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THE NEW MEXICO ECONOMIC FORECAST: RECENT DEVELOPMENTS AND OUTLOOK
PREPARED FOR NM BANKERS ASSOCIATION
JEFF MITCHELL, BBER DIRECTOR, JEFFM@UNM.EDU
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 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

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Total Nonfarm</td>
<td>1.3%</td>
<td>17</td>
<td>1.1%</td>
<td>25</td>
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<tr>
<td>Total Private</td>
<td>1.8%</td>
<td>17</td>
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<td>Mining</td>
<td>17.0%</td>
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<td>13.3%</td>
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<td>Construction</td>
<td>3.6%</td>
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<tr>
<td>Manufacturing</td>
<td>2.3%</td>
<td>17</td>
<td>-0.7%</td>
<td>49</td>
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<tr>
<td>Wholesale Trade</td>
<td>0.0%</td>
<td>40</td>
<td>-2.4%</td>
<td>50</td>
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<tr>
<td>Retail Trade</td>
<td>0.0%</td>
<td>18</td>
<td>-1.0%</td>
<td>34</td>
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<tr>
<td>Transportation &amp; Utilities</td>
<td>4.0%</td>
<td>20</td>
<td>1.6%</td>
<td>39</td>
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<tr>
<td>Financial Activities</td>
<td>0.7%</td>
<td>27</td>
<td>-0.7%</td>
<td>41</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>1.9%</td>
<td>23</td>
<td>1.8%</td>
<td>19</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>0.6%</td>
<td>45</td>
<td>1.4%</td>
<td>27</td>
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<tr>
<td>Leisure &amp; Hospitality</td>
<td>1.8%</td>
<td>17</td>
<td>4.6%</td>
<td>5</td>
</tr>
<tr>
<td>Total Government</td>
<td>-0.5%</td>
<td>41</td>
<td>-0.7%</td>
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<tr>
<td>Local Government</td>
<td>0.1%</td>
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<td>0.3%</td>
<td>29</td>
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<tr>
<td>State Government</td>
<td>-1.1%</td>
<td>39</td>
<td>-3.0%</td>
<td>49</td>
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<tr>
<td>Federal Government</td>
<td>-1.4%</td>
<td>49</td>
<td>-0.2%</td>
<td>34</td>
</tr>
</tbody>
</table>

Source: BLS Current Employment Survey
Job Gains/Losses, by Region, 2011-2018


Delayed recovery in ABQ
Collapse of Oil Market
Both Expanding
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

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
2018 is a 44% increase over 2017.

All regions posted post-recession highs.
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 FORUM
Forecast Comparison: Income

Source: BBER FORUNM
Forecast Crude Oil Production and Price

Source: BBER FOR-UNM, IHS Global Insight
General Fund Consensus Revenue Estimates (Dec. 2018)

Source: Consensus Forecasting Group, December 2018
Household Debt Delinquency, by Type

Mortgage Delinquency, New Mexico & US

US Mortgage Delinquency Rate:
2009 = 8.7%

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