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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 27TH ANNUAL DATA USER'S CONFERENCE

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NOVEMBER 19, 2025

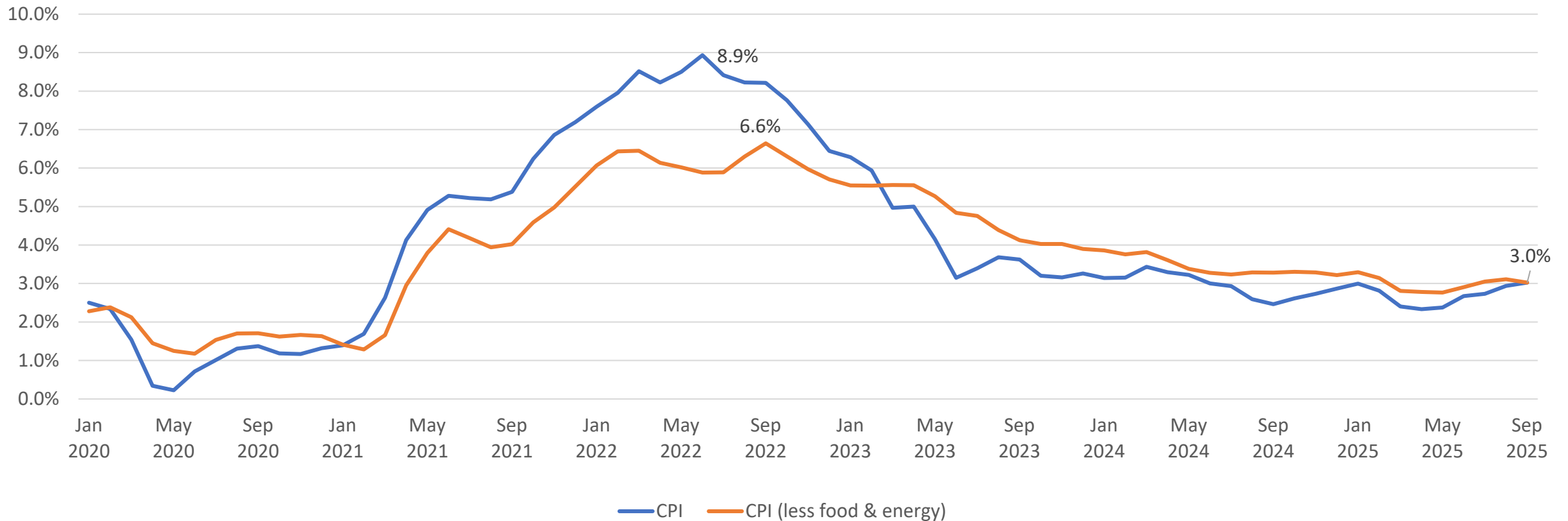
US Review + Economic Outlook



Review: National Economy

- ❑ January through April job gains averaged 123,000/month. May through September gains averaged 39,000/month. Missing data for October (September data came out the day after the presentation).
- ❑ Federal Reserve cut rates last week to 3.75%-4.00%.
- ❑ Initial & continuing claims for unemployment staying low. U3 unemployment rate 4.4% in September. U6 registered 8.0%.
- ❑ Real GDP: Growth advanced 3.8% in 2025Q2. Fell by 0.6% SAAR in the first quarter of 2025. Missing data for 2025Q3.
- ❑ WTI spot price slid to around \$60/barrel.
- ❑ Consumer Sentiment Index (U. of Mich.) is sagging.
- ❑ ISM manufacturing index has contracted for 31 out of last 33 months. Non-manufacturing index expanded nearly every month over the last five years, but flat in most recent month.
- ❑ **Concerns: Geopolitical, tariffs/trade wars, spending cuts, policy uncertainty, immigration, income inequality, AI, effect of government shutdown**

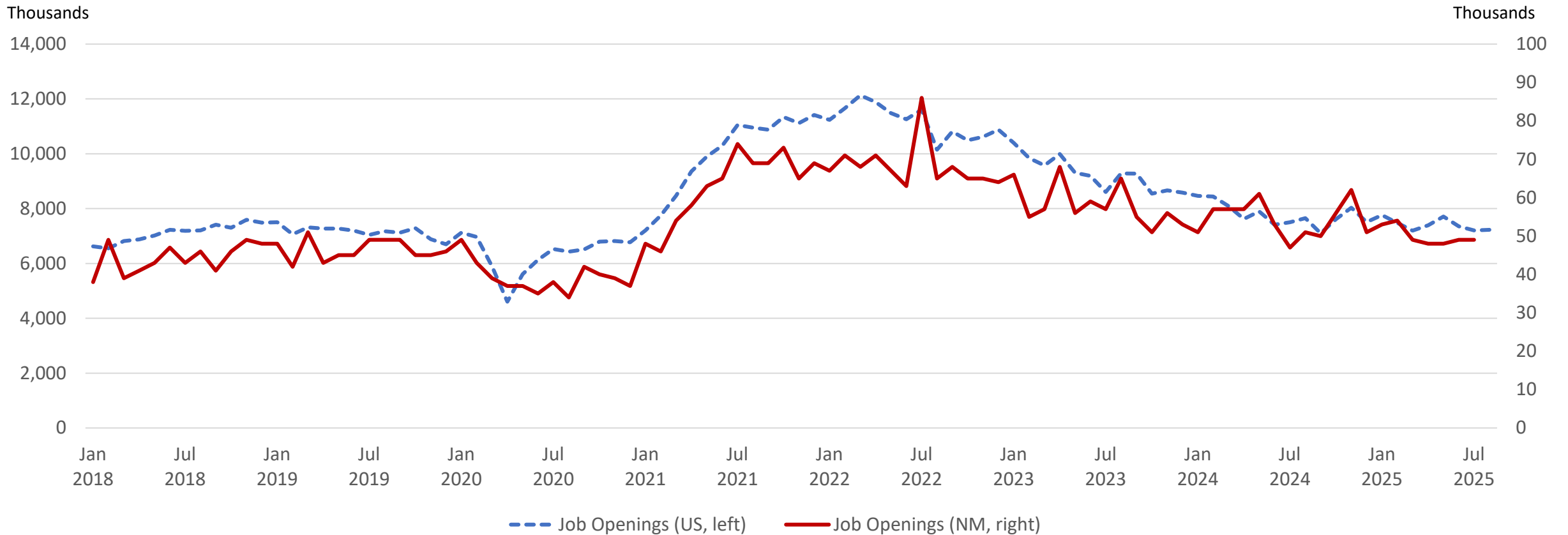
Inflation



Data current through September 2025. Y/Y price growth has mostly moderated, though the most recent months have ticked up.

Source: BLS CPI data

Job Openings Have Ticked Down from Peak



Openings somewhere between historical average and recent post Pandemic-era peaks.

Source: BLS JOLTS, US through August 2025; NM through July 2025

US Interest Rates

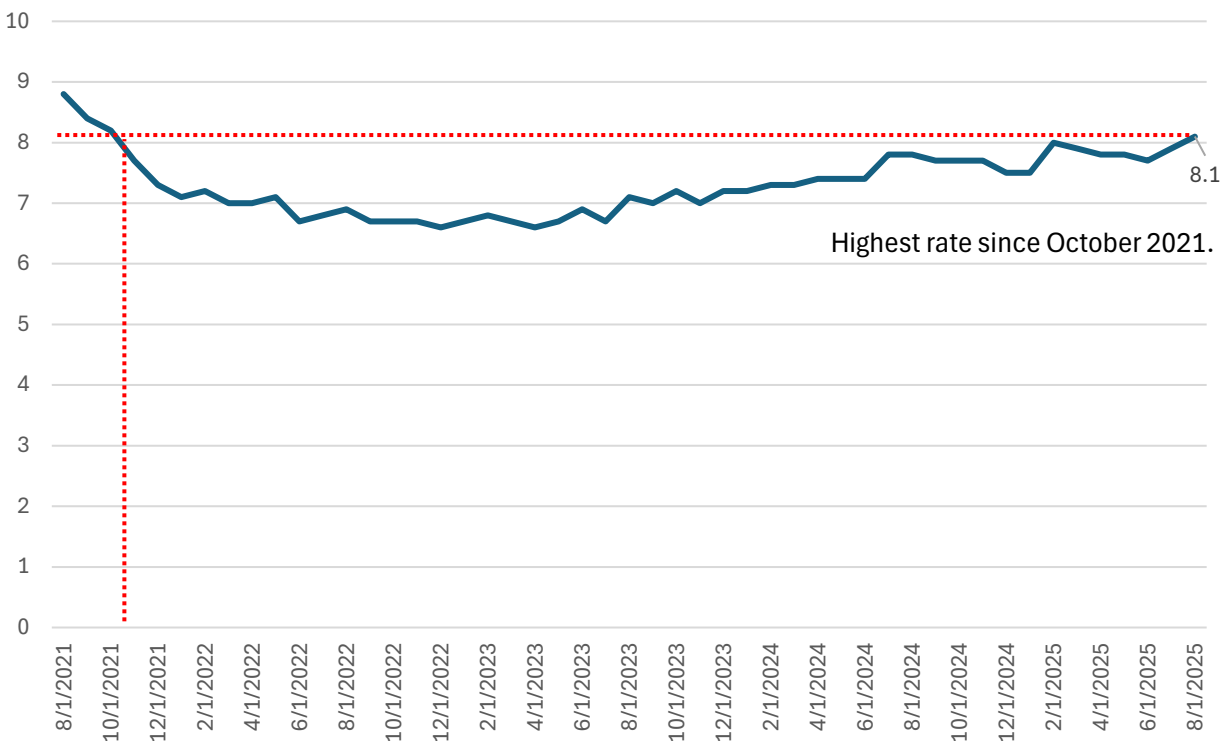
30-year interest rate has dipped to about 6.2%; lowest rate since a year ago.



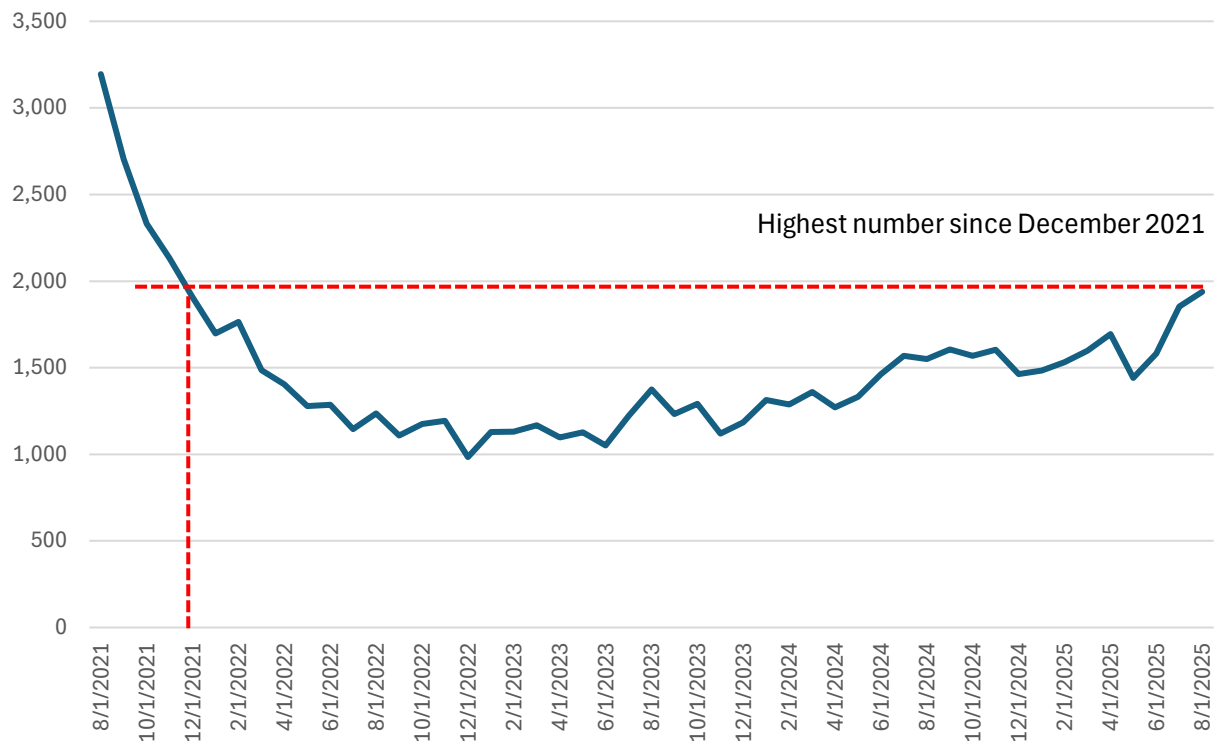
Source: 30-year Fixed Mortgage Rates, Fed Reserve of St. Louis

U6 Rate and Unemployed 27+ weeks

U6 Rate Through Time (%)

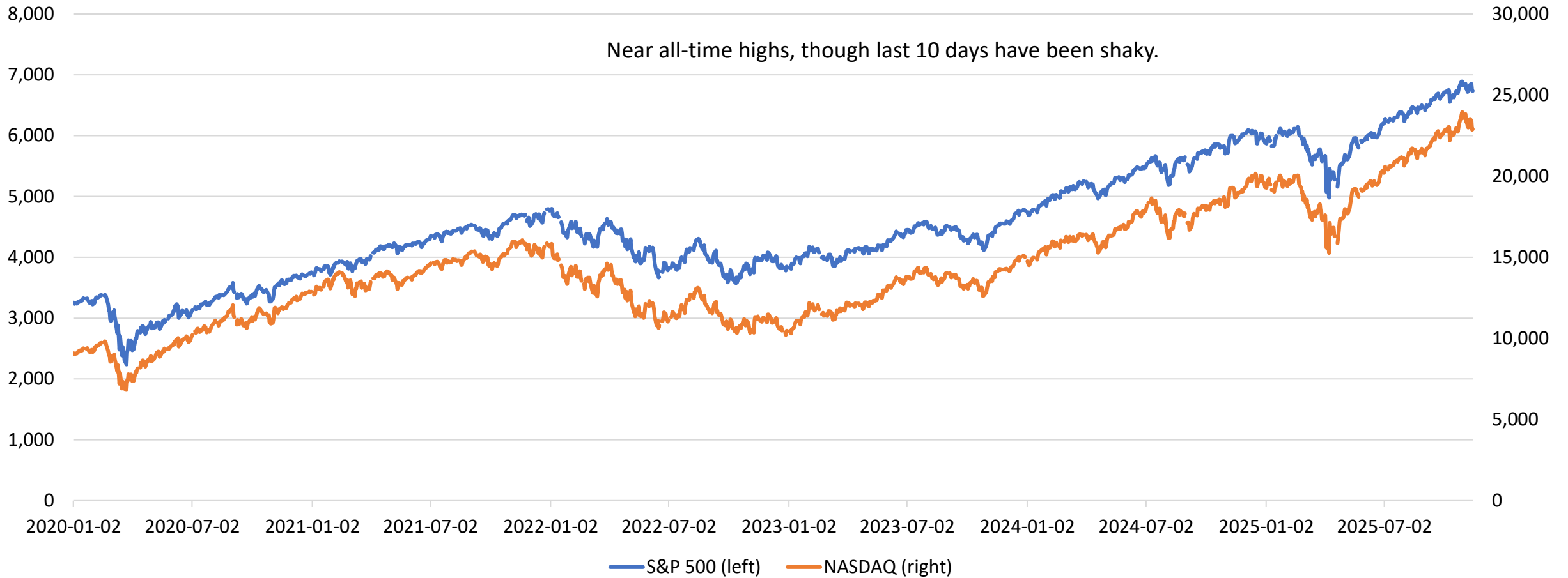


Unemployed 27 or More Weeks (000's)



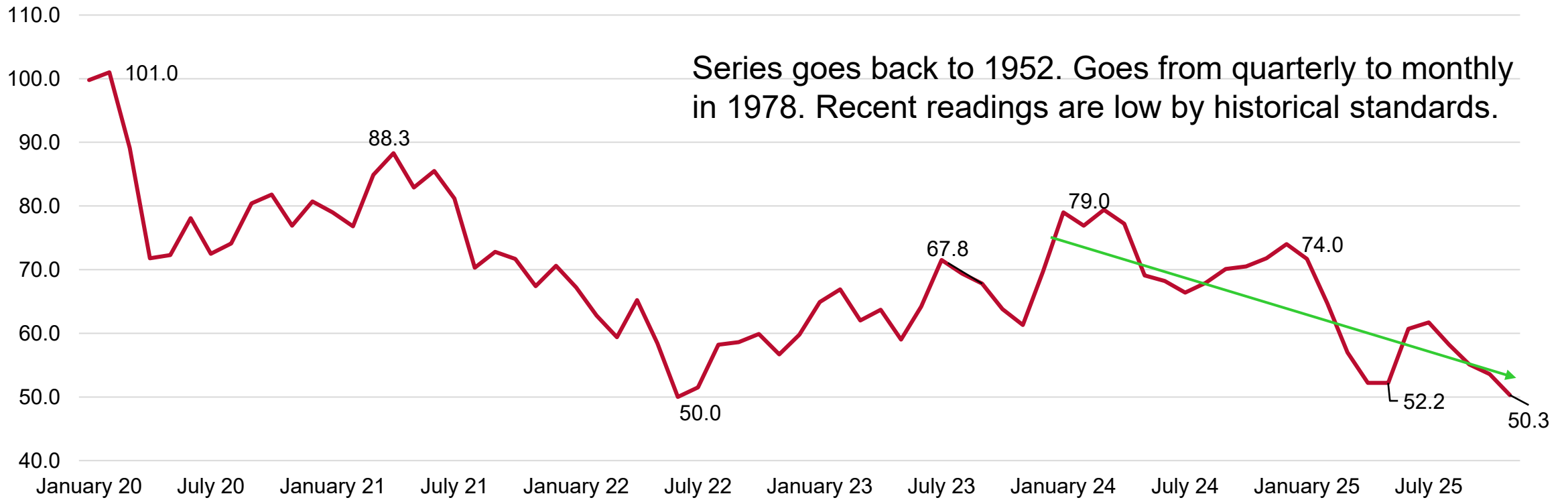
Source: BLS (through August)

The “Market”



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

US Consumer Confidence



Note: Had generally moved up since June 2022 but has recently fallen (data November October 2025).

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

	2020	2021	2022	2023	2024	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	Contrib. 25Q2
Composition of Real GDP																
Gross Domestic Product	-2.2	6.1	2.5	2.9	2.8	2.8	2.4	4.4	3.2	1.6	3.0	3.1	2.4	-0.6	3.8	3.8
Total Consumption	-2.5	8.8	3.0	2.5	2.8	4.9	1.0	2.5	3.5	1.9	2.8	3.7	4.0	0.6	2.5	1.68
Durable goods	7.1	16.6	-1.9	3.9	3.3	17.1	-0.3	4.2	2.9	-1.8	5.5	7.6	12.4	-3.4	2.3	0.17
Nondurable goods	3.4	8.6	0.1	0.8	1.9	2.5	-0.4	3.1	3.6	-0.8	1.7	4.6	3.1	2.2	2.2	0.30
Services	-5.8	7.5	5.0	2.9	2.9	3.8	1.6	2.1	3.5	3.4	2.7	2.8	3.0	0.8	2.6	1.21
Residential Fixed Investment	7.7	10.9	-8.6	-8.3	4.2	-4.3	4.5	7.7	2.5	13.7	-2.8	-4.3	5.5	-1.0	-5.1	-0.21
Nonresidential Fixed Investment	-4.6	6.0	7.0	6.0	3.7	5.3	9.9	1.1	3.8	4.5	3.9	4.0	-3.0	9.5	7.3	0.98
Structures	-9.2	-2.6	3.6	10.8	3.2	14.9	16.4	1.7	6.5	6.3	0.2	-5.0	2.9	-3.1	-7.5	-0.23
Equipment & Software	-10.1	6.7	4.4	3.5	3.4	0.9	12.5	-1.1	0.7	0.3	9.8	10.8	-8.7	21.4	8.5	0.44
Intellectual Property	4.5	10.2	11.2	5.8	4.1	4.5	3.9	2.8	5.2	7.5	0.7	3.1	-0.5	6.5	15.0	0.78
Change in Private Inventories																-3.44
Exports	-13.1	6.5	7.5	2.8	3.2	2.0	-4.8	4.9	6.2	1.9	1.0	9.6	-0.2	0.2	-1.8	-0.20
Imports	-9.0	14.7	8.6	-1.2	5.4	-0.8	-3.1	4.7	4.2	6.1	7.6	10.7	-1.9	52.0	-35.0	5.03
Federal Government	6.3	1.8	-3.2	2.9	2.5	4.6	-1.1	5.3	-0.3	-0.4	4.3	8.9	4.0	-5.6	-5.3	-0.35
State & Local Government	1.7	-1.6	0.2	4.4	3.9	5.3	5.4	5.9	6.1	3.1	2.3	2.9	2.5	1.9	3.1	0.33

US Bureau of Economic Analysis, Gross Domestic Product, 2025 Second Quarter (3rd Estimate), September 25, 2025

2025Q2 rose 3.8% SAAR.

Consumption and non-residential fixed investment moved forward slowly.

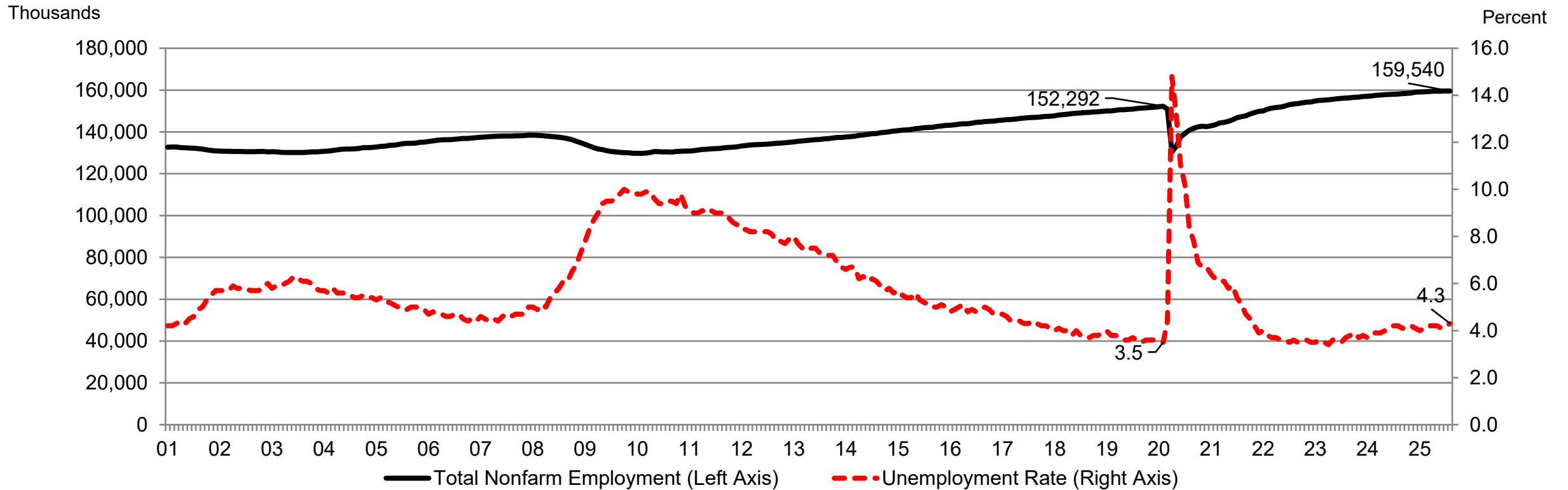
Residential fixed investment and private inventories pulled GDP down.

Government (in aggregate) flat.

Net exports rocketed on the back of plummeting imports.

US Employment Situation

US Nonfarm Employment + Unemployment Rate, Monthly SA



Note: UI rate 4.3%.

Pre-pandemic peak employment: 152.3 million in Feb 2020.

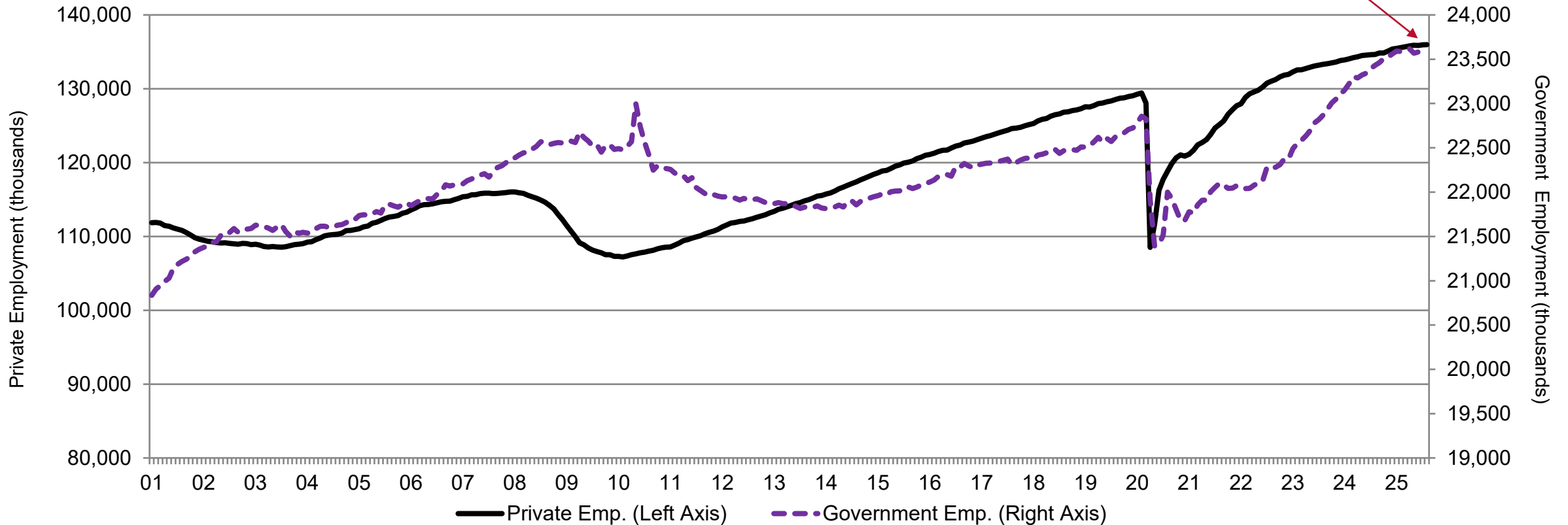
Employment now at million 159.5 million.

BLS, through August 2025

US Employment Situation

US Nonfarm Employment, Monthly SA

Gov't employment starting to slump (purple hashed line).

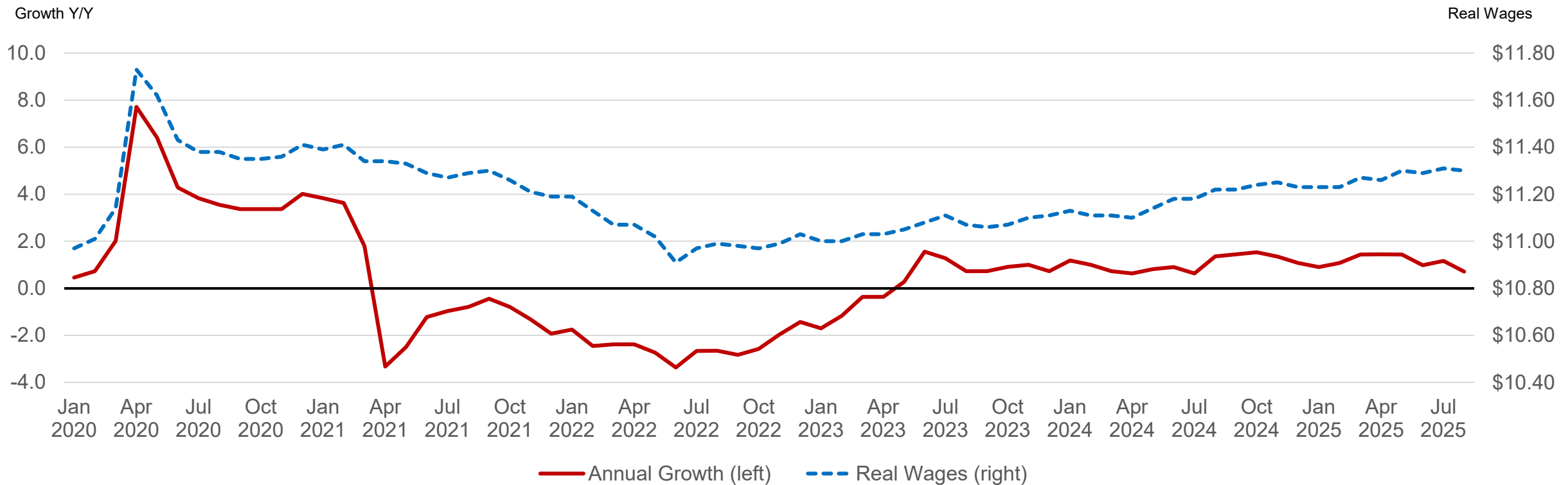


Recovery driven mostly by private sector (up 6.5 million jobs vs. pre-pandemic). However, government is picking up: now up about 710,000 jobs compared to pre-pandemic levels.

BLS, through August 2025

Real Private Sector Wages & Wage Growth

After two solid years of contraction, real wages have grown Y/Y for 28 months in a row – but things are slowing.



BLS, through August 2025

US Employment Forecast by Sector

Increase (Decrease) in US Payroll Employment from Previous Calendar Year, Actual & Forecast (Thousands)									
	2022	2023	2024	2025	2026	2027	2028	2029	2030
Employment Sector									
Construction	326	244	204	78	(33)	35	95	128	118
Manufacturing	456	105	(55)	(94)	(135)	(124)	(134)	(180)	(76)
Trade, Transportation & Utilities	986	176	103	187	190	238	(275)	(173)	(189)
Prof. & Bus. Services	1,155	187	(153)	(71)	(280)	(23)	236	490	632
Health Care & Soc. Asst.	514	963	986	824	694	231	211	162	235
Leisure & Hospitality	1,677	742	253	206	371	215	(130)	(33)	(113)
Other Private	918	327	162	178	144	139	207	66	(44)
Government	226	600	582	169	(73)	86	82	81	141
Total Nonfarm Payrolls	6,259	3,343	2,081	1,477	877	796	291	540	705
Annual Growth	4.3%	2.2%	1.3%	0.9%	0.6%	0.5%	0.2%	0.3%	0.4%

S&P Global, October 2025

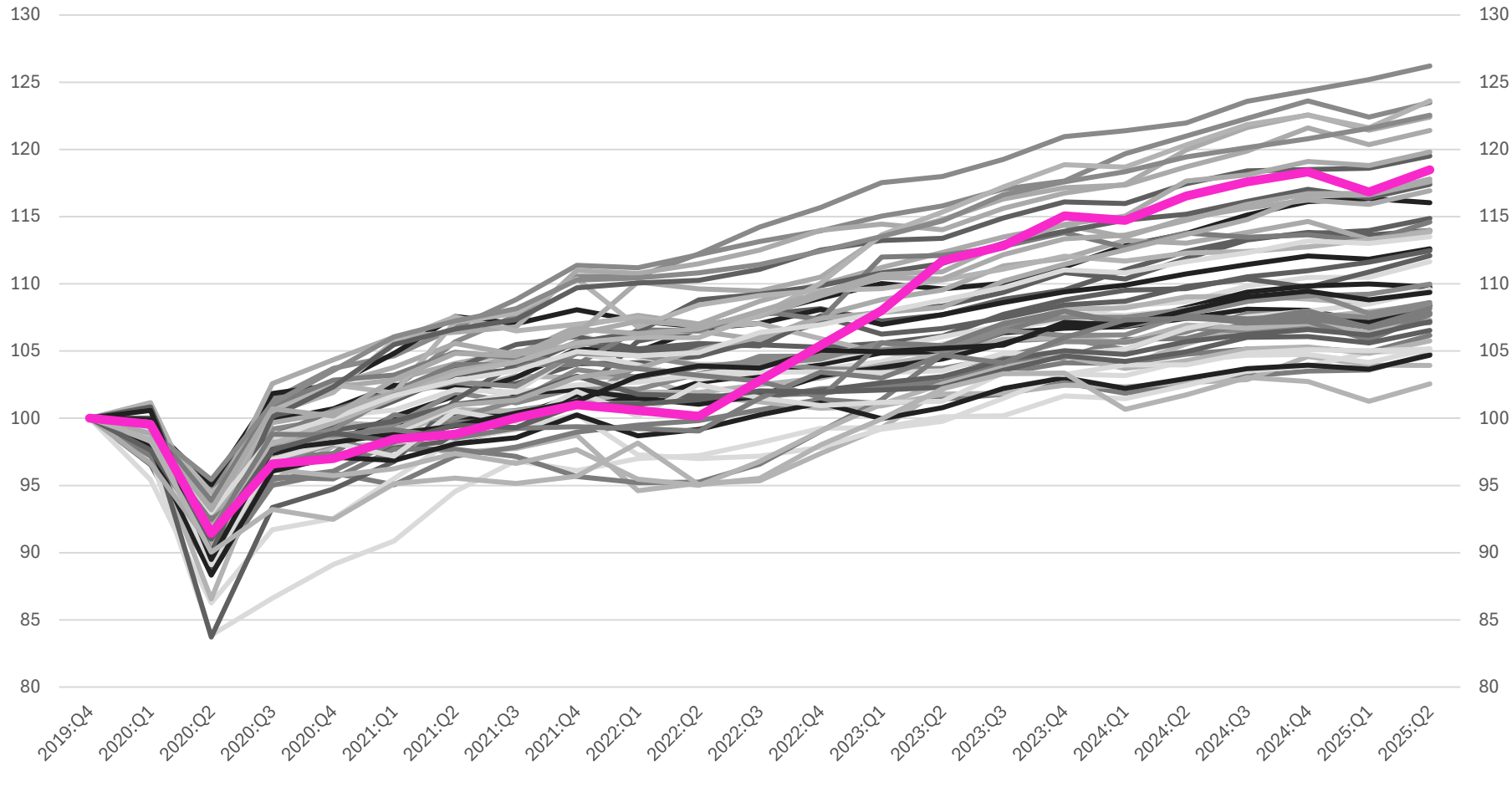
New Mexico Review



New Mexico Current Economic Situation

- Data still pretty solid, but most analyst think things are slowing.
- At its lowest, NM down about 90,000 jobs, but we're well above pre-pandemic levels.
2025Q1 QCEW data now available:
 - Through Q1, employment ABOVE pre-pandemic levels by about 3.5%.
- Other employment data (CES) suggests continued improvement. By August 2025, data suggest that NM is ABOVE pre-pandemic levels by about 5%.
- Unemployment rate is staying moderate.
- Oil: WTI around \$60/barrel.
 - Drilling and production still robust; had started to plateau but now again breaking records.

BEA Real Gross State Product



Gross State Product

Each state indexed to 2019Q4 (NM's high point).
New data through 2025Q2.

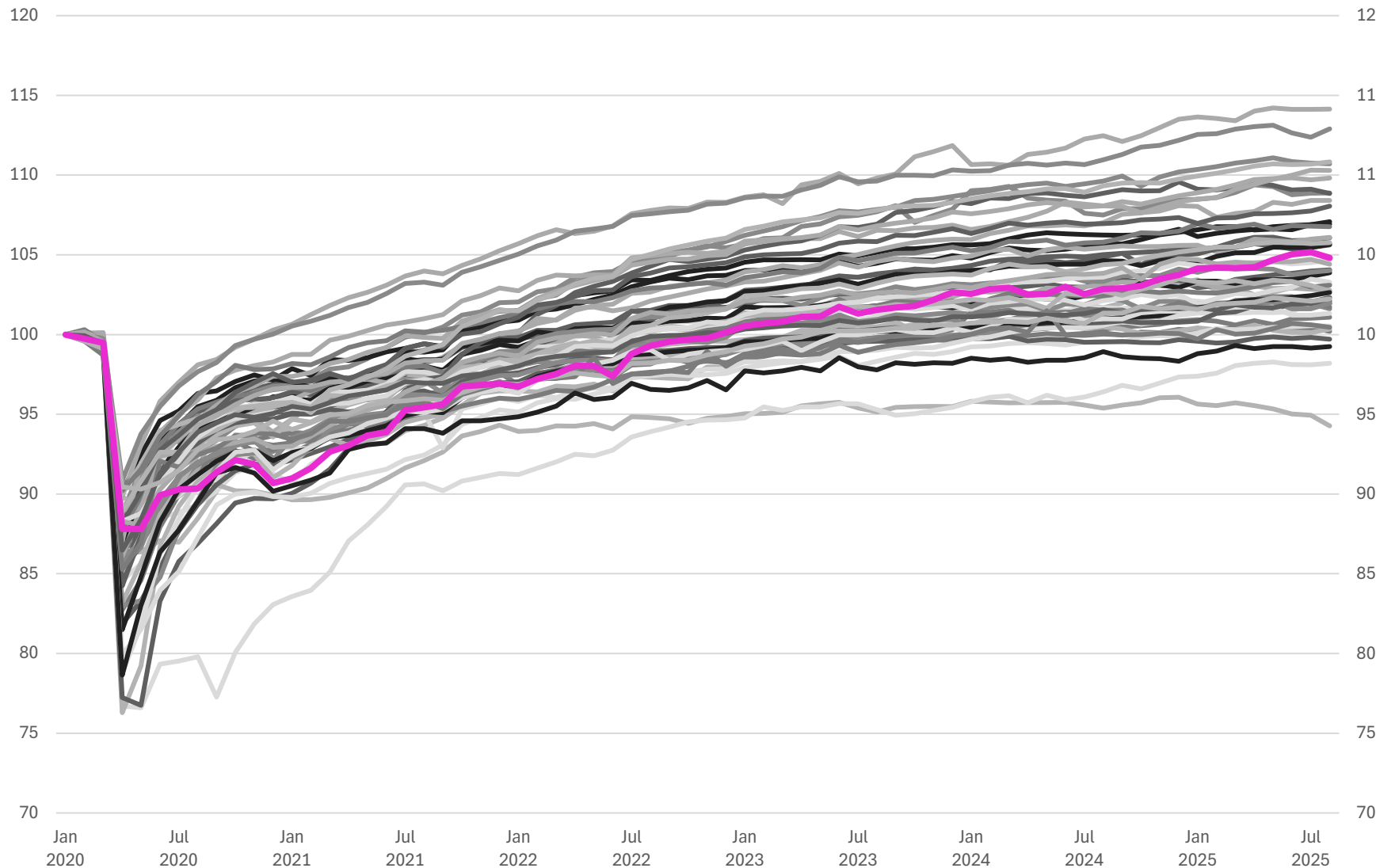
Revisions to historical data have pushed things up.

NM real GDP is about 18% above pre-pandemic levels.

Through 2025Q2, 8 states have had greater recoveries in GSP.

— = New Mexico

Source: Bureau of Economic Analysis



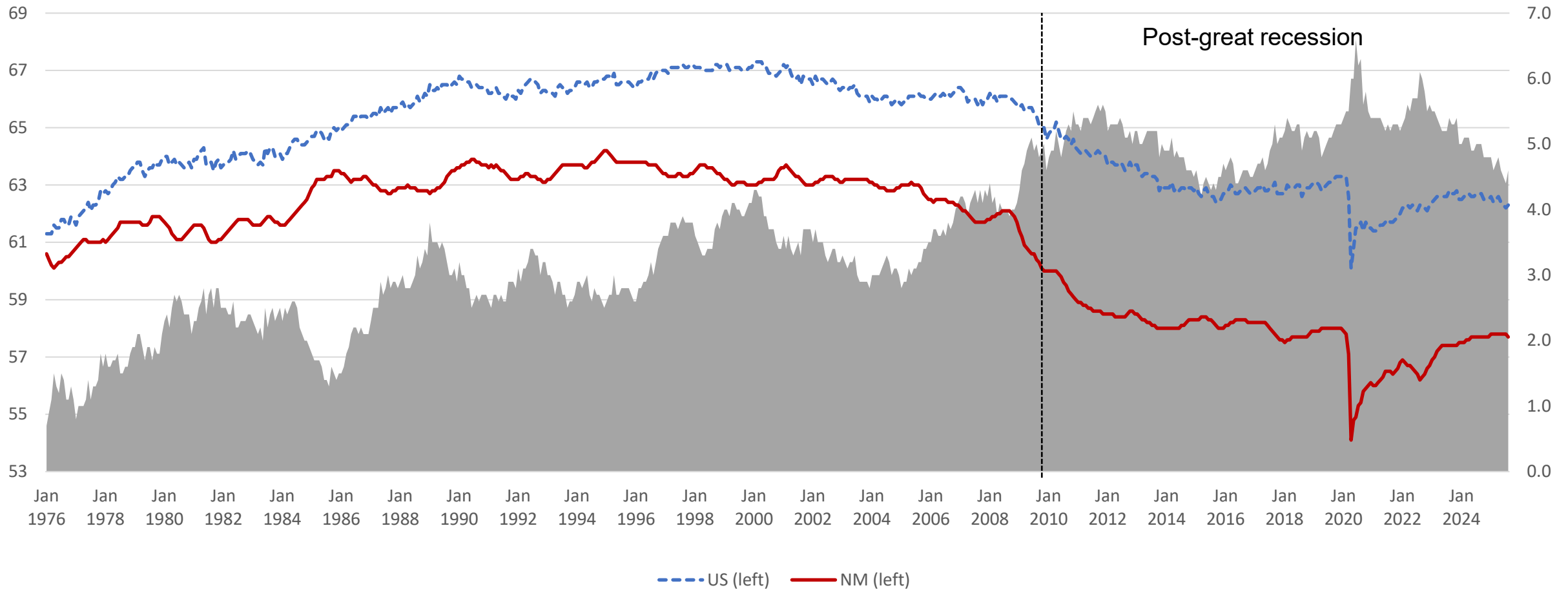
Change in Employment (CES data)

- As of June 2025, NM has recovered about 105% of the jobs it lost at the start of the pandemic.
- 18 states have had stronger recoveries than NM.
- Other surrounding states: AZ 109%; CO 106%; OK 106%; NV 109%; UT 113%; CA 102%; TX 111%.

Source: BLS CES, through August 2025

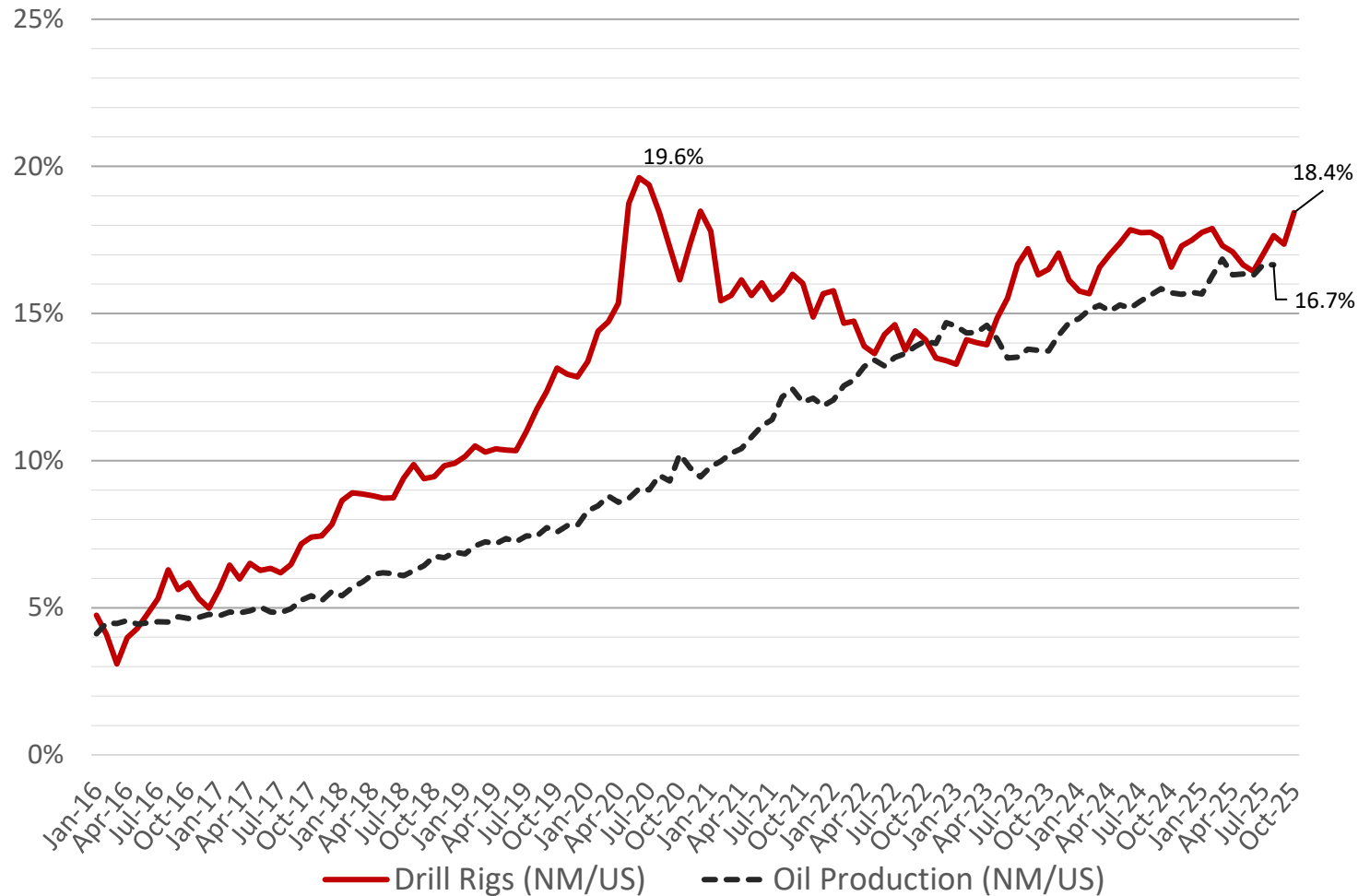
Long history of NM trailing the US

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



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

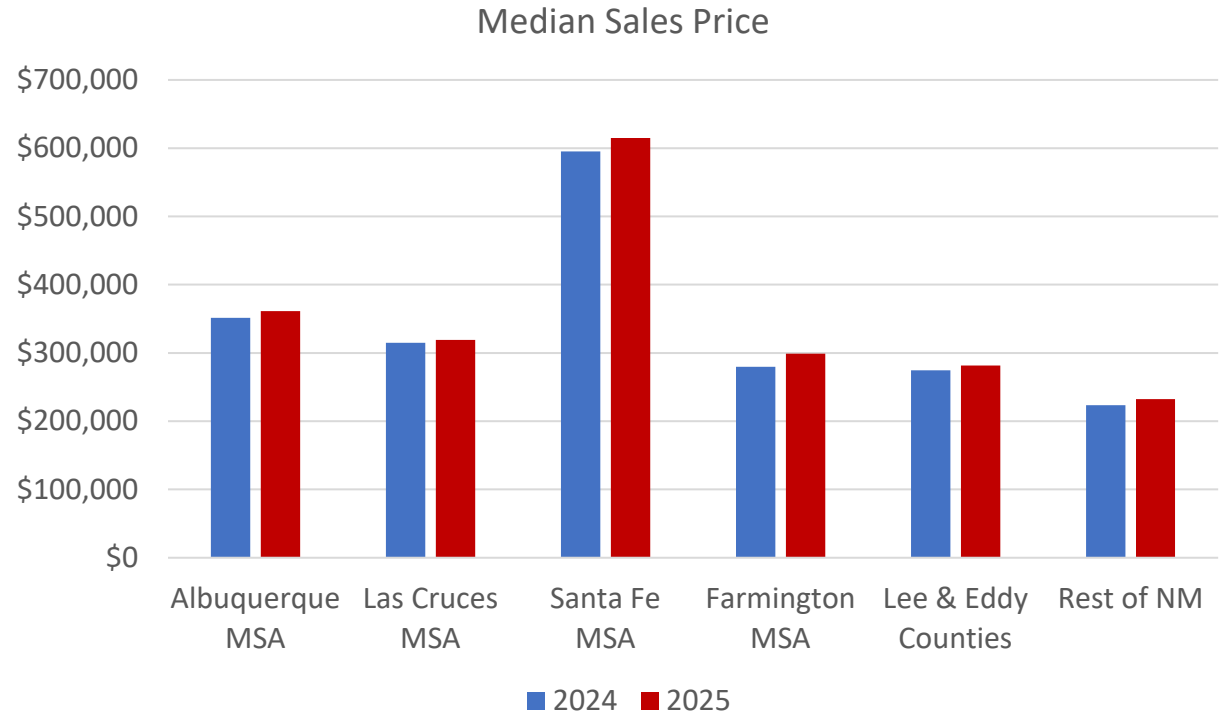
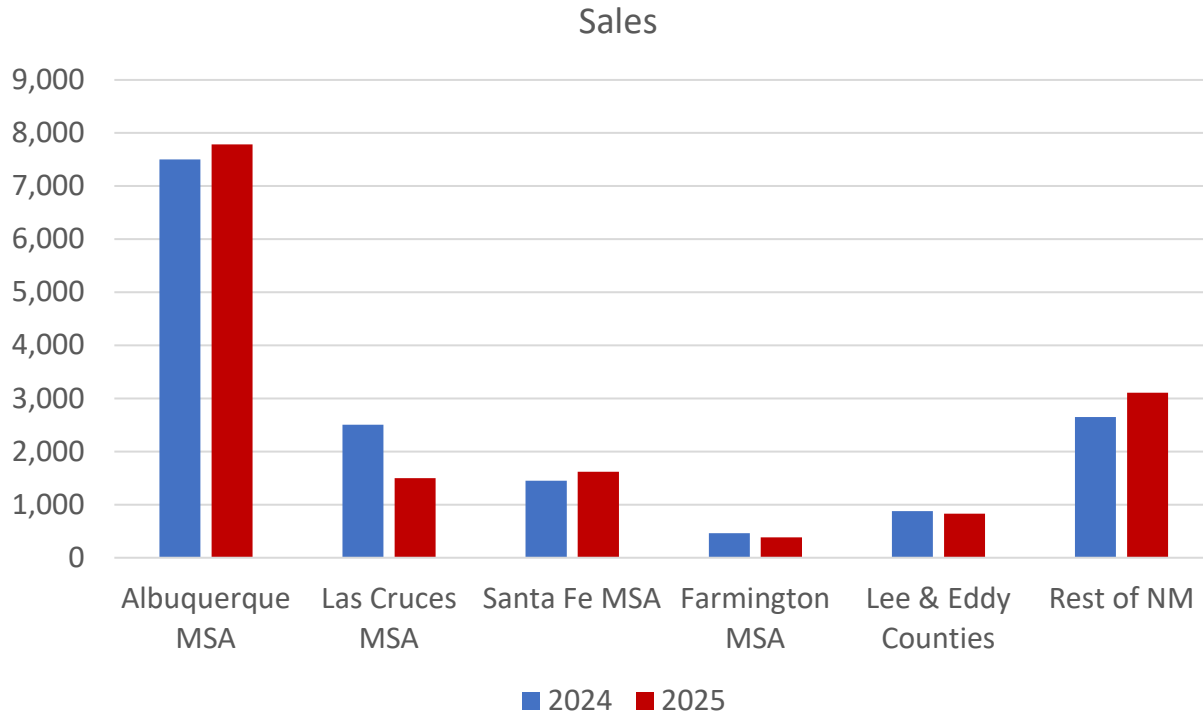
Increased NM Field Oil Production Presence



- Rig counts had been in the low- to mid-90's though ticked back above 100.
- About 18% of all US drilling rigs are in New Mexico.
- 16.7% of all US field oil production occurs in NM; up from about 4.5% in 2016.
- To put in perspective: 2024 field oil production in US totaled 12.935 million barrels per day (bpd), which is up from 8.9 million bpd in 2016 (up 46%). In NM, production increased from 400,000 bpd in 2016 to 1.873 million bpd in 2024 (up 363%).
- Incidentally: NM accounts for around 8% of US gas production by volume.

Sources: EIA, Baker Hughes. Calculations: BBER

New Mexico Housing Sales & Prices through September 2025 vs 2024

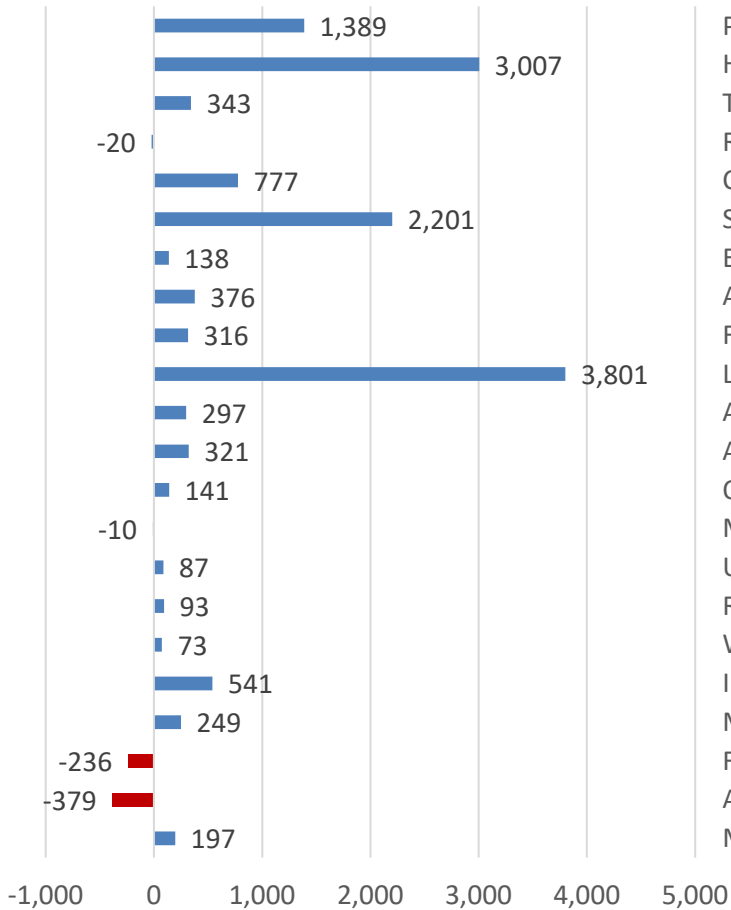


- Statewide, sales have totaled 15,228 (down about 1.5% from last year). Median sales price is up to \$352,000 (up about 3.8% from last year).
- From Greater Albuquerque Realtor’s Association, through September 2025: Sales are up 2.5% and median sales price is up 2.8% to \$370,000.

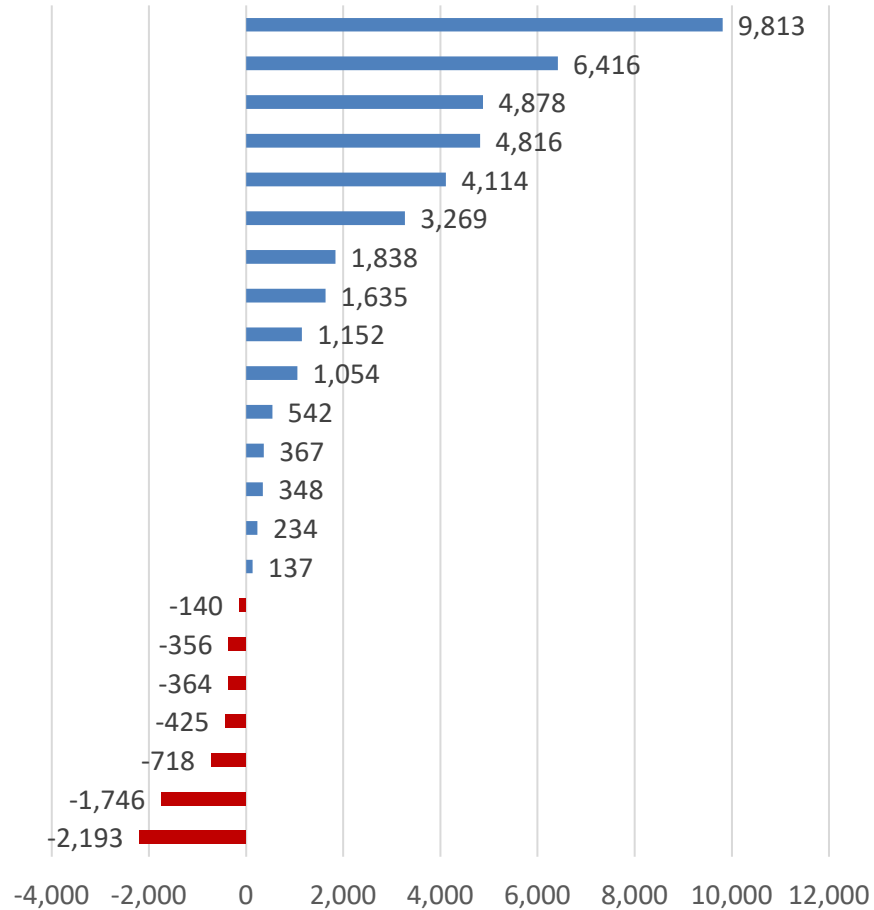
Source: New Mexico Realtors Association, <https://www.nmrealtor.com/housing-trends-2/>

Job Growth/Loss by Sector

2024 over 2023



2024 over 2019

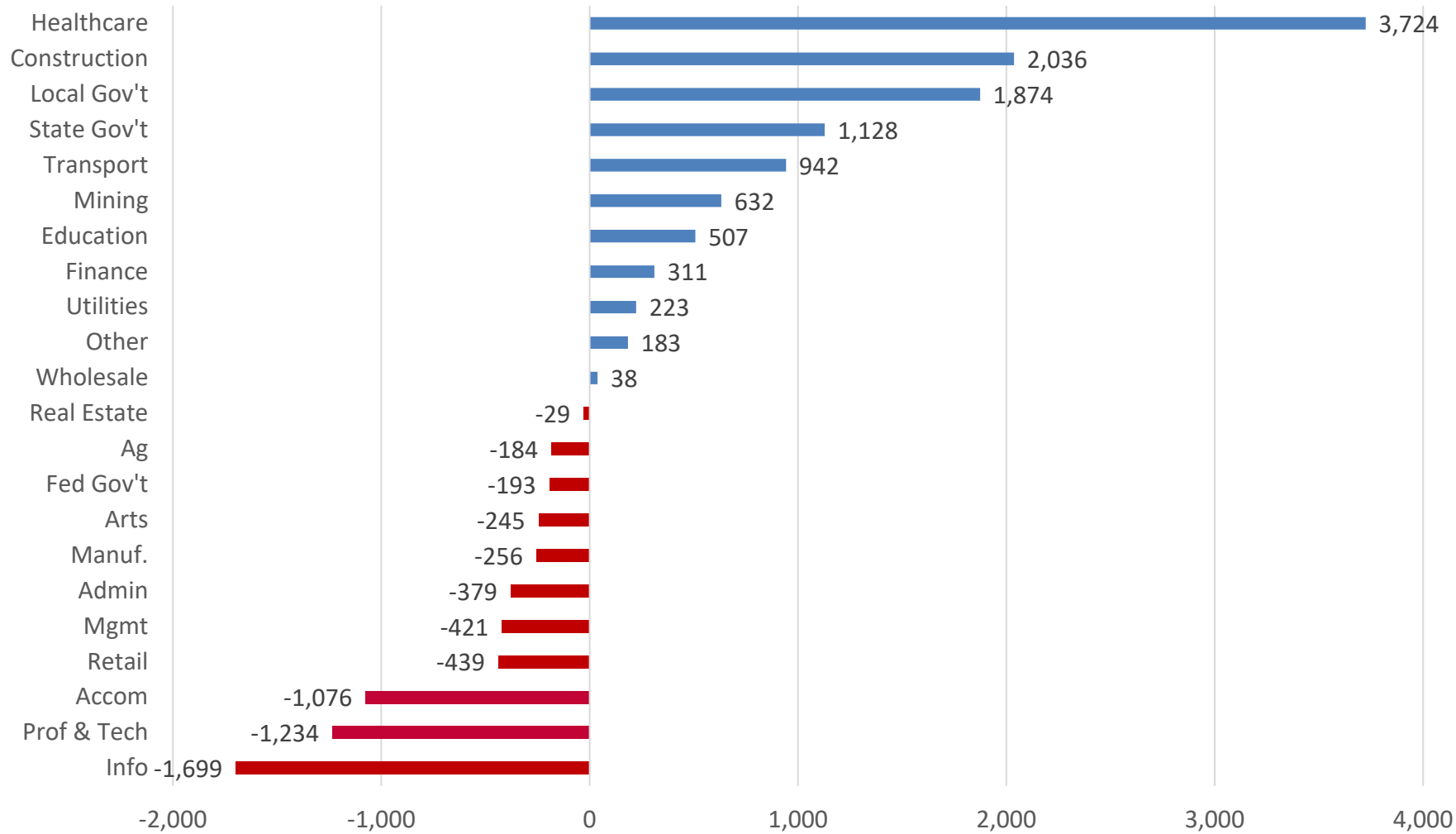


Most industries still adding jobs on an annual basis, though gains slowed in the second half of 2024.

Compared to 2019, NM has about 35,000 (4.2%) more jobs; about 28,500 of those are in the private sector.

Over the period, private sector employment grew 4.4% while the government advanced by 3.1%.

Job Growth/Loss by Sector 2025 Q1 Year-over-Year



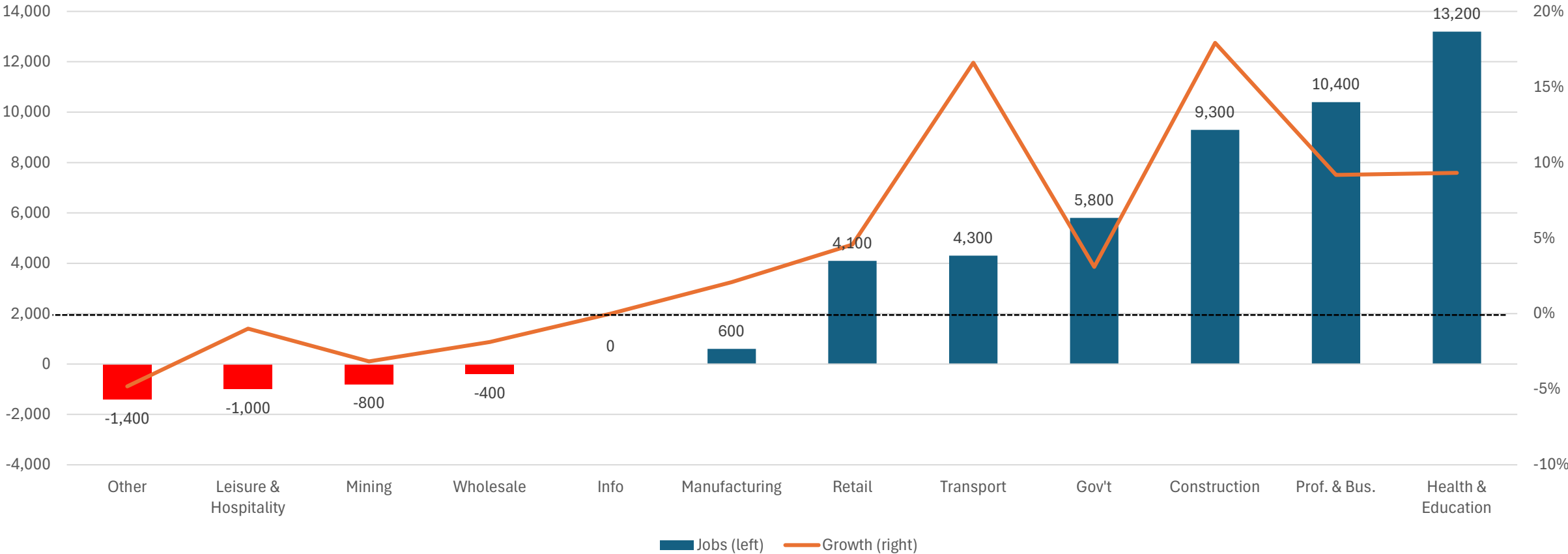
Gains are generally slowing and are split. Total employment growth only 0.6%, though the last several quarters have been revised up a quarter later.

Private sector only advanced 0.4%; government grew 1.5%.

BBER FOR-UNM, October 2025

CES: Cumulative January 2020 through August 2025

Data suggest state employment is about 5% above pre-pandemic levels.



BBER FOR-UNM, August 2025

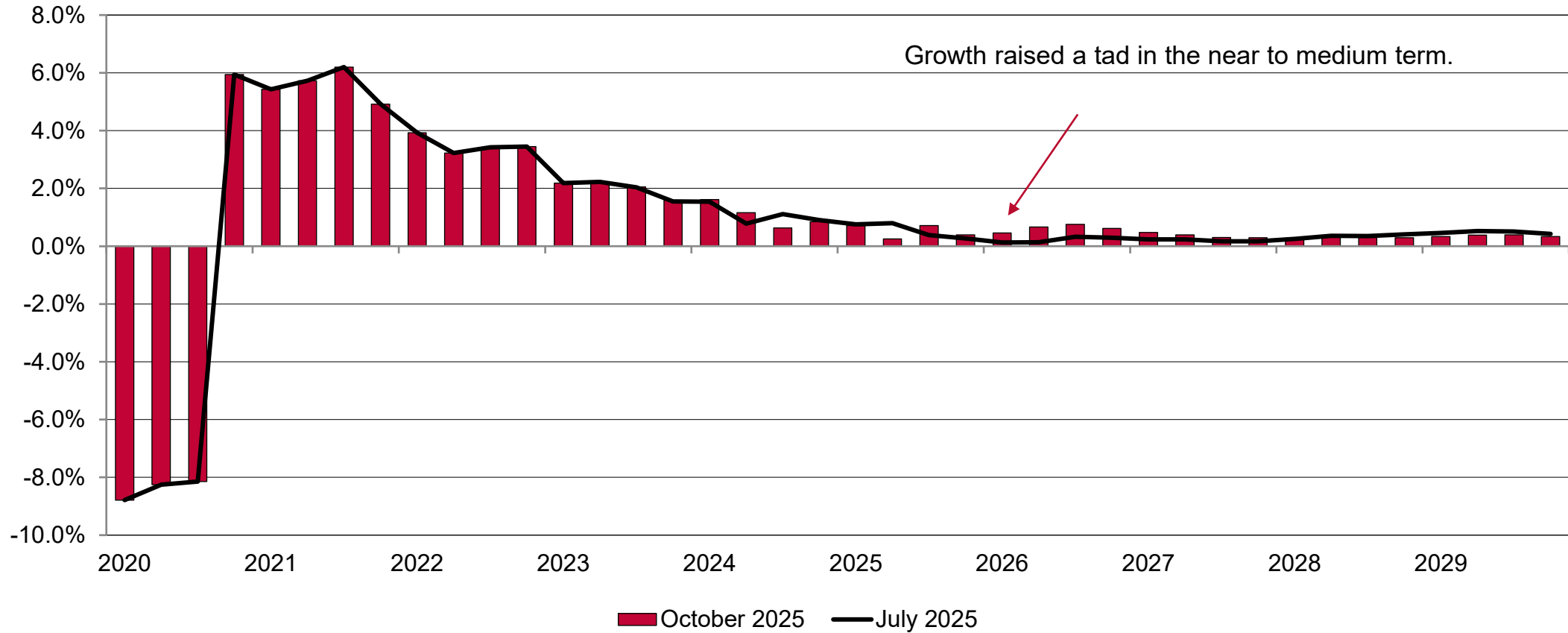
New Mexico Outlook



New Mexico Economic Outlook 2025-2030

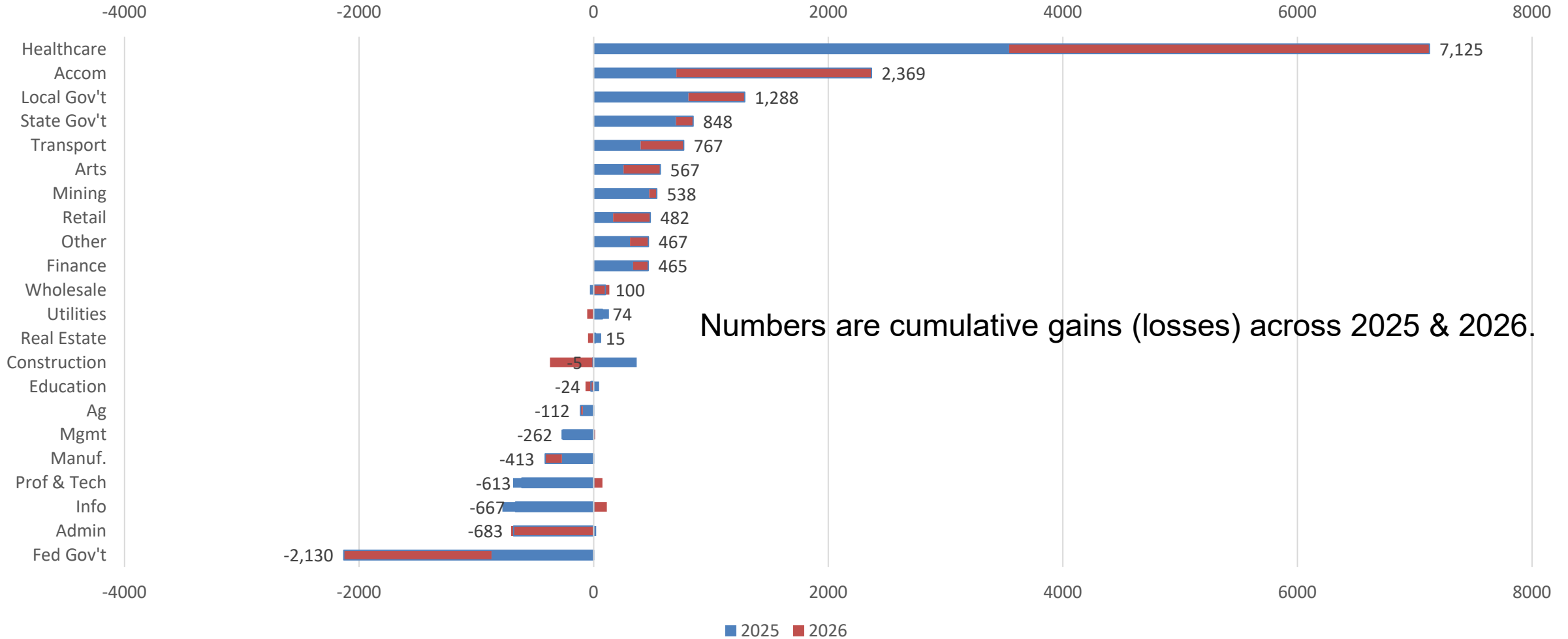
- Employment growth remained solid in 2024 but slows to about 0.6% in 2025. National slowdown keeps things subdued starting in 2026 (but still, no “recession” in baseline).
 - a. NM grows essentially on par with US in 2026 and out.
 - b. Pessimistic scenario: Job loss in 2026-2028. Grows a tad faster than baseline thereafter.
 - c. Pessimistic 2 scenario: Negative growth 2025-2028, slow recovery in 2029.
- Loss of 90,000 jobs year-over-year (-10.5%) in 2020Q2. Most recent QCEW data (through 2025Q1) suggest job picture still solid. CES data through August 2025 indicate that state is about 4%-5% above pre-pandemic peak.
- Employment grew 1.5% in 2024. Projected growth of 0.6% in 2025, 0.6% in 2026, and 0.6% in 2027.
- Economy exceeded 2019 levels in 2023. By 2030 about 58,600 jobs above 2019 levels (about 7% above).
- Income growth solid in 2025-2030 and averages 4.9% per year.

Forecast Comparison: Employment Growth



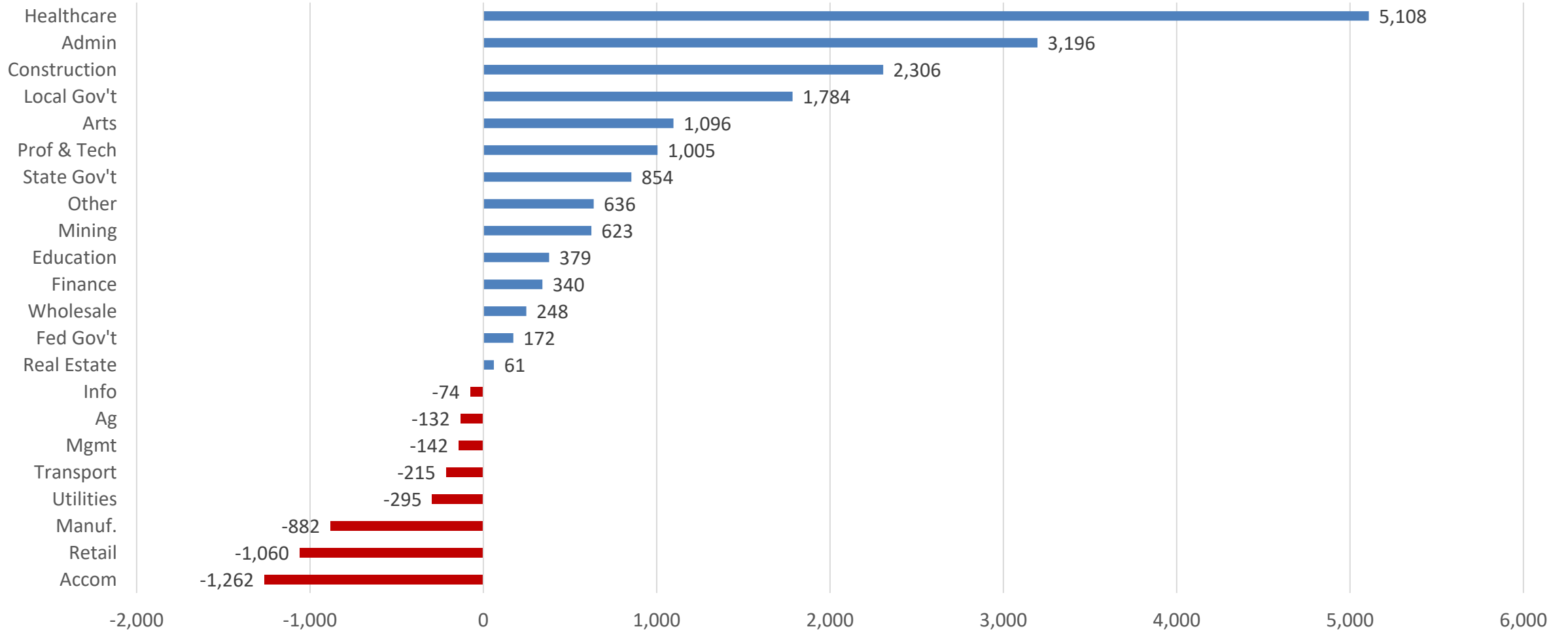
S&P Global, October 2025 + July 2025

Projections by Industry in 2025 & 2026



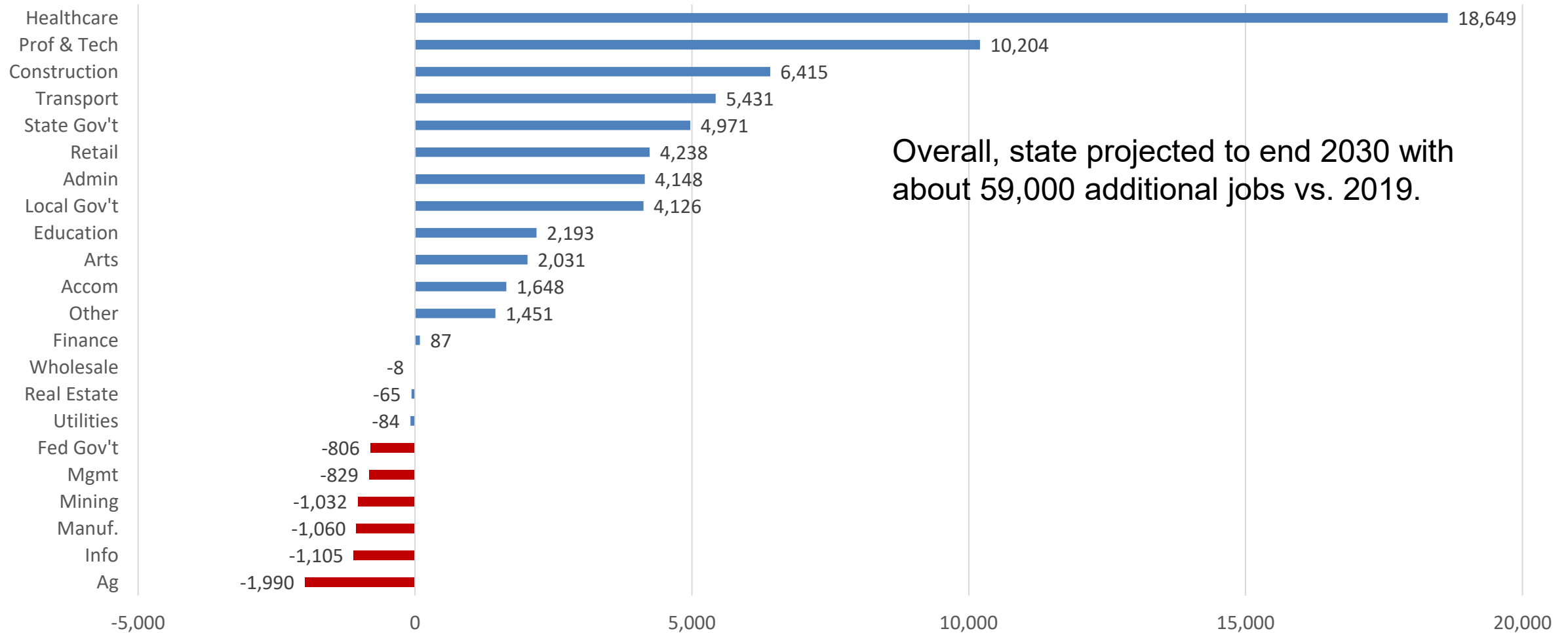
BBER FOR-UNM, October 2025

Projections 2026 through 2030



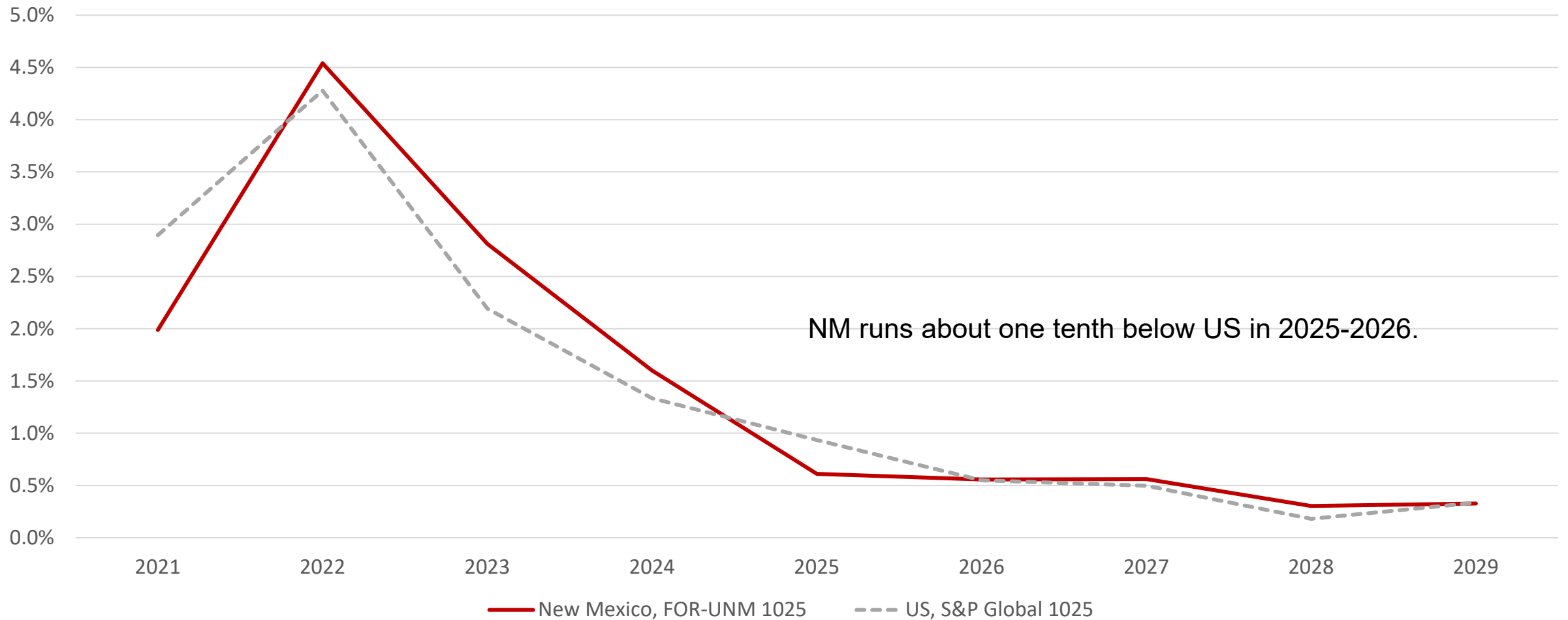
BBER FOR-UNM, October 2025

Best Performers through 2030 (vs 2019)?



BBER FOR-UNM, October 2025

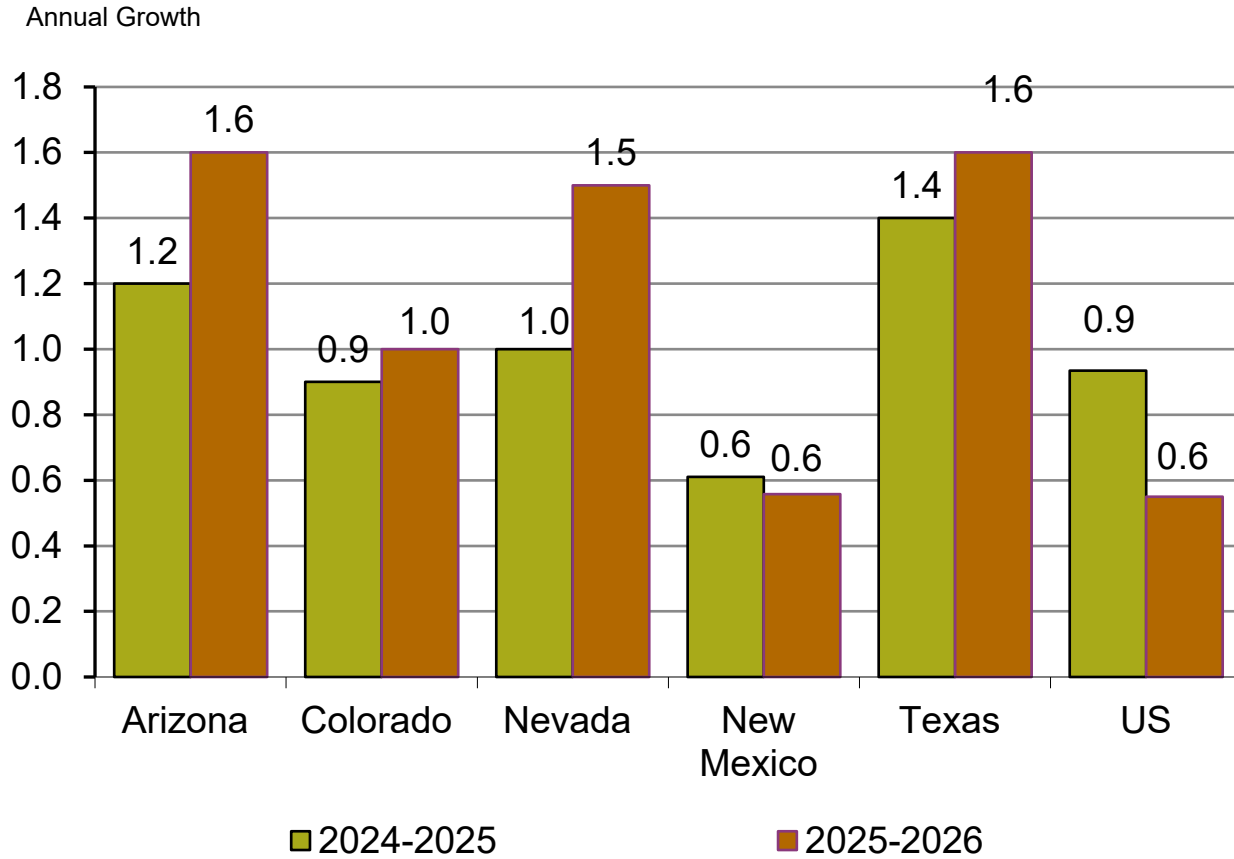
Forecast Comparison: NM vs. US



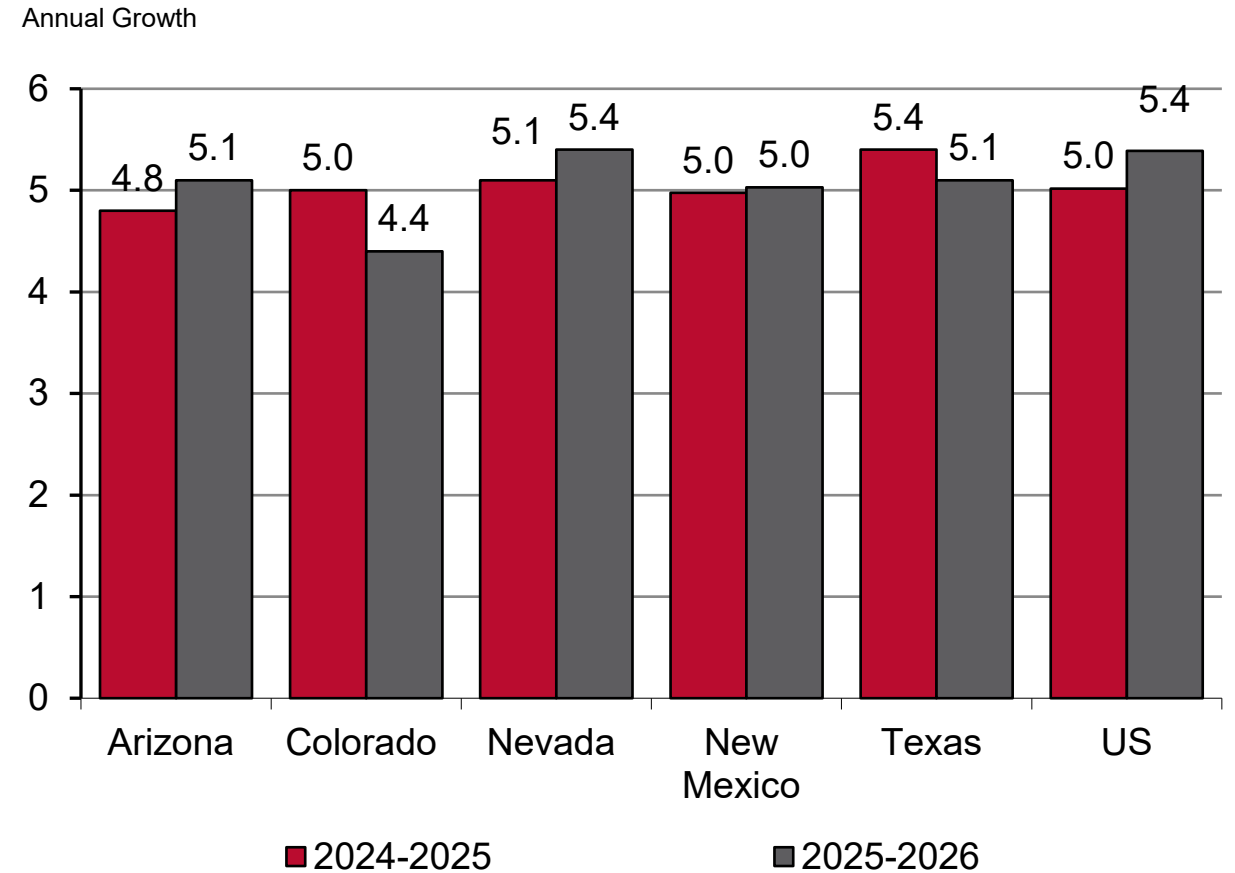
S&P Global & BBER FOR-UNM, October 2025

NM Forecast vs. Other States

Employment

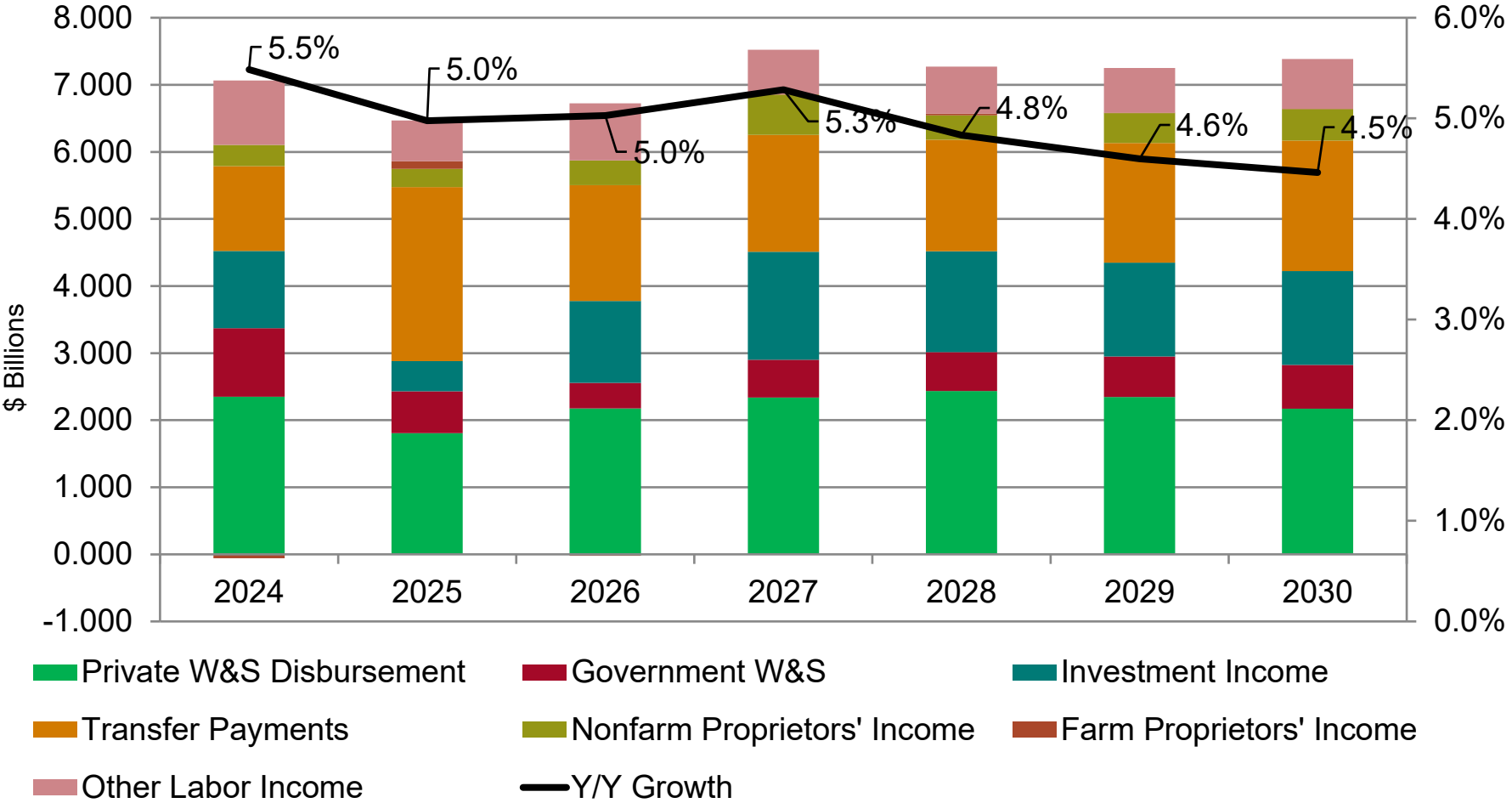


Income



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

Forecast Personal Income Growth, by Component



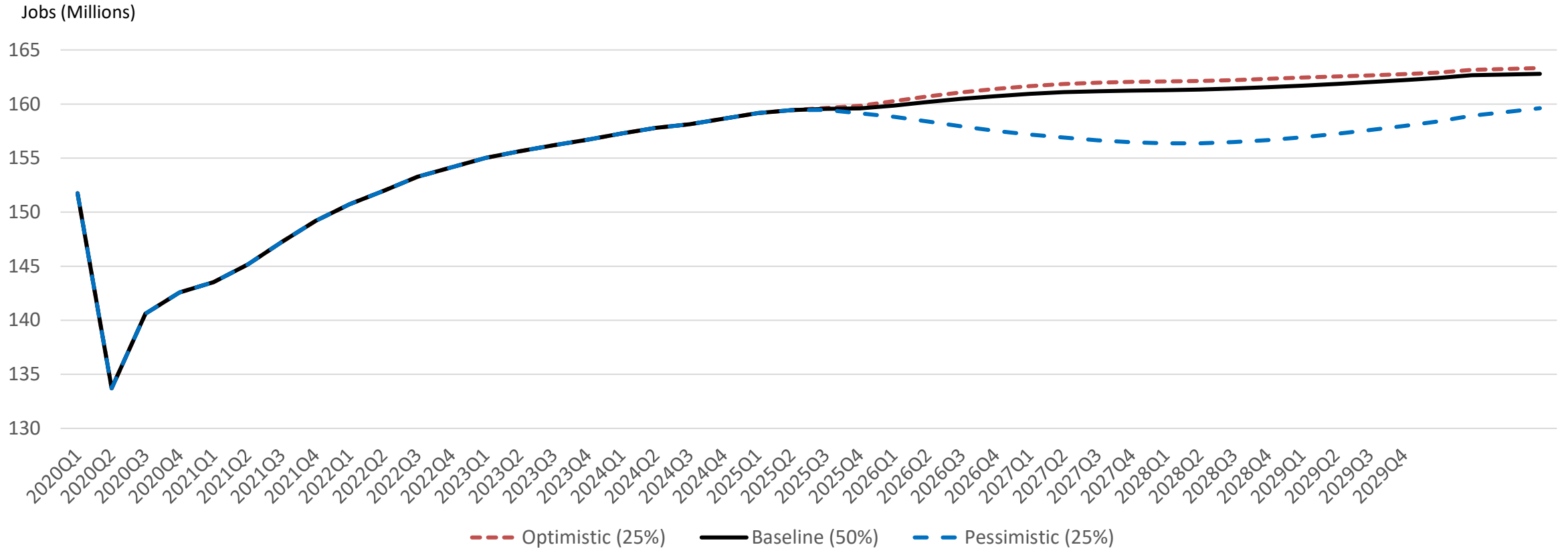
- Personal incomes positive in 2020 & 2021 due to massive increase of federal transfers (unemployment, stimulus checks, Medicaid and other CARES funding).
- Modest growth 2022 & 2023 at about 4.4% per year.
- Solid growth in 2024 of 5.0%
- Growth averages about 4.9% per year 2025-2029.

BBER FOR-UNM, October 2025

Alternative Scenarios

- As always still good degree of uncertainty.
- S&P Global's forecasts: no recession built into baseline scenario, but employment growth is slow starting 2026.
- FOR-UNM's forecast 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, d) migration/immigration challenges, e) tariffs.
 - Slightly slower growth in 2025, contraction in 2026-2028, starts recovering in 2029.
- Pessimistic 2 scenario is fairly severe. Slightly negative in 2025, more negative 2026-2028, weak bounce-back beginning 2029. Never recovers to 2024 peak..

US Employment Forecast – Alternative Scenarios



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

Source: S&P Global, October 2025

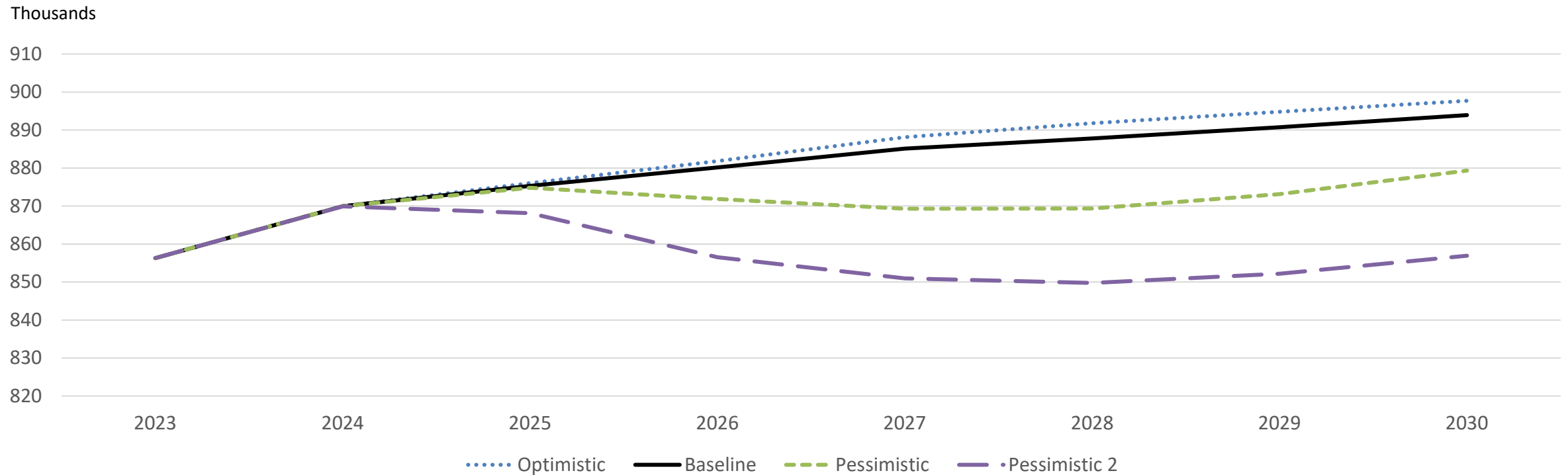
NM Employment Forecast – Alternative Scenarios

In all cases NM fully recovered by the end of 2022, but:

Baseline & Optimistic: continue to move forward

Pessimistic 1: Grows in 2025, takes step back 2026 & 2027. Starts to recover in 2028.

Pessimistic 2: Takes step back 2025-2028. Starts to recover in 2029.



Source: FOR-UNM, October 2025

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

Potential Headwinds



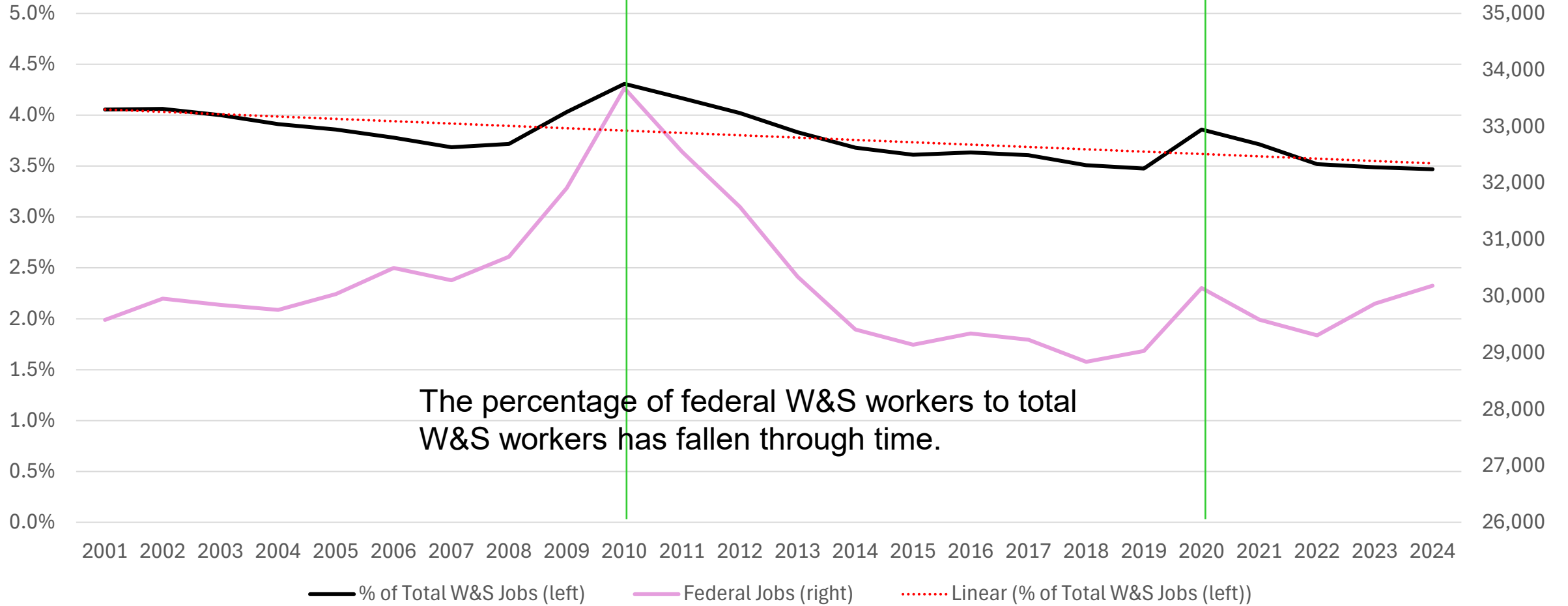
Headwinds

- DOGE Cuts & Federal Workforce Reduction
 - NM disproportionately impacted
 - Tariffs
 - Immigration Policy
- } Two most frequently cited factors by S&P that could slow national economic growth
- One Big Beautiful Bill
 - Lengthy Government Shutdown
 - Uncertain Federal Policy
 - Credit Crunches & Disturbances
 - AI

NM Federal Dependence – Jobs & Economic Impacts

- Roughly 3.5% of all wage & salary jobs in New Mexico are federal government jobs – about 30,000 jobs in the state. That number of federal government jobs has stayed around that number for the last several decades.
 - These are jobs at places like: National Park Service, Forest Service, Veteran’s Administration, Department of Justice, USDA, Department of the Indian Affairs, and many others.
 - Most jobs at the Labs **ARE NOT** federal government (although there is a handful of jobs that are).
- On average, jobs are relatively well paid compared to the average private sector job and a fair portion of them are in rural areas of the state where those jobs:
 - Provide services to underserved areas. E.g. VA health services, Indian health services, and fire services.
 - Directly (positively) impact local economies as those workers live and work in those rural communities.
 - Facilitate in economic development in a number of fronts. E.g. USDA financing programs, training programs, and economic development investment initiatives.

NM Federal Workforce vs Total



Source: QCEW

Tariff rates and estimated impacts

Figure 3. U.S Average Effective Tariff Rate Since January 1, 2025

Policy as of October 17, Pre-Substitution
Percent of goods import



Chart: The Budget Lab • Source: The Budget Lab analysis. • Created with [Datawrapper](#)

They estimate:

- 1.3% increase in prices; equivalent to a loss of \$1,800 for the average family.
- Reduction in GDP growth by about 0.5% in 2025 and 2026.
- Lower payroll employment by end-2025 by 490,000 jobs
- Unemployment rate elevated by 0.3 points in 2025 and 0.7 points in 2026.
- Note: tariffs are at their highest levels since the Great Depression

“Big Beautiful Bill”

- Potential upsides:
 - Various tax cuts permanent (so effectively status quo)
 - Other tax cuts and deductions for businesses and individuals.
- Potential downsides:
 - Social safety net programs
 - Medicaid (maybe some reduction in Medicare)
 - SNAP
 - Many renewable energy credits are cut
- Increases deficit by an estimated \$3.5 trillion through 2034

Most analyses suggest that benefits will be concentrated in the highest income brackets.

New Mexico being a low-income state, reliant on social safety programs and federal funding generally, has considerable exposure.

It will be important to assess these anticipated impacts with respect to New Mexico.

<https://www.cbo.gov/publication/61486>

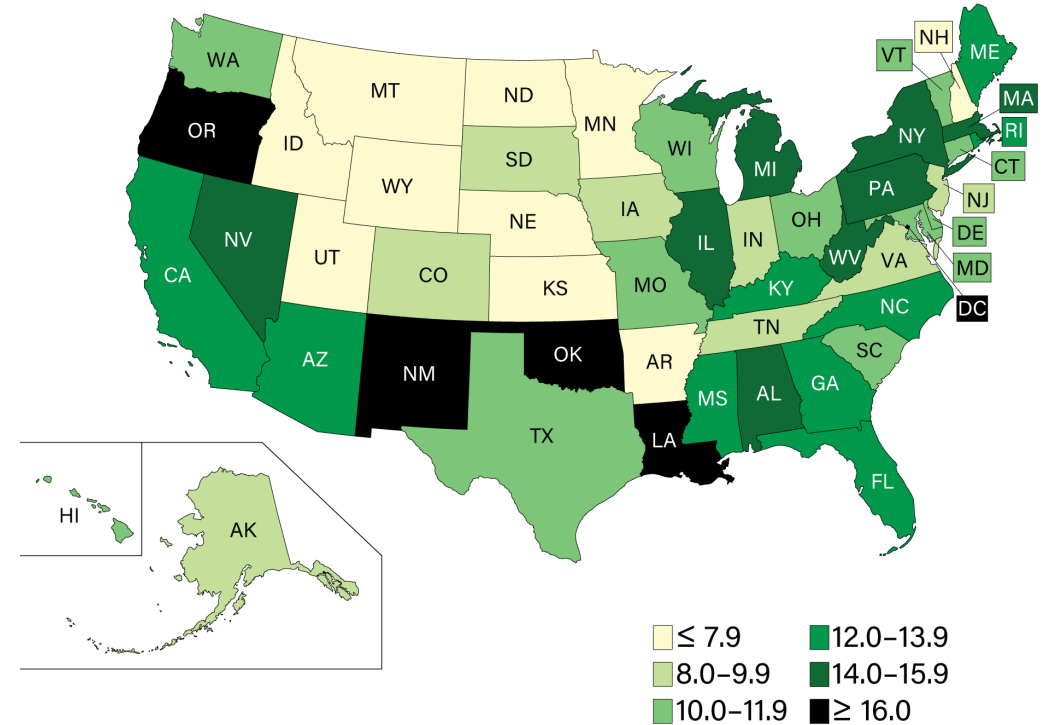
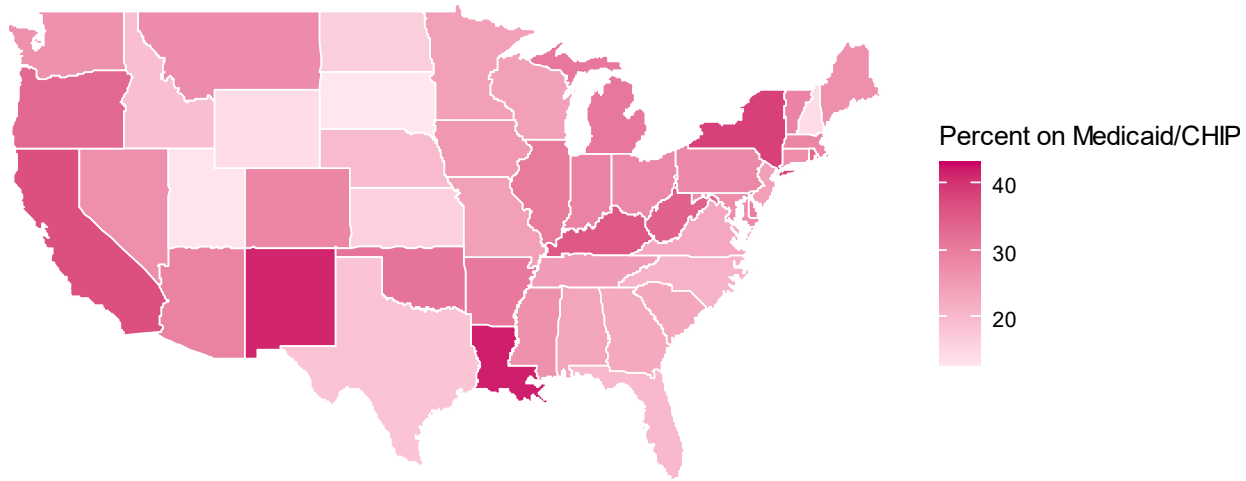
<https://budgetmodel.wharton.upenn.edu/issues/2025/7/1/senate-reconciliation-bill-budget-economic-and-distributional-effects>

<https://taxfoundation.org/research/all/federal/big-beautiful-bill-senate-gop-tax-plan/>

% of Population of Medicaid and SNAP

Percent of population receiving SNAP benefits in fiscal year 2024

Percent of Population on Medicaid or CHIP by U.S. State



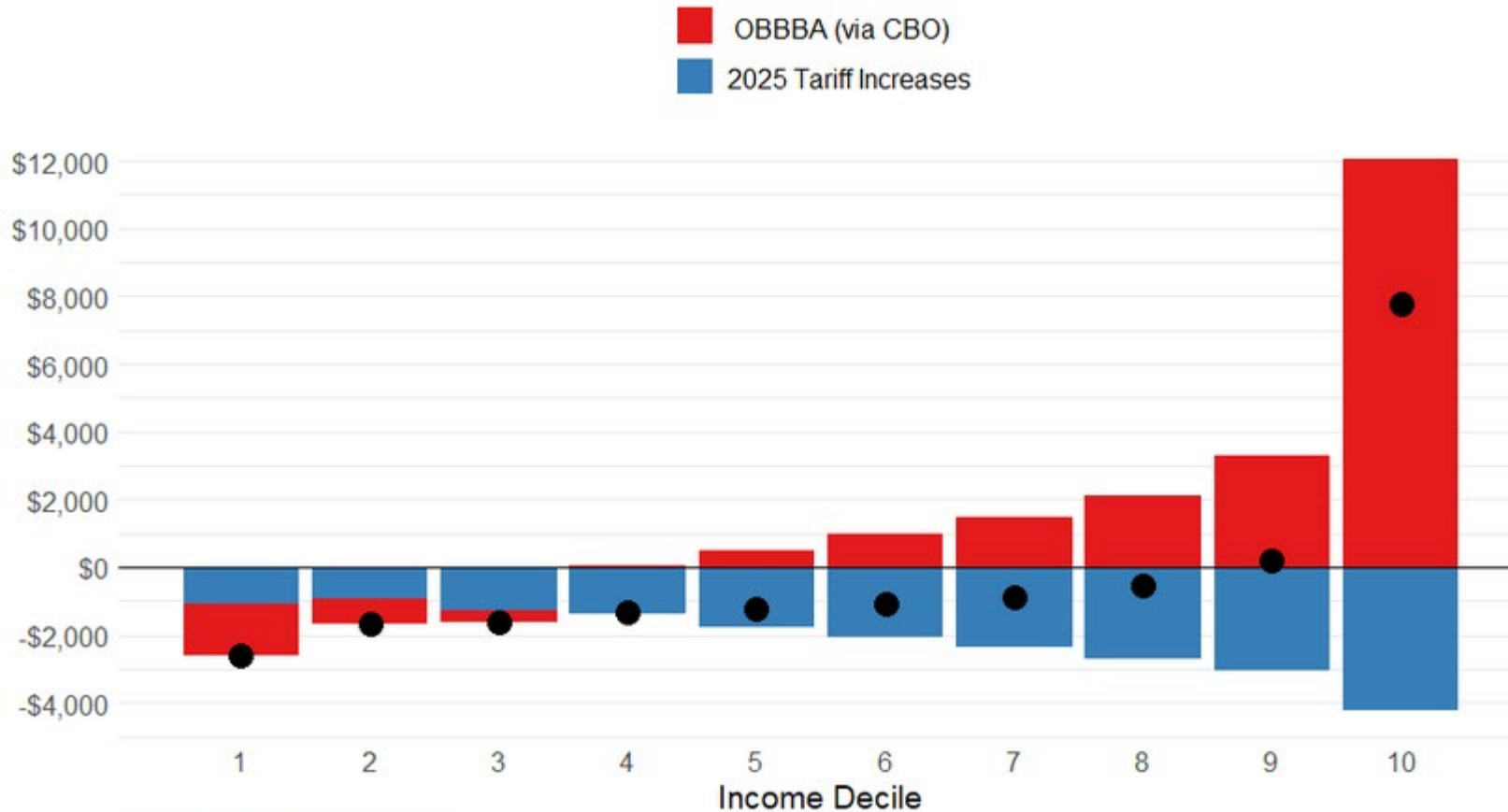
New Mexico has disproportionate percentage of population on Medicaid and SNAP compared to most other states.

Source: BEA and BBER FOR-UNM, October 2025

Estimated Effects of OBBA & Tariffs 1

Figure 2. Combined Effects of the House-Passed OBBA and Tariffs

Average annual change in household resources, 2025 dollars (2026–2034)



Source: The Budget Lab calculations

The dots represent the net effect of the OBBA and Tariffs.

The OBBA by itself is mostly a loss for households in the bottom 50% and mostly positive for the top 50%.

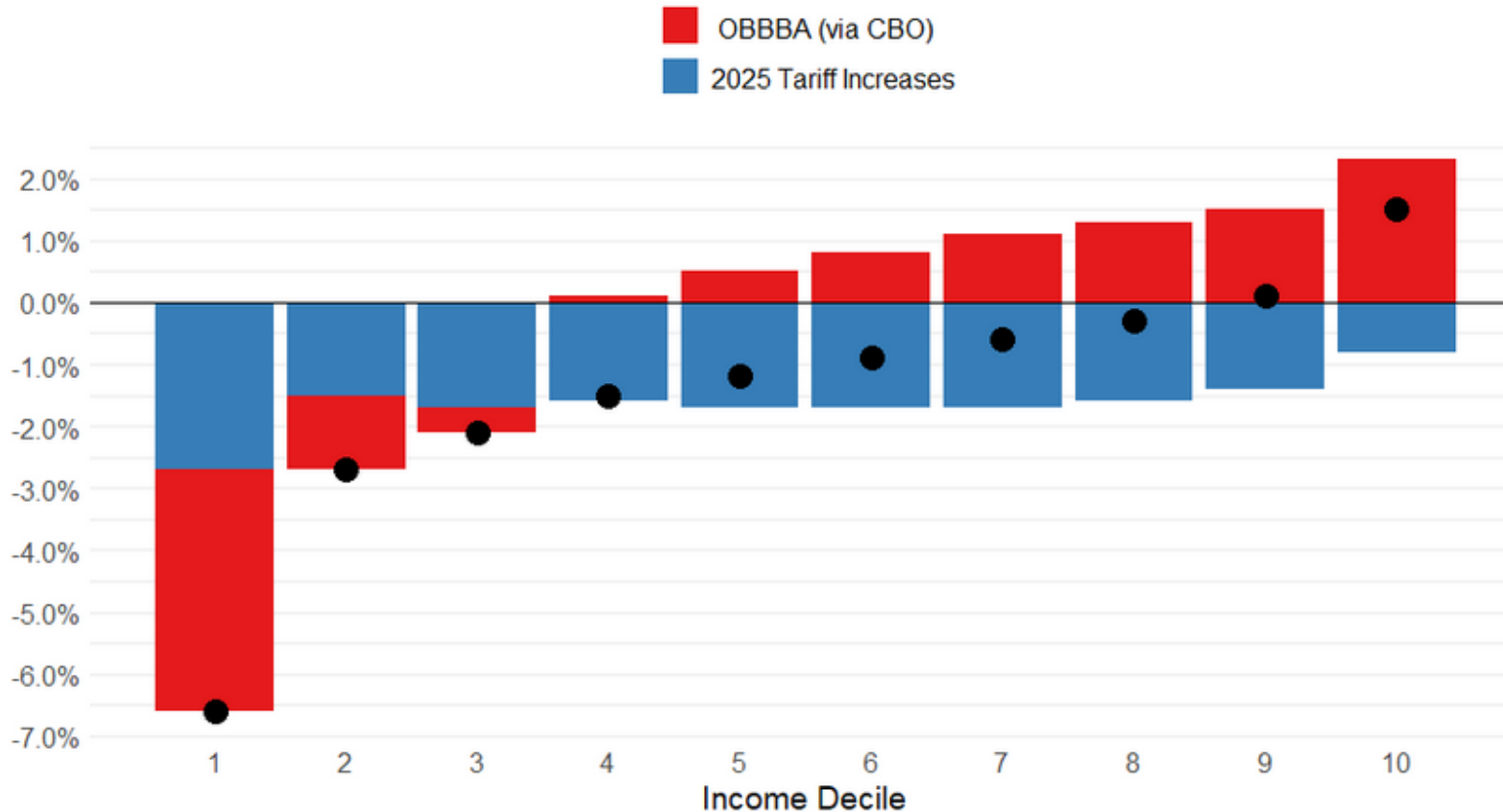
When tariffs are considered, only the top 10% is made materially better off.

Note that tariffs are a drag on households in all cases (given by the blue lines below the \$0 axis).

Estimated Effects of OBBA & Tariffs 2

Figure 1. Combined Effects of the House-Passed OBBA and Tariffs

Average annual change in household resources as a percentage of current law income after transfers and taxes (2026–2034)



Source: The Budget Lab calculations

The previous slide showed dollars...

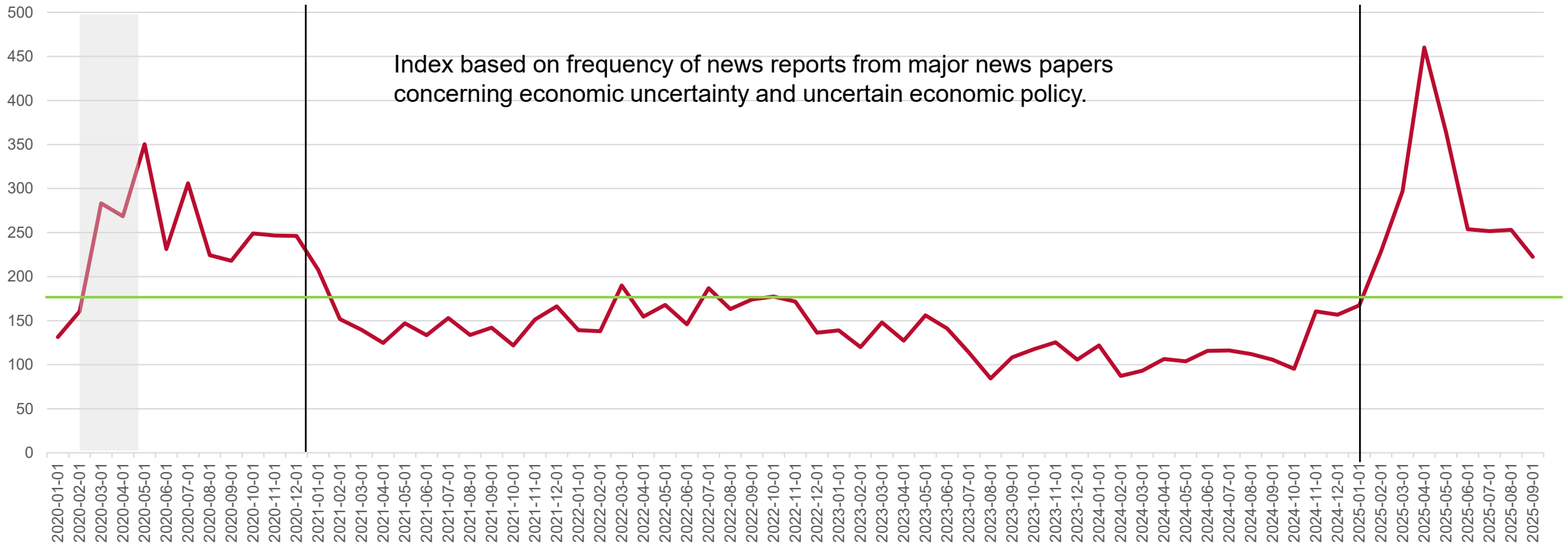
but adjusting for income levels for each income cohort shows that the changes are particularly regressive with the lowest income cohorts carrying a disproportionate burden.

Uncertain Federal Policy

- Changing policy can mean that business and households have a difficult time planning.
 - Can be anything from tariff policy, to tax policy, to future promises of policy.
 - Economically: is a stated policy credible or non-credible?
 - A good example is the announced tariffs that were ultimately scaled back and are still in the process of being examined in the courts. If firms and consumers cannot count on policy, they will be less likely to behave according to the announced policy, and that could shake/undermine confidence in the economy.
 - Firms must price in the uncertainty/credibility into their decisions, leading to inefficiencies.
- “Fiscal uncertainty shocks have clear recessionary effects.” Anzuini, A., Rossi, L. Fiscal policy in the US: a new measure of uncertainty and its effects on the American economy. *Empir Econ* **61**, 2613–2634 (2021).

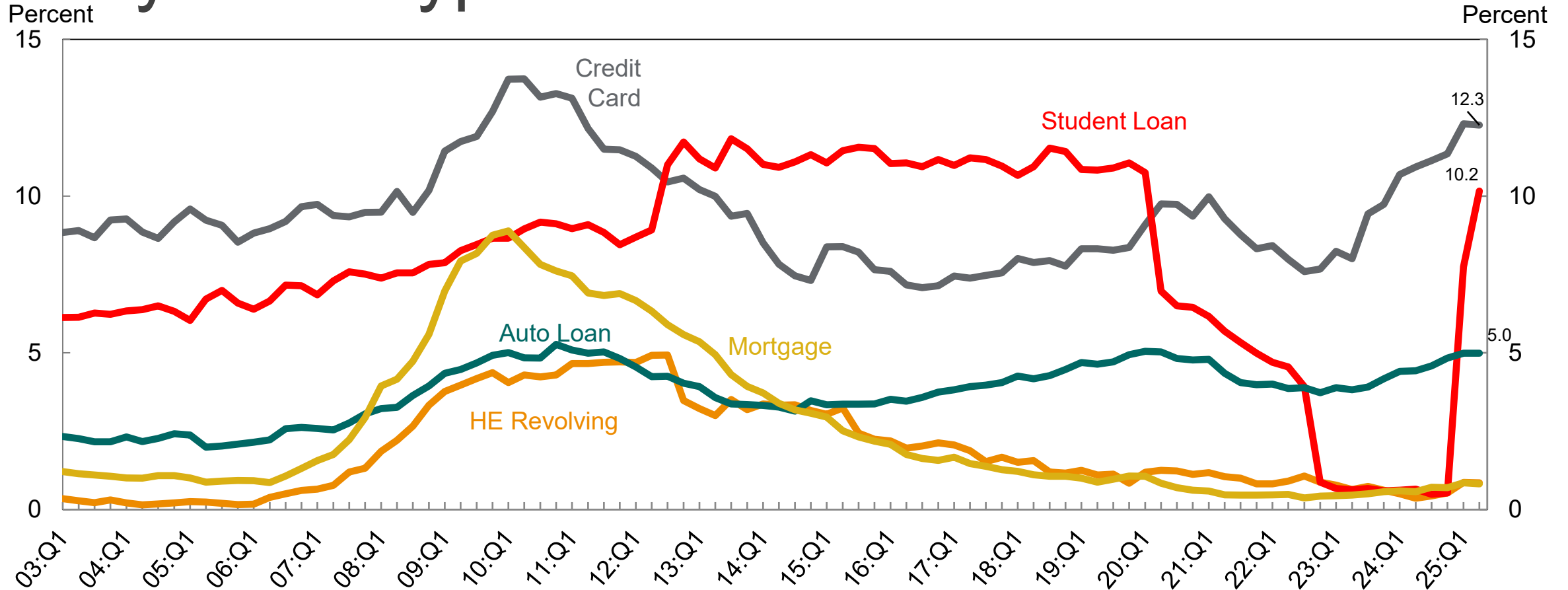
Index of Economic Policy Uncertainty

Economic policy uncertainty volatile and reflective of pandemic-era (shaded area = recession; horizontal line = average reading).



Source: Federal Reserve of St. Louis

Percent of Balance 90+ Days Delinquent by Loan Type

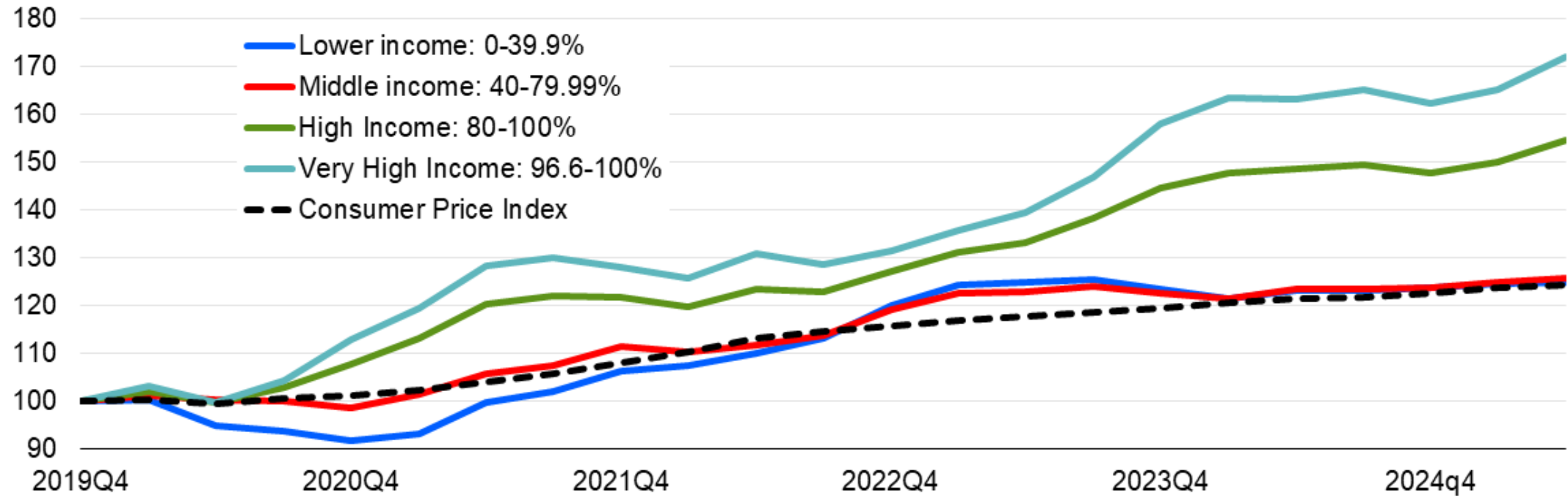


Source: New York Fed Consumer Credit Panel/Equifax

Consumer Spending vs. CPI

The Well-To-Do Power Consumer Spending

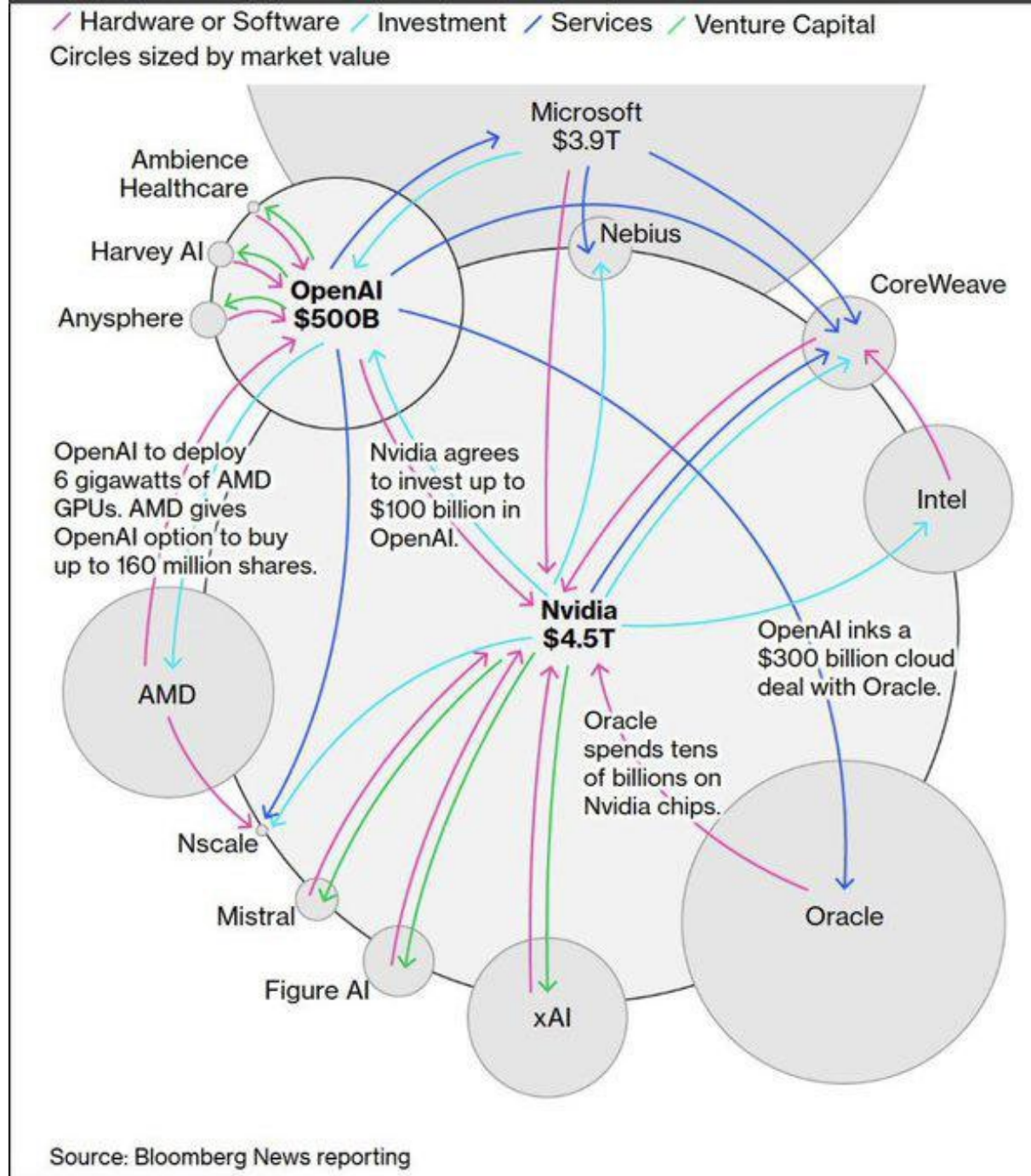
Personal outlays by income group, 1999q4 = 100



Source: BLS, Moody's

AI – bubble?

- Circular flows between handful of companies.
- Extreme concentration with trillions of dollars in market cap.
- Billions of dollars invested in OpenAI, but not yet turning a profit (<https://www.theguardian.com/technology/2025/oct/28/openai-for-profit-restructuring>)



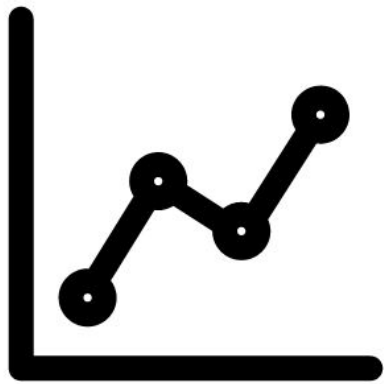
AI – Feedback & The Market

- ❑ “OpenAI is now taking a 10% stake in AMD, while Nvidia is investing \$100 billion in OpenAI; and OpenAI also counts Microsoft as one of its major shareholders, but Microsoft is also a major customer of AI cloud computing company CoreWeave, which is another company in which Nvidia holds a significant equity stake; and by the way, Microsoft accounted for almost 20% of Nvidia’s revenue on an annualized basis, as of Nvidia’s 2025 fiscal fourth quarter. In less than three years, OpenAI has gone from a parlor game to a pillar of the global economy.”
- ❑ “OpenAI Signs \$38 Billion Cloud Computing Deal With Amazon”
- ❑ “Reports estimate that AI-related capital expenditures surpassed the U.S. consumer as the primary driver of economic growth in the first half of 2025, accounting for 1.1% of GDP growth. JP Morgan Asset Management’s Michael Cembalest notes that ‘AI-related stocks have accounted for 75% of S&P 500 returns, 80% of earnings growth and 90% of capital spending growth since ChatGPT launched in November 2022.’”

Source: <https://fortune.com/2025/10/07/how-will-the-ai-bubble-burst-nvidia-openai-dotcom-circular/?abc123>



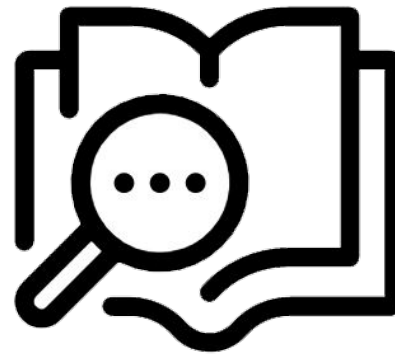
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