

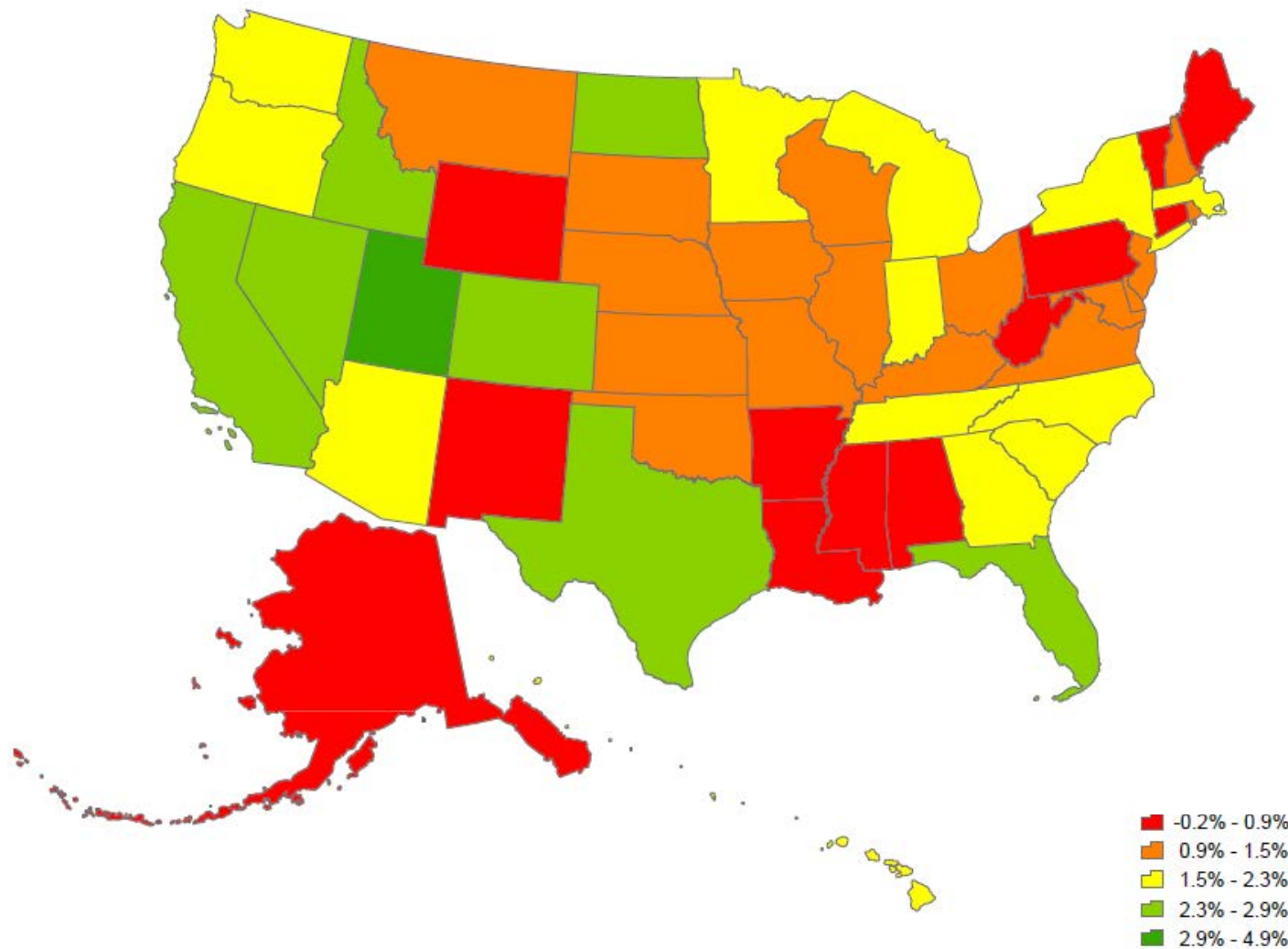
Jobs or People: What Goes First?

*New Mexico Leadership
November 2017
Jeffrey Mitchell, PhD*



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Job Growth, 2011-2016

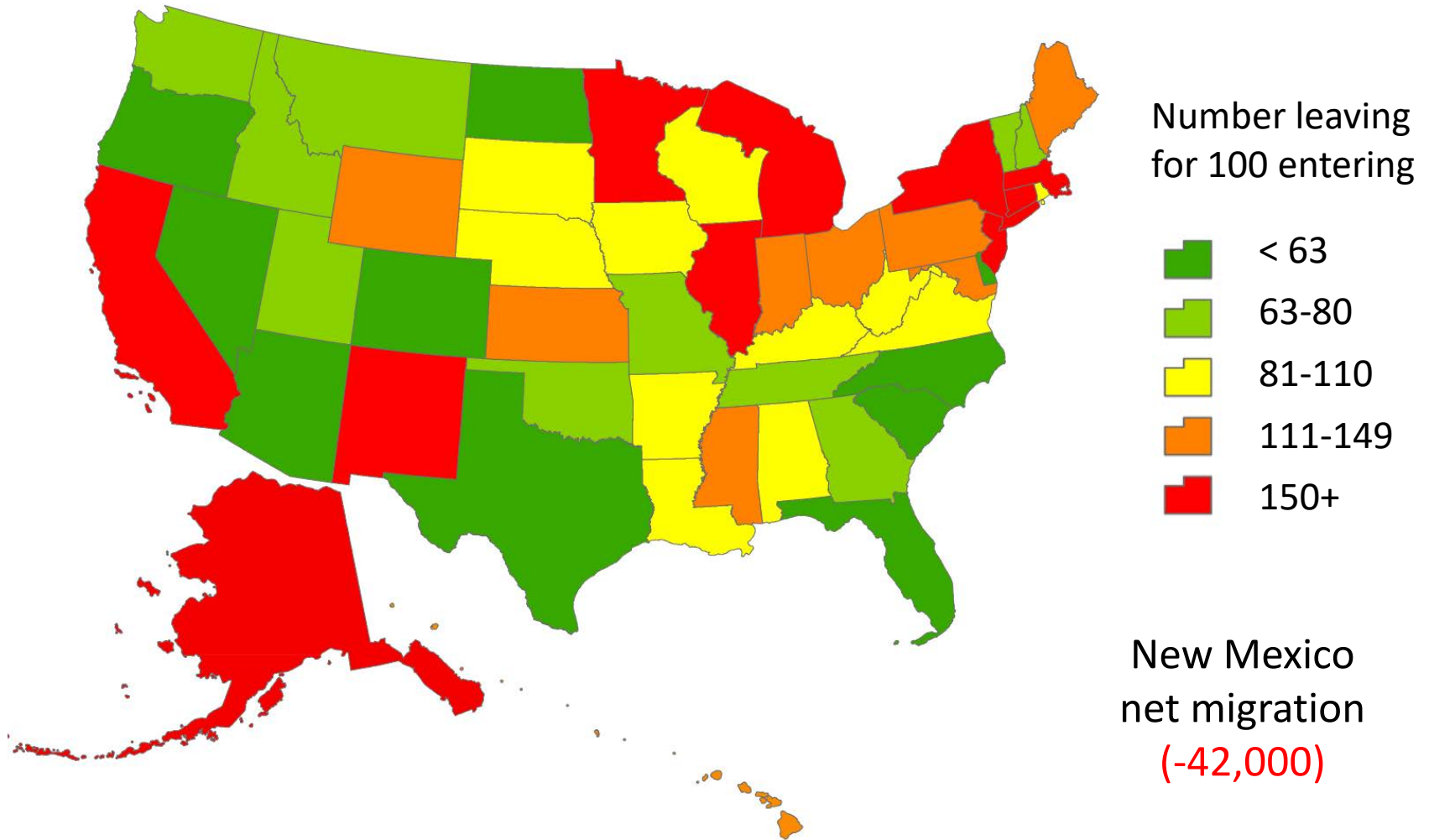


Source: US Bureau of Labor Statistics, CES



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

State to State Migration, 2011-2016

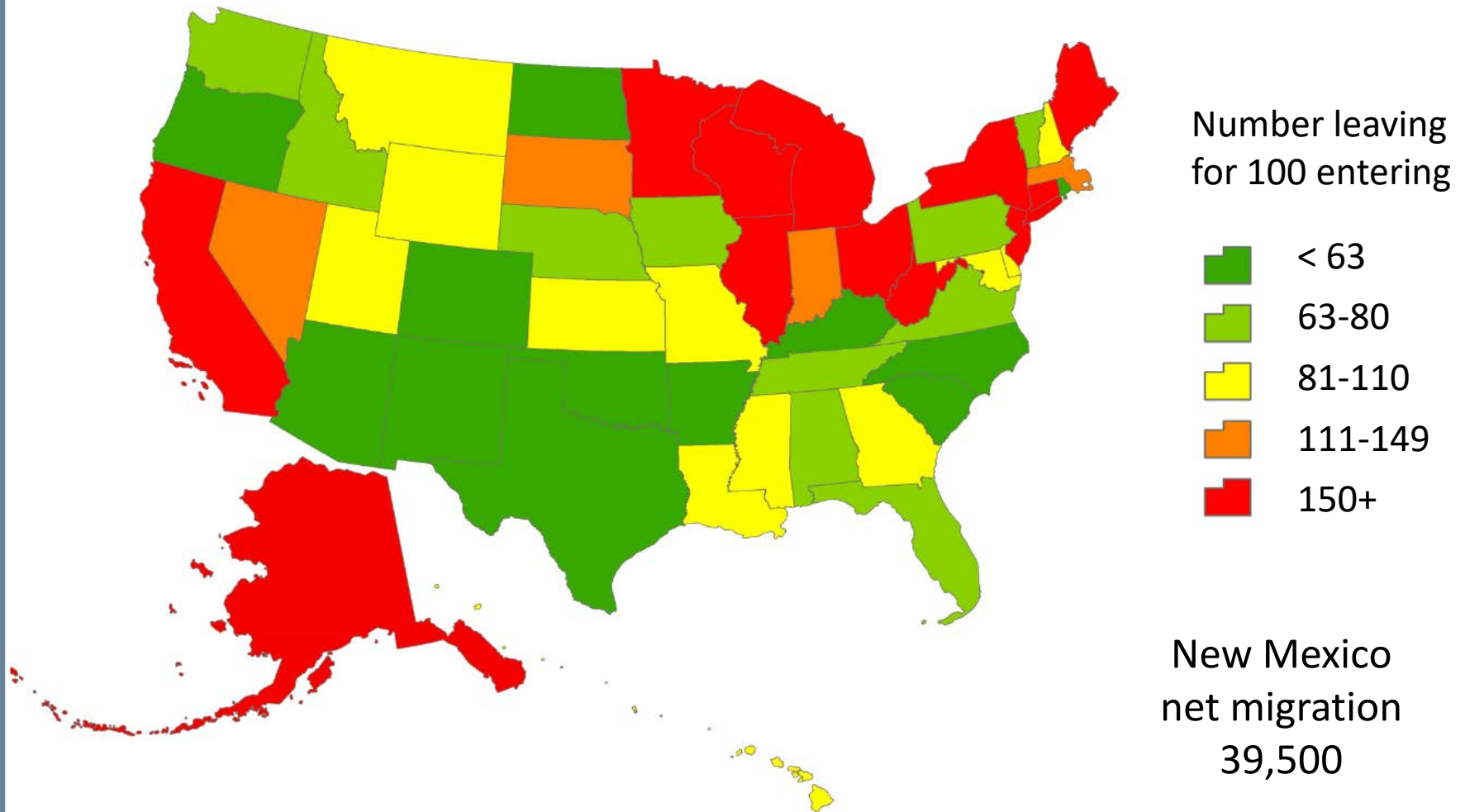


Source: US Census Bureau



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

State to State Migration, 2005-2010



Source: US Census Bureau



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

**No easy answers,
but several observations.**



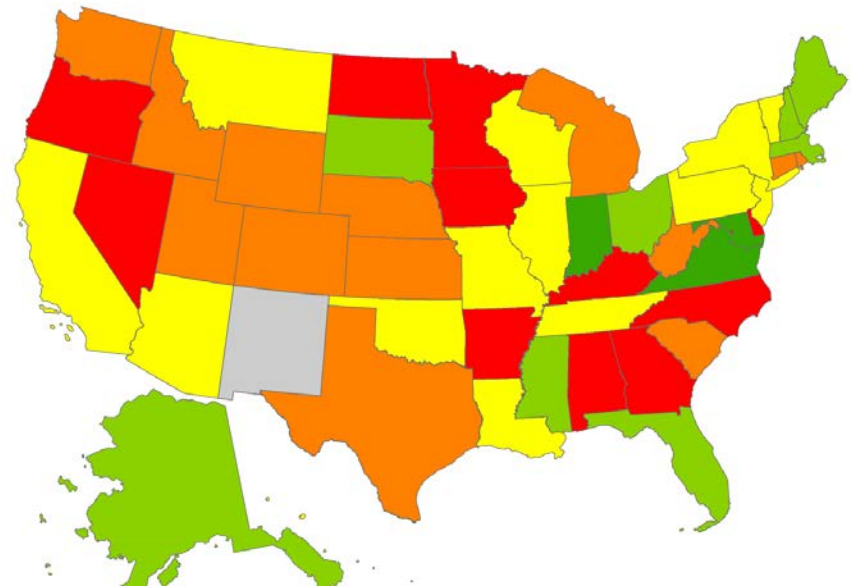
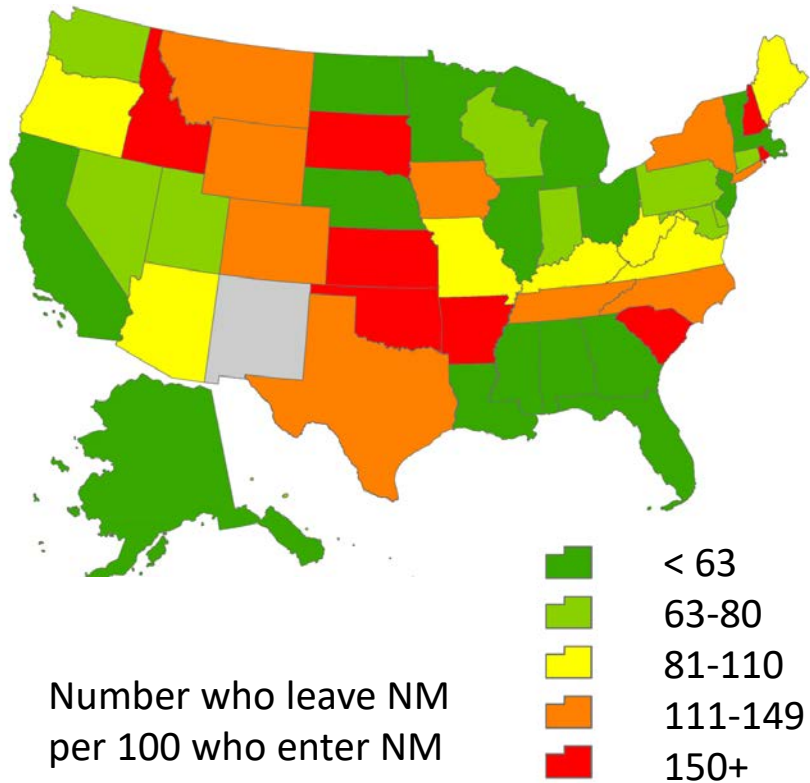
Bureau of Business & Economic Research

THE UNIVERSITY *of* NEW MEXICO

Out-migration from NM beyond our neighbors.

2005-2010
(+39,500)

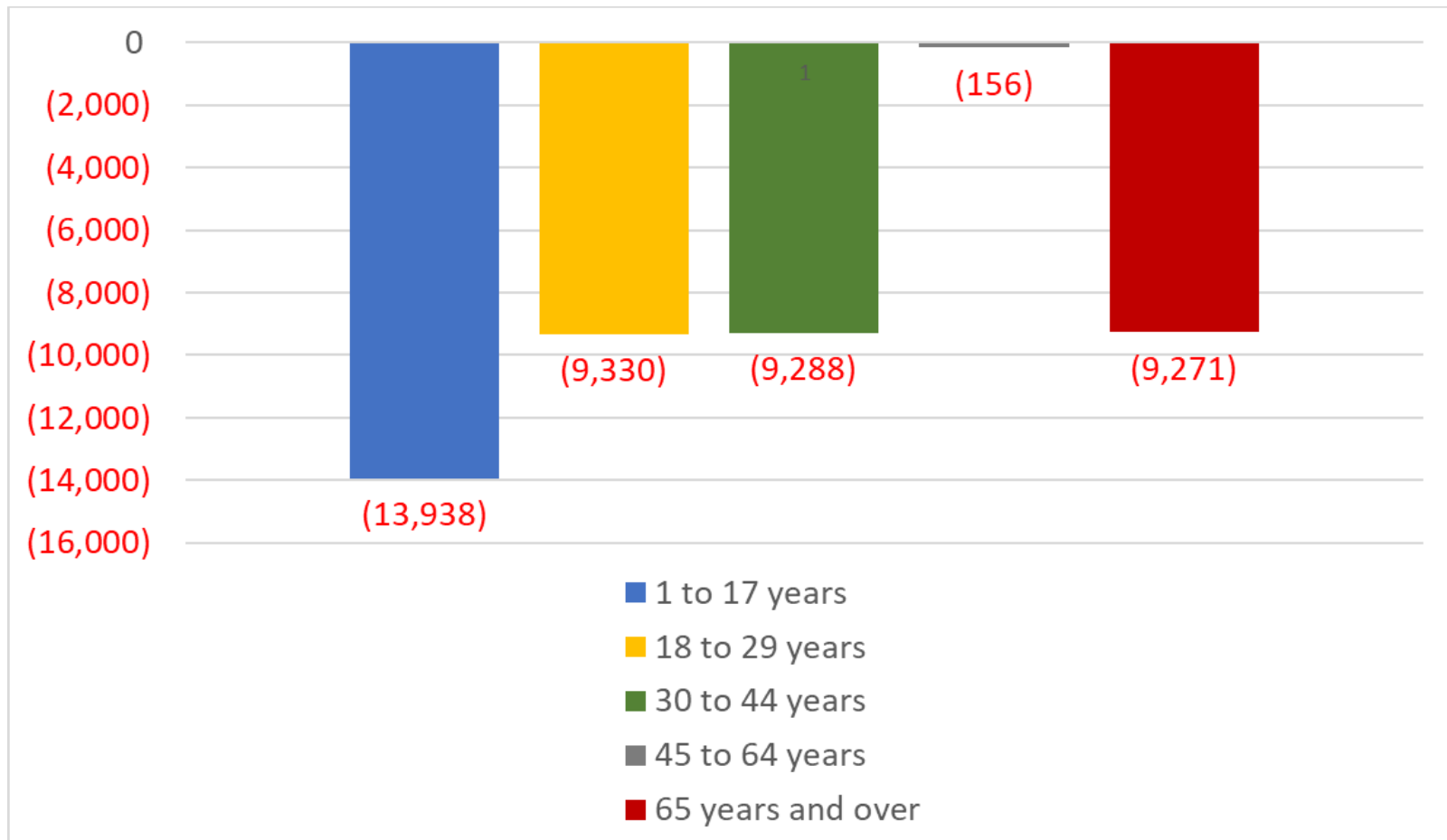
2011-2016
(-42,000)



Number who leave NM
per 100 who enter NM

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

Out-migration of young families and seniors, while older working age population remains

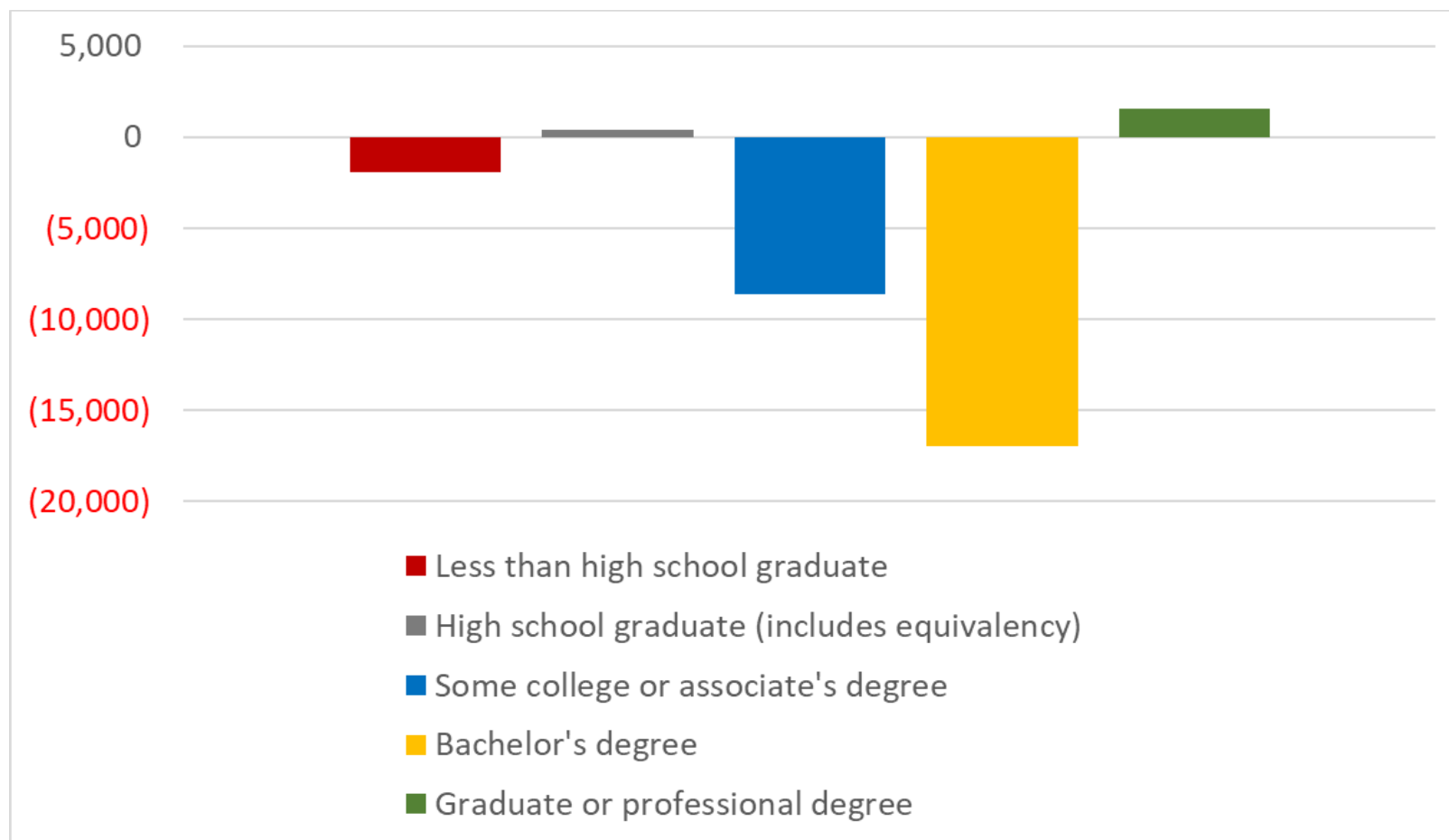


Source: US Census Bureau

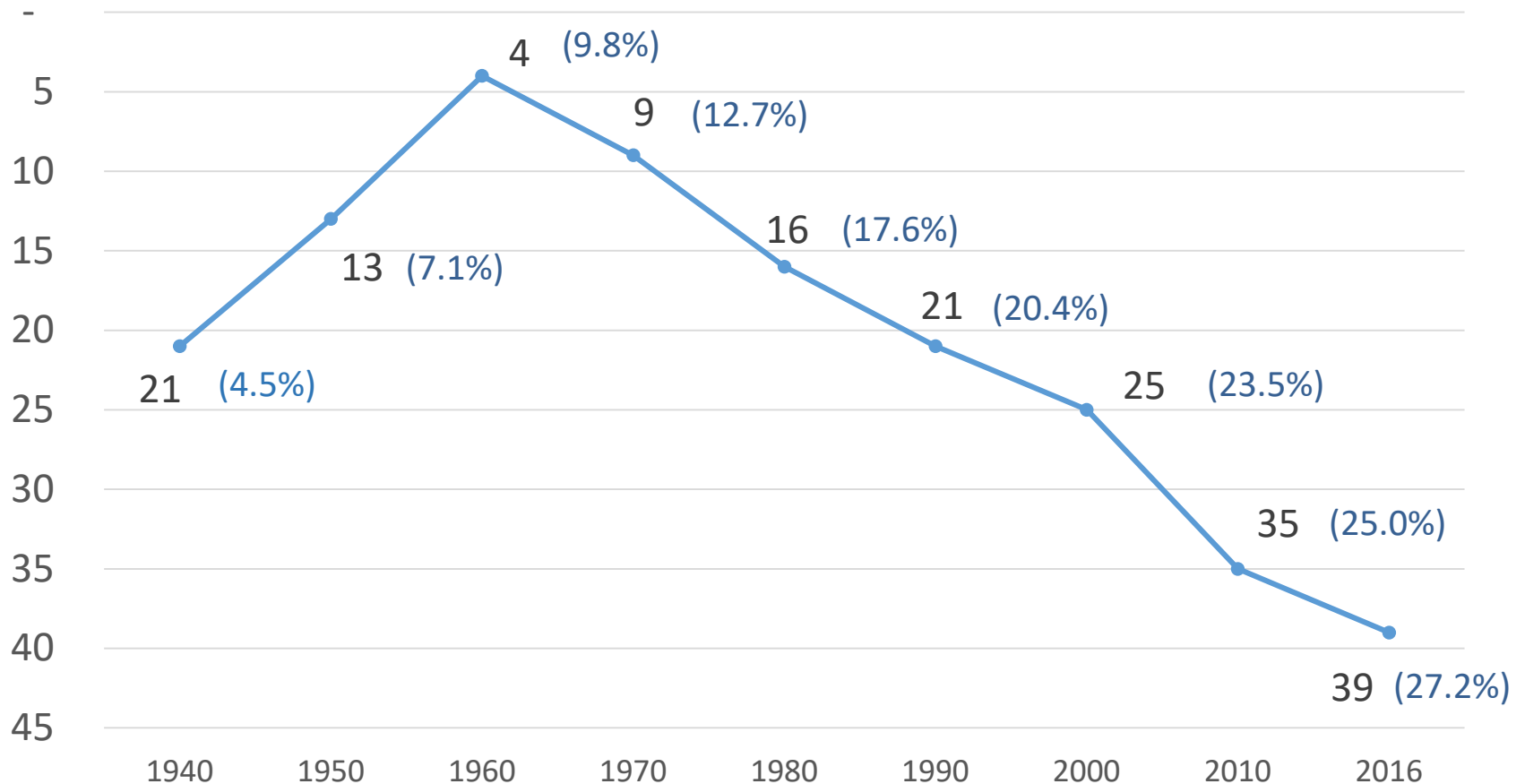


Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Out-migration of Associate's & Bachelor's Degrees



New Mexico has lost its early advantage in higher education.



Source: US Census Bureau



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Professional jobs have driven job growth. Recent losses in oil state more than offset earlier gains.

Job growth	-----	-----	47	
Prof & Business Svcs (%/Jobs)	46%	0.001	48	
Financial Services (%/Jobs)	41%	0.003	45	
Government (%/Jobs)	-40%	0.004	3	
Mining (%/Jobs)	-37%	0.008	6	

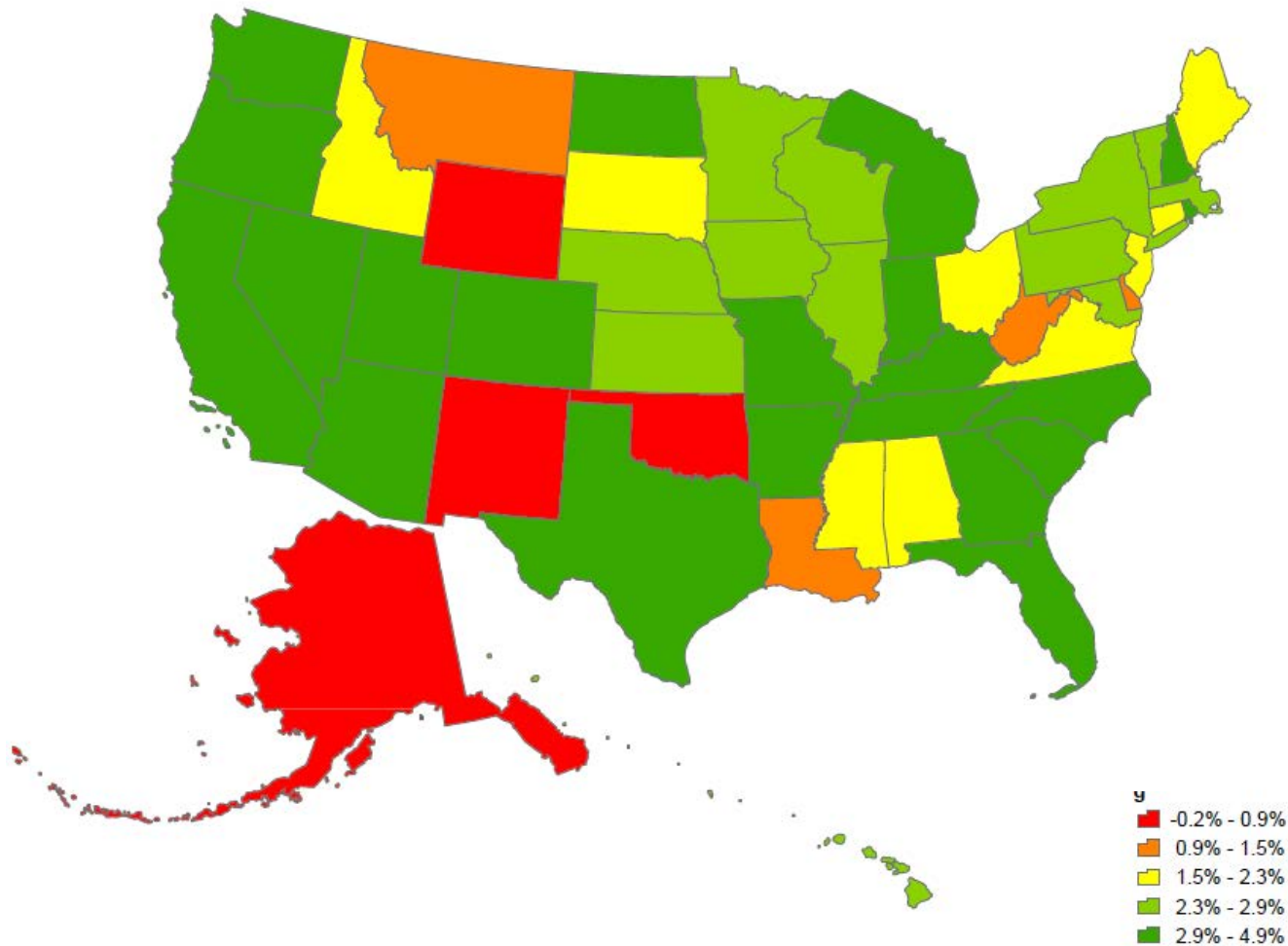
Data for September 2010 – September 2017

Sources: Bureau of Labor Statistics, CES..
Analysis by BBER.



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Professional & Business Services has driven US job growth, but NM ranks 48th



Source: US Bureau of Labor Statistics, CES



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Wages have neither driven nor followed job growth. Young, large working age population are important.

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

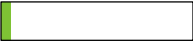
Data for 2016.

Sources: US Census Bureau; BLS.
Analysis by BBER.



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Tax rates are not correlated with job growth.

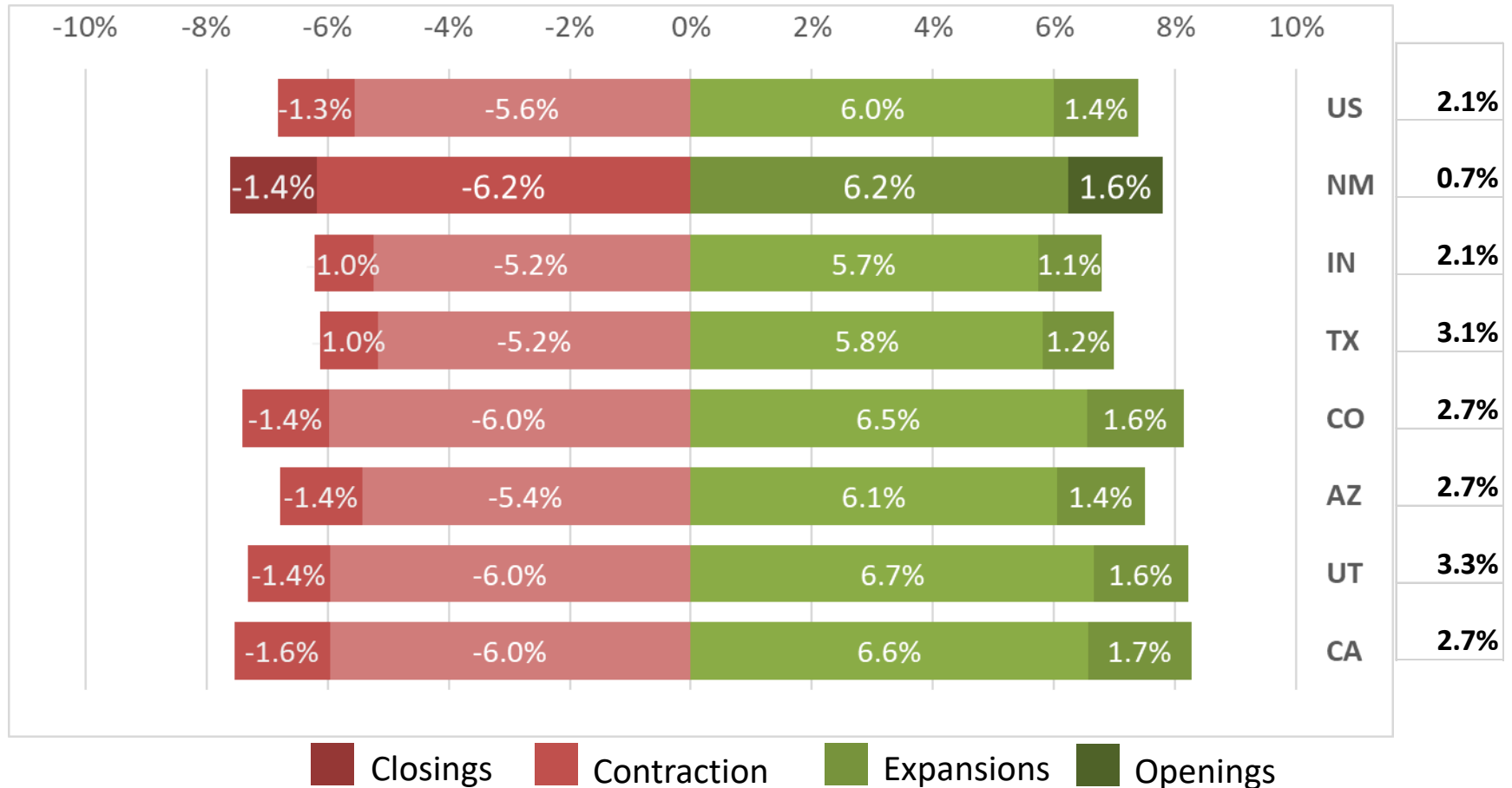
	Correlation (R)	Significance (P)	New Mexico's Rank	
Job growth	-----	-----	47	
		1=Lowest Rate		
Total Taxes (% Income)	-1%	0.938	14	
Property Taxes	-37%	0.008	1	
Sales Taxes (GRT)	21%	0.149	42	
Income Taxes	1%	0.41	35	
Corporate Taxes	-6%	0.683	25	
Government debt	-9%	0.549	26	

Sources: Tax Foundation, 2017 Report.
Analysis by BBER.



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

New Mexico does NOT lag in startups, But expansions lag significantly.



Source: BLS, Business Employment Dynamics; BBER



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

New Mexico & Neighbors – Selected Statistics

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

Source: BLS; US Census Bureau.



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Current Economic Situation



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

Narrative and Question 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 absorbed (and now the state is beginning to pay its share).
- Where does the state go on its own?



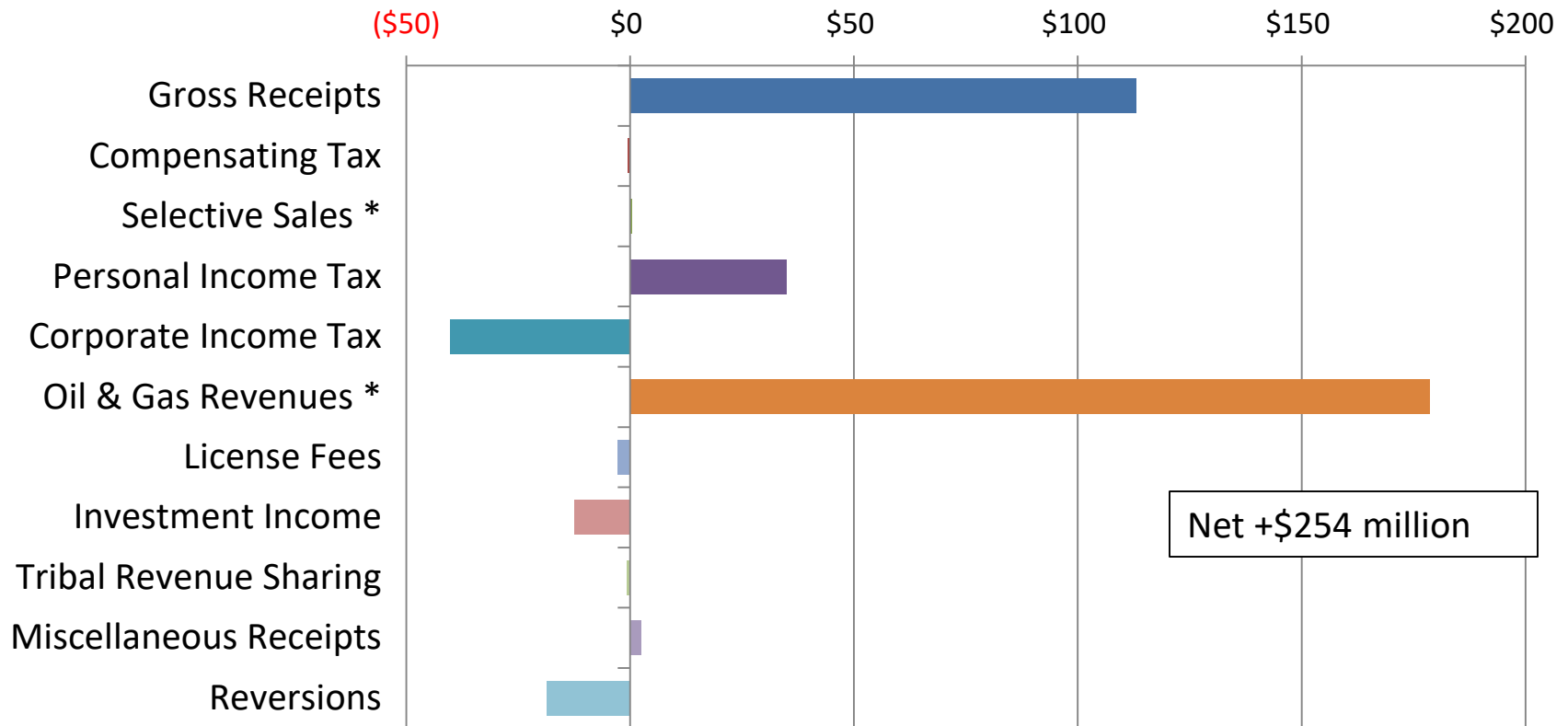
New Mexico Economic Current Situation

- 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.
- Changing pattern— in 2017Q1 mining -1,390 jobs, healthcare +1,480 (in 2016, mining -5,700 jobs and healthcare +4,625 jobs).
- Public finances are much improved from a year ago – Gross Receipts tax collections up 12% in 2017Q2; oil prices & production up.

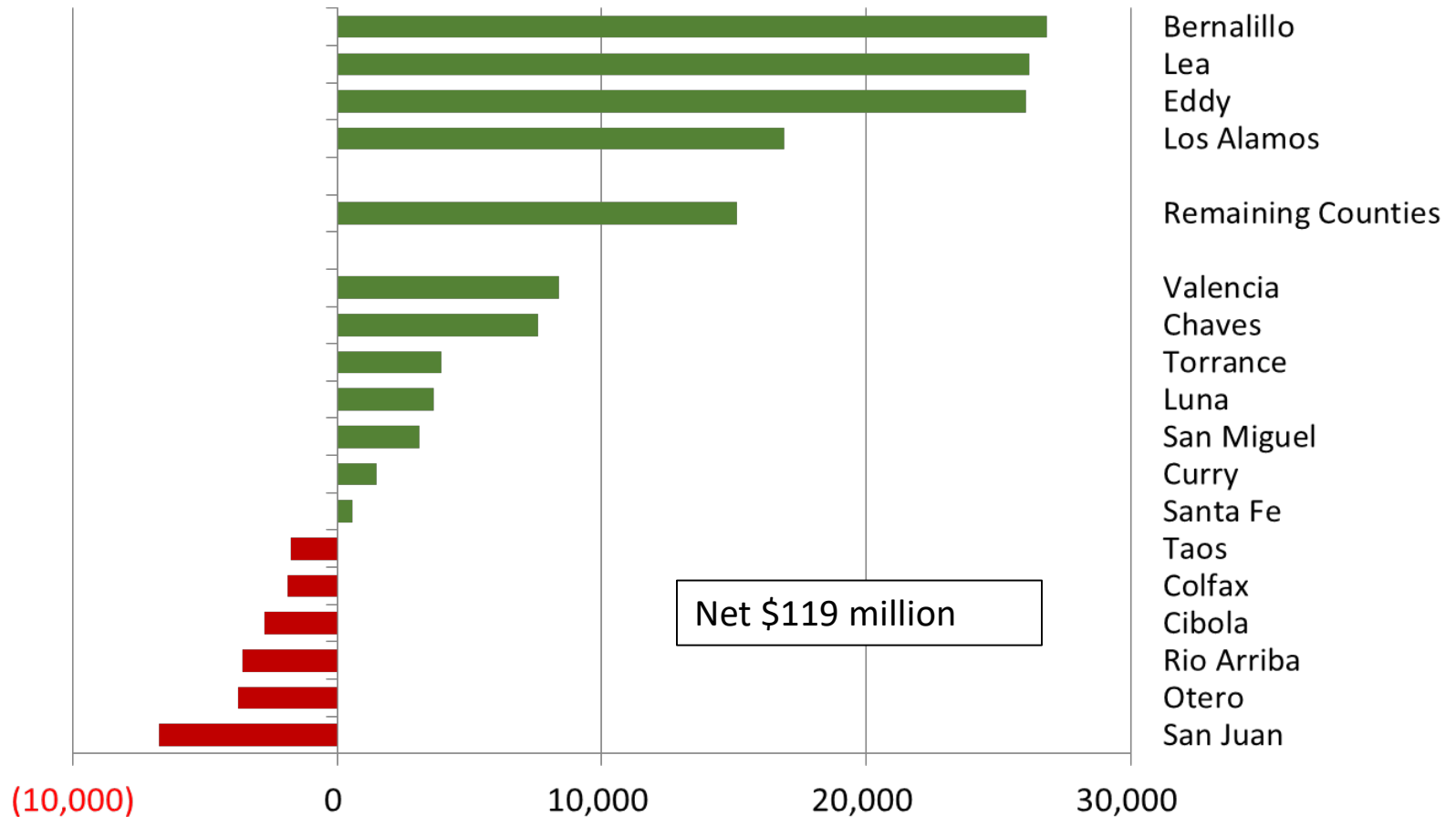


Gain/Loss in General Fund Accruals, January-May

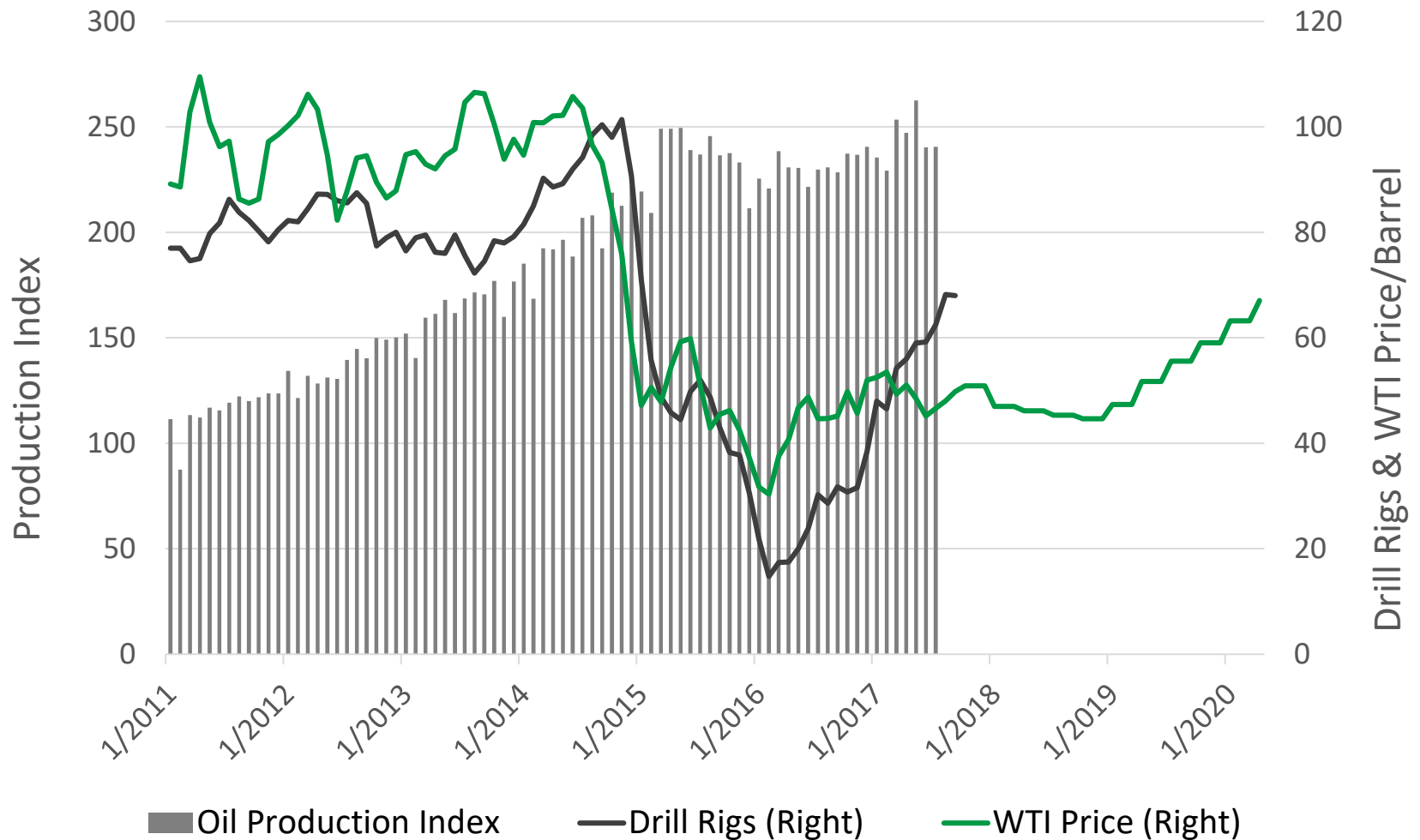
Millions \$



Gross Taxes by County: 2017Q2 vs. 2016Q2



Oil Rigs, Production and Price

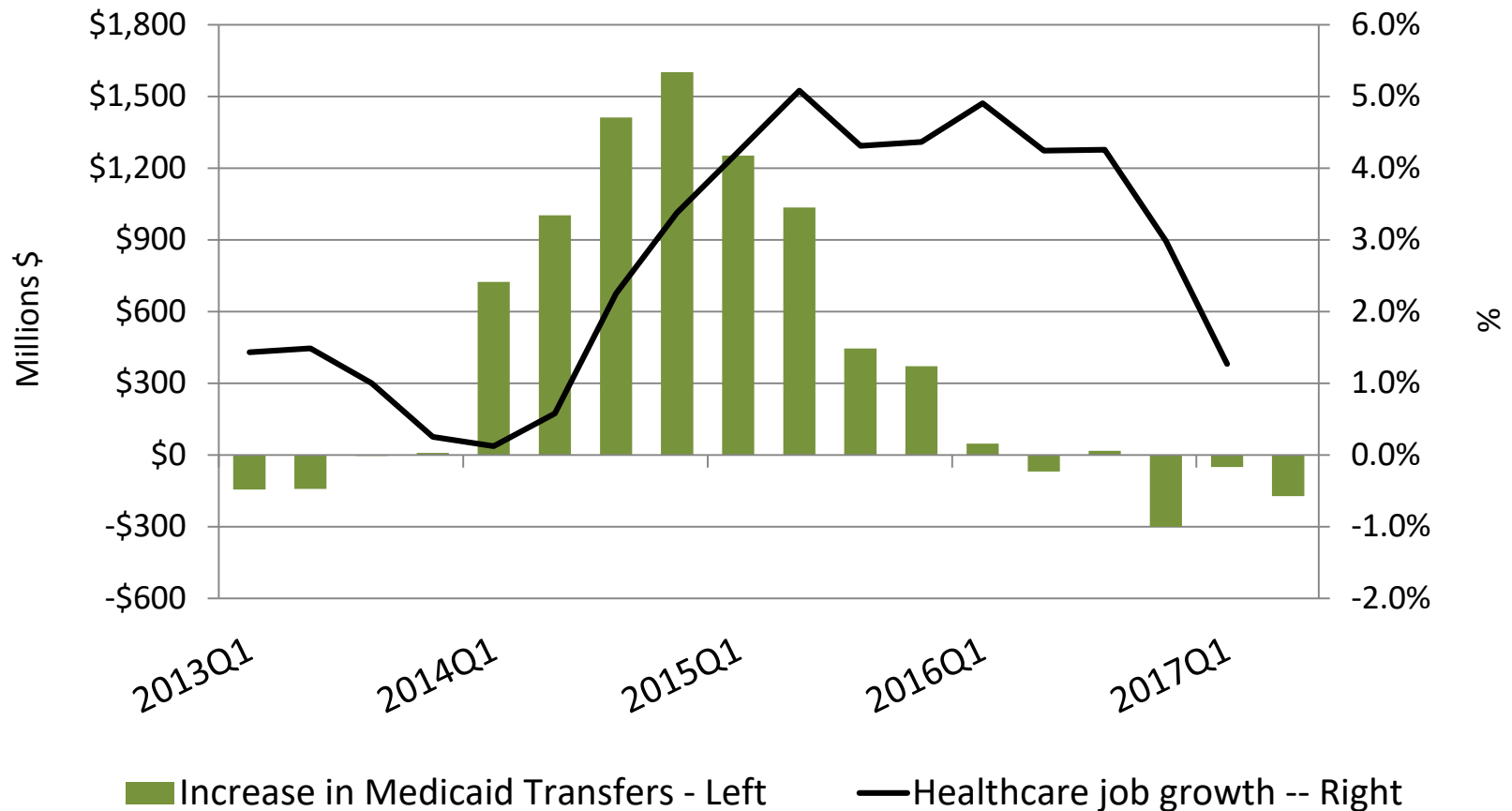


Source: EIA, Baker Hughes, ONGARD, IHS Global Insight

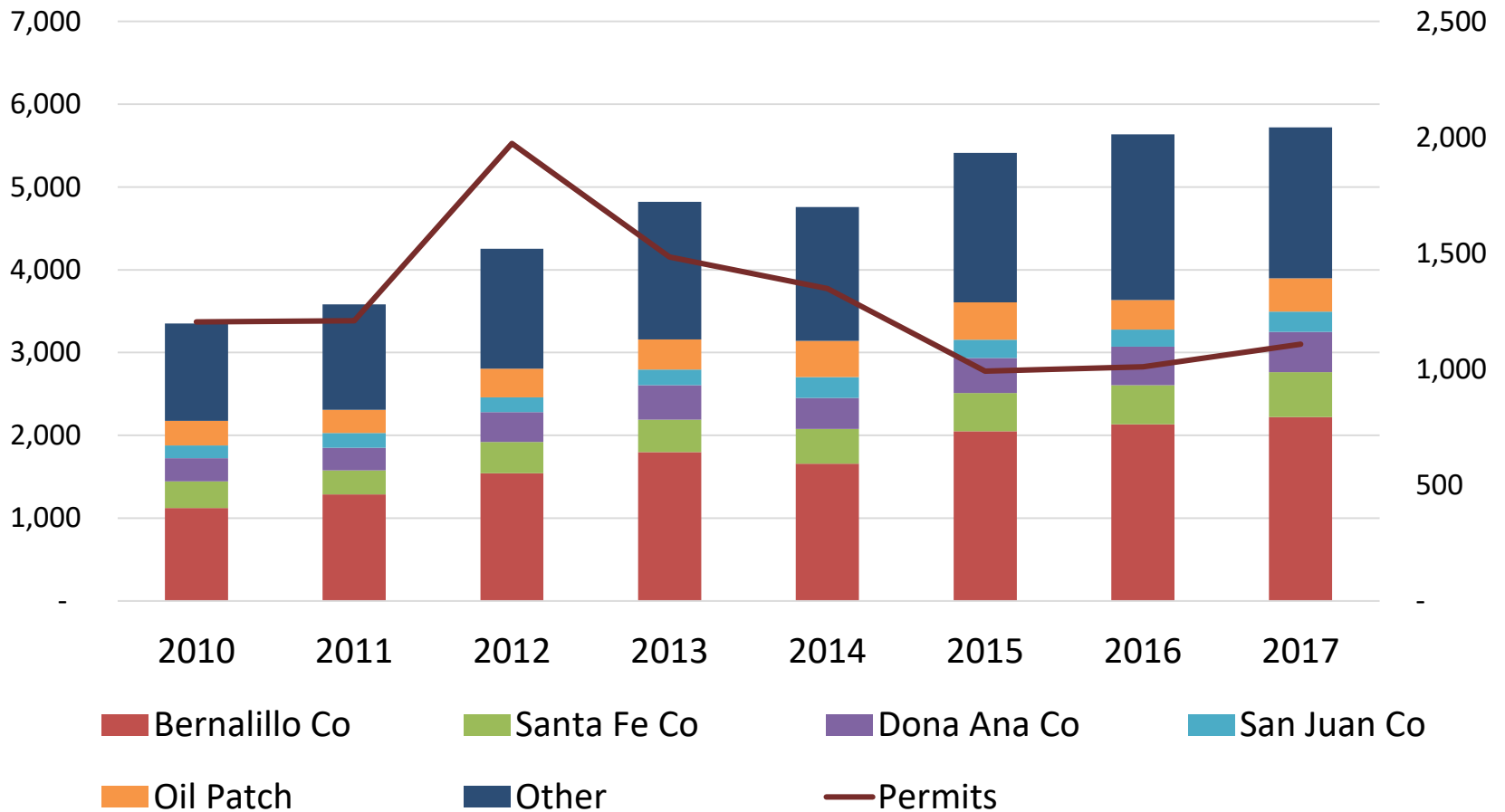


Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Medicaid Transfer Payments and Healthcare Job Growth



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



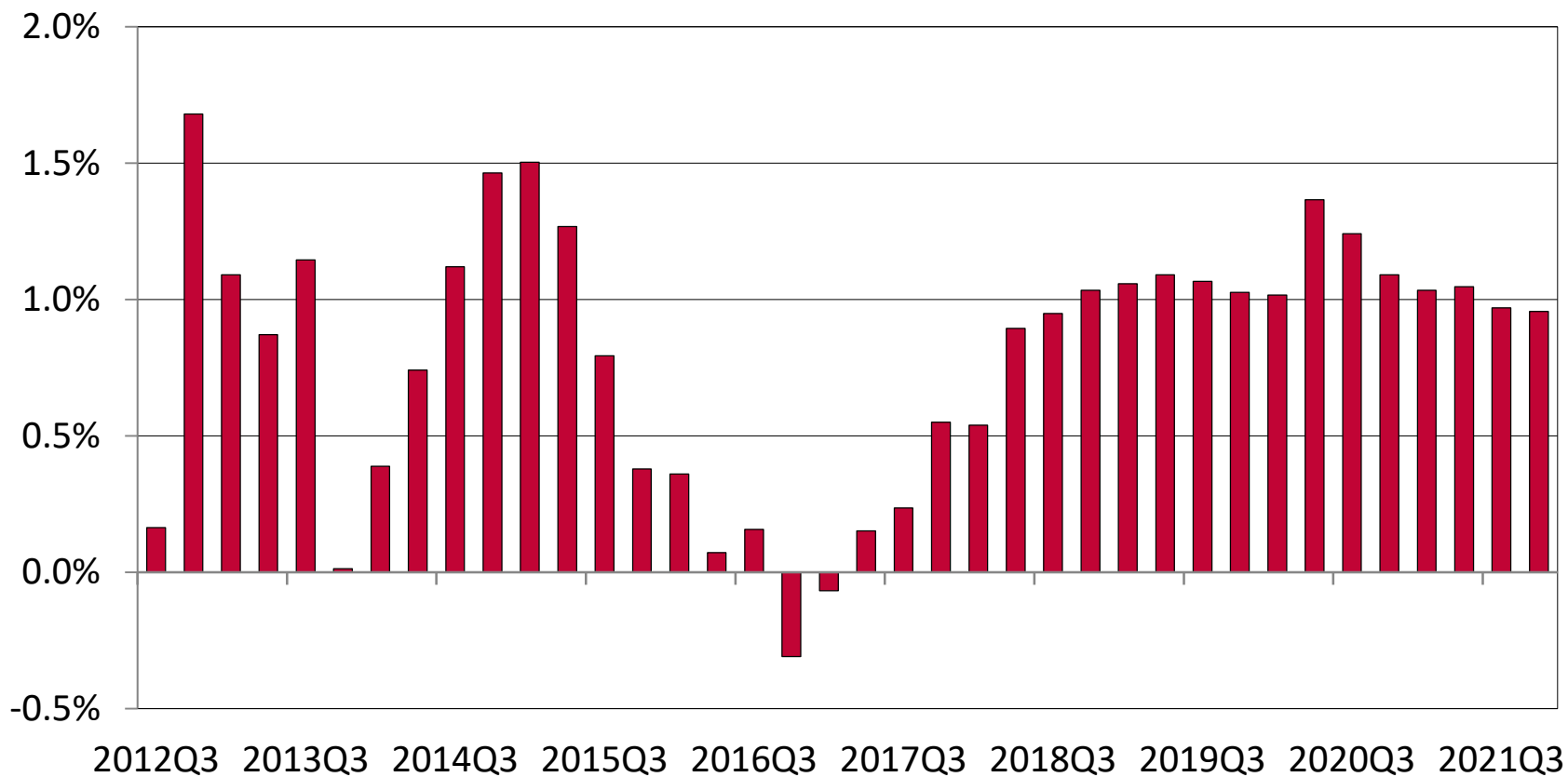
Bureau of Business & Economic Research
THE UNIVERSITY *of* NEW MEXICO

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.
- Weak income growth – 2.7% in 2018, average 4.2% 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

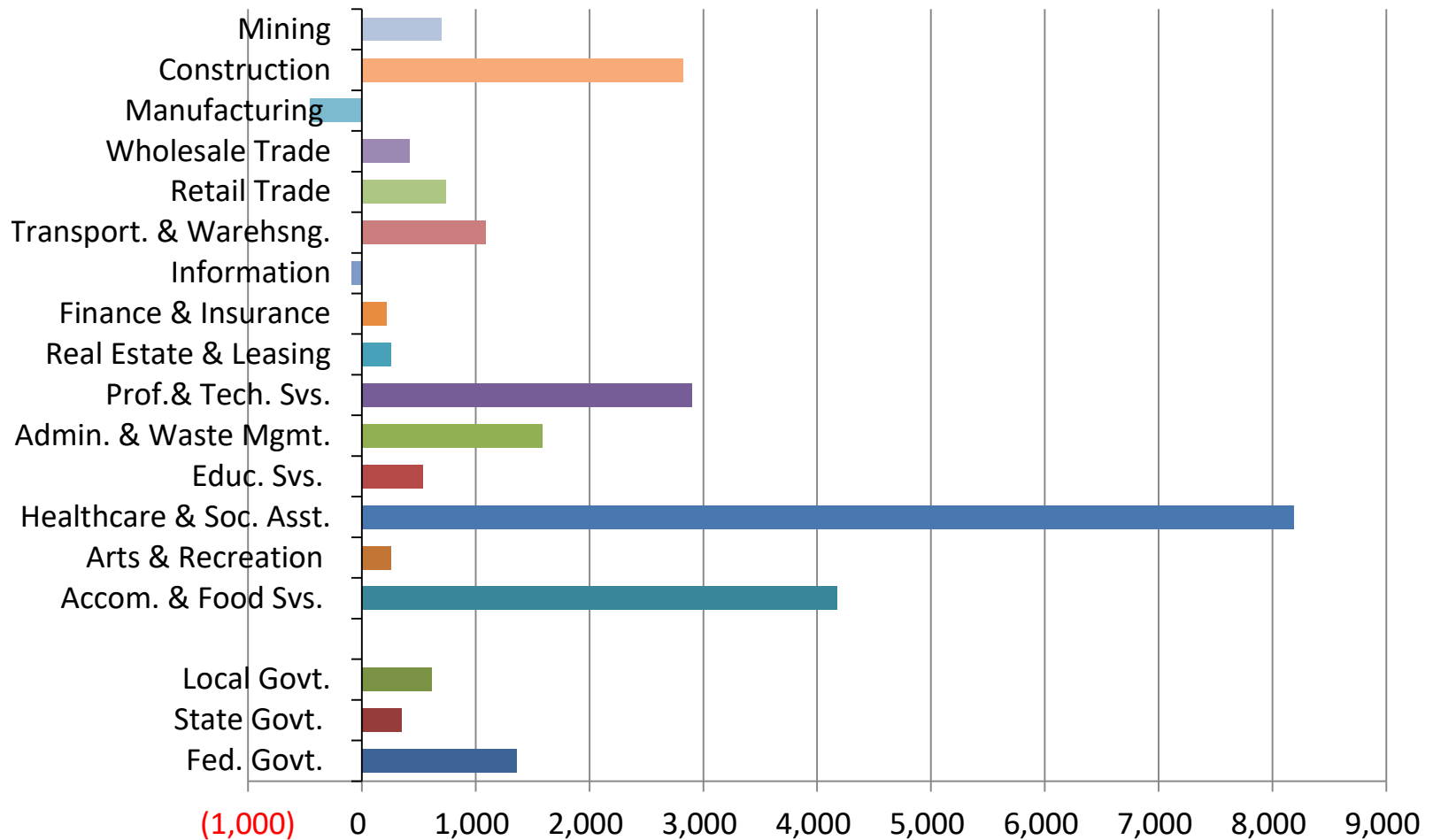


Source: BBER FOR-UNM, October & July 2017



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Job Creation by Sector, 2018-2020

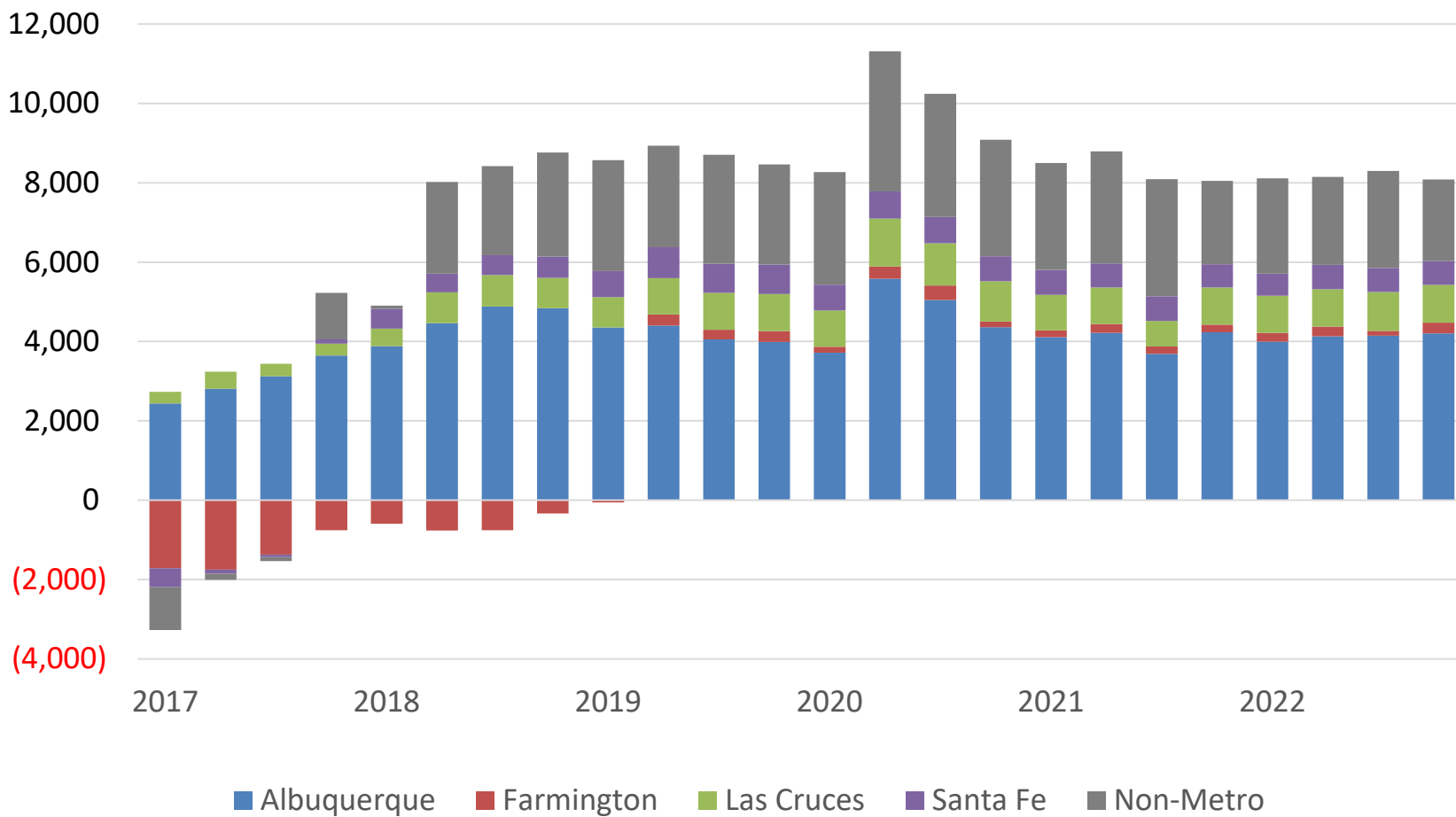


Source: BBER FOR-UNM, October 2017



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

Forecast Job Growth by Region, 2017-2022

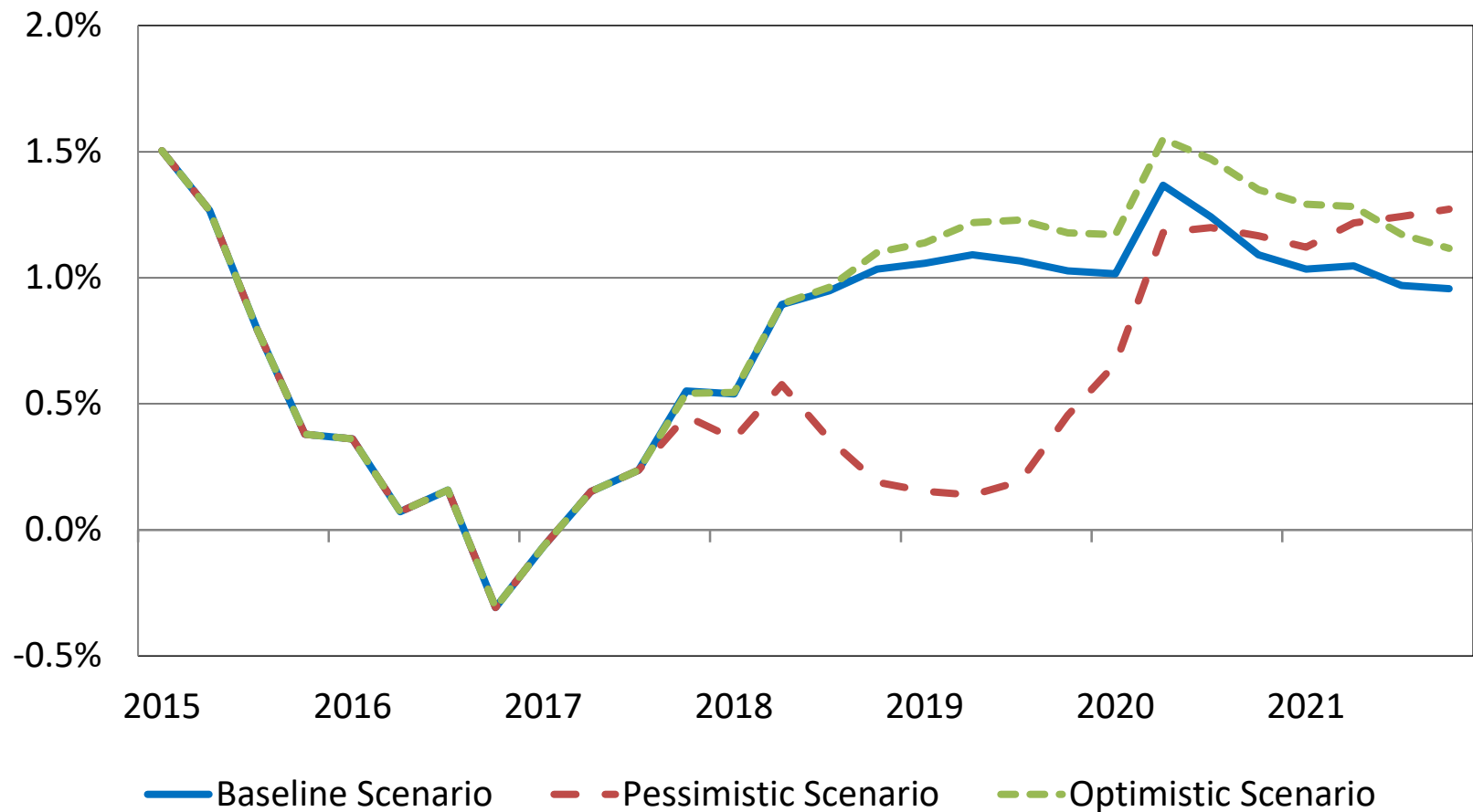


Source: BBER FOR-UNM, October 2017



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

New Mexico Employment Forecast, Alternative Scenarios



Source: BBER FOR-UNM, October 2017



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

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.



BBER Provides New Mexico –

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

bber.unm.edu
bber@unm.edu



@UNMBBER

JEFF MITCHELL

Director

JENNIFER ESQUIVEL

505.277.8300

jenniferesquivel@unm.edu



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

New Mexico Leadership



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