New Mexico’s Economy:
Current Situation and Outlook

Presented to the 2018 BBER Data Users Conference
Presented by Jeffrey Mitchell, Director
November 15, 2018
New Mexico Current Economic Situation

- New Mexico’s economic outlook is the strongest since the Recession.
- The economy is creating jobs, incomes are beginning to respond.
- Growth is relatively broad-based – in non-metro, in Albuquerque and more recently in Las Cruces and Santa Fe.
- Job growth is strongest in high-wage mining, construction and transportation as well as professional service sectors.
- Oil & gas production is surging, will face midstream bottlenecks but every reason to expect that expansion will continue.
- FY19 General fund accruals are way up.
Net State-to-State Migration, by Age

- Net out-migration since 2011.
- Losses greatest among younger cohorts, including children (families) and Millennials; least among middle-aged.
- Recent slowing of out-migration.

Source: Census American Community Survey (ACS), PUMS.
Net State-to-State Migration, by Educational Attainment

- Net out-migration since 2011.
- Losses greatest among BAs and AS/Some college.
- Recent slowing of out-migration.

Source: Census American Community Survey (ACS), PUMS.
Lea & Eddy account for 7% of NM labor force, but much of the year-over-year volatility.

Recent growth of labor force is because Eddy & Lea AND Albuquerque are moving in the same direction.
Job Growth/Loss by Region (2012 - September 2018)

- Strong 2018 job growth as all areas expand.
- Up 2.2% in 2018Q3 – highest since 2007 and 13th highest in the country.
- Total employment now equal to pre-recession high.
- FOR-UNM expects final Q2 and Q3 to be revised down slightly.

Source: BLS Current Employment Survey
Changes back to 1998, mostly ‘smoothing’ the series.
Net effect is estimated total personal income in NM is 3.0% higher.
Recent improvements due to higher wages & salaries to private sector workers.
Gain/Loss in General Fund Accruals, FY19 July & August

Source: NM Legislative Finance Committee
Gross Receipts by County, FY18 v. FY17

Source: NM Taxation and Revenue Dept., RP80s
Change in Personal Income Growth, by Component

Source: BBER FORUM, July 2018
Recent boom in US shale oil production concentrated in Permian Basin, including NM.

Share of all US rigs in NM to 9.5%, from 3.1% in 2016.

NM is 3rd state in crude production, more than 6%, up from 3.5% in 2011.

Source: EIA, Baker Hughes
Crude prices (WTI, West Texas Intermediate) down 20%, from $70.25/barrel in Sept to $56.25/barrel.

We don’t expect a big impact on NM production – at these prices.
Home sales up 50% in 2018, with increase in nearly all areas.

Only recent and small impact on housing values (unlike some areas of US)

And only recent and small impact on new construction (like most areas of US)

Source: NM Realtors Association, BBER
New Mexico Outlook
New Mexico Economic Outlook 2018-2023

- Forecast 10,500 jobs (1.3%) in 2018 and 2019; and average 10,000 jobs (1.2%) thereafter.
- Addressing oil & gas midstream constraints (pipelines, processing plants) will be a focus in Oil Patch through 2019 – construction, transportation, professional & technical services.
- After construction slows, metro growth will depend more on PBS, and leisure & hospitality.
- FY20 budgets expected to allow growth in government, including schools (Local Government)
- Faster personal income growth (4.3%/year), driven by private Wage & Salary growth, and Dividends/Interest/Rent and after 2021 stronger transfers.
- Oil production to continue to increase sharply, from 235 million barrels in 2018 to 300 million in 2020 (25%/year) to 345 million in 2023 (6%/year). This bullish outlook is lower than most industry forecasts. Will depend on midstream bottlenecks.
- Pessimistic scenario (25%) substantially outweighs Optimistic scenario (15%).
Recent boom in US shale oil production concentrated in Permian Basin, including NM.

Share of all US rigs in NM to 9.5%, from 3.1% in 2016.

NM is 3rd state in crude production, more than 6%, up from 3.5% in 2011.
Job Creation by Sector, 2019 – 2023

BUREAU OF BUSINESS & ECONOMIC RESEARCH

Source: BBER FORUM, October 2018
Job Creation by Sector, 2019 – 2023

Source: BBER FORUNM, October 2018
Forecast Personal Income Growth, by Component

Source: BBER FORUNM, October 2018
Forecast Crude Oil Production and Price

Source: BBER FOR-UNM, IHS Global Insight, October 2018
Housing Permits by City or Region (Forecast)

Source: BBER FORUNM, October 2018
NM Employment Forecast, Alternative Scenarios

Source: BBER FORURNM, October 2018