BUREAU OF BUSINESS & ECONOMIC RESEARCH

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BBER's services and research help leaders in New Mexico to identify and understand trends and changing economic markets across New Mexico to inform decision making.

THE NEW MEXICO ECONOMIC FORECAST: RECENT DEVELOPMENTS AND OUTLOOK

PREPARED FOR IPOC

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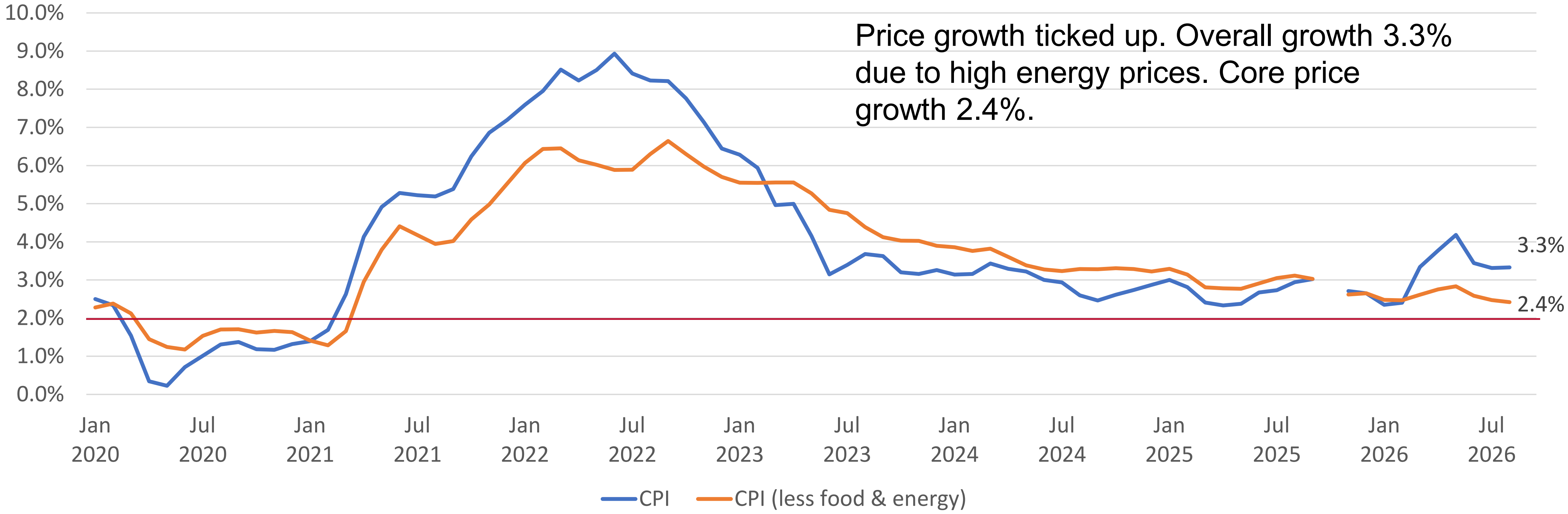
SEPTEMBER 25, 2026

US Review

Review: National Economy

- Almost no employment gains in 2025 (~10k jobs per month). First eight months of 2026 averaged about 80k jobs per month.
- Federal Reserve, fed funds rate now at 3.75%-4.00%.
- Initial & continuing claims for unemployment staying low. U3 unemployment rate 4.1% and U6 registered 7.7% in August.
- Real GDP: Growth of 2.1% in 2025 (slowest since 2020). First half of 2026 about 1.8% SAAR.
- WTI spot price volatile: $90-95/barrel mid-week.
- Consumer Sentiment Index near record lows (U. of Mich.) .
- ISM manufacturing index expanded for eight consecutive months. Non-manufacturing index expanded nearly every month over the last five years.
- Concerns: Geopolitical (wars and oil), tariffs/trade wars, spending cuts, policy uncertainty, immigration, income inequality, AI

Inflation



Data current through August 2026. No data for October 2025.

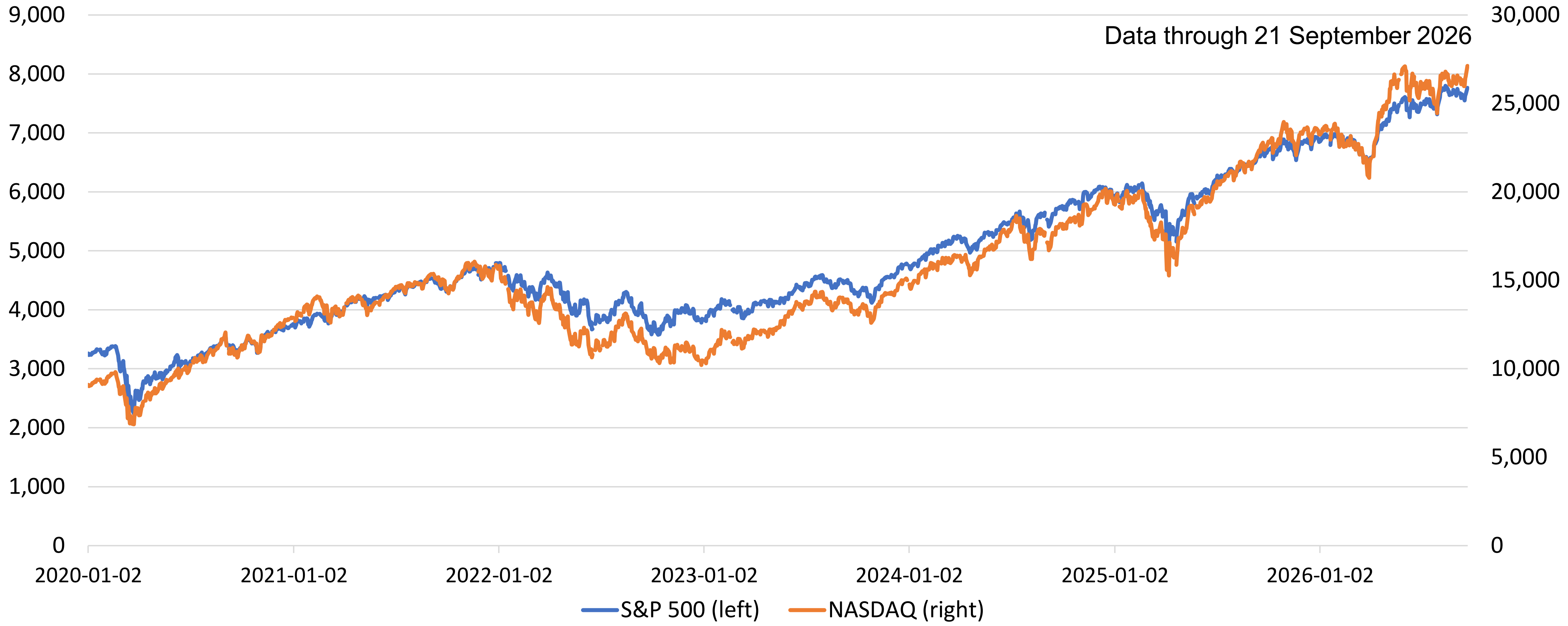
Source: BLS CPI data

US Interest Rates

30-year interest rate had dipped to about 6.0% but has risen back to 7.0% mid-September 2026

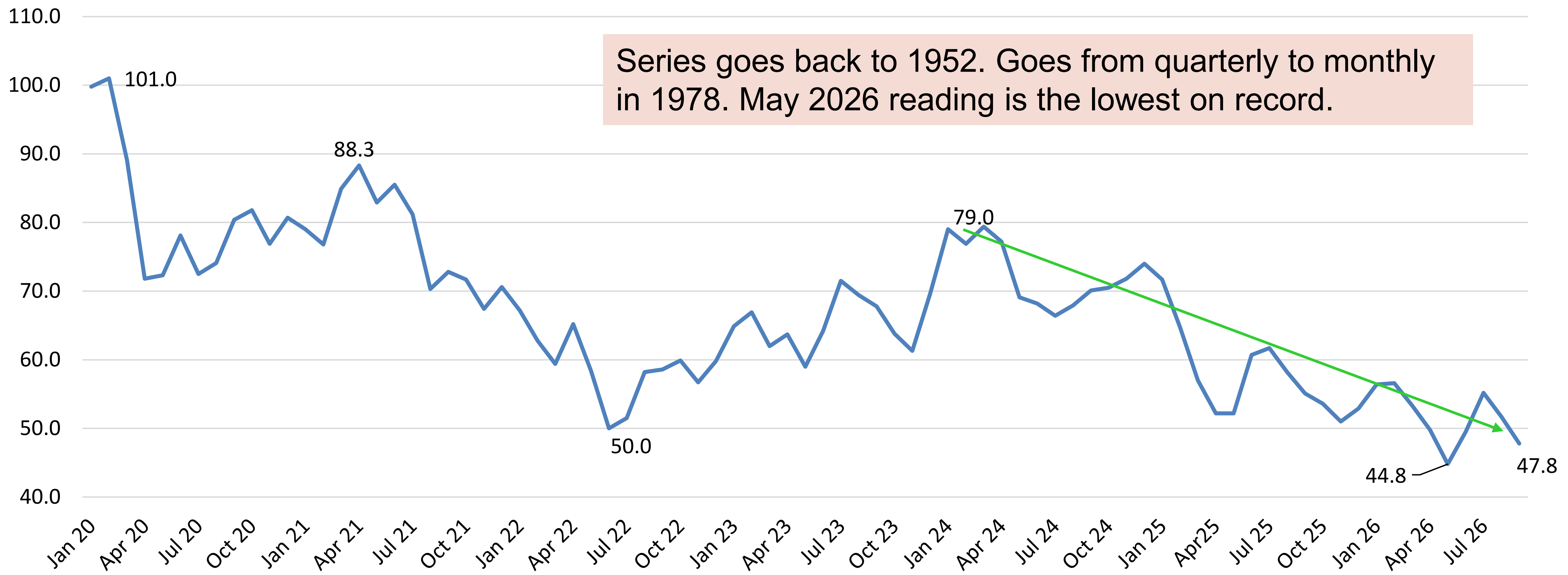
Source: 30-year Fixed Mortgage Rates, Fed Reserve of St. Louis

The “Market”



Source: S&P 500 Index, reported by Fed Reserve of St. Louis

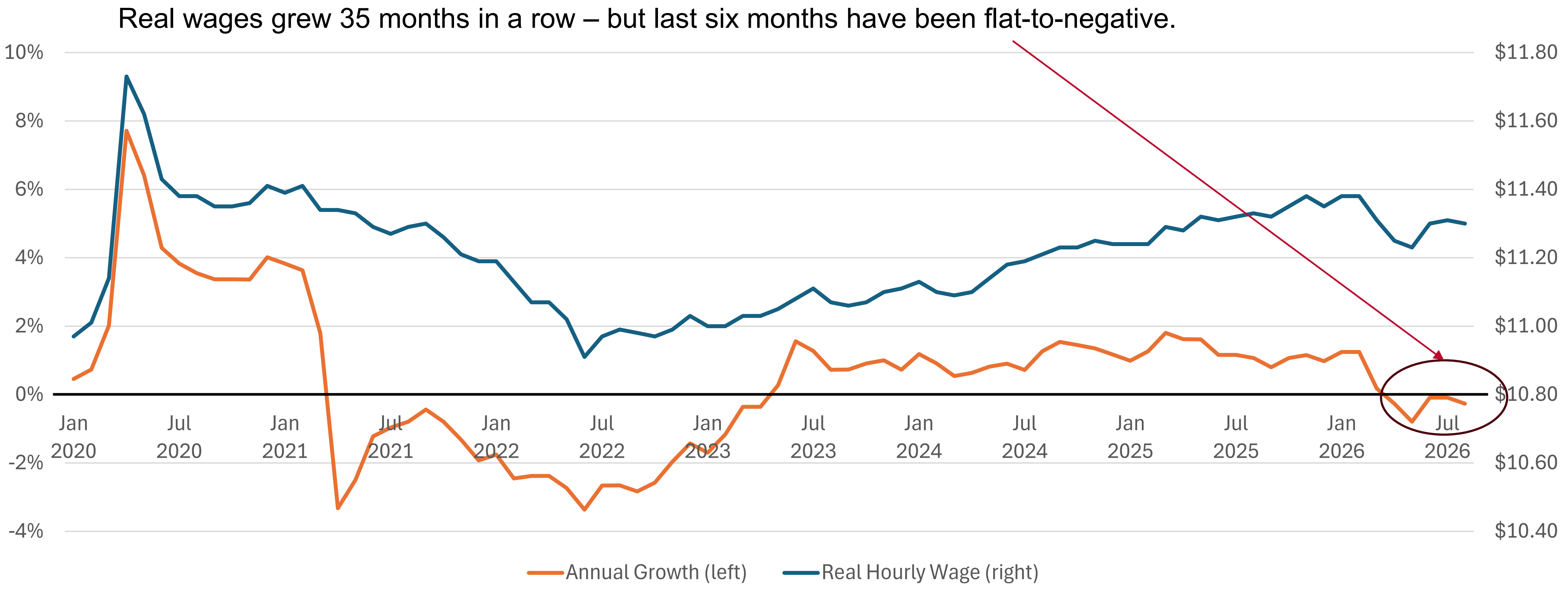
US Consumer Confidence



Note: Had generally moved up since June 2022 but has trended down starting January 2024 (data through September 2026).

Source: University of Michigan, Consumer Confidence Index (http://www.sca.isr.umich.edu/)

Real Private Sector Wages & Wage Growth



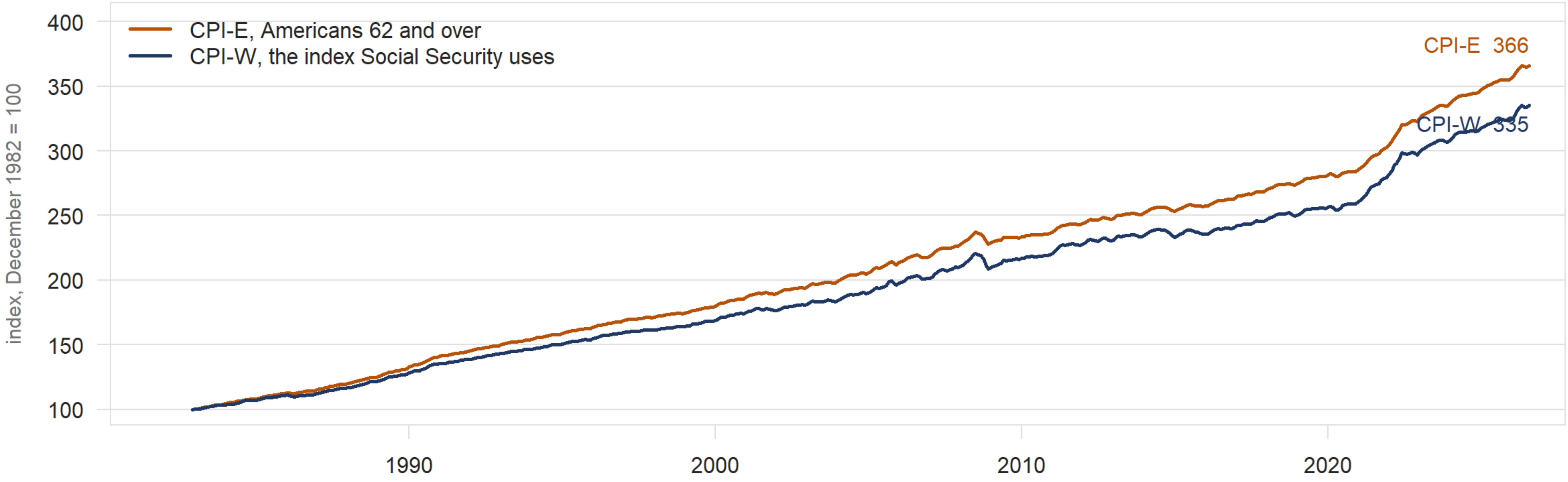
BLS, through August 2026

Inflation & Retirees

Inflation is not one number

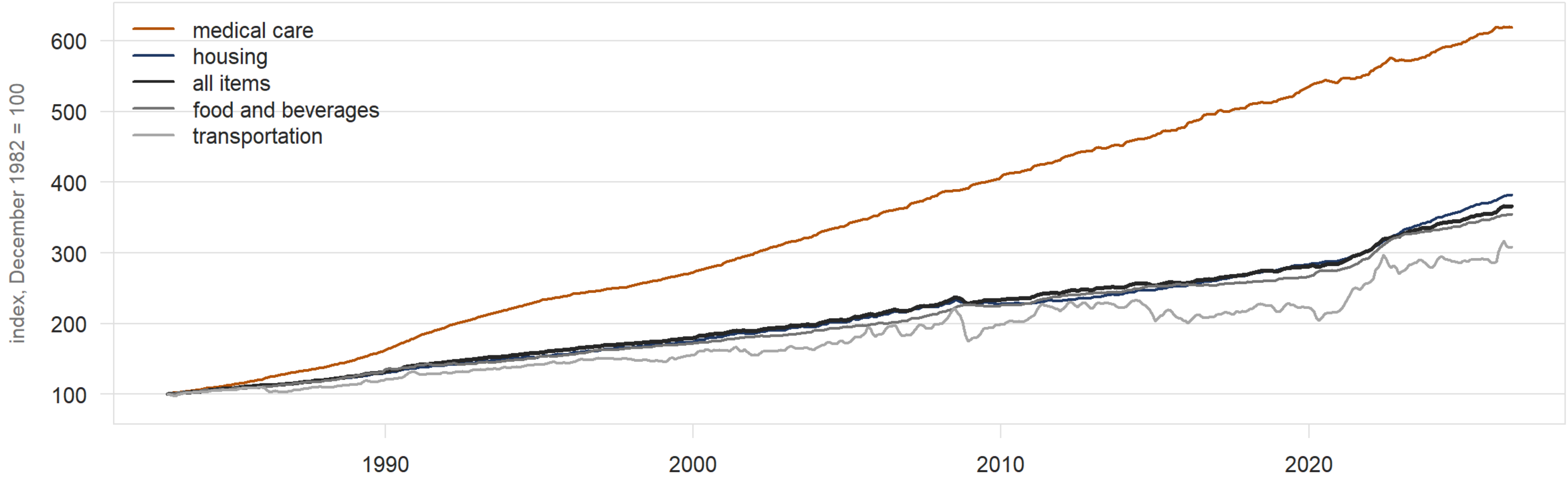
What a retired household buys is not what the average household buys, and the gap compounds

Retirees do not face the index that adjusts their benefits



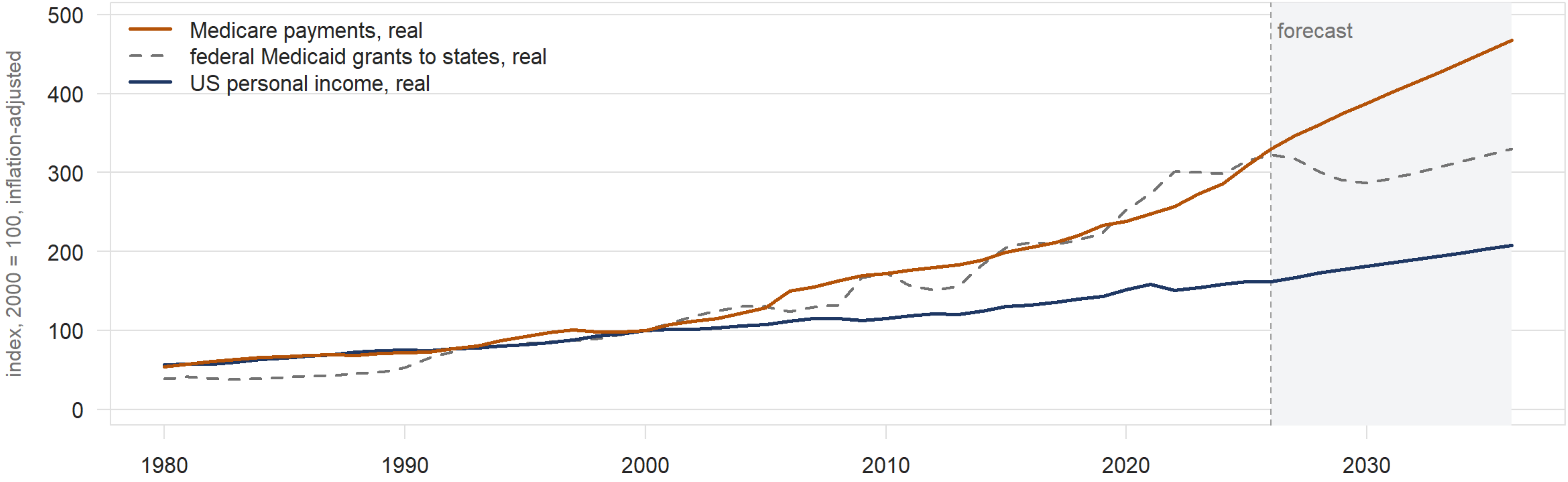
CPI-E has risen 3.01% a year since December 1982 against 2.81% for CPI-W, a cumulative gap of 9.2%. Social Security's COLA is tied to CPI-W. Source: BLS research series via FRED.

Medical care is why



Components of the BLS research price index for Americans aged 62 and over, December 1982 = 100. Source: BLS via FRED.

And the fastest-growing part of that bill is not paid by the retiree



Real Medicare payments grew 4.6% a year from 2000 to 2025 against 1.9% for real US personal income, and the forecast has the gap widening. Source: S&P Global, deflated by CPI.

What inflation does to $1,000 a month

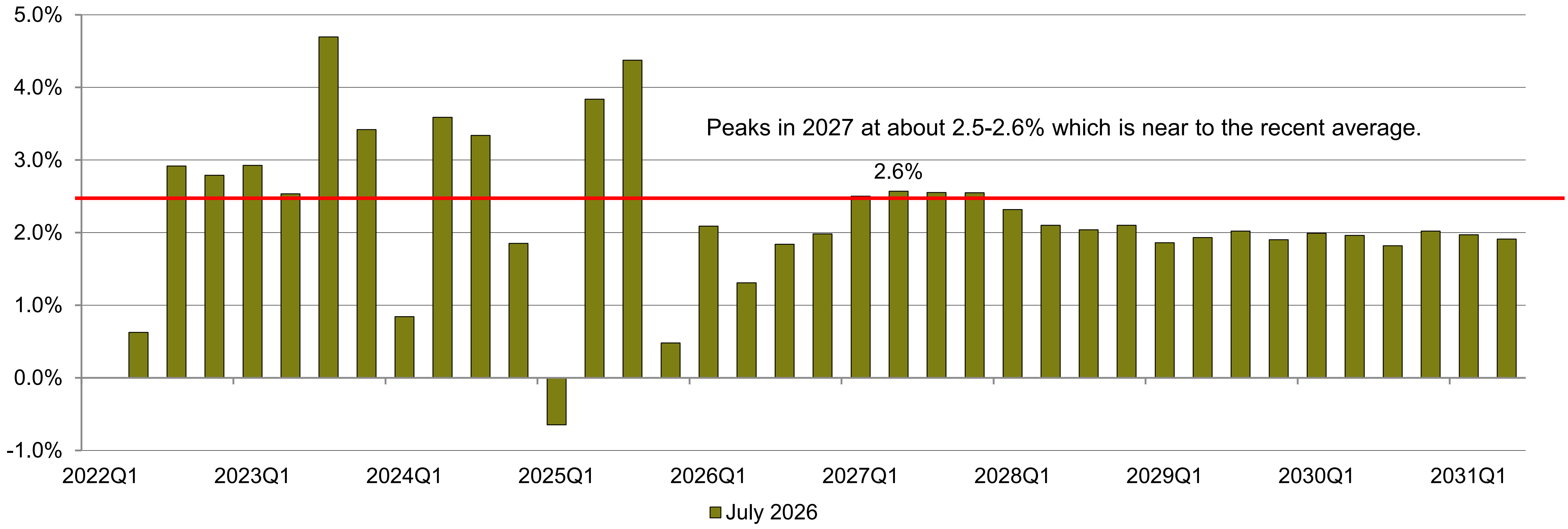
If inflation runs at	after 10 years	after 20 years	after 30 years
2%	$820	$673	$552
3%	$744	$554	$412
4%	$676	$456	$308
5%	$614	$377	$231

Purchasing power of a fixed nominal income, in today's dollars. A partial adjustment only slows this down; it does not stop it.

US
Economic Outlook

US Real GDP Forecast Comparison

Growth (%) in Real GDP, Quarter-Over-Previous-Quarter, SAAR



Source: S&P Global, Inc. (July 2026)

US Employment Forecast by Sector

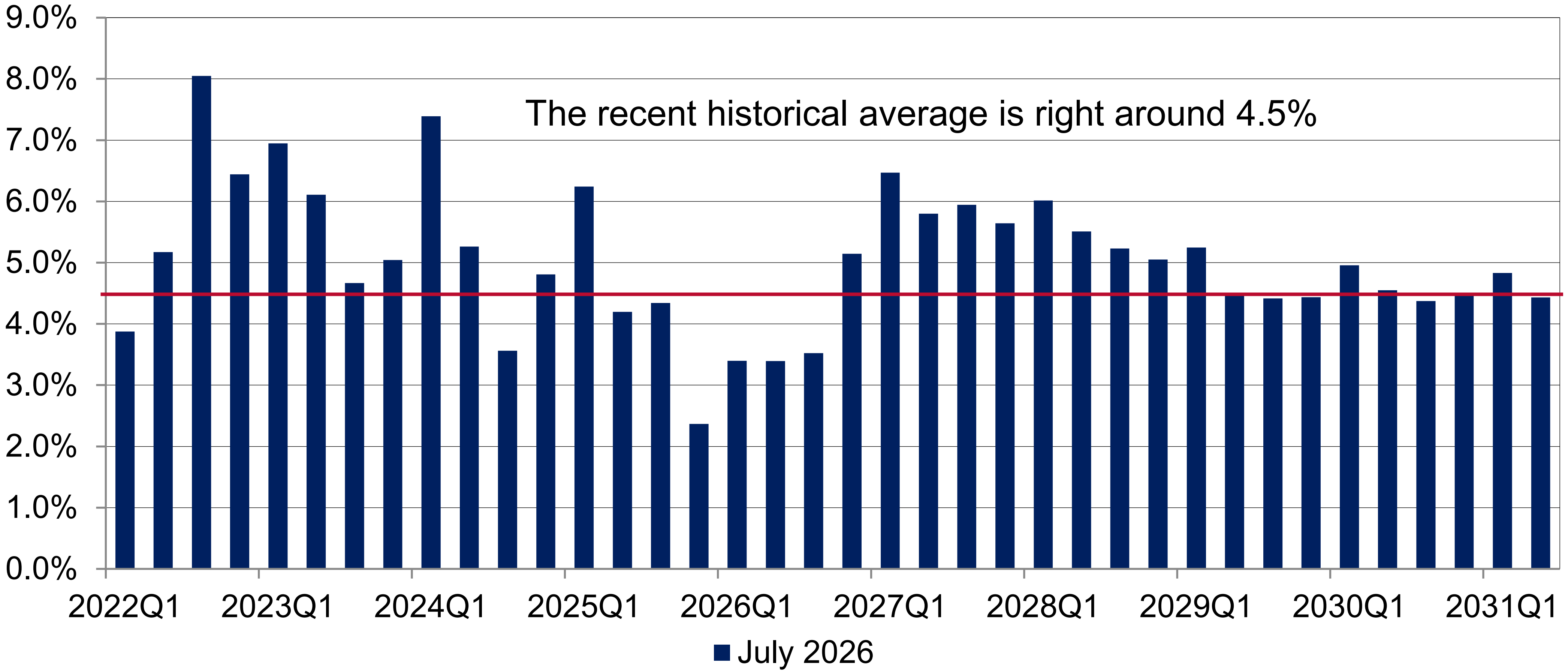
Increase (Decrease) in US Payroll Employment from Previous Calendar Year, Actual & Forecast (Thousands)	2023	2024	2025	2026	2027	2028	2029	2030	2031
Employment Sector									
Construction	246	196	58	58	72	148	129	95	60
Manufacturing	105	(84)	(157)	(12)	(66)	(221)	(142)	(110)	(25)
Trade, Transportation & Utilities	179	4	(86)	(79)	(178)	(339)	(275)	(118)	(29)
Prof. & Bus. Services	188	(192)	(166)	13	265	901	543	482	380
Health Care & Soc. Asst.	963	970	780	584	25	101	68	175	253
Leisure & Hospitality	739	199	100	222	79	(362)	146	70	(75)
Other Private	329	134	73	(173)	(124)	210	79	(62)	(33)
Government	598	571	145	(159)	78	93	81	139	16
Total Nonfarm Payrolls	3,346	1,799	745	453	150	532	629	672	547
Annual Growth	2.2%	1.2%	0.5%	0.3%	0.1%	0.3%	0.4%	0.4%	0.3%

S&P Global, July 2026

These rates of employment growth are very slow by historical standards.
Absent a large macroeconomic shock, the recent historical average is closer to 1.5% per year.

Personal Income Forecast Comparison

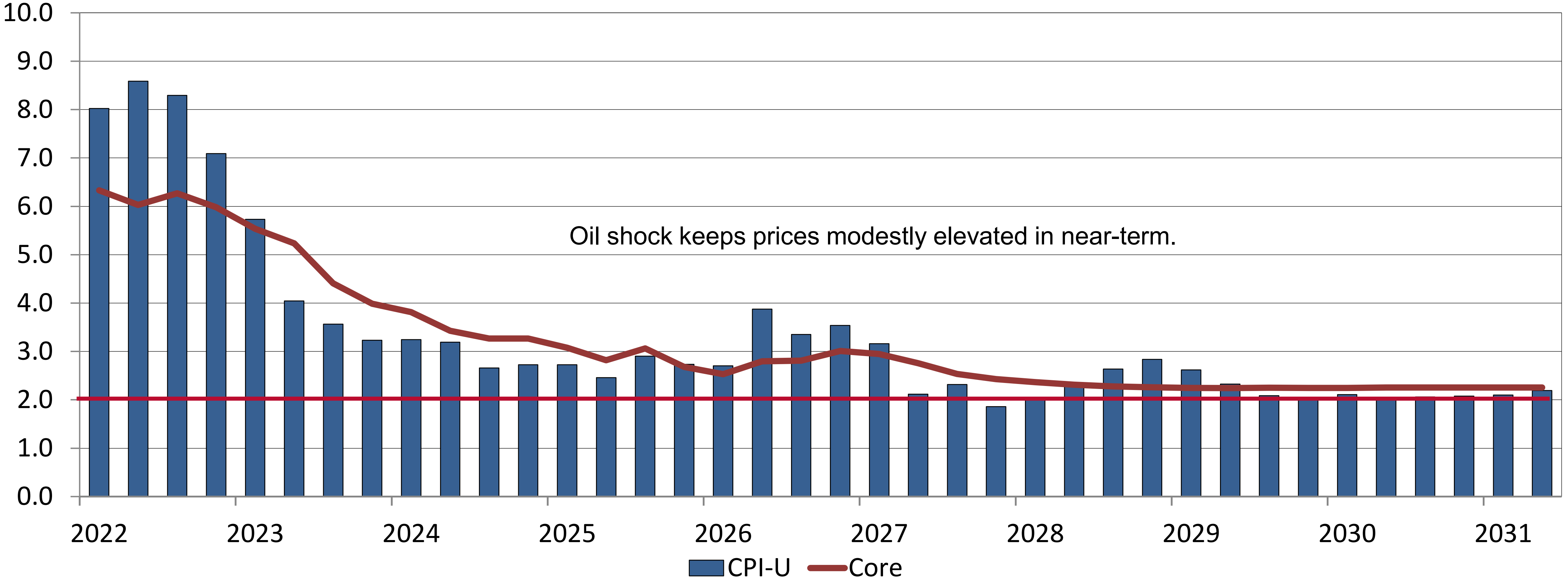
Growth In Personal Income (SAAR) Year-over-Year



Source: S&P Global, Inc.

Consumer Price Index

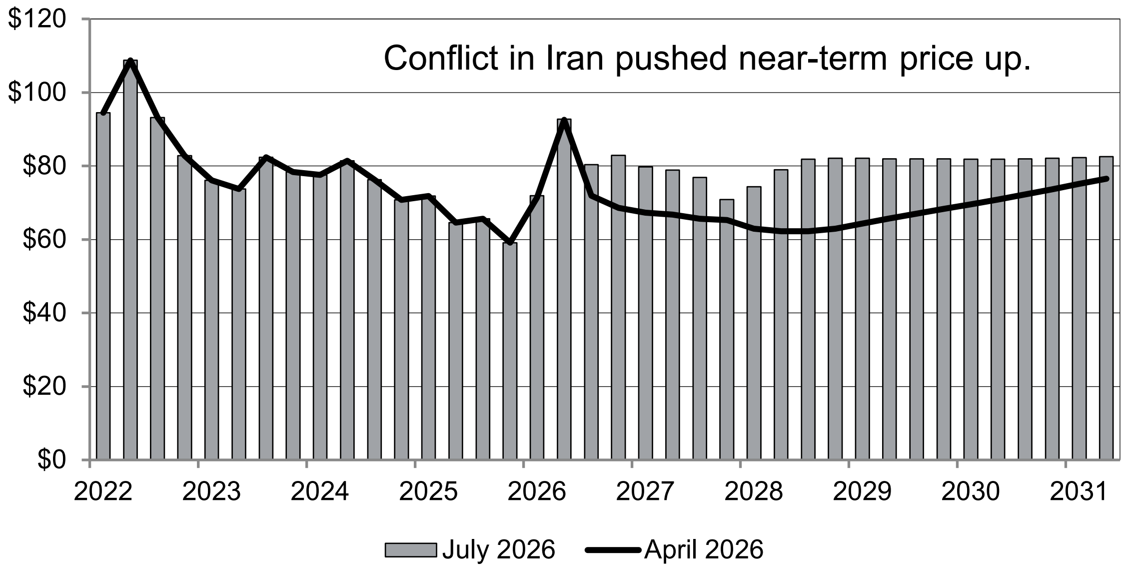
Y/Y Percent



S&P Global, July 2026

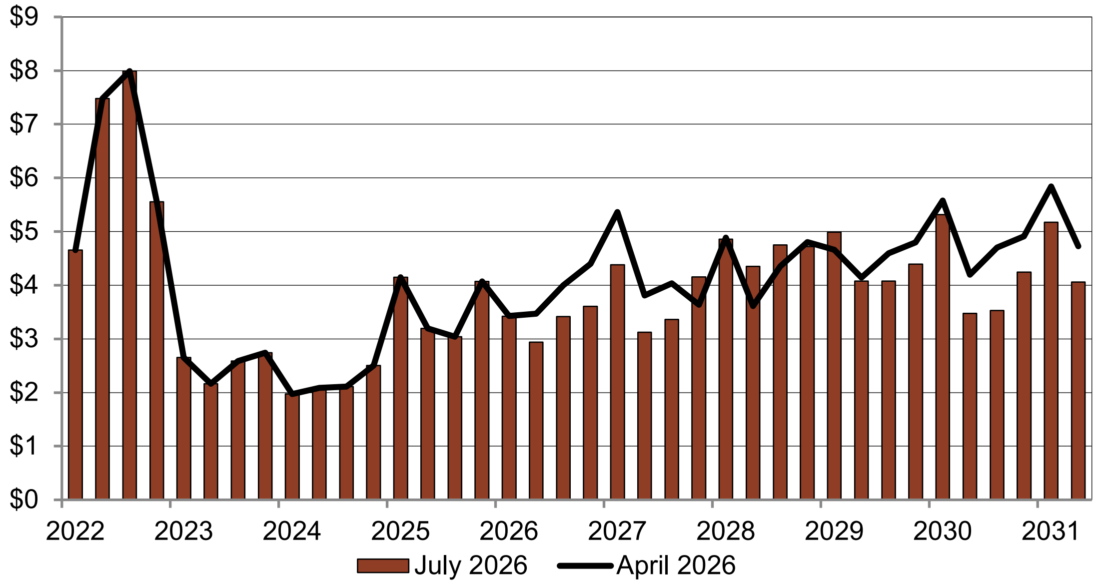
Oil and Gas Spot Prices

WEST TEXAS INTERMEDIATE, SPOT PRICE PER BARREL



Prices elevated throughout.

HENRY HUB PRICE FOR NATURAL GAS PER MMBtu

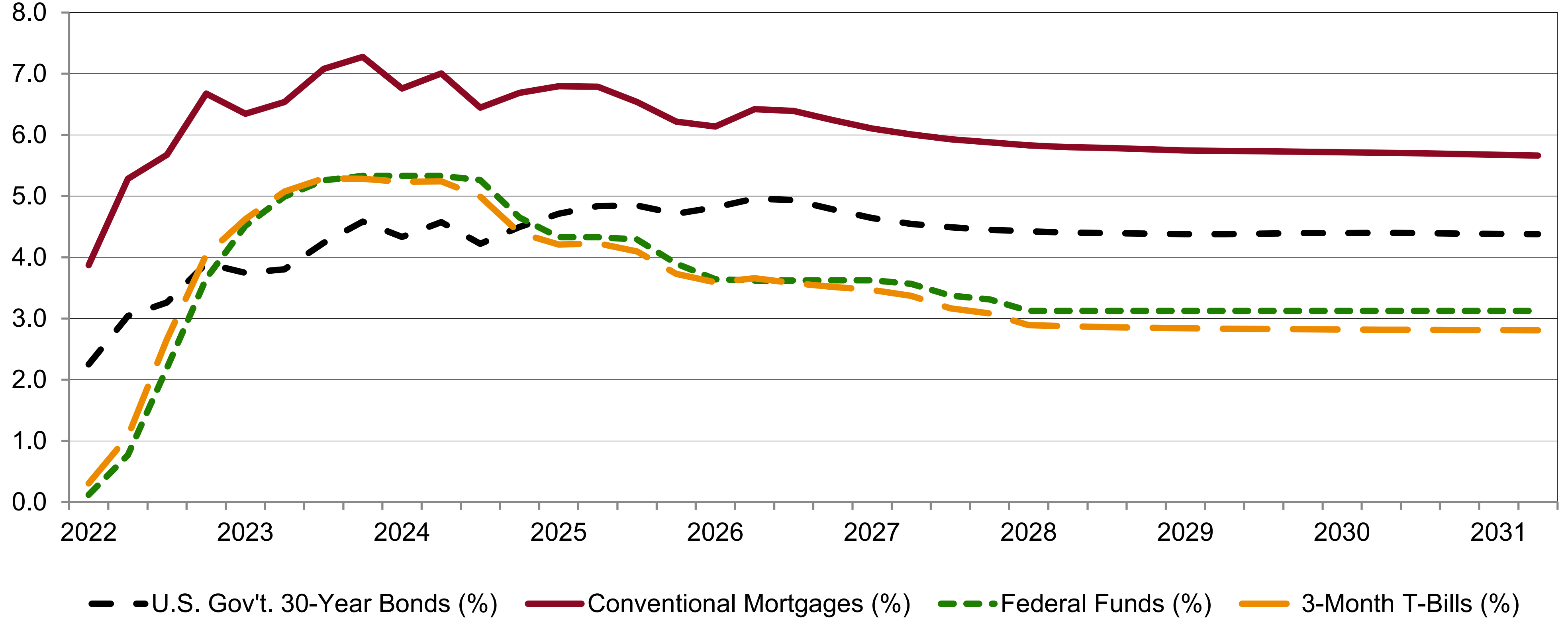


Mostly lower prices this time.

Source: S&P Global, Inc.

Interest Rates

Percent



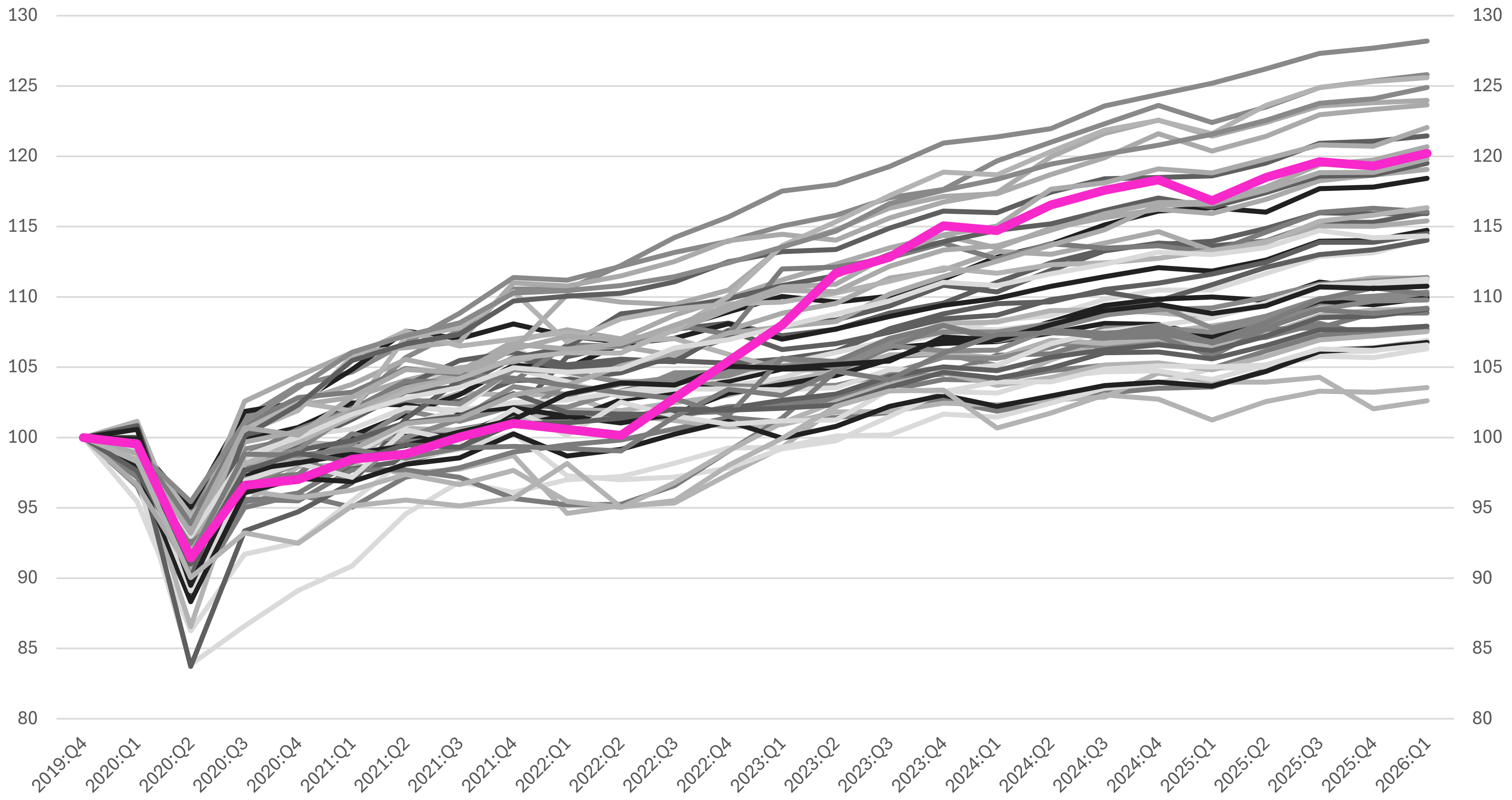
S&P Global, July 2026


New Mexico
Review

New Mexico Current Economic Situation

- Flat-to-negative employment growth end 2025 and first part of 2026. Newest data a bit better.
- Other employment data (CES) suggests continued improvement. By August 2026, data suggest that NM is ABOVE pre-pandemic levels by about 5%.
- Unemployment rate had been moderate but ticking up. In May, rate hit 4.9% (a 4 year high) but has softened to 4.7% in August.
- Oil: WTI around $95/barrel as of mid-week.
  - Drilling and production still robust; had started to plateau but now again breaking records.
- Next several slides correspond to key data series that we monitor.

BEA Real Gross State Product



Source: Bureau of Economic Analysis

Gross State Product

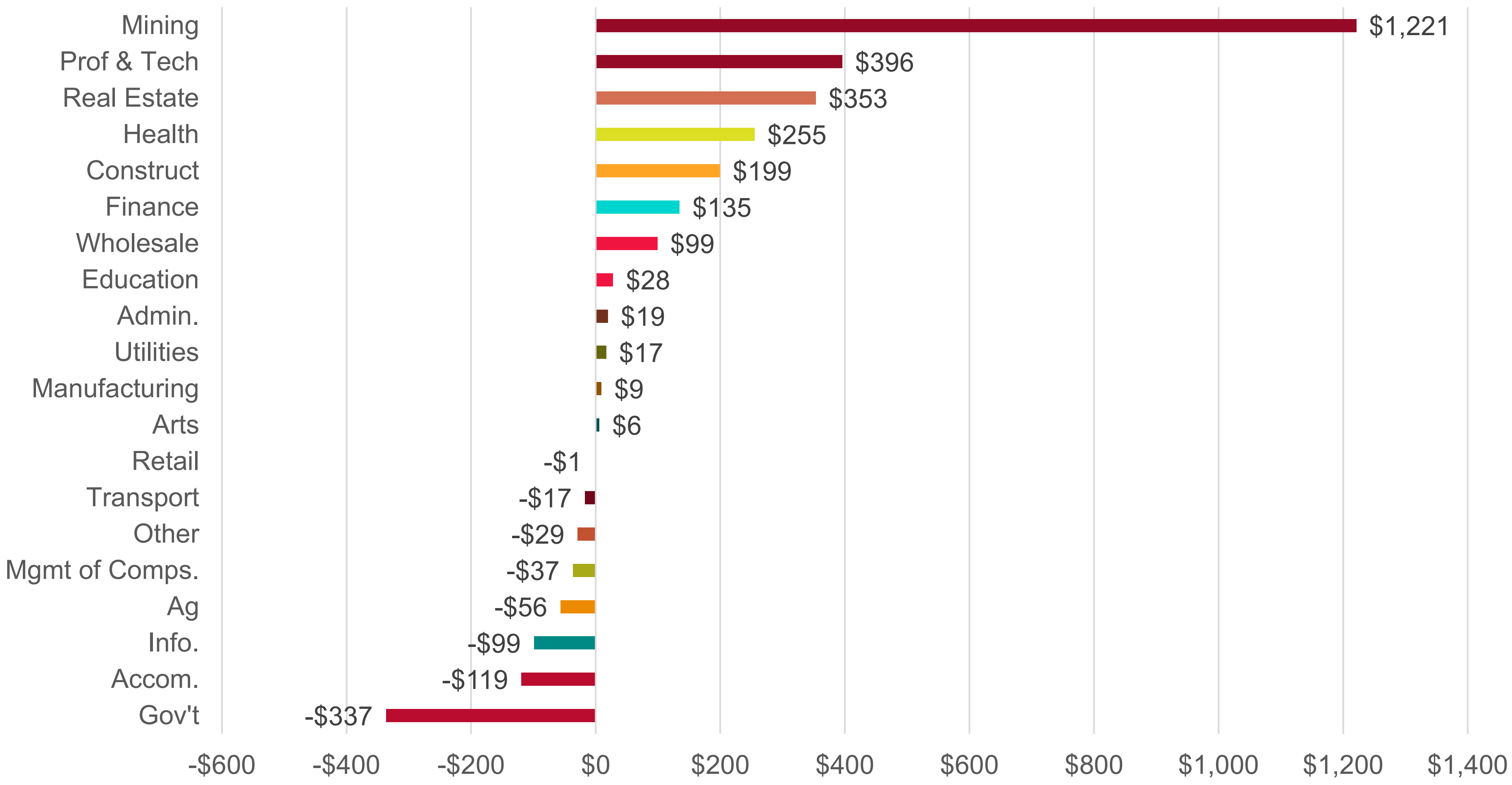
Each state indexed to 2019Q4 (NM's high point). New data through 2026Q1.

NM real GDP is about 20% above pre-pandemic levels.

Through 2026Q1, 9 states have had greater recoveries in GSP.

Much of the gain is related to the mining industry.

NM Real Gross State Product by Industry 2025 over 2024



Source: Bureau of Economic Analysis ($millions)

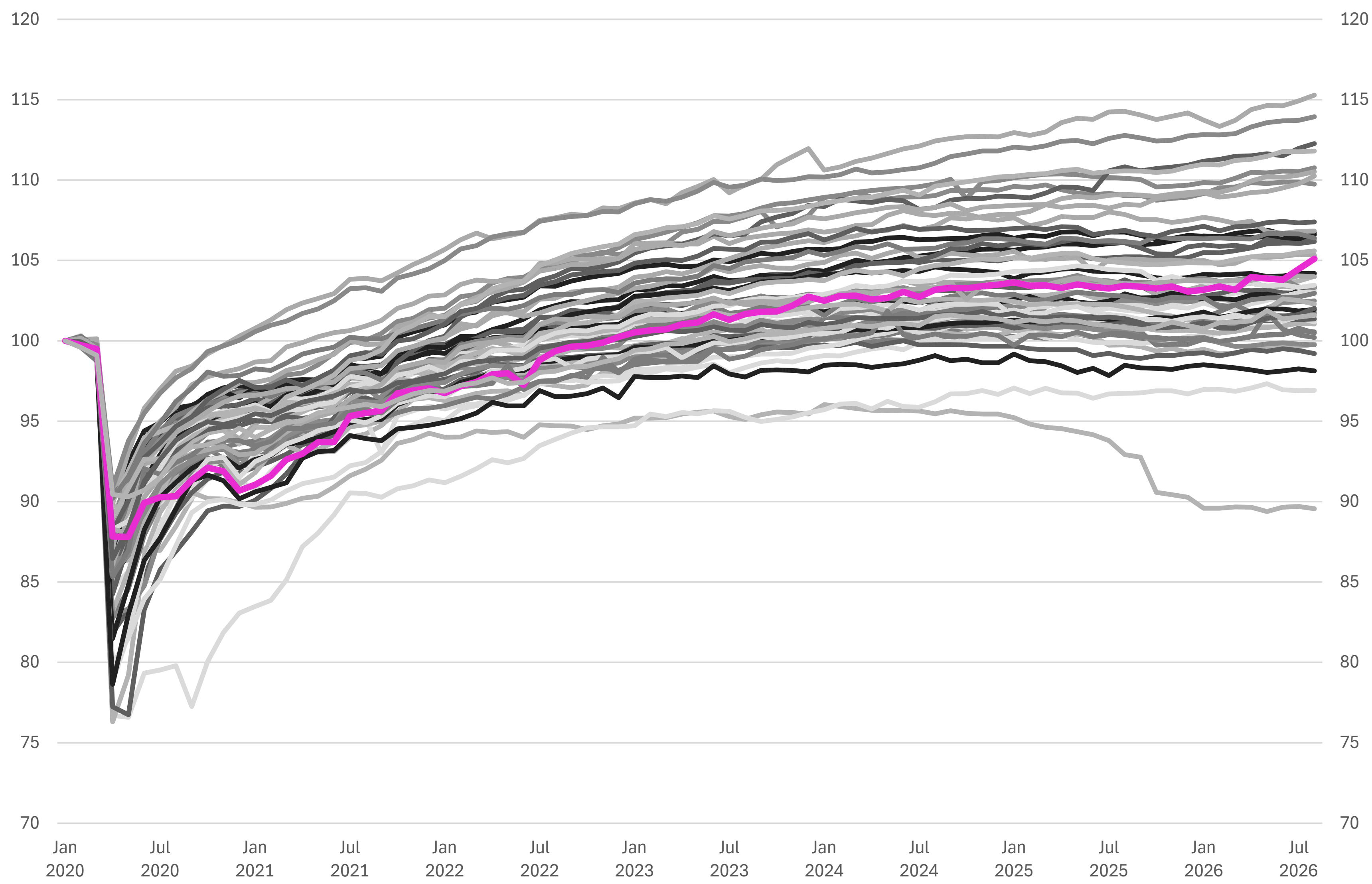
Gross State Product

Mining dominating.

Prof & tech, real estate, healthcare, construction, and finance contributing.

Gov't is a drag, but that is coming from the federal side. State & local government is up.

Accommodations, agriculture, and info also dragging things down.



Change in Employment (CES data)

As of August 2026, NM has recovered about 105% of the jobs it lost at the start of the pandemic.

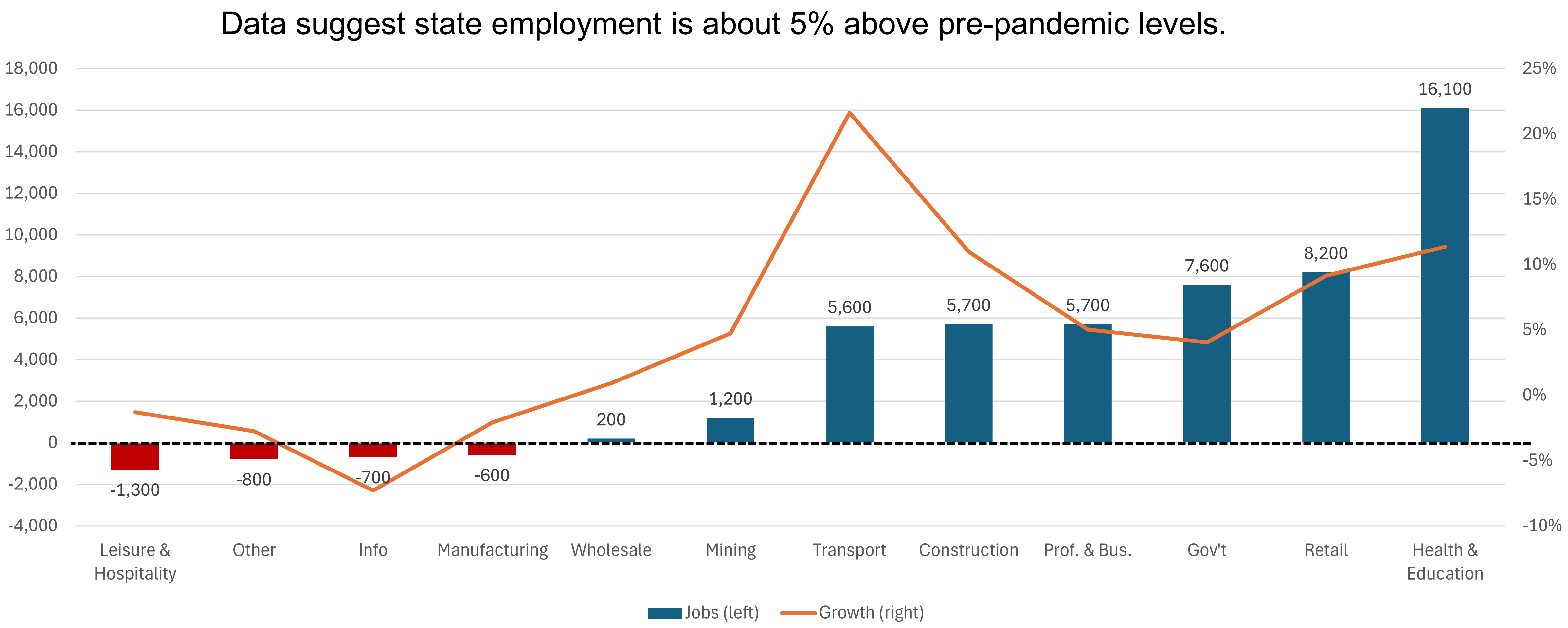
17 states have had stronger recoveries than NM.

Other surrounding states: AZ 110%; CO 105%; OK 106%; NV 112%; UT 114%; CA 103%; TX 112%.

= New Mexico

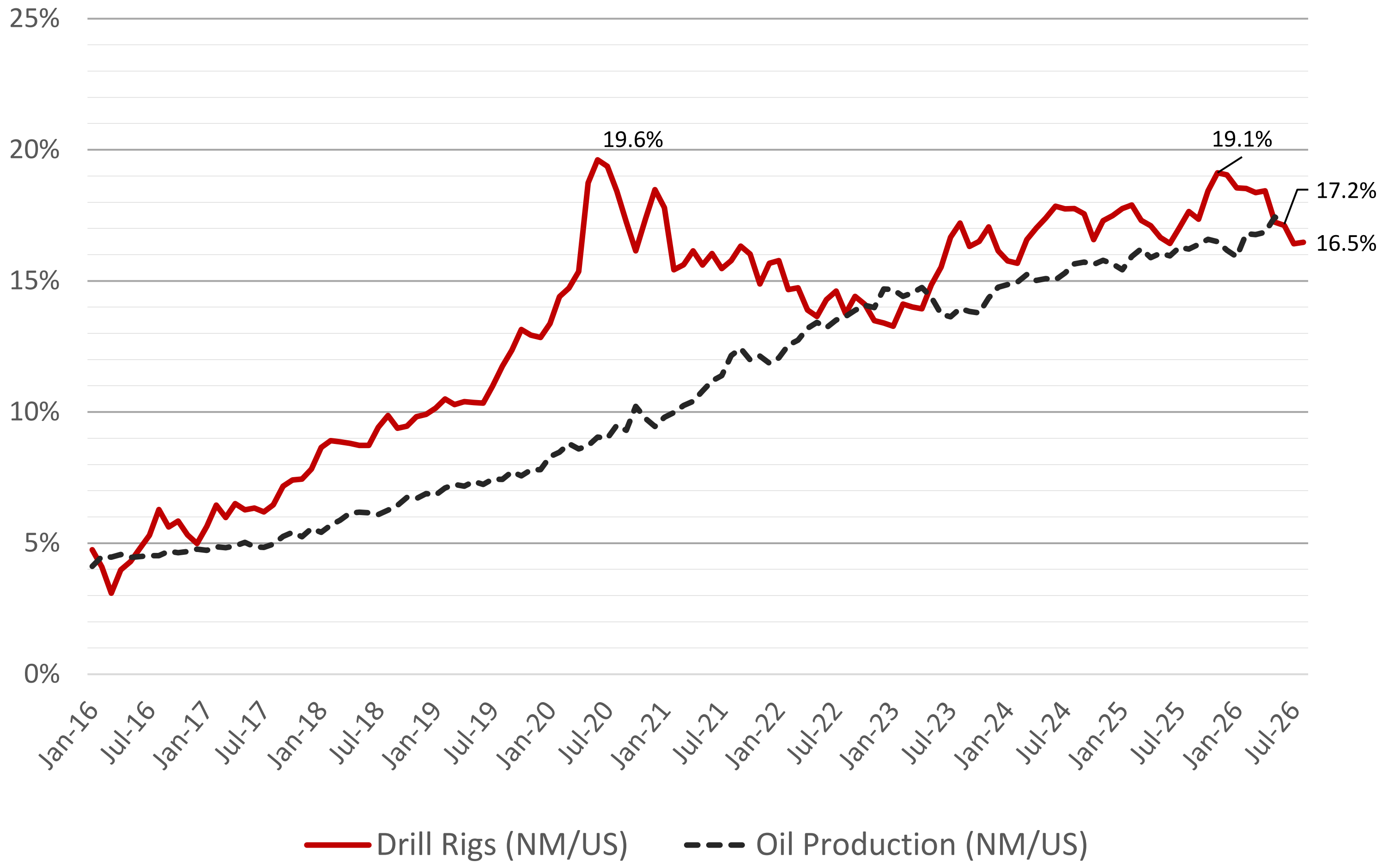
Source: BLS CES, through August 2026

CES: Cumulative January 2020 through August 2026



BLS, BBER FOR-UNM, August 2026

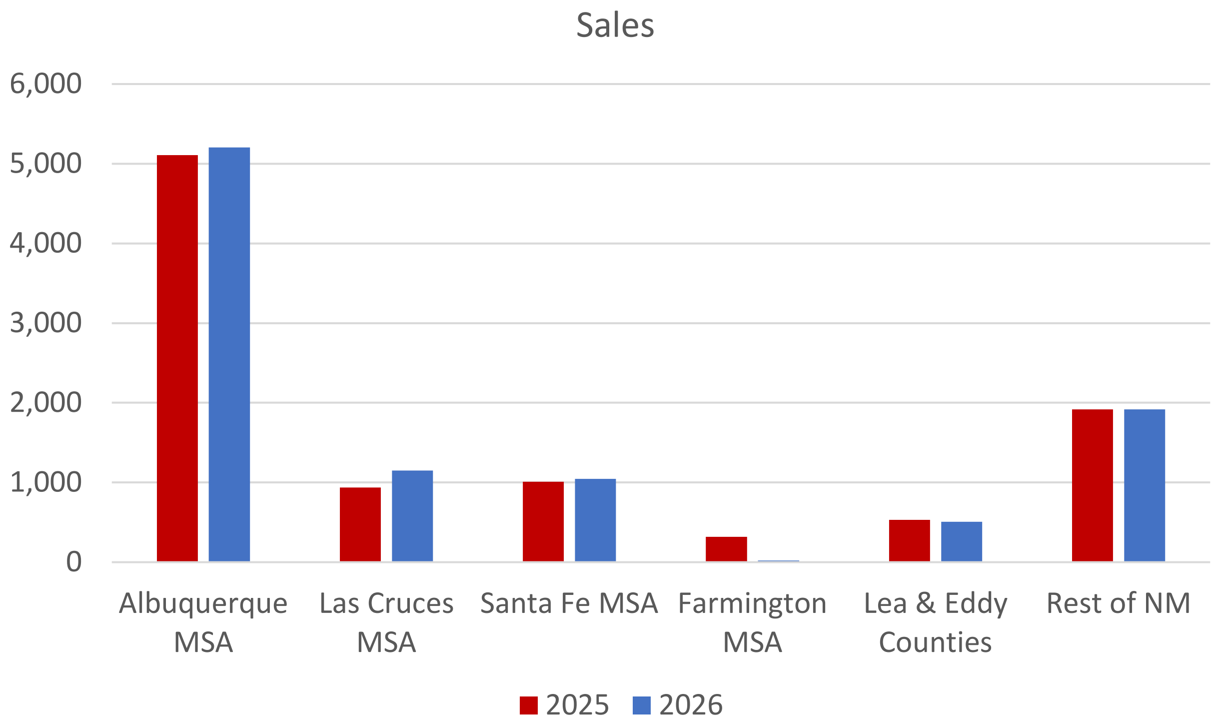
Increased NM Field Oil Production Presence

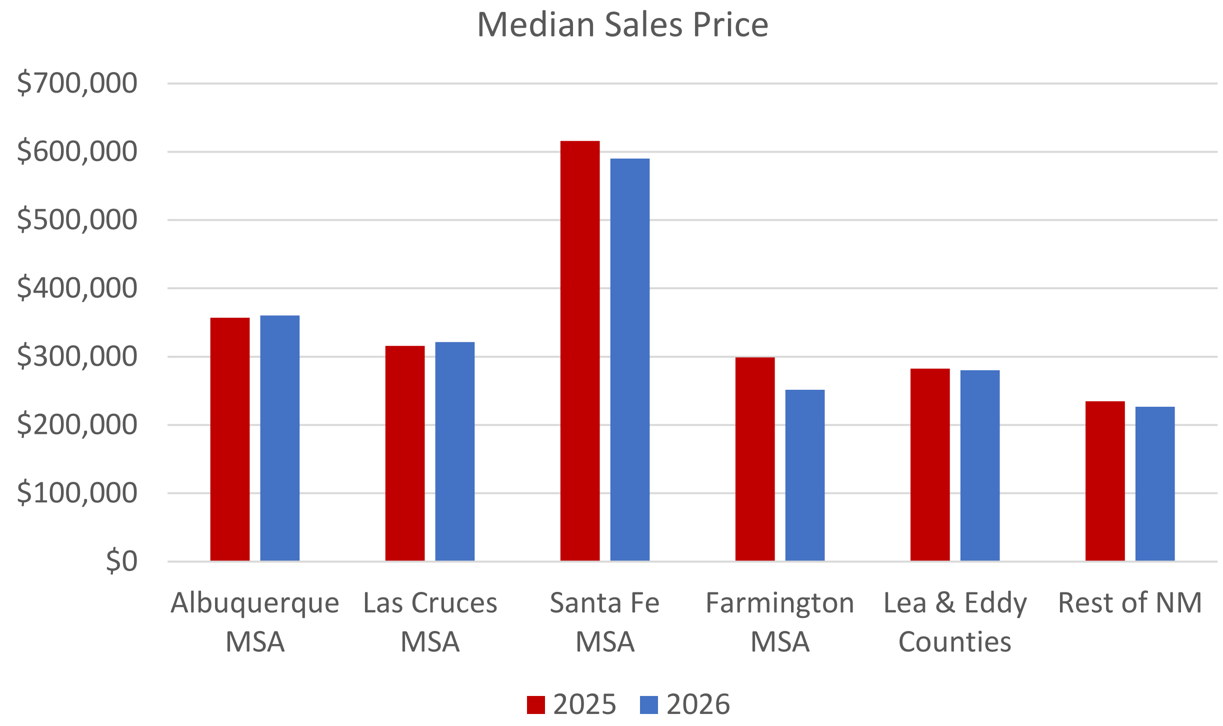


- Rig counts are in the mid-90's. About 16.5% of all US drilling rigs are in New Mexico. Is drilling slowing a tad or is this just variability?
- 17% of all US field oil production occurs in NM; up from about 4% in 2016.
- To put in perspective: 2025 field oil production in US totaled 13.6 million barrels per day (bpd), which is up from 8.9 million bpd in 2016 (up 53%). In NM, production increased from 400,000 bpd in 2016 to 2.2 million bpd in 2025 (up 459%).
- Incidentally: NM accounts for around 8% of US gas production by volume.

Sources: EIA, Baker Hughes. Calculations: BBER

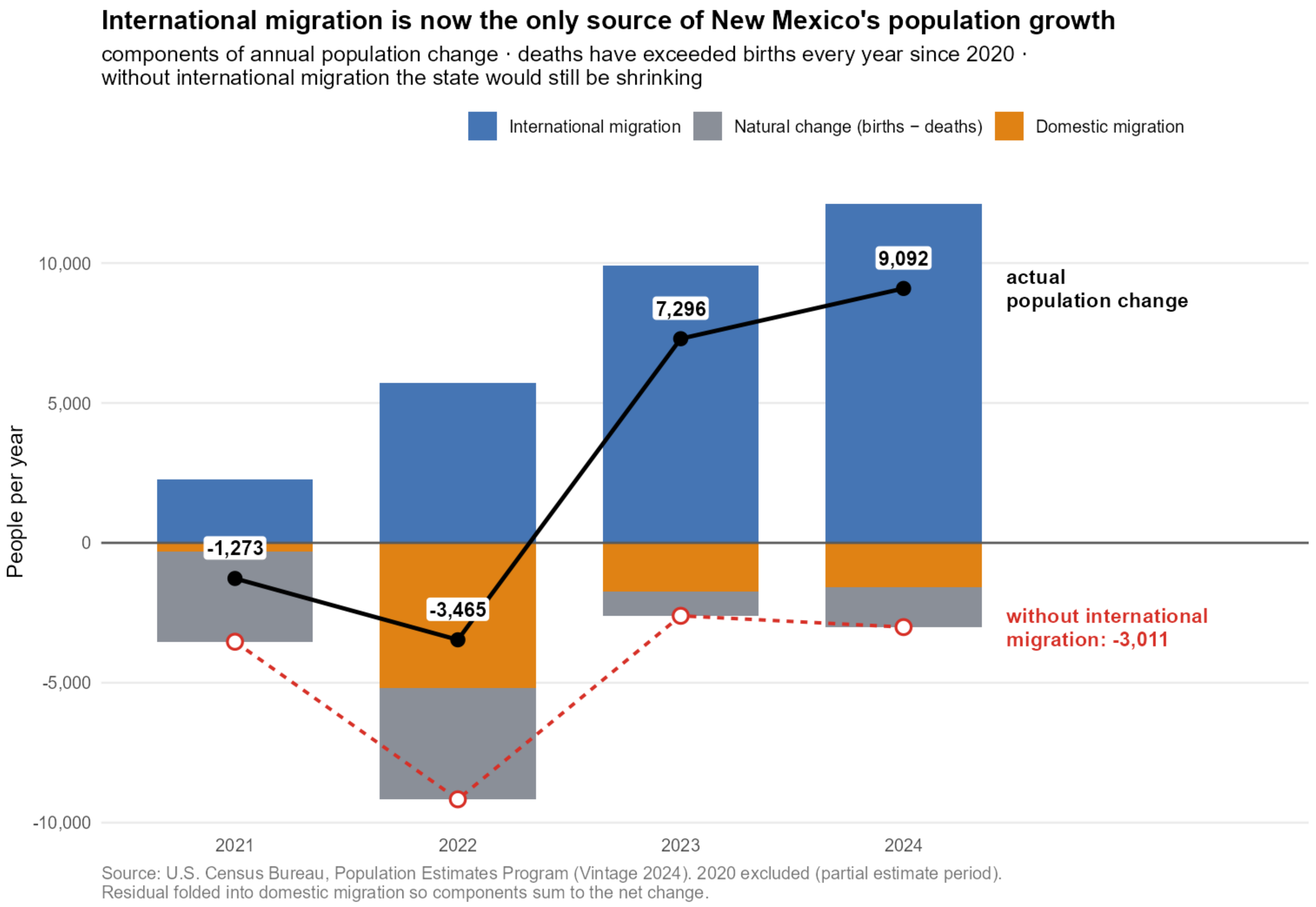
New Mexico Housing Sales & Prices through June 2026 vs. June 2025





- Though June 2026: NM Total 9,844 units, median price $349,000. Versus through June 2025: 9,825 units, median price $350,000. Units are up 0.2% and price is flat (in other words: in aggregate, sales and median price are basically level with last year).

Source: New Mexico Realtors Association, https://www.nmrealtor.com/housing-stats



Deaths have exceeded births for several years.

Domestic out-migration is exceeding domestic in migration.

Recent population growth dependent on international migration.

Greater immigration enforcement starting in 2025 may suppress near-term growth further.

New Mexico Outlook

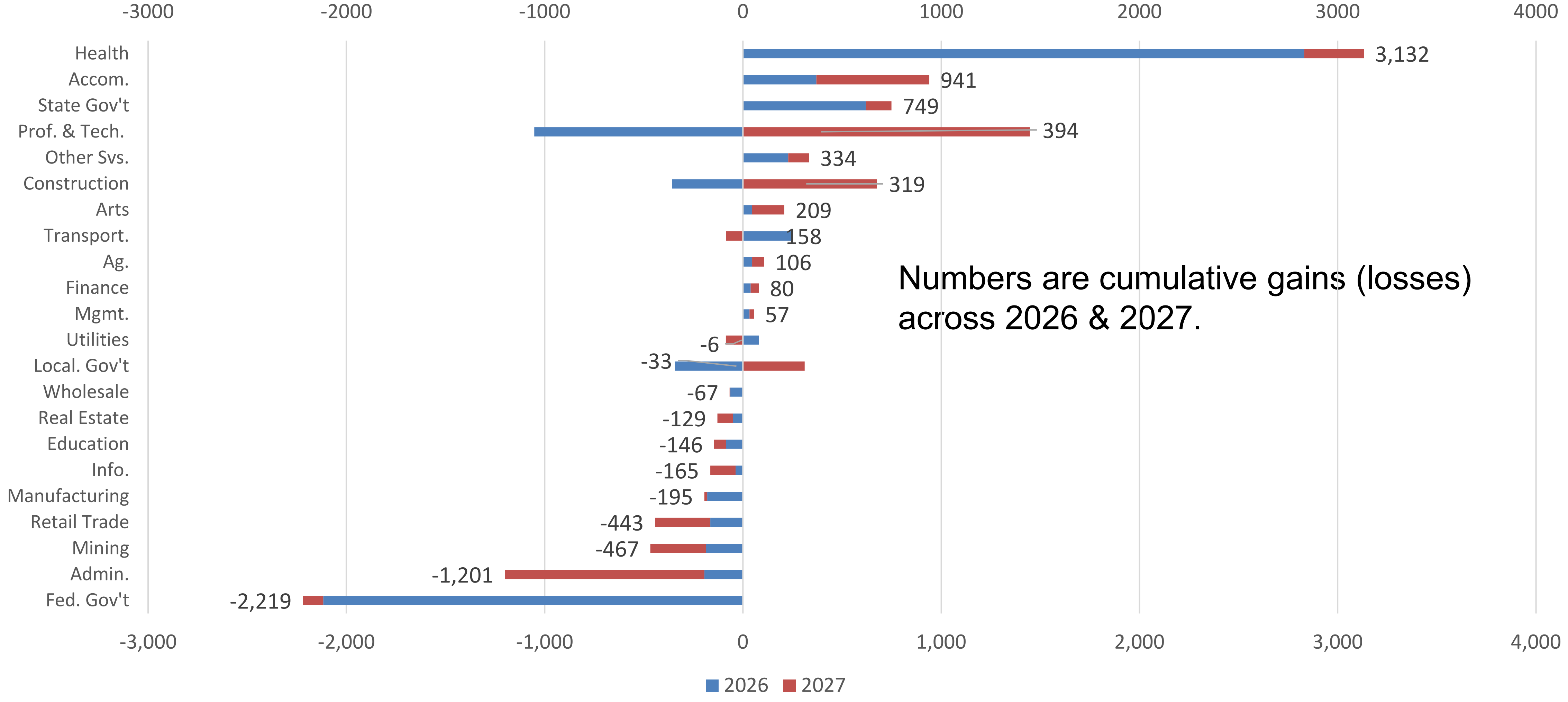
New Mexico Economic Outlook 2026-2031

- Employment growth remained solid in 2024 but slowed to about 0.6% in 2025. National slowdown keeps things subdued starting in 2026 (no “recession” in baseline).

- CES data through August 2026 indicate that state is about 5% above pre-pandemic peak.
  - Employment grew 1.5% in 2024 and 0.6% in 2025. We project flat growth in 2026, 0.2% in 2027, and 0.3% in 2028.
  - Economy exceeded 2019 levels in 2023. By 2031 about 59,500 jobs above 2019 levels (about 7% above).

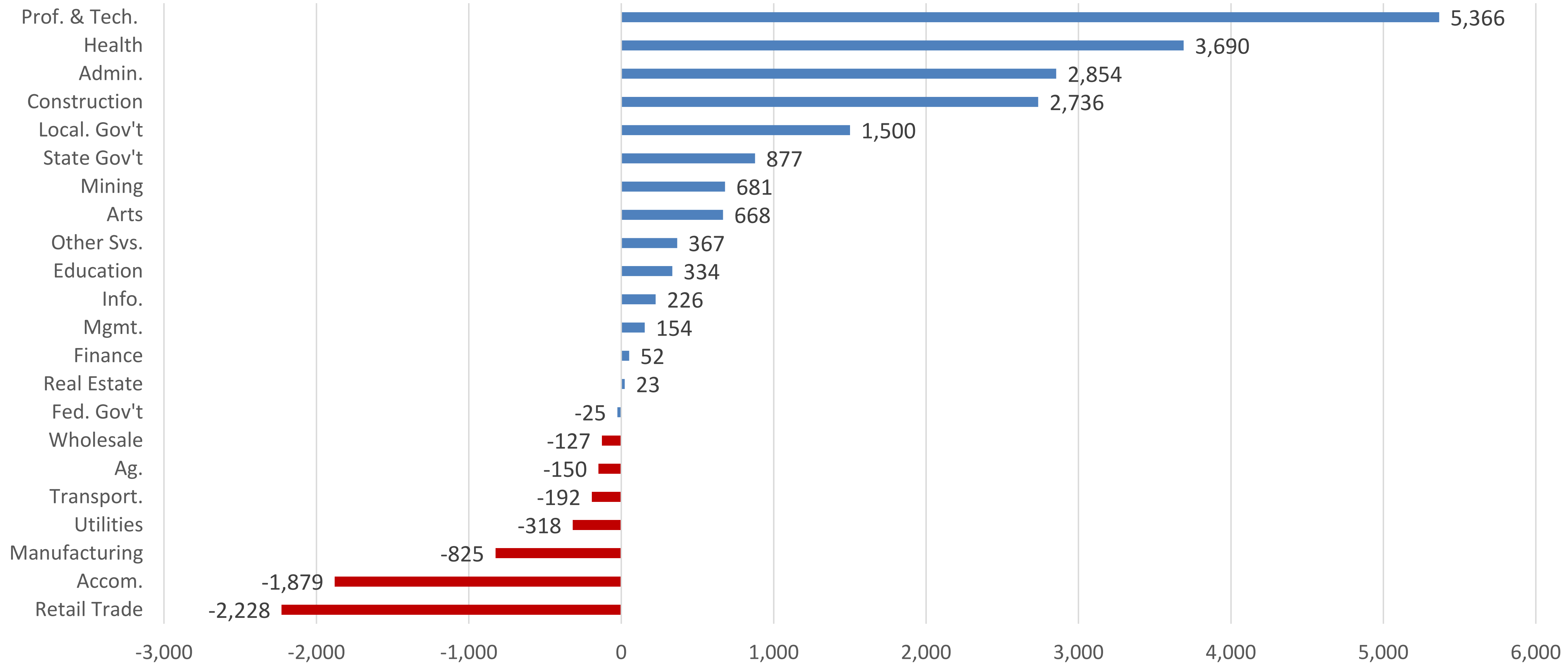
- Income growth modest in 2026-2031 and averages 4.9% per year with fastest growth 2027 through 2029.

Projections by Industry in 2026 & 2027



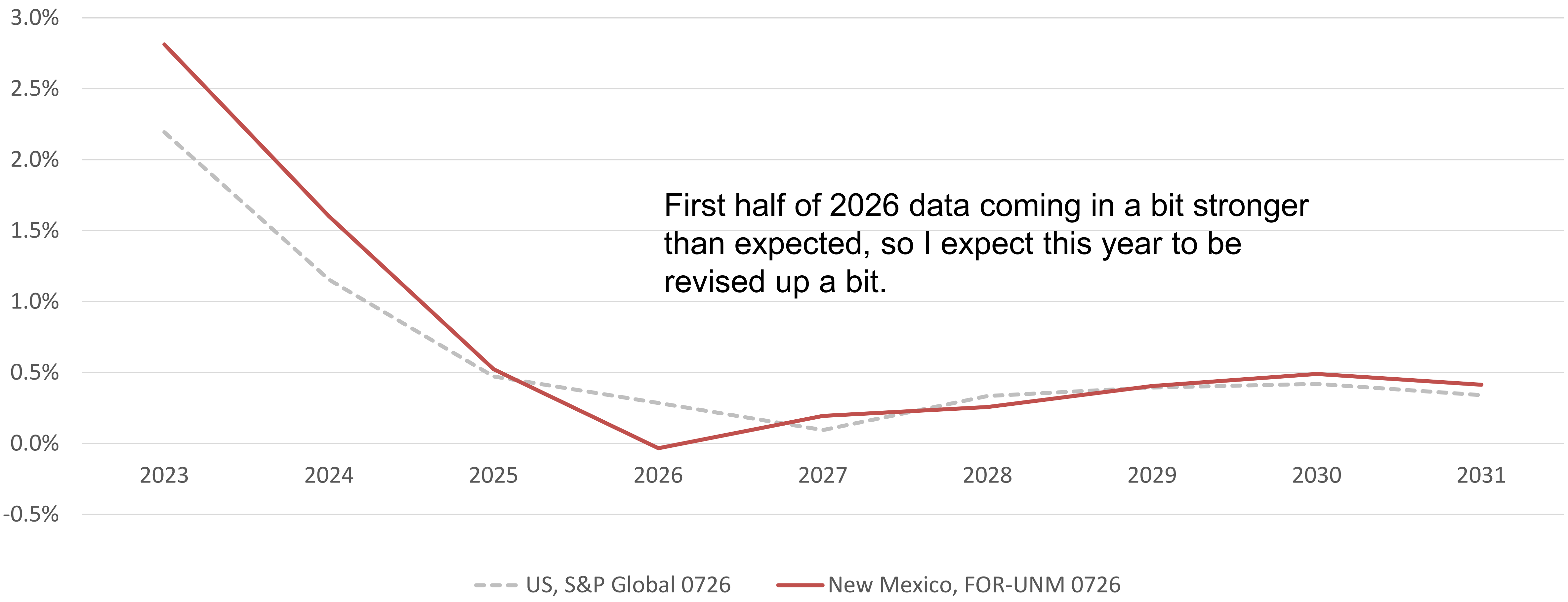
BBER FOR-UNM, June 2026

Projections 2027 through 2031



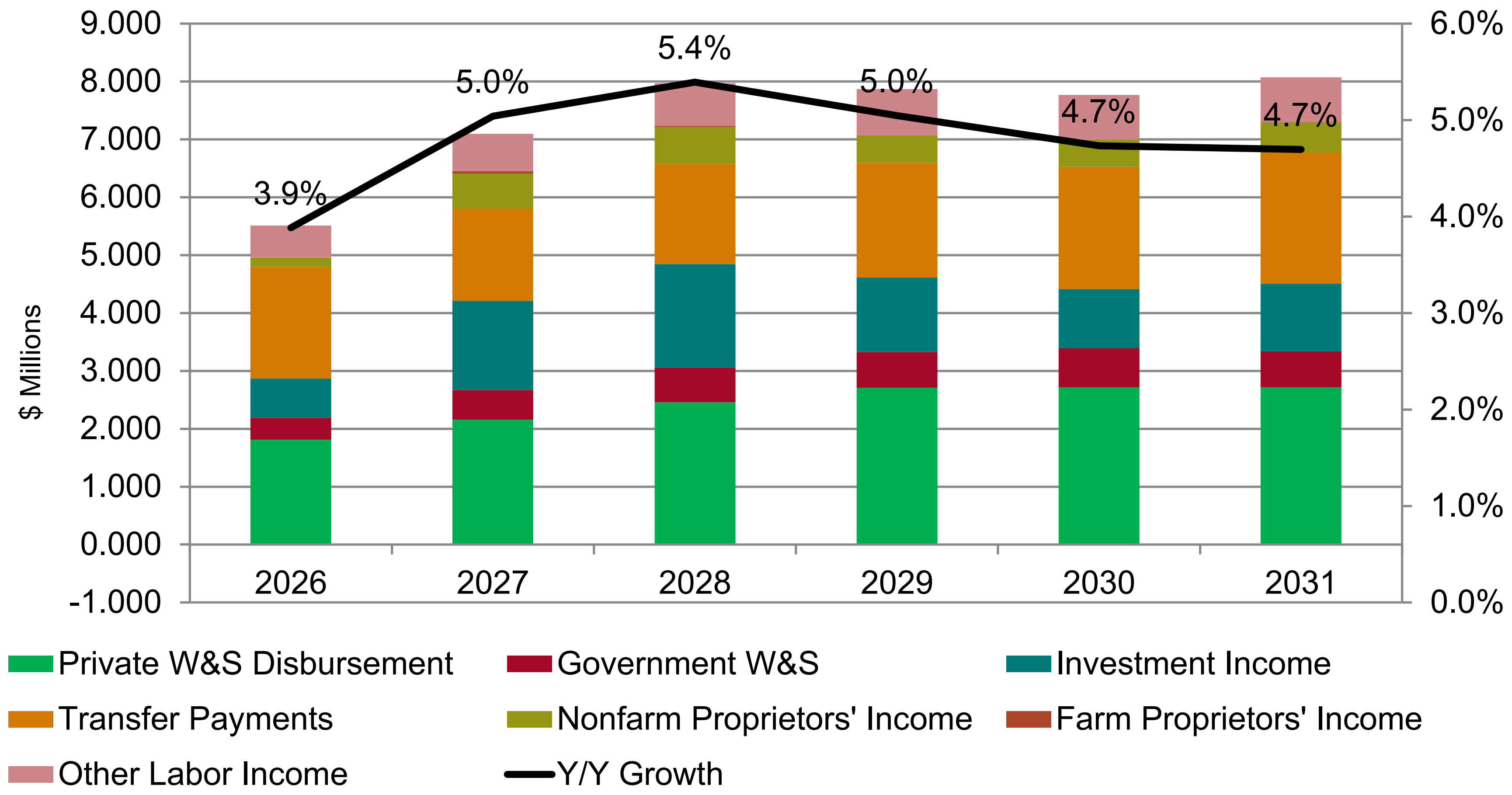
BBER FOR-UNM, June 2026

Employment Forecast Comparison: NM vs. US



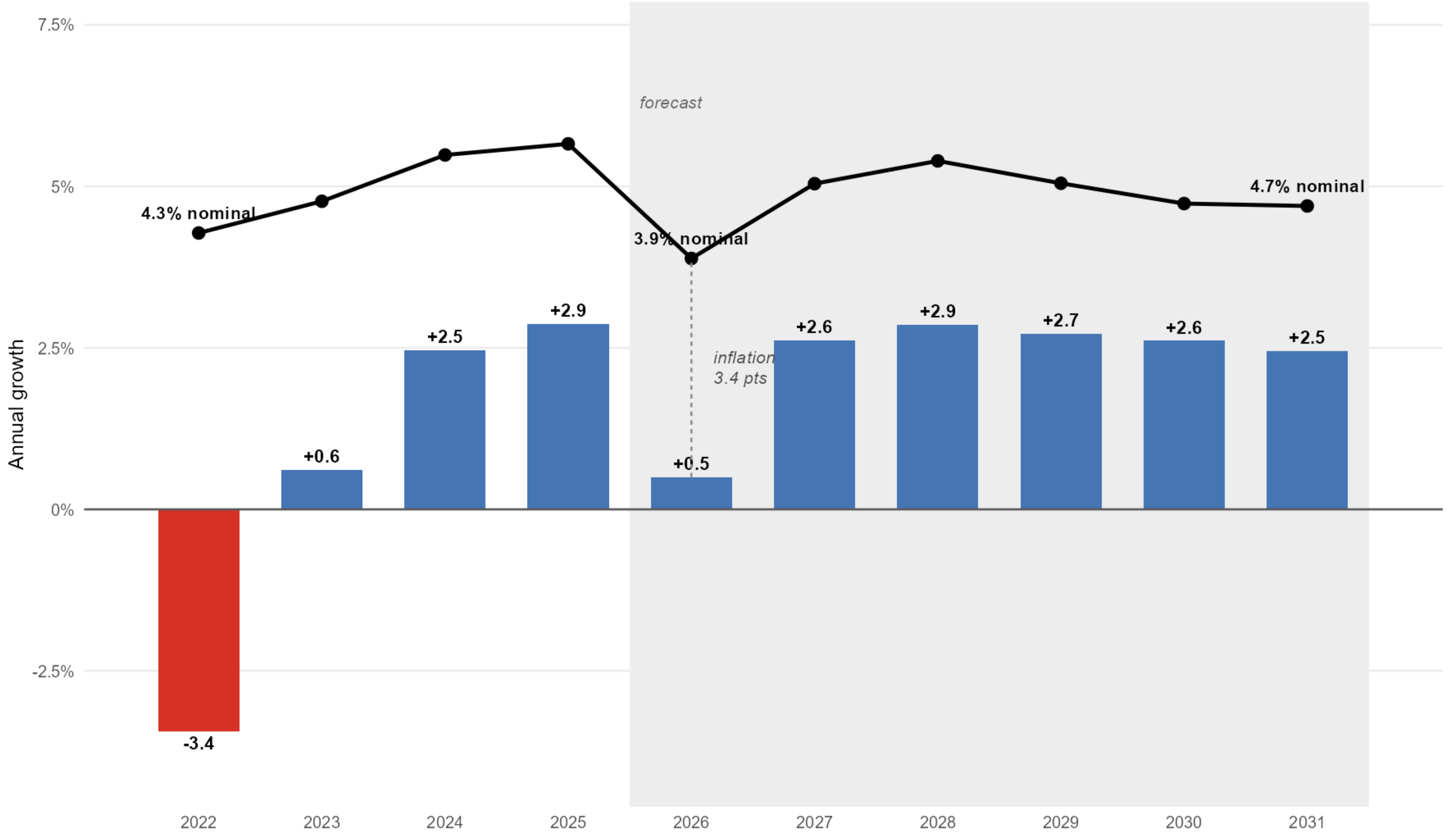
S&P Global & BBER FOR-UNM, July 2026

Forecast Personal Income Growth, by Component



- Tepid growth in 2026, driven by somewhat slower national growth expectations.
- Growth very strong in 2027 through 2029 (US growth expectations similarly robust).
- Growth softens to an average of about 4.7% per year through 2031.

BBER FOR-UNM, July 2026



BBER FOR-UNM & S&P Global, July 2026

What about <u>Real</u> Personal Income?

Near-term pinch this year due to elevated inflation and modest income growth

Subsequent years are closer to long-term trend.

This leverages BBER's PI forecast and applies S&P's national price deflator.

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Thank You!