

New Mexico's Economy: Current Situation and Outlook

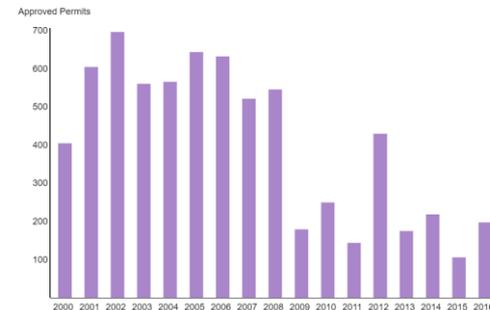
*BBER Data Users Conference
November 2017*



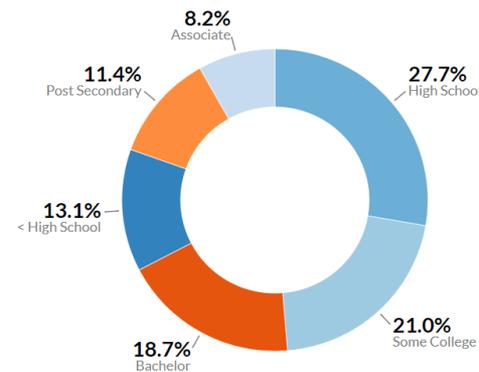
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DATA DASHBOARDS

- WHAT IS IT
 - A web-based data visualization and communication tool
 - A subscription service
- HOW ITS USED
 - Used to communicate complicated data
 - Used to keep those an organization serves informed
- WHAT YOU GET
 - Customized package to subscribers needs
 - Visual digital graphics
 - Constant maintenance and updates
 - Customized database



HOUSING



EDUCATION



FOR-UNM

- **WHAT IS IT**

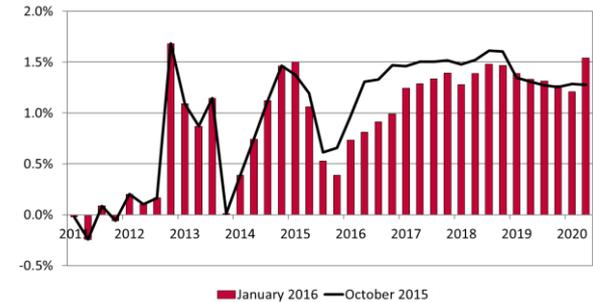
- A tool for decision makers in the public sector
- A subscription service

- **HOW ITS USED**

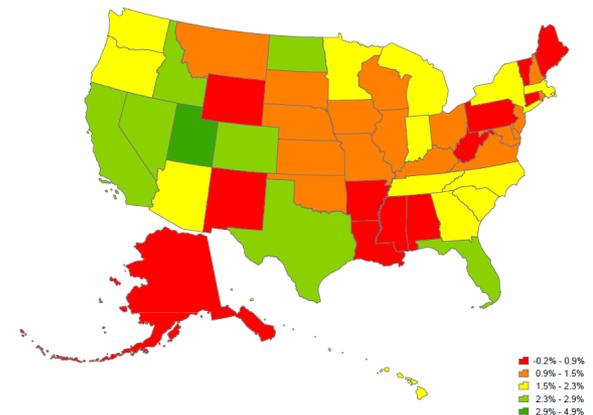
- Used to understand economic trends Nationally and Locally
- Used to guide future decision making and budget planning processes

- **WHAT YOU GET**

- Quarterly Economic Forecasts, Analysis of US, NM and Regional economies, Quarterly Forecast Meetings



EMPLOYMENT GROWTH



MIGRATION



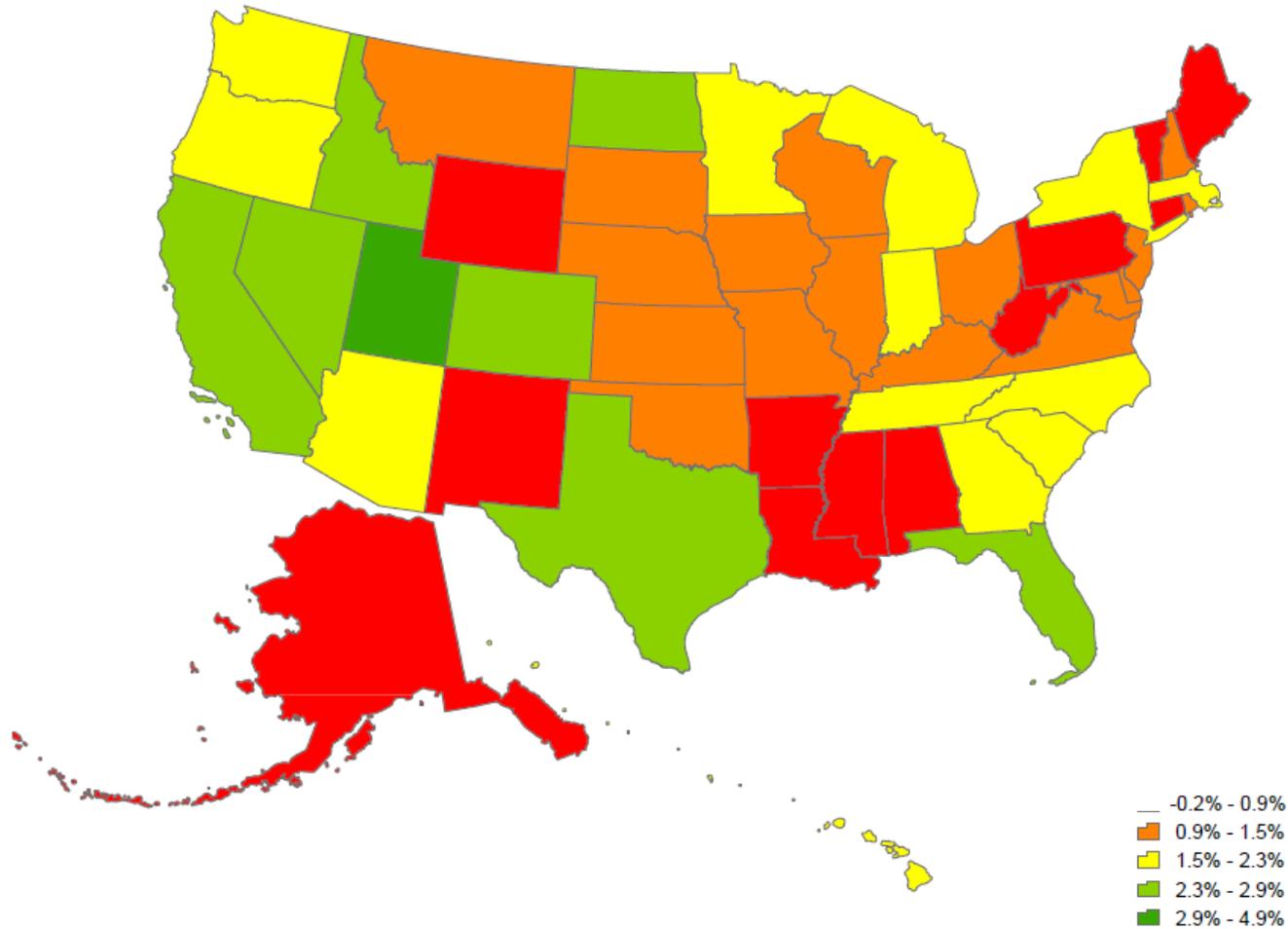
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RESEARCH

- BBER has the expertise to understand the big picture economic indicators and trends
- BBER can apply this big picture knowledge to smaller more focused topics
- BBER offers tailored and detailed research to individual cities, towns, counties and organizations



Job Growth, 2011-2016

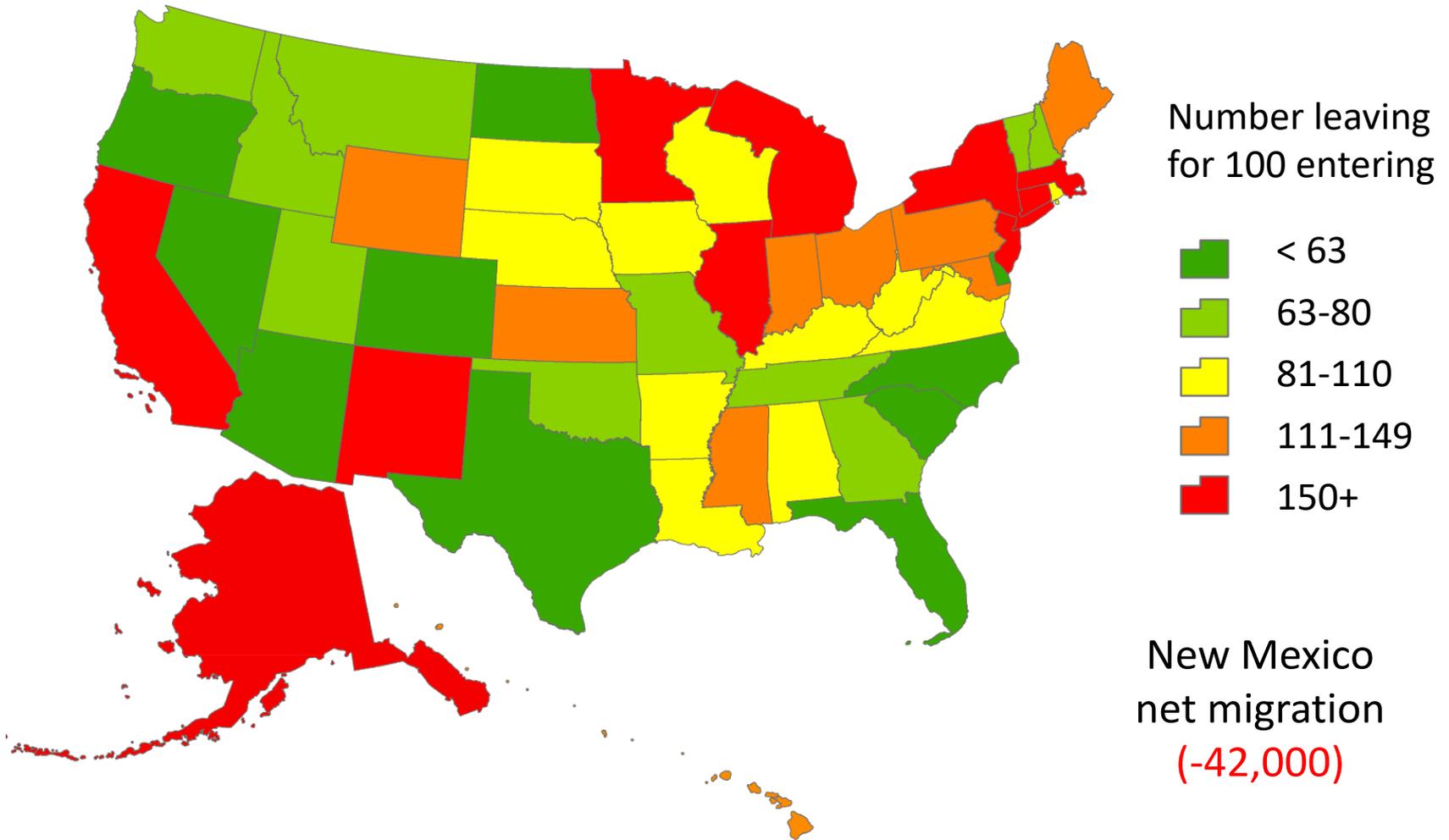


Source: US Bureau of Labor Statistics, CES



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State to State Migration, 2011-2015

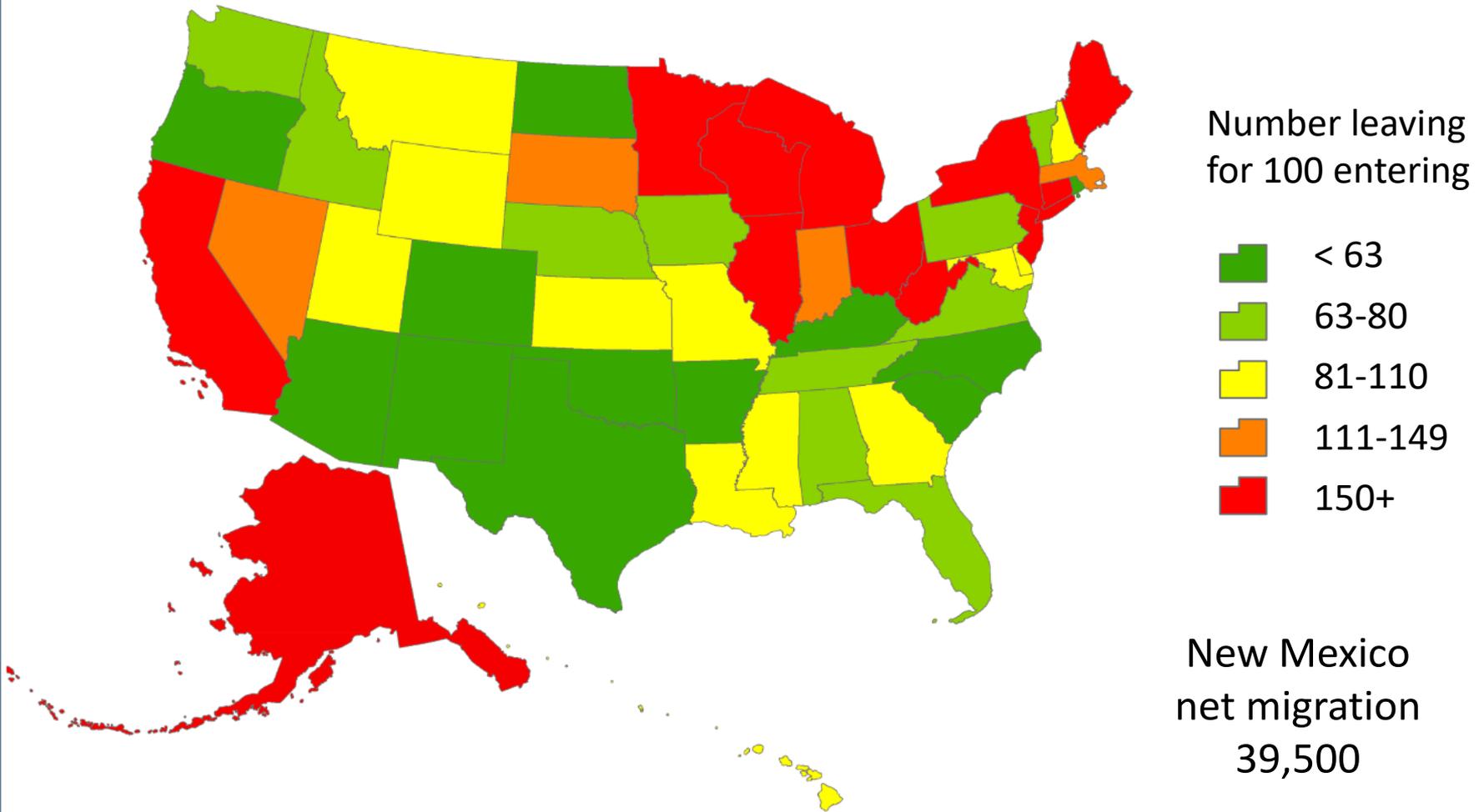


Source: US Census Bureau



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State to State Migration, 2005-2010



Source: US Census Bureau



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**No easy answers,
but several observations.**



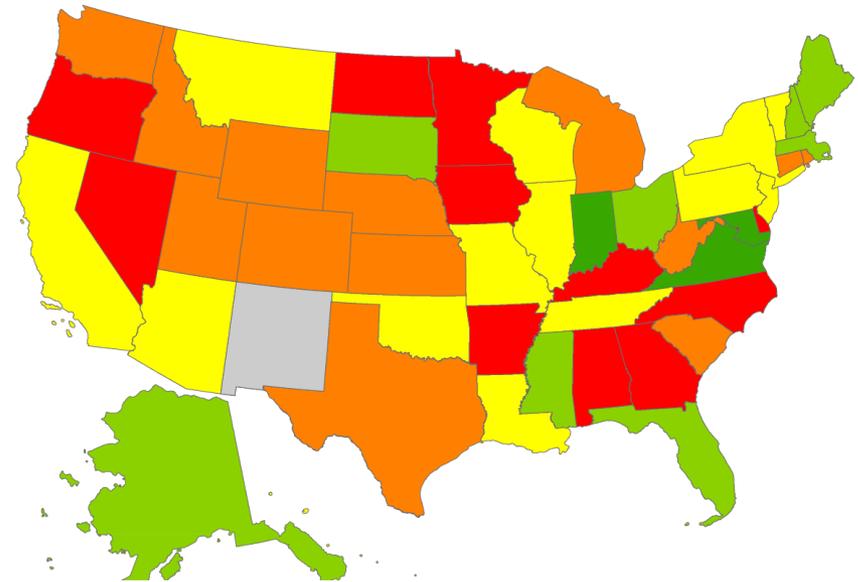
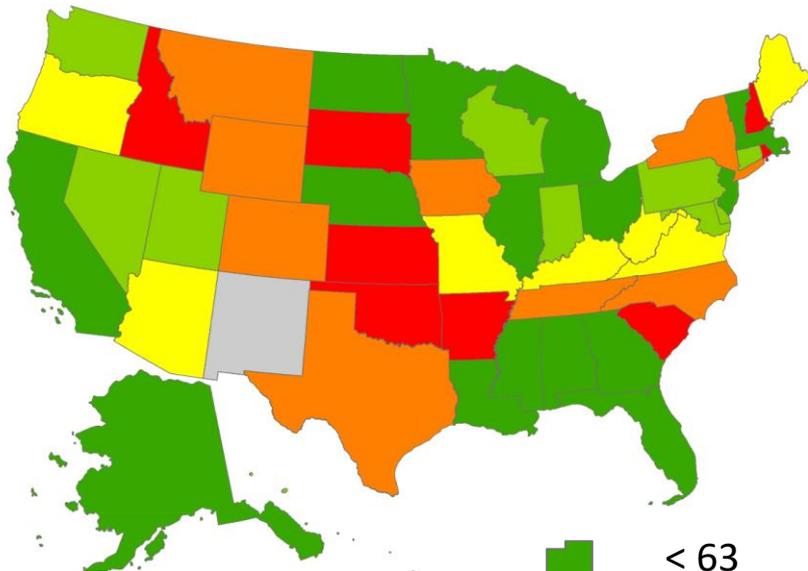
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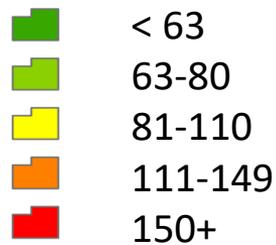
Out-migration from NM beyond our neighbors.

2005-2010
(+39,500)

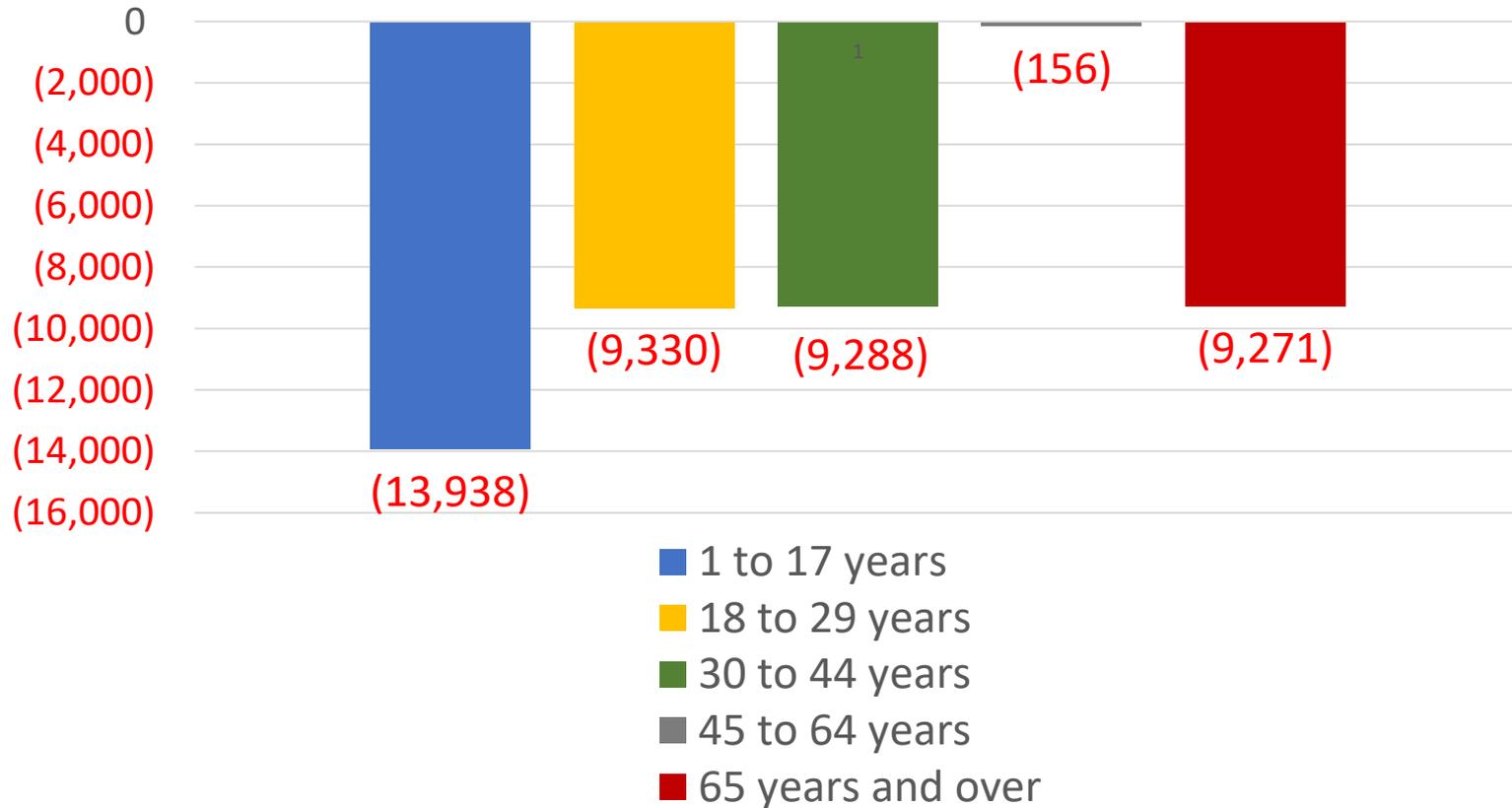
2011-2016
(-42,000)



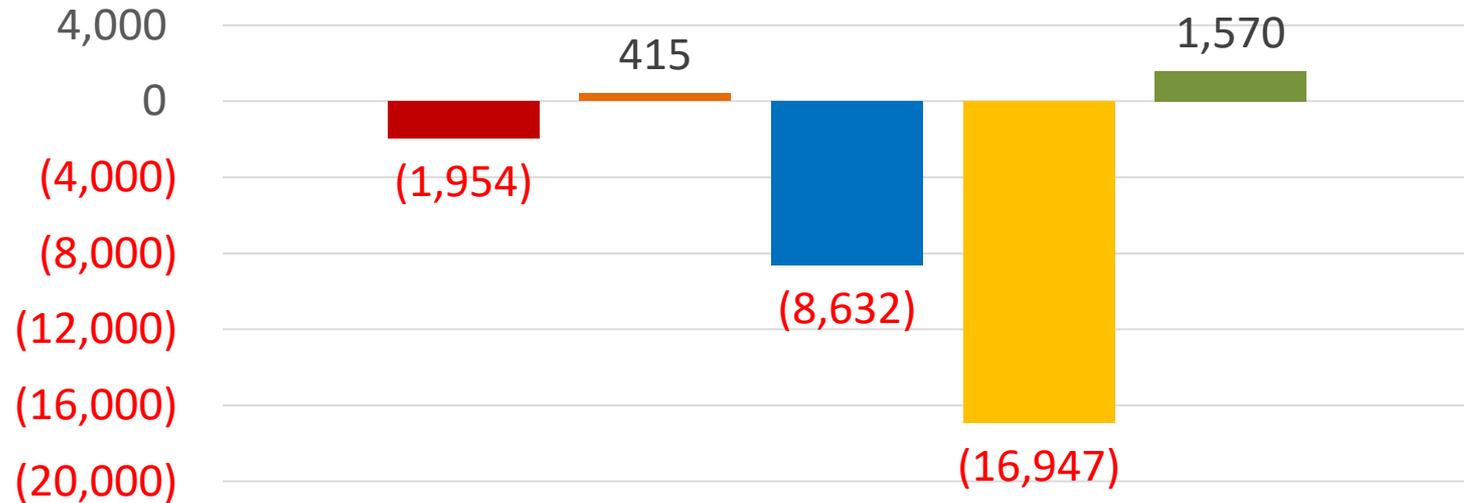
Number who leave NM
per 100 who enter NM



Out-migration of young families and seniors, while older working age population remains



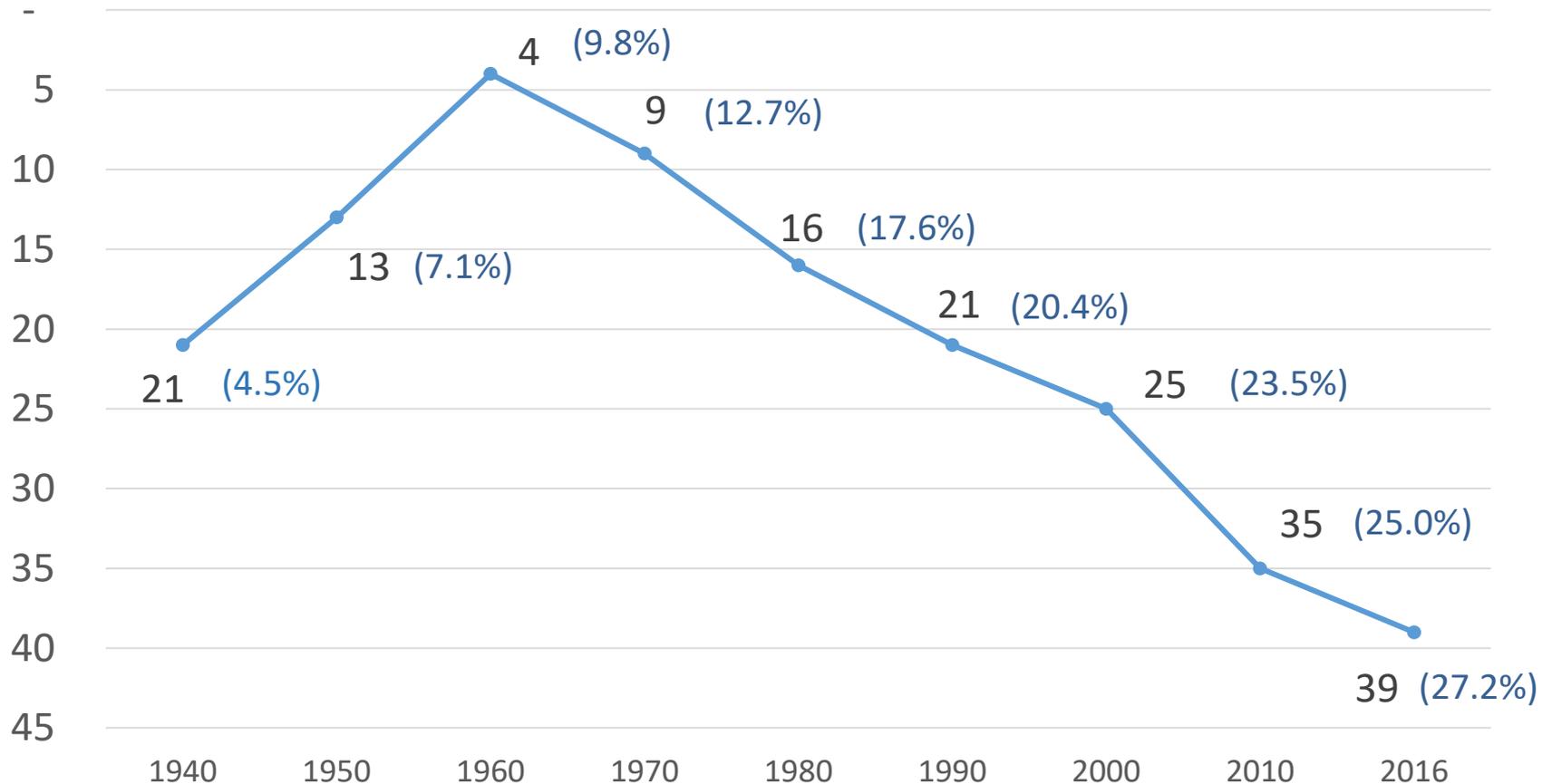
Out-migration of Associate's & Bachelor's Degrees (25 y/o+)



- Less than high school graduate
- High school graduate (includes equivalency)
- Some college or associate's degree
- Bachelor's degree
- Graduate or professional degree



New Mexico has lost its early advantage in higher education.



Source: US Census Bureau



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Professional jobs have driven job growth. Recent losses in oil state more than offset earlier gains.

Job growth	-----	-----	47	
Prof & Business Svcs (%/Jobs)	46%	0.001	48	
Financial Services (%/Jobs)	41%	0.003	45	
Government (%/Jobs)	-40%	0.004	3	
Mining (%/Jobs)	-37%	0.008	6	

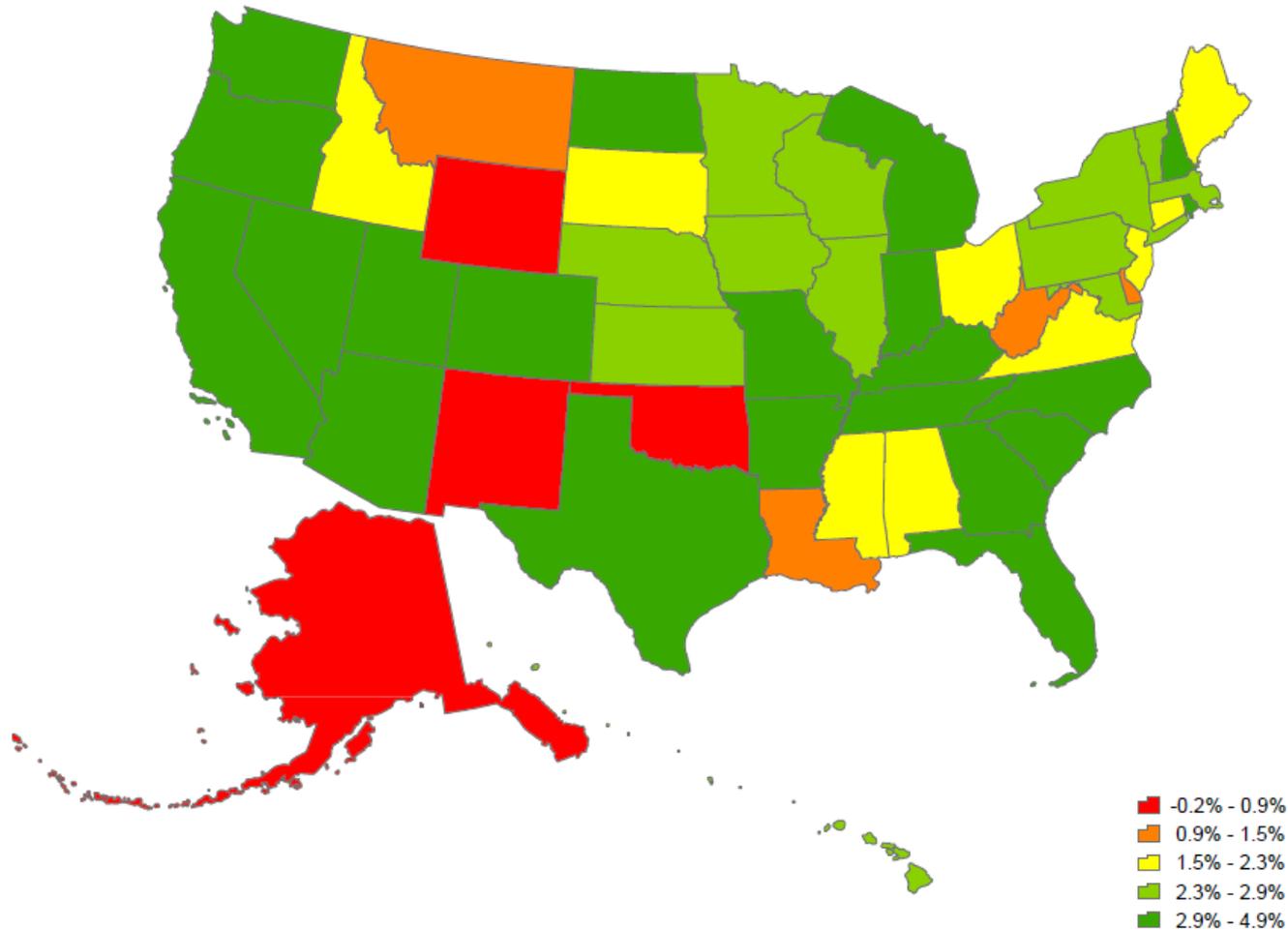
Data for September 2010 – September 2017

Sources: Bureau of Labor Statistics, CES..
Analysis by BBER.



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Professional & Business Services has driven US job growth, but NM ranks 48th



Source: US Bureau of Labor Statistics, CES



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Wages have neither driven nor followed job growth. Young, large working age population are important.

	Correlation (R)	Significance (P)	New Mexico's Rank	
Job growth	-----	-----	47	
Wages, Average Weekly	15%	0.301	43	
Age 24-44 y/o (%/population)	45%	0.001	35	
Median Age	-33%	0.018	34	

Data for 2016.

Sources: US Census Bureau; BLS.
Analysis by BBER.



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Tax rates are not correlated with job growth.

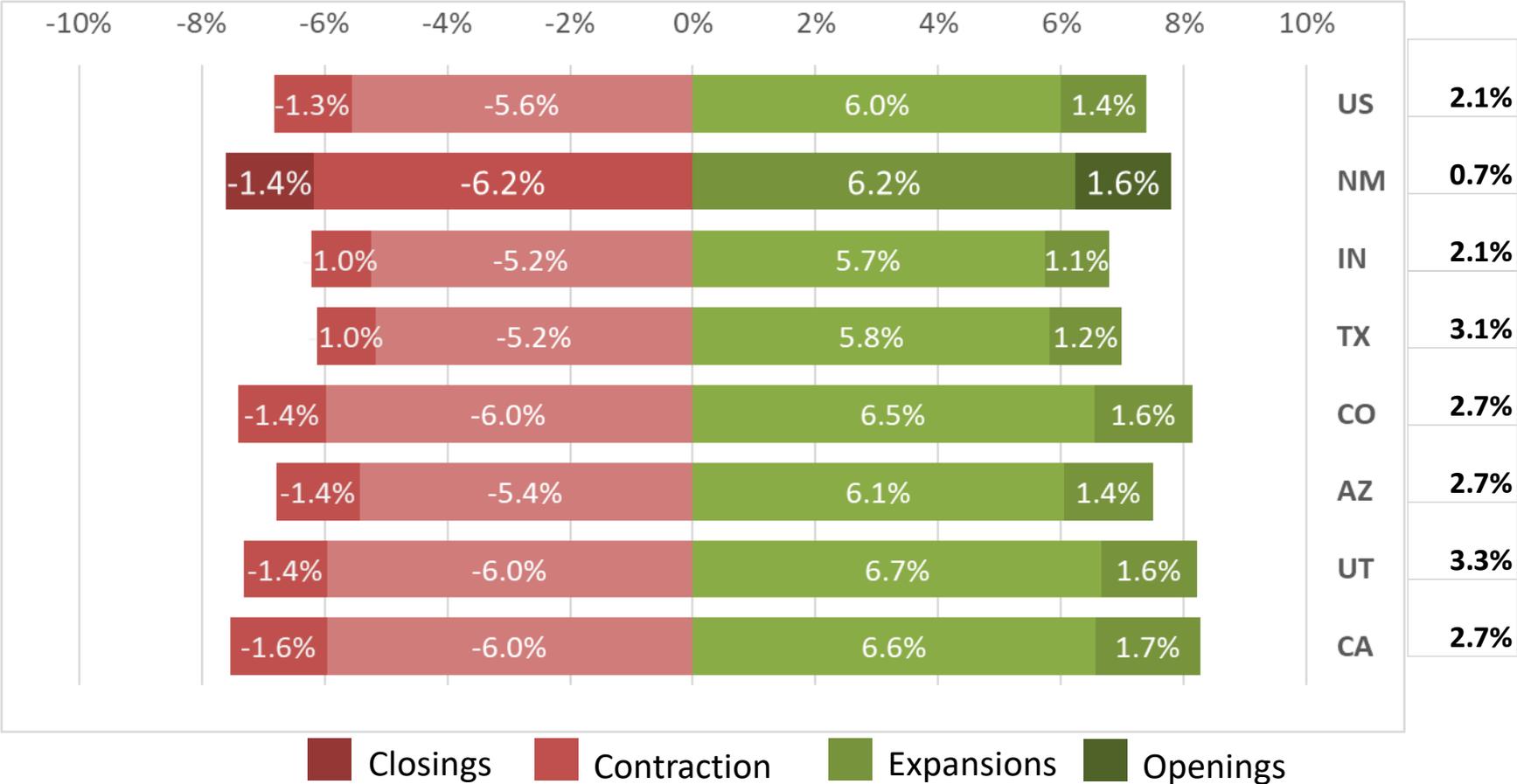
	Correlation (R)	Significance (P)	New Mexico's Rank	
Job growth	-----	-----	47	
				1=Lowest Rate
Total Taxes (% Income)	-1%	0.938	14	
Property Taxes	-37%	0.008	1	
Sales Taxes (GRT)	21%	0.149	42	
Income Taxes	1%	0.41	35	
Corporate Taxes	-6%	0.683	25	
Government debt	-9%	0.549	26	

Sources: Tax Foundation, 2017 Report.
Analysis by BBER.



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New Mexico does NOT lag in startups. Expansions lag significantly.



Source: BLS, Business Employment Dynamics; BBER

New Mexico & Neighbors – Selected Statistics

	New Mexico	AZ	CA	CO	NV	OK	TX	UT
Job growth (2010-2017 %/yr)	0.6%	2.1%	2.4%	2.6%	2.6%	1.0%	2.5%	3.2%
Rank	47	13	8	3	4	37	5	1
Prof & Business Srvs (%/yr)	0.3%	3.0%	3.1%	3.3%	4.5%	0.9%	4.0%	4.9%
Rank	48	21	19	13	3	47	5	1
State & Local Taxes (% Income)	8.7%	8.8%	11.0%	8.9%	8.1%	8.6%	7.6%	9.6%
Rank	14	15	47	17	8	11	6	30
Population 25-44 y/o	25.1%	25.9%	28.2%	28.5%	27.9%	25.9%	28.1%	28.1%
Rank	35	22	2	1	6	22	3	3
Bachelor's Degree (% 25 y/o +)	27.2%	28.9%	32.9%	39.9%	23.5%	25.2%	28.9%	32.6%
Rank	39	30	14	2	45	43	29	17
Housing Costs (Median Monthly)	\$780	\$952	\$1,419	\$1,156	\$1,045	\$744	\$937	\$1,049
Rank	39	22	4	12	18	43	24	17
Housing Costs (% Income)	22.7%	23.0%	27.3%	22.7%	24.4%	20.5%	21.7%	22.8%
Rank	21	17	2	21	11	43	33	20
Migration (Out / In)	114%	83%	119%	80%	83%	88%	79%	90%

Source: BLS; US Census Bureau.



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Current Economic Situation



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Current Economic Situation

- 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 about external factors – oil prices and production are relatively stable, the economic gains due to Obamacare are absorbed (and now the state is beginning to pay its share).
- Where does the state go on its own?



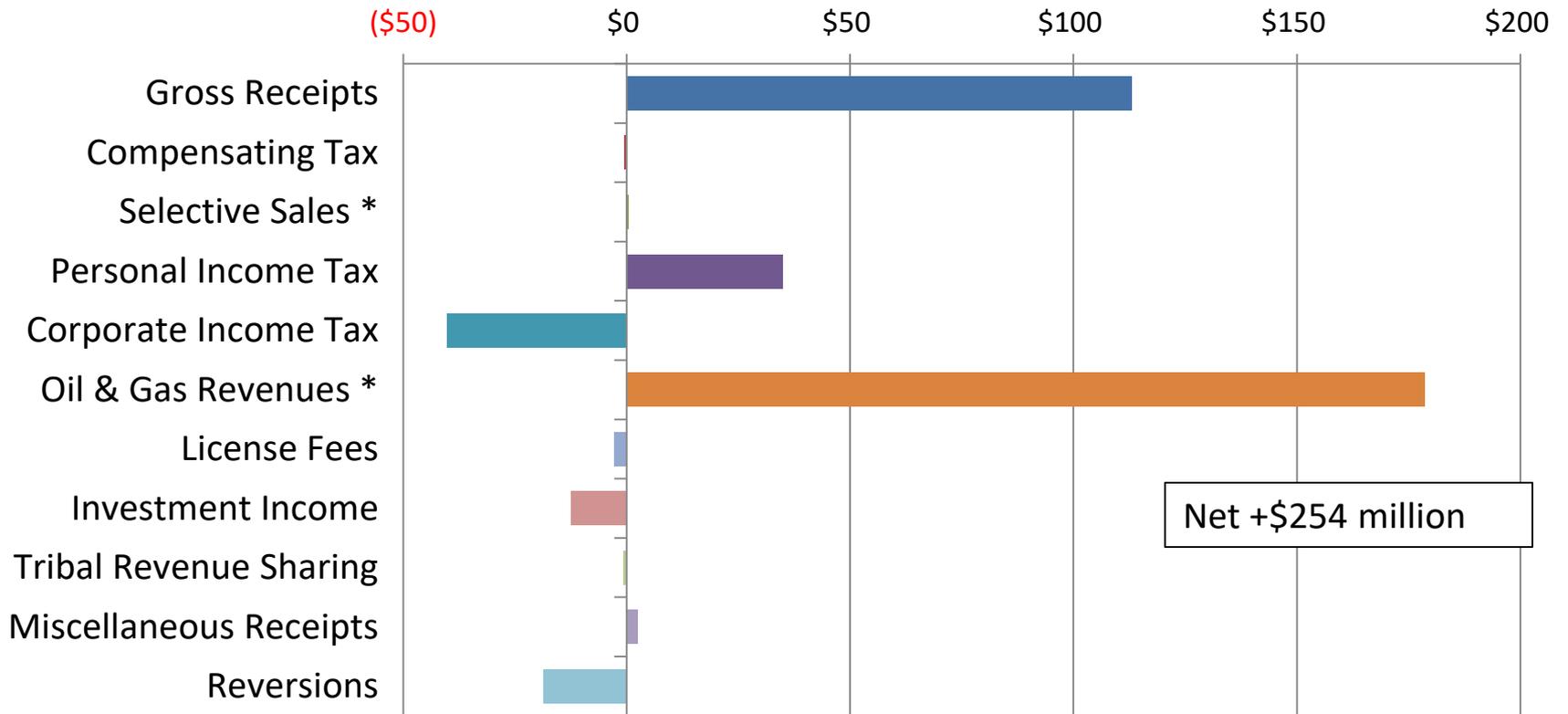
New Mexico Economic Current Situation

- NM lost 537 jobs (-0.1%) in 2017Q1 after a loss of 2,500 (-0.3%), first loss in two consecutive quarters since 2010.
- BBER estimates 1,250 jobs (0.2%) in 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).
- Improvement in Business & Prof. Services – 3.8% job growth in 2017Q1 (QCEW); 3.0% in 2017Q3 (CES).
- Public finances are much improved from a year ago – Gross Receipts tax collections up 12% in 2017Q2; oil prices & production up.



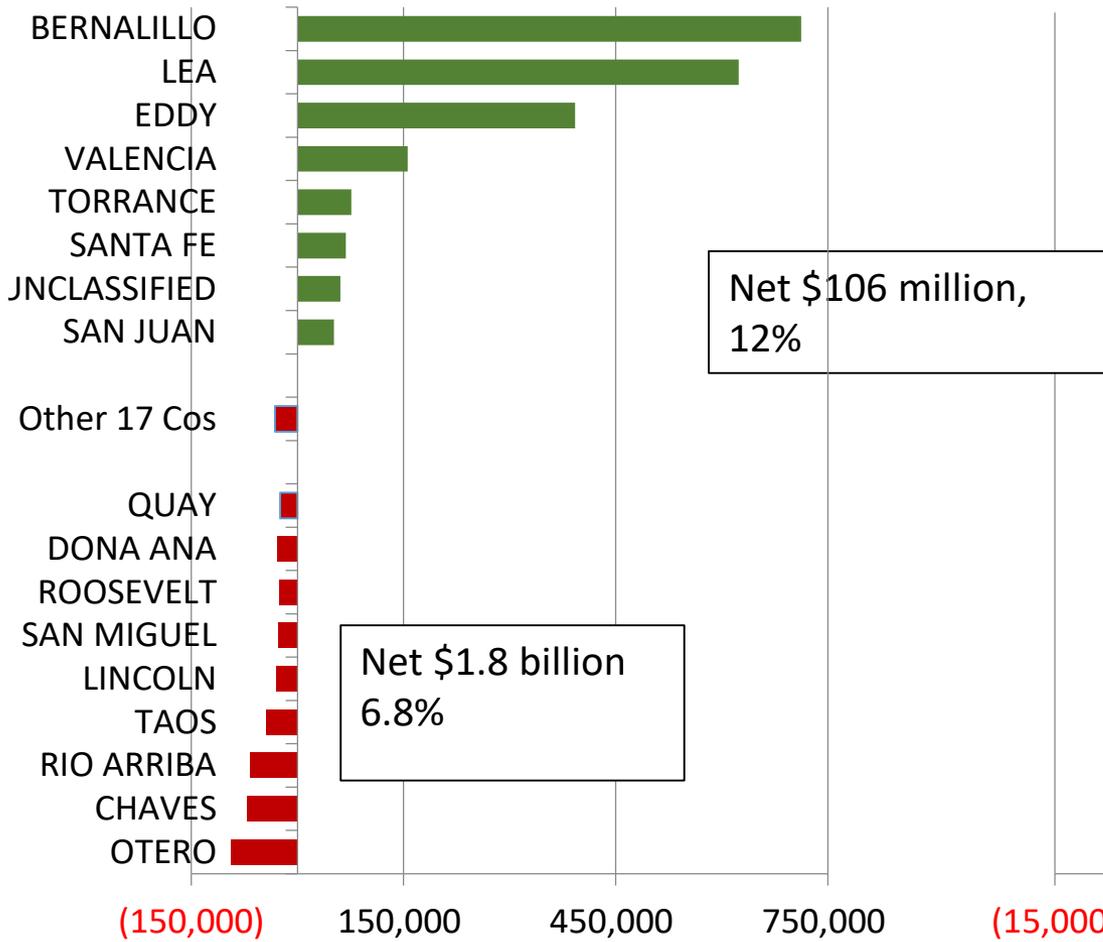
Gain/Loss in General Fund Accruals, January-May

Millions \$

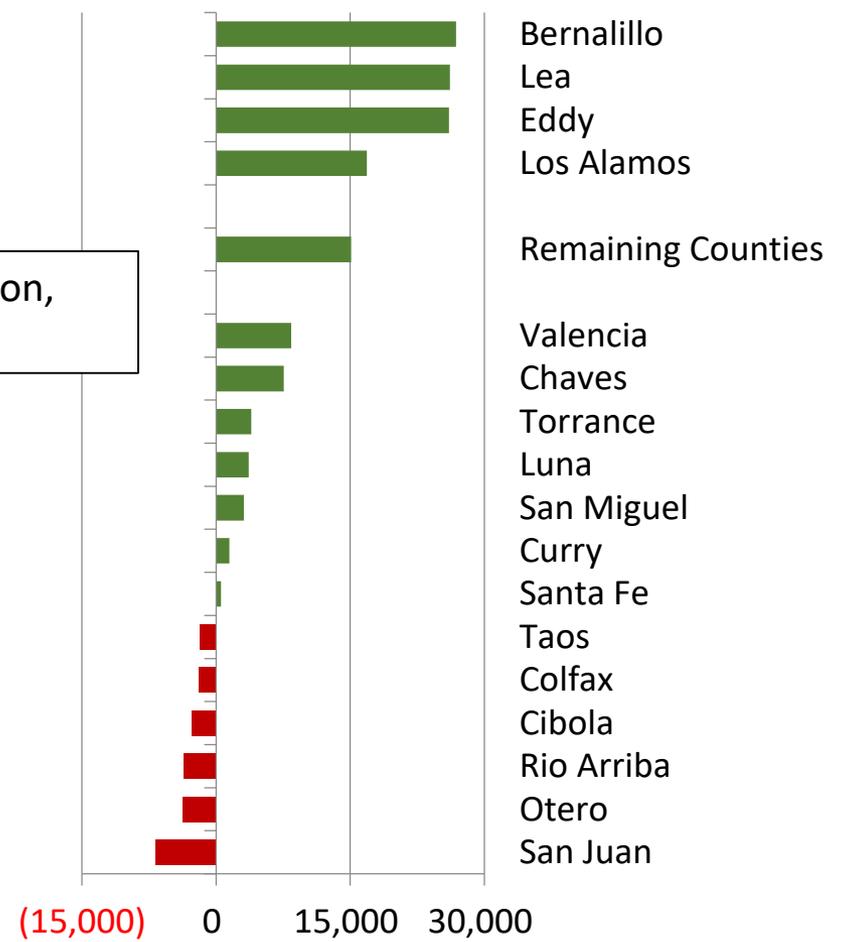


Gross Receipts & Taxes by County: 2017Q2 vs. 2016Q2

Gross Receipts

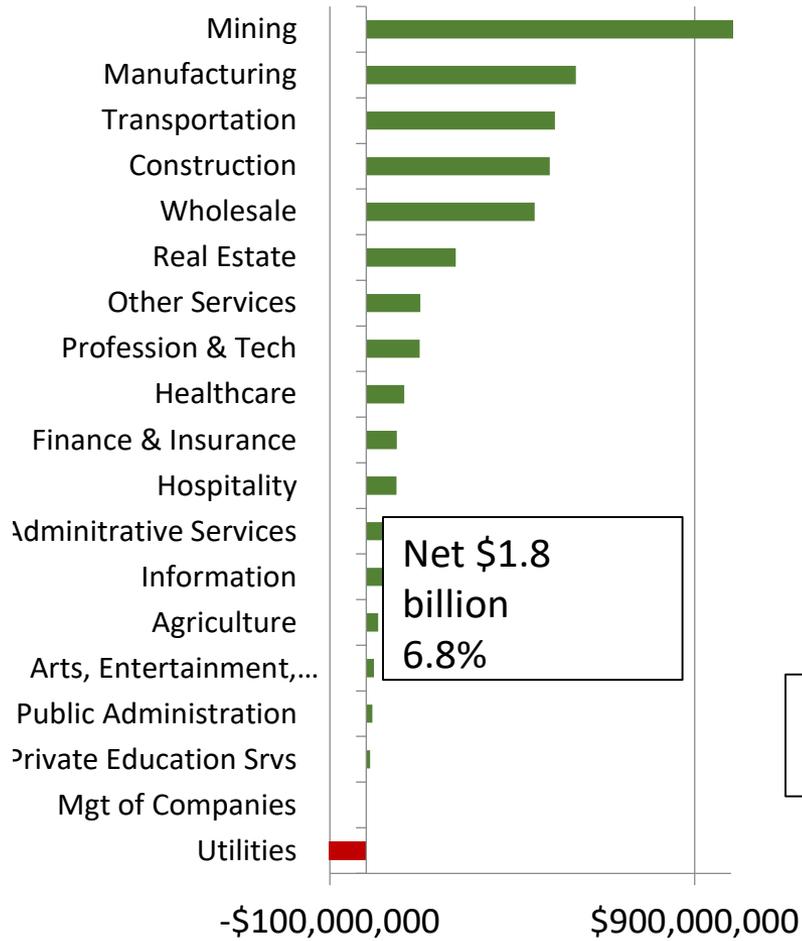


Gross Taxes

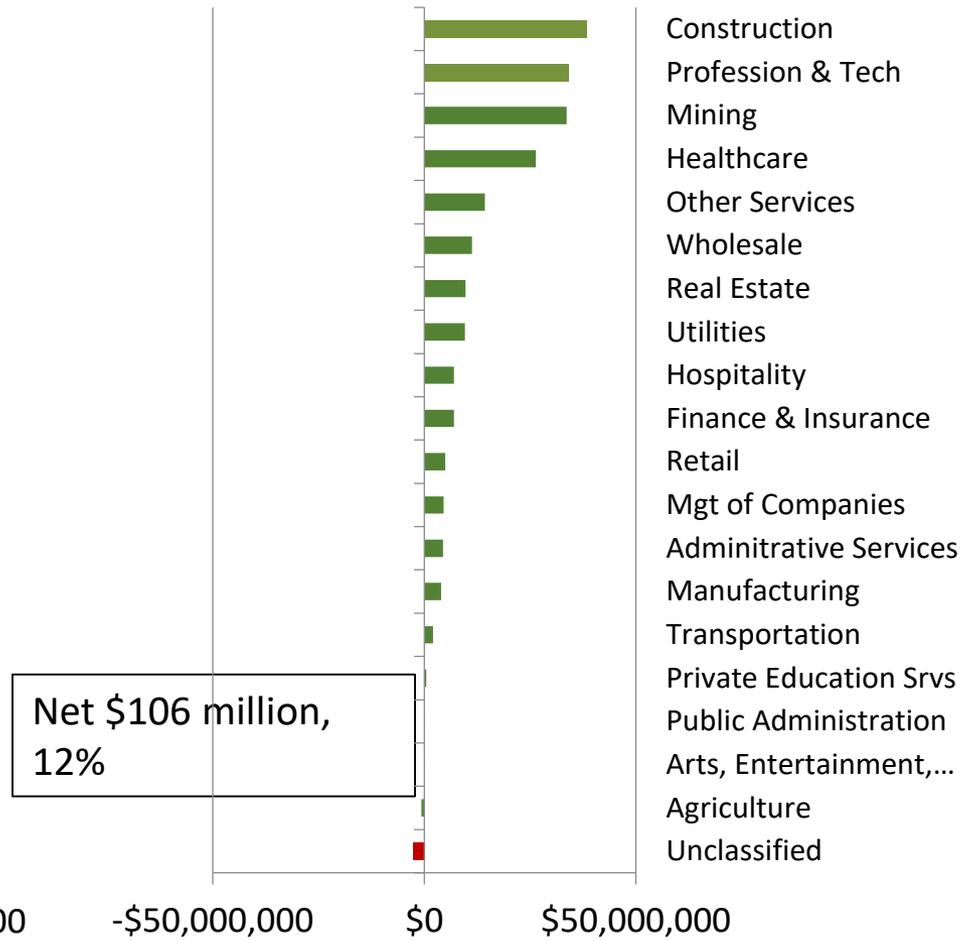


Gross Receipts & Taxes by County: 2017Q2 vs. 2016Q2

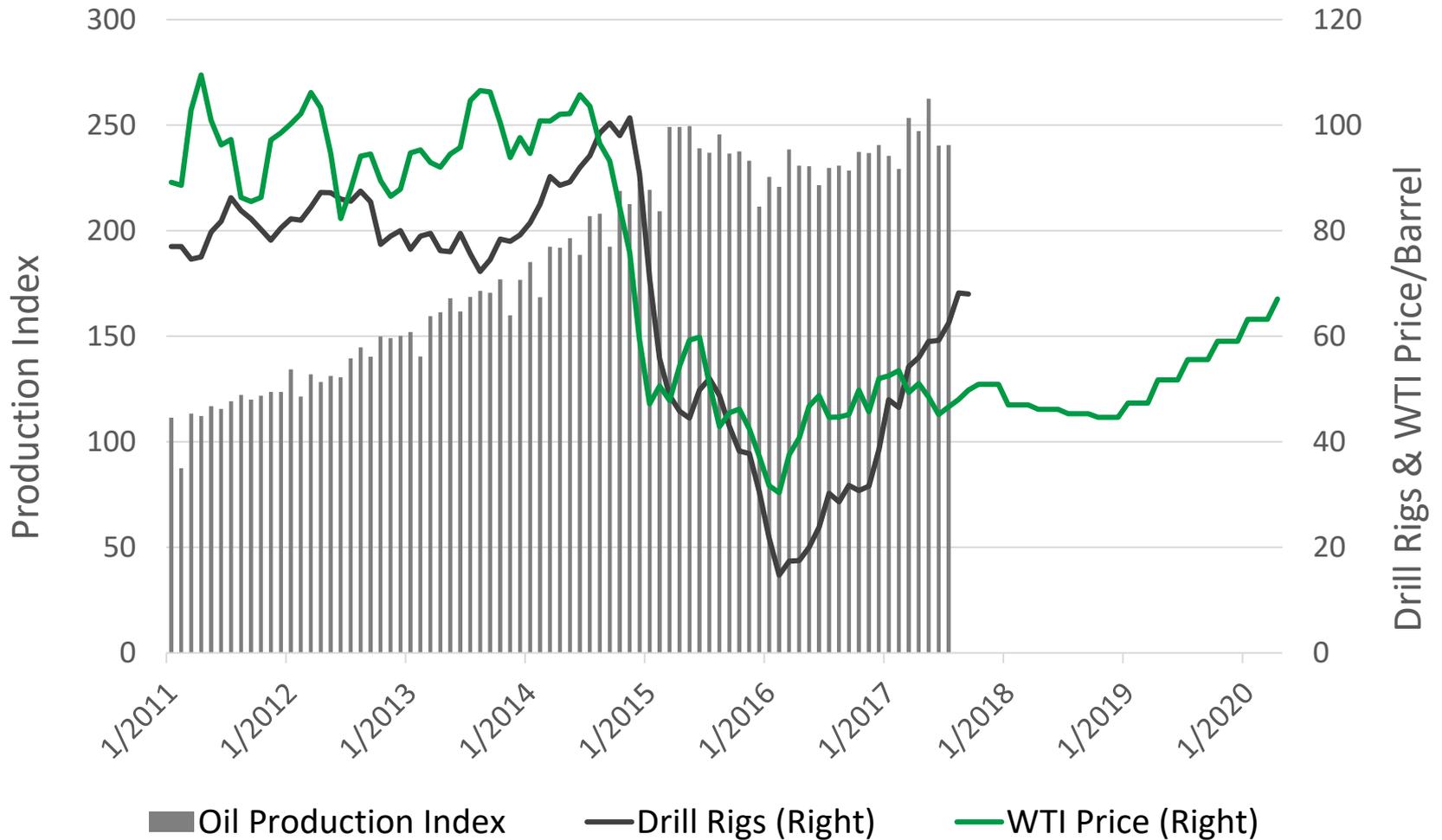
Gross Receipts



Gross Taxes



Oil Rigs, Production and Price

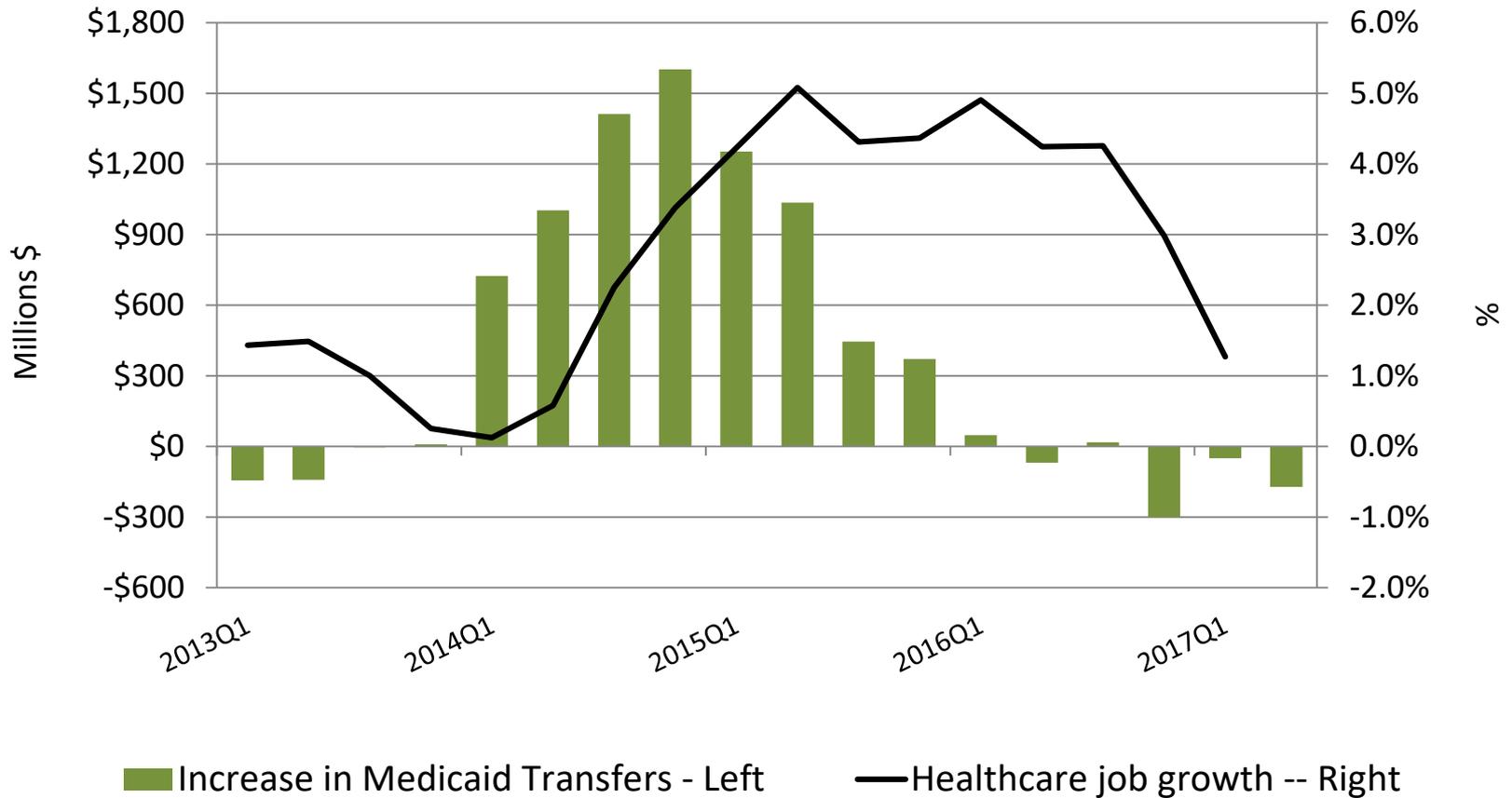


Source: EIA, Baker Hughes, ONGARD, IHS Global Insight



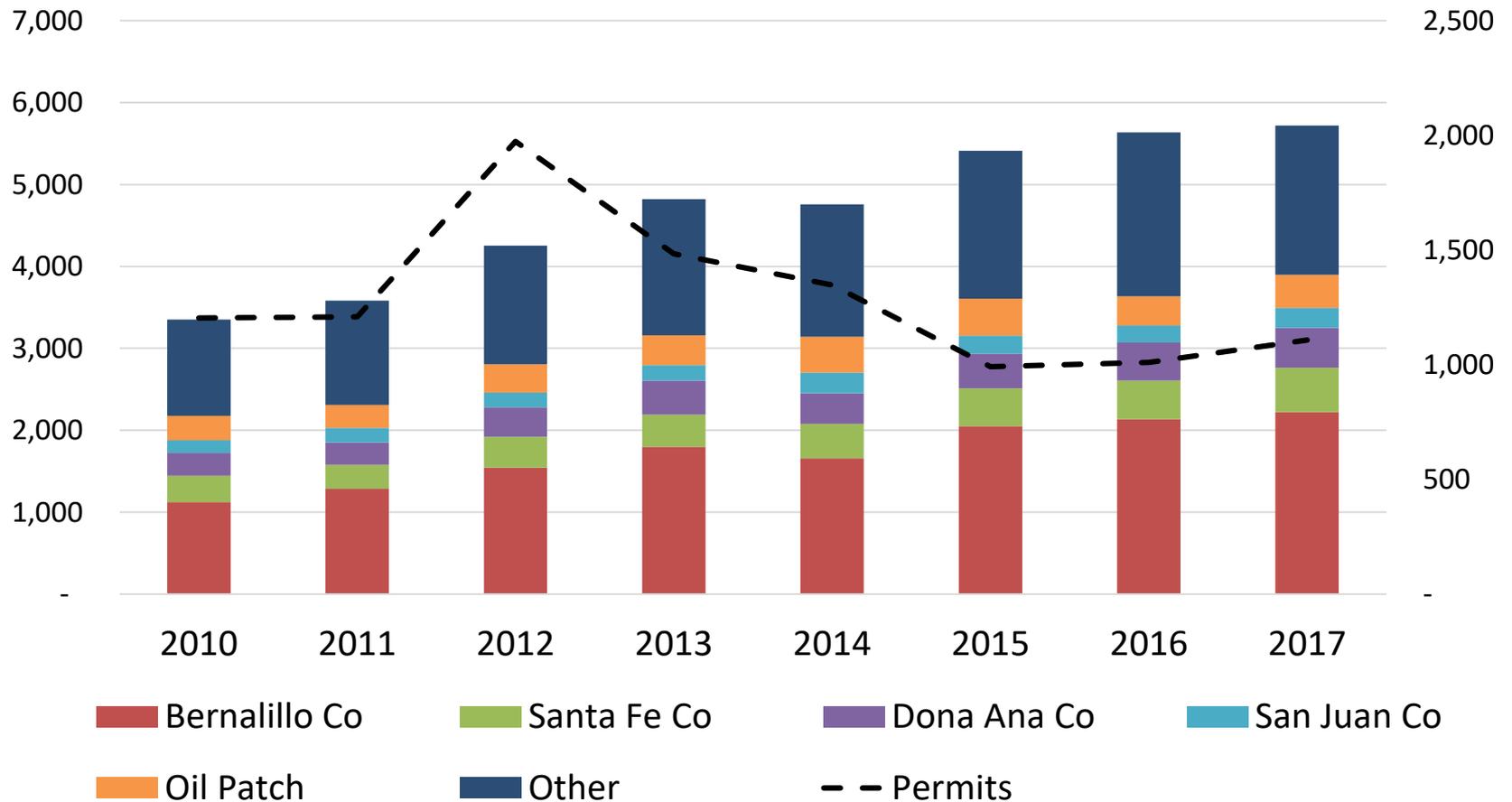
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Medicaid Transfer Payments and Healthcare Job Growth



Source: BBER FOR-UNM, July 2017

2017Q3 Housing Sales by Region and Building Permits



Source: NM Realtors Association; BBER



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New Mexico Economic Outlook



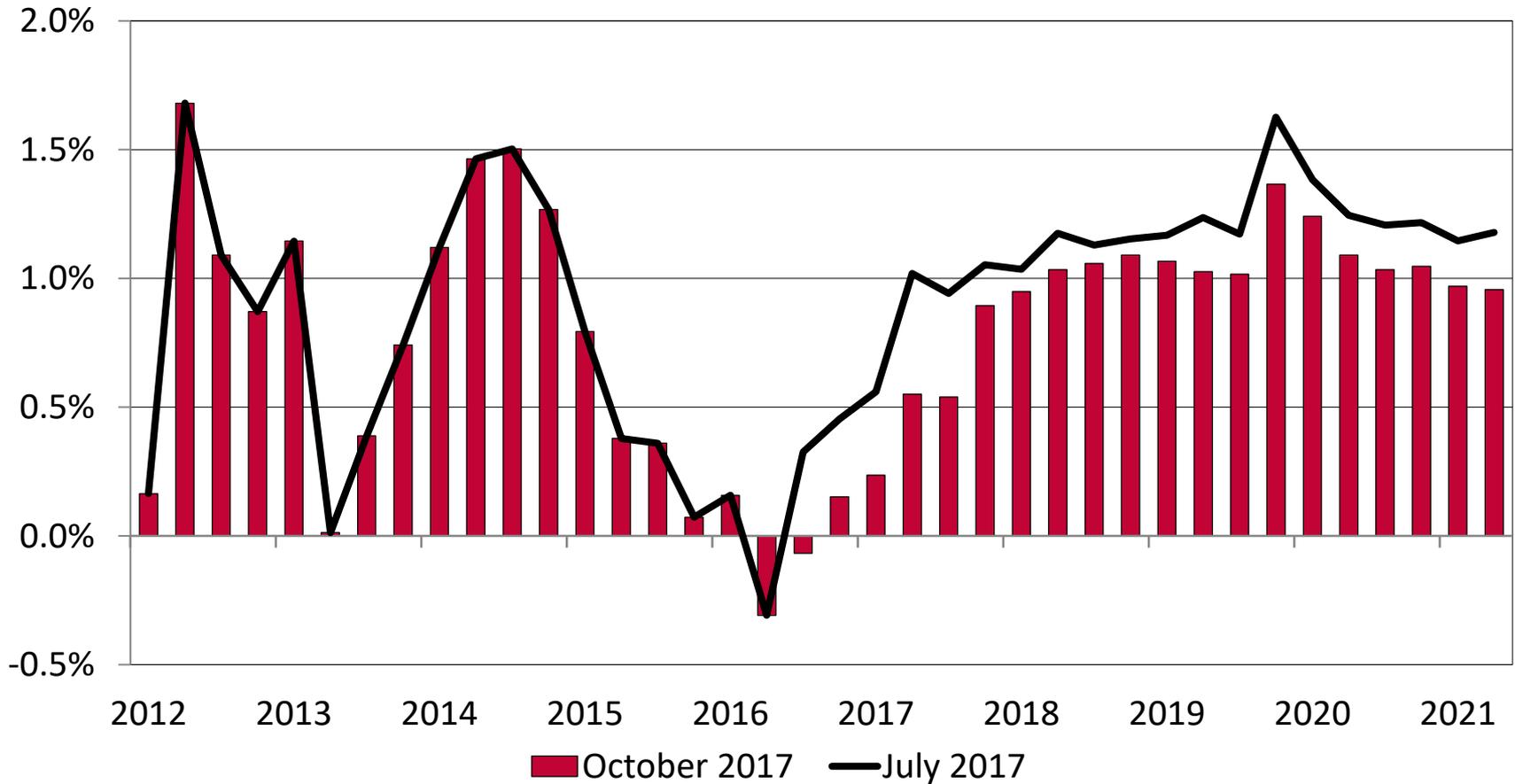
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New Mexico Economic Outlook: 2018-2022

- 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%) in 2019-2022.
- Weak income growth – 2.7% in 2018, average 4.2% in 2019-2022.
- Oil production to increase gradually, given slightly weaker price outlook.
- Impacts of pessimistic (20%) greater than optimistic (15%) scenario.



Employment Growth: History and Forecast

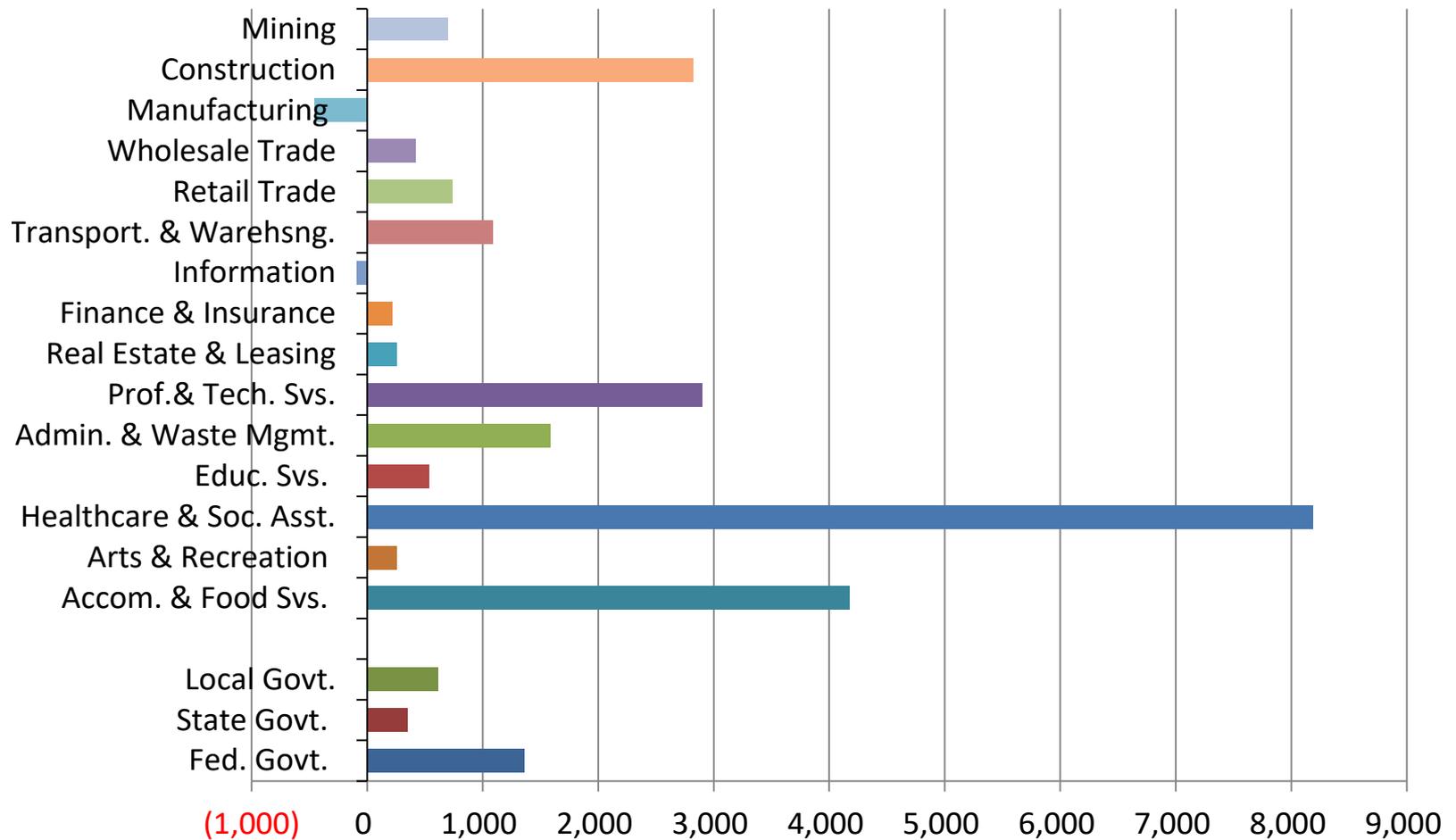


Source: BBER FOR-UNM, October & July 2017



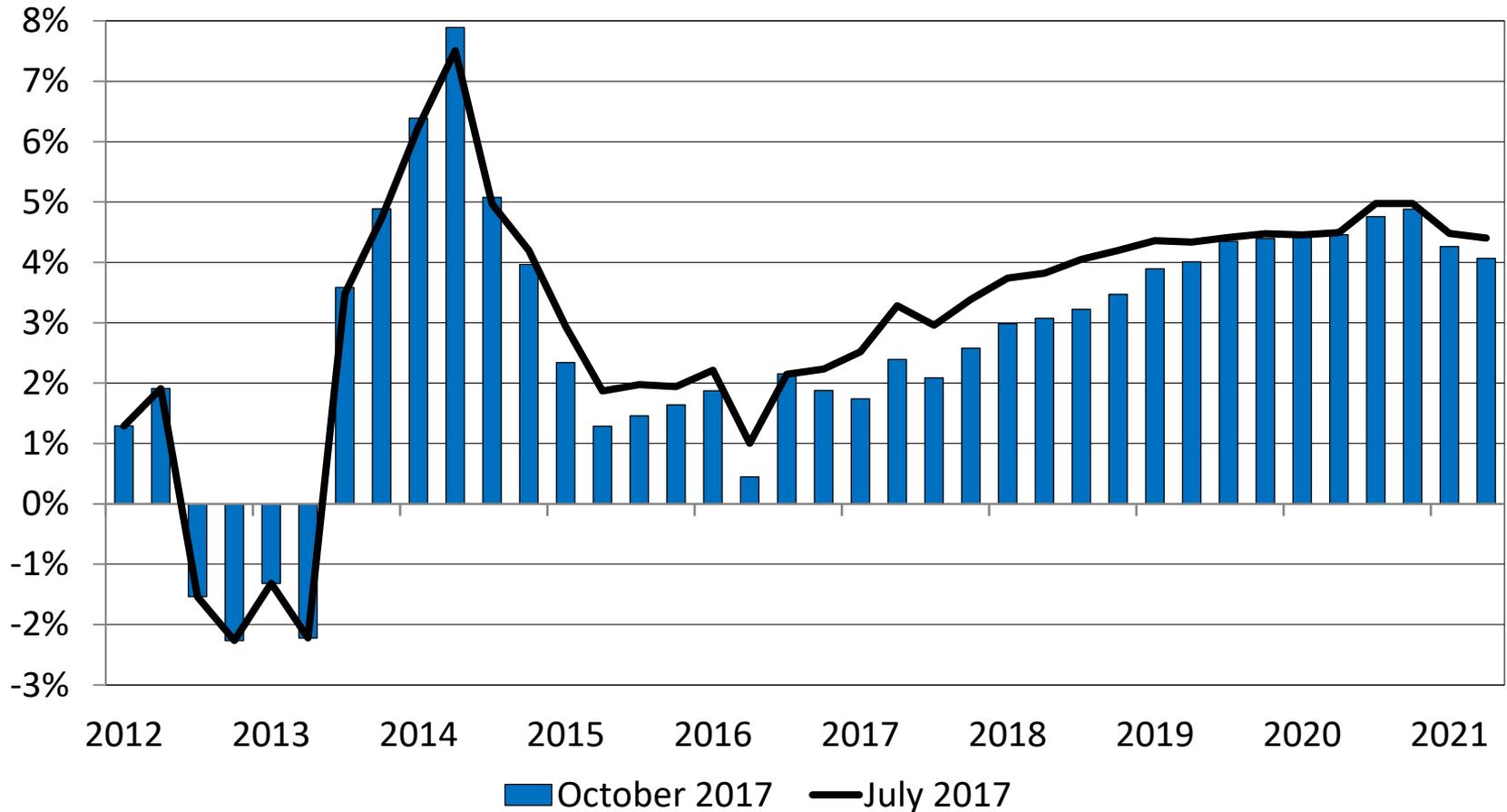
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Job Creation by Sector, 2018-2020



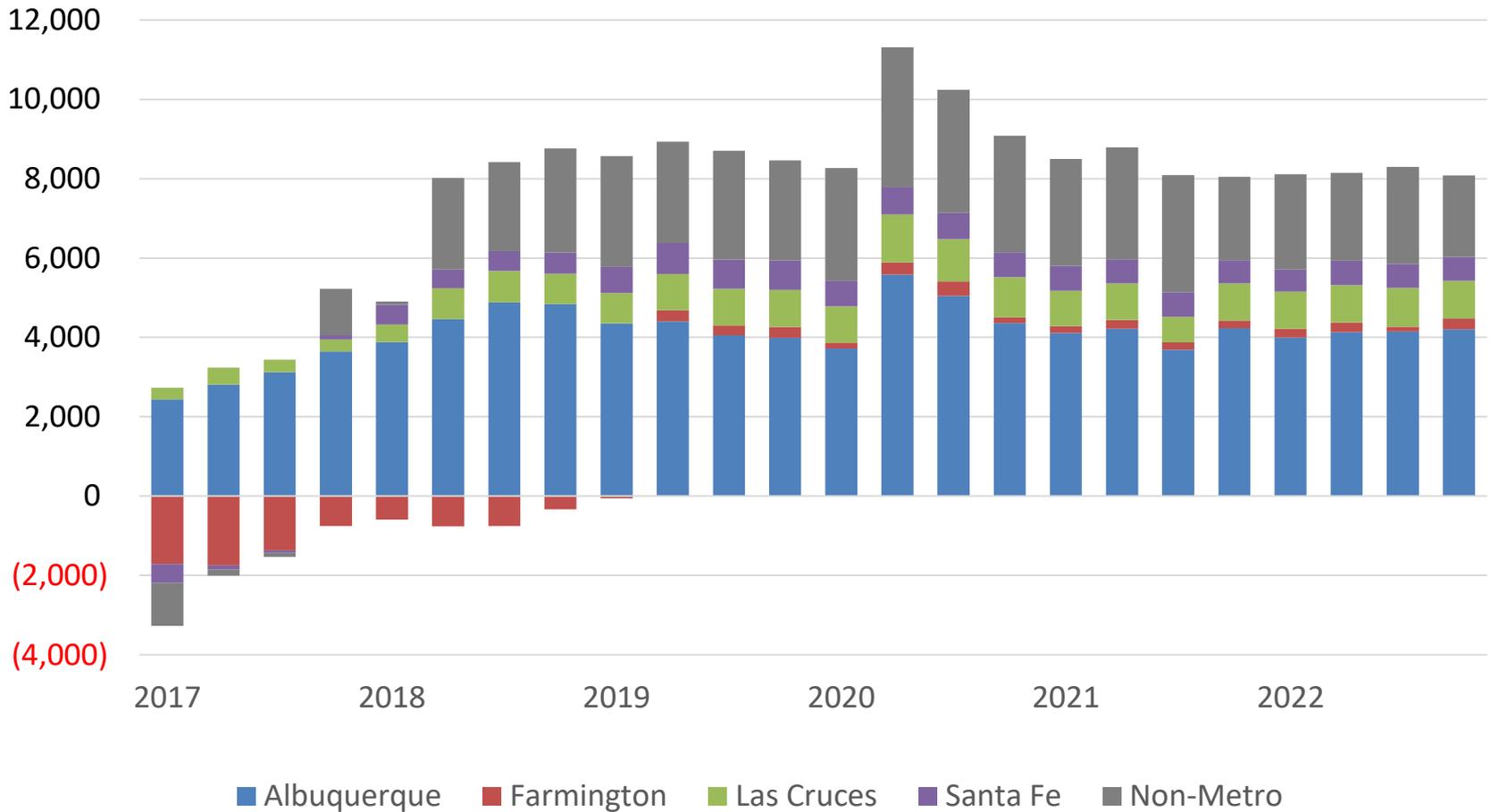
Source: BBER FOR-UNM, October 2017

Personal Income: History and Forecast



Source: BBER FOR-UNM, October & July 2017

Forecast Job Growth by Region, 2018-2022

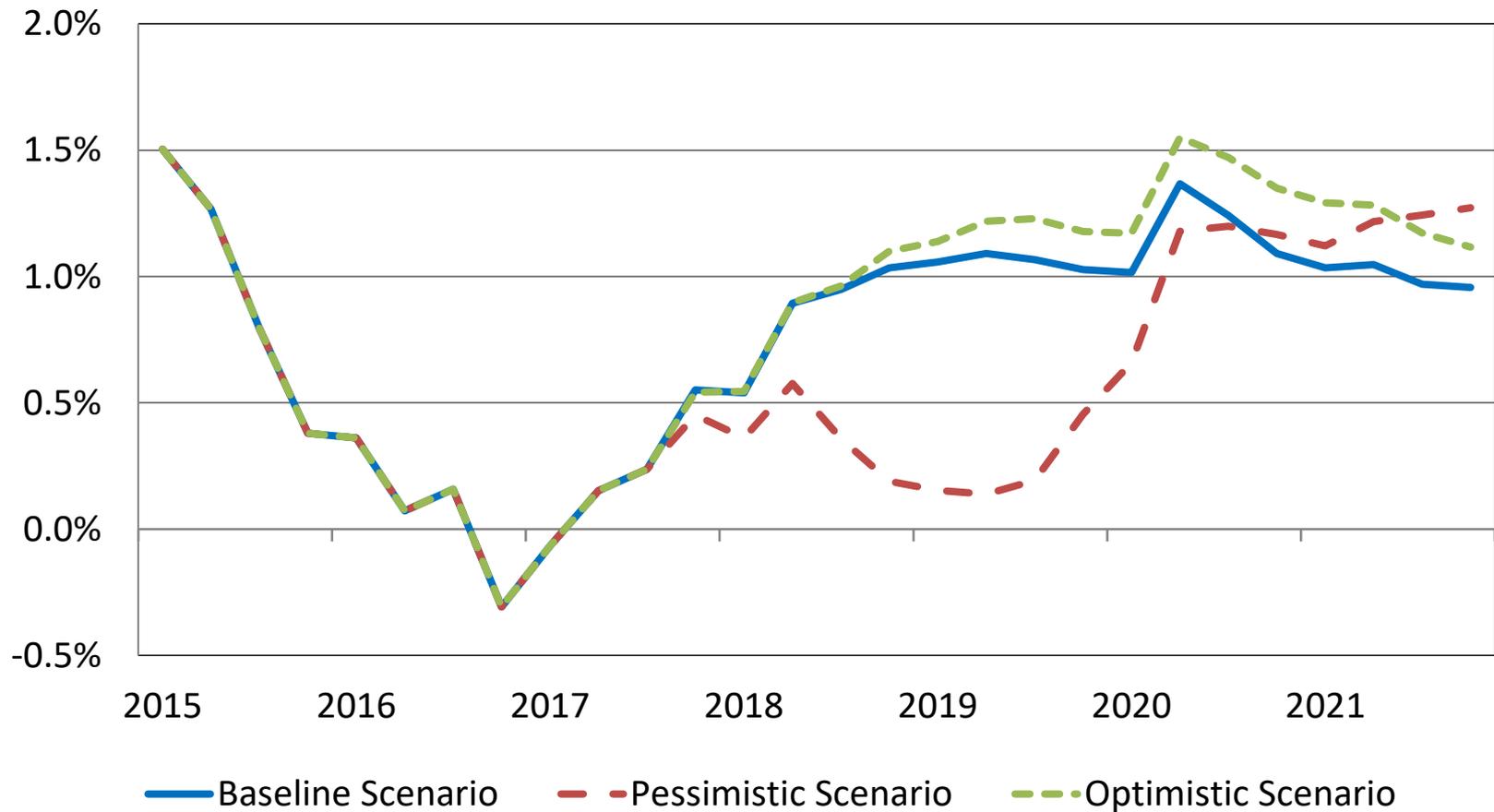


Source: BBER FOR-UNM, October 2017



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New Mexico Employment Forecast, Alternative Scenarios



Source: BBER FOR-UNM, October 2017



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Concluding Comments

- Absent external factors (oil, Obamacare, etc.) NM's economy has moved sideways, lacking an internal driver.
- NM has missed the professional services-based economic recovery; out-migration of college-educated labor force is a cause and an effect.
- Near-term is better than recent past – modest recovery of oil will continue to support state finances.
- To avoid continued boom and bust, leadership must take the long view.
- Principal economic challenges are education and stabilization of public finances (Gross receipts, Rainy Day fund).



BBER Provides New Mexico –

- Economic forecasts and analysis
- Customized data access and visualization tools
- Contract research

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New Mexico Leadership



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