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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 to inform decision making.

THE NEW MEXICO ECONOMIC FORECAST: RECENT DEVELOPMENTS AND OUTLOOK

PREPARED FOR THE 26TH ANNUAL DATA USER'S CONFERENCE

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NOVEMBER 20, 2024

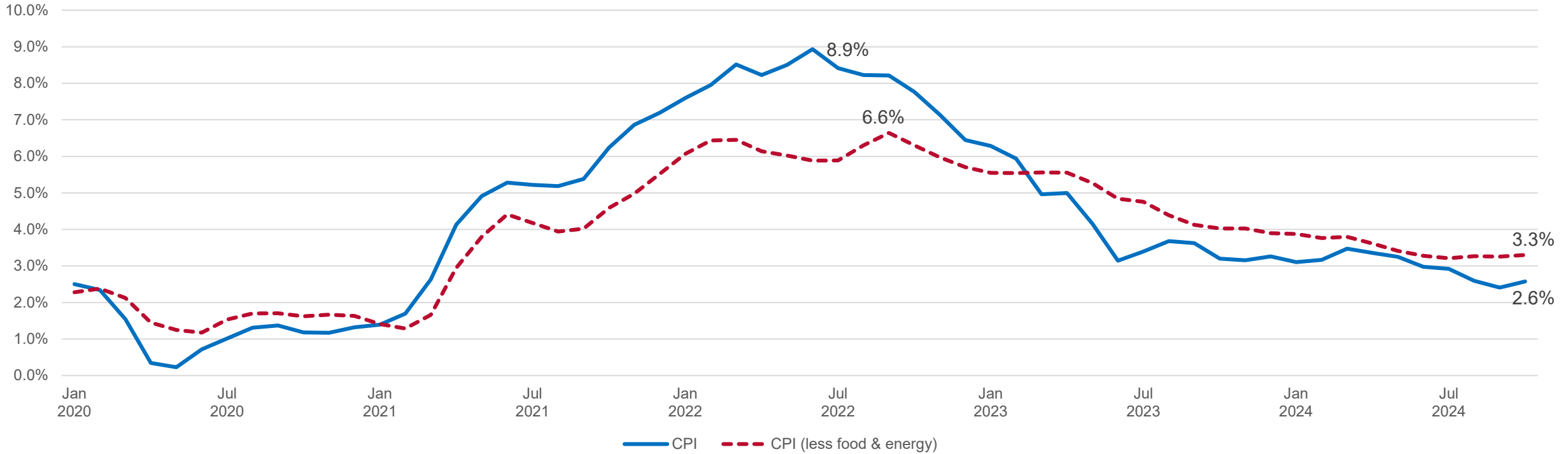
US Review + Economic Outlook



Review: National Economy

- ❑ Job gains solid in 2022 at 377,000 jobs/month. Gains slowed in 2023 to 251,000 per month. First 10 months of 2024: slowed to 170,000/month. October: jobs flat (12,000); private employment contracted (-28,000). Employment nearly 6.7 million jobs above pre-pandemic levels.
- ❑ Federal Reserve cut rates 0.5 points in September and another 0.25 points in November to 4.50%-4.75%.
- ❑ Initial & continuing claims for unemployment staying low. U3 unemployment rate 4.1% in October. U6 registered 7.7%.
- ❑ Real GDP: 1.6% in 2024Q1, accelerated to 3.0% in 2024Q2, registered 2.8% in 2024Q3.
- ❑ WTI spot price around \$70/barrel.
- ❑ Consumer Sentiment Index (U. of Mich.) fell hard but is making up ground: 100 before pandemic, fell to 50 by June 2022. As of October 2024, sitting at about 71.
- ❑ ISM manufacturing index has contracted for 22 out of last 23 months. Non-manufacturing index expanded 49 out of the last 52 months.
- ❑ Concerns: Geopolitical, Congress being Congress, Consumer Saving/Spending, Domestic/Election

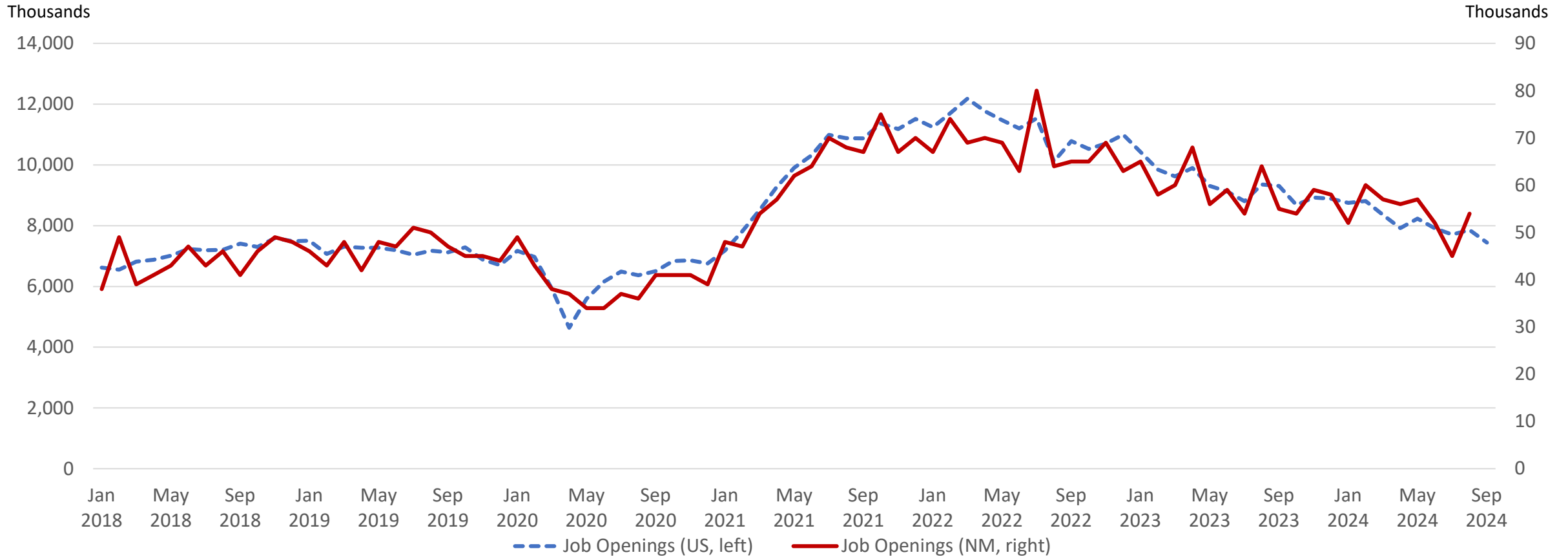
Inflation



Data current through October 2024. Y/Y price growth has moderated.

Source: BLS CPI data

Job Openings Have Fallen from Peaks



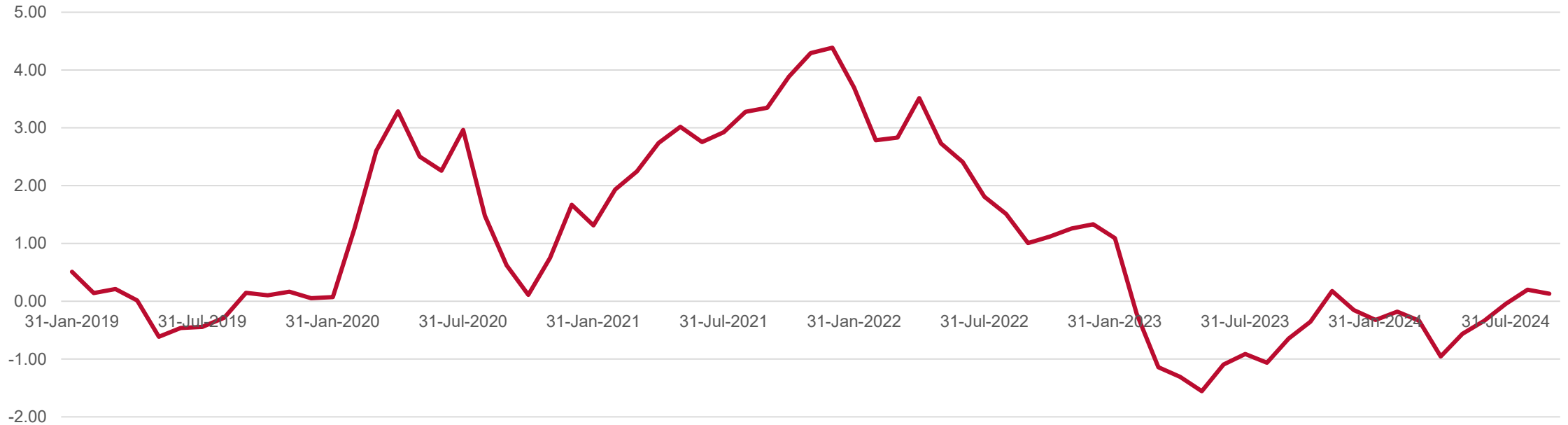
Openings are down compared to recent peaks.

Source: BLS JOLTS, US through September 2024; NM through August 2024

Global Supply Chains “Normalized”

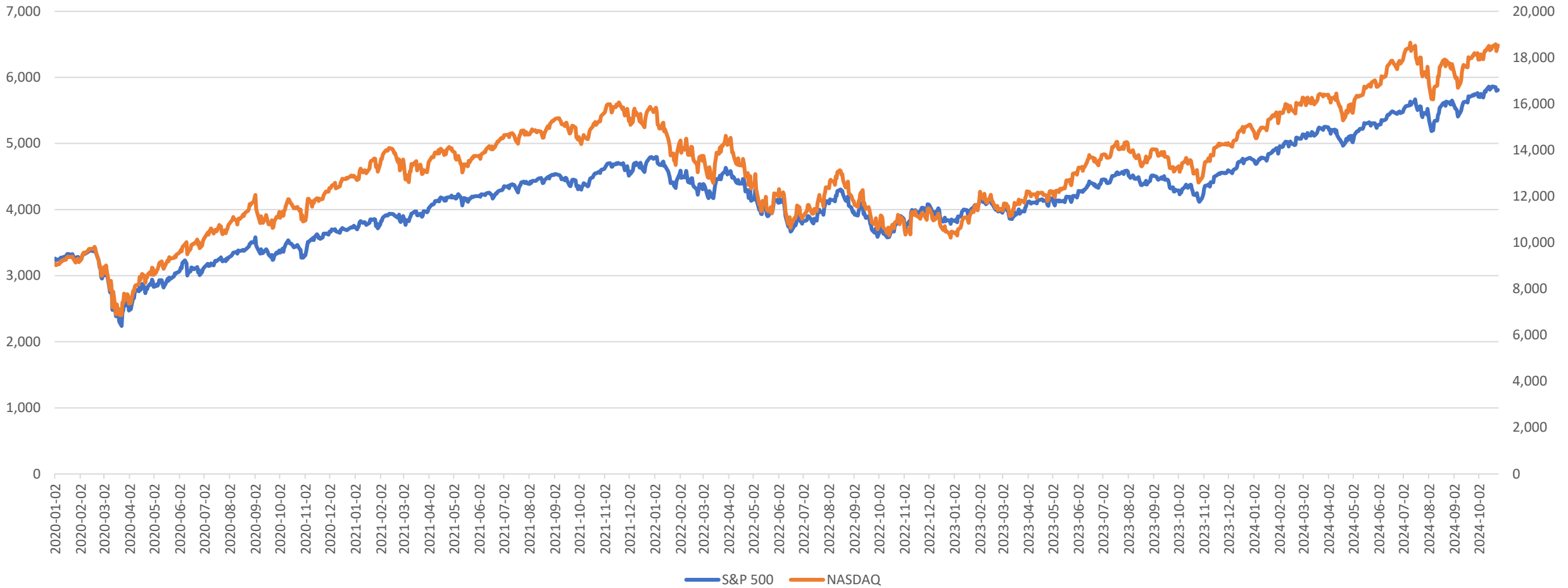
Index integrates transportation cost data and manufacturing indicators to provide a gauge of global supply chain conditions

Standard Deviation from Historical Value



Source: Sources: Bureau of Labor Statistics; Harper Petersen Holding GmbH; Baltic Exchange; IHS Markit; Institute for Supply Management; Haver Analytics; Refinitiv; Fed Reserve calculations. (<https://www.newyorkfed.org/research/policy/gscpi#/overview>); through September 2024

The “Market”



Source: S&P 500 Index, reported by Fed Reserve of St. Louis

US Consumer Confidence



Note: Has generally moved up since July 2022 (data through October 2024).

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

Real GDP Growth

Composition of Real GDP Growth Over Previous Period SAAR

	2019	2020	2021	2022	2023	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	Contrib. 24Q3
Composition of Real GDP															
Gross Domestic Product	2.6	-2.2	6.1	2.5	2.9	2.7	3.4	2.8	2.4	4.4	3.2	1.6	3.0	2.8	2.8
Total Consumption	2.1	-2.5	8.8	3.0	2.5	1.5	1.2	4.9	1.0	2.5	3.5	1.9	2.8	3.7	2.46
Durable goods	3.3	7.1	16.6	-1.9	3.9	-1.9	-2.0	17.1	-0.3	4.2	2.9	-1.8	5.5	8.1	0.58
Nondurable goods	3.0	3.4	8.6	0.1	0.8	-2.5	0.1	2.5	-0.4	3.1	3.6	-0.8	1.7	4.9	0.67
Services	1.7	-5.8	7.5	5.0	2.9	3.5	2.2	3.8	1.6	2.1	3.5	3.4	2.7	2.6	1.21
Residential Fixed Investment	-0.9	7.7	10.9	-8.6	-8.3	-25.2	-22.8	-4.3	4.5	7.7	2.5	13.7	-2.8	-5.1	-0.21
Nonresidential Fixed Investment	3.8	-4.6	6.0	7.0	6.0	7.7	5.7	5.3	9.9	1.1	3.8	4.5	3.9	3.3	0.46
Structures	2.3	-9.2	-2.6	3.6	10.8	9.2	9.8	14.9	16.4	1.7	6.5	6.3	0.2	-4.0	-0.13
Equipment & Software	1.0	-10.1	6.7	4.4	3.5	6.6	1.1	0.9	12.5	-1.1	0.7	0.3	9.8	11.1	0.56
Intellectual Property	8.2	4.5	10.2	11.2	5.8	8.0	7.9	4.5	3.9	2.8	5.2	7.5	0.7	0.6	0.03
Change in Private Inventories															-0.17
Exports	0.5	-13.1	6.5	7.5	2.8	14.5	-1.1	2.0	-4.8	4.9	6.2	1.9	1.0	8.9	0.94
Imports	1.2	-9.0	14.7	8.6	-1.2	-5.4	-4.5	-0.8	-3.1	4.7	4.2	6.1	7.6	11.2	-1.49
Federal Government	3.8	6.3	1.8	-3.2	2.9	-0.4	9.0	4.6	-1.1	5.3	-0.3	-0.4	4.3	9.7	0.60
State & Local Government	3.9	1.7	-1.6	0.2	4.4	2.7	3.4	5.3	5.4	5.9	6.1	3.1	2.3	2.3	0.25

2024Q3 grew 2.8% SAAR.

Consumption, nonresidential fixed investment, and government expanded.

Net exports, residential fixed investment, and changes to private inventories all fell.

The third quarter generally met expectations.

US Bureau of Economic Analysis, Gross Domestic Product, 2024 Third Quarter (1st Estimate), October 30, 2024

Presidential GDP Comparison

Simple average of quarterly real
GDP growth rates.

Administration	Average GDP Growth (%SAAR)	
	Total	Consumption
Carter (1977Q1-1980Q4)	3.3	2.5
Reagan (1981Q1-1984Q4)	3.4	3.6
Reagan (1985Q1-1988Q4)	3.9	4.2
Bush (1989Q1-1992Q4)	2.2	2.3
Clinton (1993Q1-1996Q4)	3.3	3.3
Clinton (1997Q1-2000Q4)	4.3	4.9
Bush (2001Q1-2004Q4)	2.5	3.1
Bush (2005Q1-2008Q4)*	2.3	2.3
Obama (2009Q1-2012Q4)*	1.7	2.6
Obama (2013Q1-2016Q4)	2.5	2.7
Trump (2017Q1-2020Q4)**	2.9	2.9
Biden (2021Q1-2024Q3)**	3.0	3.1

* Excludes Great Recession contractions/recovery

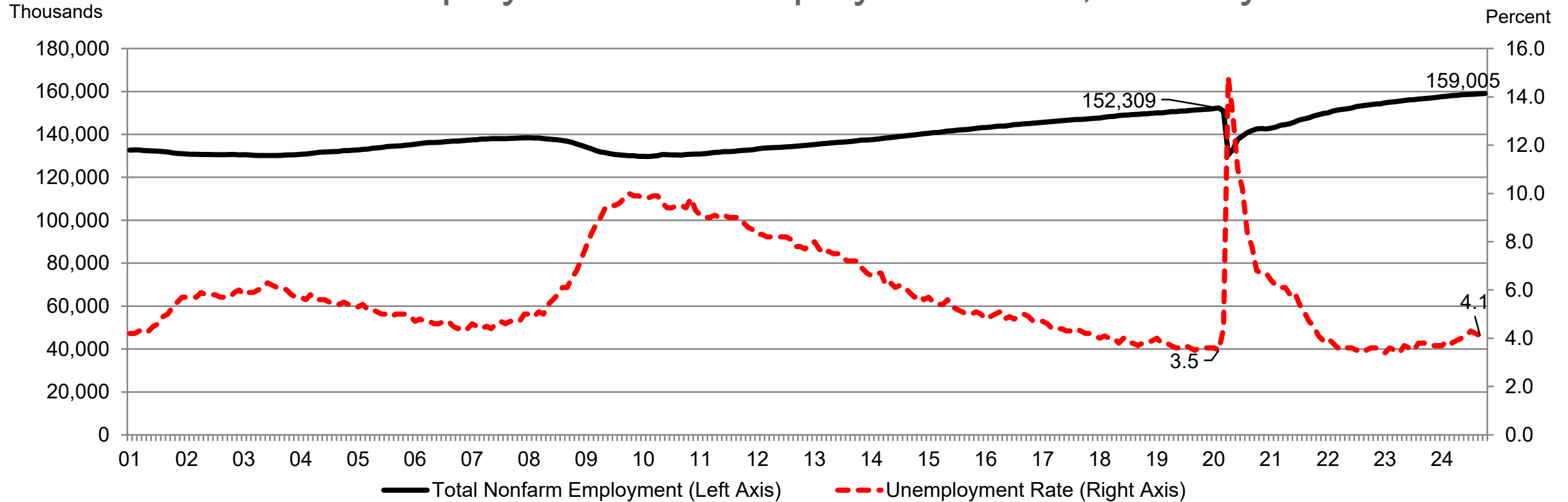
** Excludes obvious quarters of Pandemic contraction/recovery

Total long-term average is about 2.8%.

Consumption long-term average is about 3.0%.

US Employment Situation

US Nonfarm Employment + Unemployment Rate, Monthly SA



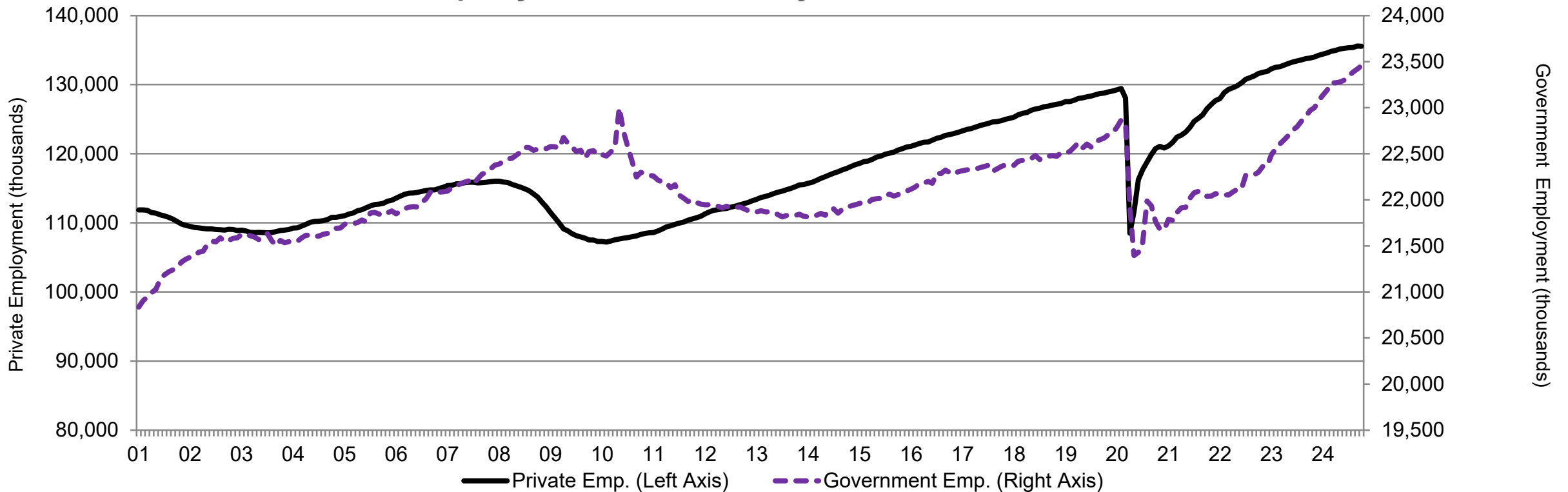
Peak employment: 152.4 million in Feb 2020.
Employment now at 159.0 million.

Note: UI rate 4.1%.

BLS, through October 2024

US Employment Situation

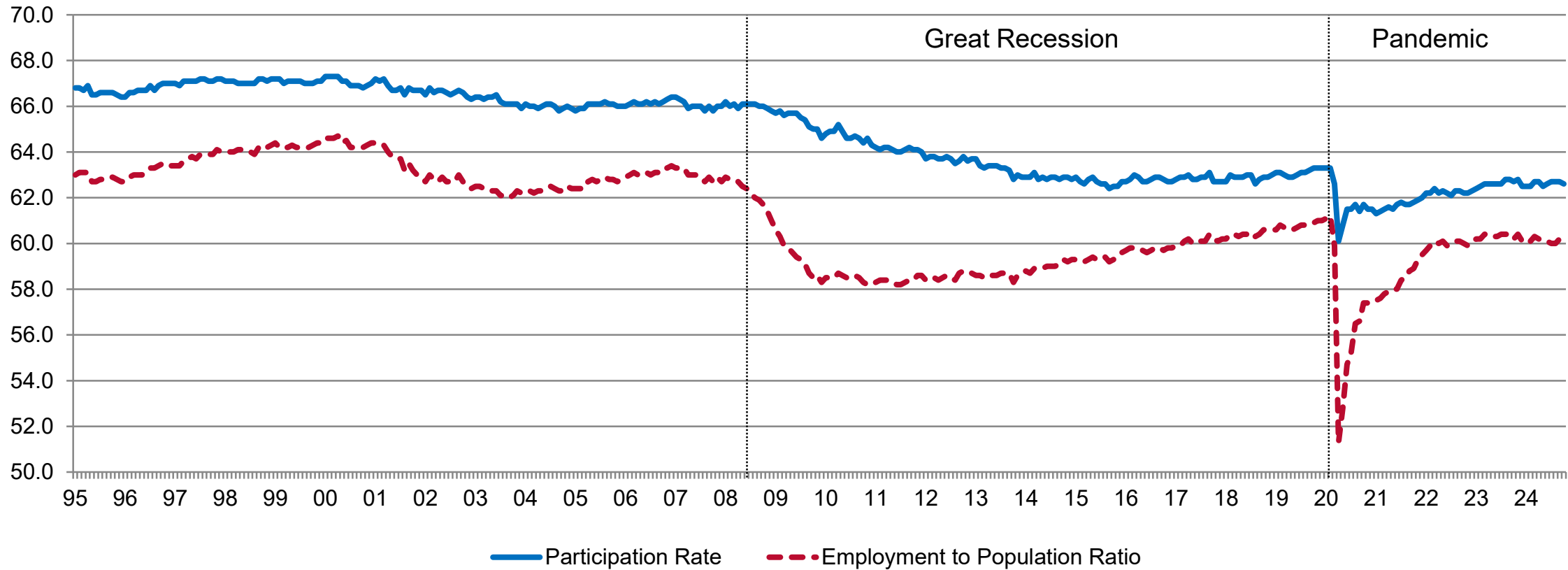
US Nonfarm Employment, Monthly SA



Recovery driven mostly by private sector (up 6.1 million jobs vs. pre-pandemic). However, government is picking up: now up about 590,000 jobs compared to pre-pandemic levels.

BLS, through October 2024

Participation Rate + Employment to Population Ratio

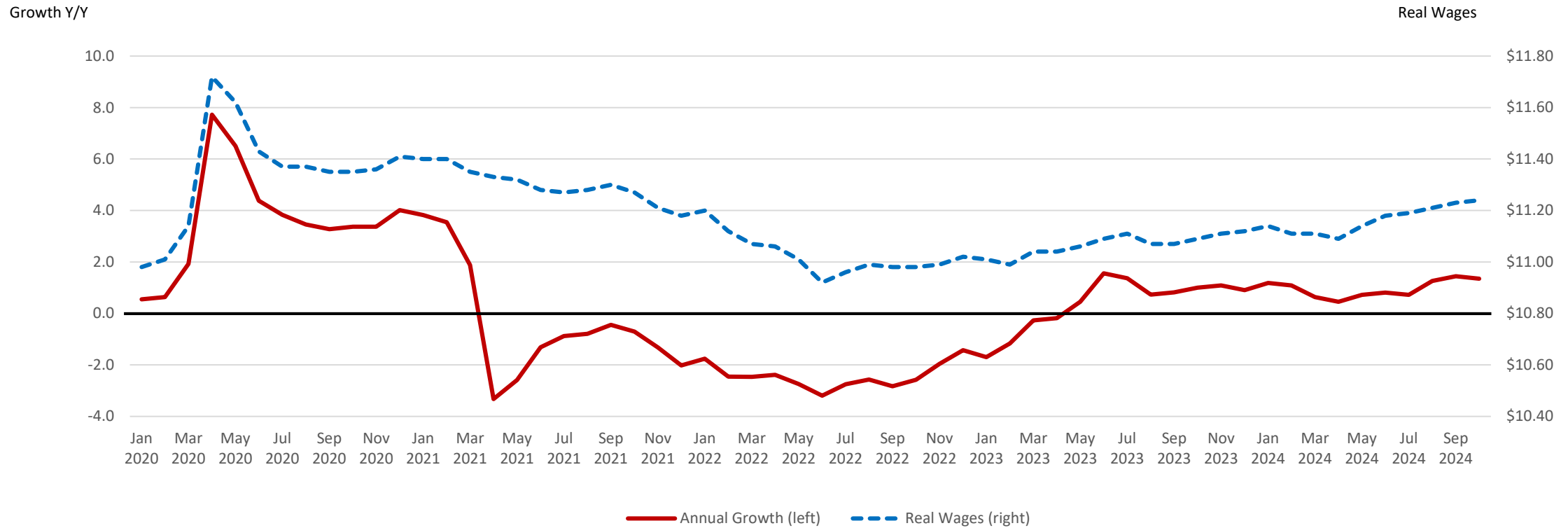


ETP registered 60.0% in October; Participation rate came in at 62.6% in October.

BLS, through October 2024

Real Private Sector Wages & Wage Growth

After two solid years of contraction, real wages have grown Y/Y for 18 months in a row.



Nominal wages for October up 4.0% suggesting continuing (positive) growth.

BLS, through September 2024

US Forecast: Key Assumptions

- ❑ **Federal fiscal policy:** The debt ceiling is suspended through 2024 but assumed raised before then without incident. Discretionary budget authority is governed through fiscal year 2025 by statutory caps established by FRA23 and is assumed to grow at the rate of inflation after 2025. Personal taxes are governed by current policy, including extension beyond the scheduled expiration in 2026 of provisions in the 2017 Tax Act. Foreign aid package: \$95 billion of budget authority for assistance to Ukraine, Israel, etc.
- ❑ **Monetary policy:** S&P Global assumes that after cutting by 50 basis points (bps) in September, the FOMC cuts by 25 bps at both remaining meetings this year. The Fed then cuts at every other meeting in the first half of 2025, before cutting by 25 bps at every meeting starting June 2025 until reaching a target range of 2.50% - 2.75% by early 2026, while shrinking its balance sheet by about one third.
- ❑ **World GDP:** Growth of real, trade-weighted foreign GDP firms to 1.9% in 2024 and further to 2.3% by 2025 and 2.4% in 2016.
- ❑ **Trade policy:** Includes 25% - 100% tariffs on roughly \$18 billion of imports.
- ❑ → More assumptions & details in NM and US narratives.

US Employment Forecast by Sector

Increase (Decrease) in US Payroll Employment from Previous Calendar Year, Actual & Forecast (Thousands)

	2021	2022	2023	2024	2025	2026	2027	2028	2029
Employment Sector									
Construction	181	327	254	236	170	155	142	167	190
Manufacturing	190	460	127	(6)	(328)	(269)	(182)	(149)	(89)
Trade, Transportation & Utilities	1,031	986	208	143	(199)	(174)	(129)	(195)	(163)
Prof. & Bus. Services	1,013	1,154	308	133	451	144	(251)	93	448
Health Care & Soc. Asst.	271	514	947	957	507	192	218	169	176
Leisure & Hospitality	1,001	1,679	775	386	363	58	158	103	(12)
Other Private	437	915	328	160	95	199	132	118	93
Government	(12)	220	587	556	222	90	84	82	80
Total Nonfarm Payrolls	4,111	6,255	3,534	2,565	1,280	394	171	388	722
Annual Growth	2.9%	4.3%	2.3%	1.6%	0.8%	0.2%	0.1%	0.2%	0.4%

S&P Global, October 2024

Manufacturing ends the period about 1.2 million jobs below pre-pandemic levels. Even with losses to Trade, ends 500,000 jobs above 2019 levels. Construction, healthcare, and professional & business services do particularly well.

S&P Global, October 2024

Total employment: 10.5 million jobs (6.9%) above 2019 levels by 2029.

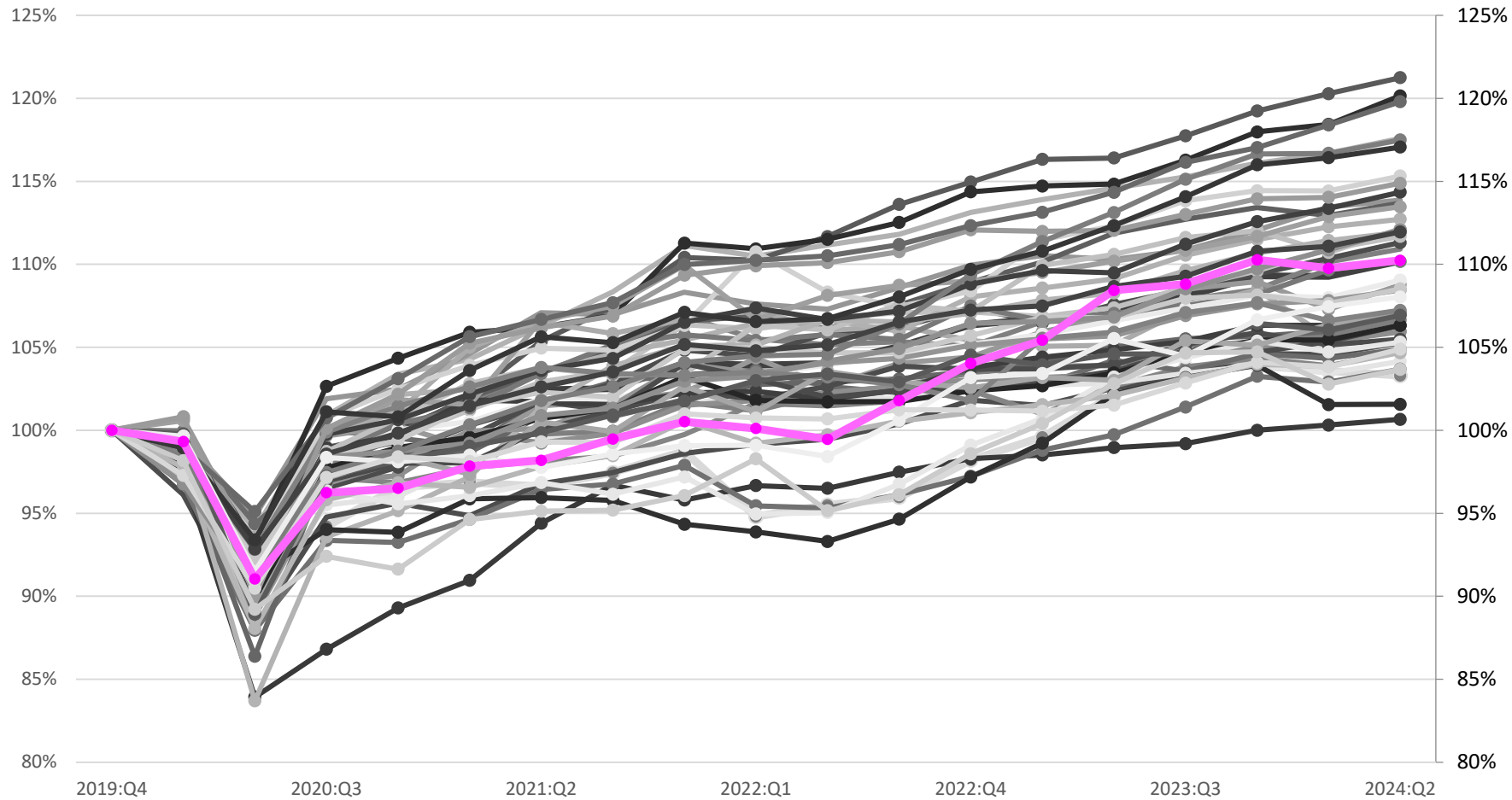
New Mexico Review



New Mexico Current Economic Situation

- Like a broken record: newest datapoints again solid, but analyst prognostications suggest that things are slowing (and will slow)... but by how much?
- At its lowest, NM down about 90,000 jobs. 2024Q1 QCEW data now available:
 - Total employment in that quarter ABOVE pre-pandemic levels by about 2.5%.
- Other employment data (CES) suggests continued improvement. By September 2024, data suggest that NM is ABOVE pre-pandemic levels by about 3%.
- Unemployment rate is staying moderate.
- Oil: WTI around \$70/barrel yesterday.
 - Drilling and production still robust; had started to plateau but newest quarter broke another record?

BEA Real Gross State Product



Each state indexed to 2019Q4 (NM's high point).
New data through 2024Q2.

These data have been revised since last time.

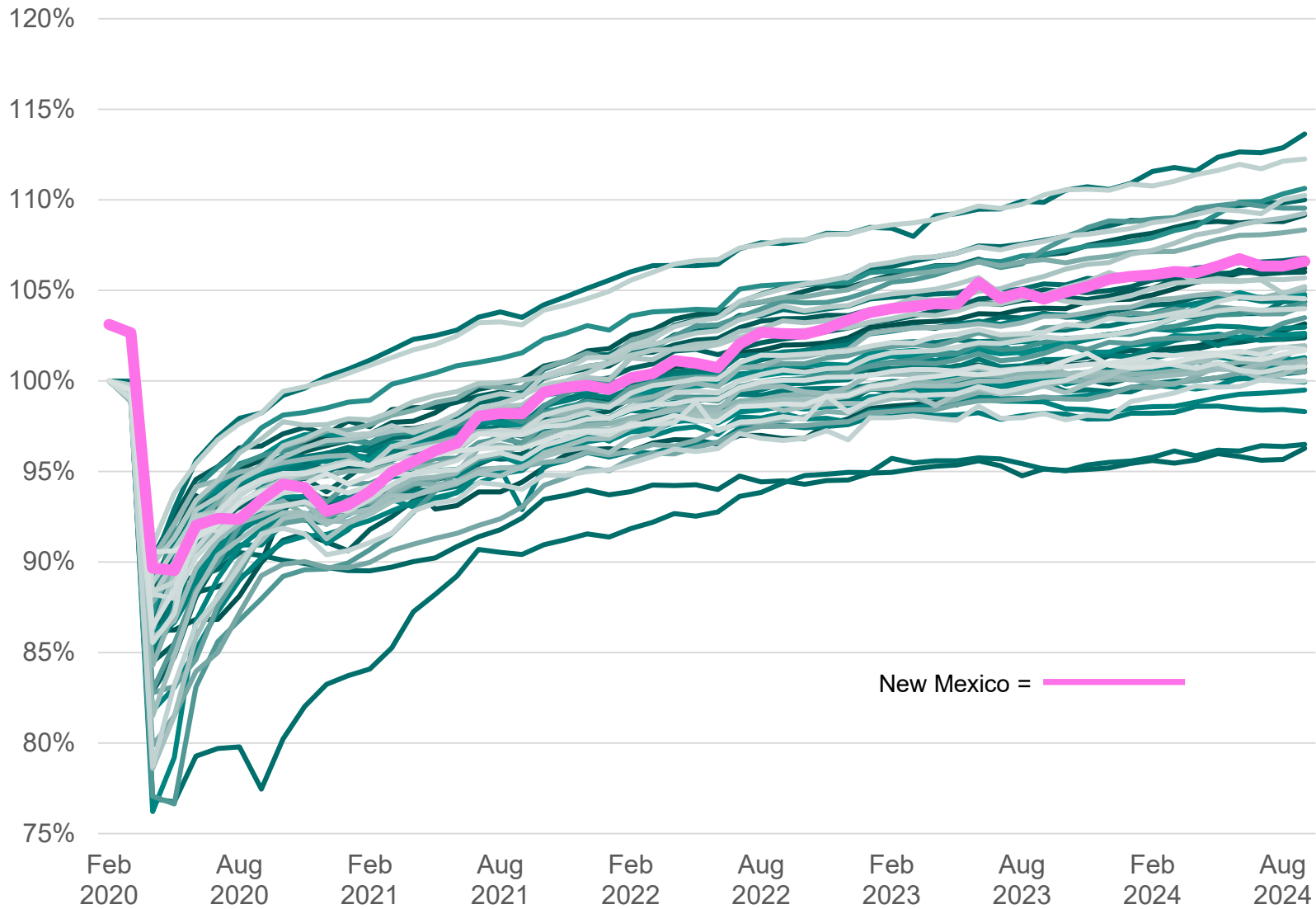
NM real GDP is about 10% above pre-pandemic levels.

Through 2024Q1, 20 states have had greater recoveries in GSP.

— = New Mexico

Source: Bureau of Economic Analysis

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



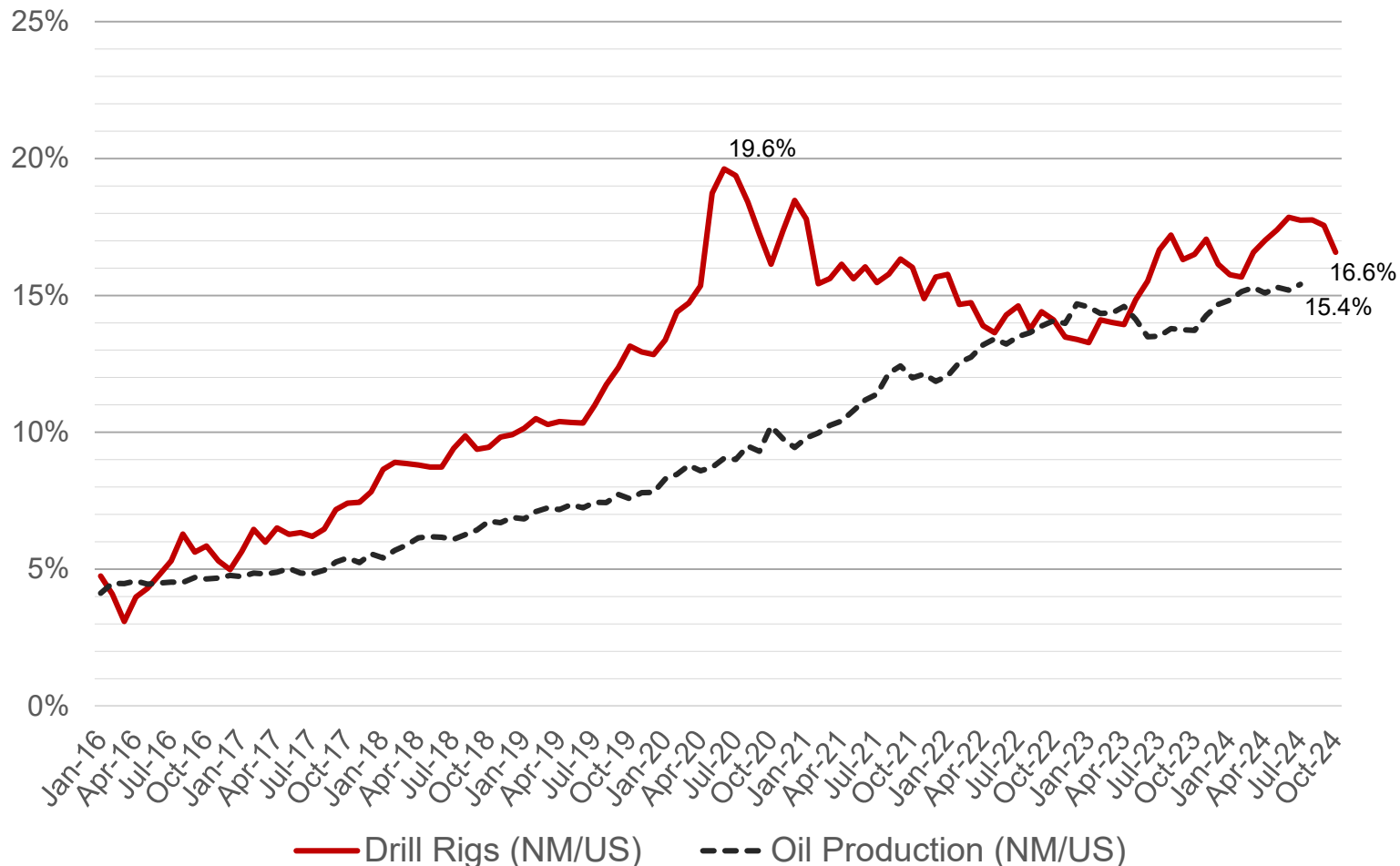
Change in Employment (CES data)

- As of September 2024, NM has recovered about 103% of the jobs it lost at the start of the pandemic.
- 26 states have had stronger recoveries than NM.
- Other surrounding states: AZ 109%; CO 107%; OK 105%; NV 110%; CA 102%.

Source: BLS CES, through September 2024



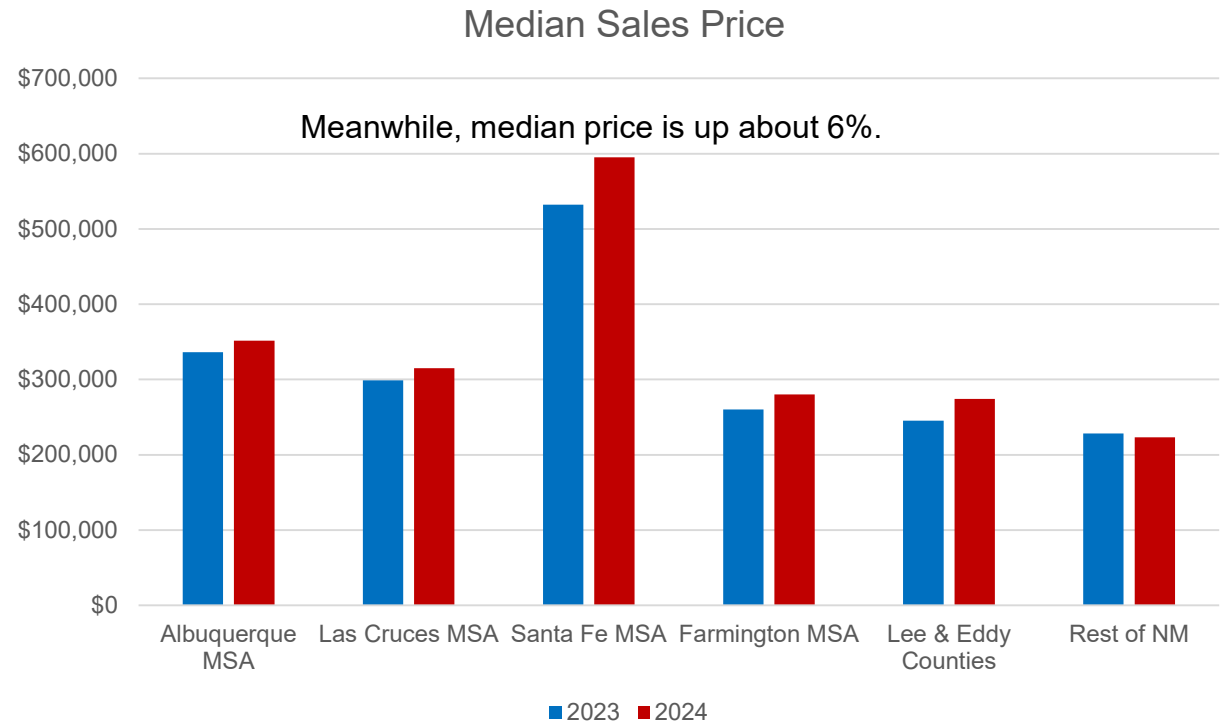
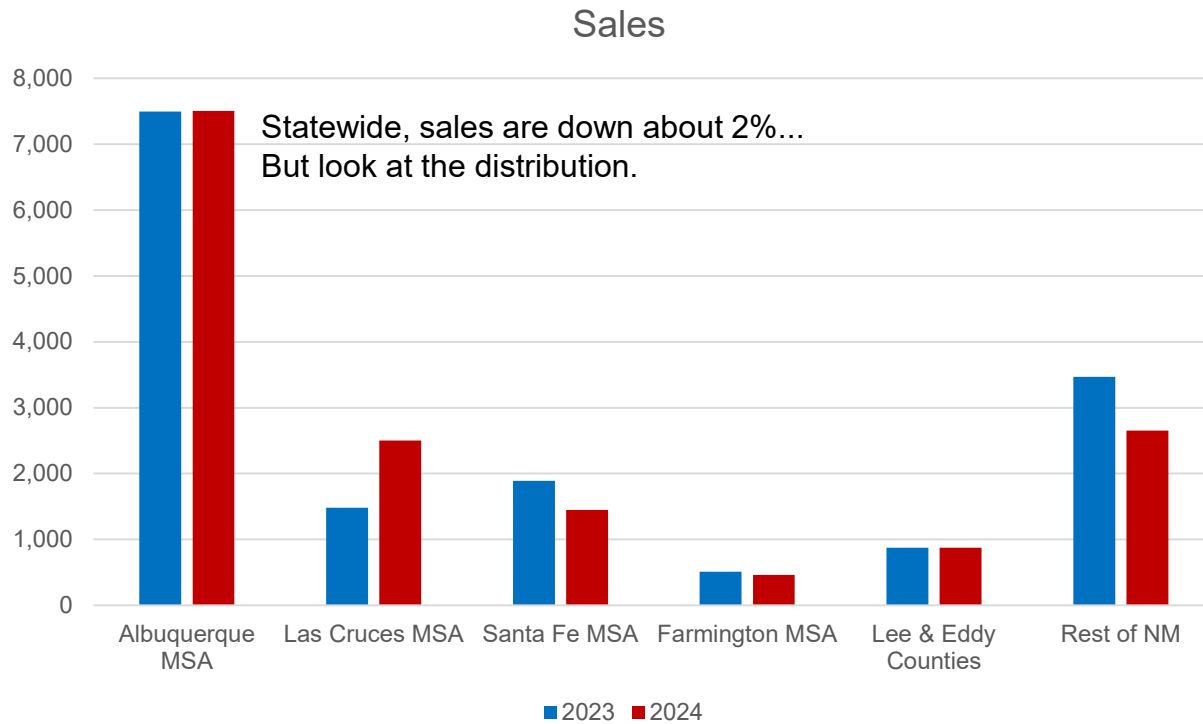
Increased NM Field Oil Production Presence



- October rigs dipped to 97 in NM. Rigs below 100 in 2 months this year.
- About 16.6% of all US drilling rigs are in New Mexico.
- 15.4% of all US field oil production occurs in NM; up from about 4.5% in 2016.
- To put in perspective: 2022 field oil production in US totaled 11.887 million barrels per day (bpd), which is up from 8.9 million bpd in 2016 (up 34%). In NM, production increased from 400,000 bpd in 2016 to 1.574 million bpd in 2020 (up 293%).
- Incidentally: NM accounts for around 5%-10% of US gas production by volume.

Sources: EIA, Baker Hughes. Calculations: BBER

New Mexico Housing Sales & Prices through September 2024 vs 2023

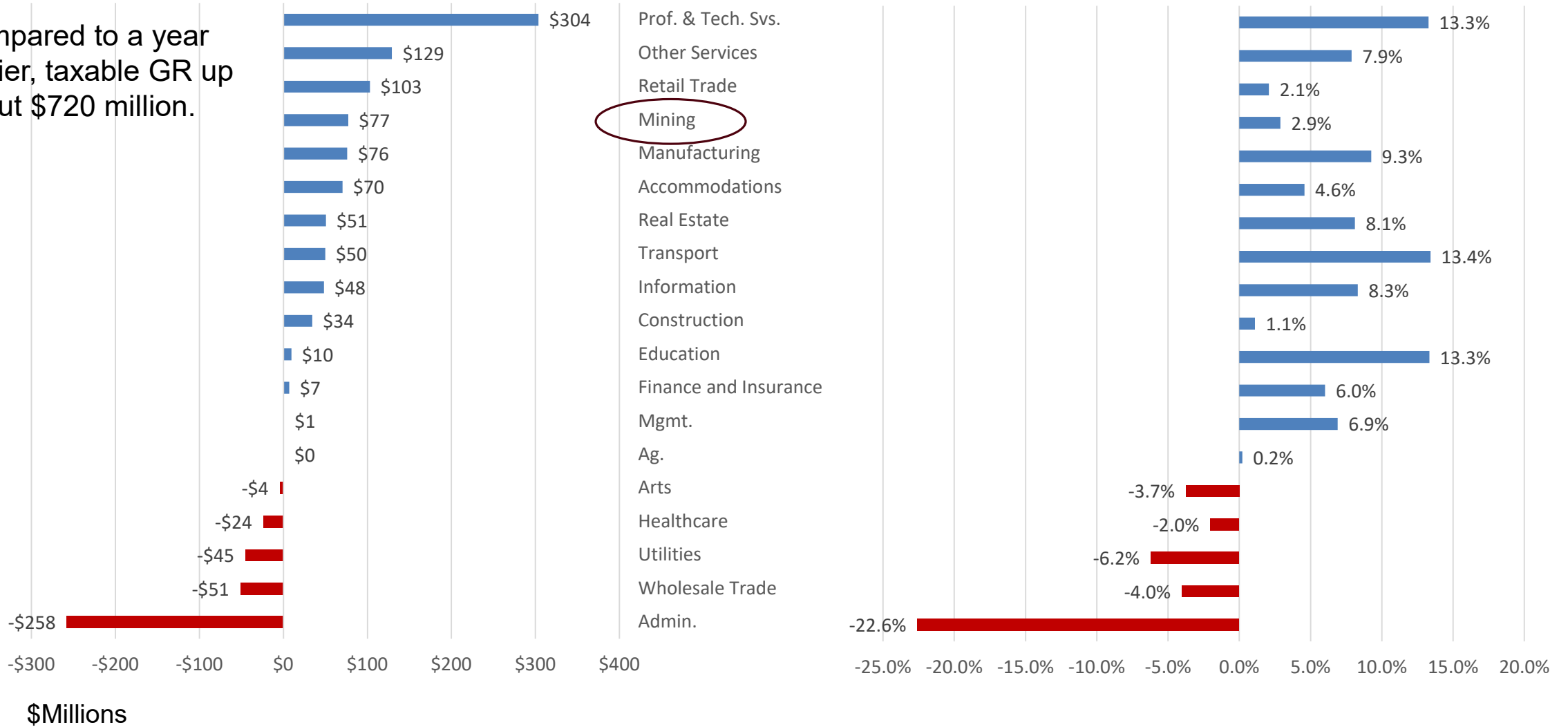


- Data through September 2024 available from NM Realtor's Association: Sales down 2% statewide and median price up from \$325k to \$339k (5%) versus same period in 2023.
- Greater Albuquerque Realtor's Association has data through September: So far in 2024, sales **down** 1% for the year but median price up 4% to \$360k.

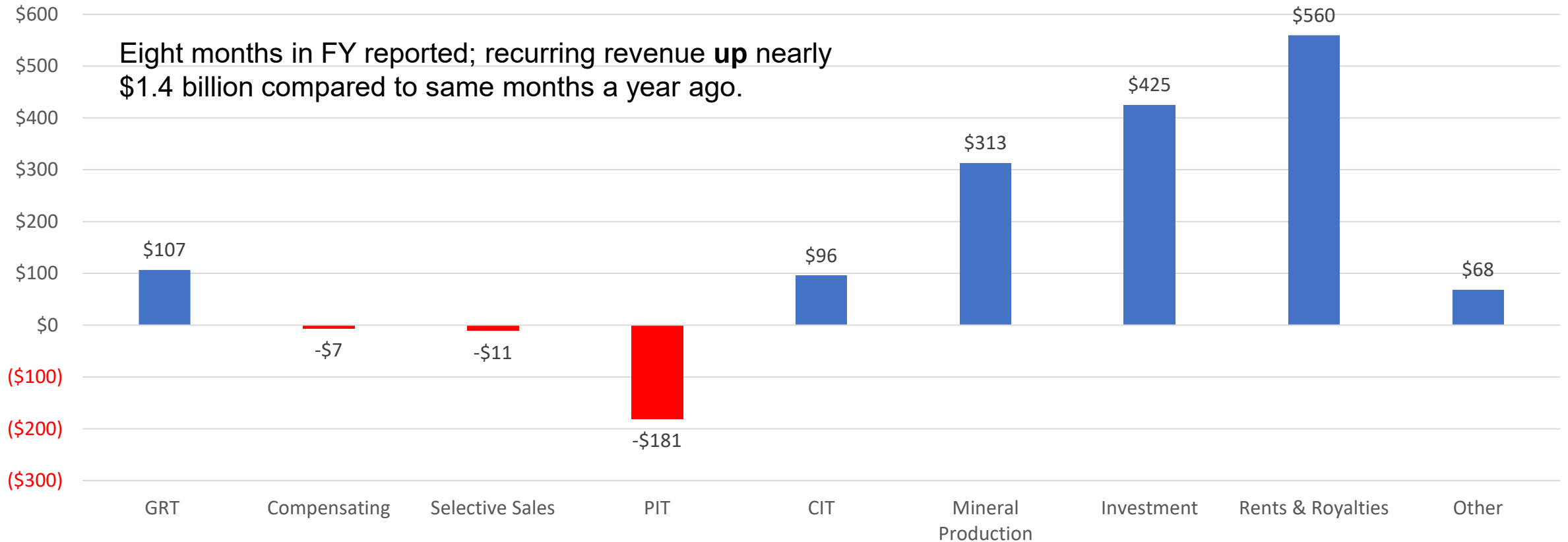
Source: New Mexico Realtors Association, <https://www.nmrealtor.com/housing-trends-2/>

Taxable GR 2024 vs. 2023 (Q2) by Industry

Compared to a year earlier, taxable GR up about \$720 million.



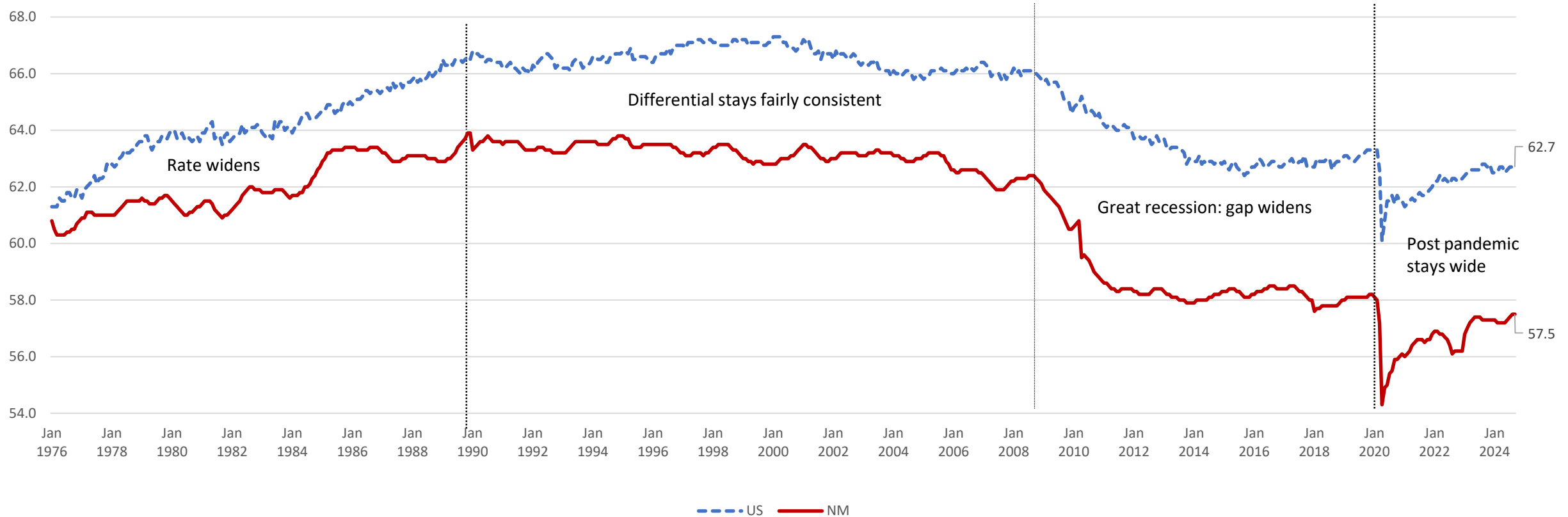
State Recurring Revenue: FY24 vs FY23 (July 2023 through March 2024)



Source: NM LFC (data in millions), https://www.nmlegis.gov/entity/lfc/Revenue_Economic_Reports_And_Tax_Policy

Long history of NM trailing the US

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



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

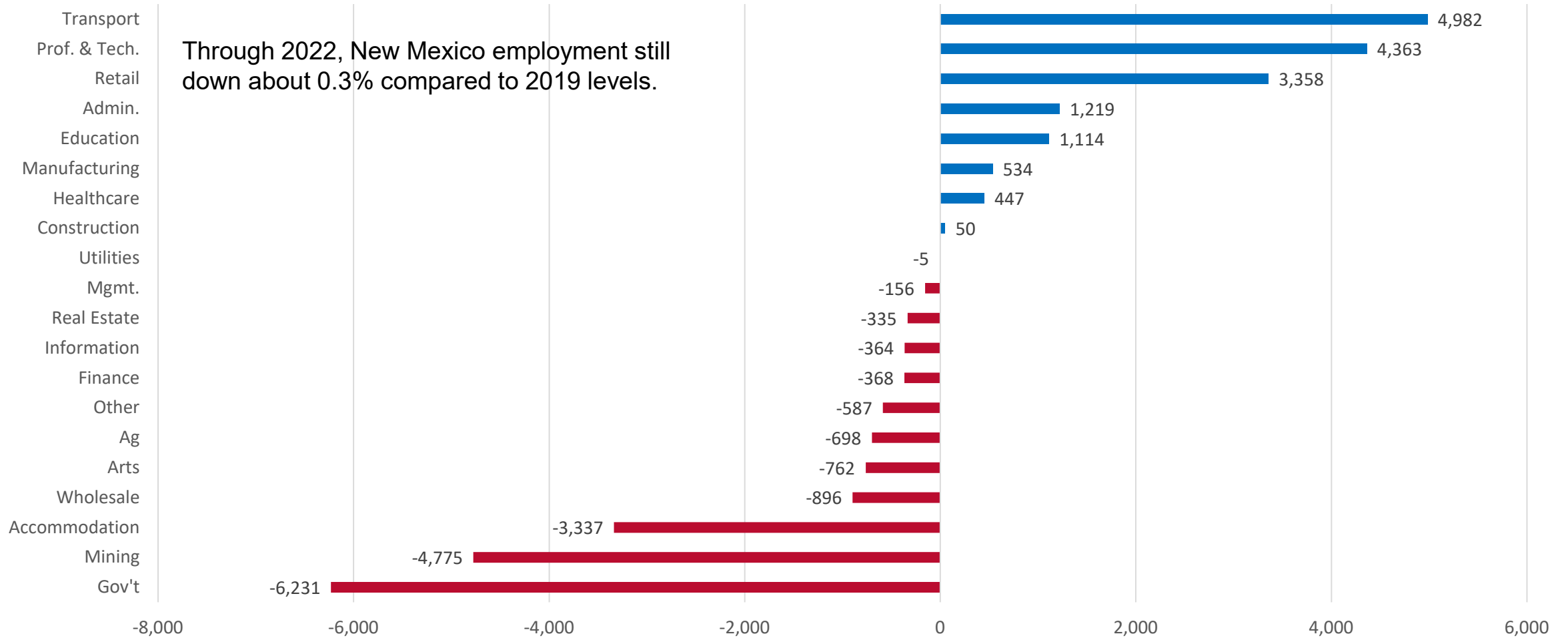
New Mexico Outlook



New Mexico Economic Outlook 2024-2029

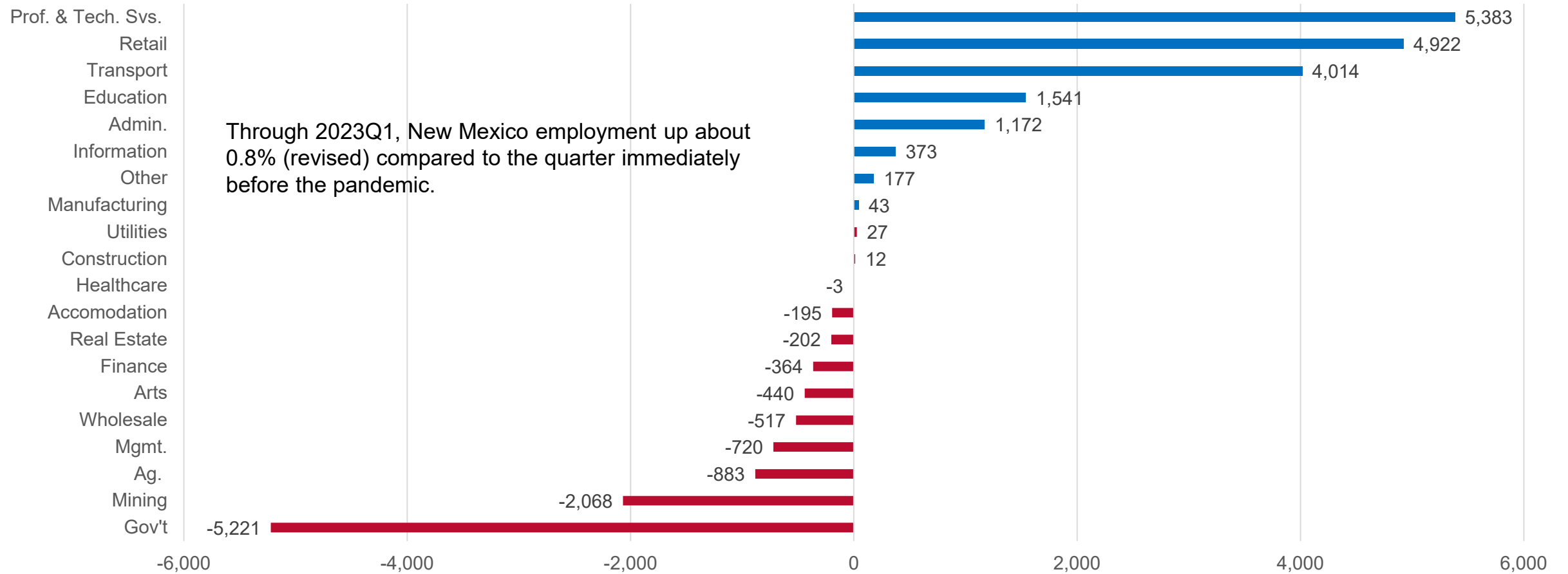
- Employment growth still solid in 2024 but slows to less than 1% in 2025. National slowdown weighs things down beginning 2026 (but still, no “recession” in baseline).
 - a. NM grows a bit slower than US in 2024, on par in 2025, then about 0.1% faster beginning 2026.
 - b. Pessimistic scenario: Moderate job loss in 2025 and 2026, grows a bit faster than baseline 2027 and out.
 - c. Pessimistic 2 scenario: Flatlines remainder of 2024, severe job loss in 2025, moderates 2026 & 2027, bounces back through 2029.
- Loss of 90,000 jobs year-over-year (-10.5%) in 2020Q2. Most recent QCEW data (through 2024Q1) suggest that the state was about 22,000 job, or 2.7%, ABOVE pre-pandemic levels. CES data through September 2024 indicate that state is about 3% above pre-pandemic peak.
 - Sidenote: Losses to local government are subsiding (-700 jobs). Mining and agriculture major offenders (each -1,400 jobs).
- Employment grew 2.0% in 2021, 4.5% in 2022, and 2.8% in 2023. Projected 1.4% in 2024, then 0.5% per year thereafter.
- Economy exceeded 2019 levels in 2023. By 2029 about 53,000 jobs above 2019 levels (about 6.4% above).
- Income patterns: Revised data pushed up growth in 2022 to 4.5% (up from 1.9%), before moderating to 4.3% in 2023. Growth in 2024 of 5.2% is expected, then through 2029 growth should average about 4.7% per year.

History: Job Growth/Loss by Sector 2019 through 2022



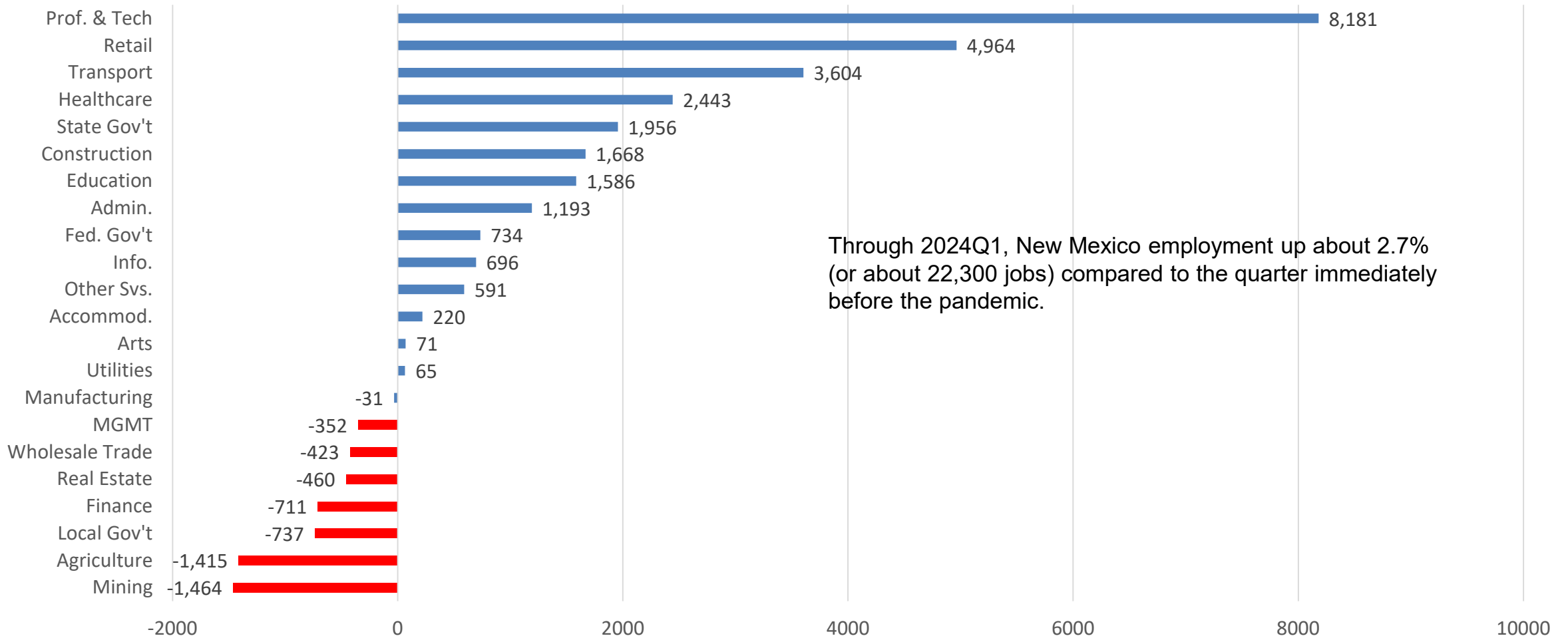
BBER FOR-UNM, October 2024

Job Growth/Loss by Sector 2020Q1 to 2023Q1



BBER FOR-UNM, October 2024

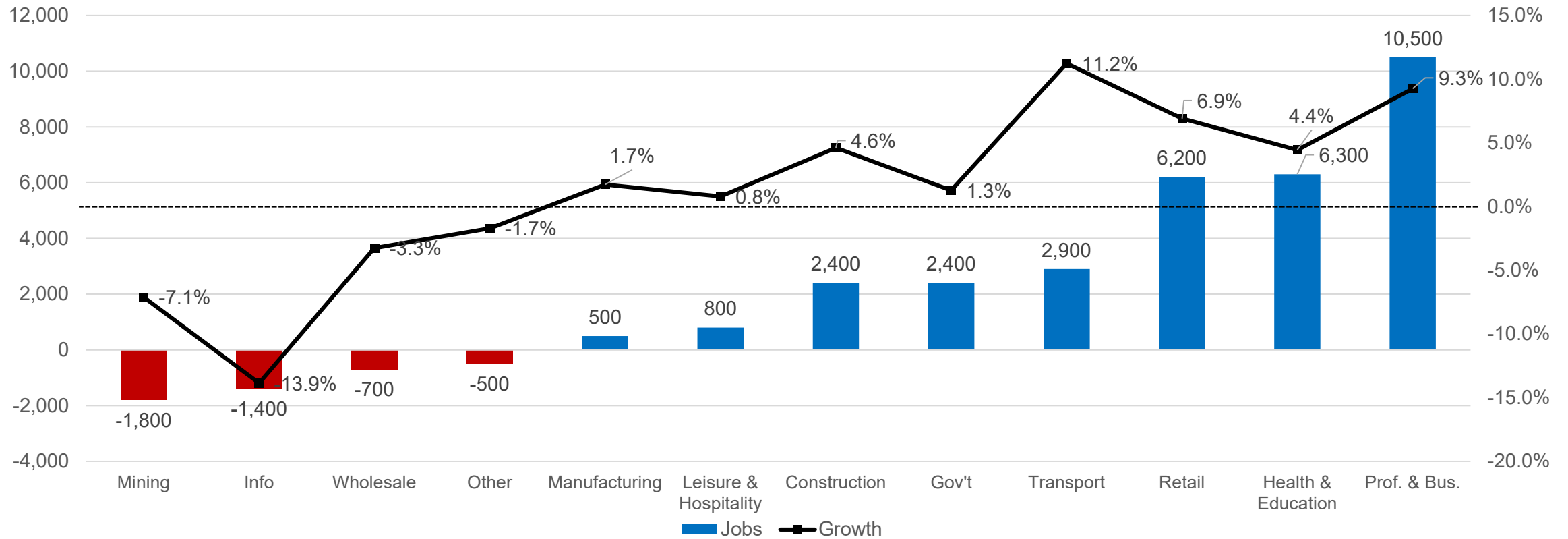
Job Growth/Loss by Sector 2020Q1 to 2024Q1



BBER FOR-UNM, October 2024

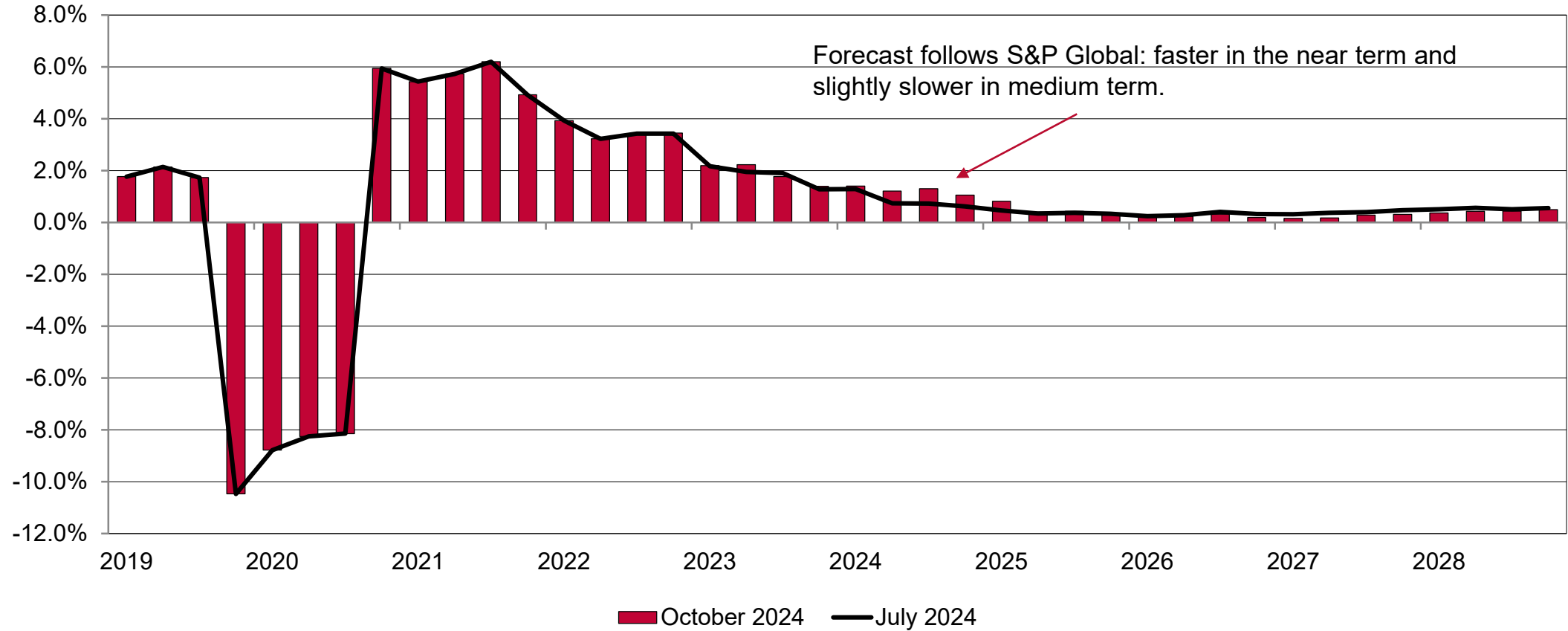
CES: Cumulative January 2020 through September 2024

Data suggest state employment is about 3% above pre-pandemic levels.



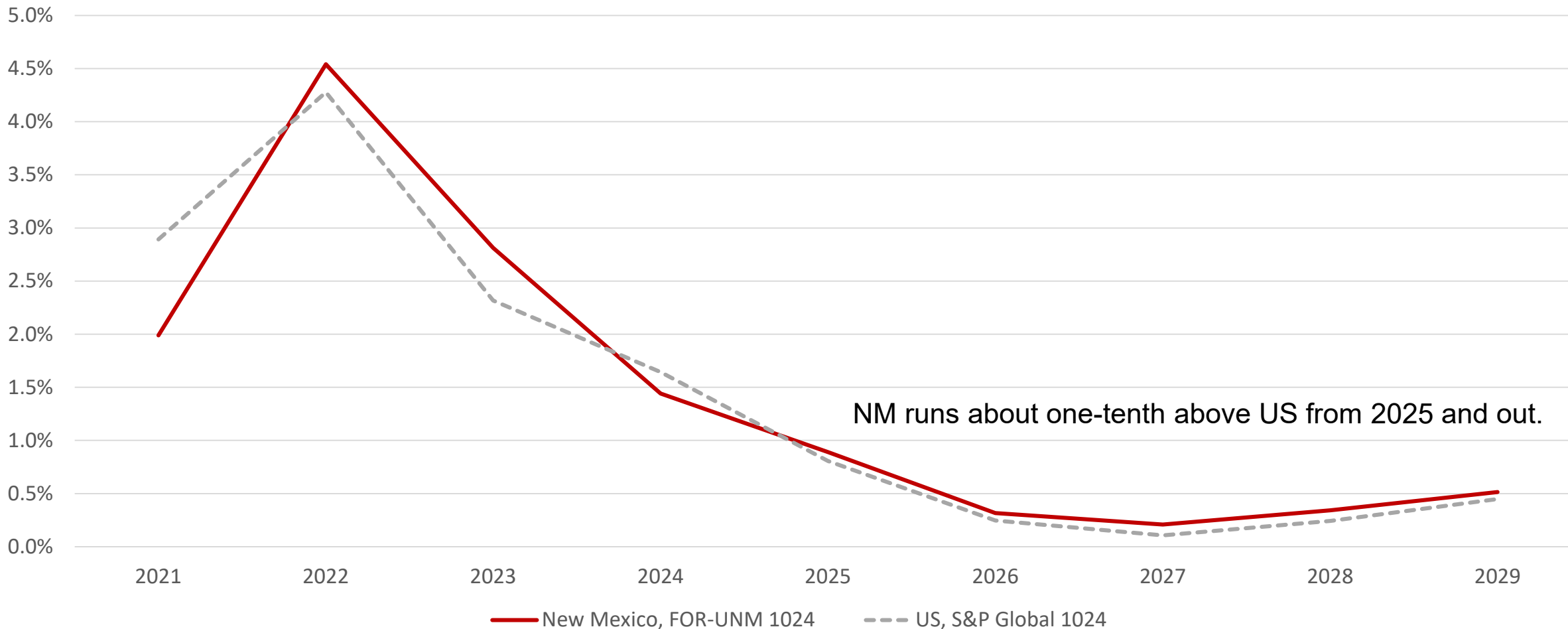
BBER FOR-UNM, September 2024

Forecast Comparison: Employment Growth



S&P Global, October 2024 + July 2024

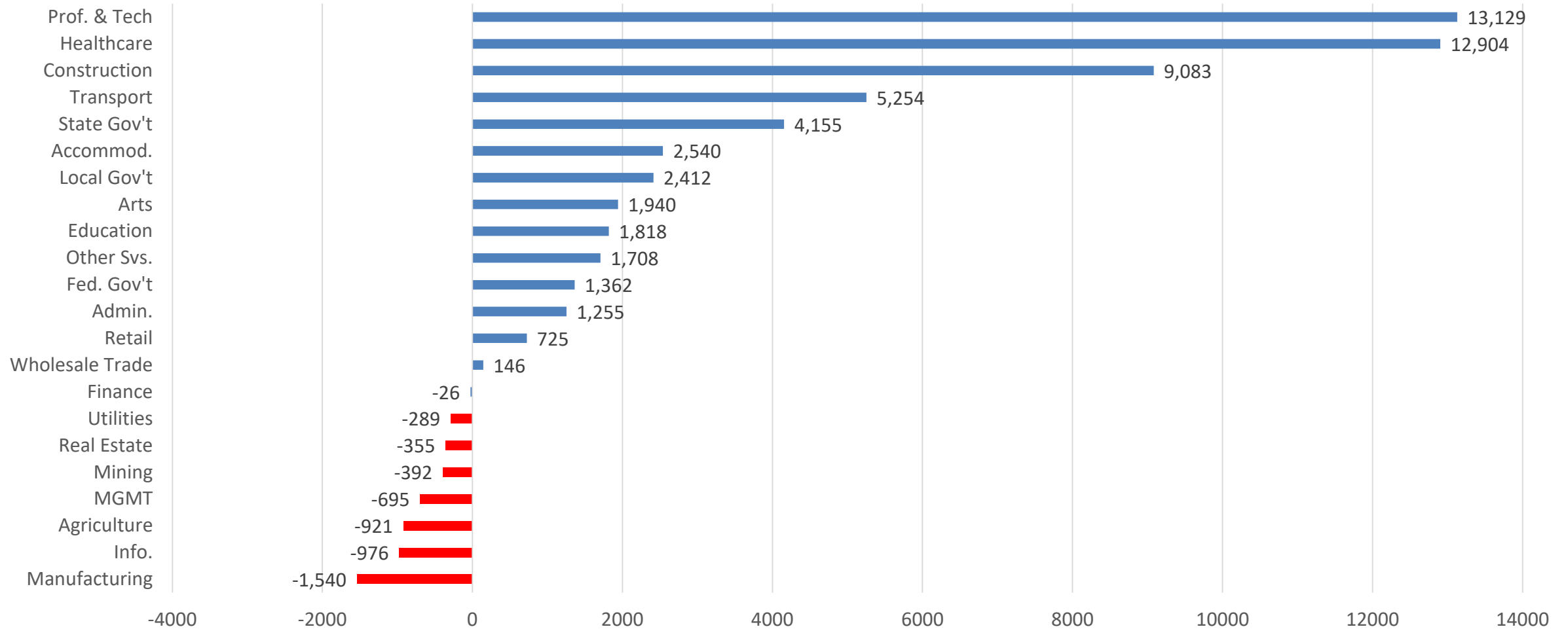
Forecast Comparison: NM vs. US



NM runs about one-tenth above US from 2025 and out.

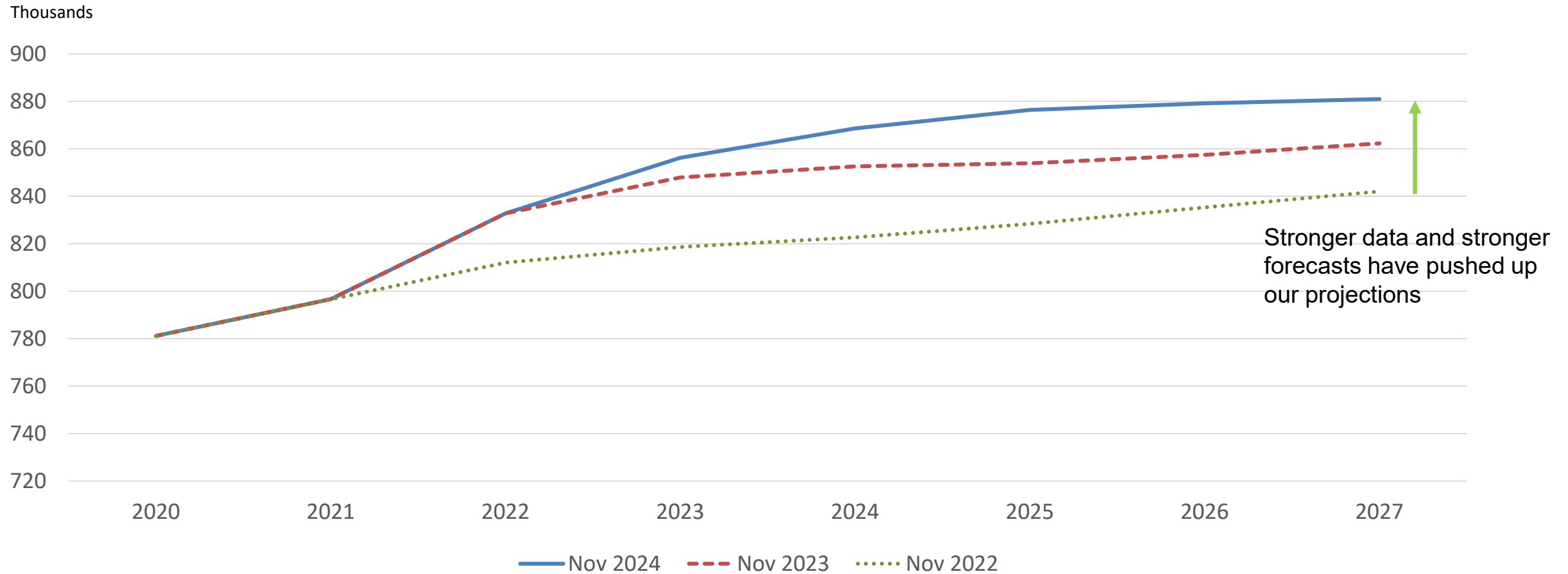
S&P Global & BBER FOR-UNM, September 2024

Which Industries **Will** (**Not**) Fully Recover by 2029 (vs 2019)?



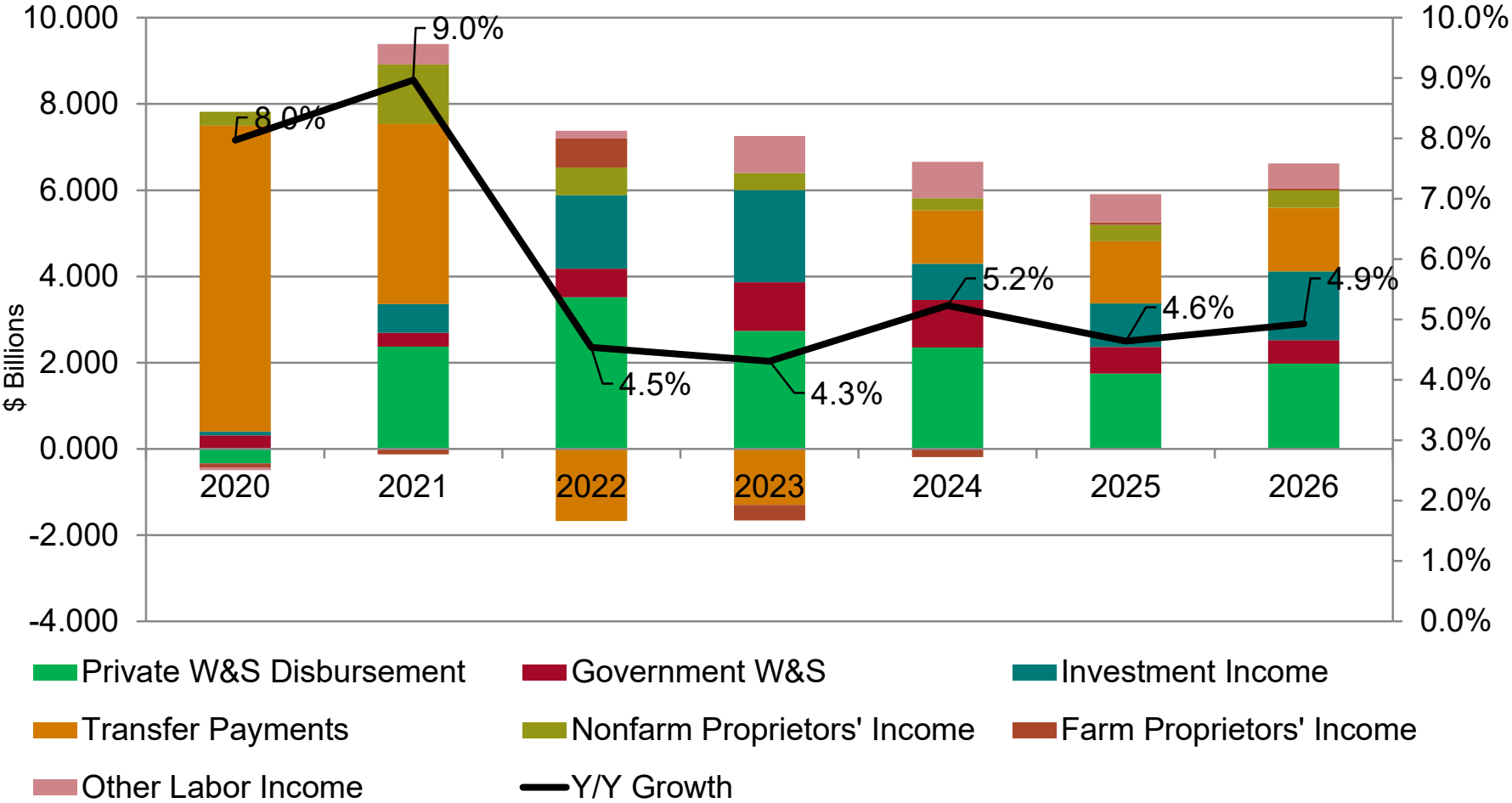
BBER FOR-UNM, October 2024

Total Employment Forecasts (2022-2024)



BBER FOR-UNM, October 2024

Forecast Personal Income Growth, by Component

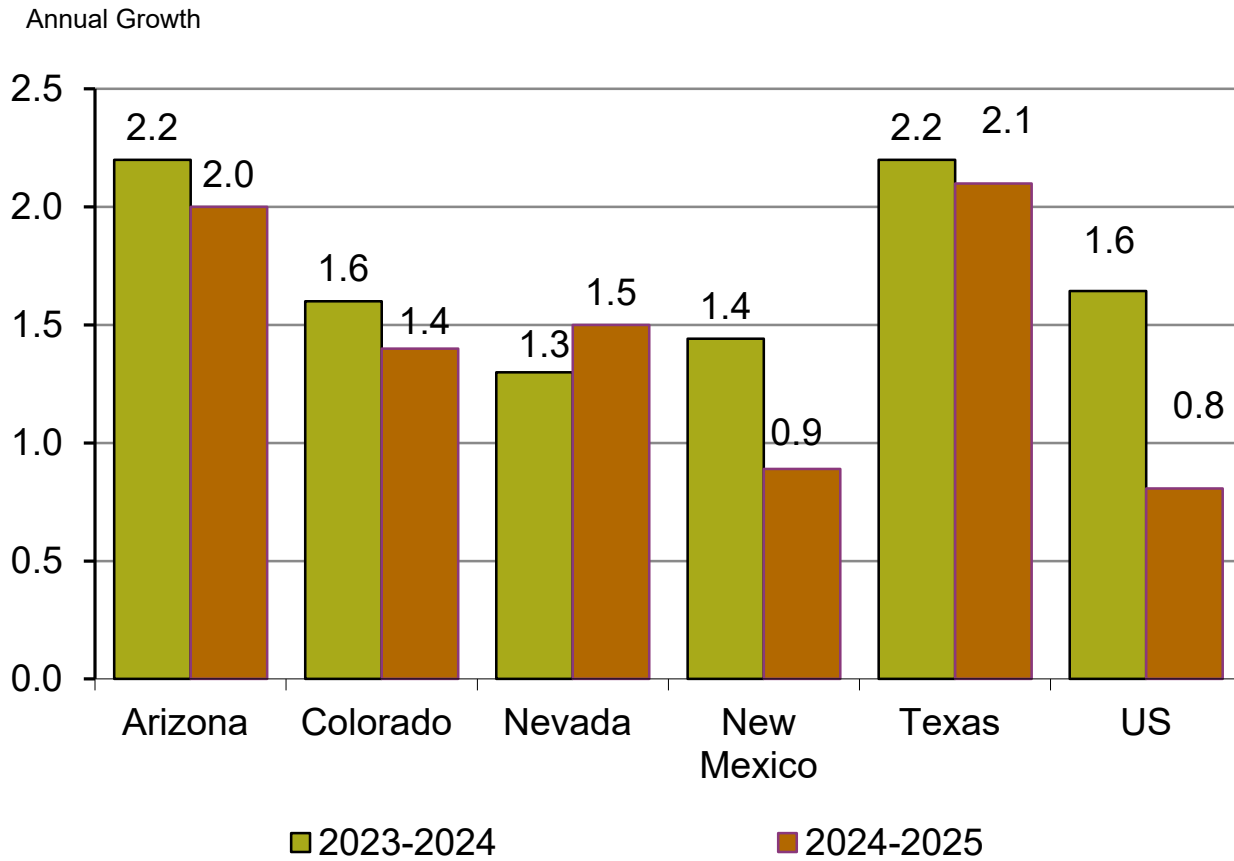


- Personal incomes positive in 2020 & 2021 due to massive increase of federal transfers (unemployment, stimulus checks, Medicaid and other CARES funding).
- Revised data for 2022 (4.5%) show stronger growth than before.
- Growth slows a tad in 2023 before accelerating to 5.2% in 2024.
- Moderate growth beginning 2025.

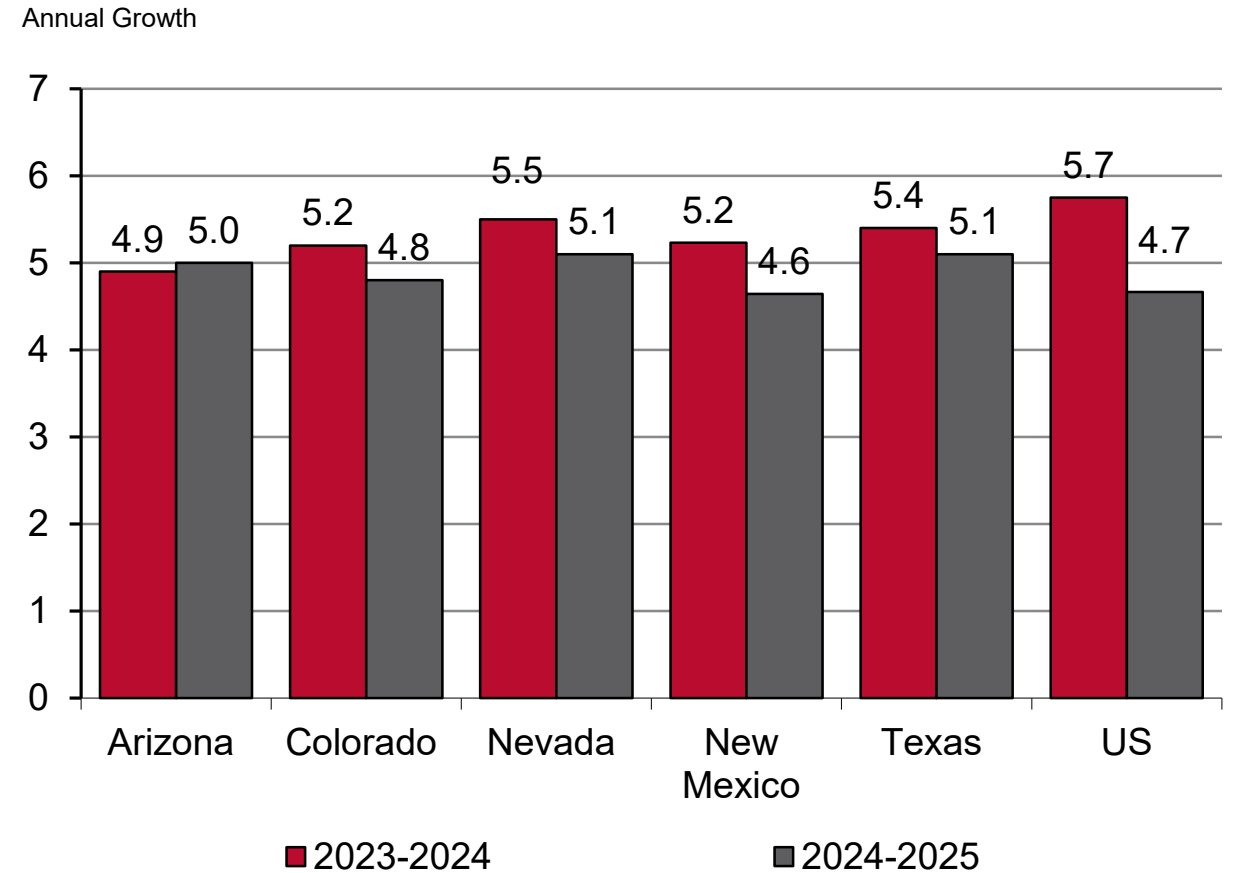
BBER FOR-UNM, October 2024

NM Forecast vs. Other States

Employment



Income

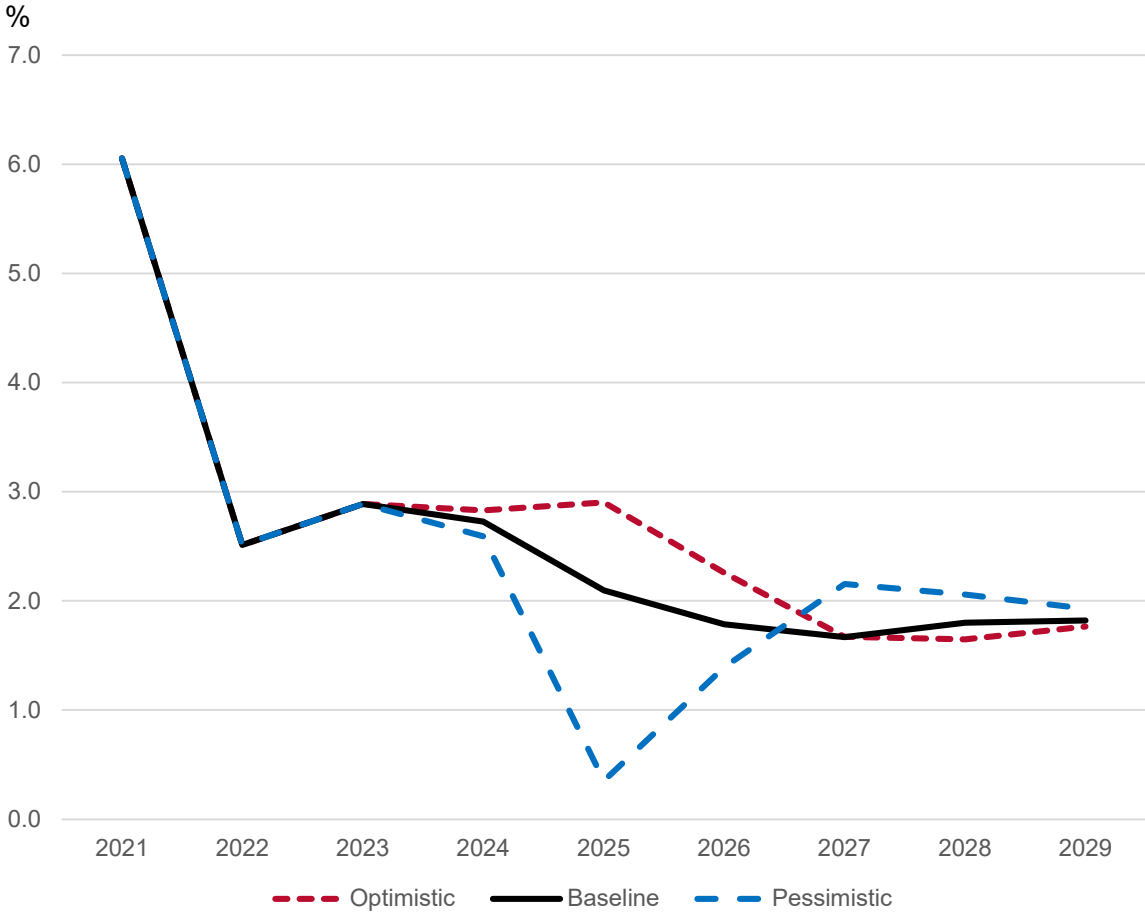
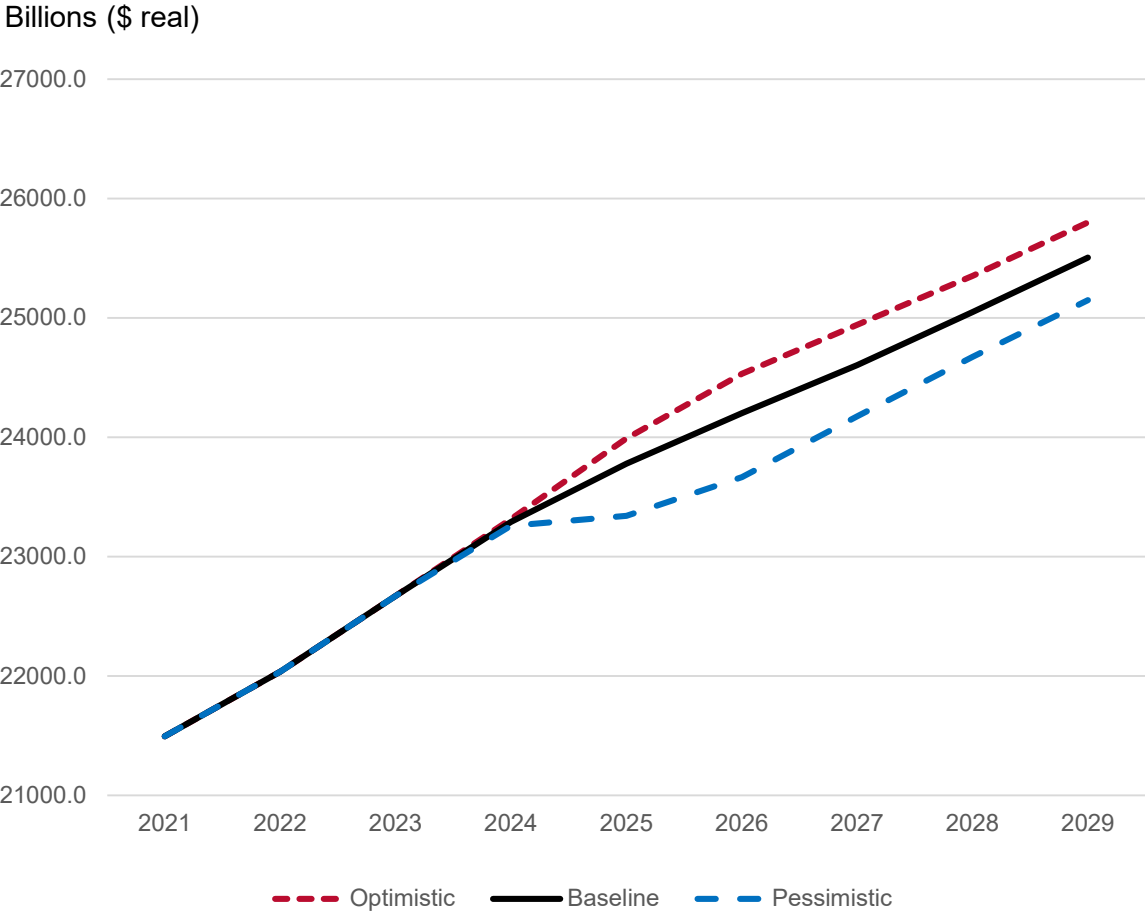


Sources: State submissions to Western Blue Chip Economic Forecast
<https://seidmaninstitute.com/western-blue-chip/>; S&P Global; FOR-UNM

Alternative Scenarios

- As always still good degree of uncertainty.
- S&P Global's forecasts: recession not built into baseline scenario, but employment growth is slow starting 2026.
- FOR-UNM's forecast stays on course in 2024, slows in 2025, and slows even more starting 2026. Already above pre-pandemic levels by beginning of 2023.
- 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.
 - Slightly slower growth in 2024. Job losses in 2025 and flat in 2026. Back above peak by 2028.
- Pessimistic 2 scenario is fairly severe. Flat in 2024, negative 2025-2026. Modest bounce back allows employment to recover back to post-pandemic peak by 2029.

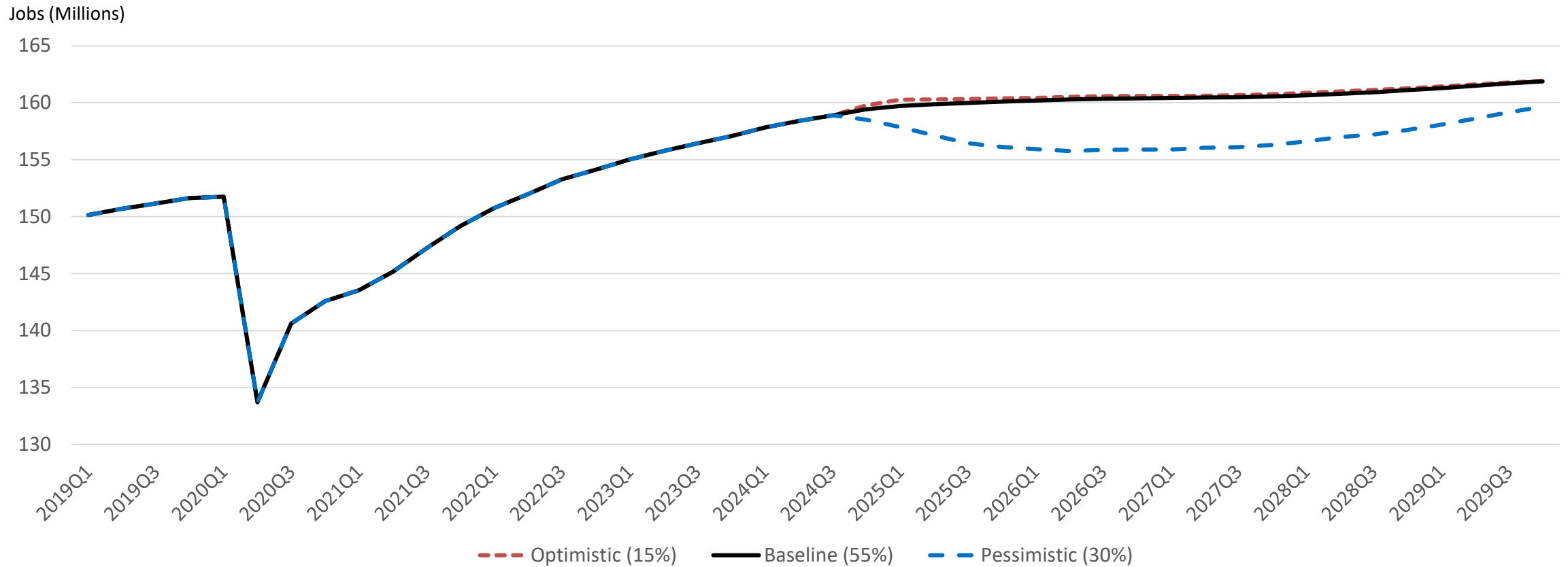
US Real GDP Forecast – Alternative Scenarios



Source: S&P Global, October 2024

Optimistic: 20%; Baseline: 55%; Pessimistic: 25%

US Employment Forecast – Alternative Scenarios

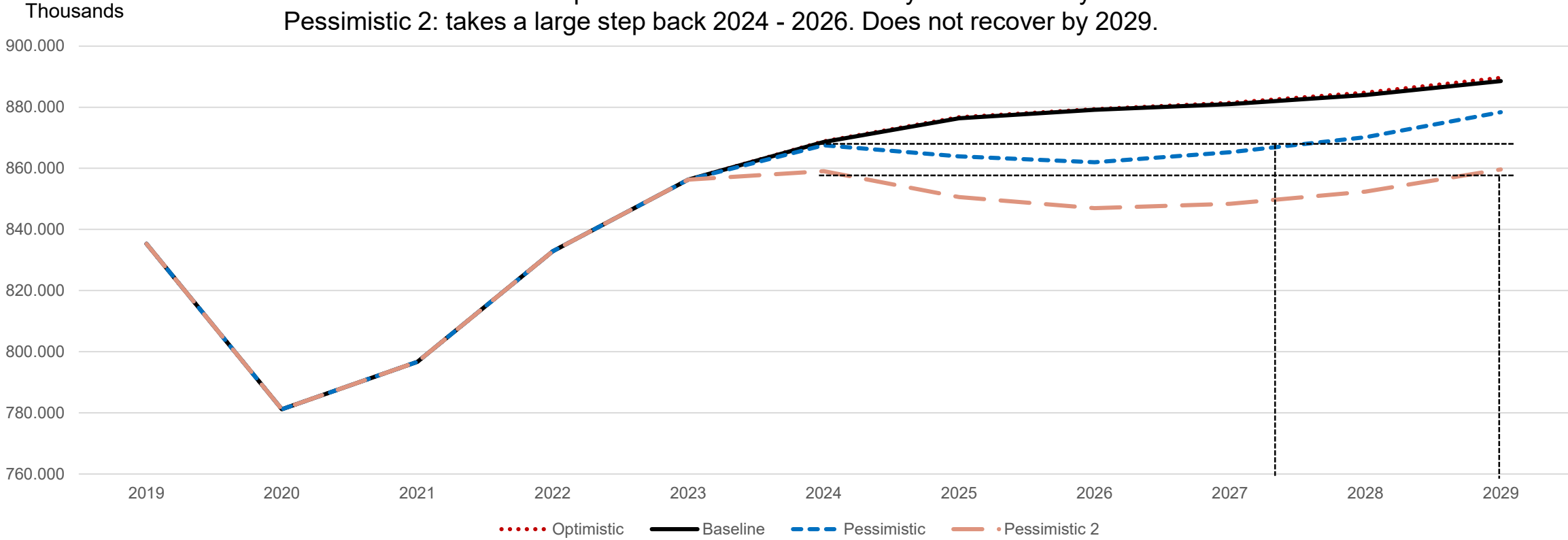


Optimistic & baseline: slow growth throughout the forecast window.
Pessimistic: sizeable contraction.

Source: S&P Global, October 2024

NM Employment Forecast – Alternative Scenarios

In all cases NM apparently fully recovered by the end of 2022, but:
 Baseline & Optimistic: continue to move forward
 Pessimistic 1: Takes a step back in 2025 but recovers by late 2027/early 2028
 Pessimistic 2: takes a large step back 2024 - 2026. Does not recover by 2029.



Source: FOR-UNM, October 2024

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



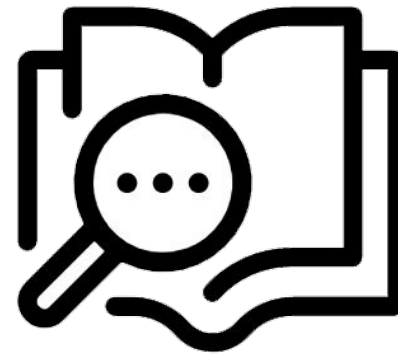
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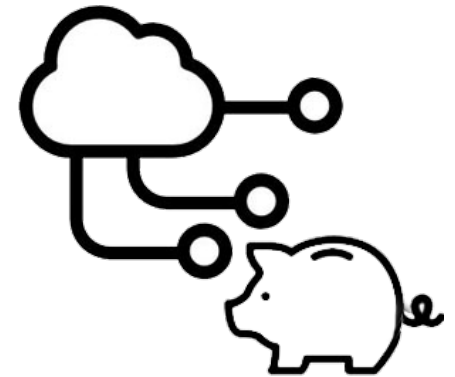
ECONOMIC FORECAST



DATA DASHBOARDS



RESEARCH



DATA BANK