

U.S. and Regional Economic Conditions

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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



Outlook themes

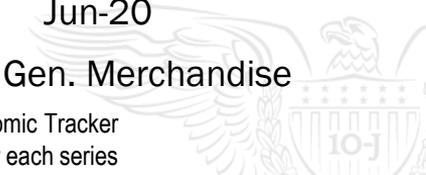
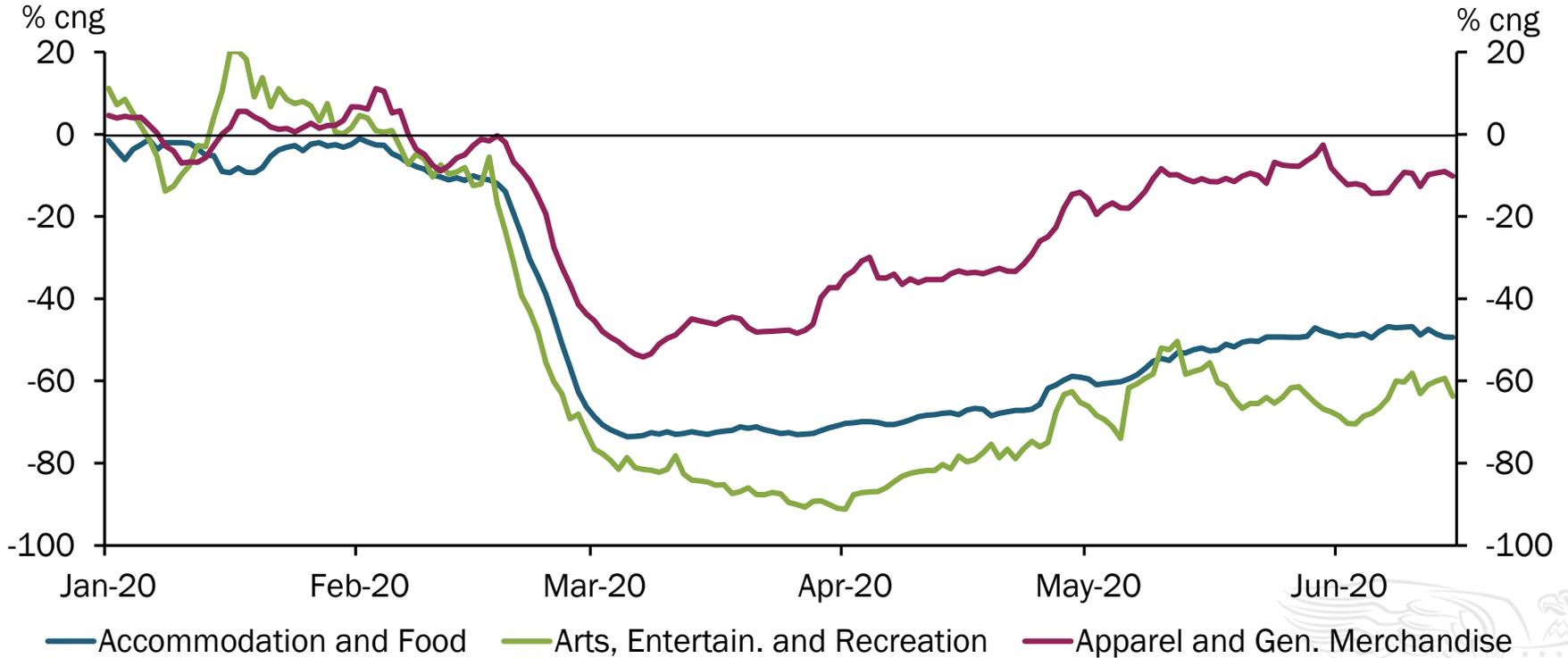
- The outlook for both the regional and national outlook remains highly uncertain and tied to the path of the pandemic
- New Mexico entered this downturn alongside the rest of the U.S., but the reduction in consumer spending is relatively more concentrated among lower income individuals
- The share of households that have missed recent housing payments in New Mexico slightly exceeds national averages
- Business expectations regarding recovery continue to shift toward longer time horizons



The current economic downturn struck the U.S. and New Mexico economies simultaneously

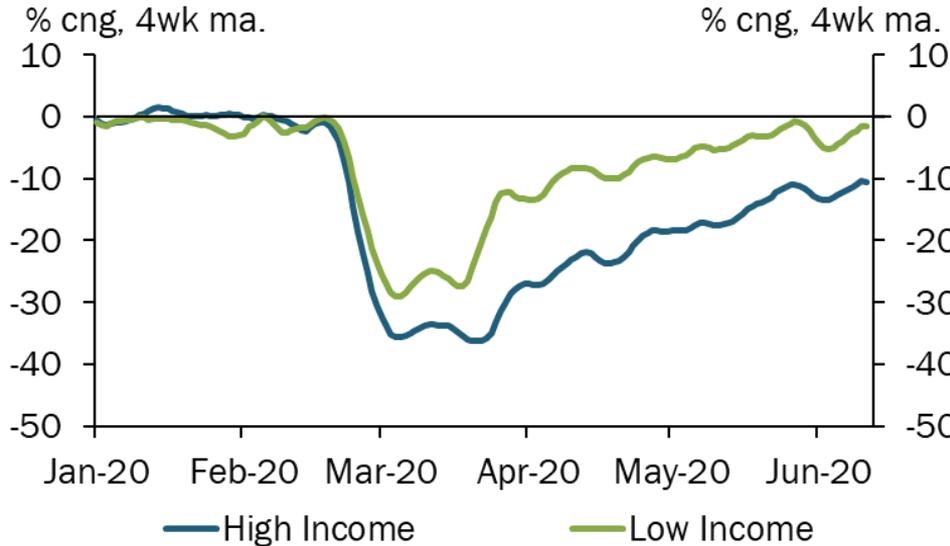


The reduction in consumer spending in both New Mexico and the U.S. is most pronounced in service sectors



Unlike much of the U.S., spending by lower income households in New Mexico declined most and has been slower to pick up

U.S.

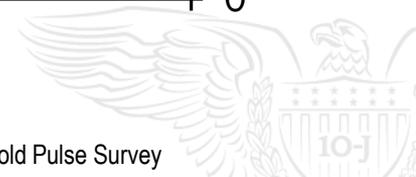
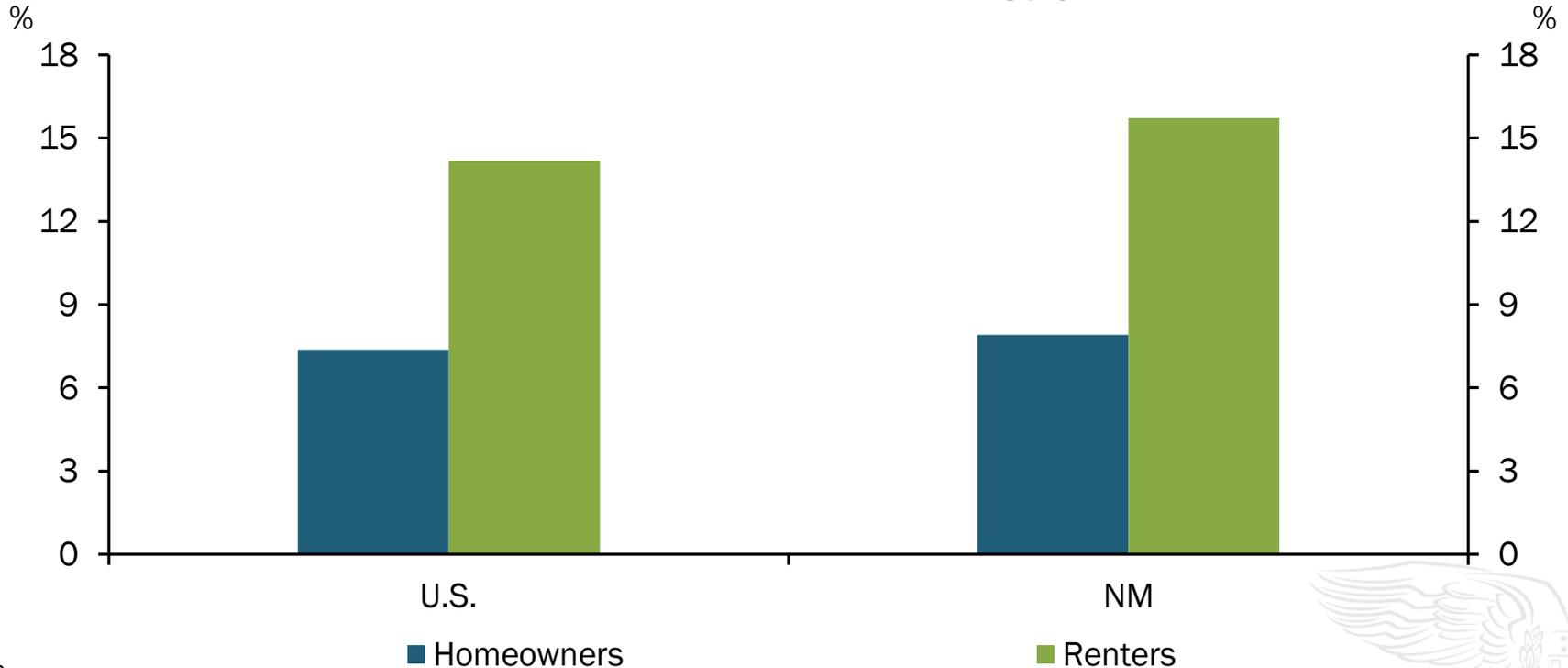


New Mexico



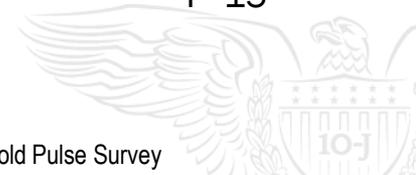
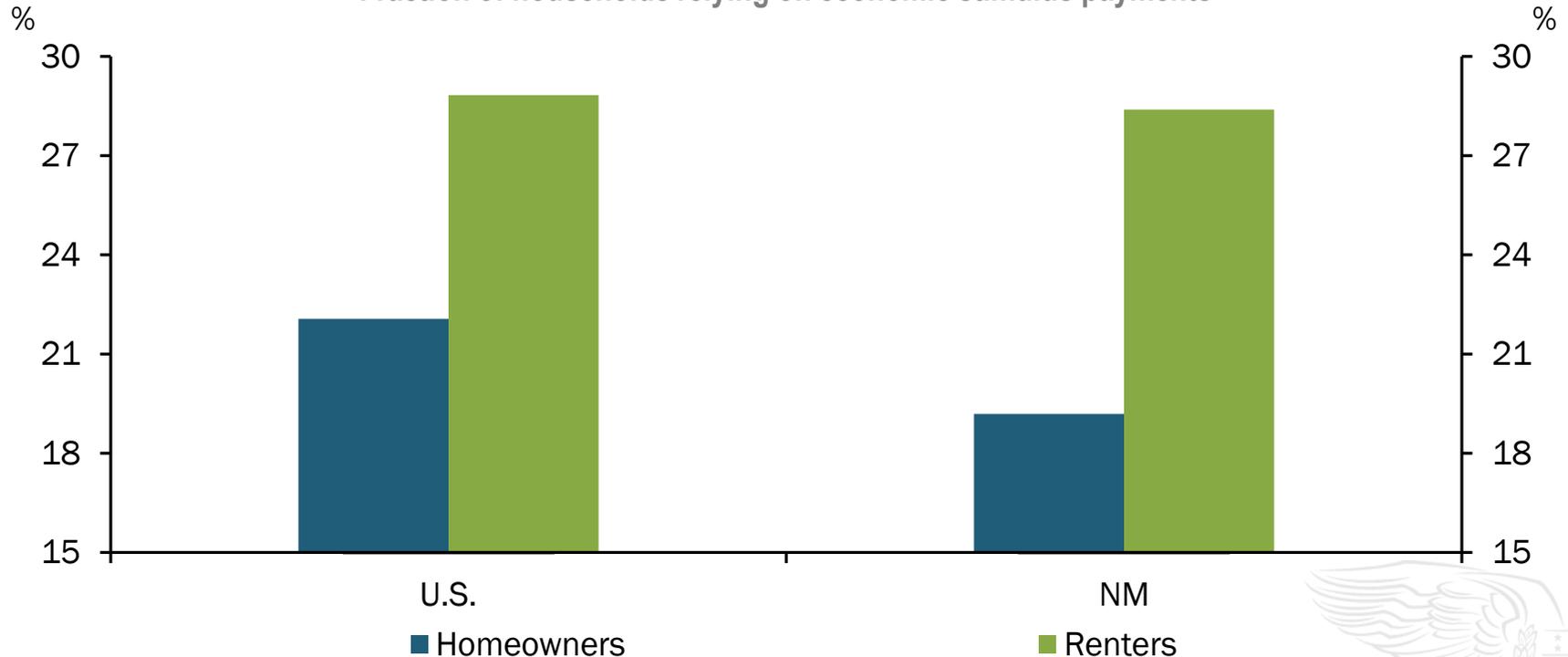
Households continue to meet their housing expenses, though missed payment rates are slightly higher than average in New Mexico

Fraction of households with missed housing payments

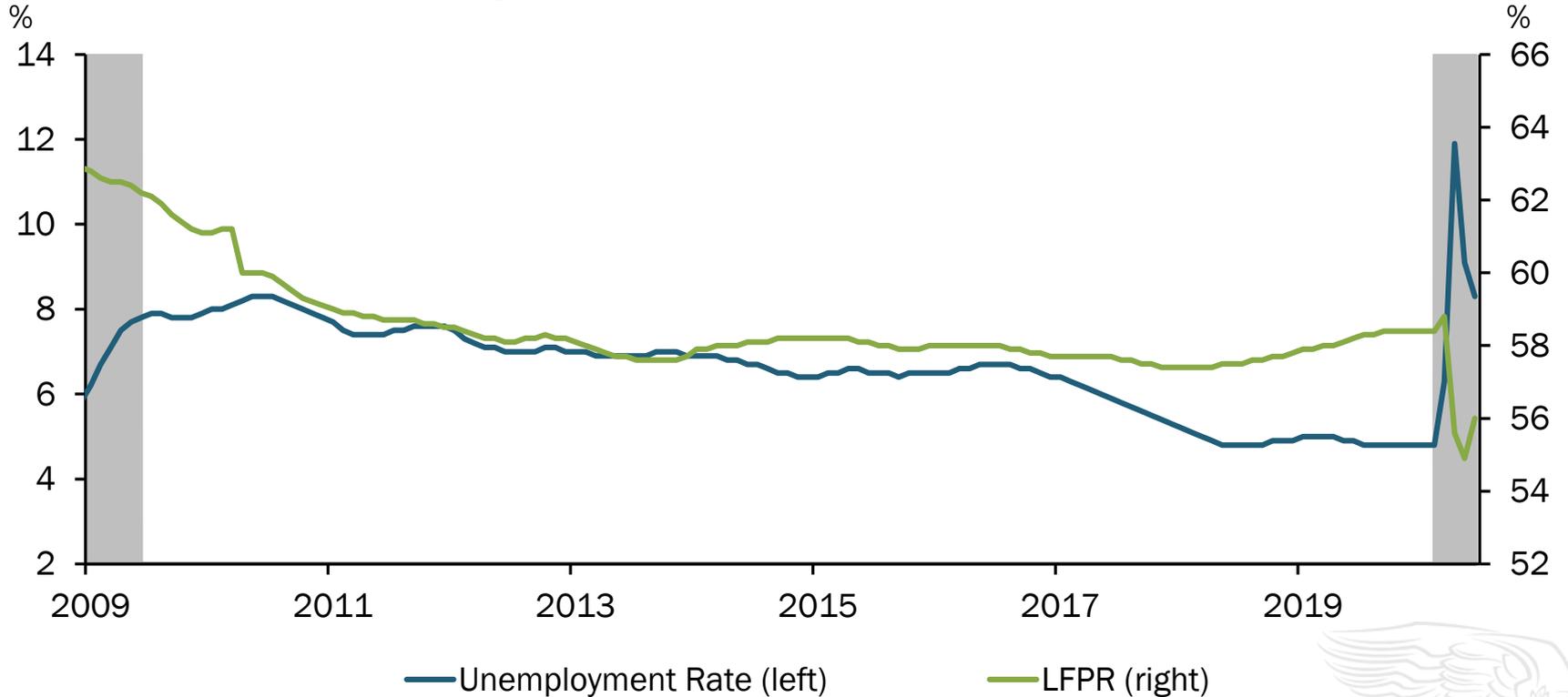


A substantial share of households used economic stimulus payments to meet their housing expenses

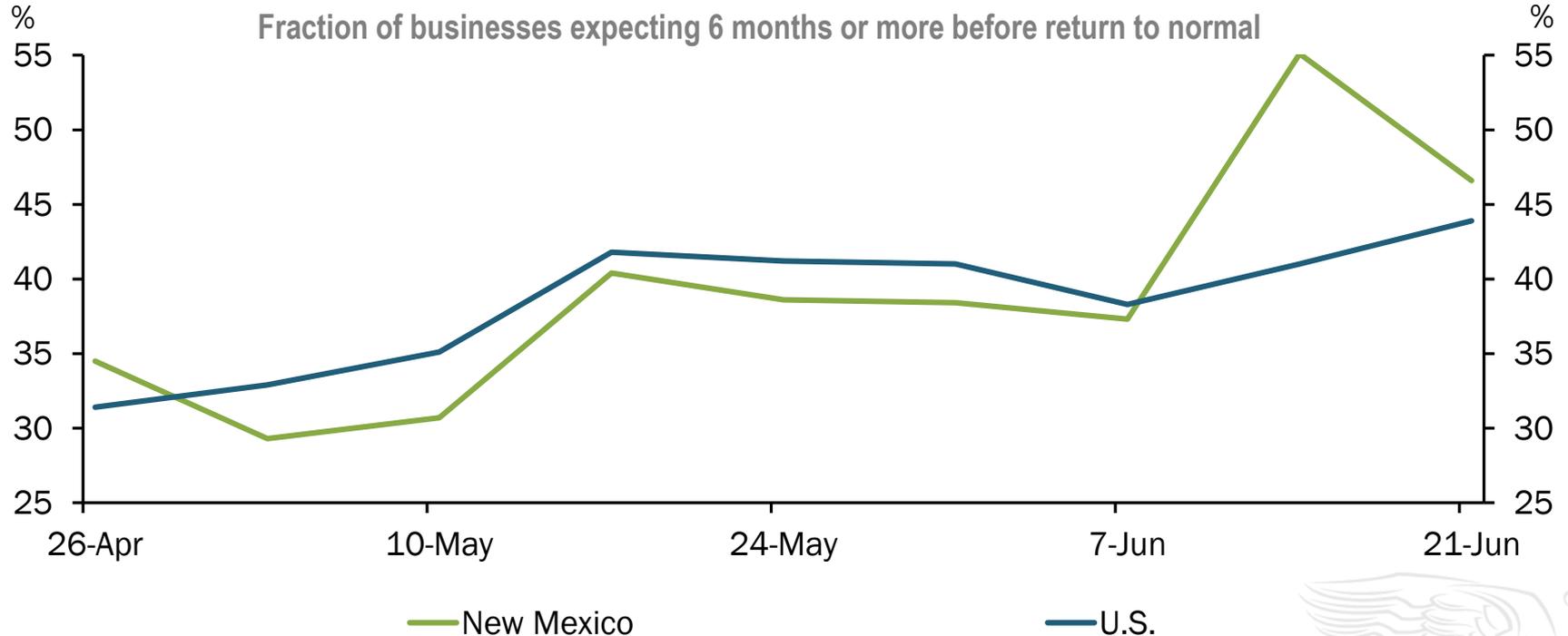
Fraction of households relying on economic stimulus payments



Amid the rise in joblessness, the size of the New Mexico labor force declined during the initial months of the pandemic

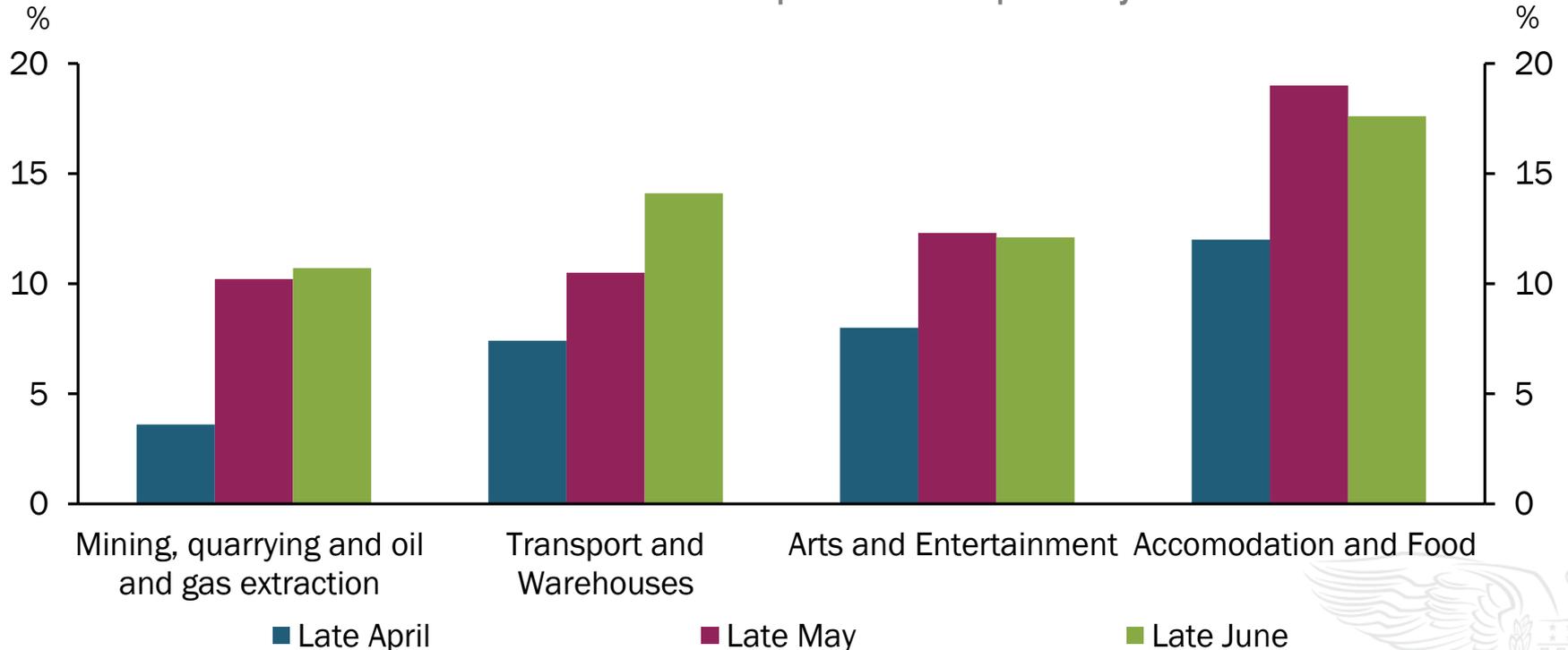


As the pandemic progressed more businesses began expecting a longer period of time before returning to normal conditions

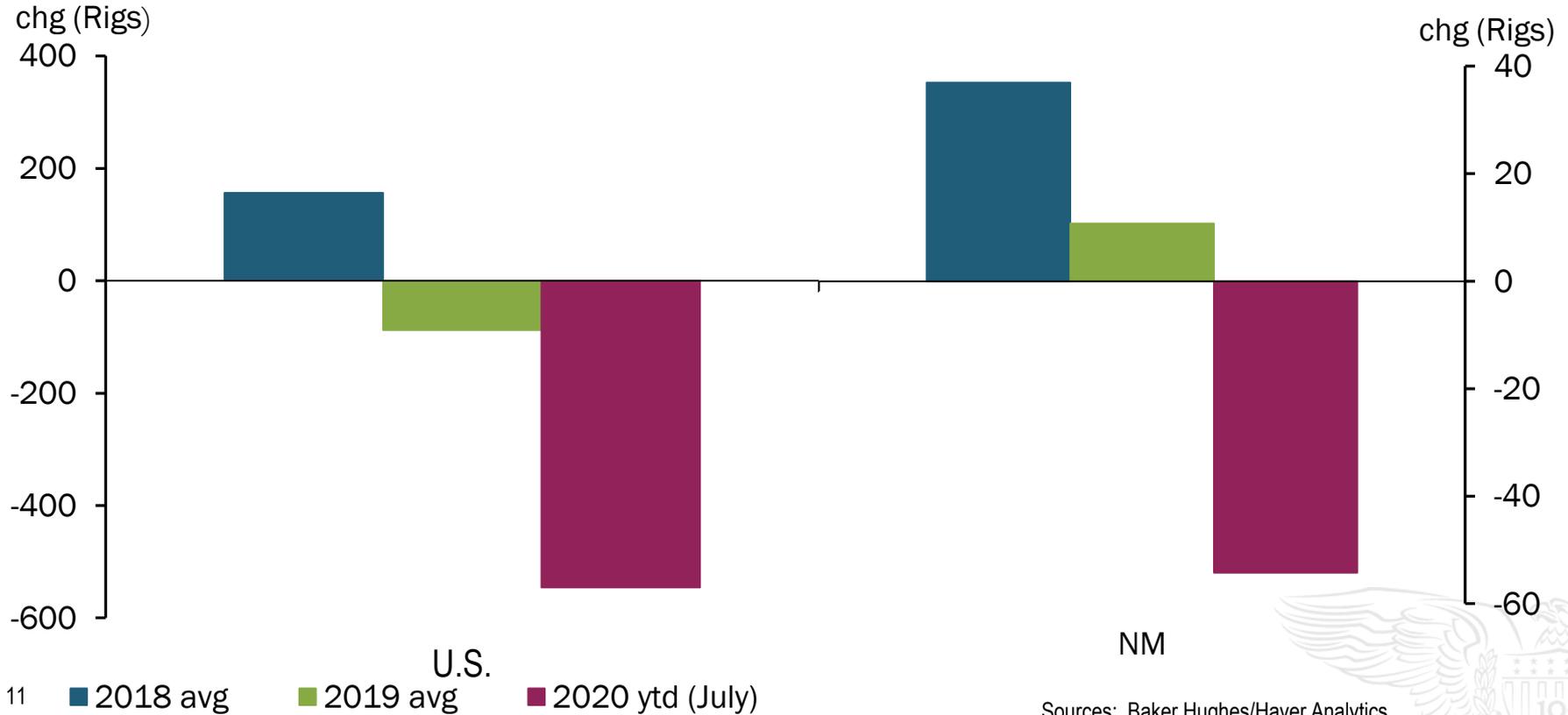


An increasing number of businesses report less confidence in ever recovering to normal conditions

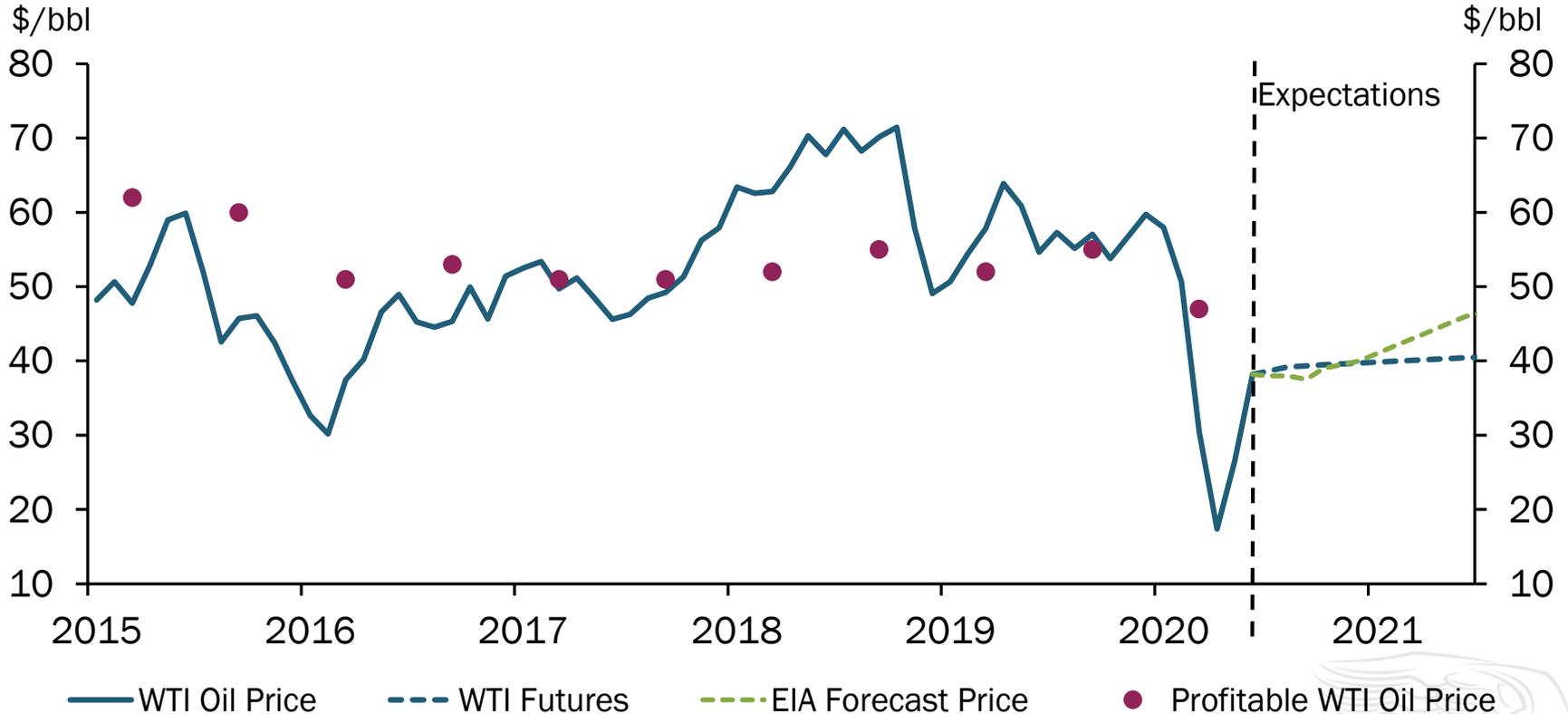
Fraction of businesses that do not expect to return to previous year norms



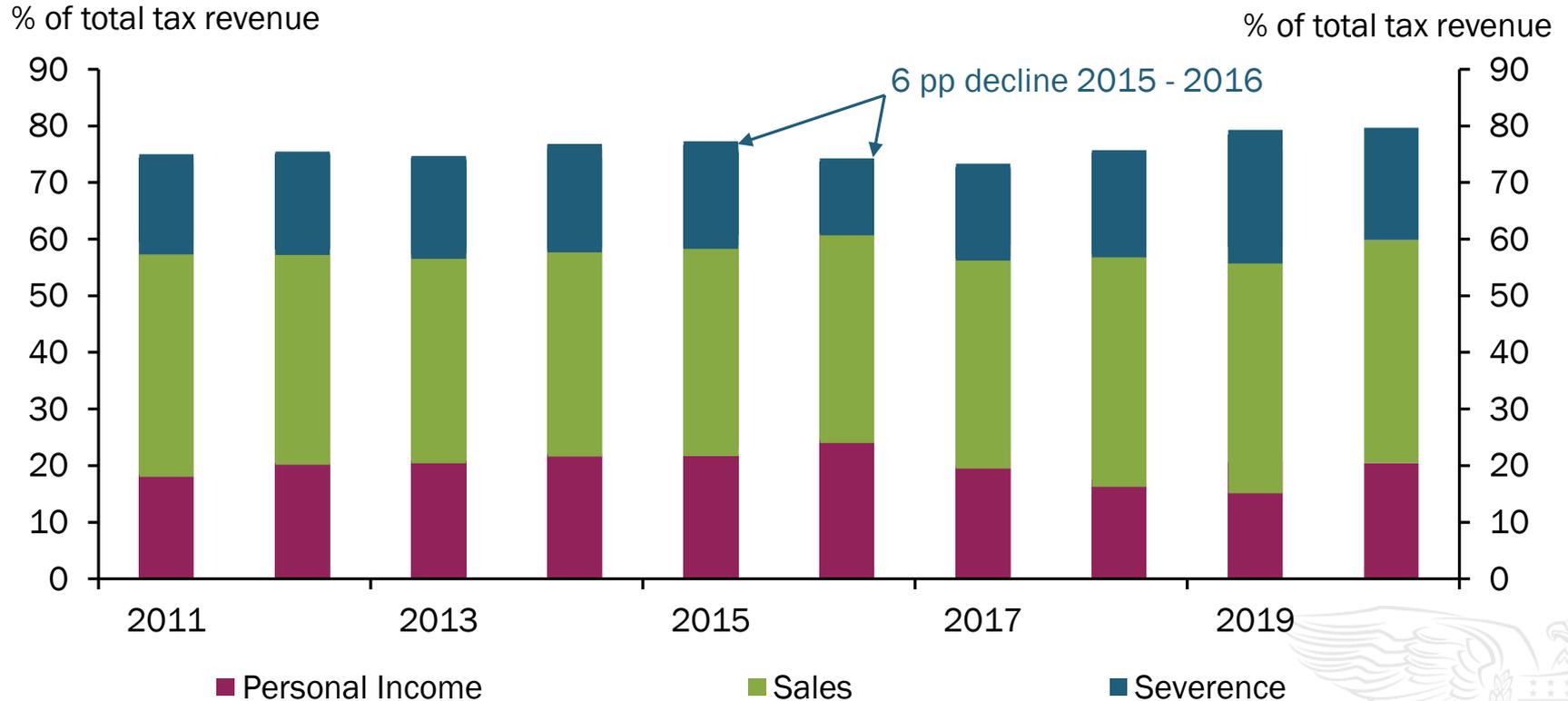
Oil & gas activity in New Mexico held up in 2019 compared to the U.S., but the number of active oil rigs declined precipitously this year



Downward price pressures in oil markets are likely to persist

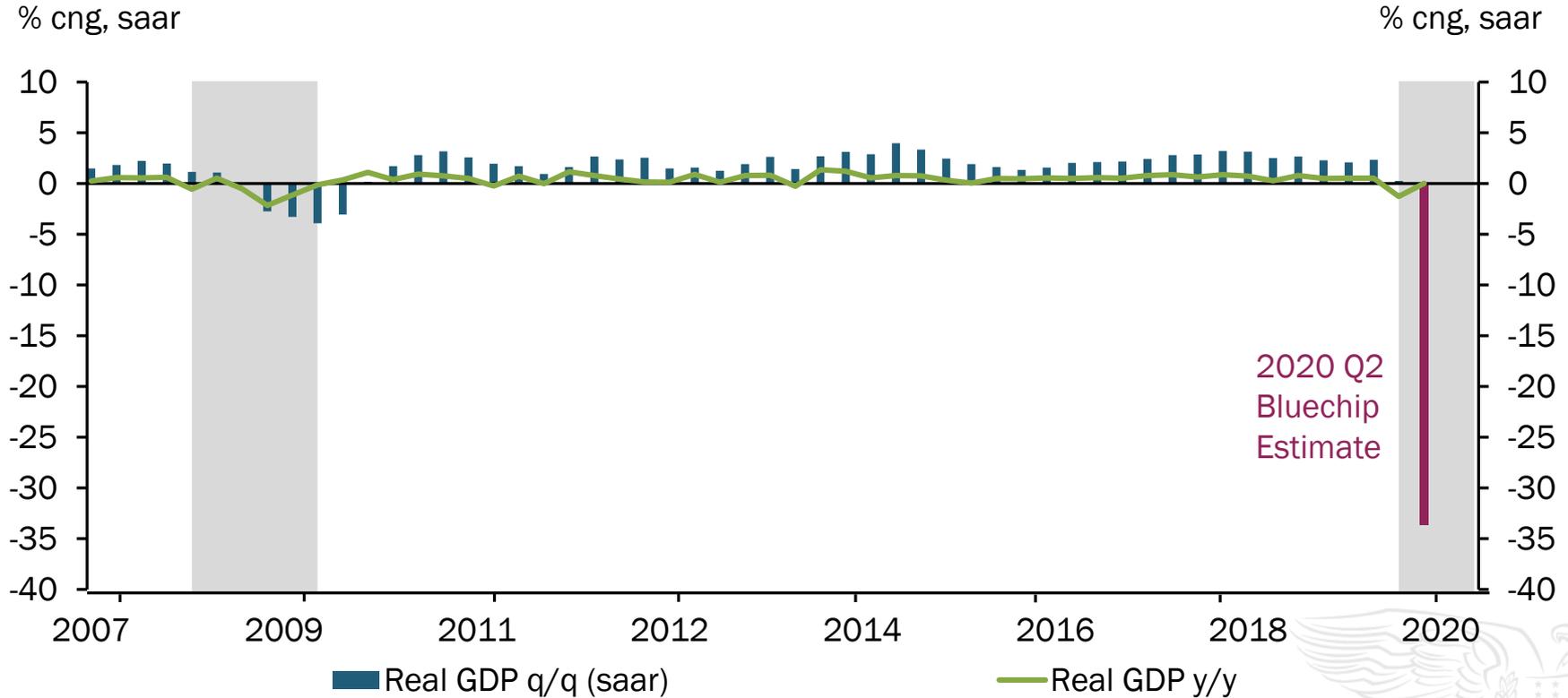


The pandemic and resulting economic downturn create challenges to the public sector in New Mexico through a variety of channels



Sources: U.S. Census Bureau

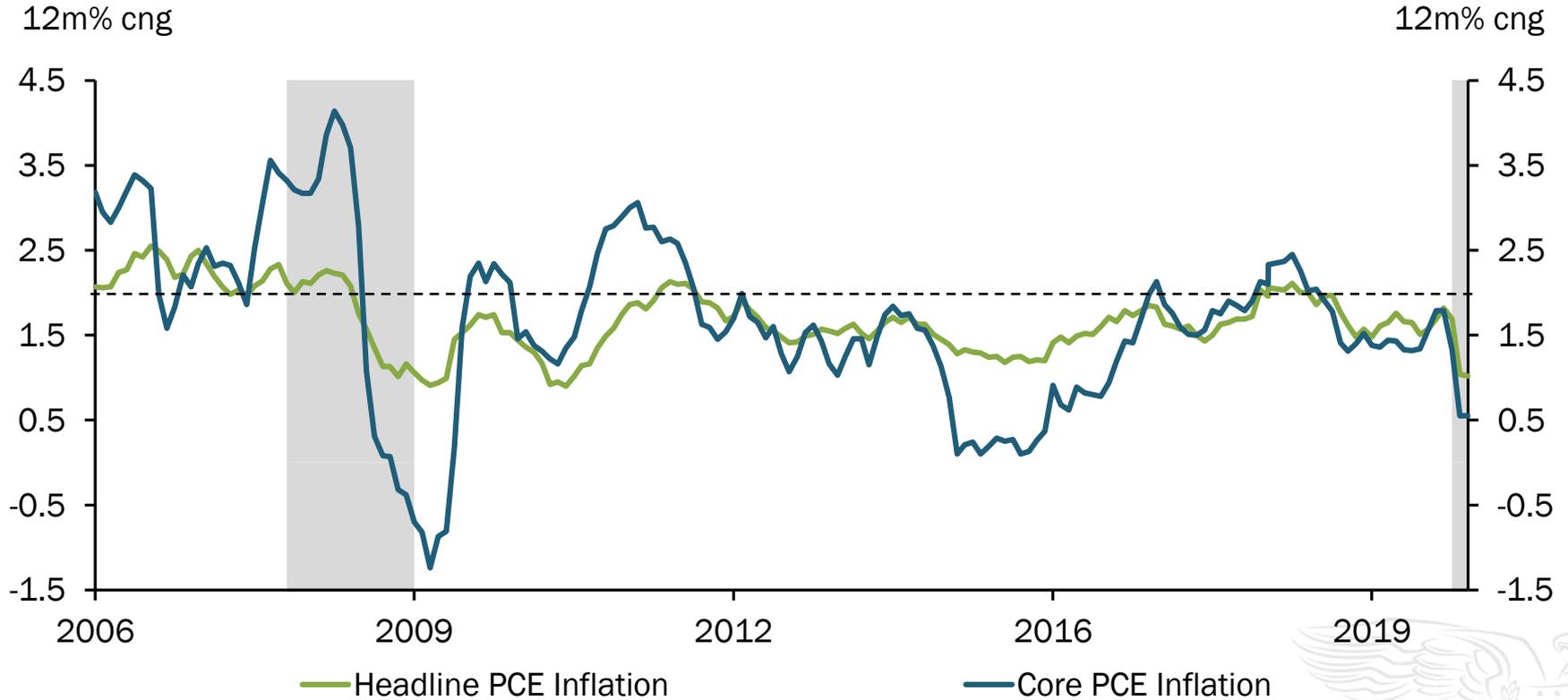
The recent declines in overall U.S. economic activity are unprecedented



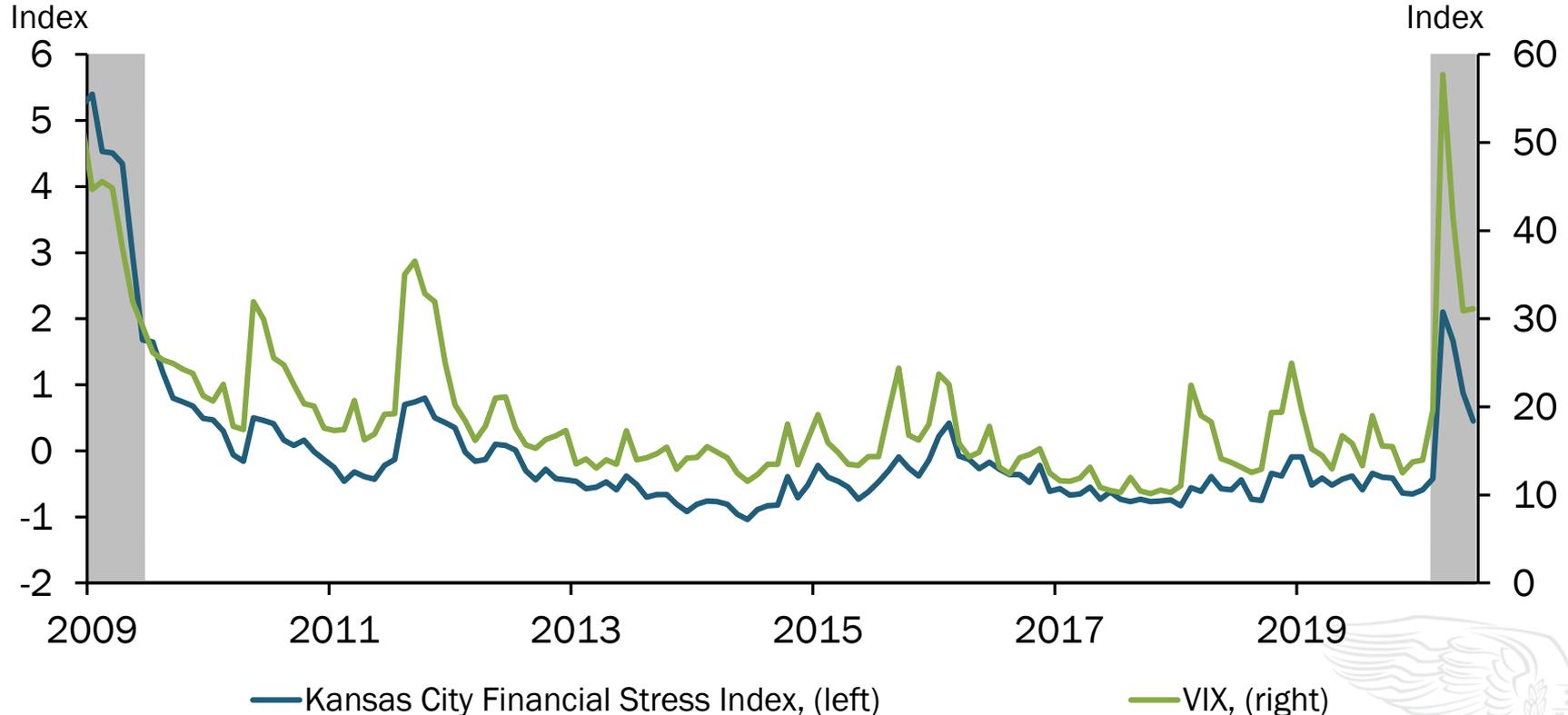
2020 Q2
Bluechip
Estimate



Inflation is likely to remain subdued over the medium term



Federal Reserve and fiscal policy actions eased stress in financial markets, though volatility remains somewhat elevated



The Federal Reserve deployed a suite of policy actions this year

Monetary Policy:

- Cut policy rate to near zero.
- Forward guidance

Actions to Improve Market Functioning:

- Open Market Purchases
- Eased access to discount window.
- Primary Dealer Credit Facility (PDCF)
- Money Market Mutual Fund Liquidity Facility (MMLF)
- Commercial Paper Funding Facility (CPFF)
- Expanded Foreign Central Bank Swap Lines

Actions to Encourage Bank Lending:

- Dropped reserve requirements to zero.
- Temporary adjustment to regulations.

Actions to Support the Flow of Credit:

- PPP Liquidity Facility (PPPLF)
- Term Asset-Backed Securities Loan Facility (TALF)
- Corporate Credit Facilities (CCF)
- Municipal Liquidity Facility (MLF)
- Main Street Lending Facility



Looking forward

- The FOMC states it expects to maintain the current stance of policy until it is confident that the economic recovery is on track
- Inflation pressures remain subdued on net and downward pressures are likely to persist over the medium term
- Contractions in the size of the labor force and constraints on state and local government spending will likely pose risks to recovery for several years



