

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.

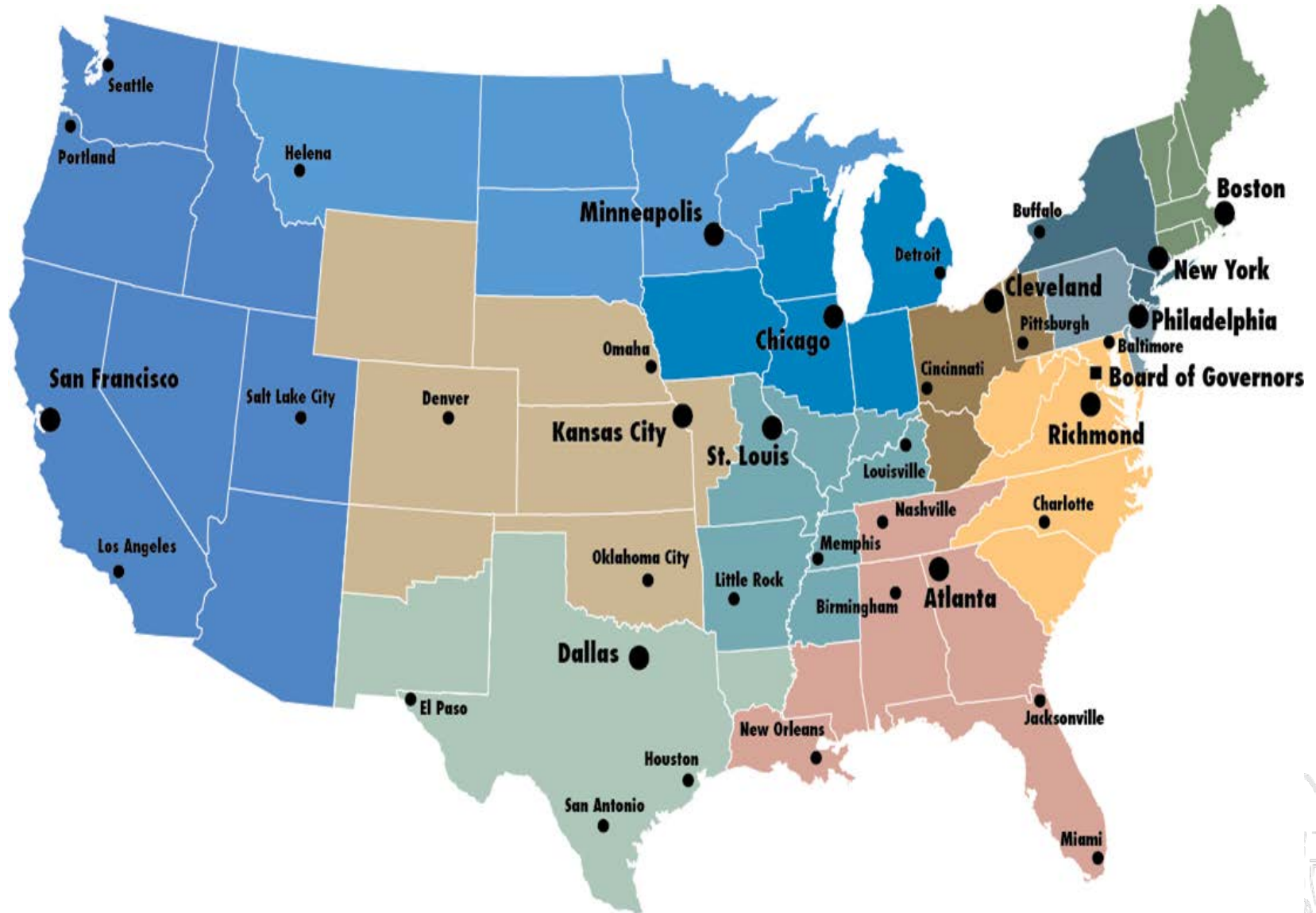


The Structure of the Federal Reserve System

- 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.
 - There are currently five members of the Board of Governors: Jerome Powell, Michelle Bowman, Lael Brainard, Richard Clarida and Randal Quarles.
 - Regional Federal Reserve Banks
 - There are 12 Regional Reserve Banks, each serving a unique district. These are semi-independent by design.
 - The Reserve Banks are governed by their Board of Directors, and the Directors (excluding Banking Directors) select the President of the Bank.
 - 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.

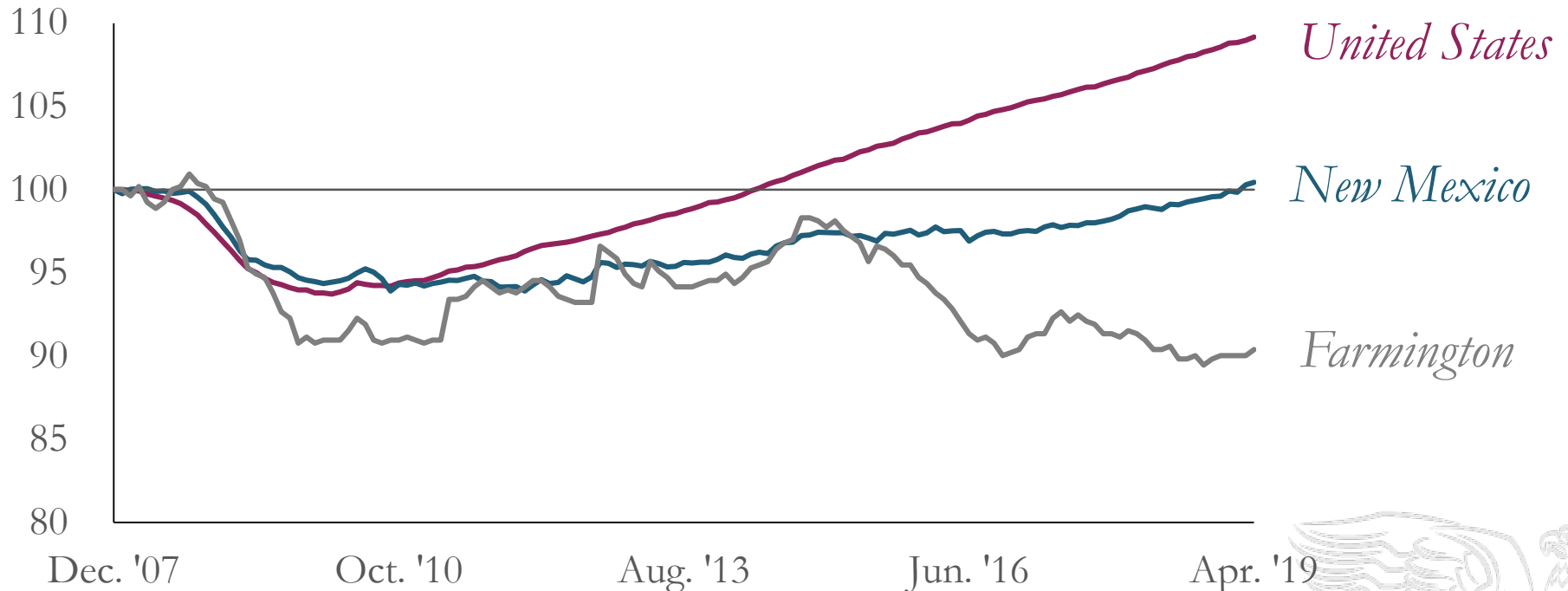


New Mexico employment growth picked up over the past year, but growth has been sluggish during this recovery compared to the nation.

PAYROLL EMPLOYMENT GROWTH

Index 100 = December 2007, Seasonally Adjusted

<i>Percent Change</i>	<i>Dec. '07 to Present</i>	<i>Past Year</i>
U.S. (Apr. '19)	9.2%	1.8%
New Mexico (Apr. '19)	0.4%	1.6%
Farmington (Apr. '19)	-9.6%	0.0%

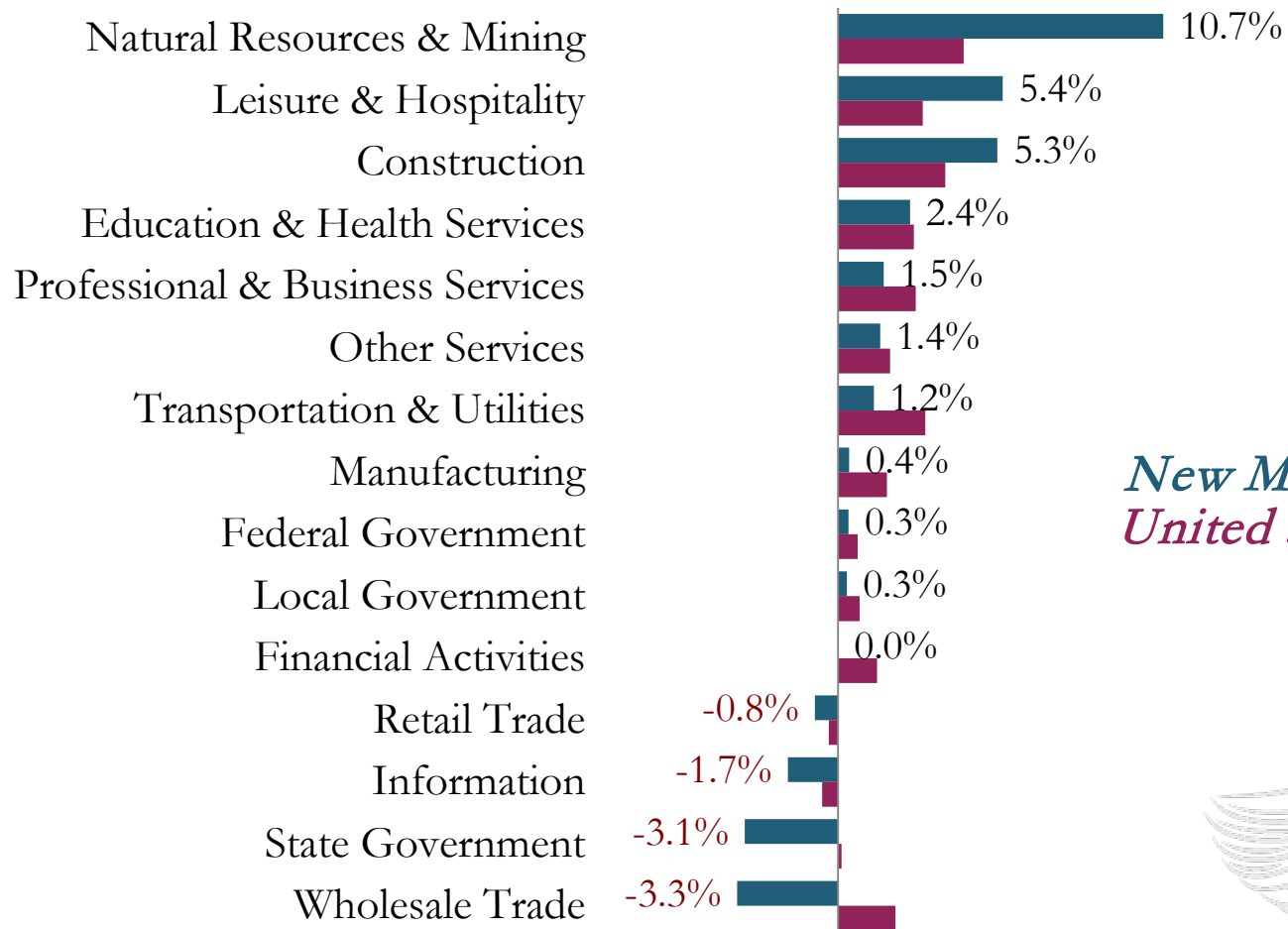


Employment gains have been mixed across industries, with the strongest growth in energy, tourism and construction.

CHANGE IN PAYROLL EMPLOYMENT, APRIL 2019

Seasonally Adjusted

Percent Change Year-over-Year

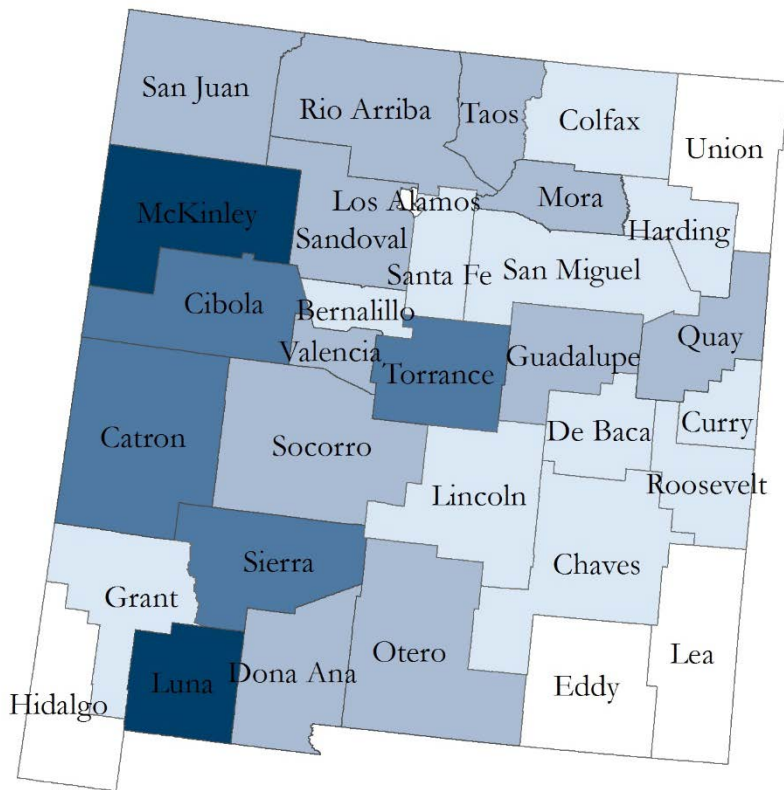


New Mexico
United States



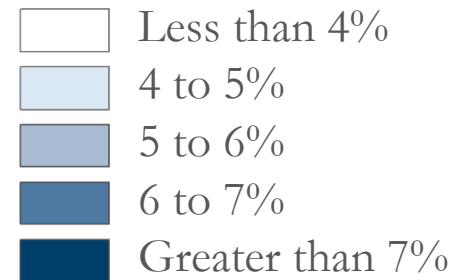
Unemployment rates in New Mexico are well below peak levels, but remain elevated compared to the nation.

UNEMPLOYMENT RATES *April 2019, Seasonally Adjusted*



<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States (Apr. '19)	3.6%	4.4%	7.3%
New Mexico (Apr. '19)	5.0%	5.7%	9.0%
Farmington (Apr. '19)	5.8%		

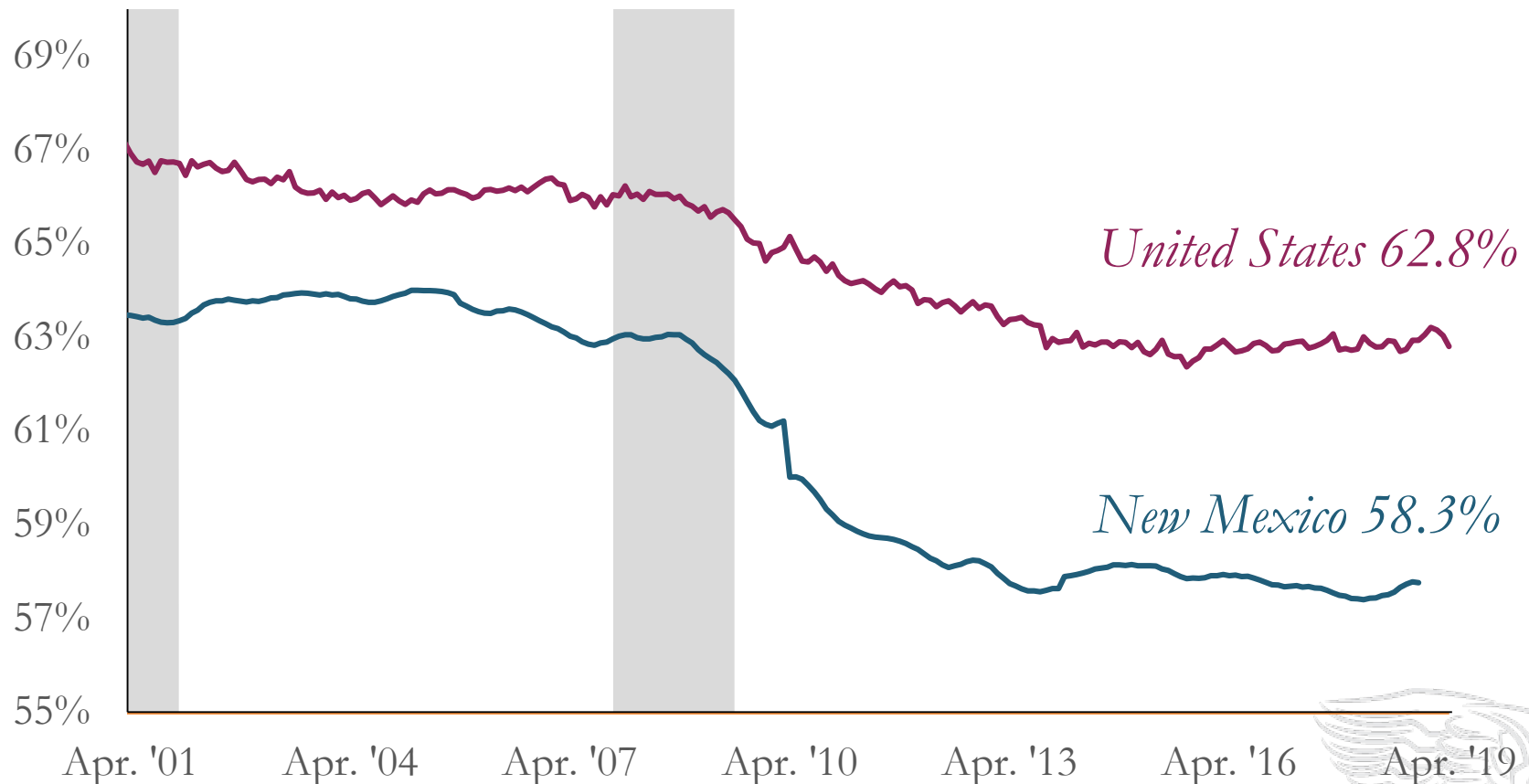
**U-5 and U-6 values are 12-month moving averages as of Q1 2019 for New Mexico and are for April, 2019 for the United States.*



Labor force participation rates have stabilized in New Mexico and the U.S. after declining significantly during the recession.

LABOR FORCE PARTICIPATION RATES

Seasonally Adjusted



Note: Gray bars indicate recession.

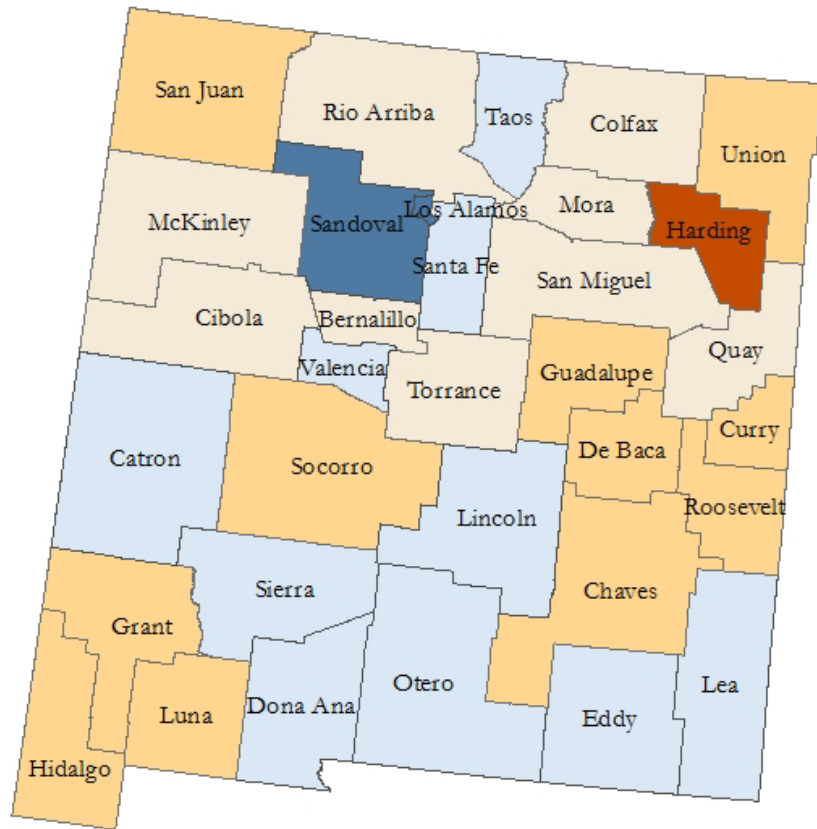
Sources: Bureau of Labor Statistics and National Bureau of Economic Research / Haver Analytics



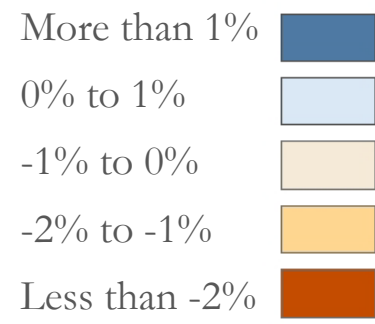
New Mexico experienced some out-migration during the recent recession and recovery.

NET MIGRATION

Total 2018 Net Migration as a Percentage of 2018 Population



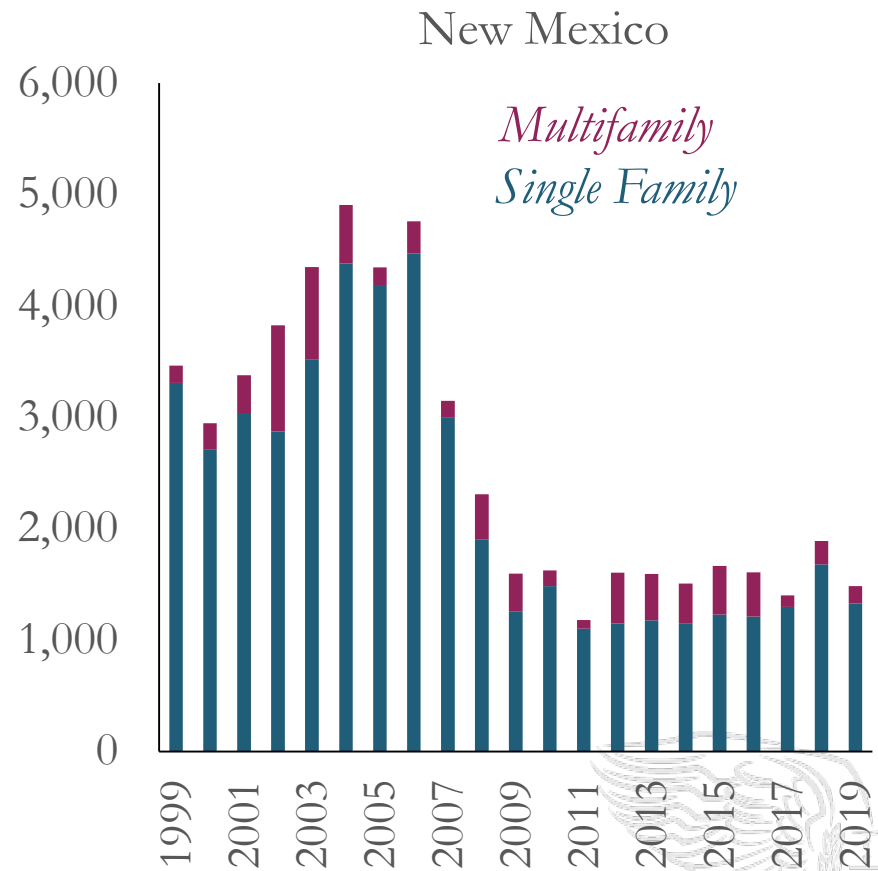
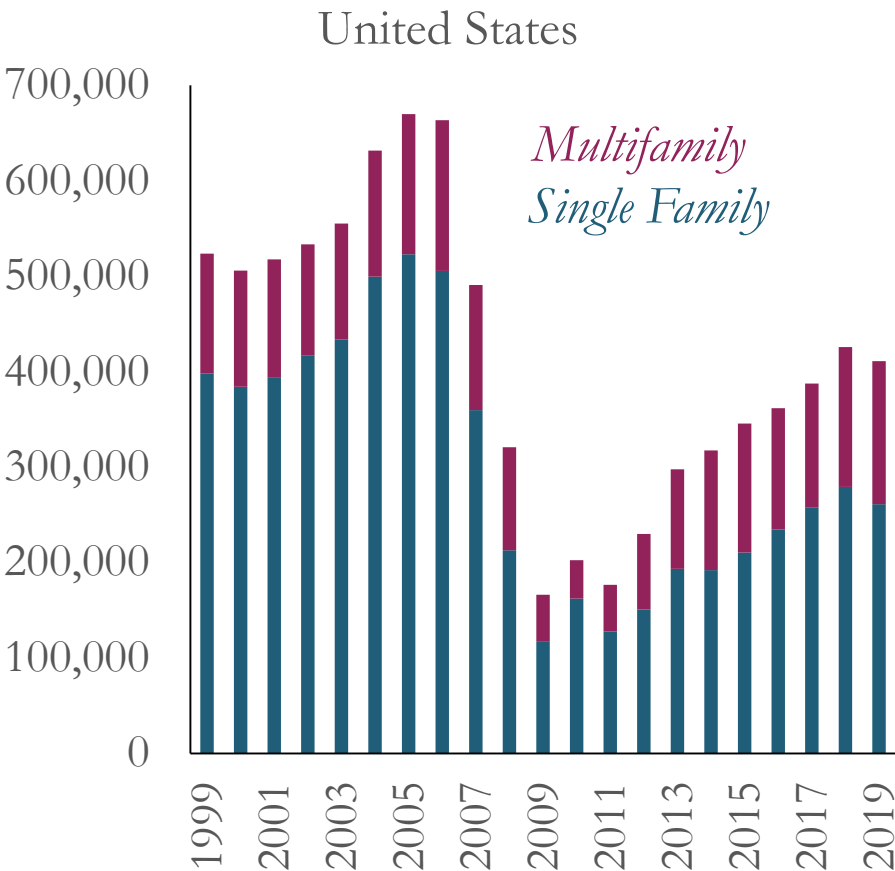
<i>Annual Percent Change</i>	<i>2018</i>
United States	0.3%
New Mexico	-0.2%
San Juan County	-1.9%



Residential construction activity has been fairly flat in New Mexico over the past 10 years.

RESIDENTIAL PERMITS

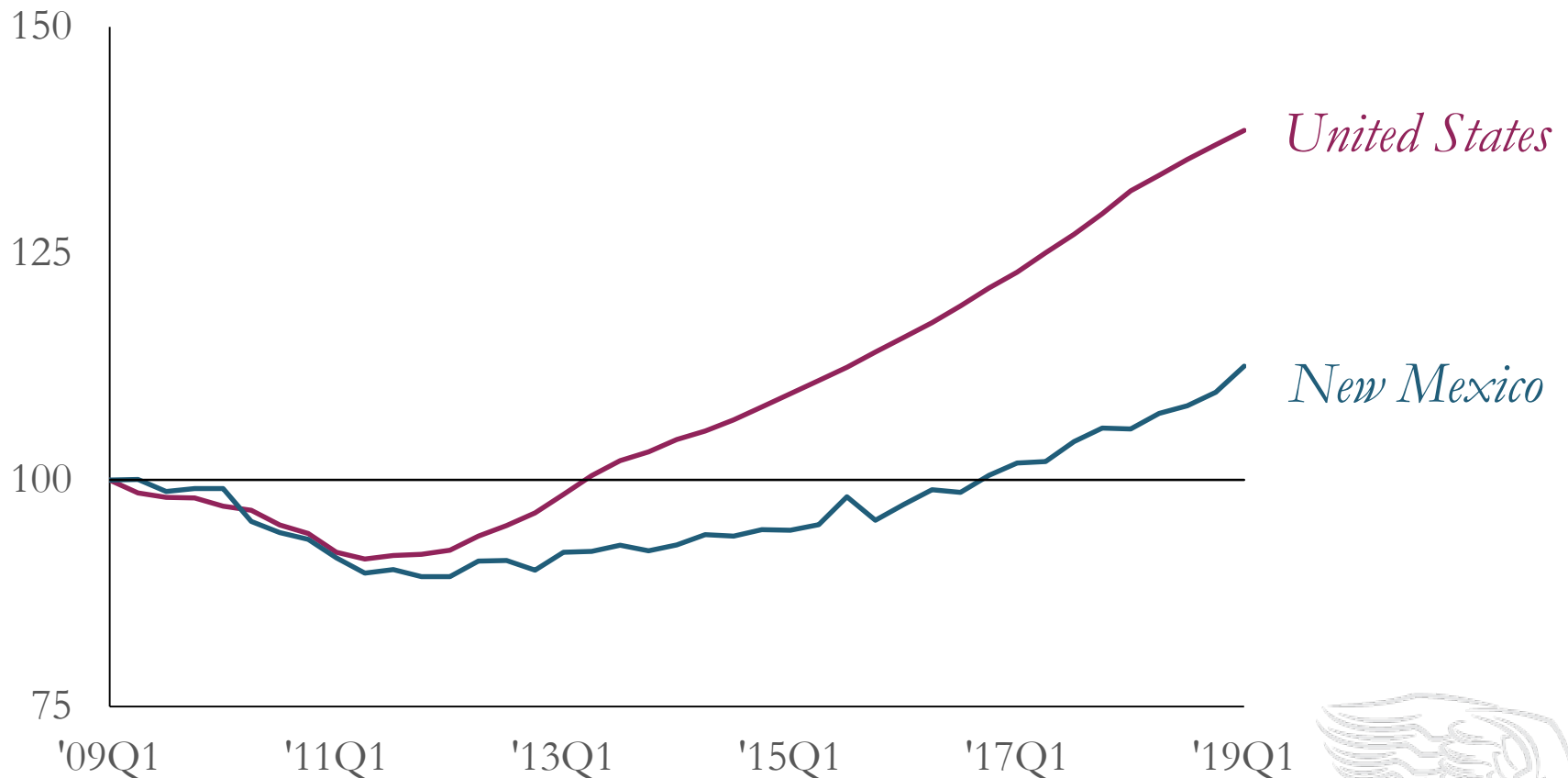
Seasonally Adjusted, Year-to-Date through April



Home price appreciation has accelerated in New Mexico over the past year.

HOME PRICES

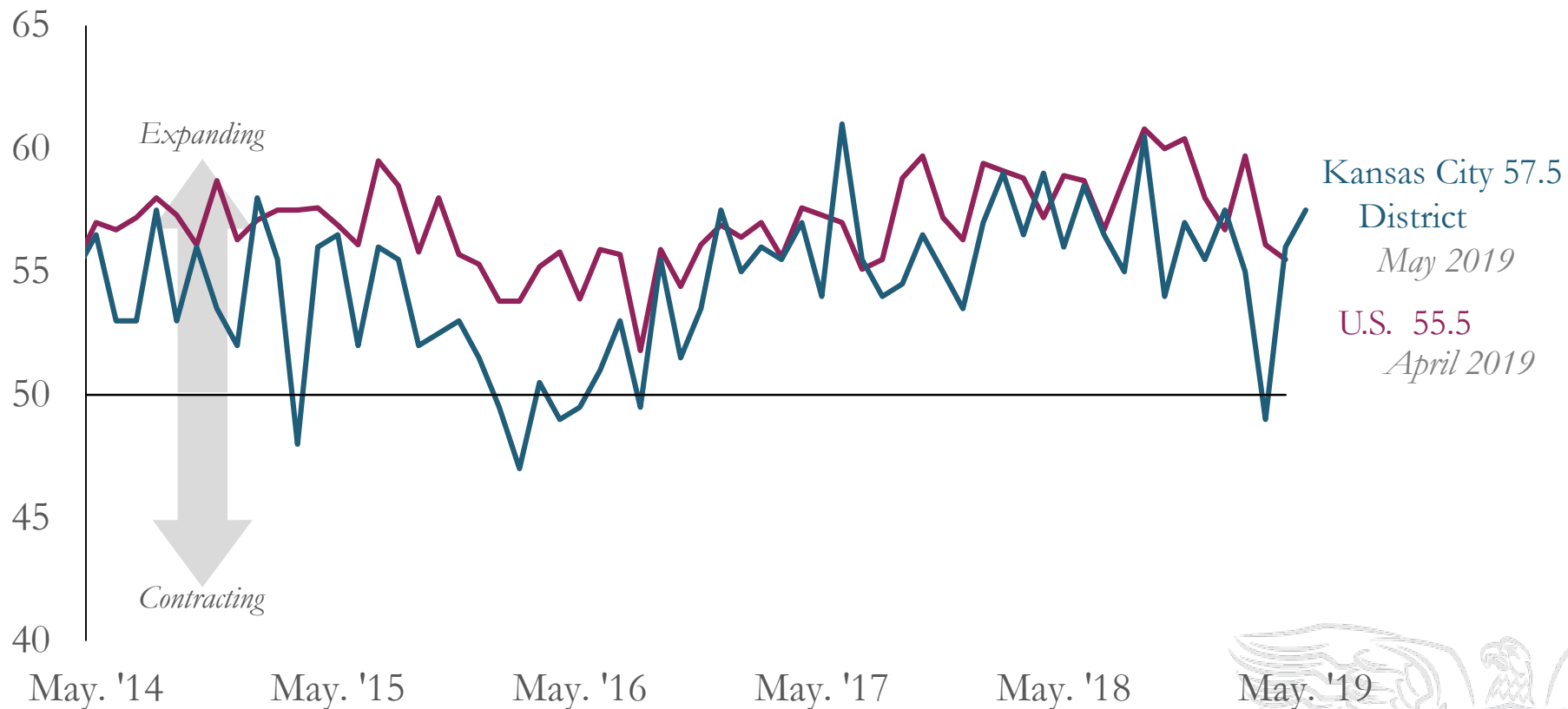
Seasonally Adjusted, Index 100 = Q1:2009



Overall, the services sector continues to expand at a solid pace.

NON-MANUFACTURING AND SERVICES ACTIVITY

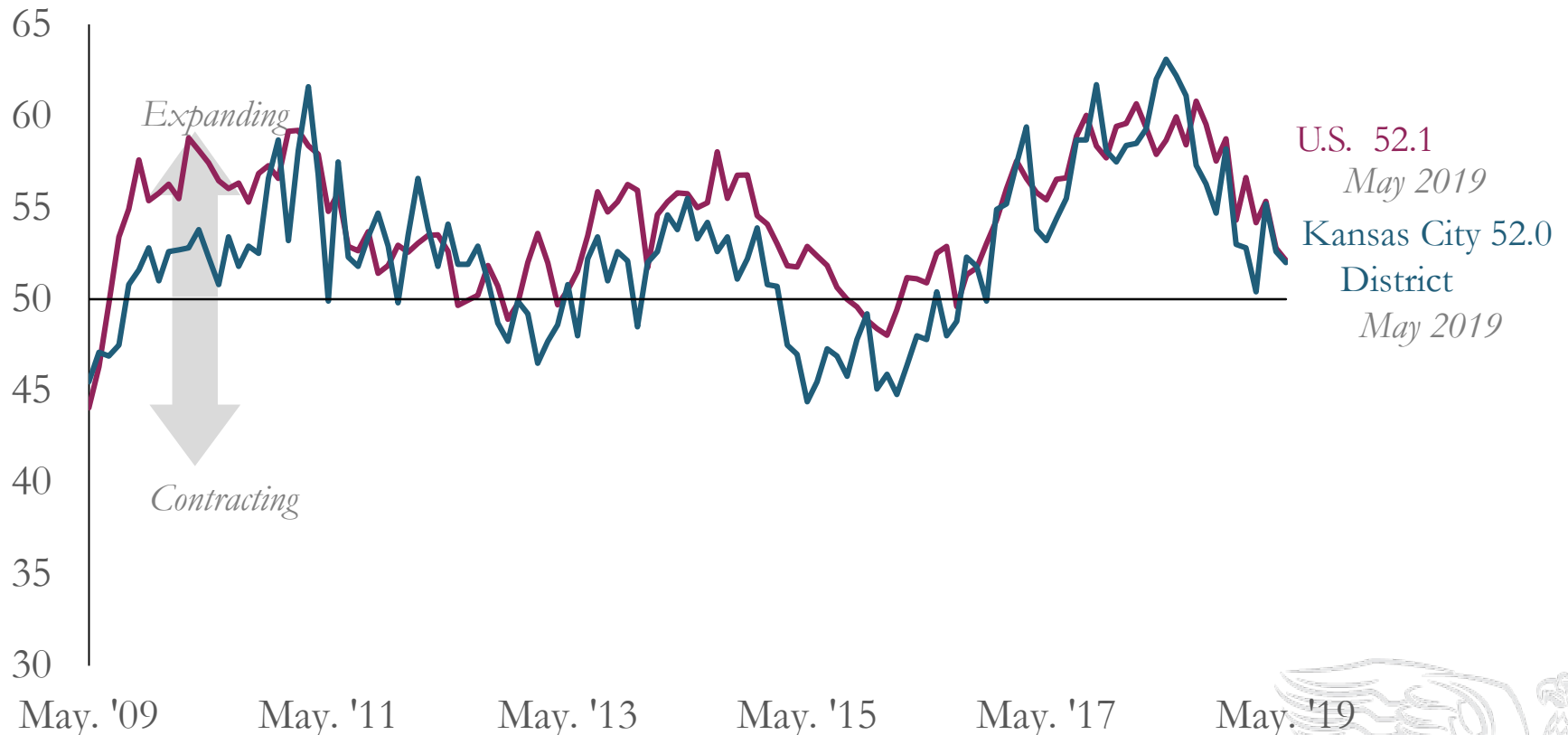
Diffusion Index, Seasonally Adjusted, Month-over-Month



Manufacturing activity has been strong the past two years, but recent surveys suggest the pace of expansion may be slowing.

MANUFACTURING ACTIVITY

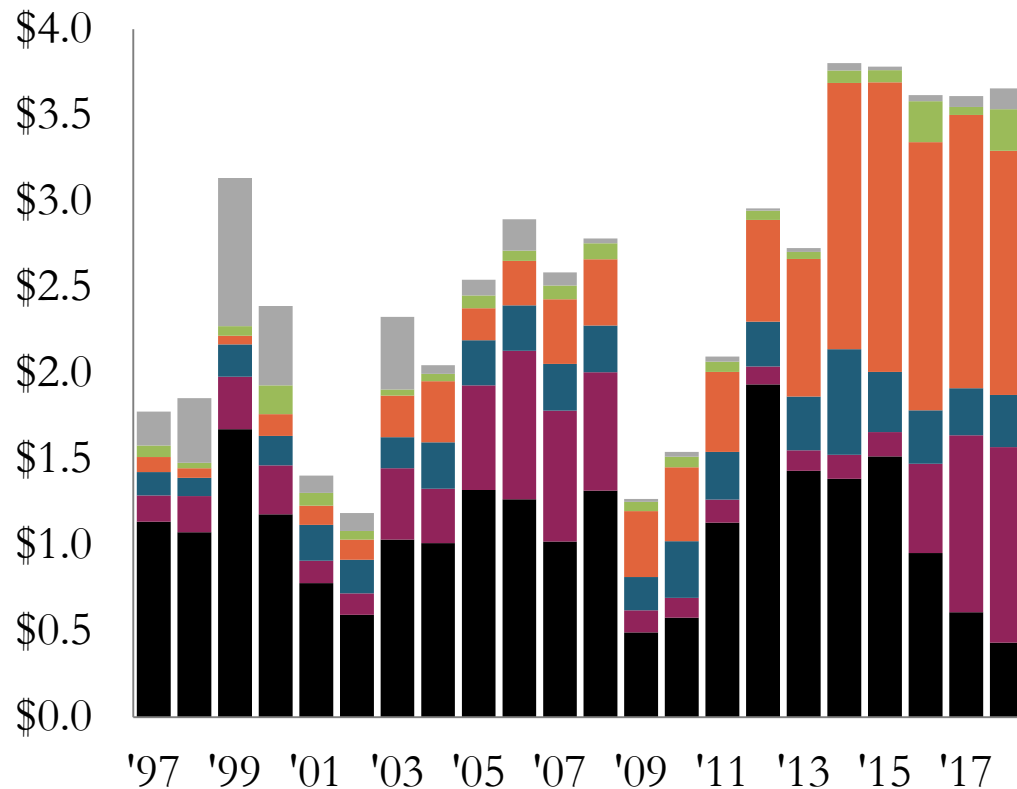
Diffusion Index, Seasonally Adjusted, Month-over-Month



New Mexico exports are down so far this year, and risks remain as Mexico and China are large trading partners.

NEW MEXICO EXPORTS BY TRADING PARTNER

Billions



MARCH 2019 YEAR-TO-DATE

Year-over-Year Percent Change

	Year-over-Year Percent Change	SHARE*
Total Trade	-4.1%	SHARE*
All Other	-14.5	11.9%
China	7.0	31.1
Eurozone	0.5	8.3
Mexico	-13.7	38.8
Japan	6.2	6.6
Korea	19.2	3.3

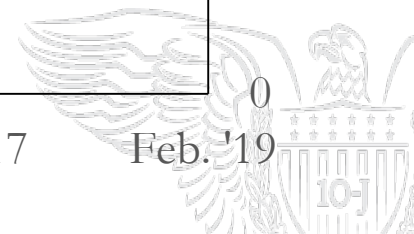
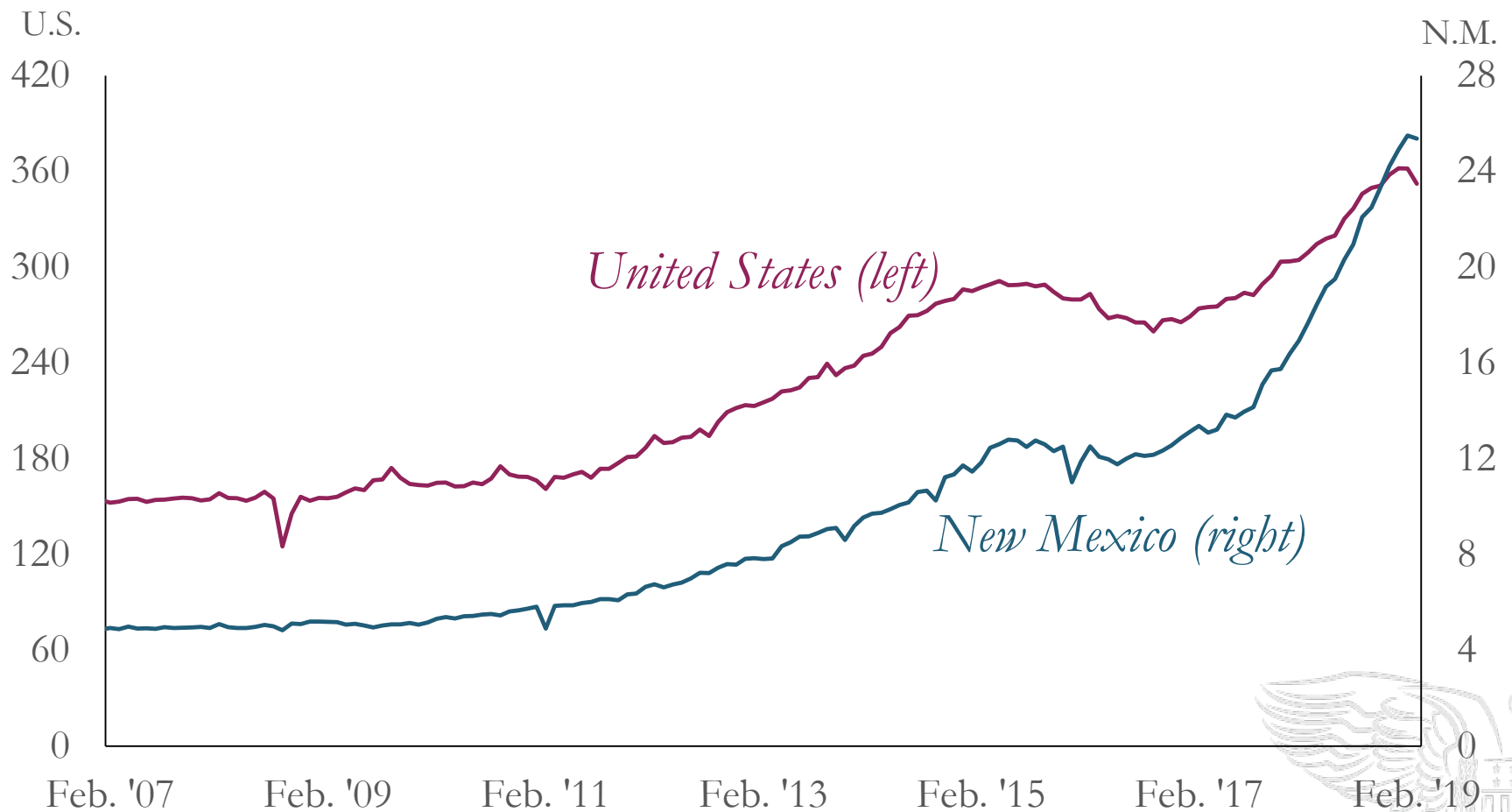
*Shares are for 2018



Oil production rose substantially over the past two years in response to higher oil prices and improved technology.

CRUDE OIL PRODUCTION

Millions of Barrels, Monthly, Seasonally Adjusted



After declining in the fourth quarter, oil prices increased in early 2019.

OIL PRICES - WTI

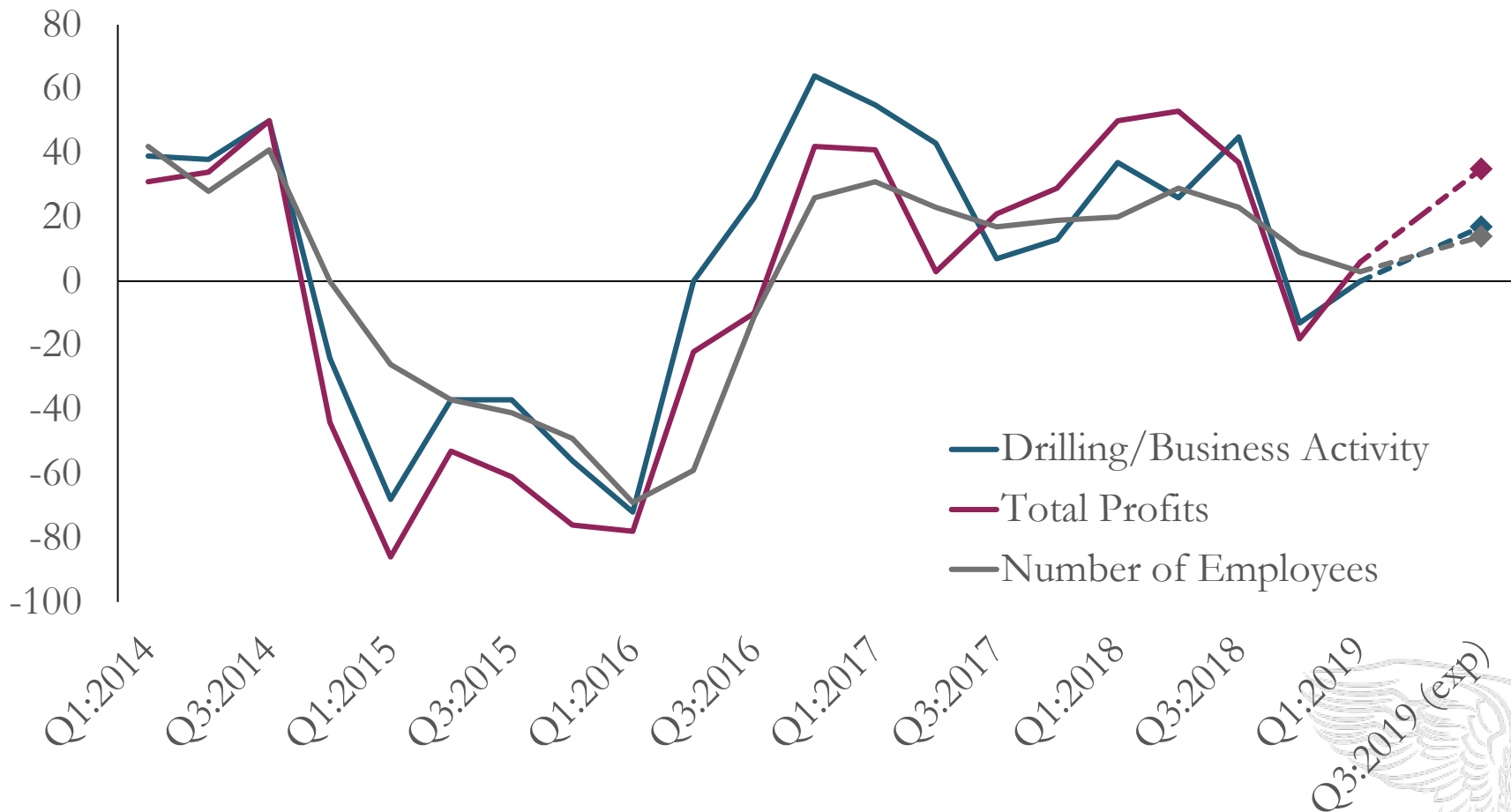
Dollars per Barrel



Overall energy activity is expected to remain fairly steady this year as oil prices are near profitable levels but natural gas prices remain low.

ENERGY SURVEY ACTIVITY INDICATORS

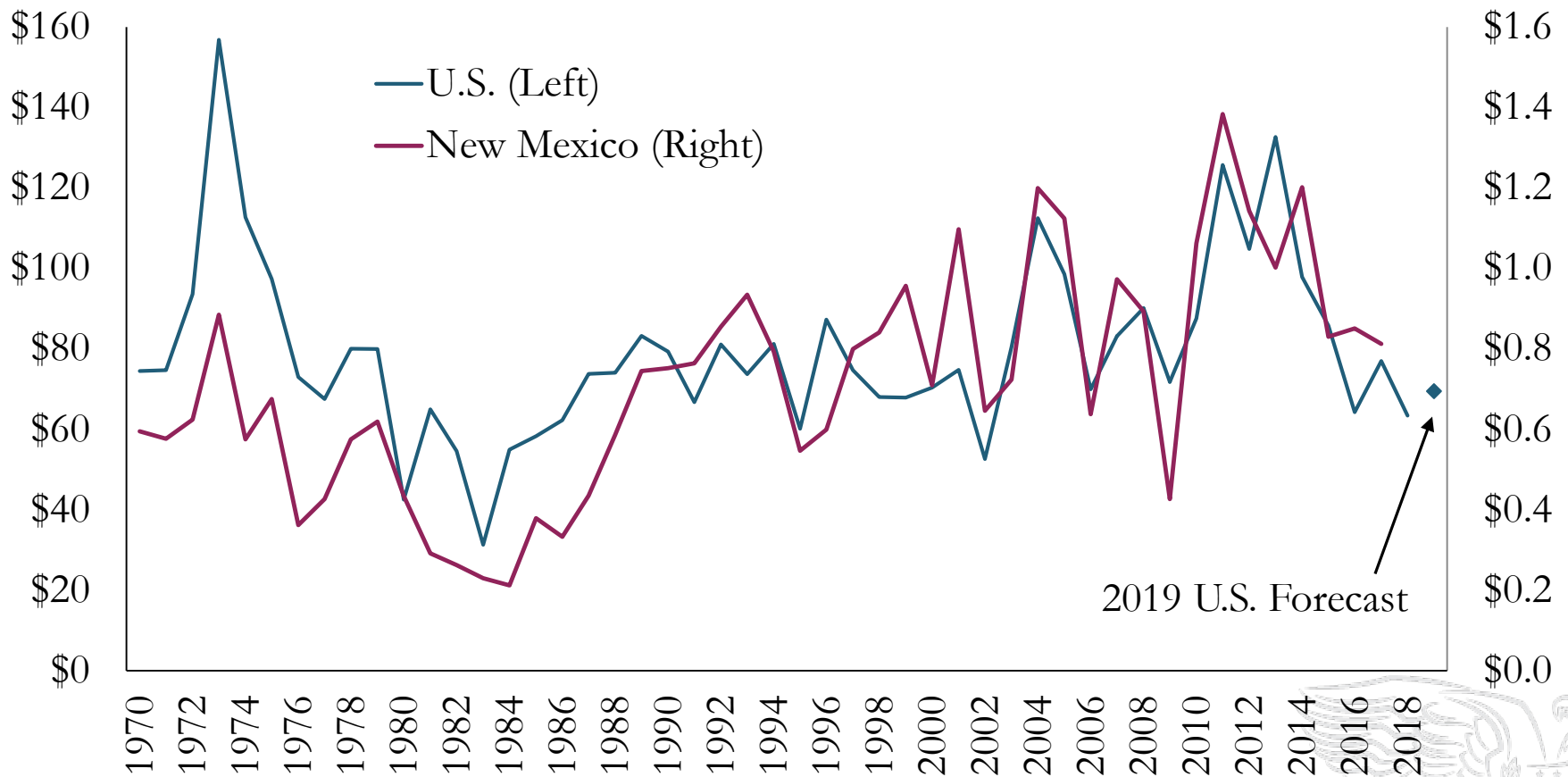
Quarterly Diffusion Index



Overall, U.S. net farm income is expected to remain similar to year-ago levels.

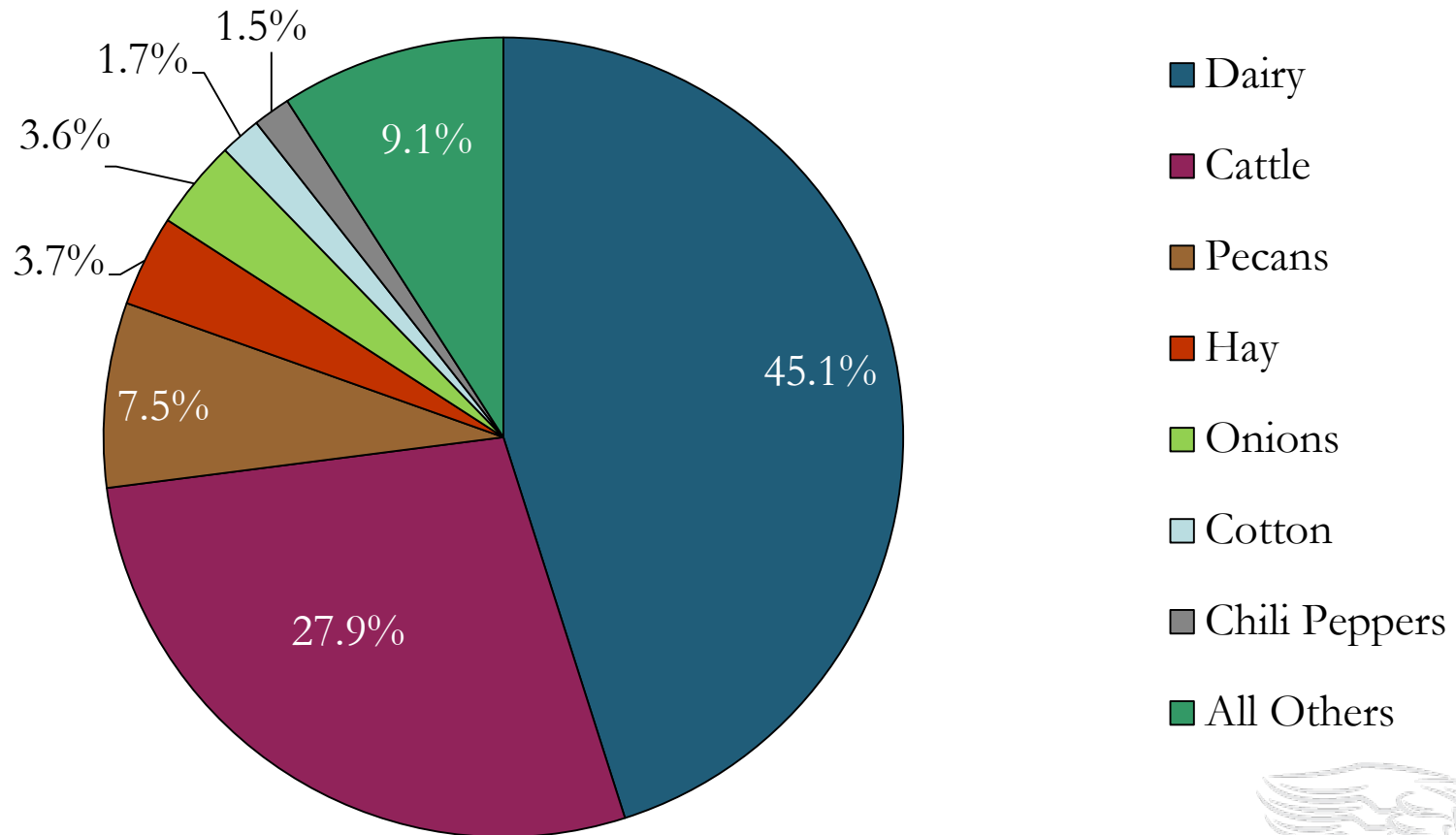
U.S. REAL NET FARM INCOME

Billions, 2018 Dollars



Dairy production and cattle account for the largest share of New Mexico's ag sector.

NEW MEXICO AG COMMODITY CONCENTRATIONS



Note: All Others includes all individual commodities with a concentration of less than 1 percent.

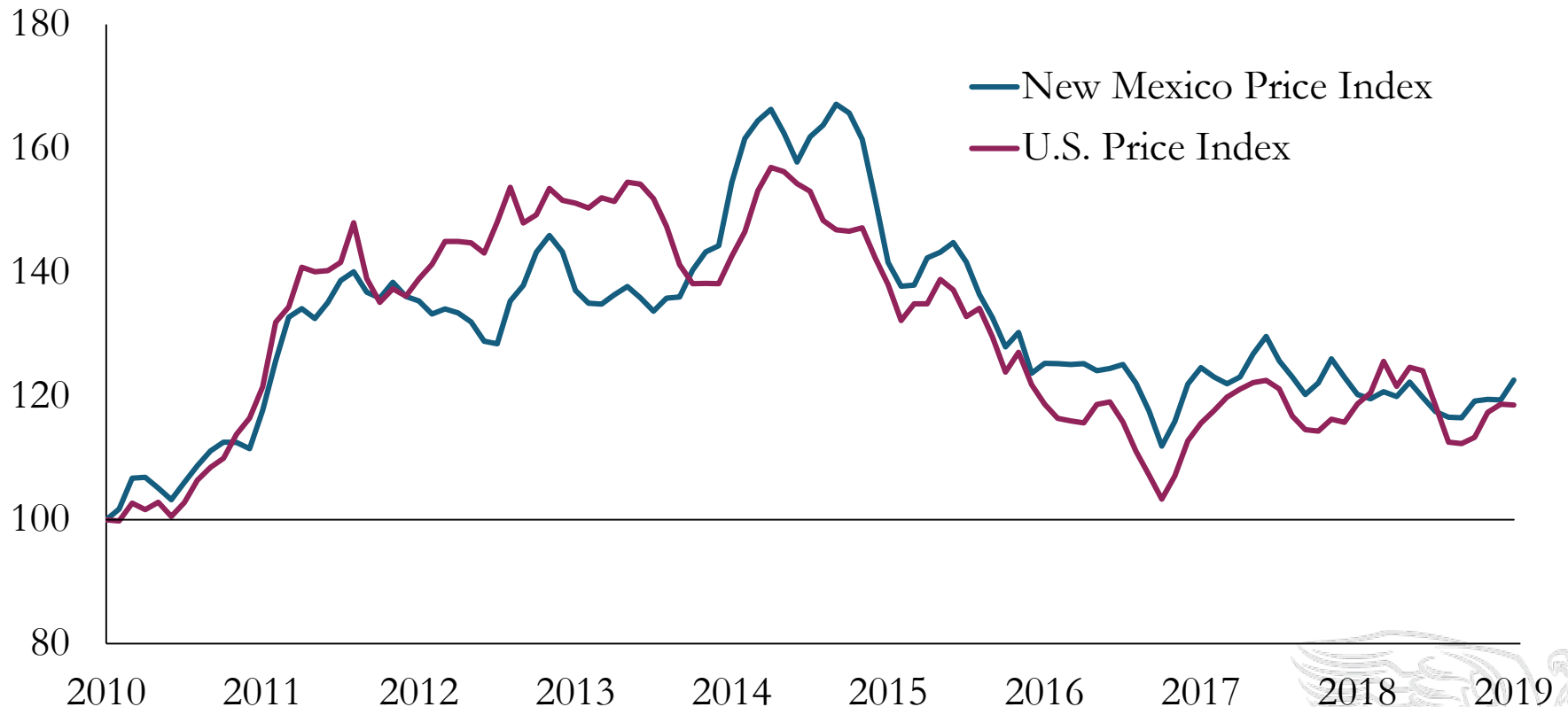
Source: USDA and author's calculations




The agriculture sector continues to struggle as commodity prices remain low.

AGRICULTURAL COMMODITY PRICES

Index (2010 = 100)



The image features a large, circular, embossed seal of the Federal Reserve Bank of Denver, Colorado. The seal is set against a light-colored, textured background. The outer ring of the seal contains the text "FEDERAL RESERVE BANK" at the top and "DENVER, COLORADO" at the bottom. In the center of the seal is a shield with a central emblem, flanked by olive branches and a laurel wreath. Above the shield is an eagle with its wings spread. The shield itself contains a central emblem with vertical lines and a small figure, possibly a person or a symbol, and is surrounded by stars.

For additional information on the regional economy:

<http://www.KansasCityFed.org/Denver>

