



New Mexico Economy: Recent Developments and Outlook

Annual Economic Outlook Conference

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Recovering from the Great Recession

New
Mexico
Style...



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How goes the NM economy?

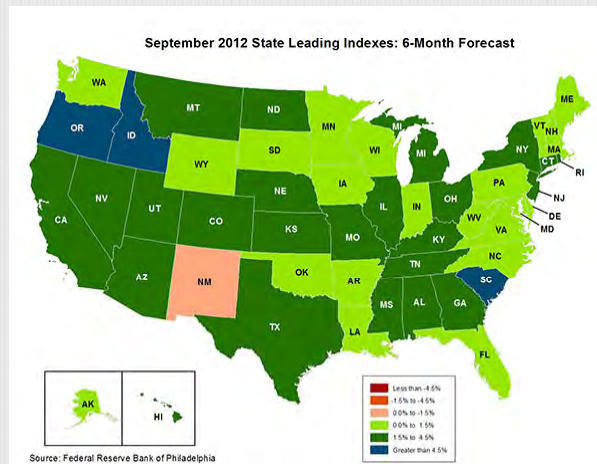
Index Includes...

- 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)

Philadelphia Federal Reserve Bank

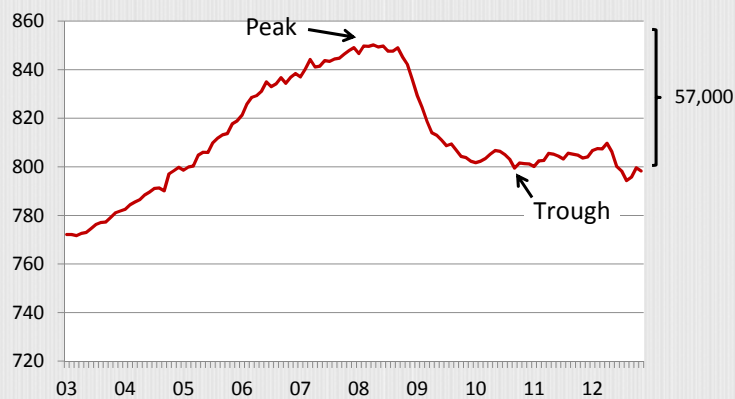


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New Mexico employment moving sideways... Or is it a double dip?

New Mexico Nonfarm Employment

In 1000s, Monthly, Seasonally Adjusted

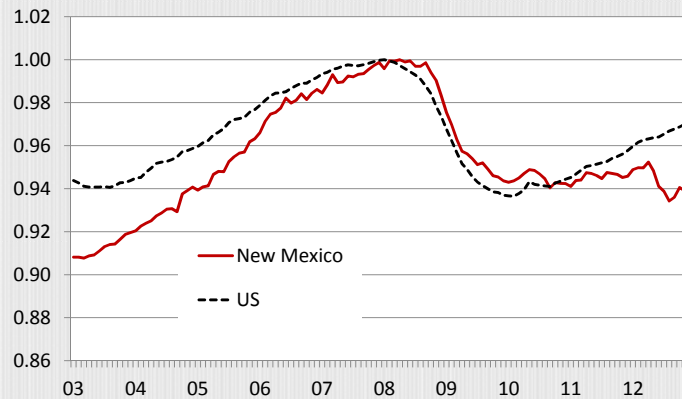


Source: US Bureau of Labor Statistics, Current Employment Statistics

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Clearly the rest of the country and our neighbors are growing...

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

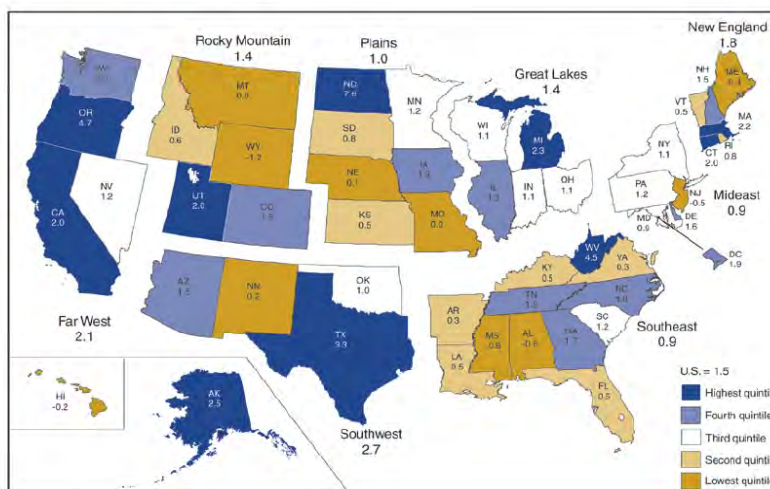


Source: US Bureau of Labor Statistics, Current Employment Statistics

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State Real GDP 2011 – NM in lowest quintile

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

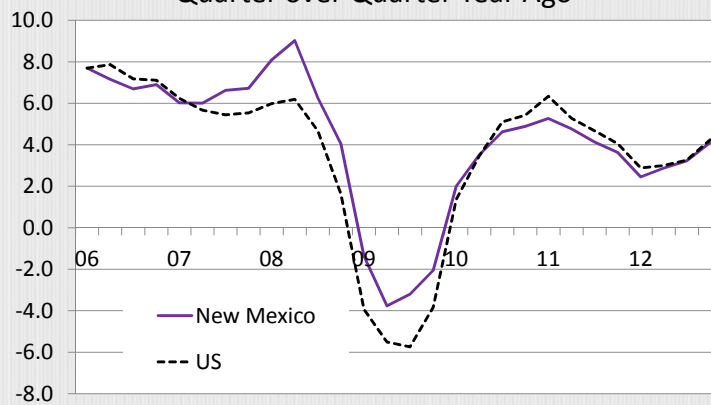


U.S. Bureau of Economic Analysis

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Personal Income: NM doing better???

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



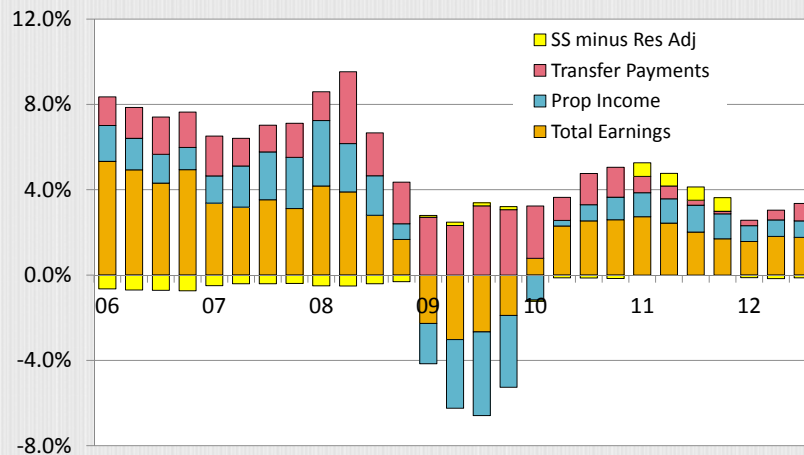
US BEA, Dec 12. IHS Global Insight, Jan 13

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Personal Income: NM doing better???

Net earnings are up as are div/int/rents

Contributors to YOY Growth in NM Personal Income

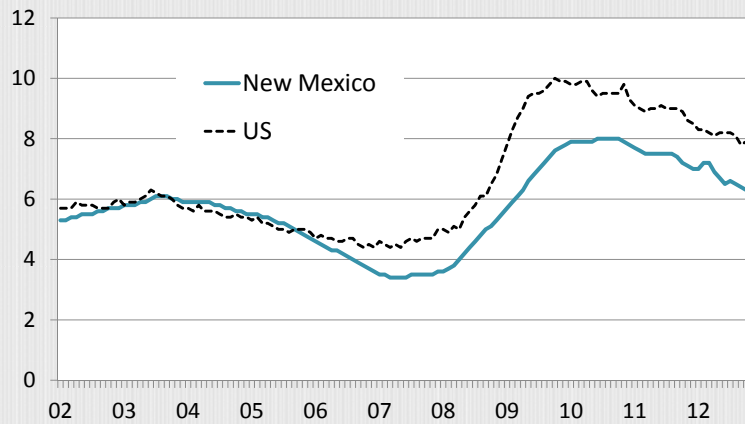


UNM BBER calculations on US BEA data, Dec 12.

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Unemployment rate is low but ...

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

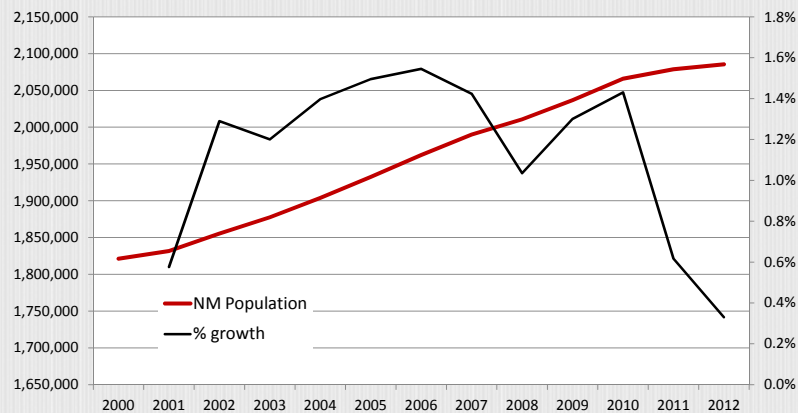


US Department of Labor, Current Population Survey

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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

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Behind the slowing NM population growth: Net domestic out-migration

NM Population Estimates Components of Change, 2010 - 2012

Time Period	Total Population Change	Natural Increase	Vital Events		Net Migration		
			Births	Deaths	Total	Internat'l	Domestic
April 2010 to July 2012	26,358	27,475	63,673	36,198	-1,069	4,229	-5,298
July 2011 to July 2012	6,864	12,114	28,306	16,192	-5,229	2,348	-7,577

Source: US Bureau of the Census

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



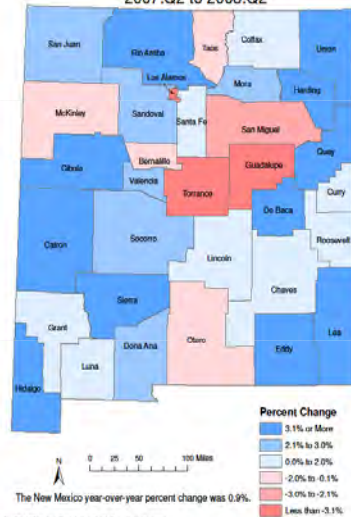
The recovery has been a slow slog but it is reasonably broad based:

Geographic...

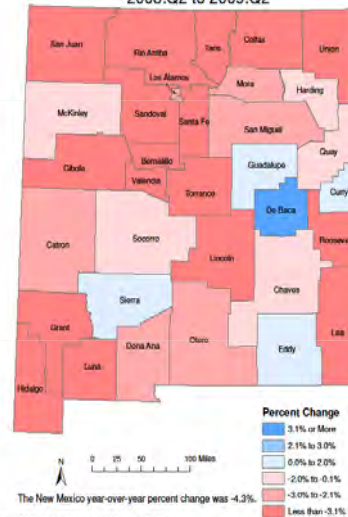
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Geographic spreading of the recession in New Mexico...

Total Covered Wage and Salary Employment by County
Year-Over-Year Percent Change
2007:Q2 to 2008:Q2



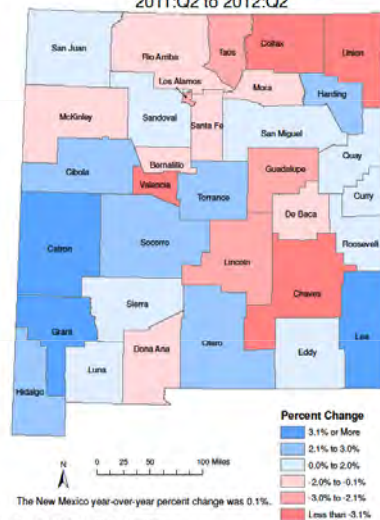
Total Covered Wage and Salary Employment by County
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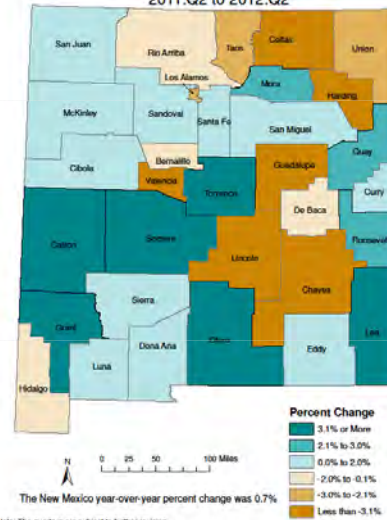
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3 years later: Total mixed, private growing...

Total Covered Wage and Salary Employment by County
Year-Over-Year Percent Change
2011:Q2 to 2012:Q2

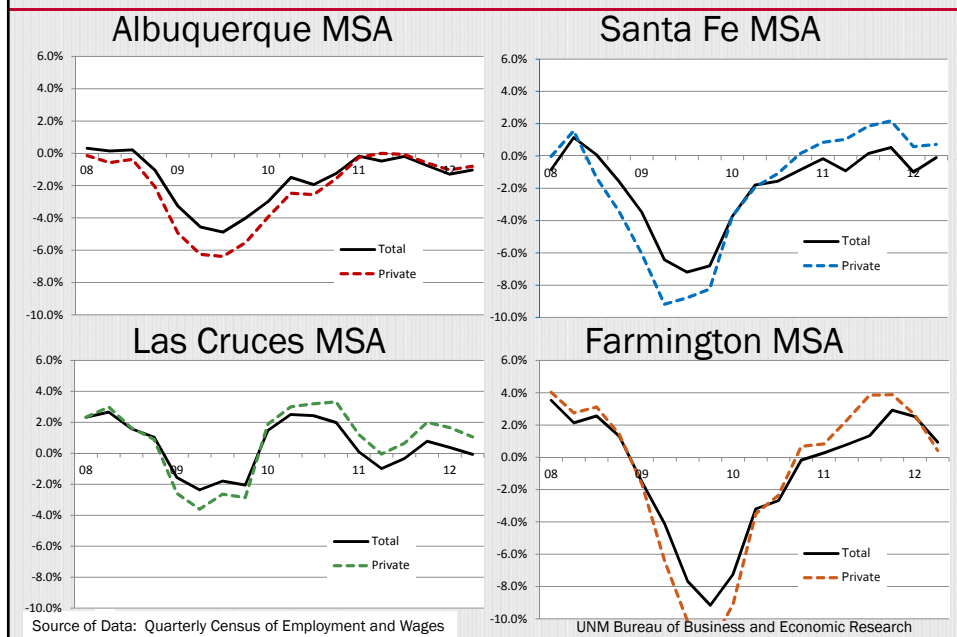


Total Private Covered Wage and Salary Employment by County
Year-Over-Year Percent Change
2011:Q2 to 2012:Q2



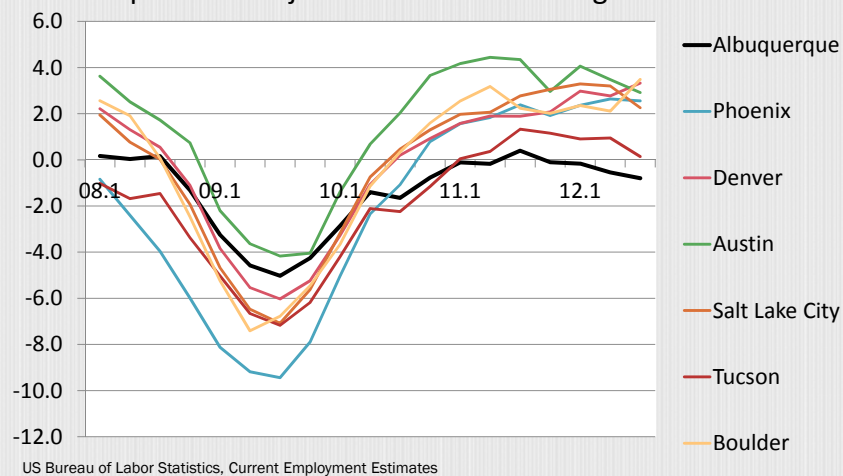
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Employment growth in NM MSAs, not Albq.



Albuquerque in the doldrums

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

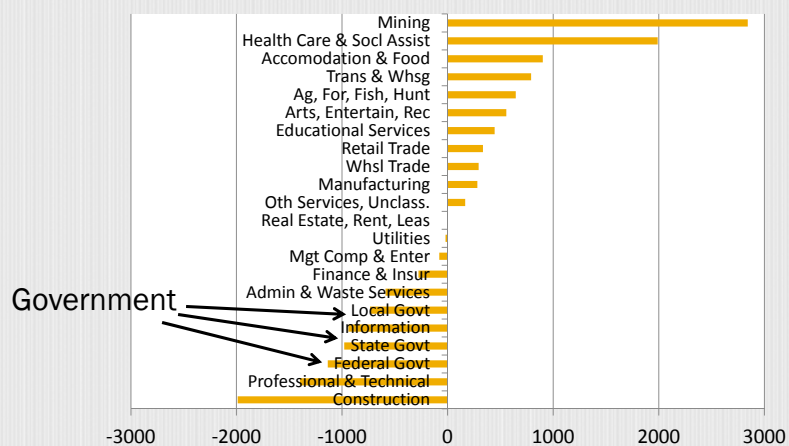


Recovery across the sectors...

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

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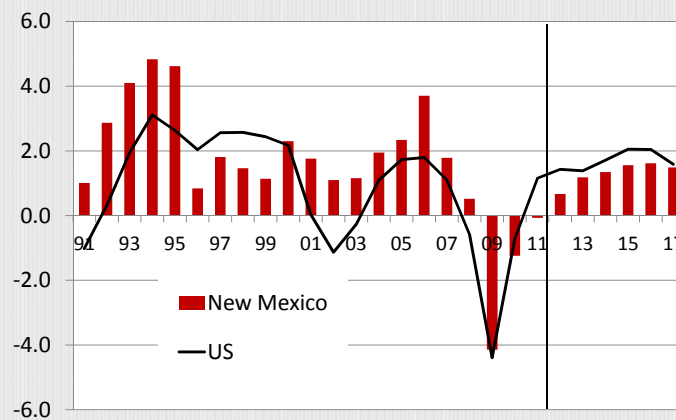
The Economic Forecast for New Mexico



UNM Bureau of Business and Economic Research

UNM BBER FOR-UNM Forecast of QCEB Employment Oct. 2012

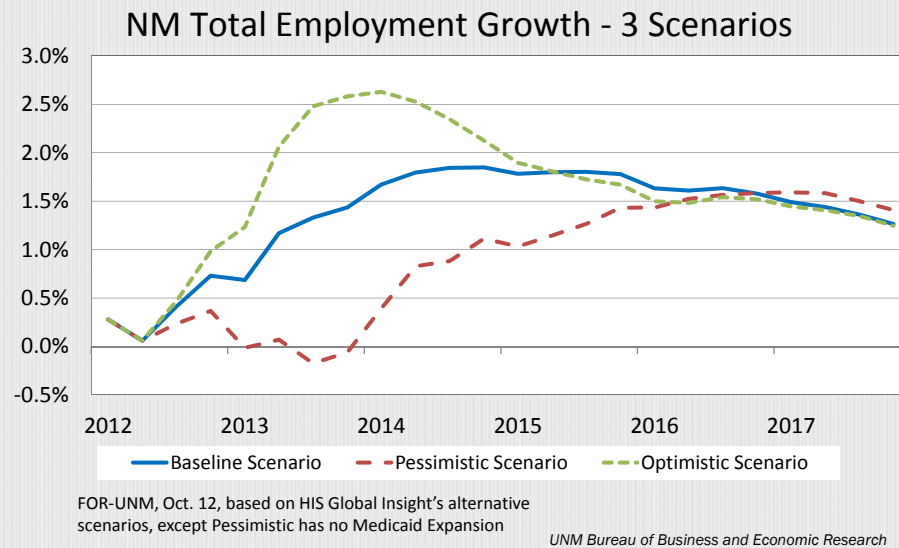
% Growth in Nonfarm Employment:
New Mexico and US



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

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NM Employment – Alternative Scenarios



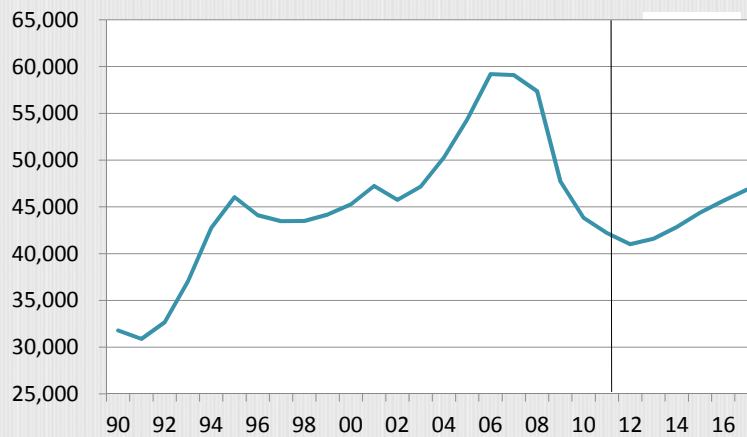
Sectors Holding NM Back

- Construction
- Government
- Professional and Technical Services

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Construction: A prolonged boom, followed by collapse, now recovery?

New Mexico Construction Employment

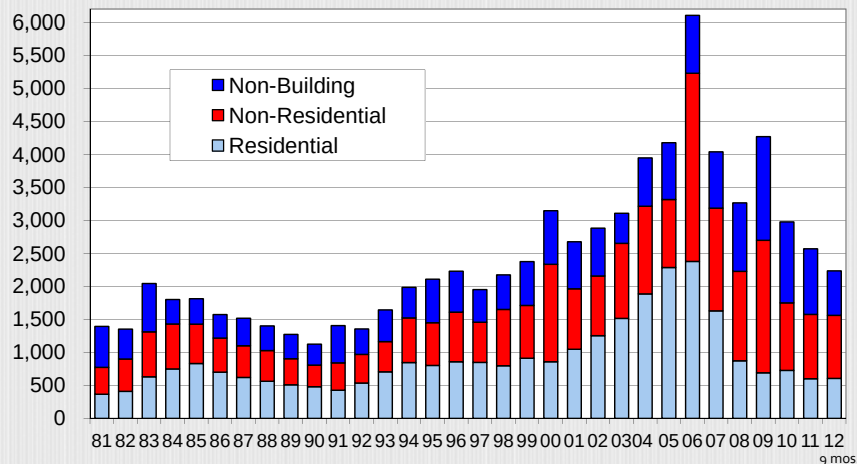


UNM FOR-UNM, Oct 12

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Residential & non-residential building is up

New Mexico Dollar Value of Construction Awards
FWDodge in \$'000,000's

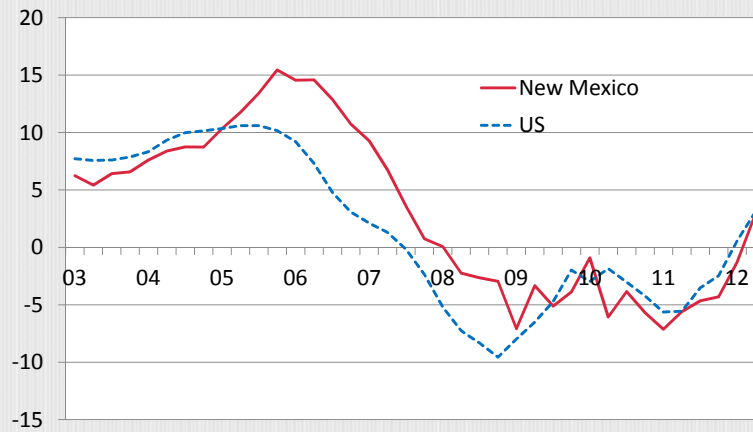


9 mos.

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Housing prices: moving in the right direction

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

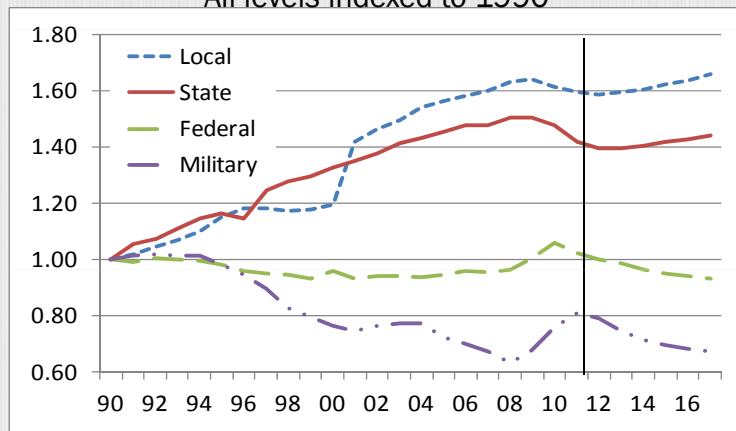


Source: Federal Housing Finance Agency

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

Government Employment in New Mexico
All levels indexed to 1990

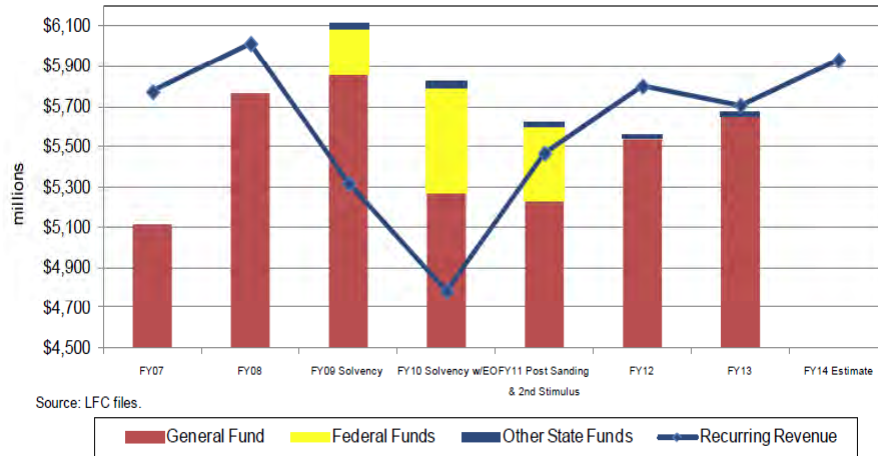


UNM FOR-UNM, Oct 12

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State government revenues still below FY 08

Figure 1. Appropriations: General Fund and Temporary Funds

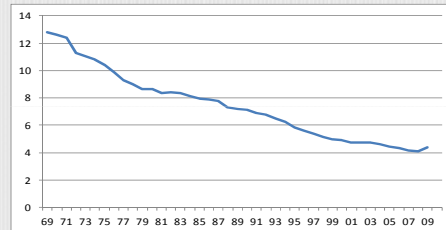


December 2012 Consensus Revenue Estimate,

UNM Bureau of Business and Economic Research

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%.



Source of data: US Bureau of Economic Analysis

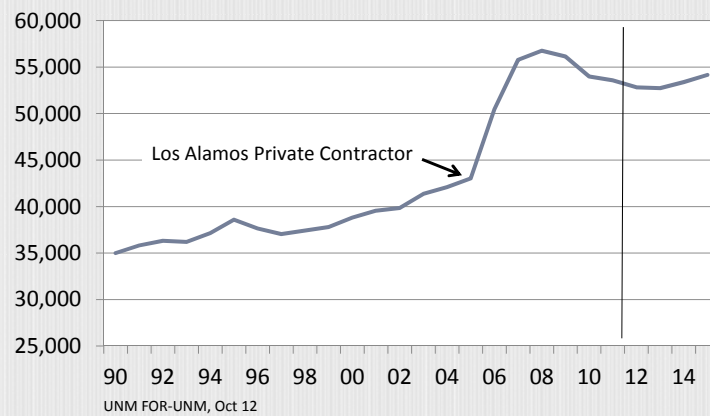
Federal expenditures in NM in 2010 were \$28 billion, or \$13,578 per capita. NM ranked 6th among the states in the per capita flow of federal dollars. Procurement is huge -- 27% vs 16% in US --, and 64% of that is with the DOE, primarily for LANL & Sandia NL.

BBER estimates sequestration would result in a perhaps permanent loss of employment of roughly 20,000.

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An industry in which NM should excel but under the cloud of looming federal cuts...

Employment in Professional and Technical Services



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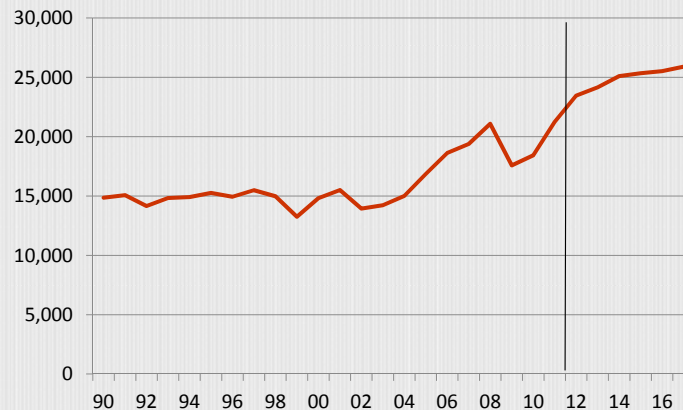
Sectors showing strength

- Mining and Extractive Industries
- Health Care
- Manufacturing
- Transportation
- Alternative Energy

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Mining is growing with stimulus of new technologies and high commodity prices

NM Employment in Mining & Extractive Industries



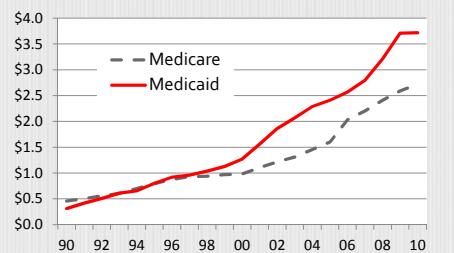
UNM FOR-UNM, Oct 2012

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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



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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.

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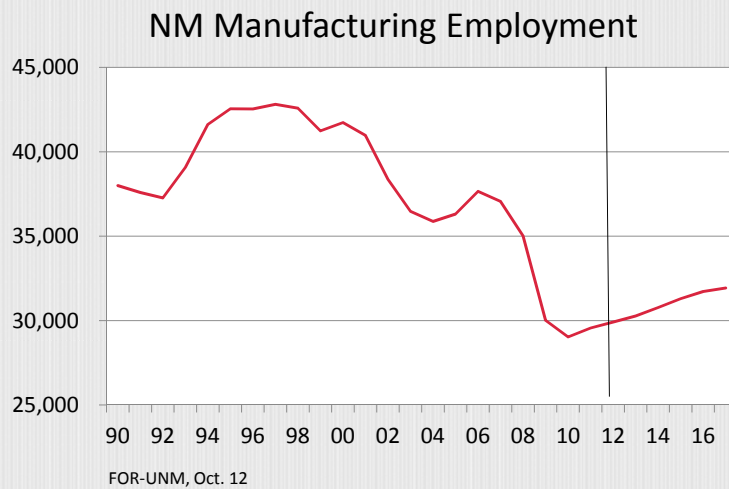
Health sector to grow, employment should continue to increase...

NM Private Employment in Health Care & Social Assistance Employment and % Growth



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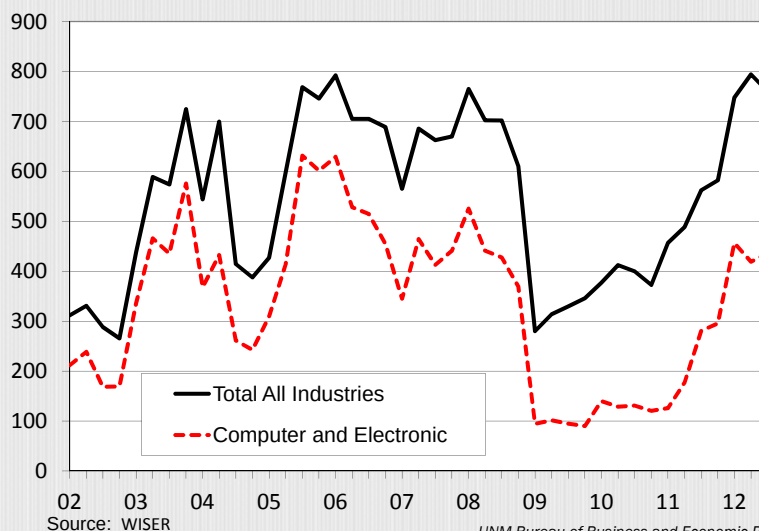
A roller-coaster ride but manufacturing is coming back...



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As are New Mexico exports...

New Mexico Exports to Other Countries, in \$ Millions



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Transportation

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

The construction of the Santa Theresa 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...

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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.



Photos: NM RETA

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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.

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Employment by Sector, NM & US, 2010

Sector	New Mexico		United States (1000's)	
Grand Total	781,694	100.0%	127,820	100.0%
Total Private	592,879	75.8	106,201	83.1
Ag. For. Fish. & Hunting	10,672	1.4	1,147	0.9
Mining	18,423	2.4	652	0.5
Utilities	4,375	0.6	551	0.4
Construction	43,832	5.6	5,489	4.3
Manufacturing	29,026	3.7	11,487	9.0
Wholesale Trade	21,896	2.8	5,466	4.3
Retail Trade	89,815	11.5	14,481	11.3
Transportation & Warehousing	15,824	2.0	3,944	3.1
Information	14,289	1.8	2,704	2.1
Finance & Insurance	21,431	2.7	5,486	4.3
Real Estate & Rental & Leasing	9,722	1.2	1,916	1.5
Professional & Technical Services	53,999	6.9	7,458	5.8
Mgt of Companies & Enterprises	4,955	0.6	1,855	1.5
Administrative & Waste Services	41,108	5.3	7,399	5.8
Educational Services	7,806	1.0	2,460	1.9
Health Care & Social Assistance	101,127	12.9	16,196	12.7
Arts, Entertainment & Recreation	8,473	1.1	1,904	1.5
Accommodation & Food Services	75,180	9.6	11,103	8.7
Other Services & Unclassified	20,925	2.7	4,350	3.4
Total Government	188,816	24.2	21,619	16.9
Federal	33,678	4.3	2,981	2.3
State	50,455	6.5	4,606	3.6
Local	104,683	13.4	14,032	11.0

US Bureau of Labor Statistics, QCEW

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