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# The New Mexico Economy: Recent Developments and Outlook

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University of New Mexico  
Bureau of Business and Economic Research



## The New Mexico Economy : Recent Developments and Outlook

March 18, 2011

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## University of New Mexico Bureau of Business and Economic Research

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economic and fiscal impact analyses, government finance,  
surveys, policy studies, economic research...**



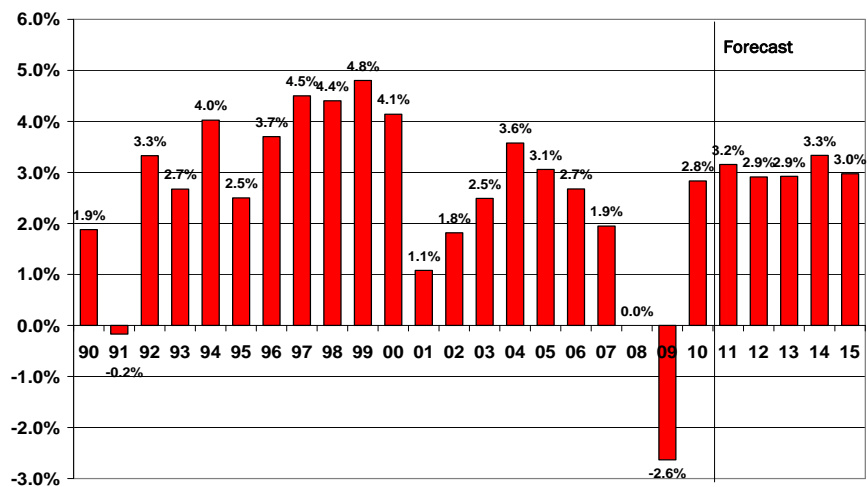
**BBER** (505) 277-2216  
Fax 277-7066  
**Data Bank** 277-6626  
Fax 277-2773  
<http://bber.unm.edu/>

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## The National Economy

The US economy was officially in recession from Dec. 07 until June 09 – the longest and deepest recession in decades.

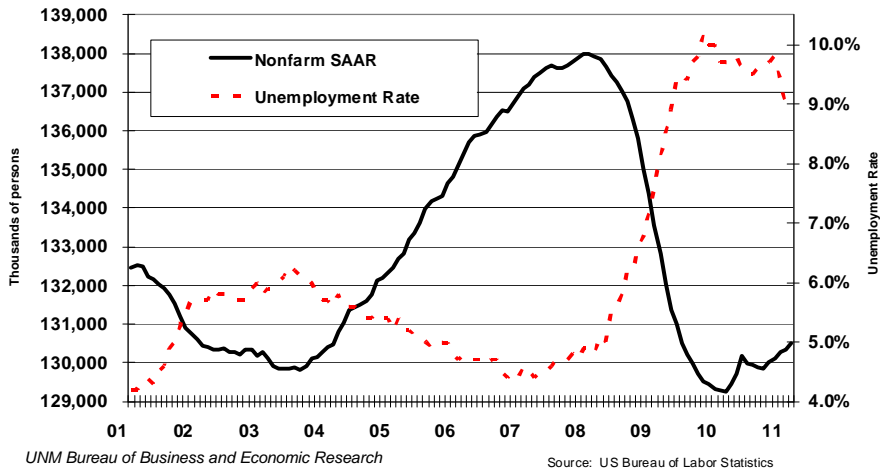
**Annual Growth in US Real Gross Domestic Product  
Chained 2000 Dollars**



Global Insight, March 2011

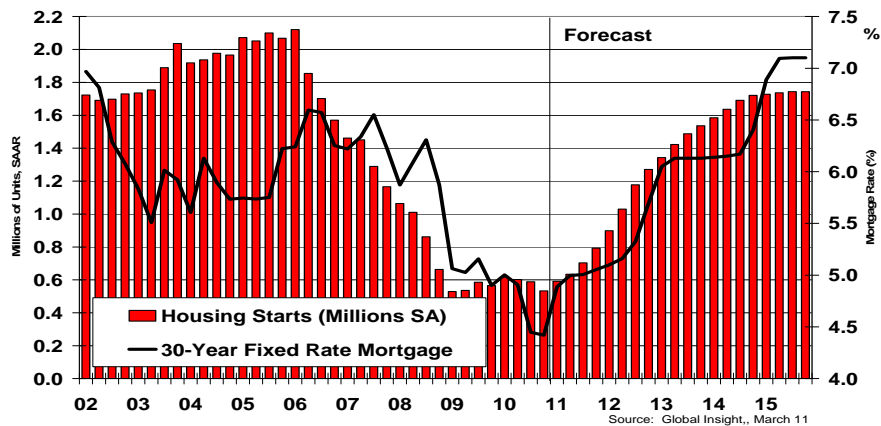
The economy lost **8.7 million jobs** before things began to turn around in early 2010. Economy has added 1.2 million jobs since then, with 186 thousand in Feb. Unemployment rate is now 8.9%.

### US Nonfarm Employment and Unemployment Seasonally Adjusted



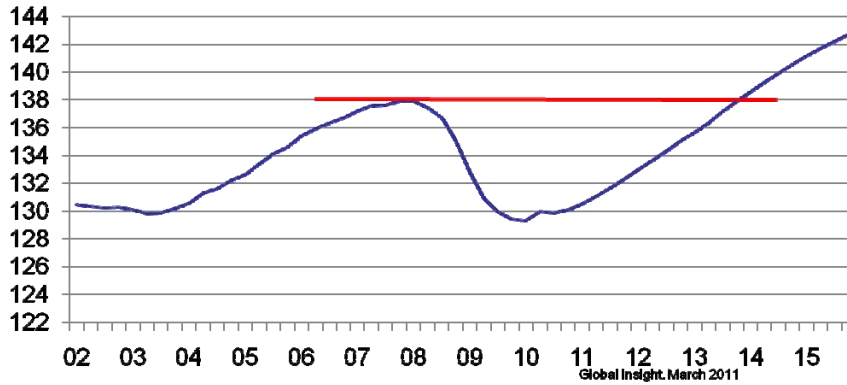
Many of the problems began in the housing industry where low mortgage rates and loose lending standards created a housing bubble. Housing remains incredibly weak as does construction generally ...

### Mortgage Rate and US Housing Starts



Policies have been getting traction. However, still almost 6 years before employment reaches previous high with unemployment still well over 7.0% -- the new normal.

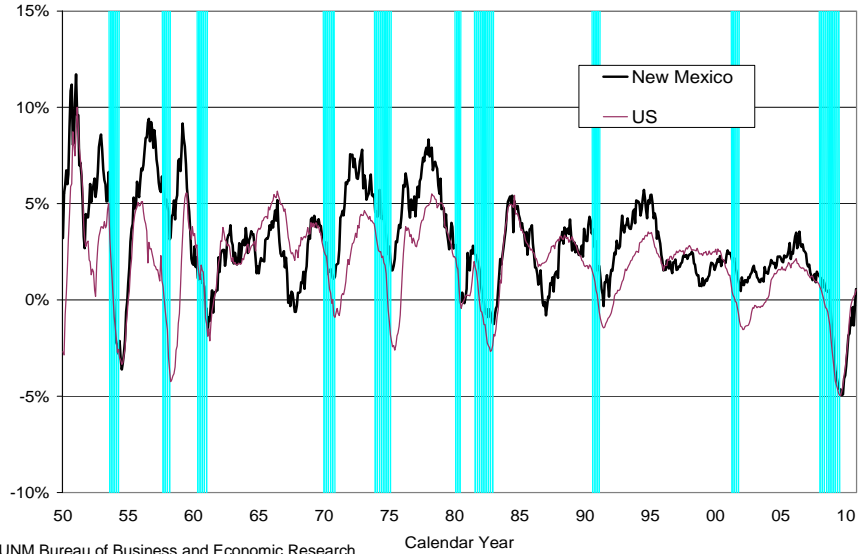
### US Total Nonfarm Employment Seasonally Adjusted in Millions



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## The New Mexico Economy

New Mexico and the US: Nonfarm Employment Growth  
Over Previous Business Cycles and National Recessions  
% chg month over same month year ago, not seasonally adjusted



May be insulated from some effects, not others...

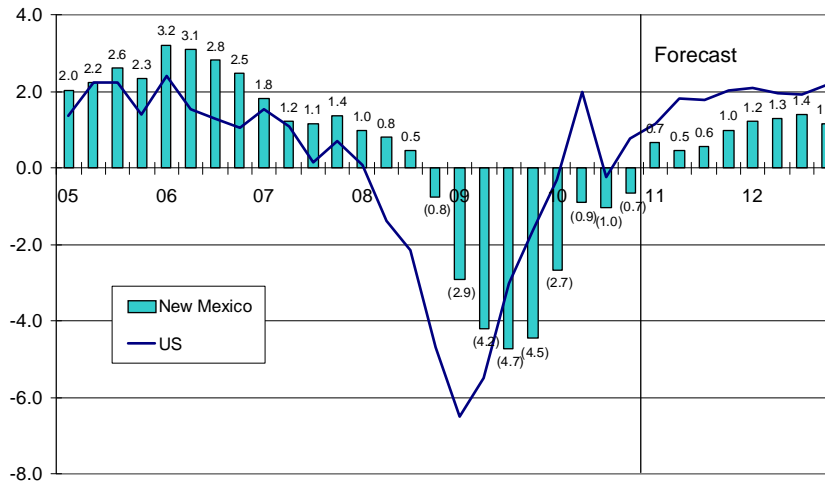
Composition of NM Payroll Employment, 2009

	New Mexico	United States
Private Nonfarm Establishments	75.5%	82.8%
Natural Resources & Mining	2.2%	0.5%
Construction	5.9%	4.6%
Manufacturing	3.7%	9.1%
Wholesale Trade	2.7%	4.3%
Retail Trade	11.3%	11.1%
Transp, Whsg & Utilities	2.8%	3.7%
Information	1.8%	2.1%
Financial Activities	4.1%	5.9%
Professional & Business Services	12.6%	12.7%
Education & Health Services	14.6%	14.7%
Leisure & Hospitality	10.4%	10.0%
Other Services	3.5%	4.1%
Government	24.5%	17.2%
Federal	3.9%	2.2%
State	7.3%	4.0%
Local	13.3%	11.1%
<b>Total Nonfarm Payrolls</b>	<b>100%</b>	<b>100%</b>

Source: NM Dept of Workforce Solutions, US Bureau of Labor Statistics, IHS Global Insight  
Total Nonfarm Payrolls

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## New Mexico and US Nonfarm Employment Quarterly % Change over Quarter Year Ago



UNM BBER FOR-UNM, Jan 11 and HIS Global Insight, Mar 11

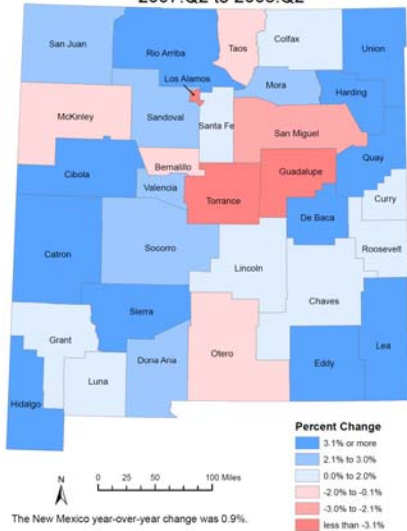
Reflects official NM DWS figures for final quarter (CES)

The Great Recession in New Mexico has been distinguished by its depth, by its length, by the numbers of people impacted, and by its breadth:

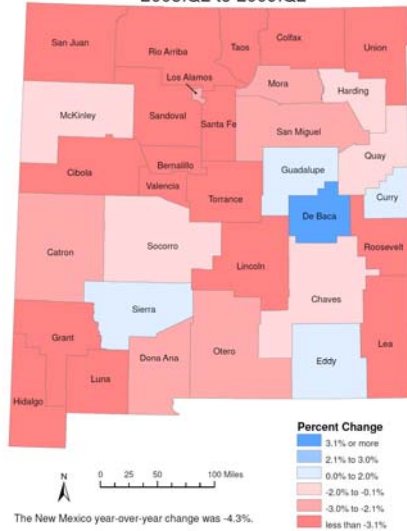
Geographic...

## Geographic spreading of the recession in New Mexico

Total Covered Wage and Salary Employment by County  
Year-Over-Year Percent Change  
2007:Q2 to 2008:Q2



Total Covered Wage and Salary Employment by County  
Year-Over-Year Percent Change  
2008:Q2 to 2009:Q2



Note: All 2007 and 2008 quarters are final. The 2009 quarters are subject to further revision.  
Source: New Mexico Dept. of Workforce Solutions and U.S. Dept. of Labor.  
Map prepared by: Bureau of Business & Economic Research, University of New Mexico, February 2010.

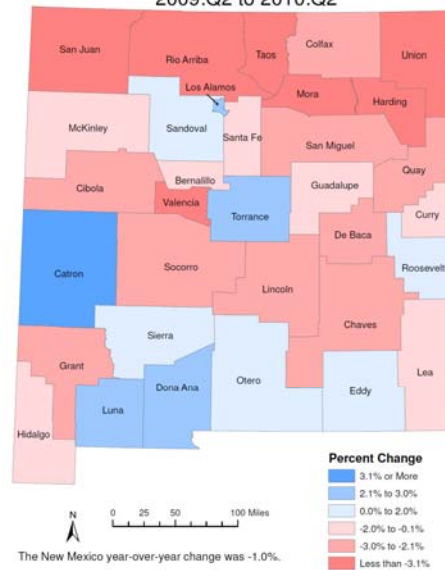
Note: The 2010 quarters are subject to further revision.  
Source: New Mexico Dept. of Workforce Solutions and U.S. Dept. of Labor.  
Map prepared by: Bureau of Business & Economic Research, University of New Mexico, December 2010.

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And of the recovery.

Year-over-year  
employment growth  
a year later, 2010 Q2

Total Covered Wage and Salary Employment by County  
Year-Over-Year Percent Change  
2009:Q2 to 2010:Q2



Note: The 2010 quarters are subject to further revision.  
Source: New Mexico Dept. of Workforce Solutions and U.S. Dept. of Labor.  
Map prepared by: Bureau of Business & Economic Research, University of New Mexico, December 2010.

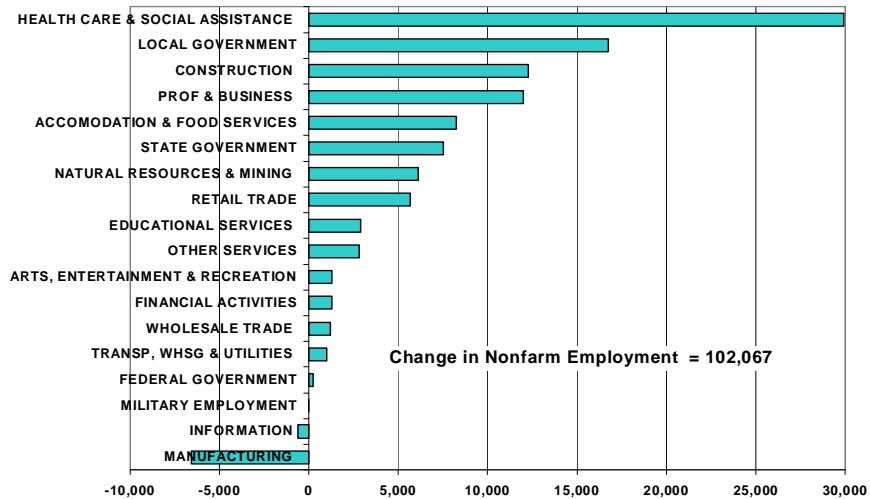
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And by the severity of the impacts across industrial sectors ...

### Growth by industrial sector, before...

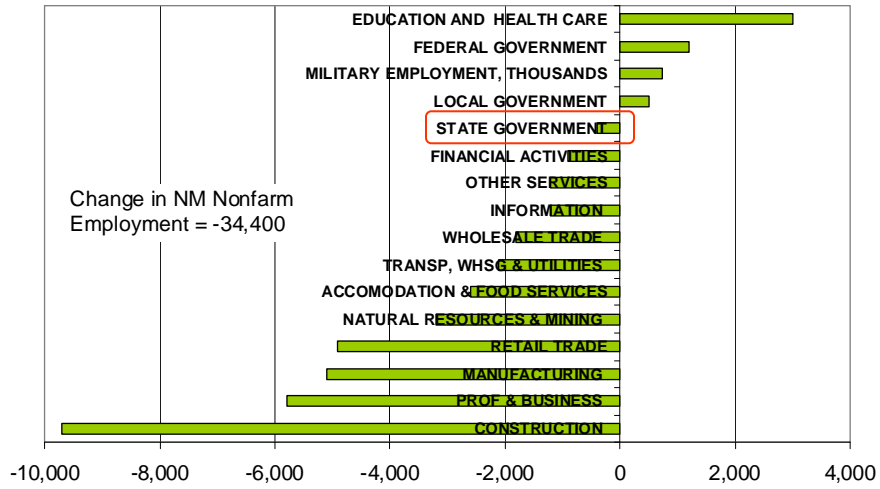
Growth in NM Wage & Salary Employment, 2000-08



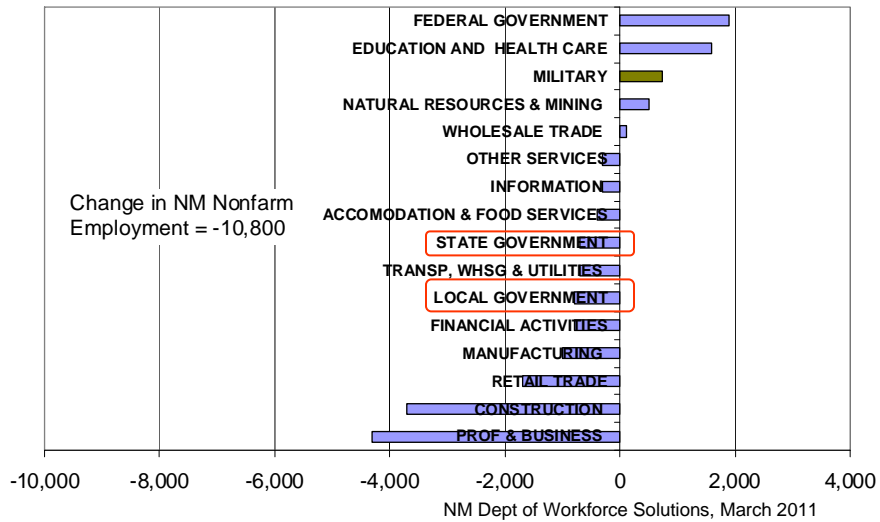
Note: Figures for State & Professional & Business Services adjusted to reflect current ownership of Los Alamos National Laboratory.

Source: NM Dept of Workforce Solutions, Bureau of Economic Analysis (military)

### Change in New Mexico Employment 2008 to 2009



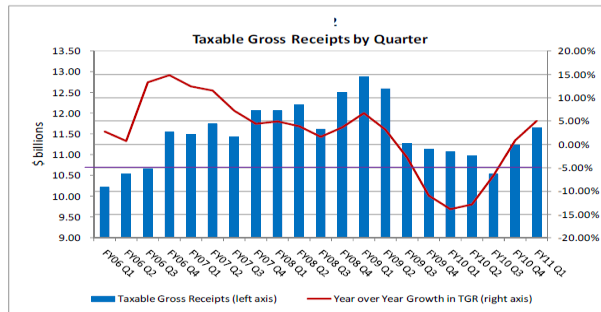
### Change in New Mexico Employment 2009 to 2010



## New Mexico, Recurring General Fund Revenues

Millions of Dollars	Actual FY 08	Actual FY09	Forecast FY10 (Dec 09 adj)	Actual FY 10 7/23/2010
Total	\$6,015	\$5,320	\$4,831	\$4,799
General Sales	1,923	1,902	1,760	1,687
Income Taxes	1,568	1,121	1,158	1,065
Mineral Taxes	626	440	357	394
Rents & Royalties	610	544	335	422

NM Legislative Finance Committee, Dec 2009 and Dec 2010



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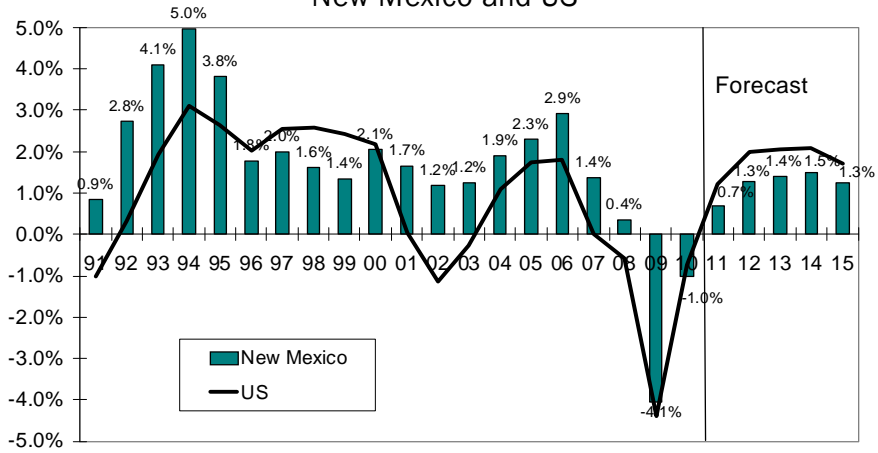
## The Economic Forecast for New Mexico



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## Positive but subdued employment growth: 0.7% in 2011; 1.5% or less thereafter...

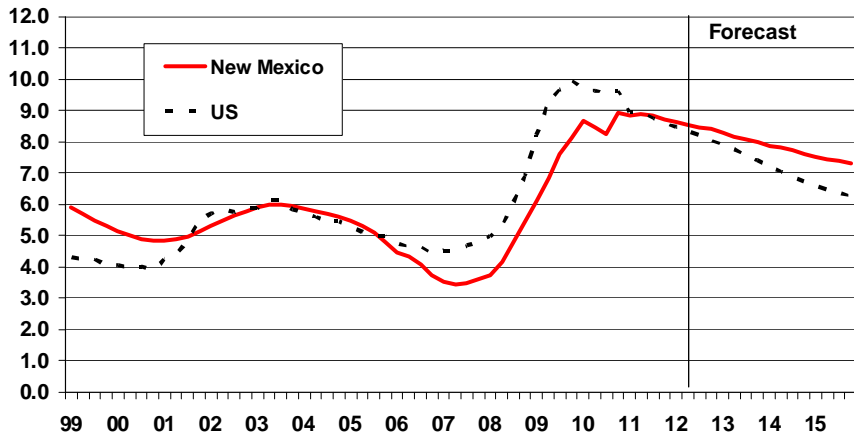
Annual Growth in Nonfam Employment  
New Mexico and US



Source: FOR-UNM, Jan 11  
Global Insight, Mar 11

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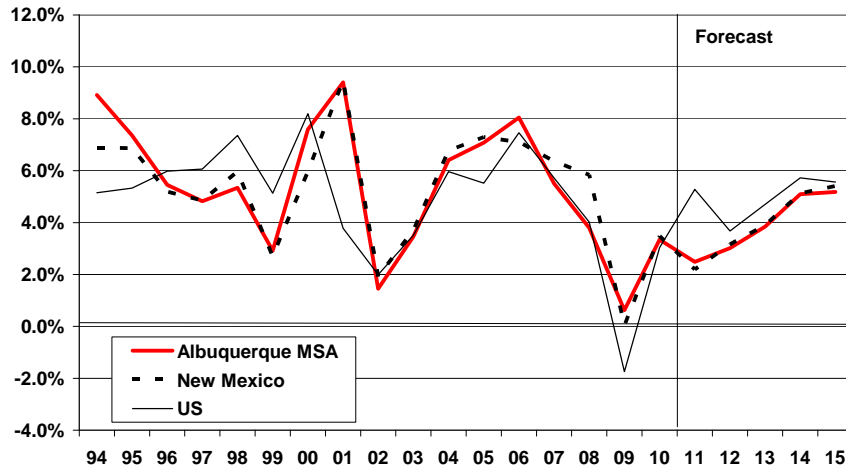
## Quarterly Unemployment Rate US and New Mexico, SAAR



Source: Global Insight, Mar 11; BBER FOR-UNM, Jan 10

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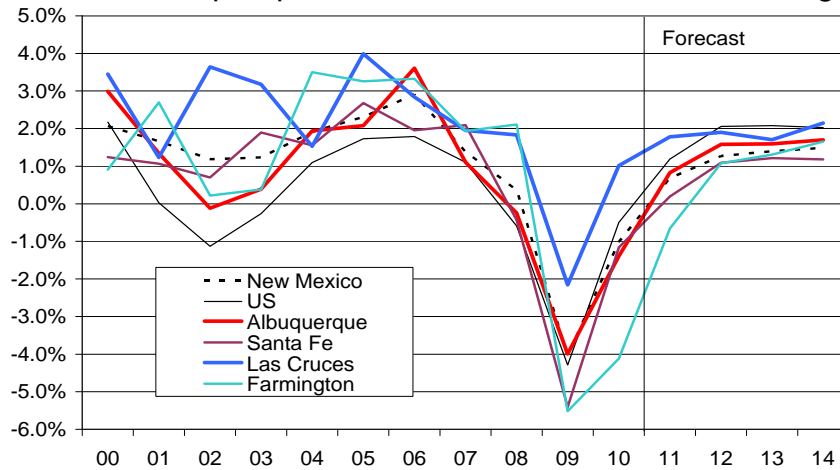
### Annual Growth in Personal Income Albuquerque MSA, New Mexico, US



Source: US Bureau of Economic Analysis; Global Insight, Mar 11, FORUNM, Jan 11

Among the MSAs, Las Cruces will grow the fastest...

### Annual Growth in Nonfarm Employment US, NM, Albuquerque, Santa Fe, Las Cruces and Farmington

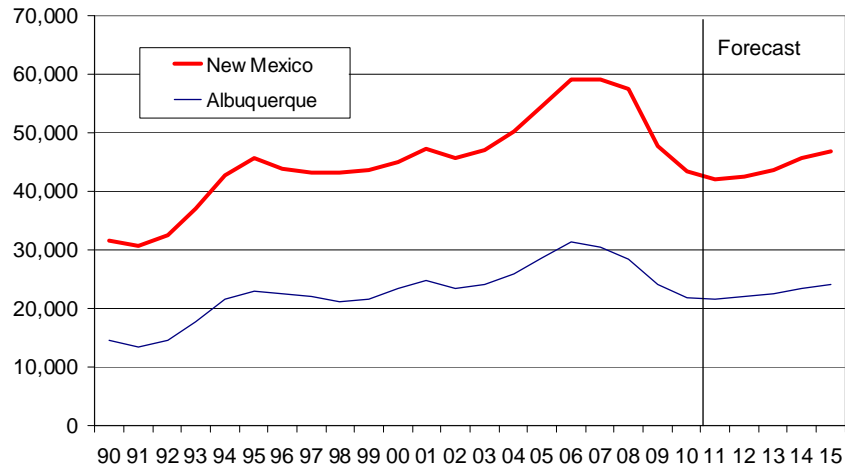


Source: Global Insight, FORUNM, Nov 10

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## Construction. Bottoming out. Then what?

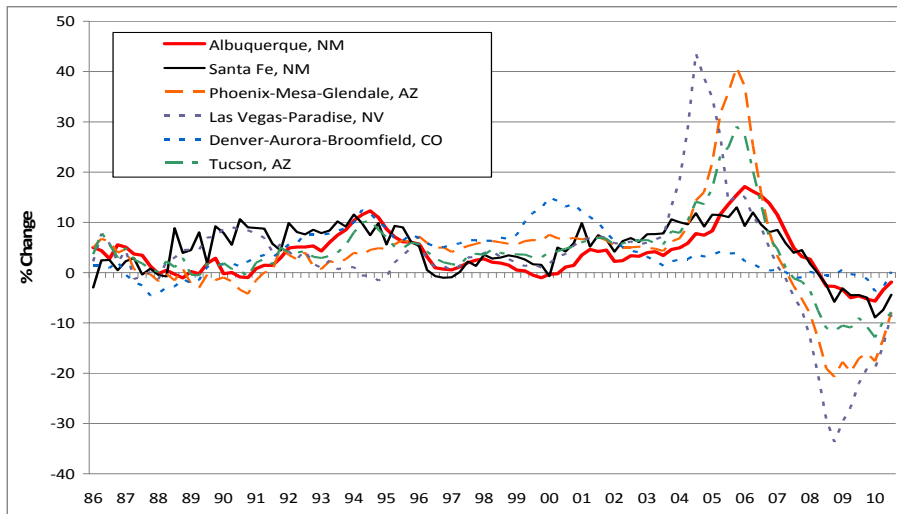
Construction Employment  
New Mexico and Albuquerque



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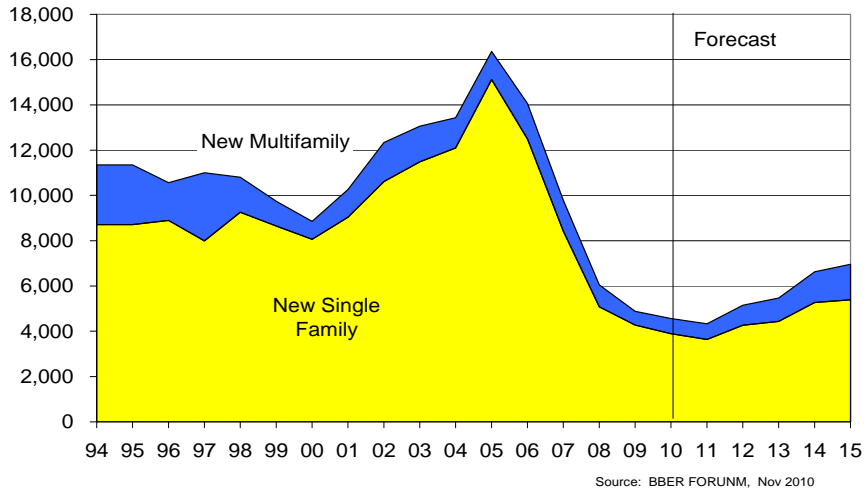
Source: FOR-UNM, Jan 11

## Federal Housing Finance Agency Housing Price Indexes All Trans Index, 2010 Q3



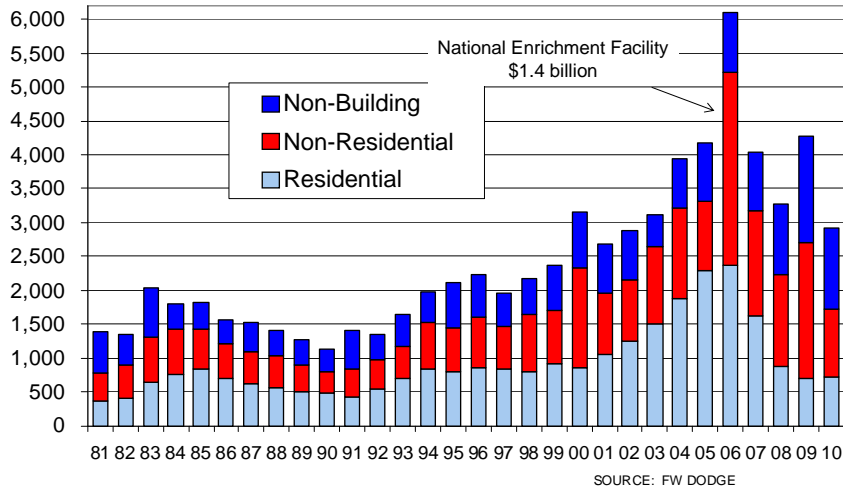
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### New Mexico Housing Units Permitted



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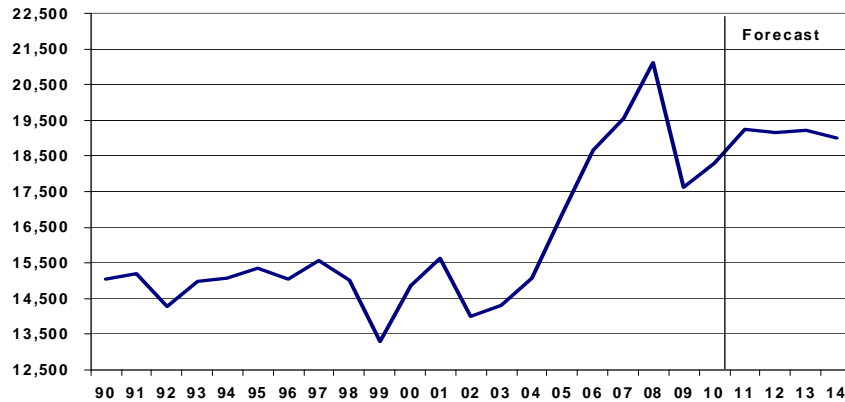
### New Mexico Dollar Value of Construction Awards (\$000,000)



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# Mining and extractive industries...

## New Mexico Mining Employment



Source: BBER FOR-UNM, Jan 11

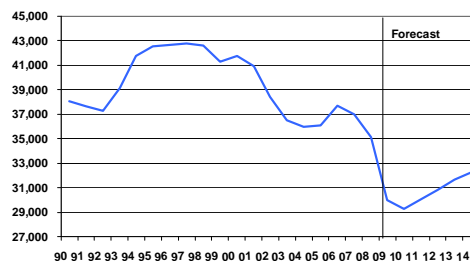
Run-up in oil & gas prices culminated in 2008 spike and August 2008 collapse. Oil prices once again above \$100/b.

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# Manufacturing...

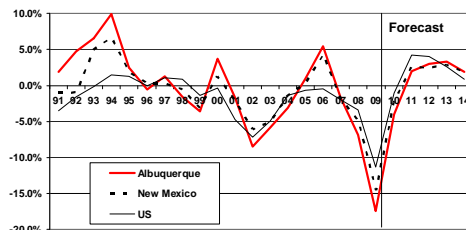
Manufacturing, an important sector with a shrinking workforce...

## New Mexico Manufacturing Employment



Source: FOR-UNM, Nov 10

## Annual % Change in Manufacturing Employment Albuquerque MSA, New Mexico, US



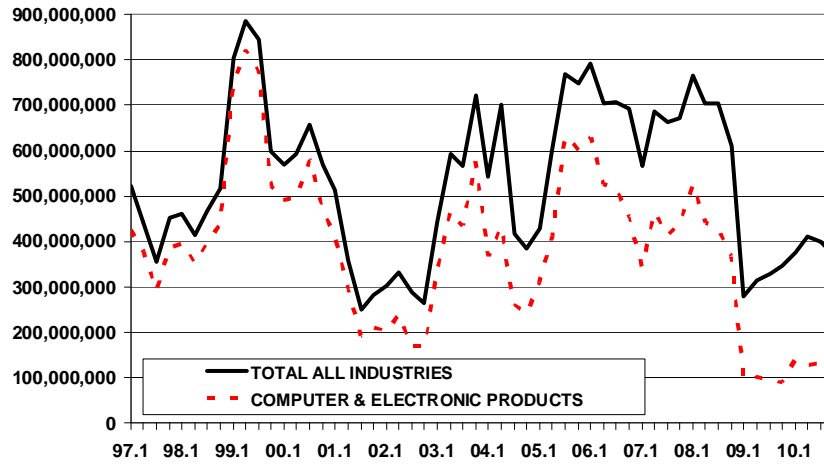
Source: US Bureau of Labor Statistics & NM Dept of Workforce Solutions  
Global Insight, Nov 10; FORUNM, Nov 10

And an industry subject to considerable volatility

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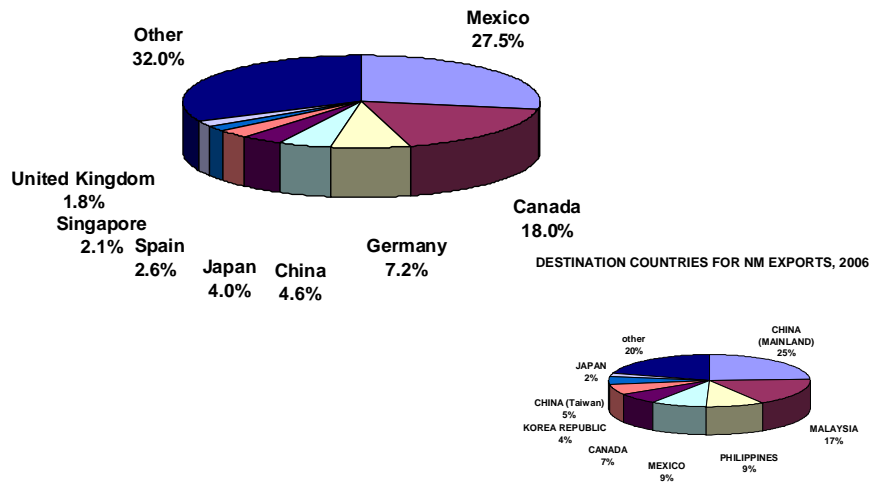


### New Mexico Exports to Other Countries Quarterly, in Dollars

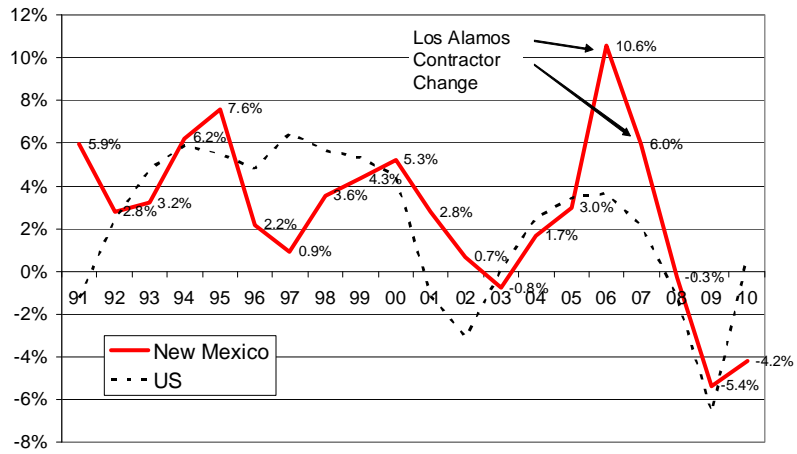


Source: MISER

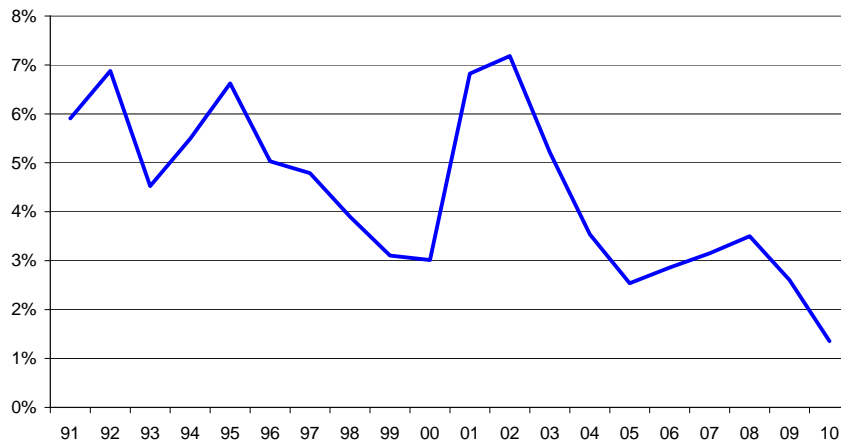
### Destination Countries for New Mexico Exports 2010



### Employment Growth in Professional and Business Services



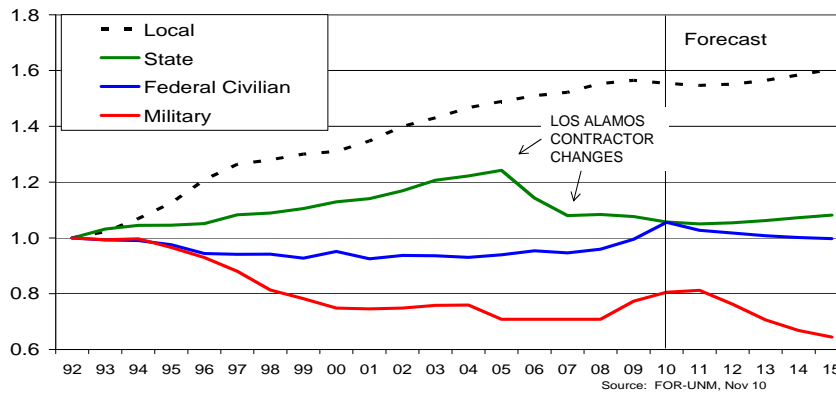
### New Mexico Employment in Education and Healthcare Services



Source: NM Dept of Workforce Solutions

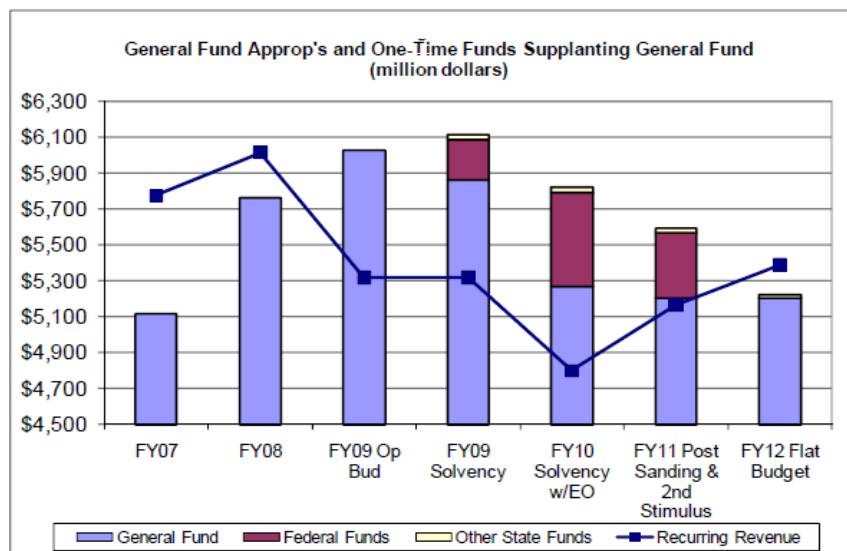
## Government – Federal Civilian & Military, State & Local

Government Employment in New Mexico  
All Levels Indexed to 1992



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## Fiscal Dilemma: the State's General Fund

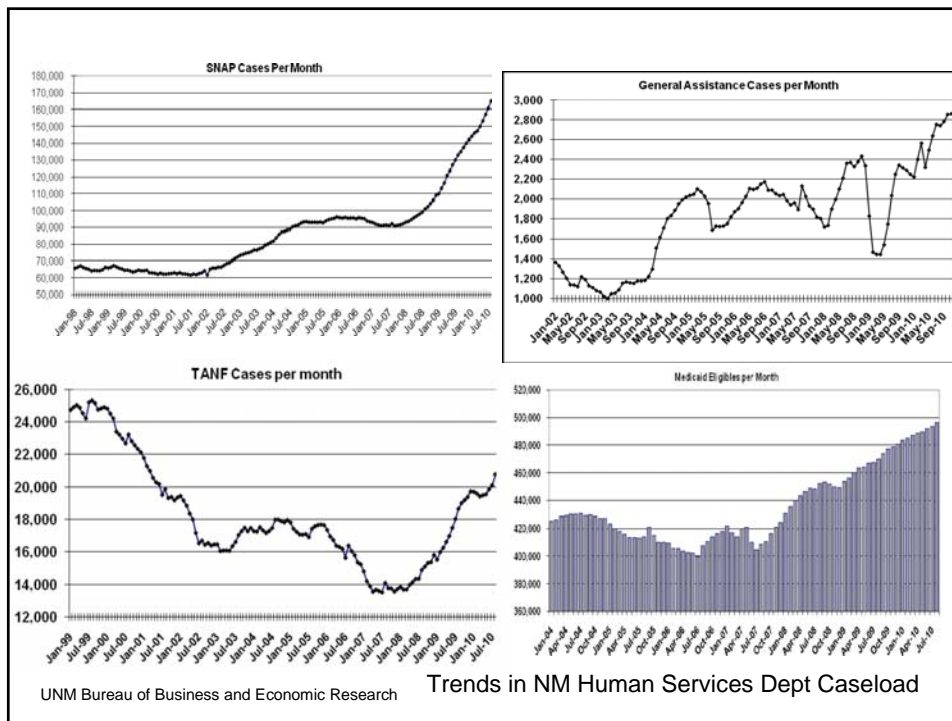


New Mexico Legislative Finance Committee, Consensus General Fund Revenue Estimates,  
UNM Bureau of Business and Economic Research

# Removing the Safety Net

NM Human Services Dept caseloads continue to rise, but ARRA funding to meet needs is about to end, as will the funding that has kept schools open and teachers working, that has helped people who lose their health insurance to continue to access needed services...

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New Mexico is slowly pulling out of deepest and longest recession since the 1930's.

Sectors which have traditionally cushioned the impacts of national recessions on NM – federal, state and local government, professional and technical business services – are less able to play a stabilizing role this time around.

The construction industry, which, in the aftermath of previous recessions bounced back, remains depressed. There is an oversupply of housing and with foreclosures adding to the stock. Governments have no money. Businesses await the recovery of demand.

Unlike other parts of the country, NM does not appear to be benefitting from an export boom.

The healthcare services sector which has led NM growth for over a decade is heavily dependent on state and federal funding – Medicaid, Medicare, Veterans Administration, TriCore, Indian Health Service – which is threatened by the fiscal crisis facing governments at all levels and the perceived need to tackle immediately the problem of the federal deficit.