

# New Mexico Economy Stalls

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# 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
- New Mexico Recovery is not on track

# National Recovery

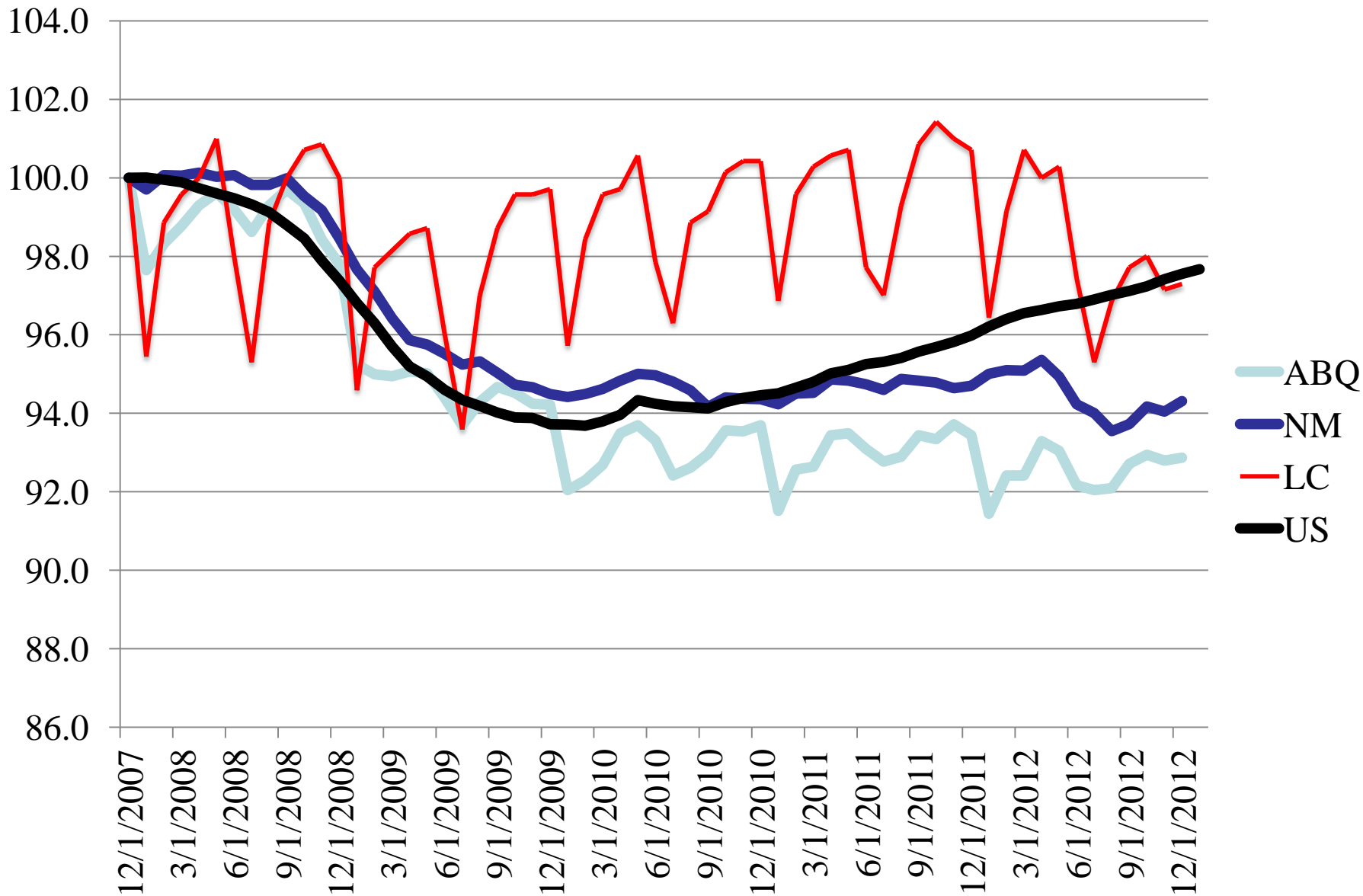
- Latest quarter saw a fall in Real GDP of .1%
  - Broke a string of 13 Quarters of growth
- Real GDP is higher than before the recession
- Industrial production is 98.1% of pre-recession level

# National Recovery

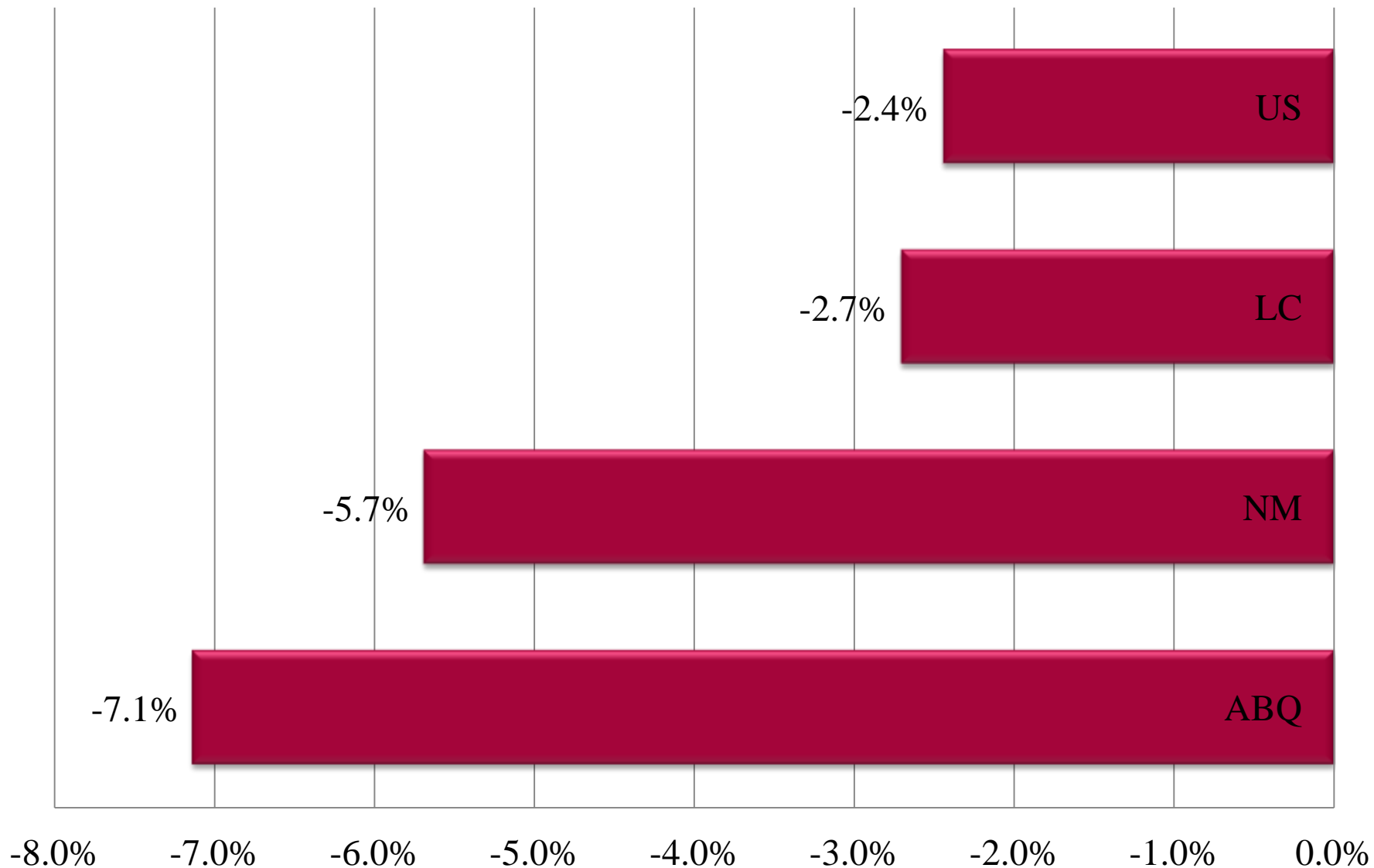
- There remains considerable slack in the economy
  - The unemployment rate remains high at 7.9%
    - Employment is 3.2 million below its peak
      - Up 1.2 million since start of the Obama administration
  - Capacity utilization is a tepid 78.8
  - Excess reserves are \$1.5 trillion

# Employment during the Recession

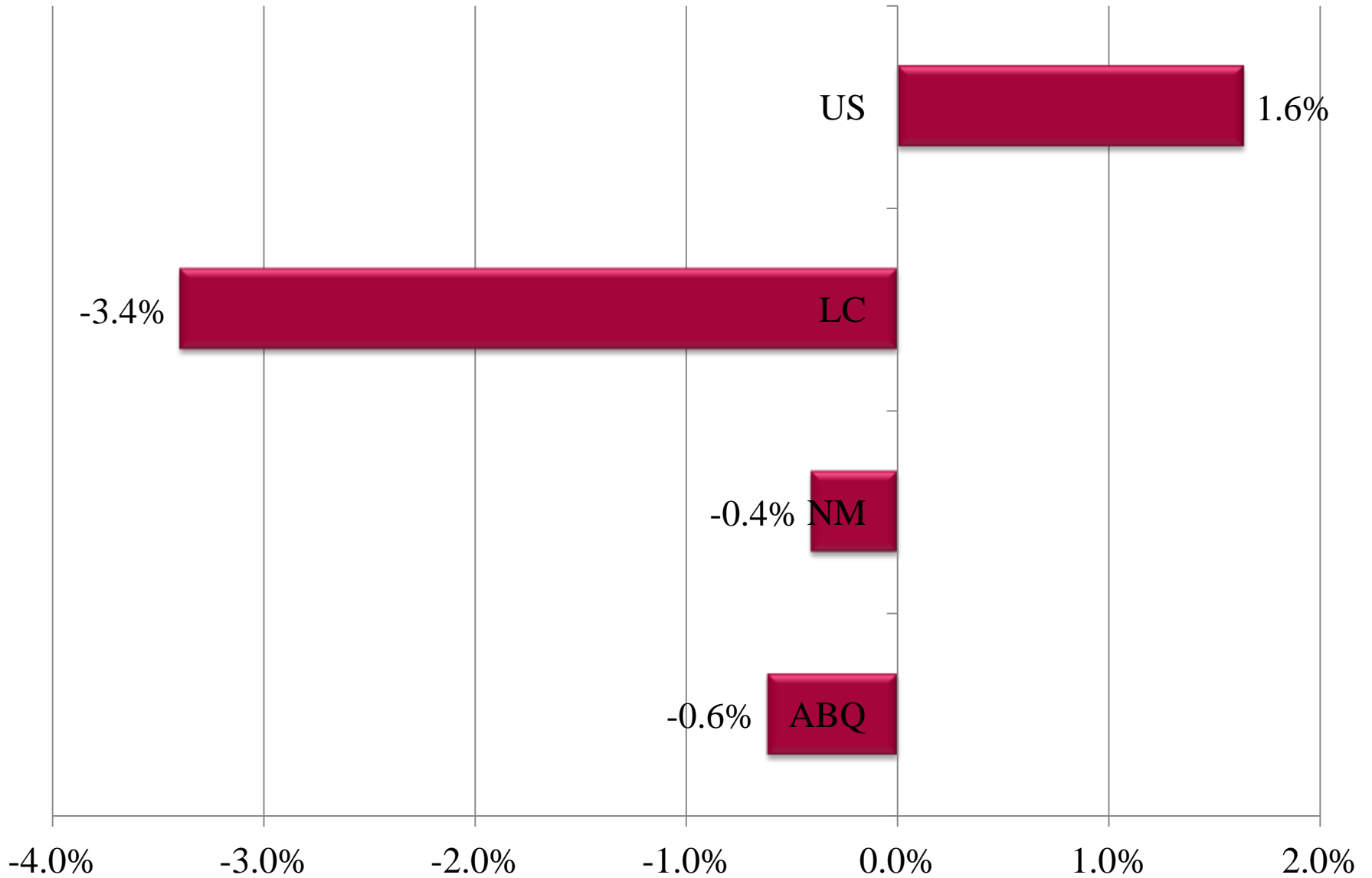
## December 2007 = 100



# Employment Growth Since the Start of the Recession December 2007 to December 2012



# Employment Growth Last Twelve Months December 2011 to December 2012



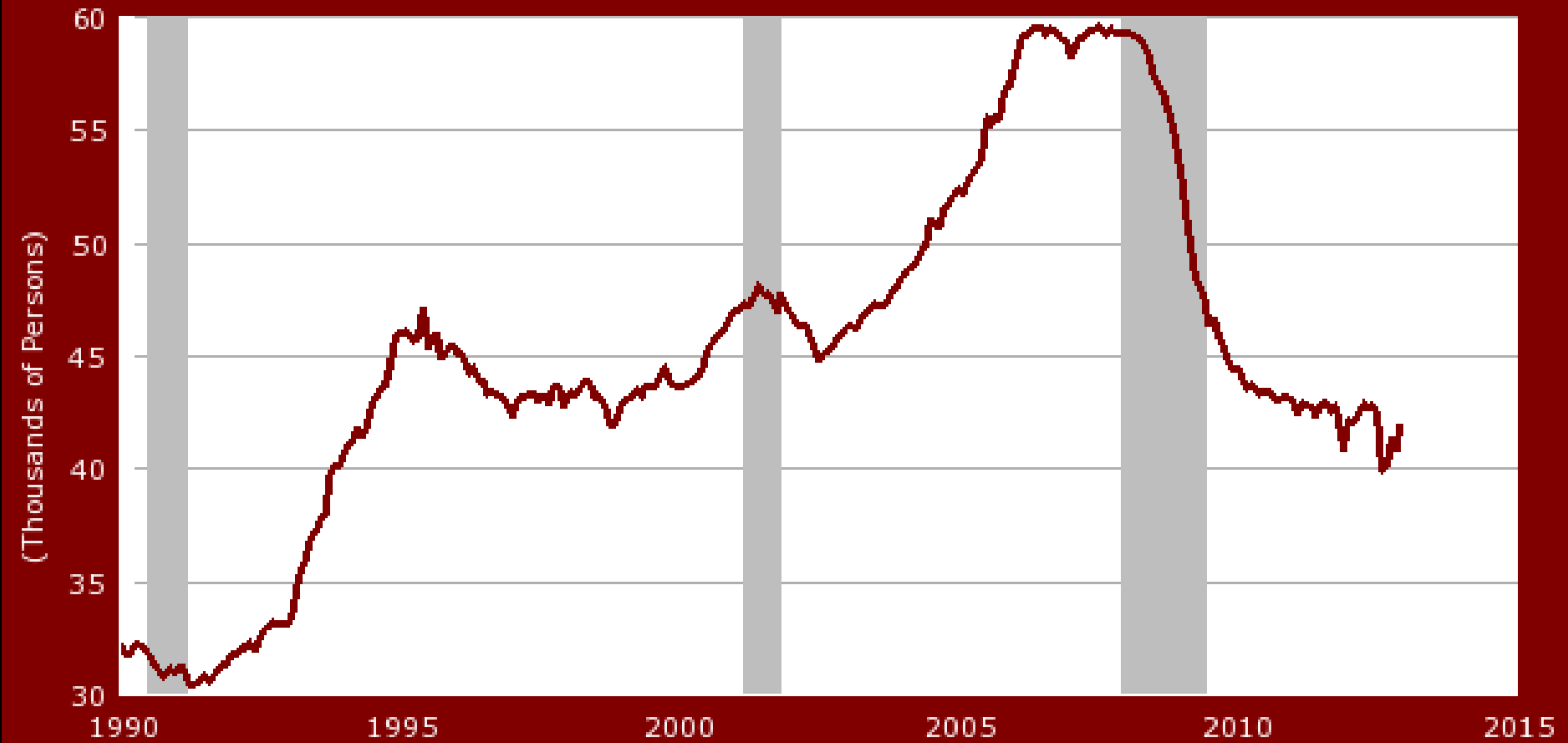
# Construction and Real Estate

- 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



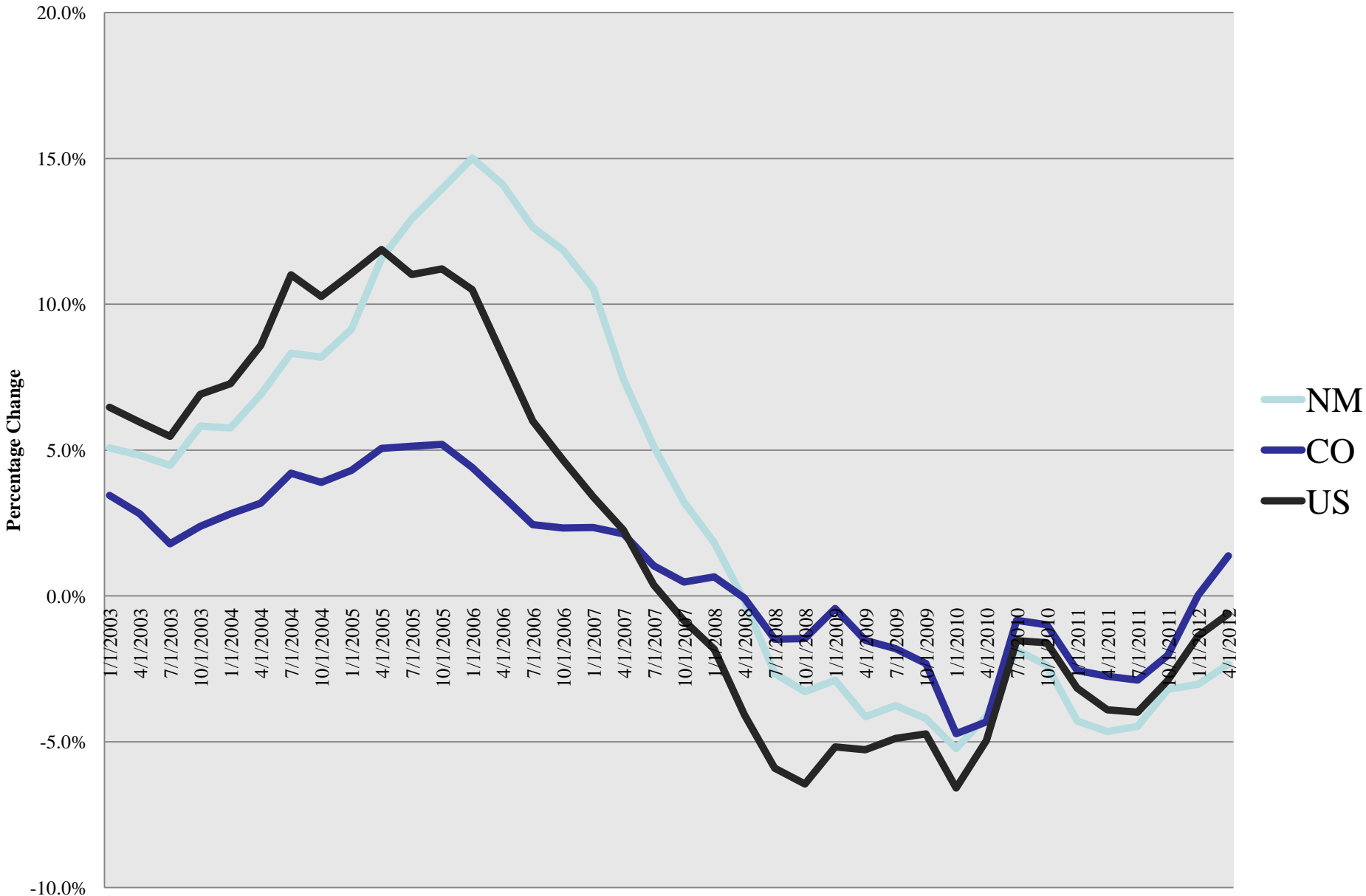
# Construction Employment in New Mexico (NMCONS)

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

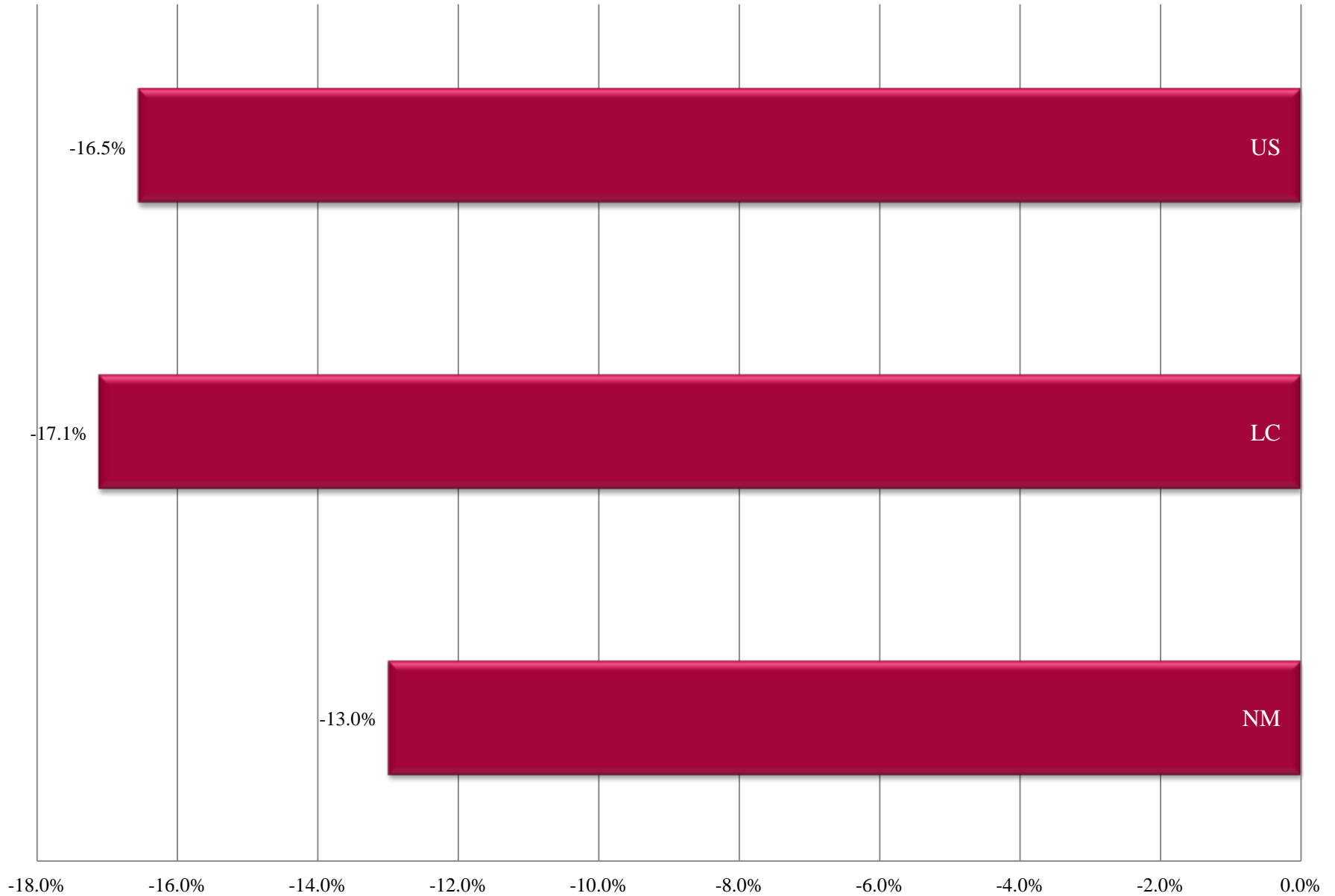


Shaded areas indicate US recessions.  
2013 research.stlouisfed.org

# Changes in Housing Prices Year-over-Year

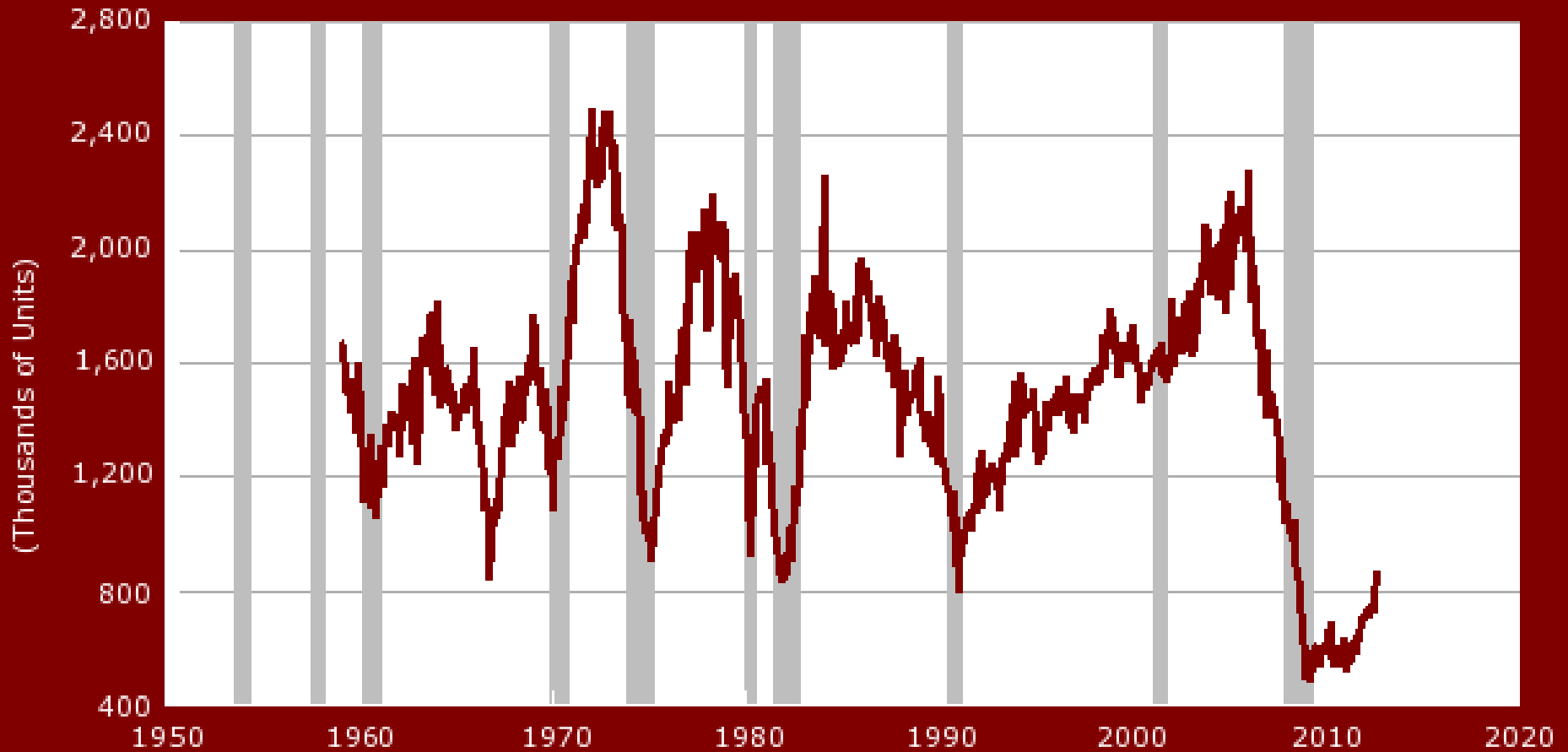


# Decline in Housing Prices Since 2007 Q1



# Housing Starts: Total: New Privately Owned Housing Units Started (HOUST)

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



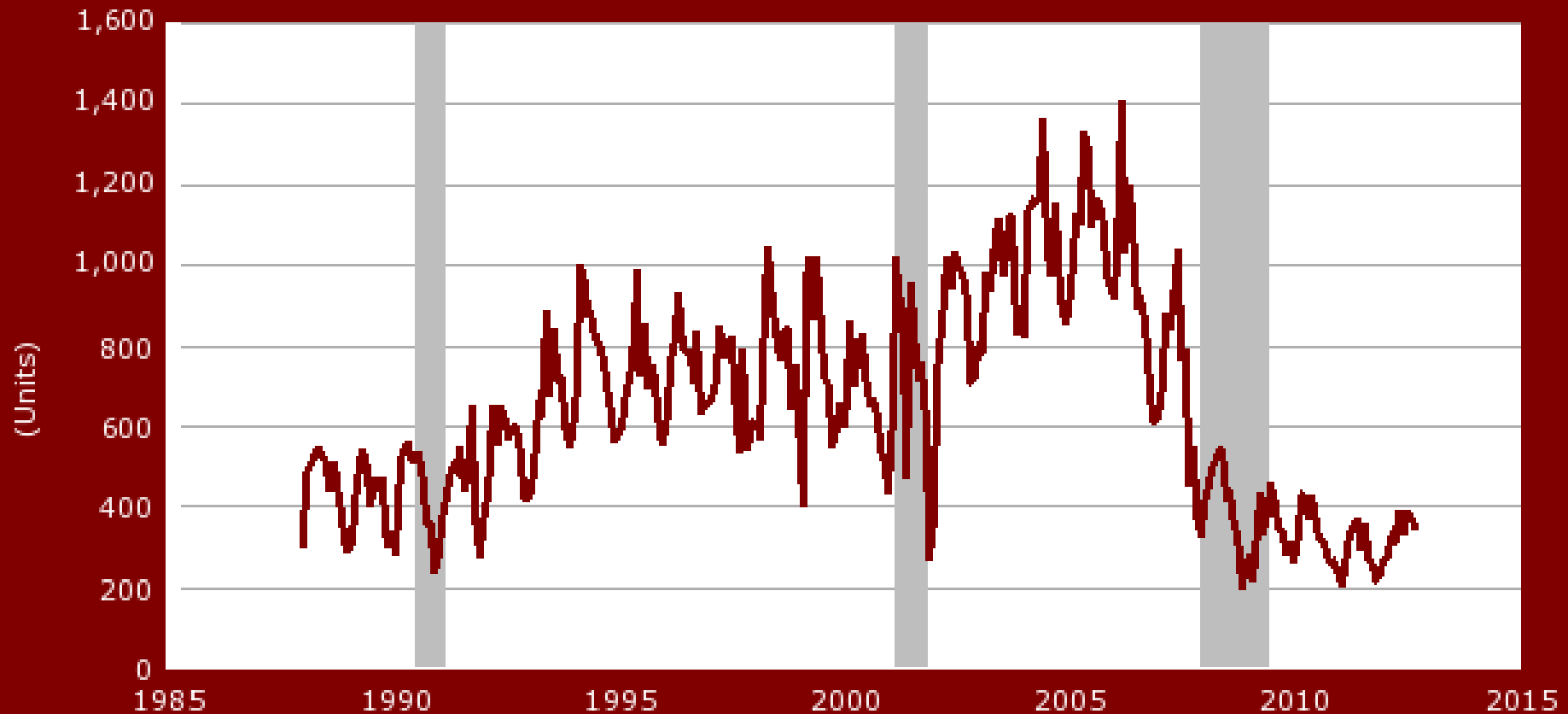
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2012 [research.stlouisfed.org](http://research.stlouisfed.org)



# Privately Owned Housing Starts Authorized by Building Permits: 1-Unit Structures for New Mexico (NMBP1FH)

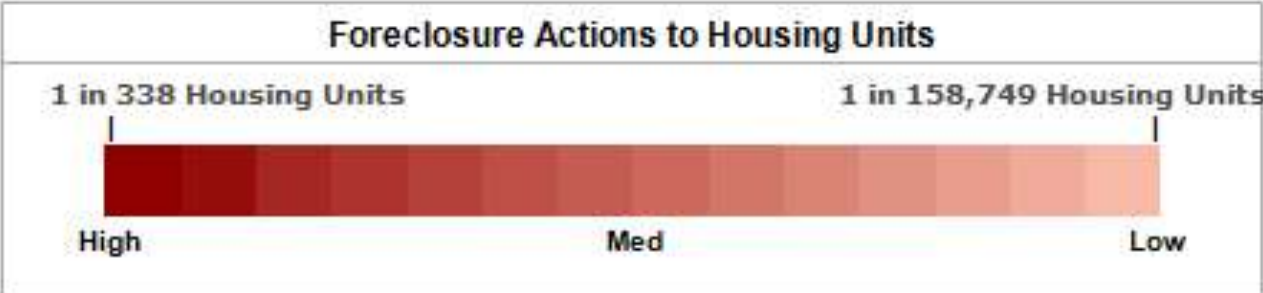
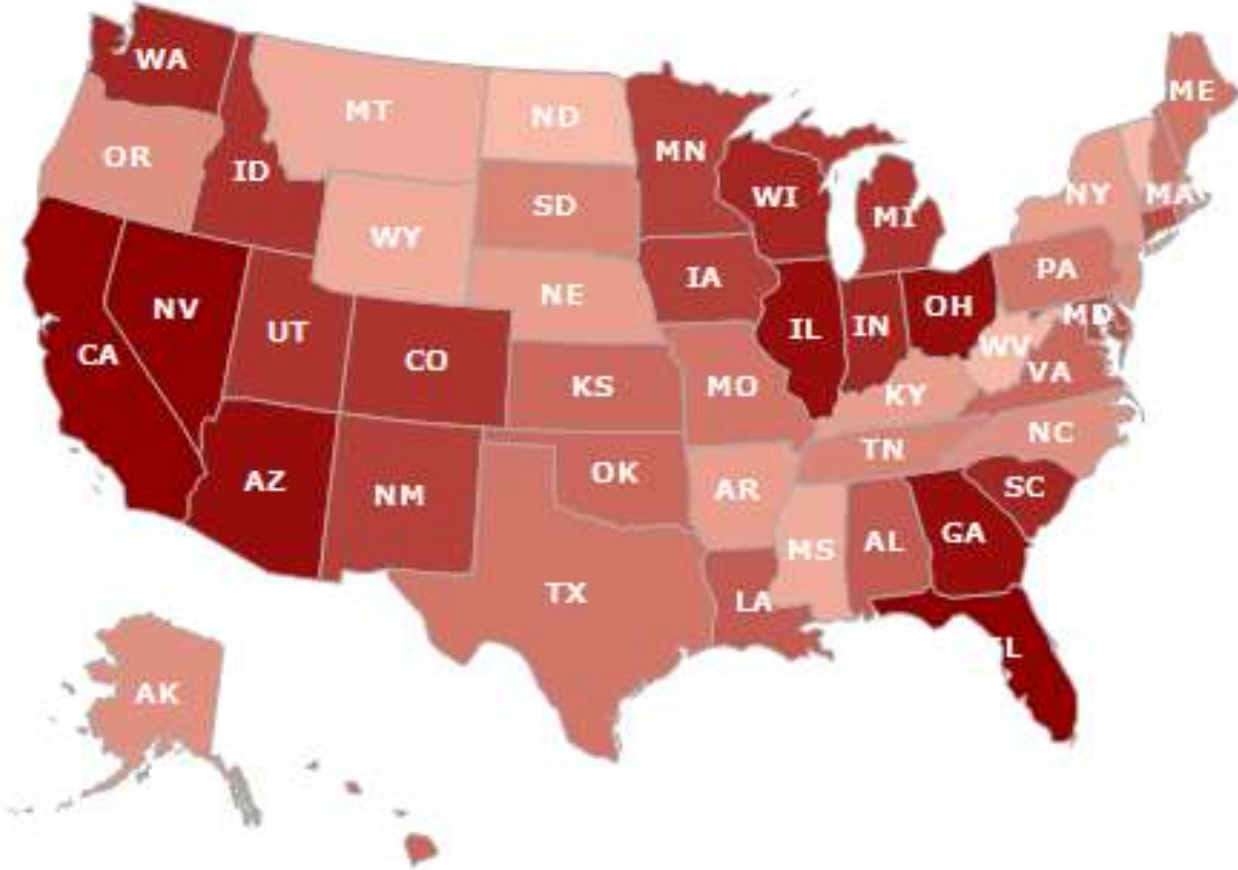
Source: U.S. Department of Commerce: Census Bureau



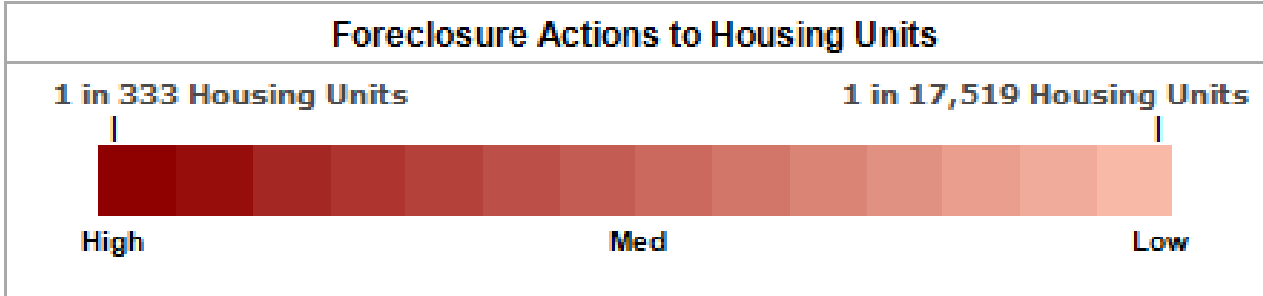
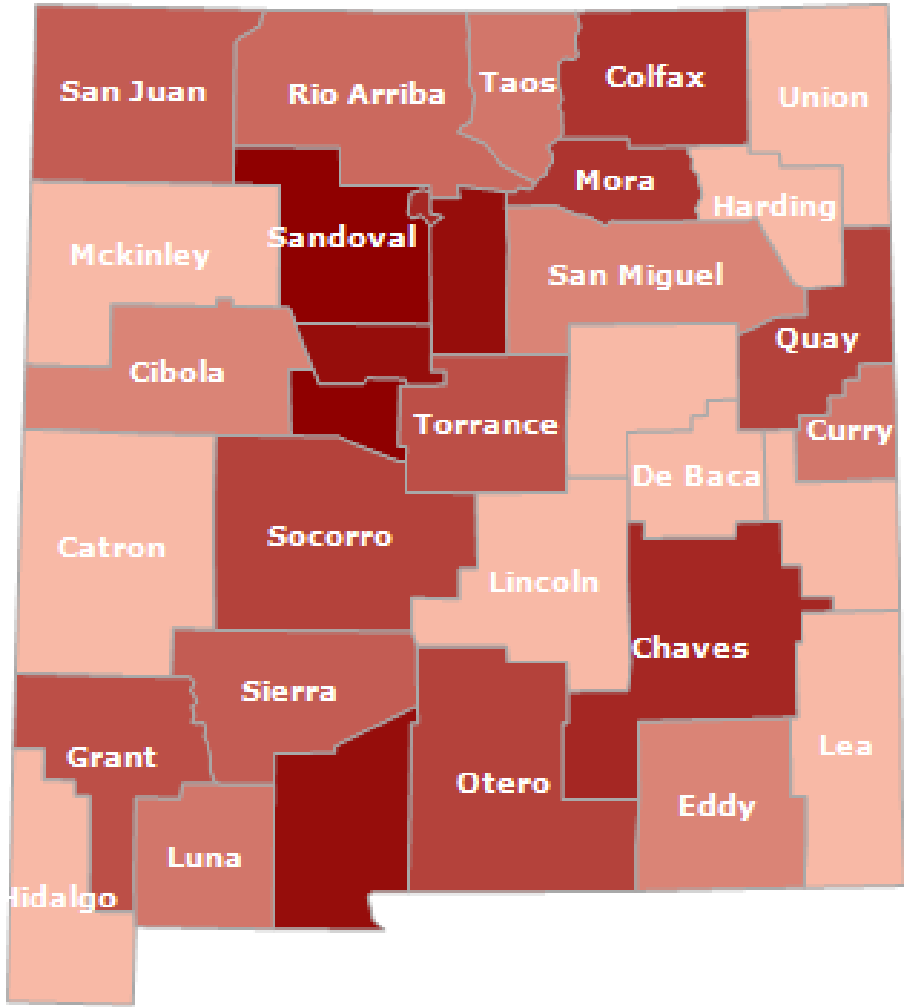
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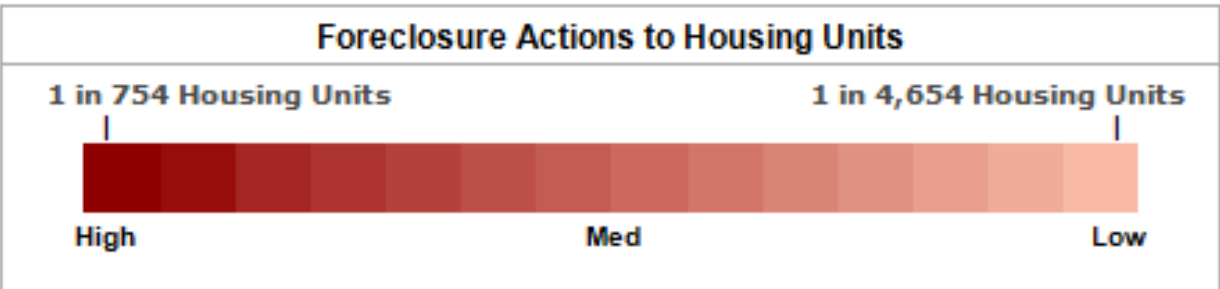
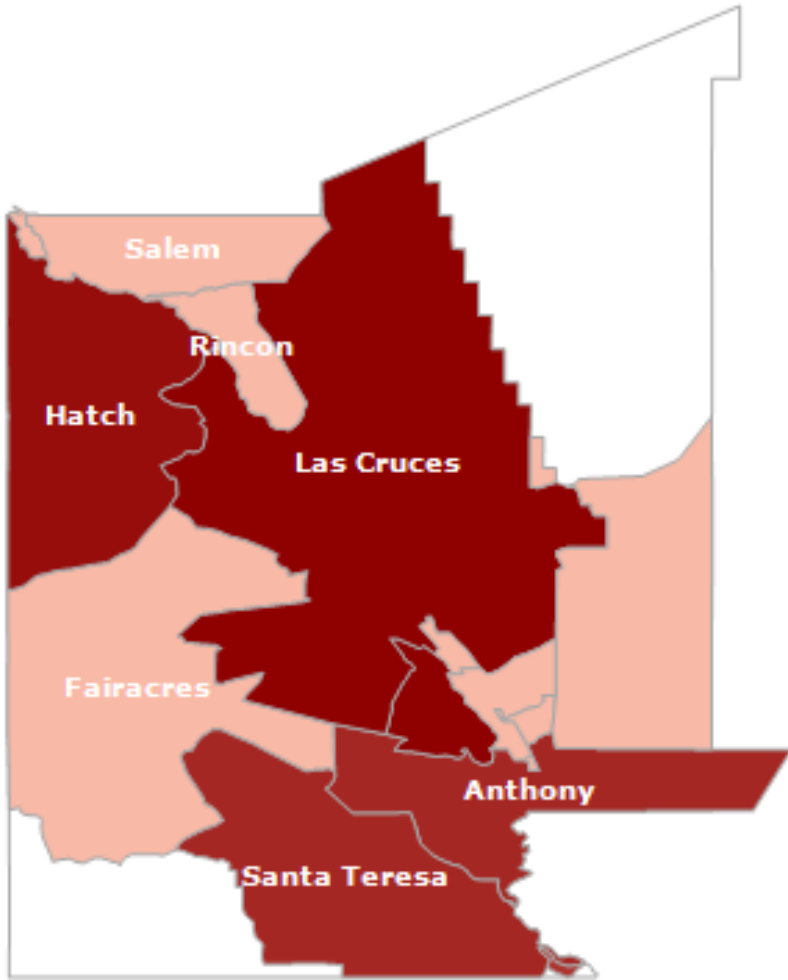
United States: 1 in 810



New Mexico: 1 in 931

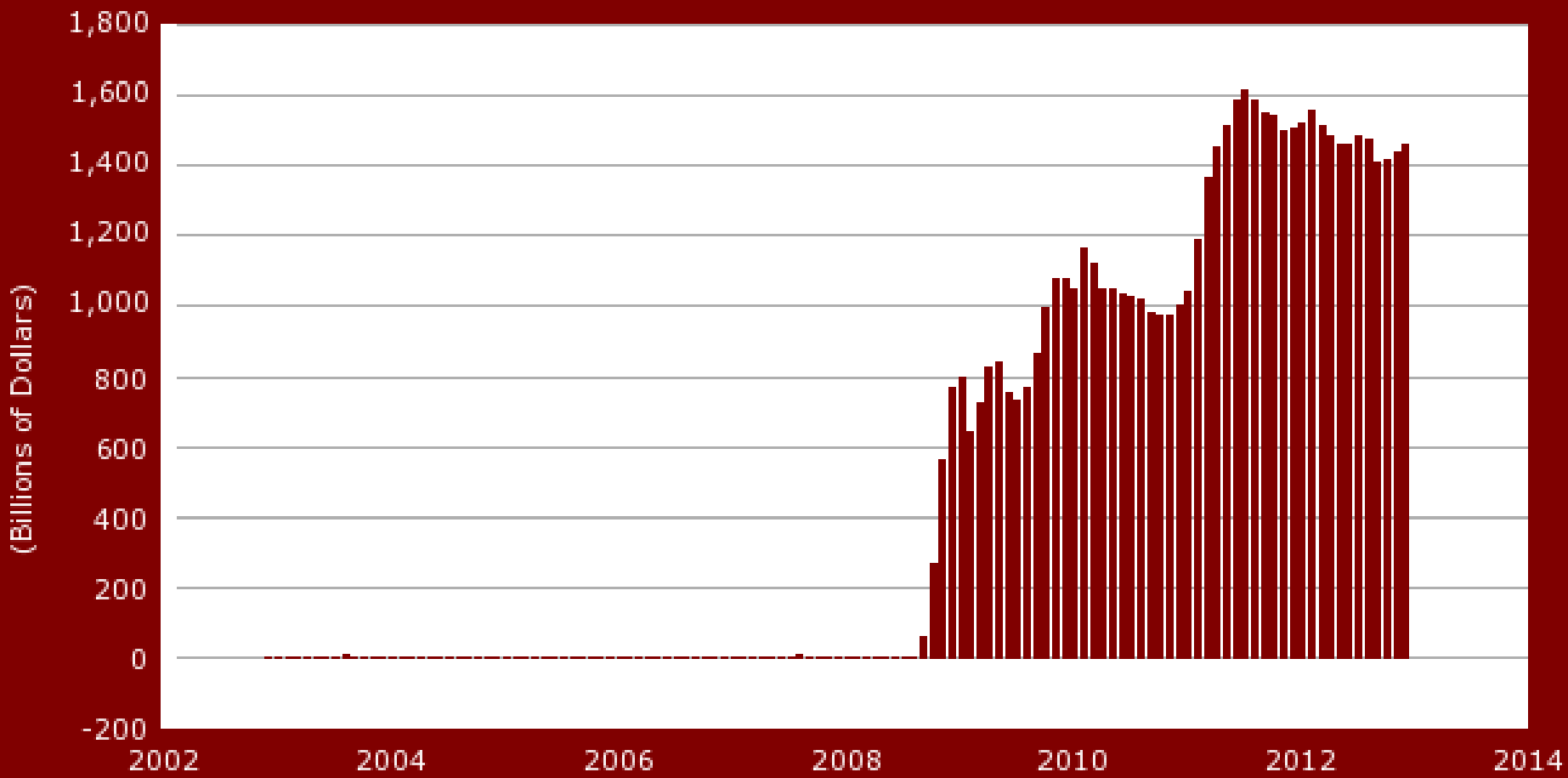


Dona Ana: 1 in 937





Excess Reserves of Depository Institutions (EXCRESNS)  
Source: Board of Governors of the Federal Reserve System



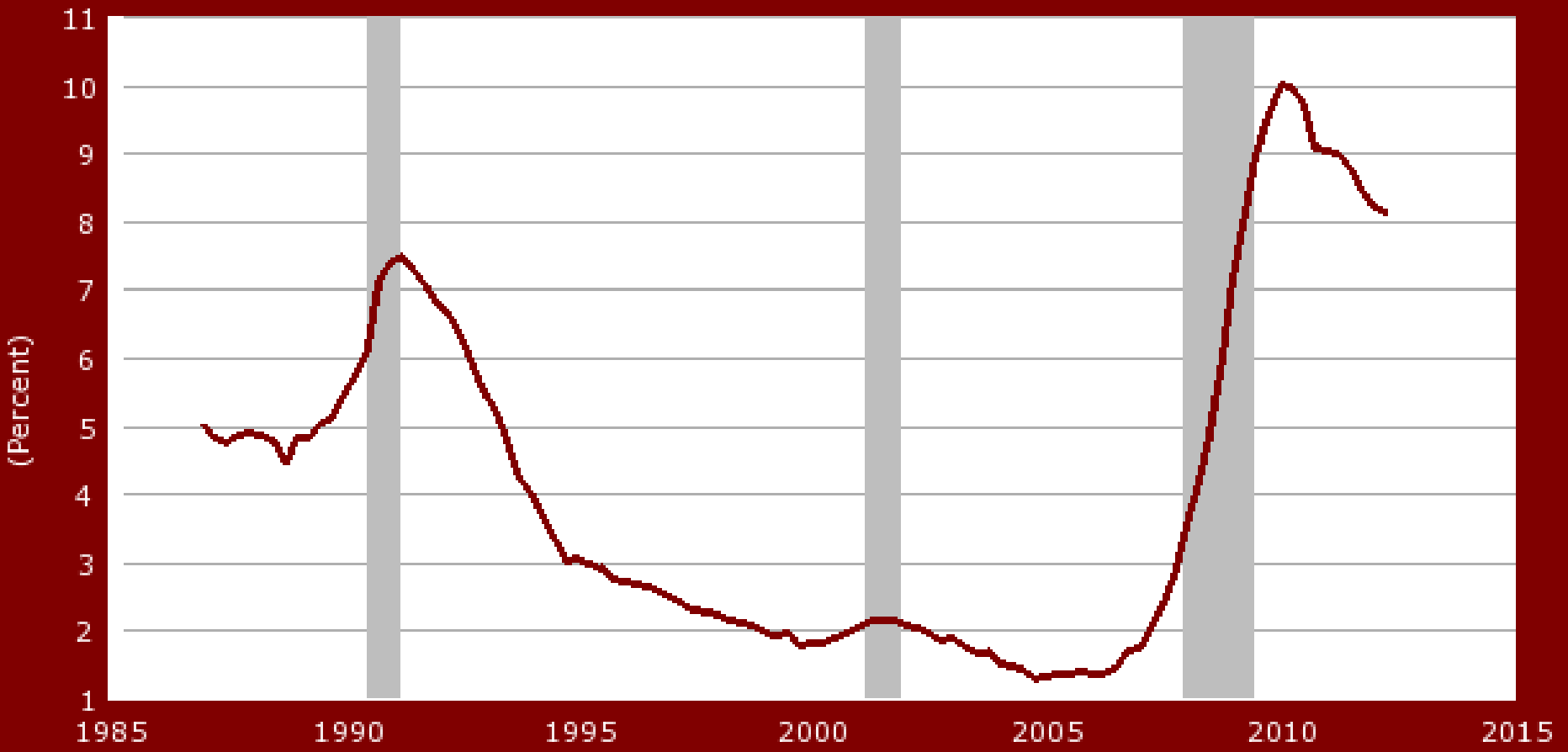
Bank Credit of All Commercial Banks (TOTBKCR)  
Source: Board of Governors of the Federal Reserve System



Shaded areas indicate US recessions.  
2013 research.stlouisfed.org



Delinquency Rate On Loans Secured By Real Estate, All Commercial Banks (DRSREACBS)  
Source: Board of Governors of the Federal Reserve System

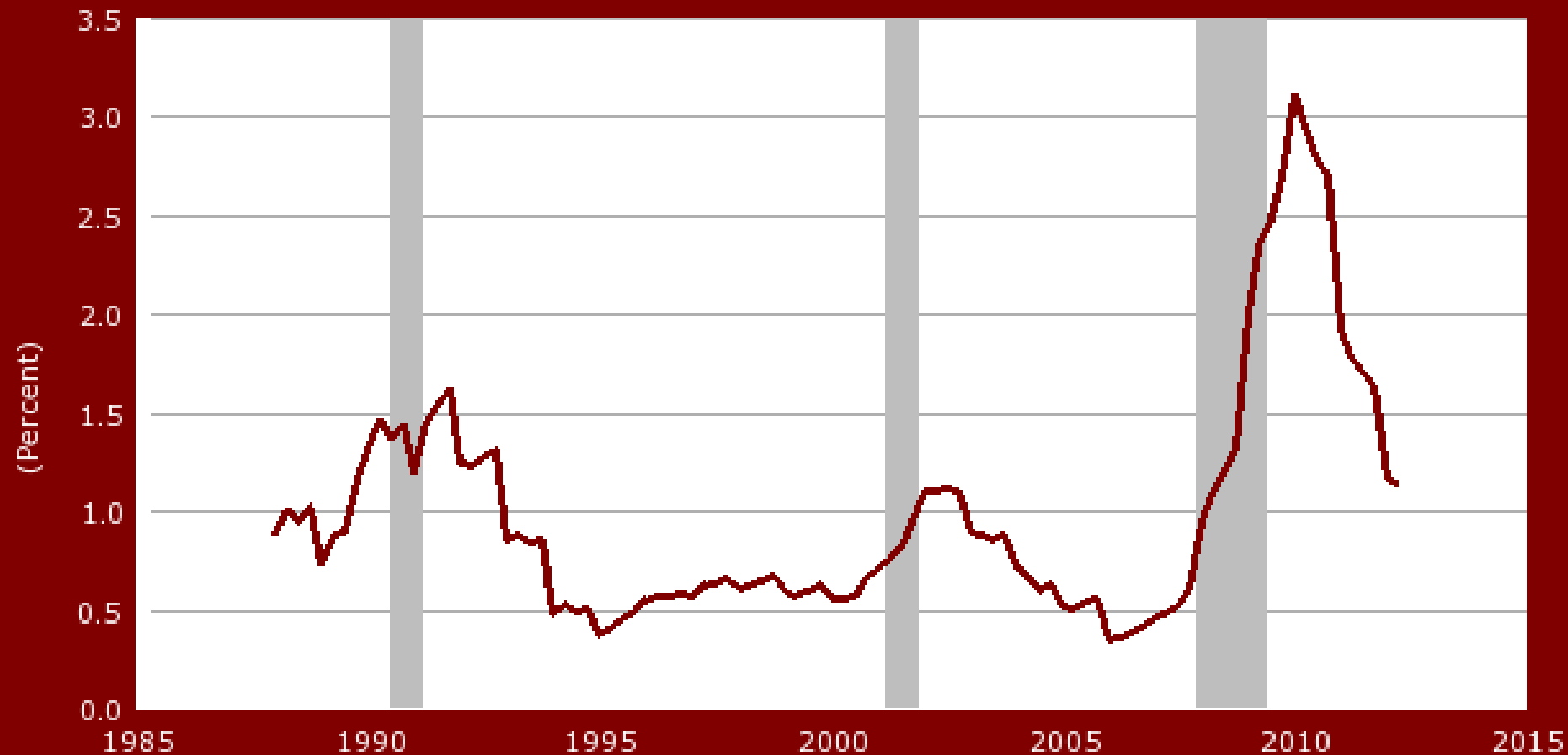


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2012 research.stlouisfed.org



# Total Net Loan Charge-offs (NCOTOT)

Source: Federal Financial Institutions Examination Council



Shaded areas indicate US recessions.

2012 [research.stlouisfed.org](http://research.stlouisfed.org)



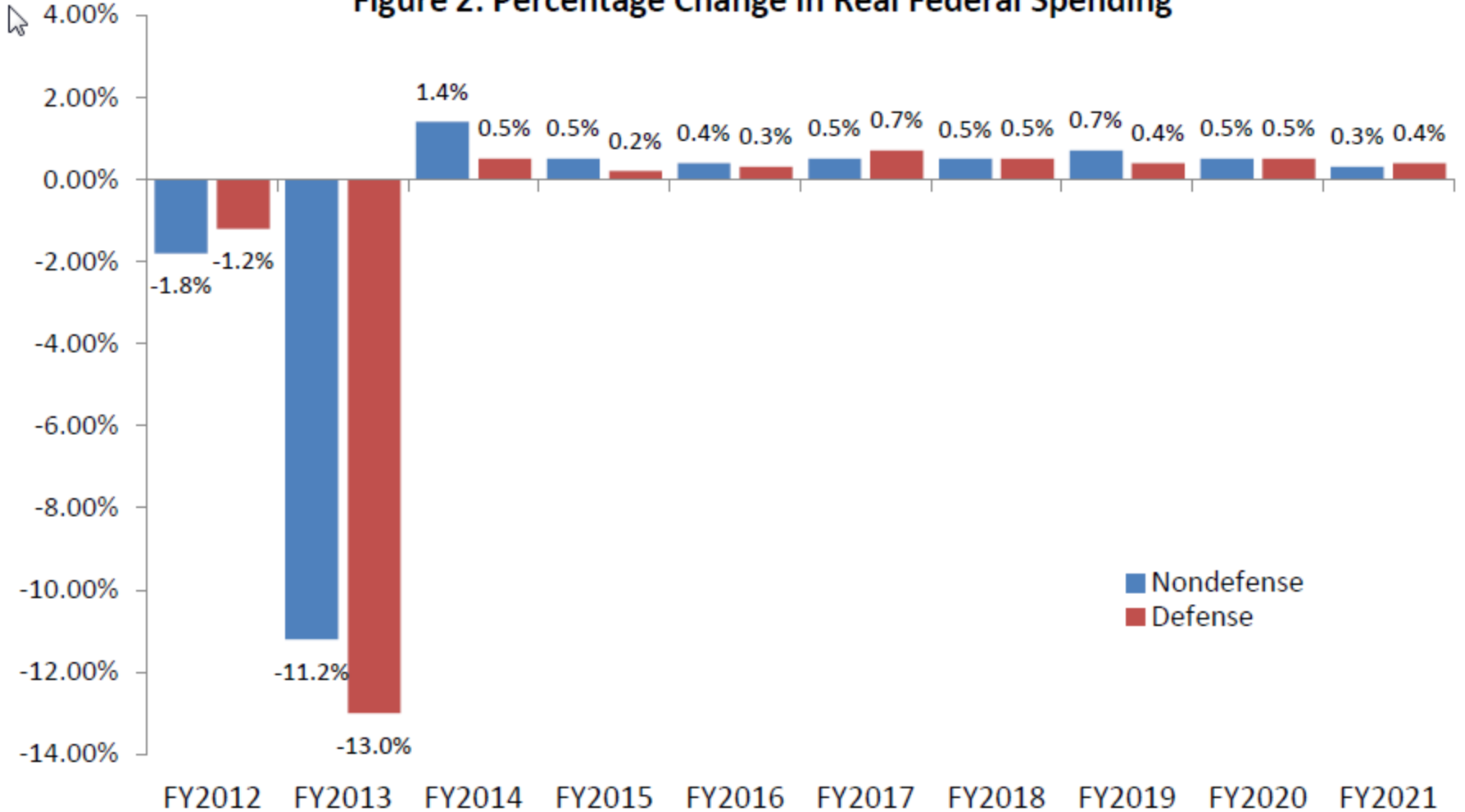
# The Fiscal Cliff

- Budget Agreement (signed January 2) enacted new taxes
  - Expiration of the 2% payroll tax holiday affects all wage earners
  - Tax rate for those earning more than \$400,000 (single)/ 450,000 (Married) increases from 35% to 39.6%
  - Top rate on capital gains and dividends increases from 15% to 20%
  - Personal exemption for inheritance reduced to \$5 million and the top rate increases to 40%
  - Already in place,
- Sequestration
  - Automatic, across-the board spending cuts in both defense and non-defense spending.

# Sequestration

- Automatic, across-the board spending cuts in both defense and non-defense spending effective March 1, 2013
- 1.2 Trillion dollars from 2013-2023
  - 11.3% across the board cuts in discretionary defense spending
  - 8.2% cuts for discretionary non-defense spending
  - 15% reduction in number of federal employees

Figure 2: Percentage Change in Real Federal Spending



Source: Congressional Research Service

# Sequestration

- There are approximately 48,705 federal employees in NM, with an average annual salary of \$68,196
  - 15% cut = 7306 fewer federal employees in NM
    - Loss of \$498.24 Million dollars per year in gross income
    - RIF, retirements, early retirements, other attrition
    - 411 fewer Border Patrol Agents in El Paso and New Mexico
    - 15% reduction in number of employees of Customs, Forest Service, Bureau of Land Management, Bureau of Indian Affairs and many others

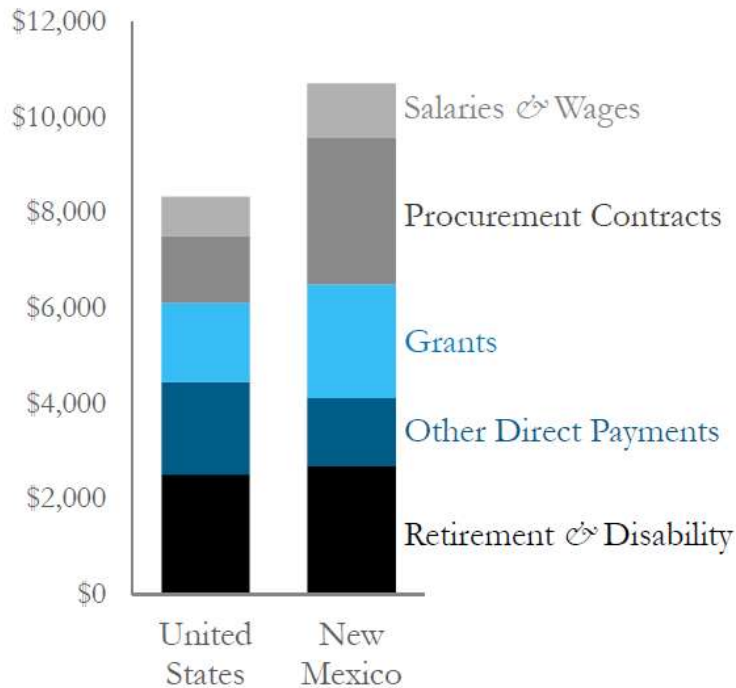


# New Mexico Jobs lost

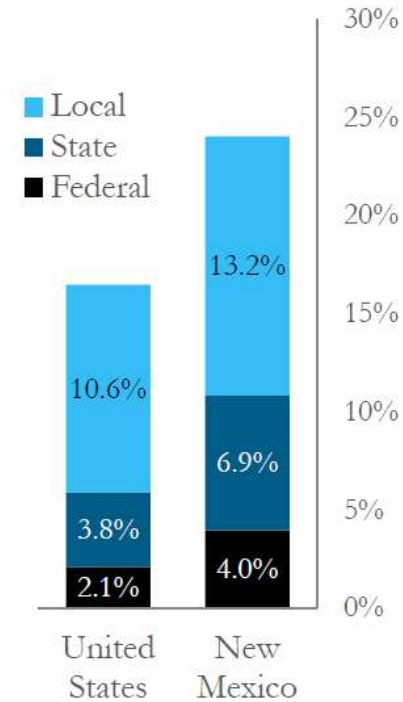
- Federal employees being told to prepare for layoffs
- Reduced hours for current employees
  - WSMR is planning furloughs
- Fewer new employees being hired
- Estimates for all job sectors are expected to be about 28,000, direct and indirect

# New Mexico is heavily reliant on federal government spending and employment.

FEDERAL EXPENDITURES PER CAPITA, FY 2006

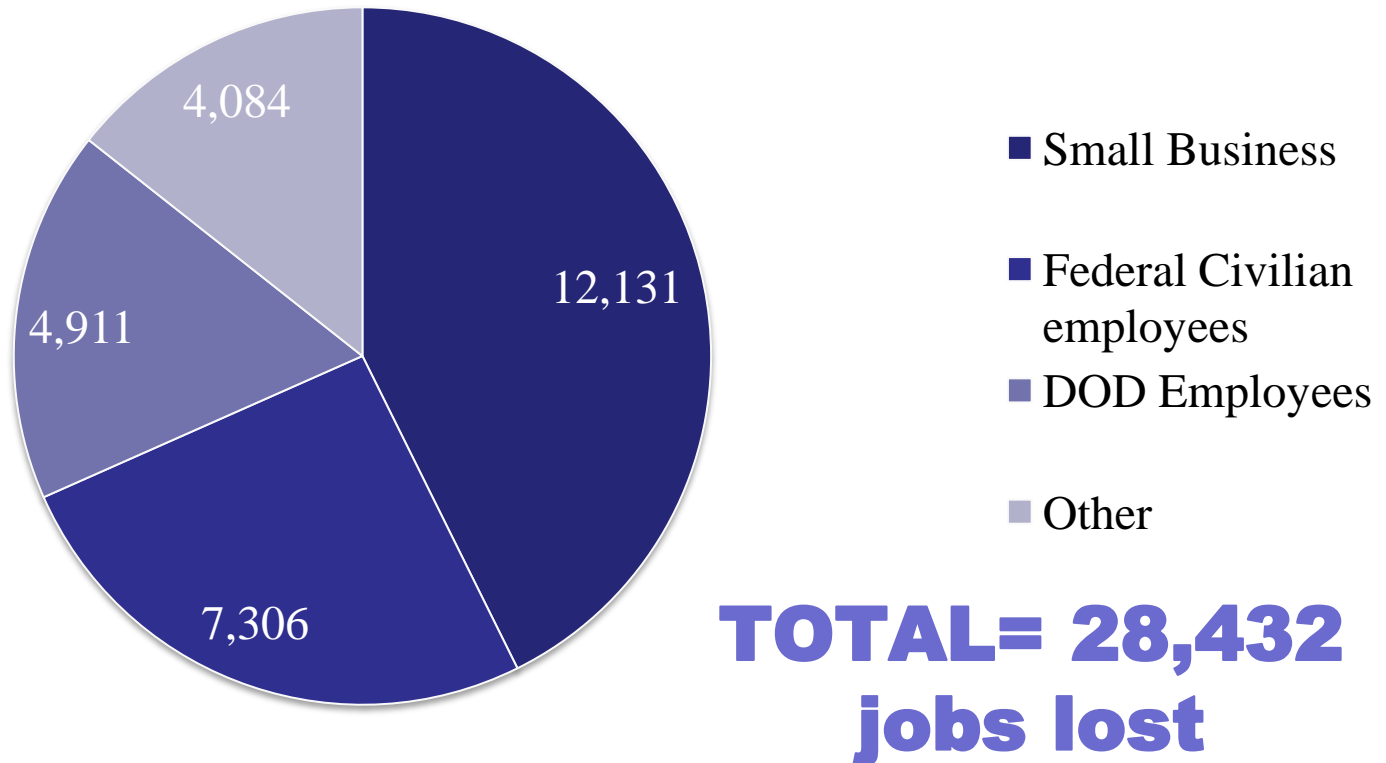


GOVERNMENT SHARE OF TOTAL NONFARM EMPLOYMENT



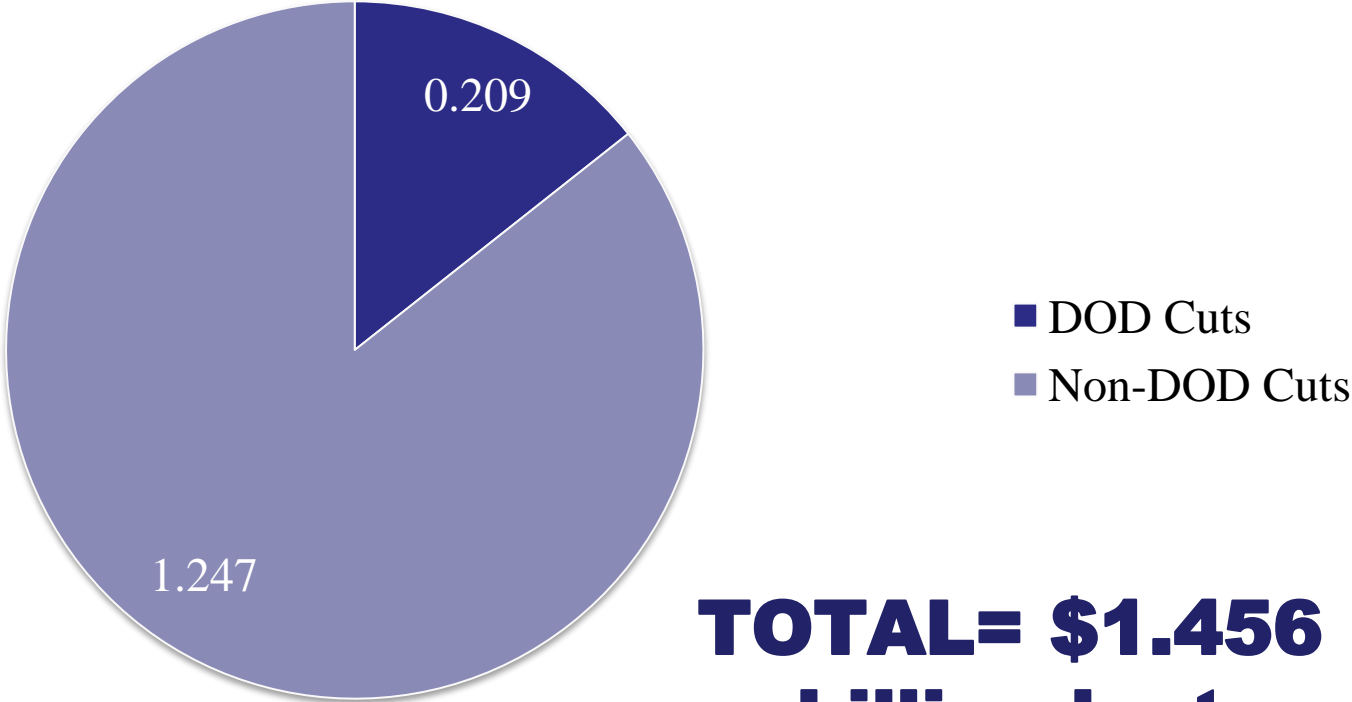
Source: Census Bureau & Bureau of Labor Statistics

# New Mexico Jobs at risk



Sources: National Treasury Employee's Union; Stephen S. Fuller, Ph.D.

# Nm Labor Income Impacts (Fiscal Years 2012-2013)

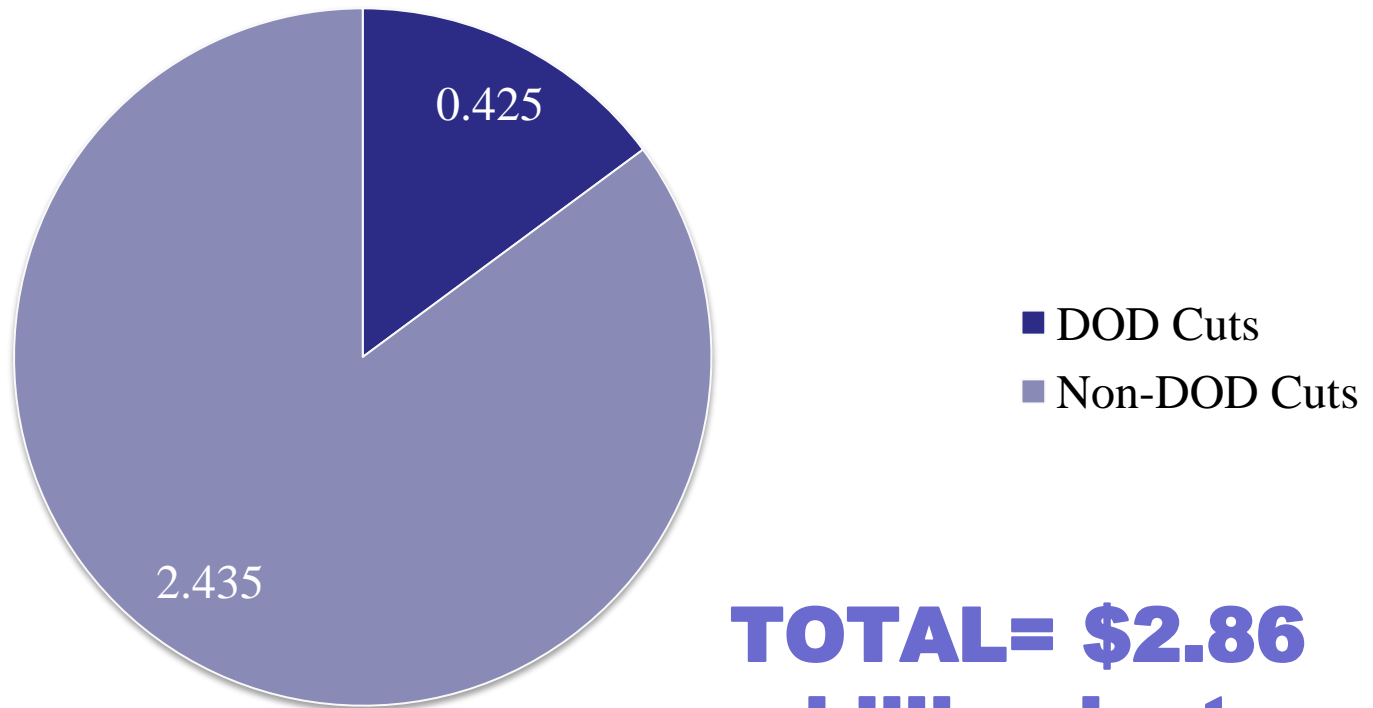


**TOTAL= \$1.456 billion lost**

Source: Stephen S. Fuller, Ph.D.



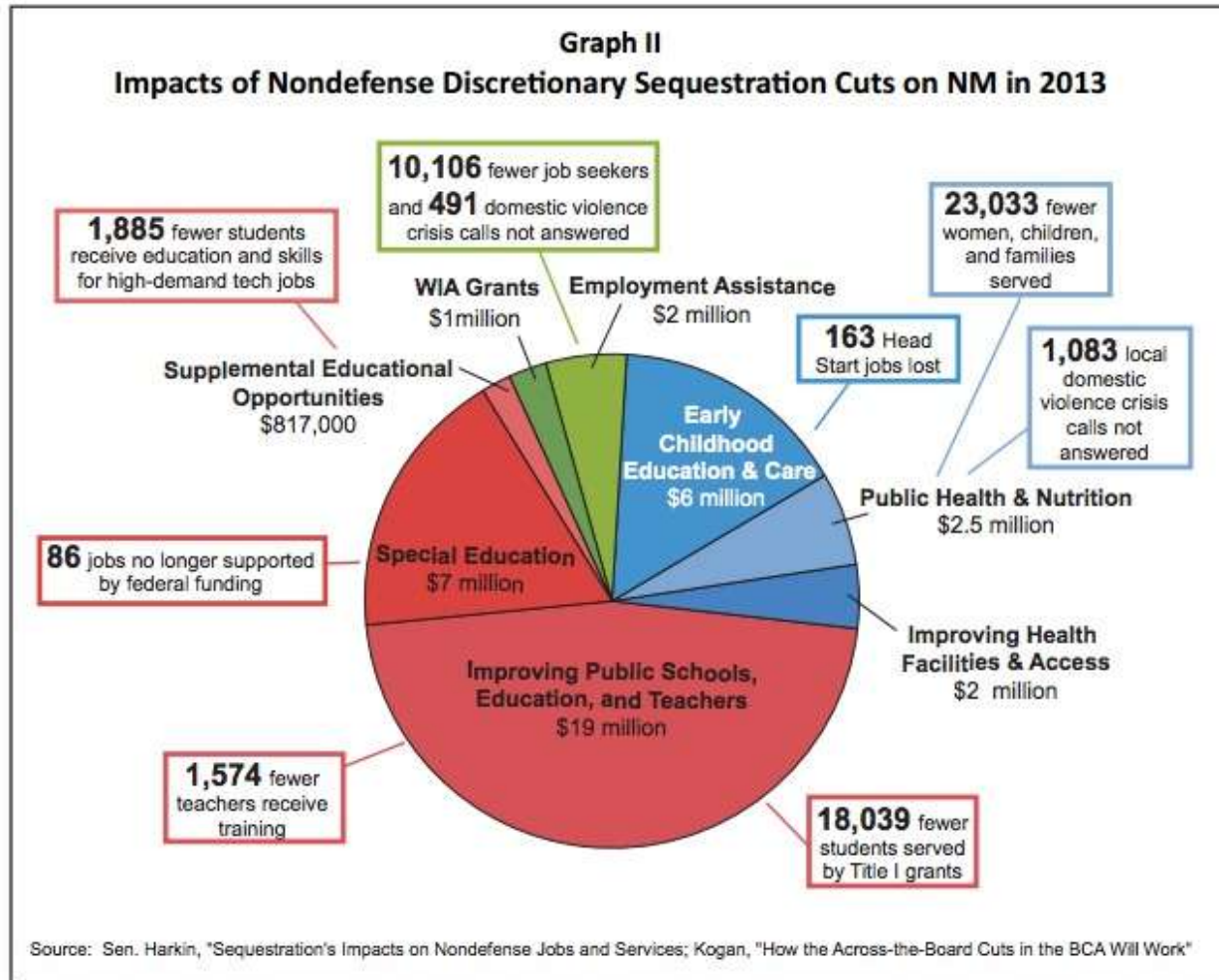
# NM GSP Impact in Billions (fiscal years 2012-2013)



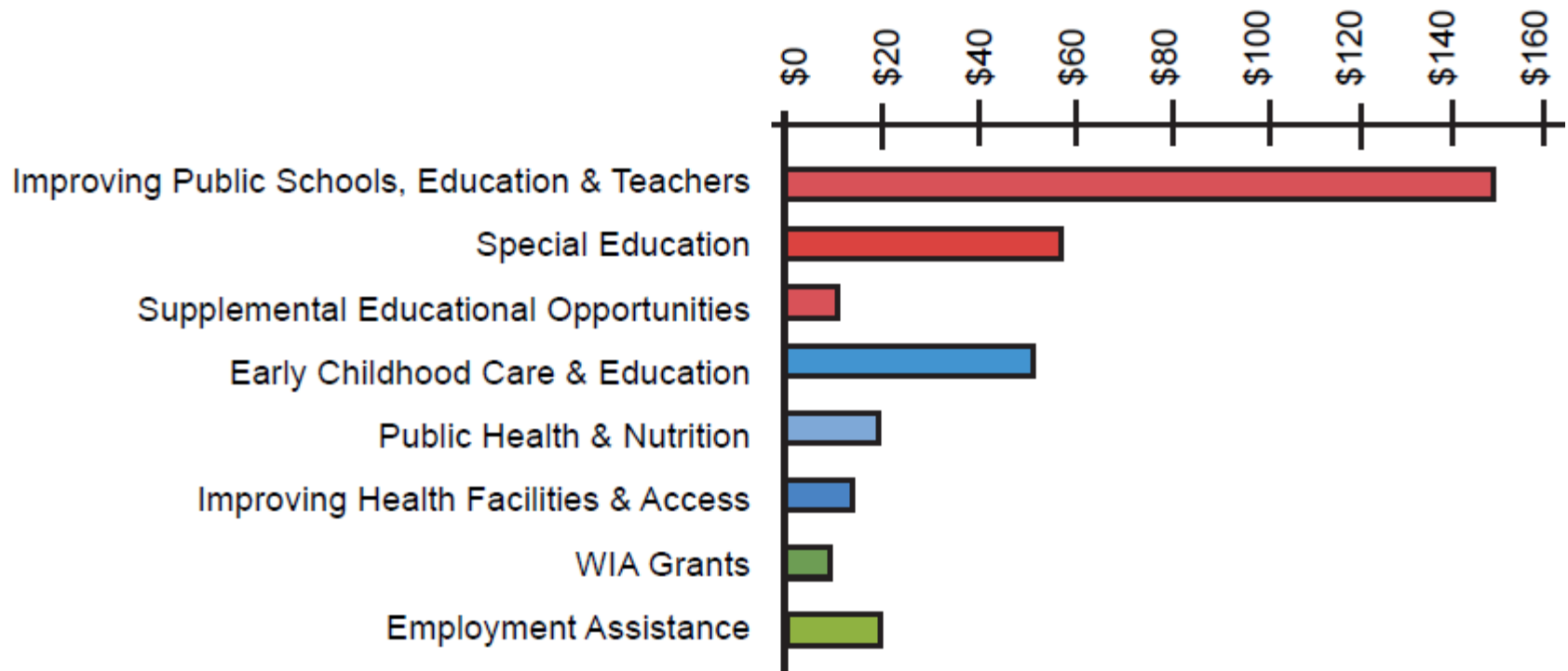
**TOTAL= \$2.86  
billion lost**

Source: Stephen S. Fuller, Ph.D.

# Social program cuts



## Impacts of Nondefense Discretionary Sequestration Cuts on NM by 2021 in millions (\$325.4 million total)



Source: "Under Threat: Sequestration's Impact on Nondefense Jobs and Services," Senator Tom Harkin, Senate Appropriations Subcommittee on Labor, Health, and Human Services, and Education, Washington, D.C., July 2012

# Public Schools

- Graduation Rate
  - Only 64.8% of high school students graduate in NM in 2009
  - NM ranked 3<sup>rd</sup> from the bottom ahead only of Mississippi (62.4%) and DC (62.0%)
- Performance on Standardized Tests



# Public Schools

- 4-Year Graduation Rates  
2012 Cohort
  - Statewide 70.3% of high school students graduate in NM
    - Compared to 60.3% for the 2008 Cohort
  - LCPS 71.2% of high school students graduated in 4 years
    - Compare to 50.4% for the 2008 Cohort

# Comparison of Forecasts: Real GDP

Organization	Release Date	CY2013	CY 2014
Conference Board	9-Jan-13	1.8	2.4
Philadelphia Federal Reserve	12-Dec-12	1.9	2.5
Congressional Budget Office	1-Aug-12	-0.1	NA
Federal Open Market Committee	24-1-13	2.8 to 3.2	3.3 to 4.0
International Monetary Fund	1-Oct-12	2.1	2.9
Organization for Economic Cooperation	1-Nov-12	2.2	3.2
Average		2.0	3.1

## Comparison of Forecasts: Inflation

Organization	Release Date	CY2013	CY 2014
Conference Board	9-Jan-13	na	na
Philadelphia Federal Reserve	12-Dec-12	2.1	2.1
Congressional Budget Office	1-Aug-12	1.3	1.6
Federal Open Market Committee	24-1-13	1.4 to 2.0	1.6 to 2.0
International Monetary Fund	1-Oct-12	1.8	1.7
Organization for Economic Cooperation	1-Nov-12	1.8	2.0
Average		1.7	1.8

# Questions

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