BUREAU OF BUSINESS
& ECONOMIC RESEARCH

The Outlook for New Mexico’s Economy under Covid-19

PRESENTED TO THE NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

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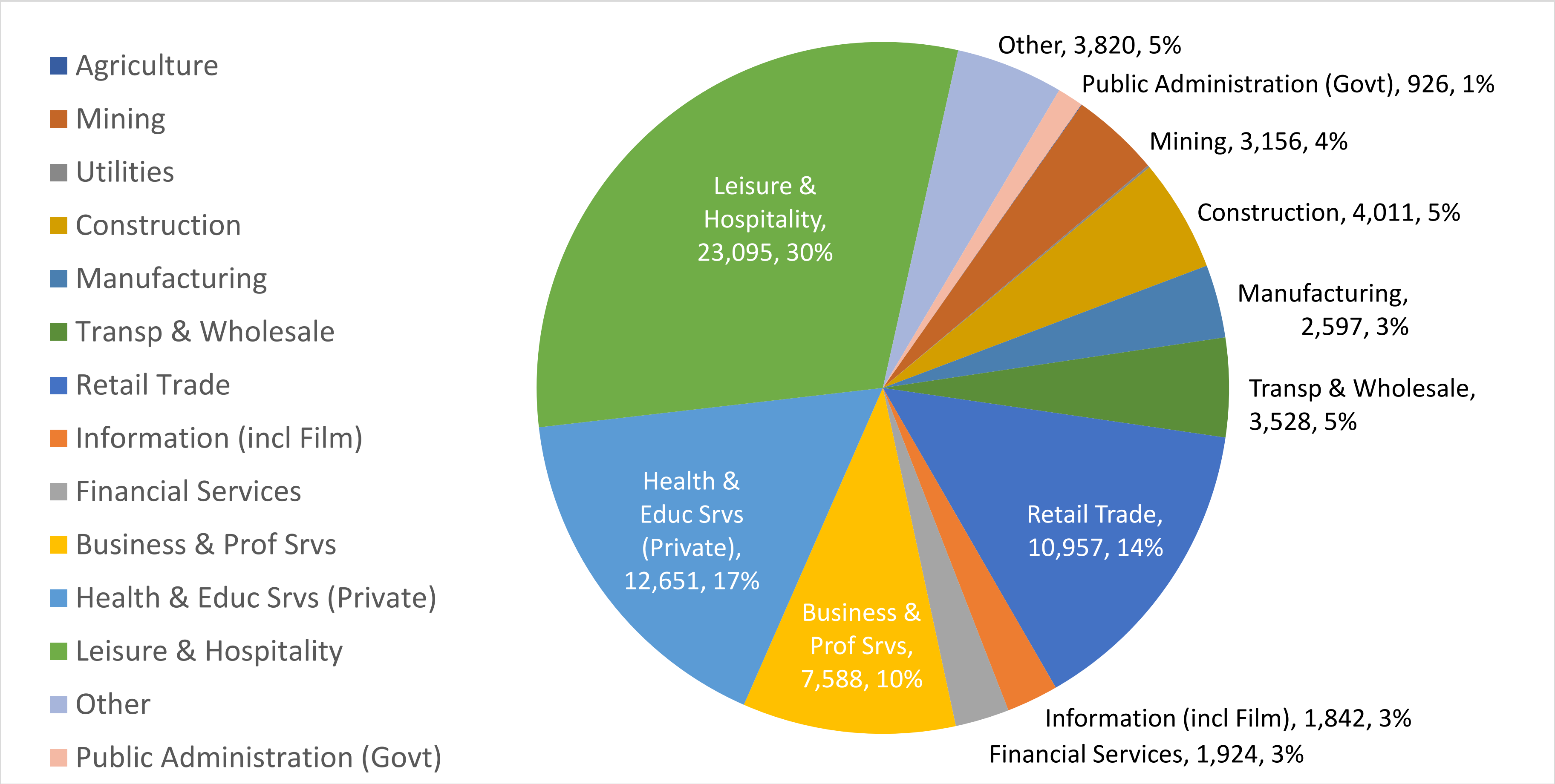
Unemployment Insurance (UI) Claims by State

- As of week of July 4, 95,000 New Mexicans were on UI, and more than 50,000 were on Pandemic Unemployment Assistance (PUA).
- Historical average total = 9,000
- UI Claims in New Mexico are relatively low (23.1% of 2019Q4 employment, 39 of 50 states + DC)
- But relatively few have left unemployment rolls (50.3% of total claims, 47 of 50 states + DC).
- Thus, New Mexico is in the middle of the pack in Insured Unemployment as of the week of July 4.

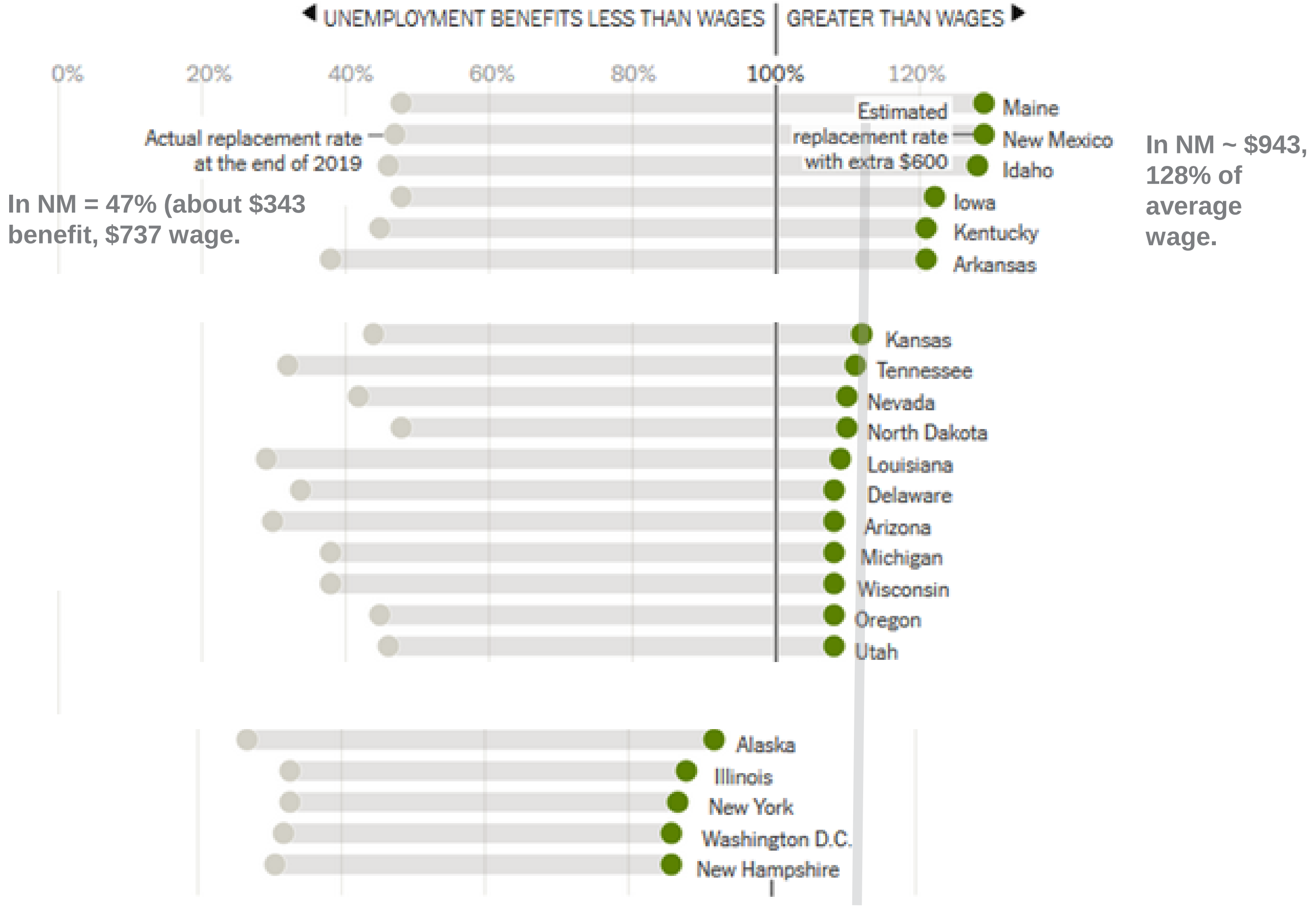
* Leaving the rolls may include employment, left the state, initial claim was rejected.

	UI Claims through week of July 4	Left the UI rolls as of week of July 4	Insured Unemployment as of week of July 4
United States	32%	68%	11%
Utah	13%	67%	5%
Nebraska	16%	70%	6%
Wyoming	17%	72%	5%
Colorado	18%	52%	9%
North Dakota	20%	65%	7%
Idaho	22%	88%	4%
Texas	23%	60%	10%
New Mexico	**23.1%**	**50.3%**	**11.4%**
Arkansas	23%	69%	8%
Wisconsin	26%	75%	8%
Montana	26%	72%	8%
Oregon	27%	34%	18%
Arizona	30%	80%	7%
Alabama	33%	84%	7%
New York	33%	52%	17%
Florida	34%	82%	7%
California	35%	59%	16%
Mississippi	36%	69%	12%
Nevada	40%	51%	20%
Louisiana	42%	67%	16%
Washington	43%	74%	12%
Hawaii	46%	62%	19%
Alaska	46%	78%	13%
Oklahoma	47%	87%	8%

Unemployment Insurance (UI) Claimants by Industry



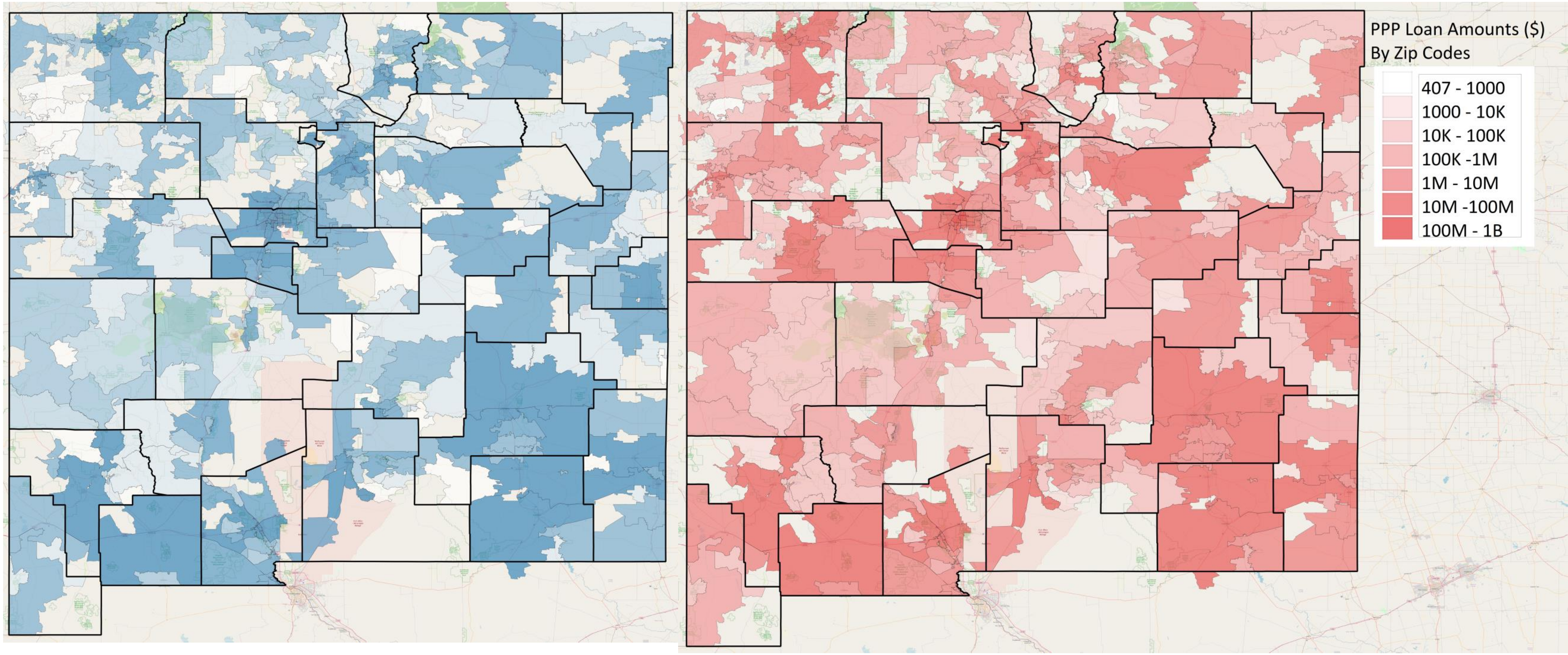
Impact of CARES Unemployment Benefit Bonus (FPUC)



Source: New York Times

- In New Mexico, average UI benefit is about $345/week or 47% of average wage of recipient.
- CARES Act UI bonus (FPUC) of $600 per week is the same in all states, regardless of average wage or COL.
- In New Mexico, because wages are low, the extra $600 per week is a significant addition.
- Average UI benefit with $600/week is 128% of average wage of recipient.

Paycheck Protection Program Loans



Paycheck Protection Program Loans

PPP Loans by Industry

County	Number of Loans	Value of Loans ($ Millions)
Agriculture, Forestry, Fishing and Hunting	345	$13.6
Mining	635	$63.0
Utilities	598	$211.5
Construction	52	$13.9
Manufacturing	2,786	$400.9
Wholesale Trade	514	$77.4
Retail Trade	1,846	$229.4
Transportation and Warehousing	1,441	$94.4
Finance and Insurance	219	$24.4
Real Estate and Rental and Leasing	664	$35.4
Professional, Scientific, & Technical Services	1,100	$68.2
Management of Companies and Enterprises	2,550	$246.9
Administrative and Support and Waste Mgt	24	$6.4
Educational Services	856	$81.0
Health Care and Social Assistance	365	$47.2
Arts, Entertainment, and Recreation	2,510	$393.6
Accommodation and Food Services	574	$65.1
Other Services (except Public Administration)	2,081	$241.3
Public Administration	2,437	$141.1
Other	284	$23.8
TOTAL	**21,923**	**$2,482.2**

PPP Loans by County

County	Number of Loans	Value of Loans ($ Millions)
Bernalillo	8,442	$1,062.6
Catron	21	$0.4
Chaves	671	$80.7
Cibola	117	$20.3
Colfax	923	$85.0
Curry	503	$46.0
De Baca	31	$1.1
Dona Ana	2,229	$197.0
Eddy	817	$148.7
Estancia	9	$0.4
Grant	227	$25.7
Guadalupe	43	$3.1
Harding	9	$0.2
Hidalgo	26	$2.4
Lea	904	$162.1
Lincoln	433	$21.5
Los Alamos	176	$13.9
Luna	284	$13.2
Mckinley	396	$47.3
Mora	15	$1.8
Otero	422	$28.9
Quay	126	$4.2

County	Number of Loans	Value of Loans ($ Millions)
Rio Arriba	228	$24.5
Roosevelt	153	$16.8
San Miguel	5	$0.1
San Juan	1,160	$173.4
San Miguel	157	$13.6
Sandoval	317	$28.8
Santa Fe	1,931	$161.3
Sierra	114	$11.8
Socorro	80	$5.0
Taos	480	$40.1
Torrance	69	$4.7
Union	58	$3.2
Valencia	347	$32.3
Grand Total	**21,923**	**$2,482.2**

Beware of employment data

- Generally employment data under-states job loss and overstates the pace of recovery
- Multiple sources (household surveys, business surveys, Unemployment Insurance claims) measure different things and at different times.
- Household surveys miscoded responses of many laid-off because of Covid-19 – New Mexico’s unemployment rate is almost certainly (much) higher than the reported 9.2%.
- Business employment counts (used in FOR-UNM forecasts) significantly undercounts job losses and over-counts job gains – a full-time employee laid off because of Covid who returns part-time or for a brief period (and laid off again) is counted as EMPLOYED.
- Employer counts do not include self-employed / contractor / ‘gig workers’
- Mining is under-counted in all estimates to the extent at laid-off workers leave the state.

Assumptions behind FOR-UNM Forecast

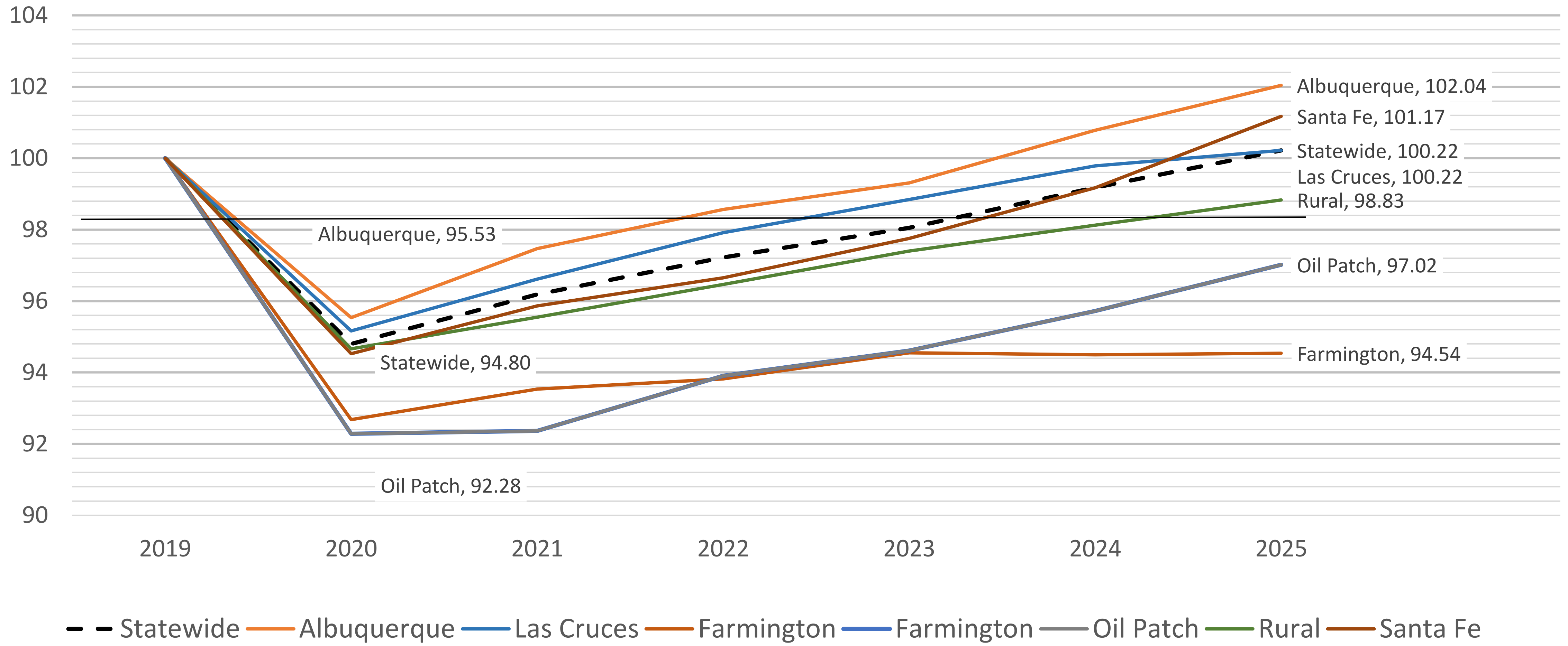
- Full recovery will depend on control of coronavirus
- Coronavirus will continue to limit recovery through at least end-2020, with intermittent openings & closings.
- The longer the initial phase of shut the more likely the Covid economic crisis will deepen into a severe economic recession; i.e. less like a U or a V and more like a or L, with slow recovery.
- Longer initial phase will mean more business insolvency and more household debt, turning a temporary shutdown into permanent losses.
- Critical factors are the federal response – especially support for State and local governments and unemployed workers.
- Optimistic scenario assumes reasonable control over coronavirus and aid to local governments.
- Pessimistic scenarios assume that Covid lingers, federal support does not materialize and oil markets remain depressed though at least 2022.

FOR-UNM Forecast Summary *

- Under Baseline scenario the recovery is delayed (compared to V-shaped bounce-back)
- During the 3rd quarter (July-September) New Mexico will regain fewer than one-quarter of the 86,000 (or more) jobs loss through June.
- By year-end, the state will regain just under half of lost jobs.
- The pace of recovery will quicken in mid- to late-2021, when a vaccine is available and global energy markets recover.
- New Mexico will reach 2019 employment levels by end-2024.
- Oil production will recovery more slowly, remaining well-below 2019 levels at end-2025.
- Optimistic scenario is slightly better – full recovery by early-2024
- Pessimistic scenarios do not result 2019 employment by end-2025 – 24,000 (3.0%) and 40,000 (4.8%) fewer jobs at end of forecast compared to 2019.

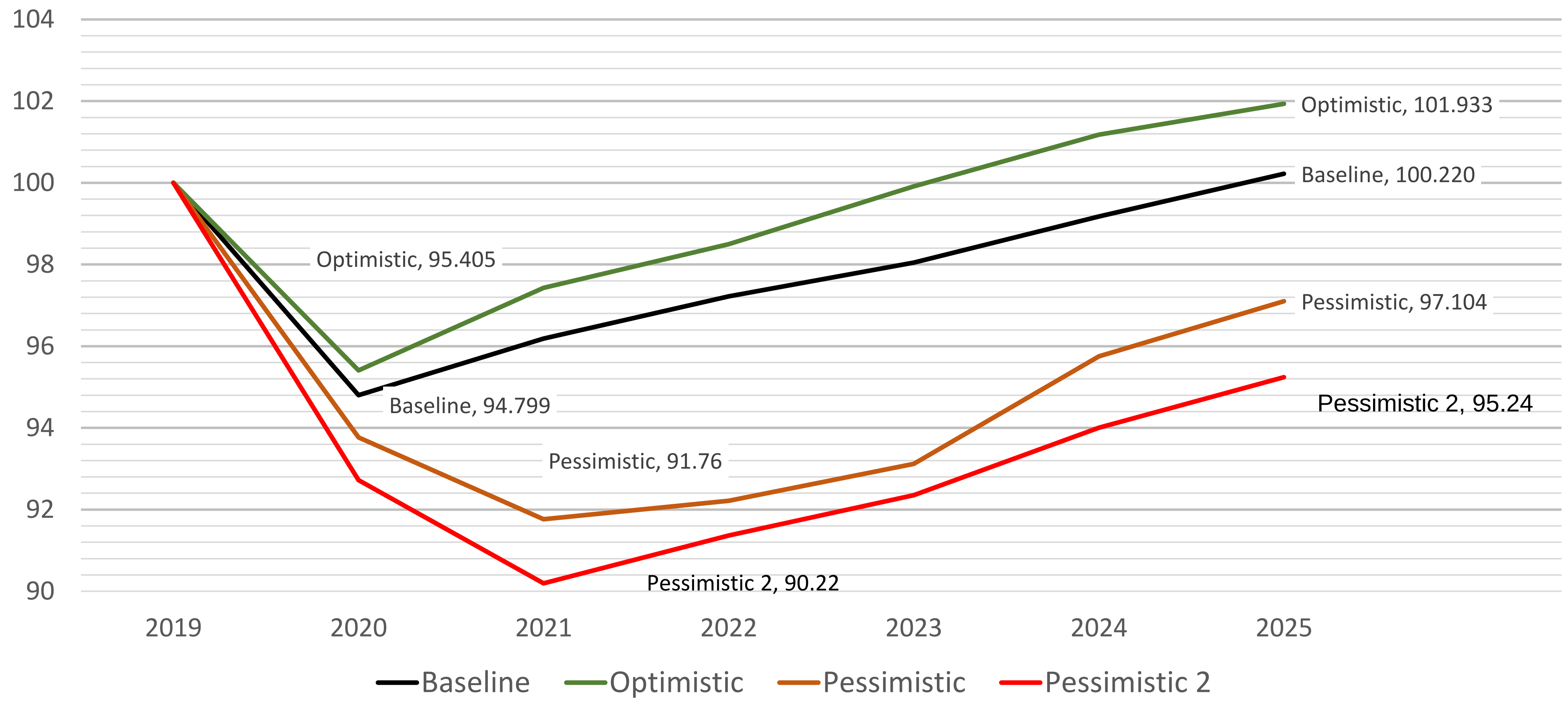
* Preliminary

Job Recovery – By Region (Baseline Scenario) *



* Preliminary

Job Recovery – Alternative Scenarios*



* Preliminary

Concluding thoughts

- In all likelihood this is not a simple shutdown and reopening and it will result in significant changes (or maybe accelerate ongoing changes) – both nationally and in New Mexico.
- Many smaller businesses unable to borrow will be replaced by larger businesses better able to weather the storm.
- Some industries will come out stronger (e.g. information technology) and others will falter (e.g. retail)
- Gap between professional and hourly workers will widen, likely increasing the demand for healthcare and social assistance.

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