

City of Santa Fe Macroeconomic Update



January 23, 2026
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The 2026 Macroeconomic Outlook

Continued slow weakening and an uncertain road ahead

National Economic Conditions

- U.S. real GDP growth projected around ~1.9% in 2026
 - Forecast range: 1.2%–2.5%, reflecting elevated uncertainty
- Inflation remains above target CPI averaging ~2.9% in 2025, easing only modestly in 2026
- Unemployment expected to rise slightly to ~4.5% in 2026, then stabilize

Monetary Policy Environment

- Federal Reserve expected to remain cautiously accommodative
- Gradual rate reductions anticipated from current 3.50%–3.75% range
- Median forecasts point to ~3.0%–3.25% by late 2026
- Policy stance likely supportive of steady investment, but insufficient to drive a broad-based economic boom

State of New Mexico

- FY27 begins from a position of fiscal strength, but growth is normalizing
- State signals a shift from rapid expansion to sustainability-focused budgeting

Santa Fe Revenue Outlook

- GRT collections stabilizing, with headwinds from:
 - Consumer spending shifting toward necessities
 - Slower job and wage growth
- Property Tax: steady, moderate growth expected
- Lodgers' Tax: more muted growth as post-COVID RevPAR and ADR gains fade

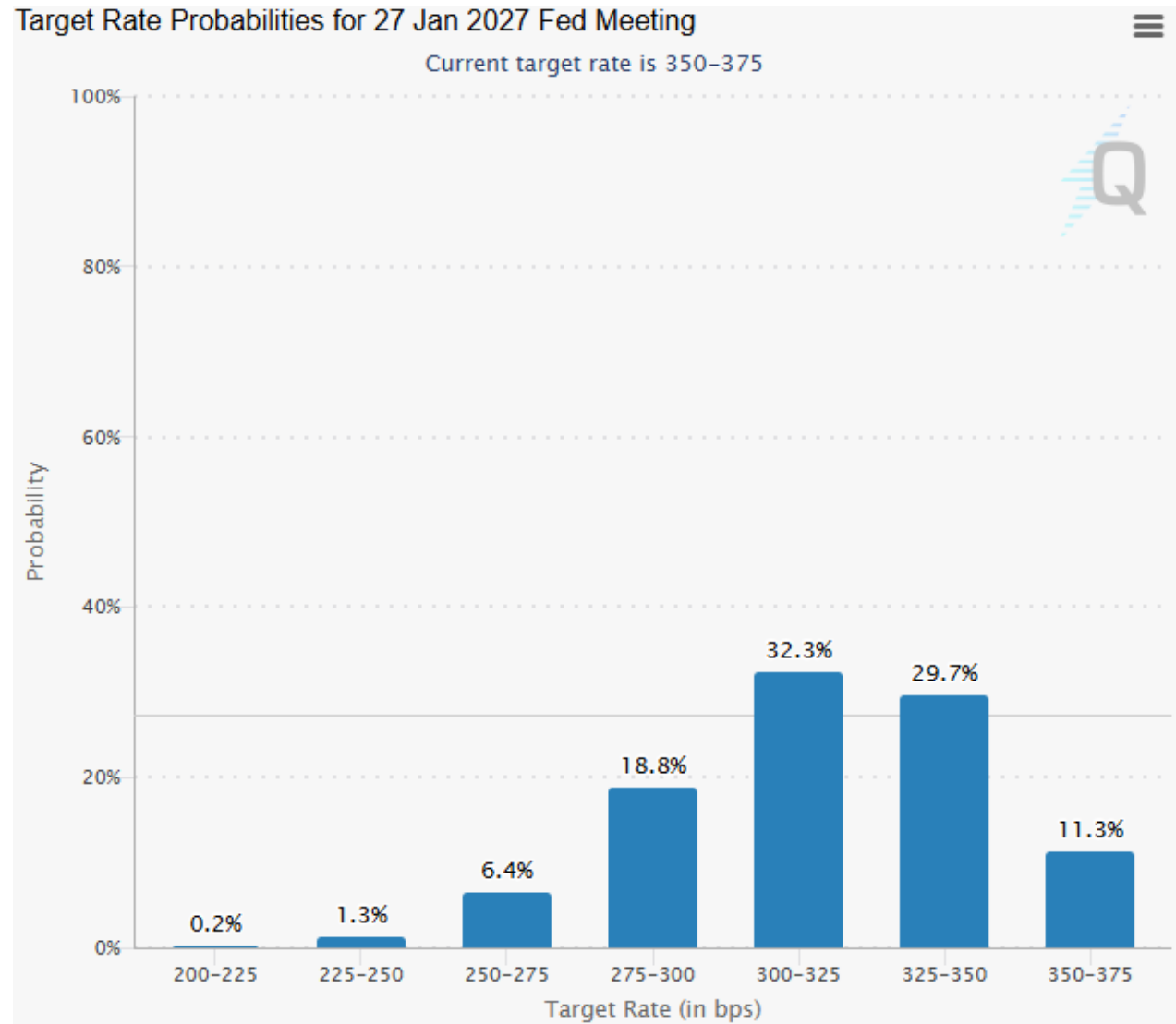
Key Takeaway for FY27

2026 characterized by low-to-moderate growth, mixed inflation projections, and stable but challenging labor markets. Forecast uncertainty remains elevated. *Recession risk by late FY27 cannot be ruled out.*

Hanging by a Fed

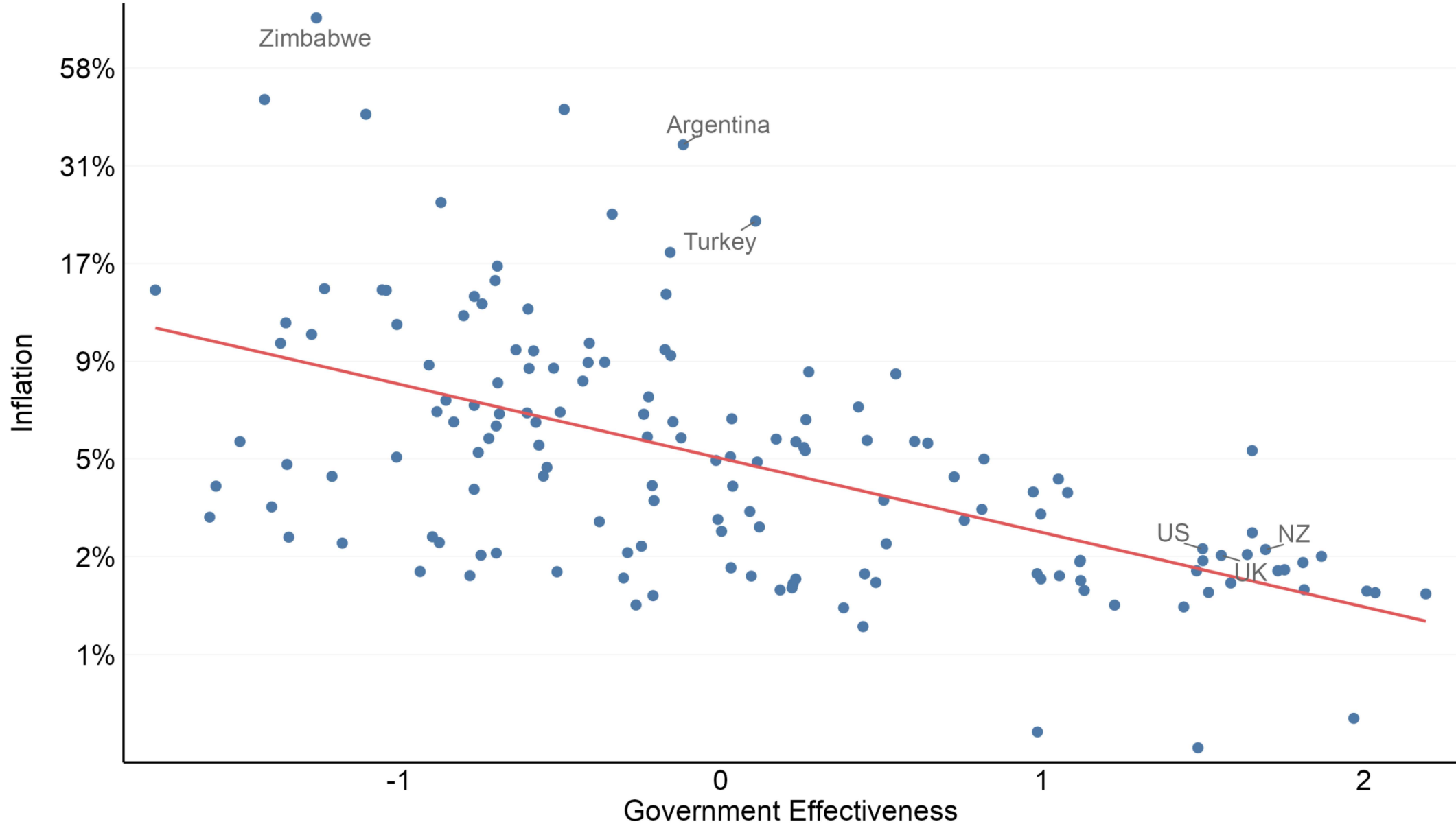
Under Pressure, the Federal Reserve Continues its Balancing Act

- The economy is stuck in a high GDP growth, low job growth area
 - Stronger-than-expected GDP growth has reduced the Fed's need to cut rates to stimulate the economy
 - At the same time, tariff-related inflation risks and sustained growth are reinforcing higher discount rates
- The Federal Reserve—and Chair Jerome Powell—are facing significant political pressure that threatens institutional independence



THE IMPACT OF GOVERNMENT EFFECTIVENESS ON INFLATION

CONTROLLING FOR CENTRAL BANK INDEPENDENCE, 2000-2023

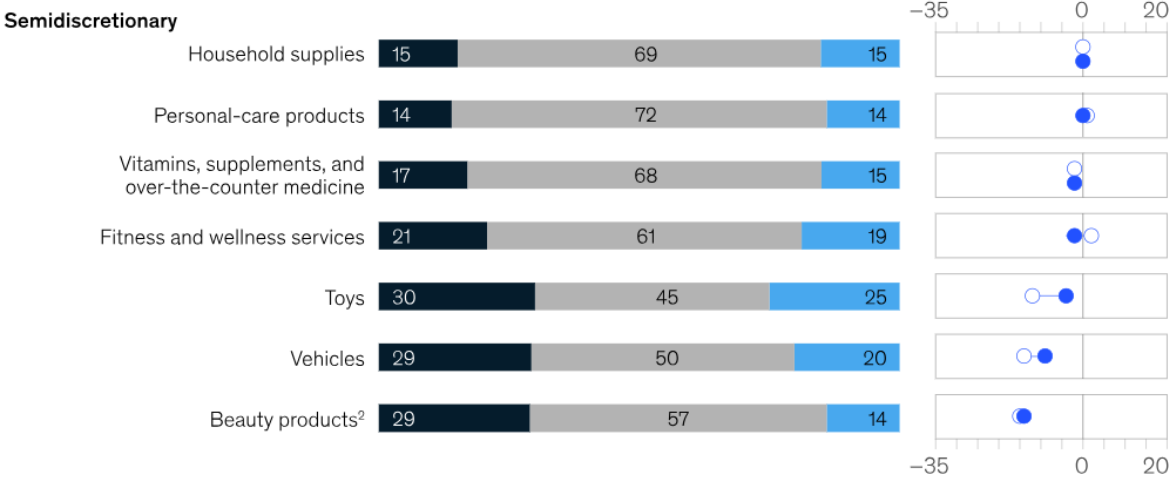
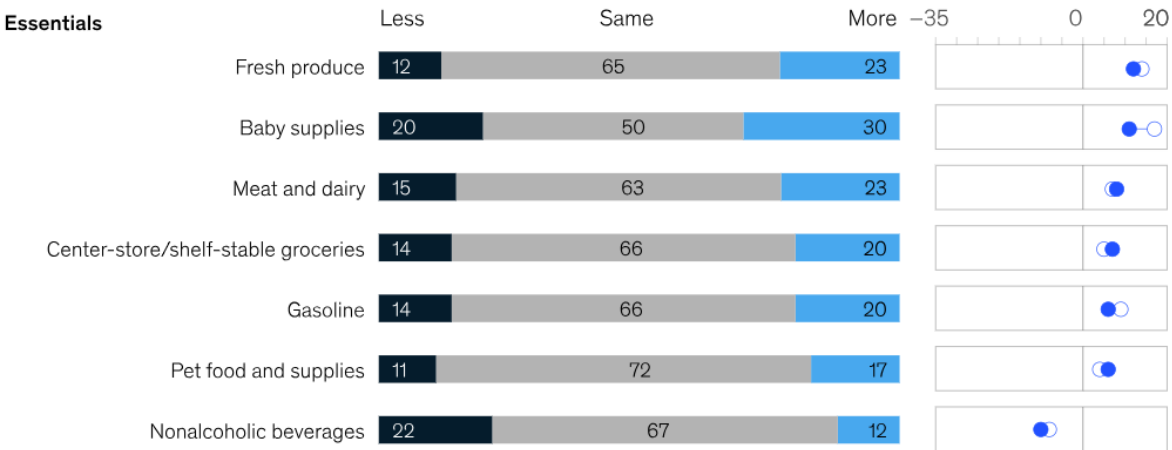


Sources: World Bank *World Development Indicators* and *Worldwide Governance Indicators*
Note: Inflation is scaled on the y-axis by an inverse hyperbolic sine function.

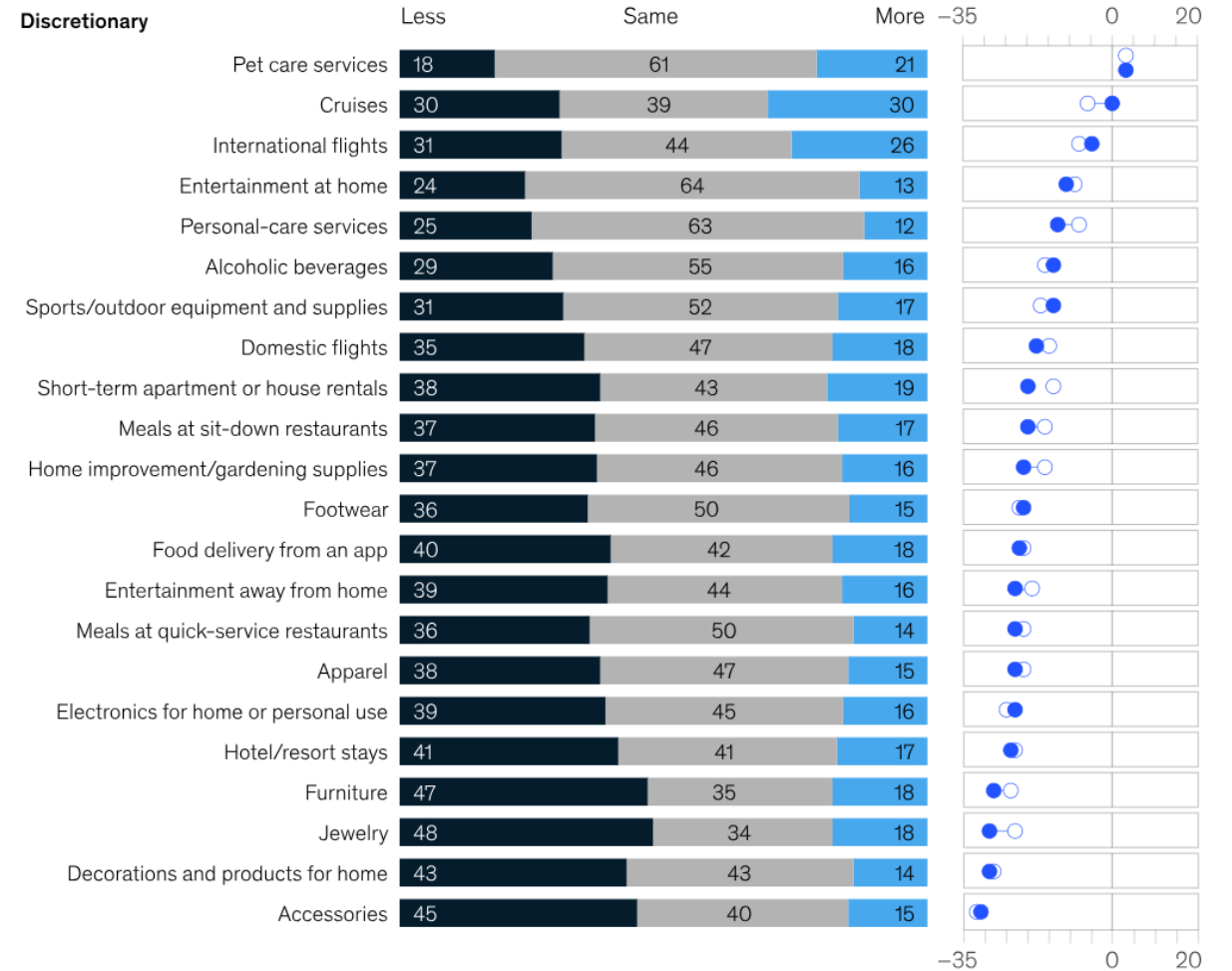
When Spending makes Cents

Consumer Spending drives both the Economy and GRT

Expected spending per category over the next 3 months, compared with usual,¹% of respondents

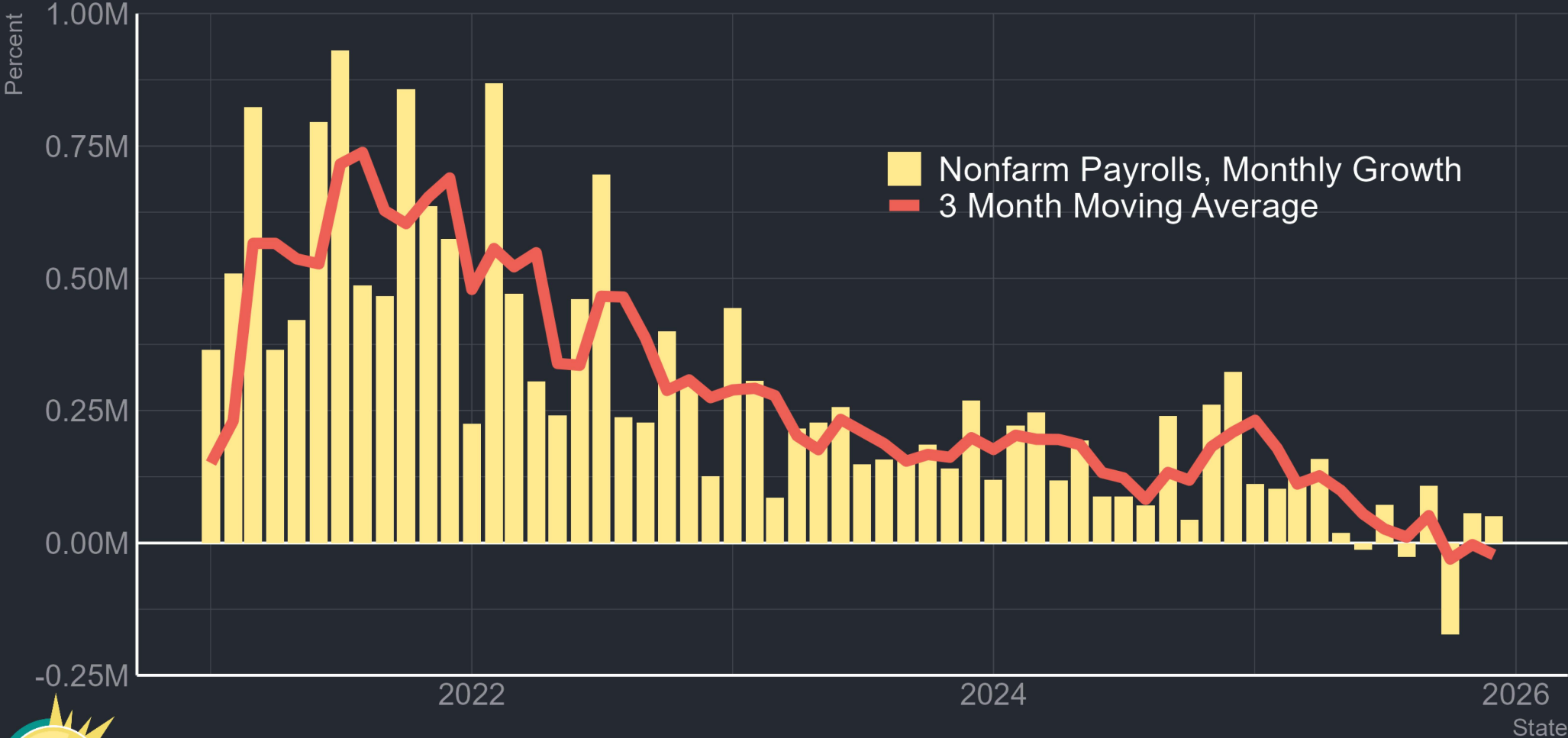


Expected spending per category over the next 3 months, compared with usual,¹% of respondents



US Job Growth

US Job Growth Has Decelerated Significantly Over the Last Two Years



Graph created by @JosephPolitano using Bureau of Labor Statistics data Via Guy Berger

When Work isn't Working

The job market continues to slowly weaken

College-Educated Job Loss Rises

White-collar slowdown hits four-year degrees

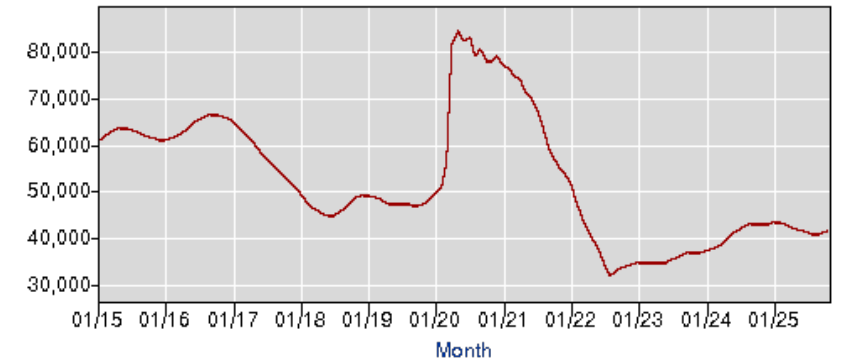
Share of US unemployed with four-year degrees



Sources: Department of Labor, Bloomberg

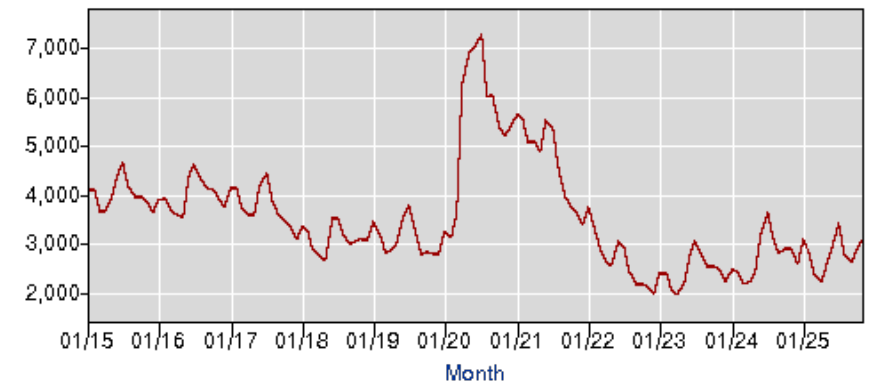
Unemployment Rate, New Mexico

unemployment



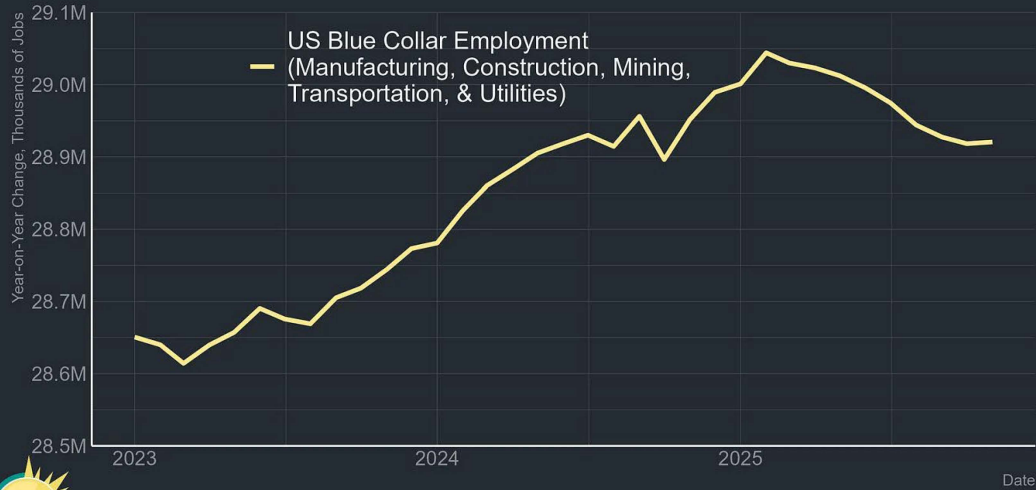
Unemployment Rate, Santa Fe

unemployment



US Blue Collar Employment

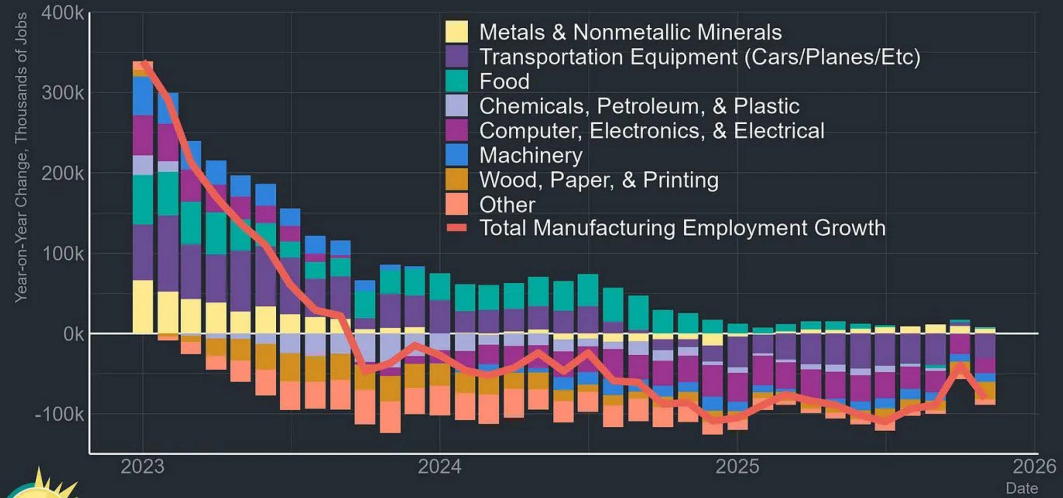
US Blue Collar Jobs are Down More than 100k From Their Early-2025 Peaks



Graph created by @JosephPolitano using BLS data

Year-on-Year Change in US Manufacturing Employment

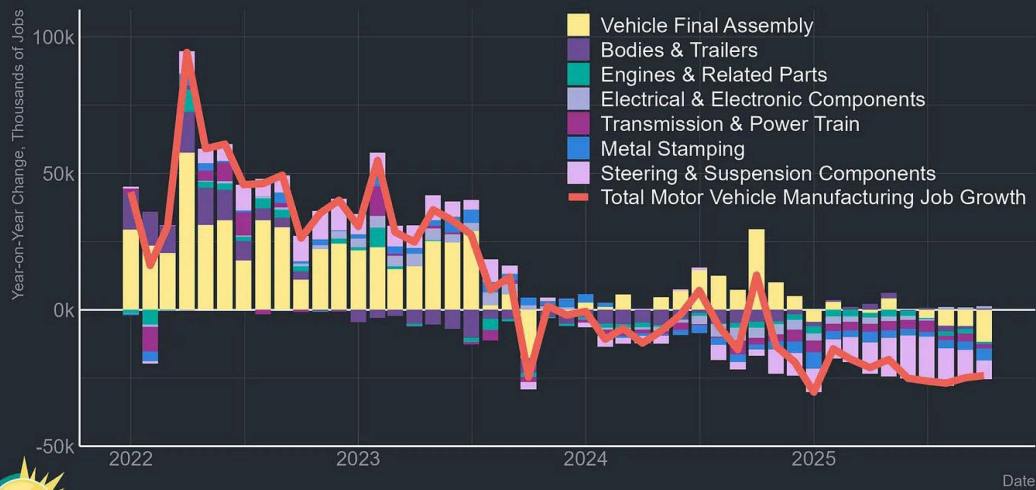
America Has Lost Nearly 100k Manufacturing Jobs Over the Last Year



Graph created by @JosephPolitano using BLS data

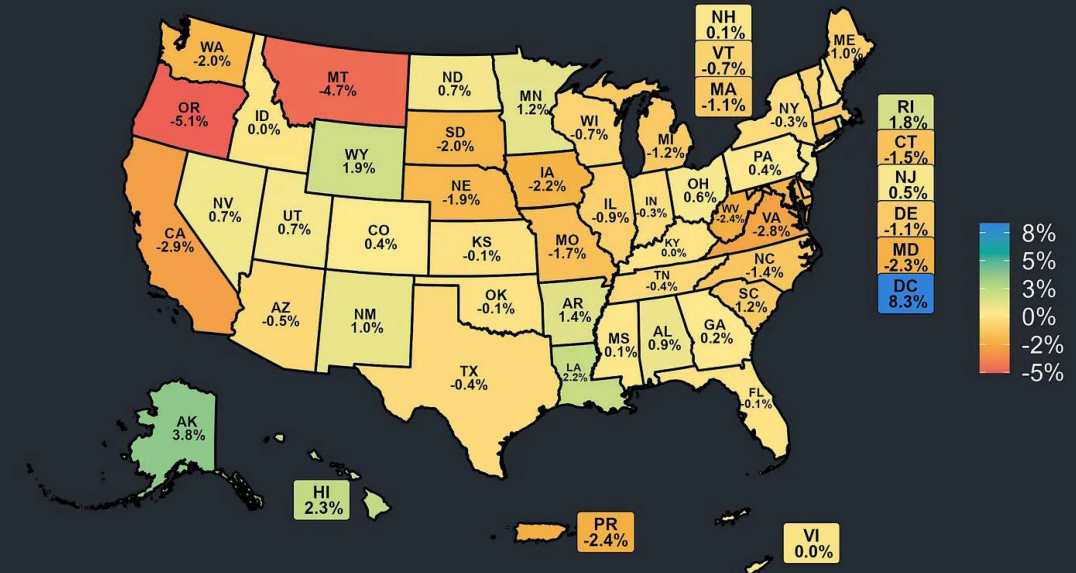
Year-on-Year Change in Autoworker Jobs

Employment Has Fallen in the Motor Vehicle Industry Over the Last Year



Graph created by @JosephPolitano using BLS data

Change in Manufacturing Jobs, Sep 2024 to Sep 2025

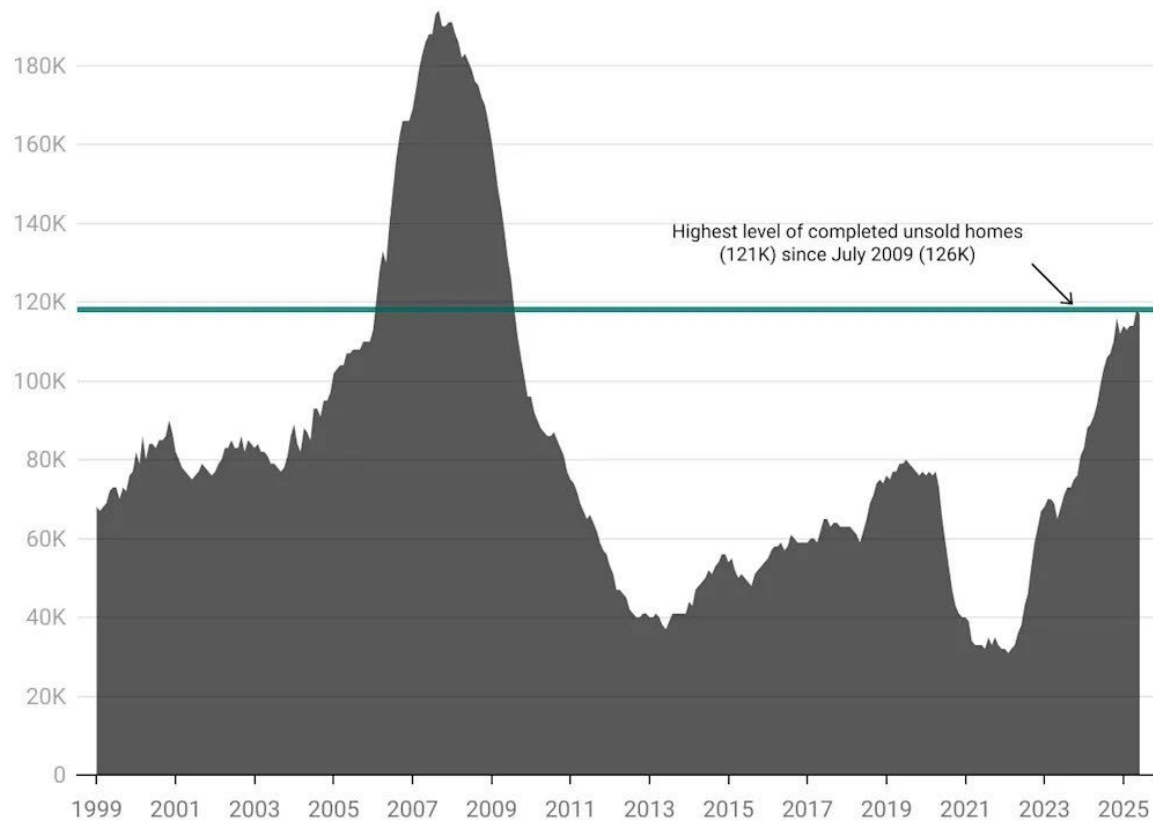


Graph created by @JosephPolitano using BLS data

When in Home

Real Estate faces numerous challenges

Number of unsold completed homes for sale

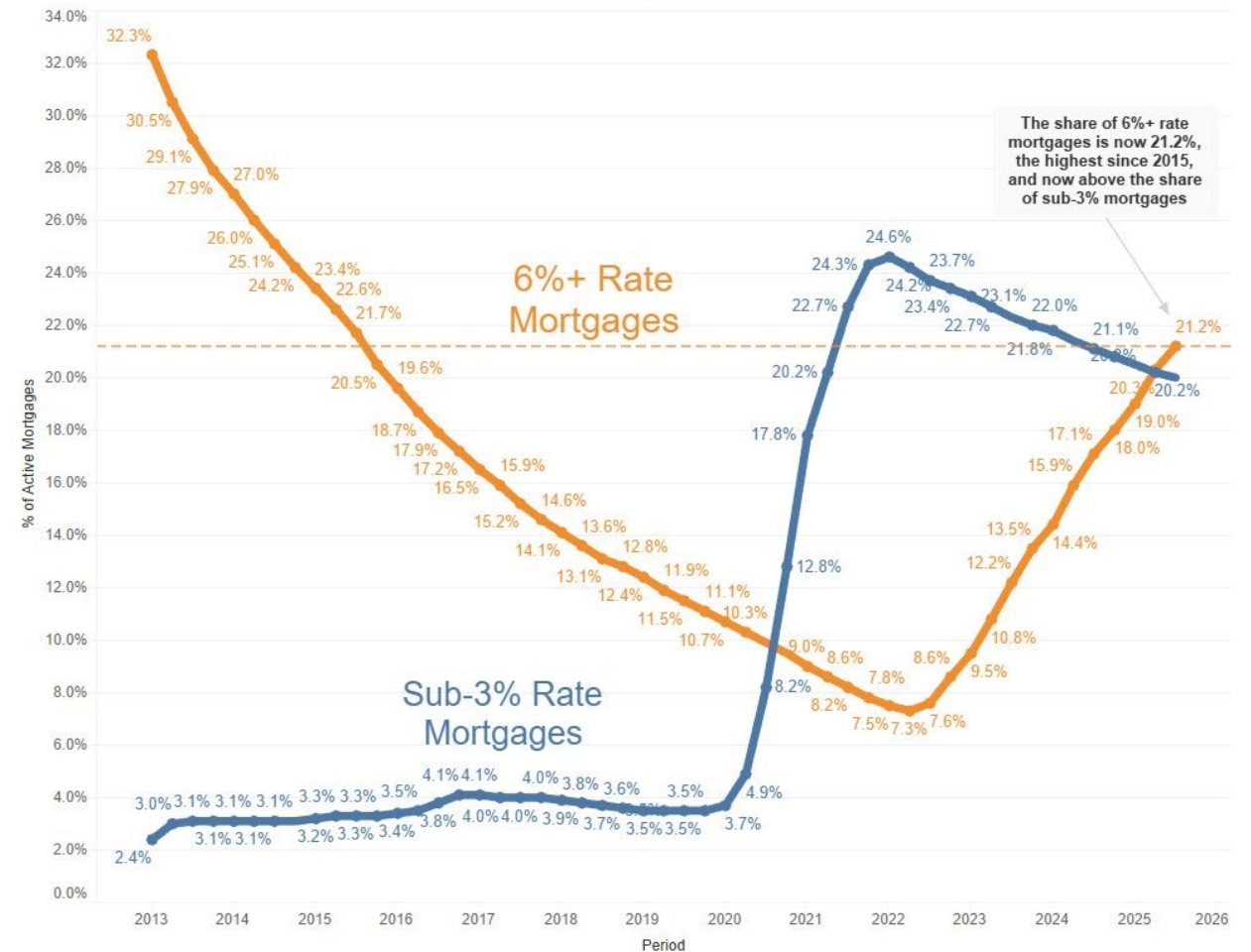


New houses for sale by stage of construction, completed. Seasonally adjusted national data, through the July 2025 reading published on August 25, 2025

Chart: Lance Lambert • Source: U.S. Census Bureau • Created with Datawrapper

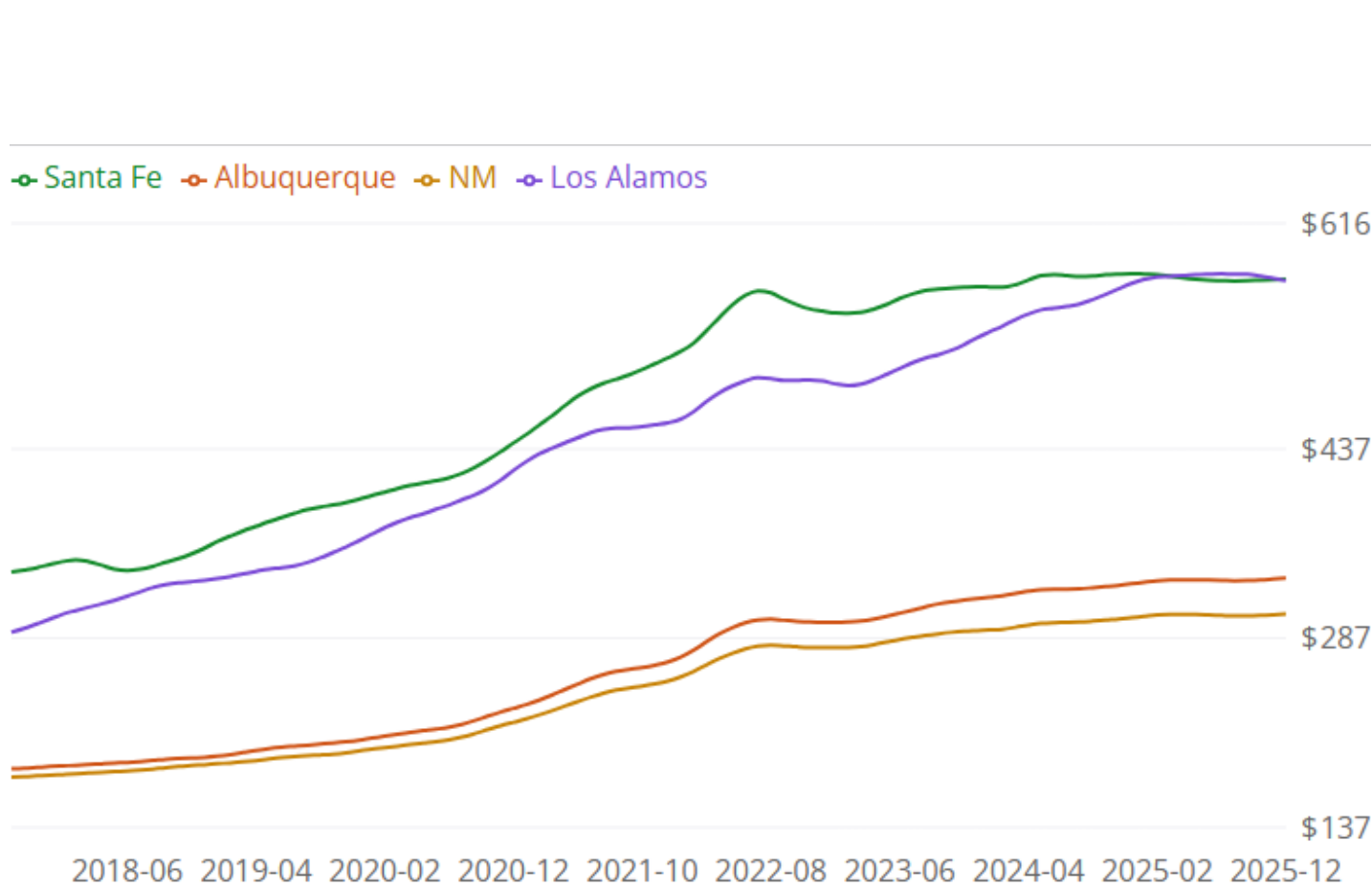


re:venture APP Mortgage Rate Breakdown by % - Existing Mortgage Holders 2013-2025
Source: Fannie Mae Mortgage Database, as of Q3 2025



In a Manor of Speaking

Home prices have levelled off in NM, but not as much in growth areas



Size rank	Metro area housing market	MoM	YoY	Shift since 2022 peak
29	Austin-Round Rock-Georgetown, TX	-1.0%	-6.1%	-26.0%
237	Punta Gorda, FL	-1.2%	-13.3%	-24.2%
78	Cape Coral-Fort Myers, FL	-0.7%	-10.5%	-18.0%
73	North Port-Sarasota-Bradenton, FL	-0.5%	-9.2%	-16.7%
47	New Orleans-Metairie, LA	-0.2%	0.6%	-14.0%
12	San Francisco-Oakland-Berkeley, CA	0.1%	-2.8%	-12.5%
221	Houma-Thibodaux, LA	-1.3%	-4.4%	-11.8%
213	Lake Charles, LA	-0.4%	3.4%	-11.7%
147	Naples-Marco Island, FL	-0.2%	-7.5%	-11.6%
11	Phoenix-Mesa-Chandler, AZ	-0.2%	-3.4%	-11.4%
156	Boulder, CO	-0.1%	-2.5%	-11.1%
24	San Antonio-New Braunfels, TX	-0.6%	-3.0%	-10.2%
79	Boise City, ID	-0.1%	0.4%	-9.7%
19	Denver-Aurora-Lakewood, CO	-0.5%	-2.9%	-9.7%
90	Deltona-Daytona Beach-Ormond Beach, FL	-0.5%	-5.6%	-8.9%
4	Dallas-Fort Worth-Arlington, TX	-0.7%	-4.0%	-8.9%
18	Tampa-St. Petersburg-Clearwater, FL	-0.4%	-6.1%	-8.7%

Suite Serenity

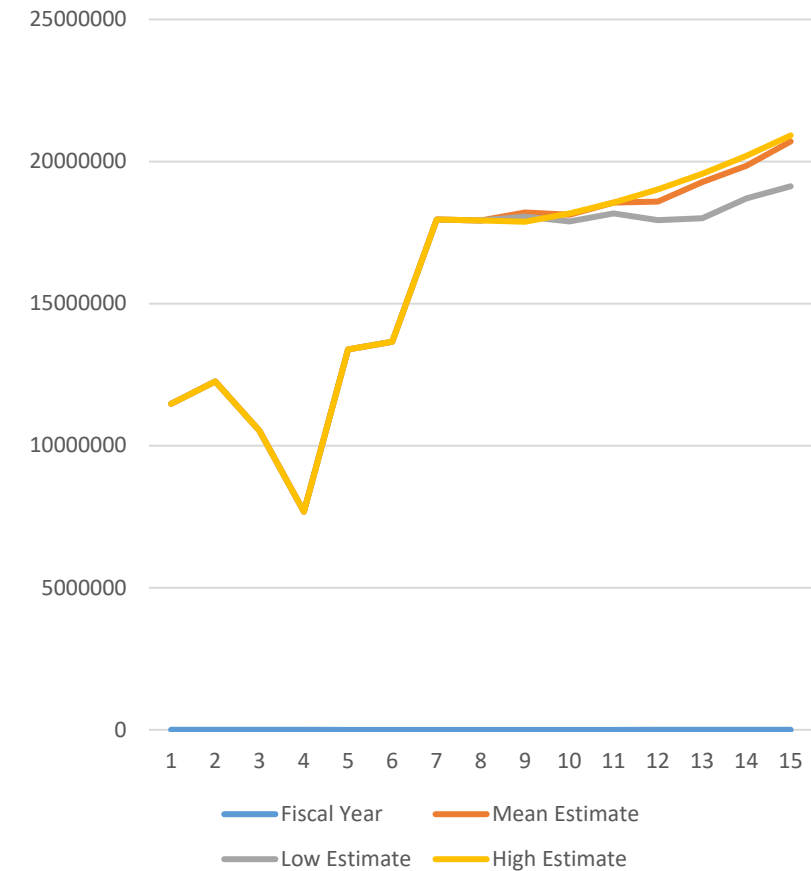
After years of impressive growth, Lodger's Tax should continue to level off



U.S. Hotel Forecast

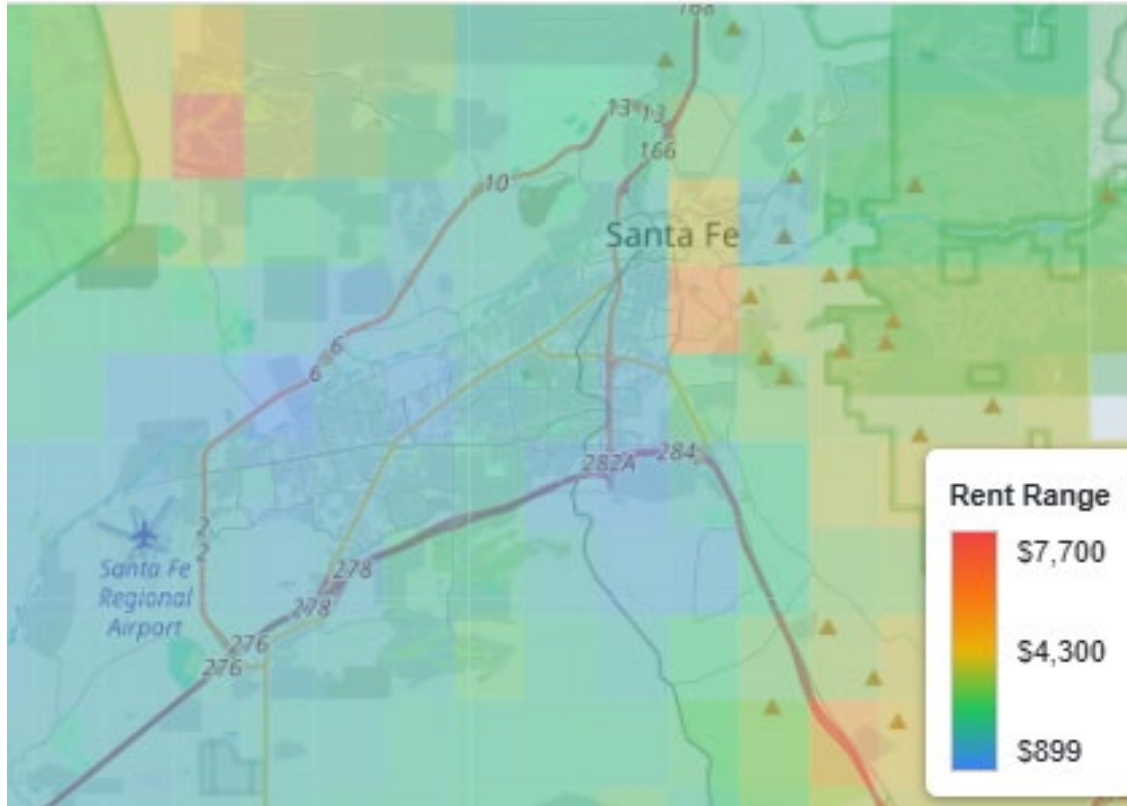
YoY – year over year (% change)

	2024 Actual	2025 Forecast	2026 Forecast
Supply (YoY)	+0.5%	+0.8%	+0.8%
Demand (YoY)	+0.5%	+0.5%	+1.1%
Occupancy	63.0%	62.8%	63.0%
ADR (YoY)	+1.8%	+1.3%	+1.3%
RevPAR (YoY)	+1.9%	+1.0%	+1.5%



Lease said, Soonest Mended

Santa Fe rents are stable but location-dependent



Above: Rental Heat Map (Rentometer)

At right: Short-term rentals in Santa Fe (Avg./Median)

Property Type	Bedrooms	Average	Median
Apartment	Studio	\$1,216	\$1,150
Apartment	1 Bedroom	\$1,675	\$1,650
Apartment	2 Bedroom	\$1,990	\$1,950
Apartment	3 Bedroom	\$2,368	\$2,250
Apartment	4+ Bedroom	\$2,475	\$2,342
House	Studio	\$1,295	\$1,150
House	1 Bedroom	\$2,062	\$1,947
House	2 Bedroom	\$2,866	\$2,600
House	3 Bedroom	\$3,531	\$3,200
House	4+ Bedroom	\$5,088	\$3,600



2026 Macro Summary

Santa Fe Revenue Outlook

- **Revenue growth is moderating but remains positive.** Gross Receipts Tax, Lodgers' Tax, and Property Tax revenues are projected to grow steadily through FY32, though at a slower and more normalized pace than the post-pandemic surge.
- **The economic environment favors stability over acceleration.** High GDP growth with subdued job growth suggests limited upside from cyclical expansion, reinforcing the need for conservative forecasting and disciplined budgeting.
- **Inflation risks and interest-rate uncertainty persist.** While inflation pressures are slowly easing, tariff risks and geopolitical uncertainty support a higher-for-longer rate environment, constraining borrowing flexibility.
- **Santa Fe's revenue base remains resilient.** Tourism, property values, and the City's role as a regional economic hub continue to provide diversified and reliable revenue streams.
- **Prudent fiscal management is essential.** The City is well-positioned, but maintaining structural balance will require careful expenditure planning, ongoing monitoring of GRT trends, and strategic investments aligned with long-term sustainability.