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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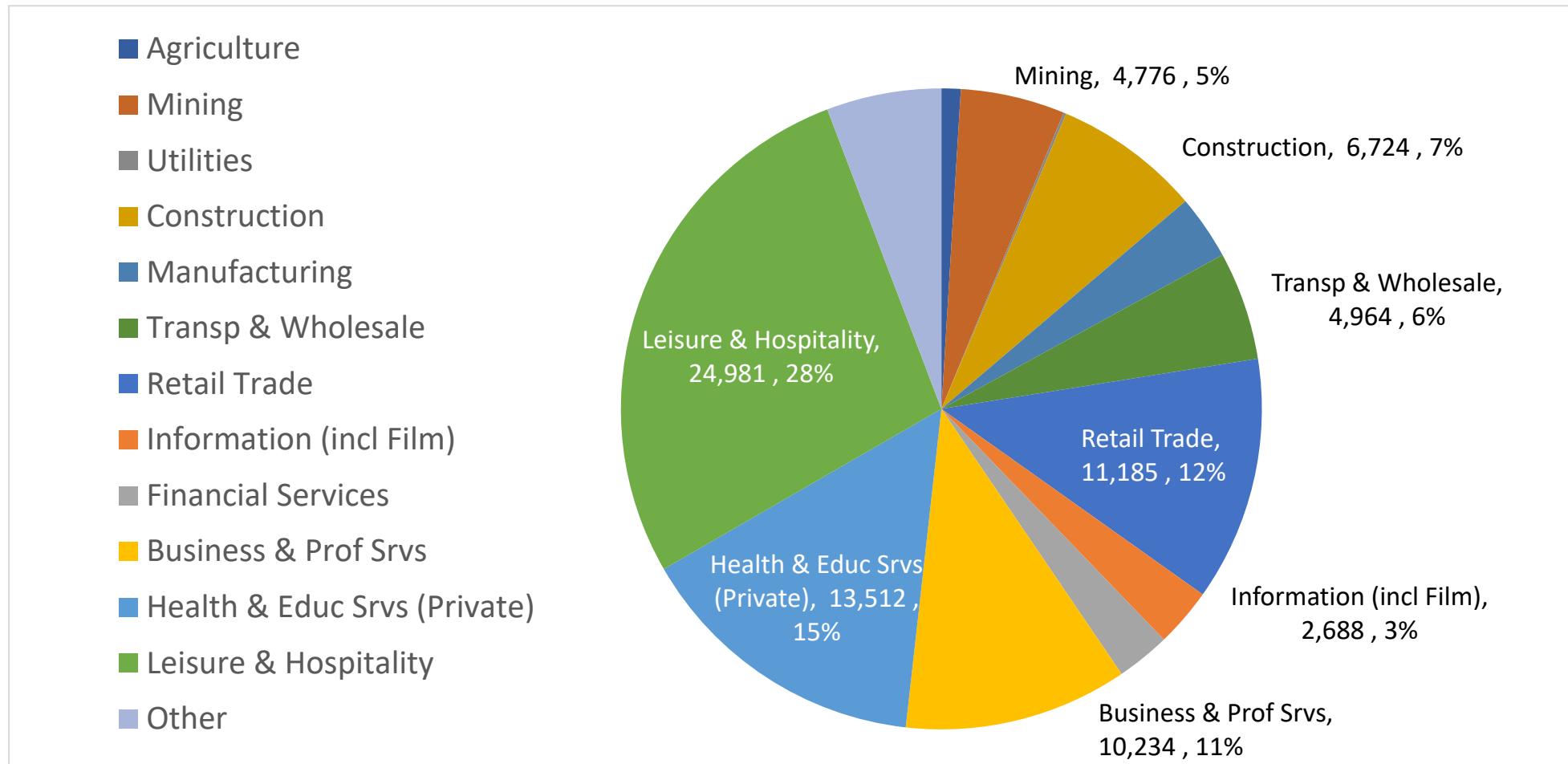
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Unemployment Insurance (UI) Claims by State

- 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

Legend:
- Agriculture
- Mining
- Utilities
- Construction
- Manufacturing
- Transp & Wholesale
- Retail Trade
- Information (incl Film)
- Financial Services
- Business & Prof Srvs
- Health & Educ Srvs (Private)
- Leisure & Hospitality
- Other

Pie chart labels:
- Mining, 4,776, 5%
- Construction, 6,724, 7%
- Transp & Wholesale, 4,964, 6%
- Retail Trade, 11,185, 12%
- Information (incl Film), 2,688, 3%
- Business & Prof Srvs, 10,234, 11%
- Health & Educ Srvs (Private), 13,512, 15%
- Leisure & Hospitality, 24,981, 28%

Beware of employment data

- <u>Generally employment data under-states job loss and overstates the pace of recovery</u>

- 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.
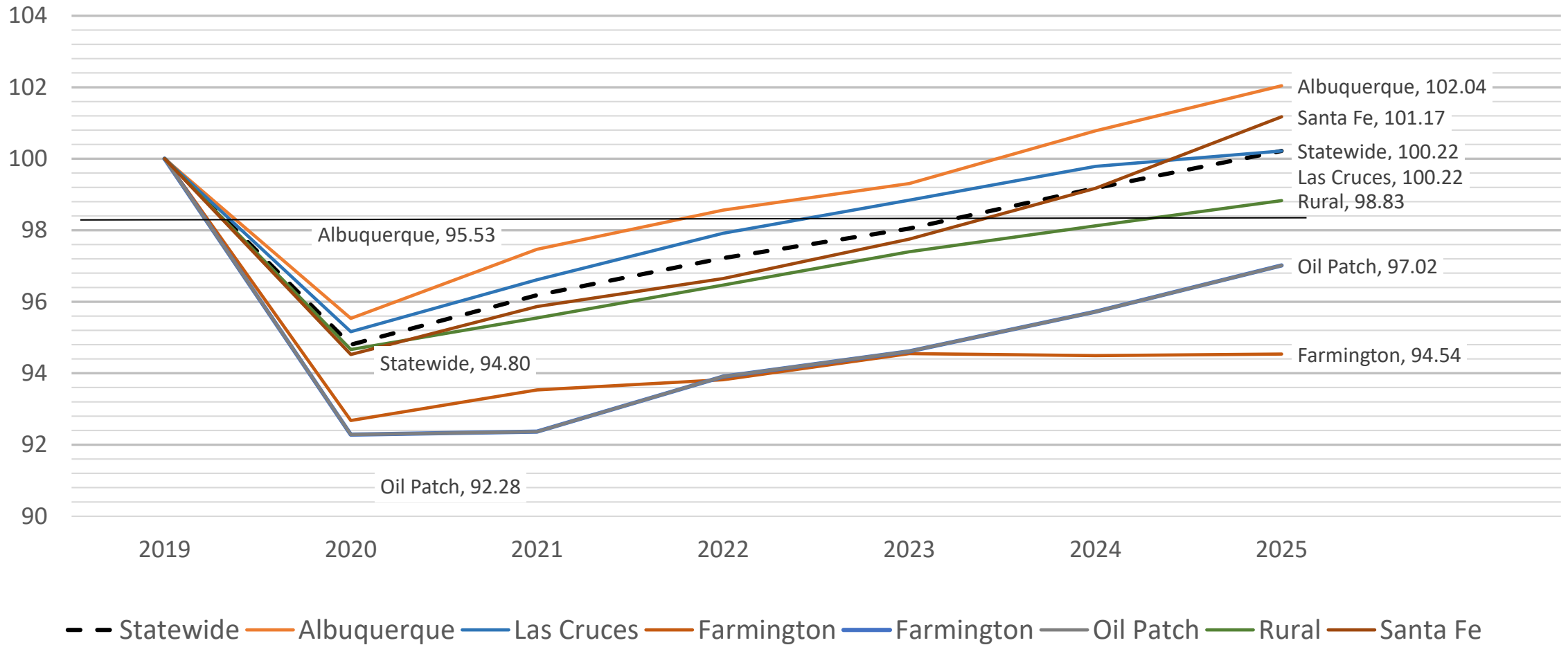
Assumptions behind FOR-UNM Forecast

o Full recovery will depend on control of coronavirus

o Coronavirus will continue to limit recovery through at least end-2020, with intermittent openings & closings.

o 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.

o Longer initial phase will mean more business insolvency and more household debt, turning a temporary shutdown into permanent losses.

o Critical factors are the federal response – especially support for State and local governments and unemployed workers.

o Optimistic scenario assumes reasonable control over coronavirus and aid to local governments.

o 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.
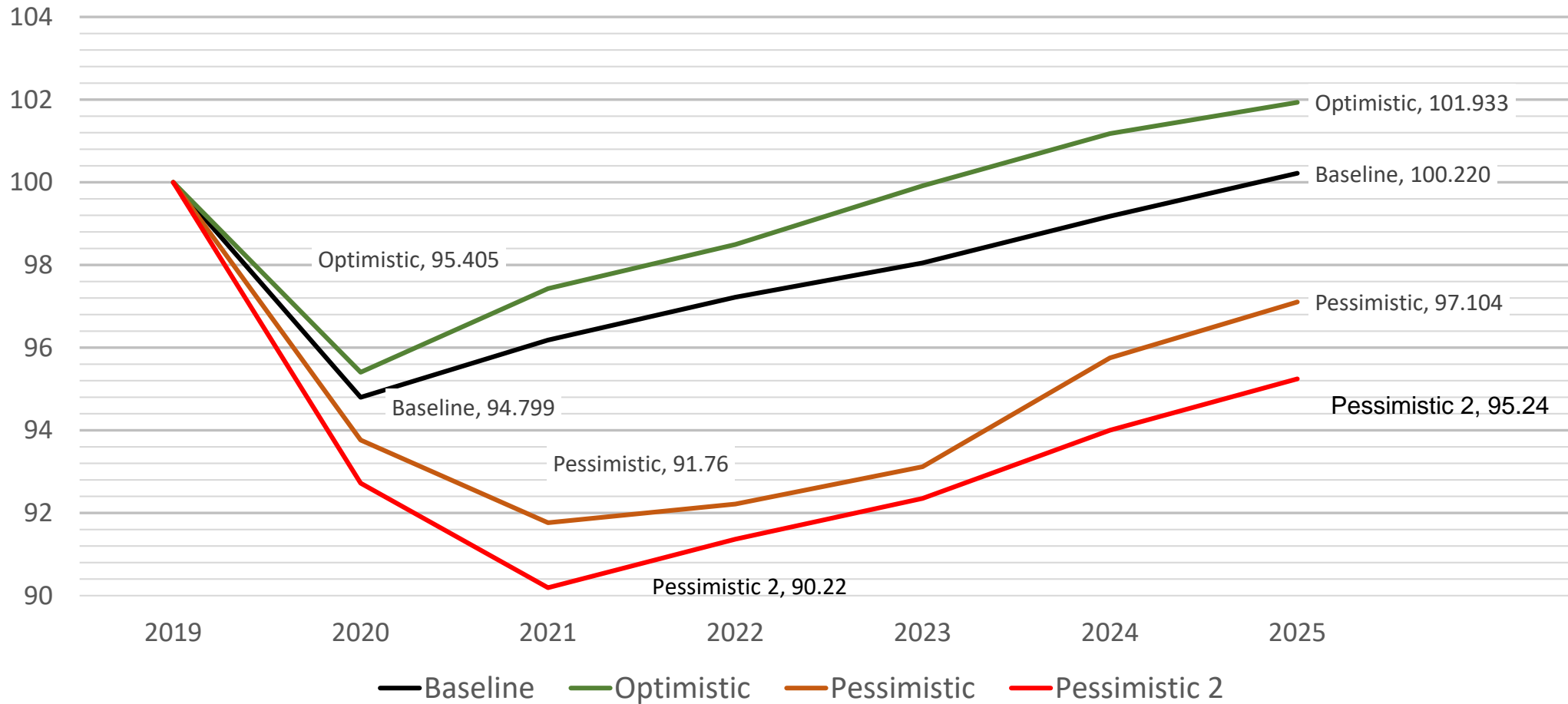
* Preliminary

Job Recovery – By Region (Baseline Scenario) *

* Preliminary
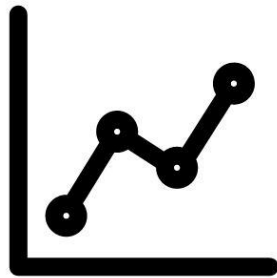
Job Recovery – Alternative Scenarios*

Optimistic, 101.933

Baseline, 100.220

Optimistic, 95.405

Baseline, 94.799

Pessimistic, 97.104

Pessimistic, 91.76

Pessimistic 2, 95.24

Pessimistic 2, 90.22

Baseline — Optimistic — Pessimistic — Pessimistic 2

* Preliminary

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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)

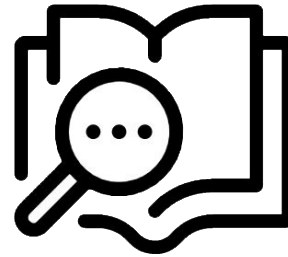○ Gap between professional and hourly workers will widen, likely increasing the demand for healthcare and social assistance.