New Mexico Economy: Recent Developments and Outlook

Annual Economic Outlook Conference

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Recovering from the Great Recession

New Mexico Style...
How goes the NM economy?

Index includes:
- State-level housing permits
- Initial unemployment insurance claims
- ISM delivery times
- Spread between 10-year Treasury bond and 3-month T-bill
- The state’s coincident index

Coincident index includes:
- Nonfarm employment
- Avg. hours worked in manufacturing
- Unemployment rate
- W&S Disbursements (deflated by CPI)

New Mexico employment moving sideways...
Or is it a double dip?
Clearly the rest of the country and our neighbors are growing...

New Mexico and US Nonfarm Employment
Monthly, Seasonally Adjusted, Indexed to Peak

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State Real GDP 2011 – NM in lowest quintile

Chart 1. Percent Change in Real GDP by State, 2011

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Personal Income: NM doing better???

% Growth in Personal Income, New Mexico & US
Quarter over Quarter Year Ago

<table>
<thead>
<tr>
<th>Year</th>
<th>New Mexico</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>06</td>
<td>-8.0%</td>
<td>-8.0%</td>
</tr>
<tr>
<td>07</td>
<td>-6.0%</td>
<td>-6.0%</td>
</tr>
<tr>
<td>08</td>
<td>-4.0%</td>
<td>-4.0%</td>
</tr>
<tr>
<td>09</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>10</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>11</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>12</td>
<td>6.0%</td>
<td>6.0%</td>
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</tbody>
</table>

Net earnings are up as are div/int/rents

Contributors to YOY Growth in NM Personal Income

- SS minus Res Adj
- Transfer Payments
- Prop Income
- Total Earnings

UNM BBER calculations on US BEA data, Dec 12.
Unemployment rate is low but ...

Monthly Unemployment Rate (%)  
US and New Mexico, SA

Are people leaving New Mexico?  
Population growth has slowed dramatically.

New Mexico Intercensal Population Estimates  
Totals as of July 1 and Estimated Growth Over Previous Year

Source: US Bureau of the Census  
UNM Bureau of Business and Economic Research

Source: US Bureau of the Census  
UNM Bureau of Business and Economic Research
Behind the slowing NM population growth:
Net domestic out-migration

NM Population Estimates Components of Change, 2010 - 2012

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Total Population Change</th>
<th>Natural Increase</th>
<th>Vital Events</th>
<th>Net Migration</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2010 to July 2012</td>
<td>26,358</td>
<td>27,475</td>
<td>63,673</td>
<td>-1,069</td>
</tr>
<tr>
<td>July 2011 to July 2012</td>
<td>6,864</td>
<td>12,114</td>
<td>28,306</td>
<td>-5,229</td>
</tr>
</tbody>
</table>

Source: US Bureau of the Census

The Great Recession in New Mexico was distinguished by its depth, by its length, by the numbers of people impacted, and by its breadth.

The recovery has been a slow slog but it is reasonably broad based:

Geographic...
Geographic spreading of the recession in New Mexico...

3 years later: Total mixed, private growing...
Employment growth in NM MSAs, not Albq.

Albuquerque MSA  Santa Fe MSA

Las Cruces MSA  Farmington MSA

Source of Data: Quarterly Census of Employment and Wages

Albuquerque in the doldrums

Employment Growth in Albuquerque MSA Compared to Major MSA’s in Surrounding States


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Recovery across the sectors...

Change in New Mexico Employment
From Quarterly Census of Employment and Wages

Most recent data, 11Q2 to 12Q2

Total change = + 1102 jobs  Private change = + 3953

UNM BBER compiled from NM DWS & US BLS data
The Economic Forecast for New Mexico


% Growth in Nonfarm Employment: New Mexico and US

FOR-UNM, Oct 12 and IHS Global Insight, Jan. 13

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NM Employment – Alternative Scenarios

Sectors Holding NM Back

- Construction
- Government
- Professional and Technical Services
Construction: A prolonged boom, followed by collapse, now recovery?

New Mexico Construction Employment

Residential & non-residential building is up

New Mexico Dollar Value of Construction Awards
FWDodge in $000,000’s
Housing prices: moving in the right direction

Four-Quarter % Change in FHFA Housing Price Indexes (Purchase only), 2012 Q2

Source: Federal Housing Finance Agency

Government: was insulation from downturns. 24% employment vs 17% in US 2010

Government Employment in New Mexico
All levels indexed to 1990

UNM FOR-UNM, Oct 12
UNM Bureau of Business and Economic Research
State government revenues still below FY 08

![Graph of appropriations: General Fund and Temporary Funds]

Dependence on the Federal Government

Federal civilian and military employment was 4.8% of total NM total employment in 2010. The comparable figure for the US was 3.0%.

Federal expenditures in NM in 2010 were $28 billion, or $13,578 per capita. NM ranked 6th among the states in the per capita flow of federal dollars. Procurement is huge -- 27% vs 16% in US --, and 64% of that is with the DOE, primarily for LANL & Sandia NL. BBER estimates sequestration would result in a perhaps permanent loss of employment of roughly 20,000.
An industry in which NM should excel but under the cloud of looming federal cuts...

Employment in Professional and Technical Services

Sectors showing strength

- Mining and Extractive Industries
- Health Care
- Manufacturing
- Transportation
- Alternative Energy
Mining is growing with stimulus of new technologies and high commodity prices

**NM Employment in Mining & Extractive Industries**

Health Care in New Mexico

- State is underserved by doctors and other health care providers, particularly in rural areas...
- 24% of those under 65 were uninsured in 2010-11. NM ranked at the bottom with TX (27%) and NV (23%)
- Only 49% of those under 65 have private health insurance
- There have been concerns about future funding...

**NM Medicare & Medicaid Payments**

$ Billions
Affordable Care Act and Medicaid Expansion

NM is proceeding with a Health Insurance Exchange that has been approved by the Feds. The Governor has announced that NM will participate in the Medicaid Expansion. More reliance on Feds but...

- Will provide insurance to newly eligible adults up to and including 138% of poverty and will help develop capacity.
- Estimated to bring in $3.9 - $5.8 billion in net new federal dollars into the State between FY 14 and 20.
- Estimated to add as many as 1,000 direct jobs in FY 14 and more than 4,000 by FY 20, when estimated net gain in jobs (high uptake scenario) will reach 8,500.
- Per ACA, Federal government to pick up 100% of the tab in 2014-16, and a minimum of 90% in 2020 and beyond.
- With increased revenues as well as savings (SCI) program should more than pay for itself.

Health sector to grow, employment should continue to increase...

NM Private Employment in Health Care & Social Assistance

Employment and % Growth

FOR-UNM, Oct. 12

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A roller-coaster ride but manufacturing is coming back...

NM Manufacturing Employment

As are New Mexico exports...

New Mexico Exports to Other Countries, in $ Millions

Source: WISER
Transportation

- **Union Pacific's new terminal** at Santa Theresa now partially completed and promising 600+ permanent jobs

  The construction of the Santa Teresa facility will permanently position southern New Mexico as a crucial component of the historic “Sunset Route,” one of the oldest and most critical rail corridors in American history, securing New Mexico’s future as a leader in the goods movement industry.

- **Burlington Northern**'s new double track thru Abo canyon: more trains, more freight; more opportunities for Belen area and elsewhere.

- **Port at Santa Teresa**: Transportation links, port expansion, the huge Foxconn facility in San Jeronimo...

Renewable energy and energy transmission

Western Governor’s Assoc identified 27 gigawatts of renewable generating capacity (solar, wind, & geothermal) in NM – the largest capacity among the included states and western Canada.
NM is under-performing. What’s wrong?

- No quick fixes, e.g. corporate income tax, right to work.
- Too many of our kids are falling through the cracks. Quality of workforce in doubt.
  - Education system (K-12) needs work. Higher ed needs to be more open/responsive.
  - Critical to invest more in early childhood programs, which are shown to have high payback.
- Over dependence on federal dollars. Need to recognize and build on assets, incl NLs, address capital needs, diversify.
- Shortages of water & drought. Need to re-think pricing and protecting of water resource.

### Employment by Sector, NM & US, 2010

<table>
<thead>
<tr>
<th>Sector</th>
<th>New Mexico</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>781,694 100.0%</td>
<td>127,820 100.0%</td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>592,879 75.8</td>
<td>106,201 83.1</td>
</tr>
<tr>
<td>Total Private</td>
<td>10,672 1.4</td>
<td>1,147 0.9</td>
</tr>
<tr>
<td>Ag. For. Fish. &amp; Hunting</td>
<td>18,423 2.4</td>
<td>952 0.8</td>
</tr>
<tr>
<td>Mining</td>
<td>4,375 0.6</td>
<td>551 0.4</td>
</tr>
<tr>
<td>Utilities</td>
<td>43,832 5.6</td>
<td>5,489 4.3</td>
</tr>
<tr>
<td>Construction</td>
<td>26,026 3.7</td>
<td>11,487 9.0</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>21,896 2.8</td>
<td>5,466 4.3</td>
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<tr>
<td>Wholesale Trade</td>
<td>89,815 11.5</td>
<td>14,481 11.3</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>15,824 2.0</td>
<td>3,944 3.1</td>
</tr>
<tr>
<td>Transportation &amp; Warehousing</td>
<td>14,289 1.8</td>
<td>2,704 2.1</td>
</tr>
<tr>
<td>Information</td>
<td>21,431 2.7</td>
<td>5,486 4.3</td>
</tr>
<tr>
<td>Finance &amp; Insurance</td>
<td>9,722 1.2</td>
<td>1,916 1.5</td>
</tr>
<tr>
<td>Real Estate &amp; Rental &amp; Leasing</td>
<td>53,999 6.9</td>
<td>7,458 5.8</td>
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<tr>
<td>Professional &amp; Technical Services</td>
<td>4,955 0.6</td>
<td>1,855 1.5</td>
</tr>
<tr>
<td>Mgt of Companies &amp; Enterprises</td>
<td>41,108 5.3</td>
<td>3,999 3.1</td>
</tr>
<tr>
<td>Administrative &amp; Waste Services</td>
<td>7,806 1.0</td>
<td>2,460 1.9</td>
</tr>
<tr>
<td>Educational Services</td>
<td>101,127 12.9</td>
<td>16,196 12.7</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>8,473 1.1</td>
<td>1,904 1.5</td>
</tr>
<tr>
<td>Arts, Entertainment &amp; Recreation</td>
<td>75,180 9.6</td>
<td>11,103 8.7</td>
</tr>
<tr>
<td>Accommodation &amp; Food Services</td>
<td>20,925 2.7</td>
<td>4,350 3.4</td>
</tr>
<tr>
<td>Other Services &amp; Unclassified</td>
<td>188,816 24.2</td>
<td>21,619 16.9</td>
</tr>
<tr>
<td>Total Government</td>
<td>33,678 4.3</td>
<td>2,981 2.3</td>
</tr>
<tr>
<td>Federal</td>
<td>50,455 6.5</td>
<td>4,606 3.6</td>
</tr>
<tr>
<td>Local</td>
<td>104,683 13.4</td>
<td>14,032 11.0</td>
</tr>
</tbody>
</table>

US Bureau of Labor Statistics, QCEW