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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.

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*THE NEW MEXICO ECONOMIC FORECAST: RECENT DEVELOPMENTS AND OUTLOOK*

PREPARED FOR THE 25<sup>TH</sup> ANNUAL DATA USER'S CONFERENCE

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NOVEMBER 15, 2023

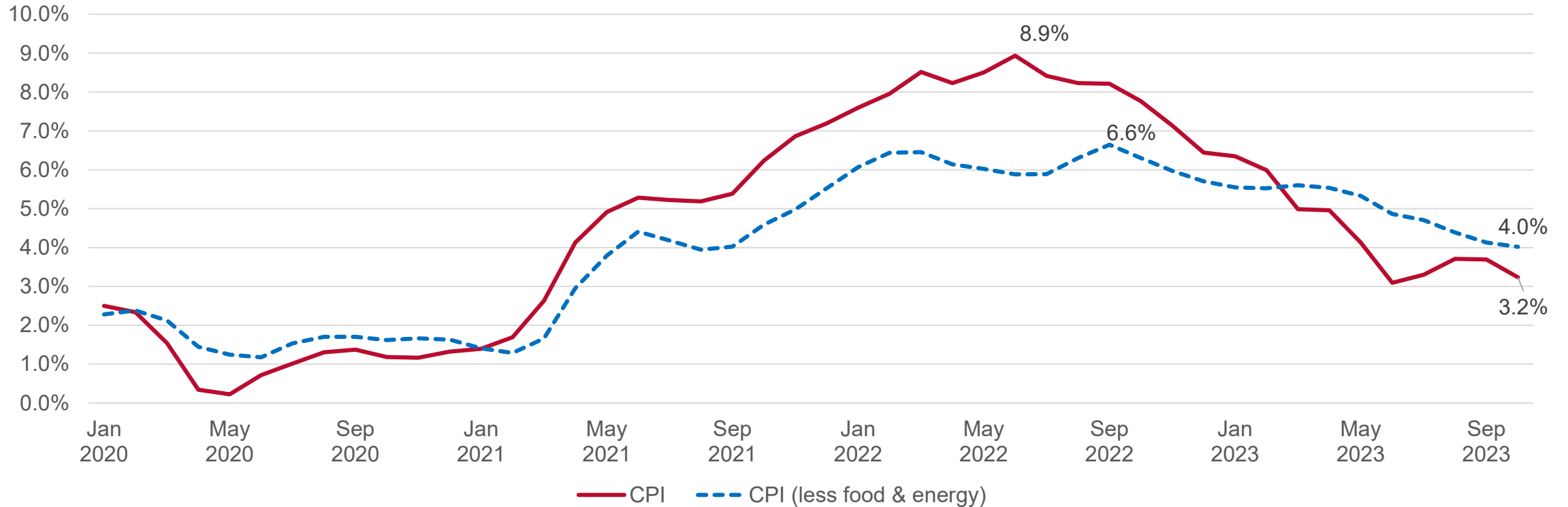
# US Review + Economic Outlook



# Review: National Economy

- ❑ Job gains solid in 2022 at a revised 399,000 jobs/month. First ten months of 2023 averaged 239,000 per month. October: 150,000. Employment more than 4.5 million jobs above pre-pandemic levels (note that August & September were revised down considerably).
- ❑ Federal Reserve (surprisingly?) didn't raise rates: still at about 5.25% - 5.50%.
- ❑ Initial & continuing claims for unemployment have ticked up over the last 9 months but still fairly low and U3 unemployment rate 3.9% in October. U6 at 7.2%. A tad above pre-pandemic levels.
- ❑ Real GDP: 2023Q3 registered 4.9% SAAR (note some historical revision).
- ❑ WTI spot price about \$77-\$78/barrel this morning.
- ❑ Consumer Sentiment Index (U. of Mich.) fell hard and is now volatile: 86 in June 2021 fell to 50 by June 2022, rose to 60 by December. As of September 2023, sitting at 68.
- ❑ ISM manufacturing contracted for 12<sup>th</sup> consecutive month (after growing for 28 months), but services indexes are expanding (expanded 40 out of last 41 months).
- ❑ Concerns: Geopolitical, Congress being Congress, banking, recent US credit rating downgrade. Are we moving toward a recession? Just softness? Pseudo-recession?

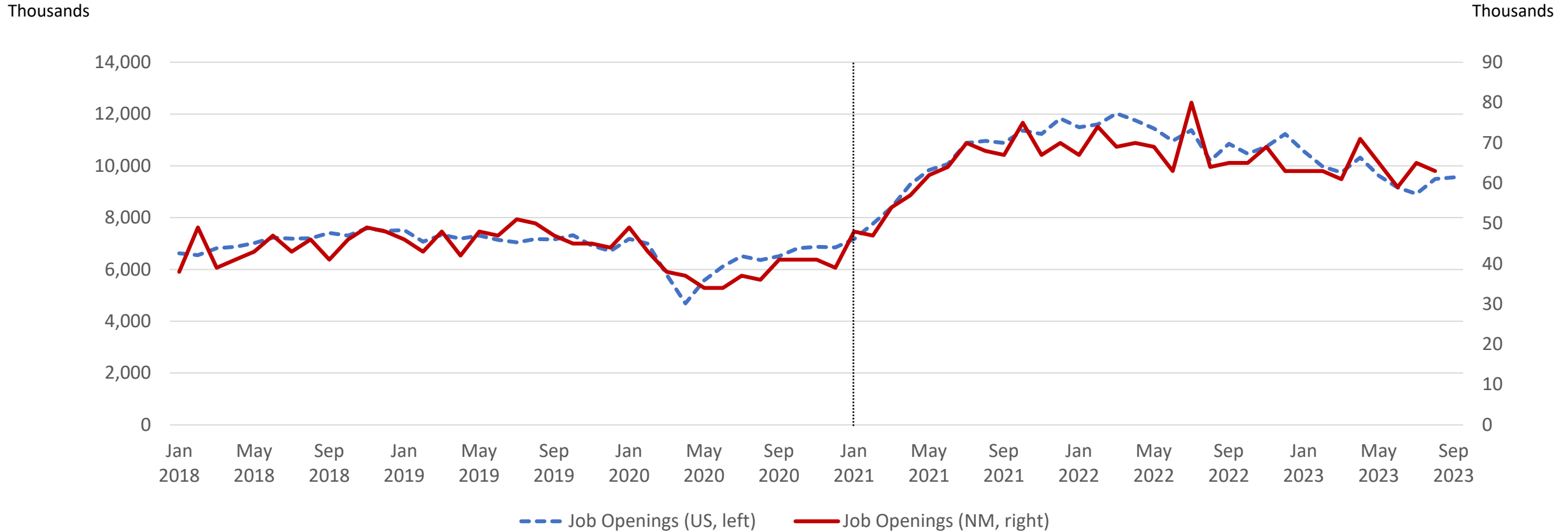
# Inflation (CPI)



Data current through October 2023. Y/Y price growth still high but has moderated.

Source: BLS CPI data

# Job Openings Have Ticked Down from Peak



Openings are down compared to recent peaks.

Source: BLS JOLTS, US through September 2023; NM through August 2023

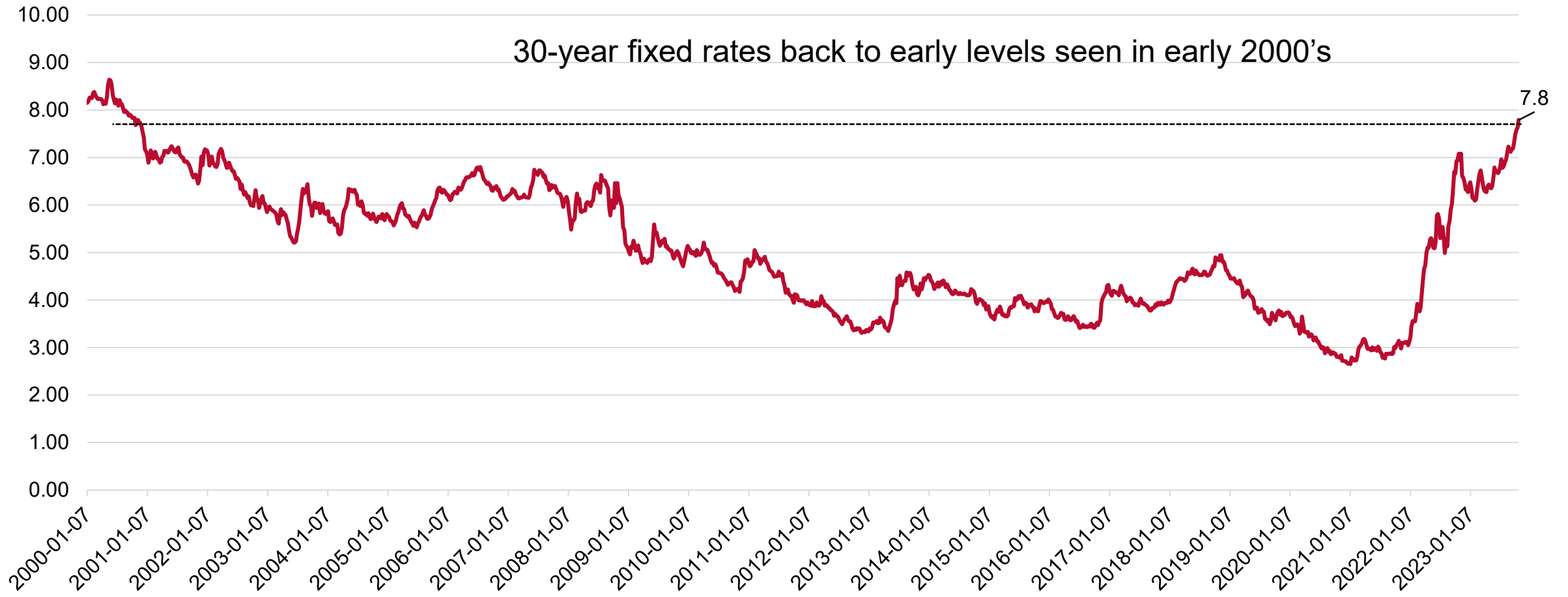
# US Consumer Confidence



Note: Ticked up from recent low, but well below pre-pandemic readings (through September 2023).

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

# US Interest Rates



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

# Concern: Recession?

- ❑ The Conference Board (October 2023): “prospects of ‘soft landing’ have risen but still probable that US economy slips into short & shallow recession in early 2024: (<https://www.conference-board.org/research/economy-watch-US/Economy-Watch-October-2023-US>).
- ❑ Goldman Sachs (September 2023): down to 15% probability of recession in next 12 months as of September 2023. (<https://www.cnn.com/2023/09/05/business/goldman-sachs-recession-odds/index.html>).
- ❑ WSJ survey of economists (October 2023): “A recession is no longer the consensus” and only a 48% probability. (<https://www.wsj.com/economy/a-recession-is-no-longer-the-consensus-3ad0c3a3>).
- ❑ Federal Reserve Yield Curve analysis implies a 46% recession probability within next 12 months ([https://www.newyorkfed.org/research/capital\\_markets/ycfaq#/interactive](https://www.newyorkfed.org/research/capital_markets/ycfaq#/interactive)).
- ❑ S&P Global:

Doesn't mention “recession” except in their pessimistic scenario (and some discussion of a shallow recession maybe being necessary to keep inflation tame). After a solid 2023, their forecast for employment, however, is very weak and I believe that it may “feel” like a recession without technically being a “recession.”

# Real GDP Growth

## Composition of Real GDP Growth Over Previous Period SAAR

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>21Q3</u>	<u>21Q4</u>	<u>22Q1</u>	<u>22Q2</u>	<u>22Q3</u>	<u>22Q4</u>	<u>23Q1</u>	<u>23Q2</u>	<u>23Q3</u>	<b>Contrib. 23Q23</b>
<b><u>Composition of Real GDP</u></b>															
<b>Gross Domestic Product</b>	<b>3.0</b>	<b>2.5</b>	<b>-2.2</b>	<b>5.8</b>	<b>1.9</b>	<b>3.3</b>	<b>7.0</b>	<b>-2.0</b>	<b>-0.6</b>	<b>2.7</b>	<b>2.6</b>	<b>2.2</b>	<b>2.1</b>	<b>4.9</b>	<b>4.9</b>
<b>Total Consumption</b>	<b>2.7</b>	<b>2.0</b>	<b>-2.5</b>	<b>8.4</b>	<b>2.5</b>	<b>2.8</b>	<b>4.0</b>	<b>0.0</b>	<b>2.0</b>	<b>1.6</b>	<b>1.2</b>	<b>3.8</b>	<b>0.8</b>	<b>4.0</b>	<b>2.69</b>
Durable goods	6.6	3.3	8.0	16.7	-0.3	-23.1	11.1	1.5	-0.9	0.9	-1.0	14.0	-0.3	7.6	0.60
Nondurable goods	2.6	2.9	3.3	8.5	0.6	1.1	2.6	-2.7	0.0	-1.6	0.5	0.5	0.9	3.3	0.48
Services	2.2	1.5	-5.9	6.9	3.7	9.3	3.2	0.6	3.2	2.8	1.8	3.1	1.0	3.6	1.62
<b>Residential Fixed Investment</b>	<b>-0.7</b>	<b>-0.9</b>	<b>7.2</b>	<b>10.7</b>	<b>-9.0</b>	<b>-2.7</b>	<b>-0.5</b>	<b>-1.8</b>	<b>-14.1</b>	<b>-26.4</b>	<b>-24.9</b>	<b>-5.3</b>	<b>-2.2</b>	<b>3.9</b>	<b>0.15</b>
<b>Nonresidential Fixed Investment</b>	<b>6.9</b>	<b>3.7</b>	<b>-4.7</b>	<b>5.9</b>	<b>5.2</b>	<b>-1.3</b>	<b>2.7</b>	<b>10.7</b>	<b>5.3</b>	<b>4.7</b>	<b>1.7</b>	<b>5.7</b>	<b>7.4</b>	<b>-0.1</b>	<b>0.00</b>
Structures	5.8	2.5	-9.5	-3.2	-2.1	-4.1	-7.7	-1.2	-0.5	-1.3	6.5	30.3	16.1	1.6	0.05
Equipment & Software	5.9	1.1	-10.1	6.4	5.2	-8.0	1.9	16.8	4.9	5.6	-5.0	-4.1	7.7	-3.8	-0.19
Intellectual Property	8.9	7.8	4.5	10.4	9.1	7.1	9.1	11.4	8.7	7.1	6.1	3.8	2.7	2.6	0.14
<b>Change in Private Inventories</b>															<b>1.32</b>
<b>Exports</b>	<b>2.9</b>	<b>0.5</b>	<b>-13.1</b>	<b>6.3</b>	<b>7.0</b>	<b>1.5</b>	<b>24.2</b>	<b>-4.6</b>	<b>10.6</b>	<b>16.2</b>	<b>-3.5</b>	<b>6.8</b>	<b>-9.3</b>	<b>6.2</b>	<b>0.68</b>
<b>Imports</b>	<b>4.0</b>	<b>1.2</b>	<b>-9.0</b>	<b>14.5</b>	<b>8.6</b>	<b>8.5</b>	<b>20.6</b>	<b>14.7</b>	<b>4.1</b>	<b>-4.8</b>	<b>-4.3</b>	<b>1.3</b>	<b>-7.6</b>	<b>5.7</b>	<b>-0.75</b>
<b>Federal Government</b>	<b>3.5</b>	<b>3.8</b>	<b>6.1</b>	<b>1.4</b>	<b>-2.8</b>	<b>-6.8</b>	<b>2.1</b>	<b>-6.9</b>	<b>-3.9</b>	<b>1.2</b>	<b>9.8</b>	<b>5.2</b>	<b>1.1</b>	<b>6.2</b>	<b>0.39</b>
<b>State &amp; Local Government</b>	<b>1.1</b>	<b>4.0</b>	<b>1.4</b>	<b>-1.3</b>	<b>0.2</b>	<b>2.0</b>	<b>-1.6</b>	<b>-0.4</b>	<b>-0.8</b>	<b>3.8</b>	<b>2.8</b>	<b>4.6</b>	<b>4.7</b>	<b>3.7</b>	<b>0.40</b>

US Bureau of Economic Analysis, Gross Domestic Product, 2023 Third Quarter (1st Estimate), October 26, 2023

First quarter revised up from 2.0% to 2.1%. Second quarter revised down from at 2.4% to 2.1%. Third quarter came in at 4.9%.

Consumption growth strong.

First time in a couple years, residential fixed investment added to bottom line.

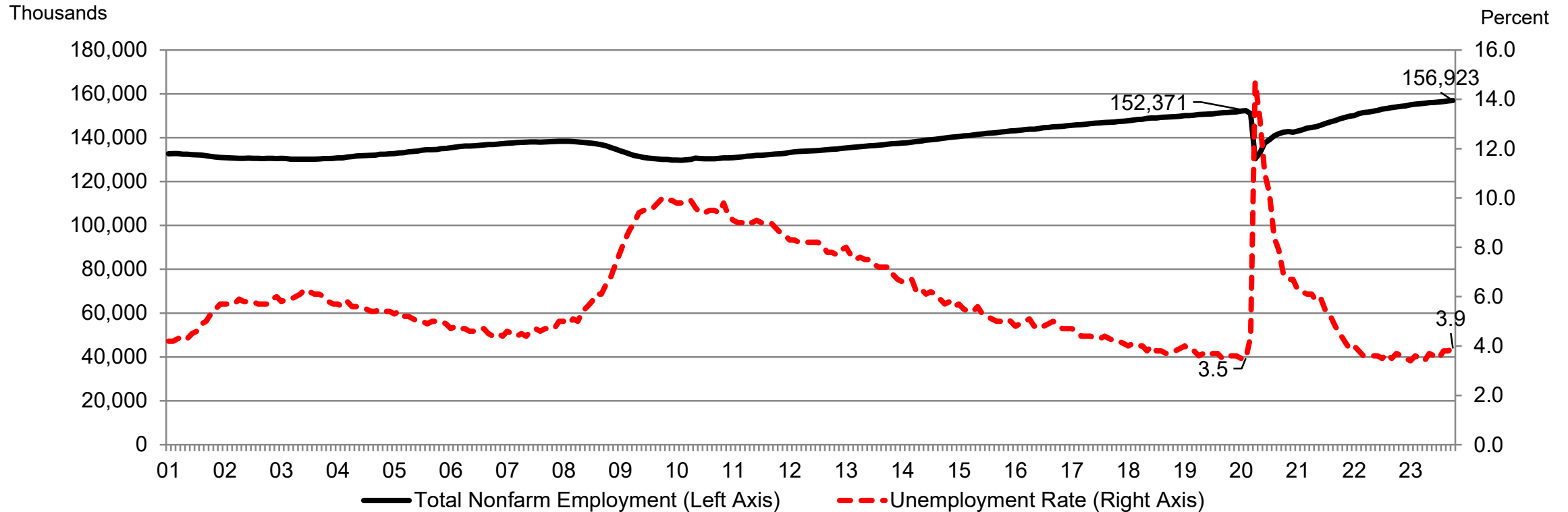
Non-residential fixed investment sideways.

Net exports pulled things down; government positive.

Private inventories gave things a boost.

# US Employment Situation

## US Nonfarm Employment + Unemployment Rate, Monthly SA



Peak employment: 152.371 million in Feb 2020.

Employment now at 156.900 million.

Note: UI rate now 3.9%.

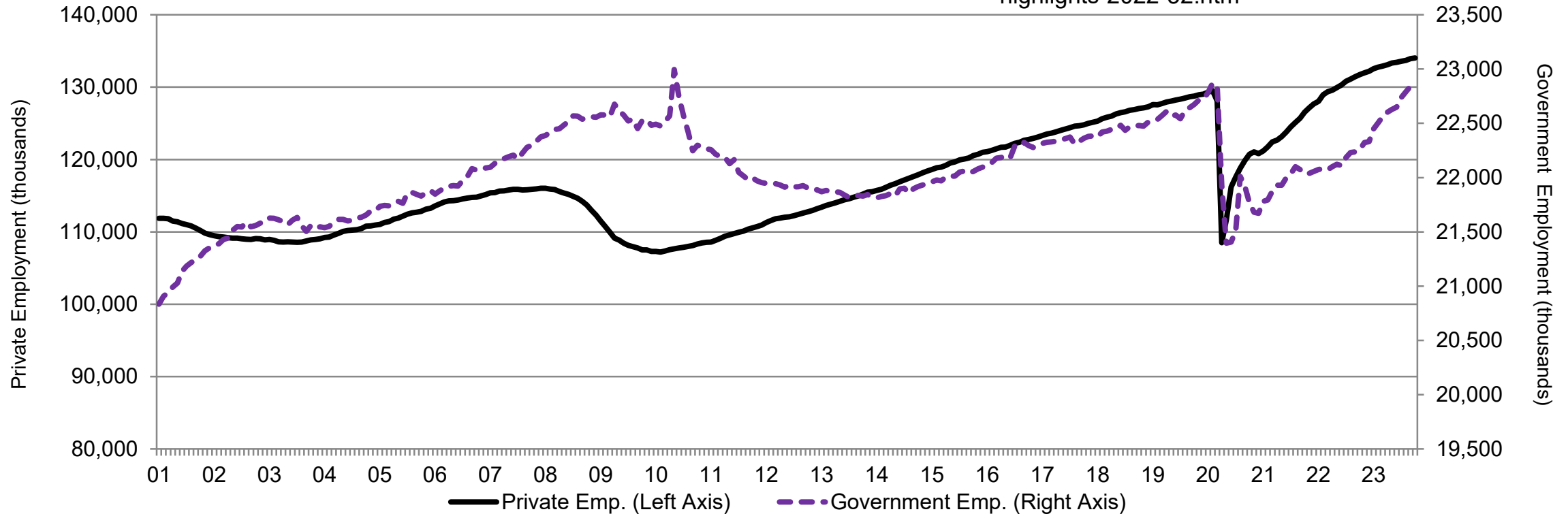
BLS, through October 2023

# US Employment Situation

## US Nonfarm Employment, Monthly SA

Last month BLS put out industry & occupational projections from 2022 through 2023 (expectation of 4.5 million jobs over the period):

<https://www.bls.gov/opub/mlr/2023/article/industry-and-occupational-employment-projections-overview-and-highlights-2022-32.htm>

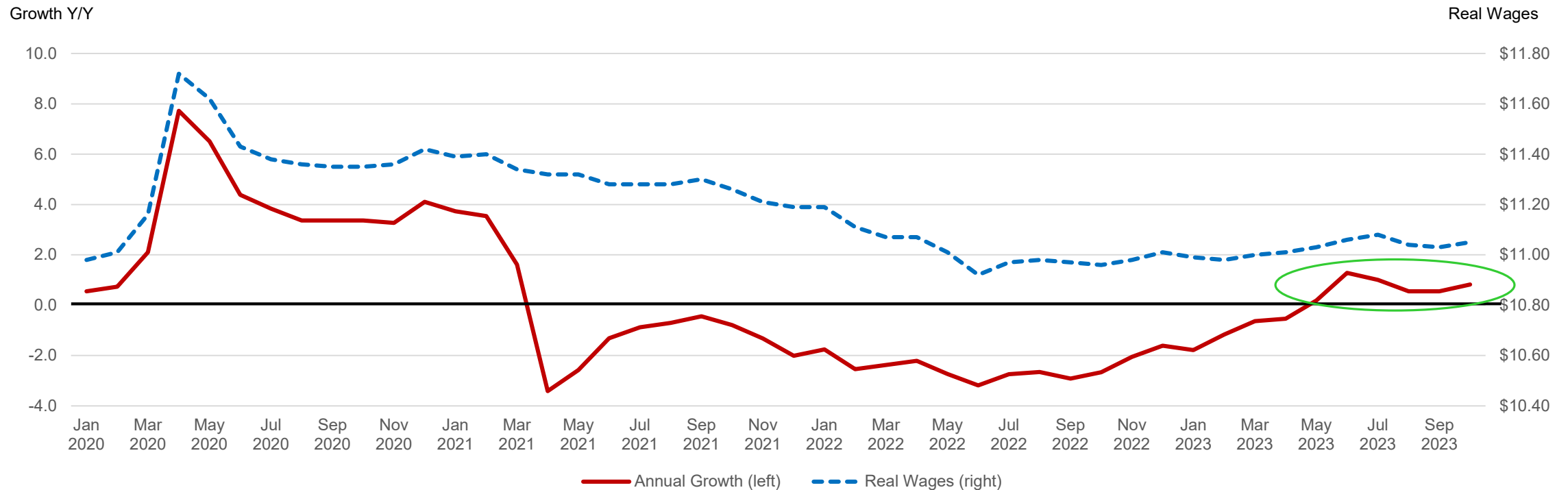


Recovery driven mostly by private sector (up more than 4.5 million jobs vs. pre-pandemic). Government is **NOW** up about 100,000 jobs compared to pre-pandemic levels.

BLS, through October 2023

# Real Private Sector Wages & Wage Growth

Lower-wage workers cut first at start of pandemic, making average wages increase. As those workers have returned, average wages have fallen. After not keeping up with inflation wages finally making gains.



BLS, through October 2023

# US Employment Forecast by Sector

Increase (Decrease) in US Payroll Employment from Previous Calendar Year, Actual & Forecast (Thousands)									
	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Employment Sector</b>									
Construction	(237)	179	313	216	170	62	108	92	126
Manufacturing	(651)	189	473	165	(194)	(484)	(263)	(153)	(136)
Trade, Transportation & Utilities	(1,032)	1,037	1,005	209	(355)	(617)	(208)	(69)	(152)
Prof. & Bus. Services	(963)	1,013	1,192	398	153	(24)	(156)	258	590
Health Care & Soc. Asst.	(626)	270	491	883	455	27	(38)	114	128
Leisure & Hospitality	(3,455)	1,015	1,704	783	282	228	282	102	(8)
Other Private	(1,148)	436	960	414	186	233	152	125	118
Government	(627)	(11)	207	540	360	141	111	105	103
<b>Total Nonfarm Payrolls</b>	<b>(8,738)</b>	<b>4,128</b>	<b>6,344</b>	<b>3,609</b>	<b>1,057</b>	<b>(433)</b>	<b>(12)</b>	<b>573</b>	<b>769</b>
Annual Growth	-5.8%	2.9%	4.3%	2.4%	0.7%	-0.3%	0.0%	0.4%	0.5%

S&P Global, October 2023

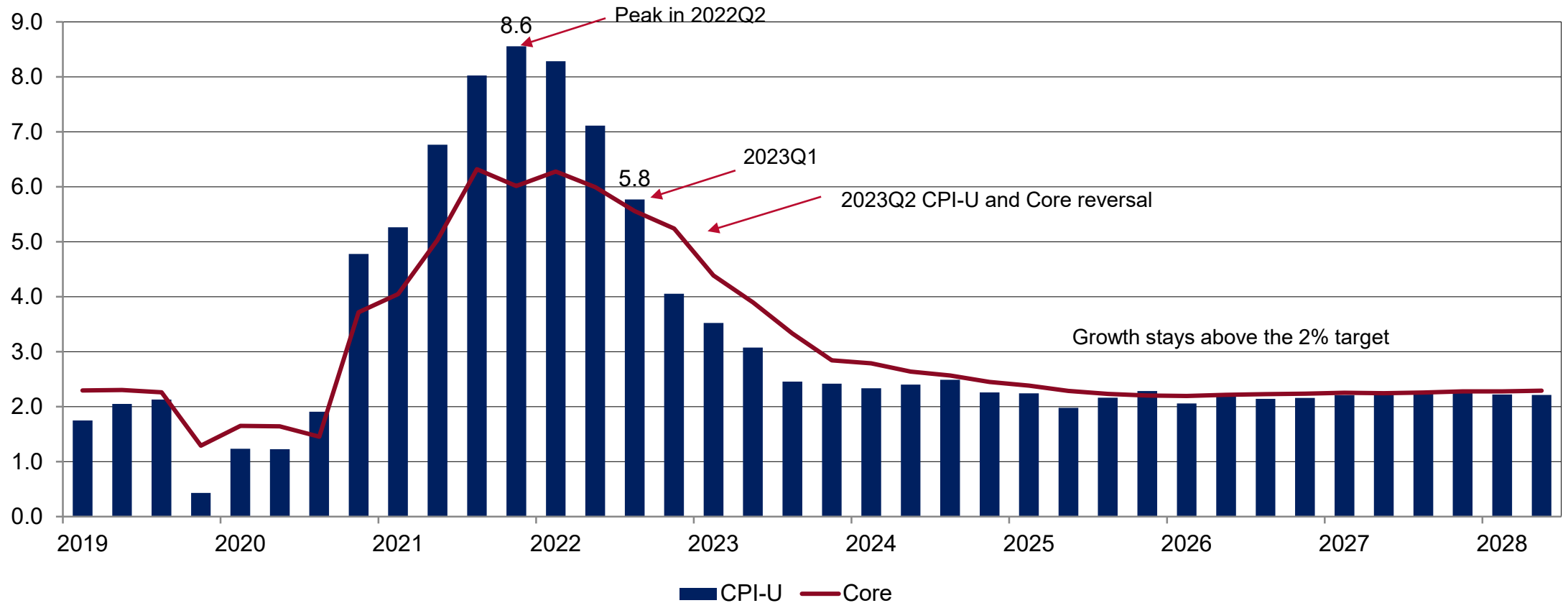
Manufacturing ends the period more than 1 million jobs below pre-pandemic levels and trade, transportation & utilities down nearly 200k jobs.

IHS Markit, October 2023

Total employment: 7.3 million jobs above 2019 levels by 2028.

# Consumer Price Index

Y/Y Percent



IHS Markit, October 2023

# New Mexico Review

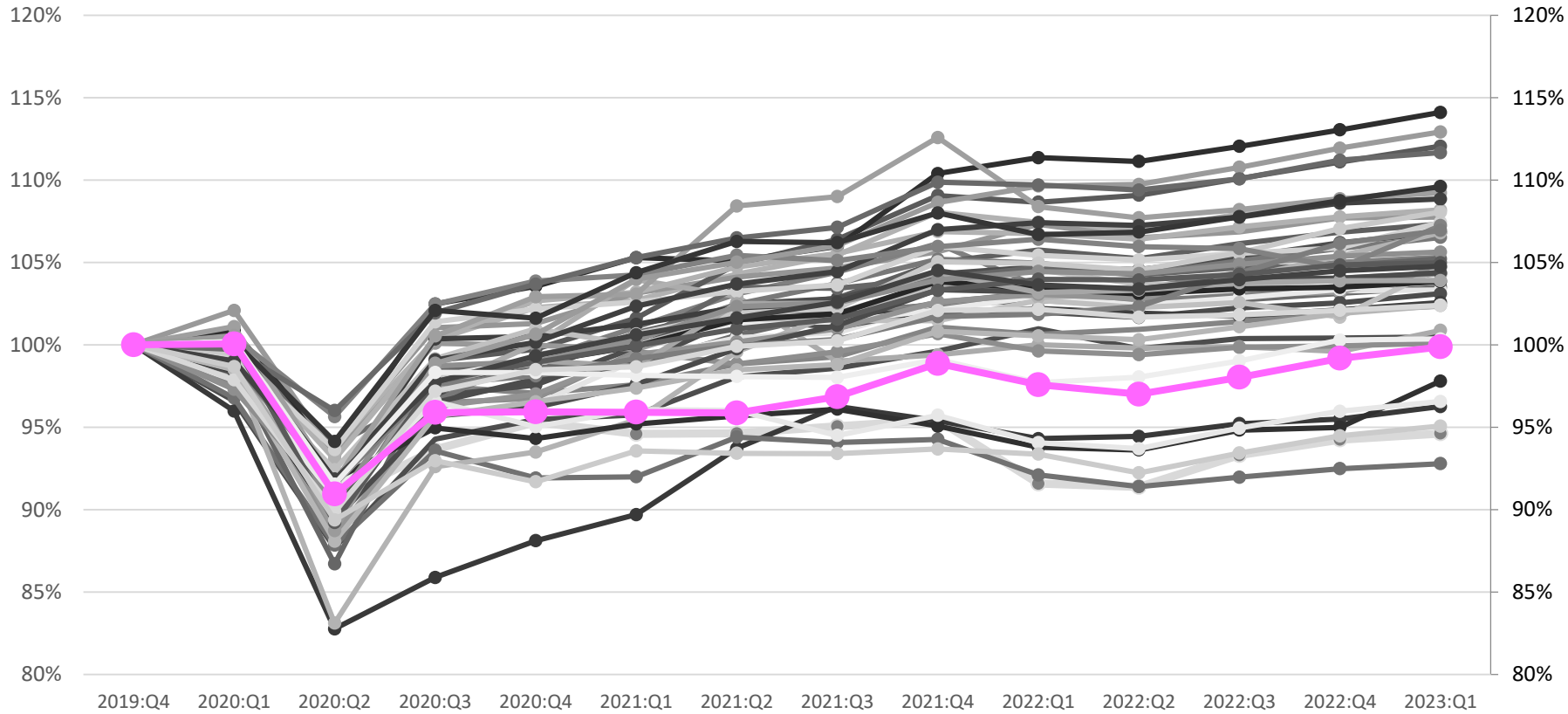


# New Mexico Current Economic Situation

- COVID is way in the background; other issues are more pressing.
- At its lowest, NM down about 90,000 jobs. 2023Q1 QCEW data now available:
  - Total employment now ABOVE pre-pandemic levels by about 0.5%.
- Other employment data (CES) suggests continued improvement. Those data suggest that NM is now ABOVE pre-pandemic levels by nearly 1%.
- Unemployment rate is staying low.
- Oil: WTI around \$75-\$85/barrel.
  - Drilling and production still robust, but is it starting to plateau?

# BEA Gross State Product

NM remains at about 99% of pre-pandemic high.



Each state indexed to 2019Q4 (NM's high point).

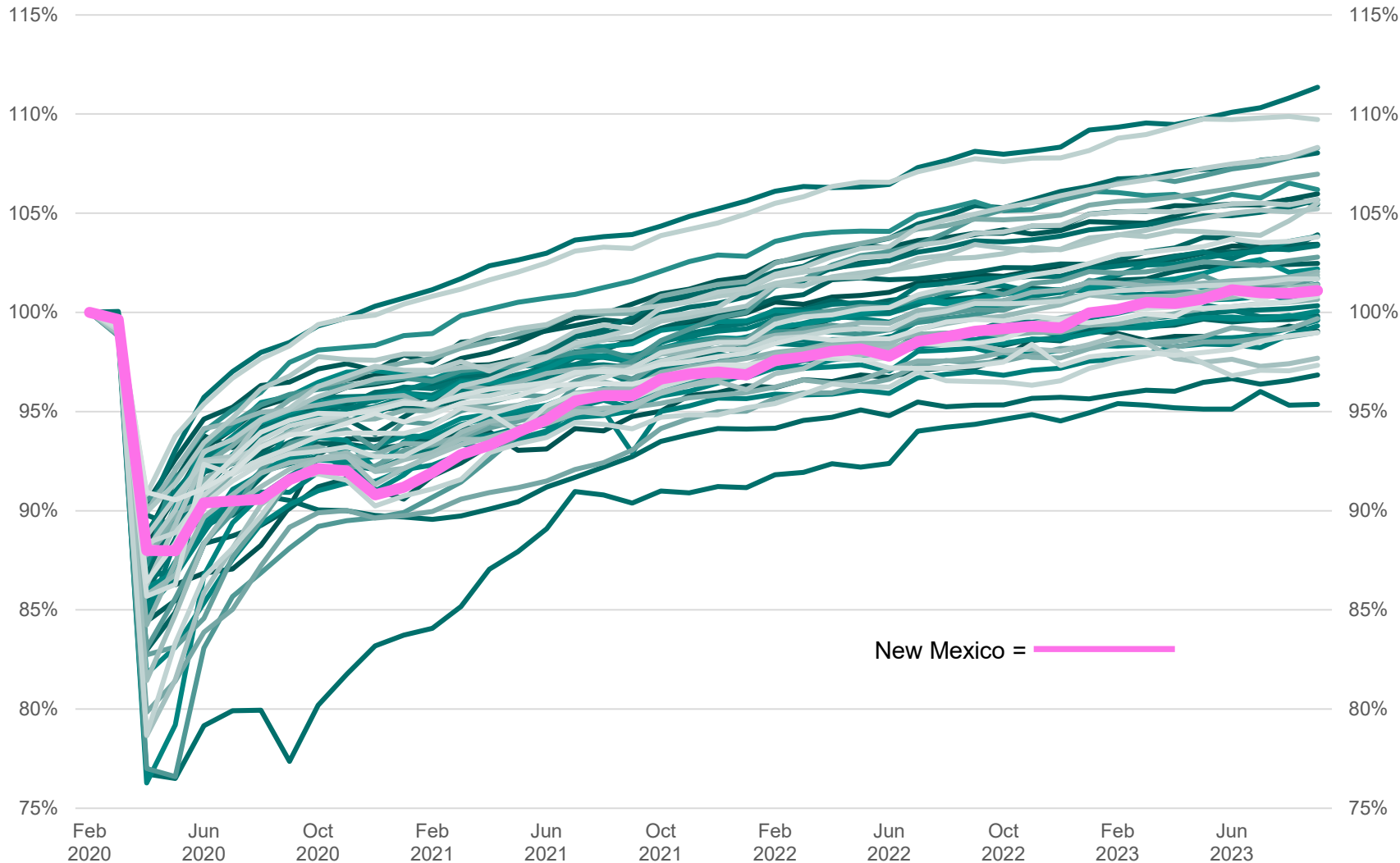
Through 2023Q1, 44 states have had greater recoveries in GSP.

Note: As of yesterday, BEA has not updated with a new quarter of data.

— = New Mexico

Source: Bureau of Economic Analysis

Employment by State Indexed to Respective February 2020 (=100%) Levels



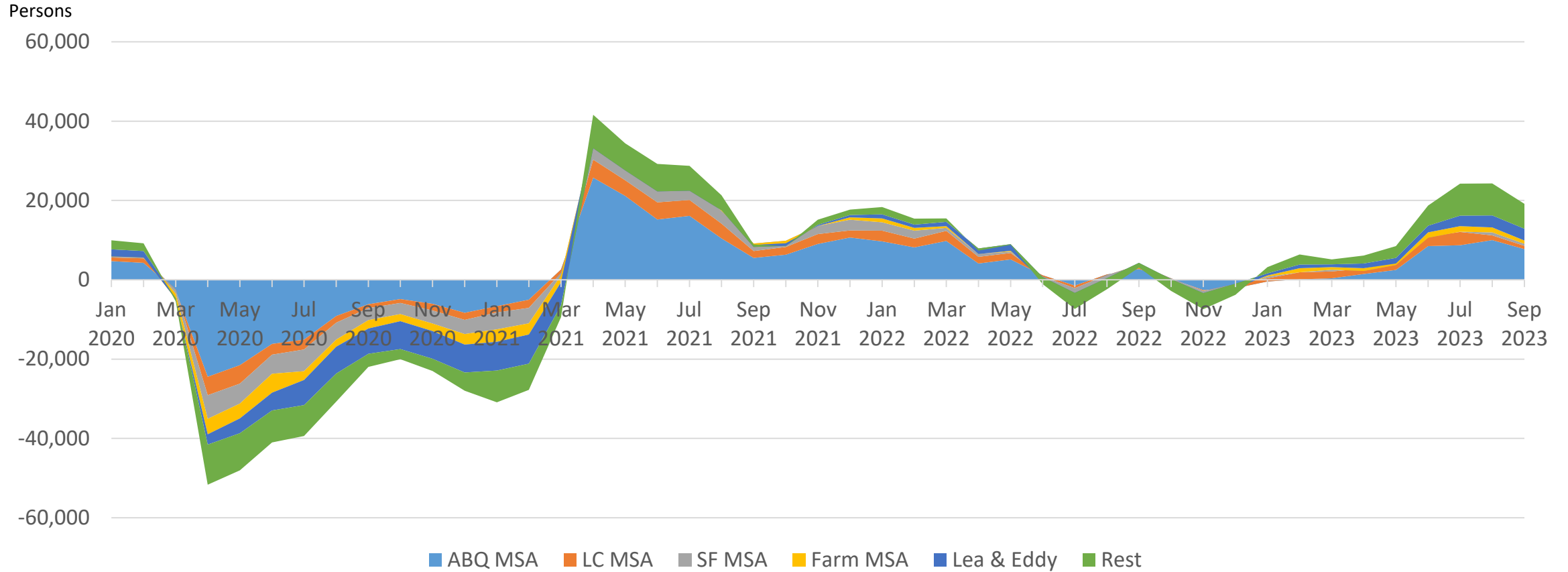
## Change in Employment (CES data)

- As of June 2023, NM has recovered 101% of the jobs it lost at the start of the pandemic.
- 32 states have had stronger recoveries than NM.
- Other surrounding states: AZ 106%; CO 103%; OK 102%; NV 108%; CA 103%.

Source: BLS CES, through September 2023

# Y/Y Change in NM Labor Force by Place

Revised data suggests that the NM labor force is now about 0.5% above the pre-pandemic peak.

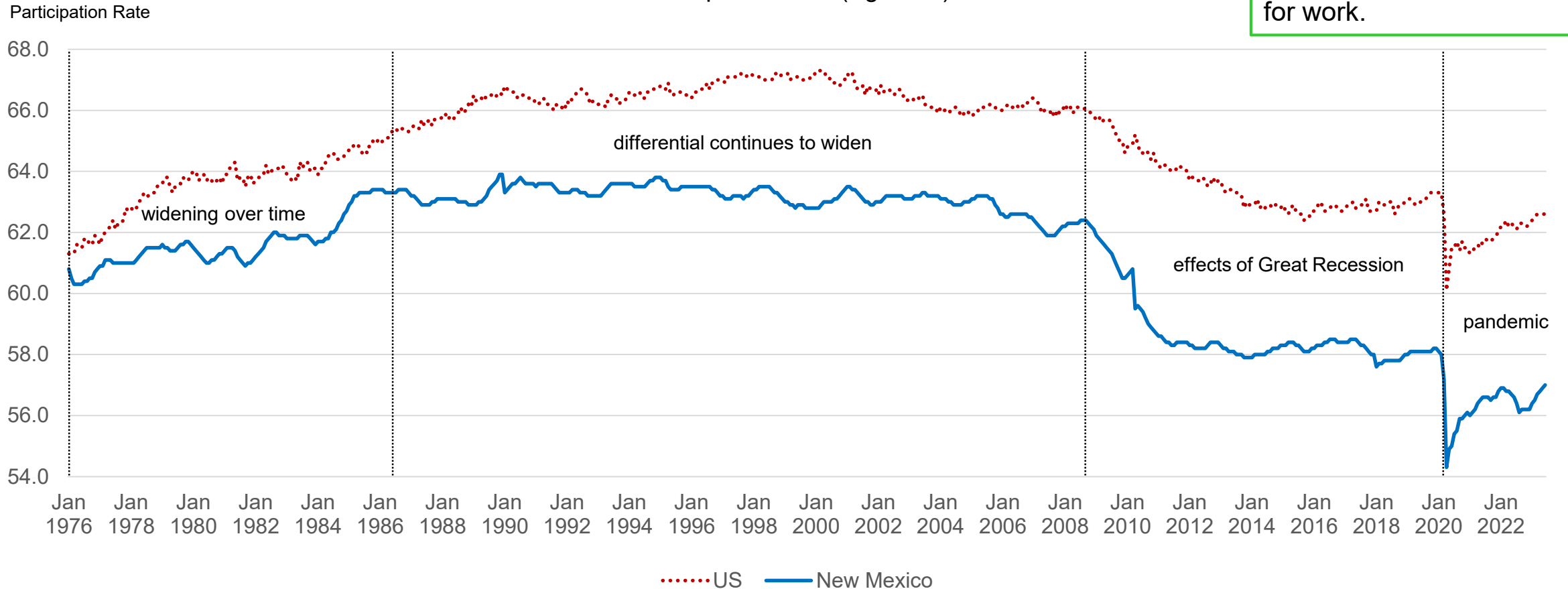


Source: BLS & NMDWS LAUS

# Long history of NM trailing the US

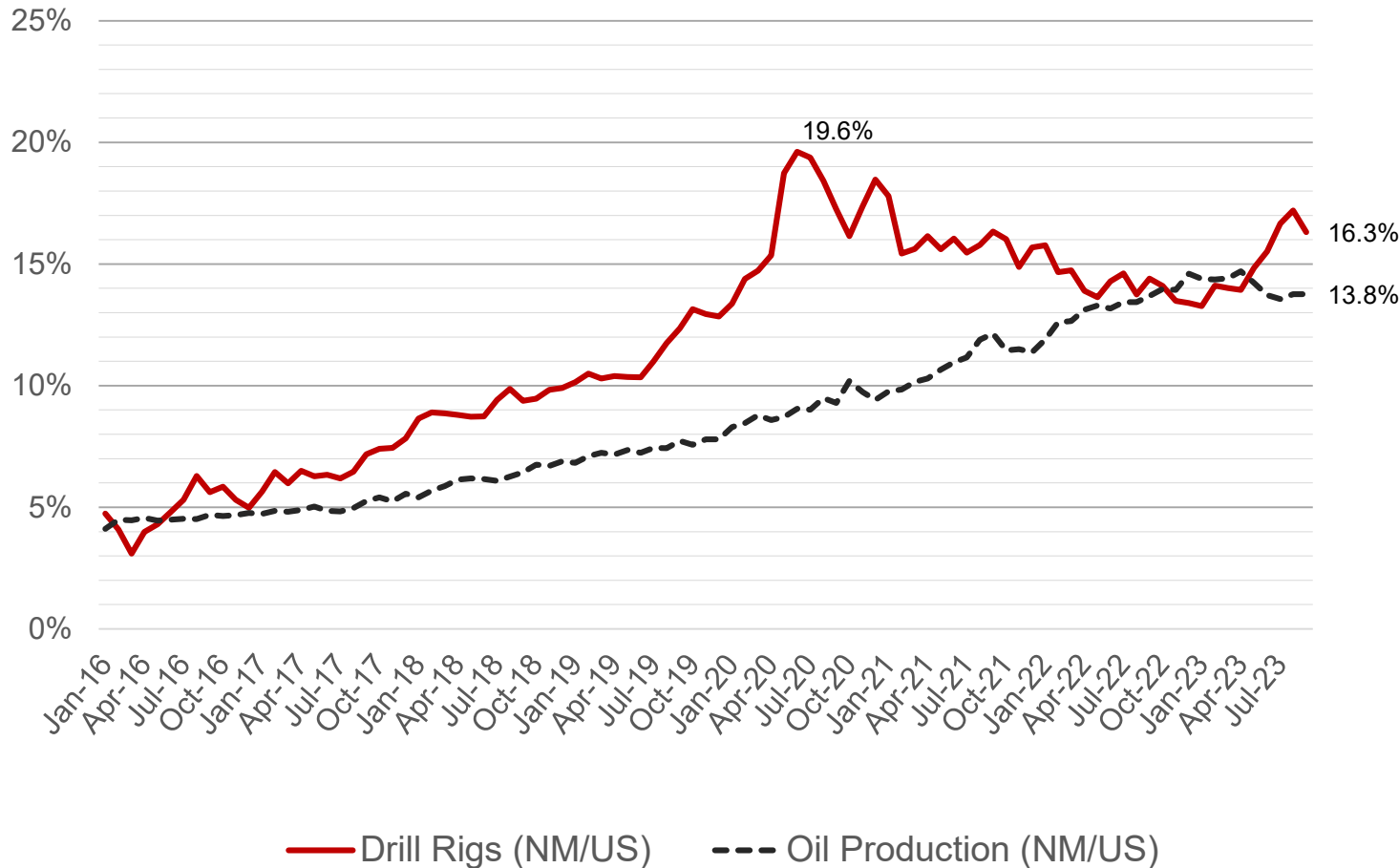
Per CPS: # of people in the labor force as a % of the civilian noninstitutional population [...] that is either working or actively looking for work.

### Labor Force Participation Rate (Age 16+) - US vs. NM



Source: Bureau of Labor Statistics Local Area Unemployment Statistics, Current Population Survey

# Increased NM Field Oil Production Presence

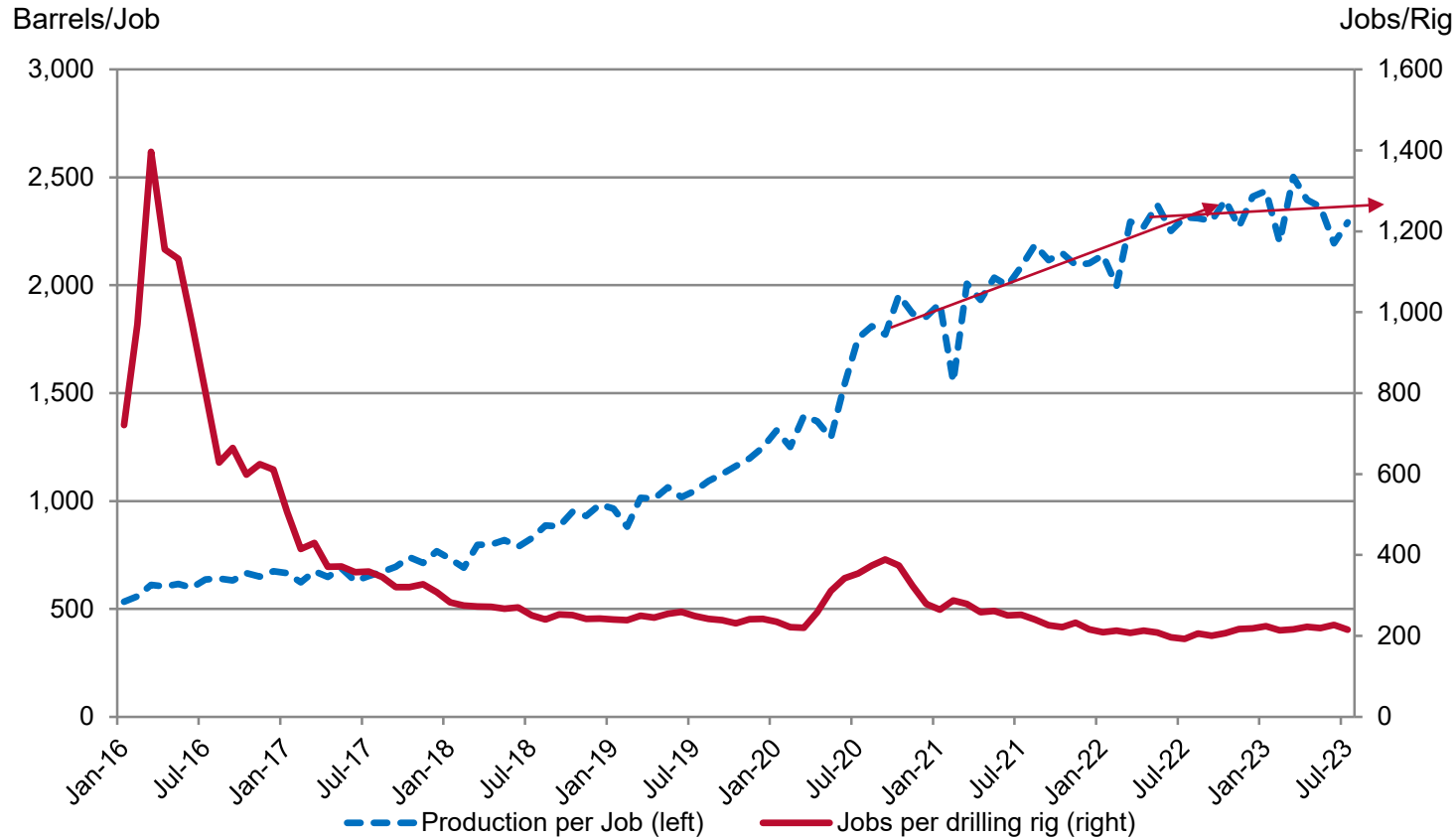


- Currently about 105 drilling rigs operating in NM.
- About 17% of all US drilling rigs are in New Mexico.
- Slightly less than 14% of all US field oil production occurs in NM – up from <5% in 2016.
- To put in perspective, so far: 2023 field oil production in US totaled 12.8 million barrels per day (bpd), which is up from 8.9 million bpd in 2016 (up 44%). In NM, production increased from 400,000 bpd in 2016 to 1.8 million bpd in 2023 (up 350%).
- Incidentally: NM accounts for around 7% of US gas production by volume.

Sources: EIA, Baker Hughes. Calculations: BBER

# Move toward more “efficient” production

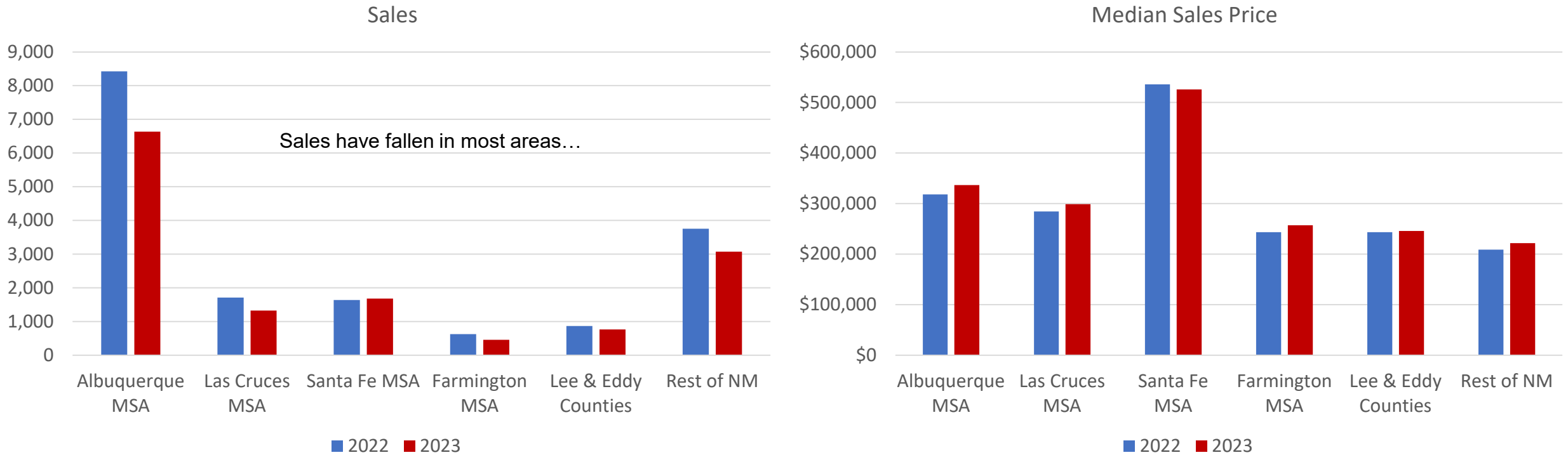
STILL increasing but is it slowing a tad?  
Also, is volatility increasing too?



- NM “mining” jobs averaged about 20,000 in 2016, peaked at 26,000 in 2019 and is now around 25,000 (as of September 2023).
- Still reasonable labor demands for drilling, but production is deviating.
- For local areas:
  - Fewer workers to spend in local economy
  - Negative impacts to associated industries
  - Recovery of (some) oil & gas tax revenue

Sources: EIA, Baker Hughes. Calculations: BBER

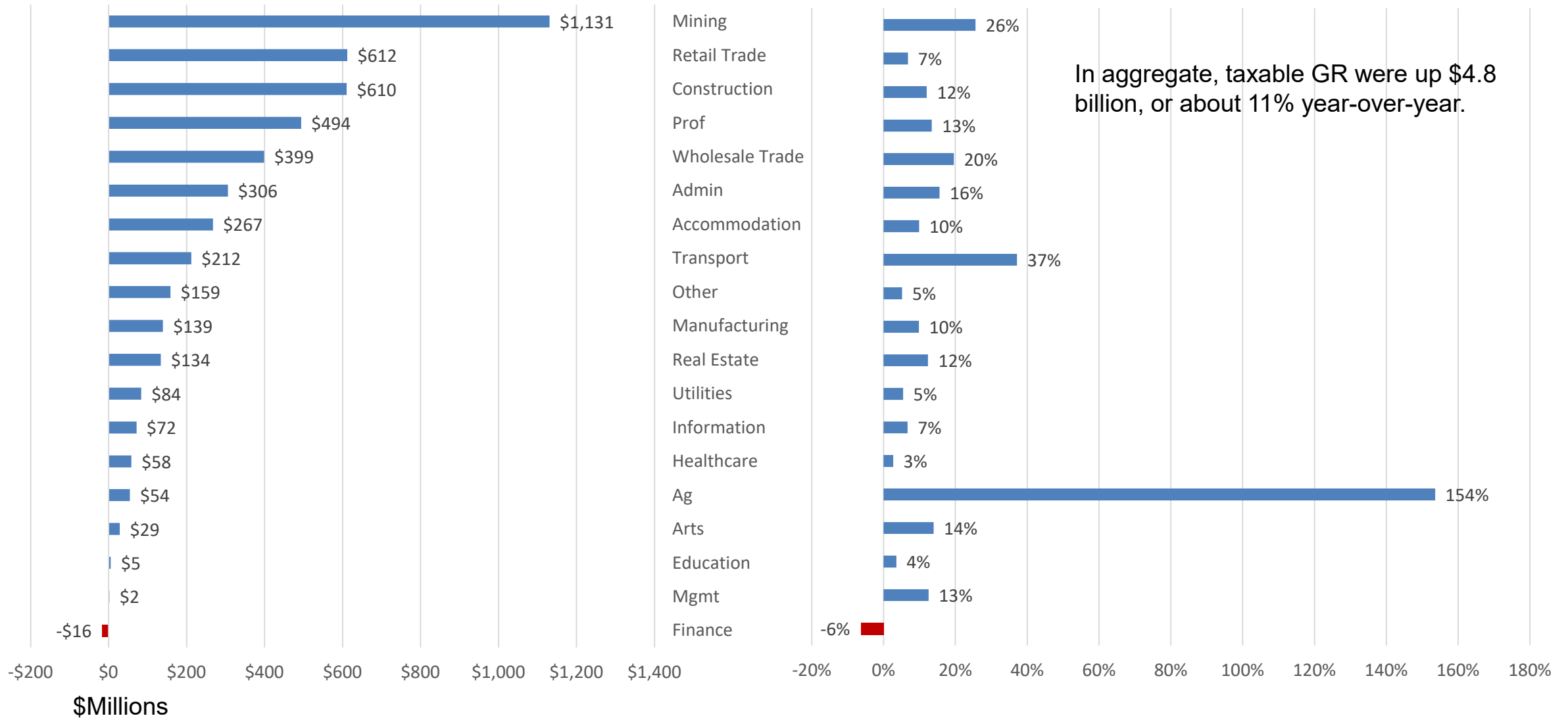
# New Mexico Housing Sales & Prices Through Sept. 2023 versus 2022



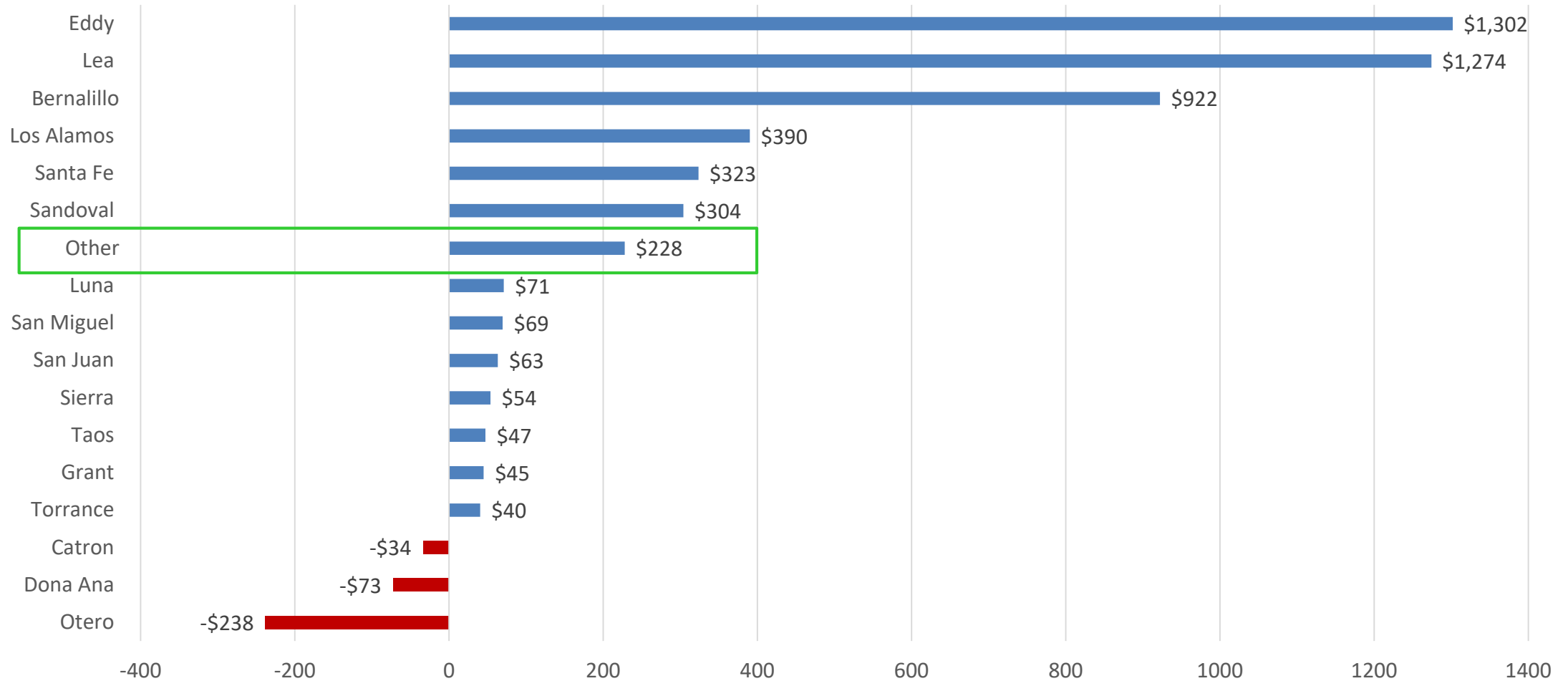
- Data through September 2023 available from NM Realtor’s Association: Sales down 18% statewide YTD and median price up from \$305k to \$323k versus same period in 2022. Total value of houses sold down about 13%.
- Greater Albuquerque Realtor’s Association has data through September: Sales **down** 21% for the year but median price up 5% to \$345k.

Source: New Mexico Realtors Association, <https://www.nmrealtor.com/housing-trends-2/>

# Taxable GR 2023 vs. 2022 (Q1&Q2) by Industry

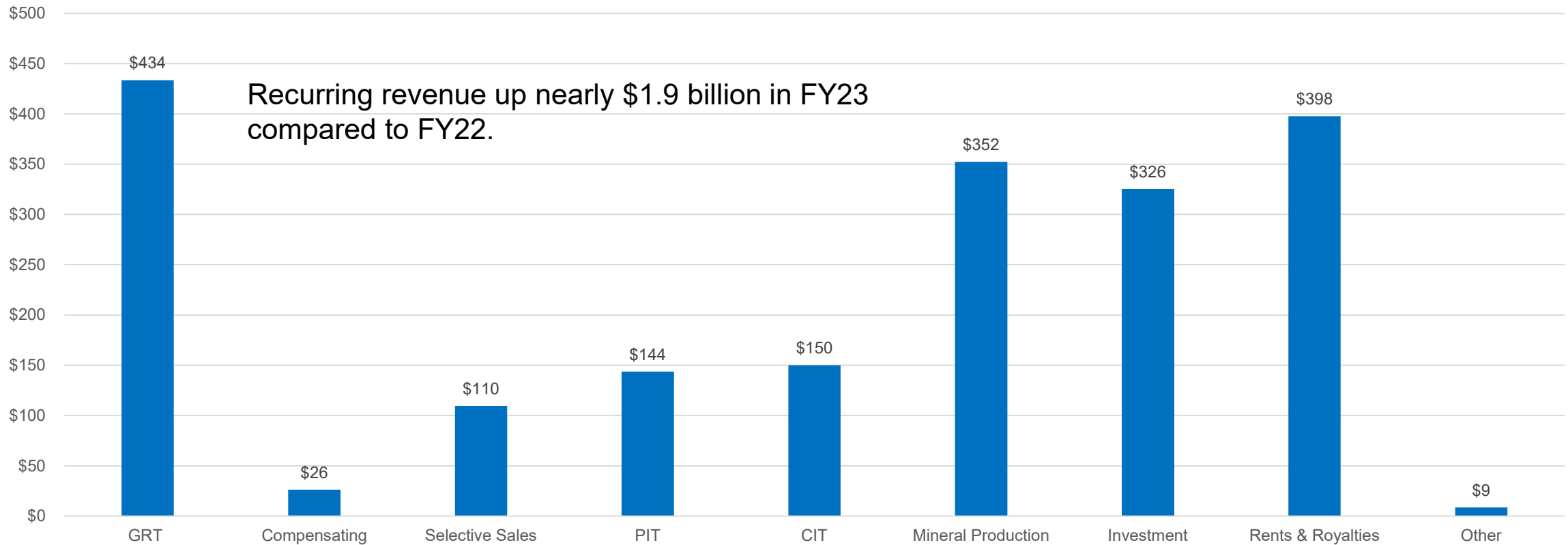


# Taxable GR 2023 vs. 2022 (Q1&Q2) by County



Source: NM TRD. Levels in millions of dollars.

# State Recurring Revenue: FY23 vs FY22 (through March 2023)



Source: NM LFC (data in millions), [https://www.nmlegis.gov/entity/lfc/Revenue\\_Economic\\_Reports\\_And\\_Tax\\_Policy](https://www.nmlegis.gov/entity/lfc/Revenue_Economic_Reports_And_Tax_Policy)

# New Mexico Outlook



# New Mexico Economic Outlook 2023-2028

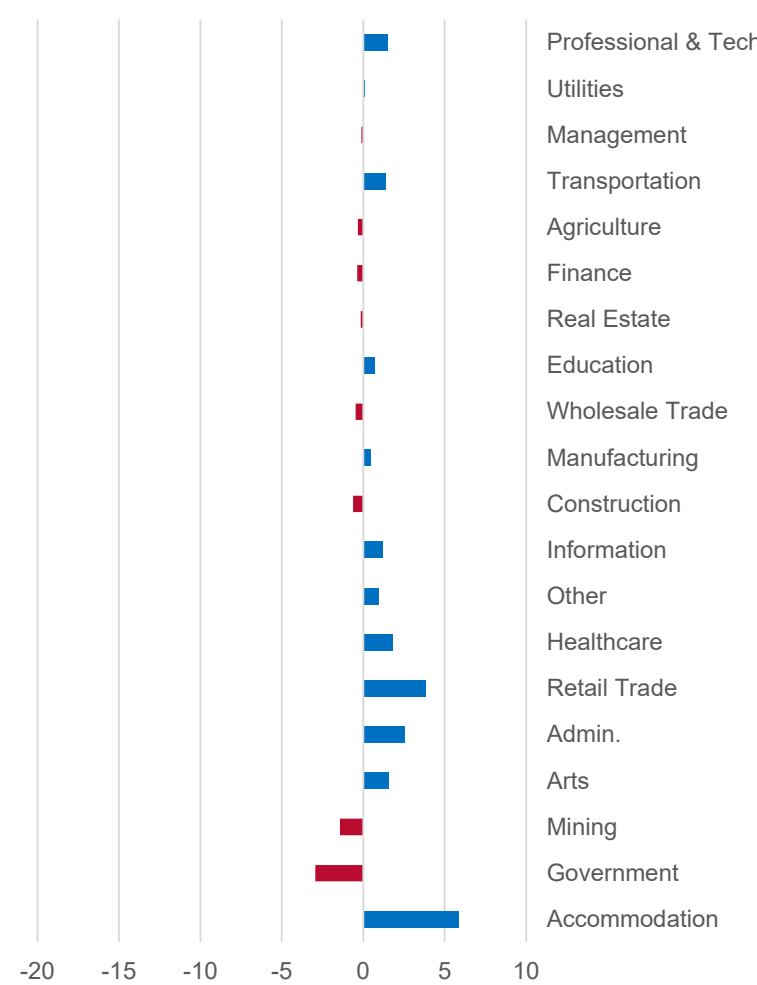
- National slowdown weighs things down in 2024 and 2025 (but still, no “recession”).
  - a. NM grows a bit more slowly than the US in 2023 and 2024, and faster 2025-2027.
  - b. Pessimistic scenario: Job loss in 2024 and weakness in 2025. Modest recovery thereafter.
  - c. Pessimistic 2 scenario: slow growth in 2023, severe job loss in 2024 & 2025. Meager recovery thereafter.
- Loss of 89,700 jobs year-over-year (-10.5%) in 2020Q2. Most recent QCEW data (through 2023Q1) suggest that the state was already 0.5% ABOVE pre-pandemic levels. CES data through September 2023 indicate that state has unequivocally fully recovered (more than 1% above pre-pandemic peak).
  - Sidenote: Gov’t STILL remains the drag.
- Employment grew 2.0% in 2021 and 4.5% (revised) in 2022. Growth of about 1.8% in 2023 then 0.4% per year thereafter.
- Economy exceeds 2019 levels in 2023 – consistent with last forecast. By 2028 about 31,000 jobs above 2019 levels (about 3.7% above).
- Income patterns: Pullback of transfers stifled growth in 2022 (revised 1.9%), but then accelerates thereafter (about 4.5% per year) with fastest growth in the near term.

# Job Growth/Loss by Sector in 2020 & 2021

Jobs Added/Lost 2020 over 2019



Jobs Added/Lost 2021 over 2020

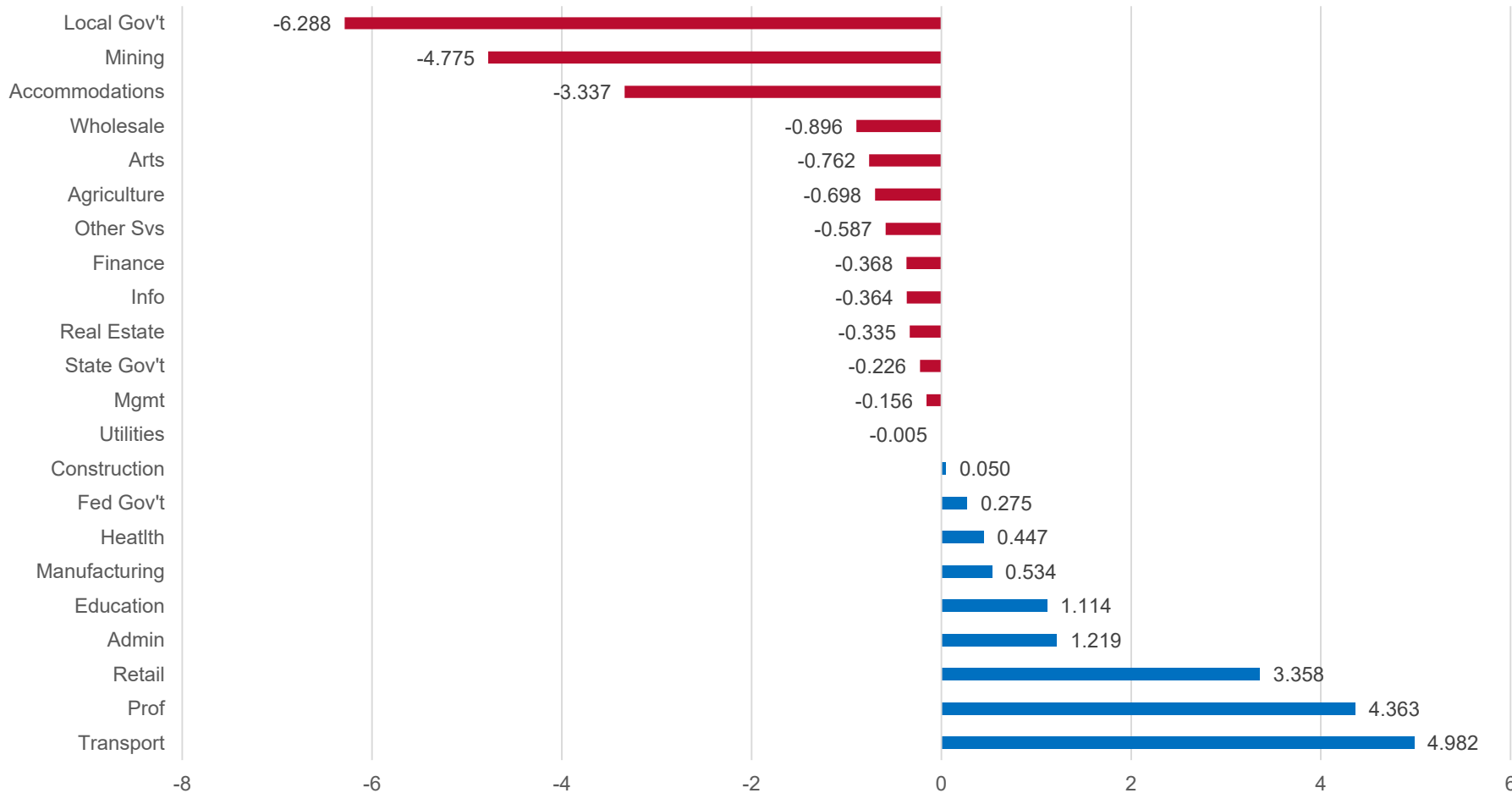


Net Gain/Loss: 2021 over 2019



BBER FOR-UNM, October 2023 (figures in thousands)

# Job Growth/Loss by Sector in 2022 over 2019



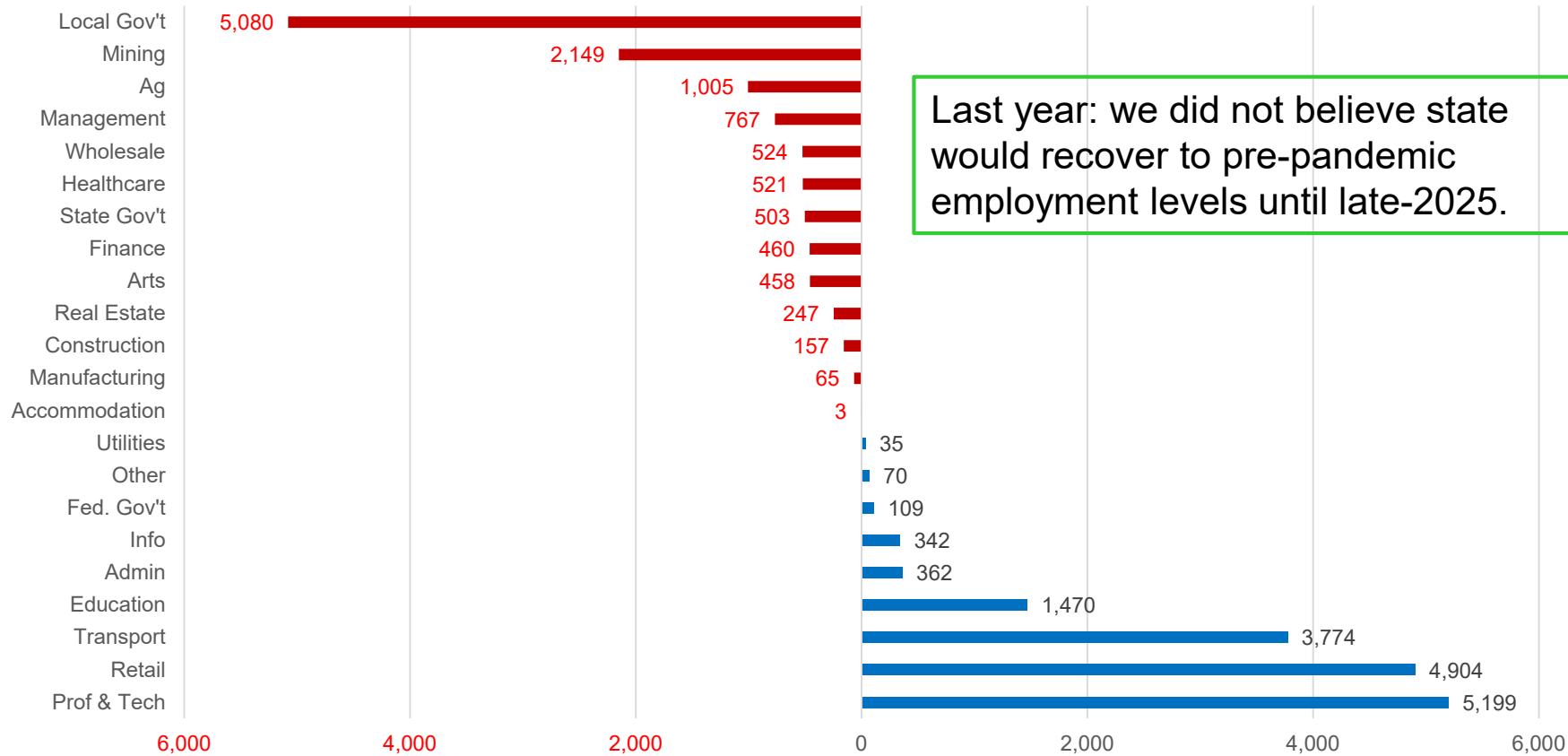
NM economy still down about 2,500 jobs (-0.3%) overall in 2022 compared to 2019 levels; however, full recovery appears to have occurred by end of 2022.

Private sector had fully recovered but it was really government that dragged things down.

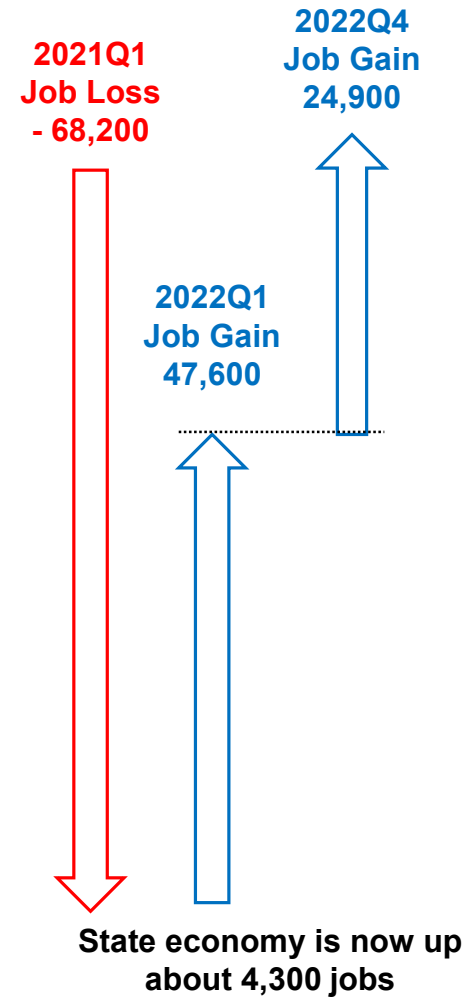
BBER FOR-UNM, October 2023 (figures in thousands)

# Job Loss/Addition 2023Q1 vs. 2020Q1 (QCEW)

Gains/Losses in Employment from 2020Q1 to 2023Q1 by Industry

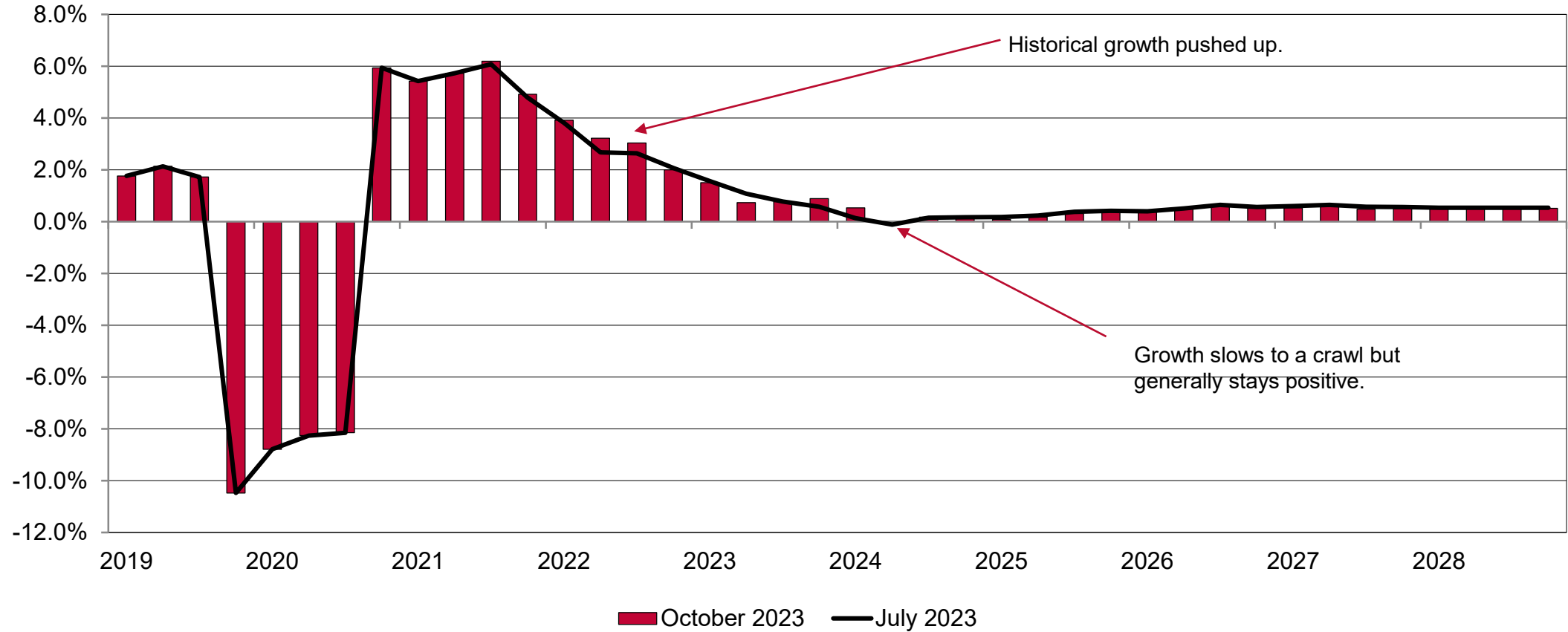


Last year: we did not believe state would recover to pre-pandemic employment levels until late-2025.



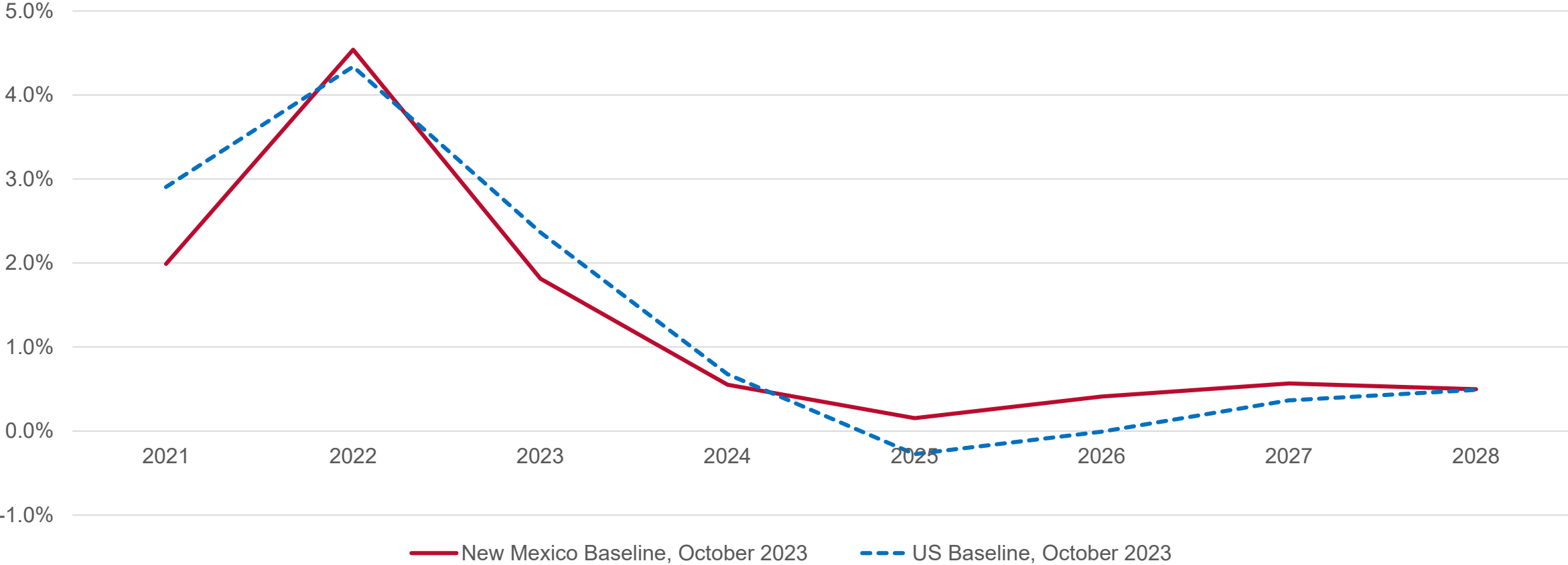
Up about 0.5% vs. pre-pandemic levels.

# Forecast Comparison: Employment Growth



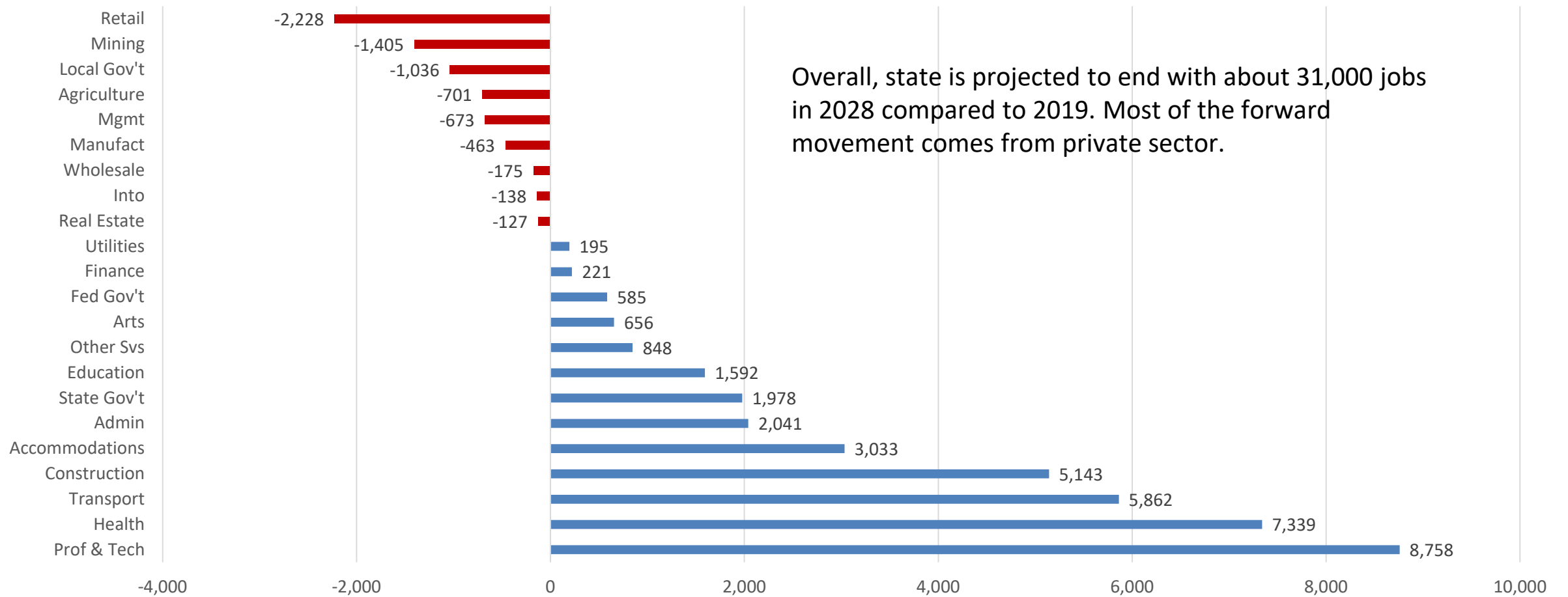
IHS Markit, October 2023 + July 2023

# Employment Forecast Comparison: NM vs. US



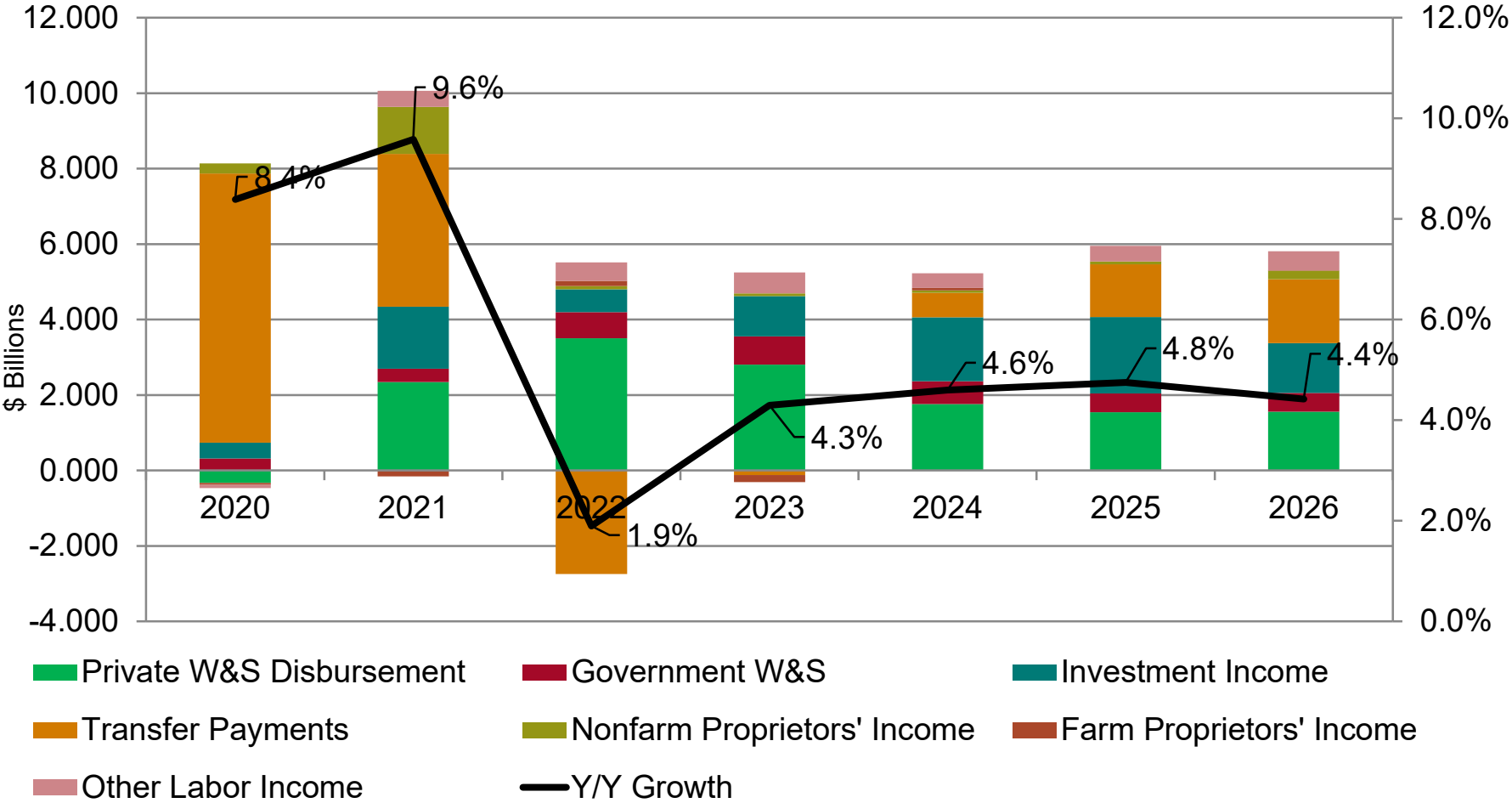
S&P Global & BBER FOR-UNM, October 2023

# Which Industries Will Not Fully Recover by 2028?



BBER FOR-UNM, October 2023

# Forecast Personal Income Growth, by Component

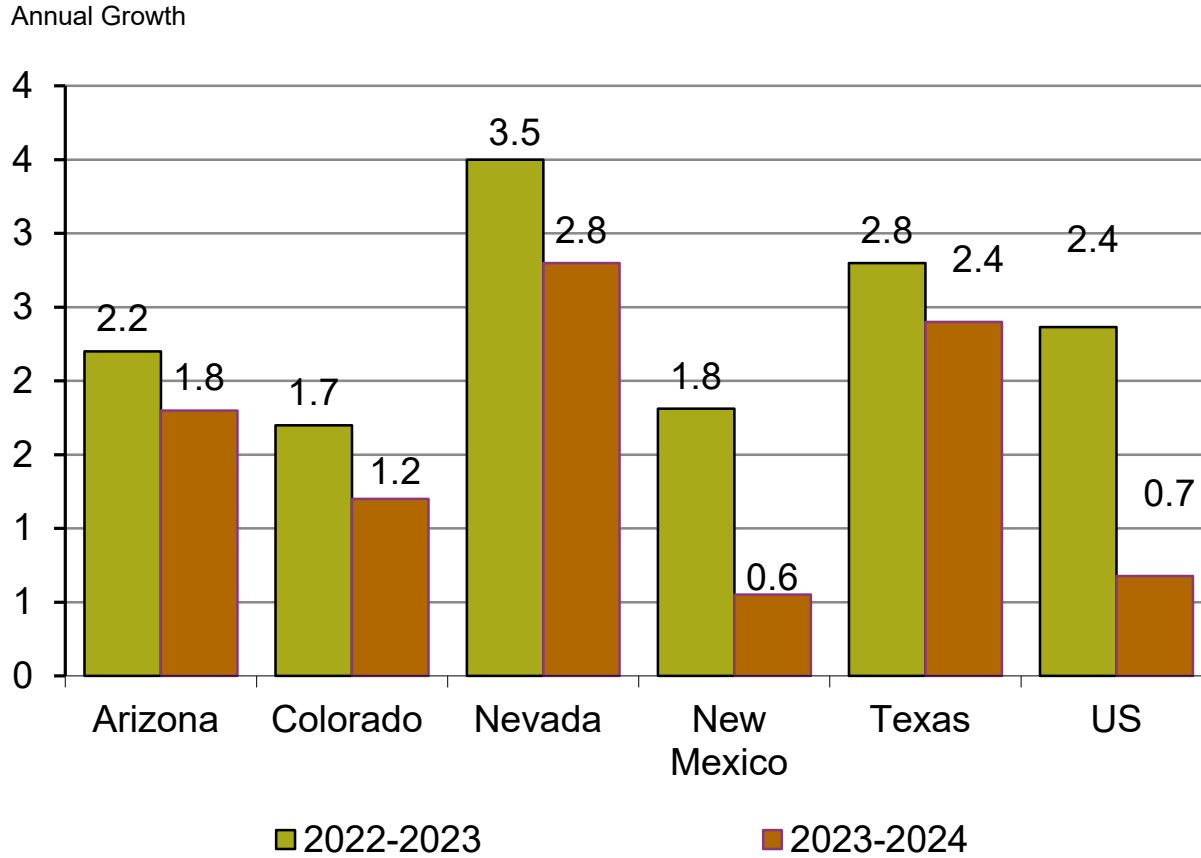


- Personal incomes positive in 2020 & 2021 (revised up) due to massive increase of federal transfers (unemployment, stimulus checks, Medicaid and other CARES funding).
- Income growth slowed in 2022 (1.9%) with reductions in transfers.
- Solid growth returns in 2023.
- Growth to trend in 2024.

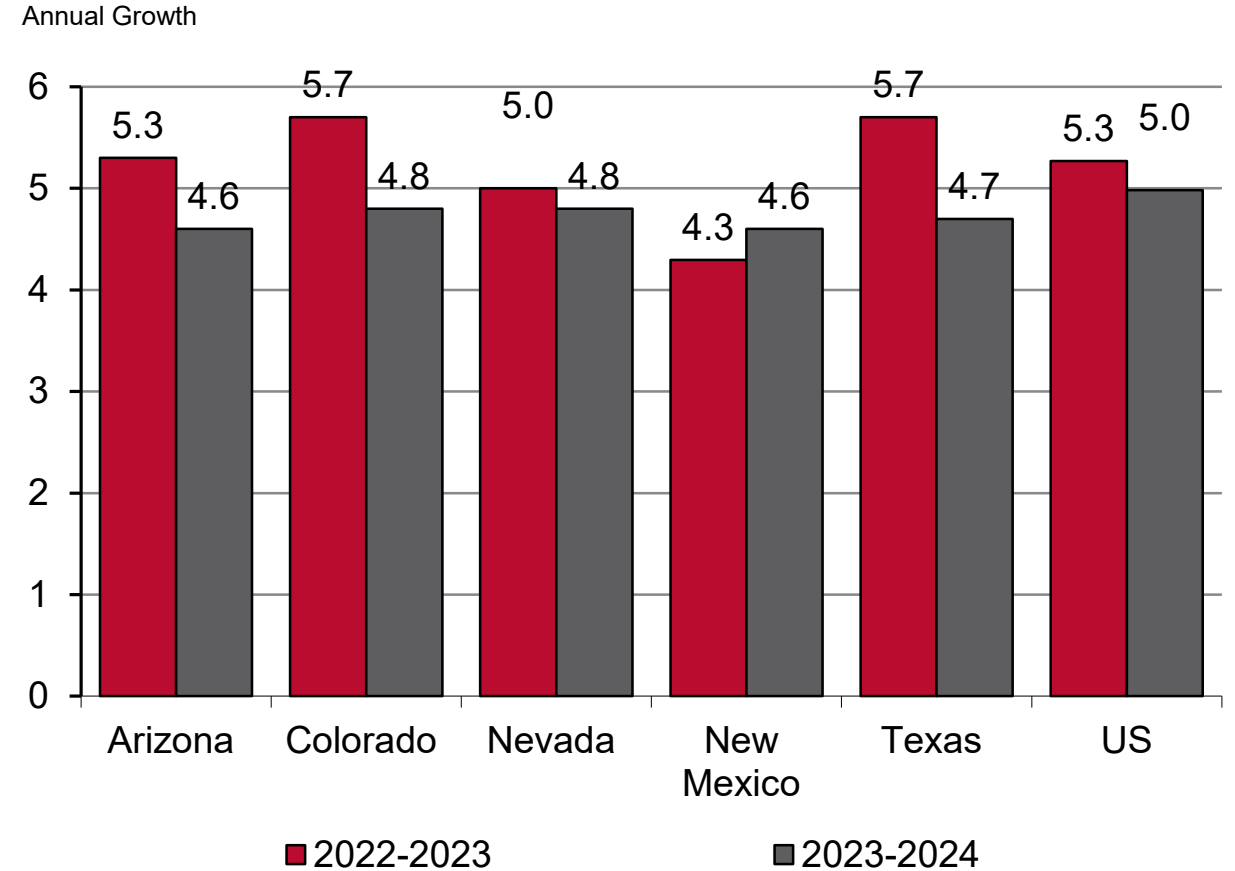
BBER FOR-UNM, October 2023

# NM Forecast vs. Other States

## Employment



## Income

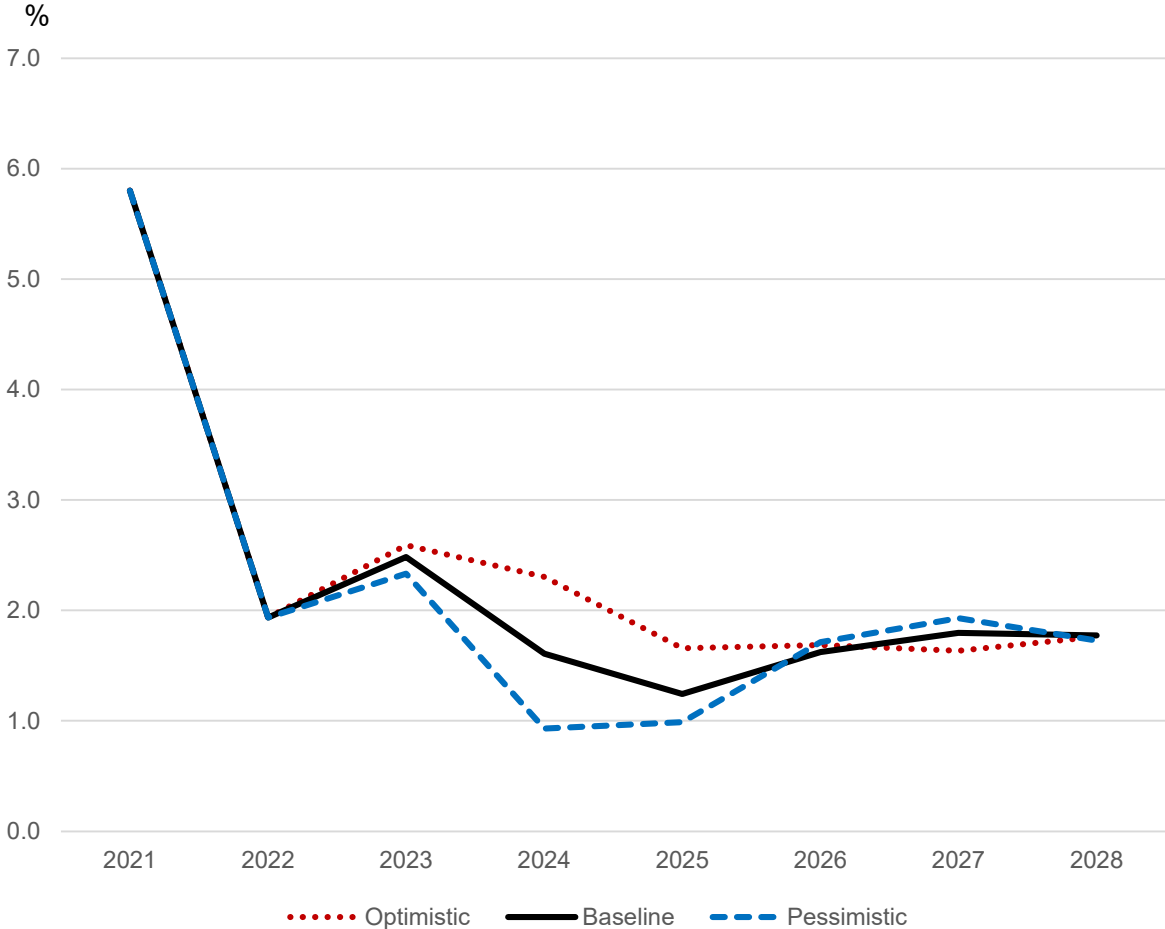
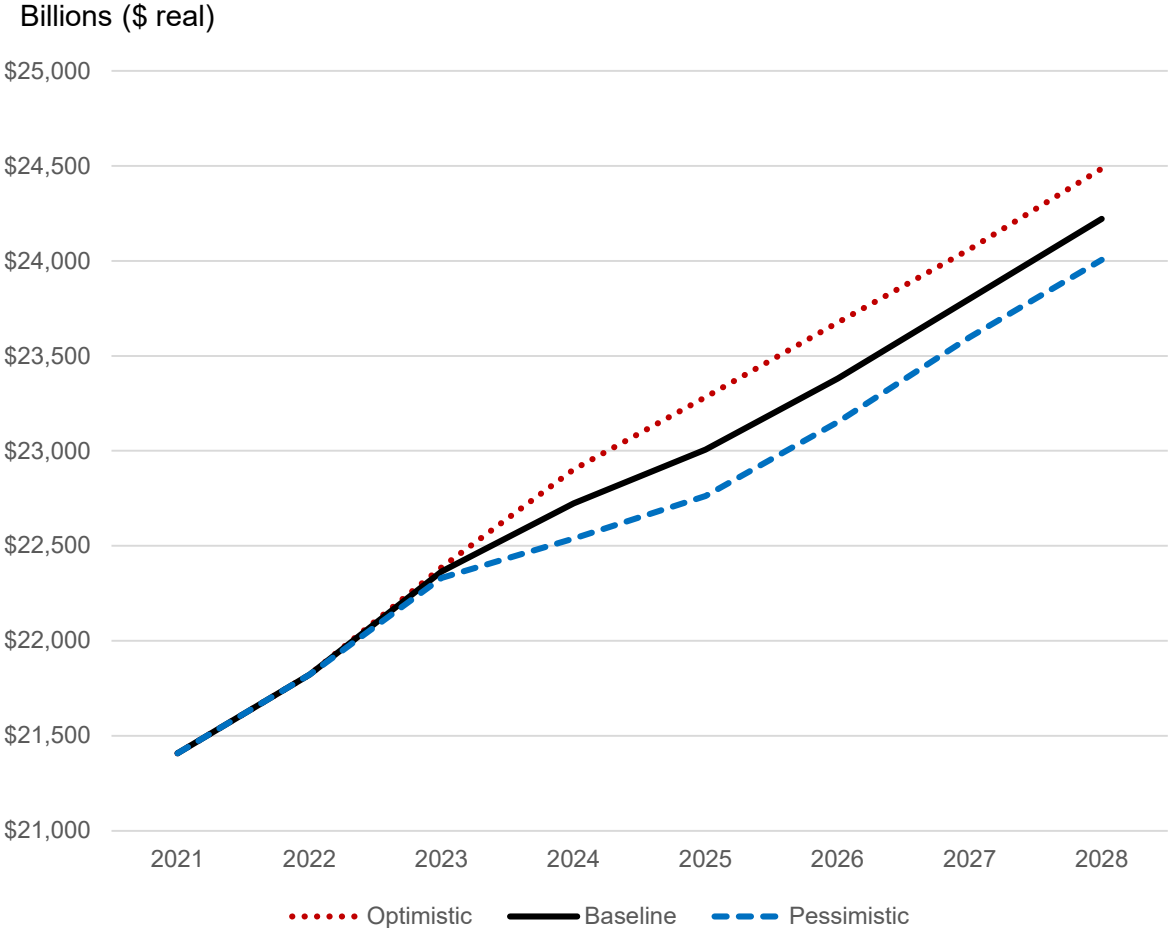


Sources: State submissions to Western Blue Chip Economic Forecast  
<https://seidmaninstitute.com/western-blue-chip/>; S&P Global; FOR-UNM

# Alternative Scenarios

- As always Still good degree of uncertainty.
- S&P Global's forecasts – recession not built into baseline scenario, but employment growth is negative in 2024 & 2025 and recovers in 2026.
- FOR-UNM's forecast modest in 2023 and slow for remainder. Above pre-pandemic levels this year.
- FOR-UNM offers the baseline and the two standard alternatives plus a fourth more pessimistic scenario (Pessimistic 2) intended to put a floor under the outlook.
- Pessimistic scenario considers challenges facing NM: a) small business access to federal loans, b) trend toward business consolidation, C) government budget cuts.
  - After rising above pre-pandemic levels in 2023, job losses in 2024 & 2025 push things down. Recovery beginning 2026.
- Pessimistic 2 scenario is fairly severe – slow but positive in 2023, sizeable losses in 2024 and 2025. Slow growth thereafter; does not fully recover by 2028.

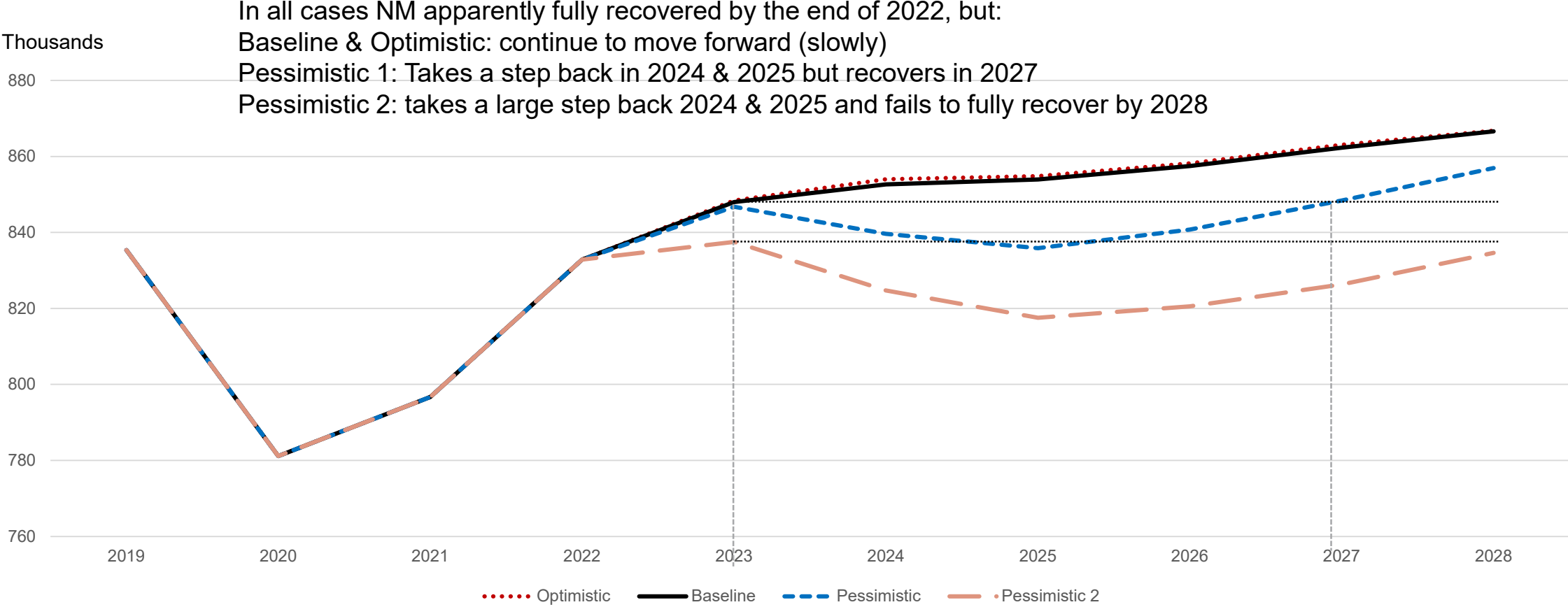
# US Real GDP Forecast – Alternative Scenarios



S&P Global, October 2023

Optimistic: 15%; Baseline: 55%; Pessimistic: 30%

# NM Employment Forecast – Alternative Scenarios

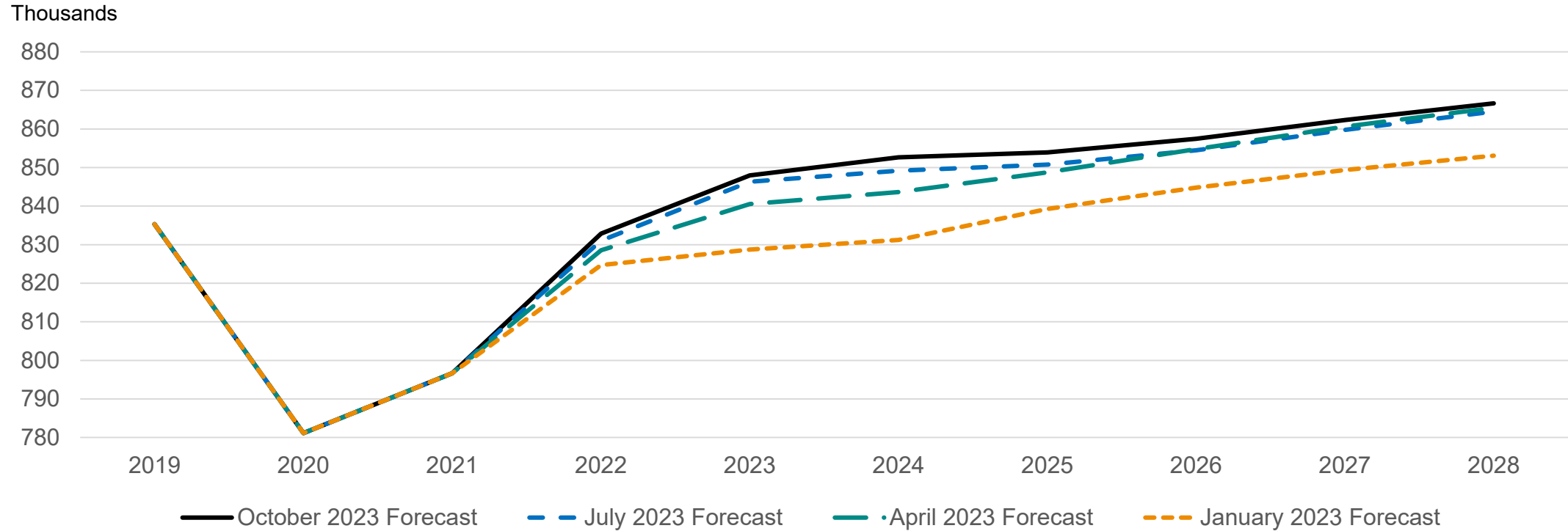


Source: FOR-UNM, October 2023

Probabilities: Optimistic, 5%; Baseline, 55%; Pessimistic 1, 35% Pessimistic 2, 5%

# Recent NM Employment Forecasts

Employment levels consistently pushed up over the last year.



Source: FOR-UNM



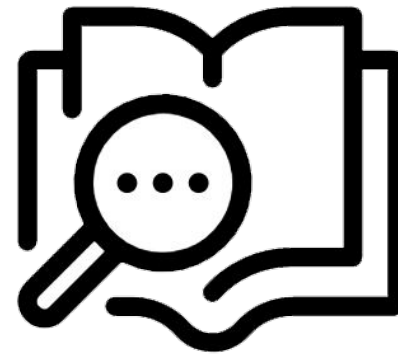
# BUREAU OF BUSINESS & ECONOMIC RESEARCH



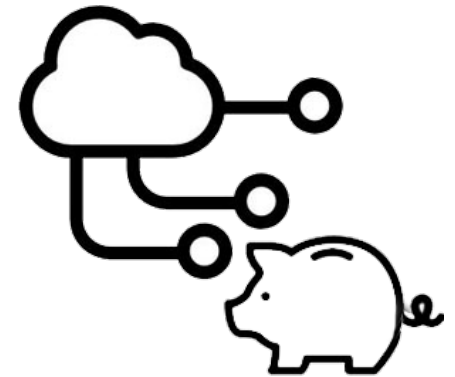
ECONOMIC FORECAST



DATA DASHBOARDS



RESEARCH



DATA BANK