

New Mexico Continues to Struggle: Las Cruces doing better

Christopher A. Erickson, Ph.D.

Department of Economics and International Business

College of Business

New Mexico State University

Chrerick@nmsu.edu

Economic Recovery

- Business Cycles associated with financial crisis, on average, last twice as long as typical cycles
- Recovery from a financial crisis is also slow, as we are experiencing
- National recovery right on track

National Recovery

- Latest quarter saw a small raise in Real GDP of .1%
 - Probably reflects harsh winter
- Employment was up 288,000 in April
 - Unemployment was 6.3%
- Industrial production is up 2.5% compared to pre-recession

National Recovery

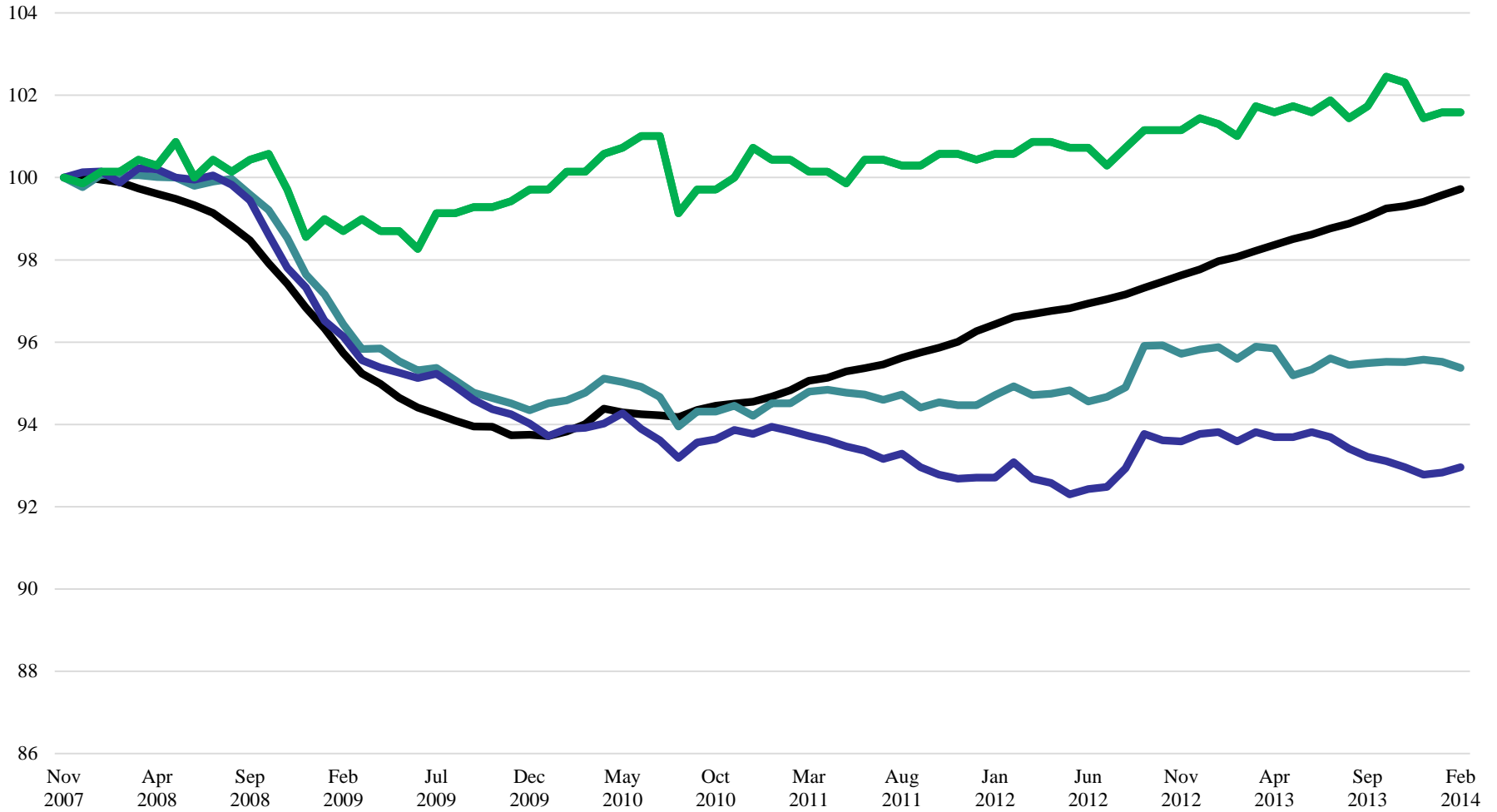
- There remains considerable slack in the economy
 - Capacity utilization is a tepid 79.2
 - Total employment is still slightly below previous peak
 - Excess reserves are \$2.6 trillion

NM Recovery

- Recovery is shakier in NM
 - Albuquerque is seeing problems in particular
- Las Cruces never really suffered from the deep recession experienced elsewhere
 - Thanks to federal employment

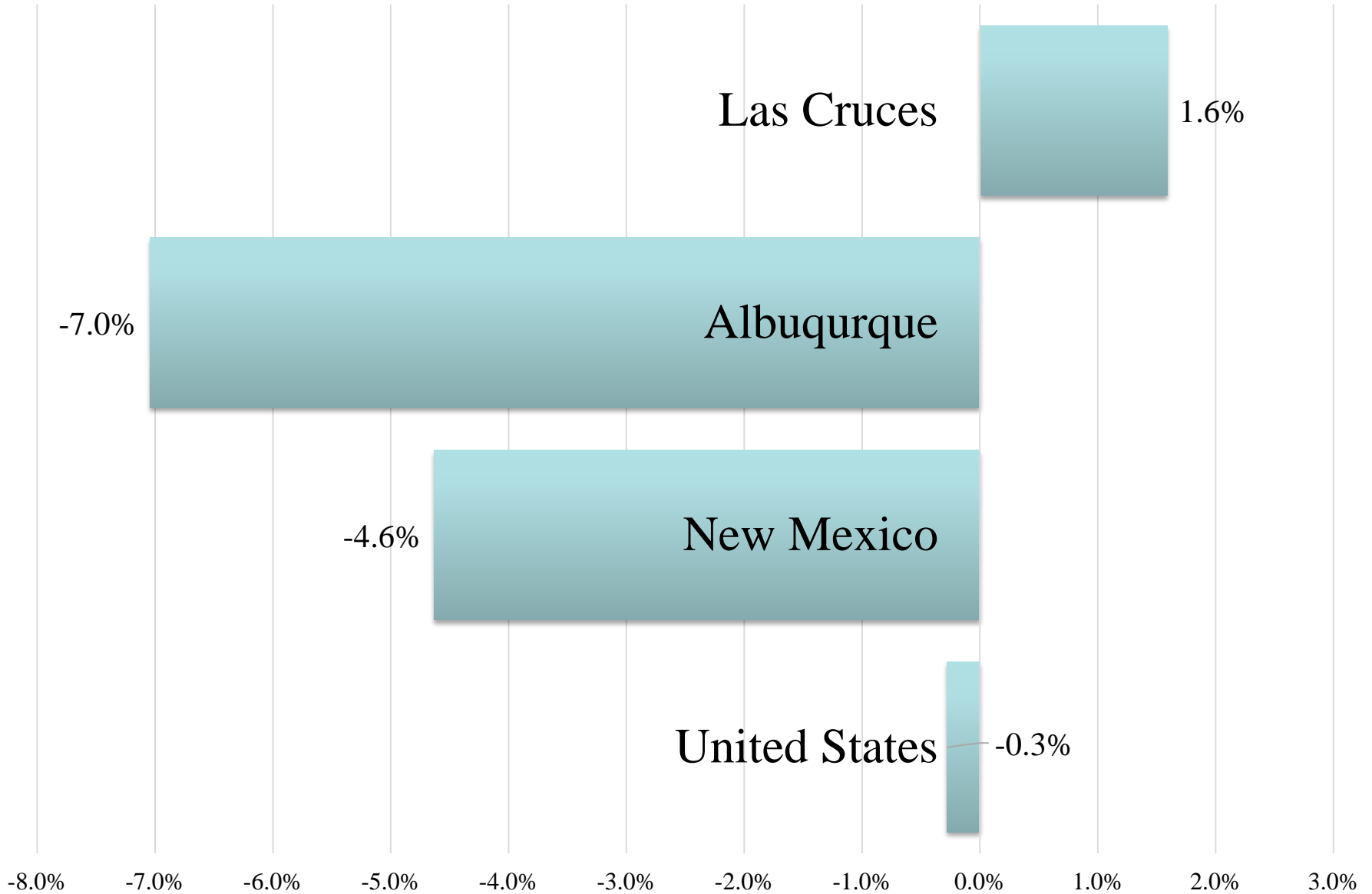
Employment since the Recession

December 2007 = 100

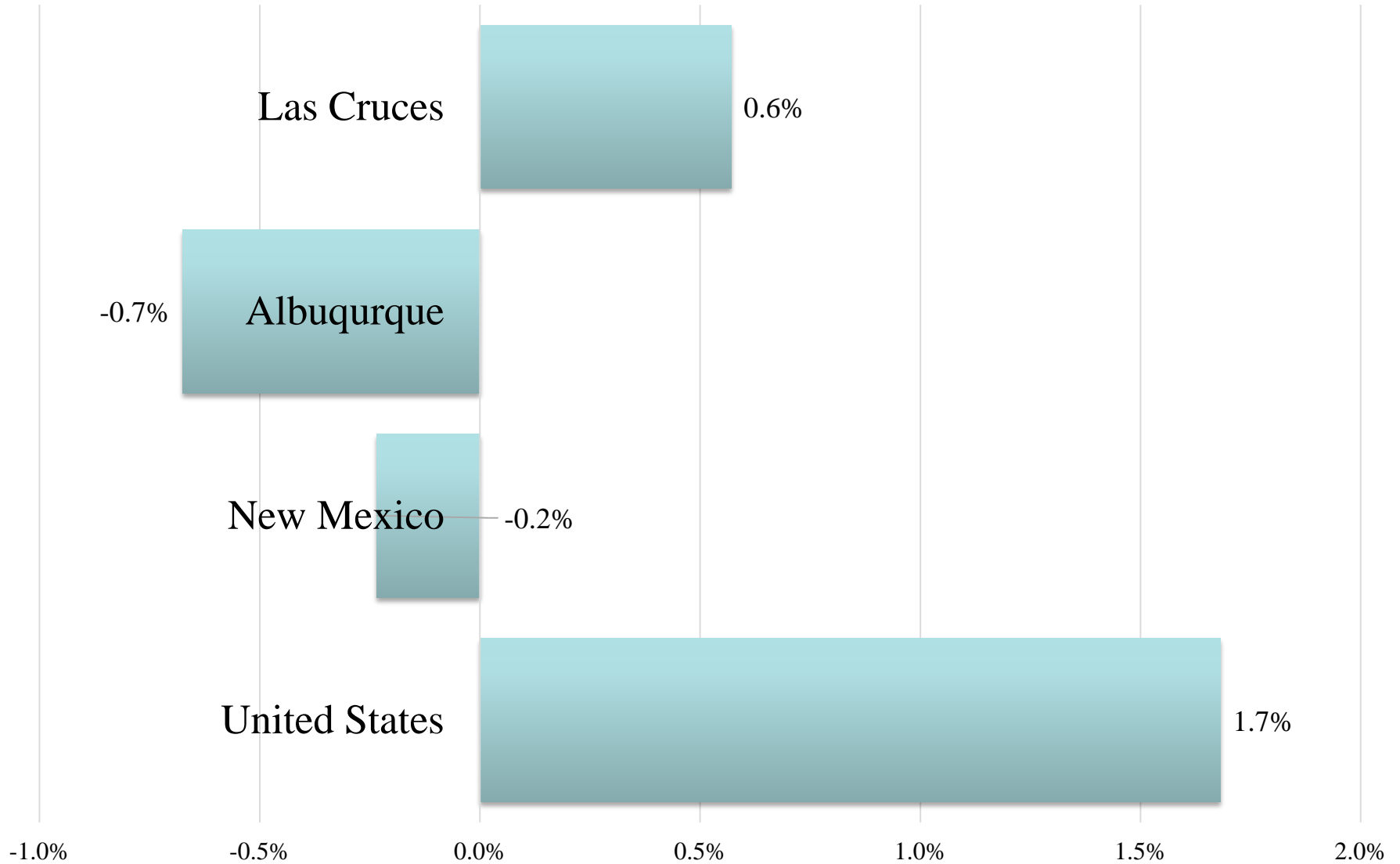


— United States — New Mexico — Albuquerque — Las Cruces

Employment Growth Since the Recession



Employment Growth Last Twelve Months April 2013 to April 2014



Construction and Real Estate

- Construction and real estate continues a weak sector
 - The bursting of the housing bubble, of course, is what caused the recession
 - Recovery is slow in coming

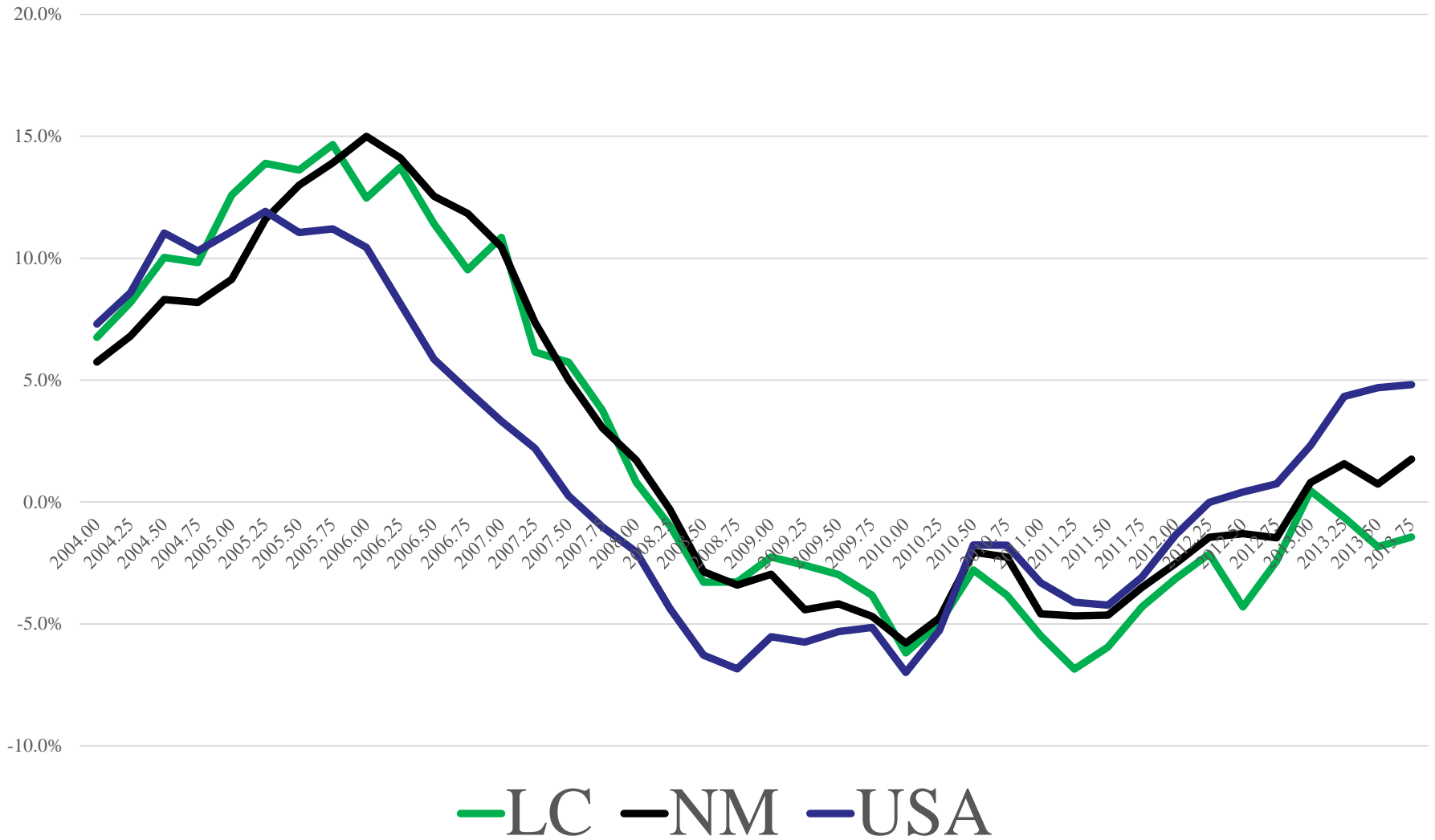
— Construction Employment in New Mexico



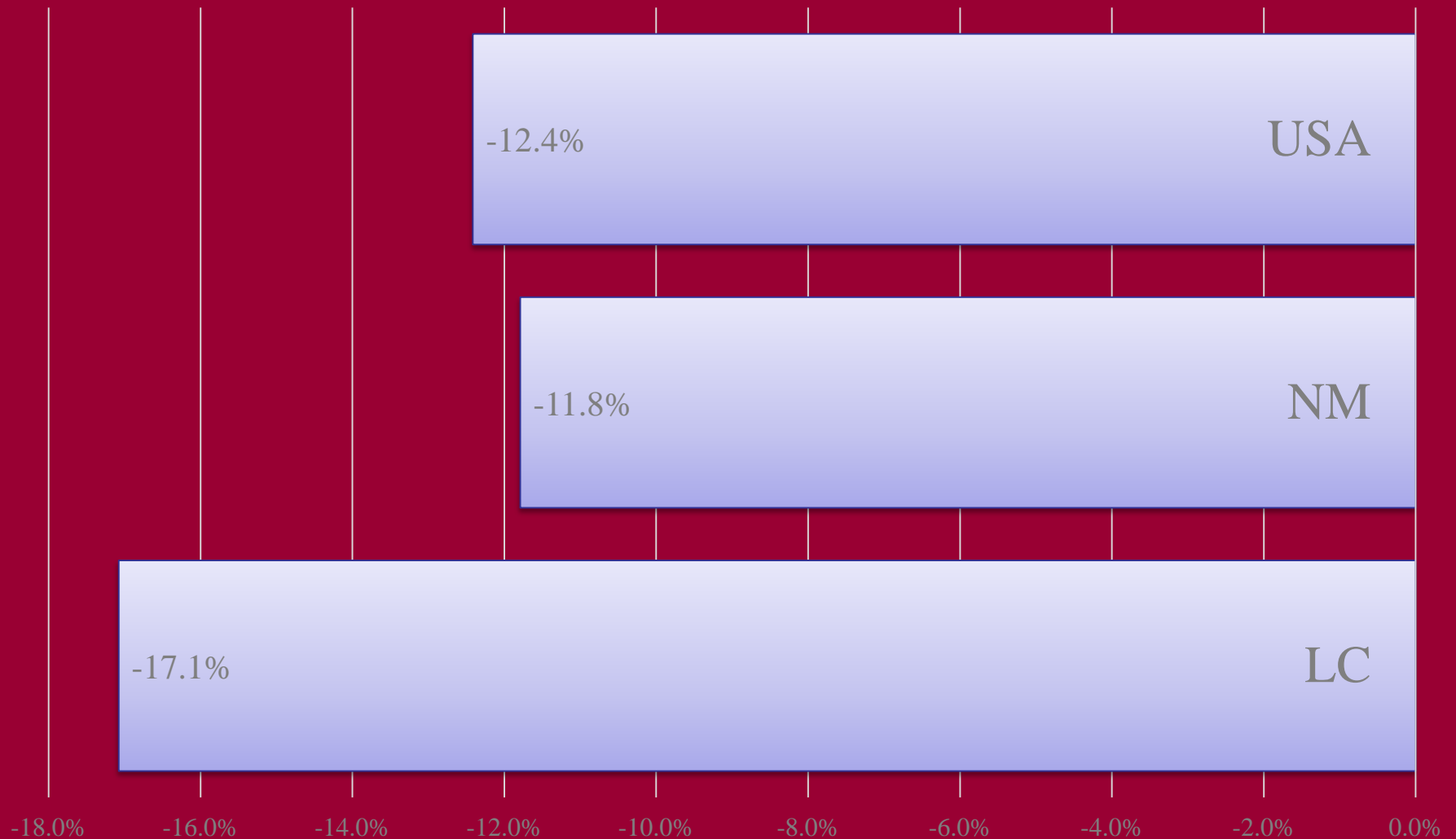
Source: U.S. Department of Labor: Bureau of Labor Statistics

Shaded areas indicate US recessions - 2014 research.stlouisfed.org

Changes in Housing Prices Year-over-Year



Decline in Housing Prices Since 2007 Q1





Housing Starts: Total: New Privately Owned Housing Units Started

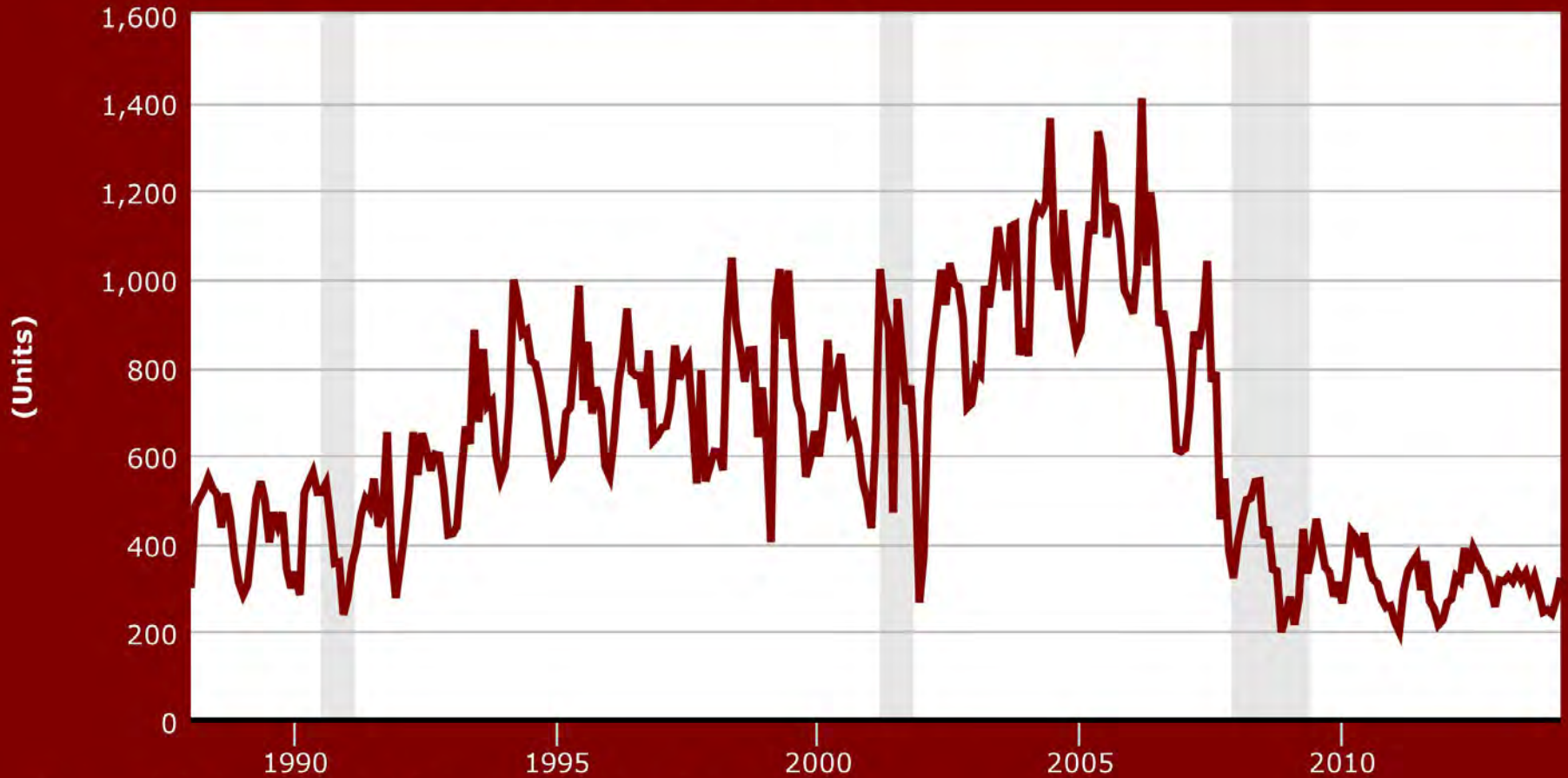


Source: U.S. Department of Commerce: Census Bureau

Shaded areas indicate US recessions - 2014 research.stlouisfed.org



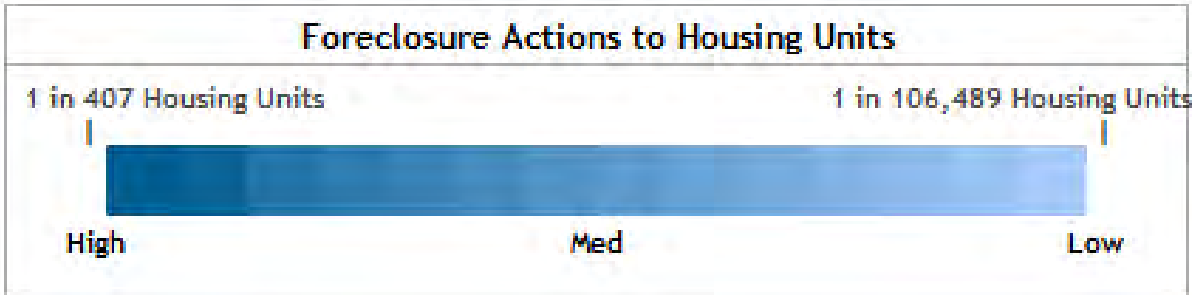
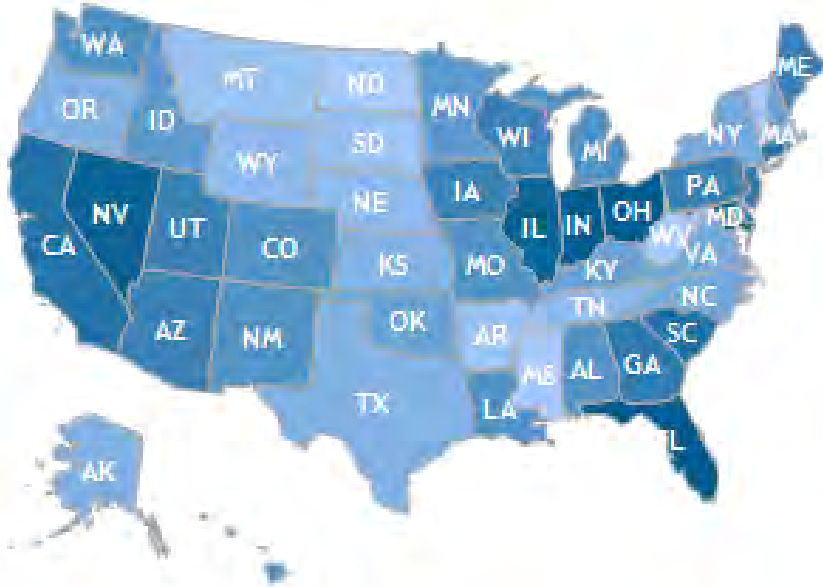
Privately Owned Housing Starts Authorized by Building Permits: 1-Unit Structures for New Mexico



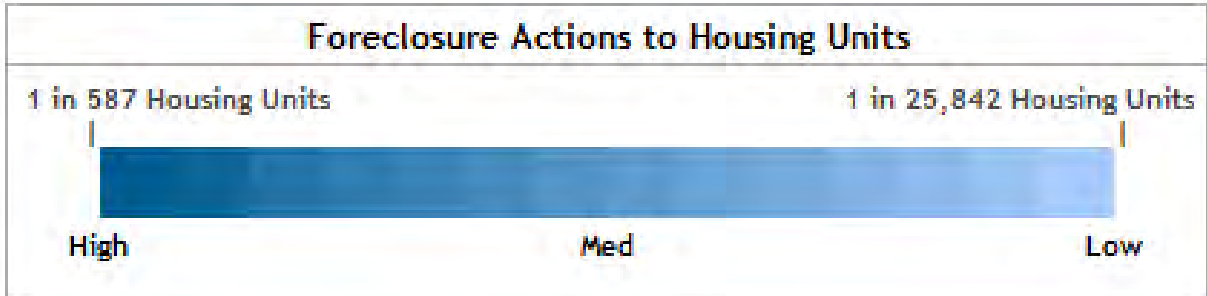
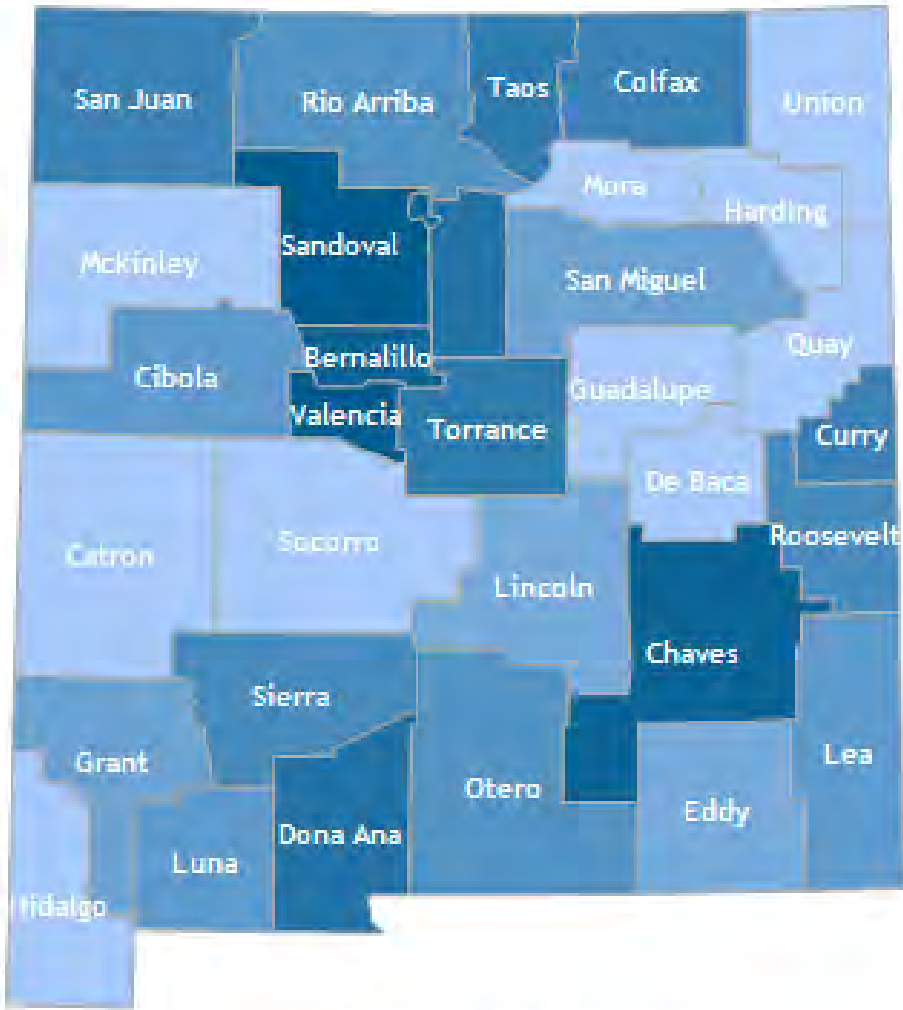
Source: U.S. Department of Commerce: Census Bureau

Shaded areas indicate US recessions - 2014 research.stlouisfed.org

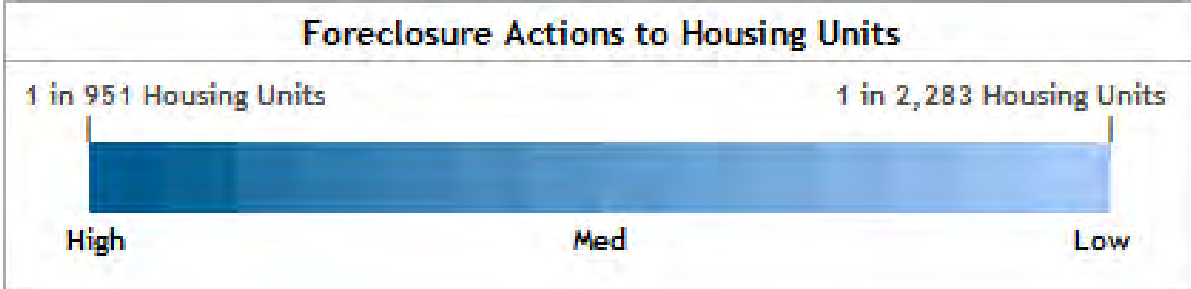
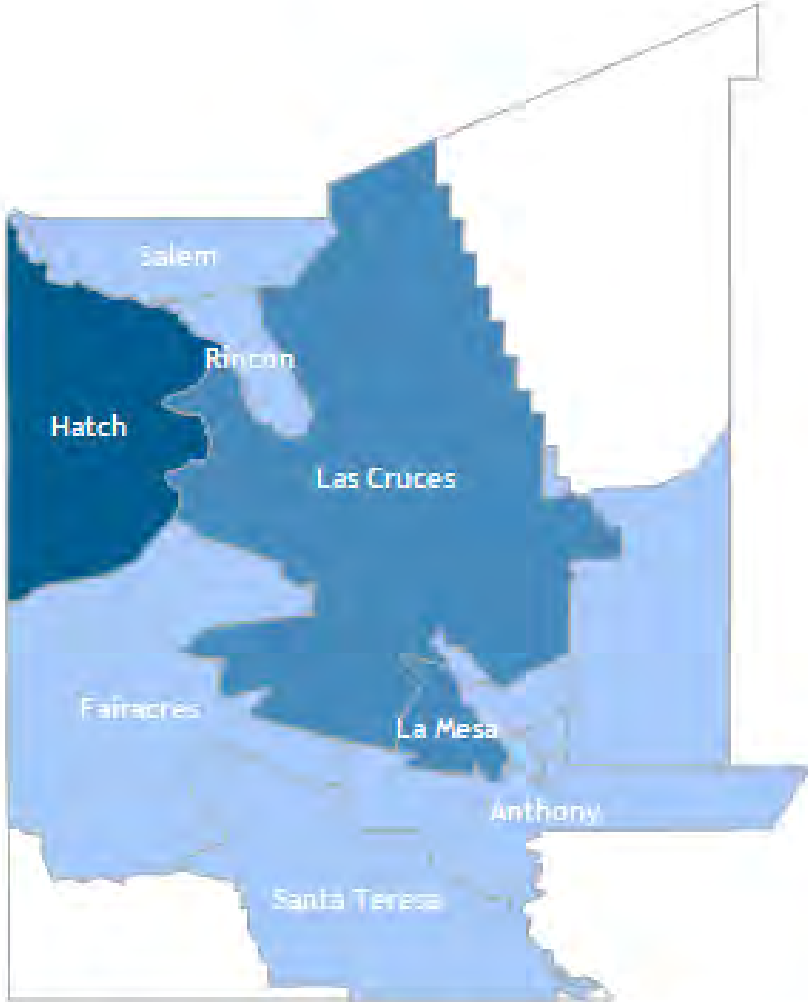
United States: 1 in 1121



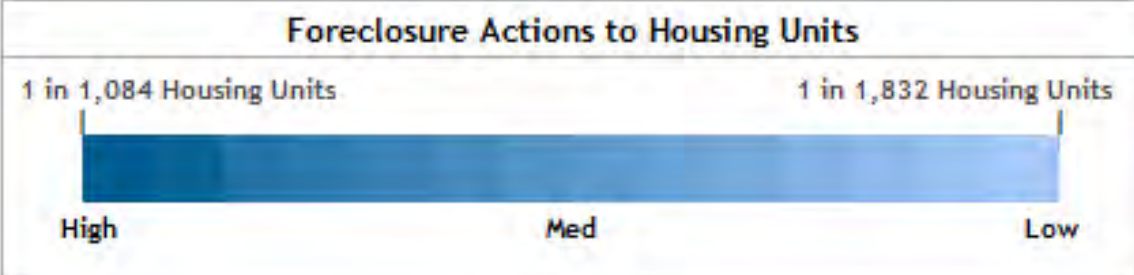
New Mexico: 1 in 1668



Dona Ana: 1 in 1852

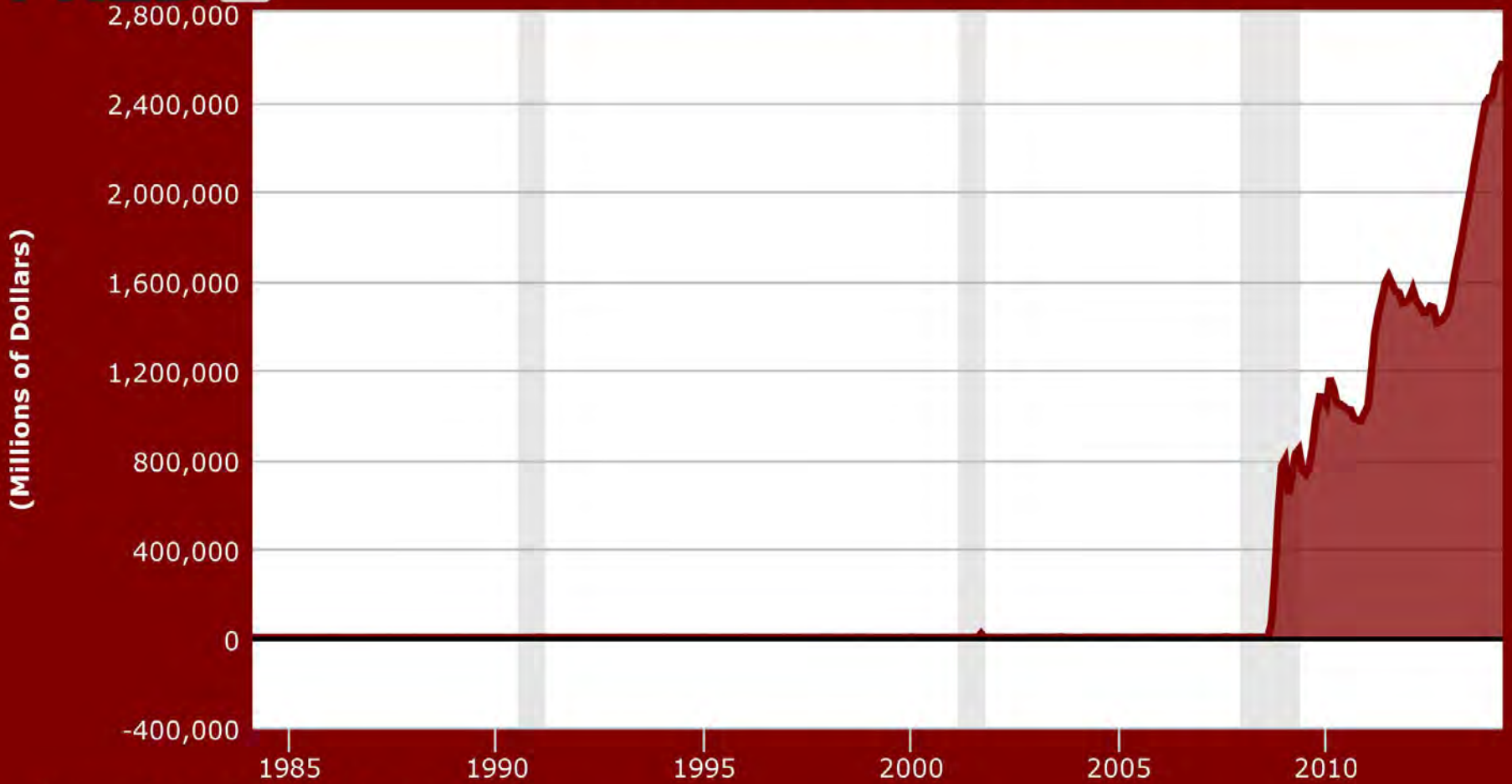


Las Cruces 1 in 1458





Excess Reserves of Depository Institutions



Source: Federal Reserve Bank of St. Louis

Shaded areas indicate US recessions - 2014 research.stlouisfed.org



Delinquency Rate On Loans Secured By Real Estate, All Commercial Banks



Source: Board of Governors of the Federal Reserve System

Shaded areas indicate US recessions - 2014 research.stlouisfed.org



Total Net Loan Charge-offs to Total Loans for Banks



Source: Federal Financial Institutions Examination Council

Shaded areas indicate US recessions - 2014 research.stlouisfed.org



Bank Credit of All Commercial Banks



Source: Board of Governors of the Federal Reserve System

Shaded areas indicate US recessions - 2014 research.stlouisfed.org

Minimum wage

- Current
 - New Mexico
 - Regular Wage: \$7.50
 - Tipped Wage: \$2.13, but if tips fall short of the minimum wage, the employer has to make up the difference
 - National
 - Regular Wage: \$7.25
 - Tipped Wage: \$2.13

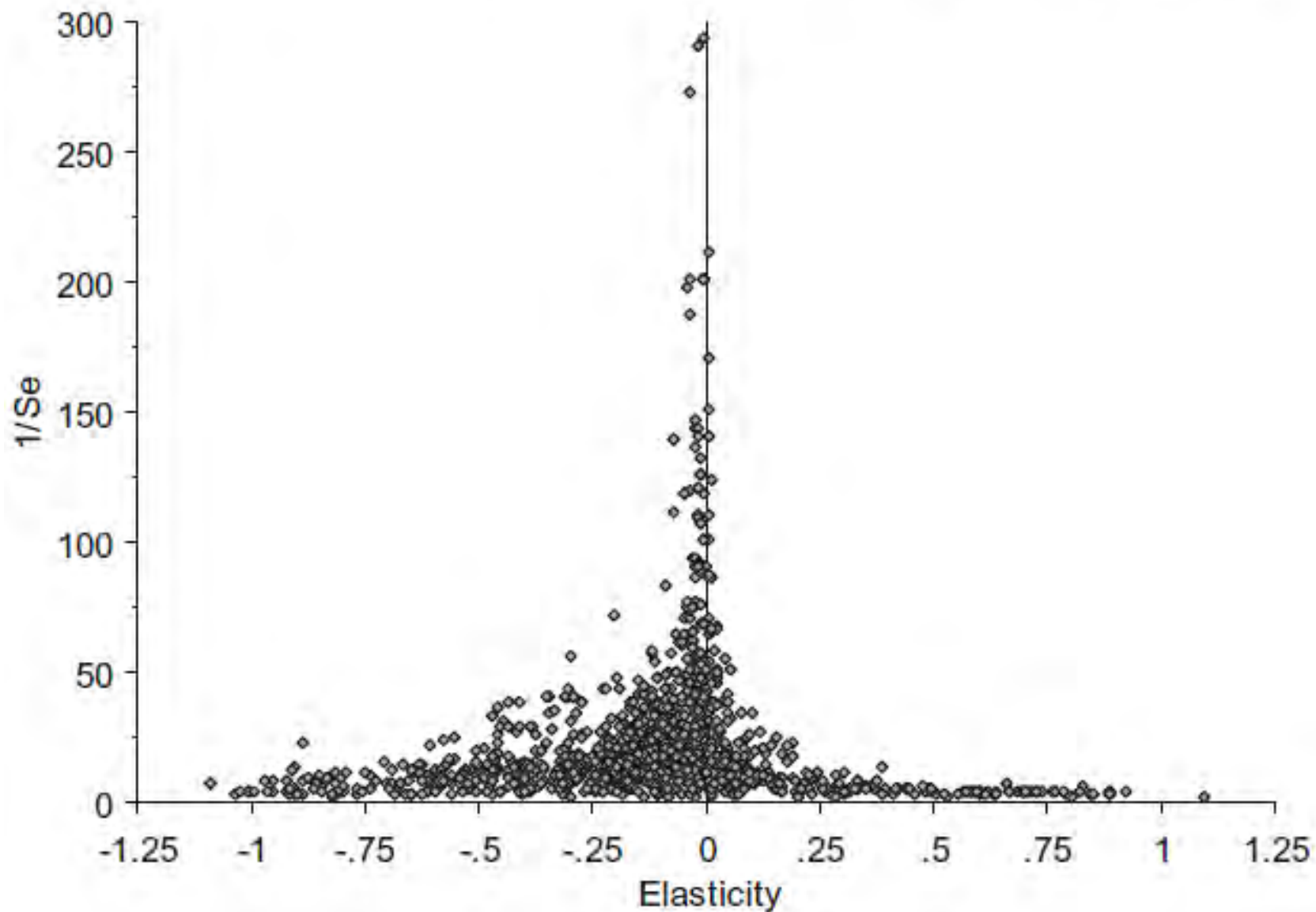
Minimum Wage

- Comunidades en Accion y de Fe (CAFé) is proposing an increase in the minimum wage within the borders of Las Cruces
- As of now, it would not apply to the county

Proposal

- **Regular Wage: \$10.10** effective Jan 1, 2017
 - Phase in: \$8.40 Jan 1, 2015; \$9.20 Jan 1, 2016
 - Indexed to inflation after starting Jan 1 2018
- **Tipped Wage: \$6.06** effective Jan 1, 2017
 - Phase in: \$3.36 Jan 1, 2015; \$4.60 Jan 1, 2016
 - Indexed to inflation after starting Jan 1 2018

Trimmed Funnel Graph of Estimated Minimum-Wage Effects ($n = 1,424$).



Likely impact of proposed minimum wage

- Employment effect likely will be small
 - High: 2% less growth over five years
 - Low: No effect
- Small businesses that can't afford higher wages will lose market share
- Large business (Target, Walmart) will gain market share

Likely impact of proposed minimum wage

- Impact of minimum wage on the standard of living of the working poor also likely to be small
 - Working poor will receive less in SNAP, EITC, etc.
 - Reduced subsidy to businesses

Public Schools

- Graduation Rate
 - Only 63% of high school students graduated in NM in 2011
 - NM ranked 3rd from the bottom ahead only of Nevada (62%) and DC (59%)
 - About in the middle for English learners; third from the bottom for economically disadvantaged

Public Schools

- 4-Year Graduation Rates
2012 Cohort
 - Statewide **70.3%** of high school students graduated in 4 years
 - LCPS **66.8%** of high school students graduated in 4 years

Public Schools

- Eighth grade reading standardized tests (2012)
 - Reading: New Mexico ranked **third** from the bottom (ahead of Mississippi and DC)
 - Math: New Mexico ranked **fifth** from the bottom

Comparison of Forecasts: Real GDP

Organization	Release Date	CY2014	CY 2015
Conference Board	9-Apr-14	2.4	2.7
Philadelphia Federal Reserve	14-Feb-14	2.8	3.1
Congressional Budget Office	4-Feb-14	3.1	3.4
Federal Open Market Committee	19-Mar-14	2.8 to 3.0	3.0 to 3.2
International Monetary Fund	21-Jan-14	2.8	3.0
Organization for Economic Cooperation	1-Apr-14	2.9	3.4
Average		2.8	3.1

Comparison of Forecasts: Inflation

Organization	Release Date	CY2014	CY 2015
Conference Board	9-Apr-14	na	na
Philadelphia Federal Reserve	14-Feb-14	1.8	2.0
Congressional Budget Office	4-Feb-14	1.5	1.7
Federal Open Market Committee	19-Mar-14	1.5 to 1.6	1.5 to 2.0
International Monetary Fund	21-Jan-14	1.4	1.6
Organization for Economic Cooperation	1-Apr-14	1.6	1.8
Average		1.6	1.8

Questions

Christopher A. Erickson, Ph.D.

Department of Economics and International Business

College of Business

New Mexico State University

Chrerick@nmsu.edu