New Mexico’s Economy: Current Situation and Outlook

BBER Data Users Conference
November 2017
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  • A subscription service

• HOW IT'S USED
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  • Used to keep those an organization serves informed

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  • Visual digital graphics
  • Constant maintenance and updates
  • Customized database
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  • A subscription service

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  • Used to guide future decision making and budget planning processes

• WHAT YOU GET
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EMPLOYMENT GROWTH

MIGRATION
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Job Growth, 2011-2016

State to State Migration, 2011-2015

Number leaving for 100 entering

- < 63
- 63-80
- 81-110
- 111-149
- 150+

New Mexico net migration 
(-42,000)

Source: US Census Bureau
State to State Migration, 2005-2010

Number leaving for 100 entering

- < 63
- 63-80
- 81-110
- 111-149
- 150+

New Mexico net migration 39,500

Source: US Census Bureau
No easy answers,
but several observations.
Out-migration from NM beyond our neighbors.

2005-2010 (+39,500)

2011-2016 (-42,000)

Number who leave NM per 100 who enter NM

- < 63
- 63-80
- 81-110
- 111-149
- 150+

Source: US Census Bureau
Out-migration of young families and seniors, while older working age population remains

Source: US Census Bureau
Out-migration of Associate’s & Bachelor’s Degrees (25 y/o+)

- Less than high school graduate: 1,954
- High school graduate (includes equivalency): 415
- Some college or associate's degree: 8,632
- Bachelor's degree: 1,570
- Graduate or professional degree: 16,947

Source: US Census Bureau
New Mexico has lost its early advantage in higher education.

Source: US Census Bureau
Professional jobs have driven job growth. Recent losses in oil state more than offset earlier gains.

<table>
<thead>
<tr>
<th>Job growth</th>
<th>-----</th>
<th>-----</th>
<th>47</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prof &amp; Business Svrs (%/Jobs)</td>
<td>46%</td>
<td>0.001</td>
<td>48</td>
</tr>
<tr>
<td>Financial Services (%/Jobs)</td>
<td>41%</td>
<td>0.003</td>
<td>45</td>
</tr>
<tr>
<td>Government (%/Jobs)</td>
<td>-40%</td>
<td>0.004</td>
<td>3</td>
</tr>
<tr>
<td>Mining (%/Jobs)</td>
<td>-37%</td>
<td>0.008</td>
<td>6</td>
</tr>
</tbody>
</table>

Data for September 2010 – September 2017

Sources: Bureau of Labor Statistics, CES.
Analysis by BBER.
Professional & Business Services has driven US job growth, but NM ranks 48th
Wages have neither driven nor followed job growth. Young, large working age population are important.

<table>
<thead>
<tr>
<th></th>
<th>Correlation (R)</th>
<th>Significance (P)</th>
<th>New Mexico's Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job growth</td>
<td>-----</td>
<td>-----</td>
<td>47</td>
</tr>
<tr>
<td>Wages, Average Weekly</td>
<td>15%</td>
<td>0.301</td>
<td>43</td>
</tr>
<tr>
<td>Age 24-44 y/o (%/population)</td>
<td>45%</td>
<td>0.001</td>
<td>35</td>
</tr>
<tr>
<td>Median Age</td>
<td>-33%</td>
<td>0.018</td>
<td>34</td>
</tr>
</tbody>
</table>

Data for 2016.

Sources: US Census Bureau; BLS. Analysis by BBER.
Tax rates are not correlated with job growth.

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Correlation (R)</th>
<th>Significance (P)</th>
<th>New Mexico's Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job growth</td>
<td>-----</td>
<td>-----</td>
<td>47</td>
</tr>
<tr>
<td>Total Taxes (% Income)</td>
<td>-1%</td>
<td>0.938</td>
<td>14</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>-37%</td>
<td>0.008</td>
<td>1</td>
</tr>
<tr>
<td>Sales Taxes (GRT)</td>
<td>21%</td>
<td>0.149</td>
<td>42</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>1%</td>
<td>0.41</td>
<td>35</td>
</tr>
<tr>
<td>Corporate Taxes</td>
<td>-6%</td>
<td>0.683</td>
<td>25</td>
</tr>
<tr>
<td>Government debt</td>
<td>-9%</td>
<td>0.549</td>
<td>26</td>
</tr>
</tbody>
</table>

1=Lowest Rate

Analysis by BBER.
New Mexico does NOT lag in startups. Expansions lag significantly.

<table>
<thead>
<tr>
<th>State</th>
<th>Closings</th>
<th>Contraction</th>
<th>Expansions</th>
<th>Openings</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>1.3%</td>
<td>-5.6%</td>
<td>6.0%</td>
<td>1.4%</td>
</tr>
<tr>
<td>NM</td>
<td>-1.4%</td>
<td>-6.2%</td>
<td>6.2%</td>
<td>1.6%</td>
</tr>
<tr>
<td>IN</td>
<td>1.0%</td>
<td>-5.2%</td>
<td>5.7%</td>
<td>1.1%</td>
</tr>
<tr>
<td>TX</td>
<td>1.0%</td>
<td>-5.2%</td>
<td>5.8%</td>
<td>1.2%</td>
</tr>
<tr>
<td>CO</td>
<td>-1.4%</td>
<td>-6.0%</td>
<td>6.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>AZ</td>
<td>-1.4%</td>
<td>-5.4%</td>
<td>6.1%</td>
<td>1.4%</td>
</tr>
<tr>
<td>UT</td>
<td>-1.4%</td>
<td>-6.0%</td>
<td>6.7%</td>
<td>1.6%</td>
</tr>
<tr>
<td>CA</td>
<td>-1.6%</td>
<td>-6.0%</td>
<td>6.6%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Source: BLS, Business Employment Dynamics; BBER
# New Mexico & Neighbors – Selected Statistics

<table>
<thead>
<tr>
<th></th>
<th>New Mexico</th>
<th>AZ</th>
<th>CA</th>
<th>CO</th>
<th>NV</th>
<th>OK</th>
<th>TX</th>
<th>UT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Job growth (2010-2017 %/yr)</strong></td>
<td>0.6%</td>
<td>2.1%</td>
<td>2.4%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>1.0%</td>
<td>2.5%</td>
<td>3.2%</td>
</tr>
<tr>
<td><strong>Rank</strong></td>
<td>47</td>
<td>13</td>
<td>8</td>
<td>3</td>
<td>4</td>
<td>37</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td><strong>Prof &amp; Business Srvs (%/yr)</strong></td>
<td>0.3%</td>
<td>3.0%</td>
<td>3.1%</td>
<td>3.3%</td>
<td>4.5%</td>
<td>0.9%</td>
<td>4.0%</td>
<td>4.9%</td>
</tr>
<tr>
<td><strong>Rank</strong></td>
<td>48</td>
<td>21</td>
<td>19</td>
<td>13</td>
<td>3</td>
<td>47</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td><strong>State &amp; Local Taxes (% Income)</strong></td>
<td>8.7%</td>
<td>8.8%</td>
<td>11.0%</td>
<td>8.9%</td>
<td>8.1%</td>
<td>8.6%</td>
<td>7.6%</td>
<td>9.6%</td>
</tr>
<tr>
<td><strong>Rank</strong></td>
<td>14</td>
<td>15</td>
<td>47</td>
<td>17</td>
<td>8</td>
<td>11</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td><strong>Population 25-44 y/o</strong></td>
<td>25.1%</td>
<td>25.9%</td>
<td>28.2%</td>
<td>28.5%</td>
<td>27.9%</td>
<td>25.9%</td>
<td>28.1%</td>
<td>28.1%</td>
</tr>
<tr>
<td><strong>Rank</strong></td>
<td>35</td>
<td>22</td>
<td>2</td>
<td>1</td>
<td>6</td>
<td>22</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Bachelor's Degree (% 25 y/o +)</strong></td>
<td>27.2%</td>
<td>28.9%</td>
<td>32.9%</td>
<td>39.9%</td>
<td>23.5%</td>
<td>25.2%</td>
<td>28.9%</td>
<td>32.6%</td>
</tr>
<tr>
<td><strong>Rank</strong></td>
<td>39</td>
<td>30</td>
<td>14</td>
<td>2</td>
<td>45</td>
<td>43</td>
<td>29</td>
<td>17</td>
</tr>
<tr>
<td><strong>Housing Costs (Median Monthly)</strong></td>
<td>$780</td>
<td>$952</td>
<td>$1,419</td>
<td>$1,156</td>
<td>$1,045</td>
<td>$744</td>
<td>$937</td>
<td>$1,049</td>
</tr>
<tr>
<td><strong>Rank</strong></td>
<td>39</td>
<td>22</td>
<td>4</td>
<td>12</td>
<td>18</td>
<td>43</td>
<td>24</td>
<td>17</td>
</tr>
<tr>
<td><strong>Housing Costs (% Income)</strong></td>
<td>22.7%</td>
<td>23.0%</td>
<td>27.3%</td>
<td>22.7%</td>
<td>24.4%</td>
<td>20.5%</td>
<td>21.7%</td>
<td>22.8%</td>
</tr>
<tr>
<td><strong>Rank</strong></td>
<td>21</td>
<td>17</td>
<td>2</td>
<td>21</td>
<td>11</td>
<td>43</td>
<td>33</td>
<td>20</td>
</tr>
<tr>
<td><strong>Migration (Out / In)</strong></td>
<td>114%</td>
<td>83%</td>
<td>119%</td>
<td>80%</td>
<td>83%</td>
<td>88%</td>
<td>79%</td>
<td>90%</td>
</tr>
</tbody>
</table>

Source: BLS; US Census Bureau.
Current Economic Situation
Current Economic Situation

- 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 absorbed (and now the state is beginning to pay its share).

- Where does the state go on its own?
New Mexico Economic Current Situation

- NM lost 537 jobs (-0.1%) in 2017Q1 after a loss of 2,500 (-0.3%), first loss in two consecutive quarters since 2010.
- BBER estimates 1,250 jobs (0.2%) in 2017Q2 and Q3.
- Improvement in Business & Prof. Services – 3.8% job growth in 2017Q1 (QCEW); 3.0% in 2017Q3 (CES).
- Public finances are much improved from a year ago – Gross Receipts tax collections up 12% in 2017Q2; oil prices & production up.
Gain/Loss in General Fund Accruals, January-May

Source: NM Legislative Finance Committee

Gross Receipts
Compensating Tax
Selective Sales *
Personal Income Tax
Corporate Income Tax
Oil & Gas Revenues *
License Fees
Investment Income
Tribal Revenue Sharing
Miscellaneous Receipts
Reversions

Millions $

Net +$254 million

Source: NM Legislative Finance Committee
Gross Receipts & Taxes by County: 2017Q2 vs. 2016Q2

**Gross Receipts**

- Bernalillo: $1.8 billion, 6.8%
- Lea: (150,000)
- Eddy: 150,000
- Valencia: 450,000
- Torrance: 750,000
- Santa Fe: 0
- San Miguel: 15,000
- Lincoln: 30,000
- Taos: 0
- Rio Arriba: (15,000)
- Chaves: 0
- Otero: 0
- Remaining Counties: 0

**Gross Taxes**

- Bernalillo: $1.8 billion, 6.8%
- Lea: (150,000)
- Eddy: 150,000
- Valencia: 450,000
- Torrance: 750,000
- Luna: 0
- San Miguel: 15,000
- Curry: 30,000
- Santa Fe: 0
- Taos: 0
- Colfax: 0
- Cibola: 0
- Rio Arriba: 0
- Otero: 0
- San Juan: 0

Source: NM Taxation & Revenue Department, RP-80s
Gross Receipts & Taxes by County: 2017Q2 vs. 2016Q2

Gross Receipts

- Mining
- Manufacturing
- Transportation
- Construction
- Wholesale
- Real Estate
- Other Services
- Professional & Technical
- Health Care
- Finance & Insurance
- Hospitality
- Administrative Services
- Information
- Agriculture
- Arts, Entertainment, etc.
- Public Administration
- Private Education Services
- Management of Companies
- Utilities

Gross Taxes

- Construction
- Professional & Technical
- Mining
- Health Care
- Other Services
- Wholesale
- Real Estate
- Utilities
- Hospitality
- Finance & Insurance
- Retail
- Management of Companies
- Administrative Services
- Manufacturing
- Transportation
- Private Education Services
- Public Administration
- Arts, Entertainment, etc.
- Agriculture
- Unclassified

Net $1.8 billion, 6.8%

Net $106 million, 12%

Source: NM Taxation & Revenue Department, RP-80s
Oil Rigs, Production and Price

Source: EIA, Baker Hughes, ONGARD, IHS Global Insight
Medicaid Transfer Payments and Healthcare Job Growth

Source: BBER FOR-UNM, July 2017

[Graph showing Medicaid transfer payments and healthcare job growth over time.]

Source: BBER FOR-UNM, July 2017
2017Q3 Housing Sales by Region and Building Permits

Source: NM Realtors Association; BBER

Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO
New Mexico Economic Outlook
New Mexico Economic Outlook: 2018-2022

- 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%) in 2019-2022.
- Oil production to increase gradually, given slightly weaker price outlook.
- Impacts of pessimistic (20%) greater than optimistic (15%) scenario.
Employment Growth: History and Forecast

Source: BBER FOR-UNM, October & July 2017
Job Creation by Sector, 2018-2020

- Mining
- Construction
- Manufacturing
- Wholesale Trade
- Retail Trade
- Transport. & Warehsng.
- Information
- Finance & Insurance
- Real Estate & Leasing
- Prof.& Tech. Svs.
- Admin. & Waste Mgmt.
- Educ. Svs.
- Arts & Recreation
- Accom. & Food Svs.
- Local Govt.
- State Govt.
- Fed. Govt.

Source: BBER FOR-UNM, October 2017
Forecast Job Growth by Region, 2018-2022

Source: BBER FOR-UNM, October 2017
New Mexico Employment Forecast, Alternative Scenarios

Source: BBER FOR-UNM, October 2017
Concluding Comments

- Absent external factors (oil, Obamacare, etc.) NM’s economy has moved sideways, lacking an internal driver.

- NM has missed the professional services-based economic recovery; out-migration of college-educated labor force is a cause and an effect.

- Near-term is better than recent past – modest recovery of oil will continue to support state finances.

- To avoid continued boom and bust, leadership must take the long view.

- Principal economic challenges are education and stabilization of public finances (Gross receipts, Rainy Day fund).
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- Contract research

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