



# *Emerging Trends in the New Mexico Economy*

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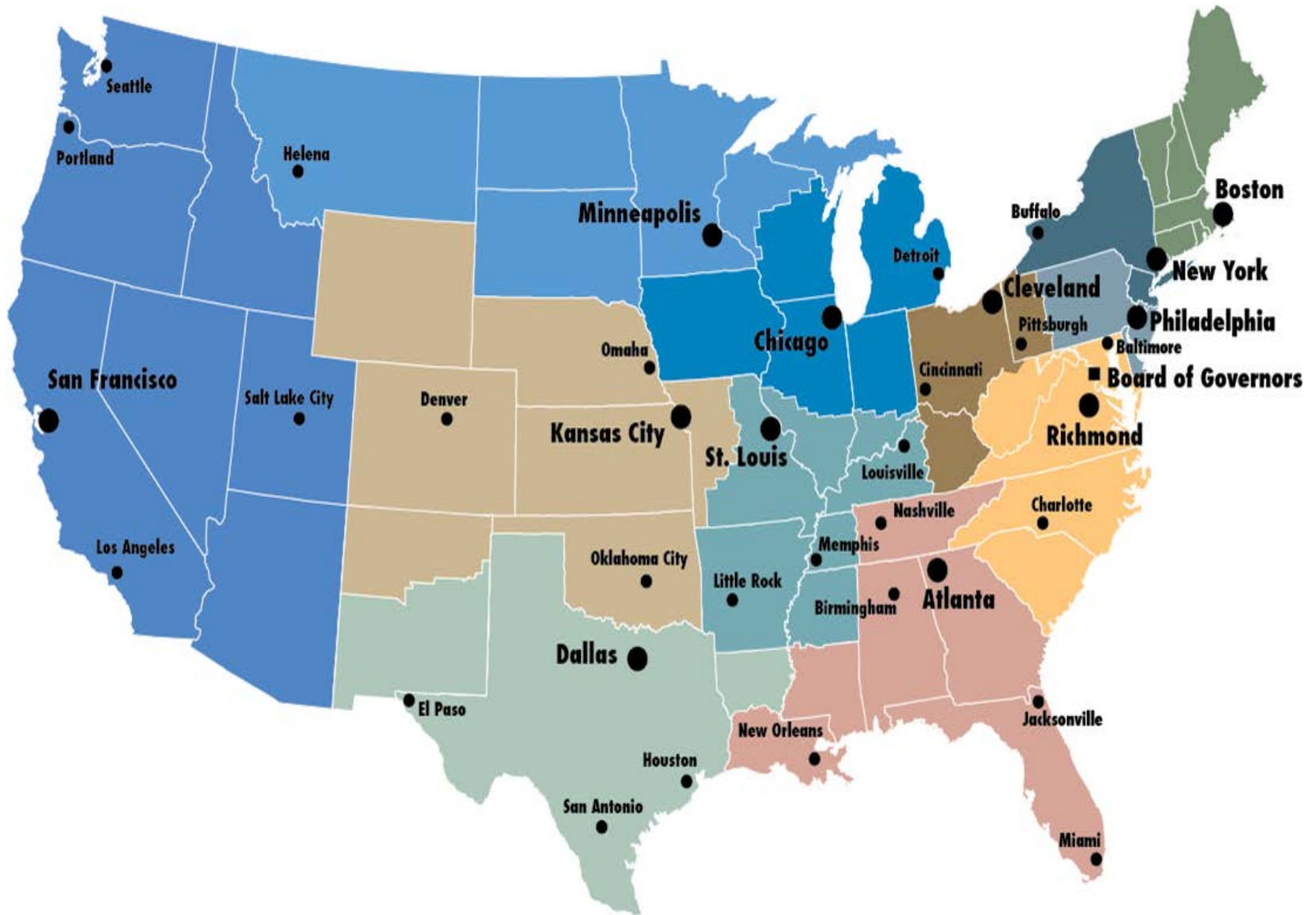
*The views expressed are those of the presenter and do not necessarily reflect  
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

# Overview of the Federal Reserve System



- The Federal Reserve System was created by Congress in 1913.
- It is a public-private, decentralized institution consisting of the Board of Governors in Washington, D.C. and 12 regional Reserve Banks.
  - Board of Governors
    - Consists of seven members who are appointed by the President and confirmed by the Senate to serve 14-year terms.
  - Regional 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.

# Regional Federal Reserve Banks and Branch Locations



# The Primary Functions of the Federal Reserve System



- Conduct the Nation's Monetary Policy
  - The Federal Open Market Committee is the group charged with conducting monetary policy within the U.S.
  - The Committee has a statutory mandate from Congress to promote maximum employment, stable prices and moderate long-term interest rates.
- Provide and Maintain an Effective and Efficient Payments System
  - The Federal Reserve supplies payments services to the public through depository institutions including banks, credit unions and savings and loans.
  - We also serve as a banking and fiscal agent for the United States government.
  - Payment services includes cash processing, processing and clearing checks, transferring funds and issuing, transferring and redeeming U.S. government securities.
- Supervise and Regulate Banking Operations
  - The Federal Reserve ensures the safety and soundness of banks and ensures that banks provide fair and equitable services to consumers.
  - The Federal Reserve also monitors and promotes the stability of the financial system as a whole.

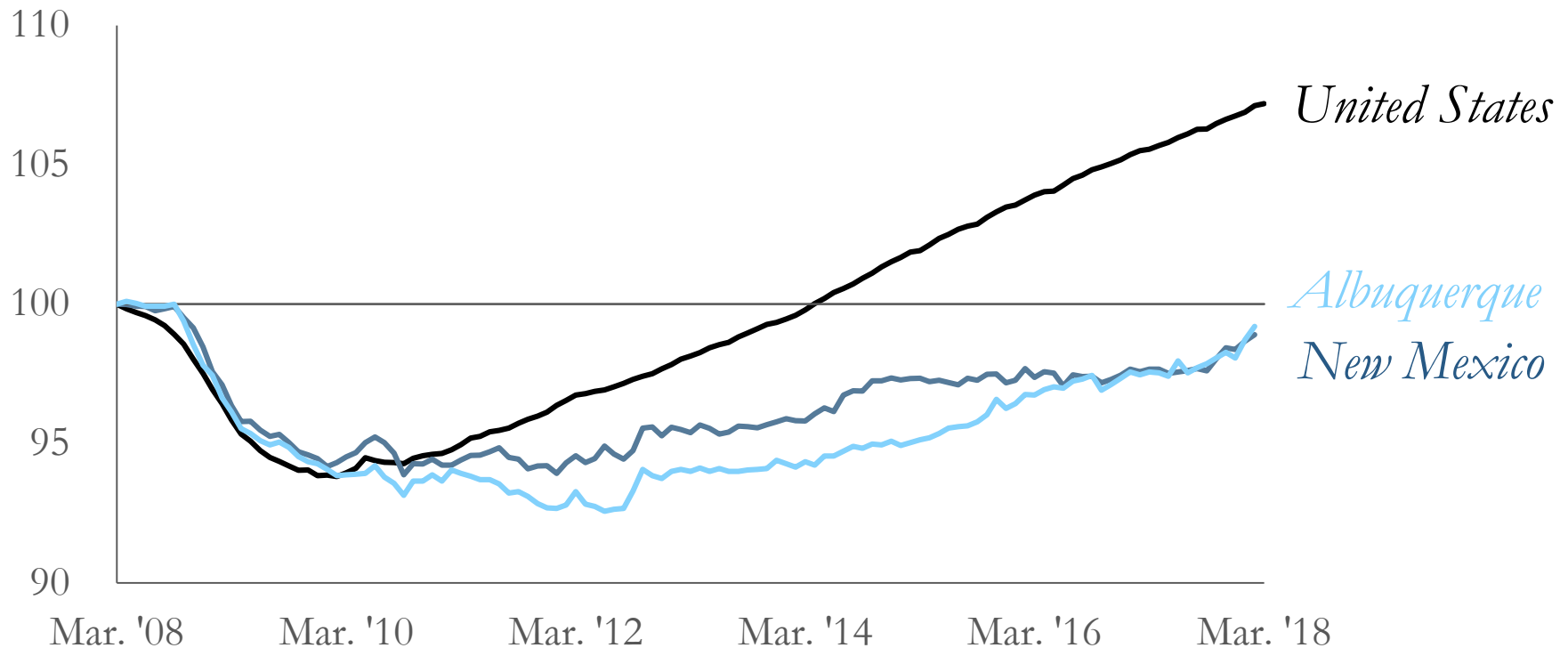
Employment growth in New Mexico has lagged national gains since 2010, but employment growth over the past year has picked up considerably.



## PAYROLL EMPLOYMENT GROWTH

*Index 100 = March, 2008, Seasonally Adjusted*

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S. (Mar. '18)	7.2%	1.5%
New Mexico (Feb. '18)	-1.1%	1.4%
Albuquerque (Feb. '18)	-0.9%	1.8%



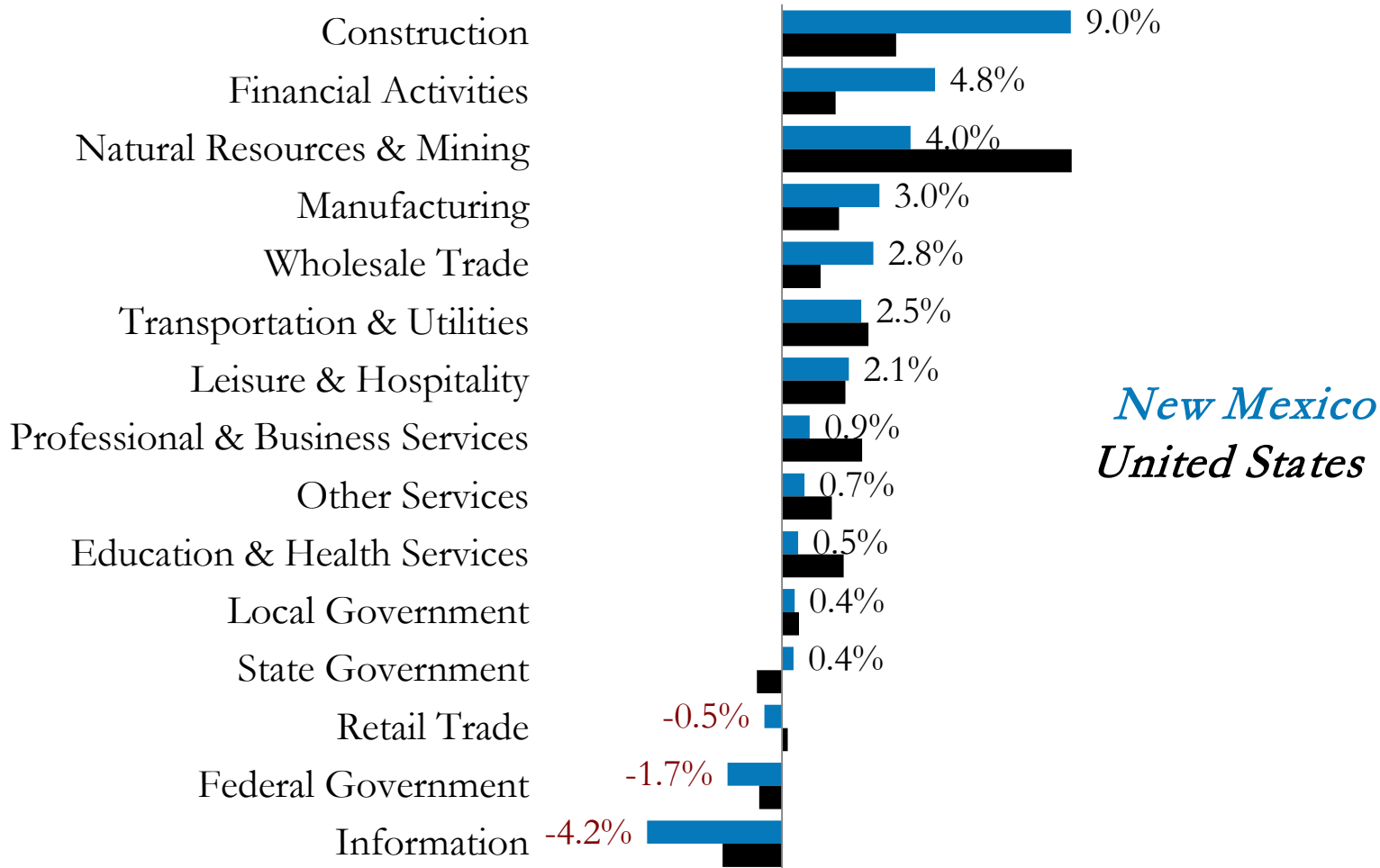
# The majority of industries have added jobs over the past year.



## CHANGE IN PAYROLL EMPLOYMENT, FEBRUARY 2018

*Seasonally Adjusted*

*Percent Change Year-over-Year*



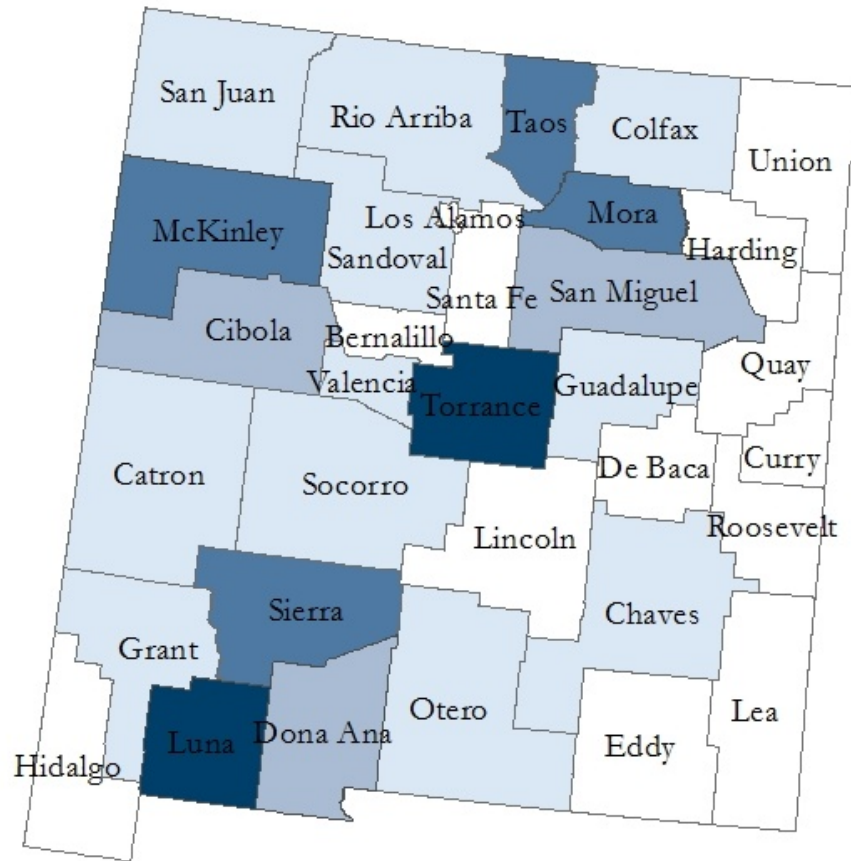


Unemployment rates have fallen over the past year in New Mexico, but remain above the national rate in many areas of the state.

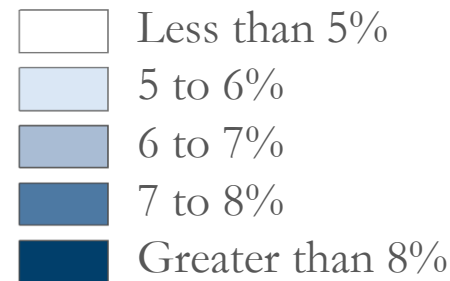


## UNEMPLOYMENT RATES

*February 2018, Seasonally Adjusted*



Unemployment Rate	
United States (Mar. '18)	4.1%
New Mexico (Feb. '18)	5.8%
Albuquerque (Feb. '18)	5.0%

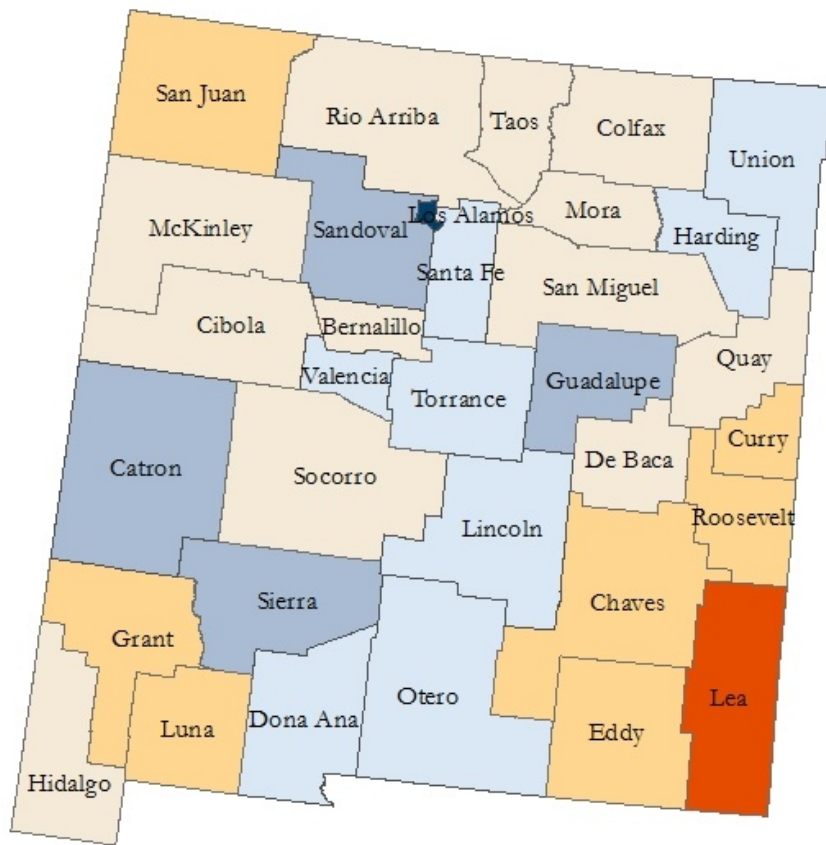


New Mexico has experienced out-migration in recent years, but outflows from the state are slowing.

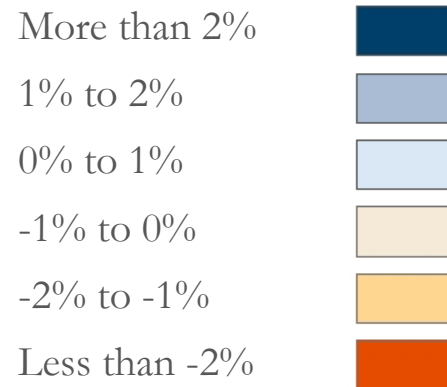


## NET MIGRATION

*Total 2017 Net Migration as a Percentage of 2017 Population*



<i>Annual Percent Change</i>	<i>2017</i>
United States	0.3%
New Mexico	-0.2%
Bernalillo County	-0.1%

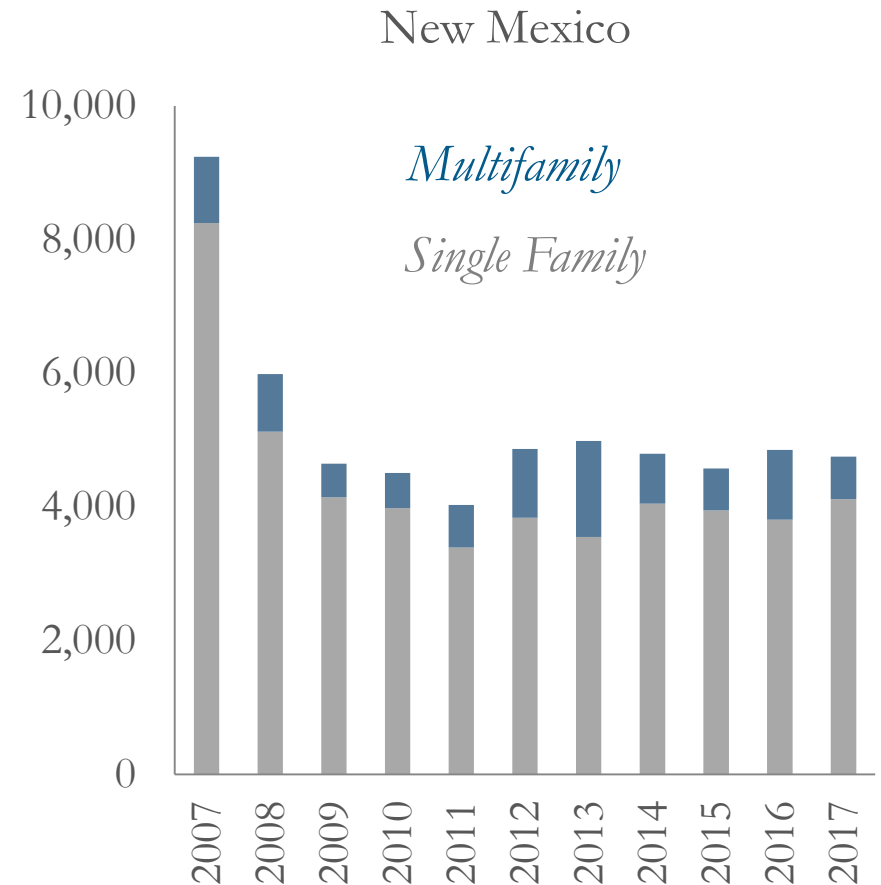
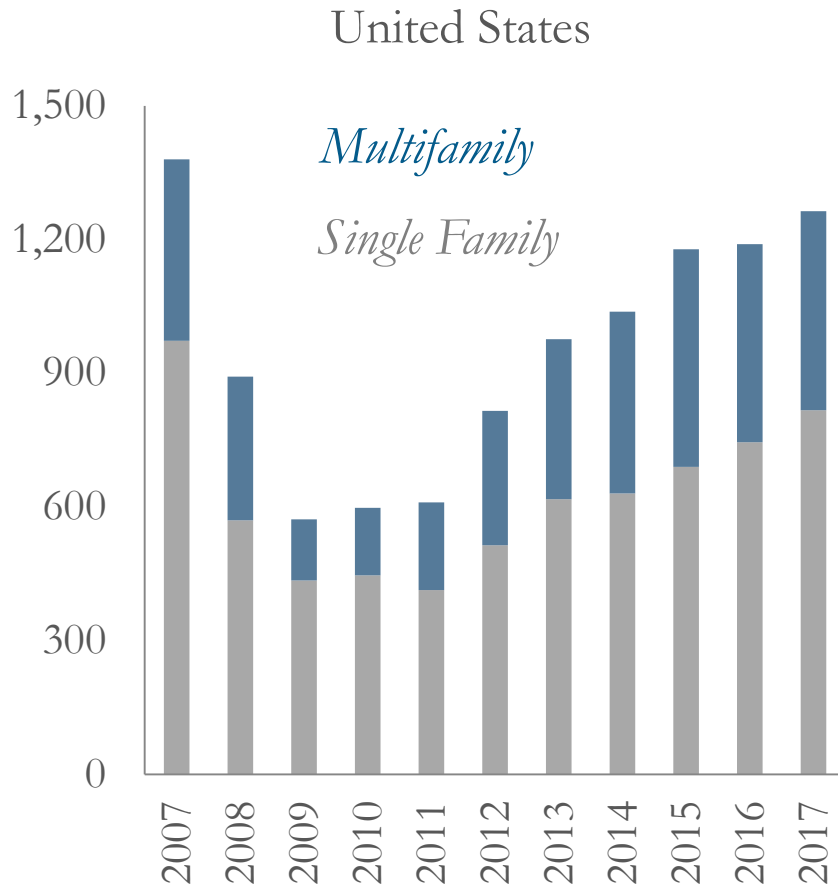




Residential construction activity has been roughly flat in New Mexico over the past eight years and remains well below pre-recession levels of activity.

## RESIDENTIAL PERMITS

*Annual*

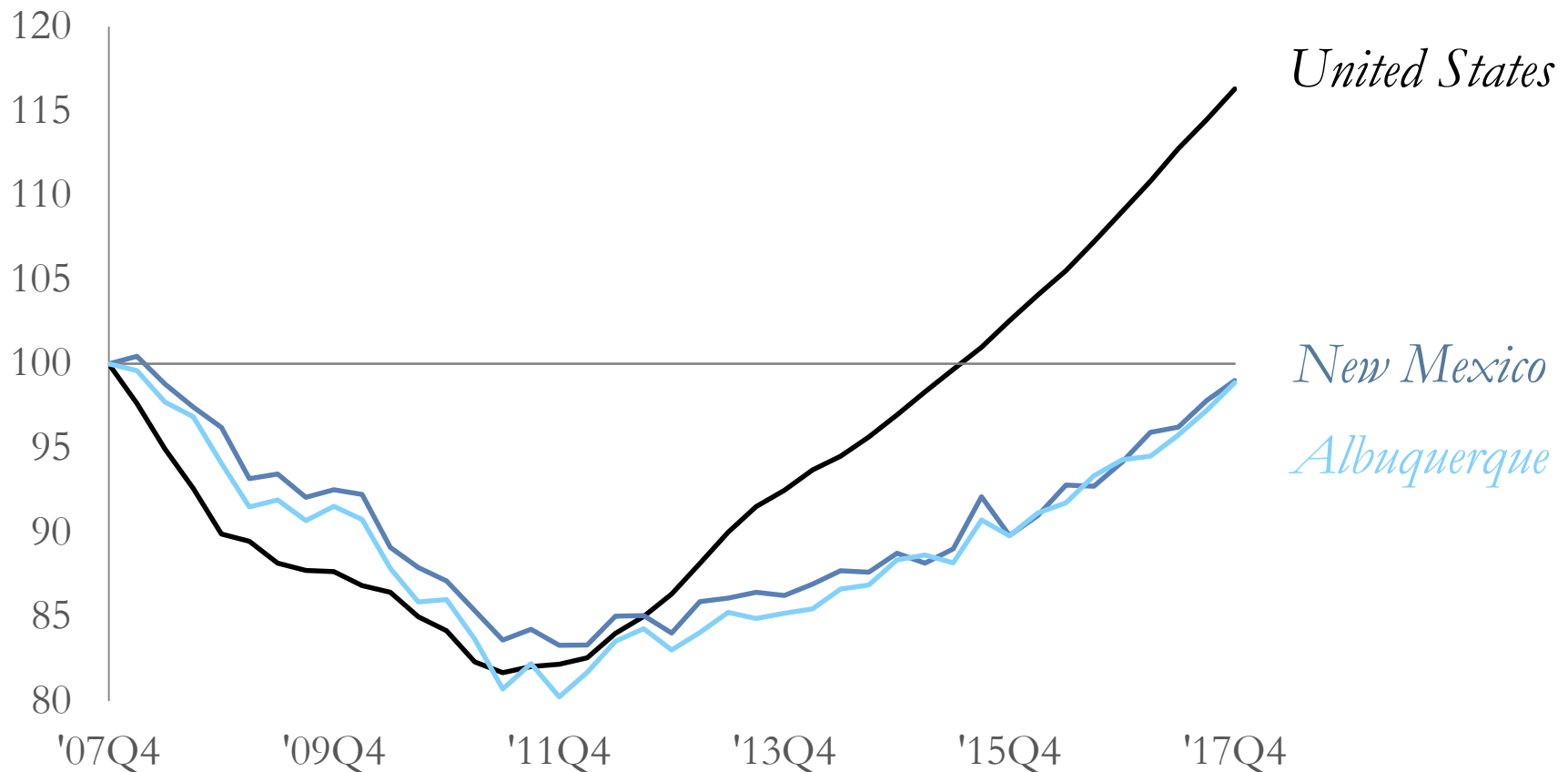


Home prices in New Mexico have been rising steadily in recent years and are nearing previous peak levels.



## HOME PRICES

*Seasonally Adjusted, Index 100 = Q4:2007*



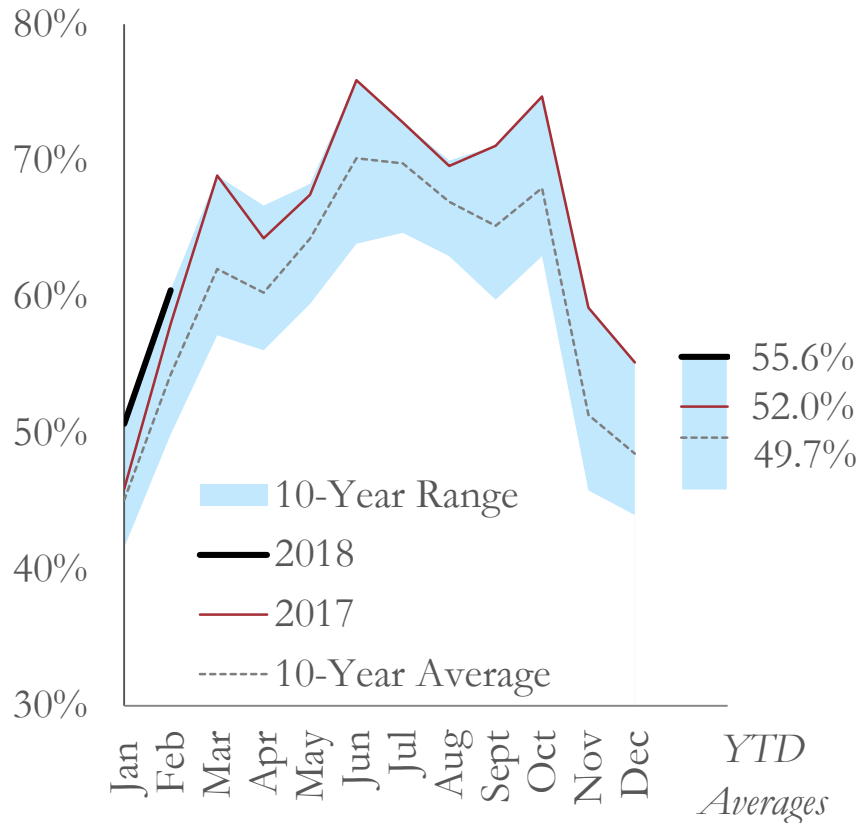
*Note: United States and New Mexico price indices are for purchase only, whereas Albuquerque includes re-financings.*

The tourism sector remains a key driver of growth for the New Mexico economy.



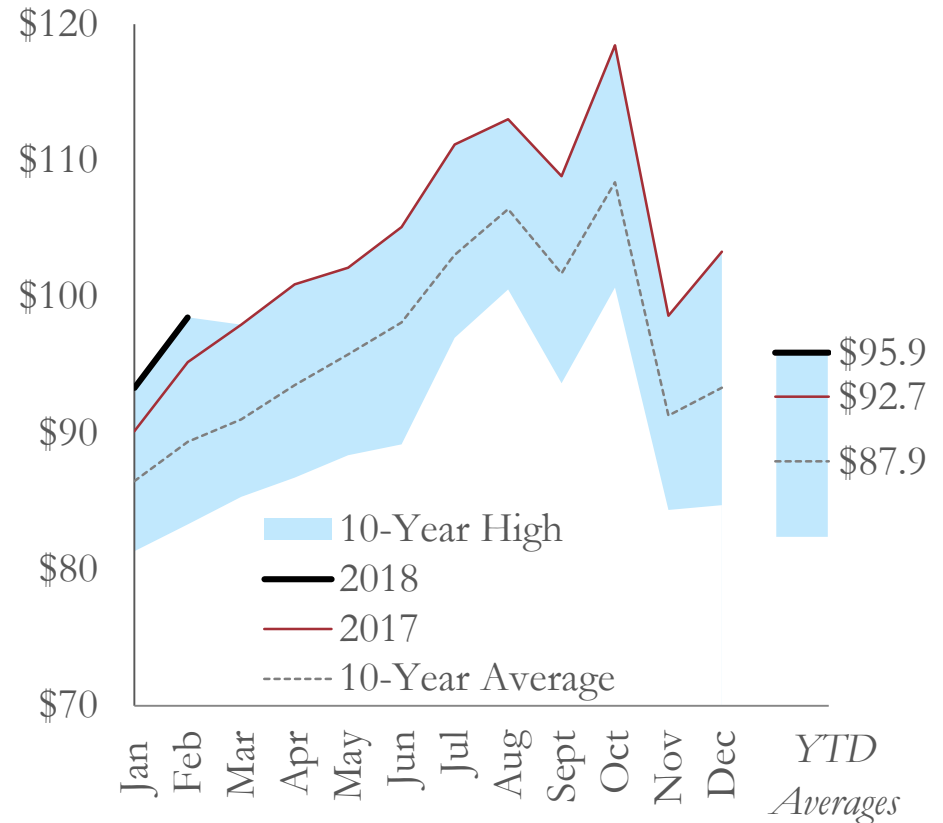
## HOTEL OCCUPANCY RATES

*New Mexico*



## HOTEL ROOM RATES

*New Mexico, 1999 Dollars*

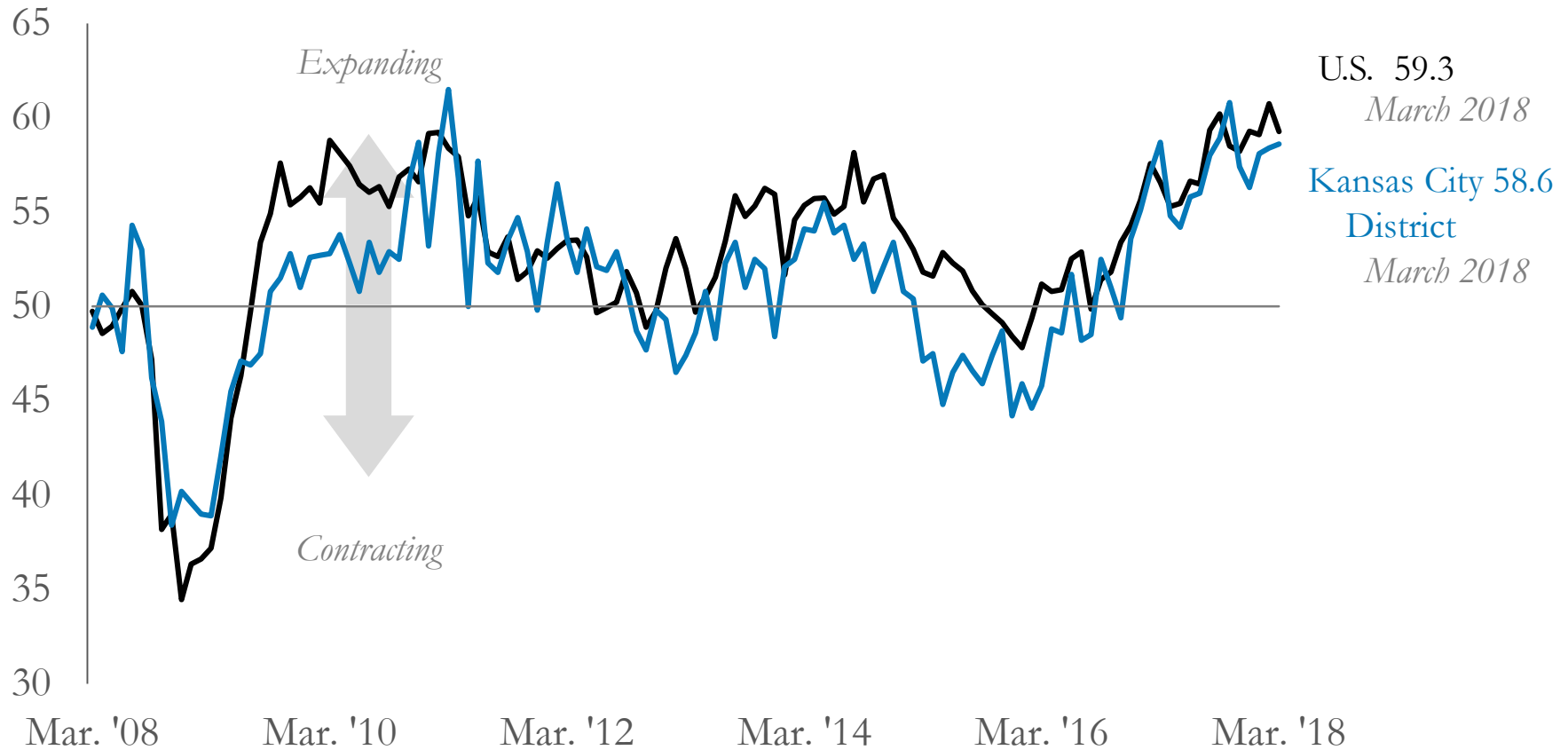


Manufacturing activity improved throughout 2017 and remains at solid levels.



## MANUFACTURING ACTIVITY

*Diffusion Index, Seasonally Adjusted, Month-over-Month*

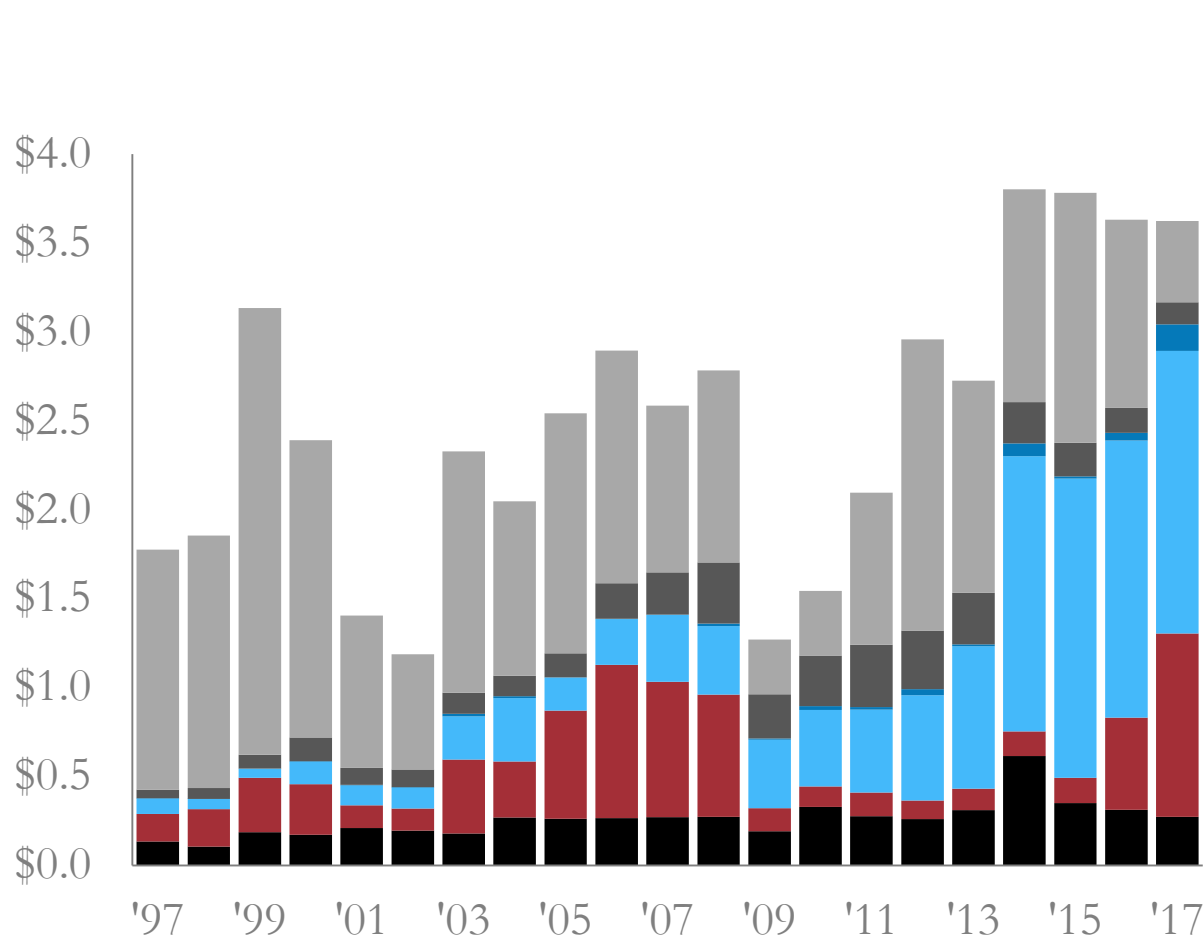


Exports from New Mexico have been much stronger in recent years.



## NEW MEXICO EXPORTS BY TRADING PARTNER

*Billions*



2017		
<i>Year-over-Year Percent Change</i>		
Total Trade	-0.2%	SHARE
All Other	-56.8	12.6%
Canada	-10.3	3.4
Saudi Arabia	234.2	4.1
Mexico	2.0	43.8
China	98.7	28.5
Eurozone	-12.4	7.5

Oil prices have increased over the past year and are above average breakeven prices in the region.



## OIL PRICES (WEST TEXAS INTERMEDIATE)



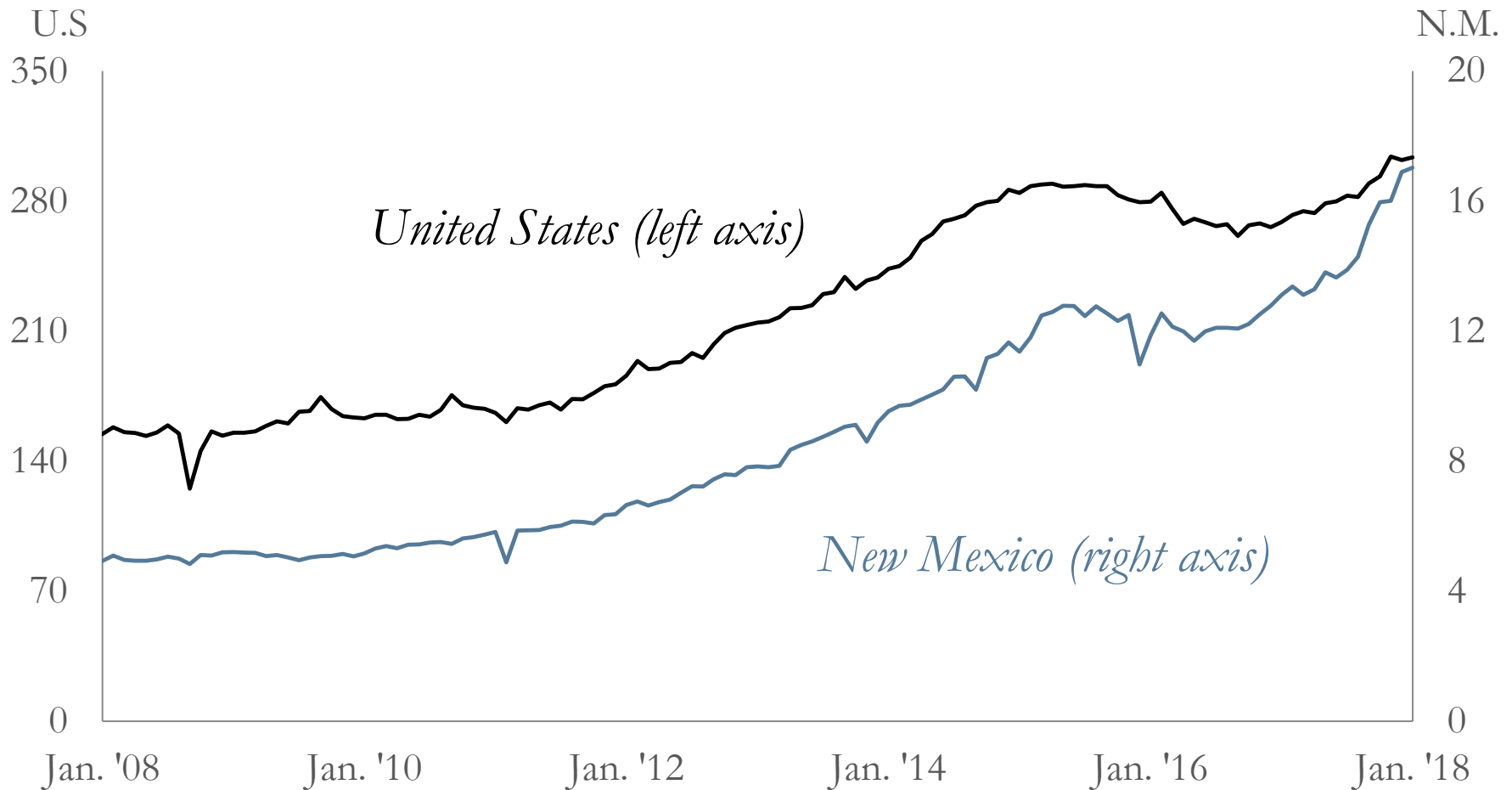


Energy activity has picked up in response to higher oil prices, and oil production has reached record levels in New Mexico.



## CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly, Seasonally Adjusted*

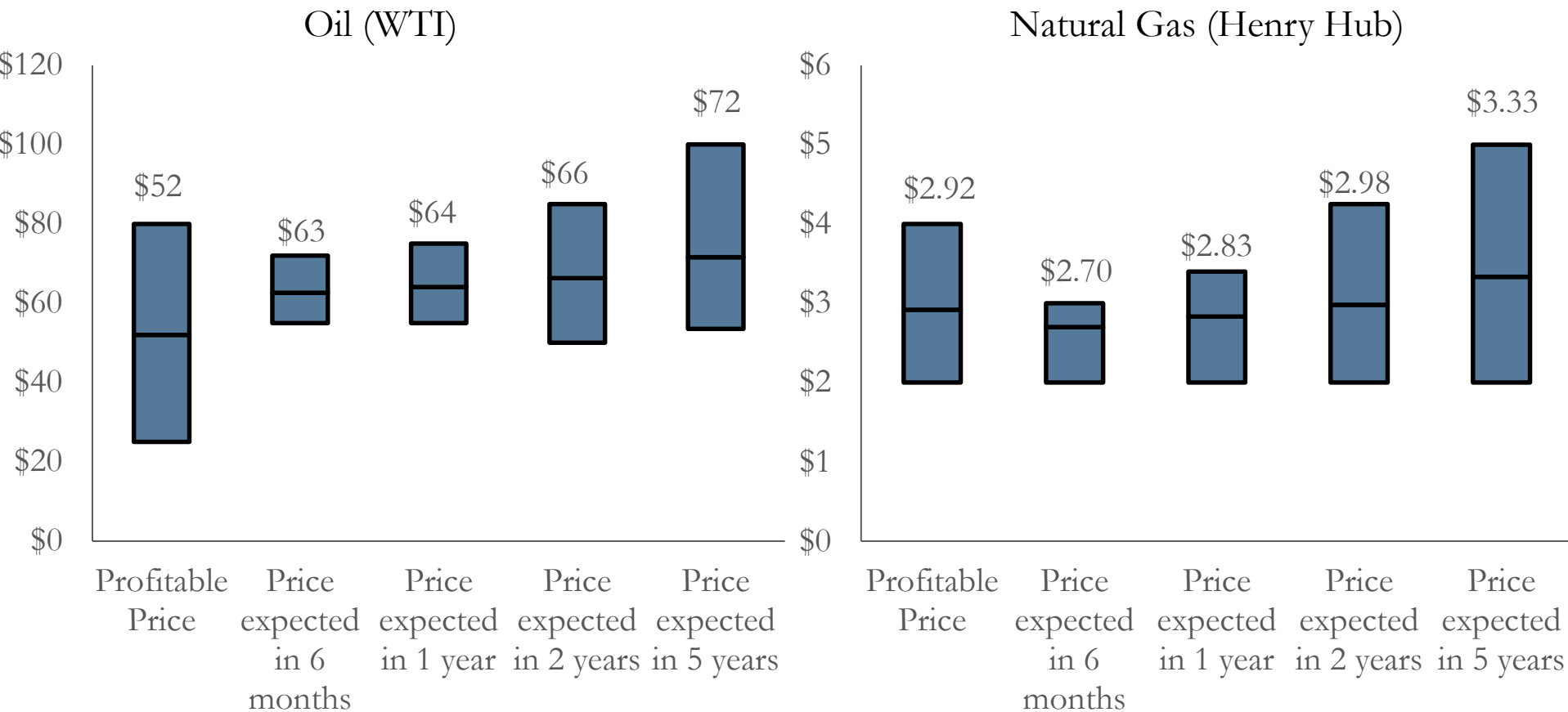


Oil prices are expected to remain near \$60 over the next two years which is above profitable prices for most District firms.



## ENERGY SURVEY SPECIAL QUESTION

Q1:2018

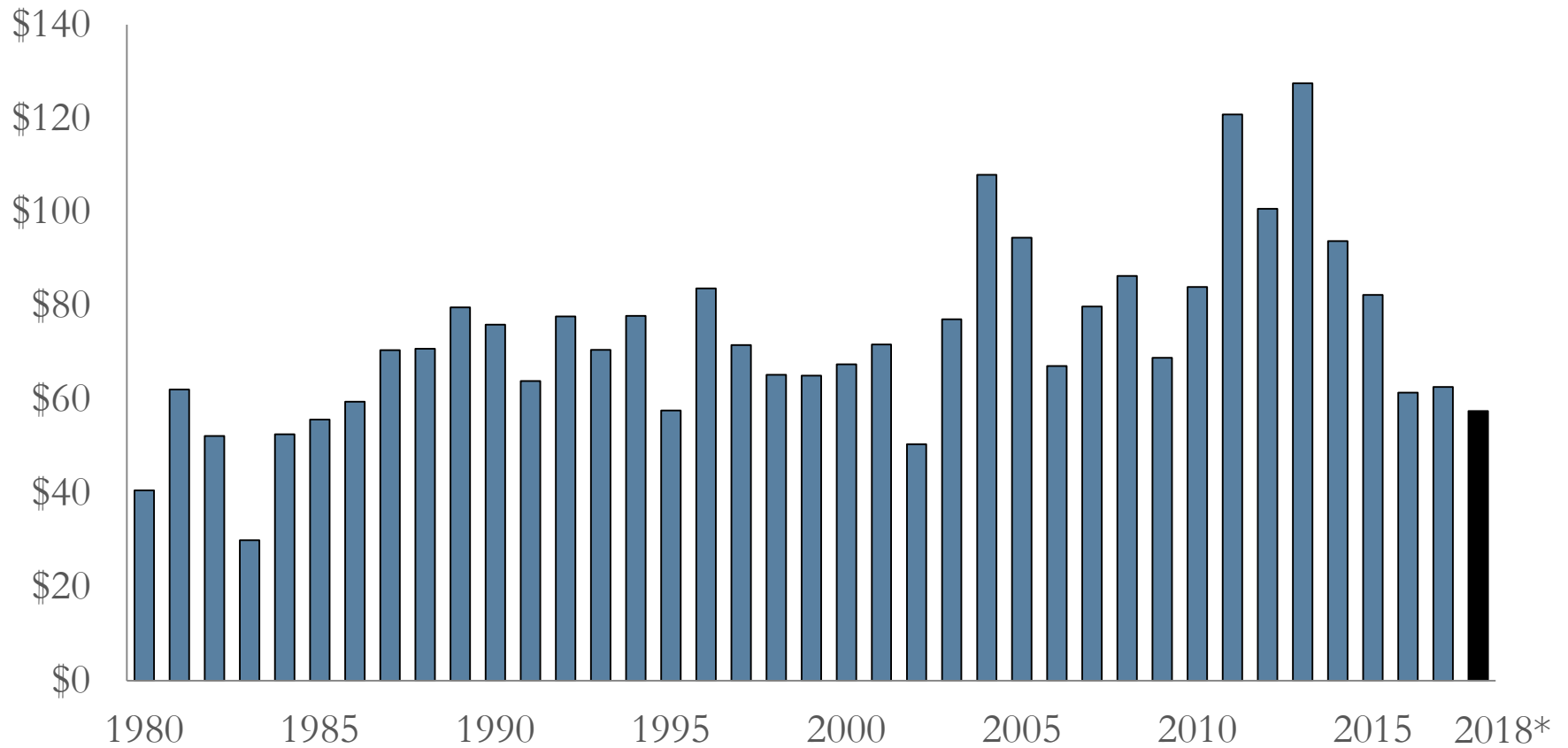


Note: Blue bars represent range for survey respondents. Numbers above bars indicate average of the range (the black line in the middle of the blue bars).

Farm income is projected to decline in 2018, as slight increases in revenues for some commodities are offset by decreases for other commodities.

## U.S. REAL NET FARM INCOME

*Billion Dollars (Constant 2016 Dollars)*



\*Projection for 2018

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

