

New Mexico Economy: Recent Developments and Outlook

*Senate Finance Committee
January 10, 2018*



Bureau of Business & Economic Research
THE UNIVERSITY of NEW MEXICO

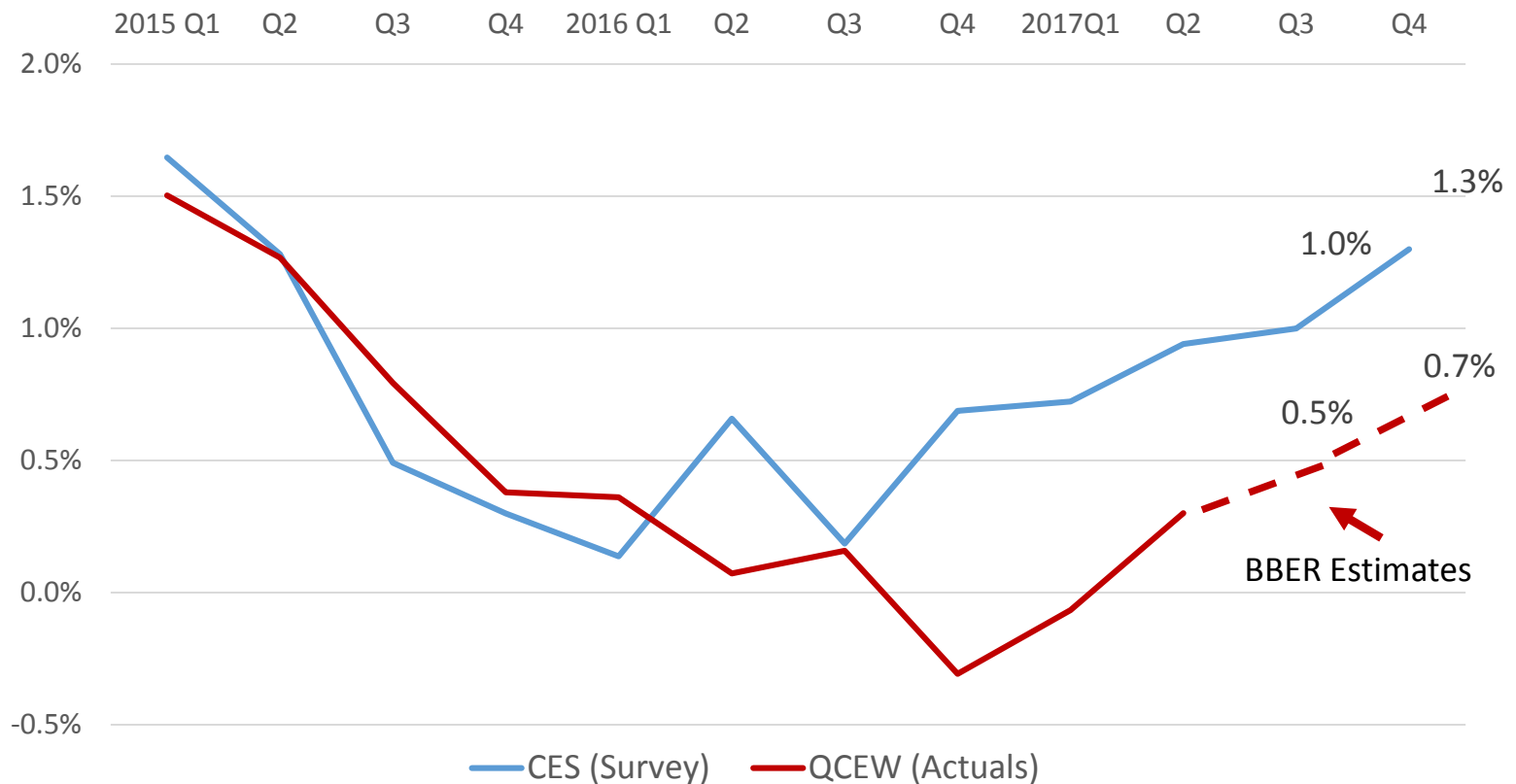
New Mexico Economic Narrative

- 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.



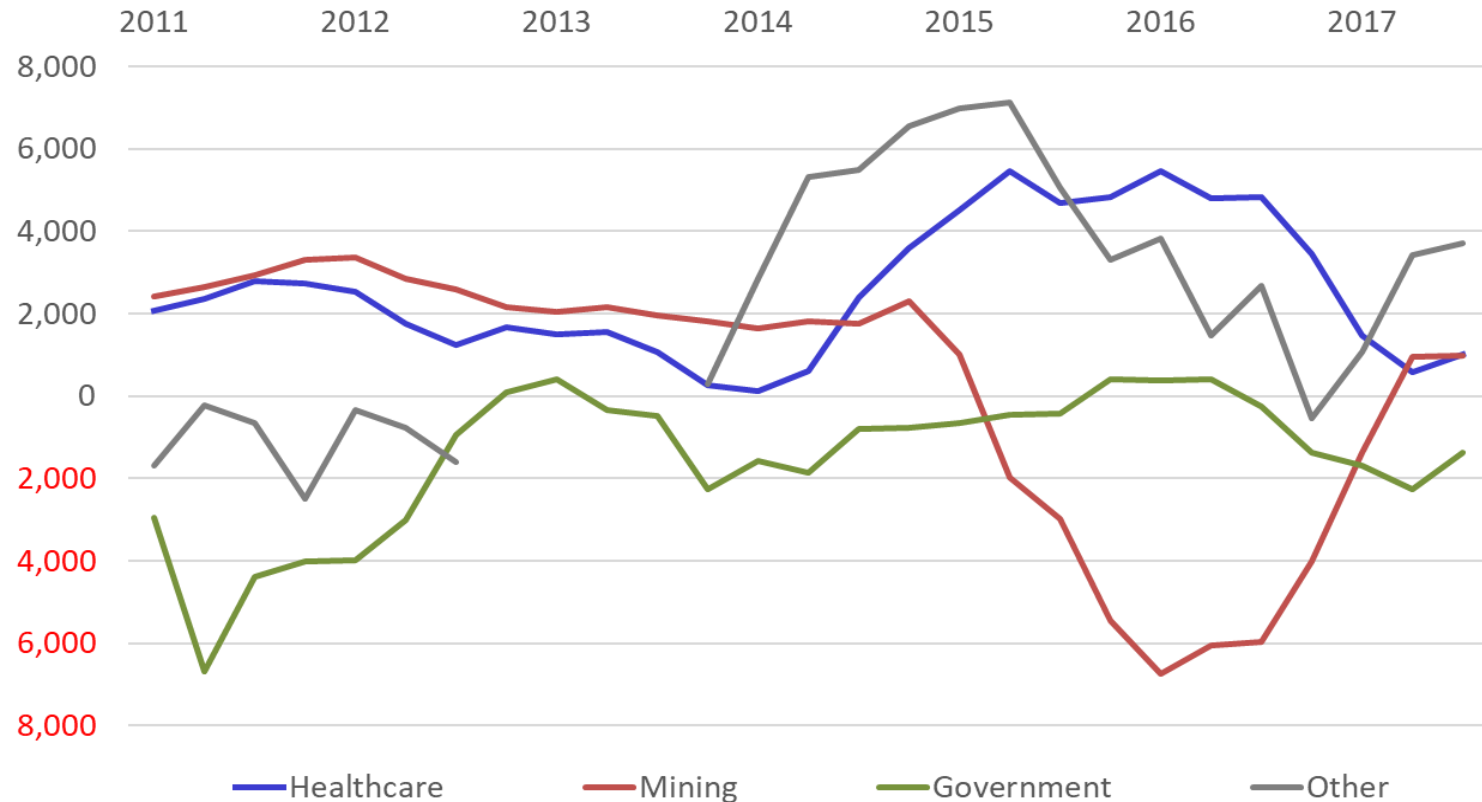
Sources: CES data available at time of FOR-UNM forecasts (pre-benchmarked); QCEW data current.

New Mexico's employment comparisons are improved.

	2015Q4			2016Q4			2017Q4	
	Growth y/y	Rank		Growth y/y	Rank		Growth y/y	Rank
Total Nonfarm	0.3%	45		0.7%	39		1.3%	18
Total Private	0.5%	45		0.8%	36		2.0%	12
Mining	-19.4%	31		-20.0%	41		-1.7%	37
Construction	0.0%	39		-0.3%	34		6.2%	10
Manufacturing	-0.1%	32		-4.4%	46		0.0%	38
Wholesale Trade	-0.5%	38		-0.6%	40		-0.9%	35
Retail Trade	0.6%	41		-0.2%	42		0.9%	12
Transportation & Utilities	-0.3%	44		-0.1%	40		4.6%	8
Financial Activities	0.5%	41		-0.4%	45		4.0%	2
Professional & Business Services	1.0%	41		1.9%	23		2.3%	23
Education & Health Services	4.4%	5		3.9%	6		1.3%	35
Leisure & Hospitality	2.4%	34		3.3%	16		3.2%	6
Total Government	-0.2%	34		0.2%	40		-1.1%	46
Local Government	0.2%	24		0.3%	36		-1.0%	47
State Government	-1.1%	36		-0.1%	37		-1.7%	40
Federal Government	0.6%	33		0.5%	43		0.1%	16

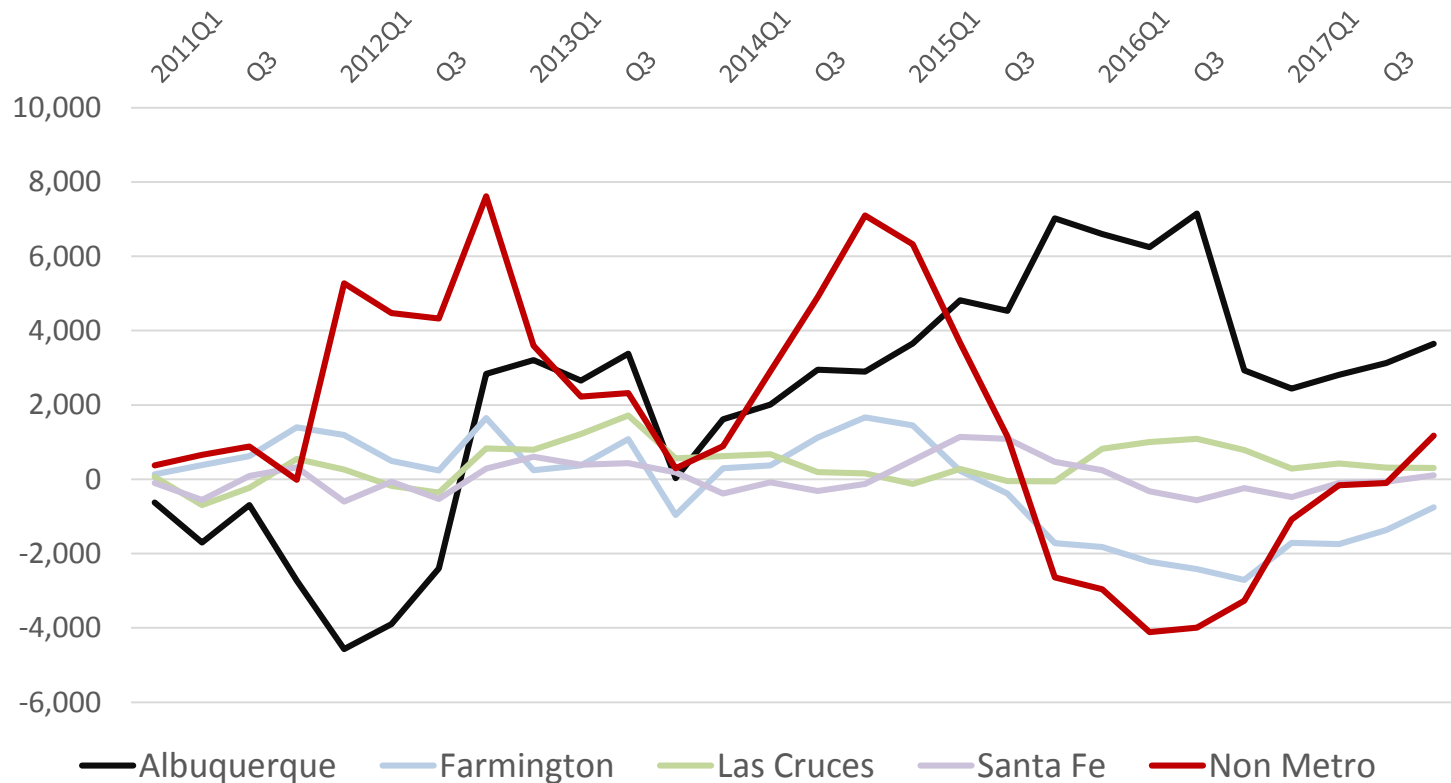
Source: US Bureau of Labor Statistics, CES.

Gains/Losses in Healthcare and Mining are moderating.



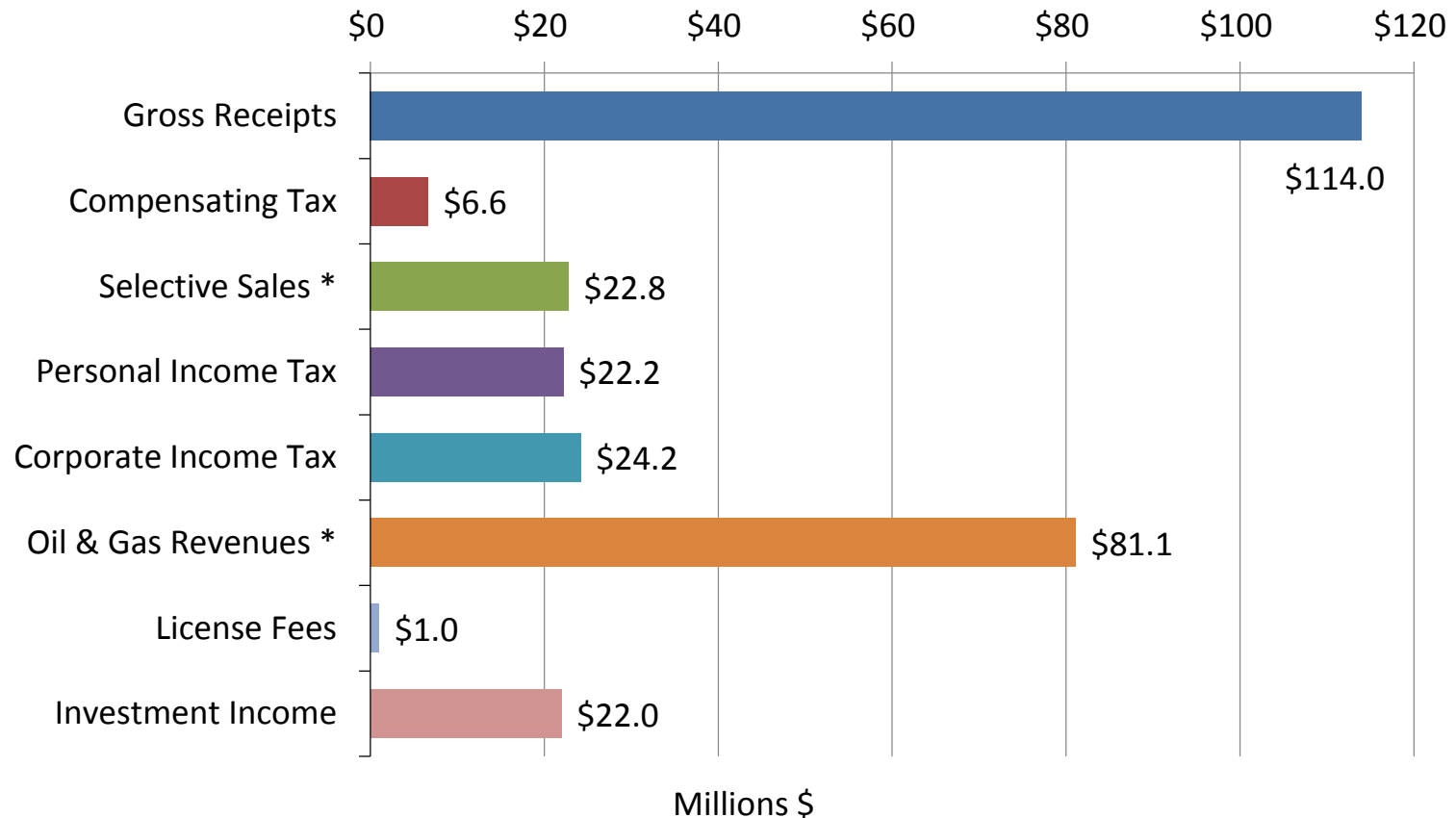
Source: US Bureau of Labor Statistics, QCEW.

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



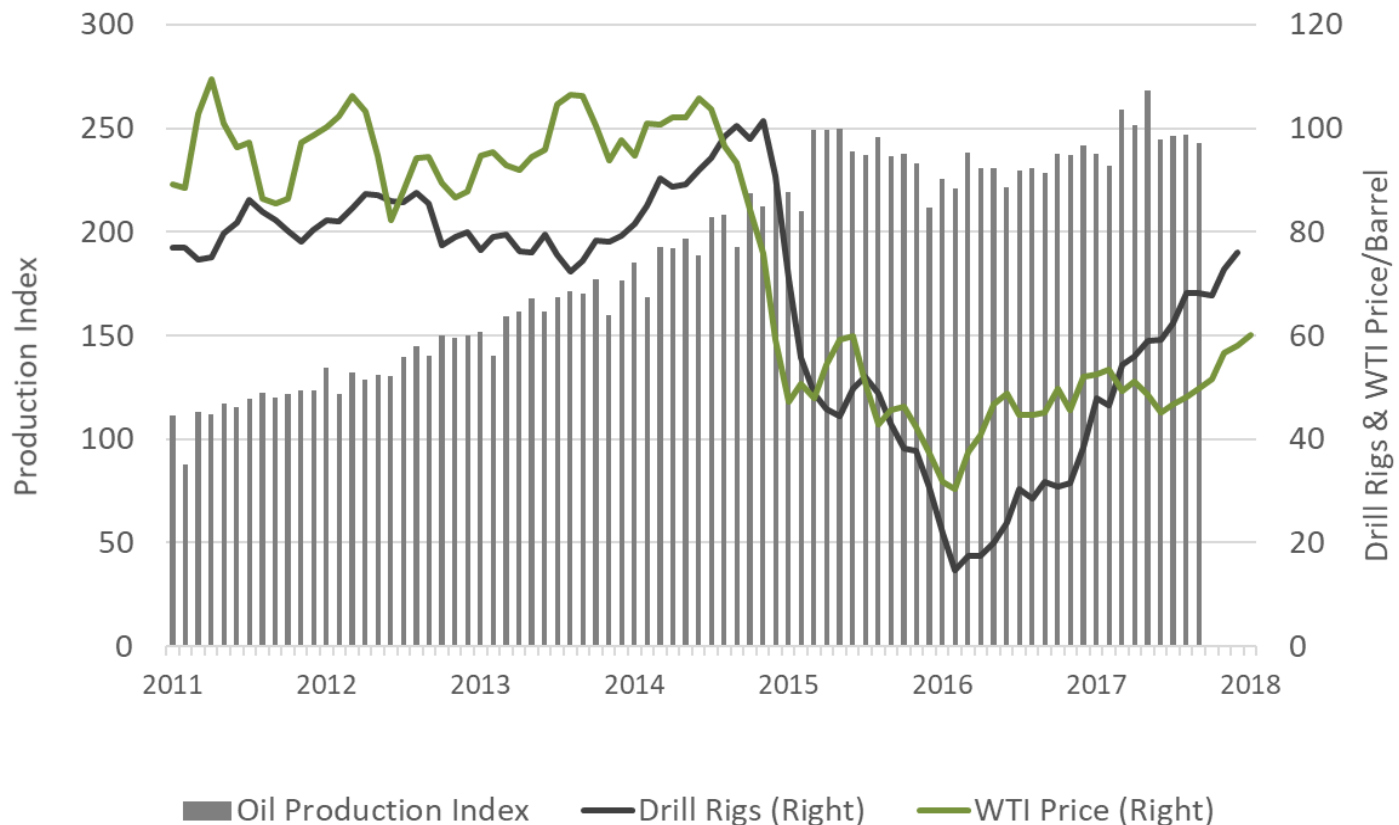
Source: US Bureau of Labor Statistics

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



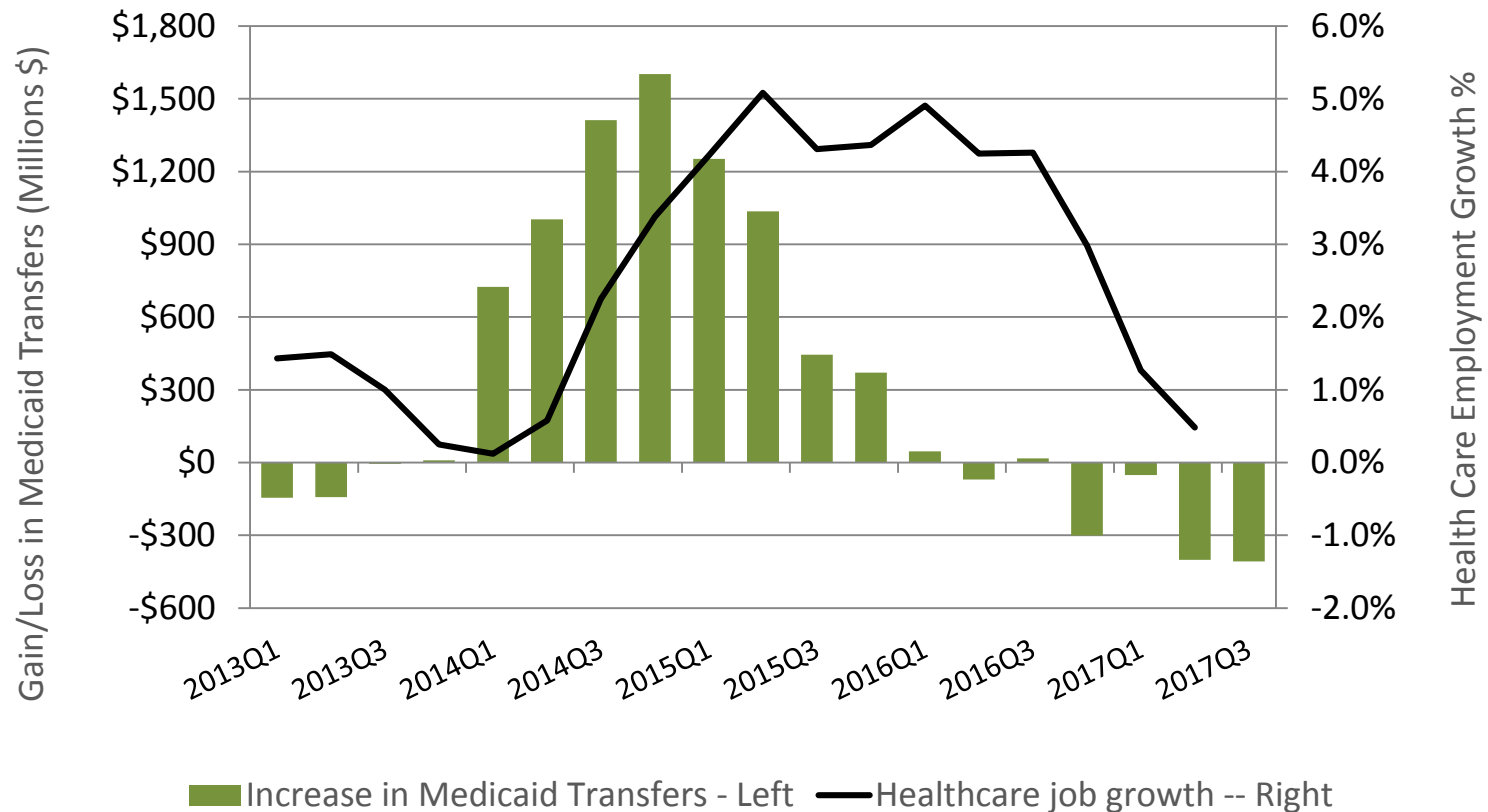
Source: NM Legislative Finance Committee

Increased drill rig activity and oil production with WTI prices near \$60/barrel



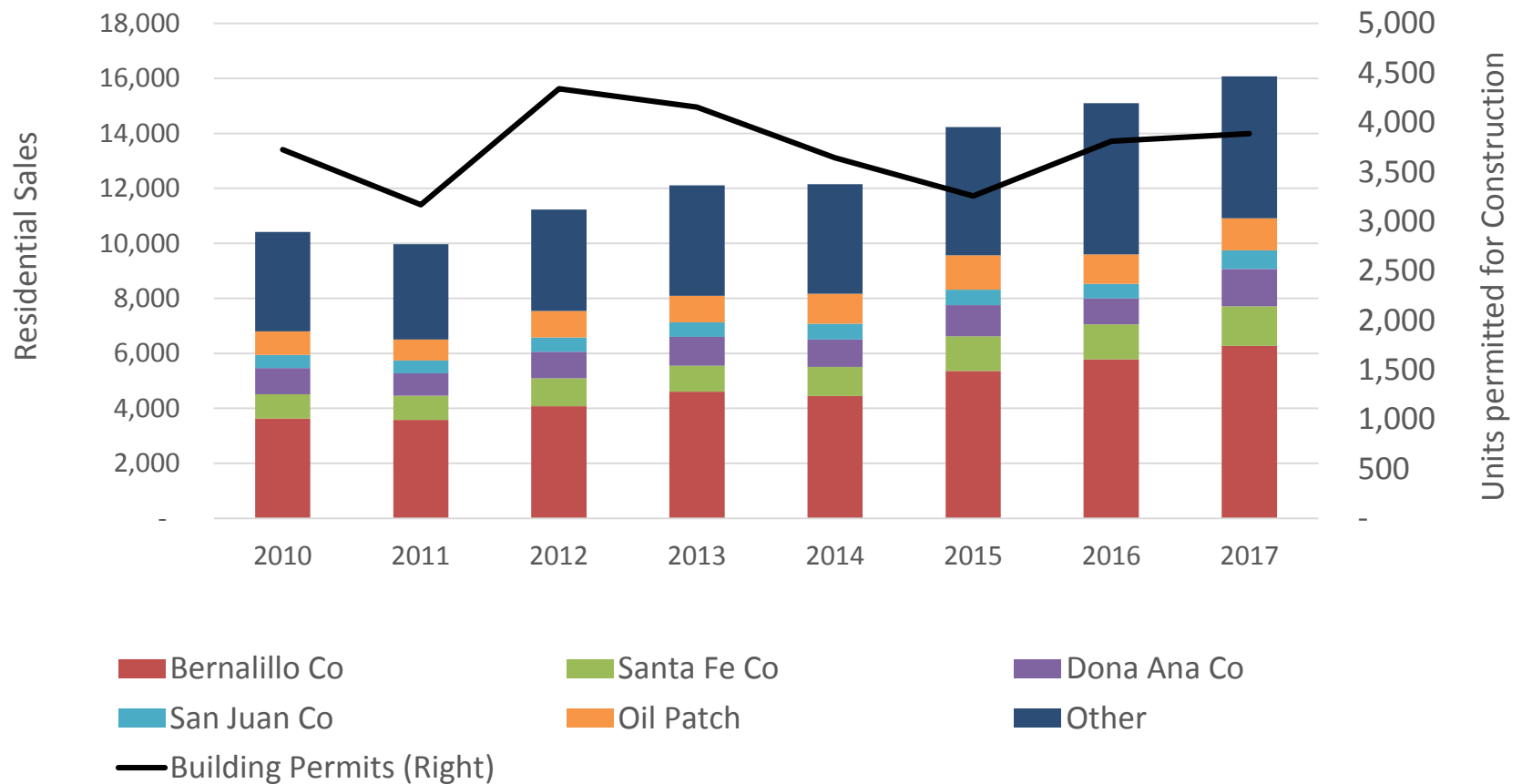
Source: EIA, Baker Hughes, ONGARD, IHS Global Insight.

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



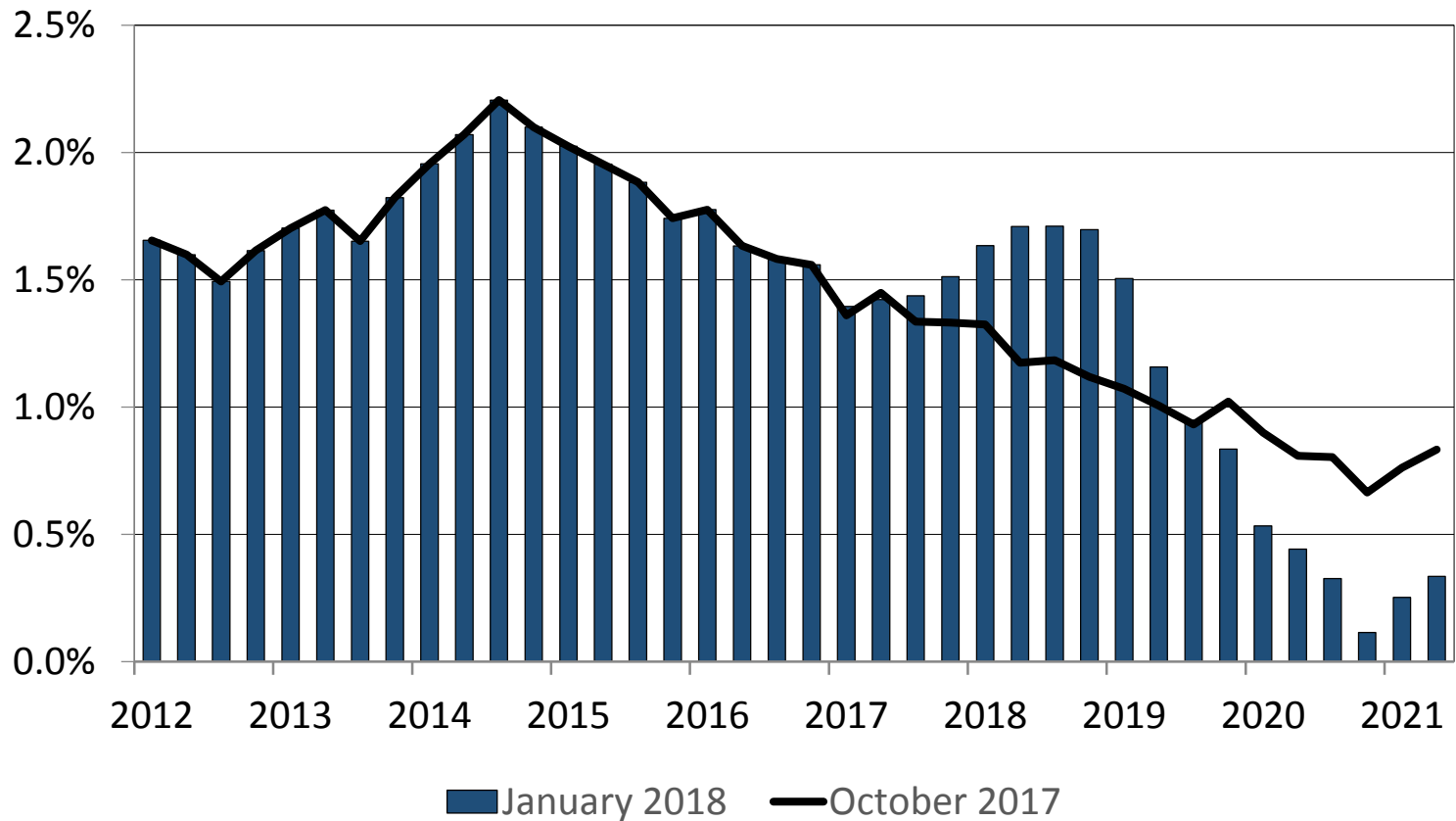
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New Mexico Economic Outlook: 2017-2022

- 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.

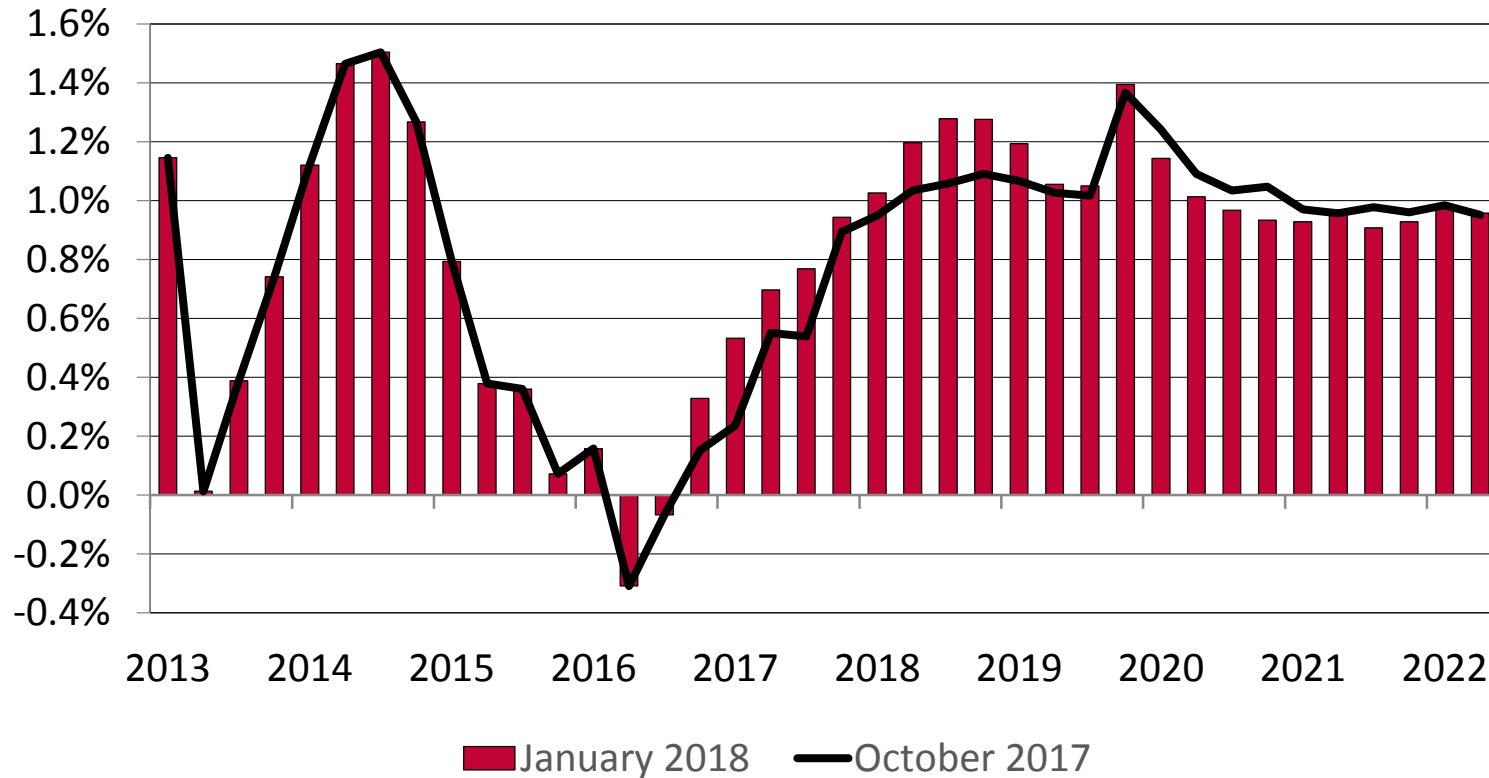


US Employment Forecast



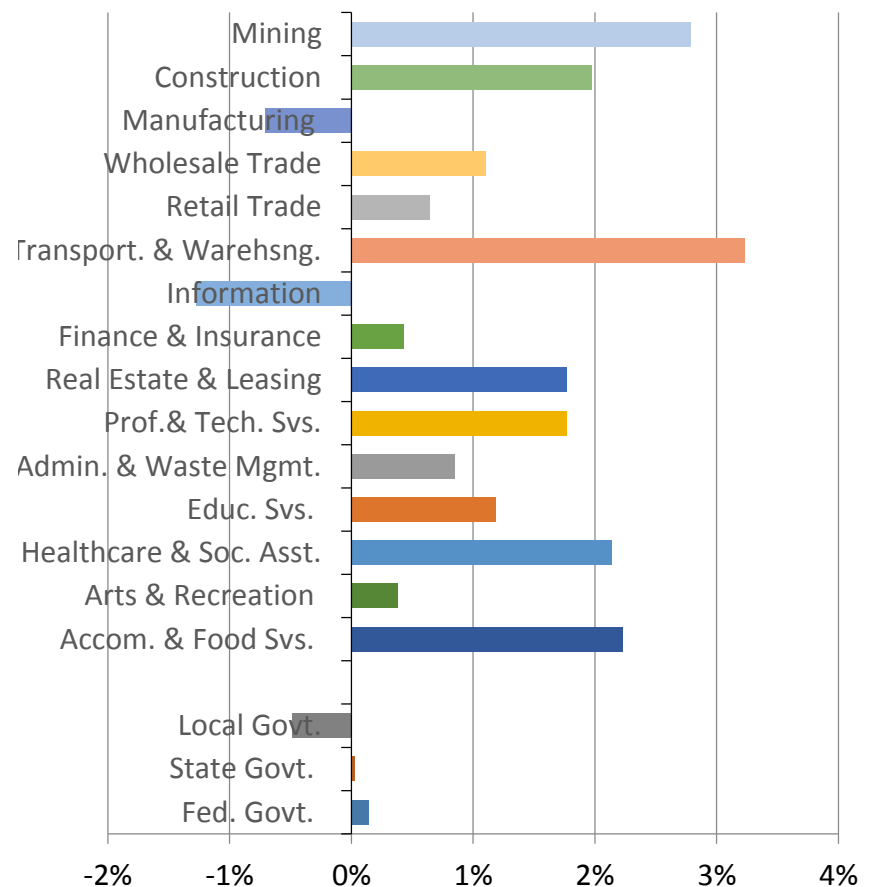
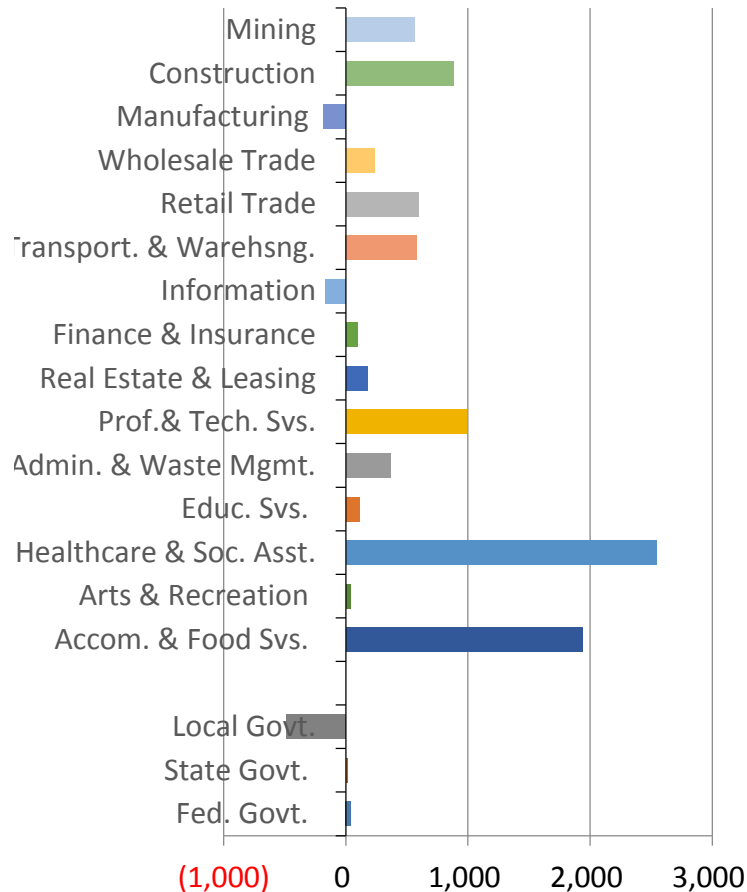
Global Insight, January 2018 and October 2017

New Mexico Employment Forecast



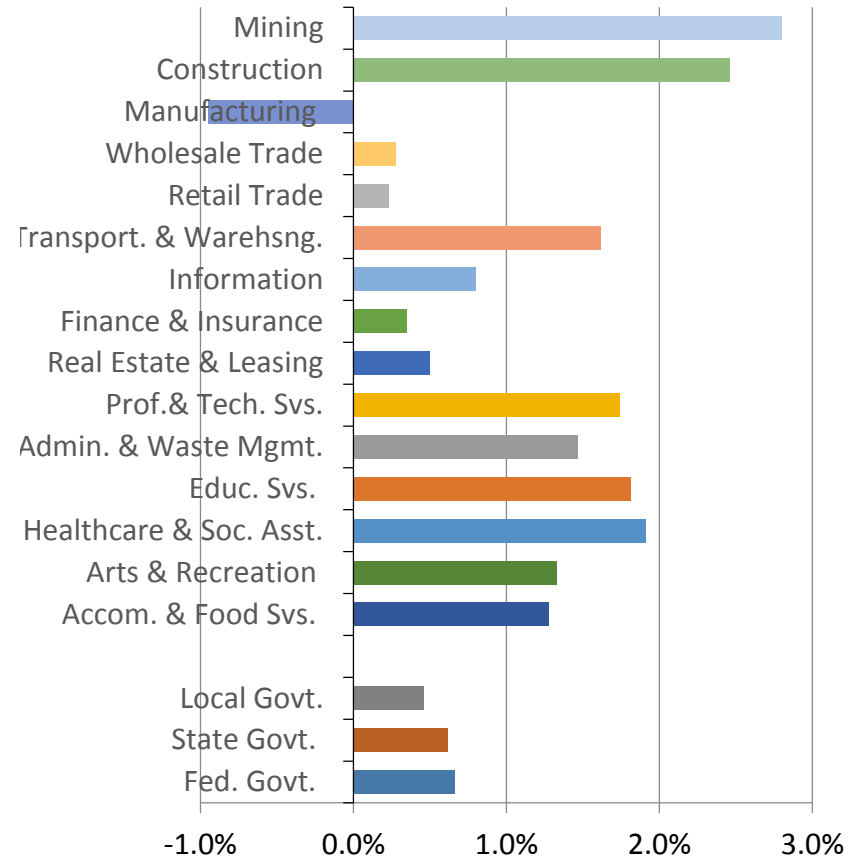
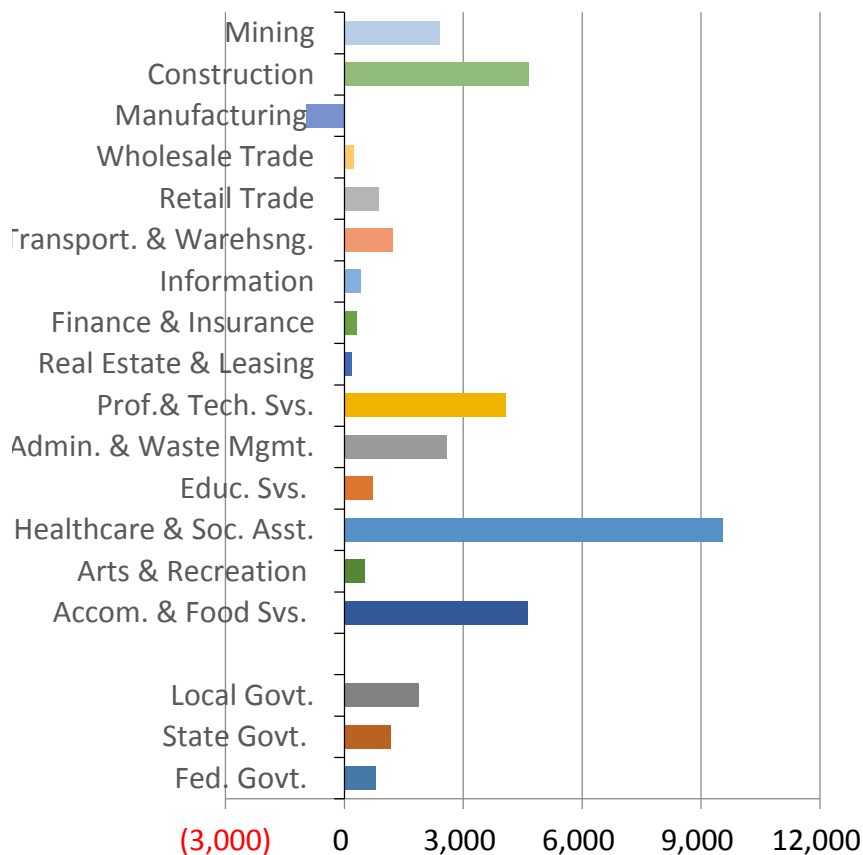
Source: BBER FOR-UNM, January 2018 and October 2017

Job Growth by Sector, 2018



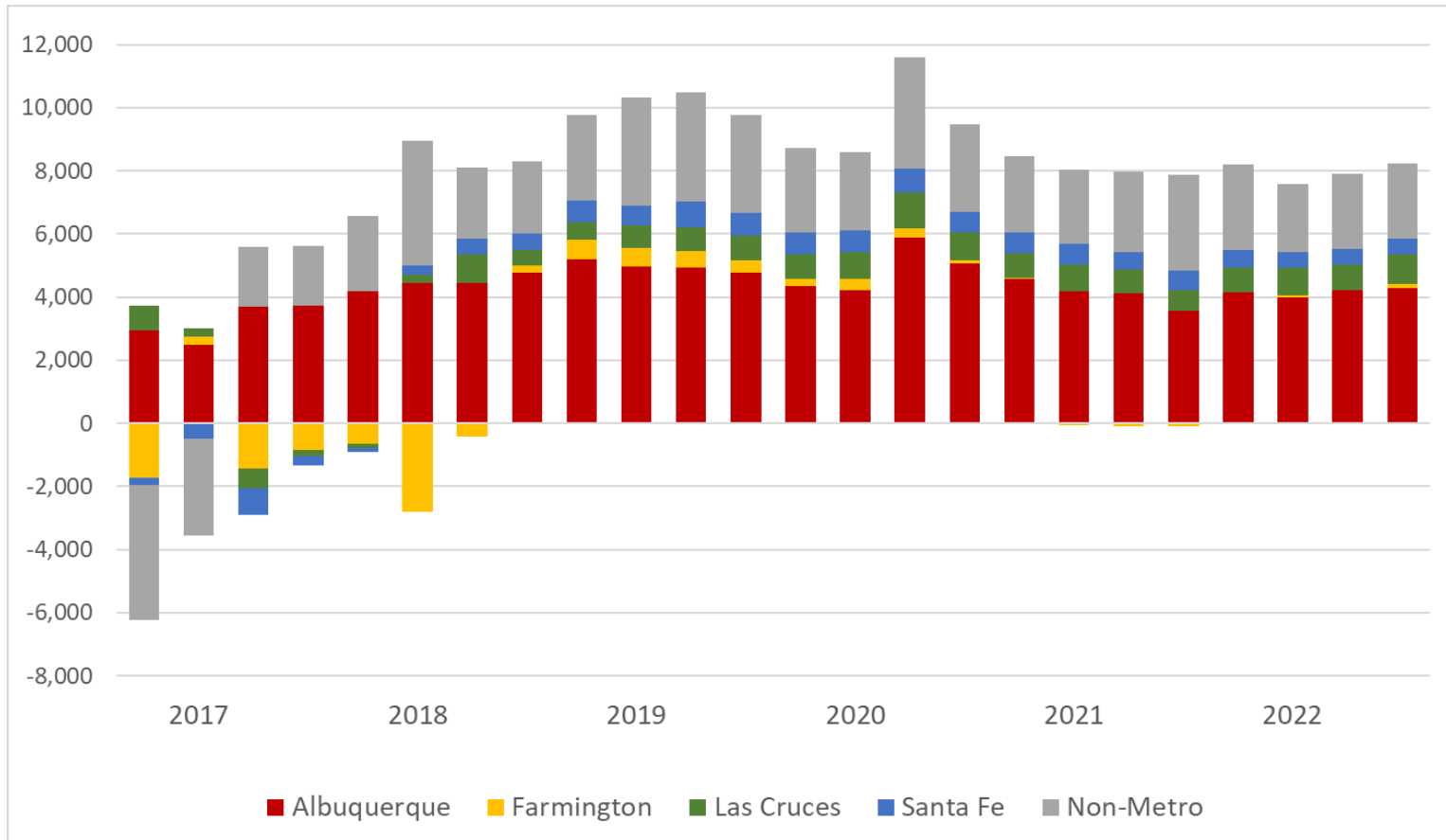
Source: BBER FOR-UNM, January 2018

Annual Job Growth by Sector, 2019-2022



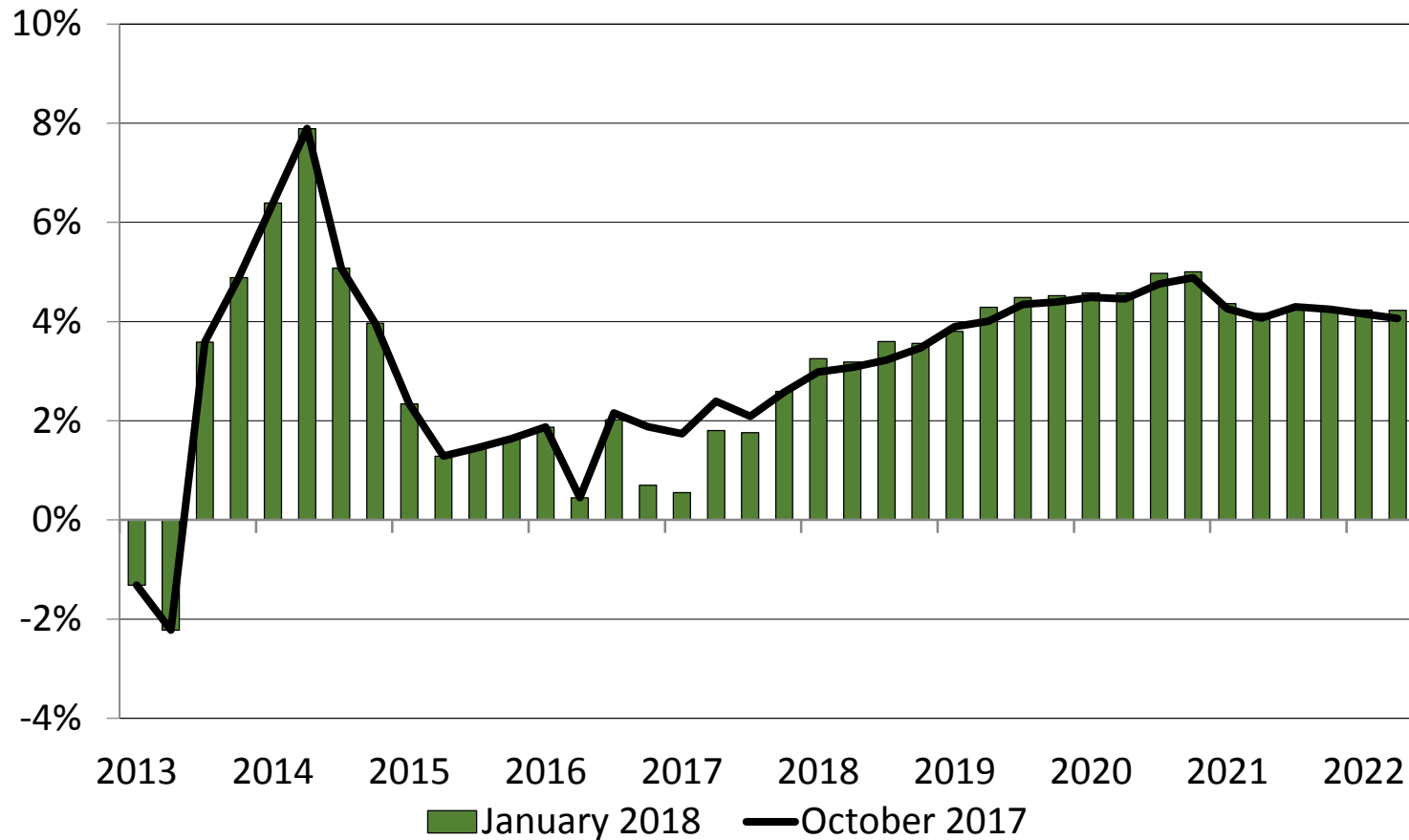
Source: BBER FOR-UNM, January 2018

New Mexico Employment Gains/Losses by Region, 2017-2022



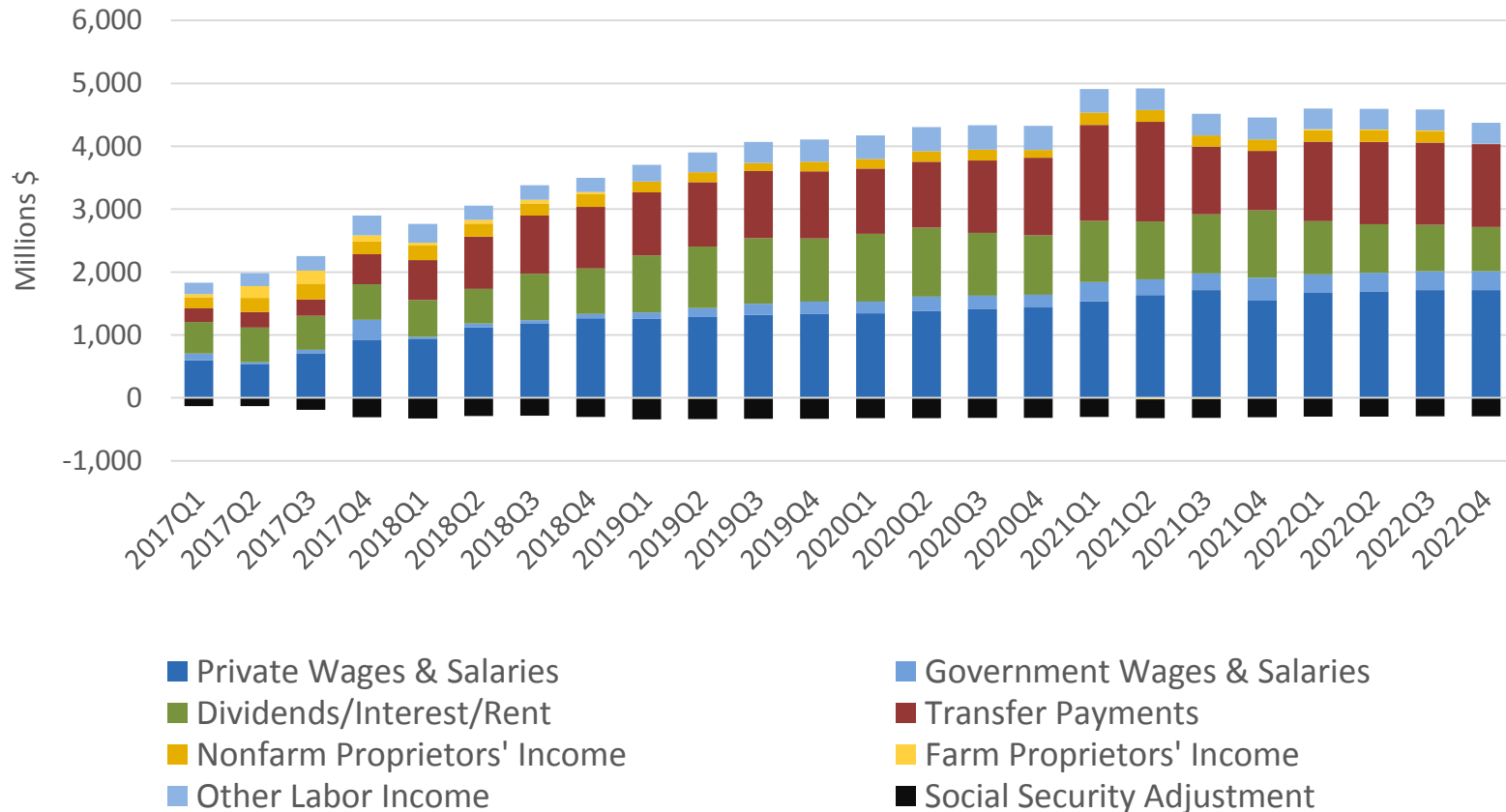
Source: BBER FOR-UNM, January 2018

New Mexico Income Forecast



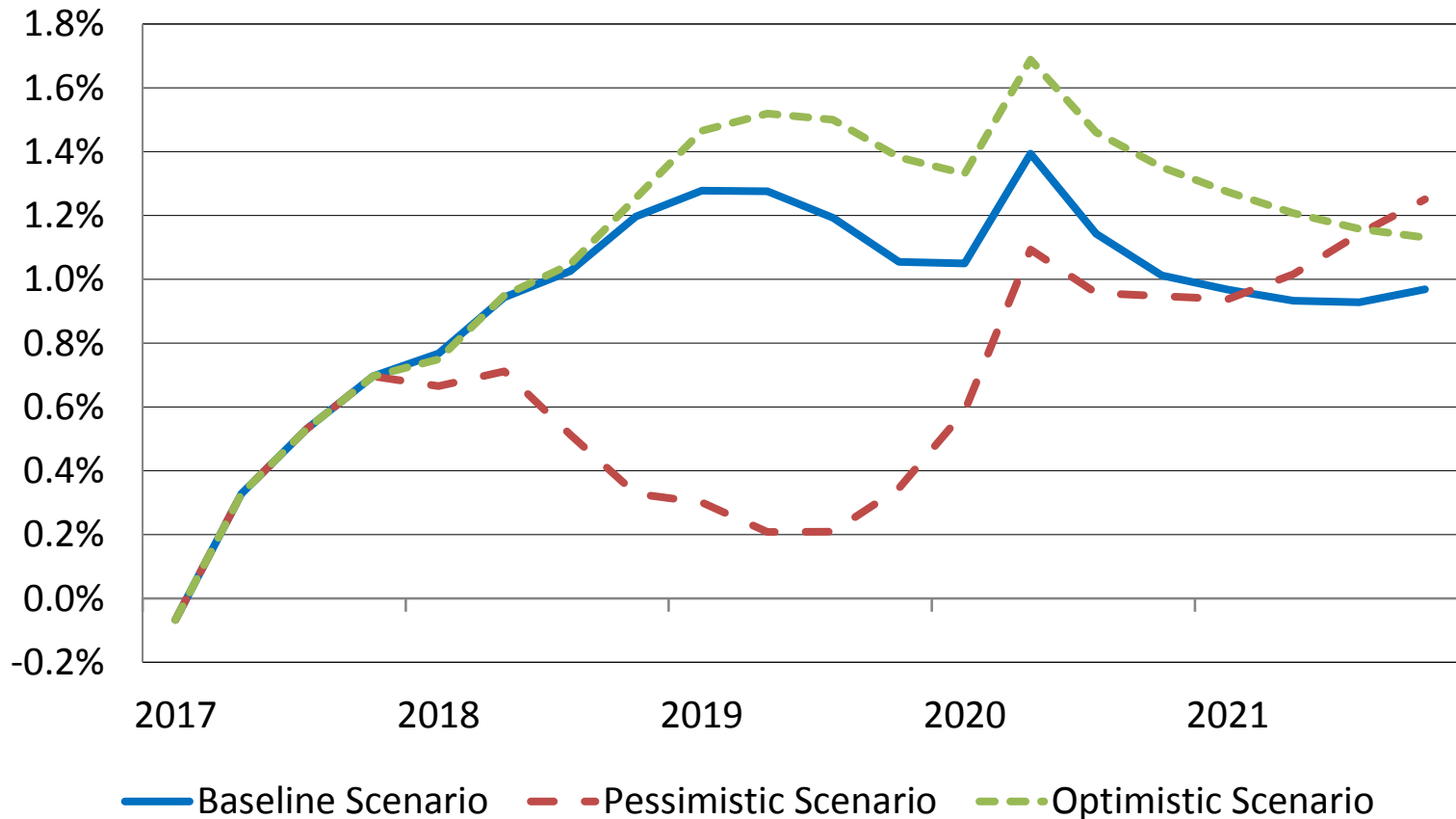
Source: BBER FOR-UNM, January 2018 and October 2017

New Mexico Income growth by component



Source: BBER FOR-UNM, January 2018

New Mexico Employment Forecast, Alternative Scenarios



Source: BBER FOR-UNM, January 2018

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