

Emerging Trends in the New Mexico Economy



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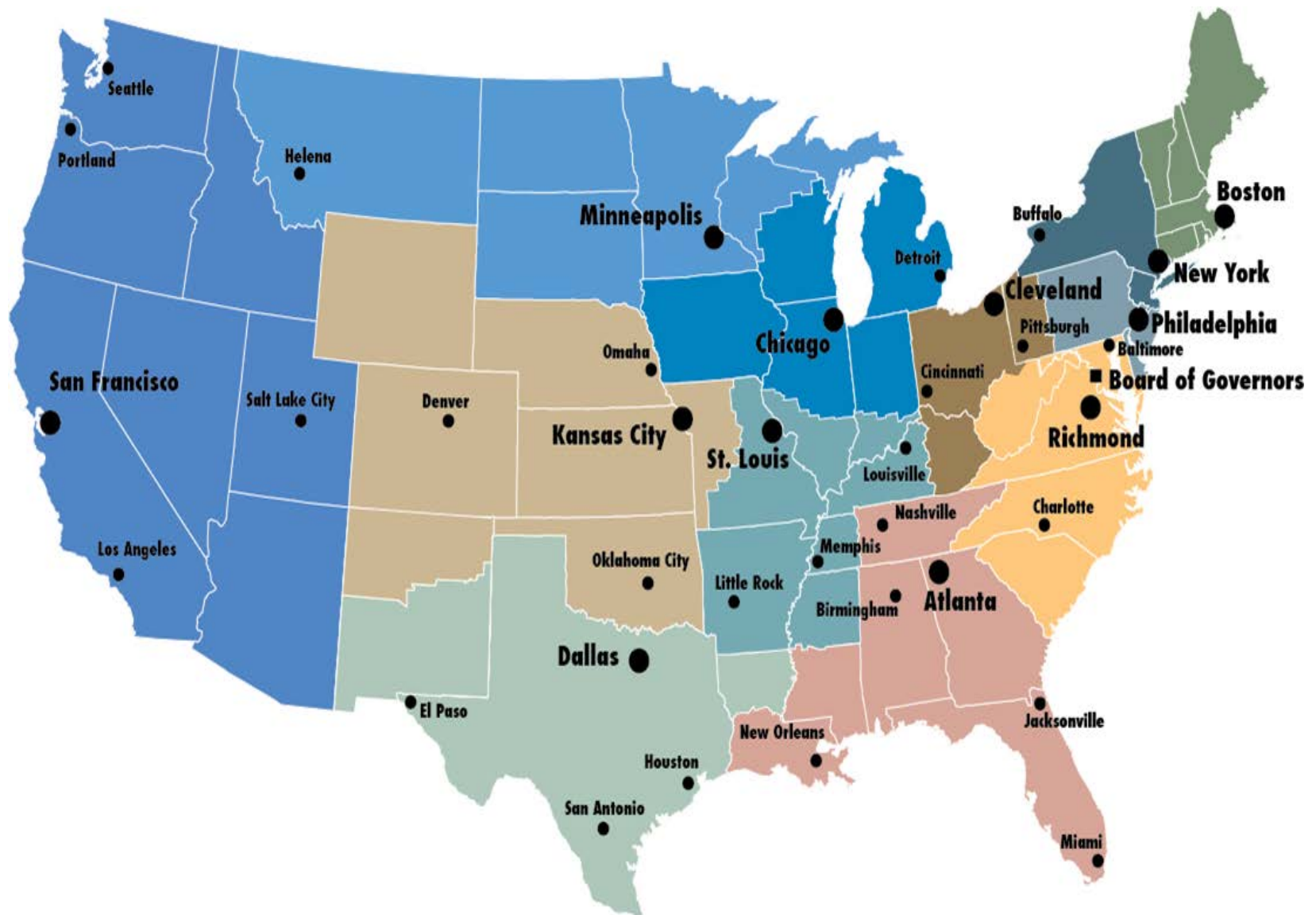
*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

Overview of the Federal Reserve System



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

Regional Federal Reserve Banks and Branch Locations





- Functions
 - Regional research and policy support covering the economies of Colorado, New Mexico and Wyoming
 - Economic, financial education, and community development outreach
 - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
 - Cash processing and distribution
 - Money Museum
 - Around 160 employees

The New Mexico economy has struggled to recover from the 2007 recession, but employment has expanded modestly since 2012.

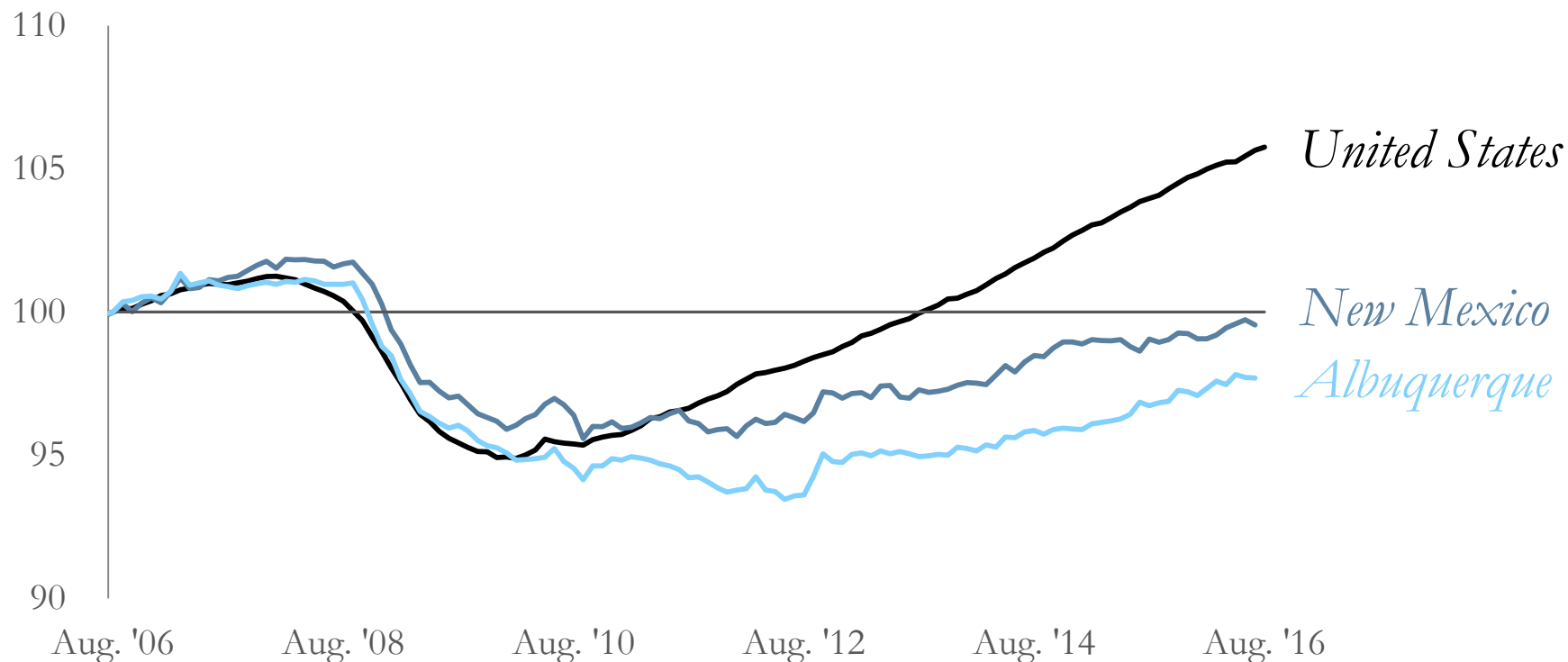


PAYROLL EMPLOYMENT GROWTH

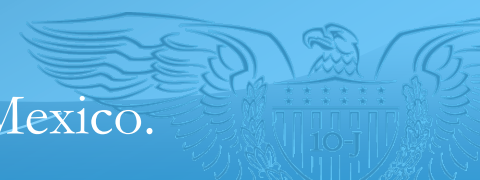
Index 100 = August 2006, Seasonally Adjusted

July {

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S.	5.8%	1.7%
New Mexico	-0.3%	0.9%
Albuquerque	-2.2%	0.9%



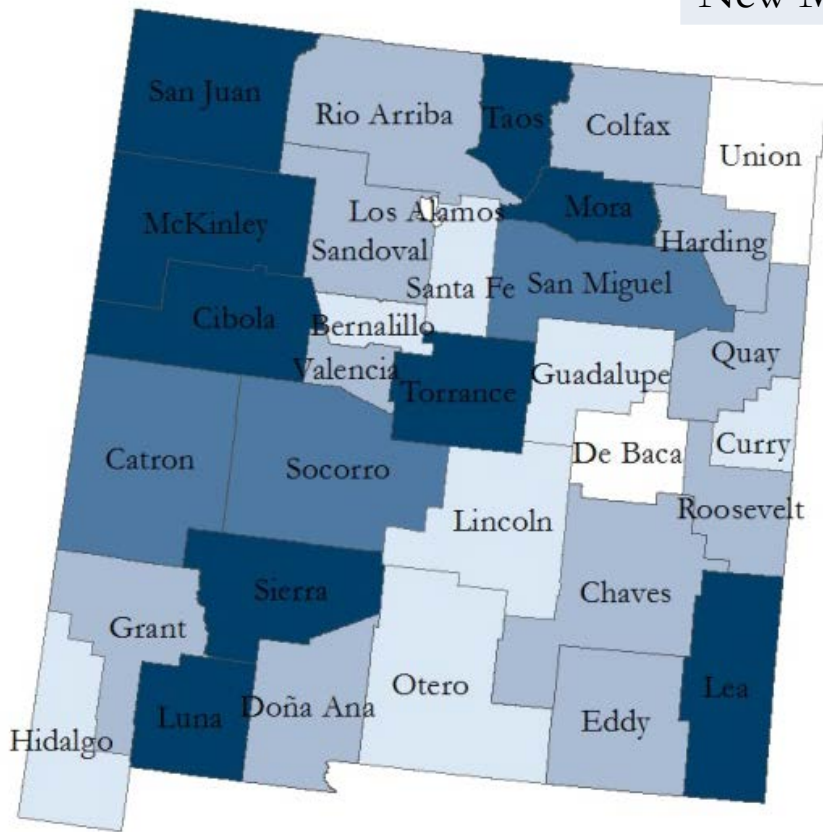
Unemployment rates remain elevated across most of New Mexico.



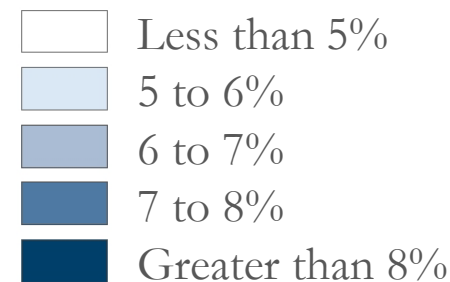
UNEMPLOYMENT RATES

July 2016, Seasonally Adjusted

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States	<i>Aug. '16: 4.9%</i>	5.9%	9.7%
New Mexico	<i>Jul. '16: 6.4%</i>	7.9%	12.4%



**U-5 and U-6 values are 12-month moving averages as of Q2 2016 for New Mexico and are for August, 2016 for the United States.*

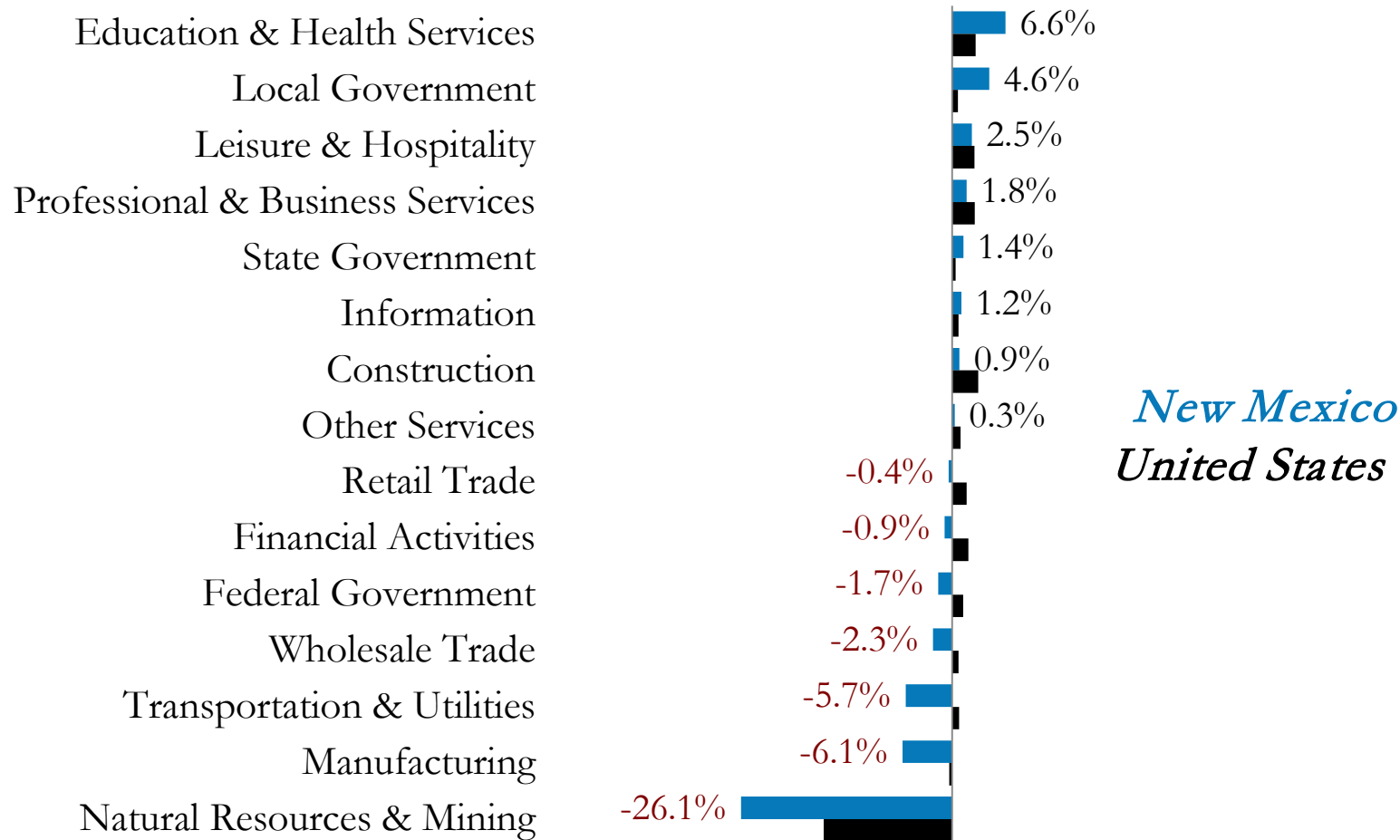


Employment growth has been mixed across industries in New Mexico, with sharp declines in the energy sector weighing on related industries.

CHANGE IN PAYROLL EMPLOYMENT, JULY 2016

Seasonally Adjusted

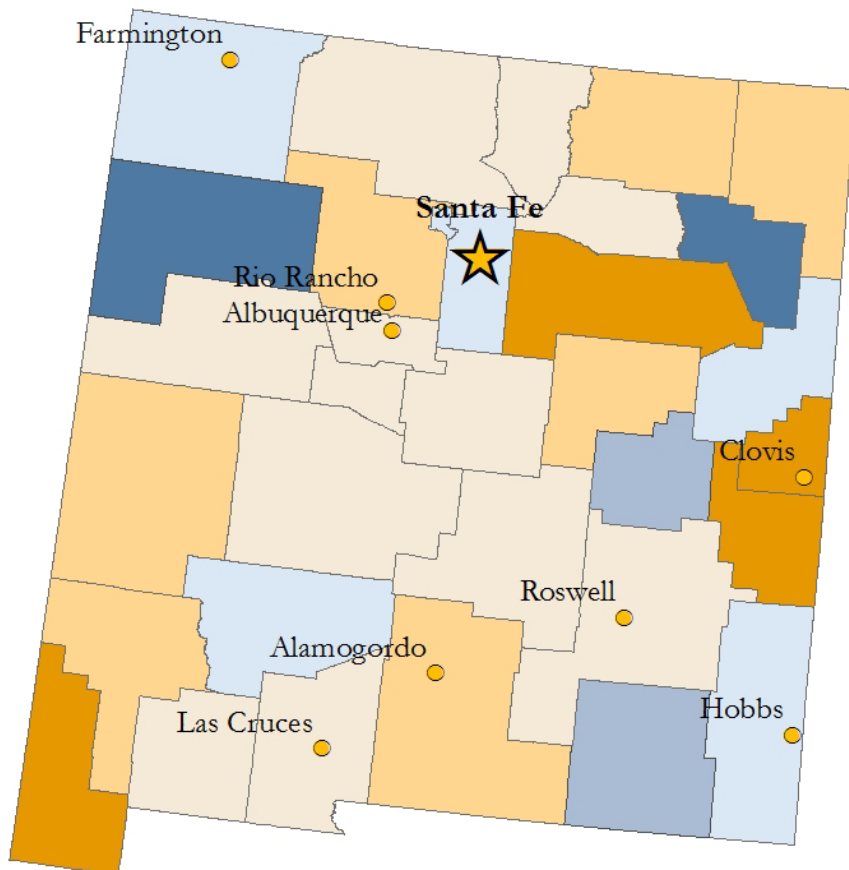
Percent Change Year-over-Year



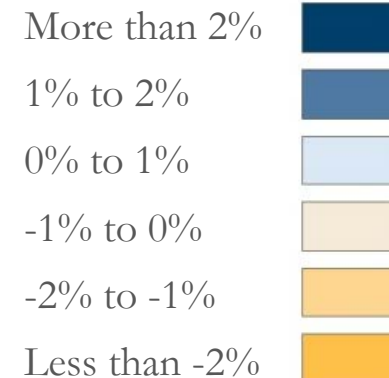
New Mexico continues to experience out-migration as some individuals leave the state for better job opportunities.

NET MIGRATION

Total 2015 Net Migration as a Percentage of 2015 Population



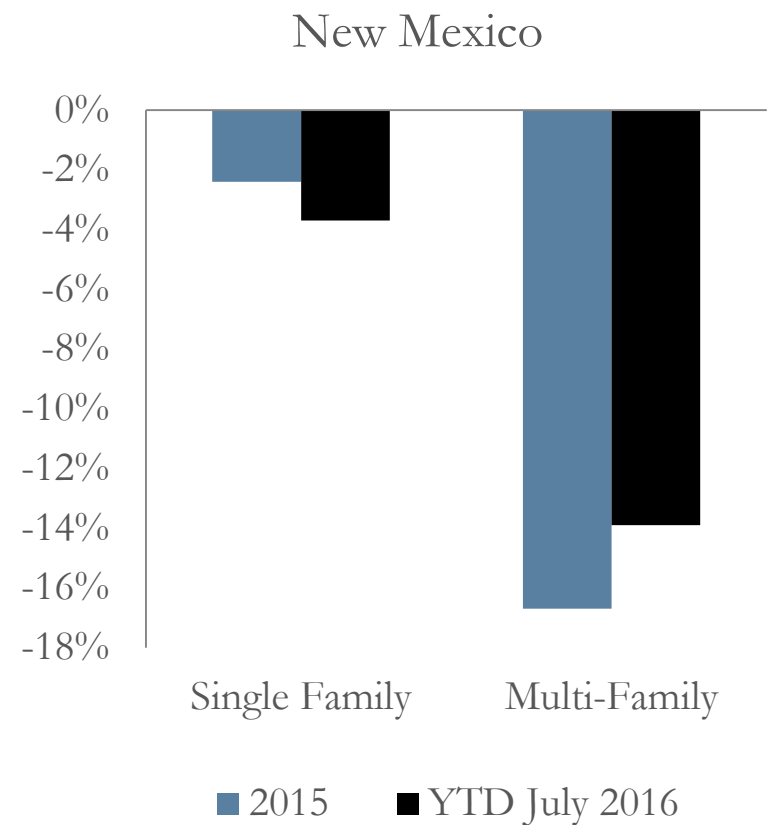
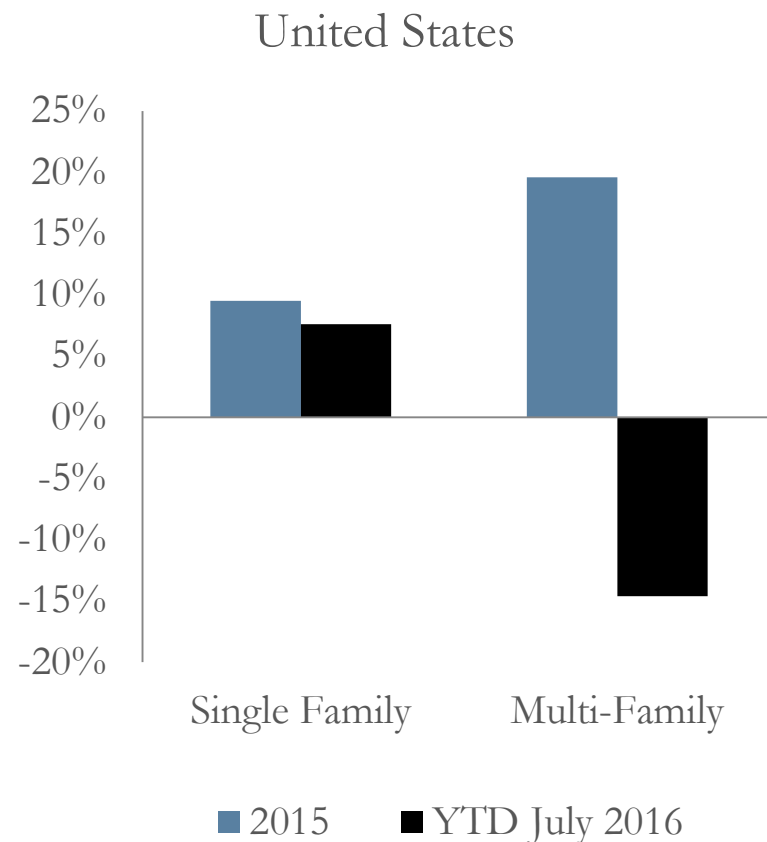
<i>Annual Percent Change</i>	<i>2015</i>
United States	0.4%
New Mexico	-0.5%
Bernalillo County	-0.3%



Residential construction activity has been weak in New Mexico, lagging the recovery at the national level.

RESIDENTIAL PERMITS

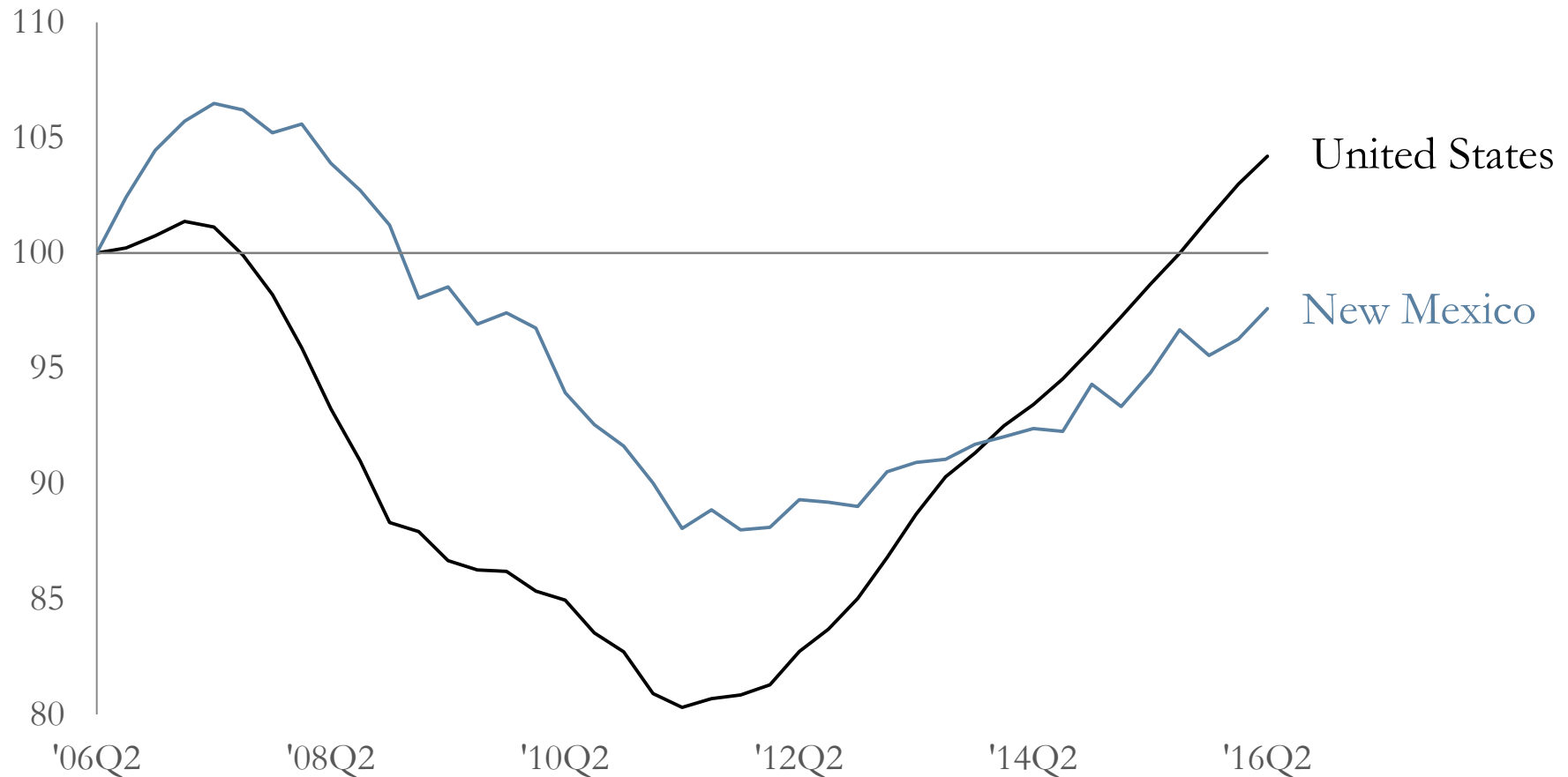
Seasonally Adjusted



Home prices have increased over the last few years in New Mexico, but still remain below peak levels.

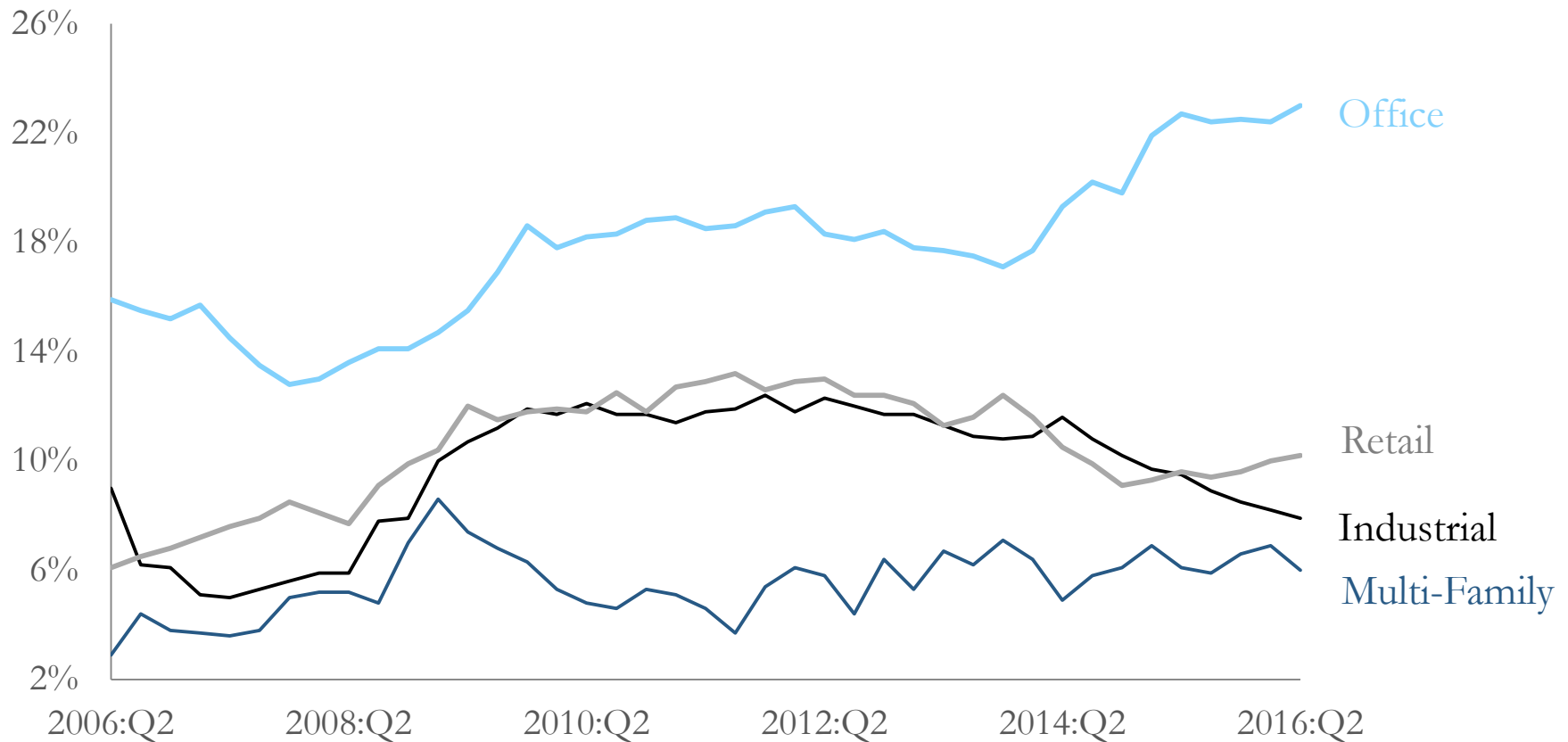
HOME PRICES

Seasonally Adjusted, Index 100 = Q2 2006



Vacancy rates have edged up for office and retail space in the Albuquerque area.

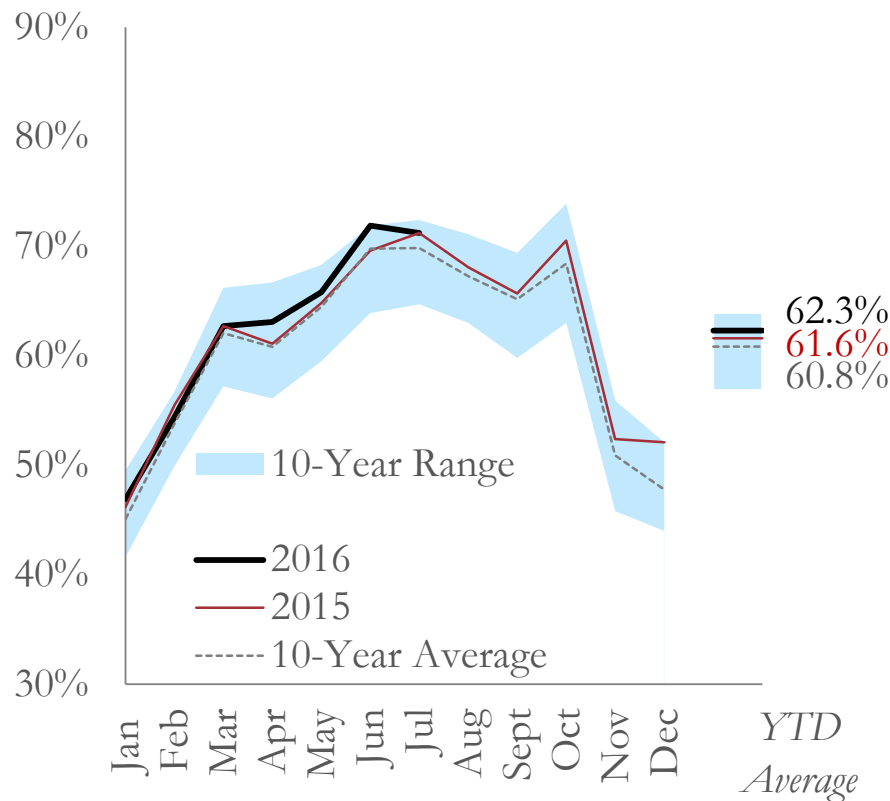
ALBUQUERQUE COMMERCIAL VACANCY RATES



Tourism activity has been solid in New Mexico over the last couple of years.

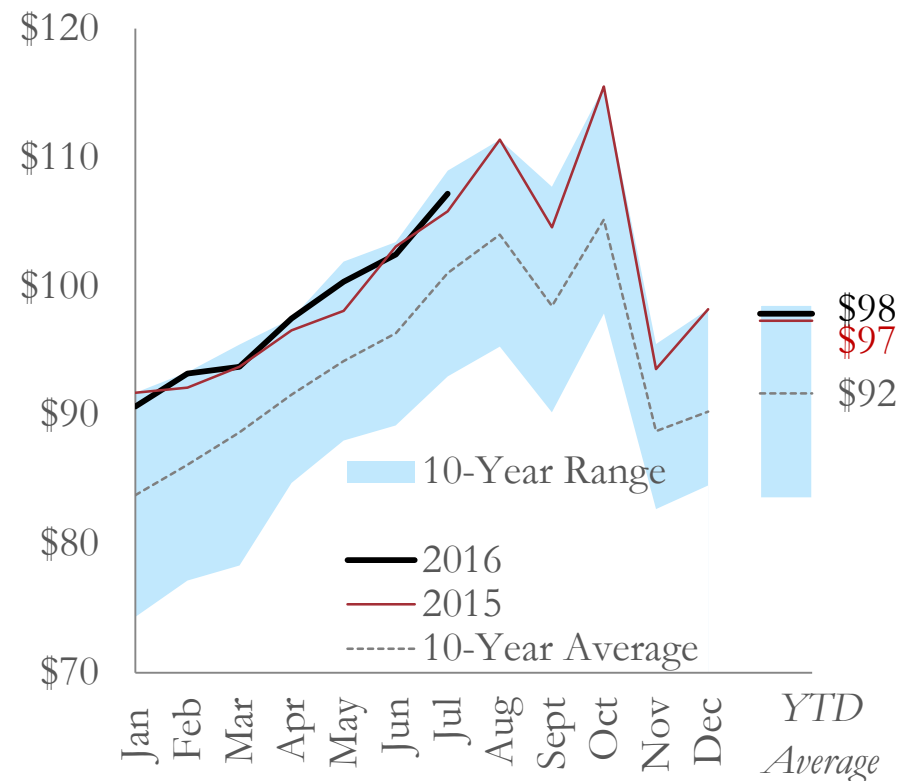
HOTEL OCCUPANCY RATES

New Mexico



REAL HOTEL ROOM RATES

New Mexico, 1999 Dollars

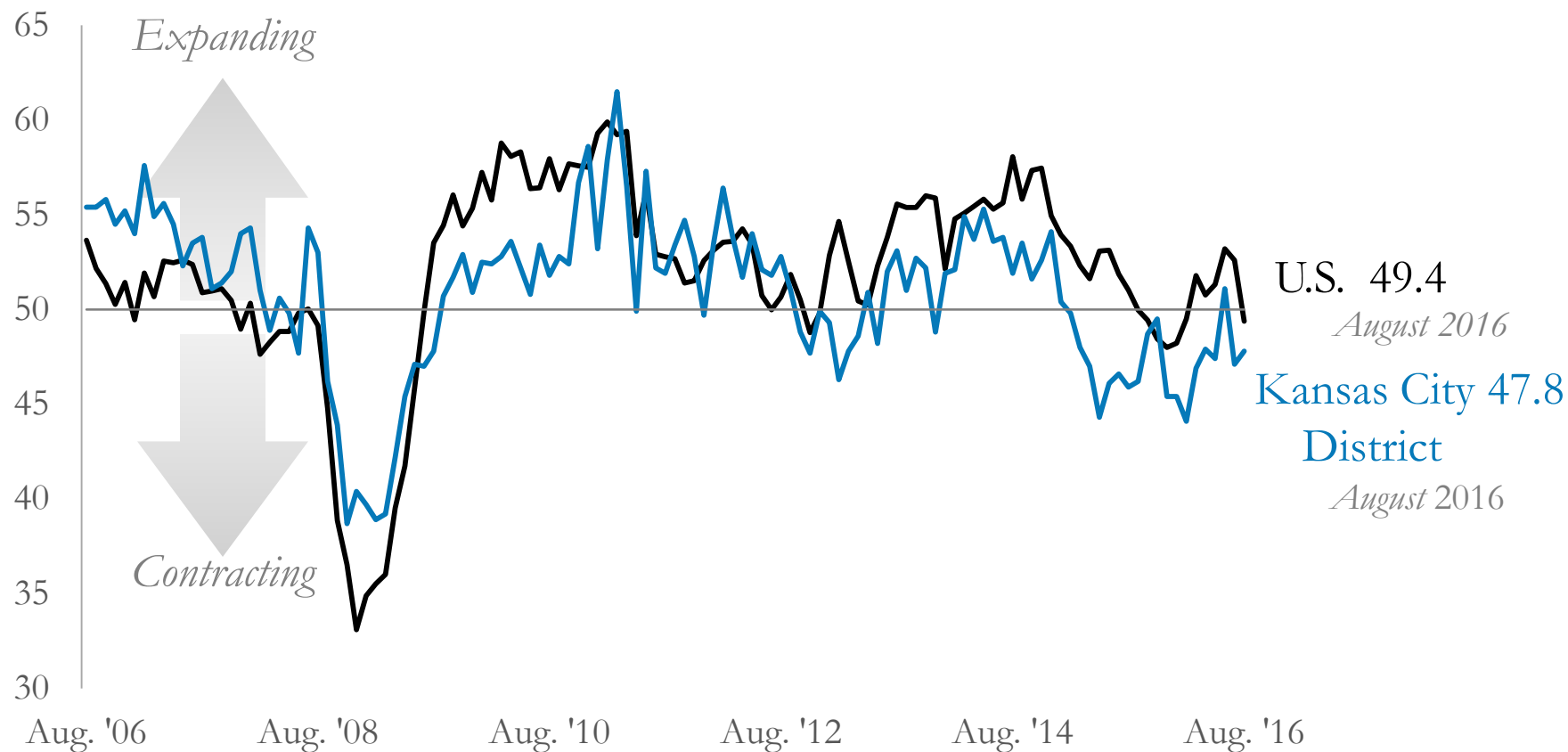


Manufacturing activity has slowed in the region due in part to a weak energy sector and a strong dollar.



MANUFACTURING ACTIVITY

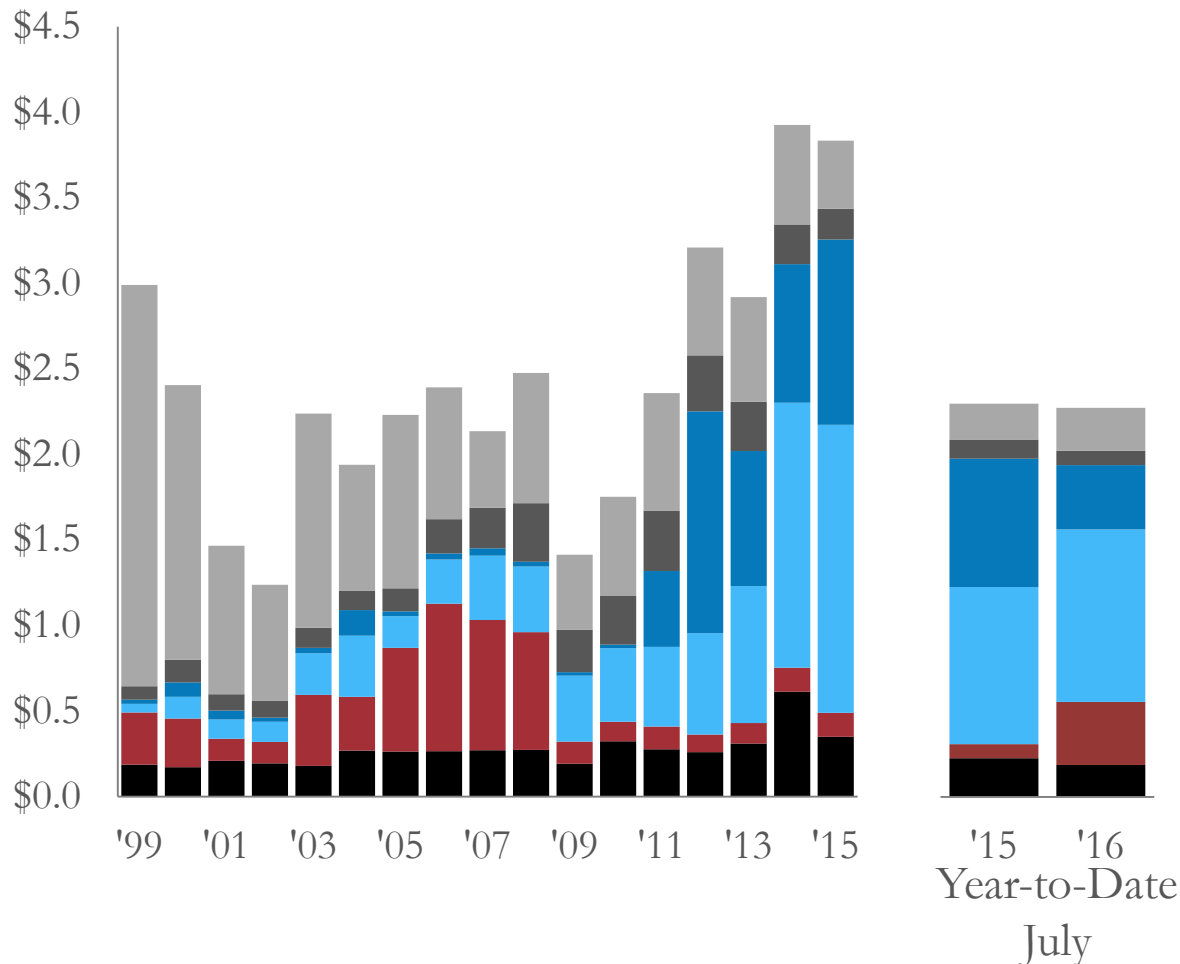
Diffusion Index, Seasonally Adjusted, Month-over-Month



New Mexico export activity has slowed slightly over the past two years, but remains at historically-high levels due to additional exports to Mexico.

NEW MEXICO EXPORTS BY TRADING PARTNER

Billions



YEAR-TO-DATE JULY '16

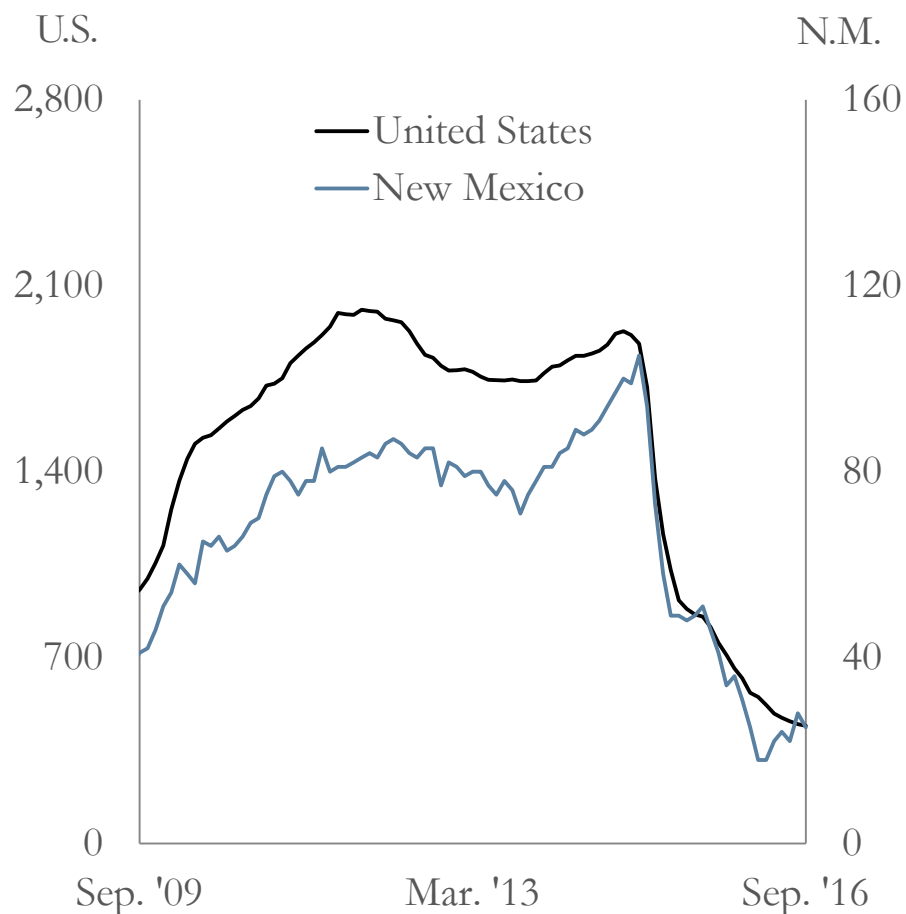
Percent Change

Total Trade	-1.1%	SHARE*
All Other	19.5	8.9%
Canada	-23.9	5.0
Israel	-50.0	28.6
Mexico	9.6	44.5
China	350.7	3.7
Eurozone	-17.0	9.3

**Share is for 2015*

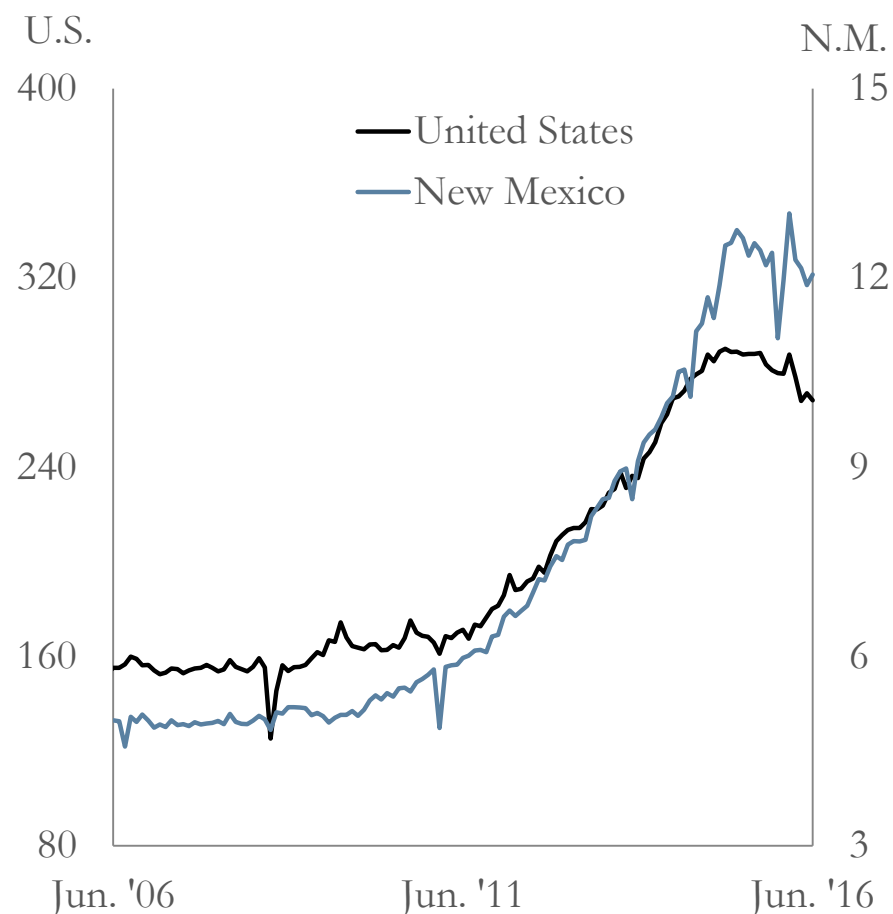
Energy activity has declined substantially in New Mexico and the nation.

TOTAL RIG COUNT



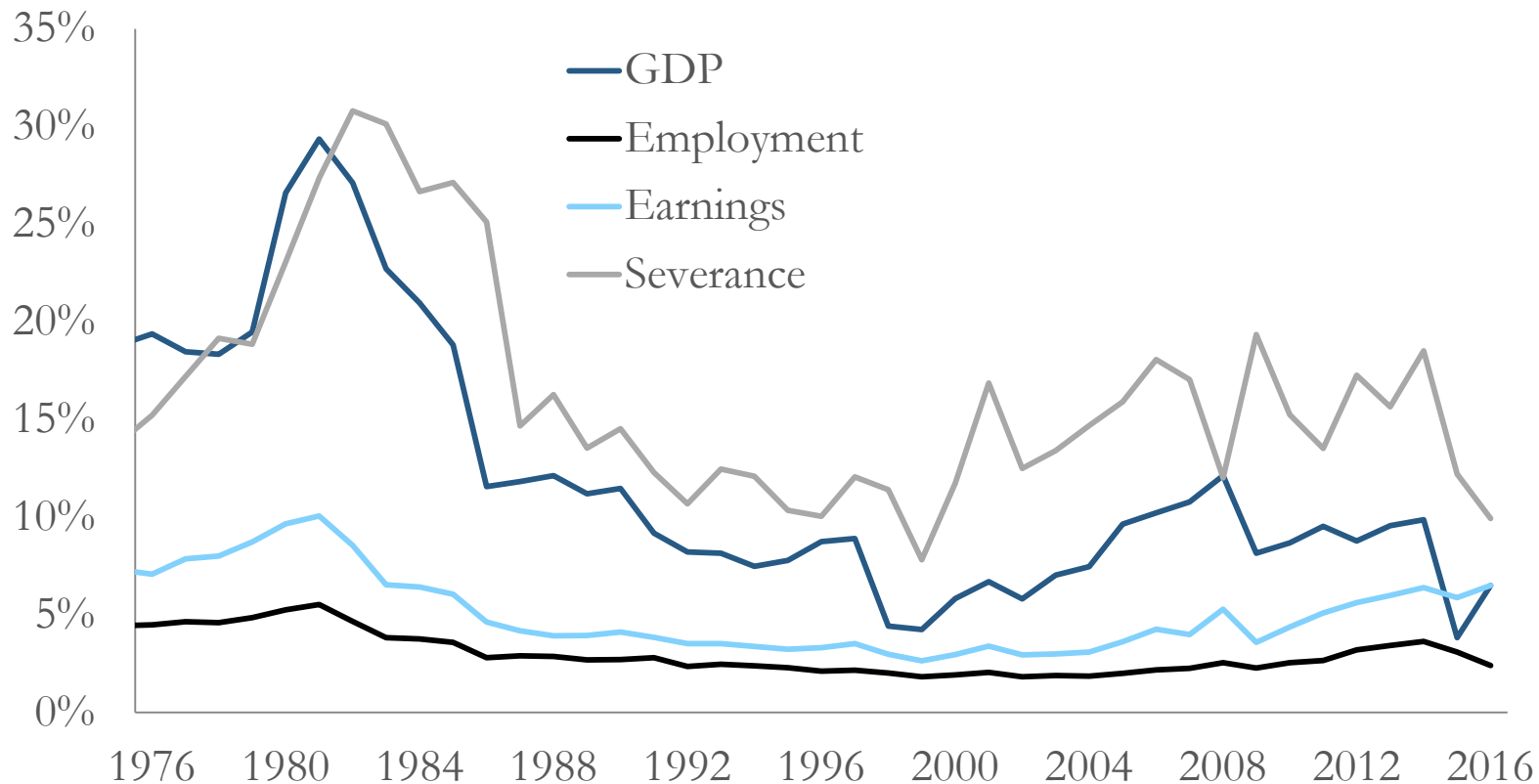
CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly,
Seasonally Adjusted*



Despite the recent slowdown in energy activity, the energy sector remains a key industry for the New Mexico economy.

NEW MEXICO'S MINING'S SHARE OF THE ECONOMY



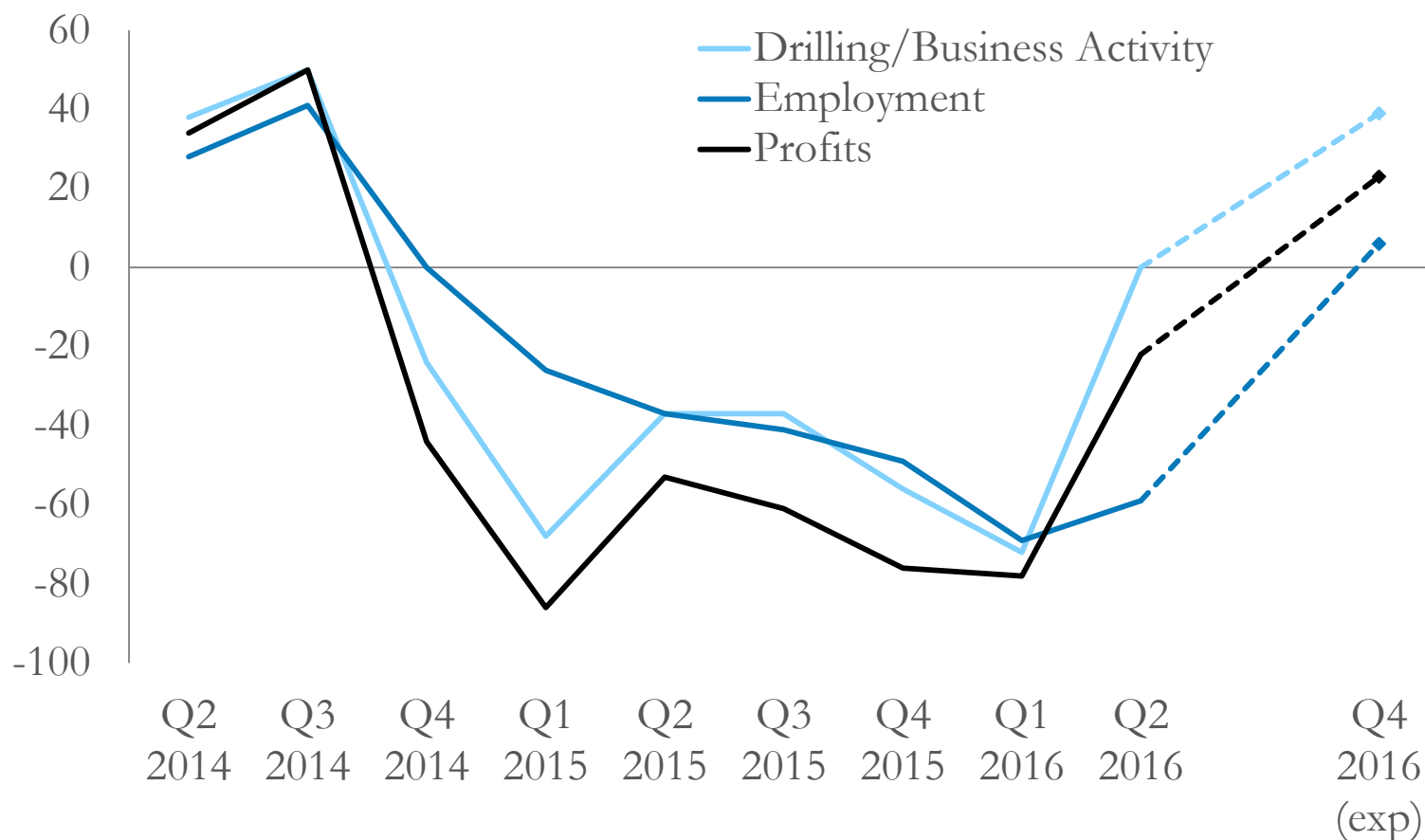
Note: For 2016 values: severance tax, GDP, and earnings are as of Q1, and employment is the year-to-date average through July.

Energy contacts are expecting the sector to stabilize over the next six months.



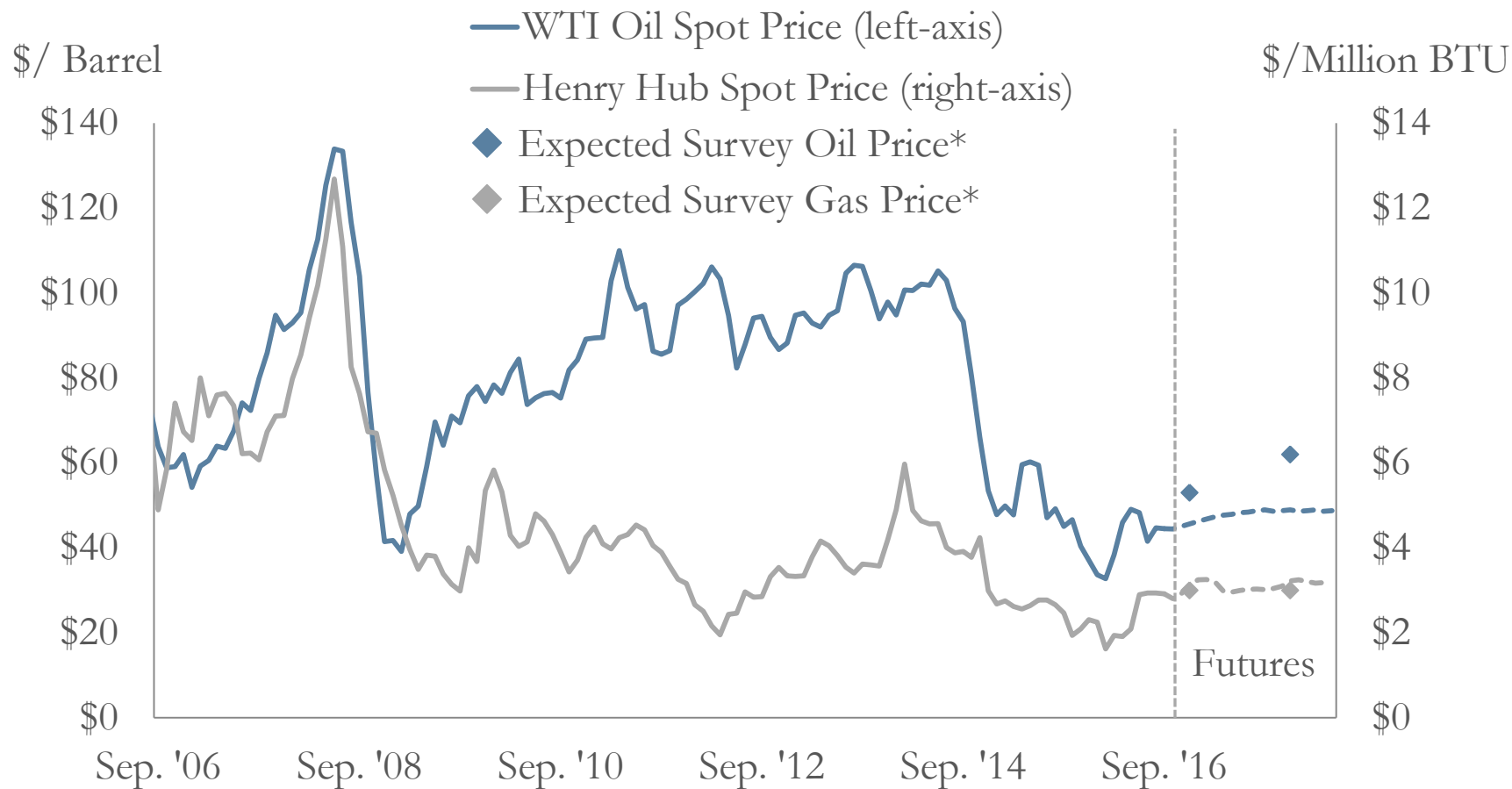
FRBKC ENERGY SURVEY

Diffusion Indexes



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

ENERGY PRICES



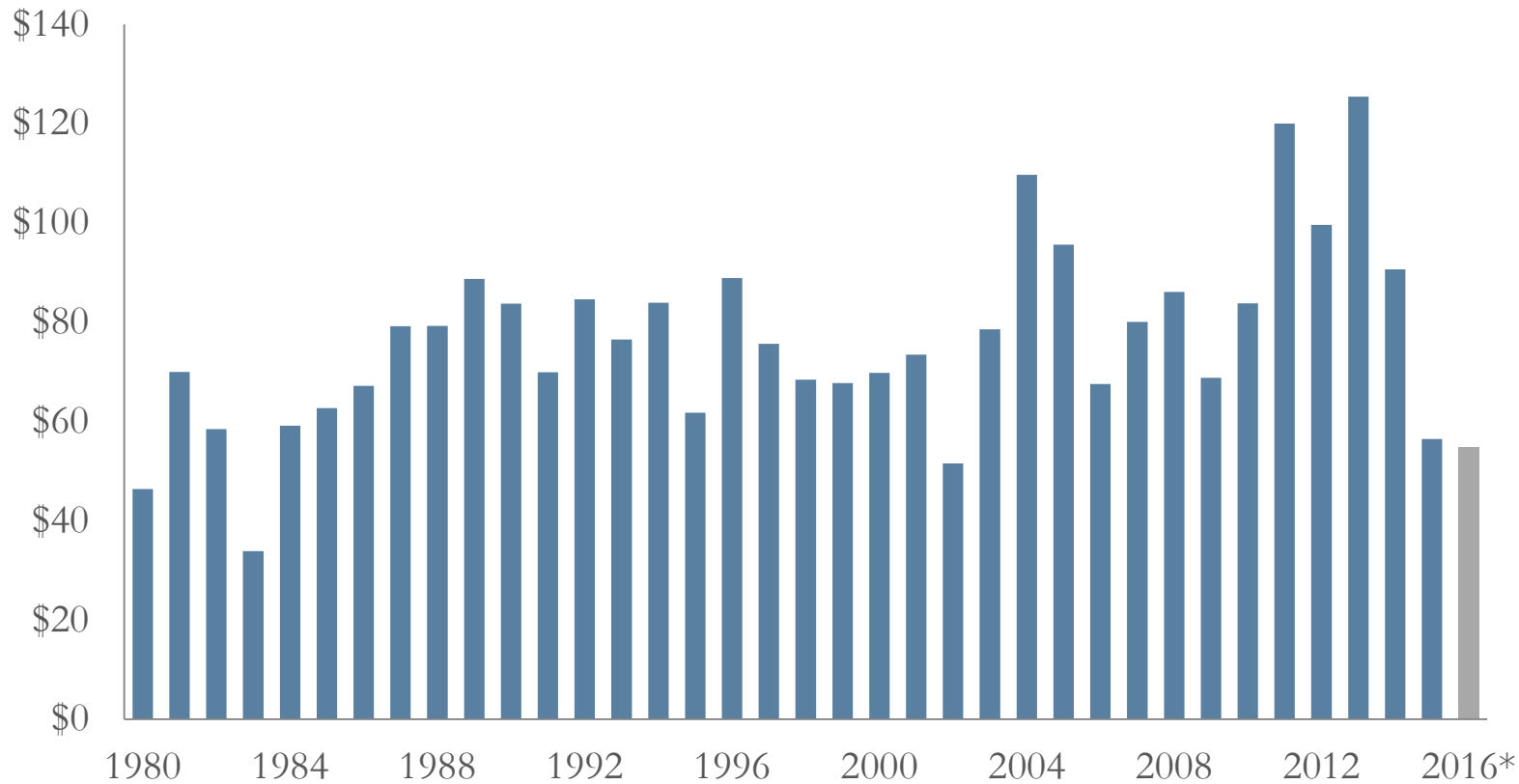
*Expected year-end prices are the average expected price based on responses to the FRBKC Q2:2016 Energy Survey

Farm income has dropped sharply and is expected to remain low.



U.S. REAL NET FARM INCOME

Billion dollars (constant 2015 dollars)



*Forecast for 2016

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

