New Mexico Economy: Recent Developments and Outlook

Senate Finance Committee
January 10, 2018
New Mexico Economic Narrative

• 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 and 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).

• Where does the state on its own?
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%).

• Pressure on public finances less severe – Gross Receipts up 6.9% in 2017Q2; oil prices & production up.
Recent employment data based on surveys is strong. BBER is more cautious.

Sources: CES data available at time of FOR-UNM forecasts (pre-benchmarked); QCEW data current.
New Mexico’s employment comparisons are improved.

<table>
<thead>
<tr>
<th></th>
<th>2015Q4</th>
<th>2016Q4</th>
<th>2017Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Growth y/y</td>
<td>Rank</td>
<td>Growth y/y</td>
</tr>
<tr>
<td>Total Nonfarm</td>
<td>0.3%</td>
<td>45</td>
<td>0.7%</td>
</tr>
<tr>
<td>Total Private</td>
<td>0.5%</td>
<td>45</td>
<td>0.8%</td>
</tr>
<tr>
<td>Mining</td>
<td>-19.4%</td>
<td>31</td>
<td>-20.0%</td>
</tr>
<tr>
<td>Construction</td>
<td>0.0%</td>
<td>39</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-0.1%</td>
<td>32</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>-0.5%</td>
<td>38</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>0.6%</td>
<td>41</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>-0.3%</td>
<td>44</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>0.5%</td>
<td>41</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>1.0%</td>
<td>41</td>
<td>1.9%</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>4.4%</td>
<td>5</td>
<td>3.9%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>2.4%</td>
<td>34</td>
<td>3.3%</td>
</tr>
<tr>
<td>Total Government</td>
<td>-0.2%</td>
<td>34</td>
<td>0.2%</td>
</tr>
<tr>
<td>Local Government</td>
<td>0.2%</td>
<td>24</td>
<td>0.3%</td>
</tr>
<tr>
<td>State Government</td>
<td>-1.1%</td>
<td>36</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>0.6%</td>
<td>33</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Gains/Losses in Healthcare and Mining are moderating.

Only recently are signs positive in both Albuquerque and Non-Metro regions

General Fund benefitting from higher Gross Receipts and oil revenues (FY18 v FY17, through October)

Source: NM Legislative Finance Committee
Increased drill rig activity and oil production with WTI prices near $60/barrel

Source: EIA, Baker Hughes, ONGARD, IHS Global Insight.
Sharp decline in Medicaid transfers, slowing job growth in Healthcare in New Mexico

Source: US Bureau of Economic Analysis, Table SQ35.
Increased residential sales, but no growth in new home building

Source: NM Realtors Association; BBER
Economic Outlook
New Mexico Economic Outlook: 2017-2022

• Weaker near term forecast due to disappointing 2017Q1 QCEW employment data, slow single family housing construction, and weaker IHS Global Insight forecast, especially for incomes.

• Jobs forecast gain 4,500 (0.6%) jobs in 2017Q4, closing the year +1,750 jobs (0.2%).

• Jobs forecast gain 6,900 jobs (0.9%) 2018, and 8,725/yr (1.1%/yr) in 2019-2022. This forecast is ~ 1,600 jobs (-0.2%) lower July forecast.

• Income forecast marked down further – 2.7% in 2018, average 4.2% in 2019-2022. This forecast marked down -0.8% in 2018 and -0.3% 2019-2022 due to weaker jobs forecast, lower investment/proprietors’ incomes (from IHS Global Insight) and very weak transfers.

• Oil production to increase gradually, given slightly weaker price outlook.

• Impacts of pessimistic (20%) greater than optimistic (15%) scenario.
US Employment Forecast

Global Insight, January 2018 and October 2017
New Mexico Employment Forecast

Source: BBER FOR-UNM, January 2018 and October 2017
Job Growth by Sector, 2018

Source: BBER FOR-UNM, January 2018
Annual Job Growth by Sector, 2019-2022

Source: BBER FOR-UNM, January 2018
New Mexico Employment Gains/Losses by Region, 2017-2022

Source: BBER FOR-UNM, January 2018
New Mexico Income growth by component

Source: BBER FOR-UNM, January 2018
New Mexico Employment Forecast, Alternative Scenarios

Source: BBER FOR-UNM, January 2018
BBER Provides New Mexico –

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