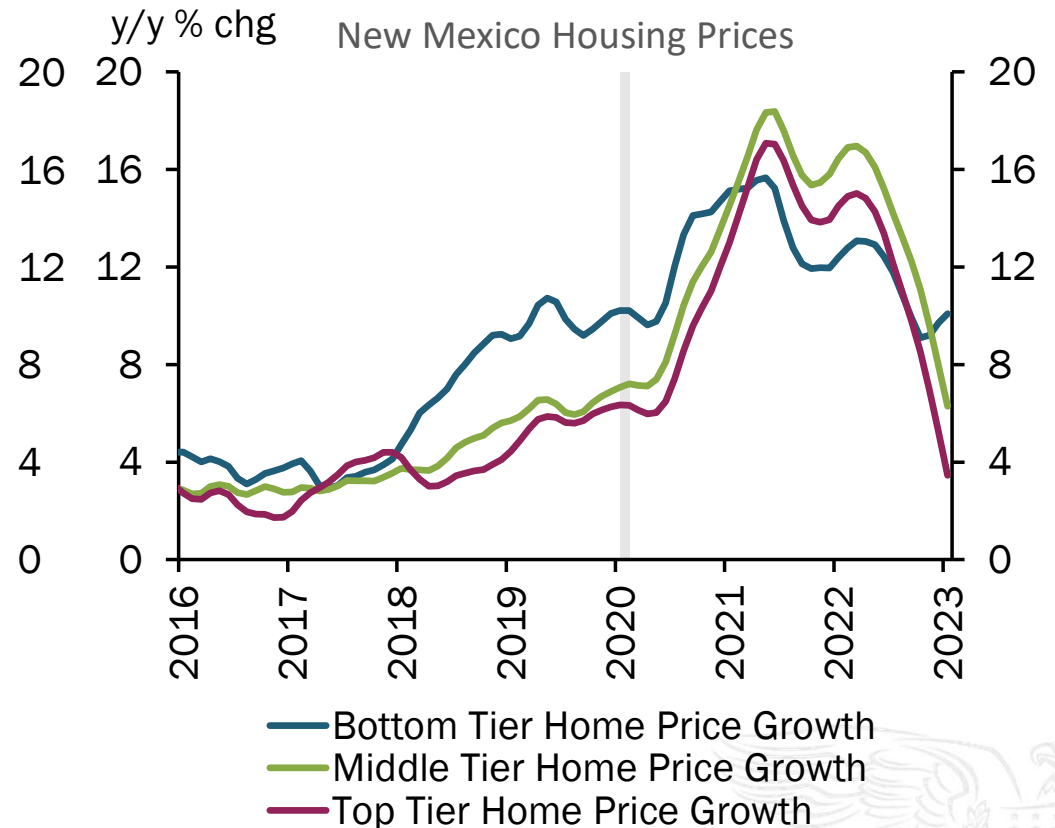
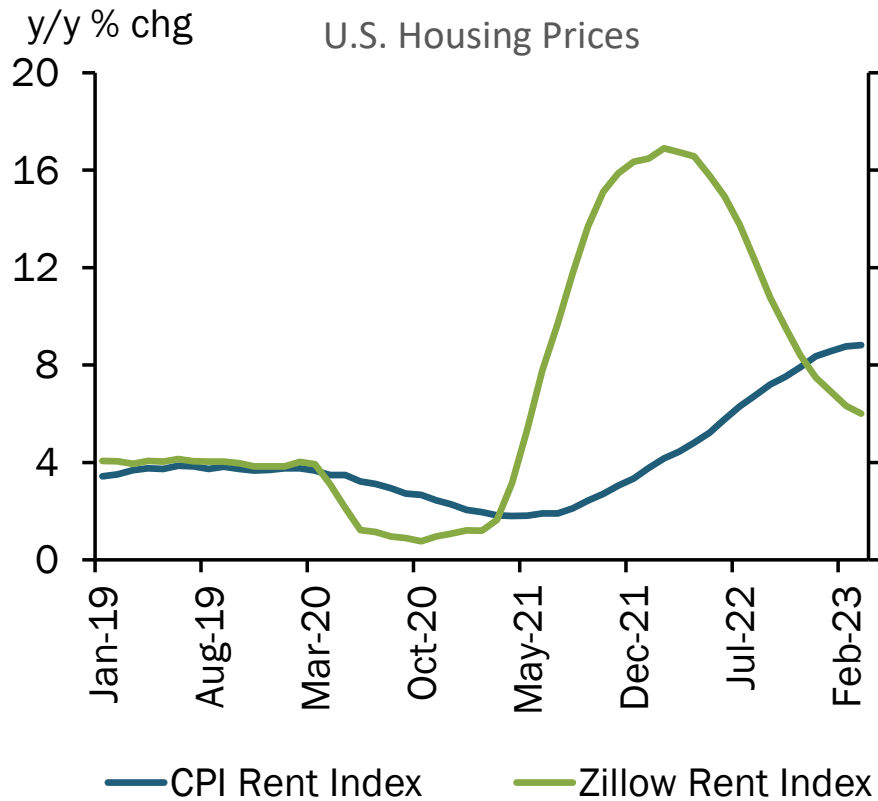
Corporate profits are softening from their recent outsized growth rates



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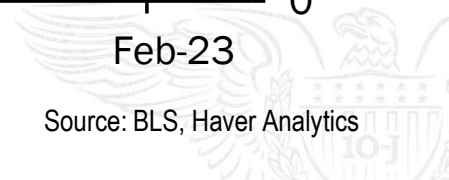
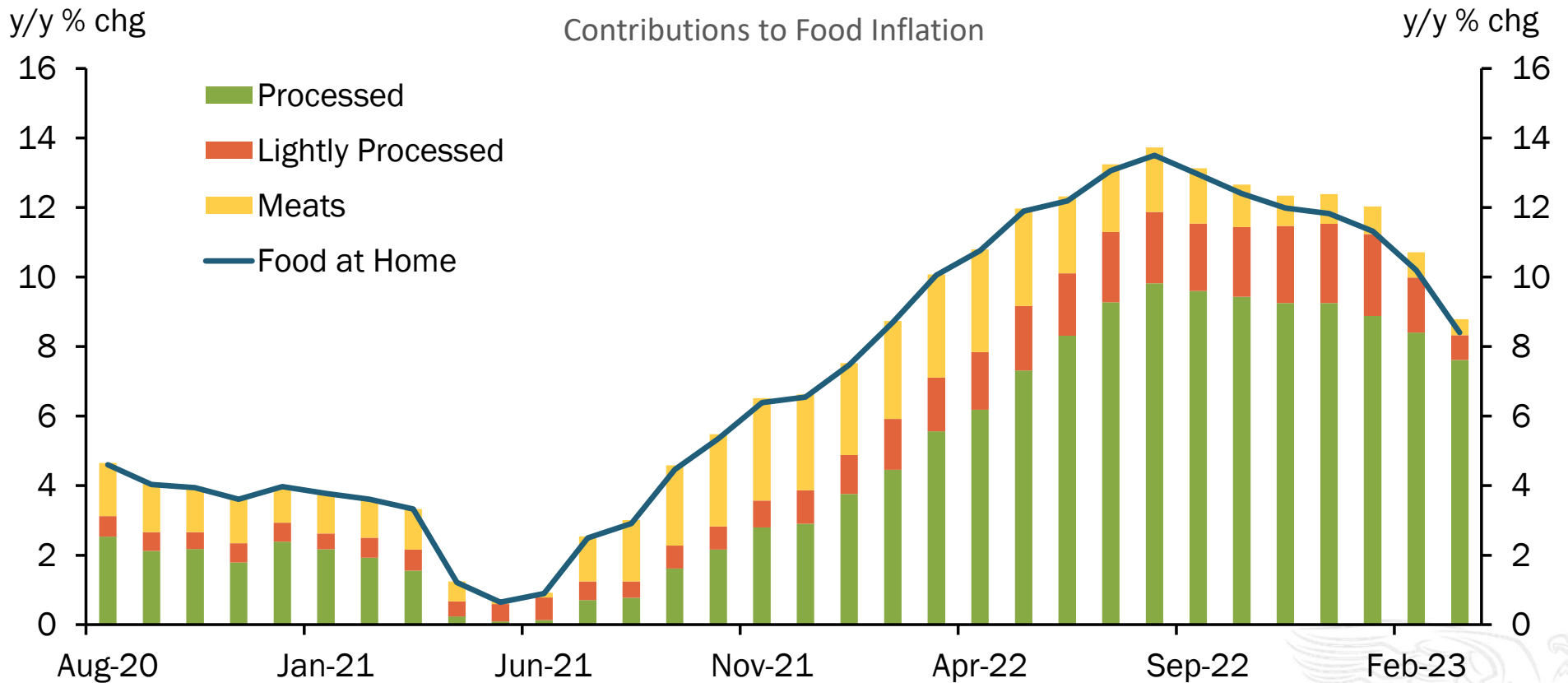


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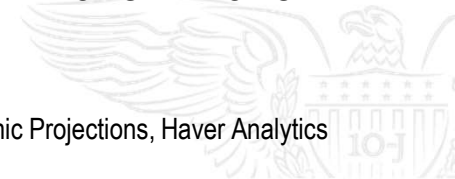
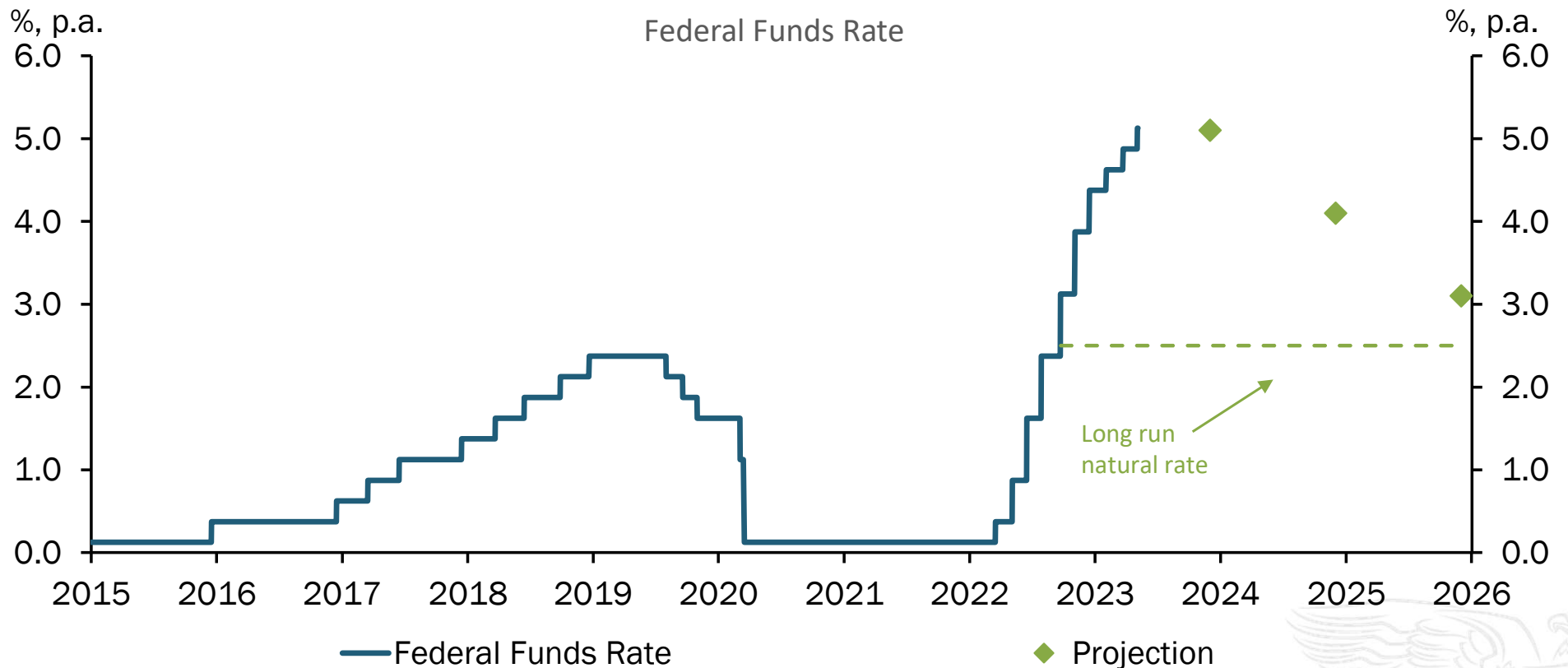


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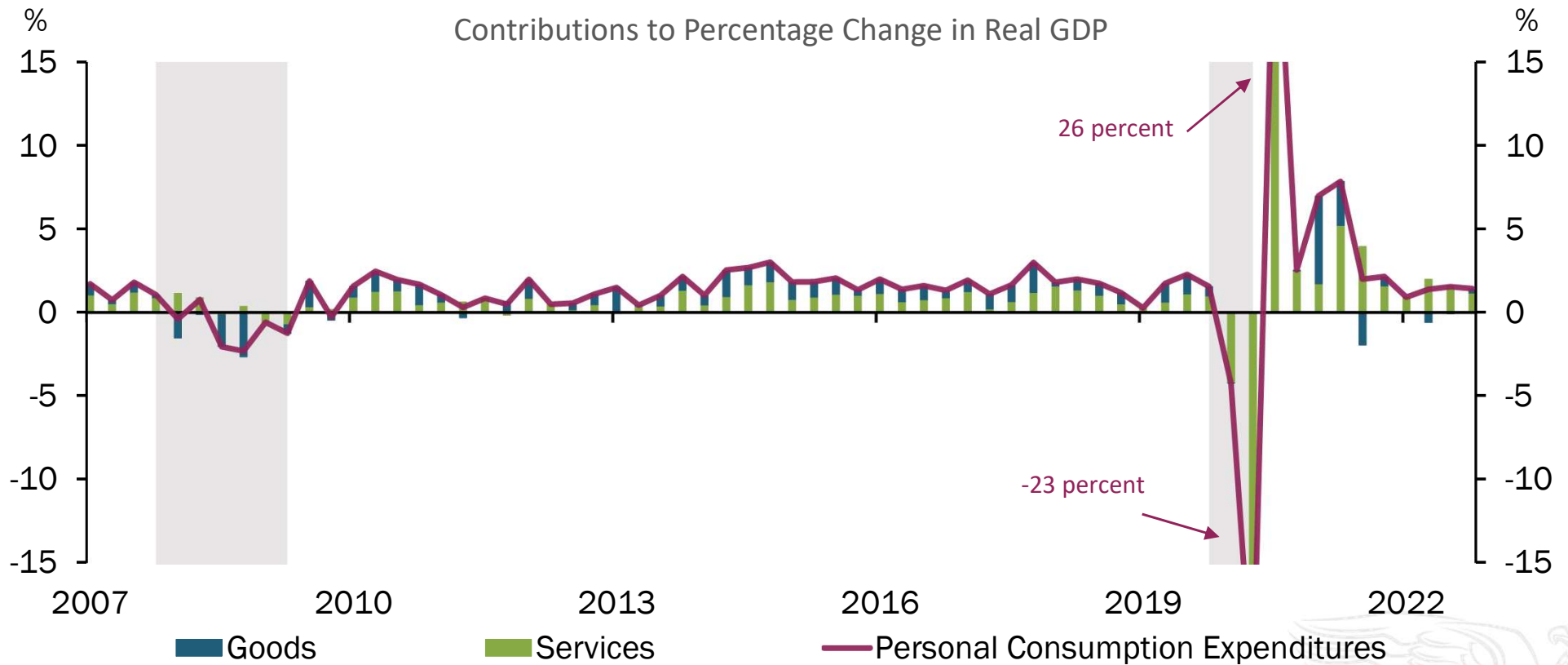
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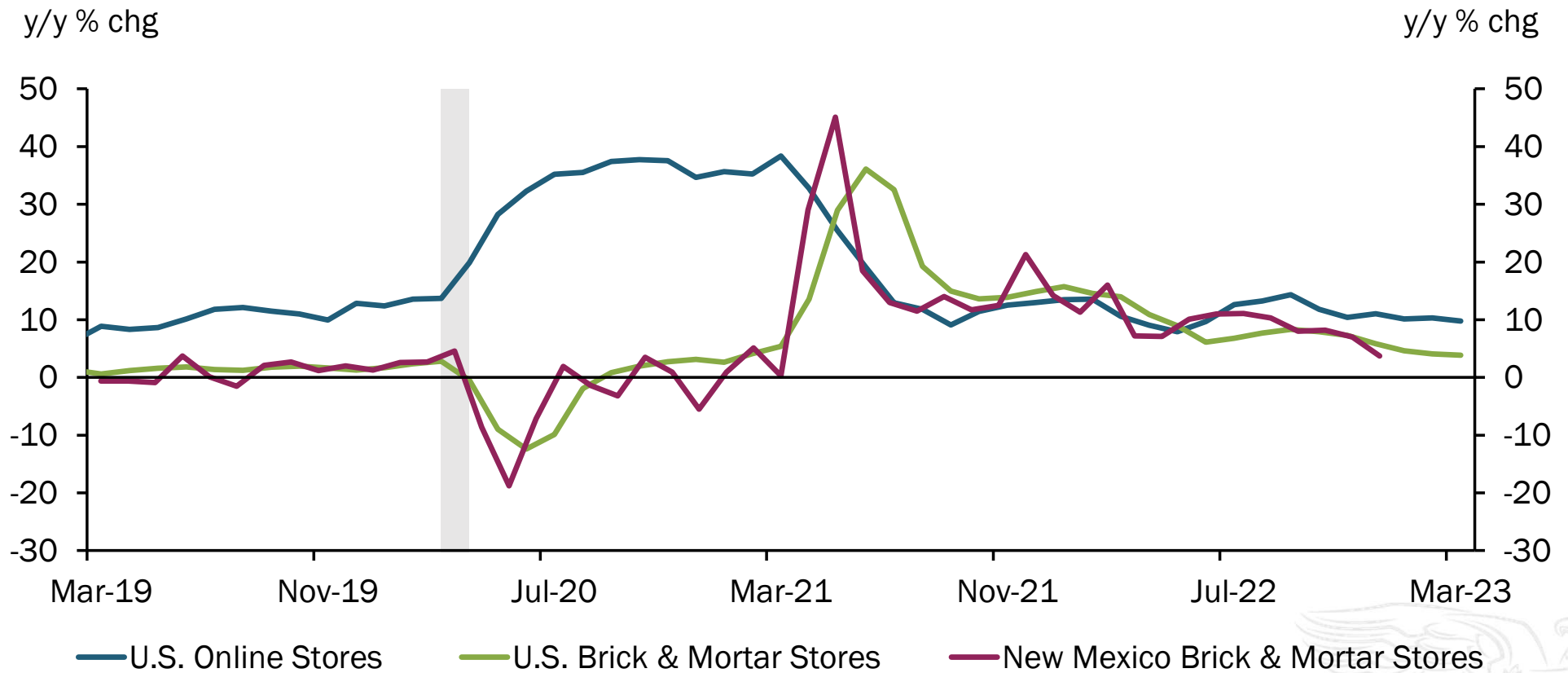


Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth

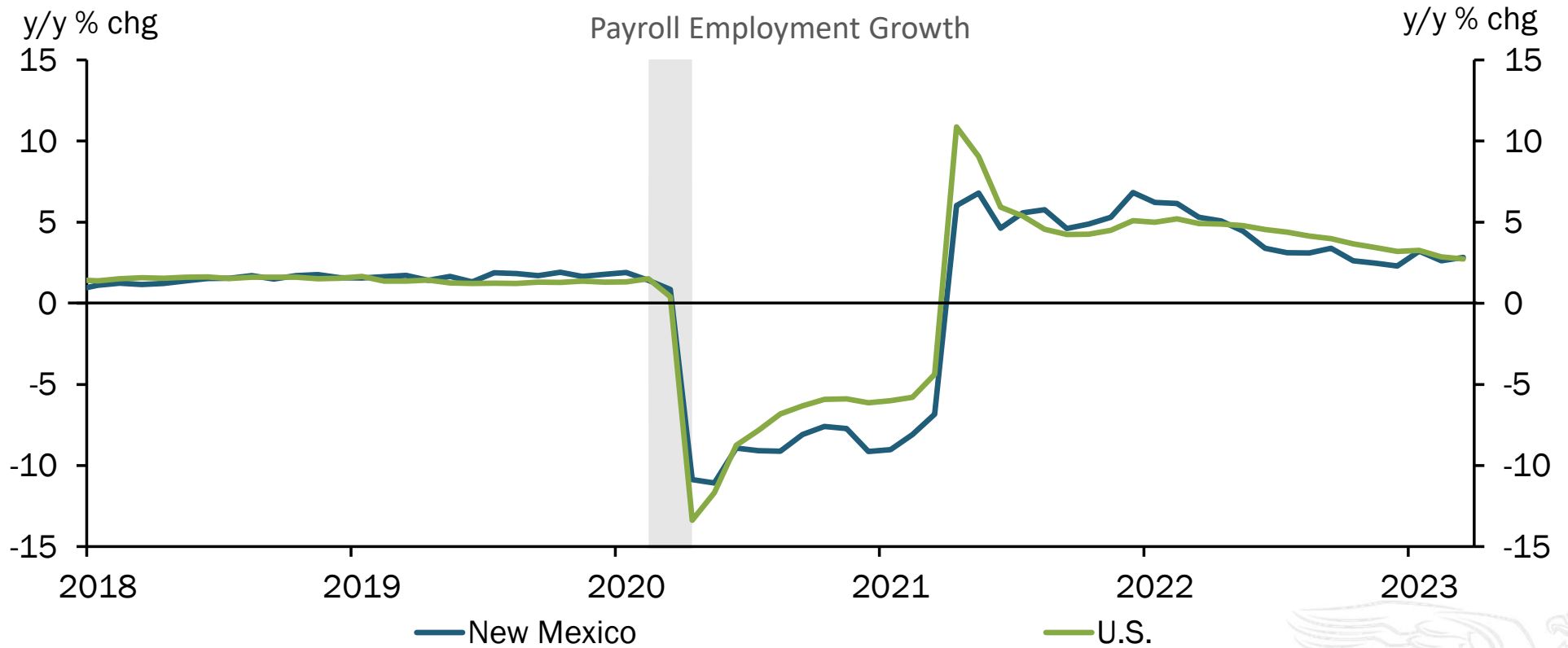


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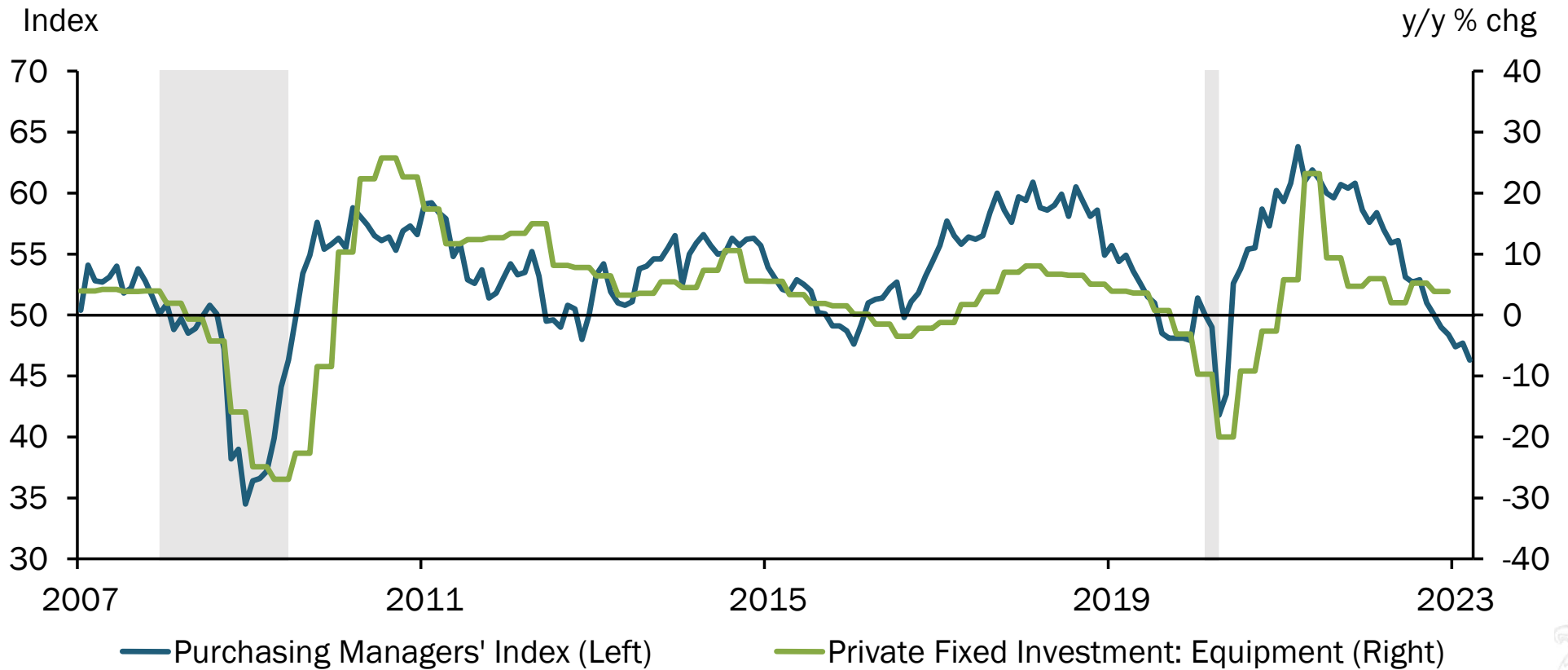


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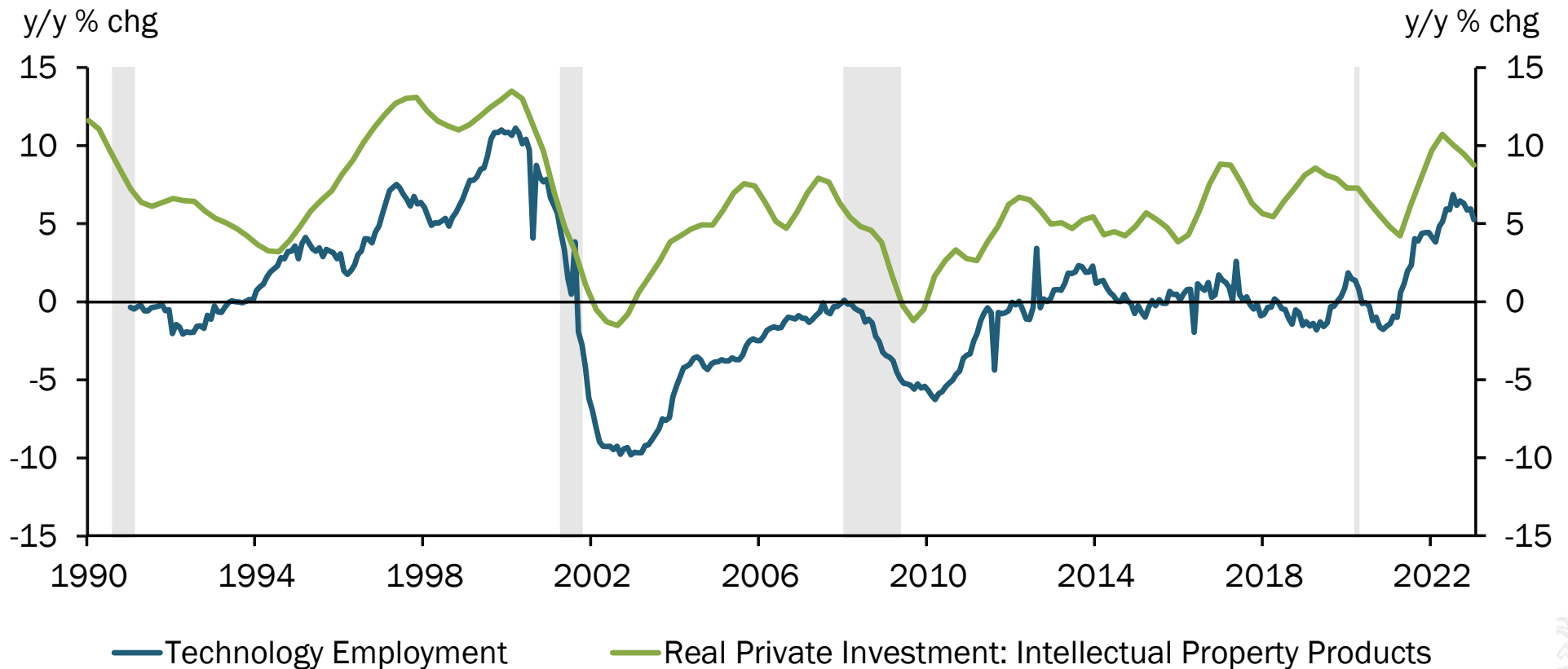


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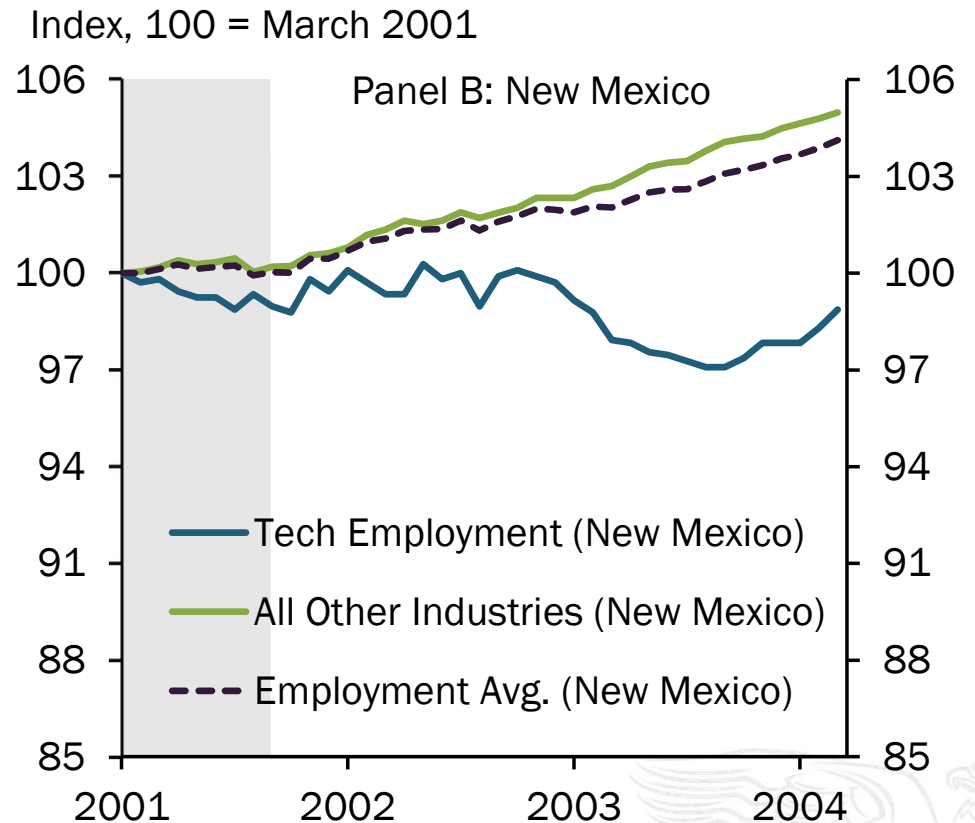
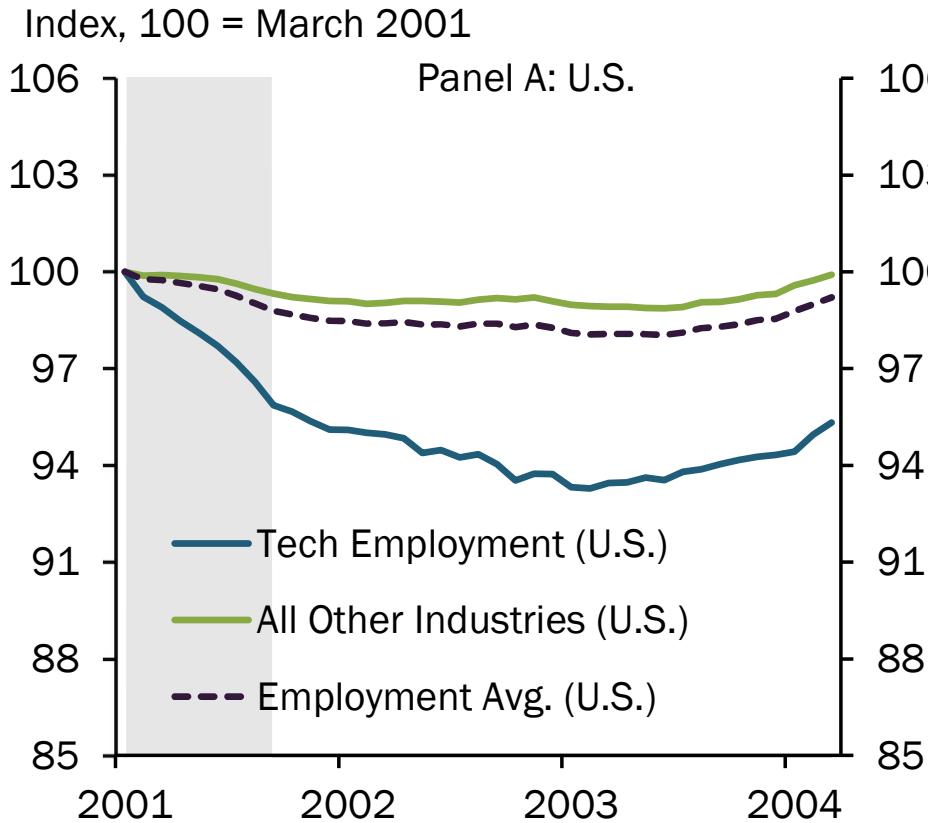
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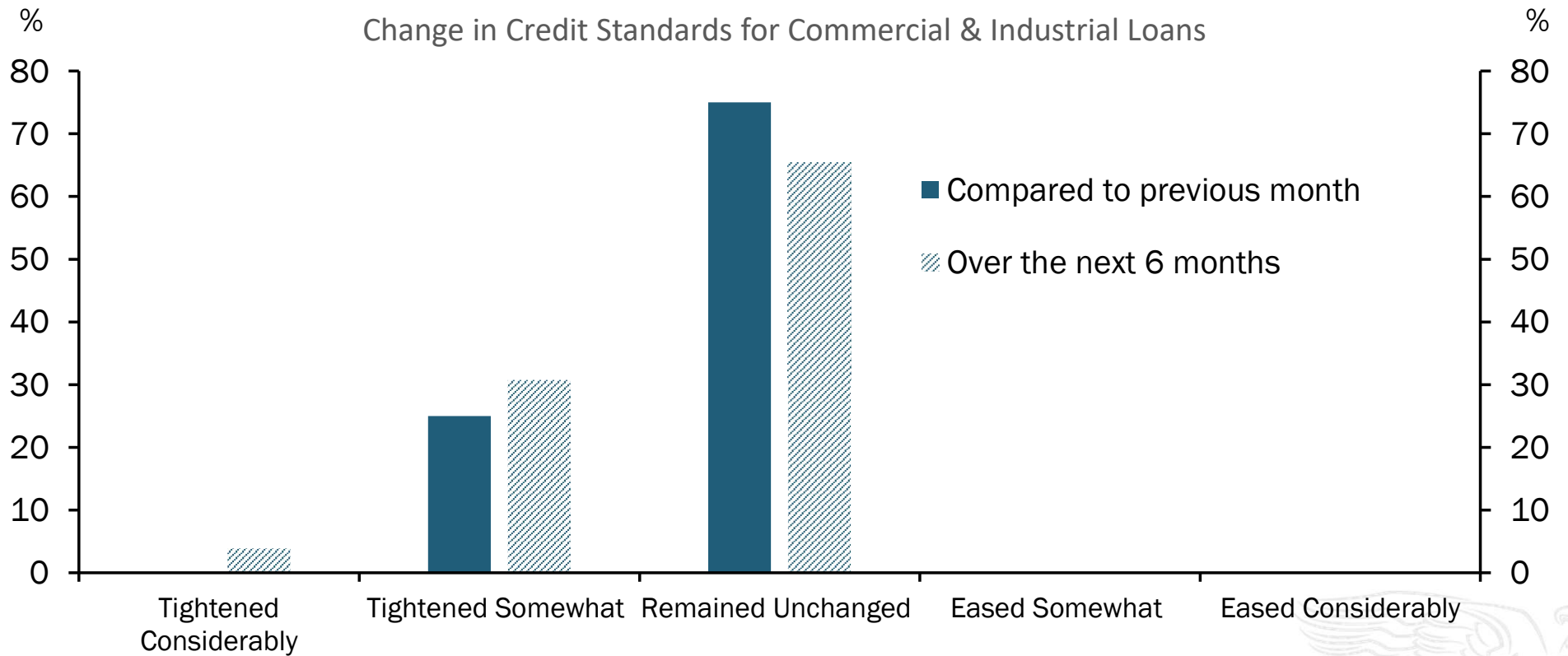
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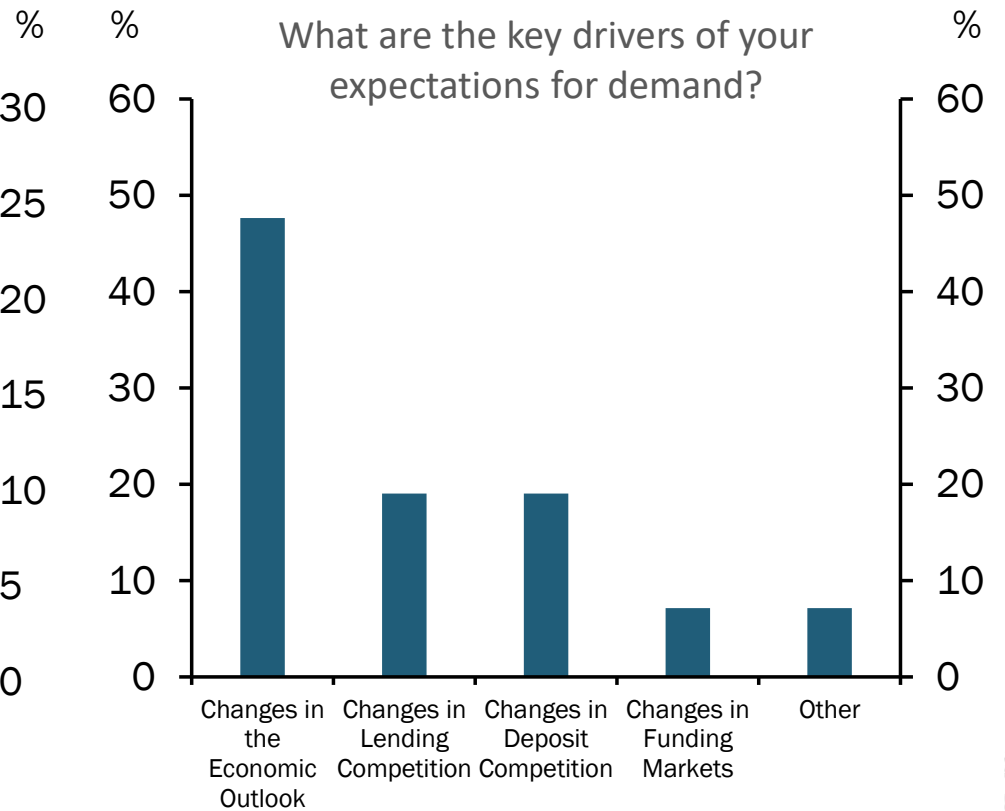
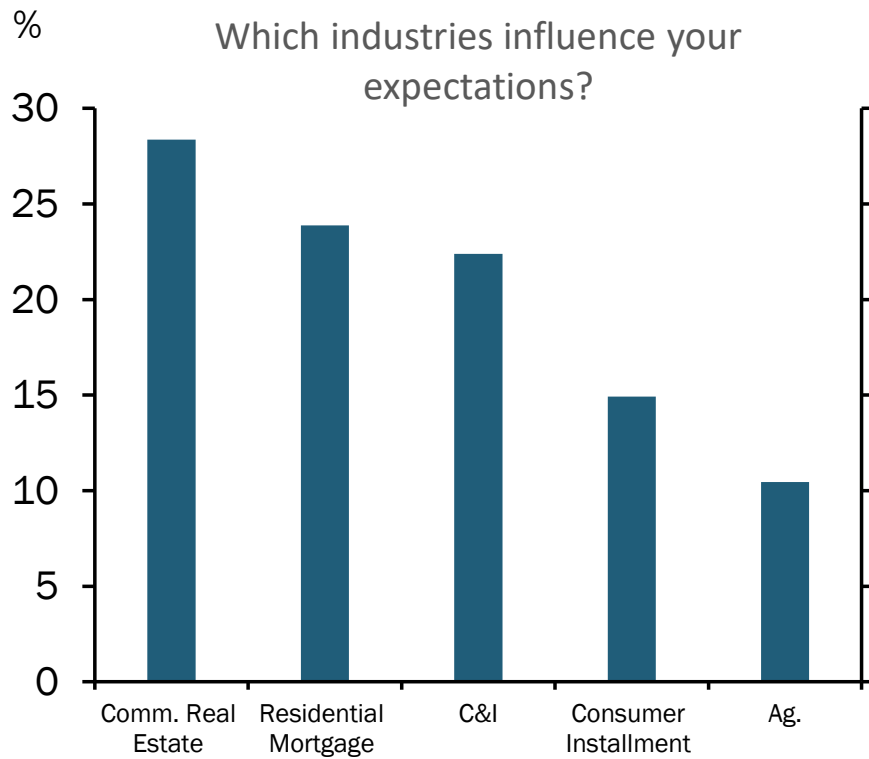
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An increased share of banks expect to further tighten their credit standards over the next six months



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Looking ahead

- Inflation still has momentum in many home spending categories, and slowing that momentum will be key to restoring price stability over coming months
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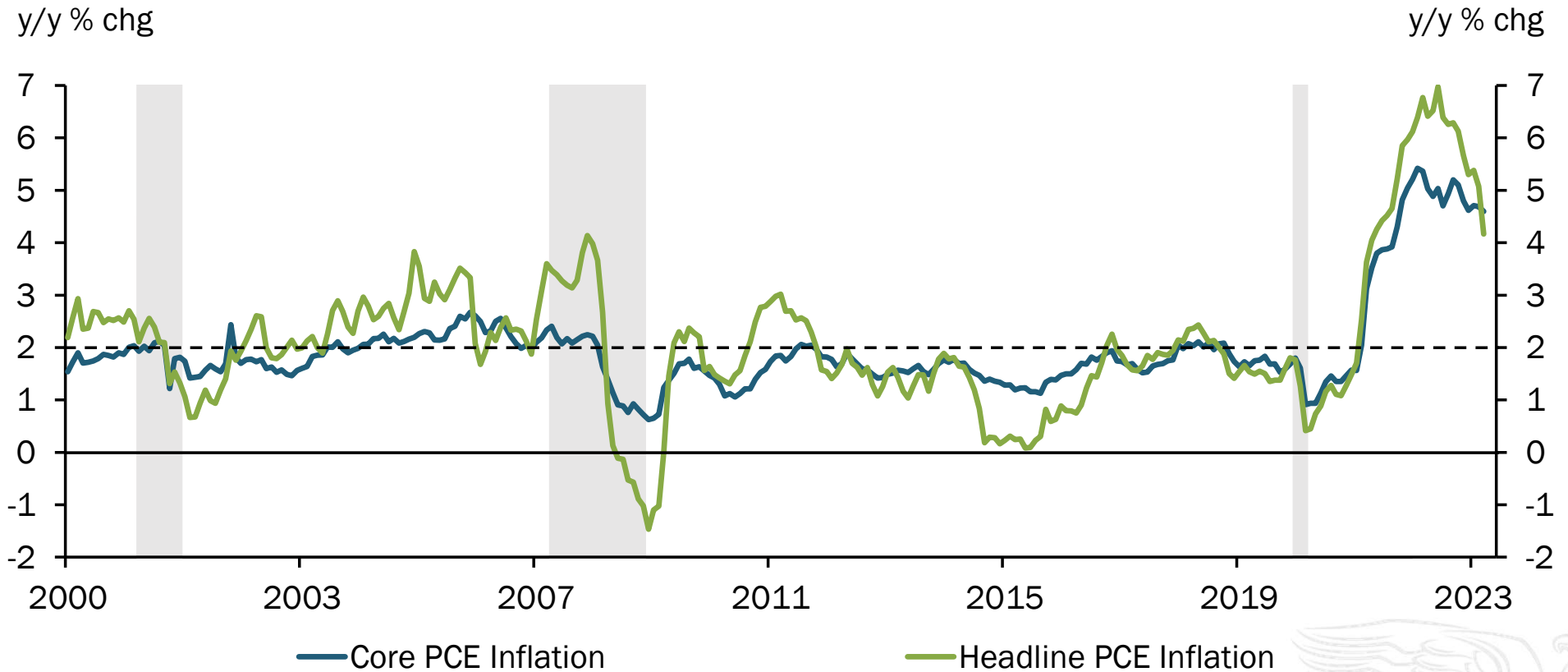


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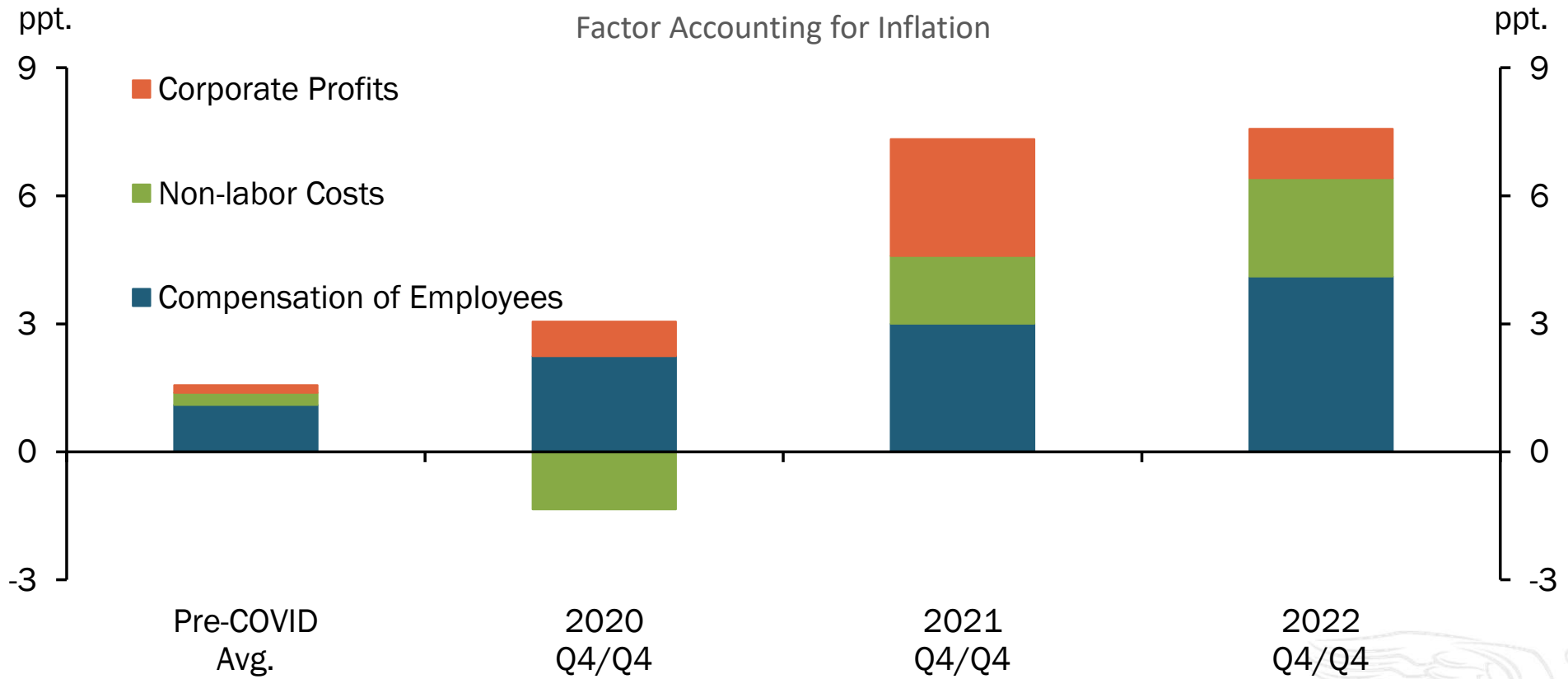
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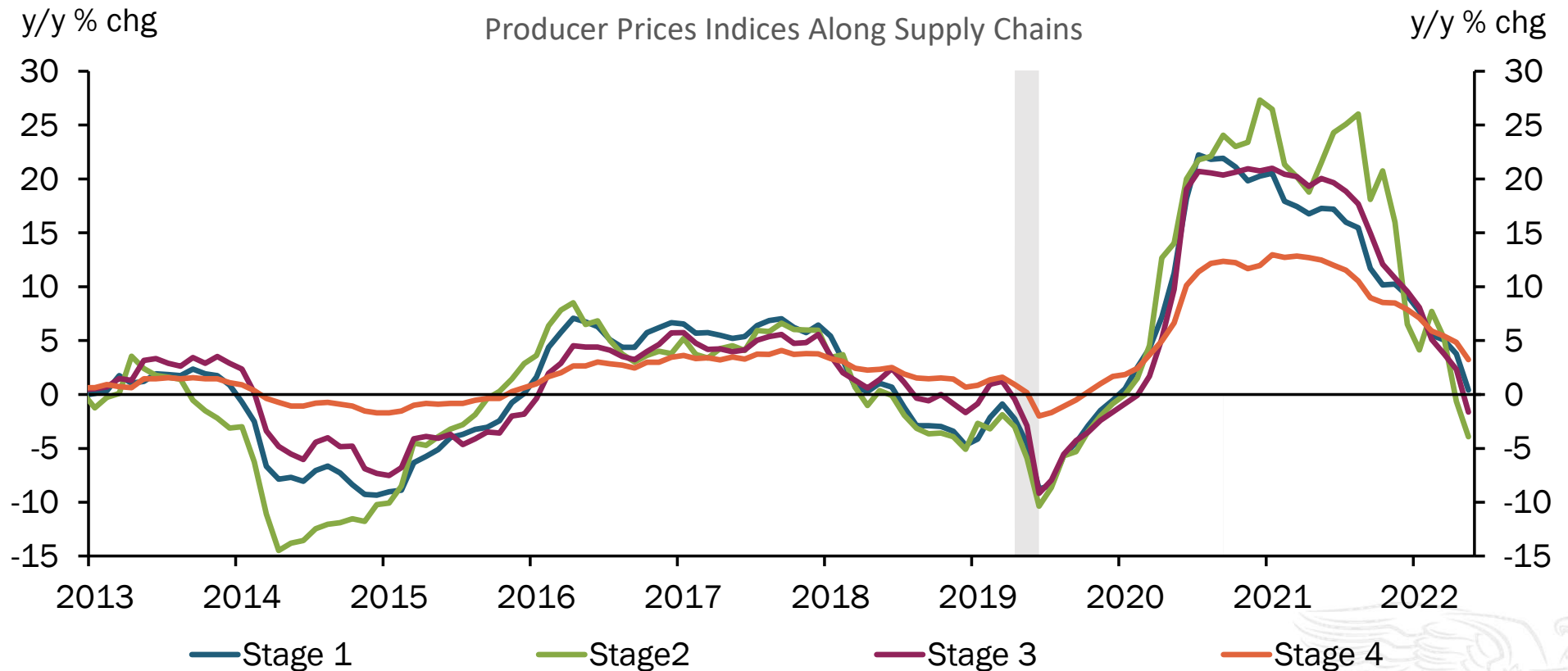
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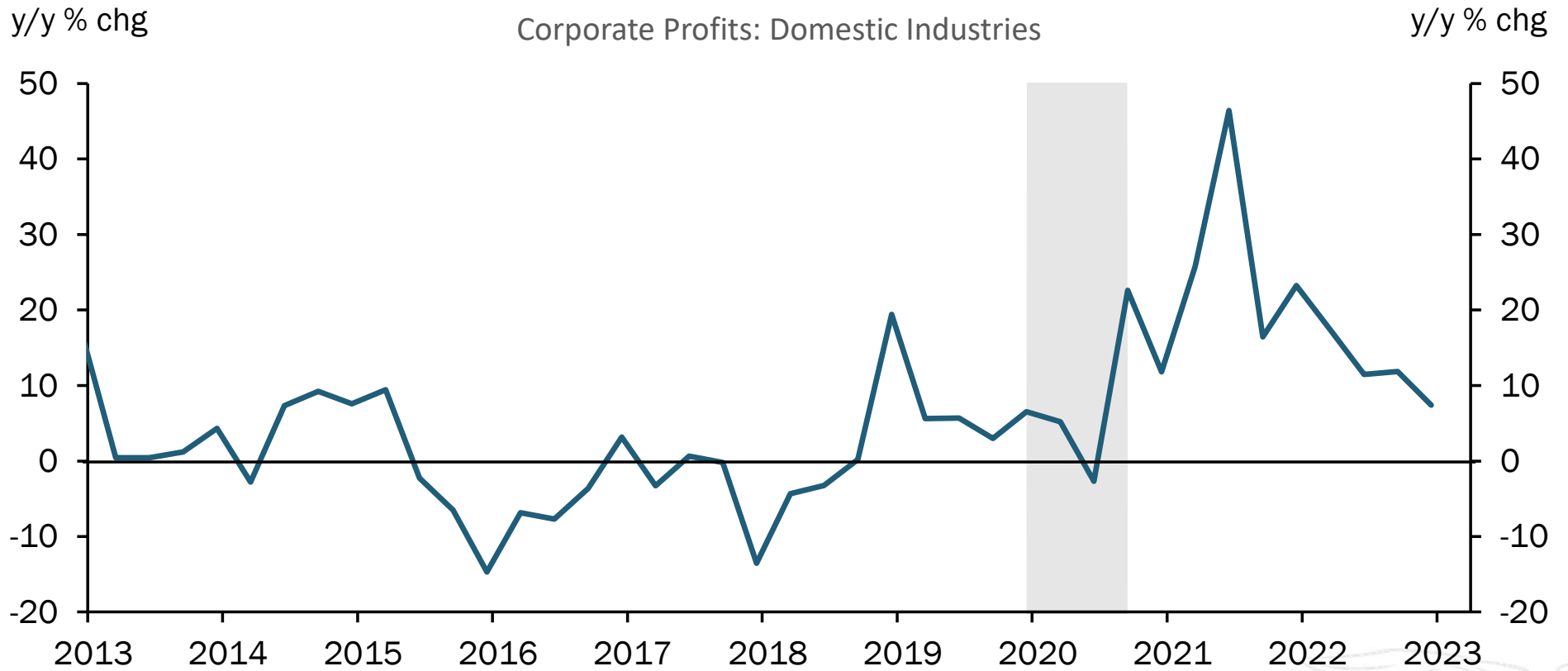
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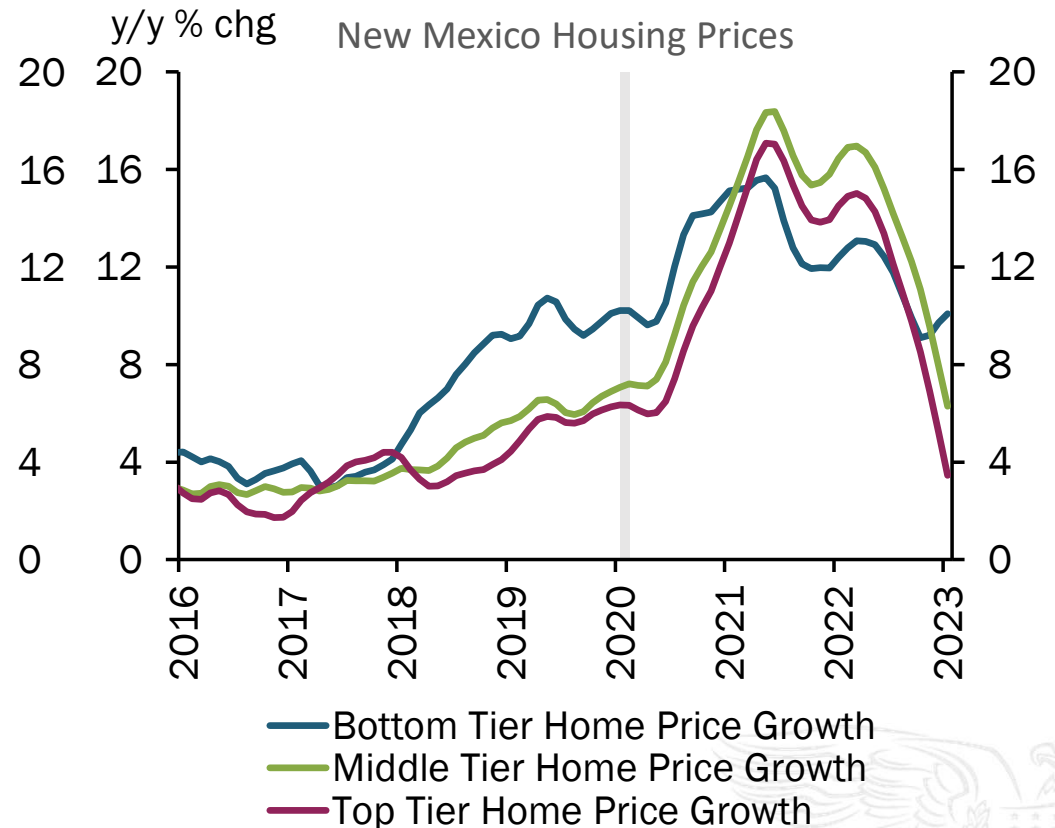
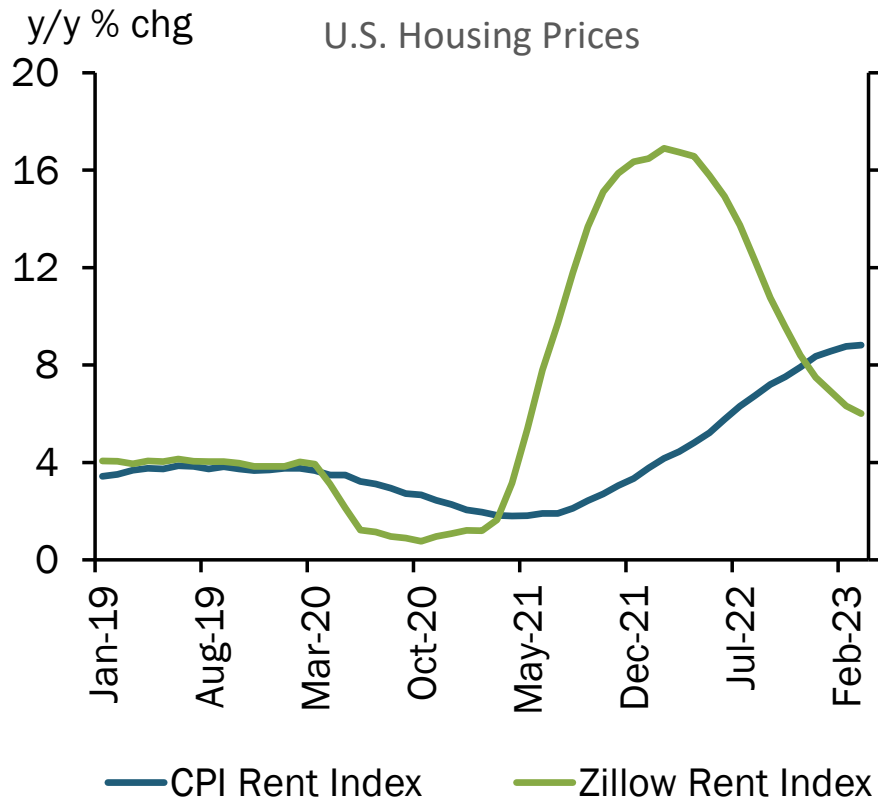
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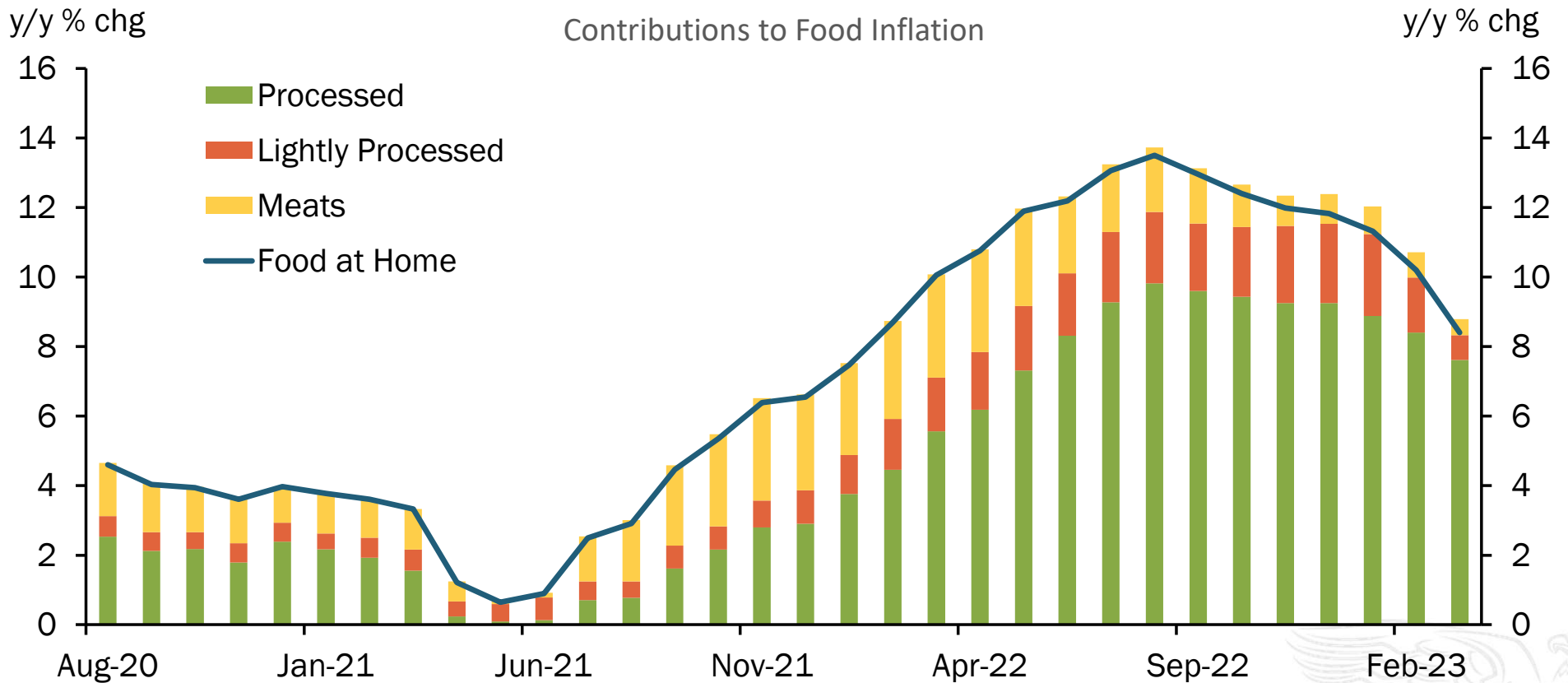


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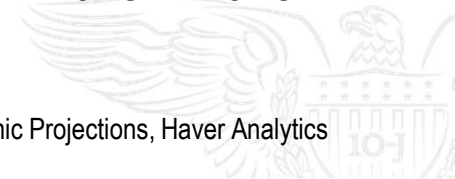
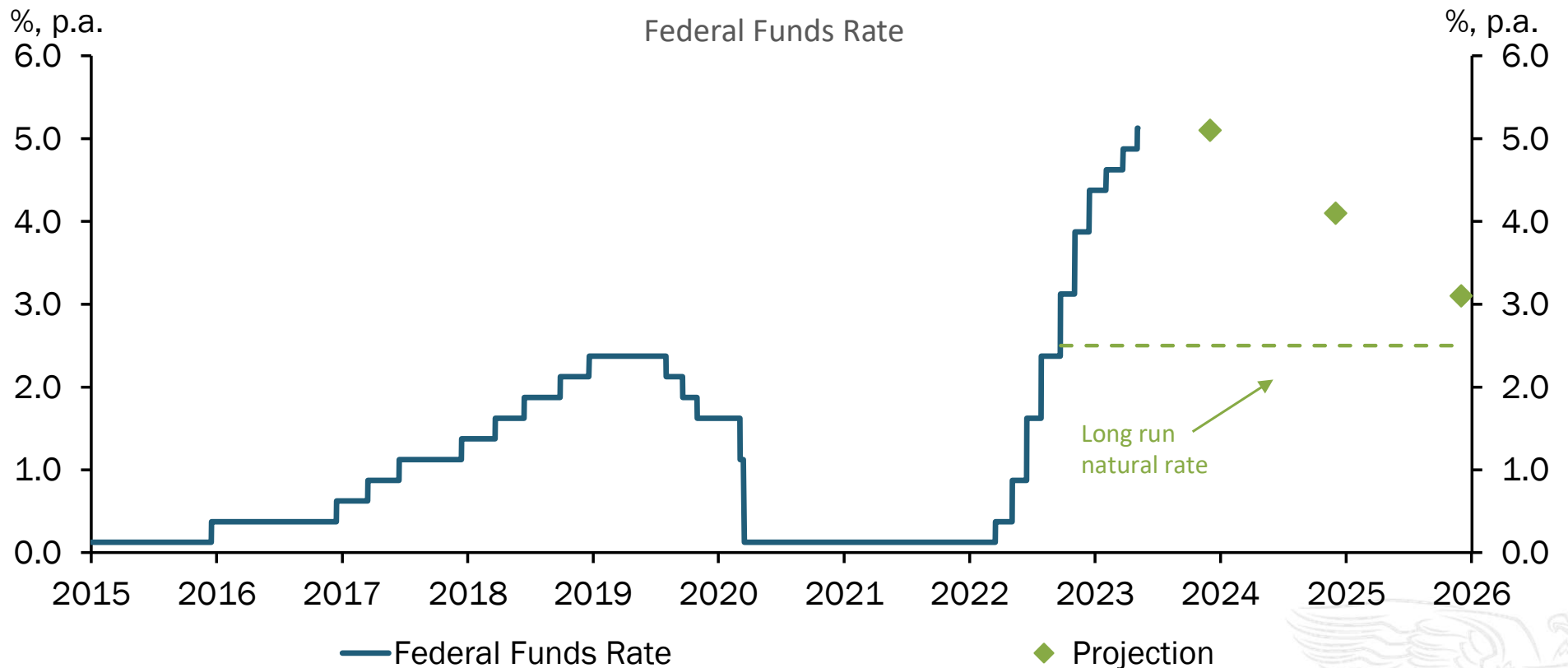


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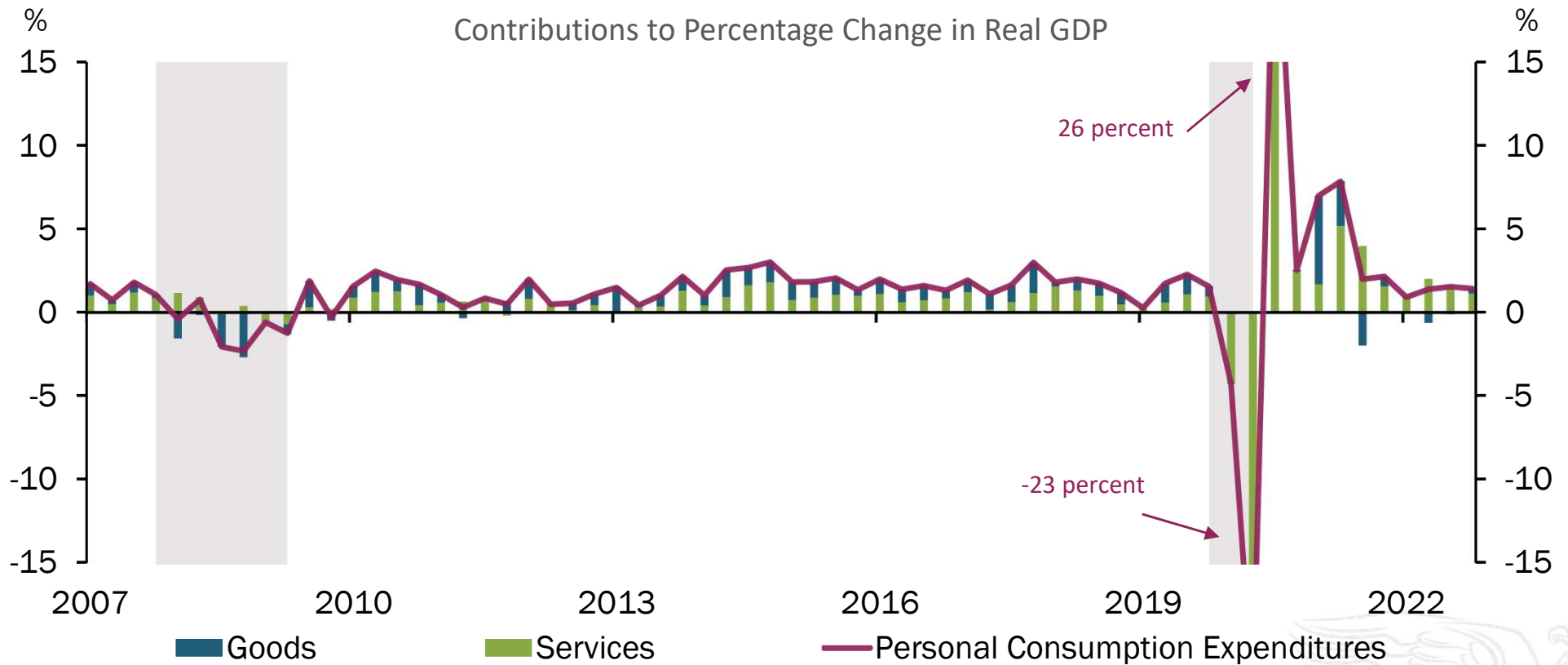
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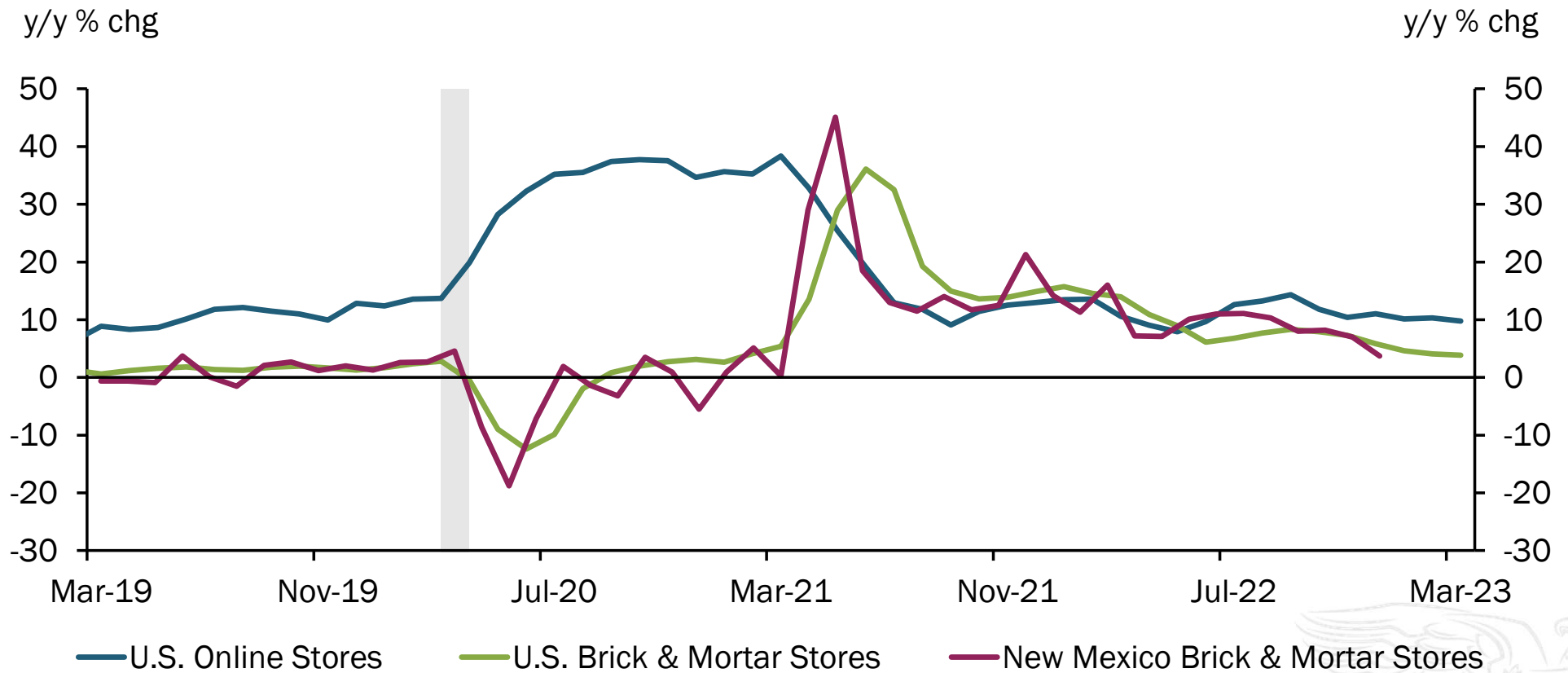


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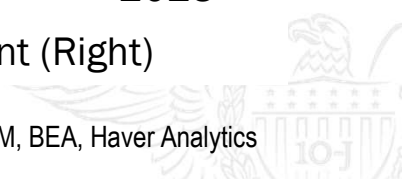
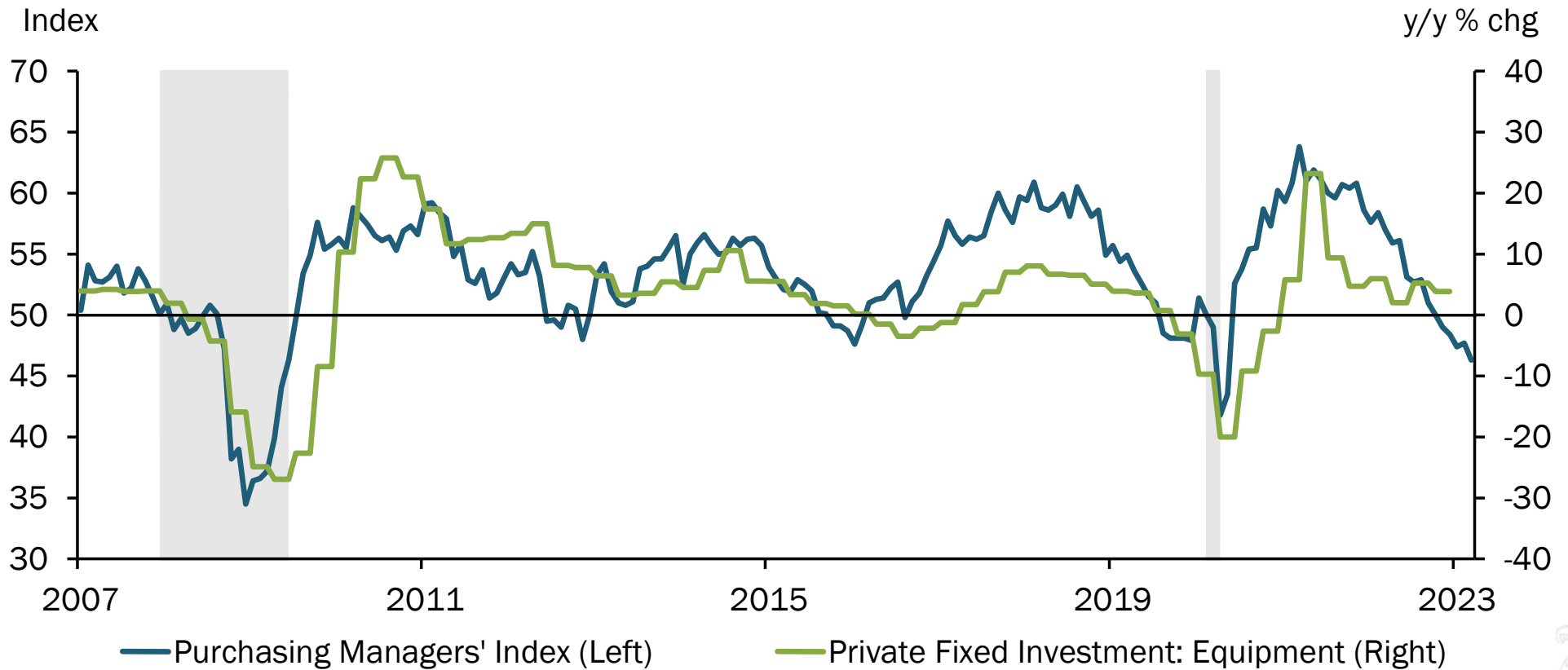


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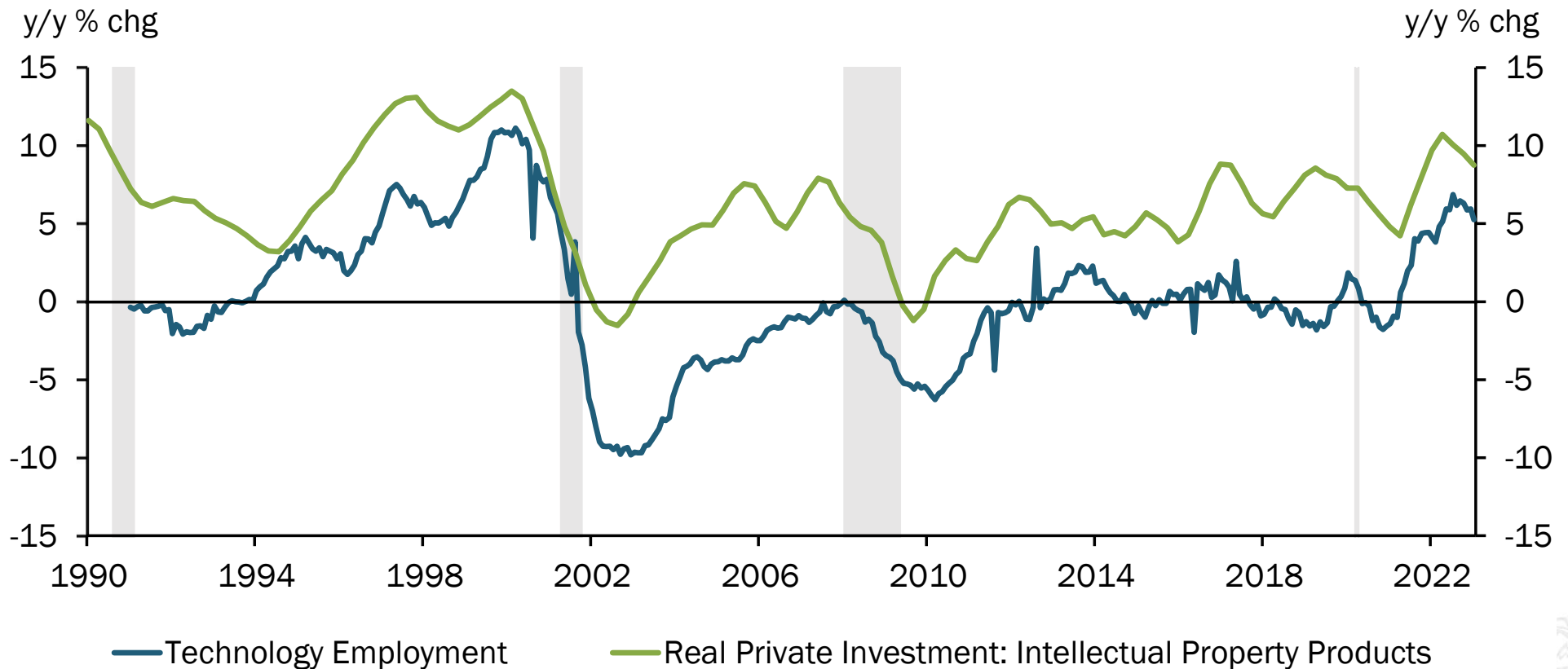


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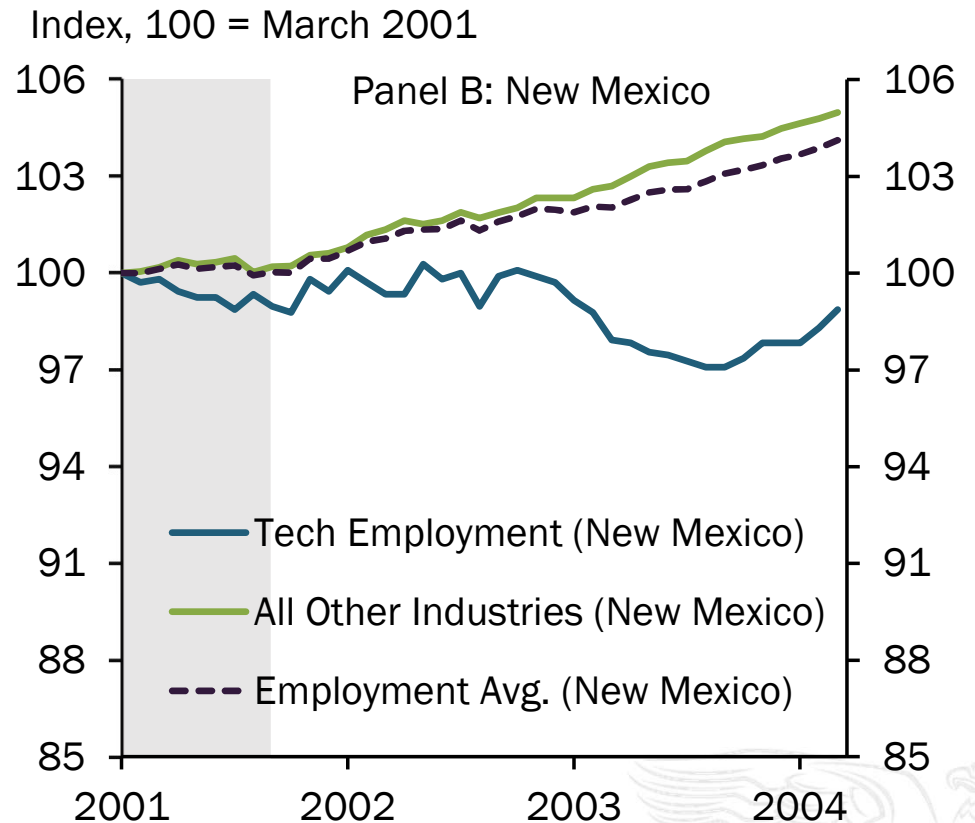
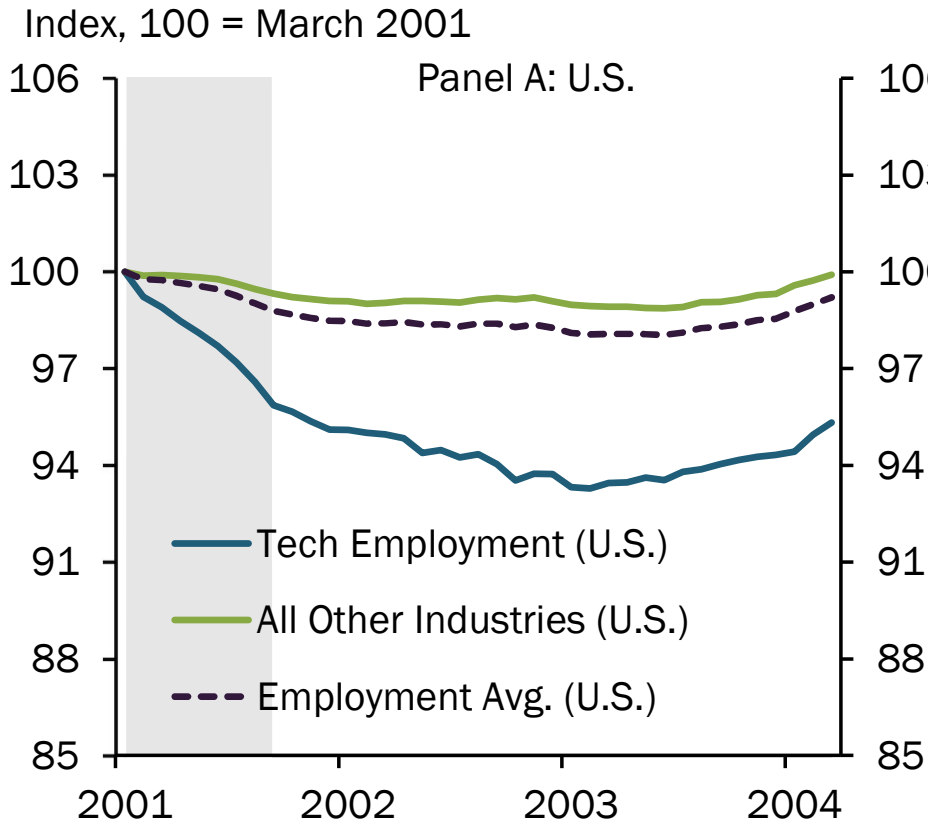
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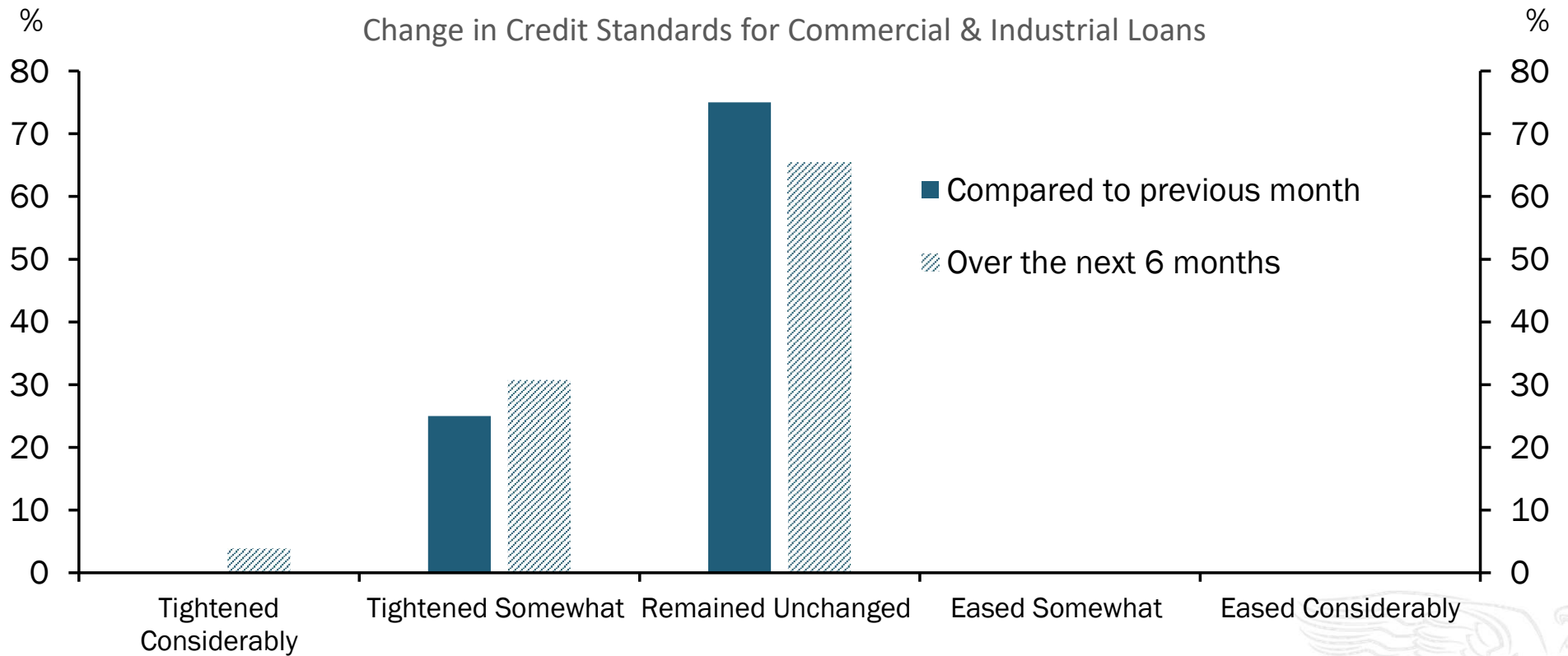
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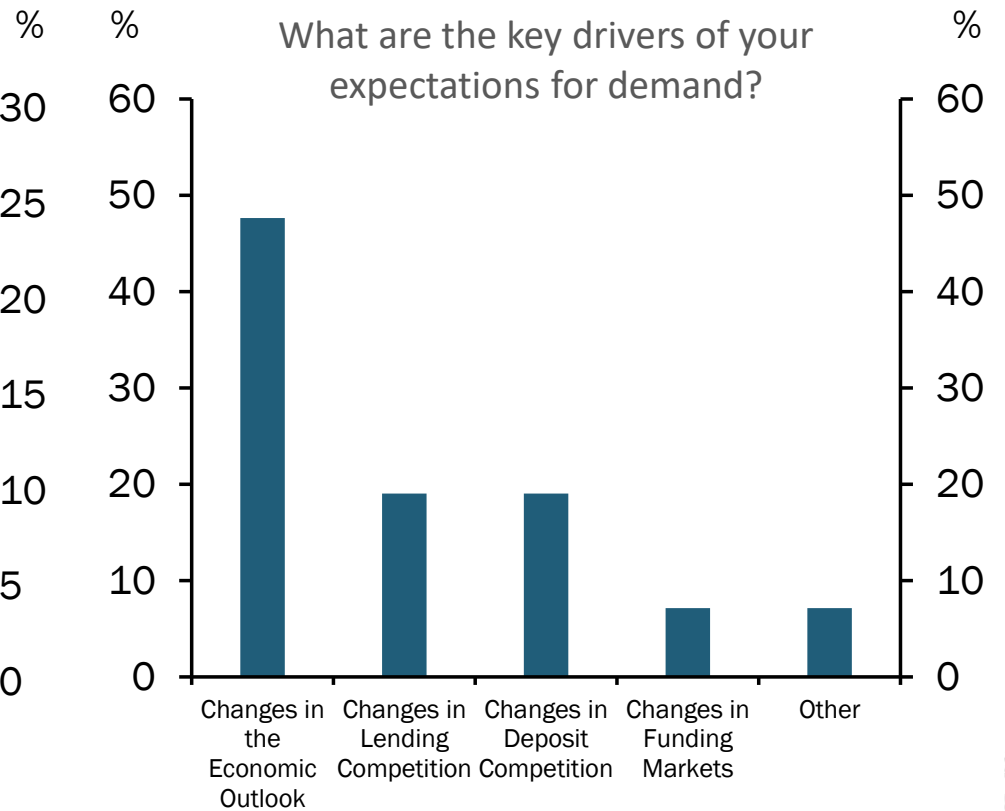
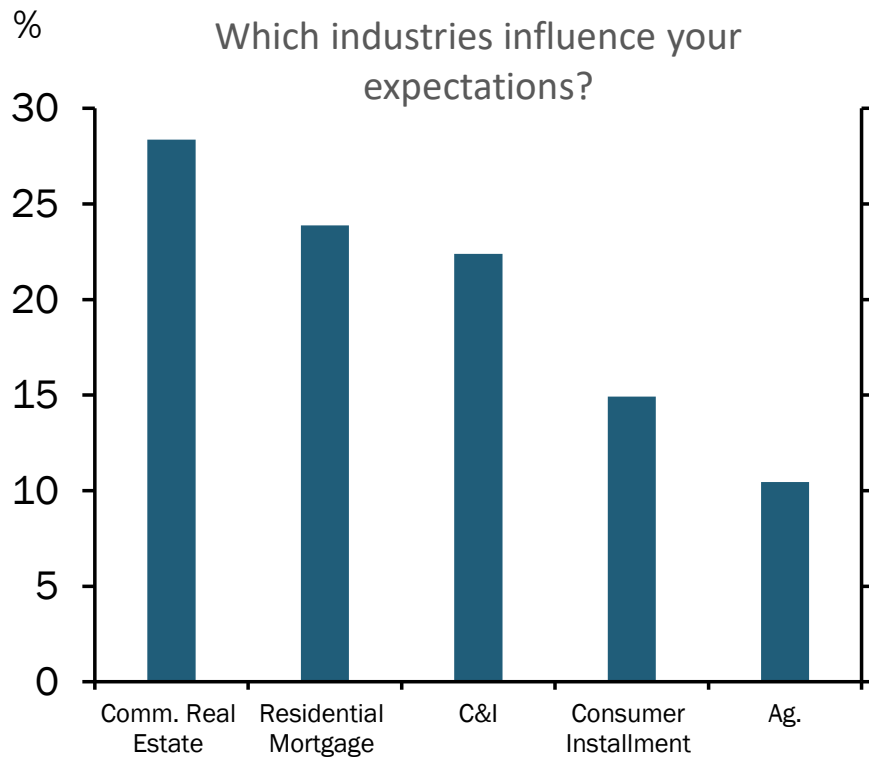
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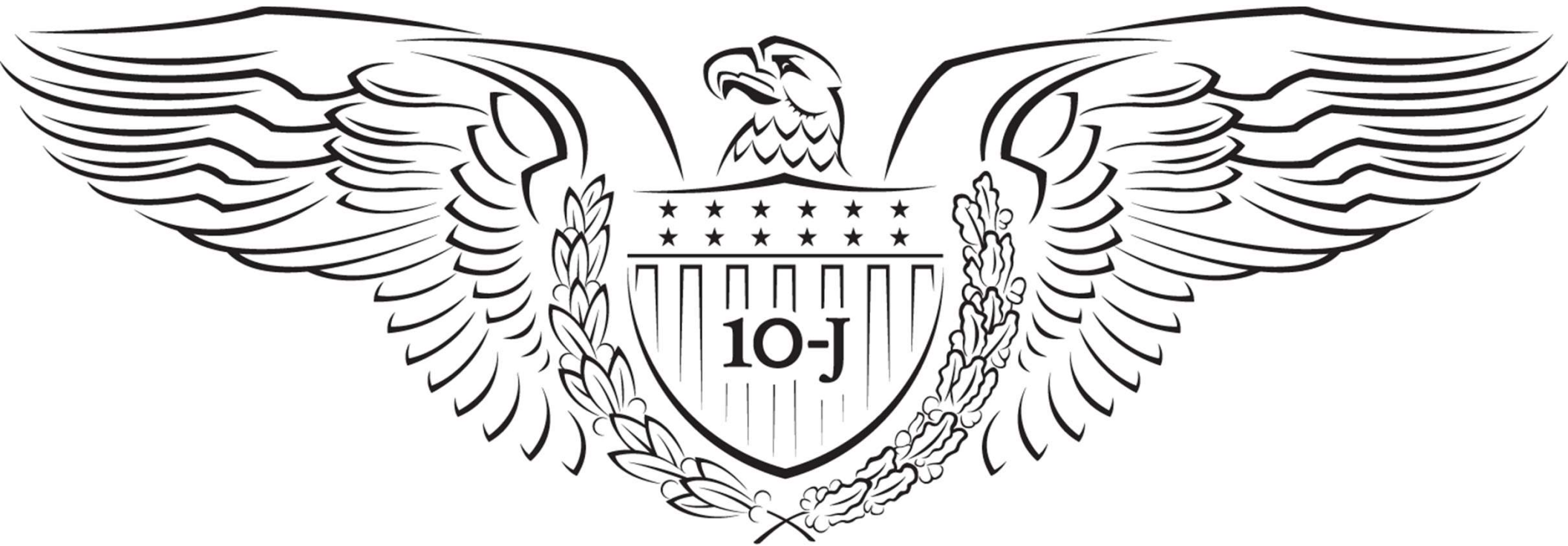


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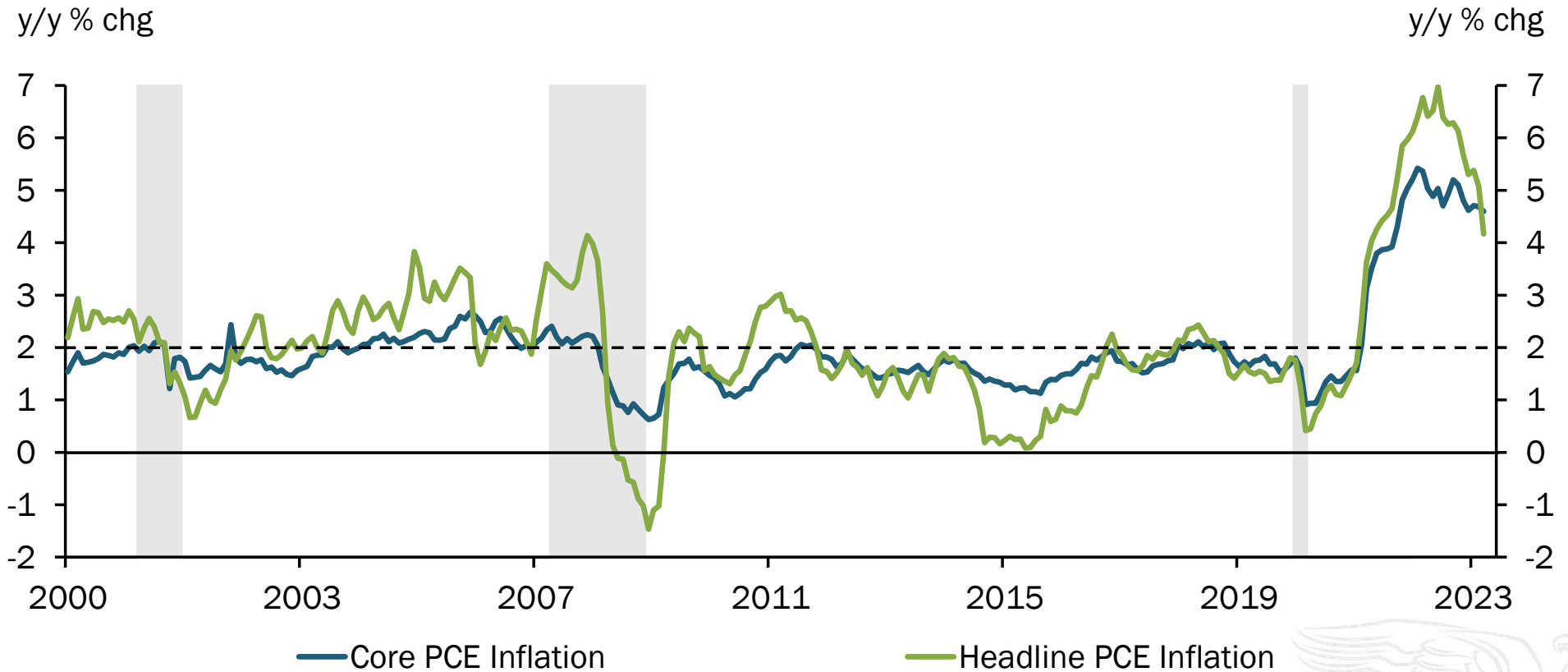


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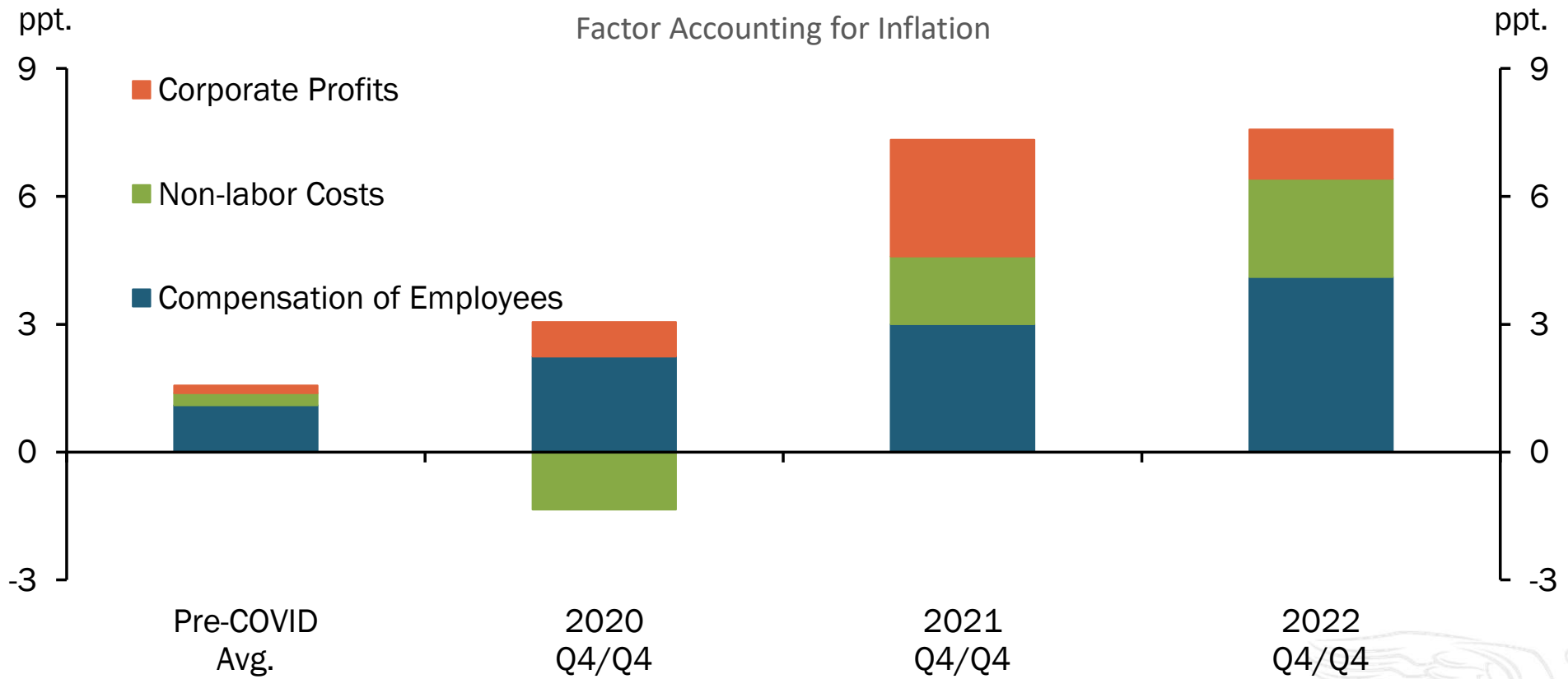
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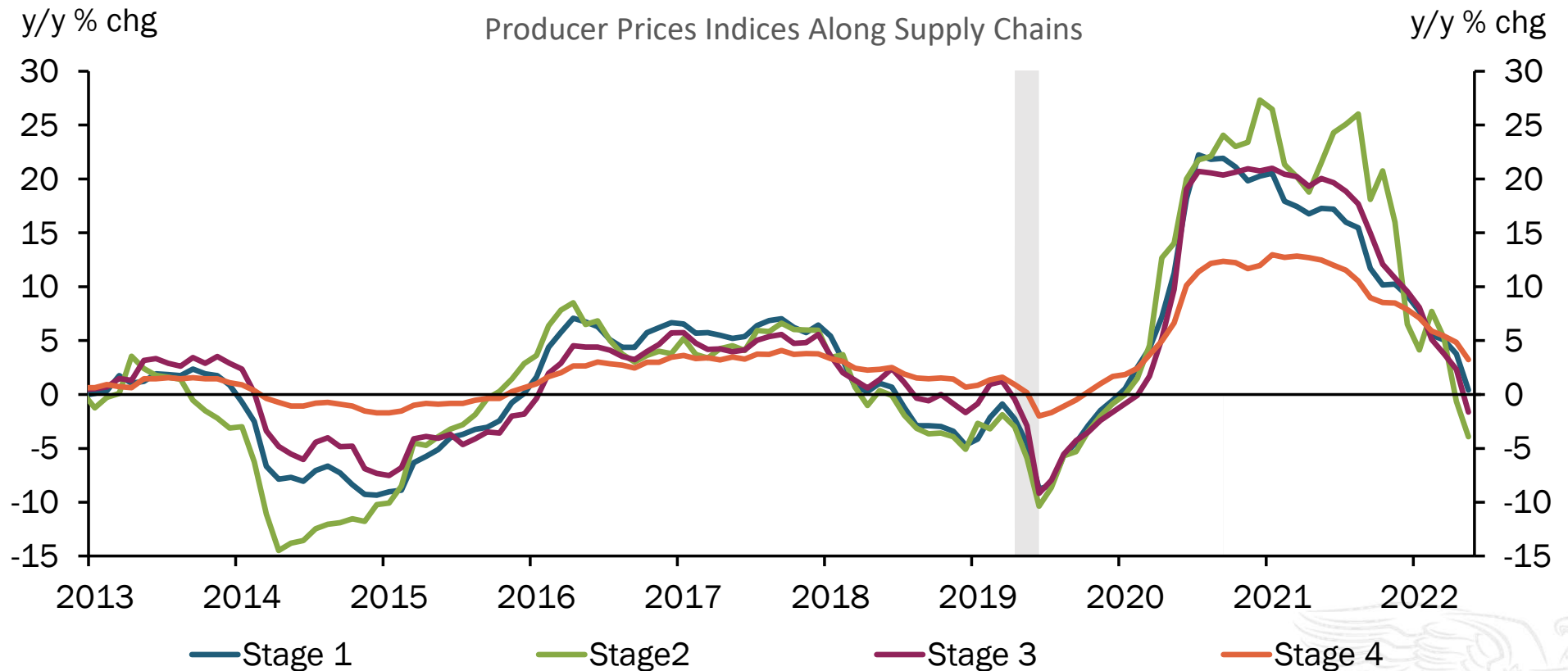
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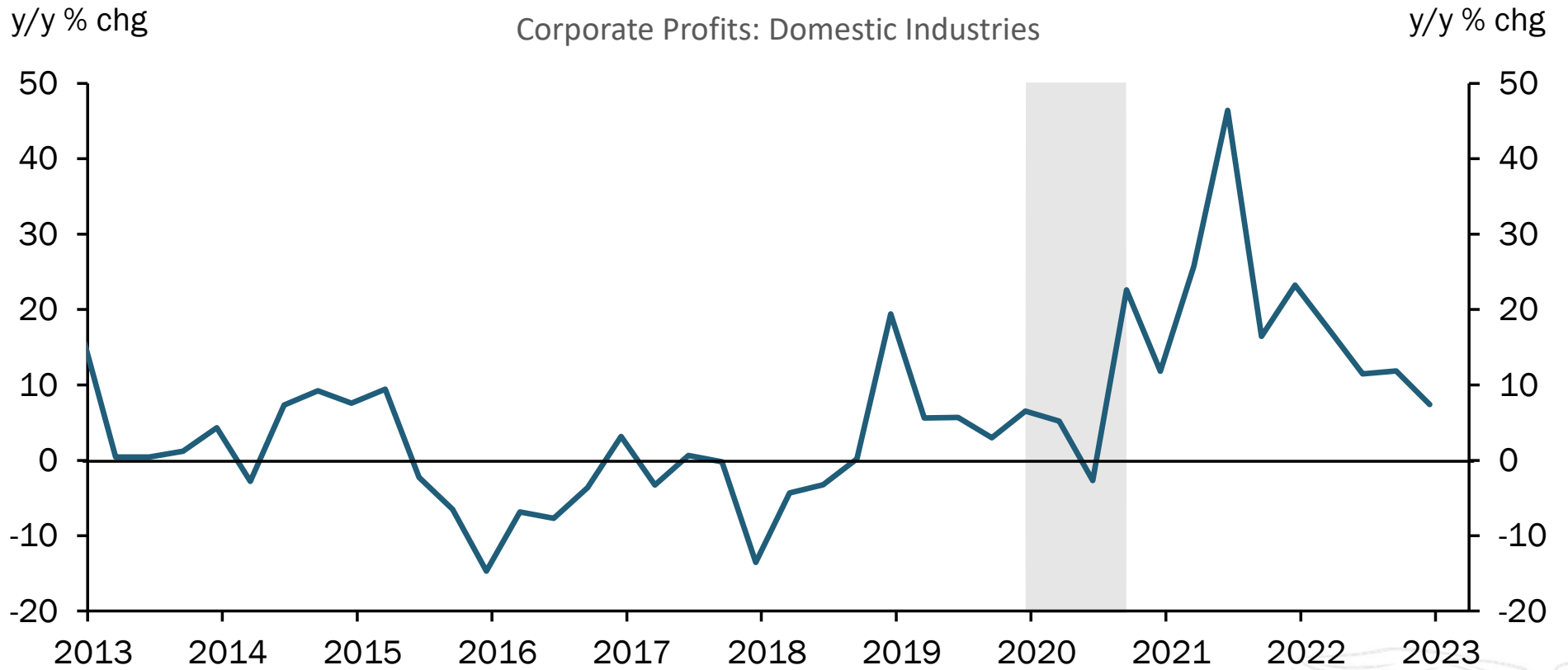
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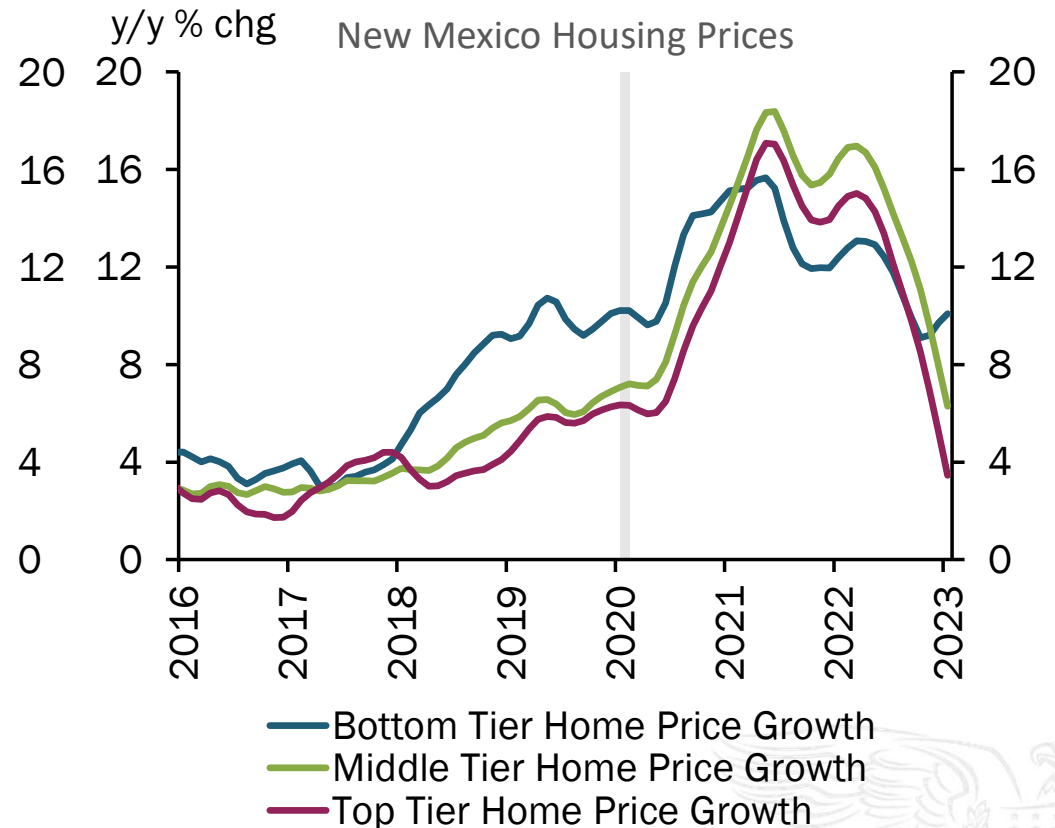
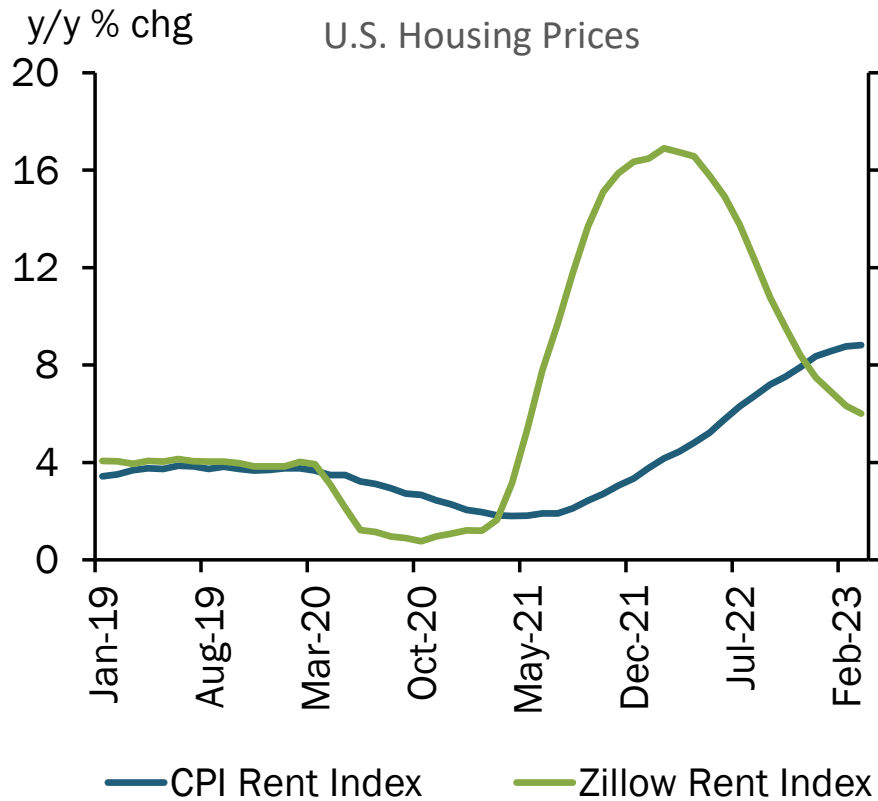
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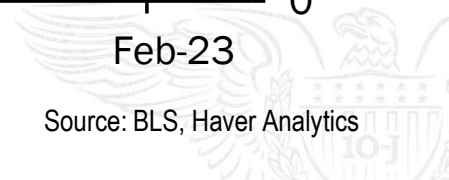
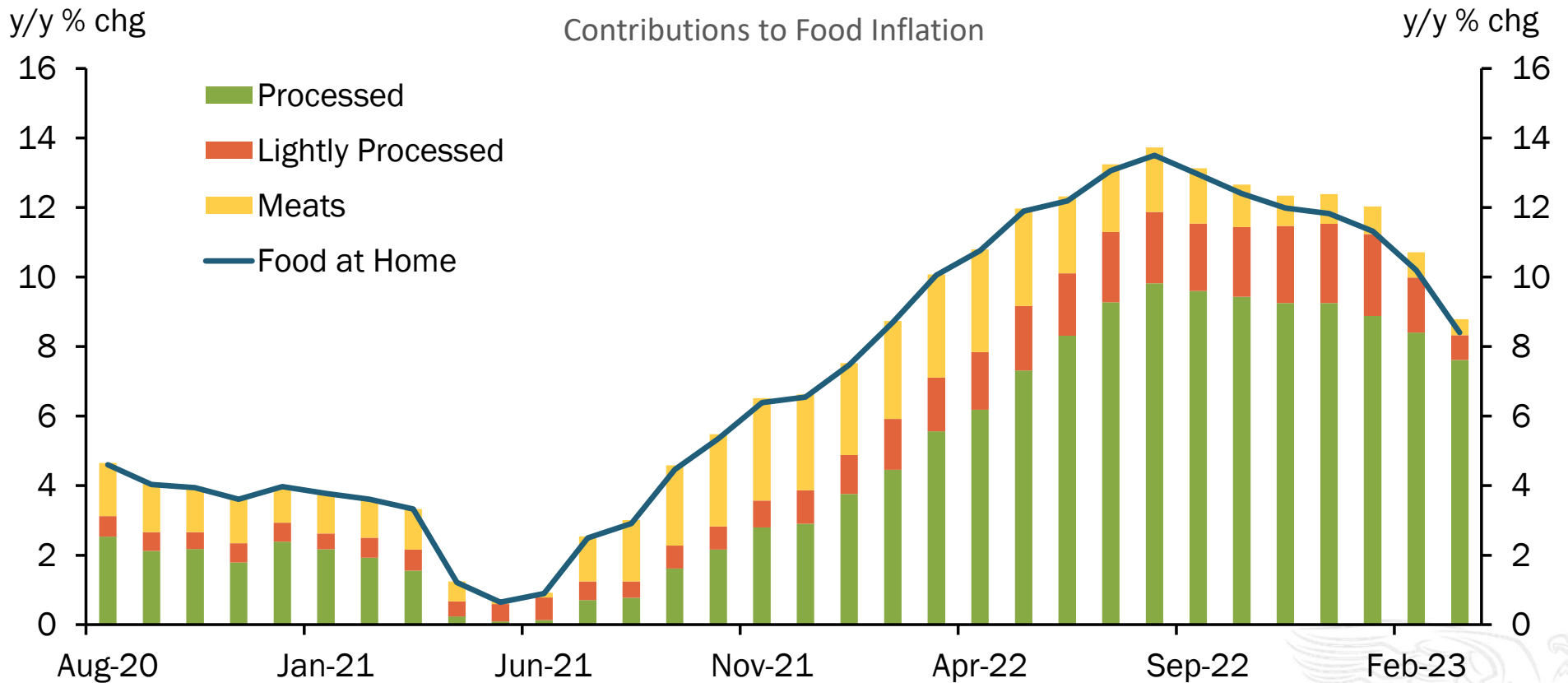


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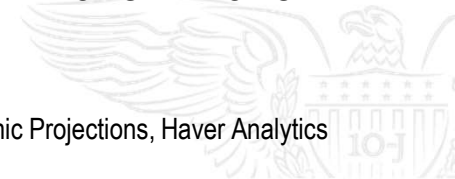
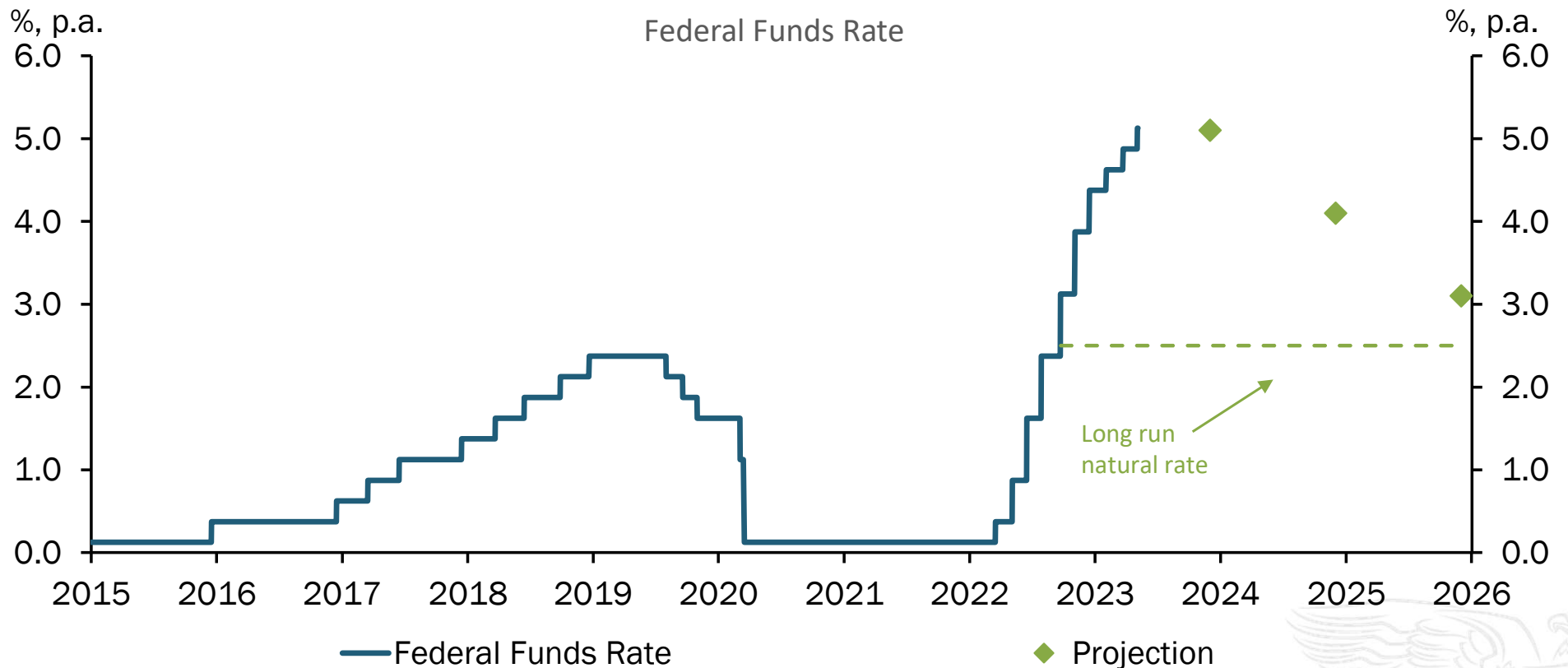


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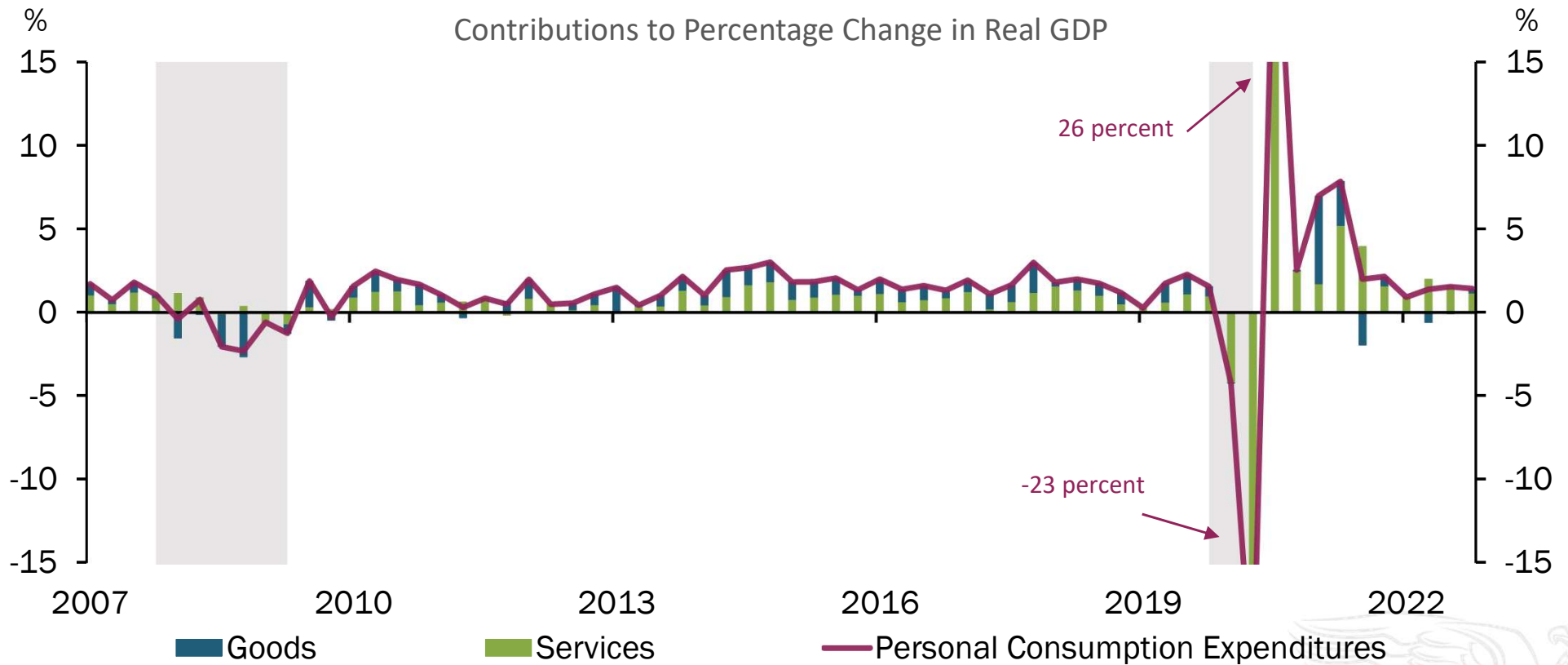
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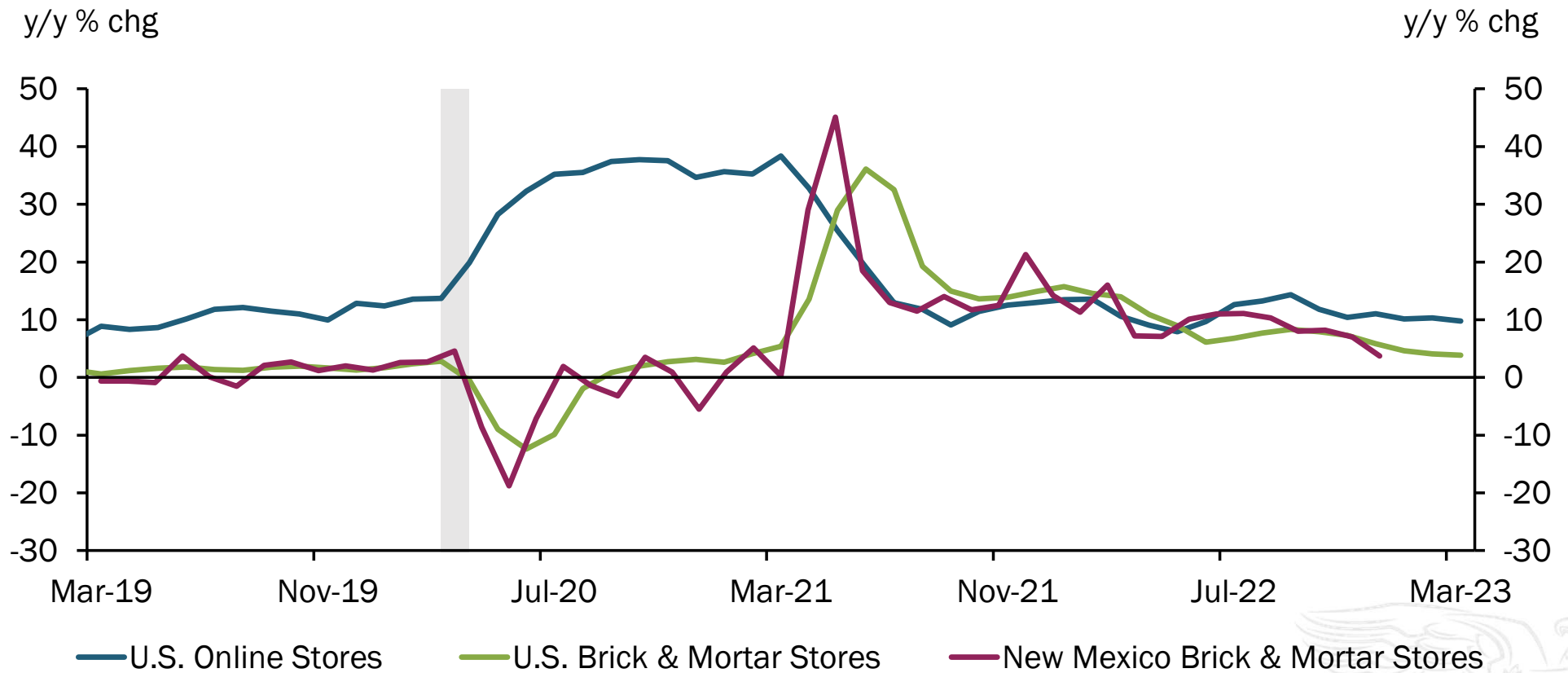


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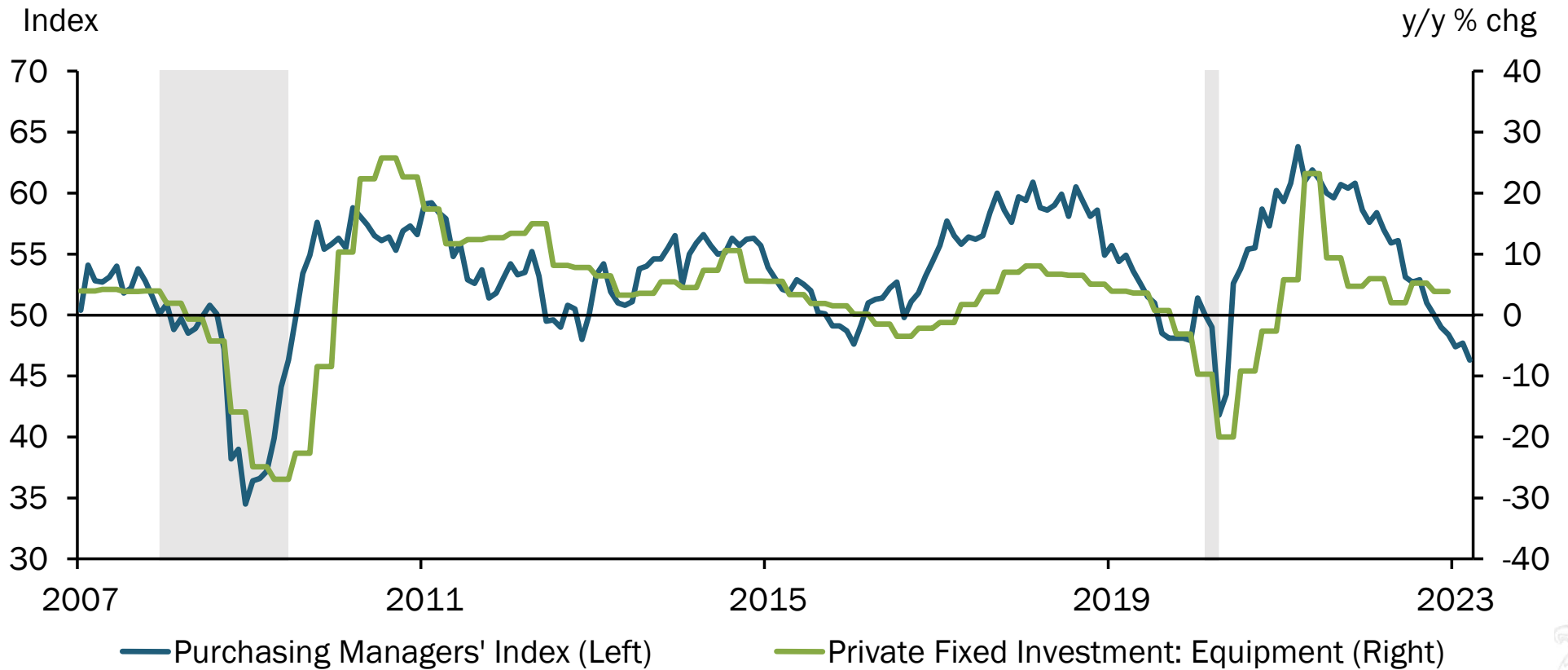


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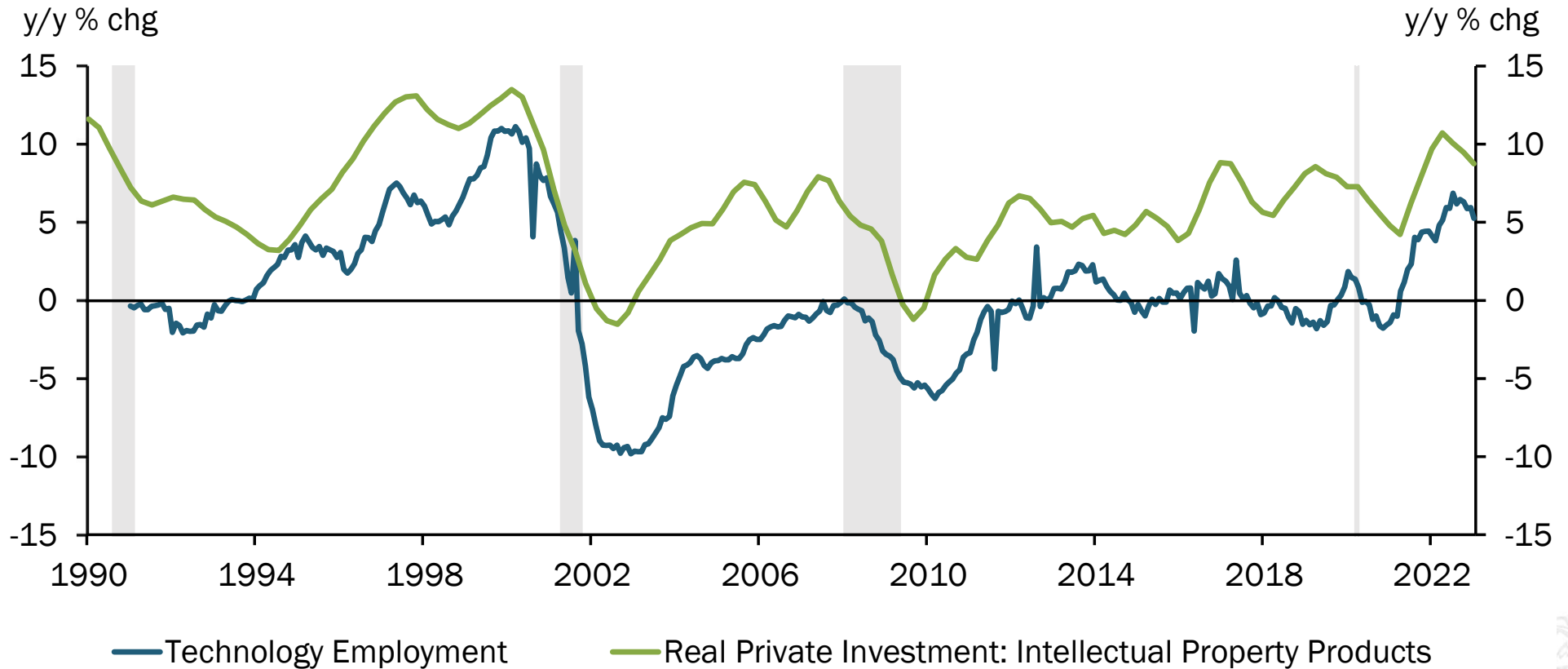


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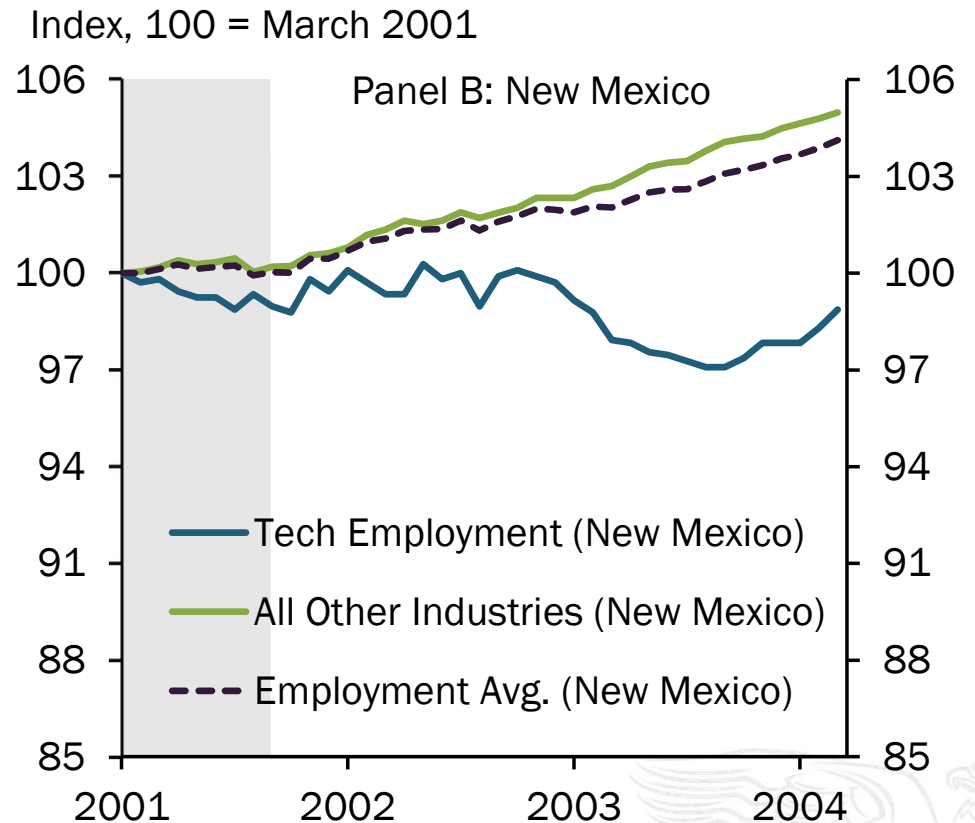
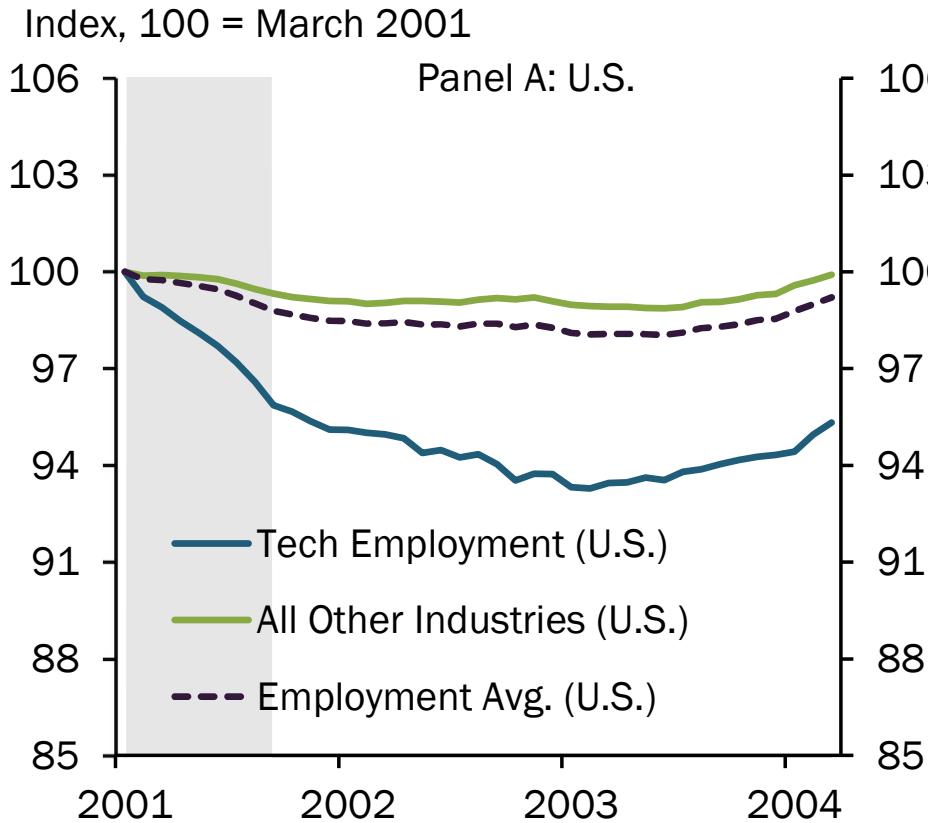
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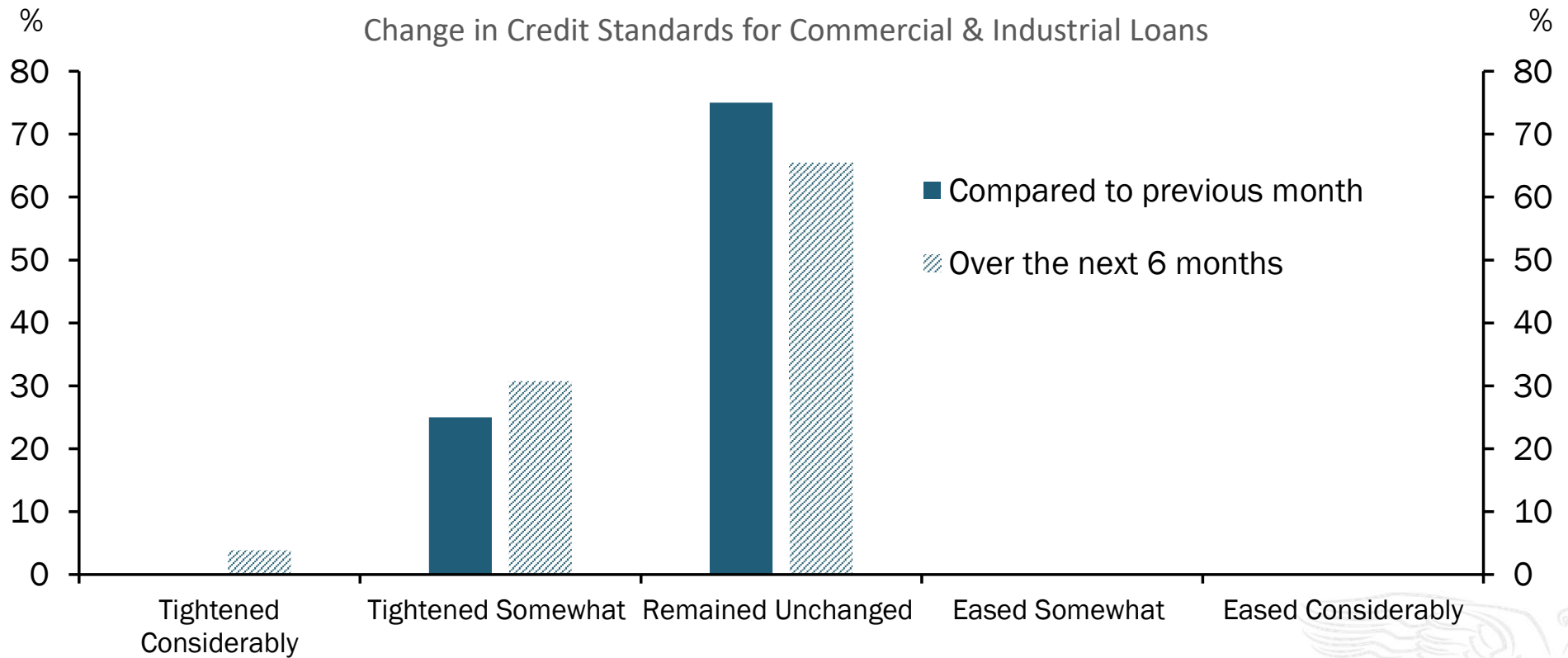
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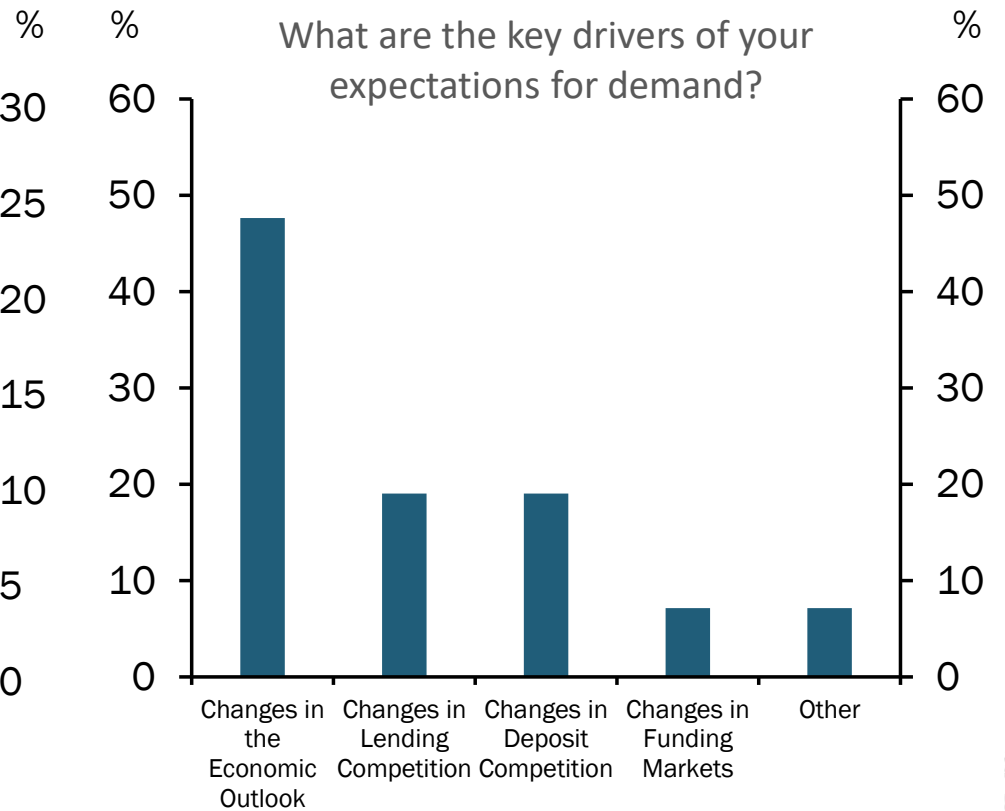
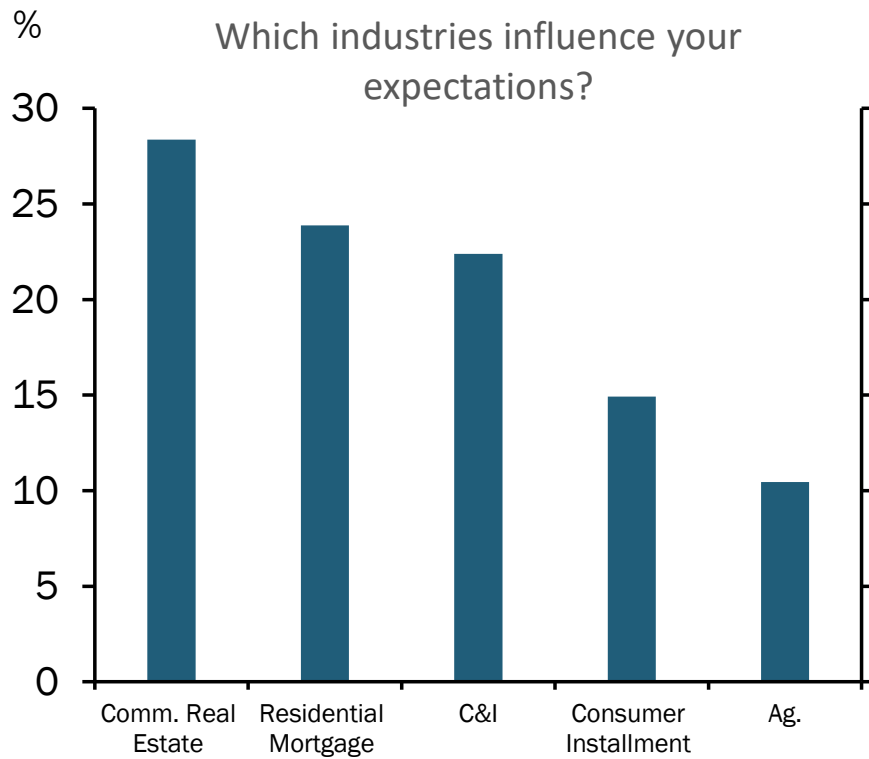
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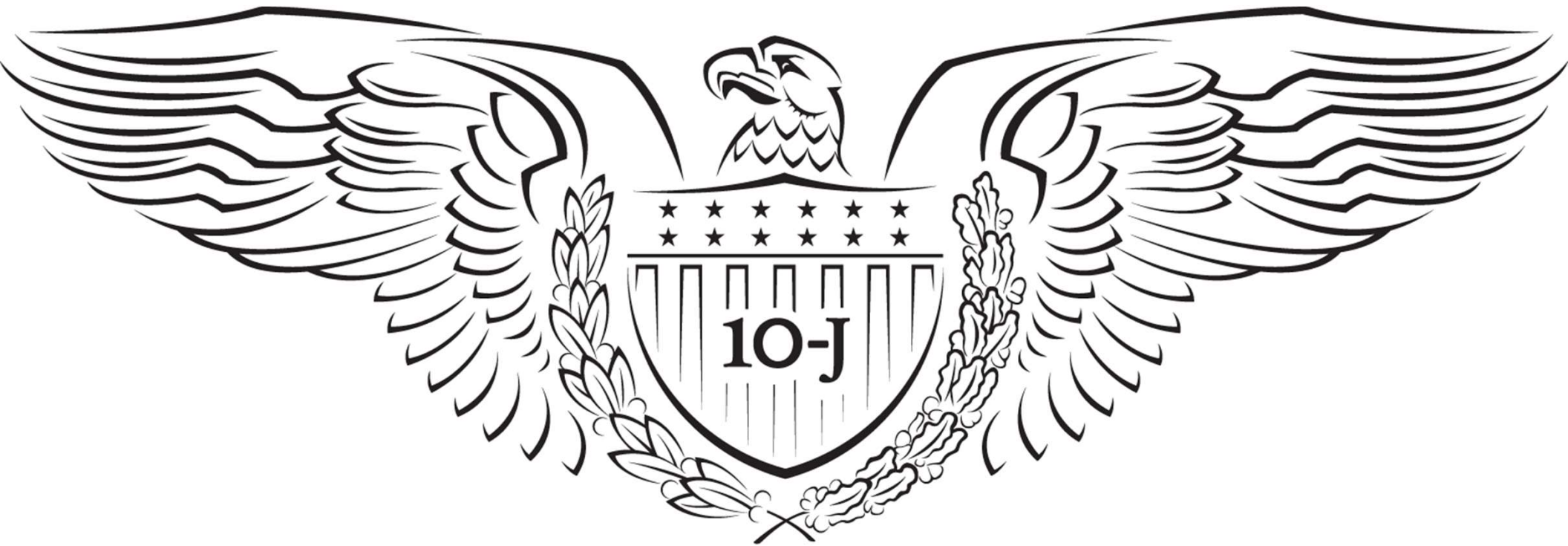


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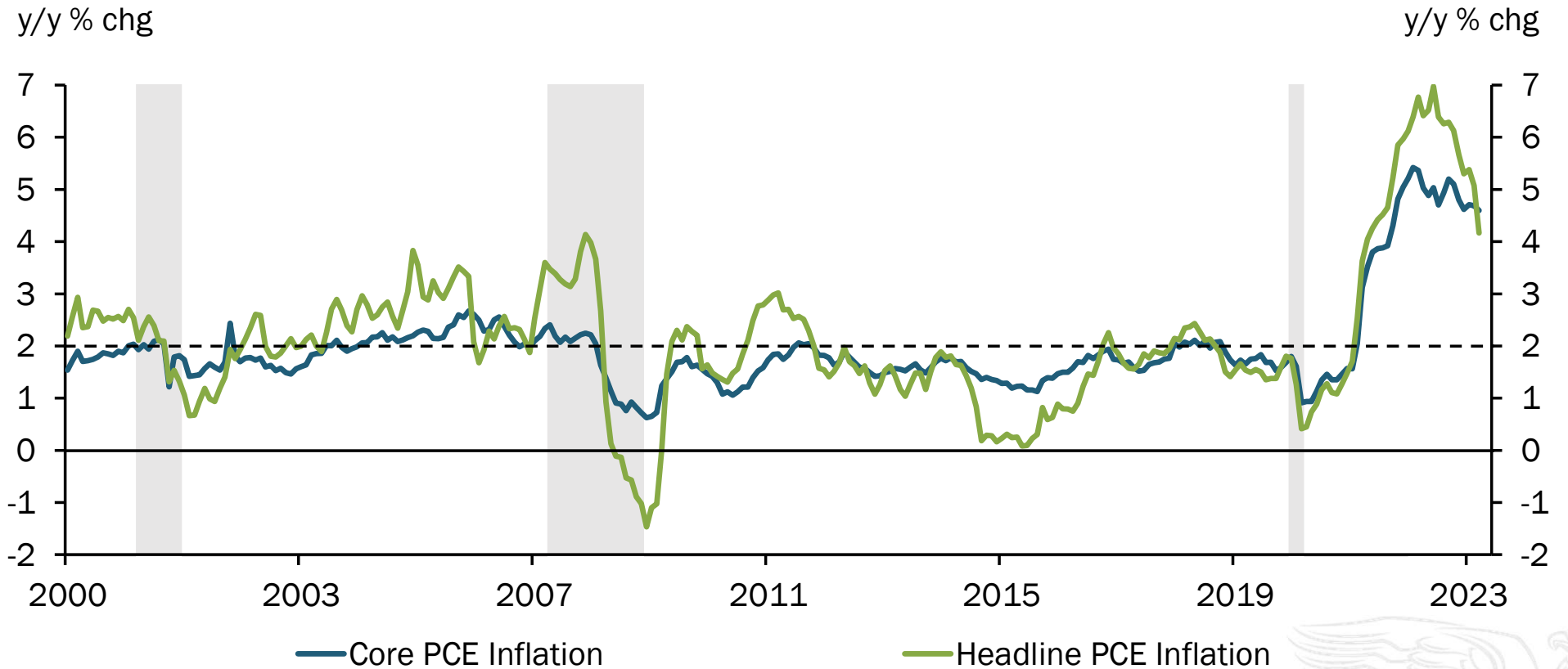


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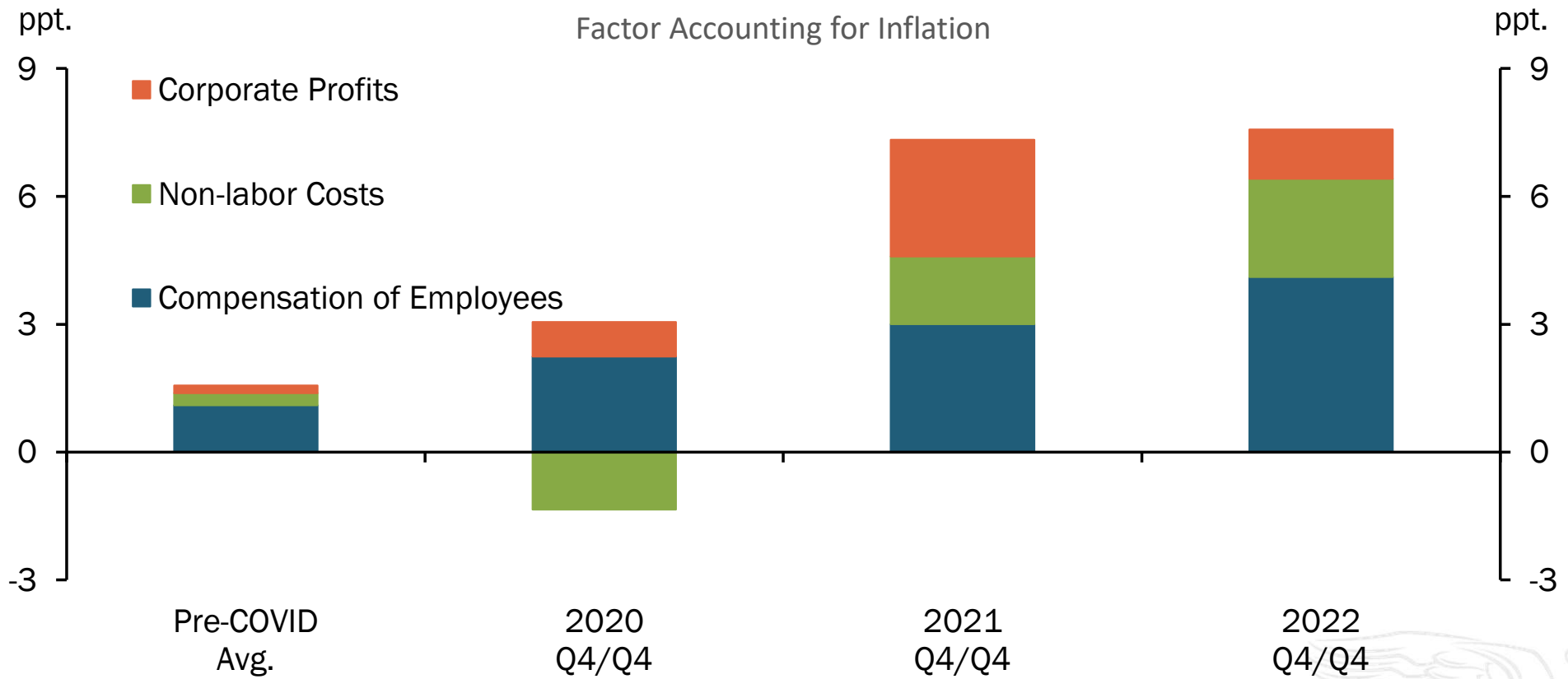
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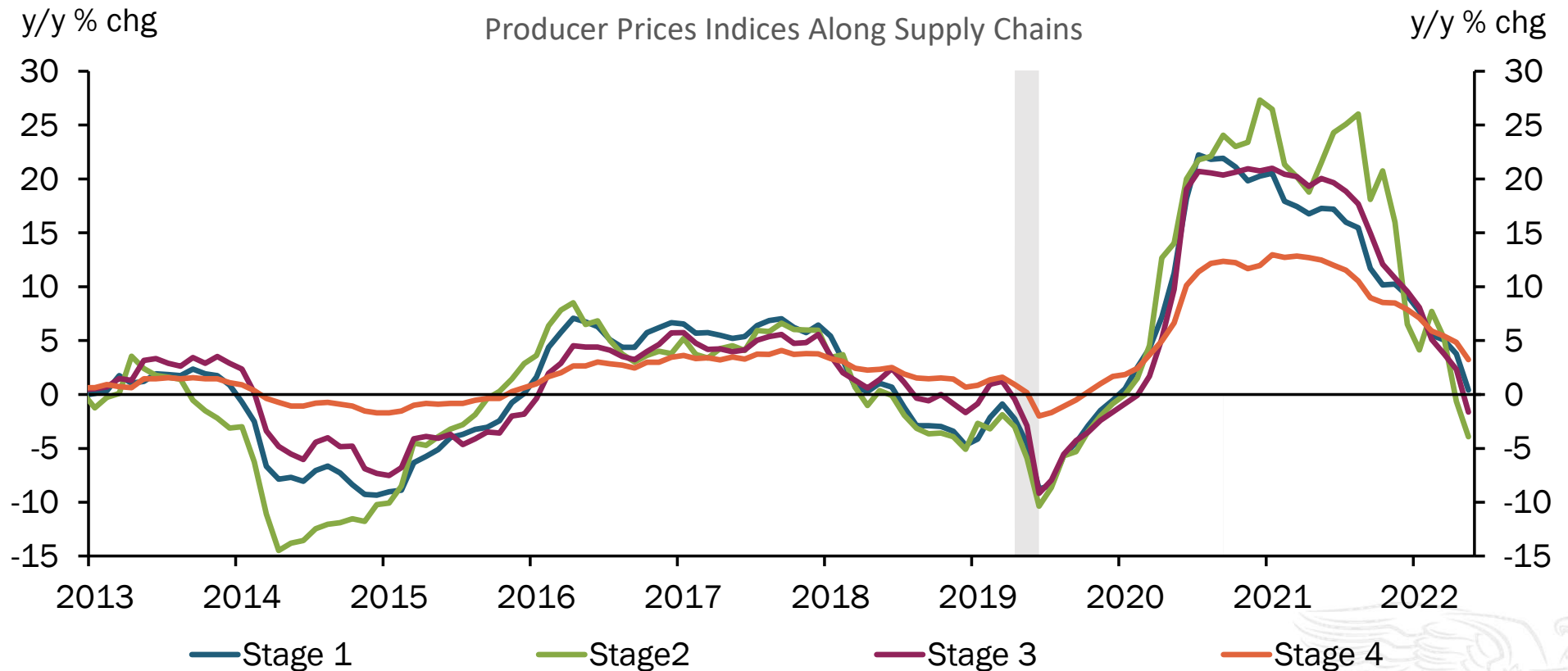
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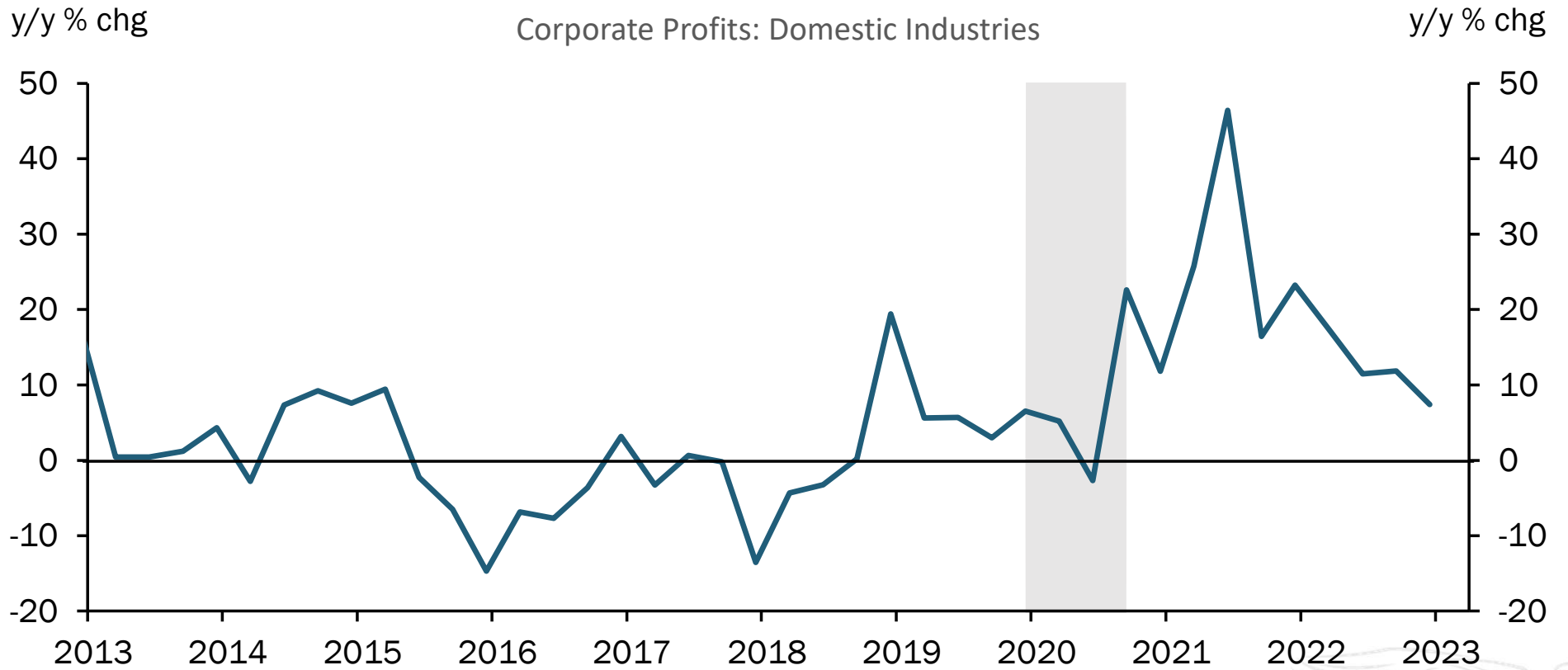
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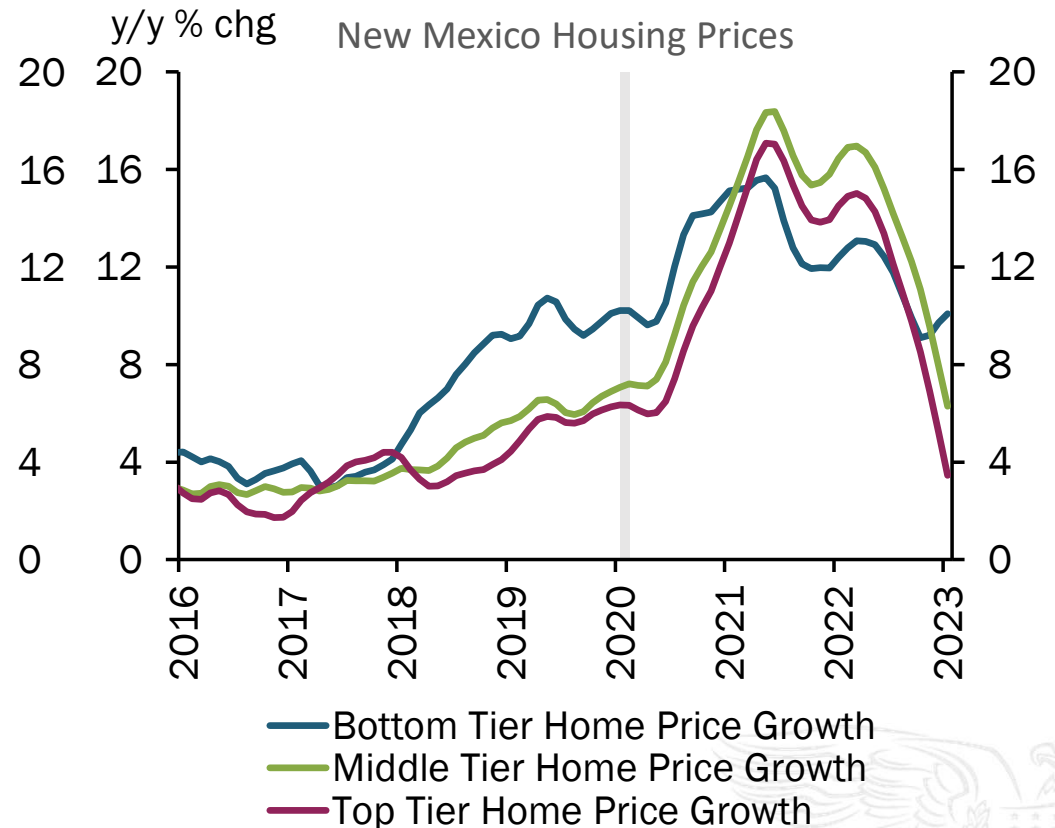
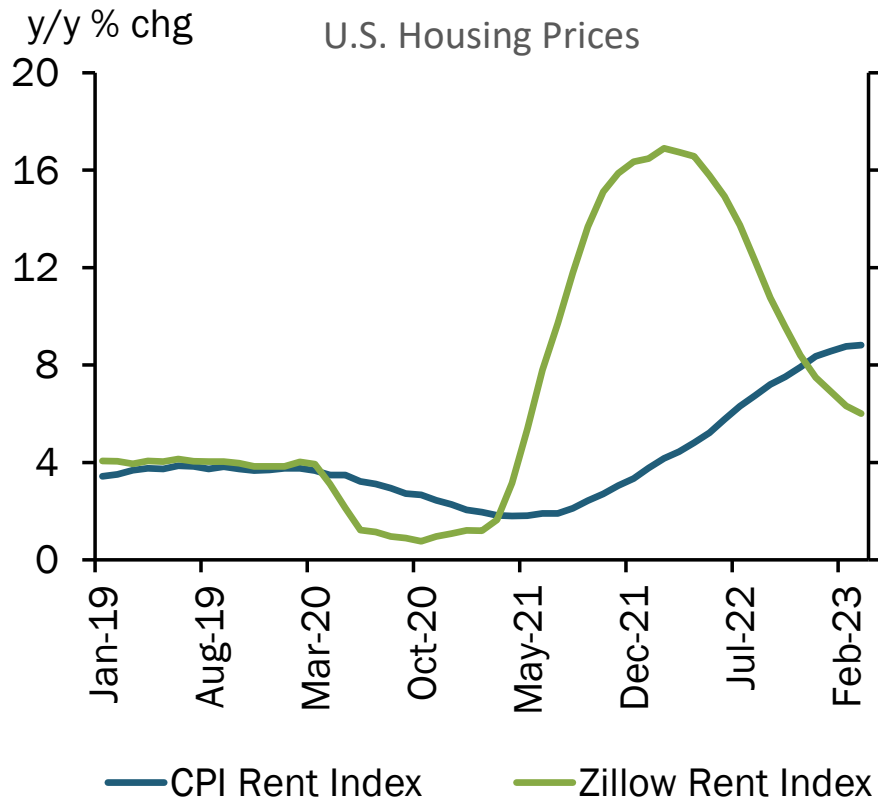
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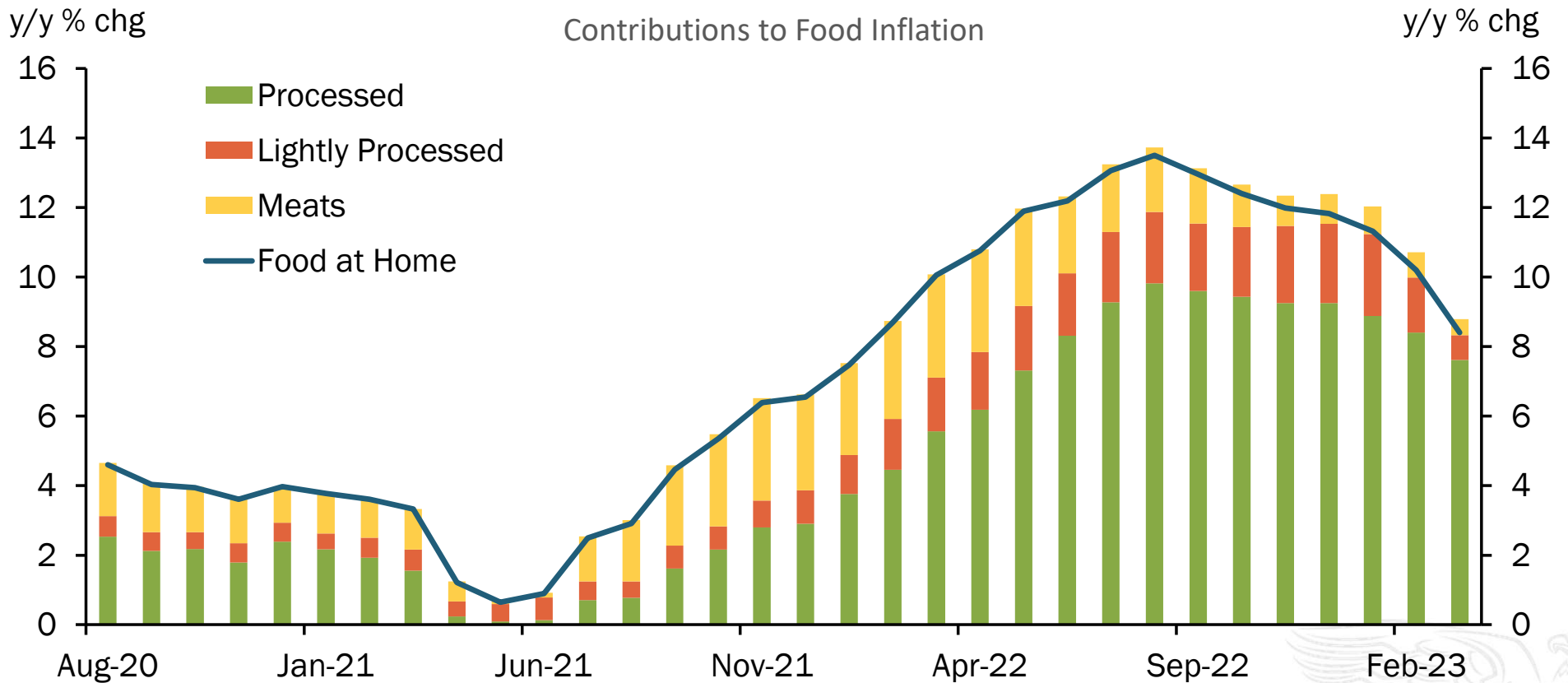


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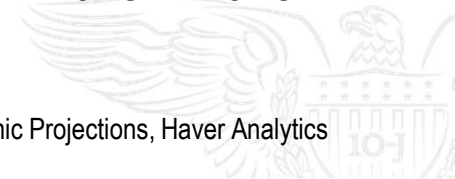
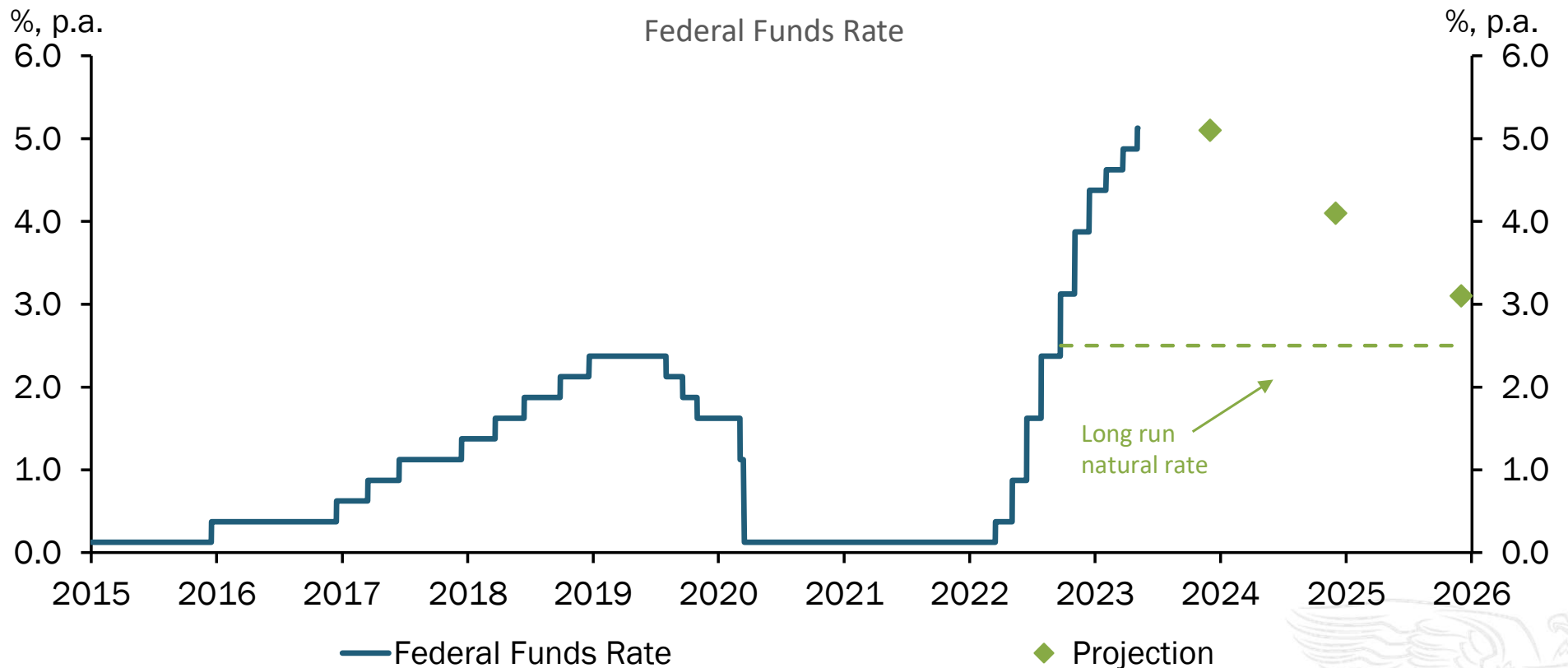


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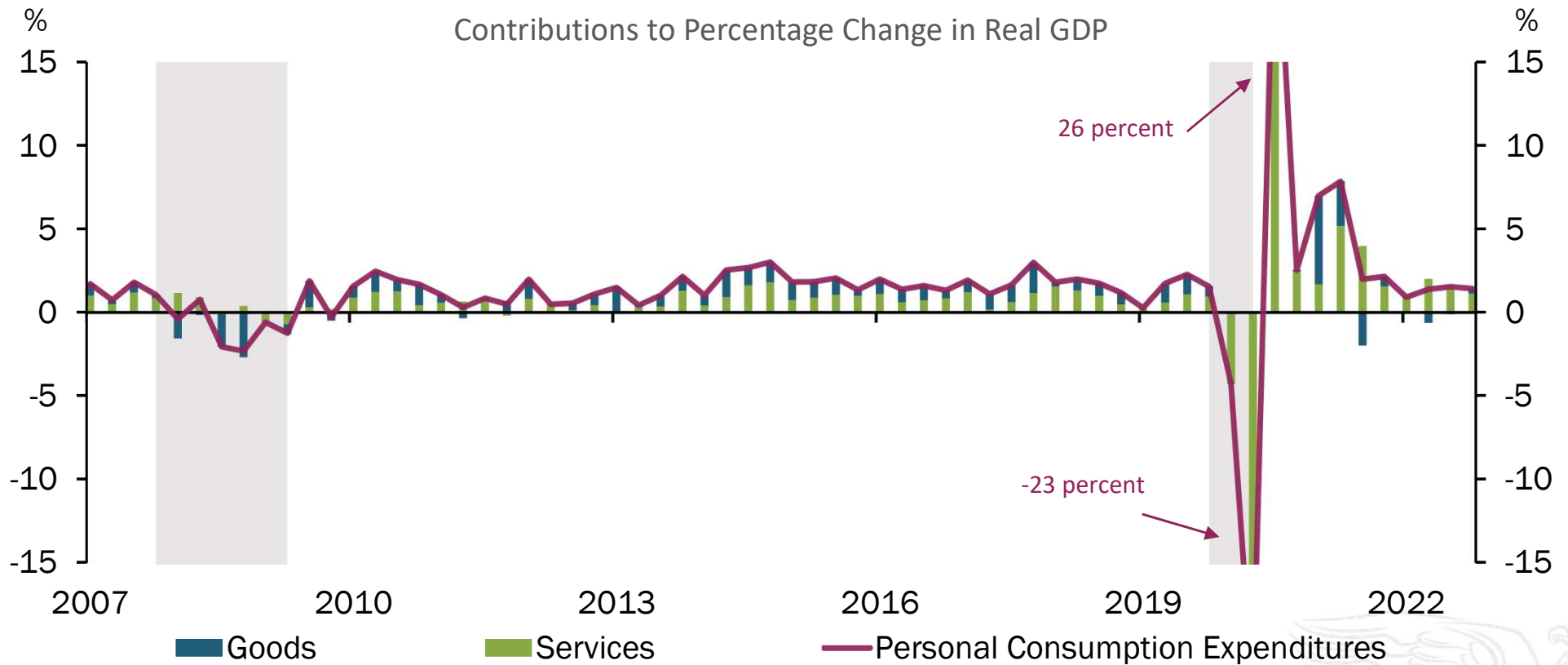
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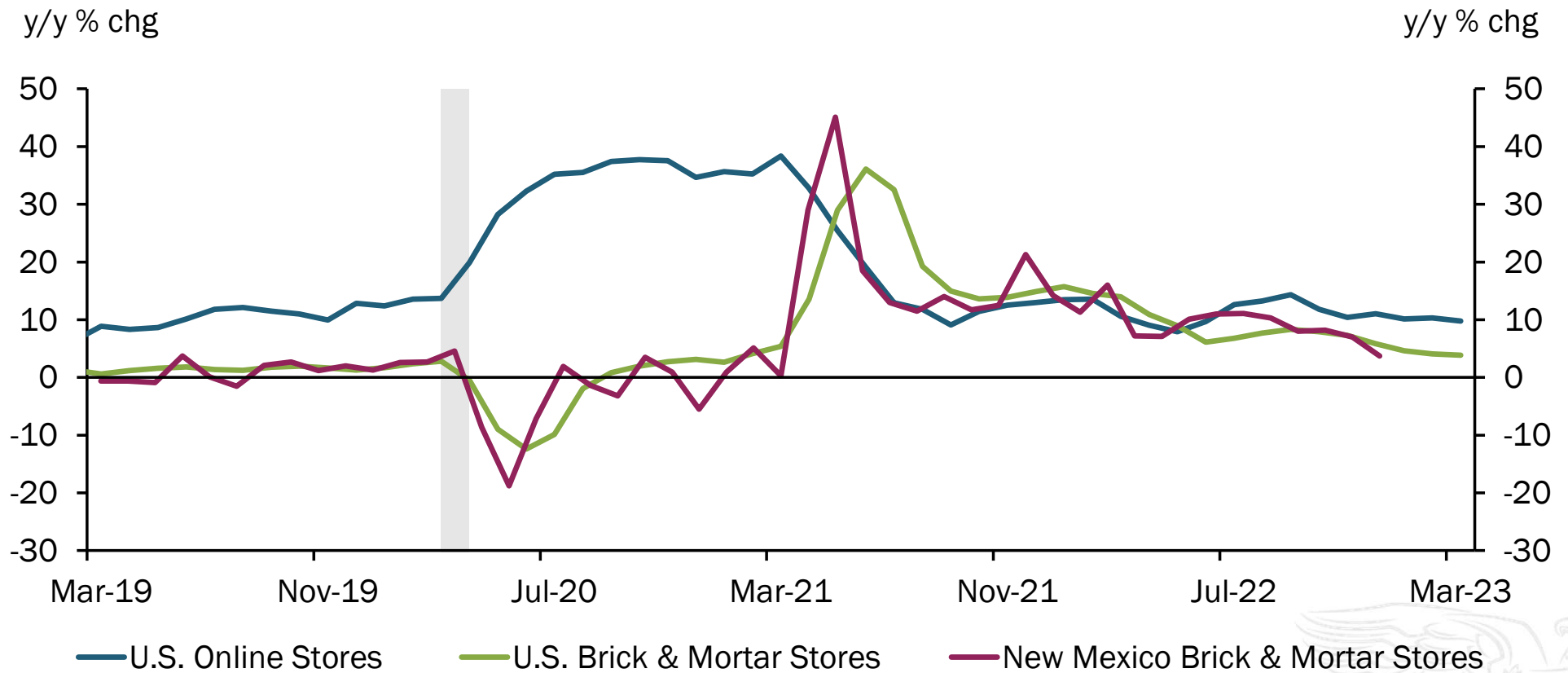


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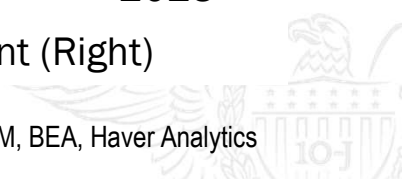
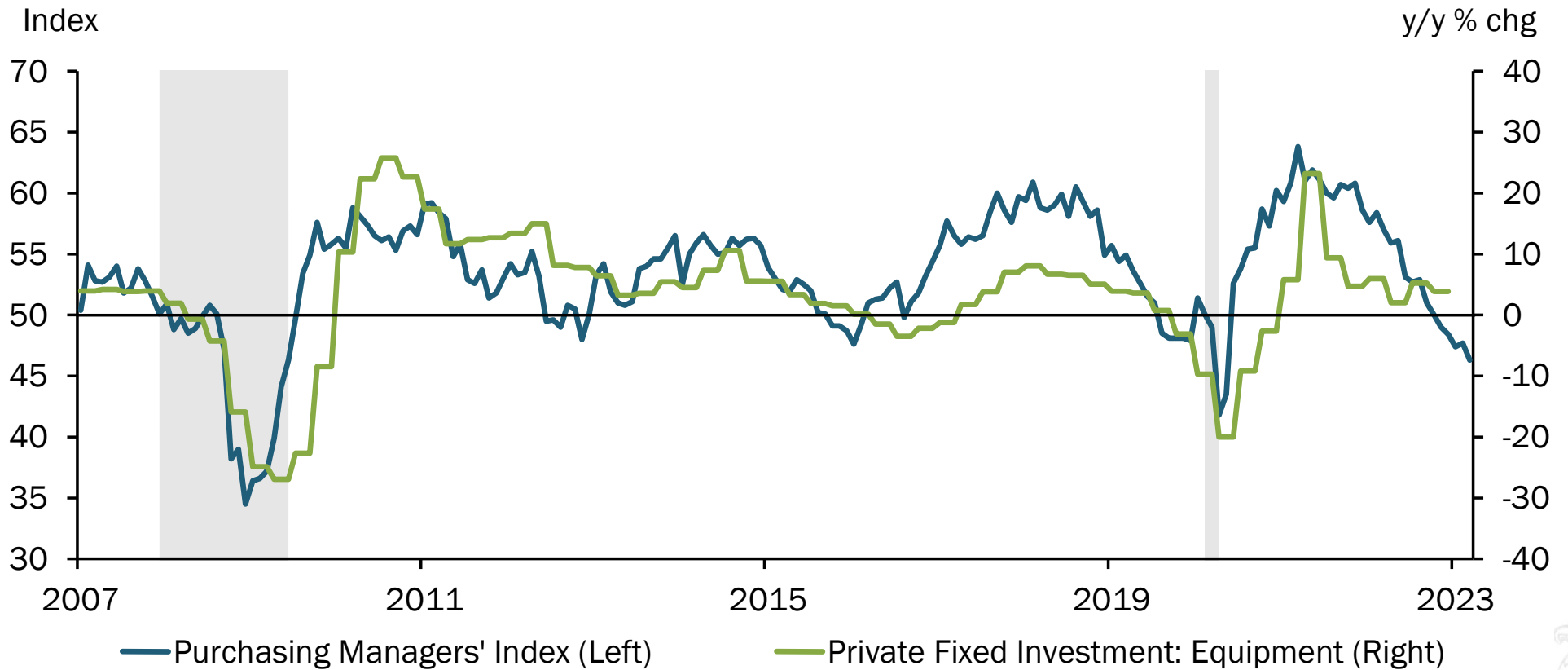


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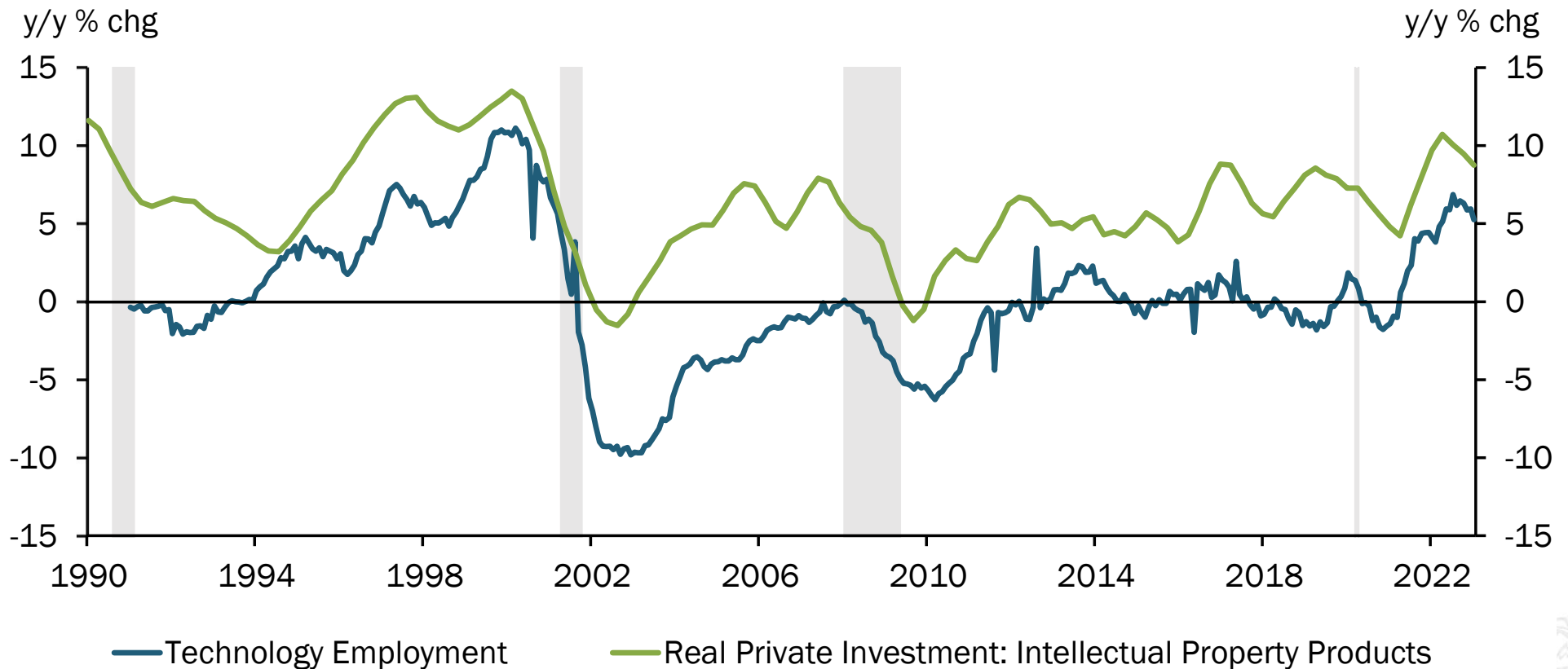


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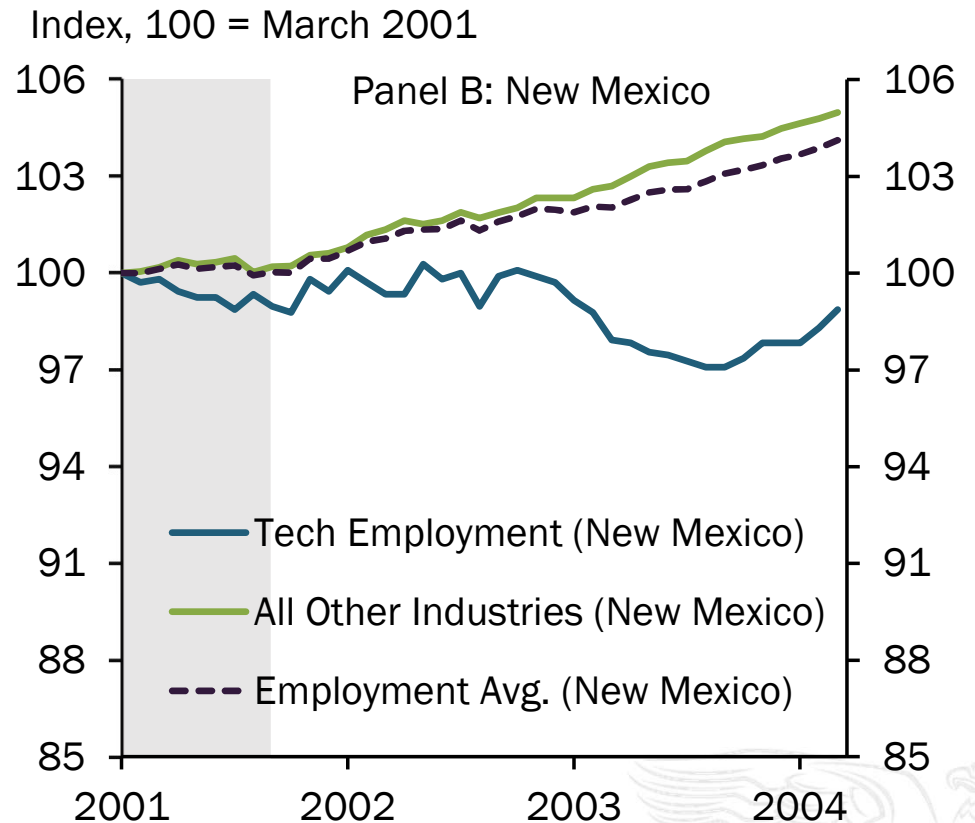
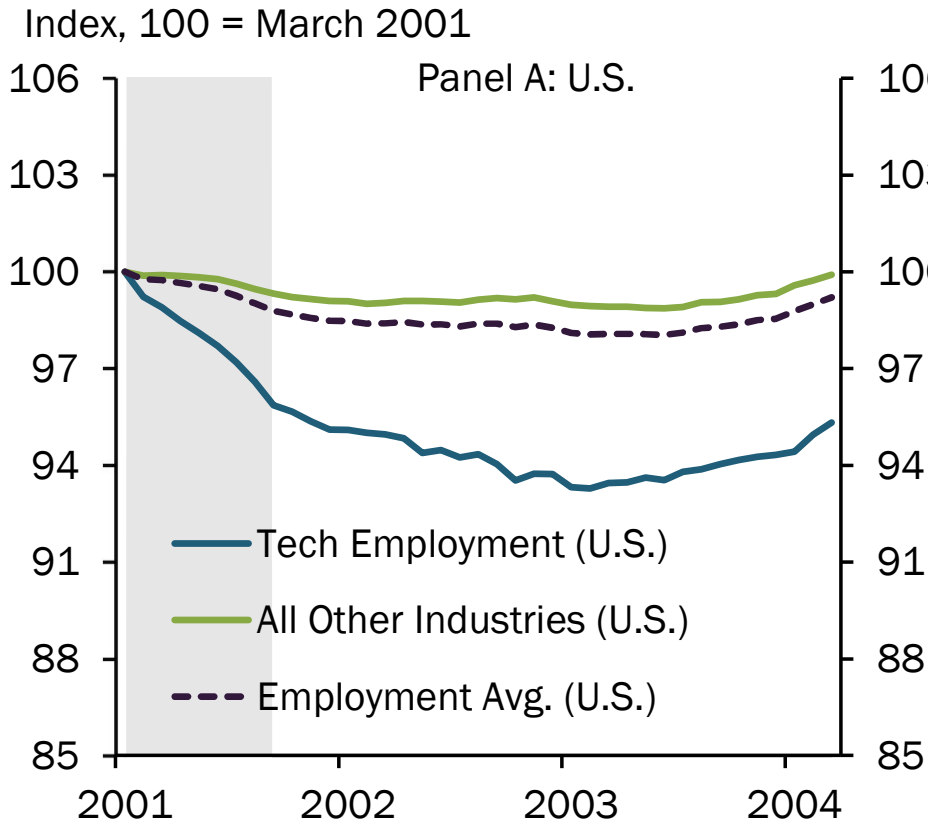
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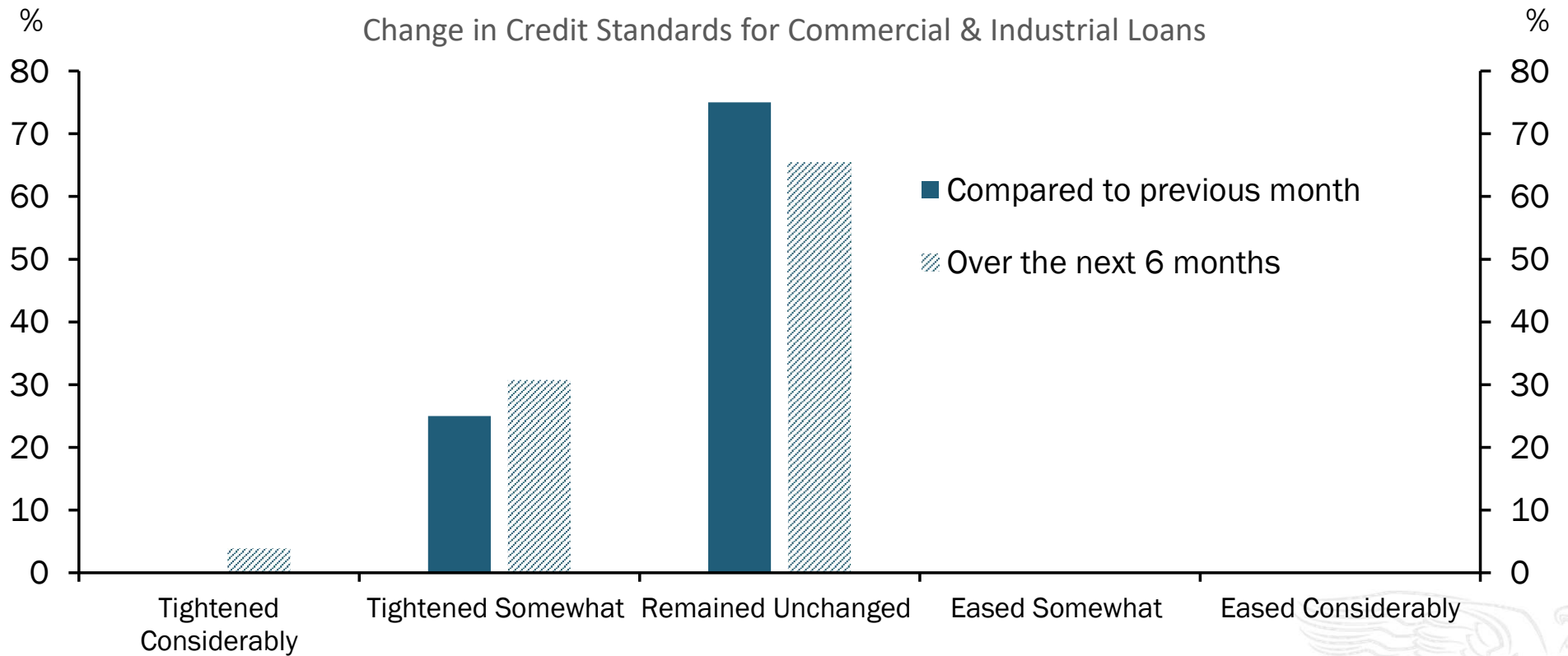
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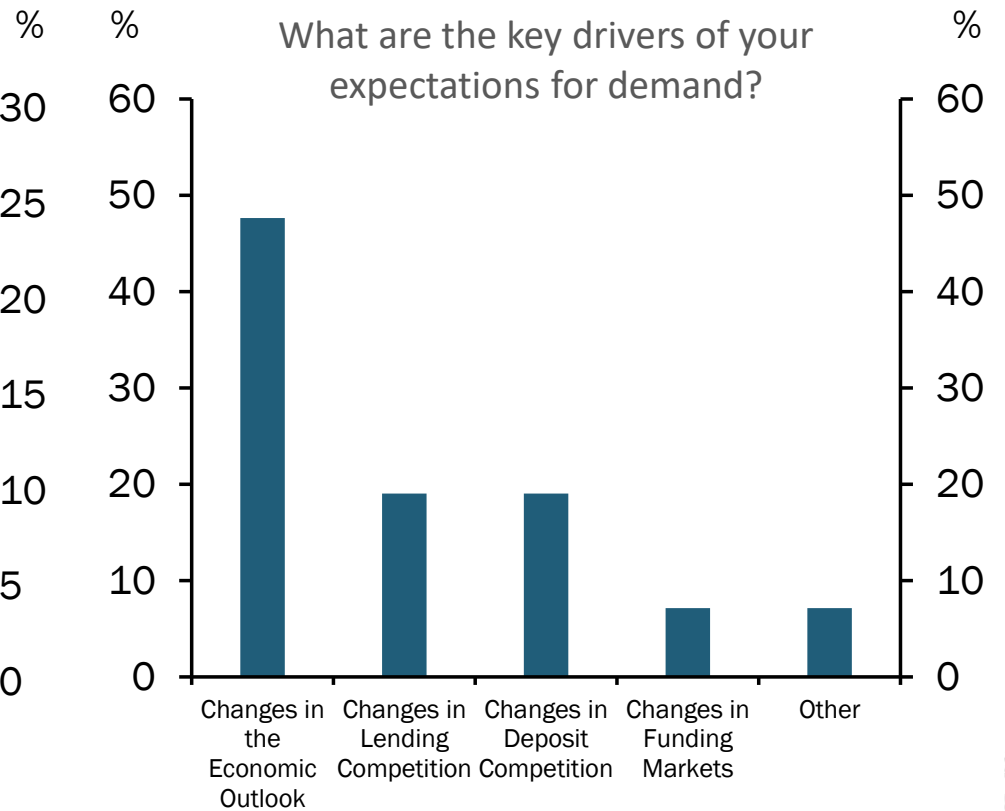
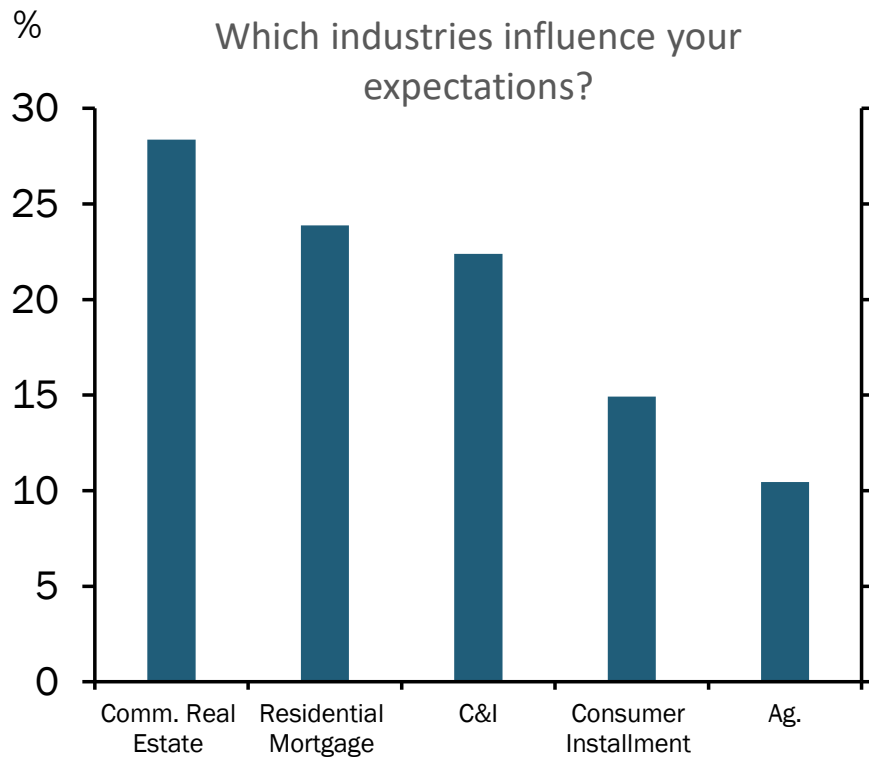
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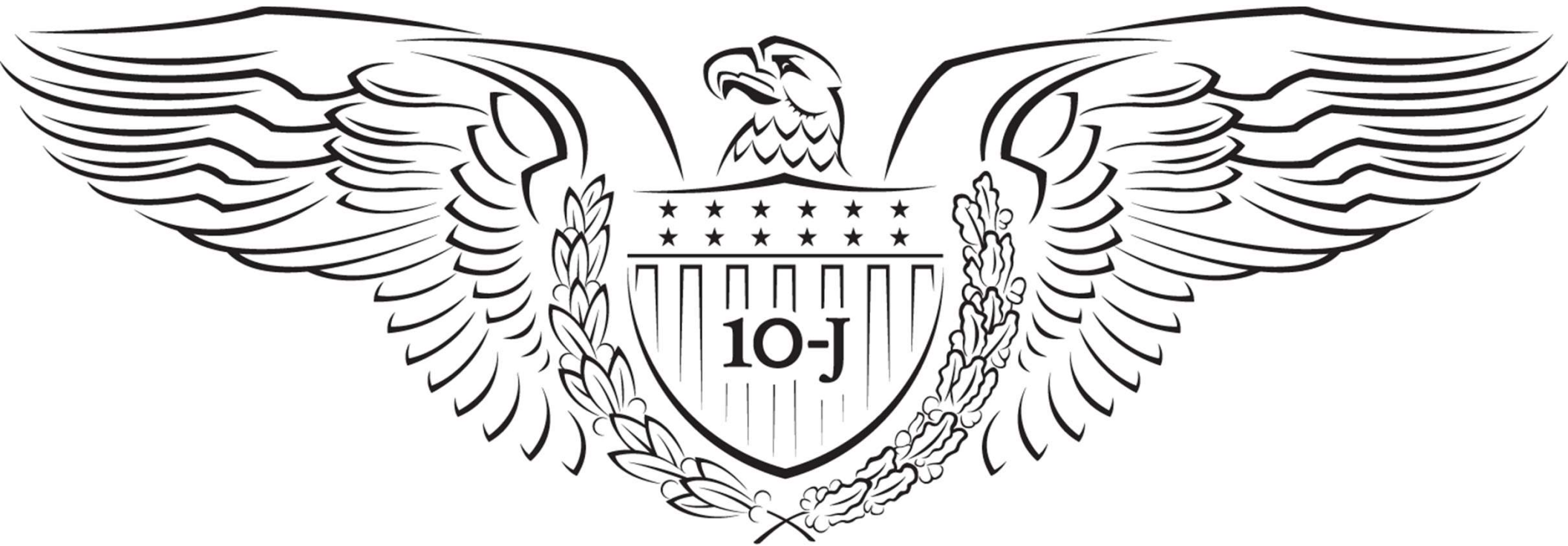


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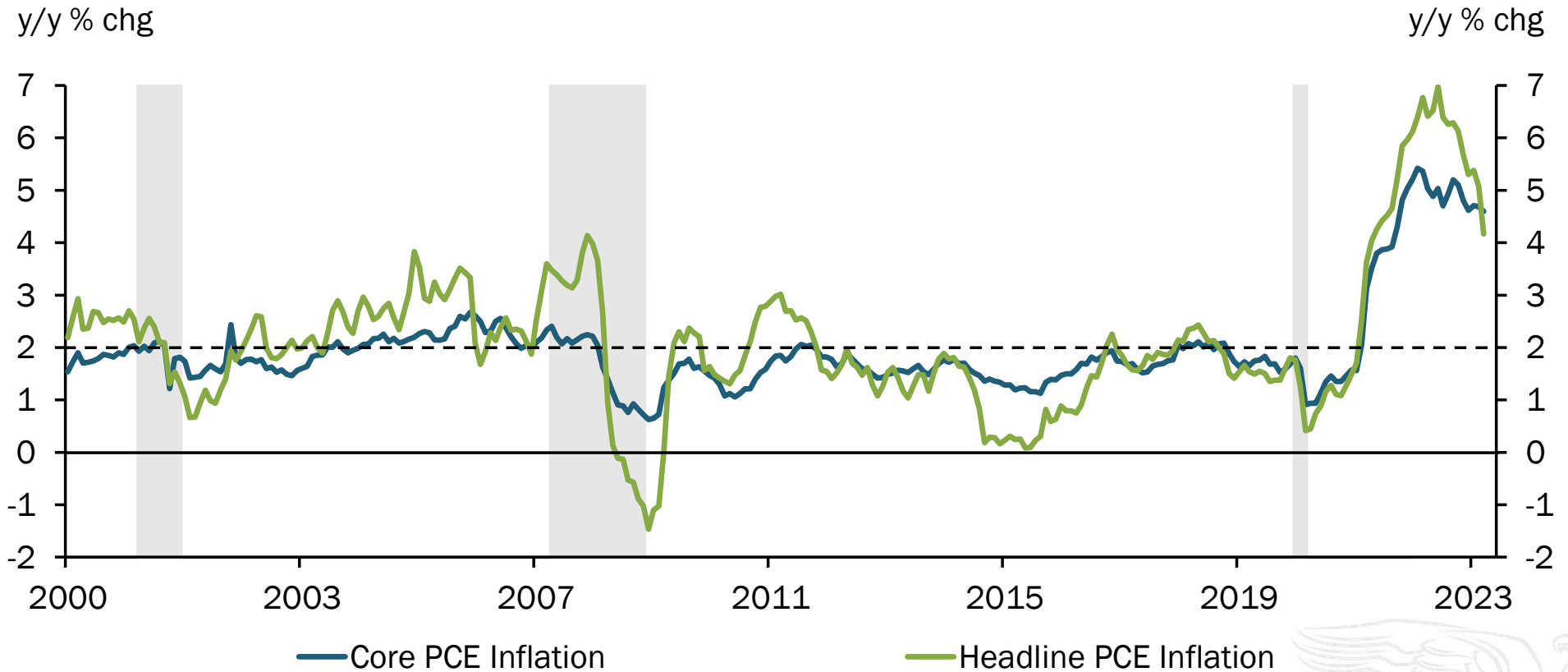


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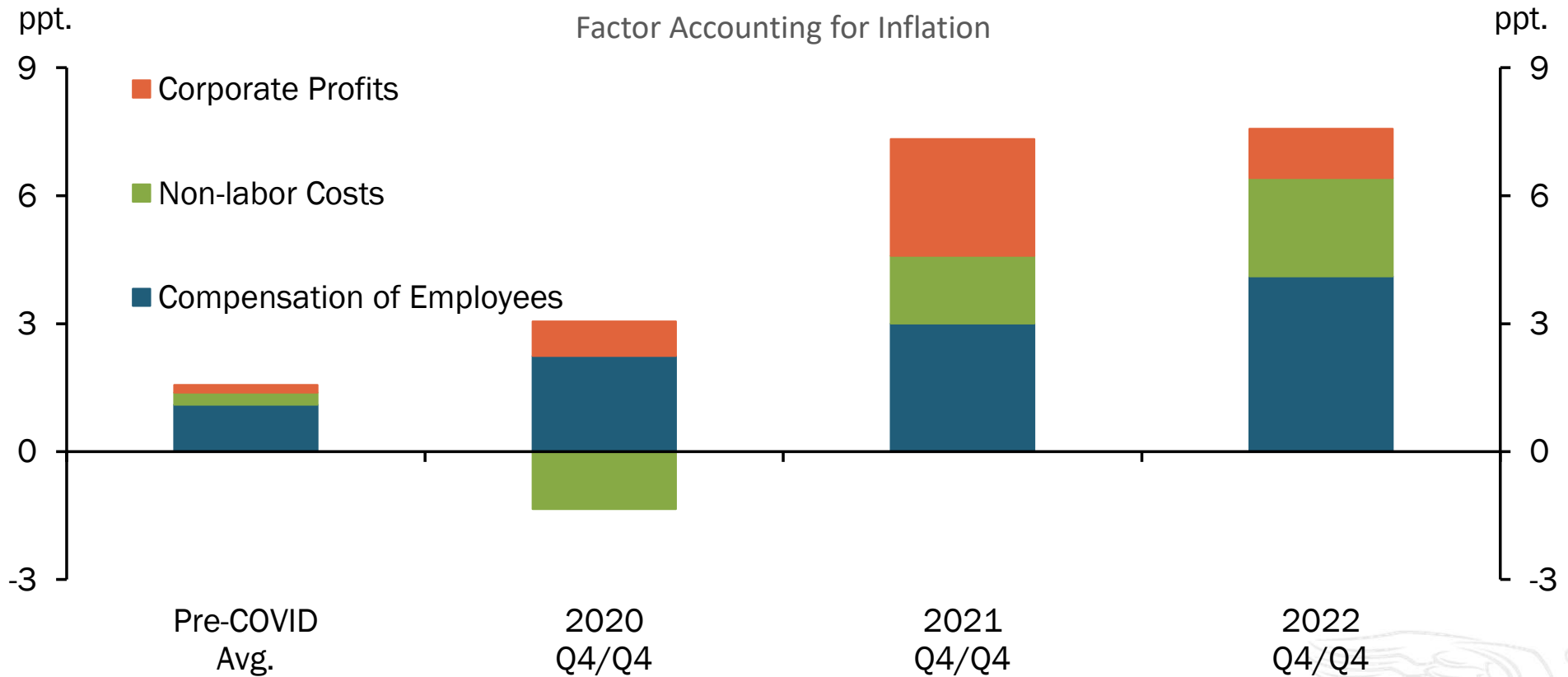
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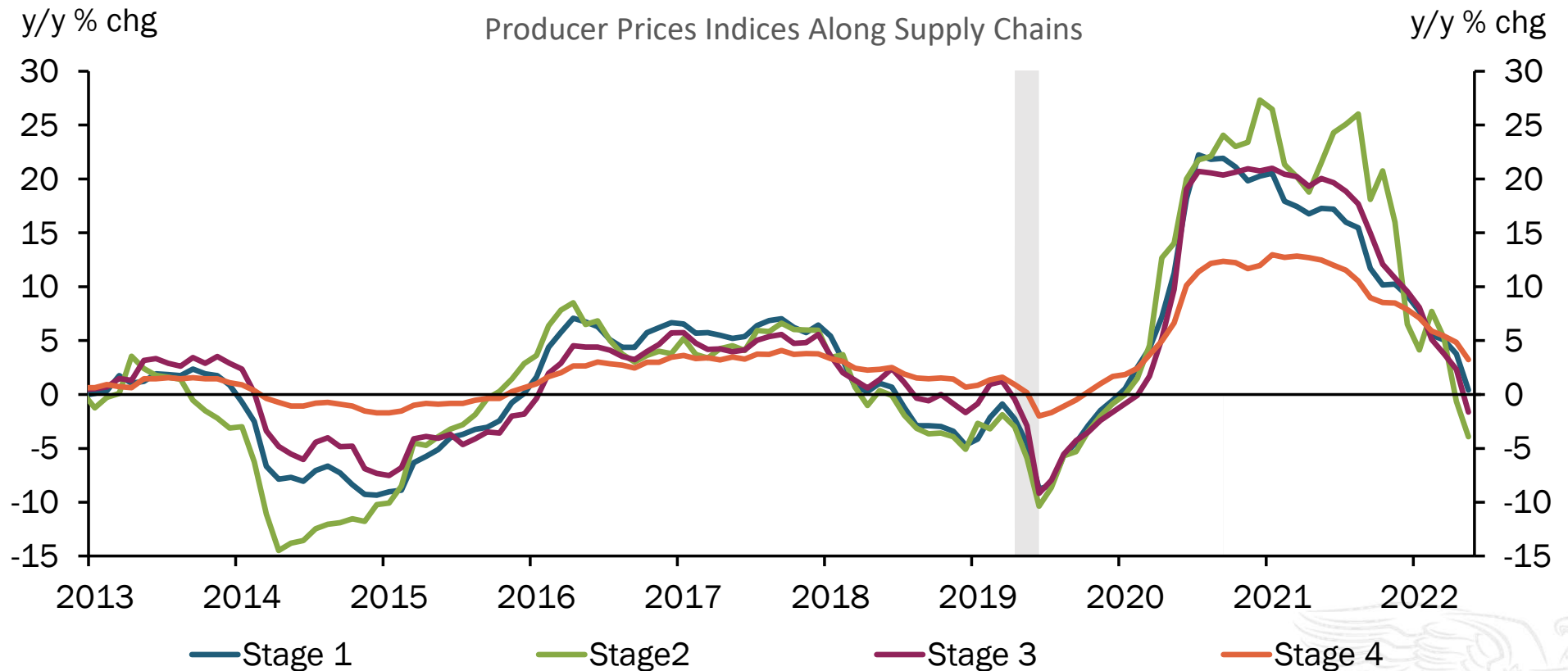
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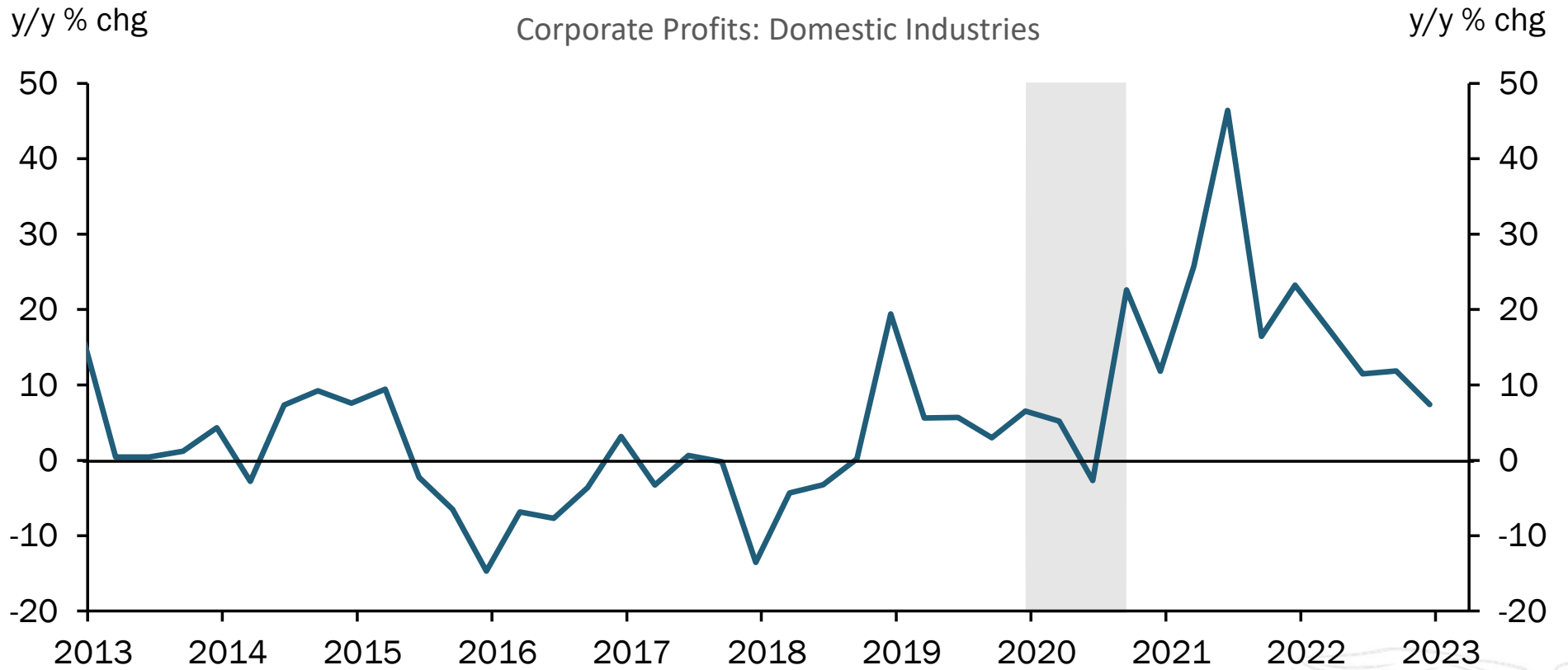
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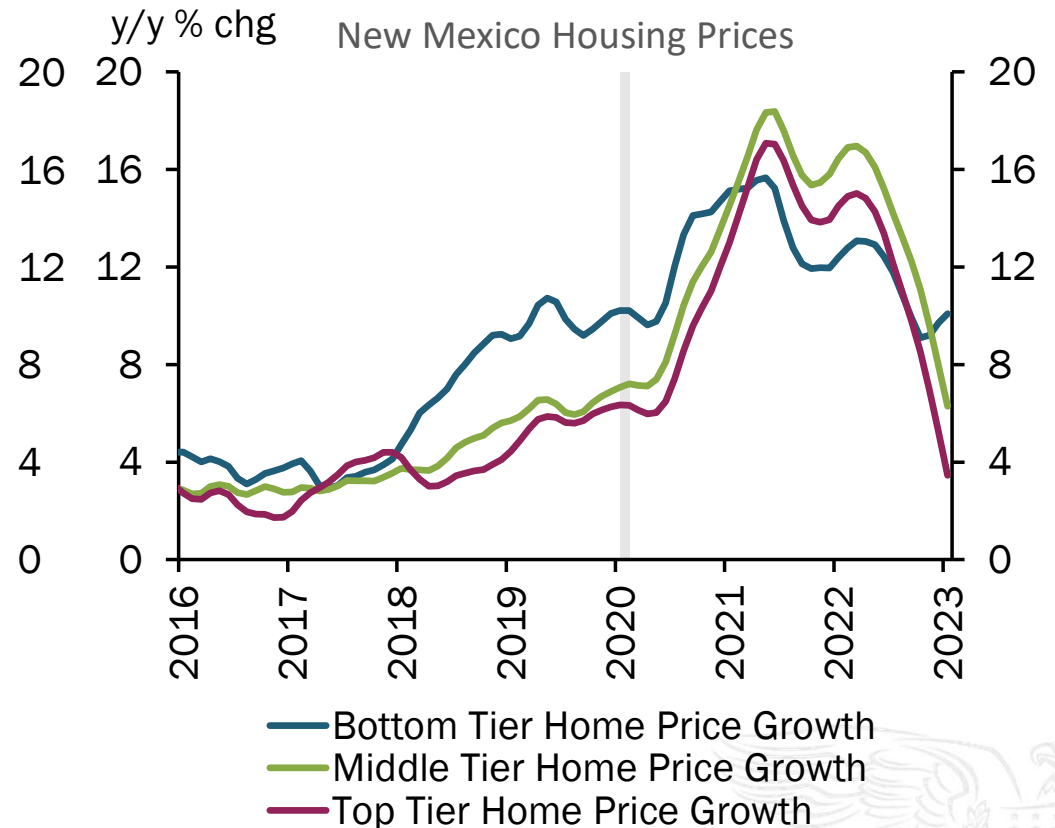
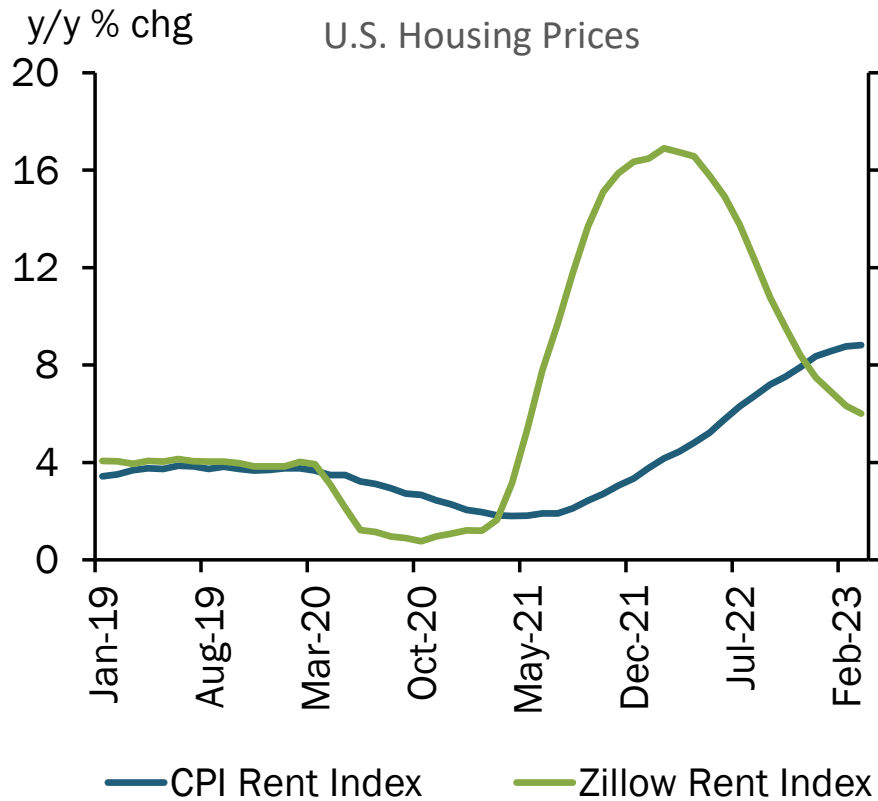
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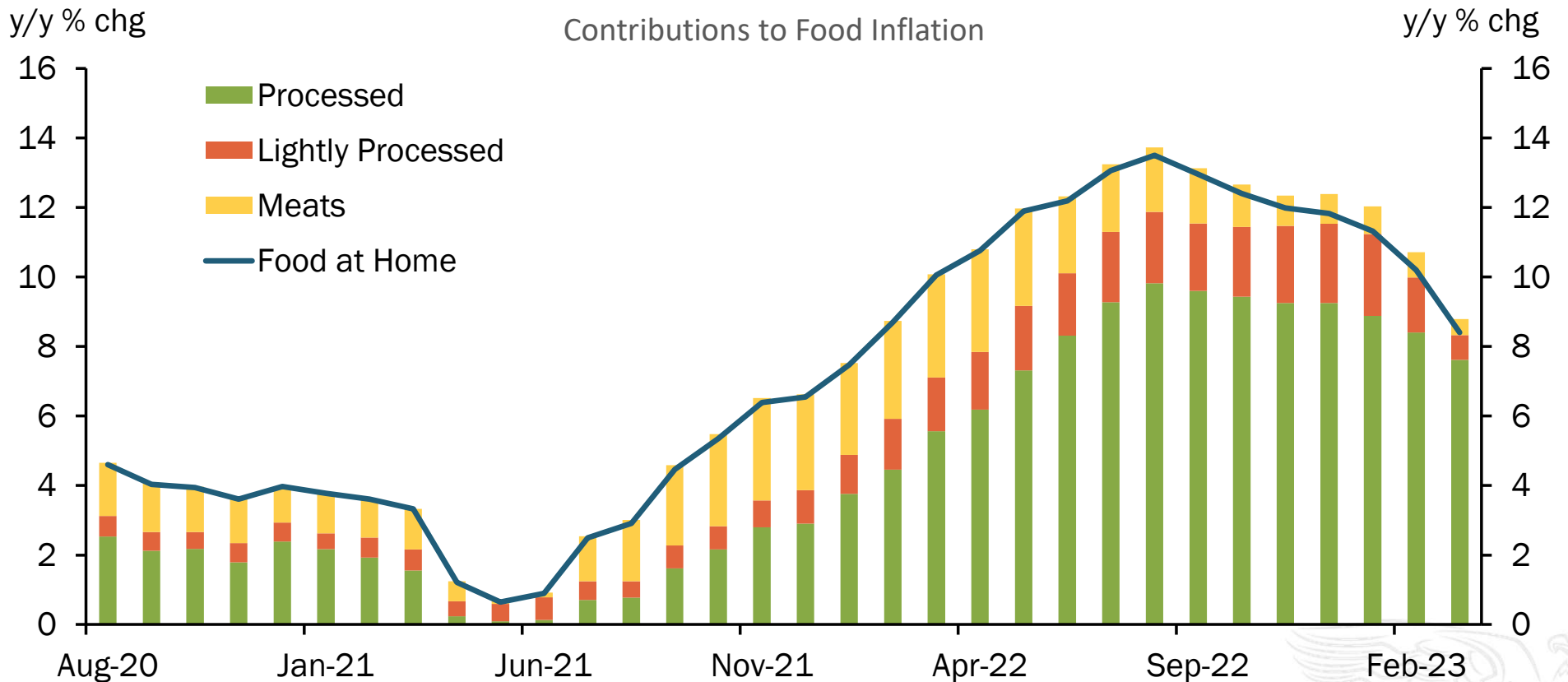
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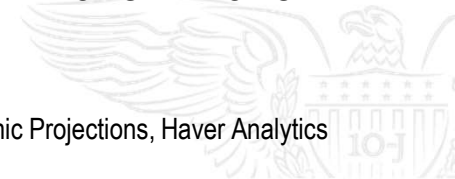
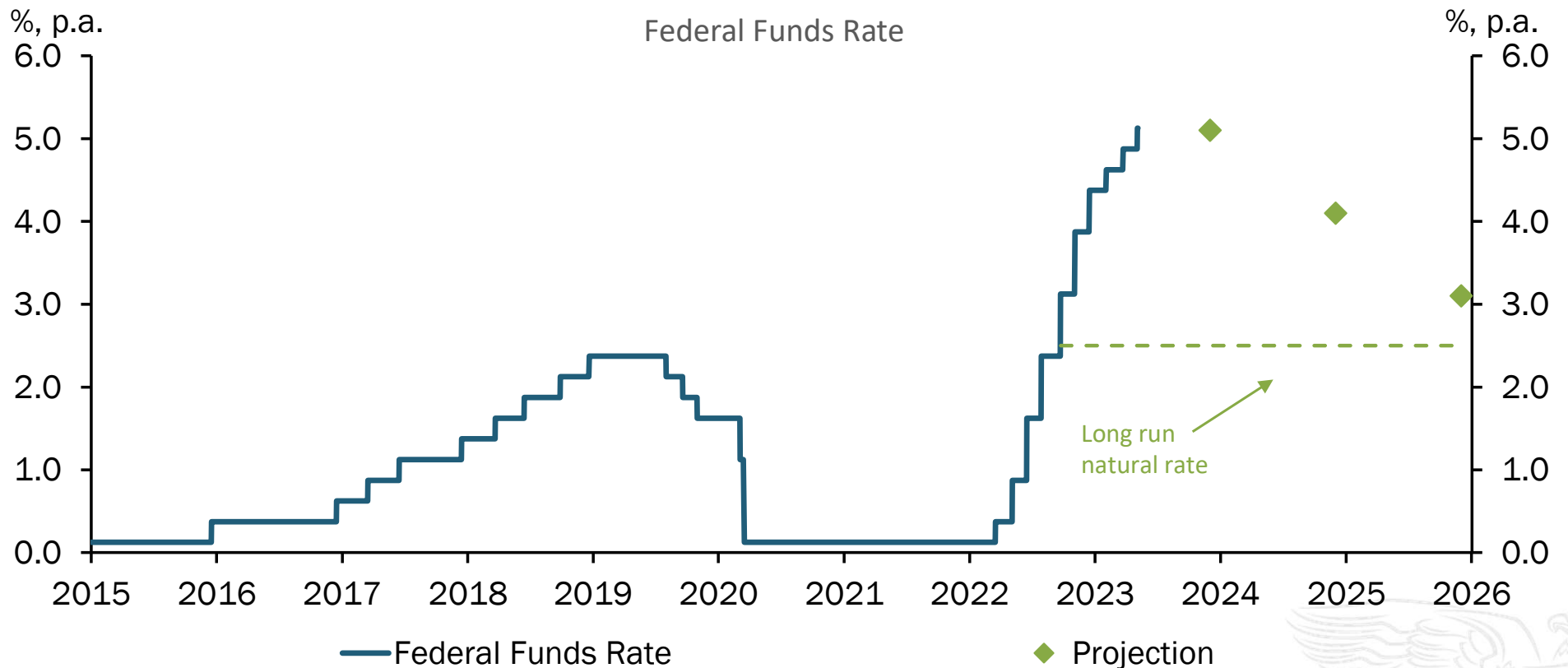
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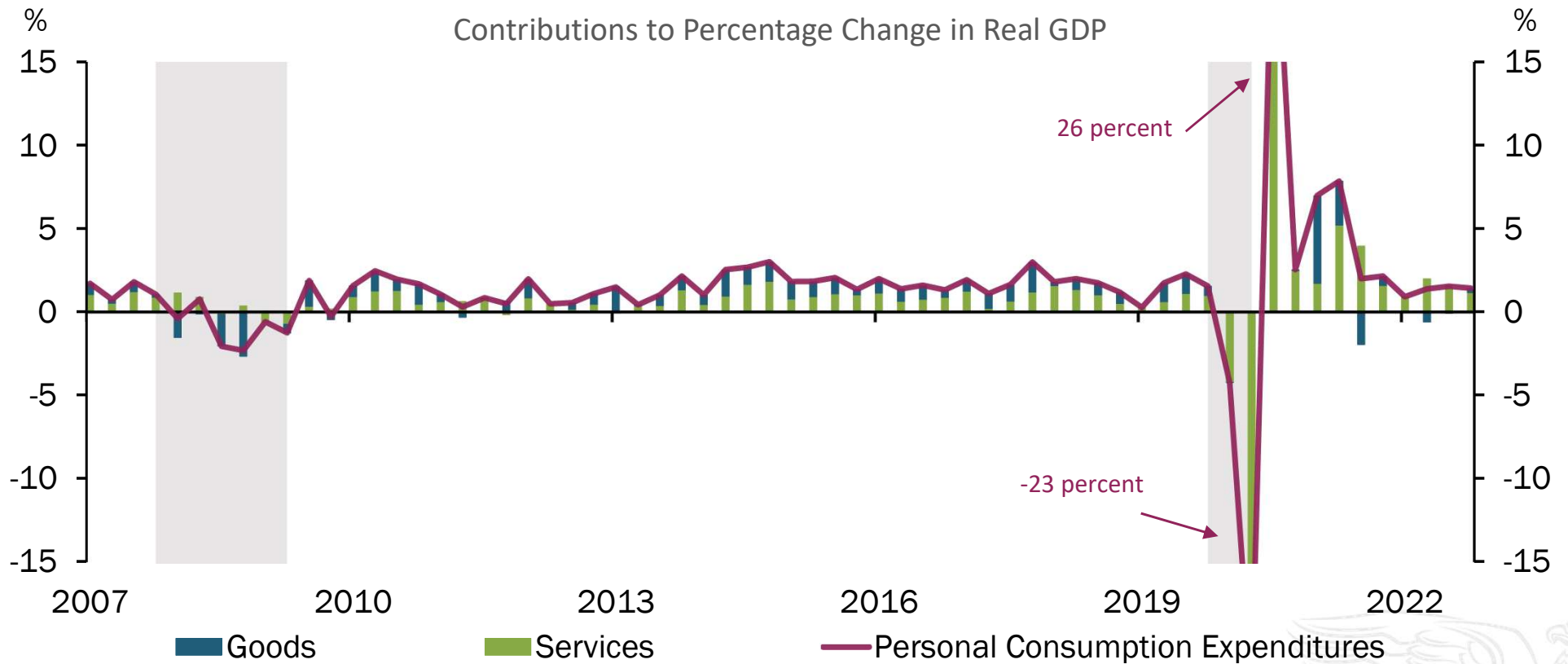
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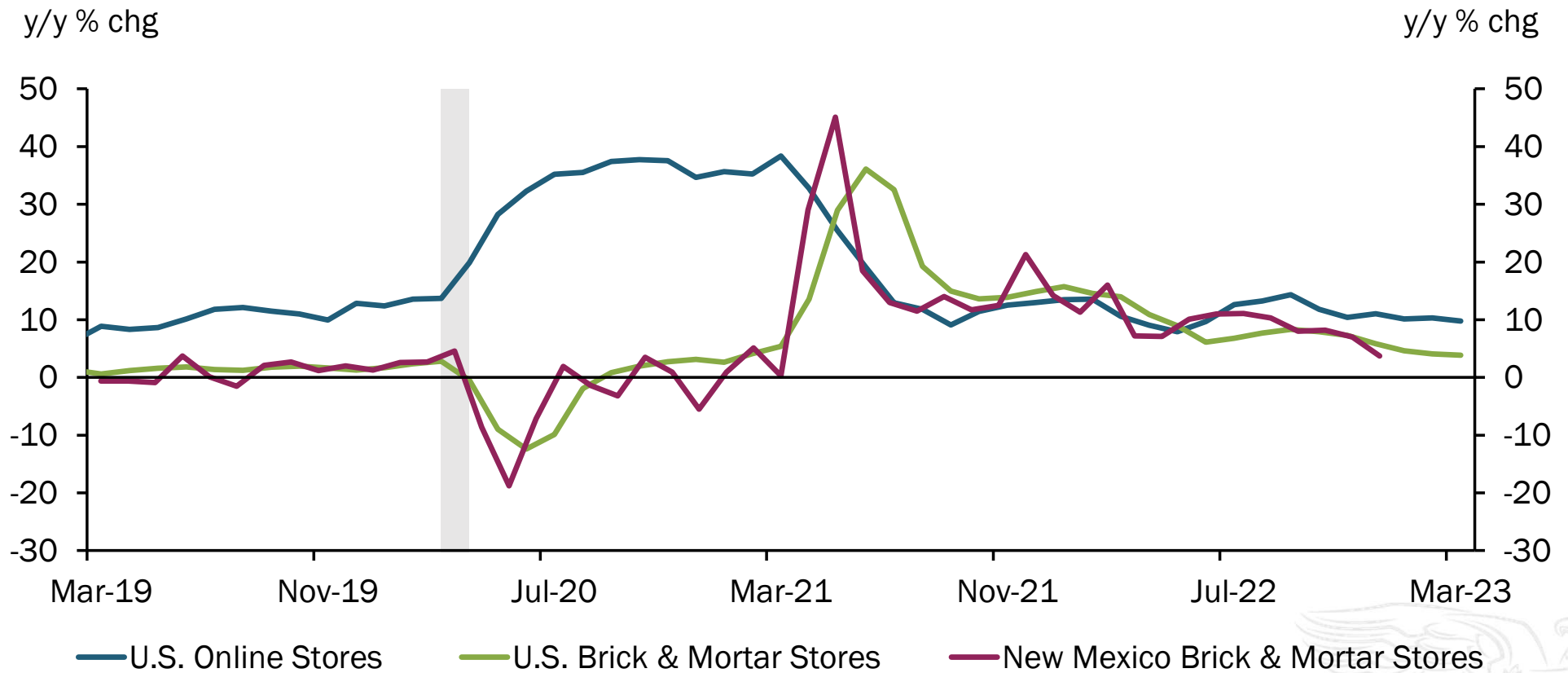


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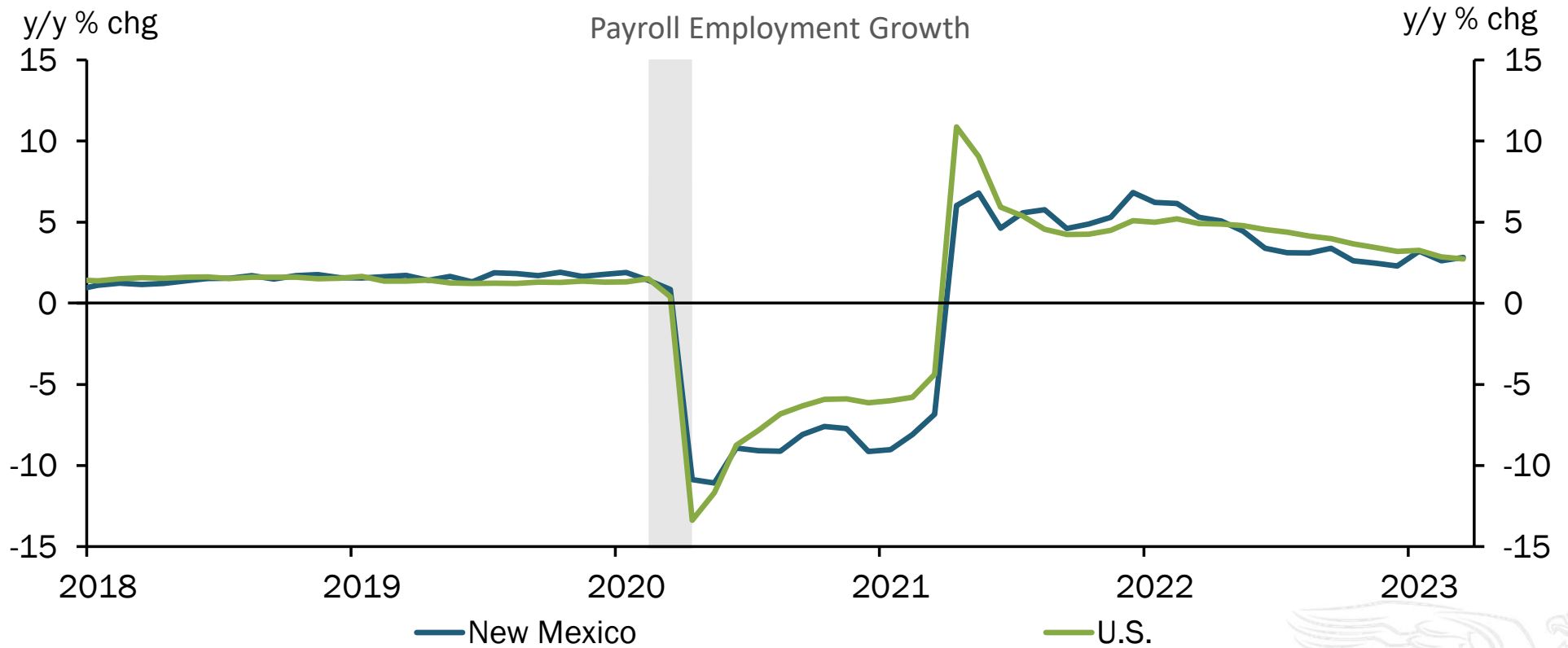


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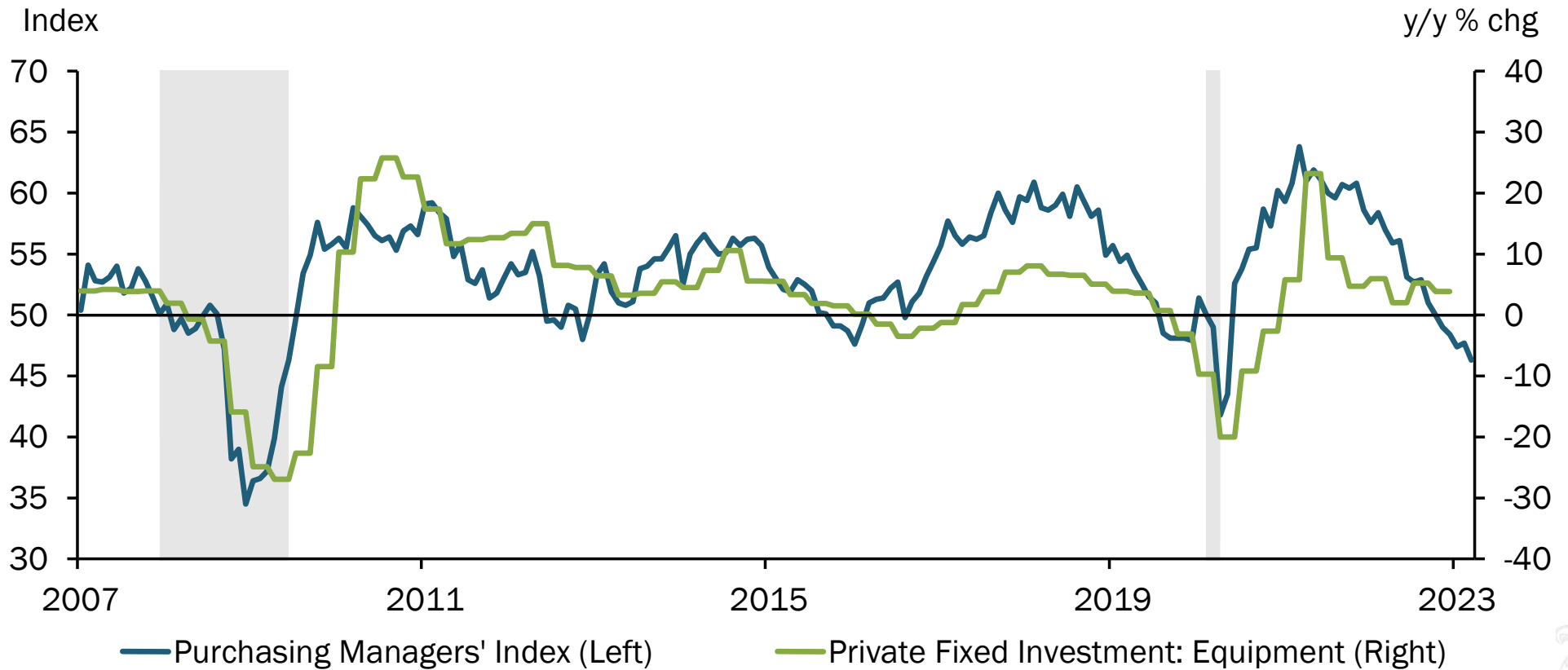


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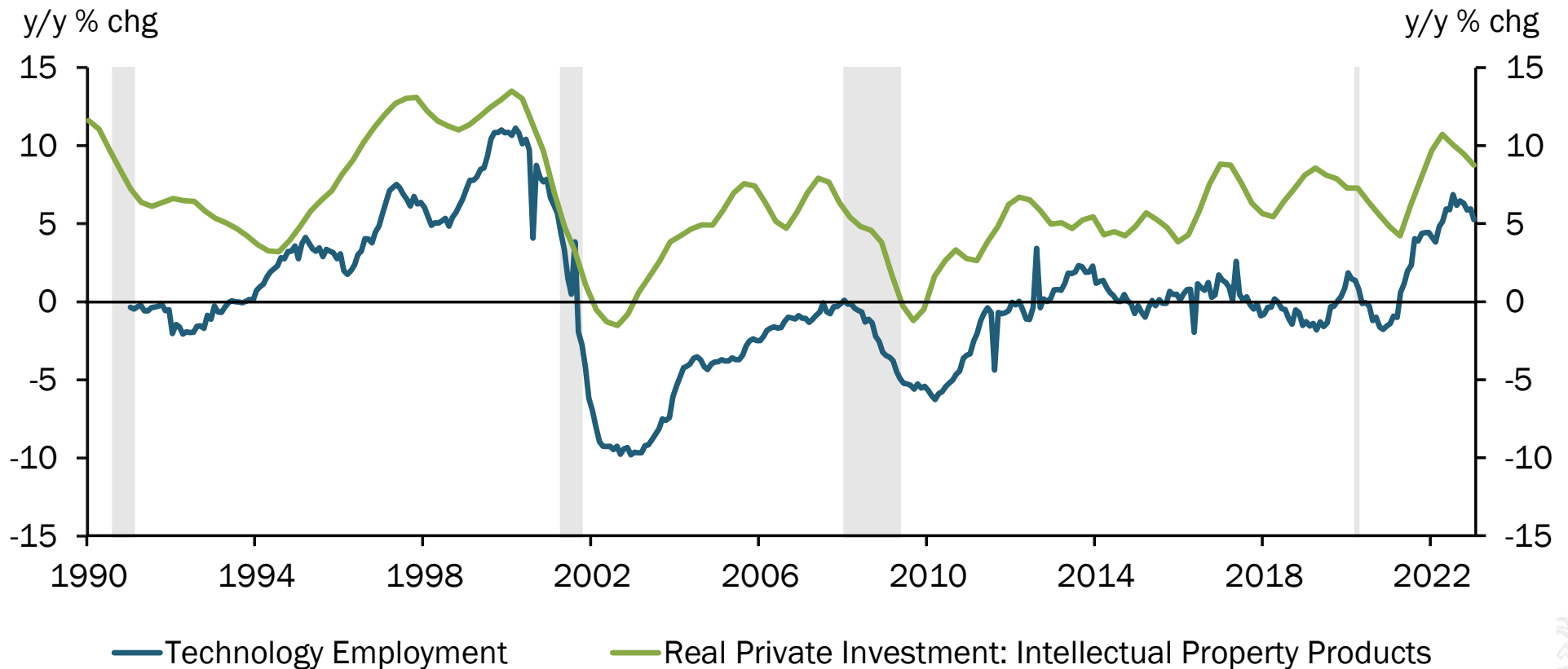


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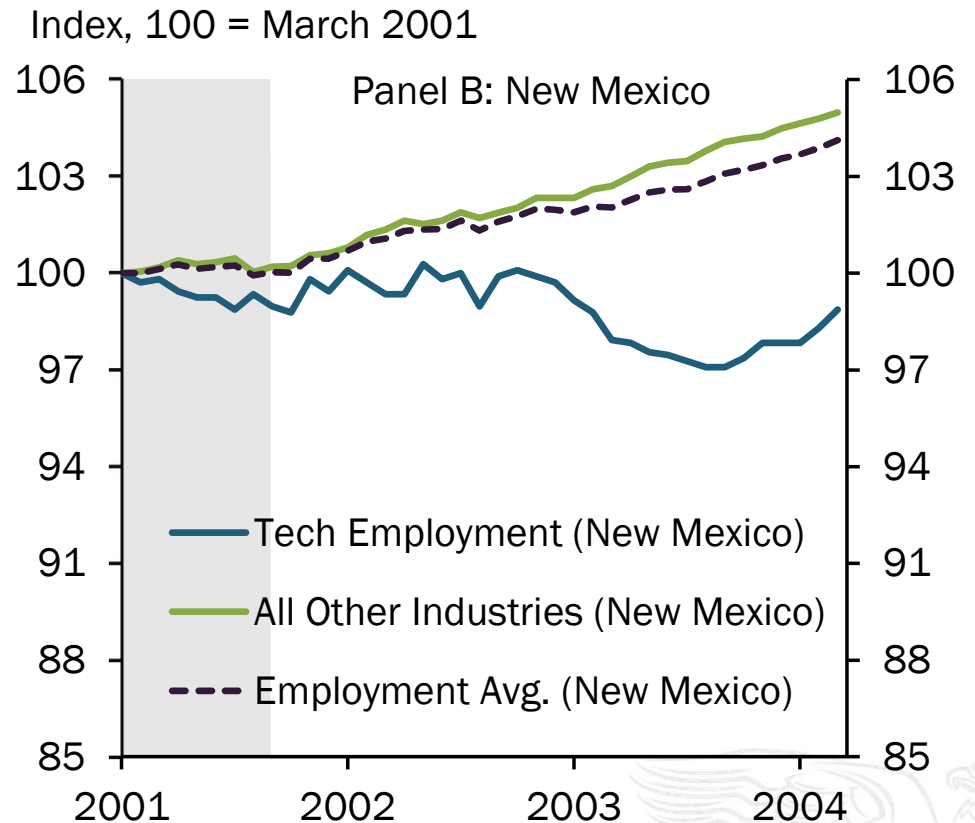
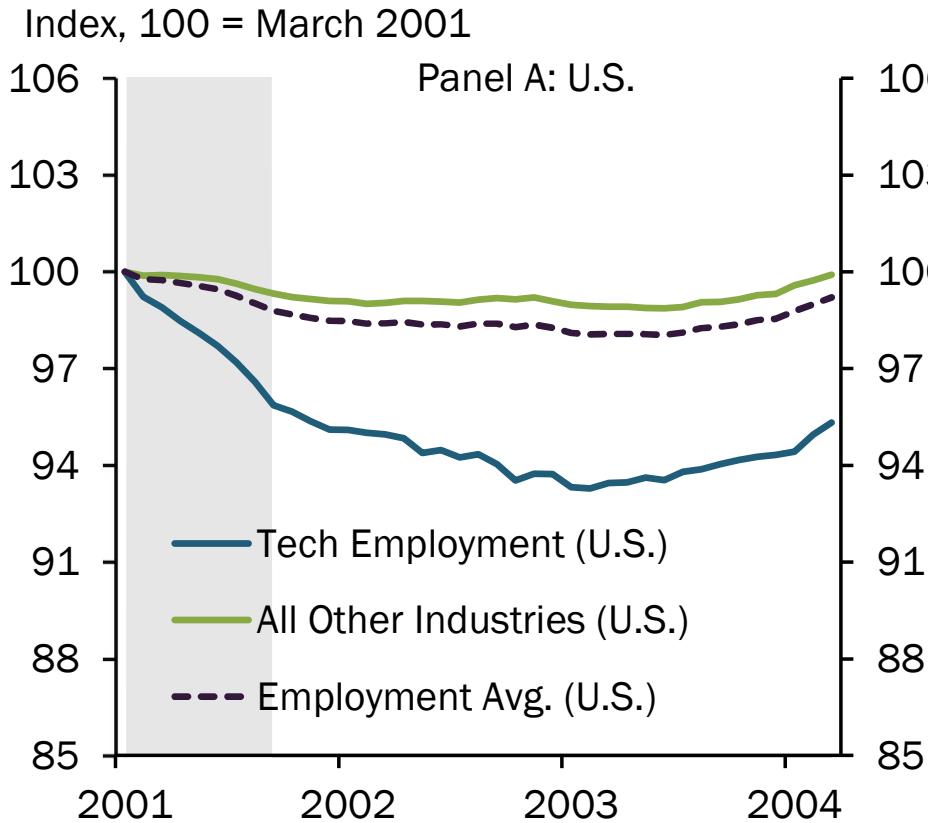
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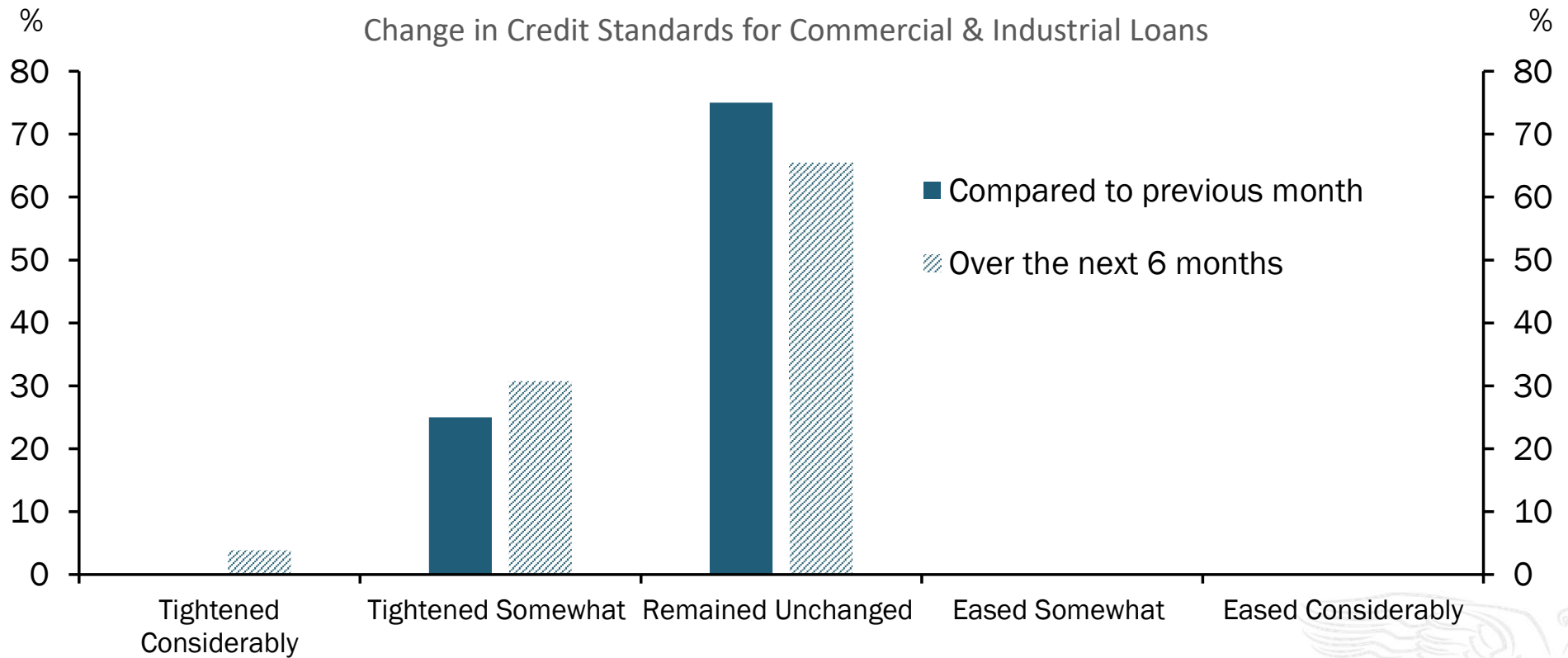
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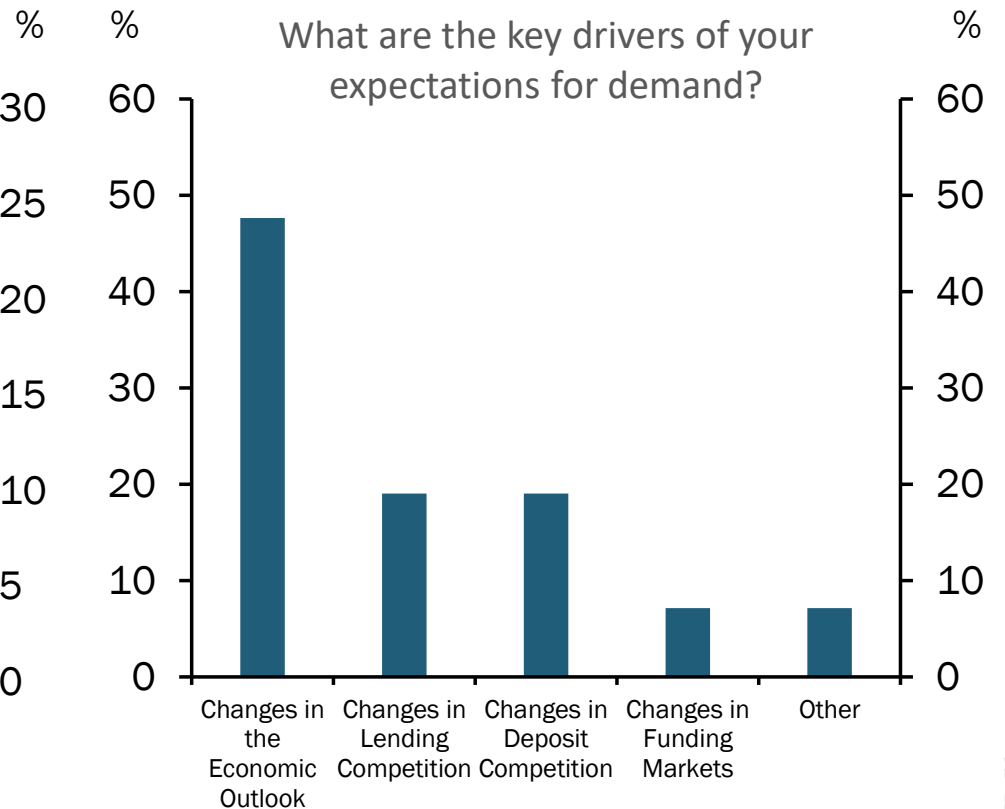
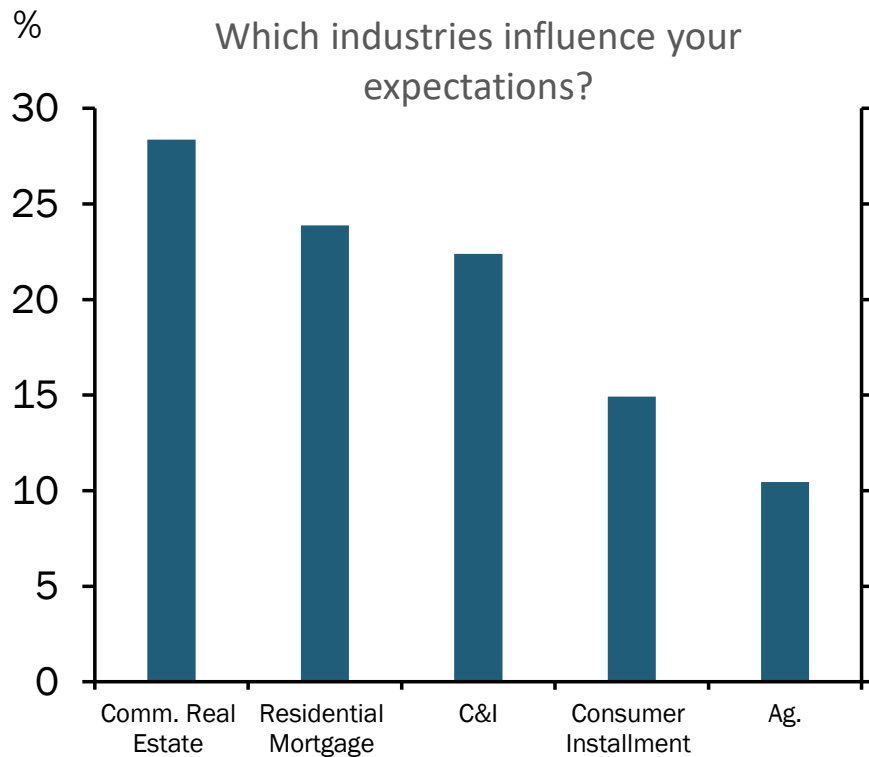
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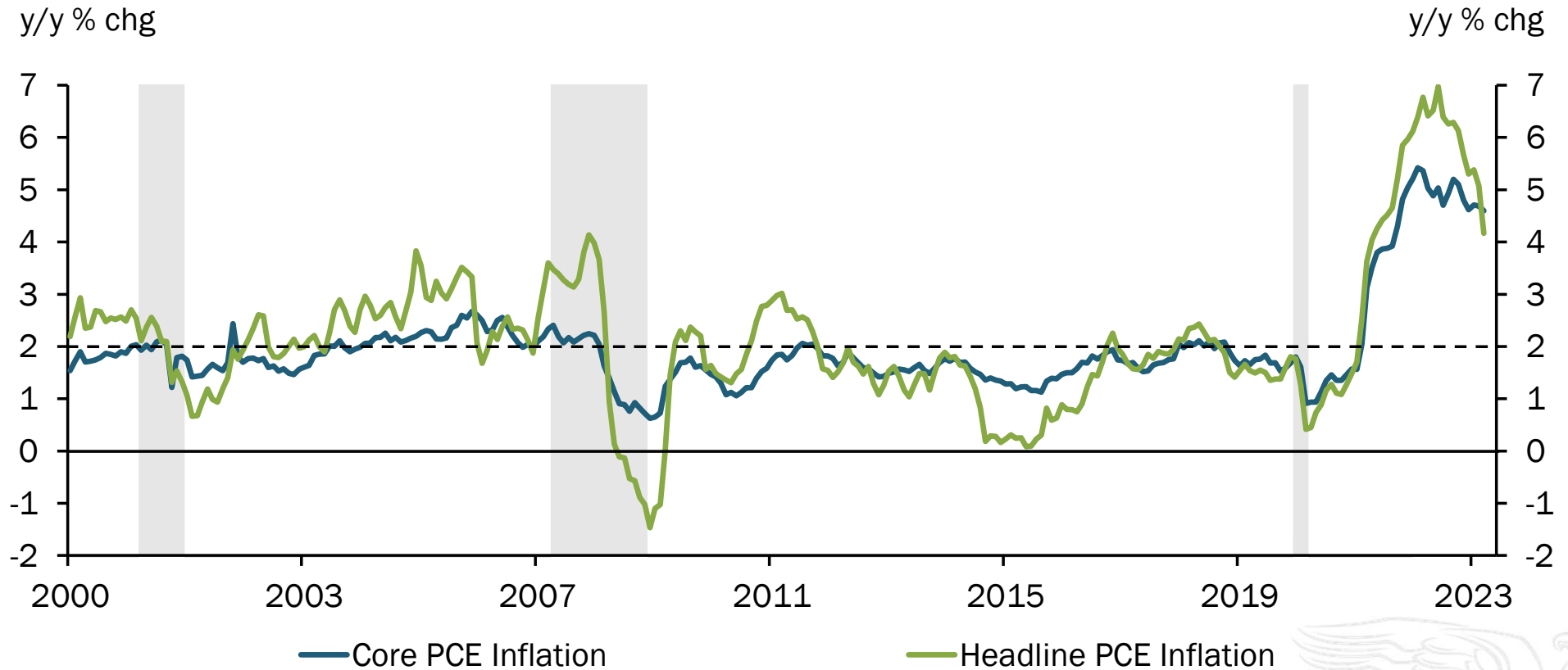


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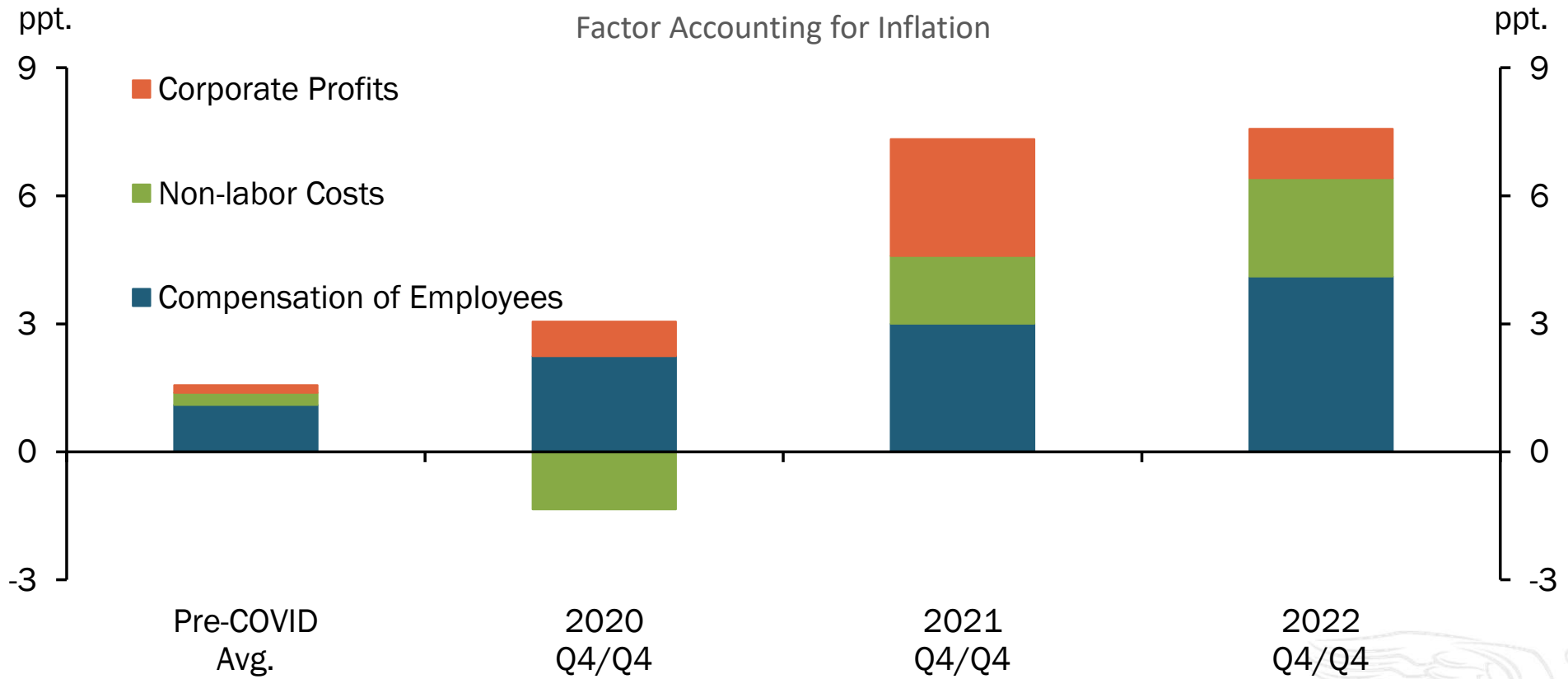
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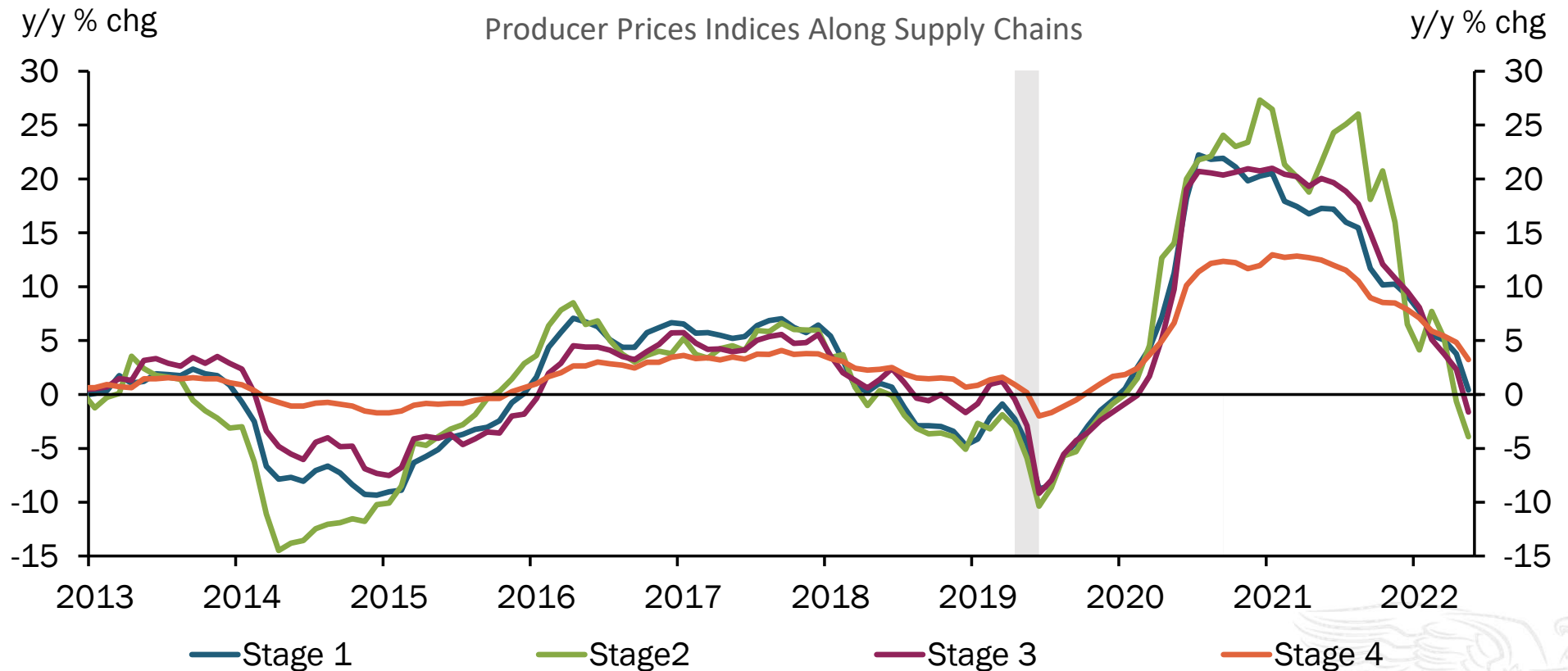
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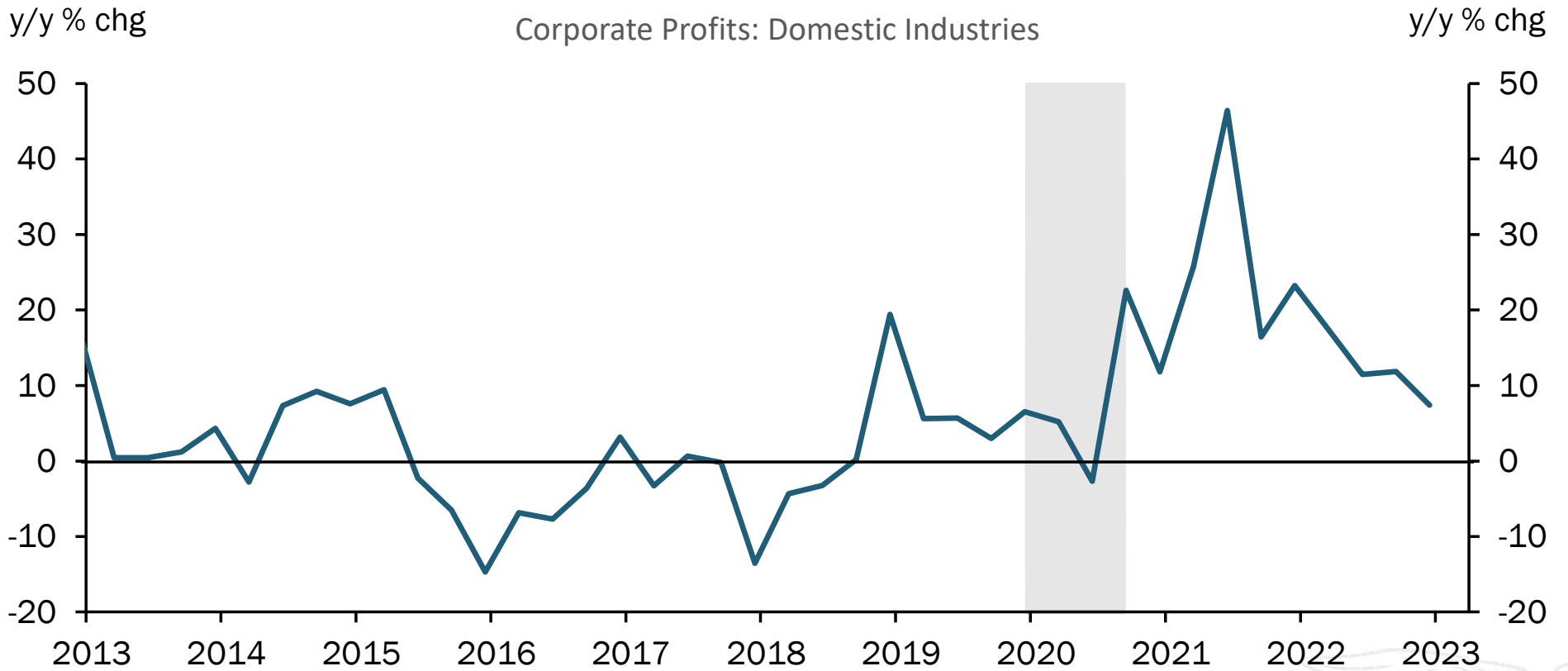
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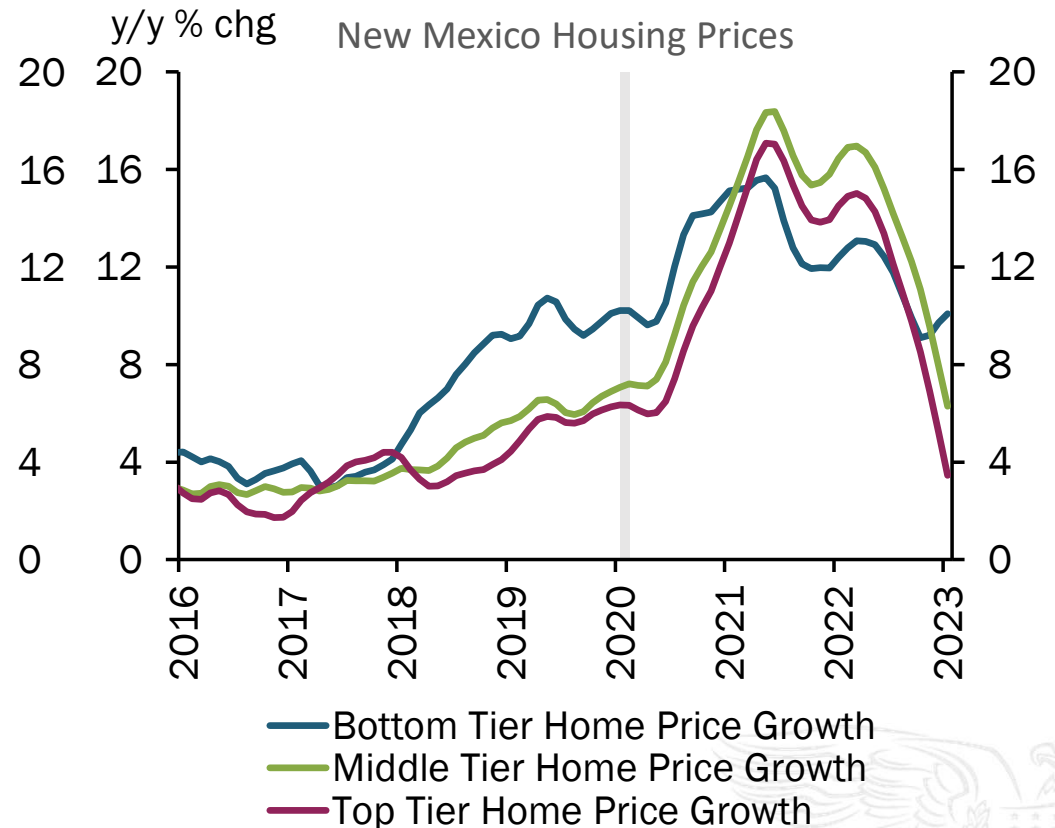
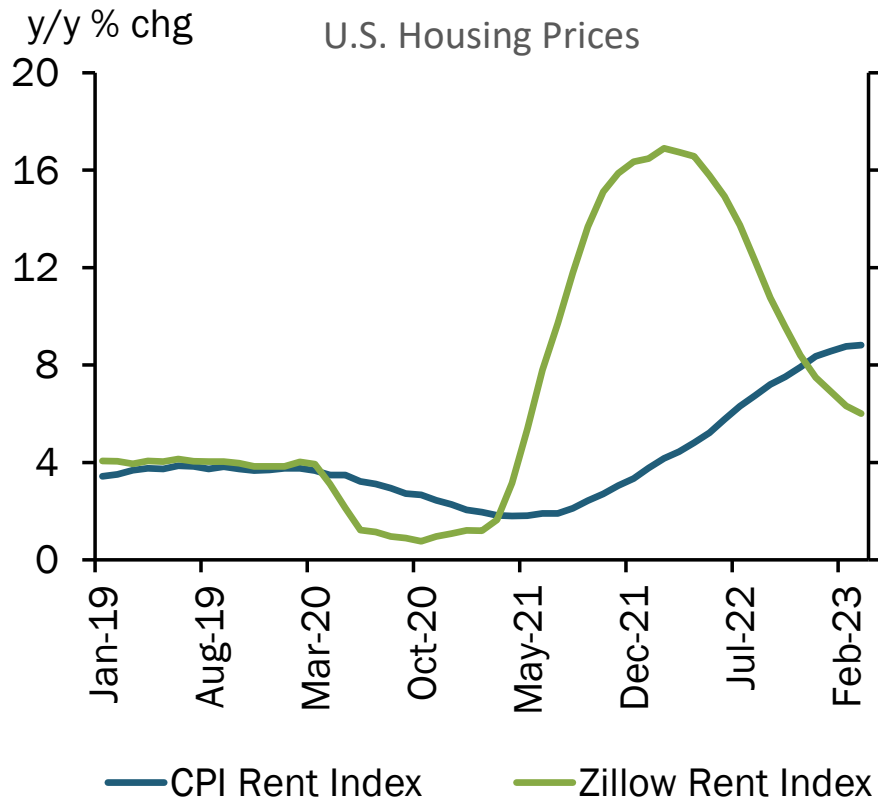
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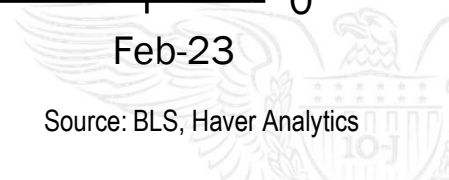
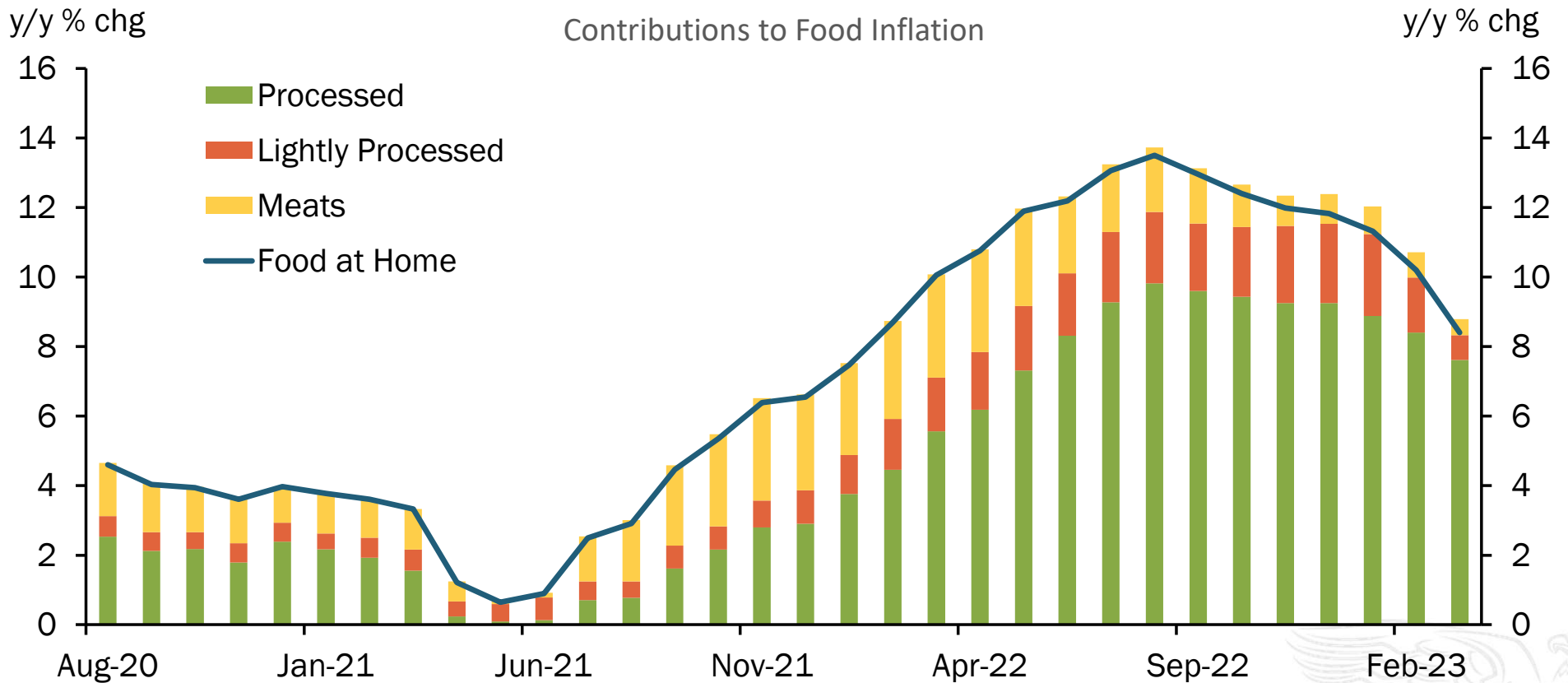


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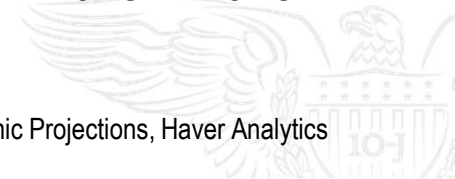
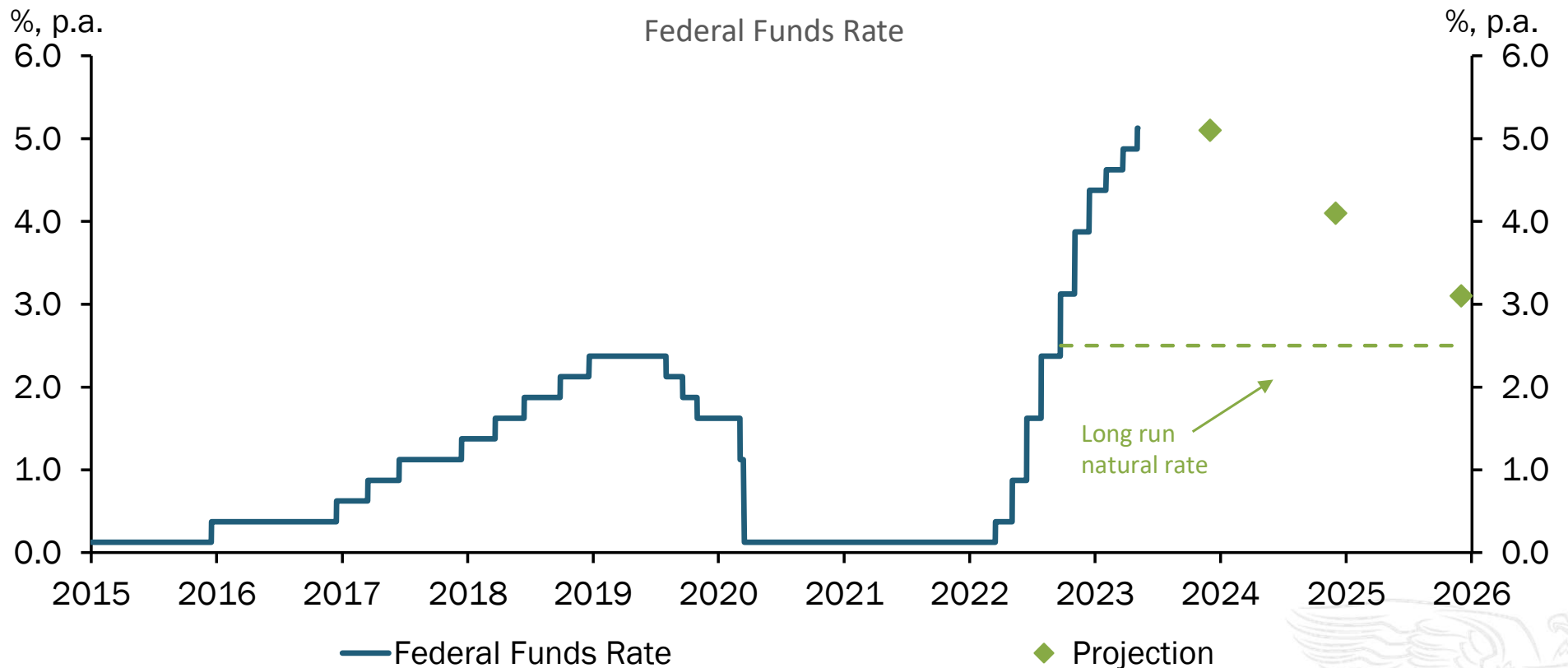


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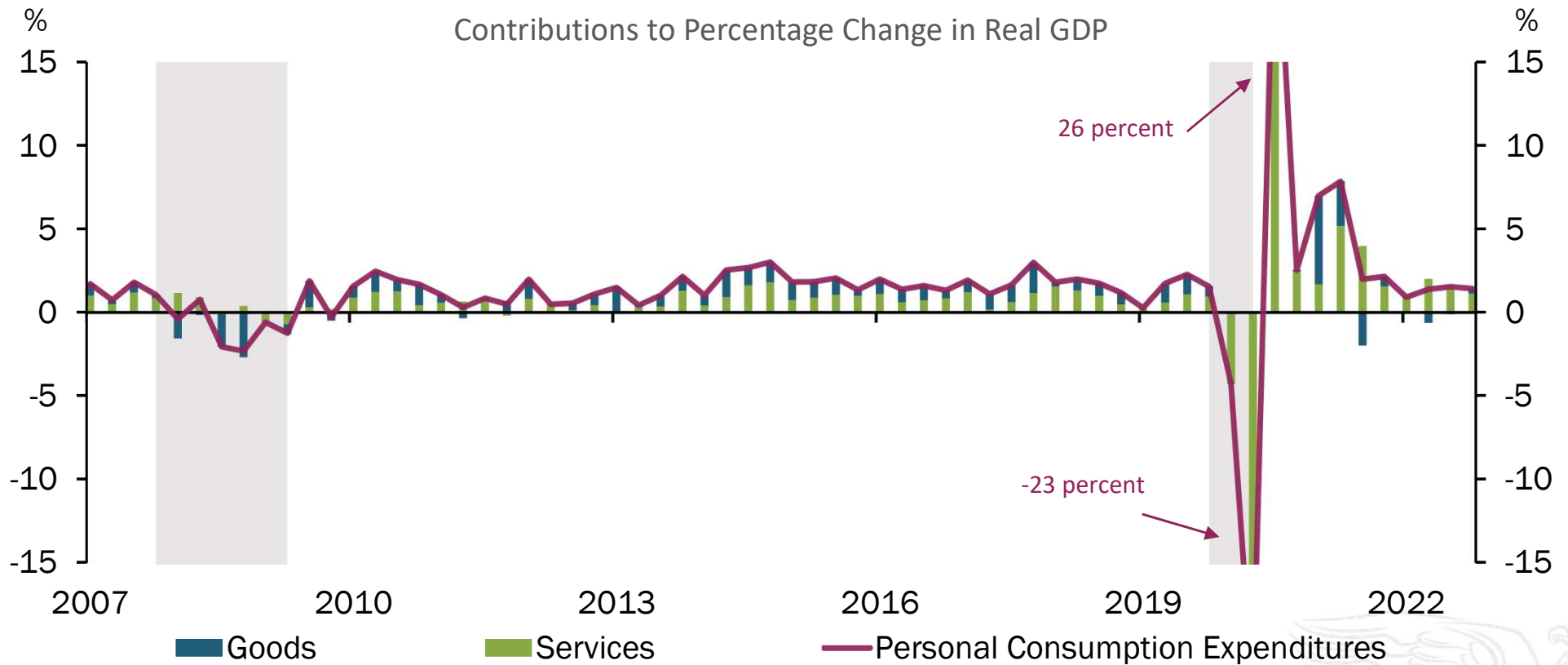
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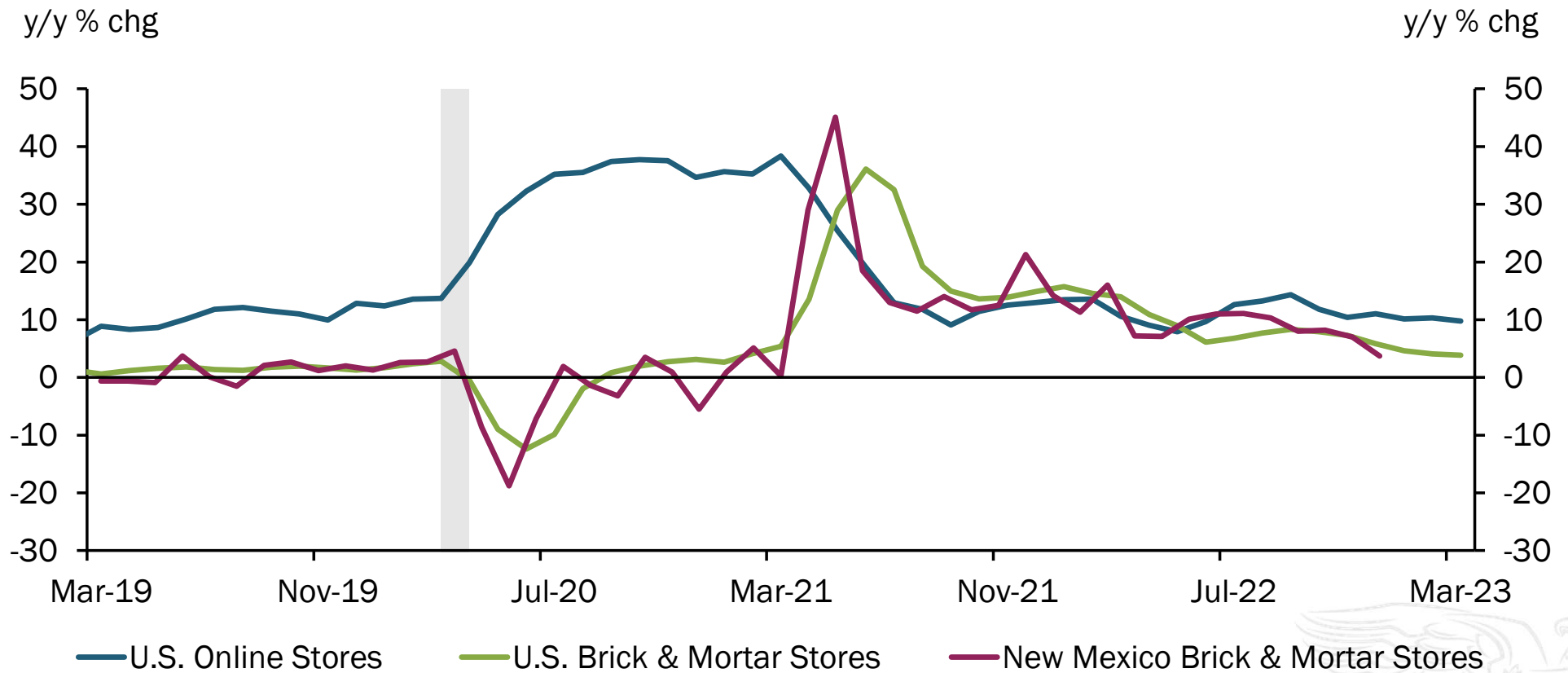


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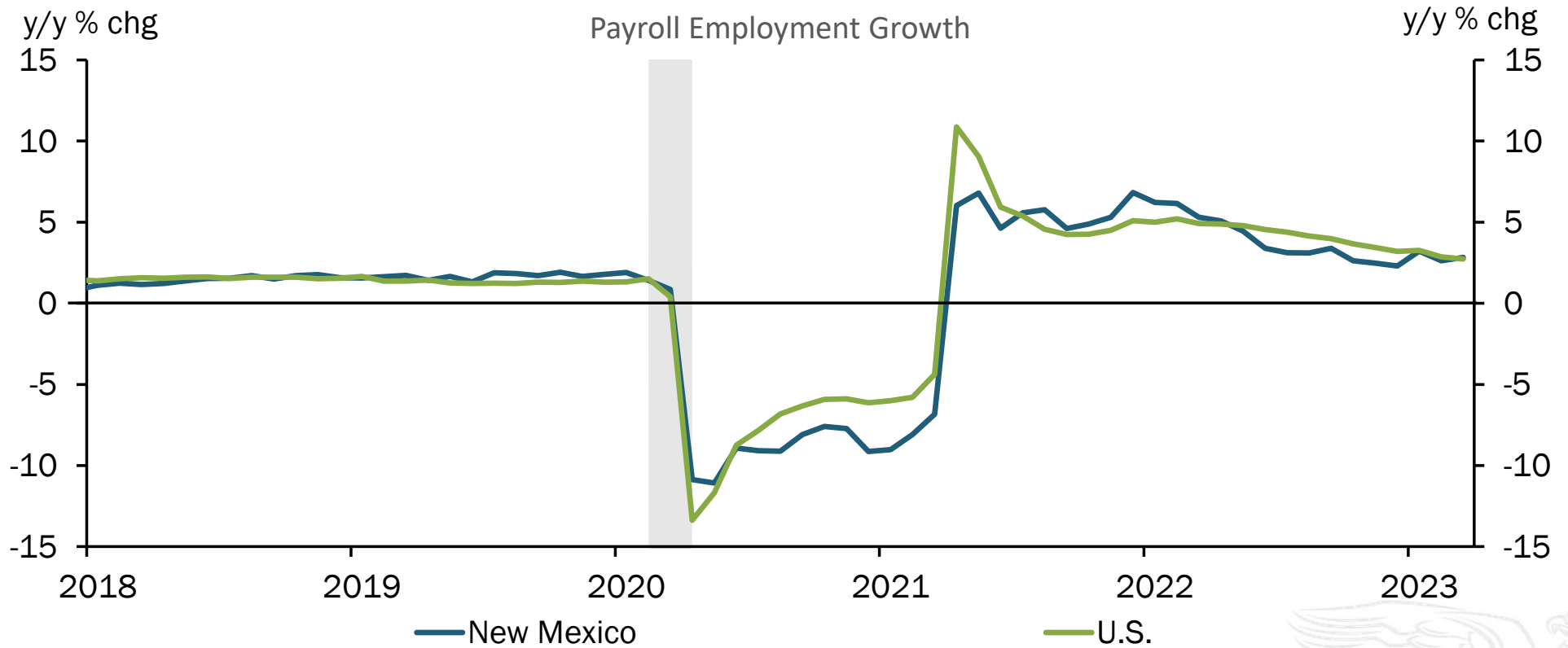


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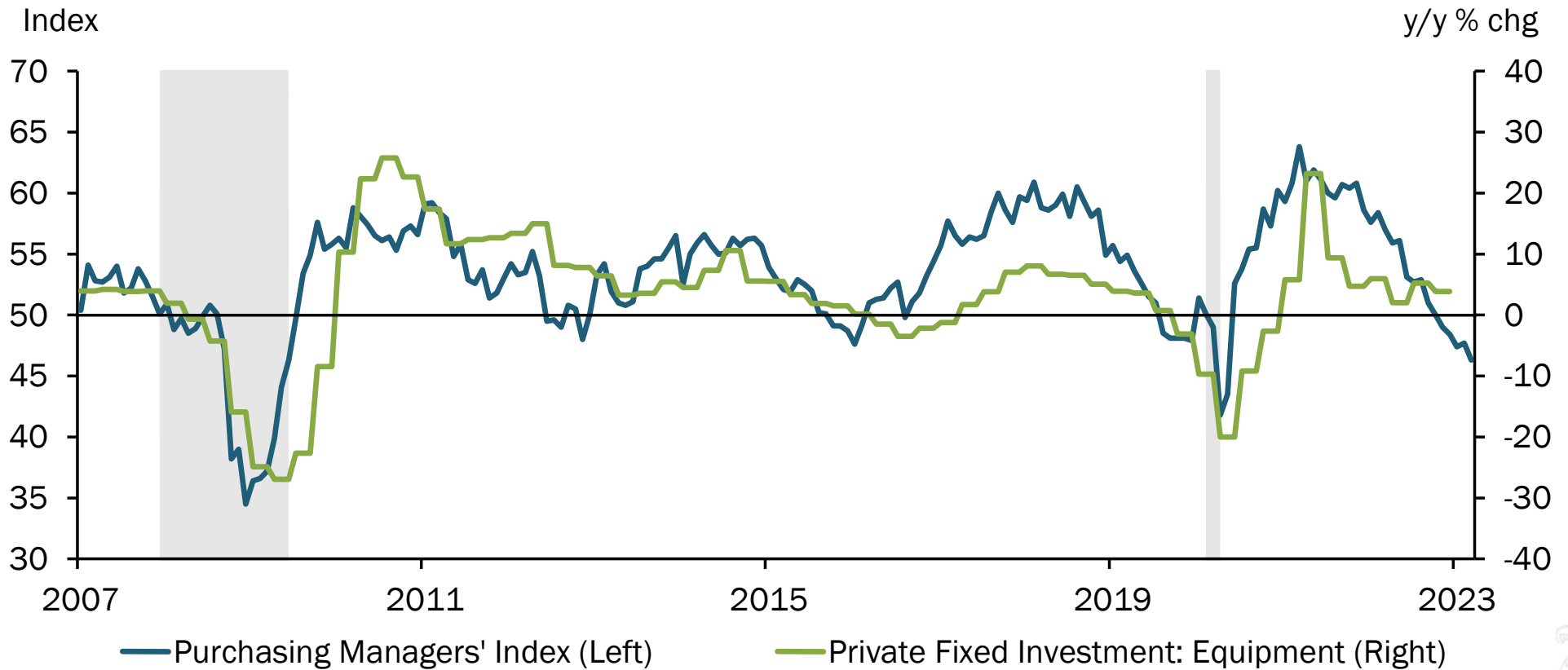


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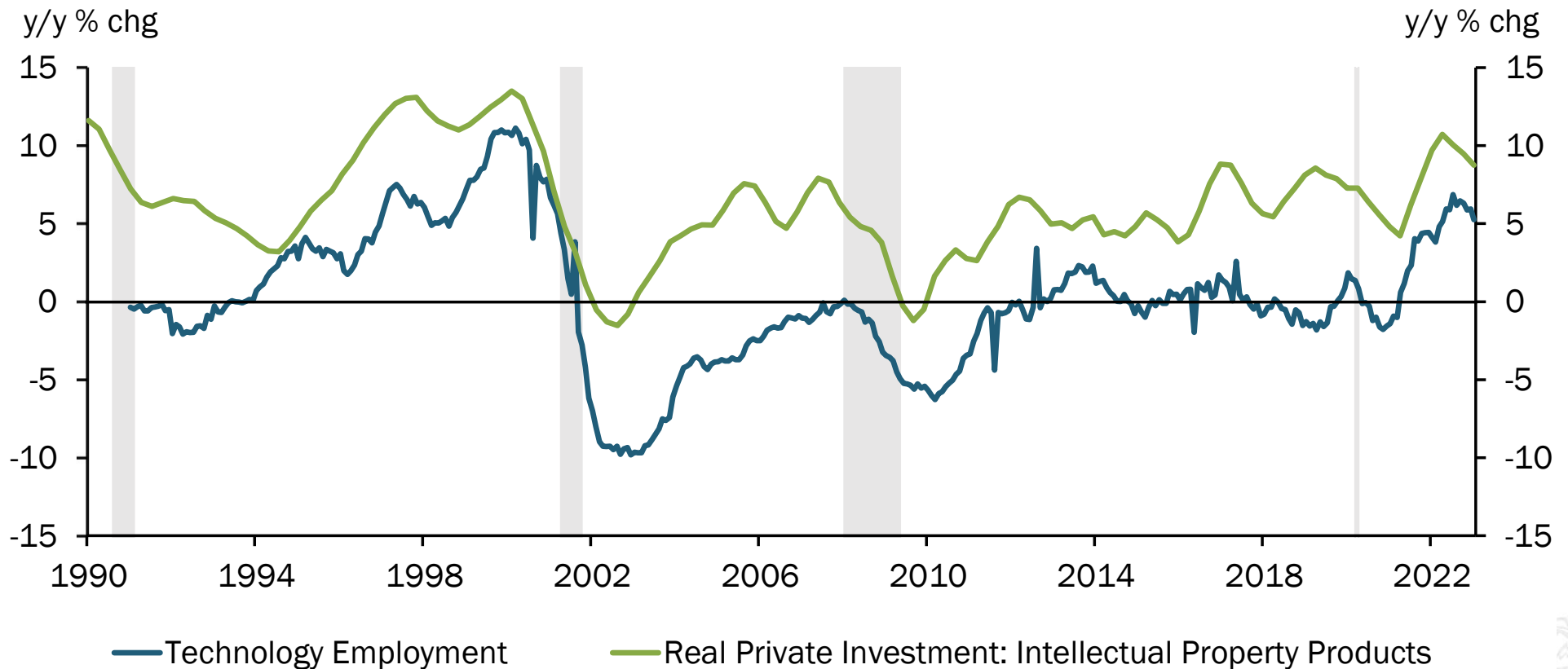


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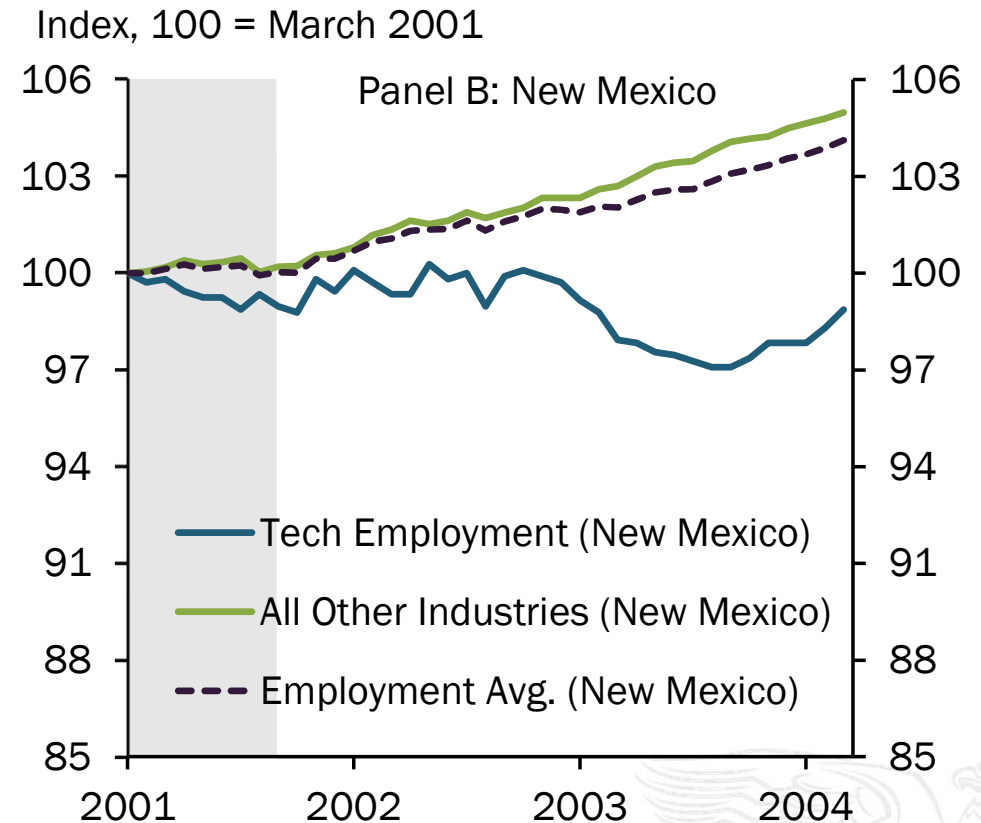
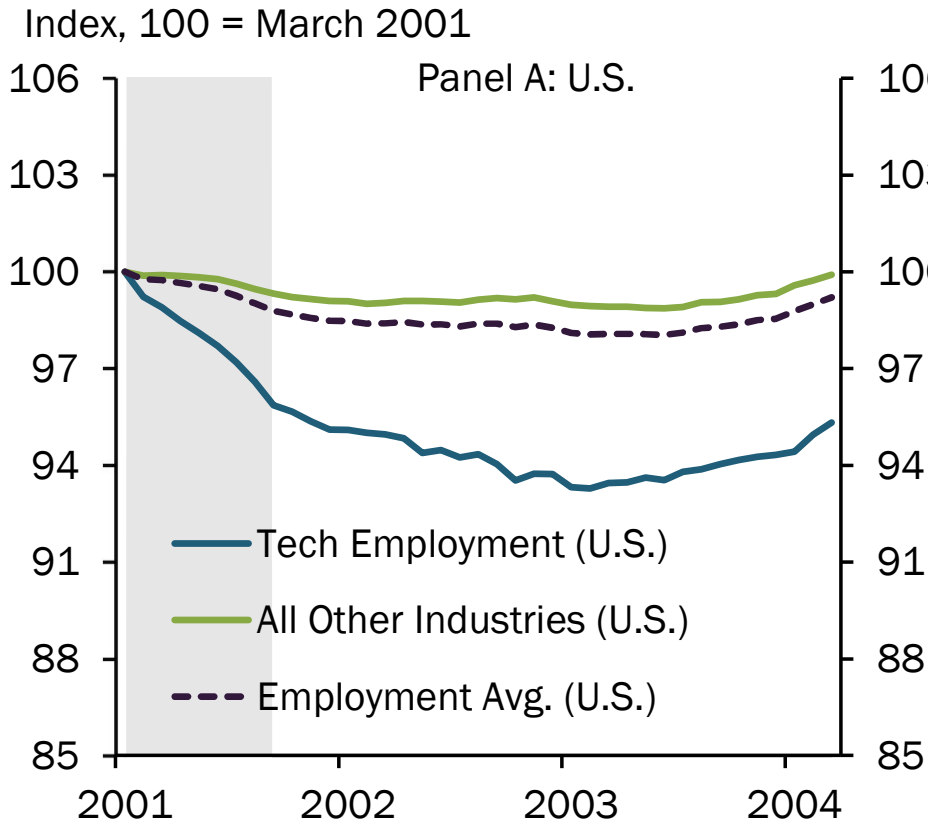
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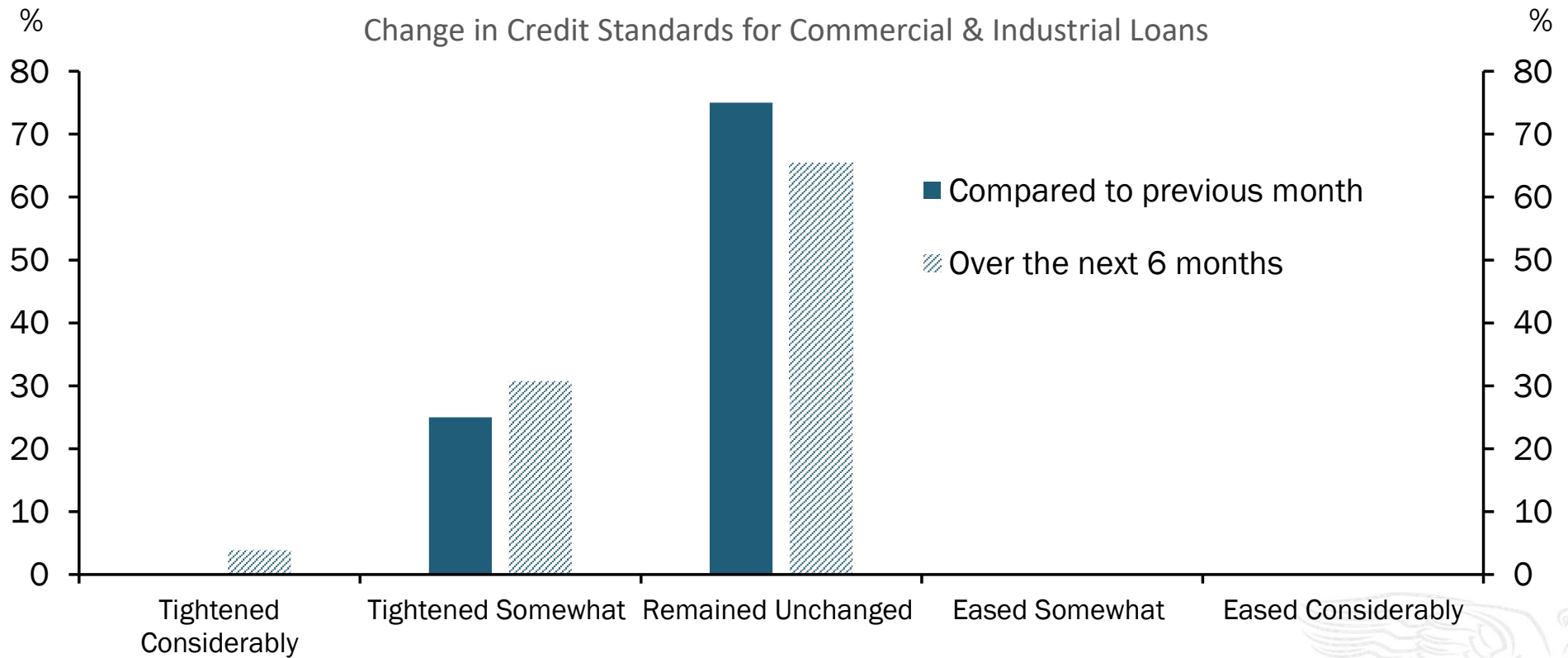
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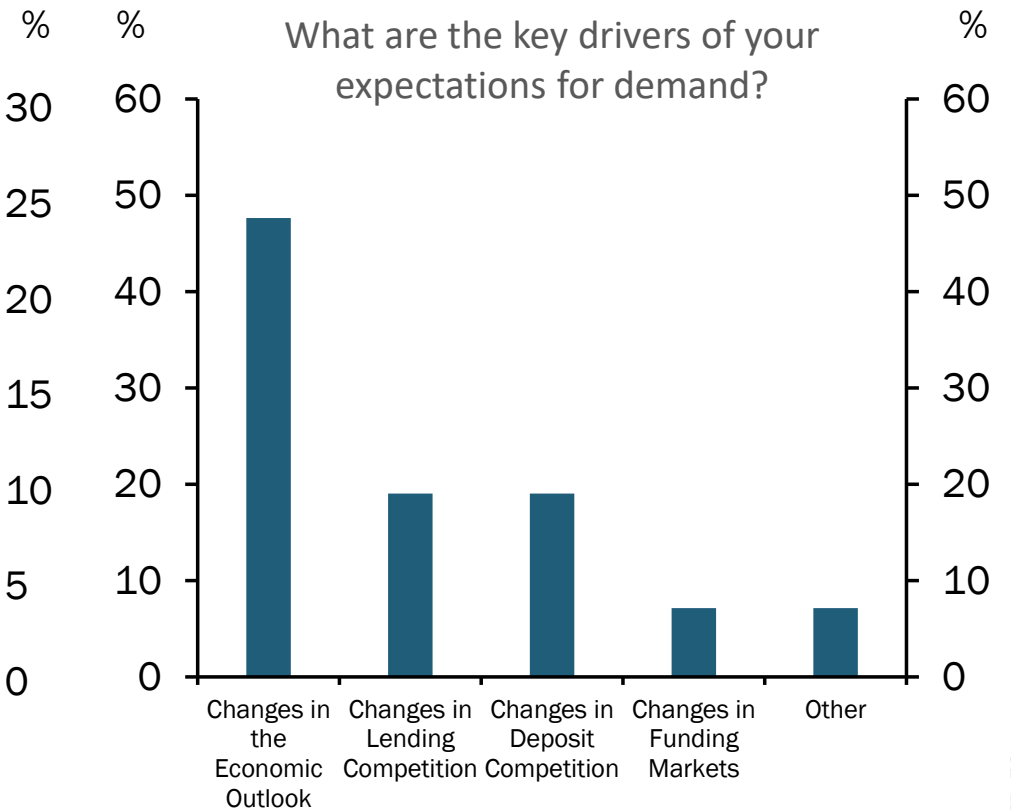
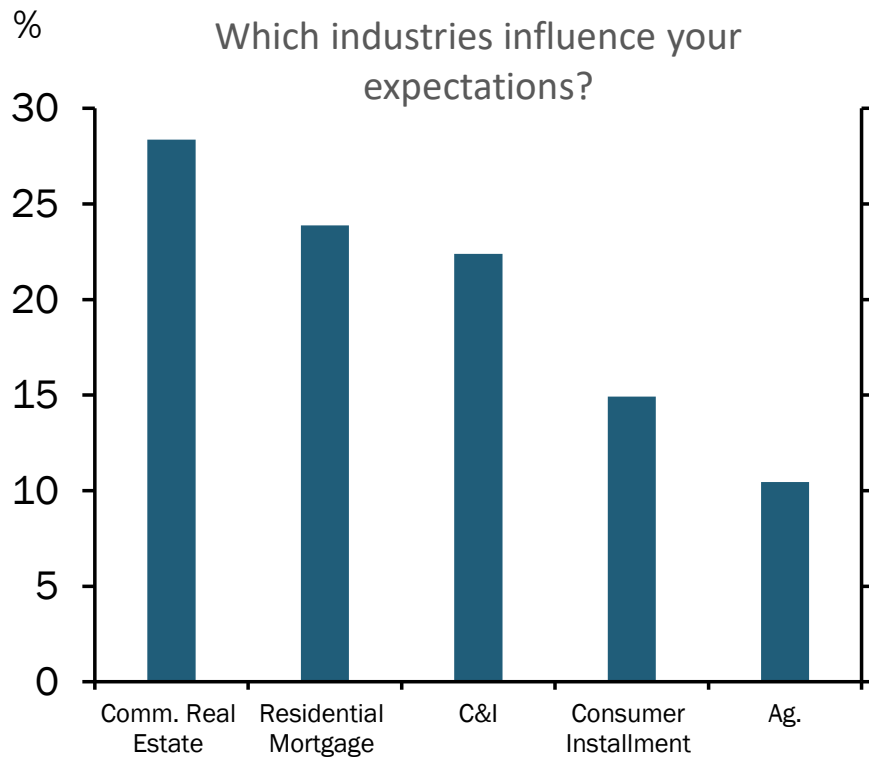
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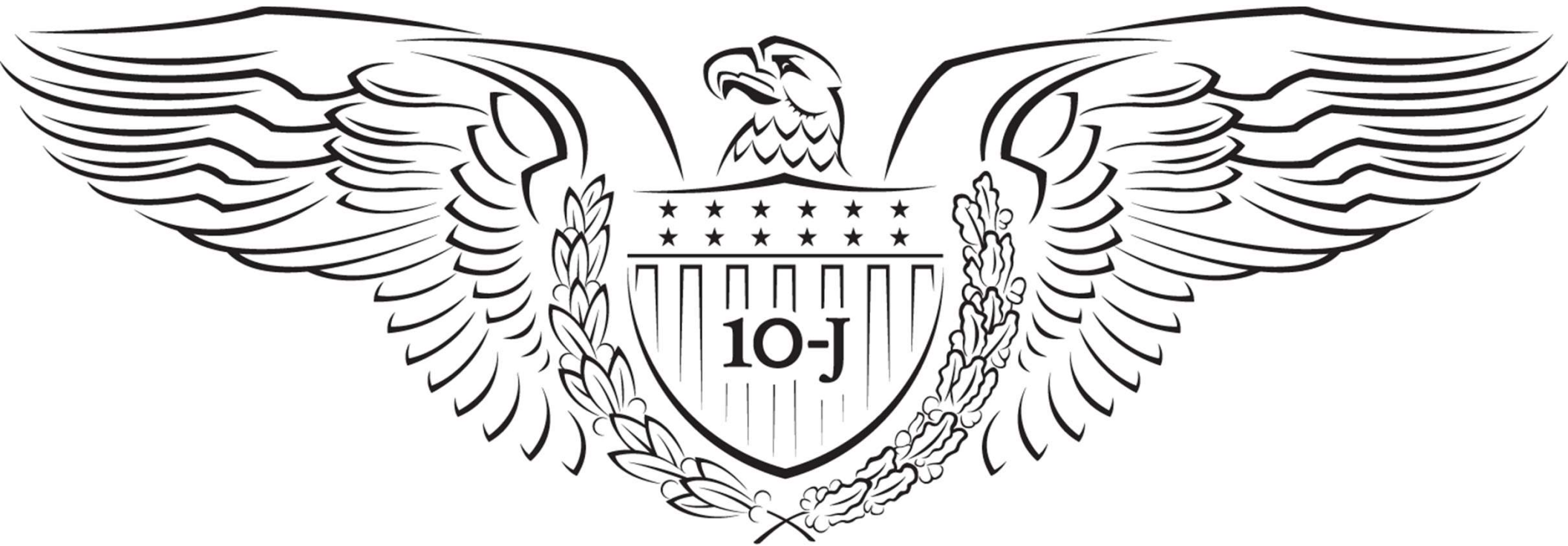


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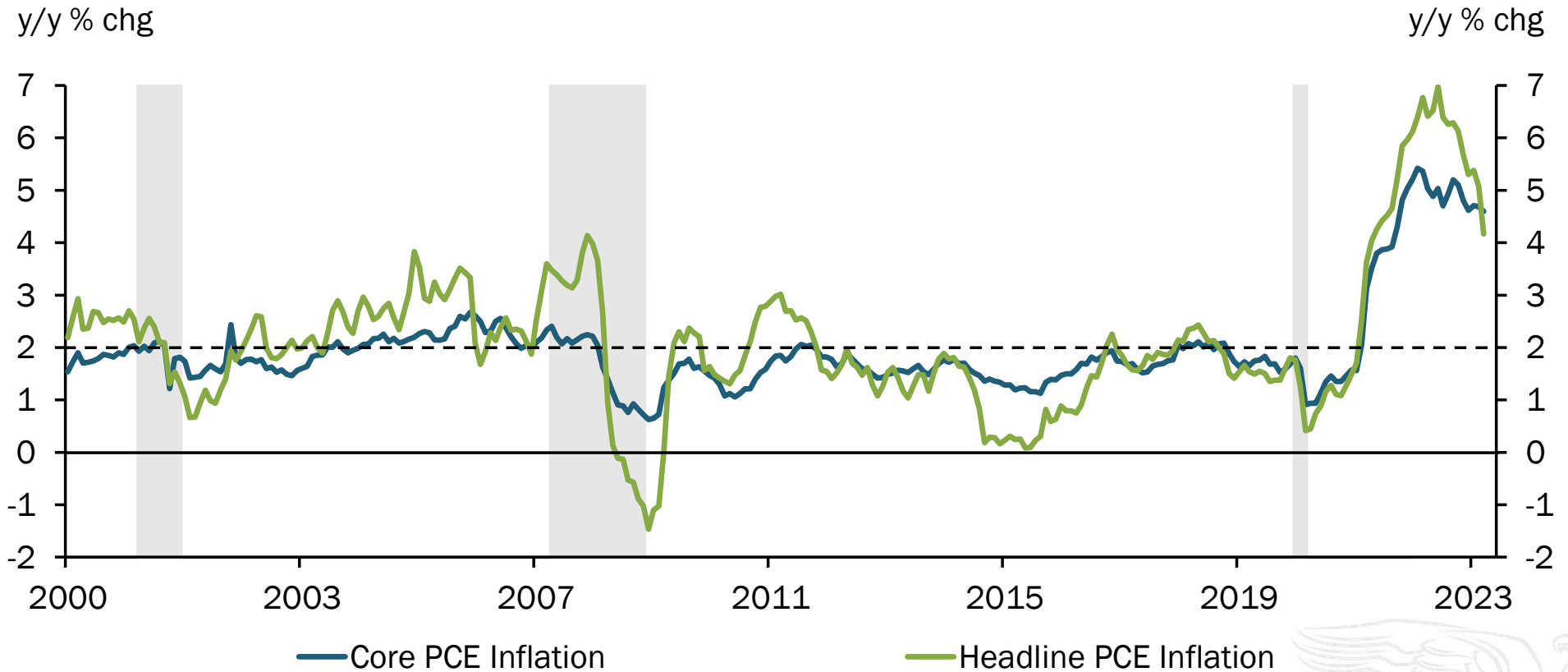


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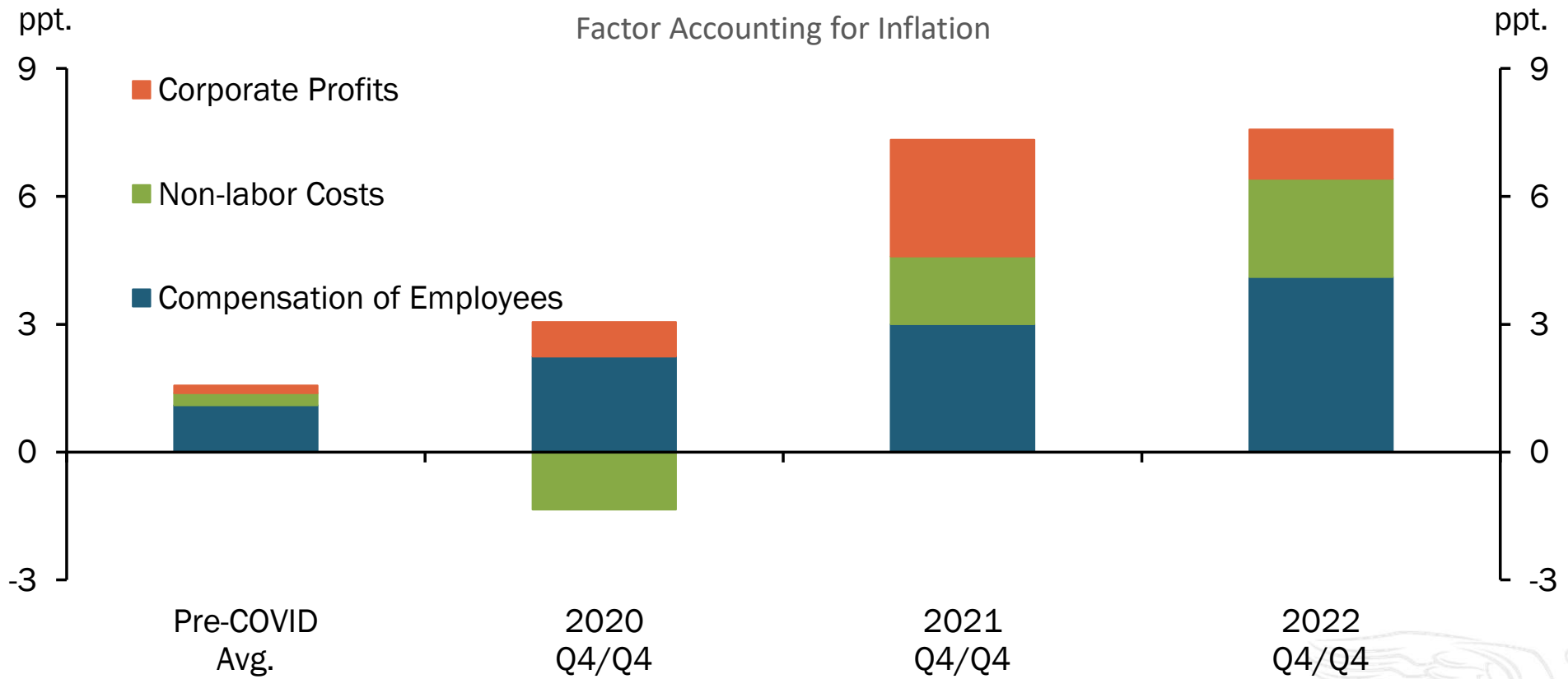
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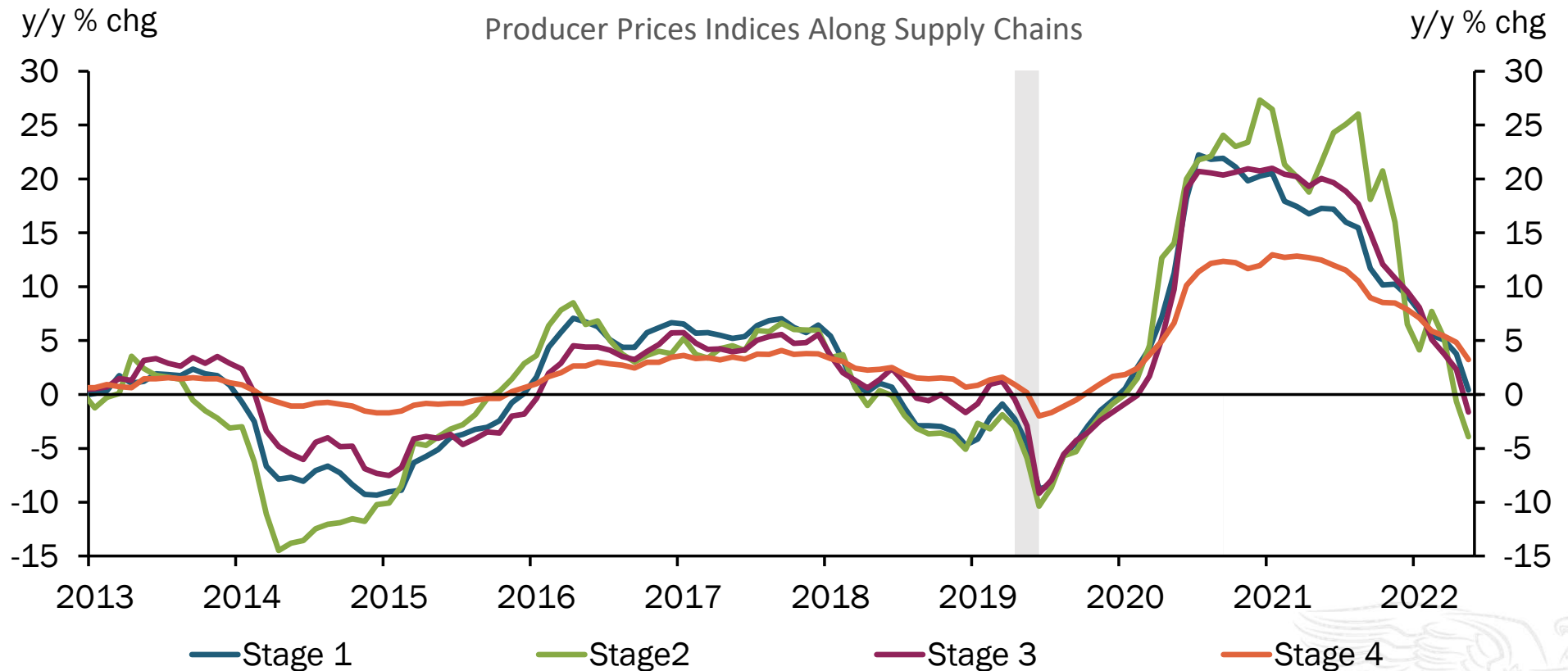
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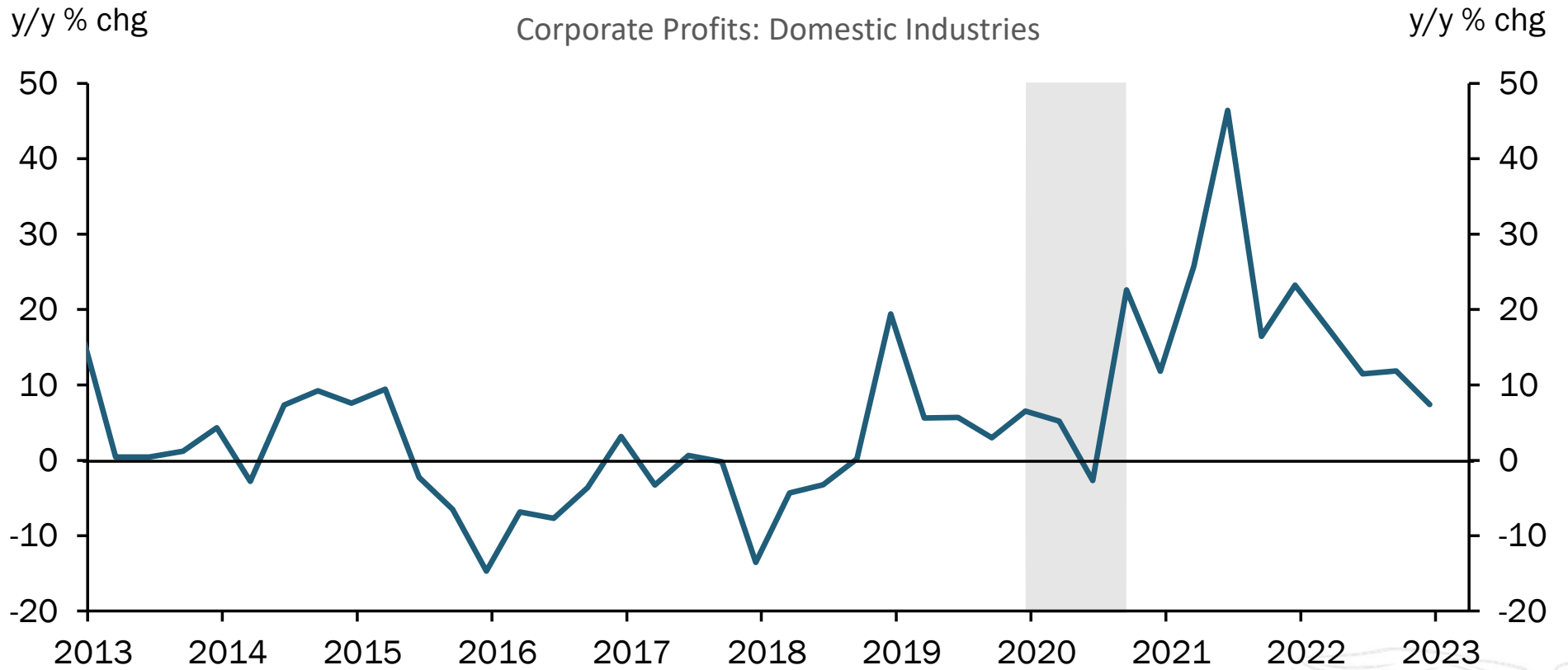
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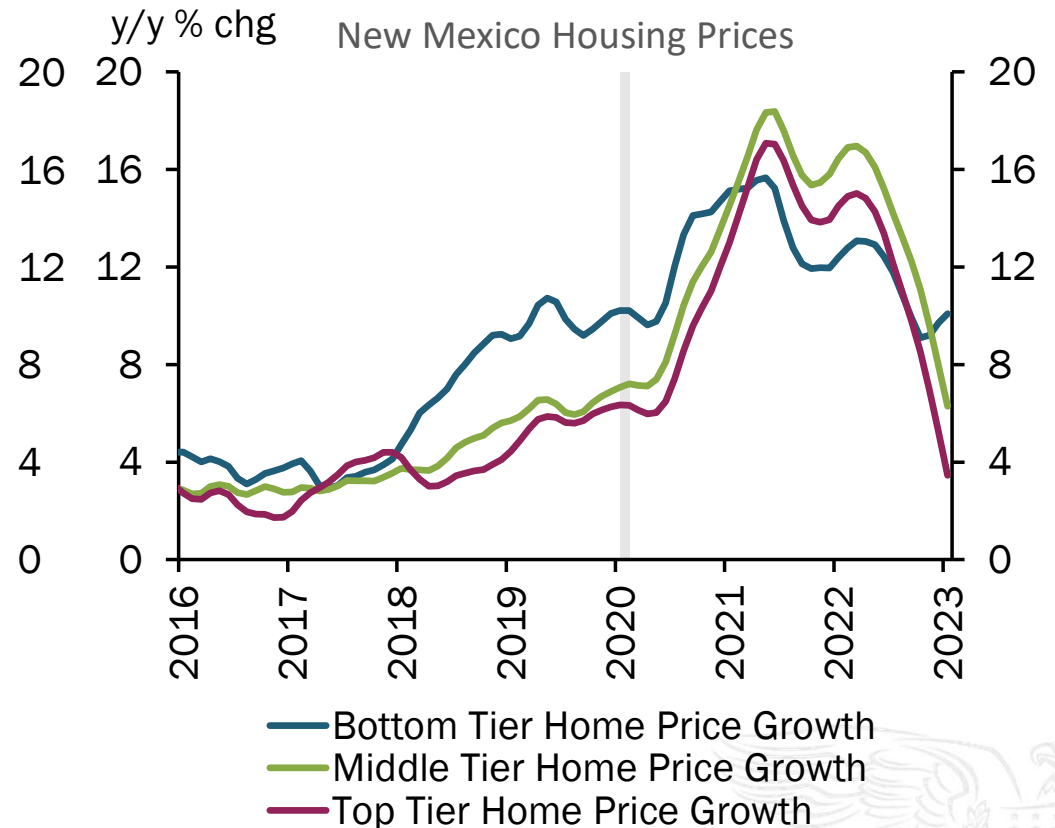
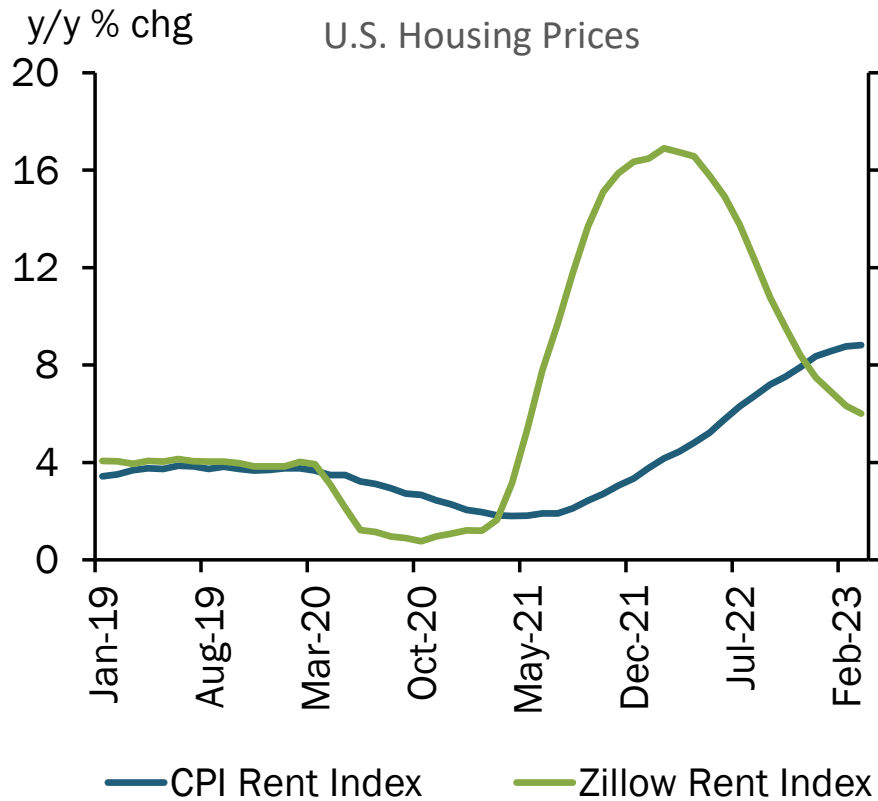
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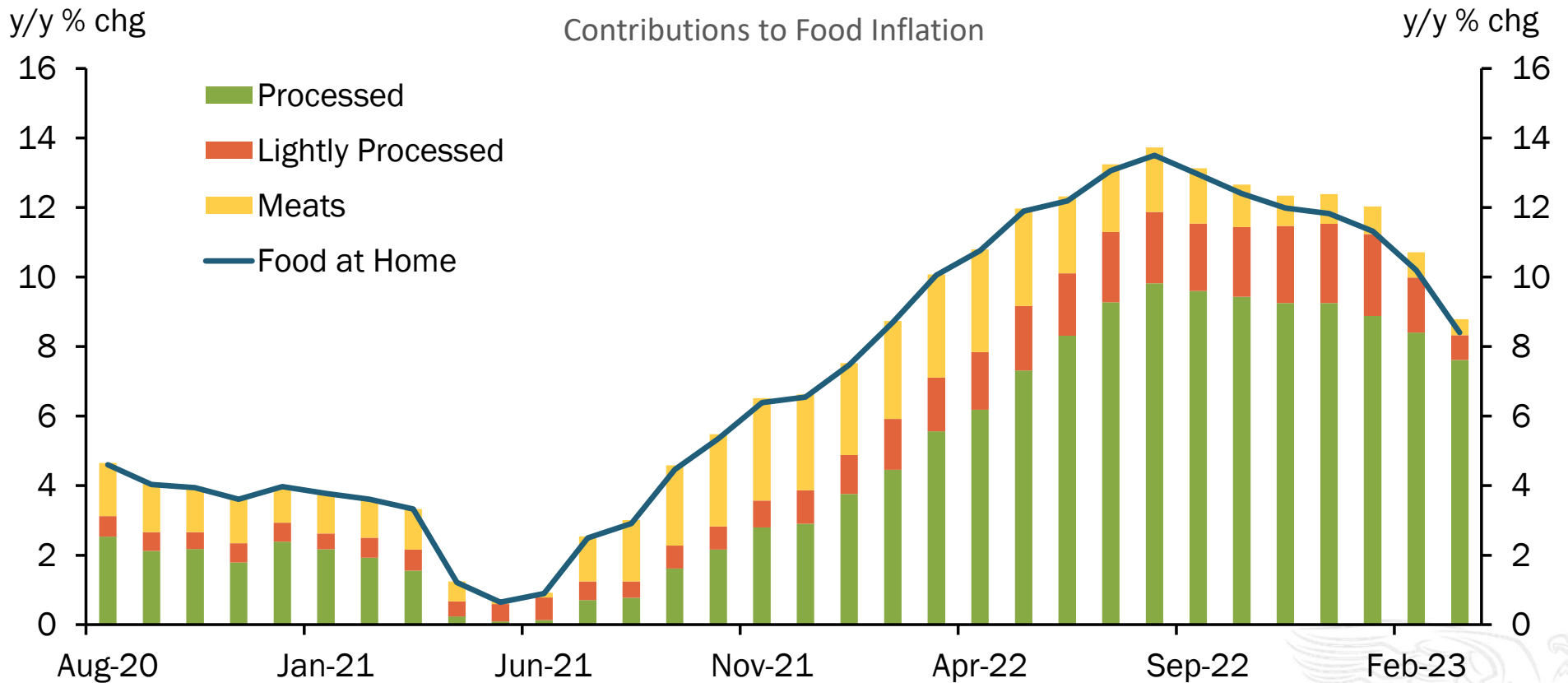


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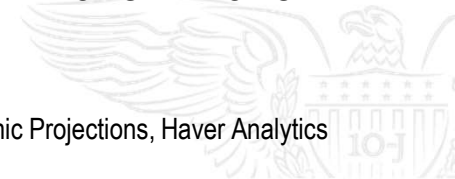
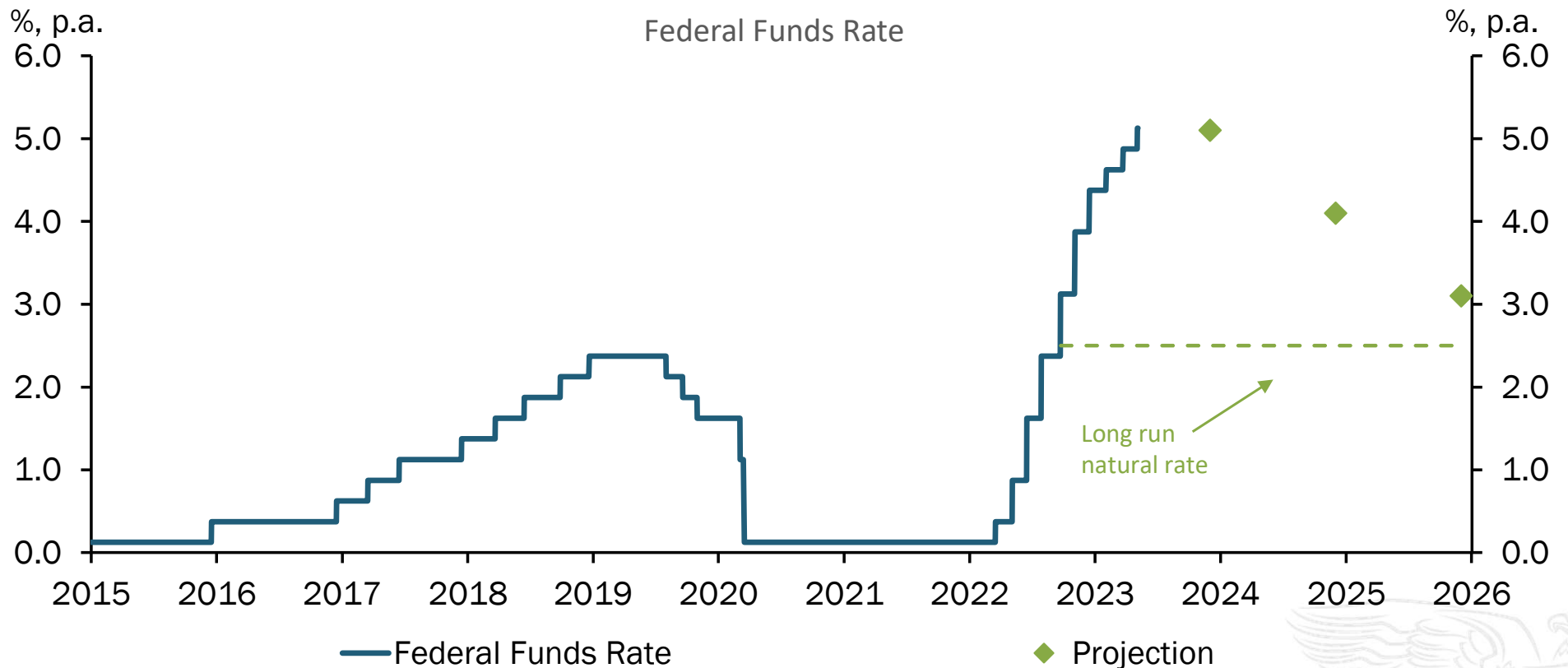


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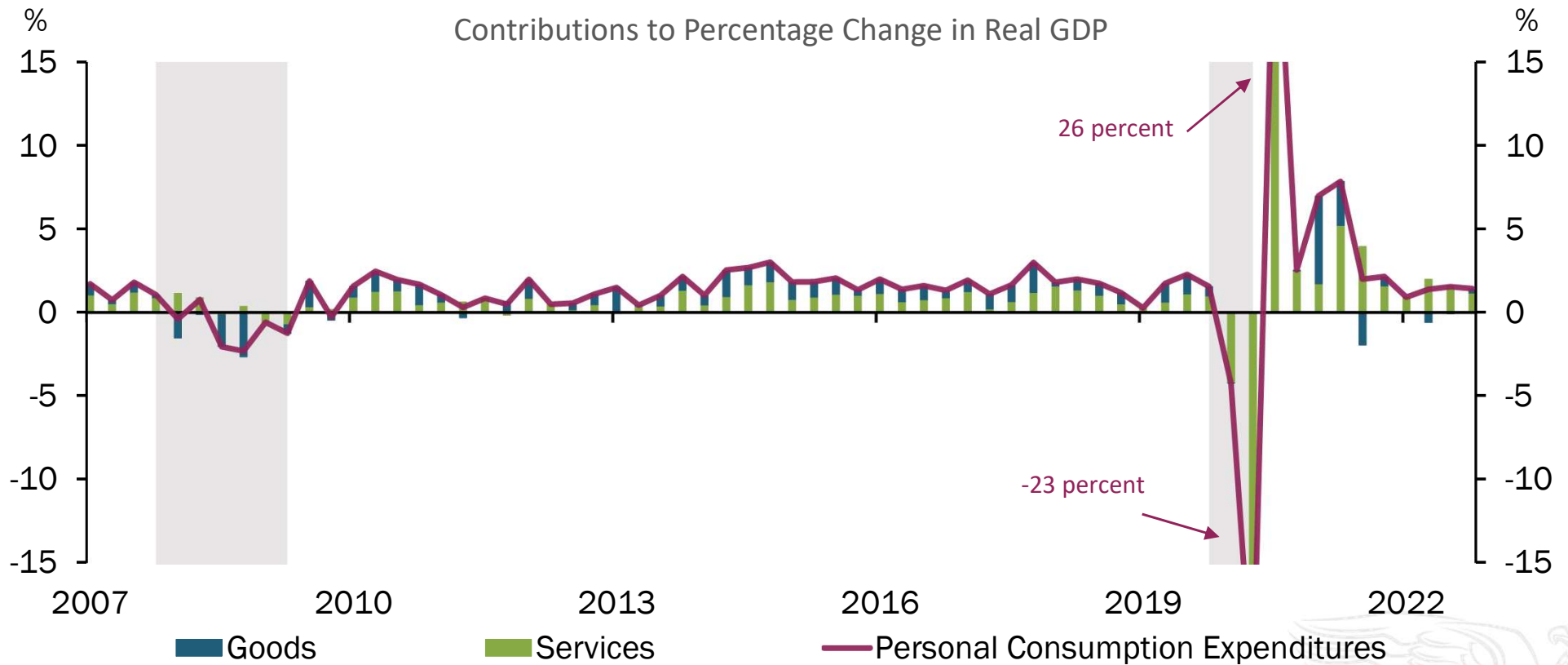
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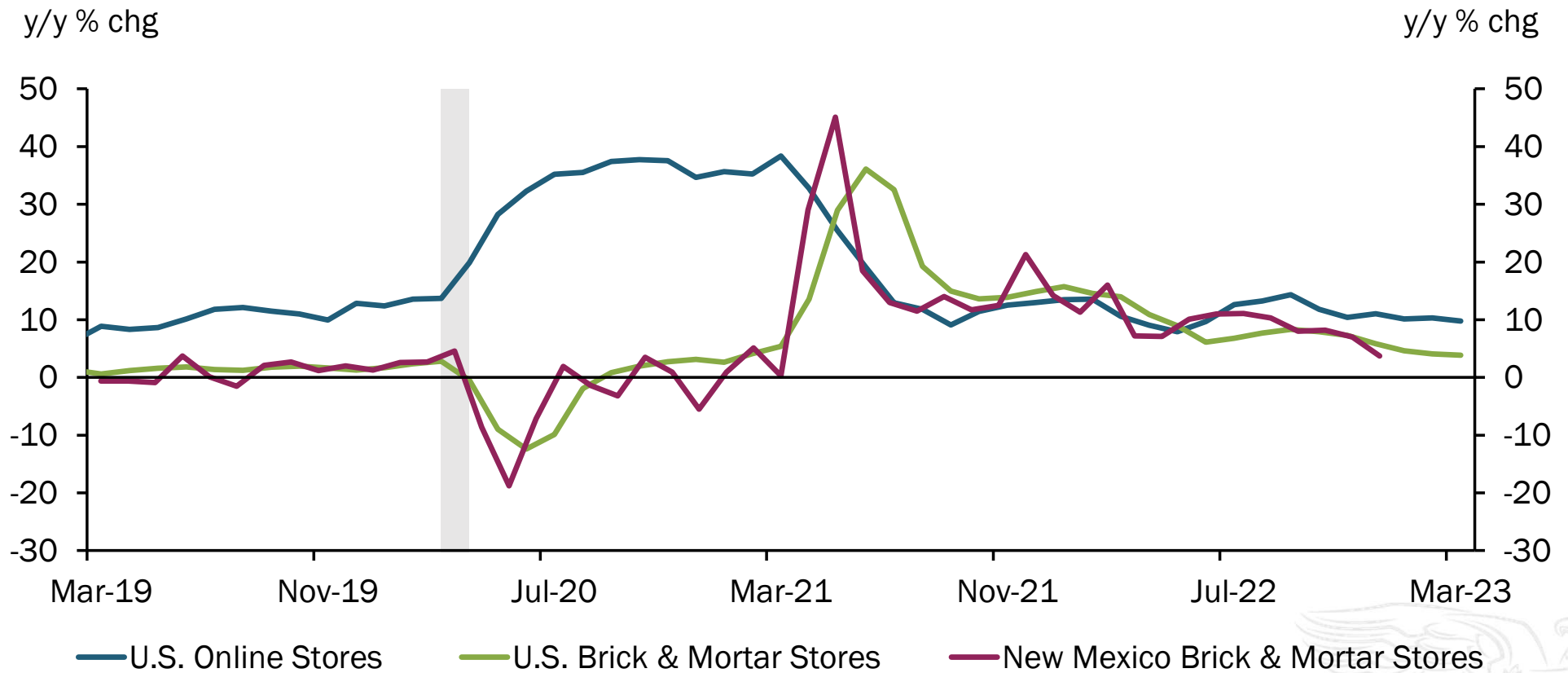


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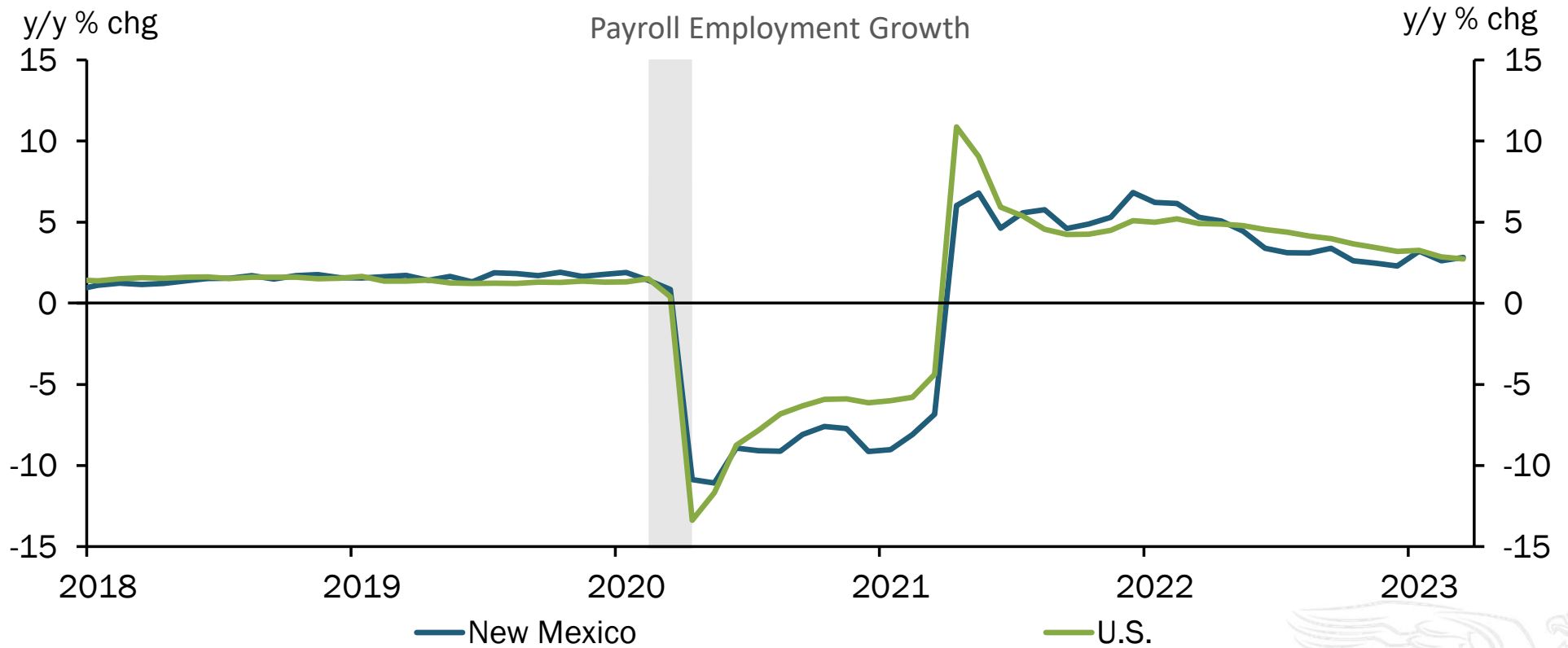


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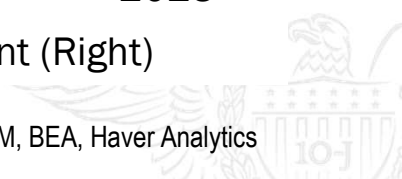
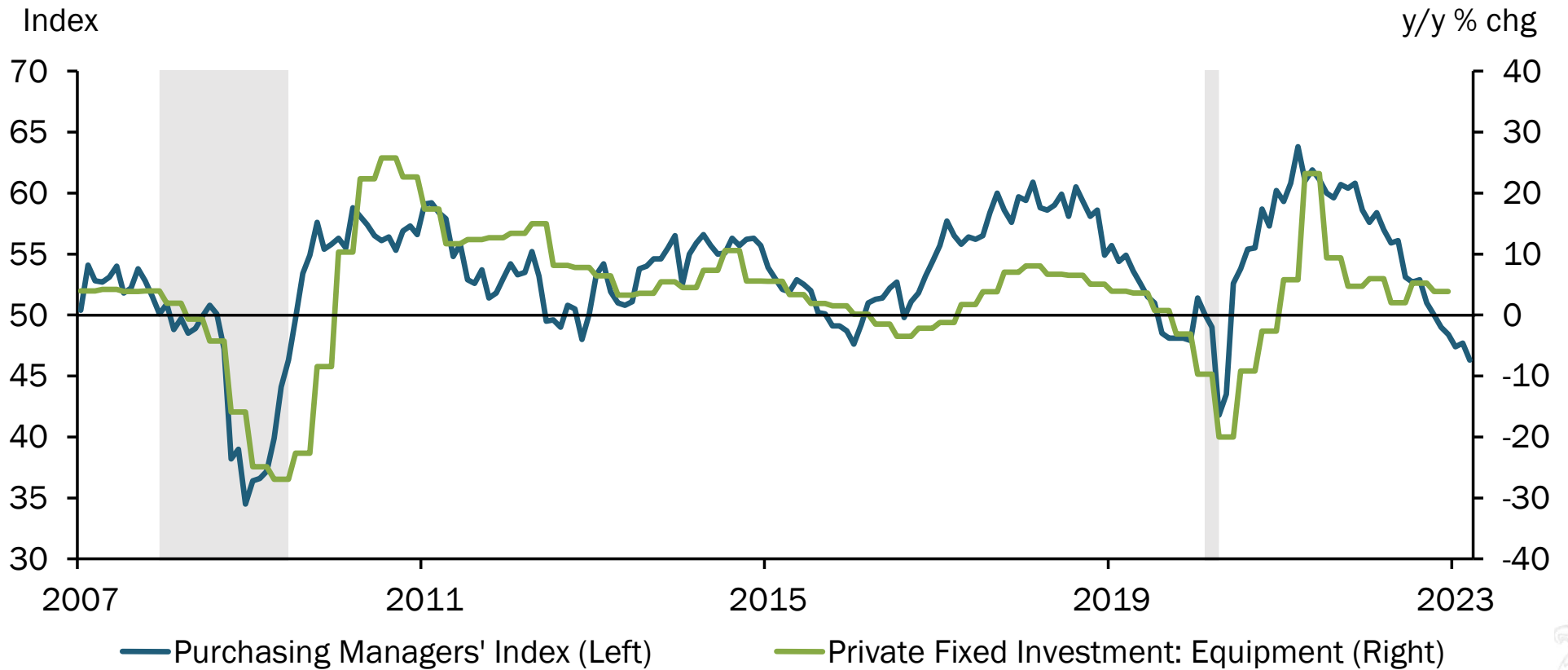


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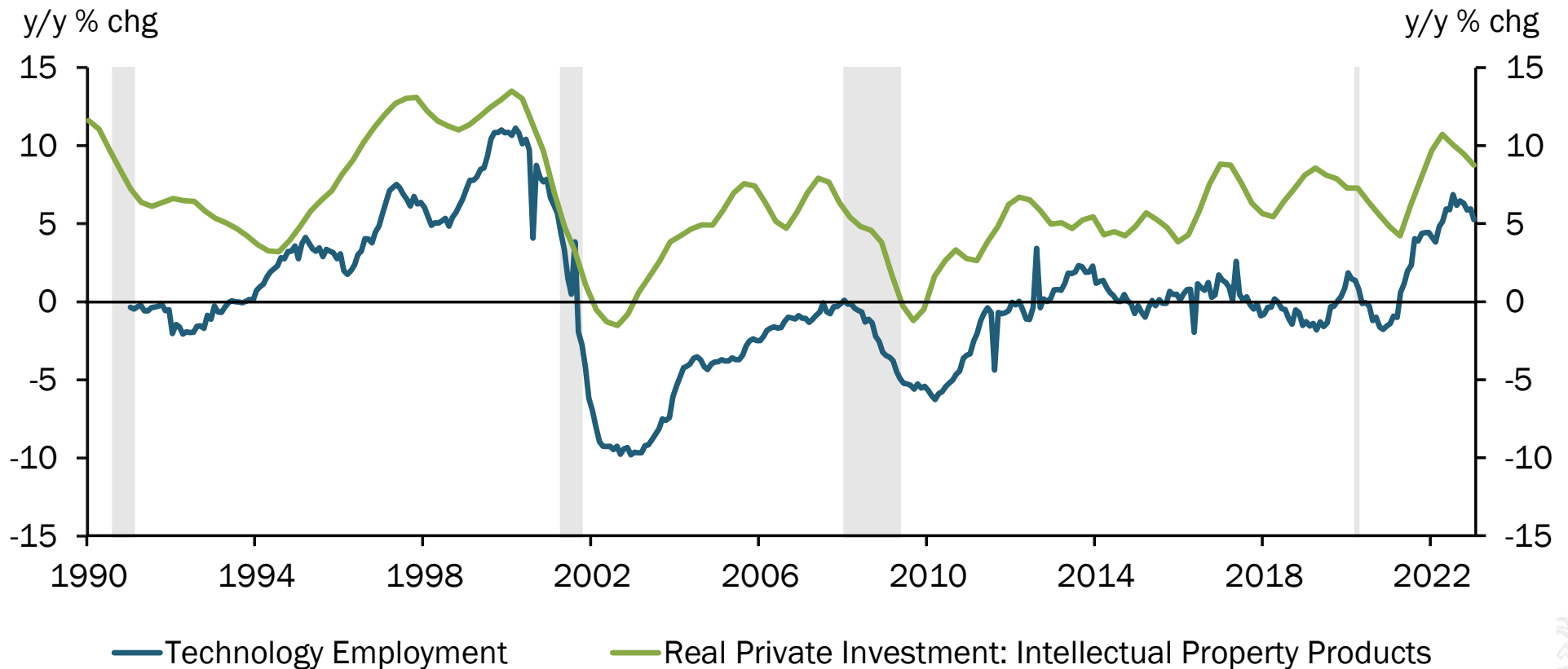


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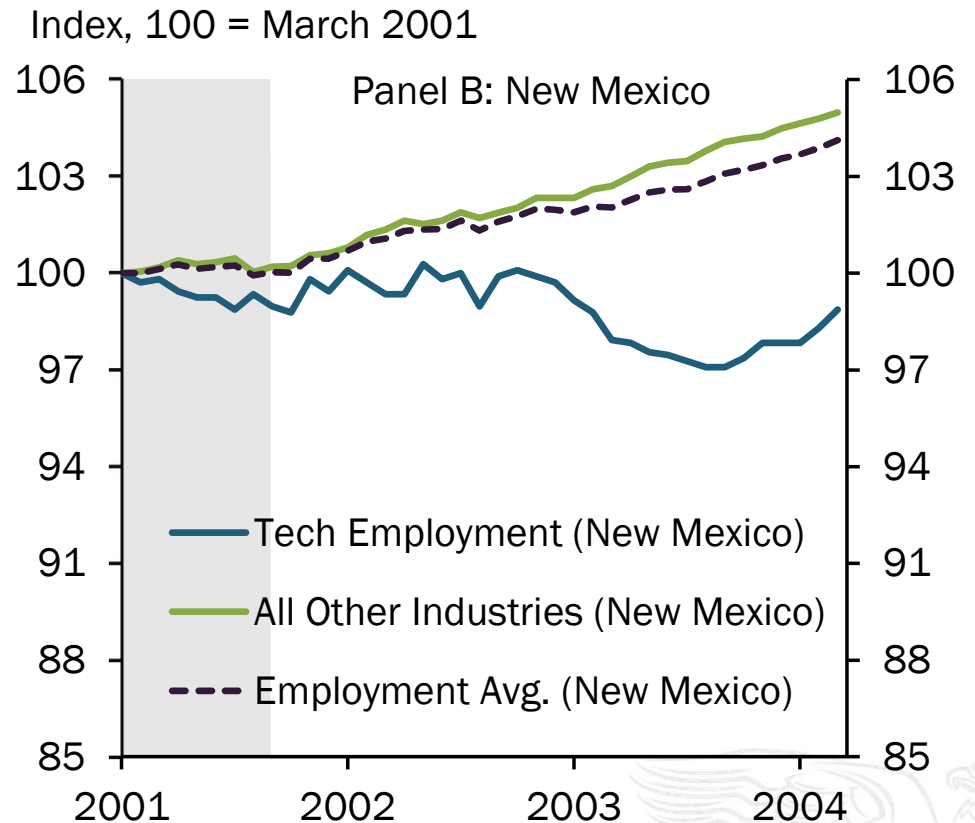
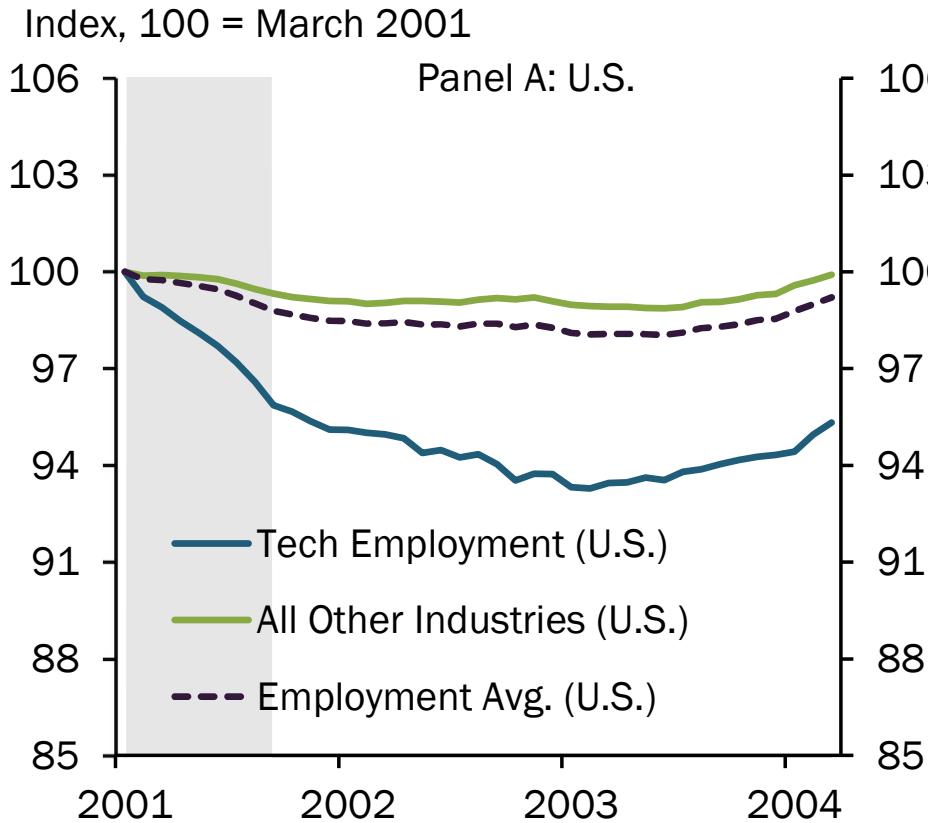
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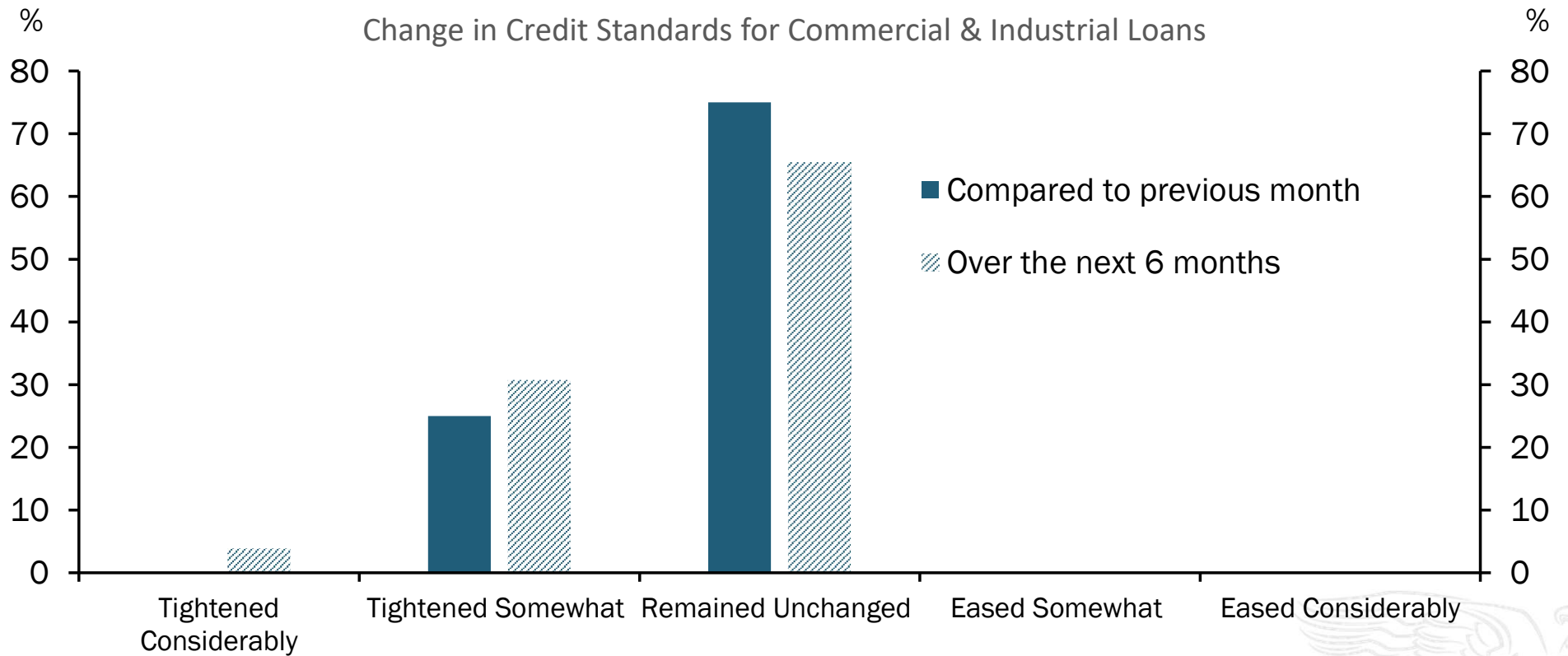
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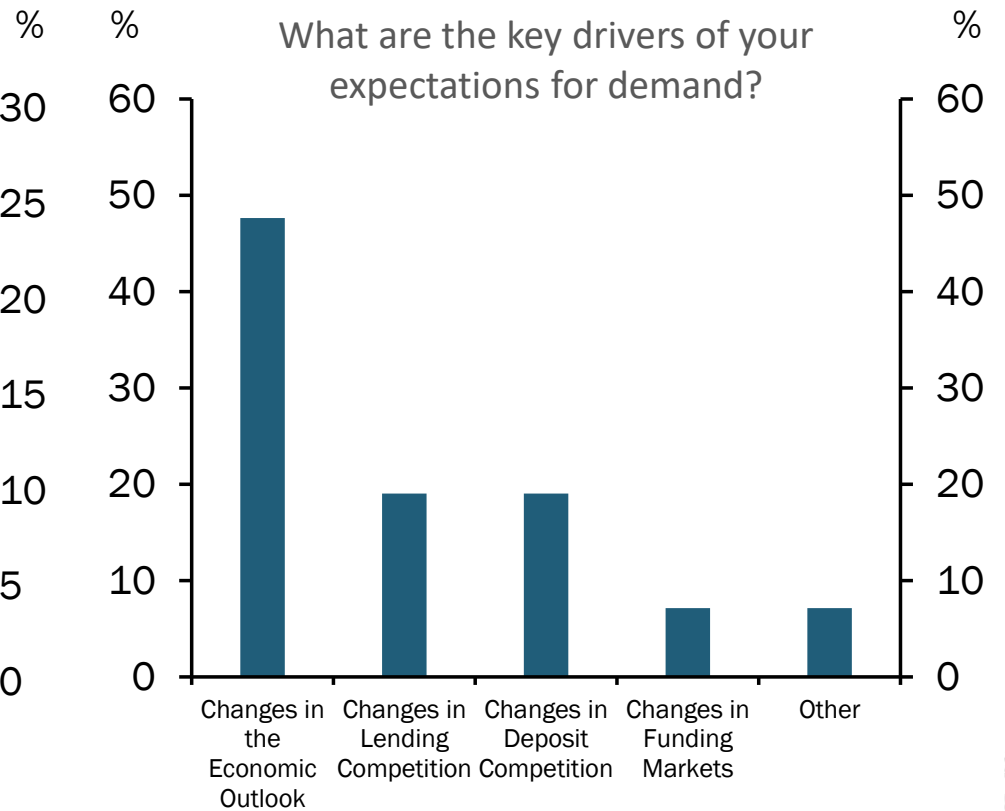
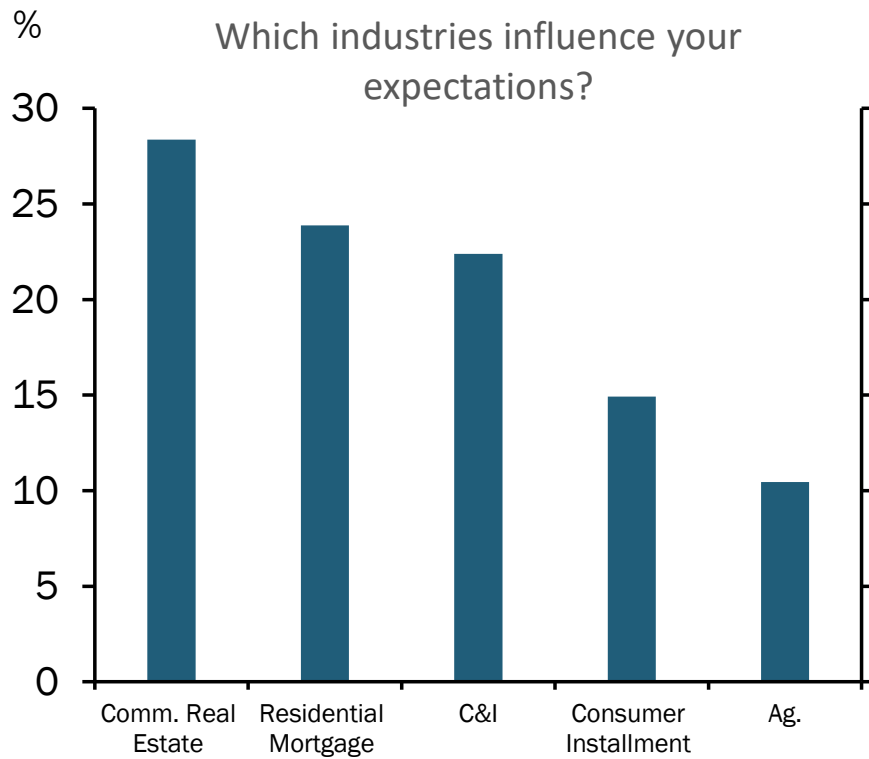
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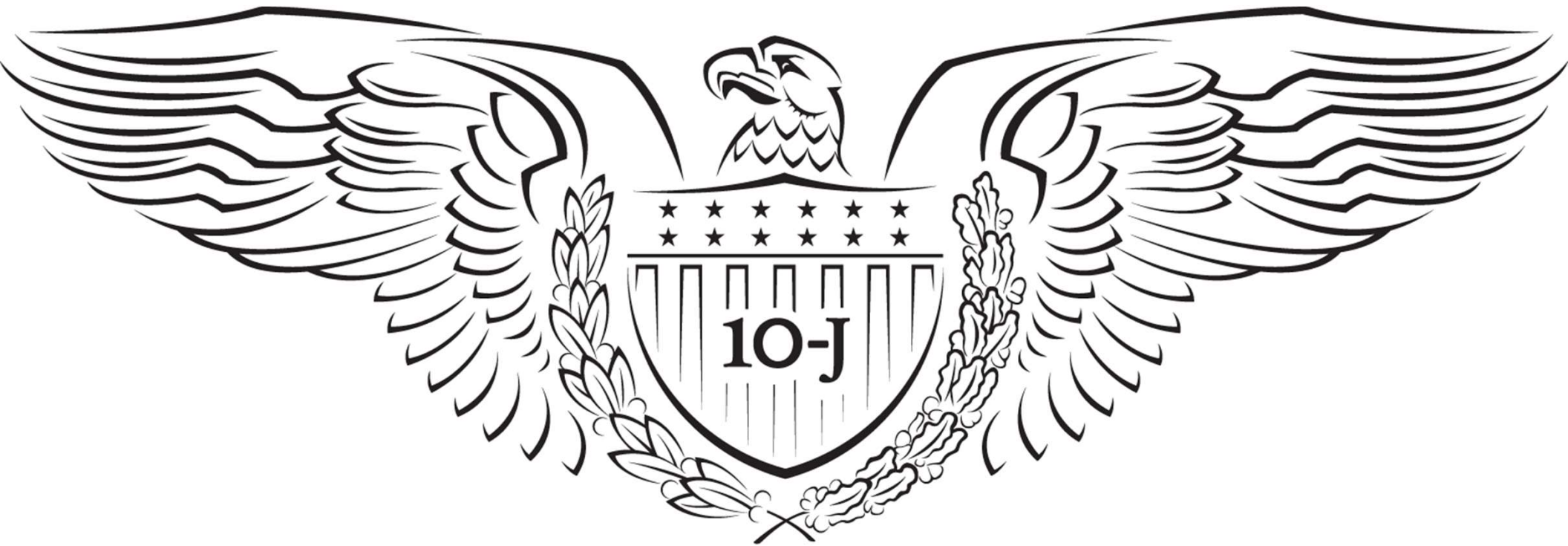


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May 10, 2023 – New Mexico Briefing

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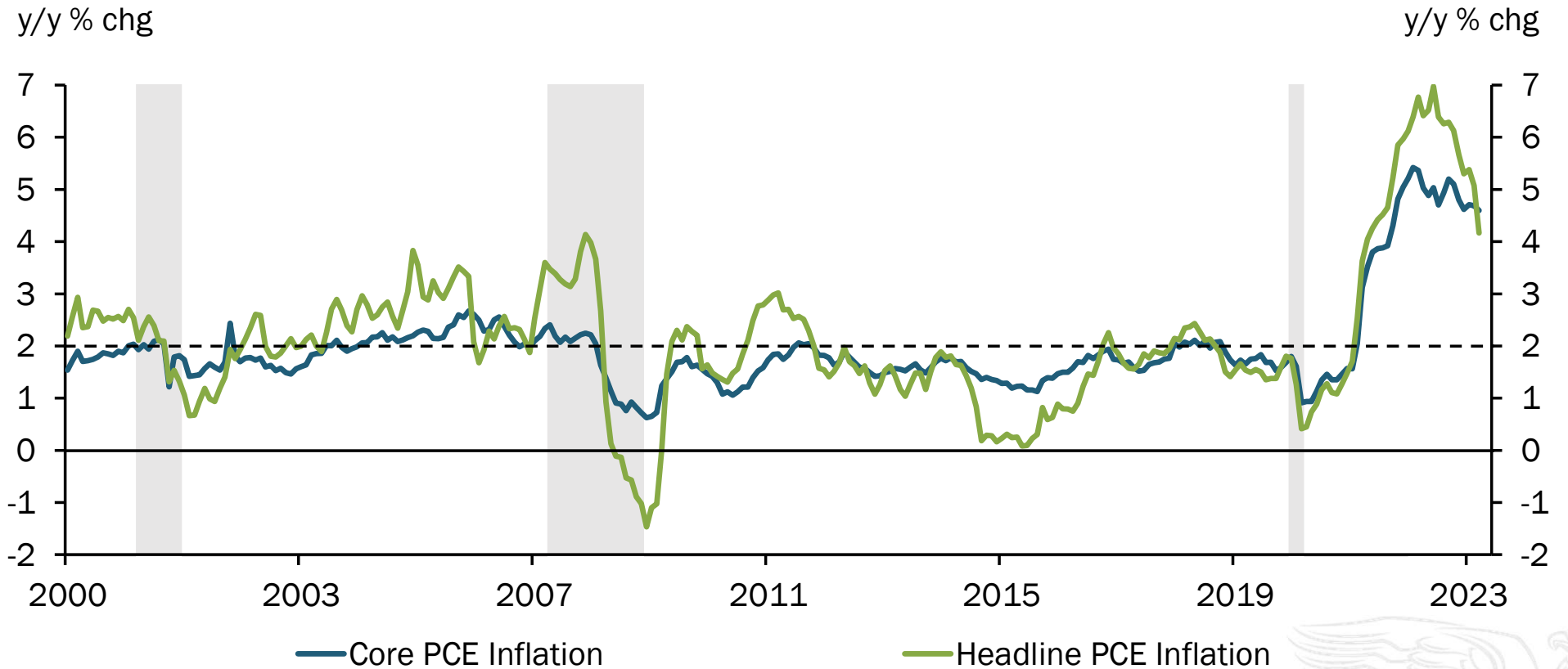


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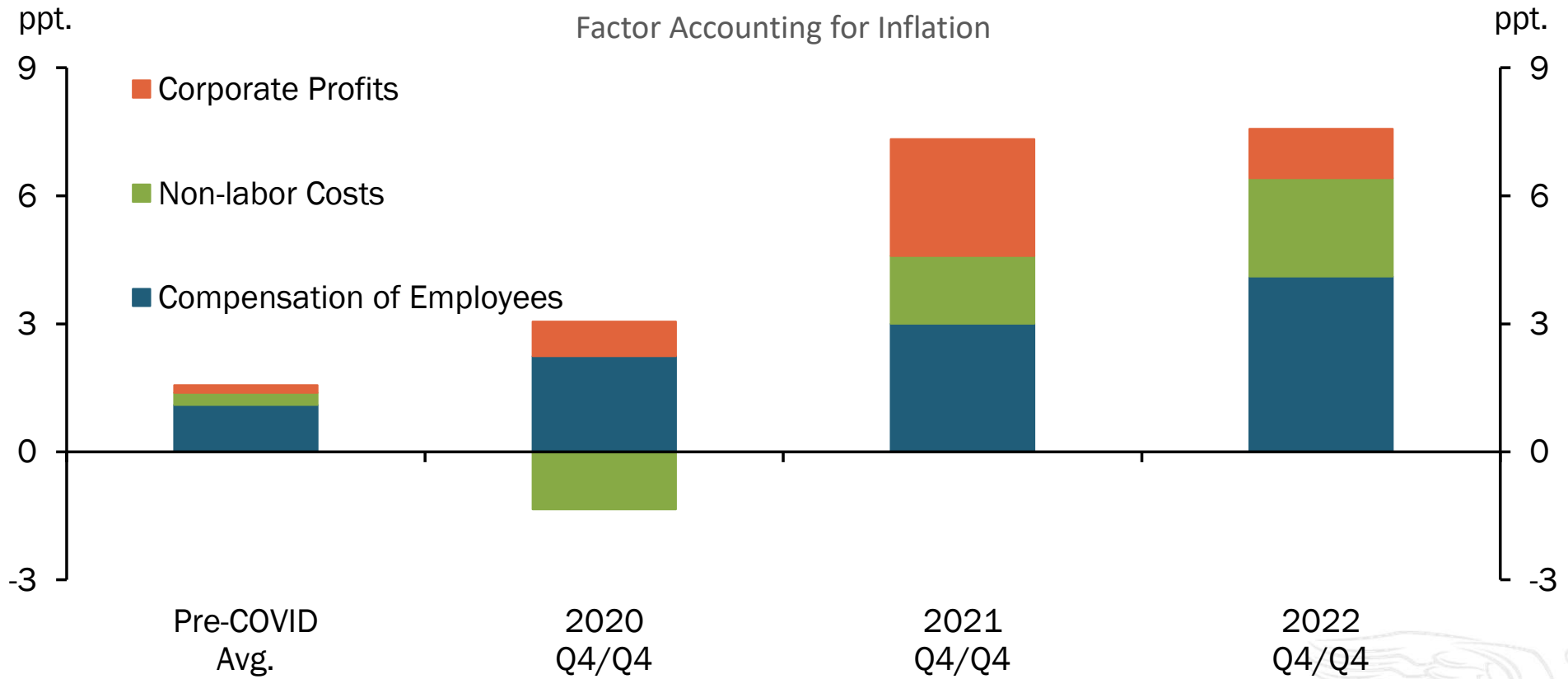
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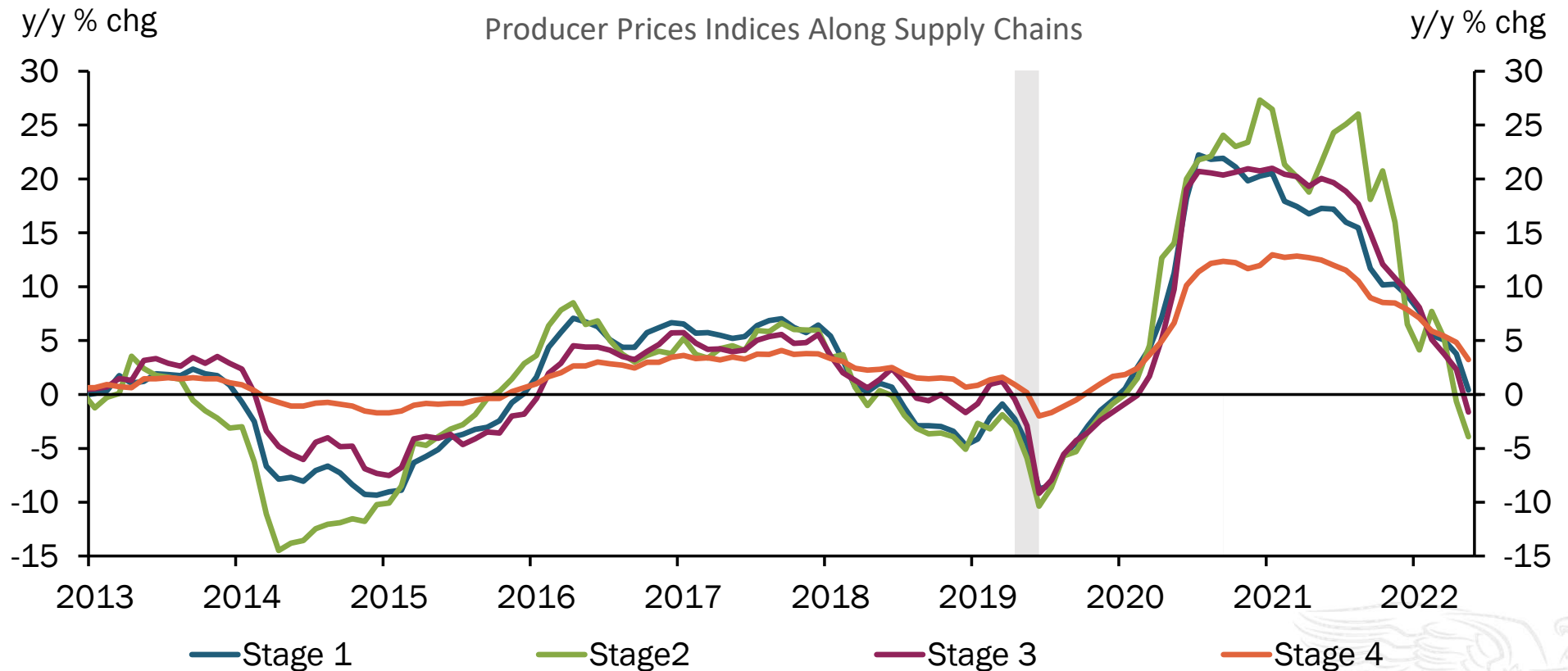
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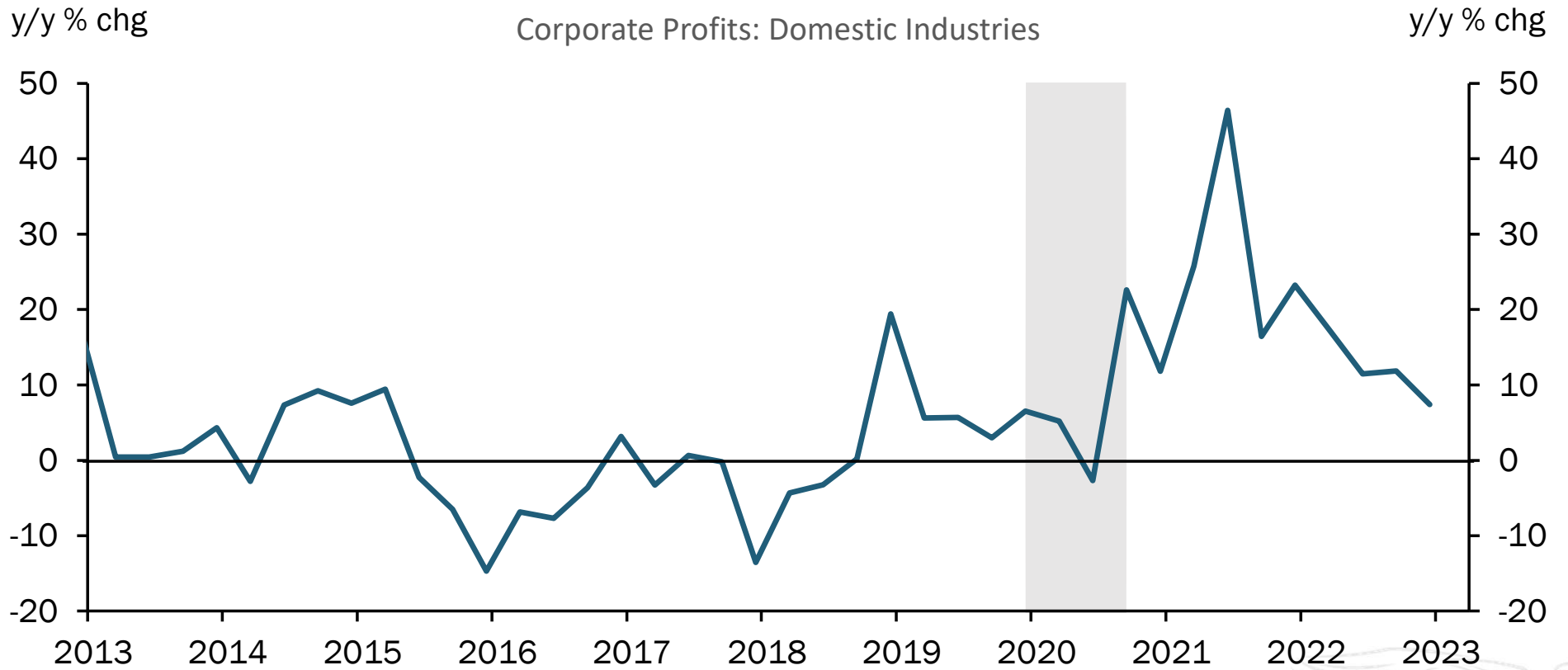
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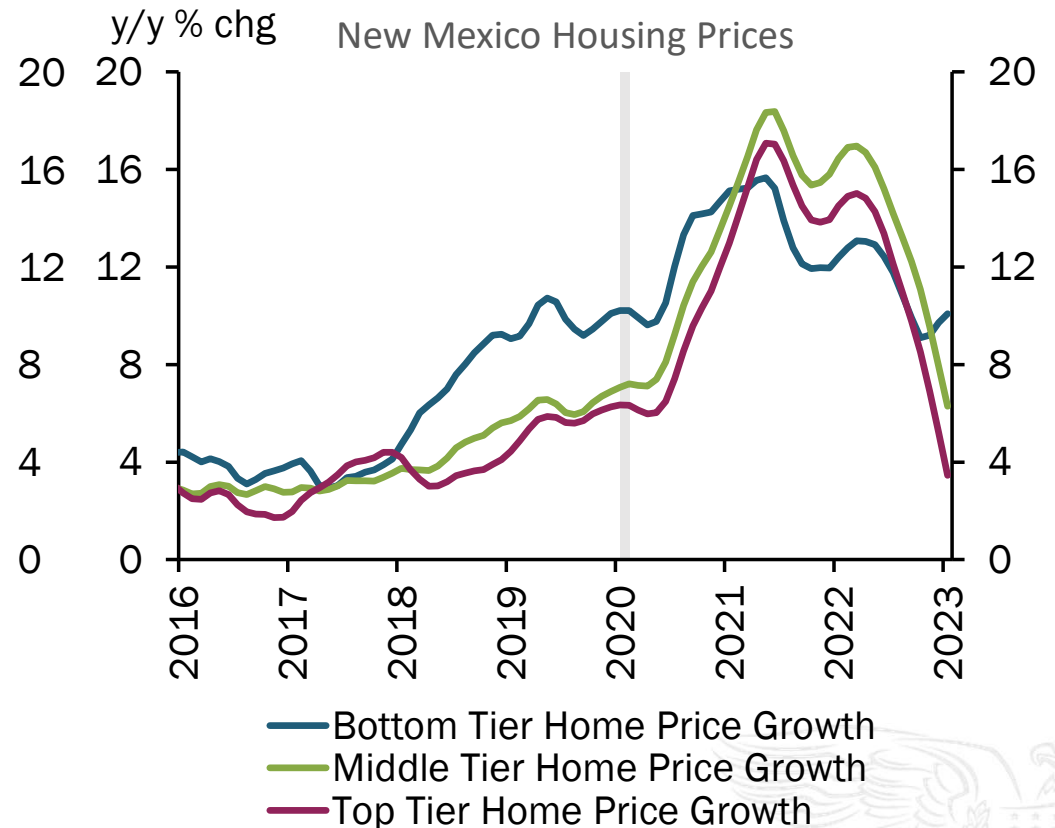
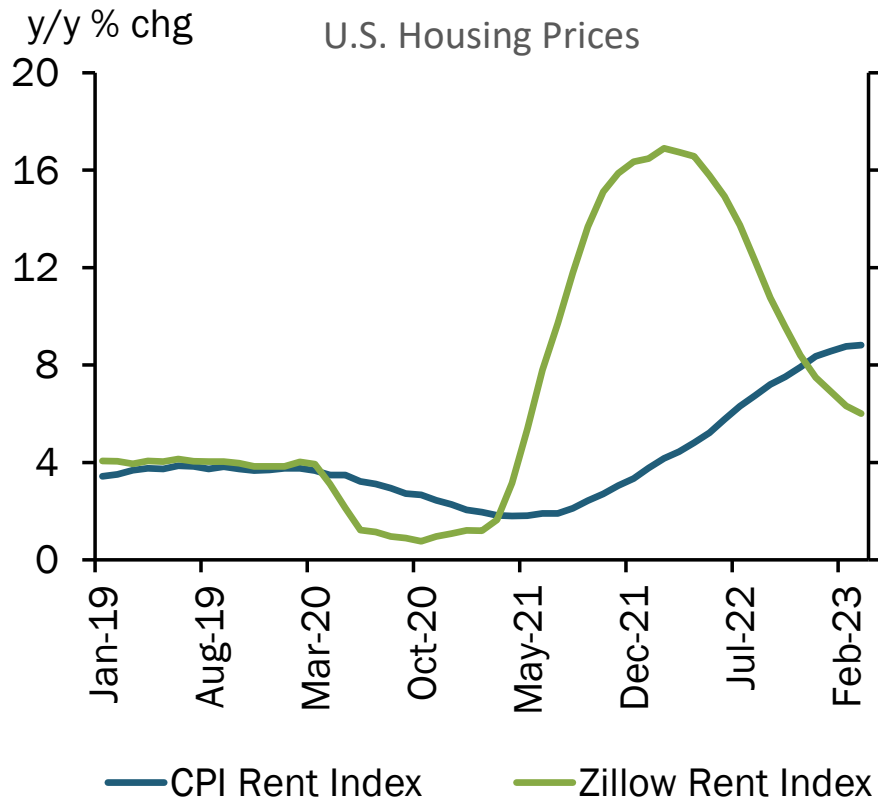
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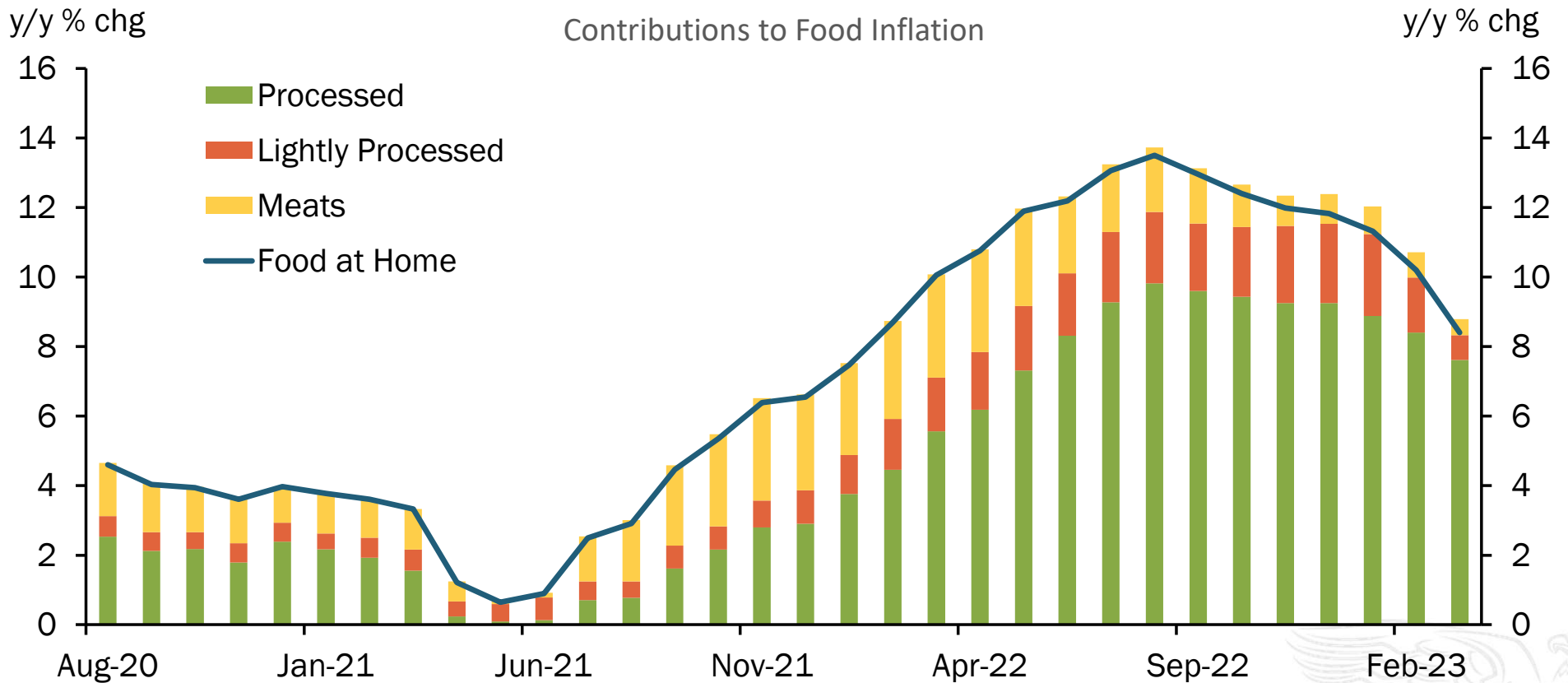


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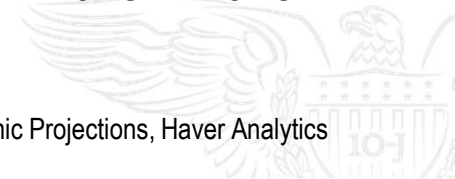
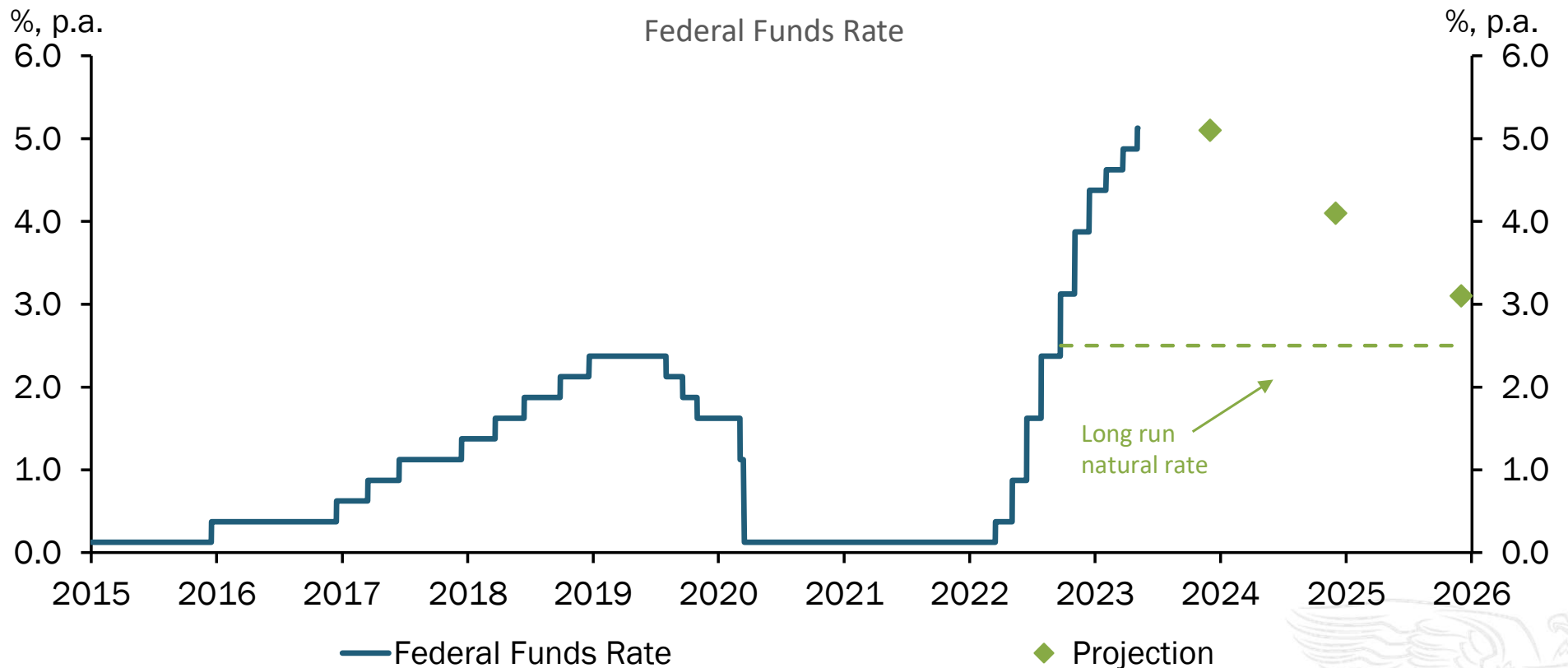


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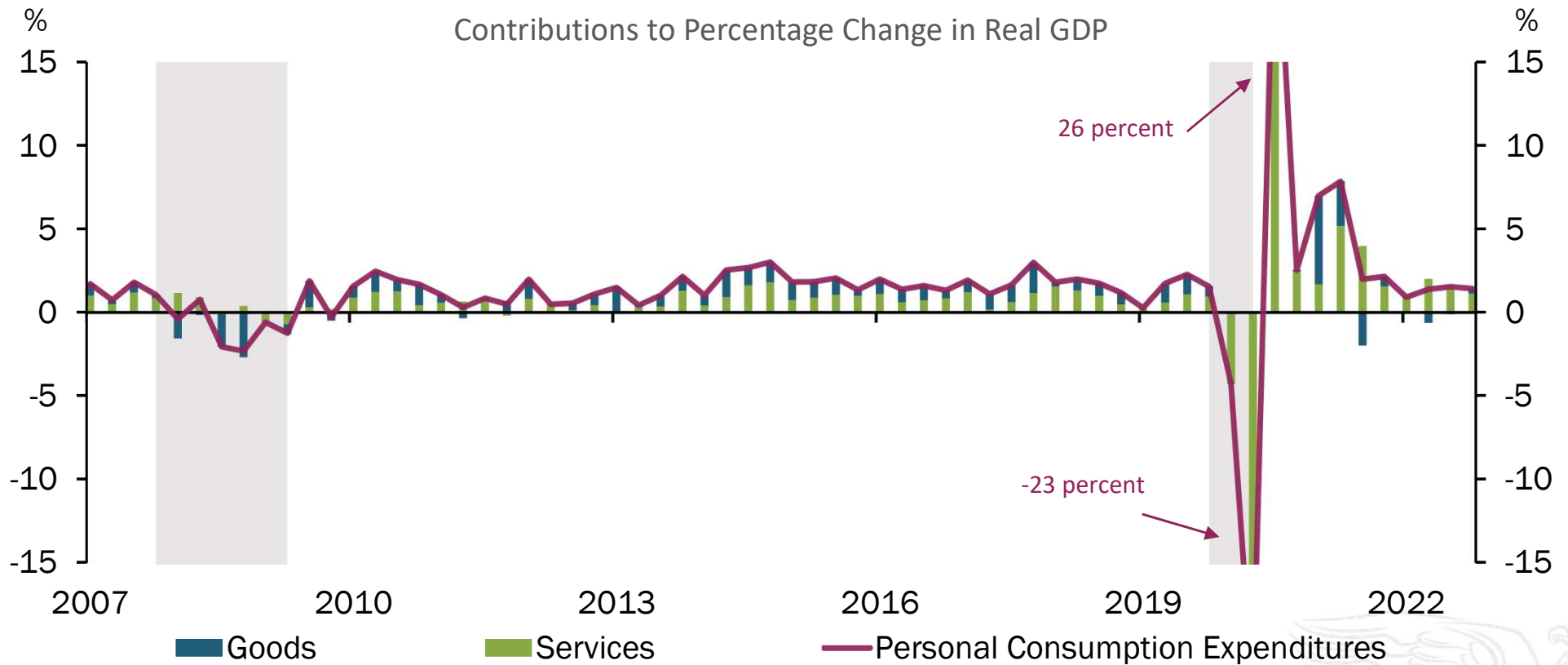
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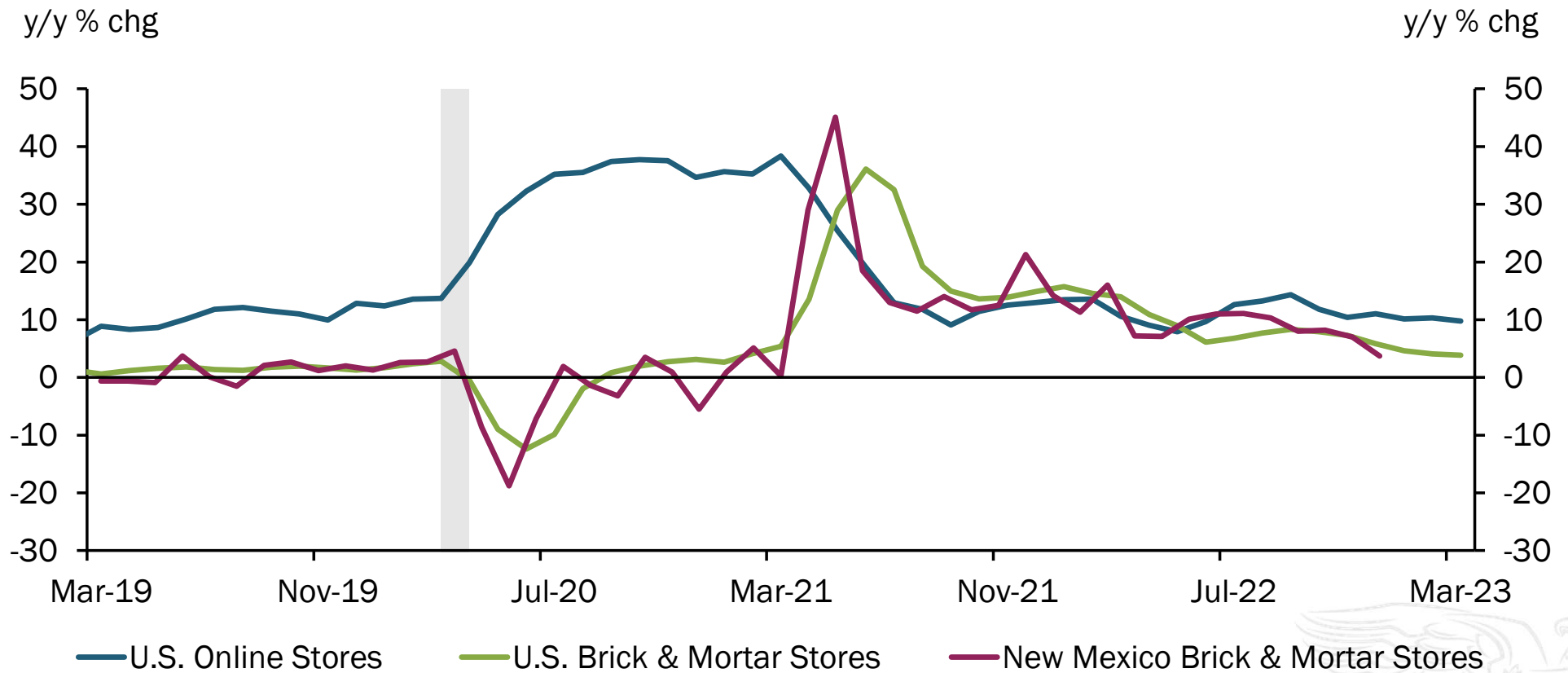


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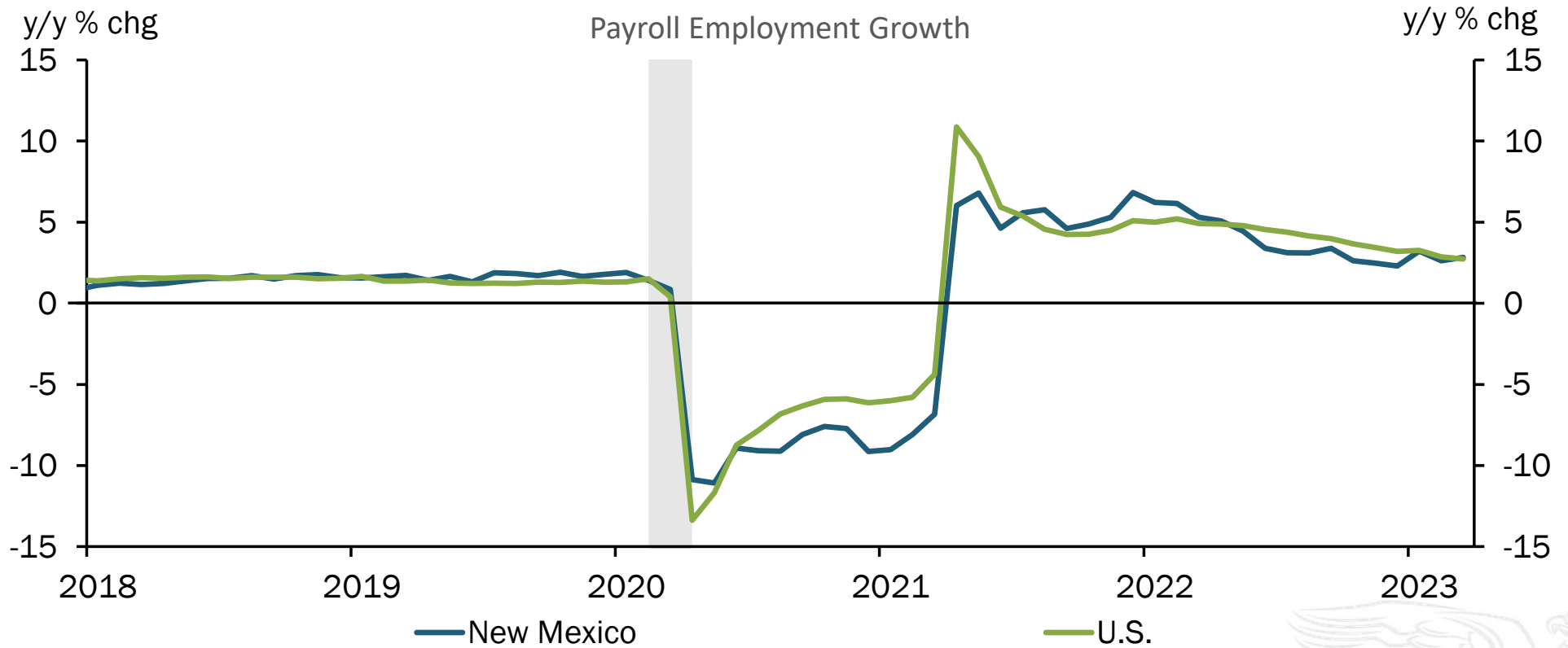


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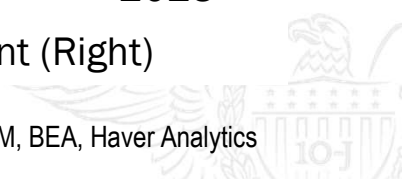
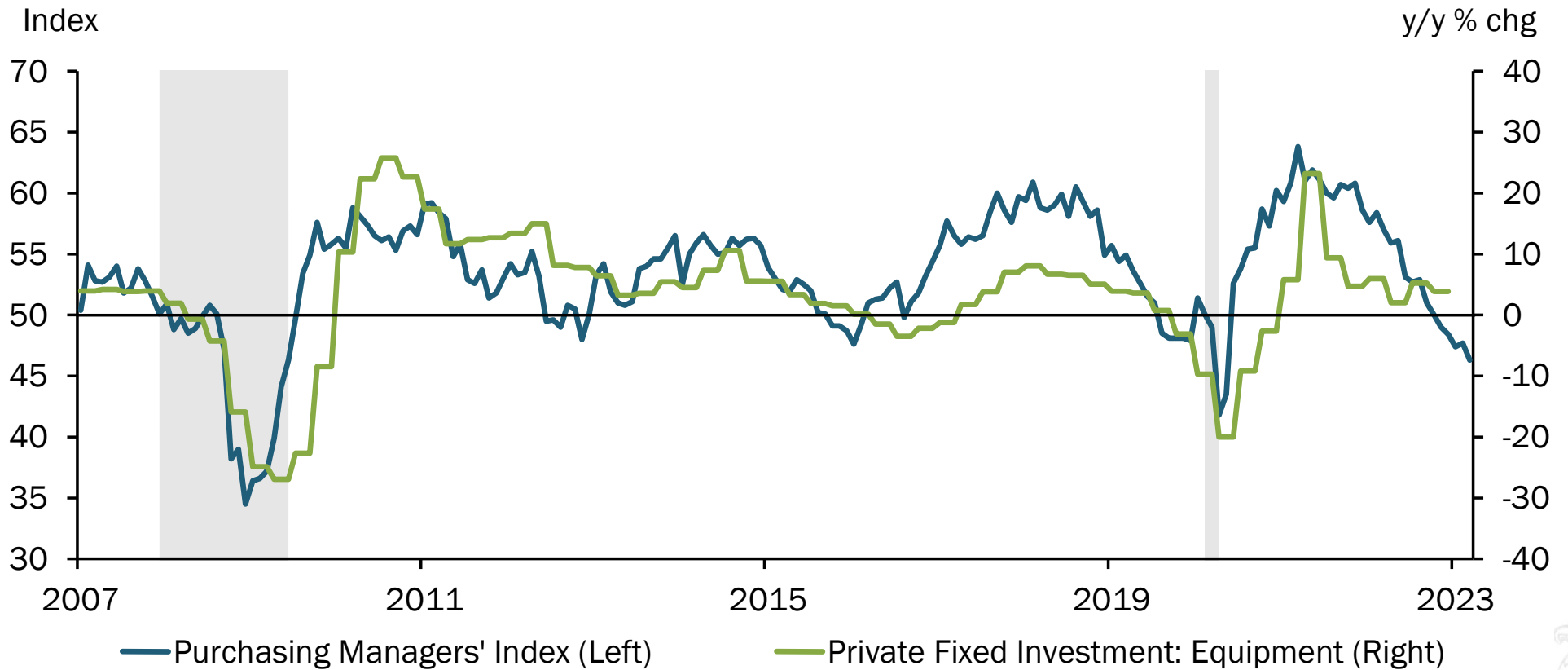


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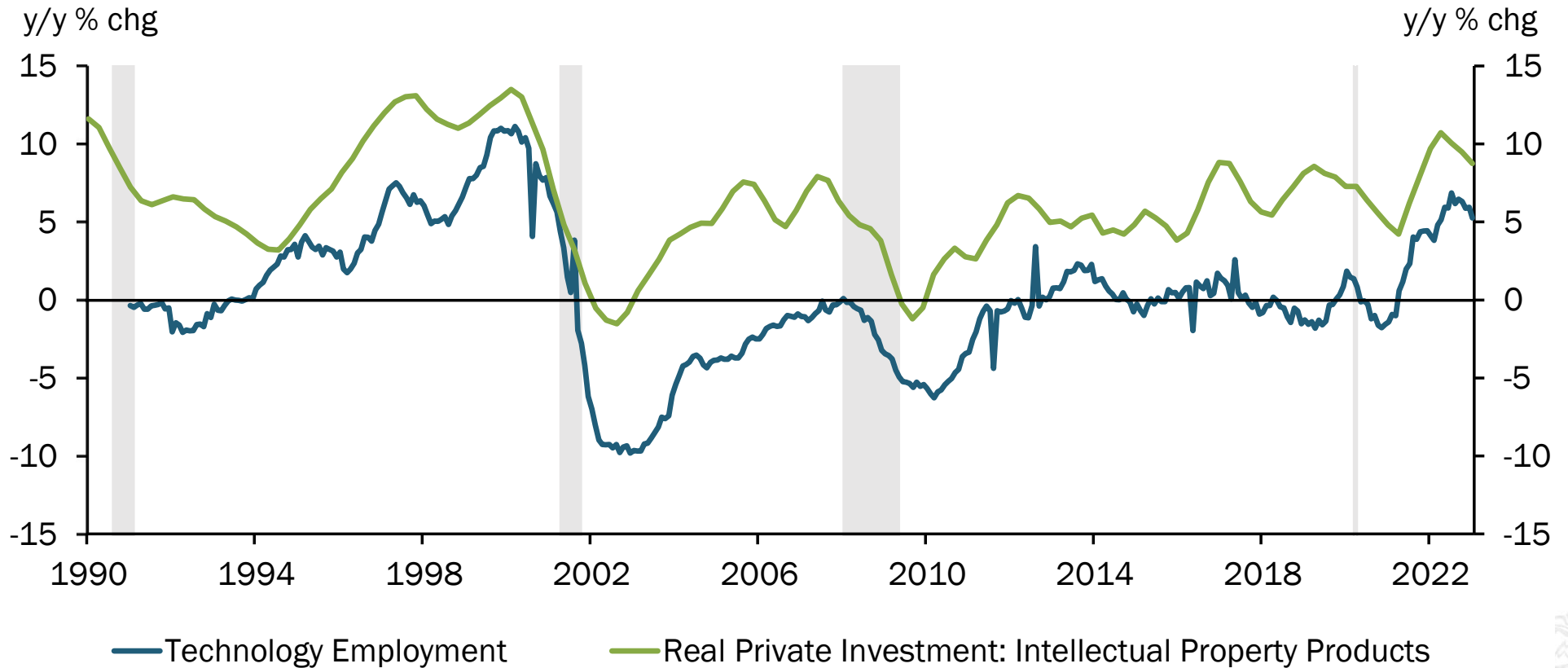


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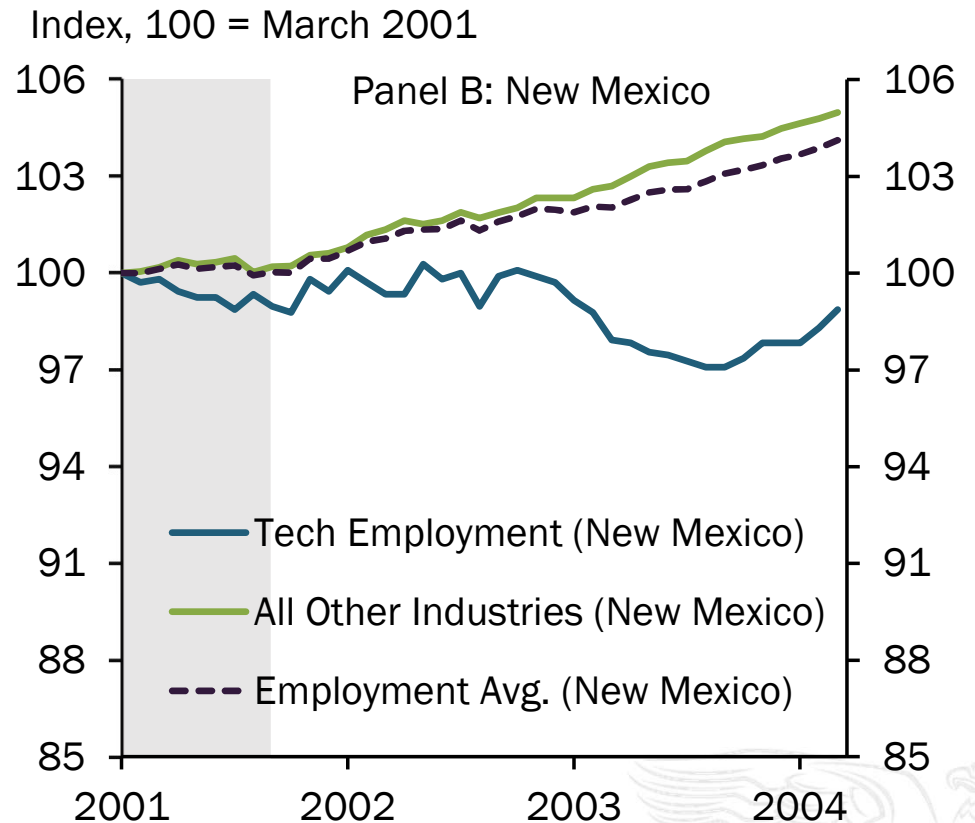
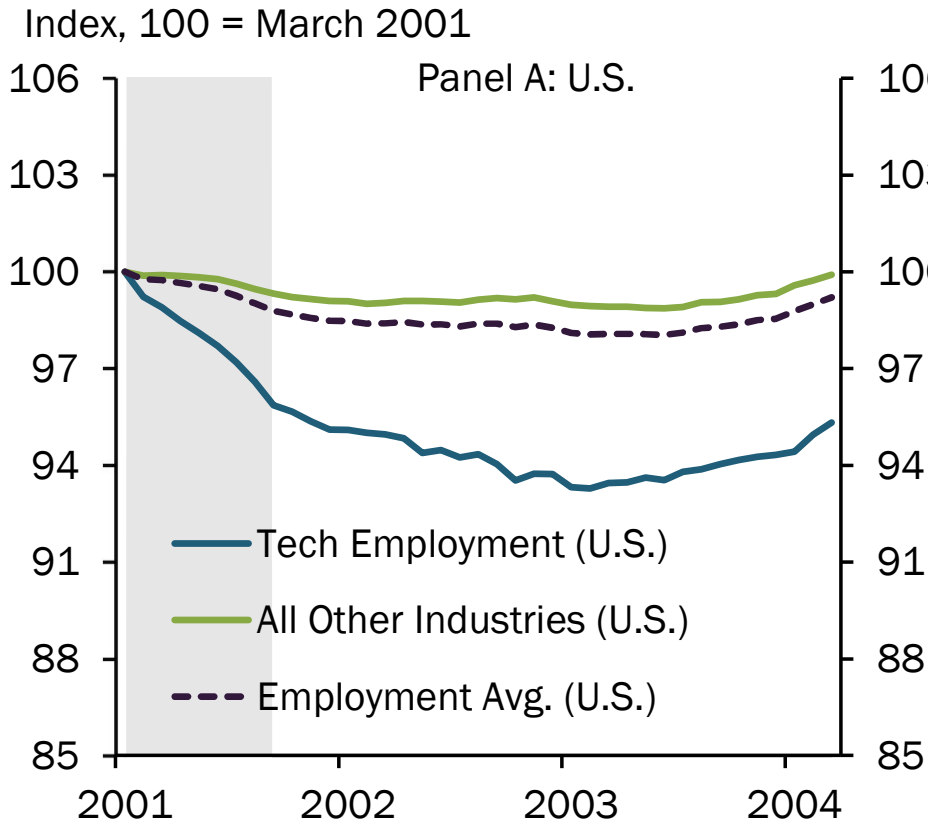
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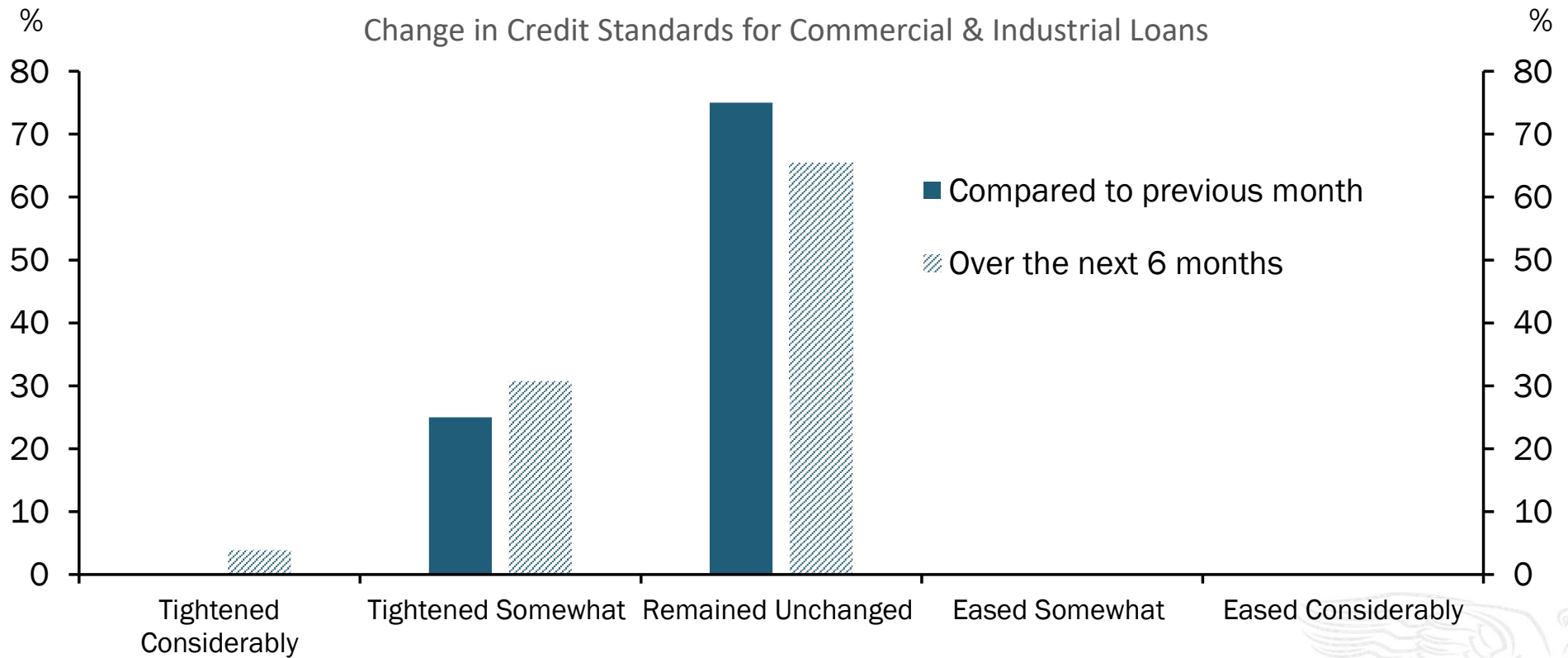
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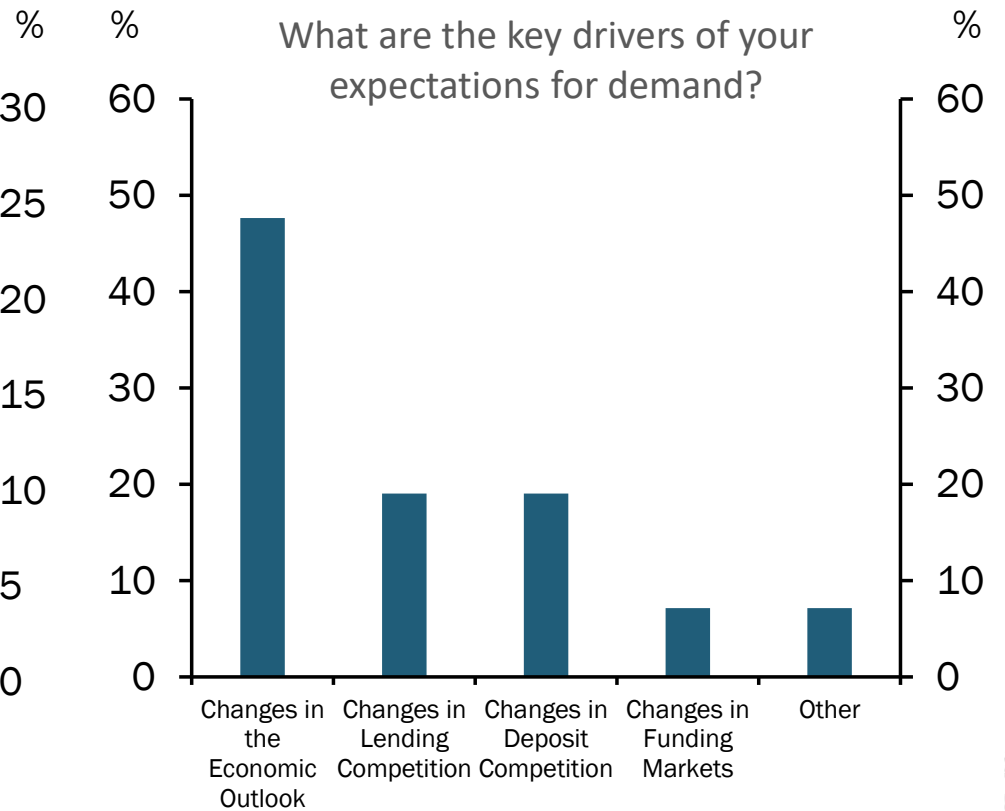
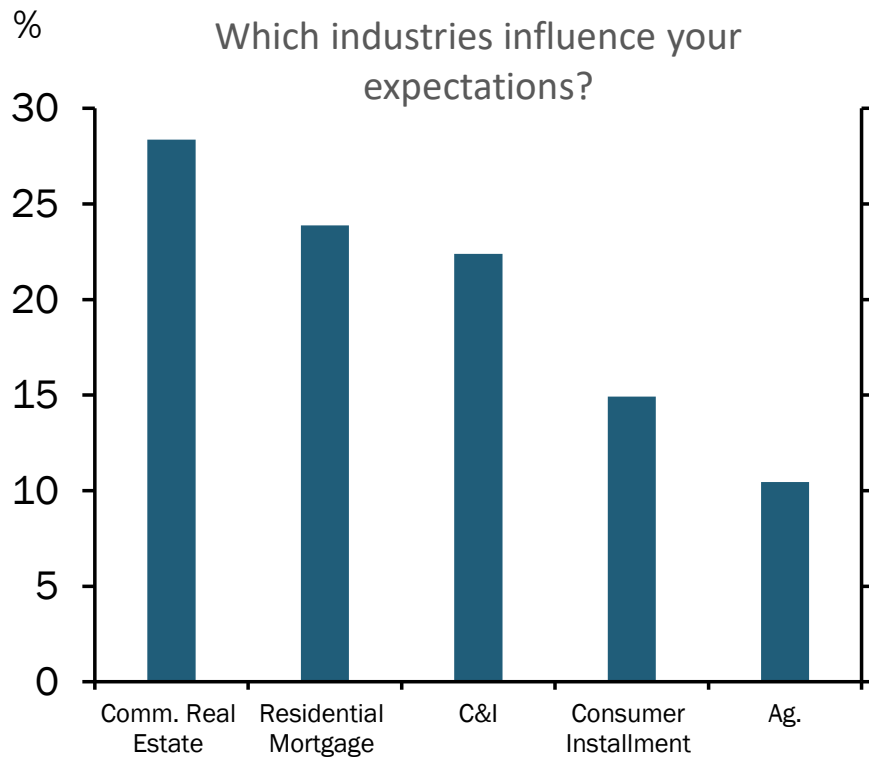
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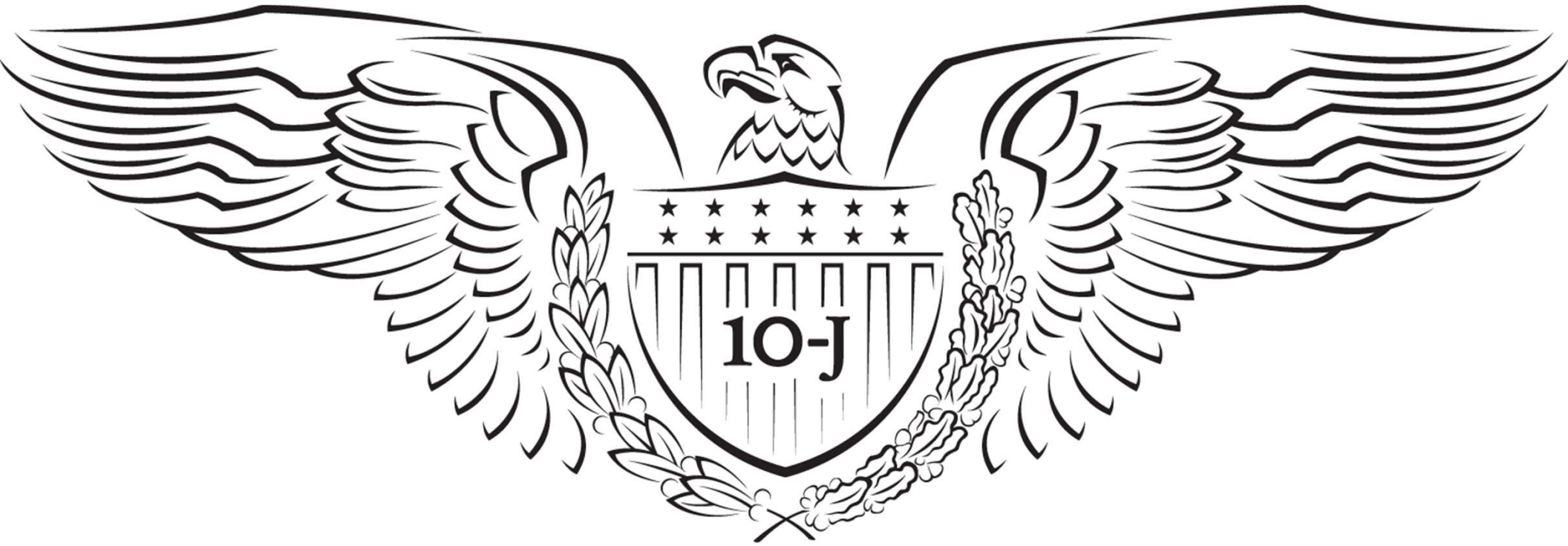


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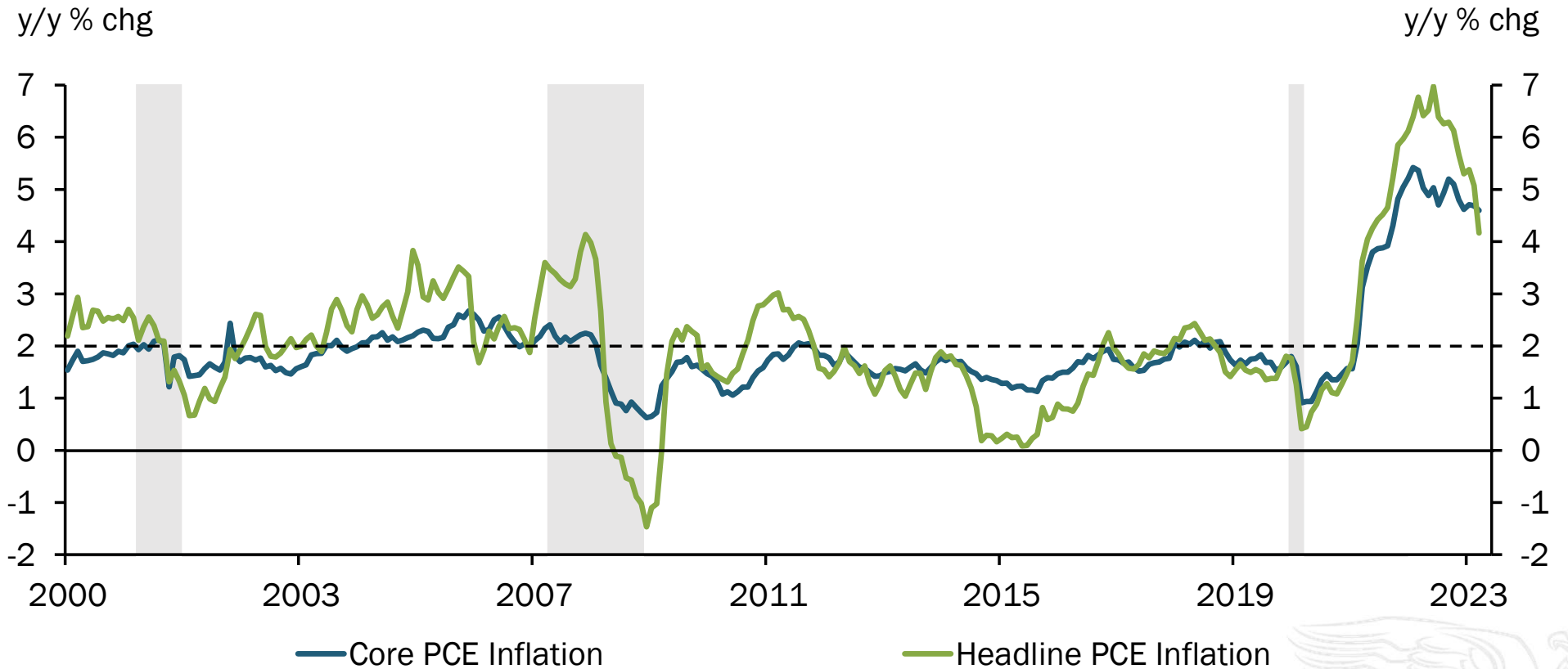


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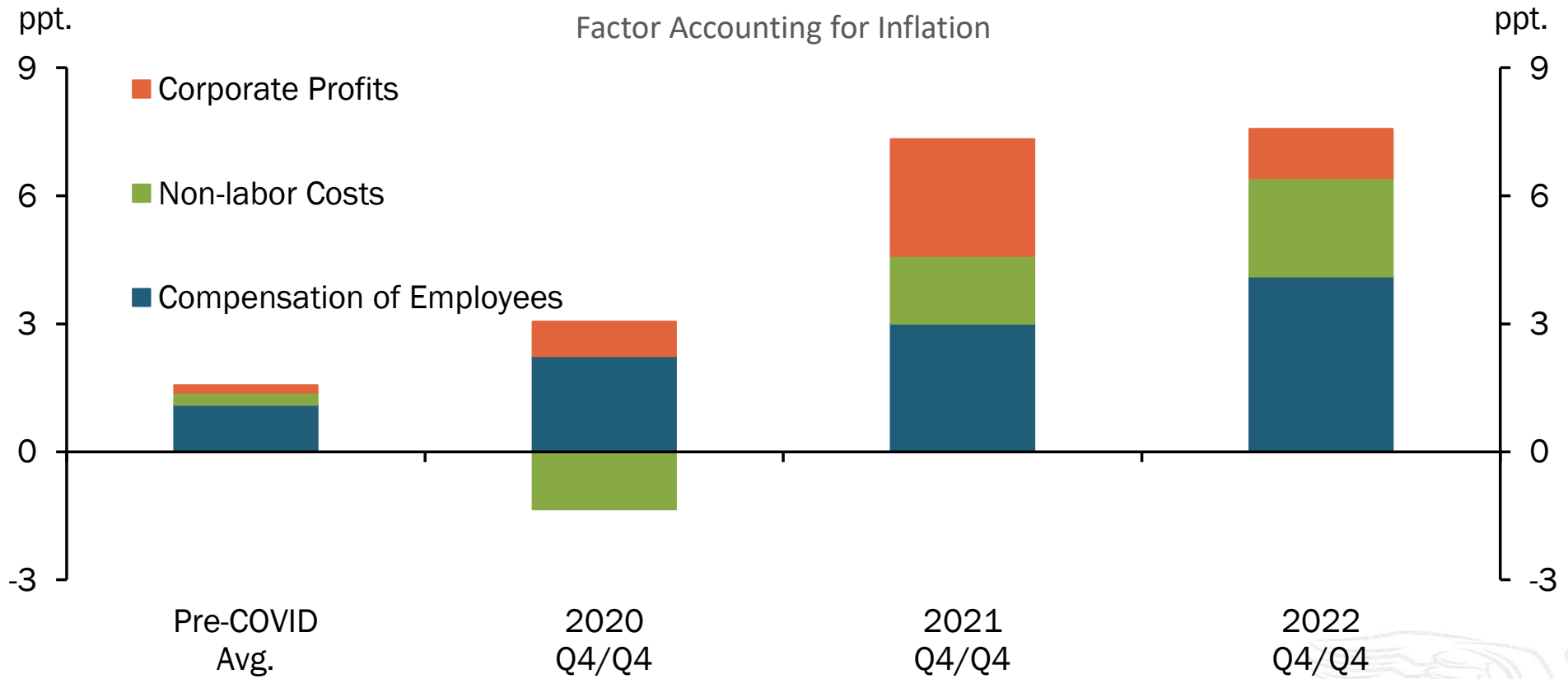
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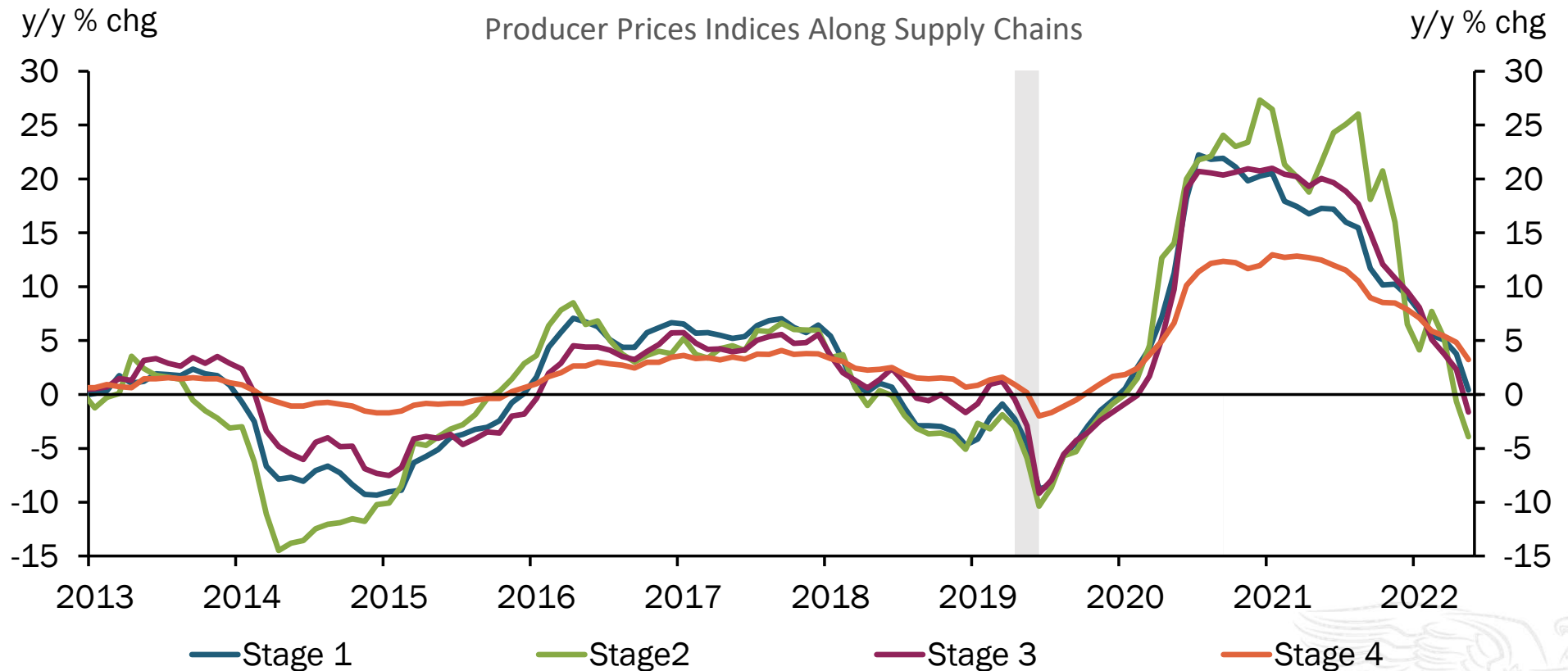
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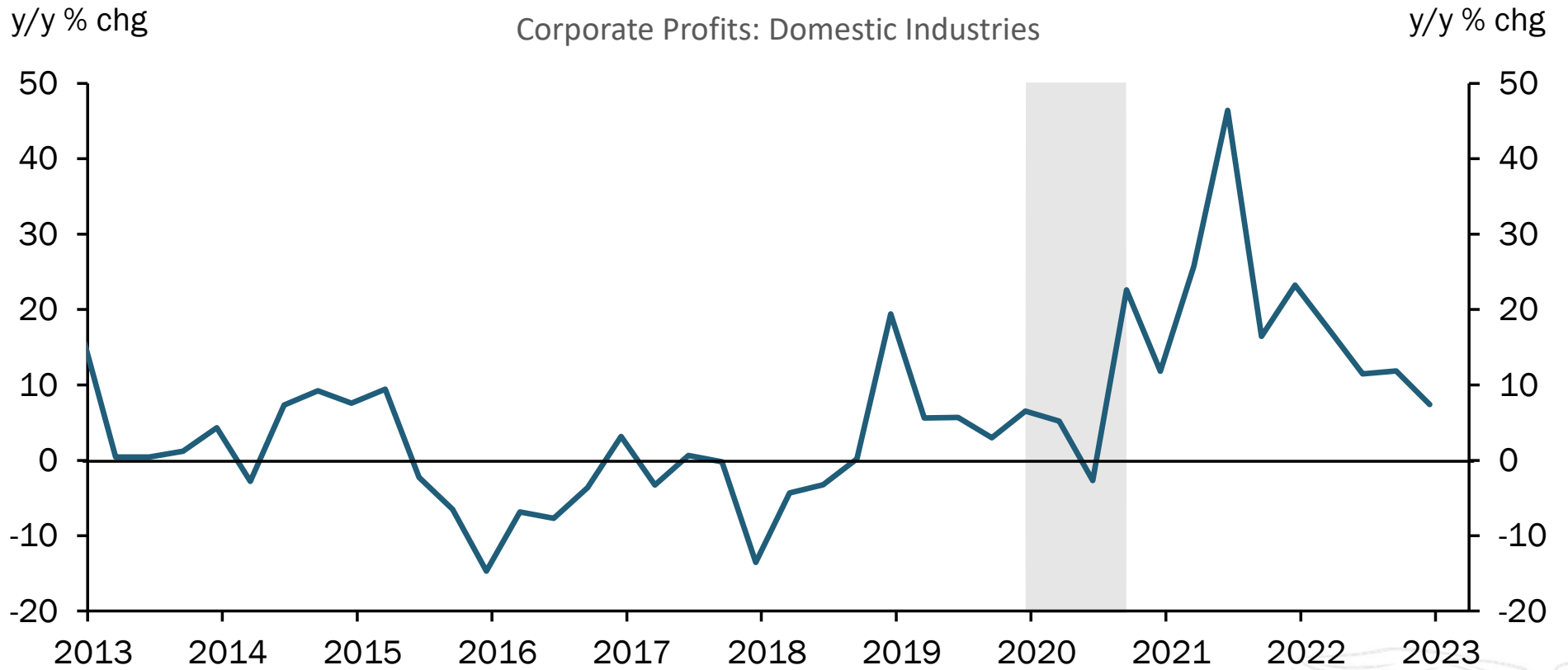
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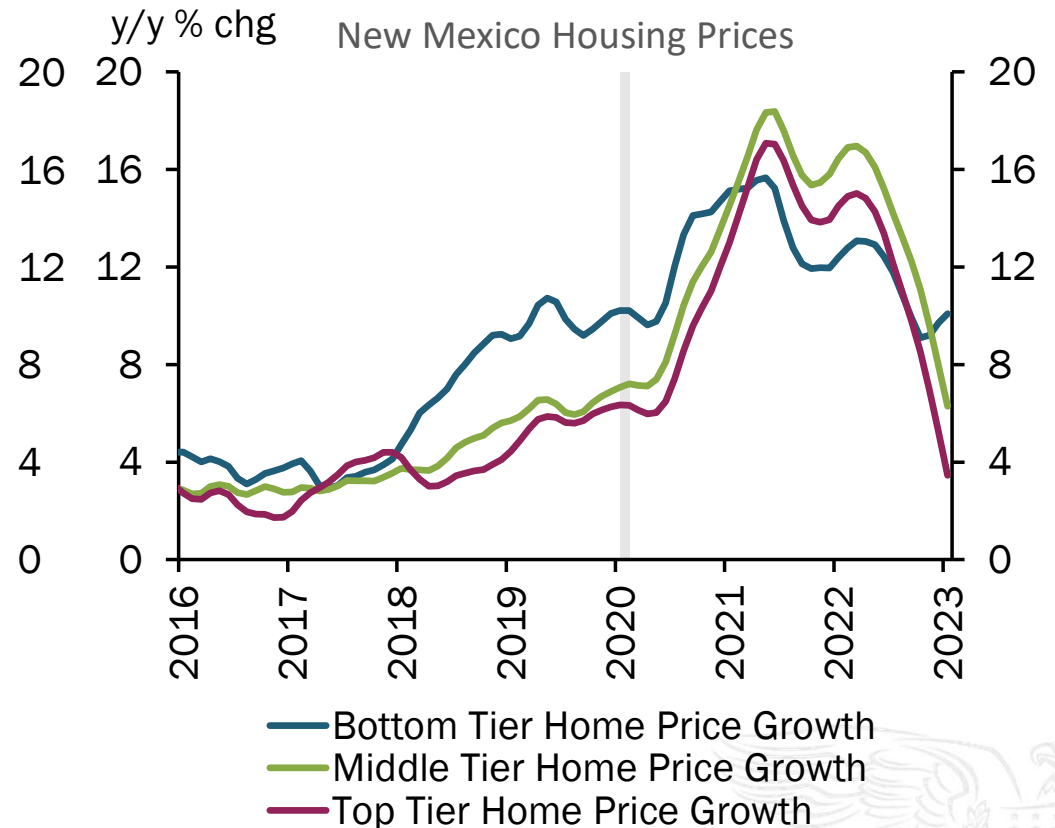
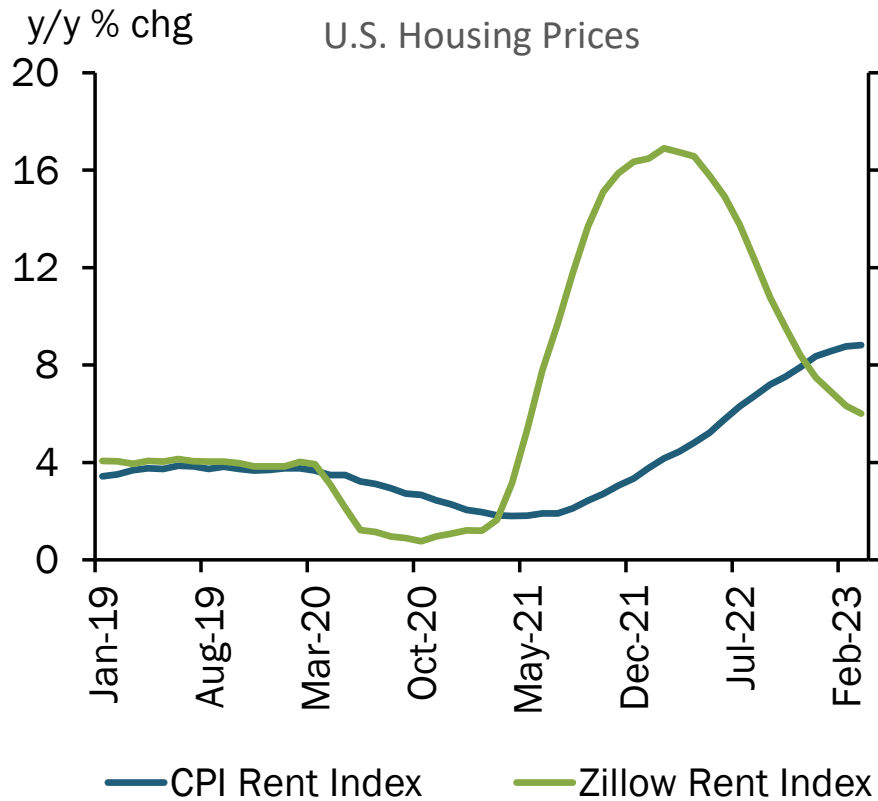
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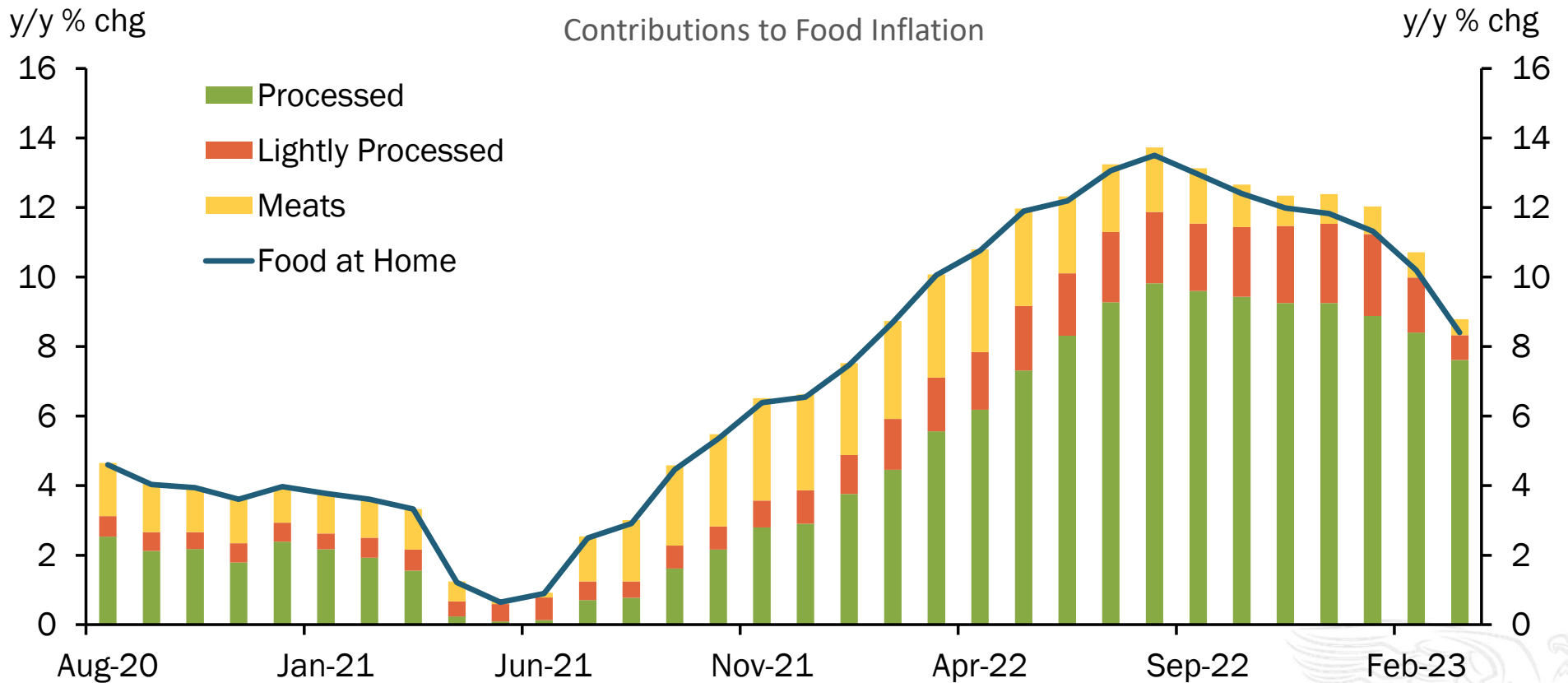


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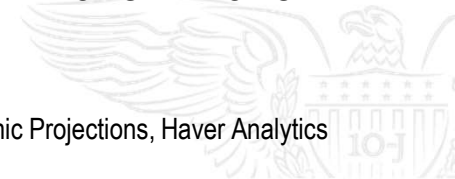
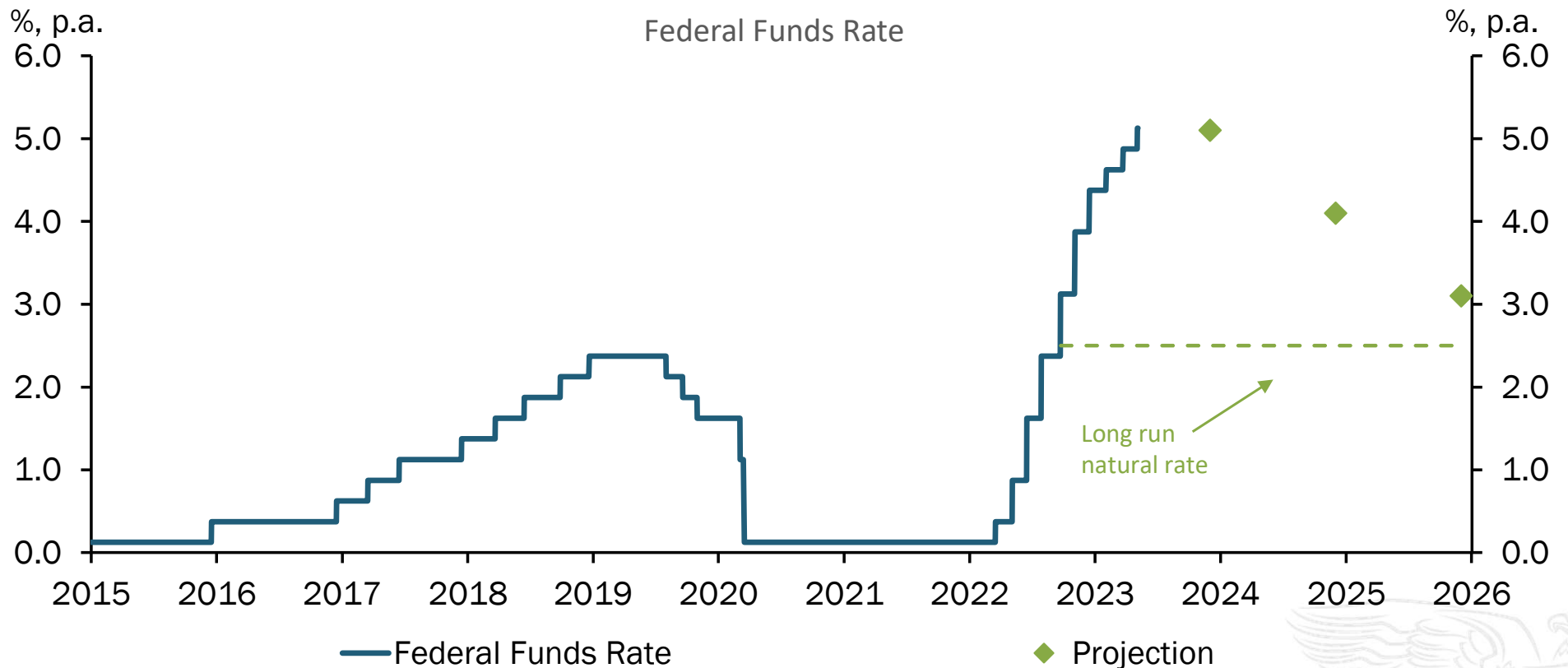


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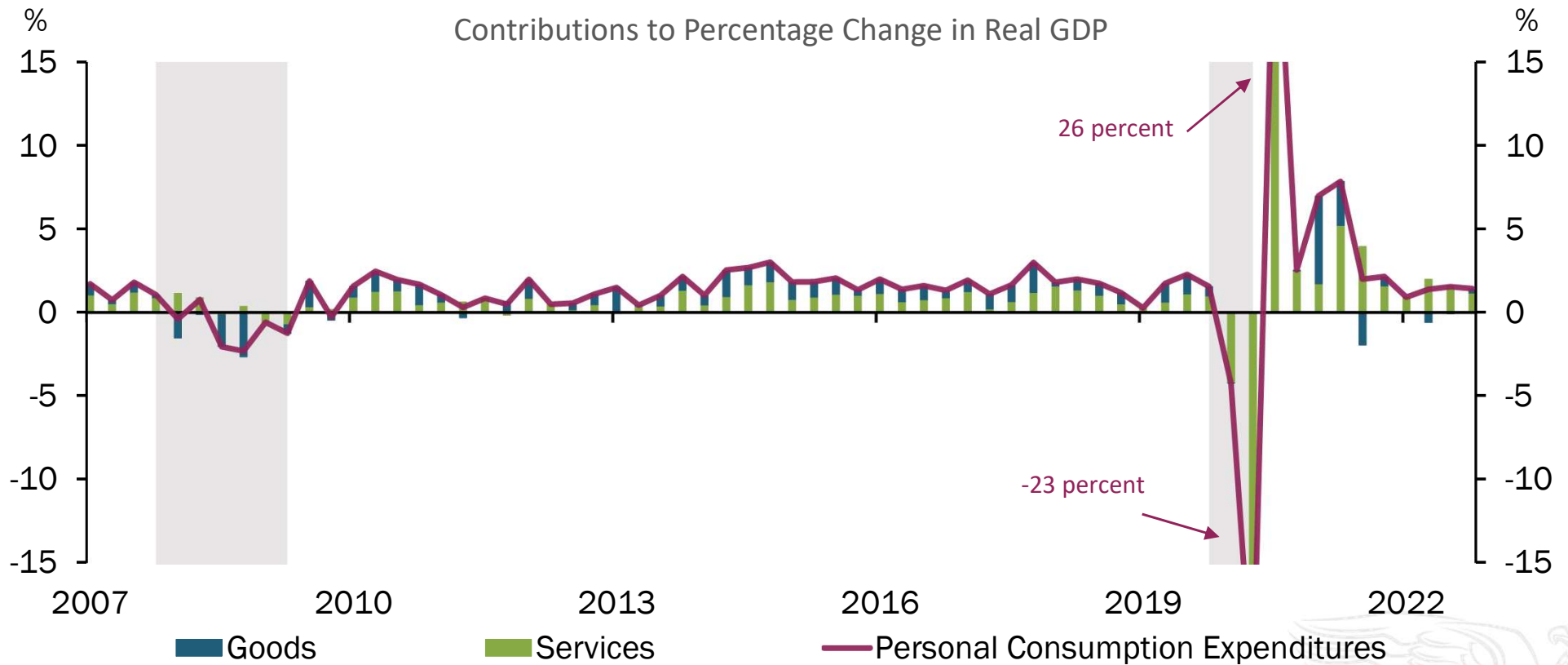
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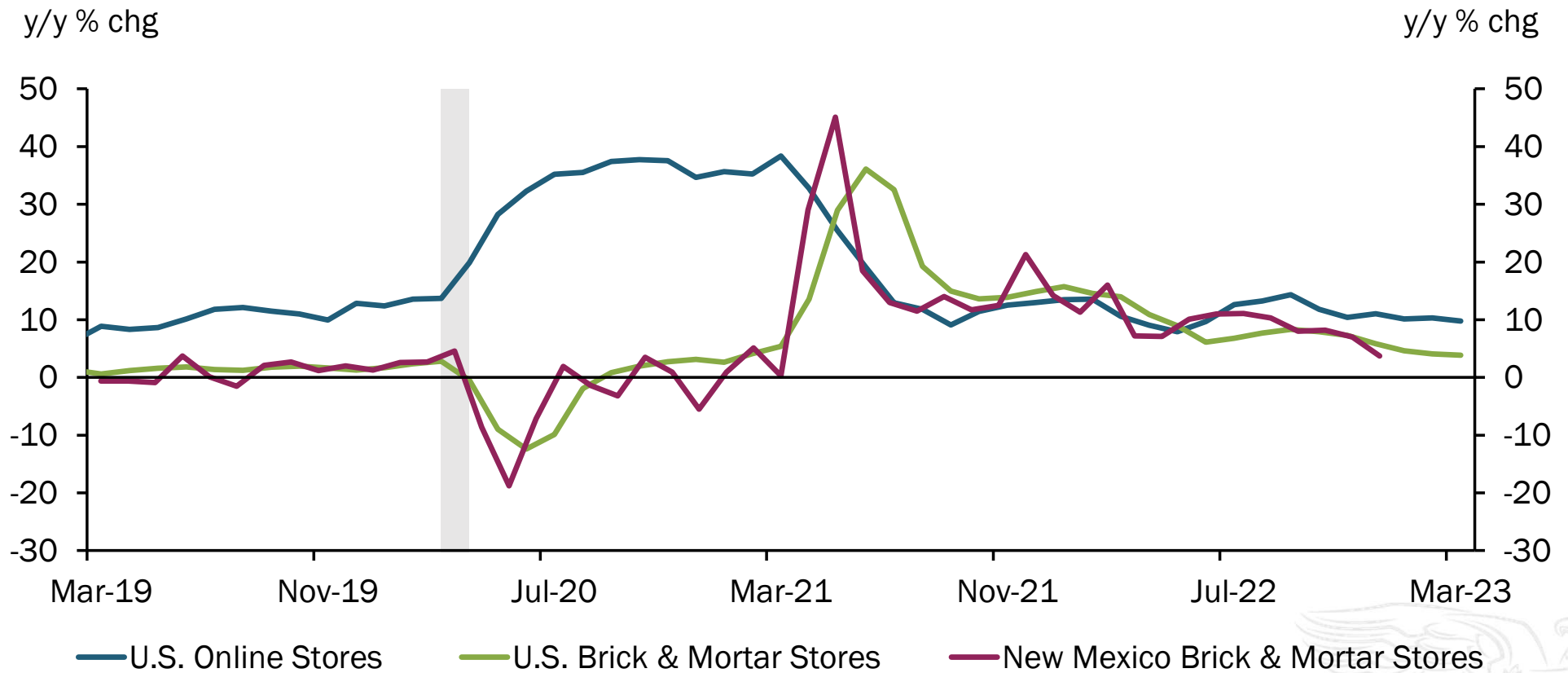


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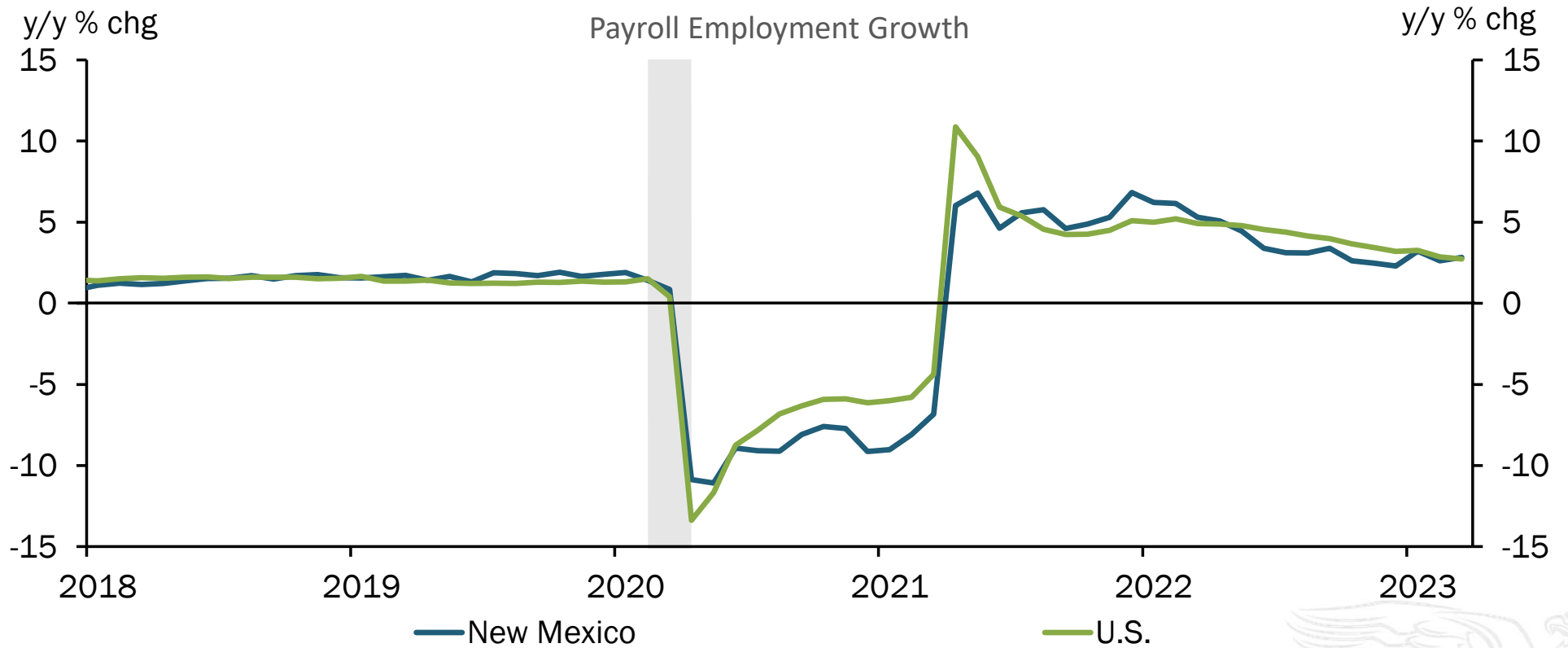


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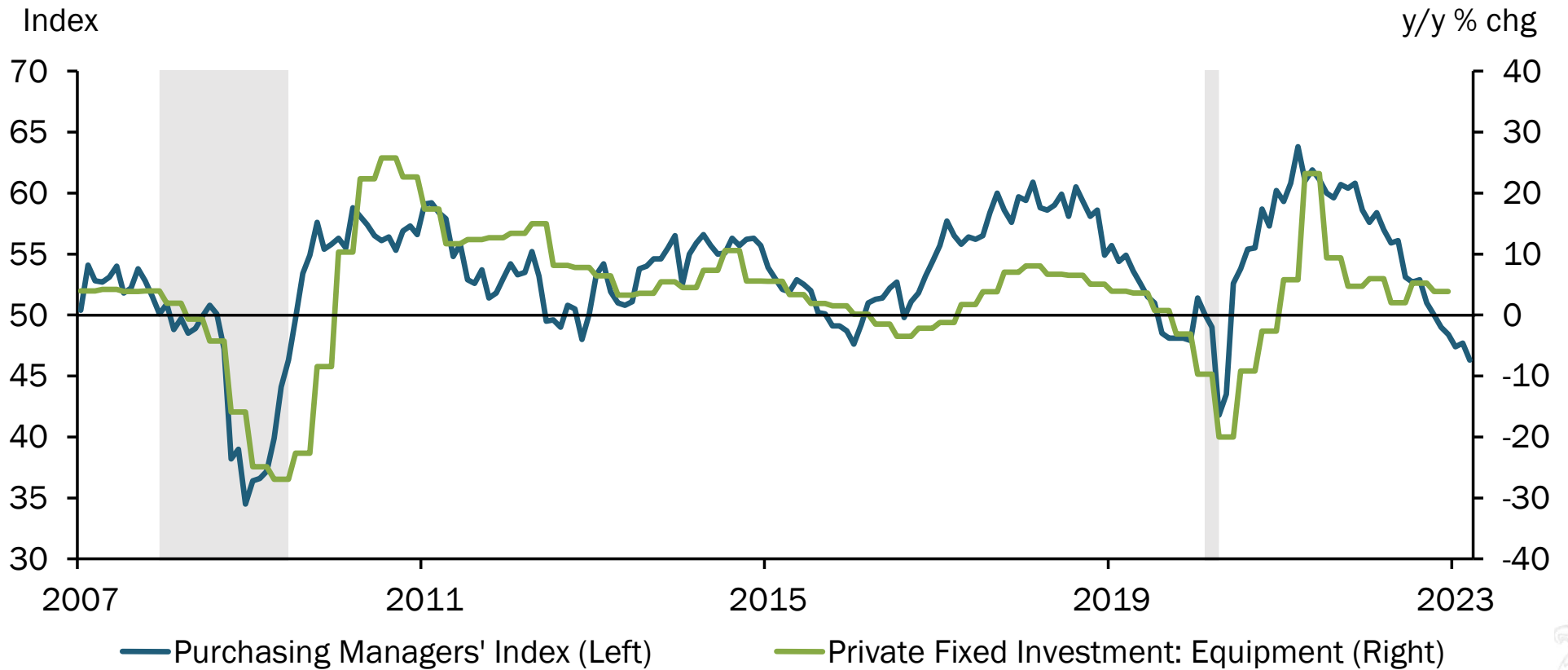


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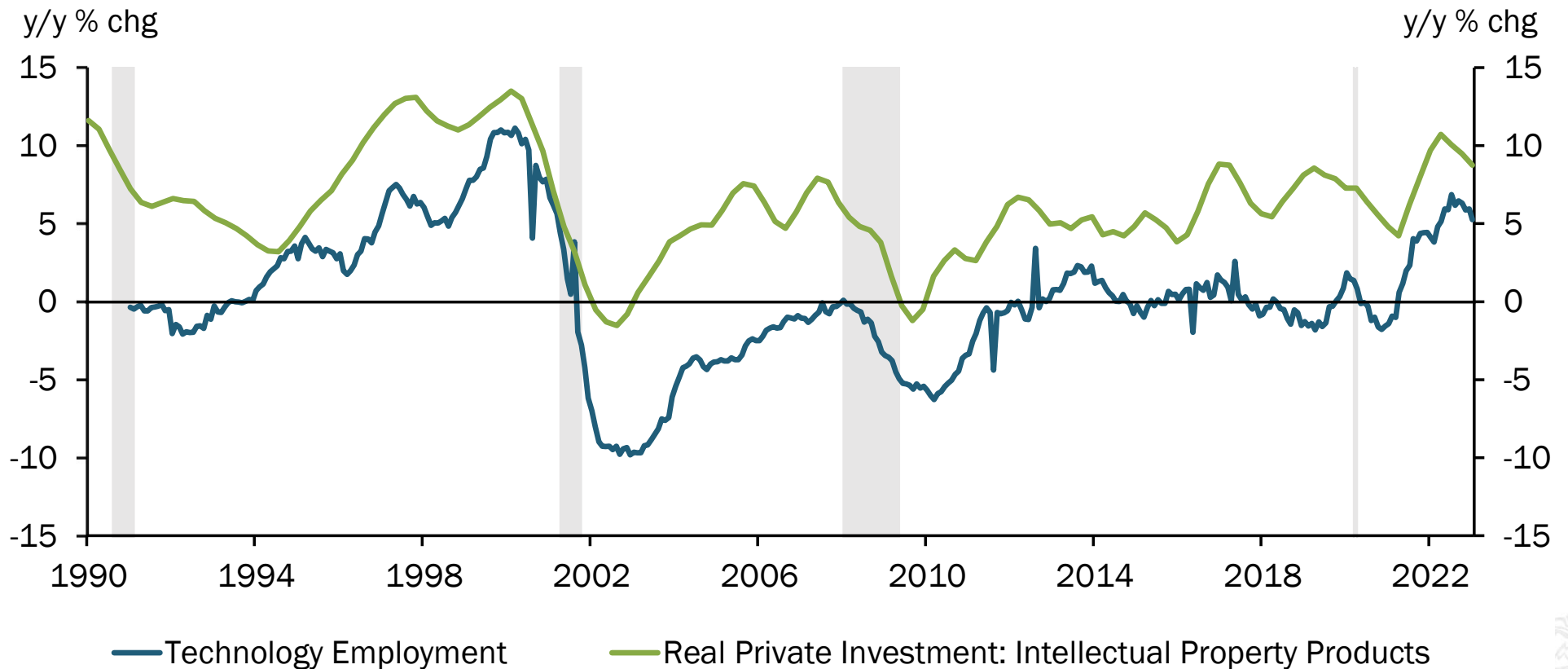


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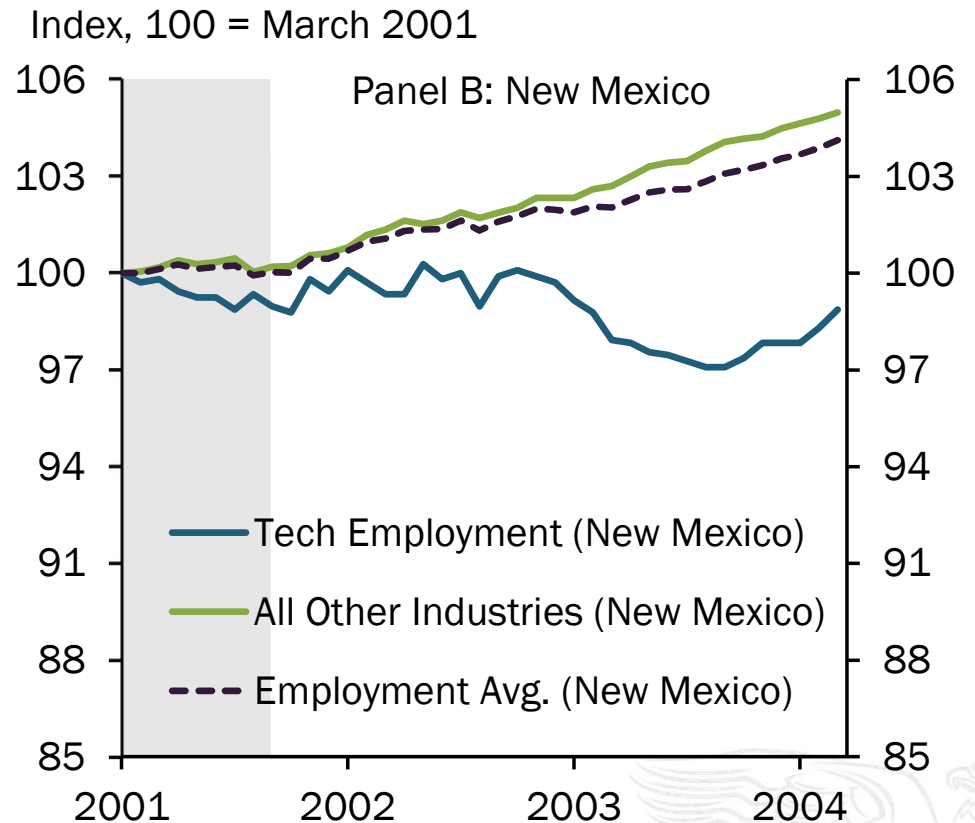
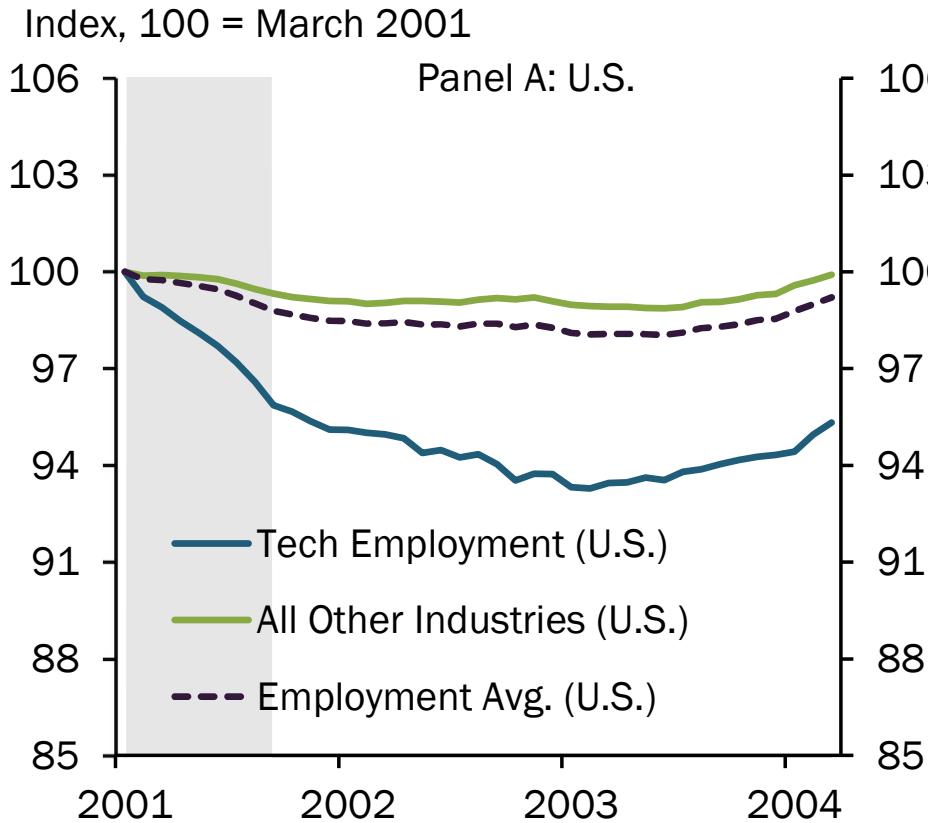
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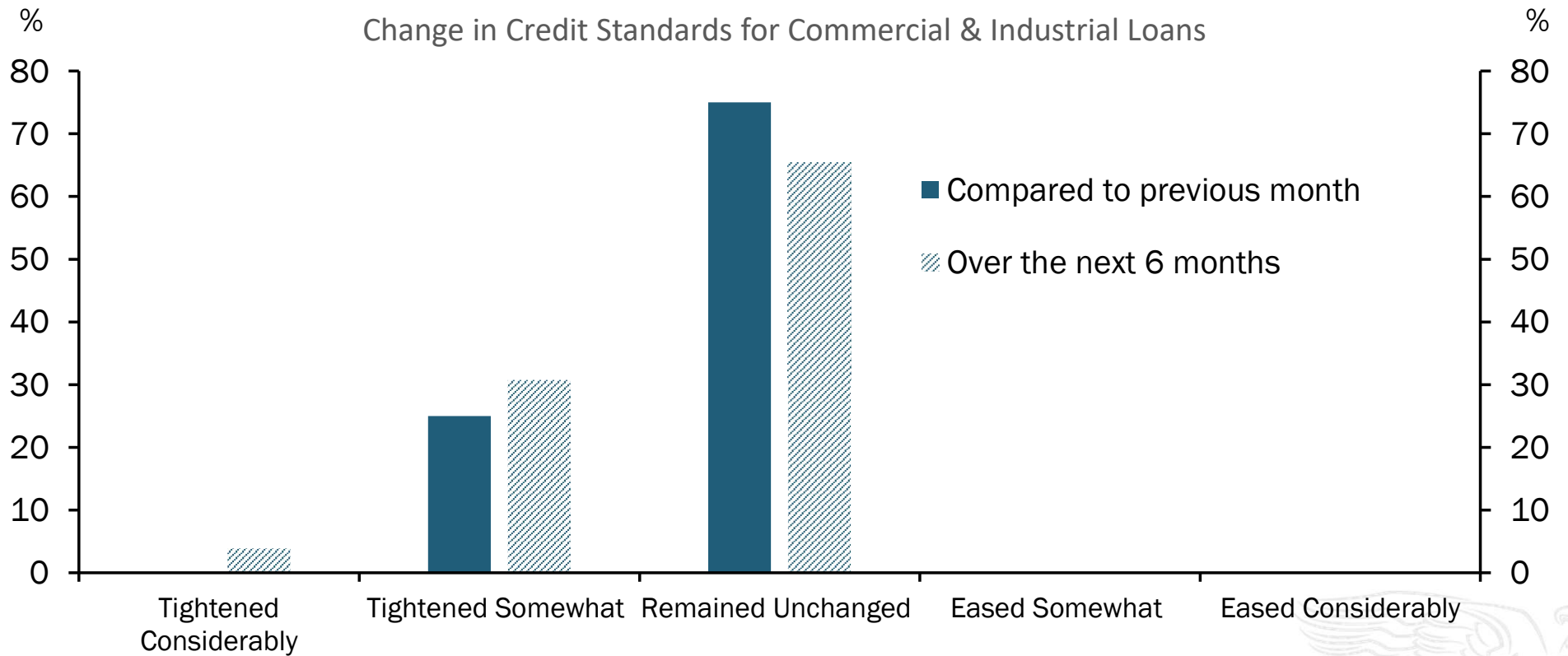
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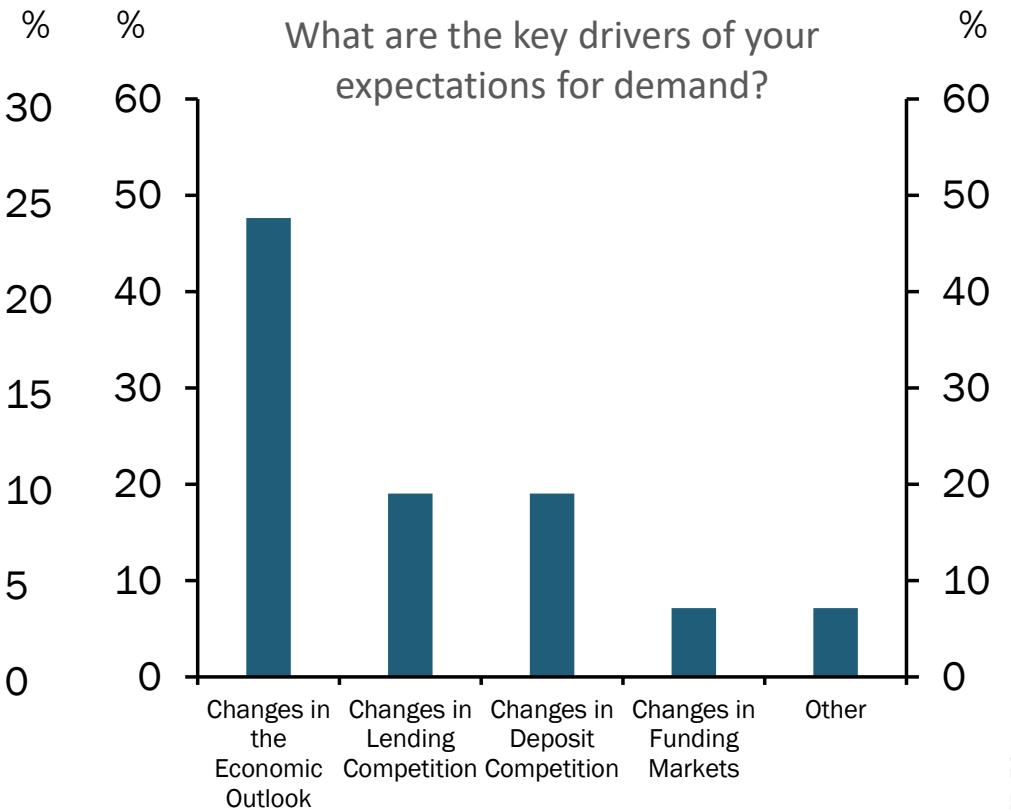
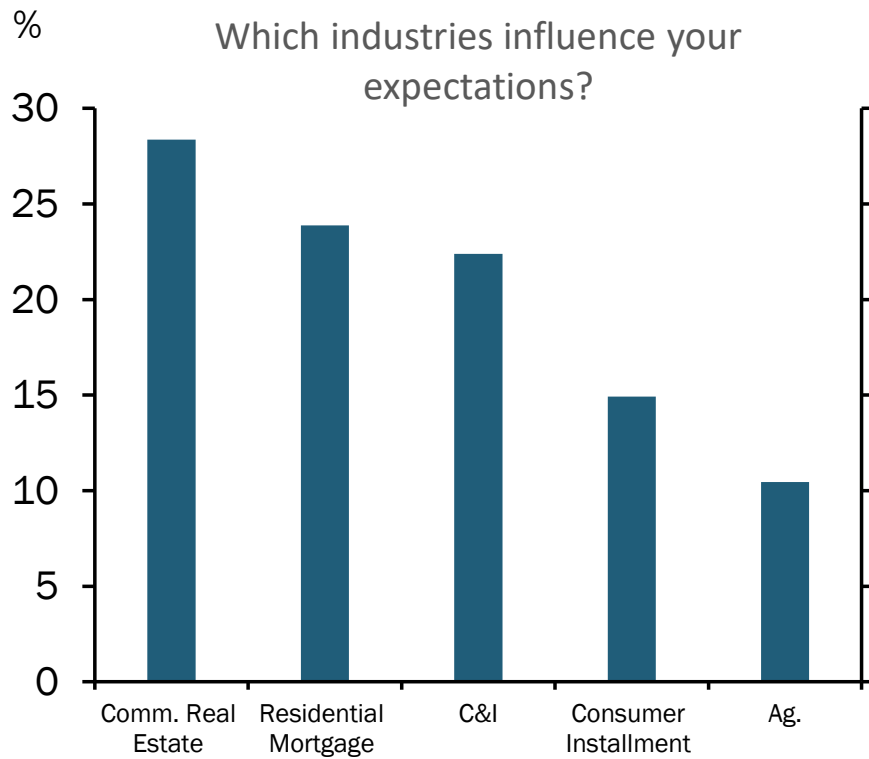
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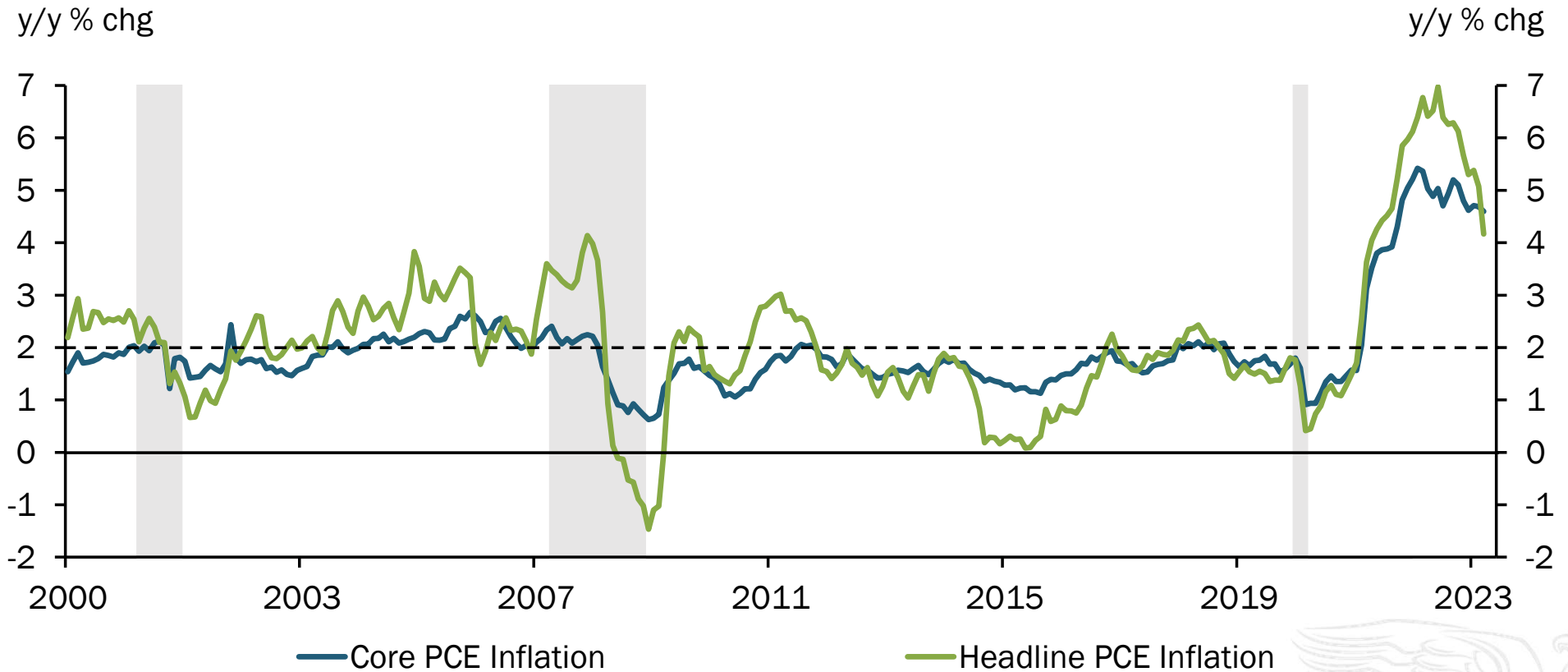


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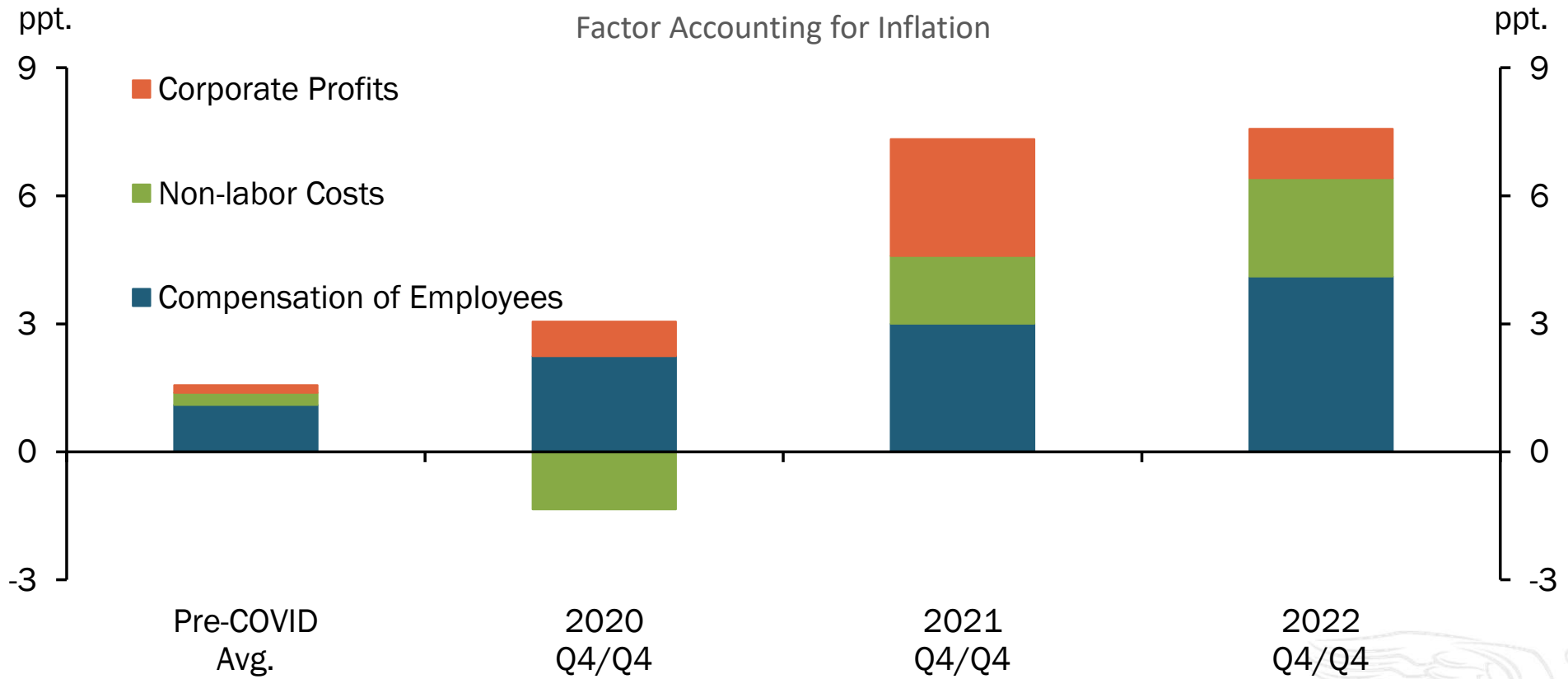
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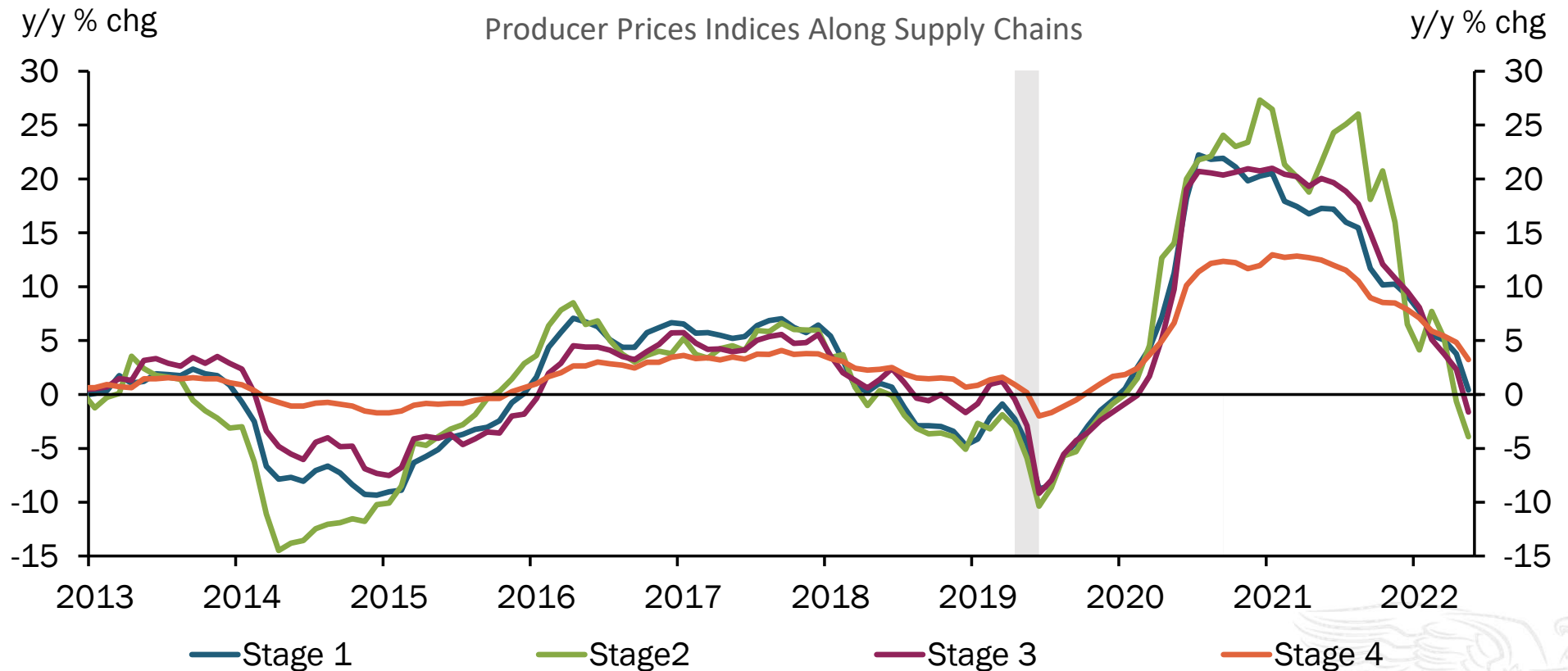
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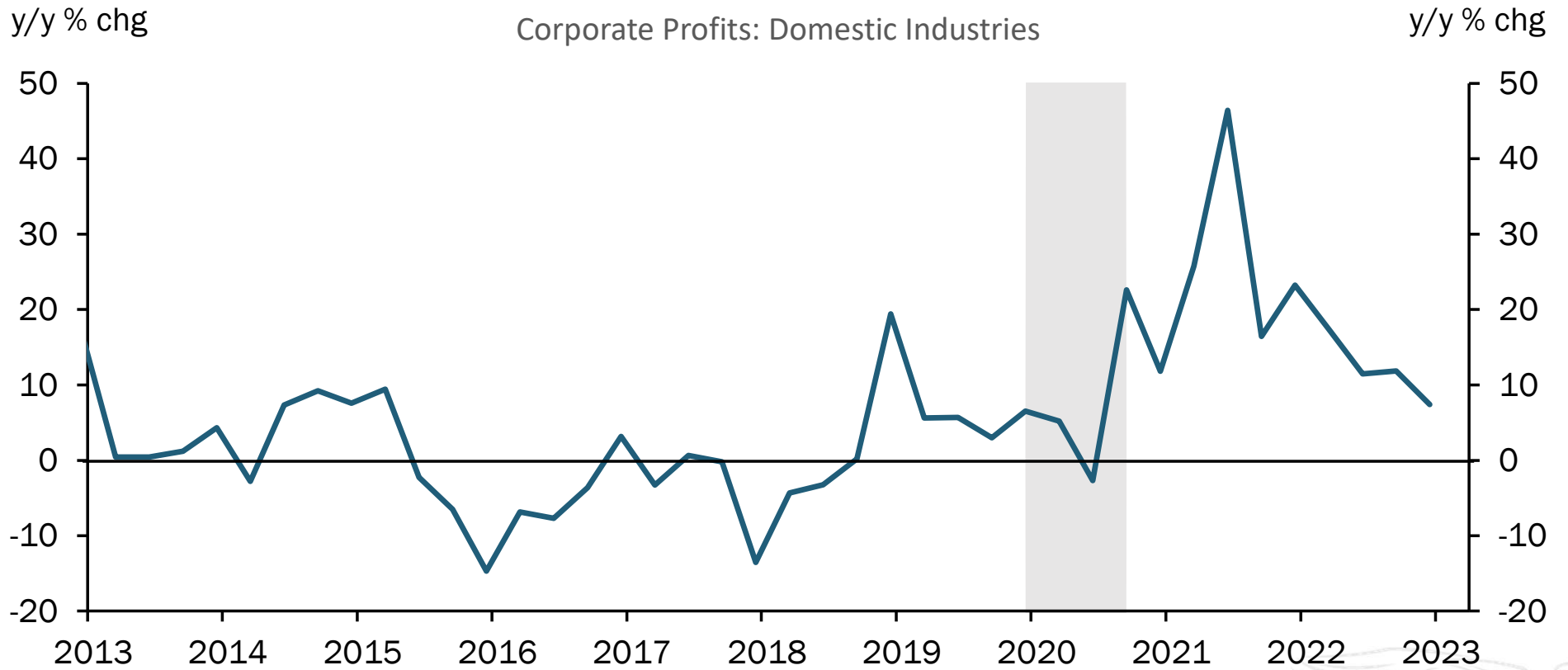
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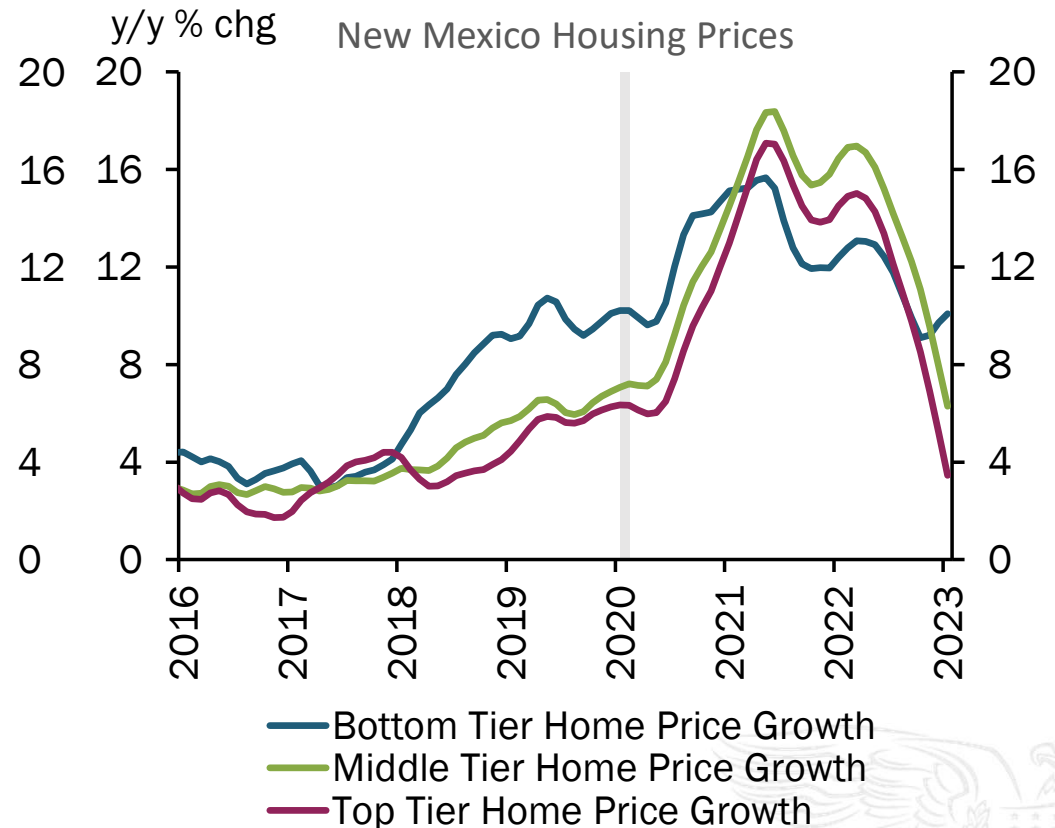
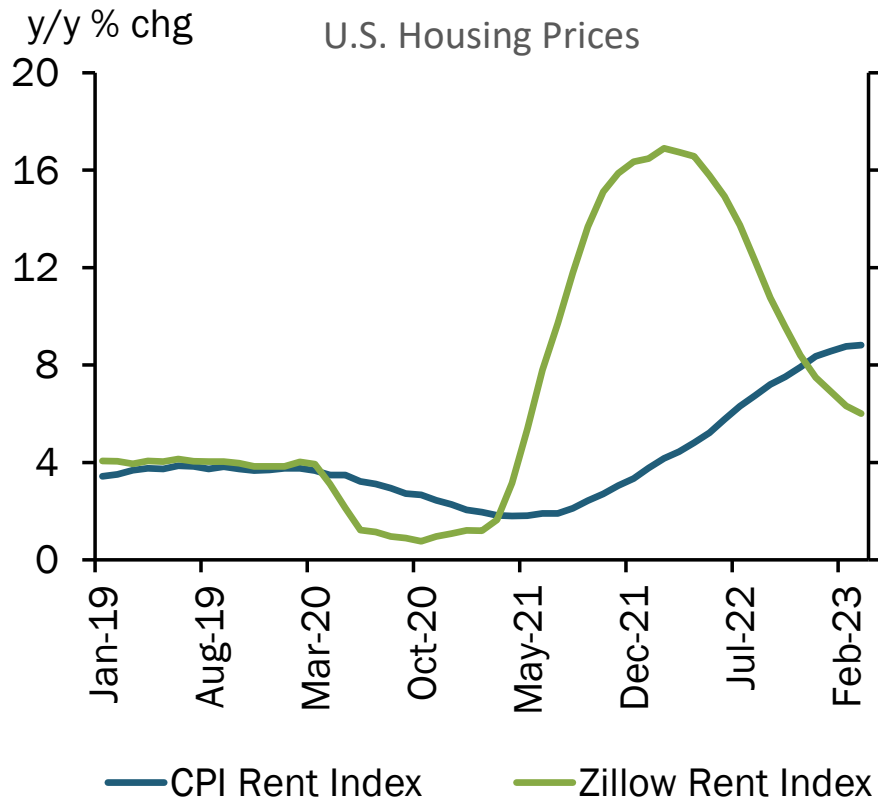
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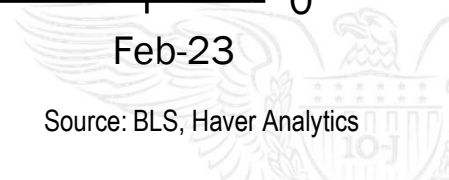
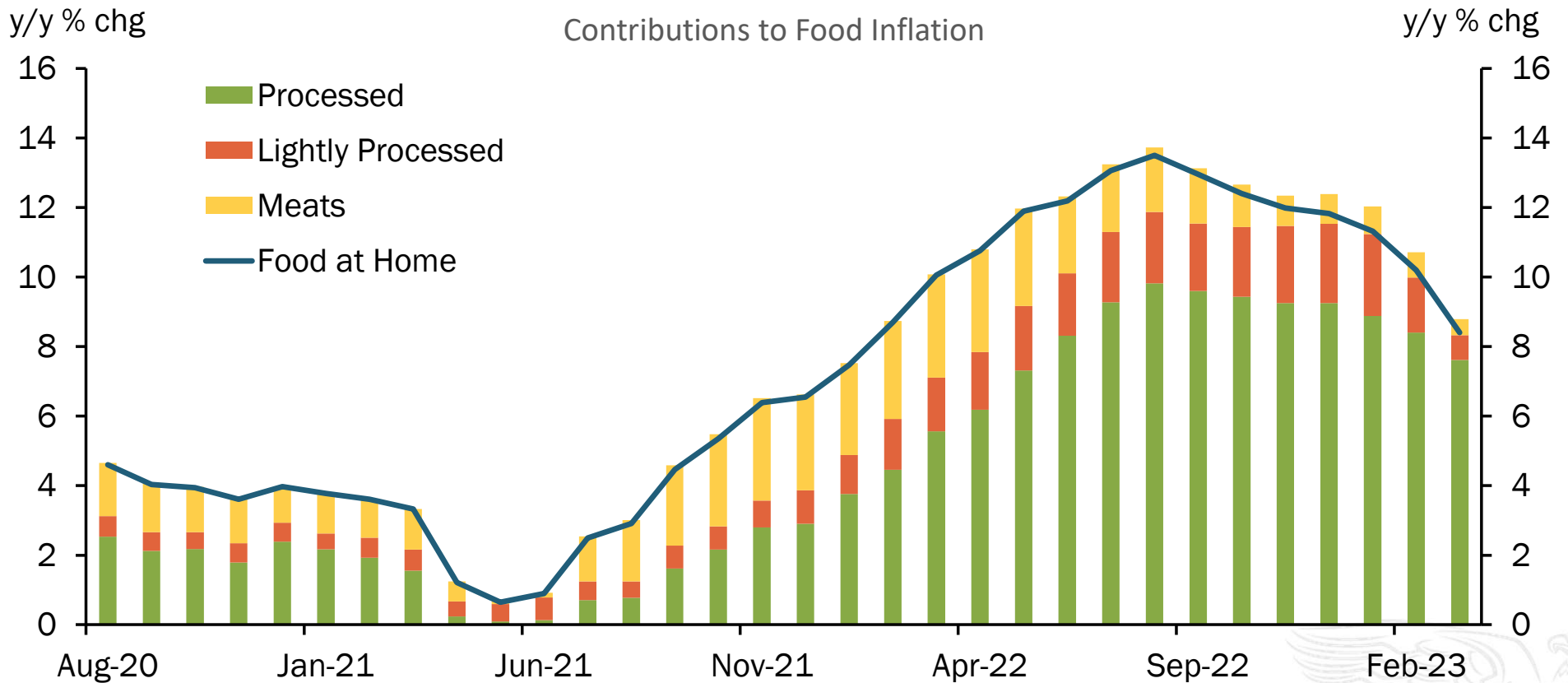
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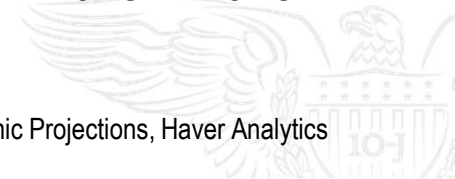
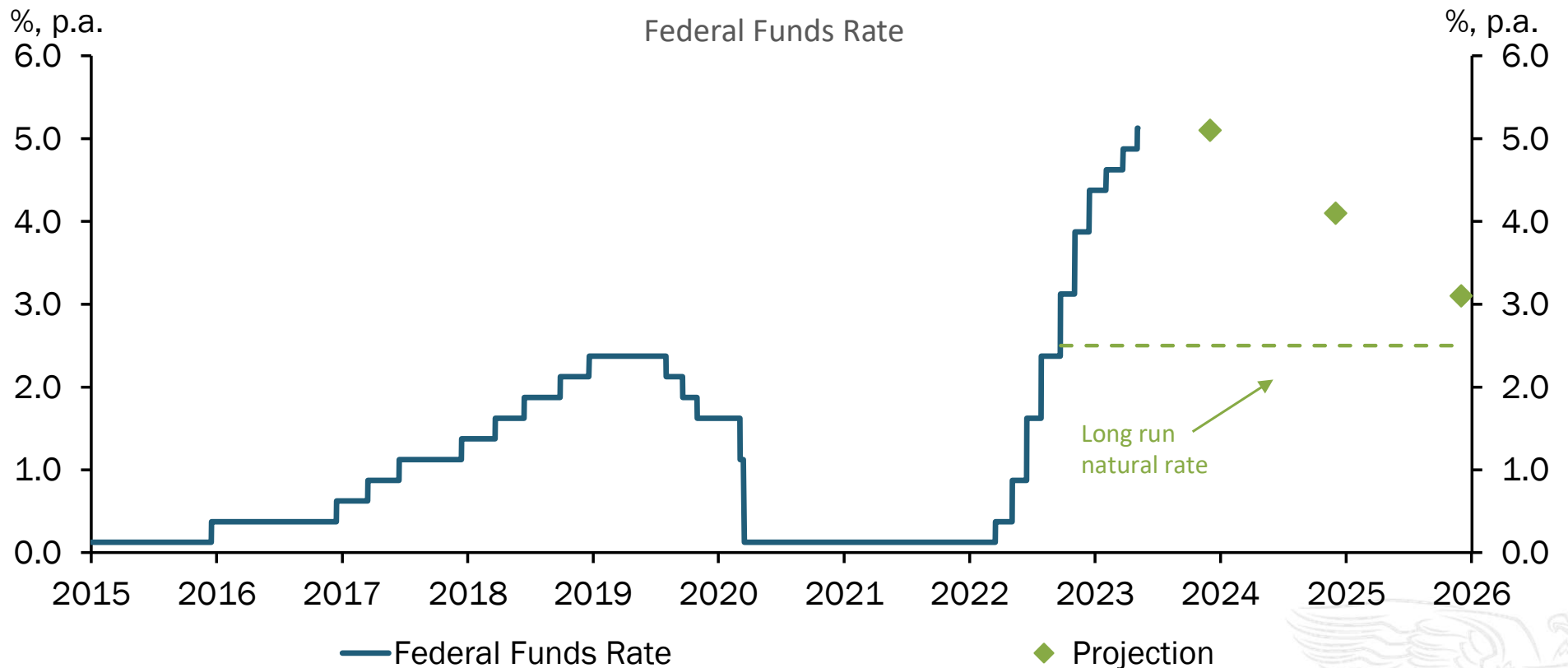
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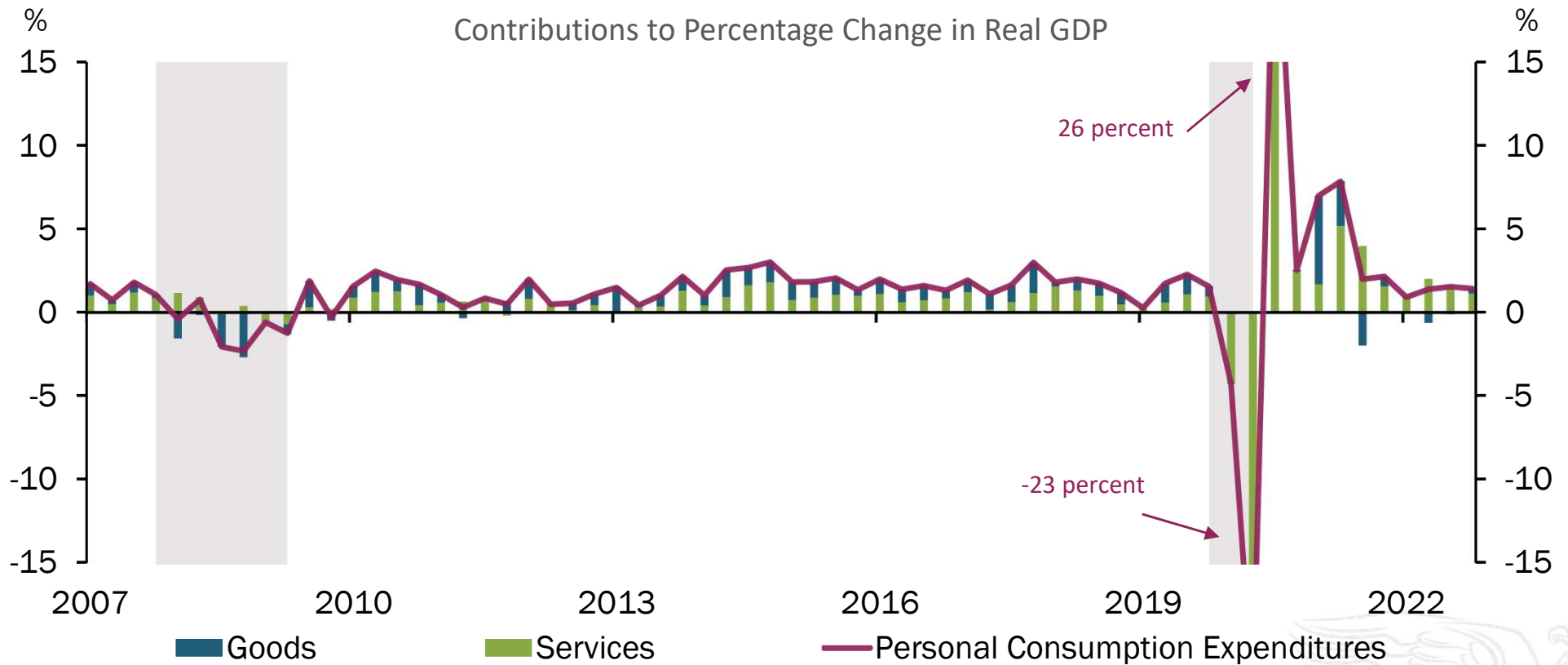
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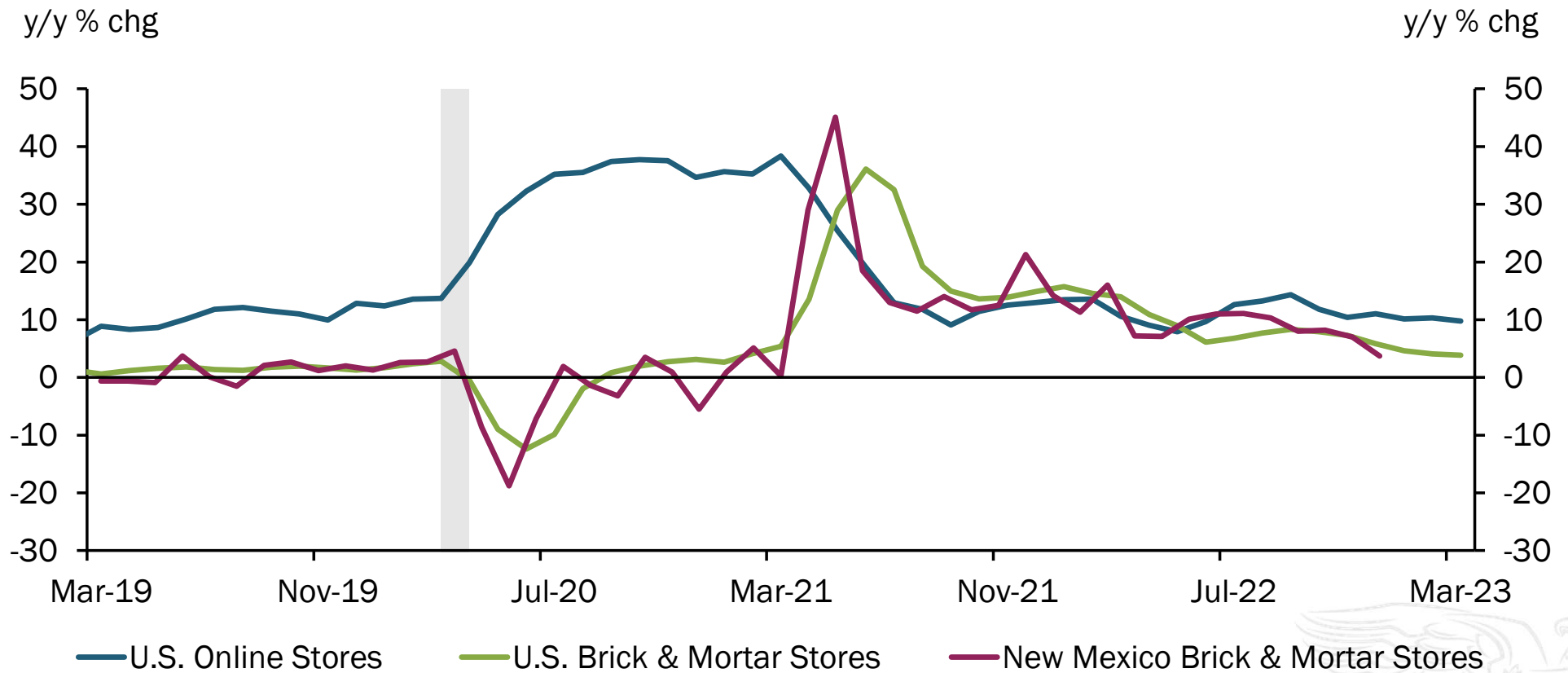


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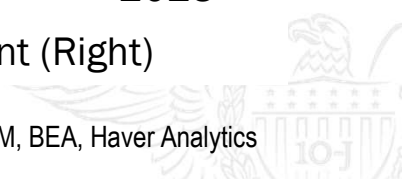
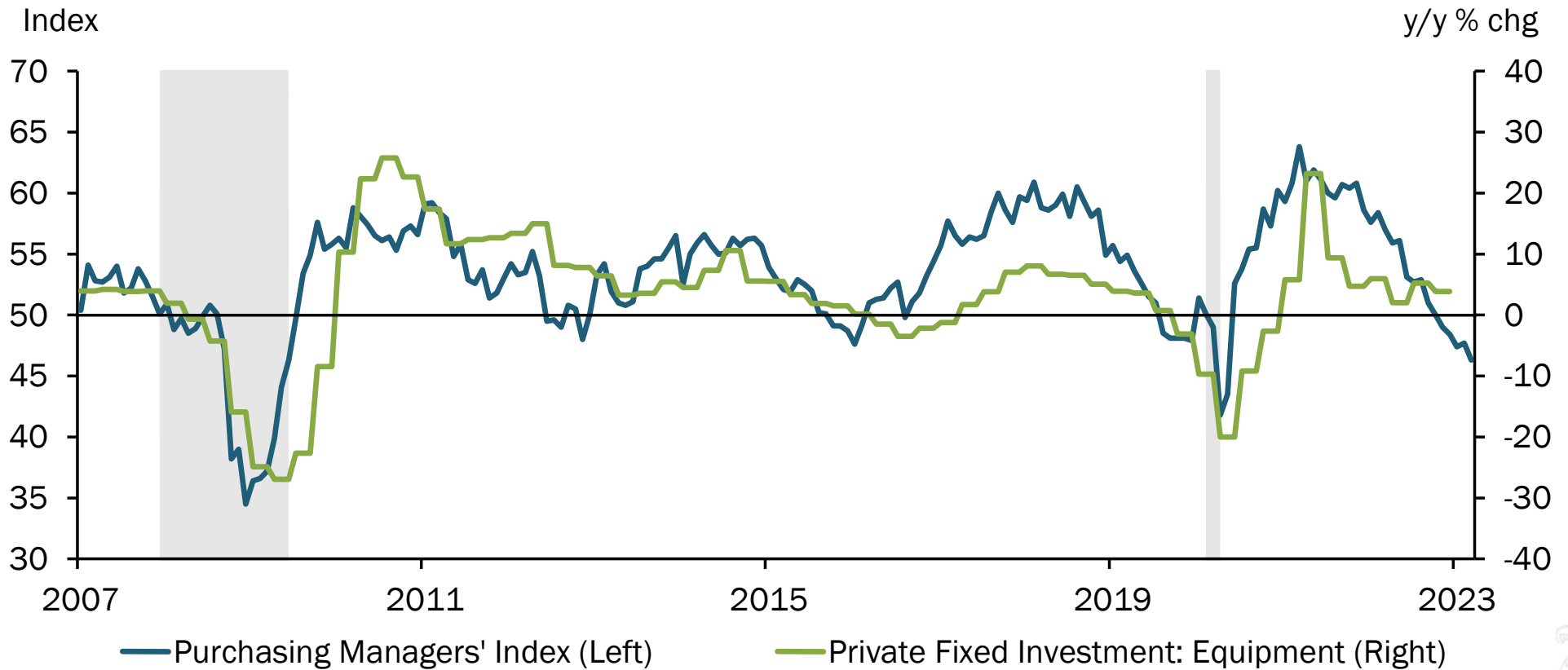


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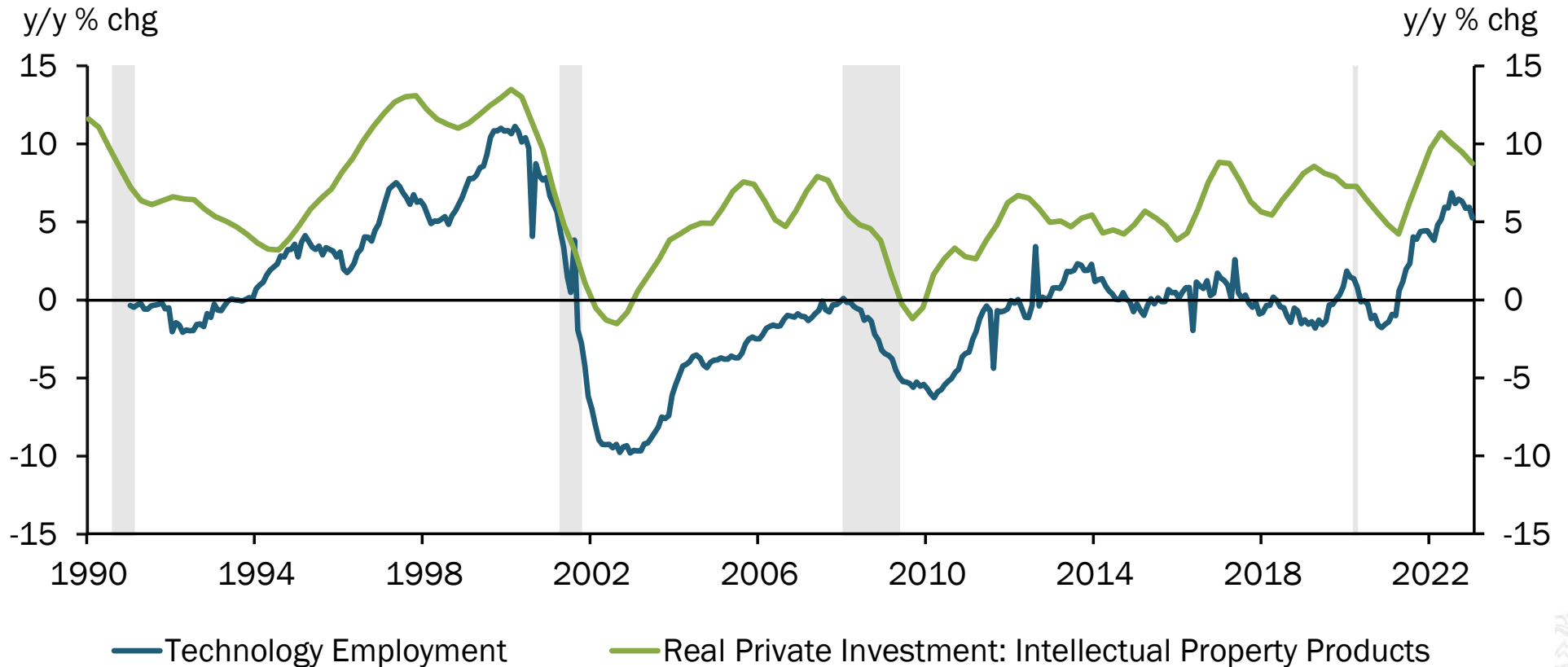


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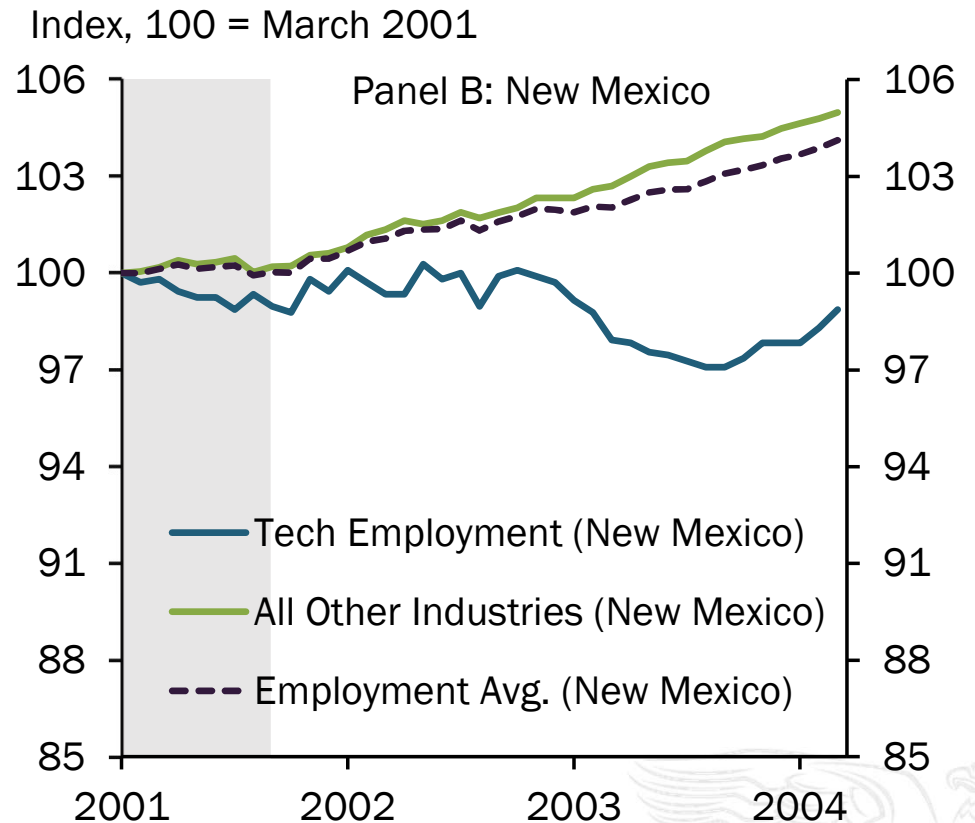
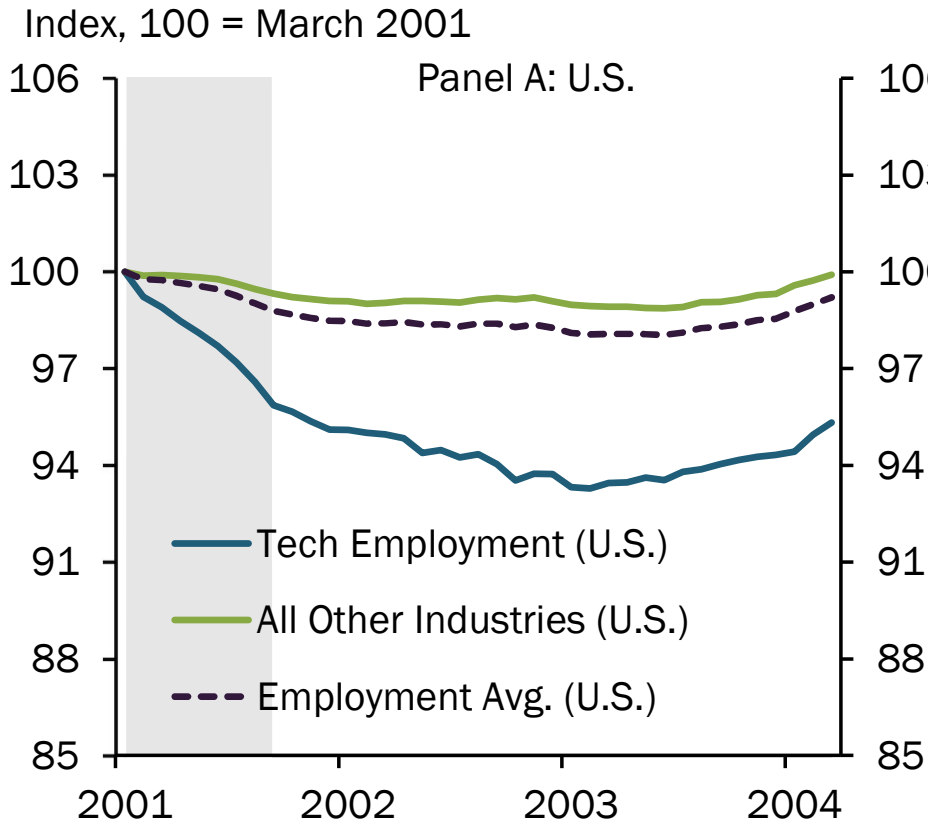
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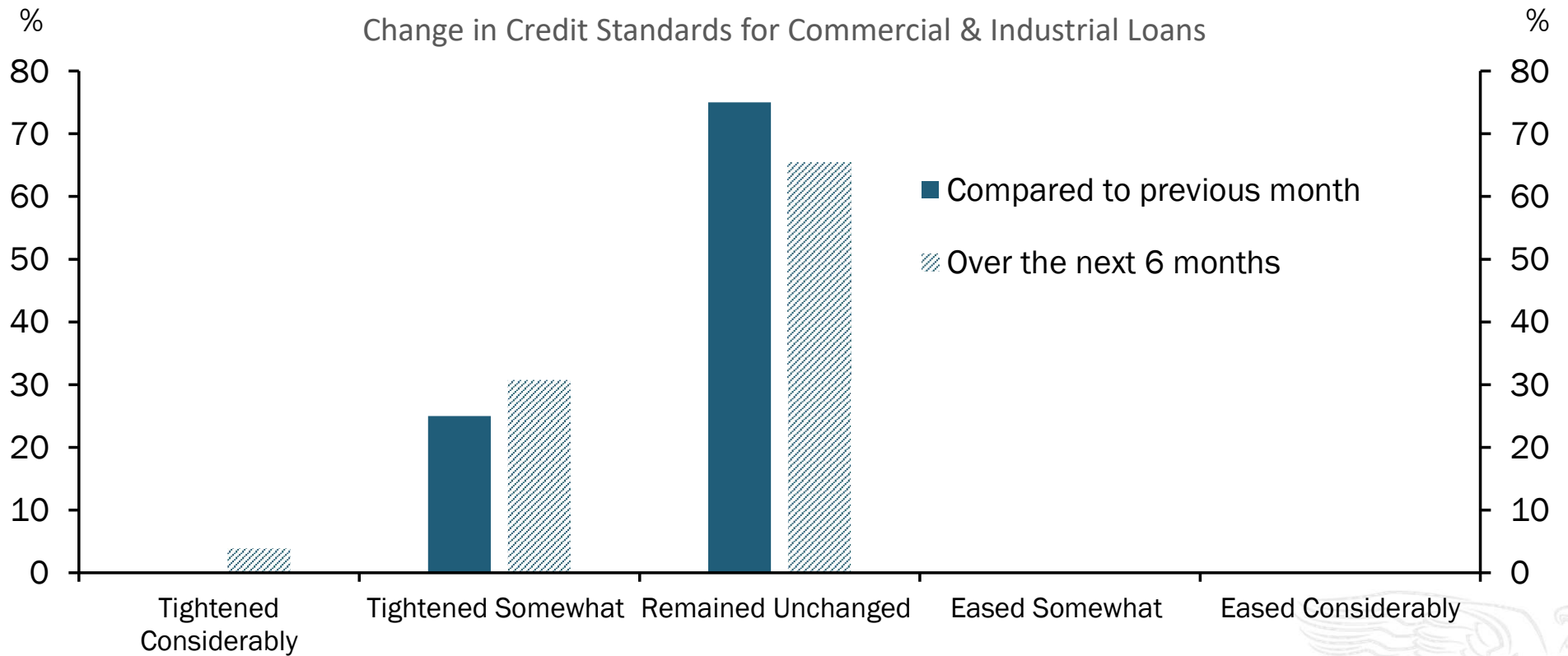
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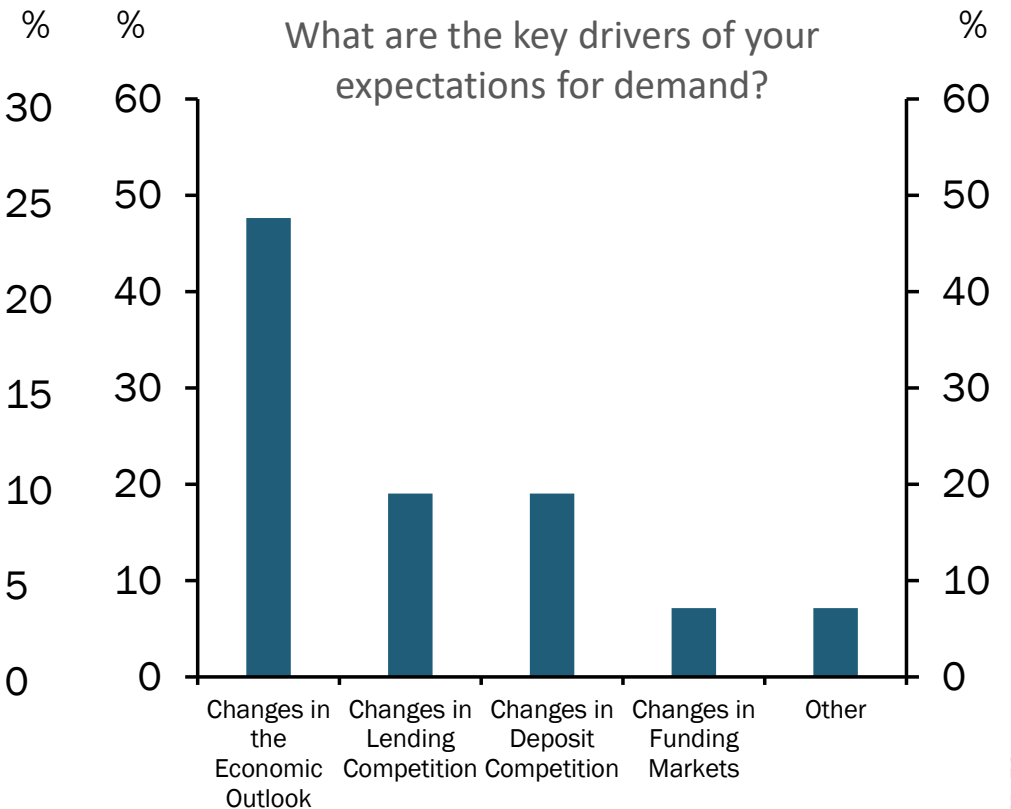
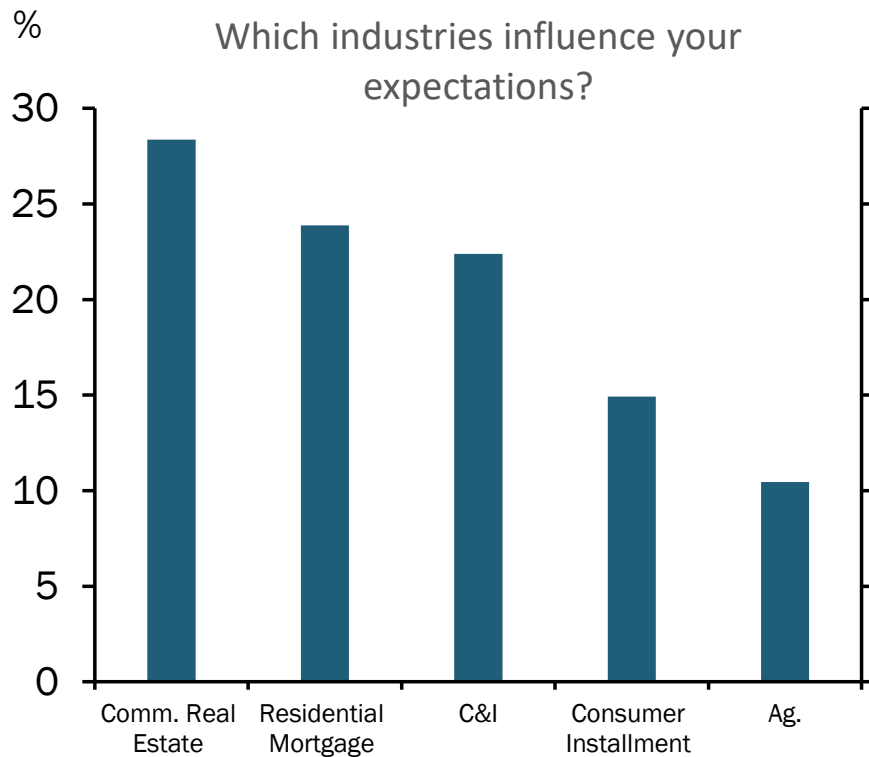
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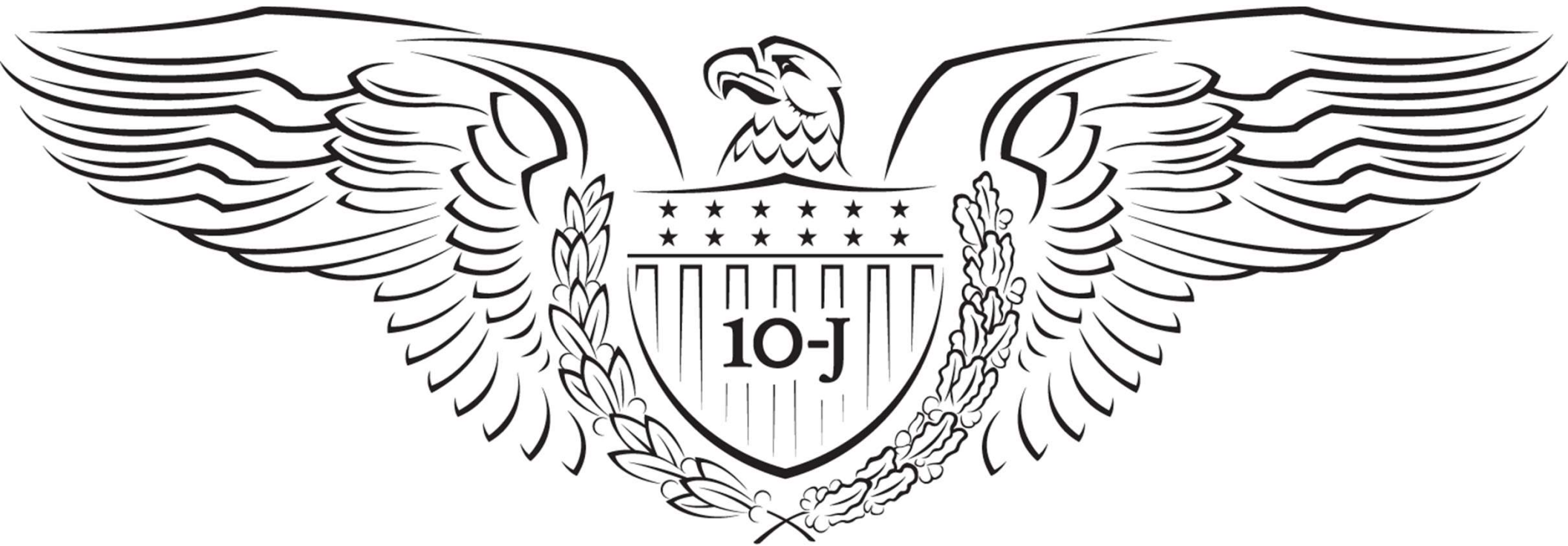


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Economic Conditions and Outlook

May 10, 2023 – New Mexico Briefing

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Vice President, Economist and Denver Branch Executive

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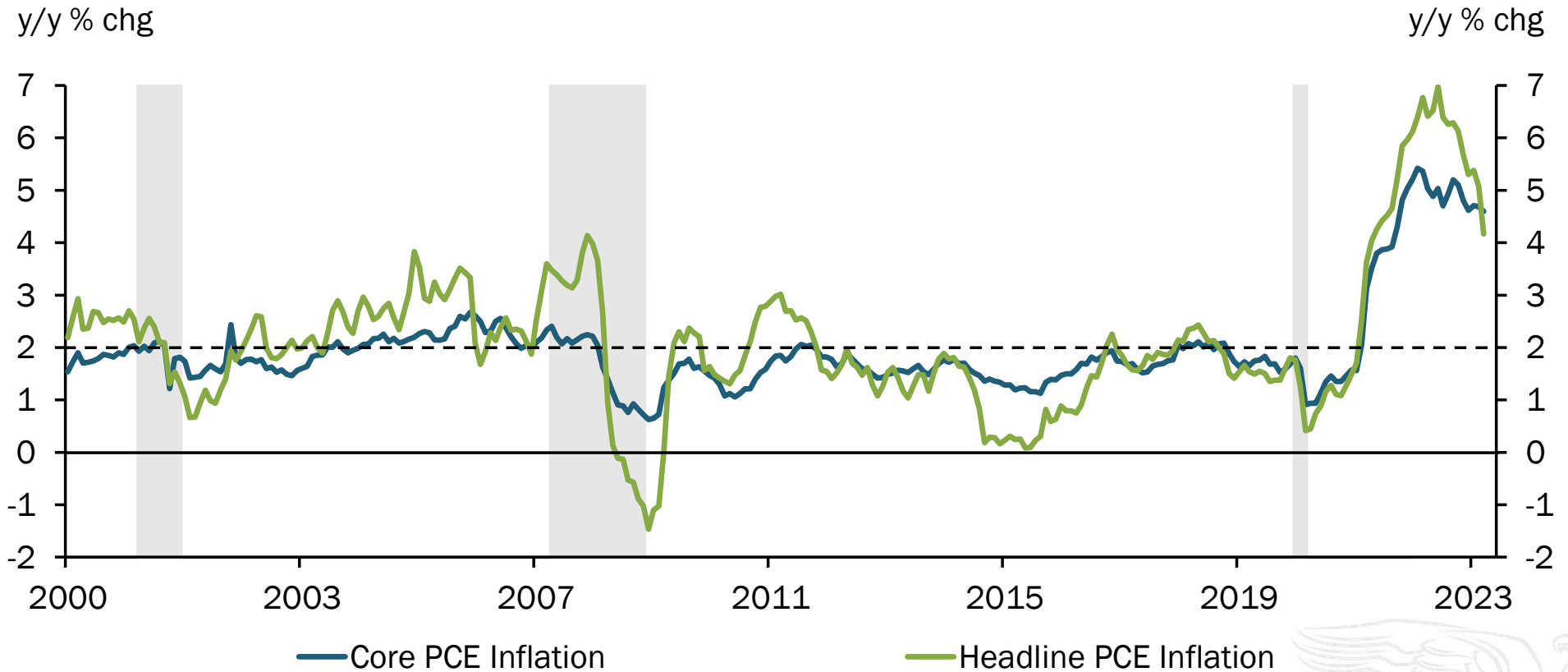


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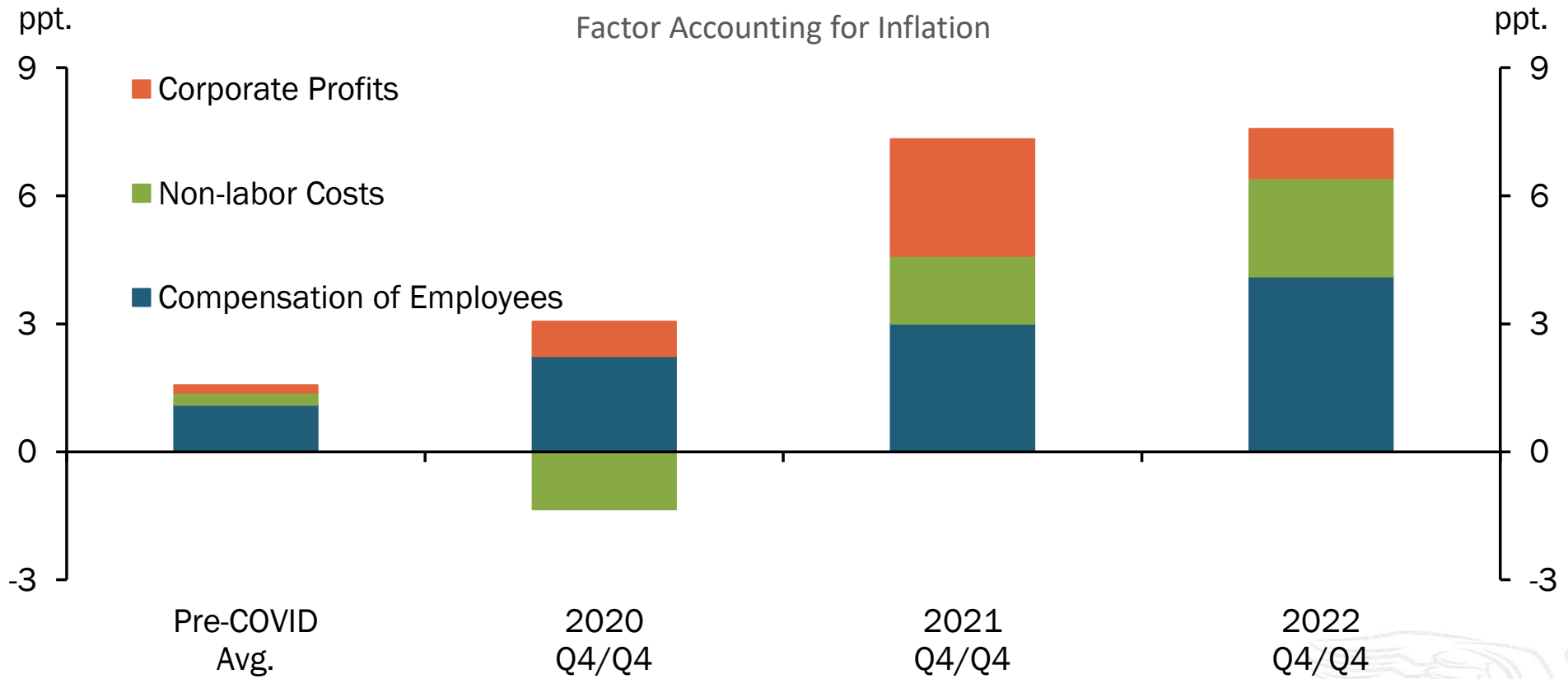
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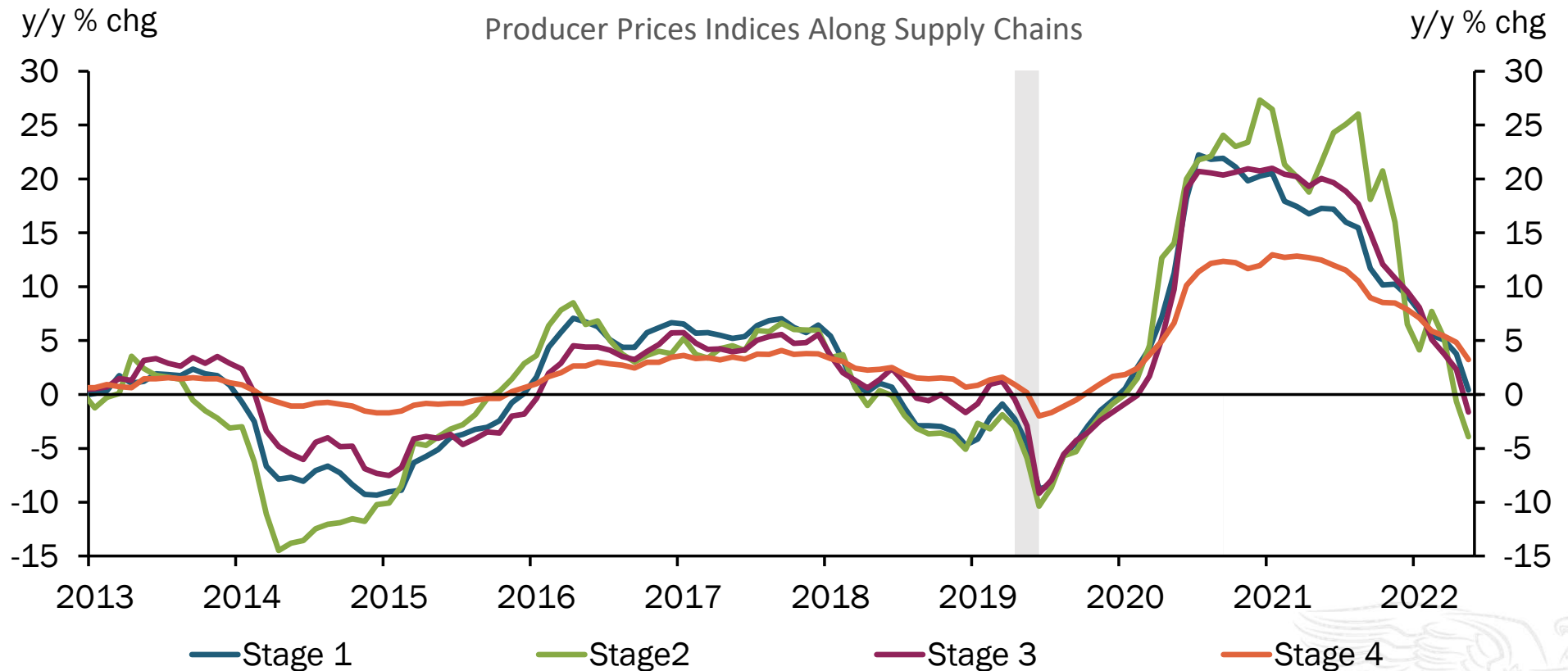
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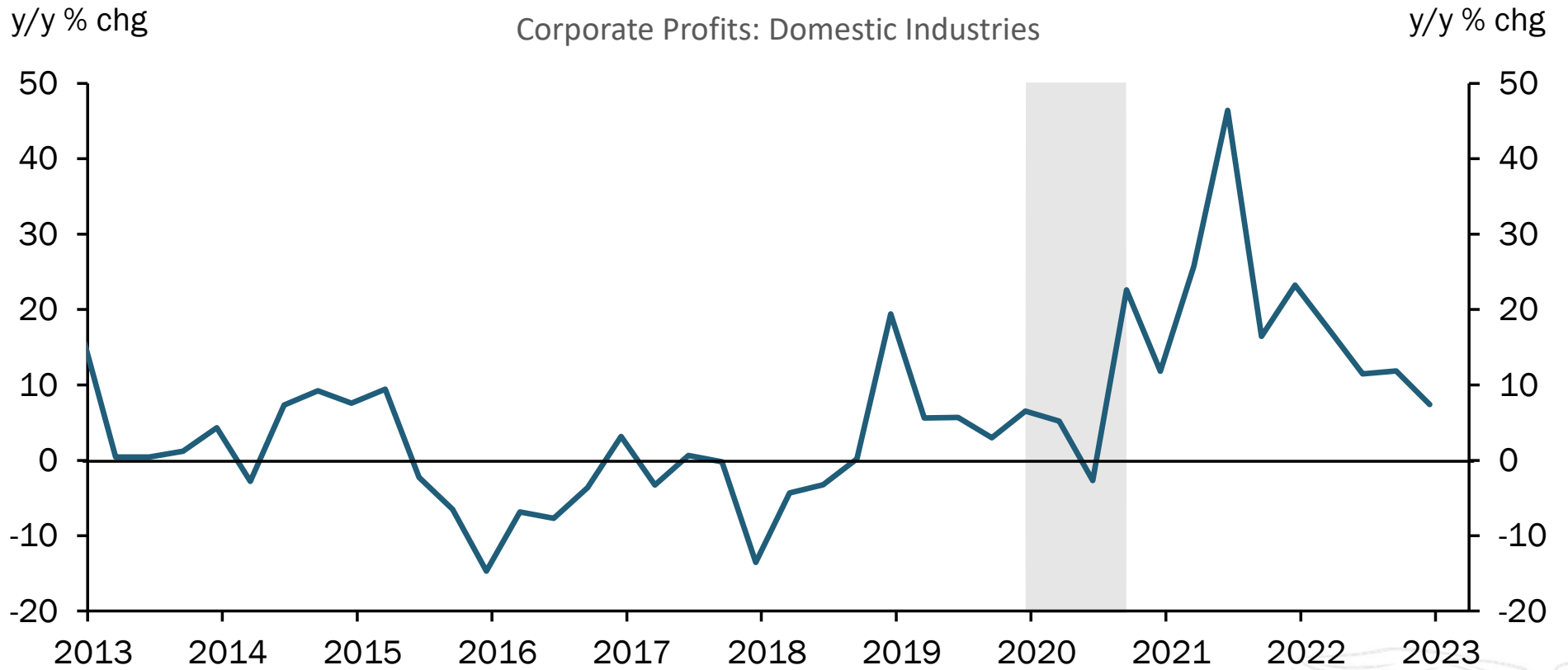
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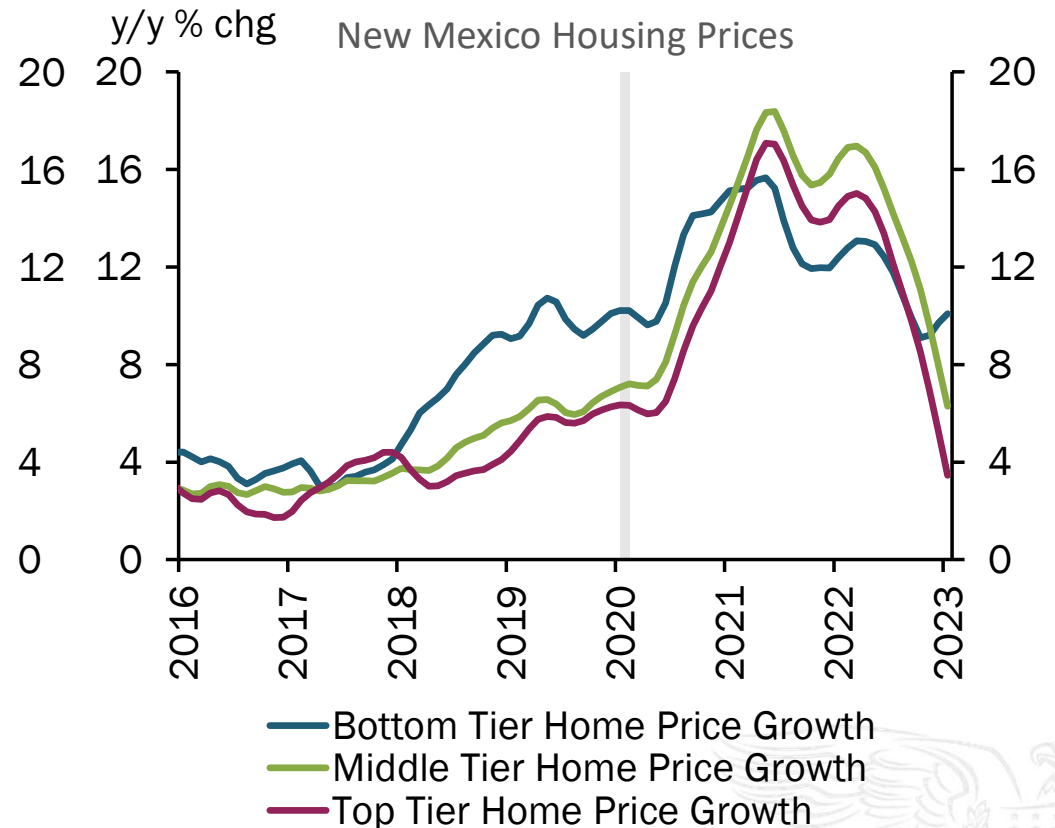
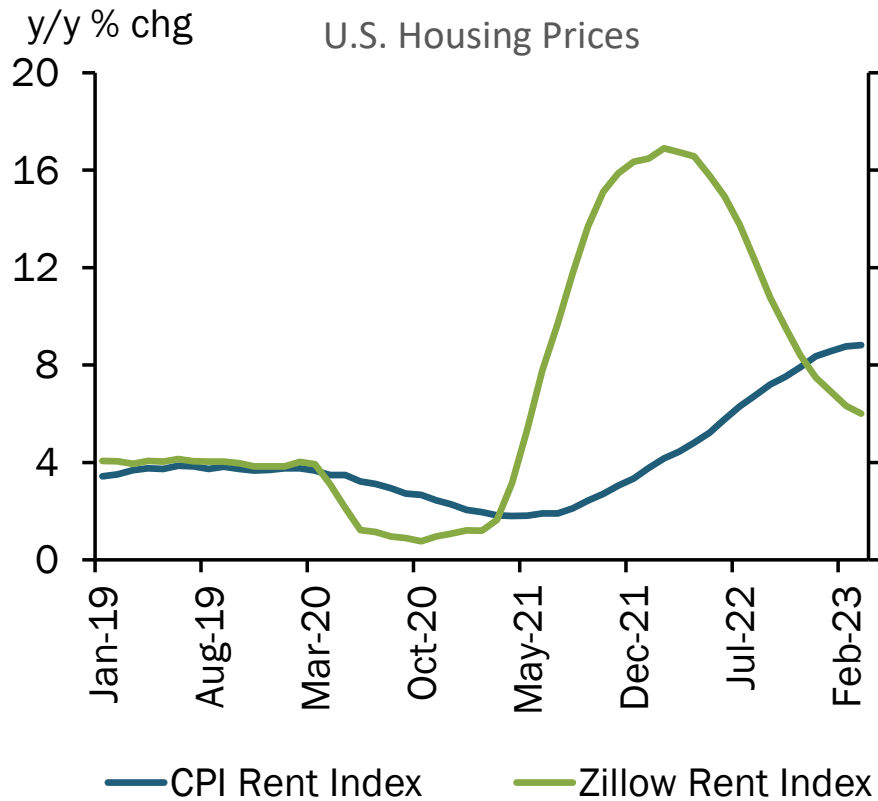
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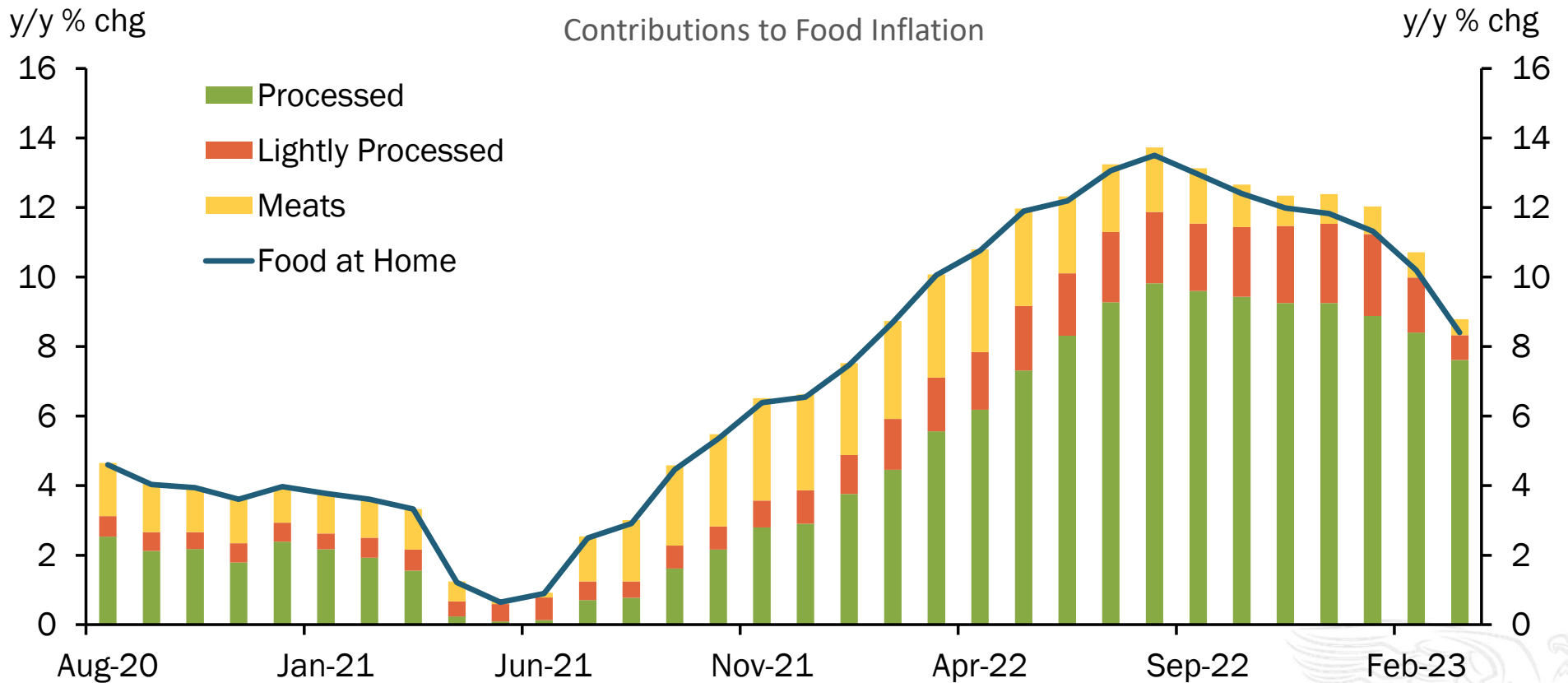


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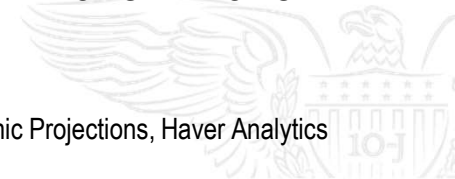
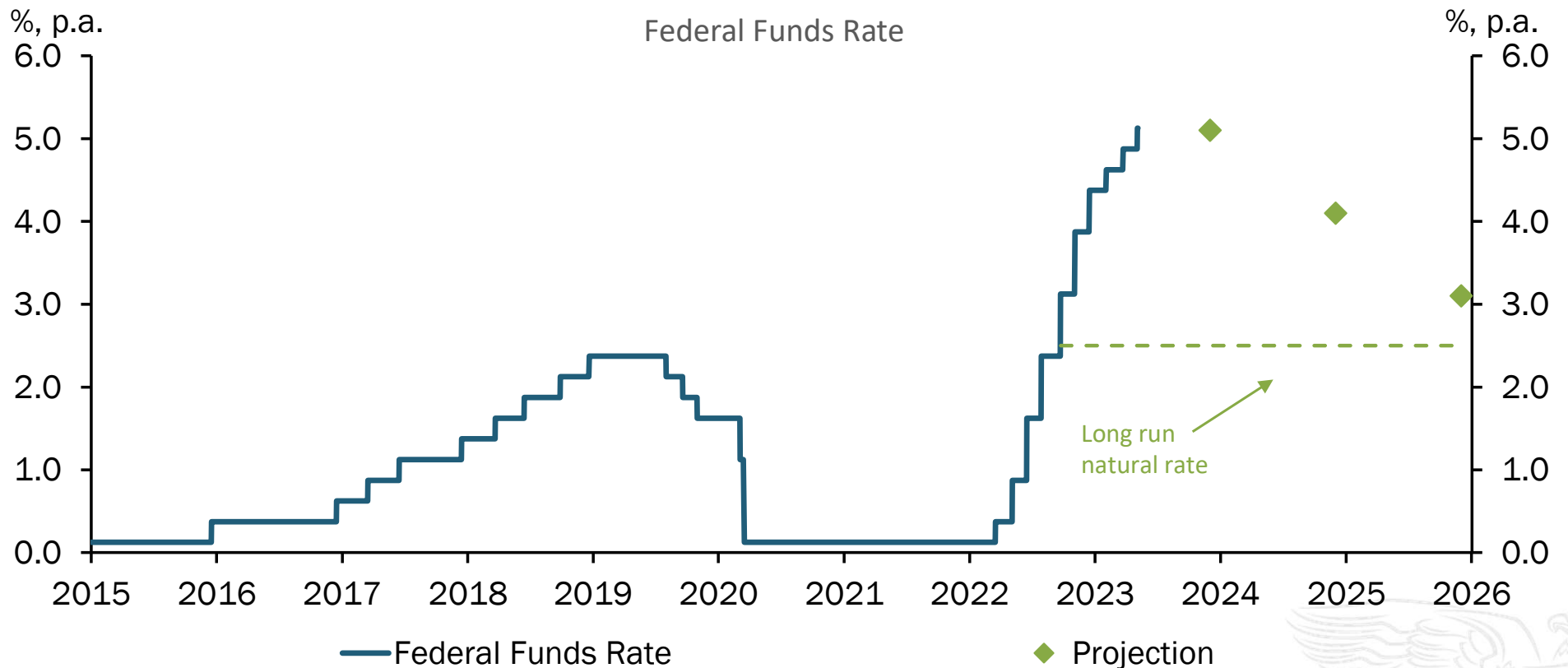


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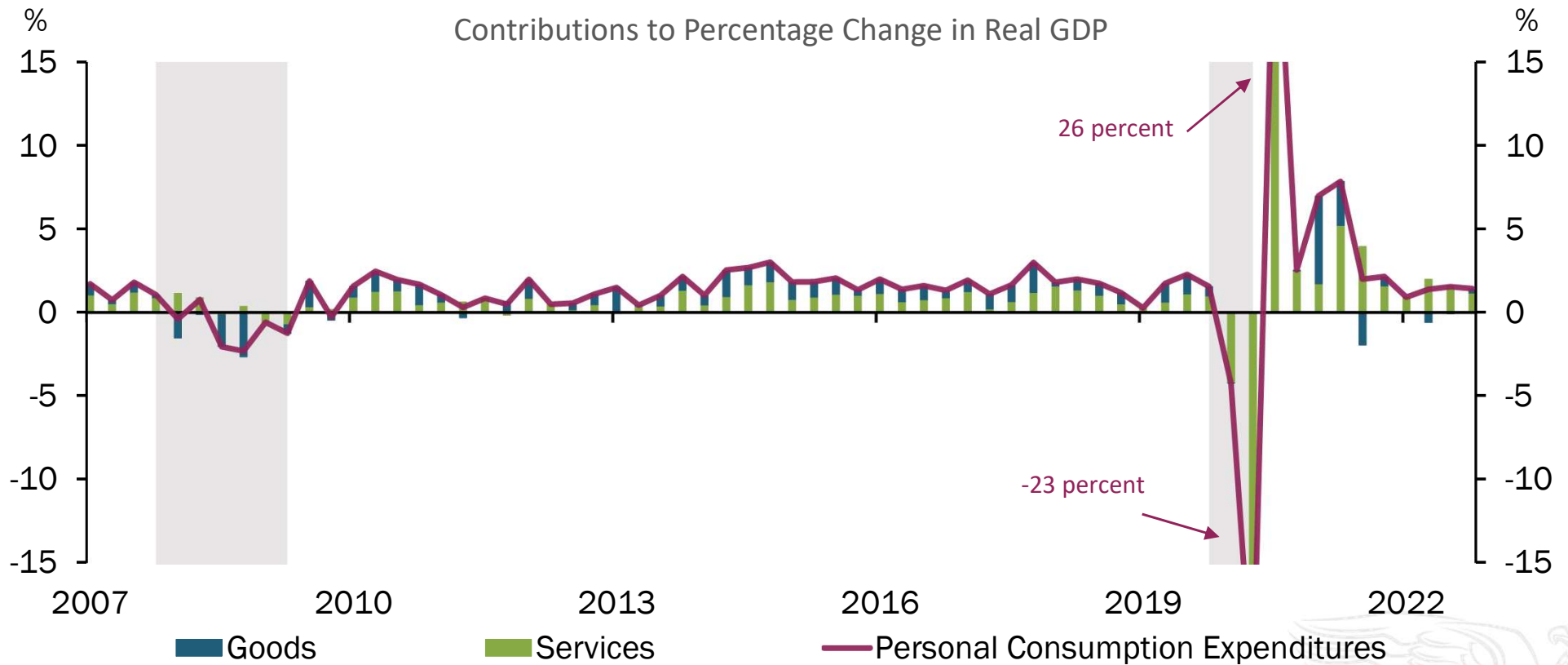
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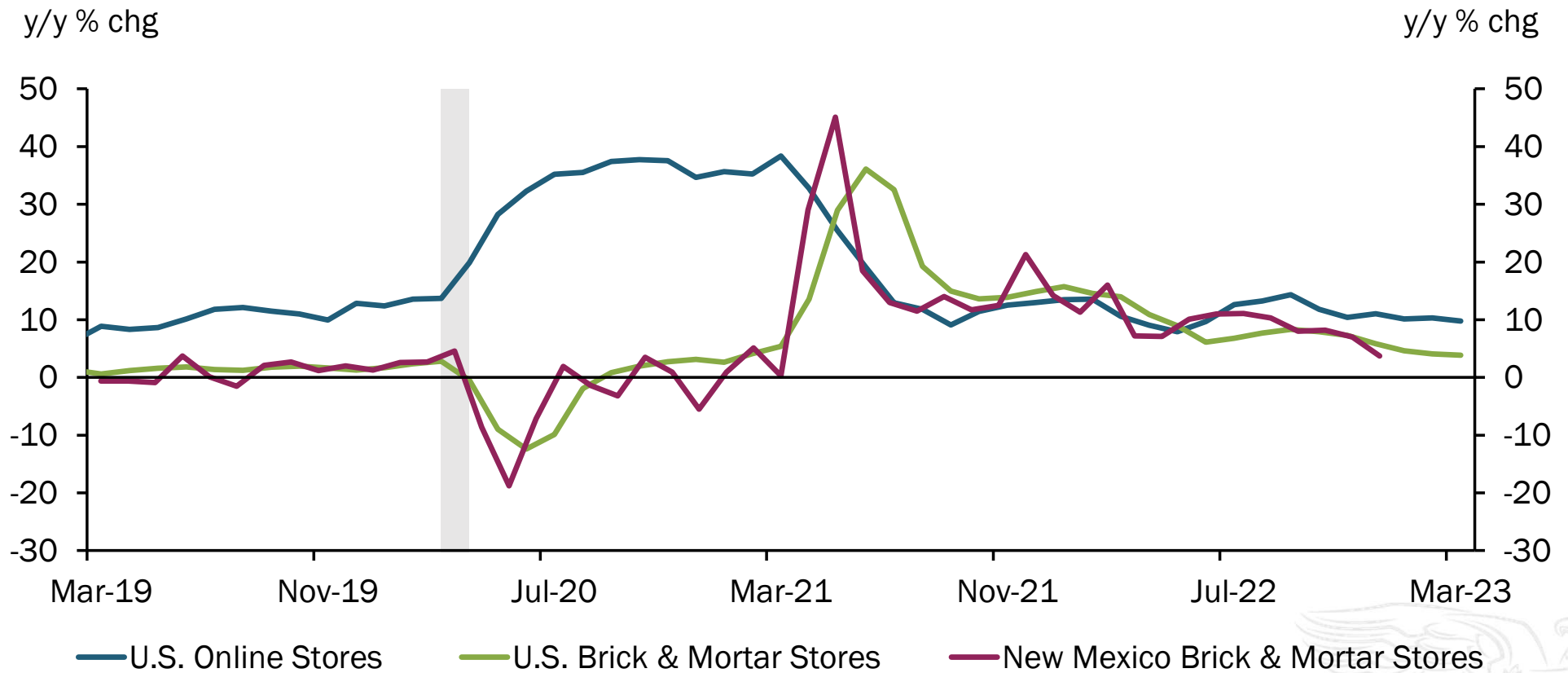


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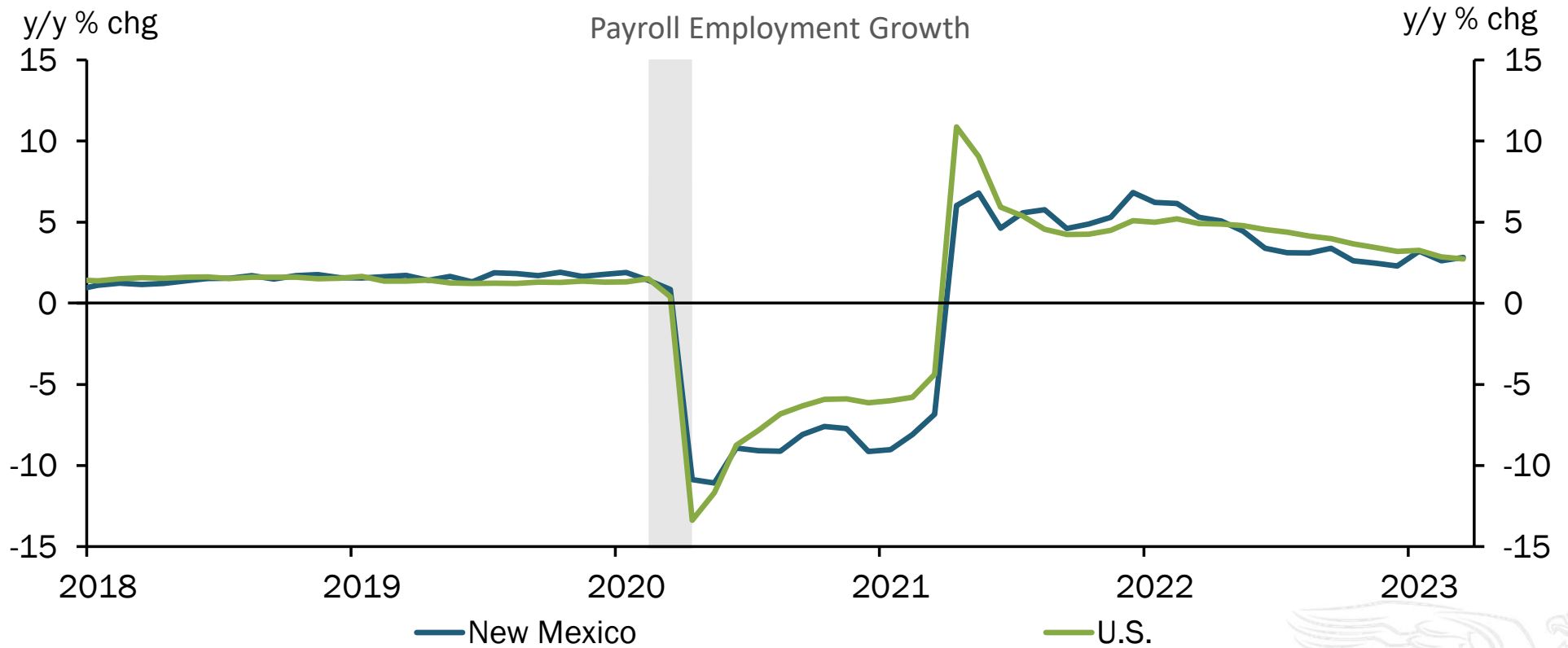


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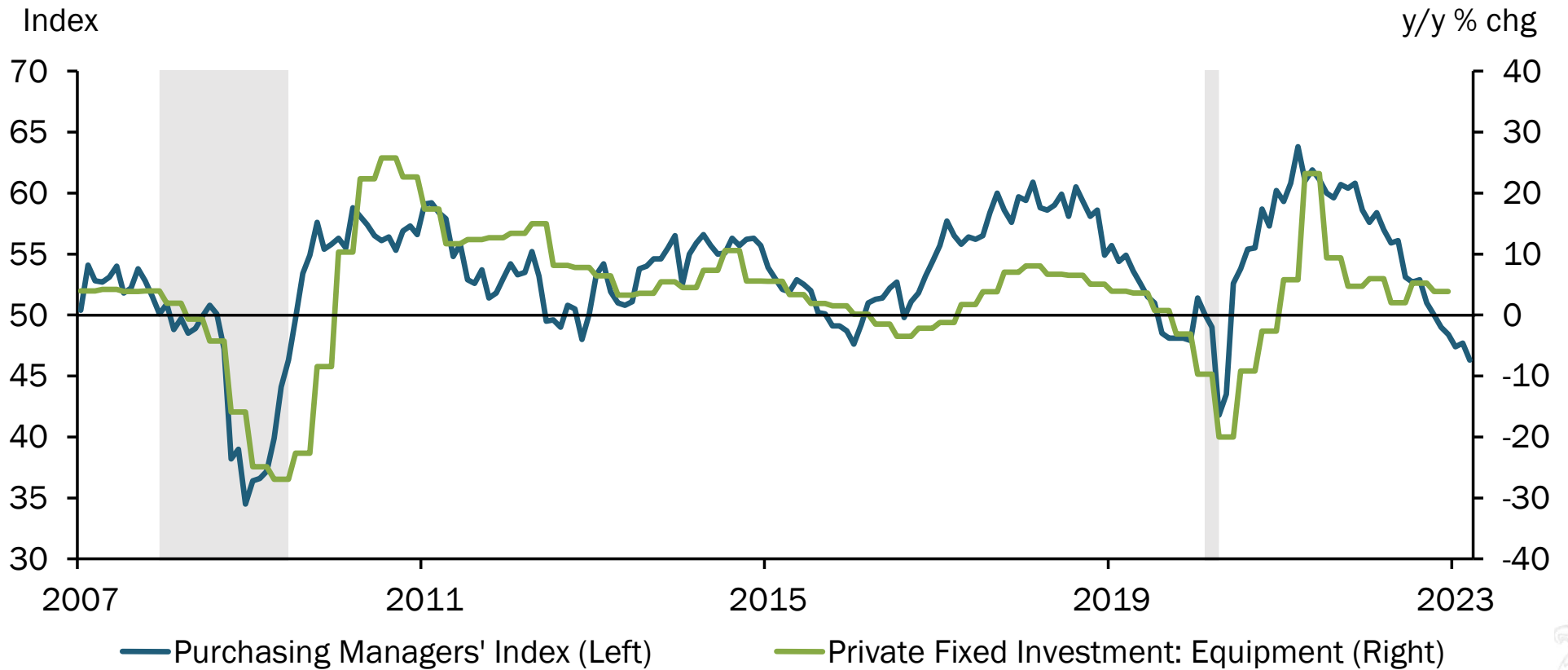


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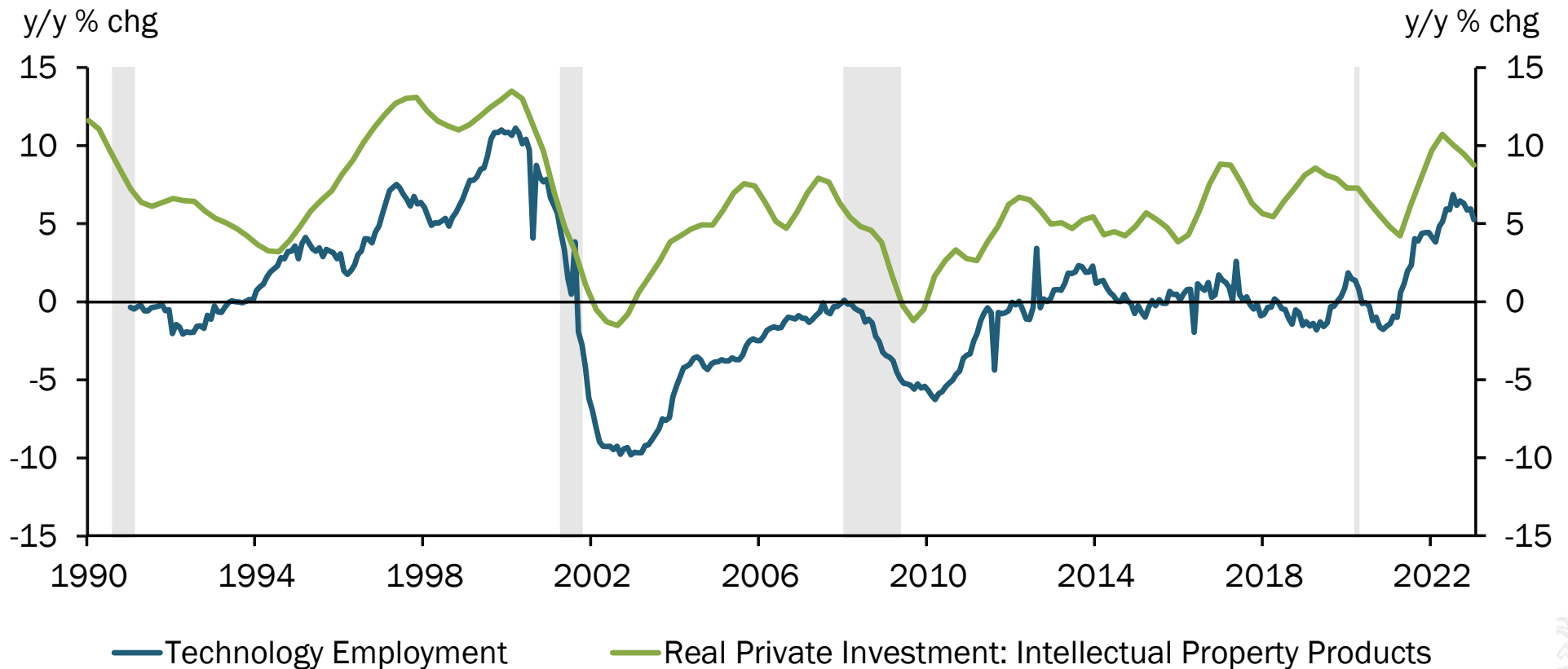


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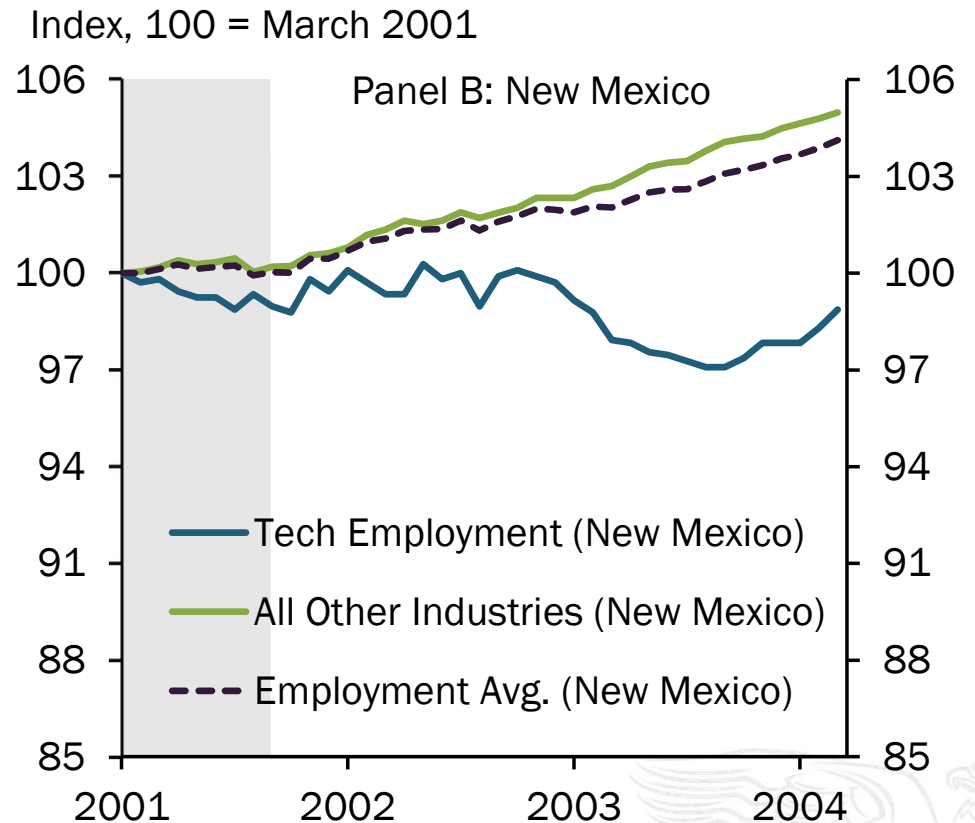
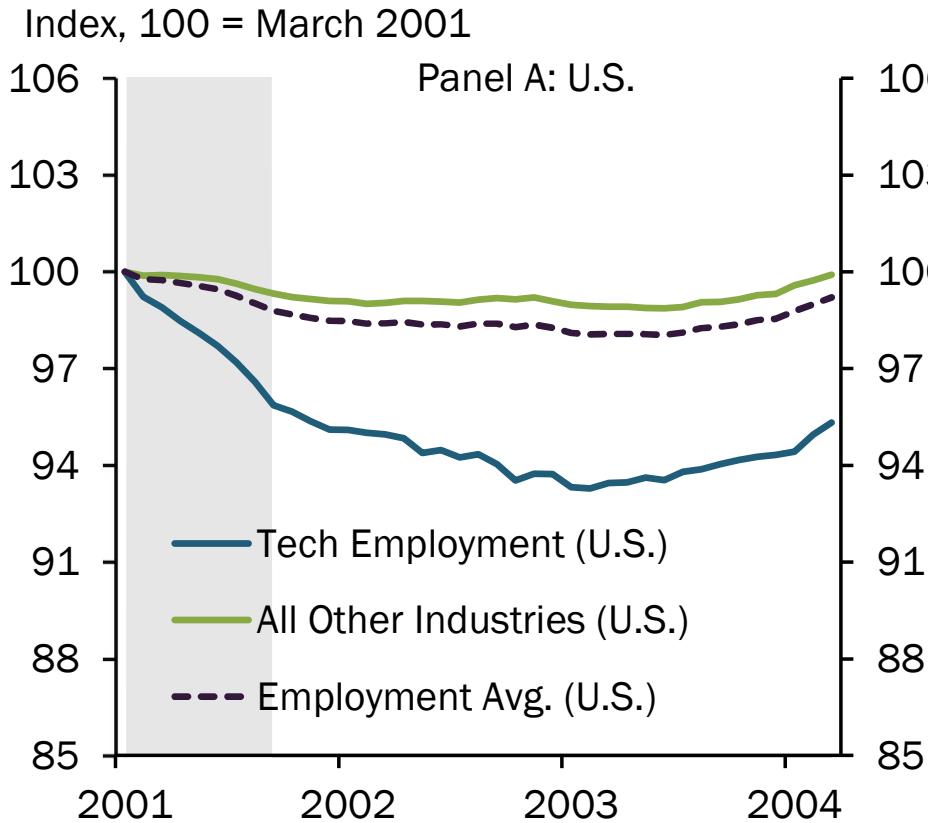
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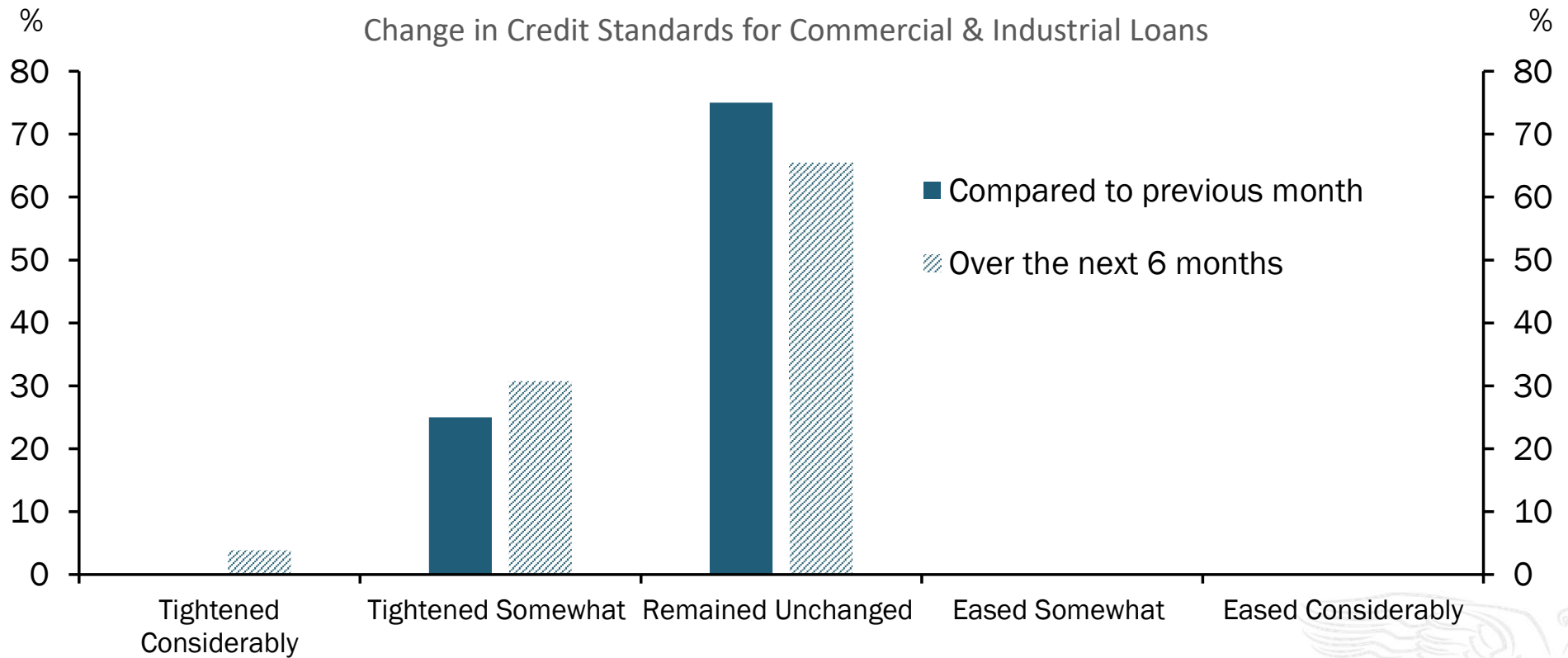
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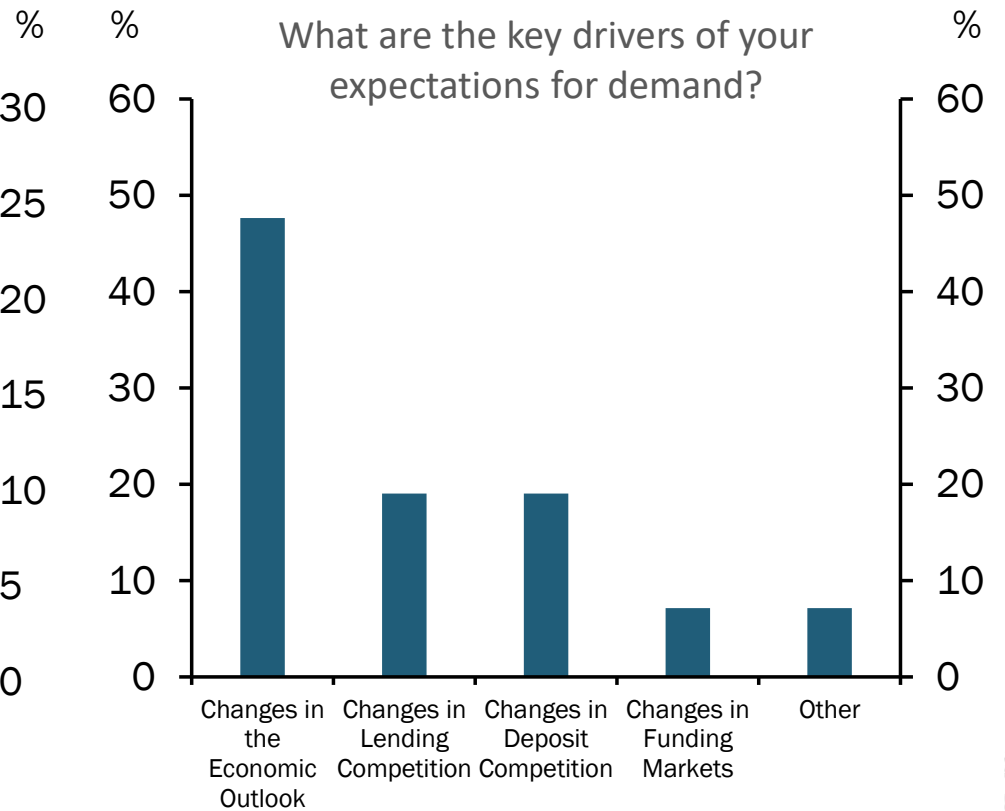
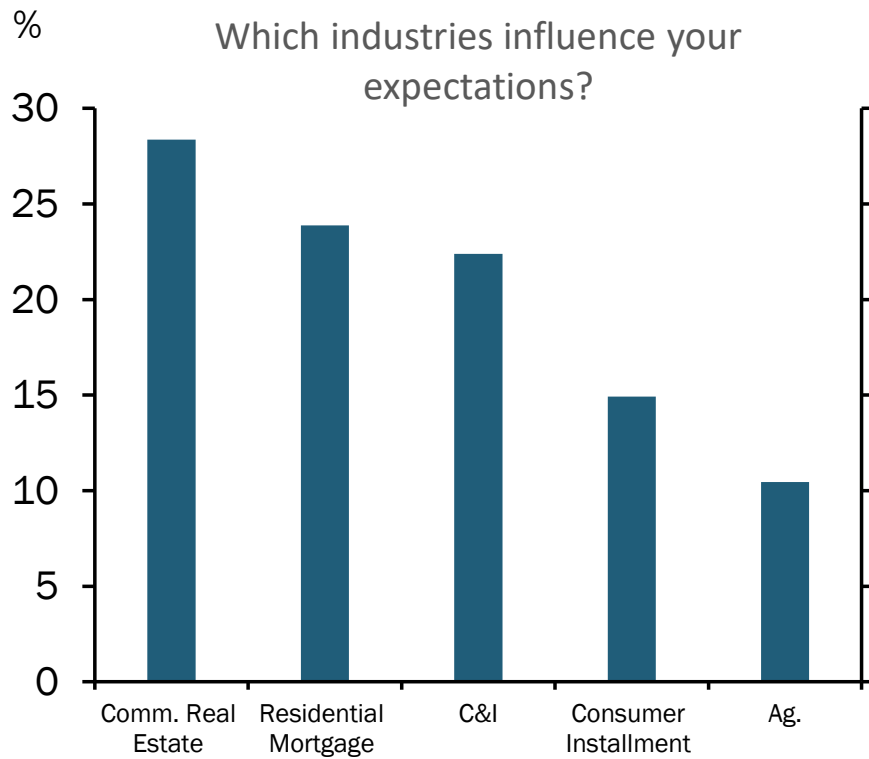
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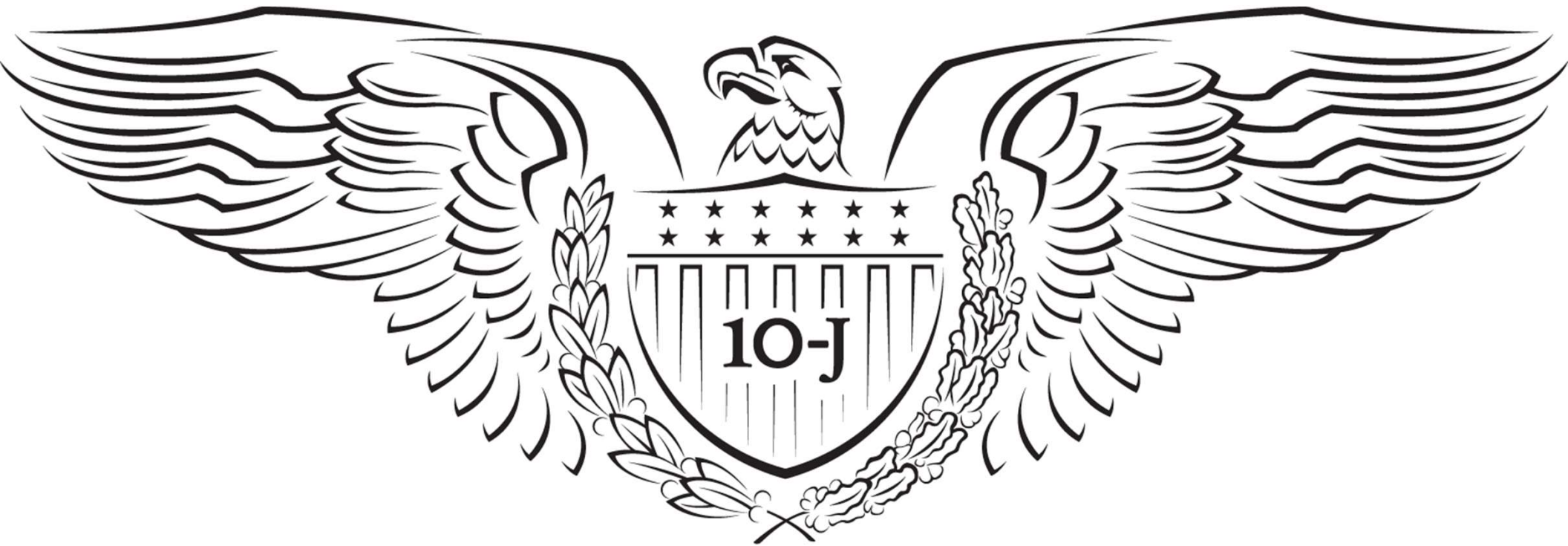


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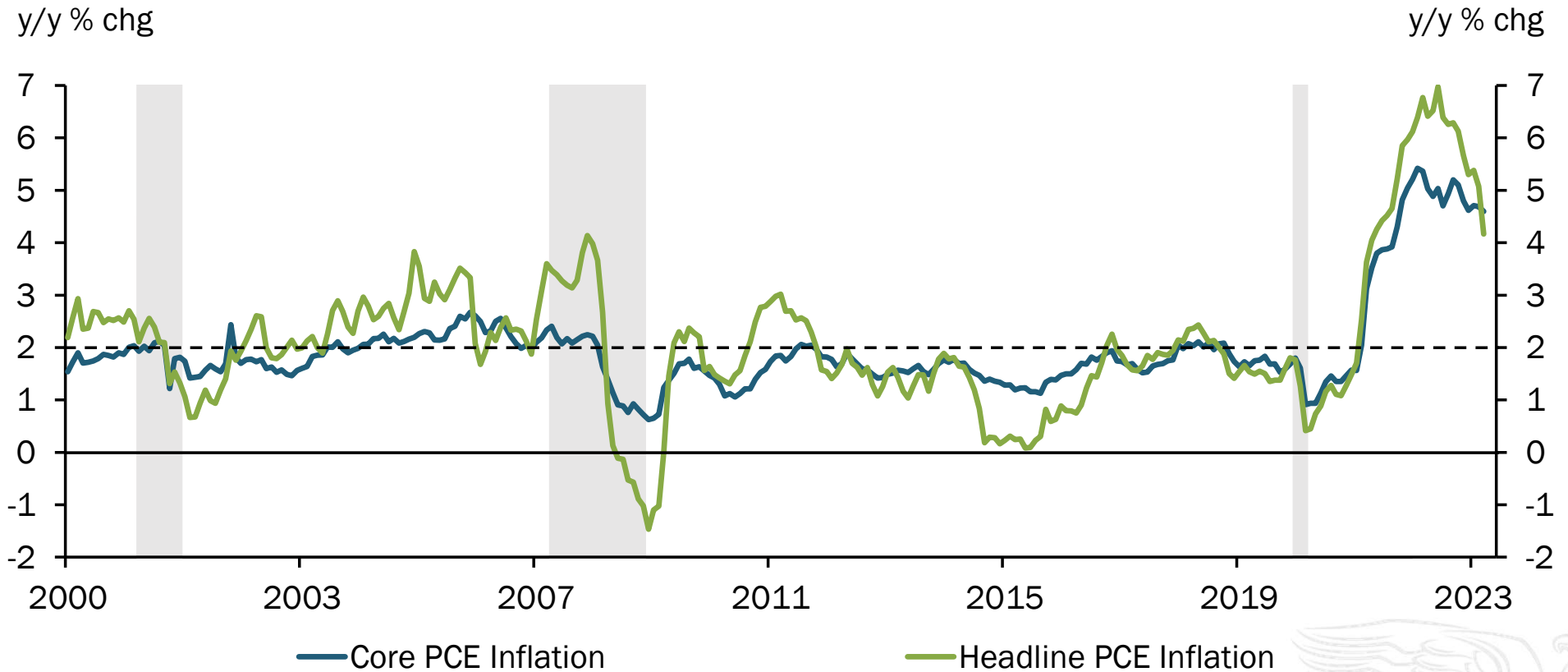


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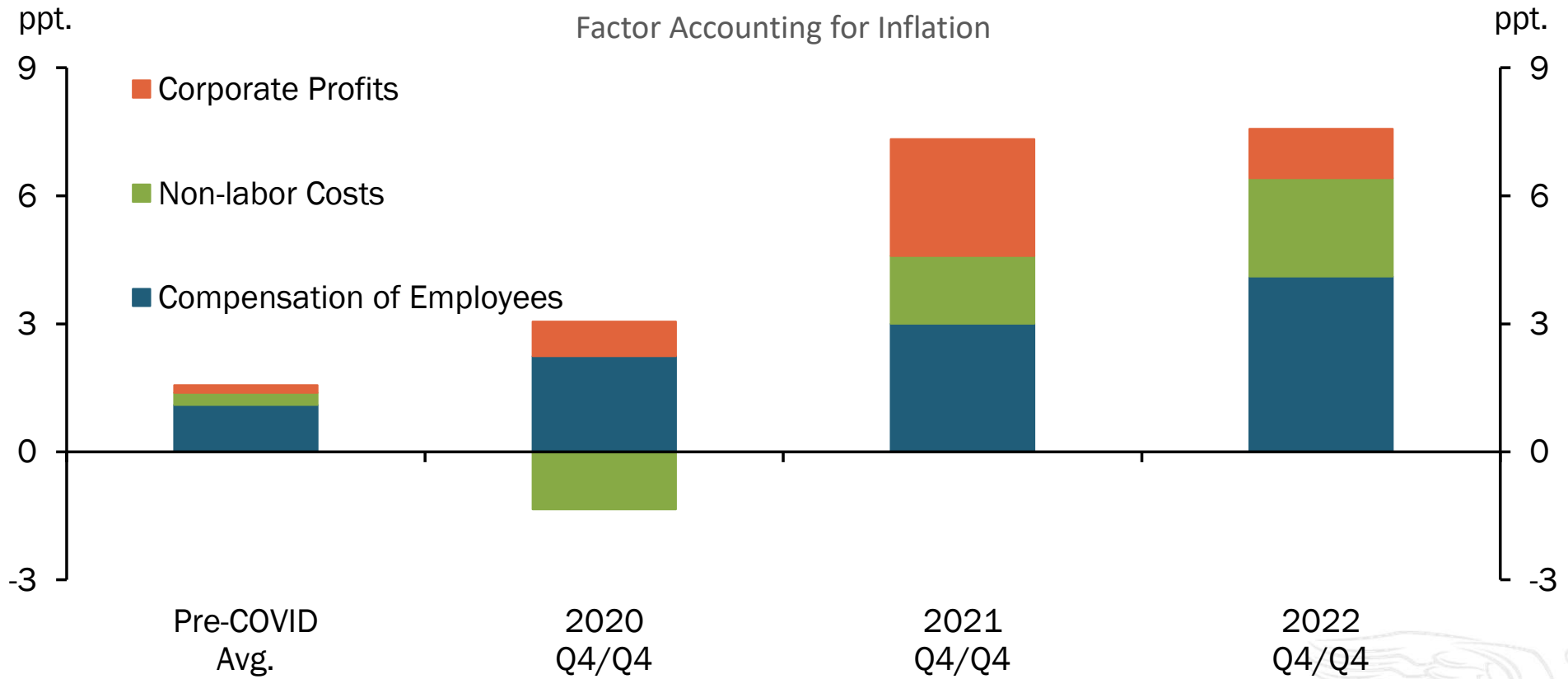
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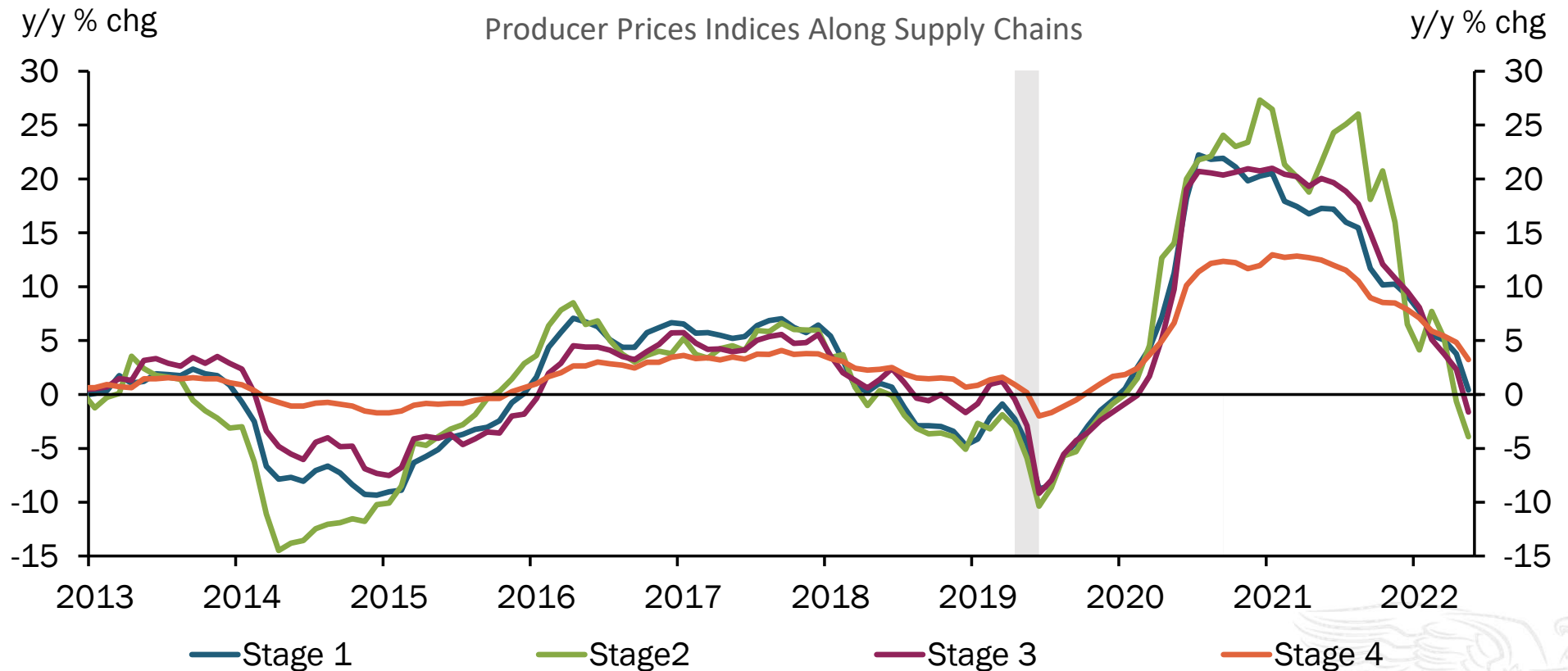
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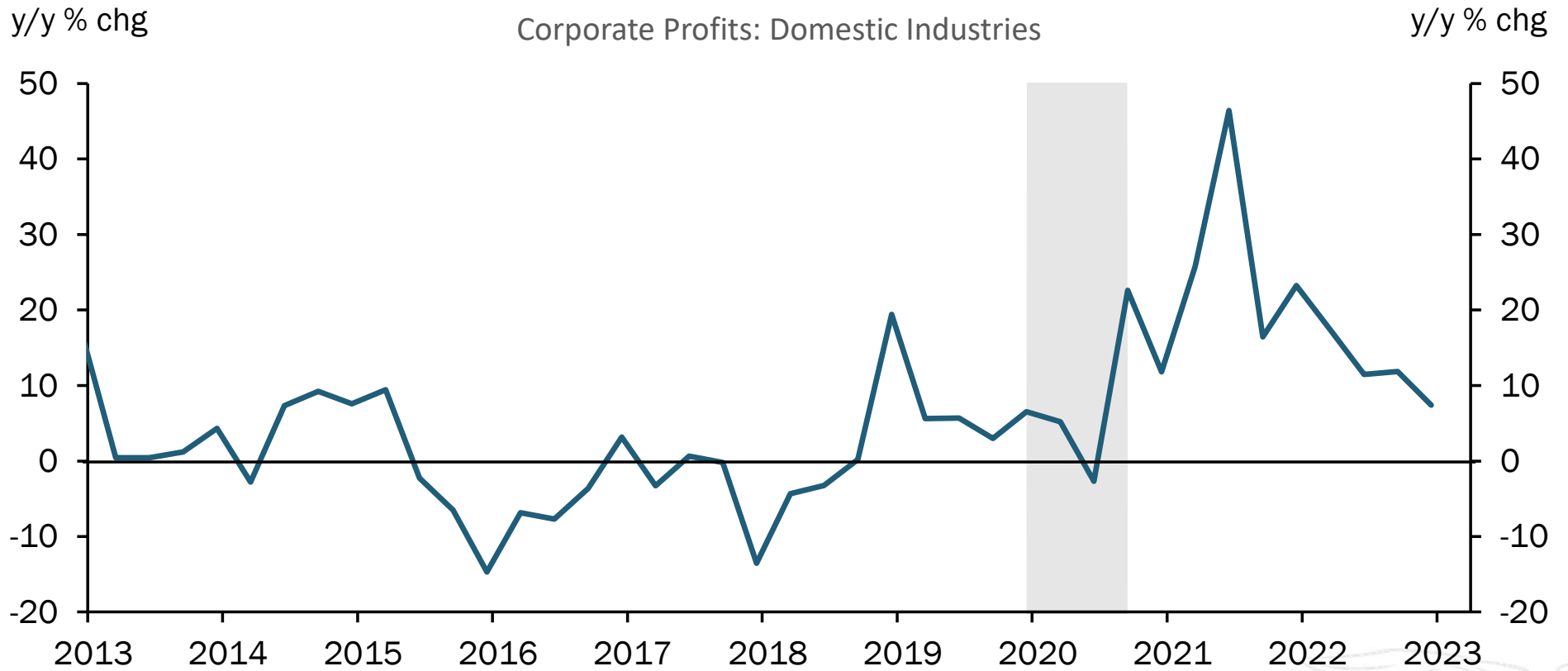
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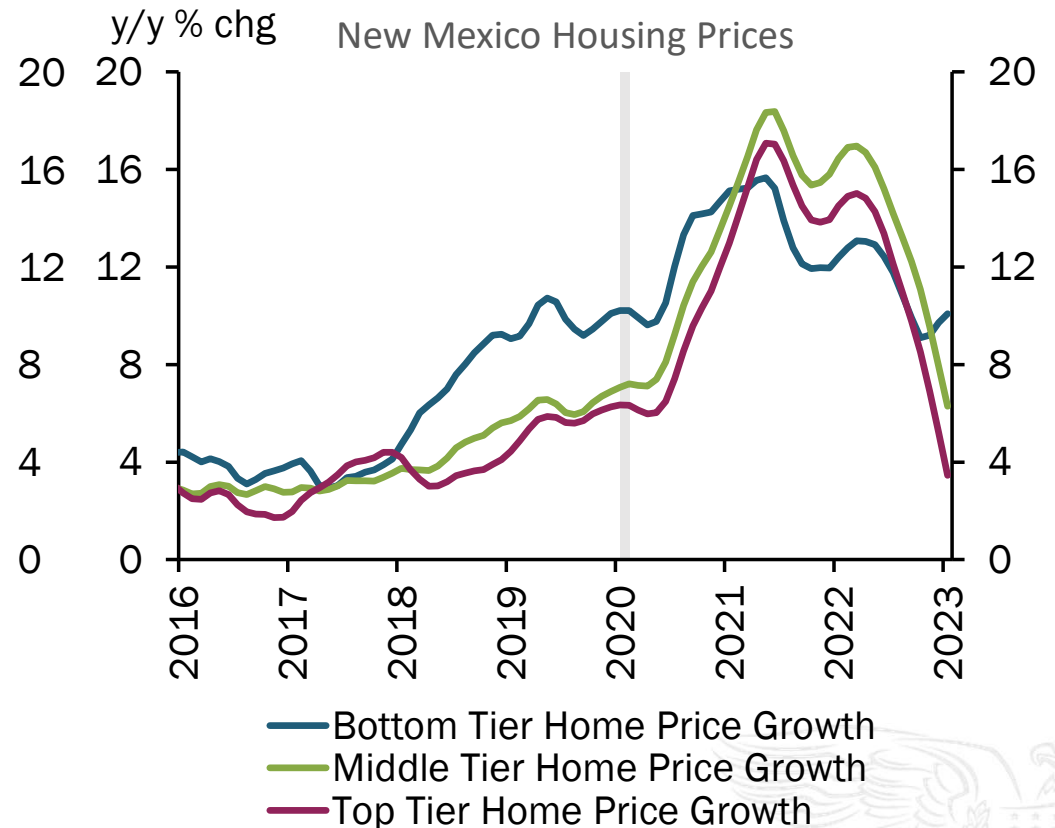
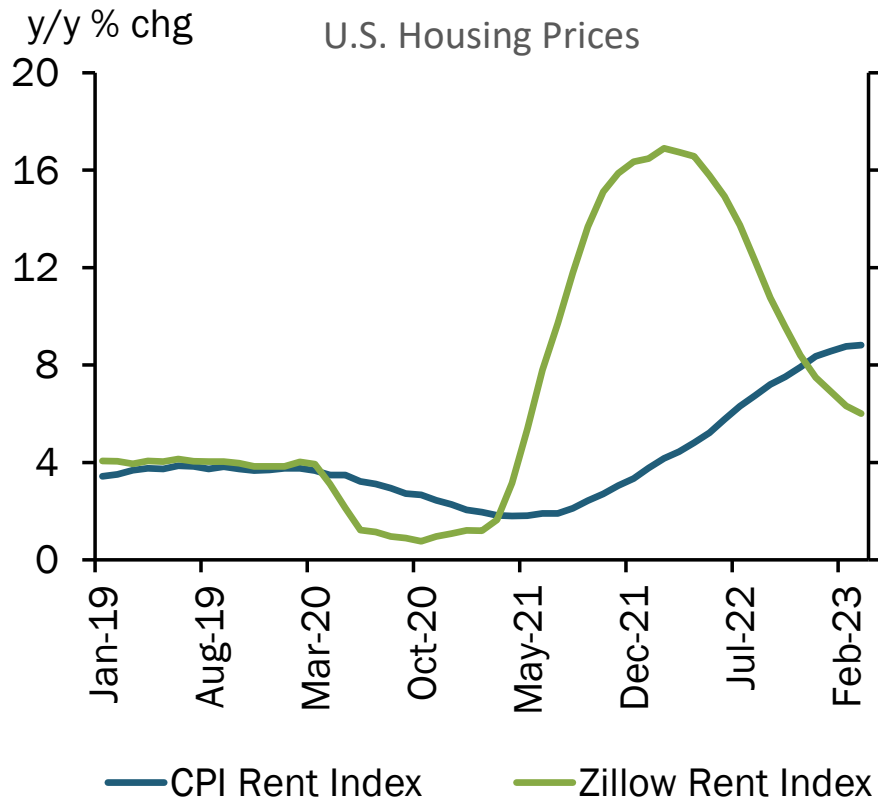
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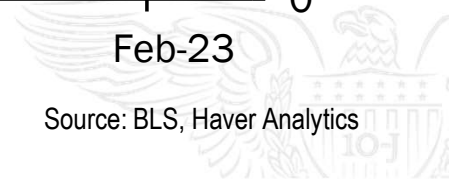
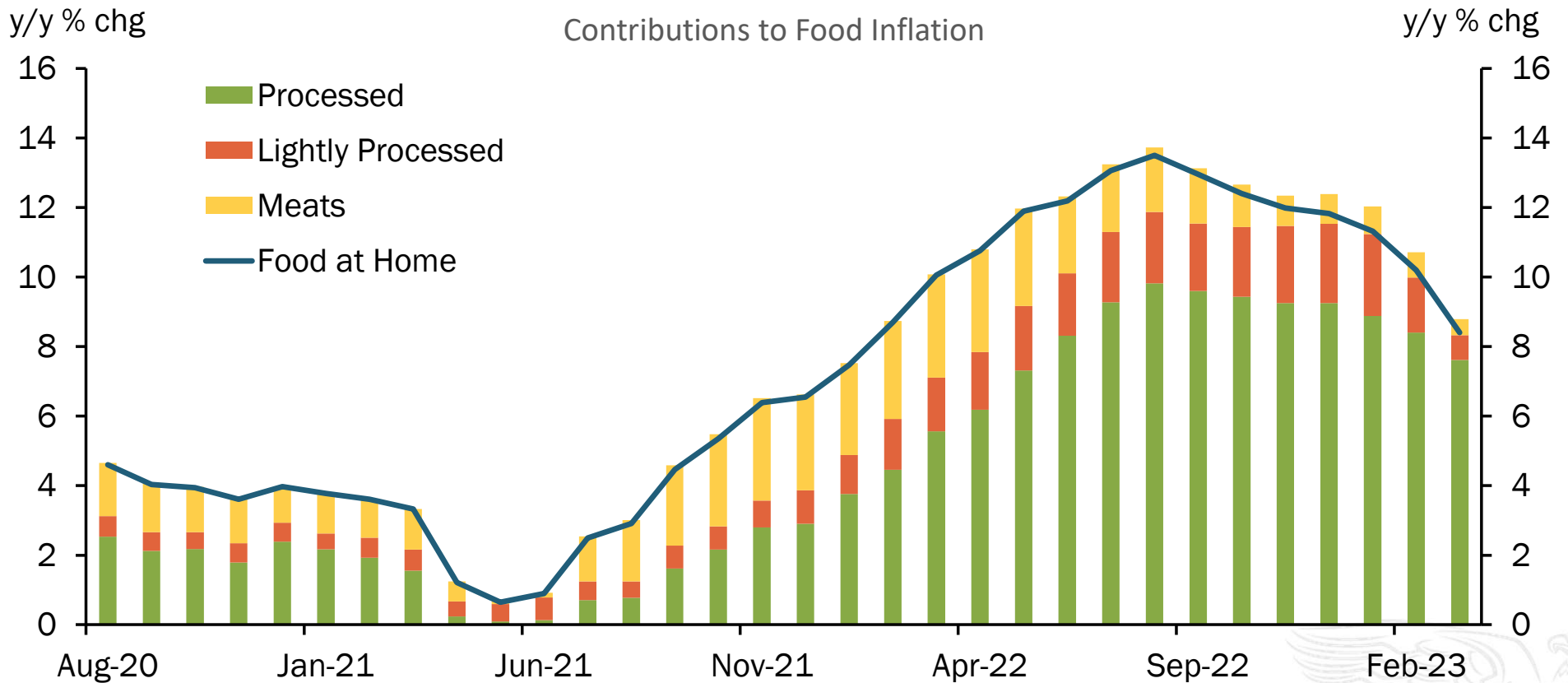


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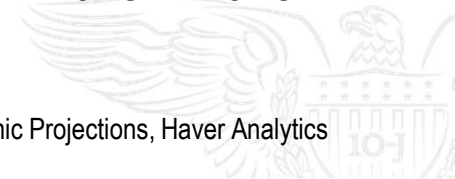
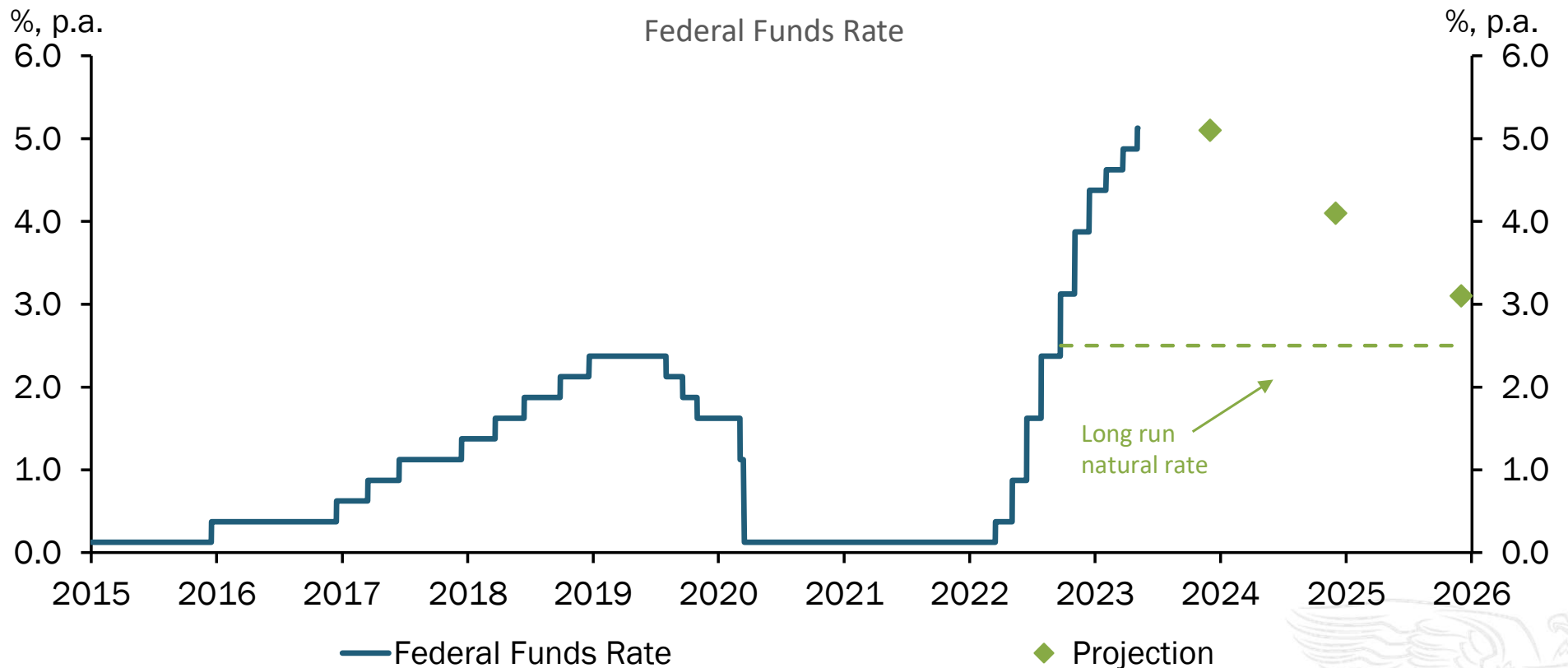


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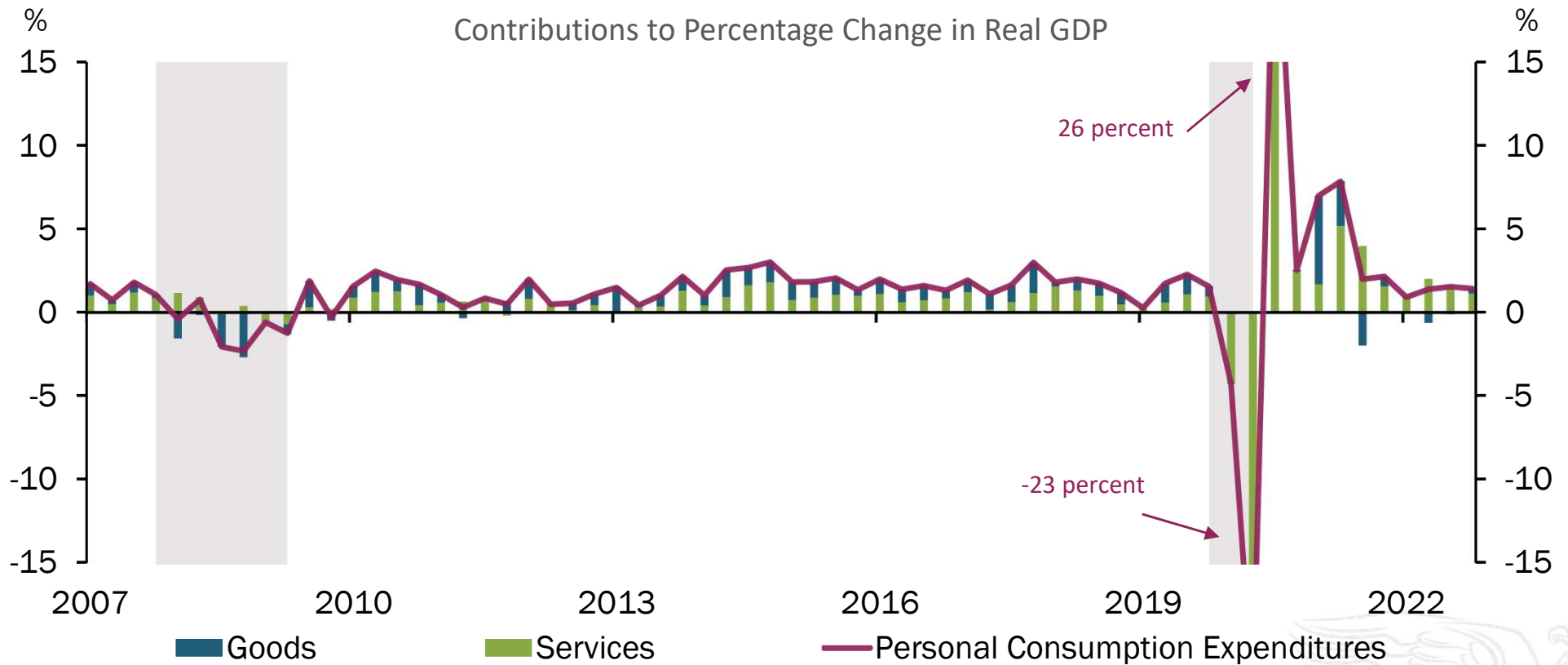
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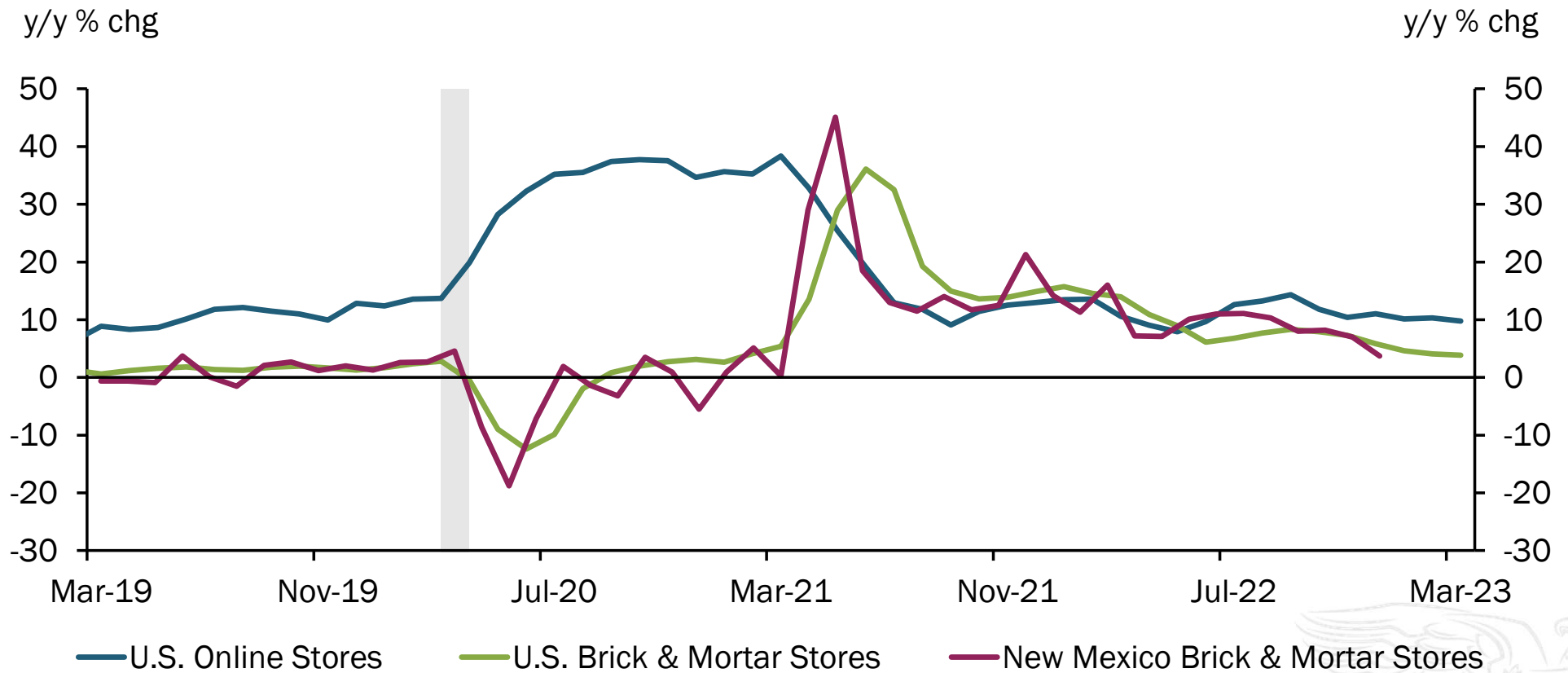


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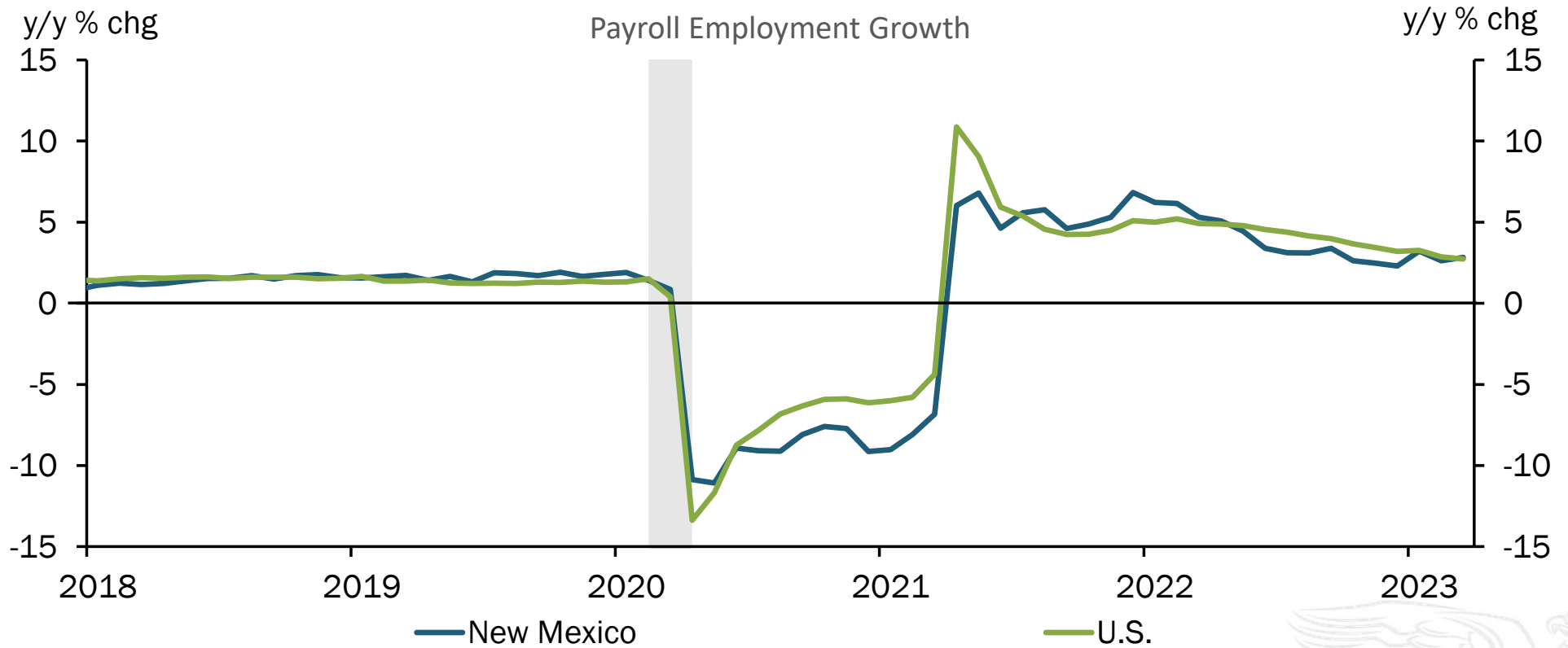


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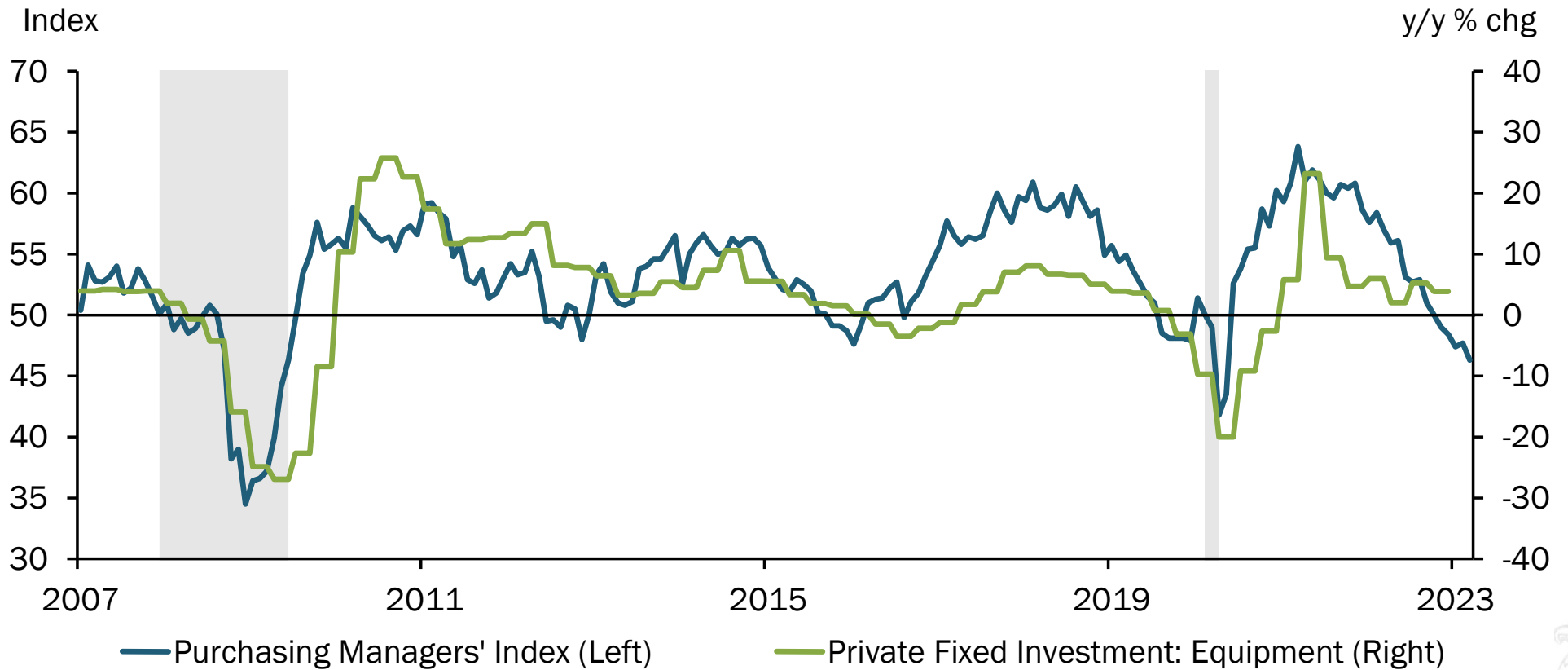


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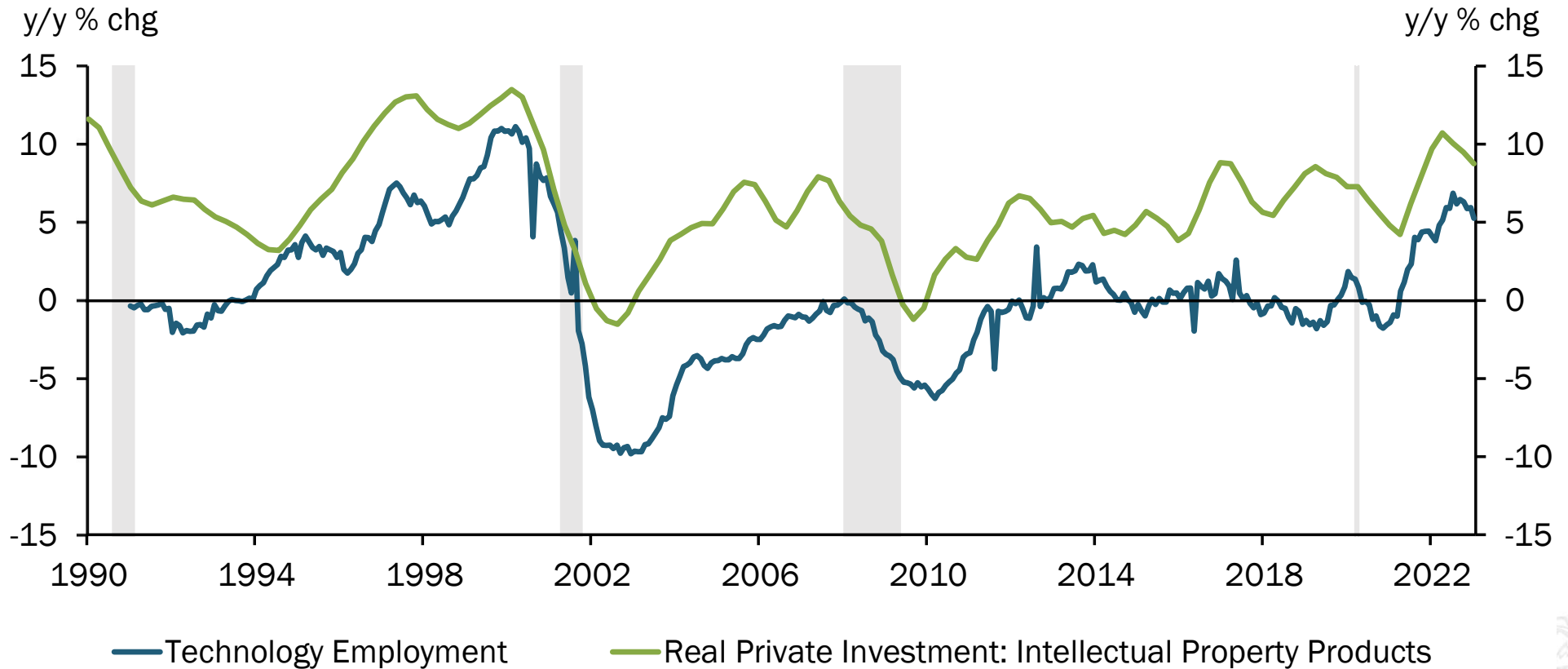


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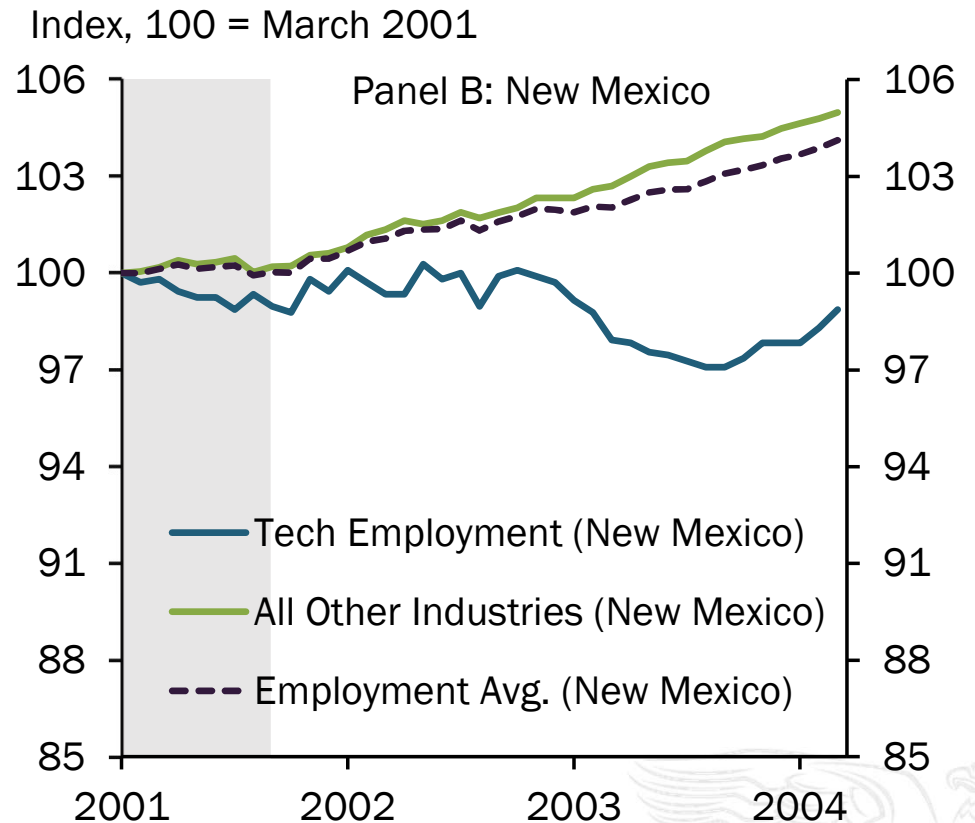
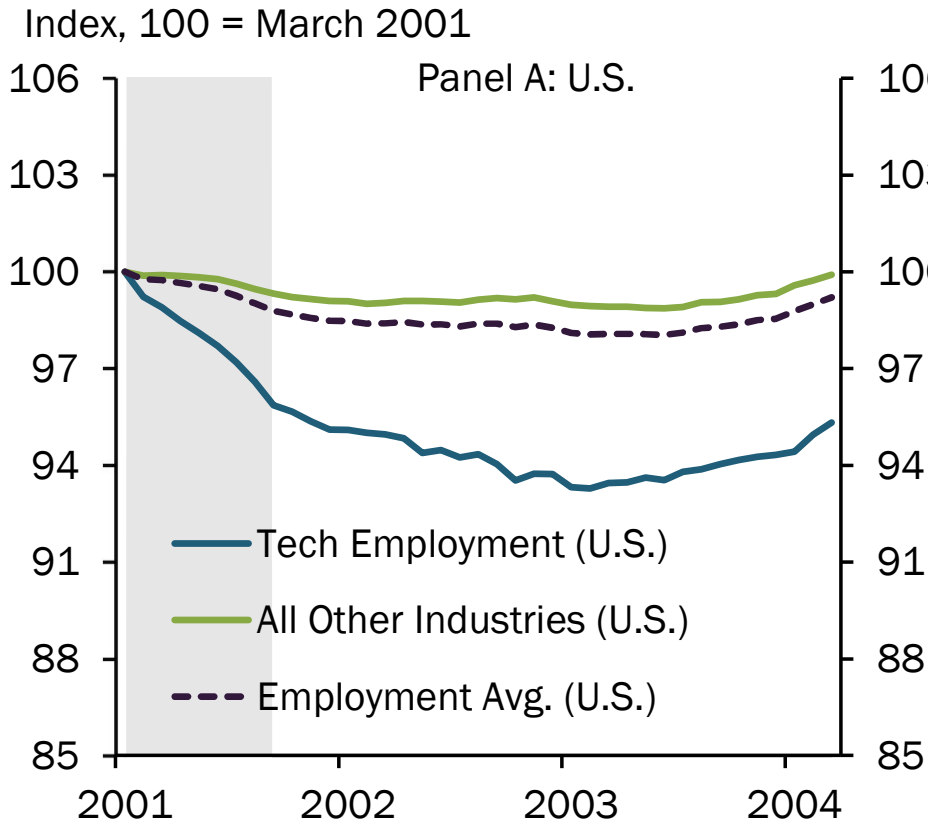
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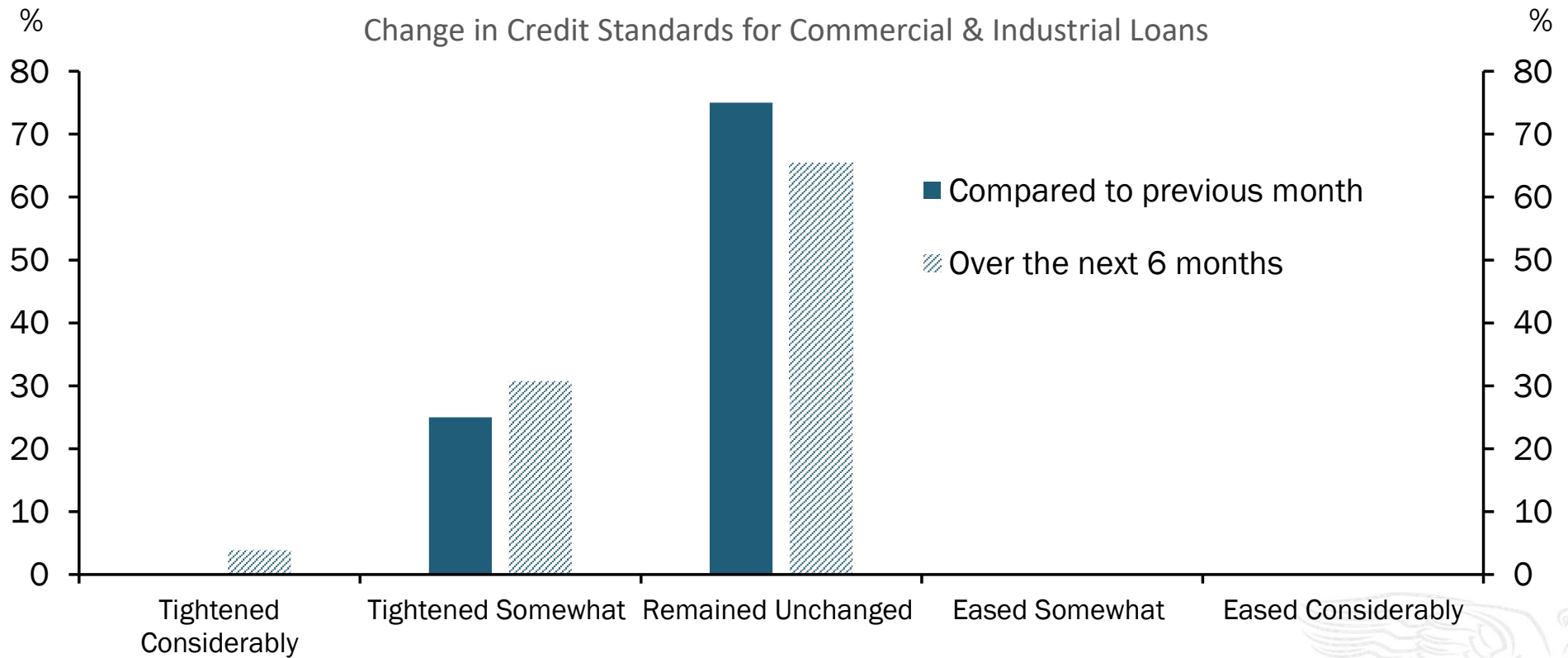
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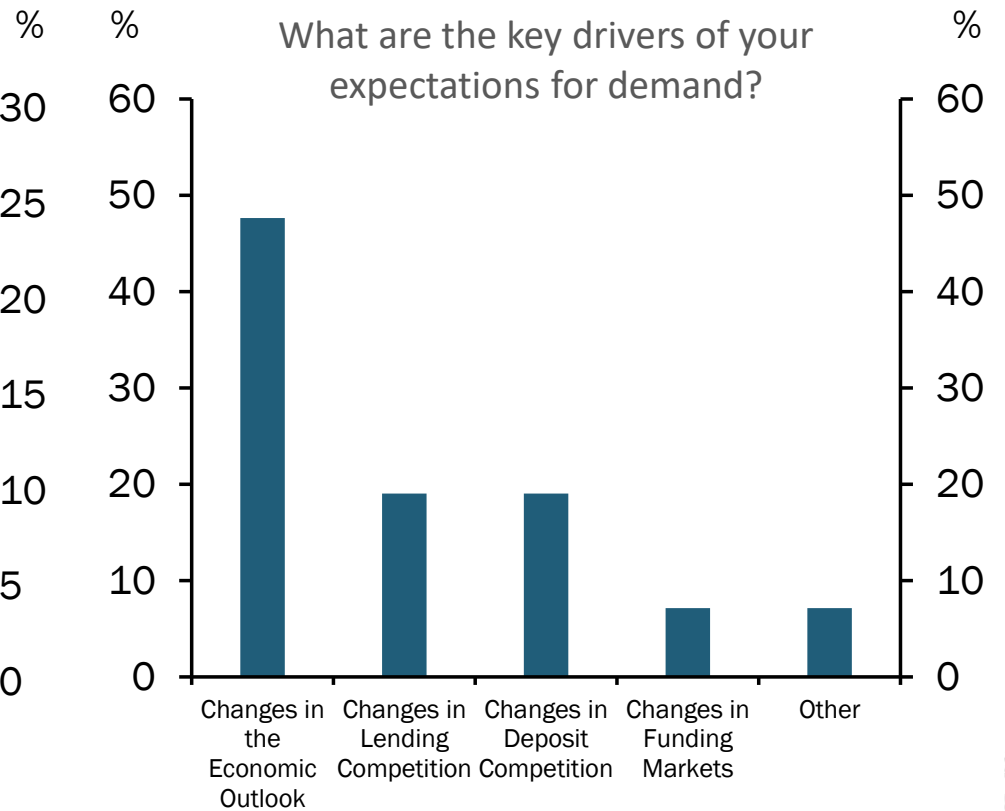
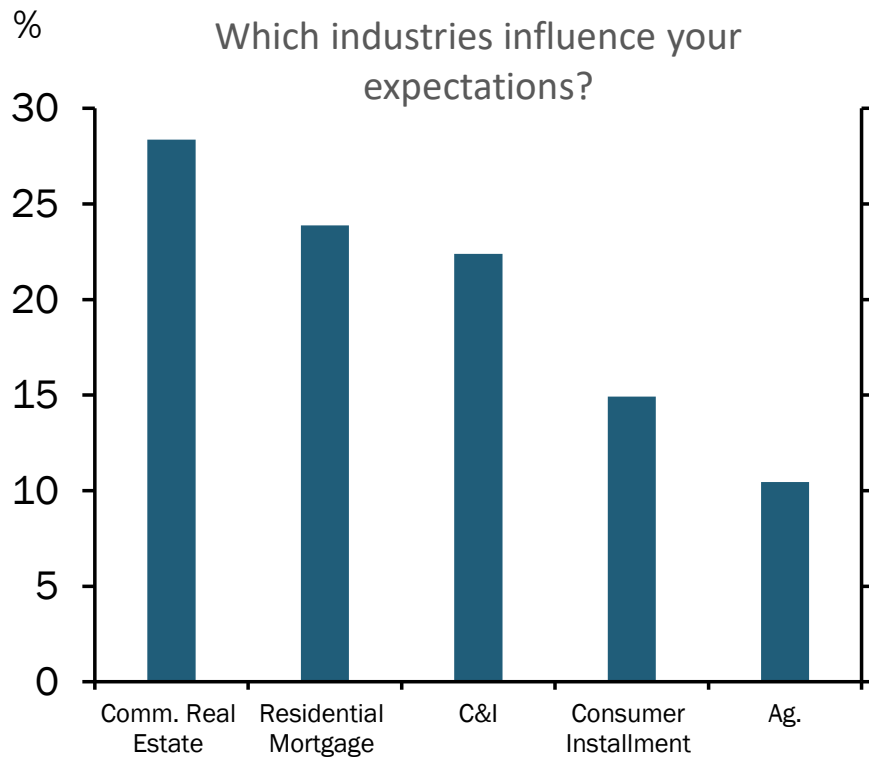
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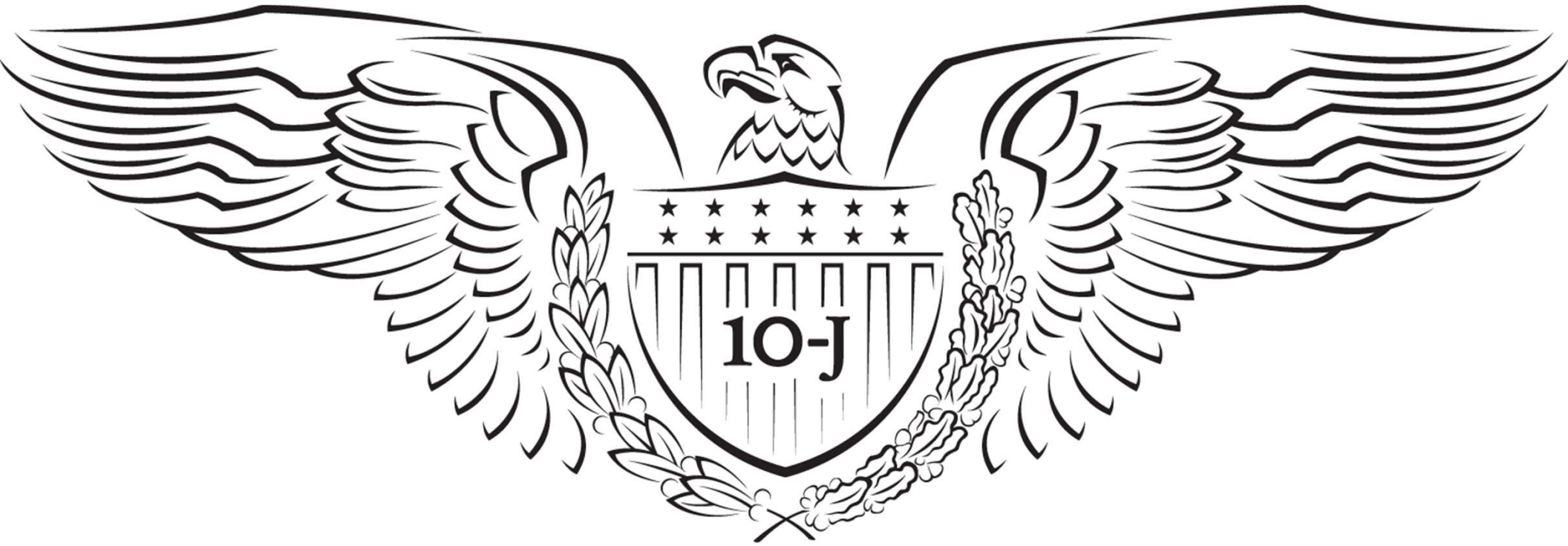


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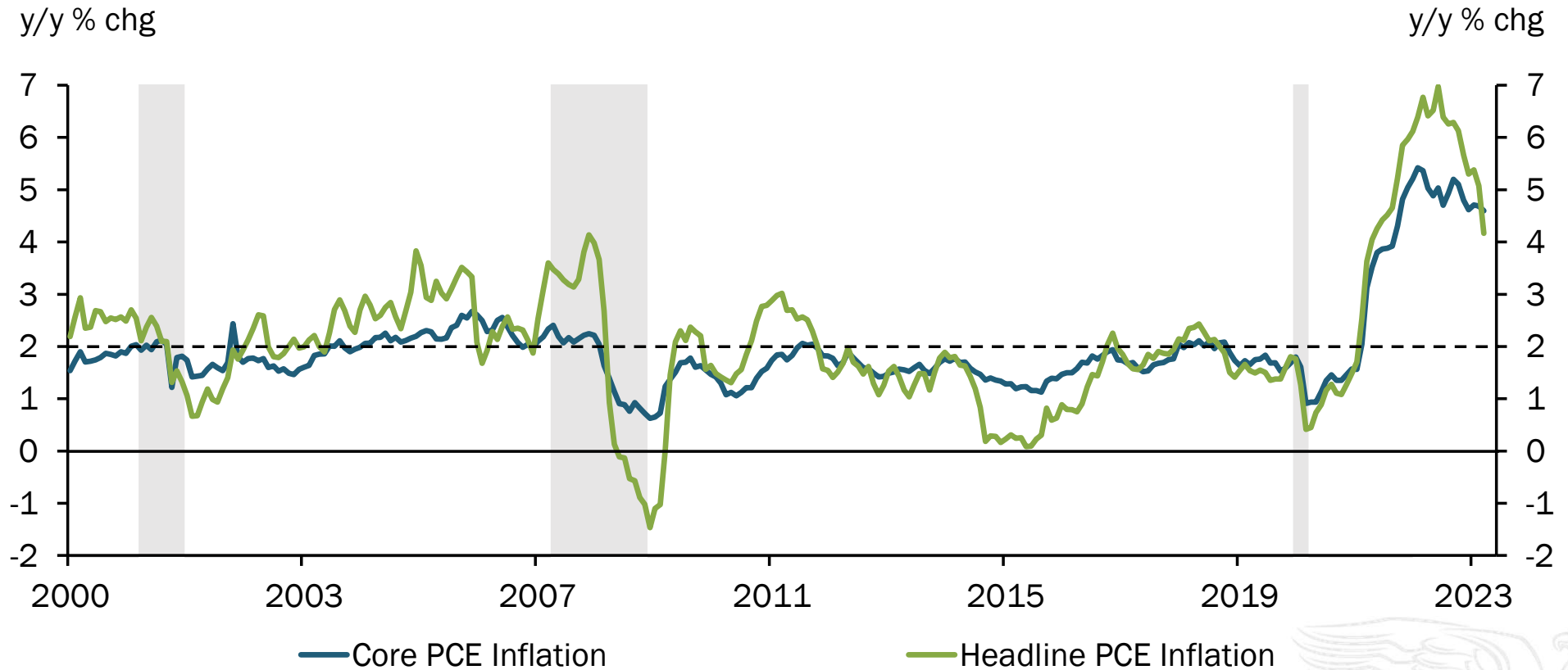


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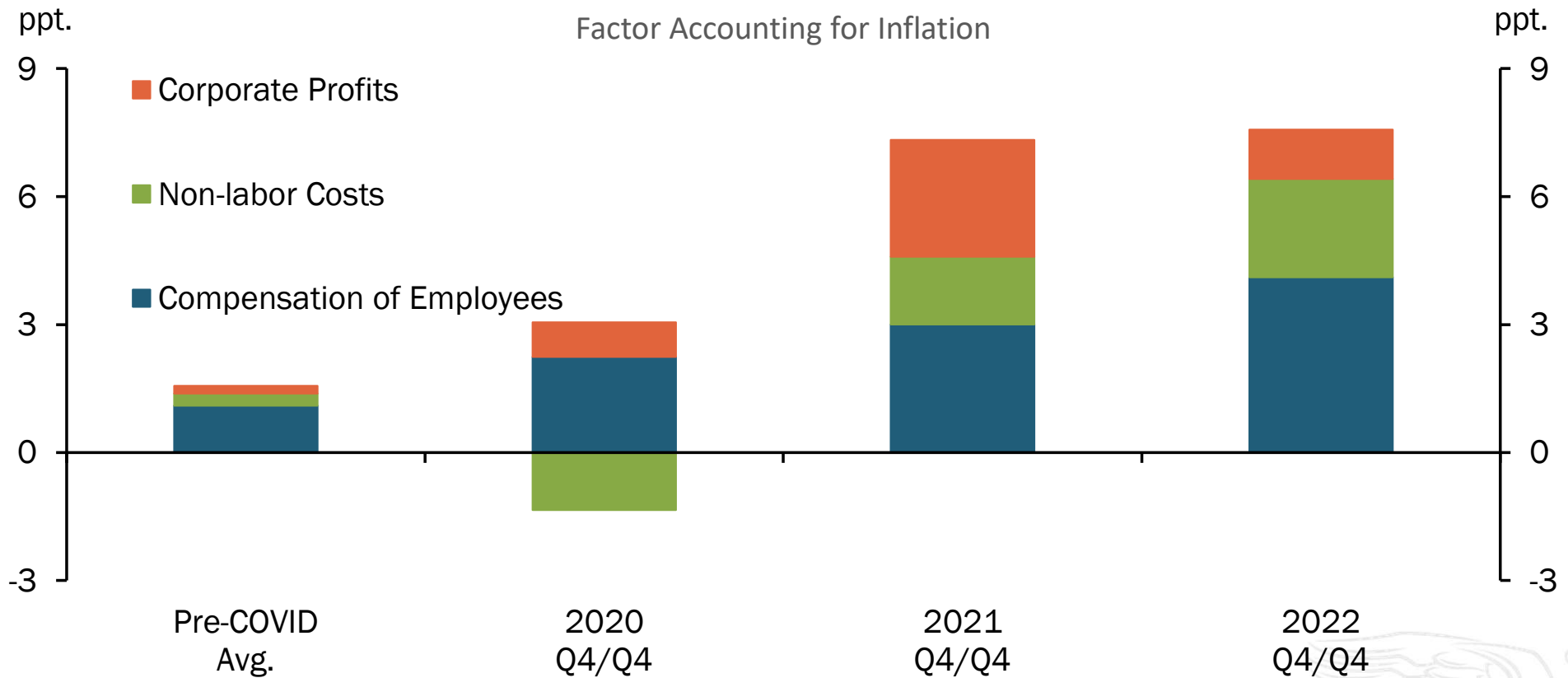
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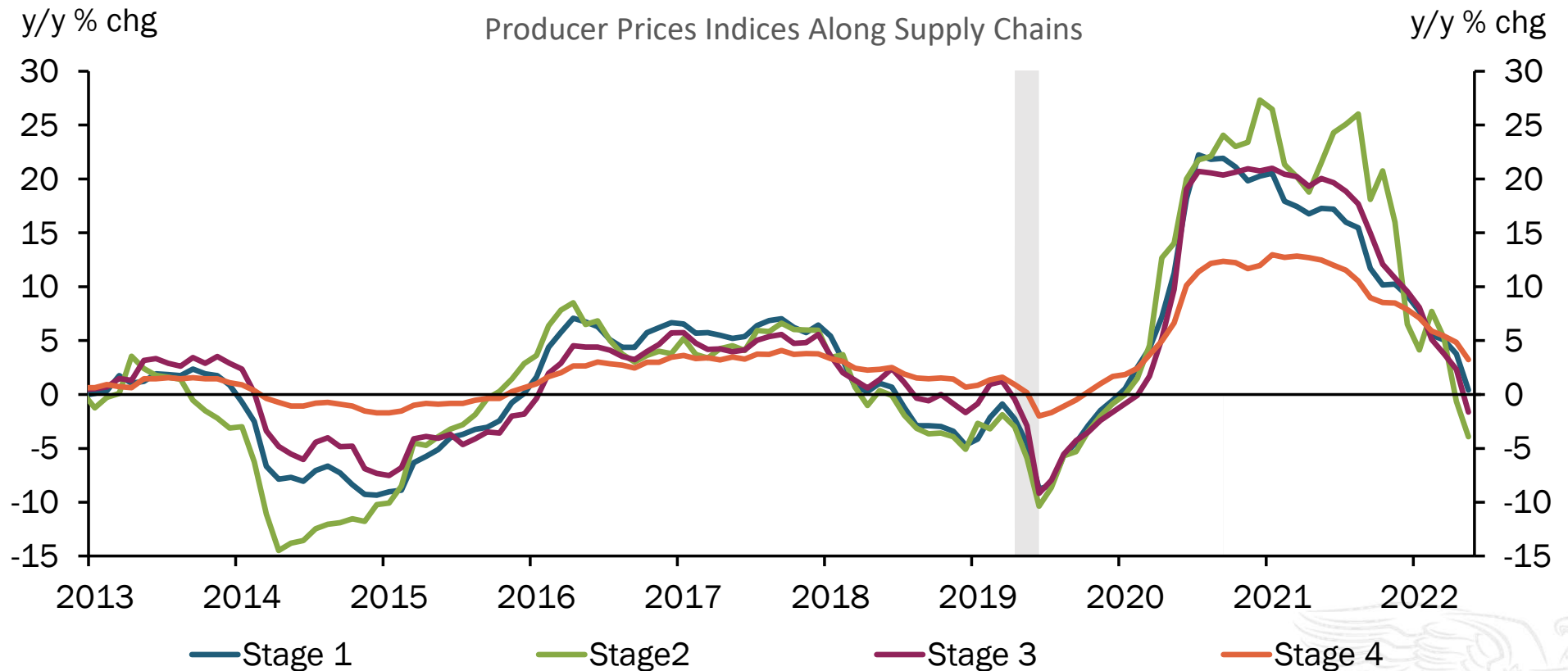
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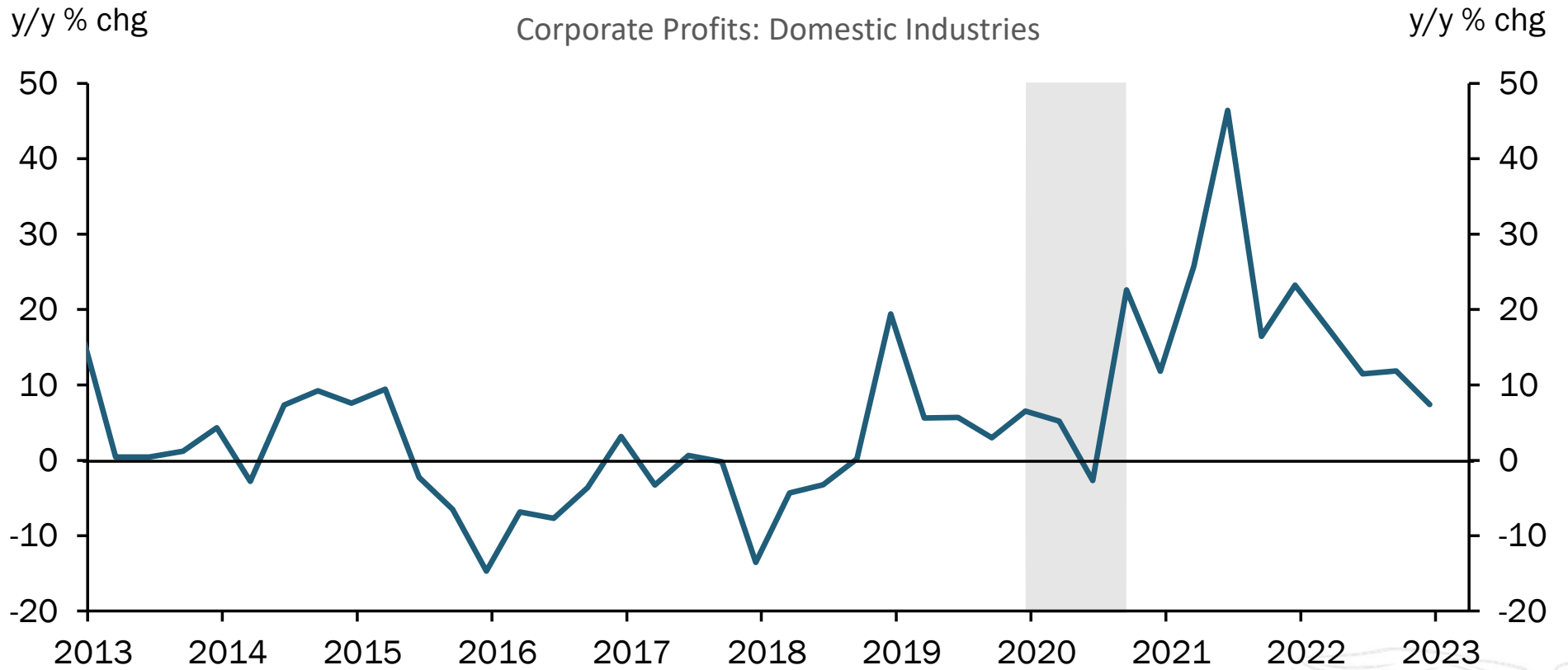
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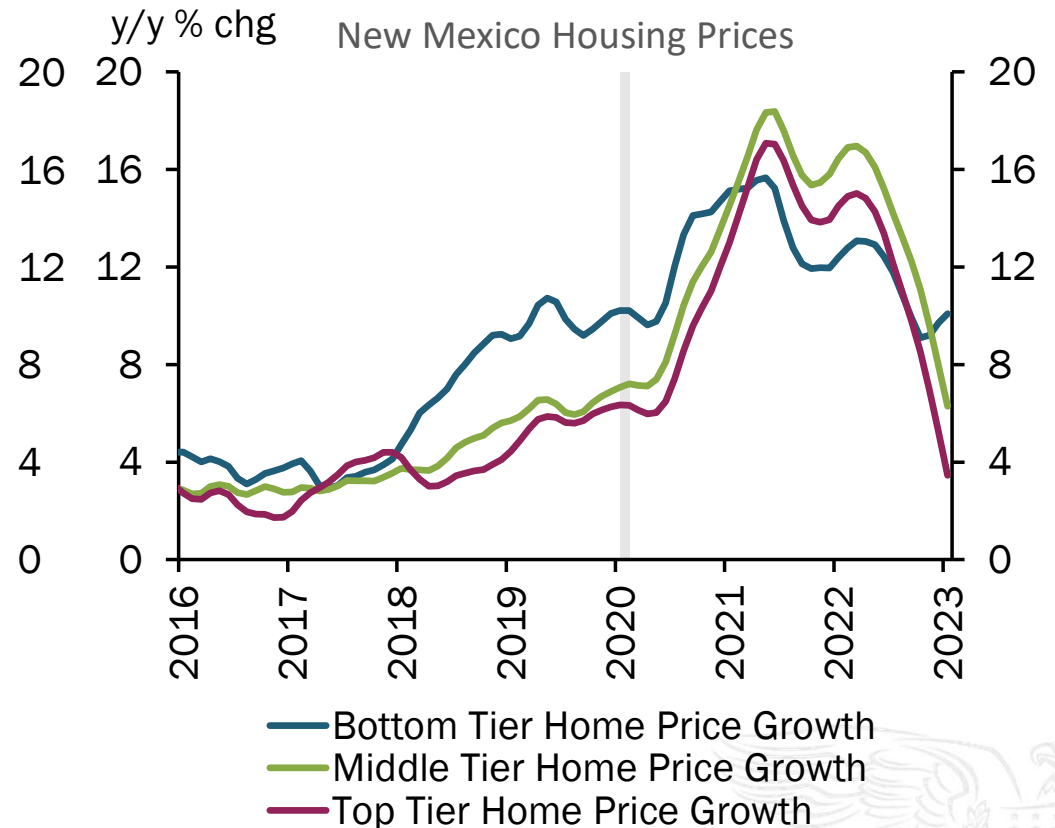
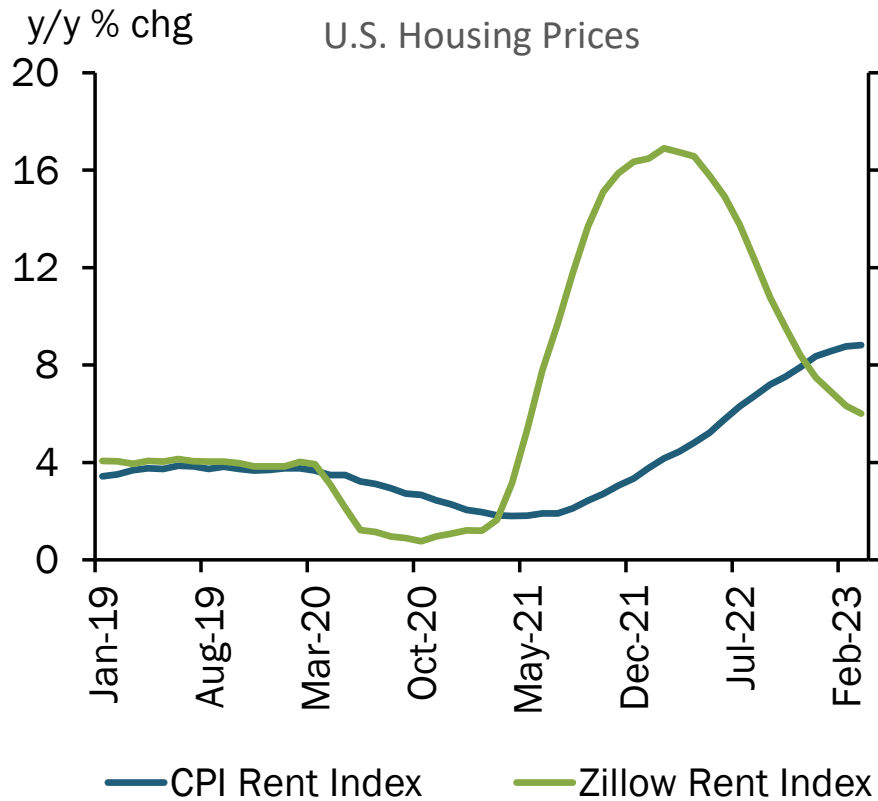
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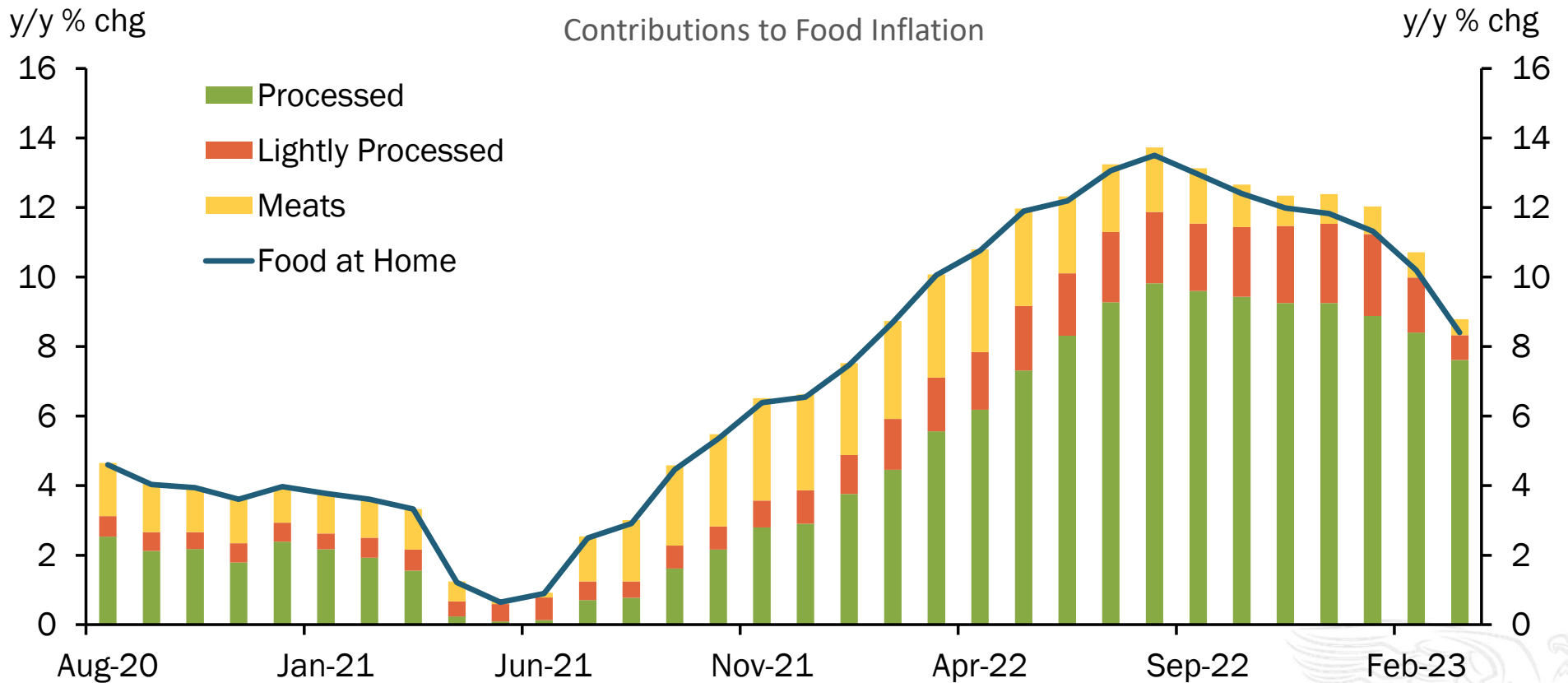
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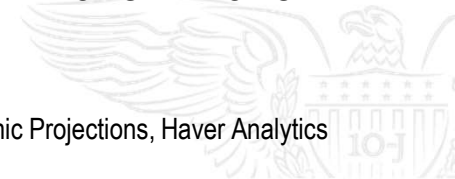
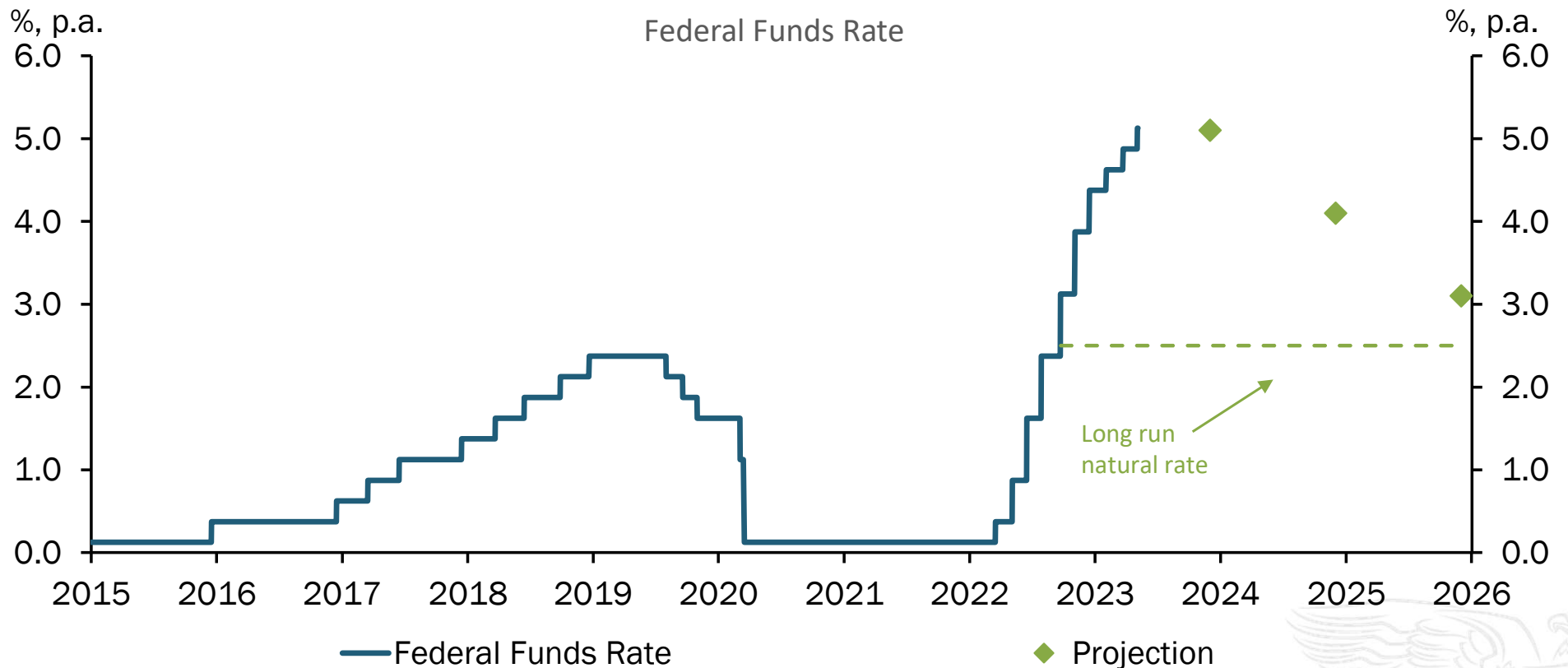
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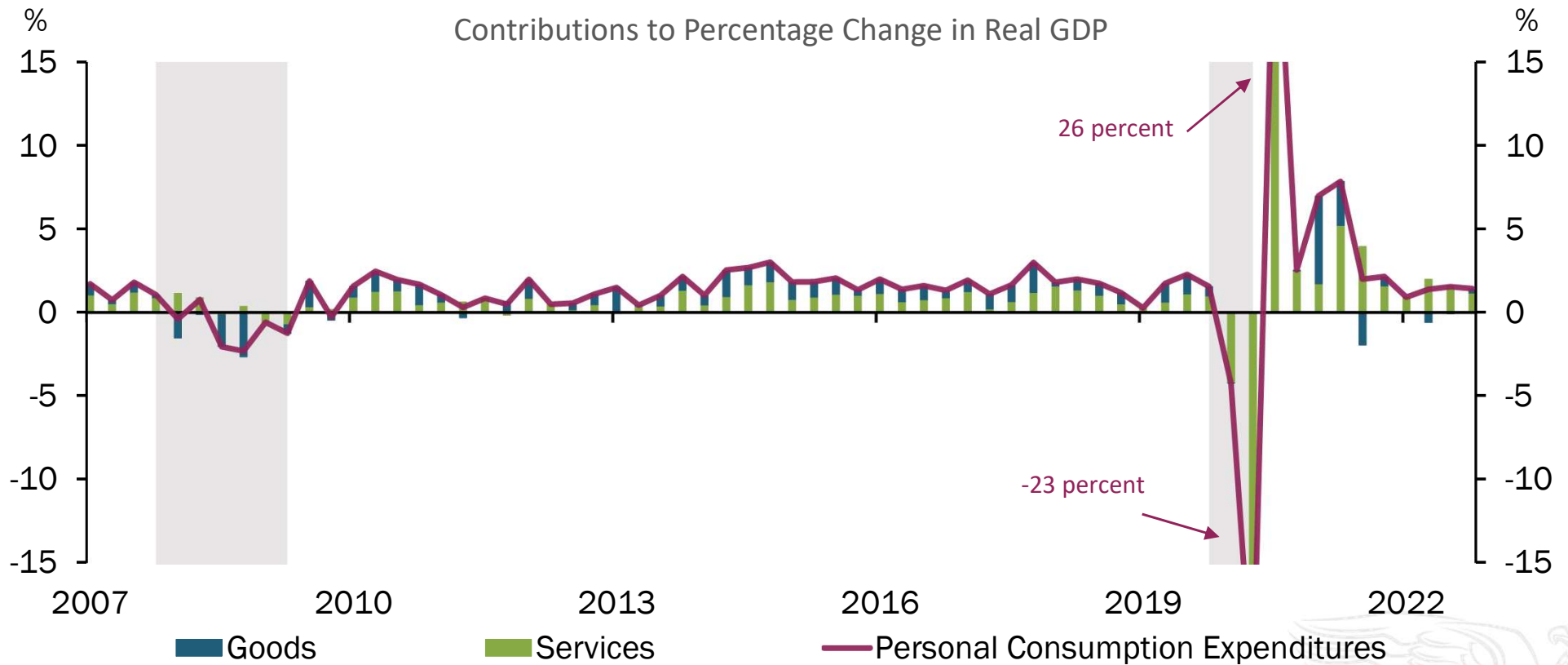
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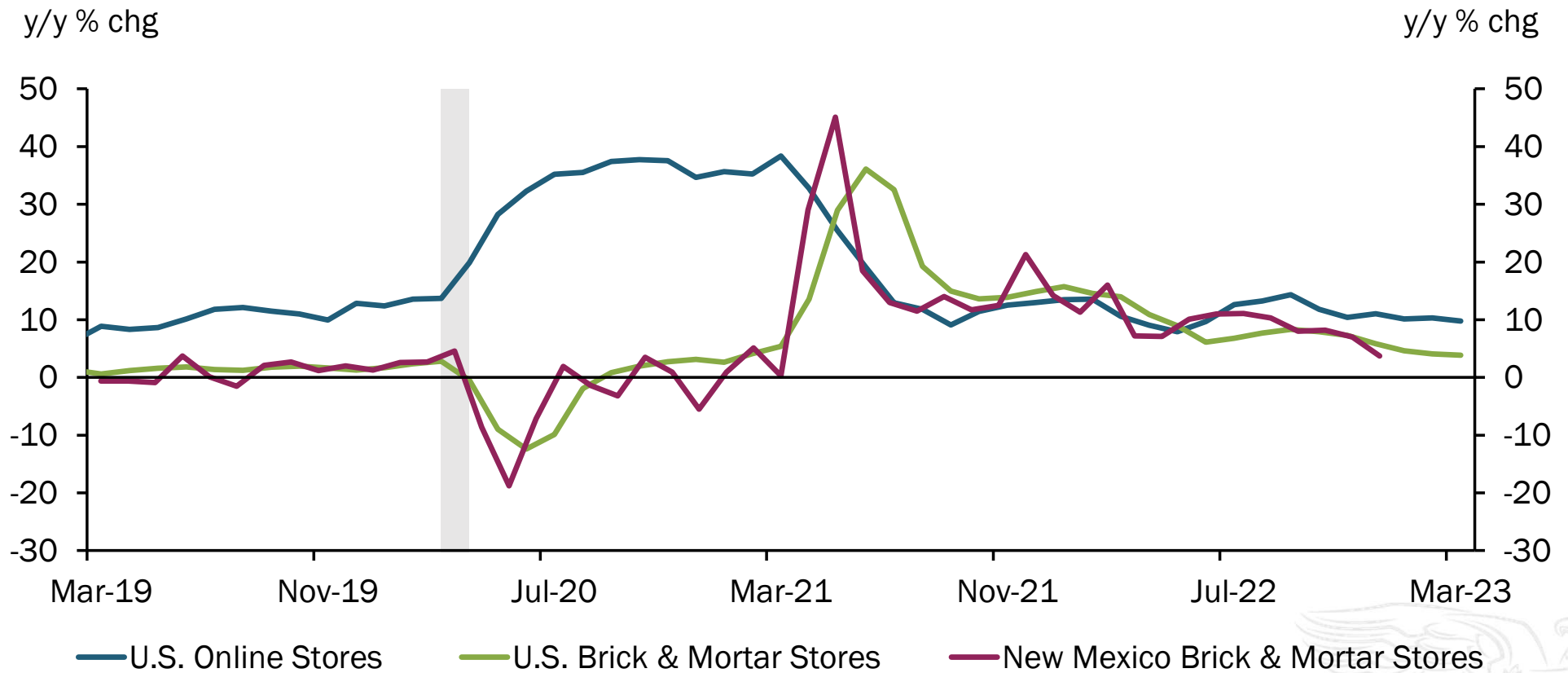


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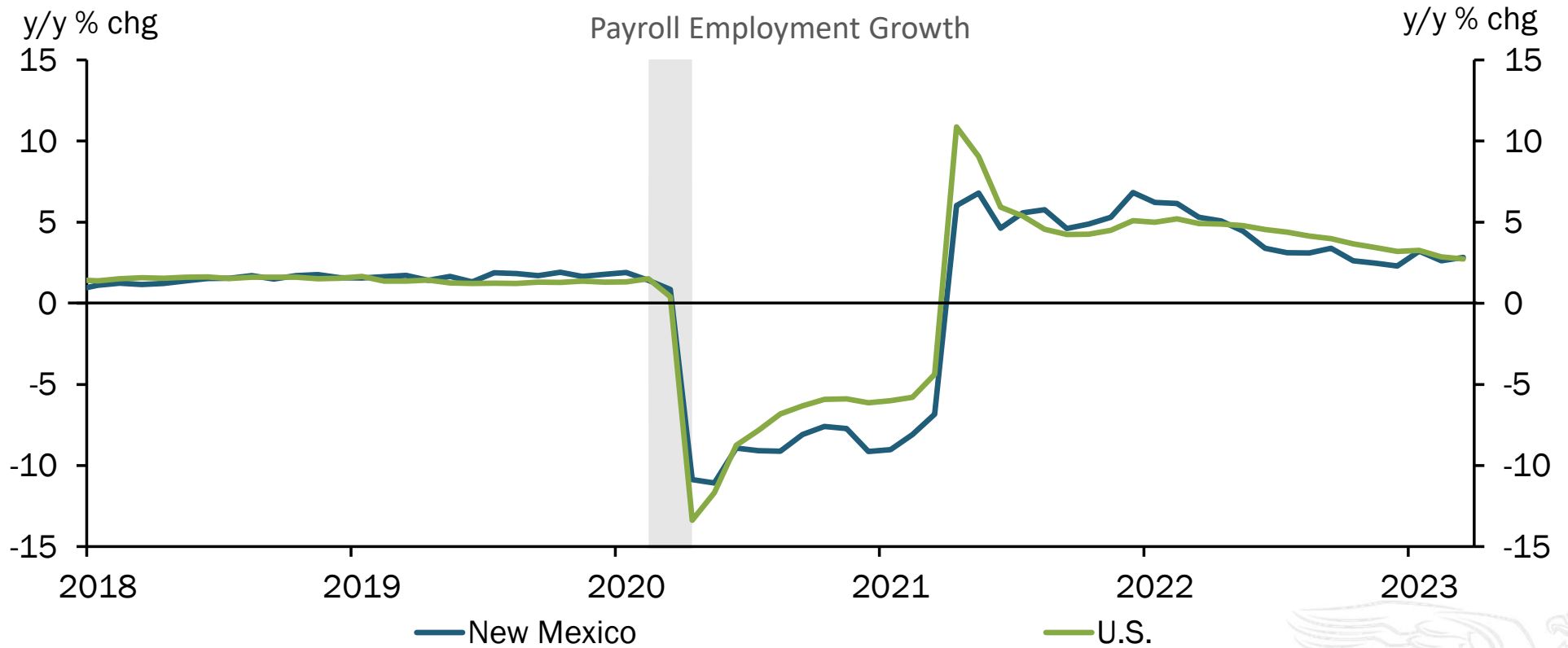


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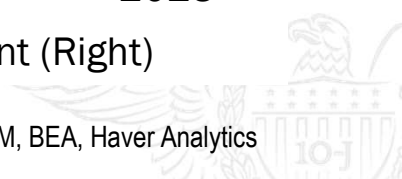
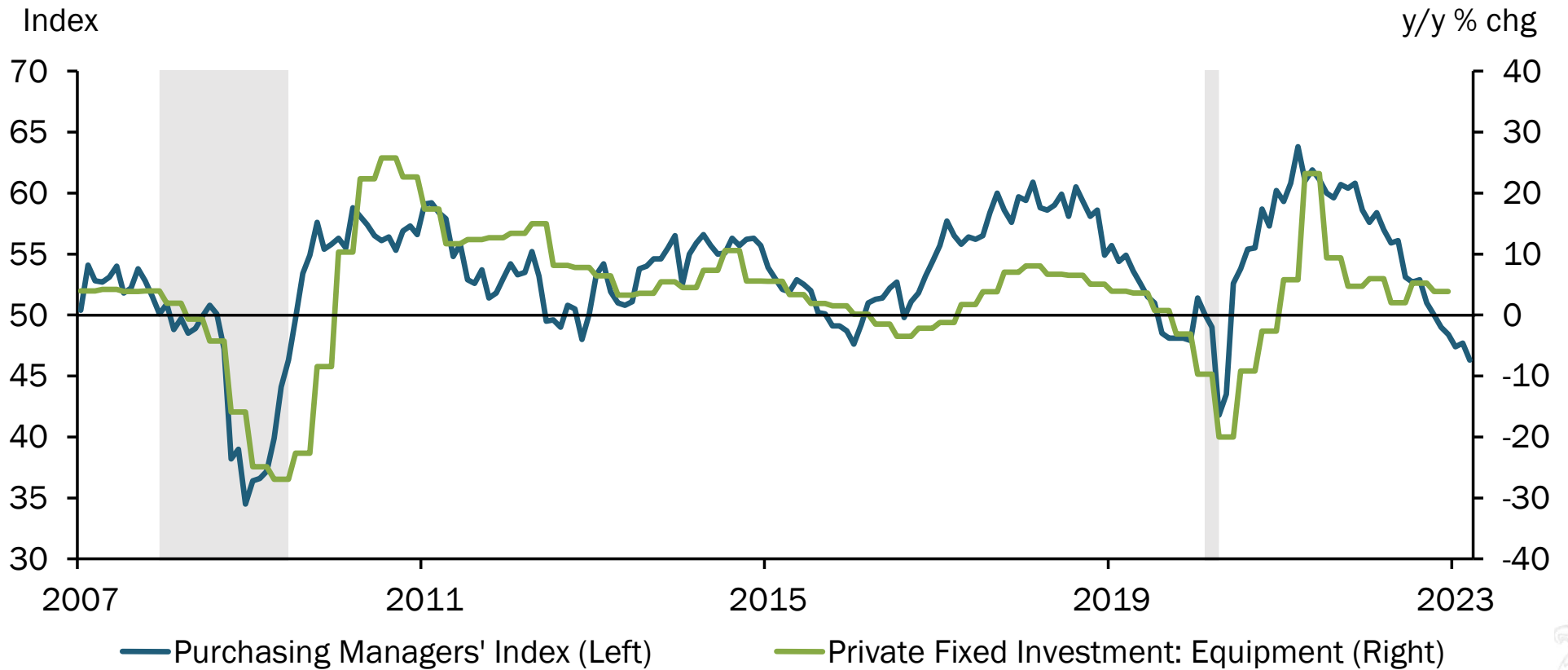


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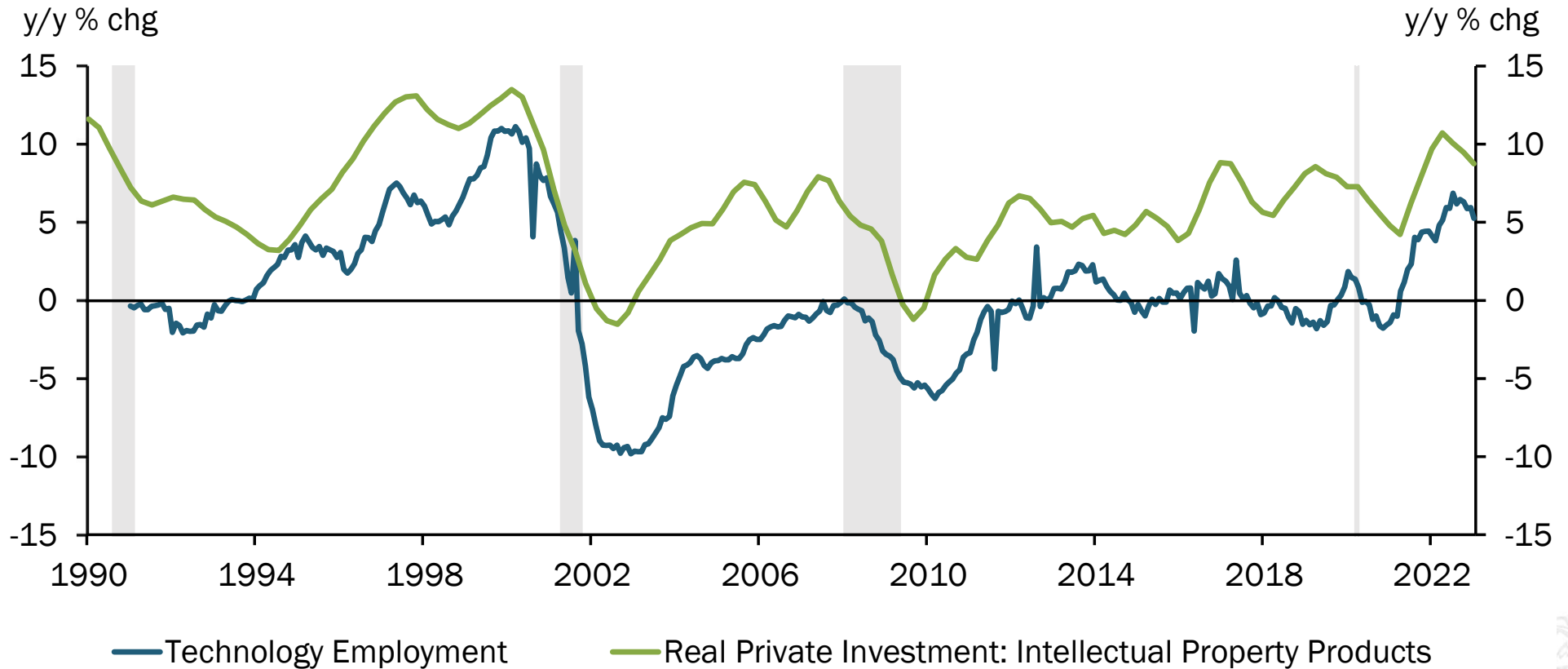


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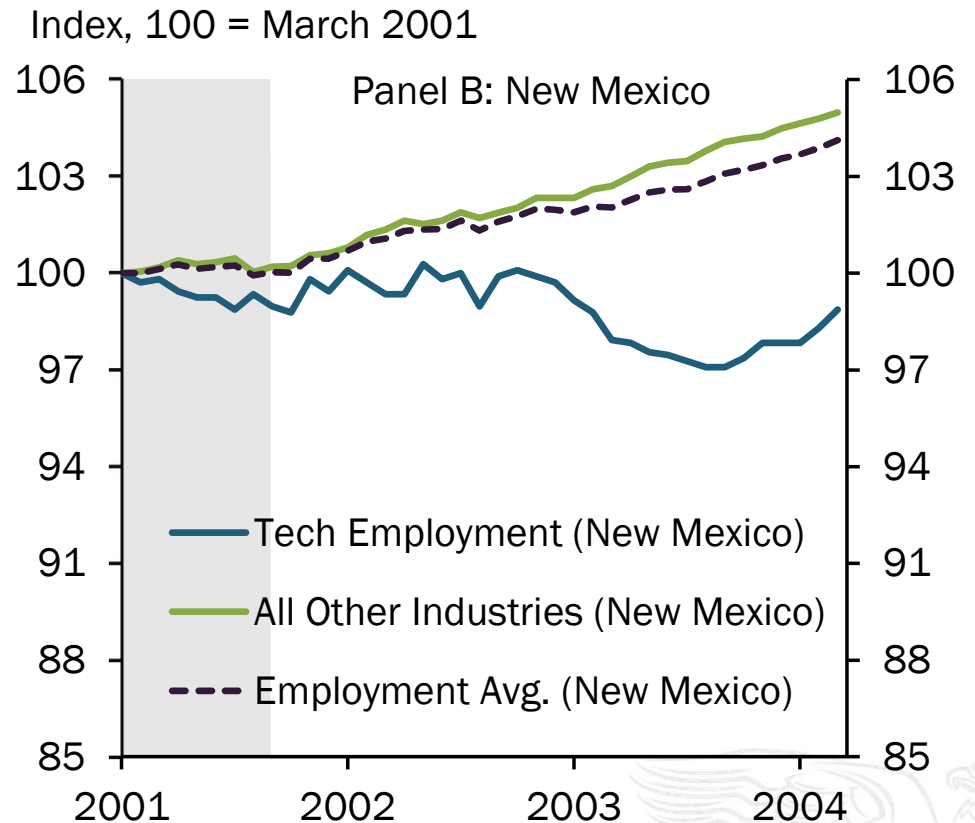
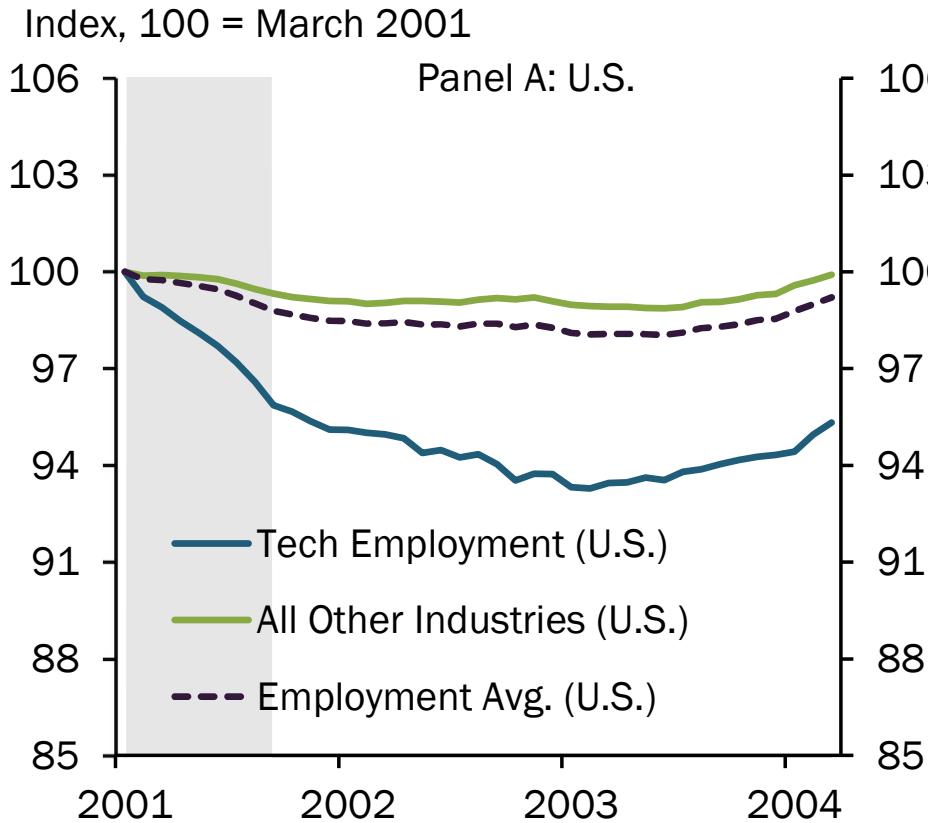
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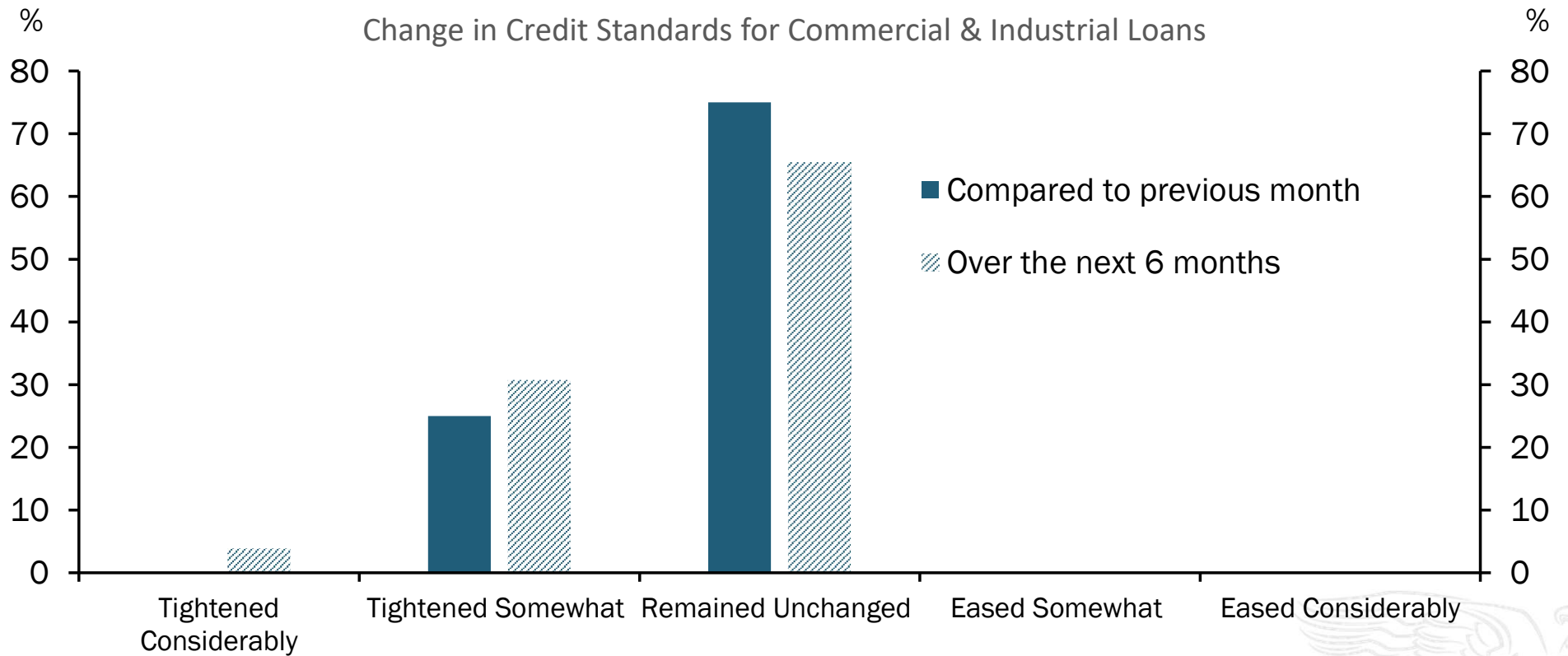
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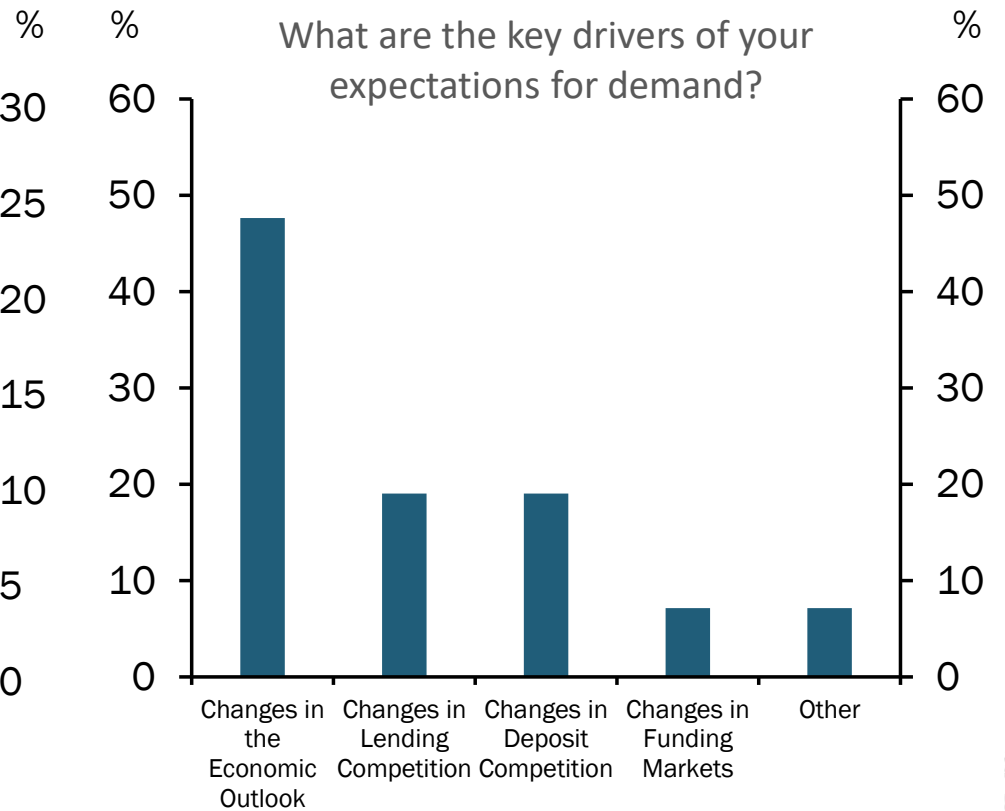
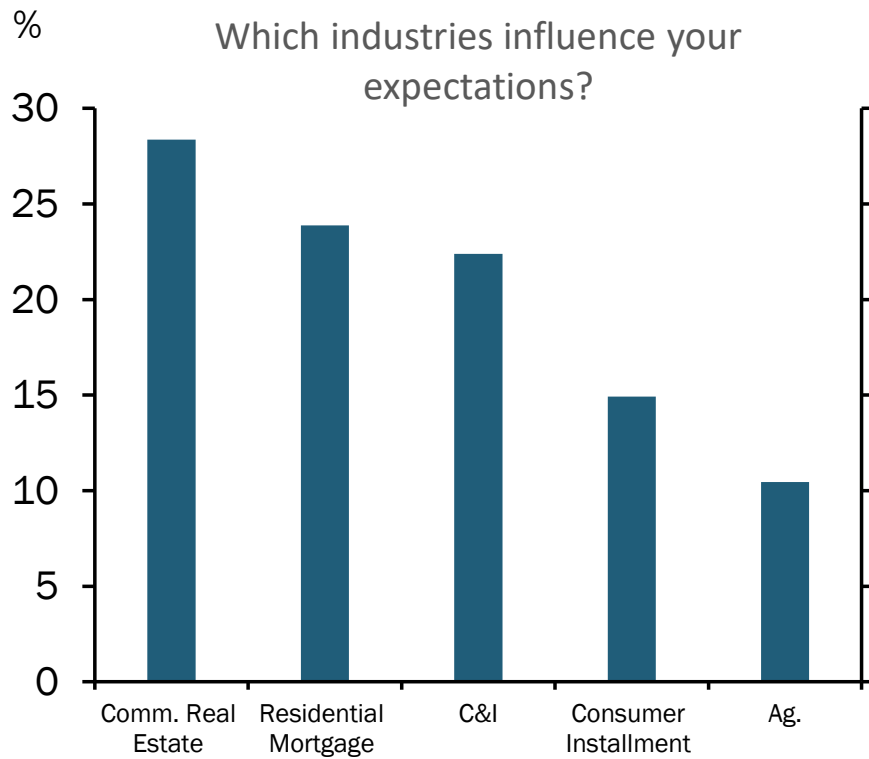
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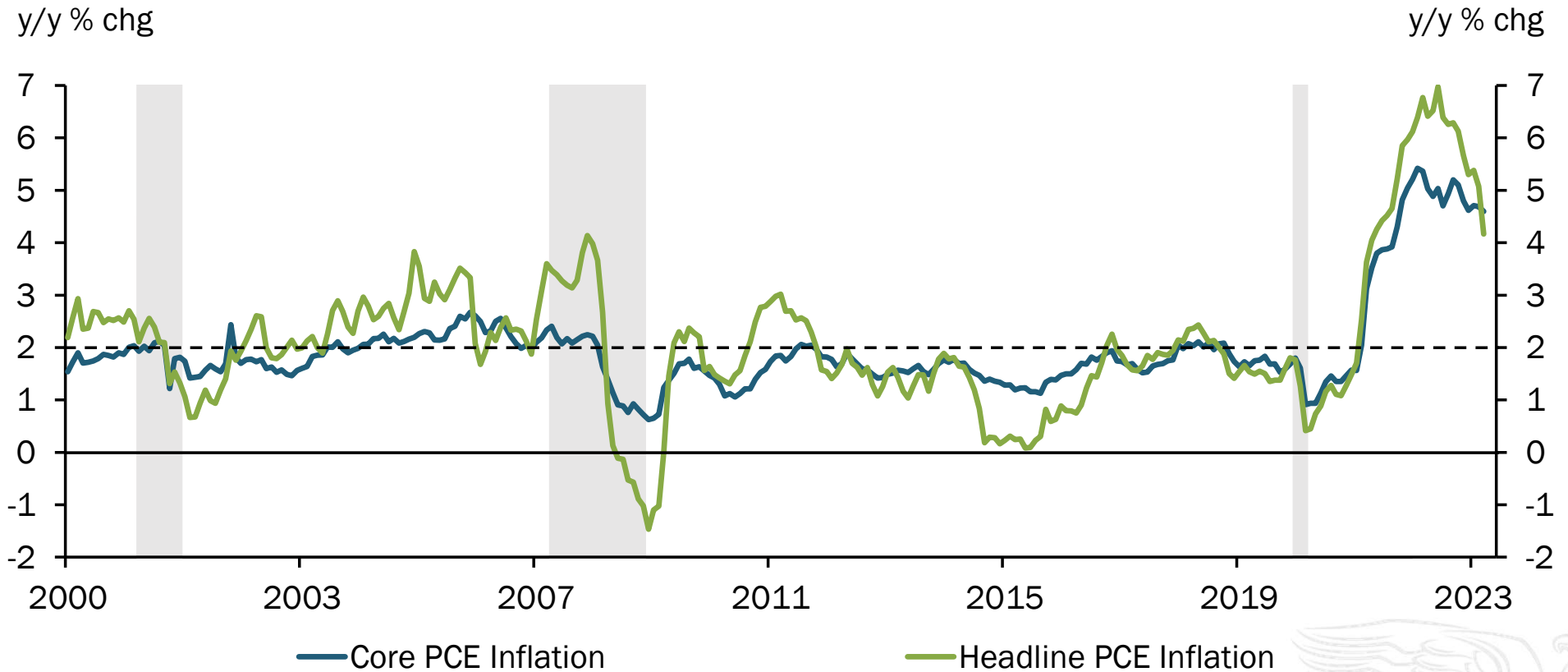


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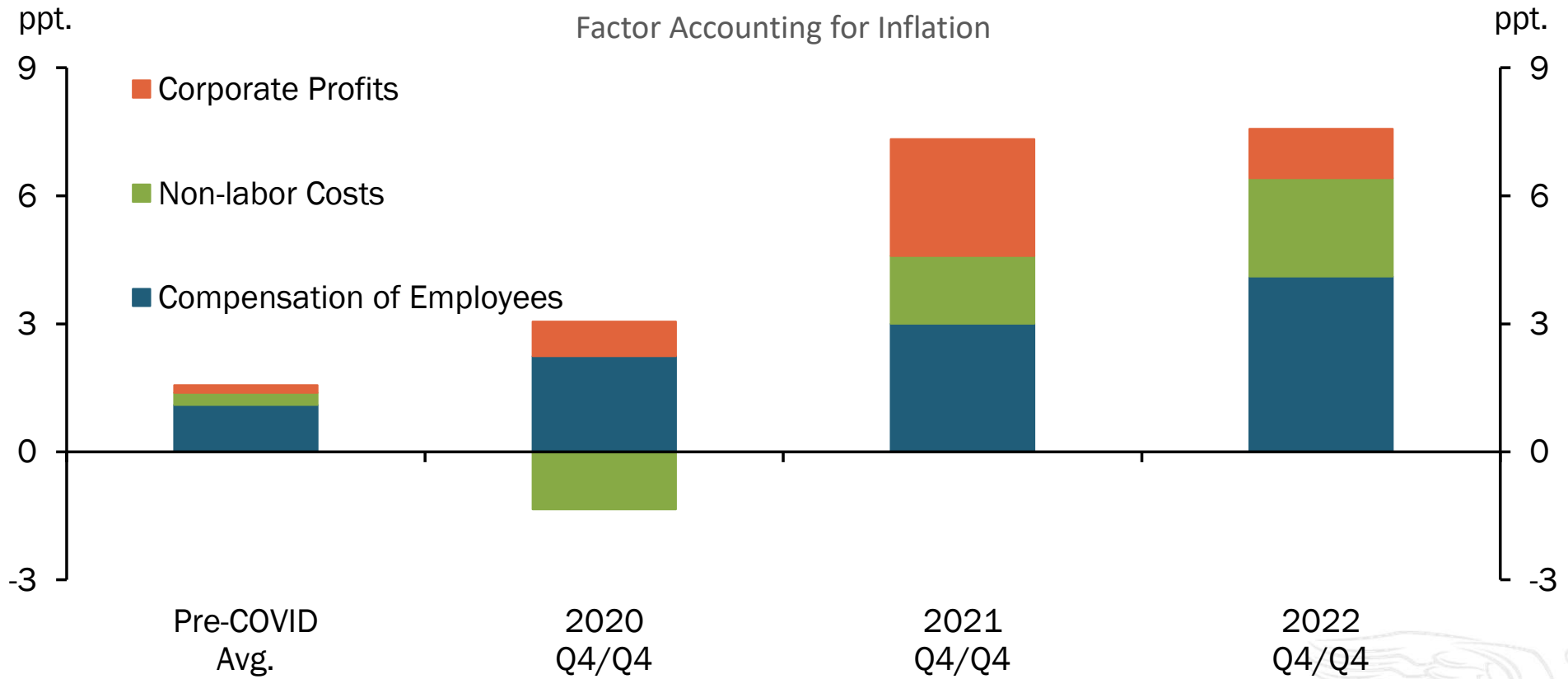
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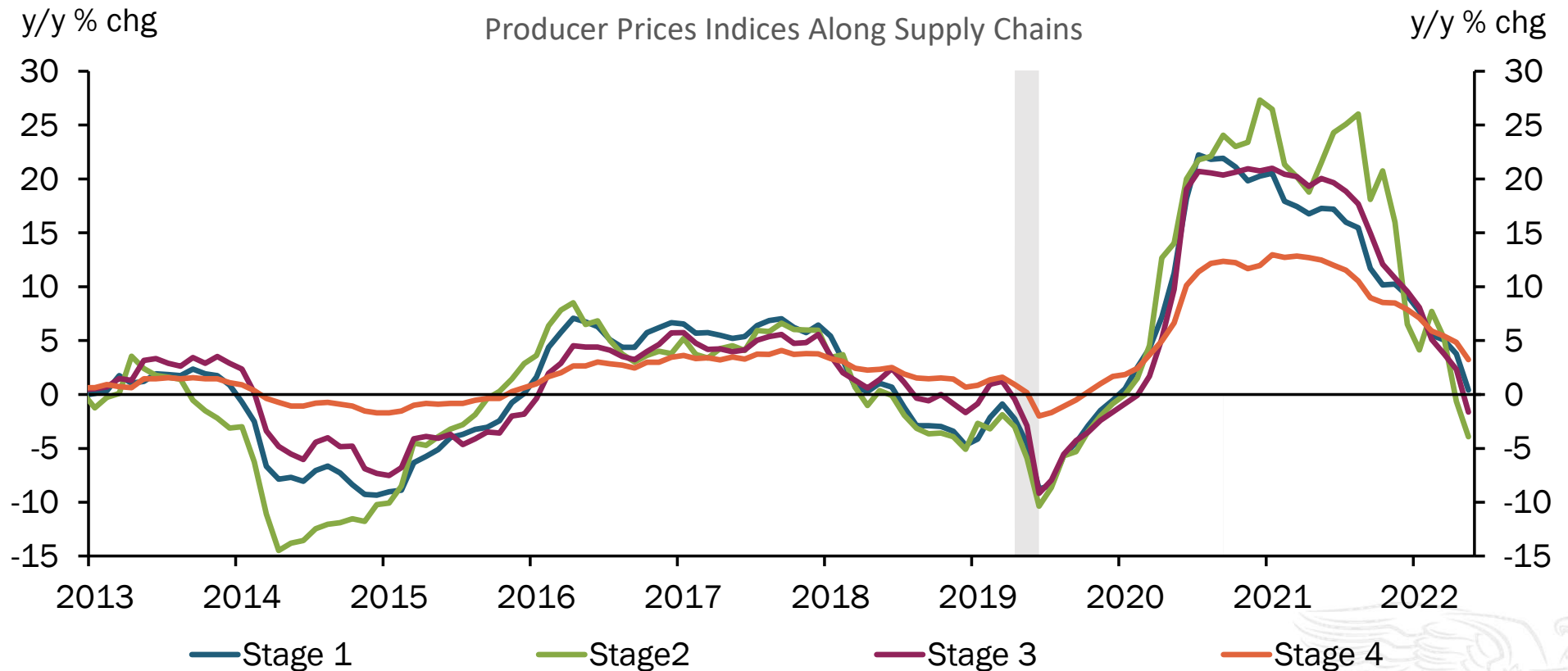
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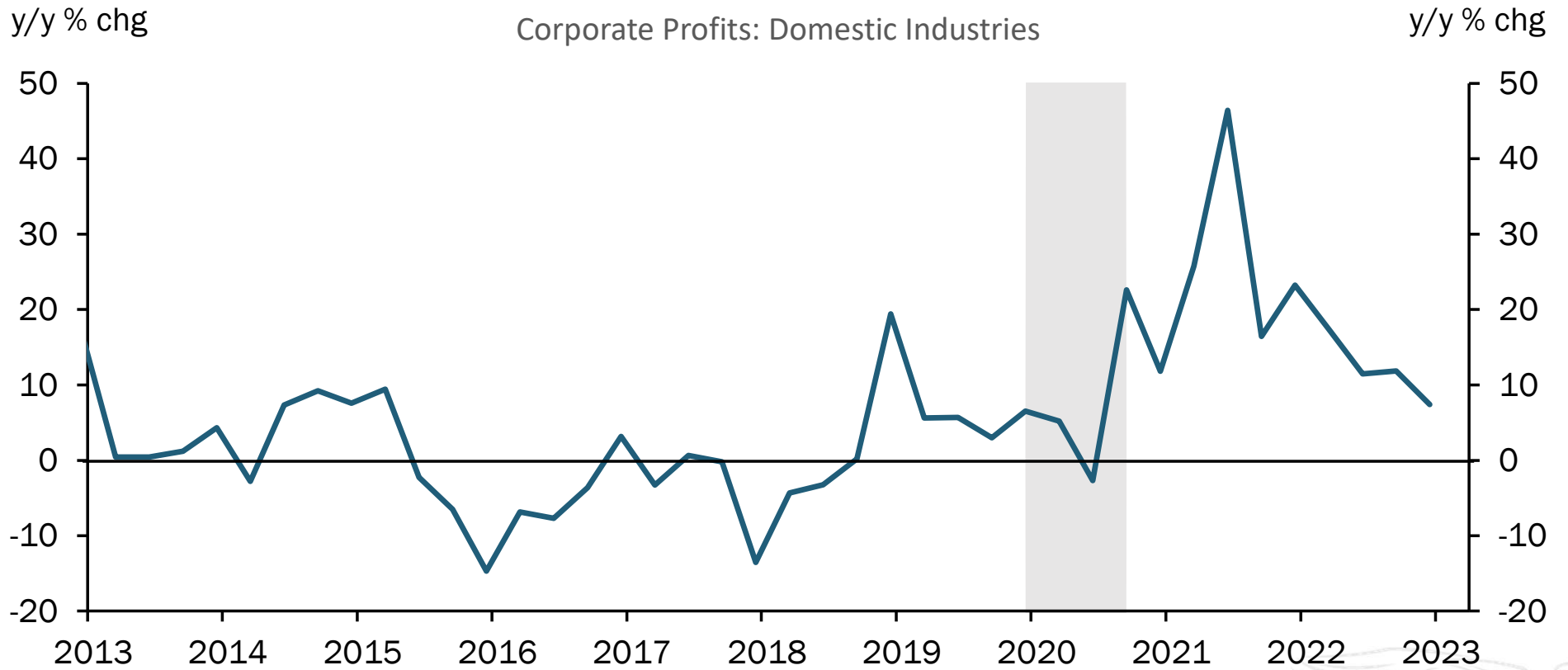
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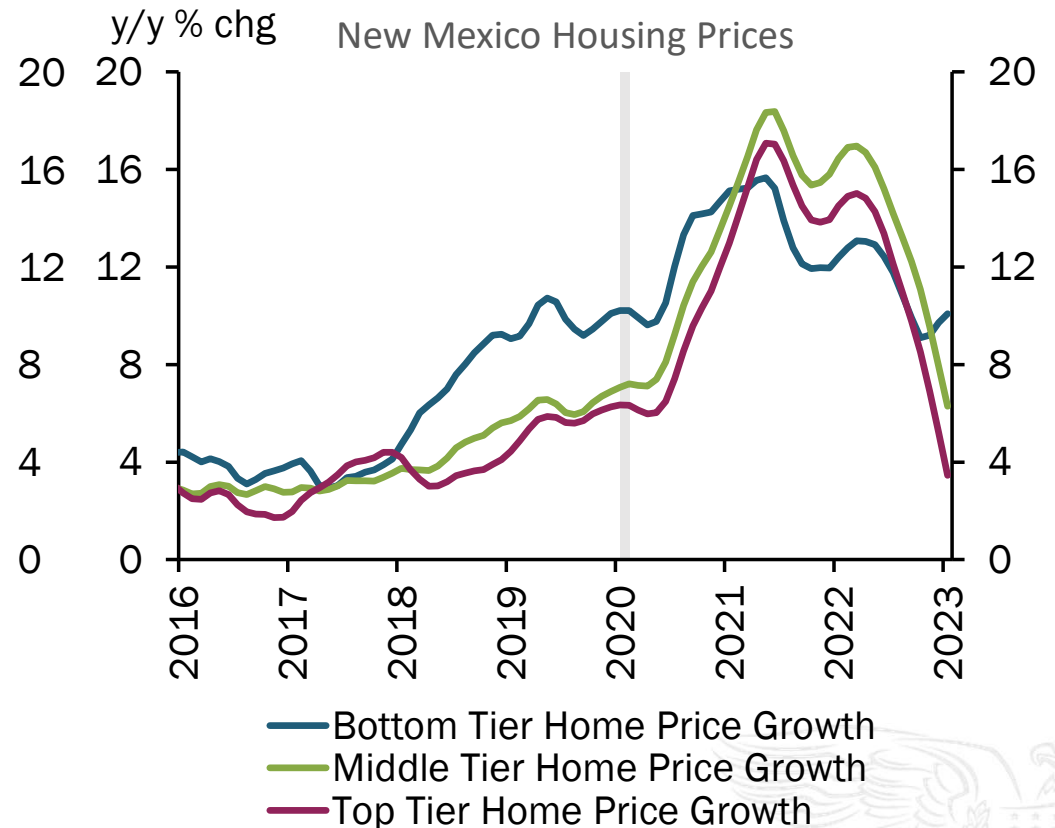
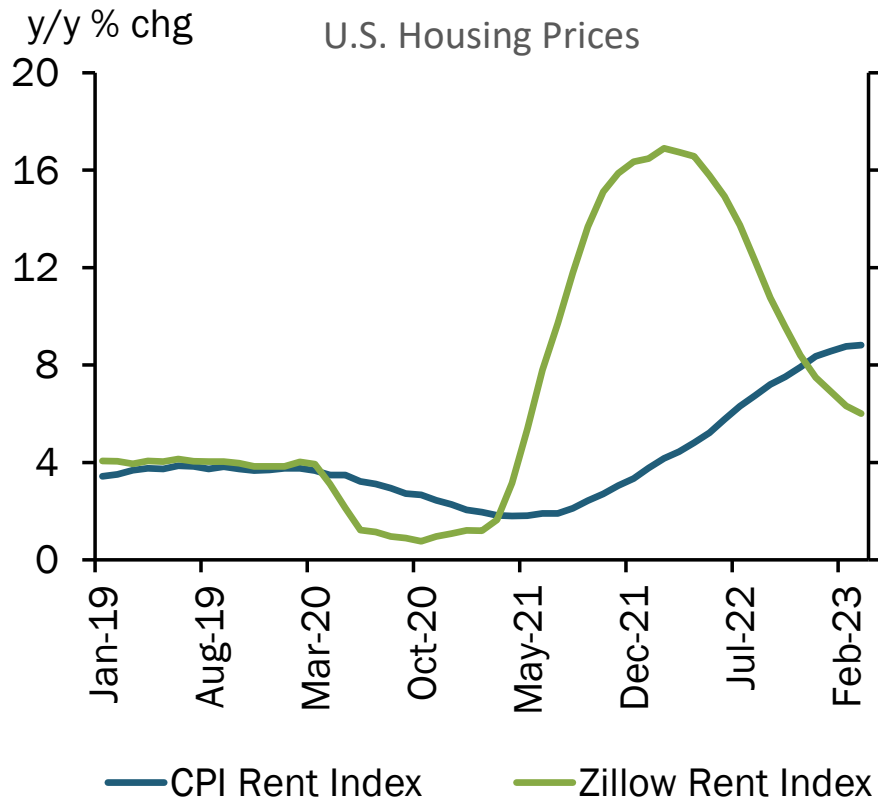
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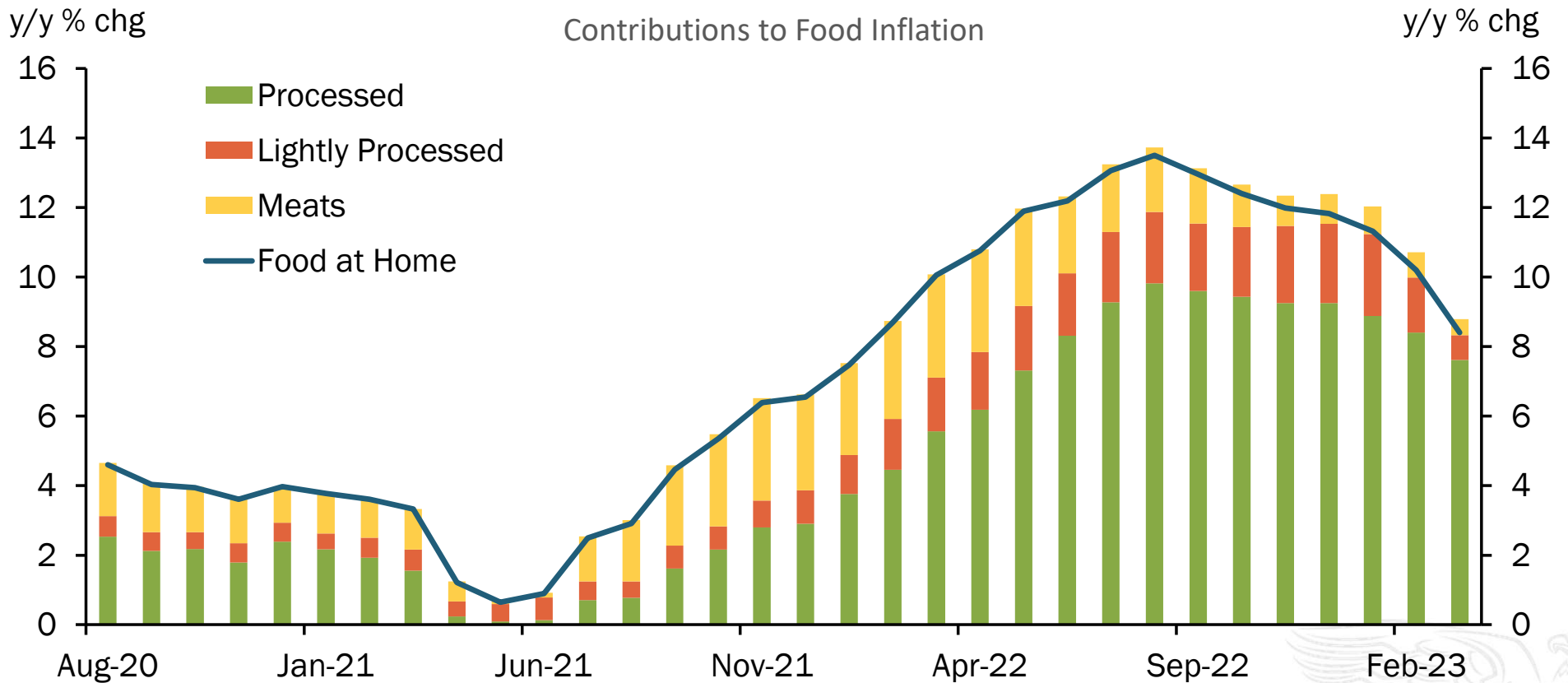
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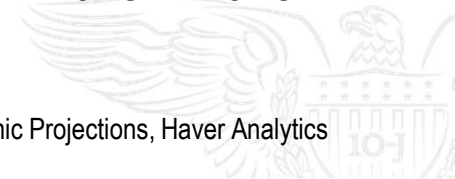
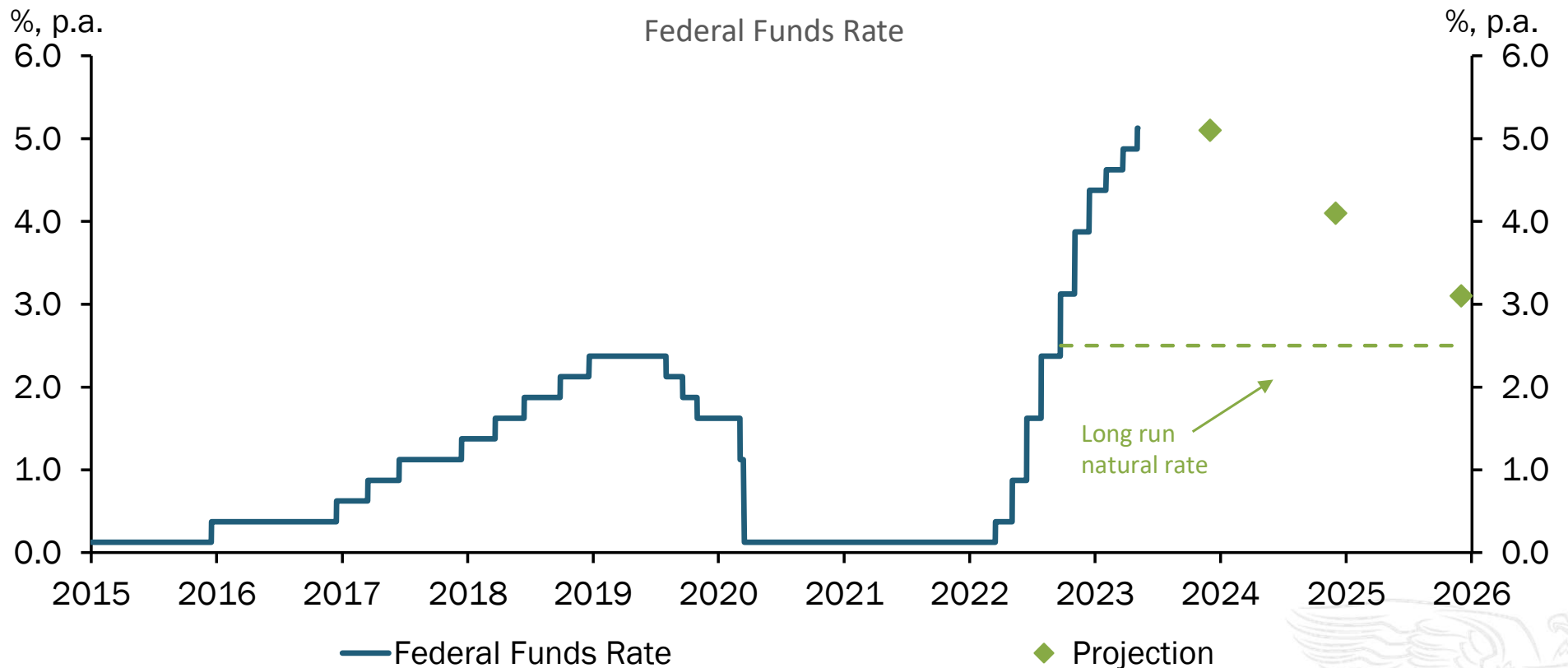
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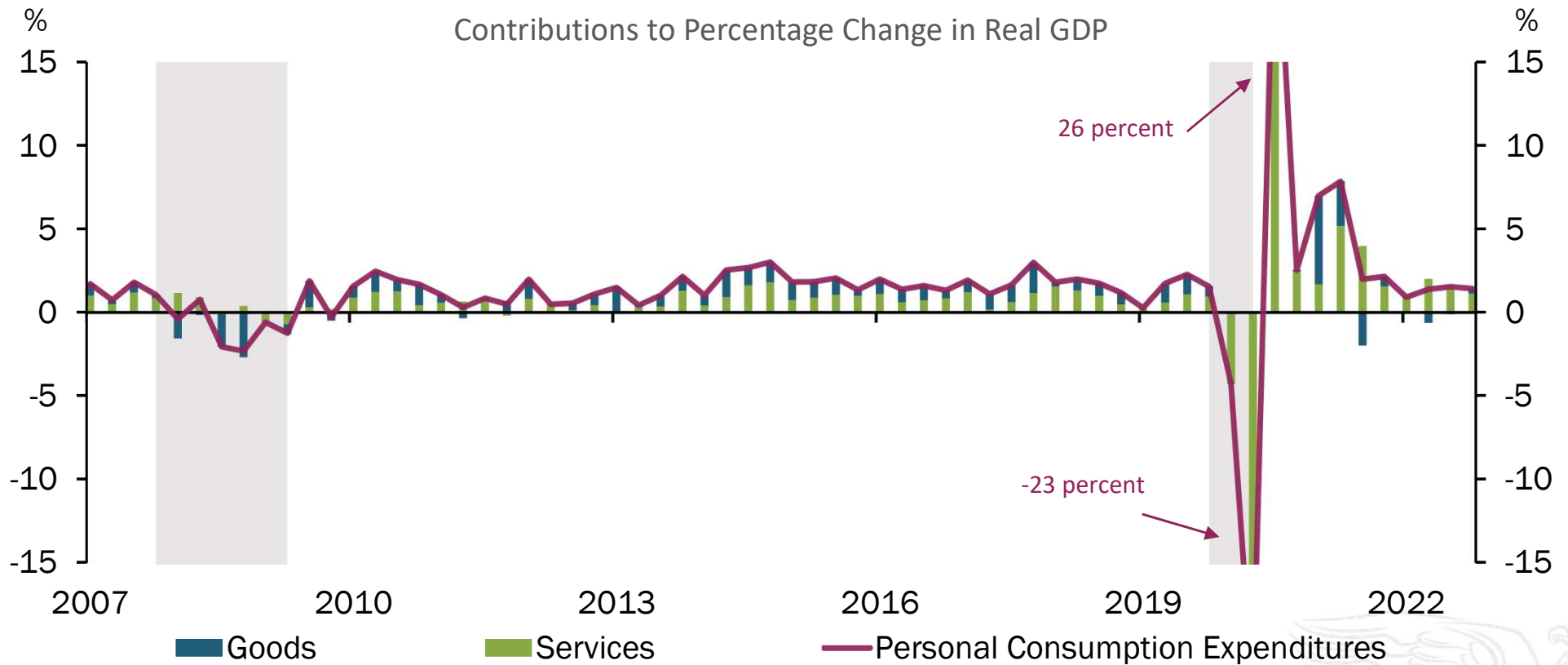
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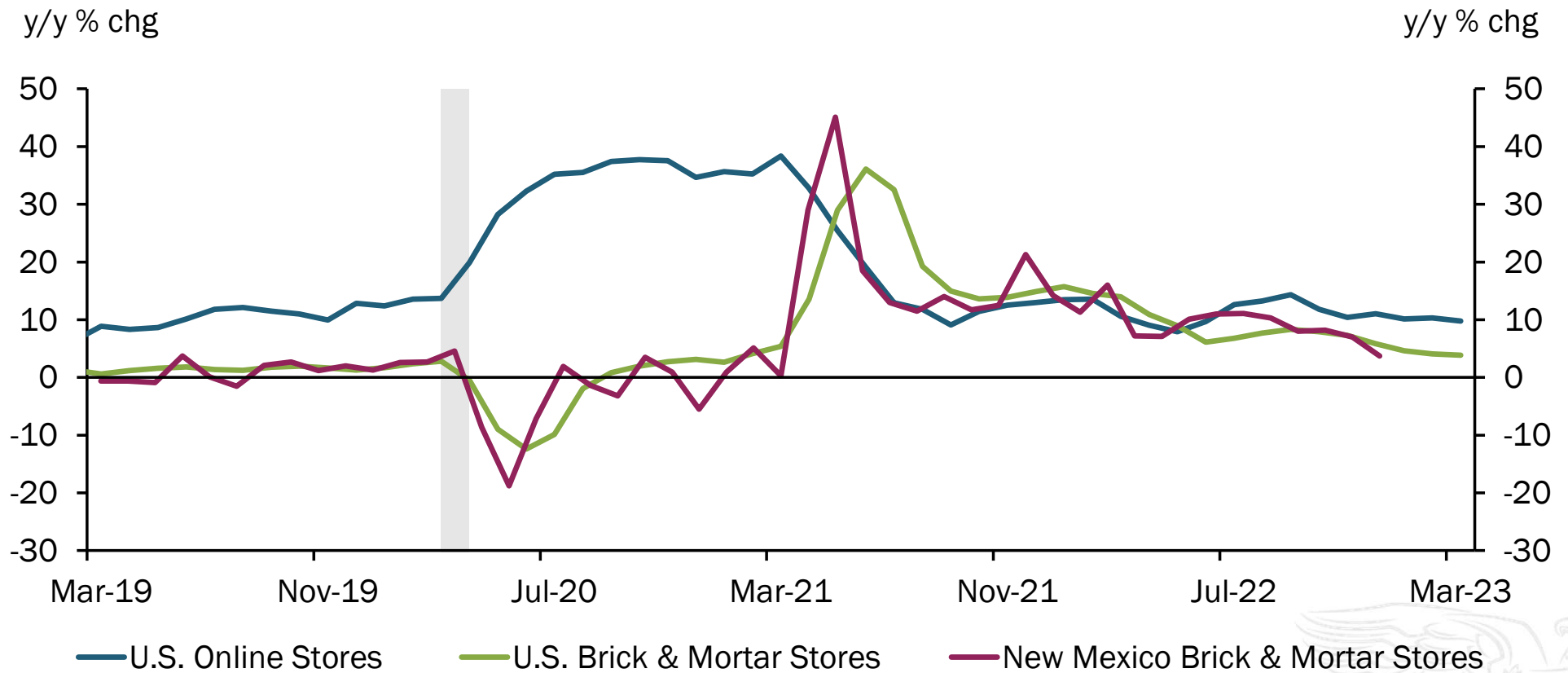


Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth



Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading

Consumer spending is returning to something akin to a new trend growth level, rebalanced between online and in-store locations

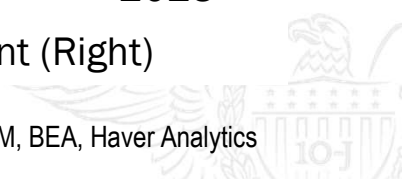
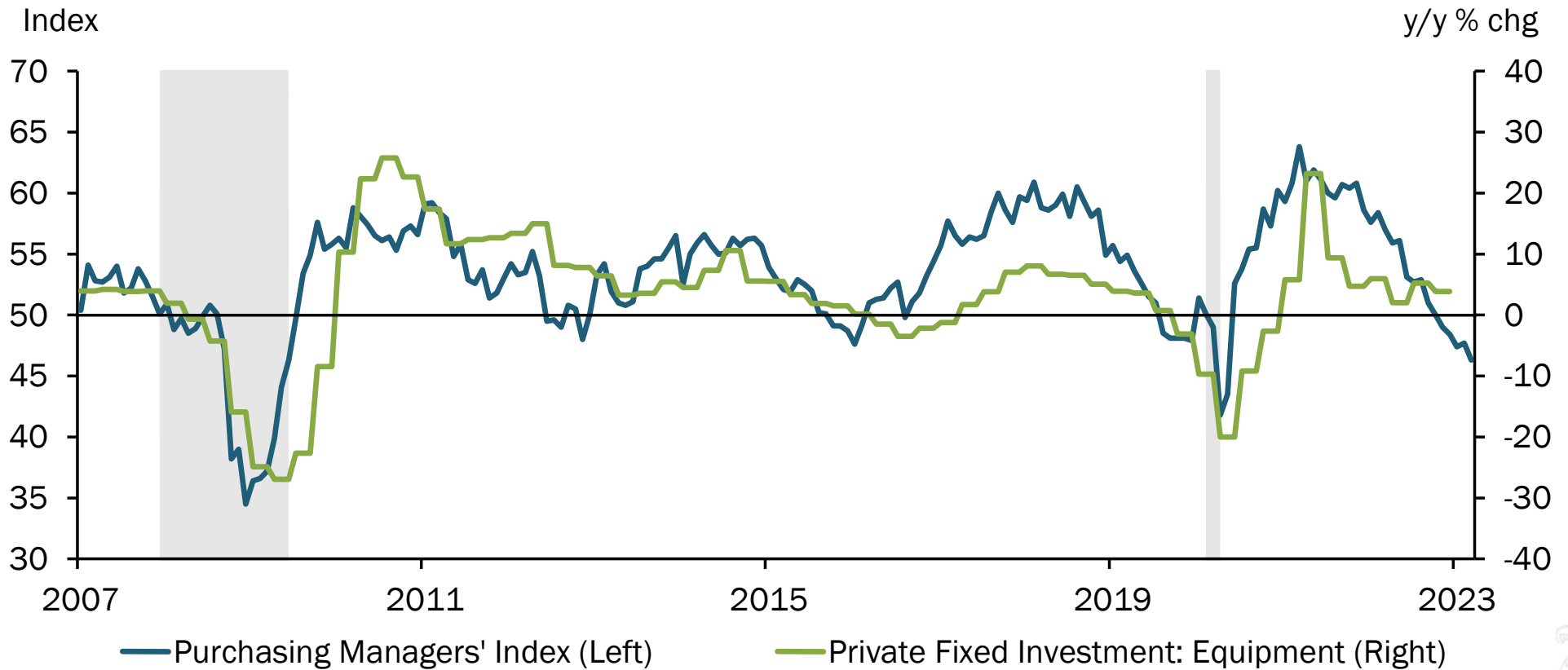


Job growth in New Mexico remains strong but is decelerating to near its trend level

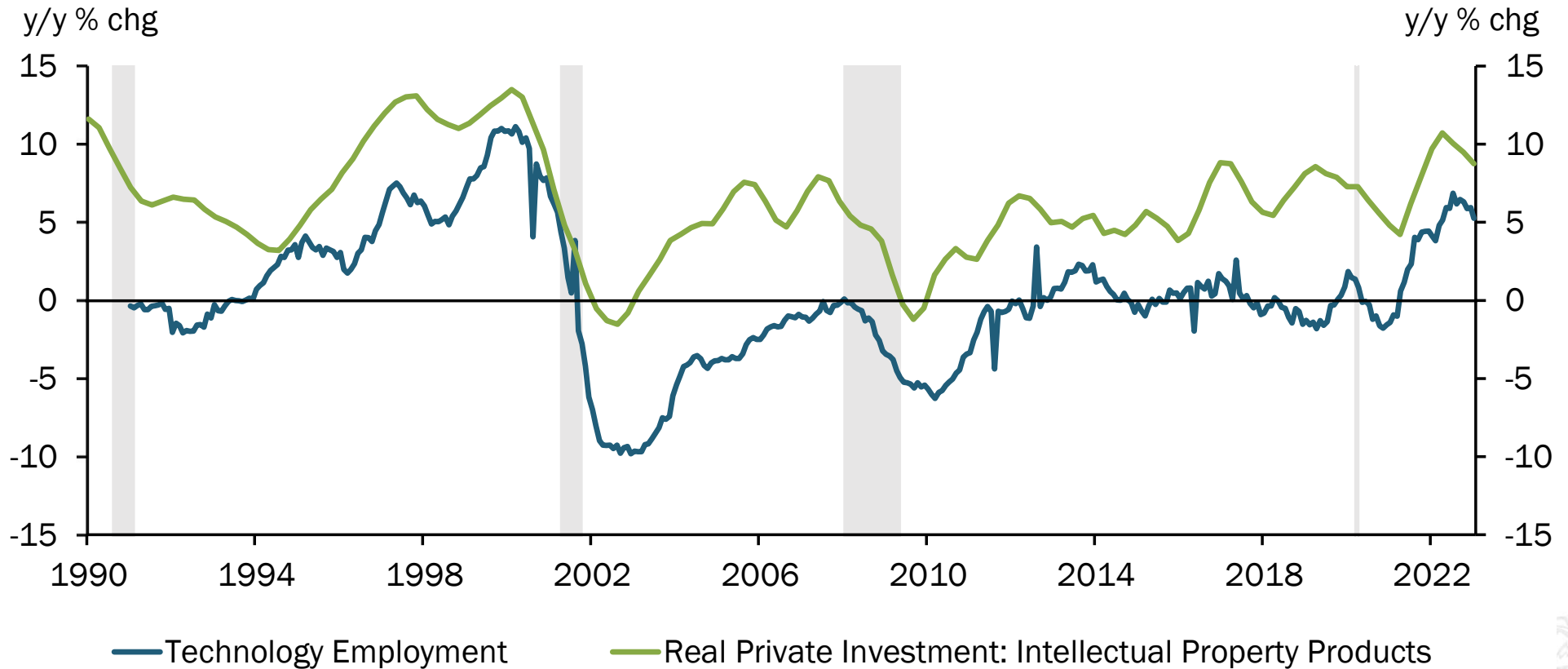


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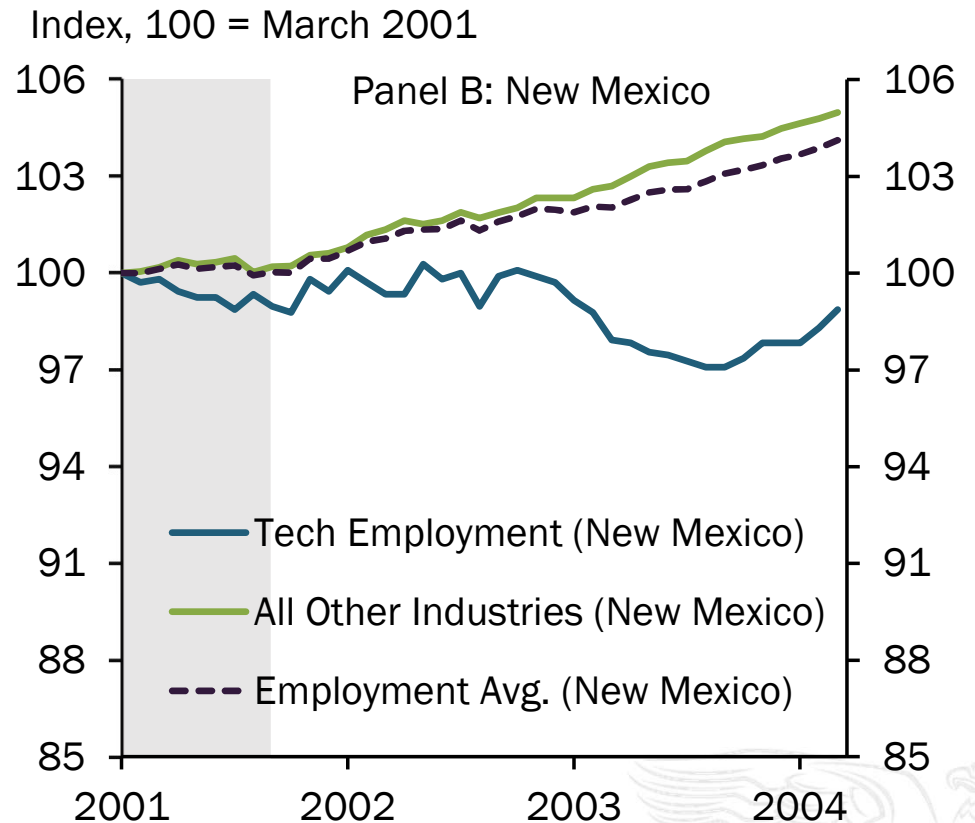
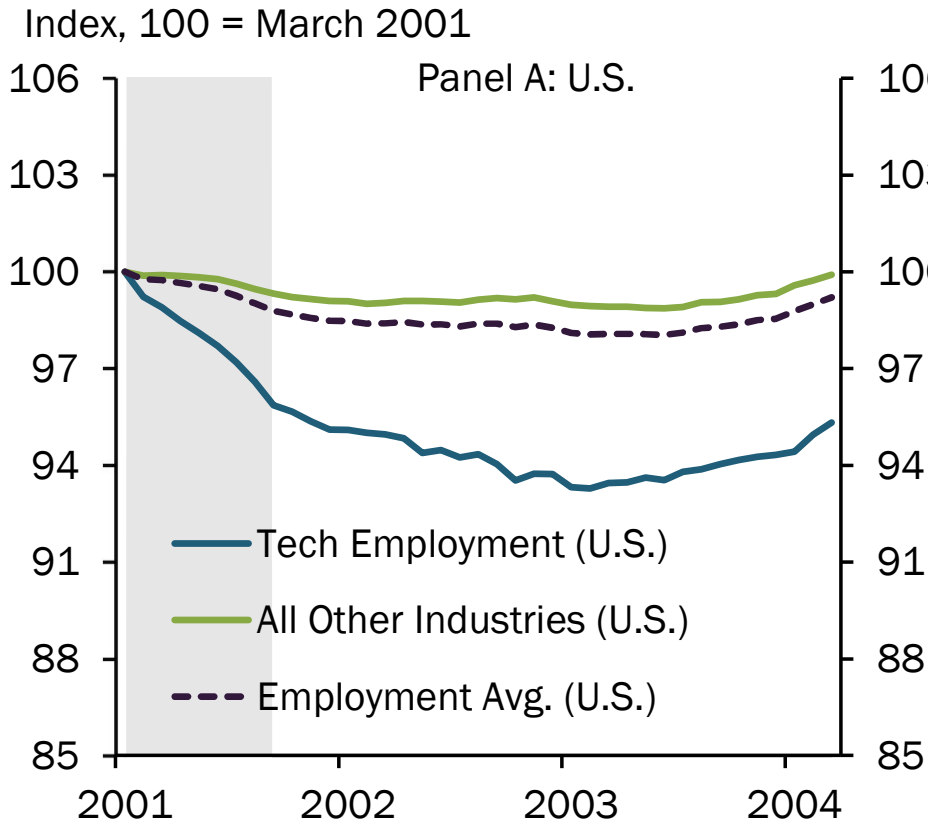
Businesses' purchases of materials, equipment and other capex spending are declining



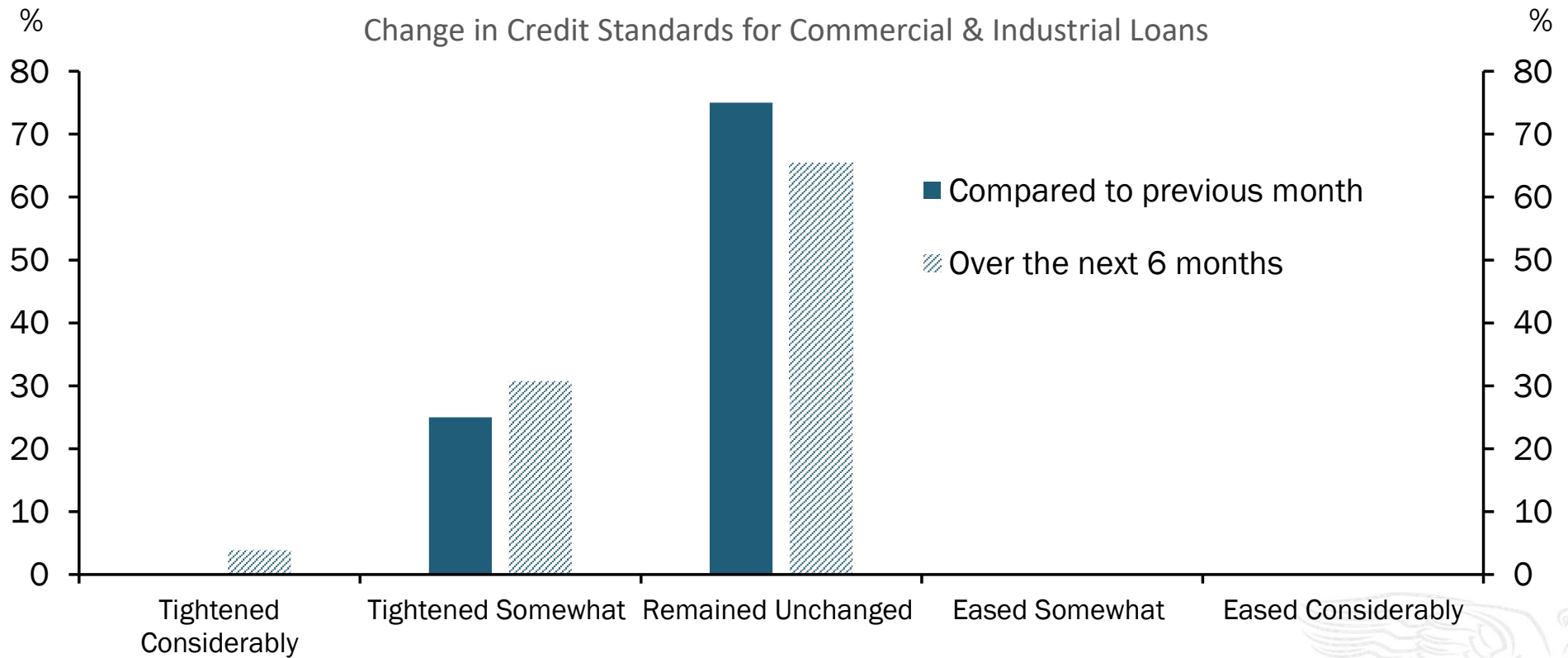
Slowing employment growth in technology occupations likely indicates that investment in intellectual property is also poised to slow



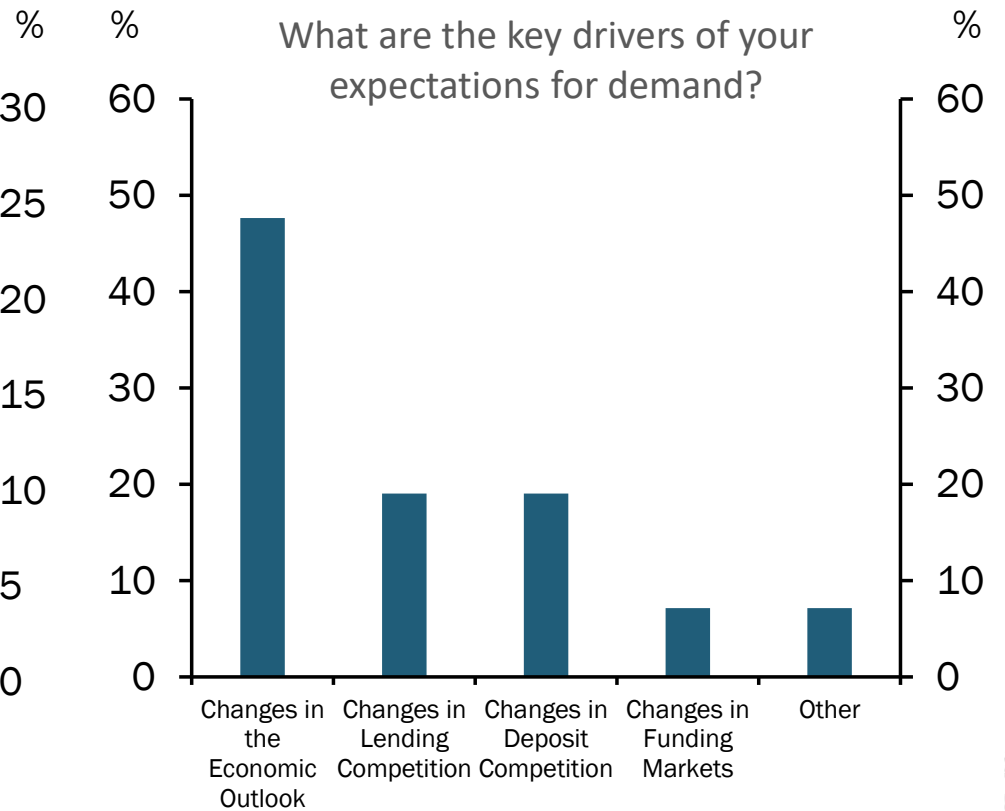
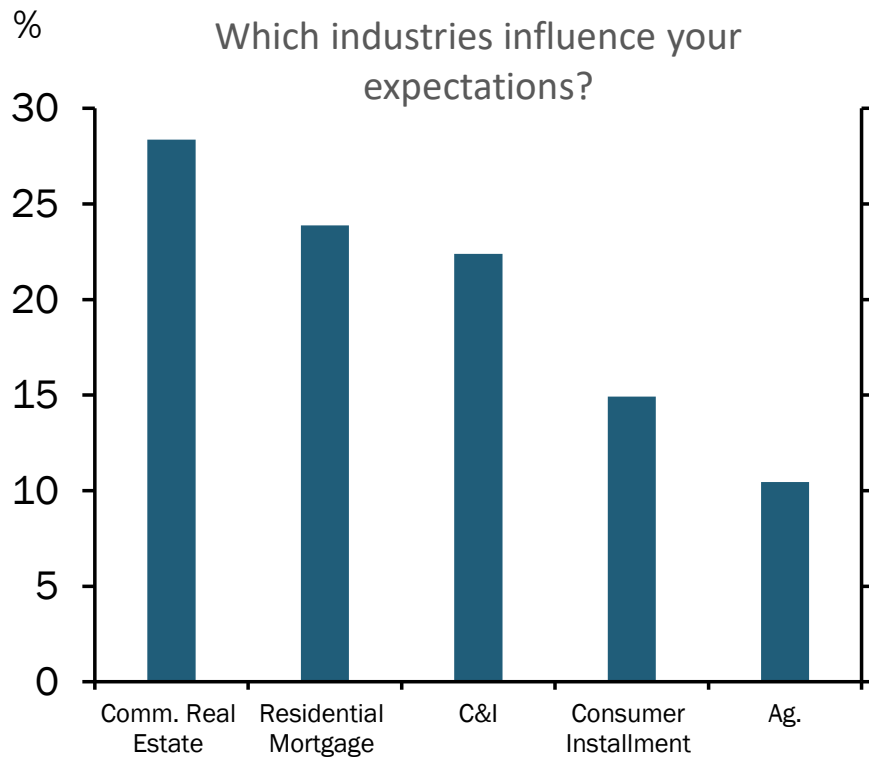
During the 2001 downturn, job losses in the tech sector had only modest spillovers to employment in other industries in New Mexico



An increased share of banks expect to further tighten their credit standards over the next six months



Banks in the region are reportedly tightening conditions most in real estate because of shifts in the economic outlook

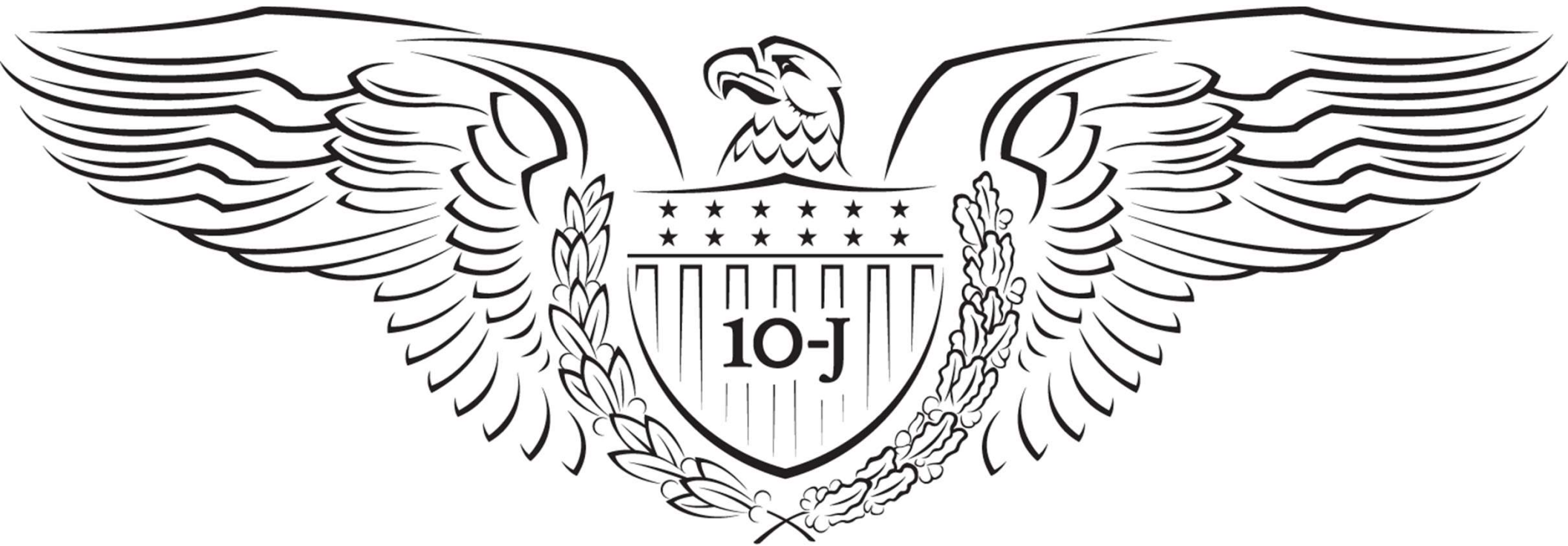


Looking ahead

- Inflation still has momentum in many home spending categories, and slowing that momentum will be key to restoring price stability over coming months
- Tighter financial conditions are resulting in slower demand growth and, as a result, declining business investment activity
- The Federal Reserve has stated a sustained stance of restrictive policy is likely to be appropriate to restore price stability and it will be closely monitoring developments to guide future policy decisions
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Economic Conditions and Outlook

May 10, 2023 – New Mexico Briefing

Nicholas Sly

Vice President, Economist and Denver Branch Executive

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

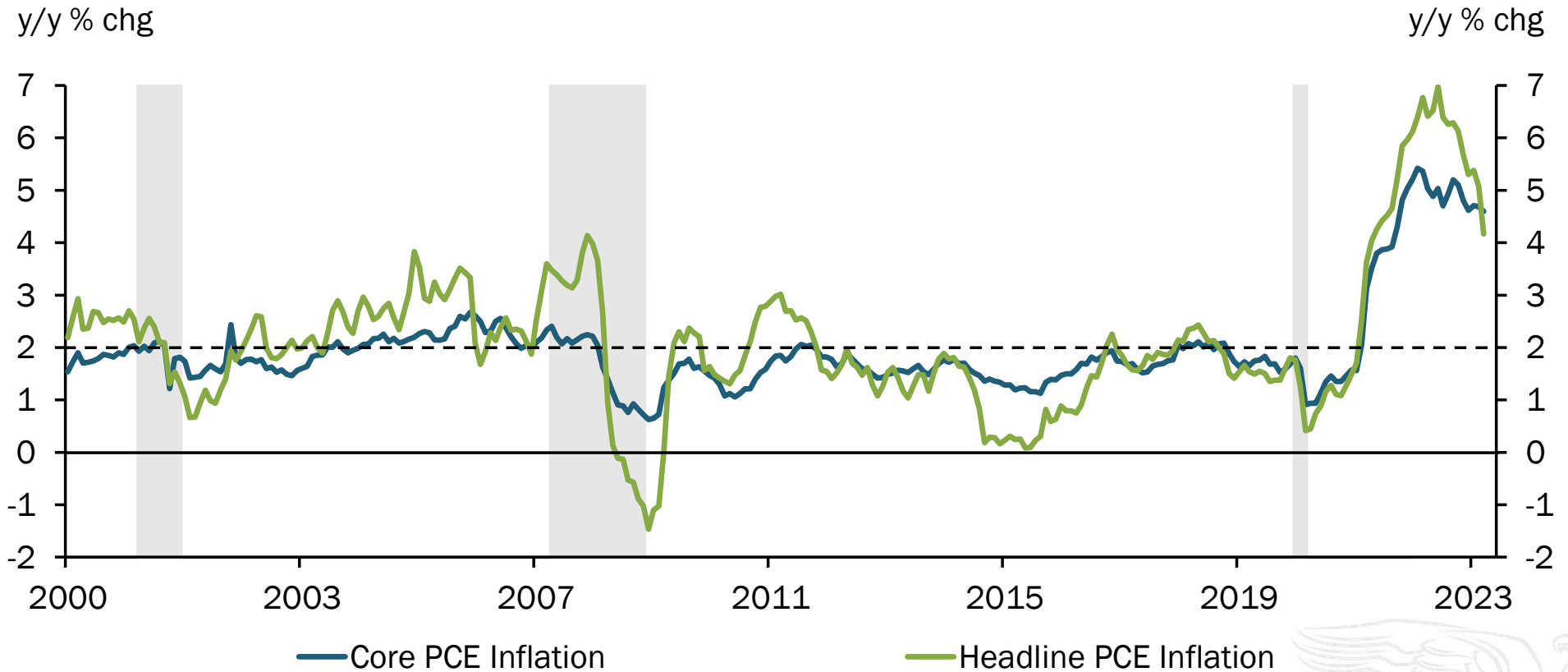


Overview

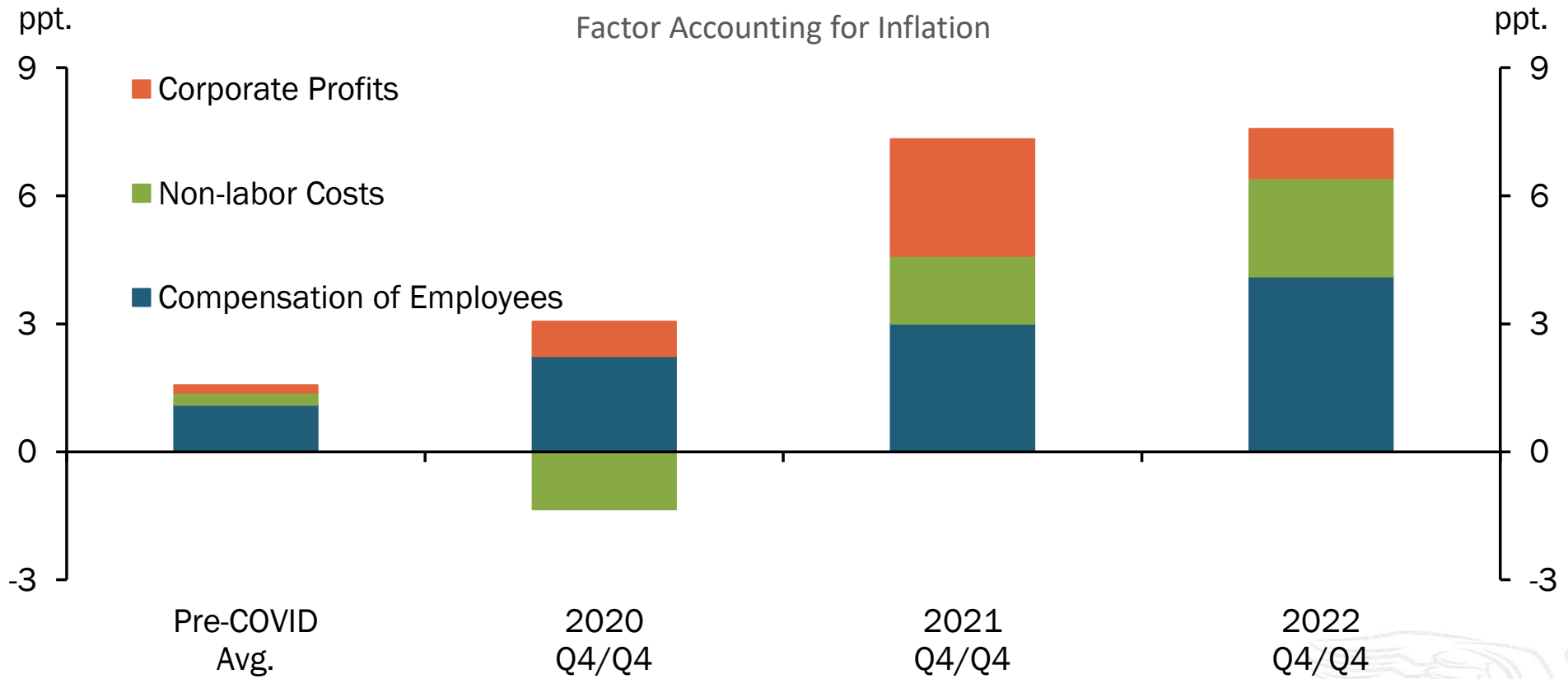
- Many of the sectors where inflation was outsized over the past two years are showing some signs of moderating, but inflation still has some momentum alongside a tight labor market
- Wage growth is beginning to moderate, but remains well-above historical averages
- Business investment activities are declining, while consumption growth slowed to trend levels
- Banks expect to further tighten their credit standards over the medium term



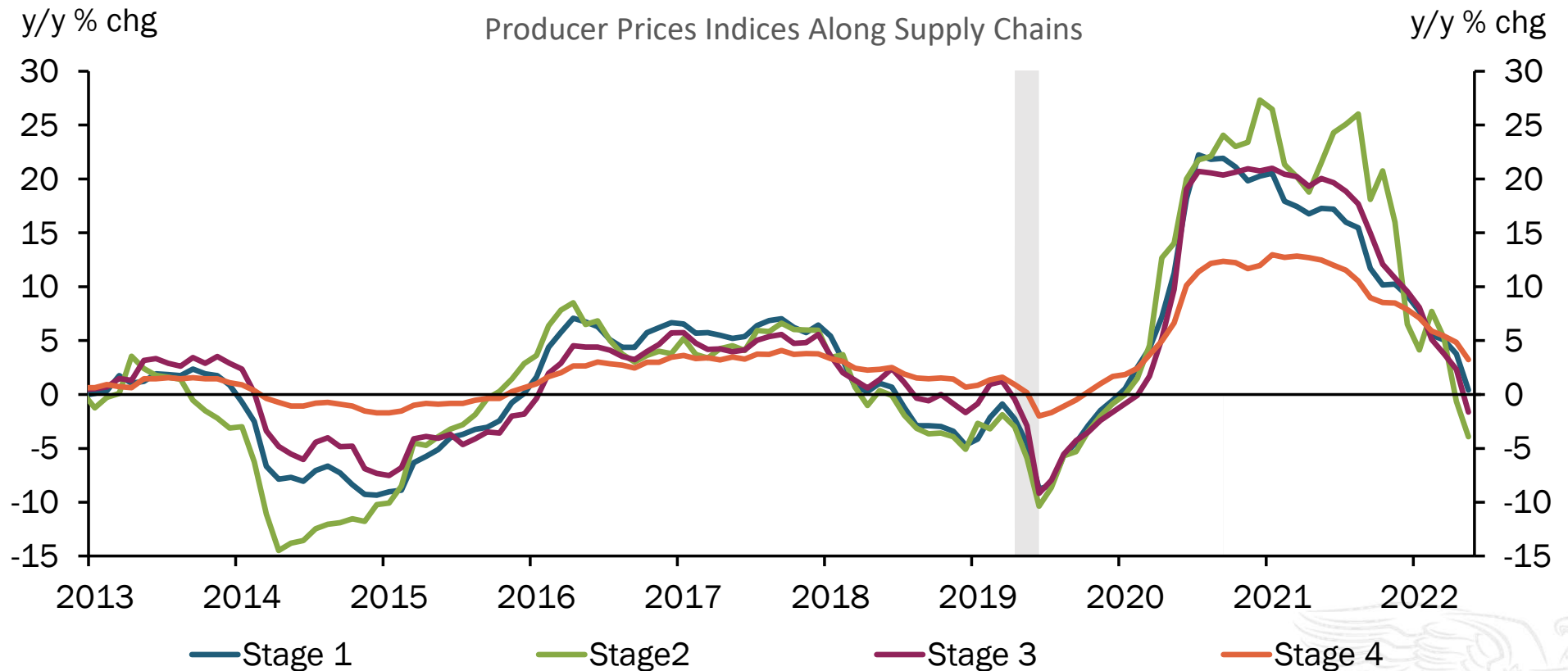
Inflation remains elevated, with core inflation maintaining momentum



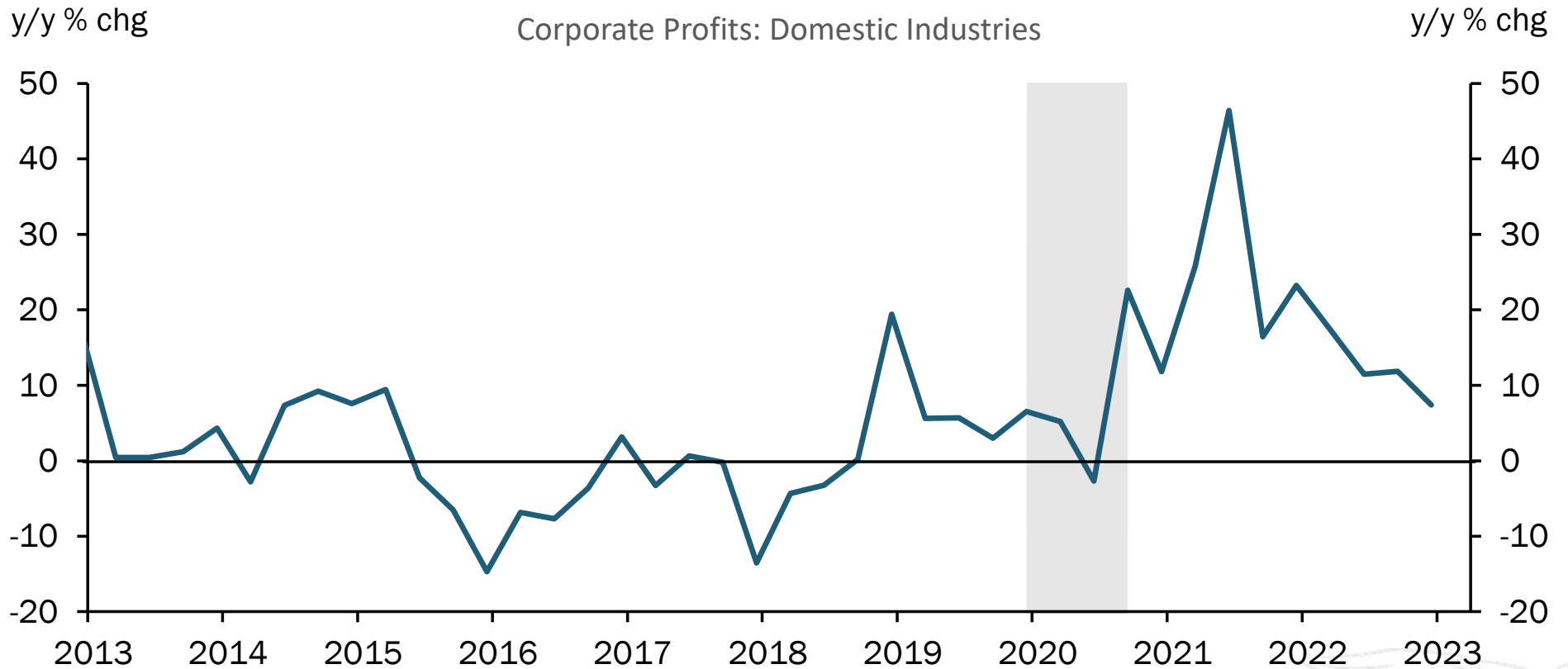
Inflation pressures were evident in several parts of the economy



Now, inflation pressures associated with “non-labor costs” are softening along all stages of production, as input price growth is slowing



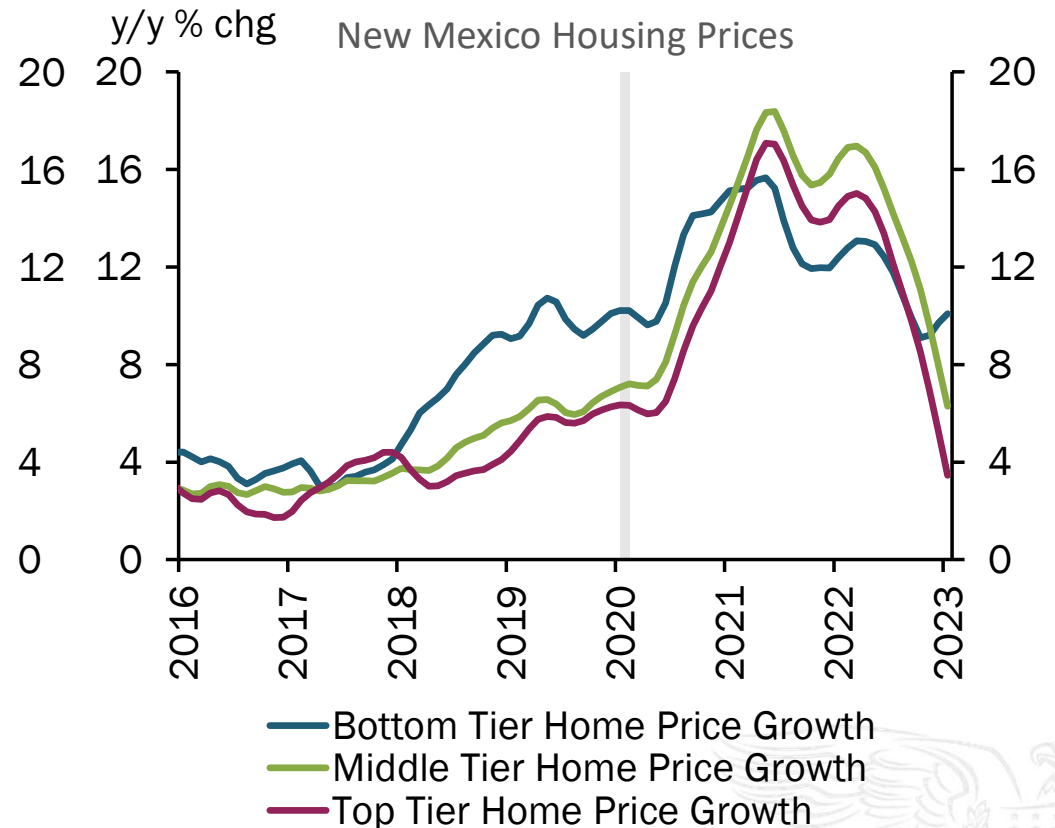
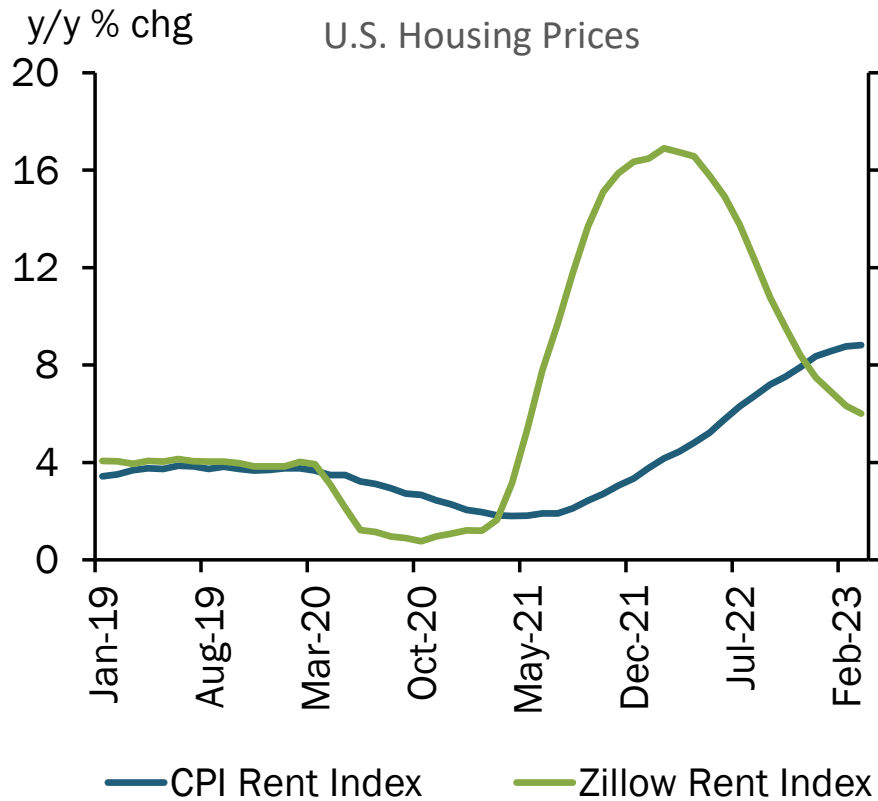
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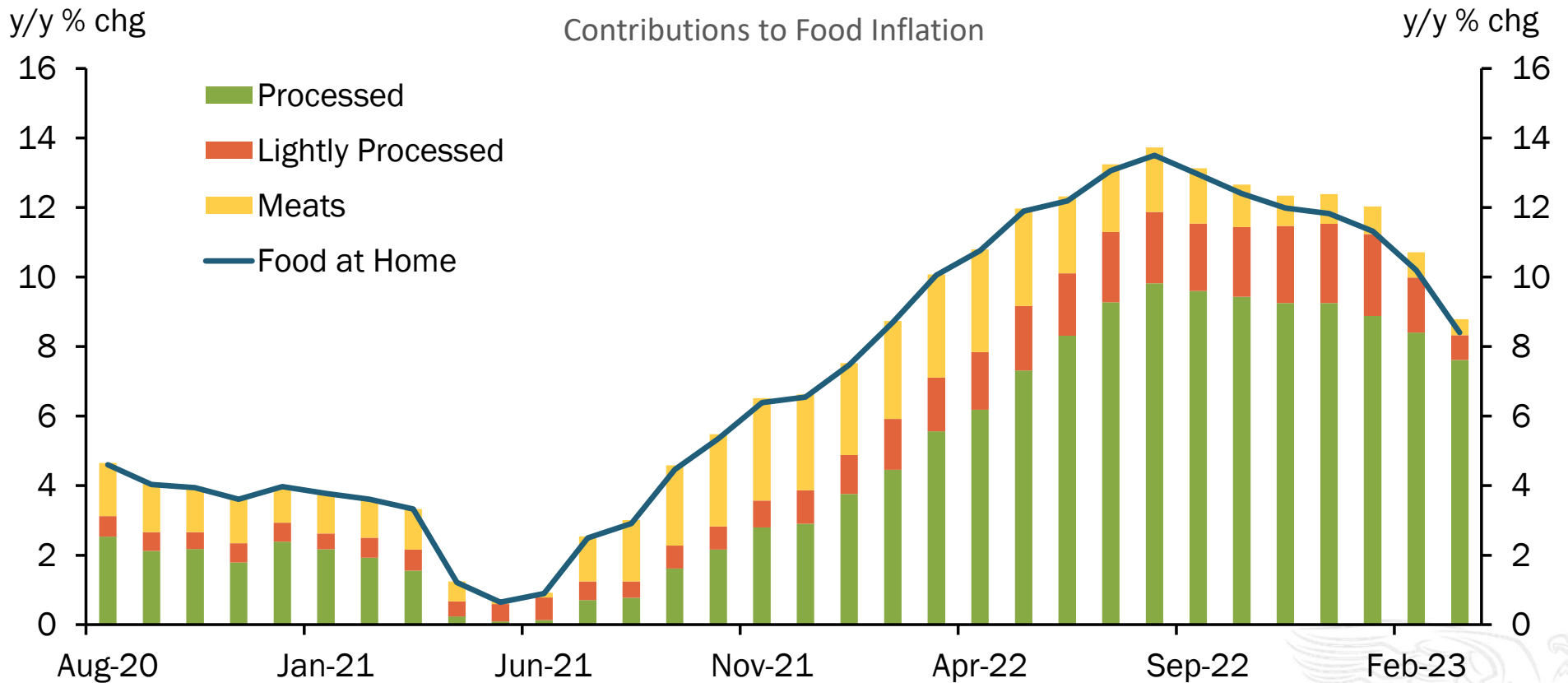
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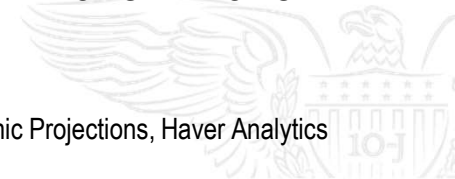
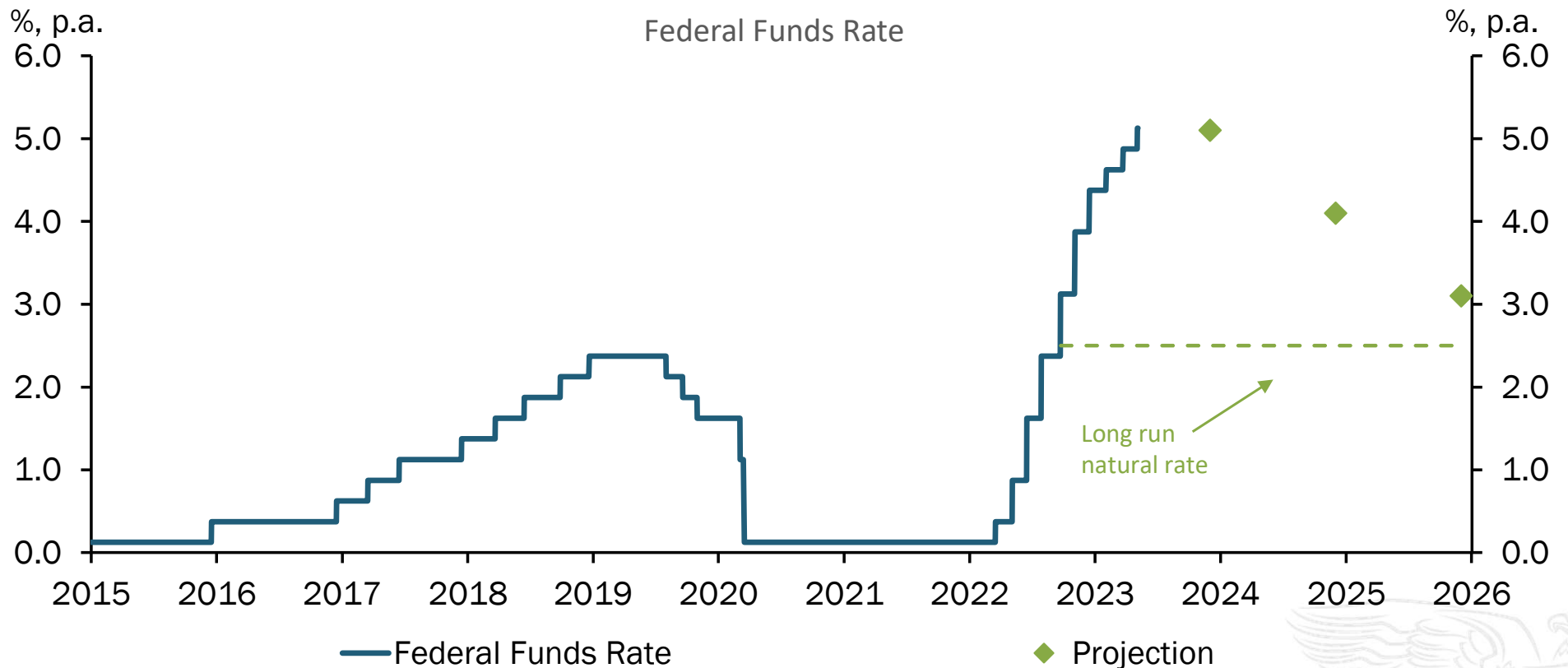
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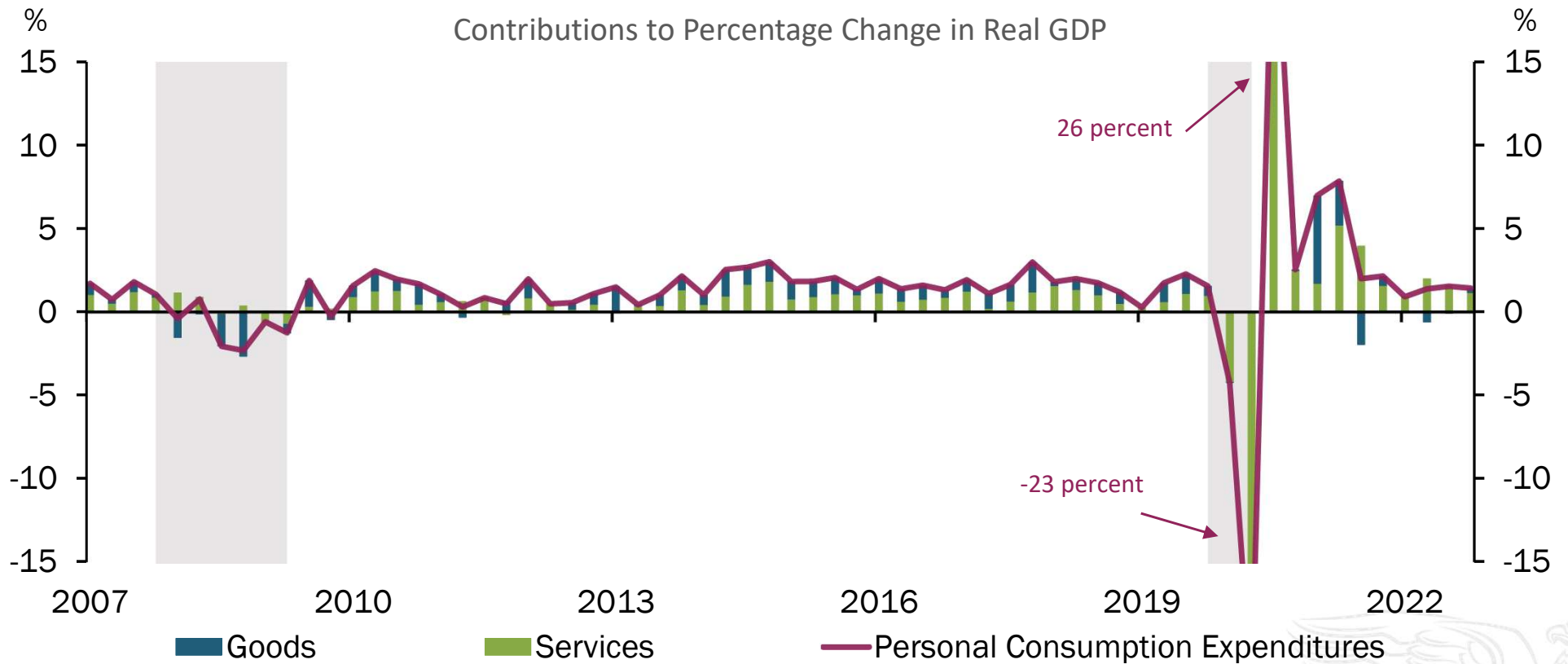
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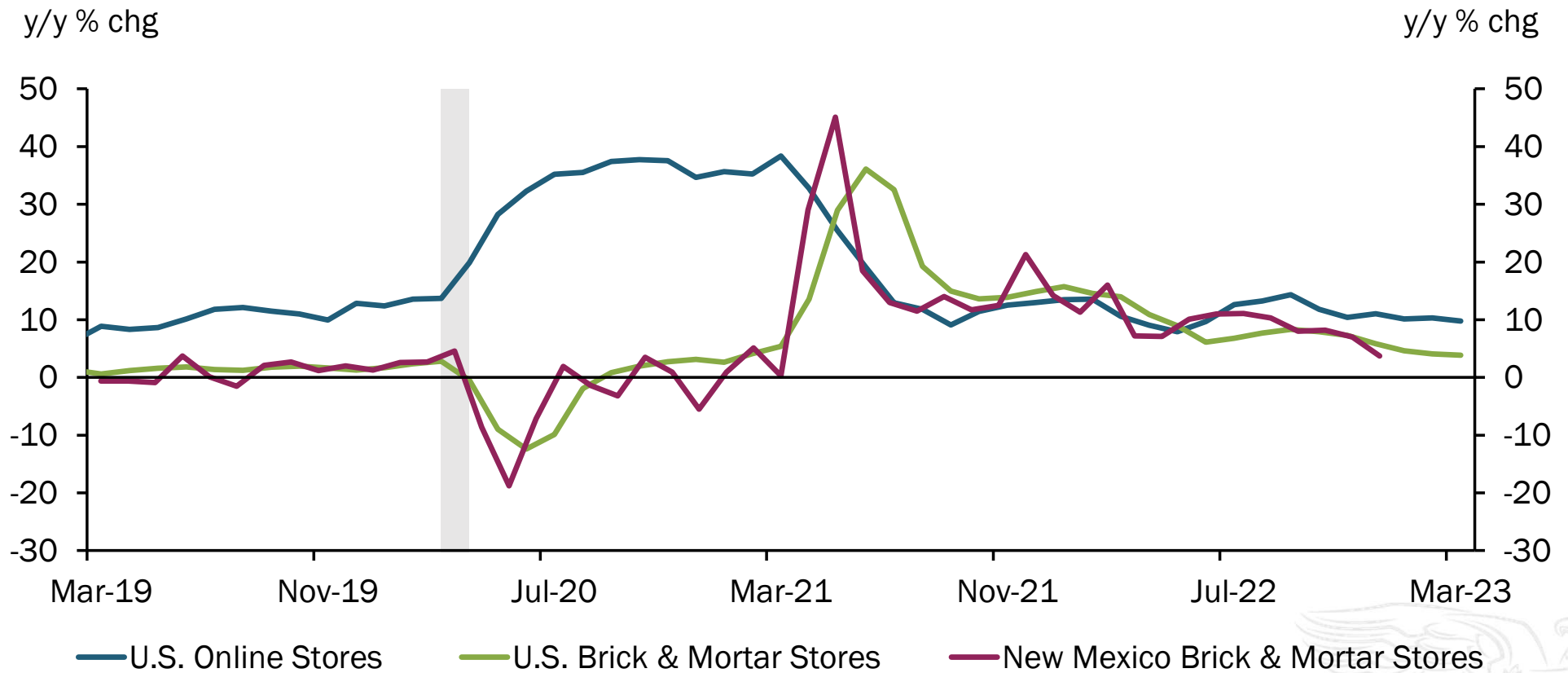


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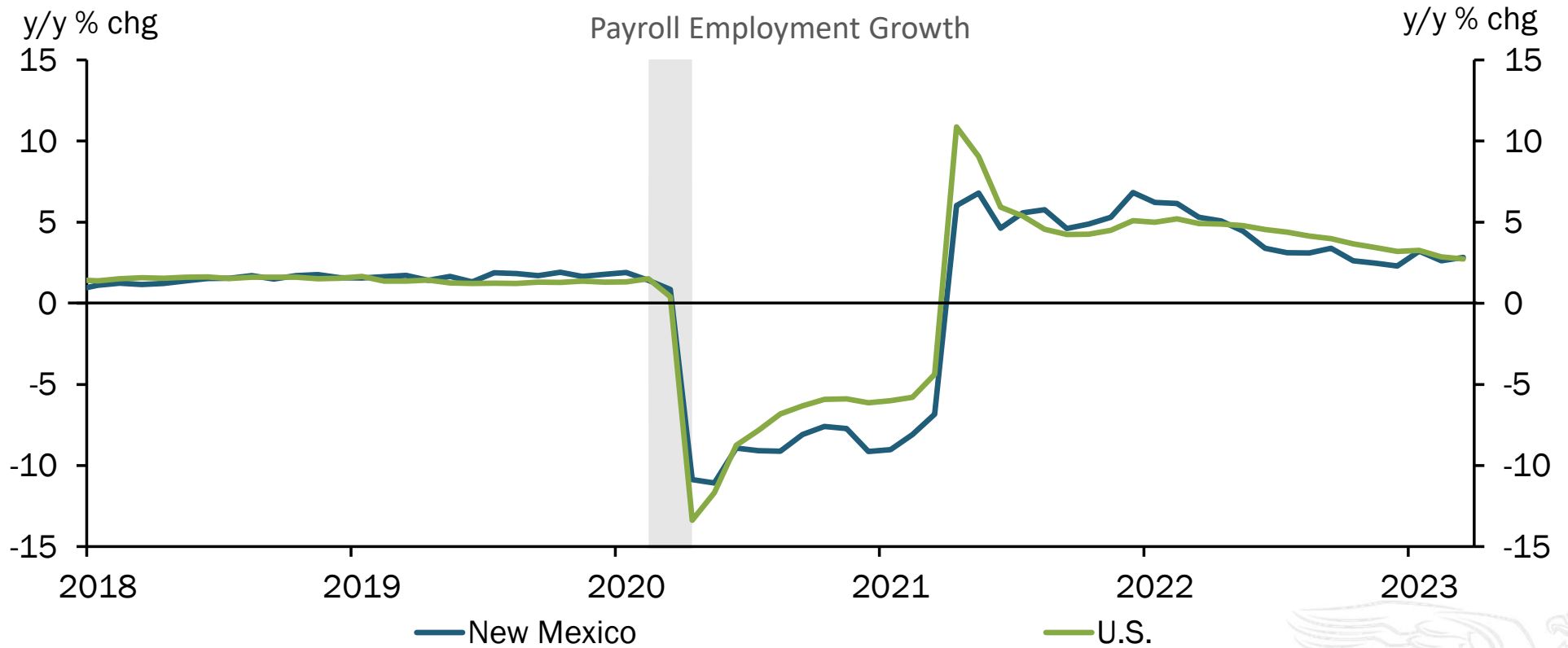


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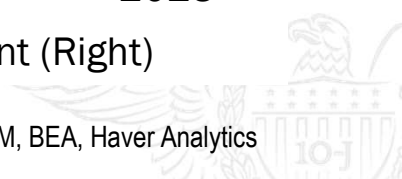
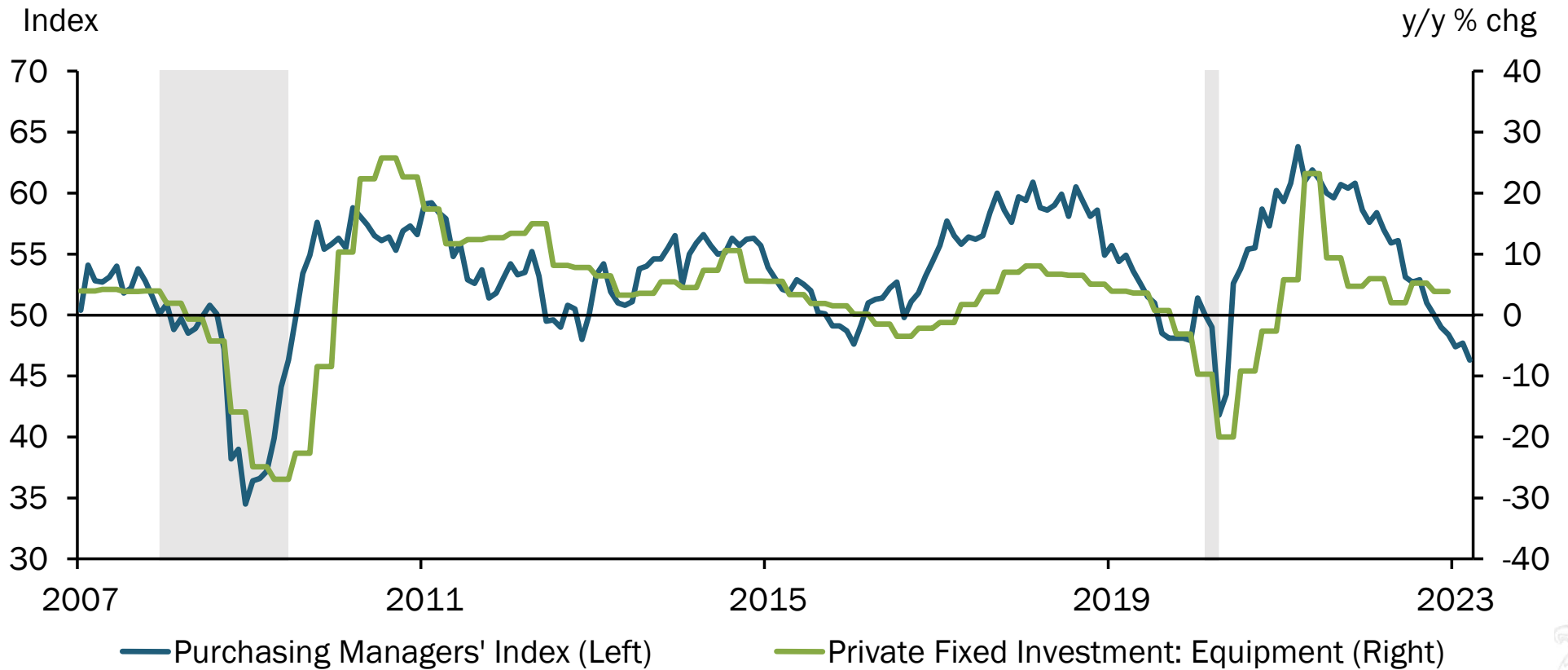


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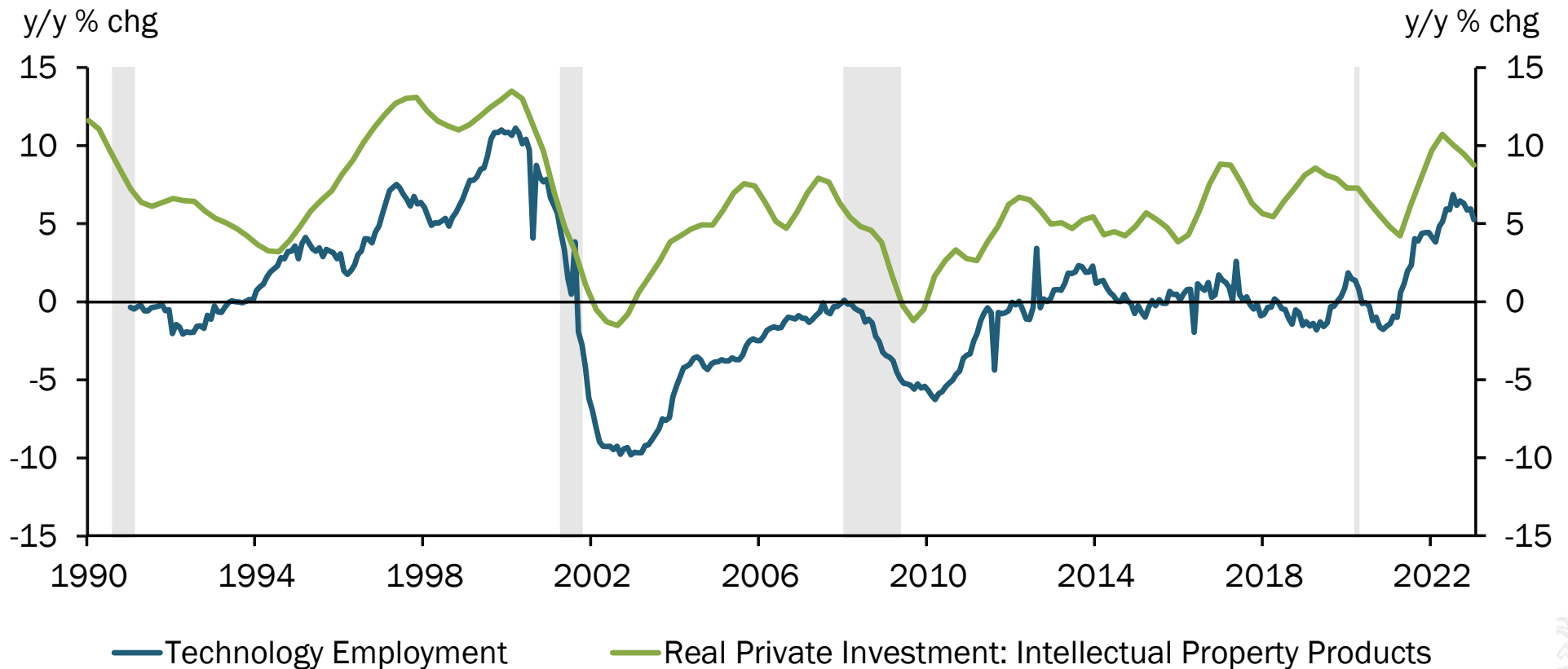


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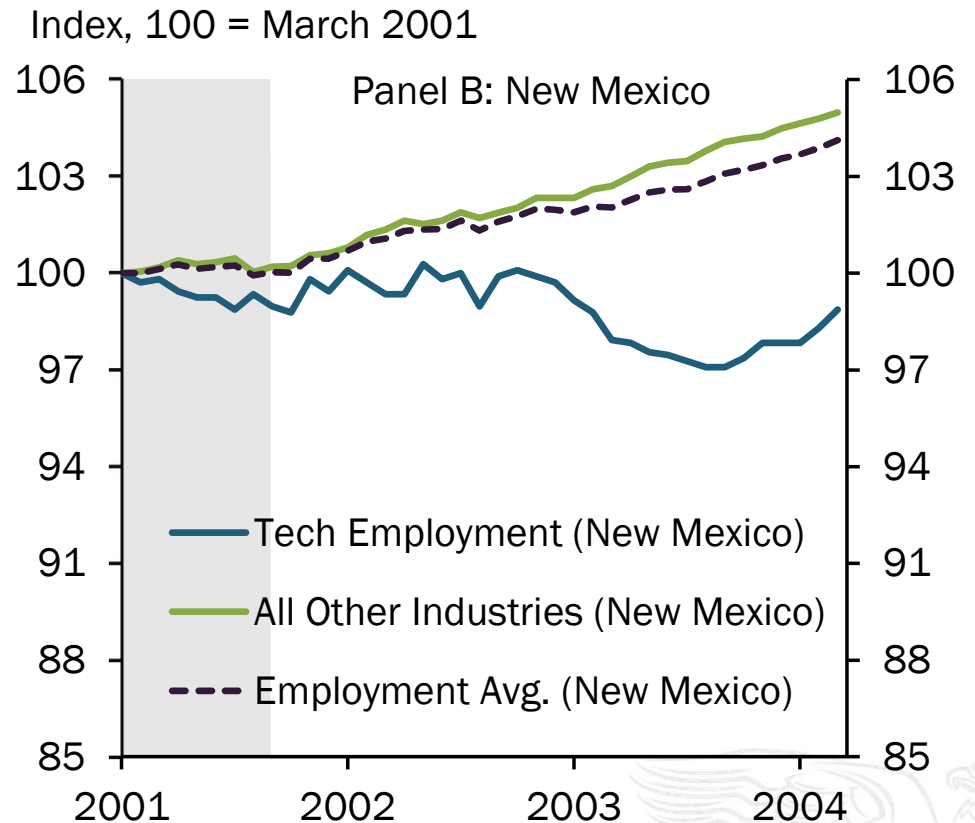
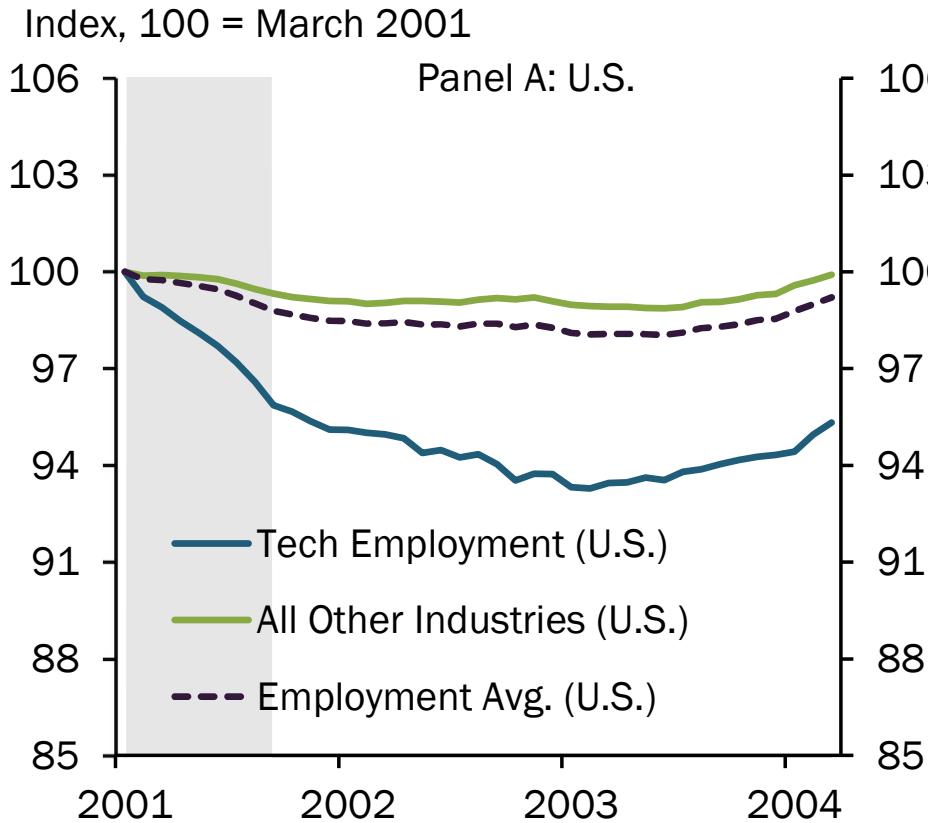
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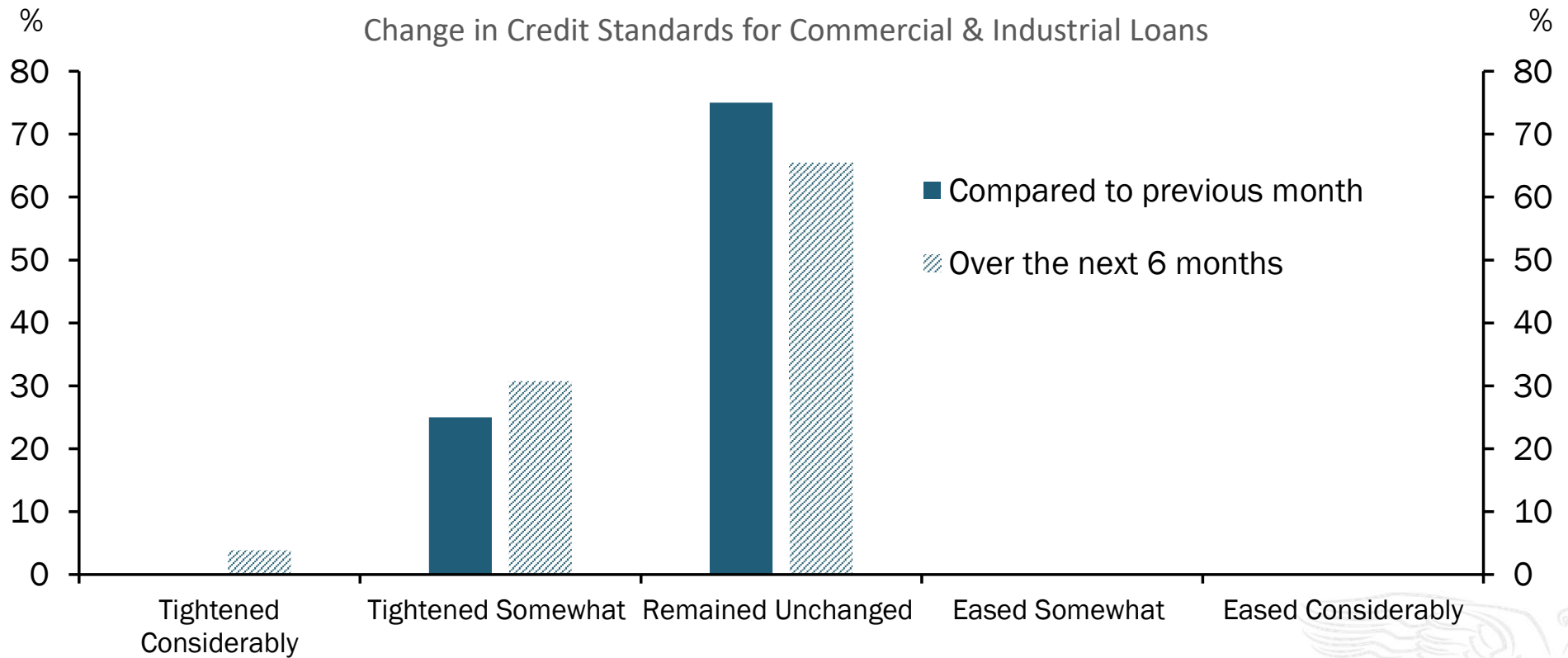
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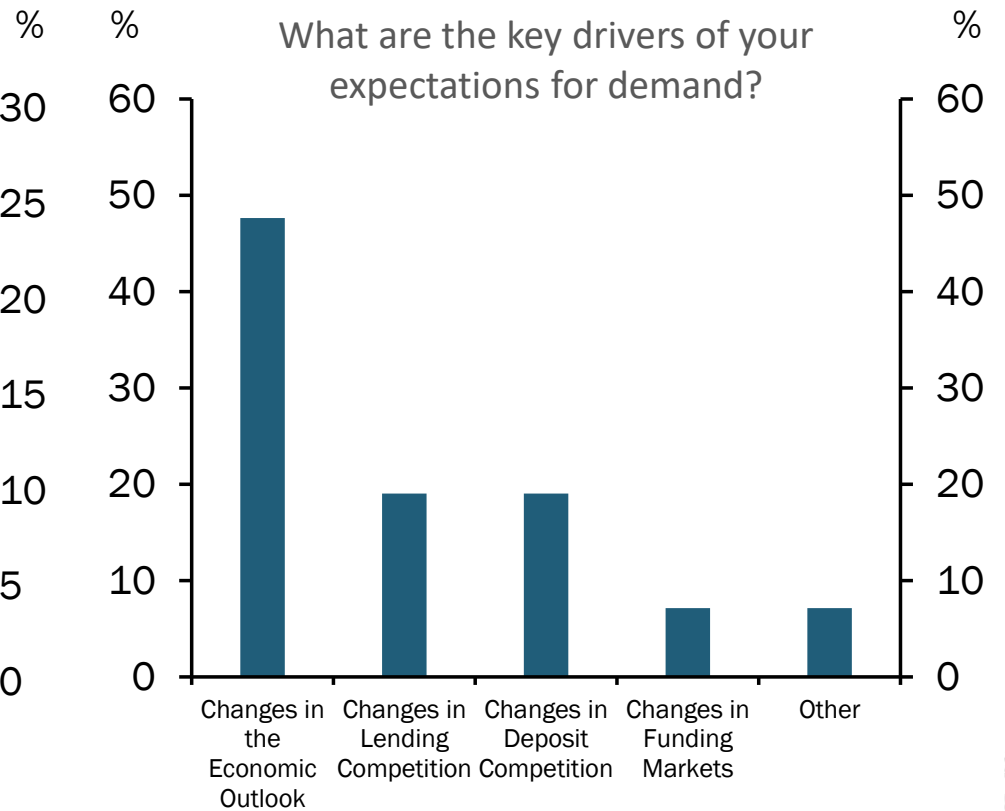
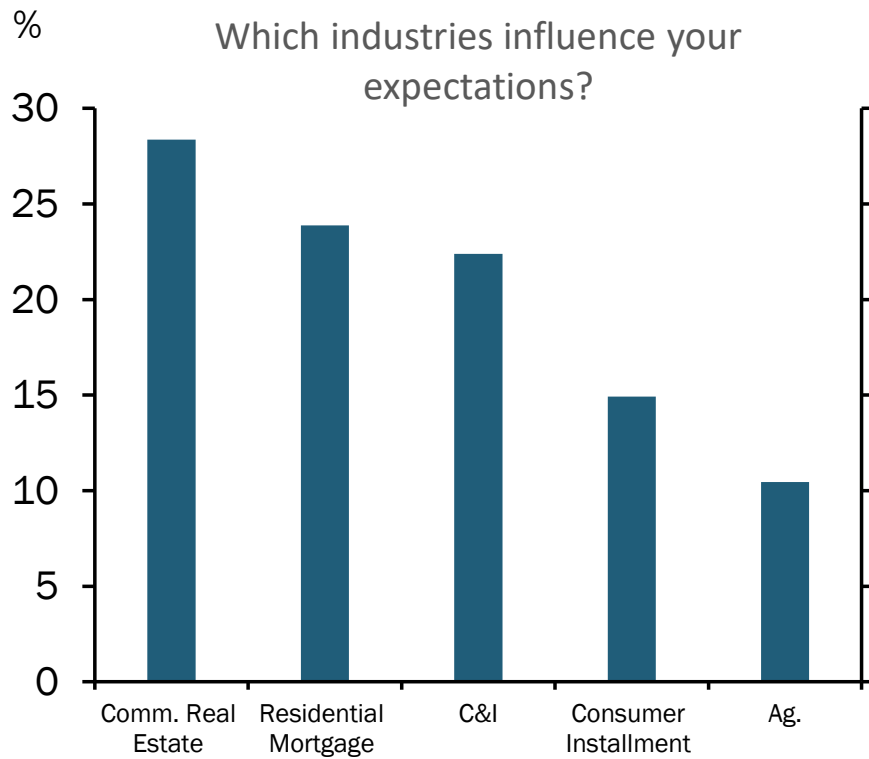
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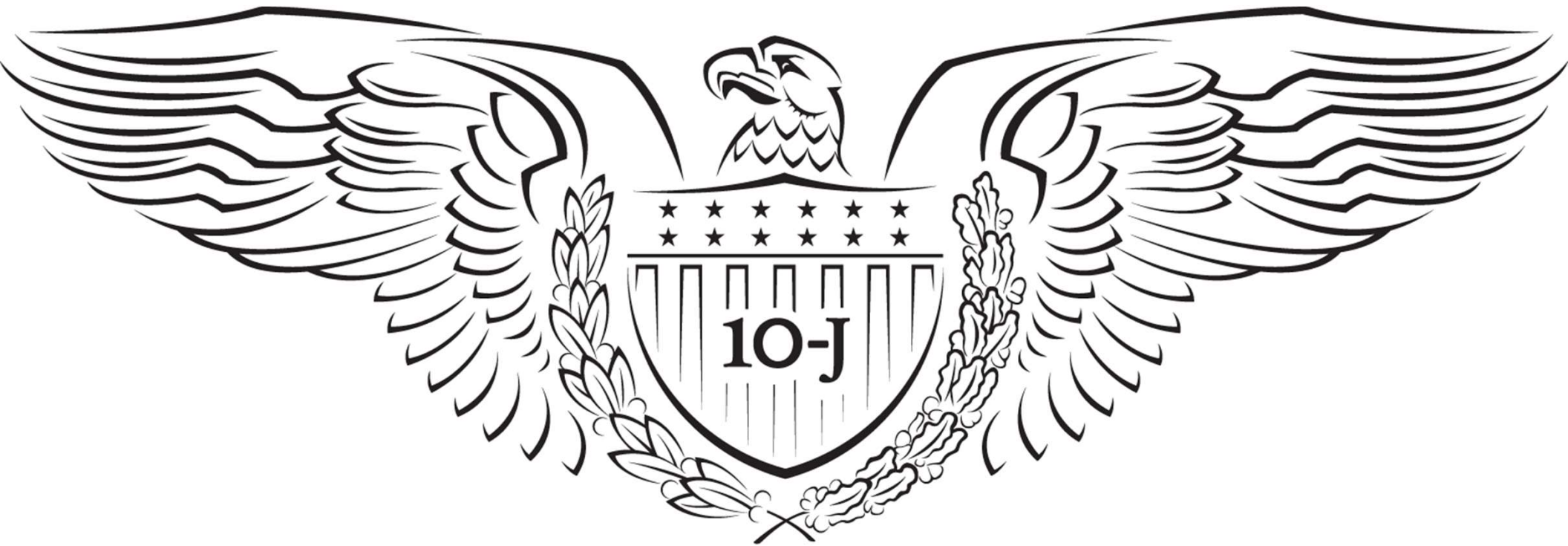


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