

University of New Mexico
Bureau of Business and Economic Research



New Mexico Economy: Recent Developments and Outlook

Annual NM Economic Outlook Conference

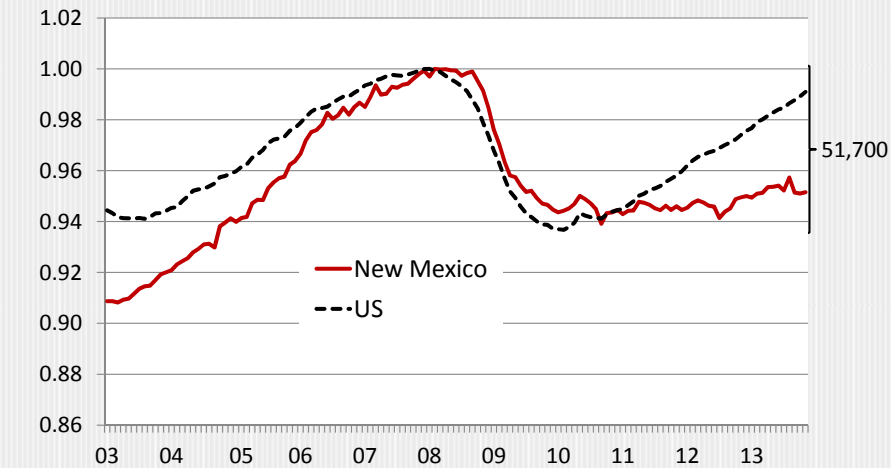
January 16, 2014

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

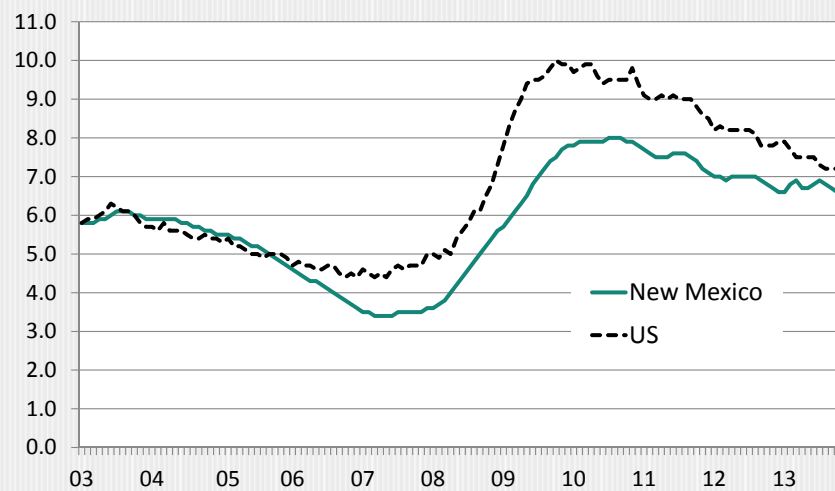


Source: US Bureau of Labor Statistics, Current Employment Statistics

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BLS Labor Force and Unemployment Estimates

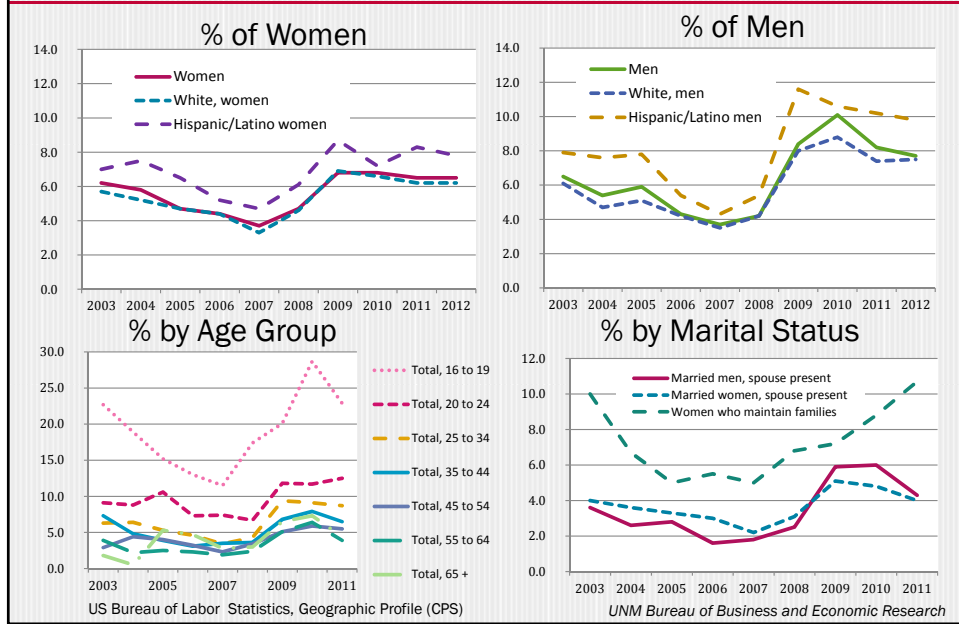
NM and US Unemployment Rates(%) monthly, SA



Source: US Bureau of Labor Statistics, Current Employment Statistics

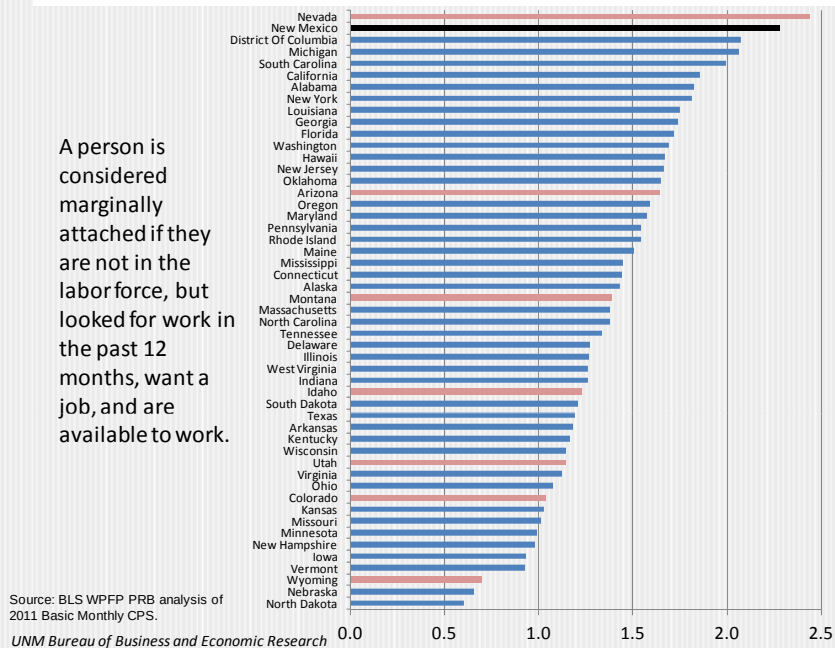
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Demographics Behind NM Unemployment Rate



% Workers Marginally Attached To The Labor Force, 2011

A person is considered marginally attached if they are not in the labor force, but looked for work in the past 12 months, want a job, and are available to work.



Alternative Measures of NM Unemployment indicate many more New Mexicans marginally attached or working part-time involuntarily

All counts in thousands	2007	2012
U-3: Official Unemployment Rate¹		
Unemployed	36	68
Unemployment Rate	3.7%	7.1%
Labor Force	947	952
U-4: Unemployed include discouraged workers		
Discouraged Workers	1	4
Unemployed	36	71
Unemployment Rate	3.8%	7.5%
Labor Force	947	956
U-5: Unemployed include all marginally attached		
All Marginally Attached	8	17
Unemployed	43	85
Unemployment Rate	4.5%	8.8%
Labor Force	954	969
U-6: Unemployed include involuntary part-time		
Marginally + Involuntary Part time	27	51
Unemployed	70	137
Unemployment Rate	7.3%	14.1%
Labor Force	954	969

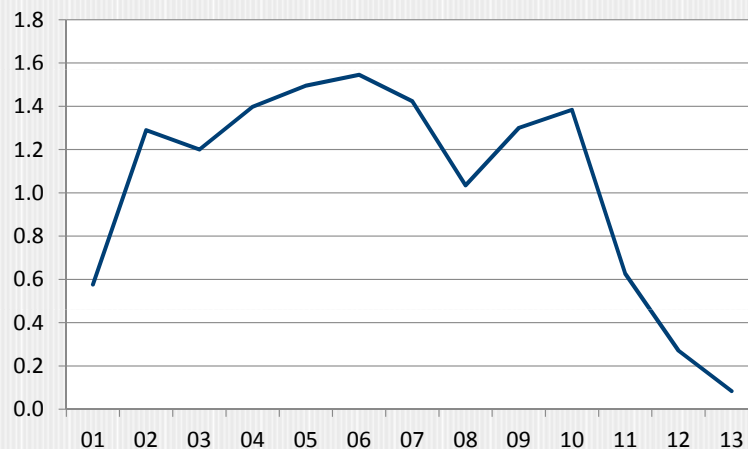
¹ Unemployed, as % of the civilian labor force. Counted if able and willing to work, have actively sought work within past 4 weeks.

Data: BLS website, Geographic Profile of Employment and Unemployment (GP)

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NM Population Growth Has Slowed Dramatically

Estimated % Annual Population Growth, 2001-2013



Source of data: US Census Bureau, Annual Estimates of Population, States

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Perhaps because job prospects are better elsewhere, folks aren't coming, New Mexicans are leaving...

NM Population Estimated 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

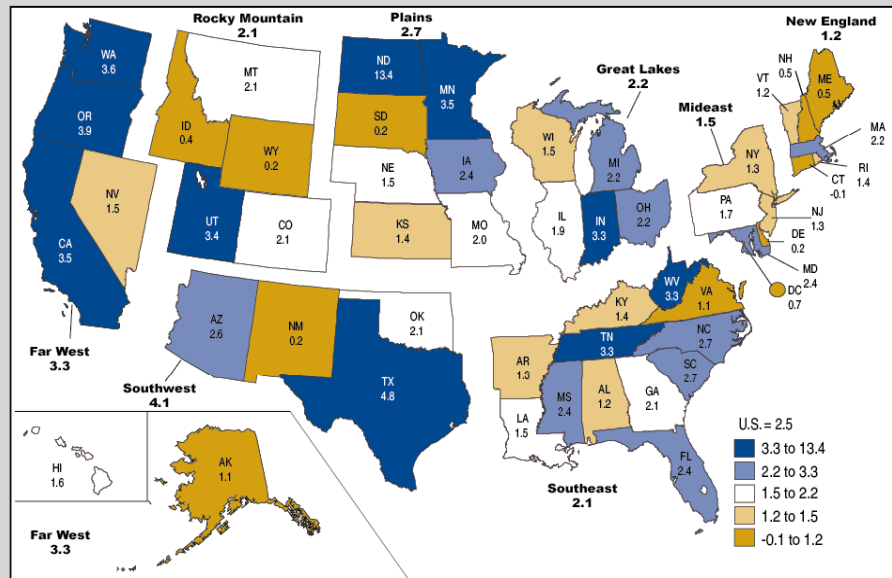
Source: US Bureau of the Census

Given further slowing in population growth, 2013 likely to have larger net out-migration.

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Other Measures of Performance

Percent Change in Real GDP by State, 2012

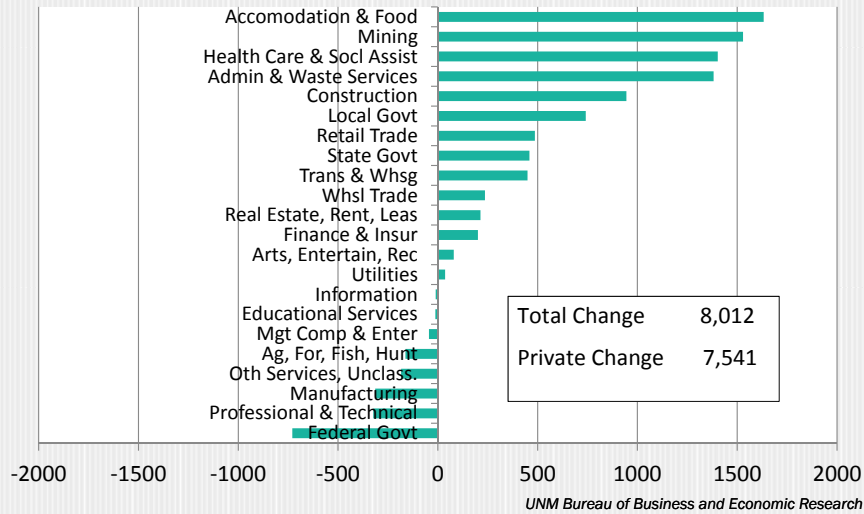


U.S. Bureau of Economic Analysis

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Evidence of Improvement in NM's Economy

Change in New Mexico Employment, 2011-2012
From Quarterly Census of Employment and Wages

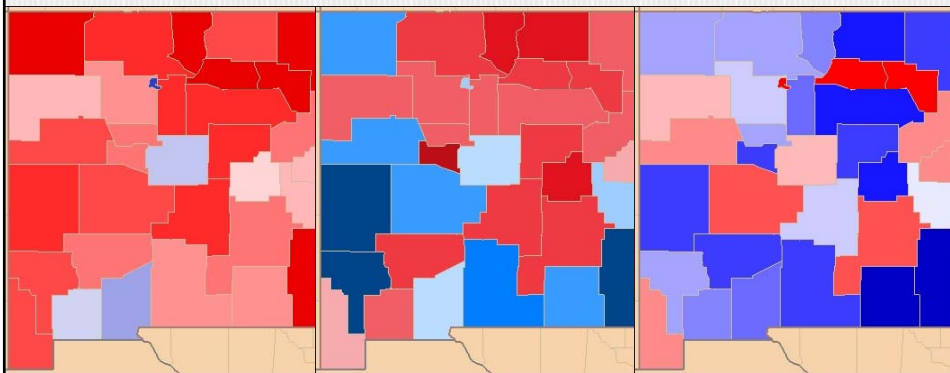


Evidence of Improvement in NM's Economy

2010 Q1

2012 Q1

2013 Q1



QCEW County Job Growth Over Year Ago

Darker red = steeper decline; Darker Blue = more rapid growth.

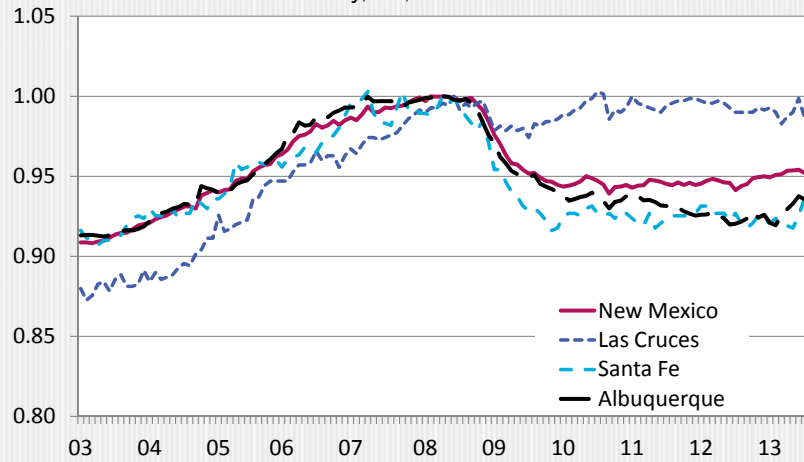
Maps prepared by Michael O'Donnell

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What Happened to Albuquerque?

New Mexico Metro Nonfarm Employment

Monthly, SA, Indexed to Peak

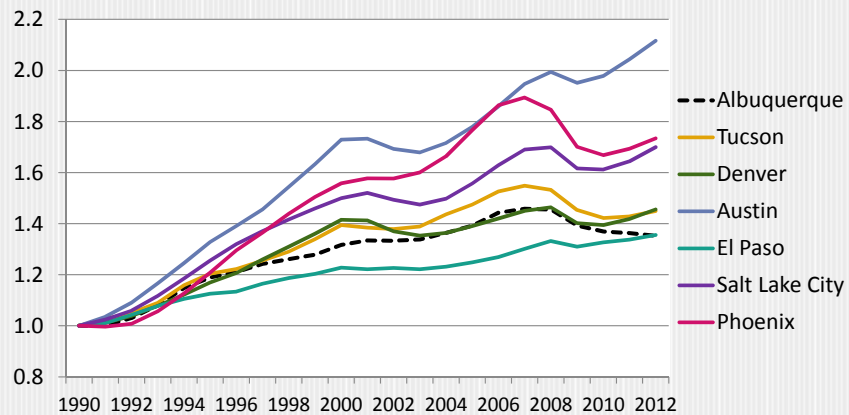


Source: US Bureau of Labor Statistics, Current Employment Statistics

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Albuquerque MSA Lagging. Why?

Employment Growth in Major MSAs across the Region Nonfarm Employment (CES) Indexed Back to 1990



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Things are different in NM this time...

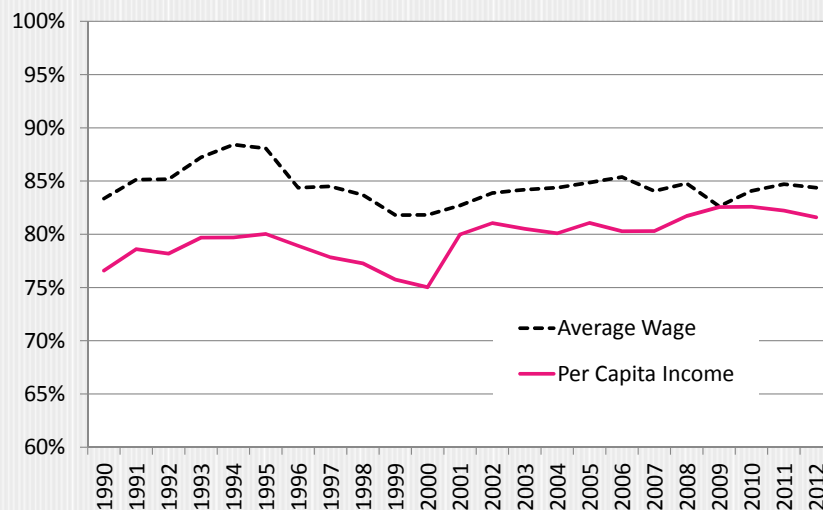
New Mexico among the top 15 states in terms of job growth in each of the past 4 decades. In Nov. 2013, NM ranked **48th** among the states. Albq MSA, which has outperformed NM & US for decades, seriously lagging.

The employment to population ratio, after slowly climbing from 54.9% in 1976 to 61.0% in 08Q2, has been almost in freefall since then and is now 53.8%.

In the good years growing employment masked many serious problems: NM's extremely high poverty rate, low per capita income & wages, the racial and ethnic disparities in employment and income...

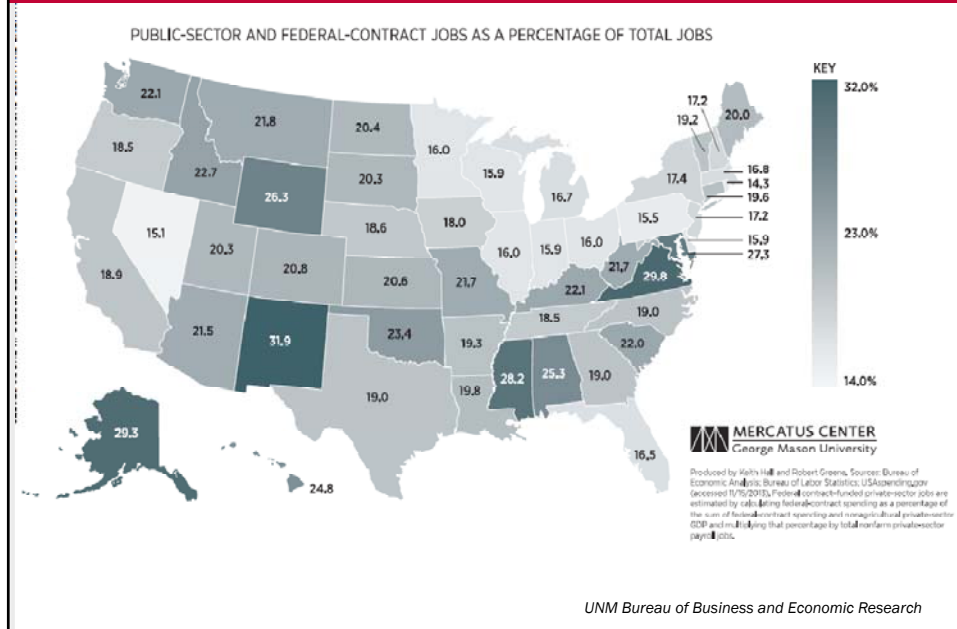
NM did not face up to challenges. UNM Bureau of Business and Economic Research

Persistent Low Per Capita Income & Wages



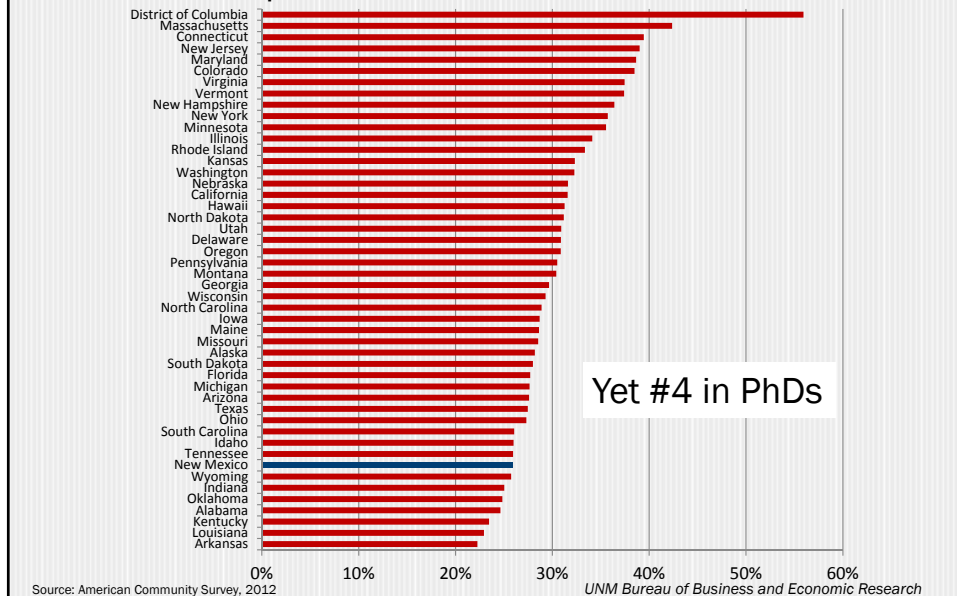
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Dependence on Government



Thin Labor Markets; Underprepared Workforce

Percent of Population with a Bachelors or More, 2012



Inequality, Disappearing Middle Class

Top Ten States for Selected Income Inequality Measures	
Greatest Income Inequality Between the Top and the Bottom, Late-2000s	Greatest Income Inequality Between the Top and the Middle, Late-2000s
1. New Mexico 2. Arizona 3. California 4. Georgia 5. New York 6. Louisiana 7. Texas 8. Massachusetts 9. Illinois 10. Mississippi	1. New Mexico 2. California 3. Georgia 4. Mississippi 5. Arizona 6. New York 7. Texas 8. Oklahoma 9. Tennessee 10. Louisiana
Greatest Increases in Income Inequality Between the Top and the Bottom, Late 1990s to Mid-2000s	Greatest Increases in Income Inequality Between the Top and the Middle, Late 1990s to Mid-2000s
1. Mississippi 2. South Dakota 3. Connecticut 4. Illinois 5. Alabama 6. Indiana 7. Massachusetts 8. Colorado 9. Kentucky 10. New Mexico	1. Mississippi 2. New Mexico 3. Illinois 4. South Dakota 5. Alabama 6. Connecticut 7. Missouri 8. Colorado 9. Florida 10. Oregon
Greatest Increases in Income Inequality Between the Top and the Bottom, Late 1970s to Mid-2000s	Greatest Increases in Income Inequality Between the Top and the Middle, Late 1970s to Mid-2000s
1. Connecticut 2. Massachusetts 3. New York 4. Kentucky 5. Illinois 6. California 7. West Virginia 8. Colorado 9. Rhode Island 10. Mississippi	1. Connecticut 2. California 3. Oklahoma 4. New York 5. New Mexico 6. Illinois 7. Oregon 8. Texas 9. Massachusetts 10. Rhode Island

Pulling Apart: A State-by-State Analysis of Income Trends, Center on Budget and Policy Priorities & Economic Policy Institute, p. 11.

Challenges of distance & low population density in NM – the 5th largest state in the US

The importance of **Critical Mass**

INCUBATORS

The difficulties of **Raising capital** now that many NM banks have disappeared. The critical roles of ANGEL INVESTORS and **VENTURE CAPITAL**,...

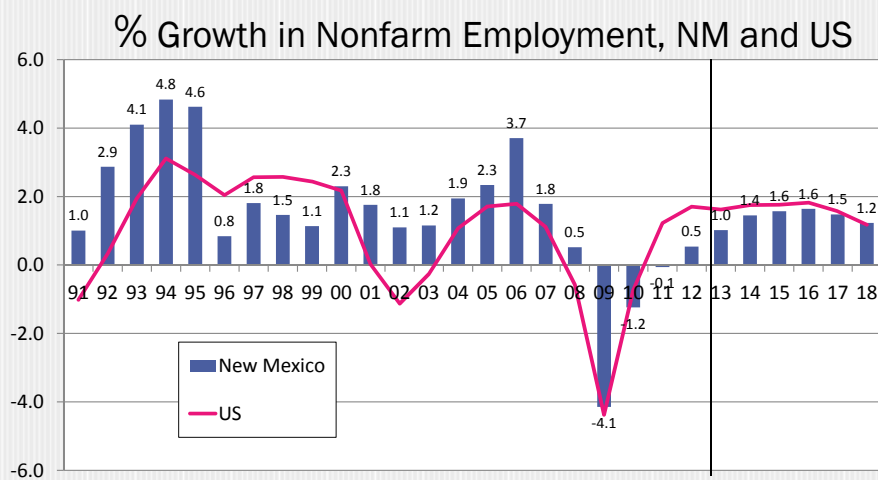
The crucial roles of **ENTREPRENEURS**

The Economic Forecast for New Mexico



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Employment Forecast

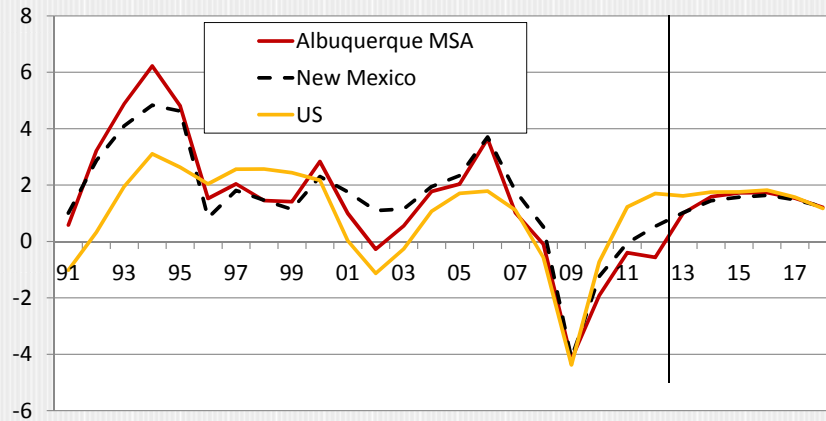


IHS Global Insight and UNM BBER Forecast 11/13

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What about Albuquerque?

% Growth in Nonfarm Employment, Annual
Albuquerque, NM and US

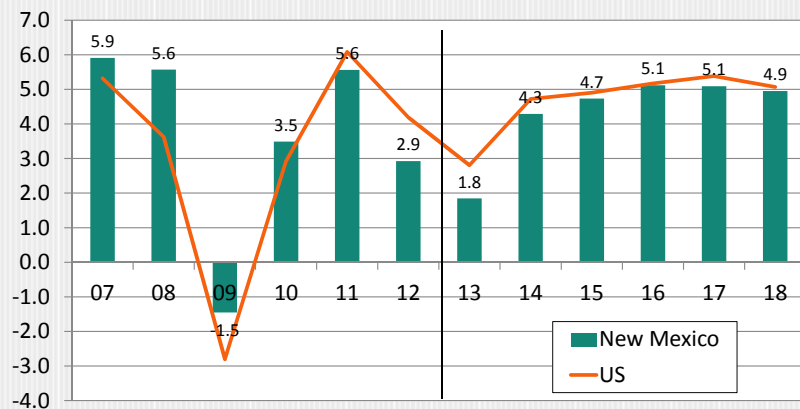


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Personal Income Forecast

% Growth in Personal Income, NM and US



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Developments Holding NM Back

- Capital, financing
- Construction
- Federal Government
- Professional & Technical Services
- Manufacturing

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Urban Land Institute, Emerging Trends in Real Estate 2014

U.S. Markets to Watch: Overall Real Estate Prospects

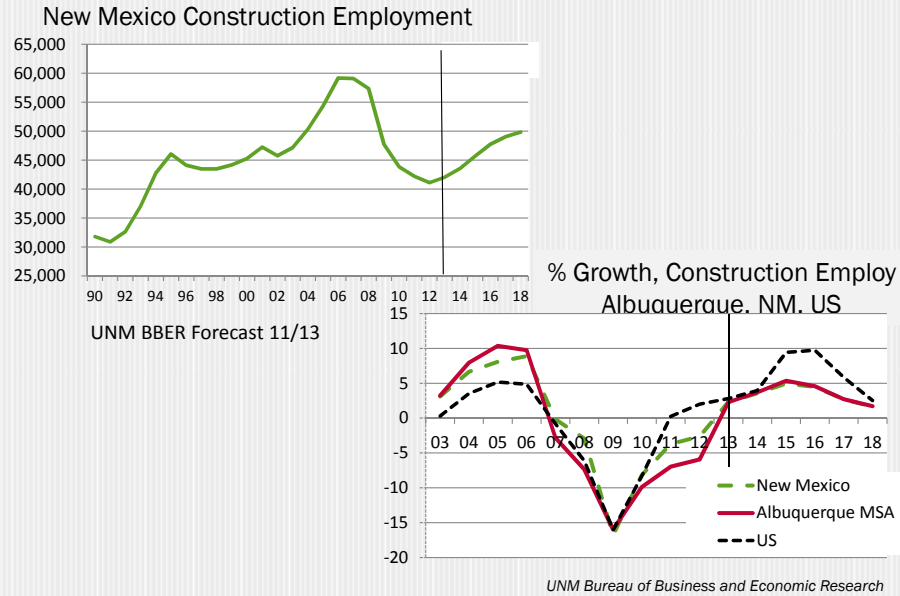
	Investment	Development	Homebuilding
1 San Francisco (2/1/1)	7.05	6.85	7.05
2 Houston (1/3/2)	7.00	6.84	7.48
3 San Jose (5/2/3)	6.75	6.75	7.40
4 New York City (3/4/6)	6.64	6.68	7.18
5 Dallas/Fort Worth (6/6/4)	6.70	6.87	7.04
6 Seattle (4/7/7)	6.83	6.36	7.18
7 Austin (7/10/5)	6.69	6.25	7.34
8 Miami (10/5/8)	6.57	6.58	7.08
9 Boston (8/8/9)	6.64	6.35	6.98
10 Orange County, CA (9/12/10)	6.60	6.17	6.88
11 Denver (13/14/11)	6.48	6.15	6.84
12 Nashville (14/11/15)	6.65	6.15	6.75
13 Los Angeles (15/13/17)	6.46	6.35	6.70
14 San Antonio (19/16/12)	6.28	6.10	6.70
15 San Diego (12/19/16)	6.47	6.04	6.71
16 Charlotte (17/19/13)	6.39	5.95	6.78
17 Raleigh/Durham (18/20/14)	6.31	5.30	6.78
18 Salt Lake City (16/17/19)	6.42	6.03	6.54
19 Portland, OR (11/21/25)	6.53	5.96	6.28
20 Minneapolis/St. Paul (20/9/26)	6.27	6.27	6.88
21 Chicago (22/15/27)	6.11	6.11	6.80
22 Washington, D.C. (26/26/18)	6.88	5.46	6.54
23 Tampa/St. Petersburg (24/22/23)	6.07	5.50	6.26
24 Orlando (25/23/21)	6.38	5.58	6.40
25 Phoenix (21/28/24)	6.14	5.41	6.28
26 Atlanta (23/27/22)	6.09	5.43	6.38
27 Northern New Jersey (28/31/20)	6.05	5.25	6.48
28 Inland Empire (27/24/28)	6.27	5.13	6.78
29 Honolulu/Hawaii (29/25/30)	6.68	5.46	5.58
30 Philadelphia (30/33/31)	6.58	5.04	6.68
31 Indianapolis (34/29/35)	5.33	5.33	5.40
32 Pittsburgh (31/37/37)	5.55	4.90	5.29
33 Westchester/Fairfield (33/39/33)	5.48	4.82	5.43
34 Virginia Beach/Norfolk (36/36/29)	5.21	4.91	6.58
35 Kansas City (35/30/43)	5.28	5.28	5.11
36 St. Louis (37/32/42)	5.18	5.18	5.13
37 Baltimore (38/40/36)	5.15	4.74	5.31
38 Las Vegas (32/43/41)	5.43	4.68	5.15
39 Jacksonville (42/42/34)	4.98	4.64	5.42
40 Sacramento (40/44/32)	5.05	4.45	5.53
41 Cincinnati (41/34/44)	4.98	4.98	4.92
42 Columbus (43/35/46)	4.94	4.94	4.81
43 Oklahoma City (45/41/39)	4.82	4.67	5.18
44 Tucson (39/47/38)	5.14	4.28	5.19
45 Milwaukee (44/38/47)	4.83	4.83	4.70
46 Albuquerque (45/45/40)	4.65	4.65	4.65
47 New Orleans (48/46/45)	4.40	4.00	4.83
48 Memphis (47/49/48)	4.52	4.07	4.82
49 Cleveland (50/48/50)	4.28	4.28	4.28
50 Providence, RI (49/51/49)	4.30	4.30	4.30
51 Detroit (51/51/51)	4.12	4.12	4.12

Source: Emerging Trends in Real Estate 2014 survey.
Note: Numbers in parentheses are rankings for, in order, investment, development, homebuilding.

Albuquerque (46). New Mexico's largest city continues to slip in the survey, falling four positions to number 46. Survey respondents this year see an improved outlook for Albuquerque in 2014. The improvement is modest for investment and development but more substantial for homebuilding. The outlook for investment and homebuilding remains "fair," while the outlook for development is "modestly poor." The decline in Albuquerque's overall rank is attributable to a failure of this improvement to keep pace with other markets.

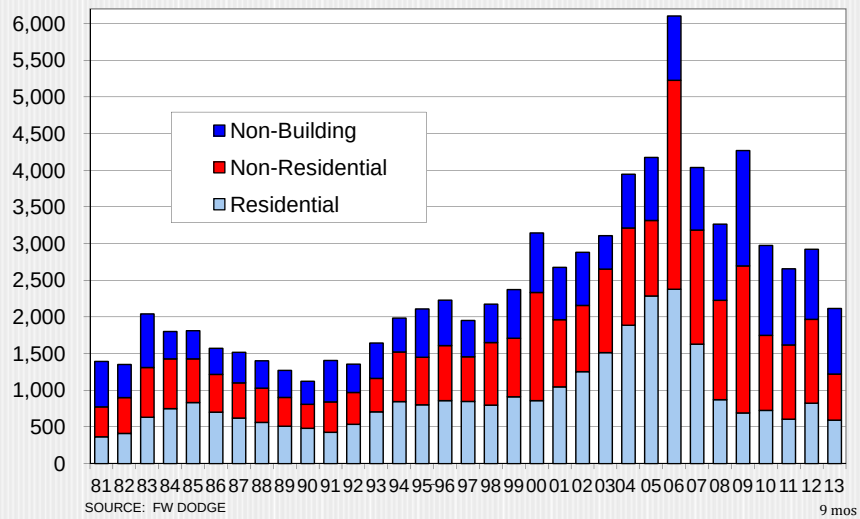
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A lackluster construction recovery



Residential & non-residential have slowed

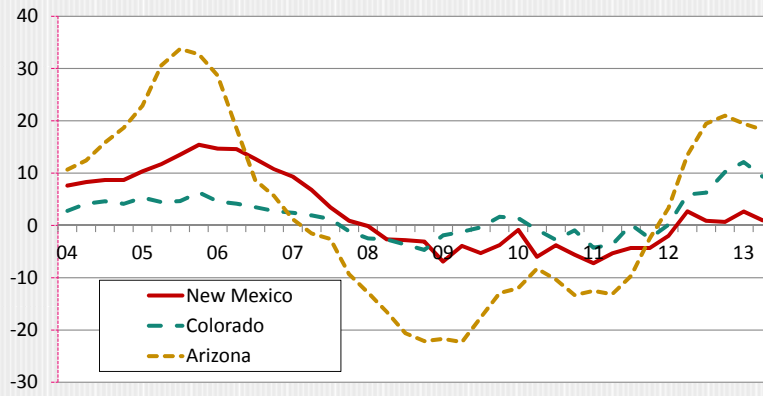
New Mexico \$ Value of Construction Awards



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Housing Prices are Crawling Back Up

Four-Quarter % Change in FHFA Housing Price Indexes (Purchase only), 2013 Q2



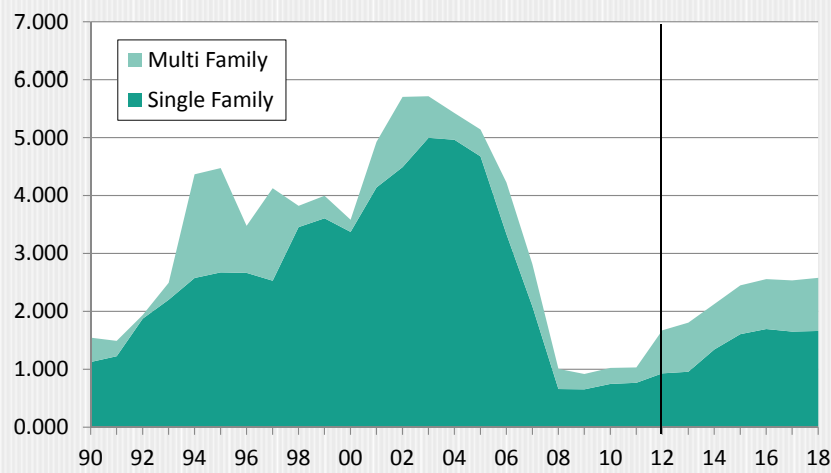
Source: Federal Housing Finance Agency

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City of Albuquerque Housing

Extreme vulnerability to housing collapse, but so did many major MSAs

City of Albuquerque Housing Units Permitted

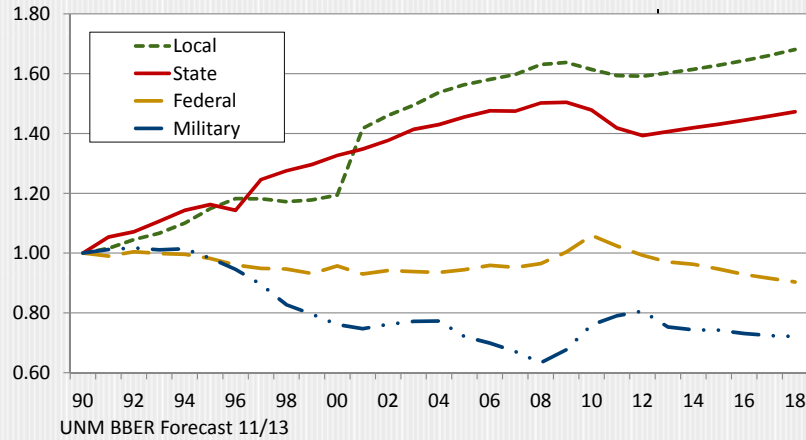


Rio Rancho units peaked at 3,247 in 2005 and were 421 in 2012

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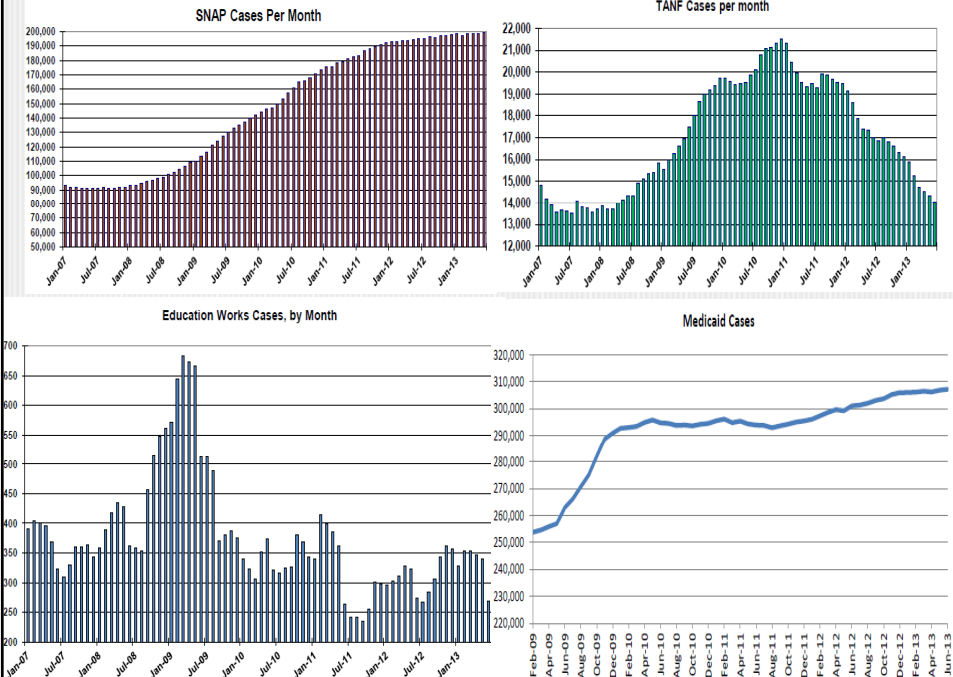
Dependence on Government

Government Employment in New Mexico All Levels Indexed to 1990



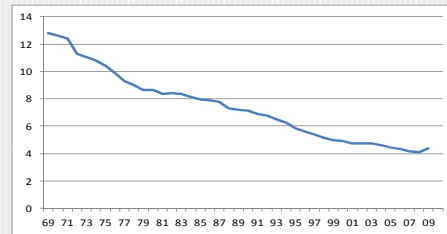
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New Mexico Human Services Dept Caseloads



Dependence on Federal Government

Federal civilian and military employment was still 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

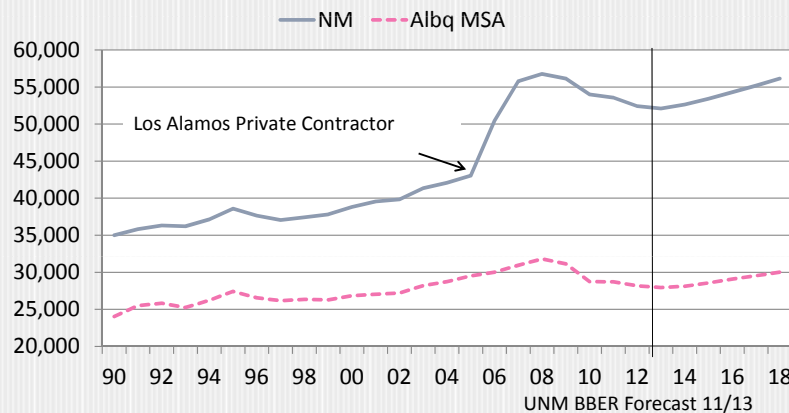
Federal expenditures in NM in 2010 were \$28 billion, or \$13,578 per capita. NM ranked 6th among the states in the per capita flow of federal dollars and #1 in federal expenditures per dollar of federal tax paid. Procurement has been huge – 27% vs 16% in US –, and 64% of that is with the DOE, primarily for LANL & Sandia NL.

BBER had estimated that sequestration would result in a permanent loss of employment of roughly 20,000.

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Professional, Scientific & Technical Services

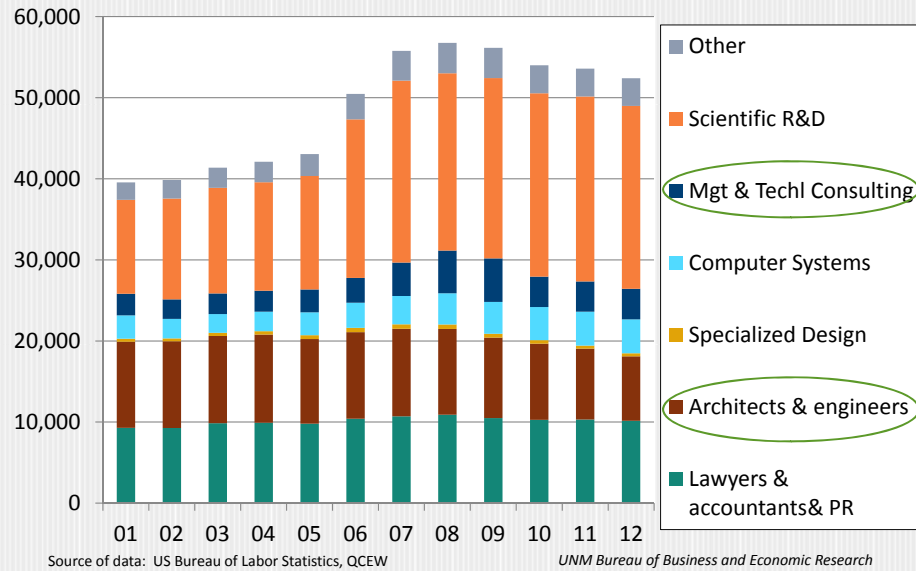
Employment in Professional & Technical Services New Mexico and Albuquerque MSA



Why is Albq lagging? Higher dependence of this sector hit by federal govt cuts & const.

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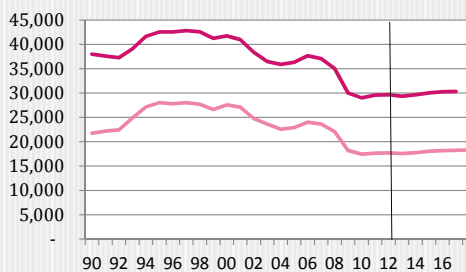
QCEW Employment in NM Prof, Scientific & Technical Services: Behind the aggregates...



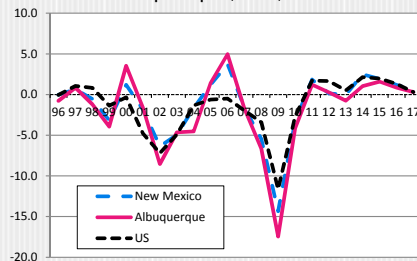
Manufacturing, an important sector...

Why is Albuquerque lagging?
Albuquerque has lost some key players, like Phillips, Motorola, Eclipse (until reborn), GE, Schott, and Intel has been cutting.

Albuquerque & NM Manufacturing Employment



% Change in Manufacturing Employment
Albuquerque, NM, US



Source: BLS QCEW, FOR-UNM, IHS Global Insight

But an industry subject to considerable volatility – and Albq has been losing share since 01

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Areas of Strength

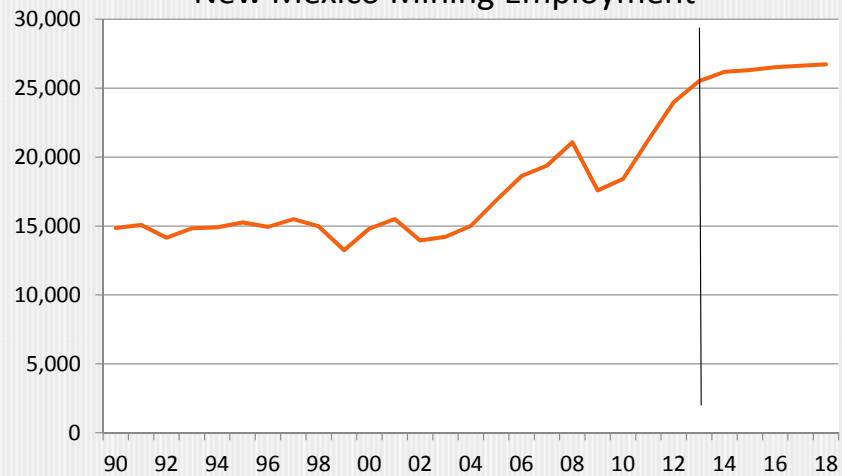
Arts & Cultural Industries



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Mining and Extractive Industries

New Mexico Mining Employment



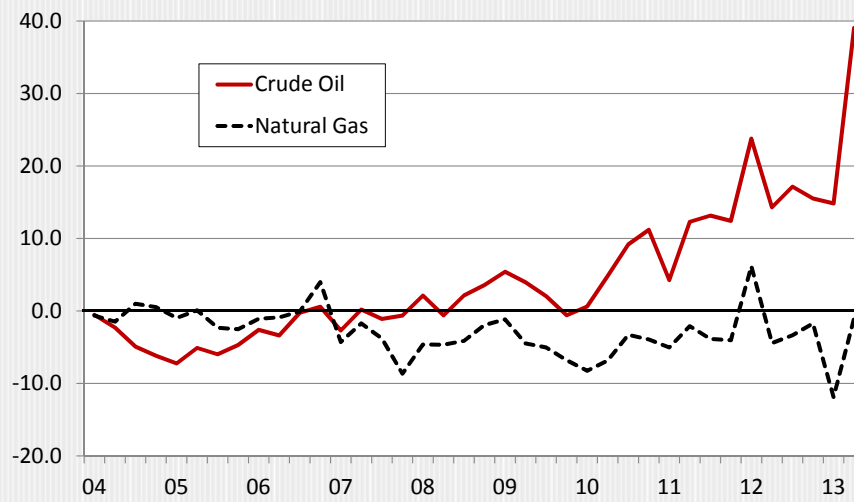
With new technologies and continued relatively high prices for oil and other commodities...

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New Mexico Oil and Gas Production

Quarterly, % Changes Year Over Year



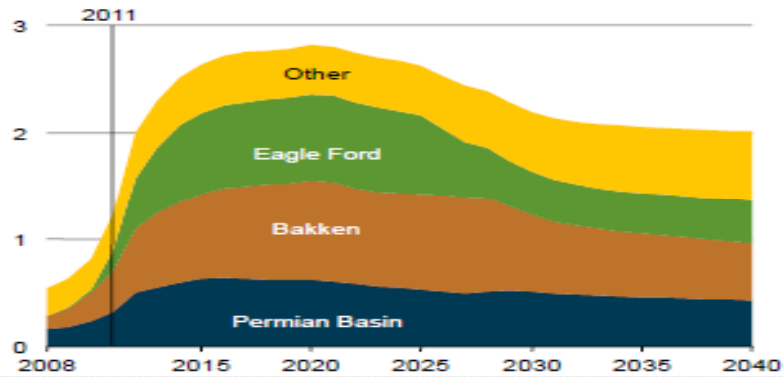
Source: NM ONGARD database

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Shale oil is the game now, but...

Tight oil formations account for a significant portion of total U.S. production

Figure 97. Total U.S. tight oil production by geologic formation, 2008–2040 (million barrels per day)

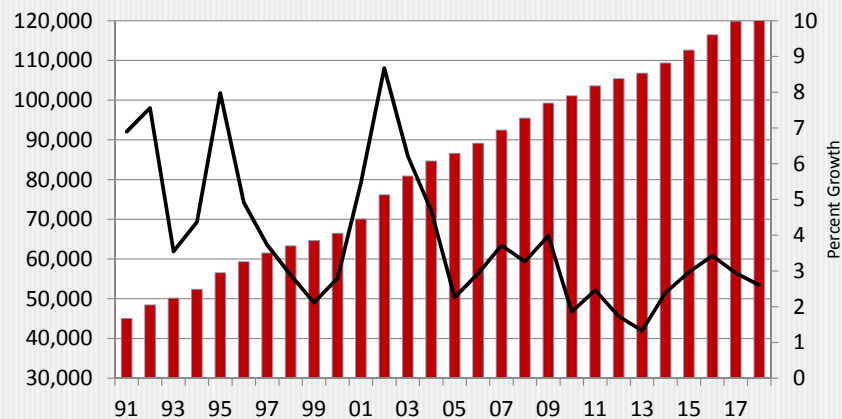


Source: Department of Energy, Energy Information Agency, Annual Energy Outlook, 2013, p. 82

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Health Care & Social Assistance in NM

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



New Mexico will participate in the Medicaid expansion and has an exchange for small businesses up and running. Major issue will be access, particularly in rural areas which are underserved. Albq as a medical center should be helped by ACA.

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Other Positives – the 3 T's

Technology

Because of the labs, universities and existing industry, & drawn by amenities. But what can NM continue to attract and keep those businesses? Big positive here is Innovate Albuquerque.

Tourism

A growth area. Tourists are returning, helping to boost hospitality industry employment and earnings as well as retail trade...

Transportation

- Union Pacific's new terminal at Santa Theresa – 800 new jobs
- Expansion of the Port at Santa Theresa
- Burlington Northern's track investments, vision for Belen

Also renewables are making strides: Solar and wind energy, algae and other biofuels, Mesa del Sol smart grid, Tres Amigas Super Station with Albq headqtrs...

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Transportation: Union Pacific Project

Santa Teresa Intermodal Terminal - Santa Teresa, NM

Terminal Information

Union Pacific is currently constructing a new, state-of-the-art rail facility in southern New Mexico. For the first time ever, New Mexico will have a key inland port, positioning the Santa Teresa/El Paso area as a strategic focal point for shipments in the southwestern U.S.

The new facility will increase capacity for lifts, parking and containers as volume in this area continues to grow. Santa Teresa Facility will also allow additional access for shippers and intermediaries in the area.



Facility Features

- Intermodal Ramp - This regionally focused intermodal ramp will permit both local and regional businesses more immediate access to the efficiencies of freight trains.
- Fueling Facilities - Located along the busy "Sunset Route" between El Paso and Los Angeles, this fueling facility will enhance commerce and goods movement.
- Intermodal Block Swap/Switching Yard - Enhancing capacity and efficiency, this new switching yard will incorporate the latest engineering techniques for improved efficiency and throughput.

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Renewable Energy and Energy Transmission

Western Governor's Assoc identified 27 gigawatts of renewable generating capacity (solar, wind, geothermal & biomass) in NM – the largest capacity among the included states and western Canada. And, with Renewable Portfolio Standard and incentives,



- capacity is being developed
- investments are being made in transmission infrastructure



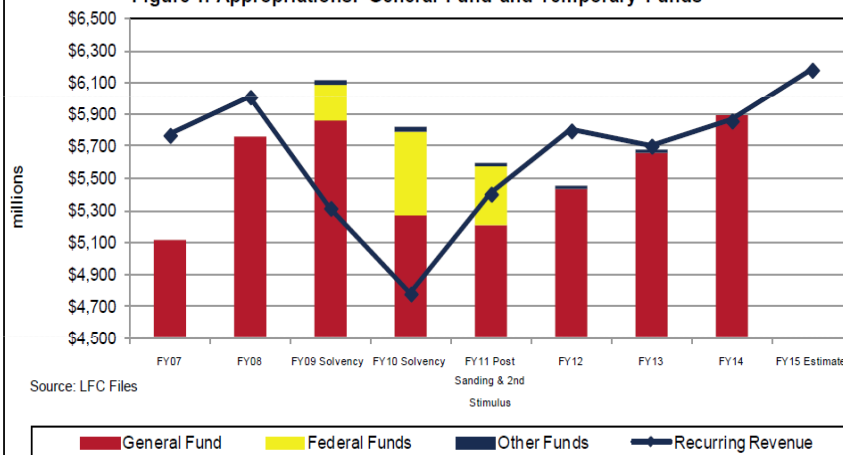
Jobs for construction, limited operating jobs, nevertheless...

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Photos: NM RETA

State Government Finances

Figure 1. Appropriations: General Fund and Temporary Funds



Source: LFC Files

"New Money" in FY15, defined as FY15 projected recurring revenue less FY14 recurring appropriations, is projected to be \$292 million or 5 percent of FY14 appropriations.

Consensus Revenue Estimates, Dec. 2013

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The New Mexico Economy:

Finally
Recovering
from the
Great
Recession in
NM style...



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New Mexico and lagging Albuquerque MSA continue to pull out of the deepest and longest recession since the 1930's. The expansion has broadened and deepened, but there is a growing list of casualties – businesses that failed because they couldn't hang on any longer, families who have left the state, businesses that have pulled up stakes to try their fortune elsewhere. NM is not attracting the interest nor the investment that it once did.

Bright spots have been tourism, transportation, mining and extractive industries, and renewables. NM stands to be a big winner from the Medicaid expansion and ACA. Our technology is attracting interest with initiatives like Innovate Albuquerque holding great promise. However,...

- Sectors which have traditionally cushioned the impacts of national recessions on NM – federal, state and local government, professional services – have been less able to play a stabilizing role this time around.
- The NM economy is feeling the pain from federal government cut-backs and stands vulnerable to future cuts.
- NM needs to protect its water resources, to deal with income inequality and deep and persistent poverty, to address the inadequacy of its public education system...NM needs to create a compelling vision for the future that will excite and that can attract, grow & retain businesses while encouraging New Mexicans to realize their full potential.

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