



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 in order to inform decision making.

THE NEW MEXICO ECONOMIC FORECAST: RECENT DEVELOPMENTS AND OUTLOOK

PREPARED FOR NM BANKERS ASSOCIATION

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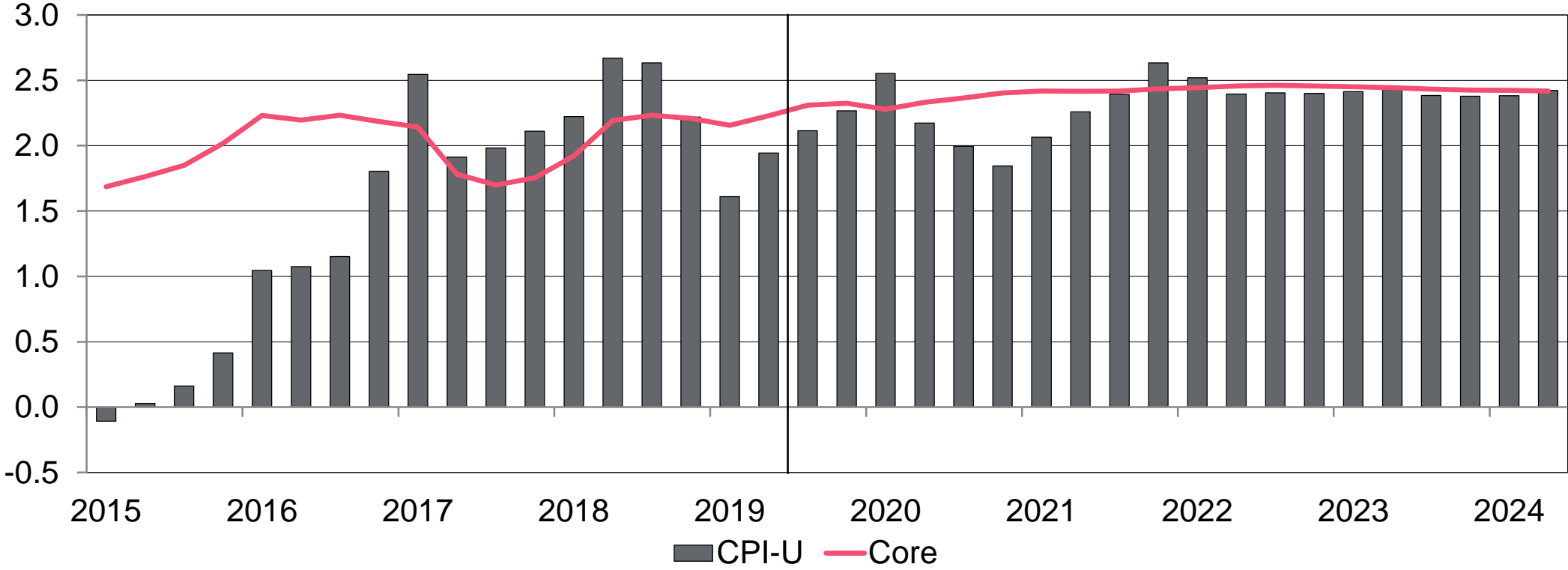
MARCH 29, 2019

Review: National Economy

- ❑ GDP: 2018Q4 up 2.6%, down from 3.4% in Q3. For the year, up 2.9%.
- ❑ February job gains were weak (20,000); too early to read into it.
- ❑ WTI prices have rebounded, from \$46/barrel January 1, to about \$60/barrel.
- ❑ Consumer Sentiment Index (U. of Mich.) still solid: 97.8 in March 2019, up from 93.8 a month earlier (but down from 101.4 in March 2018).
- ❑ Stock market (DJIA) volatile over last six months but has added nearly 10% thus far in 2019.
- ❑ ISM manufacturing index and non-manufacturing indices continued to expand. Both indices have expanded for 9+ years.
- ❑ GDP, employment, consumer sentiment all positive. Concerns remain the same: budgets, housing market, slow wage growth; government stalemates, business cycles.

Inflation Forecast

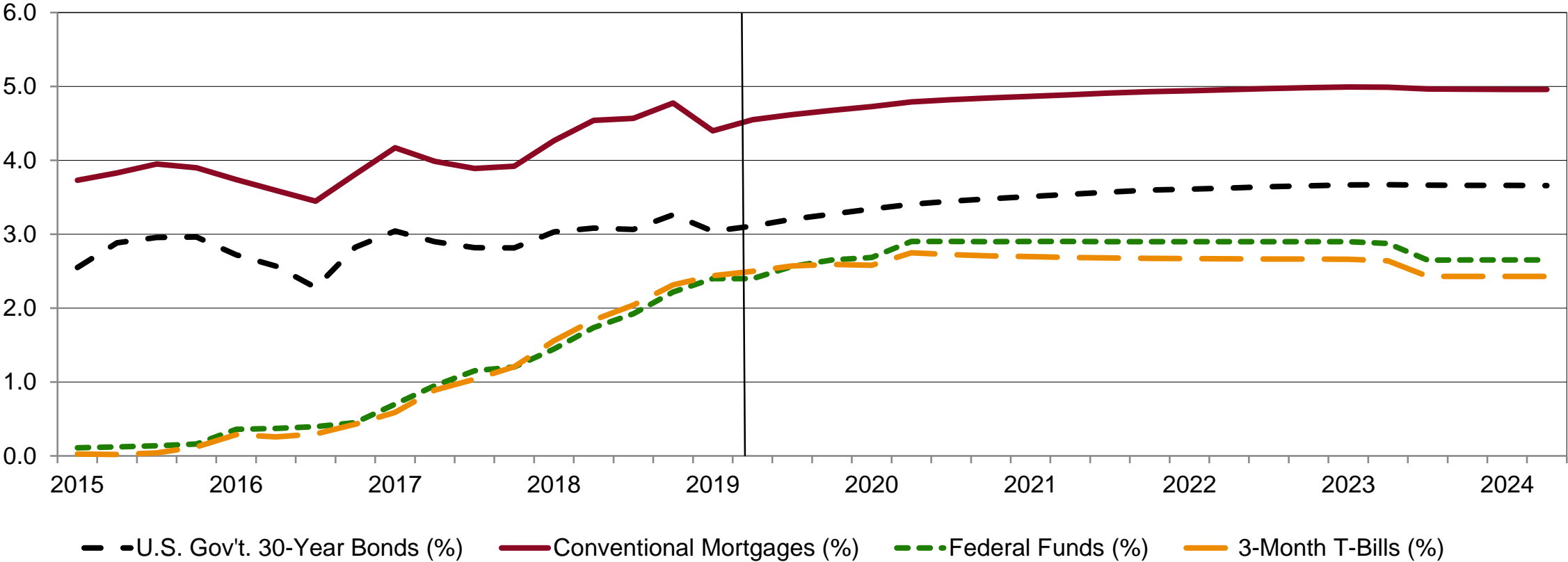
Consumer Price Index – All Urban Excluding Food and Energy (Core)



Global Insight, March 2019

Interest Rates

Rates in Percent



Source: Global Insight, March 2019

US Forecast: Key Assumptions

- ❑ **Federal fiscal policy:** Federal benefits remain governed by current law. Discretionary spending builds quickly through 2019. Disaster-relief funding reverts to recent averages. Personal provisions of the TCJA eventually are extended. The forecast does not yet include a federal shutdown, but the impacts will likely be modest.
- ❑ **Monetary policy:** IHS Global Insight assumes that the Federal Open Market Committee (FOMC) will raise the target range for the federal funds rate by 25 basis points in both May and October 2019, and in June 2020, bringing the upper end of the range to 3.25%. This month, IHS removed one tightening in 2019.
- ❑ **World GDP:** Real, broad, trade-weighted growth of foreign GDP slows from 3.1% in 2017 to 2.7% in 2018, and then averages 2.4% from 2019 through 2022.
- ❑ **Trade policy:** 25% tariff on \$50 billion of goods from China, and a 10% tariff (effective September 24) on another \$200 billion of goods from China.

New Mexico Review



New Mexico Current Economic Situation

- New Mexico's economy is the strongest since the Recession – and we now have more jobs than pre-Recession.
- Recent survey-based data 10,500 new jobs in 2018 (1.3%), 17th among states.
- Growth is broad-based – in non-metro, Albuquerque and now in Las Cruces and Santa Fe.
- Job growth is strongest in high-wage mining, construction, transportation and business & professional services, pushing up incomes.
- Incomes growth gradually accelerating – up 3.6% in 2018Q3.
- Private sector wages & salaries (4.9%) and non-farm proprietor incomes (7.4%) lead the way.

New Mexico Economic Data

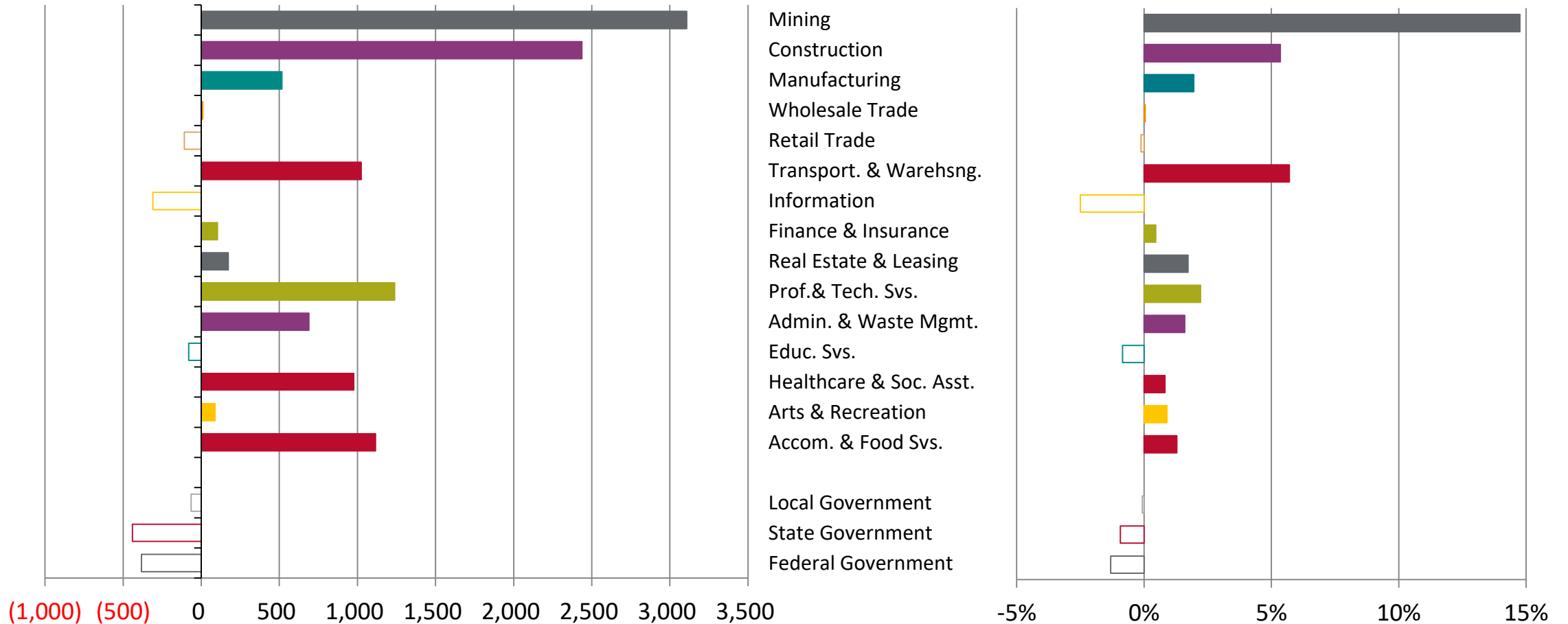
- Home sales crushing records in all regions – 32,000 in 2018, 44% higher than 2017.
- Median values up 4.8% but uneven (only 1% in Albuquerque)
- Sales driving single-family home building (4,375 units, up 9%) in 2018. Highest since pre-recession, but still < 50% 2004-2007 boom.
- West Texas Intermediate (WTI) Oil prices – after falling 42% in 2018Q4 (\$76 to \$45/barrel) prices have risen to \$59/barrel.
- Oil & gas production is surging (46% by end-2018).

Employment Growth and Rank among States

	2018		Jan & Feb 2019	
	Growth y/y	Rank	Growth y/y	Rank
Total Nonfarm	1.3%	17	1.1%	25
Total Private	1.8%	17	1.6%	16
Mining	17.0%	1	13.3%	2
Construction	3.6%	21	2.4%	29
Manufacturing	2.3%	17	-0.7%	49
Wholesale Trade	0.0%	40	-2.4%	50
Retail Trade	0.0%	18	-1.0%	34
Transportation & Utilities	4.0%	20	1.6%	39
Financial Activities	0.7%	27	-0.7%	41
Professional & Business Services	1.9%	23	1.8%	19
Education & Health Services	0.6%	45	1.4%	27
Leisure & Hospitality	1.8%	17	4.6%	5
Total Government	-0.5%	41	-0.7%	48
Local Government	0.1%	34	0.3%	29
State Government	-1.1%	39	-3.0%	49
Federal Government	-1.4%	49	-0.2%	34

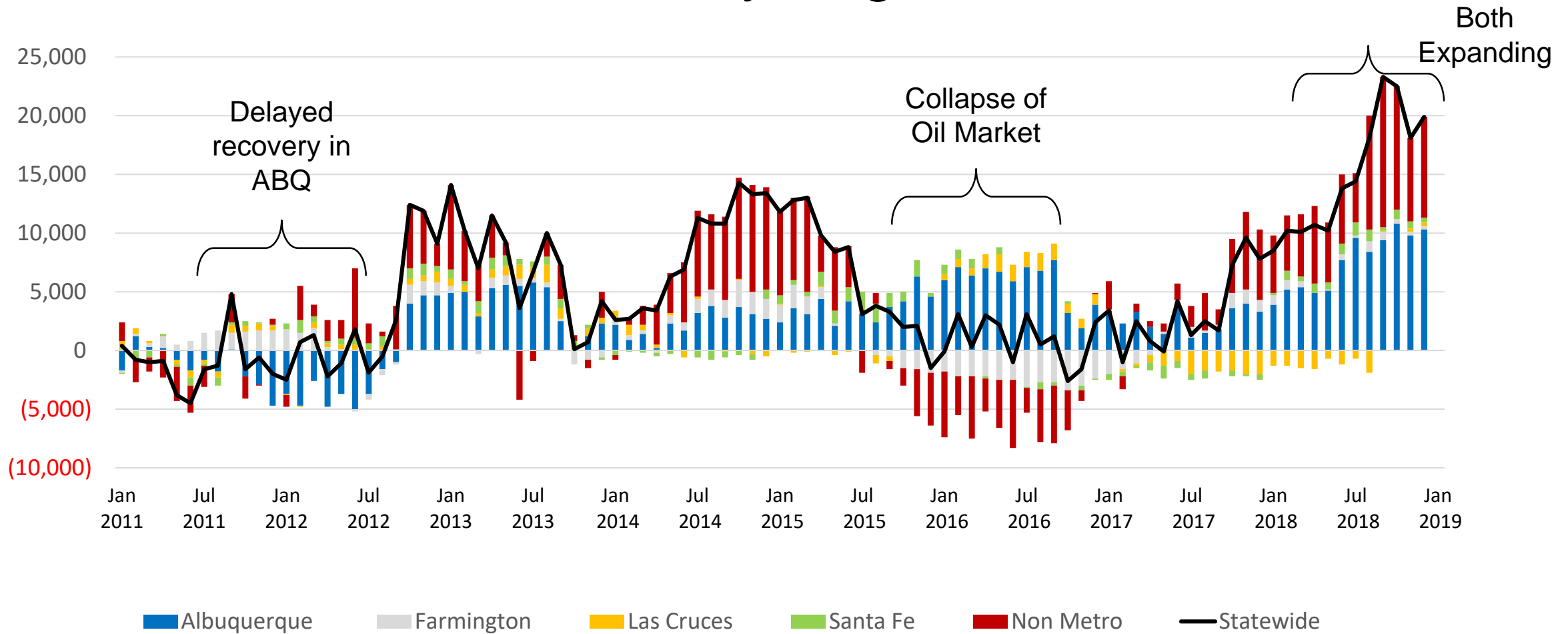
Source: BLS Current
Employment Survey

Job Creation by Sector, 2018



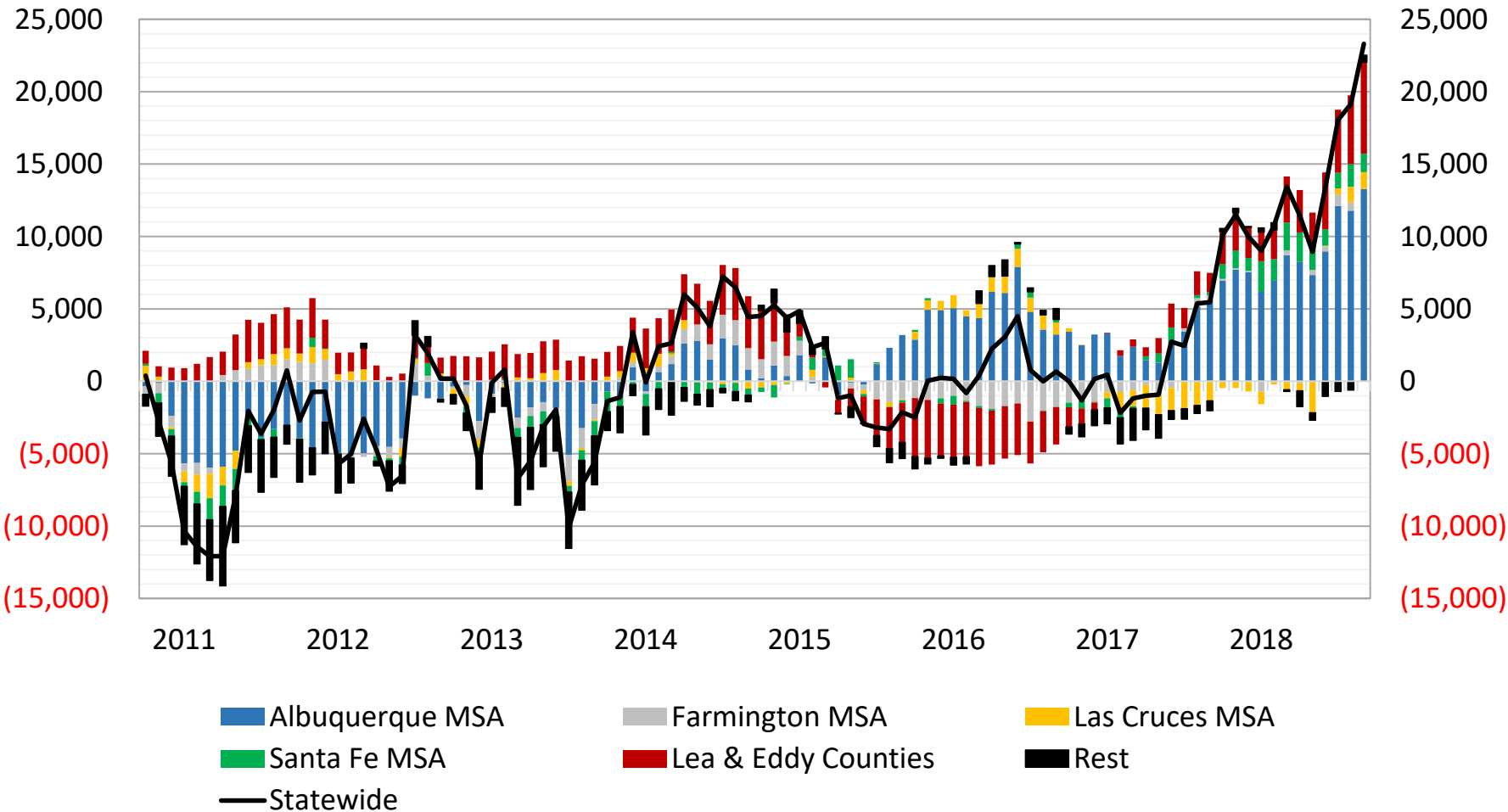
Source: BBER FORUNM, January 2019

Job Gains/Losses, by Region, 2011-2018



Source: BLS Current Economic Survey.

Labor Force by Region, 2011 - 2018

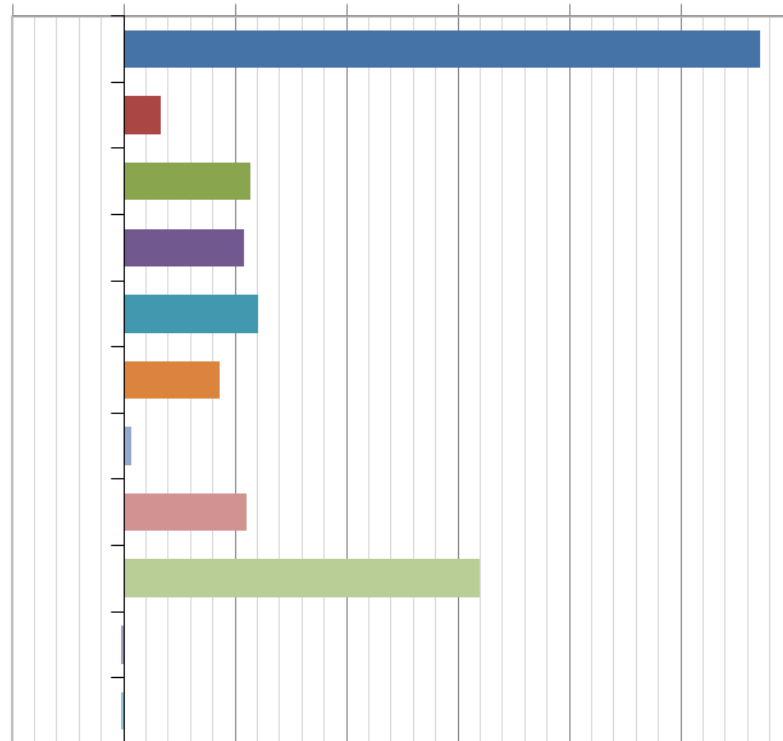


- Lea & Eddy account for 7% of NM labor force, but much of the year-over-year volatility.
- Recent growth of labor force is because Eddy & Lea AND Albuquerque are moving in the same direction.

Source: BLS Local Area Unemployment Statistics (LAUS)

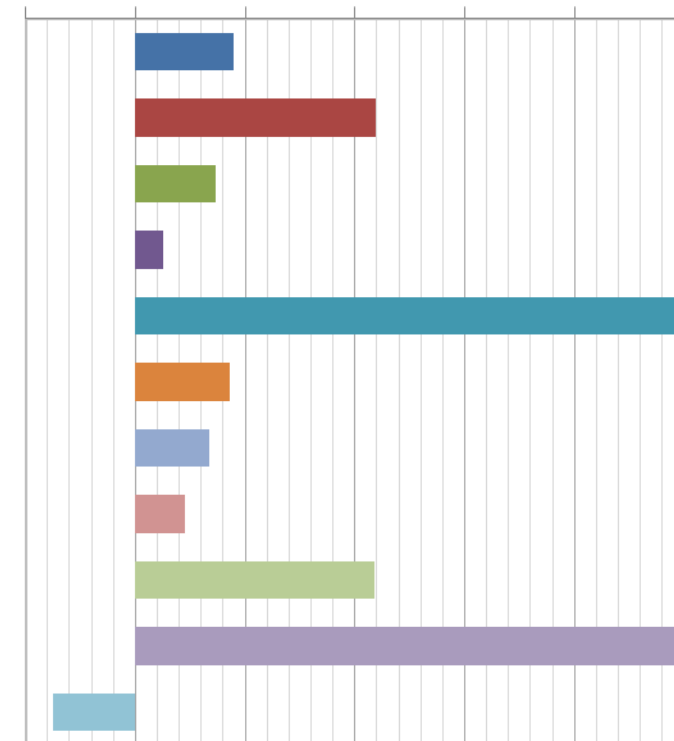
Gain/Loss in General Fund Accruals, FY19 to October

(\$20) \$0 \$20 \$40 \$60 \$80 \$100 \$120



Millions \$

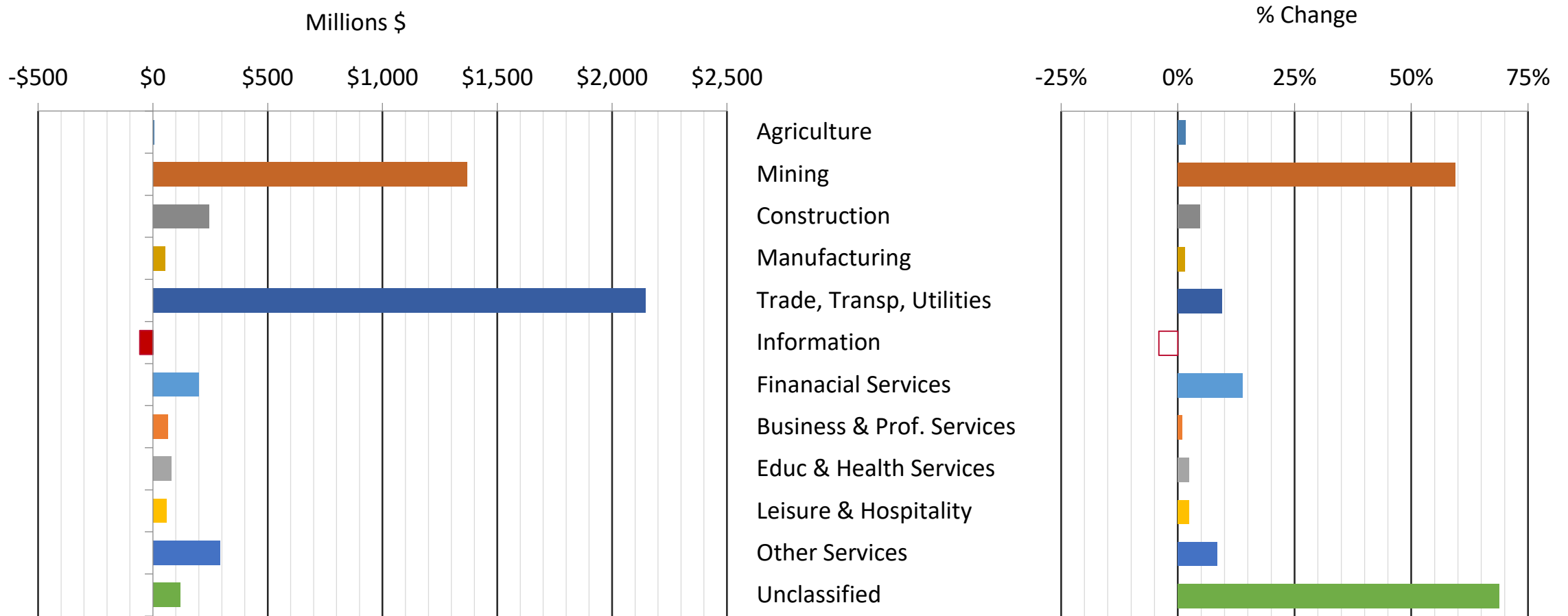
-20% 0% 20% 40% 60% 80% 100%



Change YoY %

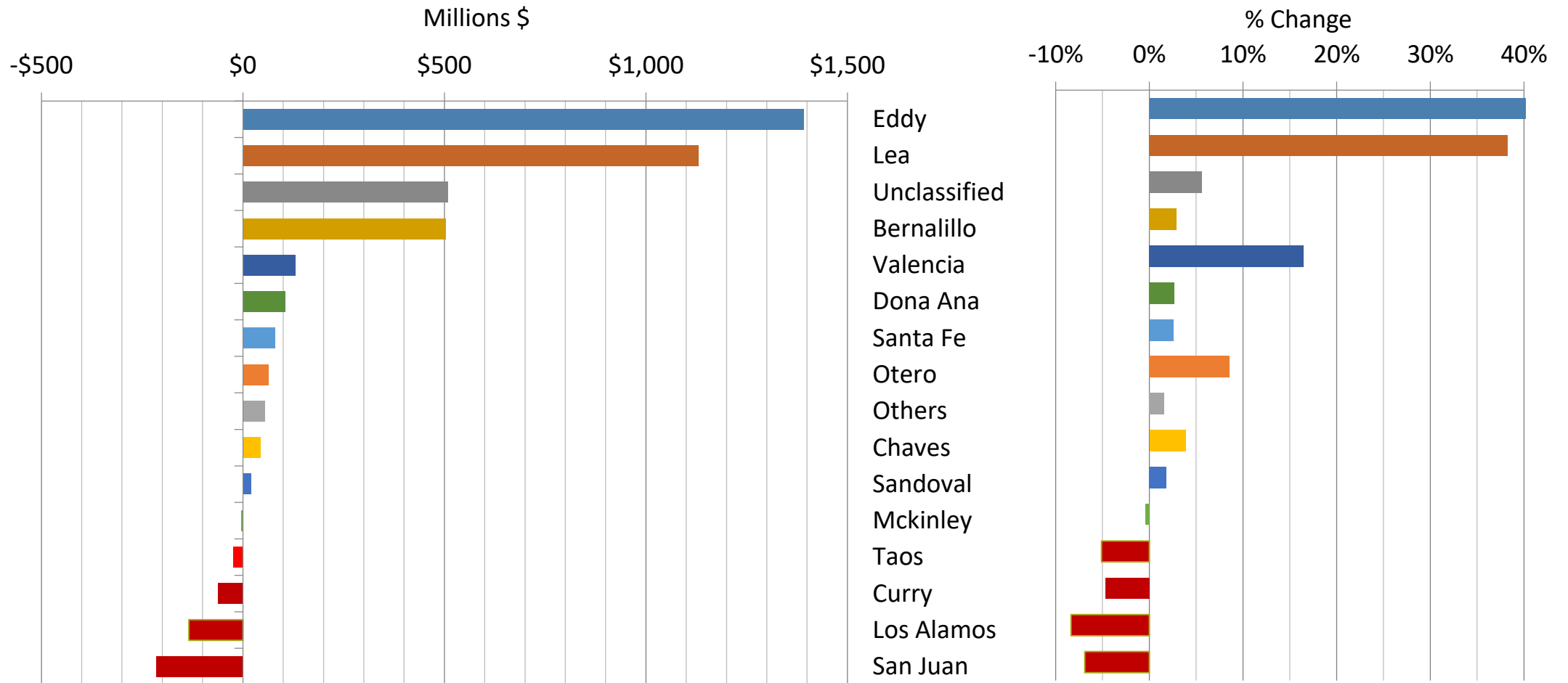
Source: NM Legislative Finance Committee

Gross Receipts by Industry, FY18 v. FY17



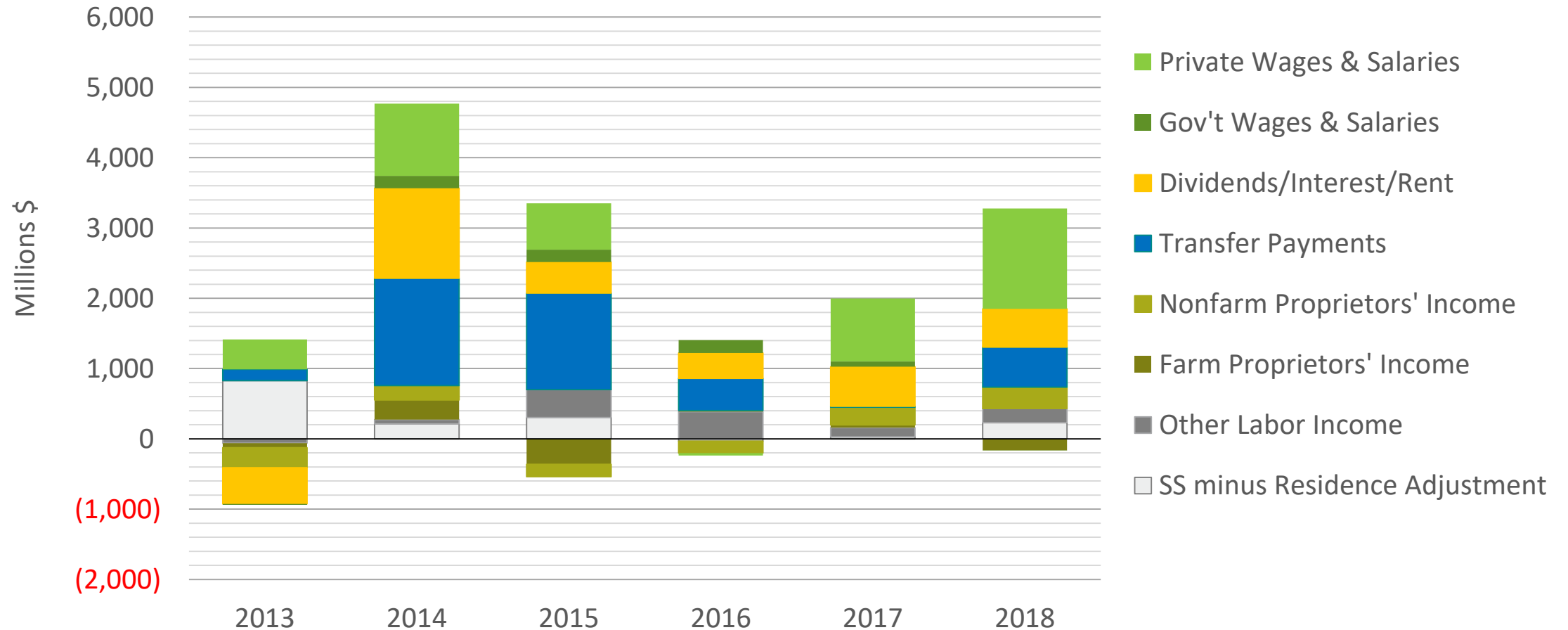
Source: NM Taxation and Revenue Dept., RP80s

Gross Receipts by County, FY18 v. FY17



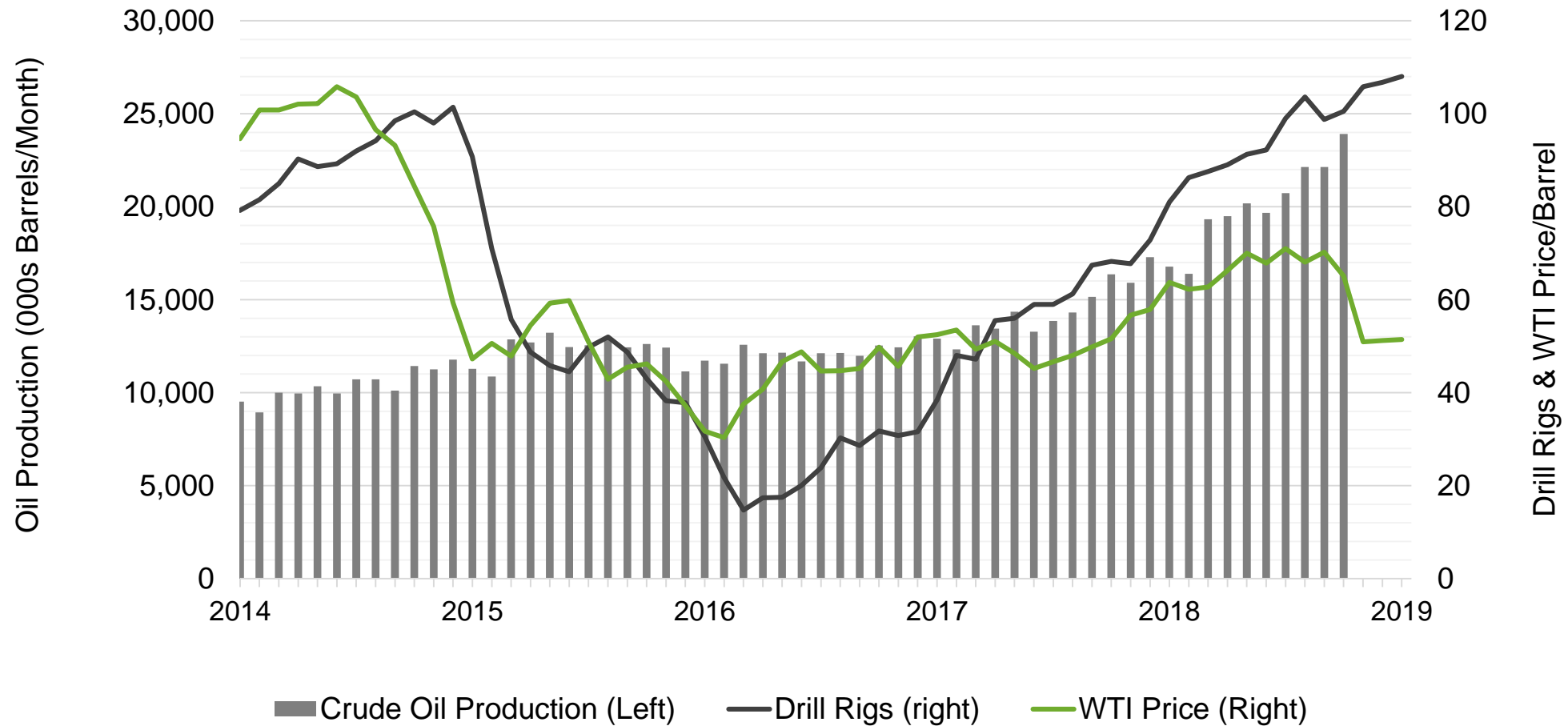
Source: NM Taxation and Revenue Dept., RP80s

Change in Personal Income Growth, by Component



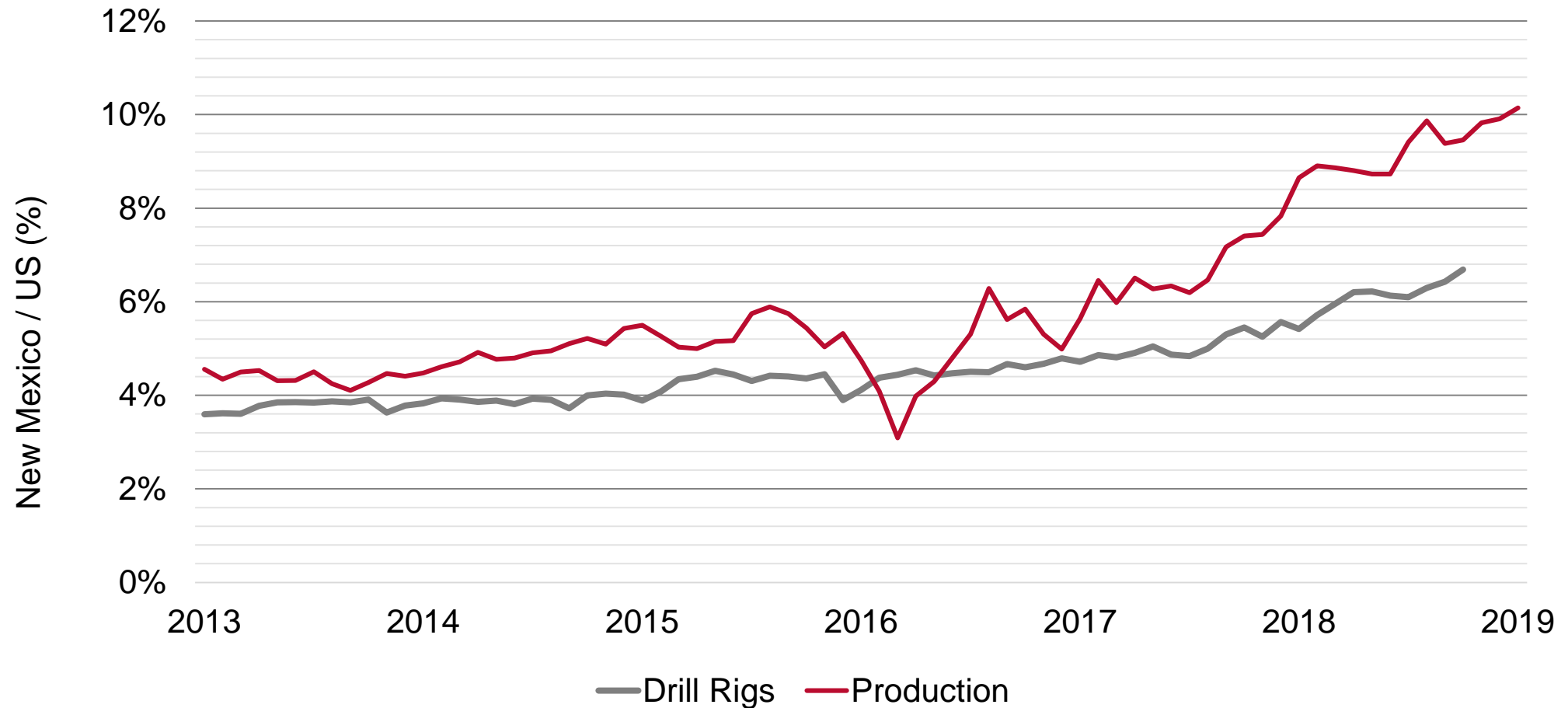
Source: US Bureau of Economic Analysis (BEA)

Oil Rigs, Production + Price



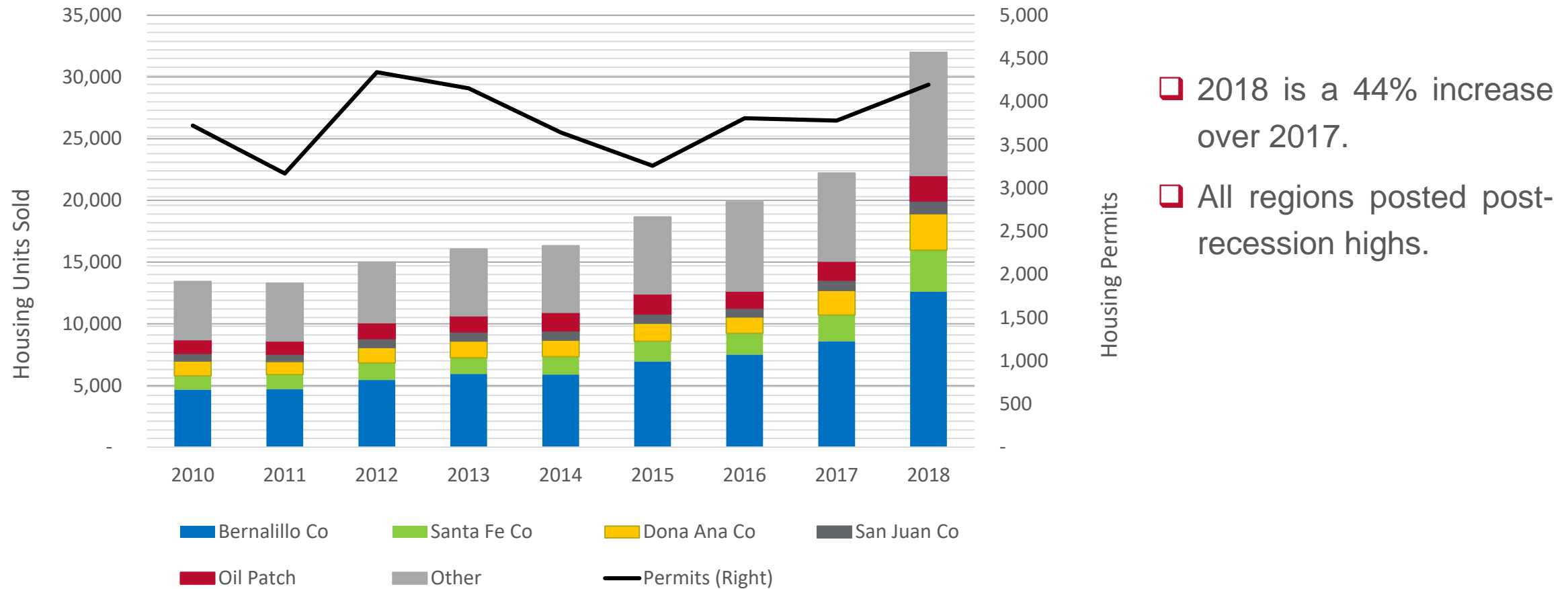
Source: US Energy Information Agency, , Baker Hughes

New Mexico's Share of US Oil Production & Rigs



Source: US Energy Information Agency, Baker Hughes

Housing Sales by Region + Building Permits (By Year)



Source: NM Realtors Association, BBER

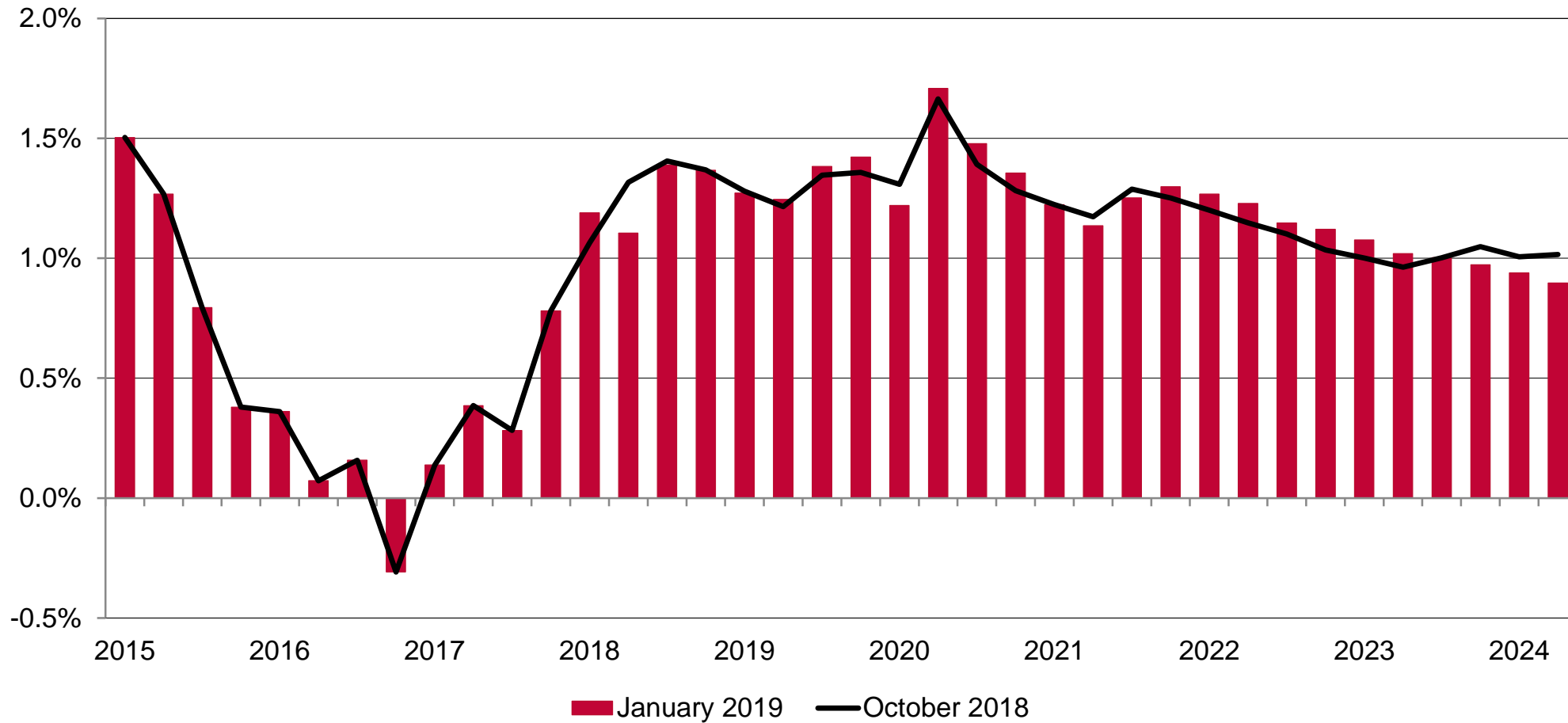
New Mexico Outlook



New Mexico Economic Outlook 2018-2023

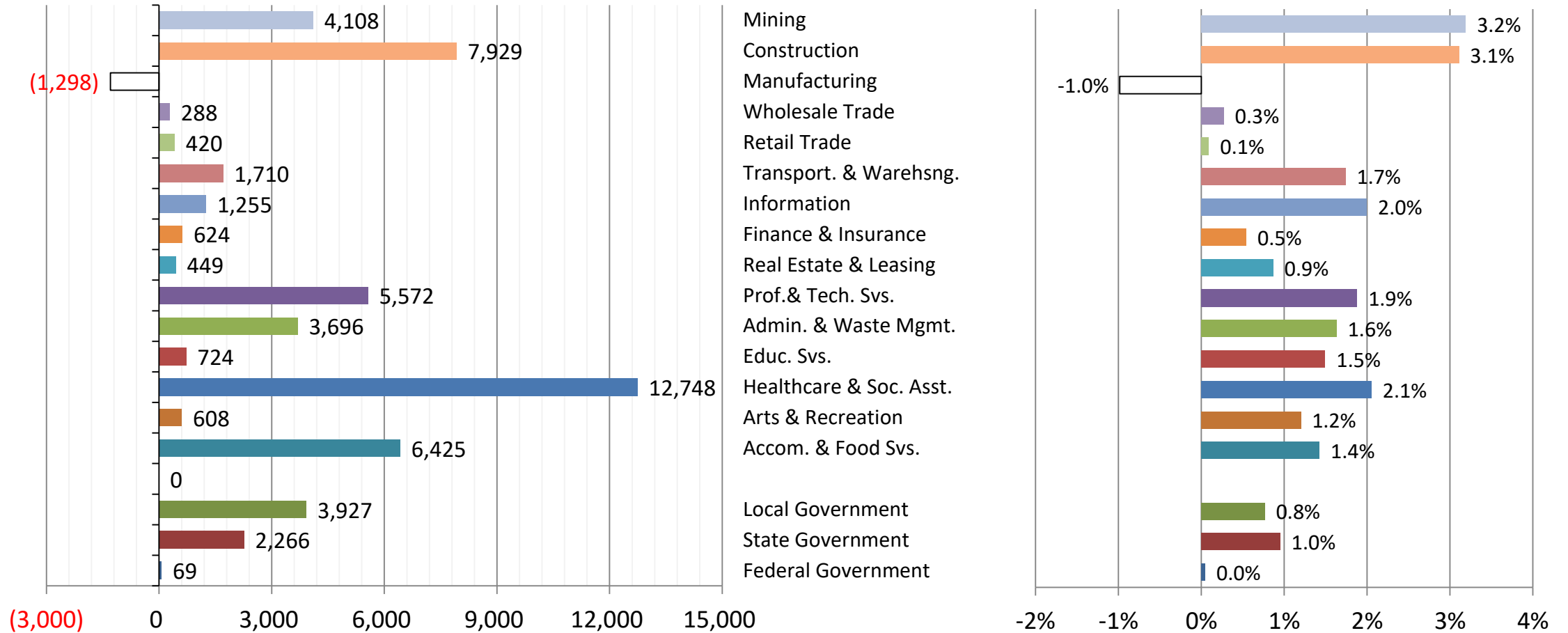
- Forecast 11,000 jobs (1.3%) in 2019, 12,000 (1.4%) in 2020; average 10,000 jobs (1.2%) after.
- Forecast is little changed over past several months.
- Addressing oil & gas midstream constraints (pipelines, processing plants) will be a focus in Oil Patch through 2019 – construction, transportation, professional & technical services.
- After construction slows, metro growth will depend more on PBS, and leisure & hospitality.
- FY20 budgets expected to allow growth in government, especially schools (Local Government)
- Faster personal income growth (4.2%/year), driven by private Wage & Salary growth and stronger transfers after 2021.
- Oil production to continue to increase, but more slowly, from 235 million barrels in 2018 to 300 million in 2020 to 365 million barrels in 2024. This bullish outlook is lower than most industry forecasts.
- Pessimistic scenario (25%) substantially outweighs Optimistic scenario (15%).

Forecast Comparison: Employment Growth



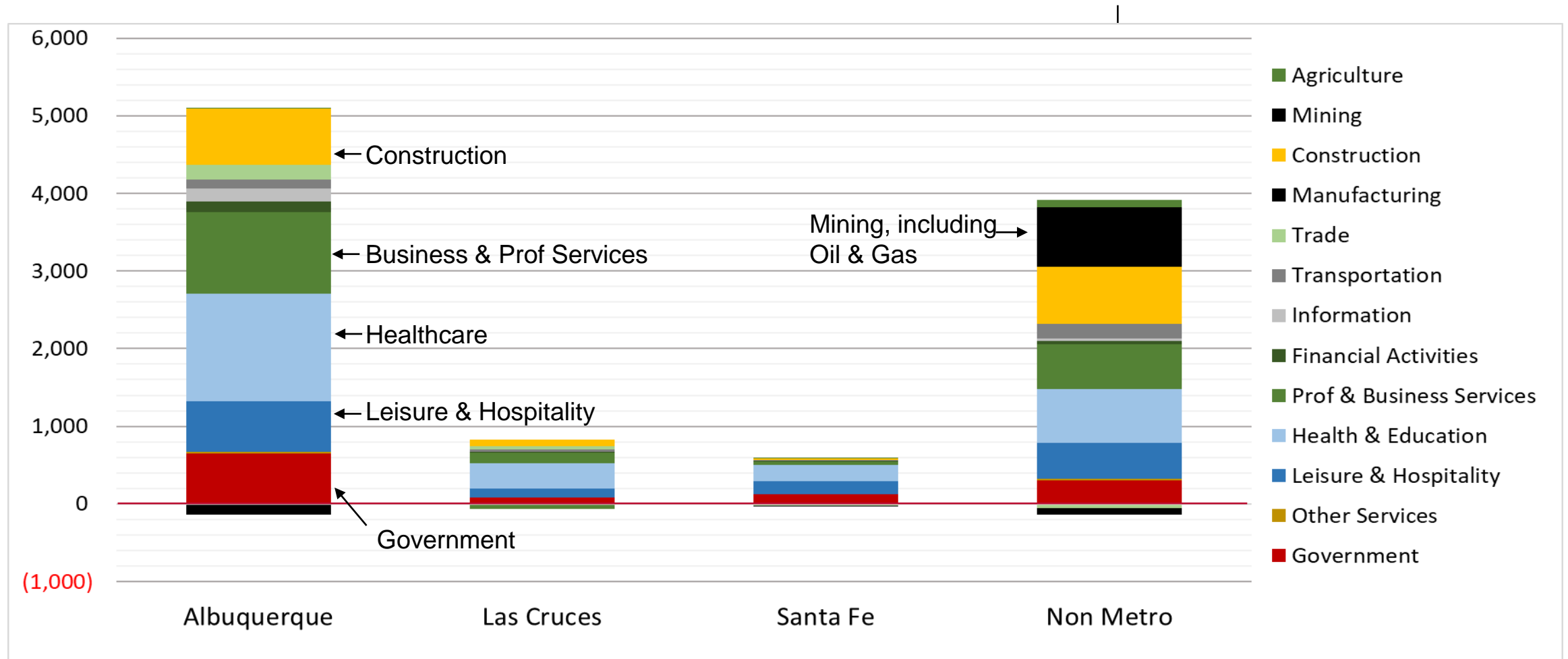
Source: BBER FORUNM

Job Creation by Sector, 2019 – 2023



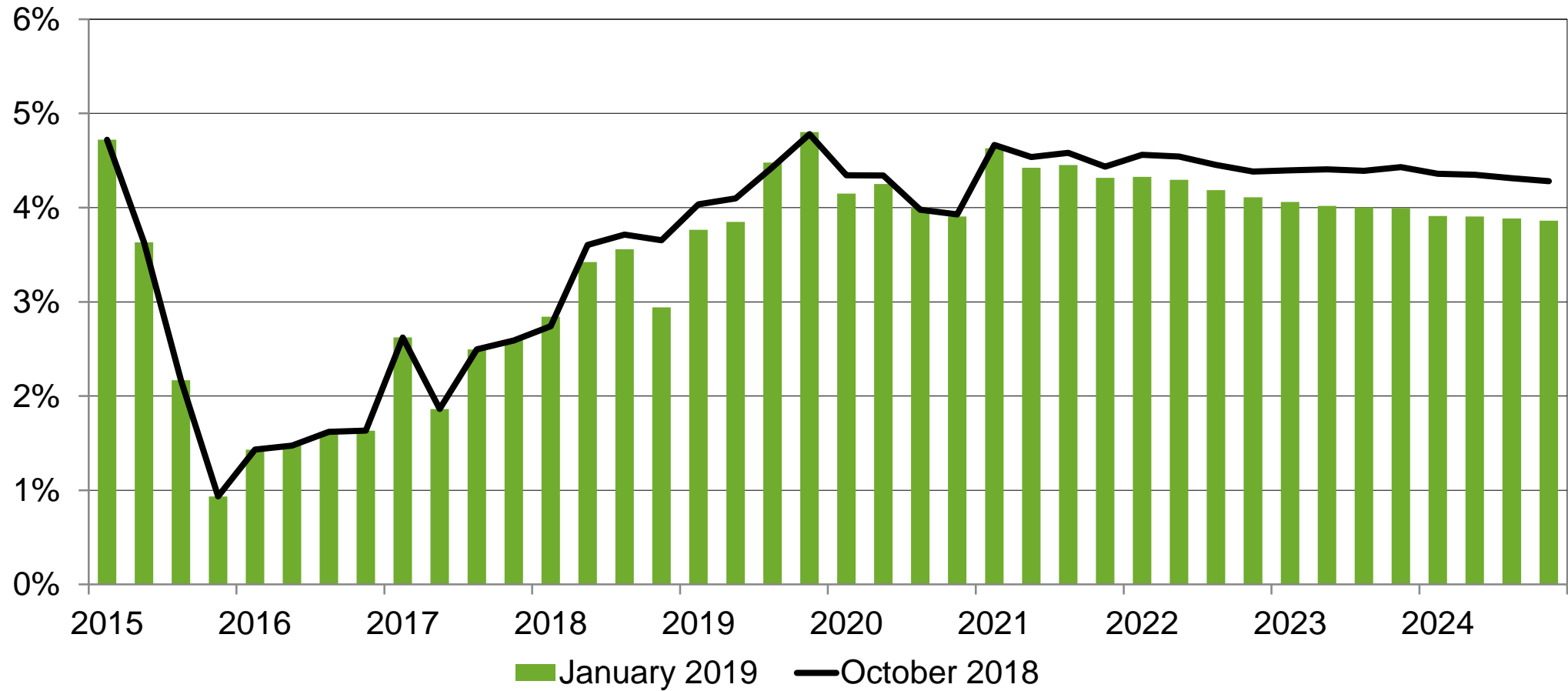
Source: BBER FORUNM

Forecast Jobs Gains/Losses, by Industry + Region, 2019 -2024



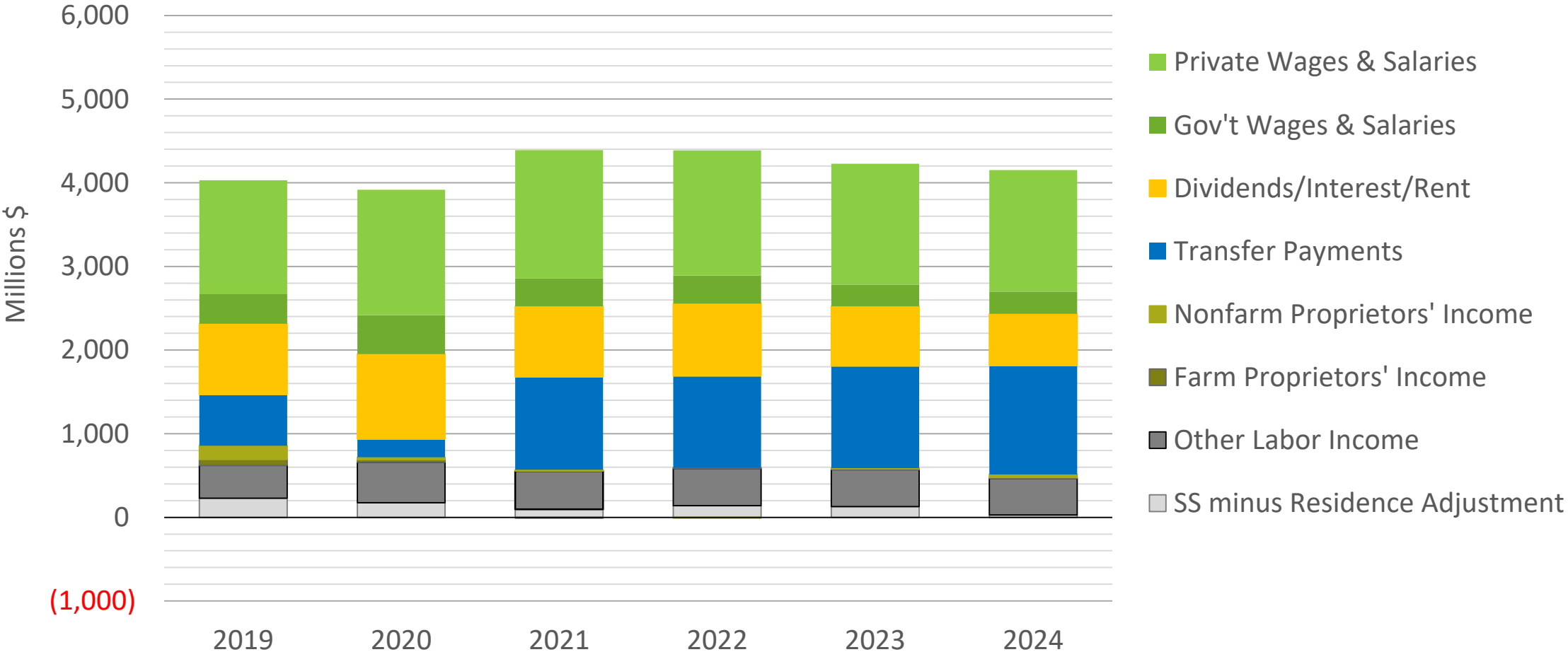
Source: BBER FORUNM

Forecast Comparison: Income



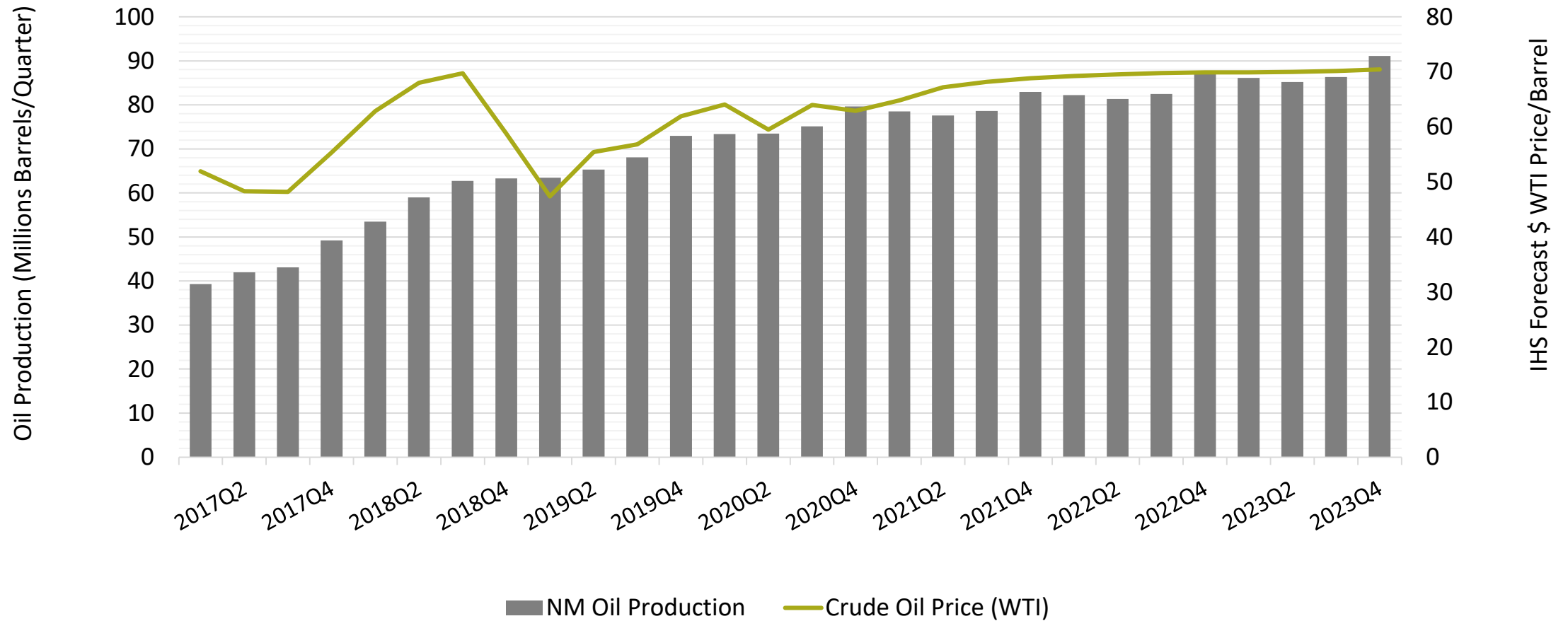
Source: BBER FORUNM

Forecast Personal Income Growth, by Component



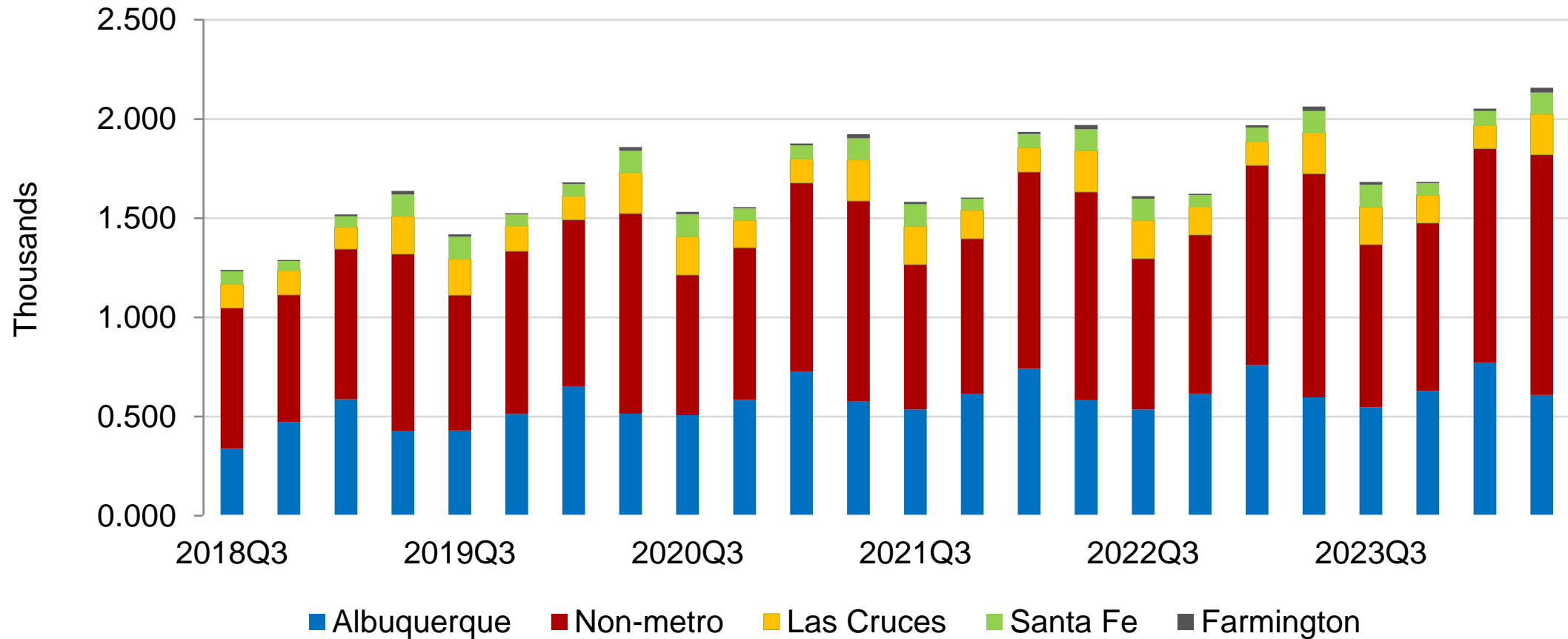
Source: BBER FORUNM

Forecast Crude Oil Production and Price



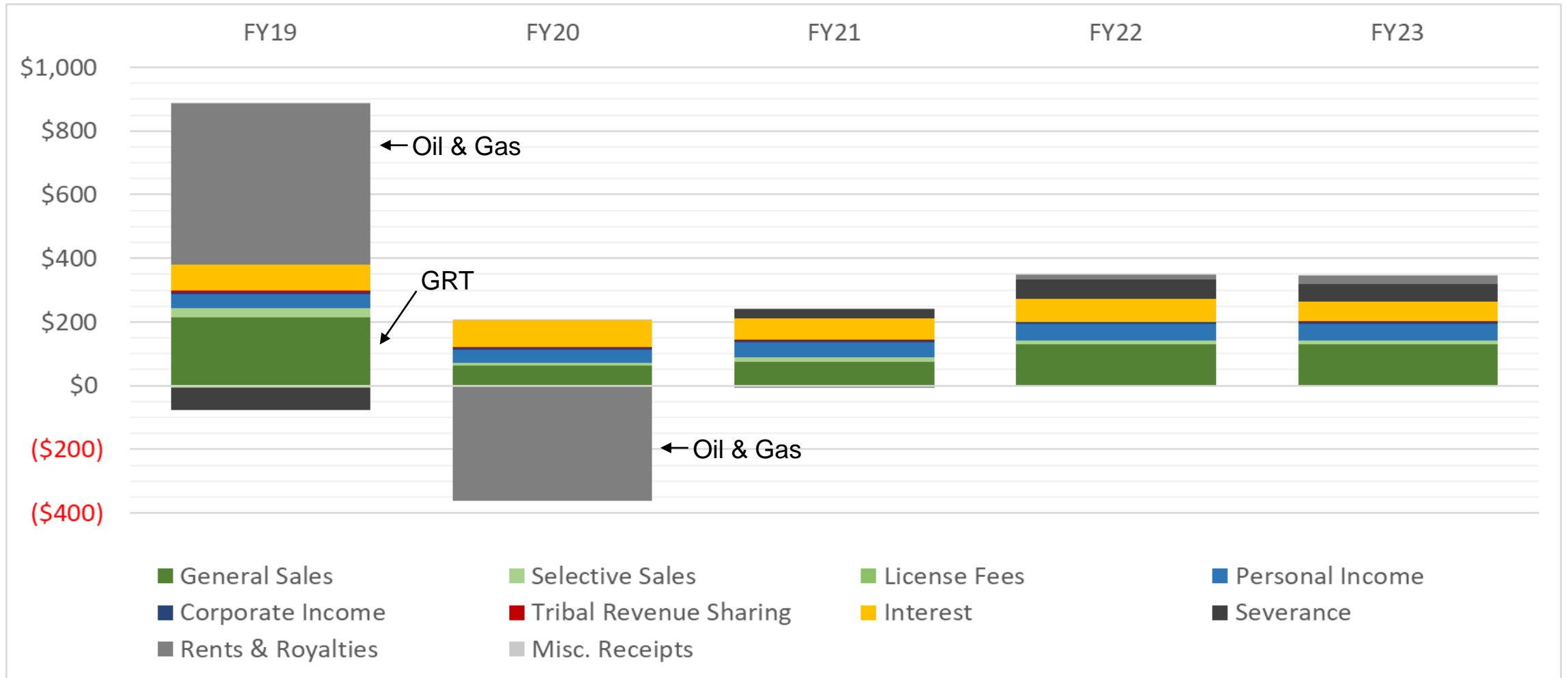
Source: BBER FOR-UNM, IHS Global Insight

Housing Permits by City or Region (Forecast)



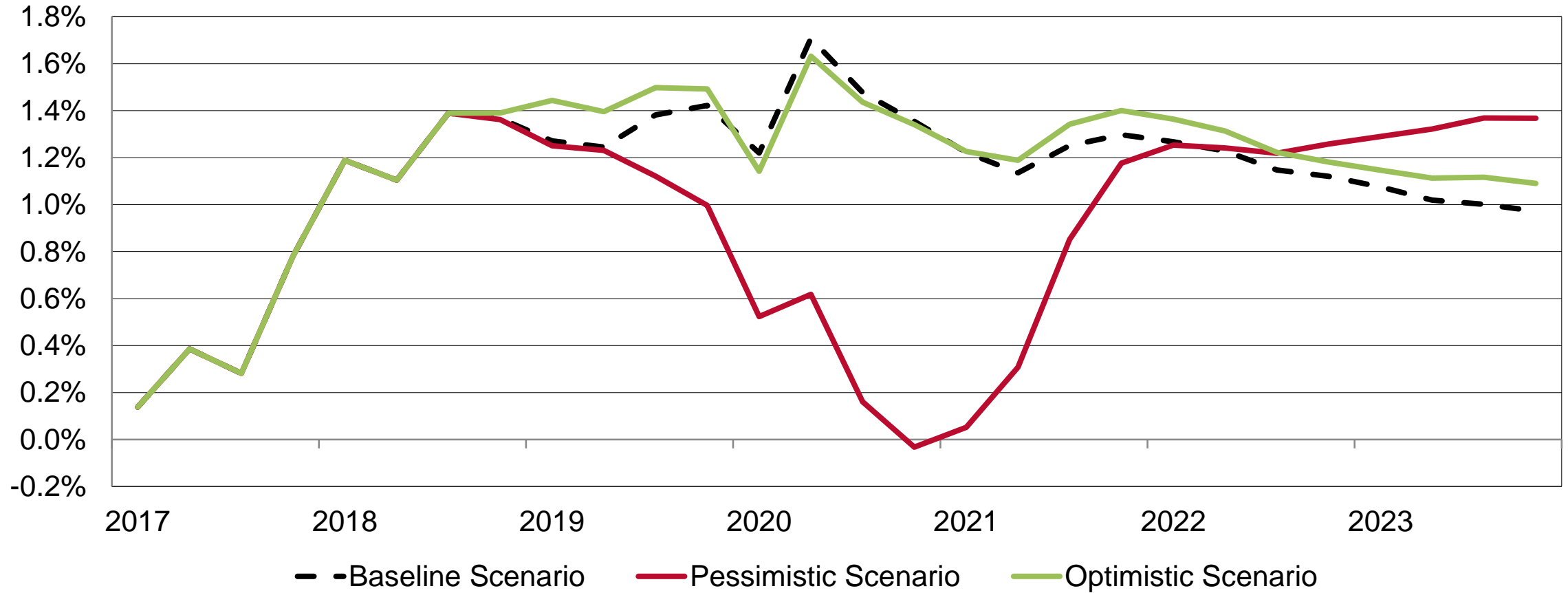
Source: BBER FORUNM

General Fund Consensus Revenue Estimates (Dec. 20187)



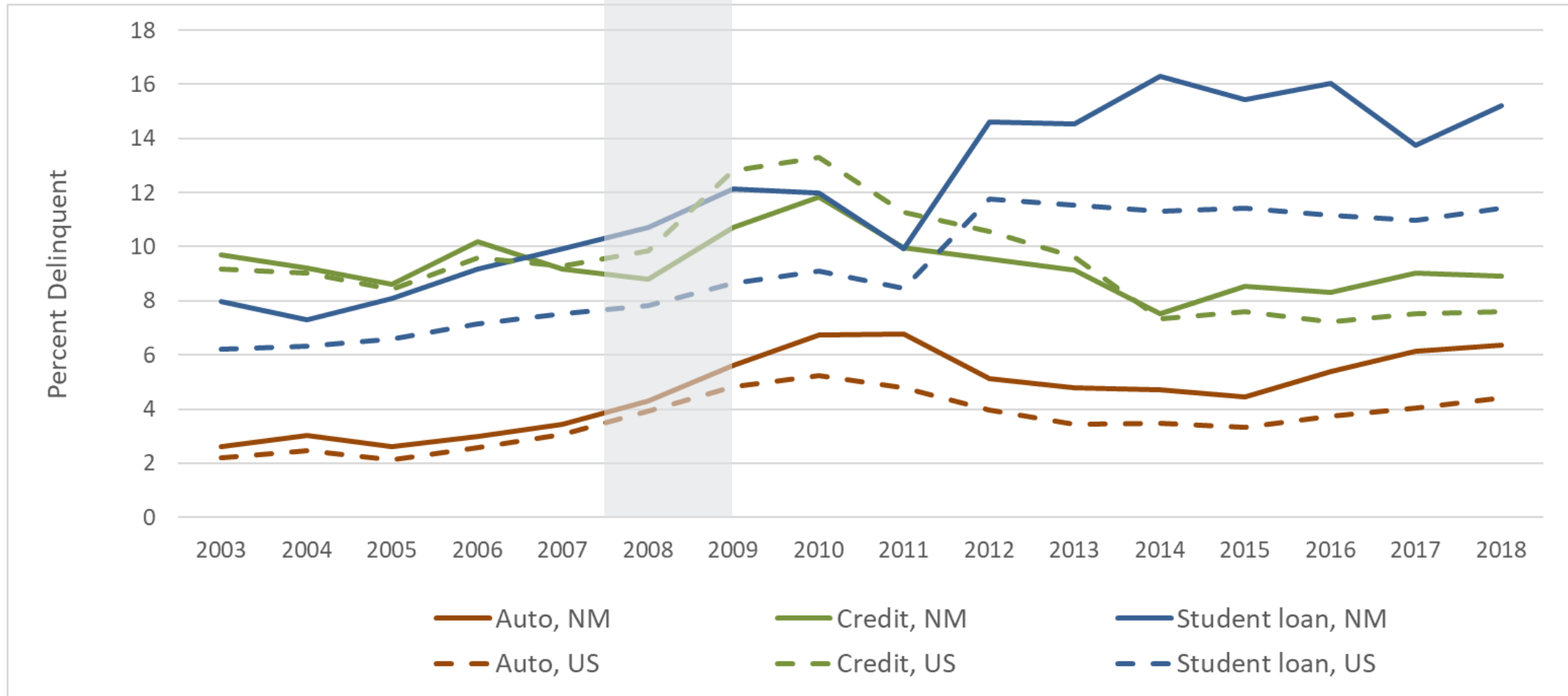
Source: Consensus Forecasting Group, December 2018

NM Employment Forecast, Alternative Scenarios



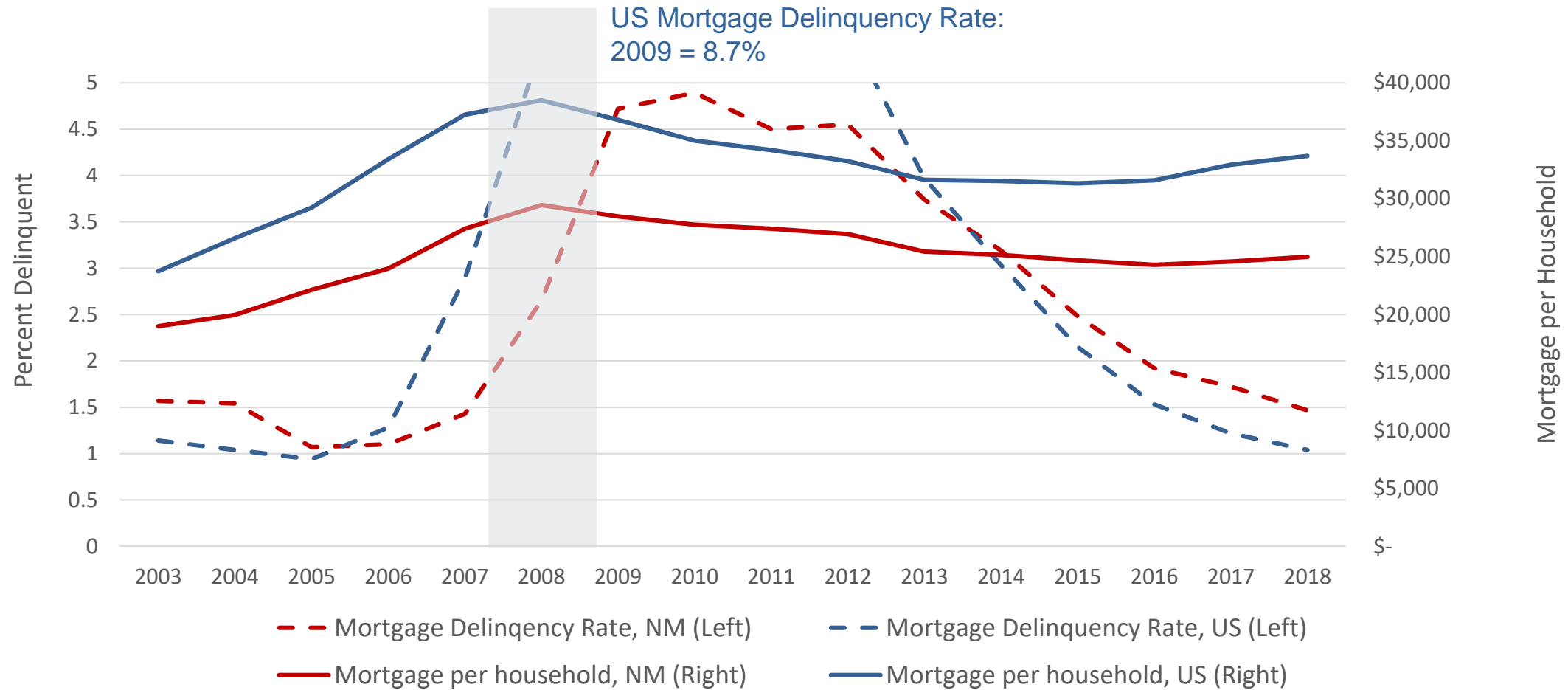
Source: BBER FORUNM

Household Debt Delinquency, by Type



Source: Federal Reserve Bank of NY, February 2018. State Level Household Debt Statistics

Mortgage Delinquency, New Mexico & US



Source: Federal Reserve Bank of NY, February 2018. State Level Household Debt Statistics



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