

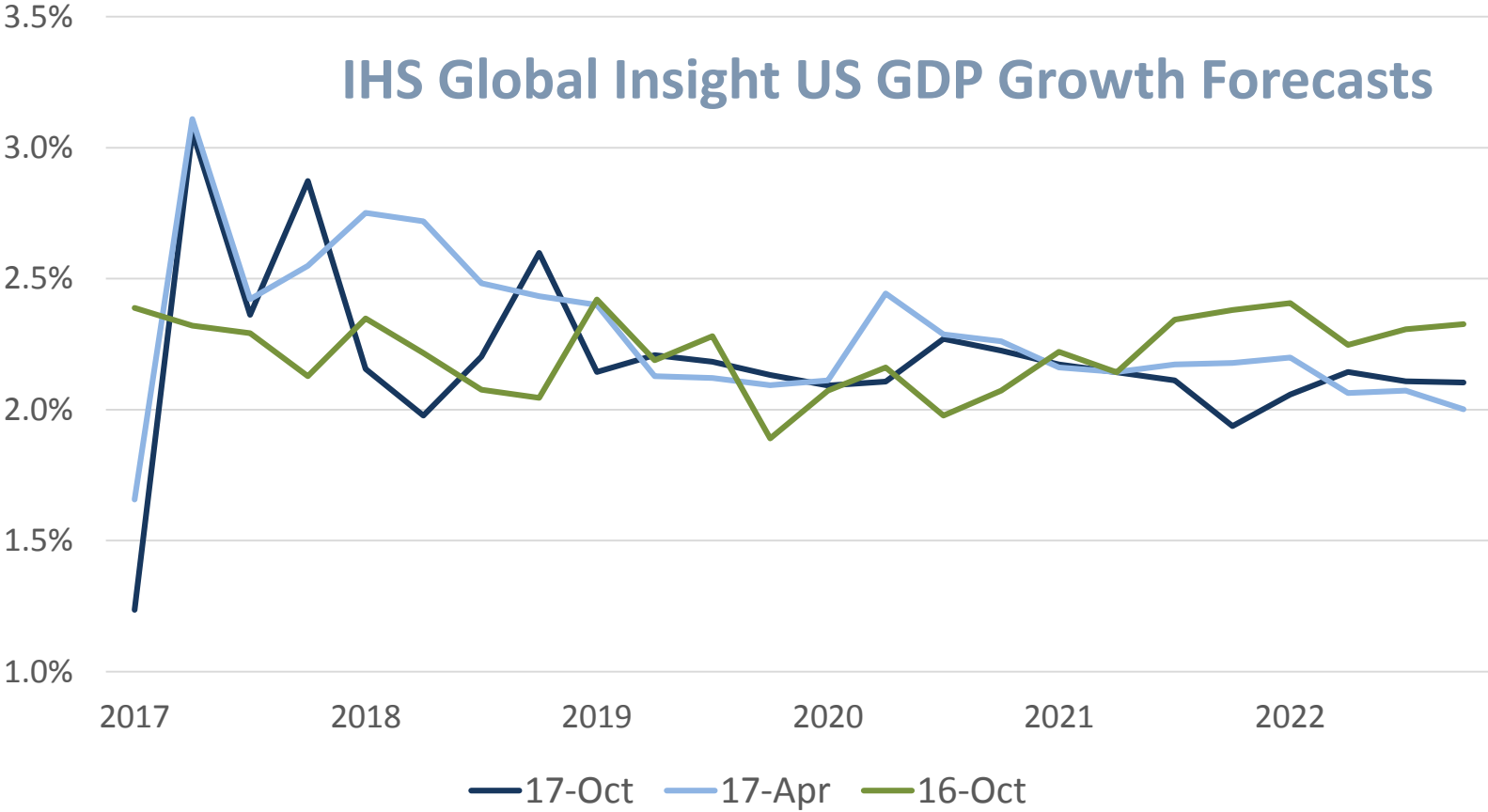
New Mexico Economy: Recent Developments and Outlook

*Revenue Stabilization and Tax Policy Committee
November 20, 2017*



Bureau of Business & Economic Research
THE UNIVERSITY *of* NEW MEXICO

Since 2016 election, US outlook is stronger in the short-term but slightly weaker in the long-term



Source: IHS Global Insight

New Mexico Economic Current Situation

- QCEW says NM lost 537 jobs (-0.1%) in 2017Q1 after a loss of 2,500 (-0.3%) – first loss in two consecutive quarters since 2010.
- CES shows +0.7 for both 2016Q4 & 2017Q1, and +0.9% and 0.7% for 2017Q2 and Q3; BBER estimates 0.2% for 2017Q2 and Q3.
- Changing pattern—in 2017Q1 Mining -1,390 jobs, Healthcare +1,480 (in 2016, Mining -5,700 jobs and Healthcare +4,625 jobs).
- Personal income growth weak (2.0% in 2017Q1 & Q2). Compared to past two years, wage & salaries less of a drag (1.9%; 2016=0.5%) and transfers no longer a positive factor (-0.1%; 2014-2015=8.6%).
- Public finances much improved – Gross Receipts & Personal Income taxes up; oil production and revenues up.



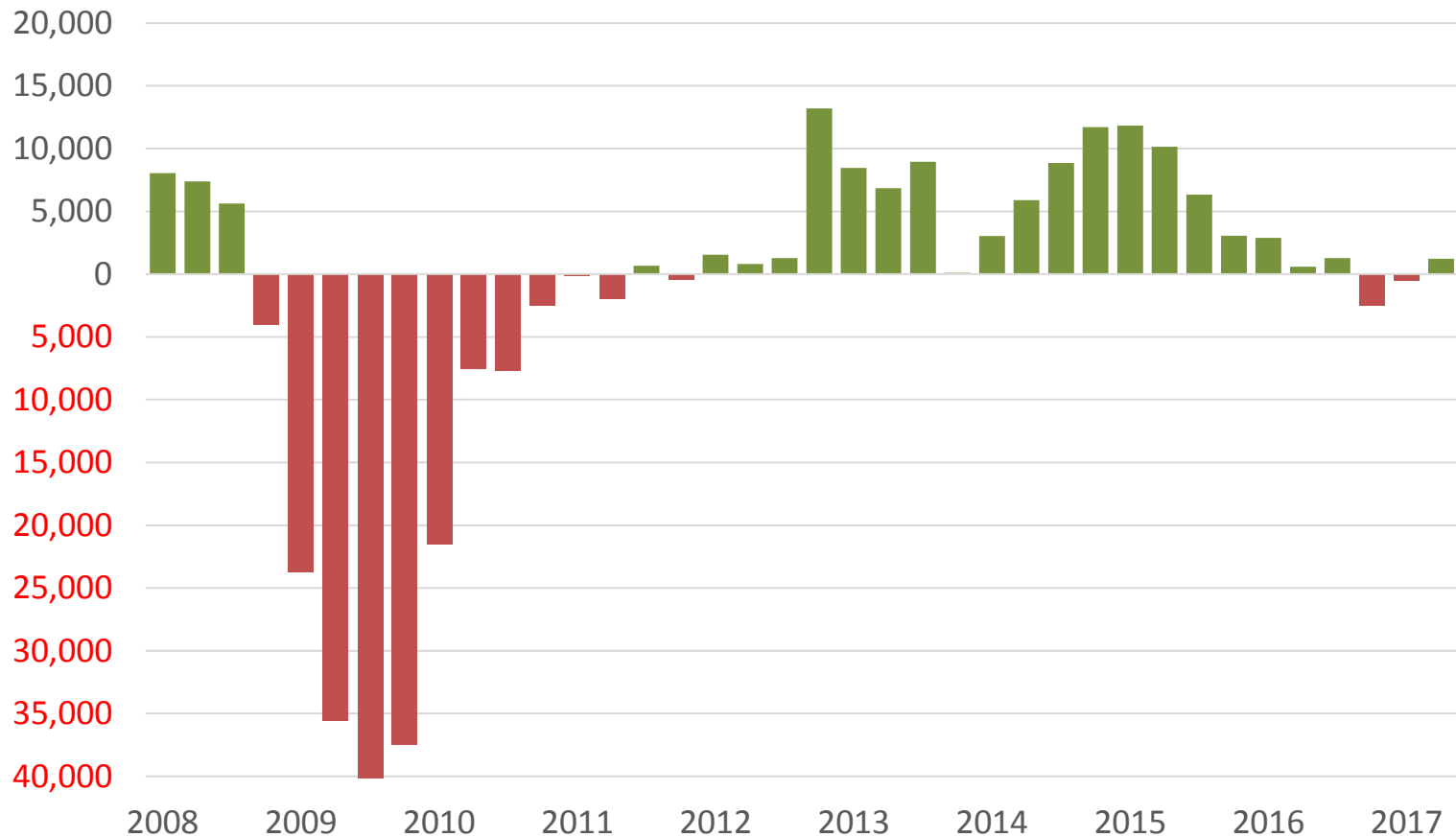
Changing Patterns of Job Growth



Bureau of Business & Economic Research

THE UNIVERSITY *of* NEW MEXICO

First consecutive quarters of job loss since 2011 occurred in 2016Q4 & 2017Q1

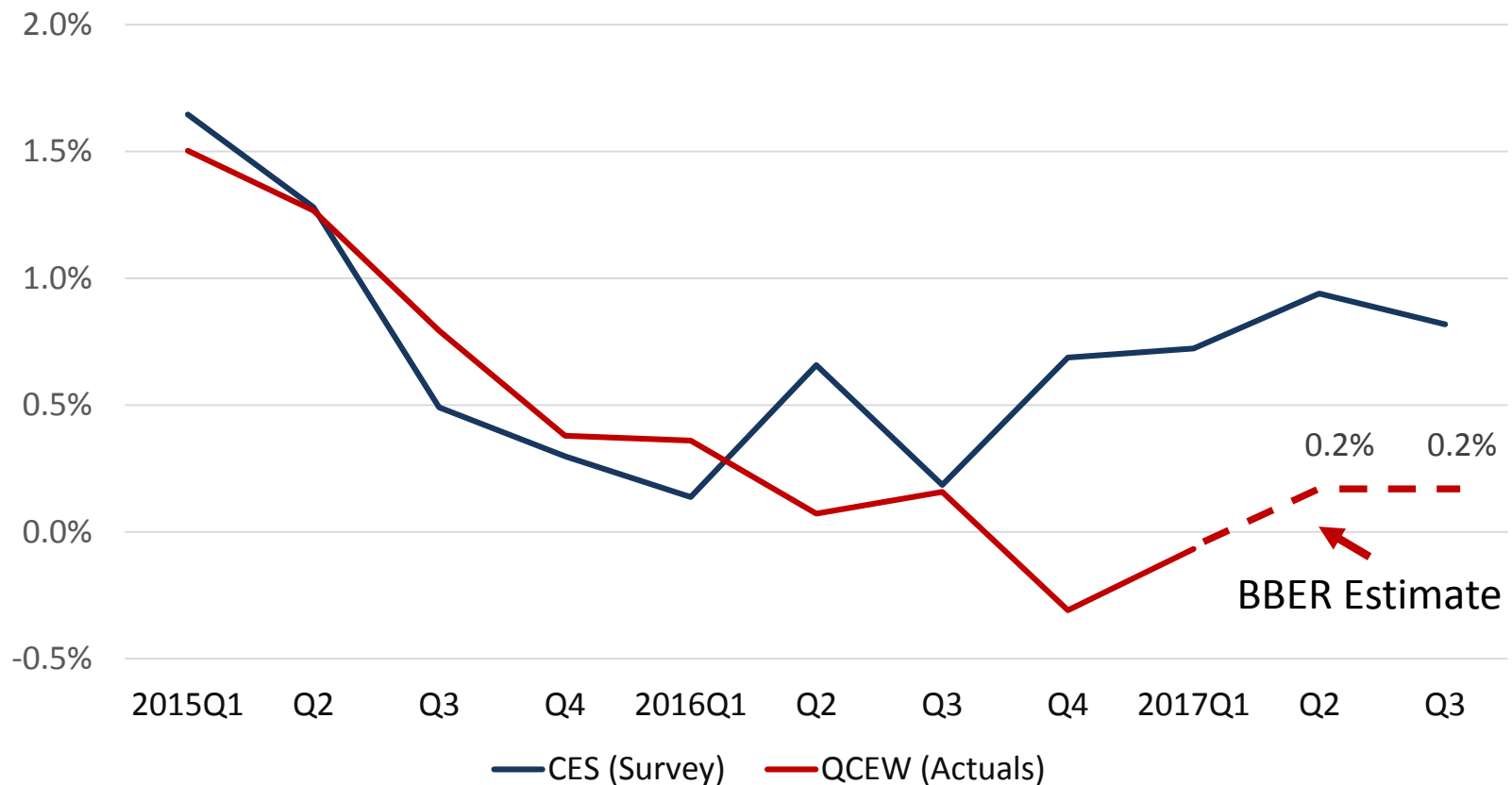


Source: US Bureau of Labor Statistics, QCEW.



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Preliminary survey data has been optimistic. BBER offers a more cautious estimate of recent growth

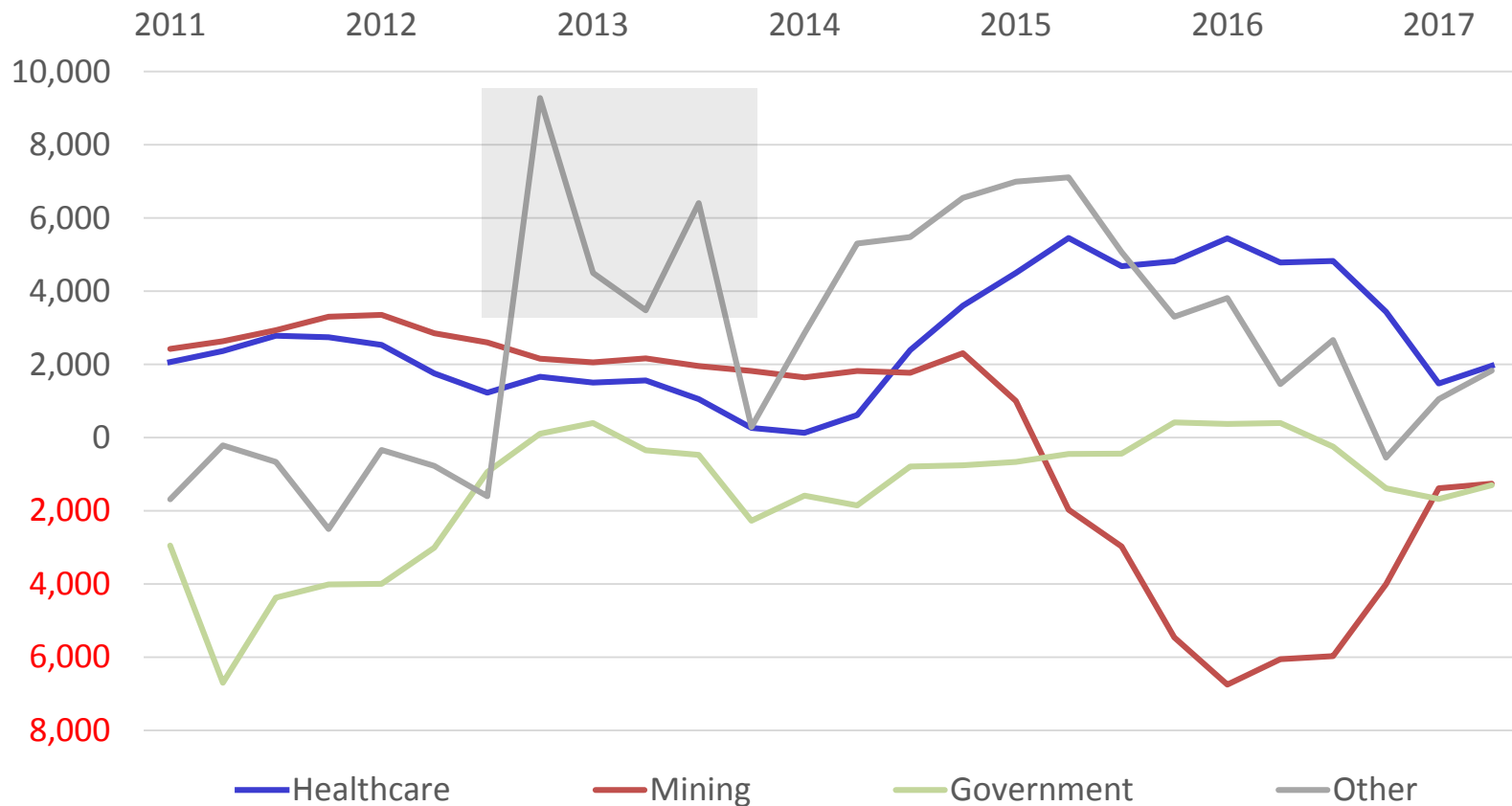


Sources: CES data available at time of FOR-UNM forecasts (pre-benchmarked); QCEW data current.



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Gains/Losses in Healthcare and Mining are moderating

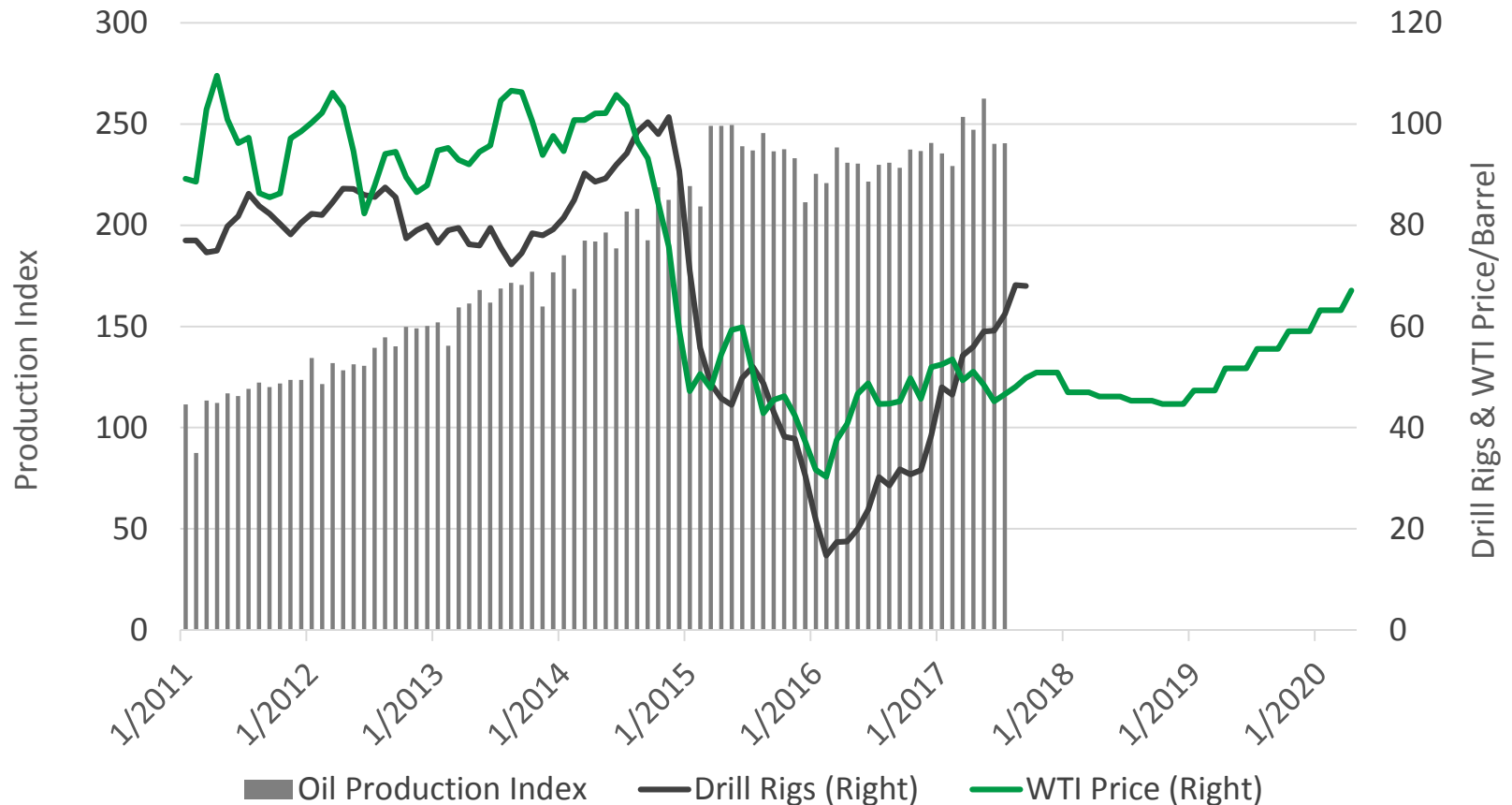


Source: US Bureau of Labor Statistics, QCEW.



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Increased drill rig activity and oil production with WTI prices near \$50/barrel

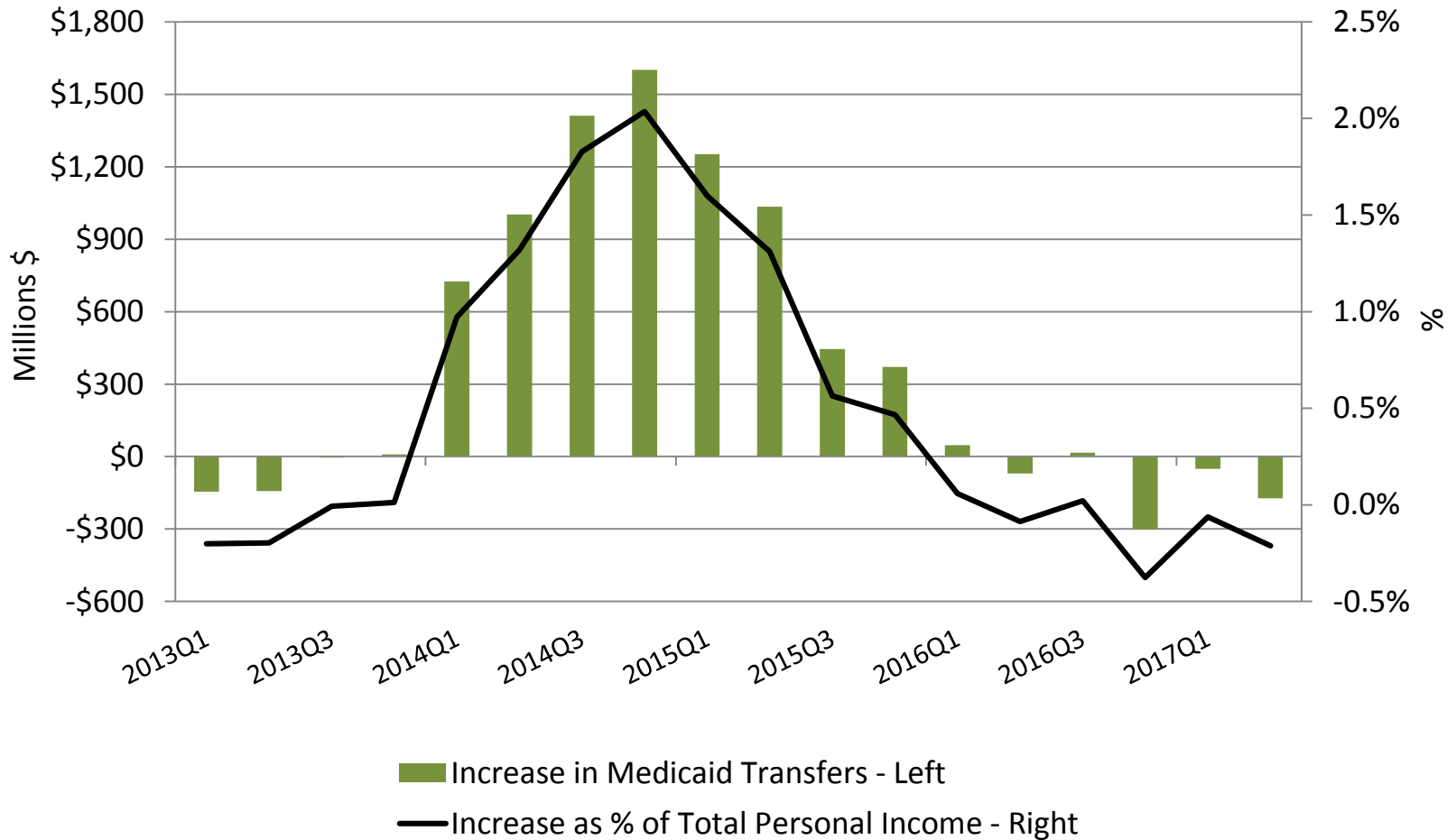


Source: EIA, Baker Hughes, ONGARD, IHS Global Insight.



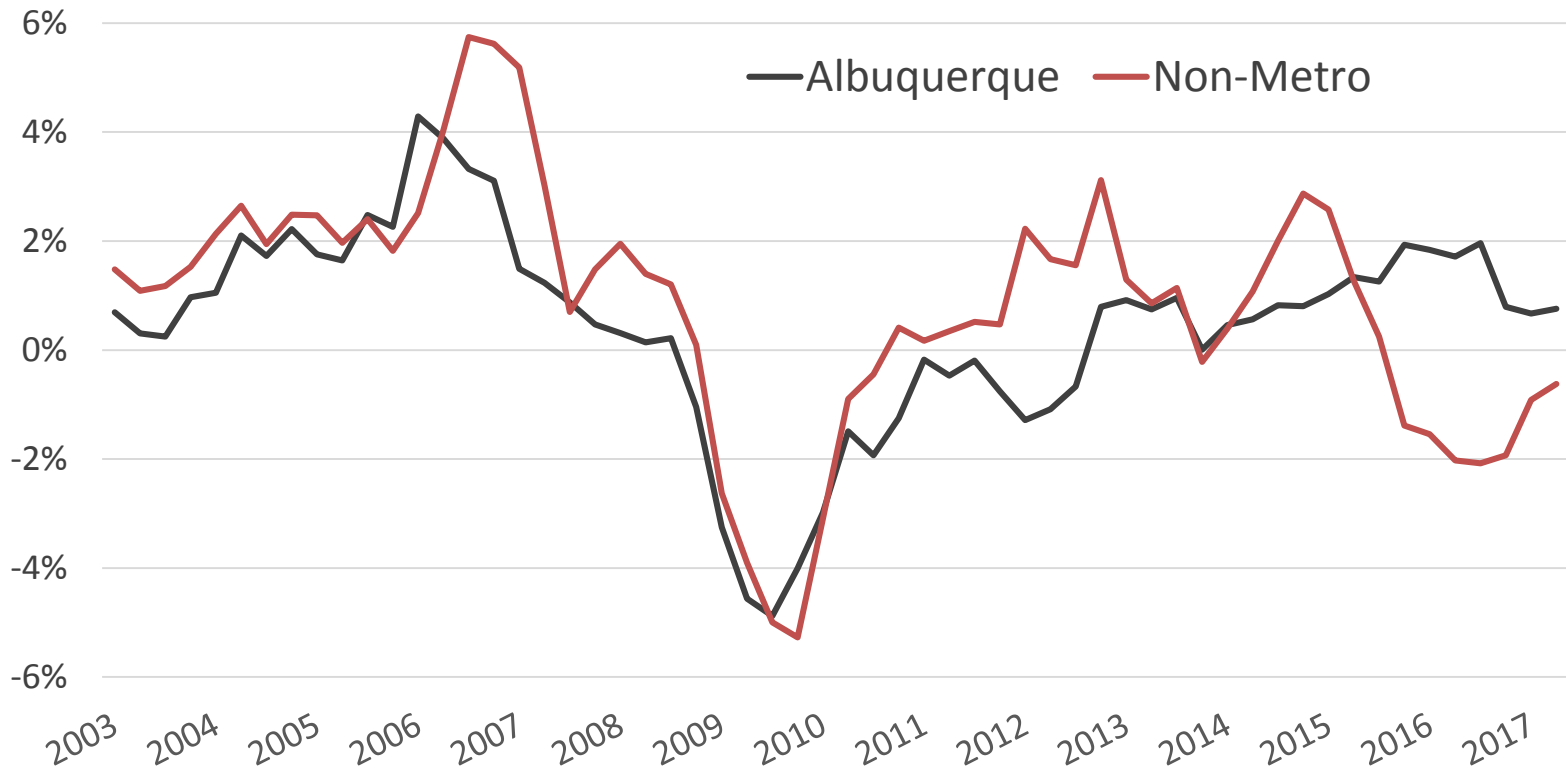
Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Change in Medicaid Payments



Source: US Bureau of Economic Analysis, Table SQ35.

Regions in New Mexico have not been pulling in the same direction



Source: US Bureau of Labor Statistics



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Improving State Finances



Bureau of Business & Economic Research

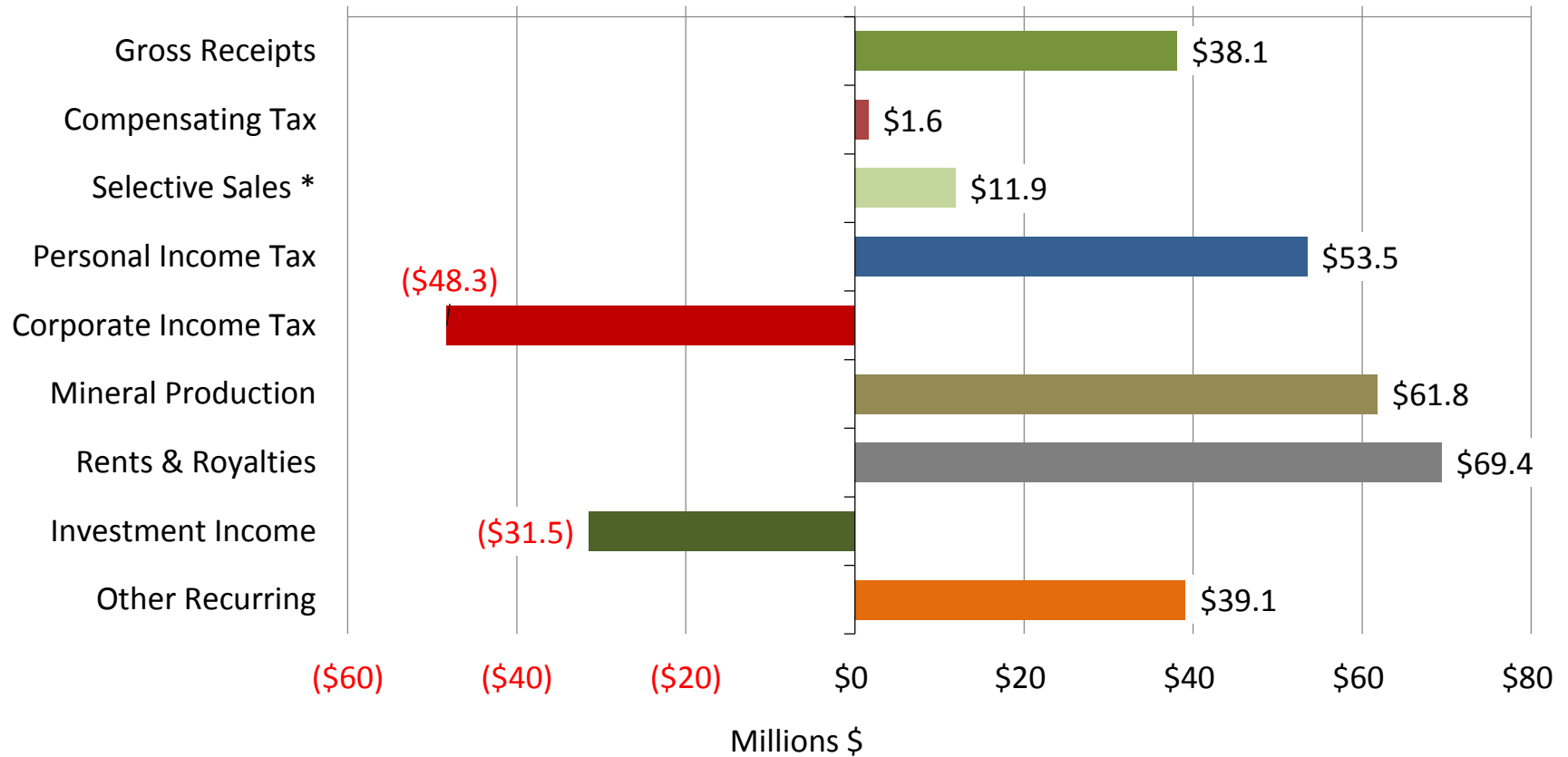
THE UNIVERSITY *of* NEW MEXICO

Consensus Revenue Forecast (FY17 and FY18)

	Preliminary FY17	Estimate FY18
Total Recurring Revenue	\$5,905.5	\$5,941.1
Total Nonrecurring Revenue	\$556.1	\$18.7
TOTAL Revenue	\$6,461.6	\$5,959.8
Total Recurring Appropriations	\$6,103.6	\$6,082.2
Total Nonrecurring Appropriations	\$27.0	\$0.0
TOTAL Appropriations	\$6,130.6	\$6,082.2
Balance	\$331.0	(\$122.4)
Beginning Reserves	\$147.7	\$504.8
Ending Reserves	\$504.8	\$382.4
Reserves as % of Recurring Appropriations	8.3%	6.3%



Gain/Loss in General Fund Accruals (FY17 v FY16)



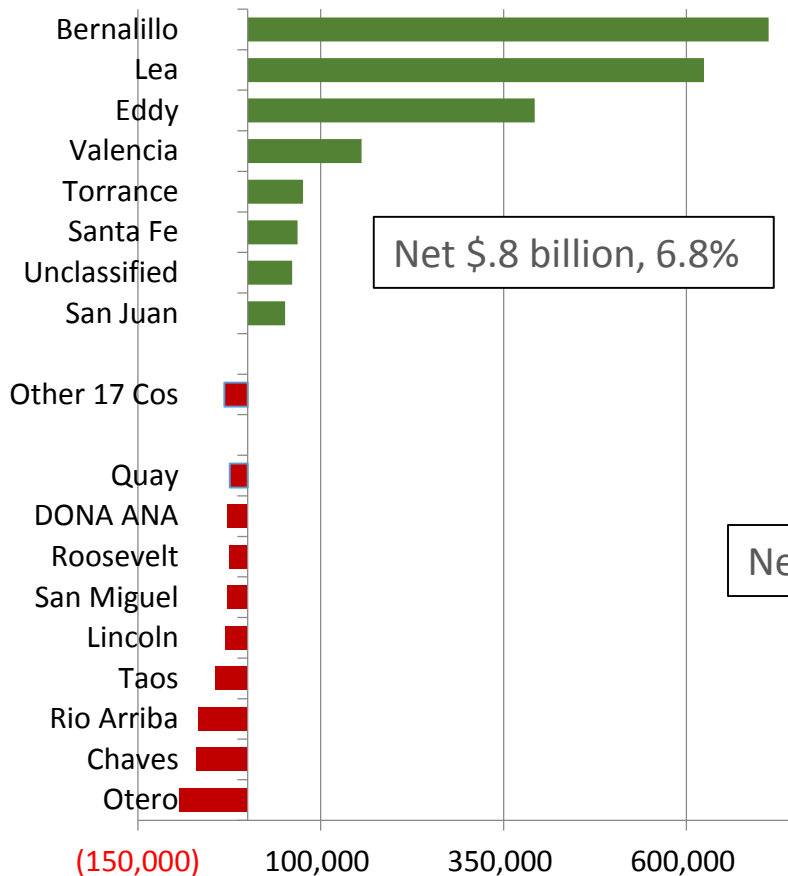
Source: NM Legislative Finance Committee



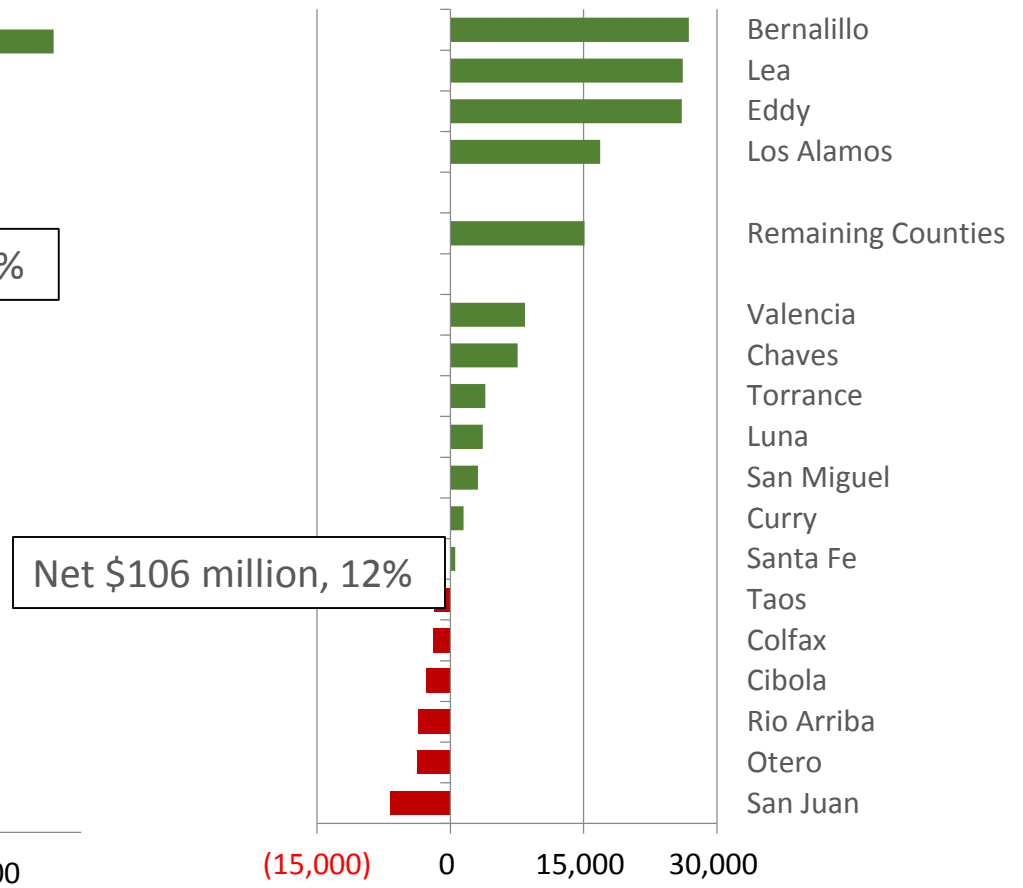
Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Gross Receipts & Taxes by County: 2017Q2 vs. 2016Q2

Gross Receipts



Gross Taxes

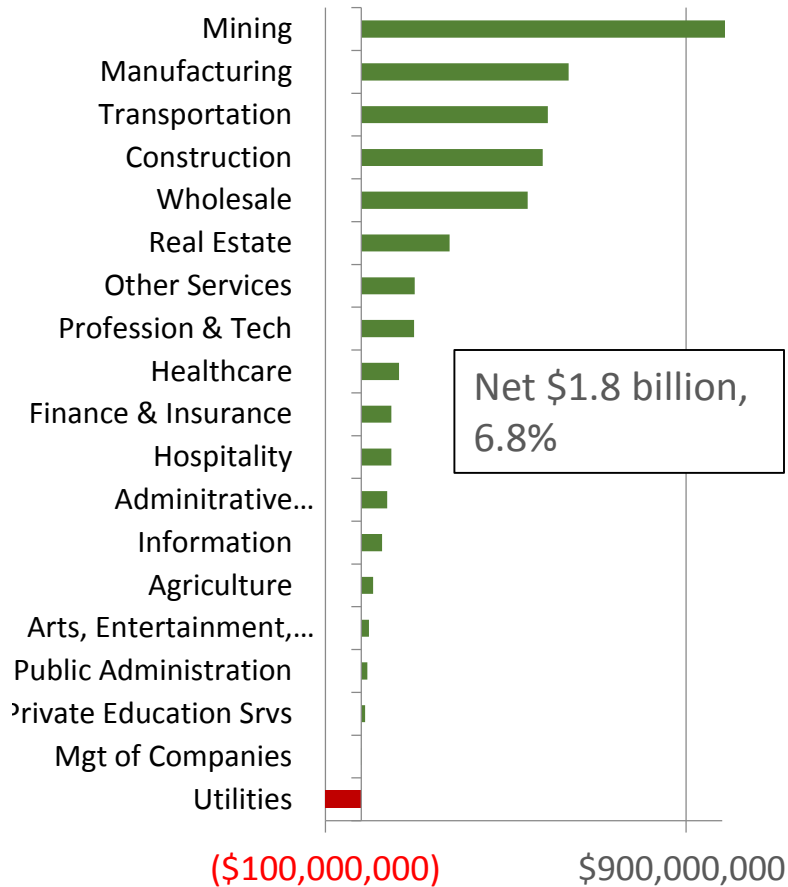


\$ Thousands

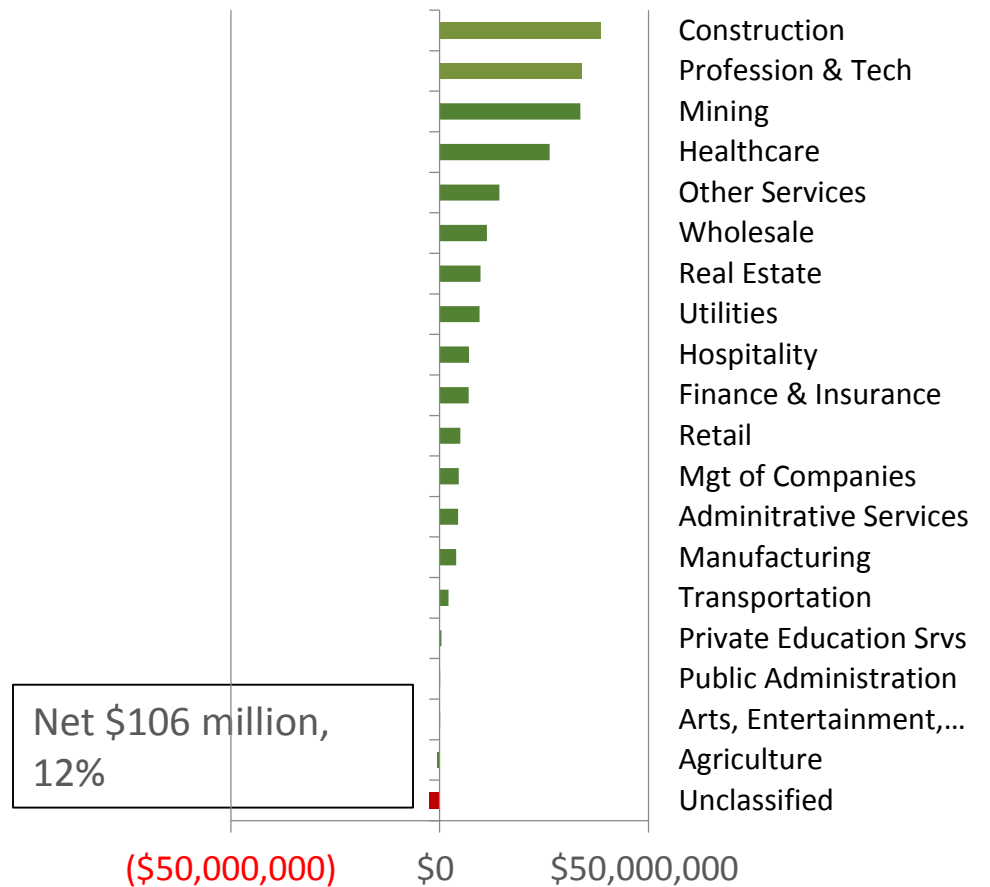


Gross Receipts & Taxes by County: 2017Q2 vs. 2016Q2

Gross Receipts



Gross Taxes



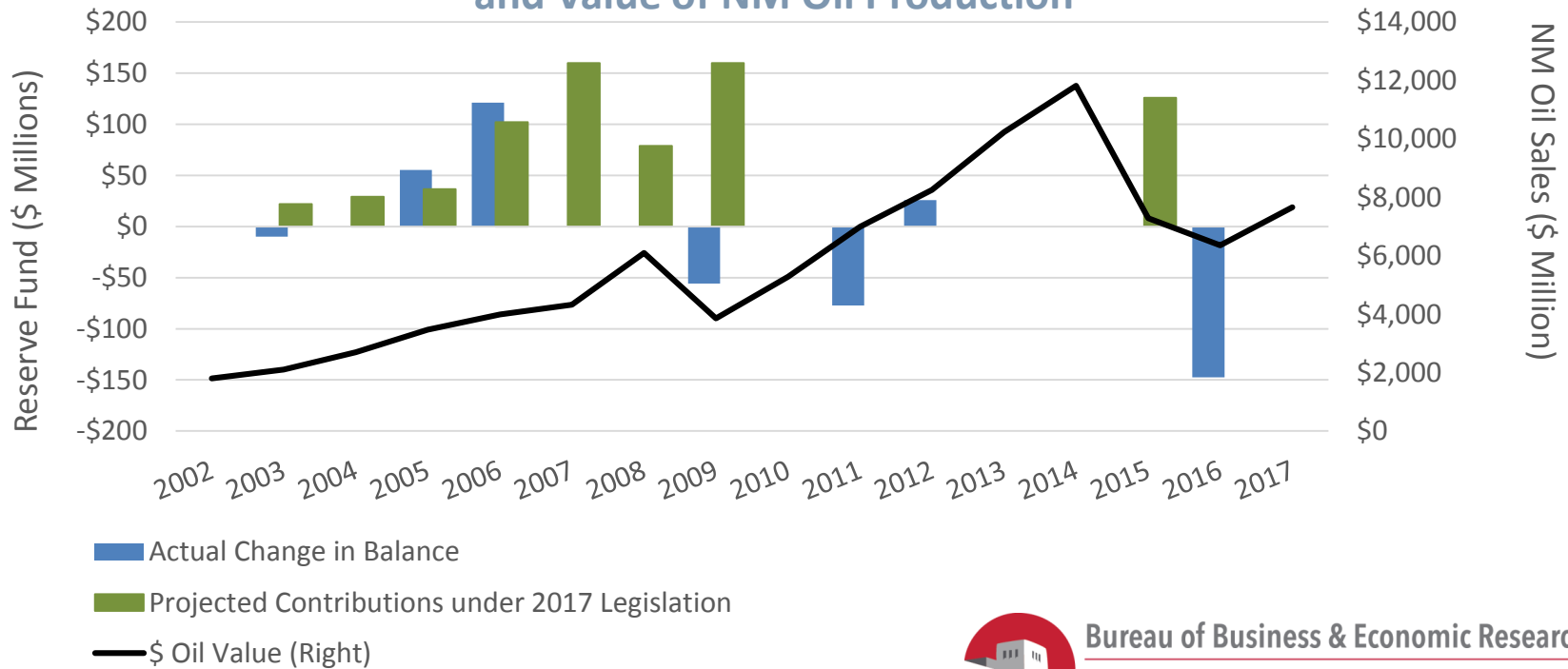
\$ Thousands



Tax Stabilization Reserve Fund ('Rainy Day' Fund)

- 2017 Special Session HB2 bill to tie funding of Tax Stabilization Reserve Fund ('Rainy Day' Fund) to Oil is a significant step forward.
- Best Practices suggest a need for clearer guidelines for withdrawals.

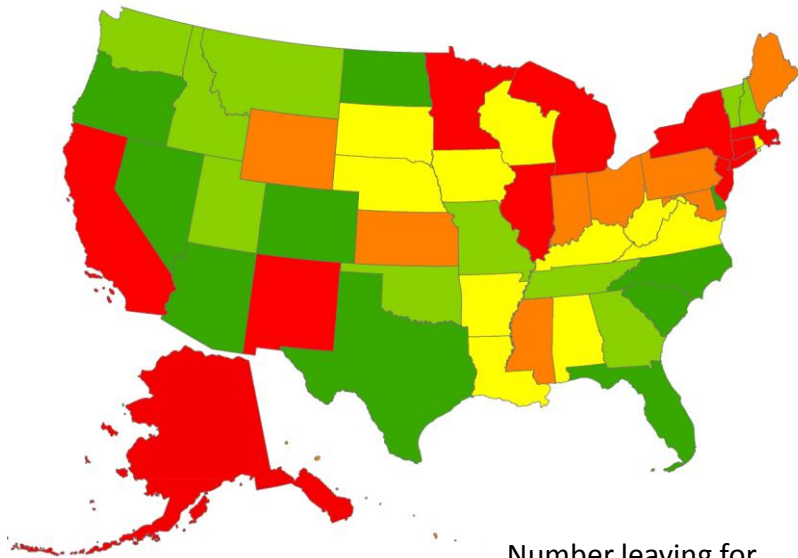
Changes to Tax Stabilization Reserve Fund (Actual vs. 2017 Legislation) and Value of NM Oil Production



Slow population growth and
declining labor force participation –
a cause and an effect of slow job growth

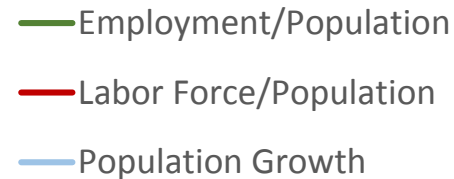
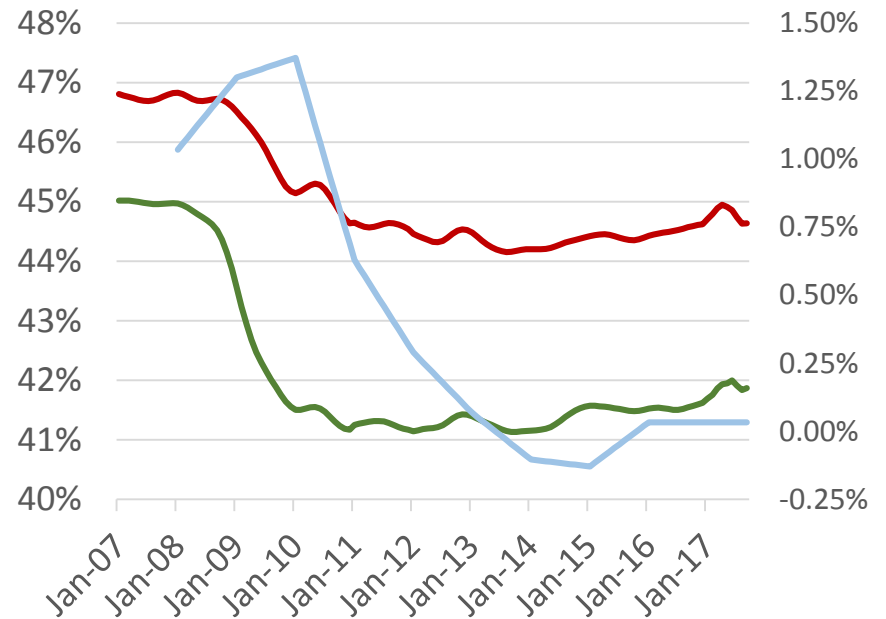
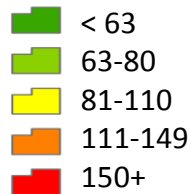


Migration, population and Labor Force Participation



New Mexico net domestic migration
(-42,000)

Number leaving for 100 entering



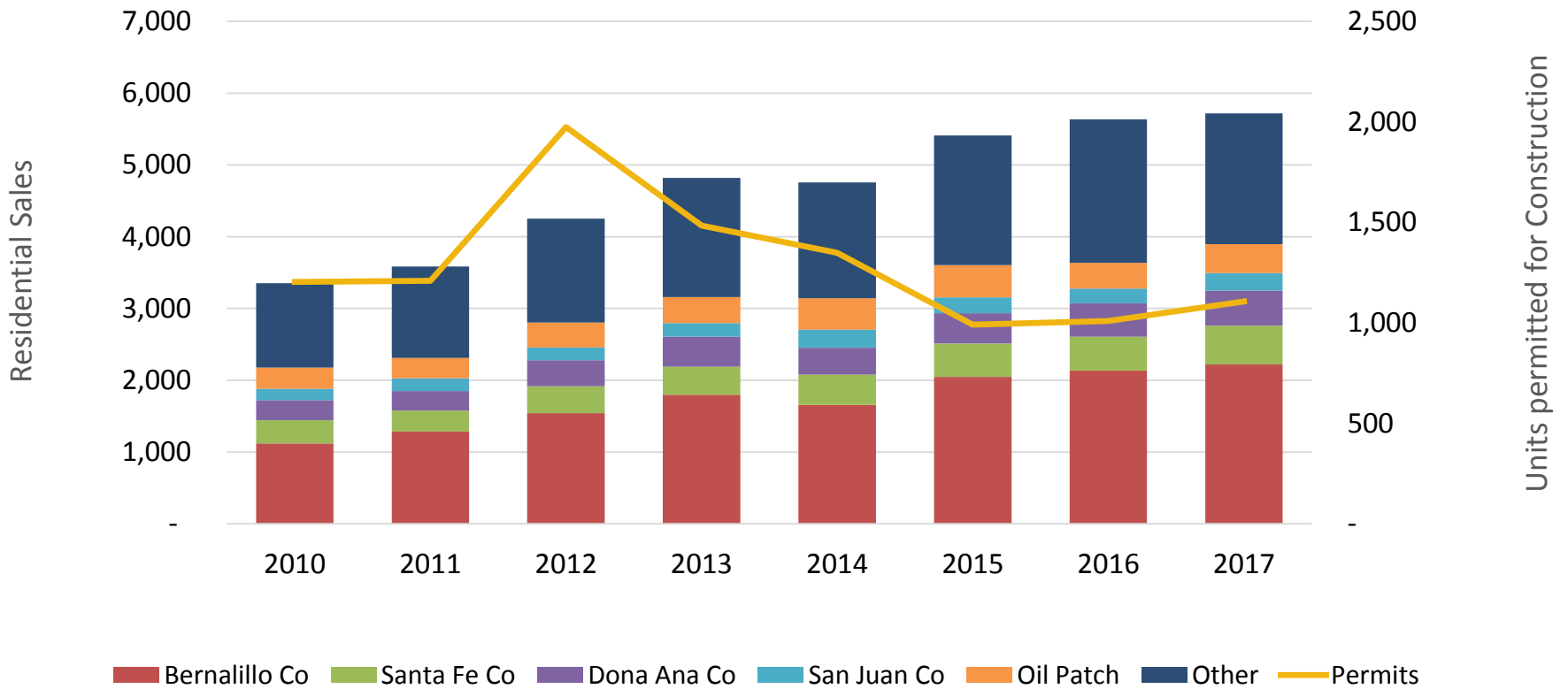
Recovering residential market but new little building



Bureau of Business & Economic Research

THE UNIVERSITY *of* NEW MEXICO

Building Permits and Housing Sales by Region



Source: NM Realtors Association; BBER



Bureau of Business & Economic Research
 THE UNIVERSITY of NEW MEXICO

New Mexico Economic Outlook



Bureau of Business & Economic Research
THE UNIVERSITY *of* NEW MEXICO

Narrative Moving Forward

- For most of post-Recession, the state's economic narrative has been driven by 'external factors' – oil boom & bust, Obamacare, even Intel job losses and uncertainty at national labs.
- In recent months, the state's economic narrative is less about external factors – oil prices and production are relatively stable, the economic gains due to Obamacare are largely absorbed (and now the state is beginning to pay its share).
- How does the state economy move forward on its own?

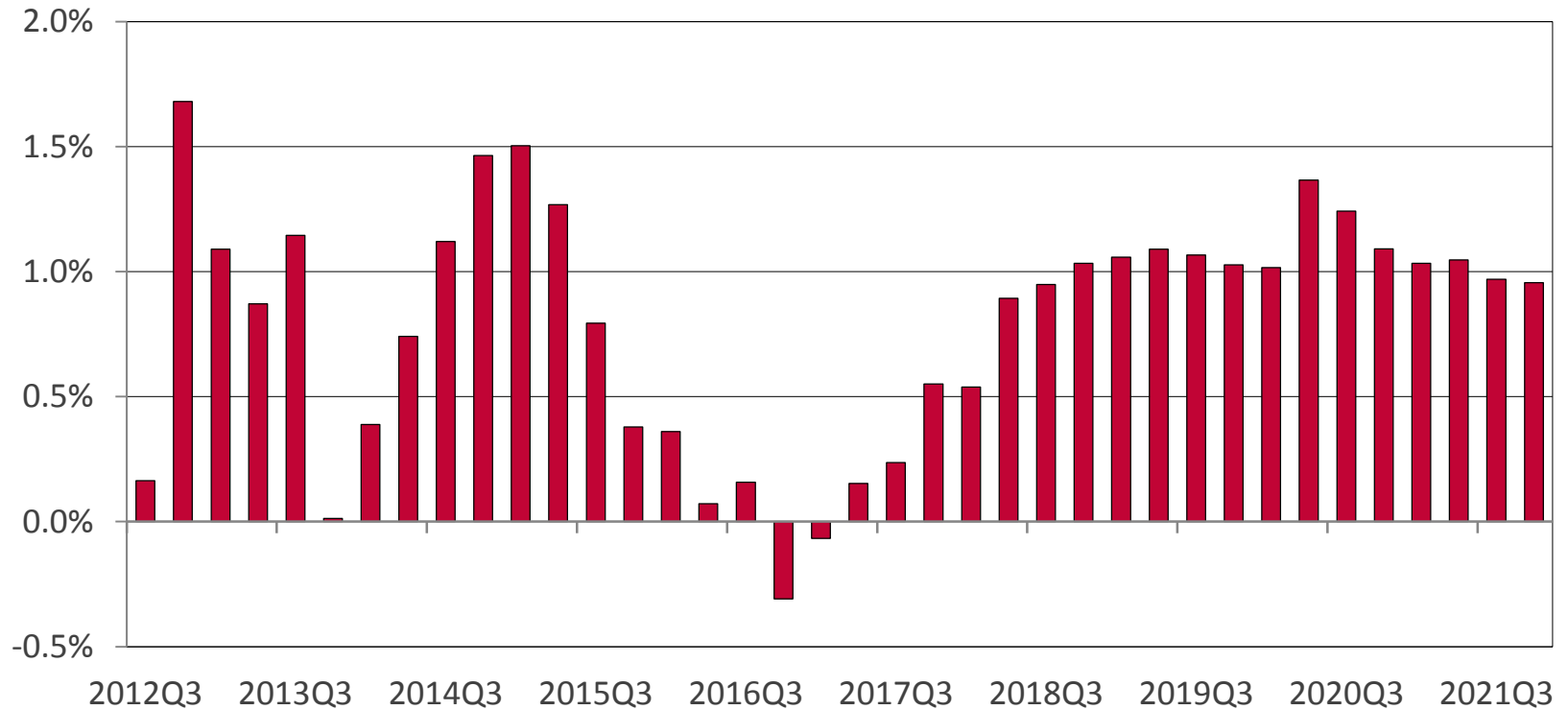


New Mexico Economic Outlook: 2018-2022

- Improved outlook to stable job growth, slightly higher than labor force growth, allowing for gradual reduction in unemployment.
- Addition of 4,500 (0.6%) jobs in 2017Q4, closing the year +1,750 jobs (0.2%).
- Continued uptick in 2018 (6,900 jobs, 0.9%), and 8,725/year (1.1%) in 2019-2022. Job count to reach pre-recession high by end-2019.
- Income growth a drag on state's economic growth through 2020. Most new jobs in relatively lower-wage sectors; lower expectations for growth of investment/proprietors' incomes (from IHS Global Insight) and slow growth of federal transfers (e.g. Medicaid, SNAP, etc.)
- Oil production to increase gradually, given slightly weaker price outlook.
- Impacts of pessimistic (20%) greater than optimistic (15%) scenario.



FOR-UNM Employment Forecast

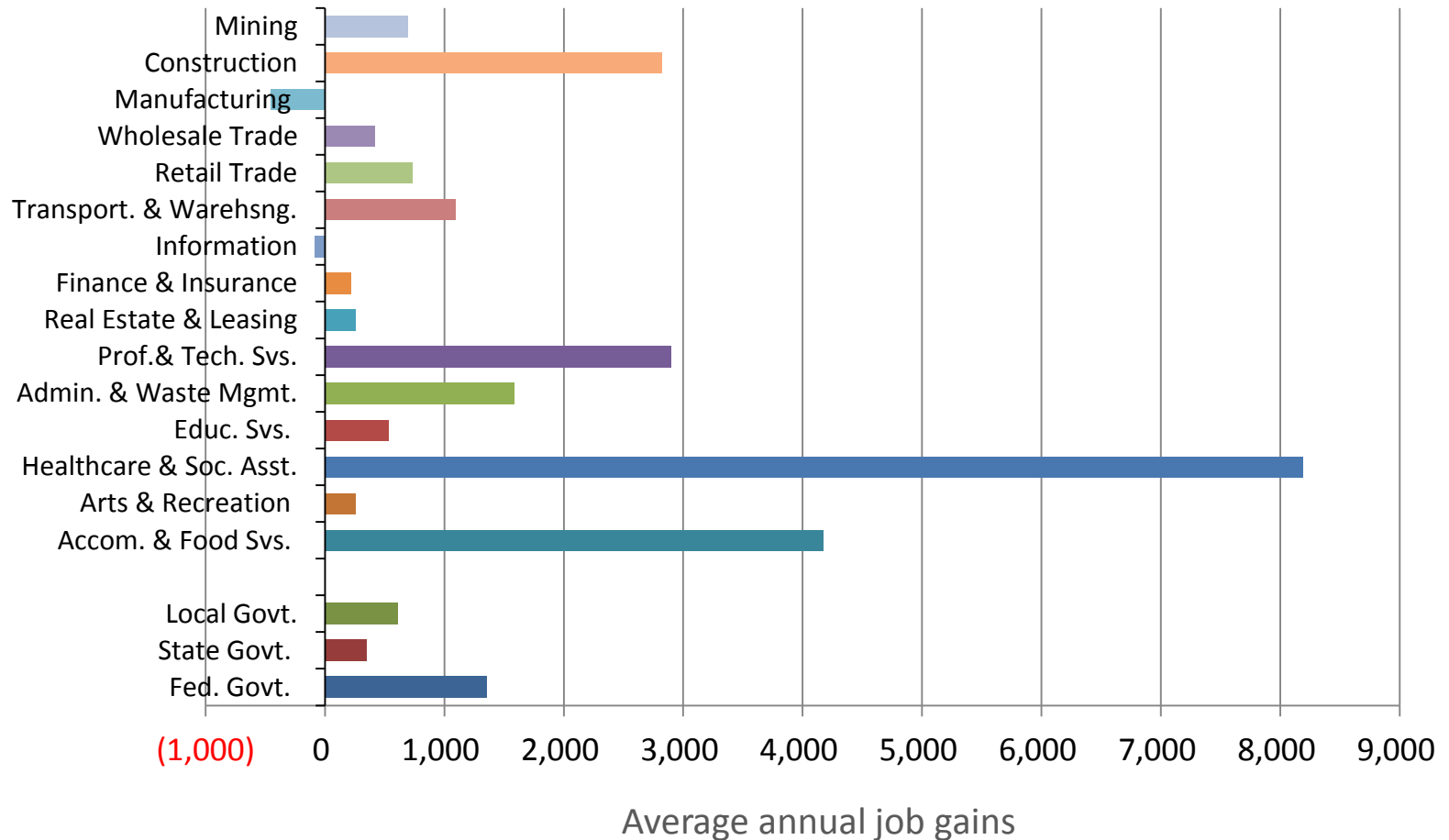


Source: BBER FOR-UNM, October & July 2017



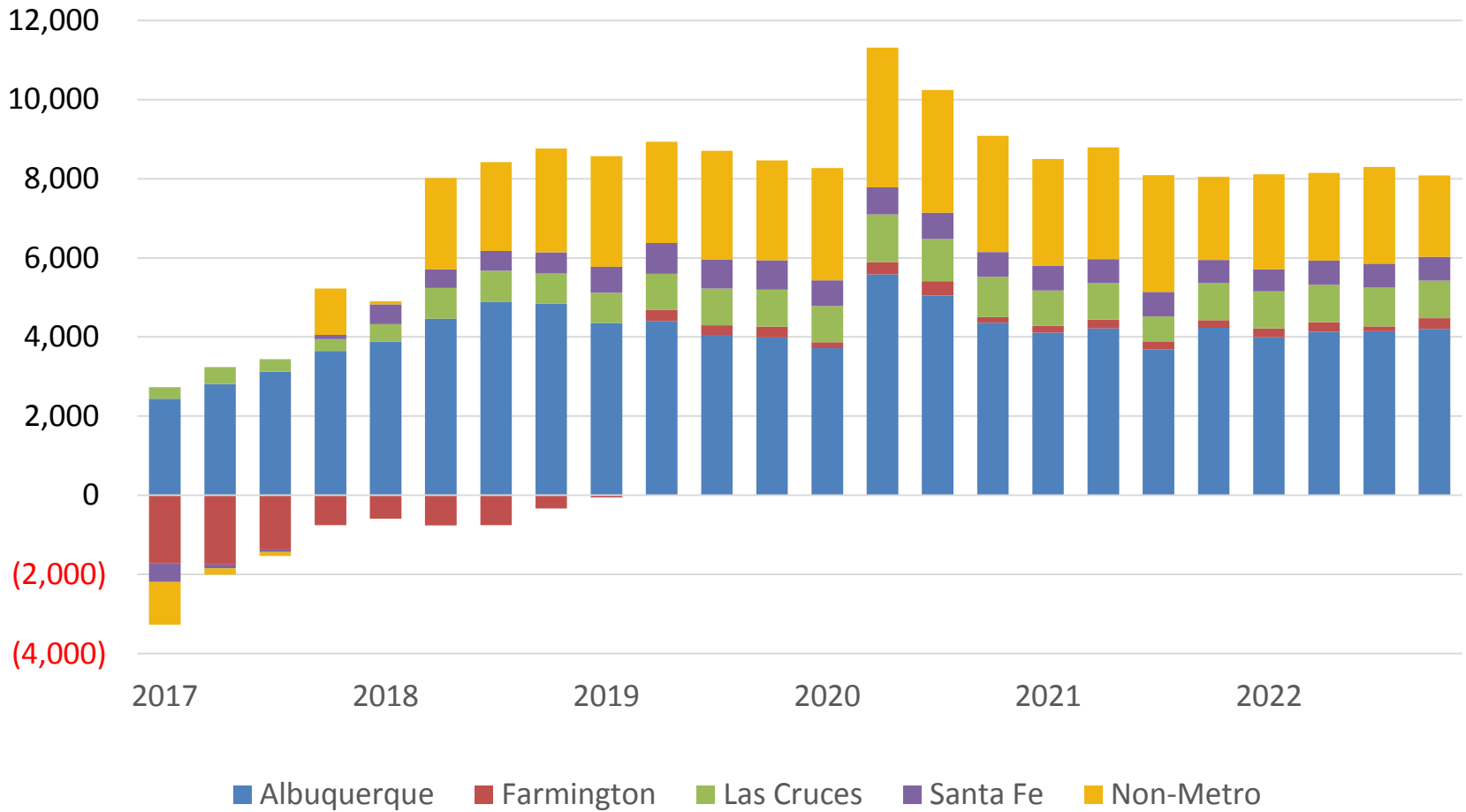
Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

FOR-UNM Forecast Job Creation by Sector, 2018-2022



Source: BBER FOR-UNM, October 2017

FOR-UNM Forecast Job Creation by Region

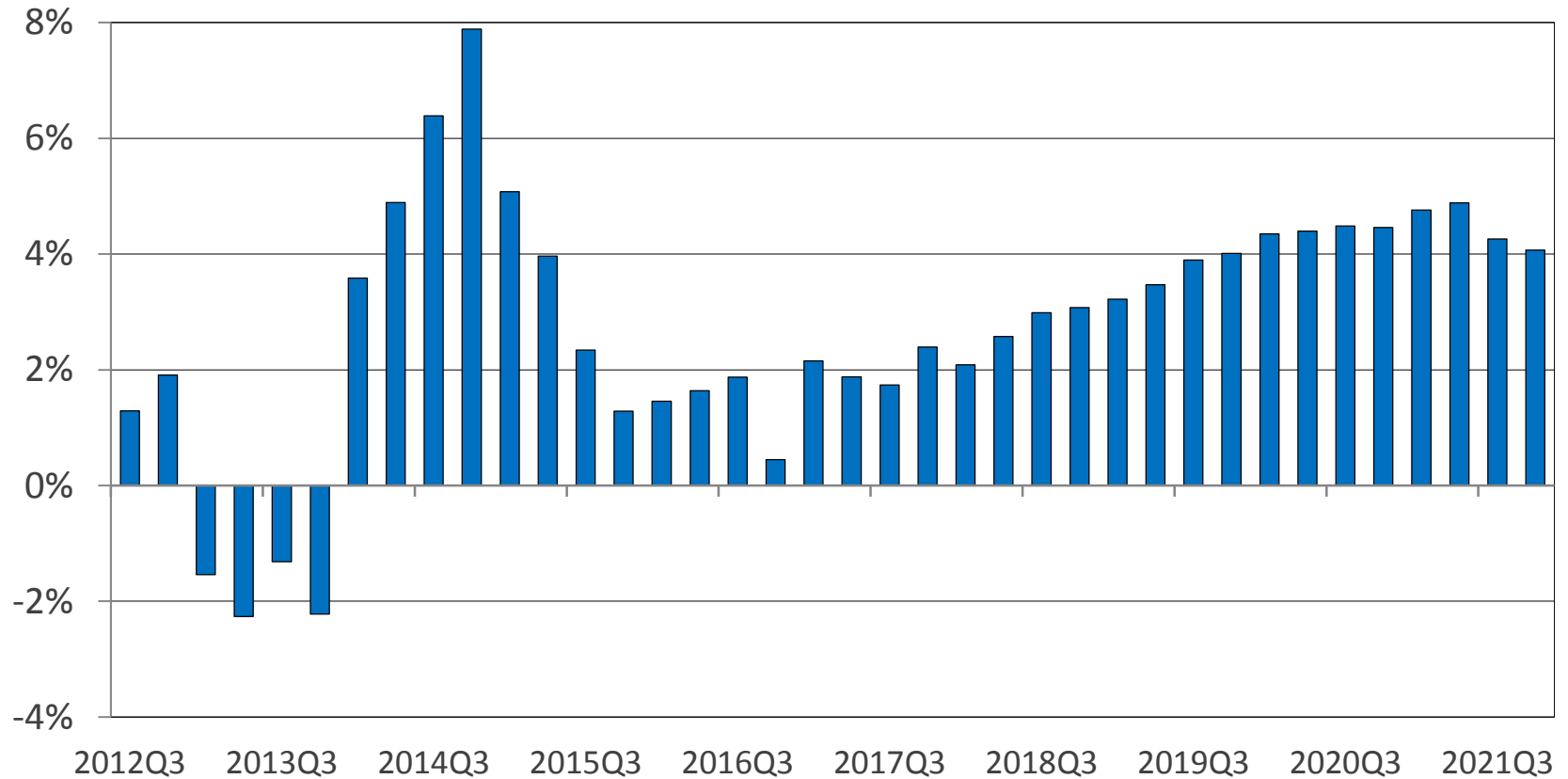


Source: BBER FOR-UNM, October 2017



Bureau of Business & Economic Research
 THE UNIVERSITY of NEW MEXICO

FOR-UNM Personal Income Forecast

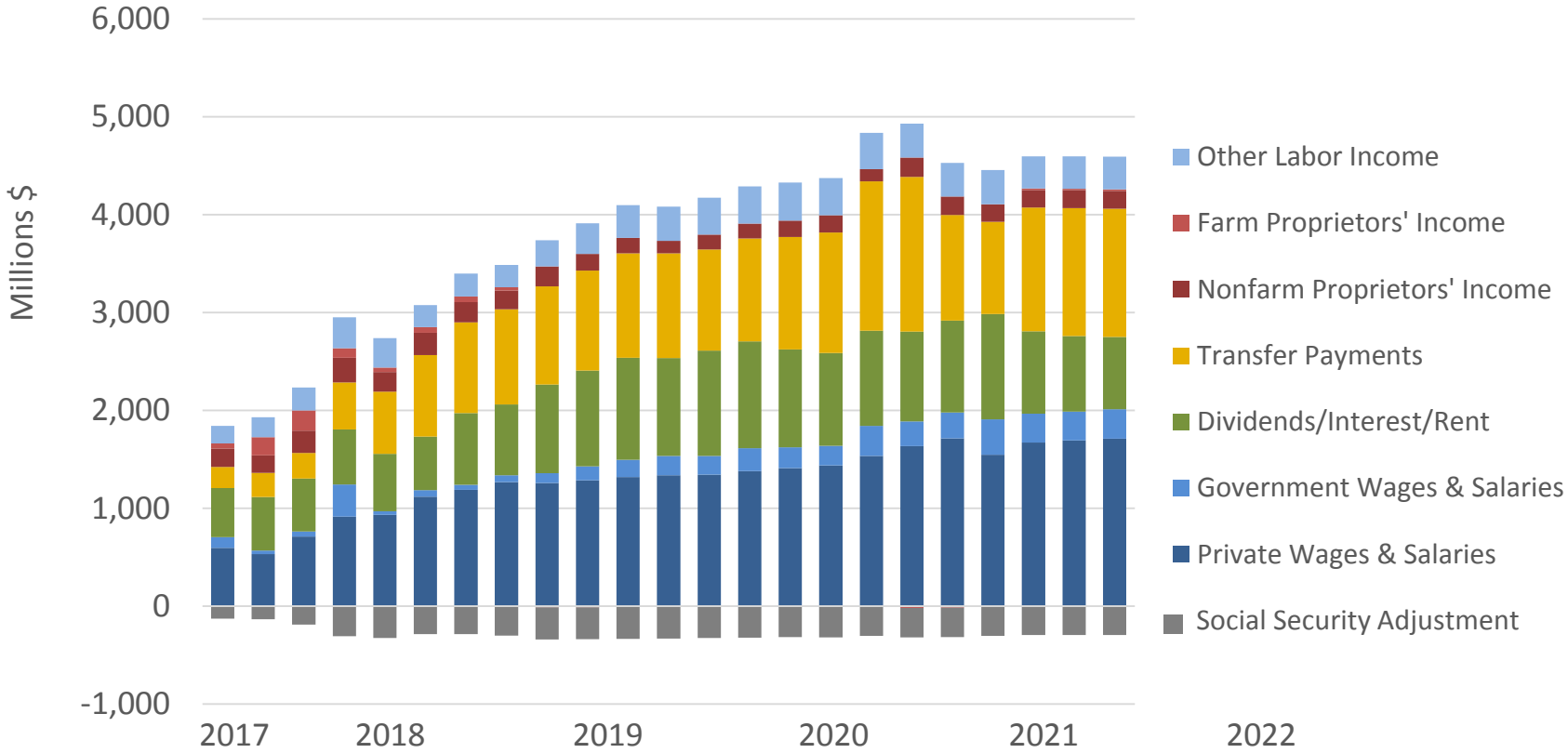


Source: BBER FOR-UNM, October & July 2017



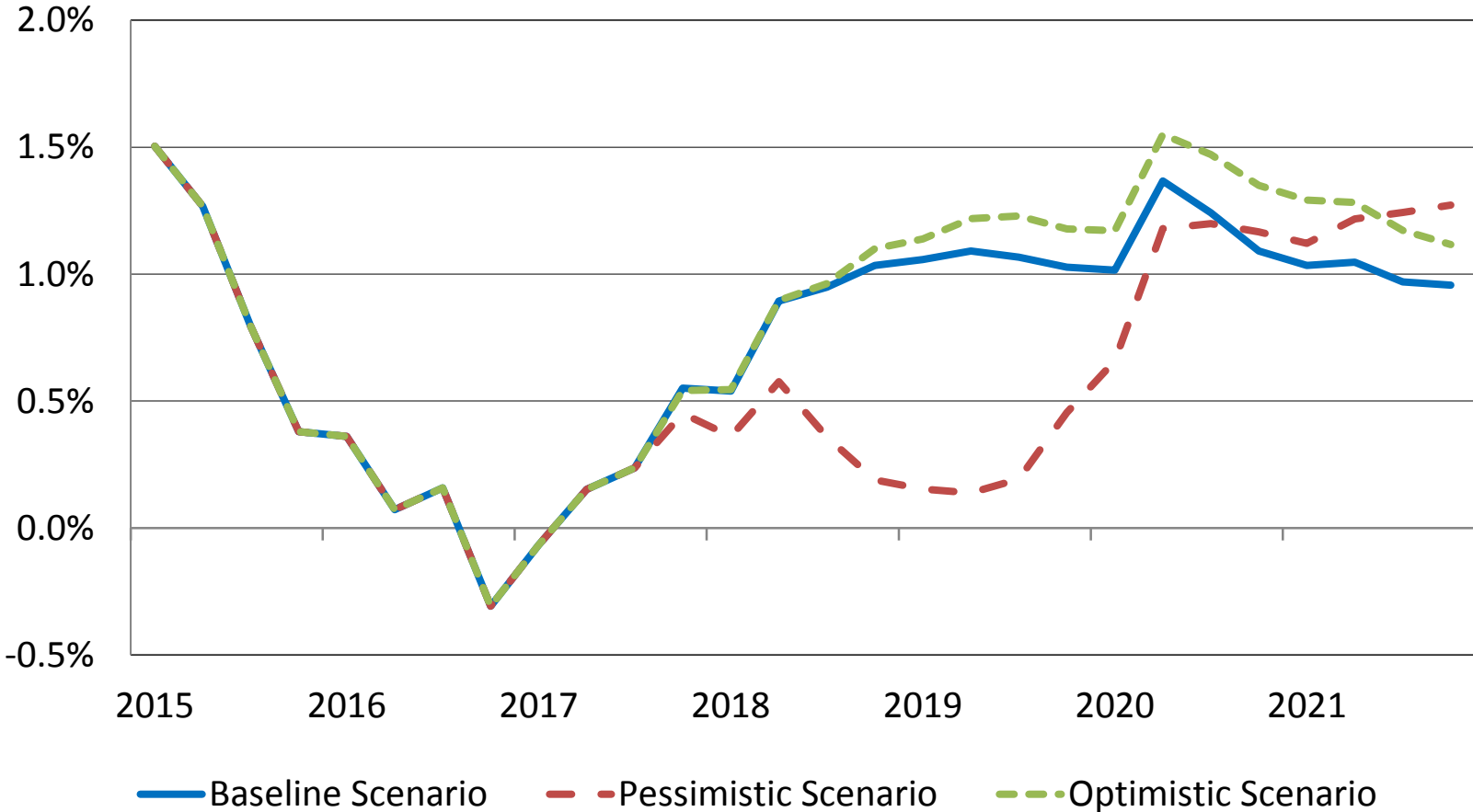
Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Forecast Personal Income Growth, by Component



Source: BBER FOR-UNM, October 2017

FOR-UNM Employment Forecast, Alternative Scenarios



Source: BBER FOR-UNM, October 2017

BBER Provides New Mexico –

- Economic forecasts and analysis
- Customized data access and visualization tools
- Contract research

@UNMBBER
bber.unm.edu
bber@unm.edu



Jeffrey Mitchell, PhD
Director

Jennifer Esquivel
505.277.8300
jenniferesquivel@unm.edu



Bureau of Business & Economic Research
THE UNIVERSITY *of* NEW MEXICO