

NEW MEXICO ECONOMIC SUMMARY



NOVEMBER 2012

COUNTY DATA REVEAL MIXED BAG OF EFFECTS IN ECONOMIC DOWNTURN

The Great Recession's broad toll on New Mexico is well-known — 50,000 non-farm jobs lost since April 2008, with current employment at a level not seen since 2004 — but an examination of various quality-of-life indicators reveals a snapshot of the state that might be missed when looking at isolated numbers.

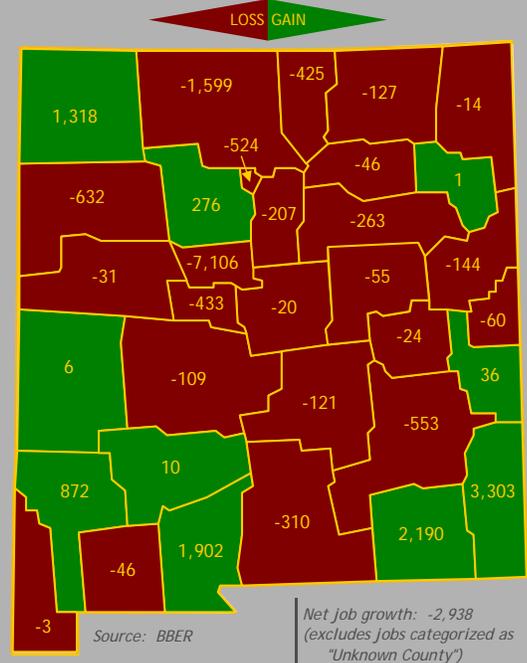
One multifaceted portrait of the state centers on job growth patterns from 2009 through 2011, a time of economic downturn and sluggish recovery throughout the country. It is no surprise that many New Mexico counties saw overall job losses during that period, as seen in the map above right.

More nuanced portraits emerge, however, when jobs data are considered alongside other trends, such as a shift in the balance between the public and private sectors. As seen in the map below right, many

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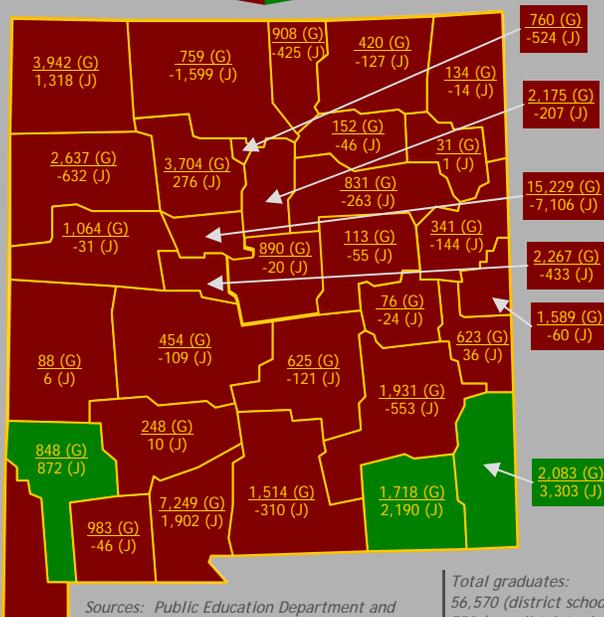


JOB GROWTH TREND 2009 Q4 THROUGH 2011 Q4



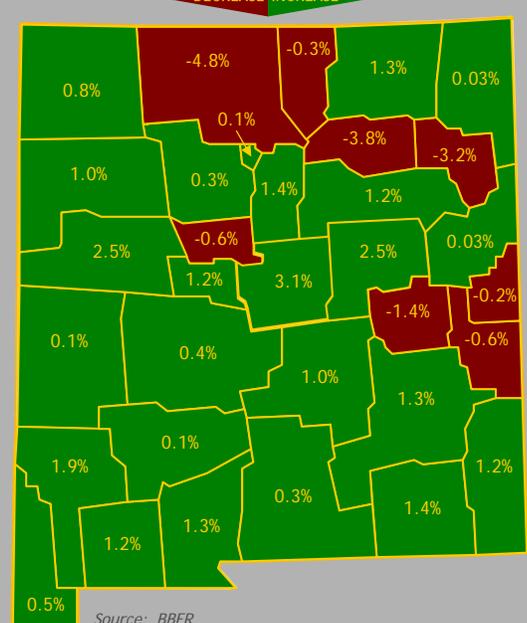
HIGH SCHOOL GRADUATES (G) VS. JOB OPPORTUNITIES (J)

2009 THROUGH 2011



PRIVATE INDUSTRY JOBS AS A PERCENT OF ALL JOBS

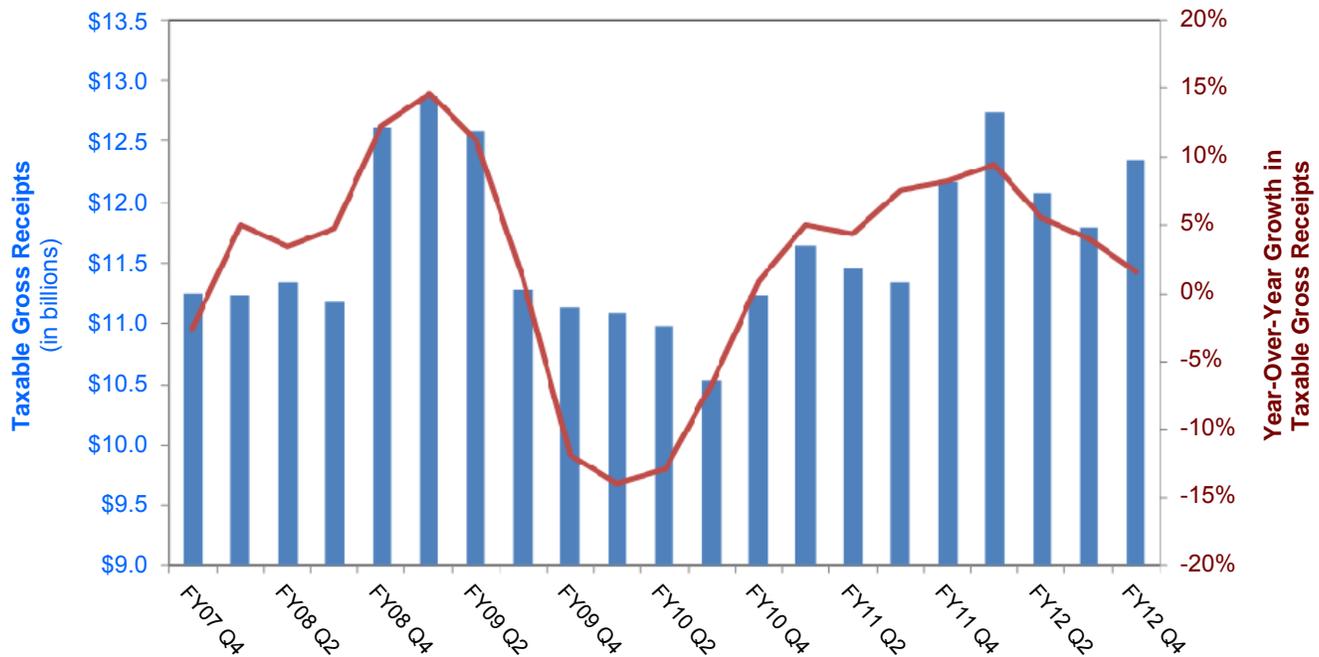
TREND 2009 THROUGH 2011



Total graduates:
56,570 (district schools)
750 (non-district schools,
corrections, etc.)

TAXABLE GROSS RECEIPTS

Taxable Gross Receipts by Quarter



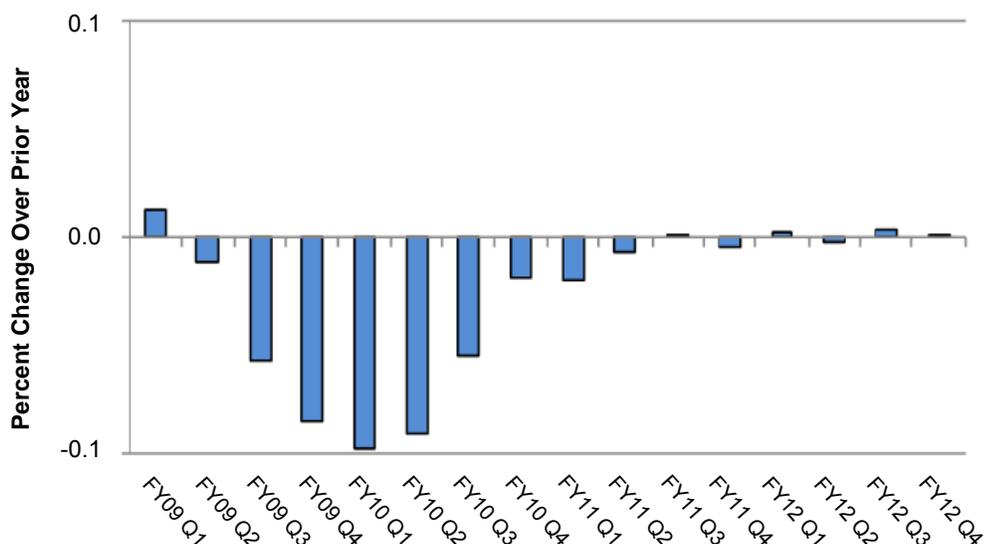
Source: Legislative Finance Committee
Based on Taxation and Revenue Department RP-500 report

- Growth in taxable gross receipts (TGR) increased to 9.4% in the first quarter of FY12 from 8.3% during the fourth quarter of FY11 but declined to 2% in the fourth quarter of FY12.
- Strong growth in FY11 and FY12 follows declines in FY10.
- TGR was increasing to peak levels from early FY09 but began to decline again in the second and third quarters of FY12, with gains in the fourth quarter of FY12. The high growth in TGR came from the mining and oil and gas extraction industry. With natural gas and oil prices beginning to stabilize or decline, the high growth is not expected to continue into FY13.

EMPLOYMENT

New Mexico Employment Growth

- New Mexico experienced declines in non-farm employment from the second quarter of FY09 through FY11. Year-over-year growth in non-farm employment returned in FY12, with a slight decline in employment in the second quarter and a slight increase in the third quarter. This increase is expected to continue at a very slow rate in 2013.



Source: BBER October 2012

U.S. AND NEW MEXICO ECONOMIC OUTLOOK

	FY12	FY13	FY14
NATIONAL ECONOMIC INDICATORS			
U.S. Real GDP Growth (annual avg., % year over year) ¹	2.1	1.7	2.8
U.S. Inflation Rate (CPI-U, annual avg., % year over year) ²	3.0	1.5	1.5
Federal Funds Rate (%)	0.10	0.16	0.16
NEW MEXICO LABOR MARKET AND INCOME DATA³			
NM Non-Agricultural Employment Growth (%)	0.6	0.8	1.1
NM Personal Income Growth (%) ⁴	4.4	2.7	3.4
NM Private Wages and Salaries Growth (%)	2.2	3.6	3.7
CRUDE OIL AND NATURAL GAS OUTLOOK			
NM Oil Price (\$ per barrel)	\$89.64	\$85.07	\$84.75
NM Taxable Oil Volumes (million barrels)	79.7	84.1	88.4
NM Gas Price (\$ per thousand cubic feet) ⁵	\$5.00	\$4.50	\$5.00
NM Taxable Gas Volumes (billion cubic feet)	1,229	1,185	1,151

¹Real GDP is BEA chained 2005 dollars, billions, annual rate.

²CPI is all urban, BLS 1982-84 = 1.00 base (October 2012).

³Assumes no Medicaid expansion.

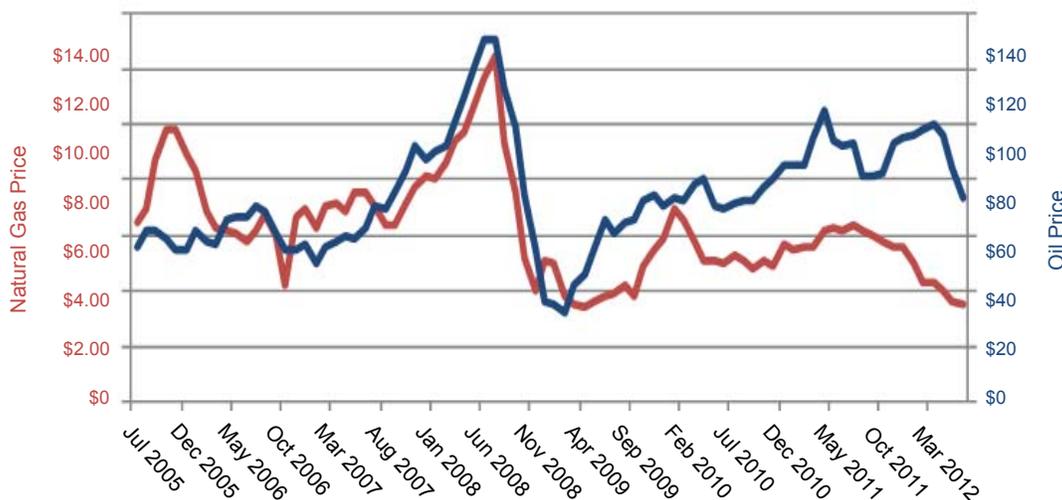
⁴Personal income growth rates are for the calendar year in which each fiscal year begins.

⁵Gas prices are estimated using a formula of NYMEX, EIA and Global Insight future prices as well as a liquids premium based on oil prices.

Sources: October IHS Global Insight, BBER FOR-UNM

OIL AND GAS

New Mexico Oil and Gas Prices



Source: Legislative Finance Committee

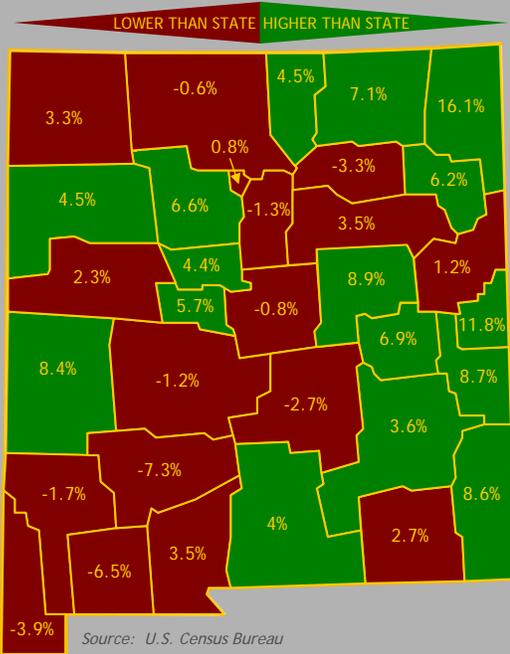
► In FY12, New Mexico produced 1,229 billion cubic feet (bcf) of natural gas, including 153 bcf of natural gas liquids. This is approximately 1.4% less than in FY11. The average price of natural gas in FY12 was \$5.02 per thousand cubic feet (mcf), a price that represents a decrease of 8.7% year over year. New Mexico natural gas received a liquids premium over dry gas price of \$1.79/mcf in FY12.

► Natural gas prices dropped due to a warm winter and increased supplies from productivity improvements. A \$0.10/mcf change in natural gas prices affects general fund revenue by \$10 million. Premiums paid for liquid gas, which tend to trend with oil prices, continue to pull ONGARD prices above dry gas price forecasts.

► In FY12, the average oil price was \$89.68 per barrel, roughly 5.6% higher than FY11. FY12 volumes were 79.7 million barrels, with year-over-year production volumes 15.4% above FY11. Despite high prices, a sluggish world economy and the European debt crisis continue to add uncertainty to New Mexico oil prices and production.

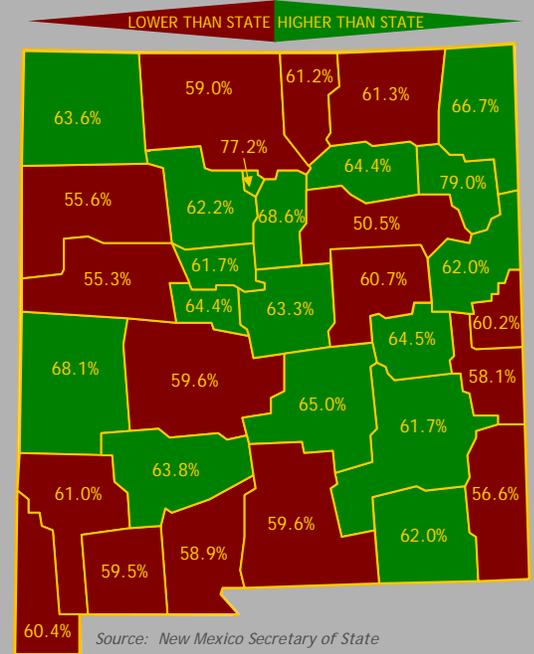
COUNTY POPULATION GROWTH RATE
(STATE POPULATION GROWTH RATE = 3.6%)

TREND 2009 THROUGH 2011



COUNTY VOTER PARTICIPATION RATE
(STATE VOTER PARTICIPATION RATE = 61.7%)

2012 GENERAL ELECTION



(Continued from page 1)

counties with overall job losses also saw the percentage of private-sector jobs increase slightly — welcome news, perhaps, for those who would like to see the state's economy become less dependent on the public sector, to whatever degree possible. Areas with the greatest percentage shift toward the private sector include Cibola, Guadalupe and Torrance counties.

In contrast, job growth numbers considered alongside data on high school graduates, as seen in the map on page 1 lower left, yield a sobering portrait of what the state's youngest workers have faced in recent years. Graduates who did not attend college entered an extremely competitive job market. Rio Arriba County, which had the greatest disparity between high school graduates and available jobs, saw two jobs disappear for each graduating high school senior from 2009 through 2011. The only counties that saw a positive ratio — job increases that exceeded the number of graduating seniors during that period — were Eddy, Grant and Lea counties.

In what might be a sign of regional optimism, the depressed job market in the past three years did not proportionately slow population growth around the state. Many counties that had job losses also show, on the map above left, population increases at higher rates than the state's overall growth rate of 3.6% — in the case of Union County, more than four times the state's growth rate. Of the 16 counties that grew at a rate equal to or greater than the state, 11 counties showed net job losses for that same period — Bernalillo, Chaves, Colfax,

Curry, De Baca, Guadalupe, McKinley, Otero, Taos, Union and Valencia counties.

This month's general election gave the employed and unemployed alike a chance to comment on the economic downturn and on the recovery that has yet to reach many parts of the state. The conventional wisdom that voter turnout is spurred by economic woes did not hold true in New Mexico. At just under 62%, the state's overall voter participation rate in 2012 was considerably lower than the 70% rate seen in the general election of 2008, when the economic downturn had barely begun and memories of flush times were still fresh. This time around, counties with voter turnout that exceeded the state's overall voter participation rate were no more likely to have job losses than the counties with lower voter participation rates — at best, a mixed-bag commentary on the economy.

The Legislative Council Service several years ago began compiling data on these and other quality-of-life factors in New Mexico in such broad categories as the economy, public safety, health, education, public assistance, transportation and civic engagement. The compilation facilitates the examination of relationships among the factors and a comparison of New Mexico not only to other states but to itself over time.