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.

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading.
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.
Corporate profits are softening from their recent outsized growth rates.
But, even though wage growth is moderating, it remains persistently above historical norms.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating.
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.
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
Businesses’ purchases of materials, equipment and other capex spending are declining.

Sources: ISM, BEA, Haver Analytics
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.

Panel A: U.S.
- Tech Employment (U.S.)
- All Other Industries (U.S.)
- Employment Avg. (U.S.)

Panel B: New Mexico
- Tech Employment (New Mexico)
- All Other Industries (New Mexico)
- Employment Avg. (New Mexico)

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
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.

- **Which industries influence your expectations?**
  - Commercial Real Estate: 25%
  - Residential Mortgage: 20%
  - C&I: 15%
  - Consumer Installment: 10%
  - Ag.: 5%

- **What are the key drivers of your expectations for demand?**
  - Changes in the Economic Outlook: 60%
  - Changes in Lending Competition: 20%
  - Changes in Deposit Competition: 15%
  - Changes in Funding Markets: 5%
  - Other: 0%
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.

- Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far.
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.

### Factor Accounting for Inflation

<table>
<thead>
<tr>
<th></th>
<th>2020 Q4/Q4</th>
<th>2021 Q4/Q4</th>
<th>2022 Q4/Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Profits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-labor Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation of Employees</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BEA
Now, inflation pressures associated with “non-labor costs” are softening along all stages of production, as input price growth is slowing.
Corporate profits are softening from their recent outsized growth rates.
But, even though wage growth is moderating, it remains persistently above historical norms.

Source: BLS
Note: Grey bars indicate recession shading.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating.
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.
Consumer spending is returning to something akin to a new trend growth level, rebalanced between online and in-store locations.

Source: U.S. Census, Haver Analytics
Note: Grey bars indicate recession shading
Job growth in New Mexico remains strong but is decelerating to near its trend level

Source: BLS, Haver Analytics

Note: Grey bars indicate recession shading
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.

Which industries influence your expectations?

- Comm. Real Estate: 30%
- Residential Mortgage: 25%
- C&I: 20%
- Consumer Installment: 15%
- Ag.: 10%

What are the key drivers of your expectations for demand?

- Changes in the Economic Outlook: 50%
- Changes in Lending Competition: 30%
- Changes in Deposit Competition: 25%
- Changes in Funding Markets: 10%
- Other: 5%
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.

• Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far.
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

Core PCE Inflation

Headline PCE Inflation

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
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.
Corporate profits are softening from their recent outsized growth rates.

Source: BEA
Note: Grey bars indicate recession shading.
But, even though wage growth is moderating, it remains persistently above historical norms.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating.
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.
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.

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading.
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.

Change in Credit Standards for Commercial & Industrial Loans

- Tightened Considerably
- Tightened Somewhat
- Remained Unchanged
- Eased Somewhat
- Eased Considerably

Compared to previous month: [Bar Chart]
Over the next 6 months: [Bar Chart]

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

Which industries influence your expectations?

What are the key drivers of your expectations for demand?
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.

- Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far.
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.
Corporate profits are softening from their recent outsized growth rates.
But, even though wage growth is moderating, it remains persistently above historical norms.

Source: BLS
Note: Grey bars indicate recession shading.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics.
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.

Source: U.S. Census, Haver Analytics

Note: Grey bars indicate recession shading.
Job growth in New Mexico remains strong but is decelerating to near its trend level.

[Graph showing Payroll Employment Growth with y/y % chg on the y-axis and years from 2018 to 2023 on the x-axis. New Mexico and U.S. data are plotted with blue and green lines, respectively. Grey bars indicate recession shading.]

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
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.

Which industries influence your expectations?

- Comm. Real Estate: 30%
- Residential Mortgage: 25%
- C&I: 20%
- Consumer Installment: 15%
- Ag.: 10%

What are the key drivers of your expectations for demand?

- Changes in the Economic Outlook: 50%
- Changes in Lending Competition: 20%
- Changes in Deposit Competition: 15%
- Changes in Funding Markets: 5%
- Other: 10%
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.

- Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far.
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

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
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.
Corporate profits are softening from their recent outsized growth rates

Source: BEA
Note: Grey bars indicate recession shading
But, even though wage growth is moderating, it remains persistently above historical norms
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating.

Contributions to Food Inflation
- Processed
- Lightly Processed
- Meats
- Food at Home

Source: BLS, Haver Analytics
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.
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

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
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.

Panel A: U.S.
- Tech Employment (U.S.)
- All Other Industries (U.S.)
- Employment Avg. (U.S.)

Panel B: New Mexico
- Tech Employment (New Mexico)
- All Other Industries (New Mexico)
- Employment Avg. (New Mexico)

Index, 100 = March 2001

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
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.

- Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far.
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

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
Inflation pressures were evident in several parts of the economy.

### Factor Accounting for Inflation

- **Corporate Profits**
- **Non-labor Costs**
- **Compensation of Employees**

#### Pre-COVID Avg.

- 2020 Q4/Q4
- 2021 Q4/Q4
- 2022 Q4/Q4

Source: BEA
Now, inflation pressures associated with “non-labor costs” are softening along all stages of production, as input price growth is slowing.
Corporate profits are softening from their recent outsized growth rates

Source: BEA

Note: Grey bars indicate recession shading
But, even though wage growth is moderating, it remains persistently above historical norms.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating.

Source: BLS, Haver Analytics
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.

Contributions to Percentage Change in Real GDP

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

Payroll Employment Growth

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
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.

Panel A: U.S.
- Tech Employment (U.S.)
- All Other Industries (U.S.)
- Employment Avg. (U.S.)

Panel B: New Mexico
- Tech Employment (New Mexico)
- All Other Industries (New Mexico)
- Employment Avg. (New Mexico)

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading.
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.

Which industries influence your expectations?

<table>
<thead>
<tr>
<th>Industry</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comm. Real Estate</td>
<td>30</td>
</tr>
<tr>
<td>Residential Mortgage</td>
<td>25</td>
</tr>
<tr>
<td>C&amp;I</td>
<td>25</td>
</tr>
<tr>
<td>Consumer Installment</td>
<td>15</td>
</tr>
<tr>
<td>Ag.</td>
<td>10</td>
</tr>
</tbody>
</table>

What are the key drivers of your expectations for demand?

<table>
<thead>
<tr>
<th>Driver</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in the Economic Outlook</td>
<td>50</td>
</tr>
<tr>
<td>Changes in Lending Competition</td>
<td>15</td>
</tr>
<tr>
<td>Changes in Deposit Competition</td>
<td>10</td>
</tr>
<tr>
<td>Changes in Funding Markets</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
</tr>
</tbody>
</table>
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.

- Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far.
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

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
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.
Corporate profits are softening from their recent outsized growth rates

Source: BEA
Note: Grey bars indicate recession shading
But, even though wage growth is moderating, it remains persistently above historical norms.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.

Source: BEA, Zillow, BLS, Staff, Haver Analytics
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating.
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics.
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.

Contributions to Percentage Change in Real GDP

- Goods
- Services
- Personal Consumption Expenditures

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.
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.

- **Which industries influence your expectations?**
  - Commercial Real Estate: 29%
  - Residential Mortgage: 27%
  - C&I: 24%
  - Consumer Installment: 22%
  - Ag.: 16%

- **What are the key drivers of your expectations for demand?**
  - Changes in the Economic Outlook: 60%
  - Changes in Lending Competition: 12%
  - Changes in Deposit Competition: 11%
  - Changes in Funding Markets: 5%
  - Other: 5%
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

• Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far
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.

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
Inflation pressures were evident in several parts of the economy

Factor Accounting for Inflation

- Corporate Profits
- Non-labor Costs
- Compensation of Employees

Pre-COVID Avg.
2020 Q4/Q4
2021 Q4/Q4
2022 Q4/Q4

Source: BEA
Now, inflation pressures associated with “non-labor costs” are softening along all stages of production, as input price growth is slowing.
Corporate profits are softening from their recent outsized growth rates.
But, even though wage growth is moderating, it remains persistently above historical norms.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating.
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.

Contributions to Percentage Change in Real GDP

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.

Source: U.S. Census, Haver Analytics

Note: Grey bars indicate recession shading.
Job growth in New Mexico remains strong but is decelerating to near its trend level

Payroll Employment Growth

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
Businesses’ purchases of materials, equipment and other capex spending are declining

Sources: ISM, BEA, Haver Analytics
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.

Change in Credit Standards for Commercial & Industrial Loans

- Tightened Considerably
- Tightened Somewhat
- Remained Unchanged
- Eased Somewhat
- Eased Considerably

Compared to previous month
Over the next 6 months

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

Which industries influence your expectations?

- Comm. Real Estate: 25%
- Residential Mortgage: 20%
- C&I: 15%
- Consumer Installment: 10%
- Ag.: 8%

What are the key drivers of your expectations for demand?

- Changes in the Economic Outlook: 50%
- Changes in Lending Competition: 20%
- Changes in Deposit Competition: 15%
- Changes in Funding Markets: 10%
- Other: 5%
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.

- Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far.
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

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
Inflation pressures were evident in several parts of the economy.

Factor Accounting for Inflation

- Corporate Profits
- Non-labor Costs
- Compensation of Employees

Pre-COVID Avg., 2020 Q4/Q4, 2021 Q4/Q4, 2022 Q4/Q4

Source: BEA
Now, inflation pressures associated with “non-labor costs” are softening along all stages of production, as input price growth is slowing.
Corporate profits are softening from their recent outsized growth rates.

Source: BEA

Note: Grey bars indicate recession shading.
But, even though wage growth is moderating, it remains persistently above historical norms.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating.
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.
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
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.

Index, 100 = March 2001
Panel A: U.S.
Panel B: New Mexico

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
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.

Which industries influence your expectations?

What are the key drivers of your expectations for demand?

Source: FRBKC
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.

- Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far.
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

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
Inflation pressures were evident in several parts of the economy

Pre-COVID Avg.

2020 Q4/Q4

2021 Q4/Q4

2022 Q4/Q4

Factor Accounting for Inflation

- Corporate Profits
- Non-labor Costs
- Compensation of Employees

Source: BEA
Now, inflation pressures associated with “non-labor costs” are softening along all stages of production, as input price growth is slowing.
Corporate profits are softening from their recent outsized growth rates.
But, even though wage growth is moderating, it remains persistently above historical norms.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.

Source: BEA, Zillow, BLS, Staff, Haver Analytics
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics.
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.
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
Businesses’ purchases of materials, equipment and other capex spending are declining

Sources: ISM, BEA, Haver Analytics
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.

**Panel A: U.S.**
- Tech Employment (U.S.)
- All Other Industries (U.S.)
- Employment Avg. (U.S.)

**Panel B: New Mexico**
- Tech Employment (New Mexico)
- All Other Industries (New Mexico)
- Employment Avg. (New Mexico)

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
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.

- Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far.
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

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
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.
Corporate profits are softening from their recent outsized growth rates.

Corporate Profits: Domestic Industries

Source: BEA
Note: Grey bars indicate recession shading.
But, even though wage growth is moderating, it remains persistently above historical norms.

Source: BLS
Note: Grey bars indicate recession shading.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating.

Contributions to Food Inflation

- Processed
- Lightly Processed
- Meats
- Food at Home

Source: BLS, Haver Analytics
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.
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

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
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.

Sources: BLS, BEA, Haver Analytics
During the 2001 downturn, job losses in the tech sector had only modest spillovers to employment in other industries in New Mexico.

Index, 100 = March 2001

Panel A: U.S.

Tech Employment (U.S.)
All Other Industries (U.S.)
Employment Avg. (U.S.)

Panel B: New Mexico

Tech Employment (New Mexico)
All Other Industries (New Mexico)
Employment Avg. (New Mexico)

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
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.

Which industries influence your expectations?

- Comm. Real Estate: 25%
- Residential Mortgage: 15%
- C&I: 20%
- Consumer Installment: 10%
- Ag.: 5%

What are the key drivers of your expectations for demand?

- Changes in the Economic Outlook: 60%
- Changes in Lending Competition: 20%
- Changes in Deposit Competition: 10%
- Changes in Funding Markets: 5%
- Other: 5%
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

• Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far
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

Core PCE Inflation
Headline PCE Inflation

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
Inflation pressures were evident in several parts of the economy

Factor Accounting for Inflation

- Corporate Profits
- Non-labor Costs
- Compensation of Employees

Pre-COVID Avg.
2020 Q4/Q4
2021 Q4/Q4
2022 Q4/Q4

Source: BEA
Now, inflation pressures associated with “non-labor costs” are softening along all stages of production, as input price growth is slowing.
Corporate profits are softening from their recent outsized growth rates.
But, even though wage growth is moderating, it remains persistently above historical norms.

Source: BLS
Note: Grey bars indicate recession shading.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating.
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.

Contributions to Percentage Change in Real GDP

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

Sources: ISM, BEA, Haver Analytics
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.

Which industries influence your expectations?

- Comm. Real Estate: 28%
- Residential Mortgage: 21%
- C&I: 25%
- Consumer Installment: 15%
- Ag.: 10%

What are the key drivers of your expectations for demand?

- Changes in the Economic Outlook: 55%
- Changes in Lending Competition: 15%
- Changes in Deposit Competition: 25%
- Changes in Funding Markets: 10%
- Other: 5%

Source: FRBKC
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.

- Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far.
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

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
Inflation pressures were evident in several parts of the economy.

Factor Accounting for Inflation

- Corporate Profits
- Non-labor Costs
- Compensation of Employees

Pre-COVID Avg.
2020 Q4/Q4
2021 Q4/Q4
2022 Q4/Q4

Source: BEA
Now, inflation pressures associated with “non-labor costs” are softening along all stages of production, as input price growth is slowing.
Corporate profits are softening from their recent outsized growth rates.
But, even though wage growth is moderating, it remains persistently above historical norms.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating

Contributions to Food Inflation

- Processed
- Lightly Processed
- Meats
- Food at Home

Source: BLS, Haver Analytics
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.

Contributions to Percentage Change in Real GDP

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.

Payroll Employment Growth

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading.
Businesses’ purchases of materials, equipment and other capex spending are declining

Sources: ISM, BEA, Haver Analytics
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.

Panel A: U.S.
- Tech Employment (U.S.)
- All Other Industries (U.S.)
- Employment Avg. (U.S.)

Panel B: New Mexico
- Tech Employment (New Mexico)
- All Other Industries (New Mexico)
- Employment Avg. (New Mexico)

Index, 100 = March 2001

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
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.

**Which industries influence your expectations?**

<table>
<thead>
<tr>
<th>Industry</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comm. Real Estate</td>
<td>30</td>
</tr>
<tr>
<td>Residential Mortgage</td>
<td>25</td>
</tr>
<tr>
<td>C&amp;I</td>
<td>20</td>
</tr>
<tr>
<td>Consumer Installment</td>
<td>15</td>
</tr>
<tr>
<td>Ag.</td>
<td>10</td>
</tr>
</tbody>
</table>

**What are the key drivers of your expectations for demand?**

<table>
<thead>
<tr>
<th>Driver</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in the Economic Outlook</td>
<td>60</td>
</tr>
<tr>
<td>Changes in Lending Competition</td>
<td>40</td>
</tr>
<tr>
<td>Changes in Deposit Competition</td>
<td>20</td>
</tr>
<tr>
<td>Changes in Funding Markets</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: FRBKC
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

• Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far
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.

Factor Accounting for Inflation

- Corporate Profits
- Non-labor Costs
- Compensation of Employees

Pre-COVID Avg.
2020 Q4/Q4
2021 Q4/Q4
2022 Q4/Q4

Source: BEA
Now, inflation pressures associated with “non-labor costs” are softening along all stages of production, as input price growth is slowing.
Corporate profits are softening from their recent outsized growth rates.

Source: BEA

Note: Grey bars indicate recession shading.
But, even though wage growth is moderating, it remains persistently above historical norms.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating.
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics.
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.

Source: U.S. Census, Haver Analytics
Note: Grey bars indicate recession shading.
Job growth in New Mexico remains strong but is decelerating to near its trend level

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
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.

Panel A: U.S.
- Tech Employment (U.S.)
- All Other Industries (U.S.)
- Employment Avg. (U.S.)

Panel B: New Mexico
- Tech Employment (New Mexico)
- All Other Industries (New Mexico)
- Employment Avg. (New Mexico)

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
An increased share of banks expect to further tighten their credit standards over the next six months.

Change in Credit Standards for Commercial & Industrial Loans

- Compared to previous month
- Over the next 6 months

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

Which industries influence your expectations?

- Comm. Real Estate: 30%
- Residential Mortgage: 25%
- C&I: 20%
- Consumer Installment: 15%
- Ag.: 10%

What are the key drivers of your expectations for demand?

- Changes in the Economic Outlook: 60%
- Changes in Lending Competition: 25%
- Changes in Deposit Competition: 10%
- Changes in Funding Markets: 5%
- Other: 5%
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

• Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far
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

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
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.
Corporate profits are softening from their recent outsized growth rates.

Corporate Profits: Domestic Industries

Source: BEA
Note: Grey bars indicate recession shading.
But, even though wage growth is moderating, it remains persistently above historical norms.

U.S. Wage and Earnings Growth

Source: BLS
Note: Grey bars indicate recession shading.
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures.
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.

Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics
Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth.

Contributions to Percentage Change in Real GDP

- Goods
- Services
- Personal Consumption Expenditures

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

Sources: ISM, BEA, Haver Analytics
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.

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

• Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far