Forecasting the New Mexico Economy: Recent History and Outlook

13th Annual New Mexico Data Users Conference

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FORUNM MODEL

• FORUNM uses IHS Global Insight’s US forecast as the main input into the model.

• FORUNM model – forecasts New Mexico’s outlook with historical similarities and differences with national economy.

• Examples: personal income diverges because of high transfer payments (Medicaid, income supports) to NM.
New Mexico and the US: Nonfarm Employment Growth

Over Previous Business Cycles and National Recessions

% change year over year, not seasonally adjusted

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‘GREAT RECESSION’

• Depth and length of the ‘Great Recession’ was unprecedented (at least since ‘Great Depression’).

• A difference of quality rather than quantity – a crisis of debt and breakdown of financial system, rather than a business cycle.

• Unfolding of the Great Recession caught (almost) everyone by surprise – globally, nationally and in New Mexico.
US (IHS GI) & NM (BBER FORUNM)
EMPLOYMENT FORECASTS: 2007Q3 – 2011Q3

UNITED STATES

NEW MEXICO

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‘RECOVERY’ or ‘NEW NORMAL’

• Recovery or a return to the pre-recession patterns – it’s been bad but we’ll recover (and be like before).

• Recovery logic is built into the forecasting model – model is based on history and the future is a repetition of that history.

– OR –

• ‘New Normal’ – we’re not in Kansas anymore.

• US economy will function differently AND New Mexico will function differently in relation to US economy – not necessarily better or worse, but different.
NEW MEXICO’S ECONOMIC OUTLOOK
New Mexico (BBER) and United States (GI)
Personal Income Growth, 2008 – 2016
New Mexico (BBER) and United States (GI)

-4%  -2%  0%  2%  4%  6%  8%  10%

New Mexico
United States

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- US: 3.7% Nonfarm Employment, 4.4% Personal Income
- New Mexico: 0.7% Nonfarm Employment, 3.0% Personal Income
- Arizona: 1.7% Nonfarm Employment, 4.4% Personal Income
- Colorado: 1.5% Nonfarm Employment, 4.5% Personal Income
- Nevada: 0.1% Nonfarm Employment, 1.7% Personal Income
- Texas: 1.9% Nonfarm Employment, 5.2% Personal Income
- Utah: 2.3% Nonfarm Employment, 4.0% Personal Income

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Average Annual Employment Growth, By Sector, 2011 – 2014

- Mining: 3.0%
- Construction: 4.0%
- Manufacturing: 2.0%
- Wholesale: -1.0%
- Retail: -2.0%
- Information: 2.0%
- Financial: 3.0%
- Prof & Business Svcs: 2.0%
- Educ & Health Svcs: 1.0%
- Leisure & Hospitality: 3.0%
- Other Services: 0.0%
- Government: 1.0%
- Local Govt.: -2.0%
- State Govt.: -3.0%
- Fed. Govt.: -2.0%
- Military: -3.0%

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Net Gain/Loss in Employment, By Sector, 2011 – 2014
New Mexico Employment Growth
Metro and Non-Metro Areas, 2007-2016

- Slow recovery in ABQ
- Union Pacific in Dona Ana
- Oil in SE NM

Annual % Change

- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016

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GI Baseline vs. Pessimistic Forecast

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Thanks to:
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Larry Waldman

“When did ya get so handsome?”