



**BUREAU OF BUSINESS
& ECONOMIC RESEARCH**

New Mexico's Economy: Current Situation and Outlook

Presented to the 2018 BBER Data Users Conference

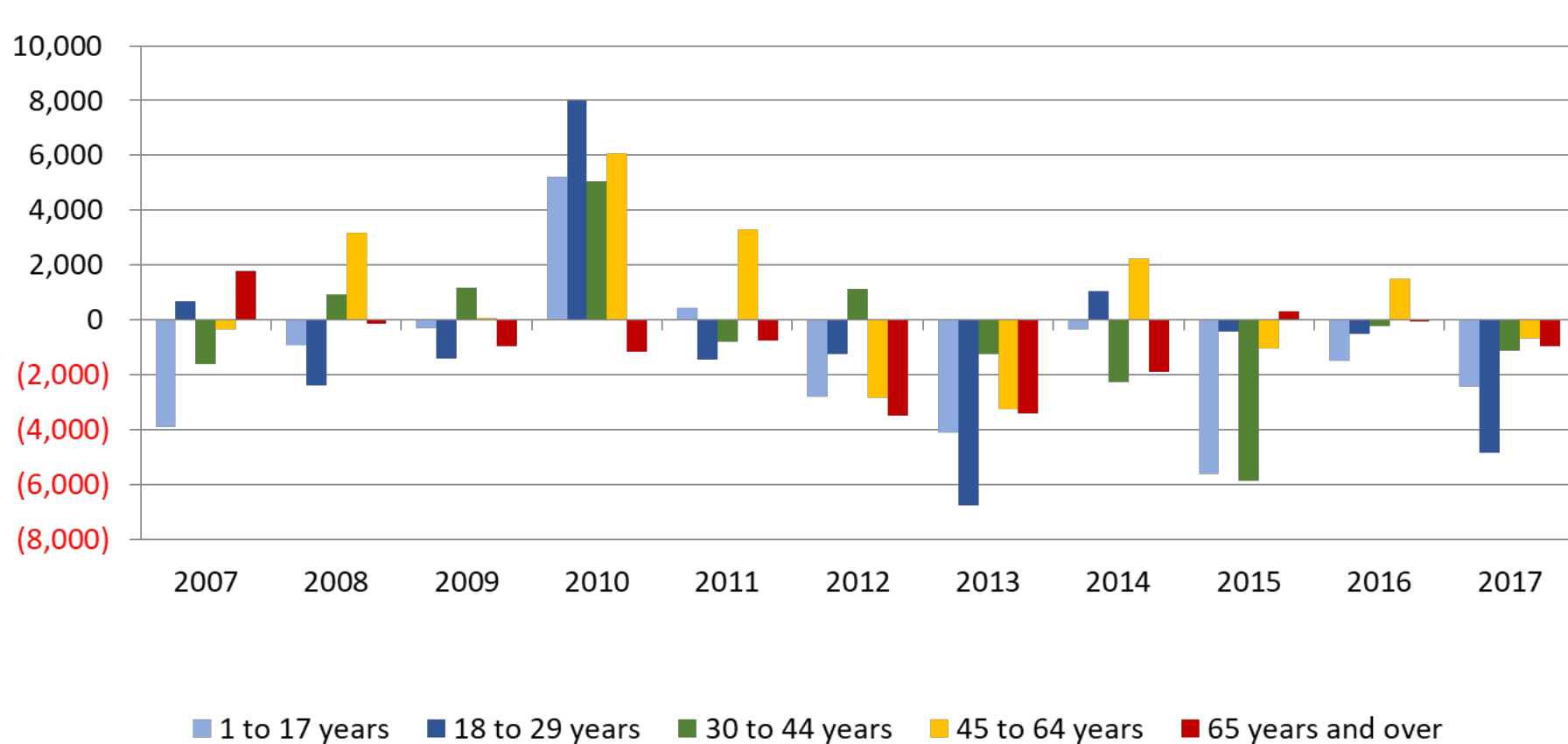
Presented by Jeffrey Mitchell, Director

November 15, 2018

New Mexico Current Economic Situation

- New Mexico's economic outlook is the strongest since the Recession.
- The economy is creating jobs, incomes are beginning to respond.
- Growth is relatively broad-based – in non-metro, in Albuquerque and more recently in Las Cruces and Santa Fe.
- Job growth is strongest in high-wage mining, construction and transportation as well as professional service sectors.
- Oil & gas production is surging, will face midstream bottlenecks but every reason to expect that expansion will continue.
- FY19 General fund accruals are way up.

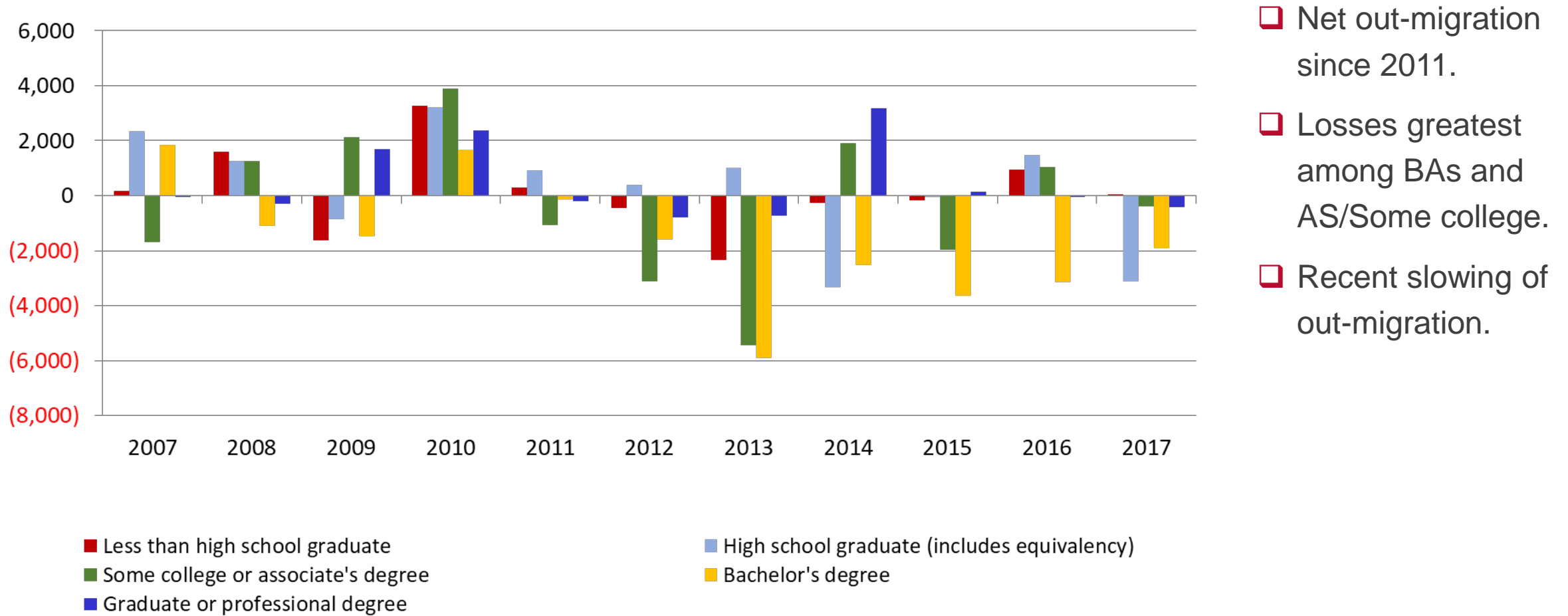
Net State-to-State Migration, by Age



- Net out-migration since 2011.
- Losses greatest among younger cohorts, including children (families) and Millennials; least among middle-aged.
- Recent slowing of out-migration.

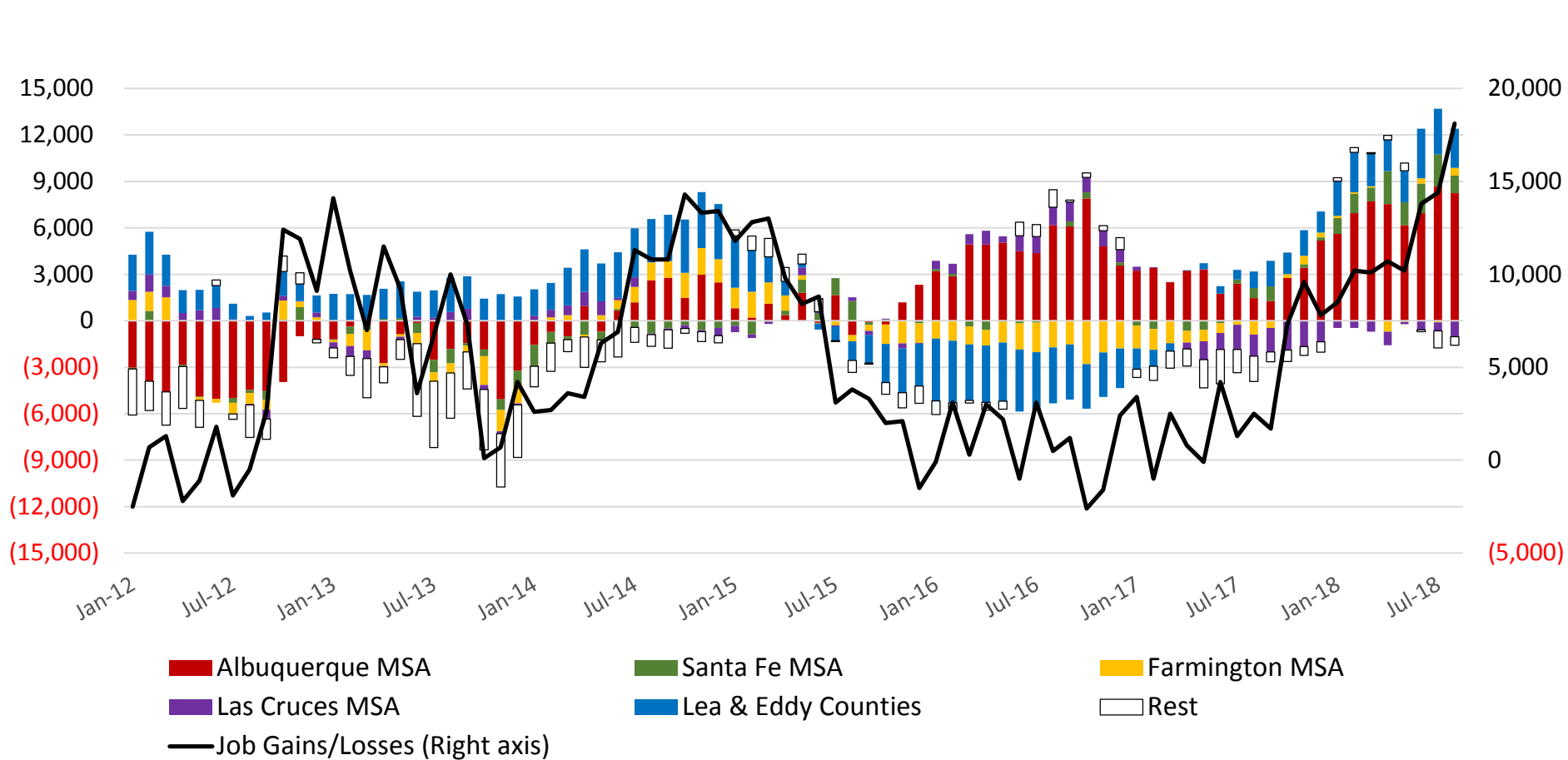
Source: Census American Community Survey (ACS), PUMS.

Net State-to-State Migration, by Educational Attainment



Source: Census American Community Survey (ACS), PUMS.

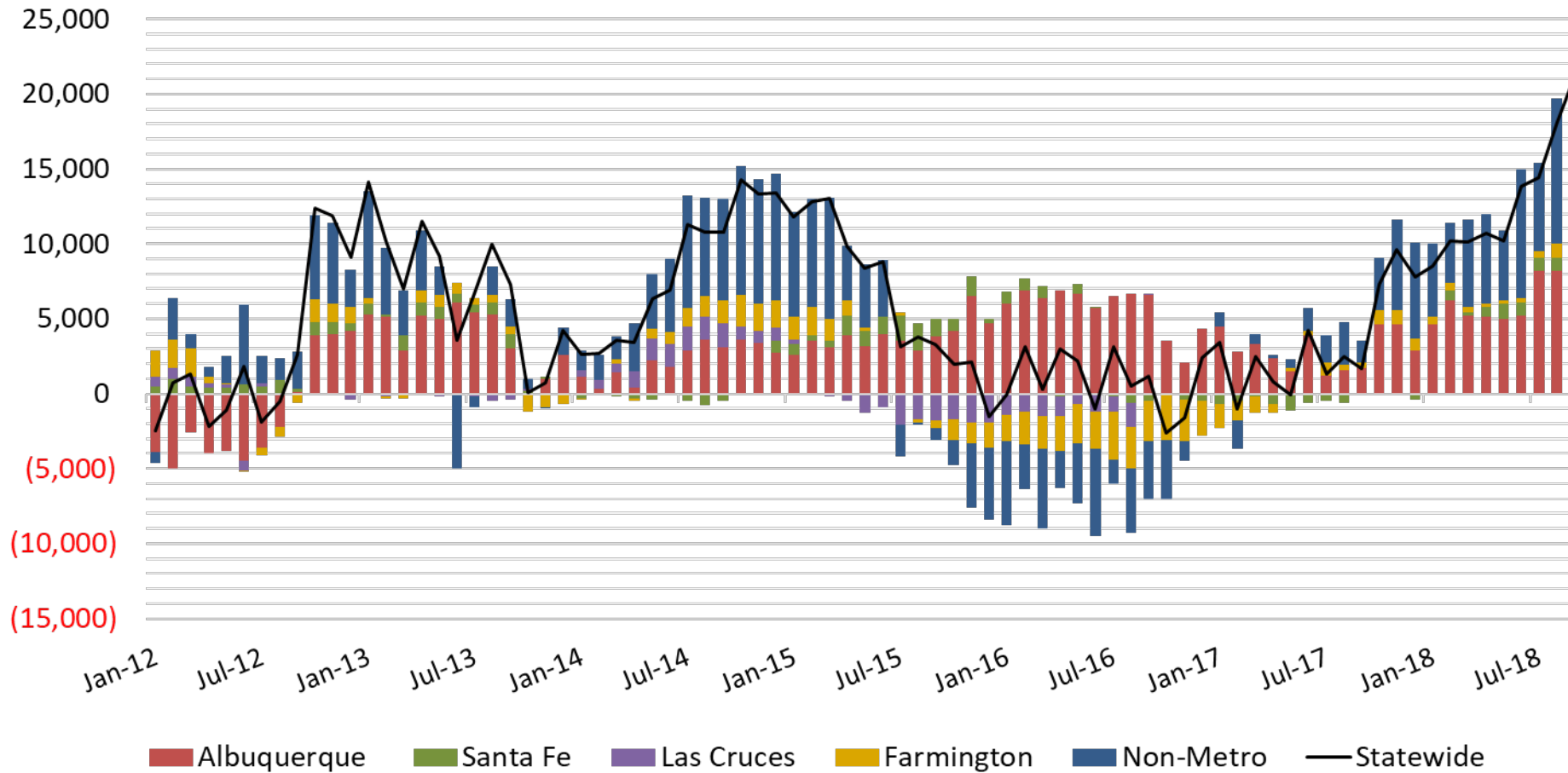
Labor Force by Region (2011 - September 2018)



- 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)

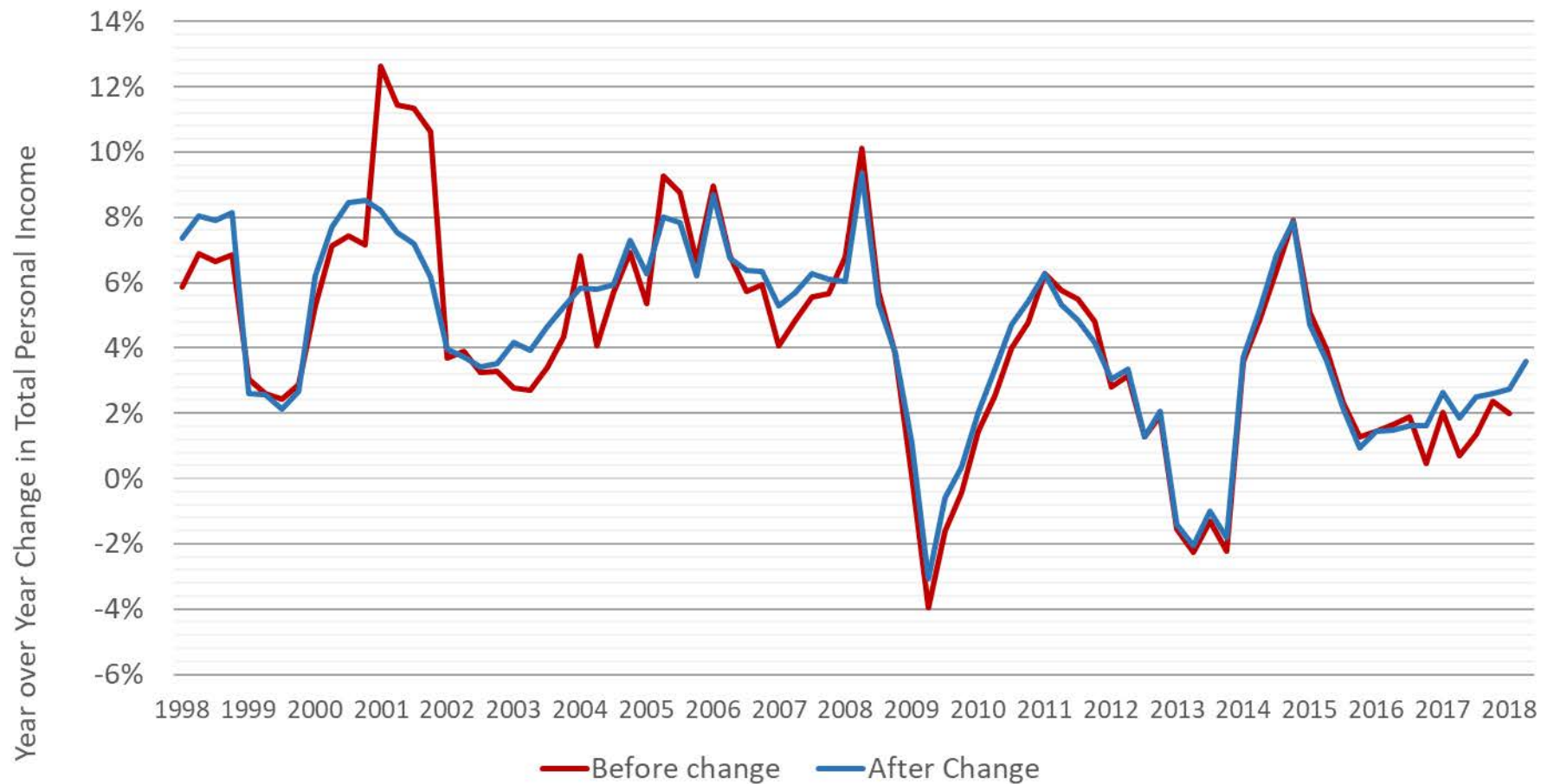
Job Growth/Loss by Region (2012 - September 2018)



- ❑ Strong 2018 job growth as all areas expand.
- ❑ Up 2.2% in 2018Q3 – highest since 2007 and 13th highest in the country.
- ❑ Total employment now equal to pre-recession high.
- ❑ FOR-UNM expects final Q2 and Q3 to be revised down slightly.

Source: BLS Current Employment Survey

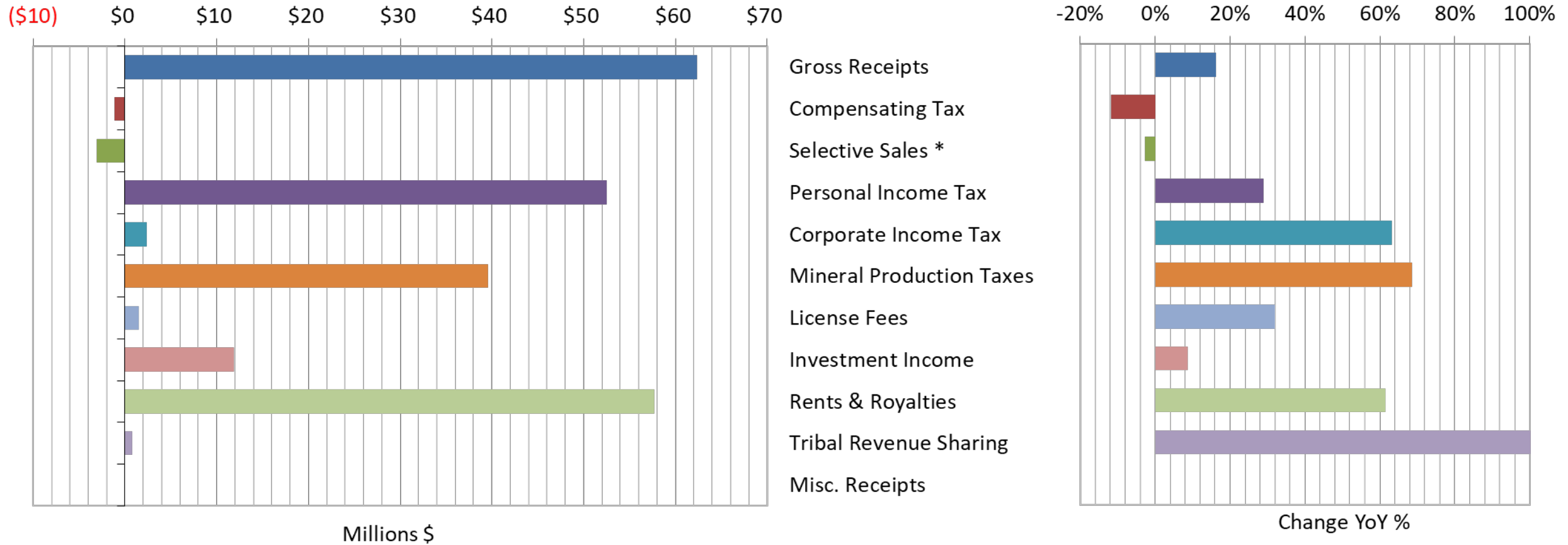
BEA Revisions to NM Personal Income



- Changes back to 1998, mostly 'smoothing' the series.
- Net effect is estimated total personal income in NM is 3.0% higher.
- Recent improvements due to higher wages & salaries to private sector workers.

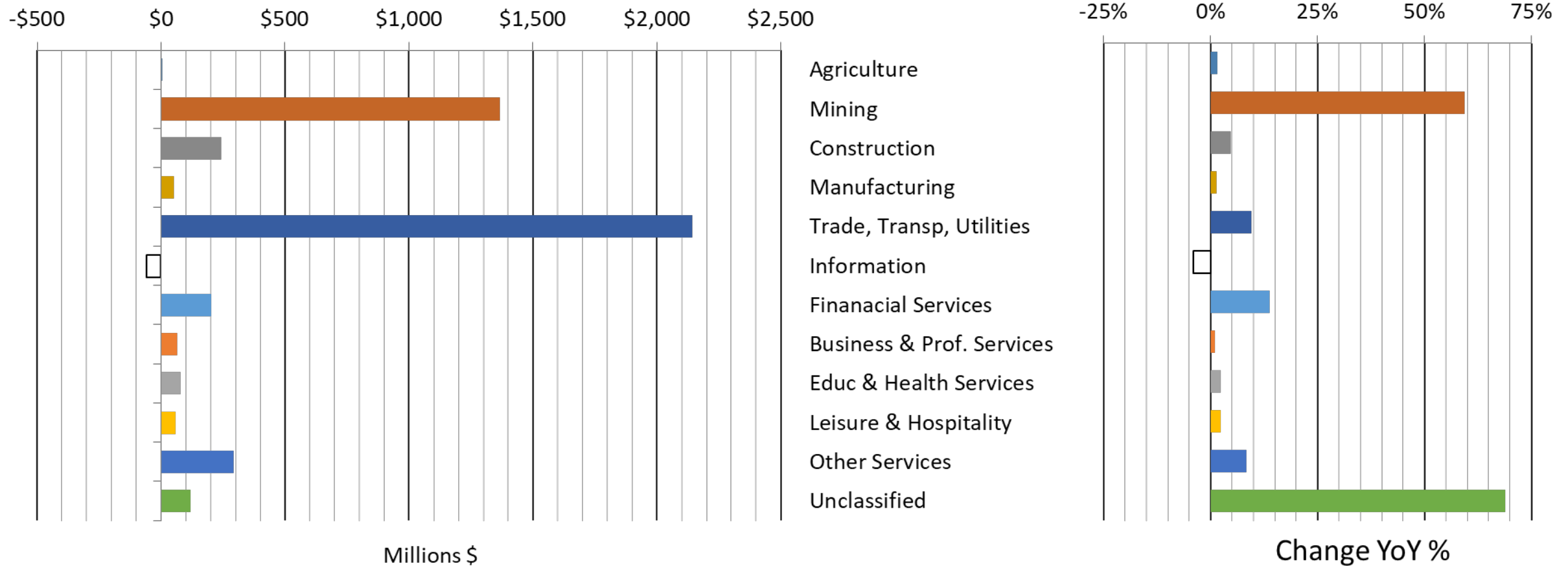
Source: Bureau of Economic Analysis

Gain/Loss in General Fund Accruals, FY19 July & August



Source: NM Legislative Finance Committee

Gross Receipts by Industry, FY18 v. FY17



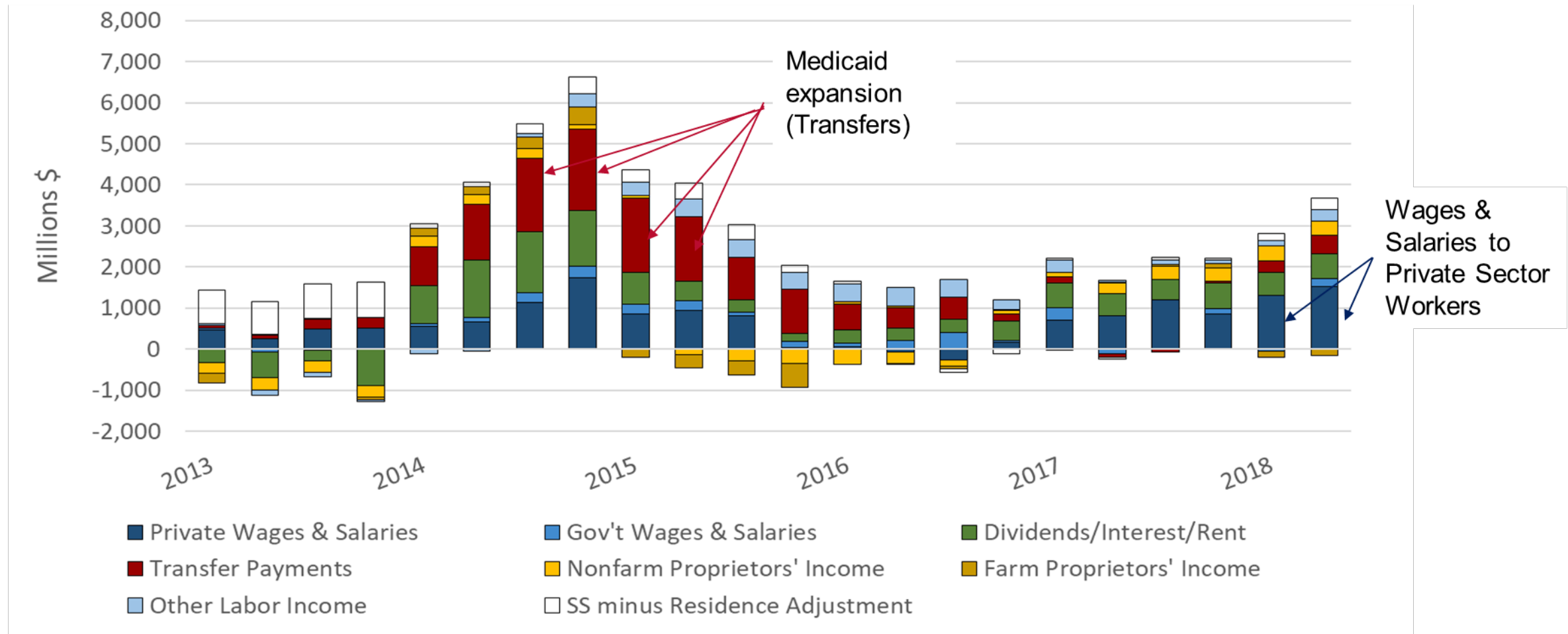
Source: NM Taxation and Revenue Dept., RP80s

Gross Receipts by County, FY18 v. FY17



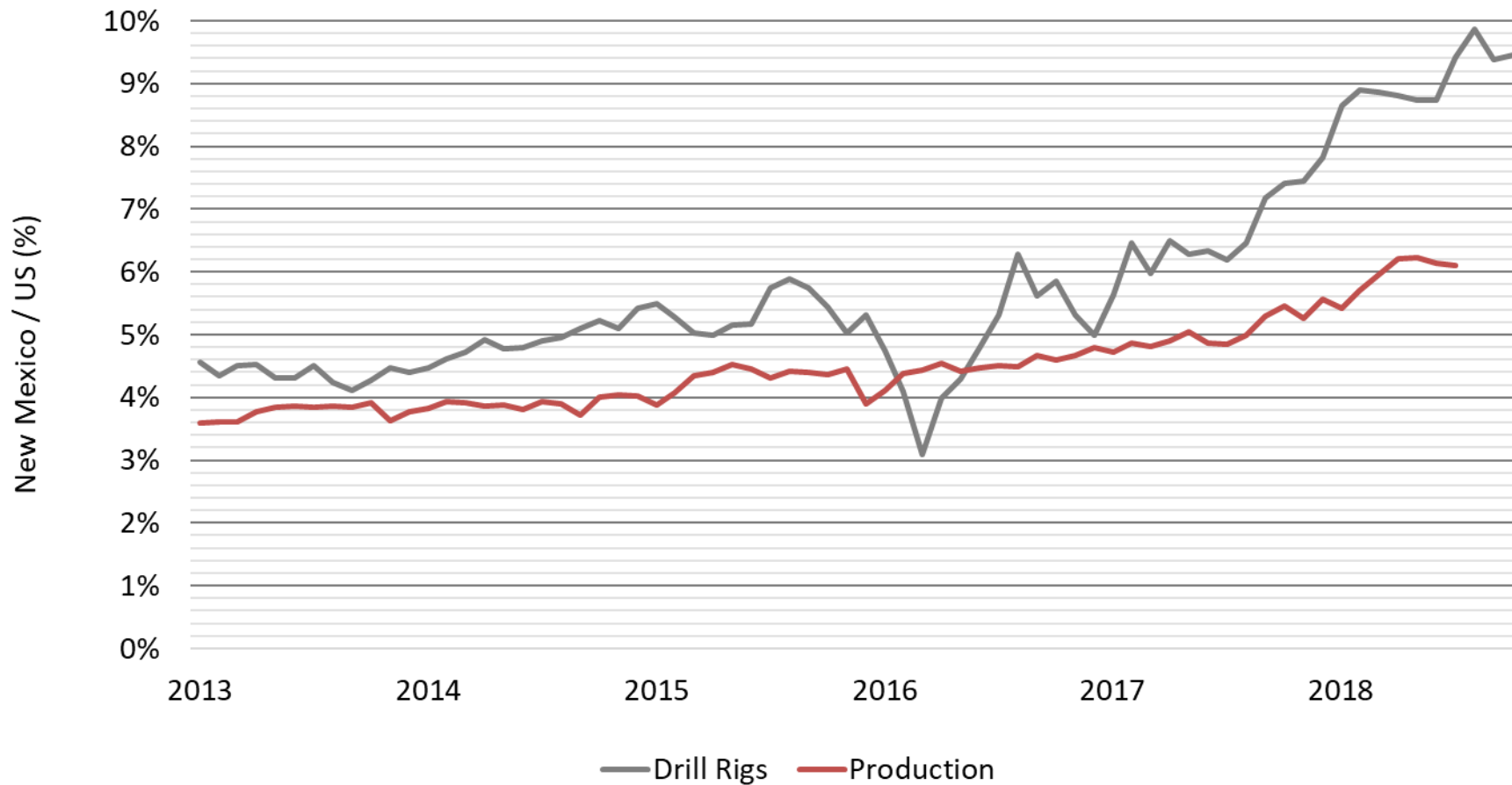
Source: NM Taxation and Revenue Dept., RP80s

Change in Personal Income Growth, by Component



Source: BBER FORUNM, July 2018

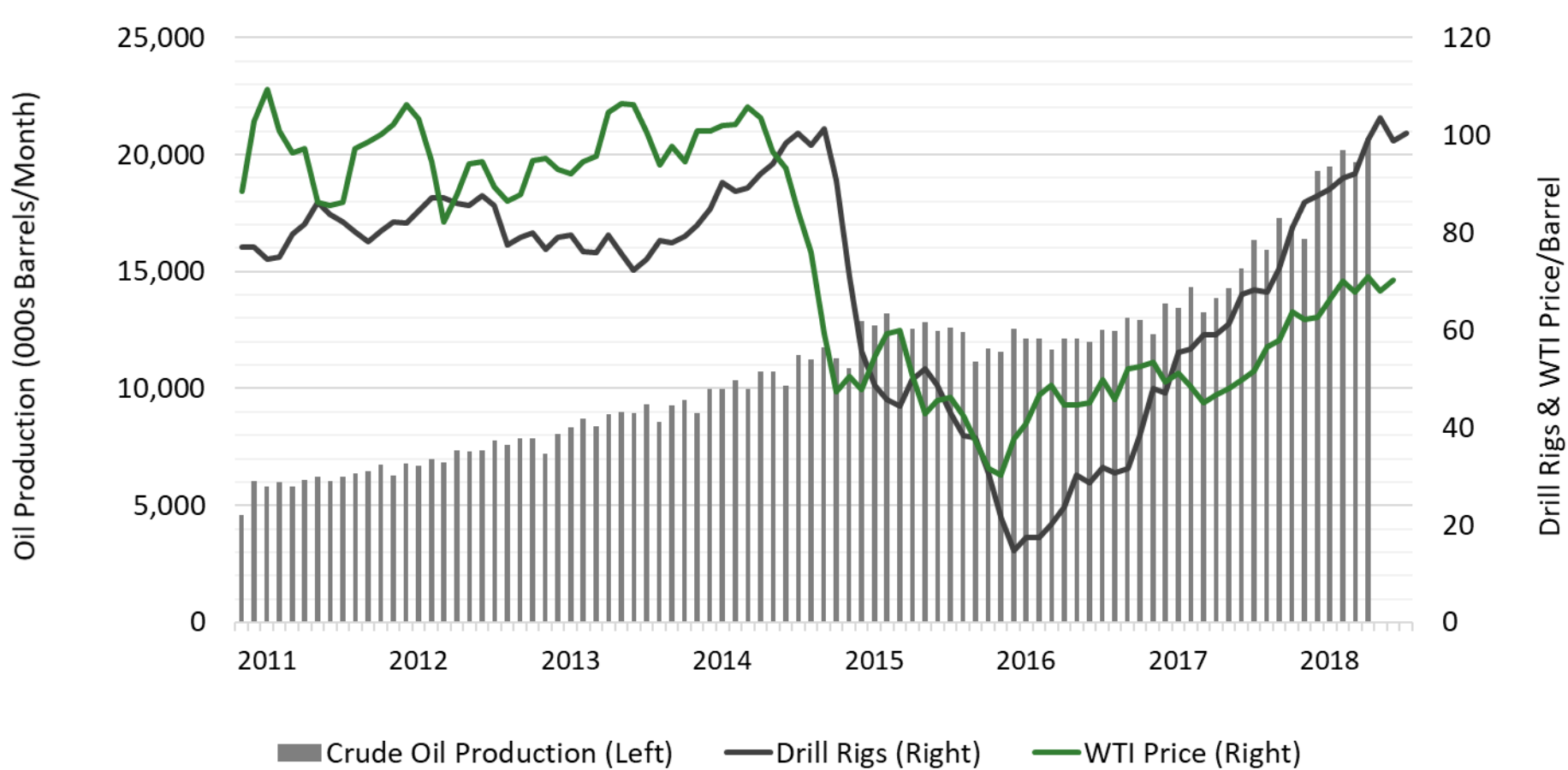
New Mexico's share of US Oil Production & Rigs



- Recent boom in US shale oil production concentrated in Permian Basin, including NM.
- Share of all US rigs in NM to 9.5%, from 3.1% in 2016.
- NM is 3rd state in crude production, more than 6%, up from 3.5% in 2011.

Source: EIA, Baker Hughes

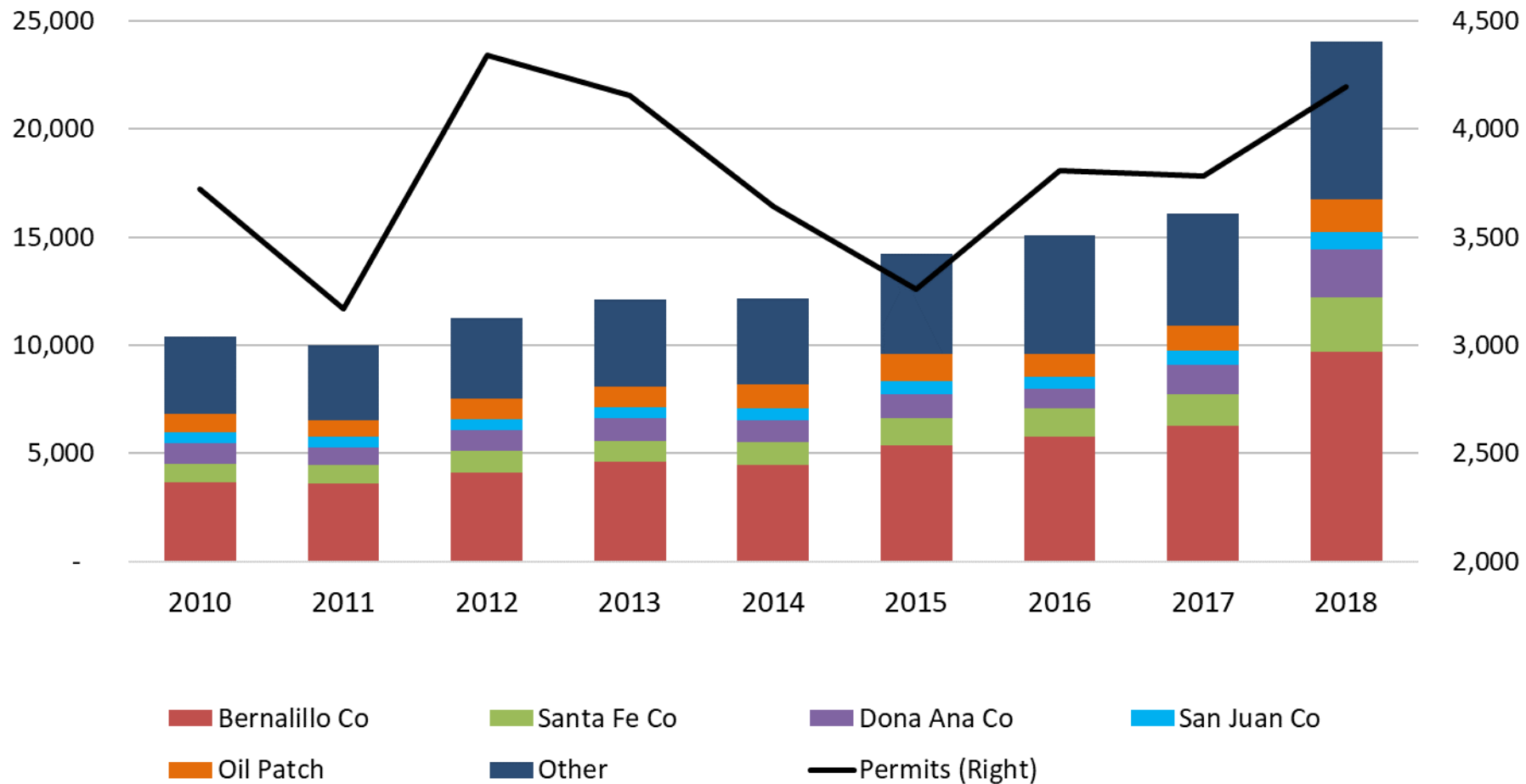
Oil Rigs, Production + Price



- ▣ Crude prices (WTI, West Texas Intermediate) down 20%, from \$70.25/barrel in Sept to \$56.25/barrel.
- ▣ We don't expect a big impact on NM production – at these prices.

Source: EIA, Baker Hughes

Housing Sales by Region + Building Permits (3rd Quarter YTD)



- Home sales up 50% in 2018, with increase in nearly all areas.
- Only recent and small impact on housing values (unlike some areas of US)
- And only recent and small impact on new construction (like most areas of US)

Source: NM Realtors Association, BBER

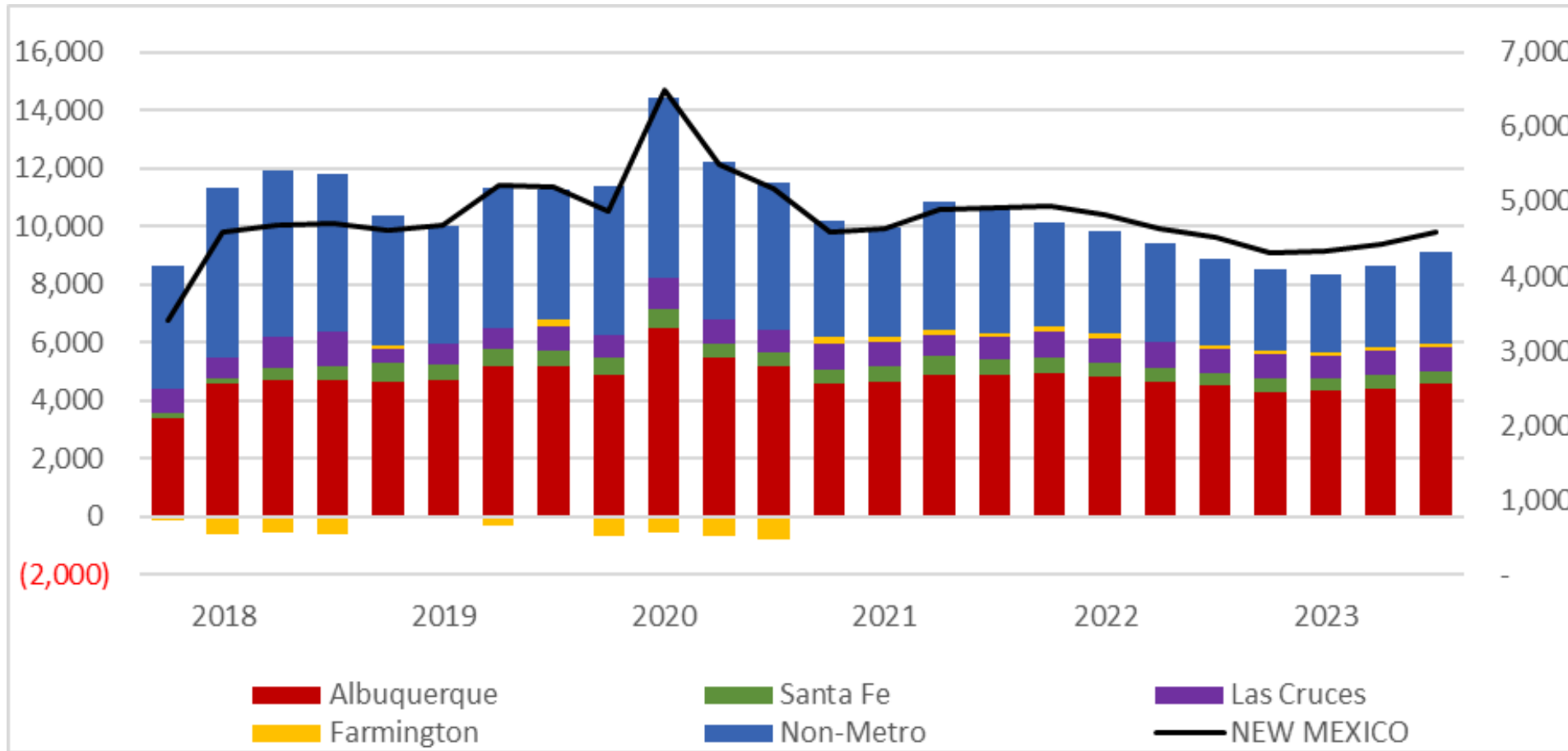
New Mexico Outlook



New Mexico Economic Outlook 2018-2023

- Forecast 10,500 jobs (1.3%) in 2018 and 2019; and average 10,000 jobs (1.2%) thereafter.
- 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, including schools (Local Government)
- Faster personal income growth (4.3%/year), driven by private Wage & Salary growth, and Dividends/Interest/Rent and after 2021 stronger transfers.
- Oil production to continue to increase sharply, from 235 million barrels in 2018 to 300 million in 2020 (25%/year) to 345 million in 2023 (6%/year). This bullish outlook is lower than most industry forecasts. Will depend on midstream bottlenecks.
- Pessimistic scenario (25%) substantially outweighs Optimistic scenario (15%).

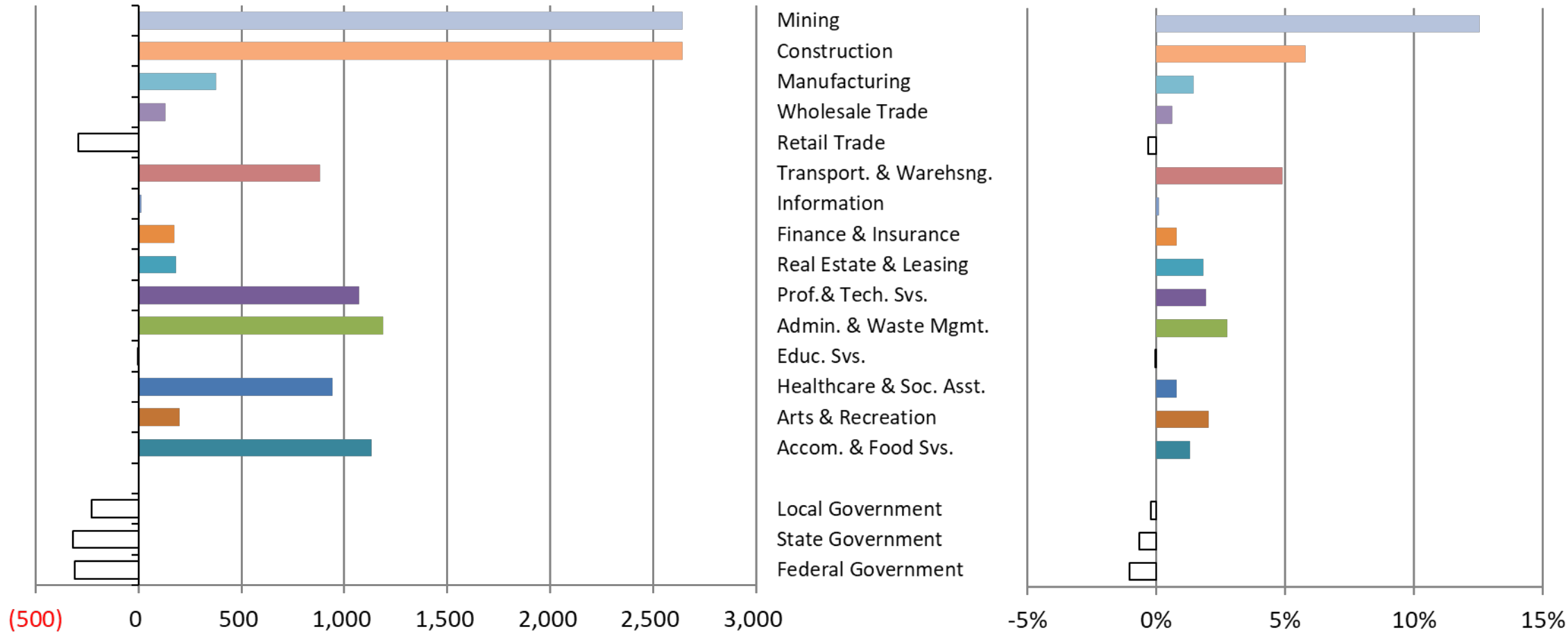
Employment growth forecast, by Region



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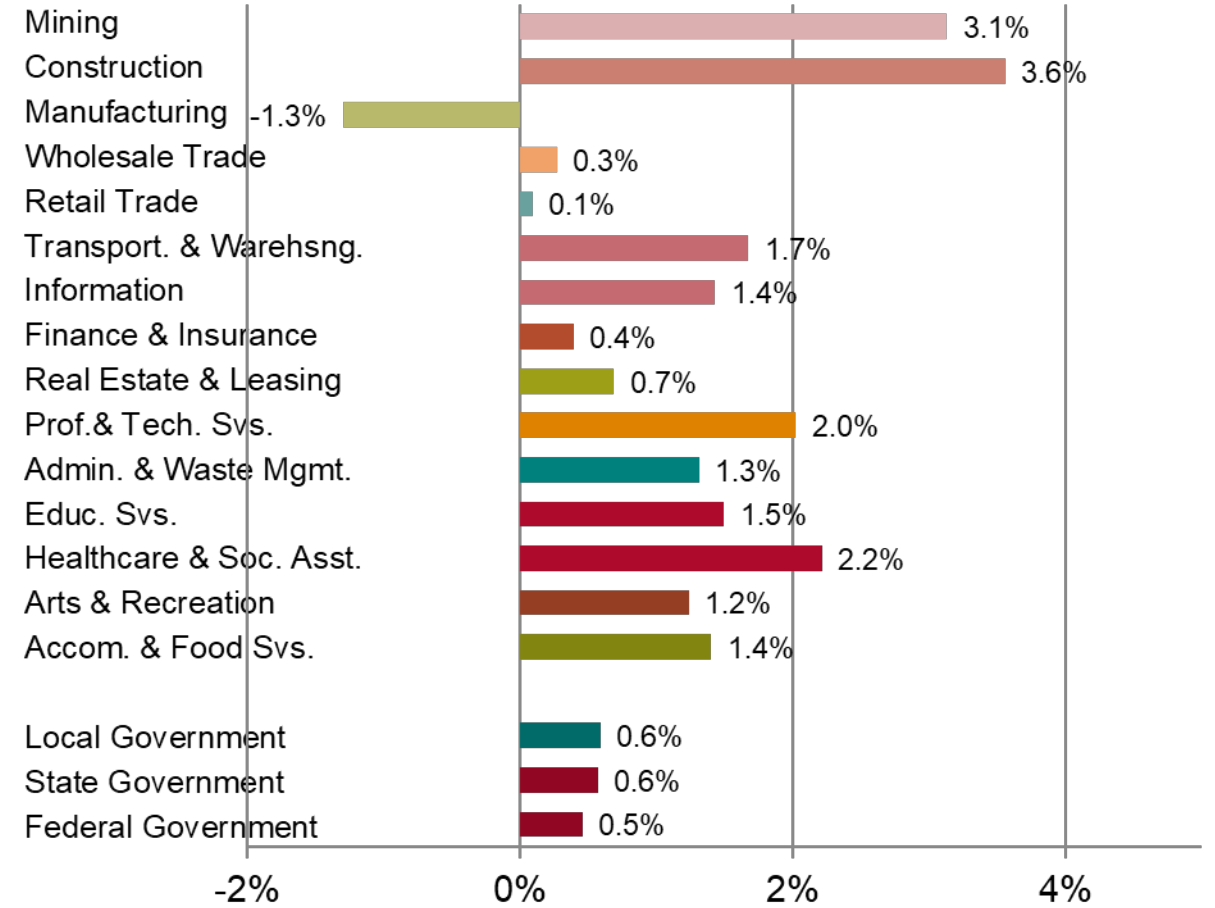
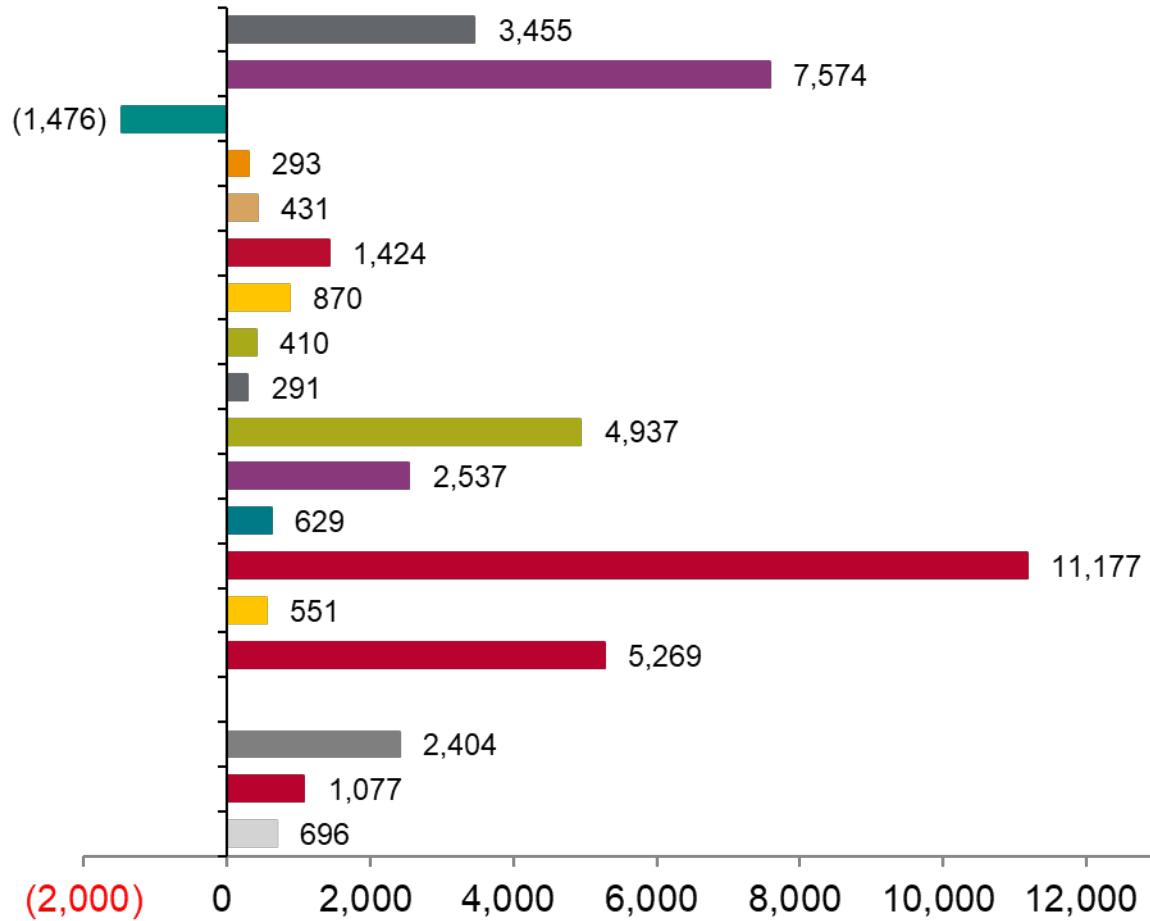
Source: BBER FORUNM, October 2018

Job Comparison by Sector, 2018



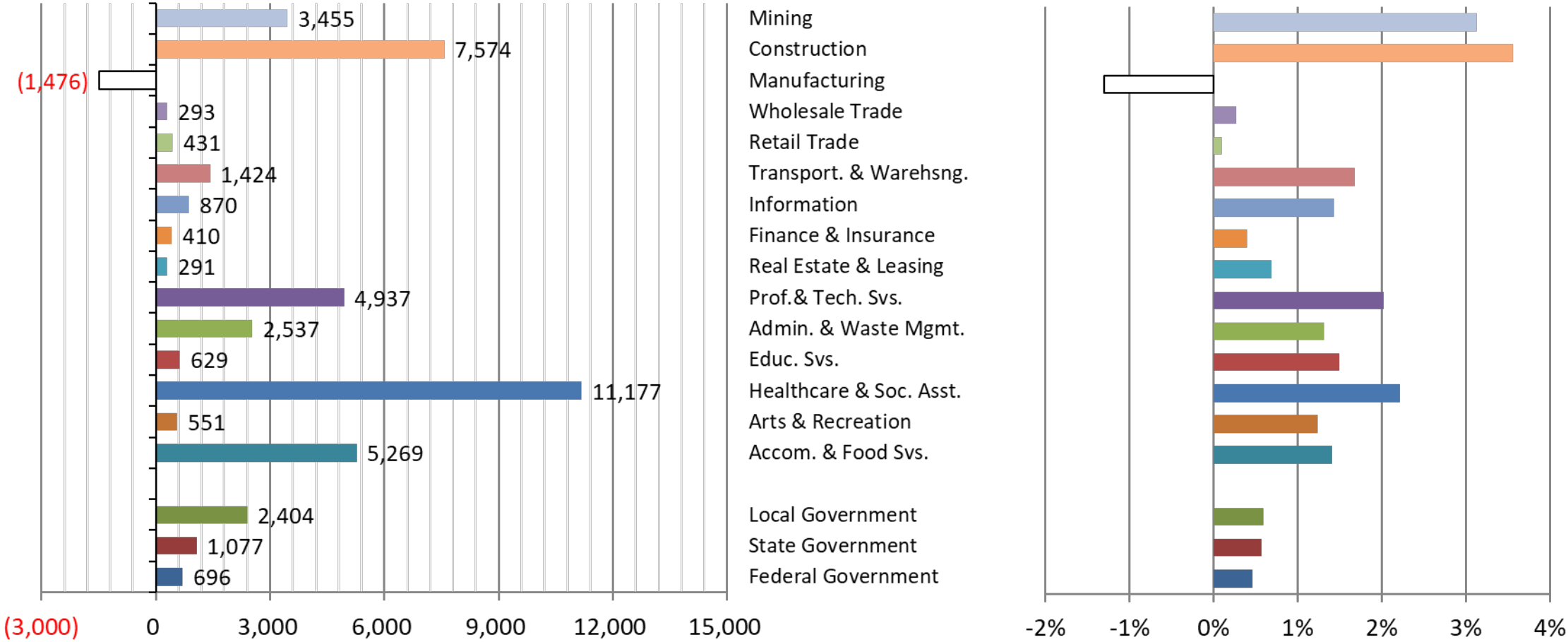
Source: BBER FORUNM, October 2018

Job Creation by Sector, 2019 – 2023



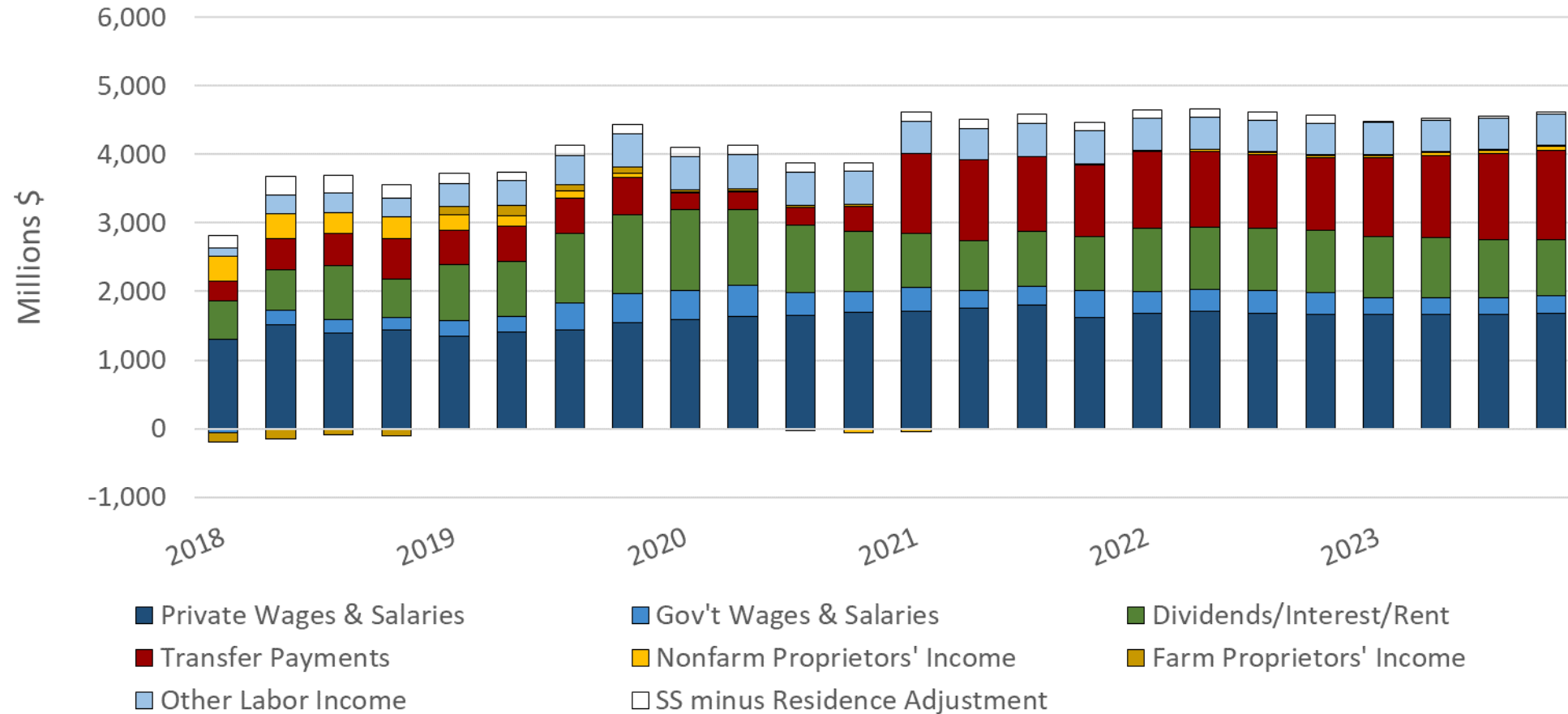
Source: BBER FORUNM, October 2018

Job Creation by Sector, 2019 – 2023



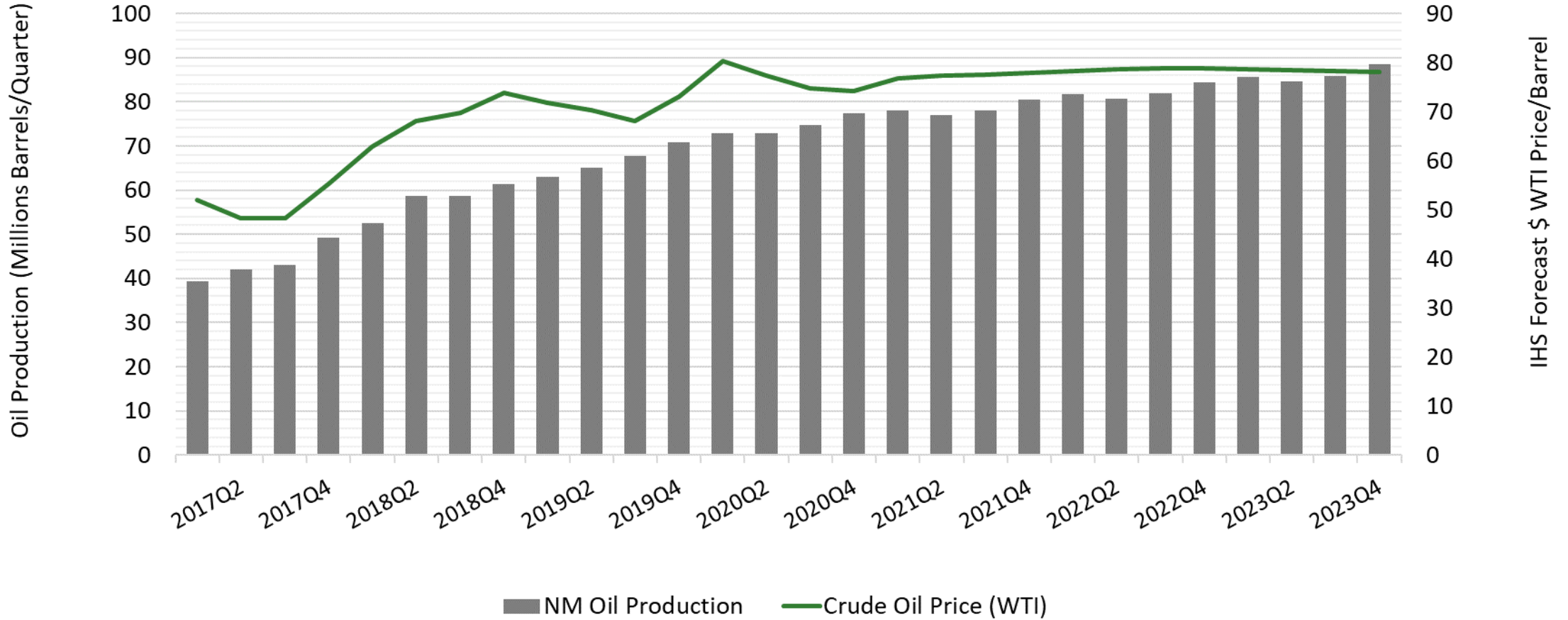
Source: BBER FORUNM, October 2018

Forecast Personal Income Growth, by Component



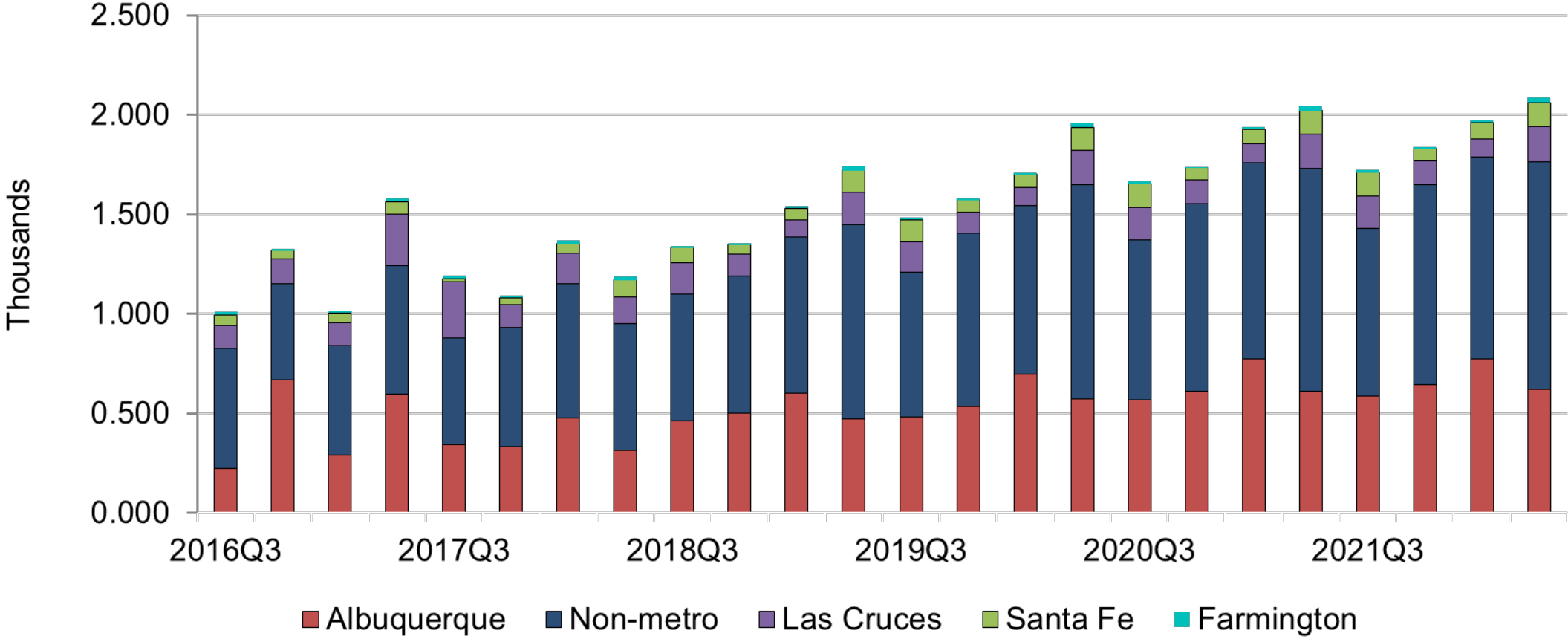
Source: BBER FORUNM, October 2018

Forecast Crude Oil Production and Price



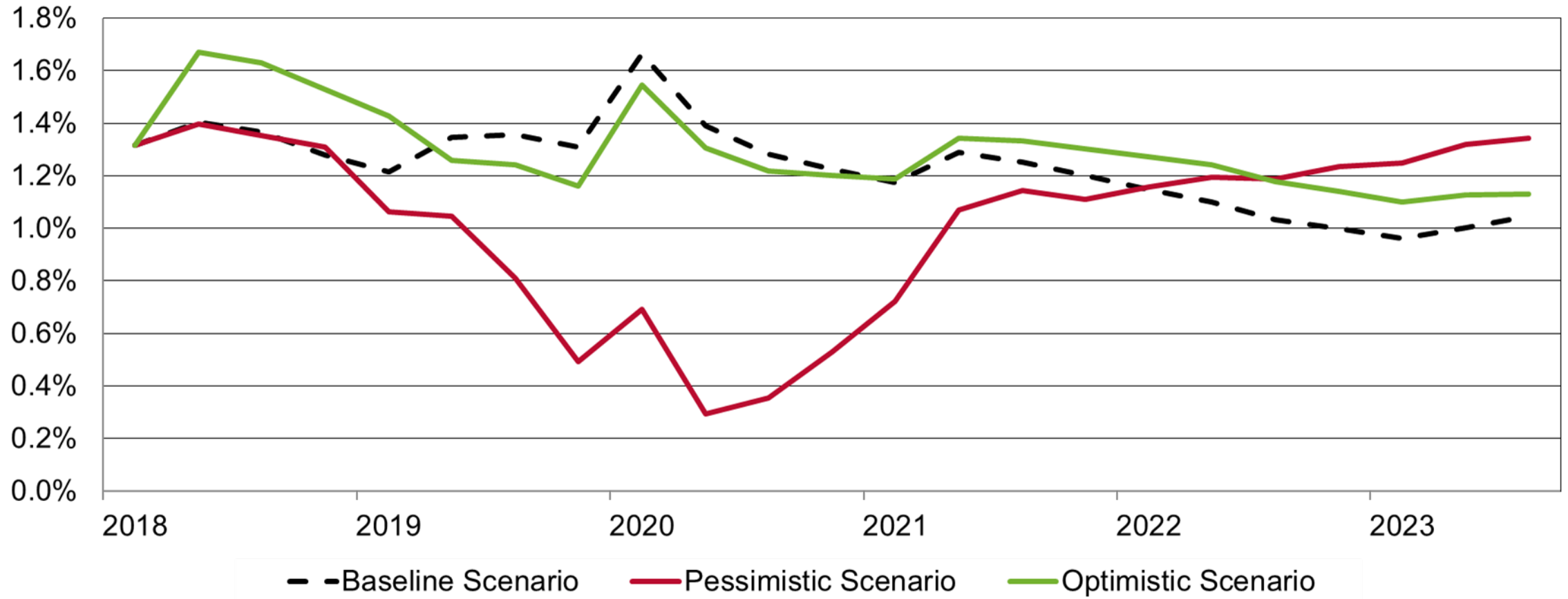
Source: BBER FOR-UNM, IHS Global Insight, October 2018

Housing Permits by City or Region (Forecast)



Source: BBER FORUNM, October 2018

NM Employment Forecast, Alternative Scenarios



Source: BBER FORUNM, October 2018



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ECONOMIC FORECAST



DATA DASHBOARDS



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