

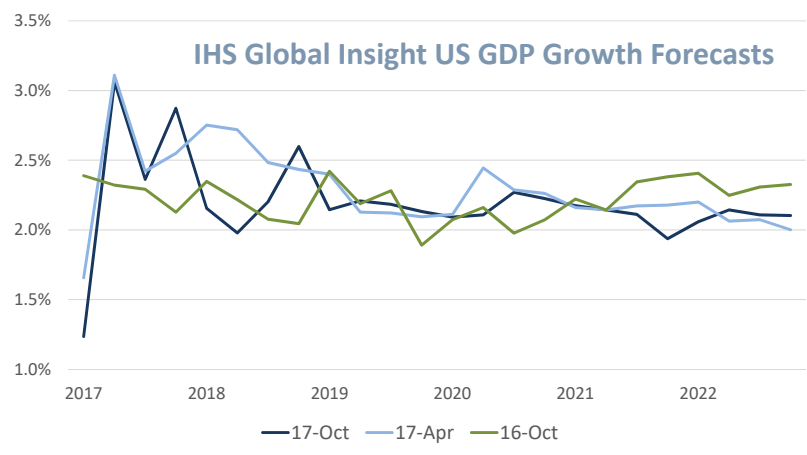
New Mexico Economy: Recent Developments and Outlook

Revenue Stabilization and Tax Policy Committee
November 20, 2017



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Since 2016 election, US outlook is stronger in the short-term but slightly weaker in the long-term



Source: IHS Global Insight

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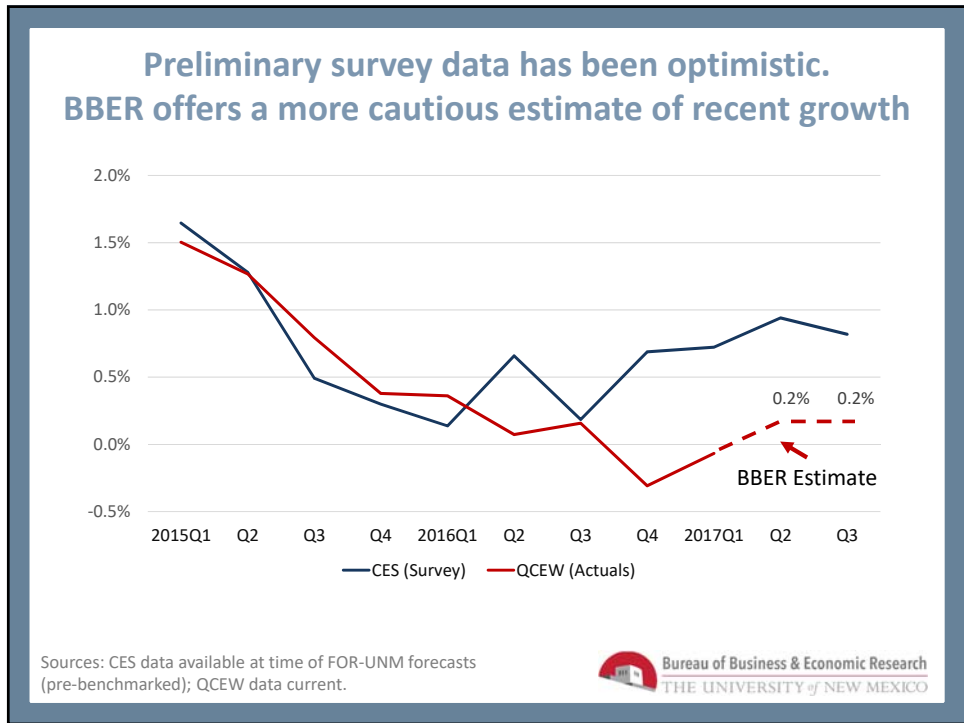
New Mexico Economic Current Situation

- QCEW says NM lost 537 jobs (-0.1%) in 2017Q1 after a loss of 2,500 (-0.3%) – first loss in two consecutive quarters since 2010.
- CES shows +0.7 for both 2016Q4 & 2017Q1, and +0.9% and 0.7% for 2017Q2 and Q3; BBER estimates 0.2% for 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).
- Personal income growth weak (2.0% in 2017Q1 & Q2). Compared to past two years, wage & salaries less of a drag (1.9%; 2016=0.5%) and transfers no longer a positive factor (-0.1%; 2014-2015=8.6%).
- Public finances much improved – Gross Receipts & Personal Income taxes up; oil production and revenues up.

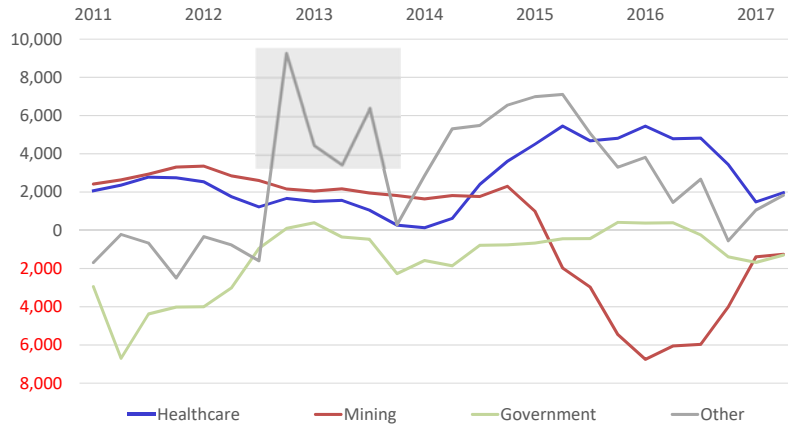


Changing Patterns of Job Growth





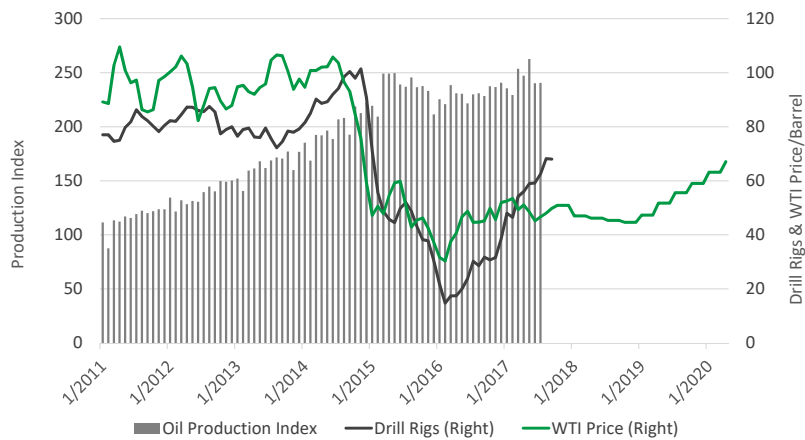
Gains/Losses in Healthcare and Mining are moderating



Source: US Bureau of Labor Statistics, QCEW.

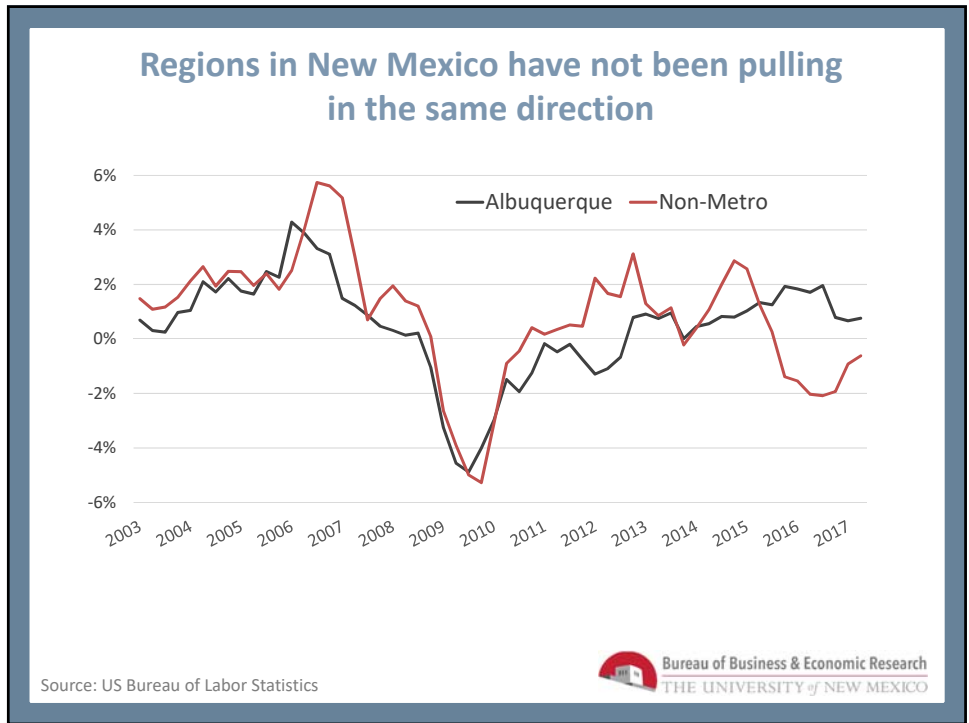
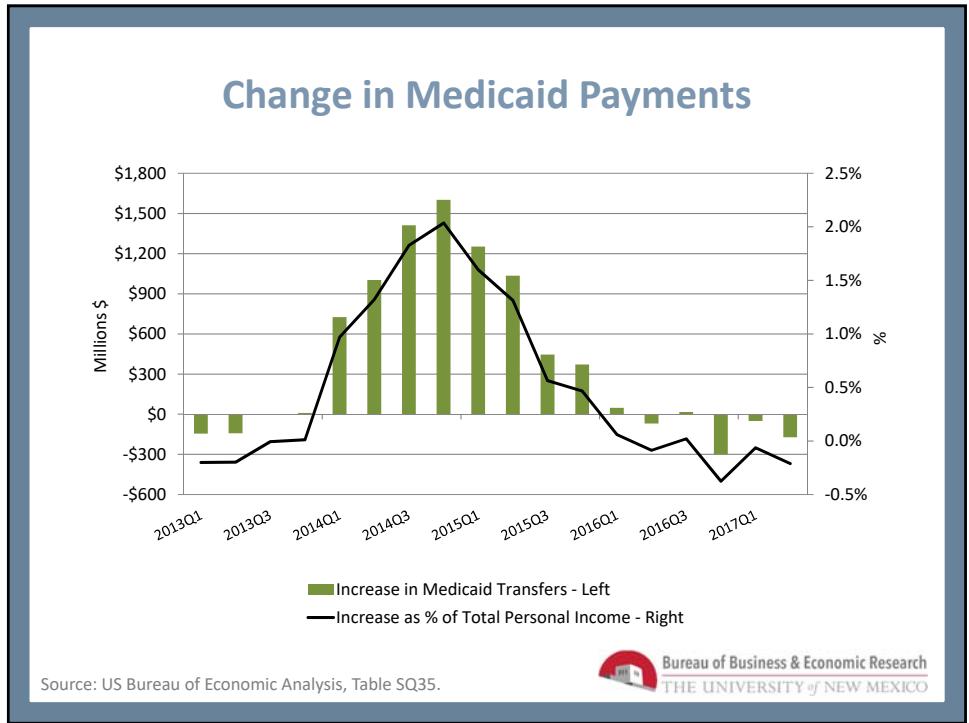


Increased drill rig activity and oil production with WTI prices near \$50/barrel



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





Improving State Finances

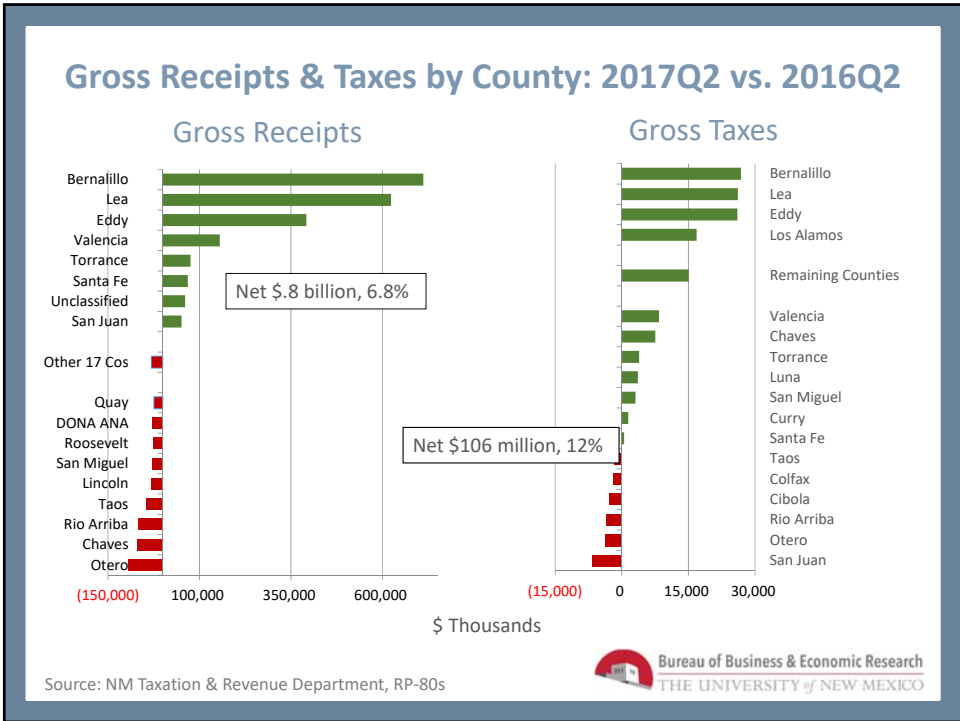
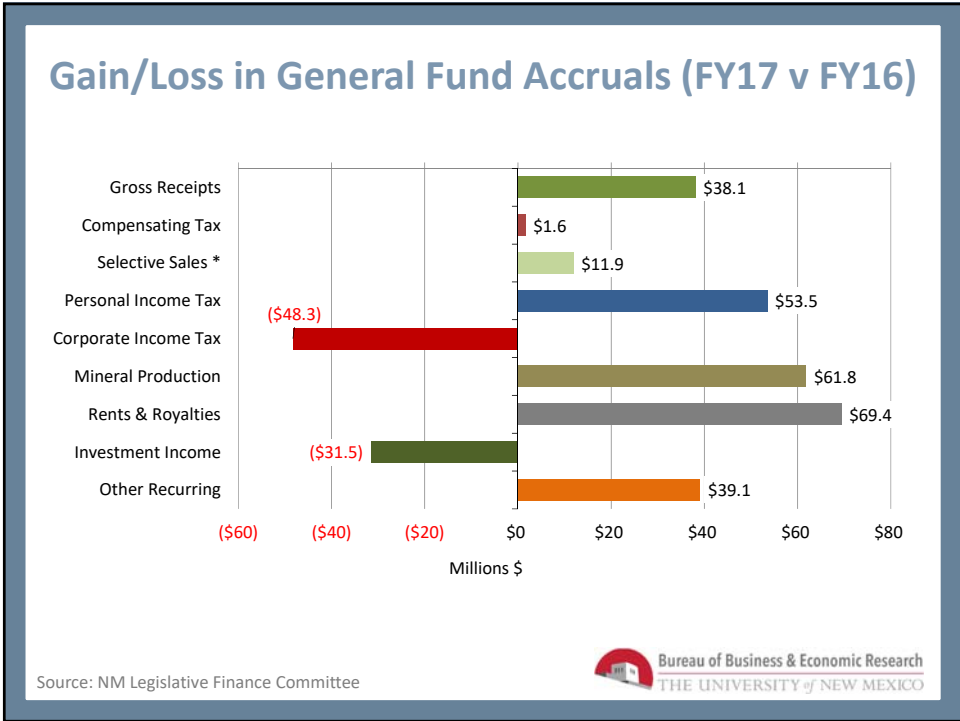


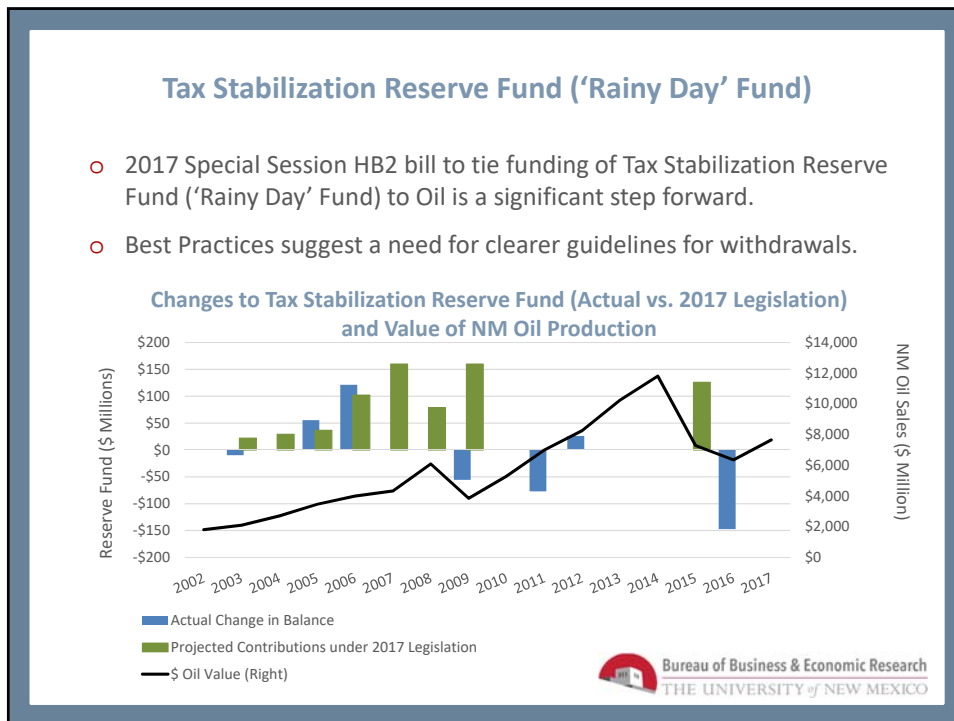
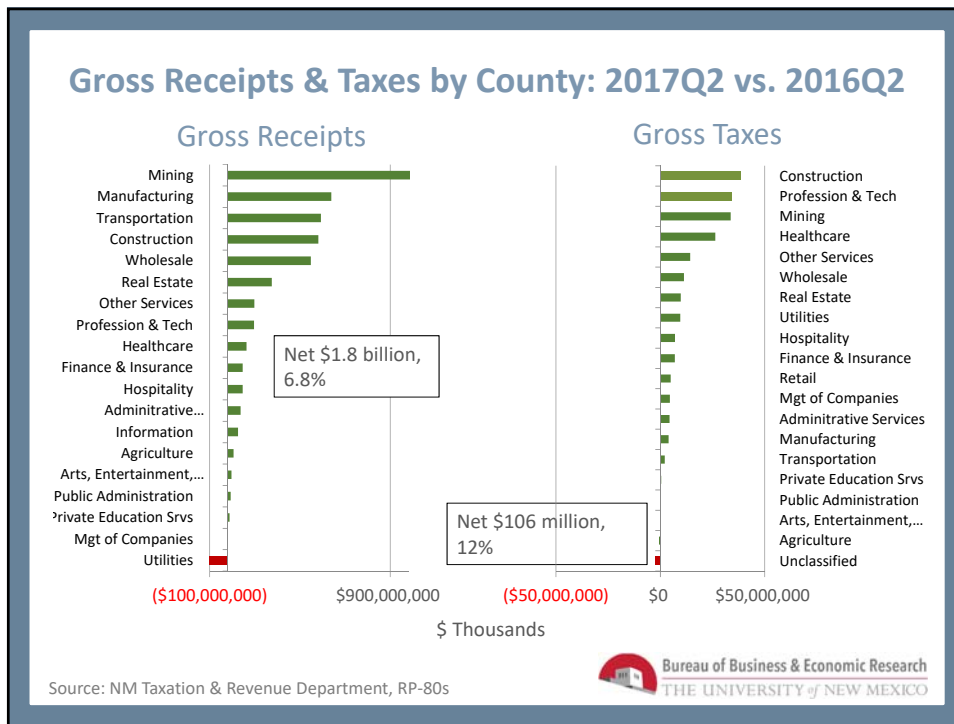
Consensus Revenue Forecast (FY17 and FY18)

	Preliminary FY17	Estimate FY18
Total Recurring Revenue	\$5,905.5	\$5,941.1
Total Nonrecurring Revenue	\$556.1	\$18.7
TOTAL Revenue	\$6,461.6	\$5,959.8
Total Recurring Appropriations	\$6,103.6	\$6,082.2
Total Nonrecurring Appropriations	\$27.0	\$0.0
TOTAL Appropriations	\$6,130.6	\$6,082.2
Balance	\$331.0	(\$122.4)
Beginning Reserves	\$147.7	\$504.8
Ending Reserves	\$504.8	\$382.4
Reserves as % of Recurring Appropriations	8.3%	6.3%

Source: NM Legislative Finance Committee



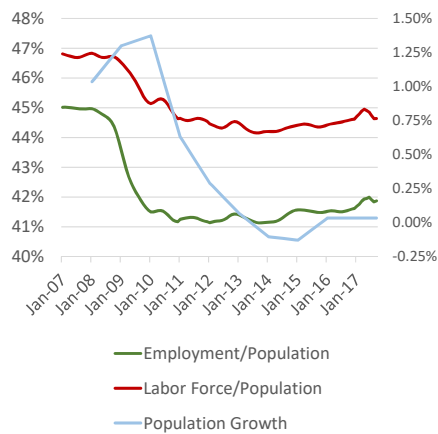
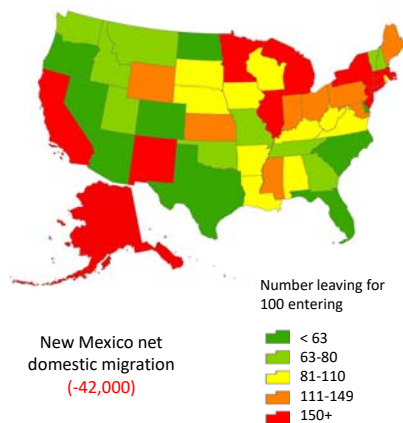




Slow population growth and declining labor force participation – a cause and an effect of slow job growth



Migration, population and Labor Force Participation



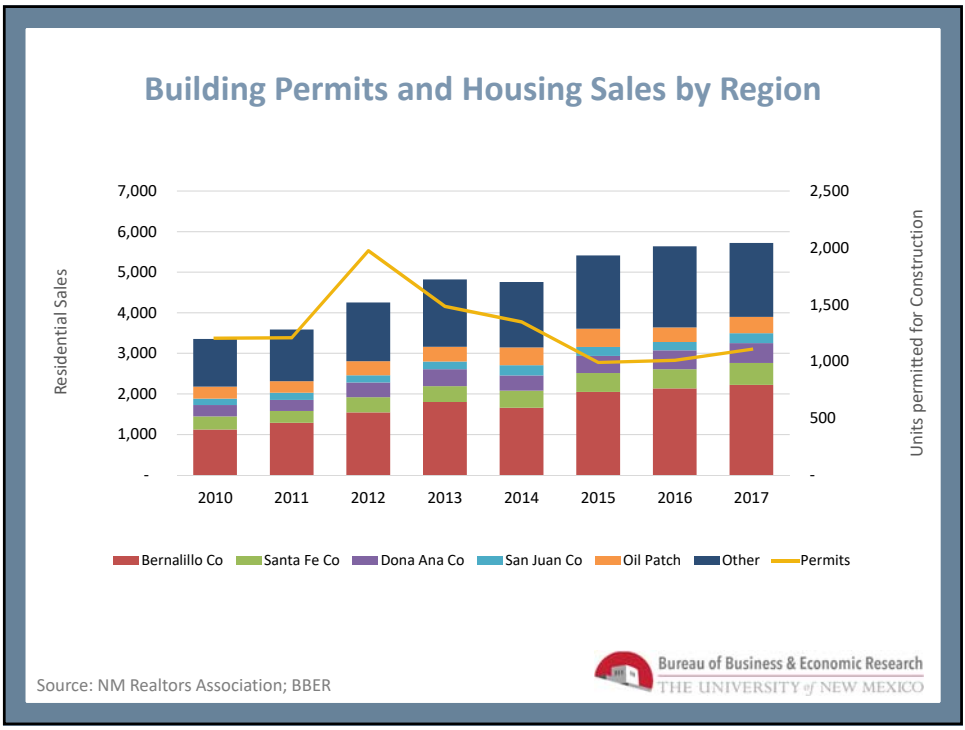
BLS, through September 2017



Recovering residential market
but new little building



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New Mexico Economic Outlook



Narrative Moving Forward

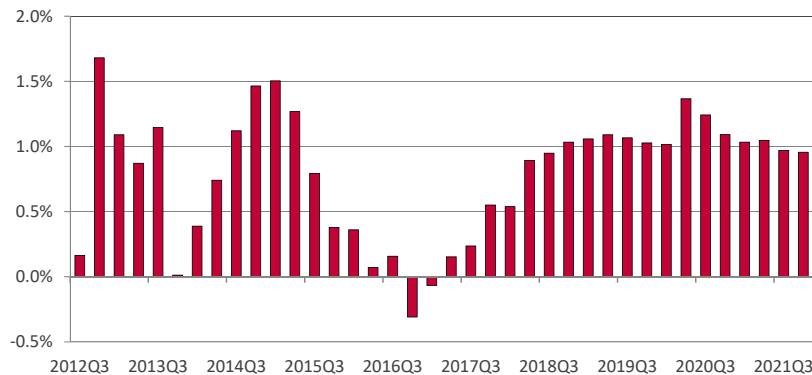
- For most of post-Recession, the state's economic narrative has been driven by 'external factors' – oil boom & bust, Obamacare, even Intel job losses and uncertainty at national labs.
- In recent months, the state's economic narrative is less about external factors – oil prices and production are relatively stable, the economic gains due to Obamacare are largely absorbed (and now the state is beginning to pay its share).
- How does the state economy move forward on its own?

New Mexico Economic Outlook: 2018-2022

- Improved outlook to stable job growth, slightly higher than labor force growth, allowing for gradual reduction in unemployment.
- Addition of 4,500 (0.6%) jobs in 2017Q4, closing the year +1,750 jobs (0.2%).
- Continued uptick in 2018 (6,900 jobs, 0.9%), and 8,725/year (1.1%) in 2019-2022. Job count to reach pre-recession high by end-2019.
- Income growth a drag on state's economic growth through 2020. Most new jobs in relatively lower-wage sectors; lower expectations for growth of investment/proprietors' incomes (from IHS Global Insight) and slow growth of federal transfers (e.g. Medicaid, SNAP, etc.)
- Oil production to increase gradually, given slightly weaker price outlook.
- Impacts of pessimistic (20%) greater than optimistic (15%) scenario.



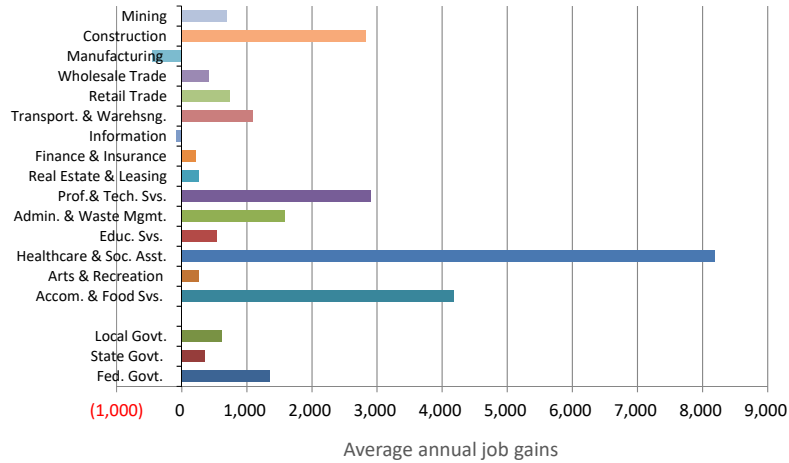
FOR-UNM Employment Forecast



Source: BBER FOR-UNM, October & July 2017



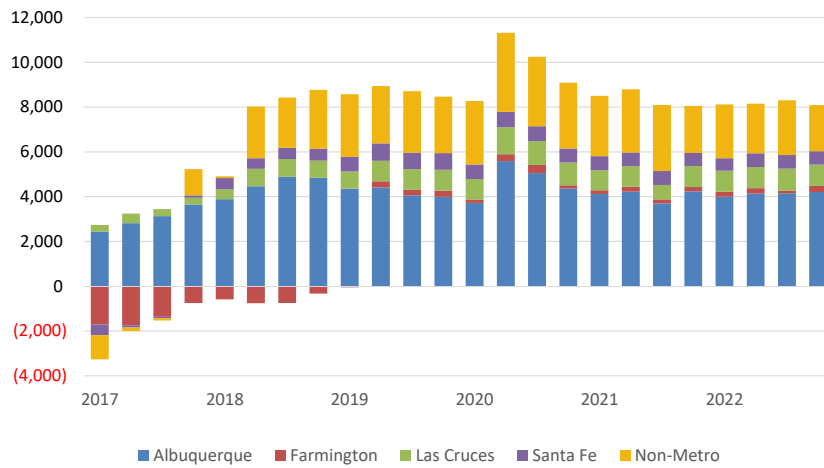
FOR-UNM Forecast Job Creation by Sector, 2018-2022



Source: BBER FOR-UNM, October 2017

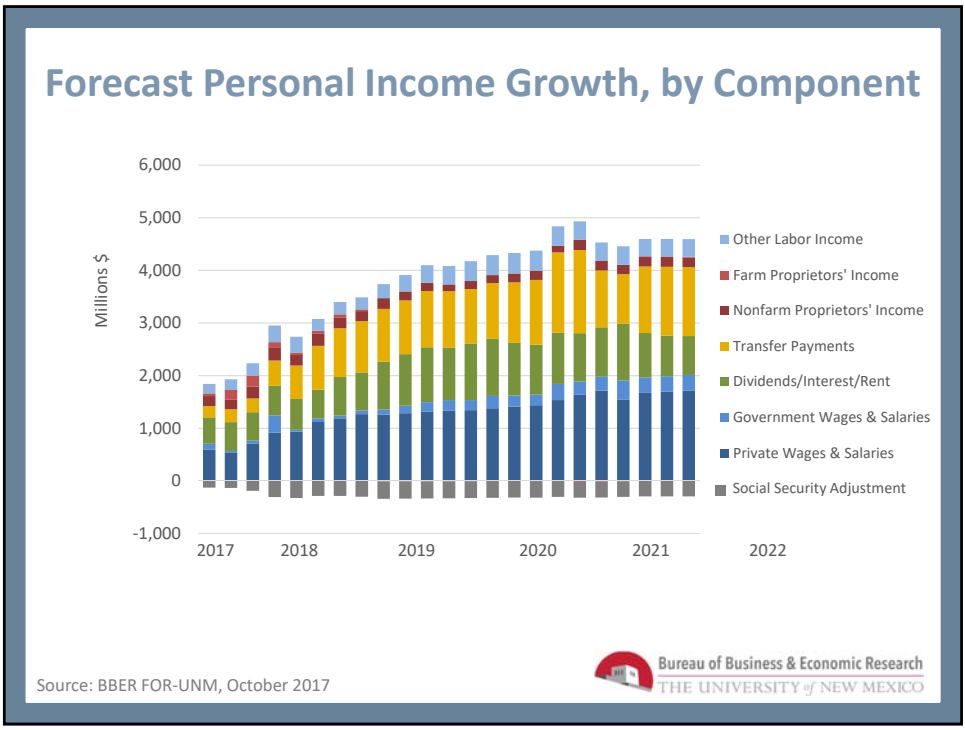
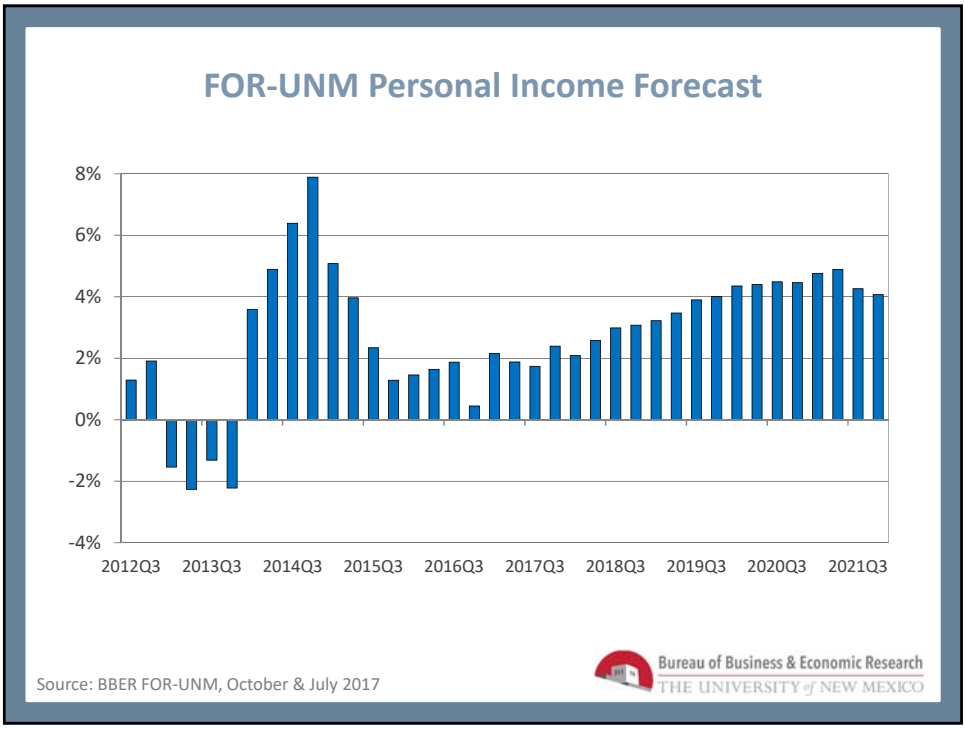


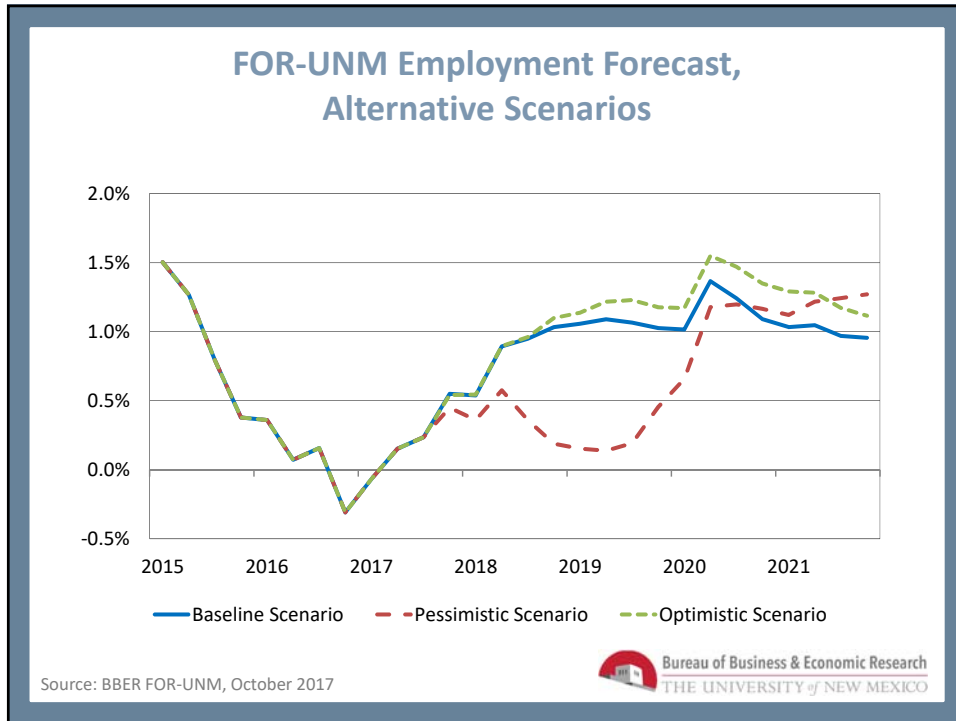
FOR-UNM Forecast Job Creation by Region



Source: BBER FOR-UNM, October 2017











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@UNMBBER
bber.unm.edu
bber@unm.edu

Jeffrey Mitchell, PhD
Director

Jennifer Esquivel
505.277.8300
jenniferesquivel@unm.edu

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