



BUREAU OF BUSINESS
& ECONOMIC RESEARCH

New Mexico's Economy: Current Situation and Outlook

PRESENTED TO THE 21ST ANNUAL NM DATA USERS CONFERENCE
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NOVEMBER 14, 2019

New Mexico Current Economic Situation

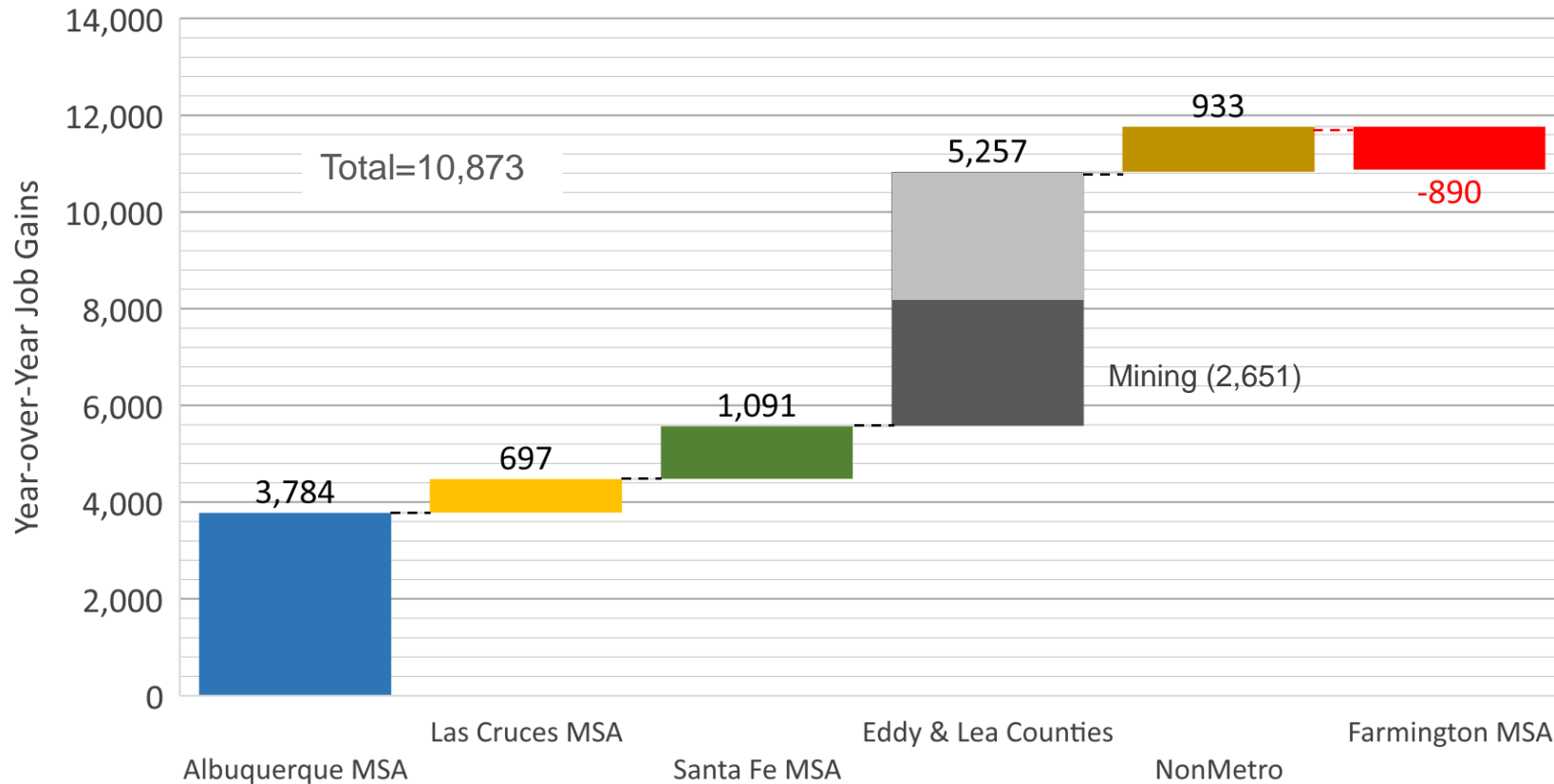
- In 2019Q1, New Mexico added 11,000 jobs (1.4%), in line with 2018 growth.
- Nearly half of the jobs were in Eddy & Lea counties (5,250 jobs, 6.5%), tied to oil & gas.
- Metro areas (except Farmington) also added jobs, giving some balance.
- Preliminary CES data indicate faster growth in Q2 (1.7%) and Q3 (2.2%).
FOR-UNM is more cautious (1.5% and 1.6%).
- Total personal income playing catch up – +5.9% in Q2 (9th among states).
- State government recurring revenues +16.3% in FY19 (35% since FY17);
more than 60% of the increase is directly due to oil & gas boom.
- Yet, data indicates growth in oil production is slowing – Q2 up just 0.4% (QoQ).
- Next phase of the oil boom shifts from production to State government.

Job Growth and State Rank, by Industry (CES)

| | 2017 | | 2018 | | 2019 | |
|----------------------------------|------------|------|------------|------|------------|------|
| | Growth y/y | Rank | Growth y/y | Rank | Growth y/y | Rank |
| Total Nonfarm | 0.6% | 43 | 1.3% | 20 | 1.6% | 15 |
| Total Private | 1.1% | 41 | 1.8% | 16 | 2.0% | 13 |
| Mining | -18.0% | 38 | 17.0% | 3 | 10.1% | 1 |
| Construction | 4.6% | 30 | 3.6% | 41 | 5.6% | 12 |
| Manufacturing | -4.9% | 48 | 2.3% | 41 | 0.6% | 36 |
| Wholesale Trade | -2.3% | 42 | 0.0% | 35 | -3.0% | 51 |
| Retail Trade | -2.4% | 48 | 0.0% | 13 | -1.5% | 39 |
| Transportation & Utilities | -0.7% | 43 | 4.0% | 9 | 1.8% | 36 |
| Financial Activities | 1.9% | 33 | 0.7% | 27 | 1.1% | 20 |
| Professional & Business Services | 4.6% | 13 | 1.9% | 30 | 2.1% | 17 |
| Education & Health Services | 4.2% | 27 | 0.6% | 25 | 1.8% | 27 |
| Leisure & Hospitality | 3.5% | 39 | 1.8% | 17 | 4.9% | 2 |
| Total Government | -0.9% | 48 | -0.5% | 46 | 0.4% | 29 |
| Local Government | -0.8% | 46 | 0.1% | 18 | 1.4% | 7 |
| State Government | -1.8% | 41 | -1.1% | 46 | -1.9% | 47 |
| Federal Government | 0.2% | 47 | -1.4% | 42 | 0.9% | 31 |

BLS CES

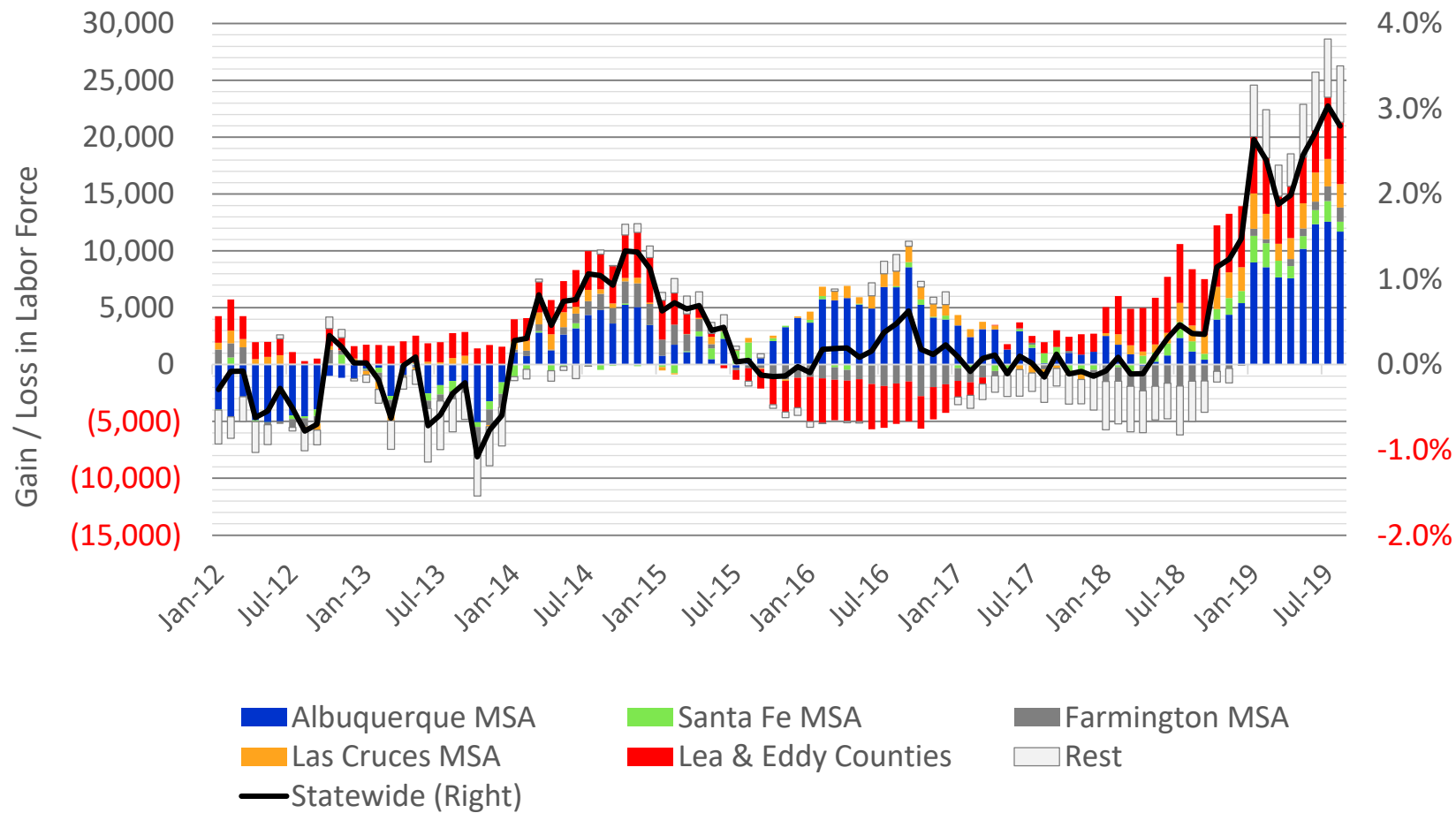
Job Gains/Losses, by Region, 2019Q1



- Oil & gas-related employment grew by 12.8%, and accounted for half of new jobs statewide.
- Employment in sectors other than oil & gas-related grew by 1.0% (vs. 1.5%).

Source: BLS QCEW

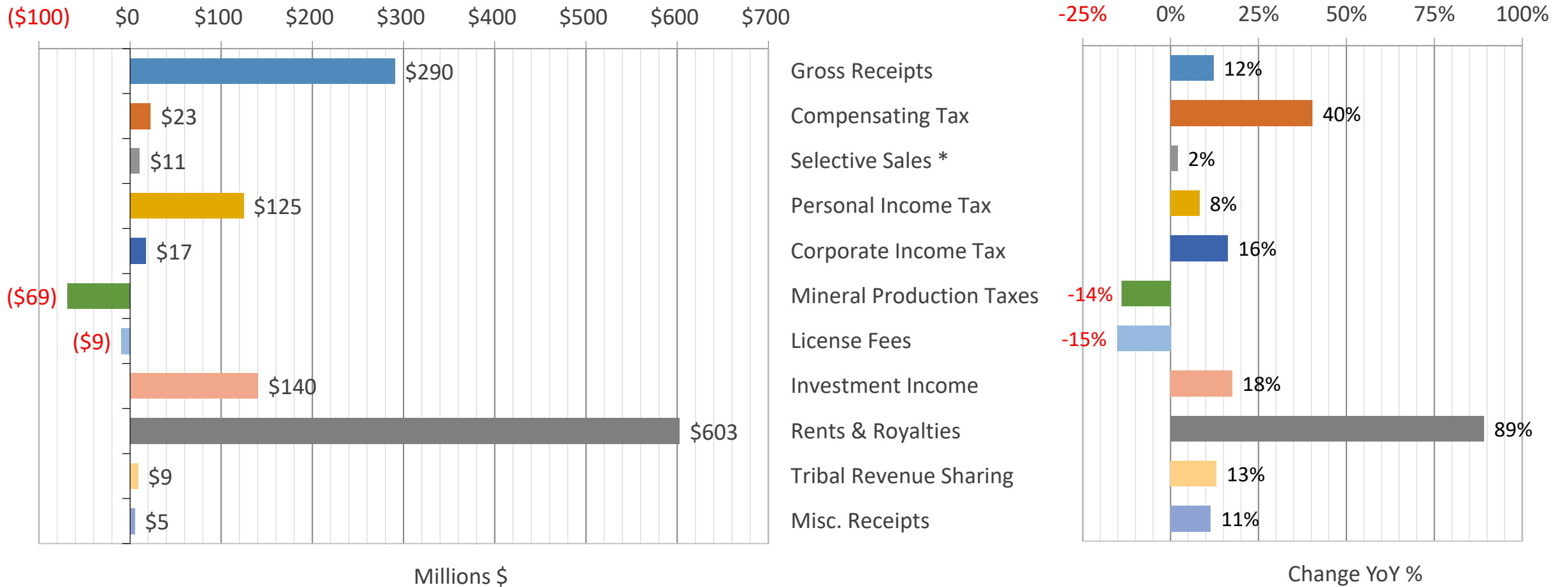
Labor Force by Region, 2012 – 2019Q3



- Lea & Eddy account for 7% of NM labor force, but much of the year-over-year volatility.
- FOR-UNM expects significant downward revisions for 2019 – note change in 'Rest'.

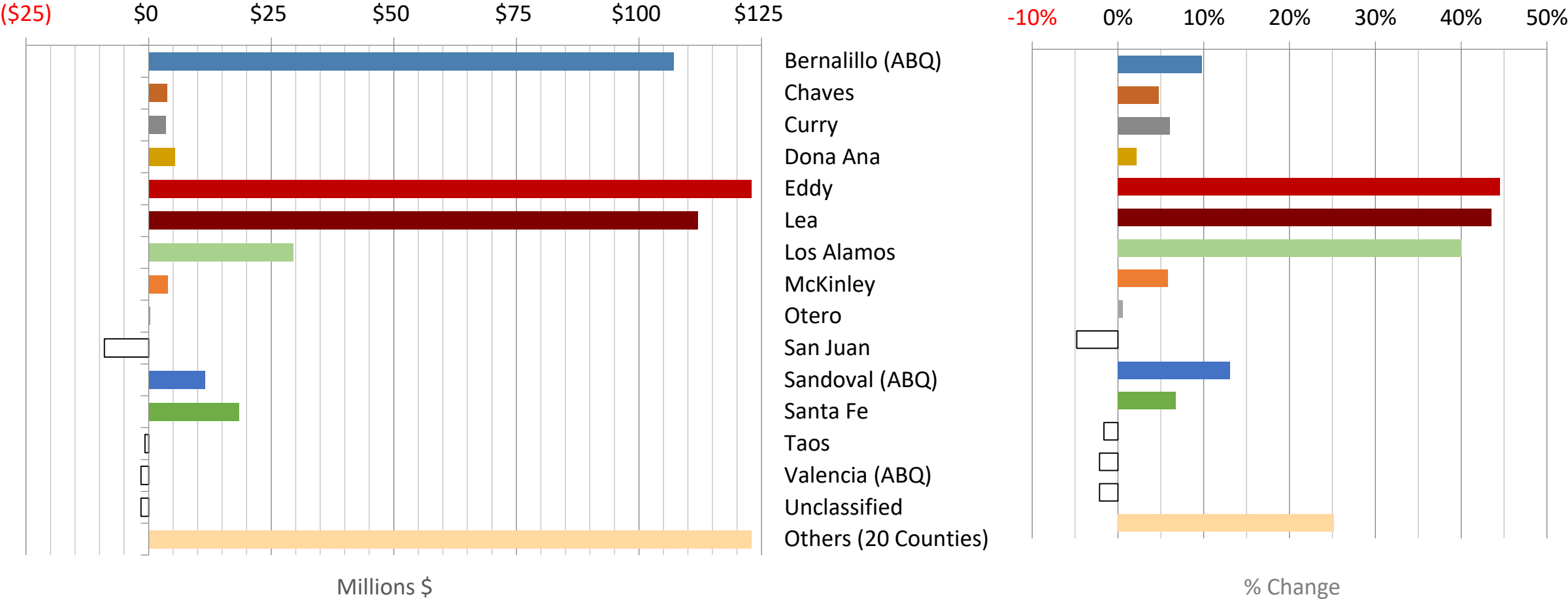
Source: BLS Local Area Unemployment Statistics (LAUS)

Gain/Loss in General Fund Accruals, FY 2019 (preliminary)



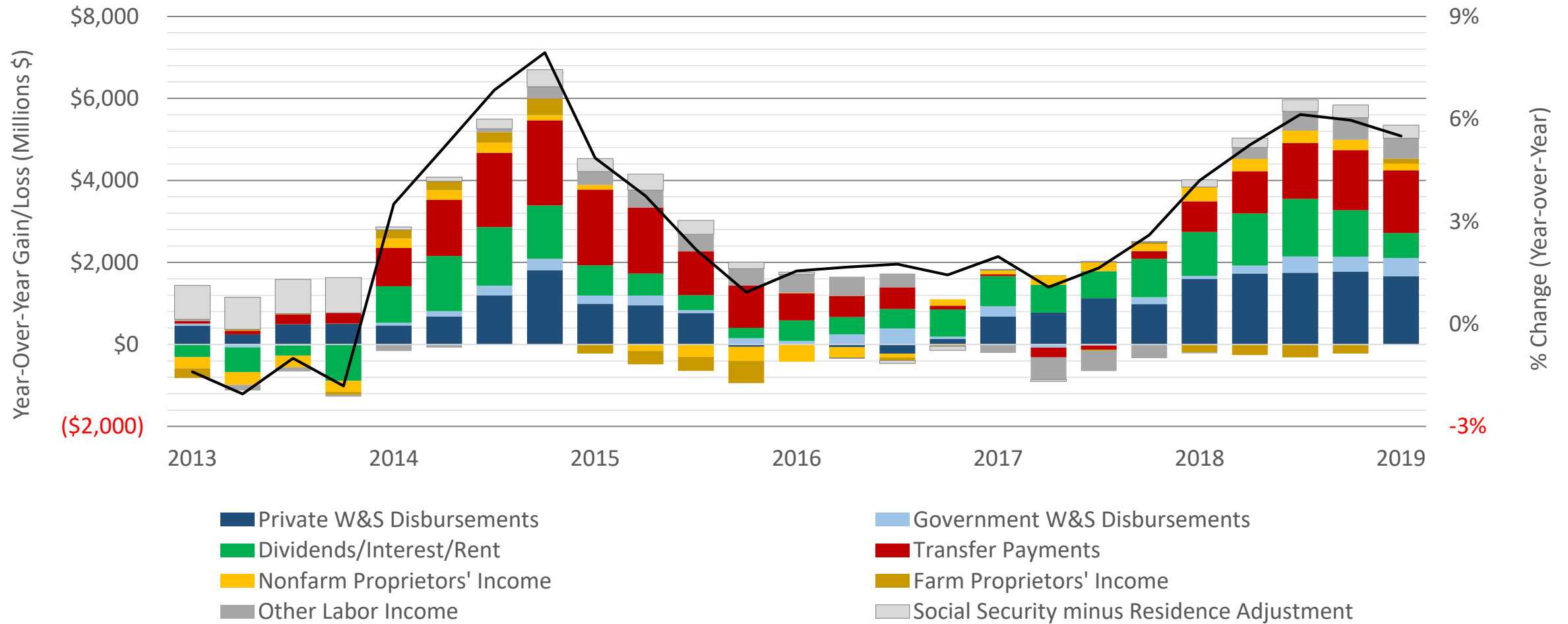
NM Consensus Revenue Estimation Group (CREG)

Gain/Loss in Gross Taxes by County, FY19 v FY18



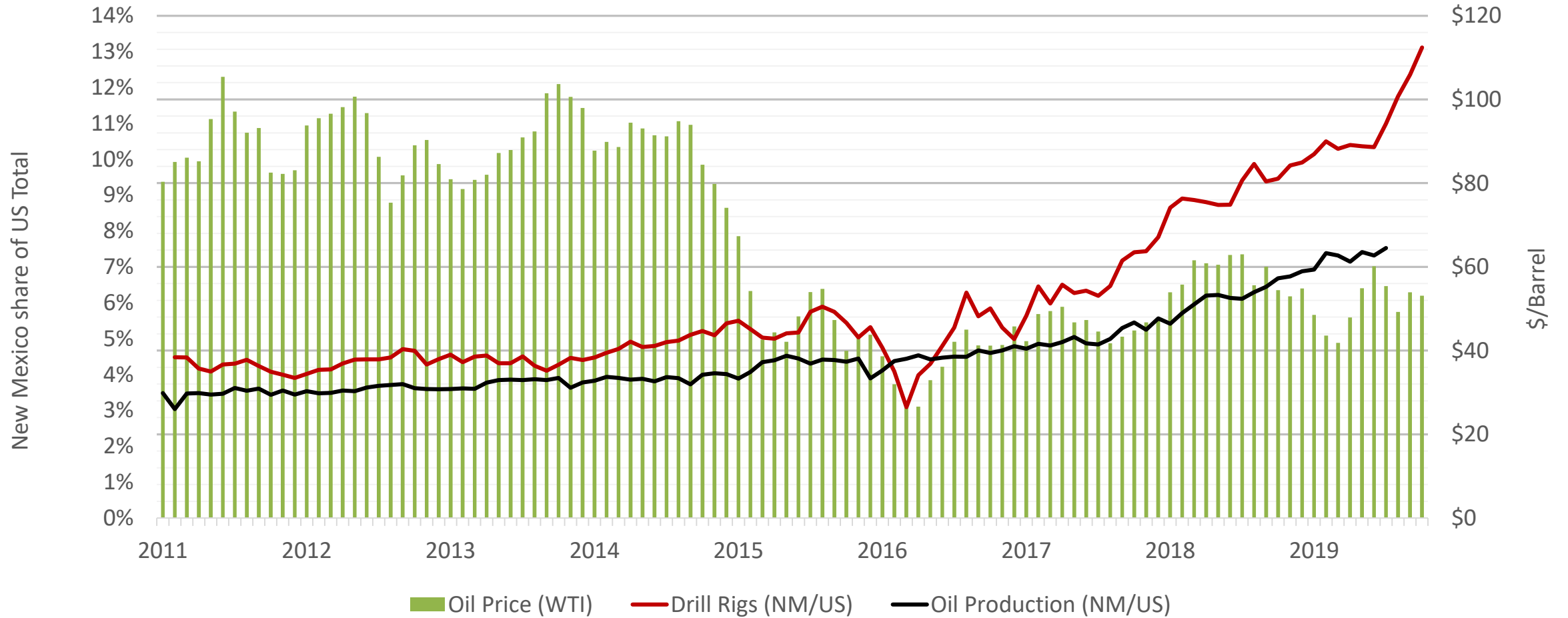
NM TRD

Change in Personal Income, by Component, 2013-2019 Q2



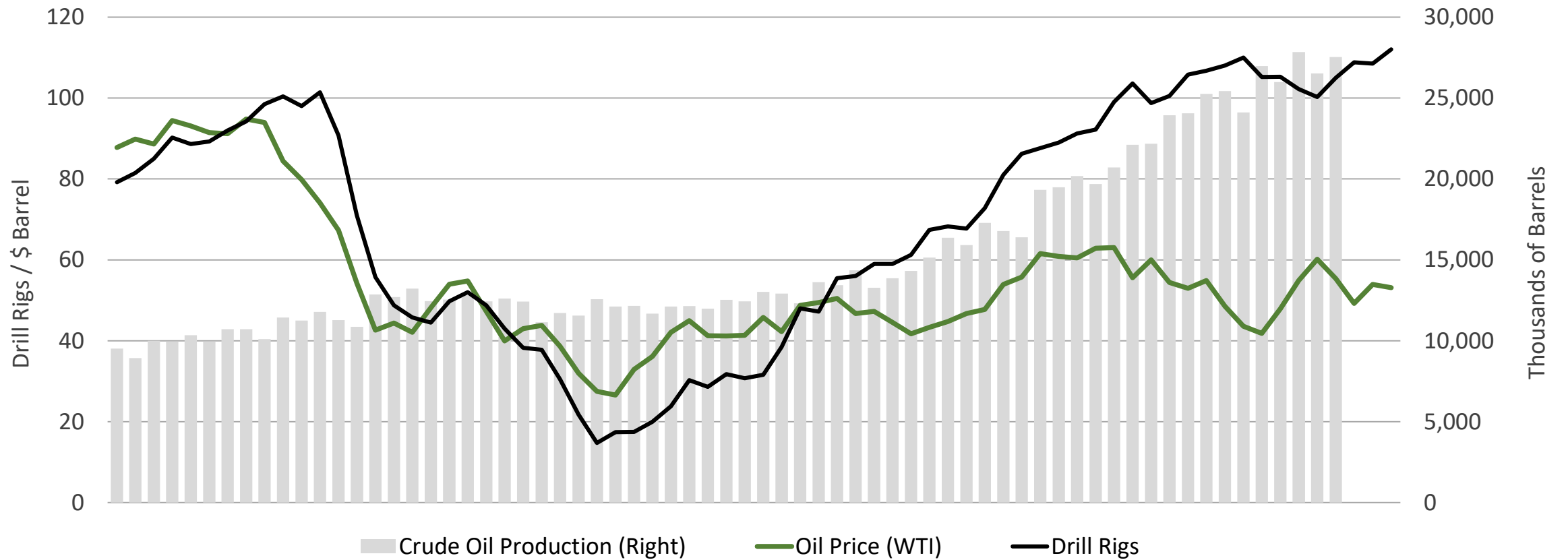
Bureau of Economic Analysis

New Mexico's Share of US Oil Production & Active Rigs



EIA, Baker Hughes

Oil Rigs, Production + Price



ONGARD, EIA, Baker Hughes

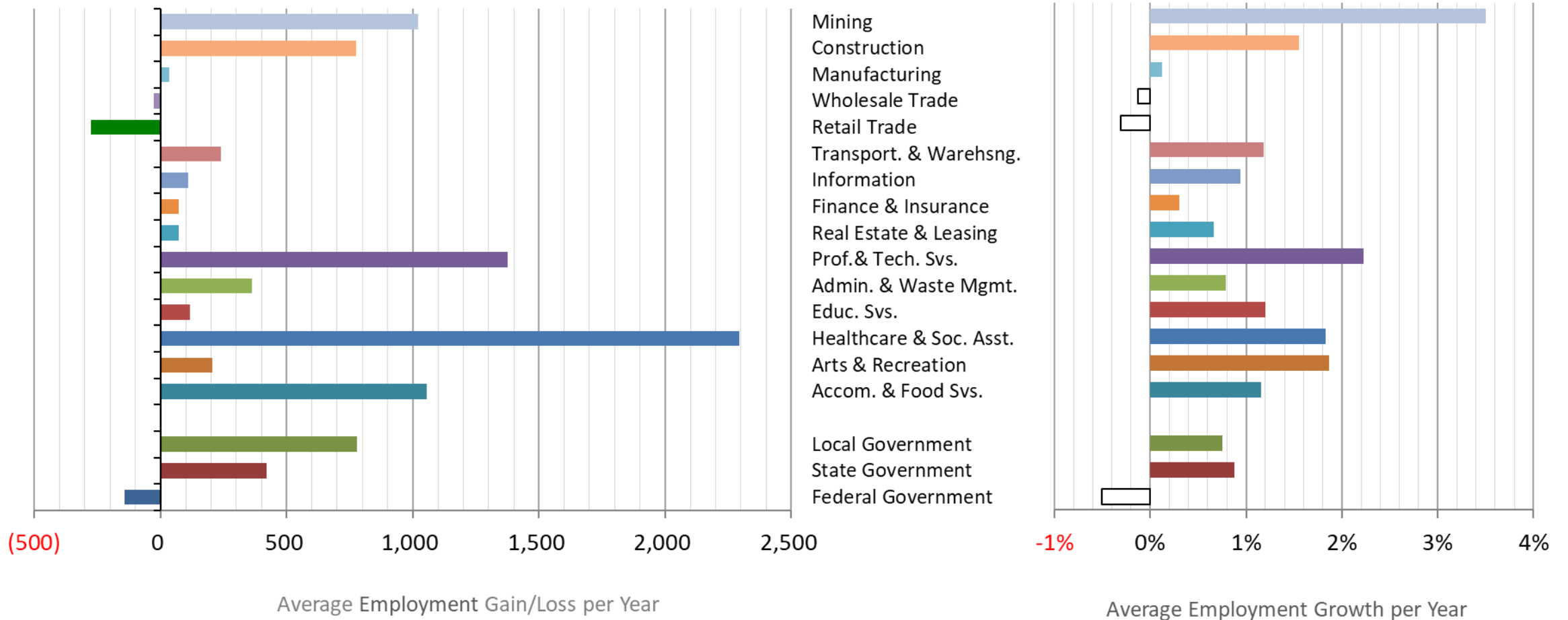
New Mexico Outlook



New Mexico Economic Outlook 2020-2024

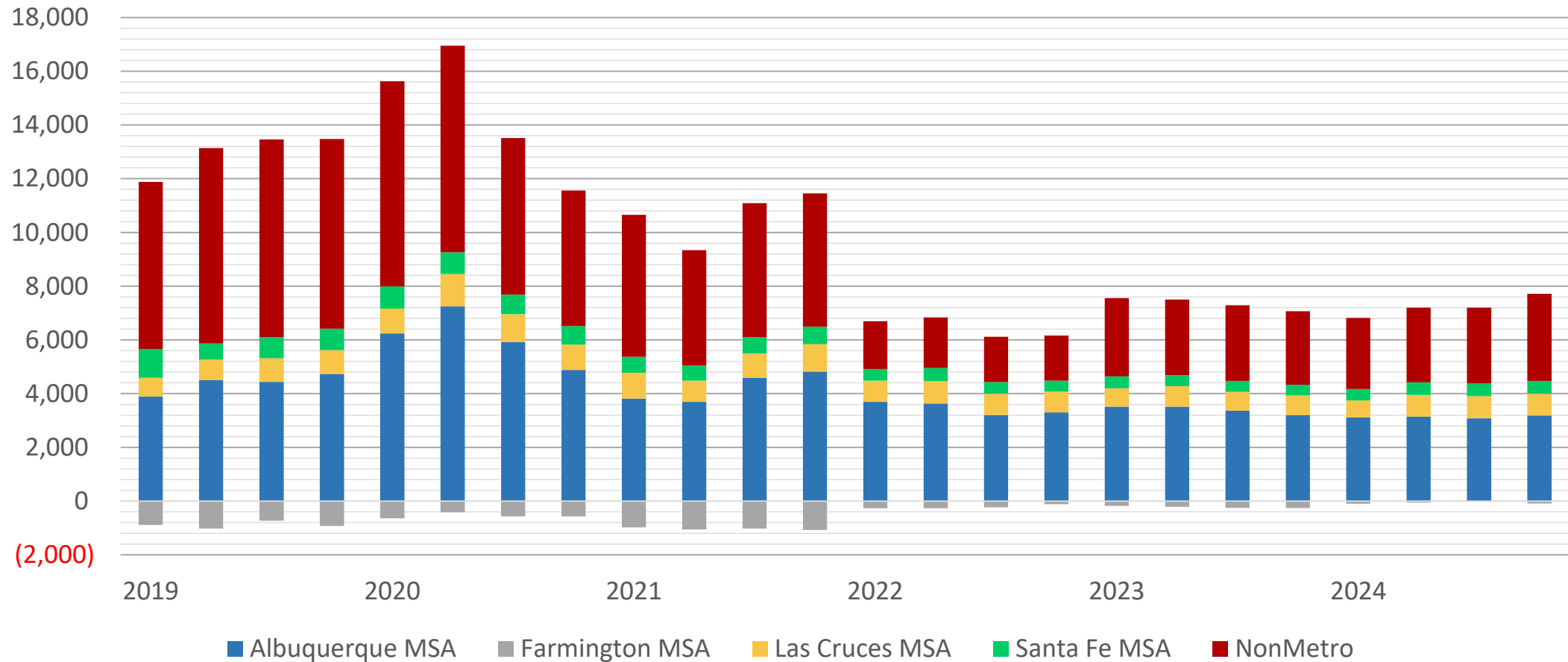
- Forecast 12,100 jobs (1.5%) in 2019, 13,850 jobs (1.7%) in 2020; 9,600 (1.1%); average 6,850 jobs (1.0%) thereafter. Forecast is mostly unchanged through 2021 but slightly weaker thereafter.
- Growth dynamic begins to shift in 2020 and slows beginning 2021 –
 - Investments in oil & gas in Eddy & Lea Counties slow.
 - FY20 & 21 State spending supports growth statewide – construction, schools, and State government.
- Sustained and broader metro growth will depend more on PBS and leisure & hospitality.
- Personal income growth takes a hit in 2020 (3.8%) due to final shift of ACA-Medicaid obligations to State.
- Growth of oil production slows – after 120% in 3 years (147 mb in 2016 to estimated 323 mb in 2019), production growth slows to 11% in 2020 and average of 4% thereafter; reaching 415 million in 2024.
- Probability and impact of pessimistic scenario (35%) substantially outweighs optimistic scenario (10%).

Forecast Job Growth by Sector, 2020-2024



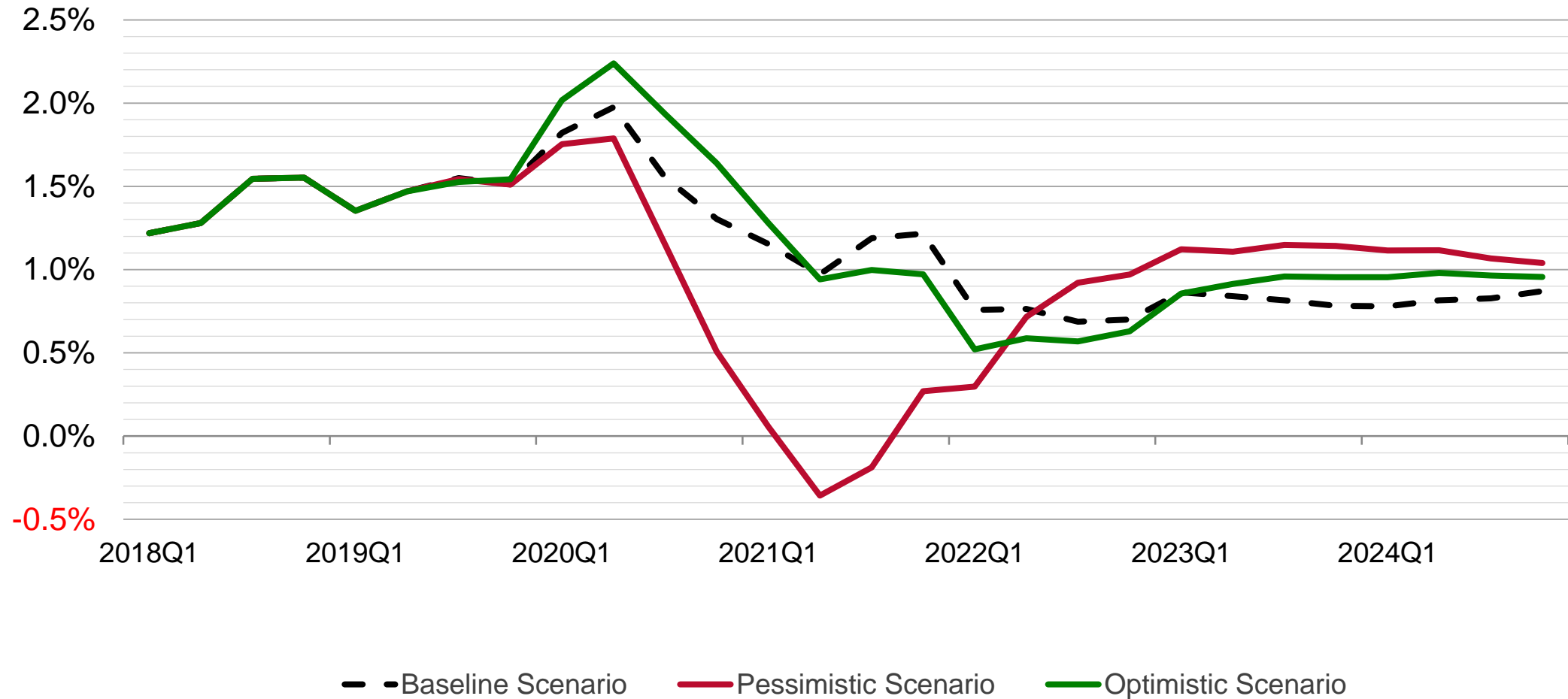
BBER FOR-UNM, October 2019

Job Gains/Losses by Region, 2020-2024



BBER FOR-UNM, October 2019

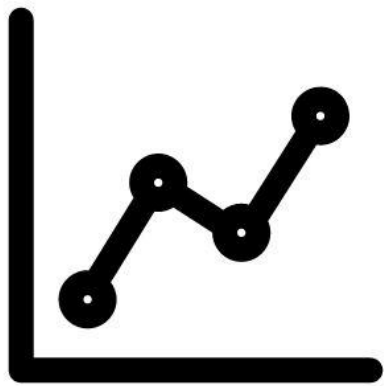
NM Employment Forecast, Alternative Scenarios



BBER FOR-UNM, October 2019



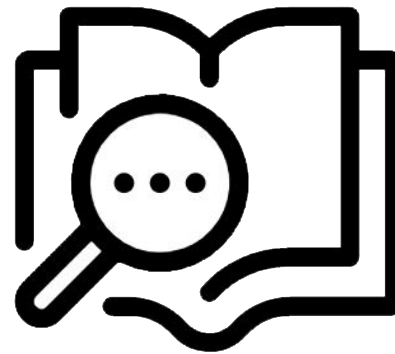
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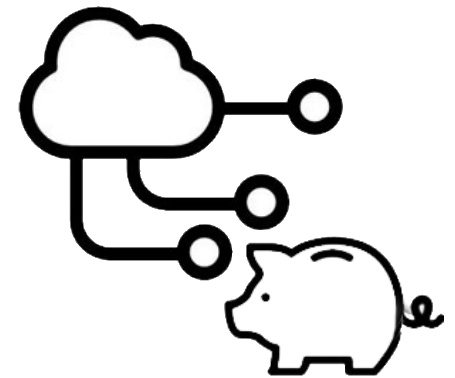
ECONOMIC FORECAST



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RESEARCH



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