



# **New Mexico Economic Update: Uncertain times in The Land of Enchantment**

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# Outline

- U.S. economic update
- Recent economic trends in New Mexico
- Final remarks: challenges and opportunities



# U.S. Economic Update

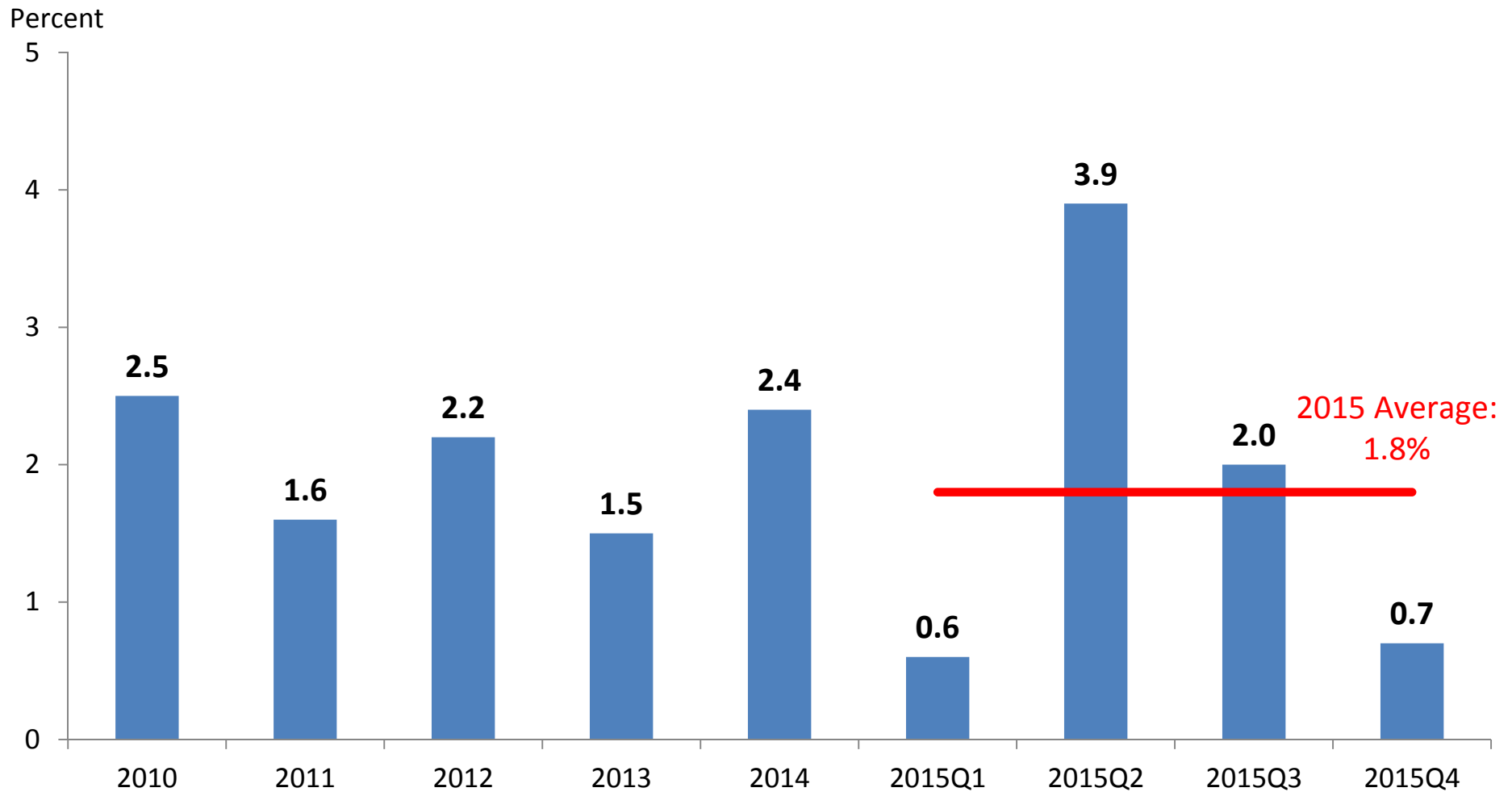


# The U.S. economy posted moderate growth in 2015

- Employment posted steady job gains
- Consumer spending increased at solid rates, with declining energy prices providing a further boost
- Strong dollar created a drag on exports and manufacturing sector
- Strength in service-providing sector offset weakness in manufacturing



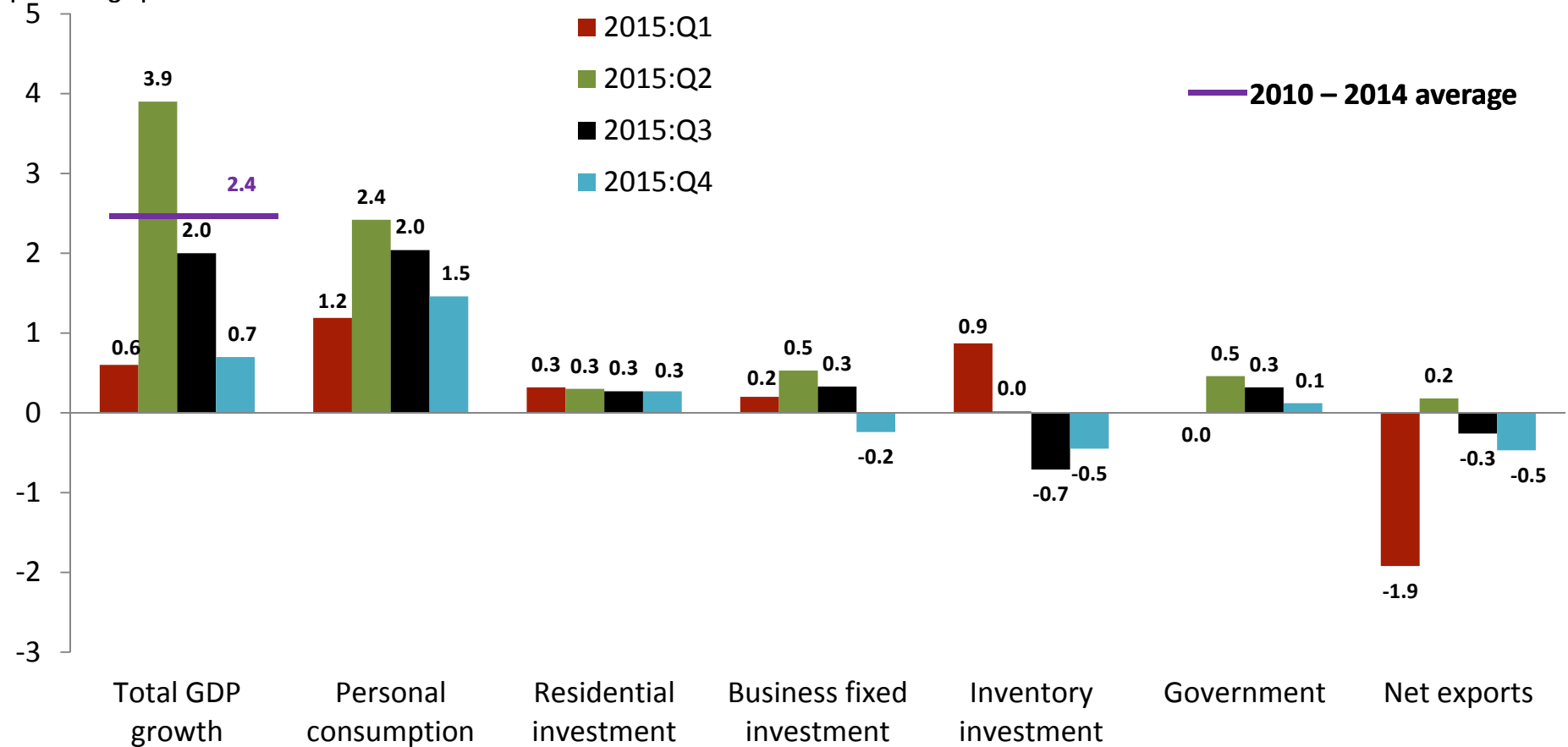
# U.S. GDP growth slows in Q4...



Source: Bureau of Economic Analysis

# ...As the economy feels the energy and dollar appreciation pressures

Contribution to real GDP growth, percentage points

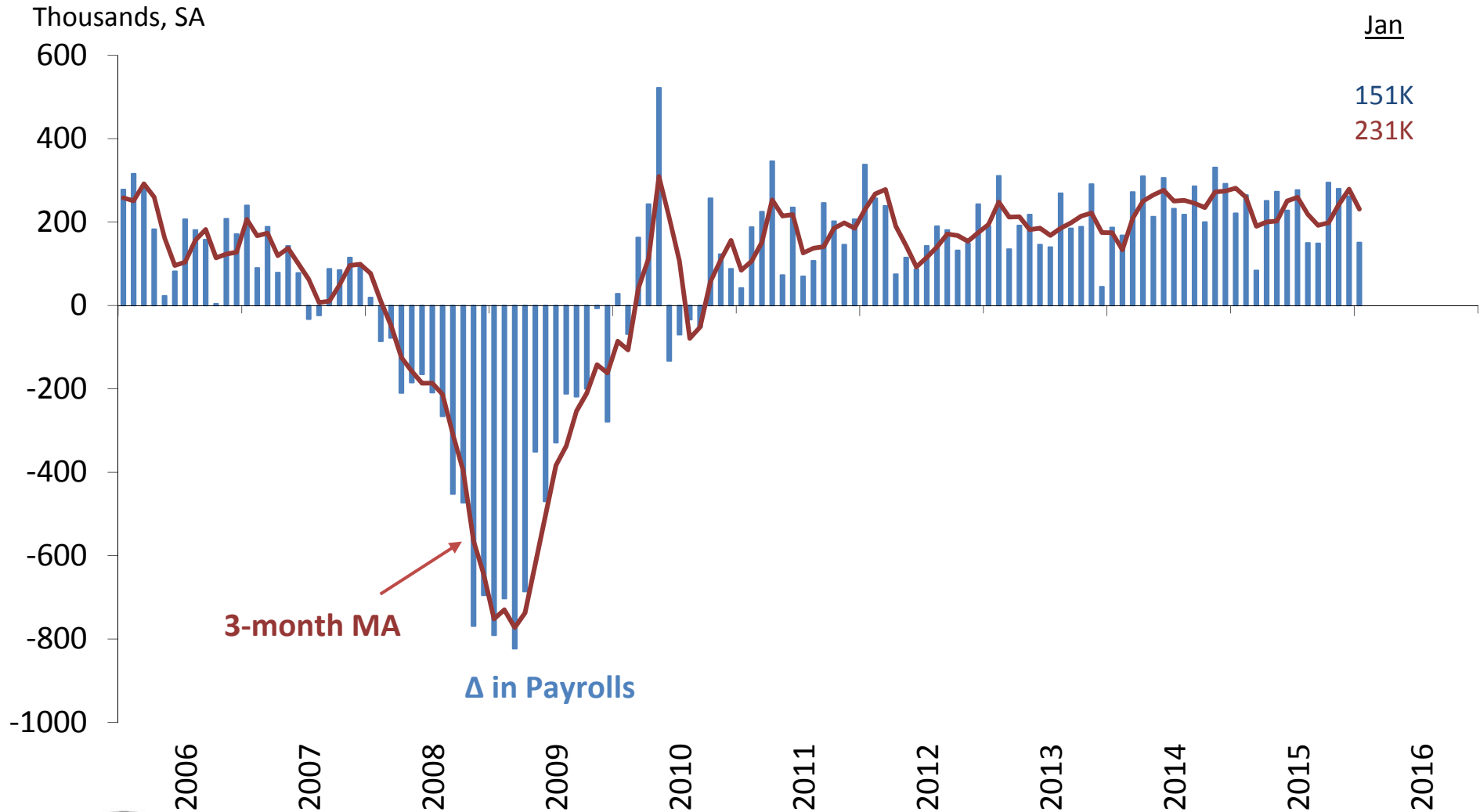


Source: Bureau of Economic Analysis

Note: Numbers may not sum due to rounding



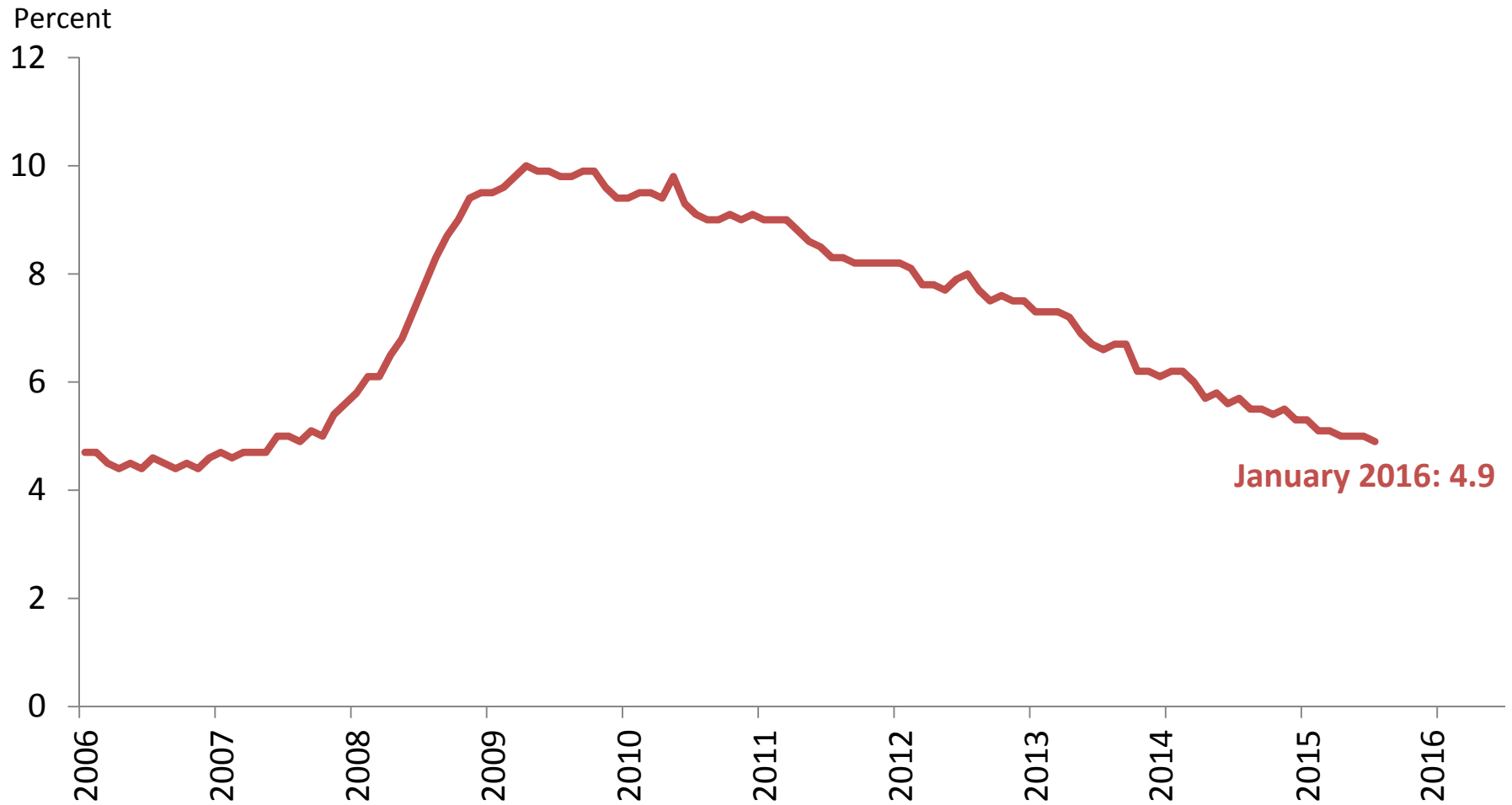
# Payroll employment continues to improve



Source: Bureau of Labor Statistics



# Unemployment rate trending down

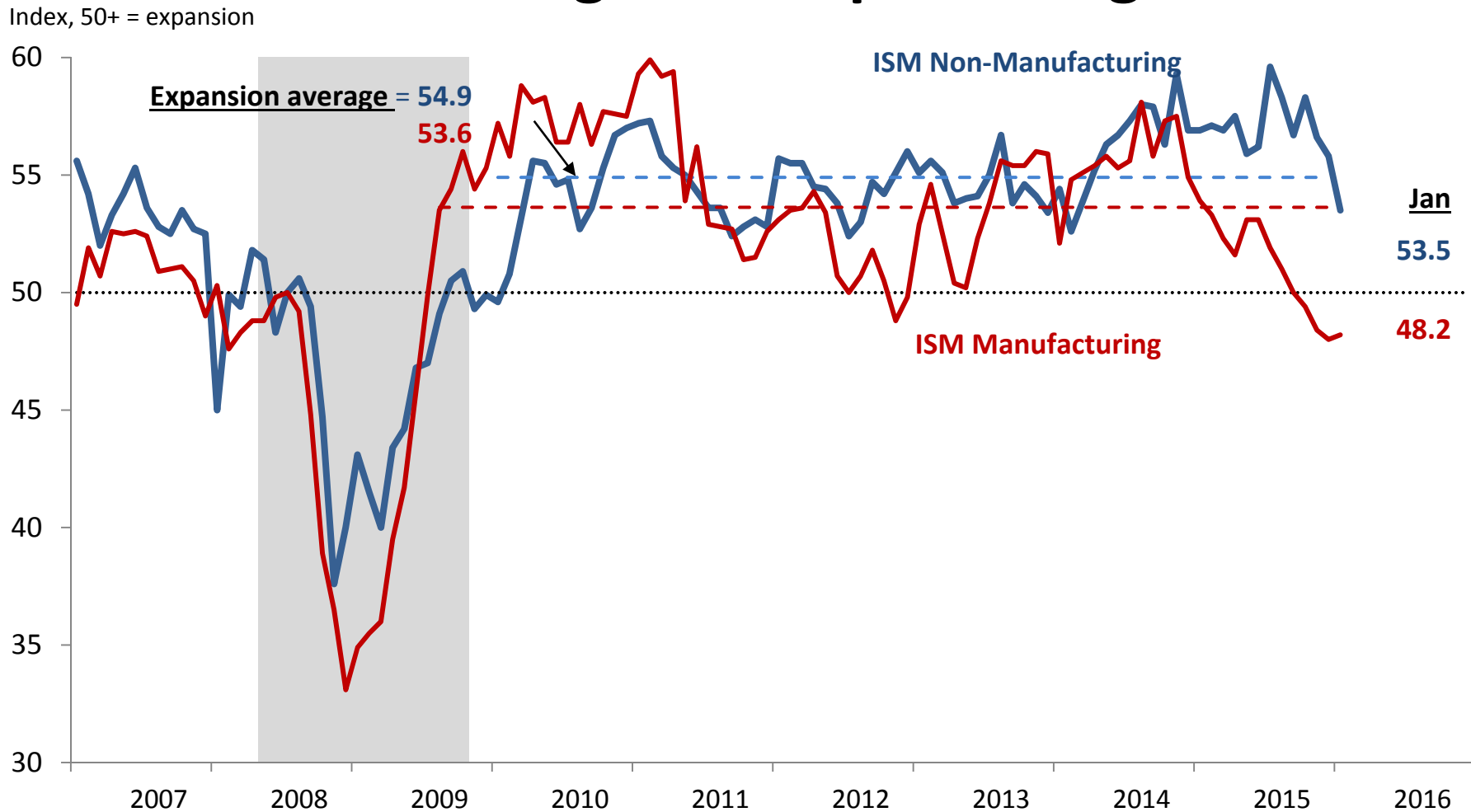


Source: Bureau of Labor Statistics





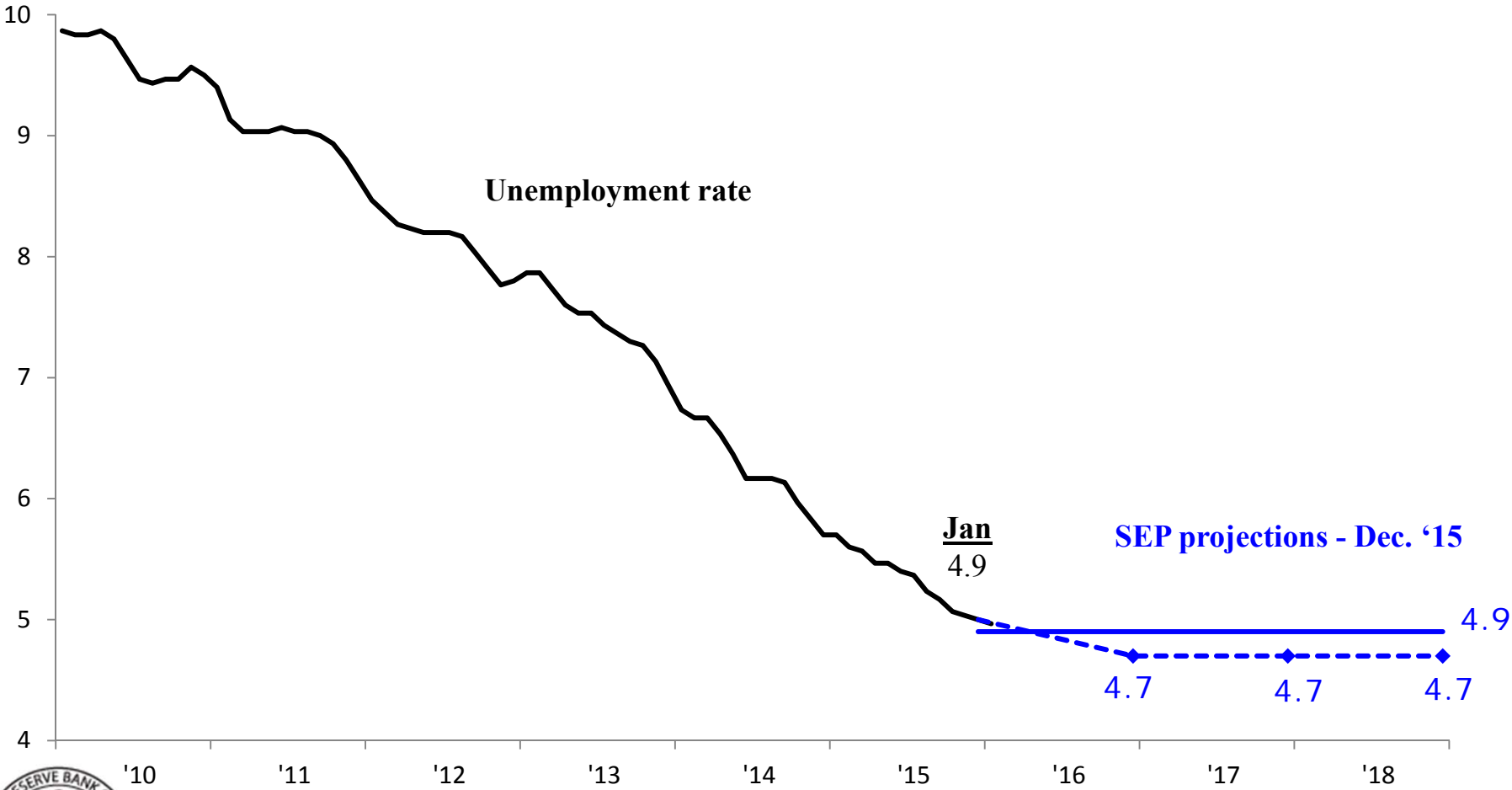
# ISM Manufacturing slowing but Non-Manufacturing shows strong service-producing sector



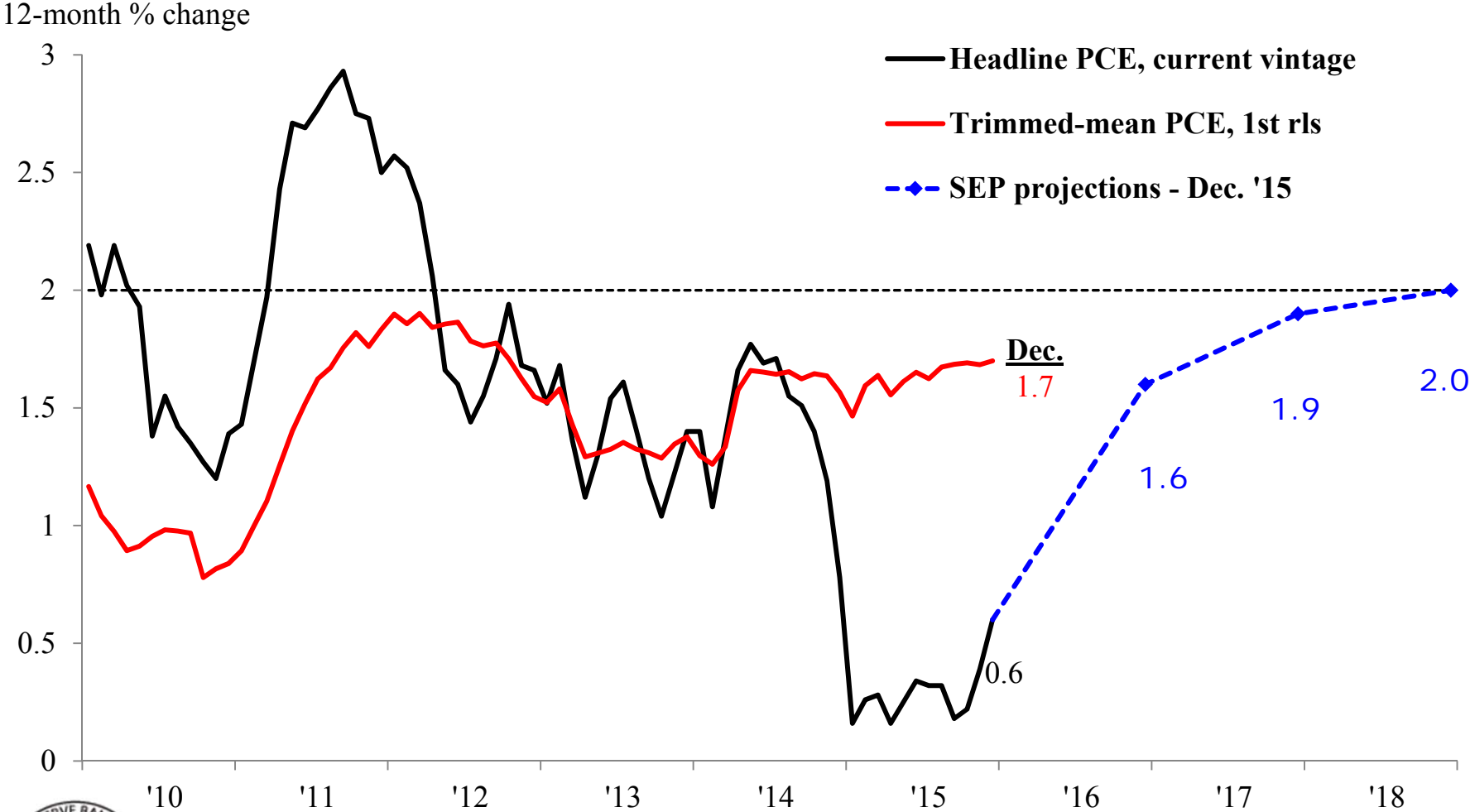
Source: Institute of Supply Management

# Policymakers expect that the unemployment rate will soon fall below its long-run sustainable level

3-month MA, percent



# Headline inflation is lower than desired, but policymakers don't expect the shortfall to last



# New Mexico Economic Update



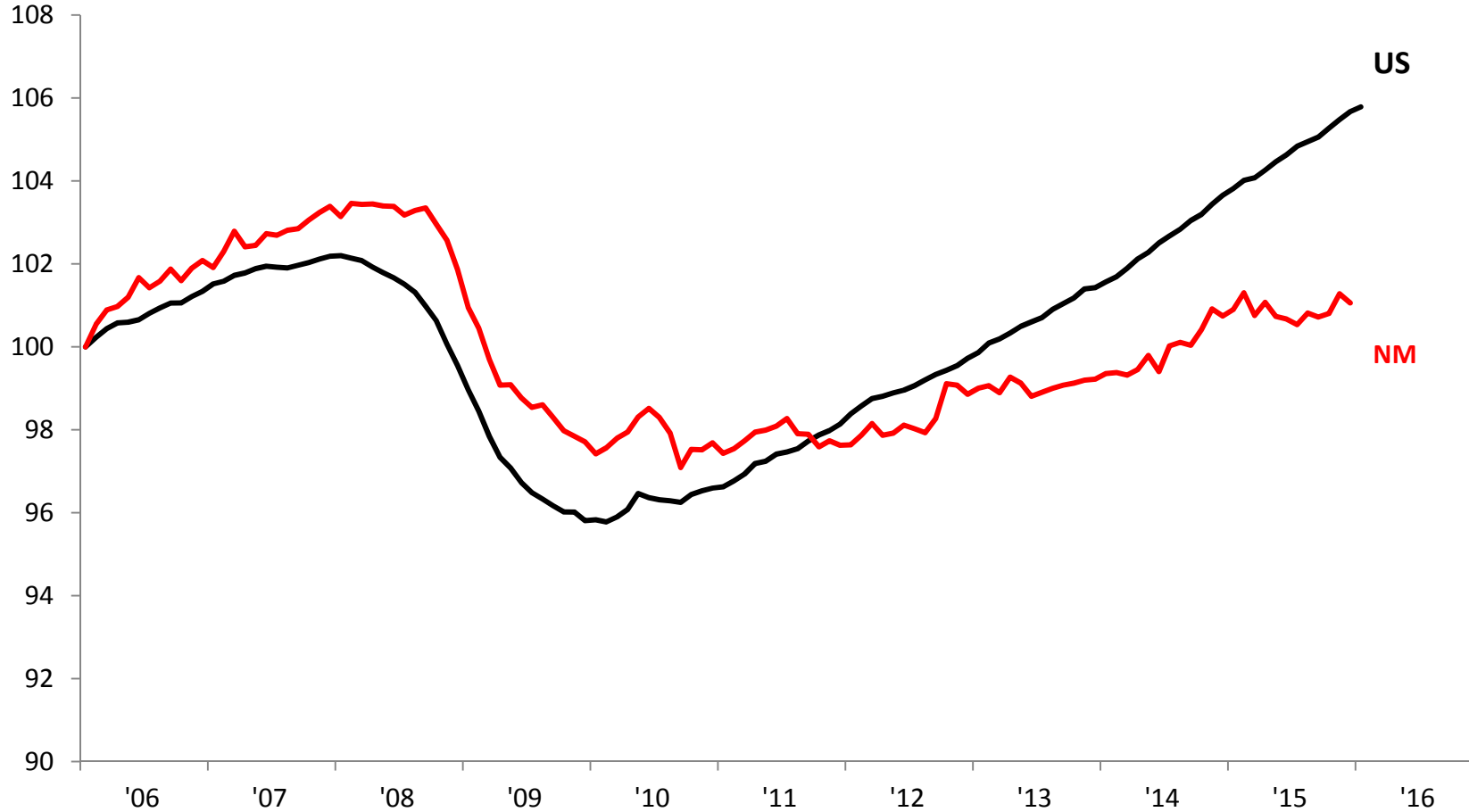
# NM Economy Has Grown Below Trend and Slower than Most States

- Growth in New Mexico has trailed the U.S.
  - Federal government has been weak since 2011
- In 2014-2015, low oil prices and the strong dollar pulled down commodity production and exports
- Weaknesses in construction and slow growth in government will continue to be a drag on the New Mexico economy. Health care may be a source of strength.



# New Mexico's recovery has slowed

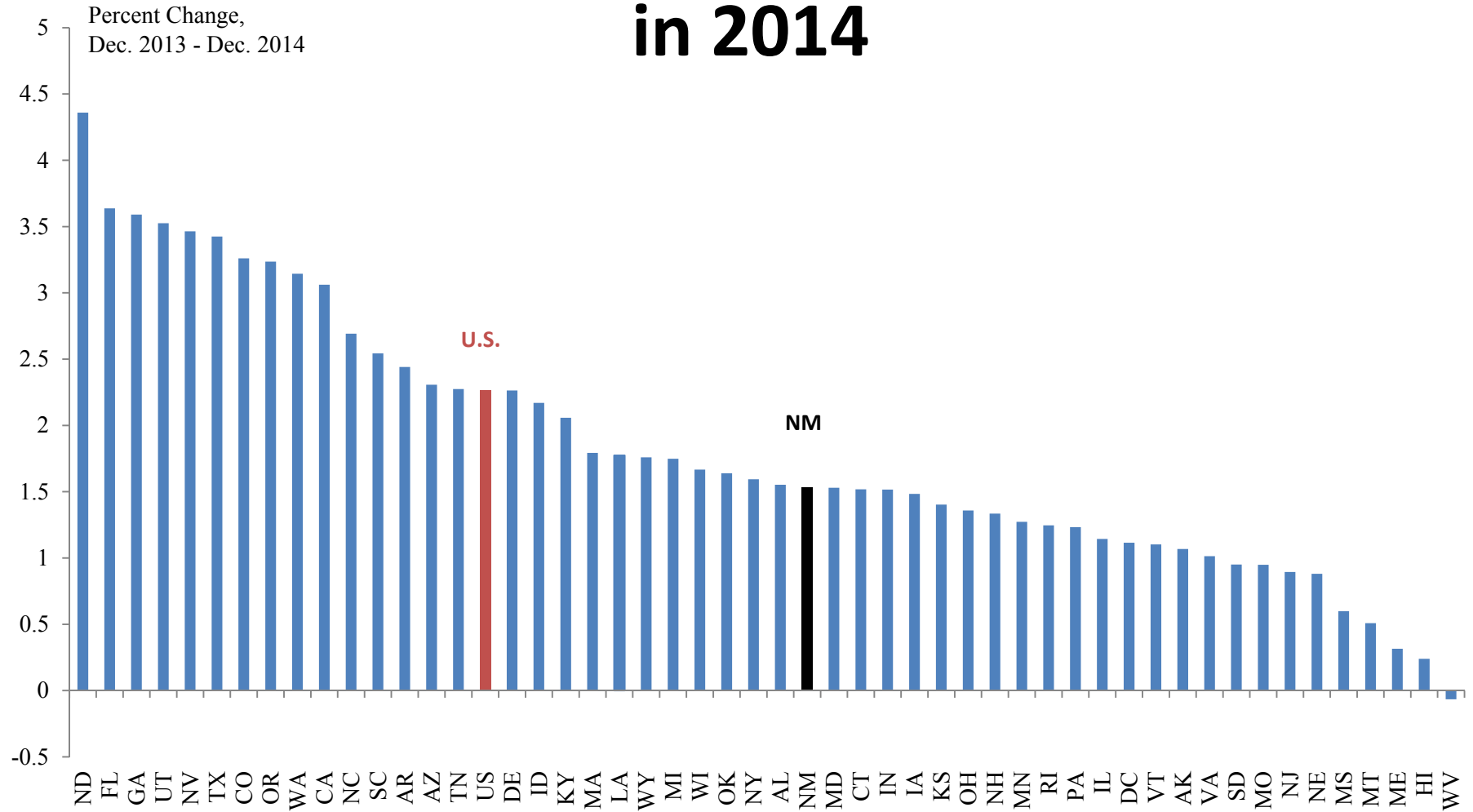
Non-farm employment, Jan-2006=100, SA



Source: Bureau of Labor Statistics



# New Mexico Ranked 27th in Job Growth in 2014

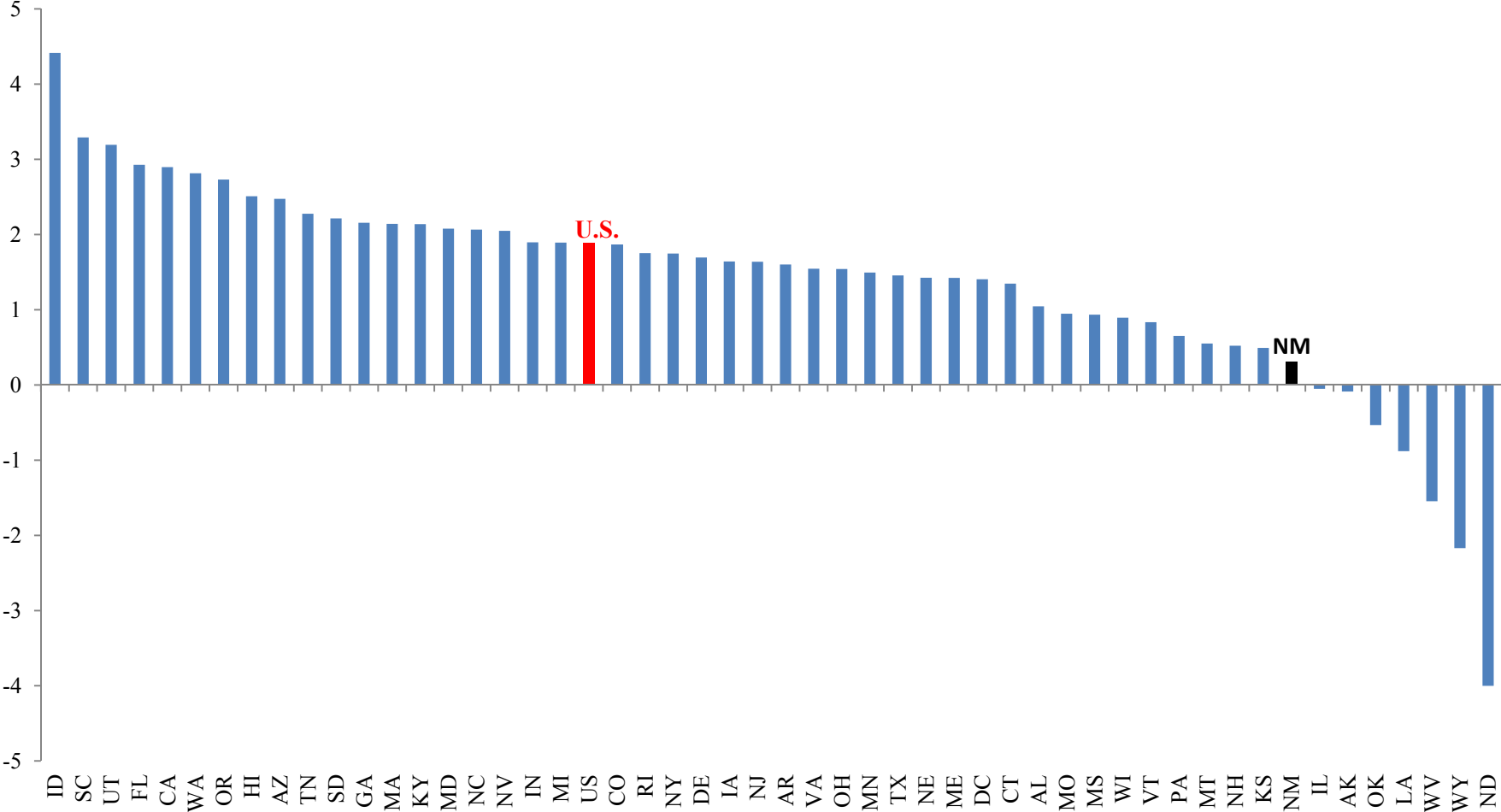


Source: Bureau of Labor Statistics



# Ranked 44th in 2015, Though Above Many Energy States

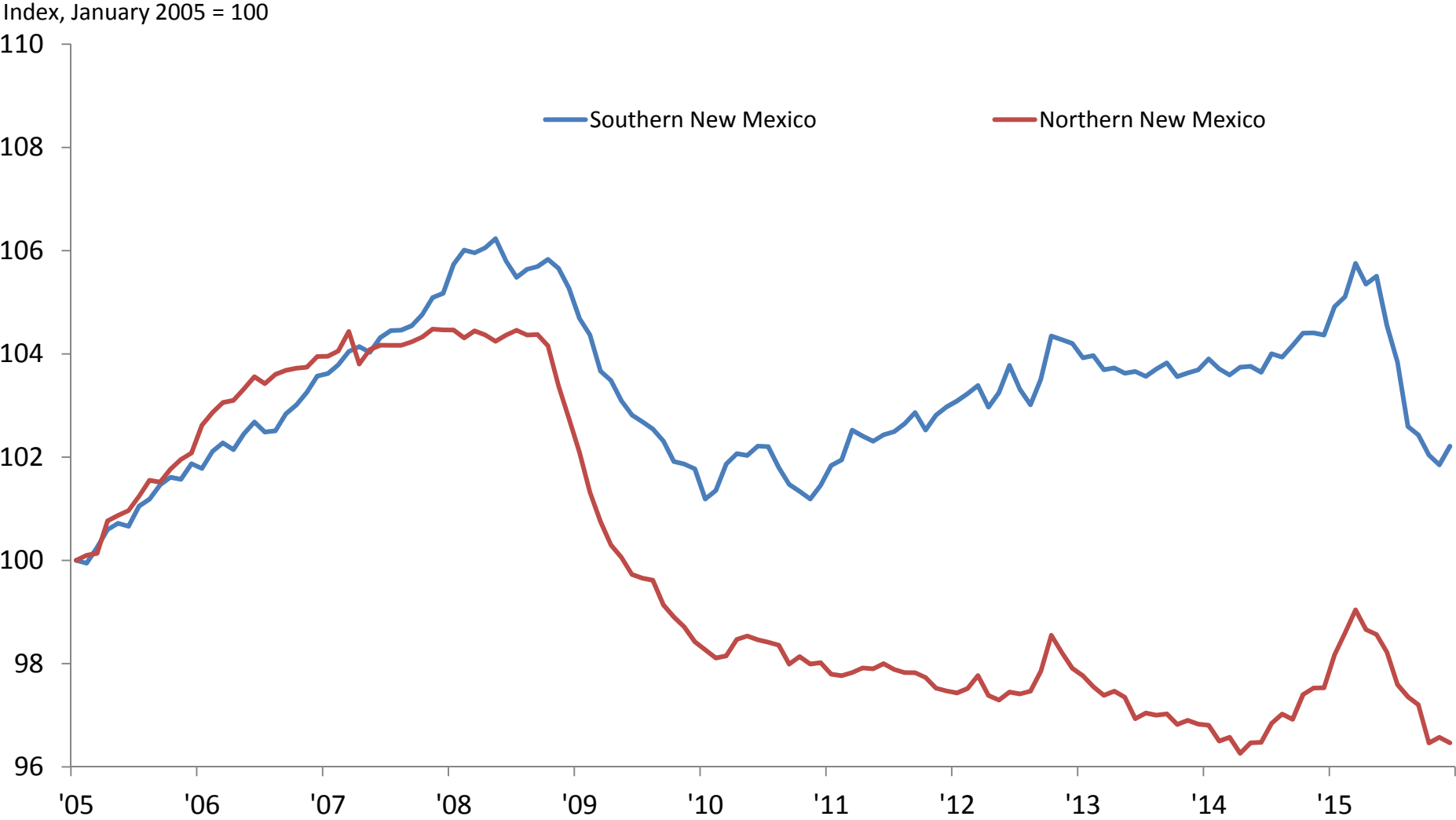
Percent Change,  
Dec. 2014 - Dec. 2015



Source: Bureau of Labor Statistics



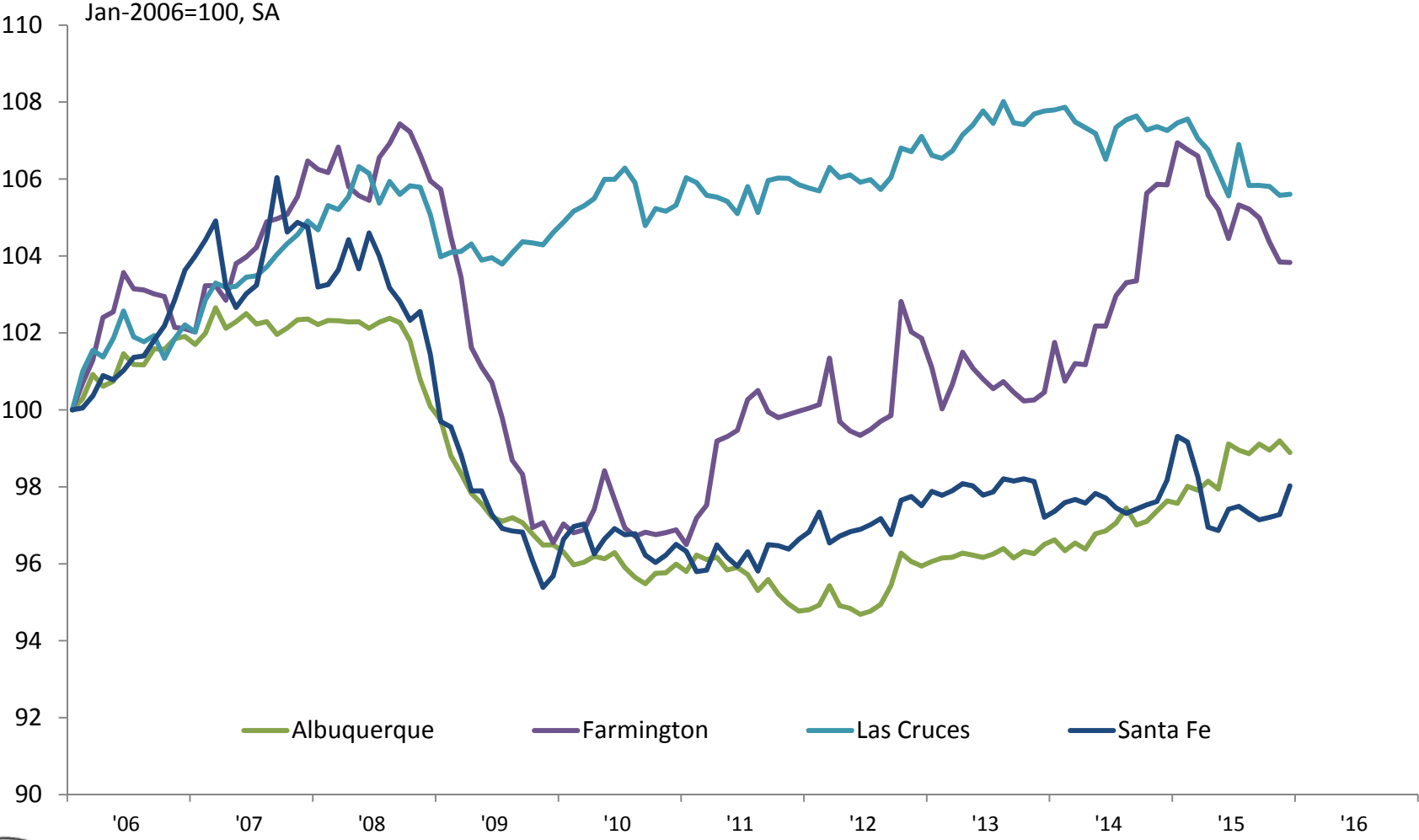
# A Dichotomy in New Mexico's Labor Market



Source: Bureau of Labor Statistics, retrend by FRB Dallas



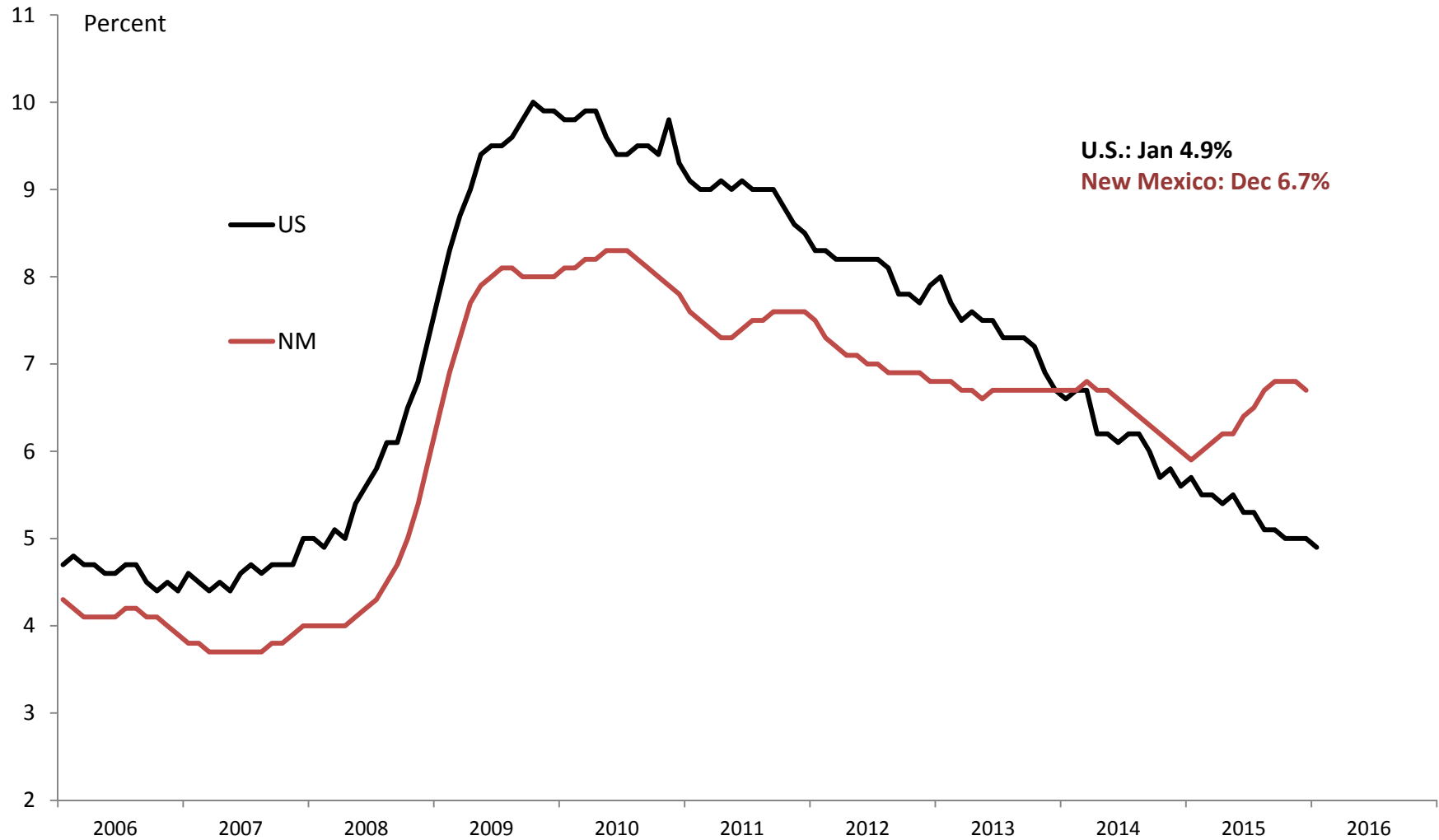
# Metro area employment has stalled



Source: Bureau of Labor Statistics



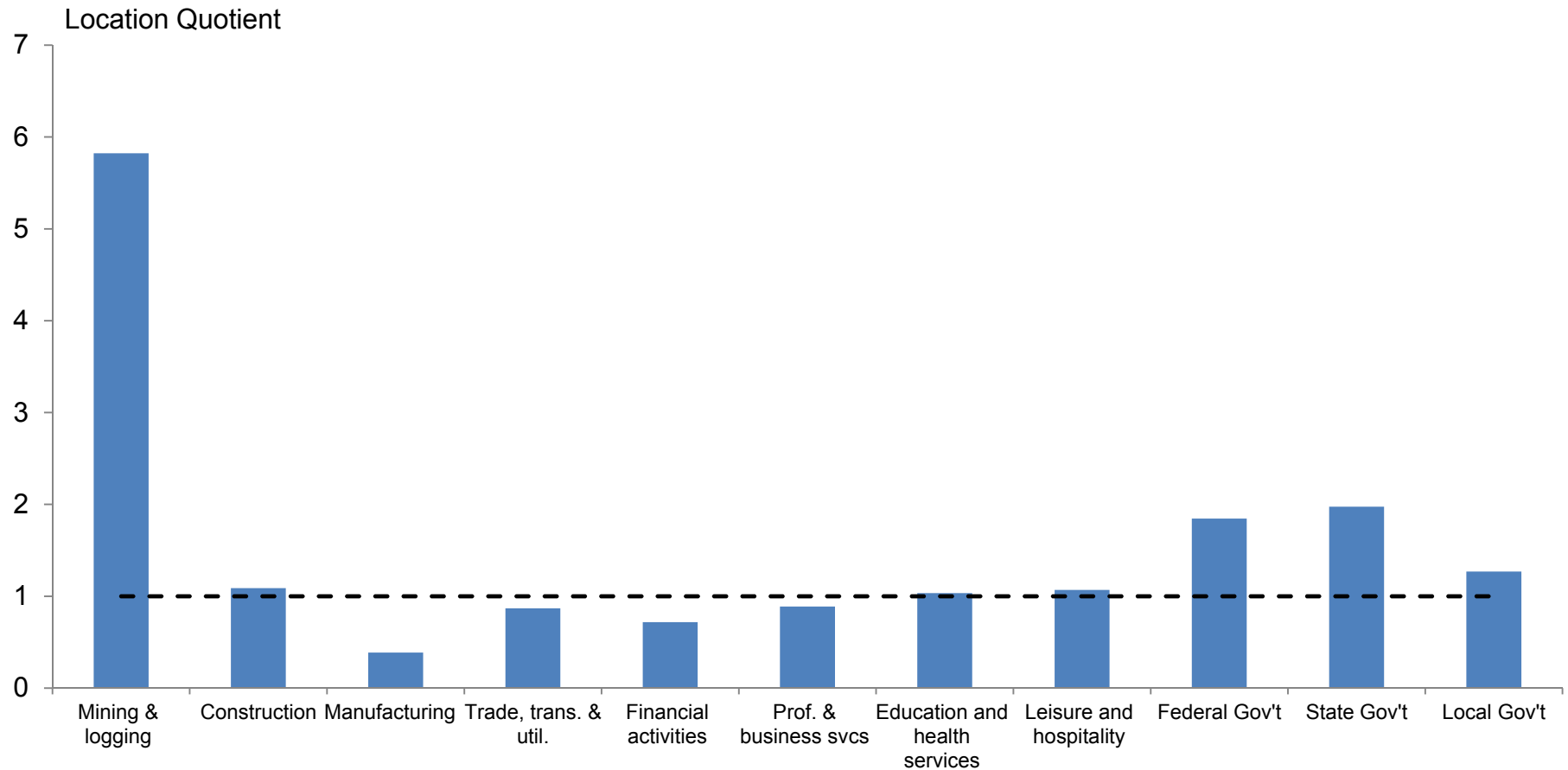
# New Mexico Unemployment Ticked Up in 2015



Source: Bureau of Labor Statistics



# Share of NM Jobs in Energy, Government Much Higher than National Average

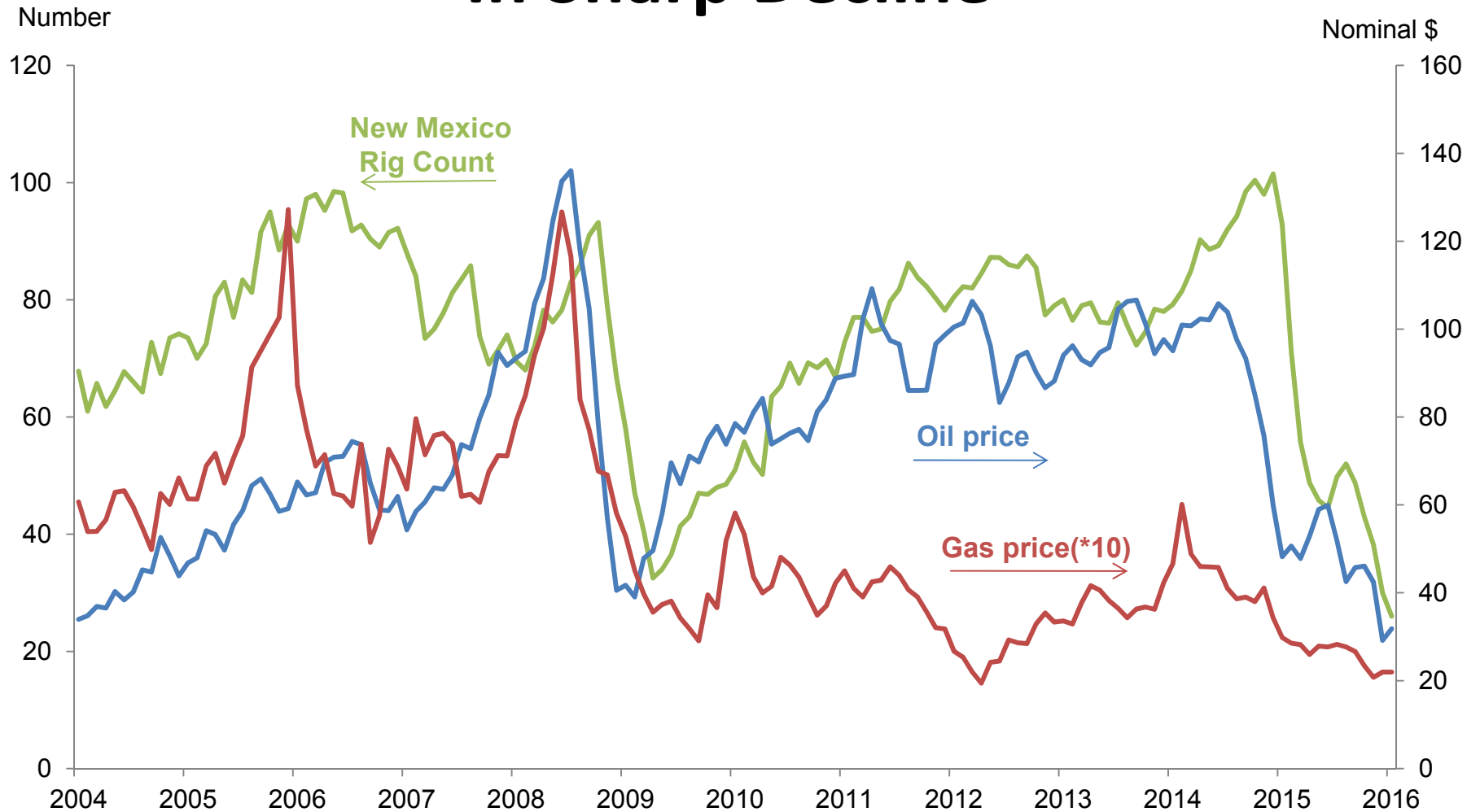


Note: Data from Dec 2015; location quotients measure the ratio of employment share locally to employment share nationally. A value of 1 represents an equivalent share of jobs locally to the national average.

Source: Bureau of Labor Statistics.



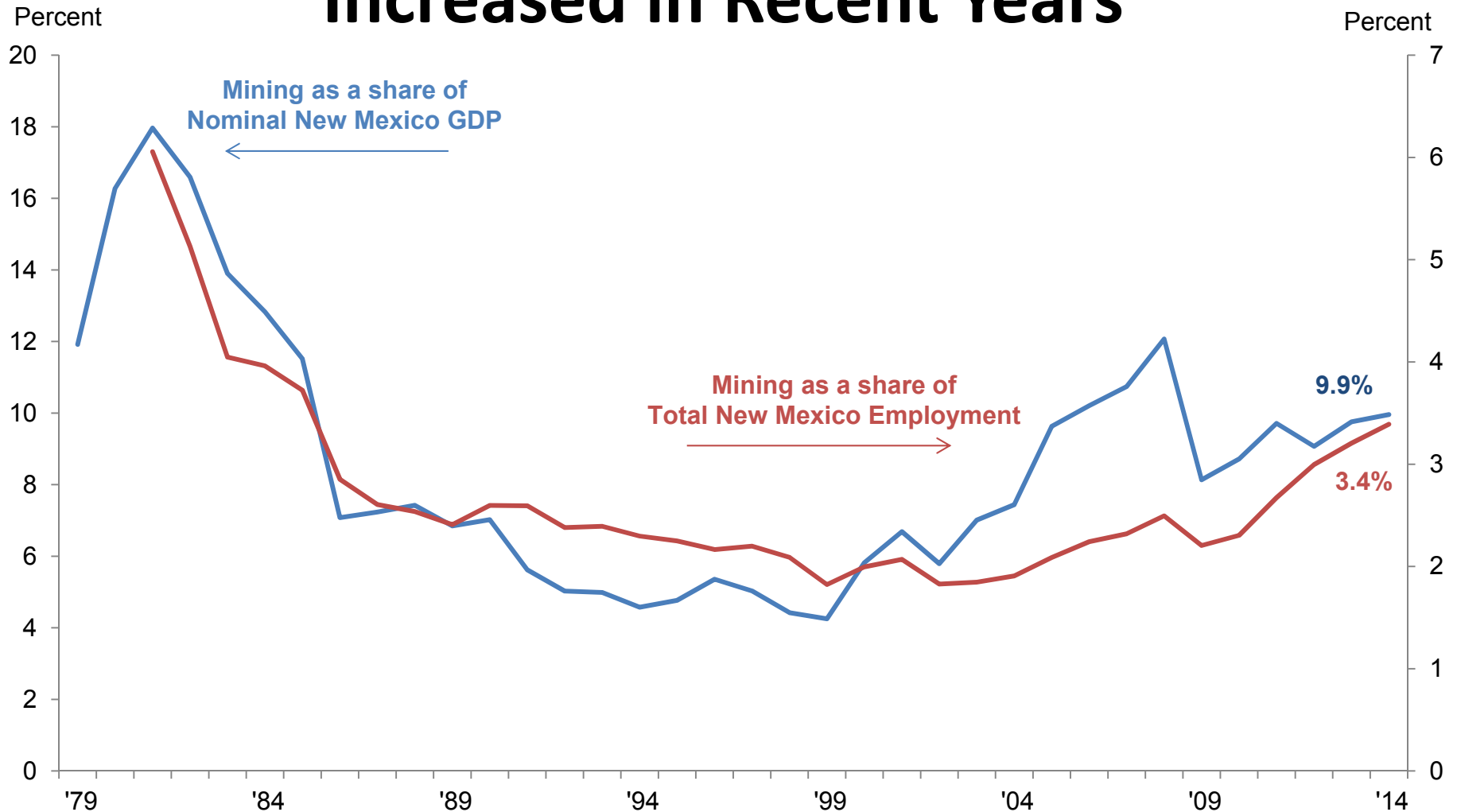
# Oil Prices Low, Drilling Rig Count In Sharp Decline



Source: Oil and Gas Journal, Baker Hughes



# Energy's Share of NM Economy Increased in Recent Years



Note: Values prior to 1997 extrapolated from SIC coded data. Employment data was only available back to 1981.  
Source: Bureau of Labor Statistics, Bureau of Economic Analysis.



# Oil price impact on the New Mexico economy

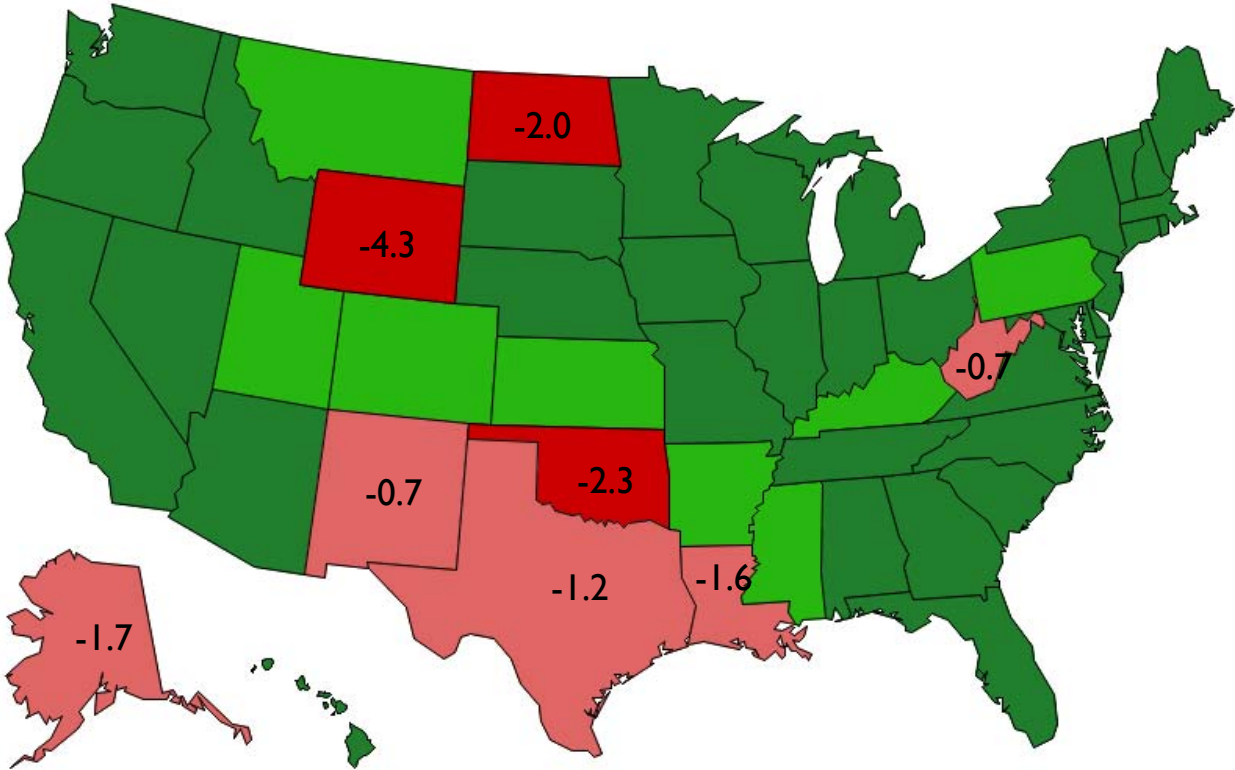
- Oil price declines hurt New Mexico
  - In New Mexico, oil price decline benefits:
    - consumers, refiners, petrochemical producers
  - Oil price decline hurts:
    - oil producers and all industries that benefitted from the oil boom
- State severance taxes will decline



SOURCE: FRB Dallas, Director of Research, Mine Yucel

# Low oil prices benefit most states

(Effect of a 50% decline in oil prices on employment)



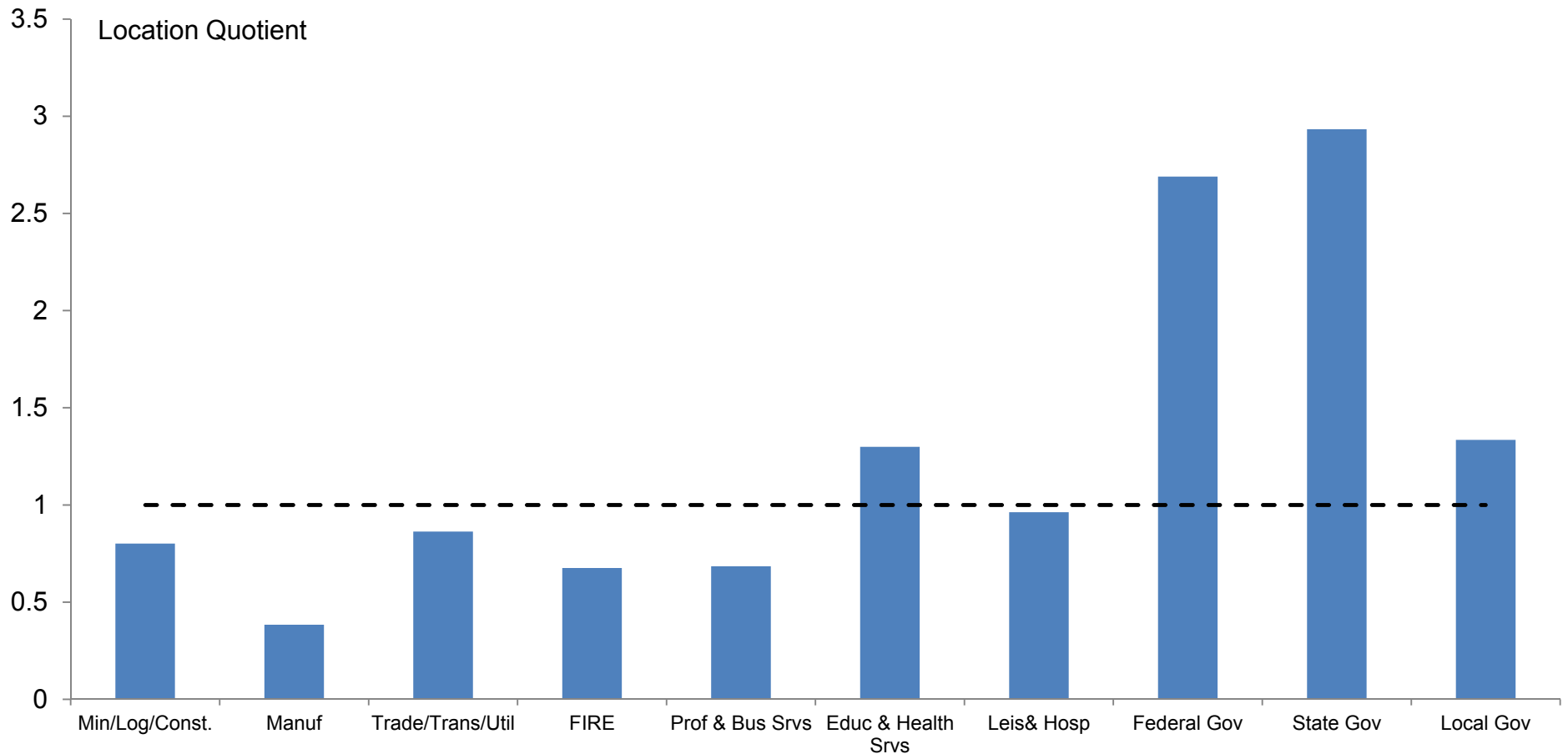
Percent change in total employment    ■ <math><-2</math>    ■ -2 to 0    ■ 0 to 1    ■ >1

SOURCE: Brown, Stephen P.A., and Yucel, Mine. "The Shale Gas and Tight Oil Boom: U.S. States' Economic Gains and Vulnerabilities," Council of Foreign Relations. October 2013





# Las Cruces employment focused on government, education



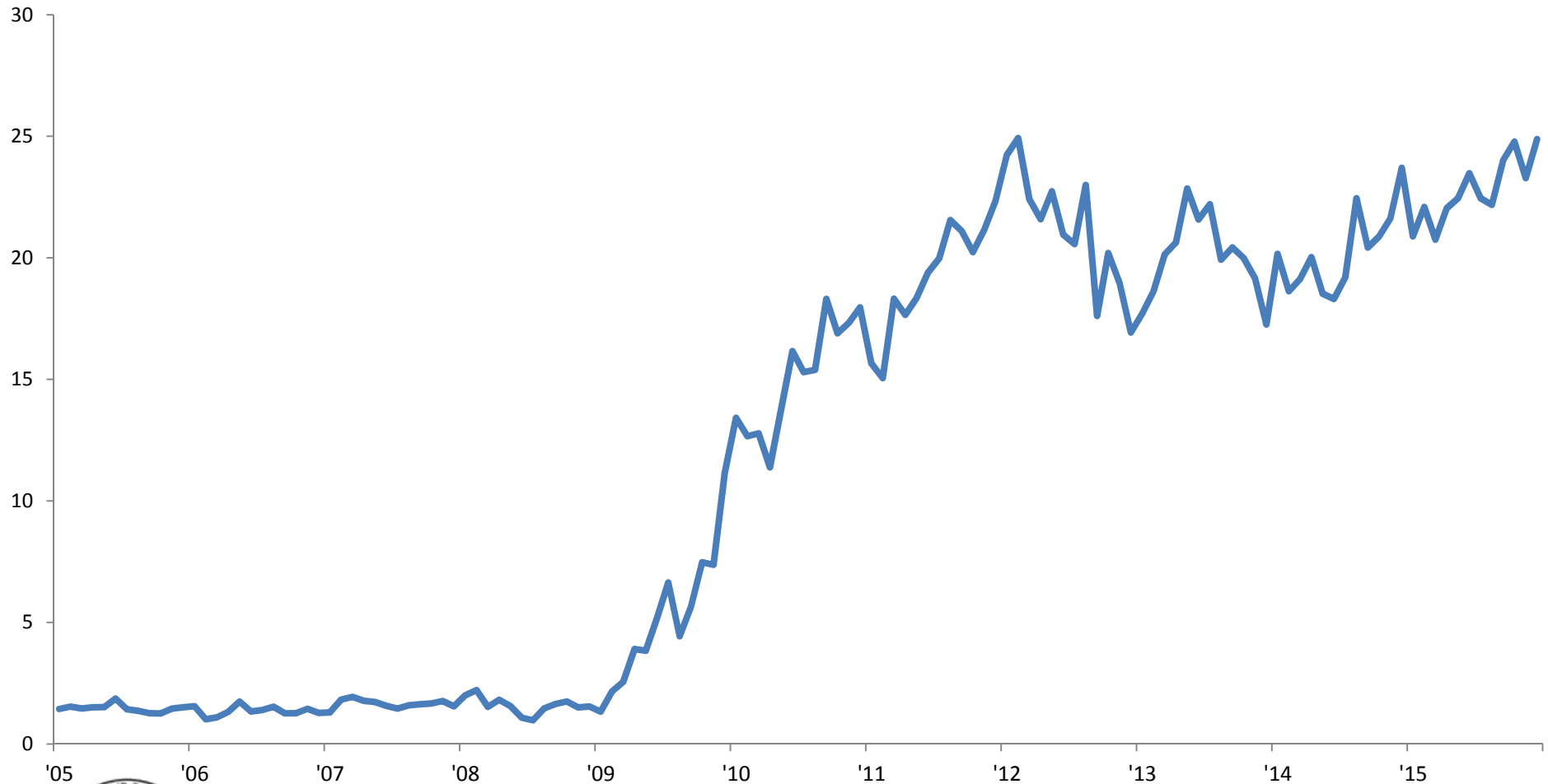
Note: Data from Dec 2015; location quotients measure the ratio of employment share locally to employment share nationally. A value of 1 represents an equivalent share of jobs locally to the national average.

Source: Bureau of Labor Statistics.



# A Rising Star in New Mexico: Santa Teresa

Santa Teresa Port of Entry Real Total Trade (Billions of 2015 dollars)



Source: Foreign Trade Division/Census Bureau/Haver Analytics

# Concluding Remarks

- U.S. economy continues to grow at moderate pace, with some signs of slowing down
- The labor market continues to improve
- The consumer is propelling the U.S. economy
- Dichotomy in U.S. growth: services vs manufacturing



# Concluding Remarks

- New Mexico's recovery continues to struggle to gain momentum
- Two-speed recovery: Southern NM has slowed but still outperforming Northern NM
- Global economy continues to pose significant risk to NM economy given its strong dependence on energy and commodity exports
- Government budget cuts pose significant risk





# Research Publications

*Southwest Economy* can help keep you current with agriculture, banking, energy, high technology, manufacturing and international trade in the region.

Economic Indicators provide a quick snapshot of current economic conditions in Southern New Mexico, the U.S.

Available on the Dallas Fed website at:  
<http://www.dallasfed.org/research/indicators/index.cfm>

<http://www.dallasfed.org/research/update/us/index.cfm>

<http://www.dallasfed.org/research/swe/index.cfm>



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For more information visit  
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