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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 FOR-UNM SUBSCRIBERS' MEETING

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FEBRUARY 2, 2024

February 2<sup>nd</sup>, 2023  
NM Economic Forecast  
1<sup>st</sup> Quarter  
Subscribers Meeting

- US Review + Economic Outlook
- New Mexico Economic Outlook
- Metro + Non-Metro New Mexico
- Questions and Comments



# US Review + Economic Outlook

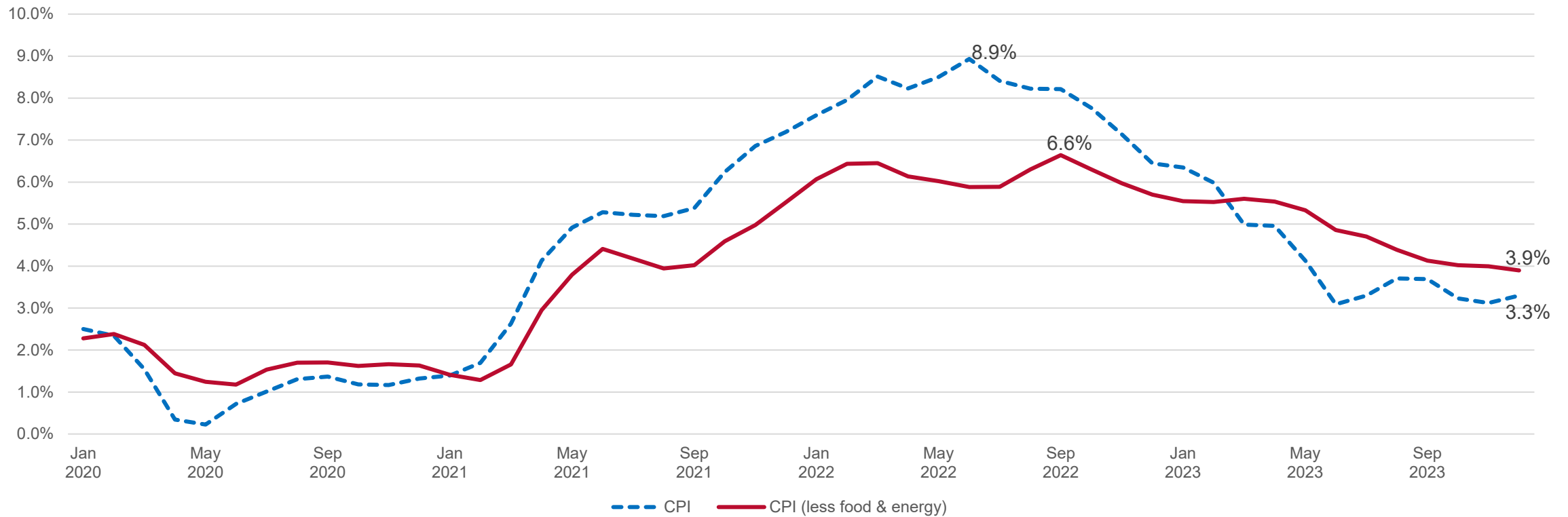




# Review: National Economy

- ❑ Job gains solid in 2022 at 399,000 jobs/month. Gains slowed in 2023 to 262,000 per month. January 2024: 353,000. Employment nearly 5.4 million jobs above pre-pandemic levels.
- ❑ Federal Reserve again didn't raise rates: still at about 5.25% - 5.50%.
- ❑ Initial & continuing claims for unemployment have ticked up over the last year months but still fairly low and U3 unemployment rate 3.7% in January. U6 at 7.2%. Still around pre-pandemic levels.
- ❑ Real GDP: 2023Q3 registered 4.9% SAAR and 2023Q4 came in at 3.3% SAAR.
- ❑ WTI spot price about \$73/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. As of January 2024, sitting at 79.
- ❑ ISM manufacturing contracted for 15<sup>th</sup> consecutive month in January 2024, but non-manufacturing indexes are expanding (but just barely).
- ❑ Concerns: Geopolitical, Congress being Congress, Consumer Saving/Spending, Domestic/Election

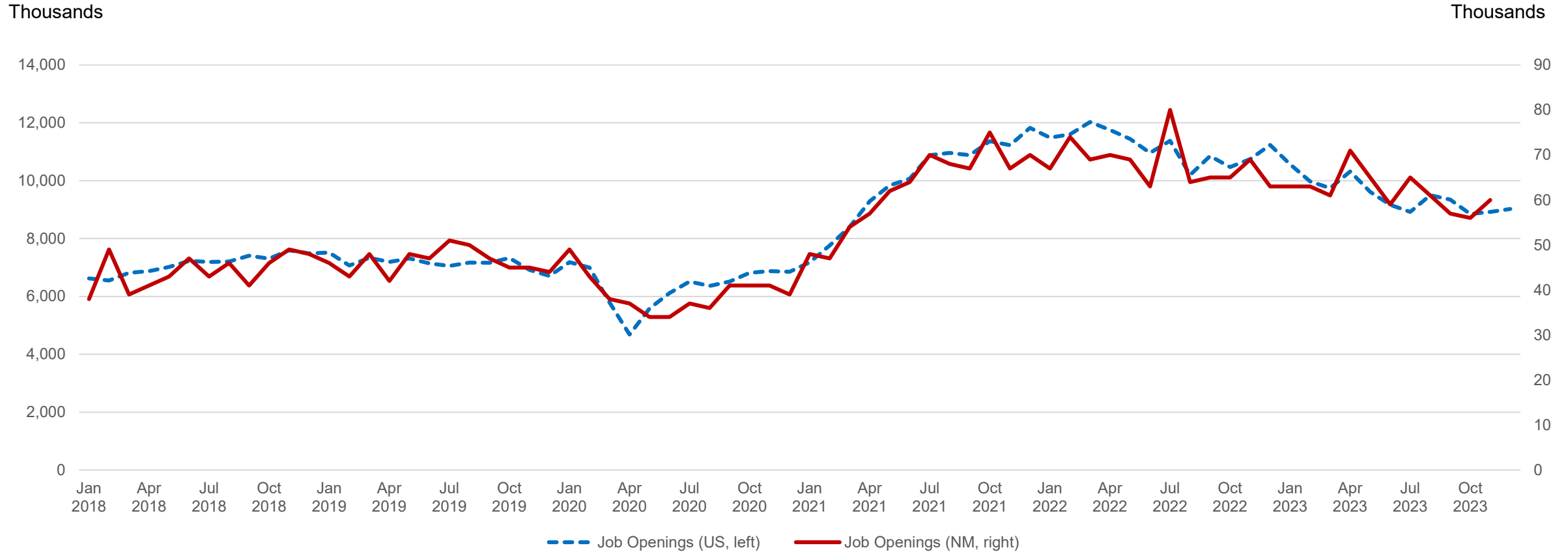
# Inflation



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

Source: BLS CPI data

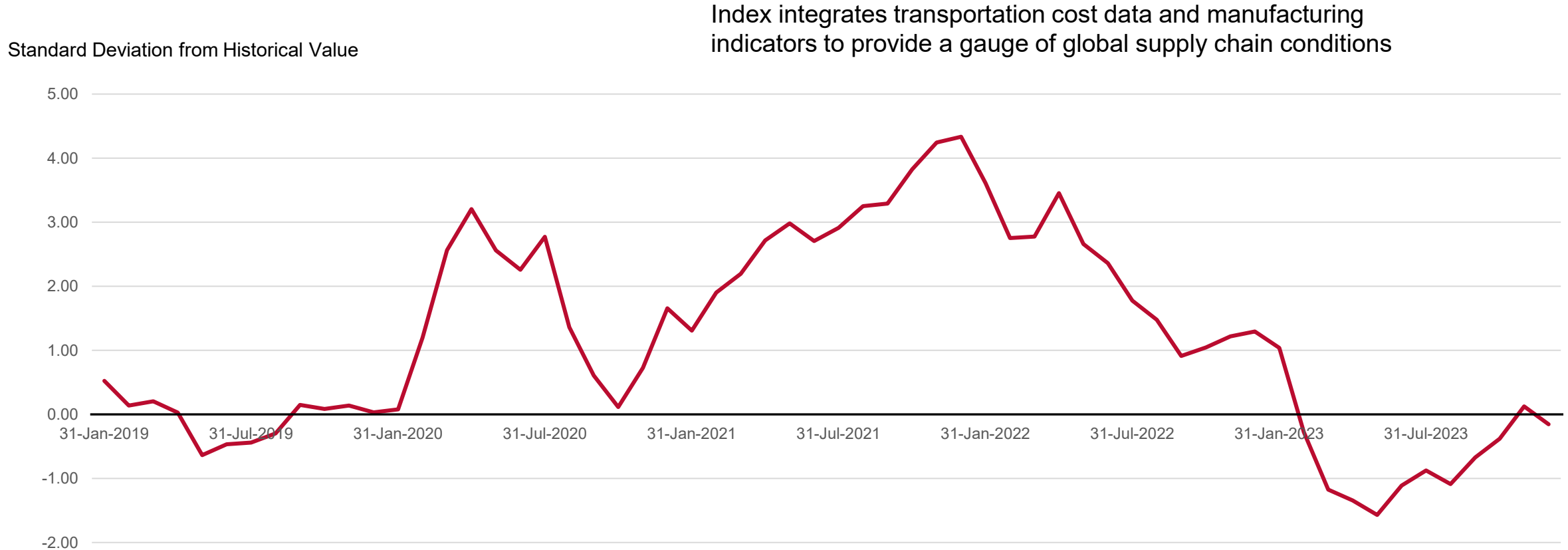
# Job Openings Have Ticked Down from Peak



Openings are down compared to recent peaks.

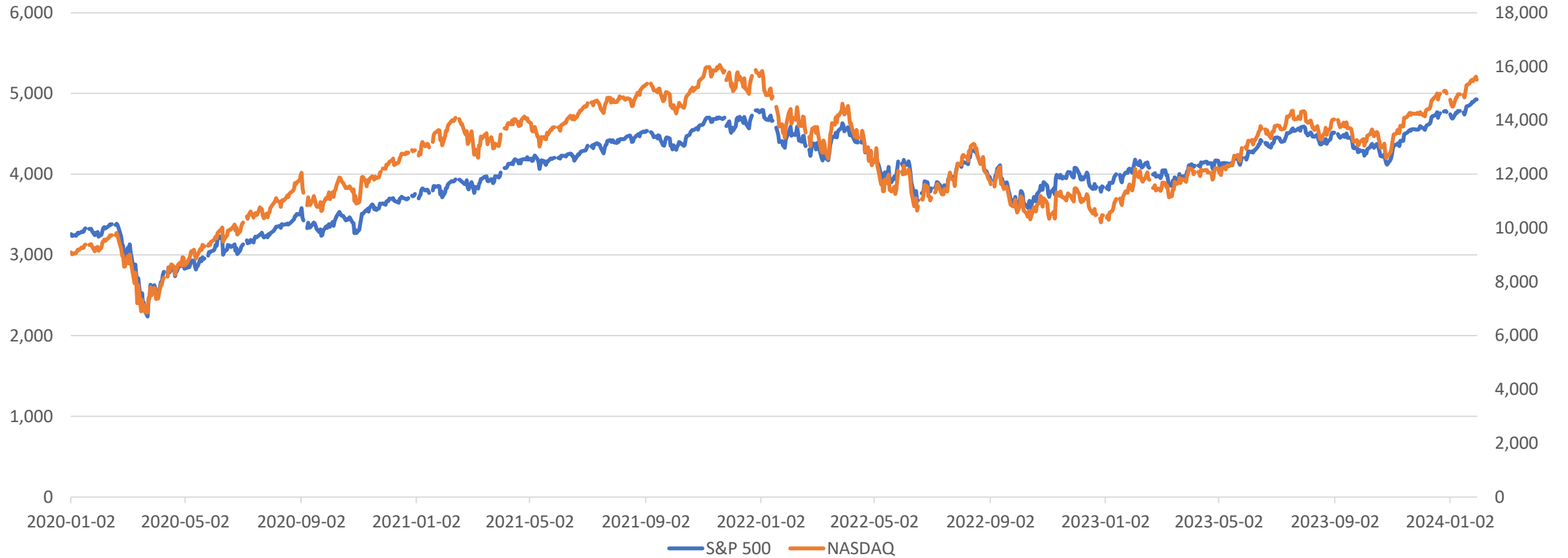
Source: BLS JOLTS, through December 2023

# Global Supply Chains Returning to “Normal”



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 December 2023

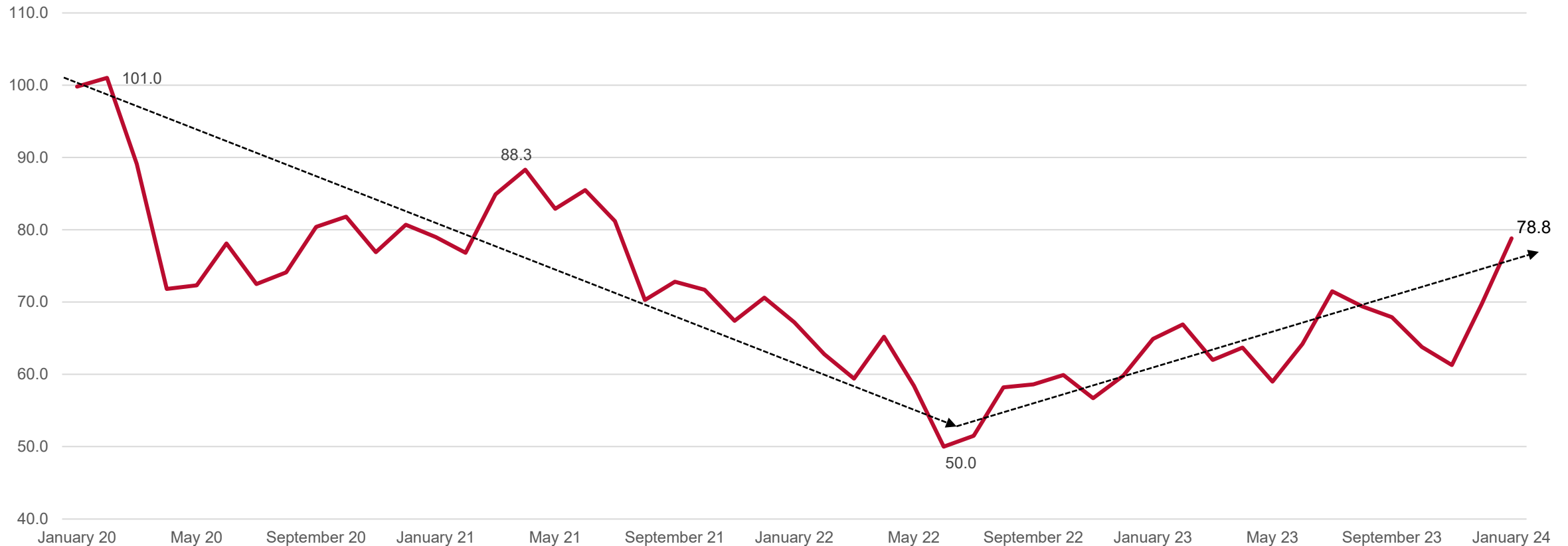
# The “Market” Has Rebounded



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



# 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

30-year fixed rate still elevated but has recently come down.



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

# Real GDP Growth

## Composition of Real GDP Growth Over Previous Period SAAR

	2019	2020	2021	2022	2023	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	Contrib. 23Q4
<b>Composition of Real GDP</b>															
<b>Gross Domestic Product</b>	<b>2.5</b>	<b>-2.2</b>	<b>5.8</b>	<b>1.9</b>	<b>2.5</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>3.3</b>	<b>3.3</b>
<b>Total Consumption</b>	<b>2.0</b>	<b>-2.5</b>	<b>8.4</b>	<b>2.5</b>	<b>2.2</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>3.1</b>	<b>2.8</b>	<b>1.91</b>
Durable goods	3.3	8.0	16.7	-0.3	4.3	11.1	1.5	-0.9	0.9	-1.0	14.0	-0.3	6.7	4.6	0.36
Nondurable goods	2.9	3.3	8.5	0.6	0.9	2.6	-2.7	0.0	-1.6	0.5	0.5	0.9	3.9	3.4	0.49
Services	1.5	-5.9	6.9	3.7	2.3	3.2	0.6	3.2	2.8	1.8	3.1	1.0	2.2	2.4	1.06
<b>Residential Fixed Investment</b>	<b>-0.9</b>	<b>7.2</b>	<b>10.7</b>	<b>-9.0</b>	<b>-10.7</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>6.7</b>	<b>1.1</b>	<b>0.04</b>
<b>Nonresidential Fixed Investment</b>	<b>3.7</b>	<b>-4.7</b>	<b>5.9</b>	<b>5.2</b>	<b>4.4</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>1.4</b>	<b>1.9</b>	<b>0.26</b>
Structures	2.5	-9.5	-3.2	-2.1	12.7	-7.7	-1.2	-0.5	-1.3	6.5	30.3	16.1	11.2	3.2	0.10
Equipment & Software	1.1	-10.1	6.4	5.2	-0.1	1.9	16.8	4.9	5.6	-5.0	-4.1	7.7	-4.4	1.0	0.05
Intellectual Property	7.8	4.5	10.4	9.1	4.3	9.1	11.4	8.7	7.1	6.1	3.8	2.7	1.8	2.1	0.11
<b>Change in Private Inventories</b>															<b>0.07</b>
<b>Exports</b>	<b>0.5</b>	<b>-13.1</b>	<b>6.3</b>	<b>7.0</b>	<b>2.7</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>5.4</b>	<b>6.3</b>	<b>0.68</b>
<b>Imports</b>	<b>1.2</b>	<b>-9.0</b>	<b>14.5</b>	<b>8.6</b>	<b>-1.7</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>4.2</b>	<b>1.9</b>	<b>-0.25</b>
<b>Federal Government</b>	<b>3.8</b>	<b>6.1</b>	<b>1.4</b>	<b>-2.8</b>	<b>4.2</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>7.1</b>	<b>2.5</b>	<b>0.16</b>
<b>State &amp; Local Government</b>	<b>4.0</b>	<b>1.4</b>	<b>-1.3</b>	<b>0.2</b>	<b>3.8</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>5.0</b>	<b>3.7</b>	<b>0.40</b>

US Bureau of Economic Analysis, Gross Domestic Product, 2023 Fourth Quarter (1st Estimate), January 25, 2024

2023 grew at 2.5%.

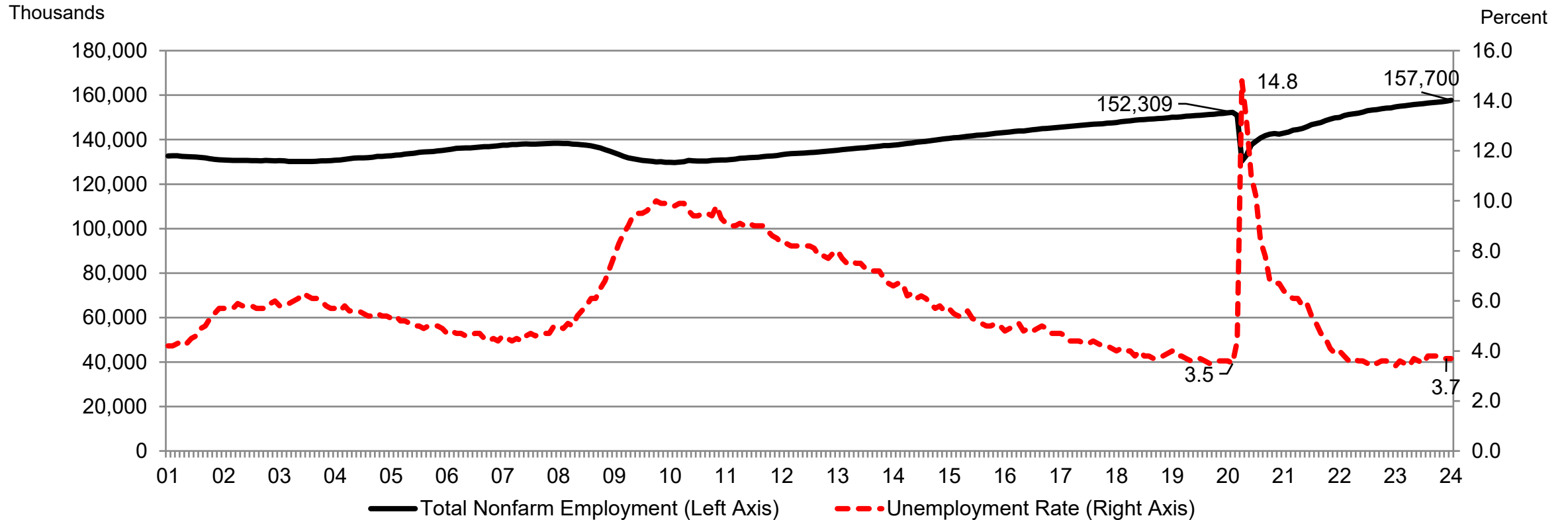
Consumption, nonresidential fixed investment, net exports, and government growth strong.

Residential fixed investment fell.

The fourth quarter of 2023 far exceeded analysts' expectations.

# US Employment Situation

## US Nonfarm Employment + Unemployment Rate, Monthly SA



Peak employment: 152.371 million in Feb 2020.

Note: UI rate 3.7%.

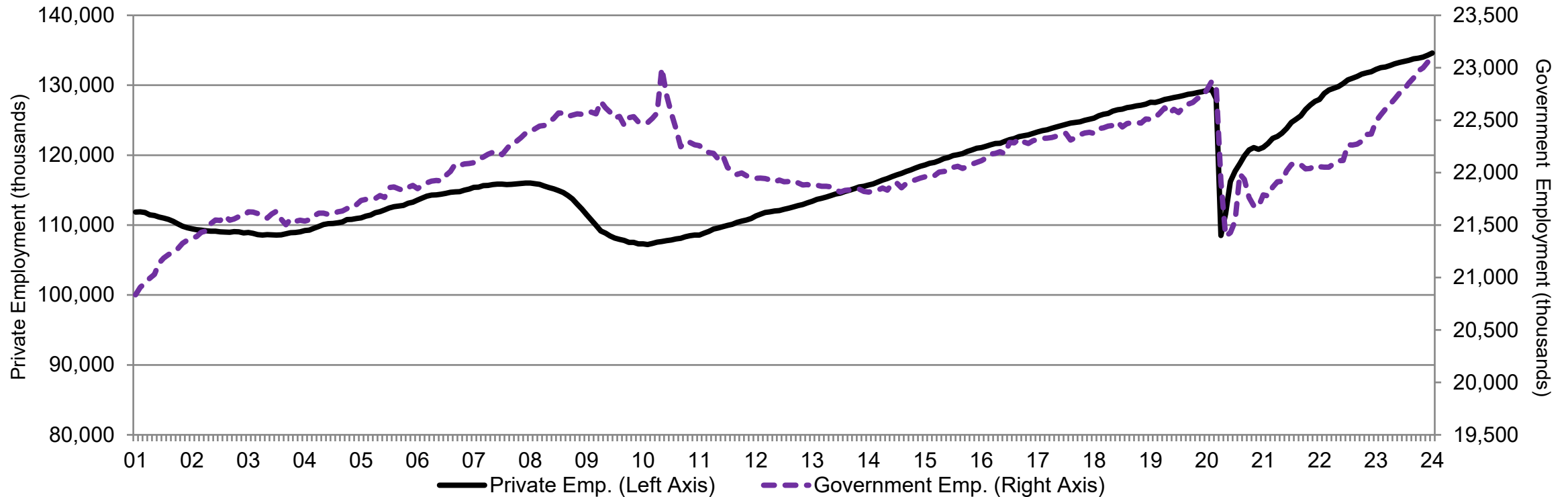
Employment now at 157.700 million.

BLS, through January 2024



# US Employment Situation

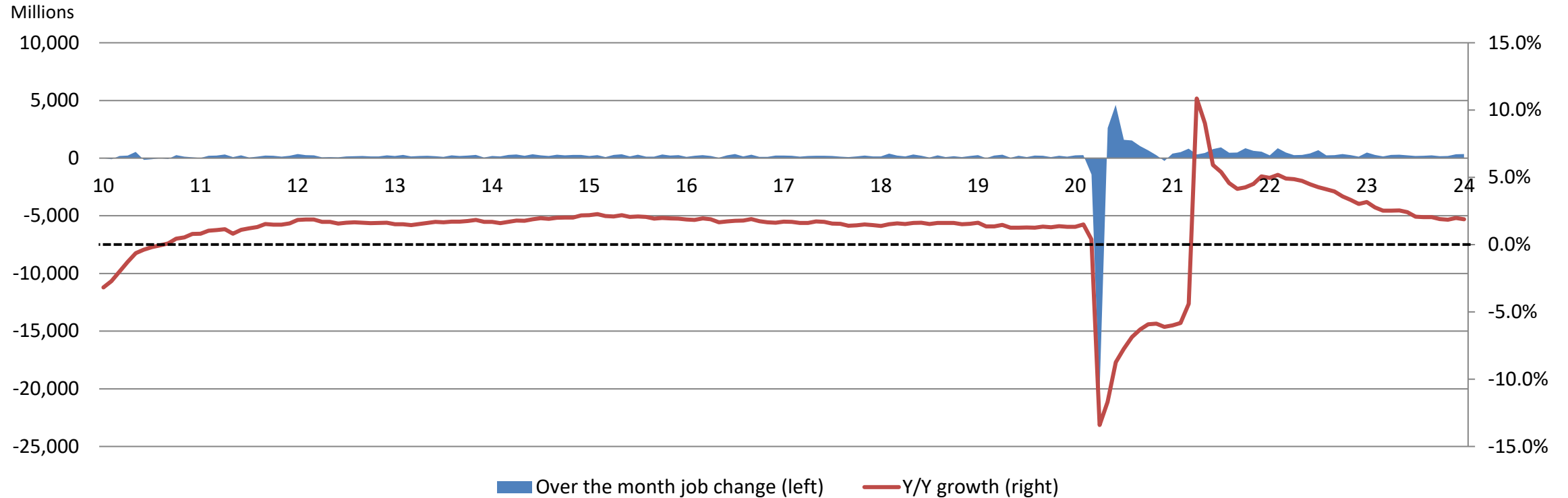
## US Nonfarm Employment, Monthly SA



Recovery driven mostly by private sector (up nearly 5.2 million jobs vs. pre-pandemic). However, government is picking up: now up about 225,000 jobs compared to pre-pandemic levels.

BLS, through December 2023

# Over the Month Job Gains



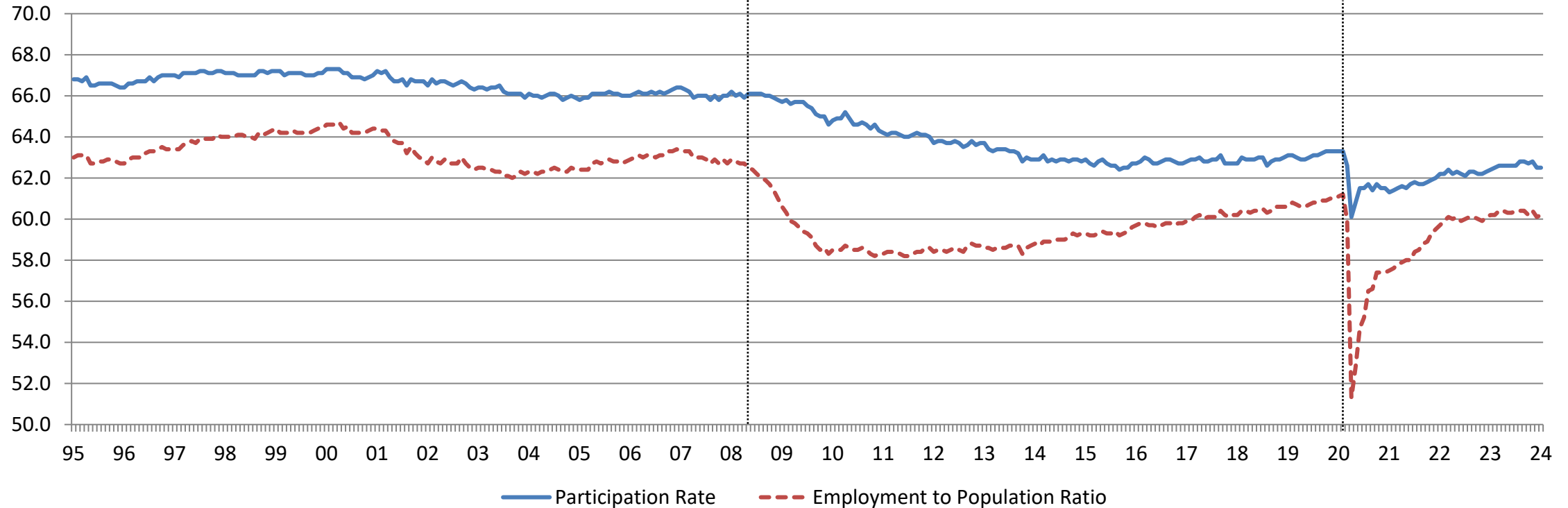
Rate of job addition is generally slowing (about 1.9% y/y).

BLS, through December 2023

# Participation Rate + Employment to Population Ratio

Great Recession

Pandemic

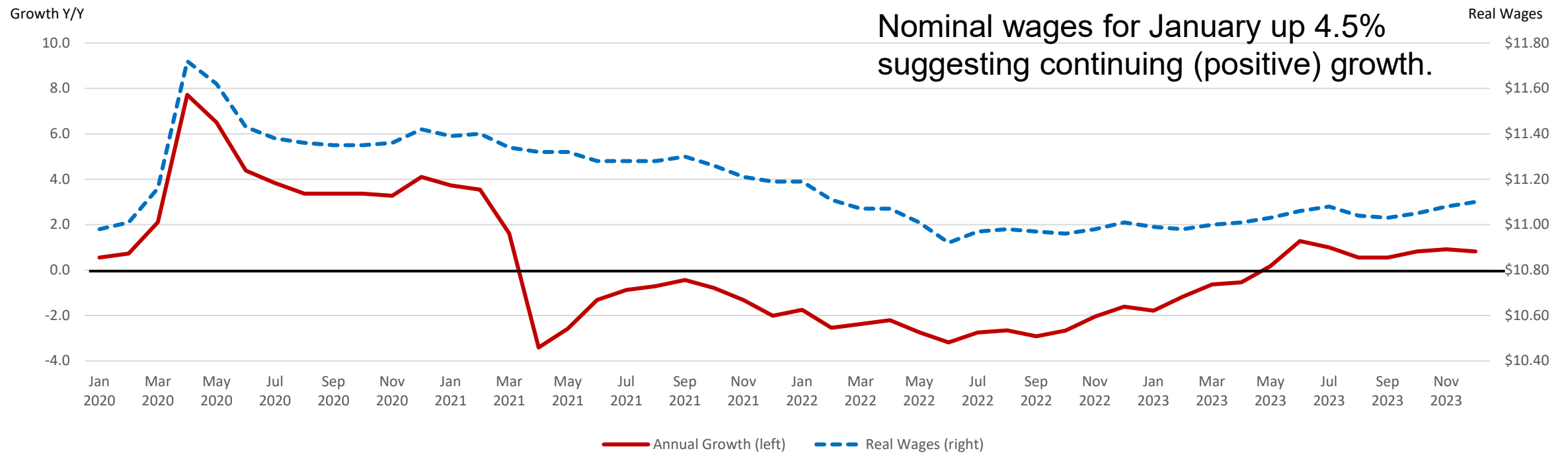


ETP registered 60.2% in January; Participation rate came in at 62.5 in January.

BLS, through January 2024

# Real Private Sector Wages & Wage Growth

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



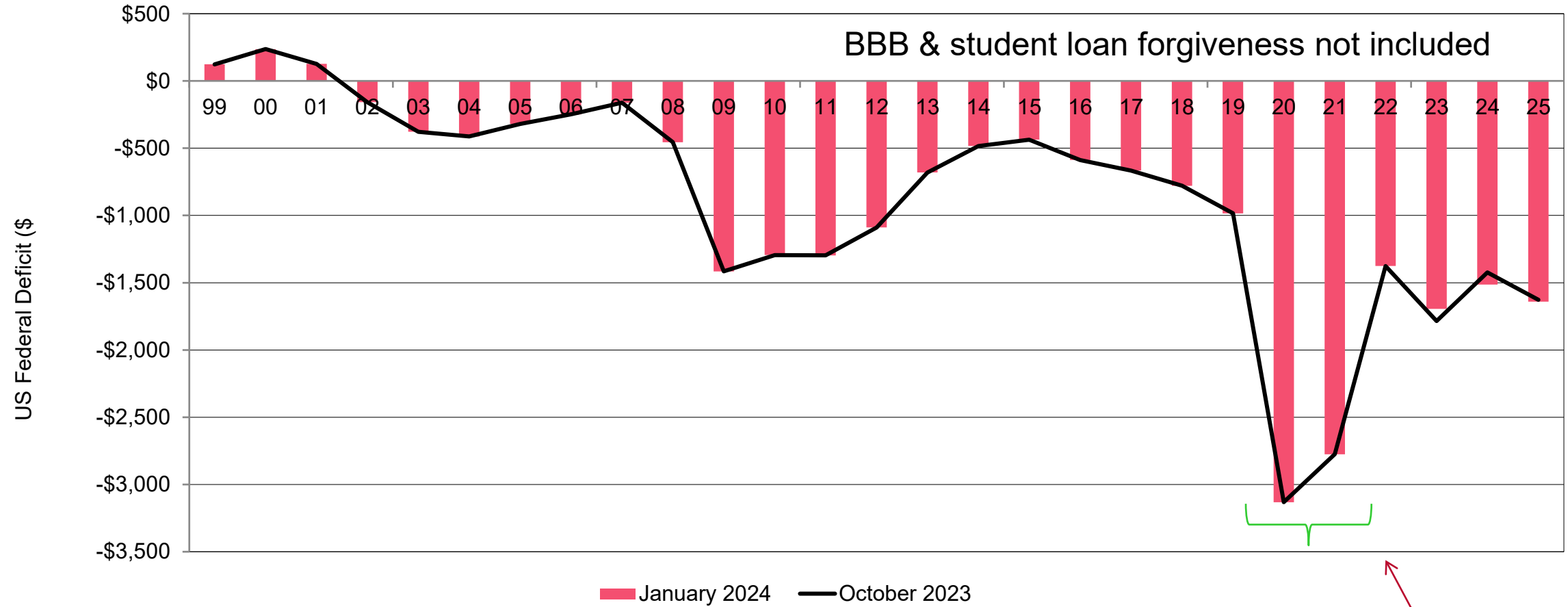
BLS, through December 2023



# US Forecast: Key Assumptions

- ❑ **Federal fiscal policy:** The debt ceiling is suspended through 2024 but assumed raised before then without incident. Includes swath of COVID-related expirations (Child Tax Credit, SNAP, Medicaid FMAP, etc.) Does not include student debt relief beyond what has already been enacted.
  - ❑ **Monetary policy:** Starting in March, the Fed will cut its policy rate four times in 2024, to the range of 4.25% - 4.50% by December, and eventually to 2.50% - 2.75% by early 2026.
  - ❑ **World GDP:** Growth of real, trade-weighted foreign GDP slows from 2.0% in 2023 to 1.8% in 2024, then rebounds to 2.5% by 2026.
  - ❑ **Trade policy:** Tariffs enacted by the US and China since 2017 remain in effect.
- More assumption details in NM and US narratives.

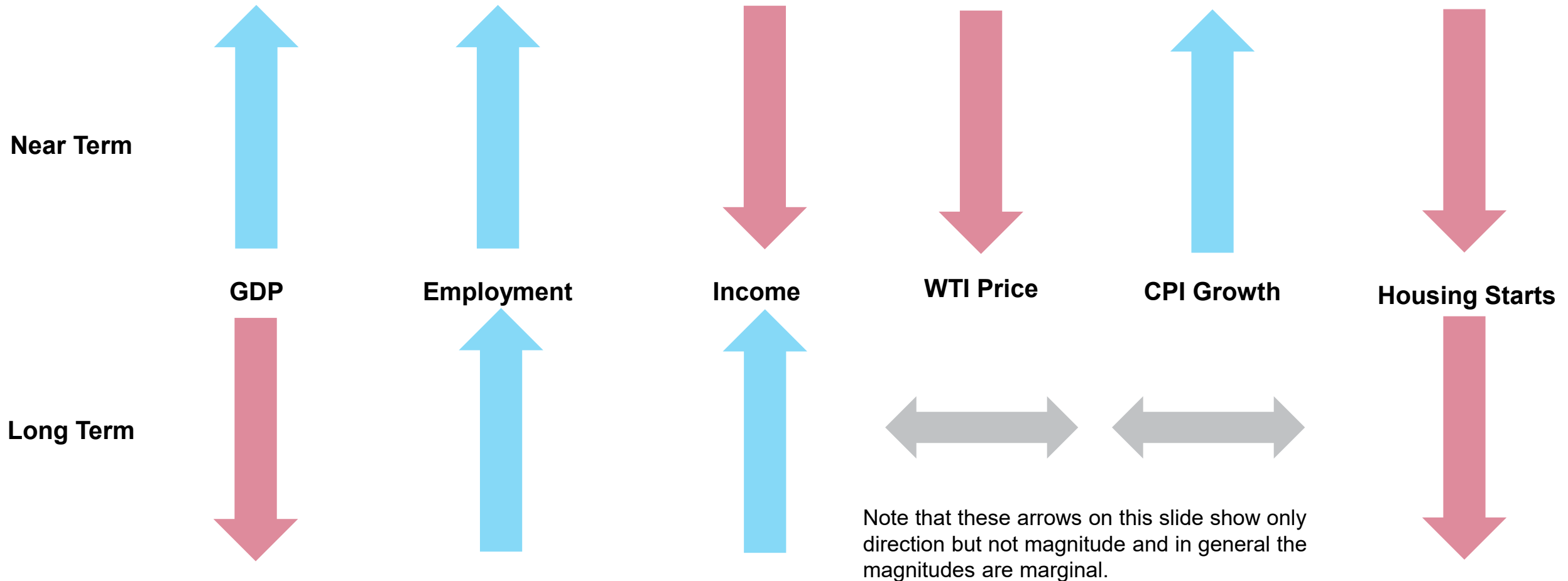
# Comparison of Federal Deficit



S&P Global, January 2024 + October 2023

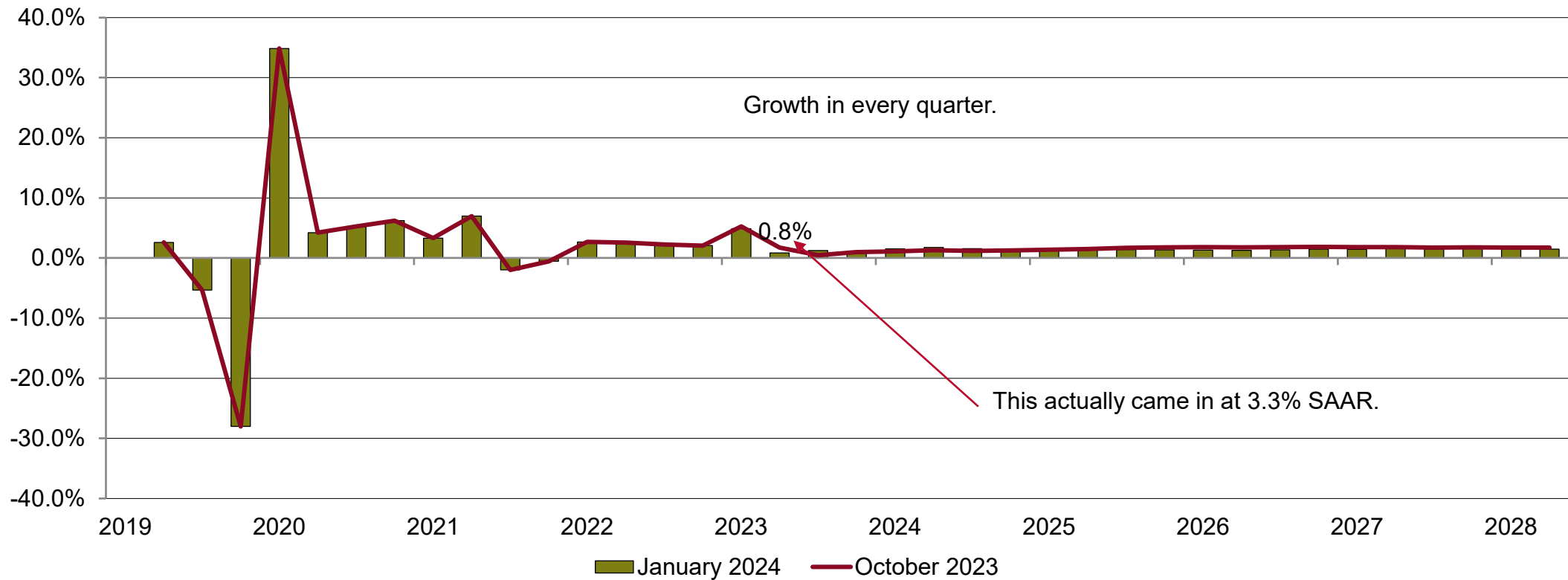
Multiple rounds of fiscal stimulus

# Changes in S&P Forecast from October



# US Real GDP Forecast Comparison

Growth (%) in Real GDP, Quarter-Over-Previous-Quarter, SAAR

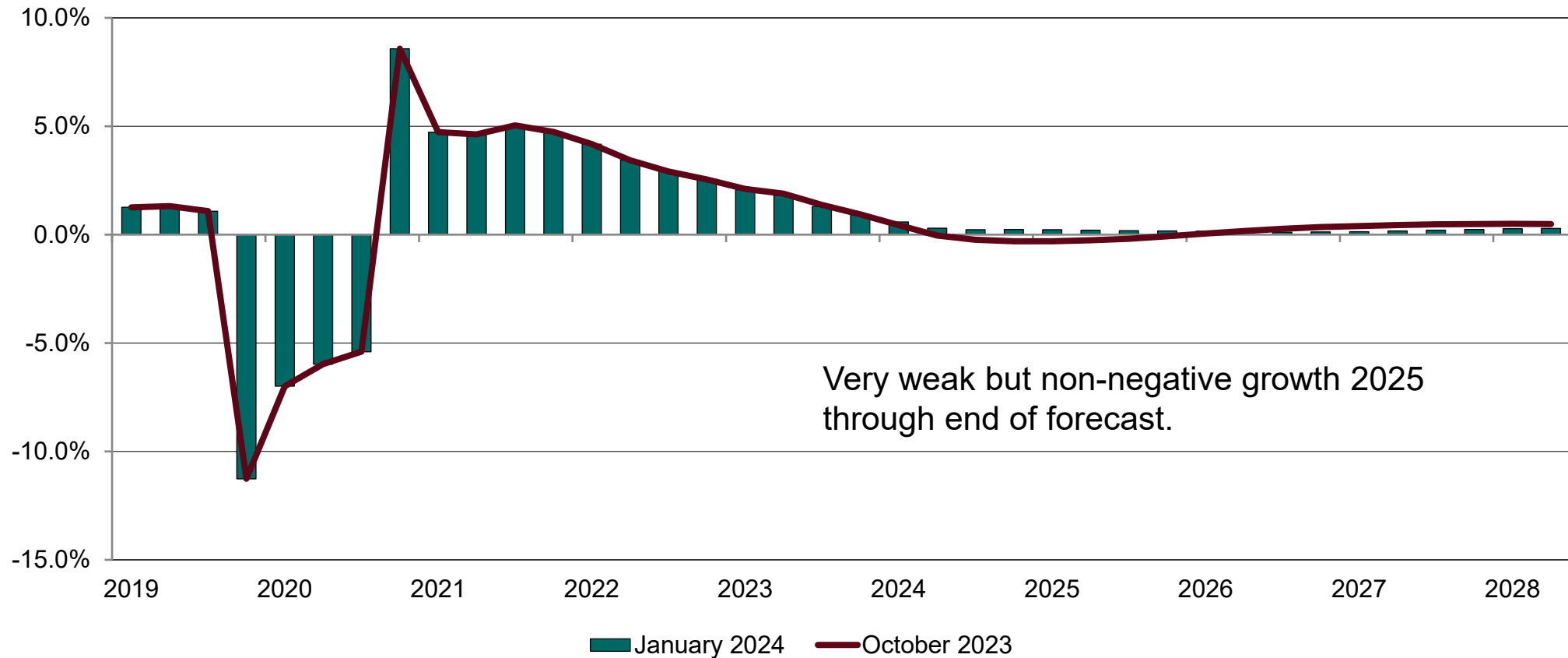


S&P Global, January 2024 + October 2023



# US Employment Forecast Comparison

Growth (%) Employment, Year-over-Year



S&P Global, January 2024 + October 2023

# US Employment Forecast by Sector

Increase (Decrease) in US Payroll Employment from Previous Calendar Year, Actual & Forecast (Thousands)									
Employment Sector	2021	2022	2023	2024	2025	2026	2027	2028	2029
Construction	179	313	211	163	74	105	80	118	113
Manufacturing	189	473	155	(170)	(588)	(281)	(161)	(145)	(61)
Trade, Transportation & Utilities	1,037	1,005	191	(327)	(368)	(26)	(44)	(198)	(223)
Prof. & Bus. Services	1,013	1,192	384	35	393	(87)	(53)	377	427
Health Care & Soc. Asst.	270	491	898	810	327	94	182	171	119
Leisure & Hospitality	1,015	1,704	765	255	154	247	(25)	(171)	(128)
Other Private	436	960	407	80	254	111	155	174	87
Government	(11)	207	545	362	119	94	84	81	79
Total Nonfarm Payrolls	4,128	6,344	3,557	1,209	364	257	217	406	414
Annual Growth	2.9%	4.3%	2.3%	0.8%	0.2%	0.2%	0.1%	0.3%	0.3%

S&P Global, January 2024

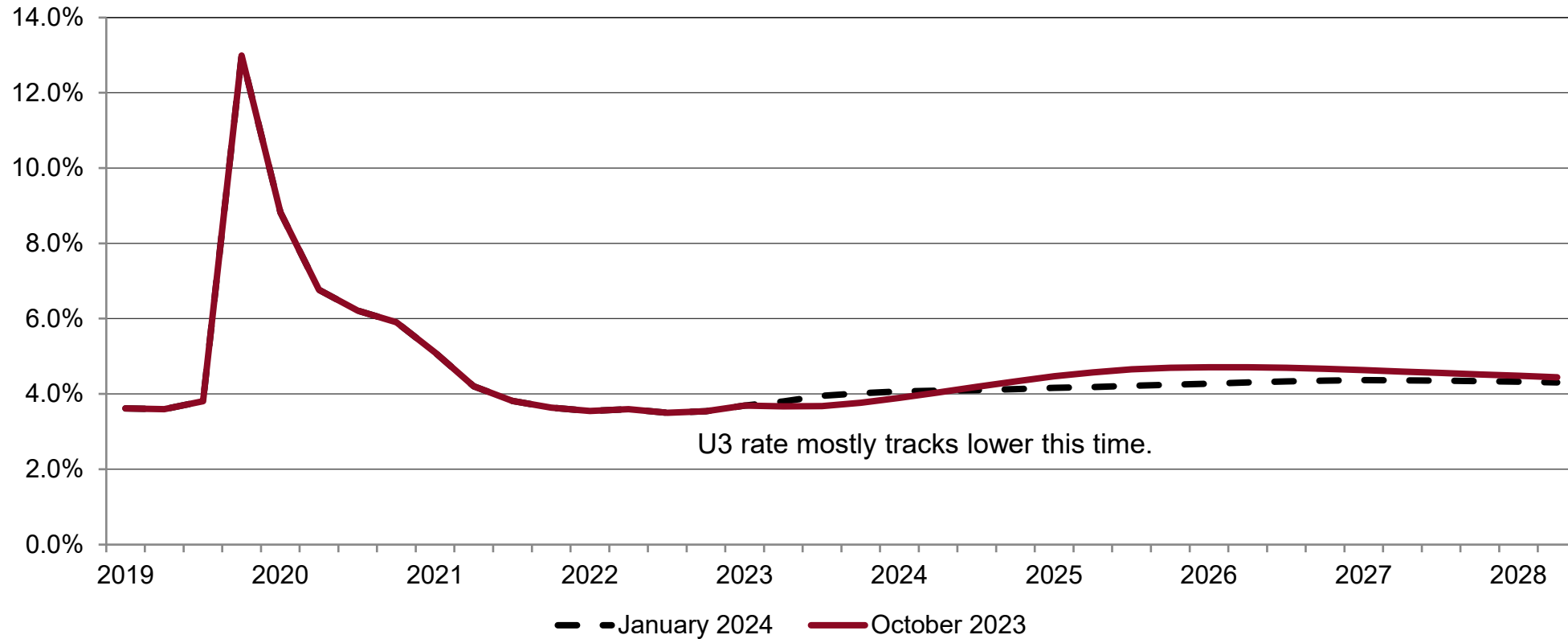
Manufacturing ends the period about 1.25 million jobs below pre-pandemic levels. Even with losses to Trade, ends basically at 2019 levels.

S&P Global, January 2024

Total employment: 8.2 million jobs (5.4%) above 2019 levels by 2029.

# US Unemployment Comparison

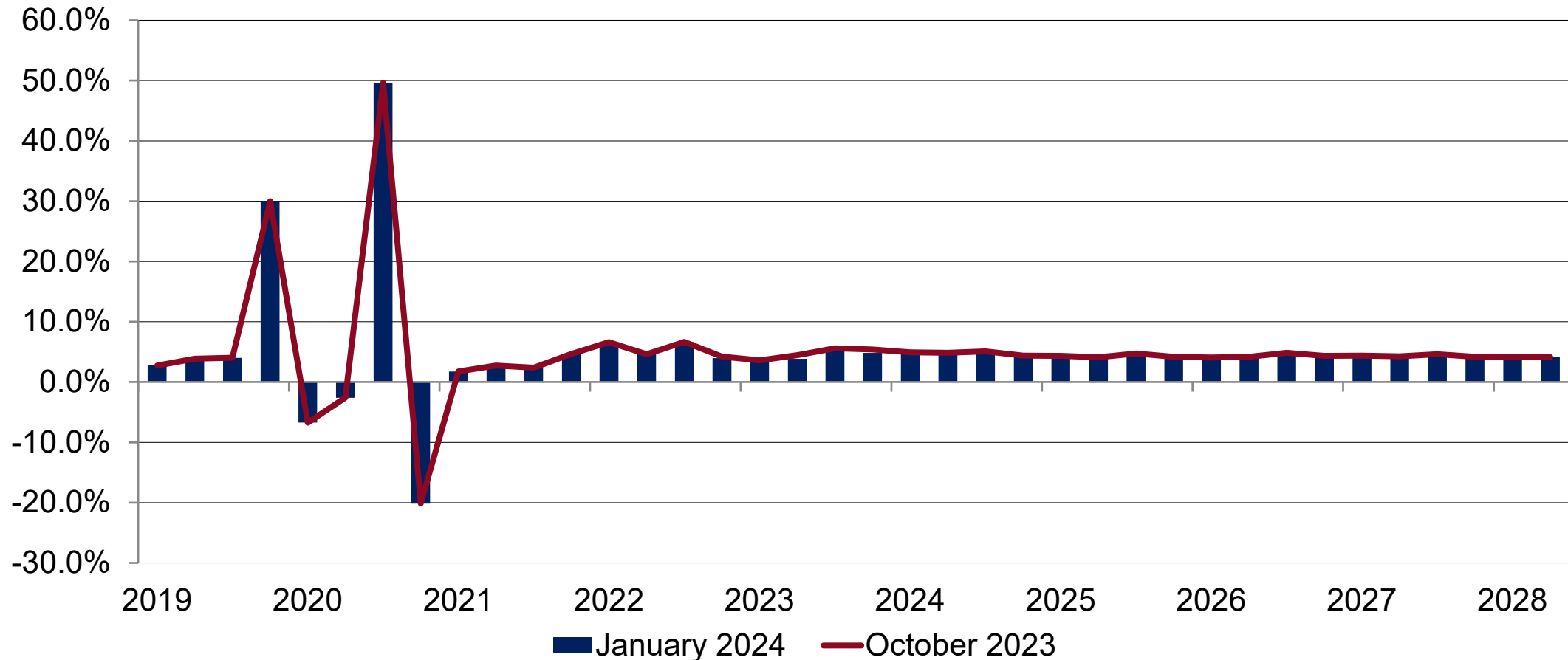
## US Unemployment Rate, SA



S&P Global, January 2024 + October 2023

# Personal Income Forecast Comparison

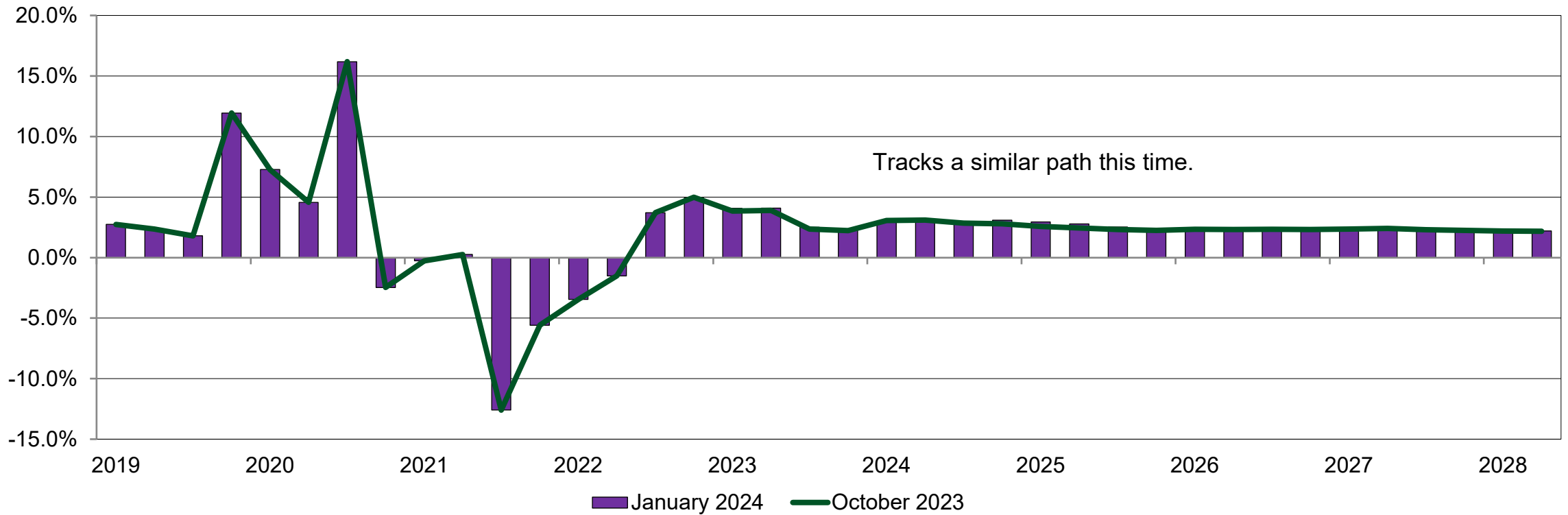
Growth In Personal Income (SAAR) Year-over-Year



S&P Global, January 2024 + October 2023

# Real Disposable Income Comparison

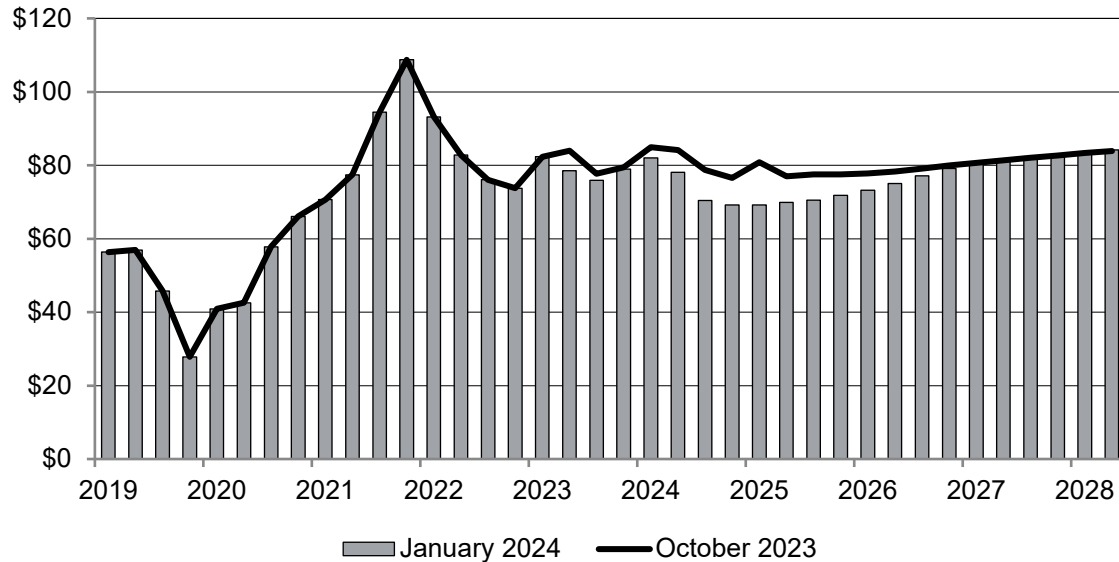
US Real Disposable Income, Year-over-Year



S&P Global, January 2024 + October 2023

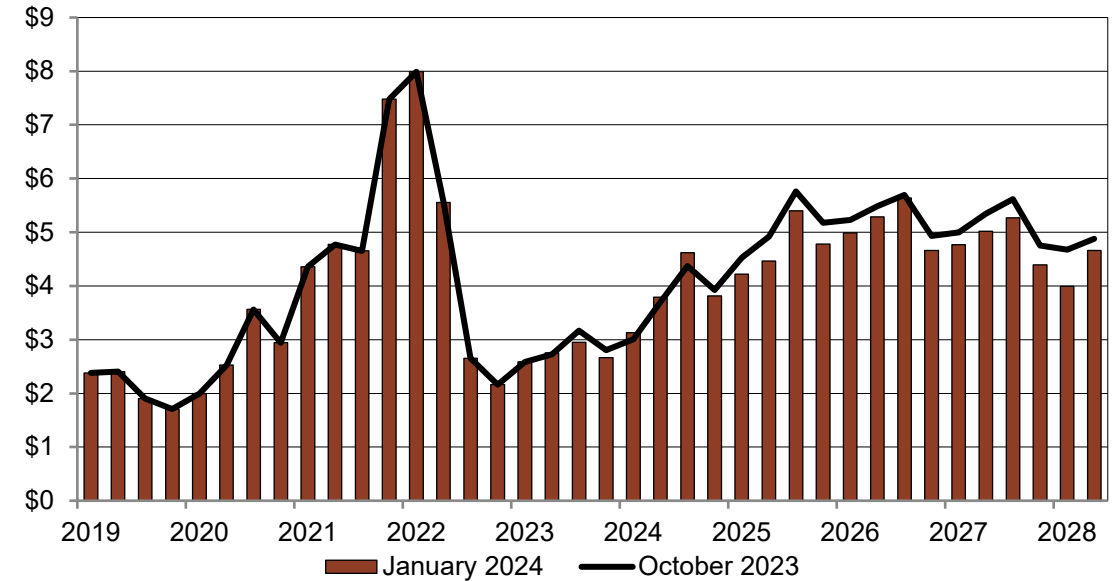
# Oil and Gas Spot Prices

WEST TEXAS INTERMEDIATE, SPOT  
PRICE PER BARREL



Similar, but slightly lower price expectations.

HENRY HUB PRICE FOR NATURAL  
GAS PER MMBtu



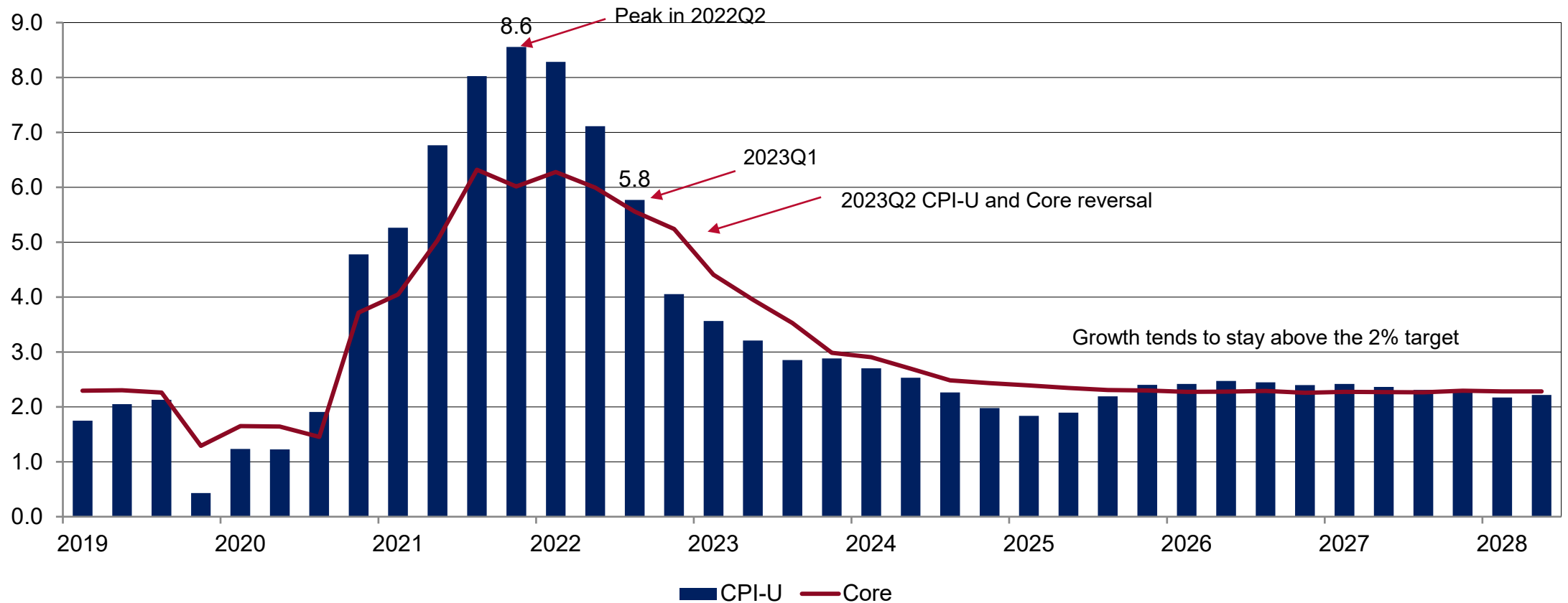
Price expectations have been all over the place; this time the series is mostly lower.

S&P Global, January 2024 + October 2023



# Consumer Price Index

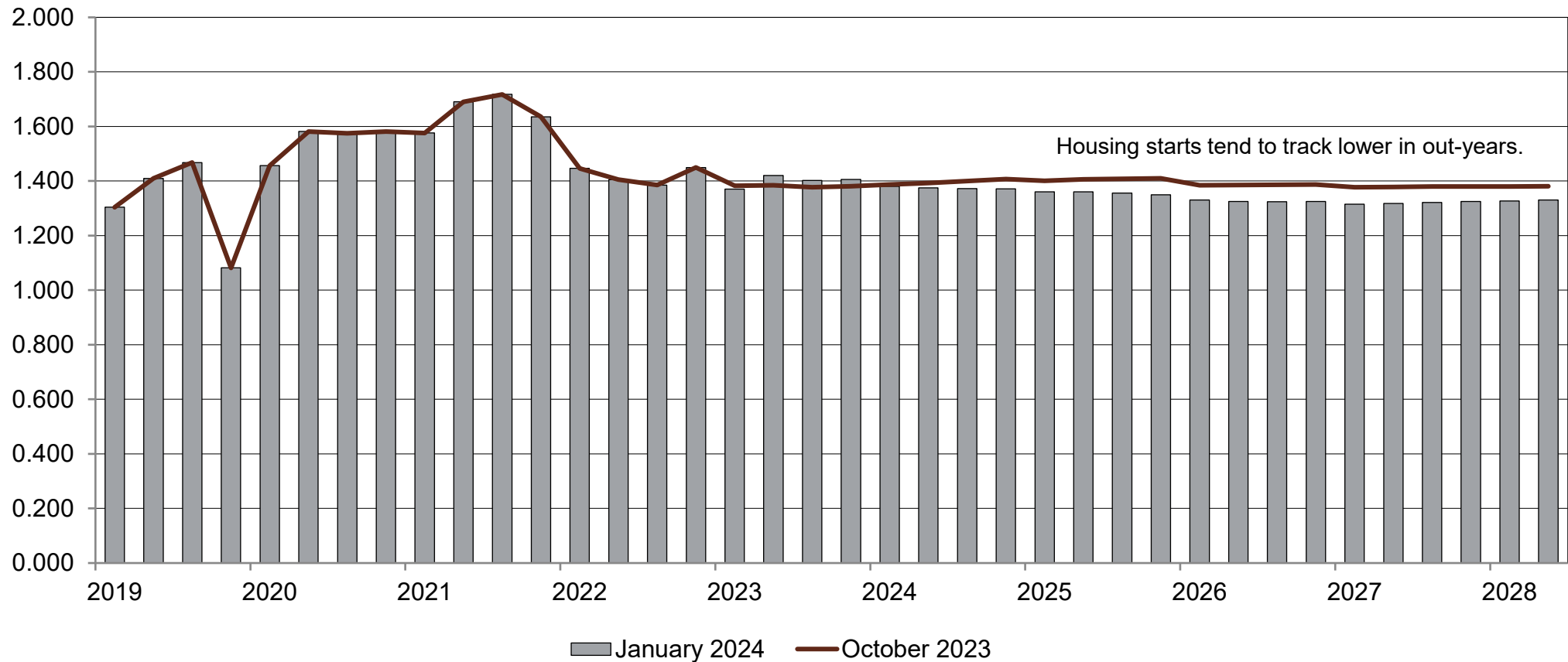
Y/Y Percent



S&P Global, January 2024

# US Housing Starts

Millions (annualized)

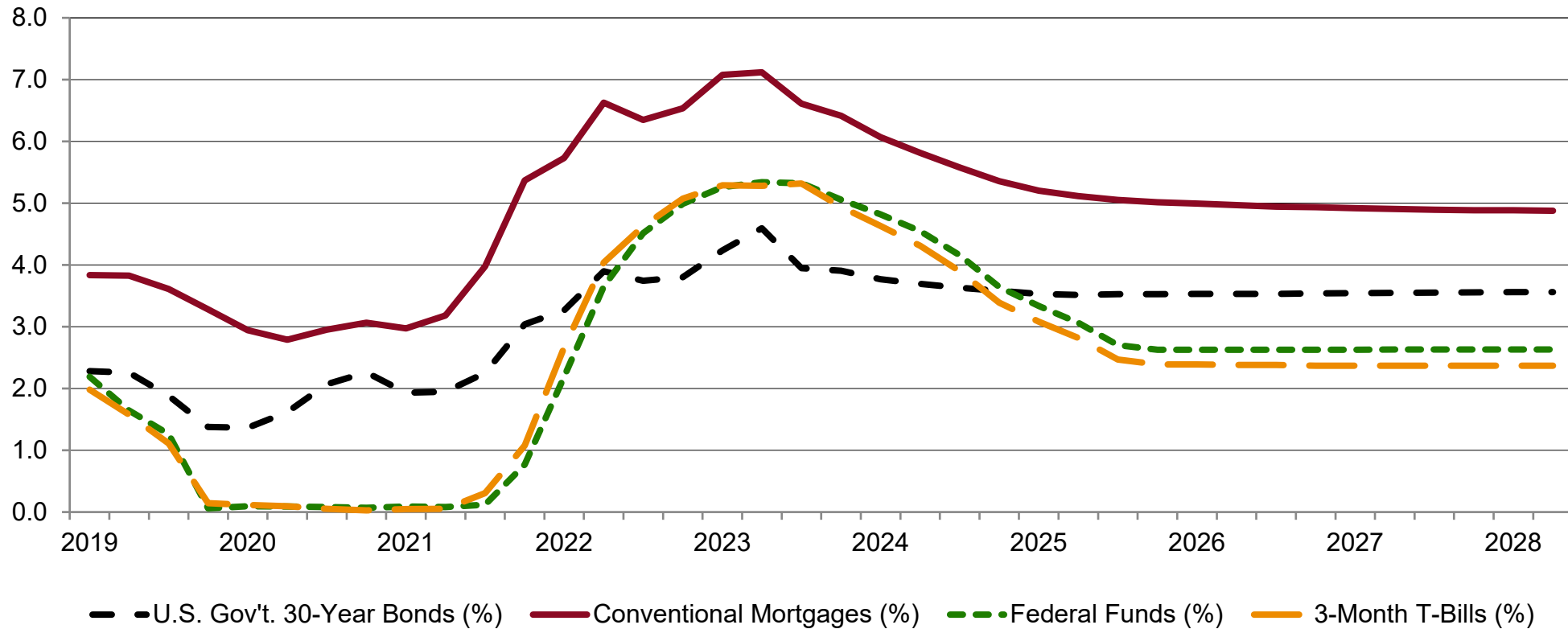


S&P Global, January 2024 + October 2023

# Interest Rates

Percent

Rates peak in 2023 and slowly moderate.



S&P Global, January 2024

# New Mexico Review

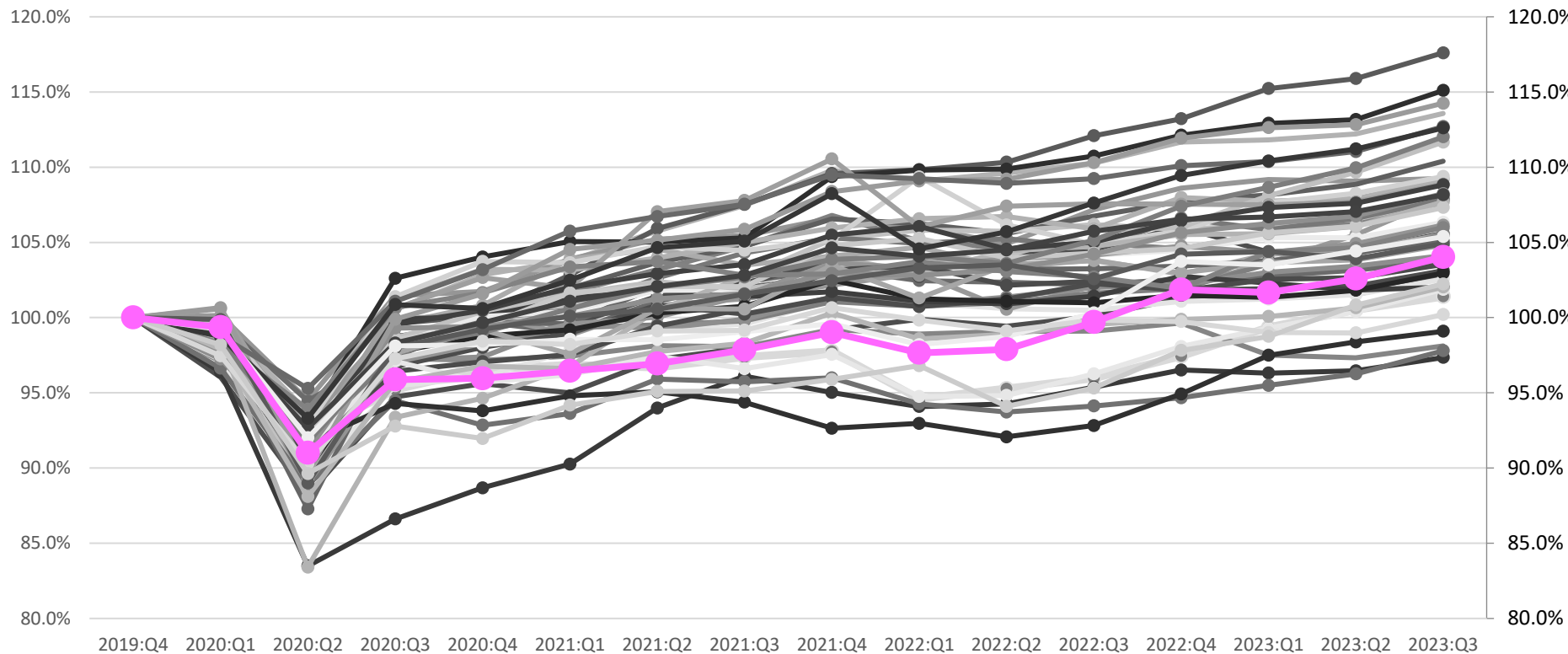


# New Mexico Current Economic Situation

- We've said it the last several quarters, but COVID is way in the background; other issues are more pressing.
- At its lowest, NM down about 90,000 jobs. 2023Q2 QCEW data now available:
  - Total employment in that quarter likely ABOVE pre-pandemic levels by about 0.5%-1.0%.
- Other employment data (CES) suggests continued improvement. By December 2023, data suggest that NM is now ABOVE pre-pandemic levels by about 1.5%.
- Unemployment rate is staying moderate.
- Oil: WTI around \$70-\$77/barrel.
  - Drilling and production still robust, but is it starting to plateau?

# BEA Gross State Product

NM now about 4% above pre-pandemic highs.



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

This series has been revised and puts GSP in a slightly better light for NM.

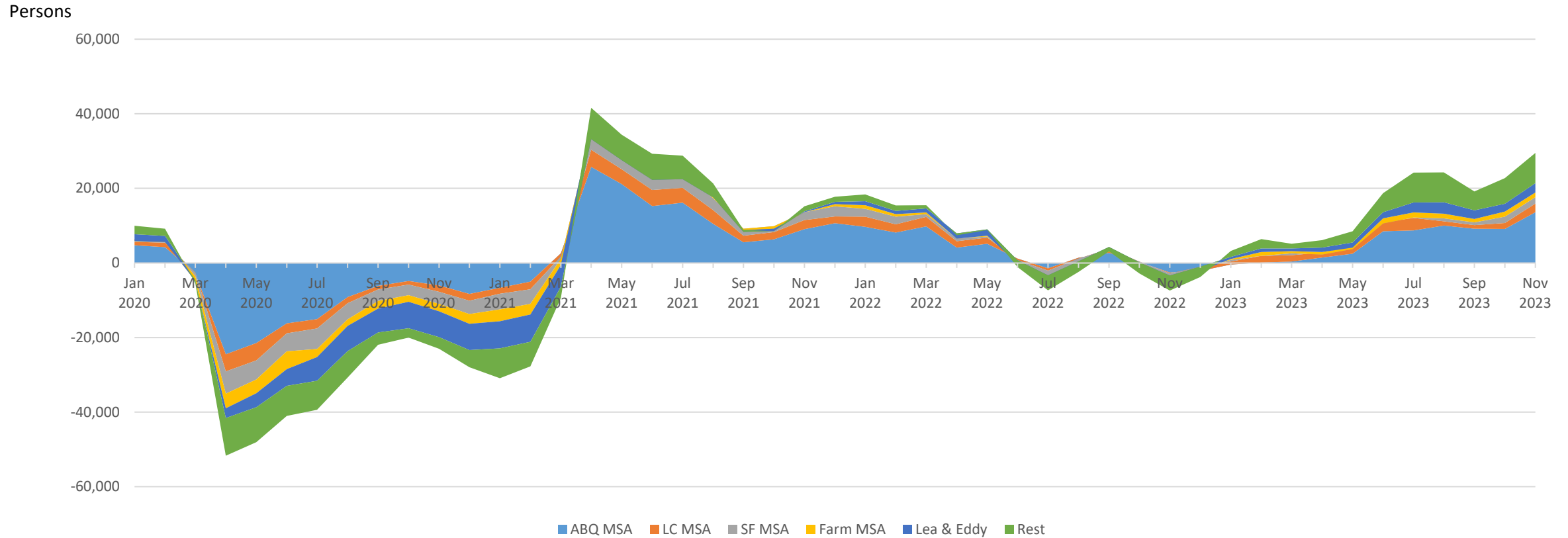
Still, through 2023Q3, 34 states have had greater recoveries in GSP.

— = New Mexico

Source: Bureau of Economic Analysis

# Y/Y Change in NM Labor Force by Place

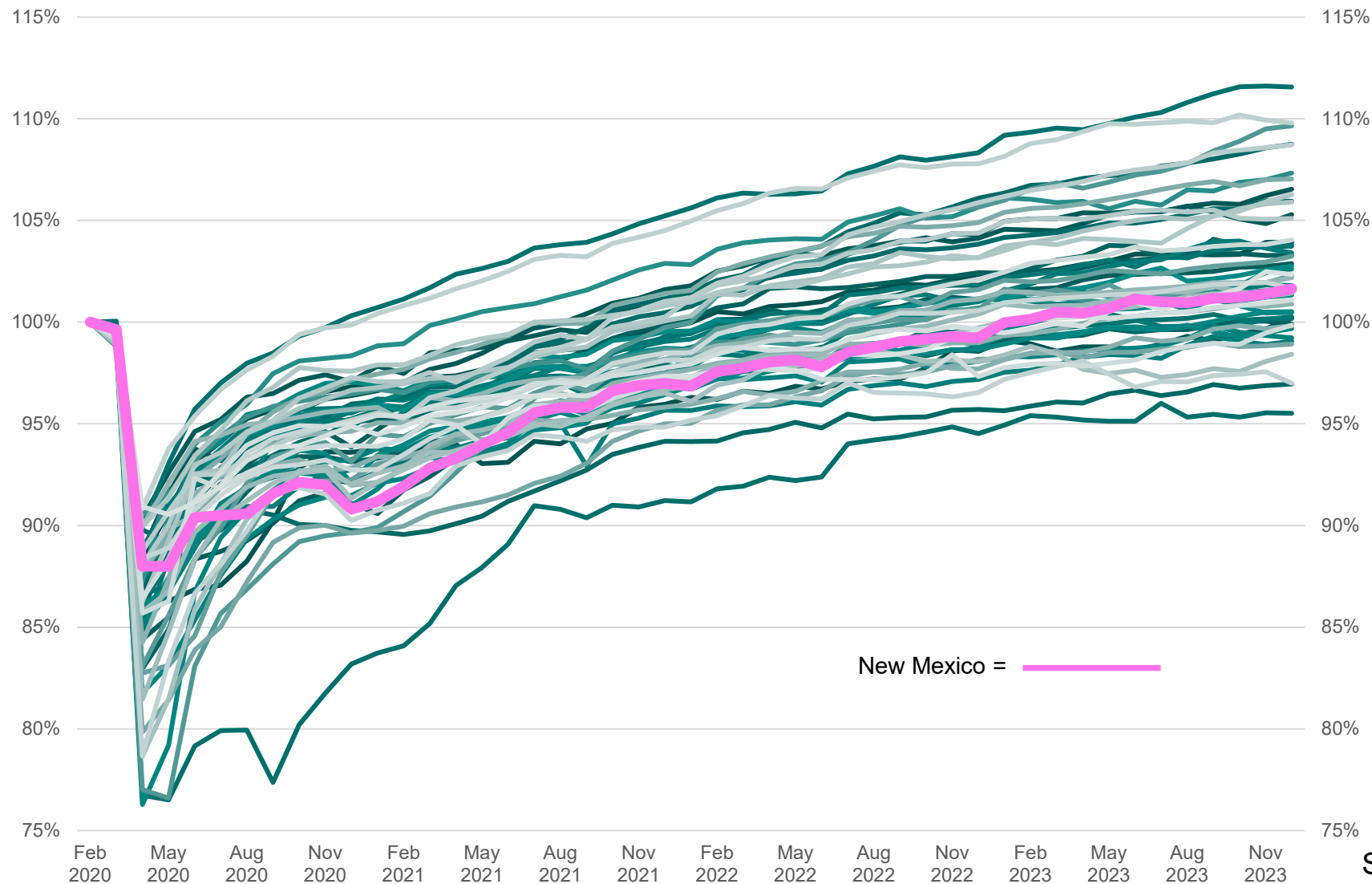
Revised data suggests that the NM labor force is now about 1% above the pre-pandemic peak.



Source: BLS & NMDWS LAUS



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

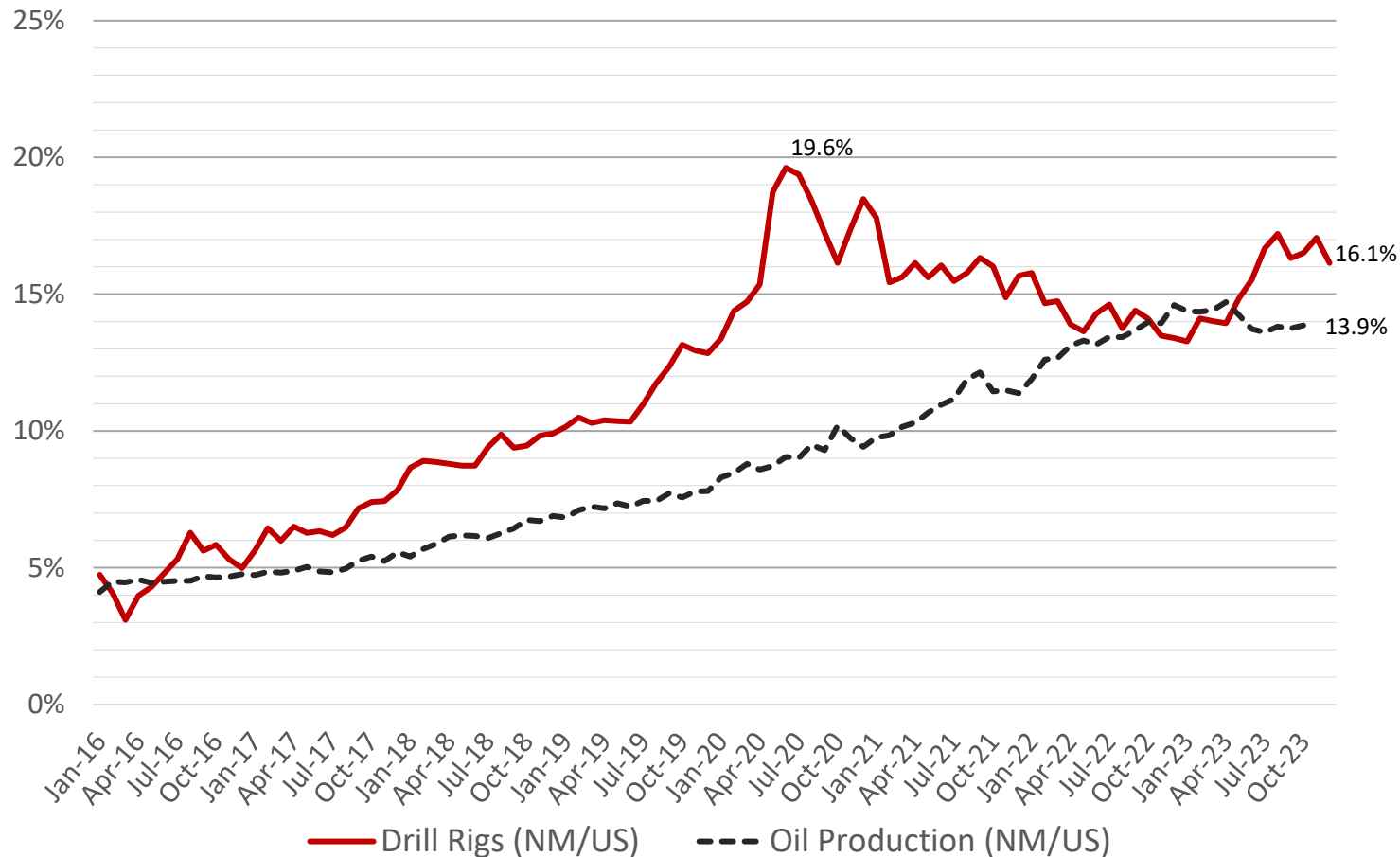


## Change in Employment (CES data)

- As of December 2023, NM has recovered about 102% of the jobs it lost at the start of the pandemic.
- 29 states have had stronger recoveries than NM.
- Other surrounding states: AZ 107%; CO 103%; OK 102%; NV 110%; CA 103%.

Source: BLS CES, through December 2023

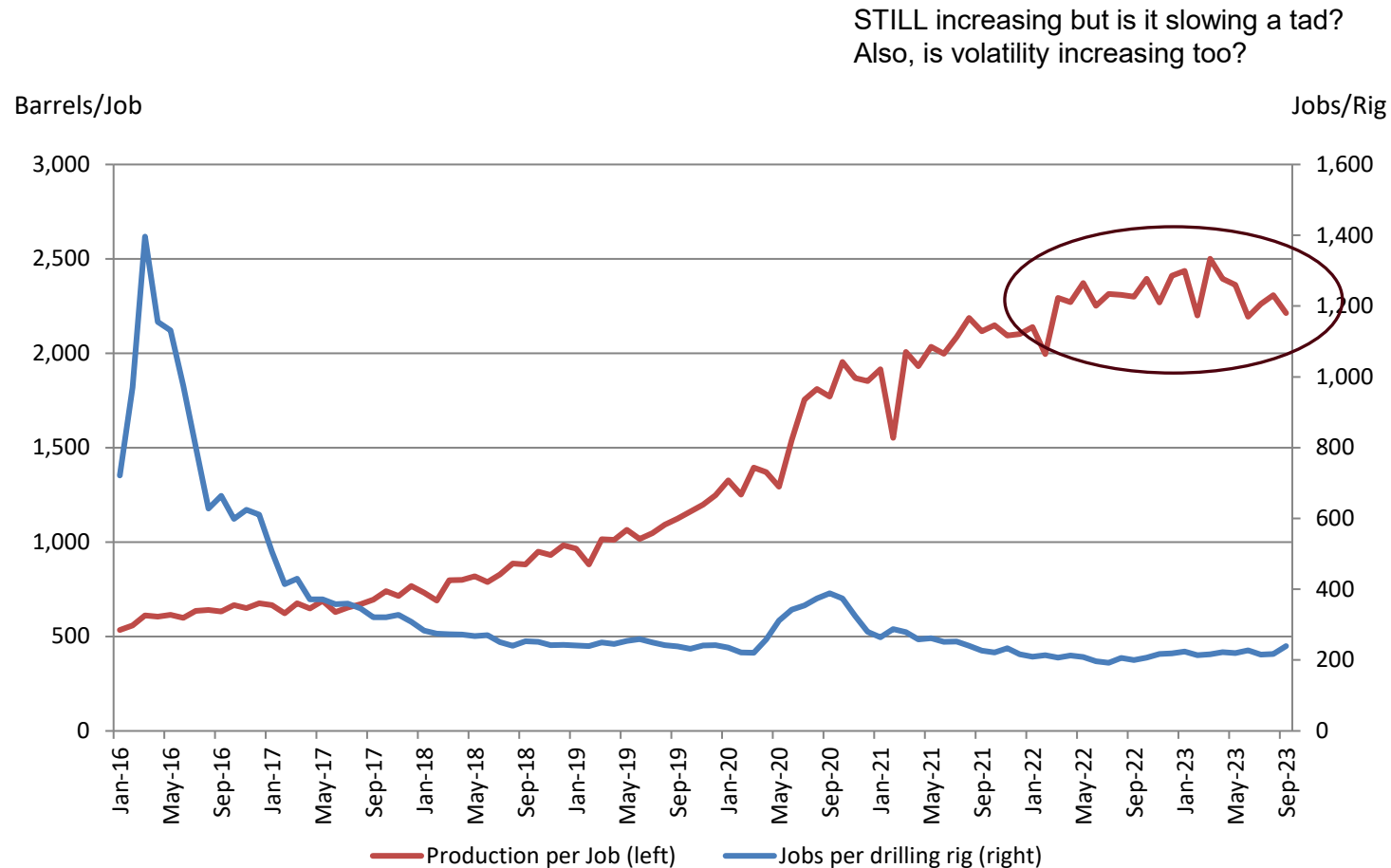
# Increased NM Field Oil Production Presence



- January 2023 averaged 98 rigs. First month below 100 since May 2022.
- About 16% of all US drilling rigs are in New Mexico.
- Slightly less than 14% 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% of US gas production by volume.

Sources: EIA, Baker Hughes. Calculations: BBER

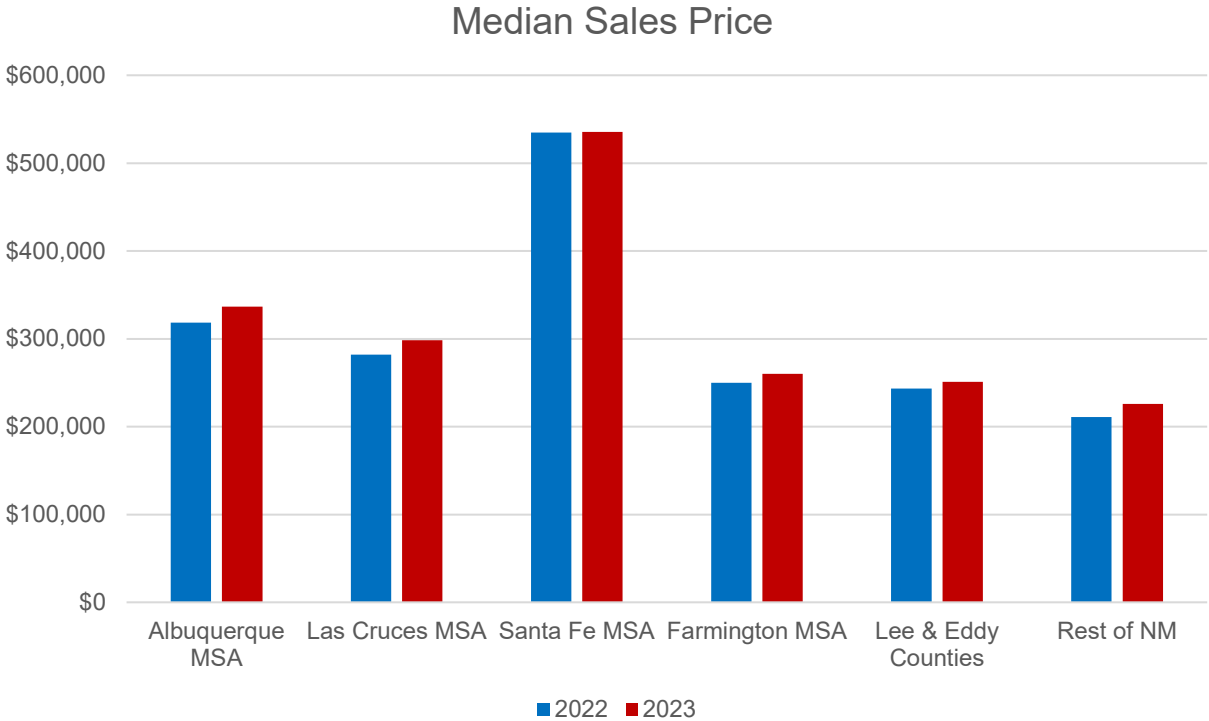
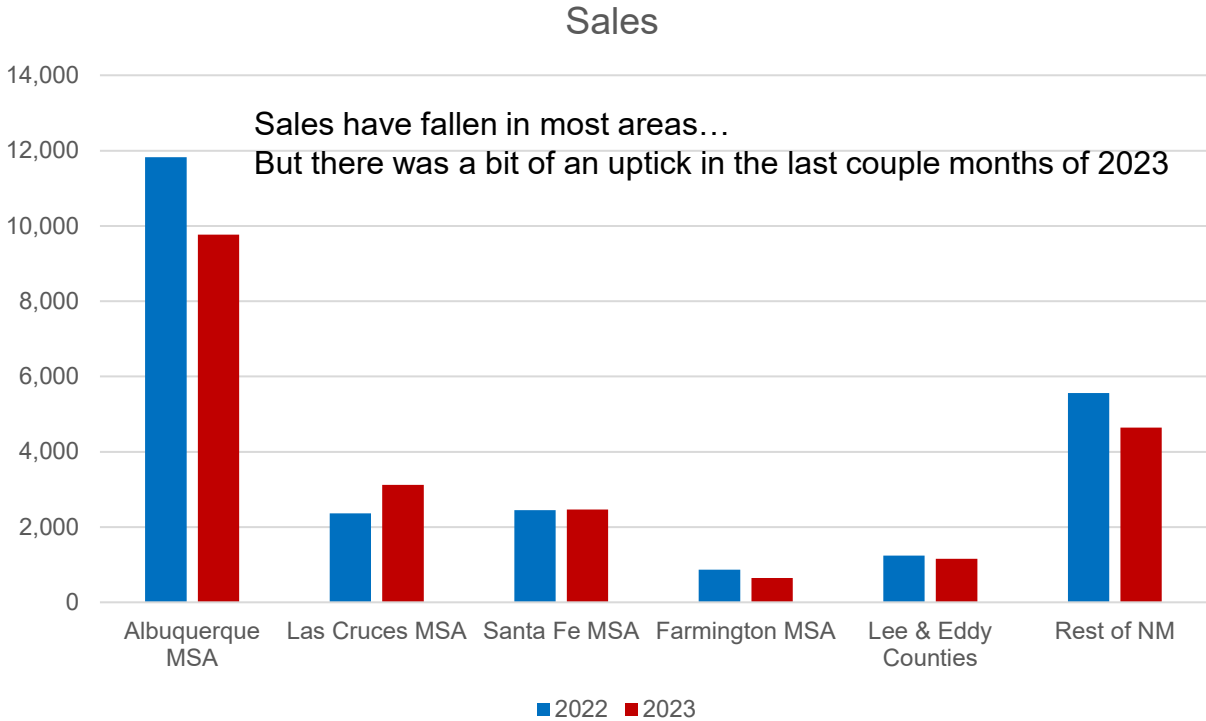
# Move toward more “efficient” production



- NM “mining” jobs averaged about 20,000 in 2016, peaked at 26,000 in 2019 and is now around 24,500 (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 Dec. 2023 versus 2022

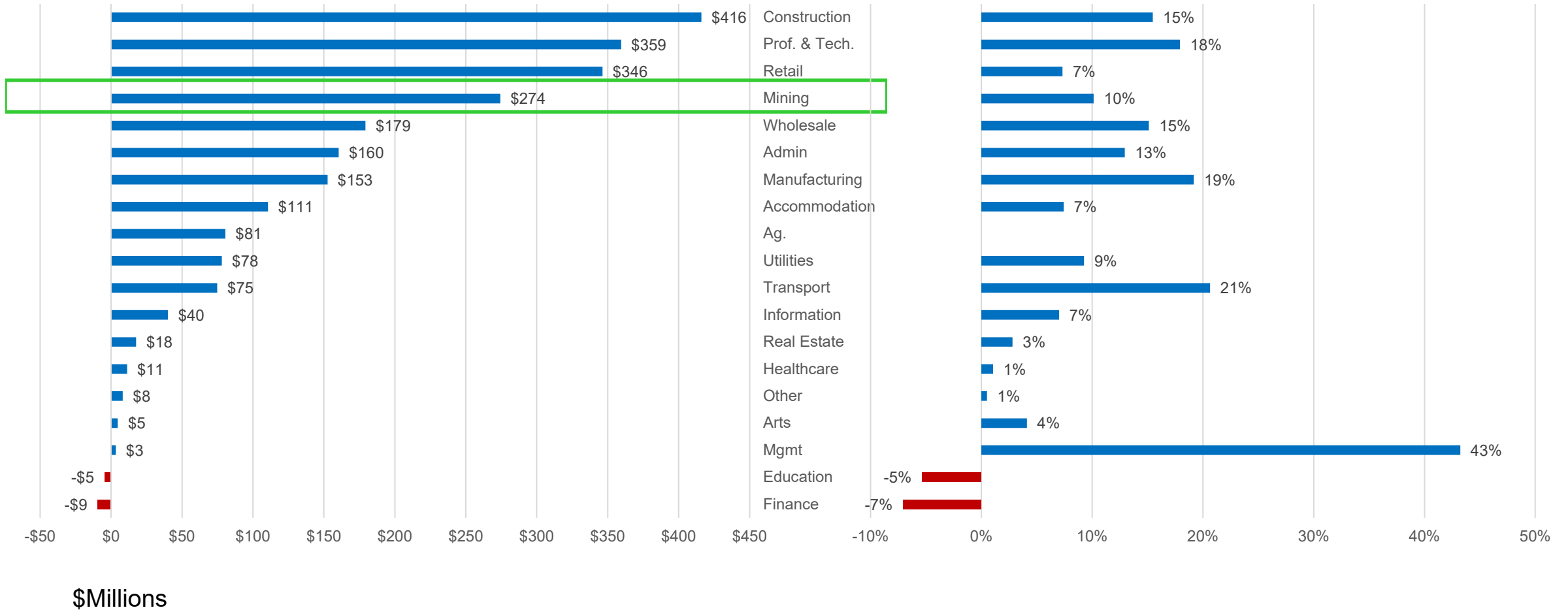


- Data through December 2023 available from NM Realtor's Association: Sales down 10% statewide in 2023 and median price up from \$306k to \$323k (6%) versus same period in 2022. Total value of houses sold down about 5%.
- Greater Albuquerque Realtor's Association has data through December: Sales **down** 18% for the year but median price up 4.5% to \$345k.

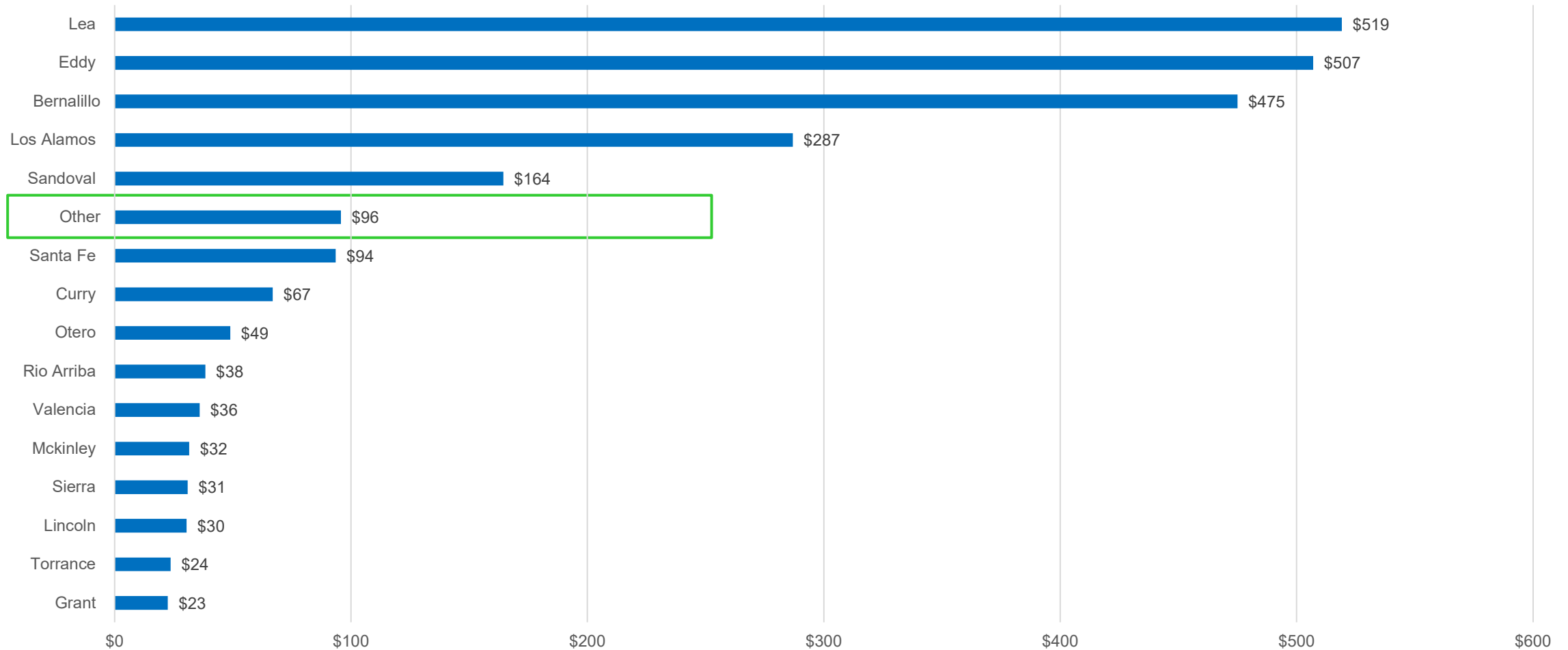
Source: New Mexico Realtors Association, <https://www.nmrealtor.com/housing-trends-2/>

# Taxable GR 2023 vs. 2022 (Q3) by Industry

In aggregate, taxable GR were up \$2.3 billion, or about 10% year-over-year.

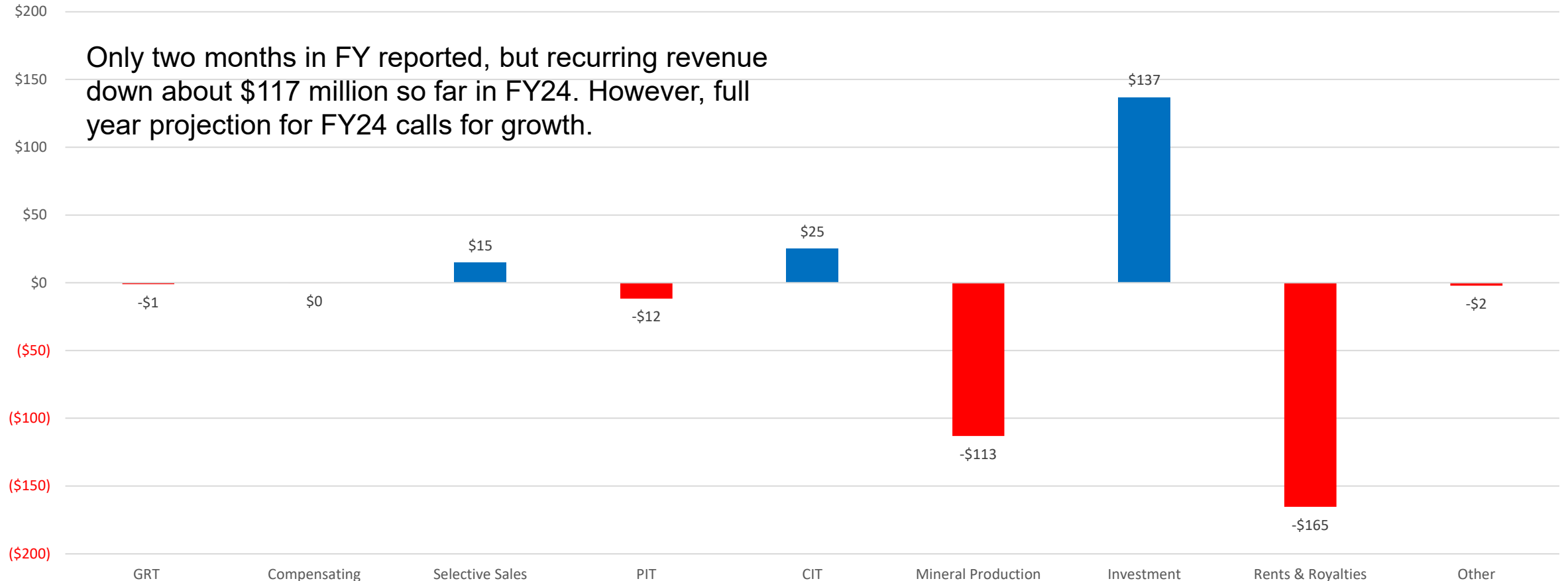


# Taxable GR 2023 vs. 2022 (Q3) by County



Source: NM TRD. Levels in millions of dollars.

# State Recurring Revenue: FY24 vs FY23 (through August 2023)

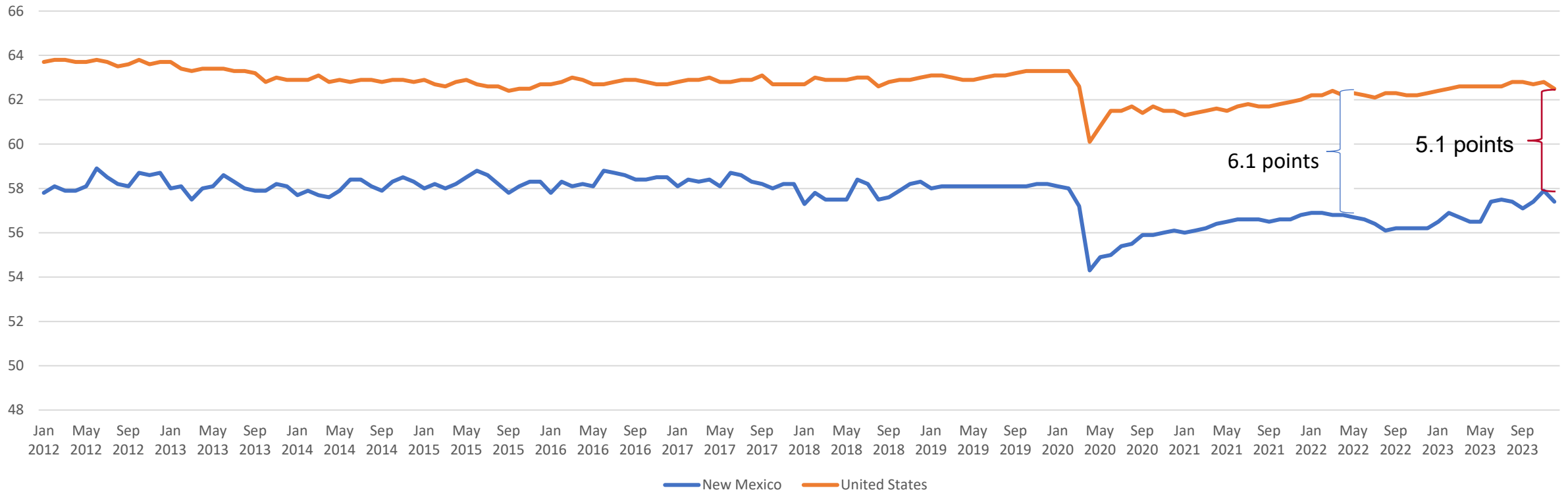


Source: NM LFC (data in millions), [https://www.nmlegis.gov/entity/lfc/Revenue\\_Economic\\_Reports\\_And\\_Tax\\_Policy](https://www.nmlegis.gov/entity/lfc/Revenue_Economic_Reports_And_Tax_Policy)



# NM vs. US Participation Rate

New Mexico has trailed the US in terms of participation rate for some time. Larger differential than right before pandemic; gap narrowing slightly.



Source: BLS & NMDWS LAUS, through December 2023

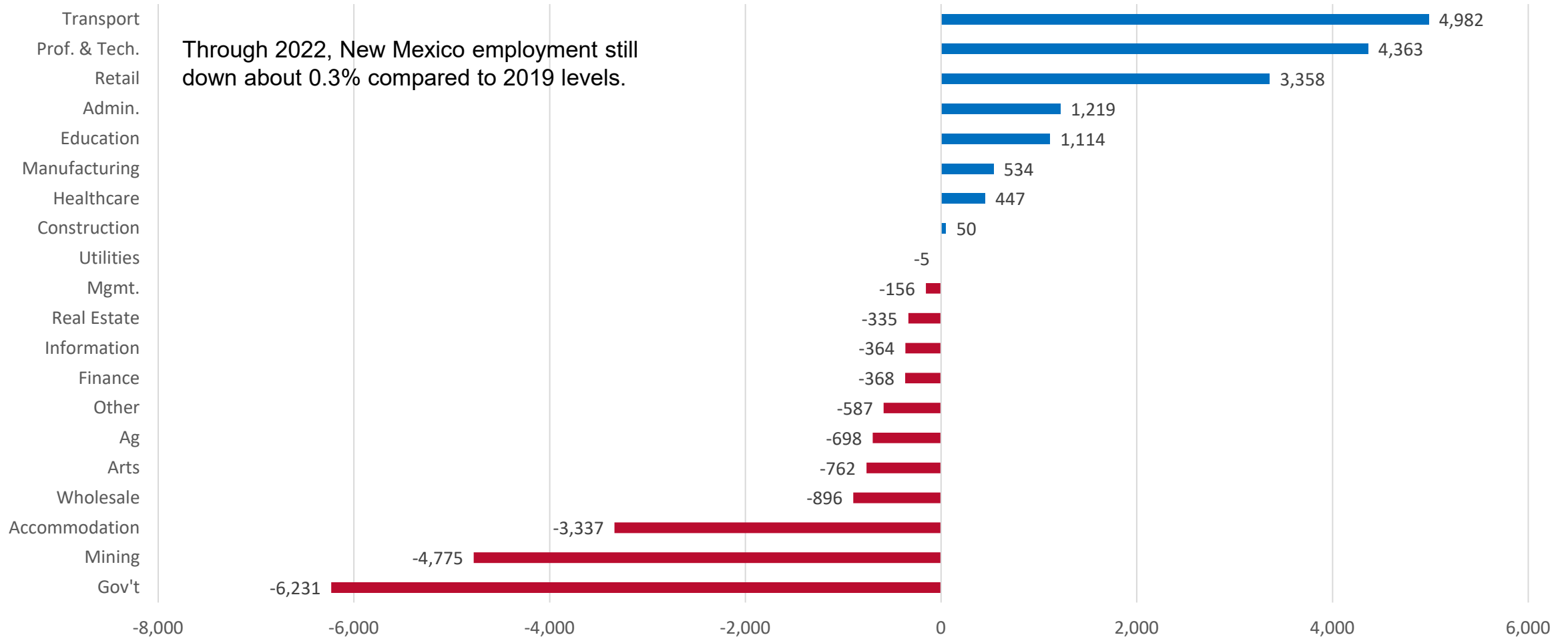
# New Mexico Outlook



# New Mexico Economic Outlook 2024-2029

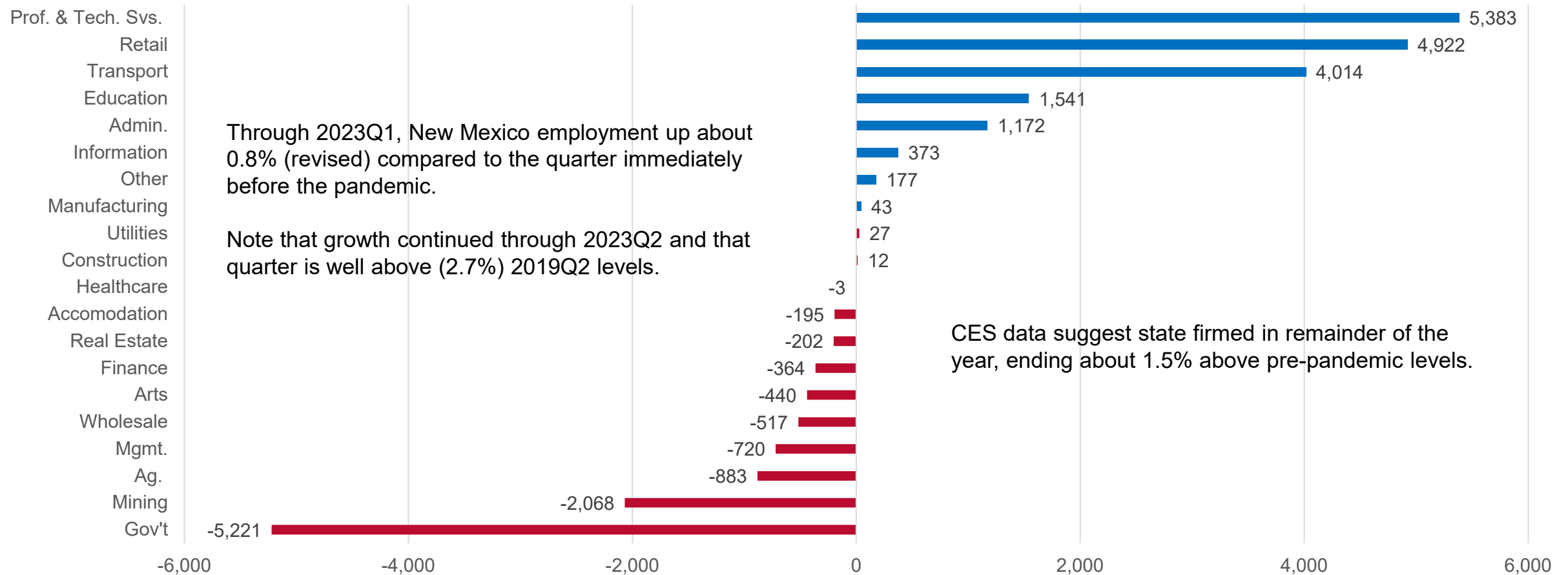
- National slowdown weighs things down beginning 2025 (but still, no “recession”).
  - a. NM grows at a similar rate to US in 2024 and a bit faster starting 2025.
  - b. Pessimistic scenario: Job loss in 2024 & 2025. Modest recovery thereafter.
  - c. Pessimistic 2 scenario: Severe job loss in 2024 & 2025. Slow recovery thereafter.
- Loss of 89,700 jobs year-over-year (-10.5%) in 2020Q2. Most recent QCEW data (through 2023Q2) suggest that the state was already 0.8%-1.0% ABOVE pre-pandemic levels. CES data through December 2023 indicate that state has unequivocally fully recovered (about 1.5% above pre-pandemic peak).
  - Sidenote: Gov’t STILL remains the drag.
- Employment grew 2.0% in 2021 and 4.5% in 2022. Growth of about 2.4% in 2023 then 0.4% per year thereafter.
- Economy exceeded 2019 levels in 2023. By 2029 about 41,000 jobs above 2019 levels (about 4.9% above).
- Income patterns: Pullback of transfers stifled growth in 2022 (1.9%), but then advanced 4.5% in 2023. From 2024 through 2029, growth should average about 4.6% per year.

# Job Growth/Loss by Sector 2019 through 2022



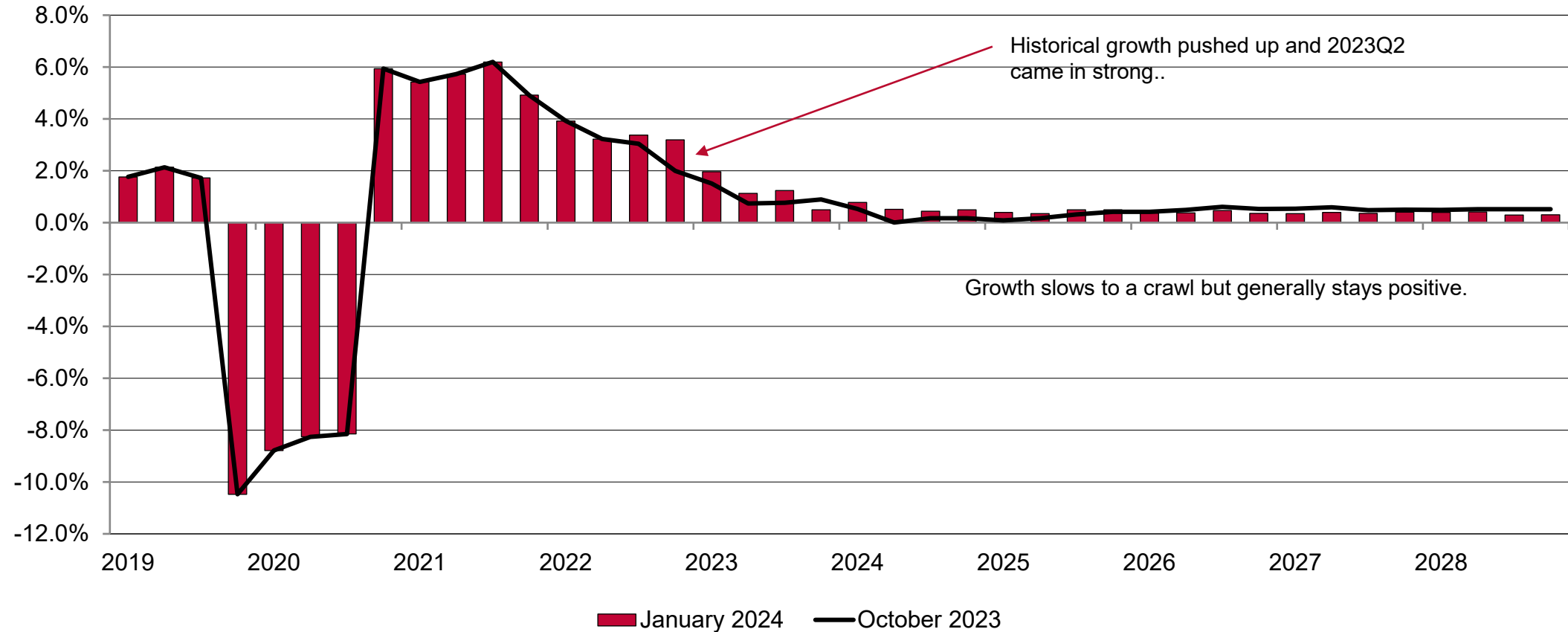
BBER FOR-UNM, December 2023

# Job Growth/Loss by Sector 2020Q1 to 2023Q1



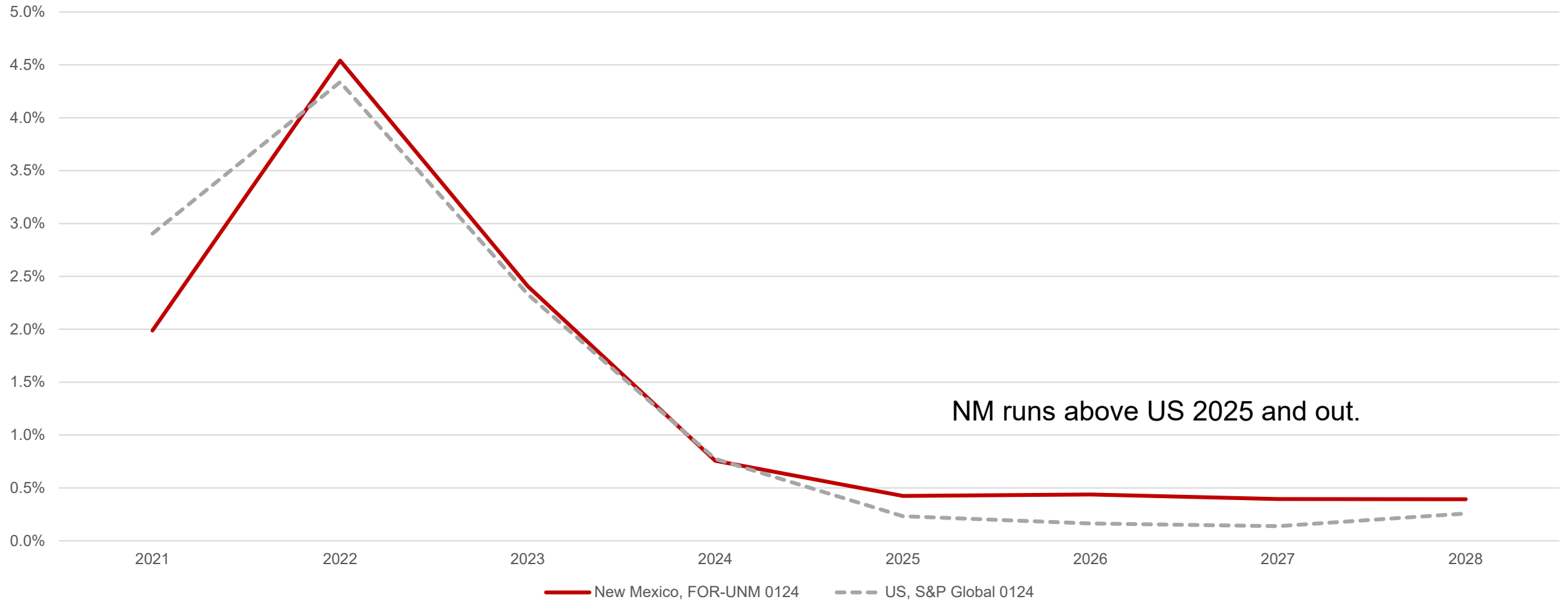
BBER FOR-UNM, December 2023

# Forecast Comparison: Employment Growth



BBER FOR-UNM, January 2024 + October 2023

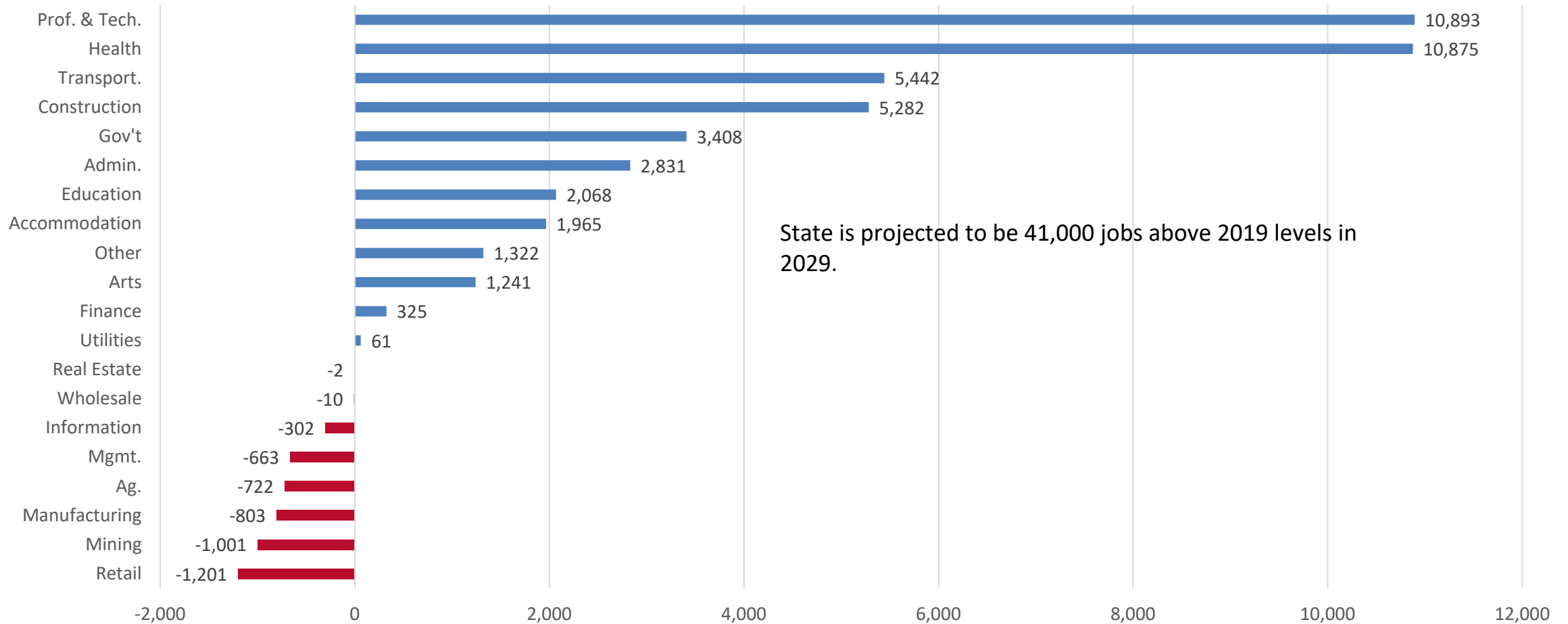
# Forecast Comparison: NM vs. US



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



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

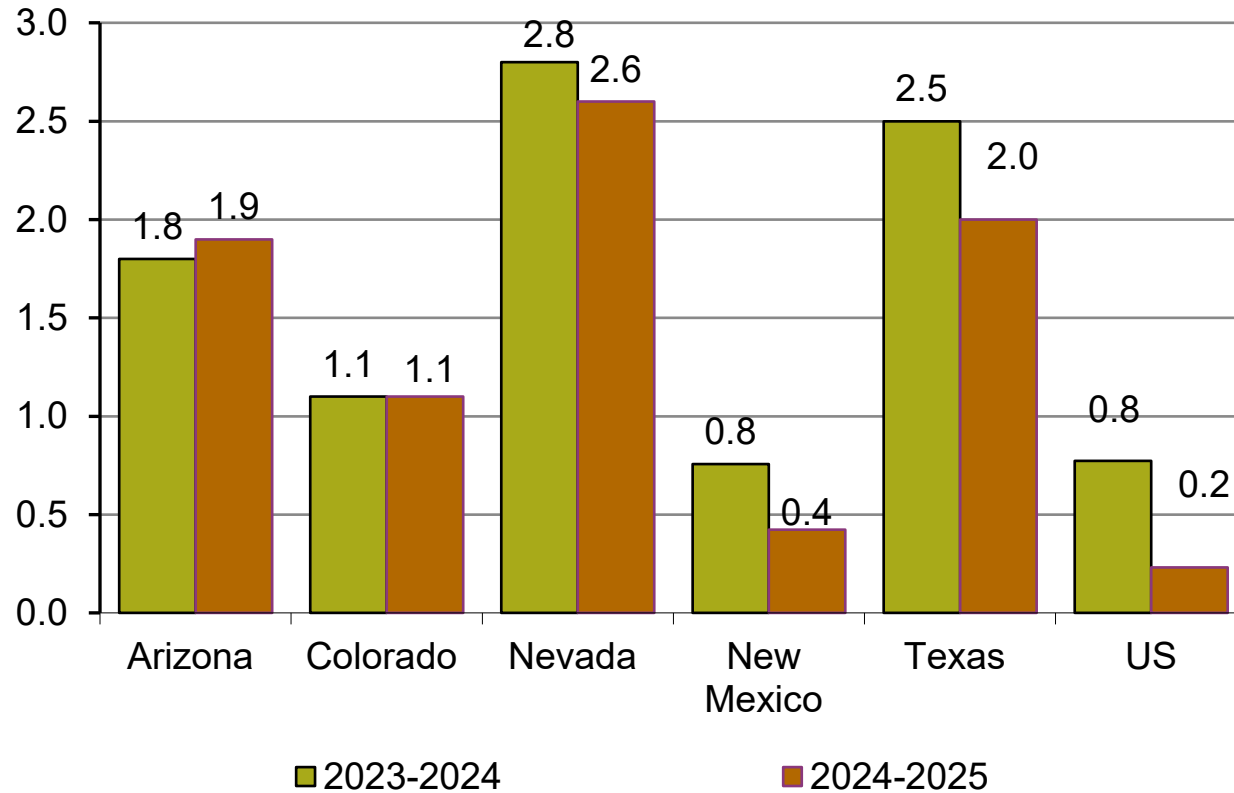


BBER FOR-UNM, December 2023

# NM Forecast vs. Other States

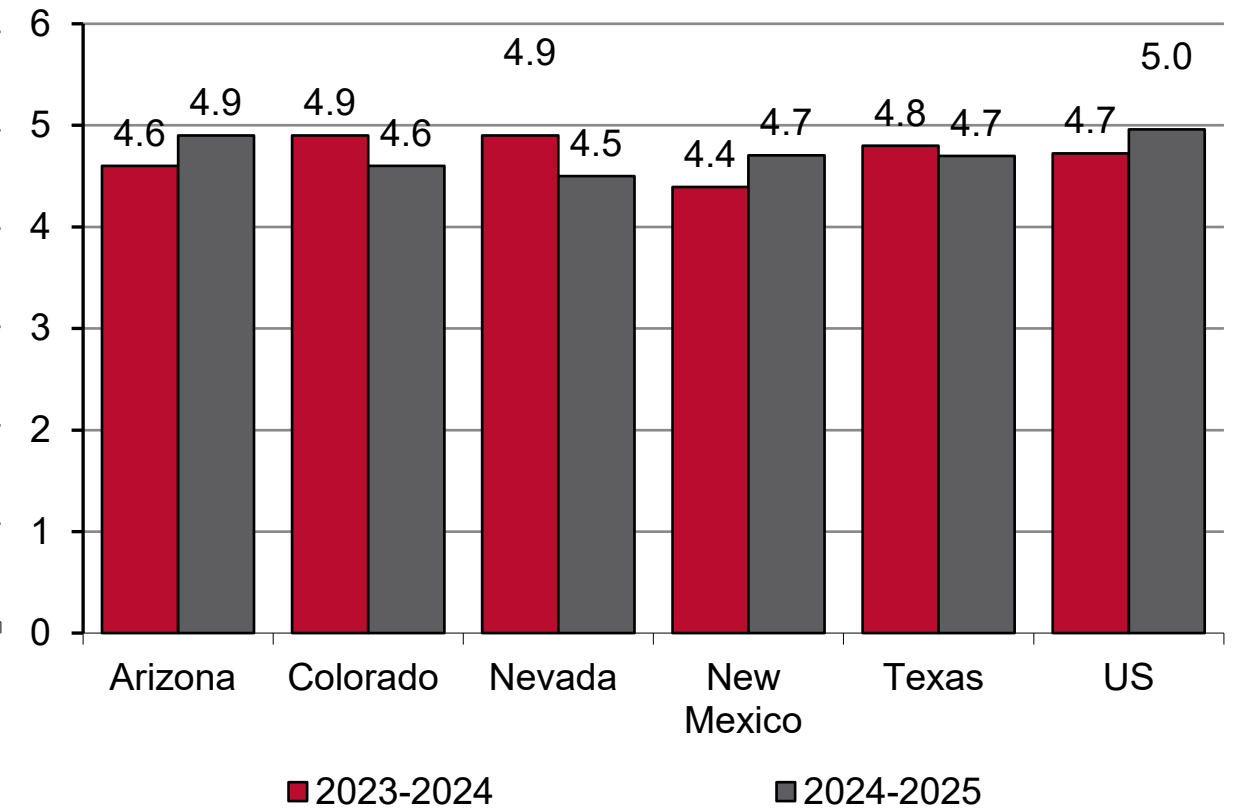
## Employment

Annual Growth



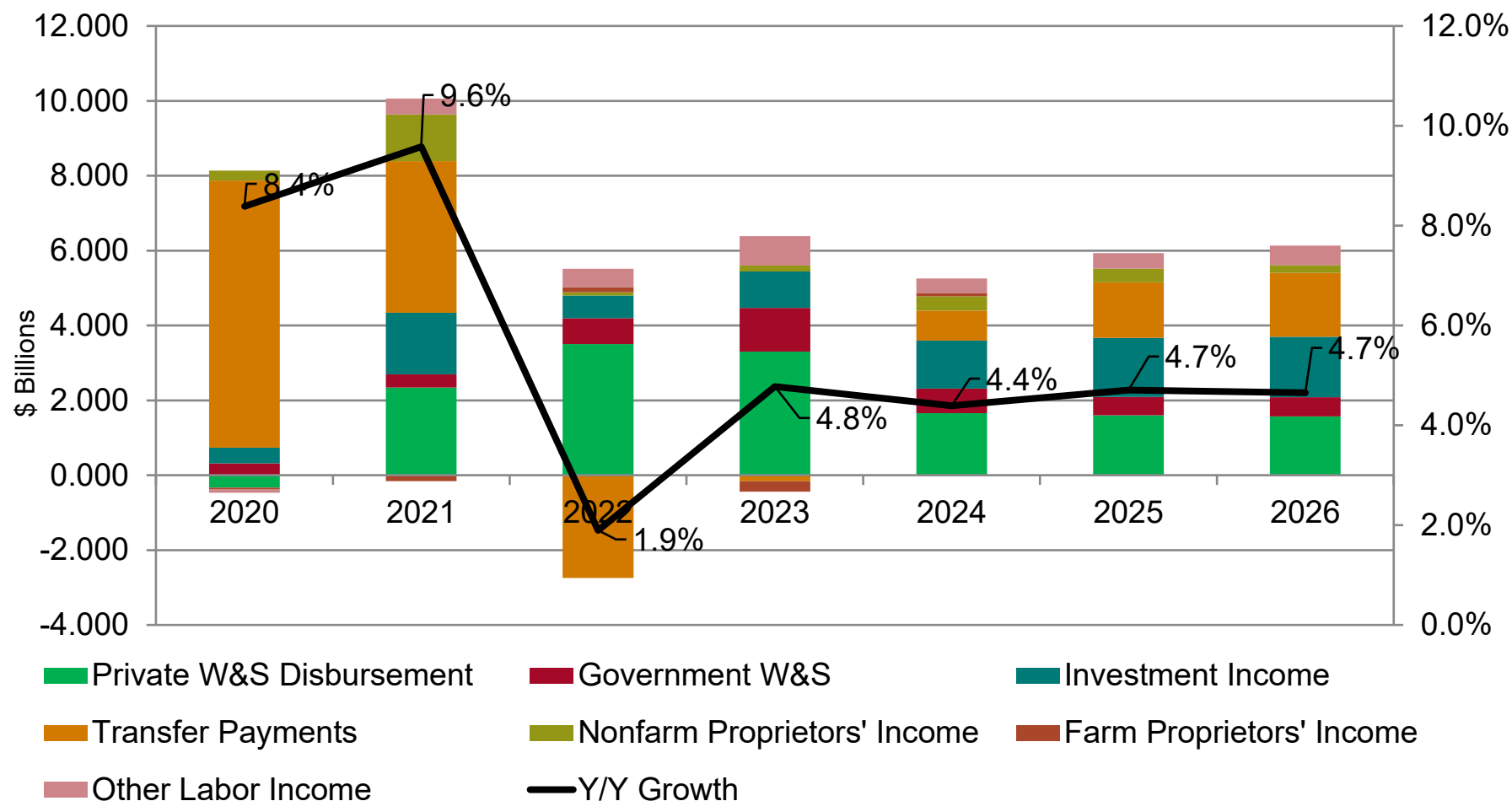
## Income

Annual Growth



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



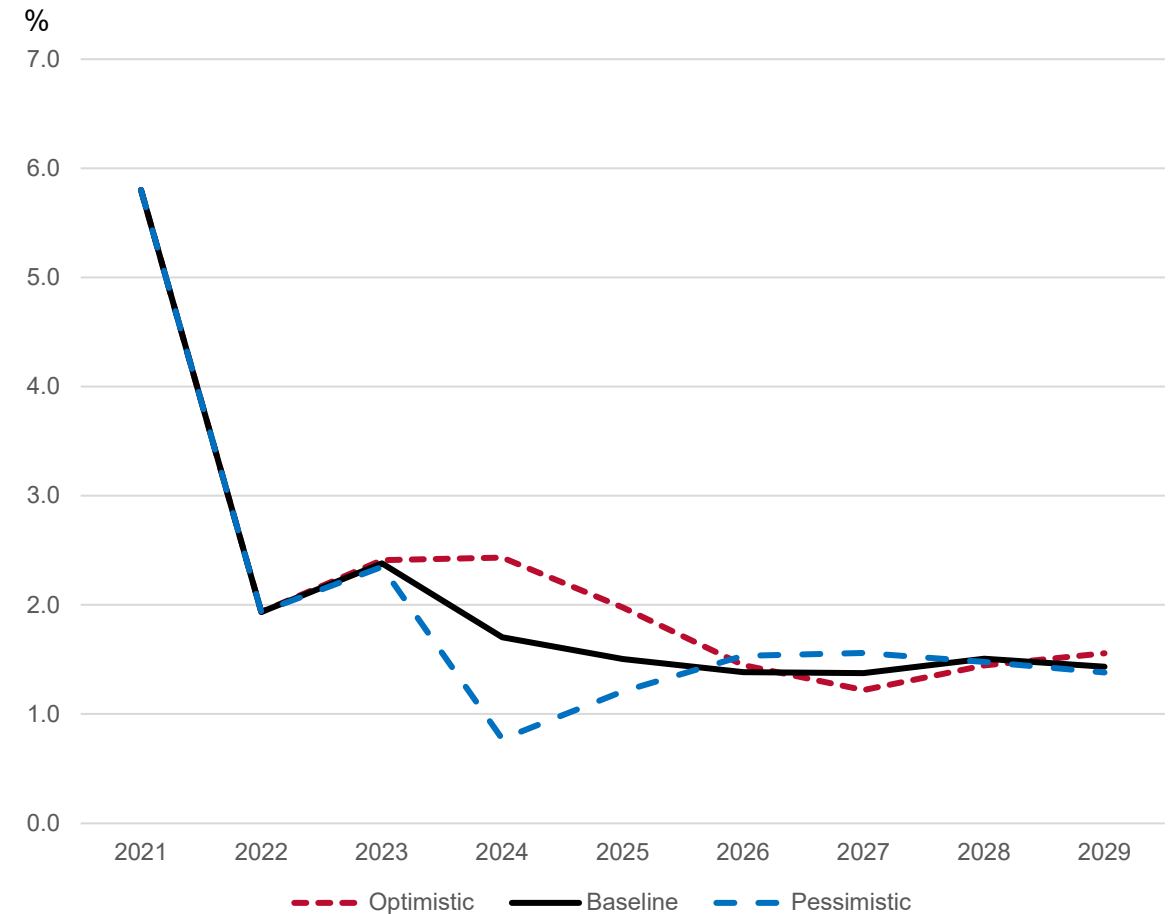
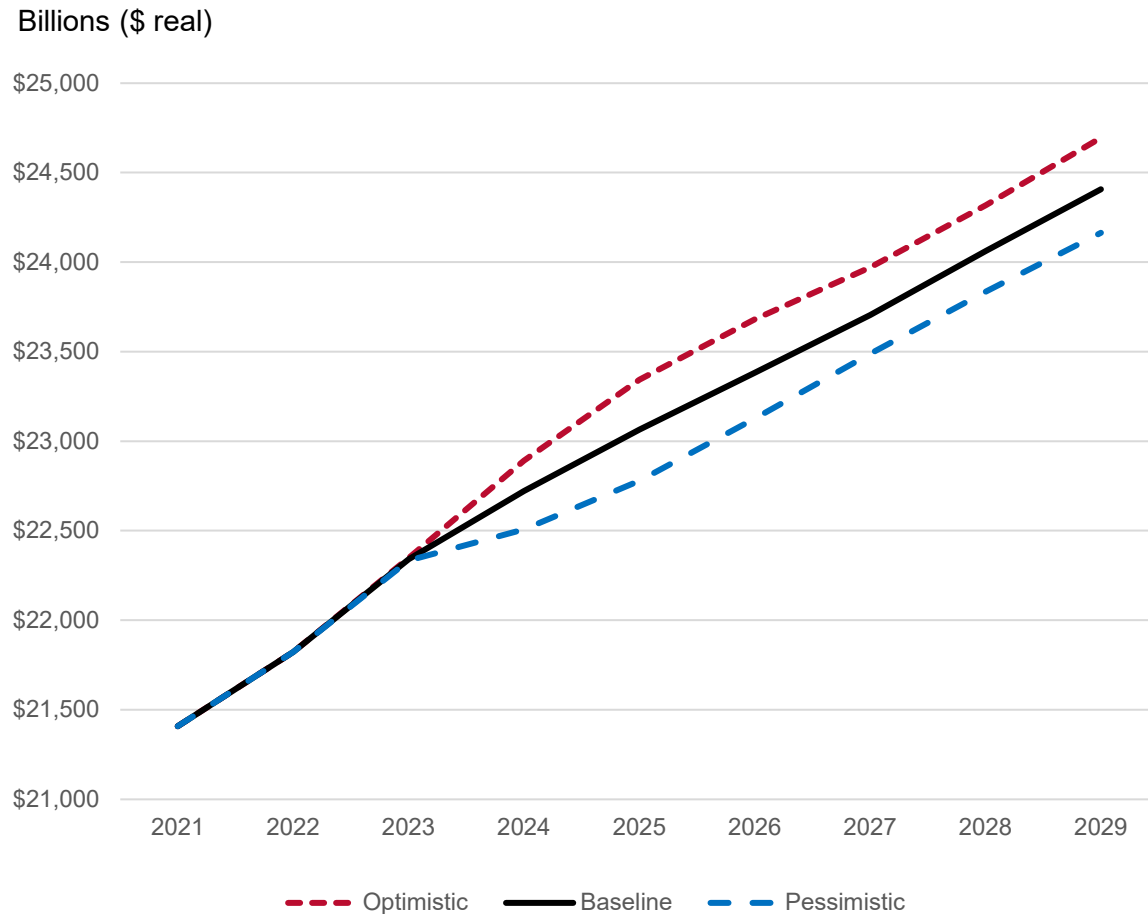
- Personal incomes positive in 2020 & 2021 due to massive increase of federal transfers (unemployment, stimulus checks, Medicaid and other CARES funding).
- Income growth slowed in 2022 (1.9%) with reductions in transfers.
- Solid growth returns in 2023.
- Growth to trend in 2024.

BBER FOR-UNM, January 2024

# Alternative Scenarios

- As always Still good degree of uncertainty.
- S&P Global's forecasts – recession not built into baseline scenario, but employment growth is very slow.
- FOR-UNM's forecast modest beginning in 2024. Already 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.

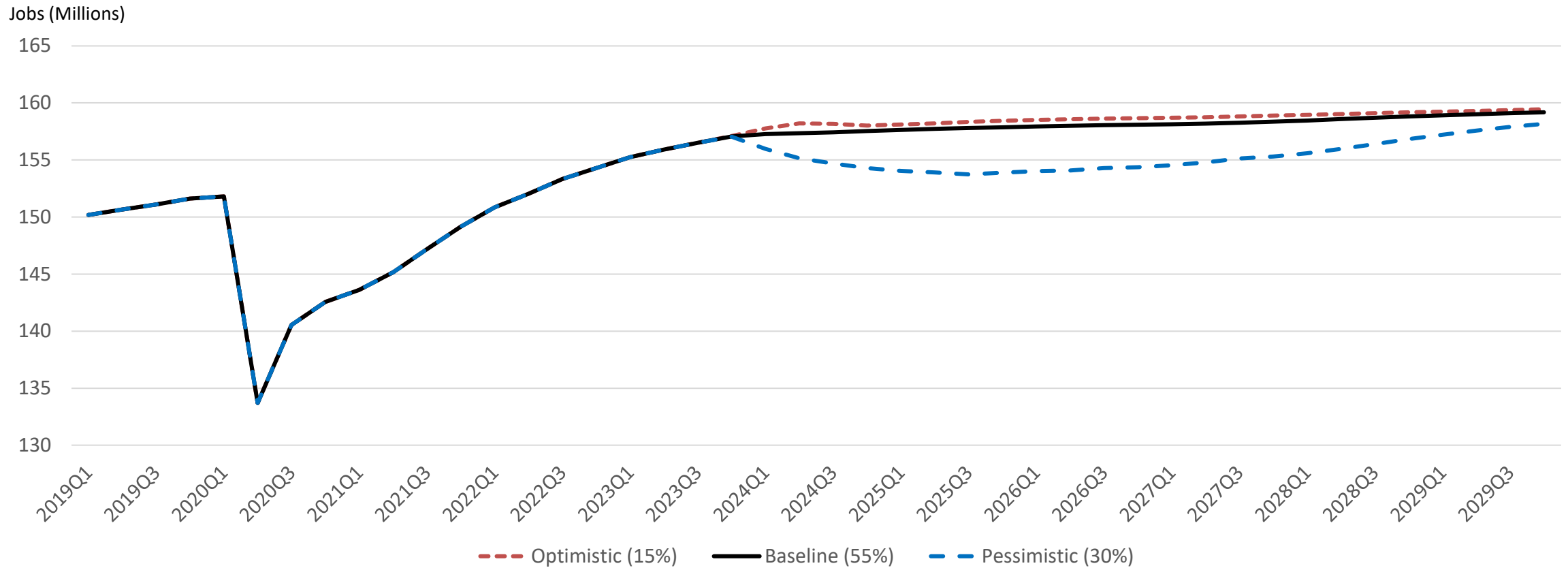
# US Real GDP Forecast – Alternative Scenarios



S&P Global, January 2024

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

# US Employment Forecast – Alternative Scenarios

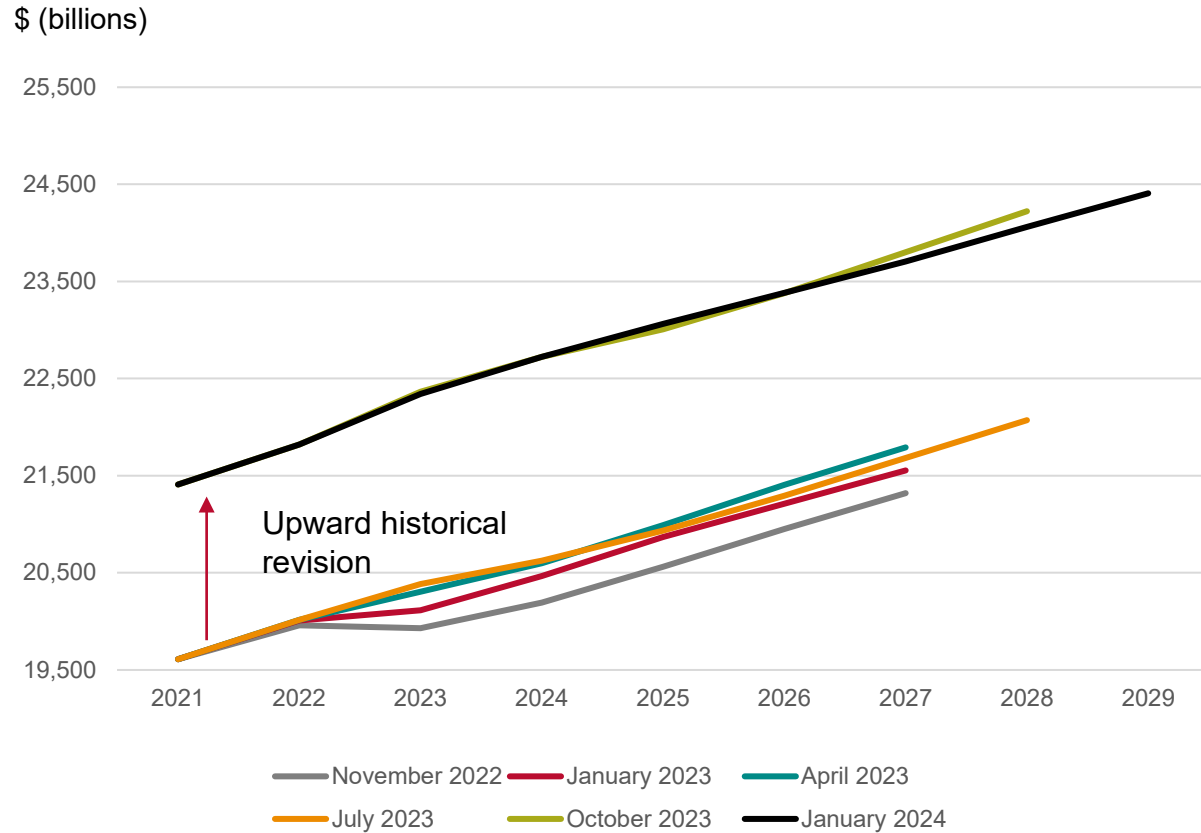


Optimistic & baseline: slow growth throughout the forecast window.  
Pessimistic: sizeable contraction.

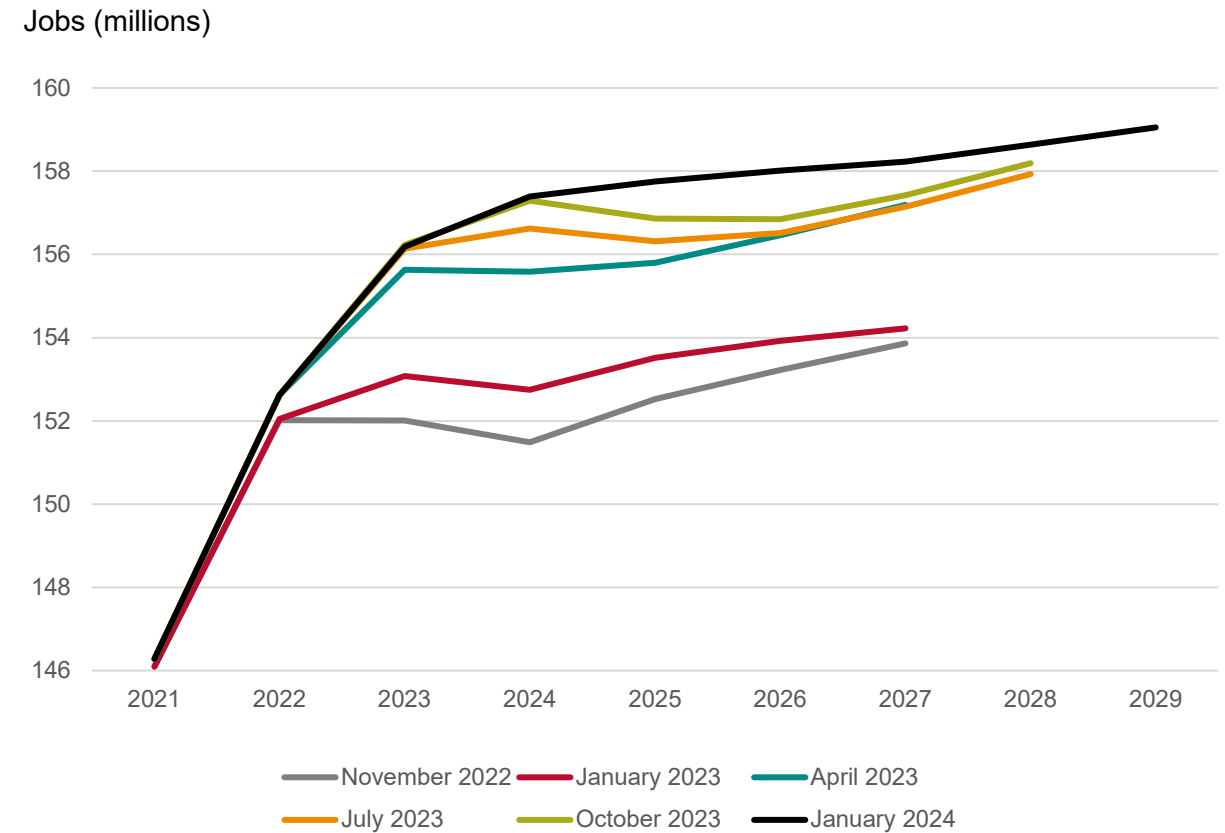
Source: S&P Global, January 2024

# Recent IHS US GDP (left) & Employment Forecasts (right)

National Real GDP Forecasts - S&P Global

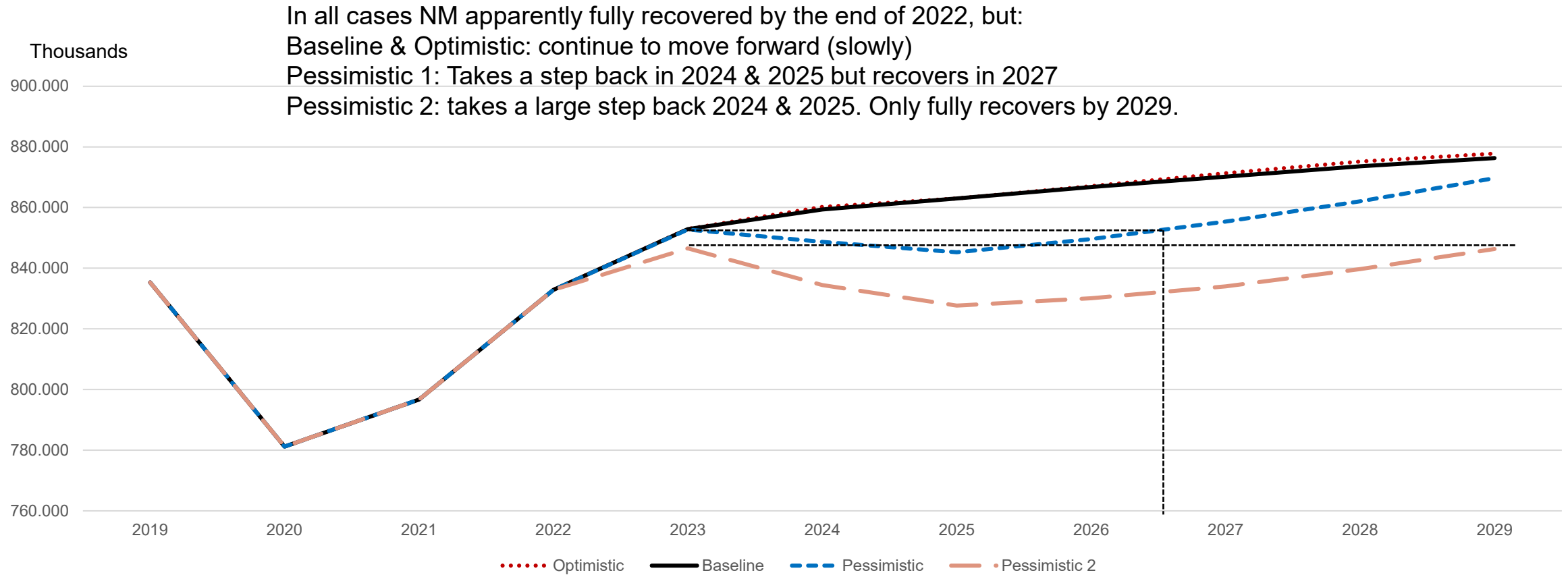


Employment Forecasts - S&P Global



Source: S&P Global, November 2022, January 2023, April 2023, July 2023, October 2023, January 2024

# NM Employment Forecast – Alternative Scenarios



Source: FOR-UNM, January 2024

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



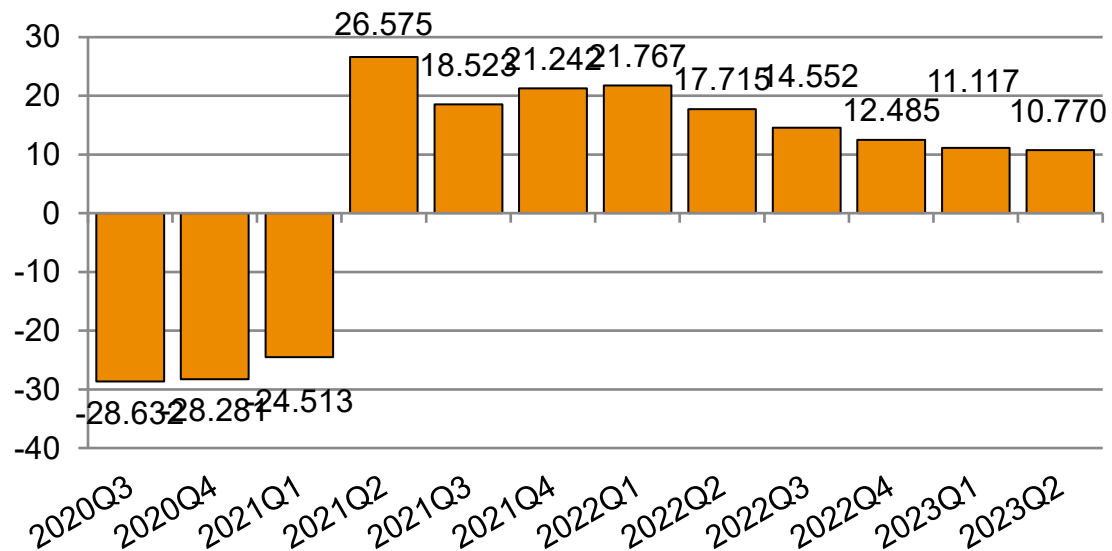
# Metro + Non-Metro New Mexico



# Employment Data History – MSA's

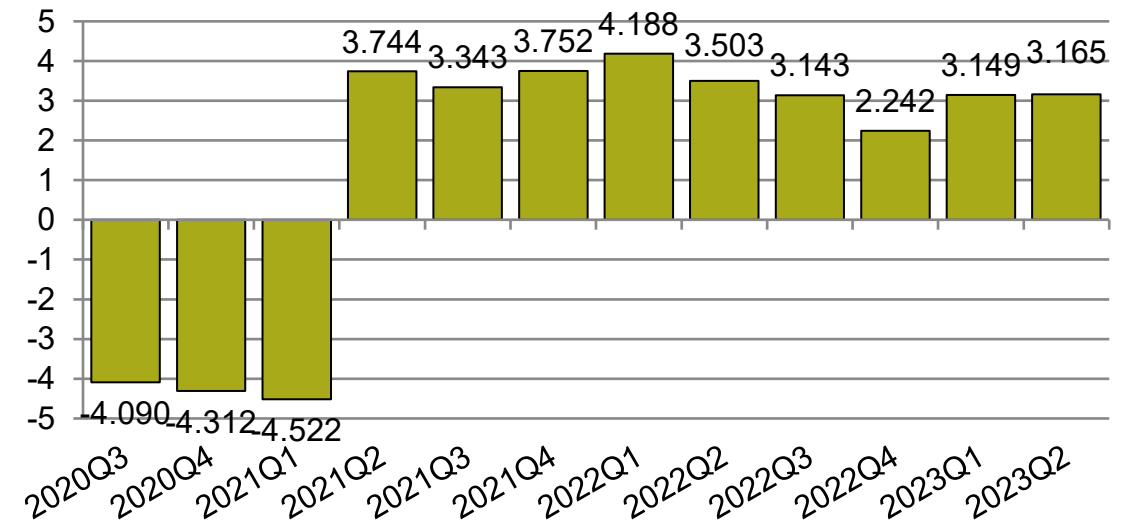
## Albuquerque

Thousands, Y/Y



## Las Cruces

Thousands, Y/Y

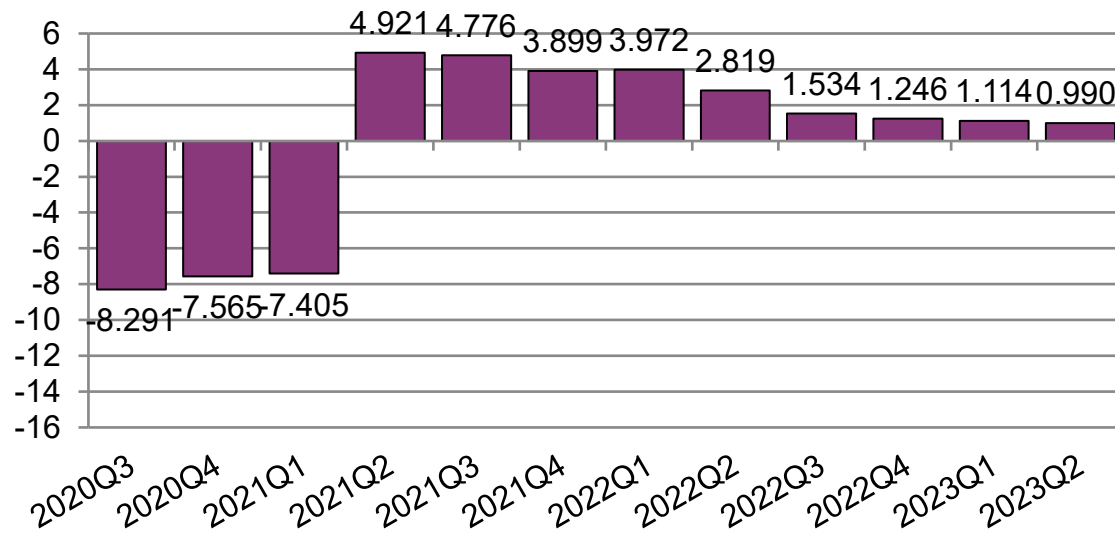


BLS, QCEW

# Employment Data History – MSA's

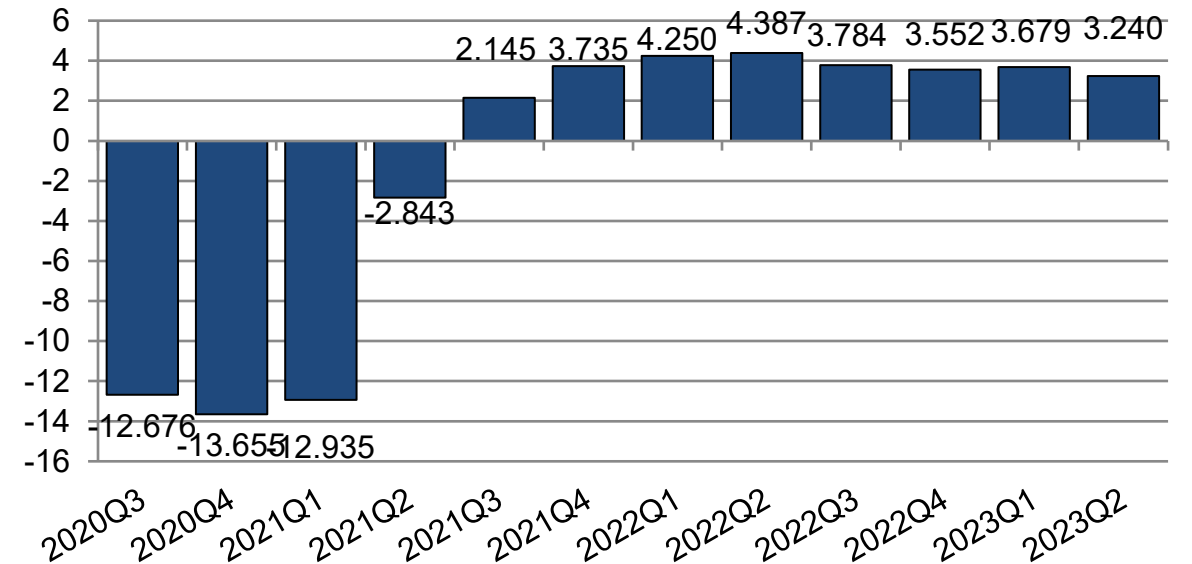
## Santa Fe

Thousands, Y/Y



## Lea & Eddy County

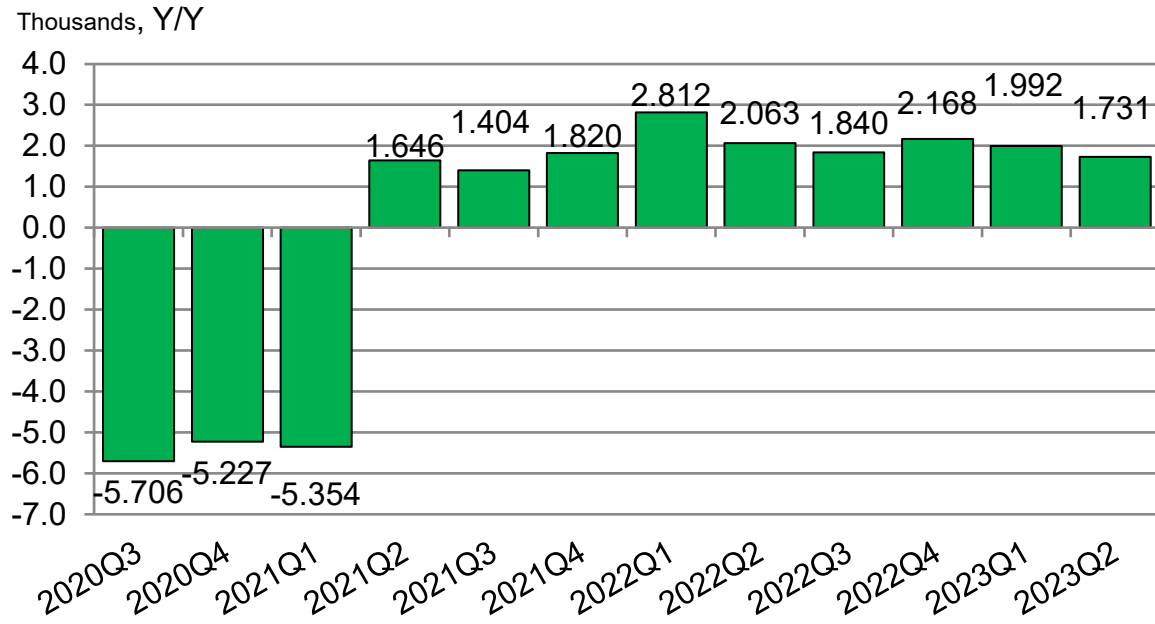
Thousands, Y/Y



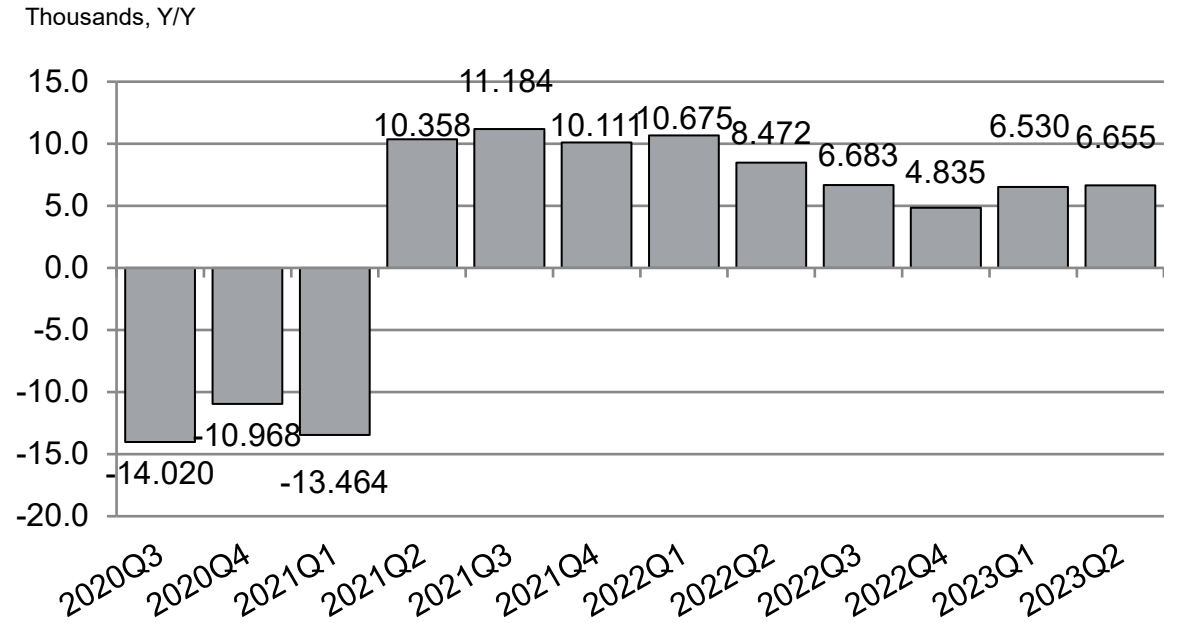
BLS, QCEW

# Employment Data History – MSA's

## Farmington



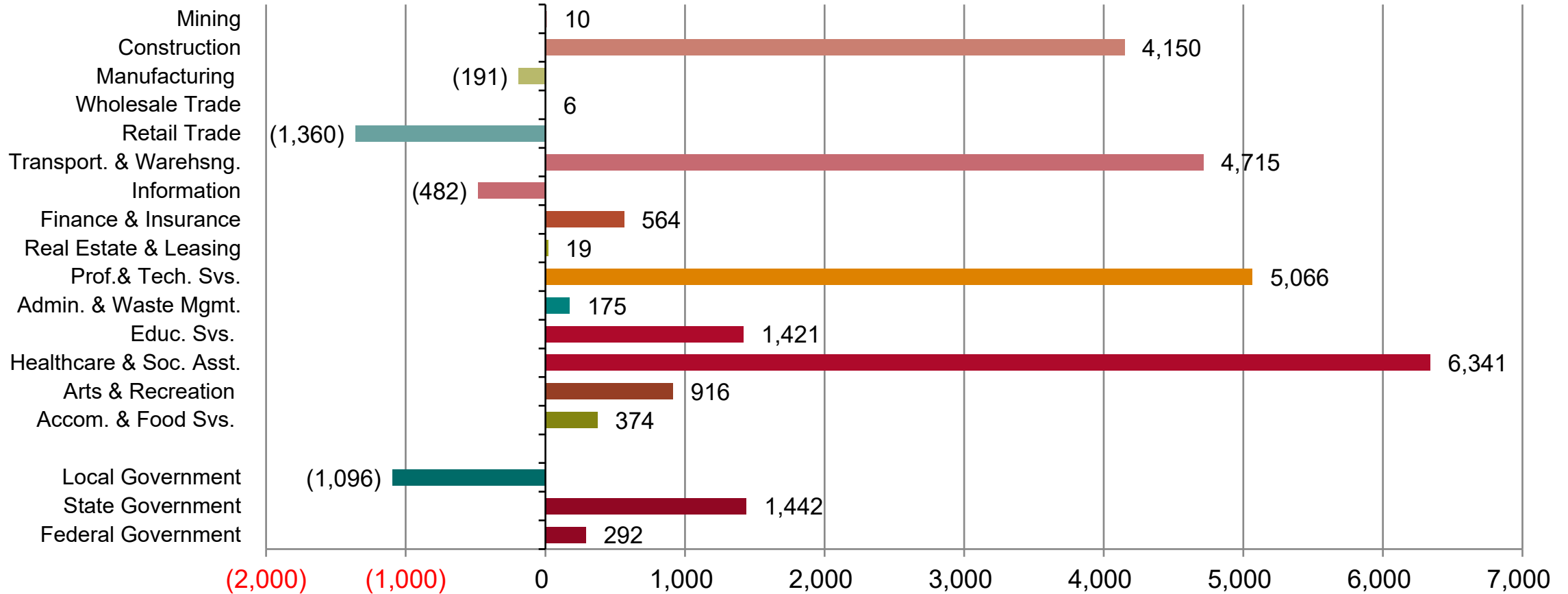
## Rest of New Mexico



BLS, QCEW

# Albuquerque MSA Job Creation by Sector

## Albuquerque 2019 - 2029

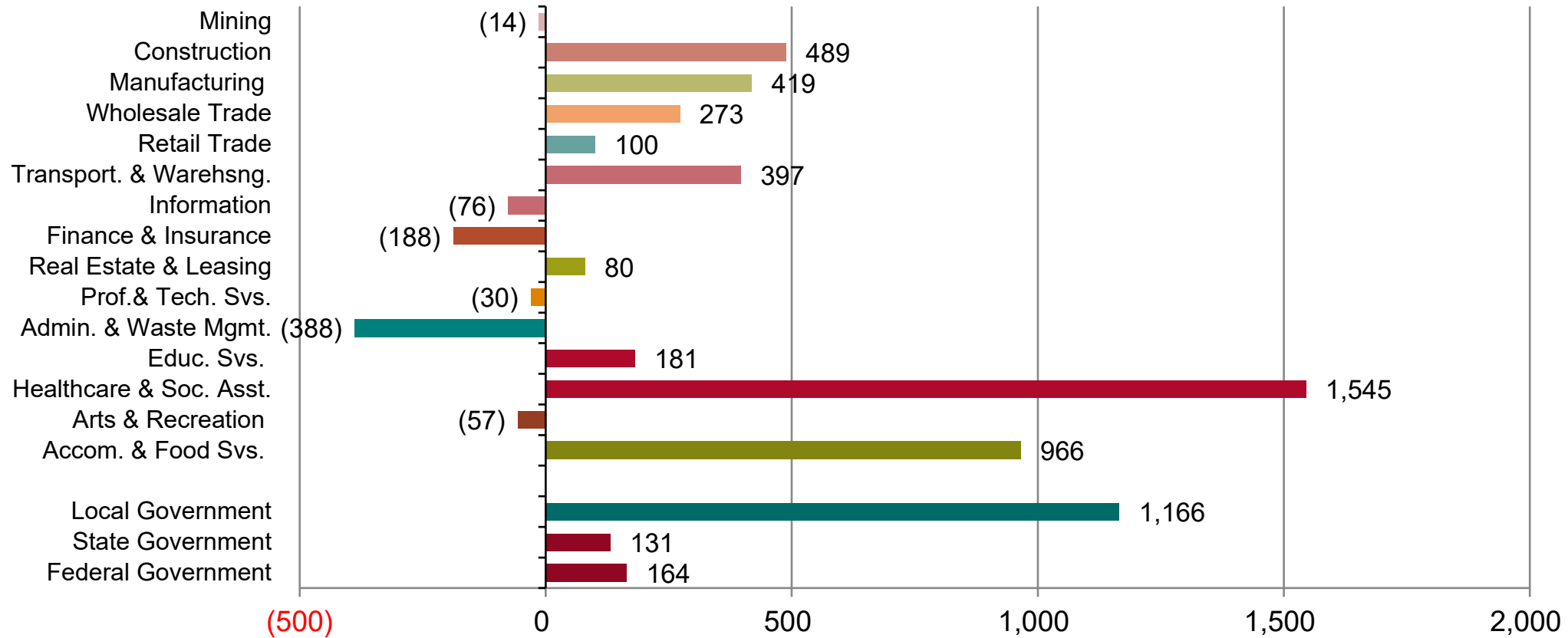


Had fully recovered by 2022.

BBER FOR-UNM, January 2024

# Las Cruces MSA Job Creation by Sector

## Las Cruces 2019 - 2029

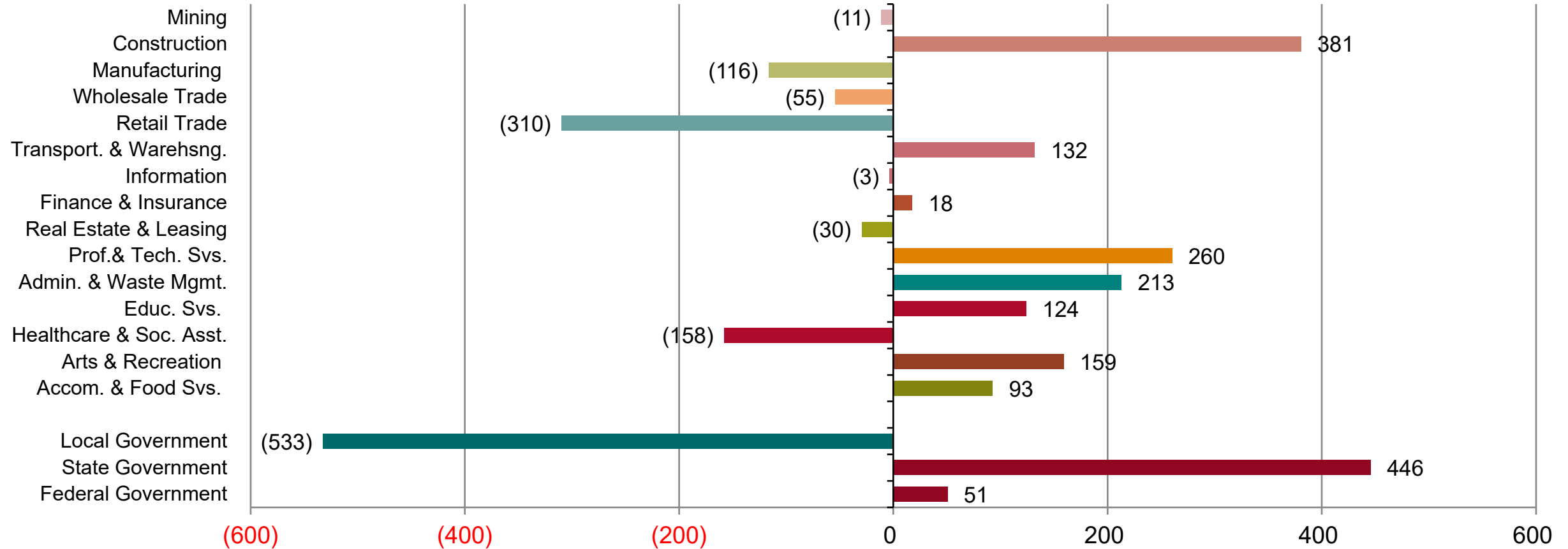


Had fully recovered by 2022.

BBER FOR-UNM, January 2024

# Santa Fe MSA Job Creation by Sector

## Santa Fe 2019 - 2029

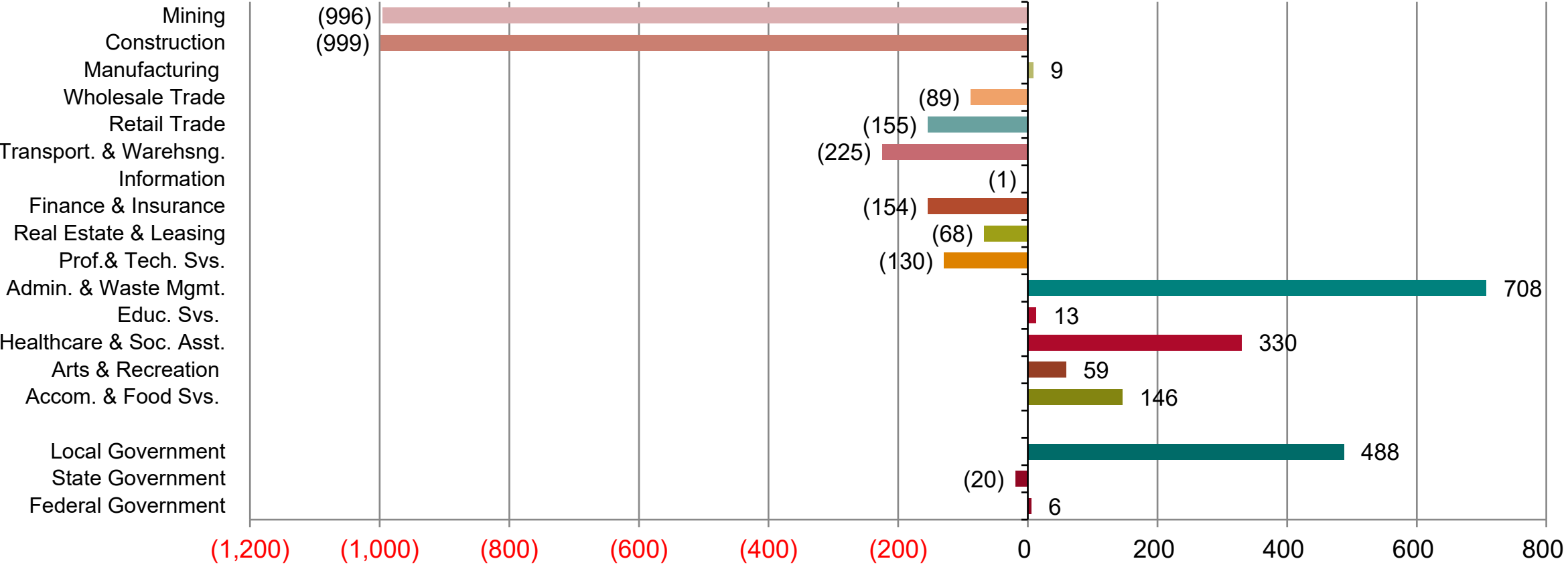


Projected to fully recover by 2026.

BBER FOR-UNM, January 2024

# Lea & Eddy County Job Creation by Sector

## Lea & Eddy 2019-2029



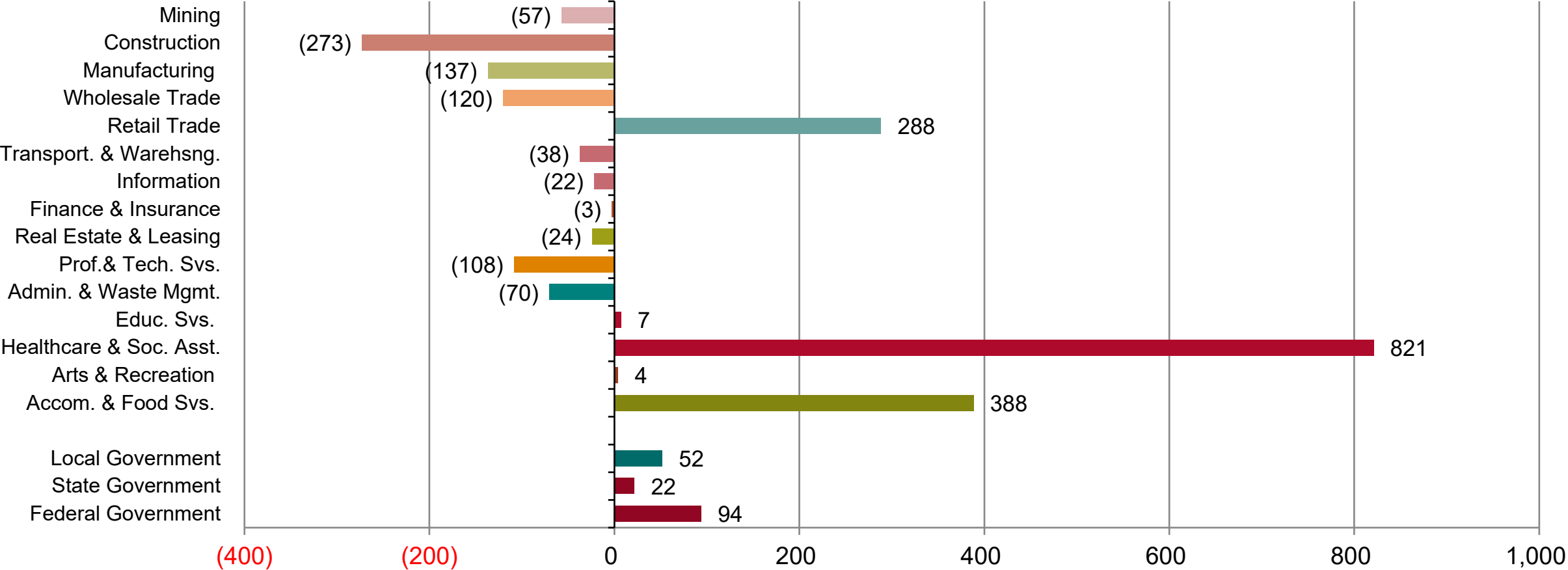
Not projected to fully recover by 2029.

BBER FOR-UNM, January 2024



# Farmington MSA Job Creation by Sector

## Farmington MSA 2019-2029



Projected to fully recover by 2028.

BBER FOR-UNM, January 2024

# NEXT FORECAST MEETING

FRIDAY  
May

3

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

PREPARED FOR FOR-UNM SUBSCRIBERS' MEETING

MICHAEL O'DONNELL, BBER DIRECTOR, [MO8684@UNM.EDU](mailto:MO8684@UNM.EDU)