



BUREAU OF BUSINESS & ECONOMIC RESEARCH

BBER is the recognized economic expert in providing socioeconomic data and forecasting in New Mexico. With more than 75 years of experience, BBER's research team provides economic forecasting as well as research services and communication tools tailored to the needs of clients – public, private, nonprofit, and philanthropic – seeking to understand and shape public policy on the regional, state and local levels.

BBER's services and research help leaders in New Mexico to identify and understand trends and changing economic markets across New Mexico in order to inform decision making.

THE NEW MEXICO ECONOMIC FORECAST: RECENT DEVELOPMENTS AND OUTLOOK
PREPARED FOR FOR-UNM SUBSCRIBERS' MEETING

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New Mexico Review



New Mexico Current Economic Situation

- COVID-19... still. Vaccines rolling out; New Mexico still doing better than most states.
- Unemployment Insurance claims (continuing) have fallen, but NM is still performing worse than most states.
- 2020Q4 QCEW data now available: In Q2, Leisure & hospitality + other services lost about 50% of all private sector jobs in the quarter; retail & wholesale trade lost about 14%. In Q3, $\frac{3}{4}$ of the private sector jobs gained back came from those sectors but gains are slow.
- Oil has firmed: WTI prices at around \$70/barrel. Drilling robust and production high.
- Softening in production or price will obviously impact state budget.

Vaccination Rates: January 2021

U.S. | See How the Vaccine Rollout Is Going in Your State

Name	Pct. of people given		Doses distributed	Shots given	Doses used
	At least one shot ▼	Two shots			
U.S. total*	8.2%	1.9%	55,943,800	33,878,254	61%
American Samoa	20%	2.6%	18,450	11,066	60%
Palau	17%	0.7%	6,000	3,228	54%
Northern Mariana Islands	13%	6.3%	29,650	10,655	36%
Alaska	13%	3.8%	229,975	125,765	55%
Guam	12%	3.0%	43,500	26,068	60%
West Virginia	11%	4.0%	328,600	268,065	82%
New Mexico	10%	3.0%	356,150	284,830	80%
Connecticut	10%	2.5%	608,600	465,008	76%
North Dakota	9.5%	3.6%	122,150	103,572	85%
Oklahoma	9.4%	2.2%	675,850	462,440	68%

Vaccination Rates: July 2021

Name	Percent of people		Doses delivered	Shots given	Doses used
	Given at least one shot ▼	Fully vaccinated			
U.S. total*	57%	49%	394,949,575	342,212,051	87%
Palau	81%	75%	28,650	25,587	89%
Vermont	75%	67%	944,740	870,257	92%
Massachusetts	72%	64%	9,952,860	9,089,195	91%
Hawaii	71%	53%	1,976,280	1,711,818	87%
Connecticut	69%	63%	4,879,135	4,561,259	93%
Maine	68%	63%	1,900,430	1,655,018	87%
Rhode Island	67%	61%	1,551,905	1,320,594	85%
New Jersey	65%	58%	11,977,025	10,267,285	86%
Pennsylvania	65%	52%	16,136,585	14,440,736	89%
New Mexico	65%	57%	2,424,565	2,464,697	102%
Puerto Rico	65%	56%	4,252,930	3,953,471	93%
New Hampshire	64%	58%	1,892,300	1,583,065	84%

Source: CDC & The New York Times

Unemployment Insurance (UI) Claims by State

Initial UI enrollments were not especially high in NM but return to work (leaving UI rolls) has been very slow.

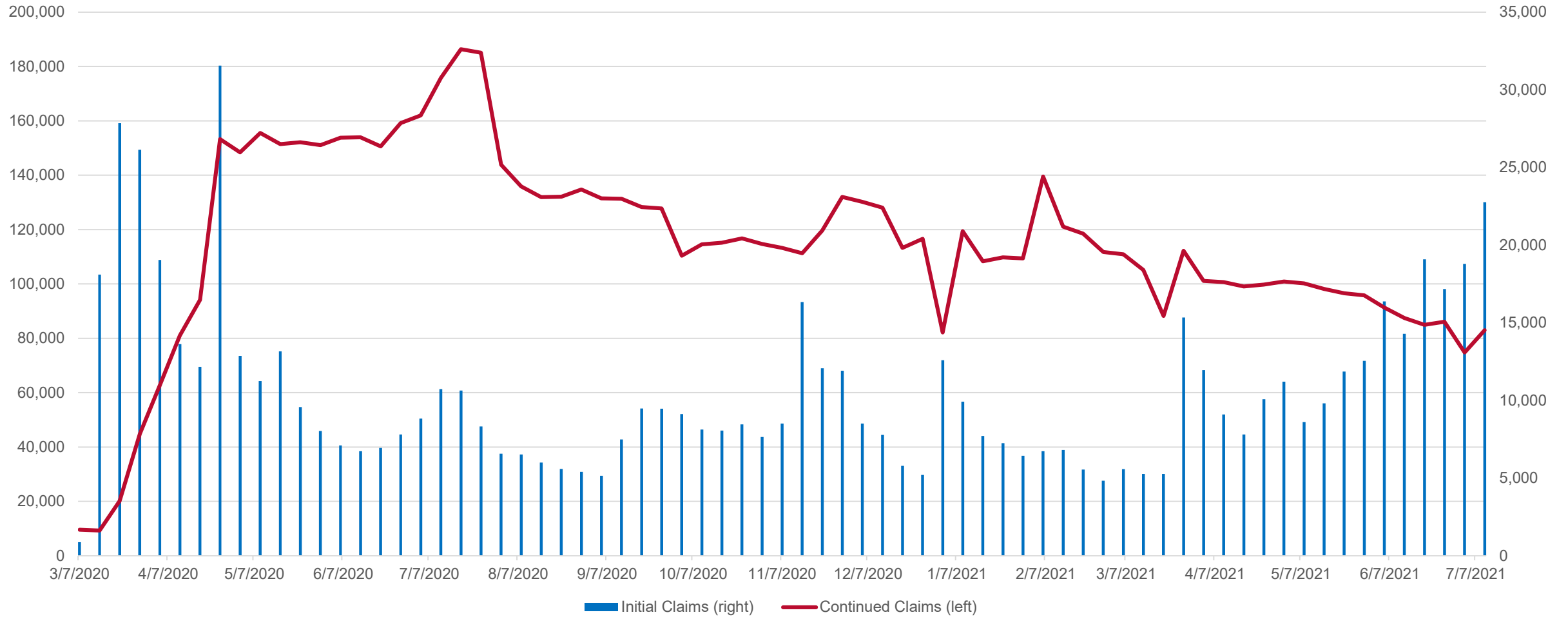
- As of July 2021, about 20,000 New Mexicans were on “regular” Unemployment Insurance (UI).
- Historical average total = 8,500.
- At its peak month (May 2021), 12.7% of UI-eligible New Mexicans (108,714) were on UI (25th of 50 states).
- Since May, UI rolls have declined by about 85,000 or 90% of peak enrollment. Only around 8 states better.
- As of July, 5.1% of New Mexican workforce remains on UI (only about 12 states better).

* Leaving the rolls may include employment, left the state, initial claim was rejected.

	Maximum Insured Employment Enrollment	Reduction of Insured Employment (July 2021 - Max)	Insured Unemployment (July 2021)
Alaska	15.9%	102.9%	5.6%
Arizona	7.7%	88.0%	3.0%
California	18.5%	91.3%	7.4%
Colorado	9.3%	93.0%	3.0%
Hawaii	20.6%	93.7%	5.1%
Idaho	8.2%	110.0%	1.6%
Montana	12.1%	110.1%	3.1%
Nevada	24.0%	89.3%	8.5%
New Mexico	12.7%	89.8%	5.1%
Oklahoma	10.8%	86.3%	5.1%
Oregon	15.1%	93.3%	5.3%
Texas	10.3%	95.3%	3.1%
Utah	5.8%	102.3%	1.4%
Washington	20.3%	97.6%	4.8%
Wyoming	6.4%	106.0%	2.0%

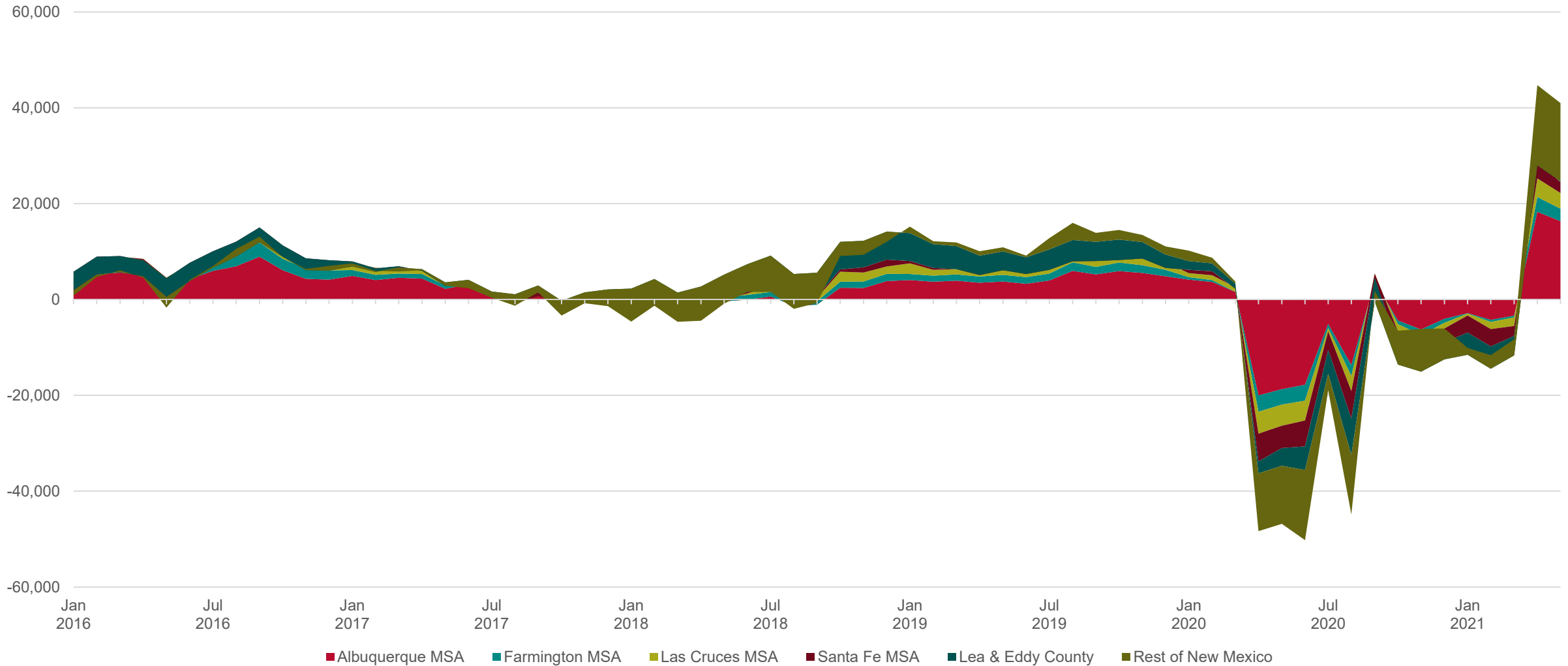
Source: US Department of Labor

Unemployment Insurance Claims



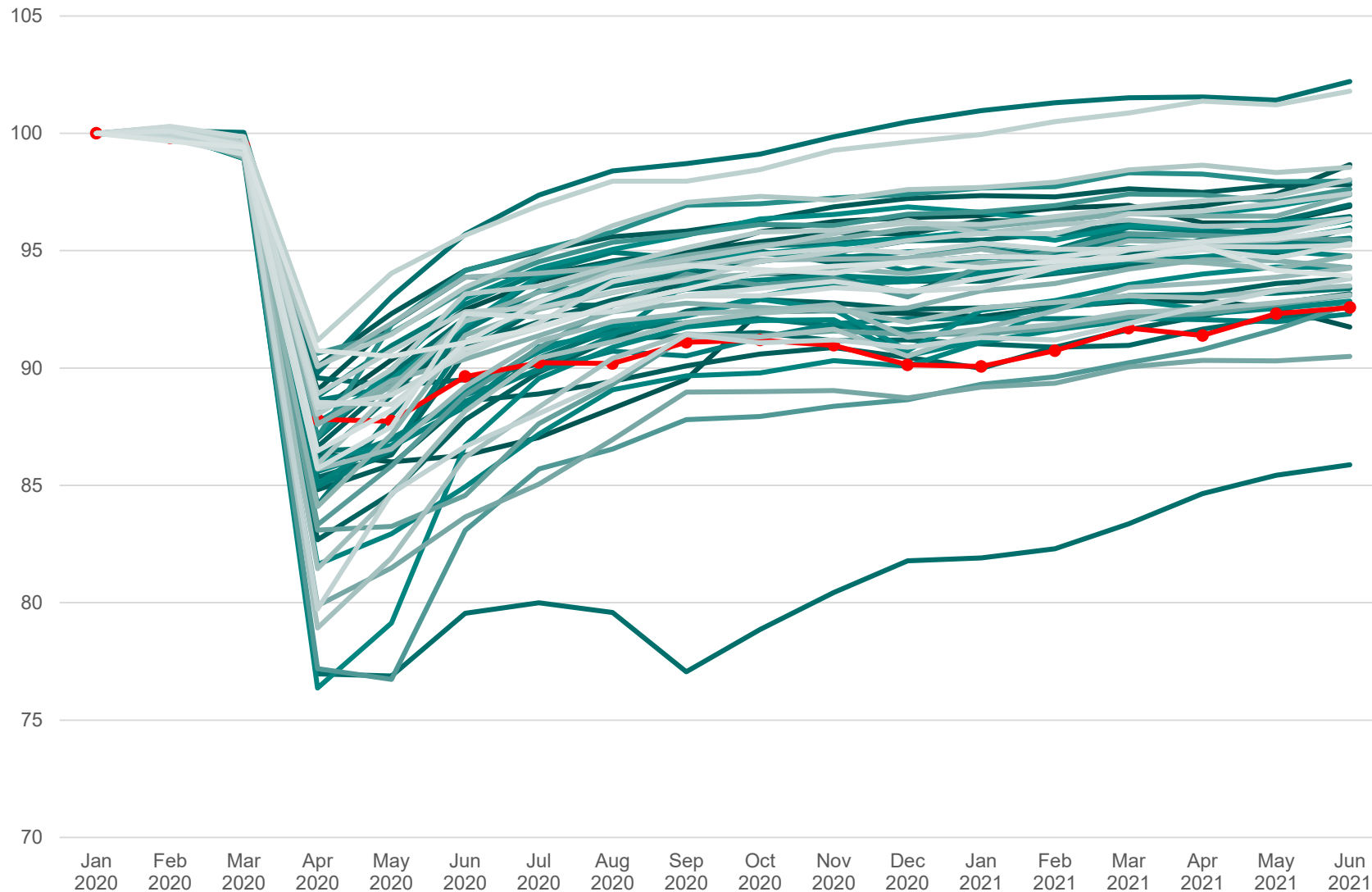
Source: NM DWS (reflecting through July 10)

Y/Y Change in NM Labor Force by Place



Source: BLS & NMDWS LAUS

Index (Jan. 2020 = 100 for each state)

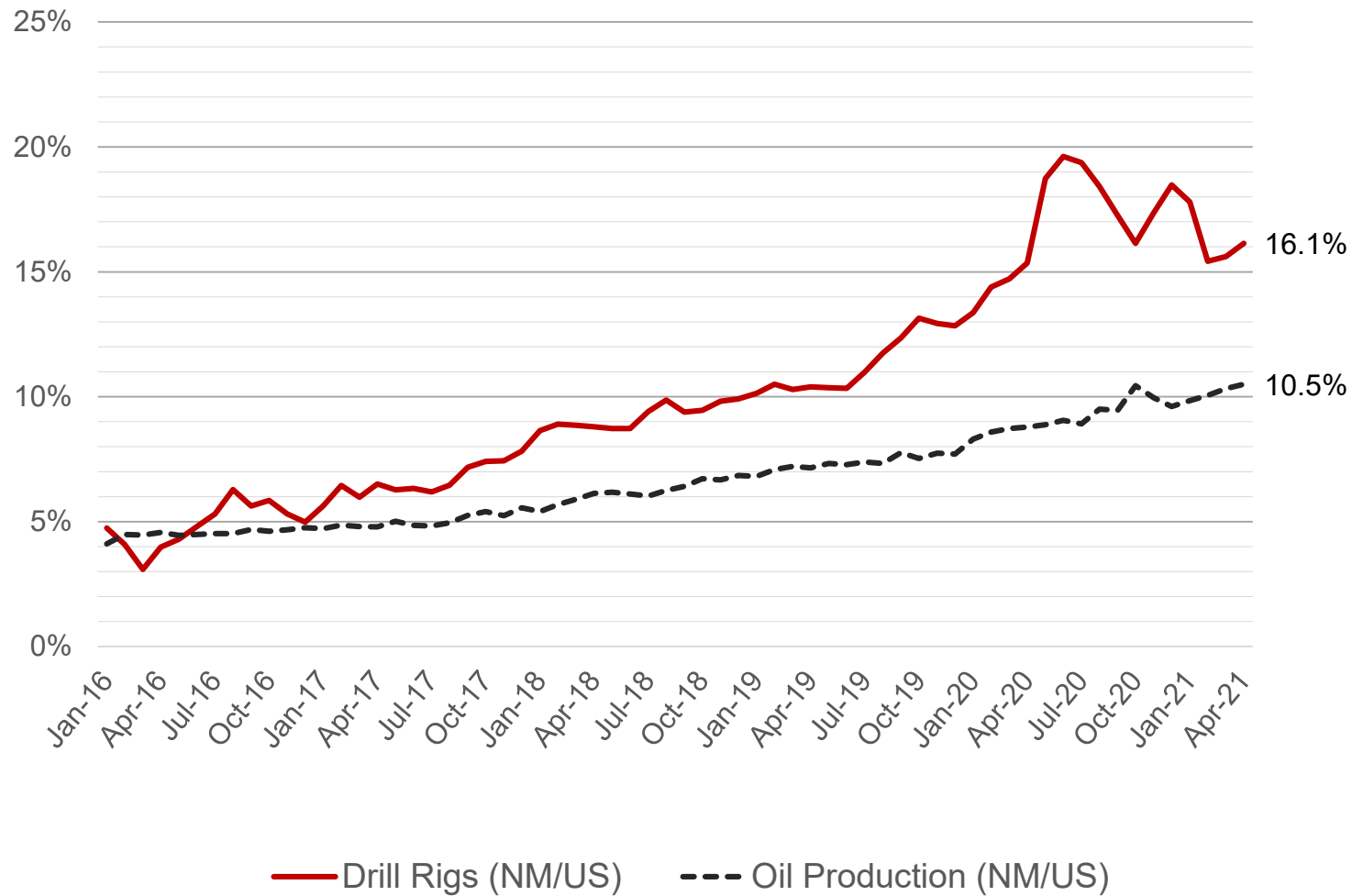


Change in Employment (CES data)

- As of June 2021, NM has only recovered 92.5% of the jobs it lost at the start of the pandemic.
- 46 states have recovered a greater share of jobs than New Mexico.
- Worse states are: Alaska, Hawaii, Louisiana, New York.
- Idaho and Utah have fully recovered.

Source: BLS CES, June 2021

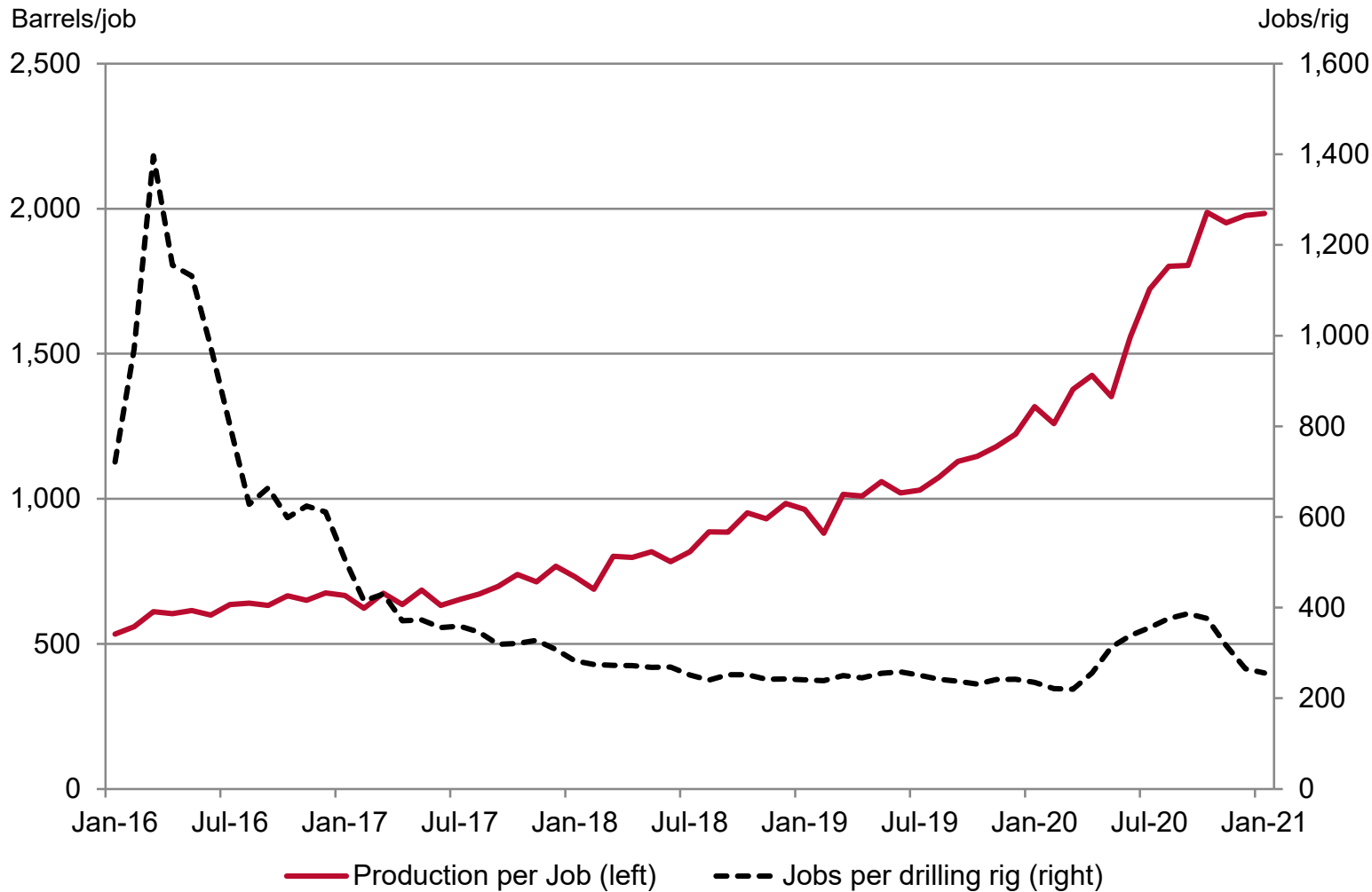
Increased NM field oil production presence



- Currently about 75 drilling rigs operating in NM.
- Around 15%-20% of all US drilling rigs are in New Mexico.
- More than 10% of all US field oil production occurs in NM – up from about 4% in 2016.
- To put in perspective: in 2020 field oil production in US totaled 11.3 million barrels per day (bpd), which is up from 8.9 million bpd in 2016 (up 28%). In NM, production increased from 400,000 bpd in 2016 to 1.0 million bpd in 2020 (up 159%).
- Incidentally: NM accounts for around 5% of US gas production by volume.

Sources: EIA, Baker Hughes. Calculations: BBER

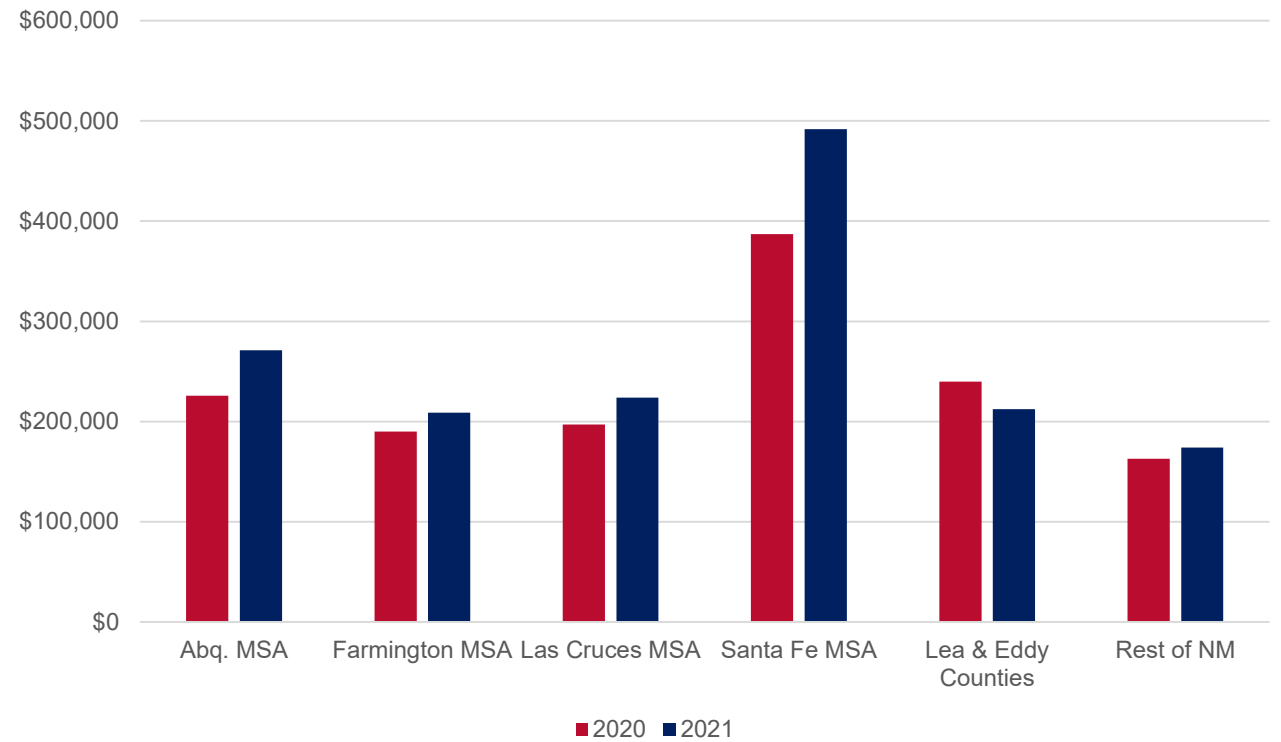
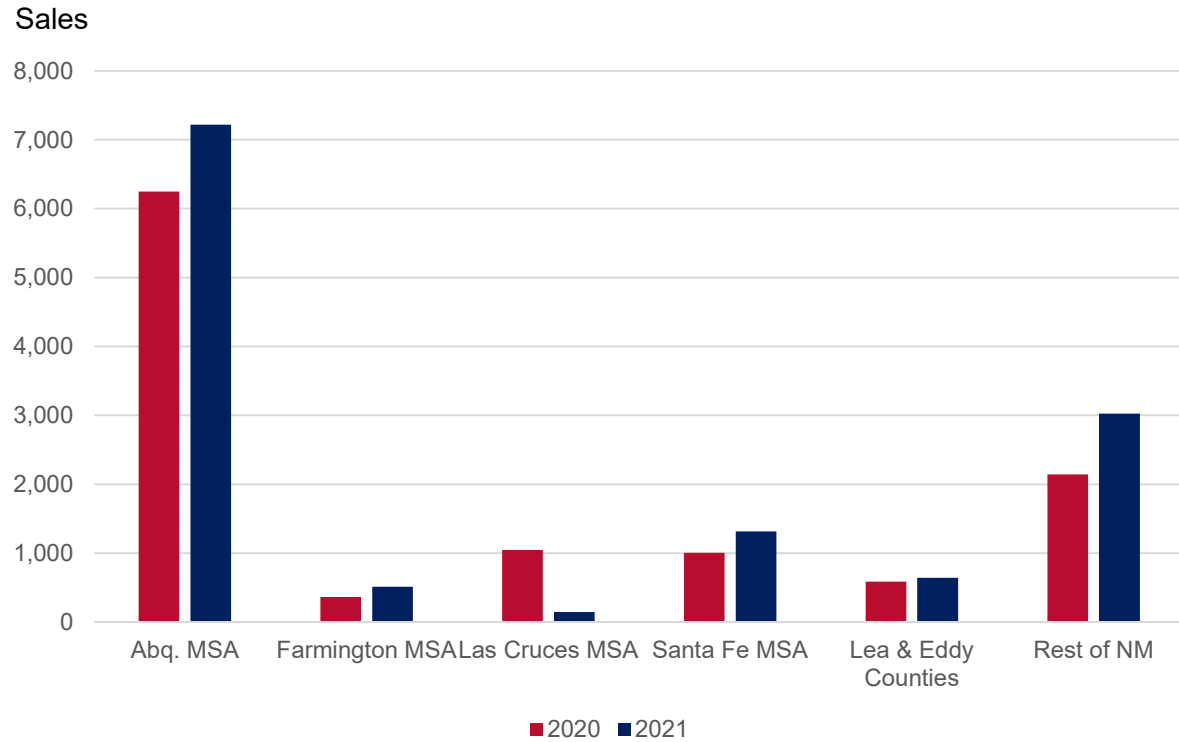
Move toward more “efficient” production



- NM “mining” jobs averaged about 20 thousand in 2016, peaked at 26 thousand in 2019 and is now about 17 thousand (as of June 2021).
- Still reasonable labor demands for drilling, but production is deviating.
- For local areas:
 - Fewer workers to spend in local economy
 - Negative impacts to associated industries
 - Recovery of (some) oil & gas tax revenue

Sources: EIA, Baker Hughes. Calculations: BBER

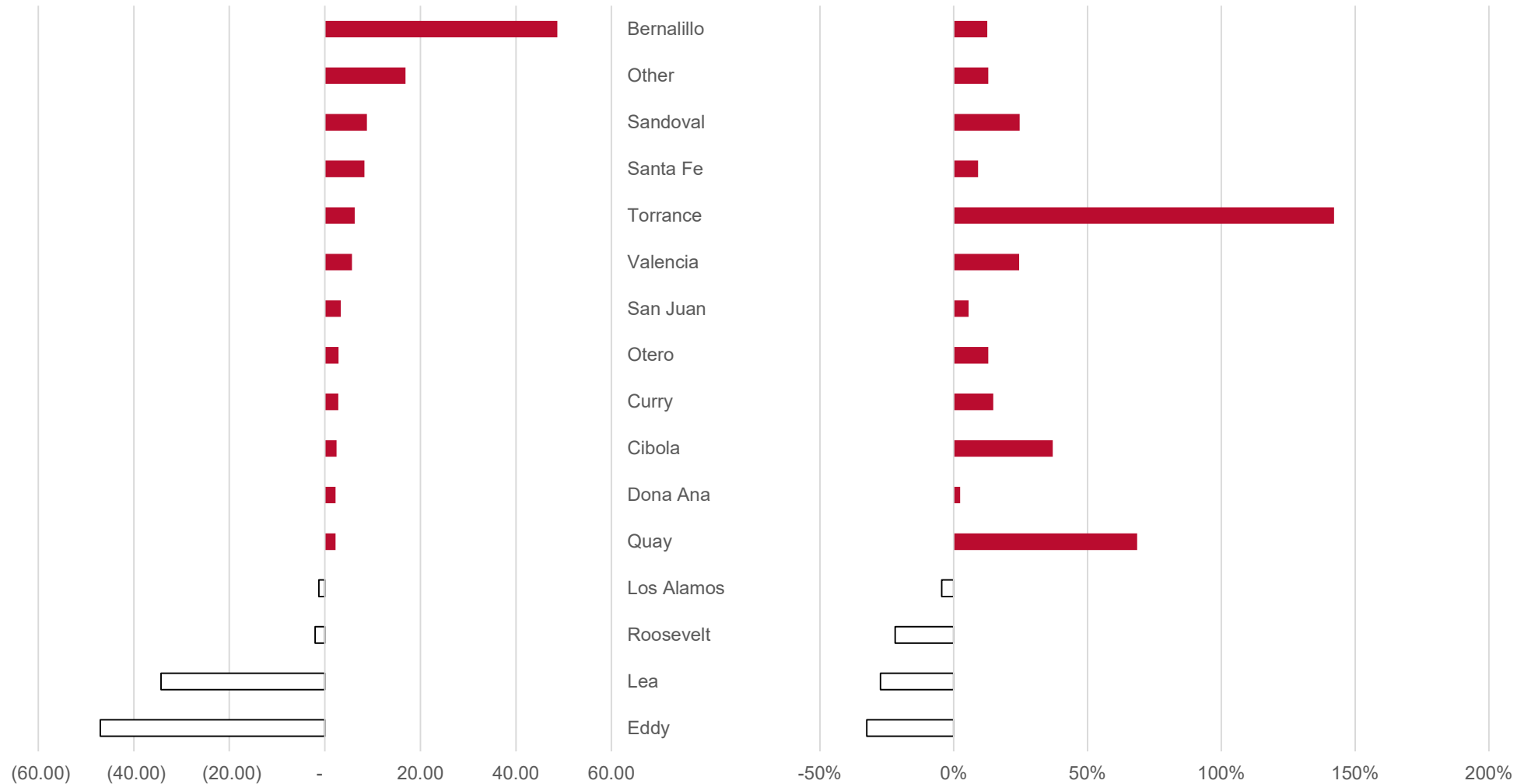
New Mexico Housing Sales Jan.-June 2021 versus 2020



Sales in most places have increased. Year to date, sales are up 13% statewide. Median price is up 18% statewide from \$225,000 to \$265,000.

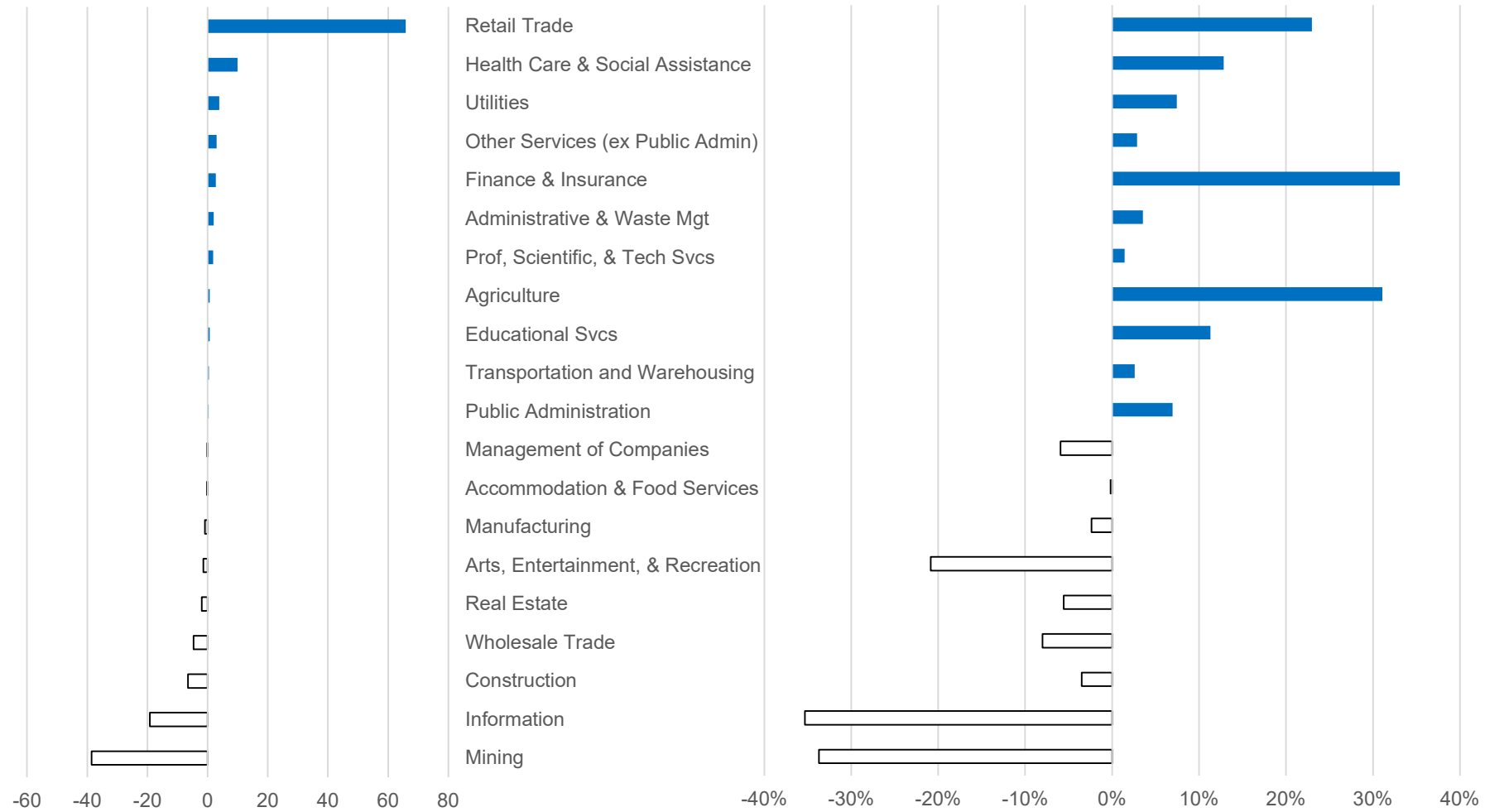
Source: New Mexico Realtors Association

Taxable GRT (2021Q1 over 2020Q2) - Counties



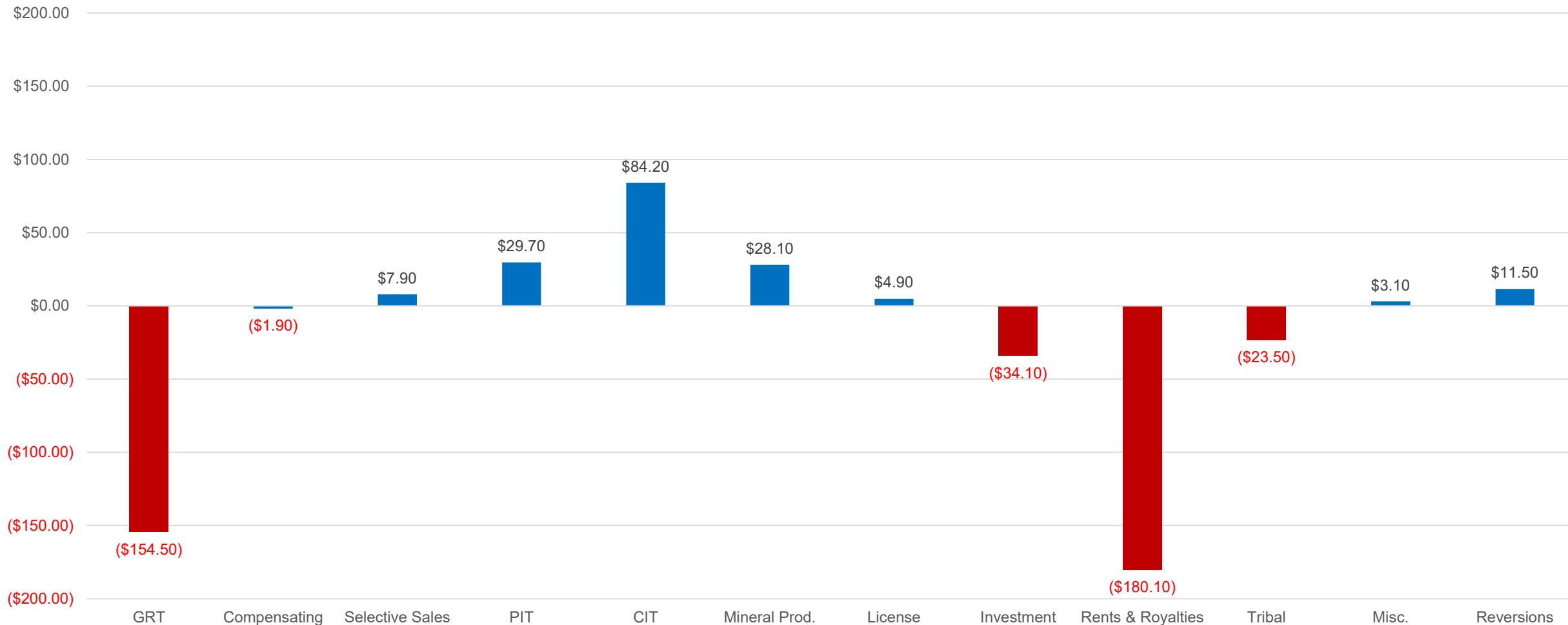
Source: NM TRD. Levels in millions of dollars.

Taxable GRT (2021Q1 over 2020Q2) - Industries



Source: NM TRD. Levels in millions of dollars.

State Recurring Revenue: June 2020 – March 2021



Source: NM LFC (data in millions)

New Mexico Outlook



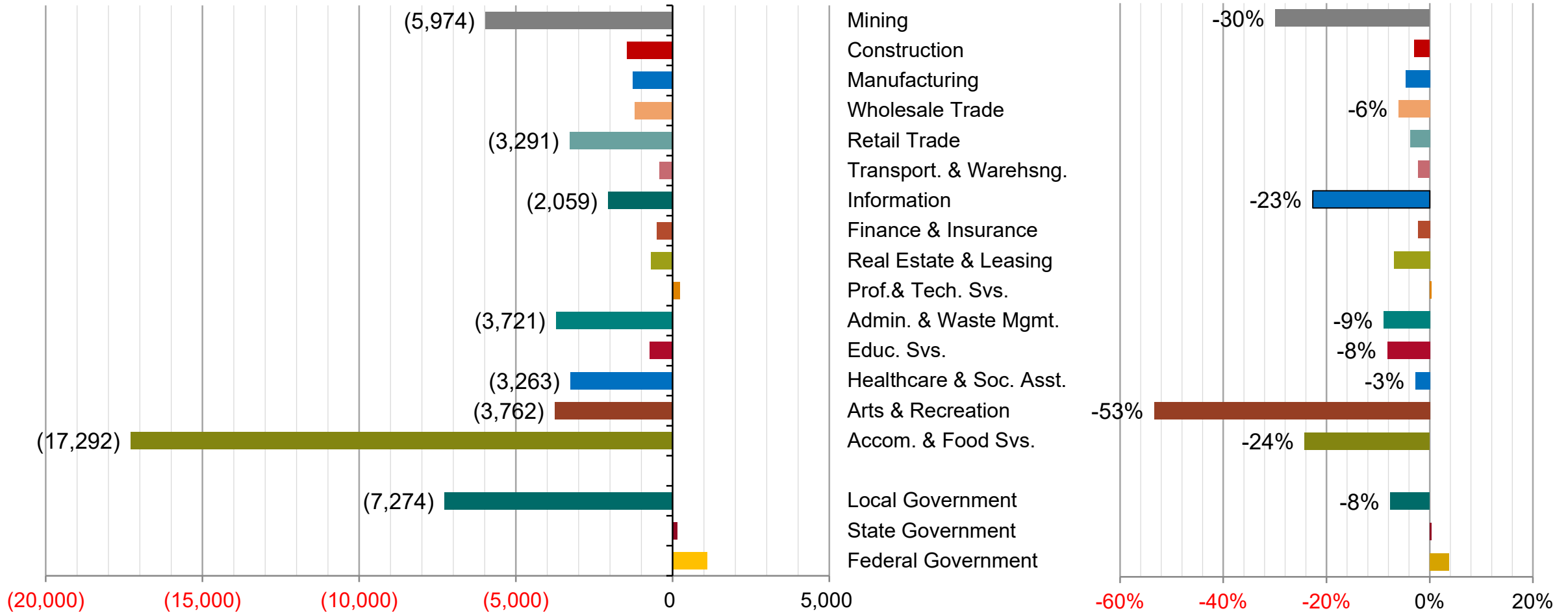
New Mexico Economic Outlook 2021-2026

- Forecast now somewhat less dependent on COVID-19 trajectory and more on business & behavioral responses in New Mexico –
 - a. Our expectation: slow (relative to US) but consistent recovery after deep recession – U-shaped
 - b. A more pessimistic scenario: prolonged struggle that wipes out household and business balance sheets and shakes confidence, years of recovery – L-shaped
- Loss of 89,700 jobs (-10.5%) in Q2 before recovering 13,135 jobs in Q3 and 15,431 jobs in Q4 (all QoQ) – 2020 down 55,000 jobs (-6.6%) compared to 2019.
- 2021 projected to grow 0.9% before gaining steam in 2022 (2.8%). Growth of 1.5% projected per year thereafter.
- Economy exceeds 2019 levels by 2024 by about 1,350 jobs. By 2026, employment some 24,500 jobs (2.9%) above 2019 levels.
- Income patterns are slightly different with strong growth in 2020 & 2021, weakening in 2022 (-5.5%), then accelerating slowly thereafter (about 4.7% per year).

But...

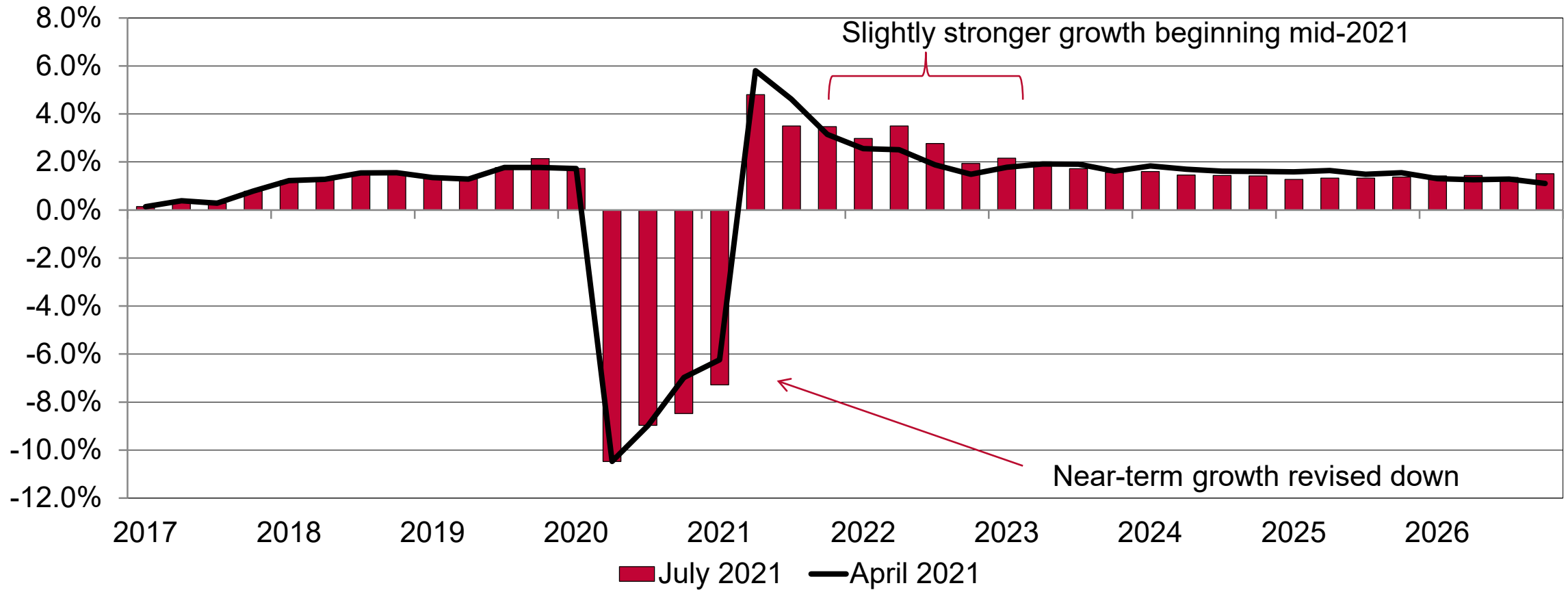
- State is beginning to open and there is some optimism – but variants could dash hopes.
- Although slow growth after recession is a bit like after the Great Recession, there seems to be better news this time around.
 - Facebook expansion
 - Amazon fulfillment center
 - Netflix (and others...)
 - Intel retrofit
- Business are reporting having difficulty finding workers.
 - What's driving that and how long will that last?

Job Growth by Sector, 2020



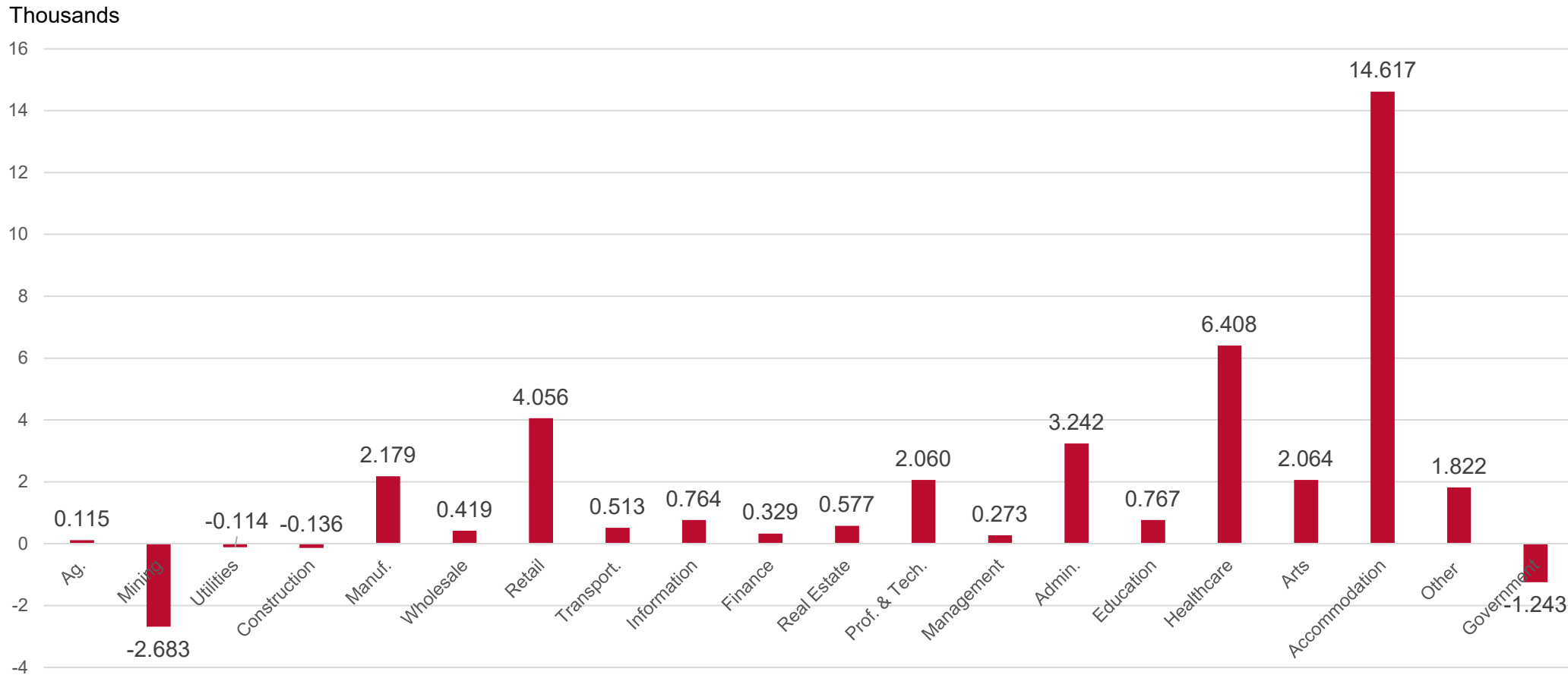
BBER FOR-UNM, July 2021

Forecast Comparison: Employment Growth



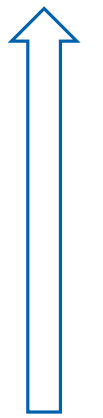
BBER FOR-UNM, July 2021

Forecast Job Recovery by Industry, 2020Q3 – 2021Q2



**2020Q2
Job Loss
- 89,722**

**20Q3-21Q2
Job Gain
+36,028**

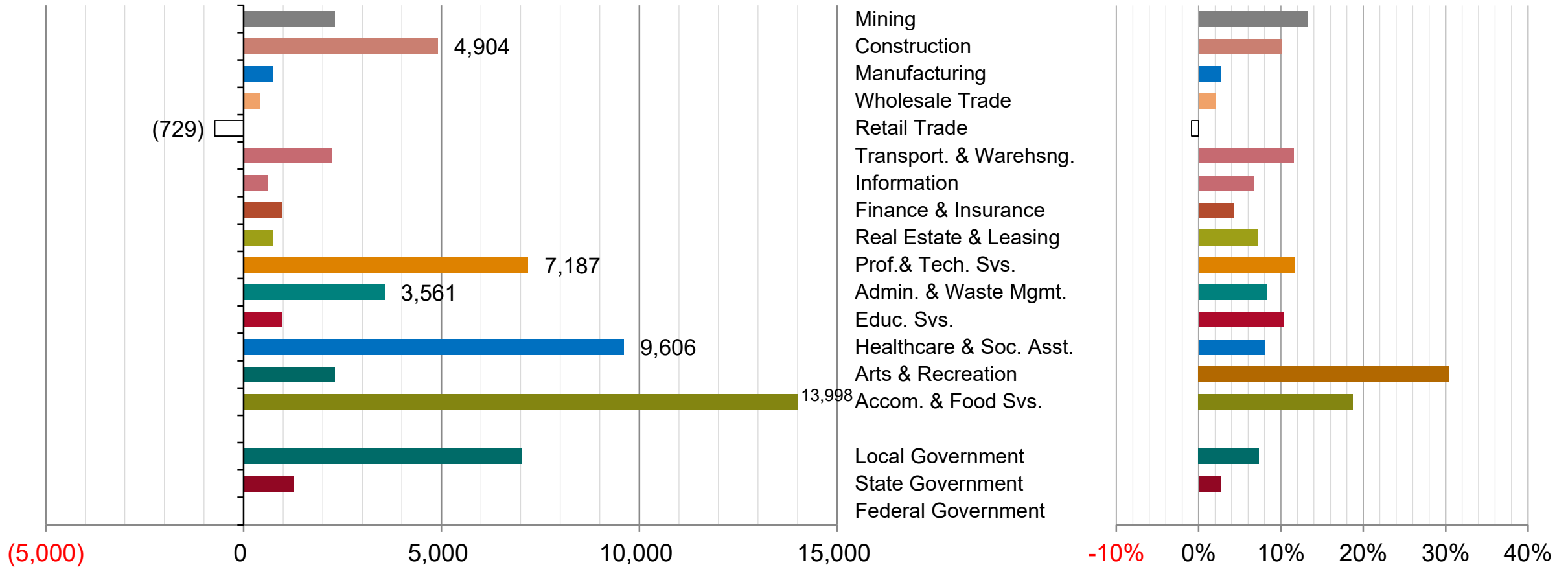


Projected recovery of about 40% 1 year later.

Note: Downgraded from April by about 7k jobs.

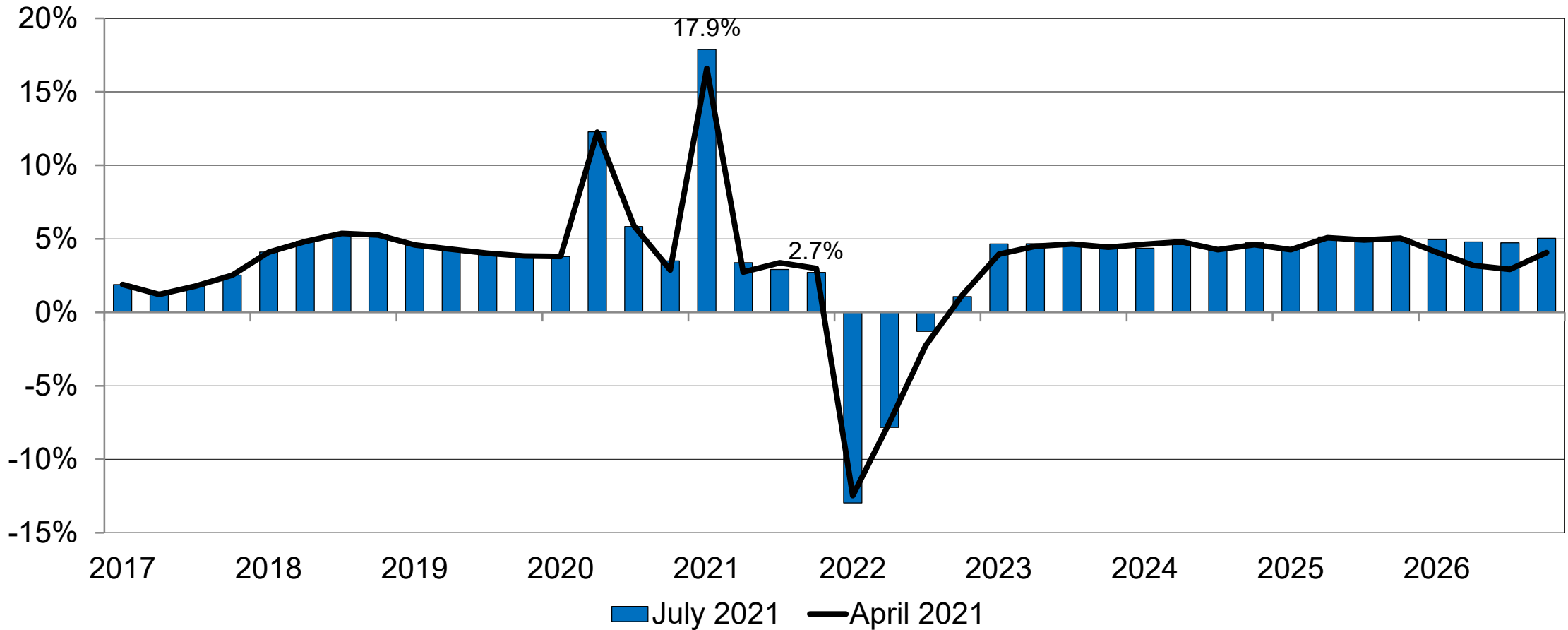
BBER FOR-UNM, July 2021

NM Job Growth by Sector, 2021-2026



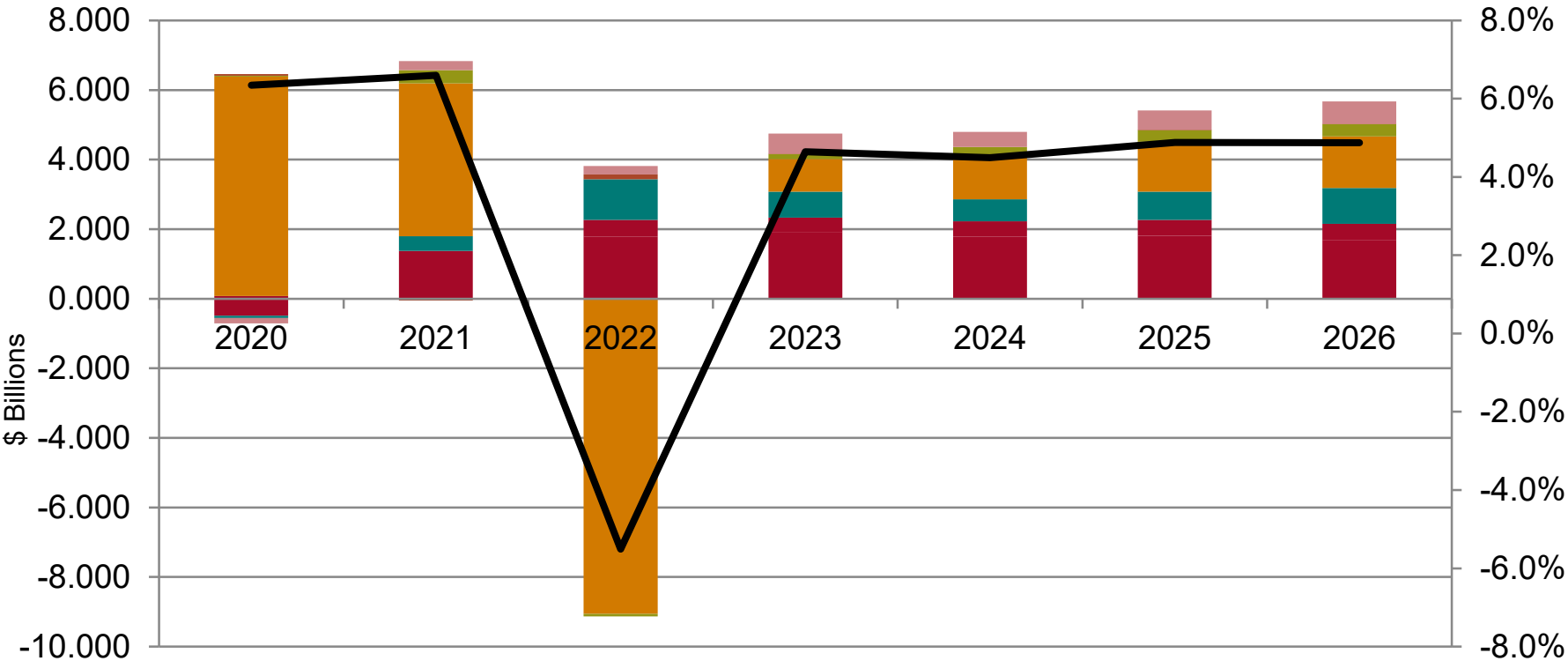
BBER FOR-UNM, July 2021

Forecast Comparison: Personal Income



BBER FOR-UNM, July 2021

Forecast Personal Income Growth, by Component



- Personal incomes positive in 2020 & 2021 by massive increase of federal transfers (unemployment, stimulus checks, Medicaid and other CARES funding).
- Income growth contracts sharply in 2022 with reductions in transfers.
- Consistent growth returns in 2023.

BBER FOR-UNM, July 2021

Alternative Scenarios

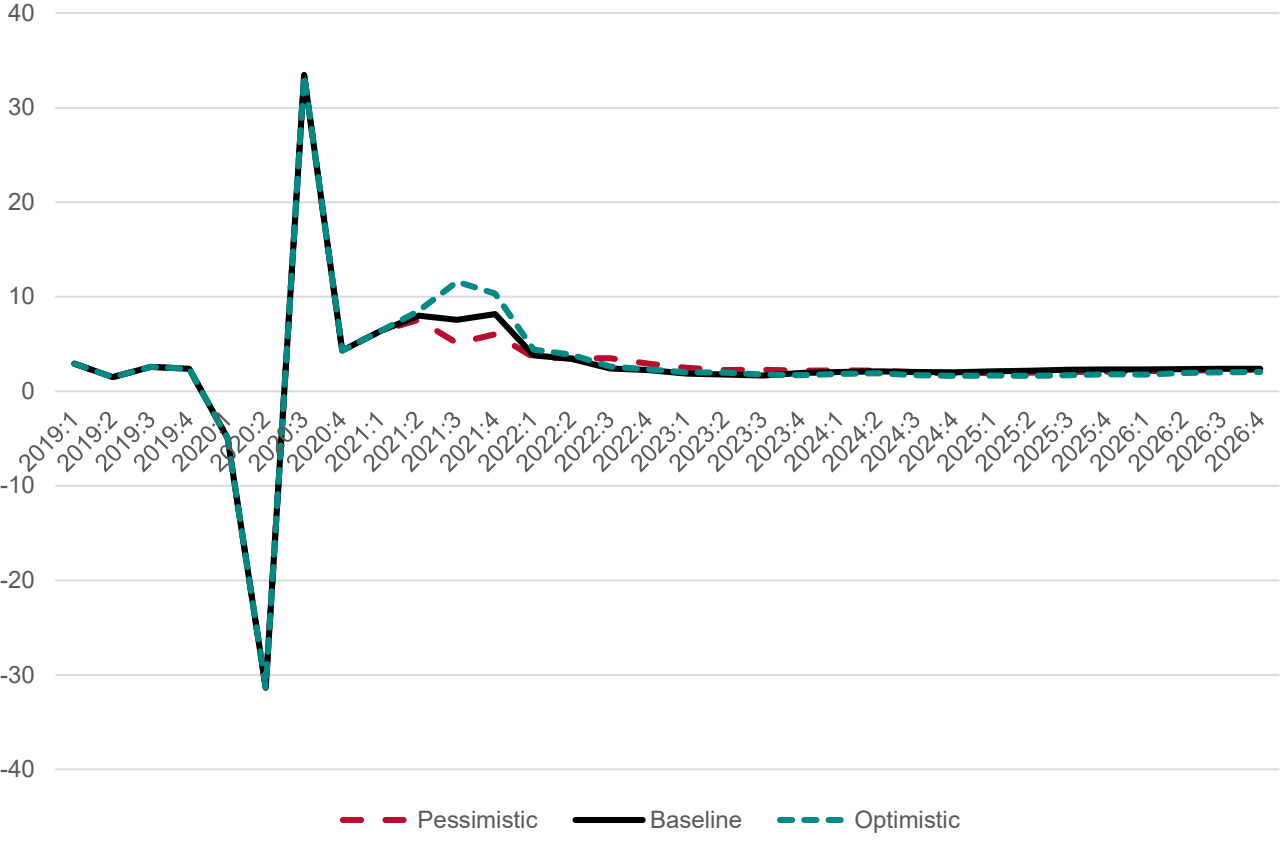
- Uncertainty is unprecedented – epidemiology + economics.
- IHS Markit's forecasts – baseline, optimistic, pessimistic – are something of a composite V-ish and U-ish shape.
- FOR-UNM's forecasts are less optimistic and tend toward a U-shape.
- FOR-UNM offers the baseline and the two standard alternatives plus a fourth more pessimistic scenario (Pessimistic 2) intended to put a floor under the outlook; ends up briefly double dipping.
- Pessimistic scenarios considers challenges facing NM: a) small business access to federal loans, b) trend toward business consolidation, C) government budget cuts.
- Pessimistic 2 scenario is more of an L-shape, with incomplete recovery by end of forecast period.

US Real GDP Forecast – Alternative Scenarios

Billions of Dollars (real)

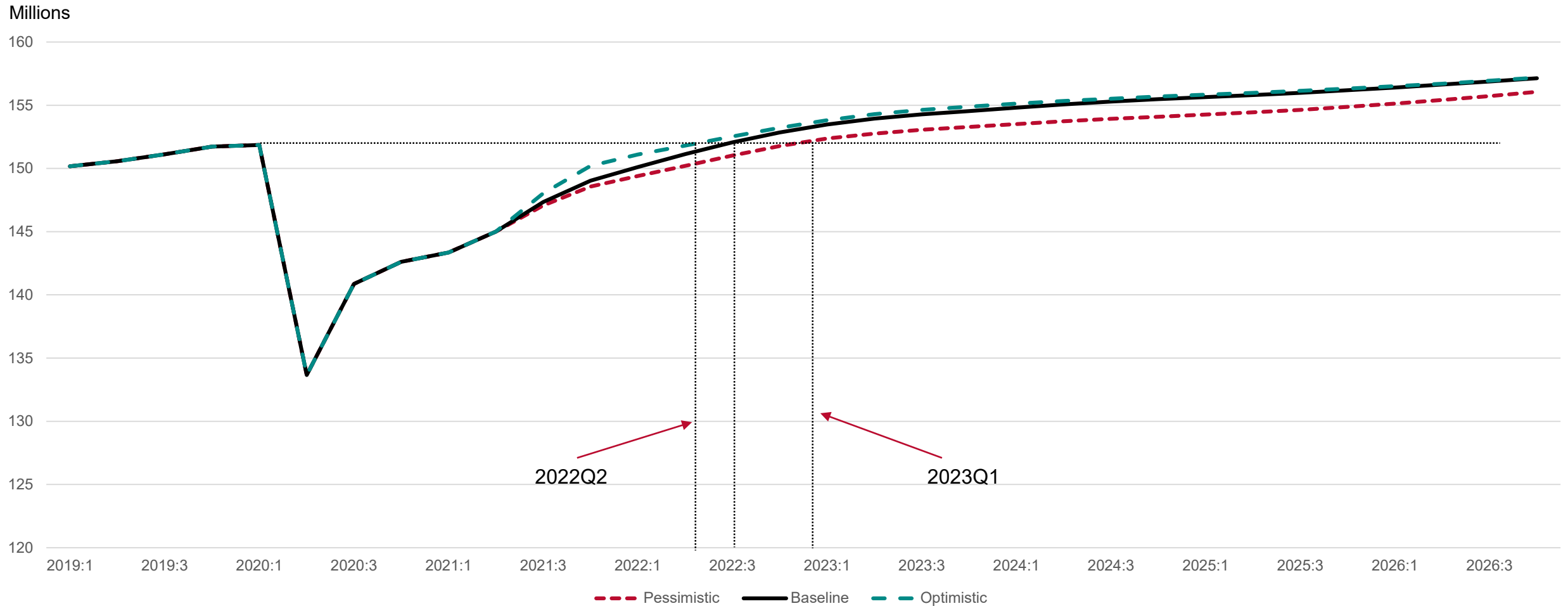


% SAAR



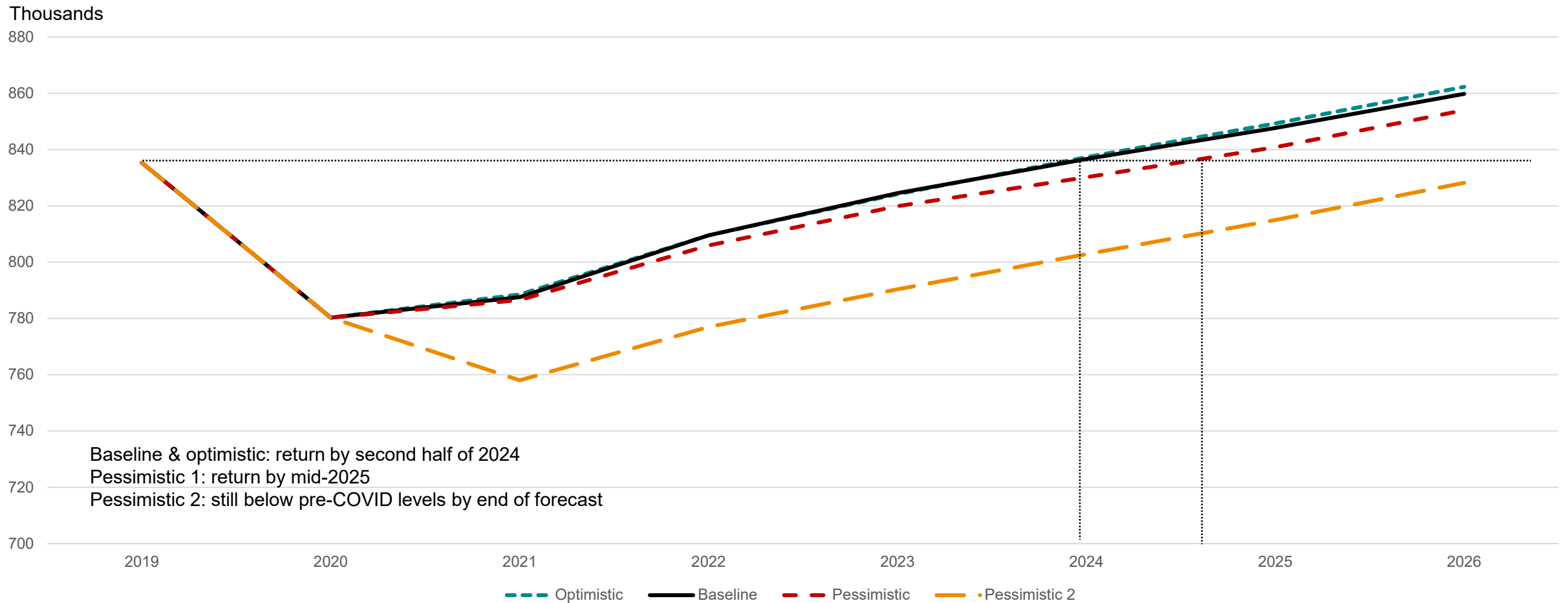
IHS Markit, July 2021

US Employment Forecast – Alternative Scenarios



Source: IHS Markit April 2021

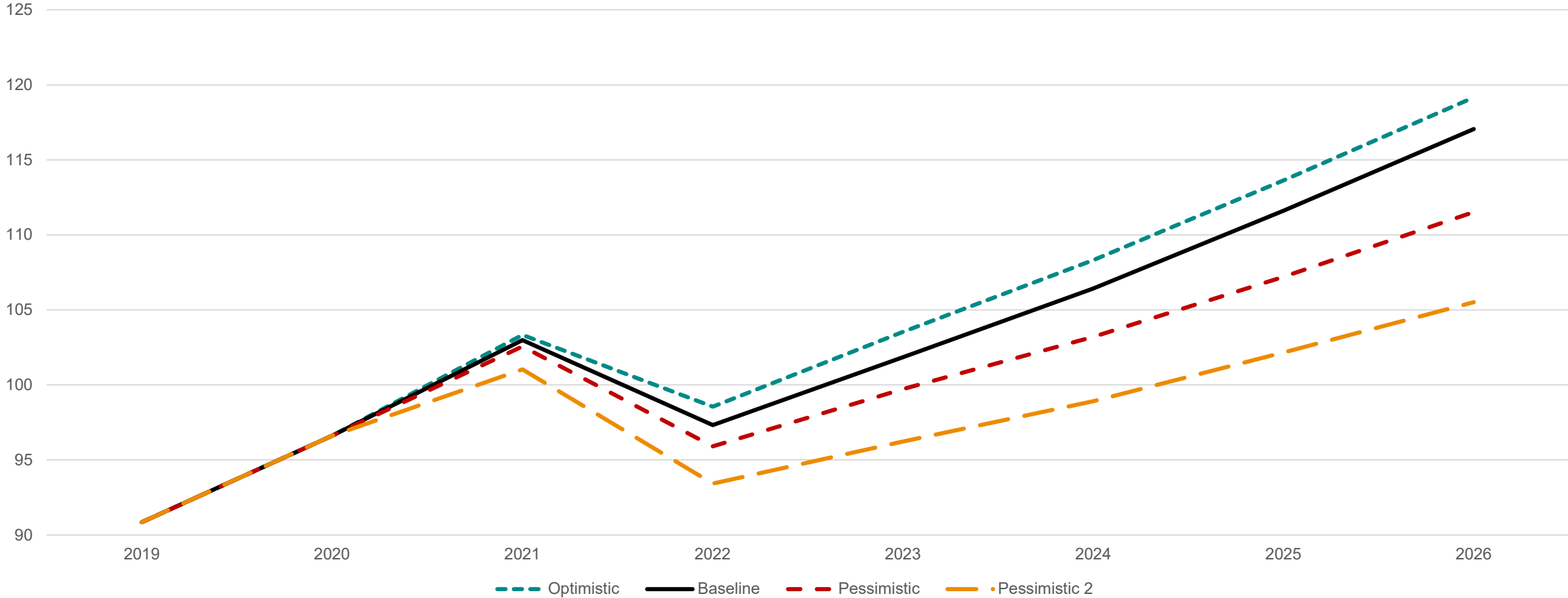
New Mexico Employment Forecast – Alternative Scenarios



Source FOR-UNM July 2021

New Mexico Income Forecast – Alternative Scenarios

\$Billions (nominal)



Source FOR-UNM July 2021

NEXT FORECAST MEETING

FRIDAY
November
5

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