U.S. AND NEW MEXICO

Economic Conditions and Outlook

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Vice President and Denver Branch Executive

2011 Regulatory Update SEMINAR

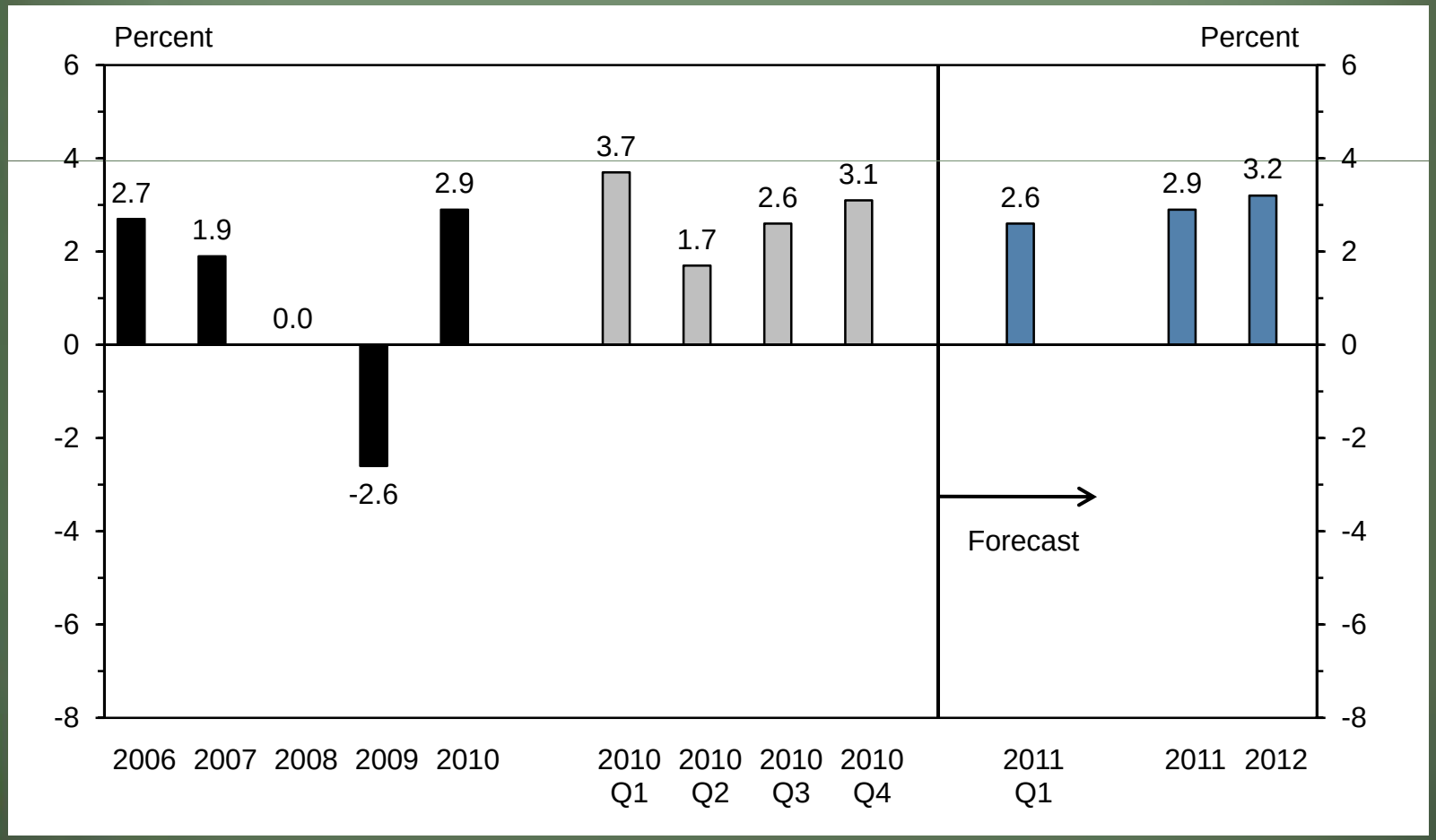
Federal Reserve Bank of Kansas City

NM in the Recession and Recovery

- NM not yet on U.S. cycle – late entry, late exit, weak bounce… but <u>in recovery</u>
- Data issues
- Real estate and govt. acting as drag
- Residential RE downturn more severe in NM than U.S.
- NM commercial RE more U.S.-like
- NM should assume the U.S. cycle in 2011

GDP Growth is Accelerating Once Again

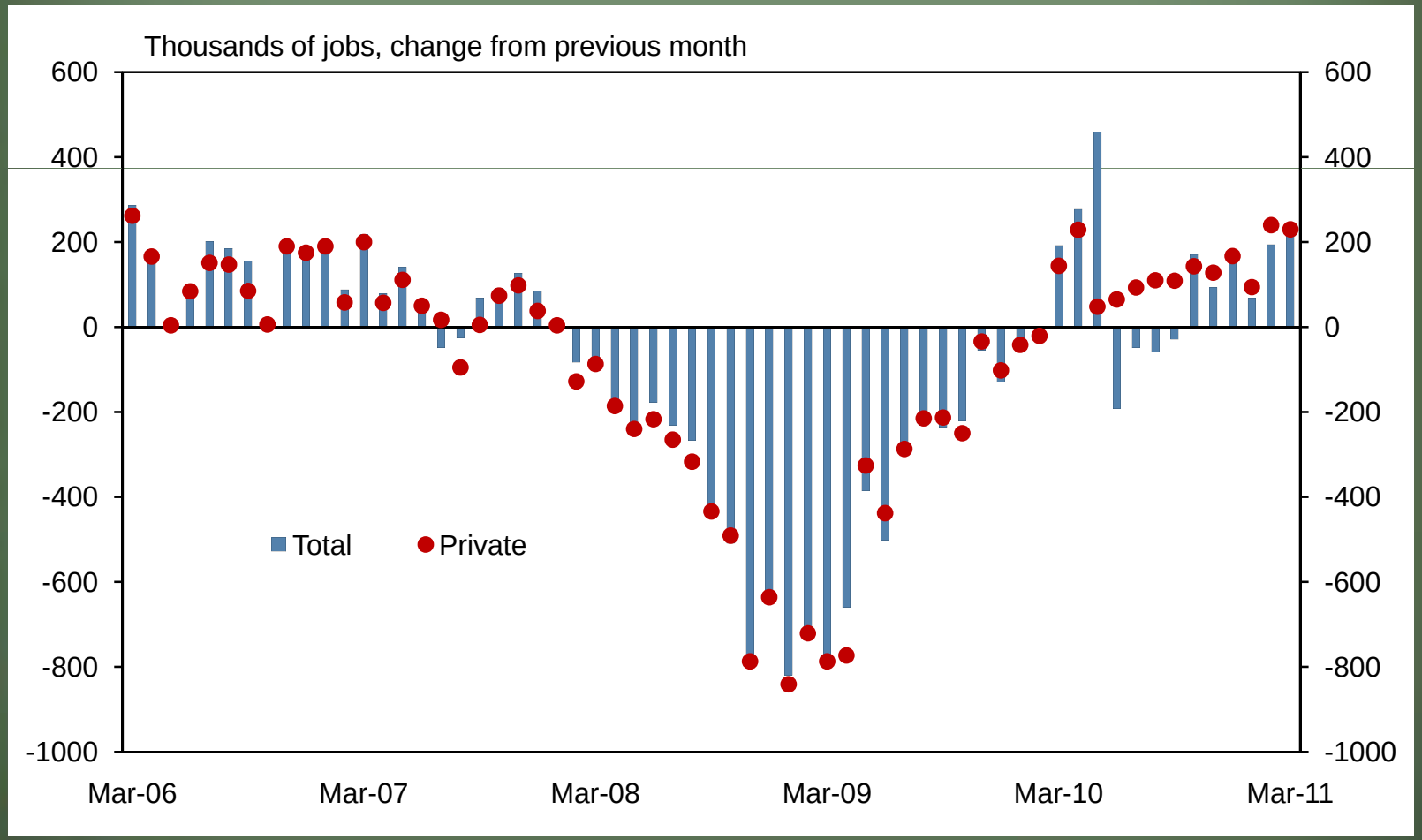
Real U.S. Gross Domestic Product
Seasonally Adjusted



Source: Bureau of Economic Analysis, Blue Chip Forecasts

Consistent Pvt. Sector Job Gains Since Early 2010

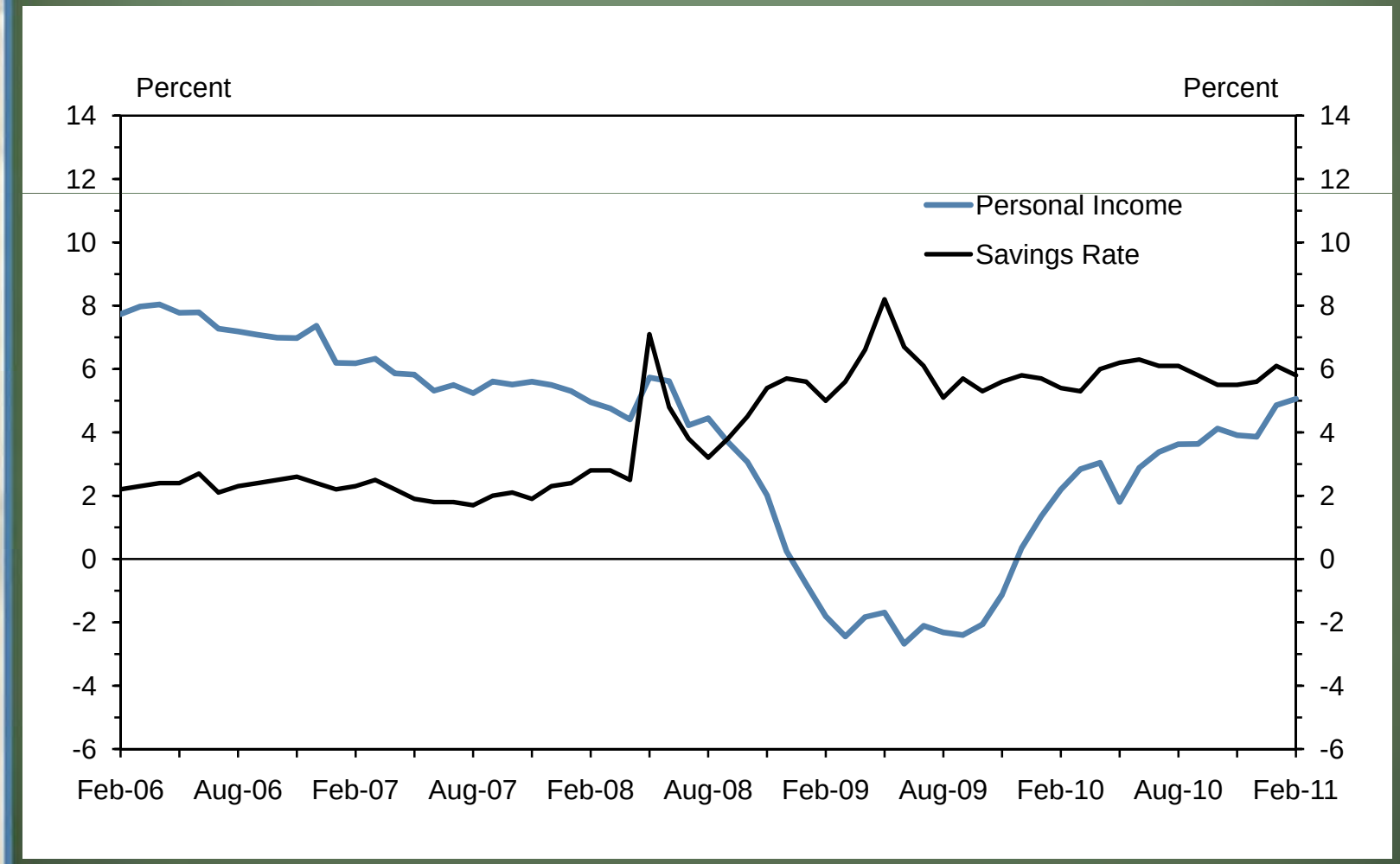
U.S. Total/Private Nonfarm Employment
Seasonally Adjusted



Source: Bureau of Labor Statistics

Moderate Income Growth and Rebound in Savings

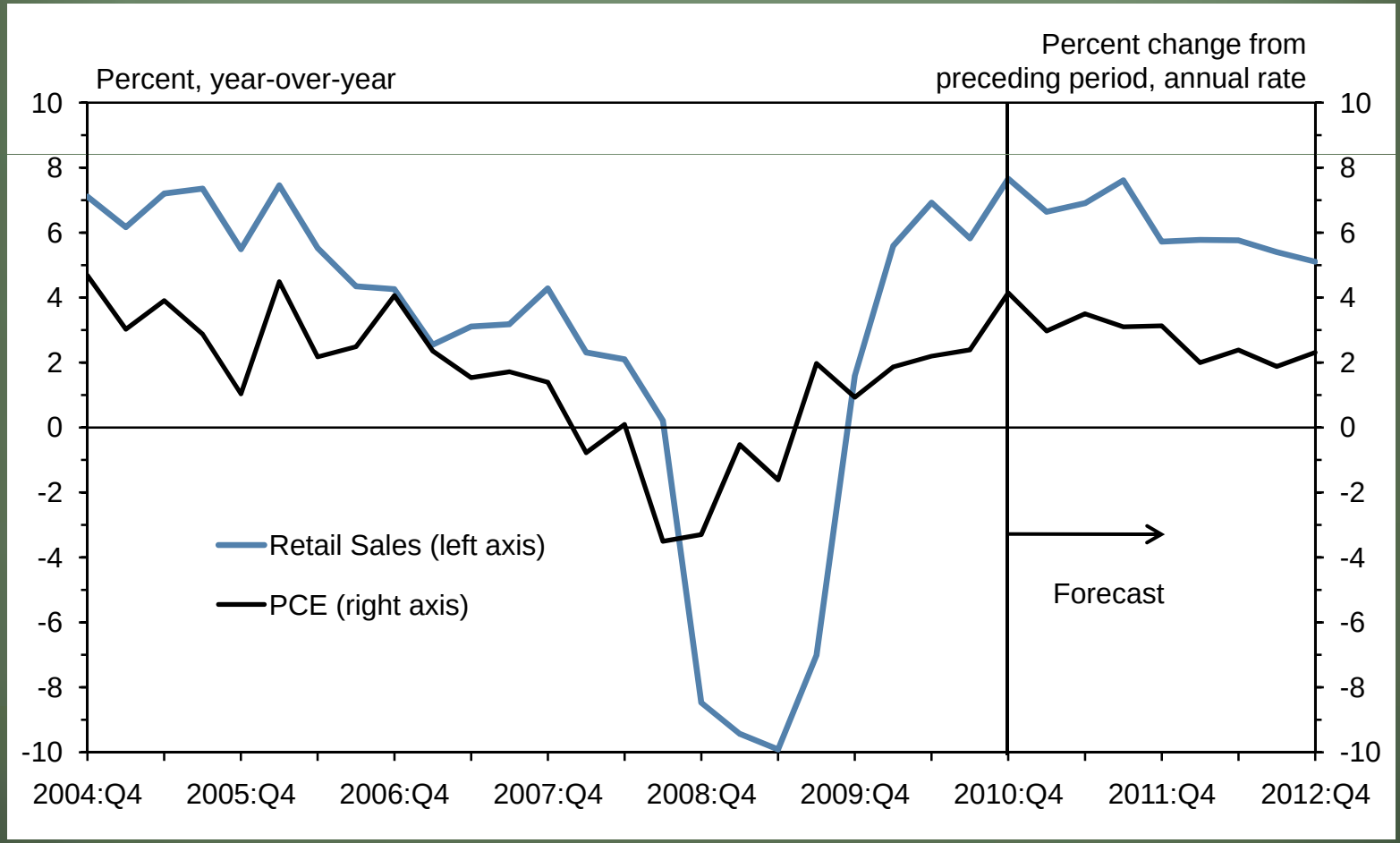
Growth in U.S. Personal Income vs. Personal Savings Rate



Source: Bureau of Economic Analysis

Consumer Spending Stronger Than Expected

U.S. Retail Sales vs. Personal Consumption Expenditures
Seasonally Adjusted

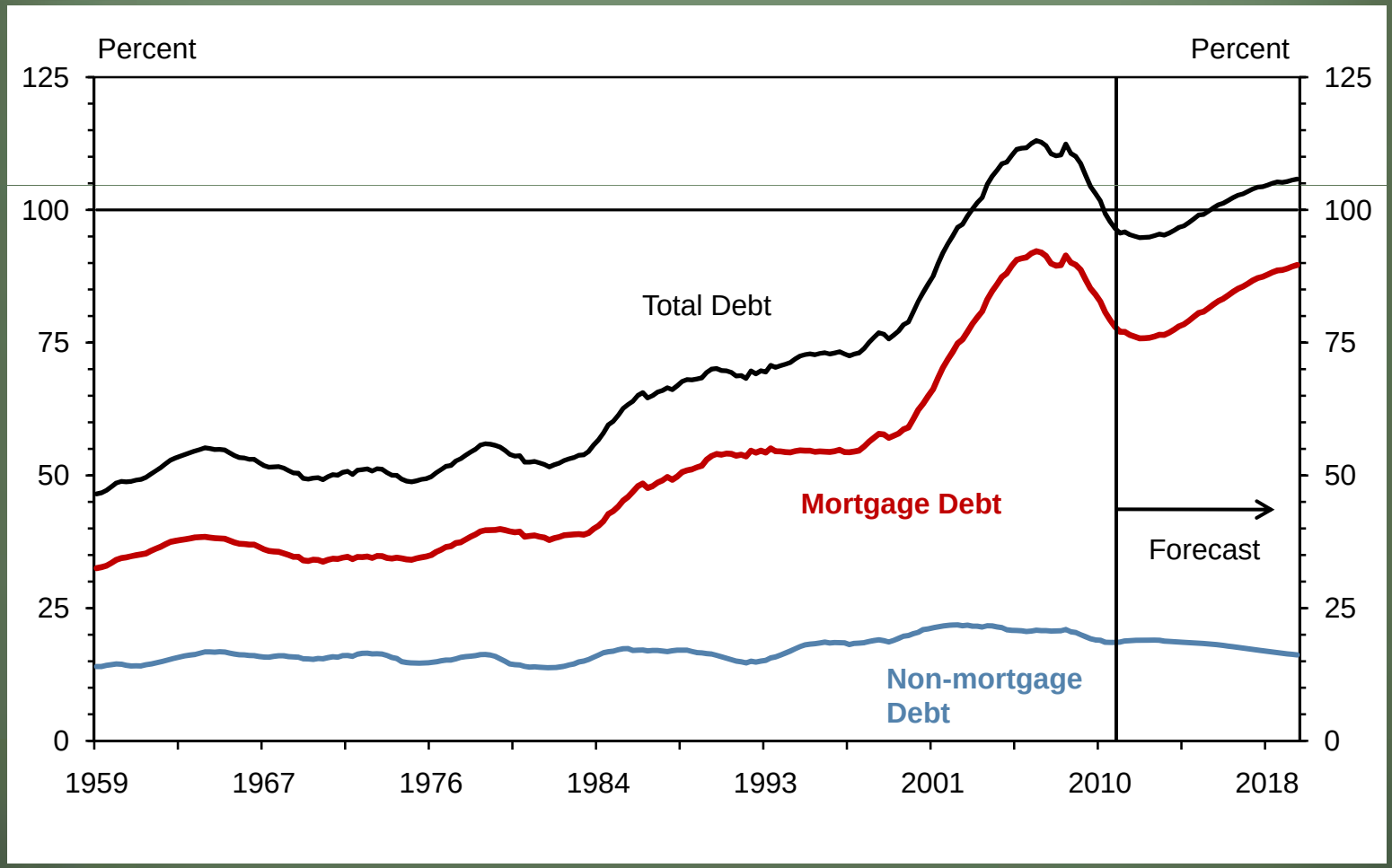


Source: Bureau of Economic Analysis, Census Bureau, Global Insight IHS

Household De-leveraging is Slowly Underway

Debt is Highly Concentrated in Mortgages

U.S. Debt to Personal Income Ratios



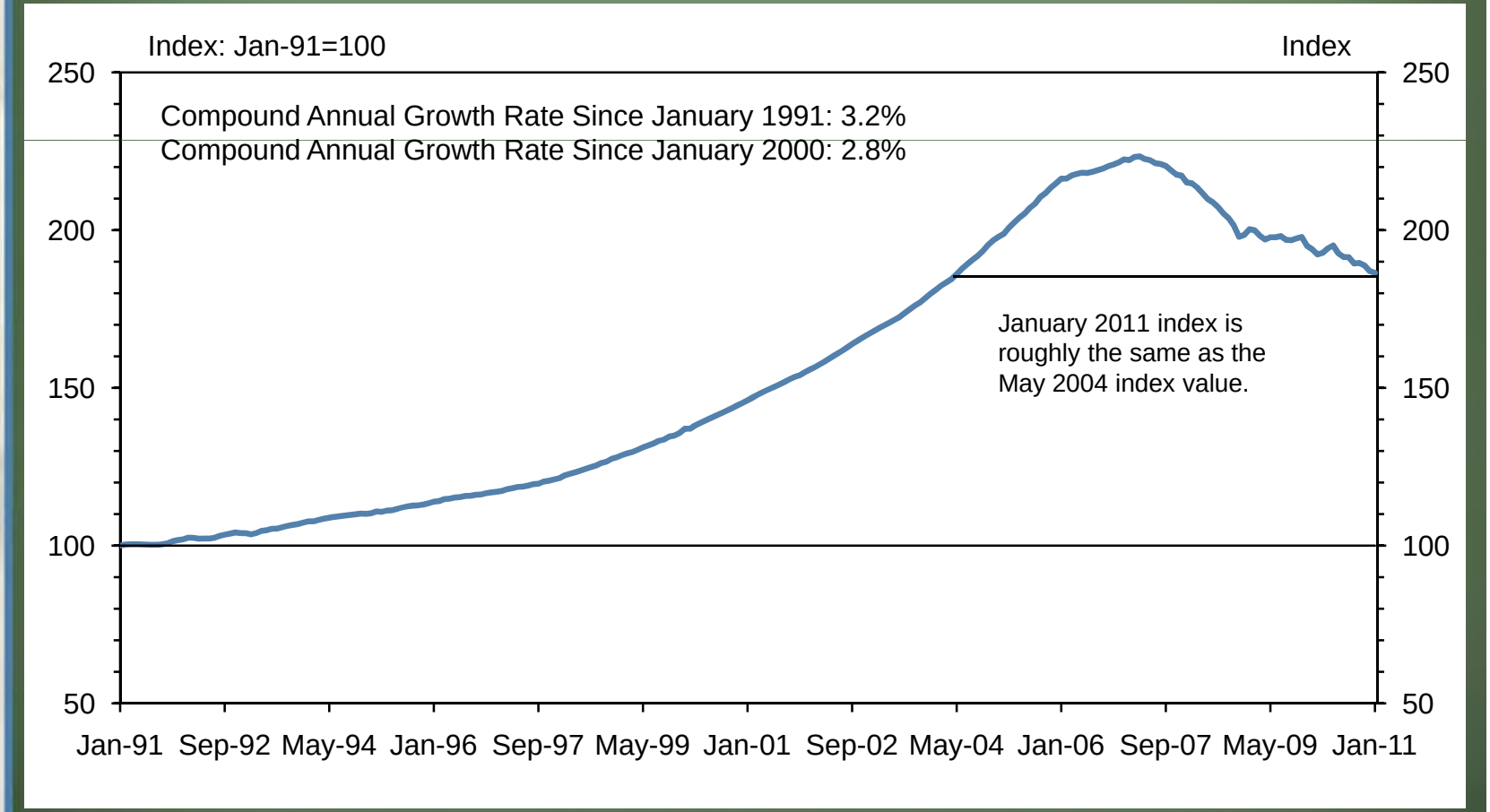
Source: Global Insight IHS

No Clear Bottom in U.S. Housing Prices

But Long-run Gains Remain Near Inflation

U.S. Monthly Home Price Index

Purchase-Only, Seasonally Adjusted



Source: FHFA

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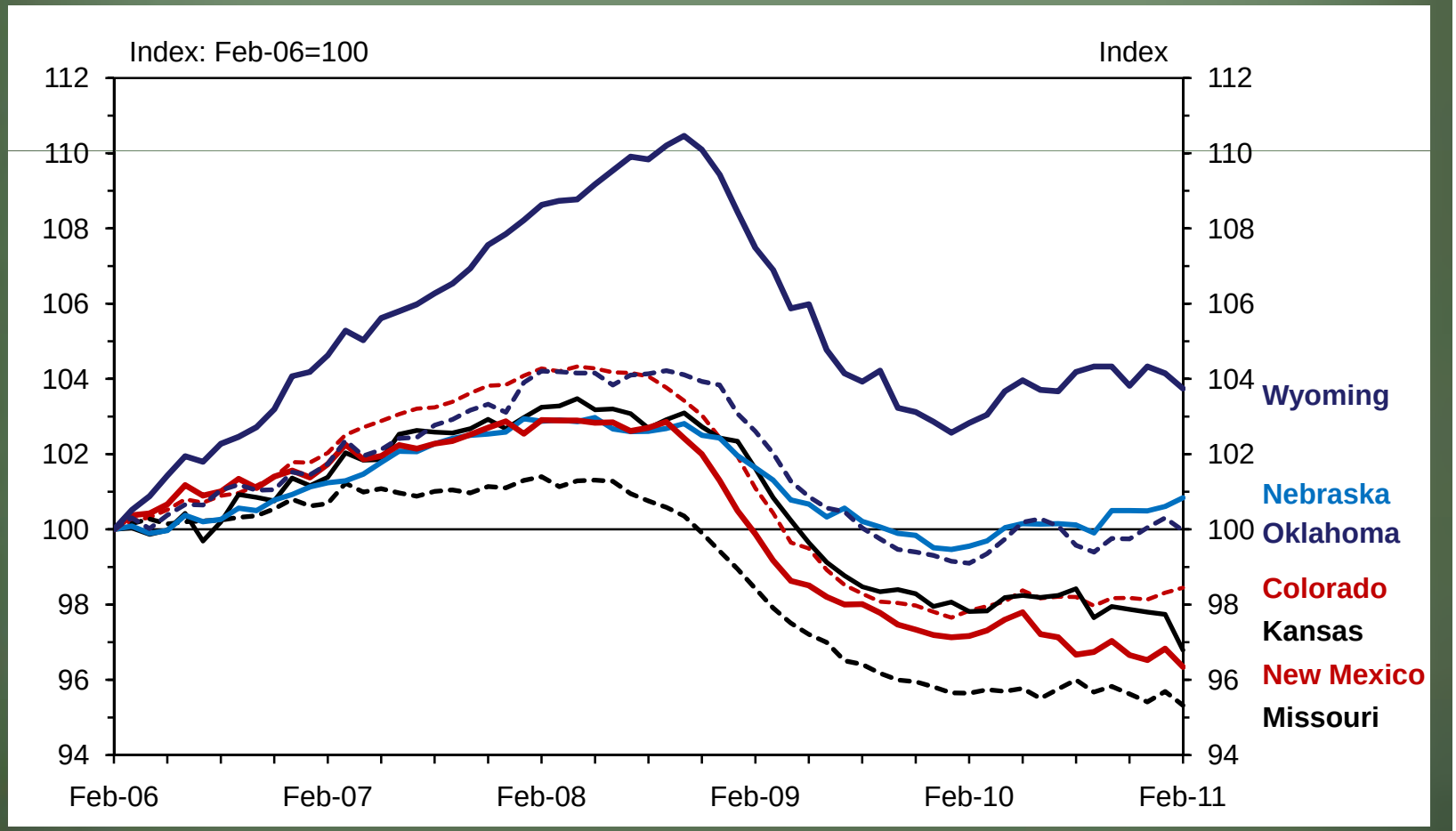
NM Among the Weakest Labor Markets in District

Data Issues: Probably Tracking with CO

Total Nonfarm Employment
Seasonally Adjusted



Source: Bureau of Labor Statistics

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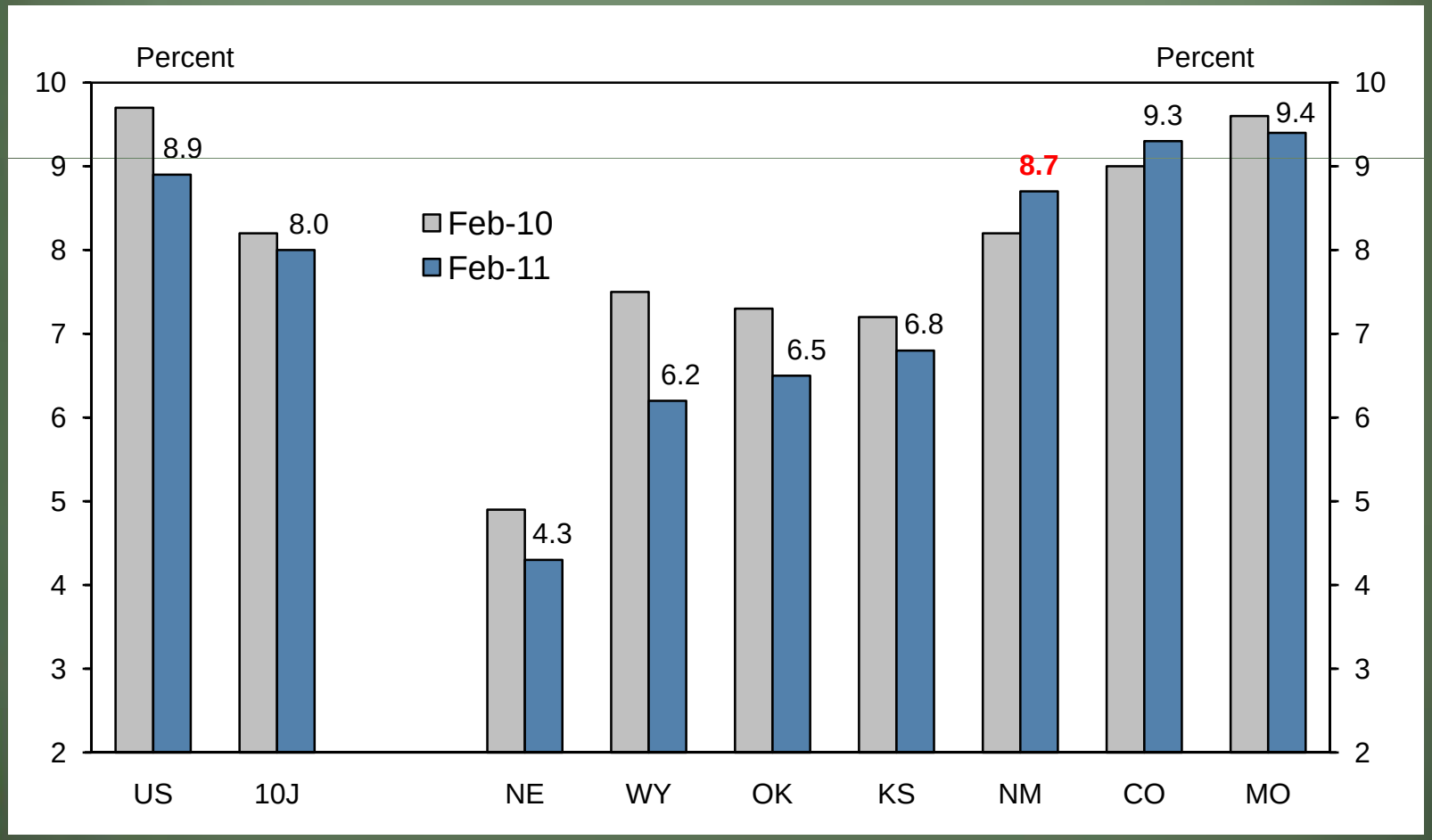
NM Jobless Rate Rising and Near U.S. Level

Unemployment Rate by State
Seasonally Adjusted



Source: Bureau of Labor Statistics

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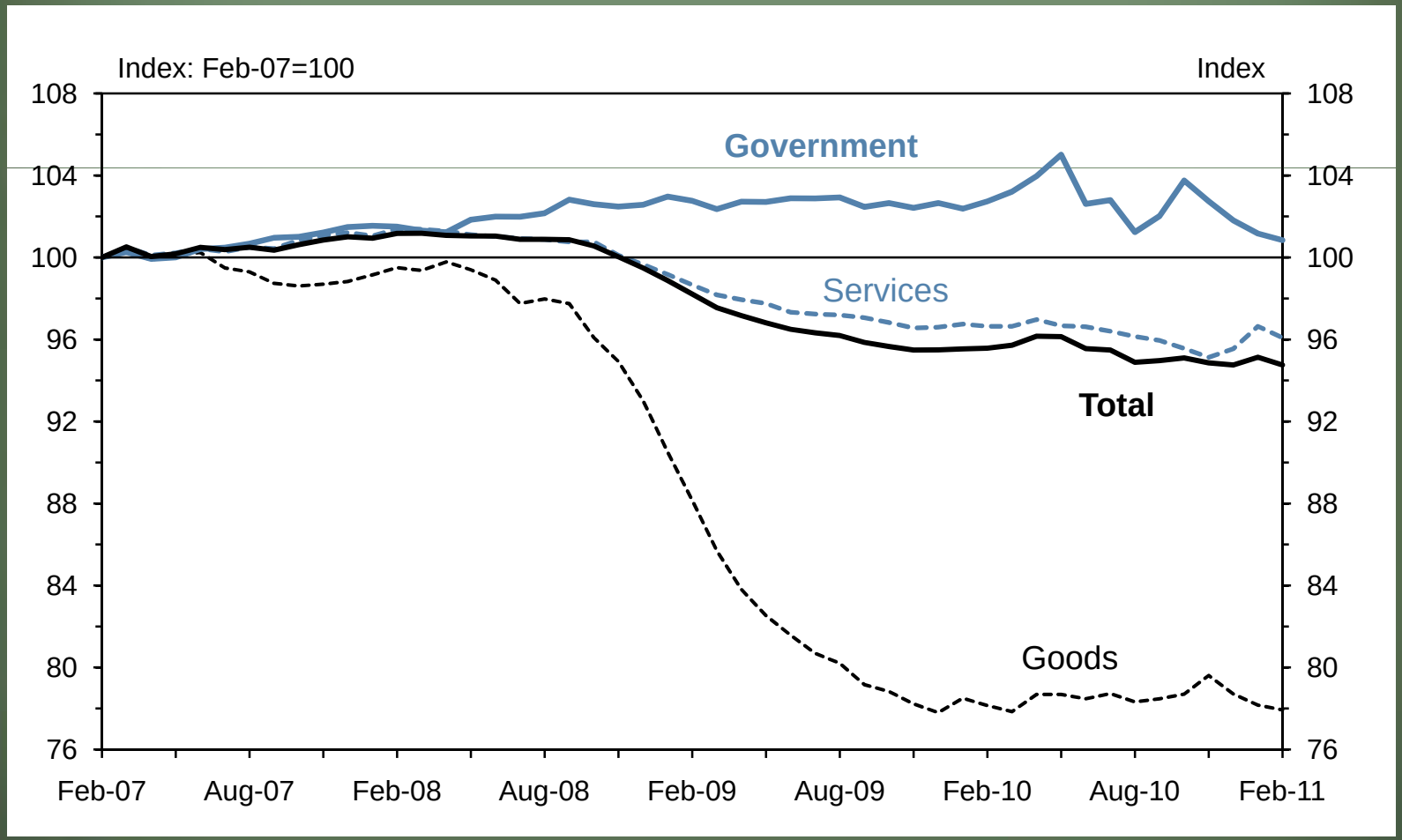
Late Downturn in Government Hiring Offsetting Private Sector Jobs Gains

NM Employment
Seasonally Adjusted



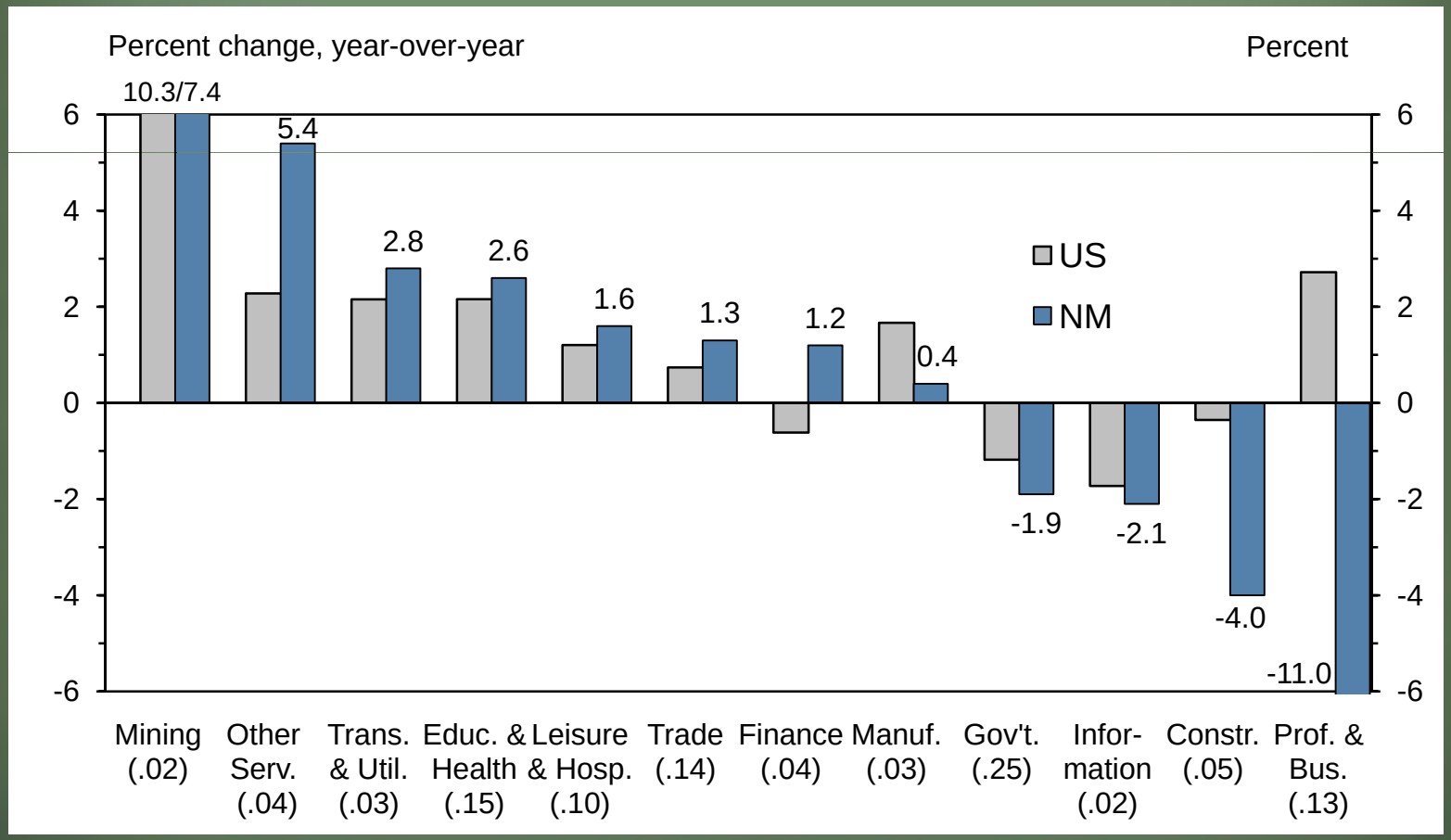
Source: Bureau of Labor Statistics

Divergences Between U.S. and NM Job Pattern

Govt./Const./Info. Acting as a Drag

U.S. and NM Nonfarm Job Growth by Industry

Feb-11 over Feb-10



Source: Bureau of Labor Statistics

Note: Number in parentheses is the industry's share of total private jobs in NM states in Feb-11

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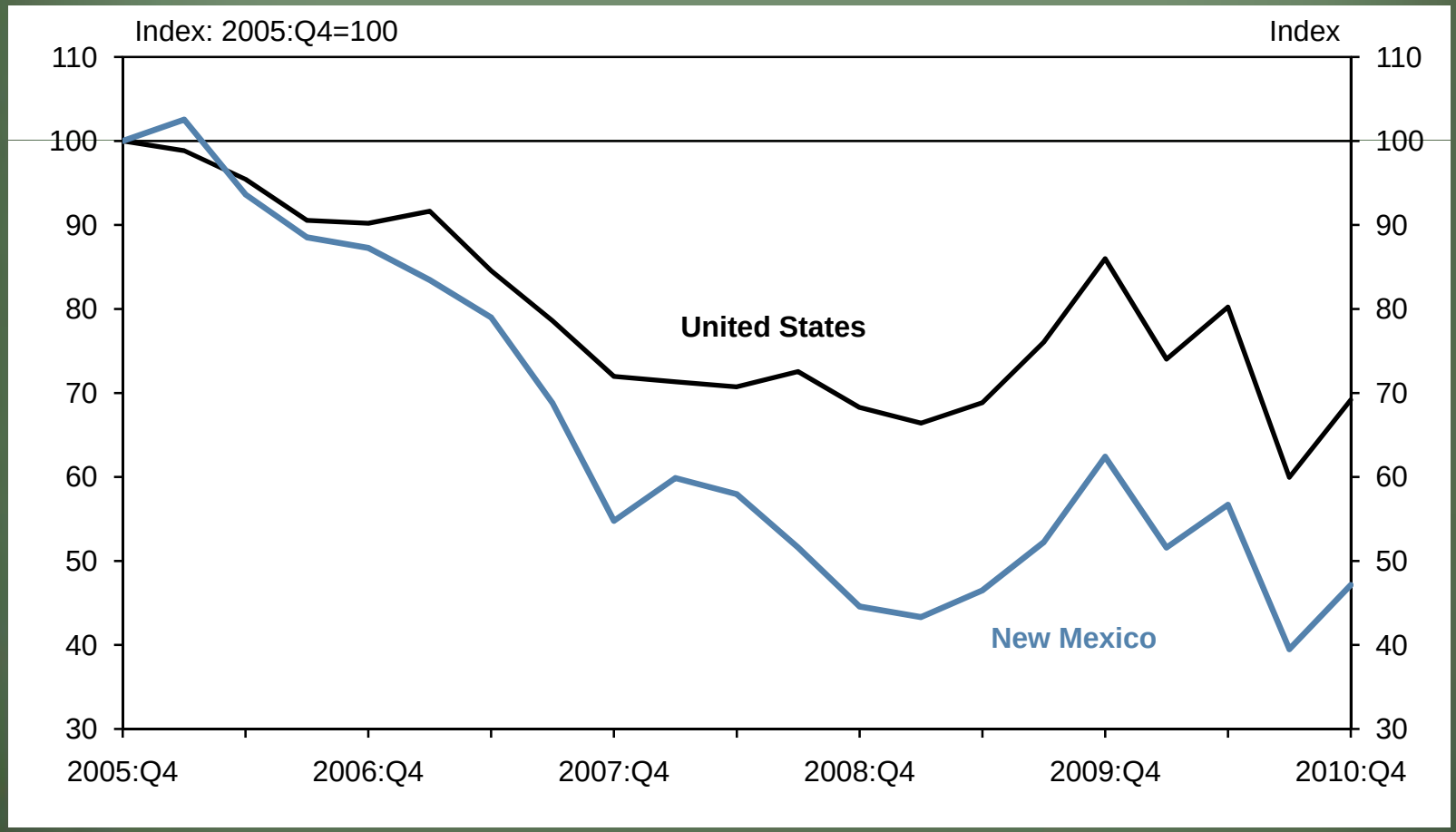
NM Home Sales Volume Significantly Below U.S.

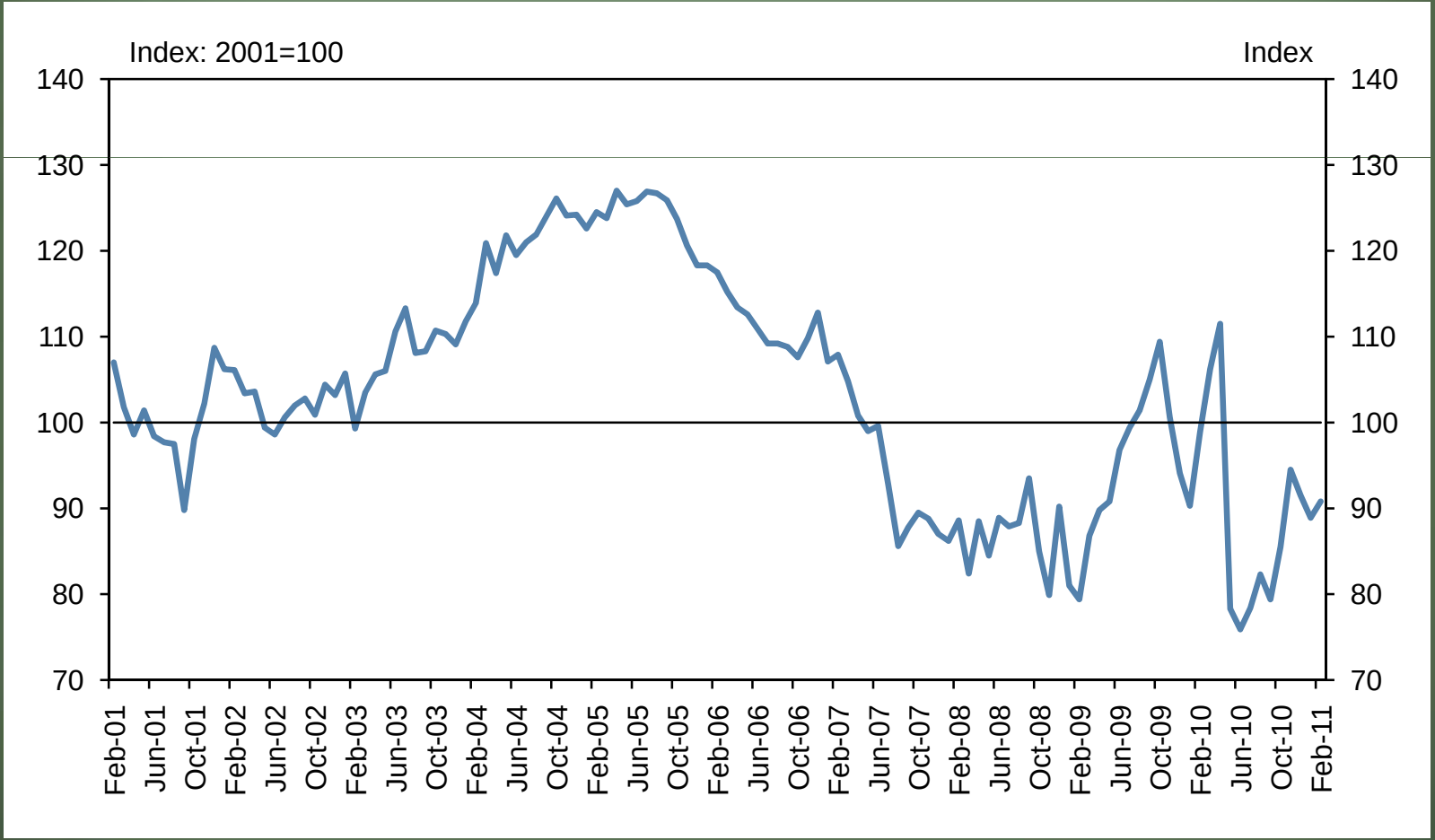
Sales of Existing Homes
Seasonally Adjusted



Source: National Association of Realtors

…and Pending Sales Have Softened Nationally

U.S. Pending Home Sales Index
Seasonally Adjusted



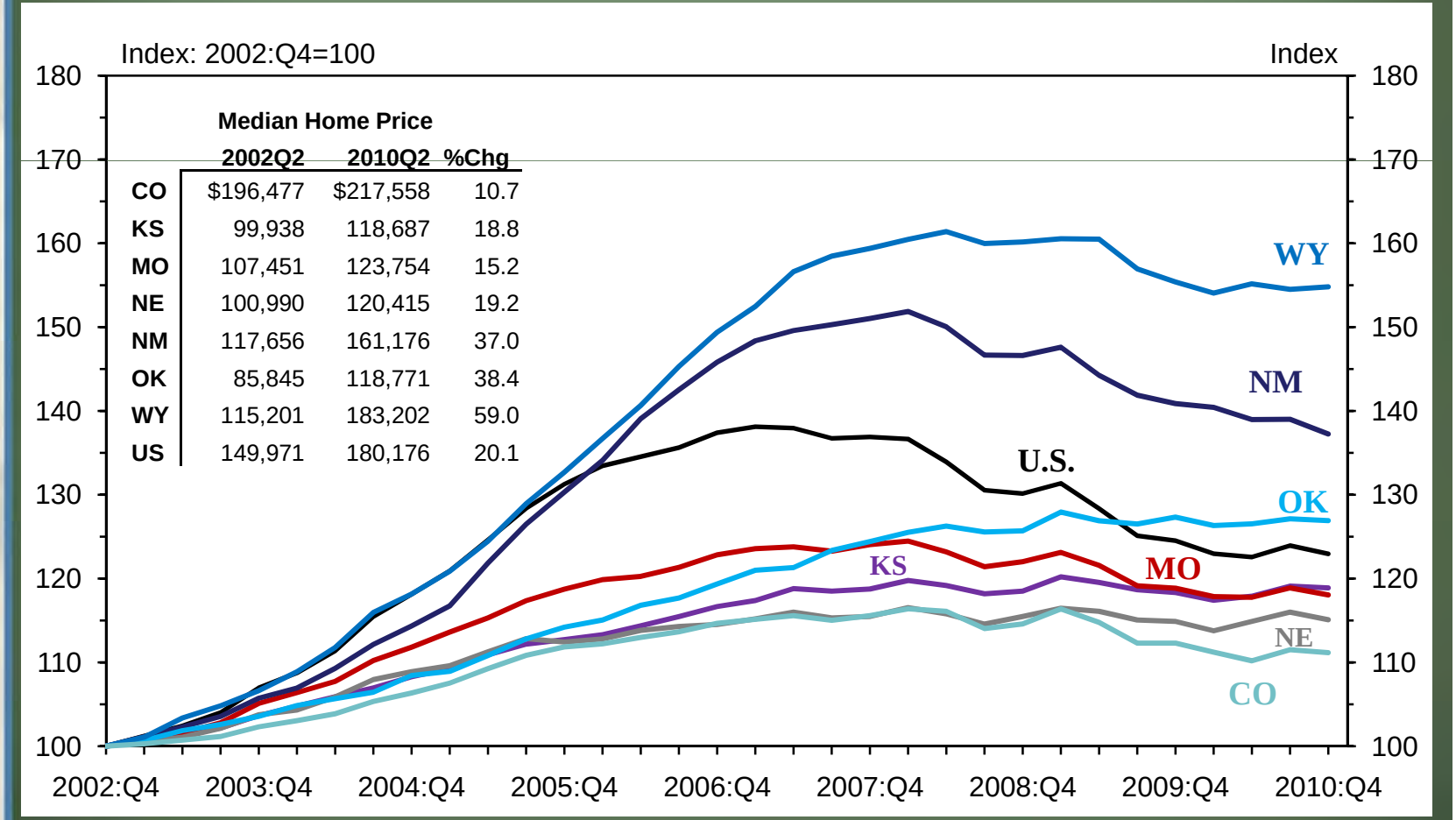
Source: National Association of Realtors

NM Home Prices Following U.S. Trend Downward

10J Homes Price Gains now Range Around U.S. Gain

Repeat Sales Home Price Index

Seasonally Adjusted

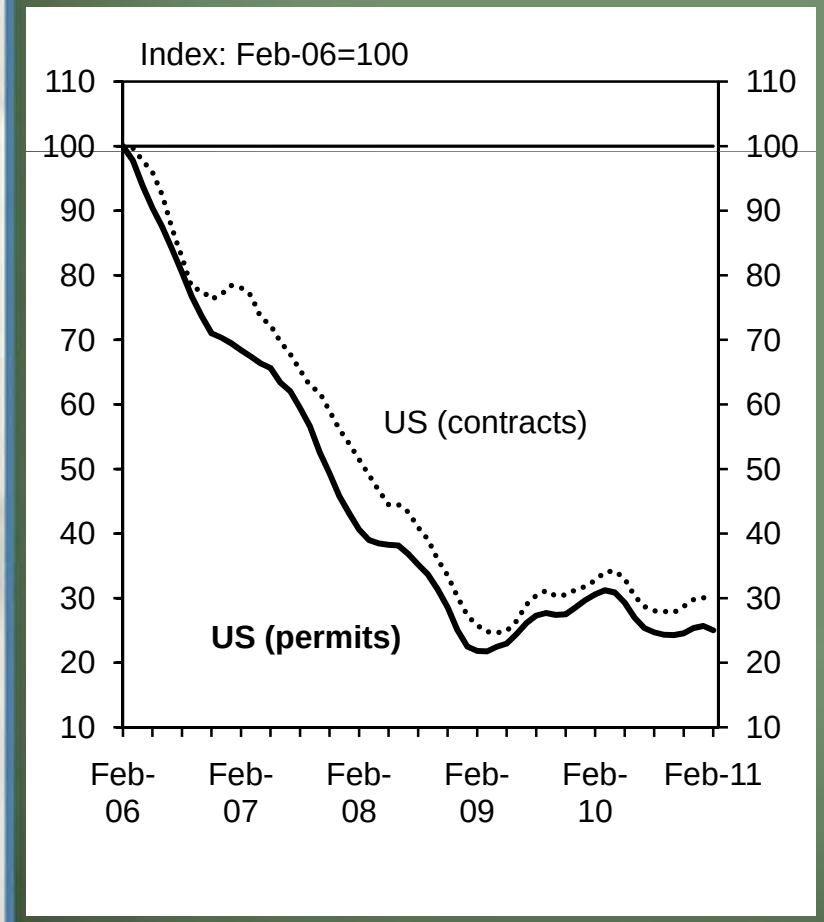


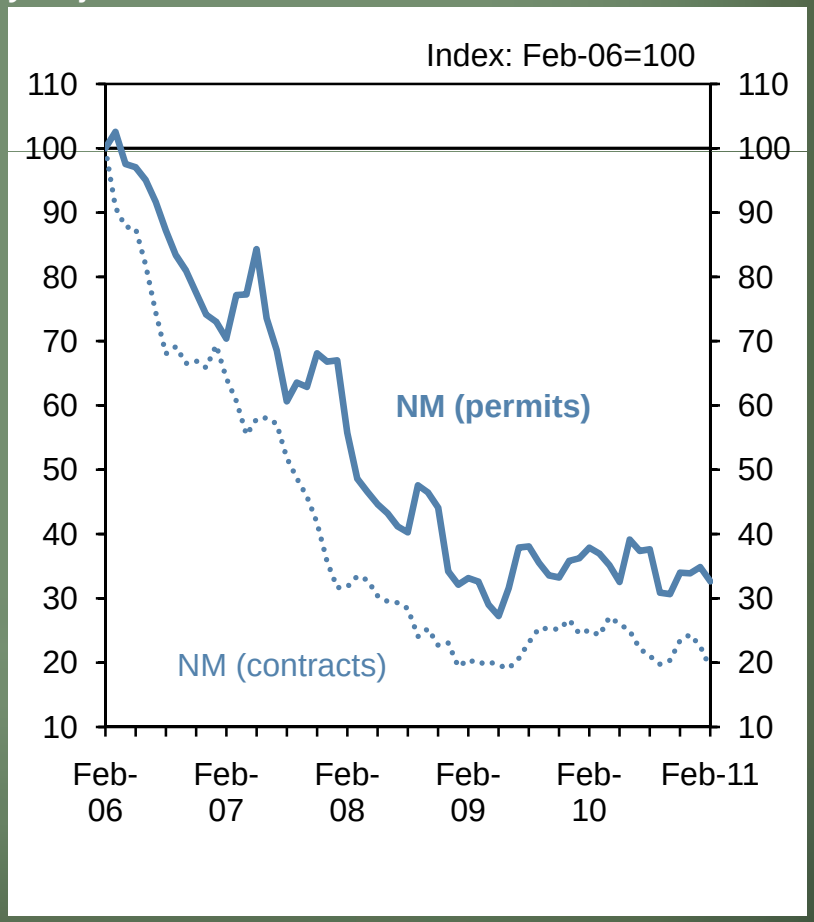
	Median Home Price 2002Q2	2010Q2	%Chg
CO	$196,477	$217,558	10.7
KS	99,938	118,687	18.8
MO	107,451	123,754	15.2
NE	100,990	120,415	19.2
NM	117,656	161,176	37.0
OK	85,845	118,771	38.4
WY	115,201	183,202	59.0
US	149,971	180,176	20.1

Source: FHFA

NM Home Construction Tracking the U.S.

Value of Residential Construction Contracts;
Single-Family Housing Permits
Seasonally Adjusted





Source: F.W. Dodge, U.S. Census Bureau

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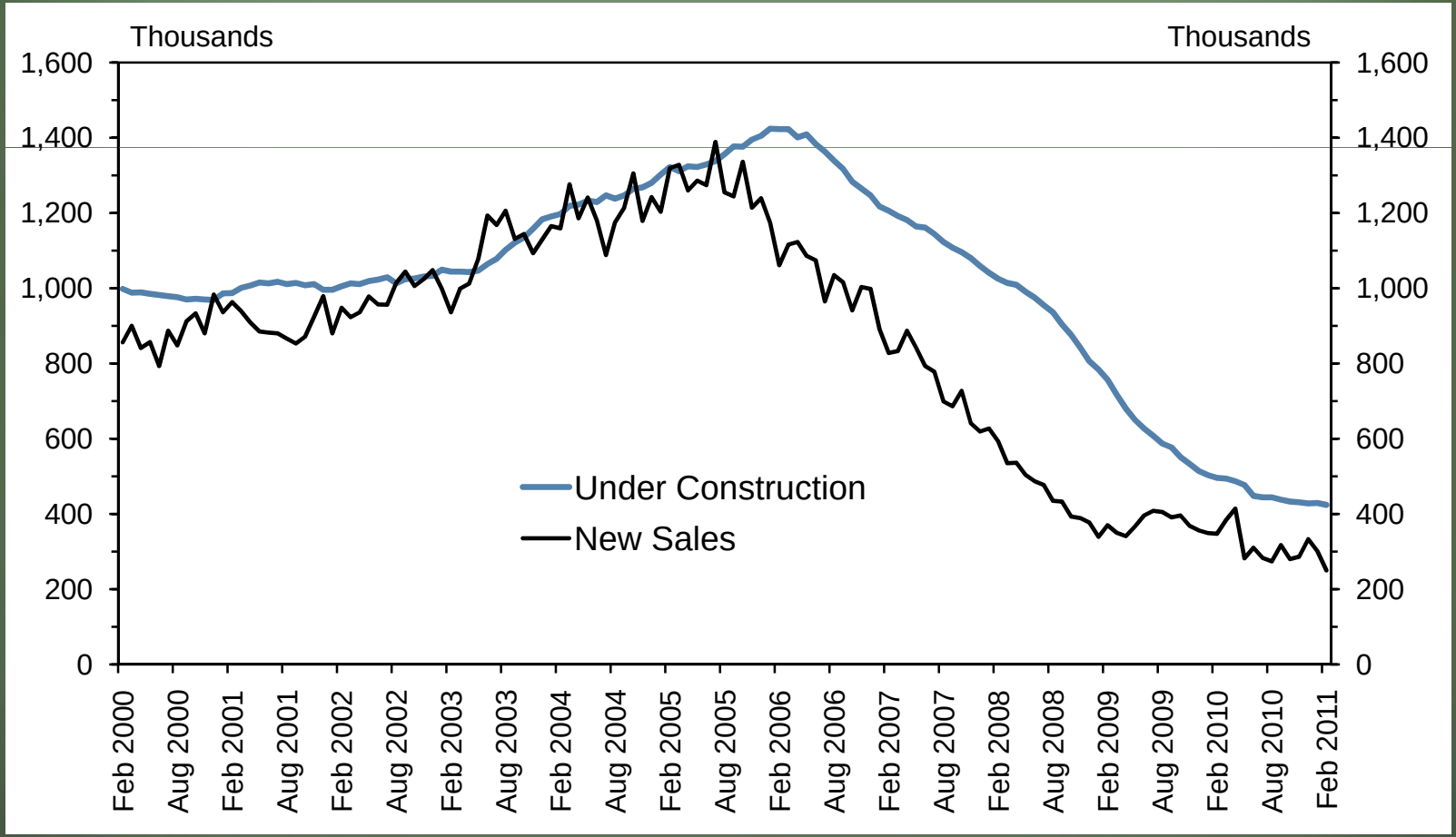
Gap Remains Between New Construction And Sales

Has Narrowed Since Early 2009

U.S. New Residential Construction and Sales

Seasonally Adjusted



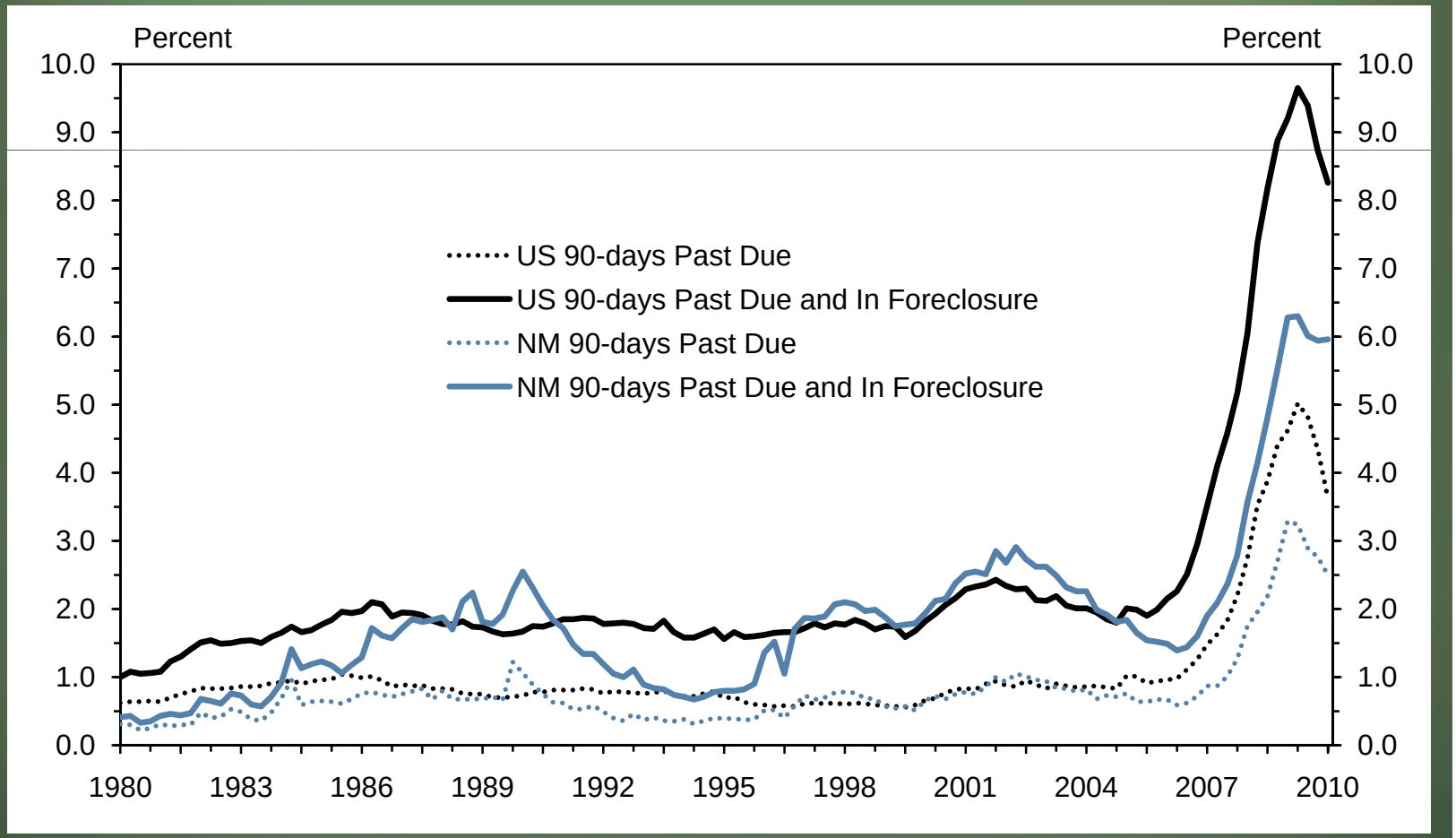
Source: U.S. Census Bureau

Critical Peak In Past Due and Foreclosure Rates

Shadow Inventory Remains a Concern

Mortgage Foreclosure/Delinquency Rates

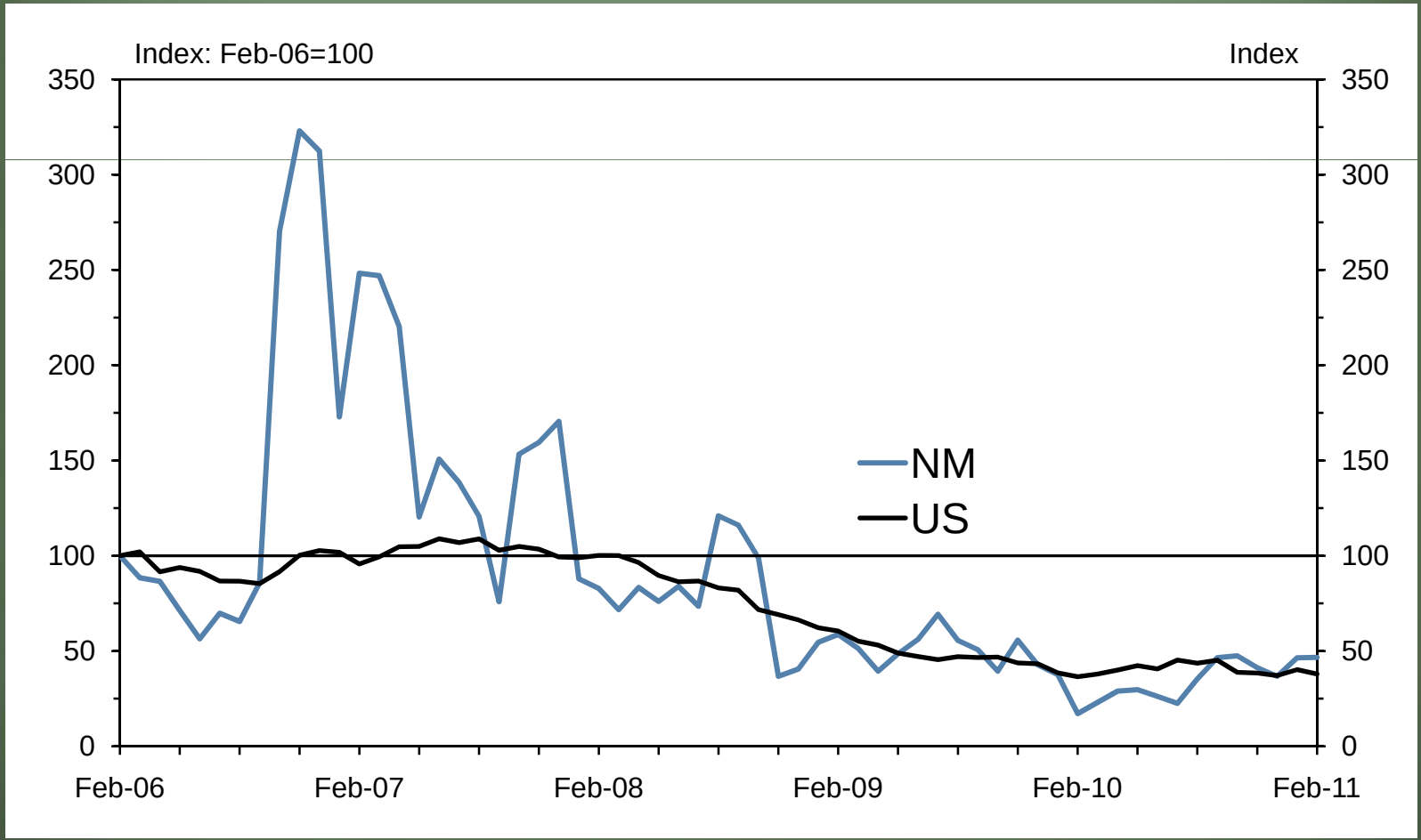
U.S. and New Mexico



Source: Mortgage Bankers Association

NM Commercial Construction Following U.S. Trend

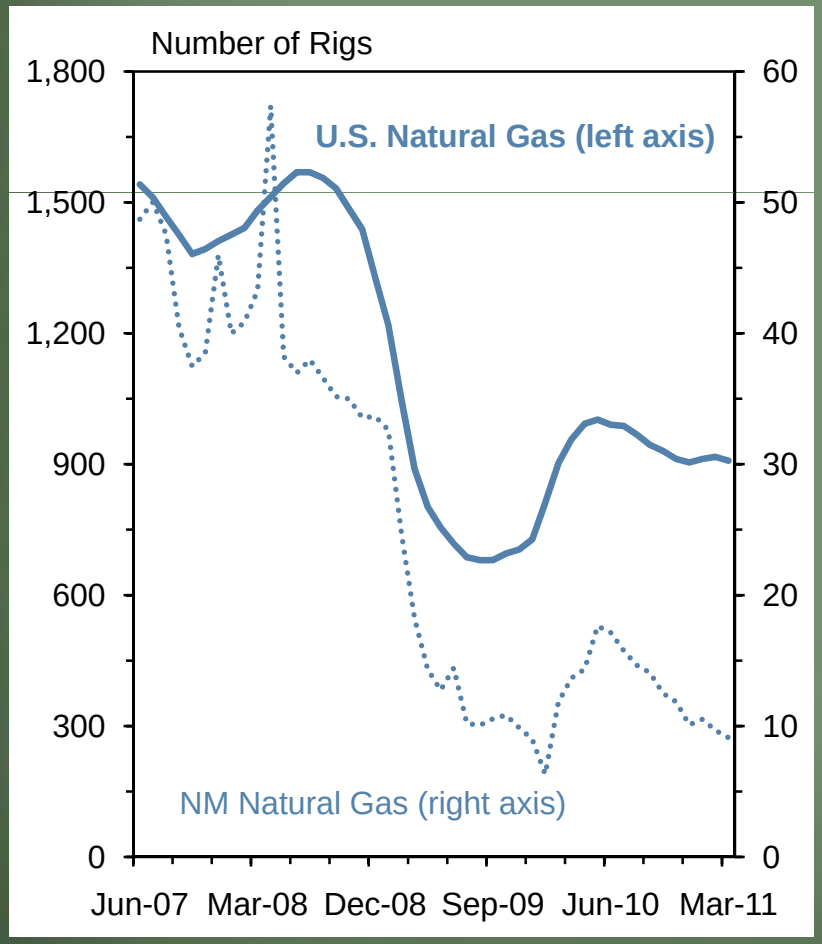
Value of Commercial Construction Contracts
Seasonally Adjusted, 3-mo. moving average

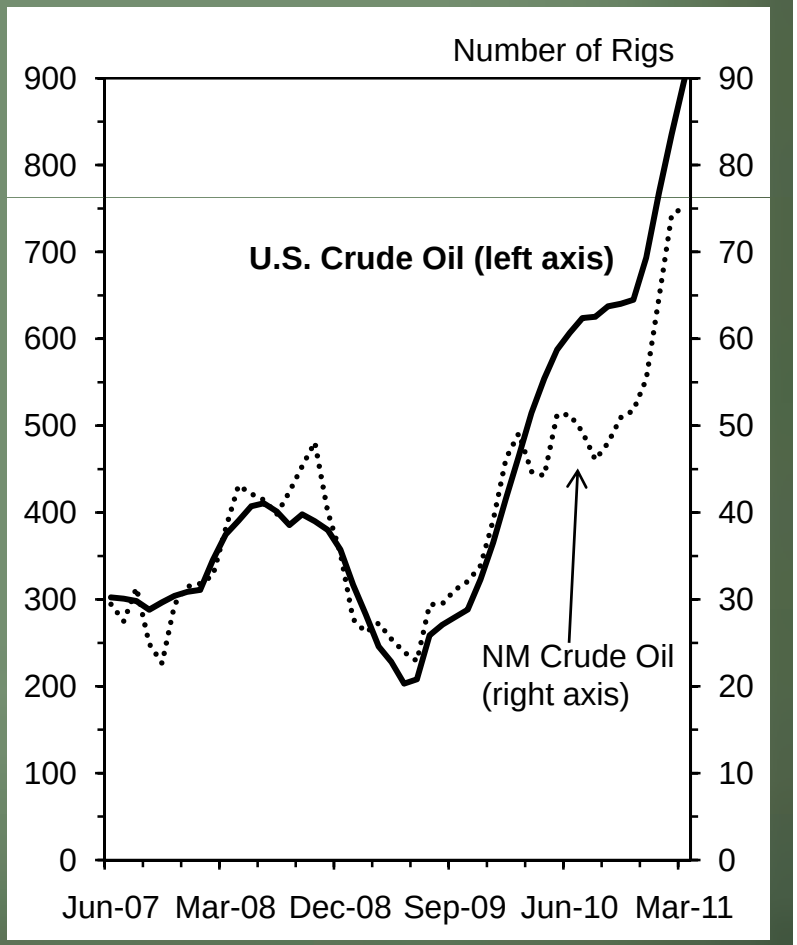


Source: F.W. Dodge

Shift in Exploration Toward Crude Accelerates in U.S. and NM

Count of Active Drilling Rigs
Seasonally Adjusted

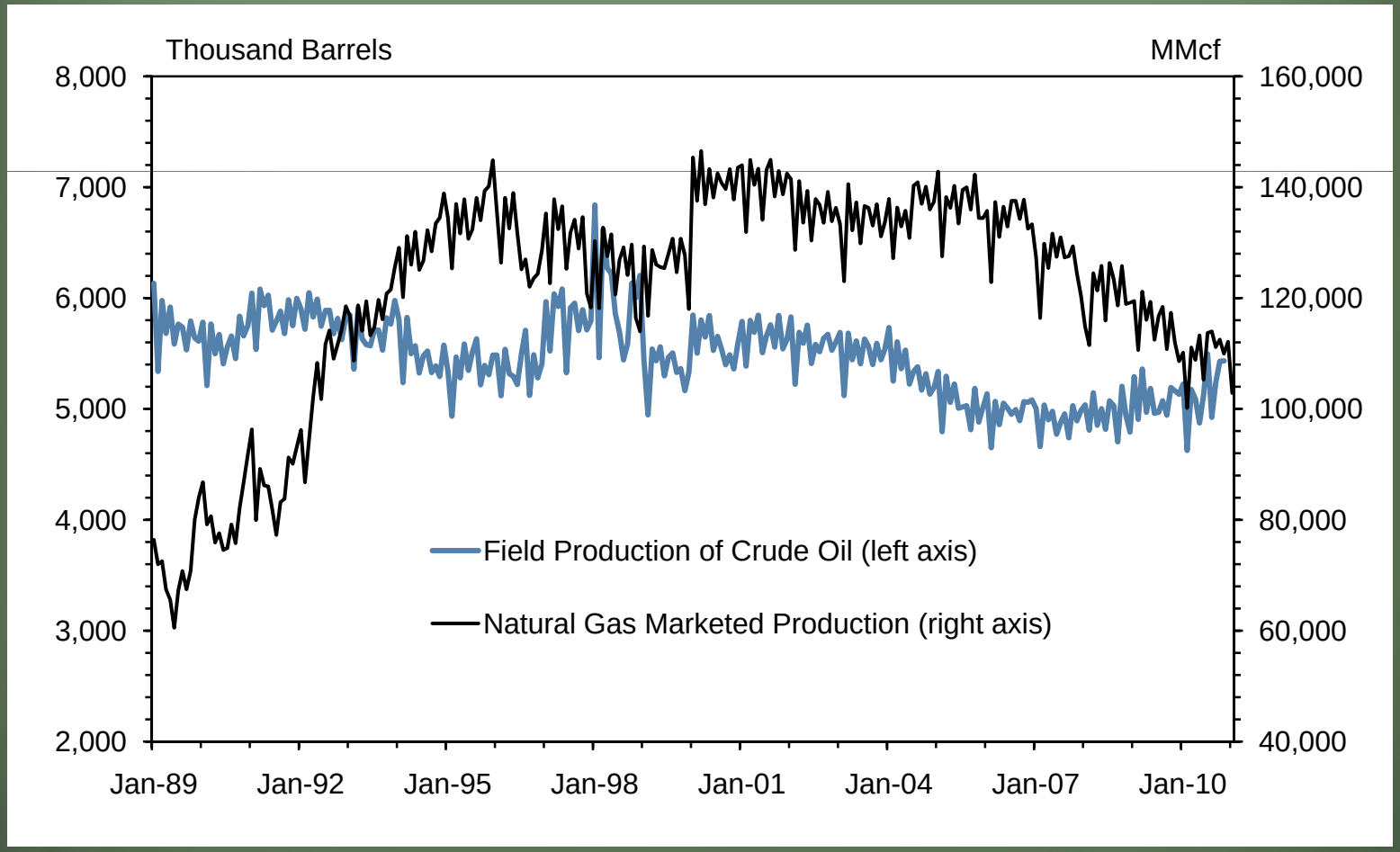




Source: Baker-Hughes

NM Crude Production Gains Continue; Natural Gas Remains Extremely Soft

Crude Oil and Natural Gas Production



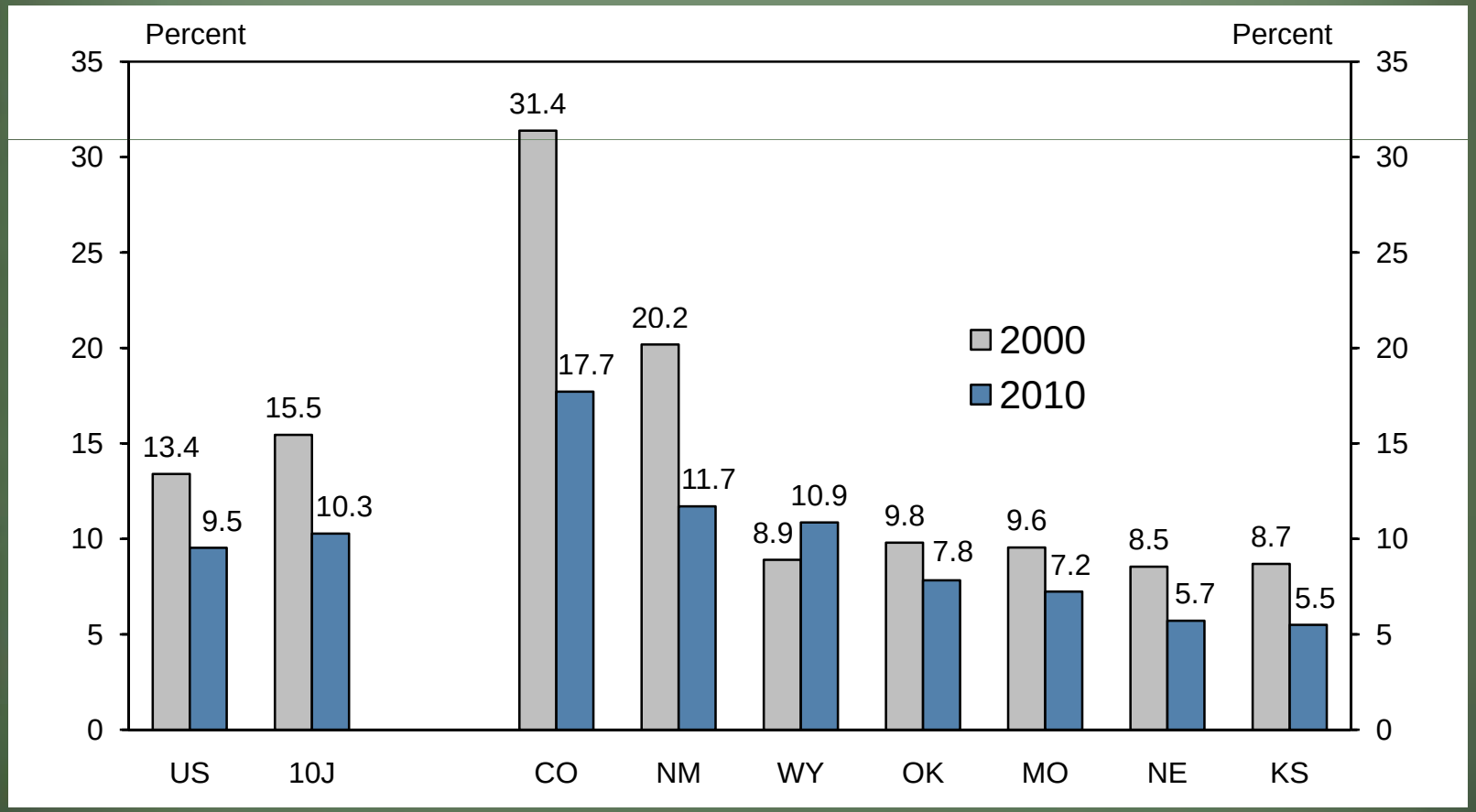
Source: U.S. Department of Energy

10J Population Gains Exceed U.S. in 2000s

High In-migration States of CO/NM Decelerate Sharply

Growth in Population

Decade-over-Decade



Source: U.S. Census Bureau

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Risks to the Recovery?

- Rising Interest Rates (Mortgage Rates)
- Rising Energy/Commodity Prices
- International Instability
- Federal/State/Local Budget Overhang
- Another Down-leg in Real Estate
- Household De-leveraging Takes Longer Than Expected
- Short Expansion

What Makes the Recovery Sustainable?

- Federal Reserve Stimulus – Current (and ~~Future~~?)
- Fiscal Stimulus – Tax Package, Arra Wanes After 2011
- Strong Financial Position of Corporate Sector
- Resumption in Household Debt Growth
- Growing Replacement Needs – Households/Firms
- Virtuous Cycle – Capitalism, Invisible Hand

U.S. and New Mexico Economic Conditions

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Presentation will be available at:

http://www.kansascityfed.org/Denver