

University of New Mexico
Bureau of Business and Economic Research



New Mexico Economy, 2017 and the State Budget for FY18

NM Women's Agenda

February 4, 2017

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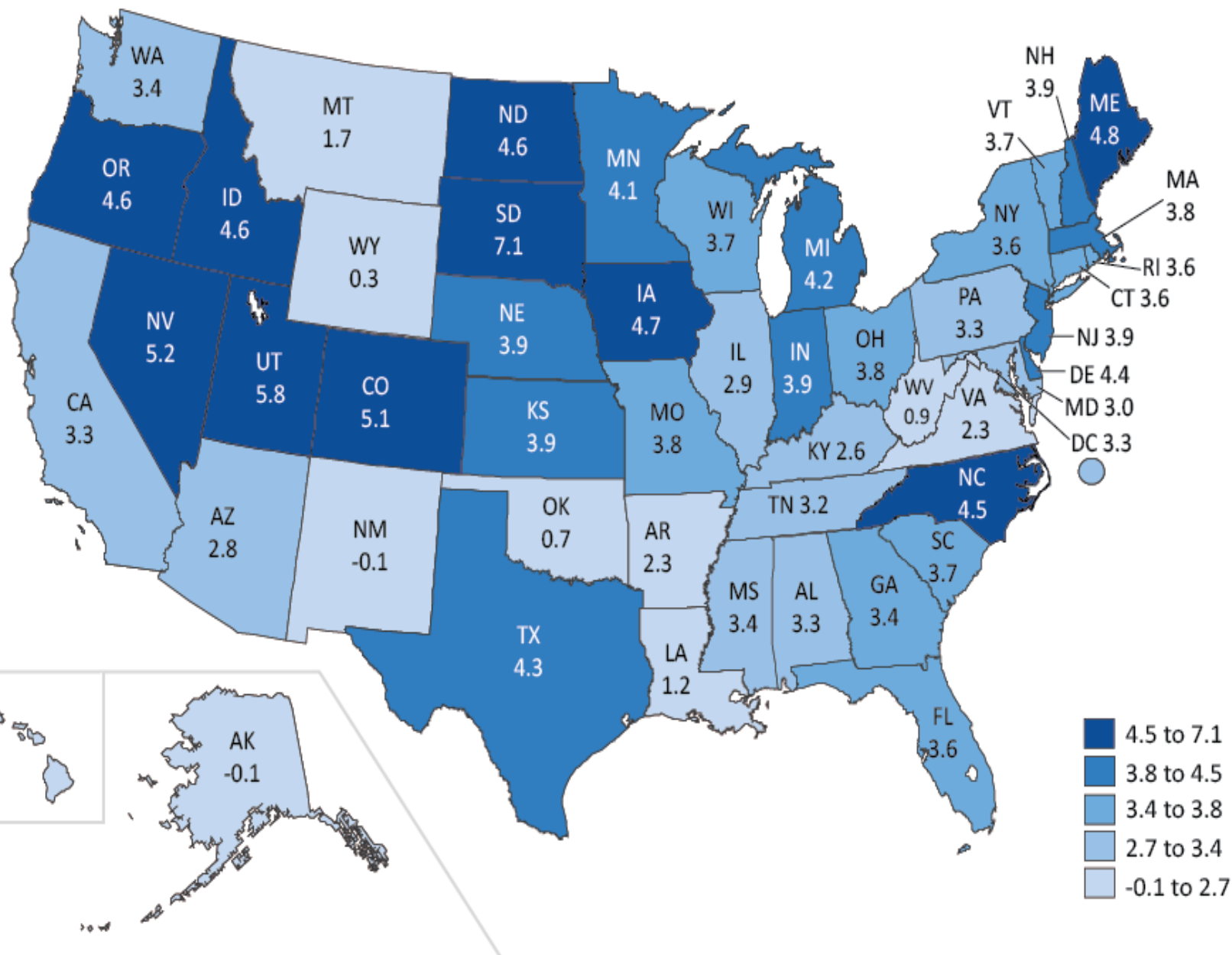
US Real GDP Growth

Real Gross Domestic Product and Related Measures: Percent Change From Preceding Period										
	2014	2015	2016	Seasonally adjusted at annual rates						Contrb 16 IV
				2015		2016				
				III	IV	I	II	III	IV	
Gross domestic product	2.4	2.6	1.6	2.0	0.9	0.8	1.4	3.5	1.9	1.9
Personal consumption expenditures	2.9	3.2	2.7	2.7	2.3	1.6	4.3	3.0	2.5	1.70
Goods	3.9	4.0	3.6	4.2	2.1	1.2	7.1	3.5	5.2	1.11
Durable goods	6.7	6.9	5.7	6.2	4.0	-0.6	9.8	11.6	10.9	0.79
Nondurable goods	2.6	2.6	2.4	3.2	1.2	2.1	5.7	-0.5	2.3	0.32
Services	2.3	2.8	2.3	2.0	2.3	1.9	3.0	2.7	1.3	0.58
Gross private domestic investment	4.5	5.0	-1.5	2.0	-2.3	-3.3	-7.9	3.0	10.7	1.67
Fixed investment	5.5	4.0	0.7	5.7	-0.2	-0.9	-1.1	0.1	4.2	0.67
Nonresidential	6.0	2.1	-0.4	3.9	-3.3	-3.4	1.0	1.4	2.4	0.30
Structures	10.3	-4.4	-3.1	-4.3	-15.2	0.1	-2.1	12.0	-5.0	-0.14
Equipment	5.4	3.5	-2.8	9.1	-2.6	-9.5	-2.9	-4.5	3.1	0.18
Intellectual property products	3.9	4.8	5.0	2.1	4.6	3.7	9.0	3.2	6.4	0.26
Residential	3.5	11.7	4.9	12.6	11.5	7.8	-7.7	-4.1	10.2	0.37
Change in private inventories	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.00
Net exports of goods and services	.....	.....	.....	.....	.....	.....	.....	.....	.....	-1.70
Exports	4.3	0.1	0.4	-2.8	-2.7	-0.7	1.8	10.0	-4.3	-0.53
Imports	4.4	4.6	1.1	1.1	0.7	-0.6	0.2	2.2	8.3	-1.17
Government	-0.9	1.8	0.9	1.9	1.0	1.6	-1.7	0.8	1.2	0.21
Federal	-2.5	0.0	0.6	1.0	3.8	-1.5	-0.4	2.4	-1.2	-0.08
State and local	0.2	2.9	1.0	2.5	-0.6	3.5	-2.5	-0.2	2.6	0.28

Bureau of Economic Analysis,
Jan. 27, 2017

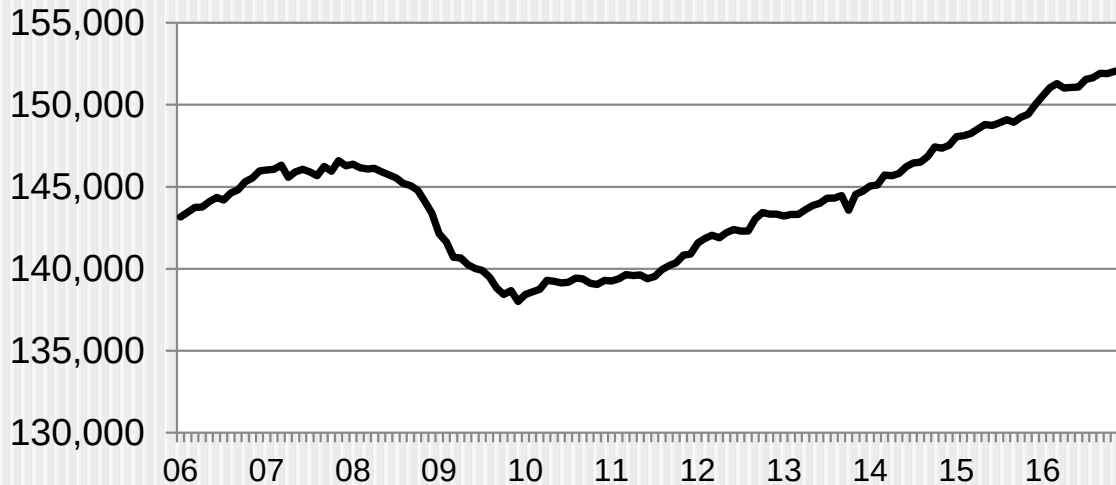
IHS Global Insight forecast anticipates annual growth in excess of 2% through 2020.

Percent Change in Real GDP by State, 2016:Q2–2016:Q3, Seasonally Adjusted at Annual Rates



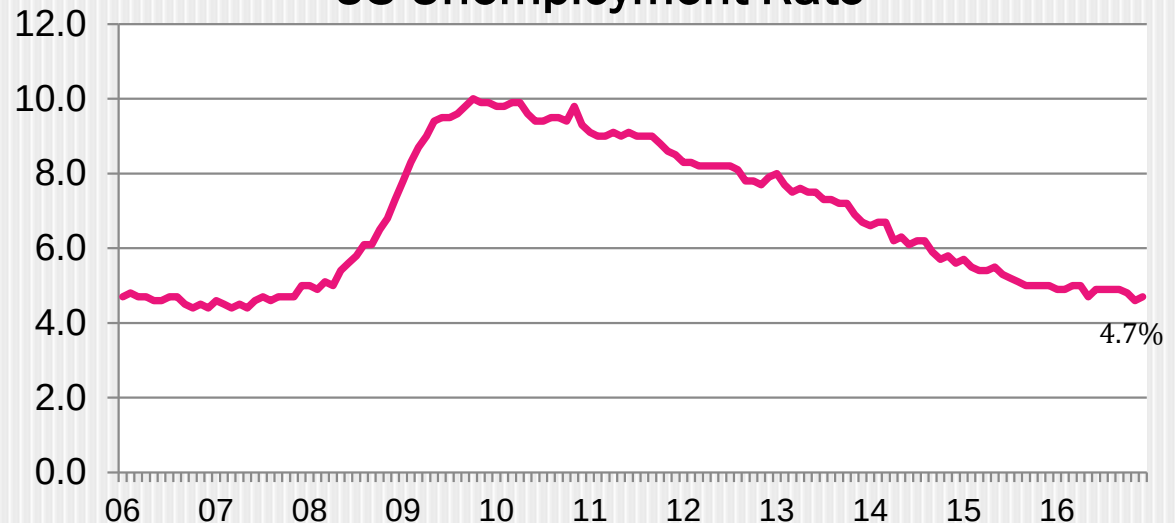
US Employment Situation

Total US Non-Farm Employment (000's)



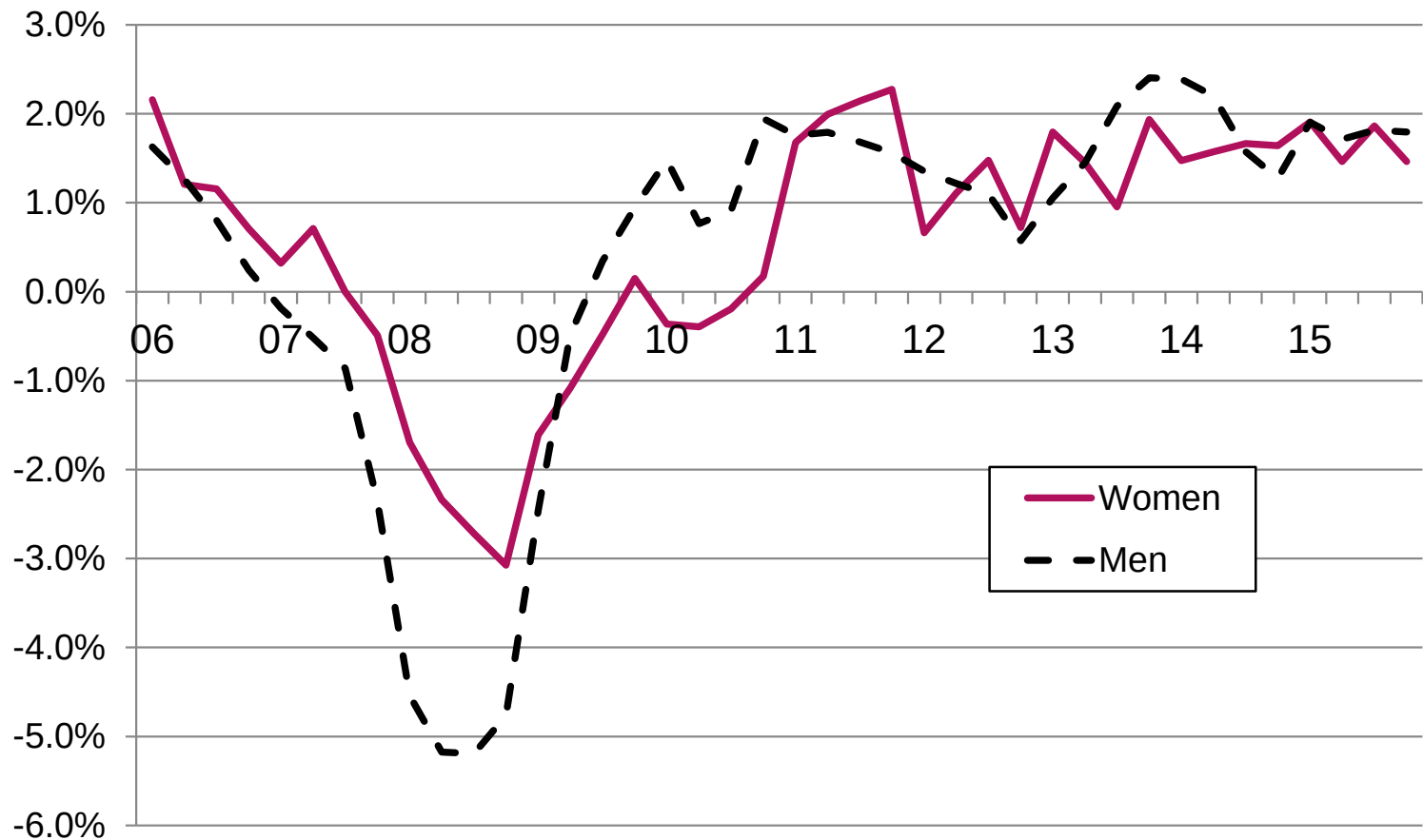
Global Insight expects growth to decelerate from about 2% to less than 1.5% and to below 1% in 2020.

US Unemployment Rate



US Employment Situation: Women vs. Men

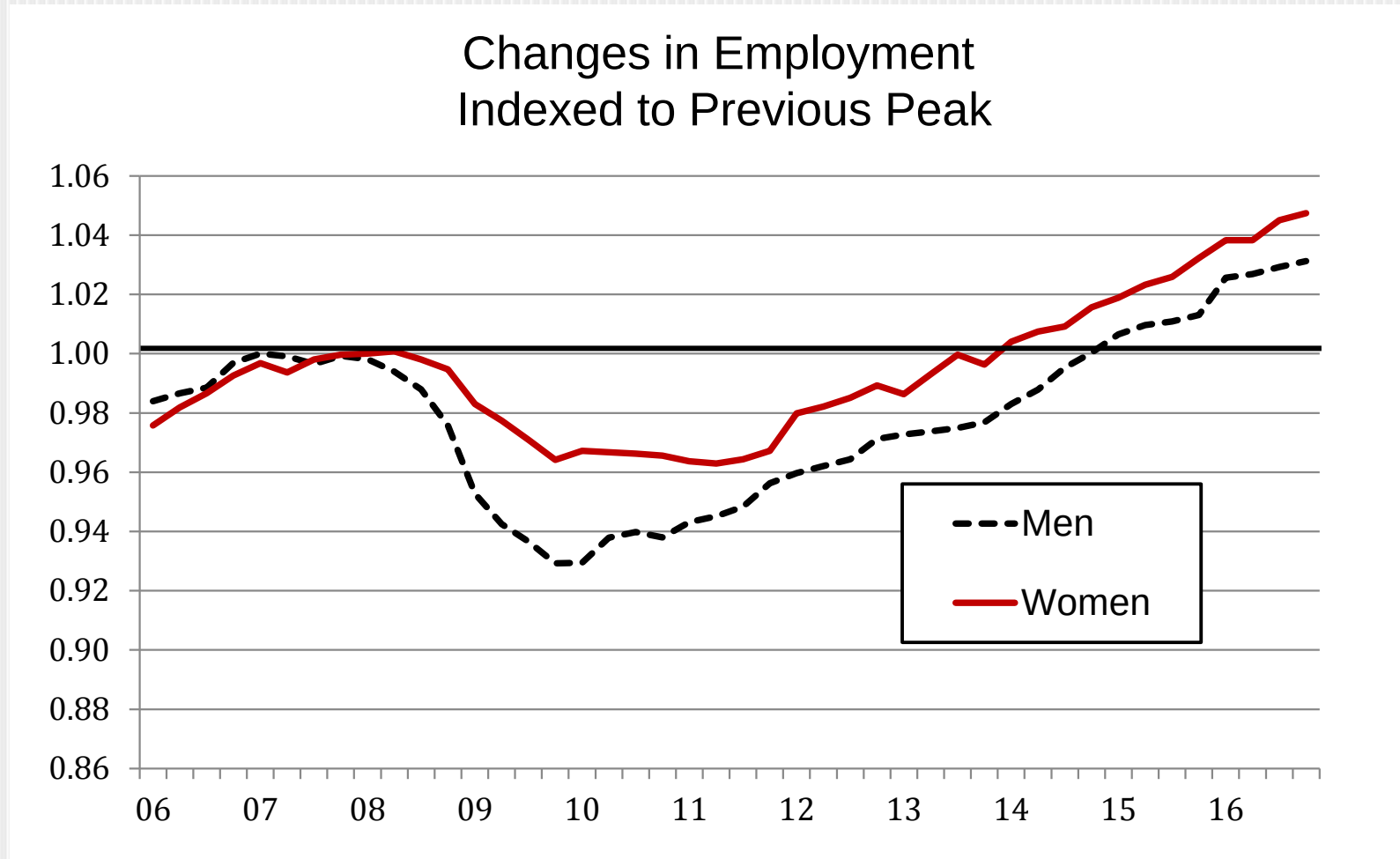
Growth in US Nonfarm Employment Women and Men Compared



US BLS data

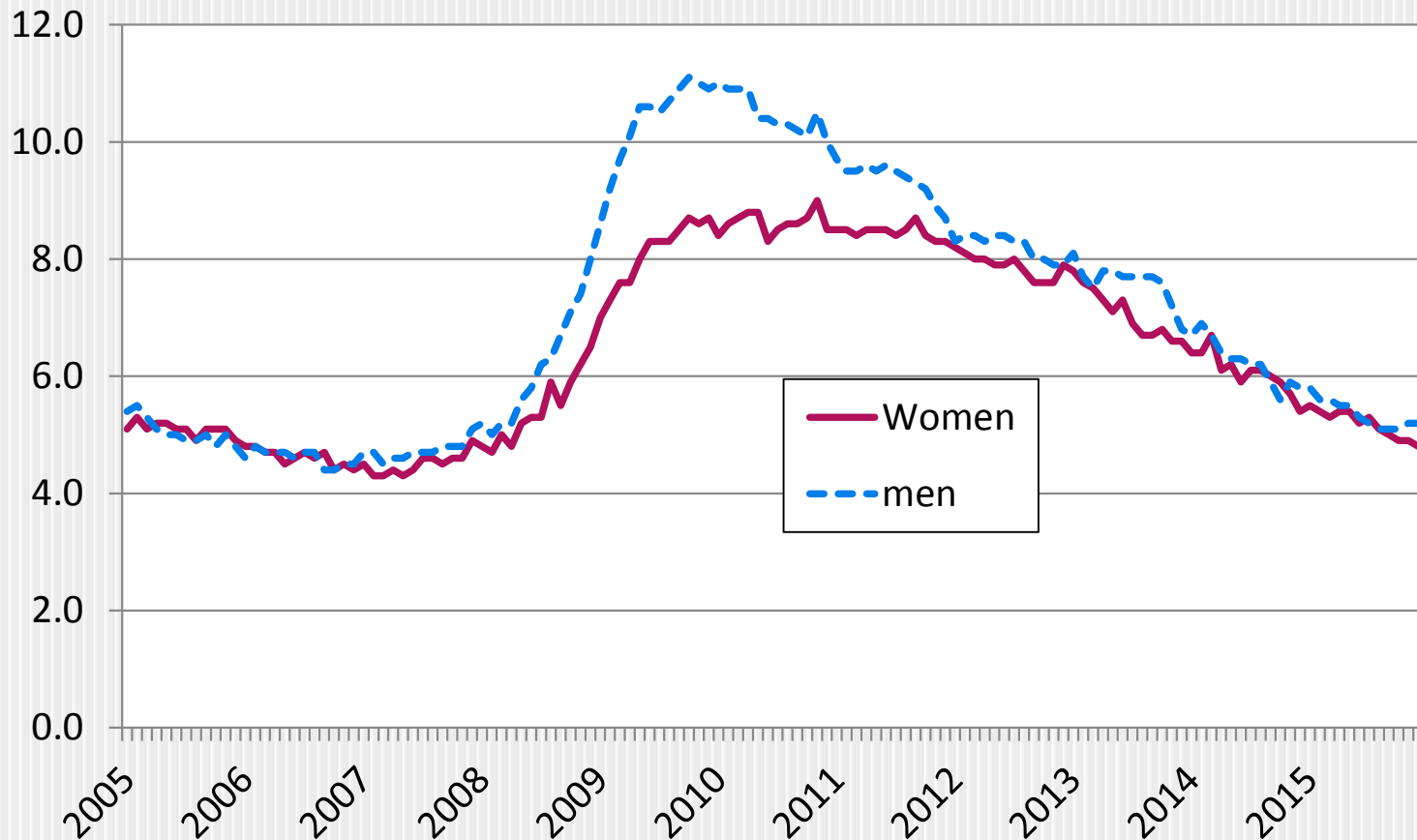
US Employment Situation: Women vs. Men

Women's Employment Fell Off More Slowly
and Recovered More Quickly



US Employment Situation: Women vs. Men

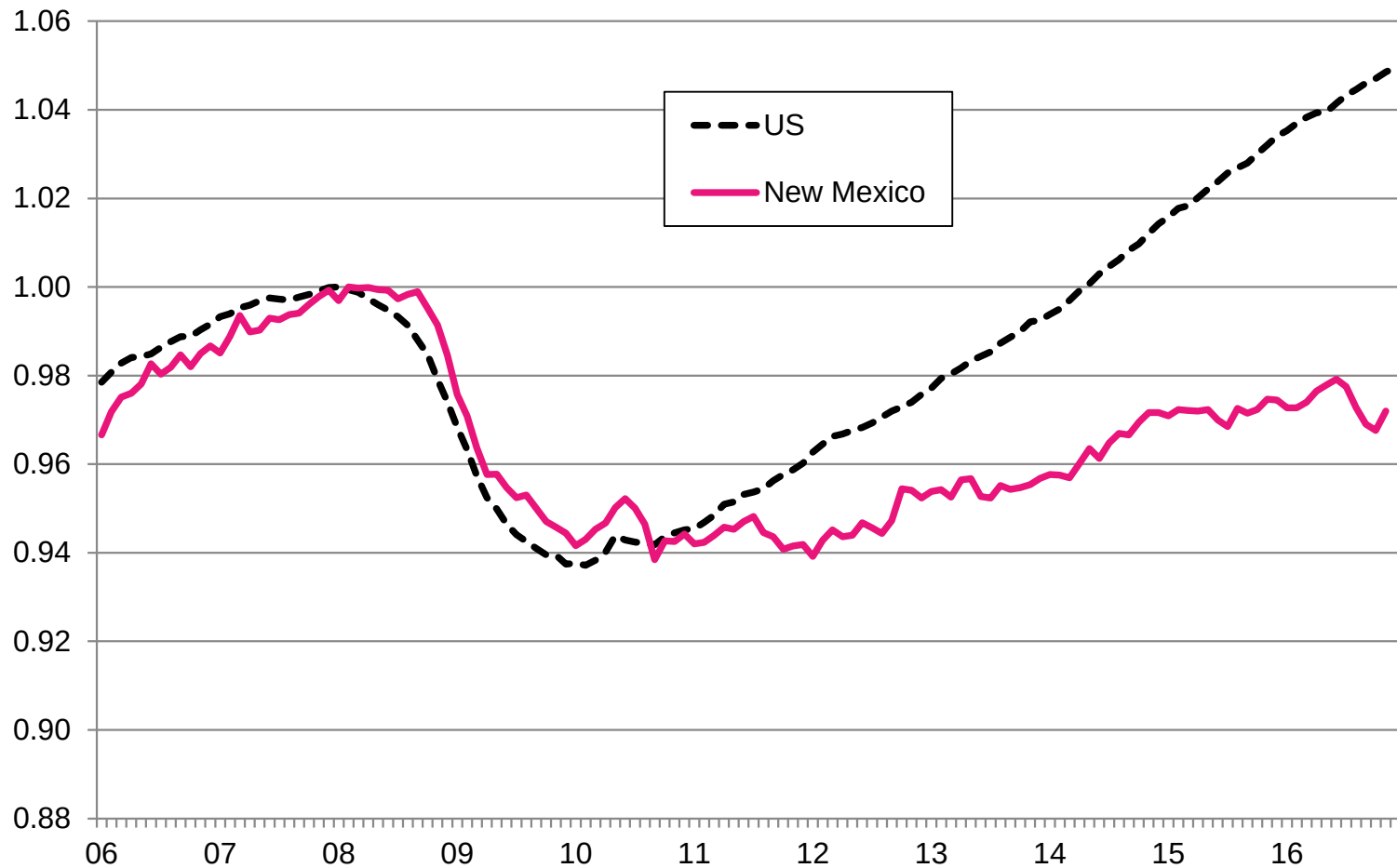
US Unemployment Rates (%) Compared



Women's unemployment rate continues to be slightly lower than men's but basically rates have moved together.

NM and US Employment Indexed to Cycle Peak

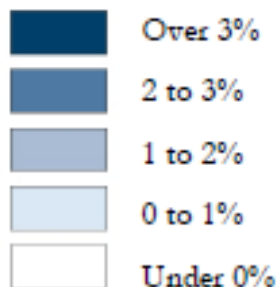
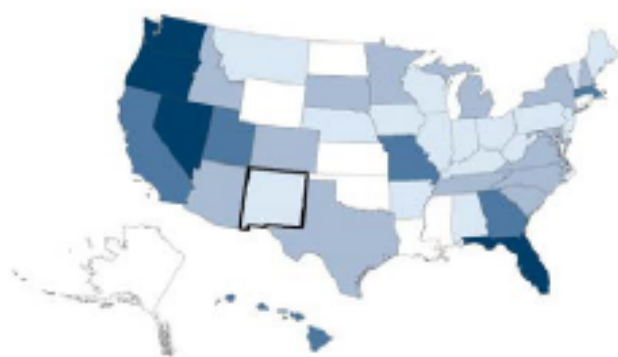
Nonfarm Employment, Monthly SA



New Mexico Employment Performance in Context

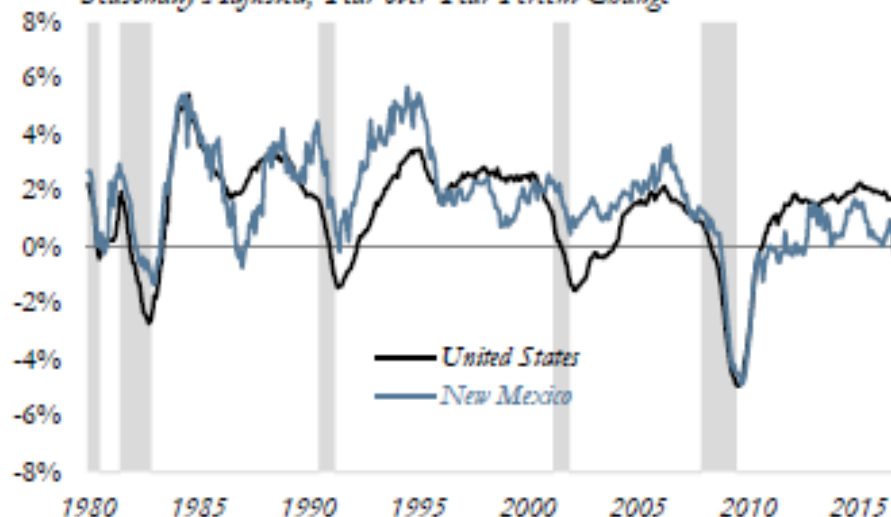
Payroll Employment *Seasonally Adjusted*

December 2016 Payroll Employment *Seasonally Adjusted, Year-over-Year Percent Change*



December 2016		
	United States	New Mexico
Jobs (Thousands)	145,303.0	830.5
Change from Last Year	1.5%	0.3%

Payroll Employment *Seasonally Adjusted, Year-over-Year Percent Change*



Note: Gray bars indicate recession.

Source: Bureau of Labor Statistics/Haver Analytics

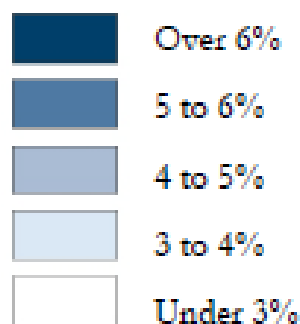
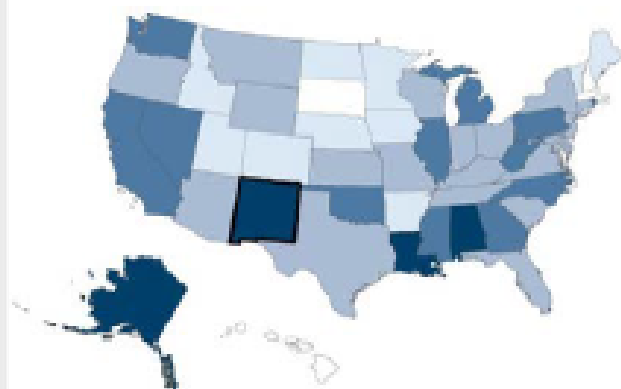
New Mexico Employment Performance in Context

Unemployment Rates

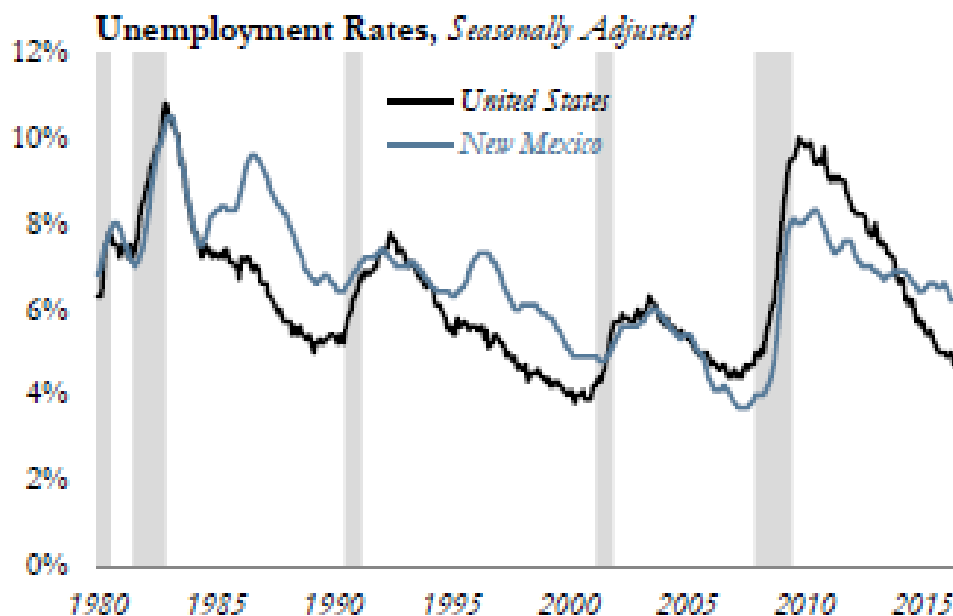
Seasonally Adjusted

December 2016 Unemployment Rates

Seasonally Adjusted

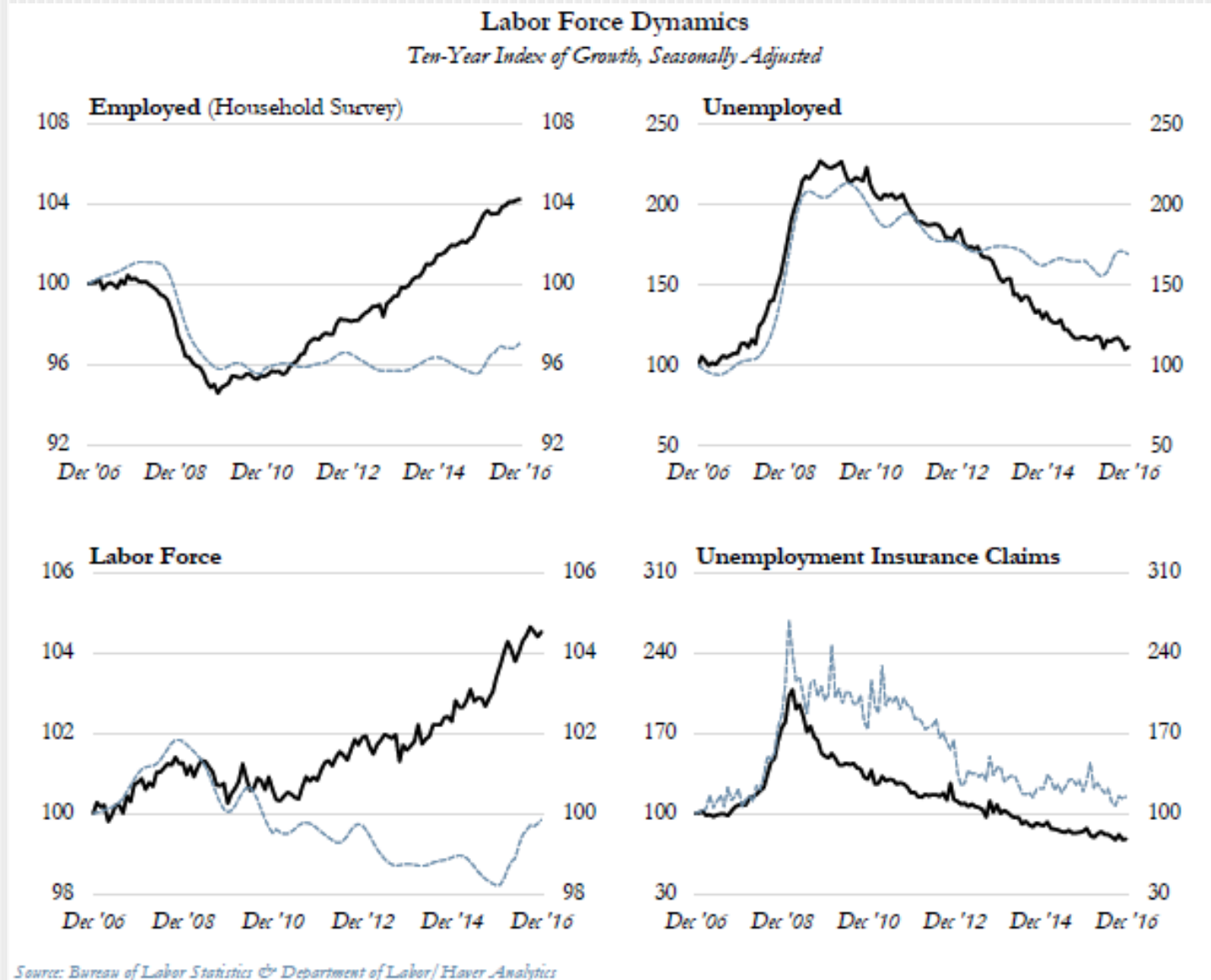


December 2016		
	United States	New Mexico
Unemployment Rate	4.7%	6.6%
Unemployment Rate, Last Year	5.0%	6.6%



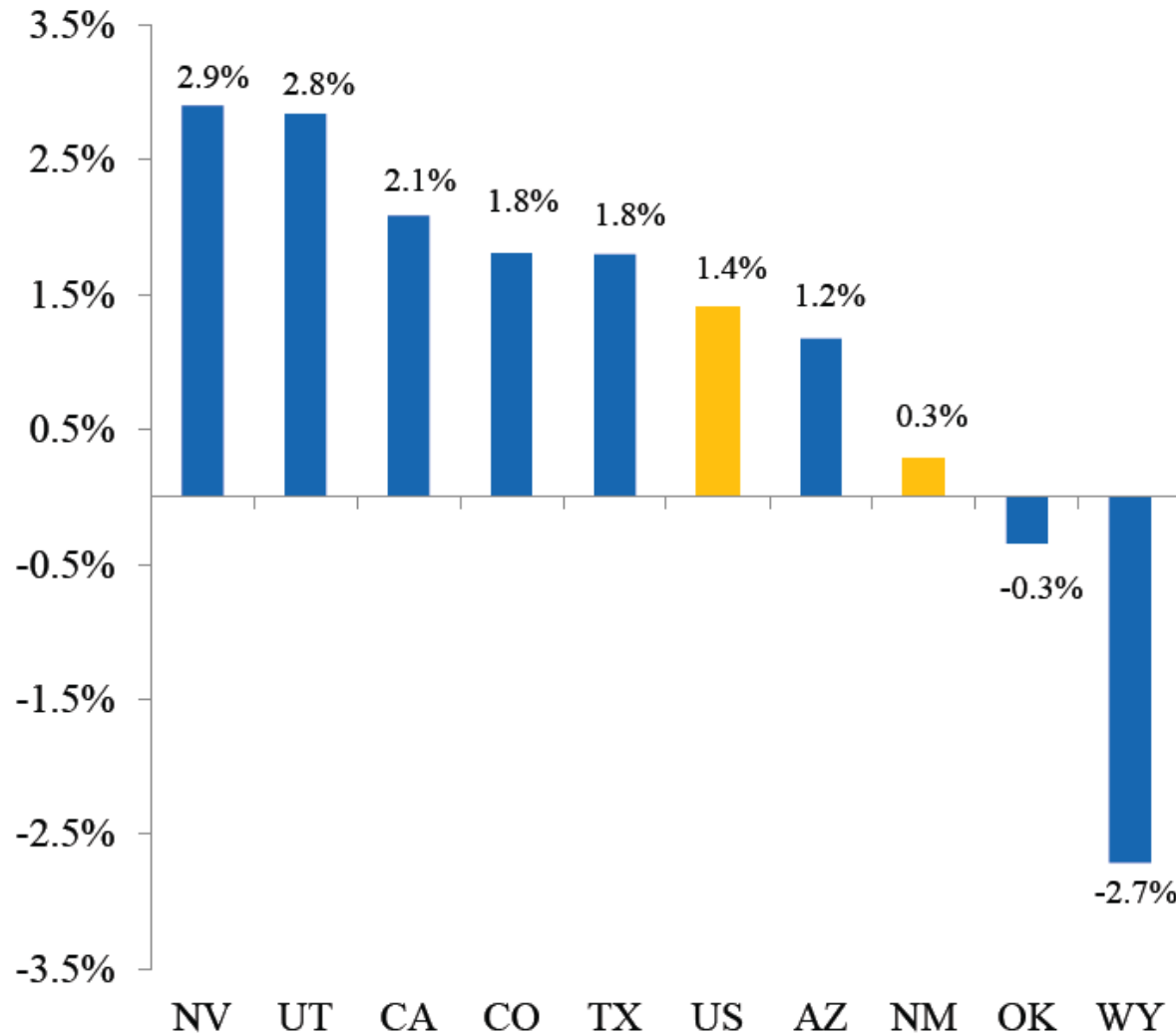
Note: Gray bars indicate recession.

Recent NM Employment Performance Highlighted



Current Regional Nonfarm Employment Growth

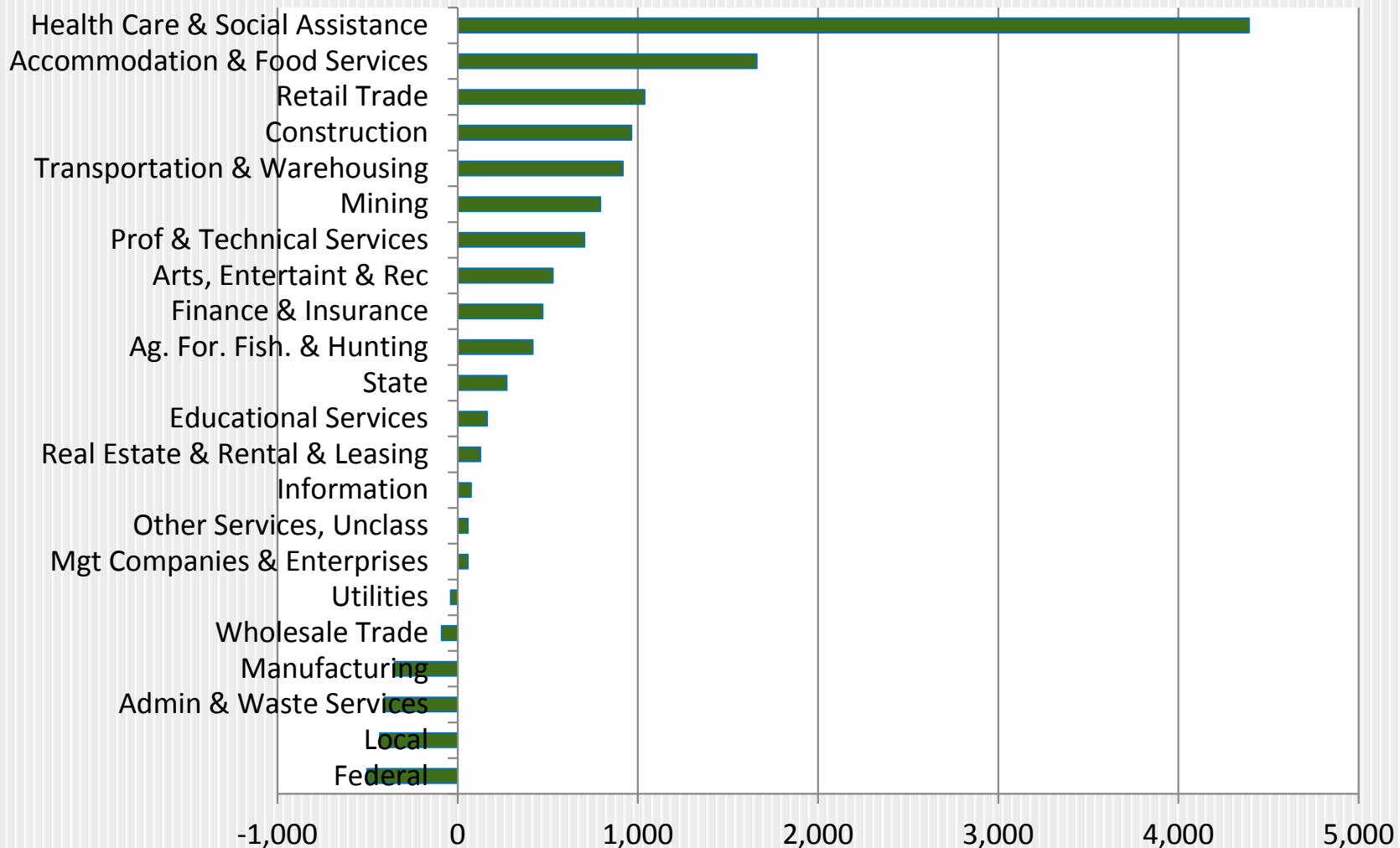
December 2016 Over December 2015 Not Seasonally Adjusted



Total Nonfarm Employment (NSA) December 2016 (in 1000s)

Nevada	1,311.3
Utah	1,447.9
California	16,750.0
Colorado	2,645.1
Texas	12,221.7
Arizona	2,754.7
New Mexico	835.4
Oklahoma	1,669.6
Wyoming	276.2
United States	146,148.0

NM Y-O-Y Job Growth by Industry, 2015 Q1

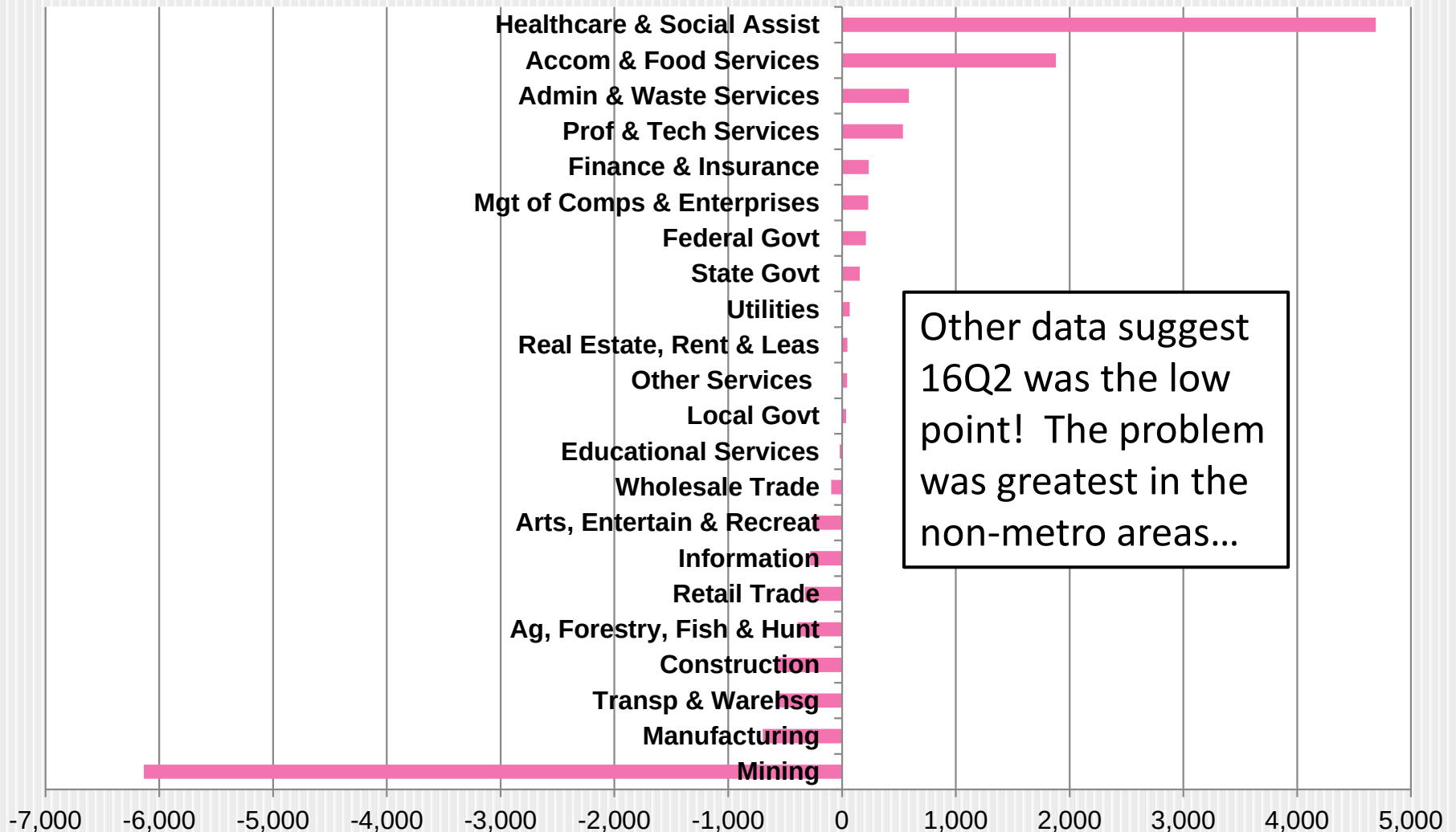


Source: BLS Quarterly Census of Employment and Wages

A year ago, I thought we were seeing evidence of a broad-based expansion.
What we were looking at a year ago from the QCEW...

Latest data from the same source:

NM Y-O-Y Job Growth by Industry, 2016 Q2

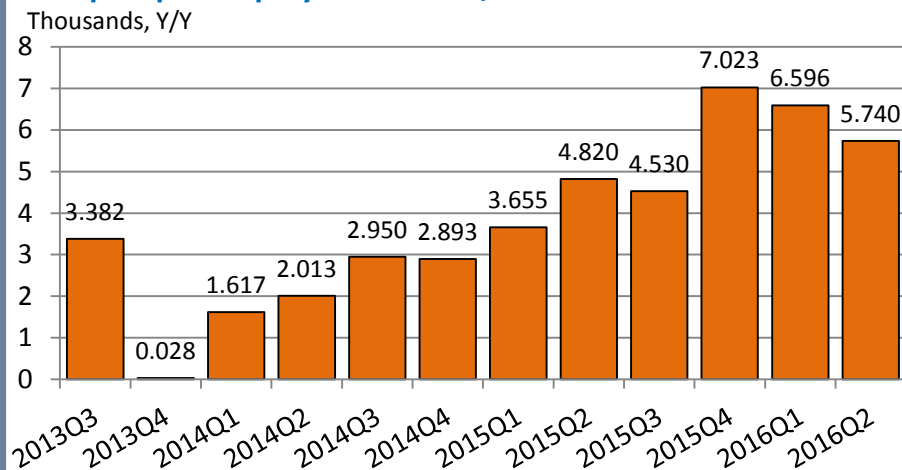


Source: BLS Quarterly Census of Employment and Wages

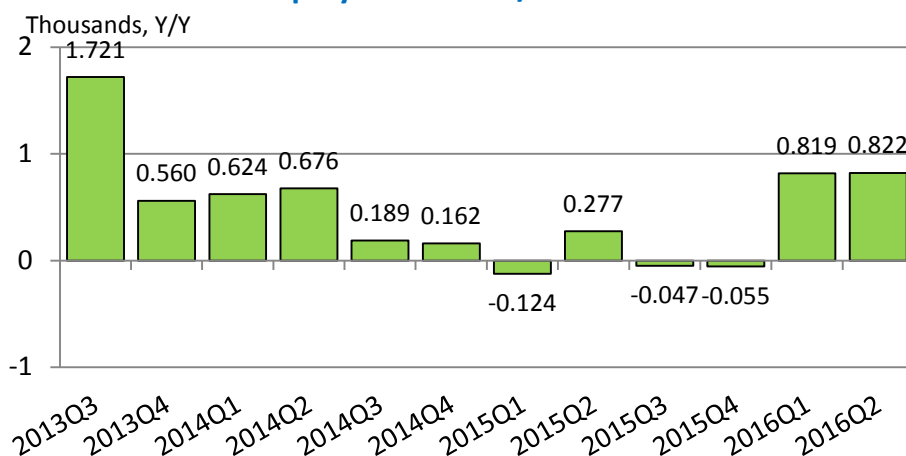
Problem is primarily oil and gas.

Employment Data History – MSA's

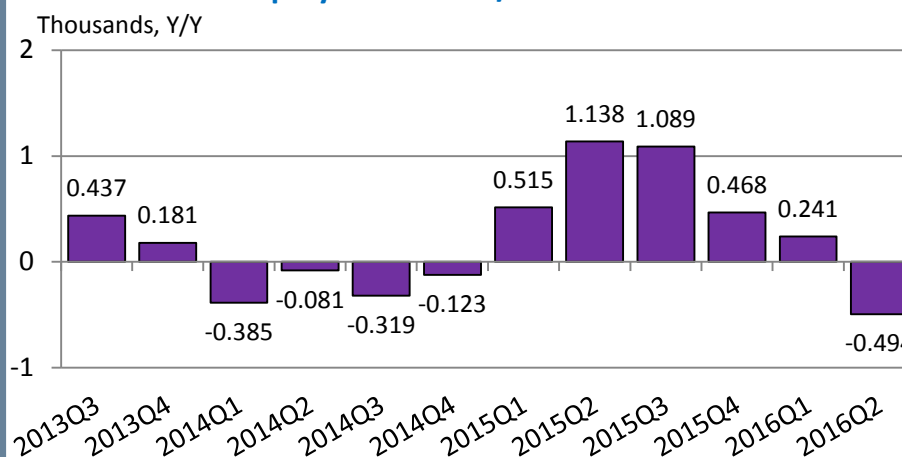
Albuquerque Employment Gains/Losses



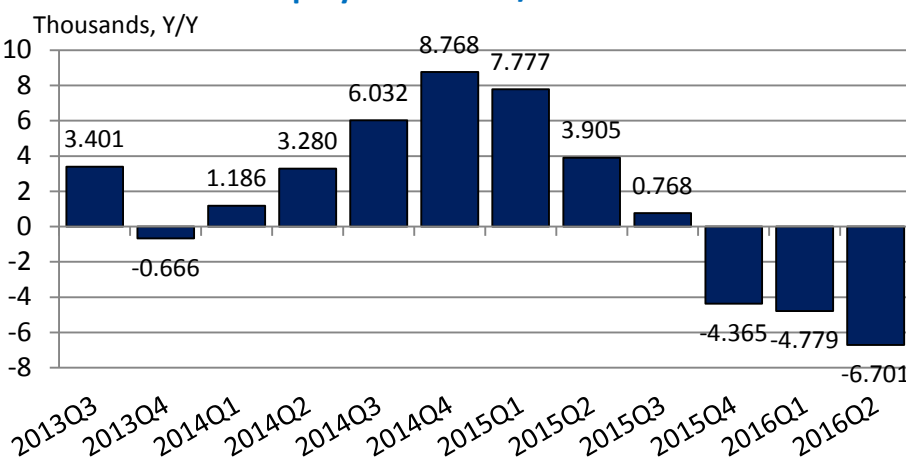
Las Cruces MSA Employment Gains/Losses



Santa Fe MSA Employment Gains/Losses

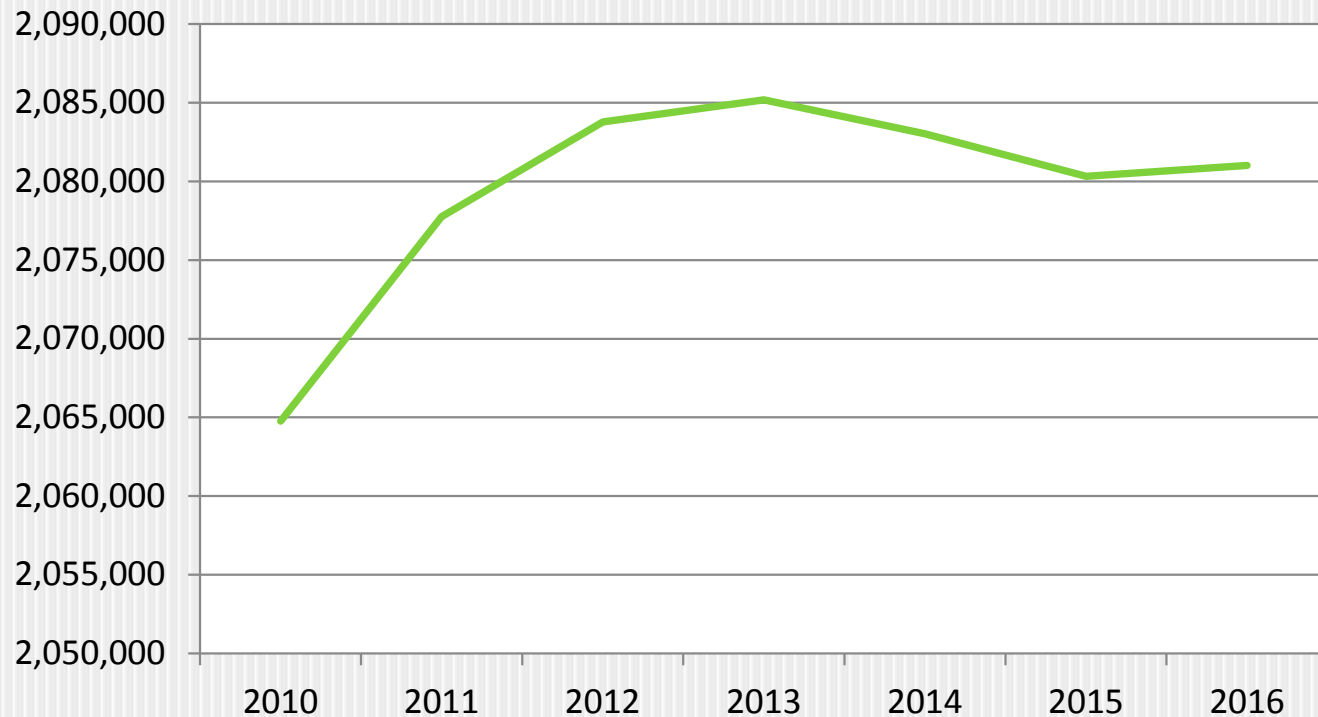


Non-Metro NM Employment Gains/Losses



NM Population Growth Has Slowed Dramatically

Estimated Population as of July 1, 2010-2016



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

Note declines in 2014 and again in 2015.

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

NM Population Estimated Components of Change, 2010 - 2015

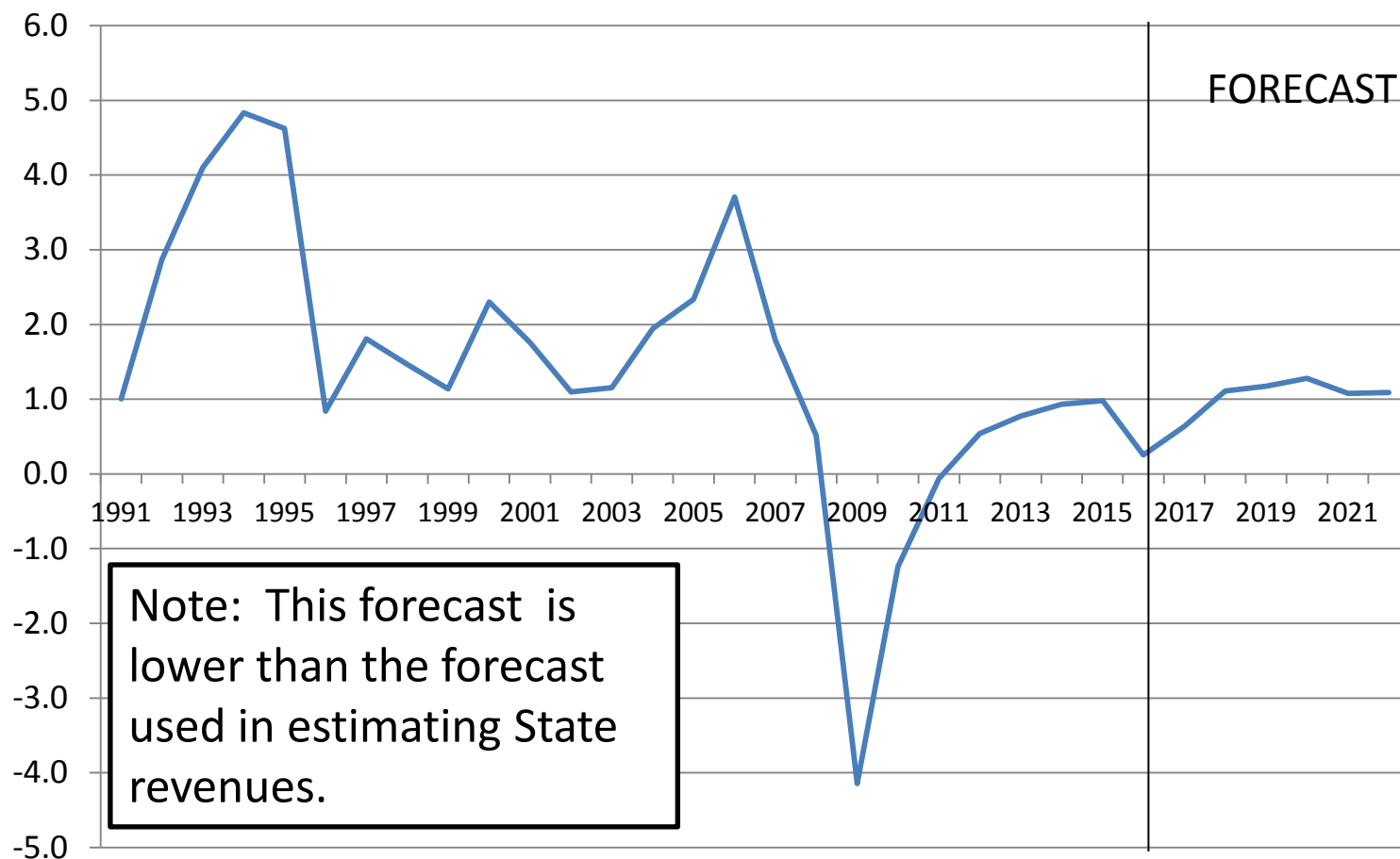
Time Period	Total Population Change	Natural Increase	Vital Events		Net Migration		
			Births	Deaths	Total	International	Domestic
April 1, 2010 to July 1, 2013	26,104	36,121	88,993	52,872	-9,750	5,837	-15,587
April 1, 2010 to July 1, 2011	17,493	13,333	33,541	20,208	4,288	1,772	2,516
July 1, 2011 to July 1, 2012	6,864	12,114	28,306	16,192	-5,229	2,348	-7,577
July 1, 2012 to July 1, 2013	1,747	10,674	27,146	16,472	-8,809	1,717	-10,526
July 1, 2013 to July 1, 2014	-1,323	9,942	26,805	16,863	-11,482	2,672	-14,154
July 1, 2014 to July 1, 2015	-458	9,236	26,286	17,050	-9,721	3,631	-13,352
July 1, 2015 to July 1, 2016	687	7,692	25,491	17,799	-7,111	2,637	-9,748

Cumulative change since 2010 Census = - 25,010

Source: US Bureau of the Census

UNM Bureau of Business and Economic Research

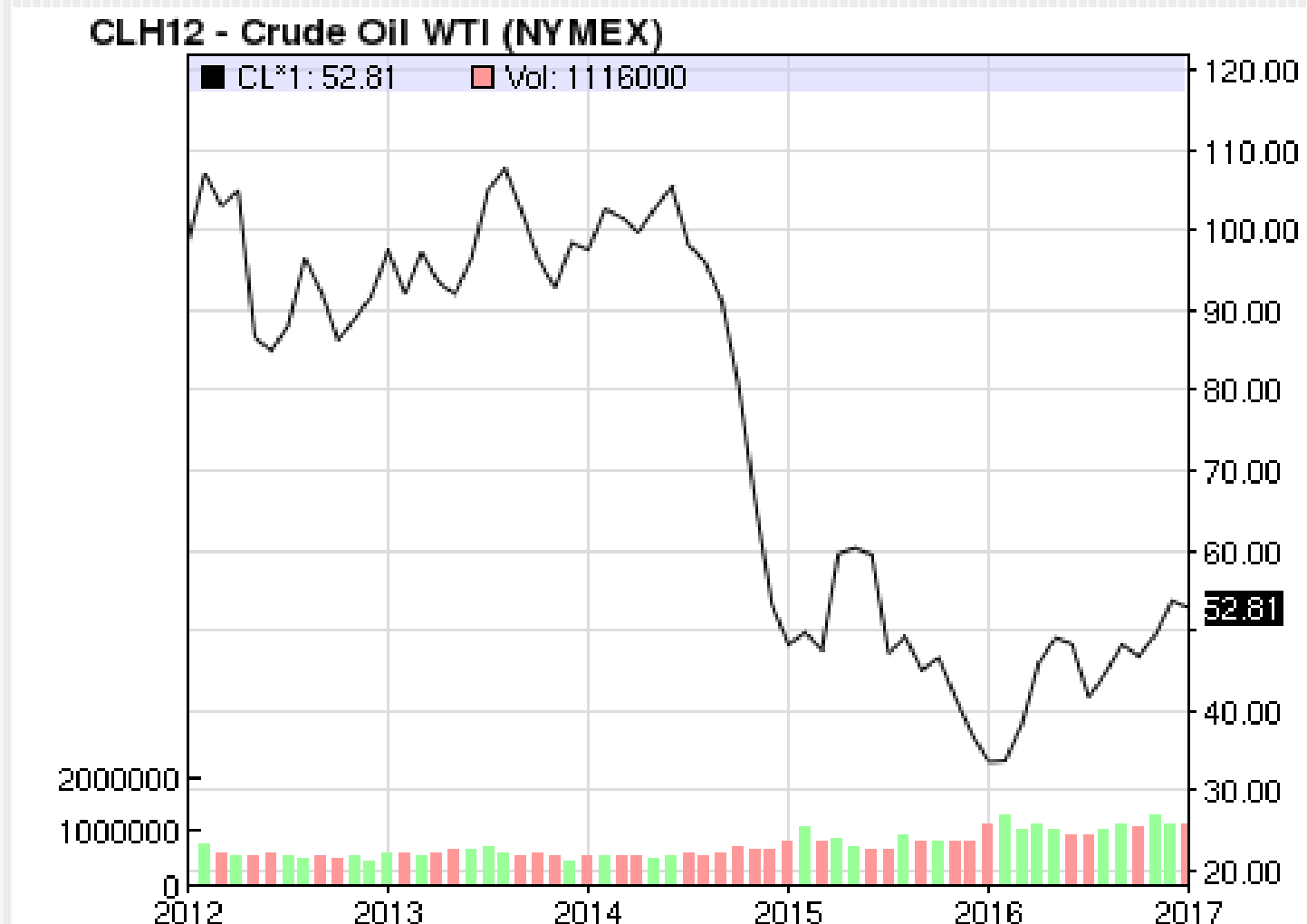
UNM BBER Forecast of QCEW Employment Growth (% Year Over Year)



Behind the Numbers for New Mexico

- State's economy is in the doldrums and things may get worse under the new Administration in Washington.
- Strength is in health care and social assistance and accommodation and food services, with other sectors experiencing weak growth or declining. The ACA and the Medicaid Expansion have been huge, resulting in job gains, although not as much as might be expected due to competition and pipeline issues. What will happen to ACA?
- Collapse of **oil prices** and **continued weakness in gas** continue to have a devastating effect on some areas of the State and on the State's budget even though oil price is now over \$50 per barrel. **Natural gas** is trading in the neighborhood of \$3 per mmBTU, down from \$4-5 in early 2014.
- Forecast reflects concerns about NM's dependence on federal government programs.
- There should also be concern about foreign trade with Mexico, now our biggest trading partner (44% of NM Exports in 2015), and about the port at Santa Teresa one of the brightest spots in the NM economy.

Continuing Effects of Collapse of Oil Prices



Also of continued low natural gas prices.

Positives

Technology

Because of the labs, universities and existing industry, & drawn by amenities ...But can we grow & keep our technology businesses. Albuquerque is certainly trying but what will the Trump administration mean for these efforts?

Trade and Transportation

Trade with Mexico now 44% of total exports. Expansion of the Port at Santa Theresa, including new Union Pacific terminal. Lots of activity down there even though can't find the jobs in the data. What will be the impact of Trump and the Wall?

Tourism

Has been a growth area but what is happening to arts and recreation industry?

Renewables

Renewables have been making strides: Solar and wind energy, algae and other biofuels, Mesa del Sol smart grid. Tres Amigos SuperStation, which will provide the transmission facilities to get NM solar and wind energy to other markets, has missed deadlines but is moving forward ... What will be the impact of Trump who doesn't believe in Global Warming?

New Facebook Data Center in Belen.

The New Mexico Economy:

Maybe finally
recovering
from the
Great
Recession
(in NM style?
Maybe we
need to
change our
style???)



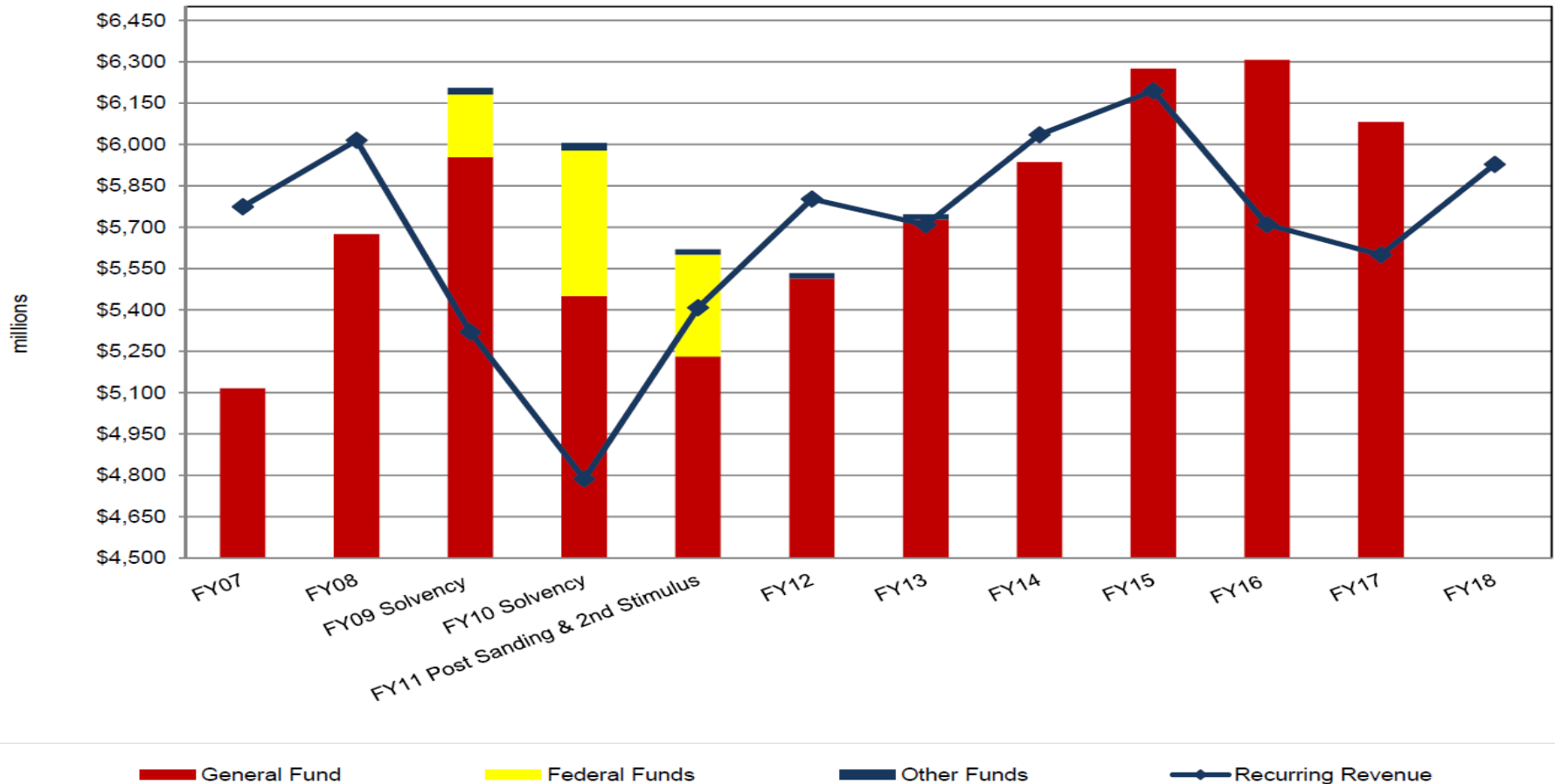
New Mexico and resurging Albuquerque continue to pull out of the deepest and longest recession since the 1930's. The expansion evidenced progress but there were many casualties – businesses that failed because they couldn't hang on any longer, families who have left the state, businesses that have pulled up stakes to try their fortune elsewhere – and the collapse of energy prices has been a serious blow. Despite generous tax incentives, NM is still not attracting the interest nor the investment that it once did. It is increasingly clear that as a state we are failing our kids, who have the highest rate of poverty in the nation.

Bright spots were tourism, transportation, mining and extractive industries, and renewables but all have been affected by the collapse of energy prices. NM is a big winner from the Medicaid expansion and ACA. Our technology is attracting interest. However...

- Federal, including contracts, state and local government together account for 32% of jobs, the highest % in the country. The NM economy is feeling the pain from federal government cut-backs and is vulnerable to future cuts, changes in federal priorities (e.g., Sandia NL procurement, with the Trump administration cause for serious concern.
- 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. As a state we need to create a compelling vision for the future that will excite and that can attract, retain and grow our human capital as well as infrastructure and investment. Trump is likely to make all of this more difficult.

2017 Legislative Session

Appropriations: General Fund and Temporary Funds



Source: LFC Files

New Money FY 18 = -\$93 million

FY 18 projected recurring revenue is 1.5% less than FY17 recurring appropriations.

Consensus Revenue Estimates, Dec. 2016

Program Summary for December 2016

HSD Monthly Stat Report

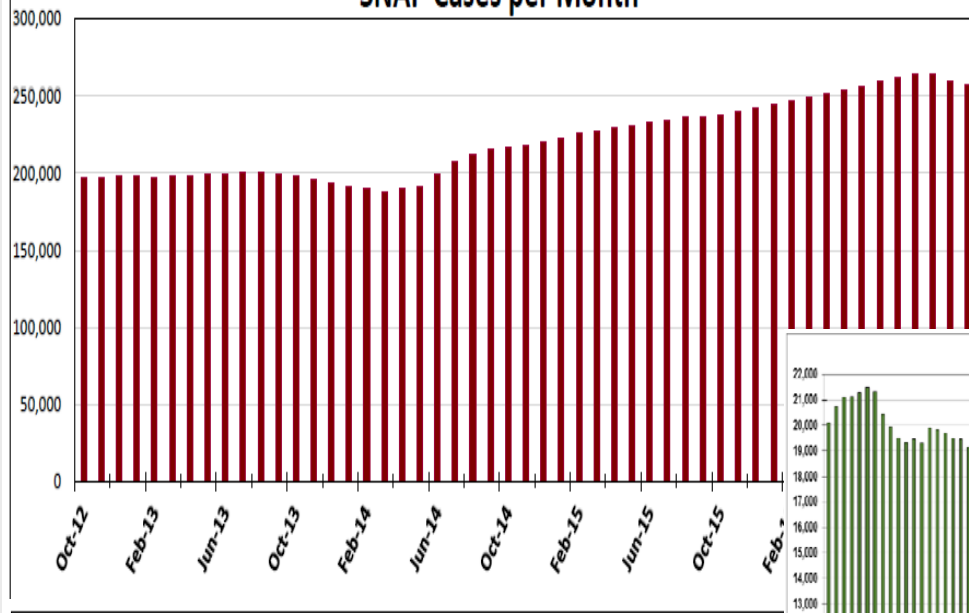
				Percent Change								Percent Change	
	Dec-15	Nov-16	Dec-16	Dec-15 – Dec 16	Nov-16 – Dec-16		Dec-15	Nov-16	Dec-16	Dec-15 – Dec 16	Nov-16 – Dec-16		
Supplemental Nutrition Assistance Program (SNAP)						State SNAP Benefits Supplement							
Expenditures	\$56,593,775	\$57,143,080	\$55,901,844	-1.2%	-2.2%	Expenditures	\$90,771	\$93,689	\$93,739	3.3%	0.1%		
Cases*	241,705	259,820	257,010	6.3%	-1.1%	Cases*	11,125	11,735	11,556	3.9%	-1.5%		
Individuals*	511,114	531,482	525,538	2.8%	-1.1%								
Adults*	288,594	309,517	306,106	6.1%	-1.1%	Education Works							
Children*	222,520	221,965	219,432	-1.4%	-1.1%	Expenditures	\$74,714	\$61,290	\$62,842	-15.9%	2.5%		
Apps processed	10,827	14,093	13,959	28.9%	-1.0%	Cases	210	170	175	-16.7%	2.9%		
Approvals	9,921	13,158	13,159	32.6%	0.0%	Individuals	604	498	508	-15.9%	2.0%		
						Adults	236	189	199	-15.7%	5.3%		
Temporary Assistance to Needy Families (TANF)						Children	368	309	309	-16.0%	0.0%		
Expenditures	\$3,776,330	3,707,224	3,697,053	-2.1%	-0.3%								
Cases*	12,673	12,526	12,400	-2.2%	-1.0%	State Supplement for Residential Care							
Individuals*	33,151	33,158	32,938	-0.6%	-0.7%	Expenditures	\$4,200	\$3,500	\$3,000	-28.6%	-14.3%		
Adults*	8,874	8,793	8,706	-1.9%	-1.0%	Cases	42	35	30	-28.6%	-14.3%		
Children*	24,277	24,365	24,232	-0.2%	-0.5%	Individuals	42	35	30	-28.6%	-14.3%		
Apps Processed	2,216	2,096	2,293	3.5%	9.4%	Adults	42	35	30	-28.6%	-14.3%		
Approvals	1,143	1,116	1,177	3.0%	5.5%								
						Refugee Assistance							
General Assistance (GA)						Expenditures	\$35,753	\$45,434	\$46,673	30.5%	2.7%		
Expenditures	\$823,055	\$894,295	\$884,415	7.5%	-1.1%	Cases	146	176	184	26.0%	4.5%		
Cases	3,303	3,550	3,538	7.1%	-0.3%	Individuals	156	187	193	23.7%	3.2%		
Individuals	3,395	3,660	3,644	7.3%	-0.4%	Adults	156	187	193	23.7%	3.2%		
Adults	3,150	3,398	3,391	7.7%	-0.2%								
Children	245	262	253	3.3%	-3.4%								
Apps Processed	290	308	376	29.7%	22.1%	Medicaid						Percent Change	
Approvals	166	186	228	37.3%	22.6%		Oct-15	Sept-16	Oct-16	Oct-15 – Oct 16	Sept-16 – Oct-16		
						Expenditures**	\$597,024,231	\$430,122,327	\$455,575,274	-23.7%	5.9%		
						Eligible	842,568	888,447	893,623	6.1%	0.6%		
						Adults	464,544	501,366	505,582	8.8%	0.8%		
						Children	378,024	387,081	388,041	2.6%	0.2%		

All expenditures are unreconciled and subject to change.

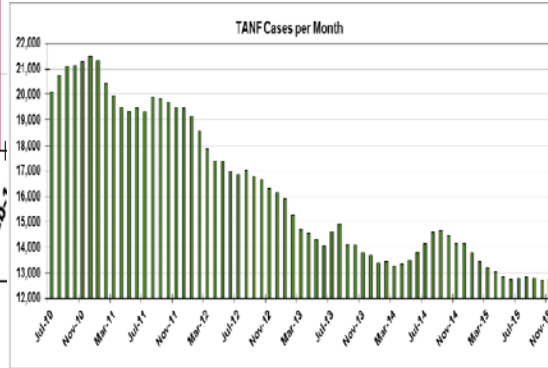
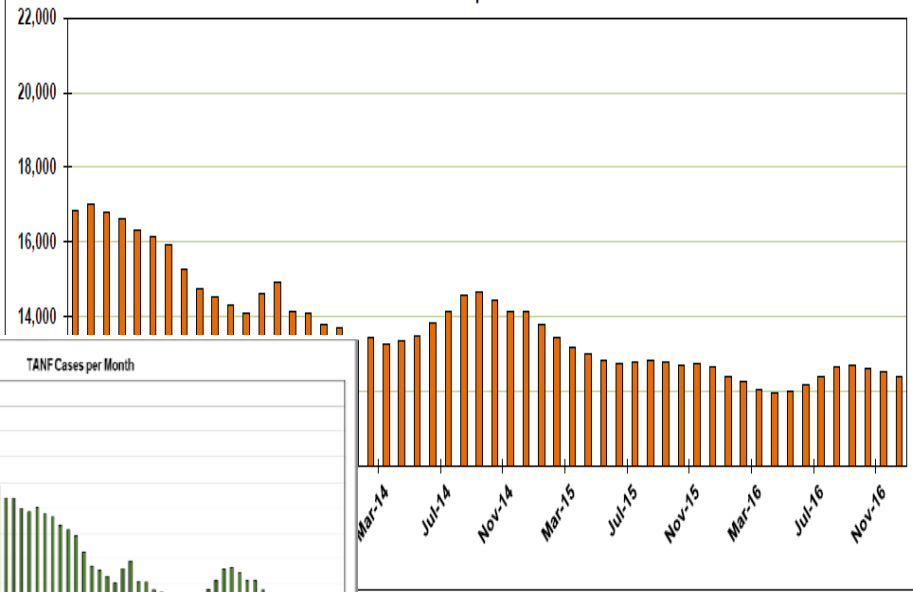
* Includes active cases with zero benefits

**Medicaid expenditures as of date of payment.

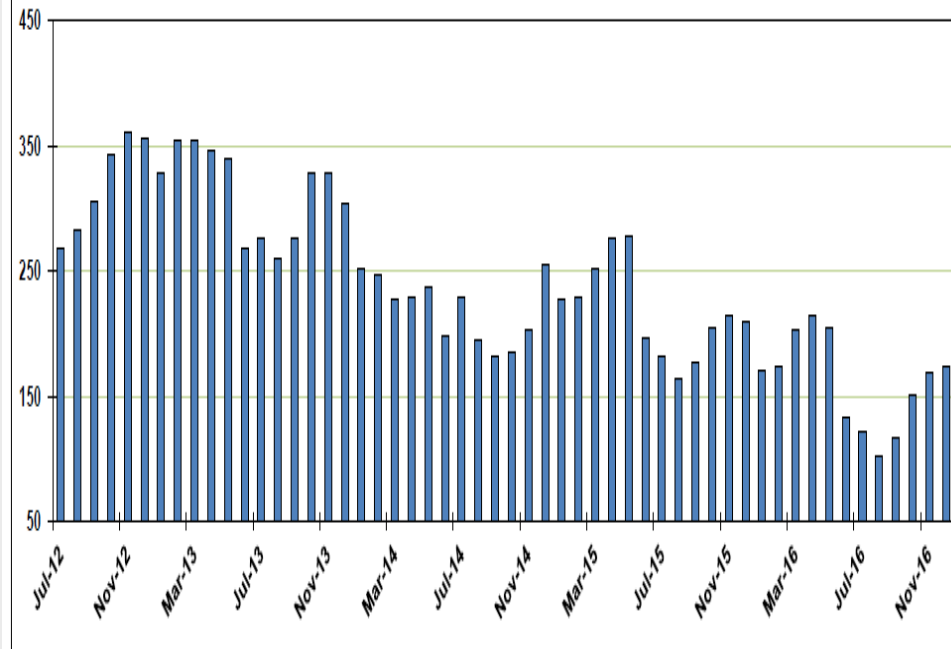
SNAP Cases per Month



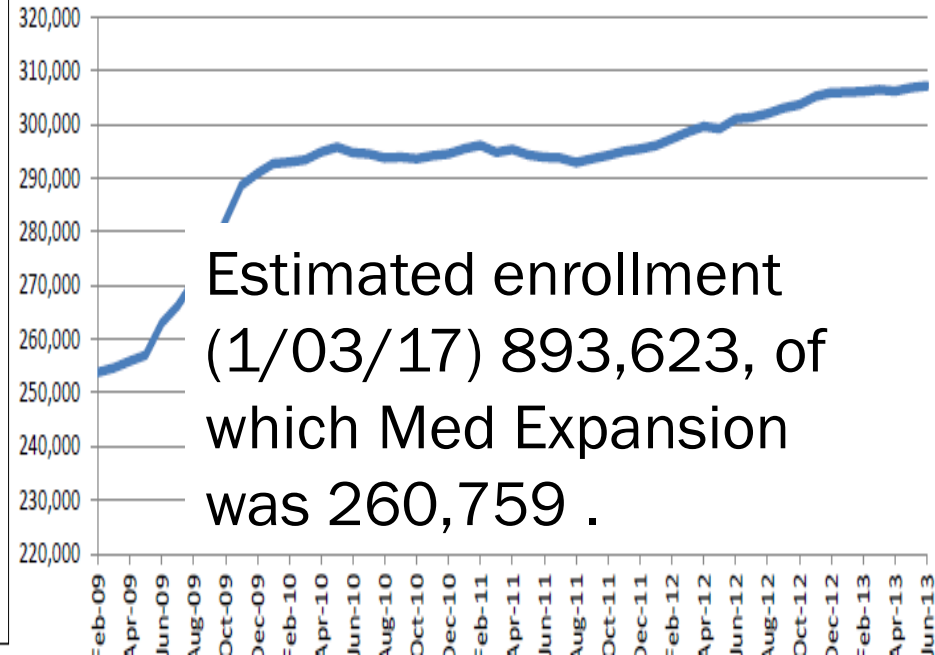
TANF Cases per Month



Education Works Cases per Month



Medicaid Cases



Estimated enrollment
(1/03/17) 893,623, of
which Med Expansion
was 260,759 .

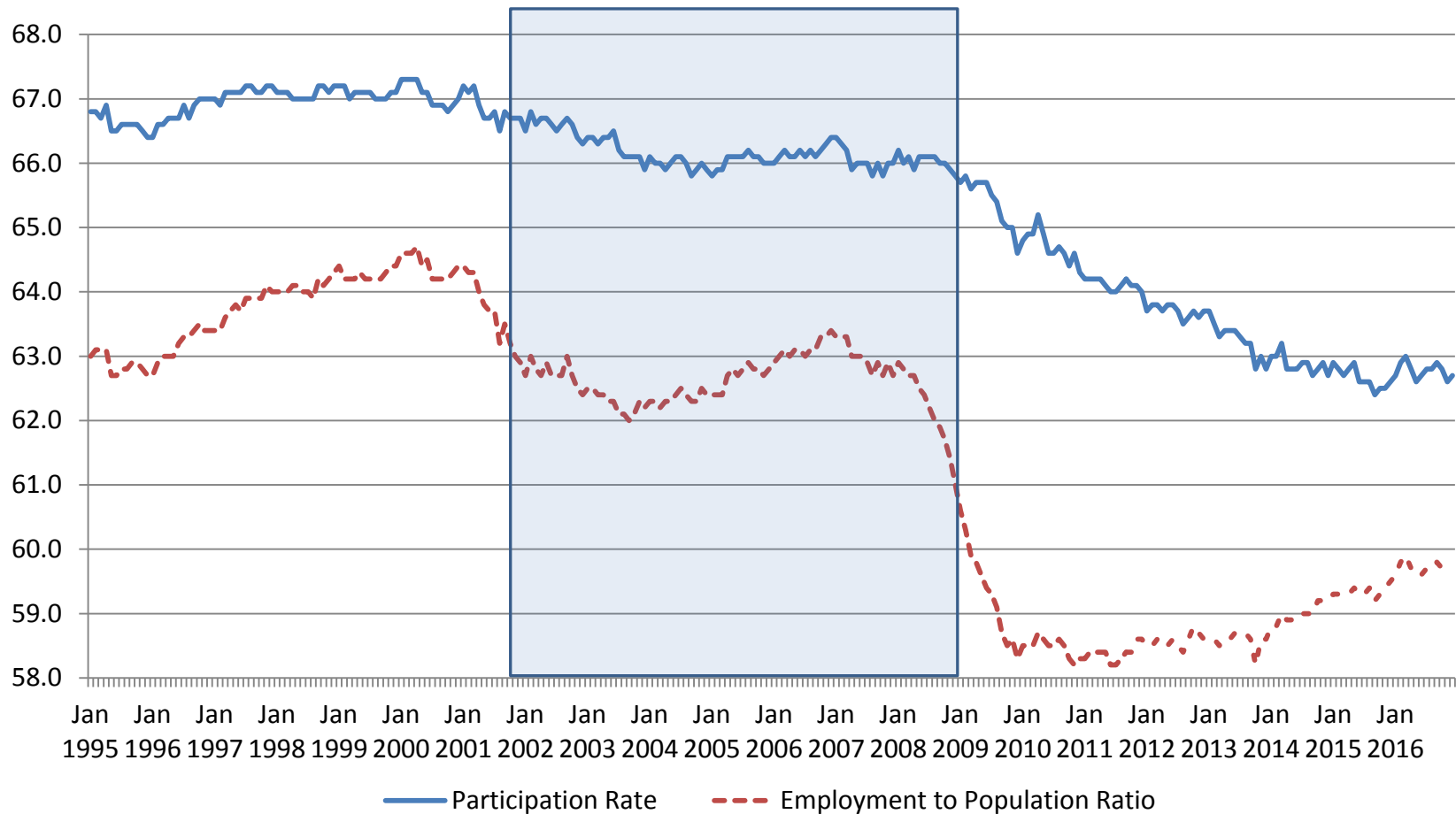
Medicaid Expansion: Conclusions HHSC (2015)

The Medicaid Expansion is increasing health insurance coverage among low income adults (138% of poverty), reducing the number of uninsured and the amount of care that is uncompensated.

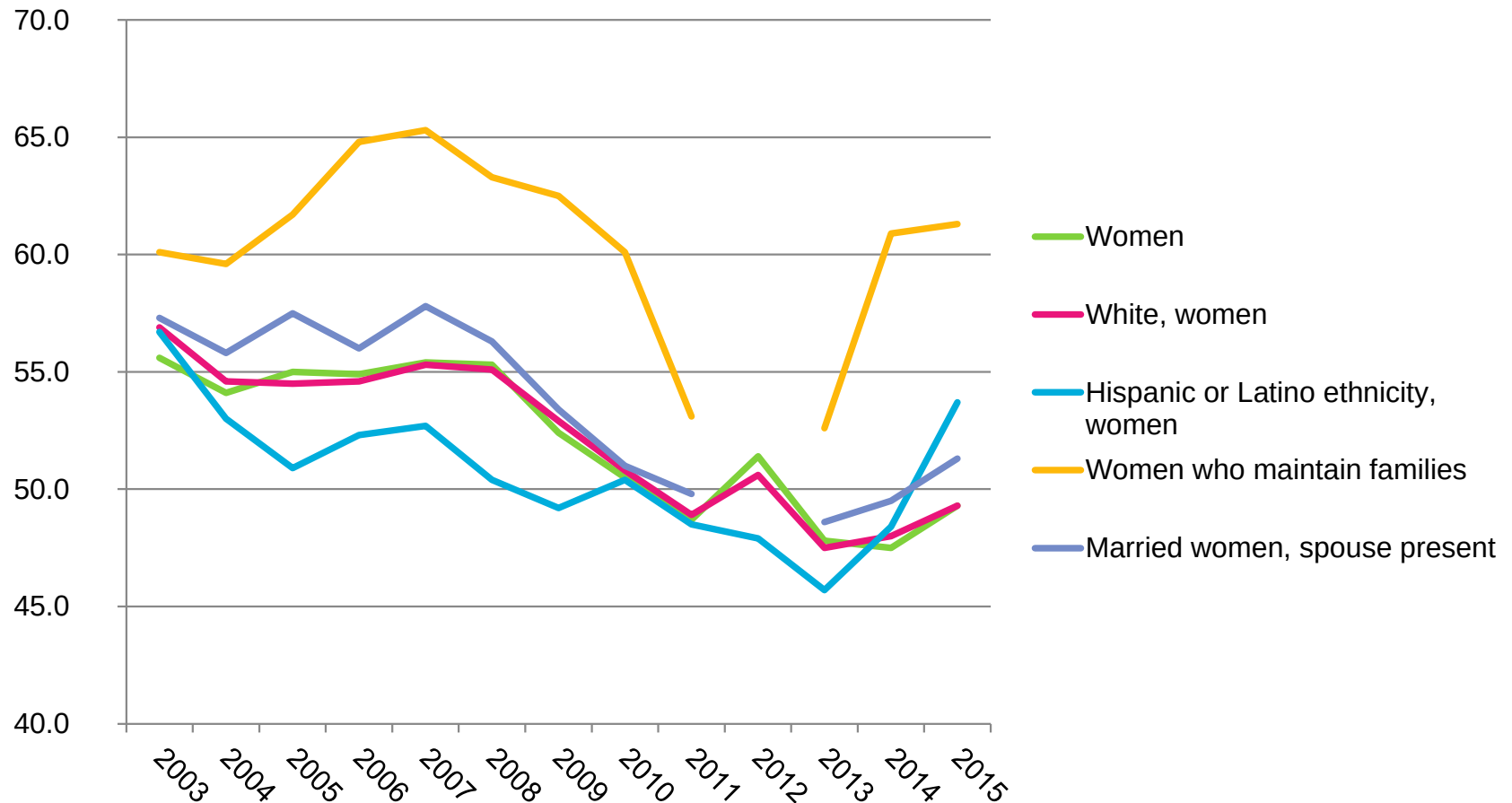
The net flow of federal dollars into the state to provide coverage is creating an effective demand for health care services. Providers are expanding and there is an increase in the health care workforce. This is important in a state that has long been under-served.

While the State will pick up an increasing portion of the costs up to 10% in calendar 2020, the program is basically paying for itself.

US Participation Rate & Employment to Population Ratio



Employment Population Ratios, New Mexico Women In Different Situations



US BLS Detailed Categorized Time Series